



CHF

08/02/2013



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RESEARCH PRODUCTS



Market Research





Dominant Events for the Swiss Franc

Yellow Area

February 1

07:00 - 18:00

- *Swiss SVME PMI* [[link](#)]
- *Eurozone Manufacturing PMI* [[link](#)]
- *U.S. Non-Farm Employment Change* [[link](#)]
- *U.S. ISM Manufacturing PMI* [[link](#)]

Turquoise Area

February 4

07:00 - 19:00

- *Eurozone Sentix Investor Confidence* [[link](#)]
- *Spanish Unemployment* [[link](#)]
- *Corruption Allegations Against Spanish PM* [[link](#)]
- *U.S. Factory Orders* [[link](#)]

Blue Area

February 5

07:00 - 18:00

- *Swiss Trade Balance* [[link](#)]
- *Eurozone Services PMI* [[link](#)]
- *Eurozone Retail Sales* [[link](#)]
- *U.S. ISM Non-Manufacturing PMI* [[link](#)]

Purple Area

February 6

06:00 - 16:00

- *German Factory Orders* [[link](#)]
- *U.S. Mortgage Applications* [[link](#)]

Orange Area

February 7

07:00 - 20:00

- *Swiss Foreign Currency Reserves* [[link](#)]
- *ECB Minimum Bid Rate* [[link](#)]
- *U.S. Unemployment Claims* [[link](#)]

CHF Currency Index Range

0.69%

0.34%

0.33%

0.37%

0.83%

Average USD/CHF Volatility Index

1.35

0.95

1.05

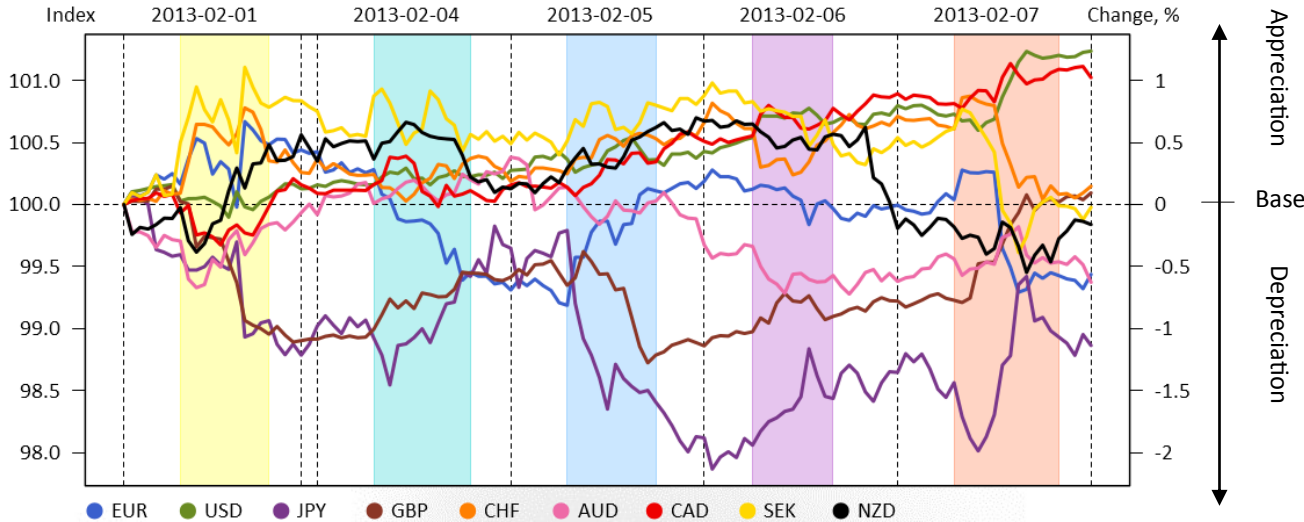
1.37

1.27



Relative Currency Strength

Currency Indices

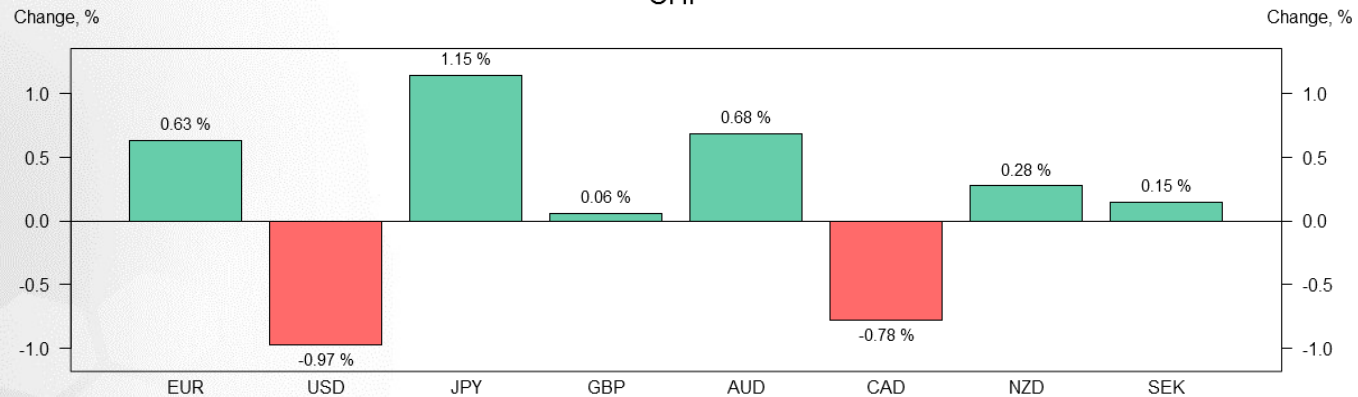


The five-day change in the currency index of the Swiss Franc amounted only to 0.15%, but looking solely at this figure would be somewhat misleading, since the swissie has been fairly volatile over the observed period, maximally exceeding its base value by 0.9%. Initially the Franc followed the footsteps of the Euro, when it was benefitting from the improved sentiment and positive data. However, once the political situation in Spain and Italy was destabilised, the two currencies decoupled. In the end, the Swiss Franc outperformed the Euro by 0.63%, the third largest gain after returns of CHF relatively to JPY (+1.15%) and AUD (+0.68%).

Still, the Franc did not manage to maintain its tendency to appreciate and fell precipitously along with the Euro on the comments of the ECB governor, in which he expressed his concern regarding the recent rally of the single European currency that could in turn impair the brittle recovery of the monetary union.

Unfortunately for the Swiss exporters, overall the Franc is becoming more expensive, having gained 6.5% over the last six months. On the other hand, we see the evidence that the SNB has nevertheless achieved its primary goal, since the pace of Euro's appreciation is notably higher, as it is now 9% more expensive than it was half a year ago.

CHF



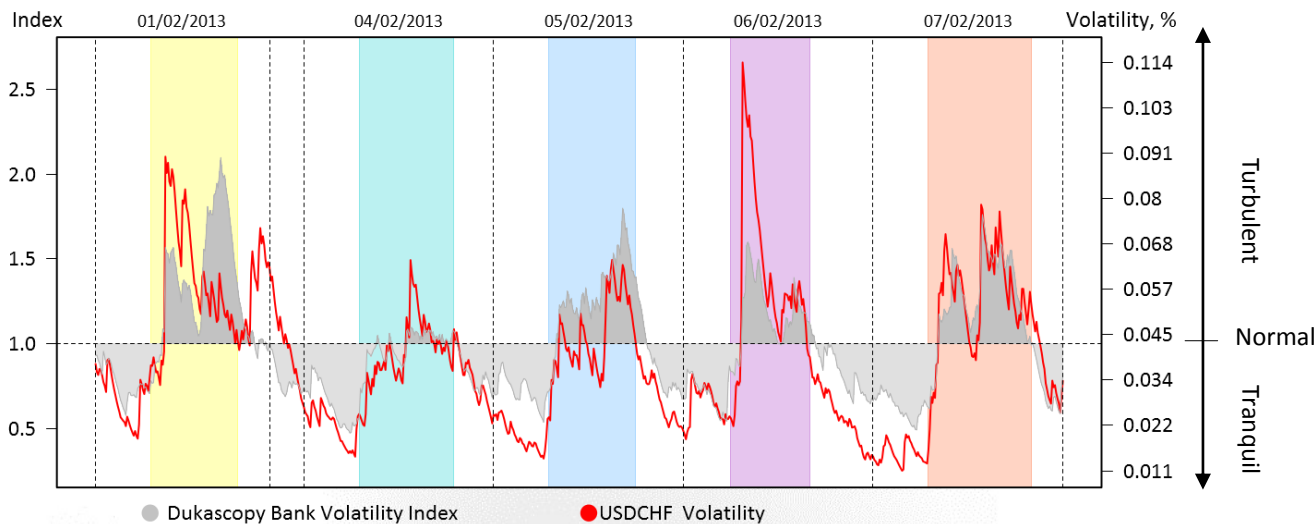
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.56%	1.24%	-1.14%	0.09%	0.15%	-0.63%	1.02%	-0.02%	-0.16%
20	2.52%	1.49%	-5.32%	-1.60%	1.05%	-1.94%	-0.25%	2.79%	0.18%
130	9.17%	0.09%	-20.05%	0.45%	6.48%	-3.19%	-0.35%	4.80%	2.54%



Volatility

Volatility



Uneasiness in the market is becoming more common. Following a period of a lull, when the pace of change in the exchange rates was generally decreasing, recently the turbulence started to increase, returning to more usual levels. Since Feb 1 about two out of five Dukascopy Bank Volatility Index observations surpassed a value of 1, nearly twice as much as for the period from Jan 25 to Jan 31. The average DBVI has also grown from 0.8 up to 1, while rising as high as 2.1 in the very beginning of February amid release of data on the U.S. labour market.

Meanwhile, AUD/USD continues to be the most frequently volatile currency pair, namely for 54% of the time, being followed in this ranking by EUR/GBP, which was turbulent in 46% of the cases. EUR/GBP volatility index has also achieved a mark of 3.8 together with GBP/USD's measure, the highest level of turbulence among all, whereas AUD/USD volatility index was 2.6 or lower.

At the same time USD/JPY was again the least sensitive currency couple, having the lowest measures of variability among the most traded pairs, moving at an accelerated speed only for a third of the studied interval, while not surpassing the historical volatility more than two times.

Elevated Volatility (% of the observed period)

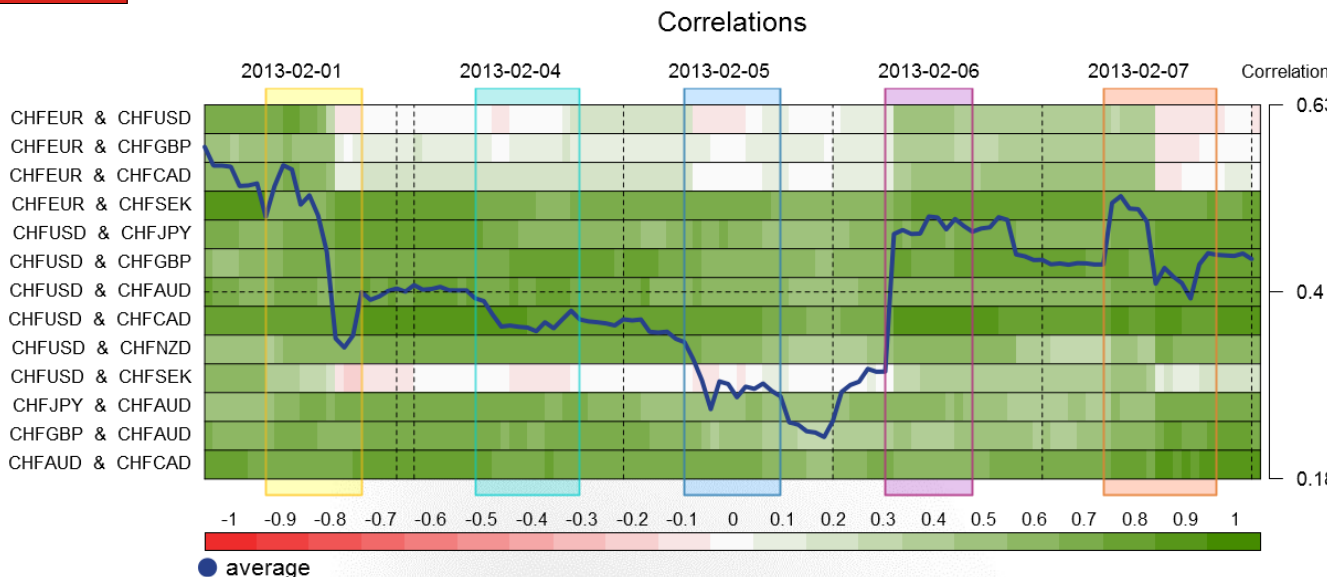
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	43	33	42	54	37	38	41	46	35	43	45

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	2.8	1.8	3.8	2.6	2.4	2.7	2.2	3.8	2	2.6	2.7
Min		0.5	0.3	0.5	0.3	0.5	0.2	0.3	0.4	0.3	0.3	0.3	0.4
Average		1	1	0.9	1	1.1	0.9	0.9	1	1.1	0.9	1	1.1



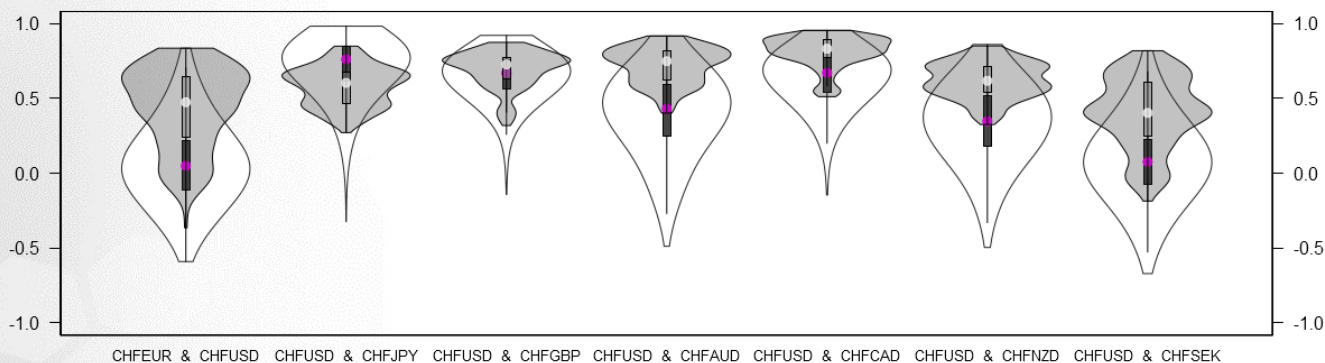
Currency Significance



The significance of the Swiss Franc, as demonstrated by the average correlation coefficient between its crosses, was inconsistent throughout the last five trading days. At first it was deteriorating against the background of an increasing influence exhibited by the common currency. Later on CHF currency pairs were primarily driven by the changes particularly in Franc's value, which has a higher chance of declining in the future, regardless of the recent bullish performance, as outflows from the Franc and inflows into EUR appear to be justified in light of an increasing interest of investors in European periphery and low returns in Switzerland.

With very few exceptions the interrelationships between CHF crosses remained generally unchanged. The strongest link is shown by CHF/USD and CHF/CAD, with the average 50-hour rolling correlation staying at 0.8 for at least a month. CHF/USD also tended to move unidirectionally with CHF/GBP and CHF/JPY and CHF/AUD. The least reliable correlations, on the other hand, are CHF/USD with CHF/EUR and CHF/SEK. Consequently, this decreases their attractiveness as constituents of an investment portfolio due to poor predictability of their interaction in the long-term perspective.

Correlations (20 vs 130 days)

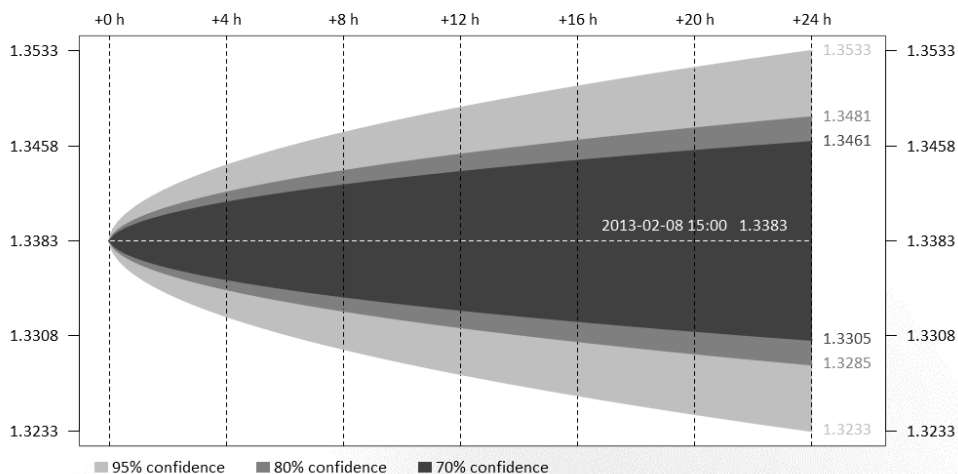


Mean Correlation Coefficient (with CHFUSD)

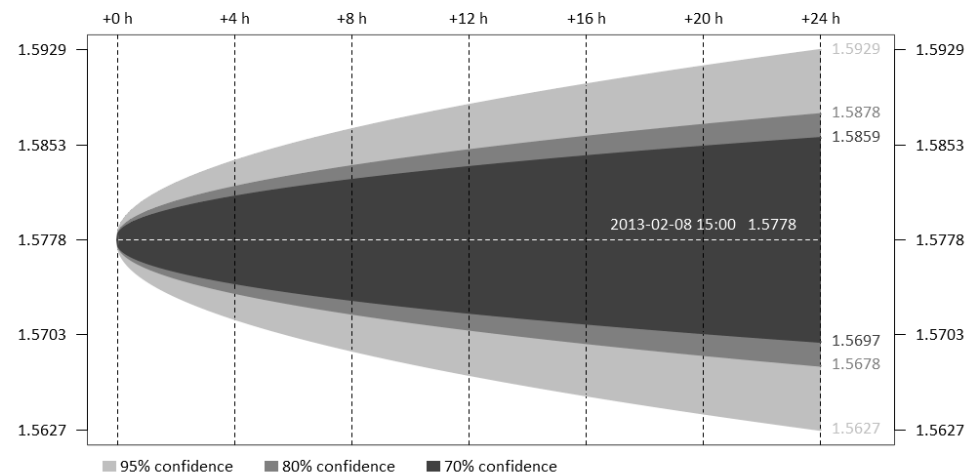
Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.14	0.65	0.72	0.66	0.81	0.58	0.12
20	0.44	0.58	0.69	0.72	0.81	0.62	0.4
130	0.11	0.69	0.65	0.51	0.67	0.41	0.16

Confidence Intervals for Next 24 Hours

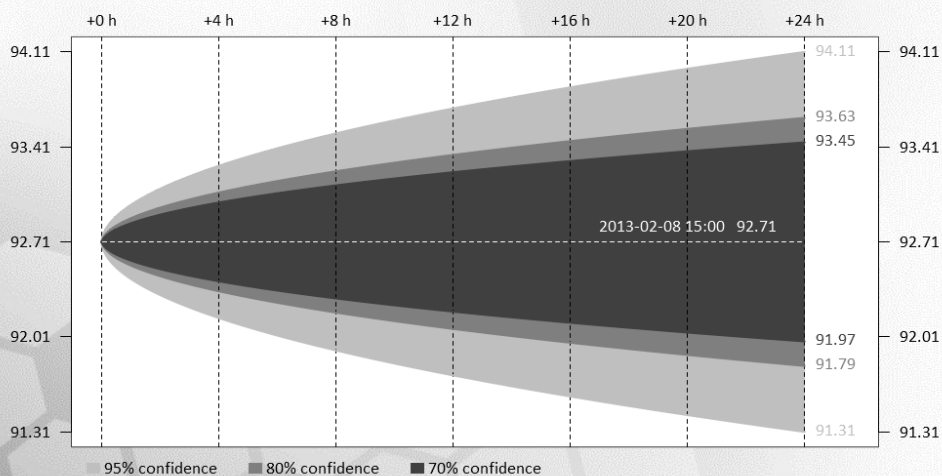
EURUSD Potential Rates



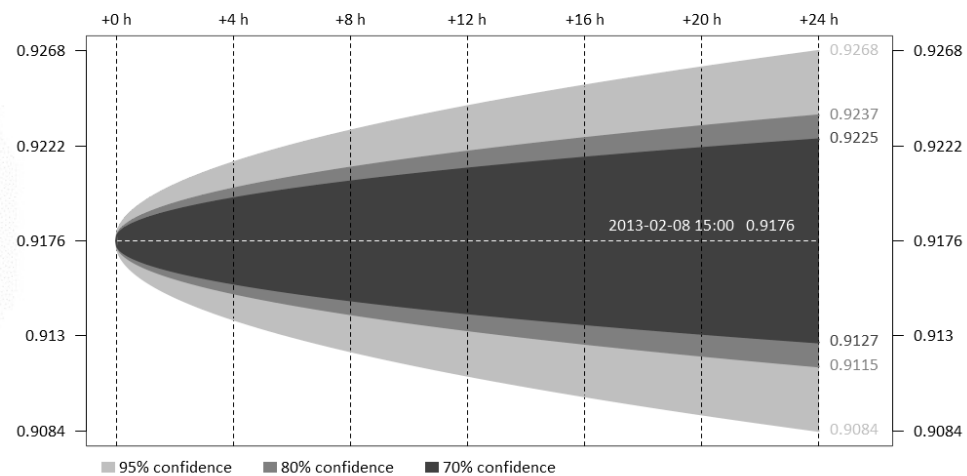
GBPUSD Potential Rates



USDJPY Potential Rates



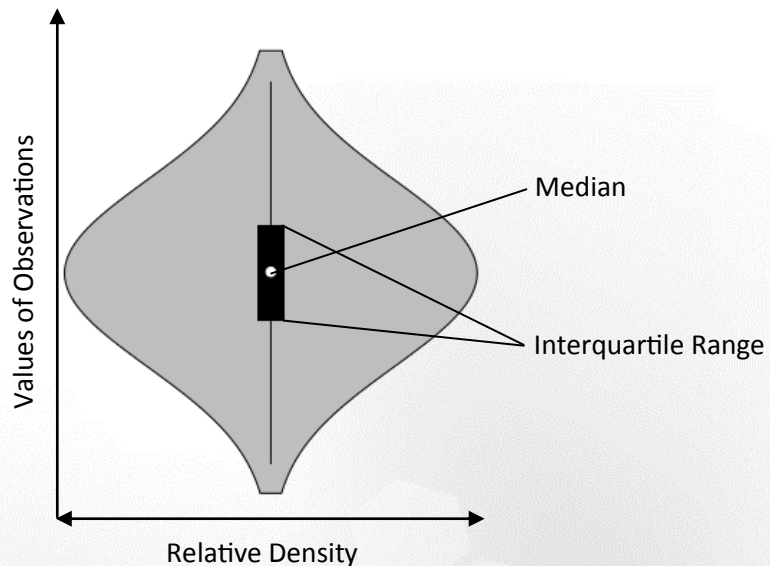
USDCHF Potential Rates



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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