

WEEKLY COMMENTARY

22.08.2022

In the past week (15-21.08.2022), investors on both sides of the Atlantic vacillated between an optimistic and pessimistic scenario for the economies. The end of the week brought the victory of the negative scenario, and consequently **negative weekly returns for most equity indices**. The S&P 500 index fell by more than 1% and the Nasdaq by more than 2.5% on a weekly basis. In Europe, DAX and CAC 40 decreased by 1.8% and 0.9%, respectively. Against this backdrop, **Polish equity indices performed negatively**. The WIG broad market index fell by 3% and the WIG20 index of the largest companies by 3.5%. Indices of Polish small and medium-sized companies performed slightly better, with the mWIG40 falling by 2.5% and the sWIG80 by 0.9%.

On the debt market, **yields on most 10-year government bonds of developed countries rose** (prices fell) on a weekly basis. In the U.S., 10-year Treasuries again approached the 3% level, after rising by more than 10 basis points. In Europe, German 10-year bonds ended the week with a yield of 1.23% after rising by 25 basis points. **Debt of southern eurozone countries reacted stronger**. In Italy and Greece 10-year yields rose by more than 40 basis points. **The local debt market also stood out negatively**: Polish 10-year bonds ended the week with yields close to 6% after rising by 63 basis points. **Negative sentiment in the markets did not omit corporate debt**. On a weekly basis EUR and USD high-yield corporate bond indexes fell by 1% and 1.2%, respectively.

Locally, investors received quite a bit of **macroeconomic data on inflation**. Core inflation rose to 9.3% y/y against a reading of 9.1% in June and exceeded the 9.2% forecast. The final CPI inflation reading of 15.6% for July came as a negative surprise against a flash reading of 15.5%. Conversely, the HICP inflation reading for July kept unchanged month-on-month at 14.2% y/y. On the other hand, a positive surprise in terms of data from the Polish economy was the **current account balance** for June which indicated a deficit of EUR 1.5 billion against market forecasts of EUR 2.5 billion deficit. **Industrial production data for July were close to market consensus**. An increase of 7.6% y/y against market expectations of 7.8% still gives hope for a soft landing for the Polish economy.

However, the most important news of the past week was the **GDP growth reading for the second quarter of this year**. Growth of 5.3% y/y was significantly lower than the market consensus, which assumed growth of around 6%. Seasonally adjusted GDP fell by 2.3% q/q compared to growth of 2.5% in the first quarter of this year.

Overseas, **the release of the minutes from the Fed's last meeting attracted attention**. The description of the discussion was initially **viewed by the market as a chance for a smaller scale of interest rate hikes**. However, further statements by FOMC members effectively cooled these hopes. The result was a **strengthening of the dollar**, which again approached parity against the euro.

This document is presented for marketing purposes and does not constitute an agreement or an information document required by law. It should not be relied upon as the sole basis for making investment decisions.

The net asset value of some sub-funds of the Santander Funds is highly volatile due to the composition of the investment portfolio. Some sub-funds may invest more than 35% of their assets in securities issued, guaranteed or underwritten by the State Treasury or the National Bank of Poland.

The rewards of investing in shares are also accompanied by risks. A description of the risk factors, financial data and information about fees and charges can be found in the prospectuses, key information documents (KIIDs) and schedules of fees and charges available in Polish at [Santander.pl/TFI/documents](https://www.santander.pl/TFI/documents) and at Santander fund distributors. For a summary of investors' rights, see the prospectus (Chapter III, sec. 4).

WEEKLY COMMENTARY

22.08.2022

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.

2022 © Santander Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna. All rights reserved. Santander name and flame logo are registered trademarks.