



**EUR**

28/01/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the Euro

## Yellow Area

January 21

07:00 - 15:00

- German PPI [[link](#)]
- Eurogroup Meeting [[link](#)]
- Bank Holiday in the U.S.A.

## Turquoise Area

January 22

03:00 - 17:00

- BoJ Monetary Policy Statement [[link](#)]
- German ZEW Economic Sentiment [[link](#)]
- U.S. Existing Home Sales [[link](#)]

## Blue Area

January 23

06:00 - 19:00

- U.K. Unemployment Rate [[link](#)]
- Eurozone Consumer Confidence [[link](#)]

## Purple Area

January 24

05:00 - 18:00

- Eurozone Current Account [[link](#)]
- Eurozone PMI [[link](#)]
- U.S. Manufacturing PMI [[link](#)]
- U.S. Unemployment Claims [[link](#)]

## Orange Area

January 25

06:00 - 17:00

- German Ifo Business Climate [[link](#)]
- U.K. GDP [[link](#)]
- U.S. New Home Sales [[link](#)]

EUR Currency Index Range

0.22%

0.58%

0.34%

0.72%

0.73%

Average EUR/USD  
Volatility Index

0.76

1.24

1.2

1.21

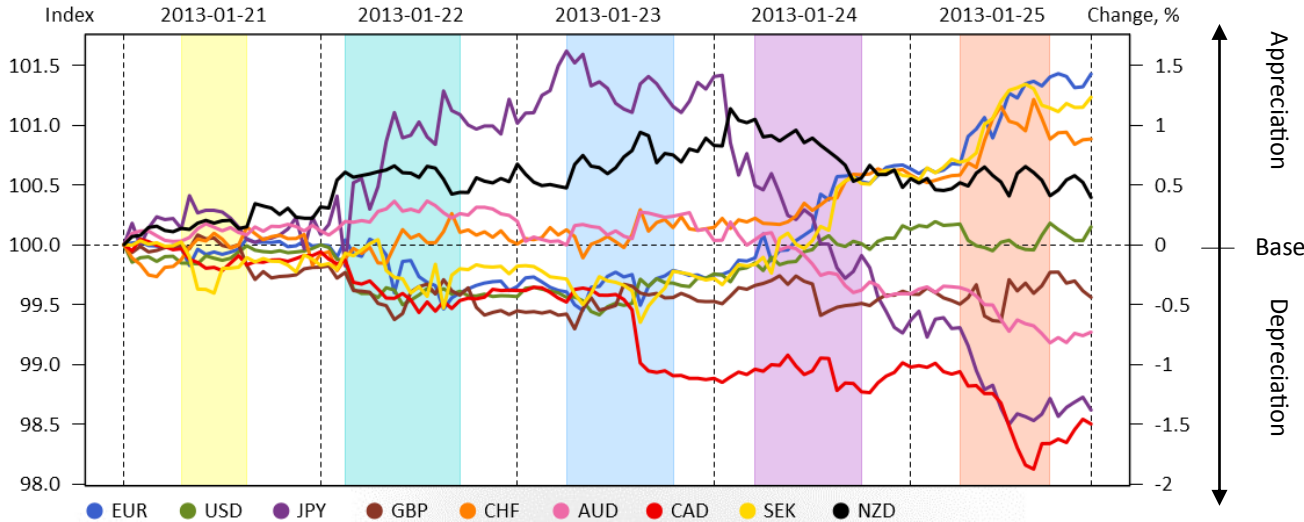
1.24





# Relative Currency Strength

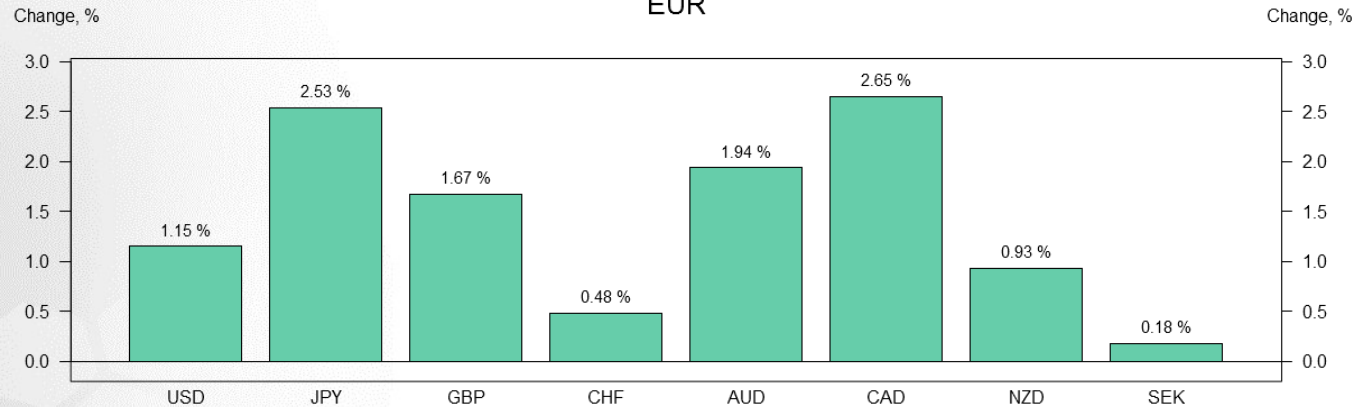
Currency Indices



Throughout the last week the single European currency has enjoyed an inflow of positive economic data, such as improving economic expectations and consumer sentiment, which was only tainted by a worse-than-expected German PPI numbers. Nonetheless, the investors remained cautious and therefore unwilling to accumulate exposure to the Euro, reflected by the unchanged currency index until Jan 24, which in turn has brought news that largely assured of the positive tendencies in the bloc's member states. Ifo business climate reading the next day has even further reinforced the conviction that Eurozone is moving in the right direction.

EUR

As a result, the average appreciation of the common currency since Jan amounted to 1.43%, although this result was achieved only due to the last two days. None of the Euro's counterparts were able to match its performance, losing from 0.18% (SEK) to 2.65% (CAD). The similar reaction, but to a slightly greater degree, was observed after the European Central Bank has stated its willingness to hold the interest rate unchanged, so that there would be no risk of excessive inflation. Then JPY, CAD and USD lost the most relatively to the Euro, whereas the Swiss Franc and Swedish Krona followed the currency closely, without falling far behind.



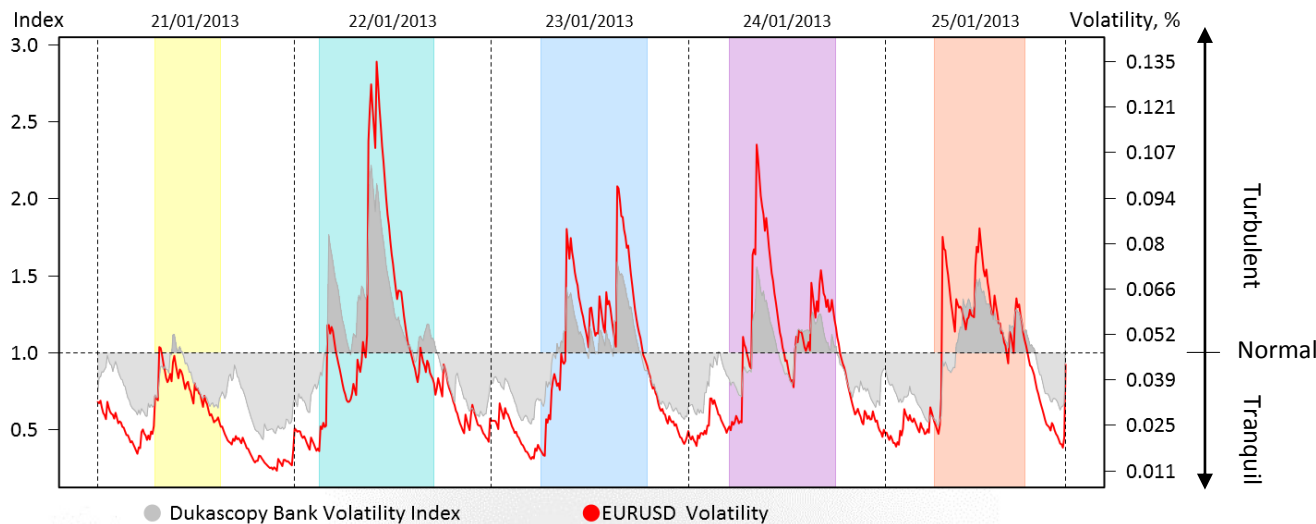
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
<b>5</b>	1.43%	0.15%	-1.38%	-0.44%	0.88%	-0.73%	-1.50%	1.23%	0.40%
<b>20</b>	2.39%	0.72%	-6.11%	-1.64%	-0.99%	1.20%	-0.68%	1.38%	2.74%
<b>130</b>	9.11%	-1.70%	-18.94%	-0.30%	4.79%	-1.40%	-1.41%	5.97%	3.57%



# Volatility

Volatility



Even though decisive, according to the currency index, for the Euro events were taking place near the weekend and they were also accompanied with notably increased volatility, which in the market exceeded 1.6 times its normal levels, the highest Dukascopy Bank Volatility Index value was recorded on Jan 22—2.2. This day was marked with the BOJ monetary policy statement early in the morning, which announced less dovish than anticipated measures introduced by the central bank, heavily disappointing Yen-bears. Still, the Euro itself remained stable on the news and EUR/USD was moved mainly by fluctuations in the value of the U.S. Dollar instead.

EUR/CHF continues to be the most sensitive currency pair, being turbulent for more than a half of the time (54%), while its volatility index maximally was 4.5. USD/CAD volatility index was even higher at some point, 5.2, but the likelihood of such variability persisting in this currency pair for a prolonged period of time is rather low, since it was triggered by a fairly infrequent event—BOC monetary policy report and is thus not associated with its increased responsiveness in the long run.

Among the least variable currency pairs, comparatively to their historical behaviour, are USD/CHF, AUD/USD and NZD/USD, meaning that their pace of change is relatively stable and is not subject to changes regardless of the happenings in the world.

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
35	31	33	34	34	31	20	36	43	54	36	27

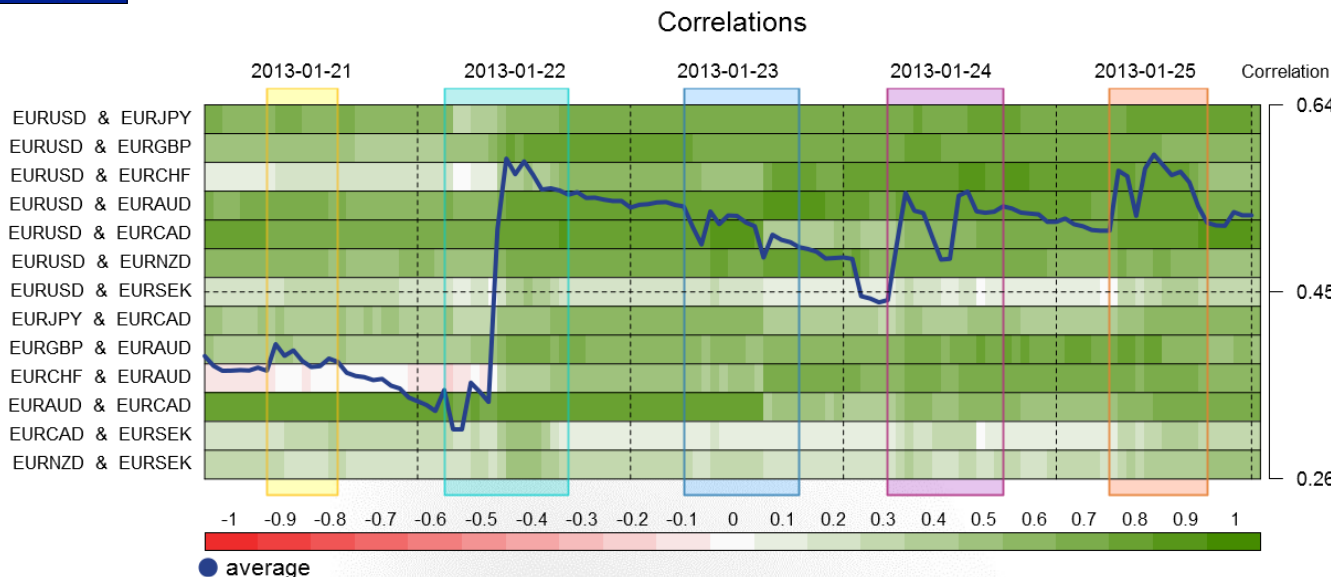
Volatility Index (for the observed period)

	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>	2.2	2.9	3.6	2.7	1.7	5.2	2	3	3	4.5	2.3	2
<b>Min</b>	0.4	0.2	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.4	0.2	0.4
<b>Average</b>	0.9	0.8	0.9	0.9	0.9	0.9	0.8	1	1	1.1	0.9	0.9





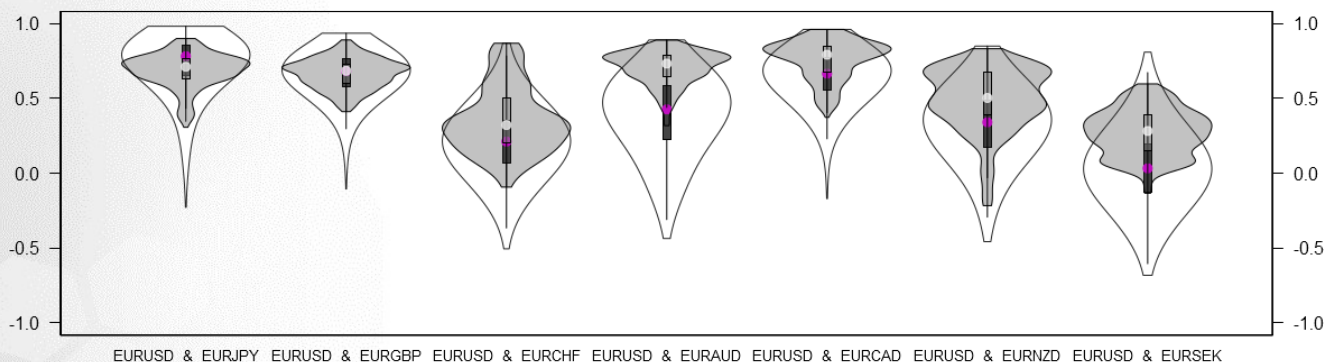
# Currency Significance



Shortly after the Bank of Japan delivered a statement, around the beginning of the European trading session, the significance of the Euro has notably risen. The average correlation coefficient has soared up to 0.58 from 0.31, which serves as an evidence of Euro's increased importance. This week should be different amid deficiency of scheduled updates on the Eurozone economy, which distinguishes it from the past one, having a plethora of such releases. However, Friday (Feb 1), with news on inflation and unemployment rate, could potentially become an exception.

It has now become less rewarding to invest simultaneously in two or more EUR crosses, as the correlations between them have generally strengthened. On the other hand, it has become easier to spot either conflicting or confirming signals, potentially increasing the reliability and trustworthiness of forecasts. Still, not of all of the correlations have increased equally. The largest positive changes in the means of 50-hour rolling correlations were observed in interrelationships of EUR/USD with EUR/AUD and EUR/SEK that increased from 0.51 and 0.12 up to 0.7 and 0.27, if we collate measure of central tendency for the last 130 and 20 days.

Correlations (20 vs 130 days)

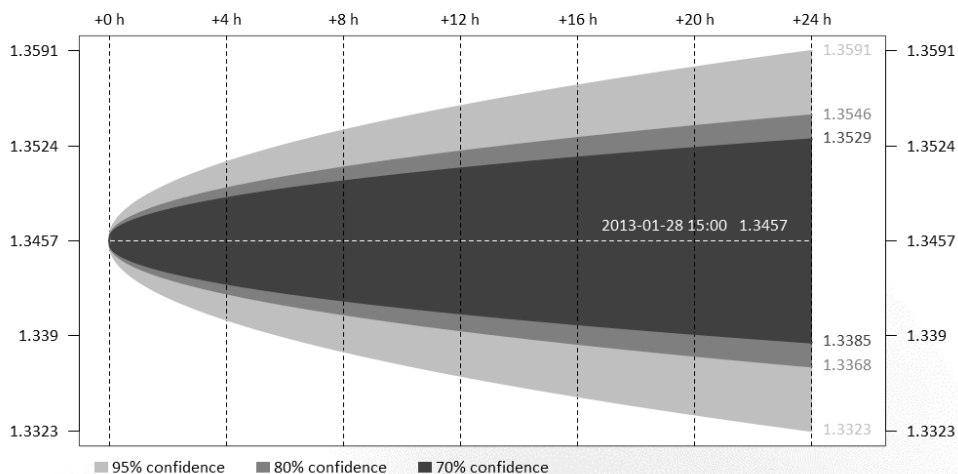


Average Correlation Coefficient (with EURUSD)

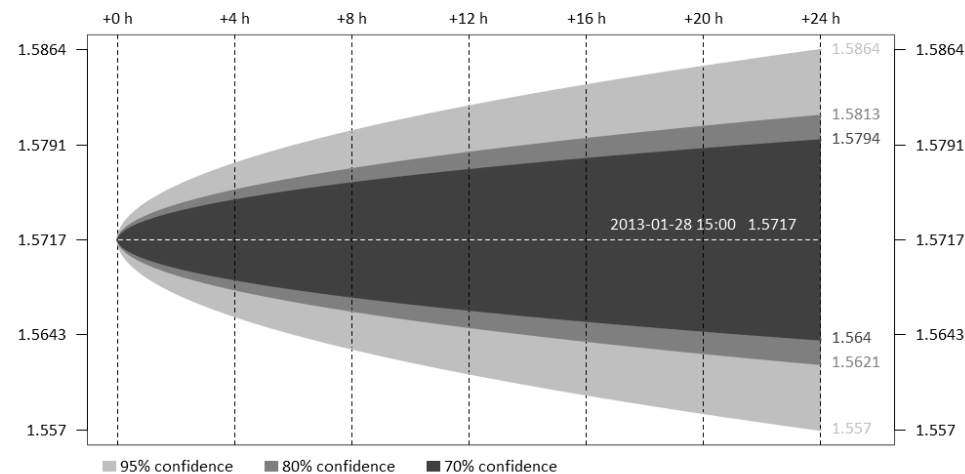
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.68	0.65	0.54	0.75	0.71	0.65	0.2
20	0.69	0.67	0.36	0.7	0.76	0.49	0.27
130	0.73	0.67	0.28	0.51	0.69	0.4	0.12

# Confidence Intervals for Next 24 Hours

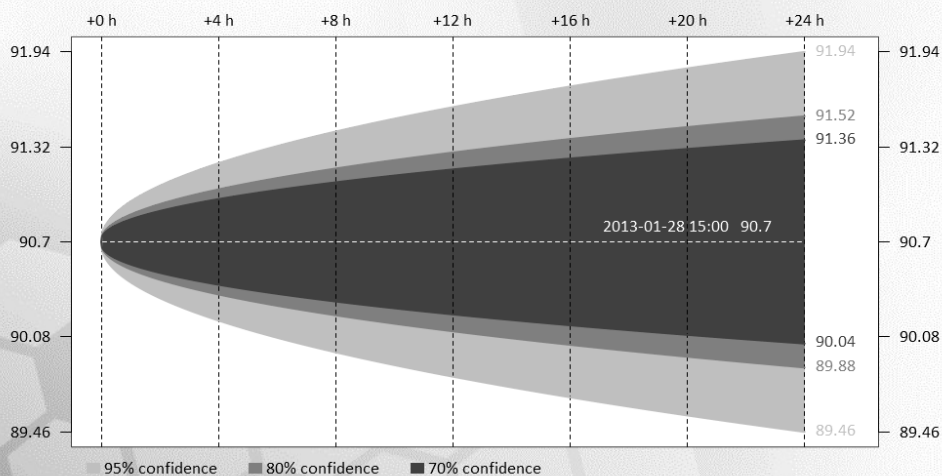
EURUSD Potential Rates



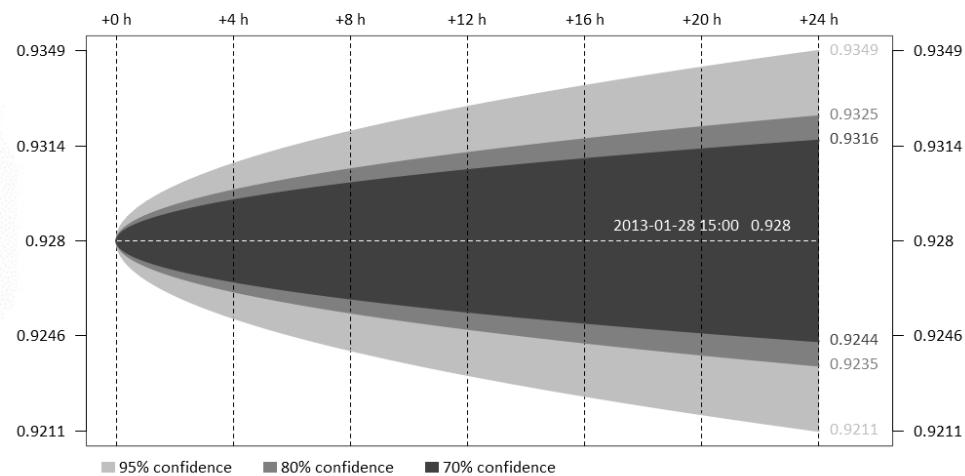
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

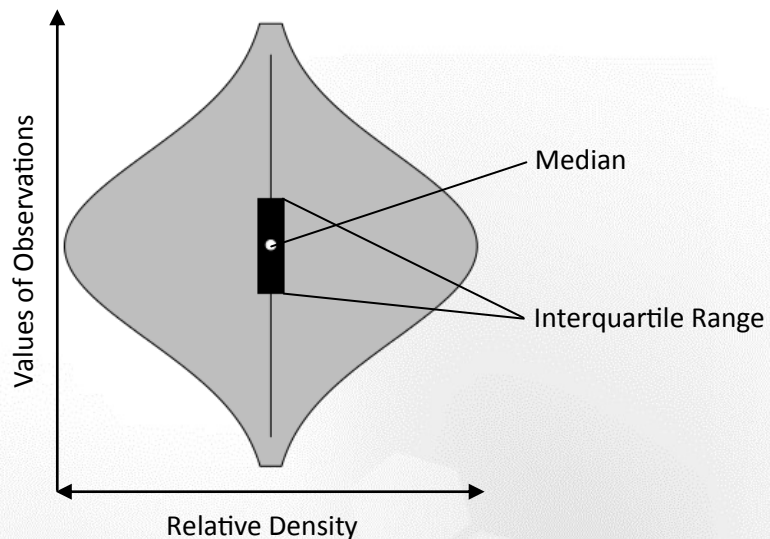
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval







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