

USD

19/06/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area

June 12

05:00 - 17:00

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

Turquoise Area

June 13

07:00 - 20:00

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

Blue Area

June 14

09:00 - 16:00

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

Purple Area

June 17

13:00 - 20:00

- U.S. Manufacturing Index [[link](#)]

Orange Area

June 18

06:00 - 18:00

- Eurozone Economic Sentiment [[link](#)]
- U.S. Inflation and Housing Starts [[link](#)]

USD Currency Index Range

0.83%	0.5%	0.33%	0.4%	0.39%
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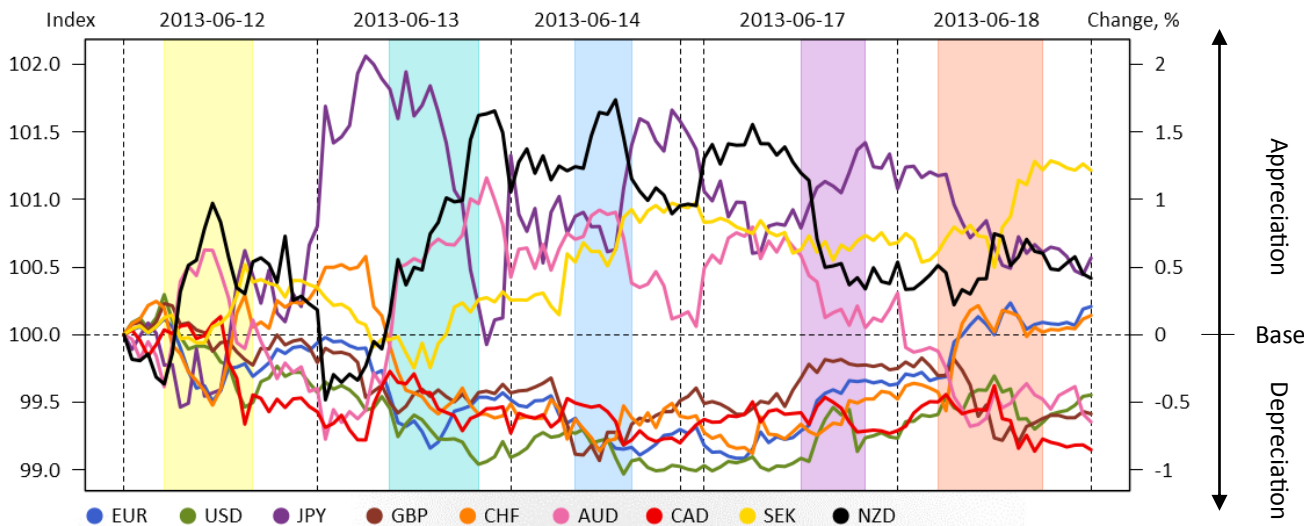
Average EUR/USD Volatility Index

0.95	1.26	0.86	0.77	1.2
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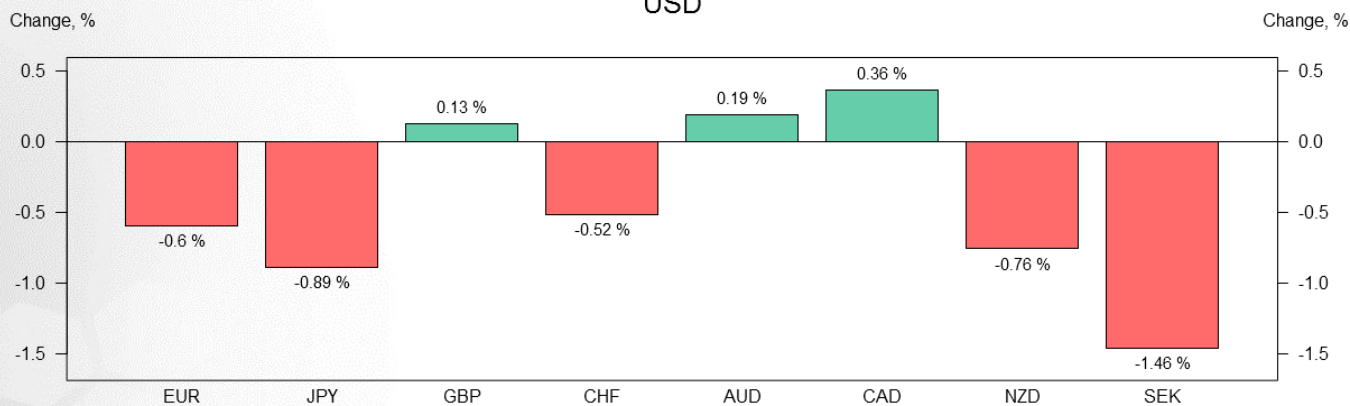
Relative Currency Strength

Currency Indices



Performance of the U.S. Dollar over the past five days is a good example how significant such events as FOMC meeting may be given certain conditions. Speculation on the still largely unanswered question regarding the currently running asset purchase programme has been completely dominating movements of the U.S. Dollar and, considering the importance of the currency in the Forex market, led to a spill-over effect, defining exchange rates in many of its crosses. This becomes particularly evident when looking at the news that have been published lately.

We must admit that some of the recent events were negative for the U.S. Dollar. These would be the reports on consumer sentiment and industrial production. However, one of the key statistics with respect to Fed's final decision, namely unemployment claims, overshoot expectations by a wide margin, but also some of the other, specifically retail sales, should have increased the valuation of the greenback. Nevertheless, the result was quite the opposite—the buck lost 0.45% for the period June 12-18, while the lowest point of its index—99, was recorded last Friday. In the long run the U.S. Dollar stays in the up-trend, having advanced 4.1%, despite the 1.9% loss within a month.



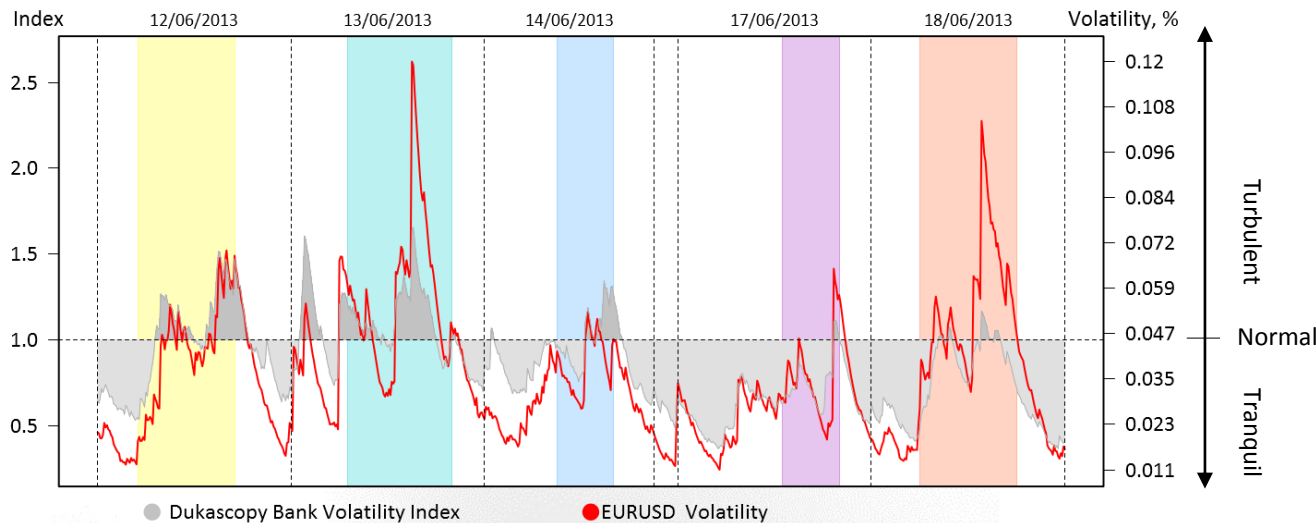
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.21%	-0.45%	0.57%	-0.59%	0.14%	-0.65%	-0.85%	1.21%	0.42%
20	1.92%	-1.90%	7.22%	1.43%	3.86%	-6.03%	-1.54%	0.68%	-4.45%
130	6.00%	4.12%	-10.65%	0.03%	3.75%	-8.11%	-0.21%	7.37%	-2.30%



Volatility

Volatility



From the first glance the market does not seem to be volatile. The maximum value Dukascopy Bank Volatility Index has managed to attain since June 12 is merely 1.7, but was as high as 2.7 on June 6. Turbulence in the market was also considerably shorter in duration. Less than a third (29%) of the time it was elevated, whereas when we were analysing volatility last Wednesday, values were increased in nearly half (46%) of the observed cases. However, average values may conceal important happenings, which is now the case.

While most of the major currencies indeed were not subject to sudden sharp deviations from their preceding values, some, including the Japanese Yen, antipodeans and Swedish Krone were substantially more responsive to the world events, as vividly shown by the fluctuations in the currency indices on the previous slide that in some cases moved two per cent within a day. In the end, NZD/USD proved to be the most volatile currency pair, changing at a 2.7 times faster rate than it did historically, while the least sensitive instrument turned out to be EUR/CHF—1.7, being that it is getting closer to the floor at 1.20 and thereby reduces the possible trading range.

Elevated Volatility (% of the observed period)

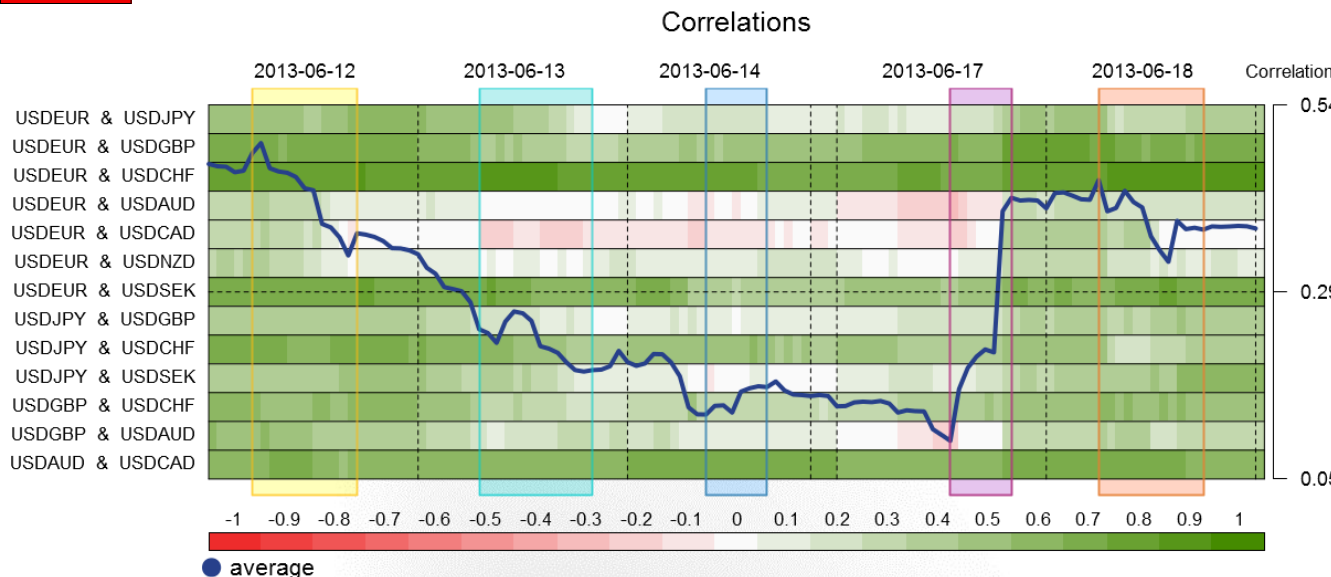
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
29	25	35	25	33	22	22	41	38	14	24	32

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	2.3	2.6	2.5	1.9	1.9	2.4	2.5	1.7	1.9	2.7
Min	0.4	0.2	0.3	0.2	0.3	0.3	0.2	0.4	0.2	0.2	0.2	0.3
Average	0.8	0.8	0.9	0.8	0.9	0.8	0.7	1	0.9	0.7	0.8	0.9



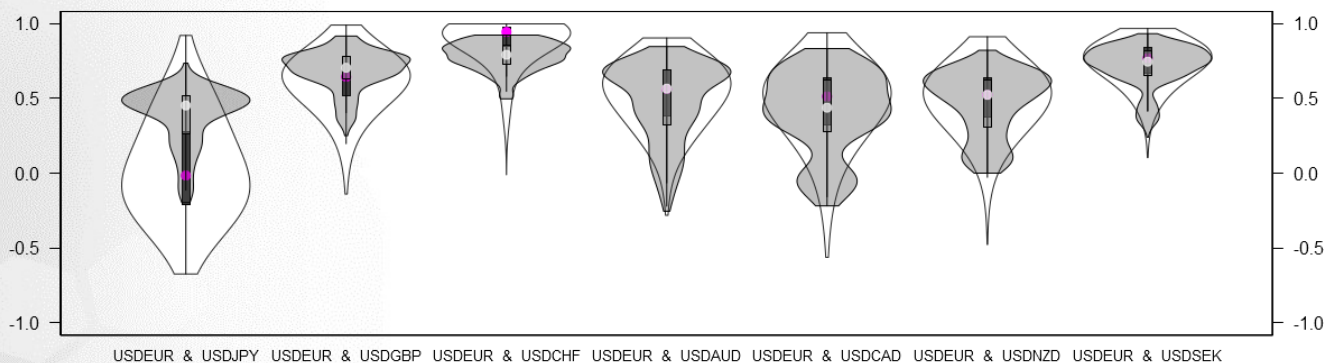
Currency Significance



Last week the level of consistency among USD currency pairs was falling rapidly, since a group of currencies led by the Japanese Yen had a mind of its own and was changing due to reasons different from those influencing the Dollar. The average correlation coefficient for USD crosses plummeted from 0.5 down to 0.1, meaning that the last two days of the past week the significance of the buck was next to none. At the same time the Asian currency strengthened its position as the leading force. Average 50-hour rolling correlation between JPY crosses stayed near 0.9 at the time.

This situation was reversed on Monday with the help of the data on U.S. manufacturing that showed substantially ameliorating conditions in the sector in June after their deterioration a month before. Since then the U.S. Dollar regained the importance in the market—the average coefficient returned to a 0.4 region. Meanwhile, the Yen partially lost its status, as its average coefficient dropped to 0.6, but is still the highest among G10 currencies along with the significance gauge of the New Zealand Dollar that keeps on surprising with the magnitude of alternating ups and downs in its value after the Reserve Bank stated its readiness to lower the price of the national currency artificially.

Correlations (20 vs 130 days)

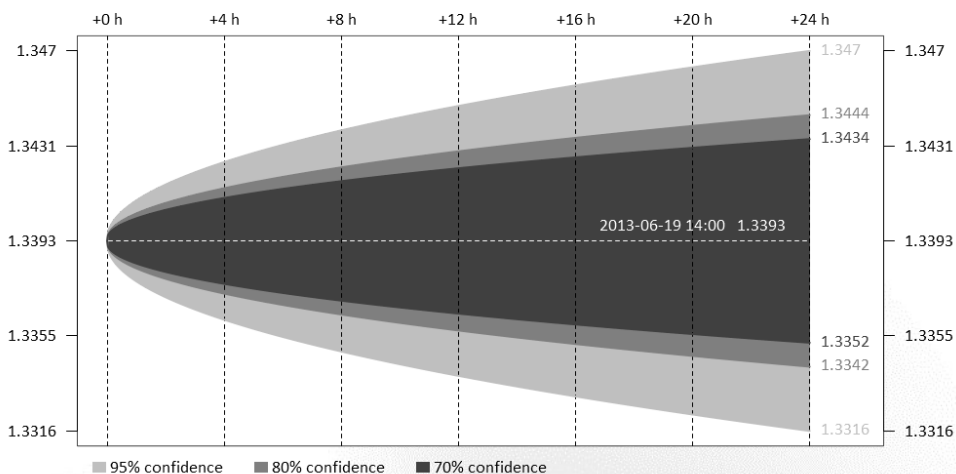


Mean Correlation Coefficient (with USDEUR)

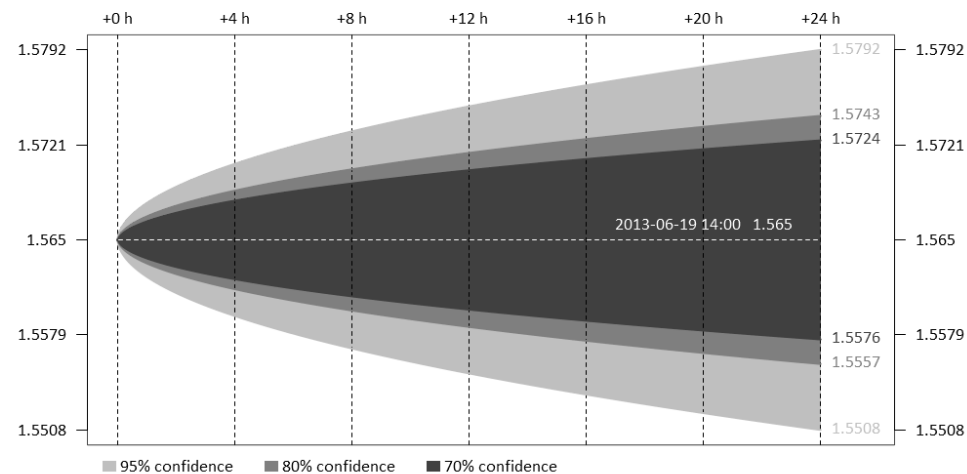
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.27	0.56	0.79	0.06	0.01	0.13	0.59
20	0.38	0.69	0.78	0.47	0.4	0.46	0.71
130	-0.01	0.55	0.79	0.4	0.36	0.38	0.72

Confidence Intervals for Next 24 Hours

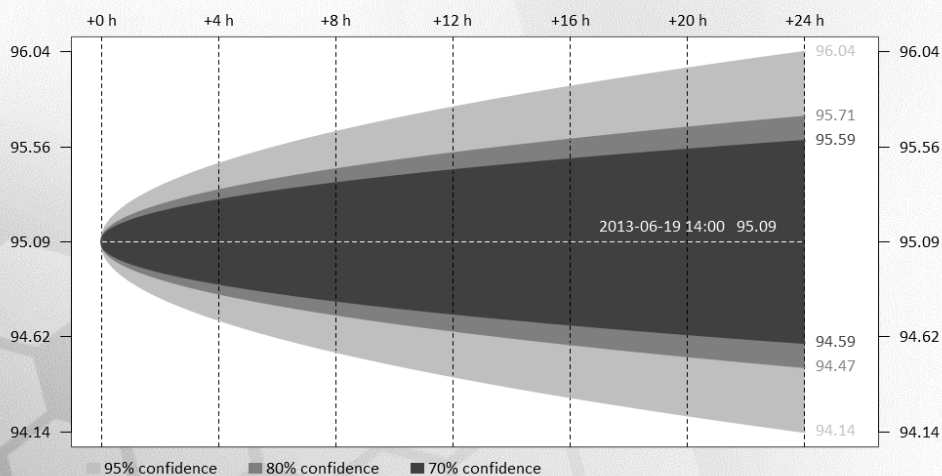
EURUSD Potential Rates



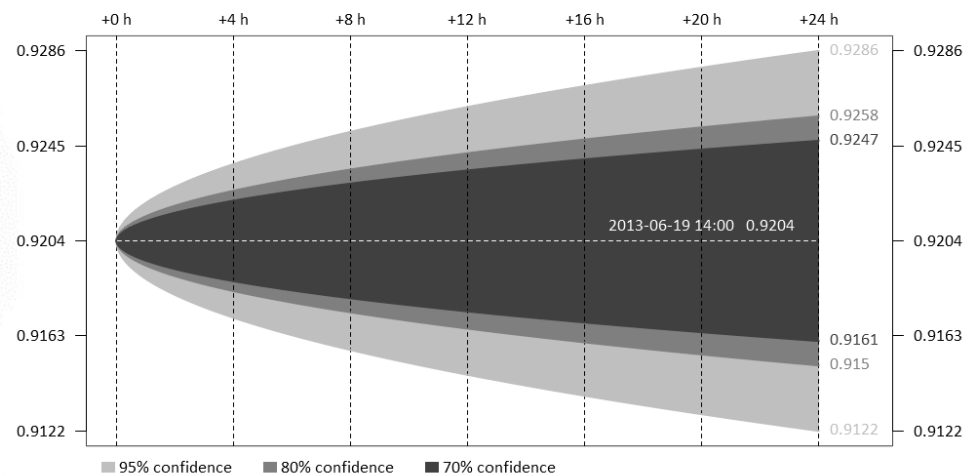
GBPUSD Potential Rates



USDJPY Potential Rates



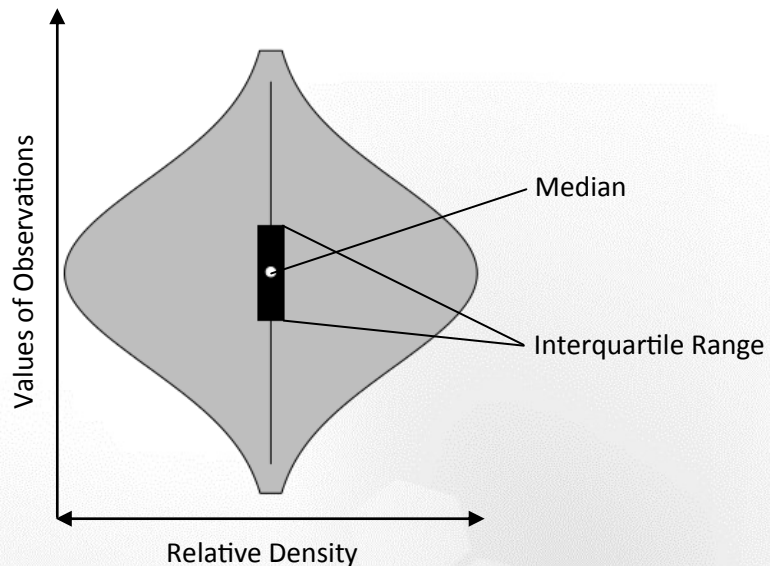
USDCHF Potential Rates



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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