



CHF

07/12/2012



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Swiss Franc

Yellow Area

November 30

06:00 - 14:00

- Swiss KOF Economic Barometer [\[link\]](#)
- Eurozone Unemployment Rate [\[link\]](#)
- U.S. Personal Spending [\[link\]](#)
- Canadian GDP [\[link\]](#)

Turquoise Area

December 3

11:00 - 17:00

- Eurogroup Meeting [\[link\]](#)
- Swiss Retail Sales [\[link\]](#)
- Eurozone Manufacturing PMI [\[link\]](#)
- U.S. ISM Manufacturing PMI [\[link\]](#)

Blue Area

December 4

05:00 - 11:00

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

Purple Area

December 5

07:00 - 16:00

- Eurozone Retail Sales [\[link\]](#)
- U.S. ADP Non-Farm Employment Change [\[link\]](#)
- U.S. ISM Non-Manufacturing PMI [\[link\]](#)

Orange Area

December 6

07:00 - 17:00

- Swiss Unemployment Rate [\[link\]](#)
- Swiss CPI [\[link\]](#)
- ECB Press Conference [\[link\]](#)
- U.S. Unemployment Claims [\[link\]](#)

CHF Currency Index Range

0.16%	0.17%	0.46%	0.28%	0.61%
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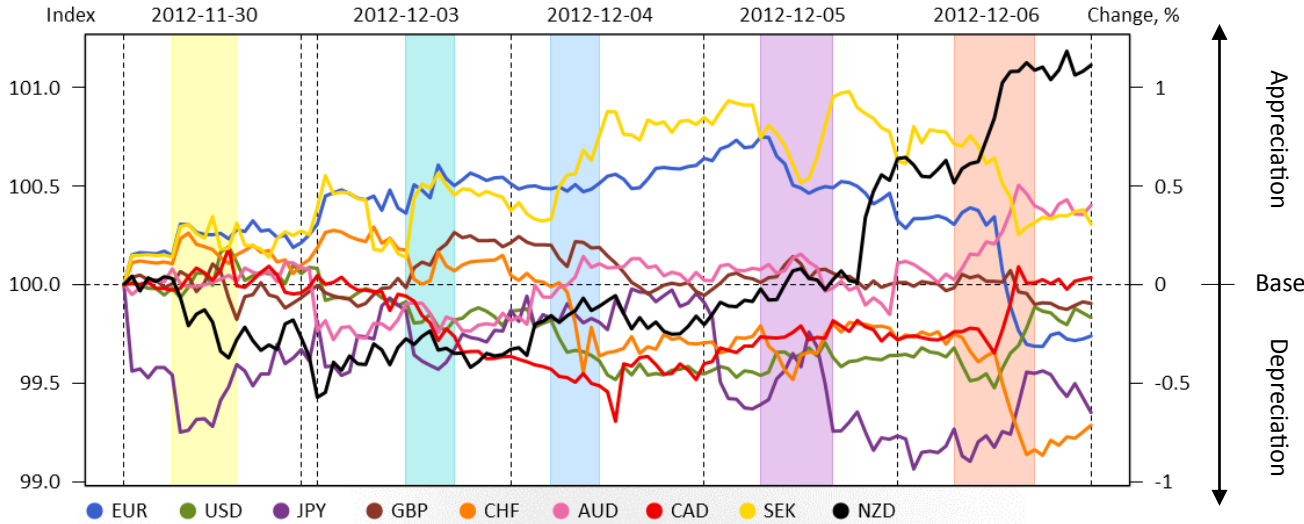
Average USD/CHF Volatility Index

1.2	1.04	0.97	1.17	1.3
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Relative Currency Strength

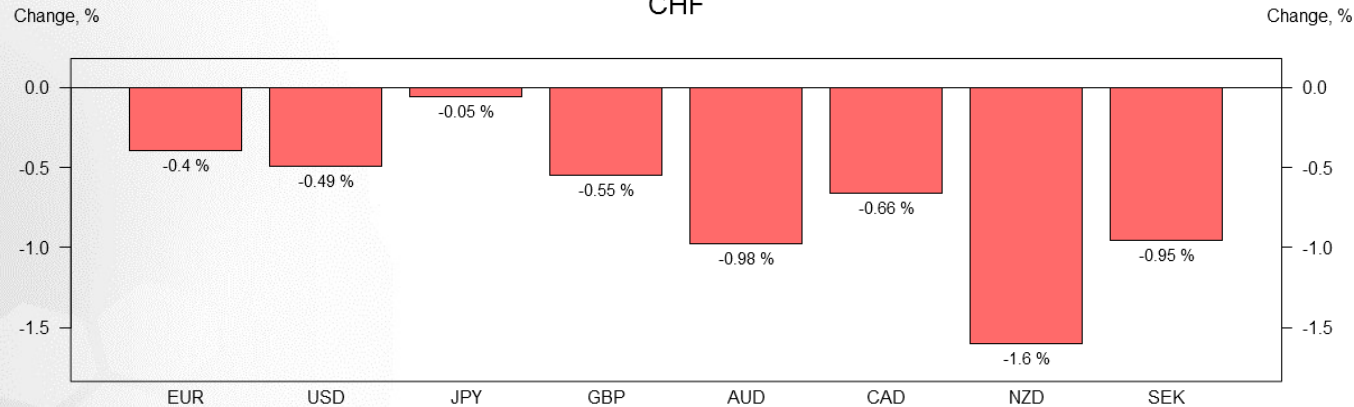
Currency Indices



A rare since September 2011 phenomenon that relates to interaction between the Swiss Franc and Euro was observed during the last five trading days. For a brief moment values of these two currencies became less interdependent, as EUR/CHF retreated from a cap of 1.20 and peaked at 1.2169 on Dec 5 amid largely groundless but still ubiquitous in the market rally of the single currency. Eventually, hopefulness with respect to the Eurozone was impaired, as demonstrated by poor performance of the EUR in the second part of the week, resulting in a 0.26% depreciation on average relatively to its major peers, spillover effect of which impacted the Franc as well.

Until Dec 6 the Euro seemed to be quite resilient to negative news and remained buoyant despite increasing unemployment rate and falling volume of retail sales in the bloc. Accordingly, CHF too was stable, but took a hit together with the Euro on Thursday once the ECB president reiterated his dovish outlook. As a consequence, the swissie lost 0.61% of its worth just within a few hours after the press conference, while for the whole week debasement amounted to 0.71%.

The main contributor to Franc's softness proved to be the New Zealand Dollar, as the Reserve Bank refused to ease monetary policy and cut the policy rate, forcing NZD-short investors to adjust their positions across the board, thus lifting NZD/CHF up by 1.6% since Nov 30.



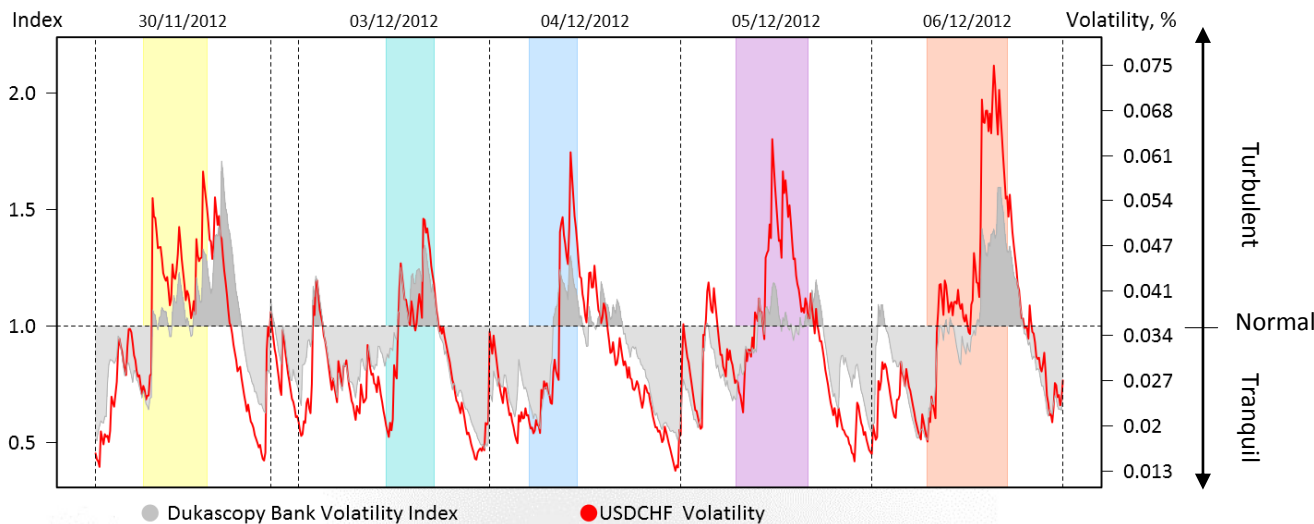
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.26%	-0.17%	-0.65%	-0.10%	-0.71%	0.40%	0.03%	0.31%	1.11%
20	1.40%	-0.55%	-4.86%	-0.08%	1.11%	0.33%	0.49%	0.11%	1.81%
130	-0.26%	-3.80%	-7.72%	-0.13%	-0.99%	2.67%	0.29%	4.42%	5.31%



Volatility

Volatility



Regardless of the recent decisions on key interest rates by the central banks announced just recently, let alone some of the usual weekly economic updates, volatility stayed low. Dukascopy Bank Volatility Index was 1.7 or lower with 68% of observations beneath a level of historical turbulence—1. The only events that exhibited notable influence on the markets were speeches of Mario Draghi, made on Nov 30 and Dec 6, both of which elevated volatility compared to the beginnings of the respective weeks. Turbulence in the next five days will mainly depend on and is expected to appear around the FOMC statement on Dec 12 and the U.S. economic data published on Dec 13, including retail sales and unemployment claims.

While most of currency pairs observed were reluctant to increase their pace of change, EUR/CHF, as mentioned above, demonstrated untypical behaviour by drifting away from the floor, leading to high values of volatility index for the currency pair. The maximum difference between EUR/CHF open and close prices for the studied period was 6.4 times larger than the usual distance covered by the price in 10 minutes. Moreover, most of the time the pair was turbulent, as 74% of observations fell above a mark of 1.

GBP/USD was the second most variable pair from Nov 11 to Dec 6, as the maximum value of its volatility measure was 3.3, while 34% of values exceeded 1.

Elevated Volatility (% of the observed period)

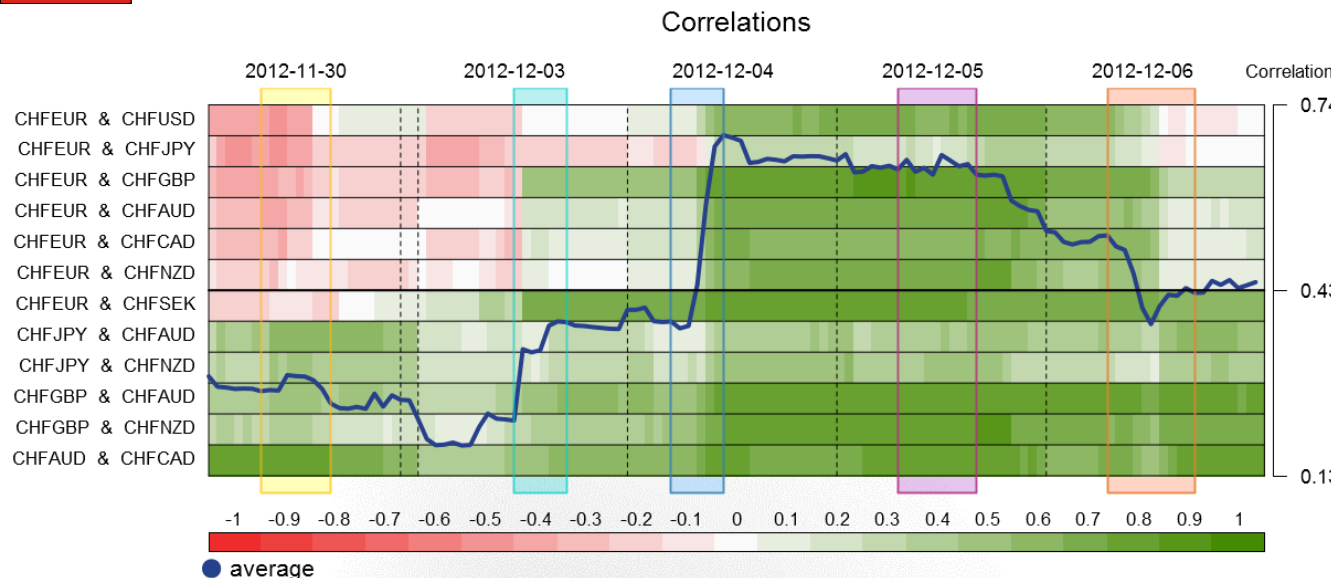
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD	
	32	28	23	34	34	29	35	22	30	74	27	31

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
Max	1.7	2.3	2.1	3.3	3.1	3	2.1	1.6	2.5	6.4	1.9	2.8
Min	0.5	0.4	0.3	0.2	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.4
Average	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.9	1.7	0.8	0.9



Currency Significance

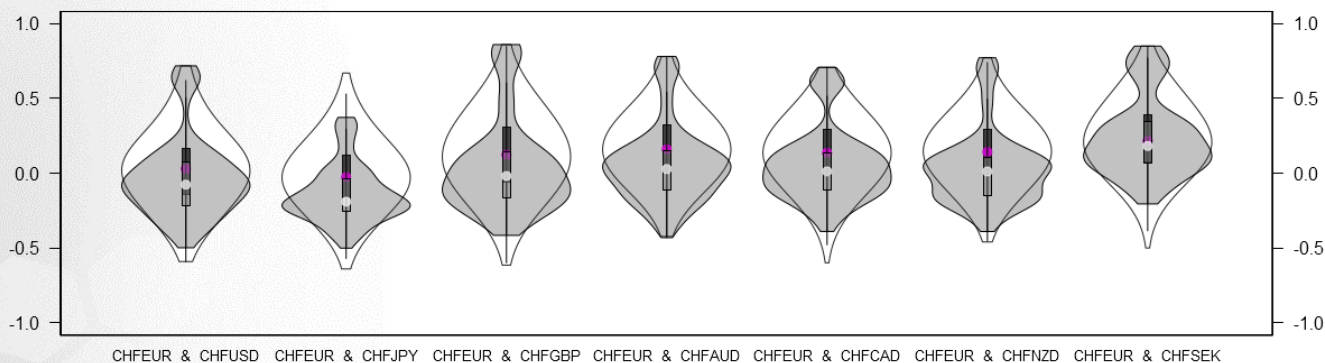


Interestingly, the Swiss Franc appeared to be more significant in the FX market during days when no news directly relating to Switzerland (Dec 4-5) were published. The other three days the average correlation coefficient among CHF crosses was decreased, below 0.5, even though Nov 30, Dec 3 and Dec 6 were marked with releases of Swiss retail sales, economic barometer and unemployment rate, events which would be generally believed to increase influence of the currency on exchange rates. In this case significance was determined by the distance of EUR/CHF from the 1.20 level. The further away the price was from it, the larger the impact of CHF had on its crosses.

Distributions of 50-hour rolling correlations that are constituents of the average correlation coefficient for the last five days were bimodal, having two considerably different local maxima attributable to two previously distinguished periods of different behavioural patterns exhibited by crosses.

This means that the real importance of the Swiss Franc is greatly underestimated by the average correlation at the moment. But for now, until the cap is lifted, CHF will be mostly driven by changes in demand and supply of the EUR, since a country that introduces any types of a peg to a currency of another state adopts to varying but high degree monetary policy of that state.

Correlations (20 vs 130 days)

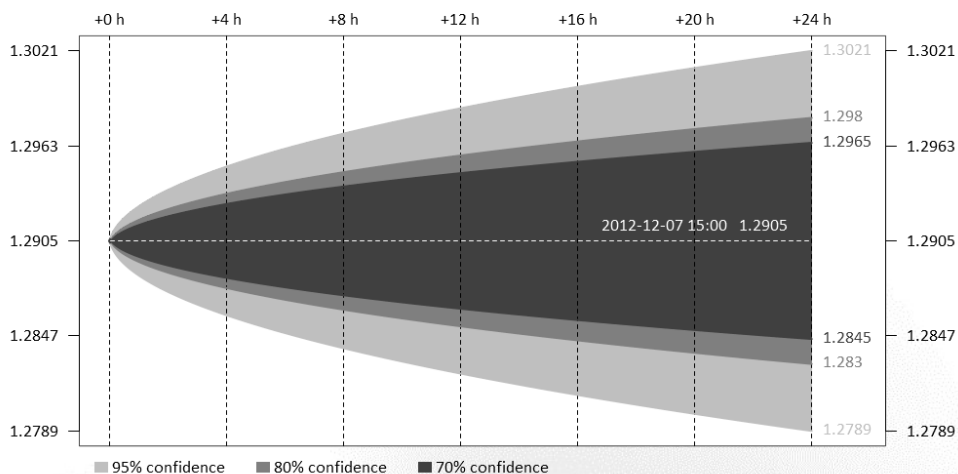


Mean Correlation Coefficient (with CHFUSD)

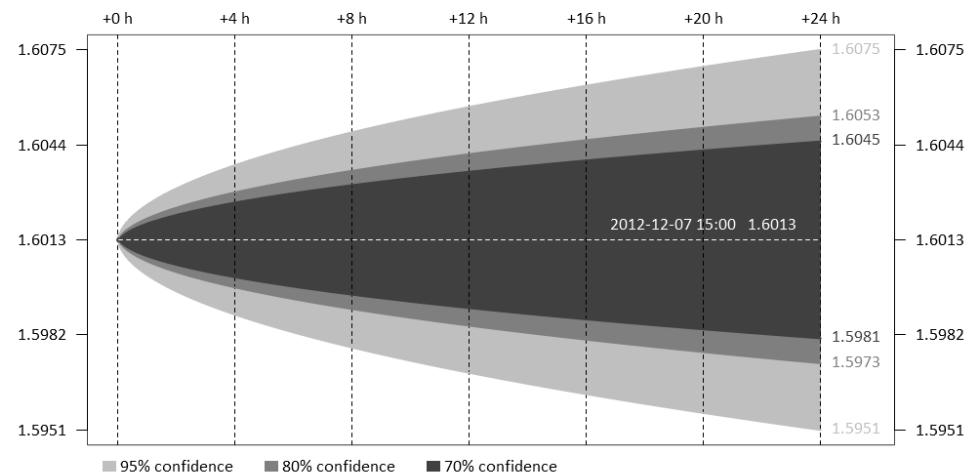
Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.3	0.06	0.52	0.4	0.35	0.34	0.65
20	-0.03	-0.14	0.05	0.06	0.05	0.04	0.24
130	-0.02	-0.06	0.07	0.11	0.07	0.1	0.16

Confidence Intervals for Next 24 Hours

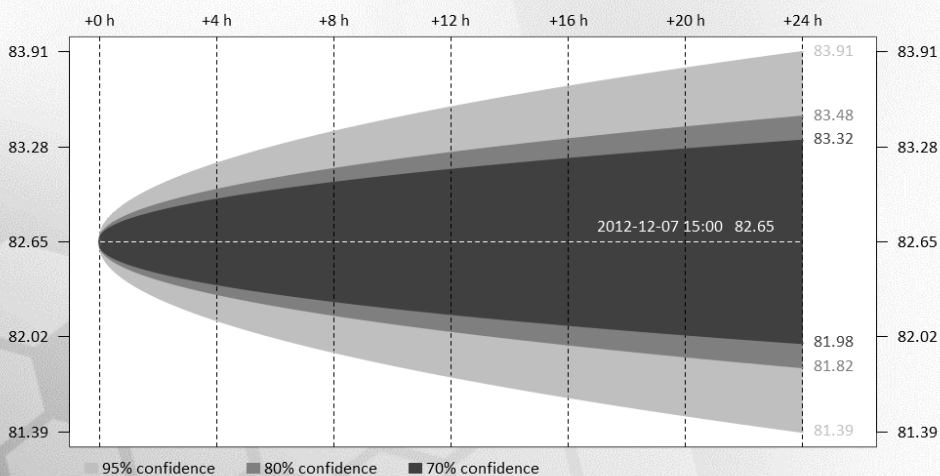
EURUSD Potential Rates



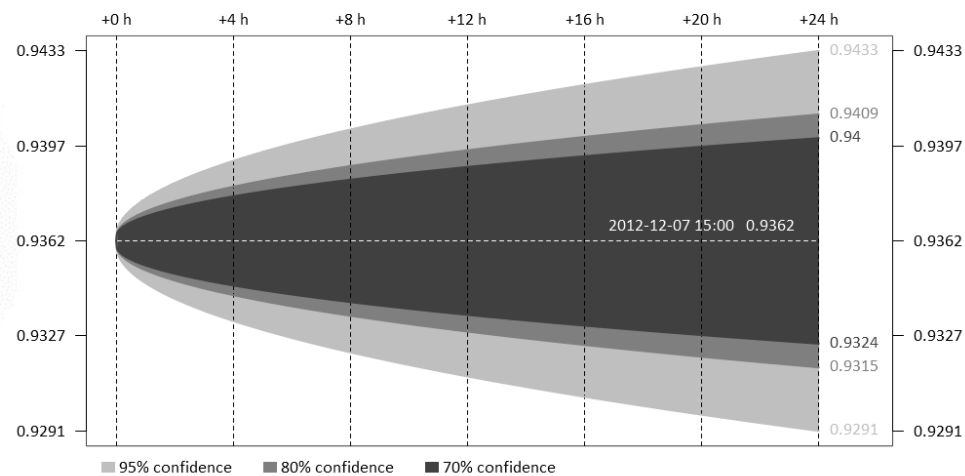
GBPUSD Potential Rates



USDJPY Potential Rates



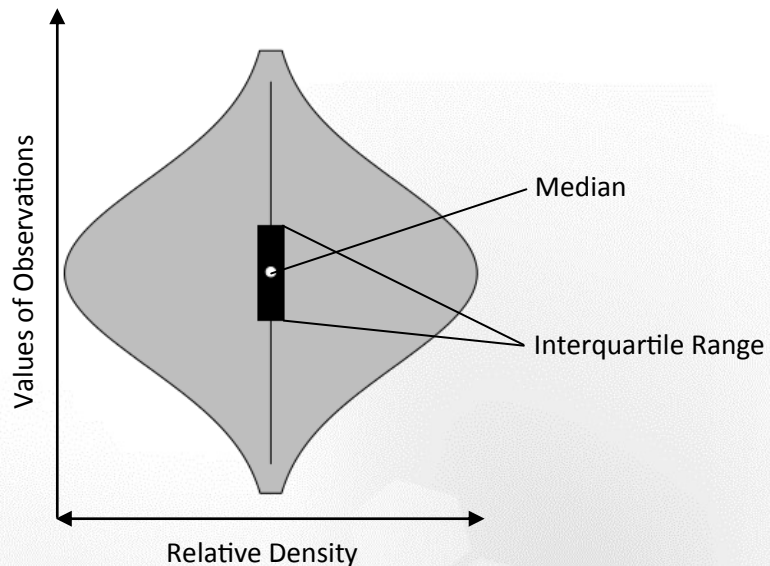
USDCHF Potential Rates



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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