

JPY

11/01/2013

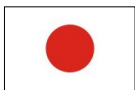


DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Japanese Yen

Yellow Area

January 4

12:00 - 17:00

- U.S. Non-Farm Employment Change [\[link\]](#)
- U.S. Unemployment Rate [\[link\]](#)
- U.S. ISM Non-Manufacturing PMI [\[link\]](#)

Turquoise Area

January 7

08:00 - 18:00

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

Blue Area

January 8

11:00 - 18:00

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

Purple Area

January 9

08:00 - 23:00

- Eurozone GDP [\[link\]](#)
- German Industrial Production [\[link\]](#)
- New Zealand Trade Balance [\[link\]](#)

Orange Area

January 10

12:00 - 24:00

- ECB Minimum Bid Rate [\[link\]](#)
- U.S. Unemployment Claims [\[link\]](#)
- Japanese Current Account [\[link\]](#)
- Japan Provides More Stimulus [\[link\]](#)

JPY Currency Index Range

0.55%	0.43%	0.72%	0.88%	1.68%
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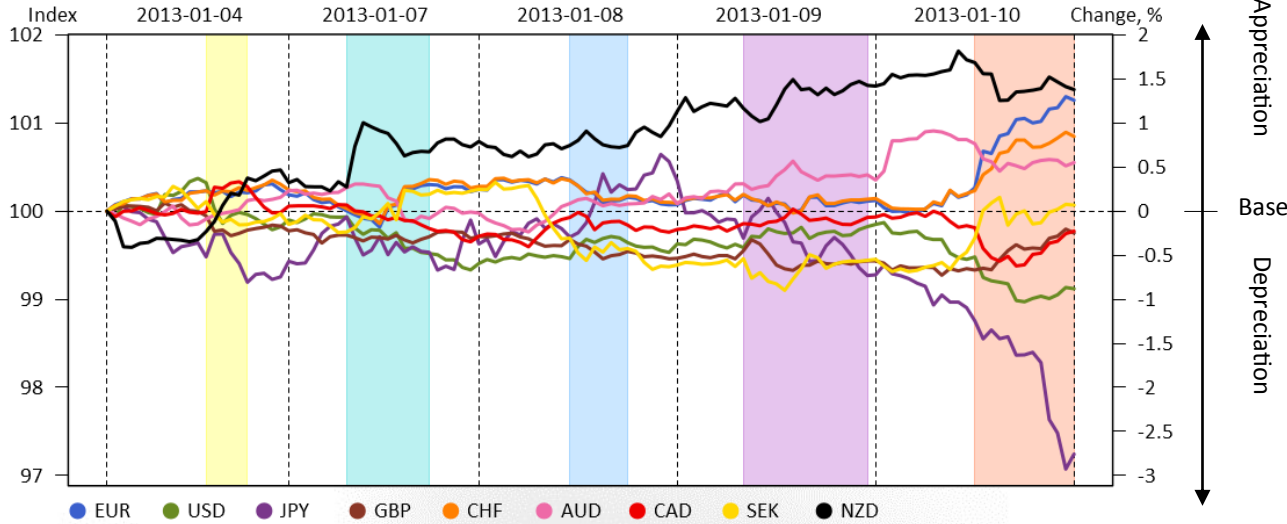
Average USD/JPY Volatility Index

1.53	1.01	1.19	0.96	1.09
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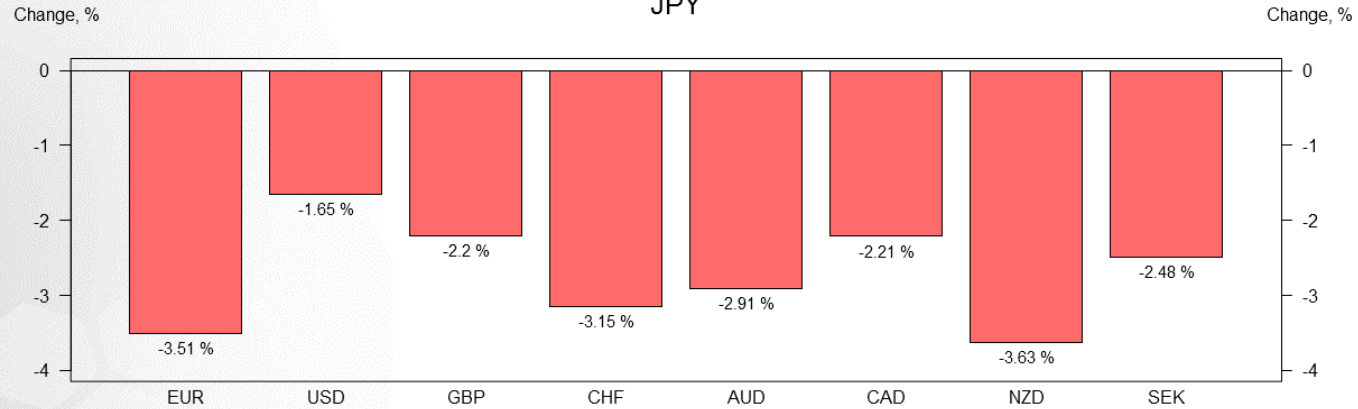
Relative Currency Strength

Currency Indices



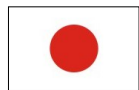
For some time the Japanese Yen has delayed its debasement, as the investors became suspicious that the actions of the Bank of Japan in conjunction with the Japanese government would undertake in order to stimulate the economy would fall short of broad expectations of the market. This has allowed behaviour of the Yen to resemble its usual pattern and gain value amid risk aversion that was triggered by an unceasingly growing unemployment rate in the Eurozone and constantly reappearing signs of a protracted downturn in bloc's economic growth. As a result, the Yen currency index advanced more than 0.6% beyond the base value.

The later events, however, have upset the remaining Yen-bulls, as the currency has plummeted 3.1% on average across the board within the next two days. While a decision of the European Central Bank not to lower the key rate served as a catalyst and had an indirect effect on the worth of the Yen, the general trend of depreciation (already -16.6% during the last 130 days) has been substantially accelerated by the decision of the Japanese government to push the economy away from the current detrimental direction and put it on the right track of growth and mild controlled inflation through expansionary fiscal policy measures, i.e. increased government spending.



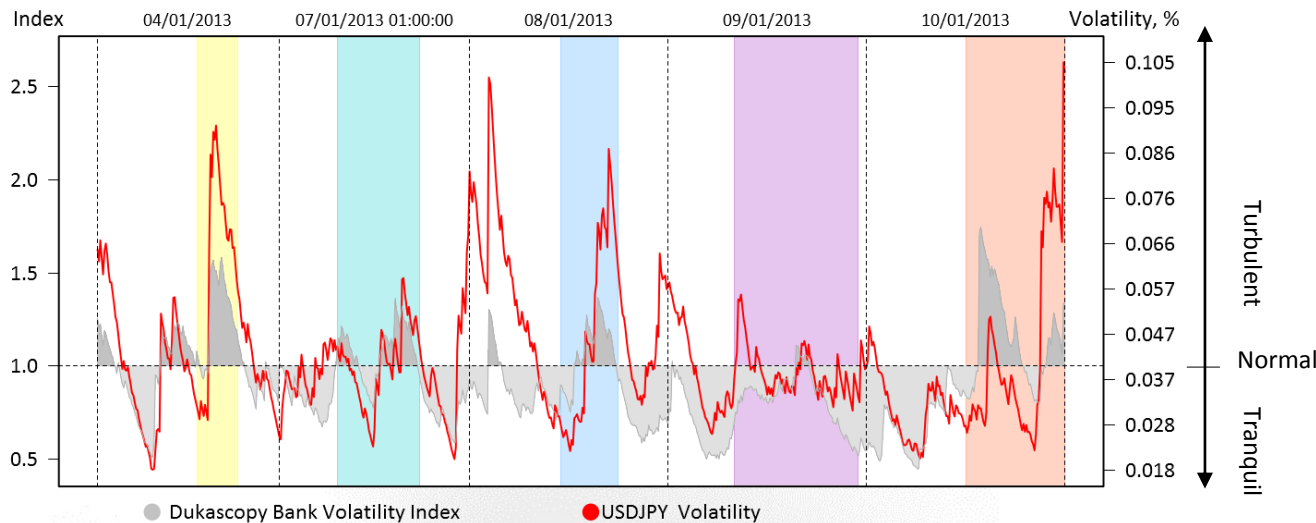
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	1.26%	-0.88%	-2.76%	-0.25%	0.85%	0.55%	-0.23%	0.07%	1.38%
20	1.92%	-0.01%	-8.69%	0.19%	1.69%	0.48%	0.28%	2.88%	0.36%
130	5.58%	-3.25%	-16.60%	0.93%	4.42%	0.28%	0.84%	4.66%	3.08%



Volatility

Volatility



Overall volatility in the market has been returning to normal levels. Dukascopy Bank Volatility Index was elevated merely 31% of the time, not 50 or 60 per cent observed earlier around the last days of 2012 and the first days of 2013. Moreover, the maximum value attained by the measure of uneasiness was 1.7, which is well below prior peaks. Now turbulence mainly remains in the JPY crosses that continue to exhibit heightened sensitivity throughout the sessions, while activity of the rest of the currency pairs is commonly limited to London and New York trading hours, revealing one of the major differences between the pairs. Accordingly, the shares of cases when USD/JPY and EUR/JPY volatilities were above respective normalities were higher than variability indicators for their counterparts, exceeding 40%.

Surprisingly, the highest pace of change was demonstrated by the pairs that include the Swiss Franc—USD/CHF and EUR/CHF, volatility indices of which reached 2.9 and 3.1, respectively, during the last five trading days. Nevertheless, this is viewed as an isolated case that appeared after the ECB announcement and a reading on the U.S. unemployment claims, both of which seemingly disappointed a considerable portion of the market that has strongly reacted to the published news, anticipating different results to be released.

Going forward, we believe the potential of market volatility is greater than the one we saw recently, as the effect of the debt ceiling issue in the United States is likely to be exacerbated by the monetary policy statement of the Bank of Japan to be released on Feb 14.

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	36	43	32	36	27	35	40	19	10	33	30

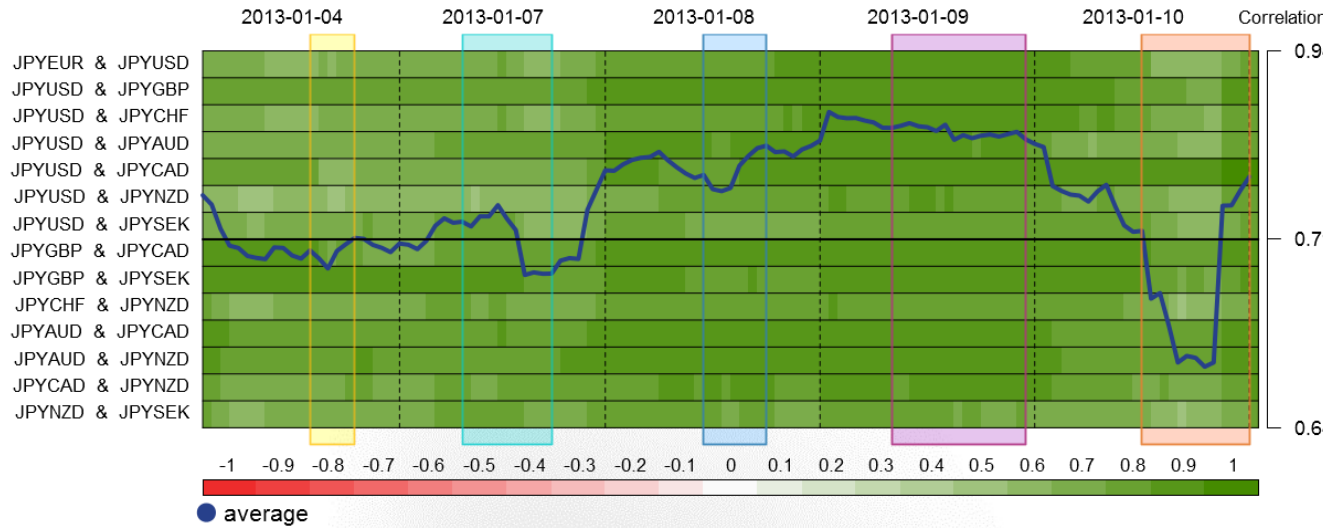
Volatility Index (for the observed period)

	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	2.9	2.6	1.9	2.5	3	2.9	2.6	2.2	3.1	1.7	2
Min	0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.2	0.3	0.3
Average	0.9	0.9	1.1	0.9	1	0.8	0.9	1	0.7	0.6	0.9	0.9



Currency Significance

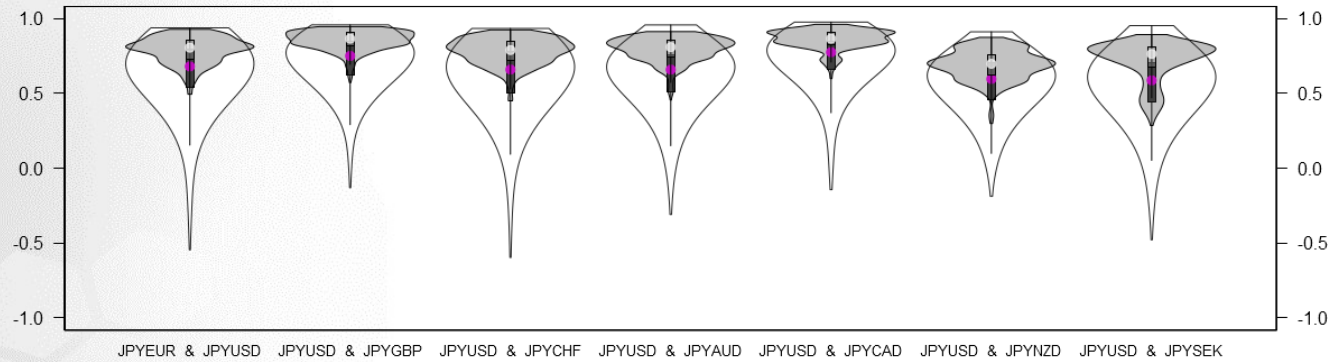
Correlations



The fact that all of the presented interrelations are in green tells that the Japanese Yen stays as a primary source and reason of variations in its crosses, maintaining independency. Changes of the Yen's value in terms of other currencies are thus instantly and equally translated into the rest of possible combinations. The average correlation coefficient, even though being subject to small deviations, does not fall below 0.6 and for the most of the time fluctuates near 0.8, while the same measures for EUR and USD were only 0.4 and 0.5, accordingly.

The tendency of correlations in JPY crosses is apparent—they are strengthening and are notably above the levels observed just six months ago, which were already quite high. This is true for all of the linkages observed, as measures of central tendency for the most recent samples (5 and 20 days) significantly exceed the respective measures for a larger sample (130 days). Moreover, the stability and reliability of these point estimates is increasing, being that dispersions and ranges of the distributions have narrowed.

Correlations (20 vs 130 days)

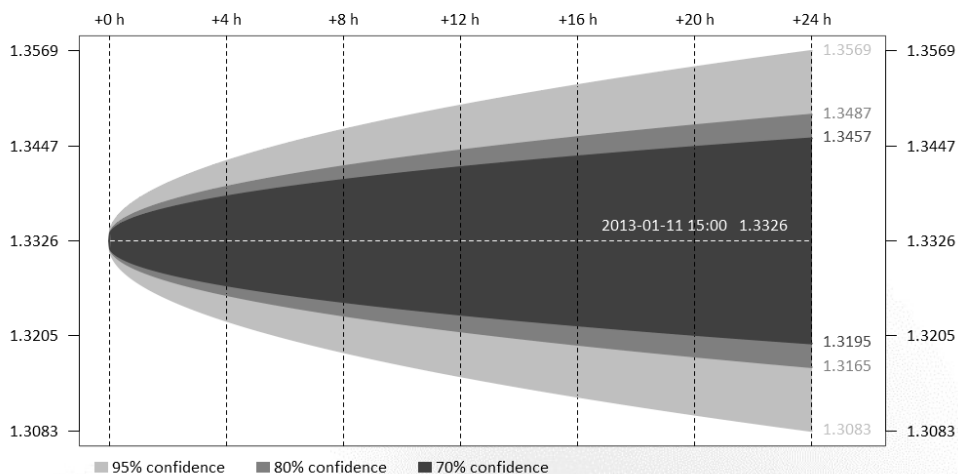


Average Correlation Coefficient (with JPYUSD)

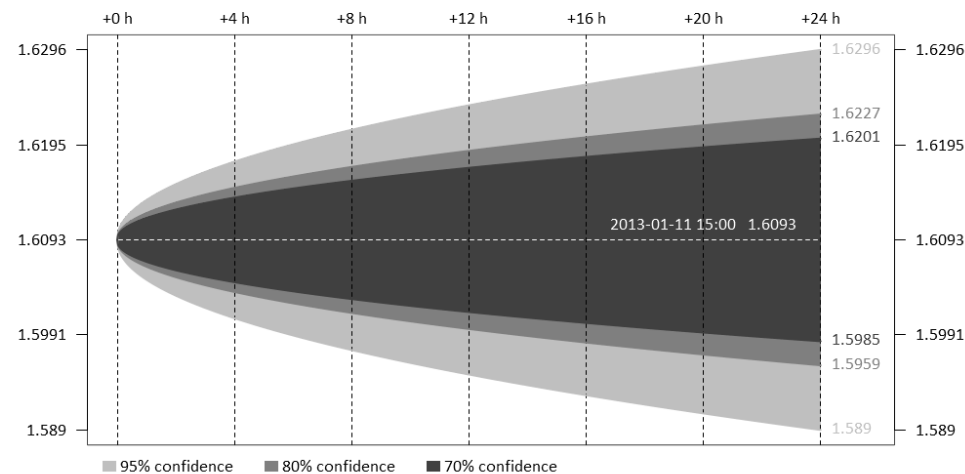
Days	JPYEUR	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.76	0.86	0.77	0.79	0.84	0.7	0.74
20	0.79	0.85	0.78	0.79	0.86	0.69	0.72
130	0.66	0.73	0.66	0.66	0.76	0.59	0.57

Confidence Intervals for Next 24 Hours

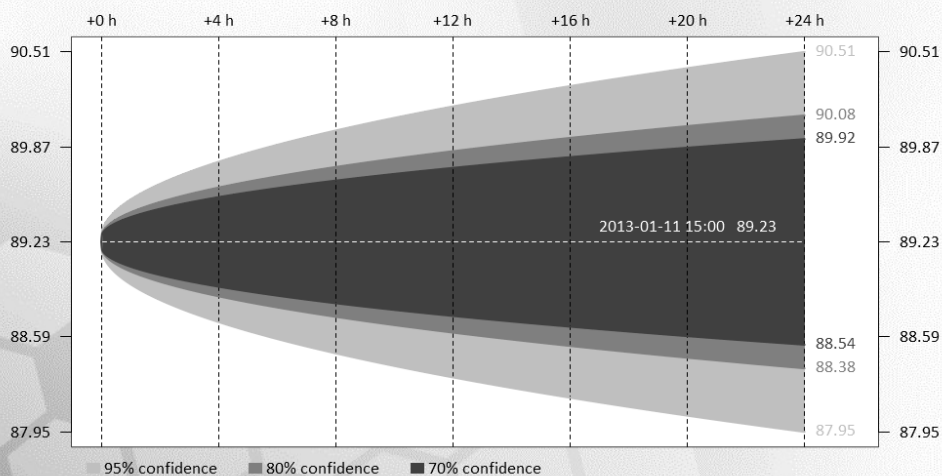
EURUSD Potential Rates



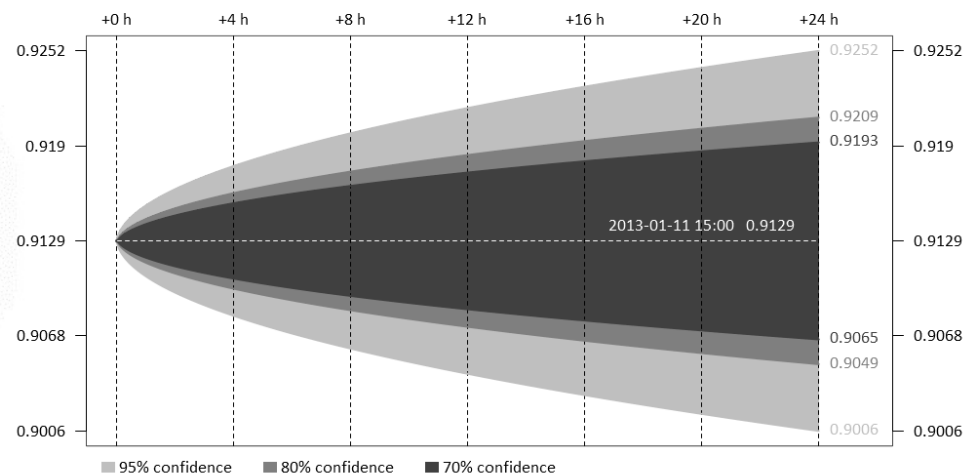
GBPUSD Potential Rates



USDJPY Potential Rates



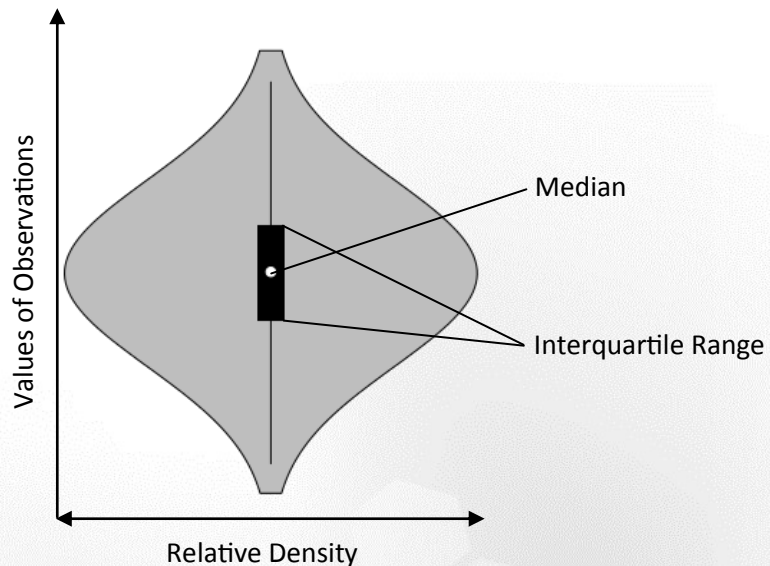
USDCHF Potential Rates



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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