



**USD**

05/12/2012



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the U.S. Dollar

## Yellow Area

November 28

13:00 - 18:00

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

## Turquoise Area

November 29

10:00 - 17:00

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

## Blue Area

November 30

07:00 - 15:00

- German Retail Sales [[link](#)]
- Eurozone CPI Flash Estimate [[link](#)]
- Eurozone Unemployment Rate [[link](#)]
- U.S. Personal Spending [[link](#)]

## Purple Area

December 3

11:00 - 17:00

- Eurogroup Meeting [[link](#)]
- U.S. ISM Manufacturing PMI [[link](#)]

## Orange Area

December 4

05:00 - 14:00

- RBA Cash Rate [[link](#)]
- Spain Unemployment Change [[link](#)]
- BoC Rate Statement [[link](#)]
- ECOFIN Meeting [[link](#)]

USD Currency Index Range

0.32%

0.3%

0.26%

0.15%

0.3%

Average EUR/USD Volatility Index

1.27

1.01

1.23

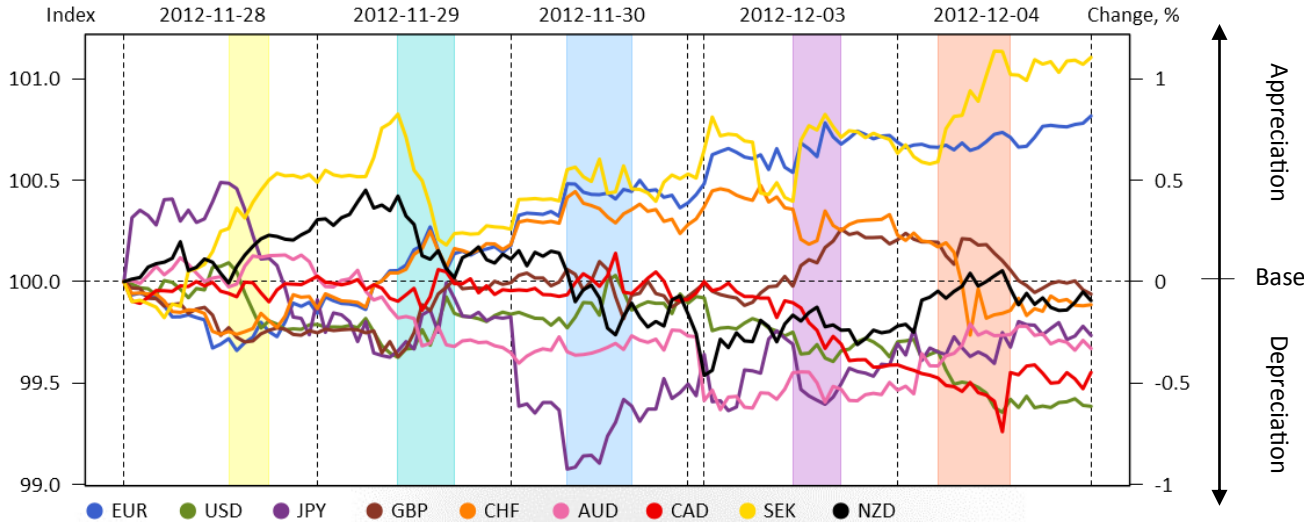
1.11

0.78



# Relative Currency Strength

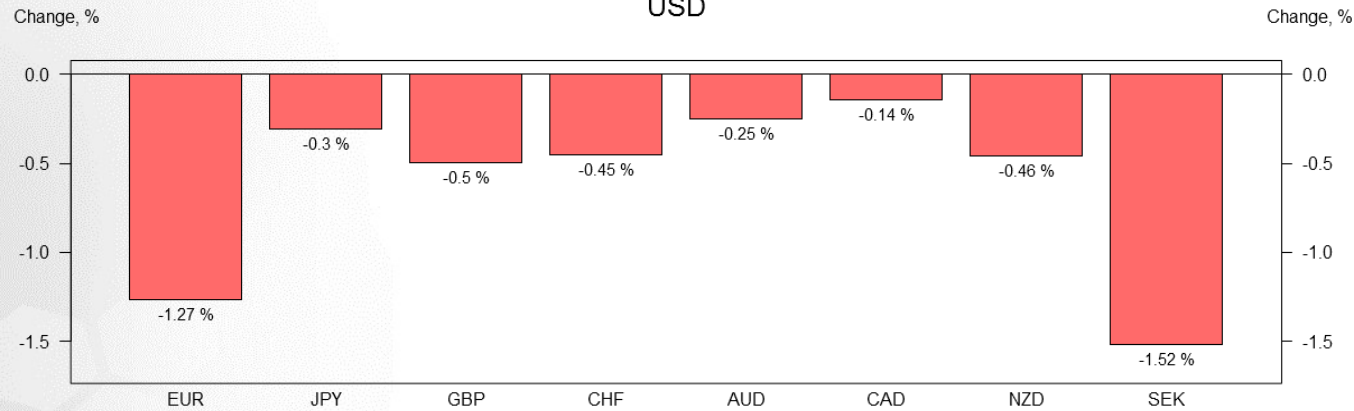
Currency Indices



Apparently market participants did not feel the need to increase their holdings of quality assets, as the average value of one of the main safe haven currencies, U.S. Dollar, has fallen 0.61% during the last five trading days, implying waning demand for it. In spite of a flurry of negative news, especially on economic health of the Eurozone, such as rising unemployment level and decelerating inflation to name a few, investors seem to trust the skills of the bloc's finance ministers to veer the union away from an even deeper recession, boosting the amount of riskier bets.

The yet unresolved issue of a "fiscal cliff" that adds to uncertainty regarding recovery of the world's largest economy also impedes ability of the greenback to gain ground. Since Nov 28 the buck has lost 1.27% against the Euro and 1.52% against the Swedish Krona, while it has softened from 0.12% to 0.5% relatively to the rest of its major peers, making the Dollar the worst-performing currency. Even an increasing pace of GDP's growth failed to cheer up the Dollar, since the positive effect has been negated by contracting manufacturing.

Nevertheless, this tendency is unlikely to be sustainable and may be viewed as a temporary deviation from behaviour implied by macroeconomic data, which in turn should overcome optimism in the long term.



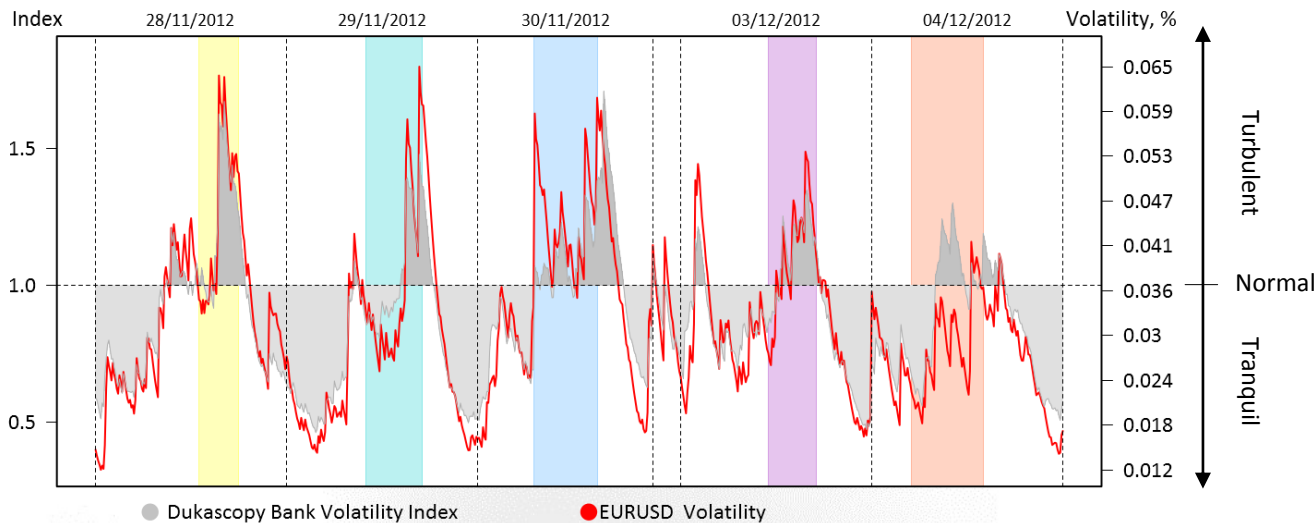
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.82%	-0.61%	-0.26%	-0.06%	-0.11%	-0.33%	-0.45%	1.11%	-0.09%
20	2.17%	-0.61%	-3.12%	0.27%	1.63%	-0.03%	-0.54%	0.96%	-0.86%
130	0.85%	-4.89%	-9.25%	0.25%	-0.34%	3.17%	0.14%	5.09%	4.75%



# Volatility

Volatility



Already decreased volatility observed last week has subsided further this week, being that the market took an expectant position in the absence of certainty. Throughout the studied period Dukascopy Bank Volatility Index, a measure of market turbulence, has maximally reached a mark of 1.7 and remained above a level of 1 for 31% of the time, signifying currently dominating tranquillity in the foreign exchange markets, regardless statements of some major central banks on their key interest rates (BoC and RBA).

The persisting situation, however, has a low chance of being preserved until the weekend, as the second part of the week is abundant with influential events. U.S. employment data, policy rates of the RBNZ, BoE and ECB in aggregate are expected to disrupt the steady flow of prices we were witnessing recently and thus introduce those levels of volatility we are more used to.

Interestingly, EUR/CHF proved to be the most hectic currency pair among its counterparts, exceeding its normal volatility 6.4 times. This has marked divergence of Franc's value from Euro's value, a phenomenon also observable on the previous slide (Currency Indices chart).

Elevated Volatility (% of the observed period)

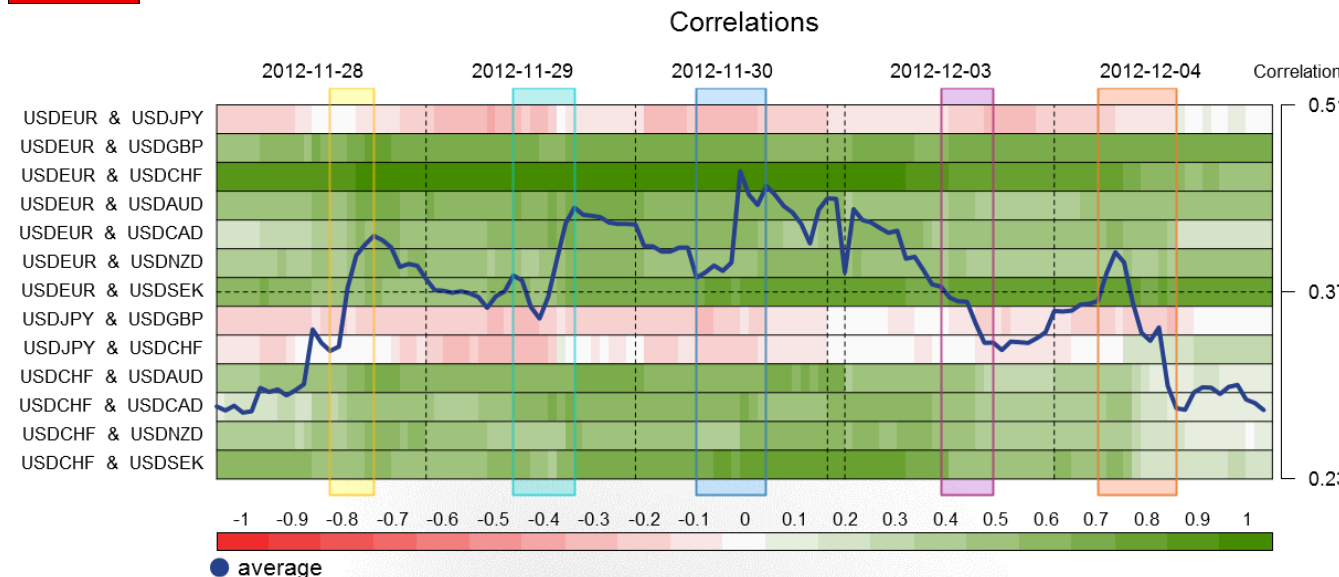
Market	EUR/ USD	USD/ JPY	GBP/ USD	AUD/ USD	USD/ CAD	USD/ CHF	EUR/ JPY	EUR/ GBP	EUR/ CHF	USD/ SEK	NZD/ USD
31	28	27	33	32	32	29	26	26	51	28	29

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	1.7	3.3	2	3	1.7	2	2.5	6.4	1.9	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	0.8	0.9	0.9	1.4	0.8	0.9



# Currency Significance

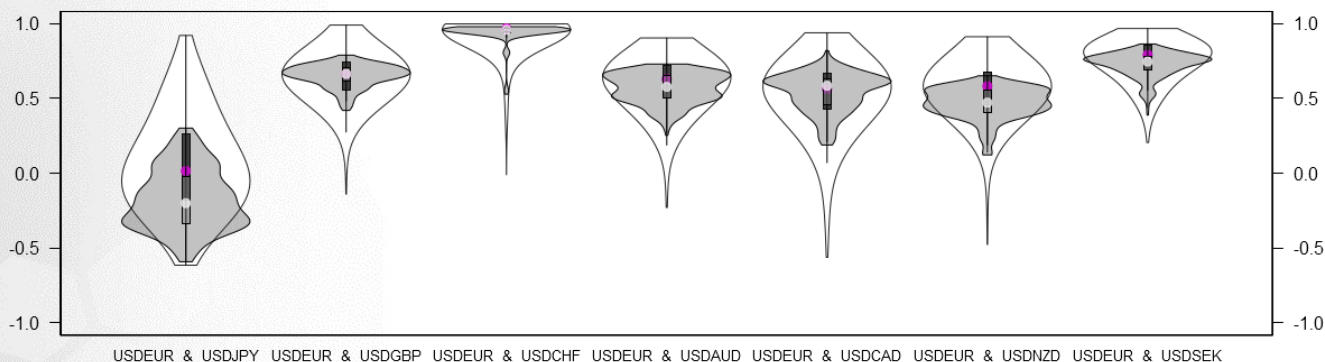


At first in light of updates on U.S. economic activity significance of the Dollar, as demonstrated by rallying average correlation coefficient (blue line), has been increasing, peaking at 0.46. Afterwards, on the other hand, a lack of reasons for investors to follow development in the United States weighed on its capacity to impact most of relevant exchange rates. Still, as the deadline for tax reforms and “fiscal cliff” approaches, influence of the currency on its crosses should become more distinct, given that Eurozone finance ministers manage to settle current difficulties largely pertaining to Greece.

Previously we have observed gradual weakening in correlations between USD crosses with each new week. Analysis of the most recent period shows that this is already not the case, as interrelations exhibit relative stability and remain more or less at the same level, since the difference between means of 50-hour rolling correlations for the last five and 130 days is minimal.

The only notable change was spotted in co-movement of USD/EUR and USD/JPY, which, according to the latest data, drifted deeper into the negative zone. Consequently, these two currency pairs tend to move in opposite directions in nearly 20% of cases.

Correlations (20 vs 130 days)

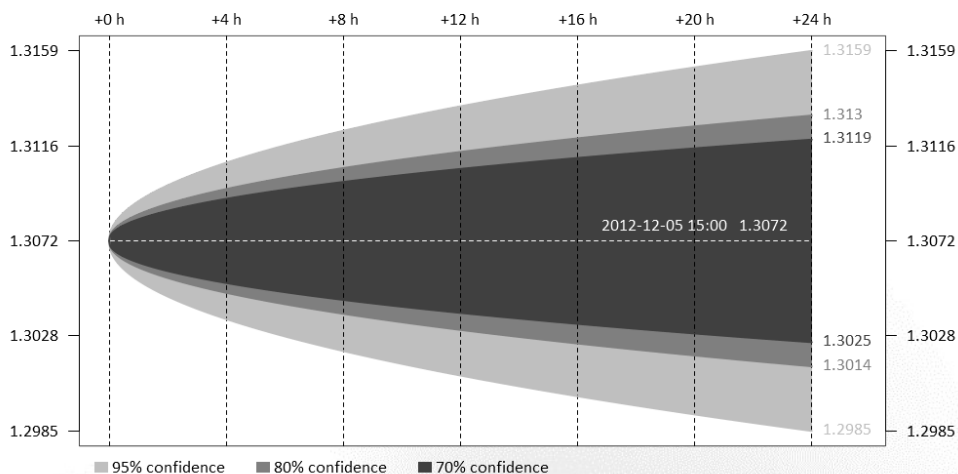


Mean Correlation Coefficient (with USDEUR)

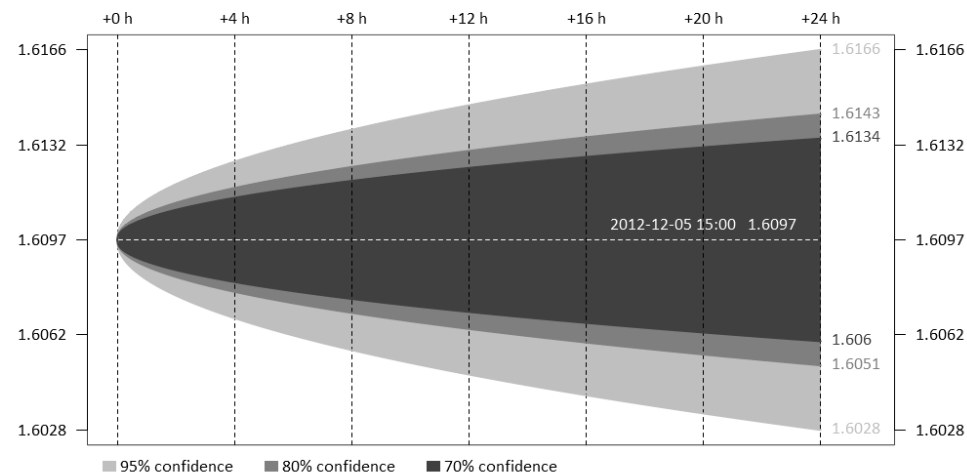
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	-0.17	0.68	0.86	0.55	0.51	0.49	0.73
20	-0.18	0.65	0.94	0.57	0.54	0.47	0.73
130	-0.06	0.64	0.94	0.6	0.52	0.54	0.69

# Confidence Intervals for Next 24 Hours

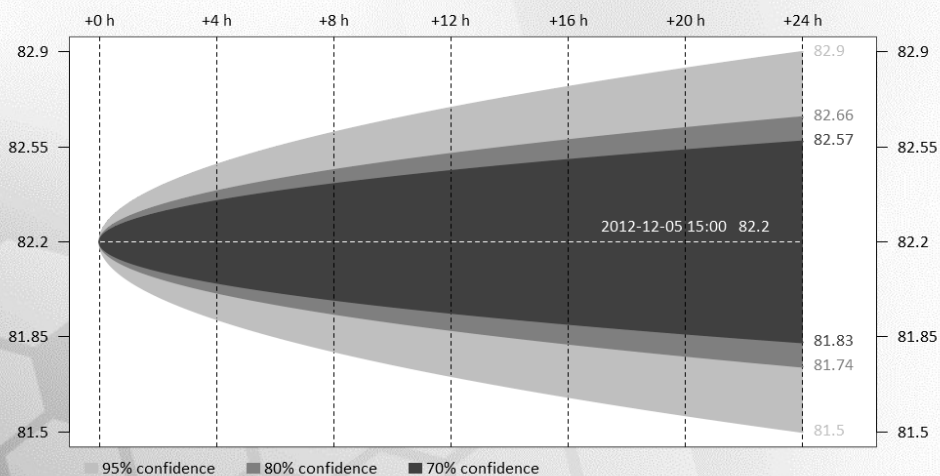
EURUSD Potential Rates



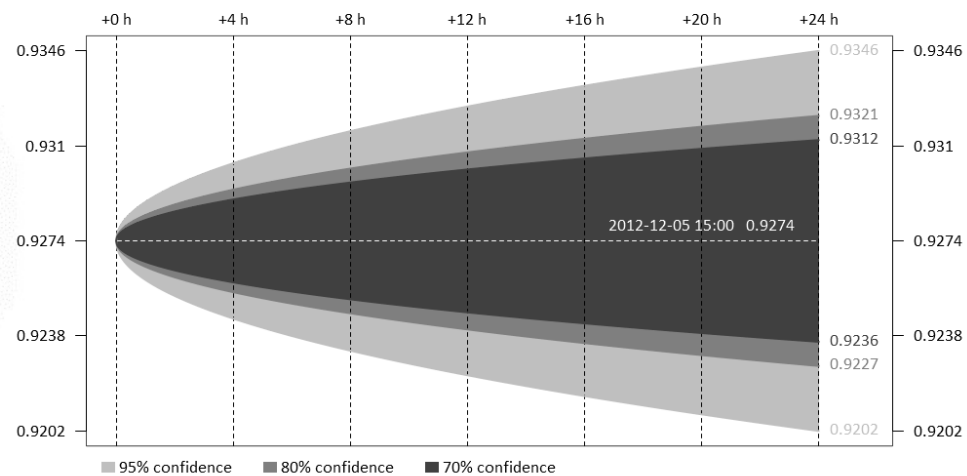
GBPUSD Potential Rates



USDJPY Potential Rates



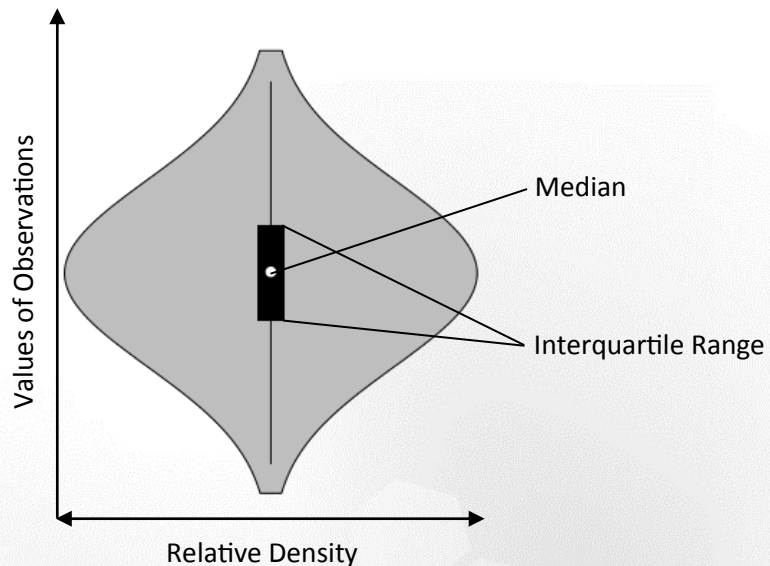
USDCHF Potential Rates



# 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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