

EURUSD ↓ 1.2179
 At 19:38 Dp 1.2174 Hi 1.2174 Value 3/21/06
 Market Currency 1/4
 Range 3/17/05 - 3/17/06
 Upper Chart: Market Price
 1) News



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 3/7	1.2181	F 2/7	1.1922
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	1.1916
F 3/10	1.1894	F 2/17	1.1909
T 3/ 9	1.1909	T 2/16	1.1881
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

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

Bankinvest's Broby, Softbank, Vodafone, Oreal, Sile

ICAP's Smith, U.S. Bonds, Fed

F.Mat's Bennett, U.S. Dollar, Fed Policy, Euro

U.S. and General Walker: Fiscal Policy and Deficit

Magala: BOJ Policy, Japan Rate, Economy

Bear Stearns Teleconference: Fiscal First Quarter Profit

China Airlines' Wei: Fleet Reorganization, Earnings Outlook

Microsoft's Ballmer: Stock Performance, Strategy, Products

Daniel Broby, chief investment officer at Bankinvest, talks about Softbank Corp.'s agreement to buy Vodafone Group Plc's Japanese mobile-phone unit and L'Oréal SA's 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	☐

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

21) 2 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 I52<GO>

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

International Financial Market Report
 (28 December 2020 - 8 January 2021)

Podgorica, 15 January 2021

FX NEWS

EUR/USD



Source: Bloomberg LP

During most of the last December week, the **EUR/USD exchange rate** appreciated. Namely, it appreciated in the mentioned period due to the increased demand for riskier funds after the US legislators supported the increased economic incentives package. However, during the last working day in December, this exchange rate depreciated sharply. The Bank of Finland's Governor, an ECB member, stated that the ECB was closely monitoring the euro's trend against other currencies and would continue to do so in the future. He added that the exchange rate affected growth and inflation outlook and was therefore crucial for achieving the inflation target. In the first week of this year, the EUR/USD appreciated during the first three days. It happened as investors turned to riskier investments due to optimism that the vaccine distribution and government incentives would support the global economic recovery. The USD depreciation also resulted from the news that the Democrats won control over the Senate. This will enable the newly elected US President to introduce more generous fiscal incentives than the existing ones. At the very end of this period, the exchange rate fell.

EUR/GBP



Source: Bloomberg LP

The **EUR/GBP exchange rate** rose at the beginning of this reporting period, before declining during the remainder of the last December week. The exchange rate's depreciation occurred as investors took positions towards the end of the year. The UK Parliament approved the post-Brexit trade agreement with the EU. In the first week of this year, the EUR/GBP exchange rate appreciated sharply during the first day. The UK Prime Minister ordered the third national lockdown in England (schools closed, residents movement was restricted, etc.). The EUR/GBP exchange rate faced a mild depreciation during the rest of this week.

EUR/JPY



Source: Bloomberg LP

During the first two days of these two weeks, the **EUR/JPY exchange rate** appreciated due to growing demand for riskier funds after the US President signed a 900 billion USD aid program. However, towards the end of the last December week, the EUR/JPY exchange rate declined as investors took up positions towards the year's very end. In the first week of this year, the exchange rate was stable initially. It started growing sharply from the middle of the week since the demand for riskier funds increased. The reason was speculation that the newly elected US president's incentive package could significantly exceed the existing one.

Table 1 - Exchange rates of the most important currencies

	28.12.2020¹	08.01.2021²	% Change
EUR/USD	1.2193	1.2218	0.21
EUR/GBP	0.89978	0.90096	0.13
EUR/JPY	126.25	127.06	0.64
EUR/AUD	1.60636	1.57466	-1.97
EUR/CHF	1.08617	1.08235	-0.35
USD/JPY	103.43	103.94	0.49
GBP/USD	1.3560	1.3568	0.06

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%	27 January 2021
Bank of Japan	Overnight Call Rate	-0.10%	21 January 2021
Bank of England	Official Bank Rate	0.10%	4 February 2021
Swiss National Bank	Libor Target Rate	-0.75%	25 March 2021
Bank of Canada	Target Overnight Rate	0.25%	20 January 2021
Reserve Bank of Australia	Cash Rate Target	0.10%	2 February 2021

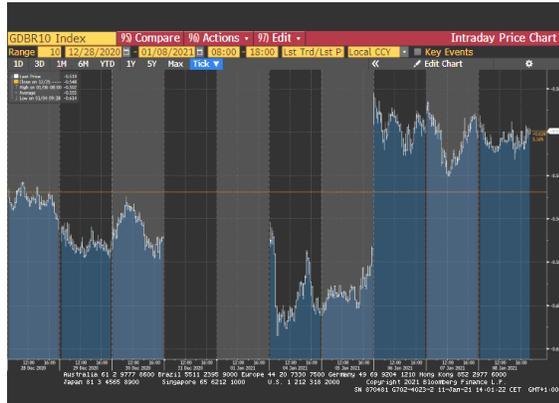
Table 3 - Eonia and Euribor

	28.12.2020³	08.01.2021⁴	Change in basis points
Eonia	-0.470	-0.477	-0.7
Euribor 1W	-0.570	-0.561	0.9
Euribor 1M	-0.568	-0.555	1.3
Euribor 3M	-0.542	-0.550	-0.8
Euribor 6M	-0.519	-0.530	-1.1
Euribor 12M	-0.494	-0.510	-1.6

¹ Opening market value on Monday

² Closing market value on Friday

EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

In the last week of December, the return on 10-year German government bonds fell by 2 base points to -0.57% on Wednesday 30 December, the last business day in 2020 due to the New Year holidays. The decline resulted from the deteriorated epidemiological situation and the possible introduction of new measures. At the early first January week, the return fell to -0.614%, as demand for safe funds grew due to falling stock prices and the introduction of stricter lockdown measures. However, later this week, the return began to rise due to KfW and Land NRW bond auctions and awaiting the auctions of 2-year (Tuesday) and 10-year German government bonds (Wednesday). Thus, the yield on 10-year German bonds reached a level of -0.502% on that day. In the first January week, there were also syndicated sales of Italian government bonds (with 10.5 times higher demand than supply), and the sale of Irish and Slovenian (Tuesday). There was strong demand on auctions of Spanish and French government bonds held on Thursday. Portugal announced an auction of 10- and 15-year bonds worth 1.25 billion euros next week although some thought they would choose syndicated sales up to 4 billion euros. By the end of the week, the return fluctuated. Therefore, they ended the reporting period ended at -0.519%. This week's economic data included the current PMI values for the EU, Germany, Spain and Italy, and Germany's inflation rate. All data were weaker than expected.

US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

In the last week of December, the return on 10-year US government bonds trended down slightly, and market activity declined due to the New Year holidays. Although this trend continued at the beginning of the first January week, the return soon grew. The growth lasted until the mentioned week ended. The drivers of the growing trend were stronger than expected US economic data (ISM Institute) and the Senate's possible control by Democrats. Thus, the 10-year return exceeded 1% on Wednesday 6 January the first time since March, reaching even higher level (of 1.115%) by the end of the week. Namely, elections for two seats in the Senate were held in Georgia on Tuesday. The Democrats' victory would create conditions for additional spending to revive the American economy. By the end of the week, it was confirmed that the Democrats were taking control of the Senate. In addition to these elections, protests against the November presidential elections results were current on the US political scene last week. During a Congress meeting, which was expected to confirm Biden's victory, some of Trump's supporters stormed the Congress building. The return was also supported by Biden's call for urgent support to the economy of several trillion dollars.

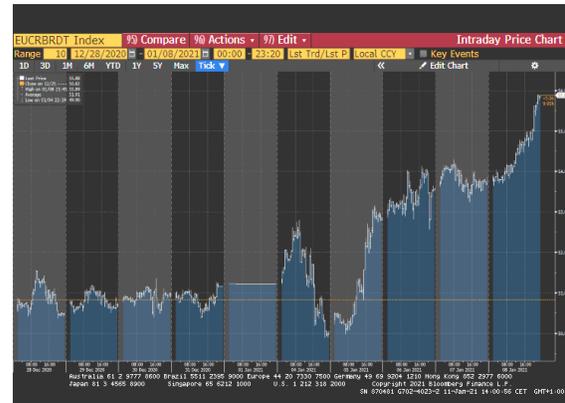
GOLD



Source: Bloomberg LP

In the last week of December, the gold price ranged from around 1870 to 1900 USD/oz, remaining the same on 31 December. During this period, market activity reduced due to the Christmas and New Year holidays, and there were no significant events. At the beginning of January, the price started to grow significantly. In the middle of the first January week, it reached almost 1960 USD/oz (a 2-month maximum). This price increase resulted from a higher number of new Coronavirus-infected people. This increased the probability of introducing stricter measures, resulting in higher demand for safe investments. The price declined in the second half of this week. At the end of the reporting period, this precious metal's price stood at some 1850 USD/oz. Namely, the decline came from the rising return on 10-year US government bonds to above 1%, for the first time since March last year. Higher return pressured gold as it increased the opportunity cost of metal holding. The gold price dropped by 2.5% in the first January week, which was its first drop in six weeks.

OIL



Source: Bloomberg LP Bloomberg LP

In the last December week, the crude oil price was relatively stable. There were no significant developments in the market, except the release that this energy source's stocks in the USA fell for the third consecutive week. On Monday, 4 January, the price started to rise and fell on the same day. However, as the first week of January continued, this market constantly had a growing trend. Namely, OPEC + held a meeting this week concerning the February output, which caused the price to rise. On Monday, OPEC officials, Russia and other leading oil-producing countries could not agree to increase output amid reduced demand due to the Coronavirus pandemic. On Tuesday, they agreed to keep production stable in February and March. Saudi Arabia warned of the risk of "releasing" additional barrels on the already fragile market. It decided to voluntarily reduce production by an additional 1 million barrels per day in the mentioned period, although Russia decided to increase it. On the other hand, Russia and Kazakhstan promised to jointly increase the oil supply by 75 thousand barrels per day during these months. Price growth was also spurred by the announcement that US oil inventories continued to fall. The price reached an 11-month high at the end of the reporting period.

Table 4 - Economic indicators (28 December 2020 – 8 January 2021)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	Retail Sales This indicator measures changes in retail sales in euro area.	November MoM%	-3.4%	-6.1%	1.5%
	Producer Price Index (PPI) Assesses the average change in prices of certain manufacturers at all stages of production, but does not include imported goods, services and taxes. The index is seen as an indicator of future inflation.	YoY%	0.9%	-2.9%	4.3%
Germany	Retail Sales This indicator measures changes in retail sales in Germany.	December MoM%	0.3%	0.3%	-0.3%
	Producer Price Index (PPI) Assesses the average change in prices of certain manufacturers at all stages of production, but does not include imported goods, services and taxes. The index is seen as an indicator of future inflation.	November MoM%	-2.0%	1.9%	2.6%
USA	Initial Jobless Claims Measures the number of people receiving unemployment allowances. It is similar to the applicant. The growing number of jobs accompanies the economic expansion, which could influence inflationary pressures.	December 31 K=1,000	835K	787K	803K
	Factory Orders Shows change in the number of orders with domestic producers. The data shows the demand for German industrial products. Factory orders are an early indicator of the overall consumption in an economy, which affects economic growth.	December MoM%	0.7%	1.0%	1.0%

Source: Bloomberg