



## 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

(24 - 28 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. Longshore Senator 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
Legal & General Teleconference: Full-Year Earnings	3/17	Now Playing	English	🗑️
UBS Warburg's Hickson: Outlook for Steel Industry	3/17	Now Playing	English	🗑️
European Commission: Daily News Conference	3/17	20:00 - 20:30	English	🗑️
Egypt's Mohamed: Sale of State-Owned Businesses	3/17	21:05 - 21:20	English	🗑️
Borders Group Teleconference: 4th-Qtr Results	3/17	22:00 - 23:00	English	🗑️
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

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 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

Podgorica, 2 February 2022

## FX NEWS

### EUR/USD



Source: Bloomberg LP

The **EUR/USD exchange rate** depreciated during this reporting period from 1.1348 to 1.1149. The USD appreciation caused the exchange rate's depreciation due to lower US stock prices and the return on US government bonds, all awaiting the Fed meeting. Demand for riskier assets also reduced due to concerns about a faster Fed's monetary policy tightening and a potential military conflict in Ukraine. (the United States put 8,500 troops on alert of a Russian military attack on Ukraine). After a two-day Fed meeting, the USD appreciated against the euro after Fed Chair Jerome Powell signalled that the central bank would start an interest rate hikes cycle as early as March. The Fed's decision came after the latest release of US inflation data, which reached 7% in December - the highest level since the 1980s. US interest rate increase in March would be the first for this central bank from 2018, while many analysts predict a 25 basis points increase in March and three more by the end of the year. The USD continued to appreciate on Thursday as the Fed meeting highlighted an even more significant gap between overseas interest rates. The EUR/USD exchange rate fluctuated on Friday (1.1121-1.1173). The euro depreciated after announcing that the German economy's volume in 2021Q2 decreased more than expected. The USD also appreciated amid concerns about potential Russian military activity against Ukraine and expectations that the Fed would provide more details on the March interest rates increase and balance sheet cuts later in the year to help the country cope with rising inflation.

### EUR/GBP

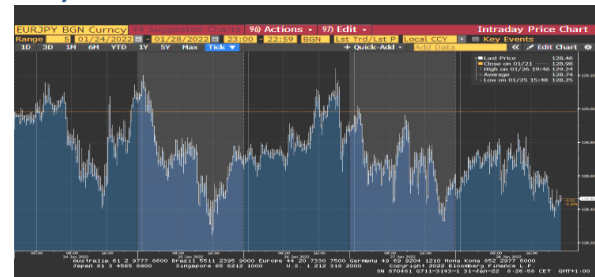


Source: Bloomberg LP

At the beginning of this reporting week, the **EUR/GBP exchange rate** grew. The reason was the sterling's depreciation after releasing UK economic data that did not meet expectations (as PMI service and January output indices fell more than expected). Later this week, the

exchange rate depreciated. According to IMF forecasts, Britain would be the fastest-growing industrial economy within the G7 group this year. Data on British government lending in the first nine months of 2021 were much lower than official forecasts. They left room for the Chancellor of the Exchequer Sunak to respond to calls to reduce the cost of living on households and businesses. On the other hand, Prime Minister Johnson was under investigation for possible violations of Covid-19 restrictions. Demand for sterling continued on Wednesday amid a heightened appetite for riskier funds as the ECB would lag behind the BoE for monetary policy normalisation. The pound appreciated against the euro as the euro was currently resilient to the political situation in the UK. Sterling also appreciated on Thursday, awaiting the BoE meeting at which interest rates were expected to rise, which in this case would also highlight the interest rates divergence among central banks. The sterling's growth was supported by better-than-expected data from the British retail sector survey in January. On Friday, the EUR/GBP exchange rate had a volatile trend (0.8304-0.8335). Consumer prices in the UK rose 5.4% year on year last month, the highest rate in almost 30 years, making inflation a "hot" political issue. Some activists said the latest figure underestimates the actual increase in costs faced by the poorest families.

### EUR/JPY



Source: Bloomberg LP

Throughout the reporting period, the **EUR/JPY exchange rate** had a volatile trend (128.25-129.24). It depreciated earlier this week as the rising demand for safe funds caused the yen to rise due to escalated concerns about a potential military conflict in Ukraine and a faster Fed's monetary policy tightening. The EUR/JPY exchange rate depreciated slightly at the end of the week, mainly due to falling stock prices on Asian stock exchanges after the Fed meeting that caused a risk-aversion increase. On Friday, the exchange rate showed depreciation signs as investors returned risk appetite slowly due to the release of strong US GDP data and Apple's earnings results. Apple announced better earnings and revenues than expected in 2021Q4 owing to strong demand for the iPhone 13 and other services. The EUR/JPY exchange rate fluctuated from 128.33 to 129.02 on Friday.

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

	24.01.2022 <sup>1</sup>	28.01.2022 <sup>2</sup>	% Change
EUR/USD	1.13440	1.11510	-1.70
EUR/GBP	0.83702	0.83224	-0.57
EUR/JPY	128.980	128.580	-0.31
EUR/AUD	1.57900	1.59537	1.04
EUR/CHF	1.03415	1.03801	0.37
USD/JPY	113.680	115.260	1.39
GBP/USD	1.35530	1.34010	-1.12

**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%	16.03.2022
Bank of Japan	Overnight Call Rate	-0.10%	18 March 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%	2 March 2022
Reserve Bank of Australia	Cash Rate Target	0.10%	1 February 2022

At this week's meeting, Fed Chair Jerome Powell said that the central bank was ready to raise the reference interest rate in March. He did not rule out the possibility of shifting rates at each subsequent meeting to help the bank cope with high inflation. The Fed also stressed that it expected the balance sheet reduction process to begin once interest rates raising starts. The Central Bank of Canada did not change how it had conducted its monetary policy so far.

**Table 3 – ESTR and Euribor**

	24.01.2022 <sup>1</sup>	28.01.2022 <sup>2</sup>	Change in basis points
ESTR	-0.579	-0.573	0.60
Euribor 1W	-0.559	-0.573	-1.40
Euribor 1M	-0.552	-0.563	-1.10
Euribor 3M	-0.568	-0.550	1.80
Euribor 6M	-0.522	-0.519	0.30
Euribor 12M	-0.462	-0.459	0.30

<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 German 10-year government bonds was growing during this reporting week. The return on these bonds was stable during the first two days. It rose sharply at the end of Wednesday due to rising expectations that the ECB would tighten its monetary policy sooner than expected. In the rest of the week, the return on these bonds increased slightly. At the end of the week, the return on 10-year German bonds was -0.04%.

## US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

The return on US 10-year bonds was stable during the first two days of this reporting period. At the end of Wednesday, it recorded a sharp jump after the Fed meeting. The return growth came as the Fed announced the first possible interest rate hike in March. It also hinted that interest rate hikes could rise in the coming period to help the central bank cope with high inflation. On Thursday, the return dropped to the previous level after releasing better than expected data on economic growth in the USA (y-o-y economic growth of 6.9% in Q4). On Friday, the return on these bonds depreciated slightly to 1.76% at the end of the week.

## GOLD



Source: Bloomberg LP

The gold price had a downward trend this week. It fell this week from 1,835.38 to 1,780.35 USD/oz. The fall in the gold price occurred in the second half of the reporting period after the Fed meeting. Namely, the Fed Chair emphasised the central bank's more aggressive attitude on raising interest rates to combat inflation, which was reflected in the fall in the gold price. Moreover, the USD appreciation against other currencies led to gold price weakening.

## OIL



Source: Bloomberg LP

The oil price was rising this week. Thus, the price rose from 88.18 to 90.90 USD/bbl. The oil price weakened only during the first day of this reporting period, to increase in the rest. Several factors influenced the oil price increase. The most important, which influenced the oil price rise throughout the reporting week, was the tightening of relations between Russia and Ukraine.

**Table 4 - Economic indicators (24 – 28 January 2022)**

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	<b>Economic Confidence</b> This economic indicator measures the optimism that consumers feel about the overall state of the economy and their financial situation. If the consumer has confidence in the economy of the immediate and near future and its finance, it will spend more than saved.	January	114.5	112.7	115.3
	<b>GDP Seasonal Adjustments (GDP SA)</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.	4Q QoQ%	-0.3%	-0.7%	1.7%
Germany	<b>IFO Business climate</b> It refers to a survey of German companies on the current conditions (state) of business in Germany, and their expectations for the next six months.	January	94.5	95.7	94.7
	<b>Gross domestic product (GDP)</b> It measures the value of products and services produced inside the country. GDP is the most comprehensive measure of economic output and provides a key insight into the main drivers of an economy.	4Q QoQ% (YoY%)	0.5% (4.9%)	0.7% (5.4%)	3.0% (3.3%)
France	<b>Markit UK Manufacturing PMI</b> PMI surveys tracks opinion among managers at manufacturing, construction and/or services firms. The index is calculated from the survey results on production, orders, inventories, employment, prices, etc.	January	57.6	56.9	57.9
	<b>Markit/CIPS UK Services</b> This index is based on responses of companies from transport and communication, finance, intermediation, business service, personal service, computing and information technology, and hotels and restaurant sectors. The value above 50 points to general expanding of service sector, while the value below 50 points to its general extraction.	January	54.0	53.3	53.6
USA	<b>Initial Jobless Claims</b> It measures the number of people who receive unemployment benefits.	January 22 K=1,000	265 K	260 K	286 K
	<b>New Home Sales</b> The indicator shows the sale of newly built properties in the United States. The figure is a temporary indicator of the housing market calculating the sale of houses when housing contracts have been signed.	December MoM%	2.2%	11.9%	12.4%
	<b>Durable Goods Orders</b> This is an indicator of consumer safety that reflects their expectations and the ability to spend money. Its positive growth marks the state of the economy, helping to strengthen the currency. Its decline leads to the opposite result. The DGO index is an excellent indicator for the future. Many manufacturers plan production based on available orders, the decline in DGO precedes the decline in production and vice versa.	December	-0.6%	-0.9%	-2.6%

Source: Bloomberg