

WEEKLY COMMENTARY

5.09.2022

A week of declines (29.08-4.09) in the markets is behind us. Investors' sentiment was deteriorated by hawkish rhetoric from the Fed and a confirmed in Jackson Hole **determination to bring inflation under control**. In the US, S&P 500 declined by 3.3% on a weekly basis, while the technology Nasdaq Composite performed even weaker (-4.2%). We also saw falls in Europe (Euro Stoxx 50 -1.65%). Against this backdrop, **the Polish stock market performed very negatively**. The broad market index WIG lost 5%. Domestic blue chips, as measured by the WIG20 index, performed the weakest (-6.1%). Medium-sized (mWIG40 -2.5%) and small companies (sWIG80 -3.6%) posted relatively better results.

Within the core debt markets, yields on 10-year government bonds rose (prices fell) last week. In the US, 10-year Treasuries ended the week at 3.2%, after rising 17 basis points. German 10-year bonds ended the week with a yield of 1.52% after rising 13 basis points. **The local debt market stood out positively against this background**. The yield on 10-year government bonds in Poland fell by 24 basis points, returning to the range of 6%. **The negative sentiment in the markets did not omit corporate debt**. EUR and USD high-yield corporate bond indices fell by 1.6% and 1.8% respectively on a weekly basis. Commodity prices also declined (copper by -6.1%, WTI oil by -6.65%).

On Friday, **in the US the key data for investors regarding the American labour market were published**. The unemployment rate stood at 3.7% in August, compared to 3.5% in the previous month. On the other hand, non-farm payroll employment rose stronger than forecast, by 315 thousand. These figures are an important argument for the Fed in discussing the scale of the subsequent rate hike. Moreover, in the US, the ISM industrial index **remained unchanged** in August (52.8 points). In the euro area, by contrast, the final PMI publications for August showed a **slight decline** (49.6 from 49.7 points). **HICP inflation in the euro area accelerated to another record high** (9.1%), providing an argument for an interest rate hike at the forthcoming meeting.

In Poland, the Central Statistical Office (GUS) published the flash CPI inflation figure for August. It amounted to 16.1% and was higher than analysts' expectations, who assumed a decrease in inflation compared to the level recorded in July (15.6%). At the same time, GDP growth in Q2'22 was 5.5% y/y, down by 2.1% q/q. **The government has also approved the draft budget for 2023**, where the deficit is expected to be no more than PLN 65 billion, assuming GDP growth of 1.7% y/y and average annual inflation of 9.8%. **The manufacturing PMI in Poland fell in August** to 40.9 points from 42.1 points. It can therefore be seen that **sentiment is weakening** in the face of the coming slowdown and uncertainty arising from high energy prices. Production and new orders have fallen, while companies have reduced inventories. There can therefore be no doubt that the **economy is cooling and that GDP growth will decline**.

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).

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

WEEKLY COMMENTARY

5.09.2022

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.

