

# WEEKLY COMMENTARY

## 12.09.2022

Last week (5-11.09.2022), the Monetary Policy Council (RPP) decided **to raise interest rates in Poland by 25 basis points**, to 6.75%. This was another in a series of hikes, but according to the expectations of some council members, we are now in **the final phase of monetary policy tightening**. Also during the **European Central Bank's** Governing Council meeting, it was decided **to raise interest rates by 75 basis points**, which was in line with market expectations and implies a current central bank borrowing rate of 1.5% and a deposit rate of 0.75%. This was the ECB's second hike this year and market consensus, following comments from bank officials, expects a continuation of this activity. In its quarterly revision of macroeconomic expectations, the **ECB raised its forecast for Eurozone GDP growth in 2022 to 3.1%** from 2.8% in its previous forecast. However, the expected **GDP growth rate for the following years** has been reduced. This is now projected by the ECB as **0.9% growth in 2023 and 1.9% growth in 2024**. The European Union is also working on measures to mitigate the ongoing energy crisis and, according to the latest reports, **there are plans to impose a maximum price applicable to the sale of electricity**.

**Equity markets in the United States were recovering** in recent days from the **previous weeks' losses**. The S&P 500 Index was up by 3.6% in the past week and the Nasdaq Composite gained 4.1%. Japan's Nikkei 225 rose by 2.0% and Germany's DAX increased marginally by 0.3%. **The domestic equity market started the week with declines**, but in the **second half of the week there was a strong rebound** in prices and eventually the WIG index recorded a weekly increase of 2.1% and the WIG20 gained 1.9%.

The **Polish treasury bond market reacted slightly to the RPP's decision**, as yields on 10-year government bonds **fell by 2 basis points**, to 6.00% (a fall in yields is equivalent to a rise in bond prices). **In the US and German markets, yields on 10-year treasury bonds rose**, with the yield on US paper increasing by 13 basis points, to 3.32%, and the yield on German paper moving up by 17 basis points, to 1.69%. **Optimism prevailed in the corporate debt market**. The EUR-denominated high-yield bond index rose by 0.4% and the comparable USD-denominated index strengthened by 1.4% last week.

**In the commodities market**, Brent oil futures fell by 0.5% to \$92.84. Copper futures rose by 4.5%, while coal futures listed on the Rotterdam exchange declined by 11.3%.

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