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CENTRALNA BANKA
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Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(1 – 5 December 2025)

Podgorica, 10 December 2025

Weekly overview of short news

- The price of gold fell from $4,227.60 to $4,197.78 per ounce in this reporting week.

- The price of oil rose from $63.06 to $64.00 per barrel, due to geopolitical tensions and OPEC+'s decision to pause the planned production increases as of January 2026.

- According to preliminary data, the annual inflation rate in the euro area rose from 2.1% to 2.2% in November, while core inflation remained at 2.4%. These data support the ECB's view that there is very little reason to continue cutting interest rates.

- The economy of the euro area in Q3 2025, in relation to the previous quarter, grew more than initially announced, 0.3% against 0.2%, owing to the growth of investments and consumption.

- The Kremlin announced that Russian President Vladimir Putin held "very useful, constructive and informative" talks with the U.S. envoys Steve Witkoff and Jared Kushner. However, the two sides failed to reach an agreement on ending the war in Ukraine, as the key dispute over territorial control remains unresolved, whereas both sides claim negotiations will continue.

FX NEWS

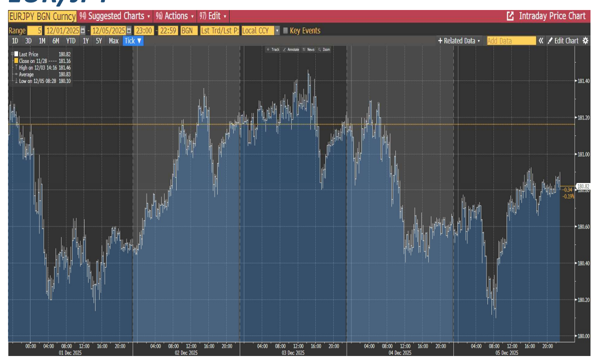
EUR/USD

The EUR/USD exchange rate appreciated in this reporting week. The Bundesbank President, Joachim Nagel, stated that the ECB's current interest rates are at a "good level", reflecting a neutral monetary policy, and that inflation projections are close to 2% with economic resilience preserved. However, there are still concerns about economic and inflationary risks in the market. The ECB Vice President Luis de Guindos stressed that decisions should be based on data, considering current rates appropriate unless conditions change. The exchange rate also increased due to the announcement that inflation in the euro area increased from 2.1% in October to 2.2% in November year-on-year. The exchange rate rose on Wednesday after President Trump mentioned Kevin Hassett as the potential Fed chairman, as well as due to the weak economic data that was released about the U.S. investors fear that Hassett may pursue aggressive interest rate cuts. Economic data from the euro area also supported the euro. The exchange rate has been slightly lower over the past two days as markets prepare for next week's Fed meeting fearing that the Fed could cut interest rates with a more severe tone. The euro briefly recovered on Friday following the announcement that the economy of the euro area grew by 0.3% in Q3 2025 (more than forecasts).

EUR/GBP

The EUR/GBP exchange rate rose slightly during the first two days of this week as a result of reactions to new forecasts pointing to a slowdown in British economic activity next year. The KPMG expects the British economy to grow by mere 1% in 2026, down from its previous forecast of 1.4% growth. The exchange rate fell sharply mid-week as the U.K. purchasing managers` index (PMI) final service index was revised higher. Namely, the value of the index was confirmed at 51.3, which is above the estimate (50.5). The exchange rate trended slightly lower for the rest of the week as the U.K. budget concerns eased.

EUR/JPY



The EUR/JPY exchange rate had a volatile trend this week and ranged between 180.10 and 181.46. The rate trended lower on Monday as the yen strengthened against the euro after the Bank of Japan Governor hinted at a possible interest rate increase in December. The yen weakened over the next two days despite expectations that the Bank of Japan will raise interest rates this month, while the euro strengthened on inflation data and a better-than-expected euro area services PMI, which improved the regional economic outlook. The EUR/JPY exchange rate fell on Thursday as investors focused again on expectations that the Bank of Japan will continue its cycle of interest rate increases this month. At the very end of the week, the government confirmed in a revised report that Japan's economy shrank in Q3 this year, which was supported the Prime Minister Sanae Takaichi's package of stimulus measures that was announced last month.

Table 1 - Exchange rates of the most important currencies

	1-Dec-2025[1]	5-Dec-2025[2]	% Change
EUR/USD	1.1598	1.1642	0.38
EUR/GBP	0.87640	0.87334	-0.35
EUR/JPY	181.16	180.82	-0.19
EUR/AUD	1.77021	1.75469	-0.88
EUR/CHF	0.93216	0.93684	0.50
USD/JPY	156.18	155.33	-0.54
GBP/USD	1.3235	1.3328	0.70

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%	18-Dec-2025
Federal Reserves (Fed)	Federal Funds Target Rate	4.00%	10-Dec-2025
Bank of Japan (BoJ)	Overnight Call Rate	0.50%	19-Dec-2025
Bank of England (BoE)	Official Bank Rate	4.00%	18-Dec-2025
Swiss National Bank (SNB)	Libor Target Rate	0.00%	11-Dec-2025
Bank of Canada (BoC)	Target Overnight Rate	2.25%	10-Dec-2025
Reserve Bank of Australia (RBA)	Cash Rate Target	3.60%	9-Dec-2025

Table 3 – ESTR and Euribor

	1-Dec-2025[1]	5-Dec-2025.[2]	Change in basis points
ESTR	1.9250	1.929	0.4
Euribor 1W	1.891	1.934	4.3
Euribor 1M	1.946	1.911	-3.5
Euribor 3M	2.060	2.075	1.5
Euribor 6M	2.110	2.147	3.7
Euribor 12M	2.209	2.254	4.5

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

Table 4 - Economic Indicators (1 - 5 December 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**HCOB Manufacturing PMI** The index is a leading economic indicator that measures the state of the industrial sector through a survey of procurement managers. A value above 50 indicates an increase in activity, while a value below 50 signals a decline.	November F	49.7	49.6	49.7
	Consumer price index (CPI) This indicator estimates the changes in the cost of living, by measuring changes in the price level of the basket of consumer goods and services purchased by an average household. Therefore, it is a key measure of euro area inflation.	November F MoM%	-0.3%	-0.3%	0.2%
	Unemployment Rate It shows the number of unemployed persons as a percentage of the total labour force.	October	6.3%	6.4%	6.3%
Germany	**HCOB Manufacturing PMI** The index is a leading economic indicator that measures the state of the industrial sector through a survey of procurement managers. A value above 50 indicates an increase in activity, while a value below 50 signals a decline.	November F	48.4	48.2	48.4
France	**HCOB Manufacturing PMI** The index is a leading economic indicator that measures the state of the industrial sector through a survey of procurement managers. A value above 50 indicates an increase in activity, while a value below 50 signals a decline.	November F	47.8	47.8	47.8
USA	**Initial Jobless Claims** This indicator measures the number of people receiving unemployment allowances.	29 November	220K	191k	216 K
	Factory Orders Factory orders are a key economic indicator that measures the dollar value of goods produced in factories. These orders are classified by the U.S. Census Bureau as durable and nondurable goods.	September	0.3%	0.2%	1.4%
Italy	**Unemployment Rate** It shows the number of unemployed persons as a percentage of the total labour force.	October	6.1%	6.0%	6.1%

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

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds rose by 10bp in this reporting week. The yield rose in early week following the rise in the U.S. and Japanese bond yields, after the announcement of a significant issuance of the U.S. corporate bonds and the Bank of Japan Governor's hint that a rate increase could be considered at the December meeting. Although this yield showed signs of weakening in mid-week, growth continued due to the release of strong European economic data. Inflation in the euro area slightly exceeded forecasts, 2.2% against 2.1%, while data on purchasing managers' indices pointed to stronger economic activity, which reduced the possibility of an imminent interest rate cut by the ECB. Strong growth in German industrial orders and revised upward GDP of the euro area further strengthened expectations of a more resilient economy, therefore the yield on 10-year German government bonds at the very end of the week reached the highest level of 2.80% in the last three months.

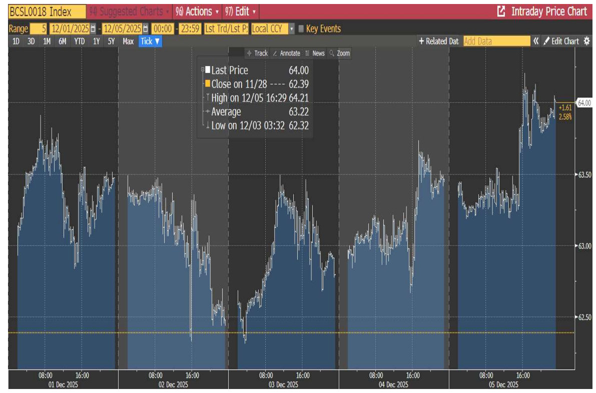
U.S. GOVERNMENT BONDS MARKET

The yield on the 10-year U.S. government bonds also rose over the past week, from 4.03% to nearly 4.14%. The increase in yields on the Japanese bond market diverted investors' capital towards this market, so the demand for American bonds decreased, which led to an increase in their yields. The increase in yield was also caused by the significant issue of corporate bonds on the U.S. market. Specifically, the pharmaceutical company Merck & Co. issued bonds with a total value of $8 billion on 1 December, in several tranches and with different maturities (2029-2065), and the issue was closed on 4 December. Midweek yields eased as data pointed to weakness in the U.S. labour market, supporting expectations that the Fed will cut interest rates for a third straight time at its final meeting of the year. However, despite the weakening of the labour market, the fear of persistent inflation in the U.S. has created some uncertainty about the direction of the Federal Reserve's monetary policy, therefore yields have had an upward trend in the last two days of the week.

GOLD

The price of gold recorded a slight decline in this reporting week - from $4,227.60 per ounce to $4,197.78 per ounce. It mostly weakened for the first two days of the week mainly as a result of increased selling by investors to take profits from the 6-week high level that the gold price reached on Monday. The price of gold fluctuated on Wednesday and Thursday as there were no major oscillations, whereas it rose on Friday during most of the day as traders waited for the release of inflation data from the U.S., which was delayed due to the government shutdown.

OIL



The price of oil was at a slightly higher level at the end of the week compared to the beginning of the week - from $63.06 the price rose to $64.00 per barrel. It did not record any major changes on Monday, only to drop on Tuesday due to negotiations between Russia and the U.S. and expectations that a successful outcome of the negotiations could remove sanctions against Russian oil, which would increase global surpluses of this energy generating product. On the other hand, the E.U. reached an agreement to speed up the complete abolition of Russian gas imports - liquefied natural gas will be banned by end-2026, and pipeline imports by autumn 2027 at the latest. This move is part of a broader strategy to permanently end energy dependence on Russia and strengthen European energy security, supported by favourable conditions on the global gas market. The plan also includes a future suspension of Russian oil imports and stricter controls to prevent circumvention of the measures. This also emphasizes that gas is being sourced from Norway and the U.S., despite challenges in law enforcement and traceability. Also, the OPEC+ will begin annual capacity assessments in 2026 to match quotas with actual production. Saudi Energy Minister Prince Abdulaziz bin Salman Al Saud praised the agreement for improving market stability, whereas alternative methods will be used to assess Russia, Iran and Venezuela due to sanctions and objections. The price of oil rose on the last day of the week, as investors assessed the prospects for a ceasefire in Ukraine.