

**JPY**

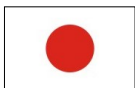
28/06/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**



# Dominant Events for the Japanese Yen

## Yellow Area

June 21

07:00 - 17:00

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

## Turquoise Area

June 24

07:00 - 17:00

- *German Business Climate* [[link](#)]
- *Fed's William Dudley Speech* [[link](#)]

## Blue Area

June 25

01:00 - 10:00

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

## Purple Area

June 26

00:00 - 16:00

- *ECB Mario Draghi Speech* [[link](#)]
- *U.S. GDP* [[link](#)]

## Orange Area

June 27

04:00 - 16:00

- *Eurozone Economic Sentiment* [[link](#)]
- *U.S. Unemployment Claims and Home Sales* [[link](#)]

JPY Currency Index Range

1.28%   1.03%   0.82%   0.72%   0.42%

Average USD/JPY  
Volatility Index

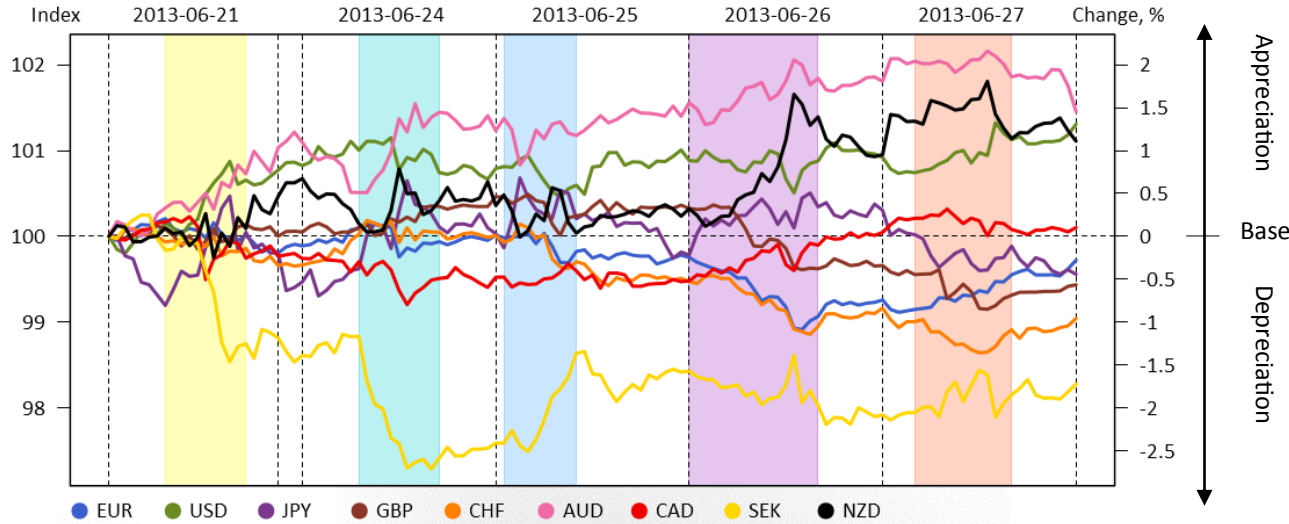
0.89   0.93   0.76   0.66   0.6





# Relative Currency Strength

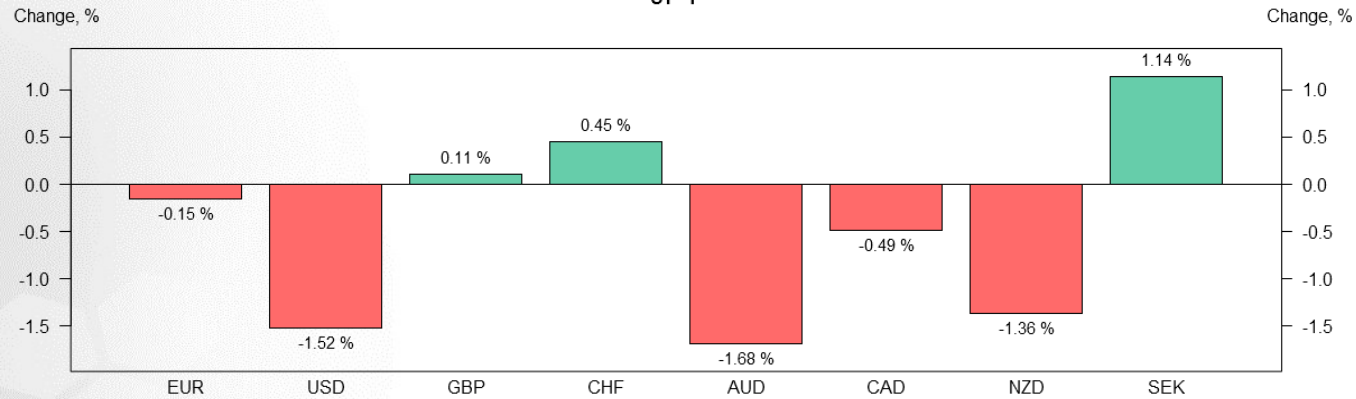
Currency Indices



Behaviour of the Japanese Yen lately was uncharacteristic of its explosive nature that we are used to and observe on a constant basis, mostly it is a consequence of the data on the U.S. economy. The currency has completely lost the momentum and was largely traded sideways, ending the five-day period with a -0.4% change, while at the same time the Australian Dollar appreciated by 1.5% and the Swedish Krona plunged 1.7%. Still, there were crosses where the Yen deviated significantly from its initial price, such as with AUD, USD and NZD, but were outweighed by changes in SEK/JPY and CHF/JPY.

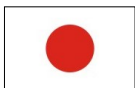
Even though this particular period was not associated with substantial revaluation of the Japanese Yen, especially compared with its major counterparts, in the medium term perspective (20 days) the Yen is the most bullish currency, as it gained 4.5%. This may be justified by improvement in the Japanese fundamentals that continue to surprise on the upside and demonstrate overall positive tendency in the economy after the Bank of Japan announced unprecedentedly large asset purchases in order to revive growth. However, in the longer run (130 days) the Yen still distinguishes itself as the most bearish currency, losing 9%, which confirms its hectic essence that temporarily is not exhibited on the charts.

JPY



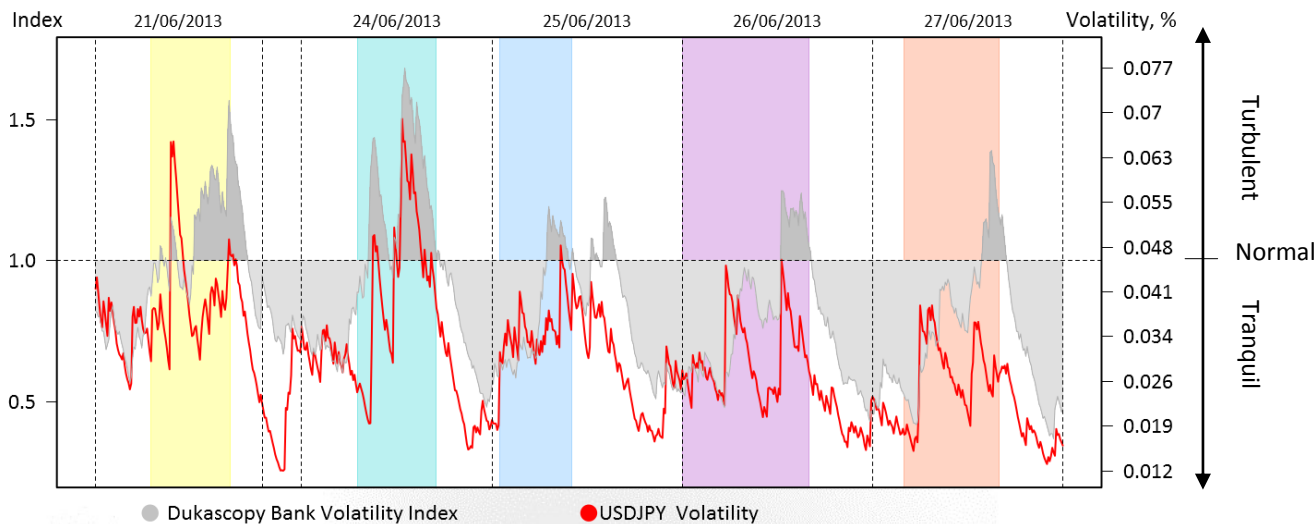
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.28%	1.31%	-0.44%	-0.57%	-0.96%	1.46%	0.10%	-1.72%	1.11%
20	1.13%	1.20%	4.51%	1.33%	2.21%	-4.12%	-0.81%	-1.66%	-3.21%
130	4.64%	6.38%	-9.33%	-0.02%	2.37%	-6.73%	0.14%	2.35%	0.17%



# Volatility

Volatility



USD/JPY volatility serves as another example of a significant change in Yen's behaviour. Most of the time the currency pair was less volatile than its main rivals regardless of the contest existing in the market. While on average Dukascopy Bank Volatility Index was 0.8, USD/JPY's gauge of variability stood at 0.7. In the meantime, the same measure of USD/SEK's variability was as high as 1.2. In addition to this, the share of the time, when the range of USD/JPY fluctuation exceeded historical norms, amounted to merely 6%, whereas the most unstable prices showed 30% and more.

Nonetheless, we can recognize two events that stirred the market, USD/JPY in particular. Last Friday it was Kuroda's speech, during which he sounded optimistic, but still displayed readiness to act should the conditions warrant even more aggressive changes to the monetary policy, meaning if the risks of a slower inflation than 2% targeted increase.

At the moment most of the Yen crosses are tranquil and may stay such for the time being, at least until the second part of the next week, lulling vigilance of market participants before the major events, such as non-farm employment change in the United States, Kuroda speech and meetings of two major European central banks—the ECB and BOE.

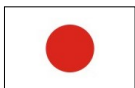
Elevated Volatility (% of the observed period)

Market	EUR/	USD/	GBP/	AUD/	USD/	USD/	EUR/	EUR/	EUR/	USD/	NZD/
25	32	6	34	21	41	19	13	38	14	55	31

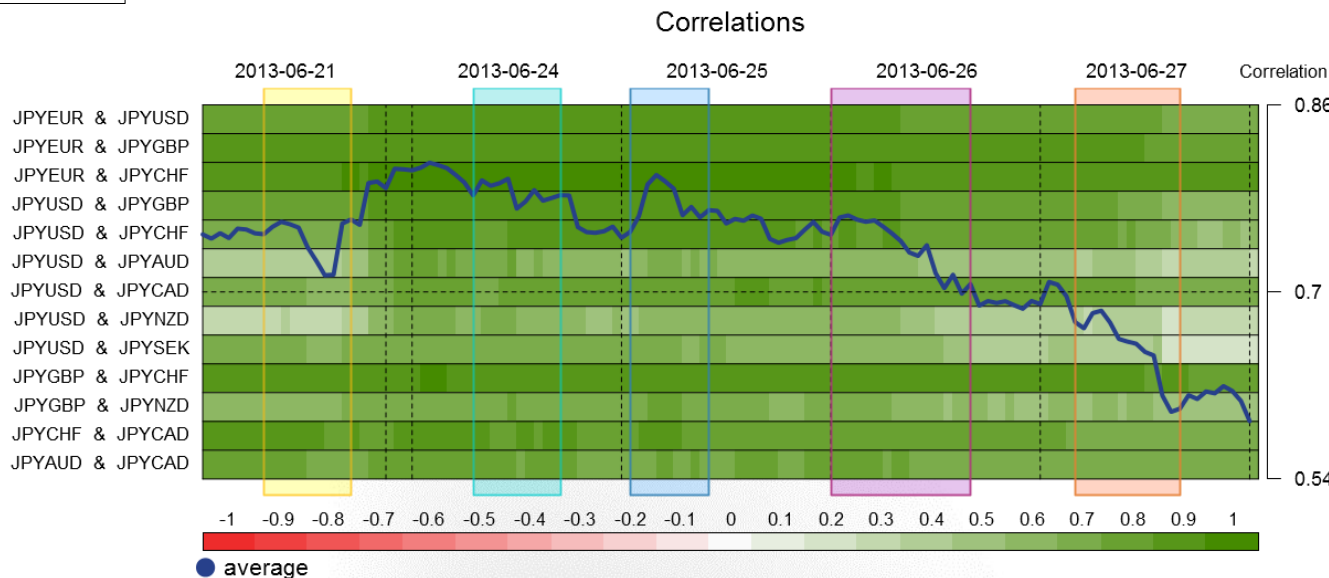
Volatility Index (for the observed period)

	Market	EUR/	USD/	GBP/	AUD/	USD/	USD/	EUR/	EUR/	EUR/	USD/	NZD/
		USD	JPY	USD	USD	CAD	CHF	JPY	GBP	CHF	SEK	USD
<b>Max</b>	1.7	2	1.5	1.9	1.9	4	1.8	1.6	2.6	1.6	3.6	2.2
<b>Min</b>	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Average</b>	0.8	0.9	0.7	0.9	0.8	1	0.7	0.7	0.9	0.7	1.2	0.9





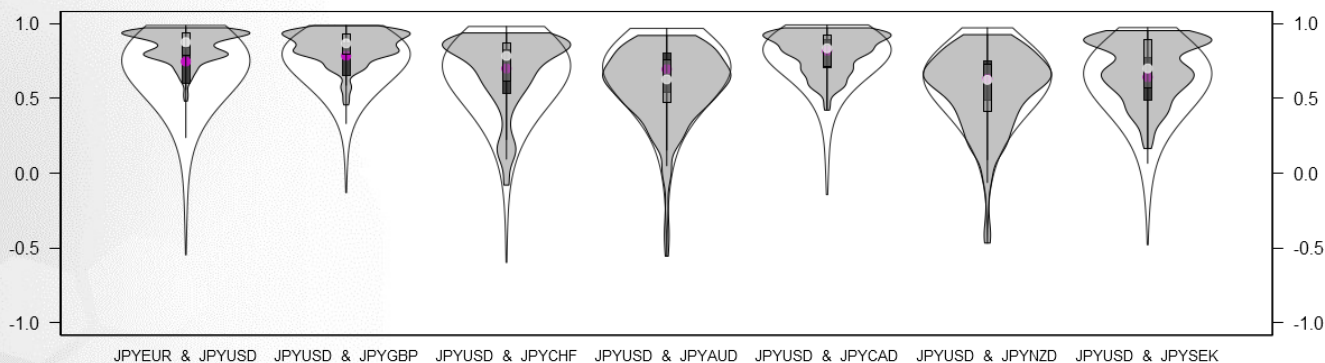
# Currency Significance



The way in which the average correlation coefficient declined, predisposes to an idea that a recovery may not follow soon and it will take some time before the measure of Yen's significance returns to its usual place. The point is that erosion of the Asian currency's significance in the market was gradual and was not triggered by a certain game-changing event (normally the coefficient deviates from its true value only for a brief moment, as was the case with the latest FOMC meeting, and quickly pulls back).

Starting this week at 0.81 the average coefficient has already sunk to 0.59. While this level is still well above the significance measures of many its counterparts, relative to previous observations it is substantially decreased, meaning it is currently not the primary determinant of the exchange rates in the foreign exchange market. Now the highest degree of consistency is found in the New Zealand Dollar and Swedish Krona crosses—their average correlation coefficients now exceed a mark of 0.7. Consequently, when trading a currency pair with either NZD or SEK, it is recommended to set highest priority on the news that relate to the respective regions, as they are going to have the more influence on those instruments.

Correlations (20 vs 130 days)

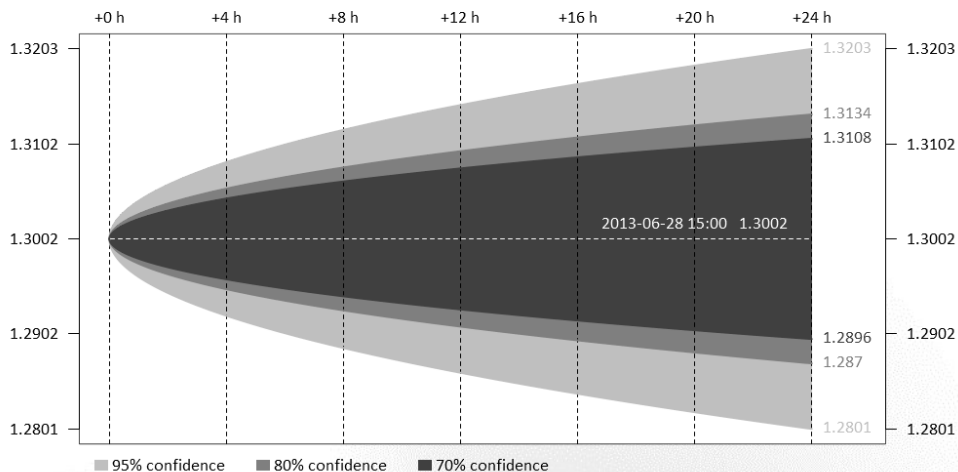


Average Correlation Coefficient (with JPYUSD)

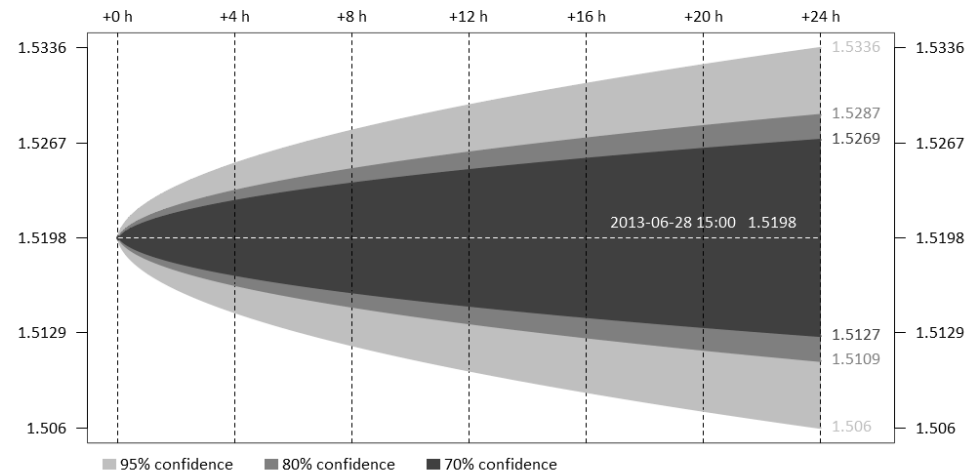
Days	JPYEUR	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPNZD	JPYSEK
5	0.84	0.82	0.81	0.57	0.79	0.51	0.55
20	0.85	0.84	0.7	0.58	0.81	0.55	0.7
130	0.82	0.81	0.73	0.74	0.87	0.67	0.74

# Confidence Intervals for Next 24 Hours

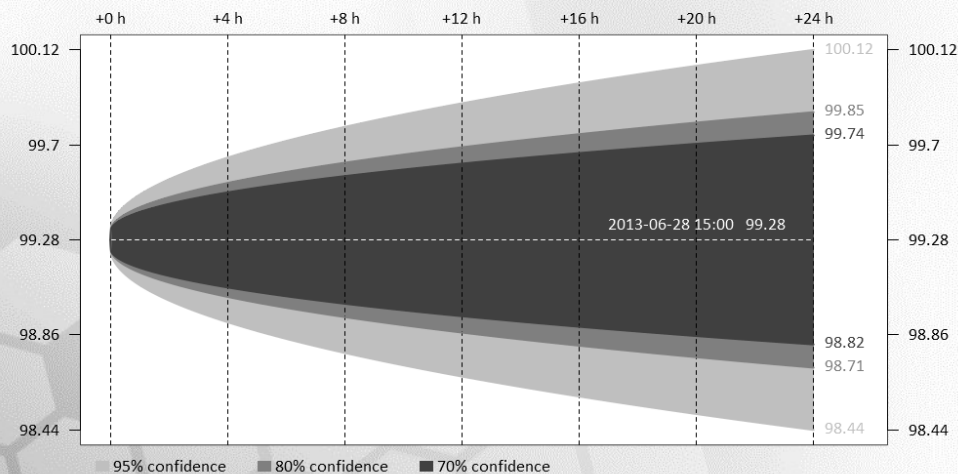
EURUSD Potential Rates



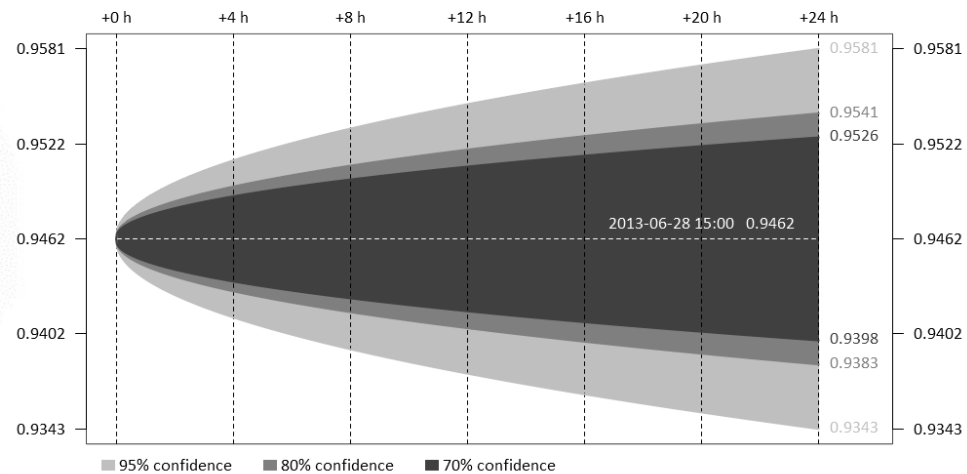
GBPUSD Potential Rates



USDJPY Potential Rates



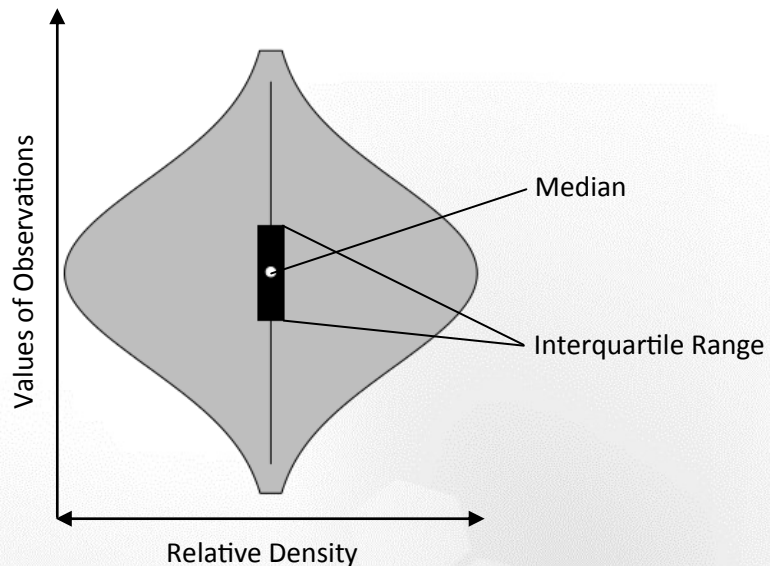
USDCHF Potential Rates



# 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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