CENTRALNA BANKA CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(5 – 9 May 2025)

Podgorica, 14 May 2025

Weekly overview of short news

- The price of gold rose from $2,239.76 to $3,324.98 per ounce. Although the lower uncertainty regarding global trade caused the price to weaken in the second half of the week, the sharp growth during the first two days is the reason for its growth on the weekly level.

- The price of oil rose from $59.40 to $64.27 due to the increase in demand for oil and the shift in trade relations between the U.S. and the U.K., as well as between the U.S. and China.

- Friedrich Mertz secured parliamentary support on Tuesday as the new chancellor of Germany in his second attempt, winning 325 votes in a repeat vote in the Bundestag.

- Credit rating agency Moody's confirmed Germany's long-term credit rating of AAA, with a stable outlook.

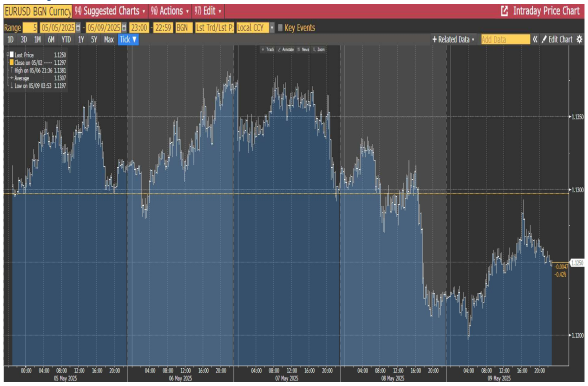
- The interest rates remained at their current levels at the regular meeting of the Federal Reserve, held on Wednesday. President Powell stated that it is not clear whether the economy will continue to grow steadily or will falter under the pressure of increasing uncertainty in trade and a possible increase in inflation. He also said he will not cut interest rates until the direction of the U.S. trade policy is clearer.

- A day later the Bank of England cut the interest rate by 25bp to 4.25%, due to uncertain prospects for the U.K. growth. The members of the Monetary Policy Committee were of a divided opinion – five out of a total of nine voted for a reduction of 25bp, two were for a reduction of 50bp, and the remaining two members for maintaining interest rates at existing levels. The Committee maintained guidance that easing should proceed "gradually and cautiously" due to volatility in the global economy caused by Trump's comprehensive tariffs. The BoE increased the economic growth forecast for this year from 0.75% to 1.0%, reduced it for next year from 1.50% to 1.25%, while the outlook for 2027 remained unchanged at 1.5%.

- The first trade agreement since Donald Trump's second presidential term was reached with the United Kingdom on Thursday.

FX NEWS

EUR/USD



The EUR/USD exchange rate was relatively stable during the first three days of the week, with no significant fluctuations. A regular Fed meeting took place mid-week, at which the interest rate was kept at the existing level, thus the exchange rate achieved a slight drop that day. The first major change came on Thursday when the exchange rate fell sharply and the dollar was supported by the Trump administration's efforts to find a way to de-escalate tensions with China. The decline of this exchange rate was interrupted on Friday as there was uncertainty regarding the negotiations between China and the USA.

EUR/GBP

The EUR/JPY exchange rate depreciated in this reporting week with certain fluctuations. The exchange rate fell as the regular meeting of the Bank of England took place this week. At the meeting itself, the Bank of England reduced the interest rate by 25bp in line with expectations, and statements after the meeting indicated that the BoE will continue to reduce the interest rate "gradually and cautiously" given the volatility that exists in the market, which was reflected in the strengthening of sterling against the euro. Sterling was additionally supported by the news that the U.S. and Great Britain will reach a trade agreement.

EUR/JPY

The EUR/JPY exchange rate mostly weakened in the first half of the week as the uncertainty concerning Trump's trade policy turned investors towards safe investments. Nevertheless, exchange rate recorded growth as of mid-week onwards. The correction of the exchange rate occurred as it was confirmed that the U.S. and Chinese officials will start trade negotiations during the week, which influenced the growth of investors' demand for riskier investments.

Exchange rates of the most important currencies

	5-May-2025[1]	9-May-2025[2]	% Change
EUR/USD	1.1297	1.12495	-0.42
EUR/GBP	0.85171	0.845822	-0.69
EUR/JPY	163.80	163.527	-0.17
EUR/AUD	1.75467	1.754155	-0.03
EUR/CHF	0.93454	0.935292	0.08
USD/JPY	144.96	145.367	0.28
GBP/USD	1.3272	1.33060	0.26

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	2.25%	5-Jun-2025
Federal Reserves (Fed)	Federal Funds Target Rate	4.50%	18-Jun-2025
Bank of Japan (BoJ)	Overnight Call Rate	0.50%	17-Jun-2025
Bank of England (BoE)	Official Bank Rate	4.25%	19-Jun-2025
Swiss National Bank (SNB)	Libor Target Rate	0.25%	19-Jun-2025
Bank of Canada (BoC)	Target Overnight Rate	2.75%	4-Jun-2025
Reserve Bank of Australia (RBA)	Cash Rate Target	4.10%	20-May-2025

Table 3 - ESTR and Euribor

	5-May-2025[1]	9-May-2025.[2]	Change in basis points
ESTR	2.1680	2.1710	0.3
Euribor 1W	2.144	2.156	1.2
Euribor 1M	2.149	2.114	-3.5
Euribor 3M	2.142	2.124	-1.8
Euribor 6M	2.143	2.111	-3.2
Euribor 12M	2.045	2.024	-2.1

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

Table 4 - Economic indicators (5 - 9 May 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**Producer Price Index (PPI)** The index measures the average price change that domestic producers receive for their production.	March MoM% YoY%	 -1.4% 2.5%	 -1.6% 1.9%	 0.2% 3.0%
	Retail Sales This indicator tracks sales of new or used products to consumers for personal or household use.	March MoM% YoY%	 -0.1% 1.6%	 -0.1% 1.5%	 0.3% 2.3%
France	**Industrial Production** It measures the output of the energy sector, factories and mines. Growing industrial production points to increased production and economic expansion.	March MoM% YoY%	 0.3% -0.2%	 0.2% 0.2%	 0.7% -0.4%
Germany	**Industrial Production** It measures the output of the energy sector, factories and mines. Growing industrial production points to increased production and economic expansion.	March MoM% YoY%	 1.0% -2.7%	 3.0% -0.2%	 -1.3% -4.0%
	Exports Products and services produced in Germany, sold or pending for sale outside of Germany.	March MoM%	 1.0%	 1.1%	 1.8%
	Imports Germany's demand for foreign products.	March MoM%	 0.4%	 -1.4%	 0.7%
Italy	**Retail Sales** This indicator tracks sales of new or used products to consumers for personal or household use.	March MoM%	 0.2%	 -0.5%	 0.1%
	Industrial Production It measures the output of the energy sector, factories and mines. Growing industrial production points to increased production and economic expansion.	March MoM%	 0.5%	 0.1%	 -0.9%
USA	**Initial Jobless Claims** This indicator measures the number of people receiving unemployment allowances. The growing number of jobs is accompanied by an economic expansion that could influence inflationary pressures.	3 May K=1,000	230K	228K	241K

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds rose from 2.52% to 2.56% in this reporting week, fluctuating within the range of 2.48% to 2.58% during the week. The yield did not change significantly for the first two days, and the first major change was recorded on Wednesday. This yield fell by about 7bp on that day, as the news that the E.U. was planning to announce reciprocal tariffs against the U.S. caused demand for safe assets to rise. According to sources familiar with the situation, the E.U. is preparing to propose tariffs on Boeing planes and cars produced in the USA if trade negotiations with the Trump administration fail to solve the trade conflict. The yield recovered the very next day, due to the decrease in demand for safe assets. The yield was at a higher level on the opening of markets on Friday, but a downward trend prevailed by the end of the day, as the demand for safe funds grew again due to the uncertainty concerning the outcome of the upcoming negotiations between the USA and China.

U.S. GOVERNMENT BONDS MARKET

The yield on 10-year U.S. government bonds increased from 4.32% to 4.37% in this reporting week, ranging from 4.26% to 4.40% during the week. The yield trended upwards on Monday due to an unexpected rise in the U.S. services index. However, it had a downward trend for the next two days as the Federal Reserve meeting was anticipated. Interest rates remained at the current level as the FED President Powell made it clear that he was in no rush to cut those, but uncertainty about the U.S. economic outlook caused yields to fall. This yield rose sharply on Thursday, as the reaching of a trade agreement between the U.S. and the U.K. turned investors to riskier assets, which reduced demand for safe assets and led to higher yields. The yield did not change significantly on Friday, as there were no market drivers ahead of the start of trade negotiations between the U.S. and China.

GOLD

The price of gold rose from $3.239,78 to $3.324,98 per ounce this week. It rose steadily for the first two days of the week, as uncertainty regarding global trade and the U.S. economy caused demand for safe assets to grow. The price of gold rose due to the weakening of the dollar, but also because the opening of the Chinese market after the holidays stimulated the demand for gold. The price was at a slightly lower level on Wednesday, due to indications of progress between the USA and China, and the Fed kept interest rates at the current level, pointing to uncertainty regarding economic growth due to trade relations. There was a sharp drop in the price of gold the next day, as a trade agreement was reached between the USA and the U.K., which further reduced tensions on the market. The price rose slightly on Friday, due to the weakening of the dollar.

OIL

The price of oil rose from $59.40 to $64.27 per barrel this week. The rising trend was present throughout the week, with the exception of Wednesday. The drop in the price in the week preceding the reporting period attracted buyers, which led to its increase. The price also rose as the U.S. and China agreed to start trade negotiations. However, despite regular reports showing that oil stocks in the U.S. fell last week, the price of this energy generating product had a downward trend on Wednesday. Investors' doubts that upcoming trade negotiations between the U.S. and China will be fruitful, and hopes for a nuclear deal between Iran and the U.S. eased supply concerns. The price rose again in the last two days of the week. The reaching of a trade agreement between the USA and the U.K. fuelled hopes that the same one could be reached with China, therefore the price of oil rose.