



EUR EURO SPOT PRICE 1.2181

Range 9/19/05 to 3/17/06 Period Daily Market mid/trd

DATE	PRICE	DATE	PRICE
F 3/17	1.2181	F 2/17	1.1878
T 3/16	1.2050	T 2/16	1.1851
W 3/15	1.2050	W 2/15	1.1854
T 3/14	1.2016	T 2/14	1.1897
M 3/13	1.1934	M 2/13	1.1902
F 3/10	1.1894	F 2/10	1.1919
T 3/ 9	1.1909	T 2/ 9	1.1974
W 3/ 8	1.1928	W 2/ 8	1.1944
T 3/ 7	1.1889	T 2/ 7	1.1974
M 3/ 6	1.1996	M 2/ 6	1.1962
F 3/ 3	1.2025		
T 3/ 2	1.2012		
W 3/ 1	1.1913		
T 2/28	1.1923		
M 2/27	1.1853		

International Financial Market Report

(7-11 December 2020)

BLOOMBERG NEWS AUDIO/VIDEO

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Bankinvest's Broby: Softbank, Vodafone, L'Oreal, Body Shop
ICAP's Smith: U.S. Dollar, Fed
F.Mat's Bennett: U.S. Dollar, Fed Policy, Euro
U.S. Long-Term Growth Walker: Fiscal Policy and Deficit
Societe Generale's Maguire: BOJ Policy, Japan Rate, Economy
China Airlines' Wei: Fleet Reorganization, Earnings Outlook
Bear Stearns Teleconference: Fiscal First Quarter Profit
Microsoft's Ballmer: Stock Performance, Strategy, Produce

10 Bloomberg TV Live 10 Bloomberg Radio Live 10 All Audio/Video Reports

LIVE <GO> Events	Date	Time	Language	Type
14) Legal & General Teleconference: Full-Year Earnings	3/17	Now Playing	English	🗑
15) UBS Warburg's Hickson: Outlook for Steel Industry	3/17	Now Playing	English	🗑
16) European Commission: Daily News Conference	3/17	20:00 - 20:30	English	🗑
17) Egypt's Mohamed: Sale of State-Owned Businesses	3/17	21:05 - 21:20	English	🗑
18) Bonders Group Teleconference: 4th-Qtr Results	3/17	22:00 - 23:00	English	🗑
19) AIG Teleconference About Fourth-Quarter Results	3/17	22:30 - 23:30	English	🗑

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7930 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 218 2000 Copyright 2006 Bloomberg L.P.
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USD INTEREST RATE SWAPS

Ticker	Bid	Ask	Mid	Chng
US Semi 30/360				
2) 2 YR	5.0670	5.0800	5.0755	+0.0305
3) 3 YR	5.0500	5.0720	5.0610	+0.0330
4) 4 YR	5.0620	5.0740	5.0680	+0.0250
5) 5 YR	5.0860	5.0920	5.0890	+0.0235
6) 6 YR	5.1100	5.1130	5.1105	+0.0170
7) 7 YR	5.1300	5.1350	5.1325	+0.0170
8) 8 YR	5.1470	5.1530	5.1500	+0.0160
9) 9 YR	5.1620	5.1680	5.1640	+0.0135
10) 10 YR	5.1780	5.1830	5.1805	+0.0175
11) 15 YR	5.2370	5.2430	5.2400	+0.0145
12) 20 YR	5.2670	5.2720	5.2690	+0.0130
13) 30 YR	5.2750	5.2840	5.2795	+0.0190

Change on day
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Change on Month
IYC6 I52<GO>

USD INTEREST RATE SWAPS

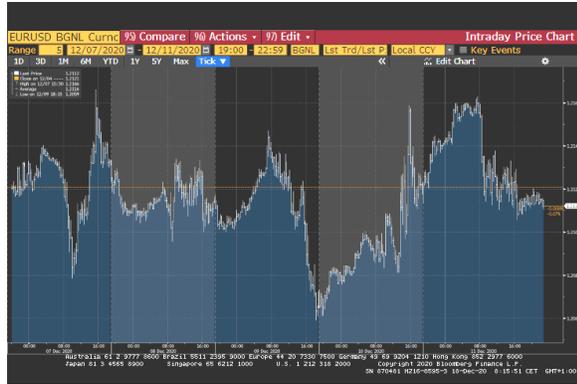
Ticker	Bid	Ask	Mid	Chng
US SPREADS				
22) 2 YR	42.88	44.13	43.50	--
23) 3 YR	41.50	42.75	42.13	-.17
24) 4 YR	44.38	45.63	45.00	-.10
25) 5 YR	48.25	49.25	48.75	+.25
26) 6 YR	49.50	50.50	50.00	+.30
27) 7 YR	50.50	51.50	51.00	+.40
28) 8 YR	51.13	52.13	51.63	+.33
29) 9 YR	51.75	52.75	52.25	+.45
30) 10 YR	52.25	53.25	52.75	+.50
31) 15 YR	57.00	58.00	57.50	+.50
32) 20 YR	58.63	59.88	59.25	+.15
33) 30 YR	57.38	58.63	58.00	+.20

Change on day
IYC4 I48<GO>
Change on Month
IYC6 I48<GO>
For US Govt Yield Curve, type {IYC1 I2
For US swap Curve, type {IYC1 I52 <G

Podgorica, 18 December 2020

FX NEWS

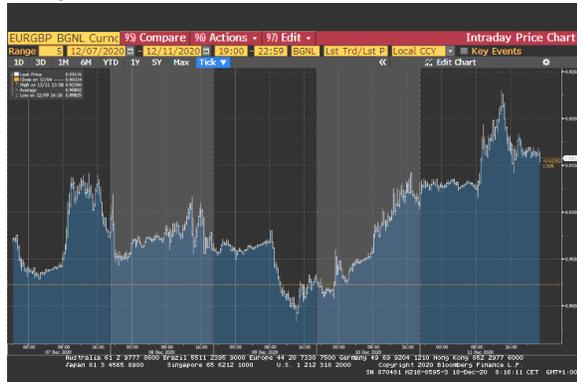
EUR/USD



Source: Bloomberg LP

During the first two days, the **EUR/USD exchange rate** fluctuated before depreciated on Wednesday. It happened as the euro came under pressure due to uncertainty over Brexit negotiations and as Democrats and Republicans were working on a plan to provide financial assistance in the USA. The next day, the exchange rate appreciated after a regular ECB meeting when the ECB President did not express concern about the euro appreciation. She did not emphasise the possibility of reducing interest rates. At the end of the week, this course depreciated slightly after approving the use of Pfizer and BioNTech vaccines in the USA.

EUR/GBP



Source: Bloomberg LP

The **EUR/GBP exchange rate** has been stable over the first three days after remaining uncertainty over UK and EU negotiations on Brexit. From Thursday until the end of the week, this exchange rate began to grow after the ECB meeting ended, and there was no signal that this central bank would reduce the interest rate.

EUR/JPY



Source: Bloomberg LP

During the first three days, the **EUR/JPY exchange rate** fluctuated. During that period, the Japanese government adopted a fiscal aid incentive package of 708 billion dollars to overcome the consequences of the pandemic. On Thursday, this exchange rate recorded a more significant appreciation, as the ECB did not signal an interest rate decrease at its regular meeting. This exchange rate recorded a sharp decline on Friday.

Table 1 - Exchange rates of the most important currencies

	07.12.2020 ¹	11.12.2020 ²	% Change
EUR/USD	1.2121	1.2112	-0.07
EUR/GBP	0.90224	0.91576	1.50
EUR/JPY	126.32	126.04	-0.22
EUR/AUD	1.63291	1.60780	-1.54
EUR/CHF	1.08106	1.07789	-0.29
USD/JPY	104.17	104.04	-0.12
GBP/USD	1.3441	1.3224	-1.61

Table 2 - Overview of the reference interest rates of the leading central banks

Central Bank	Reference interest rate	Reference interest rate level	Next meeting
European Central Bank	ECB main refinancing rate	0.00%	21 January 2021
Federal Reserves	Federal Funds Target Rate	0.25%	16 December 2020
Bank of Japan	Overnight Call Rate	-0.10%	18 December 2020
Bank of England	Official Bank Rate	0.10%	17 December 2020
Swiss National Bank	Libor Target Rate	-0.75%	17 December 2020
Bank of Canada	Target Overnight Rate	0.25%	20 January 2021
Reserve Bank of Australia	Cash Rate Target	0.10%	2 February 2021

At this week's meeting, the ECB decided not to change its key interest rates. The PEPP program has been increased by 500 billion euros. It now stands at 1.850 billion euros, to absorb the vast supply of public sector bonds next year, while keeping bond the return low. This programme's duration has been extended until March 2022 (it was initially supposed to last until March 2021), while the reinvestment of these bonds will continue until 2023. The previous bond purchase program (APP) will remain at the current level, with 20 billion bonds purchased per month (end date not defined). The ECB has also issued forecasts for the euro area. Namely, amid COVID and new lockdowns of economies, the ECB expects a 3.9% economic growth instead of 5.0% in 2021, and 4.2% instead of 3.2% in 2022. The Bank expects core inflation (excluding volatile components such as food and energy) to be 0.8% in 2021, 1.0% in 2022 and 1.4% in 2023. The ECB has put the "ball" in the governments' and banks' backyard helping to sustain economic growth (whether governments would provide a new round of aggressive fiscal incentives and whether banks will "loosen" lending conditions).

Table 3 - Eonia and Euribor

	07.12.2020 ³	11.12.2020 ⁴	Change in basis points
Eonia	-0.470	-0.472	-0.2
Euribor 1W	-0.552	-0.552	0.0
Euribor 1M	-0.545	-0.554	-0.9
Euribor 3M	-0.532	-0.543	-1.1
Euribor 6M	-0.512	-0.520	-0.8
Euribor 12M	-0.490	-0.499	-0.9

¹ Opening market value on Monday

² Closing market value on Friday

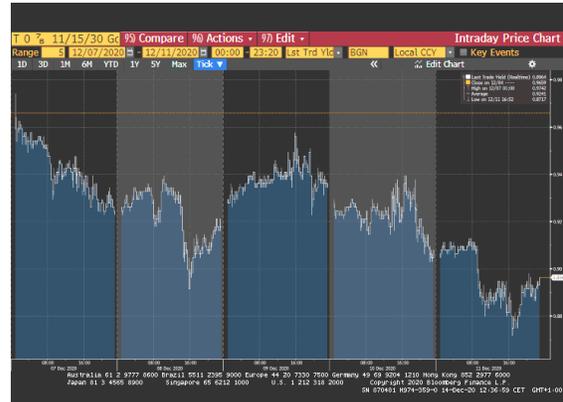
EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

During this reporting week, the return on 10-year German government bonds fell dropped by 8 base points from -0.64% to -0.56%. There were no significant developments in the market except for the ECB meeting. Thus, so the return trend was predominantly determined by its expectations. After the meeting, the return recovered slightly, and the downward trend continued soon. Also, to some extent, the return followed the US government bond market's trend. The downward trend caused the return on Italian 5-year government bonds and on Spanish 10-year government bonds to be in the negative zone in the middle of the week.

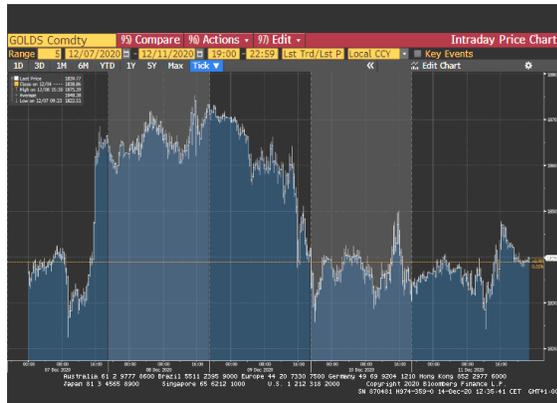
US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

During this reporting week, the return on 10-year US government bonds dropped by 6 base points this reporting week from 0.96% to 0.90%. Earlier this week, the focus was on Brexit negotiations. Thus, the concerns about reaching an agreement caused a rise in demand for safe funds, leading to a drop in the return. In the middle of the week, the return recovered amid news that vaccination in the UK had officially started. However, as the week continued, the return continued to drop. The US Treasury Department held a 24 billion USD auction of 30-year bonds, which had strong demand. The return also fell due to falling stock prices on stock exchanges.

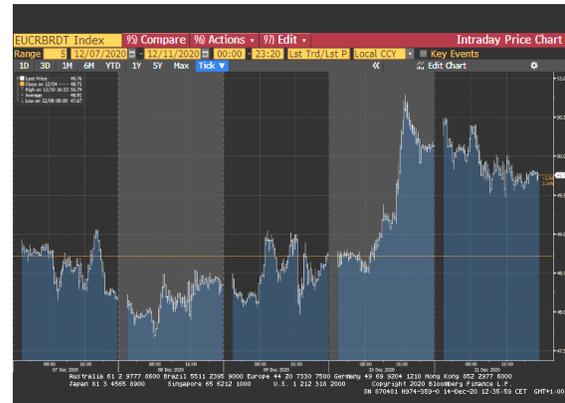
GOLD



Source: Bloomberg LP

During this reporting week, the gold price fluctuated, recorded a slight weekly decline. On Monday, the price jumped by about 45 USD/oz., due to the USD depreciation and as the demand for safe funds grew amid the still uncertain outcome of the EU-UK negotiations. The next day, prices continued to rise but not at that rate, reaching a 2-week high (1,875.39 USD) as concerns about the coronavirus spread overcame optimism about securing aid packages in the USA. However, on Wednesday this precious metal's price fell by almost the same amount it rose at the beginning of the week. This happened as investors' expected progress in the negotiations on the US fiscal incentive package. Over the last two days of this reporting week, the price fluctuated but in a limited interval. This was due to the mentioned negotiations' uncertainty, but also the optimism regarding the vaccination against the coronavirus.

OIL



Source: Bloomberg LP Bloomberg LP

The crude oil price rose during this reporting week. It ranged in a limited interval (from 47.67 to 49.06 USD/bbl.) during the first three days. The reasons for the unclear trend were a significant increase in coronavirus infected in the world as opposed to optimism about the upcoming vaccination and the measures' tightening in most US states amid the holidays. The reasons also included hints that Iran would increase oil production, expecting that the new US President would ease some sanctions, US fiscal aid package uncertainty, and unexpected US oil inventories growth. However, the price of this fuel rose by some 2 USD on Thursday. It exceeded the level of 50 USD/bbl., after growing optimism that the vaccination start would recover demand for this fuel over the next year, and improve the economic outlook. During the reporting week, the oil price ended at a level slightly below 50 USD.

Table 4 - Economic indicators (7 – 11 December 2020)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	<p>Gross domestic product (GDP) One of the basic macroeconomic indicators, which represents the calculated value in the market prices of goods and services produced within the country, but excludes the income of citizens and corporations working abroad. The following four components are used to calculate GDP: consumption, investments, government expenditure, and net exports.</p>	<p>Q3 QoQ% YoY%</p>	<p>12.6% -4.4%</p>	<p>12.5% -4.3%</p>	<p>12.6% -4.4%</p>
Germany	<p>Industrial output It measures the output of the energy sector, factories and mines. Growing industrial production points to increased production and economic expansion.</p>	<p>October MoM%</p>	<p>1.6%</p>	<p>3.2%</p>	<p>1.6%</p>
Japan	<p>Gross domestic product (GDP) One of the basic macroeconomic indicators, which represents the calculated value in the market prices of goods and services produced within the country, but excludes the income of citizens and corporations working abroad. The following four components are used to calculate GDP: consumption, investments, government expenditure, and net exports.</p>	<p>Q3 QoQ%</p>	<p>5.0%</p>	<p>5.3%</p>	<p>5.0%</p>
USA	<p>Initial Jobless Claims US It measures the number of people who receive unemployment benefits. It is similar to the applicant. The growing number of jobs accompanies the economic expansion, which could influence inflationary pressures.</p>	<p>December 5 K=1,000</p>	<p>725 K</p>	<p>853 K</p>	<p>712 K</p>

Source: Bloomberg