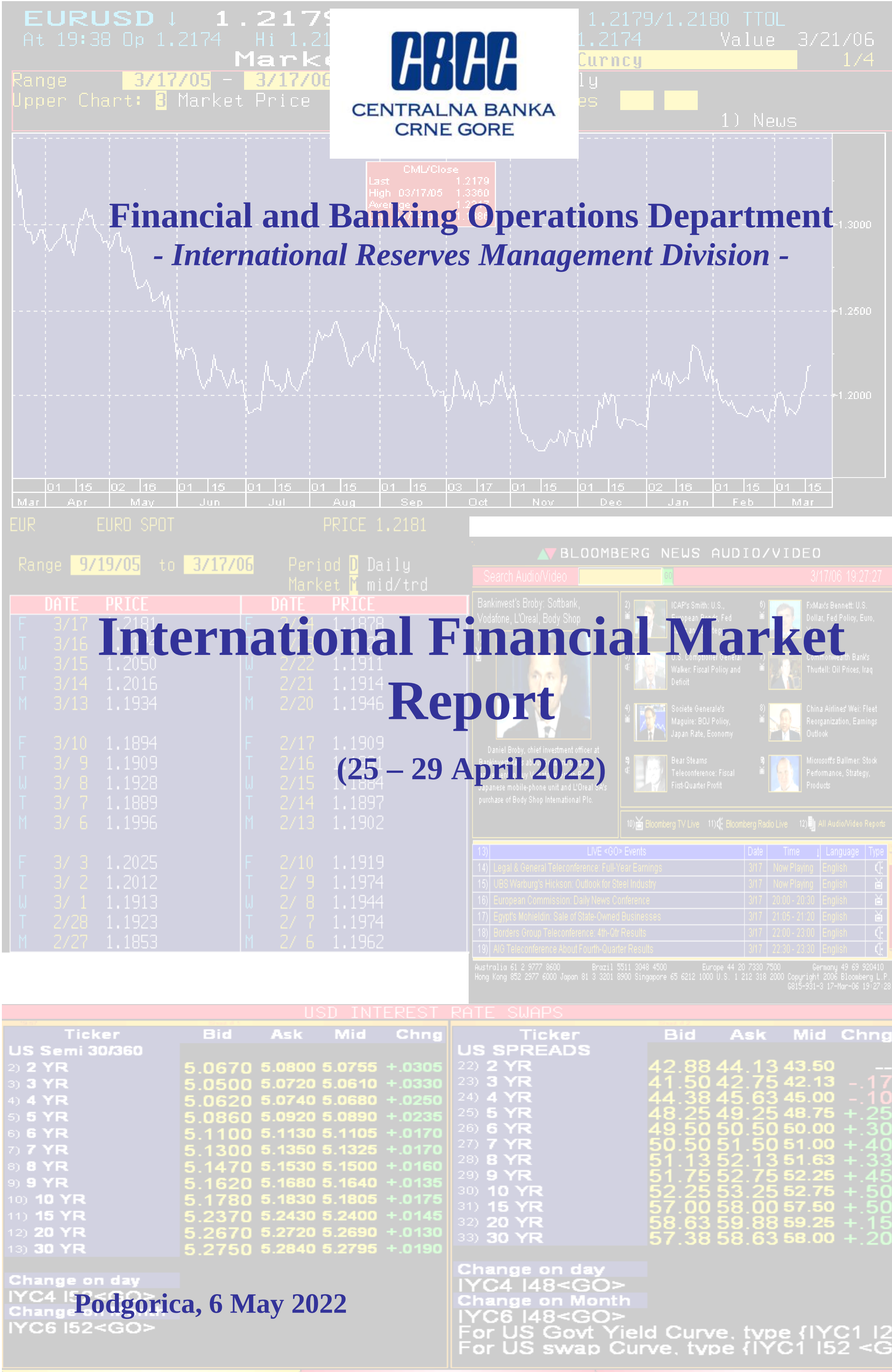


CENTRALNA BANKA CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(25 – 29 April 2022)

Podgorica, 6 May 2022

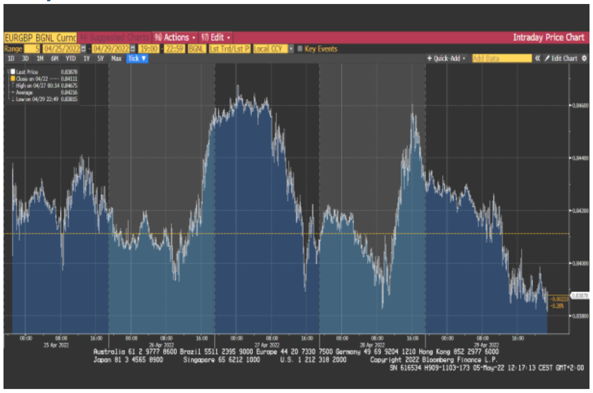
FX NEWS

EUR/USD

Source: *Bloomberg LP*

The **EUR/USD exchange rate** depreciated during this reporting period. At the beginning of the week, the exchange rate's depreciation resulted from the growing demand for safe funds due to concerns about the impact of coronavirus spread in China and lockdown measures on global economic growth. For the rest of the week, the dominant factor in the USD appreciation was the Fed's expectation of tightening monetary policy against the ECB faster. On the other hand, concerns about the energy situation in Europe after Gazprom's announcement that it would cut off gas supplies to Poland and Bulgaria had a negative effect on the euro. The EUR/USD exchange rate stabilised around 1,054 Just before the end of the week.

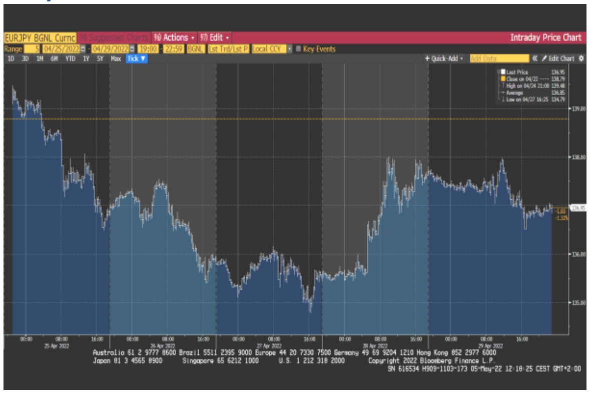
EUR/GBP



Source: *Bloomberg LP*

The **EUR/GBP exchange rate** depreciated slightly until Tuesday afternoon, rising sharply after releasing unfavourable data on consumer confidence and retail sales in the UK. These data have influenced the markets to reconsider the expectations related to a more aggressive interest rate increase in the coming period. The next day, the exchange rate depreciated and returned to the previous level due to concerns regarding the supply of Europe with Russian gas and a possible regional growth slowdown. The next day, the exchange rate rose sharply again as the UK did not introduce full post-Brexit controls on goods imported from the EU. Still, it postponed the decision until the end of next year not to further encourage inflationary pressures. The exchange rate depreciated again on Friday.

EUR/JPY



Source: *Bloomberg LP*

During the first three days of this reporting period, the **EUR/JPY exchange rate** depreciated. The exchange rate's depreciation came from the increased demand for safe funds. On Thursday, the exchange rate appreciated sharply, awaiting the regular BoJ meeting. It also appreciated after the meeting, as the central bank reiterated its readiness to buy unlimited quantities of bonds to maintain the return at the target level. On Friday, the exchange rate was stable.

Table 1 - Exchange rates of the most important currencies

	25.04.2022[1]	29.04.2022[2]	% Change
EUR/USD	1.0790	1.0545	-2.27
EUR/GBP	0.84111	0.83878	-0.28
EUR/JPY	138.79	136.95	-1.33
EUR/AUD	1.49039	1.49276	0.16
EUR/CHF	1.03370	1.02615	-0.73
USD/JPY	128.50	129.70	0.93
GBP/USD	1.2839	1.2574	-2.06

Table 2 - Overview of the reference interest of the leading central banks

Central Bank	Reference interest rate name	Reference interest rate level	Next meeting
European Central Bank	ECB main refinancing rate	0.00%	9 June 2022
Federal Reserves	Federal Funds Target Rate	0.50%	4 May 2022
Bank of Japan	Overnight Call Rate	-0.10%	17 June 2022
Bank of England	Official Bank Rate	0.75%	5 May 2022
Swiss National Bank	Libor Target Rate	-0.75%	16 June 2022
Bank of Canada	Target Overnight Rate	1.00%	1 June 2022
Reserve Bank of Australia	Cash Rate Target	0.35%	3 May 2022

During this week, the BoJ held a regular meeting at which it kept interest rates unchanged.

Table 3 – ESTR and Euribor

	25.04.2022[1]	29.04.2022[2]	Change in basis points
ESTR	-0.583	-0.586	-0.3
Euribor 1W	-0.570	-0.566	0.4
Euribor 1M	-0.520	-0.538	-1.8
Euribor 3M	-0.427	-0.429	-0.2
Euribor 6M	-0.268	-0.226	4.2
Euribor 12M	0.084	0.166	8.2

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

EUROPEAN GOVERNMENT BONDS MARKET

Source: *Bloomberg LP*

Until the middle of this reporting period, the return on 10-year German government bonds trended down, resulting from growing investor demand for safe funds as the coronavirus spread in China overcame a sense of optimism in markets after Macron's election victory in France. By the end of the reporting week, the return on these bonds had recovered. Market participants expected a faster pace of monetary stimulus withdrawals by the ECB after inflation rose by 7.5% in the euro area in April. At the close of the market on Friday, the return on 10-year German bonds stood at 0.94%.

US GOVERNMENT BONDS MARKET

Source: *Bloomberg LP*

During the first two days of this reporting week, the return on 10-year US government bonds declined as China failed to stop the coronavirus spread. Along with growing opportunities for the Fed to tighten monetary policy faster, it raised concerns about negatively affecting global economic growth. In the middle of the week, the return on these bonds was at a weekly low of 2.71%. The return on US bonds recovered later in the week after the release of data that record employment in the USA stood harder in the position that the Fed would accelerate its interest rate increase to curb inflation. At the market close on Friday, the return on 10-year US government bonds stood at 2.93%.

GOLD

Source: Bloomberg LP

On Monday, the gold price fell as the possibility of the Fed's monetary policy tightening more aggressively and the USD appreciation affected the declined demand for this precious metal. The next day, this precious metal's price trended up slightly due to a decline in the return on US government bonds, and China announced it would increase support for its economy. Namely, the Central Bank of China announced that it would support the economy through targeted financing of small businesses and finding solutions for ailing technology companies due to the pandemic. In the middle of the week, the gold price fell and hovered around the 2-months low due to the US government bond return's recovery and the USD appreciation. On Friday, the gold price rose briefly due to the released data that the US economy fell for the first time since 2020 (US GDP fell by 1.4% annually).

OIL

Source: Bloomberg LP

On Monday, oil prices fell due to concerns that the coronavirus spread in China will negatively affect global oil demand. The next day, the oil price recovered after the announcement of the Chinese central bank that it would support the economy, which reduced the concern that the lockdown in China due to the coronavirus would further weaken the demand. By the end of this reporting week, the oil price was noticeable after growing chances that the European Union would ban the oil import from Russia.

Table 4 - Economic indicators (25 – 29 April 2022)

Current value	Indicator	Euro area	Expected value	Current value	Previous value
France	**Gross Domestic Product (GDP)** One of the basic macroeconomic indicators, which represents the calculated value in the market prices of goods and services produced within the country, but excludes the income of citizens and corporations working abroad. The GDP calculation uses the following four components: consumption, investments, government expenditure, and net exports.	Q1 QoQ% YoY%	0.30% 5.50%	0.0% 5.30%	0.70% 5.40%
	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 in Germany.	April MoM% (YoY%)	0.20% 5.10%	0.50% 5.40%	1.60% 1.40%
Germany	**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 in Germany.	April MoM% (YoY%)	0.50% 7.20%	0.80% 7.40%	2.5% 7.30%
USA	**Initial Jobless Claims** Measures the number of people receiving unemployment allowances.	23 April K=1000	180K	180K	184K
Japan	**Industrial output** This indicator measures the production output in mining and exploitation, production and public utilities (electricity, gas and water).	March MoM% YoY%	0.50% -1.30%	0.30% -1.70%	2.00% 0.50%
	Retail Sales This indicator measures changes in retail sales in Japan.	March YoY% MoM%	0.30% 1.00%	0.90% 2.00%	-0.80% -0.80%

Source: Bloomberg