



CHF

18/01/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Swiss Franc

Yellow Area

January 11

08:00 - 17:00

- *Swiss CPI* [[link](#)]
- *U.S. Trade Balance* [[link](#)]
- *ECB Leaves Interest Rate Unchanged* [[link](#)]

Turquoise Area

January 14

06:00 - 21:00

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

Blue Area

January 15

01:00 - 23:00

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

Purple Area

January 16

05:00 - 17:00

- *Japanese Consumer Confidence* [[link](#)]
- *Swiss Retail Sales* [[link](#)]
- *Eurozone CPI* [[link](#)]
- *U.S. CPI* [[link](#)]

Orange Area

January 17

06:00 - 18:00

- *Swiss PPI* [[link](#)]
- *U.S. Housing Starts* [[link](#)]
- *U.S. Unemployment Claims* [[link](#)]
- *U.S. Philly Fed Manufacturing Index* [[link](#)]

CHF Currency Index Range

0.64%

1.03%

0.88%

0.42%

0.44%

Average USD/CHF
Volatility Index

1.4

1.17

1.39

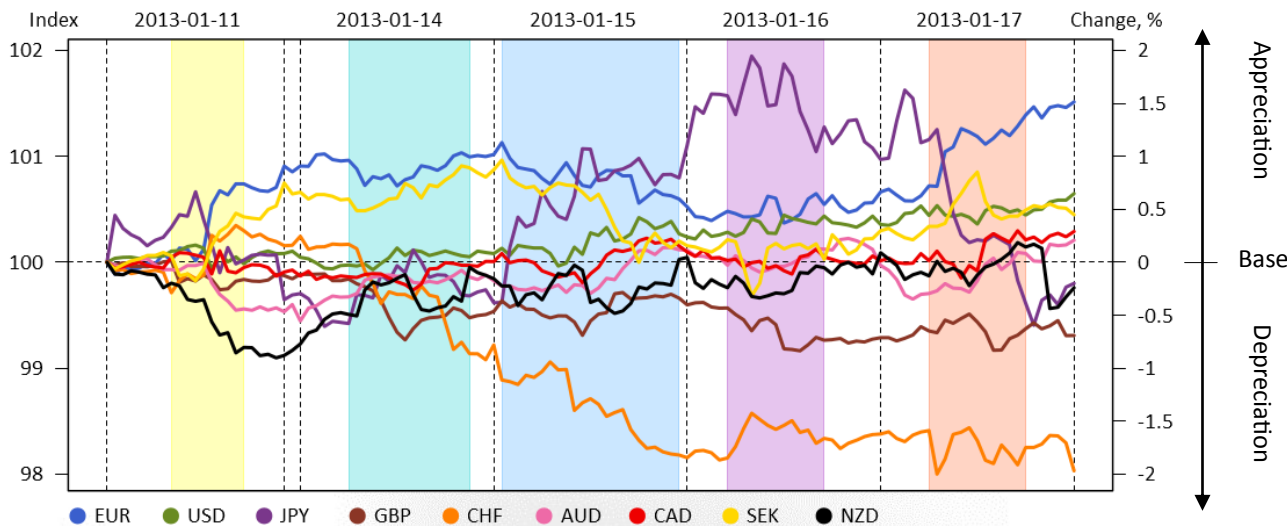
1.18

1.44



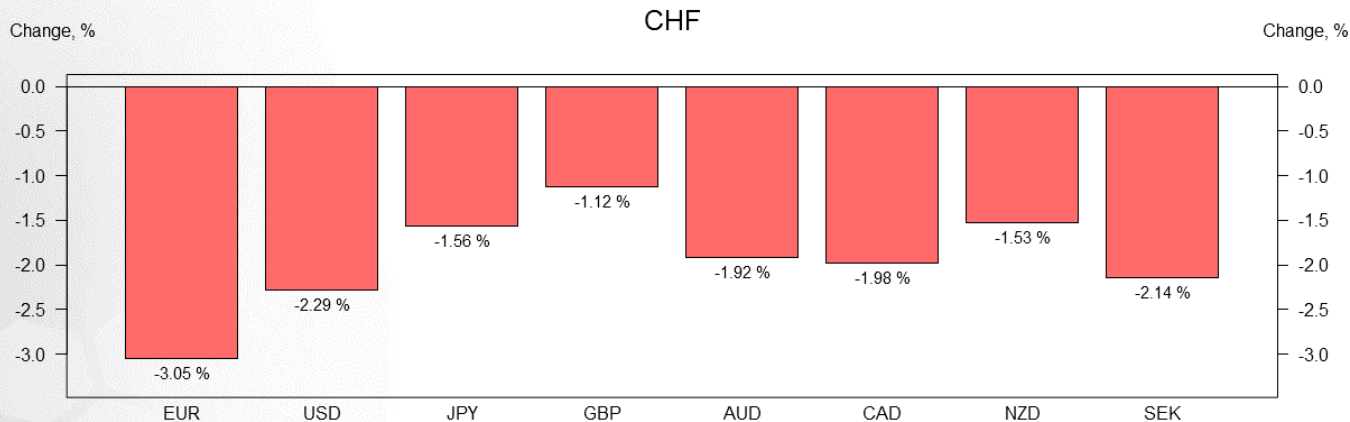
Relative Currency Strength

Currency Indices



Events that directly involved economy of Switzerland had a subdued effect on the worth of the Swiss Franc over the last five trading days. Neither a reading on inflation nor a publication on retail sales volume elicited a notable response from the market, leaving the price of the currency largely untouched around the time of the actual releases. Nevertheless, this disappointing news defined the downward direction of the currency index for the time when it moved most actively by creating a negative bias towards the Swiss Franc, debasement of which amounted to 2%.

Depreciation of the Franc was observed throughout all of its crosses and varied from 1.1% against the British Pound to 3% against the Euro. Performance of EUR/CHF requires special attention, as the currencies that compose this pair moved in unison following a decision of the SNB to limit price of the national currency in euros, a relationship that has been broken just recently. This supports the idea that behaviour of the market is returning to normal, away from the binary understanding of the happenings, i.e. viewing them as increasing or decreasing risk appetite and affecting currencies depending on their status, such as safe haven or high-beta. This is considered to be the primary reason why the positive data on the U.S. economy did not weigh on the USD, as they did in the past, but pulled it upwards.



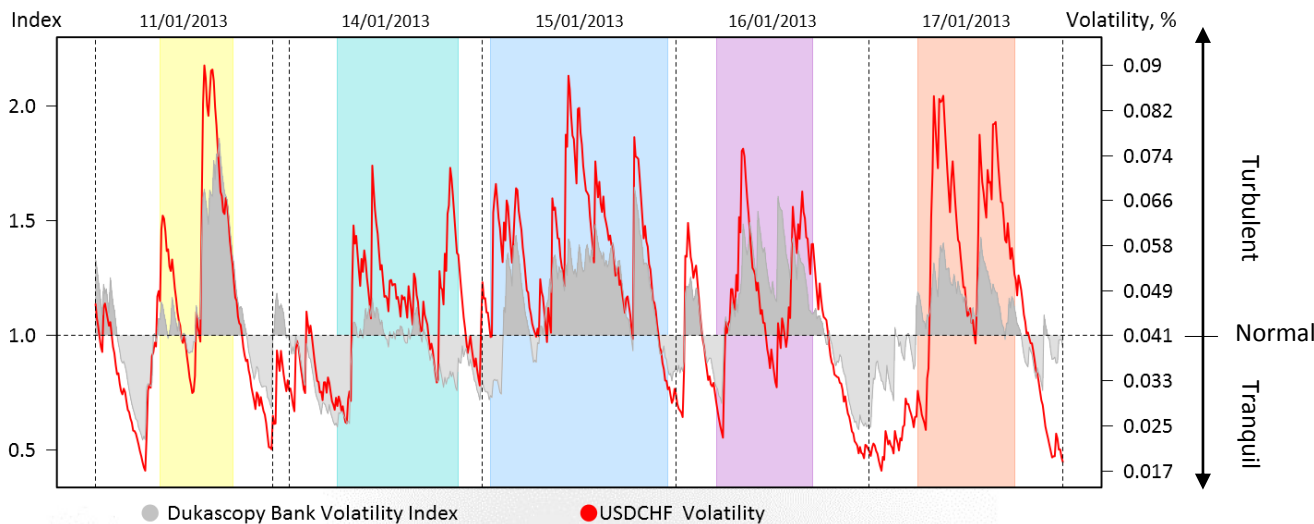
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	1.51%	0.65%	-0.20%	-0.69%	-1.97%	0.21%	0.29%	0.45%	-0.24%
20	2.01%	1.10%	-6.83%	-0.99%	-1.71%	1.59%	1.16%	1.78%	1.11%
130	7.52%	-2.56%	-17.07%	0.05%	2.87%	0.10%	0.63%	4.85%	3.53%



Volatility

Volatility



Anxiety in the market did not settle down and was present during all days since Jan 11, as 56% of all Dukascopy Bank Volatility Index values surpassed a mark of 1, which shows historical turbulence and serves as a benchmark of normality. Moreover, daily cyclicality was lost against the background of increased sensitivity of the market that almost was not subject to change in relation to trading hours, a pattern that we usually see. Nevertheless, Tuesday managed to stand out due to undying activity that persisted during all 24 hours of the day.

Since now there is a significant gap between the spot price and the 1.20 level on the EUR/CHF chart, the currency pair is demonstrating exceedingly high volatility, being turbulent in 92% of cases. It was also maximally 4.4 times more volatile than usually.

USD/CAD, on the other hand, remains the least susceptible to world events exchange rate, being turbulent only 16% of the time and having the lowest maximum volatility index of 1.5, which is considerably below the values shown by its counterparts.

Elevated Volatility (% of the observed period)

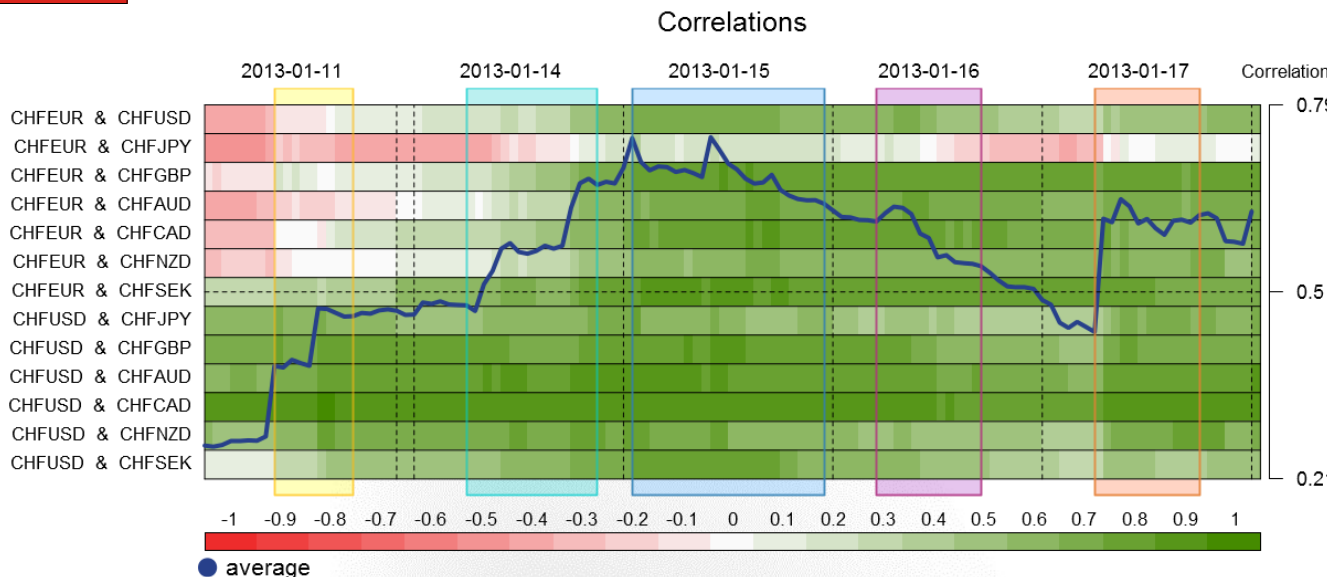
Market	EUR/ USD	USD/ JPY	GBP/ USD	AUD/ USD	USD/ CAD	USD/ CHF	EUR/ JPY	EUR/ GBP	EUR/ CHF	USD/ SEK	NZD/ USD	
	56	43	59	41	33	16	58	64	36	92	34	26

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	2.8	2.6	2.5	2	1.5	2.2	2.4	2.2	4.4	2	3.9
Min		0.5	0.4	0.4	0.4	0.5	0.3	0.4	0.5	0.3	0.5	0.4	0.3
Average		1.1	1	1.2	1	0.9	0.8	1.1	1.2	0.9	2	1	0.9



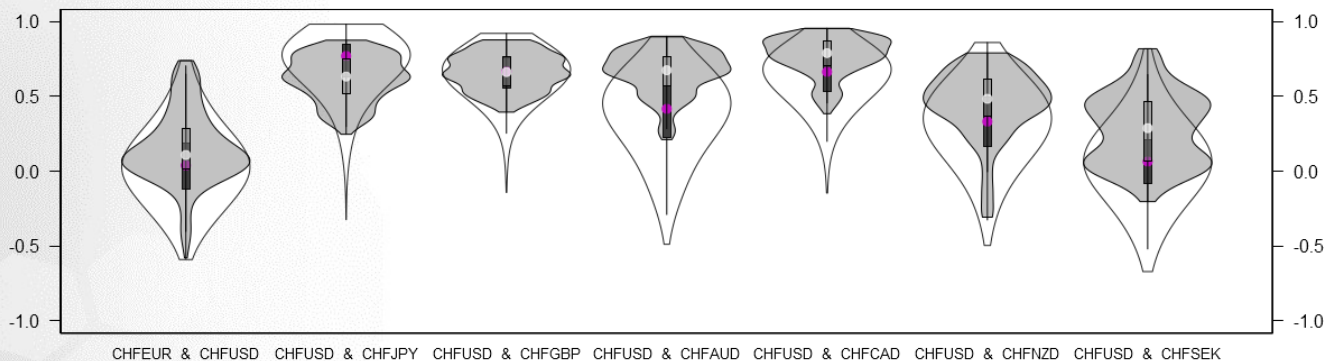
Currency Significance



Once EUR/CHF has lifted off the 1.20, its significance in the foreign exchange market sharply increased, as the average correlation coefficient surged from 0.26 up to 0.74 in the matter of three days. Later on it started to decline, but the negative tendency was halted by an update on Swiss producers' price index, which thus secured its topicality and supported the average correlation coefficient at 0.6. In the near future we may expect importance of the Swiss Franc to remain elevated and it should stay like this until EUR/CHF again approaches the lowest acceptable by the SNB level.

Most correlations between crosses of CHF have substantially strengthened, with the most pronounced changes noted in combinations of CHF/USD with CHF/EUR and CHF/SEK. Previously there was virtually no interrelation observed between these currency pairs, with the average 50-hour rolling correlation coefficients being near zero, looking 130 days back. The results are markedly different for the last five days, when the same measure was around 0.5, implying visible similarities between behaviours of the mentioned currency couples. However, this shift cannot be attributed to all of the correlations, since the frequency of directions of CHF/USD and CHF/JPY coinciding has fallen from 72% (half a year ago) down to 55% (five days ago) of cases.

Correlations (20 vs 130 days)

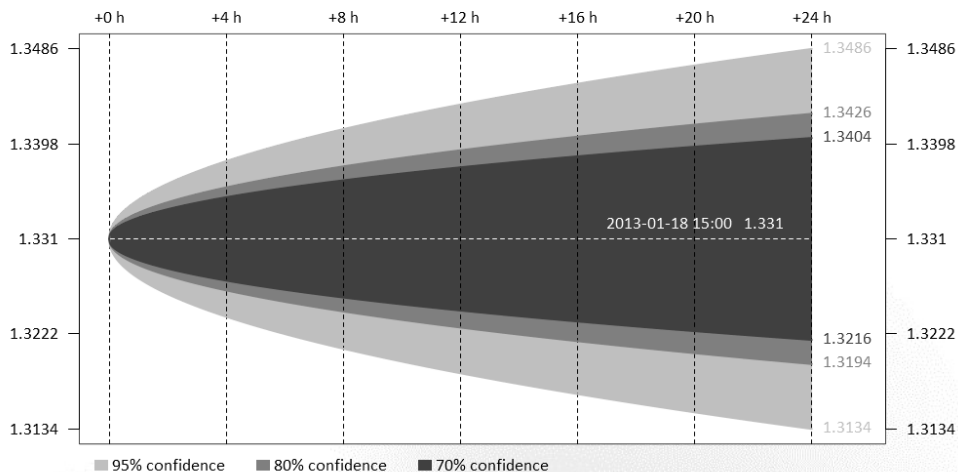


Mean Correlation Coefficient (with CHFUSD)

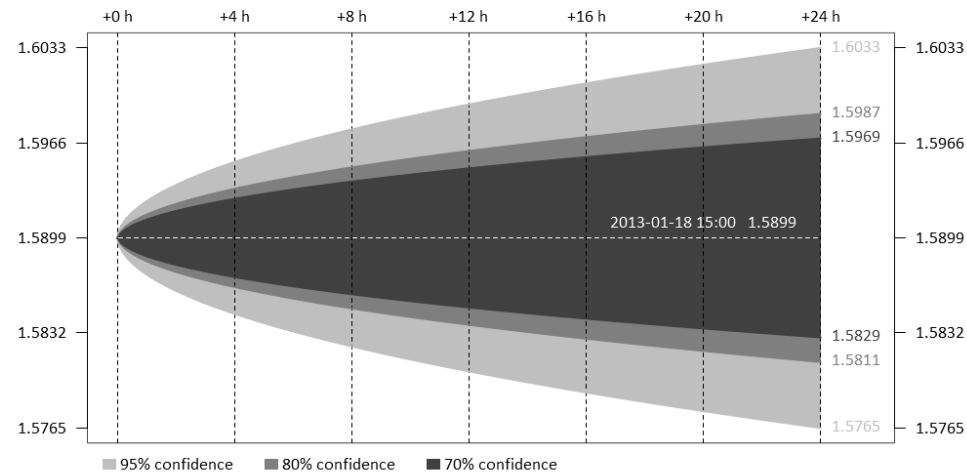
Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.49	0.55	0.73	0.81	0.88	0.64	0.56
20	0.15	0.62	0.66	0.66	0.77	0.45	0.28
130	0.04	0.72	0.65	0.49	0.66	0.38	0.15

Confidence Intervals for Next 24 Hours

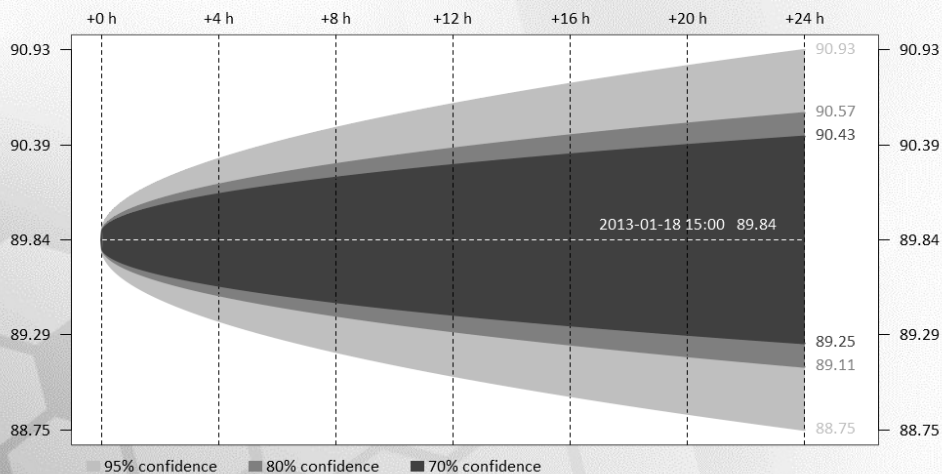
EURUSD Potential Rates



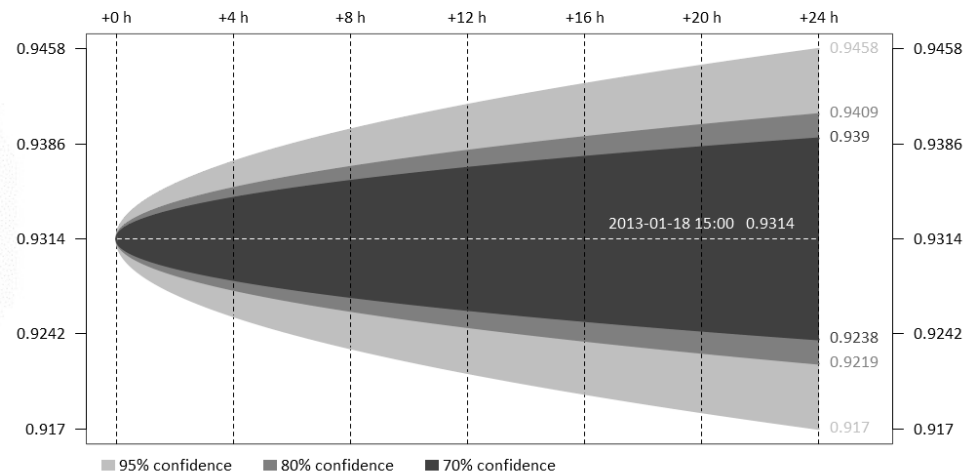
GBPUSD Potential Rates



USDJPY Potential Rates



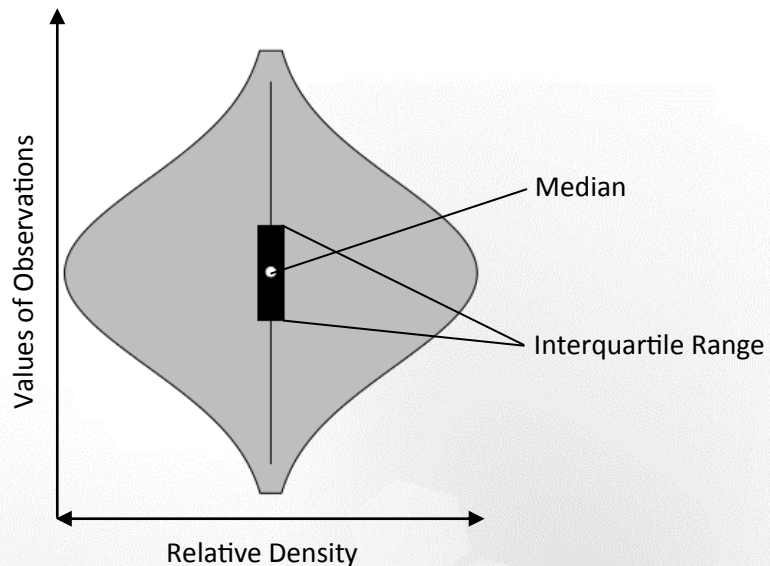
USDCHF Potential Rates



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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