

USD

26/06/2013



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Market Research





Dominant Events for the U.S. Dollar

Yellow Area

June 19

17:00 - 21:00

- *FOMC Statement* [\[link\]](#)

Turquoise Area

June 20

07:00 - 19:00

- *Eurozone Manufacturing and Services PMI* [\[link\]](#)
- *U.S. Unemployment Claims and Manufacturing PMI* [\[link\]](#)

Blue Area

June 21

11:00 - 17:00

- *Eurozone Current Account* [\[link\]](#)
- *Canadian Retail Sales and Inflation* [\[link\]](#)

Purple Area

June 24

09:00 - 17:00

- *German Business Climate* [\[link\]](#)

Orange Area

June 25

04:00 - 16:00

- *U.S. Durable Goods Orders* [\[link\]](#)
- *U.S. Consumer Confidence* [\[link\]](#)

USD Currency Index Range

1.38%

0.49%

0.68%

0.41%

0.52%

Average EUR/USD
Volatility Index

1.94

1.32

1.12

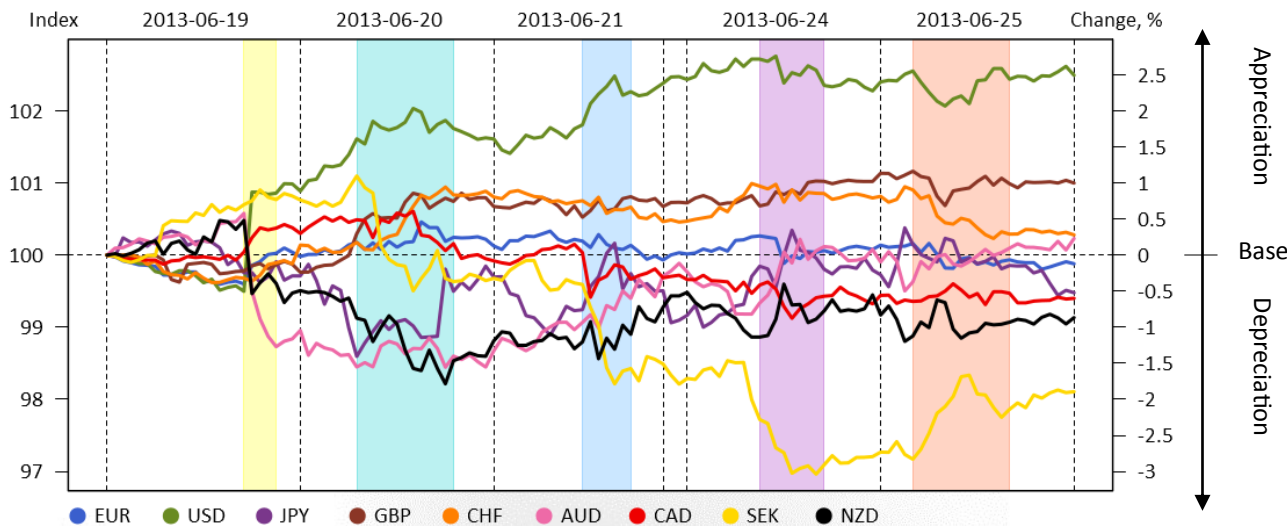
1.4

0.97



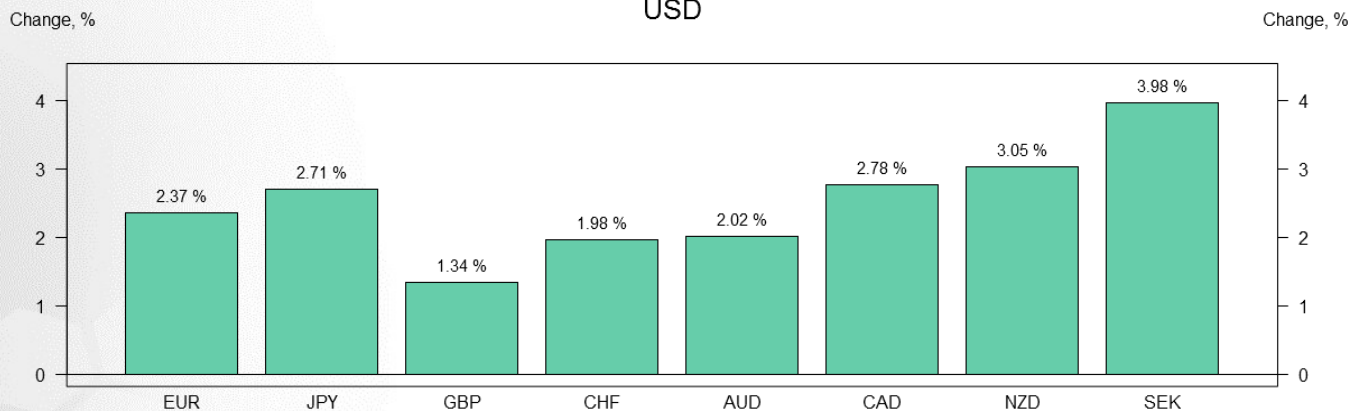
Relative Currency Strength

Currency Indices



The U.S. Dollar has been by far the most bullish currency in the market within the last five trading days. Since June 19 it has appreciated on average 2.5% relative to the major rivals, whereas the second best-performing currency, British Pound, managed to gain only one per cent for the same period. Such a leap allowed the buck also to take the lead in the longer term (+6.1%), while previously price of the Euro grew the fastest (5%). On the other end Swedish Krona was the one to distinguish itself the most, plummeting 1.9% amid dovish talks in Norway.

Undoubtedly, an event with the highest degree of importance to the Dollar and the market overall was the long-awaited FOMC meeting. It threw the greenback 1.4% higher in just an hour. The Australian Dollar was 1.8% lower four hours after the announcement the Federal Reserve is planning to start wrapping up the programme this September and end it next year. Nonetheless, as it would be expected, the effect of the committee's statement was not limited to one day. The inertia was felt on Thursday and Friday as well, when neither negative news (higher unemployment claims) nor absence of news on Friday were capable of stopping USD's advancement, let alone reversing the upward trend.



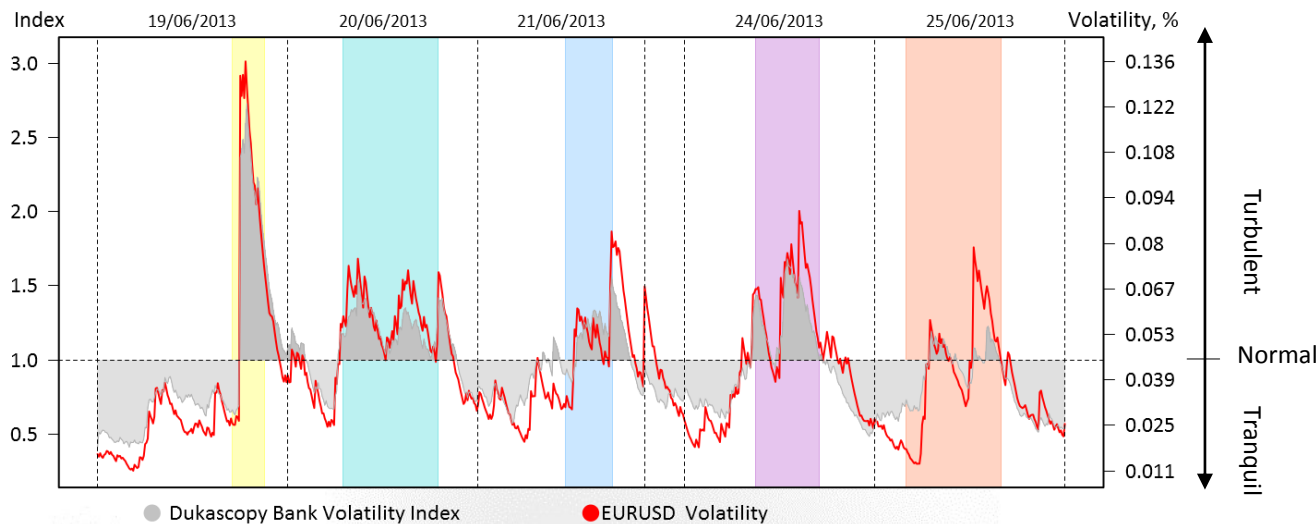
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.12%	2.49%	-0.52%	1.00%	0.28%	0.23%	-0.60%	-1.89%	-0.87%
20	1.43%	-0.51%	4.69%	2.41%	3.74%	-4.08%	-1.58%	-0.38%	-4.88%
130	4.97%	6.07%	-10.48%	0.83%	3.12%	-6.70%	-0.39%	3.28%	-0.75%



Volatility

Volatility



As seen from the figure on the left, volatilities of EUR/USD and the market on average are very much alike. When EUR/USD volatility index reached its highest value—3.0, Dukascopy Bank Volatility Index also was at its peak, although slightly lower, at 2.7. The similar picture was observed with the subsequent days during European and American trading sessions, regardless of the data being published, whether on the United States or on the Eurozone. The only notable deviation was spotted on June 25, at the time when U.S. durable goods orders and consumer confidence reports were published. Then EUR/USD volatility surged up to 1.8, while DBVI was merely 1.2.

In the meantime, the highest volatility index values were shown by AUD/USD and USD/CAD. The former currency pair was changing 3.8 times faster than historically at 6 p.m. GMT on June 19. This elevated turbulence persisted for an hour, but then started to alleviate. At the same time USD/CAD volatility index fluctuated in a 3.4-3.7 region. It reached the maximum later on, specifically on June 21, as a result of the news on Canadian inflation and retail sales, both of which fell short of expectations. Alternatively, if we seek consistency of the turbulence exhibited by the instrument, USD/SEK would be the first candidate. It is volatile more frequently than any other currency pair—59% of the time.

Elevated Volatility (% of the observed period)

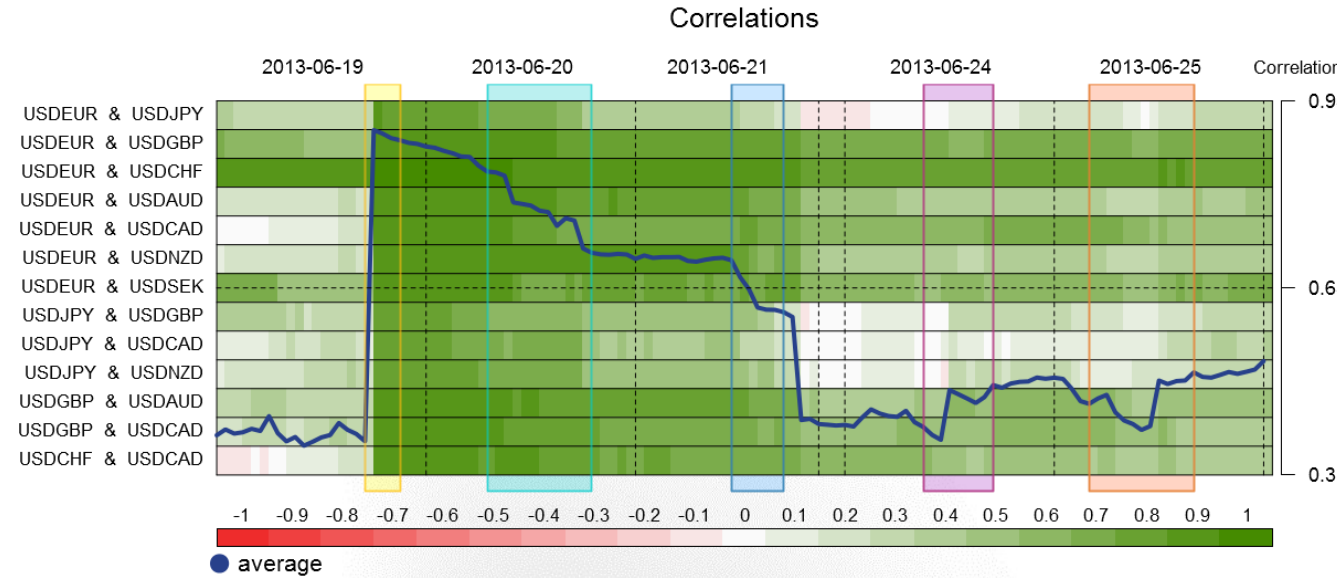
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	38	21	41	28	47	24	29	47	26	59	41

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	3	2.7	3.7	3.8	4	2.8	2.6	2.5	2.1	3.6	3.3
Min	0.4	0.3	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.4
Average	0.9	0.9	0.8	1	0.9	1.1	0.8	0.9	1	0.8	1.3	1



Currency Significance

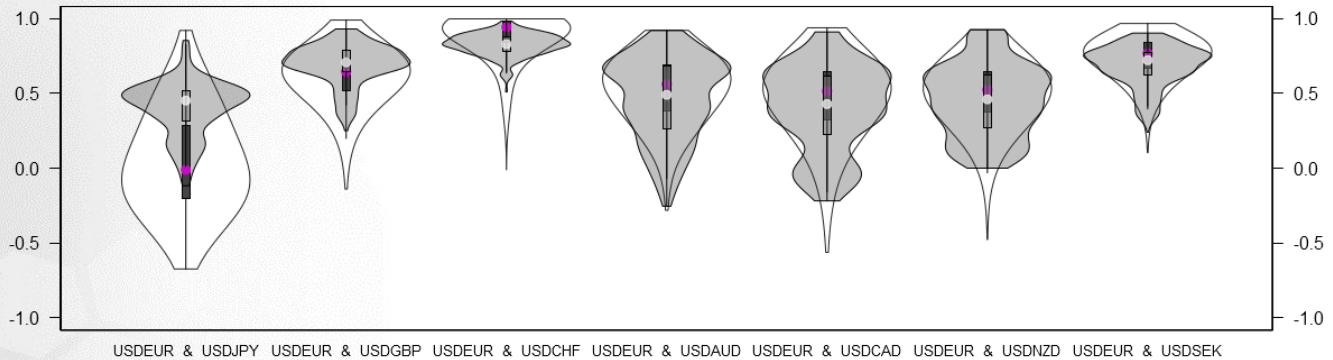


The change in the level of U.S. Dollar's significance on June 19, as a consequence of more upbeat and therefore more hawkish tone of the Federal Reserve, has been considerable. For a moment the average correlation coefficient soared from 0.37 up to 0.9, meaning that the buck was the sole cause of the movements in its crosses late Wednesday. At that particular moment the measures of currency significance declined across the board. Yen's usual 0.7-0.9 values plunged down to 0.4. The same happened to many other currencies.

However, this tendency did not last for long and completely vanished right before the weekend—the coefficient returned back to its usual levels around 0.4. In other words, the Dollar returned to having no or only little impact on the exchange rates in the market, while the Yen retrieved its role as the main driver.

Increased influence of the Swedish Krona is also worthy of notice. Its average coefficient climbed up to 0.65 and does not appear to be willing to fall in the nearest future, unlike the gauge of USD's importance. Meanwhile, the Euro has even less control over the market than the Dollar. Its average coefficient rarely exceeds a mark of 0.2.

Correlations (20 vs 130 days)

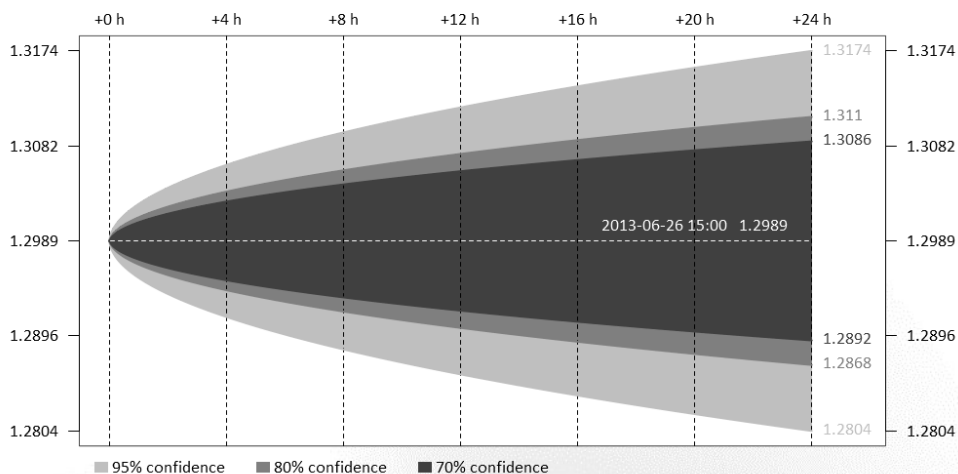


Mean Correlation Coefficient (with USDEUR)

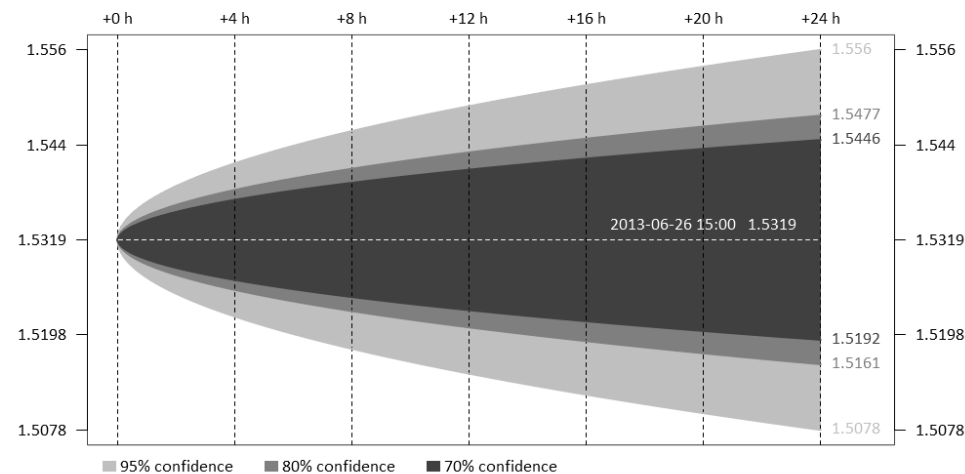
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.27	0.76	0.85	0.6	0.68	0.59	0.68
20	0.4	0.69	0.83	0.46	0.39	0.45	0.68
130	0.01	0.55	0.79	0.41	0.38	0.39	0.72

Confidence Intervals for Next 24 Hours

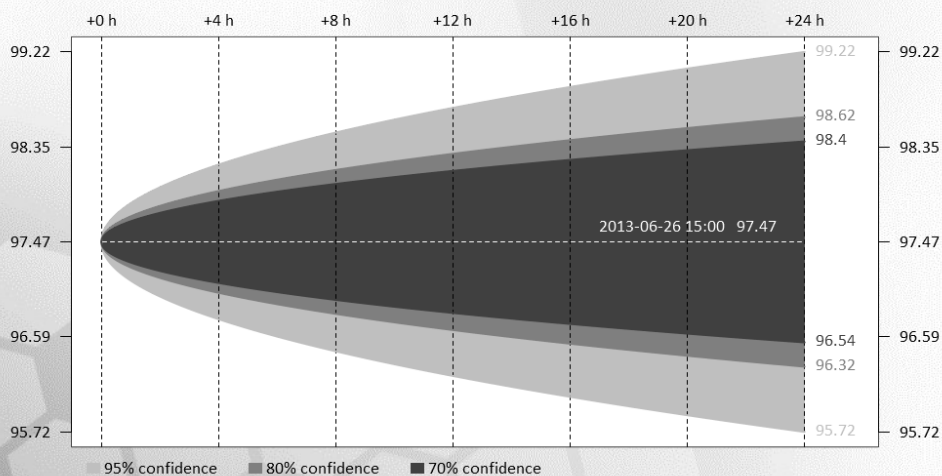
EURUSD Potential Rates



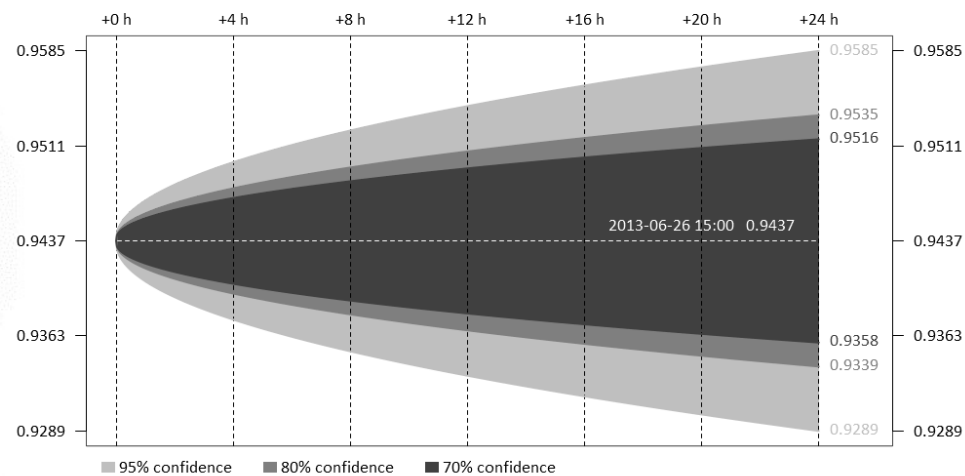
GBPUSD Potential Rates



USDJPY Potential Rates



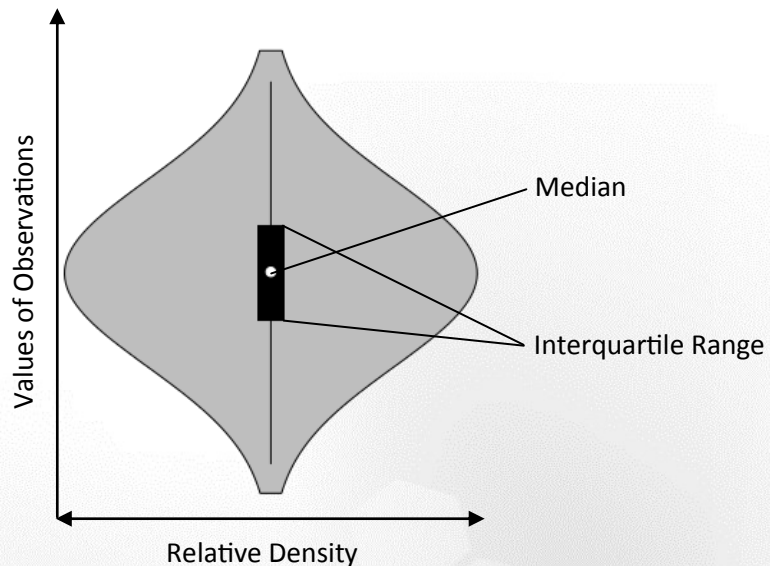
USDCHF Potential Rates



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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