WEEKLY COMMENTARY 4.07.2022

Santander Fundusze Inwestycyjne

In the past week (27.06-3.07.2022), investors saw a series of **inflation readings from Western economies**.

In Germany, **CPI inflation** in June unexpectedly **fell to 7.6% y/y** against market expectations of 8% and a reading for May of 7.9%. At the same time, it should be noted that the anti-inflation packages introduced in June contributed to the decline. In contrast, CPI inflation readings in **Spain and Belgium** were 10.2% and 9.7% y/y, respectively, and surprised negatively. Also in **France**, the reading of 5.8% y/y, compared to a reading of 5.2% in May and market expectations of 5.7%, confirms the thesis that **inflationary pressures continue to rise in the Eurozone**, and that the positive signal from the German market was only the result of the introduced "Shields." **Overseas**, we saw the **PCE inflation** reading for May. It remained **unchanged** at 6.3%. **Core PCE inflation**, on the other hand, **fell** to 4.7% while remaining at very high levels.

The initial estimate of the level of **CPI inflation for the Polish economy** for June, again **surprised negatively**, beating market expectations. CPI inflation for Poland was 15.6% in June, compared to 13.9% y/y in May.

The end of the week brought **manufacturing PMI** readings from a number of economies. For the German economy, the reading decreased to 52 points from 54.8 points in May. For the eurozone as a whole, meanwhile, it fell to 52.1 points versus 54.6 points in May. In **Poland**, meanwhile, the reading showed a **much stronger deterioration in sentiment**. The manufacturing PMI in June fell to 44.4 points versus 48.5 points in May – it was the lowest reading in 25 months. Also in the **USA**, the **ISM** business climate index for June surprised to the downside with a reading of 53 points versus the expected 55.4 points and a reading of 56.1 points in May.

The mix of the above data prompted investors to price assets for a **possible recession** in many economies **in the coming quarters**. Stocks fell, while government bond prices rose, pricing in a lower interest rate target in this scenario.

Overseas, the **S&P500 index lost** more than 2% and the **Nasdaq** lost more than 4% on a weekly basis. In Europe, Germany's DAX also **lost** more than 2%, as did France's **CAC 40**. Against this backdrop, **Polish equity indices performed relatively well**. The broad market index rose nearly 1% and the WIG20 index of the largest companies rose nearly 0.5%. High-yield corporate bonds lost as a result of the higher risk premium expected by investors in this environment. The U.S. dollar high-yield corporate bond index, as well as the euro, lost nearly 2% on a weekly basis.

Yields on 10-year bonds of most developed economies **fell** (prices rose) by more than 20 basis points. **Polish government bonds** stood out **positively**, with yields falling (prices rose) below the 6.5% level.

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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.
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