



CHF

24/05/2013



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RESEARCH PRODUCTS



Market Research



Dominant Events for the Swiss Franc

Yellow Area

May 17

09:00 - 16:00

- Canadian CPI [[link](#)]
- U.S. Consumer Sentiment [[link](#)]
- ECB Deposit Rate Cut Talk

Turquoise Area

May 21

05:00 - 17:00

- German PPI [[link](#)]
- U.K. CPI [[link](#)]
- FOMC Member Speech [[link](#)]

Blue Area

May 22

09:00 - 19:00

- Eurozone Current Account [[link](#)]
- SNB Chairman Speech [[link](#)]
- U.S. Existing Homes Sales [[link](#)]
- Fed Chairman Testimony [[link](#)]

Purple Area

May 23

03:00 - 18:00

- Eurozone Services and Manufacturing PMI [[link](#)]
- U.S. Unemployment Claims, Manufacturing and New Home Sales [[link](#)]

CHF Currency Index Range

0.17%

0.4%

0.56%

0.58%

0.56%

Average USD/CHF
Volatility Index

1.13

0.96

1.24

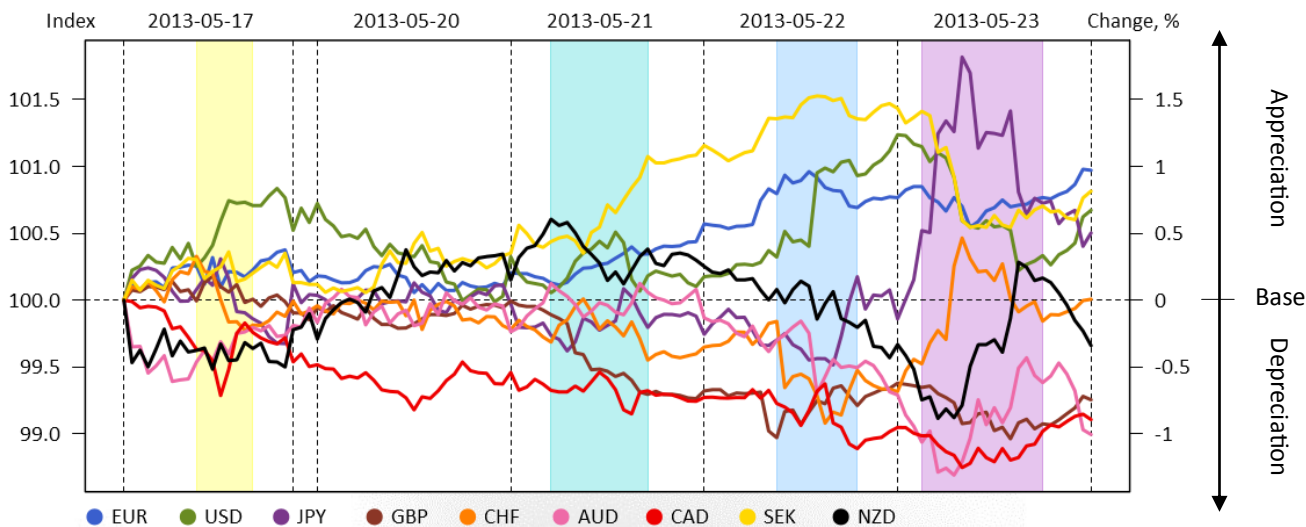
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1.4



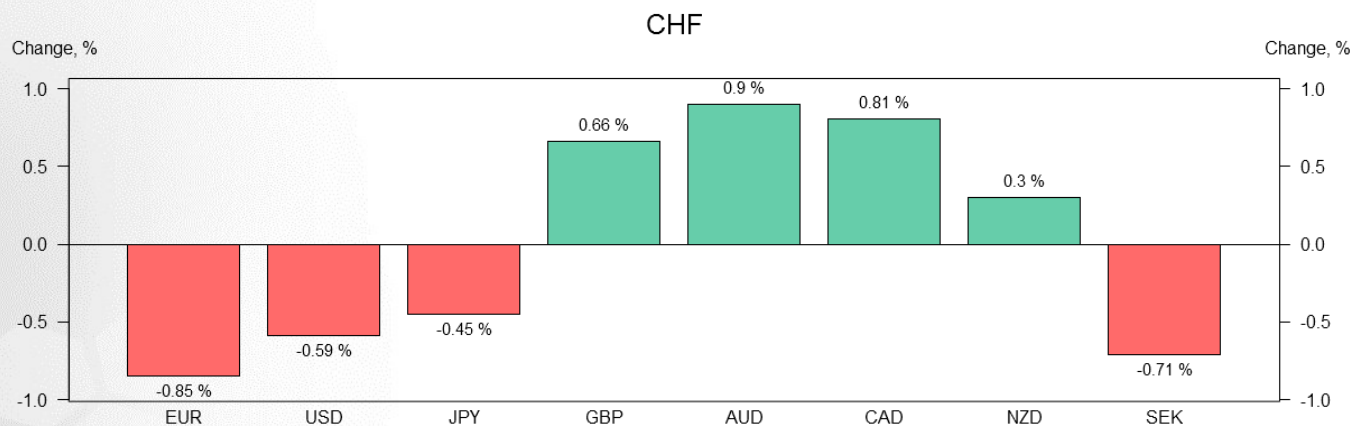
Relative Currency Strength

Currency Indices



Considering a dearth of Swiss macroeconomic news published recently, it may be said with a high degree of certainty that the value of the Swiss Franc was almost completely a one-factor function of market's expectation with respect to the quantitative easing currently conducted by the Fed. Judging by the timing and extent of the currency's index largest moves, the Franc was as much sensitive as the Japanese Yen and the U.S. Dollar to the relevant to this topic news, largely behaving opposite to what the buck currency did, appreciating when Dollar's value went up and depreciating when it declined.

There were plenty of such examples during the last five days, being that the members of the FOMC did not seem to be unanimous when communicating plans of the central bank, future actions of which still remain unclear for the public, thus increasing the volatility. Perhaps the most prominent example of negative correlation between the Dollar and the Franc is the one recorded on Thursday, when the greenback became 0.6% cheaper within the first eight hours of May 23, while the equally-weighted index of the Franc at the same time would yield 1.1%. Despite this recent variability overall the Swiss Franc is not moving away from the levels seen a half a year ago, right now it is 1.2% more expensive.



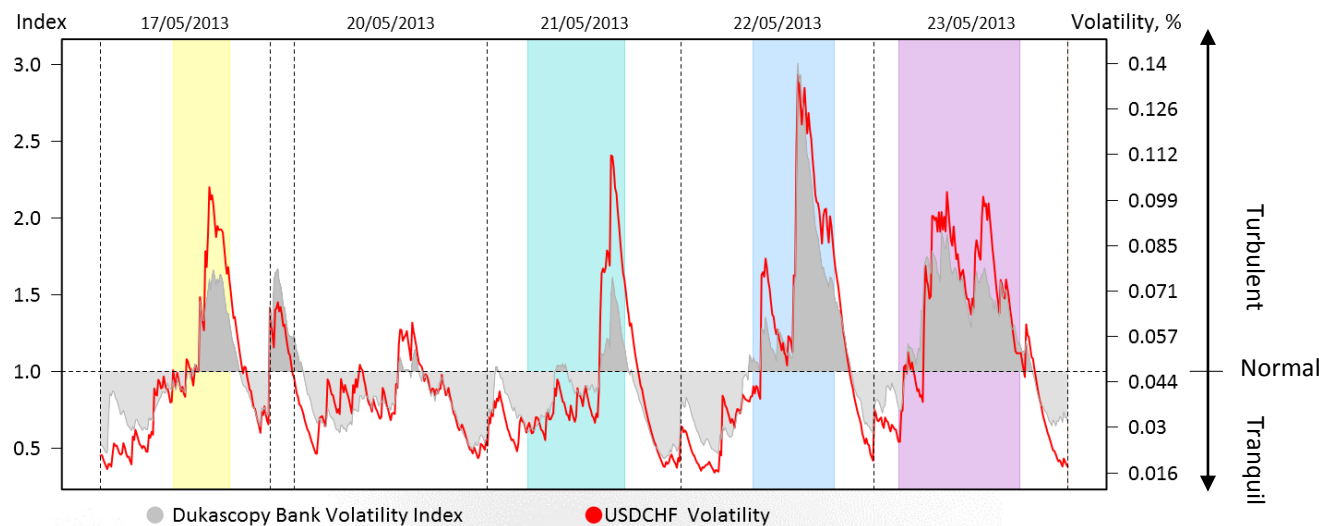
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.97%	0.67%	0.50%	-0.74%	0.01%	-1.00%	-0.89%	0.81%	-0.34%
20	1.85%	2.89%	-0.87%	0.16%	-0.23%	-4.31%	1.40%	1.87%	-2.88%
130	5.75%	4.96%	-19.48%	-1.24%	1.24%	-2.66%	1.01%	6.07%	4.28%



Volatility

Volatility



After a flare-up of activity last Friday invoked by the data on U.S. consumer sentiment and talks on ECB rate cut, there has been a period of a lull due to banking holiday in Europe and Canada. Only on Tuesday afternoon there was some activity spotted in the market—it emerged amid FOMC member's speech on the prospects of the running asset-purchase programme, but was still low and short-lived. Next day, however, was marked with the highest level of turbulence during the studied period. At some point the market was three times more volatile that it usually is, as was USD/CHF currency pair in particular.

And not only speculation regarding QE contributed to the increased variability of the Swiss Franc. Speech of the SNB chairman about current exchange rates also had a notable effect, since the governor did not rule out a possibility of EUR/CHF's cap adjustment, since there was no substantial improvement with overvalued Franc, as seen on the previous slide. Meanwhile, prices in Switzerland have been falling for straight 19 months.

Instability in the market was also carried onto Thursday, which may be distinguished with the longest period of elevated volatility that lasted for more than 15 hours (64% of the day) from 3 a.m. GMT.

Elevated Volatility (% of the observed period)

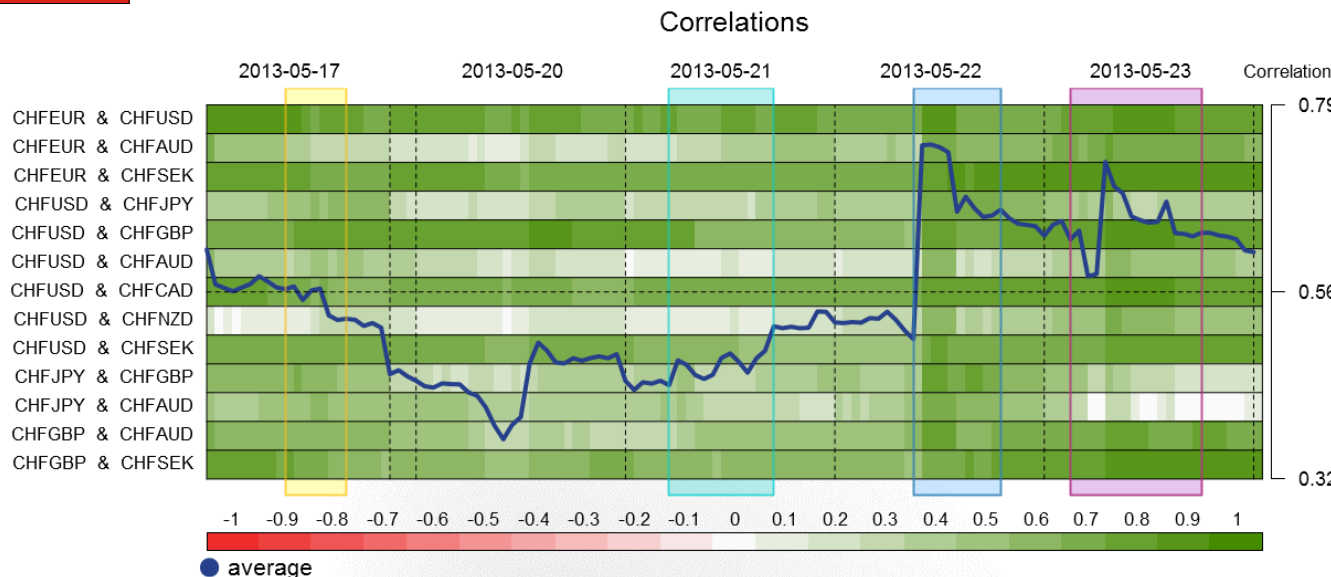
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
38	26	38	36	47	52	36	34	33	46	27	48

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	3	3.5	3.4	2.8	3.7	4	2.9	3.3	3.1	3.3	3.4	4.1
Min	0.4	0.3	0.3	0.4	0.5	0.4	0.3	0.3	0.2	0.3	0.3	0.4
Average	1	0.9	1.1	1	1.1	1.1	1	1	0.9	1.1	0.9	1.1



Currency Significance

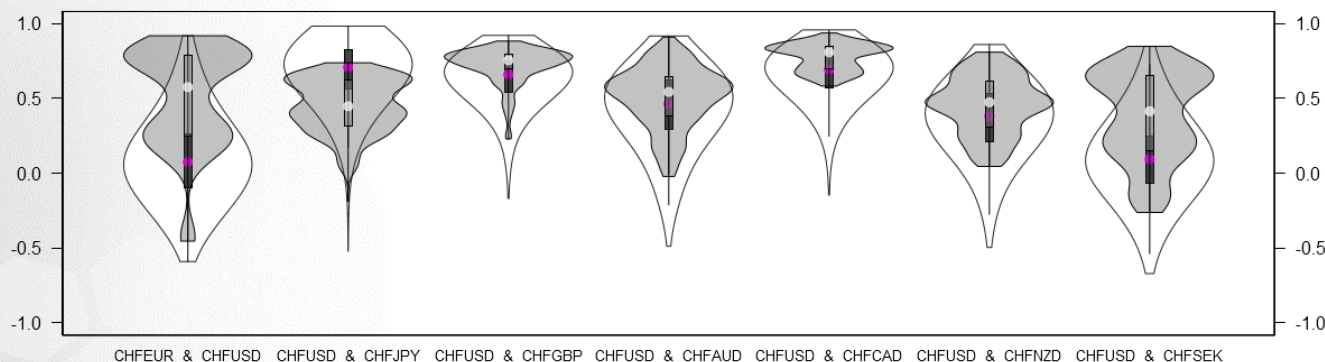


At first the importance of the Swiss Franc in the foreign exchange market, as gauged by the average correlation coefficient, was not subject to substantial deviations. It did slide down to 0.37 from 0.61, but declined gradually and was subsequently reversed. However, comments of SNB's Thomas Jordan on negative rates and on a possible rise of the cap forced exposed to the Swiss Franc investors to update their positioning by largely exchanging the Franc for different currencies, making it one of the most influential currencies, even though for a short period of time.

On average correlations between CHF crosses have strengthened, with the leader being interrelation of CHF/USD with CHF/EUR. While the mean 50-hour rolling correlation coefficient was 0.22 for the last 130 days, the most recent data (five days) suggests that these two currency pairs are now more likely to move in the same direction, just like CHF/USD and CHF/SEK.

On the other hand, CHF/USD and CHF/AUD are behaving identically much less frequently than before, their average rolling correlation for six months is 0.6, but is merely 0.28 if we count only the past few days.

Correlations (20 vs 130 days)



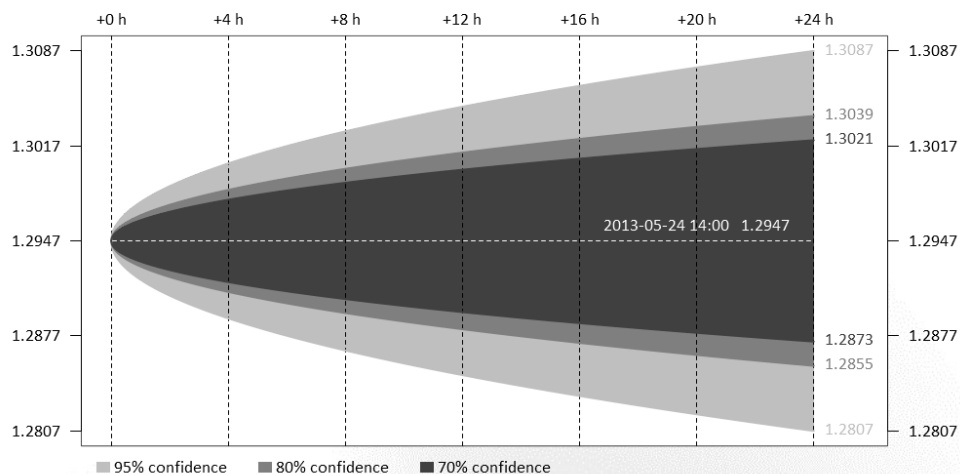
Mean Correlation Coefficient (with CHFUSD)

Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.77	0.4	0.75	0.28	0.73	0.3	0.67
20	0.5	0.45	0.71	0.51	0.78	0.45	0.38
130	0.22	0.57	0.61	0.6	0.75	0.48	0.22

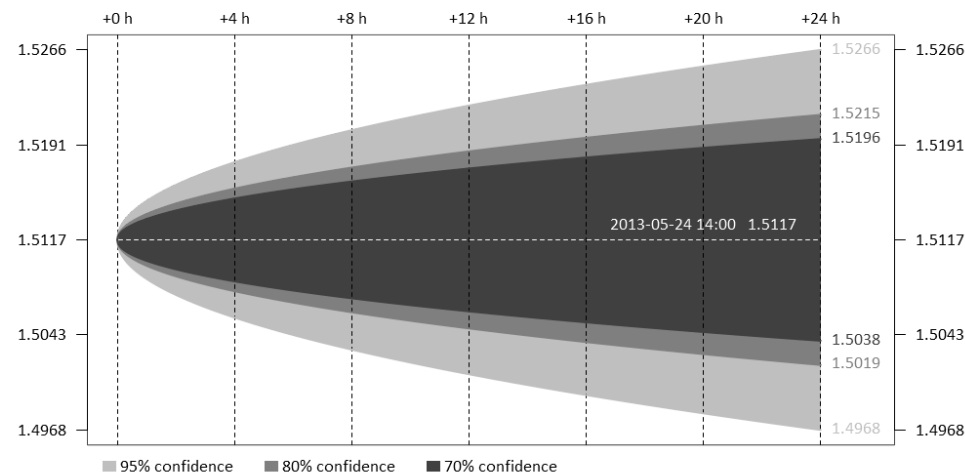
Friday, May 24, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

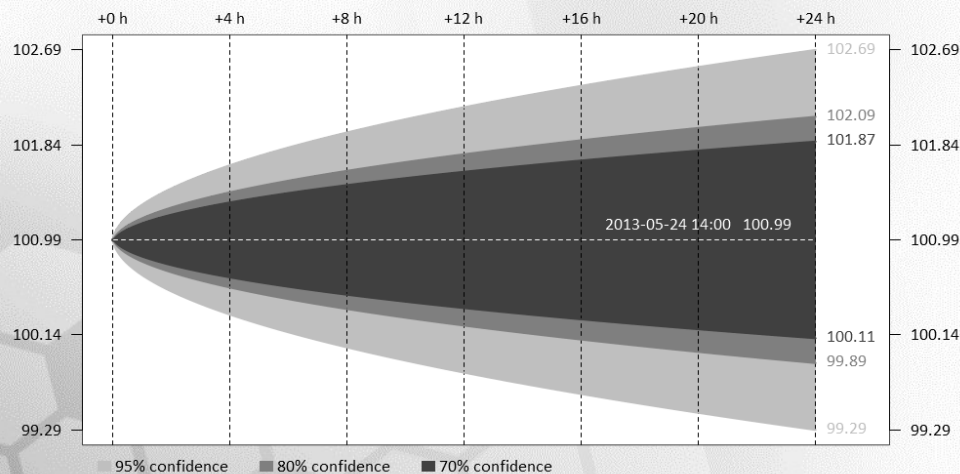
EURUSD Potential Rates



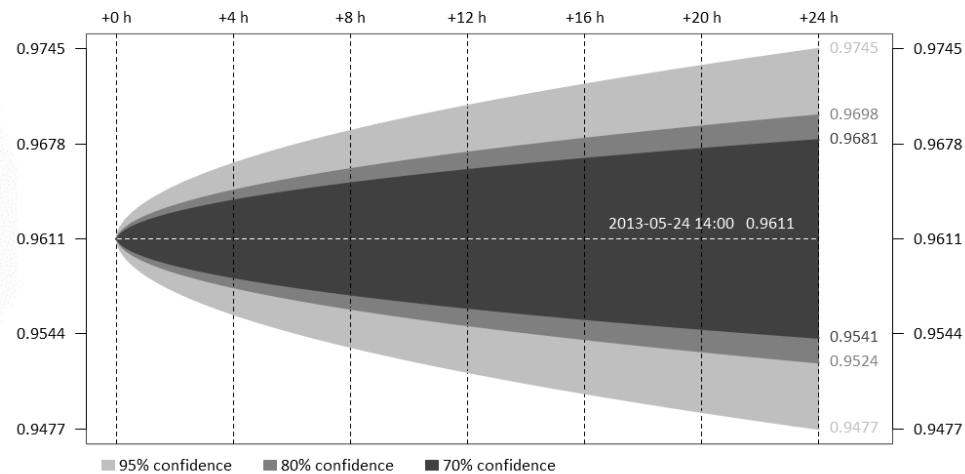
GBPUSD Potential Rates



USDJPY Potential Rates



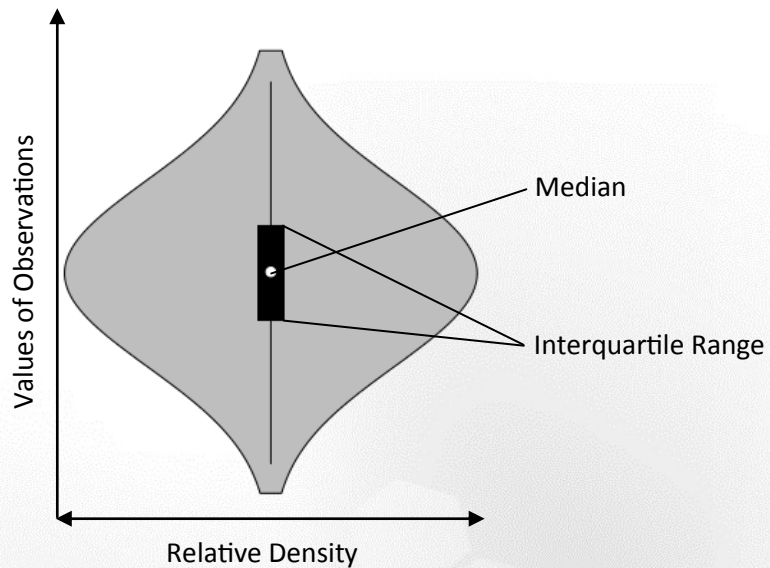
USDCHF Potential Rates



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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