



EUR

10/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Dominant Events for the Euro

Yellow Area

June 3

08:00 - 18:00

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

Turquoise Area

June 4

05:00 - 17:00

- Japan's PM Shinzo Abe Testimony [\[link\]](#)
- Spanish Unemployment Change [\[link\]](#)
- U.S. Trade Balance [\[link\]](#)

Blue Area

June 5

05:00 - 16:00

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

Purple Area

June 6

11:00 - 20:00

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

Orange Area

June 7

09:00 - 17:00

- German Industrial Production [\[link\]](#)
- U.S. Non-Farm Employment Change and Unemployment Rate [\[link\]](#)

EUR Currency Index Range

0.43%

0.47%

0.23%

0.46%

0.36%

Average EUR/USD
Volatility Index

1.54

0.97

1.14

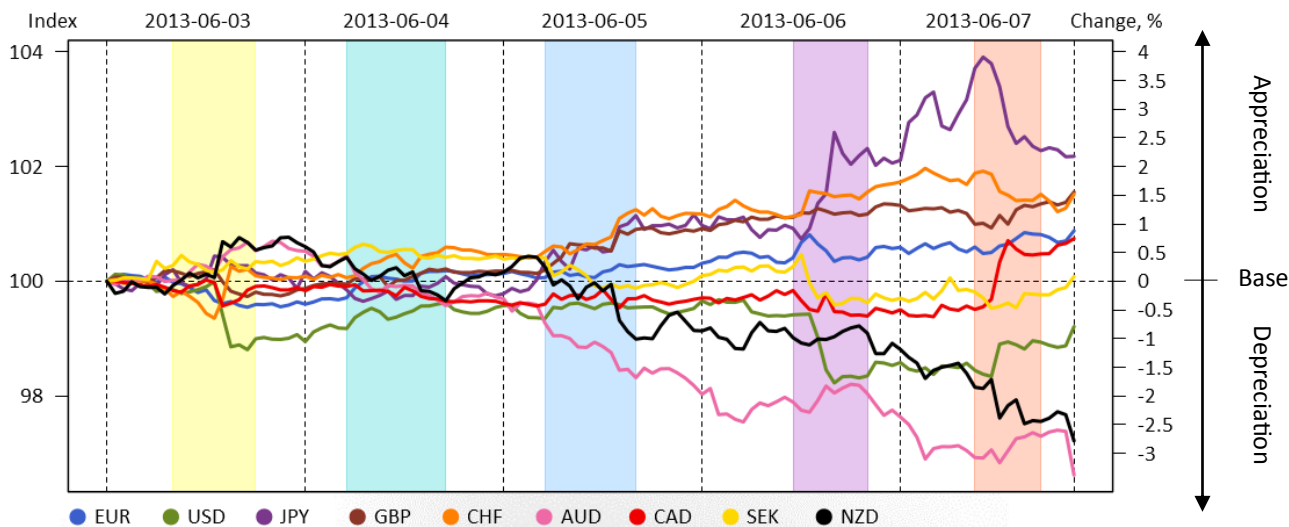
1.62

1.67



Relative Currency Strength

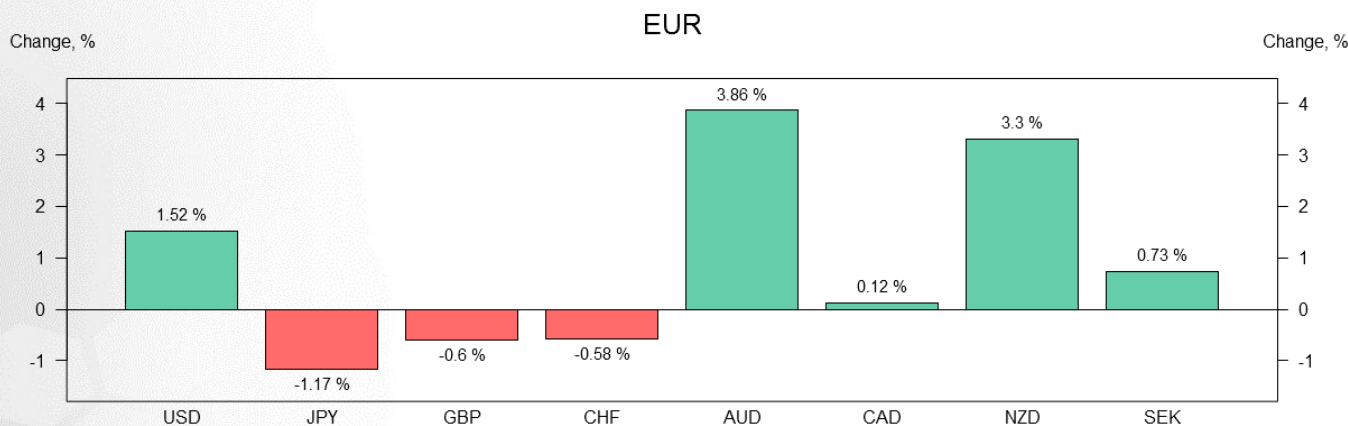
Currency Indices



Throughout the last week the single European currency has been appreciating slowly but steadily, finishing Friday on average 0.88% higher than it was on Monday. Nonetheless, it does not appear that the Euro has fully realised its bullish potential, being that fundamentally the currency looked much stronger than previously. First of all, the ECB did not reckon the current situation to require further rate cuts. Secondly, German industrial production, Spanish labour market and whole bloc's manufacturing PMI turned out to be better than estimated.

Moreover, Euro's main counterpart, the U.S. Dollar, was considerably weaker across the board, losing 0.79%, largely due to soft employment data that does not promise quick, as previously expected, recovery, which in turn implies that the Fed will have to continue pouring detrimental for the value of the greenback liquidity into the financial sector until the economy finally does not need the crutches.

Overall, while there are some local problems in the Eurozone that require attention, such as negative GDP growth, falling retail sales and contracting services industry, the market is surely regaining confidence in the Euro, which is already 6.18% more expensive than six months ago.



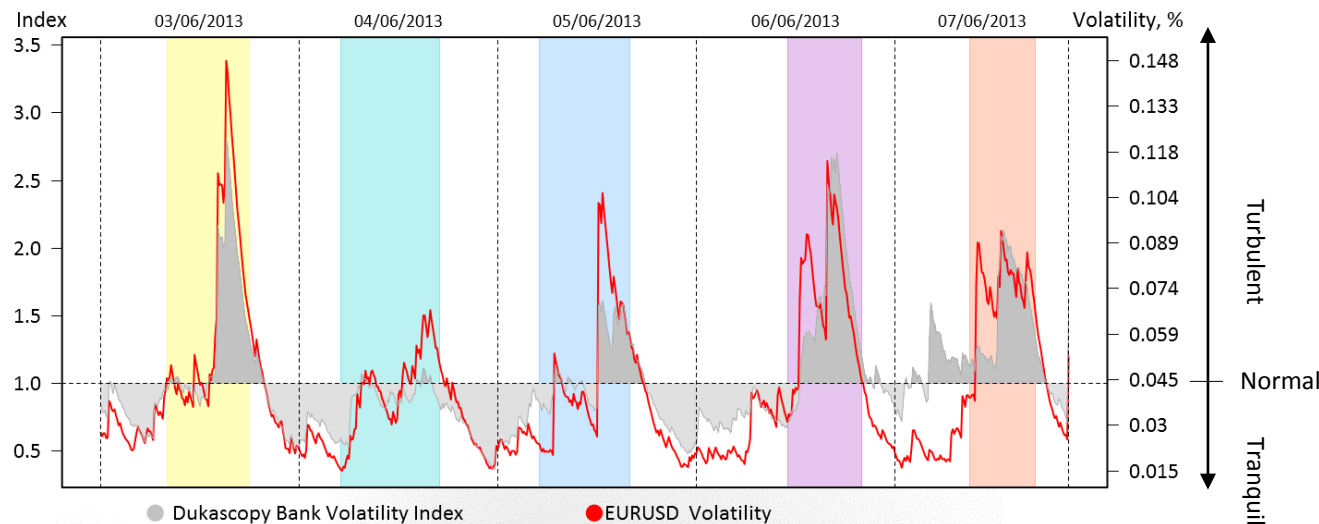
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.88%	-0.79%	2.18%	1.56%	1.52%	-3.38%	0.74%	0.08%	-2.78%
20	2.29%	0.36%	6.05%	1.72%	2.98%	-6.61%	-0.84%	1.06%	-5.74%
130	6.18%	5.02%	-14.34%	0.96%	3.84%	-7.26%	1.62%	5.68%	-1.66%



Volatility

Volatility



It appears last Monday was the time when many investors were rethinking their attitude towards the U.S. Dollar because of manufacturing sector data, and, as a consequence, started to reposition themselves, a process that was accompanied by the highest volatility in the market since May 22—being that the Dukascopy Bank Volatility Index reached a level of 2.8. This was also the day when EUR/USD was the most unstable, at some intervals changing 3.4 times faster than it did historically, leaving many of its peers behind.

Nevertheless, volatility index of another currency pair, namely USD/JPY, was even higher—4.2, but on a different date—in the evening of June 6, shortly after the time of the ECB press conference and release of the report on U.S. unemployment claims. USD/JPY was also among the pairs that were changeable the longest, since the share of its volatility index values that were above 1 amounted to 46%. AUD/USD in this sense was even more hectic—it was abnormally volatile 49% of the week June 3-6.

This week's events that are likely to be associated with elevated variability are mostly scheduled on Thursday and Friday, but we should keep an eye on German constitutional court that will hold hearing regarding ECB's bond-buying programme on Tuesday and Wednesday.

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
38	33	46	35	49	25	27	45	40	22	36	45

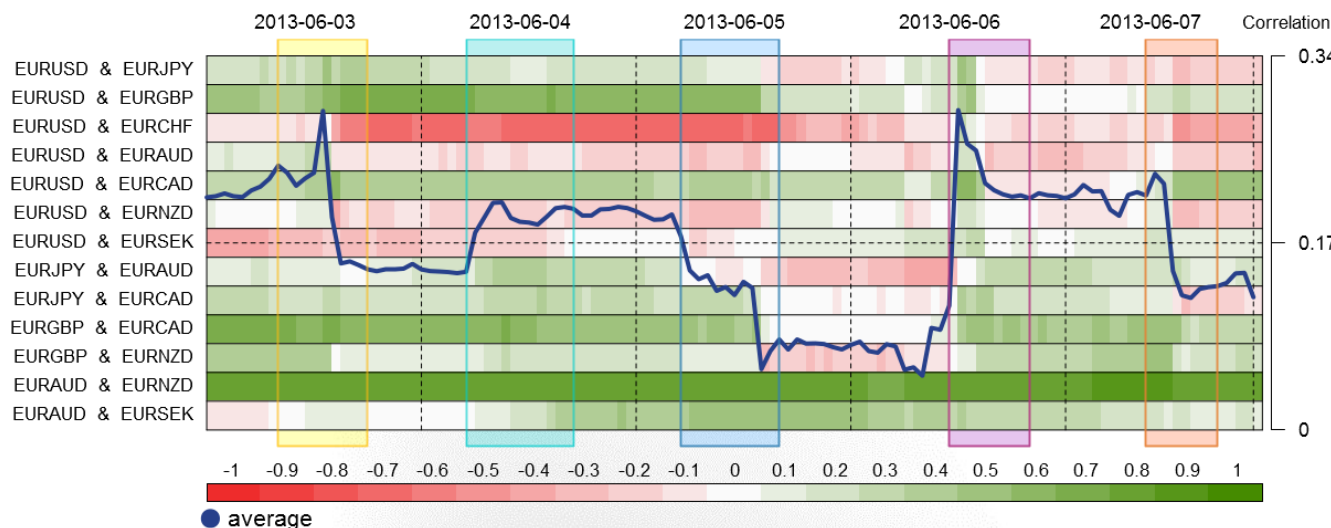
Volatility Index (for the observed period)

	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
Max	2.8	3.4	4.2	3.2	3.6	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	1	1.2	1	1.1	1	0.9	1.1	0.9	0.8	0.9	1.1



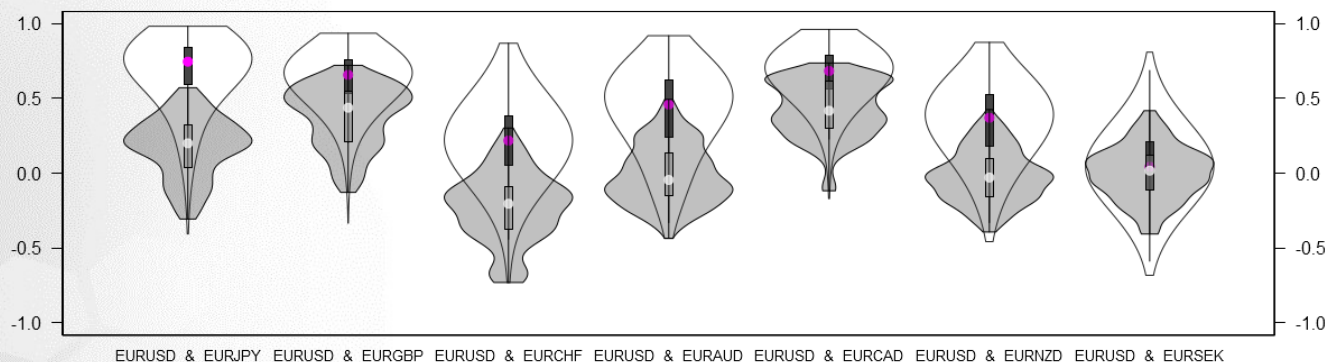
Currency Significance

Correlations



Judging by the levels at which the average correlation coefficient was fluctuating, the 17-nation currency was not significant. The U.S. Dollar and even to a greater extent Japanese Yen are currently taking the leading roles and are highly unlikely to give them up in the nearest future. This was not really a surprise, since these two currencies nearly always grab more of the market's attention, but this time Euro's level of significance was greatly decreased, as the average correlation coefficient between the Euro-crosses did not once exceed 0.3 and was staying near 0.17 most of the time.

Correlations (20 vs 130 days)



Average Correlation Coefficient (with EURUSD)

Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.07	0.38	-0.4	-0.11	0.3	-0.09	-0.05
20	0.17	0.38	-0.23	-0.01	0.43	-0.02	0
130	0.57	0.57	0.25	0.53	0.72	0.42	0.11

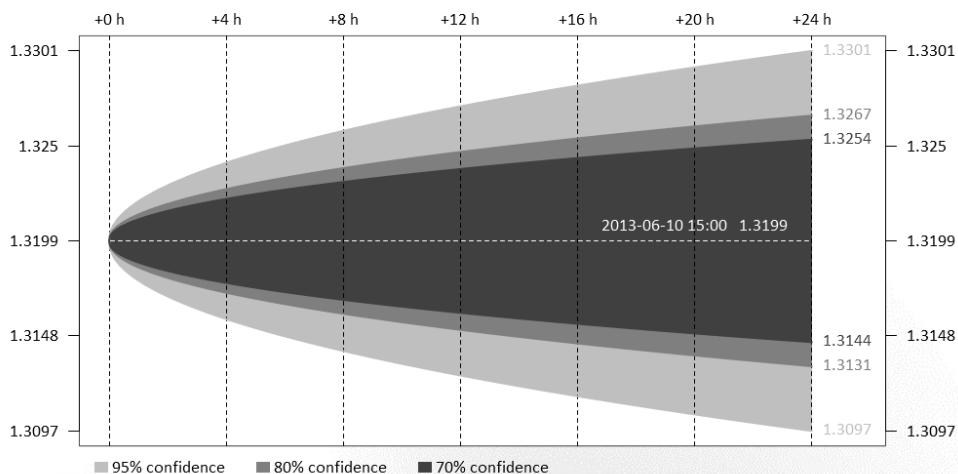
There are still some currency pairs where Euro has preserved its topicality, such as EUR/AUD and EUR/NZD, 50-hour rolling correlation between which is consistently around 0.81, but it is more likely a result of strong long-standing correlation of the values of the Oceanian currencies rather than any other reason.

The most vivid example of Euro's current insignificance in the Forex market is interrelationship among EUR/USD and EUR/CHF currency pairs, correlation of which at some points plunged down to -0.73, the lowest value at least since the beginning of 2012, since we do not have data for earlier dates.

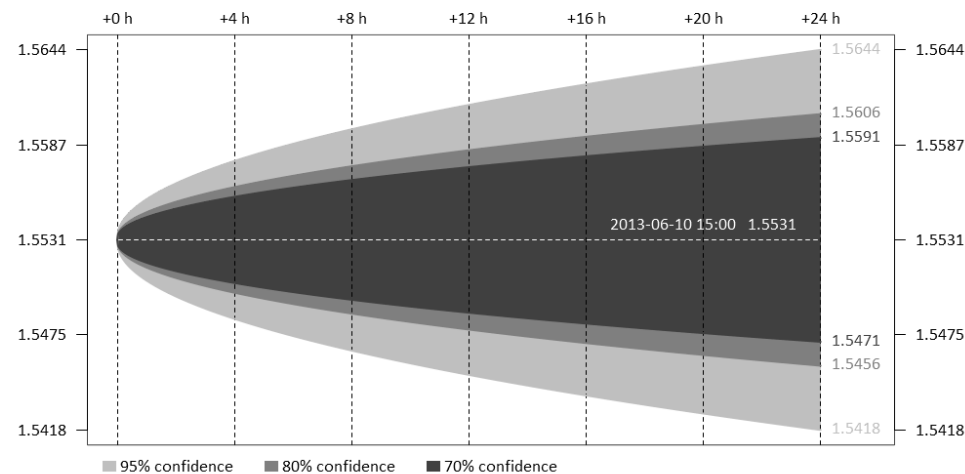
Monday, June 10, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

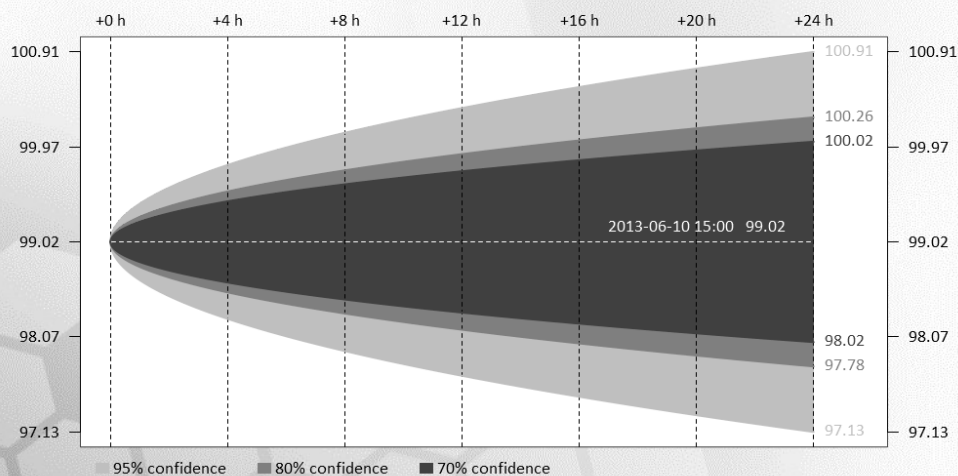
EURUSD Potential Rates



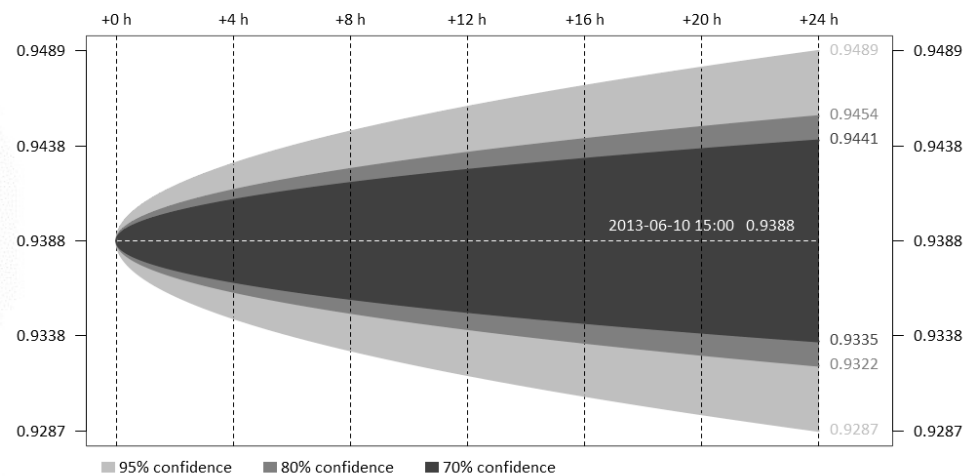
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

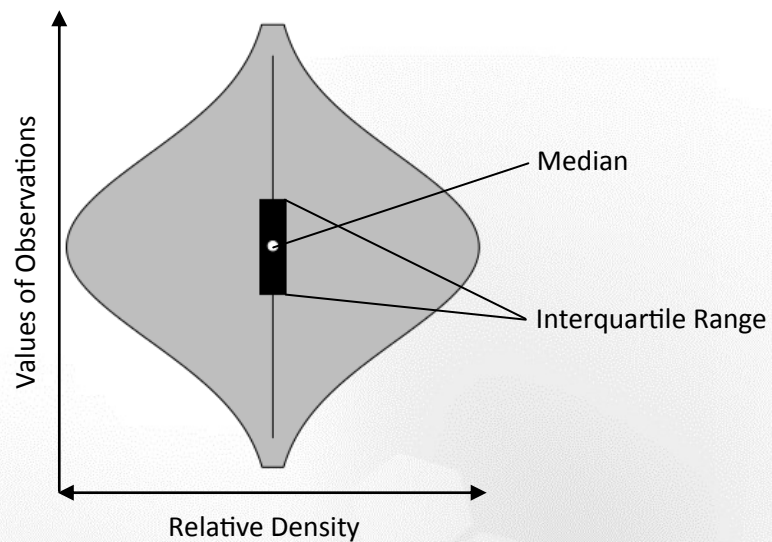
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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Market Research
Expert Commentary
Dukascopy Sentiment Index
Trade Pattern Ideas
Global Stock Market Review
Commodity Overview
Economic Research
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Aggregate Technical Indicator

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Dukascopy TV
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Forex Calculators
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Currency Index
CoT Charts

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