



EUR

04/02/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

January 28

06:00 - 17:00

- Eurozone M3 Money Supply [[link](#)]
- U.S. Durable Goods Orders [[link](#)]
- U.S. Pending Homes Sales [[link](#)]

Turquoise Area

January 29

06:00 - 16:00

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

Blue Area

January 30

07:00 - 20:00

- Spanish GDP [[link](#)]
- U.S. ADP Non-Farm Employment Change [[link](#)]
- U.S. GDP [[link](#)]
- FOMC Statement [[link](#)]

Purple Area

January 31

05:00 - 17:00

- German Retail Sales [[link](#)]
- German Unemployment Change [[link](#)]
- U.S. Unemployment Claims [[link](#)]

Orange Area

February 1

07:00 - 17:00

- Eurozone CPI [[link](#)]
- Eurozone Unemployment Rate [[link](#)]
- U.S. Non-Farm Employment Change [[link](#)]
- U.S. Unemployment Rate [[link](#)]

EUR Currency Index Range

0.21%

0.26%

0.4%

0.15%

0.69%

Average EUR/USD Volatility Index

1.04

0.79

0.9

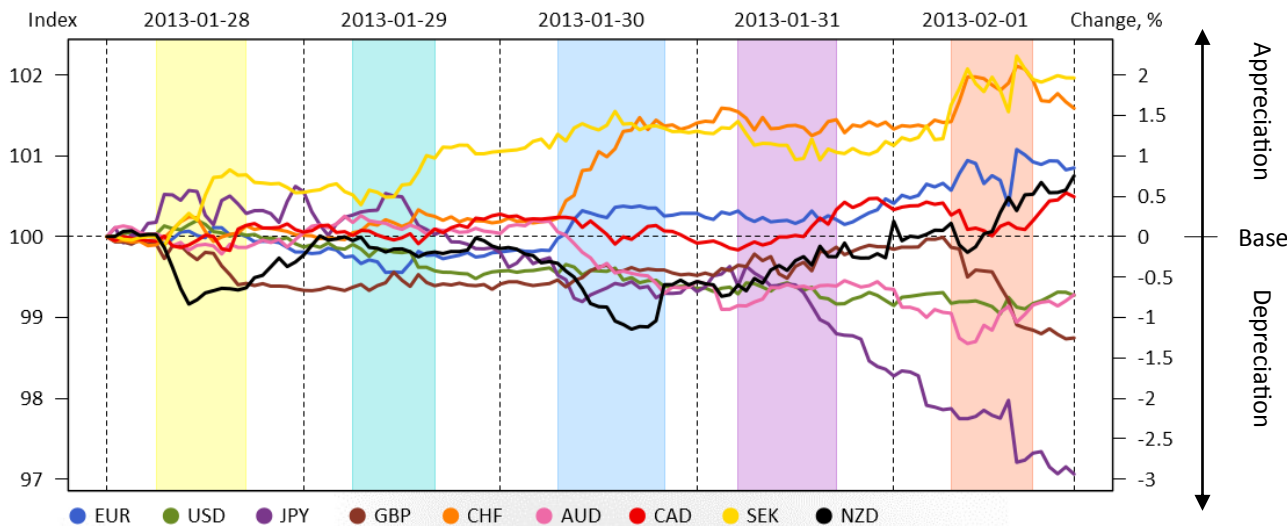
0.82

1.6



Relative Currency Strength

Currency Indices

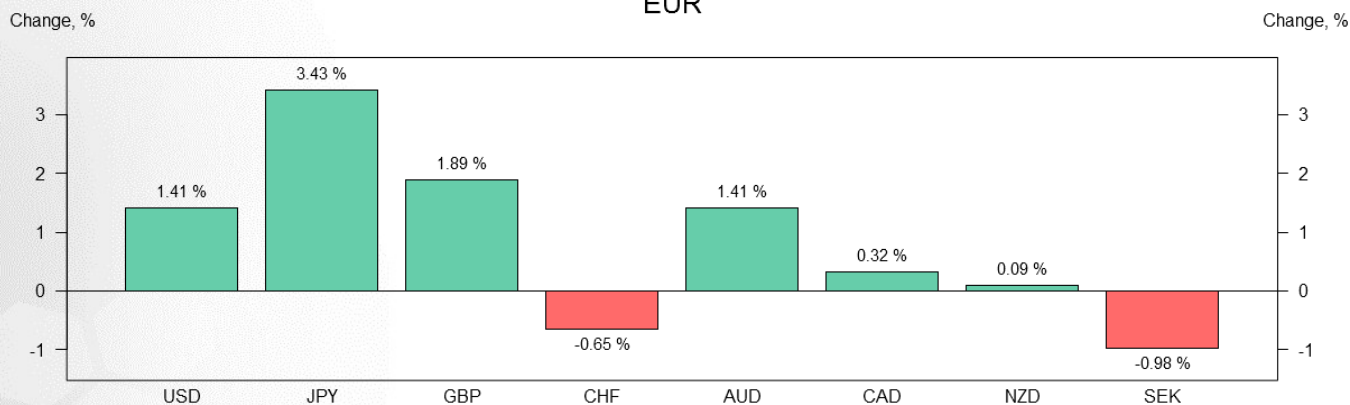


Despite the contrary data, the 17-nation currency was inclined to appreciate the previous week, gaining on average 0.85% relative to its major counterparts. While decelerating increase of M3 money supply, contracting retail sales and less-than-expected inflation would normally negatively affect the value of the Euro, bulls had the upper hand nevertheless. The sentiment improved, the unemployment rate fell and the secondary sector of the bloc's economy started to show positive tendencies. At the same time, neither USD nor JPY were in position to advance, being weighed upon by the monetary policies of their respective central banks.

EUR

The Swiss Franc and Swedish Krona have benefitted even more than the Euro from the risk-on sentiment, as their currency indices have risen 1.6 and 2 per cent, accordingly. However, in a longer term perspective (one and six months), the common currency is still greatly outperforming all of its peers (+4% and +10%).

Going forward, recent bullishness of the Euro is expected to fade, as the risk of the ECB cutting the rate persists, though the likelihood of such a move is deemed to be low due to the upbeat data. One of a few real threats to the recovery of the Euro and potentially even to the whole zone is political instability, signs of which are currently seen in Spain and Italy.



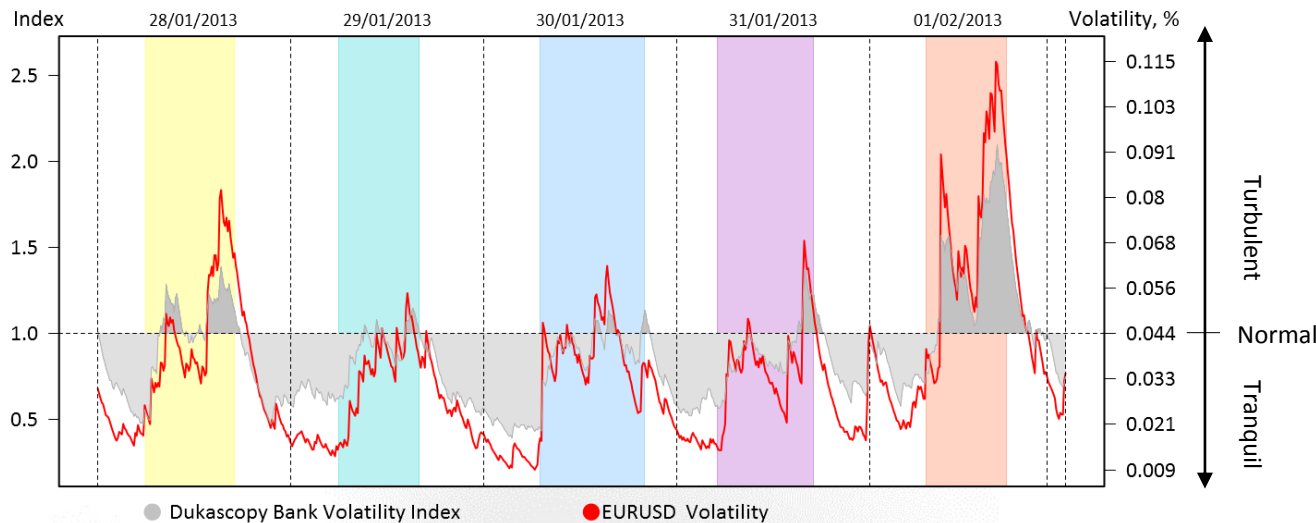
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.85%	-0.73%	-2.94%	-1.25%	1.59%	-0.72%	0.49%	1.96%	0.75%
20	4.27%	-0.28%	-7.16%	-2.87%	1.56%	-0.99%	-1.37%	3.70%	1.69%
130	10.21%	-1.54%	-20.80%	-0.66%	6.73%	-2.64%	-0.84%	6.45%	3.08%



Volatility

Volatility



Activity has been practically absent from the market until Feb 1, when even U.S. GDP and ADP non-farm employment change figures failed to spur volatility last Wednesday, having mutually offsetting impacts. The pending home sales and unemployment claims in the United States had a relatively greater effect, but temporary and weak in absolute terms. Only 26% of the time Dukascopy Bank Volatility Index was elevated, maximally reaching a value of 2.1 last Friday, when the information space was abundant with economic news, specifically on the U.S. and Eurozone economies.

Still, not only the U.S. Dollar and European currencies were turbulent. AUD/USD and NZD/USD volatility indices were increased in 53% and 42% of the observations, respectively. At the same time EUR/GBP and USD/CAD were more volatile than usually 39% and 38% of the time, accordingly. The former pair has also attained the highest among the rest of the currency pairs volatility index value—2.9, with NZD/USD maximally having 2.7.

Surprisingly, EUR/JPY was largely more calm than it generally is and could be in the process of becoming less responsive to the world happenings than before further on.

Elevated Volatility (% of the observed period)

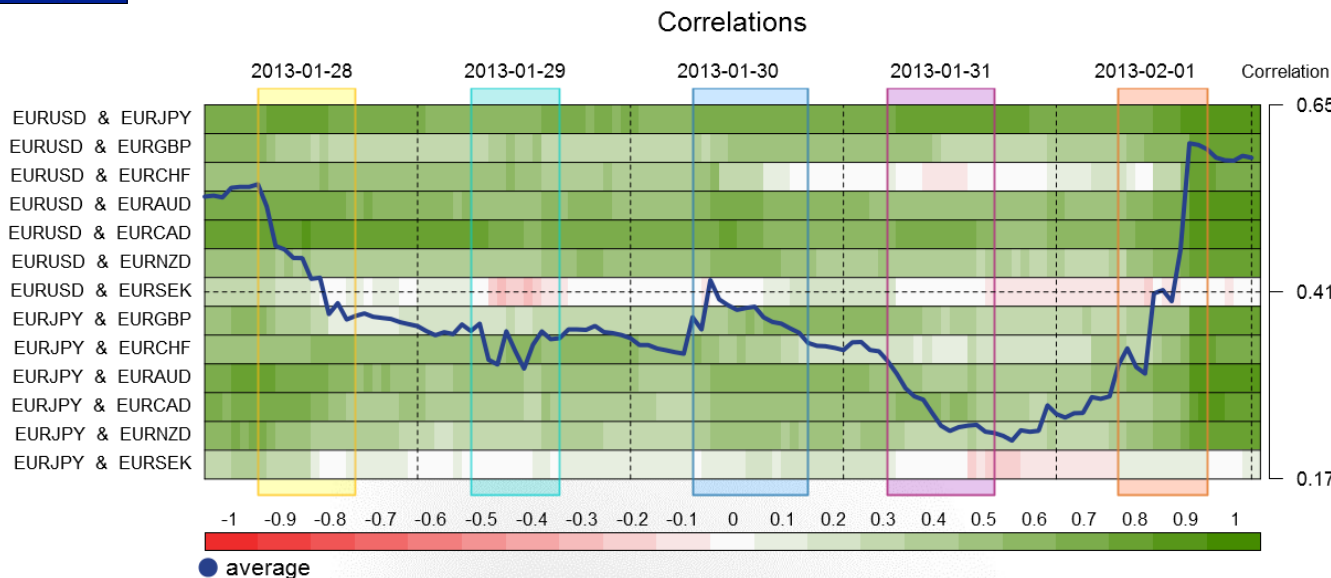
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD	
	26	21	22	37	53	38	29	13	39	26	32	42

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		2.1	2.6	1.8	2.2	2.6	2.4	2.1	2.2	2.9	2	2.6	2.7
Min		0.4	0.2	0.4	0.3	0.5	0.3	0.2	0.4	0.3	0.2	0.3	0.4
Average		0.9	0.8	0.8	0.9	1.1	0.9	0.8	0.8	0.9	0.8	0.9	1



Currency Significance

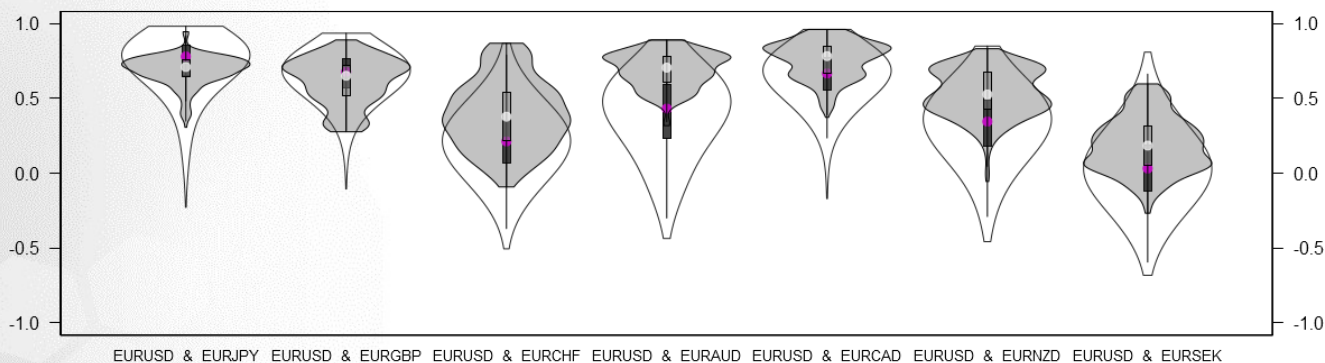


The level of attention paid to the Euro has been gradually declining with the progression of the week, hitting the lowest point late Thursday. Then the average correlation coefficient, a gauge of the currency's importance, had plunged down to 0.22, starting the period at 0.53. The situation was completely reversed on Feb 1, as the average coefficient soared up to 0.6, when the value of the Euro started to exhibit considerably more influence on formation of the exchange rates in its crosses.

Regardless of the heightened variability in the average correlation, the interrelations between the major currency pairs remained more or less the same and with a very few exceptions. This week only 50-hour rolling correlation of EUR/USD with EUR/GBP and with EUR/SEK were notably weaker than the last six months, but there are currently no indications that this could turn into a long-term tendency or be relevant for different currency couples.

At the moment links EUR/USD & EUR/JPY and EUR/USD & EUR/CAD are the strongest among the studied ones. On the other hand, simultaneously having similar positions in EUR/USD and EUR/SEK could provide more benefits of diversification, since they are much less interdependent.

Correlations (20 vs 130 days)

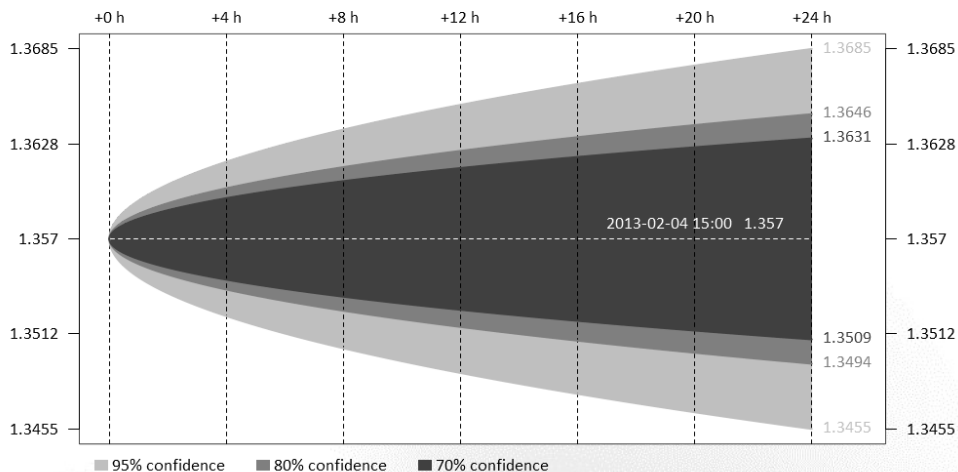


Average Correlation Coefficient (with EURUSD)

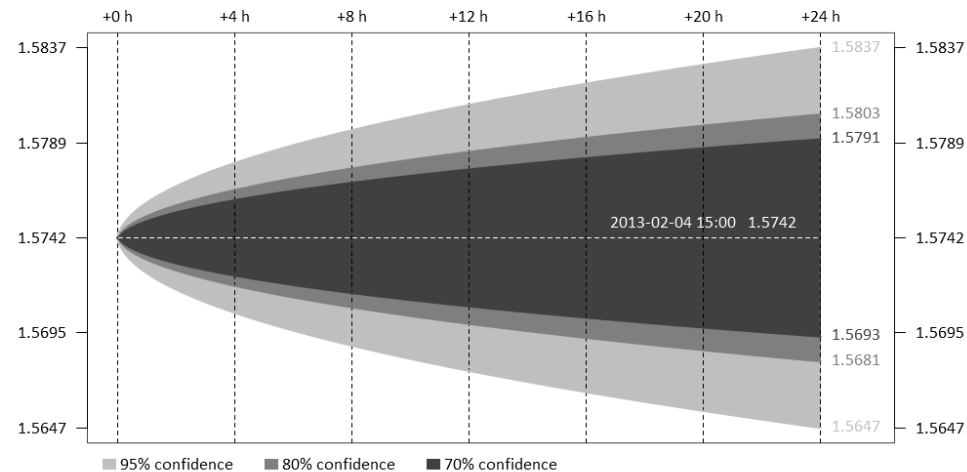
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.72	0.43	0.33	0.6	0.71	0.48	0.02
20	0.69	0.61	0.39	0.69	0.76	0.53	0.19
130	0.73	0.66	0.29	0.52	0.68	0.41	0.12

Confidence Intervals for Next 24 Hours

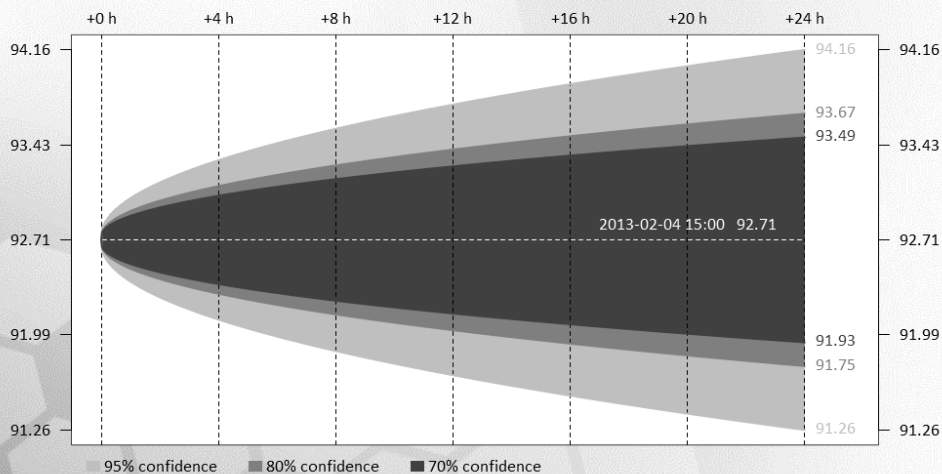
EURUSD Potential Rates



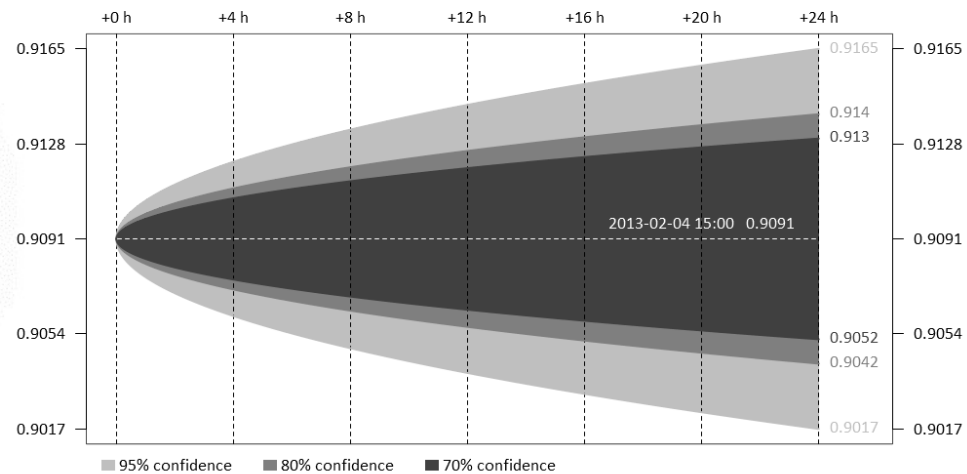
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

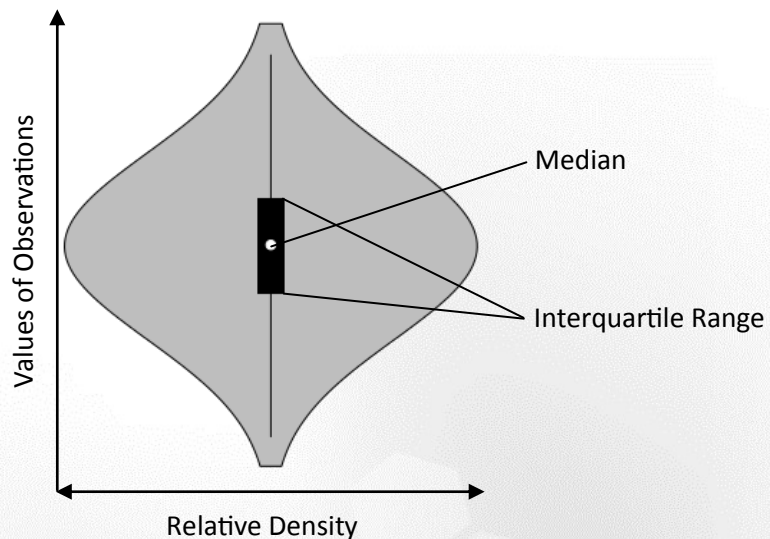
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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