

JPY

07/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Dominant Events for the Japanese Yen

Yellow Area

May 31

06:00 - 13:00

- Japanese Industrial Production [\[link\]](#)
- Eurozone Unemployment Rate and CPI [\[link\]](#)
- U.S. Personal Spending [\[link\]](#)

Turquoise Area

June 3

12:00 - 17:00

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

Blue Area

June 4

00:00 - 08:00

- Japan's PM Shinzo Abe Testimony [\[link\]](#)
- RBA Rate Statement [\[link\]](#)

Purple Area

June 5

03:00 - 17:00

- Eurozone Retail Sales [\[link\]](#)
- U.S. ADP Non-Farm Employment Change and Non-Manufacturing PMI [\[link\]](#)

Orange Area

June 6

12:00 - 20:00

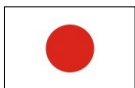
- ECB Minimum Bid Rate [\[link\]](#)
- U.S. Unemployment Claims [\[link\]](#)

JPY Currency Index Range

0.87% 0.4% 0.52% 1.29% 1.86%

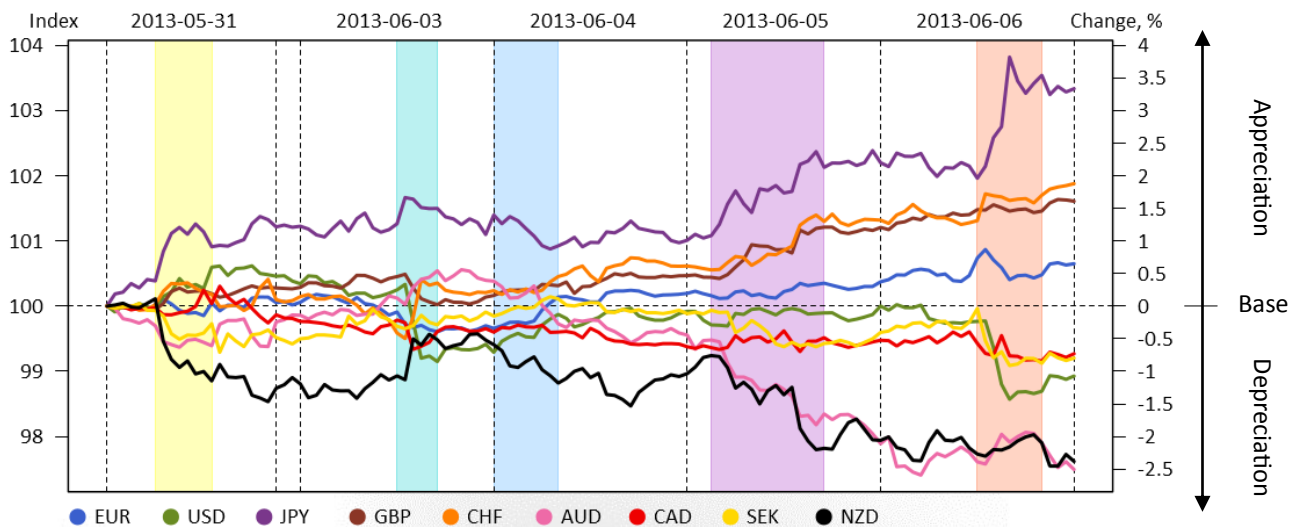
Average USD/JPY
Volatility Index

1.25 1.43 0.91 1.13 2.2



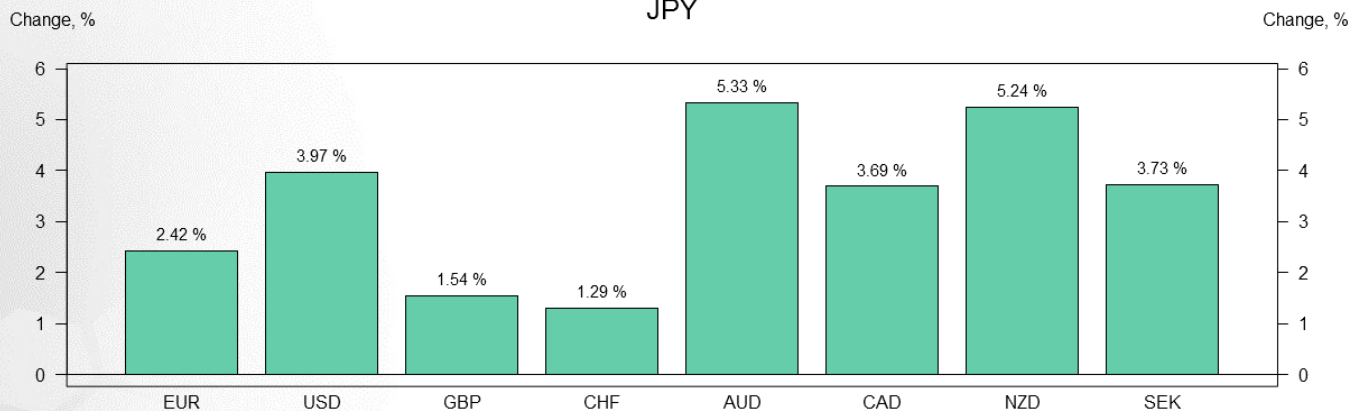
Relative Currency Strength

Currency Indices



There was not a single day since May 31 when the cumulative gains of the Japanese Yen were surpassed by gains of any other major currency. Over the five-day period the Yen appreciated on average by 3.3%, although the increase, as it usually happens in the foreign exchange market, was not gradual, but was characterised by short-term sprints. Just within Friday a portfolio consisting of equal investments in the Asian currency across its pairs would have yielded 1.23% amid substantial improvement in Japan's industrial sector.

Advancement of the index this Wednesday was a little less impressive—1.19%, but the Yen was priced at the highest level next day, on June 6, when inconsistent data on the U.S. economy, coupled with the not-so-convincing speech of Shinzo Abe on his future plans to improve the situation in the country, resulted in a 1.86% rally within a couple of hours. Subsequently there was a retracement in the exchange rates, but the Yen is still 1.29% more expensive than the second most bullish currency—the Swiss Franc. The Yen has also outperformed its main counterparts during the last 20 days, adding nearly 6% to its value, but at the same it is the most bearish in a six-month perspective with a loss amounting to 14.86%.



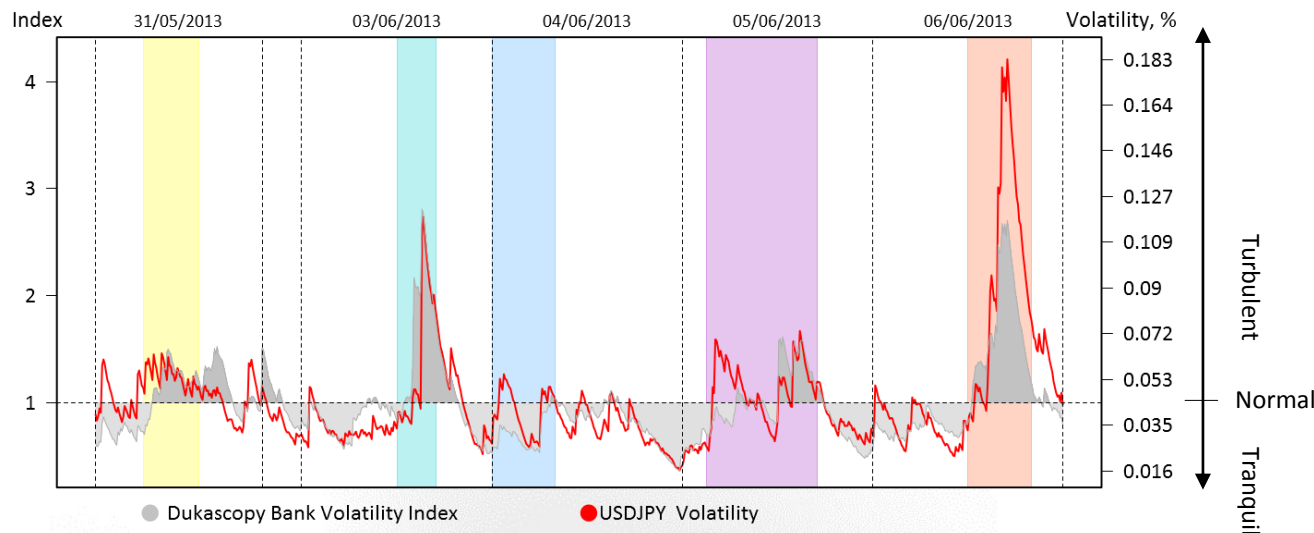
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.65%	-1.07%	3.34%	1.61%	1.88%	-2.51%	-0.73%	-0.80%	-2.38%
20	2.13%	0.48%	5.92%	1.57%	2.85%	-5.82%	-1.68%	0.46%	-4.62%
130	5.70%	4.30%	-14.86%	0.67%	4.04%	-6.12%	0.36%	5.25%	0.64%



Volatility

Volatility



Strong reaction of the market to the news published on Monday, when the Dukascopy Bank Volatility Index approached a mark of 3, was caused by completely unexpected downfall in the manufacturing sector of the U.S. economy. Already worried over the ability of the world's largest economy to handle the consequences of the crises public received another reason not to expect hawkish tone of the Federal Reserve. And softness in the Yen, which was to a significant degree provided by an increased demand for the U.S. Dollar, is starting to wane.

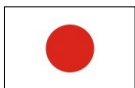
Next two days were for the most part free from abnormally high volatility, even the non-farm employment change numbers in the United States did not manage to stir the things up. However, there was a good reason for the investors to postpone their final decision to a later date and until then remain patient, being that the report on the unemployment claims and the ECB minimum bid rate were scheduled to be published on Thursday. This news have sent DBVI as high as 2.8, while USD/JPY, the most sensitive to the U.S. statistics currency pair, was changing 4.2 times faster than historically, although only for a short period of time.

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
35	32	40	38	48	31	28	36	40	27	34	46

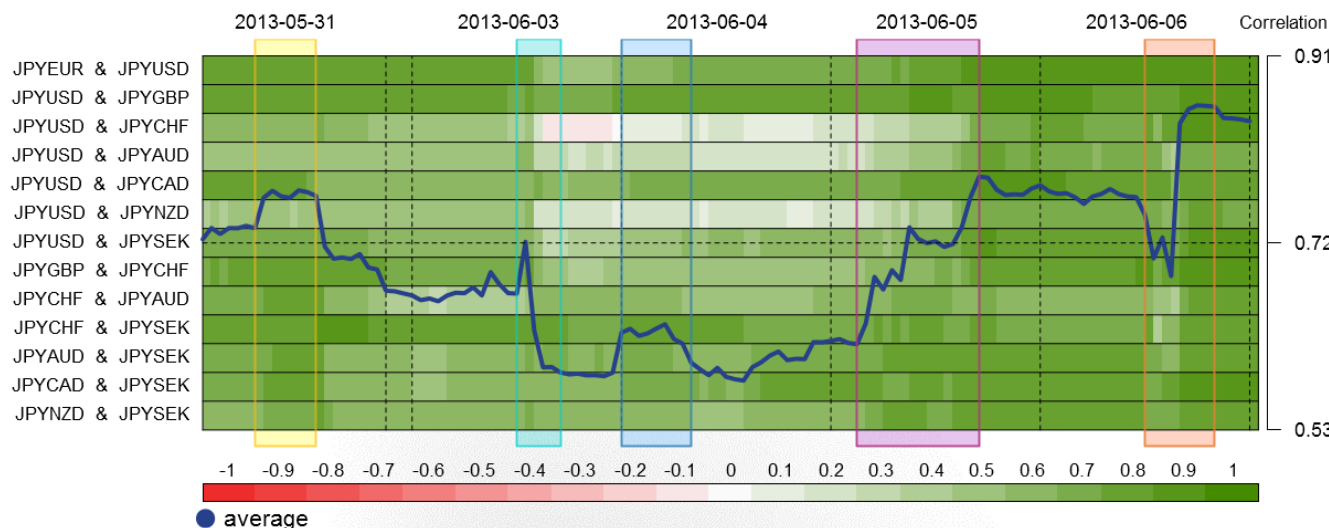
Volatility Index (for the observed period)

	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	4.2	3.2	3.1	3.8	3.8	3.9	2.3	3	2.6	3.1
Min	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4
Average	1	0.9	1	1	1.1	1	0.9	1	0.9	0.9	0.9	1.1



Currency Significance

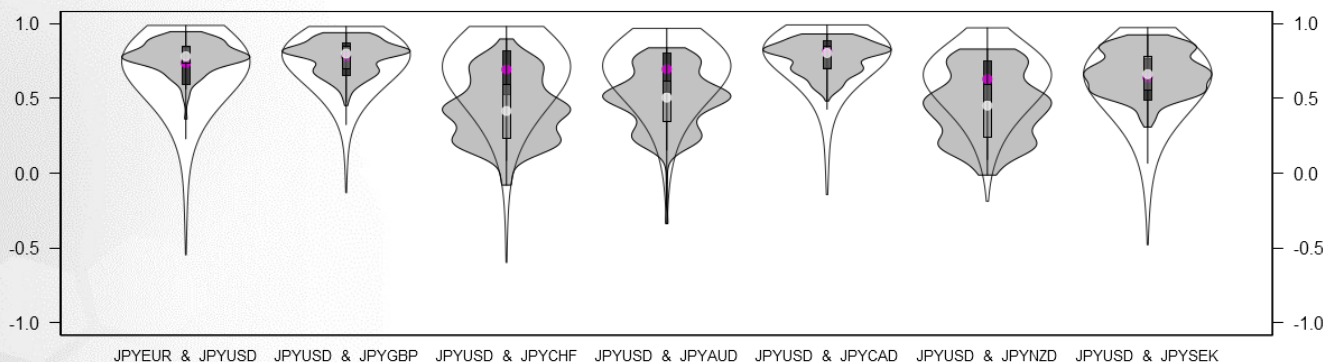
Correlations



We have been talking about that previously, but the Japanese Yen is even more responsive to the U.S. data than the Dollar itself, however strange or unintuitive it may sound. If we look at how JPY and USD crosses were reacting to them, we would note more consistency in the former. For example, JPY/USD and JPY/GBP have a significantly higher chance of moving proportionally in the same direction than USD/EUR and USD/JPY and this tendency holds true for most of similar comparisons.

The only time during the last five trading days this statement would be false was after the U.S. manufacturing data. It was the moment when the greenback was the main in determining the exchange rates. Still, judging by the fact that the average correlation coefficient between JPY crosses has returned to its usual levels and has recently surpassed them, it is safe to assume that this period is now over. Still, there is a notable difference between how JPY/USD and JPYCHF were interacting this week and before. While the mean 50-hour rolling correlation was around 0.73 for the last six months, the latest (five-day) data suggest that the correlation is only 0.42.

Correlations (20 vs 130 days)



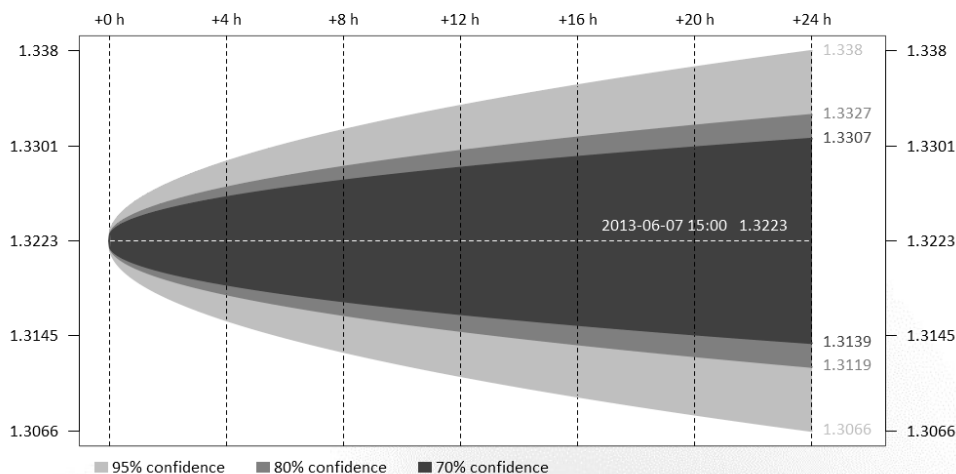
Average Correlation Coefficient (with JPYUSD)

Days	JPYEUR	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.78	0.82	0.42	0.47	0.71	0.43	0.65
20	0.78	0.78	0.43	0.49	0.77	0.44	0.67
130	0.8	0.81	0.73	0.76	0.87	0.69	0.73

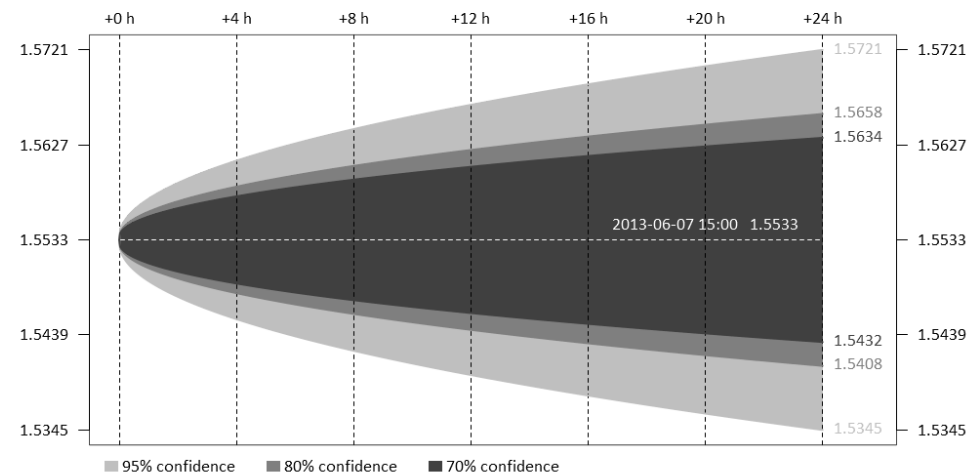
Friday, June 07, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

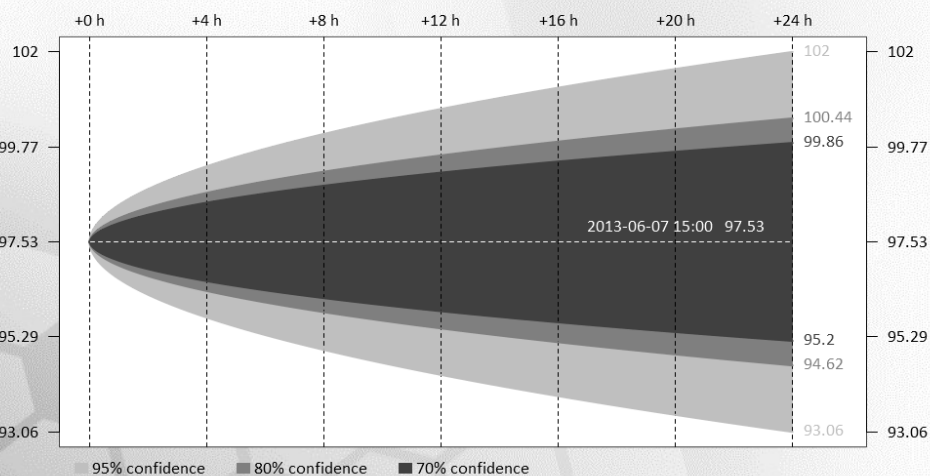
EURUSD Potential Rates



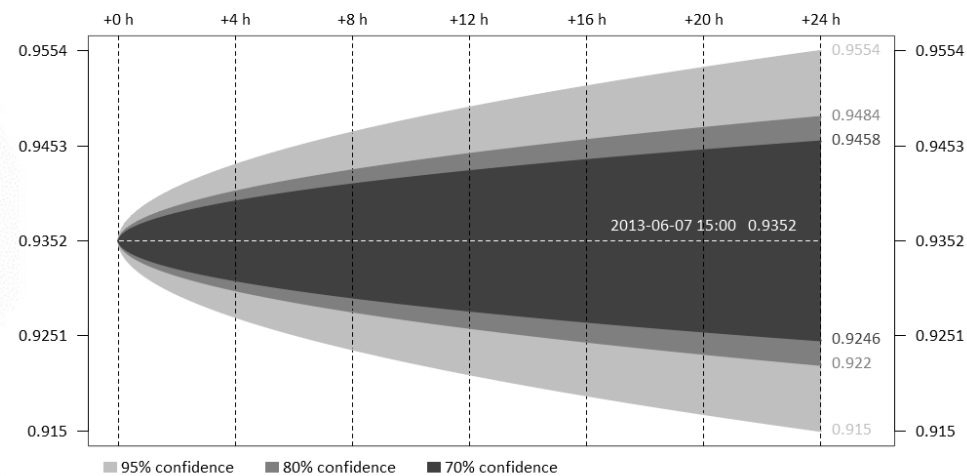
GBPUSD Potential Rates



USDJPY Potential Rates



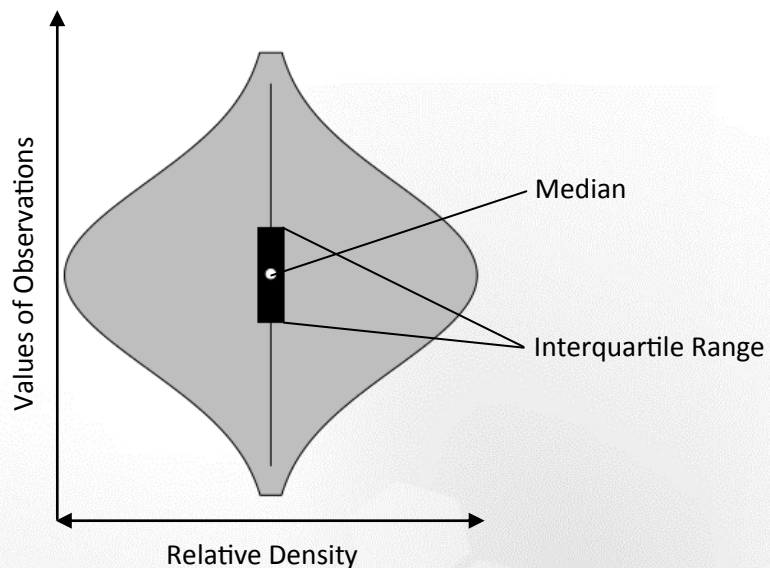
USDCHF Potential Rates



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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