



EUR

03/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Dominant Events for the Euro

Yellow Area

May 28

08:00 - 17:00

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

Turquoise Area

May 29

06:00 - 18:00

- German Unemployment and Consumer Prices [[link](#)]
- U.K. Retail Sales [[link](#)]

Blue Area

May 30

05:00 - 16:00

- Eurozone Retail PMI [[link](#)]
- U.S. GDP and Unemployment Claims [[link](#)]
- U.K. Home Prices [[link](#)]

Purple Area

May 31

06:00 - 17:00

- German Retail Sales [[link](#)]
- Eurozone Unemployment Rate and CPI [[link](#)]
- U.S. Personal Spending [[link](#)]

EUR Currency Index Range

0.17%

0.26%

0.62%

0.25%

Average EUR/USD
Volatility Index

1.26

1.35

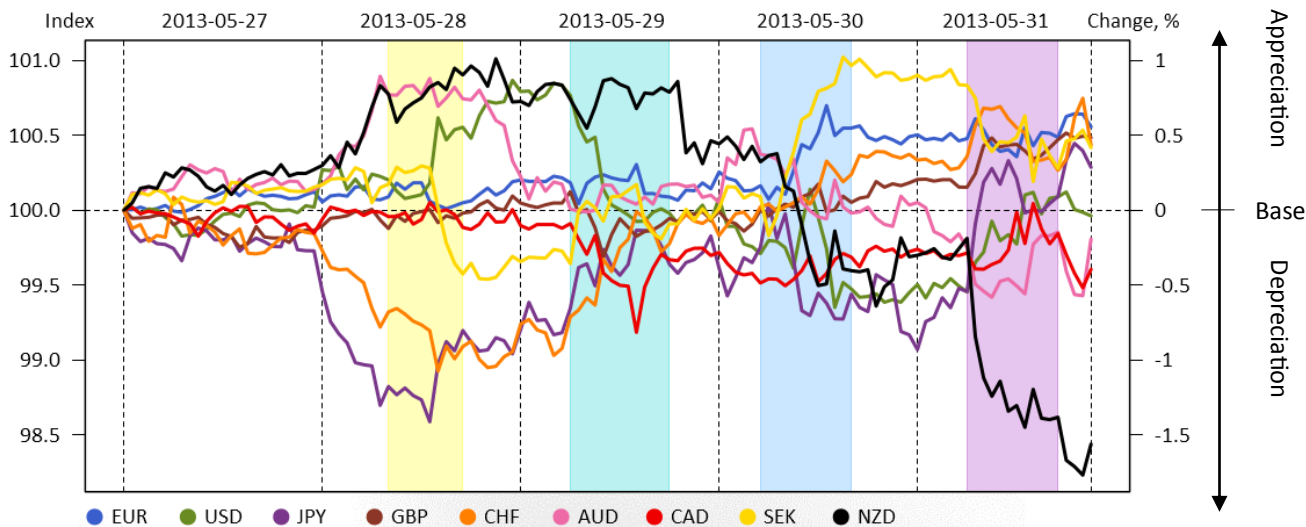
1.37

1.21



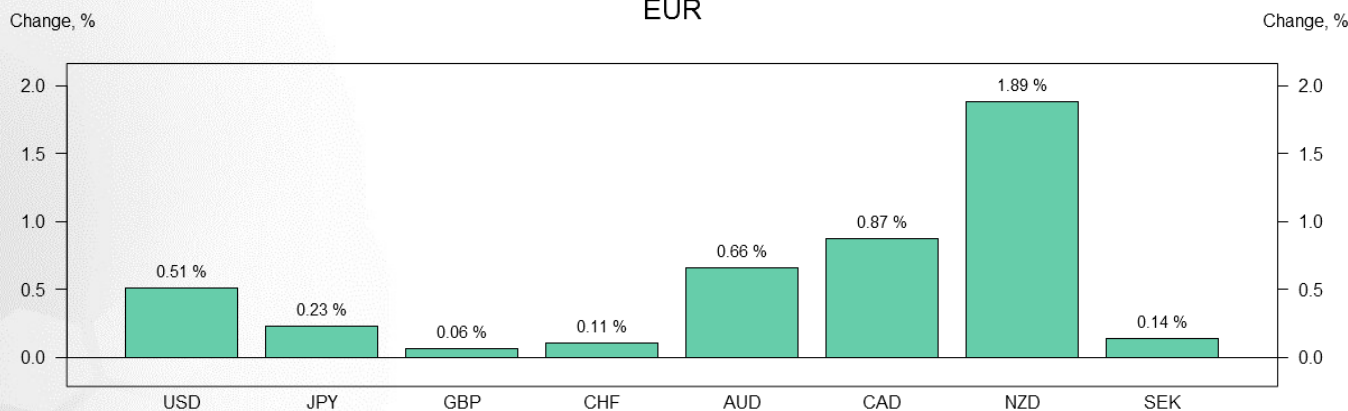
Relative Currency Strength

Currency Indices



As it turned out, better-than-expected data on Eurozone retail PMI was more than enough to keep the single currency afloat last week. It may be argued that Euro's strength came from U.S. Dollar's weakness, but the equally-weighted index of the former instrument commenced its rally a few hours before the data on U.S. GDP and unemployment claims became public. However, the appreciation did coincide with the sell-off of the Yen and a swift rally of the Swedish Krona, although they are hardly related, especially with the latter event.

All in all the Euro finished the past week in first place, but took the lead in the very end. It seemed that either the New Zealand Dollar or Swedish Krona will prove to be the most bullish. Before May 30 the kiwi was 1% above its base value, enjoying the increased demand. Later on, the sentiment changed, being that the Reserve Bank of New Zealand expressed its willingness to intervene into the market should the rates continue to be overinflated, throwing NZD down by 2.8%. Meanwhile, positive Swedish GDP figure did not ensure a sustainable Krona's price increase, since a closer look at the real drivers of the economy's faster-than-expected growth implied that the problems, such as falling exports, persist and are yet to be resolved.



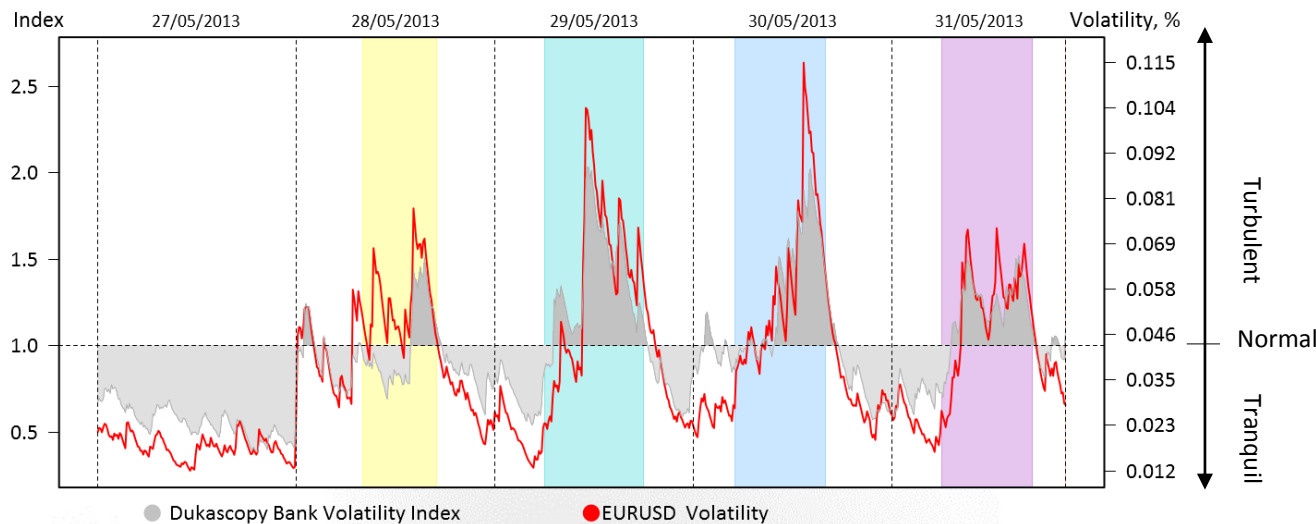
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.56%	-0.04%	0.29%	0.48%	0.43%	-0.19%	-0.39%	0.42%	-1.56%
20	2.07%	3.12%	1.98%	0.52%	0.59%	-4.67%	0.13%	1.15%	-4.41%
130	5.68%	5.64%	-17.18%	-0.27%	2.03%	-3.95%	0.71%	5.77%	1.57%



Volatility

Volatility



Market volatility and together with it EUR/USD volatility was the most intense on Wednesday and Thursday. Interpretation of heightened responsiveness of the prices on May 30 is straightforward—a great deal of data on the performance of the U.S. economy was released (it also missed the estimates, exacerbating the effect), bringing Dukascopy Bank Volatility Index up to the level of 2 and EUR/USD's measure of variability 2.6 times above the norm. Turbulence a day before, on the other hand, had less reasons to appear, but did emerge nevertheless.

We could partially attribute this occurrence to anticipation of the next day's reports, but considering the fact that the peak of volatility matched the release on German inflation and unemployment change, it is safe to assume that controversial statistics on the well-being of the flagman of the bloc were the main reason for the market's activity.

Friday, however, despite a number of important news on the Eurozone, namely inflation and unemployment, was not marked with abnormally high volatility as May 29 or 30. This may be related to the fact that both of the actual numbers were forecasted accurately.

Elevated Volatility (% of the observed period)

Market	EUR/	USD/	GBP/	AUD/	USD/	USD/	EUR/	EUR/	EUR/	USD/	NZD/
34	34	47	36	37	35	35	40	22	39	34	38

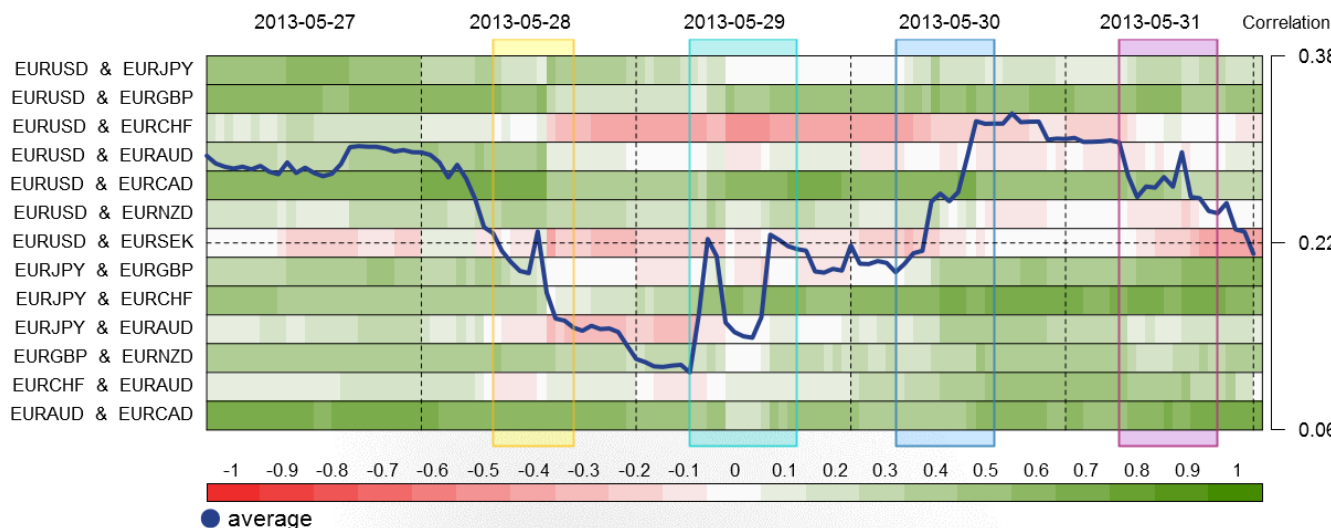
Volatility Index (for the observed period)

	Market	EUR/ USD	USD/ JPY	GBP/ USD	AUD/ USD	USD/ CAD	USD/ CHF	EUR/ JPY	EUR/ GBP	EUR/ CHF	USD/ SEK	NZD/ USD
Max	2	2.6	2.6	2.8	2.6	2.6	2.8	2.7	2.3	2.2	2.5	2.4
Min	0.4	0.3	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2
Average	0.9	0.9	1	1	1	0.9	0.9	1	0.8	0.9	0.9	1



Currency Significance

Correlations

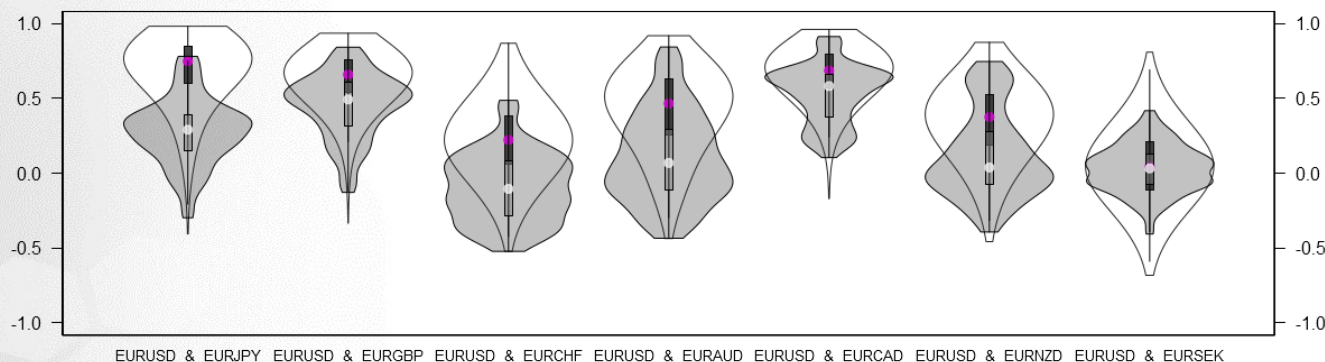


There were ups and downs in the level of Euro's significance since May 27, but even when the average correlation coefficient reached its peak, the single currency was far from being one of the main determinants of the exchange rates, such as the U.S. Dollar and Japanese Yen are, average 50-hour rolling correlations of which since May 27 were 0.55 and 0.75 respectively. Nonetheless, it is visible when market participants were more or less responsive to fluctuations of the Euro.

The importance of the Euro took a major hit last Tuesday, when the only noticeable report concerned U.S. consumer confidence and there were almost no news coming from other regions of the world. Further on Euro's significance improved, from 0.11 up to 0.33, but only to decline once again later on, a tendency that is currently intact.

There were also no two major EUR crosses interdependence between which was able to fully withstand the recent changes. Even the strongest and the most stable correlation—EUR/USD with EUR/CAD, which consistently took on values around 0.7, has dropped down to 0.5.

Correlations (20 vs 130 days)



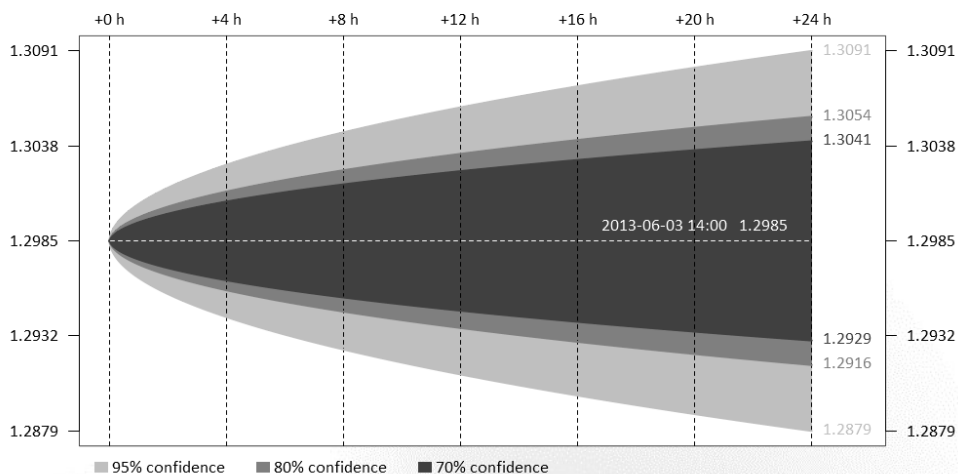
Average Correlation Coefficient (with EURUSD)

Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.26	0.48	-0.13	0.11	0.55	0.15	-0.12
20	0.28	0.45	-0.1	0.11	0.53	0.12	0.03
130	0.6	0.58	0.28	0.56	0.73	0.45	0.12

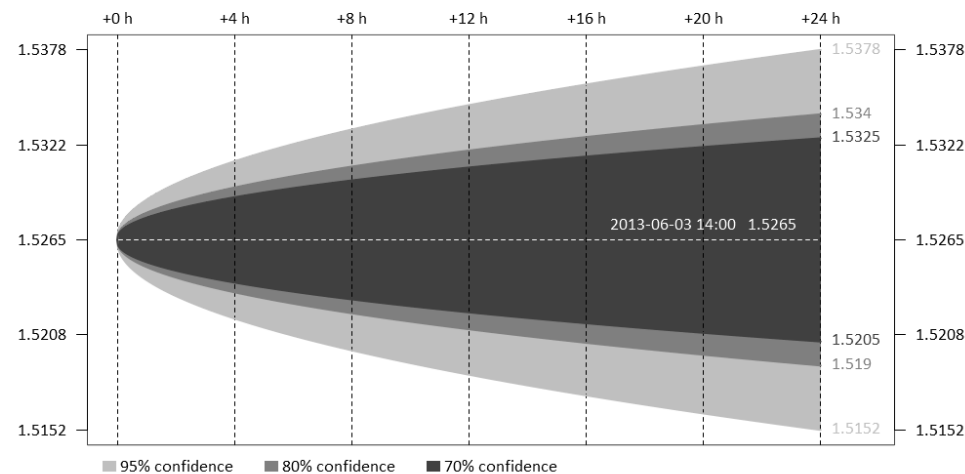
Monday, June 03, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

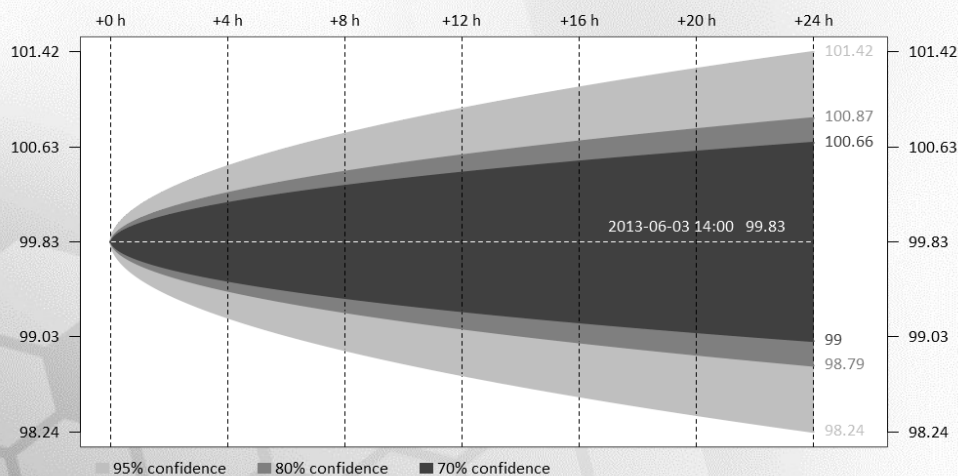
EURUSD Potential Rates



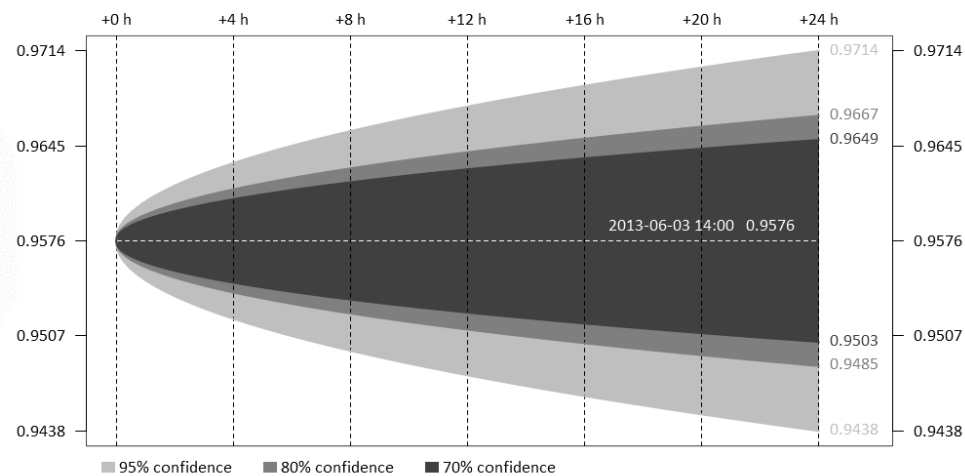
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

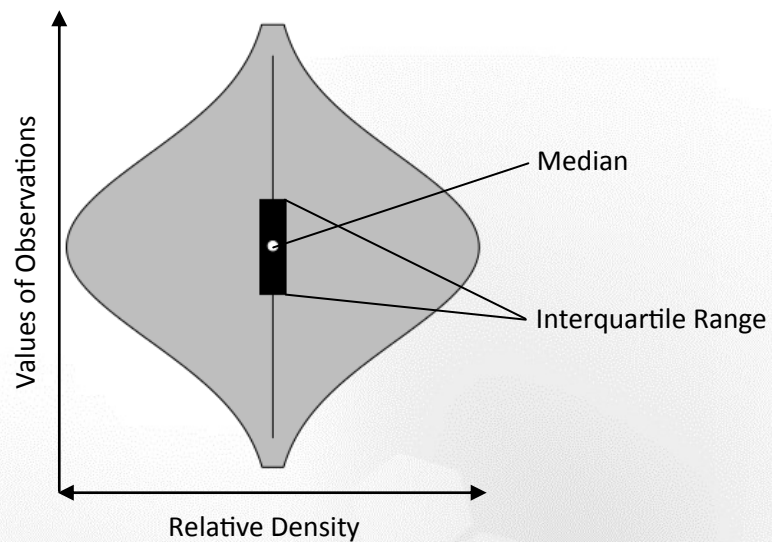
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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