CENTRALNA BANKA
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Financial and Banking Operations Department

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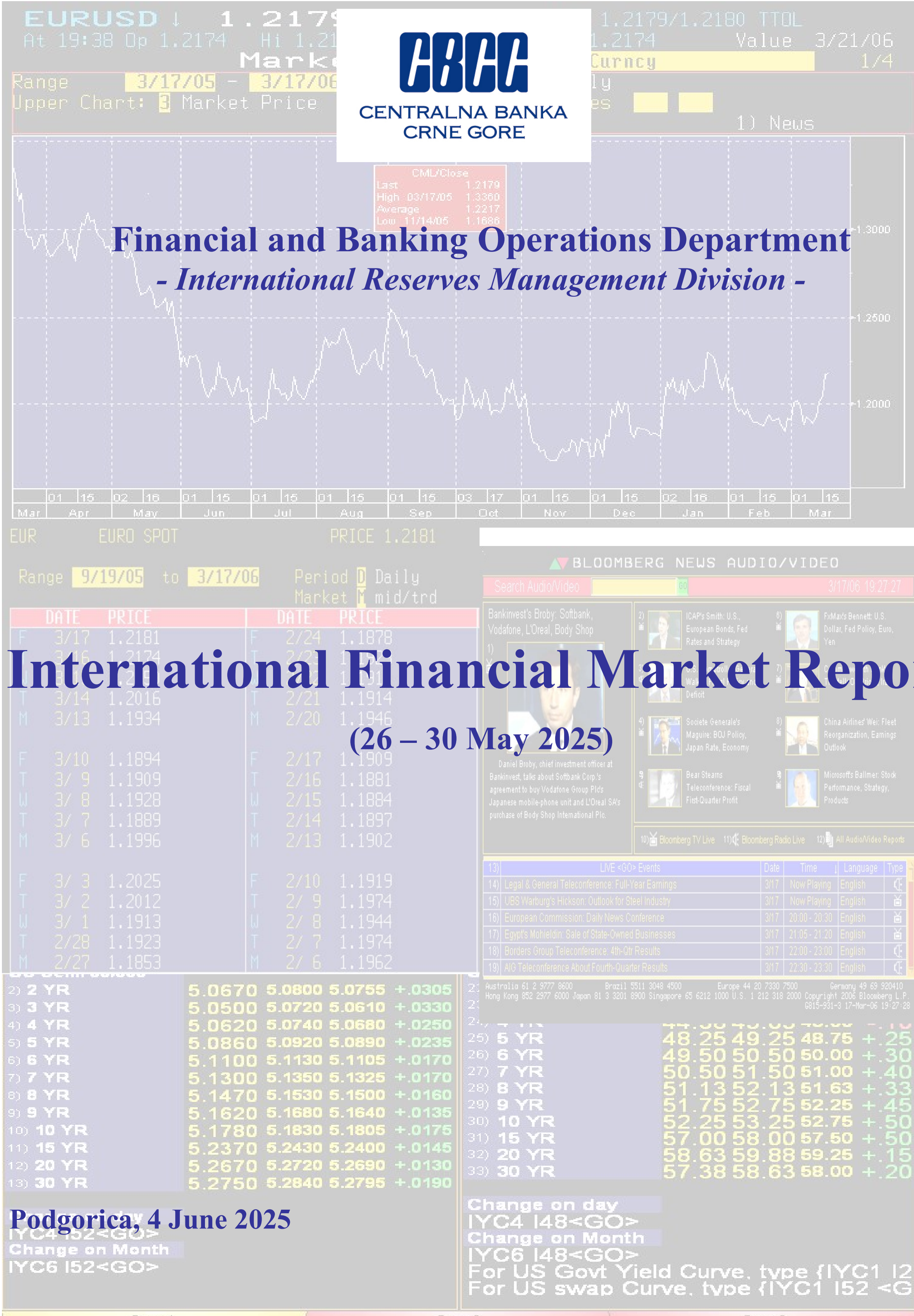

International Financial Market Report

(26 – 30 May 2025)

Podgorica, 4 June 2025

Weekly overview of short news

- The price of gold fell from $3,353,69 to $3,289.25 per ounce in this reporting week.

- The price of oil fell this week from $64.84 to $62.45 per barrel ahead of the OPEC+ meeting and the announcement that there could be an increase in supply of 411 thousand barrels per day during July.

- New Zealand's central bank cut its reference interest rate by 25bp to 3.25% and announced a slightly longer easing cycle than forecast three months ago, underscoring growing economic risks caused by a sharp shift in the U.S. trade strategies. The U.S. President Trump's comprehensive tariffs and his broader economic agenda have shaken financial markets and sparked fears of a recession, complicating policymaking for central banks and delaying investment decisions across a range of industries.

- The German economy grew by 0.4% in Q1 2025 - revised upwards from 0.2%, and was driven by export growth of 3.2% and household spending growth of 0.5%. Despite a 0.3% drop in government spending, investments grew by 0.9%. Analysts expect slower growth in Q2 2025, but see long-term optimism regarding the growth of real wages and the infrastructure fund of 500 billion euros.

FX NEWS

EUR/USD

After the U.S. President postponed, during weekend, the introduction of tariffs on imports from the E.U. until 9 July, **the EUR/USD exchange rate** rose to a 1-month high of 1.1419 early Monday. However, the exchange rate began to weaken on the same day, and this trend remained until Thursday morning. The dollar strengthened following the announcement that American consumer confidence exceeded expectations, but also that Trump's reciprocal tariffs were declared illegal and blocked by the U.S. Court of International Trade. The exchange rate recovered on Thursday, due to release of weaker than expected data on GDP and employment in the USA. The exchange rate fluctuated on the last day of the week. The euro weakened ahead of the ECB meeting (5 June) and due to expectations that interest rates will be cut again, whereas, on the other hand, the dollar weakened as trade tensions rose again after President Trump's verbal "attack" on China, and as a result of the announcement that he will increase tariffs on aluminium and steel imports from 25% to 50%. At the end of the week, the U.S. Court of Appeals temporarily allowed Trump's tariffs to remain in place.

EUR/GBP

The EUR/GBP exchange rate recorded a slight downward trend for the first three days, initially due to holidays in Great Britain and the USA, which contributed to weaker activity on the currency markets, and later due to better-than expected economic data, improving market sentiment and encouraging investors' preference for riskier assets. The exchange rate rose on Thursday after the Confederation of British Industry announced that business confidence in the services sector had reached its lowest level in two and a half years in the quarter ending in May. The confidence index in companies for business and professional services dropped from -28 in February to -43 in May, which is the lowest value since November 2022. The exchange rate showed slight volatility during Friday.

EUR/JPY

The EUR/JPY exchange rate has recorded growth this week. The exchange rate rose early week due to President Trump's statement that he will extend the deadline for the introduction of E.U. tariffs until 9 July. The growth of the exchange rate was also caused by the weakening of the yen, after the auction of 40-year Japanese government bonds recorded the lowest demand in the last almost a year. This indicates investor caution as a result of recent rise in yields on longer maturities, which has increased concerns about Japan's fiscal "health". The growth of the exchange rate continued due to the U.S. Court of International Trade decision to block the reciprocal tariffs of President Trump. The exchange rate showed signs of weakening towards the end of the week, as faster-than-expected inflation in Tokyo supported arguments for an increase in interest rates by the Bank of Japan, which led to a strengthening of the yen, while the ECB is expected to cut interest rates at its meeting to be held on 5 June. Core inflation in Tokyo reached a 2-year high of 3.6% in May.

Exchange rates of the most important currencies

	26-May-2025[1]	30-May-2025[2]	% Change
EUR/USD	1.1362	1.1347	-0.13
EUR/GBP	0.83957	0.84316	0.43
EUR/JPY	161.91	163.46	0.96
EUR/AUD	1.75654	1.76433	0.44
EUR/CHF	0.93310	0.93325	0.02
USD/JPY	142.55	144.02	1.03
GBP/USD	1.3537	1.3459	-0.58

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	3.85%	8-Jul-2025

Table 3 - ESTR and Euribor

	26-May-2025[1]	30-May-2025.[2]	Change in basis points
ESTR	2.1700	2.1610	-0.90
Euribor 1W	2.145	2.204	5.90
Euribor 1M	2.089	1.996	-9.30
Euribor 3M	2.040	1.995	-4.50
Euribor 6M	2.101	2.069	-3.20
Euribor 12M	2.096	2.09	-0.60

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

Table 4 - Economic indicators from 26 to 30 May 2025

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**Economic Confidence** An economic indicator that measures the degree of optimism consumers feel about the overall condition of the economy and their personal financial situation. If the consumer has confidence in the economy of the immediate and near future and his personal finances, then they will spend more than they save.	May	94.1	94.8	93.8
Germany	**Retail Sales** This indicator measures changes in retail sales in Germany.	April	0.2%	-1.1%	0.9%
	GfK Consumer Confident This index measures the level of households' confidence in terms of economic performance.	June	-20.0	-19.9	-20.8
	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.	May Preliminary data MoM% YoY%	 0.1% 2.1%	 0.1% 2.1%	 0.4% 2.1%
France	**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.	May Preliminary data MoM% YoY%	 0.1% 0.9%	 -0.1% 0.7%	 0.6% 0.8%
	Gross domestic product (GDP) It measures the value of products and services produced inside the country. GDP is the most comprehensive measure of economic output and provides a key insight into an economy's main drivers.	Q1 Final data QoQ% YoY%	 0.1% 0.8%	 0.1% 0.6%	 0.1% 0.8%
Great Britain	**BRC shop Price Index** The British Retail Consortium (BRC) retail price index measures price changes in BRC member retail stores in the U.K. A higher-than-expected reading should be taken as positive for the pound, while a lower-than-expected reading should be taken as negative for the pound.	May	-0.1%	-0.1%	-0.1%
USA	**Durable Goods Orders** This is an indicator of consumer safety that reflects their expectations and the ability to spend money. Its positive growth marks the state of the economy, helping to strengthen the currency. Its decline leads to the opposite result. The DGO index is an excellent indicator for the future. Many manufacturers plan production based on available orders, the decline in DGO precedes the decline in production and vice versa.	April Preliminary data	-7.8%	-6.3%	7.6%
	GDP Annualized Gross domestic product (GDP) measures the annual change in the inflation-adjusted value of all goods and services produced by the economy. It is the broadest measure of economic activity and the primary indicator of the economy's health.	Q1 second publication (revision of originally released data)	-0.3%	-0.2%	-0.3%
	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.	24 May k=thousand	230K	240K	226K
Japan	**Retail Sales** This indicator measures changes in retail sales in Japan.	April MoM% YoY%	 0.5% 3.0%	 0.5% 3.3%	 -1.2% 3.1%

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds fell from 2.60% to 2.49% in this reporting week. The decline was significant at the beginning of the week when yields fell, supported by comments from the ECB President. Namely, she said that she sees the unpredictable policy of the U.S. President as a chance to strengthen the global role of the euro and called on the E.U. countries to solve long-standing issues, proposing a solid geopolitical basis, the completion of the single market and common financing, such as defence. The yield rose slightly over the next two days, only to experience a sharp drop on Thursday. Thursday's decline came as the U.S. bond yields fell. Yields continued to weaken in the final day as investors positioned themselves ahead of the regular ECB meeting.

U.S. GOVERNMENT BONDS MARKET

The yield on 10-year U.S. government bonds fell in this reporting week. The markets were closed for the holiday on the first day of the week. The yield then rose slightly until Thursday, when a sharp drop occurred. The drop in yield came as it was announced that the GDP in the USA fell by 0.2%. The yield turned lower at the end of the day on Friday after Trump said China had violated a trade deal.

GOLD

The price of gold fell from $3,353.69 to $3,289.25 per ounce in this reporting week. After the decision of the U.S. President to postpone the introduction of 50% tariffs on imports from the E.U. until 9 July, the demand for safe assets decreased, therefore the price of gold weakened at the beginning of the week. The price was stable in mid-week, but its decline continued on Wednesday afternoon. The decision of the U.S. Court of International Trade to declare Trump's tariffs illegal and block their implementation caused a decrease in demand for safe assets, which affected the price of this precious metal. However, the price of gold recovered on Thursday, as the dollar, after initially strengthening due to the blocking of American tariffs, still weakened. The gold price weakened on the last day of the week, as markets processed the latest information on the U.S. tariffs.

OIL

The price of oil decreased from $64.84 to $62.45 per barrel in this reporting week. The easing of trade tensions after the U.S. President's decision to postpone the introduction of tariffs on imports from the E.U. until 9 July, on the one hand, and concerns about the growing supply of this energy generating product by OPEC+, on the other hand, caused oil prices to fluctuate early week. The price subsequently rose after the U.S. International Trade Court blocked Trump's reciprocal tariffs, and the market was further supported by the U.S. restrictions on Chevron's oil exports from Venezuela, production restrictions in Canada and the upcoming OPEC+ decision. However, the price had a downward trend in the last two days of the week, ahead of the OPEC+ meeting and the announcement that there could be an increase in the supply of 411 thousand barrels per day during July, so that the official decision made at the meeting on 31 May would confirm these announcements.