CENTRALNA BANKA CRNE GORE

Financial and Banking Operations Department

- International Reserves Management Division -

International Financial Market Report

(28 April - 2 May 2025)

Podgorica, 7 May 2025

Weekly overview of short news

- The price of gold fell this week from $3,321.54 to $3,240.49 an ounce, largely due to reduced demand for safe assets amid signs of potential progress in trade negotiations between the U.S. and other countries.

- The price of oil fell from $65.77 to $61.92 per barrel this week.

- The U.S.-led trade war threatens the euro area fragile recovery, with the ECB officials warning of rising risks, investment uncertainty and potential deflationary pressures. The ECB Vice President Luis de Guindos highlighted trade barriers, cautious consumers and geopolitical tensions as key challenges. The head of Finland's central bank, Olli Rehn, noted that many downside risks have already materialized, further weakening growth prospects. Policymakers are increasingly considering a modest rate cut in June.

- The estimated consumer price index in the euro area in April was higher than expected and amounted to 2.2% (it was expected to be 2.1%).

- The U.S. President Donald Trump said he is willing to reduce tariffs on China at some point, as tariffs are now so high that the world's two largest economies have essentially stopped doing business with each other.

FX NEWS

EUR/USD

The EUR/USD exchange rate rose on Monday, as investors got rid of the dollar assets due to Trump's policies. In addition, a disappointing report from the Dallas Fed on Texas manufacturing activity increased concerns about the growth of the U.S. economy which further weighed on the dollar. However, the downward trend of this exchange rate prevailed in the rest of the week, which caused its decline at the weekly level as well. Increasing speculation about further ECB interest rate cuts put pressure on the euro, while mixed signals between the U.S. and China on trade negotiations increased uncertainty and supported the dollar, despite disappointing data from the U.S. market (job openings, GDP). By the end of the week, signs of progress in the negotiations between the U.S. and its trading partners fuelled optimism about reaching an agreement, thus the dollar continued to strengthen, and the exchange rate reached a 2-week low of 1.1266 on Thursday. The exchange rate had an upward trend on the last day of the week, following the release of the preliminary data on inflation in the euro area which were above expectations, but it reached again the previously mentioned level by the end of the day.

EUR/GBP

The EUR/GBP exchange rate fell on Monday as the increased risk appetite of investors at the beginning of the week supported sterling, and during the day, better than expected trade data from the Confederation of the British Industry, while investors in European assets were wary of data on GDP and inflation in the euro area. The exchange rate did not show any significant changes in the rest of the week, only to strengthen briefly on Wednesday, due to release of better-than-expected data on the GDP of the euro area. On the other hand, sterling weakened due to disappointment regarding the U.K.-U.S. trade deal, as the U.S. focus is on South Korea, India and Japan, but its strengthening continued on the same day. The exchange rate did not change significantly on Thursday, but it compensated on Friday part of the losses from the beginning of the week. The euro was supported that day by the data on euro area inflation, which remained above 2%.

EUR/JPY

The EUR/JPY exchange rate generally had a downward trend in the first half of the week. The main cause of this trend was the strengthening of the yen, as the demand for safe assets grew due to mixed signals from the USA and China regarding trade negotiations. However, this rate rose sharply on Thursday, reaching a 4-month high. Namely, the yen weakened after the meeting of the Bank of Japan, as this monetary institution lowered its forecasts for economic growth and inflation in Japan. At the very end of the week, the exchange rate fluctuated, and due to the growth from the previous day, it recorded an increase at the weekly level as well.

Table 1 - Exchange rates of the most important currencies

	28-Apr-2025 [1]	2-May-2025[2]	% Change
EUR/USD	1.1365	1.1297	-0.60
EUR/GBP	0.85357	0.85171	-0.22
EUR/JPY	163.30	163.80	0.31
EUR/AUD	1.77638	1.75467	-1.22
EUR/CHF	0.94085	0.93454	-0.67
USD/JPY	143.67	144.96	0.90
GBP/USD	1.3315	1.3272	-0.32

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%	17-Jun-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

At the Bank of Japan meeting, the interest rate remained at the existing level, and the forecasts of economic growth and inflation for fiscal 2025 and 2026 were reduced, due to high uncertainty regarding global trade. The BoJ predicted that GDP growth will be 0.5% in 2025, and 0.7% in 2026 (previous projections were 1.1% and 1%, respectively), and that the inflation rate in the same period will reach 2.2% and 1.7% (previous projections were 2.4% and 2%). The BoJ also released forecasts for the fiscal year 2027, according to which GDP growth will be 1%, and inflation will amount to 1.9%.

Table 3 - ESTR and Euribor

	28-Apr-2025[1]	2-May-2025.[2]	Change in basis points
ESTR	2.167	2.1680	0.1
Euribor 1W	2.169	2.144	-2.5
Euribor 1M	2.139	2.149	1.0
Euribor 3M	2.174	2.142	-3.2
Euribor 6M	2.141	2.143	0.2
Euribor 12M	2.082	2.045	-3.7

[1]Opening market value on Monday

[2] Closing market value on Friday

Table 4 - Economic indicators (28 April - 2 May 2025)

Country	Indicator	Period	Expected value	Current value	Previous value
Euro area	**GDP SA** Measures the final market value of all products and services produced within the country. GDP is the most commonly used indicator of economic activity.	Q1 QoQ% YoY%	 0.2% 1.1%	 0.4% 1.2%	 0.2% 1.2%
	CPI estimate Early assessment of the Consumer Price Index The consumer price index measures changes in the cost of living, tracking price changes in a basket of goods and services used by an average household, and is therefore a key measure of inflation.	April Preliminary data	2.1%	2.2%	2.2%
	CPI Core This index tracks price changes in the basket of consumer goods and services used by the average household, but excludes items subject to frequent price changes - food, energy, alcohol and cigarettes.	April Preliminary data	2.5%	2.7%	2.4%
Great Britain	**S&P Global UK Manufacturing PMI** This survey tracks opinion among procurement managers at manufacturing. The index was obtained from the results of questionnaires related to production, orders, stocks, employment, prices, etc.	April Final data	44.0	45.4	44.0
USA	**Dallas Fed Manuf. Activity** This survey, conducted monthly by the Dallas Fed, tracks confidence among Texas manufacturers.	April	-17.0	-35.8	-16.3
	JOLTS Job Openings This concept tracks the number of free jobs in the economy. Vacancies generally include either newly created or unfilled positions (or soon-to-be-vacant positions) that the employer is taking particular action to fill.	March k=thousand	7500K	7192K	7480k
	Gross domestic product (GDP) Measures the final market value of all products and services produced within the country. GDP is the most commonly used indicator of economic activity.	Q1 QoQ%	-0.2%	-0.3%	2.4%
	PCE Price Index This indicator monitors the total price changes of goods and services purchased by consumers.	March MoM% YoY%	 0.0% 2.2%	 0.0% 2.3%	 0.4% 2.7%
	ISM Manufacturing This indicator assesses the state of U.S. industry by questioning executors about their expectations in terms of production, new orders, employment, raw materials deliveries and inventory.	April	47.9	48.7	49.0
	Change in nonfarm payrolls This is a report that shows the number of newly employed workers on a monthly basis by branch of the economy, which does not include employees on farms, in some government services, employees in private households, and non-profit organizations. It serves as the basis for tailoring economic policy and forecasting future economic trends.	April k=thousand	138k	177K	185 K

EUROPEAN GOVERNMENT BONDS MARKET

The yield on 10-year German government bonds rose slightly from 2.46% to 2.53% in this reporting week. The yield on German 10-year bonds rose slightly from 2.46% to 2.51% on Monday, only to weaken for the next two days, as it was announced that the monthly inflation rate in certain regions recorded an increase. The market was closed on Thursday for the holidays. The yields on the European government bonds rose on the last day of the week, after nonfarm payrolls data showed that the U.S. labour market remained strong. The yield on 10-year German bonds rose by 8 bp, to 2.52%.

U.S. GOVERNMENT BONDS MARKET

The yield on 10-year U.S. government bonds rose from 4.23% to 4.31% in this reporting week. The yield on 10-year U.S. bonds recorded a slight increase in the first part of the day on Monday, only to fall in the second part of the day as it was weighed down by the signs of a slowdown in the U.S. economy, which supported expectations that the Fed will cut interest rates by the end of the year. The yield fell the following day as a result of weaker than expected U.S. economic data (job openings in March, consumer confidence in April). The yield fluctuated slightly on Wednesday, only to rise on Thursday due to the release of data on the U.S. manufacturing sector, which were better than expected. The yields rose on the last day of the week once the better-than-expected U.S. employment data showed that uncertainty over tariffs had yet to hit the country's labour market, prompting traders to lower expectations for an imminent interest rate cut.

GOLD

The price of gold fell from $3,321.54 to $3,240.49 per ounce in this reporting week. Gold first fell to $3,268.23 an ounce on Monday as easing trade tensions between the U.S. and China boosted risk appetite, but recovered to $3,350 an ounce by the end of the day as the U.S. dollar weakened globally. The price of gold fell slightly on the following day due to the reduced demand for safe assets and the strengthening of the dollar as investors believed that there could be progress in the trade negotiations between the U.S. and China. Gold prices fell on Thursday amid signs of progress in trade negotiations between the U.S. and other countries. The price of gold did not record major changes at the end of the week.

OIL

The price of oil decreased from $65.77 to $61.92 per barrel in this reporting week. Oil prices trended downwards for the first three days as traders analysed economic data from the U.S. and awaited further developments in the trade war, including China's efforts to support up its tariff-hit economy. The trade war jeopardized the outlook for demand, and data points to signs of strain in the U.S. economy. The American Petroleum Institute announced in mid-week that oil supplies in the U.S. rose by 3.76 million last week. The price also weakened due to the uncertainty surrounding American trade policy and global economic growth. The price of oil rose on Thursday as President Trump threatened buyers of Iranian oil with wider sanctions. This price recorded a slight drop on Friday.