

WEEKLY COMMENTARY

29.08.2022

Last week (22-28.08.2022) was marked by **Jerome Powell's speech in Jackson Hole** on Friday. From the beginning of the week, markets were positioning for potential hawkish statements from the Fed chairman regarding the fight against inflation. As a result, throughout the week **bond yields rose, the dollar strengthened against other currencies and equity markets declined**. Last week the **GDP data for Q2 in the US** was also reported, and the figures **exceeded expectations**. Annualised GDP in the US fell by 0.6% against an expected decline of 0.8%. **In Germany**, Q2 GDP also **surprised positively**, with the economic slowdown proving weaker than expected. The GDP for Q2 grew by 1.8% against an expected growth of 1.5%. **In the US, the PMIs for August were below expectations**. While there was a somewhat small difference in the manufacturing, managers expect a significant downturn within services, reflected in a reading of 44.1 vs. an expectation of 49.1. **In the Eurozone, the PMIs for August were slightly positive**, with deterioration seen in services and stabilisation in manufacturing.

During Friday's speech, the Fed chairman did not surprise with anything new, indicating that **restoring price stability** will probably require **maintaining a restrictive policy for a longer period of time** and we should not expect the Fed's so-called 'pivot' on monetary policy in the near future, which investors had expected given the summer rally in equity markets. **Investors perceived Jerome Powell's statements unequivocally negatively**, which was reflected in an outright panic **sell-off in the risky asset class** - equities. As a result, equity indices have discounted sharply, falling about 4% as of the line. The S&P 500 decreased by 4%, the tech Nasdaq by 4.4%, and the Dax by 4.2%

Yields on 10-year bonds rose. In the US, slightly, by 5 basis points, while the 2-year by around 15 basis points, widening the spread of the 2-year relative to the 10-year by 35 basis points. In Germany, 10-year bond yields rose by 15 basis points.

In Poland, we did not have a lot of new data from the economy. The **labour market figures** were published, which continue to show a **strong corporate picture**. The unemployment rate remained at the previous month's level of 4.9%. **Equity markets in Poland** followed the global indices and **ended the week with solid declines**. The WIG fell by 3.9%. Smaller-cap companies performed better relative to the WIG20. The sWIG80 fell by 2.2%, while the mWIG40 and WIG20 lost 4% and 4.2% respectively. Yields on 10-year bonds rose by almost 29 basis points, breaking through the 6% level again to 6.24%.

On the commodity market, **copper gained** steadily after recent declines in June and July. It finished the week with increases of around 1%. Prices were supported by news from China, which is now launching measures economic stimulation and lowering interest rates to improve the condition of the economy and the real estate sector in particular. **Brent and WTI oil gained** 5% and 2.5% respectively. **There were no major movements in gold**. Investors paid 0.6% less per ounce of gold.

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