CENTRALNA BANKA CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(23 - 27 June 2025)

Podgorica, 2 July 2025

Weekly overview of short news

- The price of gold fell from $3,395.03 to $3,274.33 an ounce, once the U.S. President announced that Israel and Iran had agreed to a truce.

- The price of oil fell from the initial $77.50 to $66.61 per barrel, following the U.S. President Donald Trump announcement on a temporary ceasefire between Iran and Israel.

- The ECB Vice President Luis de Guindos said oil price oscillations caused by the Israel-Iran conflict have not disrupted the slowdown in inflation in the euro area, with consumer prices approaching the 2% target. However, he emphasized caution due to trade tensions and geopolitical uncertainty.

FX NEWS

EUR/USD

The EUR/USD exchange rate had an upward trend in this reporting week, standing on Friday at the highest level of 1.1718 since end-September 2021. The dollar weakened during the week, and this trend was triggered by the statement of the Fed Board of Governors member, Michelle Bowman, that she could support the reduction of interest rates as early as July. The market's attention was focused on the Fed's monetary policy in the rest of the week, while geopolitical tensions remained in the background. Namely, the possibility that the U.S. President, Donald Trump, will announce a new chairman of the Federal Reserve earlier than usual, who is expected to be more inclined to lower interest rates, which would weaken the current president Jerome Powell, increased the chances of lowering interest rates. Trump has repeatedly criticized Powell and called for rate cuts this year, raising investor concerns about the U.S. central bank's gradual loss of independence and credibility. Powell, whose term expires in May next year, also testified before Congress this week where he showed a tendency to ease monetary policy, which further increased expectations for interest rate cuts. Although the data on the base price index in the USA was released on Friday above expectations, the market's perception regarding the reduction of interest rates did not change, therefore the dollar continued to weaken against the euro.

EUR/GBP

The EUR/GBP exchange rate did not change significantly this week. It fluctuated on Monday, only to fall the next day. Sterling strengthened, boosted by a slight rise in the composite purchasing managers` index (PMI) in the U.K., but also owing to the cautious approach of the Bank of England. The BoE's Deputy Governor, Dave Ramsden, signalled potential support for another rate cut in August, in line with the monetary institution's cautious approach, while his counterpart, Megan Green, warned that inflation could remain above 3% due to higher energy and food costs, but supported a gradual rate cut. With occasional fluctuations, the downward trend of the exchange rate prevailed until Friday morning, when the exchange rate stood at a 2-week low. However, it rose on Friday as sterling weakened due to concerns about the U.K. fiscal policy. The British Prime Minister is facing a budget deficit of 4.25 billion pounds, so the probability of a tax increase in the autumn budget is increasing.

EUR/JPY

The EUR/JPY exchange rate appreciated to an 11-month high of 169.81 in this reporting week. The Bank of Japan's cautious approach to interest rates made the yen less attractive for investment, and the exchange rate rose sharply on Monday. The exchange rate weakened the very next day, once Donald Trump declared that Israel and Iran had agreed on a temporary ceasefire, although Iran's foreign minister said that there is no such "agreement" yet. The yen also strengthened due to the statement of the "toughest" BoJ Board member, Naoki Tamura, in which he emphasized the need to increase interest rates if the risks of inflation increase even if economic uncertainty continues. The exchange rate had an upward trend on Wednesday, and growth prevailed until the end of the week. The Japanese government may cut its growth forecast for fiscal 2025 from 1.2% to below 1% due to the U.S. tariffs, and the BoJ recently cut its forecast to 0.5%, citing tariff challenges as the reason. Data on inflation in Tokyo and industrial production in Japan were below expectations on Friday, thus the yen continued to weaken.

Exchange rates of the most important currencies

	23-Jun-2025[1]	27-Jun-2025[2]	% Change
EUR/USD	1.1523	1.1718	1.69
EUR/GBP	0.85655	0.85420	-0.27
EUR/JPY	168.34	169.48	0.68
EUR/AUD	1.78620	1.79504	0.49
EUR/CHF	0.94264	0.93593	-0.71
USD/JPY	146.09	144.65	-0.99
GBP/USD	1.3451	1.3716	1.97

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%	24-Jul-2025
Federal Reserves (Fed)	Federal Funds Target Rate	4.50%	30-Jul-2025
Bank of Japan (BoJ)	Overnight Call Rate	0.50%	31-Jul-2025
Bank of England (BoE)	Official Bank Rate	4.25%	7-Aug-2025
Swiss National Bank (SNB)	Libor Target Rate	0.00%	25-Sep-2025
Bank of Canada (BoC)	Target Overnight Rate	2.75%	30-Jul-2025
Reserve Bank of Australia (RBA)	Cash Rate Target	3.85%	8-Jul-2025

Table 3 - ESTR and Euribor

	23-Jun-2025[1]	27-Jun-2025.[2]	Change in basis points
ESTR	1.9230	1.9280	0.5
Euribor 1W	1.906	1.923	1.7
Euribor 1M	1.871	1.916	4.5
Euribor 3M	2.034	1.939	-9.5
Euribor 6M	2.035	2.036	0.1
Euribor 12M	2.101	2.062	-3.9

[1]Opening market value on Monday

[2] Closing market value on Friday

Table 4 - Economic Indicators (23 - 27 June 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**HCOB Eurozone Manufacturing, Services, 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.	June Preliminary data	49.7 50.0 50.4	49.4 50.0 50.2	49.4 49.7 50.2
Germany	**IFO Business Climate** Monthly survey of companies in Germany (in production, construction, wholesale and retail), in terms of the current business climate and expectations for the next 6 months. Considering that Germany is "liable" for ¼ of the total GDP of the euro area, this indicator is a significant sign of the economic health of the euro area as a whole.	June	88.0	88.4	87.5
	GfK Consumer Confident This index measures the level of households' confidence in terms of economic performance.	July	-19.2	-20.3	-20.0
Great Britain	**S&P Global U.K. Manufacturing, Services, 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.	June Preliminary data	46.8 51.3 50.6	47.7 51.3 50.7	46.4 50.9 50.3
USA	**Current Account Balance** The current account is part of the balance of payments and tracks all transactions, except for financial ones, that involve economic values and occur between residents of a country and non-residents. The main components include trade in goods and services, income and current transfers.	Q1 $ Billion	-$445.5	-$450.2	-$312.0
	Conf. Board Consumer Confidence This index monitors trust among households or consumers, and the results are obtained by conducting research on a random sample of households.	June	99.8	93.0	98.4
	Gross domestic product (GDP) Measures the final market value of all products and services produced within the country. This is the most commonly used indicator of economic activity.	Q1 QoQ%	-0.2%	-0.5%	-0.2%
	PCE Price Index This indicator monitors the total price changes of goods and services purchased by consumers.	May MoM% YoY%	0.1% 2.6%	0.2% 2.7%	0.1% 2.6%
	University of Michigan One-Year Inflation Expectations (U. of Mich. 1 Yr Inflation) Inflation expectations measure the percentage by which consumers expect the price of products and services to change over the next 12 months.	June Final data	5.2%	5.0%	5.1%
Japan	**Tokyo CPI Ex-Fresh Food, Energy** Measures the prices that consumers pay for a market basket of products and services, excluding fresh food products.	June YoY%	3.3%	3.1%	3.3%
	Industrial production It measures the output volume in the mining and industrial sectors. Industrial output responds significantly to business cycle changes and can often predict trends in employment rates, earnings, and personal income.	May Preliminary data MoM% YoY%	3.5% 1.6%	0.5% -1.8%	-1.1% 0.5%

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds rose from 2.54% to 2.59% in this reporting week. The yields on these bonds fell in early week as lower oil prices decreased inflation concerns. However, the yield recorded growth in the rest of the week. The increase occurred when the U.S. President announced that Iran and Israel had agreed on a temporary truce. The yield growth was also influenced by the news that Germany plans to increase defence spending to 3.5% of GDP in the next five years, as part of a massive increase in government investments in the military. Until the end of the week, the German plan to increase spending continued to "unsettle" investors, which was also reflected in the growth of yields on German bonds.

U.S. GOVERNMENT BONDS MARKET

The yield on 10-year U.S. government bonds dropped from 4.37% to 4.27% during this reporting week. The yield fell on the first day of the week after Iran's retaliation against a U.S. air base boosted demand for bonds as safe assets. The yield continued to fall for the rest of the week as Fed Chairman Jerome Powell said in his speech before the Congress that "many paths are possible" for monetary policy, thereby opening the door to an earlier cut in interest rates this year. The yield stabilised on the last day of the week as conflicting data on the U.S. economy was released (a drop in real consumption of 0.3% on a monthly basis against the expected 0.0% and data on core PCE inflation at the level of 2.7% compared to expectations and the previous 2.6%).

GOLD

The price of gold fell from $3,395.03 to $3,274.33 per ounce in this reporting week. The price of gold saw a major change on Tuesday, when it fell following the U.S. President announcement that Israel and Iran had agreed to a ceasefire. This news had the effect of reducing the demand for safe funds. The second major change in the price of gold occurred on Friday, when the price of this precious metal fell again. This time, speculation that the U.S. Secretary Minister will finalise trade agreements with several countries before the 9 July deadline caused the price of gold to fall.

OIL

The price of oil recorded a decline on a weekly basis, from the initial $77.50 it fell to $66.61 per barrel. Almost all of this week's drop in oil prices occurred on Monday, following the U.S. President Donald Trump announcement on a temporary ceasefire between Iran and Israel. The price of oil fluctuated around the level of $66.50 per barrel for the rest of the week.

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