



USD

30/01/2013



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RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area

January 23

08:00 - 17:00

- U.K. Unemployment Rate [\[link\]](#)
- U.S. HPI [\[link\]](#)
- Eurozone Consumer Confidence [\[link\]](#)
- BOC Press Conference [\[link\]](#)

Turquoise Area

January 24

06:00 - 18:00

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

Blue Area

January 25

06:00 - 19:00

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

Purple Area

January 28

06:00 - 17:00

- U.S. Durable Goods Orders [\[link\]](#)
- U.S. Pending Homes Sales [\[link\]](#)

Orange Area

January 29

07:00 - 17:00

- German Gfk Consumer Climate [\[link\]](#)
- U.S. CB Consumer Confidence [\[link\]](#)

USD Currency Index Range

0.3%

0.29%

0.23%

0.19%

0.29%

Average EUR/USD Volatility Index

1.36

1.26

1.19

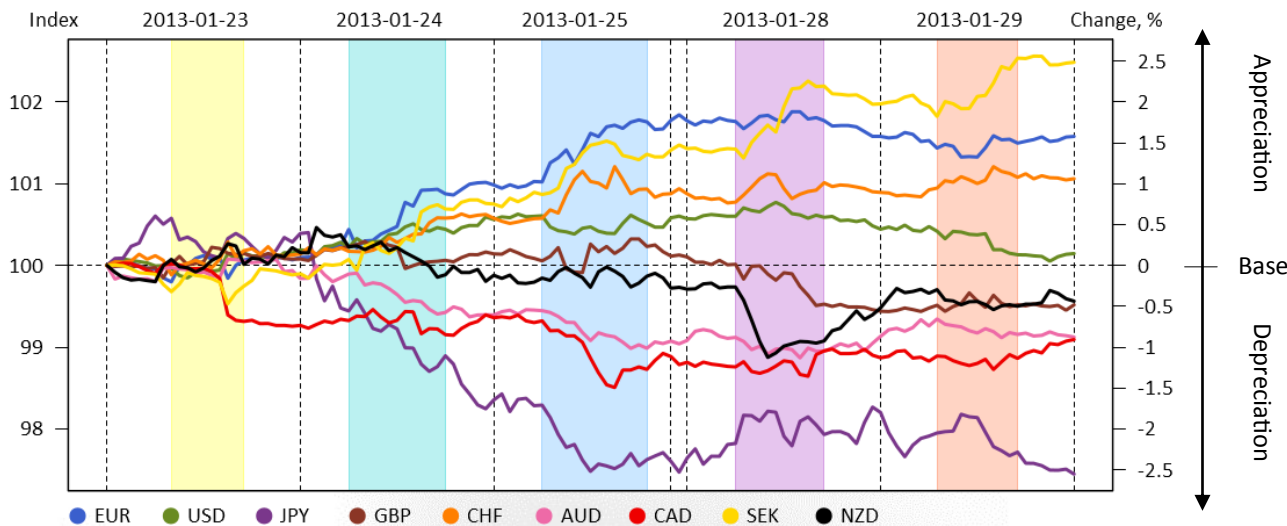
1.04

0.84



Relative Currency Strength

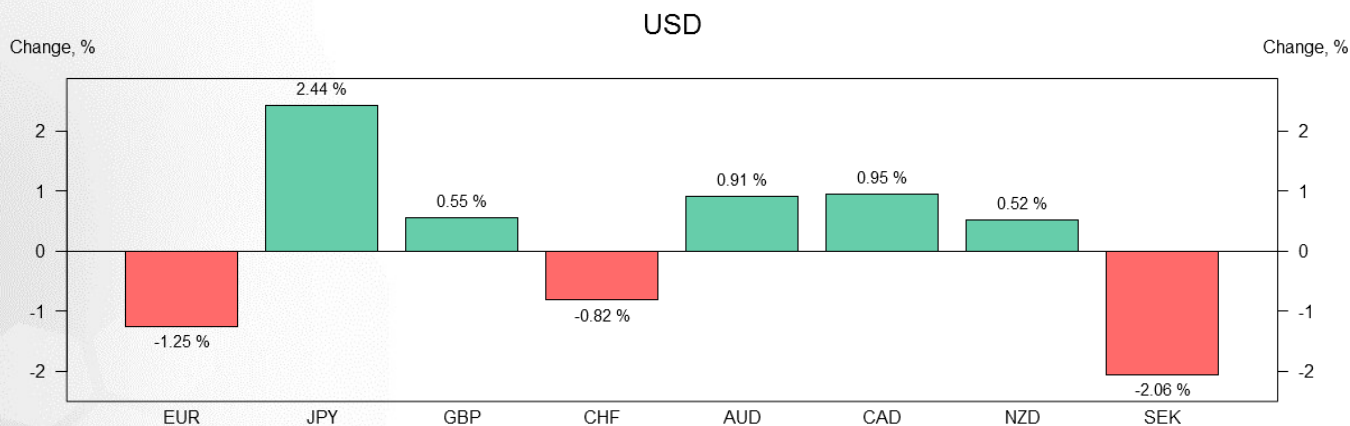
Currency Indices



Since the directions the U.S. Dollar has been taking were different the last and the current weeks, up and down, respectively, the change of the currency index for the observed period amounted only to +0.15%. Such behaviour of the U.S. currency was well-justified, as, against the background of improving economic statistics, such as unemployment claims, the housing market stood out in the bad sense, spoiling the elevated mood and weighing upon the worth of the greenback in the foreign exchange market.

Nevertheless, the nearest readings on the well-being of the U.S. economy, including the statement of the FOMC on the monetary policy, are largely anticipated to meet expectations, thus having a subdued effect on the Dollar, which thus should continue to stay relatively stable on the whole. Consequently, as it was observed previously, the deviations in USD crosses will be mainly invoked by the counterparts of the U.S. Dollar, rather than by the buck itself.

Starting from Jan 23, the U.S. Dollar has gained 2.4% against the Japanese Yen, but at the same time it has lost 1.25% and 2.1% relatively to the Euro and Swedish Krona, accordingly. Variations in the rest of the analysed currency pairs, on the other hand, did not exceed 1%.



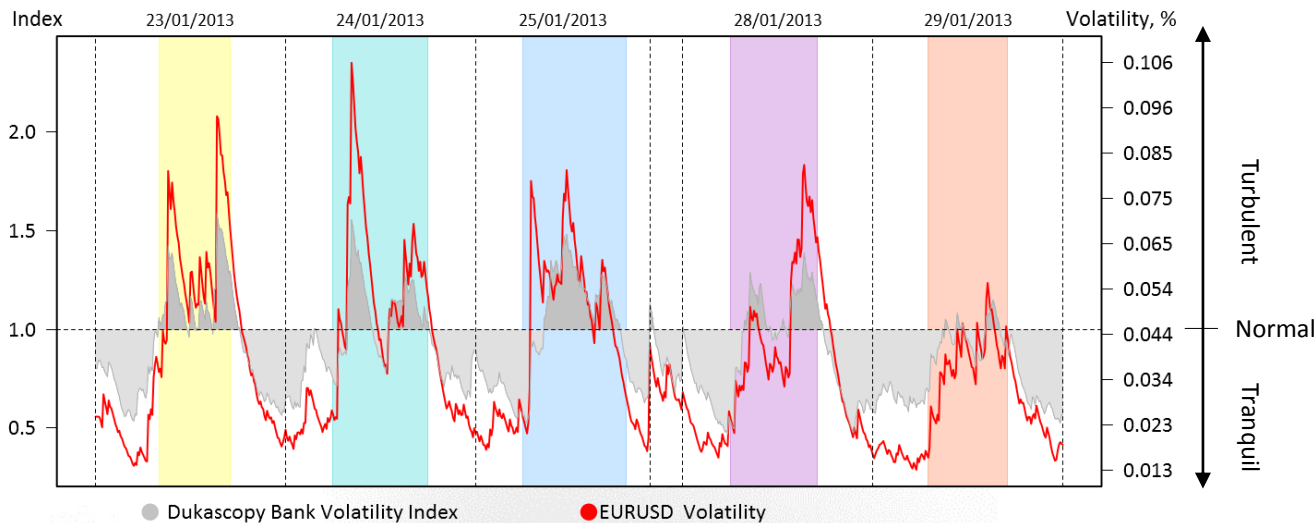
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	1.58%	0.15%	-2.55%	-0.48%	1.06%	-0.88%	-0.91%	2.49%	-0.44%
20	2.60%	0.41%	-5.50%	-3.06%	-0.47%	1.32%	-0.54%	2.45%	1.95%
130	9.36%	-1.39%	-18.22%	-0.90%	5.42%	-1.79%	-1.09%	6.03%	2.57%



Volatility

Volatility



As it is clearly seen from the graph to the left, the turbulence in the market has been gradually subsiding until now. However, we should not be deceived by such a tendency, but bear in mind how the volatility evolves throughout the week, i.e. its cyclical nature. As a rule, the second part of the week is associated with much more notable changes than during the first part of the week. Moreover, this time Wednesday is marked by potentially game-changing events that might impact the market for a protracted period of time, namely, non-farm employment change, last quarter GDP figure and the FOMC statement.

All of these factors make it relatively safe to assume that we are on the verge of heightened volatility that should persist at least until the weekend. For now though, AUD/USD, EUR/GBP and USD/SEK are the most frequently volatile currency pairs, since their currency index values surpassed the normality (a level of 1) 45%, 43% and 39% of the time, accordingly.

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
33	30	27	37	45	34	20	25	43	34	39	31

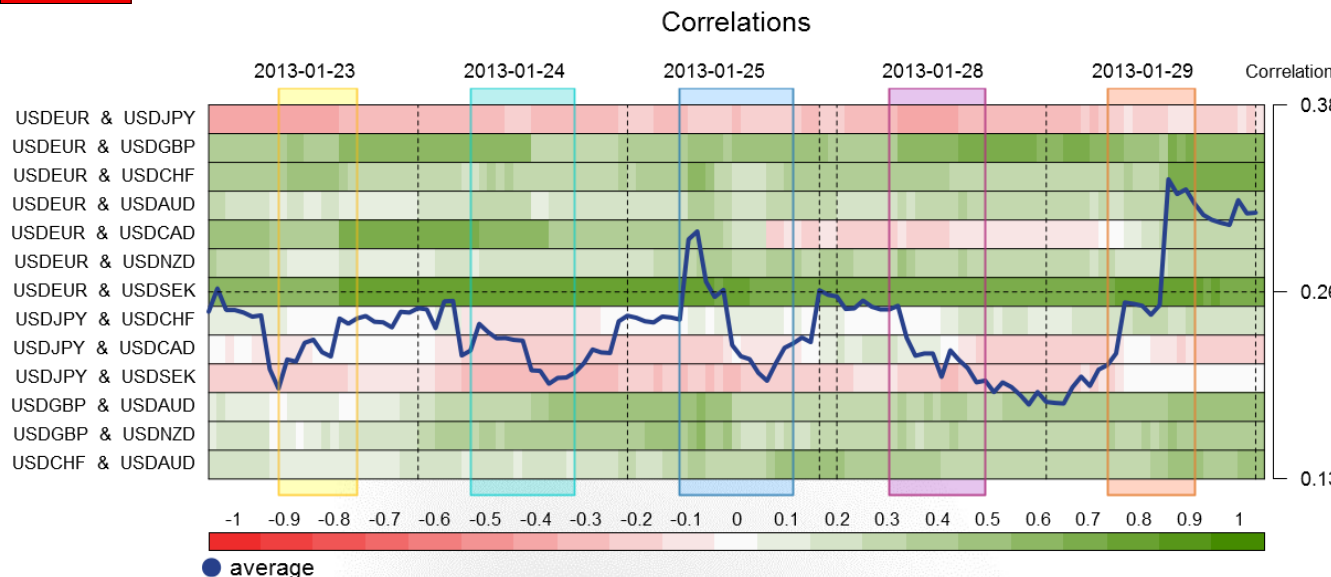
Still, the maximum value of USD/CAD volatility index, 5.2, was the highest during the last five trading days, staying unmatched by any other couple. Such turbulence appeared last Wednesday amid the statement of the Bank of Canada that sounded less hawkish than anticipated, but should not be carried into the future.

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	1.6	2.4	1.6	2.7	1.7	5.2	1.8	1.7	3	2.1	2.3	2.3
Min	0.5	0.3	0.4	0.3	0.5	0.3	0.3	0.4	0.3	0.3	0.3	0.4
Average	0.9	0.8	0.9	0.9	1	0.9	0.8	0.9	1	0.9	0.9	0.9



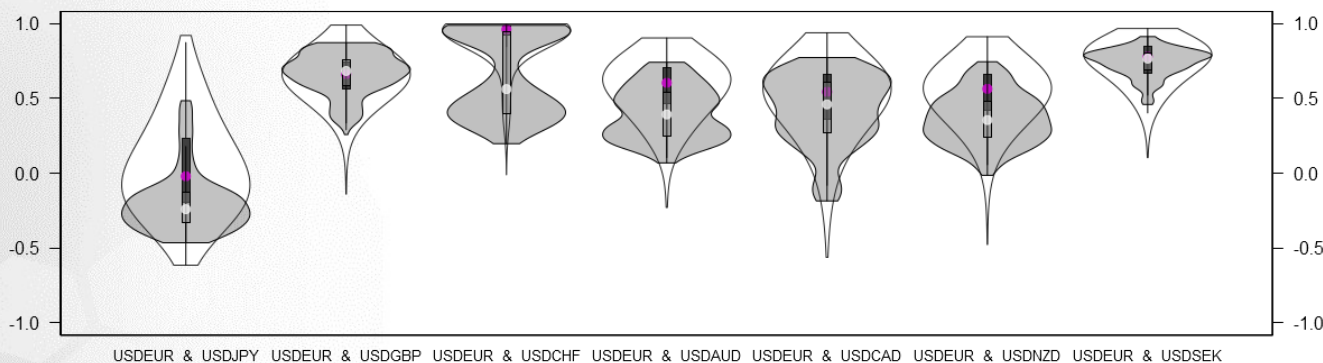
Currency Significance



Judging by the performance of the average correlation coefficient that fluctuated beneath a mark of 0.26 for most of the time, the significance of the U.S. Dollar was decreased, as the currency did not adhere to any tendency, but mainly remained stable. Jan 29, on the other hand, witnessed a change in this pattern, being that the average coefficient rallied up to 0.33, but is still quite low. Onwards we may expect continuation of this trend and a rise of the Dollar's importance in the currency exchange market, given that there is an abundance of news releases that are directly related to the U.S. economic performance.

A comparison of distributions of 50-hour rolling correlations for periods of different length (looking 5, 20 and 130 days back) revealed some of the correlations that were primarily responsible for the fact that in aggregate USD currency pairs are becoming less sensitive to the U.S. data. A mean correlation between USD/EUR and USD/JPY has fallen from -0.07 to -0.26, although the most notable and significant change occurred with an interrelationship of USD/EUR with USD/CHF, which has plummeted from 0.88 down to 0.38, marking the end of an exceptionally strong correlation between EUR and CHF, as a result of the floor set at 1.20.

Correlations (20 vs 130 days)

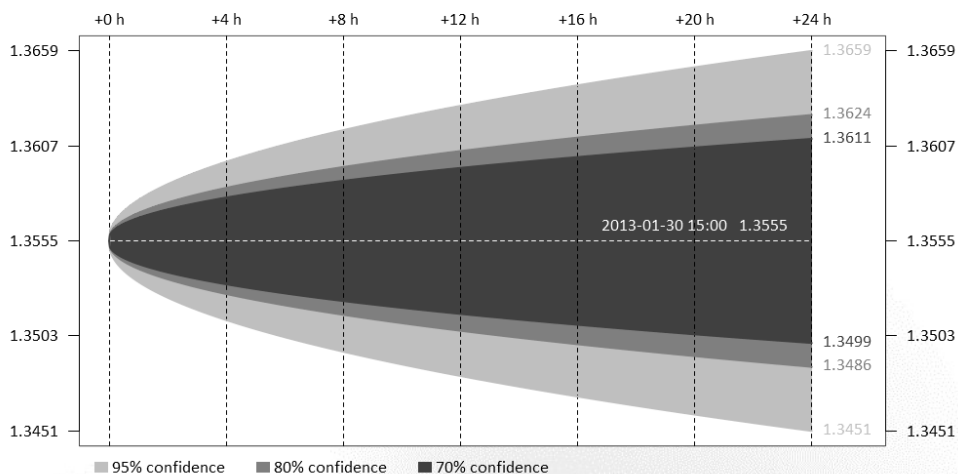


Mean Correlation Coefficient (with USDEUR)

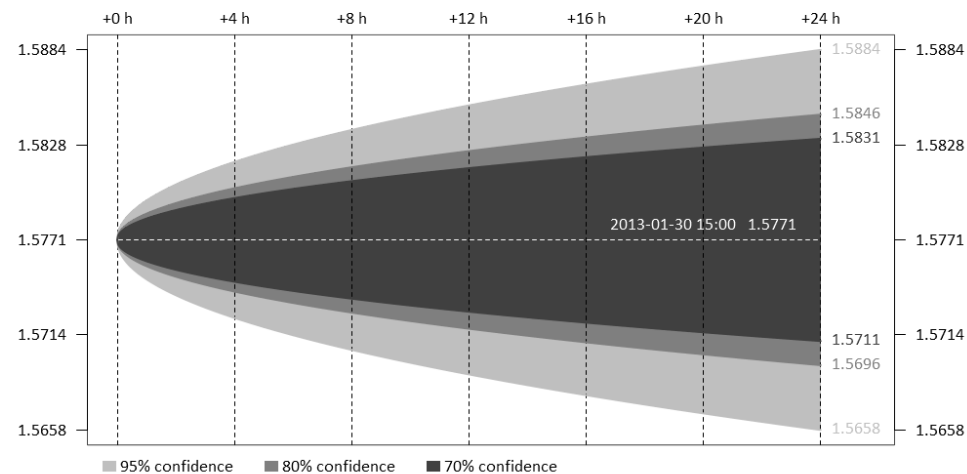
Days	USDJPY	USDGBP	USDCHE	USDAUD	USDCAD	USDNZD	USDSEK
5	-0.26	0.53	0.38	0.27	0.19	0.28	0.76
20	-0.19	0.66	0.65	0.4	0.41	0.36	0.74
130	-0.07	0.64	0.88	0.51	0.42	0.45	0.66

Confidence Intervals for Next 24 Hours

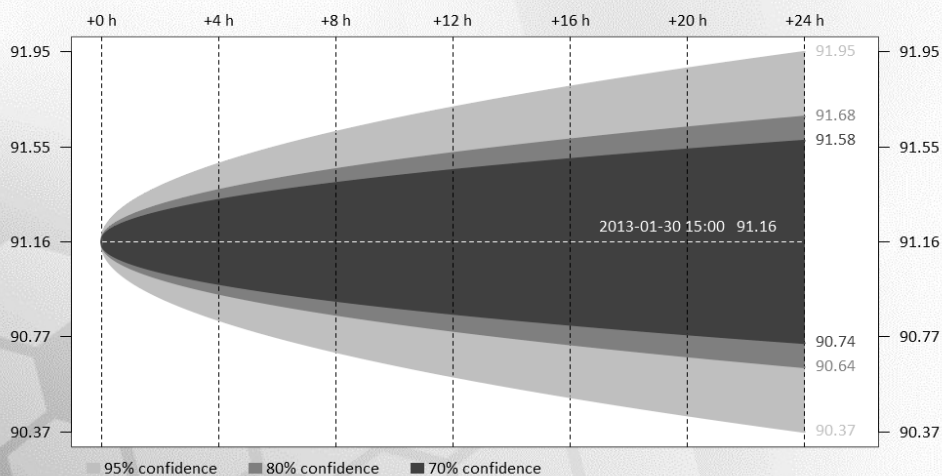
EURUSD Potential Rates



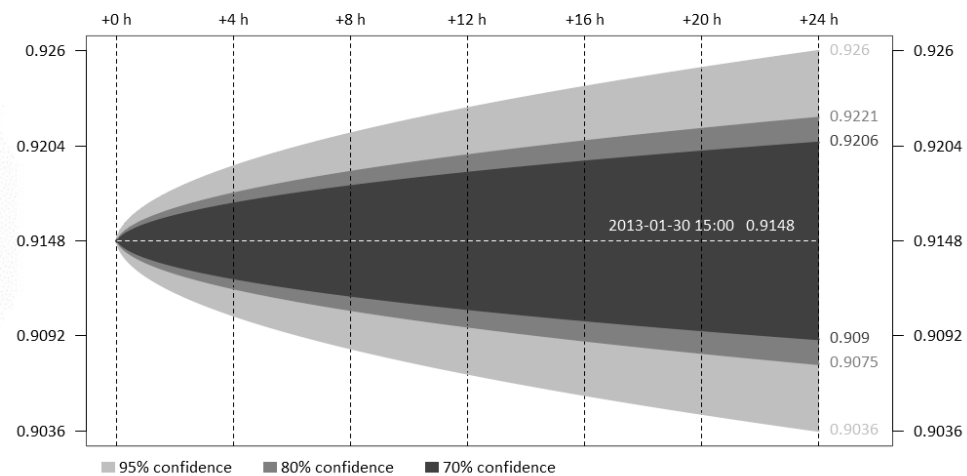
GBPUSD Potential Rates



USDJPY Potential Rates



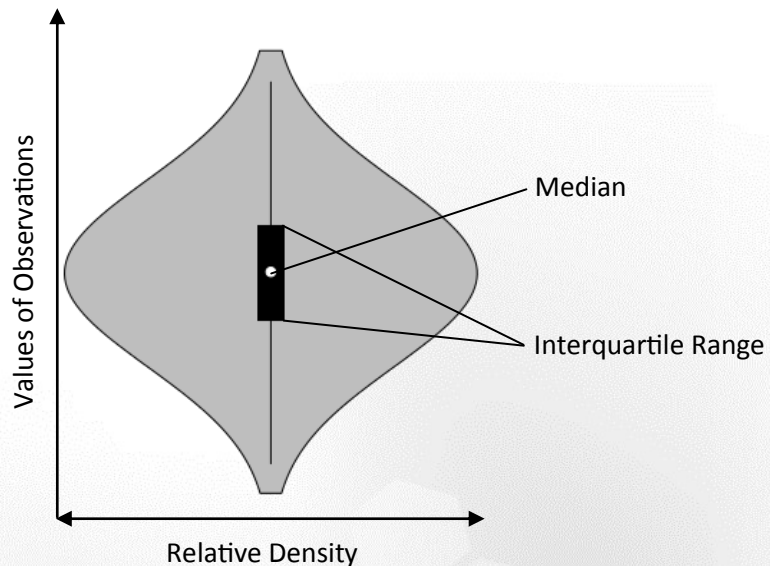
USDCHF Potential Rates



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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