



**EUR**

21/01/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the Euro

## Yellow Area

January 14

06:00 - 16:00

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

## Turquoise Area

January 15

01:00 - 21:00

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

## Blue Area

January 16

06:00 - 16:00

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

## Purple Area

January 17

07:00 - 19:00

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

## Orange Area

January 18

07:00 - 17:00

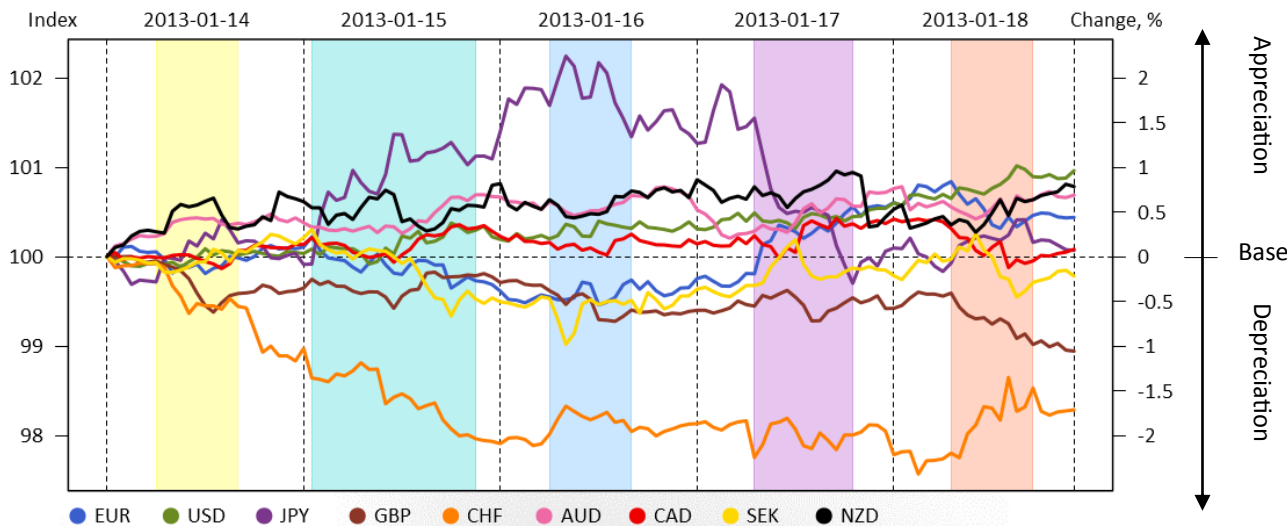
- Japanese Industrial Production [\[link\]](#)
- U.K. Retail Sales [\[link\]](#)
- U.S. UoM Consumer Sentiment [\[link\]](#)

EUR Currency Index Range	0.24%	0.57%	0.28%	0.75%	0.52%
Average EUR/USD Volatility Index	0.98	1.15	1.3	1.05	1.4



# Relative Currency Strength

Currency Indices

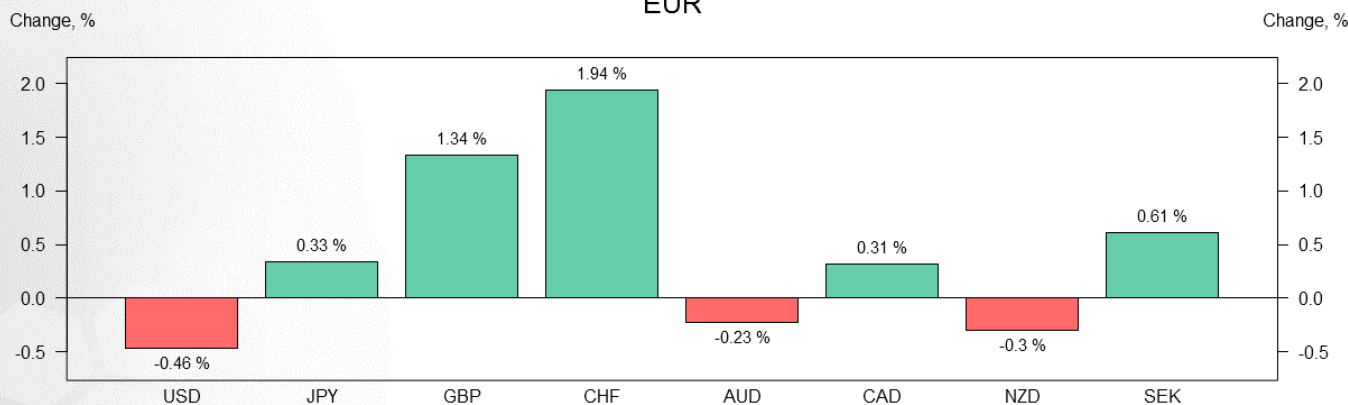


ECB's decision not to encourage lending in the Eurozone by keeping the key interest rate unchanged has lost its relevance over the weekend. The Euro thus slowly weakened amid softer data on the bloc, while the market was awaiting another strong signal, absence of which accounts for a standstill until Jan 17. The consolidation phase of the prices was then disturbed by corroboration of the implied by the Japanese PM easing measures, announcement of which is most likely to take place during the nearest publication of the BoJ monetary policy statement on Jan 22.

Yen's precipitous depreciation has created a favourable for the Euro's value environment, being that demand for the single European currency was also spurred by a successful bond auction in Spain and an increased chance of Portugal returning back to open international debt market. However, the other major currencies remained impervious to these events and traded sideways during the whole week.

Surprisingly, even U.S. unemployment claims and building permits failed to evoke strong changes in exchange rates that remained relatively still. The only notable event was a detachment process of the Euro and Swiss Franc values, lower correlation between which is expected to become a new characteristic of the market.

EUR



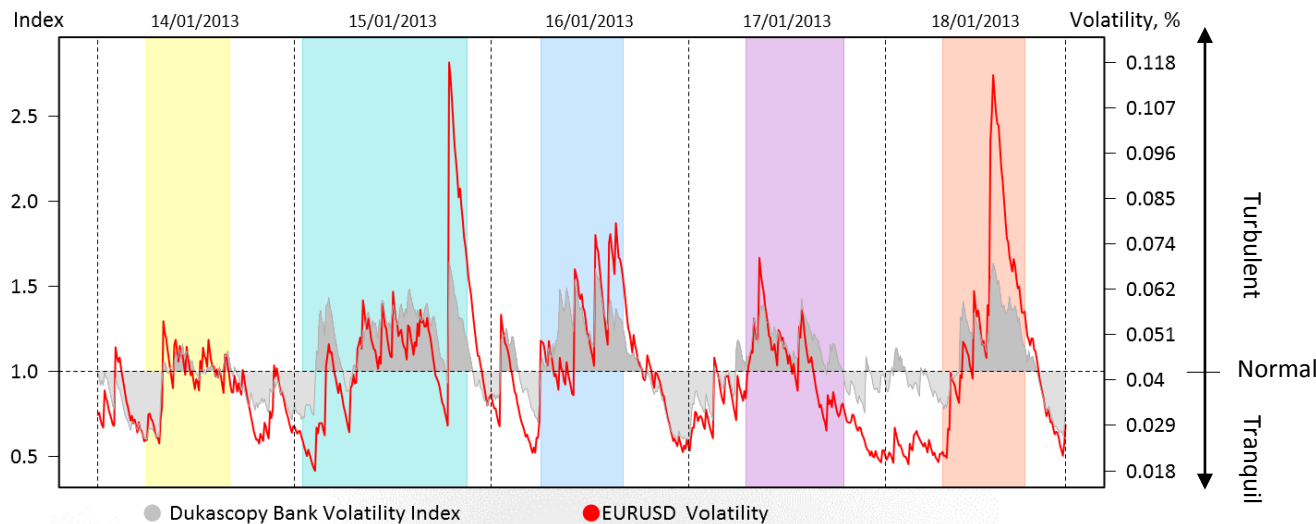
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.44%	0.96%	0.07%	-1.06%	-1.71%	0.69%	0.08%	-0.22%	0.78%
20	1.69%	1.53%	-6.92%	-1.48%	-1.49%	1.85%	1.20%	1.10%	1.80%
130	7.42%	-1.43%	-16.89%	-0.25%	3.45%	-0.67%	0.28%	5.09%	2.89%



# Volatility

Volatility



Previously we have marked the similarities of volatilities in the market and in EUR/USD currency pair, as their peaks, troughs and general levels largely coincided in the past, something that has not been observed in the last week. The changeability and therefore the range of EUR/USD's volatility index has greatly increased, with the most recent maximum and minimum values being 2.8 and 0.4, respectively, whereas the same measures of Dukascopy Bank Volatility Index were 1.6 and 0.4, even though the averages were exactly the same—1. This could be attributed to the fact that the Euro has now lost its influence on the Swiss Franc and EUR/USD is no longer a reliable proxy to market's variability.

Among the currency pairs studied we may spot a strong polarization in terms of sensitivity to different events, since USD/JPY, USD/CHF, EUR/JPY and EUR/CHF were turbulent for more than a half of the time. However, the rest of the constituent of the DBVI remained more or less tranquil, without constantly exceeding their normal pace of change.

The highest volatility comparatively to its historical changeability was demonstrated by EUR/CHF, surpassing it 4.3 times. However, the second more responsive currency pair proved to be NZD/USD, as New Zealand GDP figure released on Jan 17 has missed expectations.

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

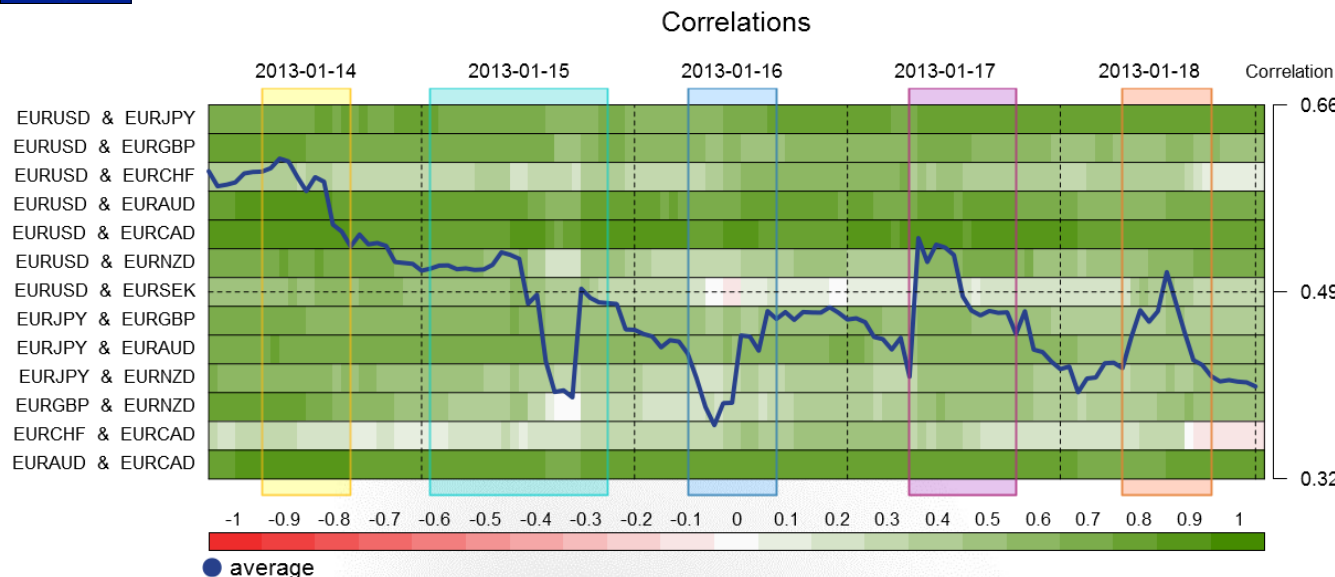
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
55	43	60	42	30	17	61	66	37	92	33	25

**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>	1.6	2.8	2.3	2.3	2	1.6	2.1	2.3	2.3	4.3	2	3.9
<b>Min</b>	0.6	0.4	0.4	0.4	0.5	0.3	0.4	0.4	0.3	0.5	0.4	0.4
<b>Average</b>	1	1	1.1	0.9	0.9	0.8	1.1	1.2	0.9	2	0.9	0.9



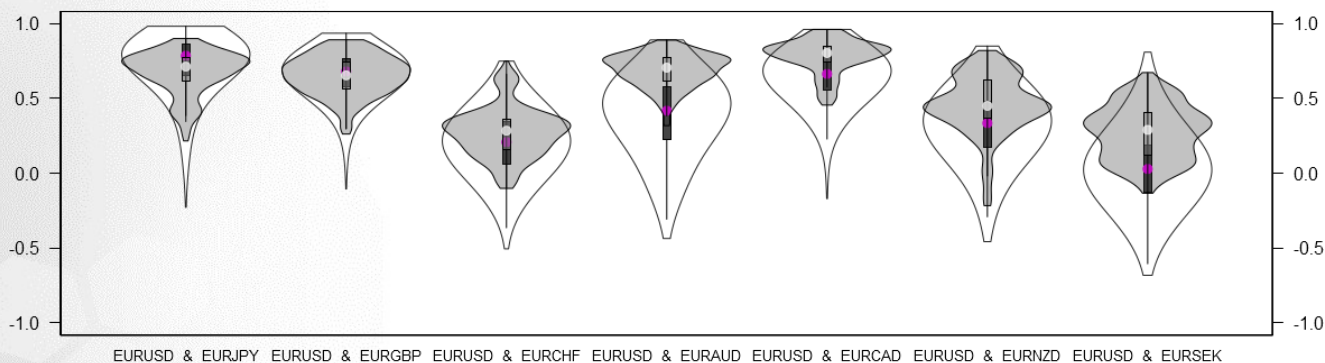
# Currency Significance



As indicated by the average correlation coefficient, the importance of the Euro has been declining from the elevated levels, but managed to stay near 0.4 with mixed success. Consequently, the currency is highly unlikely to exhibit the impact of the same strength seen on Jan 10 and Jan 11, but is nevertheless influential in the context of the foreign exchange market. This is especially noticeable in EUR/GBP, EUR/JPY and EUR/CAD currency pairs that historically have been closely linked to EUR/USD.

One of the tendencies that have been observed lately is the sharply rising interdependences between EUR/USD and EUR crosses with commodity currencies (AUD, CAD and NZD), which were already significant before, but now are even of a greater weight and concern to those who seek to reduce risk but at the same time remain exposed to the Euro. The similar trend is observed among all of the EUR crosses, but to a considerably smaller extent. Accordingly, these currency pairs provide more modest benefits of diversification than they formerly did. The lowest average 50-hour rolling correlation was recorded between EUR/JPY and EUR/SEK—0.12.

Correlations (20 vs 130 days)

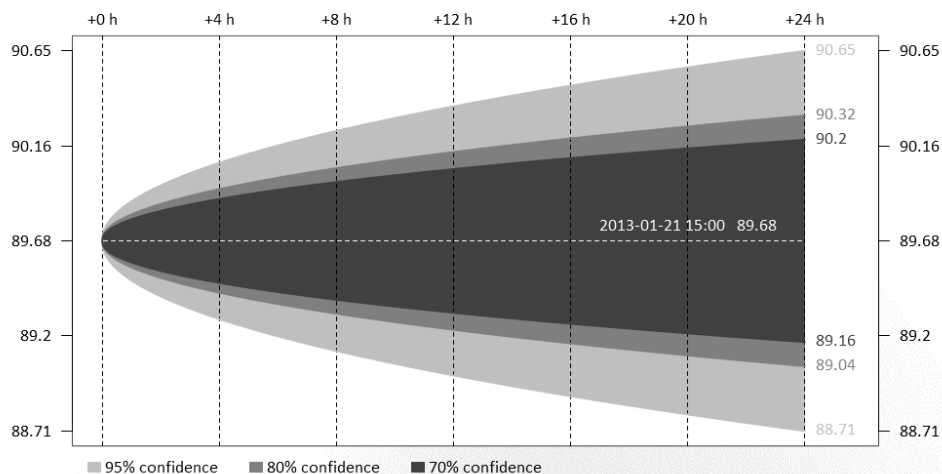


Average Correlation Coefficient (with EURUSD)

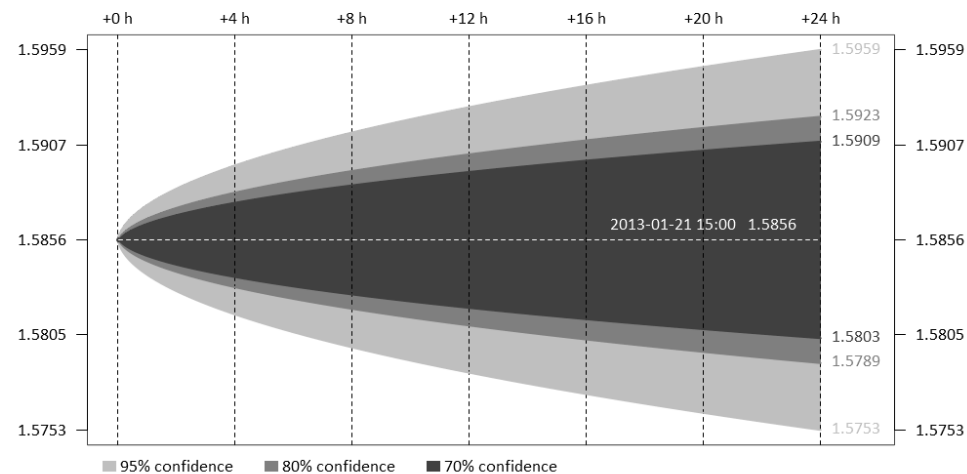
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.73	0.63	0.39	0.75	0.85	0.54	0.32
20	0.67	0.65	0.27	0.69	0.78	0.45	0.27
130	0.74	0.67	0.27	0.5	0.68	0.39	0.12

# Confidence Intervals for Next 24 Hours

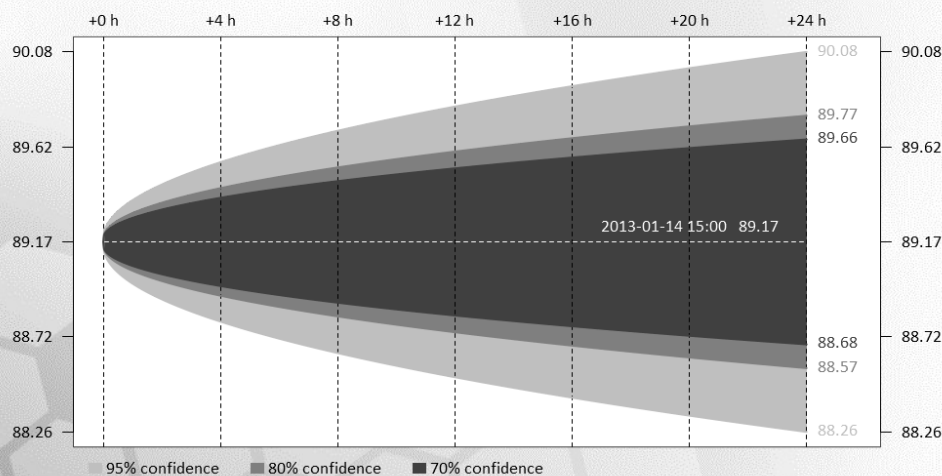
USDJPY Potential Rates



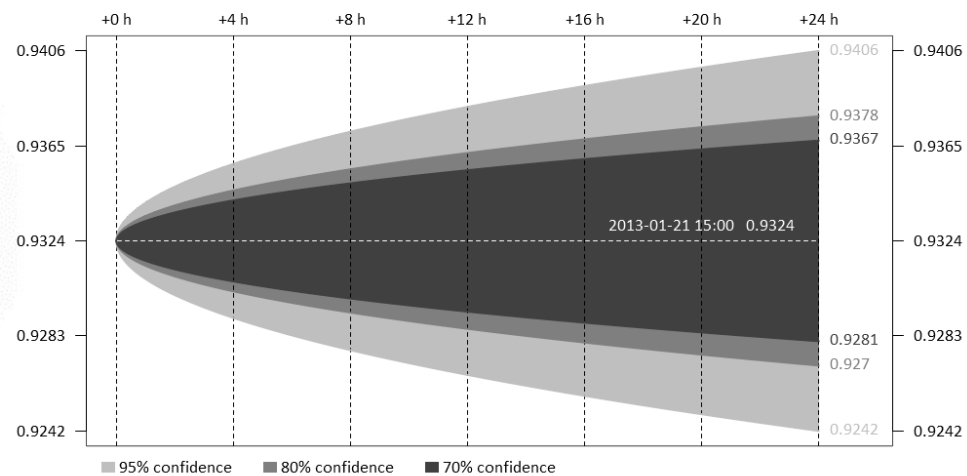
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

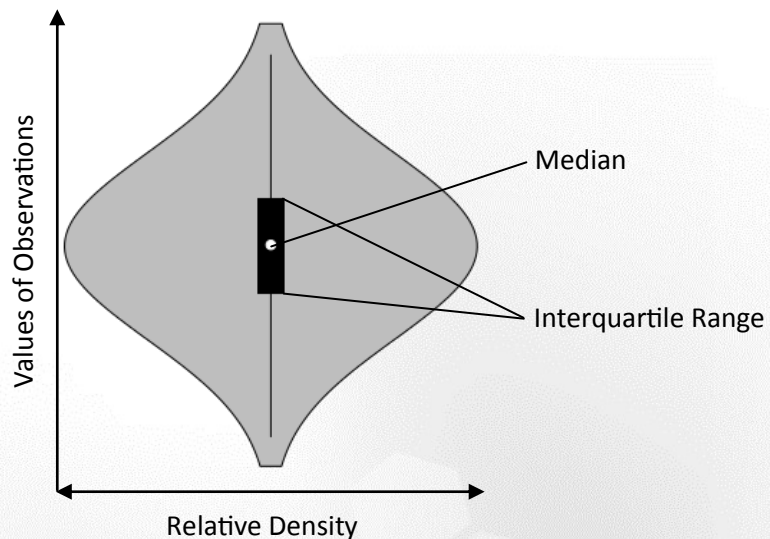
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval





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