



**EUR**

03/12/2012



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the Euro

## Yellow Area

November 26

07:00 - 13:00

- Eurogroup Meeting [\[link\]](#)

## Turquoise Area

November 27

07:00 - 15:00

- U.K. GDP [\[link\]](#)
- U.S. Core Durable Goods Orders [\[link\]](#)
- U.S. CB Consumer Confidence [\[link\]](#)

## Blue Area

November 28

10:00 - 17:00

- German CPI [\[link\]](#)
- U.S. New Home Sales [\[link\]](#)

## Purple Area

November 29

06:00 - 17:00

- French Unemployment Rate [\[link\]](#)
- U.S. Preliminary GDP [\[link\]](#)
- U.S. Unemployment Claims [\[link\]](#)

## Orange Area

November 30

06:00 - 16:00

- German Retail Sales [\[link\]](#)
- ECB President Speech [\[link\]](#)
- Eurozone CPI Flash Estimate [\[link\]](#)
- Eurozone Unemployment Rate [\[link\]](#)

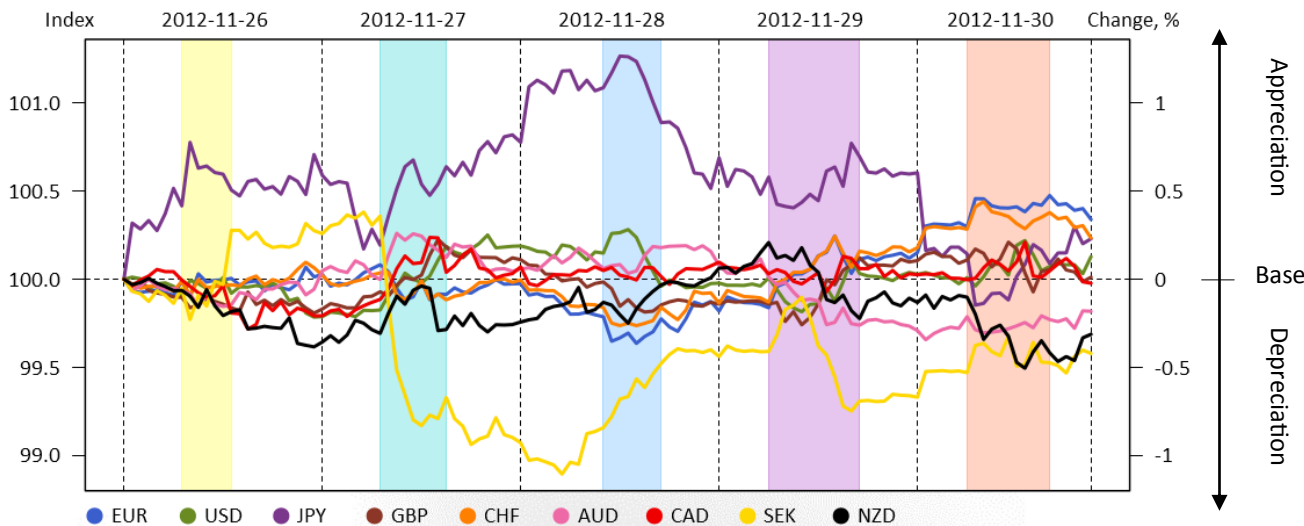
EUR Currency Index Range	0.13%	0.2%	0.15%	0.41%	0.18%
Average EUR/USD Volatility Index	1.16	1.04	1.18	0.93	1.21





# Relative Currency Strength

Currency Indices

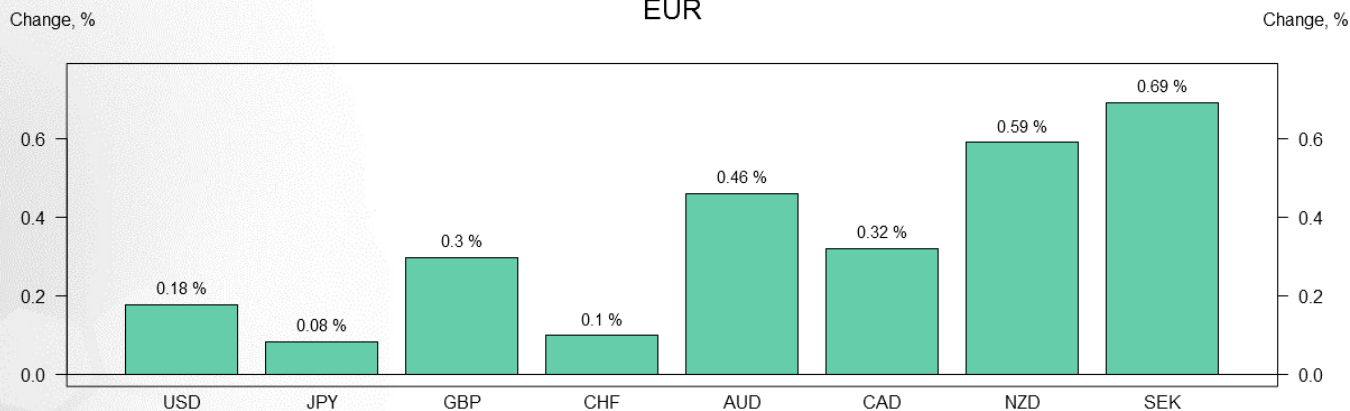


Appreciation of the Euro for the last week amounted to 0.34%, making it the best performing currency since Nov 26. Even though for the most part of the time the Japanese Yen appeared to be in demand and the index of the single European currency remained below the base value, the latest events that were mainly associated with increased confidence of the market in United States' ability to overcome global slowdown encouraged investors to expose themselves to more risk in the face of the Euro. However, such high-beta currencies as CAD, AUD and NZD, did not benefit from the improving sentiment and declined.

Still, regardless of Euro's recent performance, it stands on a shaky ground. The latest shallow bullish tendency was observed only for several days and there appears to be a lack of fundamental reasons for the currency to maintain upward direction, but the optimism did not yet fade completely, as exhibited by behaviour of market participants.

As pointed out by Mario Draghi in his speech on Nov 30 and demonstrated by the data on unemployment, Eurozone continues to find itself far from an unreserved recovery, which will carry on casting doubts on any emerging rally, even in spite of a seemingly positive outcome of a Eurogroup meeting last Monday, which is more of a relief than a significant shift in the issue of the debt crisis.

EUR



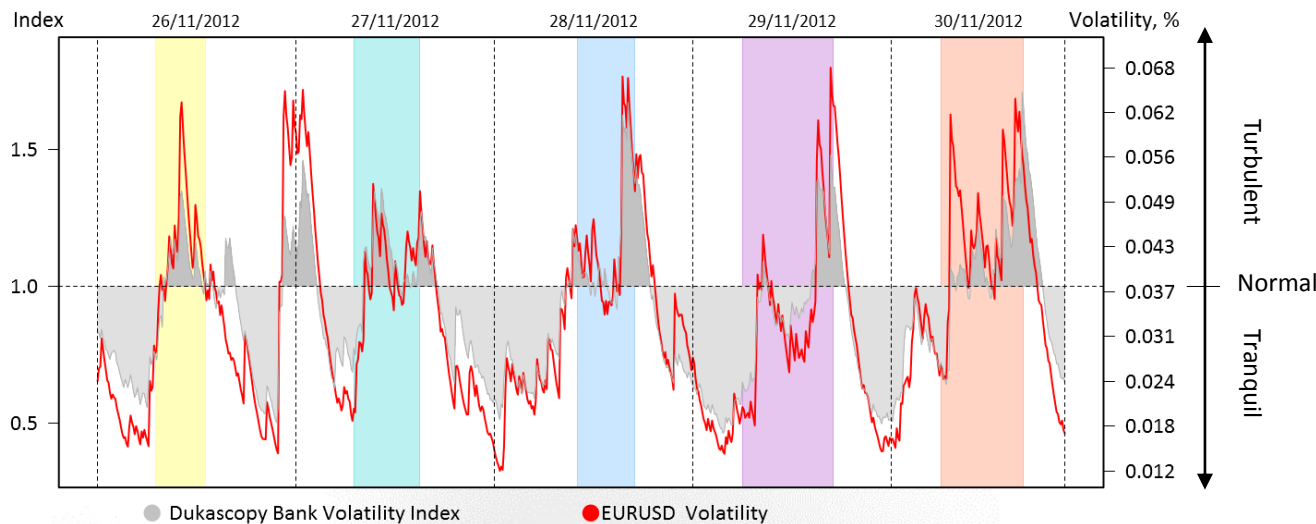
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.34%	0.13%	0.23%	0.01%	0.23%	-0.18%	-0.02%	-0.42%	-0.31%
20	1.21%	-0.13%	-3.19%	-0.20%	1.35%	0.84%	0.06%	0.59%	-0.72%
130	0.53%	-4.56%	-10.67%	0.02%	0.11%	3.74%	0.47%	5.24%	5.00%



# Volatility

Volatility



Judging by fairly low values of Dukascopy Bank Volatility Index, which represents volatility in the foreign exchange market and has hardly exceeded a mark of 1.5, changes in currencies' prices are subdued and turbulence overall is decreased. At the same time cyclicity persists and infrequent flare-ups of activity coincide with European trading hours and the first part of New York trading session in light of absence of any notable events with capacity to alter perception of the current situation. The current week, ending on Dec 7, on the other hand, could be accompanied with more pronounced fluctuations, since more potentially market-moving data releases are scheduled in the nearest future.

In the coming days central banks of Australia, New Zealand, Canada and Eurozone are expected to publish key interest rates. Moreover, the Japanese Yen and Swedish Krona are likely to remain highly sensitive to happenings in the world, as they were during the past week.

GBP/USD proved to be the most volatile currency pair. For 37% of the time from Nov 26 until Nov 30 its variability measure was elevated (>1), whereas the highest value achieved was 3.3, well above 2.5, the maximum of the second most turbulent pair—EUR/GBP. Conversely, EUR/USD and USD/CHF were among the least responsive prices, as their rates of changes were 1.8 and 1.7 times the usual deviations, respectively.

Elevated Volatility (% of the observed period)

Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD	
	36	35	38	37	31	28	32	38	38	37	36	29

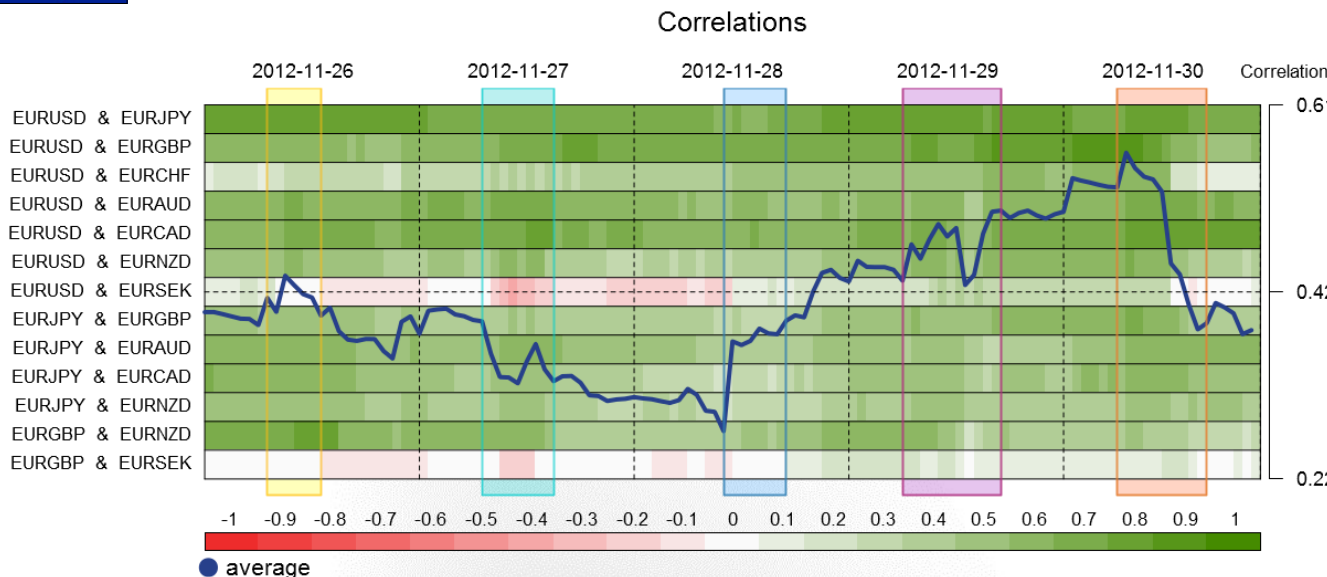
Volatility Index (for the observed period)

	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
<b>Max</b>	1.7	1.8	1.9	3.3	2	2.4	1.7	2	2.5	2.2	2.3	2
<b>Min</b>	0.5	0.3	0.3	0.2	0.4	0.3	0.4	0.3	0.3	0.4	0.2	0.3
<b>Average</b>	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1	0.9	0.8





# Currency Significance

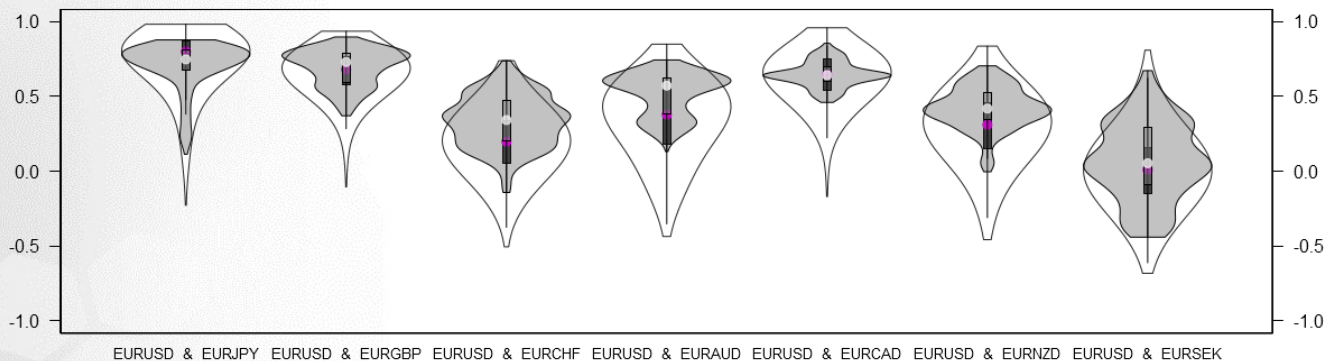


Regardless of the fact that most of correlations between EUR crosses are positive, significance of the currency is low, as interrelations in aggregate are weak. For a brief time interval, Nov 28—Nov 30, the Euro enjoyed increased level of interest in it by market participants, but eventually it all came to naught, being that well-being of the world's largest economy, namely the USA, is of a higher priority to investors. Accordingly, development of such topic as "fiscal cliff" is likely to be of higher importance and thus capture the attention of a wider range of public.

Majority of observed correlations are stable and some, specifically EUR/USD & EUR/JPY and EUR/USD & EUR/GBP, are strong enough to be incorporated into models that seek to exploit frequent co-movement of prices, though those who strive to maximise benefits of diversification are advised to avoid simultaneous exposure to such closely correlated currency pairs.

Alternatively, EUR/USD & EUR/CHF, EUR/USD & EUR/AUD and EUR/USD & EUR/NZD are not as trustworthy as aforementioned linkages and are subjects to distinct changes, making the outcome of their usage, especially in the long-term strategies, notably less reliable and predictable.

Correlations (20 vs 130 days)

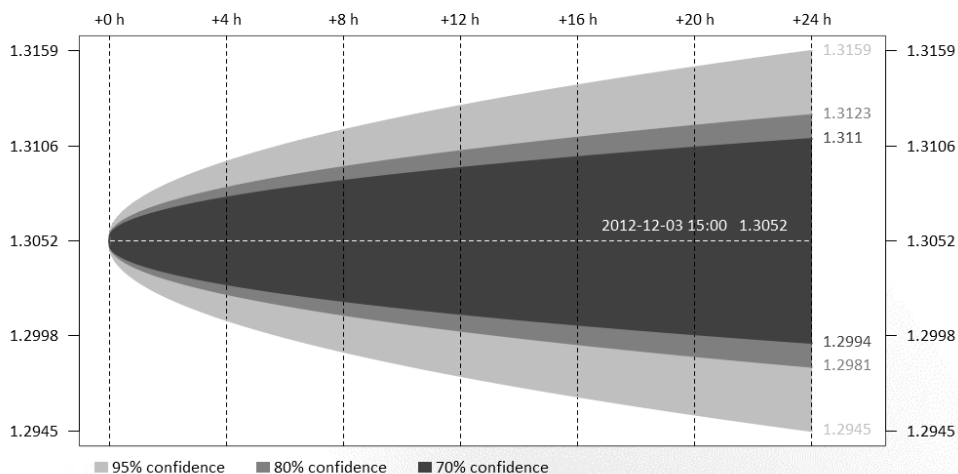


Average Correlation Coefficient (with EURUSD)

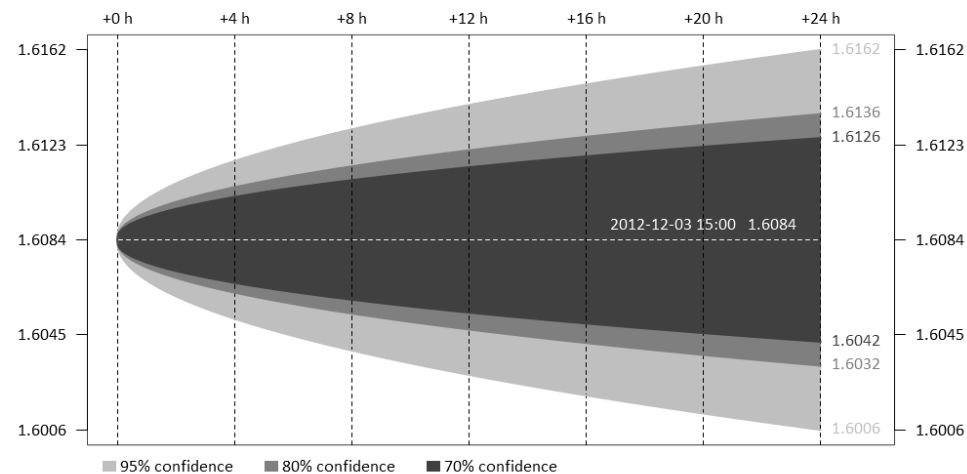
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.75	0.69	0.39	0.61	0.67	0.48	0.07
20	0.7	0.69	0.33	0.51	0.65	0.42	0.07
130	0.77	0.66	0.24	0.4	0.64	0.33	0.1

# Confidence Intervals for Next 24 Hours

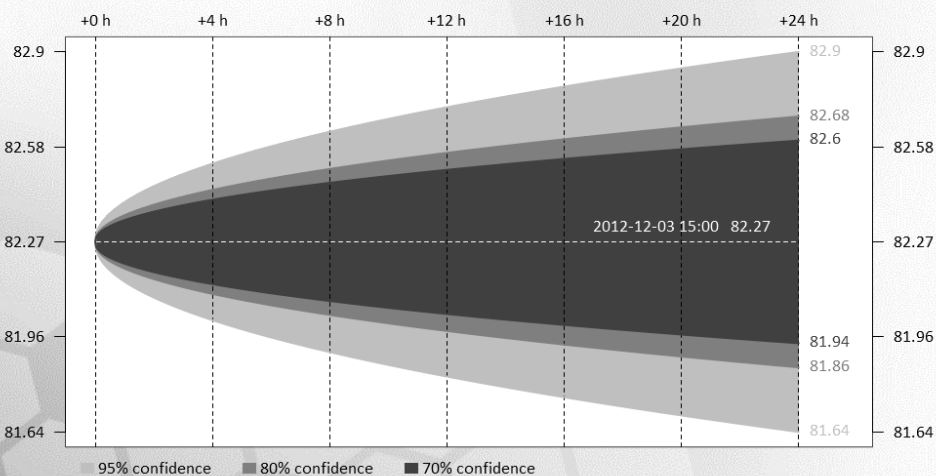
EURUSD Potential Rates



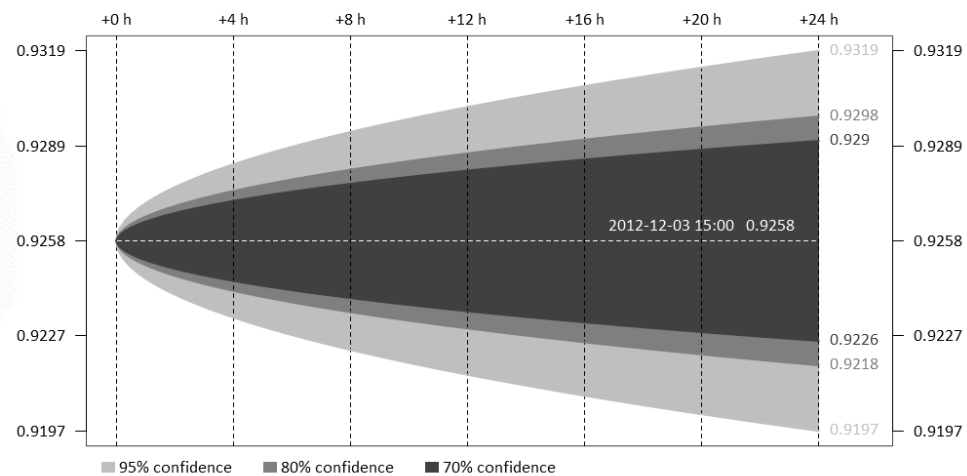
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

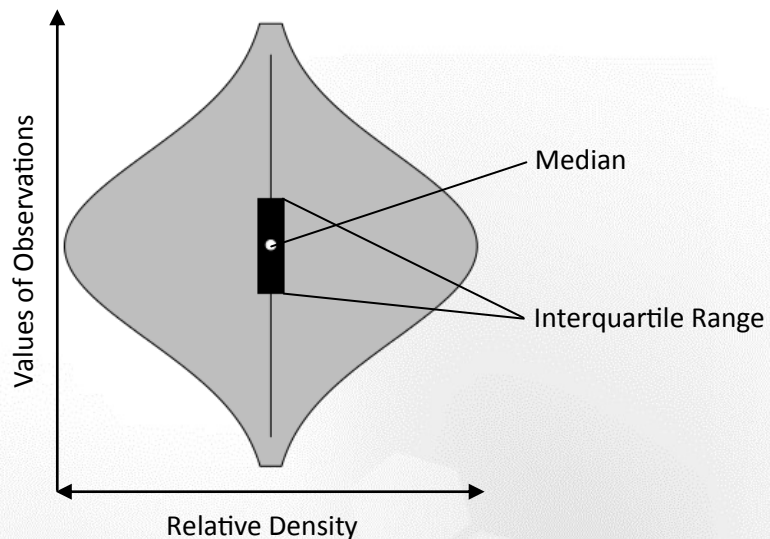
## Violin Plot

Violin Plot is a combination of a Box Plot and rotated Kernel Density Plot

## Methodologies

Volatility Index

Confidence Interval







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