CENTRALNA BANKA CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(29 September – 3 October 2025)

Podgorica, 8 October 2025

Weekly overview of short news

- The price of gold rose this week from $3,761.85 to $3,886.54 an ounce, as the U.S. government shutdown fuelled demand for safe assets.

- The price of oil fell this week from $68.71 to $65.13 per barrel, largely due to concerns about oversupplied markets and expectations that OPEC+ will accelerate the increase in the production volume.

- Preliminary data showed that the euro area's annual inflation rate in September rose in line with expectations, from 2% to 2.2%, while it exceeded expectations in Germany, 2.4% against 2.2%.

- According to the financial plan drafts prepared by the Cabinet of the Prime Minister of Italy, Giorgia Meloni, Italy's fiscal deficit this year will be in line with the E.U. limits of 3% of GDP. Achieving this aim could allow Italy to exit the EU's excessive deficit procedure earlier than expected, thereby increasing its fiscal credibility and potentially allowing an increase in defence spending to meet the NATO commitment of 5% of GDP, which could also lead to an improvement in the credit rating.

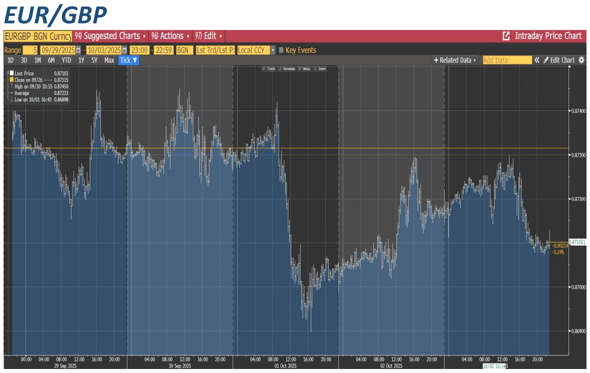
- The failure of the U.S. Congress to pass a funding bill by 30 September, when the 2025 fiscal year ends, has caused the government to shut down except for essential businesses. For the markets, the problem is not only the political deadlock, but also the suspension of the release of important data, including the employment report, which is important for the Federal Reserve ahead of its meeting in October.

FX NEWS

EUR/USD

The EUR/USD exchange rate recorded a slight increase during the first two days of the reporting week. The U.S. dollar weakened due to increased uncertainty among investors, who were closely monitoring political events in the U.S. The market's focus was on anticipation of a meeting between key leaders in the U.S. as the deadline to pass a government funding bill expires (failure to reach an agreement threatens to shut down the government, which jeopardize the release of key statistics, including employment data). The Bureau of Labour Statistics has announced that it will delay release in the event of a government shutdown. In the European market, an acceleration of inflation was recorded in the largest economies of the euro area during this month, which indicates a possible increase in the overall inflation rate at the level of the euro area (the harmonized index of consumer prices in Germany increased by 2.4% on an annual basis, in France by 1.1%, in Spain by 3.0%, in Italy by 1.8%, respectively). The increase in inflation was mainly attributed to a milder decline in energy costs, whereas core inflation trends remained stable, indicating the absence of significant new price pressures. The EUR/USD exchange rate fluctuated on Wednesday. The U.S. government shutdown and weaker-than-expected U.S. labour market data caused the dollar to weaken. At the end of the day, the exchange rate fell, as the Supreme Court's announcement that Lisa Cook will remain at the Fed until January 2026 favoured the dollar. The EUR/USD exchange rate fell towards the end of the day on Thursday due to the strengthening of the dollar as a result of delayed release of data from the U.S. as the U.S. Government is temporarily closed. Despite the decline, the euro was still stronger at the close than at the start of the day. On the last day of the week, the euro was supported by data that showed stronger activity in the services sector in the euro area and the delay in the release of data from the U.S.

EUR/GBP



The EUR/GBP exchange rate was stable during the first two days of this week. The exchange rate experienced a sharp drop in mid-week, which was caused by the comments of the Bank of England's monetary policy maker, who believes that it is currently appropriate to keep the interest rate at the existing level. The exchange rate rose on Thursday as the Bank of England survey showed that British companies had the weakest hiring intentions since 2020. The exchange rate fell slightly on Friday despite weaker economic data on Great Britain. Business activity in the U.K. grew at its slowest pace in five months in September, with the services PMI falling to 50.8 from 54.2 in August, as businesses and consumers postponed spending ahead of possible tax increases in the Budget in November. The composite PMI, which includes services and manufacturing, fell to 50.1, just above the threshold that indicates expansion. Economists predict slower GDP growth in Q3 2025, with estimates ranging from 0% to 0.2%.

EUR/JPY

The EUR/JPY exchange rate weakened for the first three days as the demand for the yen increased. The strengthening of the yen was fuelled by dual pressures - the growing risk of the U.S. government shutdown, as well as heightened expectations that the Bank of Japan will raise interest rates in the near future. Minutes from the Bank of Japan's last meeting indicated a higher possibility of interest rate increase. The exchange rate did not record major changes on Thursday and averaged at 172.57. The EUR/JPY rose slightly on Friday, after Bank of Japan Governor Kazuo Ueda mitigated market expectations regarding a possible interest rate increase. Ueda stressed the importance of maintaining favourable financial conditions, pointing to a number of global uncertainties - the U.S. trade tariffs and weakness in the labour market - that could slow wage growth and make an October rate increase uncertain. Although inflation is in line with the BoJ's target, Ueda stressed caution, especially due to delays in the release of the U.S. economic data caused by the government shutdown. Sanae Takaichi won the race for the LDP leader over the weekend. Her victory signals a shift to expansionary fiscal policies, including bond issuance and tax cuts, boosting growth expectations but complicating monetary policy. According to market forecasts, her position could delay the BoJ interest rate increase.

Table 1 - Exchange rates of the most important currencies

	29-Sep-2025 [1]	3-Oct-2025 [2]	% Change
EUR/USD	1.1703	1.1742	0.33
EUR/GBP	0.87315	0.87104	-0.24
EUR/JPY	174.95	173.19	-1.01
EUR/AUD	1.78954	1.77815	-0.64
EUR/CHF	0.93381	0.93388	0.01
USD/JPY	149.49	147.47	-1.35
GBP/USD	1.3402	1.3480	0.58

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	2.15%	30-Oct-2025
Federal Reserves (Fed)	Federal Funds Target Rate	4.25%	29-Oct-2025
Bank of Japan (BoJ)	Overnight Call Rate	0.50%	30-Oct-2025
Bank of England (BoE)	Official Bank Rate	4.00%	6-Nov-2025
Swiss National Bank (SNB)	Libor Target Rate	0.00%	11-Dec-2025
Bank of Canada (BoC)	Target Overnight Rate	2.50%	29-Oct-2025
Reserve Bank of Australia (RBA)	Cash Rate Target	3.60%	4-Nov-2025

The RBA held a regular meeting this week, keeping the interest rate at the same level.

Table 3 – ESTR and Euribor

	29-Sep-2025[1]	3-Oct-2025.[2]	Change in basis points
ESTR	1.9260	1.9210	-0.5
Euribor 1W	1.916	1.895	-2.1
Euribor 1M	1.913	1.939	2.6
Euribor 3M	2.000	2.020	2.0
Euribor 6M	2.123	2.095	-2.8
Euribor 12M	2.179	2.224	4.5

[1]Opening market value on Monday
[2] Closing market value on Friday

Table 4 - Economic Indicators (29 September - 3 October 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**Consumer price index (CPI)** Estimates changes in the cost of living by measuring changes in the prices of certain items for which the consumers allocate their money.	September P MoM% YoY%	0.1% 2.2%	0.1% 2.2%	0.1% 2.2%
	Economic Confidence This indicator reflects general economic activity, combining estimates and expectations resulting from surveys of companies and consumers, which include different areas of the economy: industry, consumers, construction and retail.	September	95.2	95.5	95.2
Germany	**Retail Sales** This indicator measures changes in retail sales in Germany.	August MoM%	0.6%	-0.2%	-1.5%
	Consumer price index (CPI) Estimates changes in the cost of living by measuring changes in the prices of certain items for which the consumers allocate their money.	September P MoM% YoY%	0.2% 2.3%	0.2% 2.4%	0.1% 2.2%
	Unemployment Rate The percentage of unemployed individuals actively looking for a job.	September	6.3%	6.3%	6.3%
Great Britain	**GDP** Measures the final market value of all products and services produced within the country. GDP is the most commonly used indicator of economic activity.	Q2 F QoQ% YoY%	0.3% 1.2%	0.3% 1.4%	0.3% 1.2%
France	**Consumer price index (CPI)** Estimates changes in the cost of living by measuring changes in the prices of certain items for which the consumers allocate their money.	September P MoM% YoY%	-0.9% 1.3%	-1.0% 1.2%	0.4% 0.9%
USA	**JOLTS Job Openings** This concept tracks the number of free jobs in the economy. Vacancies include either newly opened or unfilled vacancies (or those that will soon become vacant) for the filling of which special actions are taken.	August	7200k	7227k	7181K
Japan	**Retail Sales** This indicator measures the volume of sales of goods for personal and household spending.	August MoM% YoY%	1.2% 1.1%	-1.1% -1.1%	-1.6% 0.4%

Abbreviations: **P**-preliminary data, **F**-final data, **T**-third and final estimate, **k**=thousand, **b**=billion

EUROPEAN GOVERNMENT BONDS MARKET

The yields on 10-year German government bonds fell for some 4bp in this reporting week, amounting to 2.70% at end-week. The yield fluctuated from 2.69% to 2.744% during the week. Renewed trade tensions caused demand for assets to rise, which led to lower yields at the start of the week. The data released on Tuesday showed that inflation in Germany in September exceeded expectations, 2.4% against 2.2%, so the yield recovered that day, and it additionally recorded growth the opening of the market next day. The yield fell sharply in mid-week. Although, according to preliminary data, the euro area inflation rate rose from 2% to 2.2% in September, which is its highest level in the last five months, the ECB President suggested that the risks regarding price growth are limited, thus the yield on 10-year German government bonds fell. The yield fluctuated in the last two days of the week, and a slightly downward trend prevailed in general.

U.S. GOVERNMENT BONDS MARKET

The yield on 10-year U.S. government bonds fell from nearly 4.17% to 4.12% this week. The expectation of data from the U.S. labour market and their possible impact on the future direction of the Federal Reserve's monetary policy contributed to the weakening of yields early week. The yield rose on uncertainty over the U.S. government shutdown on Tuesday afternoon. The yield continued to rise on Wednesday morning following the government shutdown. However, the yield fell sharply on the same day after the release of weaker-than-expected U.S. private sector payrolls data, which supported the Fed's interest rate cut. This yield fluctuated from 4.08% to 4.12% in the last day of the week, but the rising trend prevailed, as the trading volume was reduced and the shutdown of the U.S. government delayed the release of some of the key economic data and left investors in uncertainty about the further actions of the Fed.

GOLD

The price of gold rose this reporting week from $3,761.85 to $3,886.54 per ounce. The price of gold rose in the first part of the week due to the weaker dollar and investors' concerns about the potential shutdown of the U.S. government, which increased the demand for safe assets. Data from the U.S. labour market did not meet expectations (private sector payrolls were unexpectedly reduced), which fuelled expectations that the Fed will lower interest rates at the next meeting. The price of gold fell slightly in the second part of the day on Wednesday, as the dollar recovered, as well as due to the technical adjustment of the market price. Investors took profits after a 5-day increase. Traders also awaited details on the U.S. economy as the U.S. government shutdown delayed the release of the key data. The price of gold rose on the last day of the week, as the government shutdown added to uncertainty among investors looking for guidance on future monetary easing. Investors estimate an almost 98% probability of a 25bp cut in interest rates in October, as well as a 90% chance of an additional cut in December.

OIL

The price of oil fell from $68.71 to $65.13 per barrel at the weekly level. The price of oil weakened for the first two days of the week, as the market perceived at the surplus of supplies on the market and the possibility of an end to conflict in Gaza. Iraq's Kurdish region has resumed crude oil exports to Turkey after a two-and-a-half-year break, raising expectations for an increase in global supply. The price also weakened due to indications that OPEC+ could increase production again in November. The market sentiment weakened on Thursday amid growing concerns about excess supply after OPEC increased crude oil output by 400,000 barrels per day in September, bringing total production to 29.05 million barrels per day (Bloomberg research), sending oil prices further lower. Saudi Arabia led the growth by increasing production by 320,000 barrels, Venezuela by 90,000 barrels (5-year export peak), while Iraq maintained stable production levels. The price of oil rose on Friday after Trump warned Hamas of serious consequences if it does not accept his plan to end the conflict in Gaza.