

EURUSD 1.2179
At 19:38 Dp 1.2174 HI 1.2174 Value 3/21/06
1.2179/1.2180 TTOL
1.2174 Value 3/21/06



CENTRALNA BANKA
CRNE GORE

Range 3/17/05 - 3/17/06
Upper Chart: Market Price



Financial and Banking Operations Department -International Reserves Management Division-

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	1.1911
W 3/15	1.2050	W 2/22	1.1911
T 3/14	1.2016	T 2/21	1.1914
M 3/13	1.1934	M 2/20	1.1946
F 3/10	1.1894	F 2/17	1.1909
T 3/ 9	1.1909	T 2/16	1.1884
W 3/ 8	1.1928	W 2/15	1.1884
T 3/ 7	1.1889	T 2/14	1.1897
M 3/ 6	1.1996	M 2/13	1.1902
F 3/ 3	1.2025	F 2/10	1.1919
T 3/ 2	1.2012	T 2/ 9	1.1974
W 3/ 1	1.1913	W 2/ 8	1.1944
T 2/28	1.1923	T 2/ 7	1.1974
M 2/27	1.1853	M 2/ 6	1.1962

International Financial Market Report

(13 - 17 December 2021)

BLOOMBERG NEWS AUDIO/VIDEO
Search Audio/Video 3/17/06 19:27:27

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. Longshore Senator 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

Daniel Broby, chief investment officer at Bankinvest

Japanese mobile-phone unit and L'Oreal SAs purchase of Body Shop International Plc.

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 7330 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 918 2000 Copyright 2006 Bloomberg L.P.
6615-301-3 17-Mar-06 19:27:28

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

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 I52<GO>
Change on Month
IYC6 I48<GO>
For US Govt Yield Curve, type fIYC1 I2
For US swap Curve, type fIYC1 I52 <G

Change on day
IYC4 I48<GO>
Change on Month
IYC6 I48<GO>
For US Govt Yield Curve, type fIYC1 I2
For US swap Curve, type fIYC1 I52 <G

Podgorica, 23 December 2021

FX NEWS

EUR/USD



Source: Bloomberg LP

The **EUR/USD exchange rate** recorded a slight depreciation during the first three days of this reporting week. It depreciated, awaiting the FED meeting and expectations on accelerated incentives withdrawal and due to the presence of the still barely known omicron strain. Fears about Omicron increased after the WHO said that this strain represents a “very high” global risk. The euro’s depreciation additionally resulted from the constant presence of supply bottlenecks and the fourth wave of coronavirus in Germany, delaying this largest European economy’s from the pandemic, said the IFO Institute and reduced economic growth expectations. On Thursday, this exchange rate appreciated after the FED meeting, as the meeting decisions were quite near the expectations. On Friday, the EUR/USD exchange rate depreciated, as the USD appreciated after the Fed Chair’s statement that this institution could increase its interest rate as early as March. On the other hand, the euro depreciated under the influence of weaker-than-expected data on Germany’s IFO business climate index. The euro also depreciated due to a new lockout wave and travel restrictions across Europe. The Netherlands introduced a complete lockout.

EUR/GBP



Source: Bloomberg LP

The **EUR/GBP exchange rate** recorded a weekly depreciation. The sterling appreciated against the euro due to encouraging data from the UK labour market. British employers hired a peak number of employees in November, noting that the labour market has endured the end of the government’s leave scheme. The Tax Administration showed that 257,000 people appeared on companies’ payrolls, a peak since 2014. Following the Bank of England’s decision to raise the interest rate, the sterling appreciated against the euro. In this way, the Bank of England became the first leading central bank to increase the rate since the beginning of the pandemic. By such action to combat the rising inflation, the BoE hopes to ensure that inflation expectations remain broadly anchored in the medium term. On the last day of this reporting week, UK retail data released supported the sterling (retail sales rose 1.4% monthly in November, with an expected growth of 0.8%).

EUR/JPY



Source: Bloomberg LP

The **EUR/JPY exchange rate** was stable during the first two days of this reporting week. It recorded a short-term increase in the middle of the week after the Fed’s decisions at the regular meeting resulted in the increased demand for riskier assets. On Friday, the exchange rate depreciated as the yen appreciated due to rising demand for safe funds, caused by falling stock prices and concerns about the virus Omicron strain spread.

Table 1 - Exchange rates of the most important currencies

	13.12.2021 ¹	17.12.2021 ²	% Change
EUR/USD	1.1313	1.1240	-0.65
EUR/GBP	0.85285	0.84914	-0.44
EUR/JPY	128.32	127.83	-0.38
EUR/AUD	1.57741	1.57751	0.01
EUR/CHF	1.04212	1.03873	-0.33
USD/JPY	113.44	113.63	0.17
GBP/USD	1.3273	1.3245	-0.21

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%	3 February 2022
Federal Reserves	Federal Funds Target Rate	0.25%	26 January 2022
Bank of Japan	Overnight Call Rate	-0.10%	18 January 2022
Bank of England	Official Bank Rate	0.25%	3 February 2022
Swiss National Bank	Libor Target Rate	-0.75%	24 March 2022
Bank of Canada	Target Overnight Rate	0.25%	26 January 2022
Reserve Bank of Australia	Cash Rate Target	0.10%	1 February 2022

During this reporting week, the world's leading central banks (the ECB, the Fed, the Bank of Japan and the Bank of England) held regular meetings.

The **FED** further reduced the monthly bond purchase programme by doubling the bond purchase programme reduction. Instead of the previous decrease by 15 billion USD, it will reduce monthly purchases by 30 billion USD now, with a plan to end the monthly bond purchase programme in March. The Fed Chair pointed out that the time from the quantitative easing programme's end to interest rates rise will be in the near future given strong economic recovery prospects, rapid labour market recovery and high inflation. The Fed signalled possible three interest rate increases over the next year.

At the regular **ECB** meeting, interest rates remained unchanged. The Council expects the key ECB interest rates to stay current or lower until inflation reaches 2% well before the projection horizon end and permanent until the projection horizon ends. Updated forecasts show that inflation will be below 2% in 2023 and 2024 again. Lagarde said the ECB was unlikely to raise interest rates in 2022. The Governing

¹ Opening market value on Monday

² Closing market value on Friday

Council expects that the securities purchase under the Pandemic Emergency Purchase Programme (PEPP) will be suspended at the end of March 2022. The horizon of securities reinvestment under the PEPP programme will be extended. Namely, it was decided to reinvest the principal of matured securities purchased under the PEPP at least until the end of 2024 (the previous deadline was 2023). Anyhow, future PEPP portfolio reductions will be managed to avoid its interference with appropriate monetary policy. It also stated that PEPP reinvestment can be flexibly adjusted over time and through asset classes and jurisdictions at any time. This could mean that this programme could include the purchase of bonds issued by Greece next year. Within the APP (Assets Purchase Programme), securities will be purchased in 2022 Q2, at a monthly level of 40 billion EUR, and in the Q3 at a monthly level of 30 billion EUR. From October 2022, the purchase of securities will be maintained at a monthly level of 20 billion EUR as long as is necessary to strengthen the interest rates' accommodative impact. The Council expects net securities purchases to complete just before the ECB raises key interest rates.

The **Bank of England's** Monetary Committee voted 8-1 to increase the interest rate by 15 basis points to 0.25%. The Committee acknowledged the Omicron strain's downside risks. Still, it noted that "its effects on medium-term global inflationary pressures, is unclear at this stage". At the same time, it pointed out that the labour market is tight and continues to tighten. On the other hand, there are some signs of more remarkable persistence in the domestic costs and prices pressures. As for inflation, it is expected to peak in the spring at 6% (vs 5% as previously expected). Although inflation is still projected to decline during 2022, the Bank of England projections suggest that inflation will remain above the medium-term target due to the further rate increases absence.

The **Bank of Japan** did not change the reference interest rate at its meeting.

Table 3 - Eonia and Euribor

	13.12.2021 ¹	17.12.2021 ²	Change in basis points
Eonia	-0.492	-0.491	0.10
Euribor 1W	-0.570	-0.588	-1.80
Euribor 1M	-0.576	-0.611	-3.50
Euribor 3M	-0.588	-0.581	0.70
Euribor 6M	-0.543	-0.551	-0.80
Euribor 12M	-0.498	-0.511	-1.30

EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The return on 10-year German government bonds fell about 3 basis points in the reporting week, from -0.346% to -0.378%. On Monday, the return trended down as the demand for safe funds increased due to falling stock prices on the stock exchanges, although the coronavirus omicron strain spread affected investors' risk appetite further adversely. Later this week, the return fluctuated with a slightly growing trend. The reason was the awaiting of leading central banks' regular meetings. The return rose from -0.37% to -0.31% after the ECB meeting. However, it declined on the same day as expectations regarding the ECB's monetary policy tightening, i.e. expectations regarding the interest rates increase was shifted to 2023. The market focused again on uncertainty regarding the Omicron virus, so the demand for safe funds grew again. This situation lasted until the end of the reporting period.

US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The return on 10-year US government bonds also fell this reporting week, from 1.48% to 1.40%. As the German government bond market, the return fell on Monday due to rising demand for safe funds, due to the adverse impact of a new coronavirus strain and falling stock prices. Over the next two days, this return grew slightly due to the released stronger-than-expected US producer prices November data and as the Fed session approached. The meeting confirmed investors' expectations on the Fed's bond purchase programme reduction by 30 billion USD monthly from January, twice as much as the current programme reduction (15 billion USD). Some officials signalled they were ready to raise interest rates more than three times if necessary next year. As of Thursday, the return mostly declined as the demand for safe funds grew again due to concerns about the coronavirus omicron strain spread.

GOLD



Source: Bloomberg LP

The gold price increased in the observed period. Earlier this week, the price was stable due to concerns about the omicron strains spread and expectations that the Fed would accelerate the incentives measures withdrawal at this week's meeting. The price declined slightly on Tuesday and Wednesday, mainly due to the USD appreciation caused by publishing better than expected US production prices data in November. However, the gold price began to rise after the USD depreciation after the Fed meeting, suggesting that the Fed's mood for further monetary policy tightening was already calculated in its previous trend. It kept this trend almost until the end of the week, further supported by the Bank of England and the ECB decisions. The BoE surprised markets by raising interest rates. At the same time, the ECB temporarily increased regular monthly bond purchases (over the next six months) to mitigate exit from the pandemic incentive programme (to March 2022). At the end of the week, this precious metal's price was above 1800 USD/oz tr., the highest level in the last three weeks.

OIL



Source: Bloomberg LP

The oil price fell in this reporting period. For the first three days, a downward trend prevailed in this market as investors assessed the omicron variant's risks and its impact on oil demand. Some European economies announced restrictions to combat the new strain, and the outlook for demand from China was reduced. The International Energy Agency said Omicron would slow the global demand recovery. The World Health Organization announced that existing corona vaccines could be less effective concerning the omicron virus strain. However, after the Fed meeting sparked speculation that the central bank could slow inflation without jeopardising economic growth, this fuel's price began rising. The price also increased due to the announcement that US oil inventories fell more than expected last week. However, the price continued to decline since Thursday afternoon due to continuing concerns about the omicron strain's impact on oil demand and due to tightened central banks' monetary policy.

Table 4 - Economic indicators (13 - 17 December 2021)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	Consumer price index (CPI) This indicator estimates the changes in the cost of living, measuring changes in the price level of the basket of consumer goods and services purchased by an average household. Therefore, it is a key measure of euro area inflation.	November YoY%	4.9%	4.9%	4.9%
	Consumer price index (CPI Core) Method for measuring core inflation This is the consumer prices index excluding price of energy and food. This method has become used increasingly as food and energy prices can be unstable, and their volatile movements could affect the measure of inflation.	November MoM% YoY%	0.5% 2.6%	0.4% 2.6%	0.5% 2.6%
Germany	Producer Price Index (PPI) This index measures changes in producer prices, also known as factory prices. These are prices paid by domestic producers before retail. The growth of these prices is an early inflation indicator, because rising production prices can be “passed on” to consumers through higher retail prices.	November MoM% YoY%	1.4% 20.0%	0.8% 19.2%	3.8% 18.4%
	IFO Business climate Monthly survey of companies in Germany (in production, construction, wholesale and retail), in terms of the current business climate and expectations for the next 6 months. Given that Germany “accounts for” a quarter of the total GDP of the euro area, this is a significant indicator of the economic health of the euro area as a whole.	December	95.3	94.7	96.6
Great Britain	Consumer price index (CPI) This indicator estimates the changes in the cost of living, measuring changes in the price level of the basket of consumer goods and services purchased by an average household.	November MoM% YoY%	0.4% 4.8%	0.7% 5.1%	1.1% 4.2%

Source: Bloomberg