



EUR

17/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

June 10

06:00 - 17:00

- French Industrial Production [[link](#)]
- Eurozone Investor Confidence [[link](#)]
- FOMC Member Bullard Speech [[link](#)]

Turquoise Area

June 11

06:00 - 19:00

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

Blue Area

June 12

06:00 - 18:00

- German CPI [[link](#)]
- Eurozone Industrial Production [[link](#)]
- U.S. Federal Budget Balance [[link](#)]

Purple Area

June 13

06:00 - 17:00

- ECB Bulletin [[link](#)]
- U.S. Retail Sales and Unemployment Claims [[link](#)]

Orange Area

June 14

05:00 - 16:00

- Eurozone CPI [[link](#)]
- U.S. Consumer Sentiment and Industrial Production [[link](#)]

EUR Currency Index Range

0.28%	0.51%	0.55%	0.74%	0.44%
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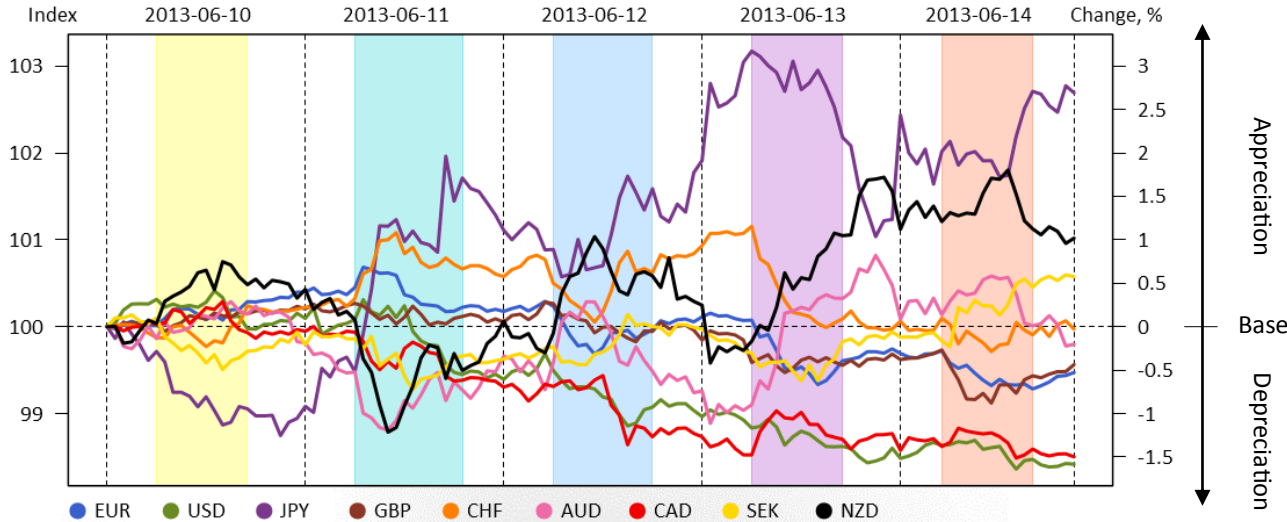
Average EUR/USD Volatility Index

0.86	1.13	1.03	1.31	0.8
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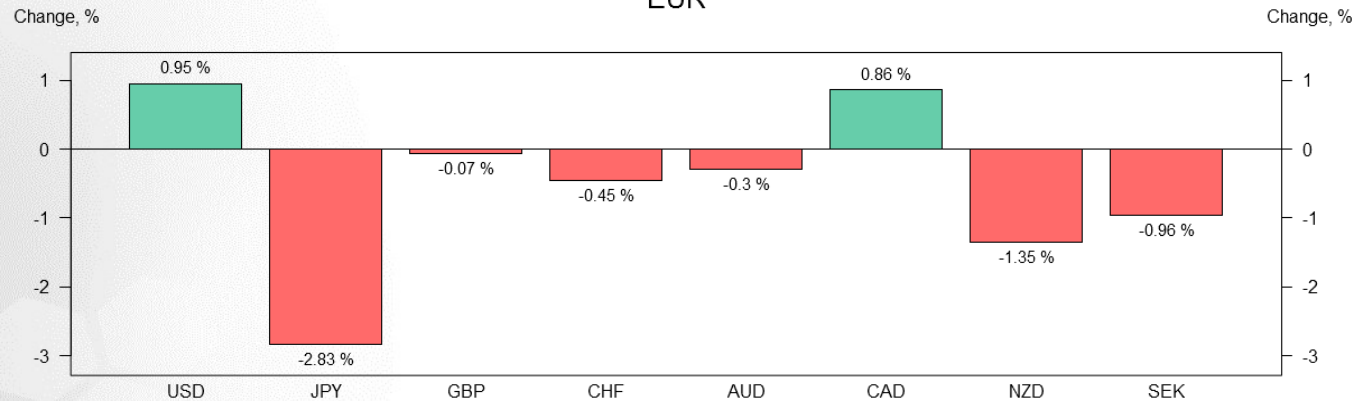
Relative Currency Strength

Currency Indices



Last week was marked by the Euro performing relatively weak—its index showed depreciation of 0.53%. The currency outperformed only the U.S. dollar (0.95%) and the Canadian dollar (0.86%), while under-performing against all other major currencies, most notably relative to the Japanese Yen (-2.83%). The Euro itself did not move the markets significantly as there was a lack of major news from the region throughout the week, the debasement of the currency was rather a result of events related to its main rivals.

The 17-country bloc currency started moving only on Tuesday, mainly due to the BoJ refraining from intervening in the bond market, increasing uncertainty about its commitment to monetary stimulus. However, the currency was little changed again on Wednesday despite better-than-expected industrial production data release. The Euro lost some value on Thursday amid the U.S. Surprising with better-than-expected economic reports; however, the currency rebounded somewhat later in the day due to hawkish comments from Weidmann. Generally, the weak performance of the currency during the week cannot be explained by a change in fundamentals of the region, but can be attributed to high volatility of sentiments in the market.



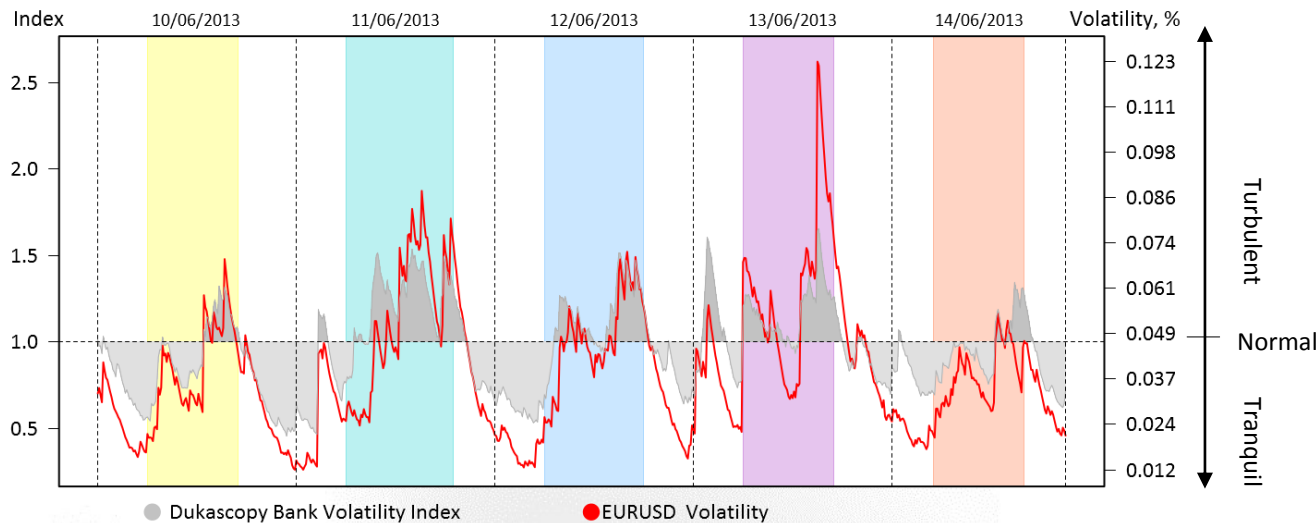
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.53%	-1.58%	2.69%	-0.44%	-0.03%	-0.20%	-1.50%	0.58%	1.02%
20	1.37%	-2.86%	8.31%	0.94%	2.84%	-5.20%	-1.81%	1.38%	-3.55%
130	5.73%	3.29%	-10.38%	0.36%	3.82%	-7.67%	-0.55%	7.55%	-2.12%



Volatility

Volatility



The Euro was fairly tranquil during the week, with Thursday being the only exception, when EUR/USD volatility reached the high of 2.6. Nonetheless, even then Dukascopy Bank Volatility Index remained much below that level, around 1.7, indicating low volatility in other currency pairs. This adds to the argument that there were no market-moving news from the Eurozone and that the currency was moved by external events not related to the region.

It may be also noted that the Euro currency pairs spent most of the time below their historical volatility—EUR/CHF and EUR/USD were above average only 21% and 29% of the time respectively; EUR/GBP was around the market average, being elevated for 43% of the time, whereas EUR/JPY was turbulent 59% of the time. Higher volatility on Tuesday was associated with the BoJ's comments and its non-interference with domestic bond market, while a spike on Thursday can be explained by U.S. economic data releases and speech by Weidmann.

Elevated Volatility (% of the observed period)

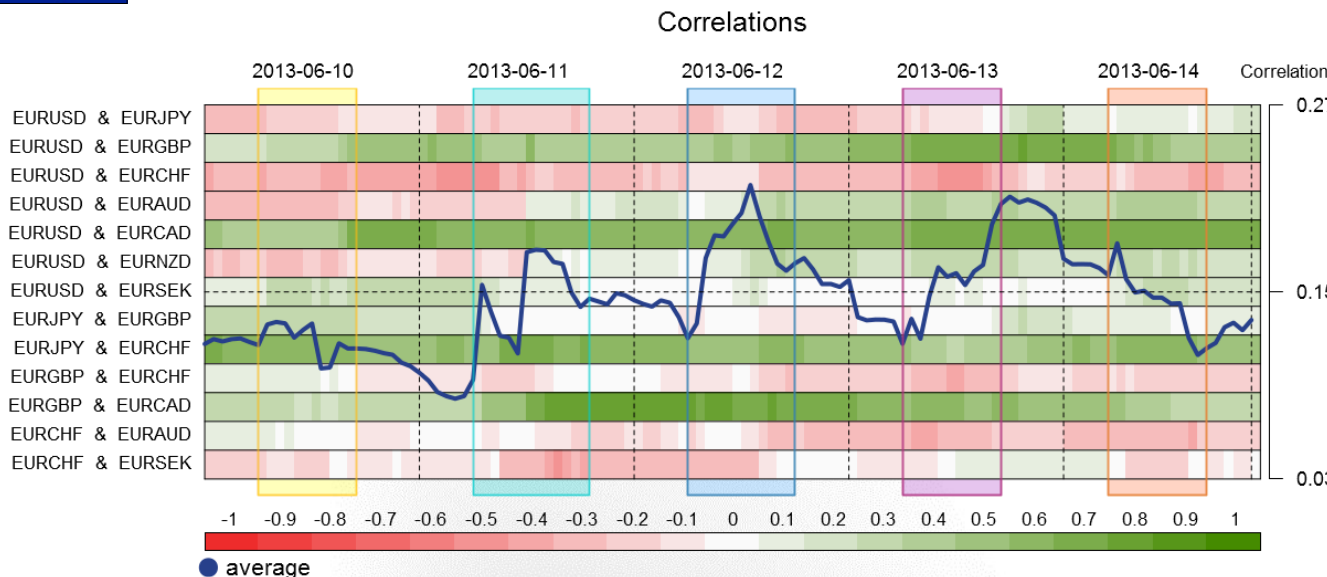
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	29	59	28	46	30	29	62	43	21	33	49

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	1.7	2.6	2.4	2.6	2.5	1.9	1.9	2.4	2.2	1.7	2.1	2.7
Min	0.5	0.3	0.5	0.2	0.4	0.3	0.3	0.5	0.2	0.2	0.2	0.5
Average	1	0.8	1.1	0.9	1	0.9	0.8	1.1	0.9	0.8	0.8	1



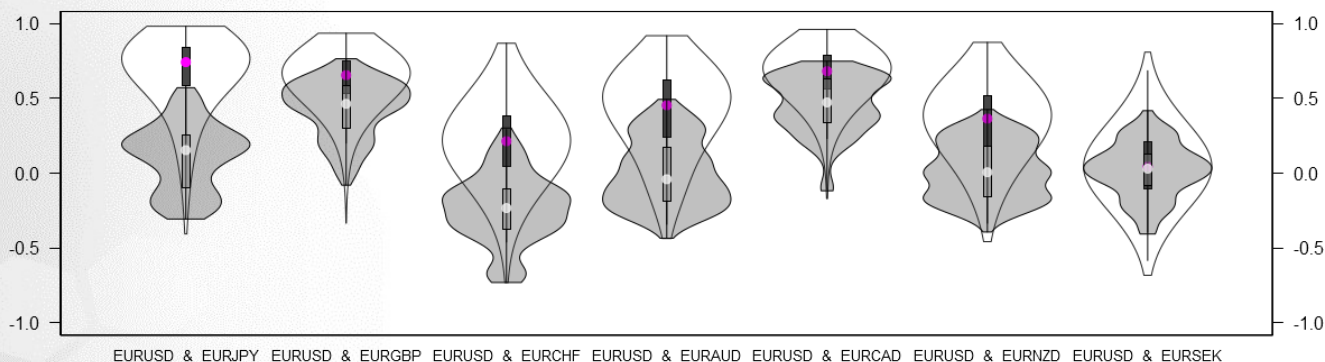
Currency Significance



Significance of the Euro among its counterparts stays strongly subdued—something that we have been observing for more than a month already, namely since May 8. The average correlation coefficient hardly ever moves away from a low mark of 0.15. This value is not applicable to the most of correlations between the Euro cross, but is a good proxy to the level of attention paid by the investors to the currency and accordingly to consistency of its responsiveness to the major events across the board, this characteristic is substantially decreased.

Both moments of Eurozone industrial production and ECB bulletin releases are easily discernible on the chart above (Blue and Purple areas) and on a relative basis they were important for the common currency, being that they are the reasons why the average correlation surged 0.1 and 0.09 points respectively. On the other hand, against the background of the true drivers of the market the Euro still remains negligible as a primary cause of the largest moves. The reason lies in polarisation of EUR pairs, a part of which moves in unison (e.g. EUR/USD and EUR/GBP), but the remaining part moves in a different direction (e.g. EUR/USD and EUR/CHF).

Correlations (20 vs 130 days)

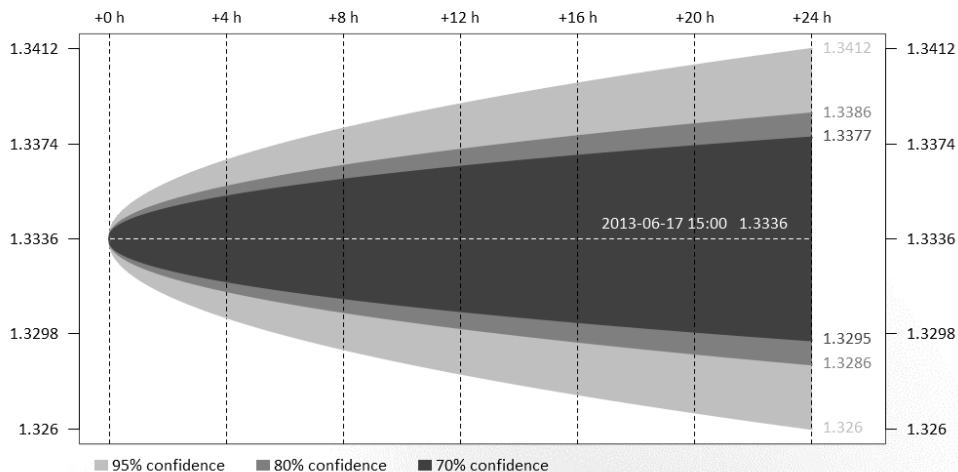


Average Correlation Coefficient (with EURUSD)

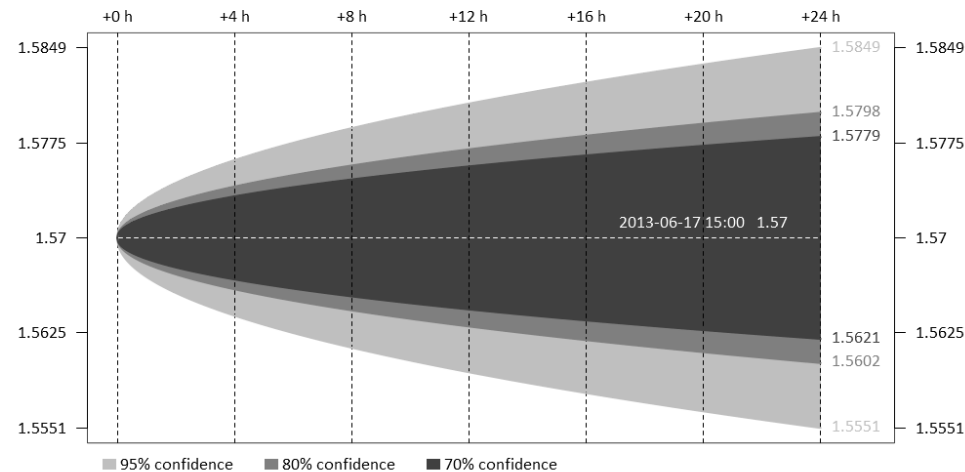
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	-0.12	0.5	-0.31	0.11	0.63	0.08	0.12
20	0.11	0.43	-0.24	0	0.45	0.01	0.02
130	0.54	0.56	0.23	0.51	0.71	0.4	0.11

Confidence Intervals for Next 24 Hours

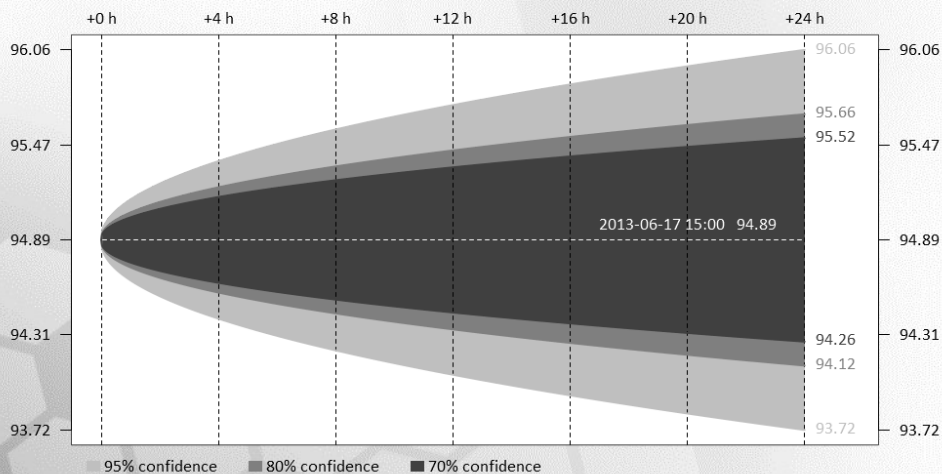
EURUSD Potential Rates



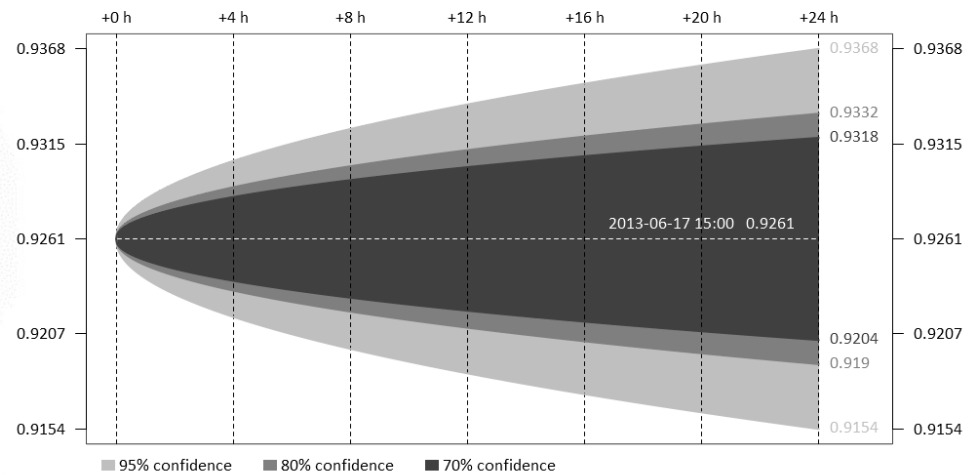
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

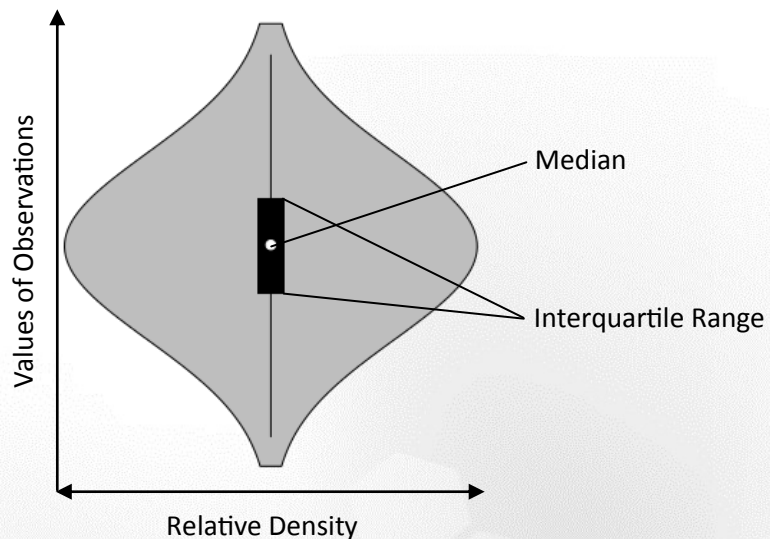
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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