



CHF

28/12/2012



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Swiss Franc

Yellow Area

December 21

06:00 - 18:00

- Looming "fiscal cliff" [[link](#)]
- German Consumer Climate [[link](#)]
- U.K. GDP [[link](#)]
- U.S. Durable Goods Orders [[link](#)]

Turquoise Area

December 24

07:00 - 16:00

- Pressure on the BoJ [[link](#)]
- New Proposal on "Fiscal Cliff" [[link](#)]

Blue Area

December 26

05:00 - 17:00

- U.S. Manufacturing Index [[link](#)]
- New Japan Prime Minister [[link](#)]

Purple Area

December 27

05:00 - 20:00

- Swiss Consumption Indicator [[link](#)]
- U.S. Unemployment Claims [[link](#)]
- U.S. CB Consumer Confidence [[link](#)]
- Japanese National Core CPI [[link](#)]

CHF Currency Index Range

0.17%

0.2%

0.51%

0.31%

Average USD/CHF
Volatility Index

1.16

0.78

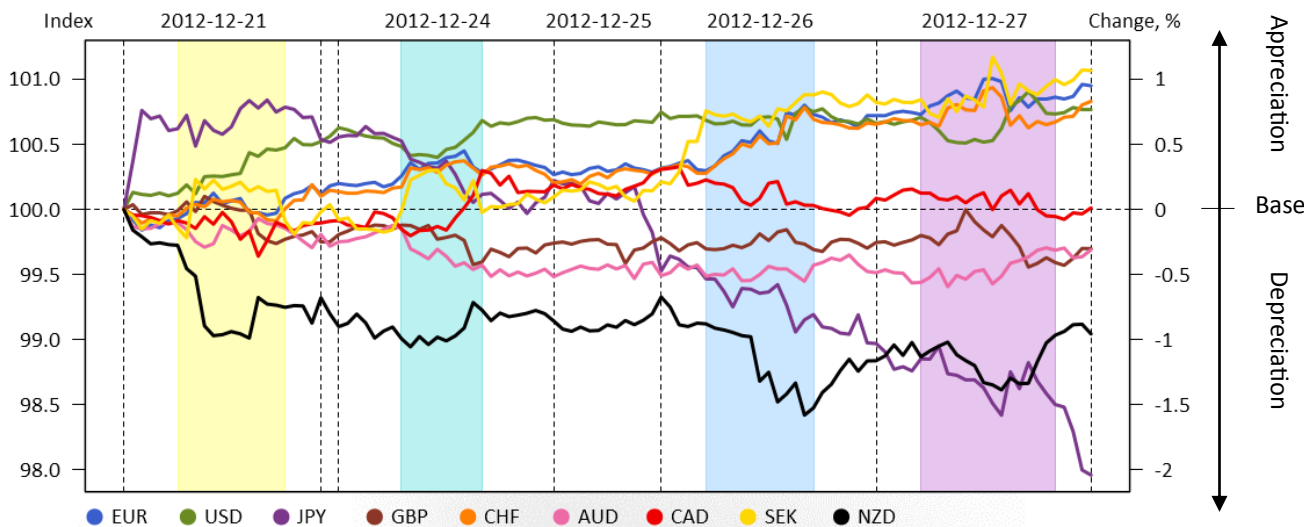
0.98

1.36



Relative Currency Strength

Currency Indices



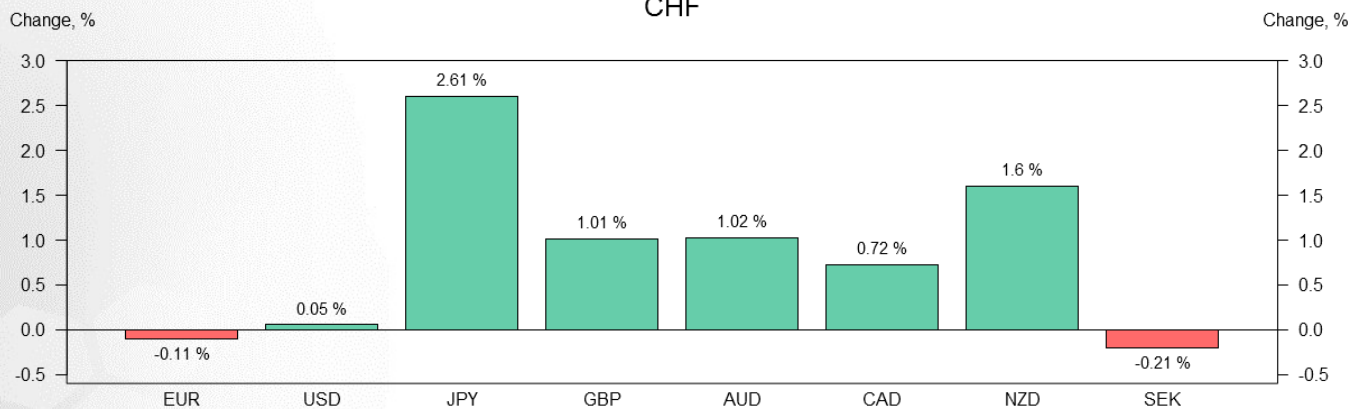
Being that, despite EUR/CHF currently hovering some distance above the floor of 1.20, the correlation coefficient between the average values of EUR and CHF is next to 1, the talk in this issue will mainly revolve around the single European currency.

Behaviour of the currency indices over the last five trading days refutes binary understanding of market sentiment, since a common belief of safe havens outperforming high-beta currencies amid risk aversion and vice versa amid risk taking mood of investors did not hold. In particular the fact that both the Euro and U.S. Dollar appreciated gave rise to such a conclusion.

However, the denial is not complete, as such a phenomenon is only observed during a short period of time and it may be only a temporary deviation from the normality, a case when the values of these two currencies move in the opposite directions.

Such a strong change introduced into the context of the market is more likely to be explained by events, against the background of which two assets with much different risk profiles and with historically contrarian reactions to new information gained 0.95% and 0.77%, respectively. This is how a combined effect of the "fiscal cliff" on the one side and of a new government in Japan on the other impacted the foreign exchange, while the world approached a new year.

CHF



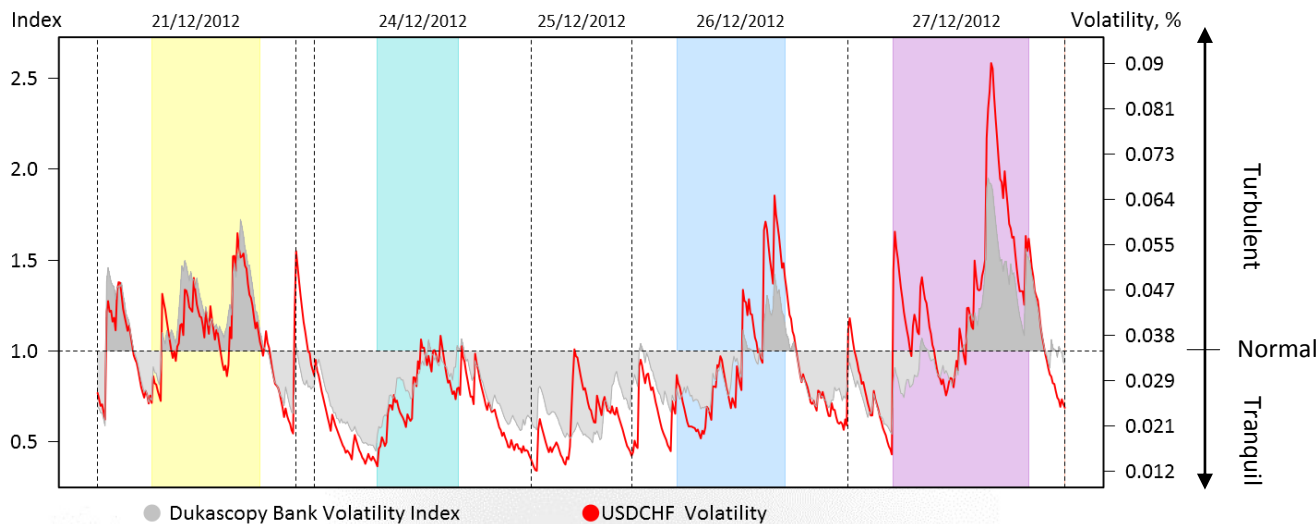
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.95%	0.77%	-2.04%	-0.30%	0.83%	-0.31%	0.01%	1.07%	-0.96%
20	2.20%	0.00%	-6.37%	0.55%	1.79%	-0.69%	-0.17%	2.48%	-0.37%
130	3.97%	-3.23%	-12.97%	0.91%	3.26%	0.19%	0.40%	6.44%	0.99%



Volatility

Volatility



The market was surprisingly active right after a pause in trading in the middle of the week. On Wednesday DBVI was maximally 1.4, while the next day is soared up to 2, as a prolonged dearth of updates on fundamental data was interrupted by releases on unemployment claims and consumer confidence in the U.S. and by a handful of economic data in Japan, including inflation, retail sales and unemployment rate, published later that day. USD/CHF, as could be derived from the volatility chart, was calmer than the market at times of low turbulence and more sensitive than the market at time of increased volatility. Accordingly, the lowest value of USD/CHF volatility index was 0.3 (0.5 for DBVI) and the highest was 2.6 (2 for DBVI).

Volatility next week is expected to be very much similar to turbulence demonstrated up to Jan 4. Monday and Tuesday will also be marked with bank holidays, while the remaining three days will bring important news, mainly on the state of the U.S. economy, the most notable being FOMC meeting minutes, unemployment rate and non-farm employment change. The readings should continue to be rather encouraging, as a substantial stimulus provided by the Federal Reserve is to manifest itself through the monetary transmission mechanism and have ubiquitously beneficial effects, even though effectiveness of the quantitative easing programme is being widely argued.

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	32	29	46	45	42	34	24	33	18	26	49

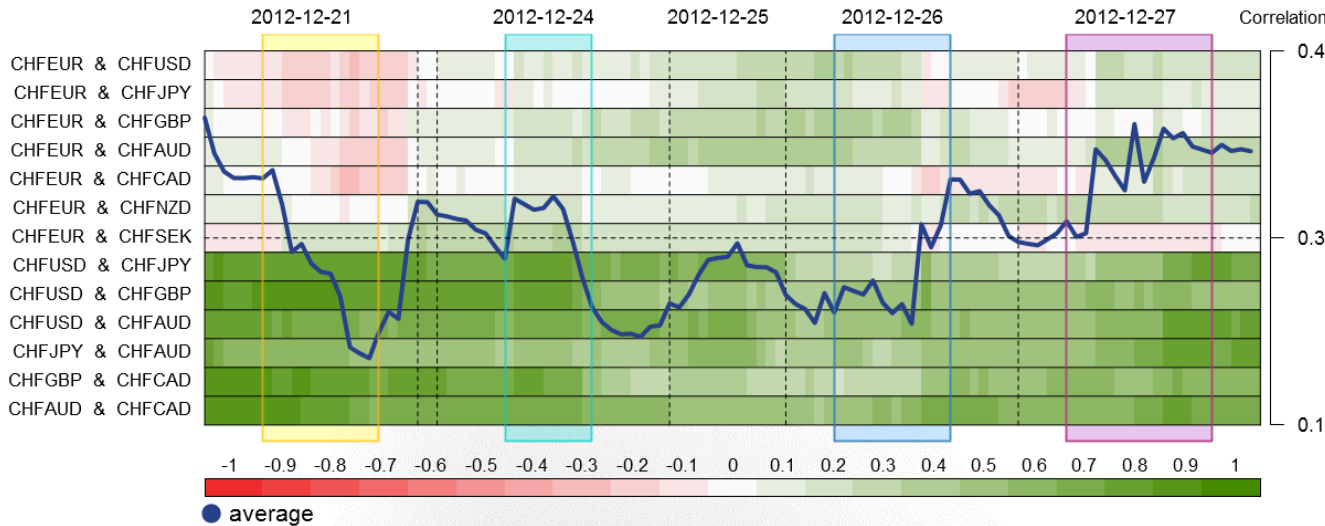
Volatility Index (for the observed period)

	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD	
Max		2	2.3	2	2.5	2.2	2.3	2.6	2.2	2	2.2	2.2	3
Min		0.5	0.3	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.2	0.3	0.3
Average		0.9	0.9	0.9	1.1	1	1	0.9	0.8	0.9	0.8	0.9	1.1



Currency Significance

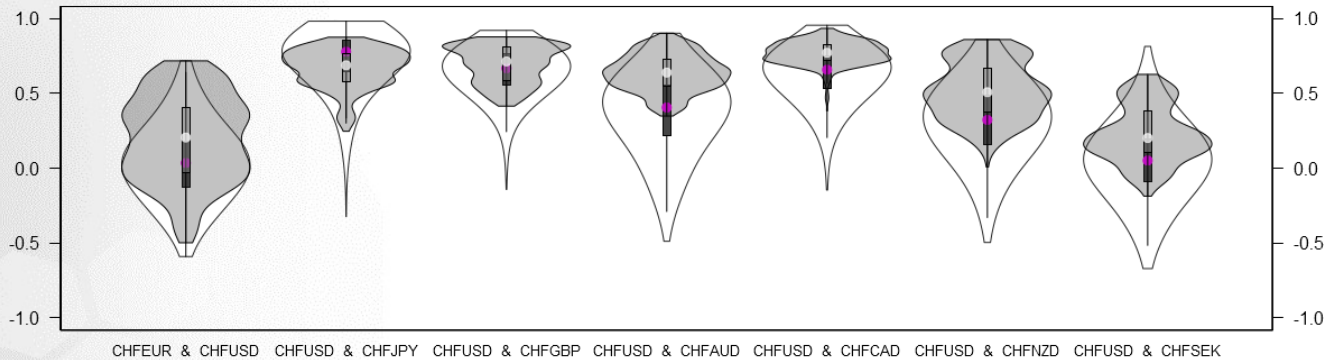
Correlations



As it would be expected, correlation of CHF/EUR with most of the other CHF crosses remains around 0, as the currency pair is largely unchanged and thereby exhibits no interdependence with its peers. Still, the average correlation coefficient, which imitates significance of a specific currency, fluctuates around a value of 0.3 and occasionally rallies up to 0.42, though the Swiss Franc owes its importance in the foreign exchange market to the common currency and it is currently difficult to estimate the real influence of the Franc if the cap is removed.

One of the most noticeable trends observed over the studied period is that many correlations, except for CHF/USD and CHF/JPY, are strengthening, since the measures of central tendency of samples, mean, mode and median, are generally becoming higher, when we compare distribution for the last 130 days with a more recent period—the last 20 days (as seen on a Violin Plot). In more precise terms, during the last month CHF/USD and CHF/JPY co-moved in 66% of cases instead of 74% (last six months), whereas the strongest and the least susceptible to changes interdependence is between CHF/USD and CHF/CAD, being that the Canadian economy is heavily reliant on business activity of its southern counterpart.

Correlations (20 vs 130 days)

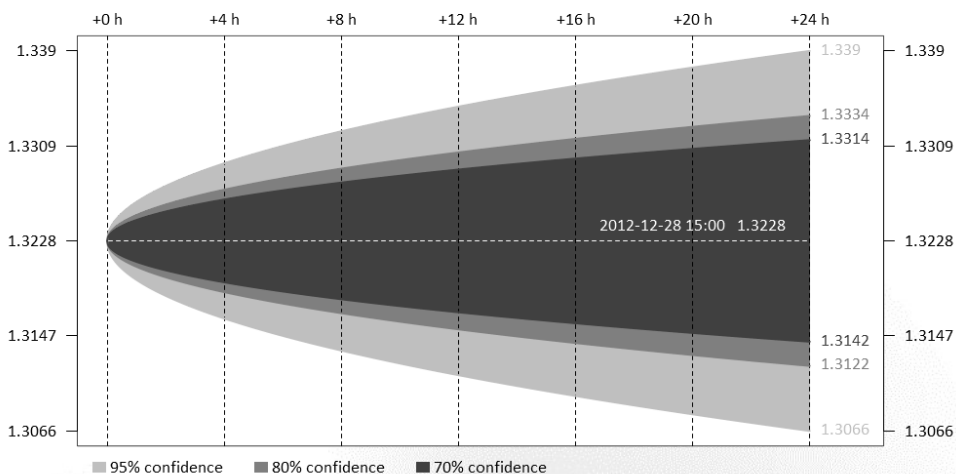


Mean Correlation Coefficient (with CHFUSD)

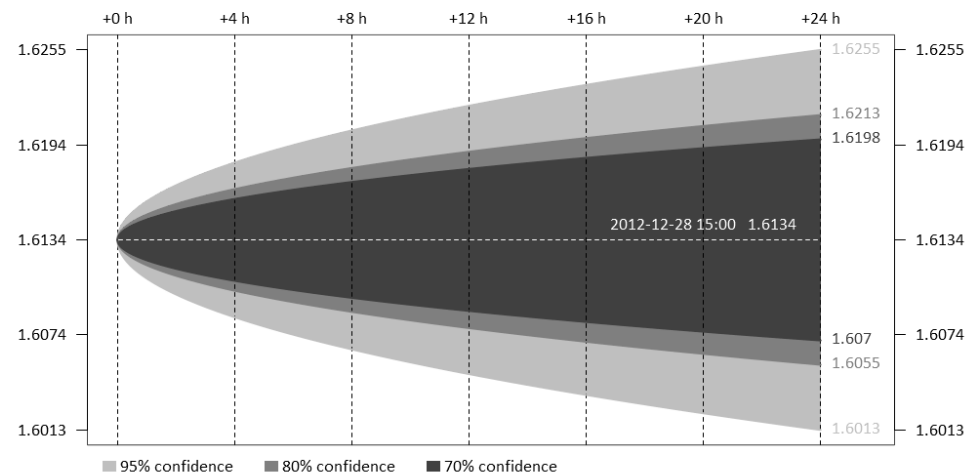
Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.17	0.55	0.55	0.61	0.74	0.47	0.22
20	0.2	0.66	0.7	0.64	0.77	0.51	0.23
130	0.01	0.74	0.65	0.44	0.65	0.36	0.14

Confidence Intervals for Next 24 Hours

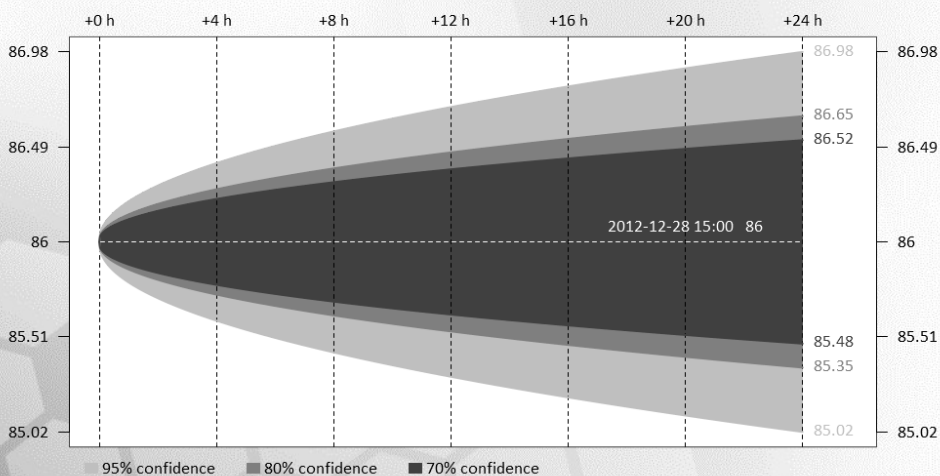
EURUSD Potential Rates



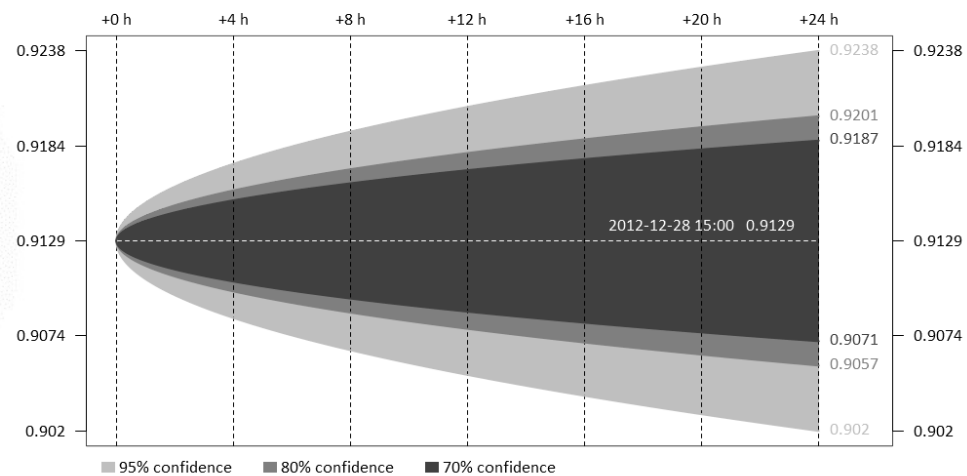
GBPUSD Potential Rates



USDJPY Potential Rates



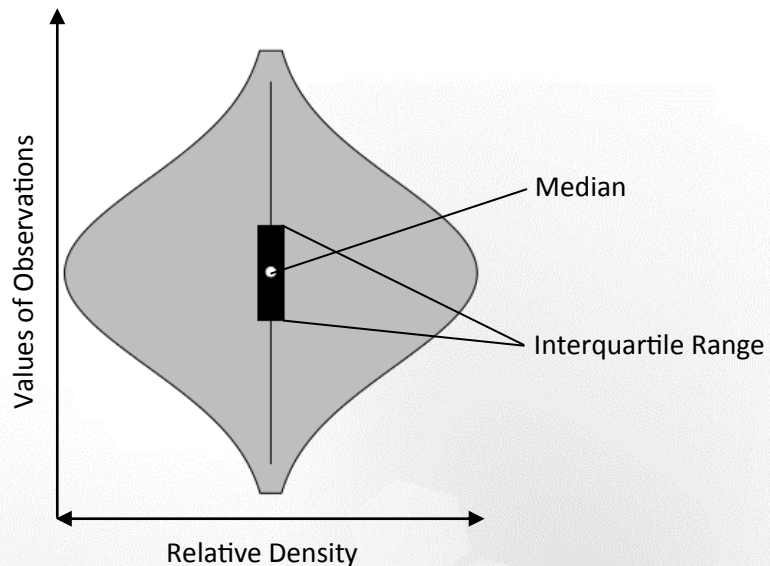
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.