

EURUSD ↓ 1.2179
 At 19:38 Op 1.2174 HI 1.2179 Value 3/21/06
 Range 3/17/05 - 3/17/06
 Upper Chart: 3 Market Price
 Currency 1/4
 1) News



Financial and Banking Operations Department
- International Reserves Management Division -

International Financial Market Report

(21-25 October 2019)

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, Eurozone
- F.Marks Bennett, U.S. Fed Policy, Eurozone
- Comptroller General Walker: Fiscal Policy and Deficit
- 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) 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 | 🔊 |

| 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 |

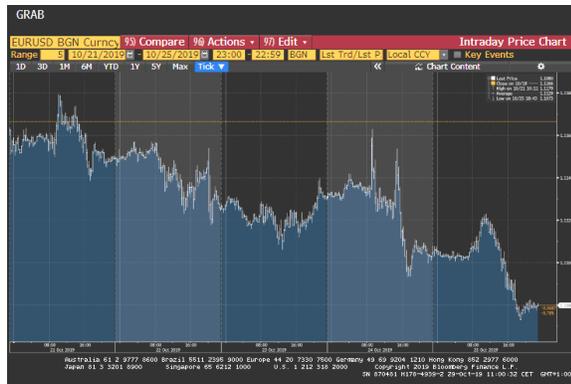
| USD INTEREST RATE SWAPS | | | | |
|-------------------------|-------|-------|-------|------|
| Ticker | Bid | Ask | Mid | Chng |
| US SPREADS | | | | |
| 22) 2 YR | 42.88 | 44.13 | 43.50 | -- |
| 23) 3 YR | 41.50 | 42.75 | 42.13 | -.17 |
| 24) 4 YR | 44.38 | 45.63 | 45.00 | -.10 |
| 25) 5 YR | 48.25 | 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 I48<GO>
 For US Govt Yield Curve, type f{IYC1 I2
 For US swap Curve, type f{YC1 I52 <G

Podgorica, 30 October 2019

FX NEWS

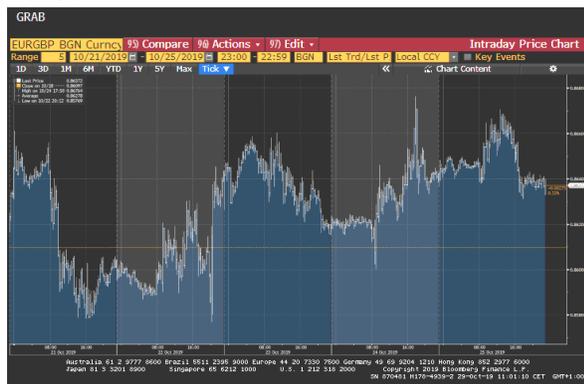
EUR/USD



Source: Bloomberg LP

The **EUR/USD exchange rate** was on downtrend this week. Early this week, it depreciated due to the threat of British Prime Minister Boris Johnson that he would give up trying to push through Brexit deal in Parliament and run directly into the “Get Brexit Done” election. This was also the result of the unfavourable data arriving from France, Germany and euro area. This exchange rate continued depreciating after the ECB meeting. At the very end, the demand for euro decreased due to the decision on postponing Brexit.

EUR/GBP



Source: Bloomberg LP

Early this week, the **EUR/GBP exchange rate** depreciated due to optimism that the UK's Prime Minister would manage to secure the Parliament's support for Brexit.

On the next day, the exchange rate had a growing trend as lawmakers supported Boris Johnson's Brexit proposal reached with the EU the week before. However, they did not agree on a timetable for passing legislation necessary to ratify the Brexit deal (Johnson demanded an expedited ratification and other legal procedures, while MPs demanded more time). The exchange rate appreciated again on Thursday, due to Mario Draghi's statement that the chances on Brexit without agreement were slim. This exchange rate did not fluctuate significantly on Friday.

EUR/JPY



Source: Bloomberg LP

The **EUR/JPY exchange rate** was volatile during this reporting period. This was mostly due to still uncertain situation on trade war between China and the USA, and Brexit. At the week end, the unfavourable data on profit of industrial companies in China resulting from poor relations with the USA decreased the demand for Yen.

Table 1 - Exchange rates of the most important currencies

| | 21 October 2019 ¹ | 25 October 2019 ² | % Change |
|---------|------------------------------|------------------------------|----------|
| EUR/USD | 1.1167 | 1.10800 | -0.78 |
| EUR/GBP | 0.86097 | 0.86372 | 0.32 |
| EUR/JPY | 121.07 | 120.410 | -0.55 |
| EUR/AUD | 1.62929 | 1.62366 | -0.35 |
| EUR/CHF | 1.100932 | 1.10190 | 0.09 |
| USD/JPY | 108.45 | 108.670 | 0.20 |
| GBP/USD | 1.2984 | 1.28270 | -1.21 |

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% | 12 December 2019 |
| Federal Reserves | Federal Funds Target Rate | 2.00% | 30 October 2019 |
| Bank of Japan | Overnight Call Rate | -0.10% | 31 October 2019 |
| Bank of England | Official Bank Rate | 0.75% | 7 November 2019 |
| Swiss National Bank | Libor Target Rate | -0.75% | 12 December 2019 |
| Bank of Canada | Target Overnight Rate | 1.75% | 30 October 2019 |
| Reserve Bank of Australia | Cash Rate Target | 0.750% | 5 November 2019 |

On Thursday, the ECB held a meeting at which it decided not to change interest rates. Such low interest rates will remain until it is seen that the inflation outlook robustly converges to a level sufficiently close to, but below, 2% within its projection horizon. As decided at the last meeting in September, net purchases will be restarted under the asset purchase programme (APP) at a monthly pace of 20 billion euros as from 1 November. The Governing Council expects them to end shortly before it starts raising the key ECB interest rates. In his speech, Mr. Draghi noted that the “weaker growth momentum” was delaying the stronger increase in salaries and inflation, pointing that the labour market lost some strength.

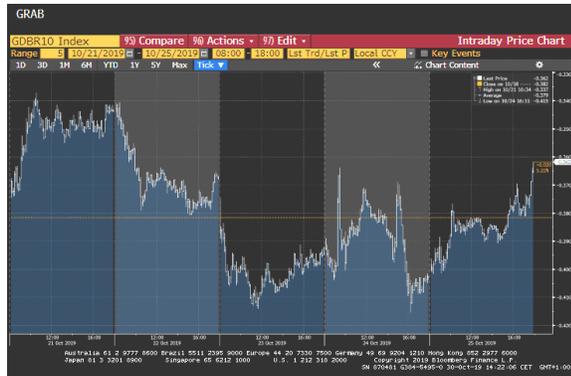
Table 3 - Eonia and Euribor

| | 21 October 2019 ³ | 25 October 2019 ⁴ | Change in basis points |
|-------------|------------------------------|------------------------------|------------------------|
| Eonia | -0.462 | -0.463 | -0.10 |
| Euribor 1W | -0.488 | -0.501 | -1.30 |
| Euribor 1M | -0.438 | -0.441 | -0.30 |
| Euribor 3M | -0.407 | -0.409 | -0.20 |
| Euribor 6M | -0.351 | -0.346 | 0.50 |
| Euribor 12M | -0.298 | -0.281 | 1.70 |

¹ Opening market value on Monday

² Closing market value on Friday

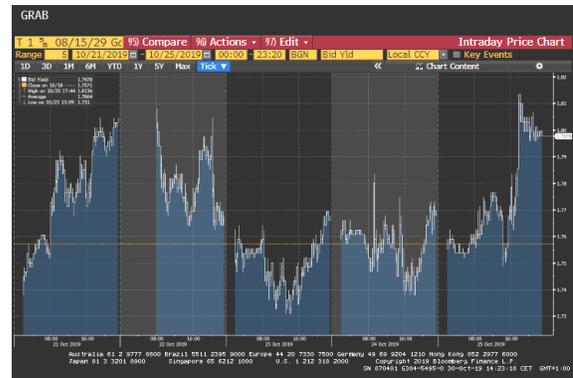
EUROPEAN GOVERNMENT BONDS MARKET



Source: Bloomberg LP

Yields on German government bonds dropped by the middle of this reporting week. This was the result of uncertainty regarding Brexit. On Thursday, they were slightly offset as the regular ECB meeting was approaching. However, after the meeting and unfavourable outlook for euro area economy growth in the coming period, they began to drop again. On Friday, they recovered due to optimism on trade negotiations between China and the USA.

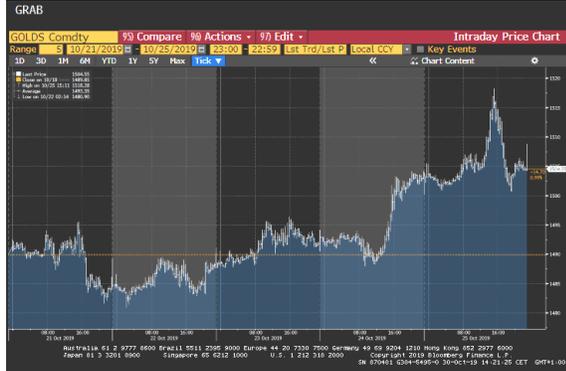
US GOVERNMENT BONDS MARKET



Source: Bloomberg LP

At the outset of this week, yields on US government bonds were rising because of optimism about potential advances in US-China relations. However, they declined on the following day, which lasted until the middle of this reporting period. The fall was the result of growing uncertainty over Brexit as the UK's Prime Minister had failed to secure parliamentary support for the Brexit deal. From Thursday until Friday, yields on these bonds rose due to the White House's reporting that telephone talks with China were productive and that the two countries were near the finalisation of the first round of talks expected to be signed next month by the Presidents of the United States and China.

GOLD



Source: Bloomberg LP

The price of gold has been stable until Thursday, when the price of this precious metal began to trend up. The rise in the price of gold resulted from the decision of the ECB not to change its interest rate, the upcoming Fed meeting, increased geopolitical risks, and the continued uncertainty on Brexit.

OIL



Source: Bloomberg LP

The price of oil was stable during the first two days of the reporting week. The price of this energy product increased in the middle of the week, remaining at that level until the end of the reporting period. The rise in oil prices during this period was due to the publishing the news on unexpected fall in supplies of this energy product in the USA, as well as the possibility that OPEC and its allies would continue a program limiting oil production on a monthly basis.

Table 4 - Economic indicators (21 - 25 October 2019)

| Country | Indicator | Period | Expected value | Current value | Previous value |
|-----------|--|-----------------------------|------------------|-----------------|-----------------|
| Euro area | <p>Consumer Confidence Measuring consumer confidence in the euro area countries. This figure represents the result of a survey of euro area consumers in terms of their labour market finance, readiness to save, and economic expectations.</p> <p>Publishing of ECB main refinancing rate The ECB meets on every first Thursday in month.</p> | October | -6.8 | -7.6 | -6.5 |
| | | 24 October | 0.00% | 0.00% | 0.00% |
| France | <p>Business Confidence This indicator provides information on future developments, based upon opinion surveys on developments in production, orders and stocks of finished goods in the industry sector.</p> | October | 106 | 105 | 106 |
| Germany | <p>Producer price index (PPI) Assesses the average change in prices of certain manufacturers at all stages of production, but does not include imported goods, services and taxes. The index is seen as an indicator of future inflation.</p> | September MoM% (YoY%) | -0.1% (-0.2%) | 0.1% (-0.1%) | -0.5% (0.3%) |
| USA | <p>Number of applications for receiving unemployment allowances (Initial Jobless Claims) Measures the number of people receiving unemployment allowances. Similar to the applicant, the growing number of jobs is accompanied by an economic expansion that could influence inflationary pressures.</p> <p>Durable Goods Orders This is an indicator of consumer safety that reflects their expectations and the ability to spend money. Its positive growth reflects the condition of the economy, it also helps to strengthen the currency. Its fall leads to the opposite result. The DGO index is a very good indicator for the future. Many manufacturers plan their production on the basis of available orders, the decline in the DGO precedes the decline in production and vice versa.</p> | 12 October K=1.000 | 215 K | 212 K | 214 K |
| | | September | -0.2% | -1.1% | 0.2% |

Source: Bloomberg