



EUR

14/01/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

January 7

12:00 - 17:00

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

Turquoise Area

January 8

10:00 - 17:00

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

Blue Area

January 9

09:00 - 17:00

- U.K. Trade Balance [\[link\]](#)
- Eurozone GDP [\[link\]](#)
- German Industrial Production [\[link\]](#)

Purple Area

January 10

08:00 - 18:00

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

Orange Area

January 11

11:00 - 17:00

- Swiss CPI [\[link\]](#)
- U.K. Manufacturing Production [\[link\]](#)
- U.S. Trade Balance [\[link\]](#)

EUR Currency Index Range

0.47%

0.3%

0.17%

0.99%

0.73%

Average EUR/USD
Volatility Index

1.17

1.1

0.82

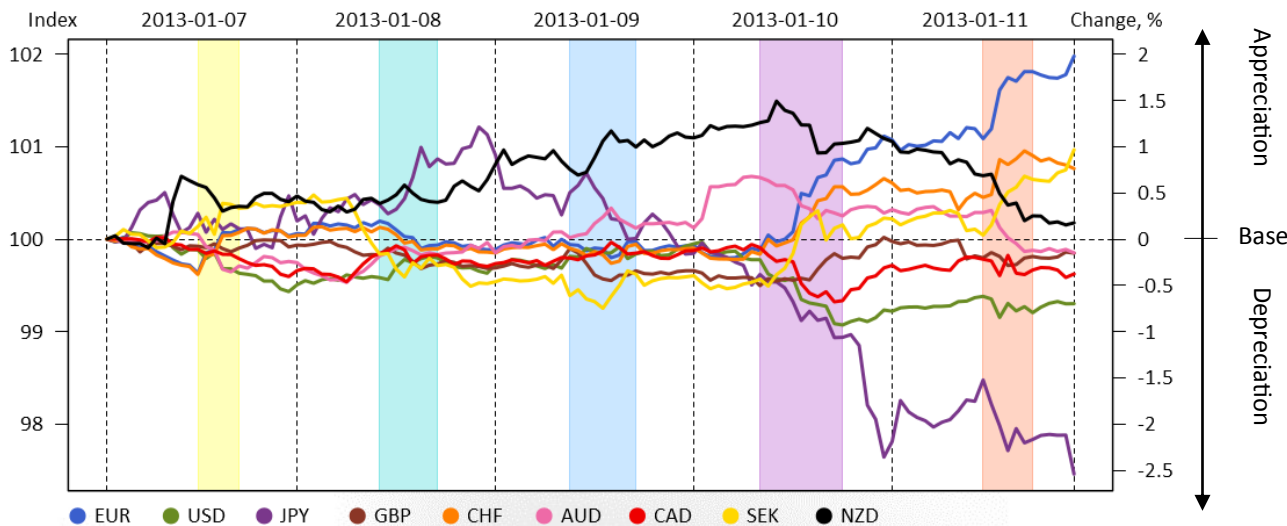
1.41

1.65



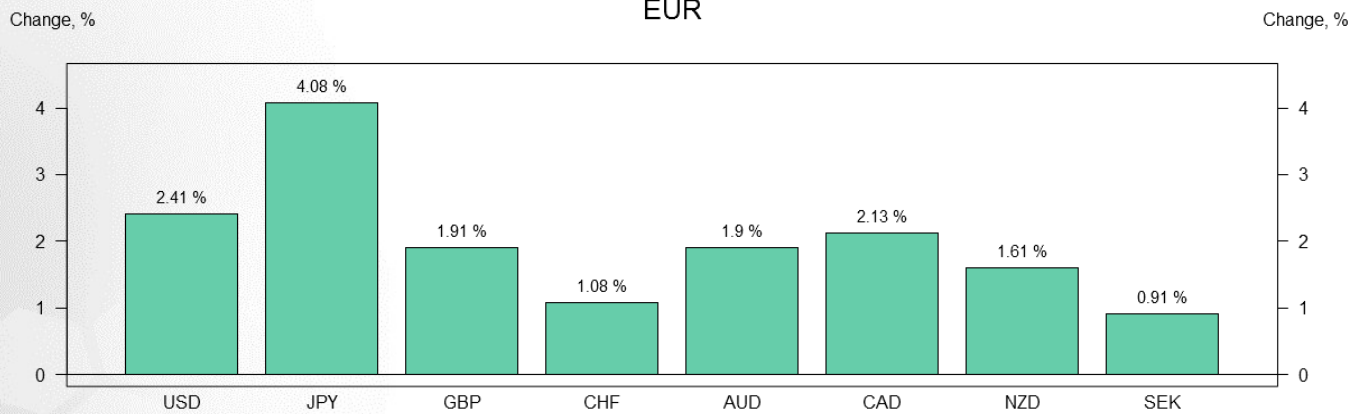
Relative Currency Strength

Currency Indices



Barring the New Zealand Dollar and Japanese Yen, the foreign exchange market seemed stable until the meeting of the European Central Bank, being cautious ahead of the event. In the end it proved to be a wise decision. Mario Draghi has taken Euro-bears unaware by changing his tone to a more hawkish one and thereby bringing the value of the currency up across all of its crosses. The single unit has gained against the Swedish Krona the least (+0.91%), but at the same time outperformed the Japanese Yen the most (+4.08%), as the effect on the currency pair was amplified onwards by a supplementary boost granted to the Japanese economy.

On average the Euro has appreciated nearly two per cent within the last five trading days. This behaviour has marked a completion of a protracted period of relative lull, during which investors appeared to be hesitating to substantially alter their positions, leading to a more or less sideways trading in some of the EUR crosses. In a longer time perspective the single European currency continues its upward direction, as its relative strength index is already 6.42% above the levels seen six months ago. Given the current landscape, further appreciation seems to be a well-argued scenario, especially once occurrence of good data from the Eurozone becomes more frequent and stable (which is hardly at the moment), but it should take on a more moderate character.

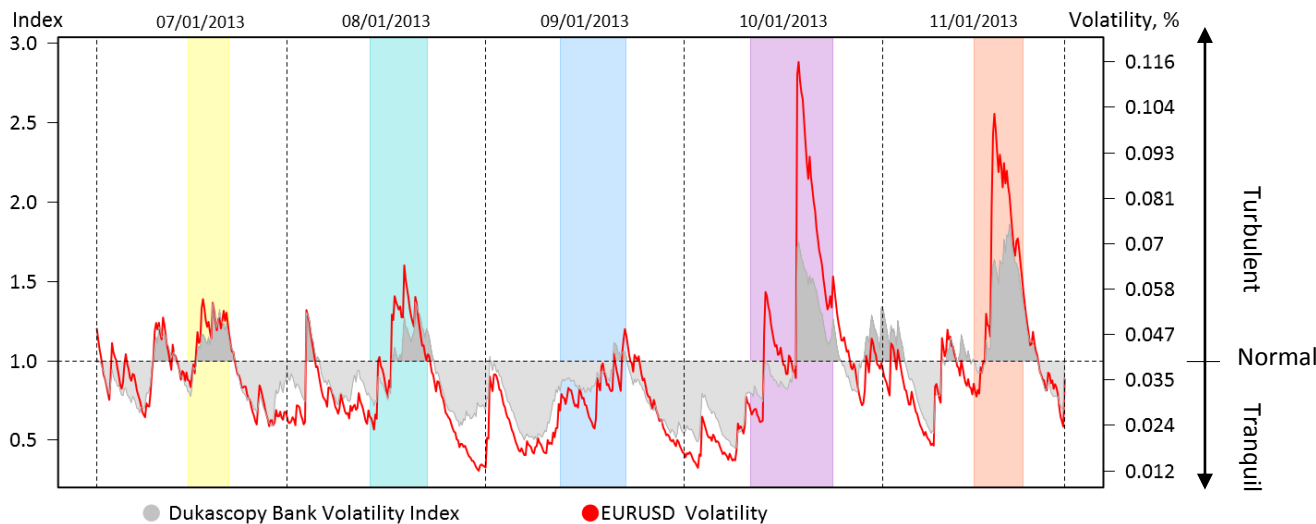


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	1.98%	-0.70%	-2.54%	-0.15%	0.76%	-0.15%	-0.38%	0.97%	0.18%
20	2.58%	0.19%	-8.49%	0.23%	1.49%	0.00%	0.07%	3.79%	-0.87%
130	6.42%	-3.97%	-17.56%	0.85%	4.49%	0.54%	0.42%	5.82%	2.91%



Volatility

Volatility



Last week periods of elevated turbulence in the market were short-lived and were observed only on Thursday and Friday, when Dukascopy Bank Volatility Index has approached a level of 2. EUR/USD has reacted to the aforementioned happening to a greater extent, as its volatility measure soared to 2.9, the second highest reading among constituents of the DBVI. The most sensitive currency pair, in turn, proved to be EUR/CHF with its pace of change being nearly four and a half times greater than the historical one, since the pair is moving further away from a floor set at 1.20.

Unexpectedly, Wednesday was much calmer than usually and even less volatile than two prior days, which, as a rule, are characterised by the lowest degree of responsiveness among the rest. On a related note, USD/CAD was spotted to be the least susceptible to published news currency couple, being turbulent only in 19% of cases, while its volatility index did not exceed a mark of 1.8, a value last seen on Jan 7 at the time of better-than-expected Canadian Ivey purchasing managers' index being published.

This week is also expected to be slightly different from the usual pattern in terms of volatility with most notable sparks of activity anticipated on Tuesday and Wednesday, being abundant with releases of statistics on the state of the U.S. economy.

Elevated Volatility (% of the observed period)

Market	EUR/	USD/	GBP/	AUD/	USD/	USD/	EUR/	EUR/	EUR/	USD/	NZD/	
	32	31	42	28	28	19	32	45	20	26	33	24

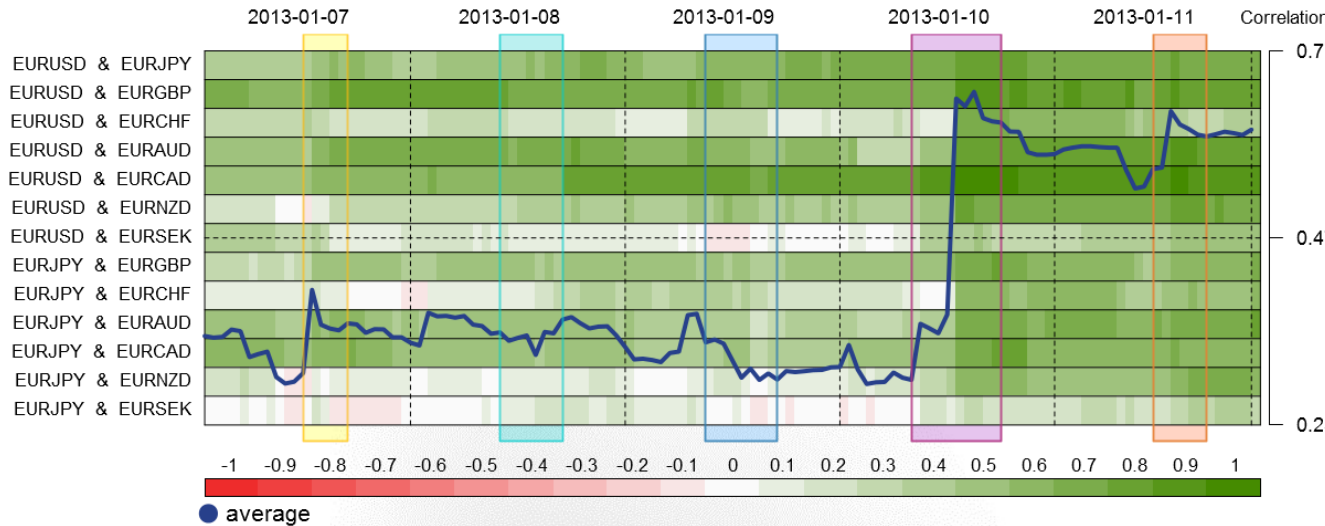
Volatility Index (for the observed period)

	Market	EUR/ USD	USD/ JPY	GBP/ USD	AUD/ USD	USD/ CAD	USD/ CHF	EUR/ JPY	EUR/ GBP	EUR/ CHF	USD/ SEK	NZD/ USD
Max	1.9	2.9	2.6	2.5	2.5	1.8	2.9	2.6	2.2	4.4	1.9	1.9
Min	0.4	0.3	0.5	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	0.9	0.8	0.9	1.1	0.8	0.9	0.9	0.8



Currency Significance

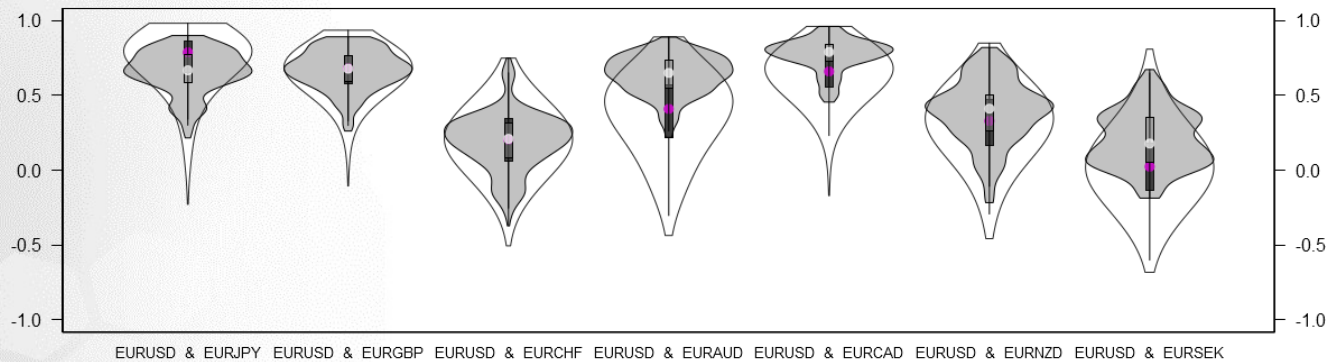
Correlations



As pointed out by a sharp rally of the average correlation coefficient near the end of the week, significance of the Euro among the currencies has grown considerably beyond the level of attention paid to it previously. Lately the average coefficient has been hovering around 0.3, but surged as high as 0.6 in the matter of a few hours as soon as the Eurozone monetary authority refused to reiterate its dovish rhetoric, implying that rate cuts are highly unlikely in the nearest future.

However, the reaction of correlations between EUR crosses was not univocal and varied markedly depending on the combinations chosen. Interrelation between EUR/USD and EUR/AUD, for example, strengthened, as did most of the other ones, including EUR/USD with EUR/CAD, EUR/NZD and EUR/SEK. Frequency of co-movement between EUR/USD and EUR/JPY, on the other hand, is gradually falling, since the average 50-hour rolling correlations for the last five and 20 days are lower than for the last 130 days.

Correlations (20 vs 130 days)

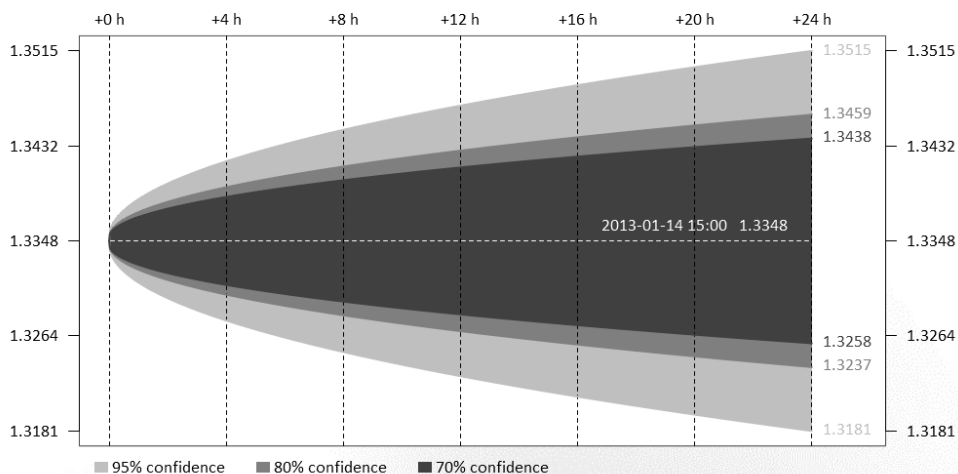


Average Correlation Coefficient (with EURUSD)

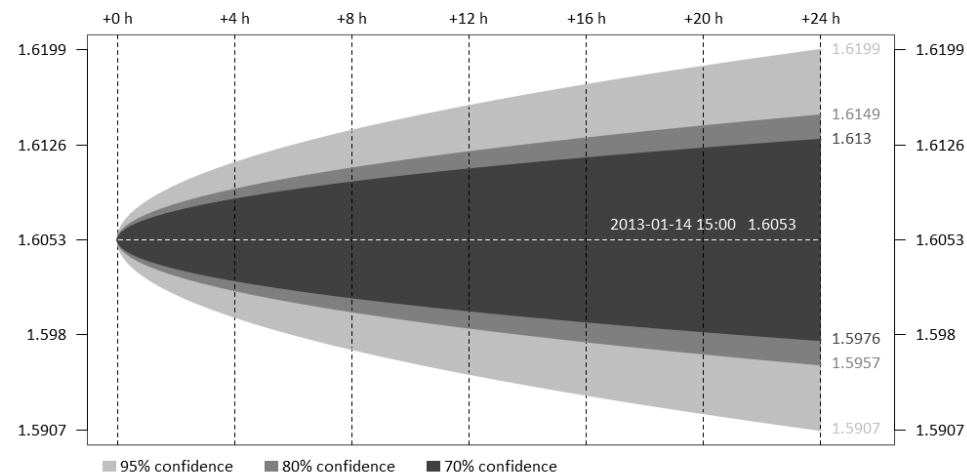
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.61	0.75	0.31	0.65	0.76	0.46	0.21
20	0.66	0.67	0.19	0.63	0.77	0.39	0.2
130	0.74	0.67	0.26	0.48	0.68	0.38	0.13

Confidence Intervals for Next 24 Hours

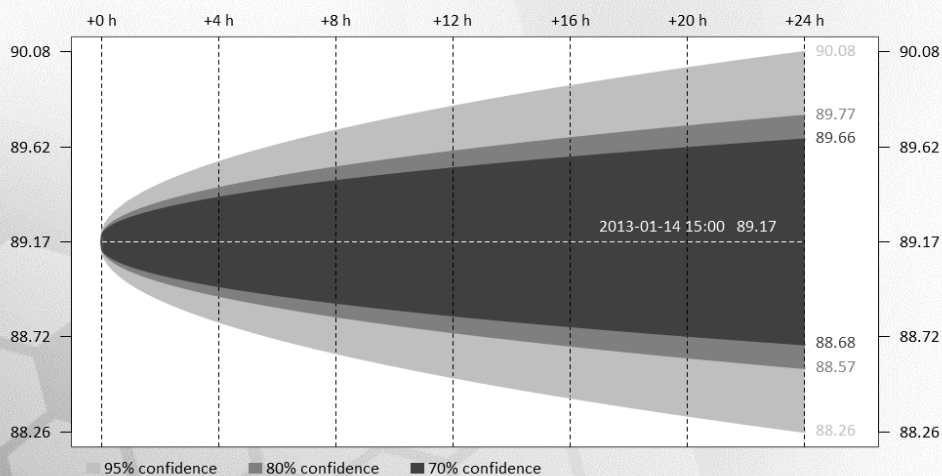
EURUSD Potential Rates



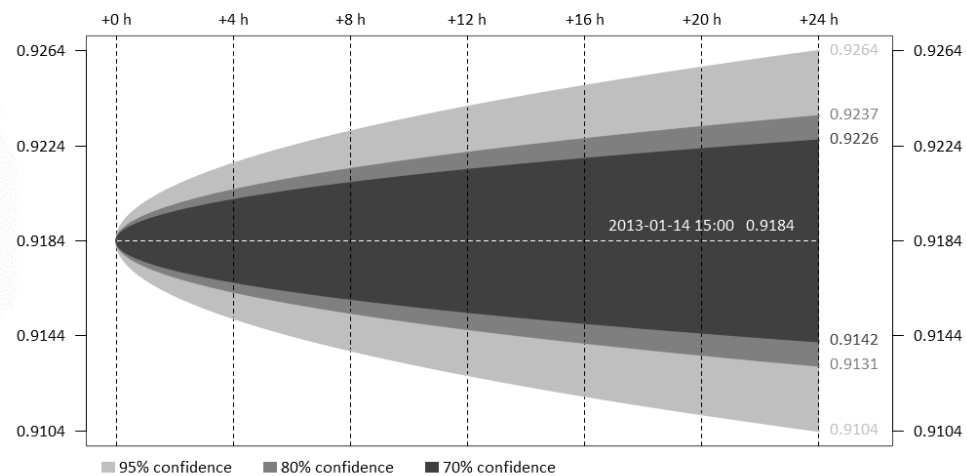
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

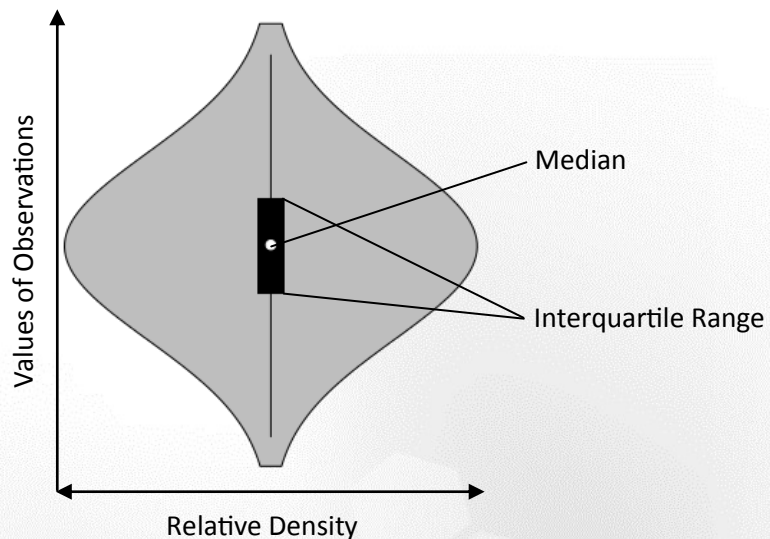
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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