

WEEKLY COMMENTARY

26.09.2022

In the past week (19-25.09.2022), **rising geopolitical risks**, related to the mobilization of reservists announced in Russia, as well as **strongly hawkish statements by Fed officials** after Wednesday's meeting, determined a **significant increase in risk aversion** among investors on both sides of the Atlantic. The S&P 500 index fell by 4.65% and the Nasdaq by more than 5.1% on a weekly basis. In Europe, the DAX and the CAC40 lost 3.6% and 4.8%, respectively.

Against this backdrop, Polish equity indices performed slightly better. The WIG broad market index declined by 2.6% and the WIG20 index of the largest companies by almost 3%. **The discounting did not omit medium and small companies.** The sWIG80 and mWIG40 fell by 1.4% and 2.6%, respectively, on a weekly basis. A positive exception was the stock of Polish game developer **CD Projekt**, whose **shares gained nearly 2% on a weekly basis** in response to a renaissance of interest in the Cyberpunk 2077 game.

The debt market, in reaction to further monetary tightening by most central banks, **showed continued weakness.** On a weekly basis, yields on most 10-year government bonds of developed countries rose (prices fell). The Polish 10-years did not stand out here, their yields rose (price fell) by almost 30 basis points.

Increased risk aversion has not skipped the corporate debt segment. The EUR and USD high-yield corporate bond indices fell by 1.3% and 1.7%, respectively.

From the macroeconomic data, locally, **investors received a sizable dose of information on the condition of the Polish economy.** Retail sales in August rose by 4.2% y/y, significantly beating market expectations of a 3.3% increase. **Industrial production data for August were also better than expectations.** It rose by 10.9% y/y against a consensus of 10.1%. **Construction and assembly production data looked surprisingly good**, rising 6.1% in August, against expectations of 4.3%.

Data from the Polish labor market **indicated a 2.4% increase in average employment in August, in line with expectations.** However, the reading of average wages in the business sector was slightly disappointing. It rose by 12.7% against the expected 13.9%.

Globally, investors' attention was attracted **by the Fed meeting, which decided to raise rates by another 75 basis points, as expected.** What surprised, however, was the hawkish tone of the statement and the higher-than-market-expected implied level of rates in the coming quarters.

The end of the week brought preliminary readings of Eurozone PMI indices for September. The reading for manufacturing dropped to 48.5 points from 49.7. For the service sector, meanwhile, it fell to 48.9 points from 49.8.

The effect was a further **appreciation of the dollar against most currencies.** It appreciated against the EUR by more than 3% and against the PLN by more than 4% on a weekly basis.

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