



USD

05/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Wednesday, June 05, 2013
15:30 GMT

Dominant Events for the U.S. Dollar

Yellow Area

May 29

06:00 - 18:00

- German Unemployment and Consumer Prices [[link](#)]

Turquoise Area

May 30

08:00 - 16:00

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

Blue Area

May 31

08:00 - 16:00

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

Purple Area

June 3

13:00 - 18:00

- Eurozone Manufacturing PMI [[link](#)]
- U.S. Manufacturing PMI [[link](#)]

Orange Area

June 4

15:00 - 18:00

- U.S. Trade Deficit [[link](#)]
- FOMC Member George Speech [[link](#)]

USD Currency Index Range

0.84% 0.79% 0.67% 1.18% 0.45%

Average EUR/USD
Volatility Index

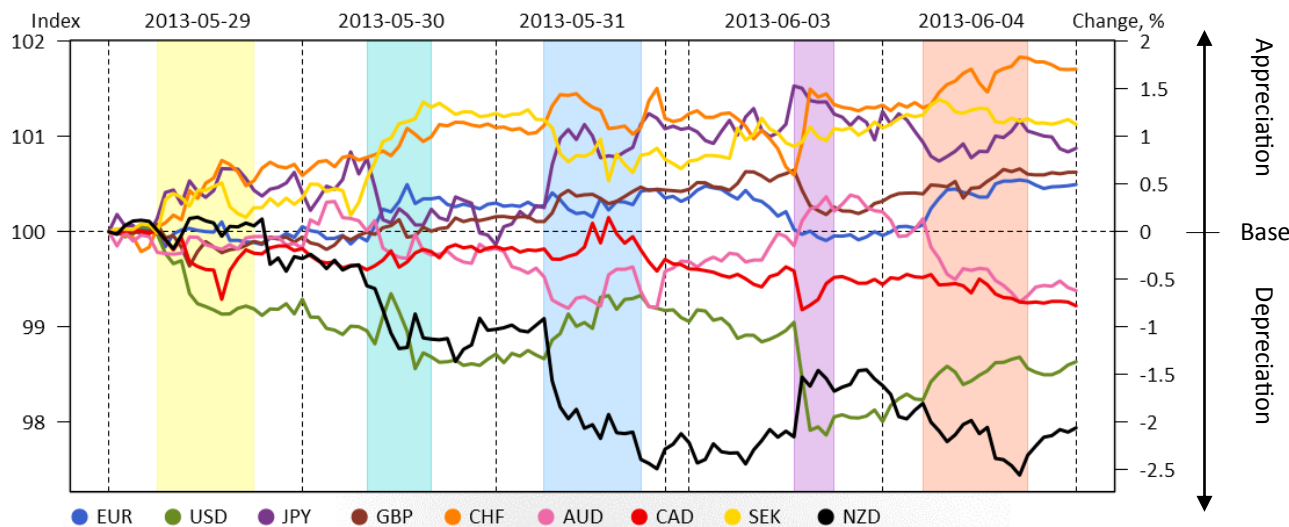
1.35 1.52 1.19 2.08 0.97



Relative Currency Strength

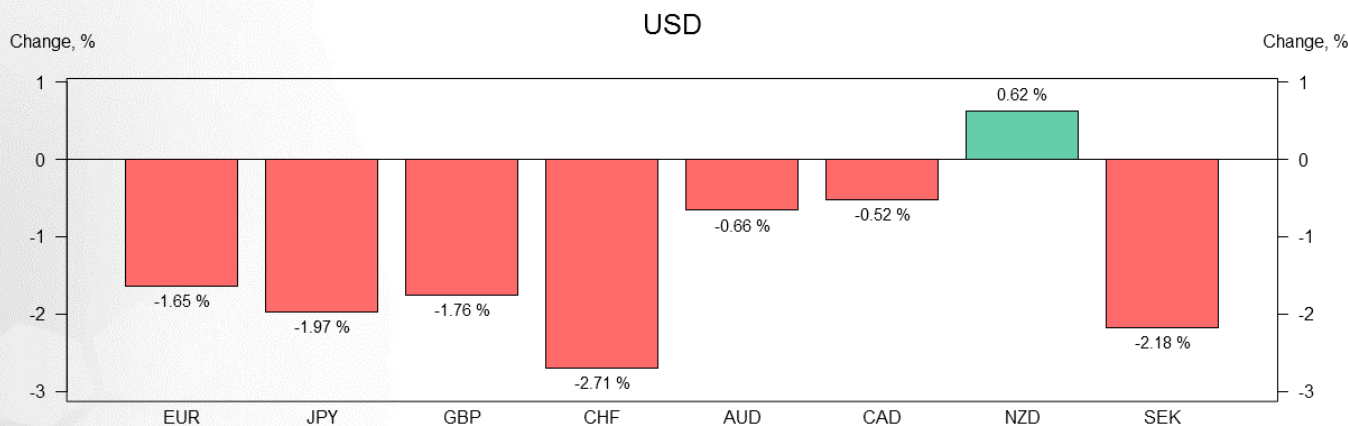
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Currency Indices



The news that have been published lately convinced investors that the fair value of the U.S. Dollar was significantly below the price of the currency at the time. Accordingly, this has led to a massive sell-off, resulting in a 1.4% loss of the greenback's worth in five days' time, while the maximum drawdown within the period totalled to more than two per cent. Even the currency index of the Japanese Yen that has already depreciated by 17% during the last six months has grown by 0.9% since May 29.

The kiwi was the only counterpart the Dollar was able to outperform, although while the supply of New Zealand dollars was increased by a real threat of intervention by the RBNZ, fluctuations in USD reflected changes in the likelihood of the QE programme being either prolonged or shortened, as perceived by the market. The most significant influence on investors' assessment of this probability had a report on the U.S. manufacturing. Instead of a timid growth of the sector, the actual data showed that the positive tendency did not persist, but was replaced by a contraction. Nonetheless, despite the sharp decline, performance of the Dollar for the last 20 and 130 days is positive—2.1 and 5.1 per cent respectively.



Currency Index Change

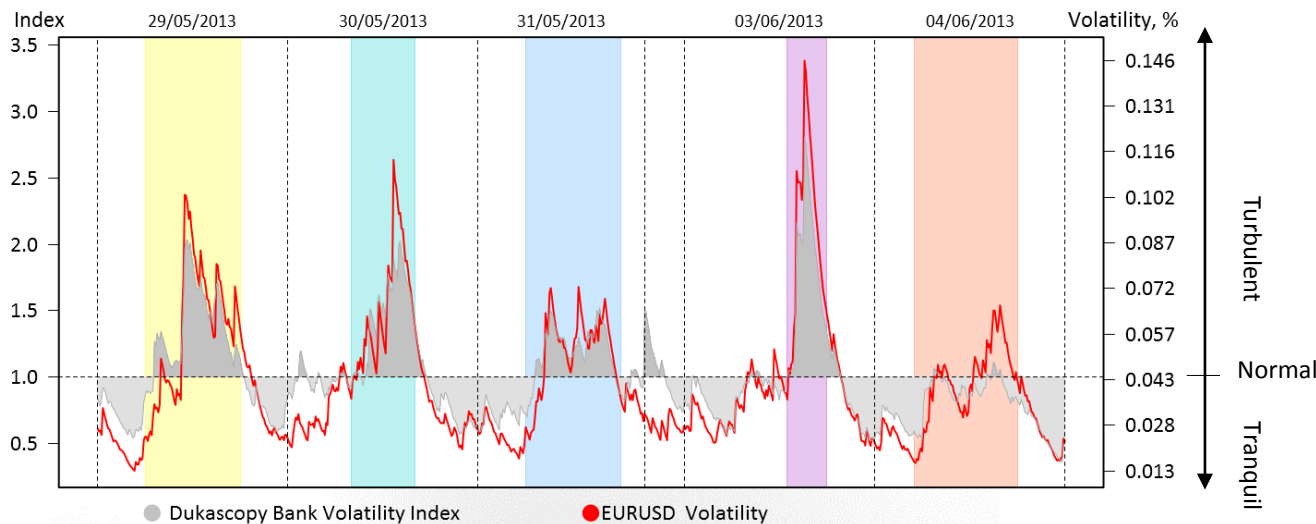
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.50%	-1.37%	0.88%	0.63%	1.71%	-0.62%	-0.78%	1.13%	-2.06%
20	1.92%	2.12%	1.05%	0.81%	1.16%	-4.08%	-1.24%	1.32%	-2.86%
130	5.30%	5.08%	-17.12%	-0.50%	2.41%	-3.82%	0.39%	6.10%	2.24%



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Volatility

Volatility



The past week was not among the most tranquil ones, being marked by the data on the U.S. GDP and on the Eurozone inflation and unemployment among the usual weekly releases. However, volatility level shown this Monday has already surpassed the highest value Dukascopy Bank Volatility Index showed from May 27 to May 31, namely 2, reaching a level of 2.8 on June 3. EUR/USD was considerably more sensitive to the Monday's report than the market on average, since its variability gauge exceeded the historical level 3.4 times.

Still, this currency pair did not react to the news as strongly as USD/CAD and USD/CHF did, their volatility indices jumped to 3.8 right after U.S. ISM manufacturing PMI came out. However, if we were to judge volatility by the amount of time a price for a specific instrument changes faster than it normally does, then the leaders in changeability would be USD/JPY, AUD/USD and NZD/USD, given that they have stayed turbulent respectively 46%, 45% and 47% of the time since May 29.

In the meantime, the least susceptible to the events in the market was EUR/GBP pair—its maximum volatility index was 2.3.

Elevated Volatility (% of the observed period)

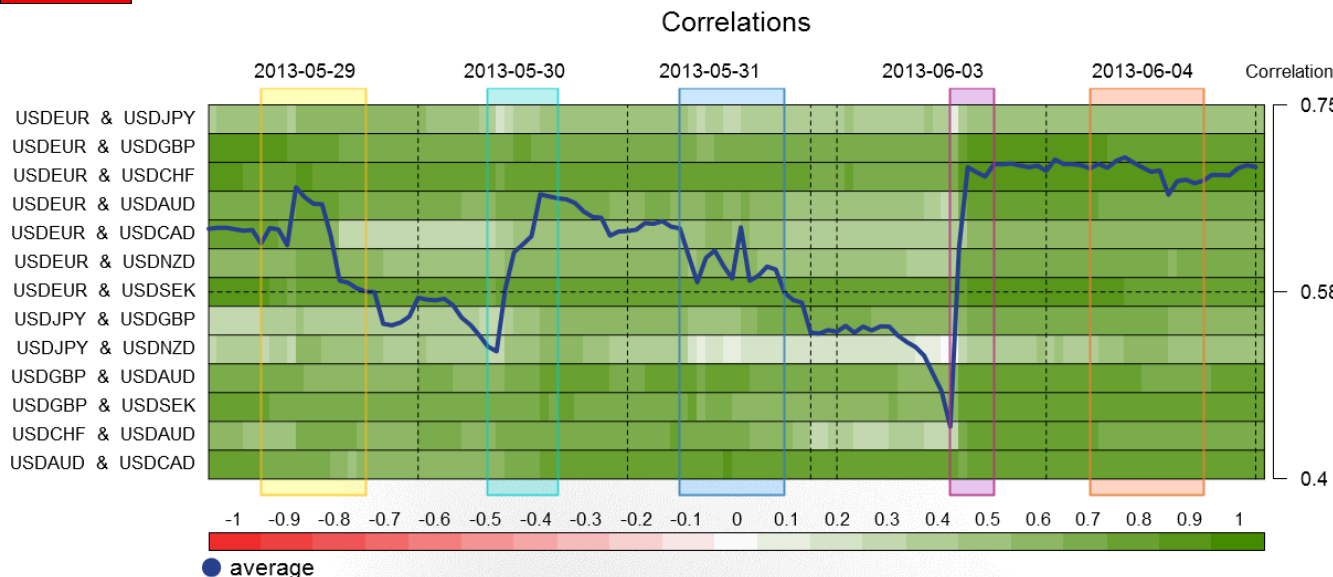
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
39	35	46	40	45	37	34	41	37	36	41	47

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	2.8	3.4	2.7	3.2	3.1	3.8	3.8	2.7	2.3	3	2.6	3.1
Min	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4
Average	1	1	1	1	1.1	1	1	1	0.9	0.9	1	1.1



Currency Significance

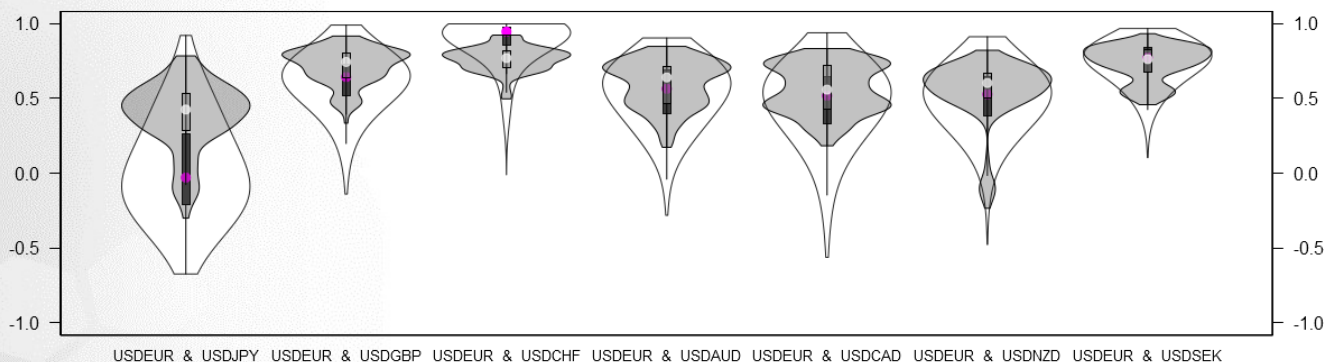


The most important events for USD are easily recognisable with the help of the average correlation coefficient, its up-moves to be precise. These are the releases of GDP and unemployment claims on May 30 and manufacturing PMI on June 3. And while we would be able to get the same outcome after a simple analysis of an economic calendar, it would not tell us of the extent to which these news have affected a particular currency and interdependence among its crosses.

For instance, GDP and unemployment data did lift the average correlation up from 0.52 to 0.67 in a matter of few hours, but the effect was short-lived and was hardly visible during the next day, without having any implications on the fundamental level. However, this is unlikely to be the case for Monday events that made the U.S. Dollar a key player in the market, as its average coefficient skyrocketed by 0.26 points, from a weekly minimum of 0.45 up to the weekly maximum of 0.70.

Overall, interdependence between USD crosses was not affected, but there were a few significant changes that concerned correlation of USD/EUR with USD/JPY and USD/CHF. While the former is continuously strengthening from week to week, Dollar's pairs with the Euro and Franc are moving unidirectionally less frequently.

Correlations (20 vs 130 days)



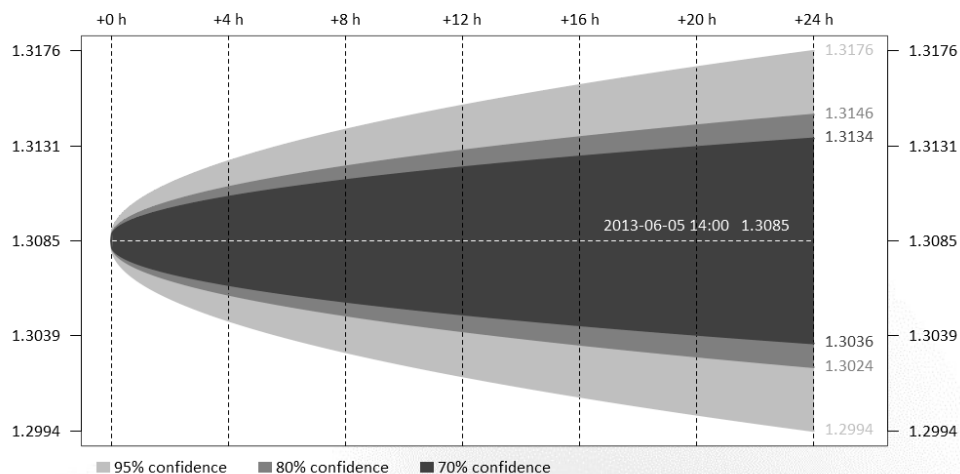
Mean Correlation Coefficient (with USDEUR)

Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.46	0.75	0.83	0.65	0.5	0.59	0.81
20	0.38	0.72	0.76	0.6	0.56	0.54	0.73
130	-0.04	0.55	0.79	0.41	0.36	0.38	0.72

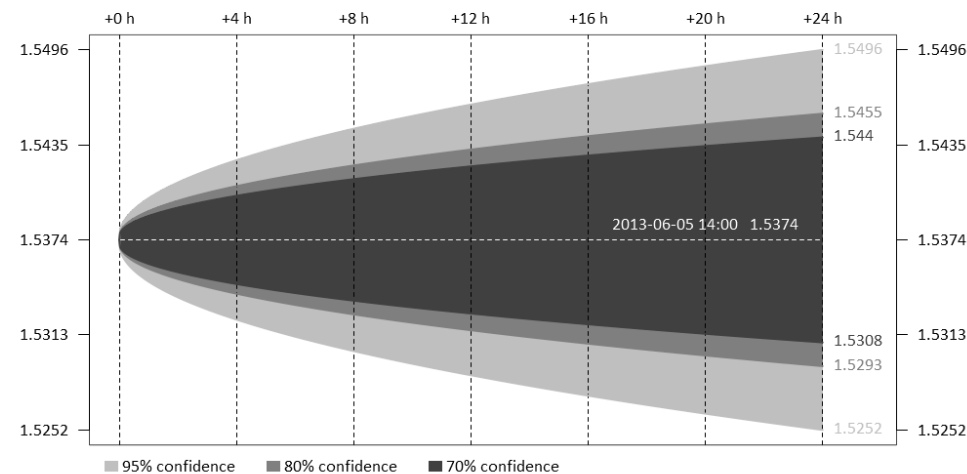
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Confidence Intervals for Next 24 Hours

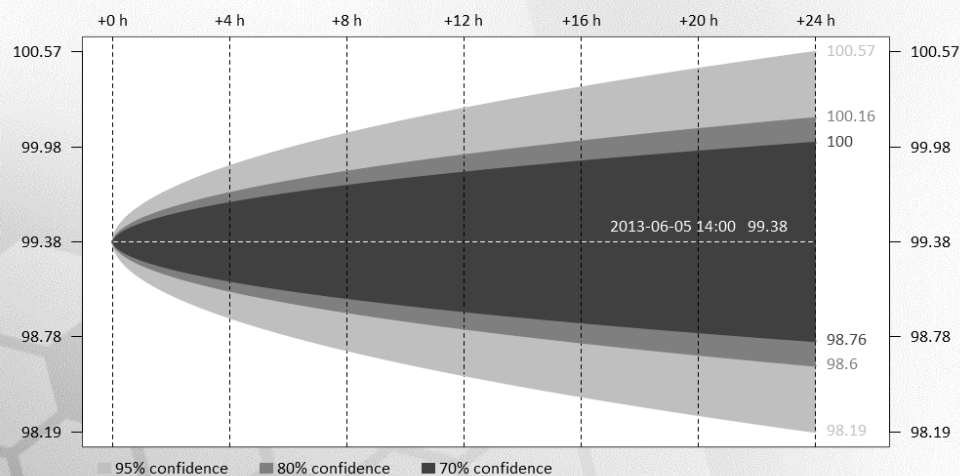
EURUSD Potential Rates



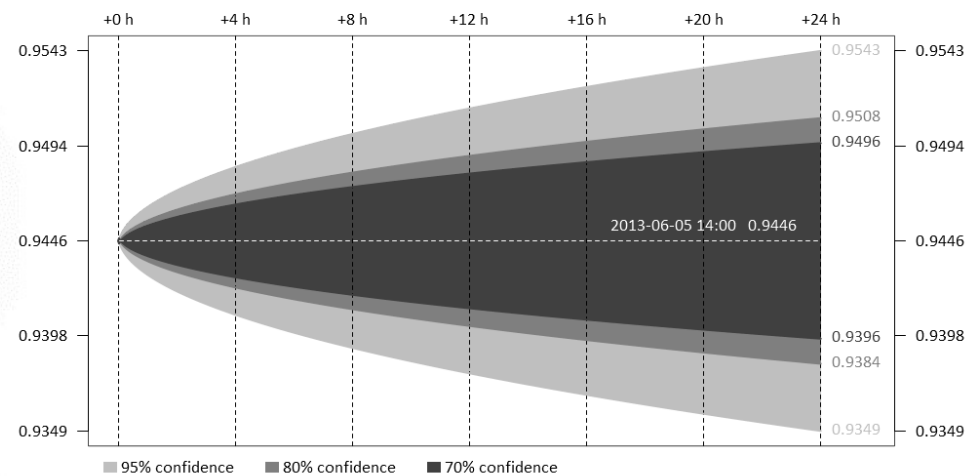
GBPUSD Potential Rates



USDJPY Potential Rates



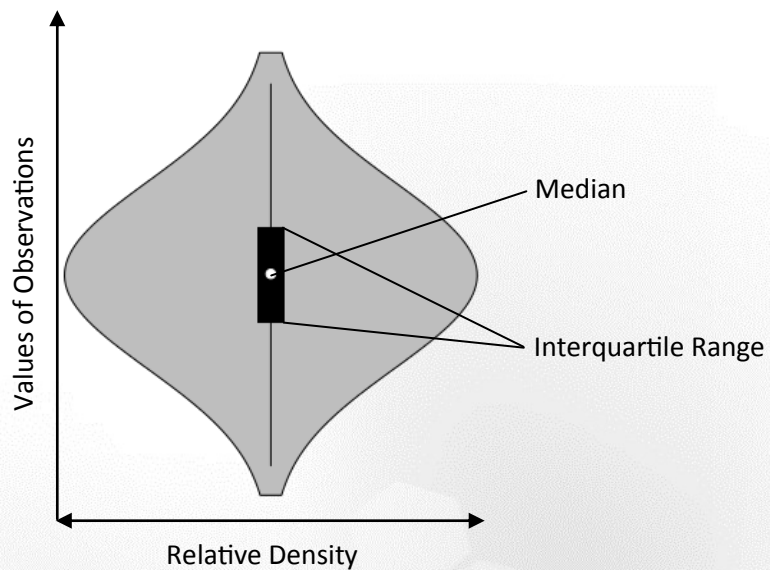
USDCHF Potential Rates



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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