WEEKLY COMMENTARY
20.06.2022

Santander
Fundusze Inwestycyjne

Last week (13-19.06.2022) was one of the **worst for equity markets in 2 years**. It can be said that there was a capitulation of the buying side, which allowed for a successive and quite strong push of the indices down. After **higher than expected inflation readings in the USA**, markets shifted their expectations for the pace and scale of monetary policy tightening. A strong signal came from the Fed, **which raised interest rates by 0.75 bps**. Additionally, quite unexpectedly, **the Swiss National Bank increased interest rates by 0.5 bps** to -0.25%. Another **hike was made by the Bank of England, by 0.25 bps**, to 1.25%. The stock markets received a clear signal that the **fight against high inflation is the primary goal for central banks** and further decisive moves in this regard should be expected **at the expense of the economic slowdown**. As a result, yields on 10-year bonds rose sharply, reaching 3.5% in the US. German yields surpassed 1.75% (at the beginning of the year they were still at 0%), and Italian yields reached 4%. As a consequence of such rapid changes in yields the ECB called an extraordinary meeting. The creation of a special tool to counter spread widening for peripheral bonds was announced (e.g. Italy, Greece), which helped to **cool down the situation in bond markets to some extent.**

Stock markets ended the week firmly lower. The scale of declines overseas was comparable to Europe. The S&P 500 fell by 5.8%, the Nasdaq by almost 4.8%, and the German Dax by 4.6%. For the first time in many weeks, **companies in the technology sector behaved better relative to the broad market**, particularly after Friday's strong session. Looking at the volumes, especially on Friday, we can see that investors are slowly trying to take long positions in the heavily discounted environment (the Fear & Greed index is at its lows, and there are many open positions playing on falling indices).

In Poland, the scale of falls accelerated following the global attitude of investors. The broad market index fell by 3.1%. Relatively better behaved index WIG20, which fell by 2.8%. The small-cap index sWIG80 performed better than the mid-cap index: it fell by 3.6%, and mWIG40 by 4.4%. **The best performing stocks were those from the energy sector**, reflecting the good market environment. In particular, this was supported by high electricity prices in relation to generation costs, accelerating investments in renewable energy and the first moves by the Ministry of State Assets to spin off coal assets and create NABE (National Energy Security Agency). **Banks closed the week quite decently** as they tried to catch their balance after a very large June discount. It is worth to note that this sector is already 35% under the bar since the beginning of the year. **The worst-performing sectors were food and clothing and utilities**, which, after successive interest rate hikes and persistently high inflation, have suffered from ever-worsening consumer disposable income. Yields on Poland's 10-year Treasury bonds have hit new records and are approaching 8%. The zloty, after strong depreciation at the beginning of the week, consolidated at high levels against the dollar and the euro.

On the commodity markets, oil saw its first major, 9%, decline after rising over 40% since the beginning of the year. Gas rose sharply due to reduced Russian supplies to major customers in Western Europe. **Copper also cheapened**, with "high grade copper" falling more than 6.5% on emerging concerns about economic growth. Gold behaved quite decently relative to risky asset classes - down by 2%.

Tel. 22 431 52 25
Infolinia 801 123 801
Santander.pl/TFI
tfi@santander.pl

The Funds do not guarantee the achievement of a stated investment objective or a specific investment performance and future returns are subject to taxation, which depends on the personal situation of each investor and which may change over time. Before making an investment decision, the participant should consider the fees associated with the sub-fund and take into account the possible taxation of the investment return. The participant must also take into account the possibility of losing at least part of the invested funds.
When investing in mutual funds, the participant purchases the units of those funds and not the underlying assets that the fund itself invests in.

This document may not be copied, quoted or distributed in any way without the prior written permission of Santander TFI S.A. The information contained in this document has been compiled to the best of the authors' knowledge and is obtained from sources believed to be reliable, however the authors do not guarantee its accuracy or completeness. The authors do not accept responsibility for the consequences of investment decisions based on the interpretation of this document.