



EUR

01/07/2013



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

June 24

05:00 - 16:00

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

Turquoise Area

June 25

06:00 - 15:00

- ECB President Draghi Speech [\[link\]](#)
- U.S. Durable Goods Orders [\[link\]](#)
- U.S. Consumer Confidence [\[link\]](#)

Blue Area

June 26

07:00 - 17:00

- ECB President Draghi Speech [\[link\]](#)
- U.S. GDP [\[link\]](#)

Purple Area

June 27

06:00 - 17:00

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

Orange Area

June 28

05:00 - 17:00

- German Data [\[link\]](#)
- Fed Officials' Speeches [\[link\]](#)

EUR Currency Index Range

0.38%

0.34%

0.6%

0.42%

0.4%

Average EUR/USD
Volatility Index

1.23

1.1

1.08

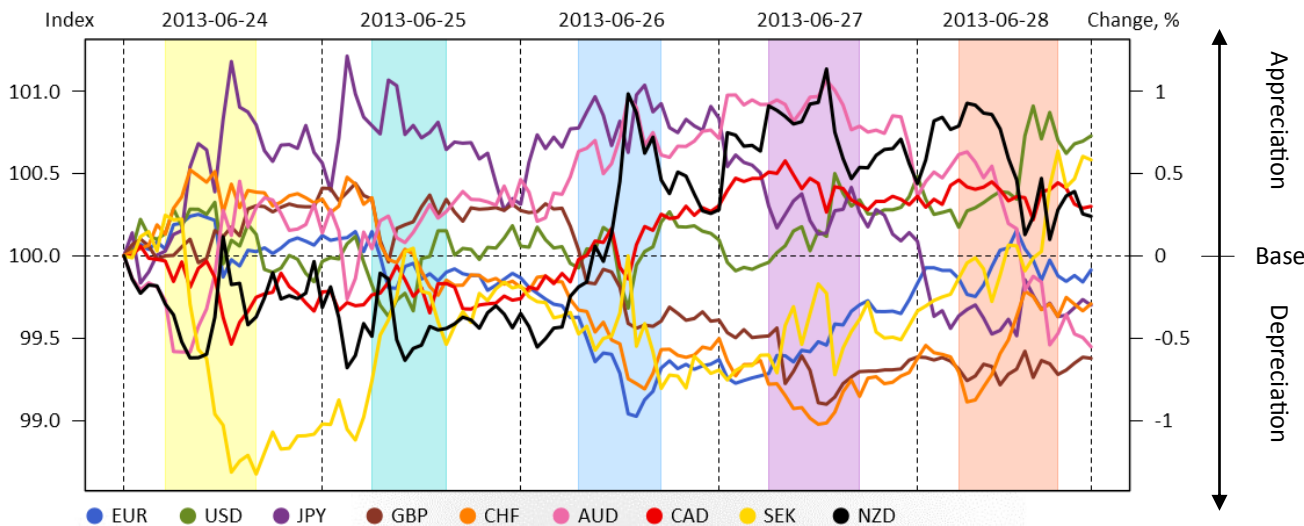
1

0.99



Relative Currency Strength

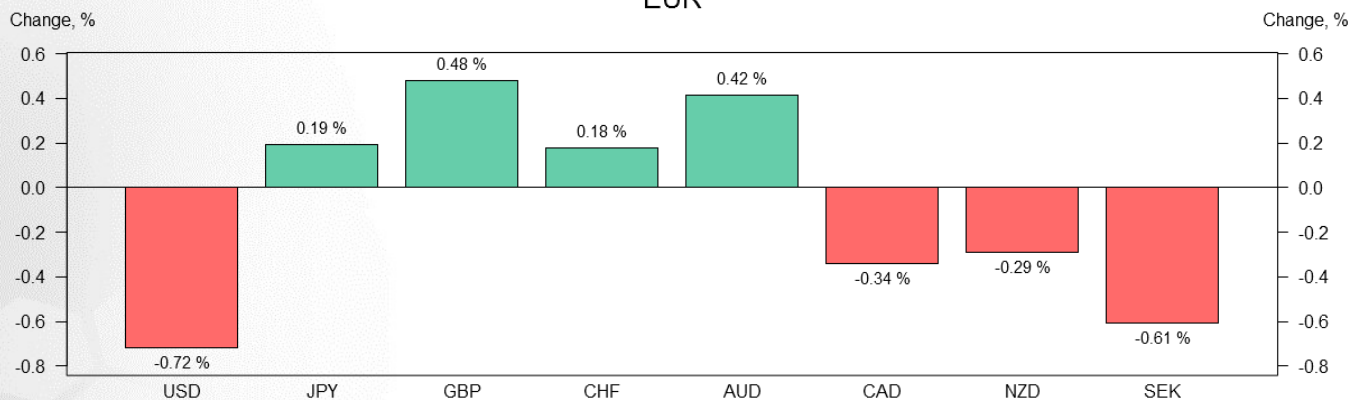
Currency Indices



At the moment the single European currency index, if equally weighted against its major counterparts, is only 0.1% cheaper than it was five days ago. However, this stability of the Euro may be somewhat deceptive of the currency's outlook and its future performance. Since June 26 the Euro has managed to recover one per cent, buoyed by the fairly positive German data on Friday, but to a larger extent by the less bullish U.S. Dollar, rally of which was suspended by the Fed officials—they are closely watching unemployment statistics and the latest release could have been more positive.

Still, the buck outperformed the Euro the most, by 0.7%, being that the European Central Bank in its latest appeal to the public sounded as willing to remain accommodative with no tightening currently in sight. Accordingly, even if the Euro stayed more or less unchanged on a weekly basis, there is little hope for it to stay afloat in a longer perspective, especially against the greenback, since the United States are preparing for less stimulus. In the meantime, EUR/SEK is now priced 0.6% lower, as, according to state officials, there is no reason to expect weaker Krona, considering that the economy is strong enough to be able to withstand no-so-favourable exchange rates.

EUR



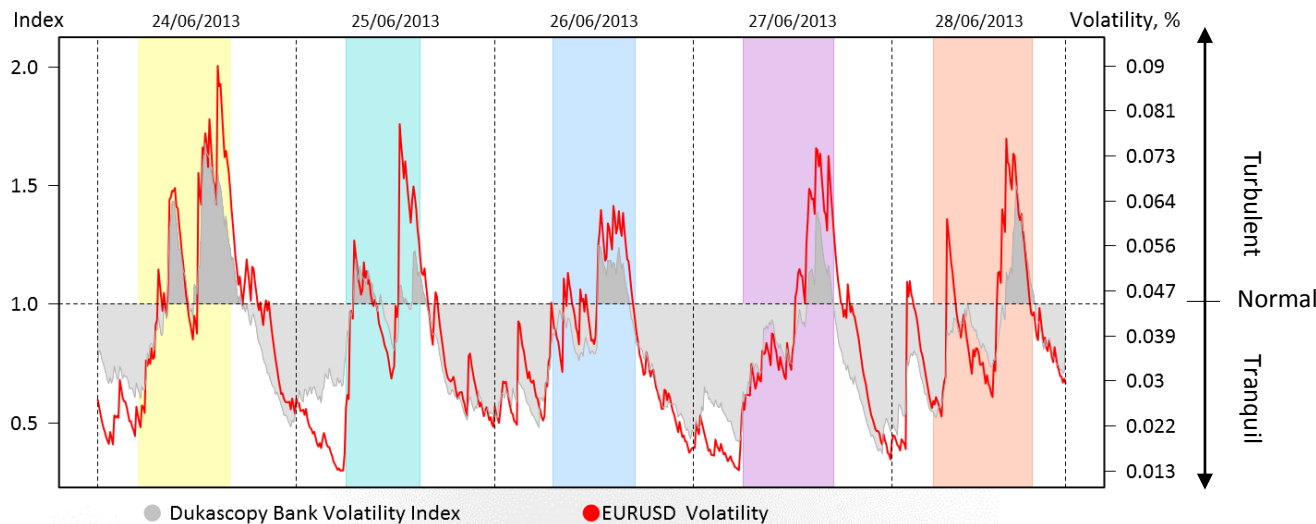
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.09%	0.73%	-0.30%	-0.62%	-0.29%	-0.55%	0.30%	0.58%	0.24%
20	1.11%	0.90%	2.79%	1.04%	2.48%	-4.90%	-0.72%	-0.30%	-2.26%
130	4.51%	6.51%	-8.97%	-0.01%	2.59%	-7.77%	0.22%	3.04%	-0.18%



Volatility

Volatility



The past week did not stand out in terms of volatility. The most active trading hours were from 6 a.m. till 5 p.m., during which the level of turbulence was constantly rising and, consequently, peaking at the very end. Usually starting at 0.5 the Dukascopy Bank Volatility Index gradually grew up to 1.5. The highest volatility was seen on Monday, when DBVI surged to 1.7 amid comments of Fed's officials that played a significant role in determining direction of the market throughout the whole week, as we continue to see more volatility later in the day.

The only currency pairs not to conform to what we would call the norm are the Japanese Yen crosses. We have mentioned the tendency of these currency pairs to stay exceptionally tranquil previously, but we still see their reluctance to change at the same pace as before. USD/JPY and EUR/JPY average values were among the lowest—0.6 and 0.7 respectively, but the most vivid argument is the percentage of time changeability of each of these two currency pairs was elevated. As it turns out, merely 10% of EUR/JPY volatility observations were higher than a mark of 1. The same measure for USD/JPY was even lower—4%. To make this more convincing, EUR/JPY and USD/JPY were turbulent 36 and 40 per cent of the time accordingly during the week ended on June 6.

Elevated Volatility (% of the observed period)

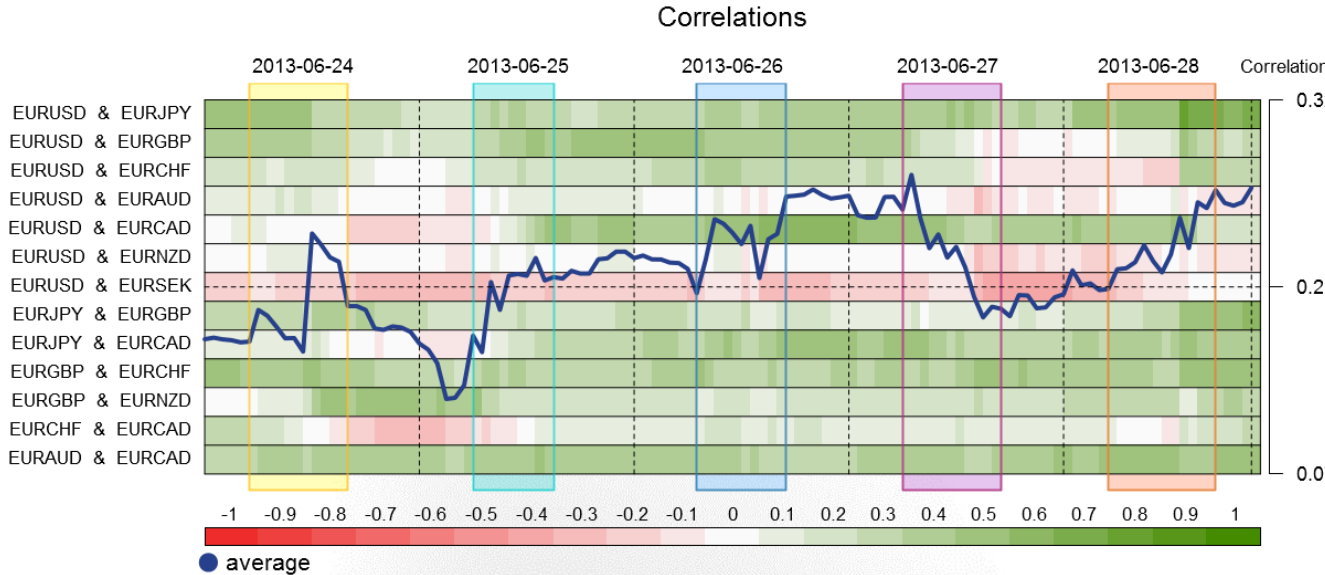
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
22	30	4	33	23	46	19	10	39	15	51	31

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	1.5	2.3	1.9	2.7	1.8	1.4	2.6	1.9	3.6	2.2
Min	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Average	0.8	0.9	0.6	0.8	0.9	1	0.7	0.7	0.9	0.7	1.1	0.9



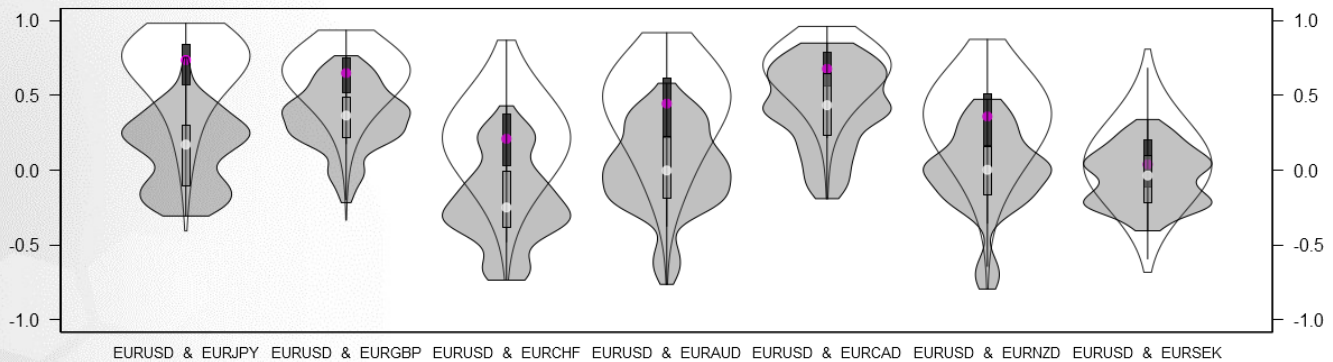
Currency Significance



Even though the level of Euro's significance has been rising throughout the last week, being that the average correlation coefficient started it at 0.16 and ended the interval at 0.26, the change is not nearly sufficient to posit that European currency is now strongly influencing its crosses. Quite the opposite, the Euro still has little control over the exchange rates and is thus largely driven by the events not related to the Eurozone, but by its rivals in the currency pairs, such as the U.S. Dollar and Japanese Yen.

Talking about the relationships among Euro crosses, namely components of the average correlation coefficient, it must be noted that all the correlation coefficients between them plummeted. Some, as EUR/USD with EUR/GBP and EUR/USD with EUR/CAD, remain at least positive and significant (but were much stronger in a six-month perspective), although at the same time there are many that have become either insignificant (close to zero) or even negative, as occasionally observed in movements of EUR/USD with EUR/CHF and EUR/SEK.

Correlations (20 vs 130 days)

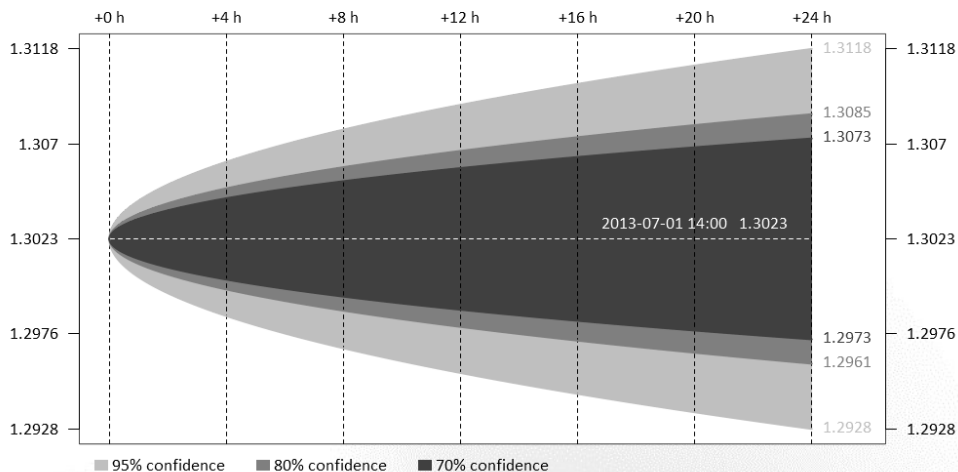


Average Correlation Coefficient (with EURUSD)

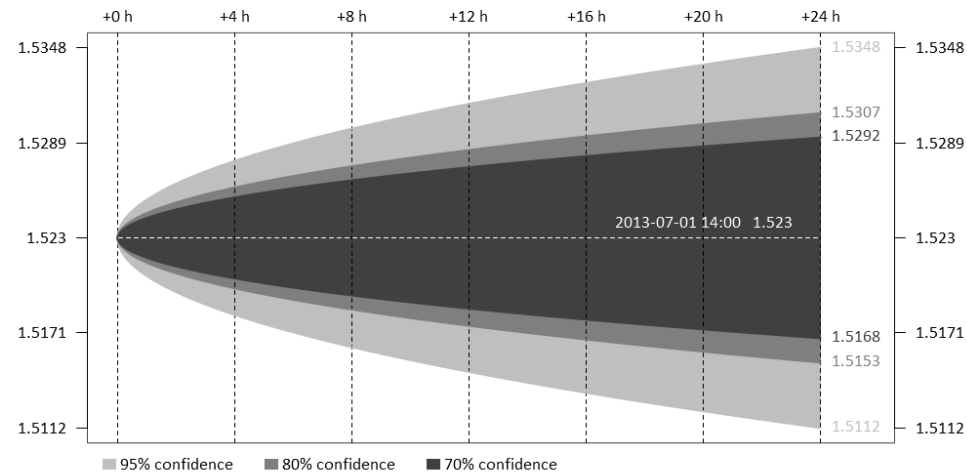
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.39	0.28	0.16	0.01	0.29	-0.02	-0.21
20	0.13	0.35	-0.21	0	0.43	-0.03	-0.05
130	0.51	0.53	0.21	0.46	0.68	0.37	0.09

Confidence Intervals for Next 24 Hours

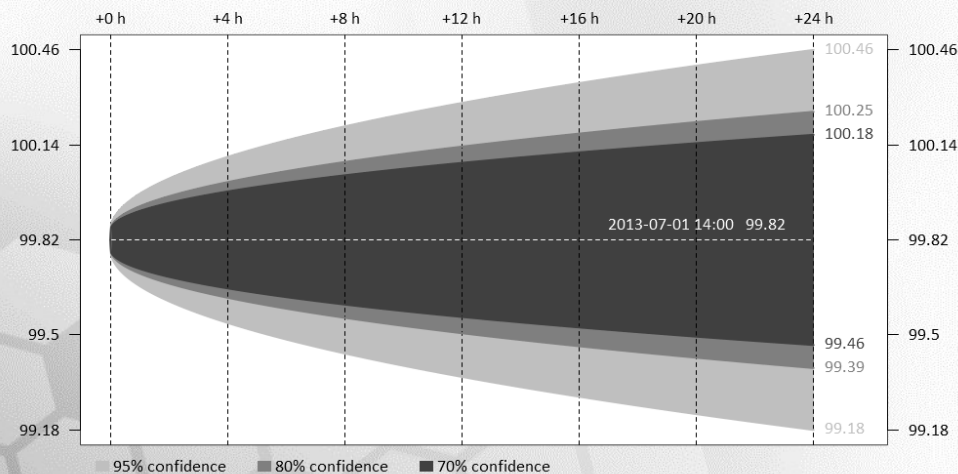
EURUSD Potential Rates



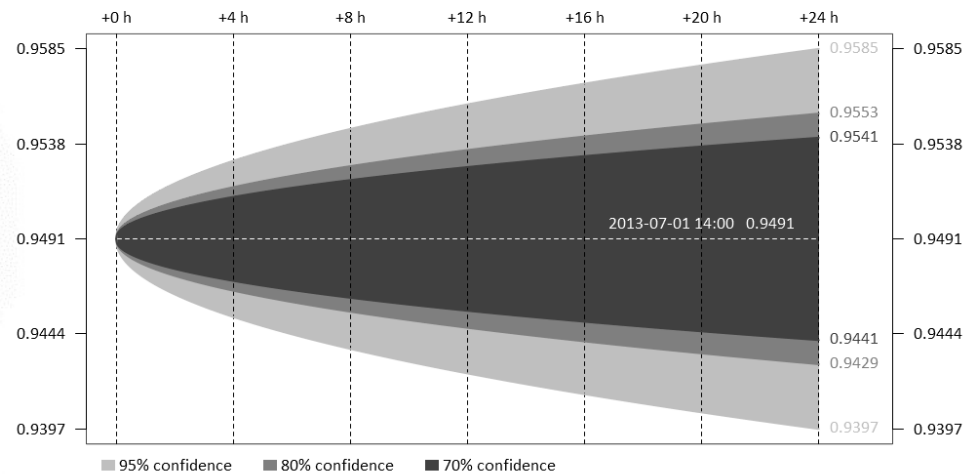
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

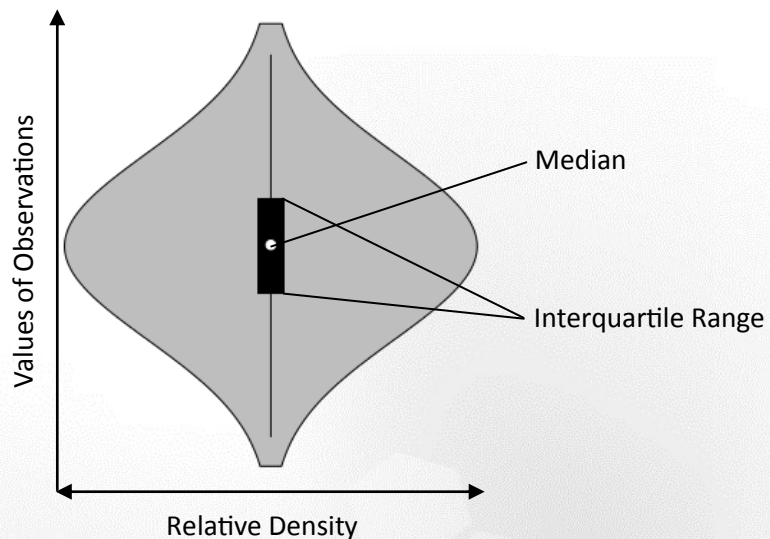
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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