



**CENTRALNA BANKA
CRNE GORE**

Financial and Banking Operations Department - International Reserves Management Division -

International Financial Market Report

(26 - 30 August 2024)

Podgorica, 4 September 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	1.1909
W 3/11	1.1894	W 2/18	1.1881
T 3/10	1.1894	T 2/17	1.1881
F 3/9	1.1909	F 2/16	1.1881
T 3/8	1.1928	T 2/15	1.1884
W 3/7	1.1889	W 2/14	1.1897
T 3/6	1.1996	T 2/13	1.1902
F 3/5	1.1996	F 2/12	1.1902
T 3/4	1.2025	T 2/11	1.1919
W 3/3	1.2012	W 2/10	1.1974
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

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 I48<GO>
Change on Month
IYC6 I52<GO>

BLOOMBERG NEWS AUDIO/VIDEO

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

13) 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) Australia 61 2 8777 8800	Brazil 5511 3048 4500	Europe 44 20 7330 7500	Germany 49 69 920410
21) Hong Kong 852 2397 6000	Japan 81 3 3201 3900	Singapore 65 6212 1000	U.S. 1 212 316 2000

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IYC6 I48<GO>
For US Govt Yield Curve, type {IYC1 I2
For US swap Curve, type {IYC1 I52 <G

Weekly overview of short news

- A sharper-than-expected drop in inflation in Germany is likely to add certain support for an interest rate cut by the ECB at its next meeting on 12 September. According to preliminary data, the harmonized index of consumer prices fell from 2.6% to 2% on an annual basis in August, which is the lowest level since March 2021, and at the same time the ECB target level, while forecasts indicated that it would slow down to 2.2 %. This is mostly a result of lower fuel and energy prices. The same data for France show a drop of 2.2% in the annual inflation rate to the lowest level in the previous three years.
- Inflation in Spain fell to its lowest level in a year. Preliminary data showed that the harmonized index of consumer prices in August fell from 2.9% to 2.4% on an annual basis. The third consecutive monthly slowdown came as a result of lower fuel as well as food and soft drinks costs. A rate of 2% can be expected next month, but this will not last long, and it is predicted that it will move slightly below 3% by the end of the year. The drop in inflation was the result of the reduction of the energy tax in Spain, but it will return from 10% to 21% by the year end, which will affect the measurement of inflation and the projected growth.
- According to estimates, the annual inflation rate of the euro area fell from 2.6% to 2.2% in August, to the lowest level since mid-2021, which further supports the reduction of the ECB's interest rate. Preliminary data showed that core inflation, which excludes volatile components, was reduced from 2.9% to 2.8%,
- Better-than-expected economic data were released in the U.S. on Thursday. The annual gross domestic product grew to 3% in Q2, compared to the previous figure, and at the same time, the expected 2.8%. The main driver of economic growth, personal spending, also increased in Q2, from 2.3% to 2.9%, against the expected 2.2%.

EUR/USD



The EUR/USD exchange rate had a downward trend during this reporting week. At the opening of the market on Monday, the exchange rate was at the level of 1.1202, being the highest level since July 2023. At the closing of the market on Friday, the exchange rate reached 1.1047. The euro weakened against the dollar, due to release of economic data on the slowdown of inflation in Germany and Spain. Inflation in Germany was recorded at 2% on an annual basis, at the lowest level since March 2021, fuelling expectations that the ECB will cut interest rates in September.

EUR/GBP



During this reporting week, the EUR/GBP exchange rate had a downward trend, fluctuating around 0.84368 on average. The British currency strengthened against the euro, due to market participants' expectations that the Bank of England will keep interest rates at their current level longer than in the United States and the euro area. Sterling rose against the dollar by the end of the week and trended around a 2.5 year high.

EUR/JPY



The EUR/JPY exchange rate did not record any significant changes in this reporting week, fluctuating around the level of 161.00 on average. The yen strengthened slightly against the euro in mid-week, due to the Japanese government's announcement that the economy is moderately recovering. The Japanese economy recovered in Q2, due to the recovery of domestic demand. The positive economic outlook supports the Bank of Japan's July decision to raise interest rates and reduce bond purchase. Inflation in Tokyo accelerated to 2.4% in August, compared to July's 2.2%.

Table 1 - Exchange rates of the most important currencies

	26-Aug-2024 ¹	30-Aug-2024 ²	% Change
EUR/USD	1.1192	1.1048	-1.29
EUR/GBP	0.84682	0.84149	-0.63
EUR/JPY	161.58	161.49	-0.06
EUR/AUD	1.64711	1.63320	-0.84
EUR/CHF	0.94897	0.93902	-1.05
USD/JPY	144.37	146.17	1.25
GBP/USD	1.3214	1.3127	-0.66

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

	26-Aug-2024. ¹	30-Aug-2024. ²	Change in basis points
ESTR	3.664	3.654	-1.00
Euribor 1W	3.635	3.623	-1.20
Euribor 1M	3.595	3.589	-0.60
Euribor 3M	3.525	3.490	-3.50
Euribor 6M	3.382	3.360	-2.20
Euribor 12M	3.102	3.088	-1.40

¹ Opening market value on Monday

² Closing market value on Friday

Table 4 - Economic indicators (26 - 30 Aug 2024)

Country	Indicator	Period	Expected value	Current value	Previous value
France	<p>CPI - EU Harmonised The harmonized index of consumer prices is an indicator of inflation and price stability, which uses a methodological concept applied by all EU members.</p>	<p>August MoM% YoY% Preliminary data</p>	<p>0.5% 2.1%</p>	<p>0.6% 2.2%</p>	<p>0.2% 2.7%</p>
	<p>CPI It estimates the cost of living changes by measuring changes in the price level of market basket of consumer goods and services purchased by an average household. Therefore, it is the key inflation measure.</p>	<p>August MoM% YoY% Preliminary data</p>	<p>0.5% 1.8%</p>	<p>0.6% 1.9%</p>	<p>0.2% 2.3%</p>
	<p>Gross domestic product (GDP) It measures the value of goods and services produced within a country.</p>	<p>Q2 QoQ% YoY%</p>	<p>0.3% 1.1%</p>	<p>0.2% 1.0%</p>	<p>0.3% 1.1%</p>
Euro area	<p>CPI estimate This index uses available data comparable to a historical trend to anticipate changes in consumer prices. The consumer price index, by itself, measures changes in the cost of living, tracking price changes in a basket of consumer goods and services purchased by an average household, and is therefore a key measure of euro area inflation. Positive CPI points to price increase.</p>	<p>August</p>	<p>2.2%</p>	<p>2.2%</p>	<p>2.6%</p>
	<p>CPI Core Method for measuring core inflation. It is the consumer price index, which excludes energy and food prices. This method has become increasingly used because food and energy prices could fluctuate, and their volatile trend could affect the inflation measure.</p>	<p>August Preliminary data</p>	<p>2.8%</p>	<p>2.8%</p>	<p>2.9%</p>
	<p>Unemployment Rate The percentage of individuals on the labour market and unemployed, but actively looking for a job. In general, higher unemployment rate weakens the economy and results in lower personal spending.</p>	<p>July</p>	<p>6.5%</p>	<p>2.8%</p>	<p>2.9%</p>
Germany	<p>CPI - EU Harmonised The harmonized index of consumer prices is an indicator of inflation and price stability, which uses a methodological concept applied by all EU members.</p>	<p>August MoM% YoY% Preliminary data</p>	<p>0.0% 2.2%</p>	<p>-0.2% 2.0%</p>	<p>0.5% 2.6%</p>
	<p>CPI It estimates the cost of living changes by measuring changes in the price level of market basket of consumer goods and services purchased by an average household. Therefore, it is the key inflation measure.</p>	<p>August MoM% YoY% Preliminary data</p>	<p>0.0% 2.1%</p>	<p>-0.1% 1.9%</p>	<p>0.3% 2.3%</p>

EUROPEAN GOVERNMENT BONDS MARKET



During this week, the yield on German 10-year bonds rose from initial 2.21% to 2.29% at the very end of the week. The yield rose at the beginning of the week as the auctions of 5-year German bonds and 2-year Italian bonds were held. There was a short drop in the yield on German bonds in mid-week, and the increase in yield continued the next day and lasted until the end of this period. The increase in yields during the last two days occurred as the increase in yields from the American market was transferred to Europe, but also as investors revised their expectations regarding the dynamics of interest rate cuts by the ECB. Namely, the member of the ECB Governing Council, Isabel Schnabel, stated that the momentum of inflation is still high and that the reduction of inflation in the service sector has not happened since November last year, therefore the ECB should not reduce interest rates too quickly.

U.S. GOVERNMENT BONDS MARKET



The yield on the U.S. 10-year bonds rose during this reporting week from initial 3.77% to 3.90% at the very end of this period. The yield on these bonds rose at the beginning of the week as the supply of bonds in the U.S. increased, following the auction of 29 billion dollars of 2-year bonds. In the rest of the week, the yield rose as better-than-expected economic data arrived from the U.S. Namely, GDP grew by 3% in Q2 compared to the expected 2.8%. At the same time, it was announced that personal spending in Q2 increased by 2.9% compared to the expected 2.2%. Additionally, the growth of yields was influenced by the expectation that the Fed will pursue a less aggressive policy in reducing interest rates.

GOLD



The price of gold fell from \$2514.50 to \$2503.39 per ounce in this reporting week. The price fluctuated for the first two days, but the growing trend prevailed, due to the expectation that the Fed will lower the interest rate in September, and geopolitical tensions further supported this precious metal trend. The price of gold was at a record high value for this week of \$2529.09 early Wednesday, only to fall sharply on the same day to \$2493.75, which is the minimum weekly value. The strengthening of the dollar and rising yields on U.S. government bonds caused this decline. The price rose on the following day, as market participants evaluated the latest U.S. economic data, and key inflation data was anticipated for better insight into the upcoming Fed's monetary policy path. However, the price fell again on Friday as the dollar strengthened against most currencies as the U.S. inflation rate in July, measured by the personal consumption expenditure (PCE) deflator, remained at 2.5% and expectations rose that the Fed will take a less aggressive approach when reducing interest rates.

OIL



The price of oil decreased from \$79.70 to \$76.45 per barrel in this reporting week. The price was stable on Monday, only to have a downward trend for the next two days. Despite Israel's attack on Hezbollah and a larger-than-expected drop in U.S. oil inventories (API data), the price weakened, due to concerns about slowing economic growth in the U.S. and China, which could reduce demand for energy, but also as U.S. government data indicated a smaller-than-expected drop in oil stocks last week (846 thousand barrels versus 2.3 million barrels). However, there was a recovery on Thursday due to the release of stronger-than-expected economic data in the U.S., as well as a deterioration in the situation regarding Libyan oil exports and plans to cut Iraqi exports, which increased concerns about a decrease in global supplies. Oil production in Libya is still halved, and as for Iraq, the July production of 4.25 million barrels per day will be reduced to 3.85 - 3.90 million barrels per day in September. The price fell on Friday due to speculation that OPEC+ will continue with the planned increase in production in Q4 by 180,000 barrels per day, in order to gradually restore the volume of production that has been halved since 2022.

Disclaimer

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