

EURUSD ↓ 1.2179
At 19:38 Op 1.2174 HI 1.219

1.2179/1.2180 TTOL
Value 3/21/06



CENTRAL BANK OF MONTENEGRO

Range 3/17/05 - 3/17/06
Upper Chart: 3 Market Price



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	1.2179	F 2/24	1.1878
T 3/16	1.2174	T 2/23	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	1.1874
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

(19 - 23 March 2018)

BLOOMBERG NEWS AUDIO/VIDEO

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

- Bankinvest's Broby, Softbank, L'Oreal, Body Shop
- ICAP's Smith, U.S. Fed Policy, and
- F.Mario Bennet, U.S. Fed Policy, Euro
- Comptroller General 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

13) LIVE <GO> Events

Event	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 Mubaidin: Sale of State-Owned Businesses	3/17	21:05 - 21:20	English	☑
18) Bonders 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	☑

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7930 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 6900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2006 Bloomberg L.P.
8615-351-3 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>

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 fIYC1 I2
For US swap Curve, type fIYC1 I52 <G

Podgorica, 28 March 2018

FX NEWS

EUR/USD



Source: Bloomberg LP

In this reporting period, the **EUR/USD exchange rate** fluctuated (ranging between 1.2291 and 1.23543). As the week started, the EUR/USD rate rose supported by indications of a Reuters report that the ECB officials' have shifted their focus from the bond purchase programme to the expected interest rate increase. The dollar rose against a basket of major currencies on Tuesday already, as investors awaited clues from the Fed on its outlook for the US economy and how many interest rate increases it may embark on in 2018 (the Fed commenced its two-day meeting on Tuesday). On the other hand, the euro retreated on a sharp drop in confidence among German investors in March, fuelled by the fear that the potential trade war the USA are waging might have an adverse impact on the EU's economic performances. Following the Fed's meeting, the dollar weakened again on Wednesday, not due to Fed's interest rate increase of 25 bp, but due to the surprising fact that the Fed stuck to just three rate increases for 2018, instead of the expected four. As the week progressed, the EUR/USD exchange rate dropped again due to poorer performance of economic indicators in the area of production (the euro area PMI declined from 58.6 to 56.6; the PMI of France dropped from 55.9 to 53.6; German PMI from 60.6 to 58.4; the Ifo Business Climate Index for Germany fell from 115.4 to 114.7). The week closed with the exchange rate rebound fuelled by the strains between the USA and China (in response to import tariffs introduced by Donald Trump, China announced possible new tariffs on US goods).

EUR/GBP



Source: Bloomberg LP

The **EUR/USD** exchange rate fell from 0.88303 to 0.87420 in this reporting week. Such a trend was mainly a result of the sterling strengthening on the back of growing optimism that a deal will be reached on the post-Brexit transition period, which was confirmed at the EU summit which took place at the end of the week. Despite the UK's weaker than expected consumer price index, the sterling strengthened supported by the expectations regarding the possible interest rate increase at the BOE meeting to be held in May. The midweek was marked by the announcement that in Q4, the UK workers' wage growth hit its fastest pace in almost 2-1/2 years. BOE did not change its main rate at a meeting held this week. Data published during the week did not go to the advantage of the euro (the German ZEW Economic Sentiment index, as well as the preliminary indicators of economic activity in the manufacturing and service sectors of the EU, France and Germany fell below expectations, while Ifo Business Climate Index for Germany declined, though just a bit less than expected).

EUR/JPY



Source: Bloomberg LP

The **EUR/JPY** experienced mild growth as the week started. The upward trend was cut as early as Tuesday, while on Wednesday the rate was stable due to the celebration of Vernal Equinox Day in Japan. The final two days of the reporting week were marked by the downward exchange rate trend, induced by the US President's introduction of a set of protectionist measures against China, which prompted traders' demand for safe assets. The EUR/JPY exchange rate ranged between 128.95 and 131.72 during this week.

Table 1 - Exchange rates of the most important currencies

	19 March 2018 ¹	23 March 2018 ²	% Change
EUR/USD	1.2290	1.2353	0.51
EUR/GBP	0.88165	0.87420	-0.85
EUR/JPY	130.28	129.40	-0.68
EUR/AUD	1.59302	1.60466	0.73
EUR/CHF	1.17013	1.17011	-0.002
USD/JPY	106.01	104.74	-1.20
GBP/USD	1.3942	1.4132	1.36

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%	26 April 2018
Federal Reserves	„Federal Funds Target Rate“	1.75%	02 May 2018
Bank of Japan	„Overnight Call Rate“	-0.10%	27 April 2018
Bank of England	„Official Bank Rate“	0.50%	10 May 2018
Swiss National Bank	„Libor Target Rate“	-0.75%	21 June 2018
Bank of Canada	"Target Overnight Rate"	1.25%	18 April 2018
Reserve Bank of Australia	"Cash Rate Target"	1.50%	3 April 2018

In line with the expectations, the Fed increased the reference rate by 25 bp at its March 20-21 policy meeting. Total number of rate increases was behind the traders' disappointment (since the Fed stuck to three, instead of the expected four rate hikes). BOE also held a meeting this week, deciding not to change its main rate (with 7 out of 9 members of its Monetary Policy Committee in favour of such a decision). Although no determinants were given as to its further increase, the traders' expectations regarding the possible rise in the rate at the next Committee meeting remained.

Table 3 - Eonia and Euribor

	19.03.2018. ¹	23.03.2018. ³	Change in basis points
Eonia	-0.366	-0.366	0.00
Euribor 1W	-0.378	-0.376	0.20
Euribor 1M	-0.370	-0.370	0.00
Euribor 3M	-0.328	-0.329	-0.10
Euribor 6M	-0.272	-0.270	0.20
Euribor 12M	-0.192	-0.190	0.20

¹ Opening market value on Monday.

²Closing market value on Friday.

EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

Germany's 10-year government bond yield, was on a mild uptrend Monday through Wednesday (accounting for a three-day rise of around 2 bp), which was followed by a sudden downturn (by about 8 bp) over the final two days of the reporting week. Yields grew mildly in the first half of the week fuelled by the Reuters news that the ECB is comfortable with market forecasts, including for a rate hike by mid-2019, and that the debate was increasingly about the steepness of the rate path thereafter. Reuters's sources also said that because of the worries about a potential trade war and increased volatility in foreign exchange markets, the key decision on bond buys beyond September is likely to be taken relatively late, such as in June or July. In addition, Yves Mersch, Member of the Executive Board of the ECB said that all the preconditions regarding inflation moving into line with the ECB's objective in a sustainable way have been met, and that, bearing in mind the improved inflationary outlook, this central bank can gradually reduce its bond buying programme, at the same time maintaining monetary policy sufficiently loose to ensure inflation moves toward the target level. Germany's 10-year government bond yield slump recorded in the final two days of the week, was induced by the growing trade tensions between China and the USA along with the lower than expected data on the euro area economic indicators (drop in the production indices of France, Germany and the euro area). These data moderately prolong forecasts on the timing of the ECB's interest rate hike. Germany's 10-year government bonds yield stood at about 0.52% at

the end of this period, while the 5-year bond yield stood at -0.069%.

US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

In the first part of the week, the 10-year US Treasury bond yield rose on the eve of the regular Fed meeting, with investors mainly expecting an interest rate increase as well as an announcement of future reference rate hikes. After the two-day meeting, Fed increased the interest rate by 25 bp, as was expected. However, president of the Fed said that three U.S. interest-rate increases in 2018 is a "reasonable" base case, which is less than four increases expected by the investors. This resulted in the decline in the US bond yields. By the end of the week, these yields suffered a further decline, on the back of the US President's provoking a trade conflict with China by introducing a new set of import tariffs on Chinese goods, and promising to take more similar actions. The 10-year US Treasury bond yield stood at 2.813% as market closed on Friday.

GOLD



Source: Bloomberg LP

Price of gold was broadly stable in the first two days of the reporting period. As of the midweek up to the week-end, gold price trended upwards. Increase in the price of gold observed in this period was supported by traders' lowered expectations regarding the number of interest rate hikes in this year by the Fed, specifically from four to three. Trump's decision on introducing import tariffs on Chinese goods also fuelled the speculations that a trade war might stir up the global economy, which encouraged the demand for safe assets and thereby gold.

OIL



Source: Bloomberg LP

In this reporting period oil prices trended upwards. First substantial increase of this energy generating product took place on Tuesday, on the back of growing tensions between the Saudi Arabia and Iran and the weakening of the dollar. Additional oil price increase the following day was induced by the announcement that the US supplies of this raw material fell below the 5-year average, suggesting that the OPEC measures were affecting the oil supply decline on the global level. At the end of the week, oil price neared this year's maximum due to a possible change in the Trump's administration policy regarding its nuclear deal with Iran, which is an OPEC country, and possible sanctions.

Table 4 - Economic indicators (19- 23 March 2018)

Country	Indicator	Period	Expected value	Current value	Previous value
Germany	ZEW Survey Expectations 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.	March	13.0	5.1	17.8
	Ifo Business Climate Index Monthly survey of companies in Germany (in the area of manufacturing, construction, wholesale and retail trade), regarding the current business climate and the outlook for the next 6 months. Since Germany accounts for 1/4 of total euro area GDP this index serves as a significant indicator of the euro area economic soundness.	March	114.6	114.7	115.4
Euro area	Markit Eurozone Composite PMI PMI surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. The index is calculated from the results of queries on production, orders, inventories, employment, prices, etc.	March (preliminary data)	56.8	55.3	57.1
Great Britain	Consumer price index (CPI) 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 households.	February MoM% YoY%	0.5% 2.8%	0.4% 2.7%	-0.5% 3.0%

Data source: Bloomberg