



**CENTRALNA BANKA
CRNE GORE**

Financial and Banking Operations Department - International Reserves Management Division -

International Financial Market Report

(19 - 23 August 2024)

Podgorica, 28 August 2024

EURUSD ↓ 1.2179
At 19:38 Op 1.2174 HI 1.2179 Value 3/21/06
Market Price
Range 3/17/05 - 3/17/06
Upper Chart: Market Price



CMU/Close
Last 1.2179
High 03/17/05 1.3360
Average 1.2217
Low 11/14/05 1.1886

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 2/24	1.1878
T 3/16	1.2174	T 2/23	1.1871
W 3/15	1.2166	W 2/22	1.1864
T 3/14	1.2016	T 2/21	1.1914
F 3/13	1.1934	F 2/20	1.1946
T 3/12	1.1928	T 2/19	1.1939
W 3/11	1.1928	W 2/18	1.1932
T 3/10	1.1894	F 2/17	1.1909
W 3/9	1.1909	T 2/16	1.1881
T 3/8	1.1928	W 2/15	1.1884
W 3/7	1.1889	T 2/14	1.1897
T 3/6	1.1996	W 2/13	1.1902
W 3/5	1.1996	T 2/12	1.1902
T 3/4	1.2025	F 2/10	1.1919
W 3/3	1.2012	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	W 2/6	1.1962
W 2/27	1.1853		

BLOOMBERG NEWS AUDIO/VIDEO

Search Audio/Video 3/17/06 19:27:27

1) Bankinvest's Broby: Softbank, Vodafone, L'Oréal, Body Shop	2) ICAP's Smith: U.S. European Bonds, Fed Rates and Strategy	3) Fofar's Bennett: U.S. Dollar, Fed Policy, Euro, Yen
4) Societe Generale's Maguire: BOJ Policy, Japan Rate, Economy	5) China Airlines' Wei: Fleet Reorganization, Earnings Outlook	6) Bear Stearns Teleconference: Fiscal First-Quarter Profit
7) 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.	8) Microsoft's Gallmer: Stock Performance, Strategy, Products	

10 Bloomberg TV Live 11 Bloomberg Radio Live 12 All Audio/Video Reports

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 Mottelid: Sale of State-Owned Businesses	3/17	21:05 - 21:20	English	🔊
18) Borders 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	🔊

2) 2 YR	5.0670	5.0800	5.0755	+0.035
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 I48<GO>
Change on Month
IYC6 I48<GO>
For US Govt Yield Curve, type {IYC1 I2
For US swap Curve, type {IYC1 I52 <G

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Weekly overview of short news

- Inflation in the euro area was confirmed at 2.6% on an annual basis in July, which is a slight increase from 2.5% on an annual basis in June. The largest contributors to this inflation rate were services, food, alcohol and tobacco, non-energy industrial goods and energy generating products.
- The Bundesbank's monthly economic report indicated potential further delays in Germany's economic recovery and a possible increase in inflation by the end of the year. Recession is unlikely despite the unexpected contraction last quarter and weak survey indicators in this quarter. However, the outlook is still "muted" with the expected expansion of private consumption and services but also a potential blow to the industrial sector due to the weak foreign demand. Inflation is expected to rise temporarily due to low energy prices from the previous year and strong wage pressures.
- Minutes from the ECB's July meeting revealed that policymakers were not concerned about slowing disinflation, boosting investors' expectations for another key interest rate cut in September. Despite the interest rate cut in June, the ECB kept the deposit interest rate at 3.75% in July. The ECB President, Christine Lagarde, said that the decision, whether the bank will further reduce borrowing costs in September, was "wide open". The ECB Governing Council member Mārtiņš Kazāks said he was ready to discuss another cut, expressing belief in inflation returning to 2%.
- The head of the Central Bank of Portugal and the ECB Governing Council member, Mário Centeno, stated that the reduction of the interest rate in September by the ECB is certain. He stated that the ECB's trend for October will depend on the data, that is, on the trajectory of the data.
- According to economic data, the Paris Olympics provided an unexpected boost to the euro area economy, driving private sector growth to a three-month high. The S&P global composite PMI rose to 51.2 in August, from 50.2 in July, surpassing even the most optimistic Bloomberg survey forecast.
- During this reporting week, the price of gold recorded a new record value of \$2,531.75 per ounce. Western investors have begun to follow the gold investment trend, which has been present in Asia as of the beginning of the year, to position themselves concerning lower investment costs.
- Minutes from the Fed's last meeting showed that there is a justifiable reason for cutting interest rates in September. Several members of the Fed are of the opinion that the recent progress in the inflation trend and the increase in unemployment is the reason enough to reduce the interest rate of up to 25bp.
- The markets were marked by the Fed President's speech in Jackson Hole on Friday. He said the time had come to adjust monetary policy, but gave no further information on whether the first cut would be 25bp or 50bp. In his speech, he announced that the cooling of the labour market is "obvious" and "it seems unlikely that the labour market will be the source of inflationary pressures in the near future." He stated that the economy is still growing at a "solid pace", but also emphasized that the focus is now shifting from the fight against inflation to the other side of the dual mandate, which is maximum employment.

EUR/USD



The EUR/USD exchange rate recorded growth of 1.50% in this reporting week. The exchange rate rose in the first half of the week as the Minneapolis Fed President suggested that it was justified to consider a potential reduction in interest rates in September. In addition, traders increased expectations that the Fed will cut interest rates at the September meeting, which was reflected in the weakening of the dollar, and after midweek U.S. payrolls were revised downwards by 818 thousand in March in relation to the period from the previous 12 months. The exchange rate recorded a slight drop on Thursday, as traders were cautious in anticipation of the Fed President's speech in Jackson Hole. After the Fed President gave a speech on Friday, the EUR/USD exchange rate achieved a sharp growth. Namely, the Fed President signalled that "the time has come" to reduce the interest rate in September, which was reflected in the sharp drop of the dollar in relation to most currencies.

EUR/GBP



The EUR/GBP exchange rate was stable during the first two days of this period, but it fell in the remaining part of the week, which amounted to 0.59% on a weekly basis. The exchange rate fell in the second part of the week due to different expectations regarding the ECB and the Bank of England. Namely, the ECB is expected to reduce the interest rate in September, while the BoE is expected to have a more cautious approach when reducing these. Additionally, the drop in the exchange rate was influenced by the announcement that there was an acceleration of business activity in Great Britain.

EUR/JPY



The EUR/JPY exchange rate fluctuated in a narrow interval during this week, ranging between 162.80 and 165.50. The exchange rate trended in this interval as the Bank of Japan governor's address in Jackson Hole was expected at the very end of this reporting week. In his speech on Friday, the Bank of Japan Governor said he was ready to raise interest rates in case inflation continues to rise, indicating that recent volatility will not affect the BoJ's long-term target.

Table 1 - Exchange rates of the most important currencies

	19-Aug-2024 ¹	23-Aug-2024 ²	% Change
EUR/USD	1.1027	1.1192	1.50
EUR/GBP	0.85186	0.84682	-0.59
EUR/JPY	162.80	161.58	-0.75
EUR/AUD	1.65324	1.64711	-0.37
EUR/CHF	0.95521	0.94897	-0.65
USD/JPY	147.63	144.37	-2.21
GBP/USD	1.2944	1.3214	2.09

Table 2 - Overview of the leading central banks' interest rates

Central Bank	Reference interest rate	Reference interest rate level	Next meeting
European Central Bank (ECB)	ECB main refinancing rate	4.25%	12-Sep-2024
Federal Reserves (Fed)	Federal Funds Target Rate	5.50%	18-Sep-2024
Bank of Japan (BoJ)	Overnight Call Rate	0.25%	20-Sep-2024
Bank of England (BoE)	Official Bank Rate	5.00%	19-Sep-2024
Swiss National Bank (SNB)	Libor Target Rate	1.25%	26-Sep-2024
Bank of Canada (BoC)	Target Overnight Rate	4.50%	4-Sep-2024
Reserve Bank of Australia (RBA)	Cash Rate Target	4.35%	24-Sep-2024

Table 3 - ESTR and Euribor

	19-Aug-2024. ¹	23-Aug-2024. ²	Change in basis points
ESTR	3.664	3.664	0.0
Euribor 1W	3.621	3.635	1.4
Euribor 1M	3.595	3.595	0.0
Euribor 3M	3.560	3.525	-3.5
Euribor 6M	3.367	3.382	1.5
Euribor 12M	3.139	3.102	-3.7

¹ Opening market value on Monday

² Closing market value on Friday

Table 4 - Economic indicators (19 -23 Aug 2024)

Country	Indicator	Period	Expected value	Current value	Previous value
Japan	Exports Products and services produced in Japan, sold or pending for sale outside of Japan.	July YoY%	11.5%	10.3%	5.4%
	Imports Japan’s demand for foreign products. The value of exports and imports is an important input in the calculations of the trade balance, current account and GDP.	July YoY%	14.6%	16.6%	3.2%
Euro area	Consumer price index (CPI) It estimates the changes in the cost of living, by measuring changes in the price level of market basket of consumer goods and services purchased by an average household.	July Final data MoM% YoY%	0.0% 2.6%	0.0% 2.6%	0.0% 2.5%
	Consumer confident Measuring consumer confidence in the countries of the euro area. This indicator is the result of a survey of euro area consumers regarding their finances, labour market, willingness to save, as well as expectations regarding the economy.	August Preliminary data	-12.6	-13.4	-13.0
Germany	Producer Price Index (PPI) Measures changes in prices of goods and services after leaving the place of production. Producers transfer higher costs to consumers through retail prices, thus PPI is important as an early inflation indicator.	July MoM% YoY%	0.2% -0.8%	0.2% -0.8%	0.2% -0.8%
	HCOB Composite PMI (PMI) PMI surveys tracks opinion among managers at manufacturing, construction and/or services firms. The overall confidence index is generally calculated based on the results of questionnaires on inventories, production, orders, employment, prices, etc.	August Preliminary data	49.2	48.5	49.1
USA	Initial Jobless Claims Number of inhabitants receiving unemployment benefits.	17 August K=1,000	232K	232K	227K
	Existing Home Sales The indicator shows records of sales in the U.S. real estate sector and is revised monthly. This report provides a fairly accurate assessment of housing market conditions.	July MoM%	1.3%	1.3%	--5.4%
	New Home Sales The indicator shows sales of newly built real estate in the U.S. This data represents a timely indicator of housing market conditions, counting house sales when housing contracts are signed.	July MoM%	1.0%	10.6%	-0.6%

EUROPEAN GOVERNMENT BONDS MARKET



The yield on 10-year German government bonds rose on the first day of this reporting week, ahead of the bond auctions in Germany, as well as the auctions in Finland on Tuesday. Olli Rehn, a member of the ECB Governing Council, said after the market closed on Monday that the risk to the economic growth in Europe is growing, which supports the increasing expectations that the ECB will reduce interest rates at the September meeting. Yields on these bonds fell over the next few days, driven by falling stock prices, as the U.S. payrolls were revised lower, adding to concerns about U.S. economic growth. The yield rose from 2.174% to 2.24% on Thursday as the market lowered expectations of interest rate cuts by the ECB and the Bank of England following better-than-expected data from the euro area and Great Britain, that improved economic outlook. The upward trend continued during the last day of this reporting week, and the yield on 10-year German government bonds recorded a weekly maximum of 2.26% on the same day, only to fall by 4 basis points by the end of the day and trended around 2.22% at the close of the market, following a decline in U.S. government bond yields.

U.S. GOVERNMENT BONDS MARKET



The yield on 10-year U.S. government bonds had a downward trend during the first three days of this reporting week, due to the growing expectations of market participants that the Fed will lower the interest rate at the September meeting. The lowest weekly yield of these bonds was recorded at 3.75% on Wednesday, as U.S. payrolls were revised lower, confirming expectations that the Fed will cut interest rates in September. A slight recovery in U.S. bond yields occurred on Thursday after a series of new data showed that the U.S. labour market continues to "hold on". The yield on 10-year U.S. government bonds fell sharply on Friday as the Fed Chairman confirmed expectations for a September rate cut. The yield of these bonds equalled 3.79% at the closing of the market on Friday.

GOLD



The price of gold rose during the first three days of this reporting week, hitting a new record high of \$2,531.75 an ounce on Tuesday, as traders awaited a speech by the Fed chairman later this week, which could give more clues as to how quickly the Fed will lower interest rates. The upward trend in the price of this precious metal is also influenced by the long-term concerns over the conflict in the Middle East. The price of gold has risen by 22% as of the beginning of the year, and Western investors have increased their investments in gold to position themselves for the inevitable interest rates cuts in the U.S. this year, which has helped the price of gold to rise to record highs. It seems that American and European buyers are now "waking up" to position themselves for lower borrowing costs by investing in gold, something Asia has been doing since the beginning of this year. The price of gold recorded a drop on Thursday, as a result of the release of good data on the U.S. economy, and the price recovered again by the end of the day on Friday, following the Fed President's speech in Jackson Hole. The price of gold reached \$2,512.59 per ounce at the closing of the market on Friday.

OIL



The price of oil recorded a downward trend during most of this reporting week. The weakening of the price of oil occurred due to a possible ceasefire in Gaza and growing concerns about the global demand for this energy generating product. The price of oil trended in mid-week around the lowest level since January of this year, \$75.75 per barrel. This price recovered some of the recent losses by the end of the week, reaching \$78.98 per barrel, as the U.S. jobs data was revised, as well as due to the statement by the Fed Chairman who announced that the time has come to reduce interest rates.

Disclaimer

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