



USD

29/05/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Dominant Events for the U.S. Dollar

Wednesday, May 29, 2013
15:30 GMT

Yellow Area

May 22

09:00 - 19:00

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

Turquoise Area

May 23

04:00 - 18:00

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

Blue Area

May 24

02:00 - 15:00

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

Purple Area

May 25

07:00 - 20:00

- U.S. Consumer Confidence [\[link\]](#)

USD Currency Index Range

0.72%

0.88%

0.45%

0.65%

Average EUR/USD
Volatility Index

1.54

1.19

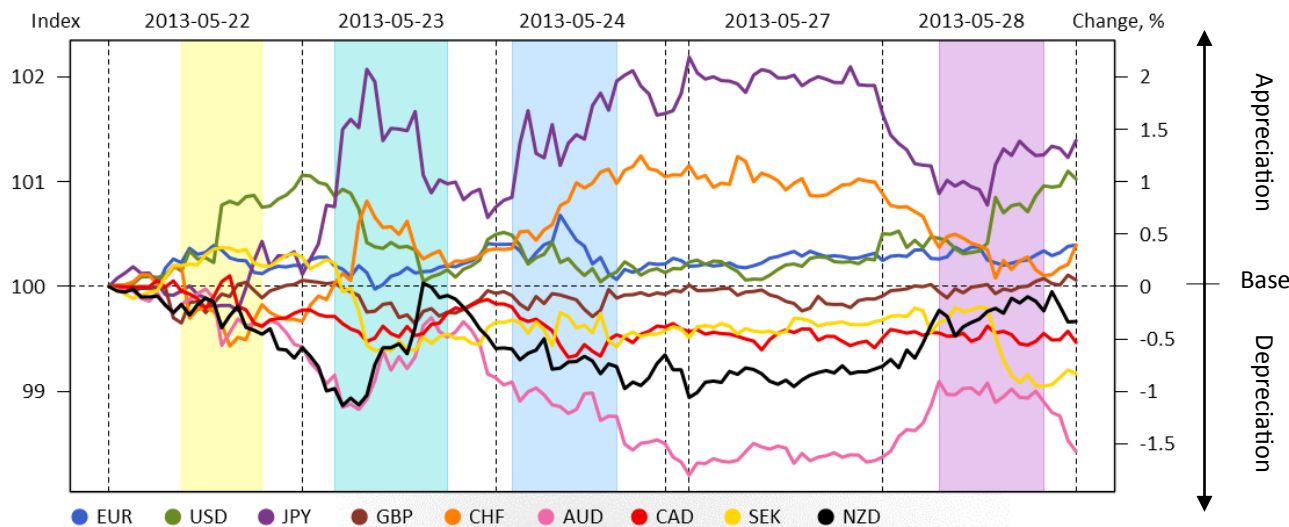
1.16

1.16



Relative Currency Strength

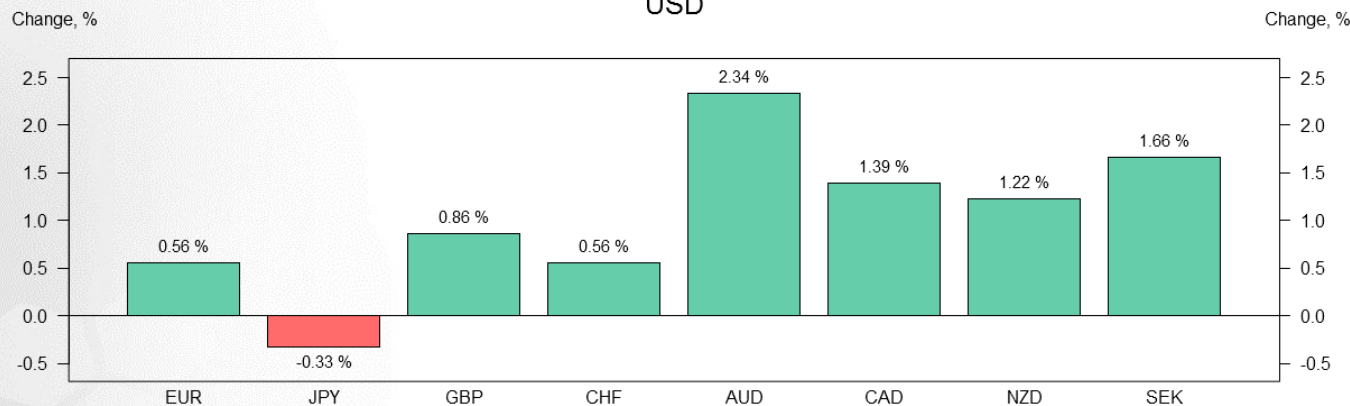
Currency Indices



We continue to observe absence of a smooth trend in the average value of the U.S. Dollar in a short-term perspective. Moves in the currency index were sudden and sharp, having no noticeable impact on subsequent development of the Dollar's pricing. Such was the market's reaction to testimony of Fed Chairman, when a more than 1% rally was followed by a sell-off of the same magnitude, leaving the overall price level largely unchanged, even though news on Thursday, being positive, have increased the likelihood of the QE being completely or at least partially stopped.

However, if we look at a longer-term perspective, e.g. 20 or 130 working day period, there is more consistency demonstrated in the buck's behaviour. Regardless of its hectic nature lately, it is still inclined to appreciate rather than to lose worth each week, meaning that investors are looking forward to the end of the asset purchase programme and are thus likely to continue pushing the greenback up. USD's gains for a month totalled to 4.5% and for six months to 6.4%.

Meanwhile, the only currency to outperform the Dollar since May 22 (by 0.33%) was the Japanese Yen, which is considered to be undergoing a major correction in the short term amid profit-taking, while broadly being seen as bearish in the long term.



Currency Index Change

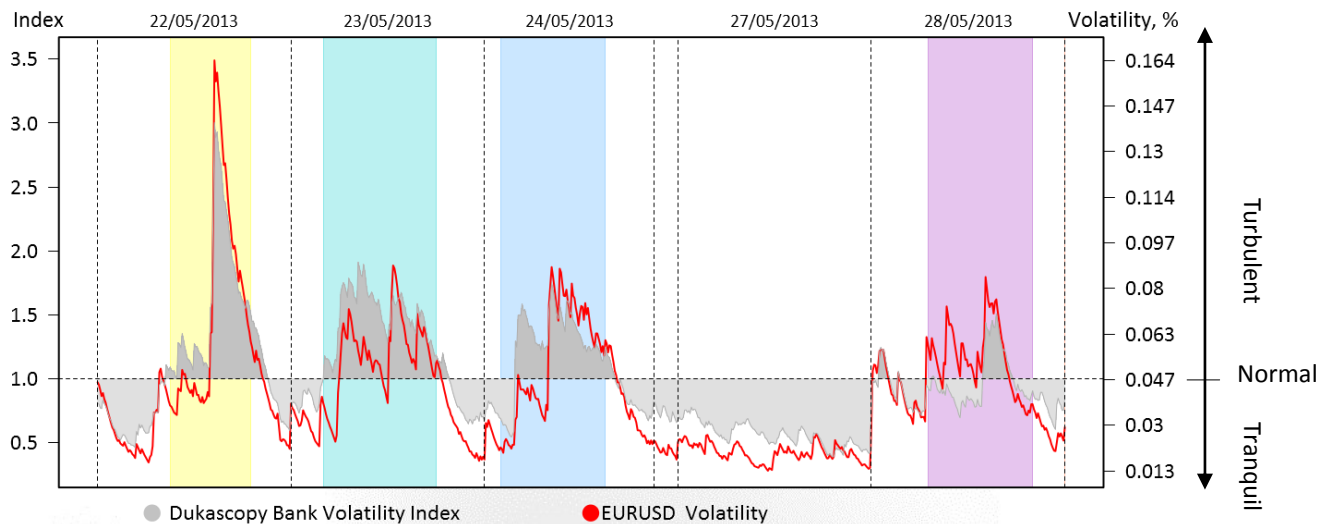
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.39%	1.03%	1.39%	0.06%	0.40%	-1.58%	-0.53%	-0.83%	-0.33%
20	1.81%	4.49%	-1.30%	0.87%	-0.77%	-4.46%	0.78%	0.58%	-2.17%
130	5.42%	6.37%	-18.29%	-0.74%	0.93%	-3.56%	1.20%	4.50%	4.11%



Volatility

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Volatility



Monday was completely free from any notable activity in the exchange rates. Dukascopy Bank Volatility Index was mainly hovering around 0.56, whereas changeability of EUR/USD was even lower—on average it was 0.42—values usually shown only during calm Asian trading sessions. However, once the banks that were closed in observance of Memorial Day in the U.S. and in observance of the Spring Bank Holiday in the U.K. were finally opened, liquidity came back to the markets, returning volatility closer to normal levels, although they are nowhere near the turbulence recorded in the second part of the past week.

For now, this week's maximum DBVI value stands at 1.45, while last Wednesday volatility in the market exceeded historical indicator three times, but in some cases, as happened with USD/CAD, NZD/USD and some of the other currency pairs, volatility was higher, four or even more times the usual levels. Going forward, there is a little chance of variability rising to the same degree this week. However, week June 3—June 7 has the potential to be marked with comparably high volatility, being that such news as U.S. non-farm employment change and unemployment claims and ECB rate decision often lead to substantial changes in the Forex market and the next reports are not expected to be exceptions.

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
39	33	51	36	42	37	39	50	26	46	26	38

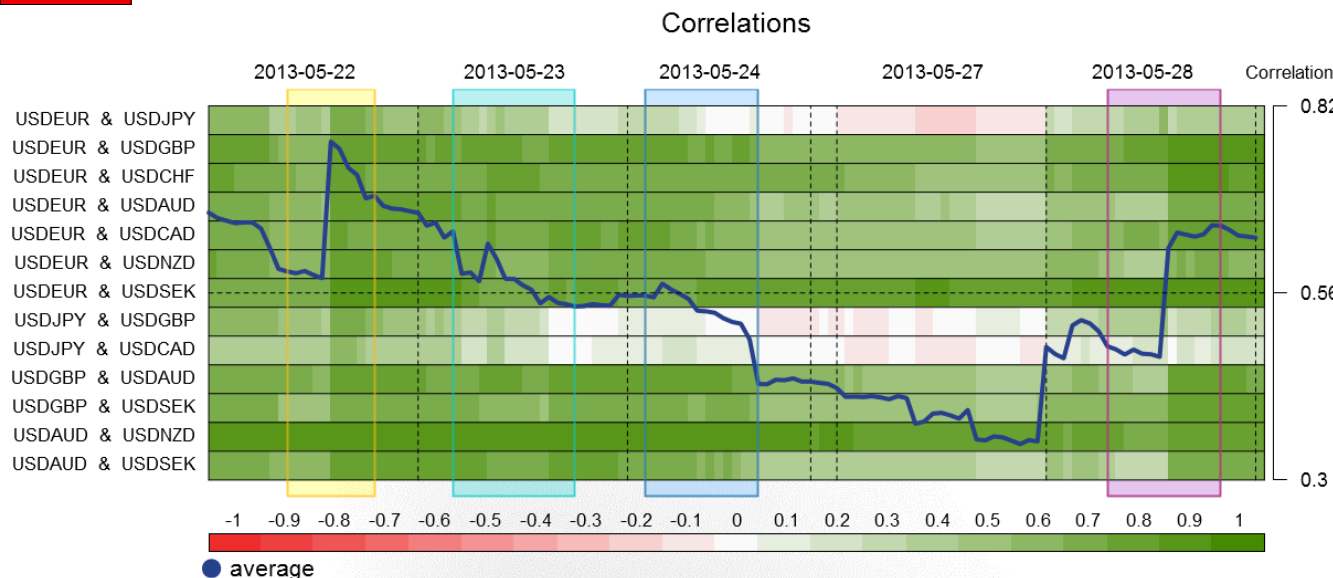
Volatility Index (for the observed period)

	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	0.2	0.3	0.3	0.2	0.2	0.3	0.2	0.3	0.3	0.2
Average	1	0.9	1.1	0.9	1	1	1	1.1	0.8	1.1	0.8	1



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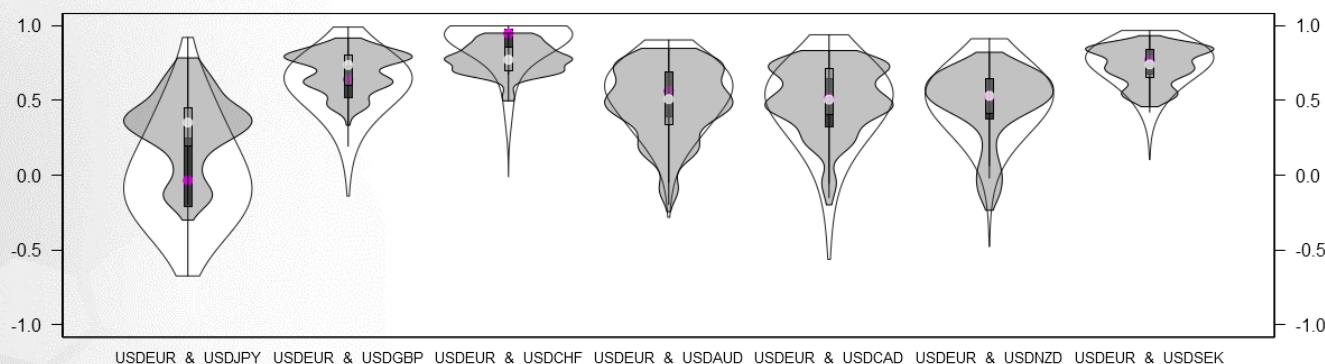
Currency Significance



Last week we have noted that currently significance of the U.S. Dollar is increased, which is especially visible at the time of Bernanke's speech on May 22, when the average correlation coefficient soared up to 0.77. However, since then the markets have been viewing the Dollar as less and less important. As a result, the average coefficient slid down to 0.35 this Monday, although this is largely attributed to banking holiday rather than real changes in investors' perception, since when the major financial centres resumed their work, Dollar's significance started to rise again, recovering up to 0.64.

Also the tendency of correlations between the major USD currency pairs to strengthen is preserved. Interrelation of USD/EUR with USD/JPY experiences the most significant change, with the mean of all of its 50-hour rolling values for the past 20 days shifting to 0.3 after taking on values around zero previously. Correlation between USD/EUR and USD/GBP also started to strengthen. The average of its most recent (5 days) values is 0.18 points higher than the long-term average (130 days). One of few links that no matter what are weakening is USD/EUR with USD/CHF, being that the longer is the distance between EUR/CHF spot and a cap at 1.20, the less is the correlation between the Euro and swissie. The opposite is true as well—the closer the pegged pair is to 1.20, the stronger interdependency between EUR and CHF is observed.

Correlations (20 vs 130 days)



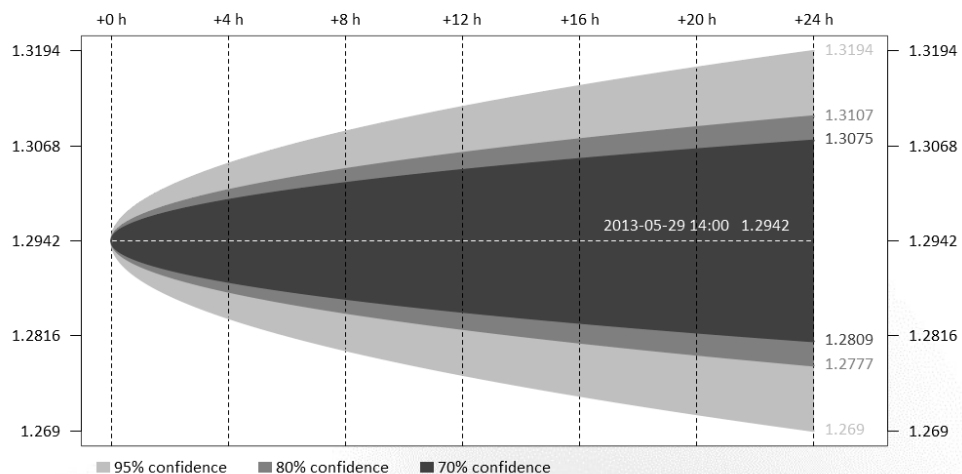
Mean Correlation Coefficient (with USDEUR)

Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.17	0.72	0.69	0.57	0.63	0.58	0.81
20	0.31	0.69	0.77	0.48	0.51	0.47	0.73
130	-0.07	0.54	0.8	0.41	0.36	0.38	0.71

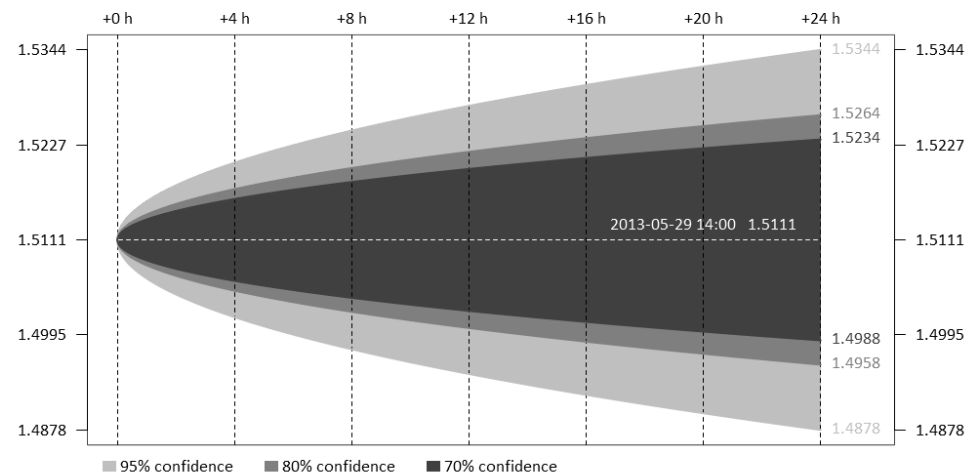
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Confidence Intervals for Next 24 Hours

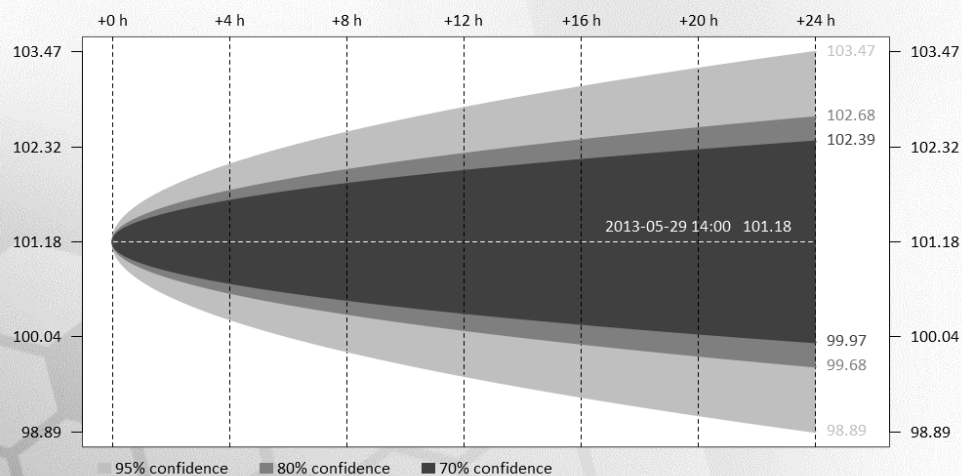
EURUSD Potential Rates



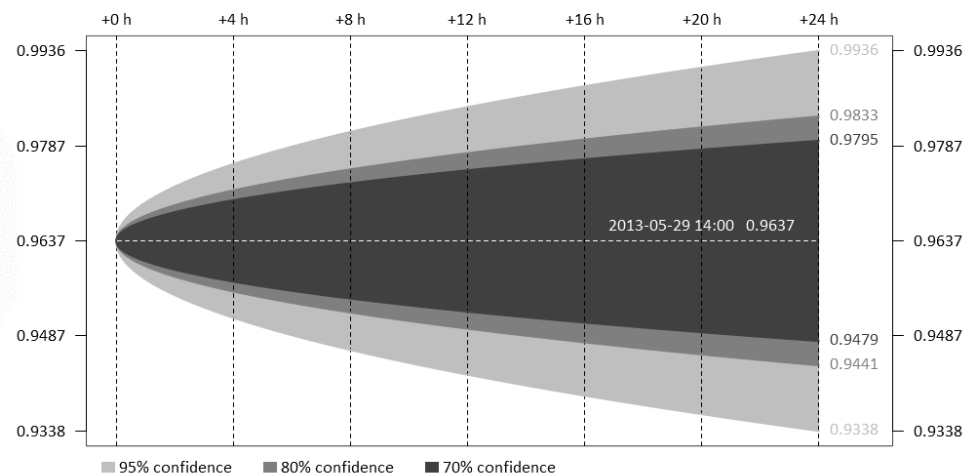
GBPUSD Potential Rates



USDJPY Potential Rates



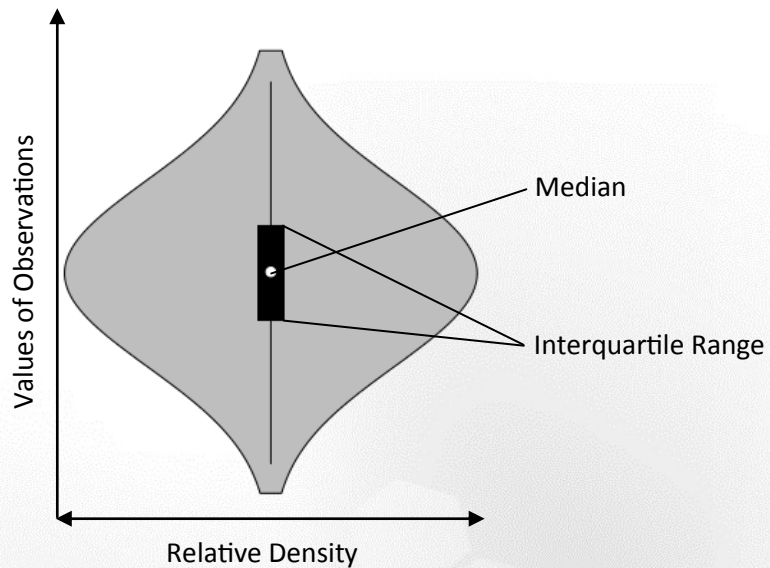
USDCHF Potential Rates



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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Daily Pivot Point Levels
Economic Calendar
Daily Highs/Lows
SWFX Sentiment Index
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Currency Index
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