CENTRALNA BANKA
CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(21 - 25 April 2025)

Podgorica, 30 April 2025

Weekly overview of short news

- The price of gold fell from $3,334.44 to $3,319.50 per ounce this week, as a result of strengthening of the dollar and optimism that the U.S. tariffs on China could be reduced, although uncertainty about this issue increased at end-week.

- Meanwhile, the price of gold recorded a new record high value of $3,500.10 on Tuesday due to the criticism of the U.S. President addressed to the Federal Reserve President. During the week, President Trump toned down his rhetoric, which contributed to the weakening of the price of this precious metal.

- The price of oil fell from $66.78 to $65.78 per barrel this week.

- Germany's private sector unexpectedly weakened for the first time in four months as concerns over tariffs caused a sharp drop in service activity. The value of the composite purchasing managers` index decreased from 51.3 to 49.7 in April.

- The IMF reduced its forecast of global economic growth for both this and the next year, from 3.3% to 2.8%, that is, 3%, with a warning that there could be a further deterioration of the outlook due to the U.S. global trade war.

FX NEWS

EUR/USD

The EUR/USD exchange rate rose on Monday as the dollar fell after the holidays as a result of Trump's pressure on the Fed. Selling dollar and stocks hit the Wall Street again, once Donald Trump repeated calls for "Mr Too Late" Powell to cut interest rates immediately, adding to investor concerns about the Fed's independence and its chairman's tenure. The dollar strengthened over the next two days following the U.S. Treasury Secretary's comments that the trade war between the U.S. and China is unsustainable and that he expects the situation to de-escalate. On the other hand, the euro weakened as it was announced that consumer confidence in the euro area weakened in April - the value of the indicator fell from -14.5 to -16.7. Trump's statement about possible "softer" tariffs continued to strengthen the dollar. The Bundesbank President, Joakim Nagel, said that Germany is at risk of recession this year due to the consequences of trade conflicts. The exchange rate fluctuated slightly for the last two days of the week.

EUR/GBP

The EUR/GBP exchange rate fluctuated slightly on Monday, only to weaken over the next two days as expectations were raised that the ECB could reduce interest rates again in June, which had a negative impact on the European currency. The exchange rate had a downward trend as it was announced that the composite PMI index of the euro area fell from 50.9 to 50.1, which indicated the possibility of stagnation. The exchange rate did not record any significant changes in the last two days of the week. Bank of England Governor Andrew Bailey has addressed the impact of global trade tensions and tariffs uncertainty in recent interviews, highlighting their impact on business investment and consumer behaviour. Although the impact on the U.K. exchange rates was minimal, Bailey warned that escalating trade tensions could hurt open economies like the U.K. and contribute to slower growth. Despite these challenges, he expressed optimism about the U.K. economy, citing encouraging GDP figures and dismissing fears of an imminent recession. Bailey indicated that a 25bp interest rate cut is likely at the BoE meeting on 8 May to reduce the risks of slow growth and global economic fragmentation.

EUR/JPY

The EUR/JPY exchange rate fluctuated slightly in the first part of the week and averaged at 161.89. The EUR/JPY exchange rate rose in the second part of the week once the U.S. announced that it would not seek currency targets in negotiations with Japan. Additionally, the strengthening of the exchange rate was influenced by a Reuters survey, which showed that economists expect (a probability of 84%) that Japan will not change the level of interest rates in June. The EUR/JPY trended higher on Friday, as expectations of a de-escalation of trade relations between the U.S. and China caused the yen to weaken.

Table 1 - Exchange rates of the most important currencies

	21-Apr-2025 [1]	25-Apr-2025 [2]	% Change
EUR/USD	1.13932	1.1365	-0.25
EUR/GBP	0.857085	0.85357	-0.41
EUR/JPY	161.967	163.30	0.82
EUR/AUD	1.786775	1.77638	-0.58
EUR/CHF	0.930542	0.94085	1.11
USD/JPY	142.185	143.67	1.04
GBP/USD	1.32959	1.3315	0.14

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%	7-May-2025
Bank of Japan (BoJ)	Overnight Call Rate	0.50%	1-May-2025
Bank of England (BoE)	Official Bank Rate	4.50%	8-May-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

	21-Apr-2025[1]	25-Apr-2025.[2]	Change in basis points
ESTR	2.417	2.167	-25.00
Euribor 1W	2.307	2.169	-13.80
Euribor 1M	2.134	2.139	0.50
Euribor 3M	2.187	2.174	-1.30
Euribor 6M	2.154	2.141	-1.30
Euribor 12M	2.104	2.082	-2.20

[1] Opening market value on Monday

[2] Closing market value on Friday

Table 4 - Economic indicators (21 - 25 April 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**HCOB Composite PMI** The index is based on surveys of over 300 executives in production and service companies in the private sector. Each response is weighted according to the size of the company and its contribution to total production or service production.	April Preliminary data	50.2	50.1	50.9
	Consumer Confidence It measures consumer confidence in euro area countries. This figure is the result of a survey of euro area consumers in terms of their labour market finances, willingness to save, and expectations regarding the economy.	April Preliminary data	-15.1	-16.7	-14.5
Germany	**HCOB Composite PMI** The index is based on surveys of over 300 executives in production and service companies in the private sector. Each response is weighted according to the size of the company and its contribution to total production or service production.	April Preliminary data	50.5	49.7	51.3
	IFO Business climate It refers to the examination of German companies about the current conditions (state) of doing business in Germany, as well as their expectations for the next six months.	April Preliminary data	85.2	86.9	86.7
Great Britain	**S&P Global UK Composite PMI** PMI surveys tracks opinion among procurement managers in manufacturing, construction and/or services sectors. The index was obtained from the results of questionnaires related to production, orders, stocks, employment, prices, etc.	April Preliminary data	50.4	48.2	51.5
	GfK Consumer Confidence This index measures the level of households' confidence in terms of economic performance.	April	-21	-23	-19
USA	**Initial Jobless Claims** This indicator 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.	19 April k=thousand	222K	222K	216 K
	S&P Global/CIPS Composite PMI PMI surveys tracks opinion among procurement managers in manufacturing, construction and/or services sectors. The index was obtained from the results of questionnaires related to production, orders, stocks, employment, prices, etc.	April Preliminary data	52.0	51.2	53.5
	Existing Home Sales The indicator shows records of sales in the U.S. real estate sector and is revised monthly.	March MoM%	-3.1%	-5.9%	4.4%
Japan	**Tokyo CPI YoY** Consumer prices (CPI) are a measure of the prices consumers pay for a consumer basket of goods and services.	April	3.3%	3.5%	2.9%

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds fell slightly in this reporting week, from 2.48% to 2.47%. The markets were closed on Monday for the holidays, whereas the yield trended downwards on Tuesday, due to the uncertainty regarding the U.S. trade policy and the comments of the U.S. President regarding the Fed, traders' expectations regarding the reduction of the ECB's interest rate this year increased. The yield rose on Wednesday, as indications of a "softer" approach to trade by the U.S. President and the Fed's independence had influence on weakening expectations of monetary policy easing. The yield had a downward trend on Thursday, due to uncertainty regarding the U.S. trade policy, only to recover slightly on Friday. This was contributed to by the comment of the ECB President that the process of disinflation is "on the right track", with the warning that it is impossible to give any signals regarding the interest rates trend due to great uncertainty, after which expectations regarding a June reduction in the ECB interest rates were strengthened, while expectations regarding further reductions until the end of the year weakened.

U.S. GOVERNMENT BONDS MARKET

The yields on 10-year U.S. government bonds fell from 4.335% to 4.235% in this reporting week. The yield went up at the beginning of the week. However, the downward trend prevailed in the rest of the week, to the greatest extent due to the uncertainty regarding the U.S. tariffs and the attitude of the U.S. President towards the monetary authorities. Wednesday's rise followed President Trump's comments that he did not intend to remove the Fed chairman, and suggestions that tariffs on imports from China could be reduced. The yield has been consistently lower over the past two days, as comments from Fed officials raised expectations that the bank could cut interest rates in June. The Cleveland Fed President suggested that the bank could act as early as June if economic data provided a clear direction. The decline was also caused by increased demand for safe assets due to the still-present tensions regarding tariffs, given that President Trump has stated that the U.S. will not lift tariffs on China unless Beijing offers something significant.

GOLD

The price of gold fell from $3,334.44 to $3,319.50 per ounce in this reporting week. At the beginning of the week, President Trump criticized the Fed chairman for not cutting interest rates, which caused an increase in demand for safe assets and a significant increase in the price of gold, which reached a record high of $3,500.10 on Tuesday. The price fell sharply the same day, and the fall continued the following day, due to the strengthening of the dollar, but also because the previous price level led to sales in order to make a profit. The price also fell due to the mild stance of the U.S. President regarding the Fed and tariffs against China. Namely, Trump expressed optimism regarding the reduction of tariffs through a possible agreement with China, but warned that the conditions will be stricter if the negotiations fail. Although the price rose on Thursday, its decline continued on the last day of the week, due to the presence of indications that trade tensions between the U.S. and China are easing. However, Trump stated at the very end of the day that he would not remove tariffs on China unless Beijing offered something significant, although China had previously announced that it would exempt some American products from tariffs.

OIL

The price of oil decreased from $66.78 to $65.78 per barrel in this reporting week. The price fell on Monday as a result of concerns that the trade war between the U.S. and China could threaten the global demand for energy, but also the criticism of the U.S. President against the Fed chairman. Over the next two days, the price rose due to the new U.S. sanctions against Iran, a larger than expected drop in oil stocks in the U.S. and the calmer tone of the President Trump regarding trade and monetary policy. The price of oil fell sharply on Wednesday afternoon after a Reuters report that Kazakhstan is putting national interests ahead of OPEC+ interests and is unable to make significant cuts in production, after which other OPEC+ members announced that they would seek an accelerated increase in production. The price of oil fluctuated in the last two days of the week as a result of contradictory messages about the progress of trade negotiations between the U.S. and China.