

# WEEKLY COMMENTARY

## 13.06.2022

Last week (6-12.06.2022) brought a comeback of **declines in equity markets**. The MSCI ACWI (All Country World Index) global stock index was down by 4.4%. The US S&P500 lost 5.1% and the technology NASDAQ Composite dropped by 5.6%. European equities also declined (Euro Stoxx 50 by -4.9%). The negative investor sentiment was due to persistent concerns about **high inflation** and **the potential for economic growth and corporate profits** in the face of interest rate hikes. Sentiment also deteriorated after **Shanghai** announced it **would close a district for coronavirus testing**, marking the first major restriction on mobility since they were lifted in the city earlier this month.

**The European Central Bank** was more "hawkish" than expected at its latest meeting. The ECB decided **to end its asset purchase programme** on 1 July and signalled **a first rate hike of 25bp in July**, while hinting at the possibility of a larger rate hike in September if the inflation outlook persists or deteriorates. The ECB also **raised its 2022 inflation forecast** from 5.1% to 6.8% and expects it **to fall to 3.5% in 2023 and 2.1% in 2024**. The **US inflation** print was also an important publication last week. The consumer price index (CPI) amounted to 8.6% y/y (+1% m/m), reaching its **highest level since 1982**. Against this background, further monetary policy tightening by the Fed seems inevitable.

In Poland, the broad market index WIG fell by 4.5%. The worst performing index was the large-cap WIG20 (-5.2%). The smaller (sWIG80 -2.7%) and medium-sized (mWIG40 -3.9%) companies performed relatively better. Last week the **Monetary Policy Council raised interest rates by 75 bps** to 6%, as expected. However, the tone of the conference after the decision was surprisingly "dovish". **The President of the National Bank of Poland**, Adam Glapiński, suggested that the **interest rate hike cycle is closer to the end than the beginning**, which **weakened the Polish currency**. Moreover, last week the Polish parliament passed **a bill to help borrowers**, including the proposed universal credit holidays. At the current level of the WIBOR rate, the maximum one-off accounting cost of this one solution for the banking sector is estimated at around PLN 20 billion.

Last week, the **bond market** also suffered **a repricing**. In the USA, the yield on 10-year treasury bonds rose to 3.16% (+22 bps). In Poland, in turn, the yield on 10-year treasuries exceeded 7.15% after rising by 51 bps. The risk-off stance in equity markets and the increase in government bond yields also caused the **high-yield corporate bond indices to fall**. The EUR-denominated index dropped by over 1.5% and the USD by over 2.4% on a weekly basis. On the commodities market, **oil** continued to **rise** for the week (WTI +1.5%), fuelling concerns about inflation and central banks' actions to limit it. At the other end of the spectrum was **copper**, with prices **falling around 3%** in recent days.

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