



EUR

27/05/2013



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RESEARCH PRODUCTS



Market Research



Dominant Events for the Euro

Yellow Area

May 21

08:00 - 17:00

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

Turquoise Area

May 22

06:00 - 19:00

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

Blue Area

May 23

04:00 - 18:00

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

Purple Area

May 24

02:00 - 16:00

- BOJ Governor Speech [[link](#)]
- German GDP and Ifo Business Climate [[link](#)]
- U.S. Durable Goods Orders [[link](#)]

EUR Currency Index Range

0.2%

0.39%

0.22%

0.61%

Average EUR/USD
Volatility Index

1.03

1.36

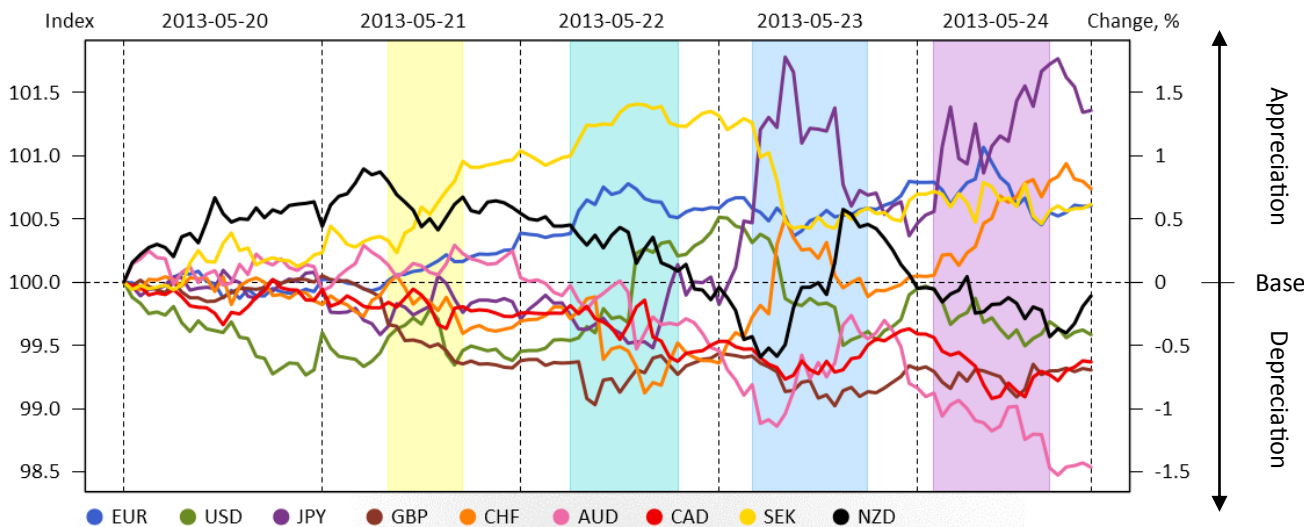
1.19

1.16



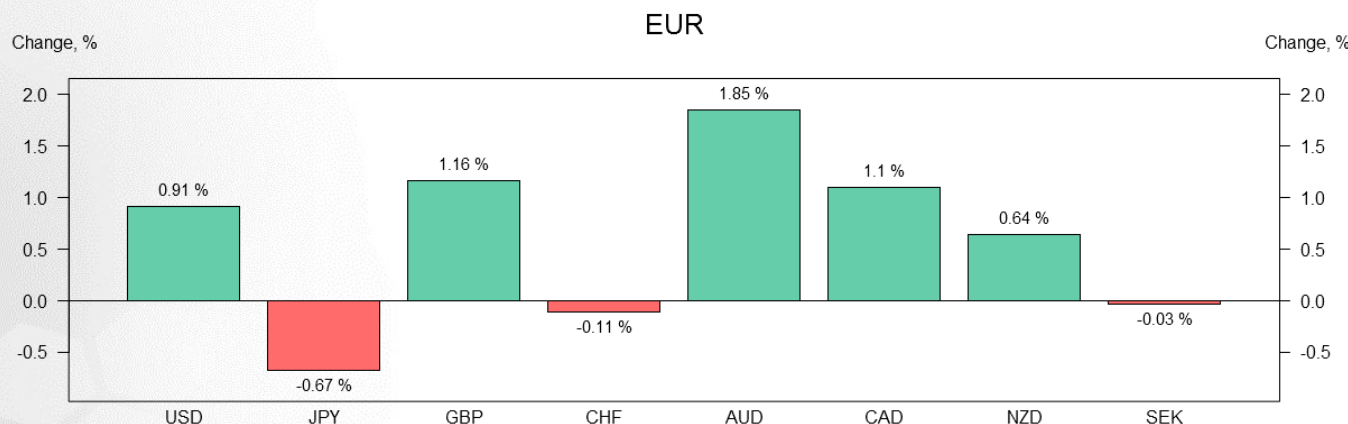
Relative Currency Strength

Currency Indices



The Euro extended its gains and added another 0.6% to its value since May 20. This rally was started last Tuesday, even though German PPI came in worse than expected the same day. Various reports on economies of other regions of the world also did not favour increased demand for riskier assets, being that U.K. economic activity remains weak and rate of U.S. real estate market's recovery is falling behind expectations. Hence, additional reason for underperformance of traditional risk-proxies, but Euro stayed buoyant nonetheless.

Further appreciation of the single currency, however, seemed to be more justified: growing current account surplus, ameliorating situation in services and manufacturing sectors and finally improving German business climate. External data in the second part of the week was also more positive than in the beginning with the number of unemployment claims falling and the volume of durable goods orders increasing. The only currency that managed to benefit from this situation more than the Euro was the Japanese Yen, equally-weighted index of which rose 1.36% for the past five days, being that many investors consider current levels good for profit-taking after Yen's substantial debasement.



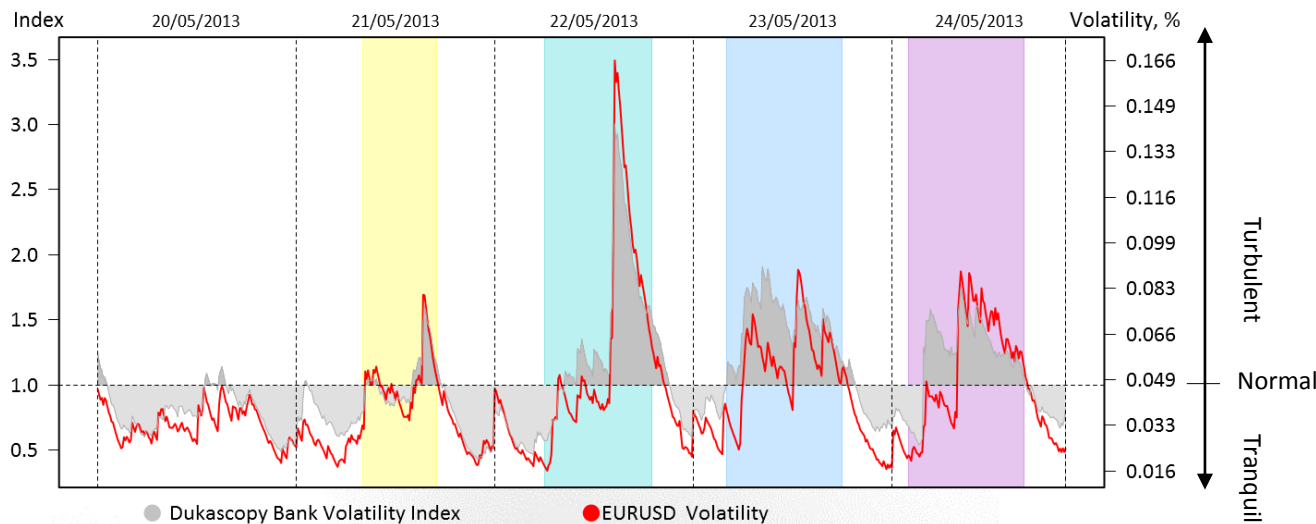
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.60%	-0.42%	1.36%	-0.70%	0.74%	-1.46%	-0.63%	0.61%	-0.11%
20	1.79%	2.74%	-1.13%	0.20%	0.48%	-4.30%	1.15%	1.25%	-2.35%
130	5.31%	4.80%	-18.12%	-1.18%	1.69%	-3.29%	0.91%	5.59%	4.29%



Volatility

Volatility



At first volatility stayed below the usual levels. This tranquillity was conditioned by banking holiday on Monday and a lack of potentially game-changing news next day. Anticipation of Fed chairman speech could also be viewed as a viable reason for market participants to hold off active trading, demonstrating sensitivity only to those bits of data related to the question of QE programme, i.e. FOMC members' speeches. This is why DBVI surged up to 1.6 on May 22, but did not manage to keep this level for more than an hour.

Subsequent events, on the other hand, were able to preserve turbulence in the market for much longer periods of time. Since last Wednesday 60% of DBVI values were elevated (43% on average) with the highest recorded on May 22—3, a result of Ben Bernanke's testimony before the Joint Economic Committee and his comments with respect to asset purchases. This has had the most effect on U.S. Dollar pairs with NZD, CAD and AUD, which were 4.1, 4 and 3.7 times more variable than they were historically. Measure of changeability for EUR/USD was also exceeding normality, but to a lesser degree—3.5 times. Still, market's interpretation turned out to be heterogeneous—Dollar's rally on May 22 was not extended, it was quickly trimmed during the next day.

Elevated Volatility (% of the observed period)

Market	EUR/	USD/	GBP/	AUD/	USD/	USD/	EUR/	EUR/	EUR/	USD/	NZD/
43	28	48	39	47	50	38	45	34	47	31	45

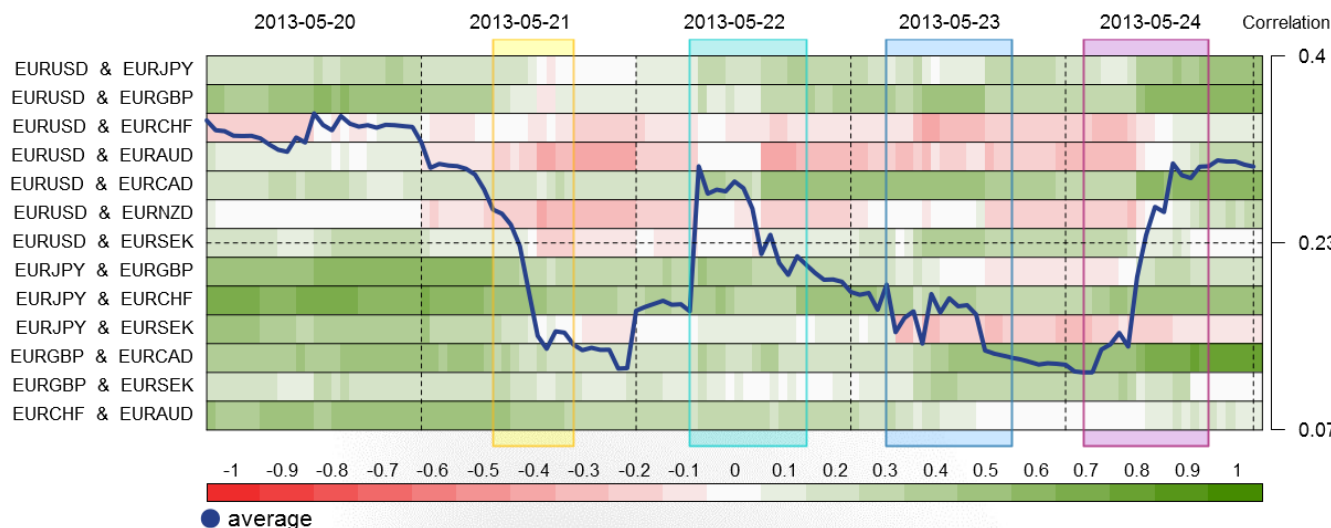
Volatility Index (for the observed period)

	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
Max	3	3.5	3.3	2.8	3.7	4	2.9	3.3	3.1	3.3	3.4	4.1
Min	0.4	0.3	0.4	0.3	0.5	0.4	0.2	0.3	0.2	0.3	0.4	0.4
Average	1	0.9	1.1	1	1.1	1.1	1	1.1	0.9	1.1	0.9	1.1



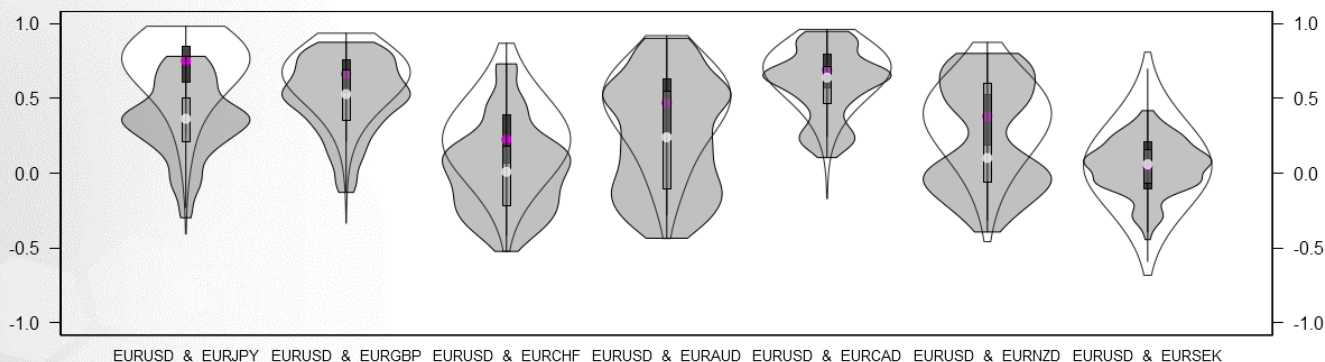
Currency Significance

Correlations



The level of 17-nation currency's significance in the Forex market proved to be highly unstable throughout the past five trading days. Its measure, the average correlation coefficient, has twice dropped to 0.1 and has twice recovered to 0.35, reflecting how strong was the effect of Bernanke's testimony coupled with news from the U.S., mainly the amount of applicants for jobless benefits—an early indicator of labour market's state, improvement of which is one of the goals of the Fed, along with price stability.

Correlations (20 vs 130 days)



But we would like to discern between those interdependencies that have been unreliable, leading to wide fluctuations in the correlation coefficient, and those that have been less affected despite shifts in market sentiments. To the former group we may attribute EUR/USD's relation with EUR/JPY, EUR/CHF, EUR/AUD and EUR/NZD, among many others. Correlation between EUR/USD and EUR/NZD perhaps was damaged the most—130 days worth of data shows a mean of 0.46, while if we take only the latest numbers (last five days), the mean is already -0.08 . EUR/USD's correlation with EUR/GBP was one of those few to resist, currently its mean is 0.35.

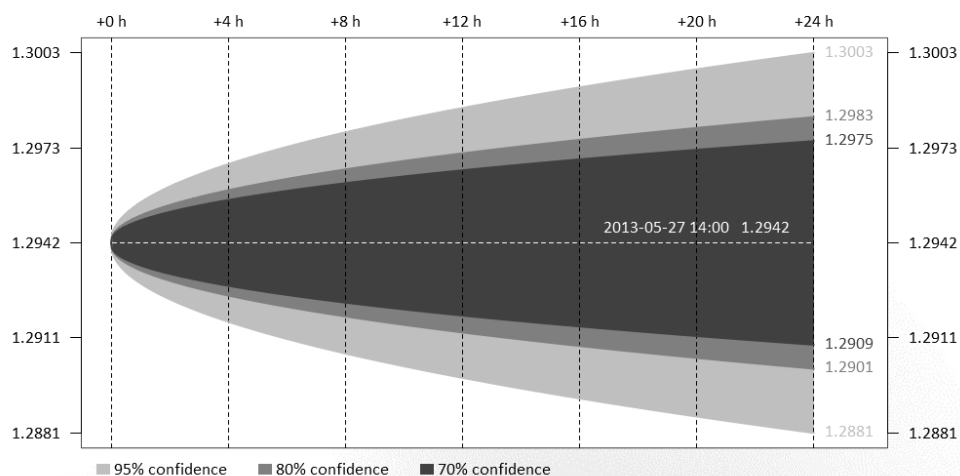
Average Correlation Coefficient (with EURUSD)

Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.22	0.35	-0.12	-0.12	0.34	-0.08	0.13
20	0.35	0.5	0.02	0.24	0.59	0.23	0.04
130	0.62	0.59	0.3	0.58	0.74	0.46	0.12

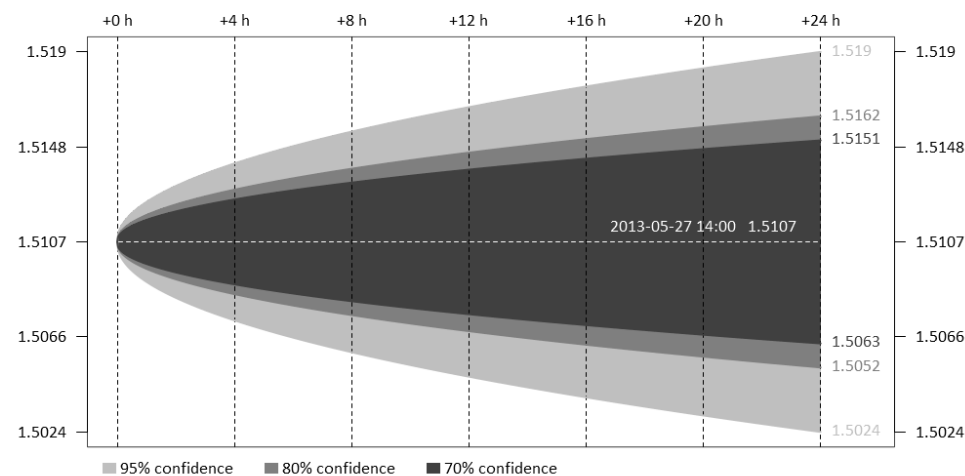
Monday, May 27, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

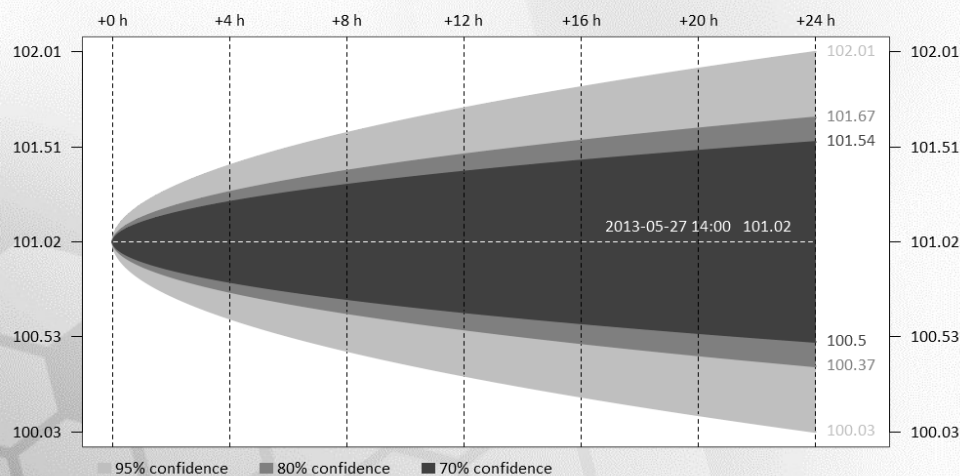
EURUSD Potential Rates



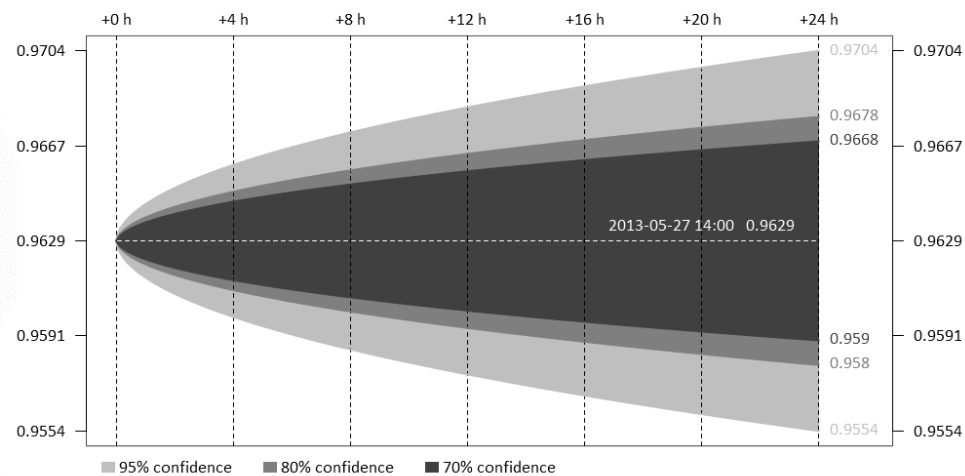
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

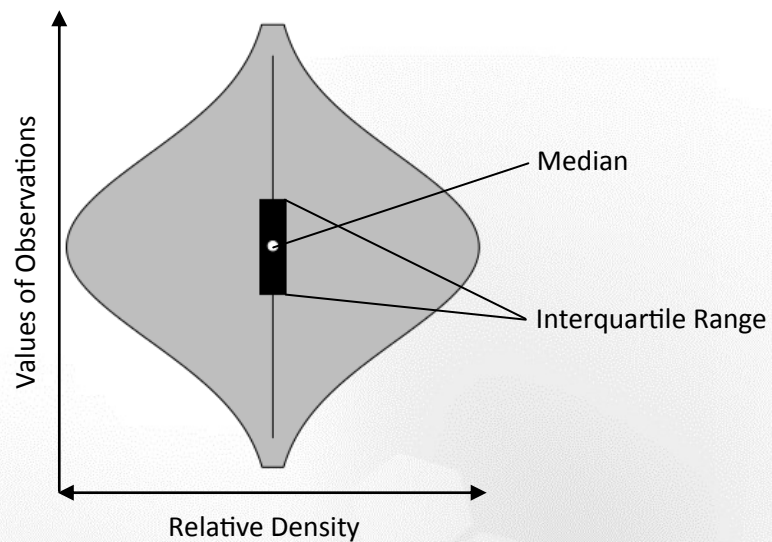
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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