



**USD**

09/01/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the U.S. Dollar

## Yellow Area

January 2

00:00 - 21:00

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

## Turquoise Area

January 3

18:00 - 23:00

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

## Blue 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 [\[link\]](#)

## Purple Area

January 7

08:00 - 17:00

- Eurozone Sentix Investor Confidence [\[link\]](#)
- Eurozone PPI [\[link\]](#)

## Orange Area

January 8

11:00 - 16:00

- Eurozone Unemployment Rate [\[link\]](#)
- U.S. Economic Optimism [\[link\]](#)

USD Currency Index Range

0.61%

0.58%

0.51%

0.4%

0.25%

Average EUR/USD Volatility Index

1.37

1.47

1.16

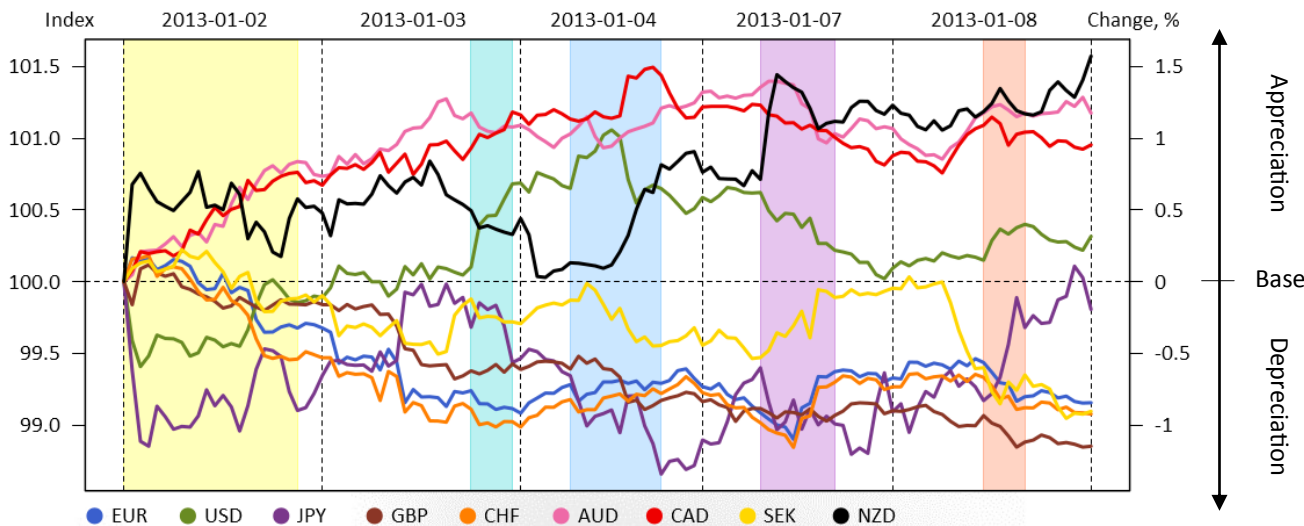
1.12

1.2



# Relative Currency Strength

Currency Indices

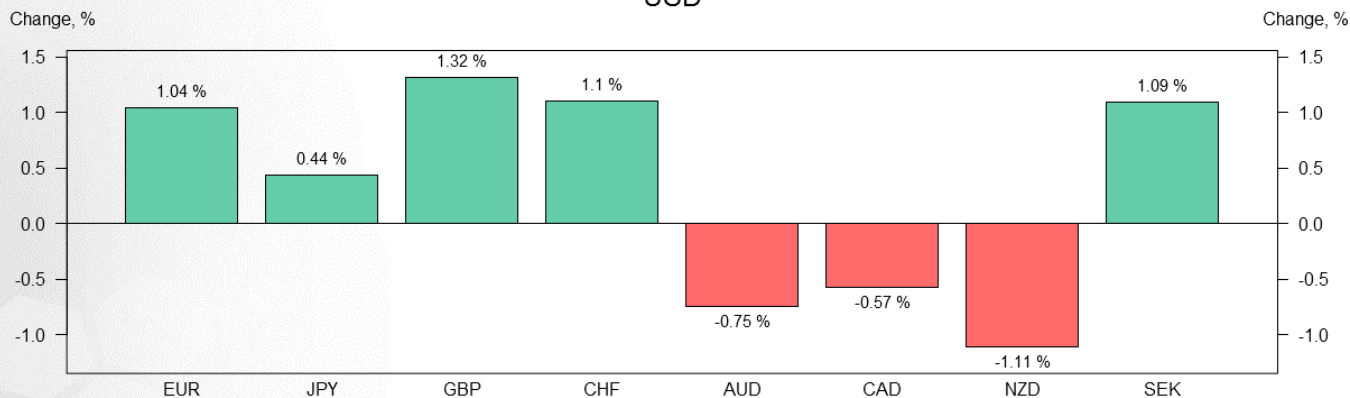


An initial 0.6% decline in Dollar's worth turned out to be misleading, as the follow-up surge not only pared the losses, but also pushed the currency index 1.1% above the base value, proving brevity of the market's focus on the topic of "fiscal cliff" once the deal was agreed upon. Soon after that the market participants became concerned with changes the Federal Reserve System may introduce, namely partial reduction of stimulus currently provided to the economy. This was instantly translated into a sharp appreciation of the greenback.

Unexpectedly, other events that took place on Jan 3 had no effect on the value of the Dollar—they moved its counterparts, JPY, EUR, CHF and GBP instead. The published data were related to the U.S. employment statistics, but still failed to elicit a notable response from the market, which remained quiet with respect to the U.S. Dollar until the FOMC meeting minutes were released.

Still, bearish sentiment towards the buck starts to reappear, as was demonstrated by performance of the currency on Jan 4 and Jan 7. Ever-increasing demand for riskier currencies, such as NZD, AUD and CAD, is constantly pushing the price of the safe haven downwards, which is expected to continue experiencing gradual debasement, given that the current tendency is preserved and no new shocks will be introduced to the market.

USD



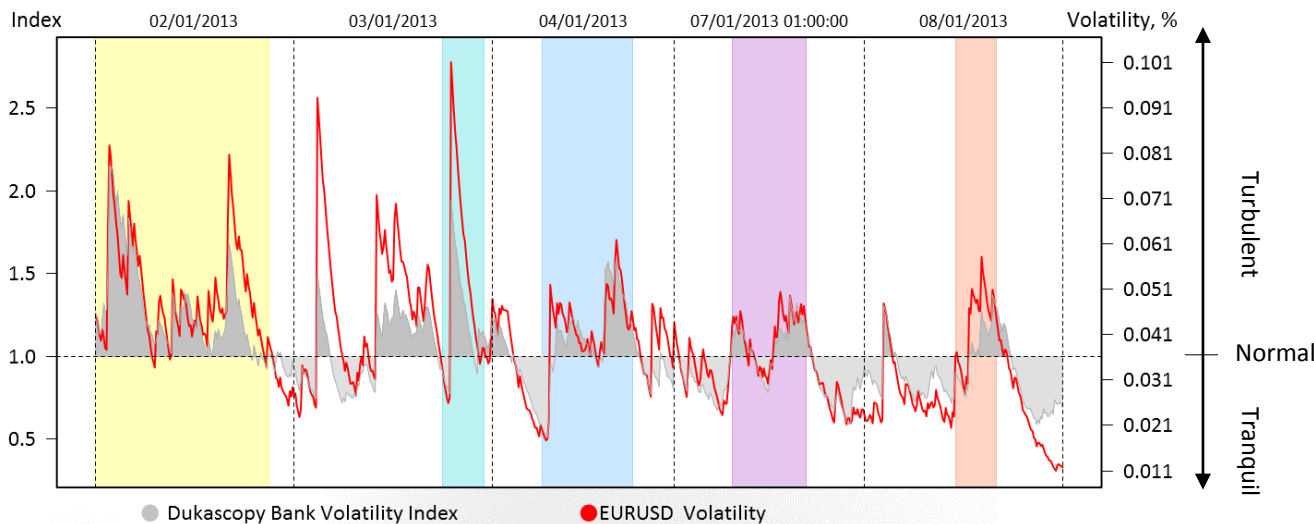
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.85%	0.32%	-0.19%	-1.15%	-0.92%	1.17%	0.95%	-0.90%	1.57%
20	1.36%	0.16%	-6.65%	0.01%	1.14%	0.18%	0.15%	2.37%	0.68%
130	3.82%	-3.04%	-13.28%	0.87%	3.09%	0.35%	0.73%	4.37%	2.96%



# Volatility

Volatility



Step by step nervousness is disappearing from the foreign exchange market, with each new daily peak of Dukascopy Bank Volatility Index being lower than the precious one. The highest level of turbulence was observed early Wednesday, shortly after the markets were re-opened and investors began adjusting their portfolios in light of newly acquired information. On the other hand, most recently (during Jan 8), DBVI did not exceed a mark of 1.37. Also the share of time the market volatility is elevated declines. In the latest issues of Market Research it surpassed 60%. Now we see only slightly more than a half of cases when DBVI is more than 1.

The similar trend is noted across the board, with all the studied exchange rates generally losing the pace of change. Nevertheless, we could soon reach a trough in the levels of volatility, being that a looming theme of a debt ceiling is widely expected to start gaining media coverage and thereby increase sensitivity of the market participants to all publications until the problem is resolved, which, in turn, is likely to happen only in the middle of February.

In the meantime, NZD/USD, EUR/USD and USD/CHF are on the forefront by exhibiting responsiveness to happenings in the world the most and, consequently, may be awaited to react to the incoming news to a larger degree than the rest of the currency pairs.

Elevated Volatility (% of the observed period)

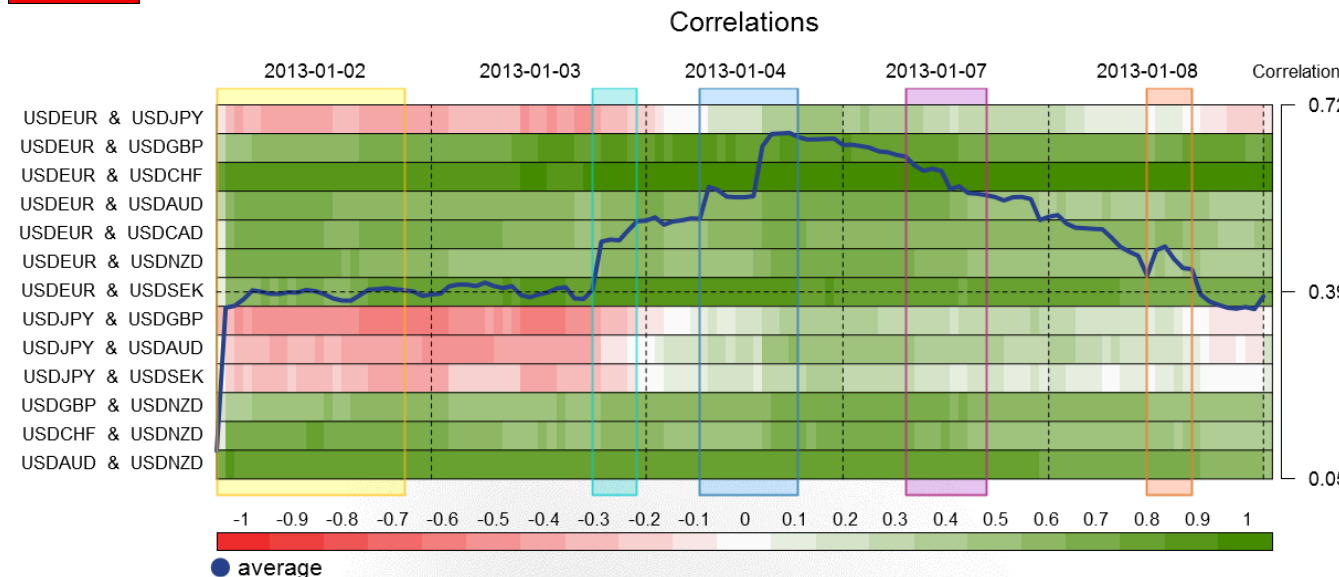
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	51	57	51	50	50	55	50	36	13	41	52

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	2.8	2.5	2.4	2.9	3	2.8	2.6	2.5	2.1	2.2	5.1
<b>Min</b>		0.5	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.4	0.4
<b>Average</b>		1	1.1	1.1	1	1.1	1.1	1.1	1	0.9	0.7	1	1.1



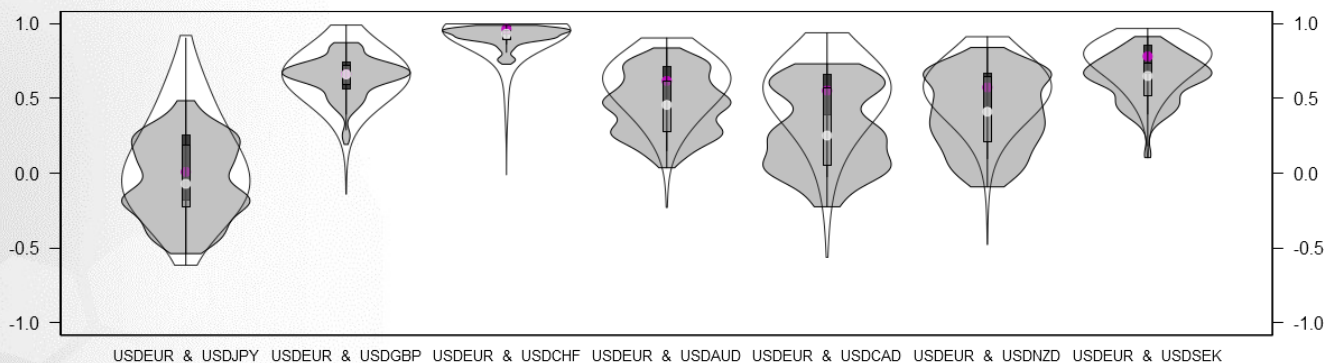
# Currency Significance



Significance of the U.S. Dollar had grown substantially from Jan 2 to Jan 4, but since then has been slowly diminishing. The average correlation coefficient (blue line on the chart to the right), which imitates importance of a specific currency, has soared up to 0.67 on Jan 4, but has ended the week near 0.4, being a normal level for this measure lately. Onwards, the average coefficient is set to recover further amid rising topicality of the U.S. statutory debt limit and falling level of attention paid to statements of Japanese PM.

Correlations between USD crosses vary strongly, offering a wide range of possibilities depending on the pursued strategy. The greatest benefits of diversification are provided by combinations of USD/JPY with any other major couple, price charts of which have almost nothing in common. At the same time, USD/EUR, USD/SEK, USD/GBP and USD/CHF consistently move unidirectionally. The relationships between the latter prices have also proven to be much more stable than the rest, thus being relatively reliable and coherent throughout time, which increases their attractiveness as investment means in the long term.

Correlations (20 vs 130 days)

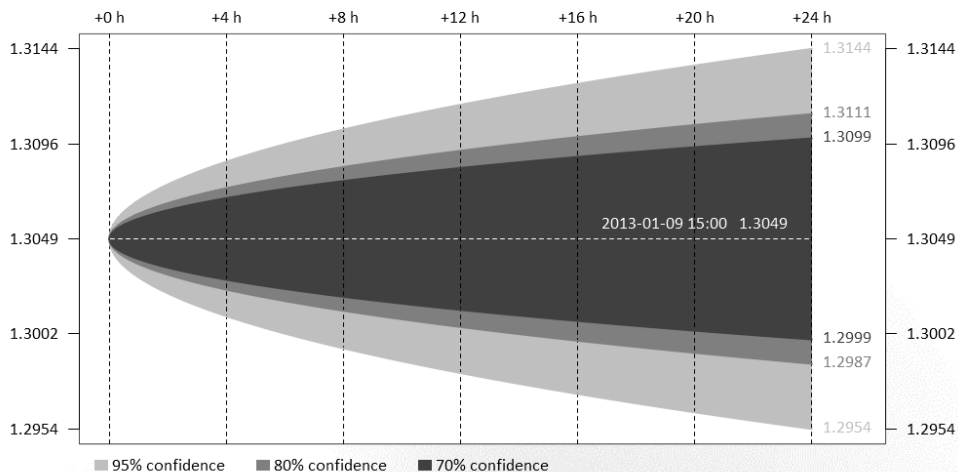


Mean Correlation Coefficient (with USDEUR)

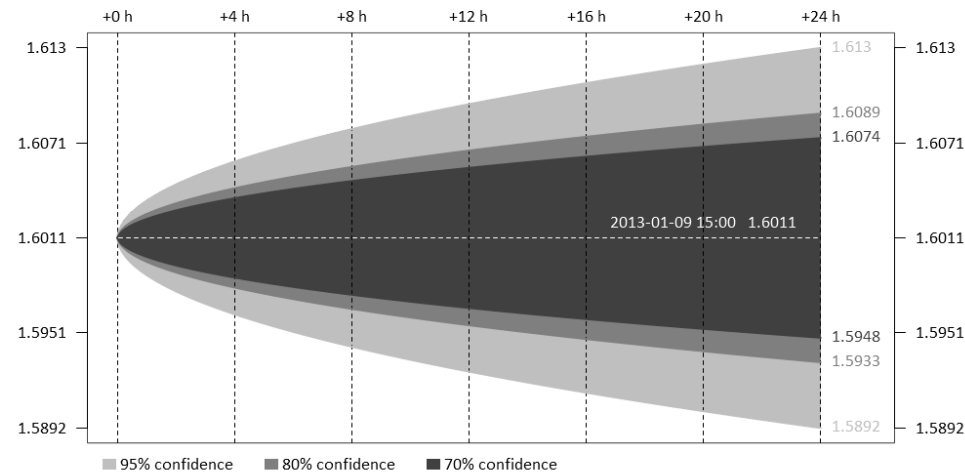
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	-0.02	0.75	0.96	0.59	0.6	0.57	0.78
20	-0.05	0.64	0.92	0.45	0.28	0.4	0.63
130	-0.05	0.64	0.93	0.55	0.46	0.5	0.66

# Confidence Intervals for Next 24 Hours

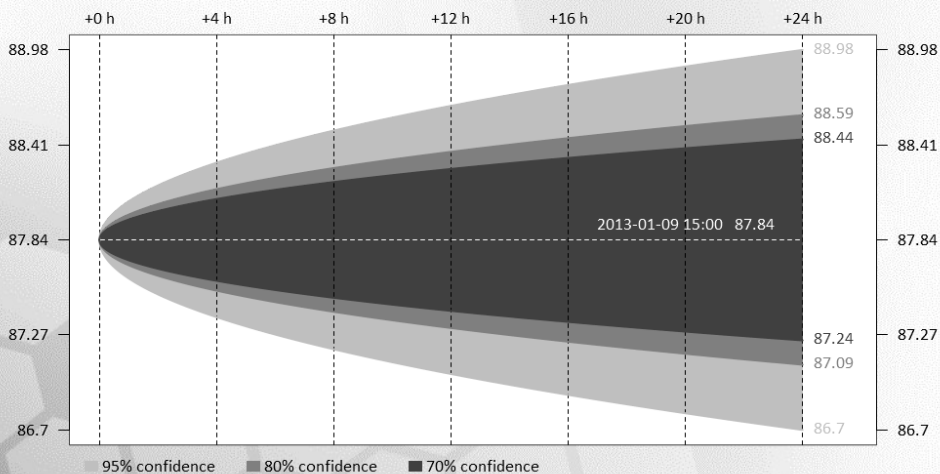
EURUSD Potential Rates



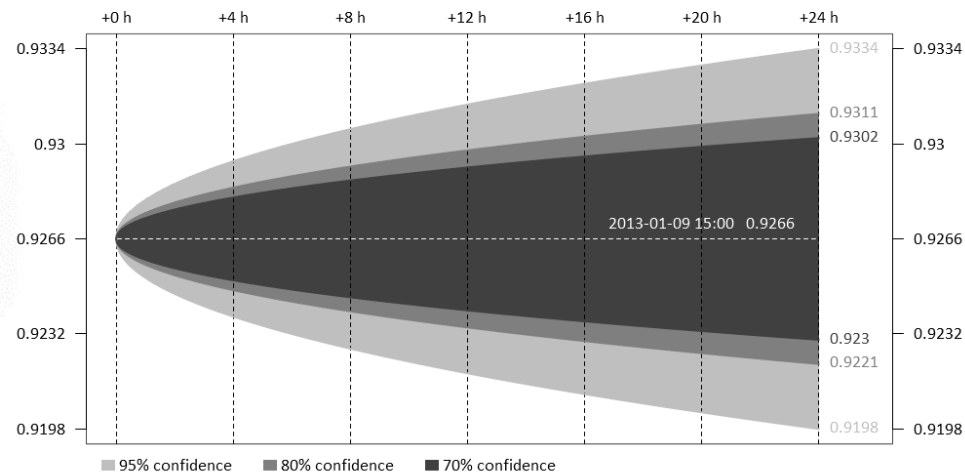
GBPUSD Potential Rates



USDJPY Potential Rates



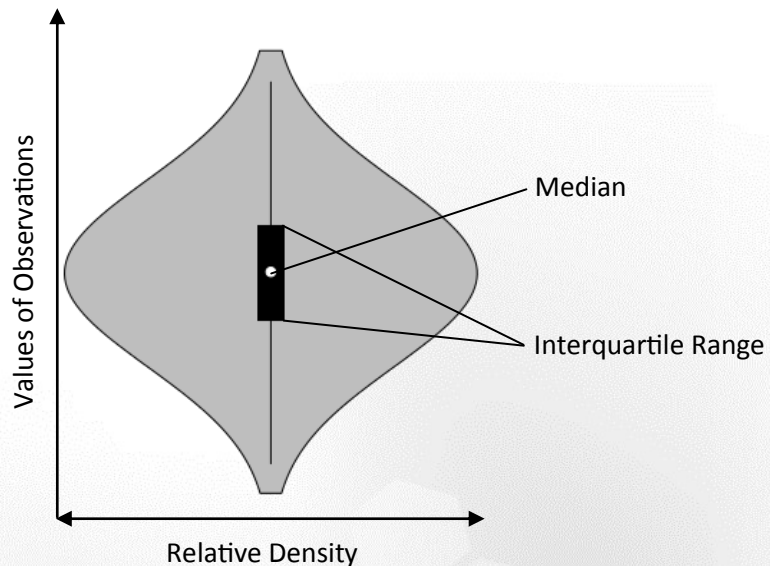
USDCHF Potential Rates



# 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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