



**USD**

16/01/2013



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RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the U.S. Dollar

## Yellow Area

January 9

08:00 - 17:00

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

## Turquoise Area

January 10

08:00 - 18:00

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

## Blue Area

January 11

11:00 - 20:00

- U.S. Trade Balance [\[link\]](#)
- U.S. Federal Budget Balance [\[link\]](#)

## Purple Area

January 14

08:00 - 19:00

- Eurozone Industrial Production [\[link\]](#)
- Chicago Fed President Speech [\[link\]](#)

## Orange Area

January 15

07:00 - 21:00

- Eurozone Trade Balance [\[link\]](#)
- U.S. Retail Sales [\[link\]](#)
- U.S. PPI [\[link\]](#)

USD Currency Index Range

0.23%

0.71%

0.23%

0.21%

0.46%

Average EUR/USD Volatility Index

0.79

1.41

1.45

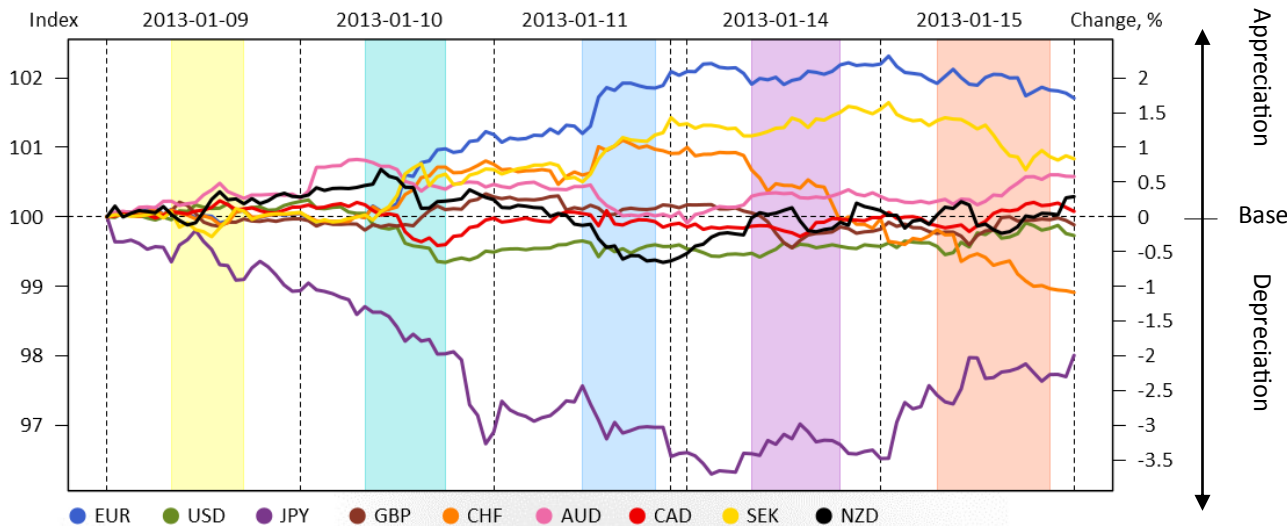
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1.32



# Relative Currency Strength

Currency Indices

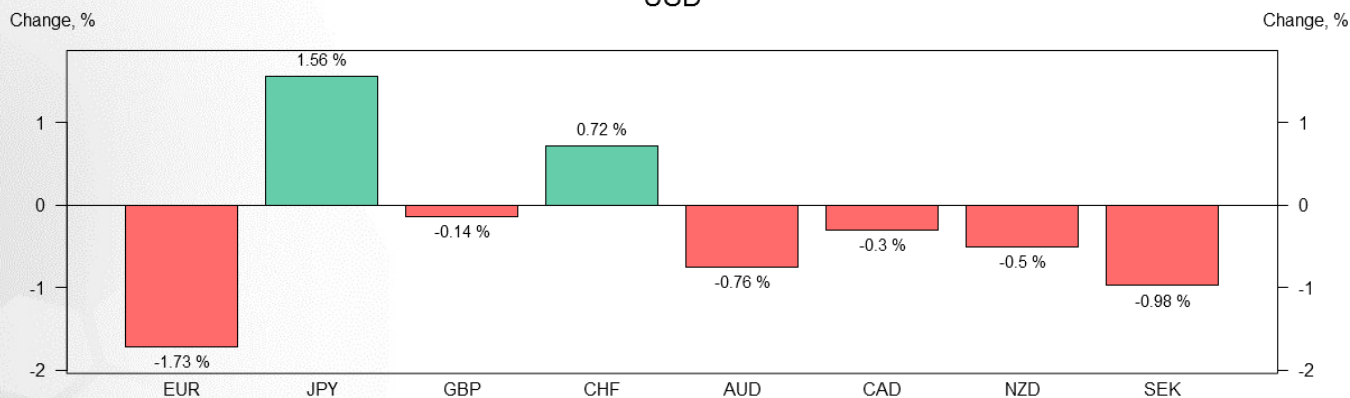


Worth of the U.S. Dollar remained buoyant throughout the last days, falling only 0.27% since Jan 9. Many other major currencies, such as AUD, GBP and CAD, were also stable and did not demonstrate any sharp movements, finishing the observed period close to their base values. Merely the Euro and Japanese Yen were the ones to remain sensitive to the incoming news, changing by 1.71% and -1.99%, respectively. The only time when the buck's currency index slipped occurred last Thursday, as the ECB has expressed its reluctance to ease monetary policy further and thereby the Euro advanced at the expense of its counterparts.

Later on the greenback trimmed some of its losses, but overall is still exhibiting neutrality and absence of any ubiquitous trend that could be seen on all of its crosses. Thus underperformance of the U.S. Dollar relatively to the EUR, AUD, NZD and SEK was almost completely nullified by surges in USD/JPY and USD/CHF currency pairs.

The Dollar also exhibits strong resilience and unwillingness to depreciate. The start of the current week promised to weigh on the currency, since Fed doves were delivering speeches. Nonetheless, there appears to be no noticeable effect yet in this regard, even though the recent FOMC statement has significantly increased demand for the USD.

USD



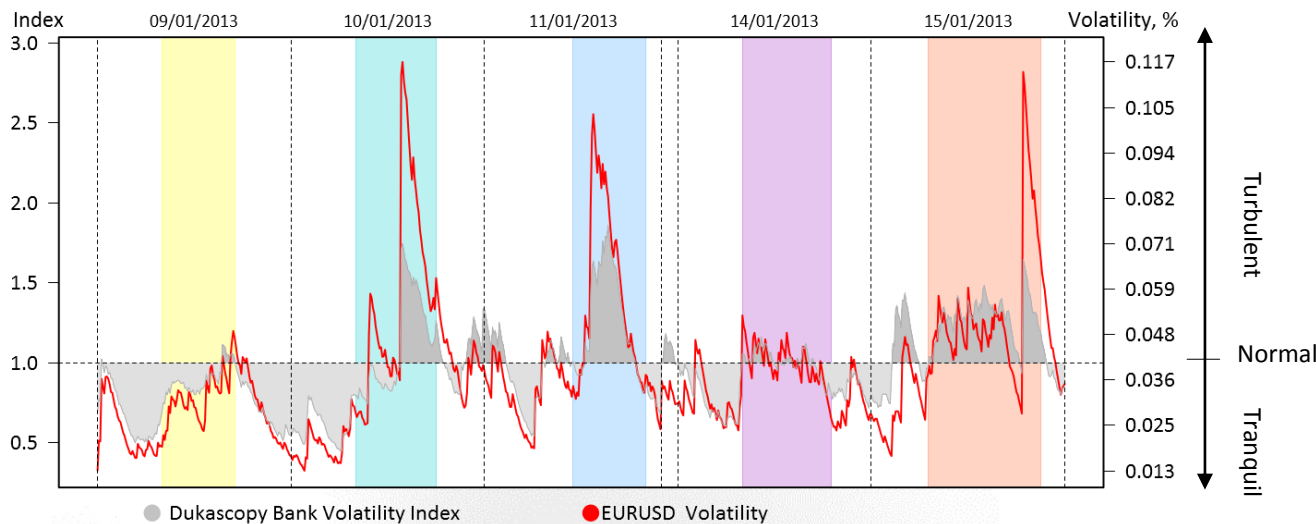
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	1.71%	-0.27%	-1.99%	-0.12%	-1.09%	0.58%	0.08%	0.83%	0.29%
20	1.65%	0.61%	-6.34%	-0.35%	-1.08%	0.86%	0.59%	3.00%	0.32%
130	6.20%	-3.22%	-16.19%	0.33%	2.67%	0.51%	0.34%	6.02%	3.22%



# Volatility

Volatility



As expected, uneasiness in the market, as shown by the Dukascopy Bank Volatility Index, has intensified on Jan 15, despite the fact that the beginning of the week is generally calm (with no significant changes on Mondays and Tuesday). This time, on the other hand, there was a large number of influential updates (e.g. producer price index and retail sales) on the U.S. economy apart from a considerable amount of news from other regions. Nonetheless, the U.S. Dollar itself was surprisingly still, while prices of different currencies were incorporating the incoming information.

During the last five days EUR/CHF so far is the most turbulent. Besides reaching the highest among all volatility index value of 4.4, the currency pair is also volatile most frequently, surpassing historical changeability for nearly 70% of the time. Conversely, USD/CAD is the least responsive couple according to both measures presented in the tables, spending minimal portion of time being exceedingly variable (in 14% of cases). Since periods of heightened volatility are usually followed by periods of decreased volatility, there is a real chance of lowered compared to normal activity as we progress towards the weekend.

**Elevated Volatility (% of the observed period)**

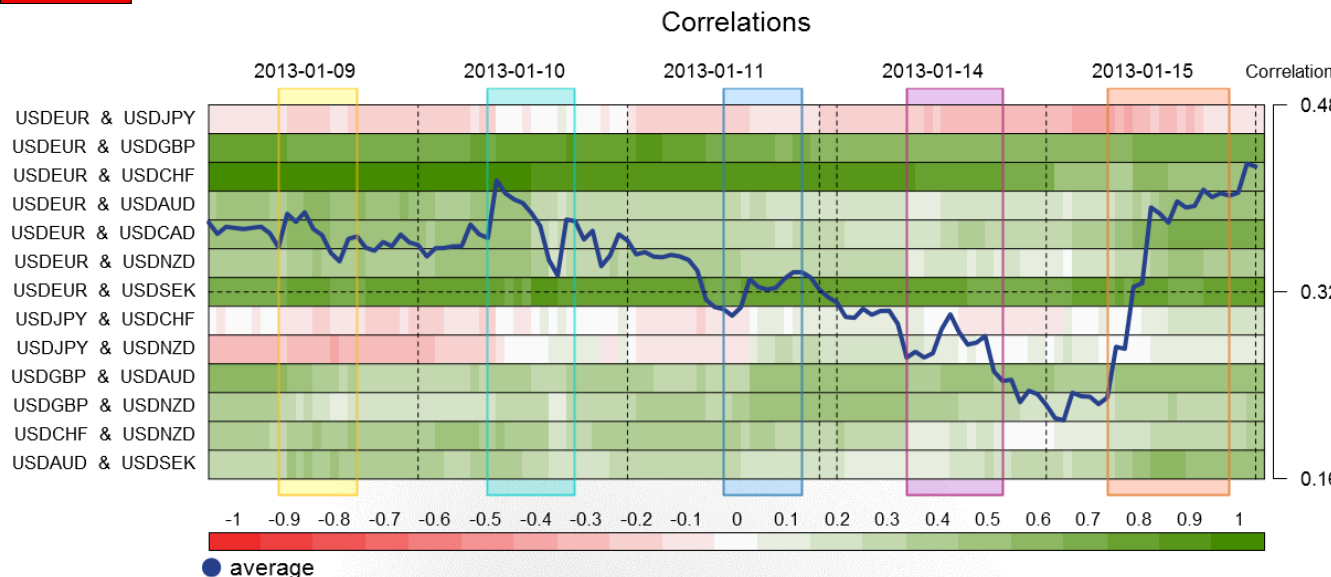
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	40	36	40	39	29	14	48	45	32	67	30

**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
<b>Max</b>		1.9	2.9	2.6	2.5	2.5	1.5	2.9	2.5	2.2	4.4	2
<b>Min</b>		0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.2	0.3
<b>Average</b>		1	1	1	0.9	0.9	0.7	1	1.1	0.8	1.6	0.8



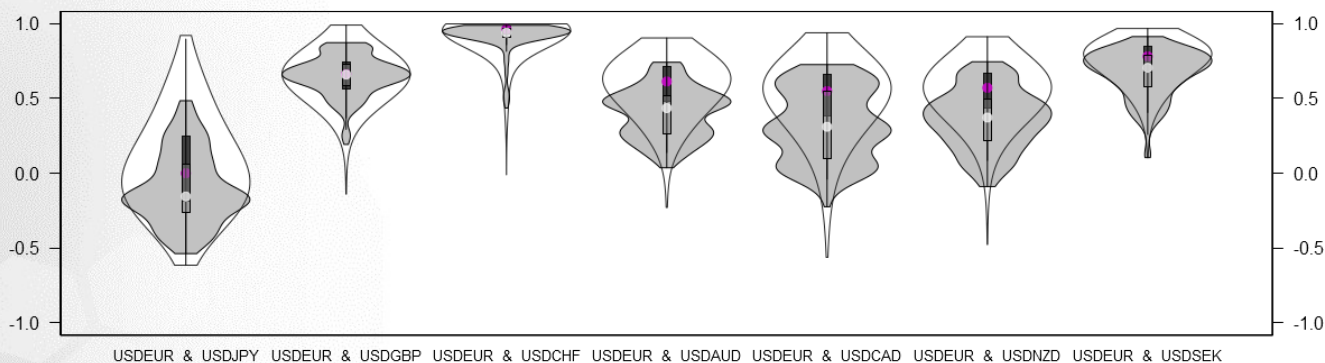
# Currency Significance



Judging by the average correlation coefficient, which has declined from an already low value of 0.38 (Jan 9) down to 0.21 late Monday, the significance of the U.S. Dollar was on the decline, as the focus of investors was shifting further away from the Dollar. Afterwards, however, there was a notable change in the pattern, since the coefficient soared up to 0.43 during Jan 15, as new readings have reminded the investors of a current state of the U.S. economy, which is consistently sending signals of improvement, albeit of slightly more shallow and brittle than one could hope for.

There is also a major shift we do not want to leave unattended that concerns the U.S. Dollar and its image in the minds of market participants. Previously good data coming from the United States or any other important economic area would weigh down on the USD, being the safe haven asset. Lately, investors have been spotted moving away from perceiving the market through a risk-on/risk-off prism, with one of the reasons being replacement of Fed goals for macroeconomic factors. This translates into a contrary to prior effect of news on the value of the USD, which is now inclined to appreciate on positive news and depreciate on negative news.

Correlations (20 vs 130 days)

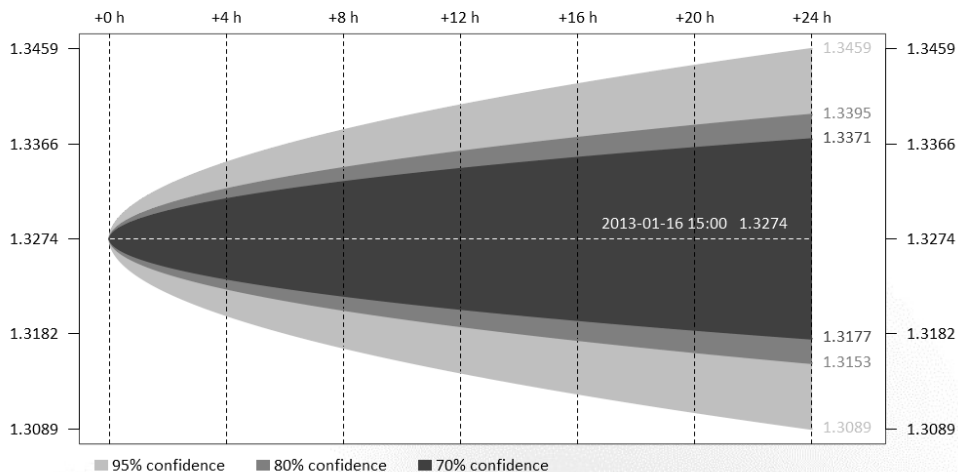


Mean Correlation Coefficient (with USDEUR)

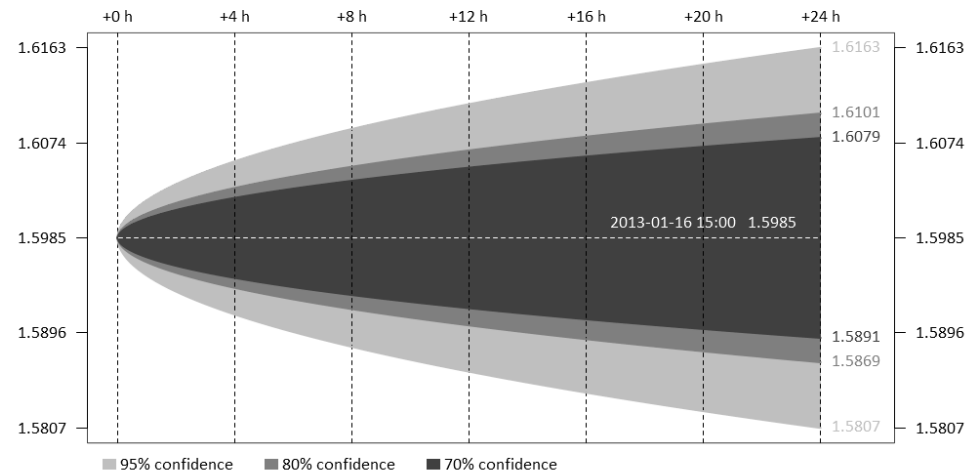
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	-0.19	0.7	0.79	0.3	0.38	0.3	0.78
20	-0.1	0.65	0.91	0.4	0.32	0.36	0.66
130	-0.05	0.64	0.92	0.54	0.45	0.48	0.66

# Confidence Intervals for Next 24 Hours

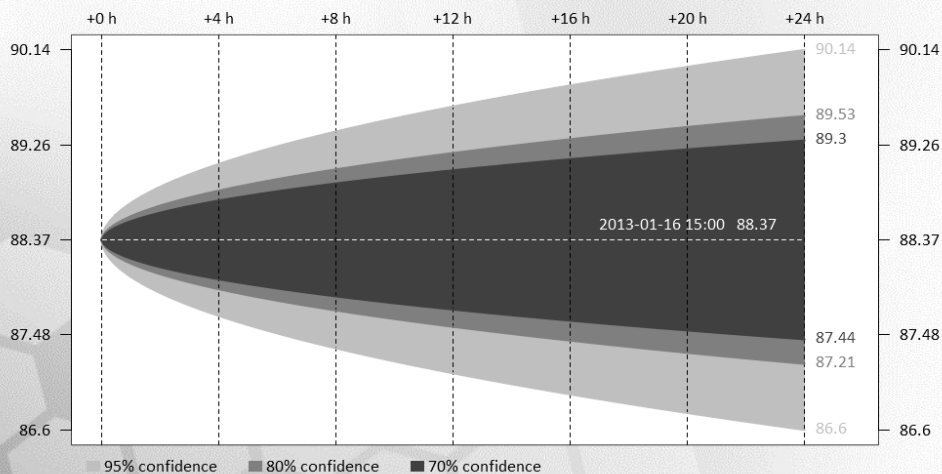
EURUSD Potential Rates



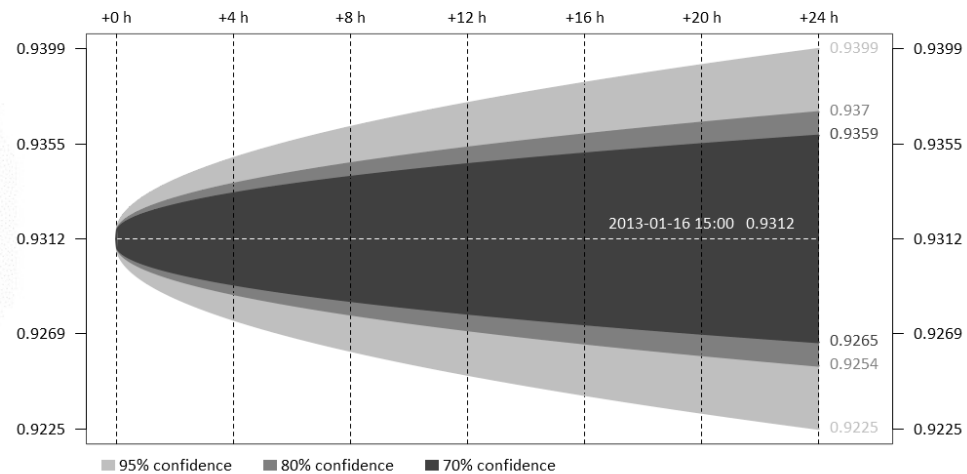
GBPUSD Potential Rates



USDJPY Potential Rates



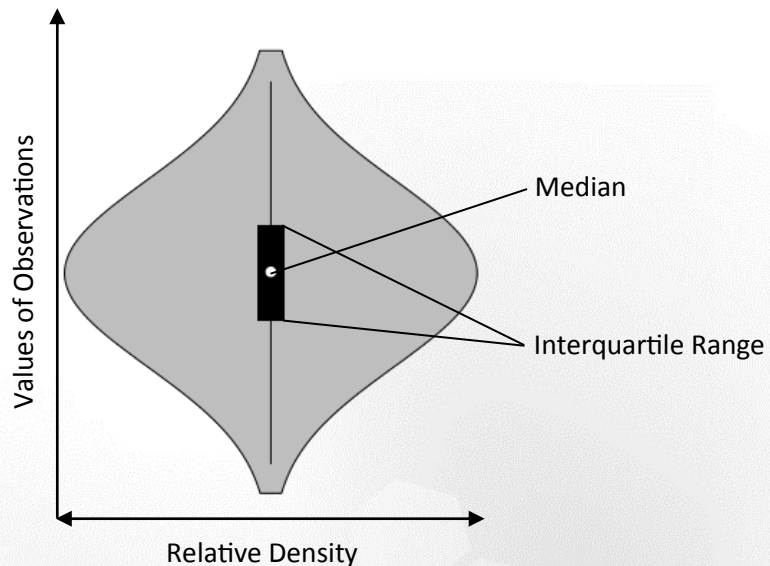
USDCHF Potential Rates



# 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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