

WEEKLY COMMENTARY

11.07.2022

The past week (4-10.07.2022) brought an **improvement in global investment sentiment**. Investors began to expect a slightly slower pace of monetary tightening by the Fed. This resulted in positive returns for equity indices on both sides of the Atlantic.

The S&P500 index rose by nearly 2% and the Nasdaq by 4.5%, on a weekly basis. In Europe, the DAX and CAC40 gained more than 1.5%. **Positive investment sentiment was also noticeable on the Polish trading floor**. The WIG broad market index rose by more than 2% and the index of the largest companies gained more than 3%. Against this background, the segment of Polish small and medium-sized companies looked weaker. The sWIG80 and mWIG40 lost 0.7% and 0.9%, respectively, on a weekly basis.

On the debt market, yields on most 10-year developed country government bonds rose (prices fell), on a weekly basis. In the U.S., 10-year Treasuries moved back above 3%. **Yields on Polish 10-year Treasury securities rose** (price fell) by almost 20 basis points - a move similar to that of analogous Eurozone Treasury securities. **The positive sentiment spread to the corporate bond segment**. The EUR and USD high-yield corporate bond indices gained 1.1% and 1.4%, respectively.

From the macroeconomic data - locally, the **MPC meeting** and the decision on the level of interest rates attracted attention. The Monetary Policy Council decided to **raise the reference rate by 50 basis points, to 6.5%**. This was less than indicated by the consensus among economists, which was for a 75 basis point increase. The release also presented the key results of the NBP's July projection. The middle 50% of the projection's confidence interval indicates an inflation level of 14.3% in 2022, 12.5% in 2023 and 4.1% in 2024. **Economic growth**, meanwhile, is projected at 4.7%, 1.3% and 2.3%, respectively.

The end of the week brought the highly anticipated **labor market data from the USA for June**. Non-farm employment in the United States increased by 372,000 against a consensus of 295,000. Average hourly wages continue to rise at a fast pace of 0.35% m/m. **Stronger-than-expected data could weigh in favor of stronger US rate hikes**.

On the foreign exchange market, we saw a further slide in the EUR/USD exchange rate towards parity. This was not without an impact on the **Polish currency, which lost 20 groszy (4.5%) to the dollar** during the week.

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