



Summary

During the first week of June all indices on the WSE advanced, outperforming its peers in Europe and the US. As the S&P500 and the DAX rallied last week to new historical highs, the WIG20 and the WIG50 are still far from record levels observed in 2007. This is the sign of the current bull market - impacting mainly developed markets. Last week the German DAX rose by only 0.4%. This can be explained by breaking an all-time-high at 10 000 pts. when investors decided to take profits. The S&P 500 looked much better - increasing by 1.3%. Similar to the situation in Germany, the first attempt to break the record of 1900 points was not successful due to realization of profits. The second try was more successful and the index is almost at 1950 points now. At this point in time we do not see any threats of profit taking.

Last week data from Europe were good. Fears of the ADP report on the U.S. labor market proved to be unfounded. Official figures slightly exceeded forecast and the unemployment rate fell to 6.3%, although the actual level is higher. The Fed is fully aware of this situation and will not rush in to tamper faster QE and hike interest rates.

In addition, the ECB did what it is supposed to: - cut rates, including the deposit to -0.1%, as well as announcing a new round of LTRO (long-term funding of banks to revive lending). The ECB decided not to implement typical QE, but it is preparing the ground to do so and it appears as though it will not hesitate to introduce such a plan. It is a good climate for further market rises, especially developed markets.

The WIG20 in the first week of June gained 2.85%, wider WIG30 gained 2.68%. The average sized companies index the WIG50 rose by 1.74% but the small stocks WIG250 returned only 0.54%. PGNiG shares that were awarded with 'stock of the week' title surged by 9% to 5.07 PLN. BZWBK and mBank also returned 9% and are coming back to historical peaks. DM BZWBK released a number of positive recommendations to a number of Polish banks that in addition to global factors have a positive impact on the banking sector.

We think that markets will extend last week's gains although growth will rather be less dynamic.

Technical Analysis



Graph 1. WIG20 daily.

Source: stooq.pl

Last week WIG20 took advantage of the last chance and generated a buy signal. We refer here to 'the last chance' because after breaking downward trend line the WIG20 retreated. At that stage further declines would result in testing the 2,375 rather than 2,530 points level. Luckily for bulls the index advanced to 2,498 points as of cob Friday and the 2,530 level is the target for the index this week. Breaking this level will open an opportunity for the WIG20 to test next resistance levels, at 2,590 and 2,625. Despite the fact that the technical situation looks promising the market is still experiencing low turnover.



Graph 2. PGNiG daily.

Source: stooq.pl

We have picked PGNiG as our 'stock of the week'. Despite rumors of potential new taxes, the stock confirmed its strength and not only outstripped downward trend resistance at 4.92 PLN but also psychological level of 5 PLN. The next resistance is at 5.24 PLN and we expect the stock price to consolidate close to that level. This is a critical level when it comes to durability of a new upward trend.

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