

Press release

## **The franc goes up. This is a monthly high. What is happening?**

**Negotiations concerning Greece and the US arming Ukrain - these are but a few reasons for which the zloty is weakening. Let us not worry though. The end of the week is going to be a lot calmer and the franc is likely to fall below 4.00 PLN.**

Why is the zloty falling? There are a few reasons. First of all, better US data, which caused the euro to fall against the dollar and lower euro quotes against the franc. Over the weekend, the market got 'affronted' by the speech of the Greek prime minister, which apparently is eager to confront the representatives of the Troika (the International Monetary Fund, the European Union and the European Central Bank). Also the data from China turned out to be weak. The demand for foreign goods, generated mainly by China, fell by 20% compared to January last year.

### **No risk. Bonds react**

Low sentiment was sealed by suggestions from the United States about supplying Ukraine with "artillery", which increases the risk of the conflict spreading. These factors altogether have caused the euro to reach 4.20 and the franc to exceed 4.00 PLN. Risk aversion was also visible on the bonds market. Yields on ten-year Treasury securities exceeded the level of 2.3 per cent.

### **Peace in Ukraine might help the zloty**

The most important day of the week is going to be Wednesday. The meeting of the representatives of Berlin, Paris, Kiev and Moscow will take place in Minsk regarding the ceasefire in the eastern part of Ukraine. Analyzing yesterday's conference between Merkel and Obama one might have gotten the impression that even if peace can not be restored, the West will continue to supply Ukraine with weapons. Besides, there are still chances for an agreement similar to the one reached in September. This might help to calm the markets down and strengthen the zloty.

Questions also arise regarding the eurogroup meeting tomorrow. The ministers of finance from the eurozone and the representatives of Greece will negotiate new possibilities for financing Athens. The Greek prime minister is aiming at having access to a so-called 'bridge-financing'. It could buy Greece some time during the forthcoming months, until the next negotiations.

### **Awaiting spring**

The other ministers of finance are skeptical regarding the solution mentioned above and are eager to mitigate the conditions of financing Greece. However, taking into consideration the rising support for Tsipras, it will not be easy to achieve arrangements

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this coming Wednesday. As a result, the zloty might be under pressure, however, if in the middle of the week some progress regarding Ukraine is made and the Greek keep on negotiating, the zloty might strengthen and go below the level of 4.20. The base case scenario is the franc returning to less than 4.00 PLN by the end of the week.

Clearer strengthening of the zloty may be expected from March. That is when the Treasure bonds purchasing by ECB begins. It is a strong signal for the portfolio capital to invest funds e.g. in the Polish Treasuries. This might cause the euro to be at 4.00 PLN and the franc at 3.80 PLN in a few month's perspective.

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#### INFORMATION ABOUT THE BRAND

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#### For additional information contact:

**Kamil Sahaj**  
Marketing Manager  
ks@cinkciarz.pl  
+48 726 666 633

**Kalina Stawiarz**  
PR Specialist  
kst@cinkciarz.pl  
+48 726 666 644

Cinkciarz.pl Sp. z o. o.  
C | Sienkiewicza 9 | 65-001 Zielona Góra  
B | Jerozolimskie 123a | 00-965 Warszawa  
**press: [www.cinkciarz.pl](http://www.cinkciarz.pl)**