



USD

12/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Wednesday, June 12, 2013
15:30 GMT

Dominant Events for the U.S. Dollar

Yellow 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 [\[link\]](#)

Turquoise Area

June 6

12:00 - 18:00

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

Blue Area

June 7

10:00 - 17:00

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

Purple Area

June 10

12:00 - 17:00

- Eurozone Investor Confidence [\[link\]](#)
- FOMC Member Bullard Speech [\[link\]](#)

Orange Area

June 11

12:00 - 19:00

- BOJ Monetary Policy Statement [\[link\]](#)
- U.S. Small Business Confidence [\[link\]](#)

USD Currency Index Range

0.27% 1.2% 0.62% 0.43% 0.79%

Average EUR/USD
Volatility Index

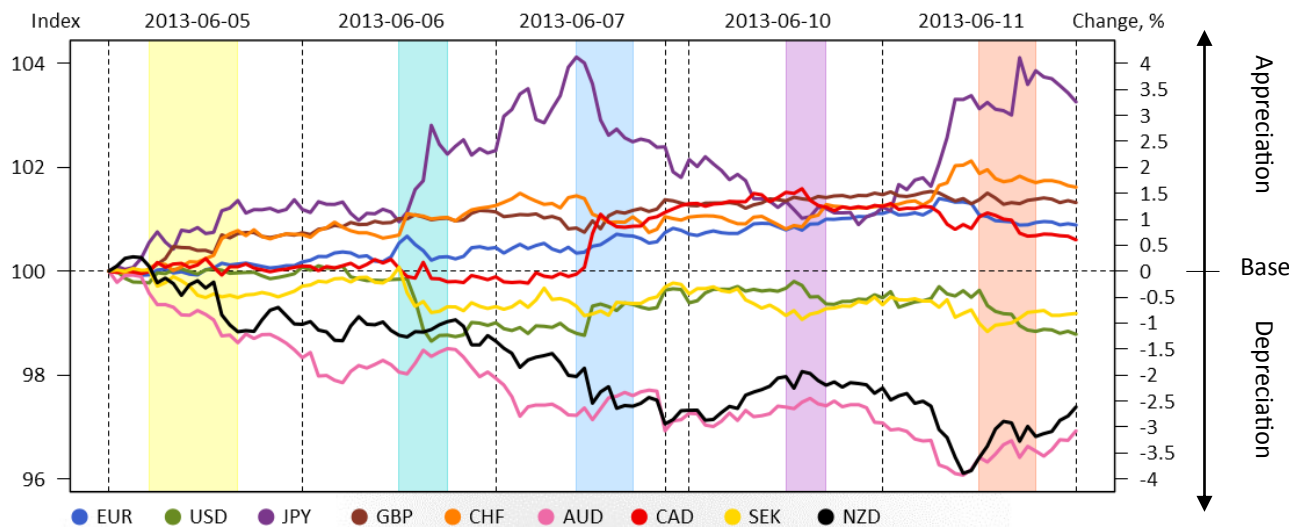
1.14 1.84 1.76 1.05 1.44



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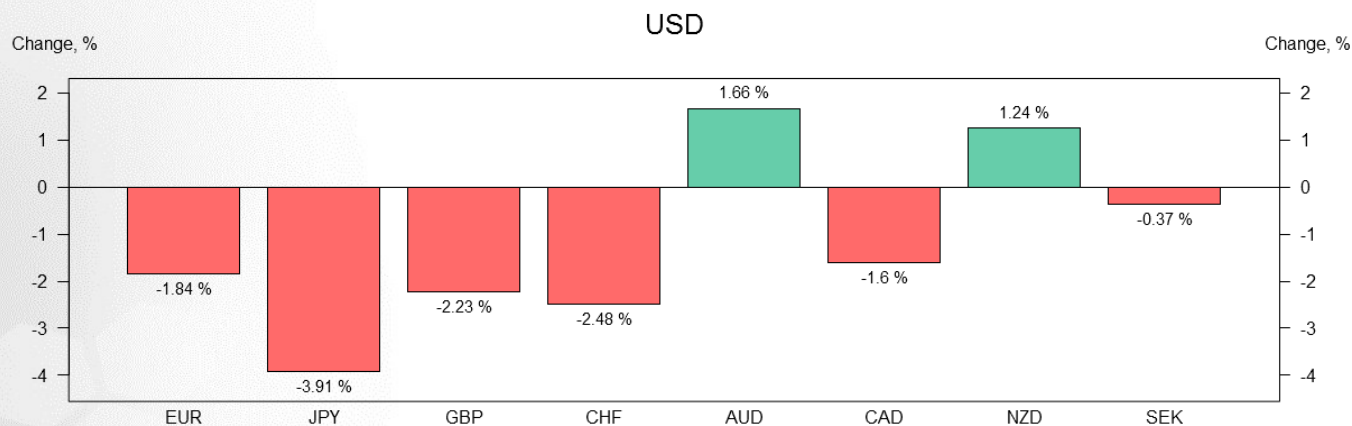
Relative Currency Strength

Currency Indices



The U.S. Dollar has been largely bearish the last five trading days. Most of the data published lately has been only fractionally better than the previous readings or even fell short of the projections, but the public started to get used to results that were overshooting expectations and ran ahead of itself. The markets therefore now have to scale back their excessive optimism that implied early tapering of the current QE programme, which at the moment seems to be an unlikely scenario, being that the unemployment rate rose 0.1% percentage points.

The only last week's report to allay concerns over the U.S. economy was on non-farm employment change. While being supported by this news the greenback was able to regain 0.6% of its value. Nevertheless, it was insufficient to negate the preceding decline that amounted to 1.2%. In the end the buck finished June 5-11 period with a 1.2% depreciation, winning only against the Australasian currencies that were hit by deteriorating regional data. The U.S. Dollar lost the most relative to the Japanese Yen, namely 3.9%, being that the Bank of Japan did not deliver any new measures in order to achieve its macroeconomic targets, thereby disappointing the markets that are not yet fully convinced the currently performed actions are enough.



Currency Index Change

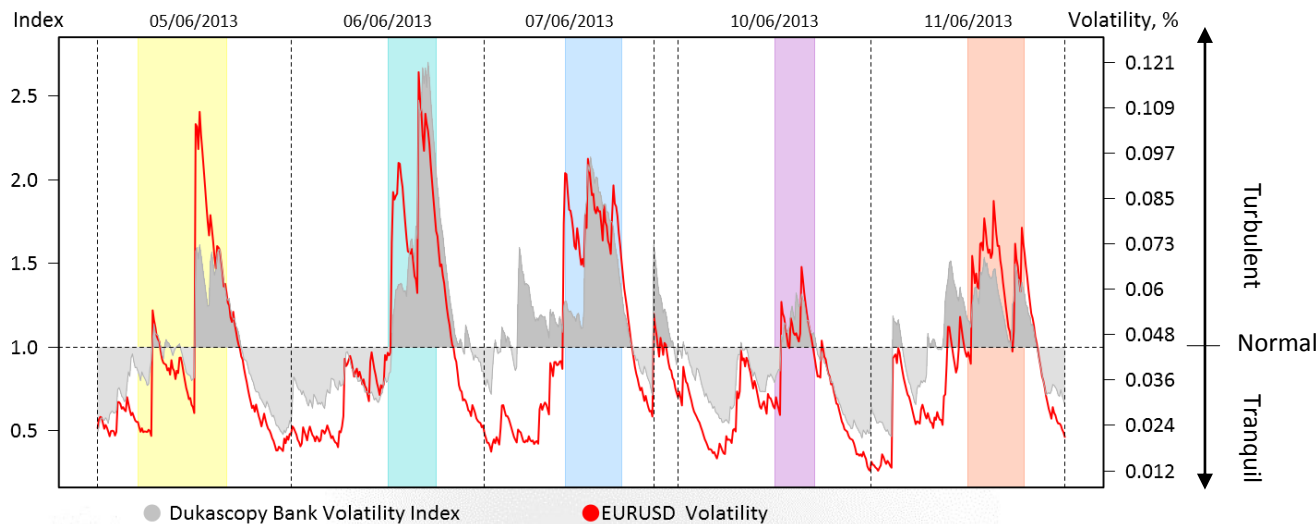
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.89%	-1.22%	3.26%	1.32%	1.62%	-3.08%	0.60%	-0.81%	-2.62%
20	2.00%	-1.22%	6.70%	1.84%	3.61%	-6.18%	-1.22%	0.84%	-5.11%
130	7.18%	3.95%	-13.85%	0.78%	4.90%	-7.59%	0.45%	6.21%	-2.09%



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Volatility

Volatility



For now the volatility in the market is below the levels shown in the second part of the last week, but comparatively to the usual picture we see on Monday and Tuesday, namely low activity amid lack of important releases, the turbulence is strongly elevated—Dukascopy Bank Volatility Index not only surged up to 1.5 on June 10, but it also managed to stay around this mark for the most part of the day. The instability of the exchange rates was mainly invoked by the BOJ monetary policy statement that surprised many to the downside.

We continue to observe the tendency of the exchange rates to exhibit substantially larger changes during the American trading session than during any other. Previously these were the first few European trading hours that were associated with the highest levels of variability within the day. However, now the peaks of many pairs' volatilities fall on later hours, right after the noon.

The most sensitive to the latest world events currency pairs were the Japanese Yen crosses. While USD/JPY volatility was maximally 4.2 times higher than the norm, EUR/JPY was a little less hectic relative to its historical level, reaching 3.9.

Elevated Volatility (% of the observed period)

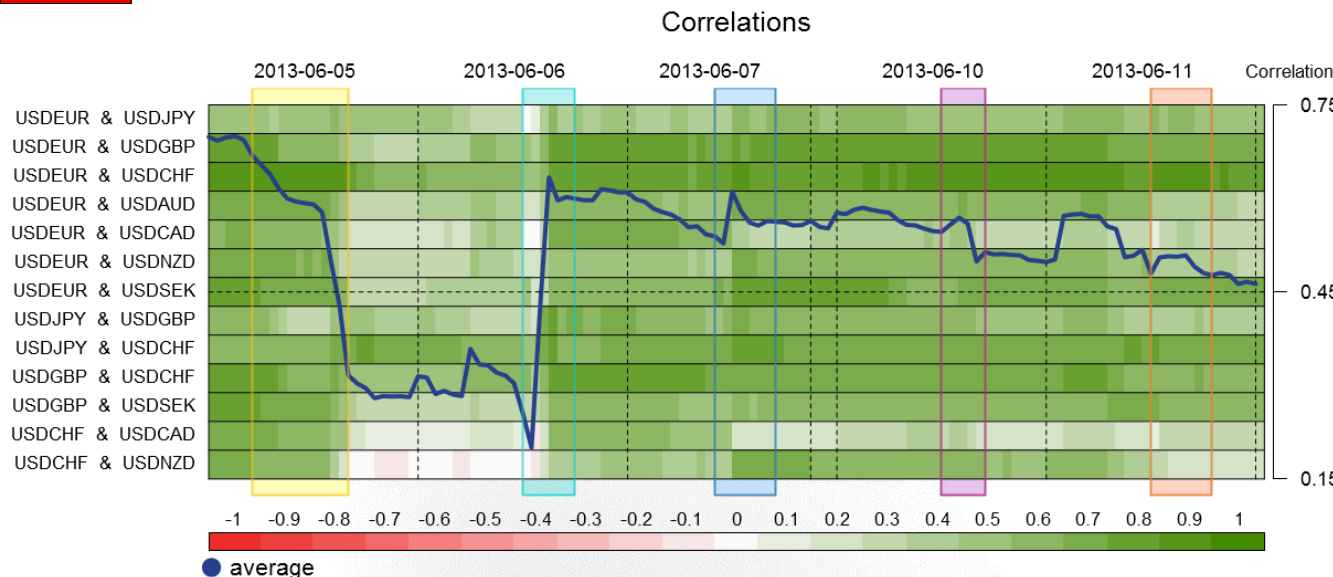
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
46	31	61	35	53	30	31	54	40	24	39	48

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	2.7	2.6	4.2	2.7	3.6	3.4	2.7	3.9	2.3	2.1	2.3	2.9
Min	0.5	0.3	0.4	0.3	0.4	0.4	0.3	0.4	0.2	0.2	0.3	0.5
Average	1	0.9	1.2	1	1.1	0.9	0.9	1.2	0.9	0.8	0.9	1.1



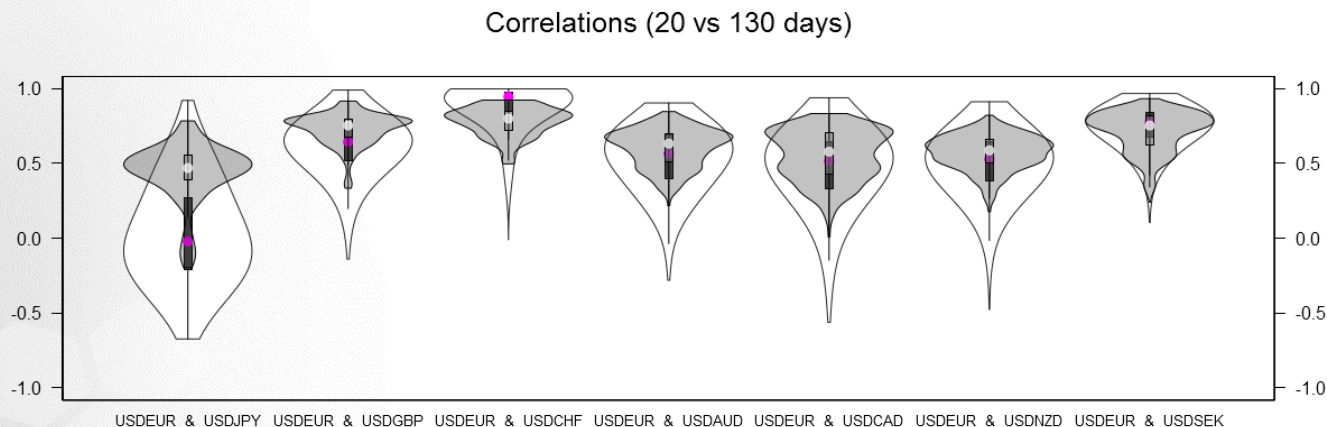
Currency Significance



Overall the U.S. Dollar remains one of the most influential in the Forex market currencies along with the Japanese Yen. Nonetheless, its significance still lacks one of the key characteristics to have the same status—stability. This shortcoming was explicitly demonstrated last Wednesday, when the average correlation coefficient nosedived from 0.7 down to 0.28 and stayed decreased the whole night until the exchange in New York was opened. Afterwards the coefficient recovered up to 0.63, but since then has been on the decline with the latest value standing at 0.46.

As for the constituents of the currency's importance gauge, correlation between USD/EUR and USD/JPY continues to impress. The mean of 50-hour rolling correlation values for the last 130 days is zero, but if we take into account only the most recent numbers, i.e. the last five days, then we get completely another interdependency of these two currency pairs, which is significant and direct—0.5.

Many of the other correlations are considerably stronger and at the same time more stable. Such is for example a link between USD/EUR and USD/CHF, proportional co-movement of which is consistently seen in eight cases out of ten.



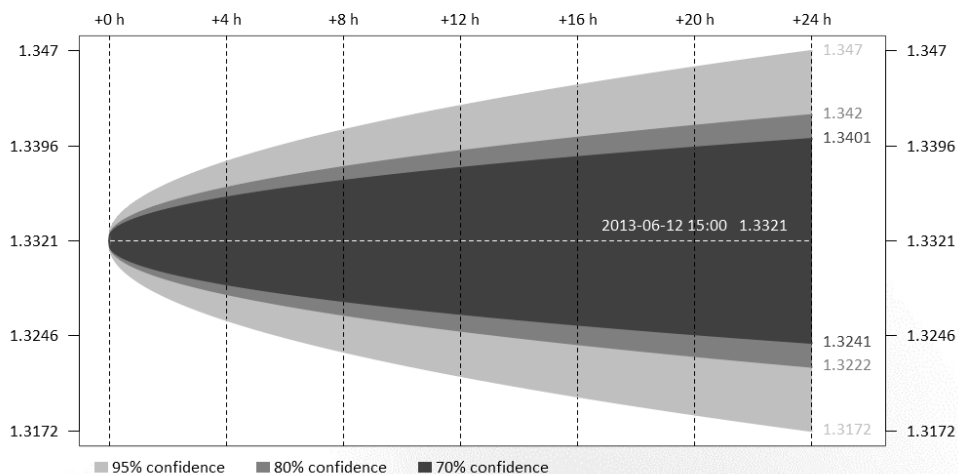
Mean Correlation Coefficient (with USDEUR)

Days	USDJPY	USDGBP	USDCHE	USDAUD	USDCAD	USDNZD	USDSEK
5	0.49	0.71	0.81	0.55	0.42	0.5	0.64
20	0.44	0.73	0.78	0.6	0.55	0.57	0.71
130	-0.02	0.55	0.8	0.42	0.37	0.39	0.72

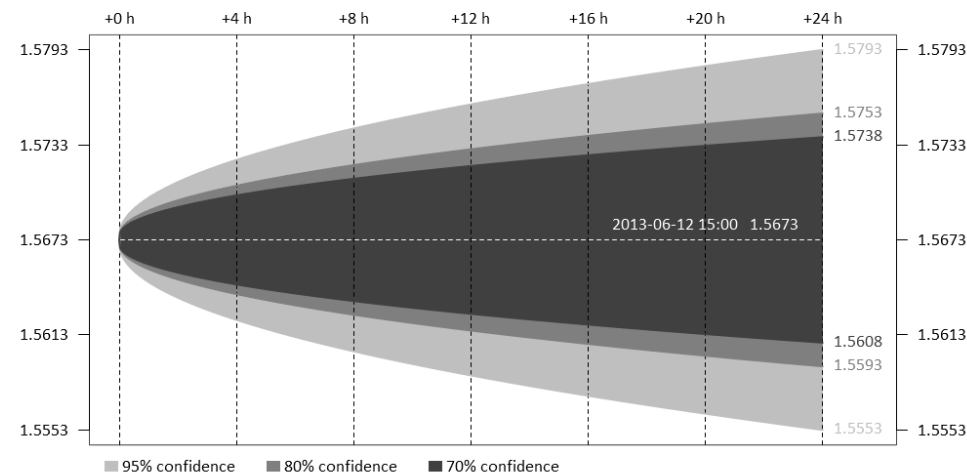
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Confidence Intervals for Next 24 Hours

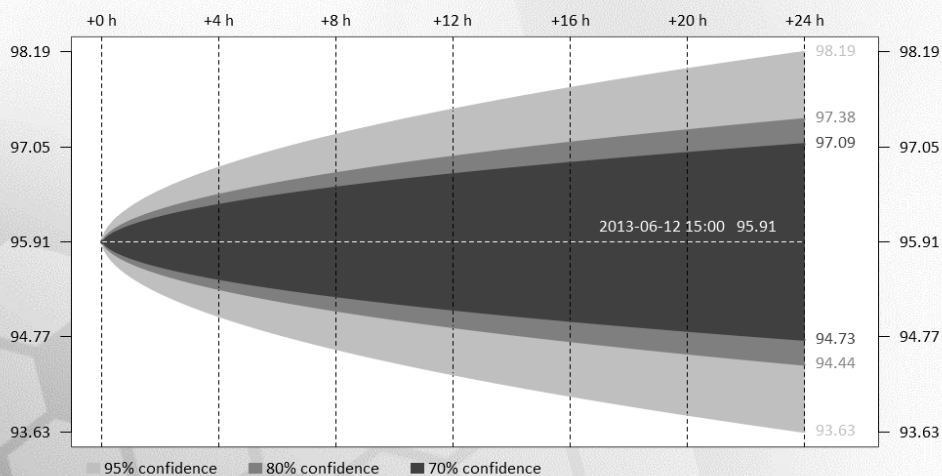
EURUSD Potential Rates



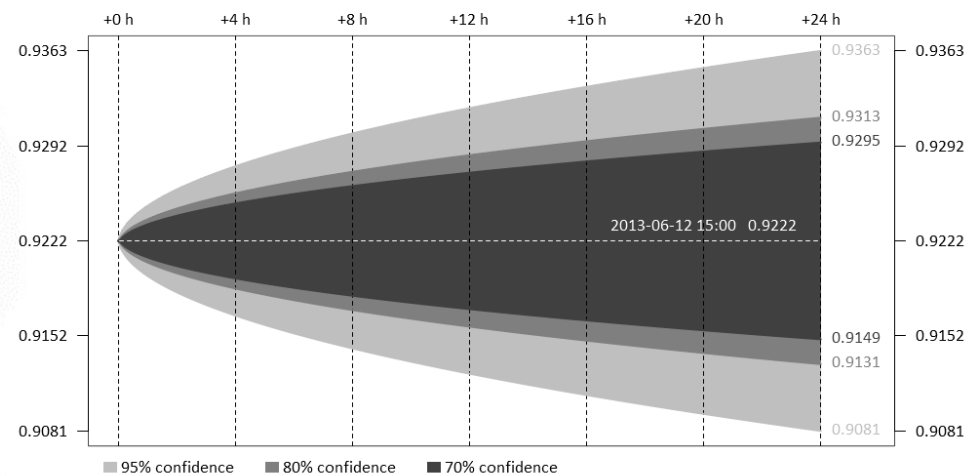
GBPUSD Potential Rates



USDJPY Potential Rates



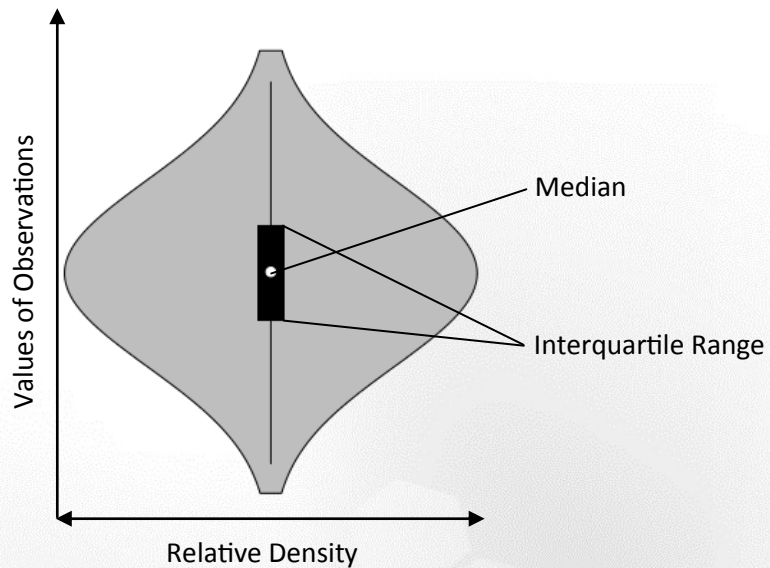
USDCHF Potential Rates



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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