



## 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 2/22	1.1911
W 3/15	1.2050	T 2/21	1.1914
T 3/14	1.2016	M 2/20	1.1946
M 3/13	1.1934	F 2/17	1.1909
F 3/10	1.1894	T 2/16	1.1881
T 3/ 9	1.1909	W 2/15	1.1884
W 3/ 8	1.1928	T 2/14	1.1897
T 3/ 7	1.1889	M 2/13	1.1902
M 3/ 6	1.1996	F 2/10	1.1919
F 3/ 3	1.2025	T 2/ 9	1.1974
T 3/ 2	1.2012	W 2/ 8	1.1944
W 3/ 1	1.1913	T 2/ 7	1.1974
T 2/28	1.1923	M 2/ 6	1.1962
M 2/27	1.1853		

# International Financial Market Report

(31 7 January 2022)

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. Long-Term Growth: Walker: Fiscal Policy and Deficit
- Commerzbank's Thurlall: Oil Prices, Iraq
- 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

LIVE <GO> Events

Event	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	🗑️

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

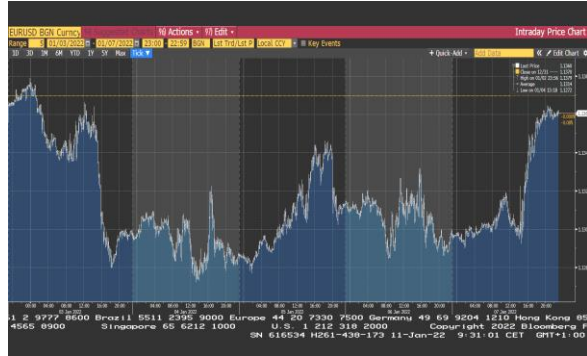
Ticker	Bid	Ask	Mid	Chng
US SPREADS				
22) 2 YR	42.88	44.13	43.50	--
23) 3 YR	41.50	42.75	42.13	-.17
24) 4 YR	44.38	45.63	45.00	-.10
25) 5 YR	48.25	49.25	48.75	+.25
26) 6 YR	49.50	50.50	50.00	+.30
27) 7 YR	50.50	51.50	51.00	+.40
28) 8 YR	51.13	52.13	51.63	+.33
29) 9 YR	51.75	52.75	52.25	+.45
30) 10 YR	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 {IYC1 I2  
For US swap Curve, type {IYC1 I52 <G

Podgorica, 12 January 2022

## FX NEWS

### EUR/USD



Source: Bloomberg LP

The **EUR/USD exchange rate** fluctuated in this reporting week and remained almost the same weekly. It depreciated sharply on Monday, as the growing return on American government bonds caused a significant USD appreciation. It happened expecting Fed to launch a series of interest rate increases this year. Markets expect three of them, starting in May. The exchange rate did not change the next day significantly. Still, it began to recover on Wednesday. Rising stock prices in Europe and the comments of ECB Council member Martins Kazaks that the ECB would take action if the inflation outlook strengthened supported the European currency. In addition, better-than-expected data were released on the unemployment rate in Germany, which fell to 5.2% from 5.3% in December. However, the USD continued to appreciate the same day after publishing the Fed's December meeting minutes. They pointed out the possibility of an even earlier interest rate increase, so traders started counting on March. Later this week, the exchange rate fluctuated. Still, its sharp rise on Friday compensated for most of Monday losses. Mixed data from the US labour market released that day caused the USD to depreciate. Although the unemployment rate fell to 3.9%, payrolls rose much less than expected in December. The same day, it was published that the inflation rate in the euro area increased more than expected in December (estimates before the official data release).

### EUR/GBP



Source: Bloomberg LP

The **EUR/GBP exchange rate** depreciated in the first week of January. The depreciation was more pronounced during the first two days due to the sterling appreciation expecting the Bank of England to raise the interest rate again in February. On Tuesday, this exchange rate hit its nadir since February 2020. The exchange rate depreciation was also driven by expectations that the omicron coronavirus strain would not worsen the British economy. As the week continued, this exchange rate fluctuated from 0.83350 to 0.83725. The UK Prime Minister Boris Johnson said the UK could cope with the record spread of omicron without introducing stricter measures. Still, he warned that the national health system's limitations grew and that the coming weeks would be challenging for the UK. Service sector index data were published concerning the British economy's economic data. They were slightly better than expected but still at the lowest level in the last 10 months.

### EUR/JPY



Source: Bloomberg LP

The **EUR/JPY exchange rate** appreciated slightly in this reporting period. Although this exchange rate depreciated on Monday, it appreciated the next two days as the growing return on US government bonds pressured the Japanese currency. Moreover, speculations that the global economic recovery will cope with the omicron coronavirus strain have caused a declining demand for safe funds. The exchange rate fluctuated during the last two days of the week. Still, the yen remained under pressure expecting the Fed to increase the interest rate in March.

**Table 1 - Exchange rates of the most important currencies**

	03.01.2022 <sup>1</sup>	07.01.2022 <sup>2</sup>	% Change
EUR/USD	1.1370	1.1360	-0.09
EUR/GBP	0.84133	0.83586	-0.65
EUR/JPY	130.90	131.29	0.30
EUR/AUD	1.56470	1.58214	1.11
EUR/CHF	1.03752	1.04376	0.60
USD/JPY	115.08	115.56	0.42
GBP/USD	1.3532	1.3588	0.41

**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

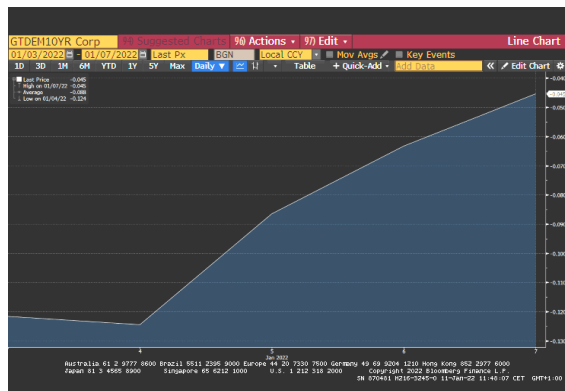
**Table 3 – ESTR and Euribor**

	03.01.2022 <sup>1</sup>	07.01.2022 <sup>2</sup>	Change in basis points
ESTR	-0.590	-0.580	1.00
Euribor 1W	-0.574	-0.574	0.00
Euribor 1M	-0.583	-0.565	1.80
Euribor 3M	-0.572	-0.576	-0.40
Euribor 6M	-0.546	-0.536	1.00
Euribor 12M	-0.501	-0.493	0.80

<sup>1</sup> Opening market value on Monday

<sup>2</sup> Closing market value on Friday

## EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

On Monday, the return on 10-year German government bonds weakened, awaiting the auction of 2-year German bonds and the publication of inflation data for France. As the week continued, the return on these bonds trended up and increased from -0.12% to -0.04%. Annual Germany's inflation for November was 5.3%, with the preliminary data for December being 5.2%. At the end of this week, the return on 10-year German government bonds was around the highest level since May 2019. The rise in returns on German and other euro area bonds was prompted by bold comments from Fed officials about expectations of this institution's faster interest rates rise. On the other hand, market participants are already forecasting that the ECB will increase interest rates by 10 basis points in October this year.

## US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The return on 10-year US government bonds trended up during this reporting week. On Monday, the return on these bonds increased by 13 basis points for the first time since the omicron coronavirus strain appeared in November. This represents the most significant return increase on the first working day of the new year since 2009. The Fed's December session minutes were published in the middle of this reporting week. They stated that FED decided to start monetary policy tightening faster. The American government bonds sale was current for most of the week after announcing that Fed officials were considering reducing their balance sheet. Market participants predict that the first Fed's interest rate increase will be by 25 basis points in March this year. At the end of the reporting week, the return stood around a 2-year high after December labour market data showed strong wage growth, further fuelling inflationary concerns and reinforcing forecasts that March will be the starting point for the Fed's first interest rate hike. The return on 10-year US government bonds was around 1.762% at the market close on Friday.

## GOLD



Source: Bloomberg LP

On the first day of this reporting week, the gold price fell and trended towards the most significant daily decline in the last six weeks, as returns on US government bonds rose. Investors' focus on investing in riskier assets on the first working day of trading this year spurred in US government bond returns growth and stock prices while the dollar appreciated. This precious metal's price recovered during Tuesday and the first part of Wednesday after the US production data publication, which did not meet analysts' expectations. The gold price fell on Wednesday afternoon, and the downward trend continued on Thursday. The gold price was also boosted by the Fed official's statement that the economy's strengthening and rising inflation may encourage a faster increase in this institution's reference interest rates. The gold price recovered slightly on Friday after the USD depreciation following the report's publication that the increased number of jobs in the USA was far lower than economic analysts expected.

## OIL



Source: Bloomberg LP

The oil price trended up during this reporting week. On the first working day of this year, it rose by 1% ahead of the OPEC+ meeting on Tuesday, where the production policy would be discussed. The upward trend continued the next day as global stocks were heading lower than previously expected due to the alleviated fears due to omicron's impact on global demand. As planned, the OPEC+ producer group approved a production increase of 400,000 barrels/ day in February. The oil price has been rising, as OPEC+ showed confidence that the outlook for global crude oil demand would have only a limited impact. Also, geopolitical risks, such as tensions between Russia and Ukraine and negotiations on renewing the nuclear agreement with Iran, support higher oil prices. The oil price rose during the week due to growing scepticism about whether OPEC and its allies can successfully increase production as much as they intend. According to a report by the Energy Information Administration, US inventories fell 2.14 million barrels last week. US inventories fell for the sixth consecutive week. By the end of this reporting week, oil prices were hovering around a 7-week high due to supply constraints from OPEC+ for North America. Deep frosts in Canada and the northern United States are disrupting oil flows and raising this fuel's price at the moment when US inventories fall.

**Table 4 - Economic indicators (3 – 7 January 2022)**

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	<p><b>CPI estimate</b> This is an early euro area estimate. This index uses available data comparable to a historical trend to anticipate changes in consumer prices. By itself, CPI monitors the consumer price changes by measuring price changes of market basket of consumer goods and services purchased by an average household. Therefore, it is the key inflation measure. Positive CPI points to price increase.</p>	December YoY%	4.8%	5.0%	4.9%
	<p><b>Economic Confidence</b> Monthly economic sentiment indicator reflects the general economic activity in the euro area. This indicator combines the assessments and expectations arising from surveying companies and consumers, whereas these surveys include different components of economy: industry, consumers, construction, and retail trade.</p>	December	116.0	115.3	117.5
	<p><b>Producer Price Index (PPI)</b> This index measures changes in sale prices of goods and services used by producers. Producers transfer higher costs to consumers through retail prices, thus PPI is important as an early inflation indicator.</p>	November MoM% YoY%	1.5% 23.2%	1.8% 23.7%	5.4% 21.9%
USA	<p><b>ISM Manufacturing</b> This indicator assesses the state of US industry by questioning executors about their expectations in terms of future production, new orders, inventory, employment, and deliveries.</p>	December	60.0	58.7	61.1
	<p><b>Change in non-farm payrolls</b> This report shows the total number of newly employed workers on a monthly basis by economy industries. It does not include employees in government services, NGOs, and the agricultural sector. It serves as the basis for tailoring economic policy and forecasting future economic trends.</p>	December k=1000	450k	199k	210k
	<p><b>Unemployment Rate</b> It shows the number of unemployed persons as a percentage of the total labour force.</p>	December	4.1%	3.9%	4.2%

Source: Bloomberg