



## 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	1.1881
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

# International Financial Market Report

(14 - 18 February 2022)

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 Interest Rates: 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, Products

Daniel Broby, chief investment officer at Bankinvest, discusses the company's investment strategy in the current market environment.

**LIVE <GO> Events**

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

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. 1 212 218 2000 Copyright 2006 Bloomberg L.P.  
6615-311-3 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

Change on day  
IYC4 I52 <GO>  
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, 23 February 2022

## FX NEWS

### EUR/USD



Source: Bloomberg LP

At the beginning of this reporting week, the **EUR/USD exchange rate** depreciated as geopolitical tensions pressured the euro. Later in the week, it recovered and rose as demand for risky assets recovered after an improved outlook of tensions between Ukraine and Russia. The EUR/USD exchange rate appreciation resulted from publishing minutes from the last Fed meeting. They showed that officials concluded that high inflation guarantees an increased reference rate soon and possibly a faster monetary tightening pace. The euro also appreciated against a statement by ECB representative Martins Kazaks that interest rates would likely rise by the end of the year to help the bank cope with rising prices. At the end of the week, the exchange rate depreciated again as the demand for safe funds increased after the USA repeated the warning of a possible Russian attack on Ukraine.

### EUR/GBP



Source: Bloomberg LP

On the first day of this reporting week, the **EUR/GBP exchange rate** depreciated. British

employers expect to increase staff salaries to the highest level in the last nine years, but 3% wage contracts for workers would still be below rapidly rising inflation. Since the BoE fears wages and prices spiral due to the tight British labour market, it will raise interest rates faster than previously thought to tame rising inflation, say economists polled by Reuters who significantly improved their consumer price growth forecasts. At the last meeting, half of the BoE's Monetary Policy Committee members voted to increase the rate to 0.75%, tightening the policy more likely next month. This exchange rate appreciated in the middle of the week after announcing that part of the Russian troops would return from the Ukrainian border to their regular bases. The euro depreciated against the sterling on Friday due to rising geopolitical risk around Ukraine. At the same time, the UK released better-than-expected retail sales data for January. This is another indication that the British economy started the year with good momentum.

### EUR/JPY



Izvor: Bloomberg LP

At the beginning of this reporting week, the **EUR/JPY exchange rate** depreciated as tensions in Ukraine caused turbulence, and fears of increased interest rates by the Fed further burdened bonds. Falling stock prices also boosted demand for the yen. In the middle of the week, the exchange rate recovered slightly. By the end of the week, it started to depreciate again due to renewed tensions between Ukraine and Russia.

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

	14.02.2022 <sup>1</sup>	18.02.2022 <sup>2</sup>	% Change
EUR/USD	1.1350	1.1322	-0.25
EUR/GBP	0.83698	0.83326	-0.44
EUR/JPY	130.95	130.22	-0.56
EUR/AUD	1.59045	1.57731	-0.83
EUR/CHF	1.05050	1.04341	-0.67
USD/JPY	115.42	115.01	-0.36
GBP/USD	1.3564	1.3589	0.18

**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%	10 March 2022
Federal Reserves	Federal Funds Target Rate	0.25%	16 March 2022
Bank of Japan	Overnight Call Rate	-0.10%	18 March 2022
Bank of England	Official Bank Rate	0.50%	17 March 2022
Swiss National Bank	Libor Target Rate	-0.75%	24 March 2022
Bank of Canada	Target Overnight Rate	0.25%	2 March 2022
Reserve Bank of Australia	Cash Rate Target	0.10%	1 March 2022

**Table 3 – ESTR and Euribor**

	14.02.2022 <sup>1</sup>	18.02.2022 <sup>2</sup>	Change in basis points
ESTR	-0.578	-0.576	0.20
Euribor 1W	-0.577	-0.568	0.90
Euribor 1M	-0.557	-0.557	0.00
Euribor 3M	-0.523	-0.528	-0.50
Euribor 6M	-0.458	-0.487	-2.90
Euribor 12M	-0.298	-0.329	-3.10

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

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

## EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The return on 10-year German government bonds fell from 0.24% to 0.19% last week, reaching 0.33% in the middle of the week. In the first two days, it was growing as signs that negotiations between Russia and the United States would continue raised expectations concerning the geopolitical tensions easing. The return also rose due to market expectations that the ECB would raise interest rates in September and December, both by 25 basis points. On Wednesday, at the very beginning of the day, the return stood at 0.331%, to start falling soon, and this trend continued until the very end of the week. Although Russia announced it was withdrawing part of its troops from the Ukraine border, Western officials expressed reservations. Thus, the demand for safe funds began to grow, causing a drop in return. Tensions between Russia and Ukraine were current until the end of the week, so the return fell in the same period. The ECB interest rate increase expectations moved from September to October before the end of the week, after the ECB officials' statements. The ECB's chief economist Philip Lane warned that the ECB should not overreact to high inflation rates in the short term. In addition, a Governing Council member Pablo Hernandez de Cos said a premature monetary policy tightening could harm demand and jeopardise the European economy's post-pandemic recovery.

## US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

During this reporting week, the return on 10-year US government bonds was similar to that of 10-year German government bonds, falling from 1.96% to 1.93%. Although it dropped at the very beginning of the week, it soon started to grow. Increased prospects for the Russia and Ukraine conflict's peaceful settlement, and the news that Russia will begin withdrawing part of the troops from the Ukraine border, caused an increased demand for risky and decreased demand for safe assets. Therefore, the return was growing and stood at 2.06% on Wednesday. However, in the last two days of the week, the return weakened as the renewed geopolitical tensions caused the growing demand for safe funds. The minutes of the last Fed meeting, released on Wednesday, did not drive significant changes in this market.

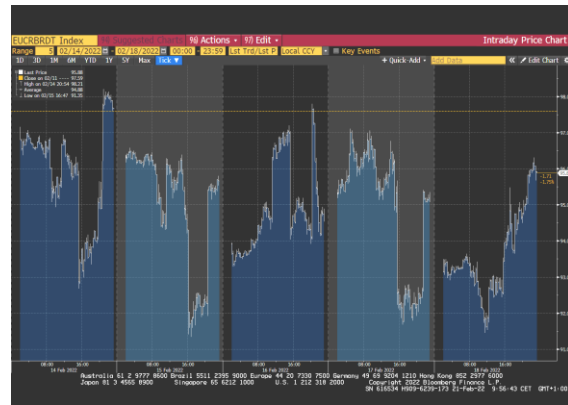
## GOLD



Source: Bloomberg LP

The gold price rose this reporting week. Despite expectations of an aggressive Fed's interest rate increase, geopolitical tensions between Russia and Ukraine caused rising demand for safe funds. The exception to the growing trend happened on Tuesday when the price fell after Russia's statement it was withdrawing part of its troops from the Ukraine border. However, the price continued to rise after Western officials expressed reservations about the statement. After the US president warned of a "very high probability of Ukraine's invasion", risk aversion increased, so the demand for gold increased further, leading to an 8-month high just before the end of the week (1902.48 USD).

## OIL



Source: Bloomberg LP

The oil price fluctuated throughout the last week, ranged between 91.5 and 98 USD/bbl, and recorded a slight weekly decline - the first in the last two months. The main driver of this movement was the geopolitical situation. Tensions between Russia and Ukraine raised concerns about global oil supplies, leading to rising prices. At the same time, Russia's calls for a diplomatic approach and denial of attacks on Ukraine have eased tensions and caused them to fall. The news that Russia was withdrawing part of its troops from the Ukraine border caused a price drop on Tuesday. Still, the US President's statement that the US has not yet confirmed the news and warned that an attack was still possible increased the price. The US Government's announcement that oil stocks rose unexpectedly last week caused the price of this fuel to fall on Thursday. The price also fell after news that the nuclear agreement with Iran has entered the final phase, which could increase the amount of oil on the market. However, at the very end of Friday, the price rose again due to renewed concerns about Ukraine.

**Table 4 - Economic indicators (14 – 18 February 2022)**

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	<b>GDP s.a.</b> 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.	IV Quarter			
		QoQ%	0.30%	0.30%	0.30%
		YoY%	4.60%	4.60%	4.60%
Germany	<b>ZEW Survey Expectations</b> This survey measures expectations regarding the economic growth for the next 6 months. Experts are surveyed on whether they expect an improvement or deterioration, thus the difference between the number of positive and negative responses represents the indicator value.  <b>ZEW Survey Current Situation</b> This indicator focuses on the results of the research on the current soundness of the German economy. It is obtained by collecting estimates of experts on whether the current situation is improving, worsening or remaining unchanged, so the indicator value is obtained as the difference between the number of positive and the number of negative responses. The higher value of the indicators points to strengthening of the economy and a better business climate.	February	55.5	54.3	51.7
		February	-6.5	-8.1	-10.2
USA	<b>Producer Price Index</b> It measures changes in sales prices that manufacturers charge for products and services and monitors how prices increase through different production process stages. Producers transfer higher costs to consumers through retail prices, thus PPI is important as an early inflation indicator.	January MoM%	0.50%	1.00%	0.40%
France	<b>ILO Unemployment Rate</b> Unemployment, defined by the International Labour Organization (ILO), represents a situation where people are unemployed but actively looking for a job. Unemployment rate measures the size of unemployment and is obtained as a percentage when the number of unemployed individuals is shared with all individuals currently on the labour market.	IV Quarter	7.80%	7.40%	-8.0%

Source: Bloomberg