



**EUR**

07/01/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the Euro

## Yellow Area

December 31

12:00 - 19:00

- *Deadline for the "Fiscal Cliff" Deal* [\[link\]](#)
- *Chinese Manufacturing PMI* [\[link\]](#)

## Turquoise Area

January 2

00:00 - 18:00

- *U.S. Policymakers Reach a Consensus* [\[link\]](#)
- *Eurozone Manufacturing PMI* [\[link\]](#)
- *U.S. ISM Manufacturing PMI* [\[link\]](#)

## Blue Area

January 3

09:00 - 20:00

- *German Unemployment Change* [\[link\]](#)
- *U.S. ADP Non-Farm Employment Change* [\[link\]](#)
- *U.S. Unemployment Claims* [\[link\]](#)
- *FOCM Meeting Minutes* [\[link\]](#)

## Purple Area

January 4

06:00 - 17:00

- *Eurozone Services PMI* [\[link\]](#)
- *Eurozone CPI* [\[link\]](#)
- *U.S. Non-Farm Employment Change* [\[link\]](#)
- *U.S. ISM Non-Manufacturing PMI* [\[link\]](#)

EUR Currency Index Range

0.3%

0.52%

0.31%

0.14%

Average EUR/USD  
Volatility Index

1.77

1.4

1.45

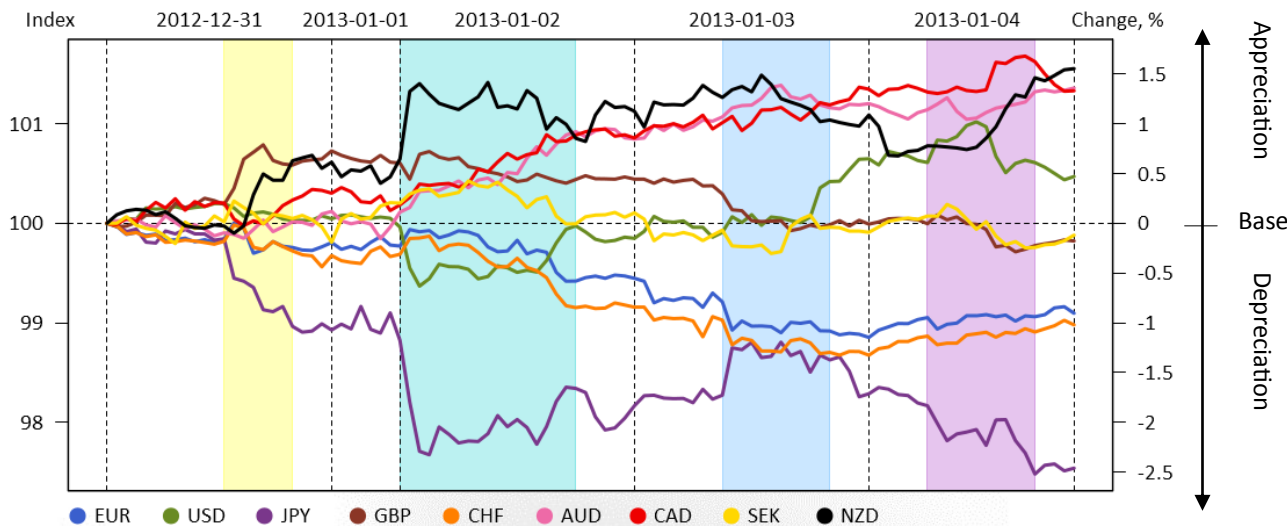
1.16





# Relative Currency Strength

Currency Indices

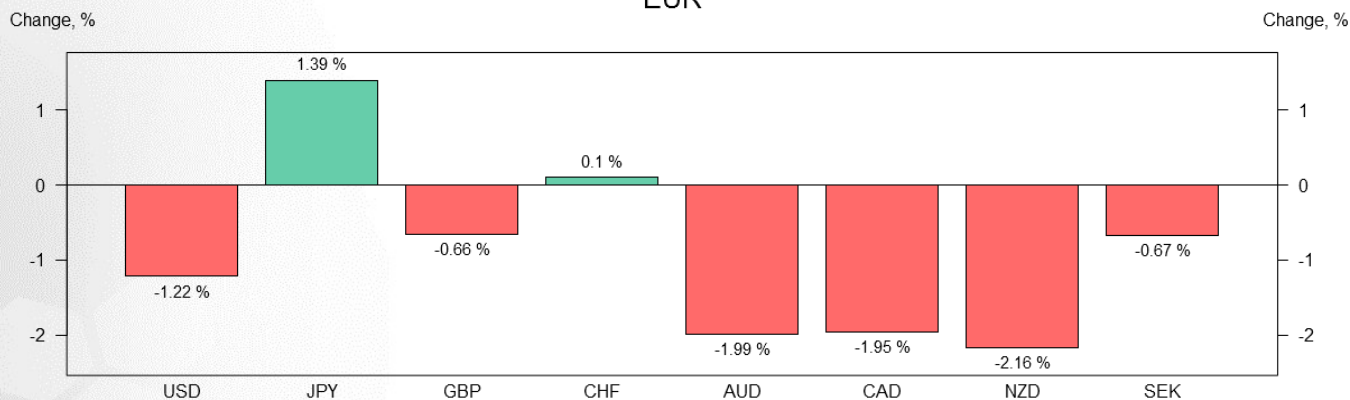


With only Eurozone manufacturing data during the last week being slightly disappointing, the single European currency is still being weighed upon, while inflation and employment indicators pointed to a brighter side. Resolution of the issue with continuation of the stimulus programme in the United States also did not notably benefit the Euro, despite being the most widely discussed topic lately, which has kept investors on their toes. Accordingly, market participants are currently avoiding taking on more risk by exposing themselves to the Euro, but prefer the New Zealand Dollar and other commodity currencies instead.

On average throughout the last five days the Euro has lost 0.91% and has managed to outperform only the Japanese Yen by 1.39%. It stayed generally unchanged relatively to the Swiss Franc, but depreciated in the rest of the pairs, retreating from 0.66 to 2.16 per cent since Dec 31.

Nevertheless, overall the currency is still 1.28% above the level it was a month ago and 3.7% above the level it was a half of a year ago. Moreover, the negative tendency appears to have come to an end, as a value of the Euro stabilised ahead of the weekend and thus may recommence a recovery, although likely at a slower pace than previously.

EUR



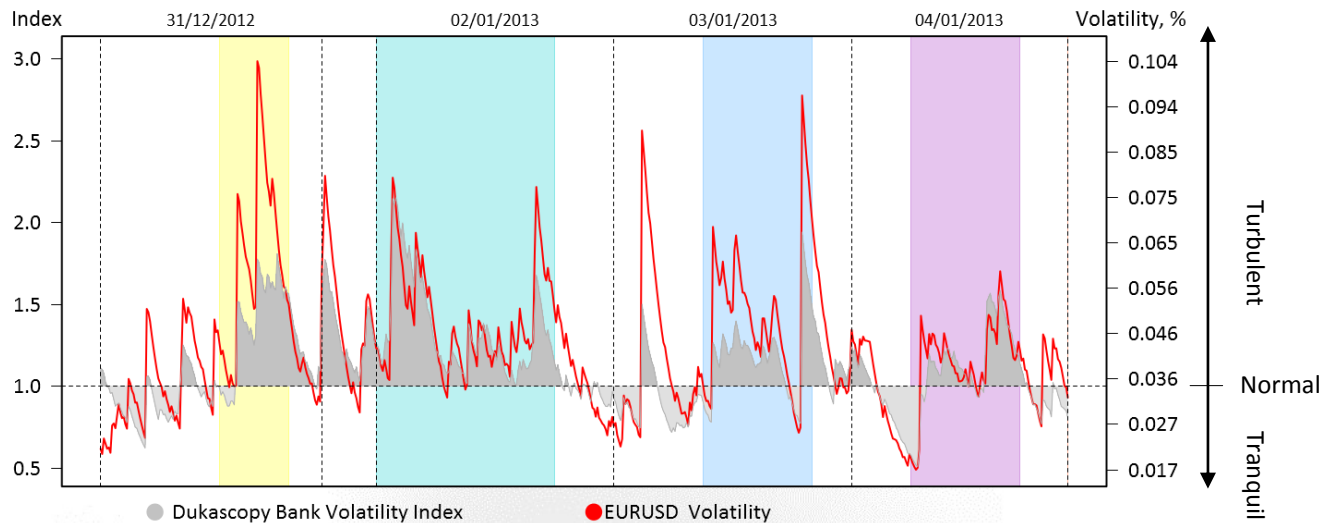
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.91%	0.47%	-2.46%	-0.18%	-1.02%	1.36%	1.33%	-0.12%	1.55%
20	1.28%	0.44%	-7.76%	0.46%	1.43%	0.34%	0.85%	2.10%	0.33%
130	3.70%	-2.24%	-13.13%	1.57%	3.02%	0.01%	0.73%	4.56%	1.73%



# Volatility

Volatility



Heightened turbulence in the foreign exchange market continued for several days (Dec 31—Jan 3) and calmed down only last Friday, even though the usual pattern we see is quite different: volatility increases over the course of the week rather than starts elevated and subsequently decays.

Dukascopy Bank Volatility Index exceeded its normal level 64% of the time, indicating that sensitivity of exchange rates persisted throughout the days and was subject to cyclicity to a substantially decreased extent, surpassing the common limits of European trading hours.

Almost all of the observed currency pairs exhibited unnatural variability, with the most prominent examples being EUR/USD, GBP/USD, USD/CAD, EUR/GBP and NZD/USD. The volatility of the latter couple also attained the highest value among all—5.1, meaning that the pair was more than five times more volatile than it historically was right after the markets were re-opened following a holiday on Jan 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
	64	47	72	64	72	68	44	60	22	49	60

On the other hand, EUR/CHF was the most tranquil relatively to its past performance, staying quiet in 78% of cases for the last week and having an average value of volatility index close to 0.9.

**Volatility Index (for the observed period)**

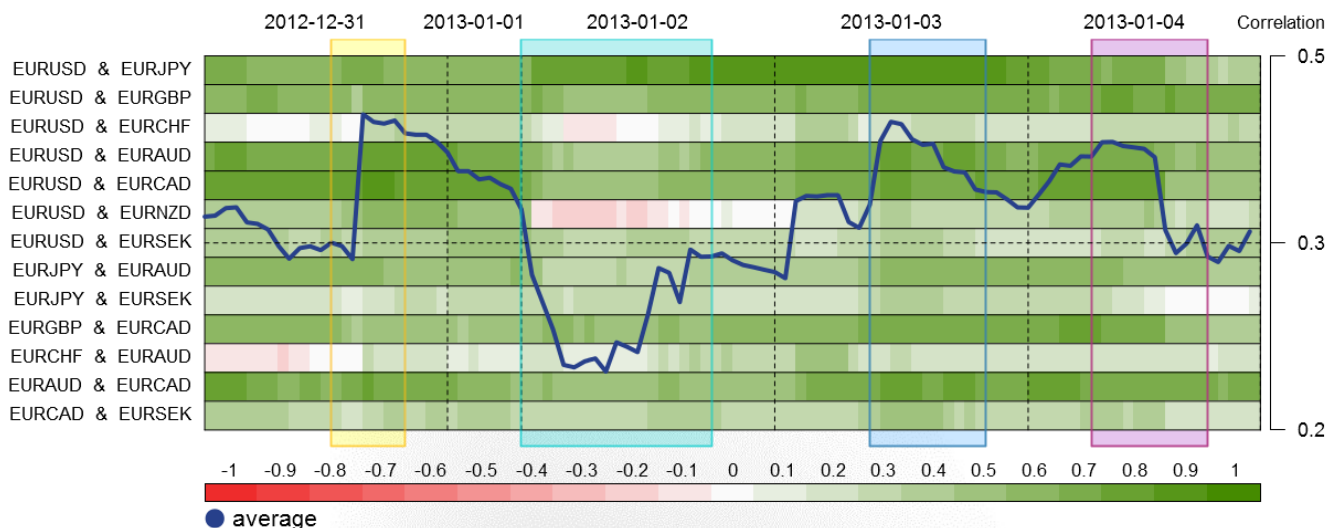
	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
<b>Max</b>	2.2	3	2.3	3.4	2.9	4.7	2.8	1.8	3.6	2.1	2.2	5.1
<b>Min</b>	0.5	0.5	0.4	0.5	0.6	0.5	0.5	0.3	0.5	0.4	0.4	0.4
<b>Average</b>	1.1	1.3	1	1.3	1.2	1.3	1.2	1	1.2	0.9	1	1.2





# Currency Significance

Correlations

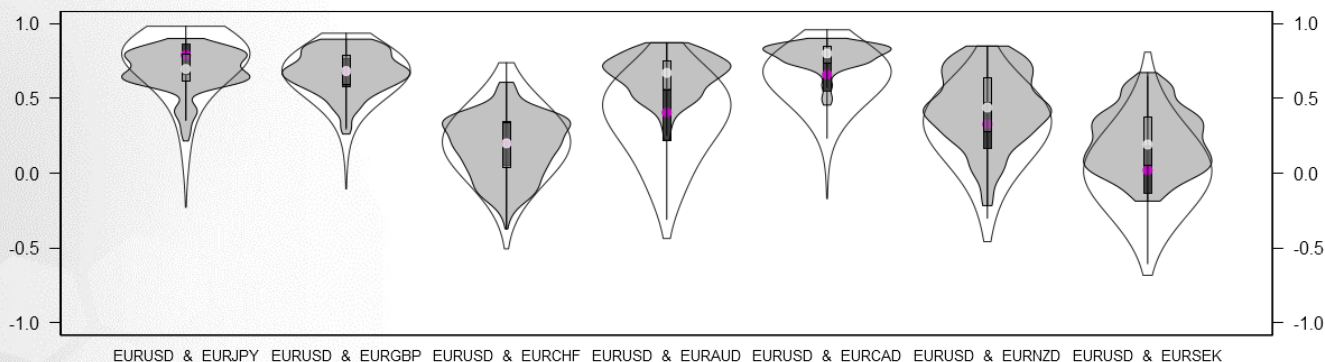


The average correlation coefficient that measures the extent to which a particular currency impacts the rates of its crosses has been rather changeable despite the fact that the first and the last value are nearly equal, being 0.38 and 0.37, respectively. The average coefficient dipped as low as 0.25, although it was unable to rally above 0.47 as well, meaning that the significance of the Euro is at fairly low levels for the most time and, most importantly, is unstable, especially if we look at it against the background of the Japanese Yen, which is currently the main driver in the FX market.

The main contributors to deviations in importance of the Euro were correlations of EUR/USD with EUR/CHF, EUR/NZD and EUR/SEK, as the ranges of the values they took were the widest. On the other hand, interrelations between EUR/USD with EUR/AUD, EUR/CAD and EUR/SEK were the ones to change the most lately, since their distributions are becoming more positively skewed than before, if we collate samples for the last 130 and 20 days.

The most reliable interdependence this time proved to be EUR/USD and EUR/GBP, with the arithmetic average of 50-hour rolling correlation staying within a 0.64-0.67 corridor across different timeframes.

Correlations (20 vs 130 days)

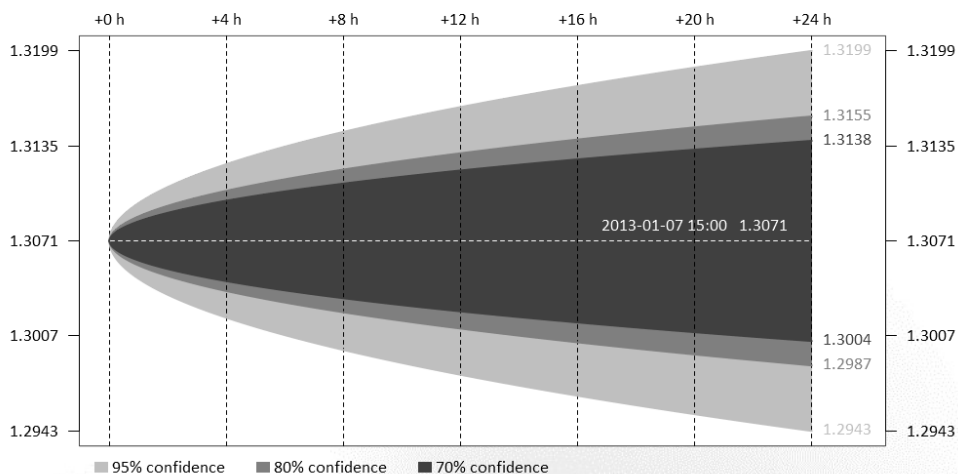


Average Correlation Coefficient (with EURUSD)

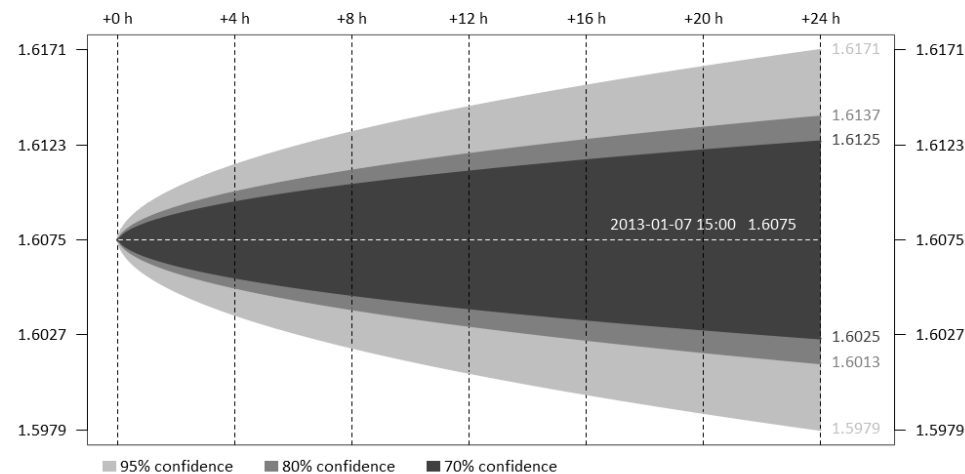
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.72	0.64	0.2	0.64	0.7	0.27	0.34
20	0.69	0.67	0.18	0.65	0.78	0.44	0.21
130	0.75	0.67	0.25	0.46	0.67	0.37	0.13

# Confidence Intervals for Next 24 Hours

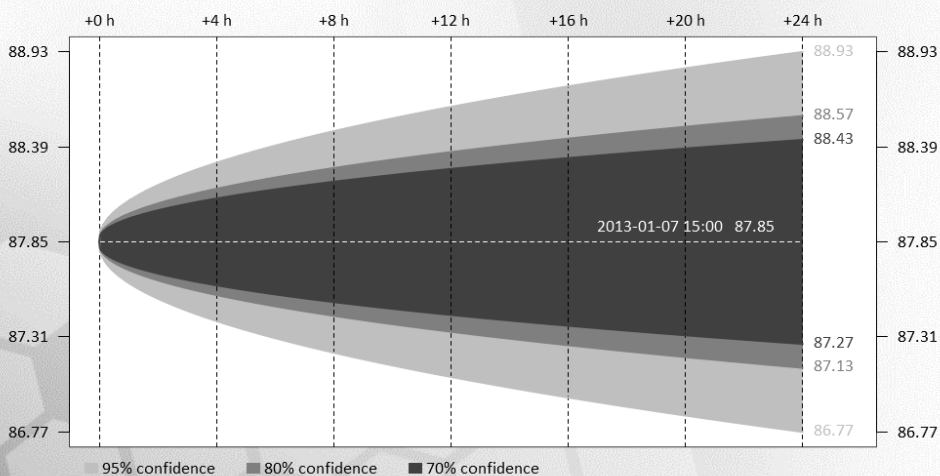
EURUSD Potential Rates



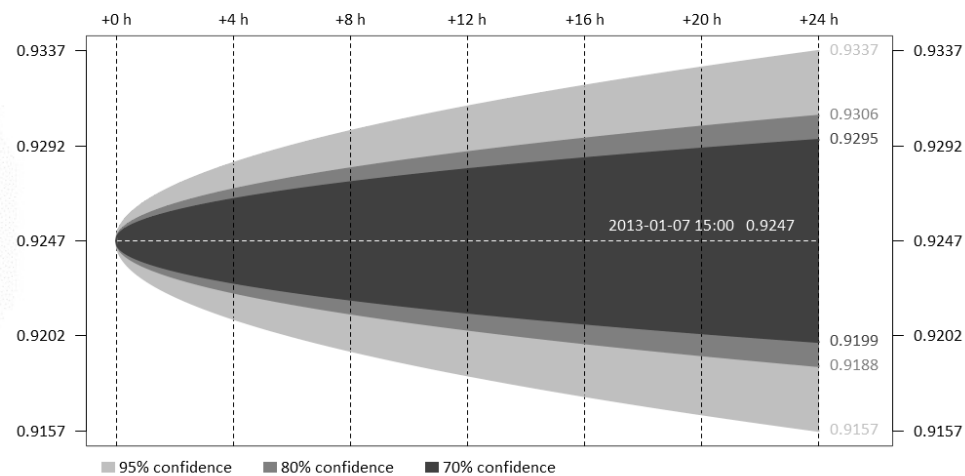
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

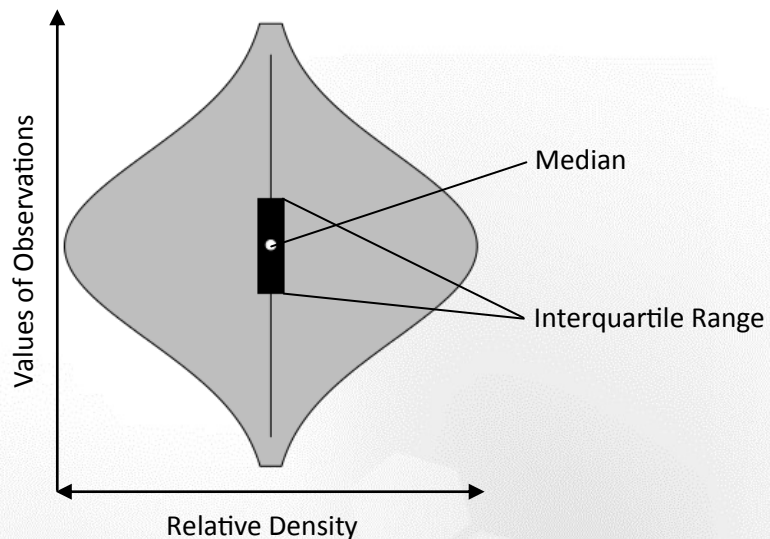
## Violin Plot

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.