



**USD**

03/07/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



# Market Research





# Dominant Events for the U.S. Dollar

## Yellow Area

June 26

07:00 - 17:00

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

## Turquoise Area

June 27

12:00 - 17:00

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

## Blue Area

June 28

12:00 - 17:00

- Fed Officials' Speeches [\[link\]](#)
- U.S. Consumer Sentiment [\[link\]](#)

## Purple Area

July 1

13:00 - 16:00

- U.S. ISM Manufacturing PMI [\[link\]](#)

## Orange Area

July 2

07:00 - 20:00

- Eurozone PPI [\[link\]](#)
- U.S. Factory Orders [\[link\]](#)

USD Currency Index Range

0.52%

0.38%

0.57%

0.34%

0.61%

Average EUR/USD  
Volatility Index

1.08

1.32

1.23

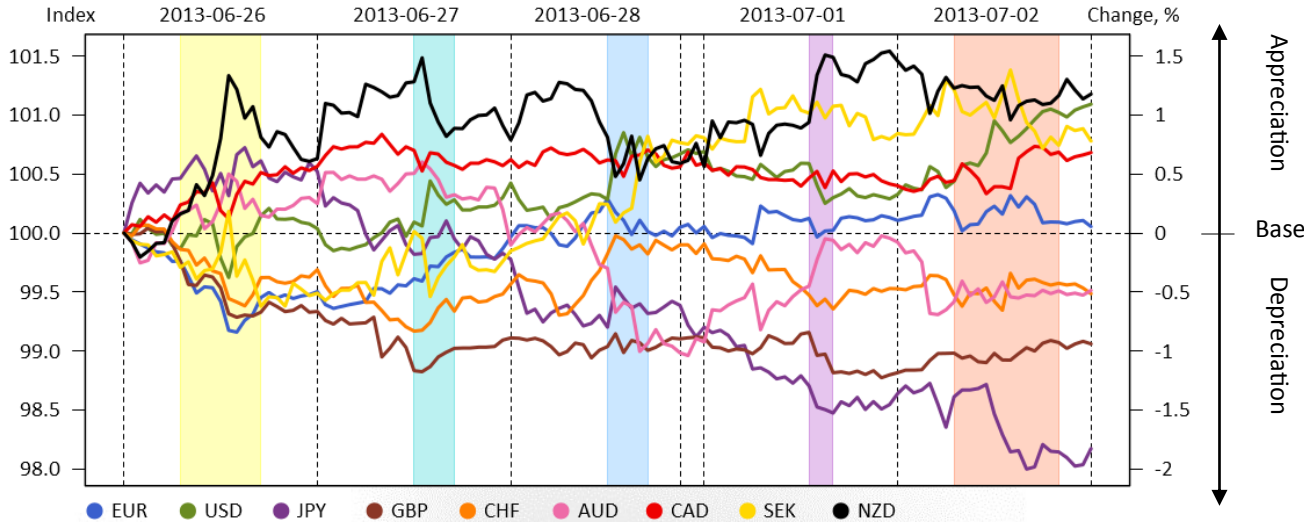
0.89

0.91



# Relative Currency Strength

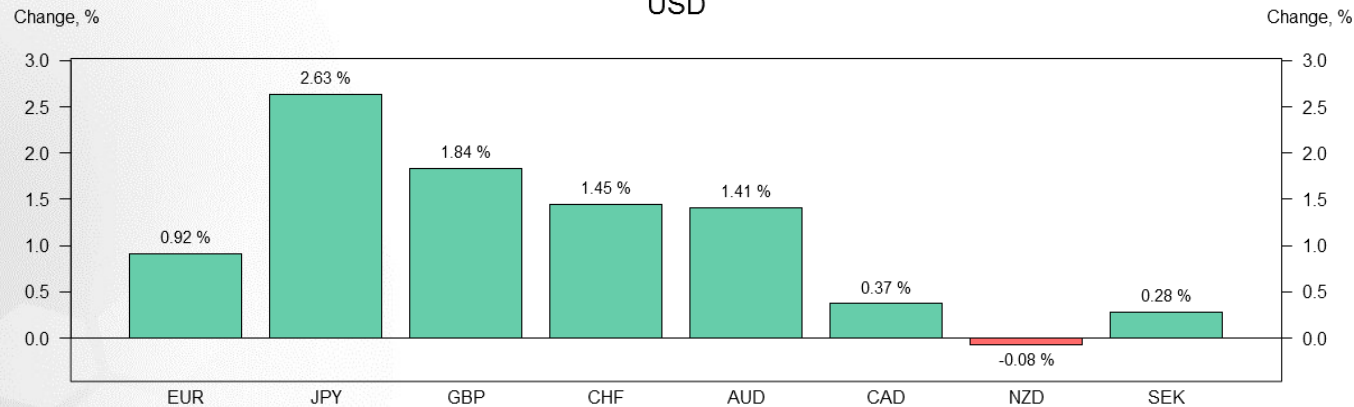
Currency Indices



The U.S. Dollar has been moving in fits and starts over the past five days, making the most progress during the American trading hours and remaining immovable the rest of the day. Still, the currency has kept the direction north, resulting in outperformance of most of its rivals, on average by 1.1%. Against the New Zealand Dollar the buck, however, is largely unchanged for the period Jun 26—Jul 2, but in the longer term (six-month perspective) is considerably more bullish than the kiwi and any other currency, having gained 7.1% already. The Euro is a runner up with 5.1%.

The largest contribution to appreciation of the equally-weighted Dollar index was made by USD/JPY currency pair that has gone up by 2.6% since Jun 26 and is still able to extend the gains, given that the divergence in monetary policies undertaken by the Federal Reserve and the Bank of Japan is becoming more and more pronounced. While the former is talking about scaling down the monthly purchases, the latter is committed to apply extra effort, should the targets turn out to be unachievable with currently active measures to reignite elusive economic growth. Similar discrepancies are observed between the Fed and the ECB, although to a much lesser degree, hence only a 0.9% dip in EUR/USD.

USD



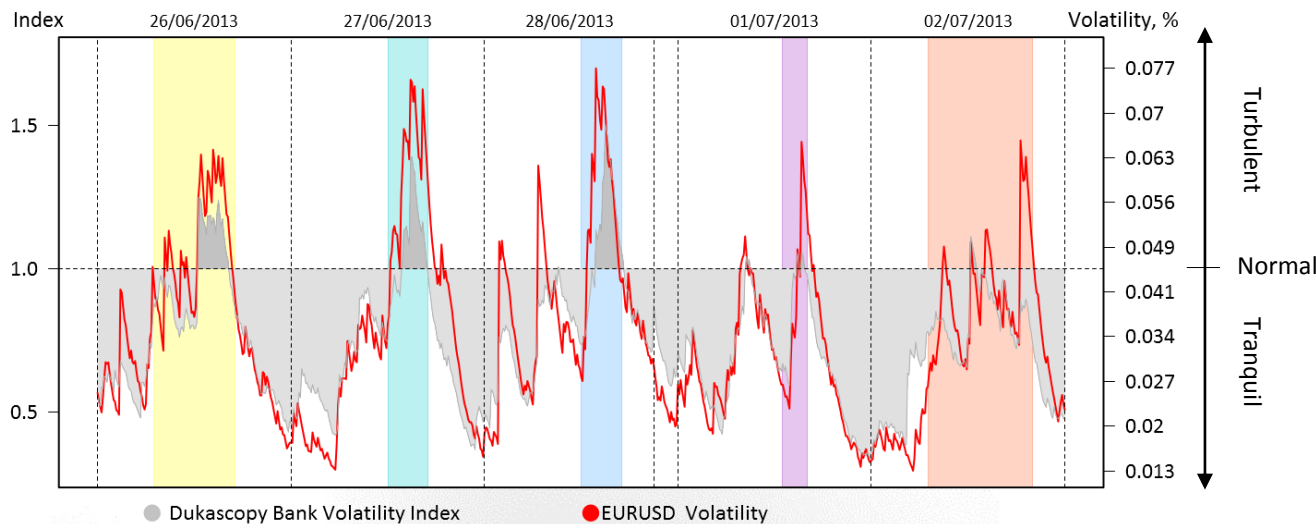
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.05%	1.09%	-1.83%	-0.94%	-0.51%	-0.49%	0.68%	0.78%	1.18%
20	0.96%	1.83%	1.56%	0.80%	1.52%	-3.91%	-0.14%	-0.71%	-1.95%
130	5.12%	7.06%	-9.90%	-0.84%	2.75%	-7.40%	0.29%	3.27%	-0.31%



# Volatility

Volatility



Until now there has not been any activity shown in the market, according to the low levels demonstrated by the Dukascopy Bank Volatility Index. The highest value it managed to reach was 1.5 amid the speeches of Fed officials and a report on sentiment among the consumers of the United States (Jun 28). Data on the U.S. unemployment claims and home sales also had a visible on the exchange rates (Jun 27), but only relative to already low levels of turbulence observed lately, not on an absolute basis.

Tranquillity in the market is highlighted by a different volatility measure as well, namely the percentage of time increased changeability persisted. For all the 11 currency pairs the share of elevated values was only 11%, for a comparison, 38% of DBVI values were above 1 during the interval Jun 19—Jun 25.

**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
11	20	1	28	17	28	17	2	34	20	35	21

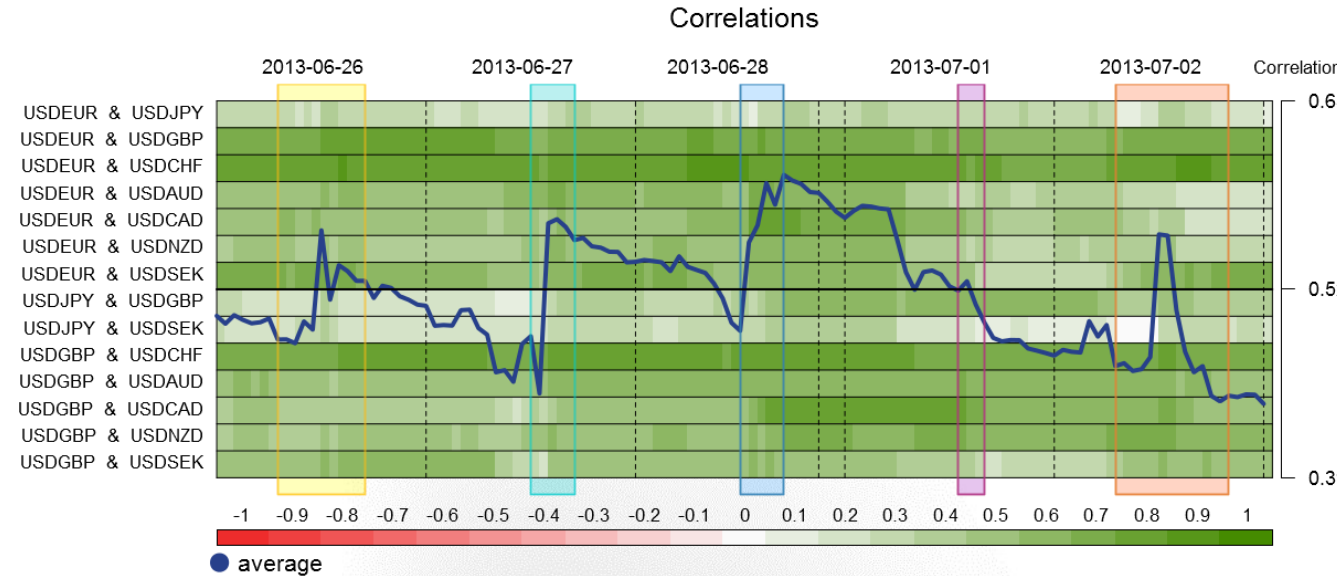
Even though in general the market was fairly calm, failing to respond to the news releases loudly, we can nonetheless distinguish some currency pairs that were still exhibiting sensitivity to the latest events. These were USD/SEK, USD/CAD and EUR/GBP, in order of increasing maximum and average volatility index values.

**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
<b>Max</b>	1.5	1.7	1.2	2.3	1.8	2.7	1.8	1.2	2.8	1.9	2.6	2
<b>Min</b>	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3
<b>Average</b>	0.7	0.8	0.5	0.8	0.8	0.8	0.7	0.6	0.9	0.7	0.9	0.8



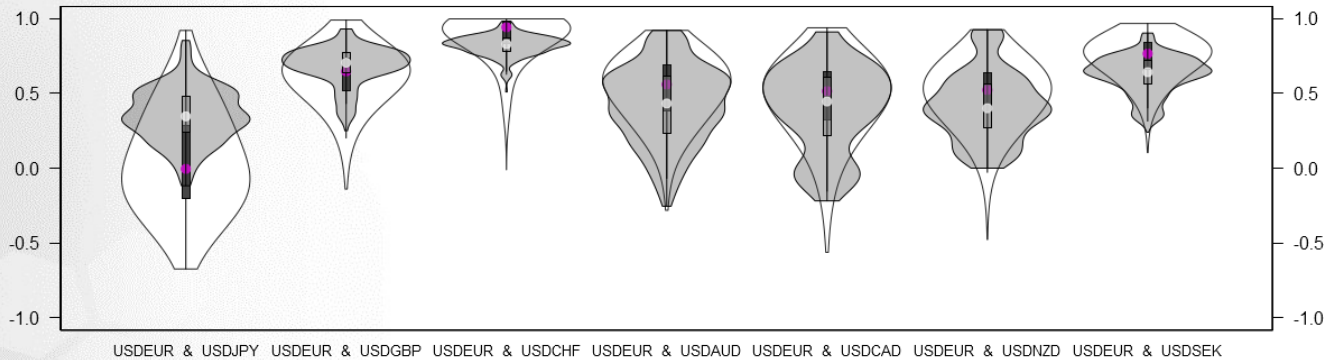
# Currency Significance



As it is clearly seen from the chart on the left, updates on the state of the U.S. economy were characterised by the jumps in the average between USD crosses correlation coefficient. Sometimes we saw the coefficient soared even up to 0.6, as in the case of June 28, but then always returned back to 0.45-0.5 area, meaning that the significance of the U.S. Dollar remains elevated. This is mainly caused by the scant data from other regions of the world and at the same time potentially strong impact of QE3 tapering on the greenback.

Meanwhile, the correlation of USD/EUR and USD/JPY continues to strengthen. On average within the last six month the 50-hour rolling correlation was zero. Moreover, it fluctuated in a wide range between 0.9 and -0.7, being highly unstable—a detrimental characteristic of interdependence between the data series. Now it is consistently direct and at the same time significant, meaning that the analysis of these two currency pairs and their relationship yields much better results than previously. On the other hand, there are U.S. Dollar crosses that exhibit even closer linkage, such as USD/EUR and USD/CHF, correlation between which always stays close to 0.8 and is the most reliable, even though at some points in the past it weakened to zero, but only for a short period of time.

Correlations (20 vs 130 days)

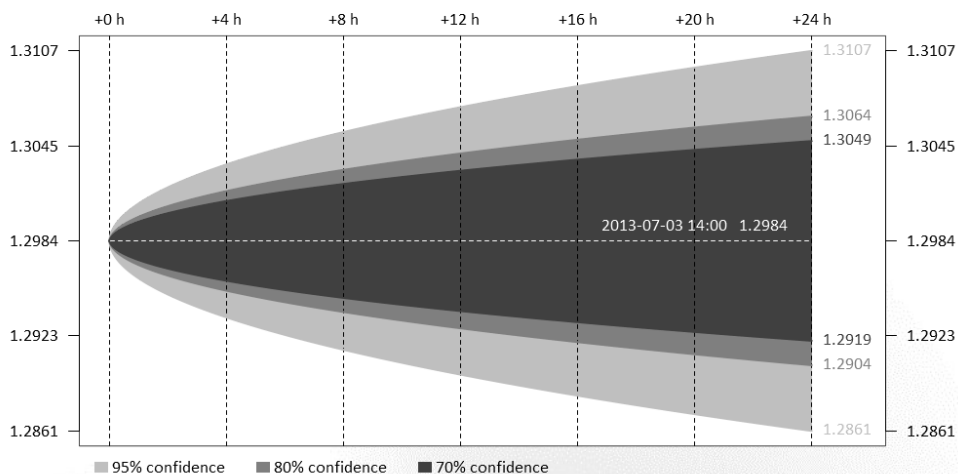


Mean Correlation Coefficient (with USDEUR)

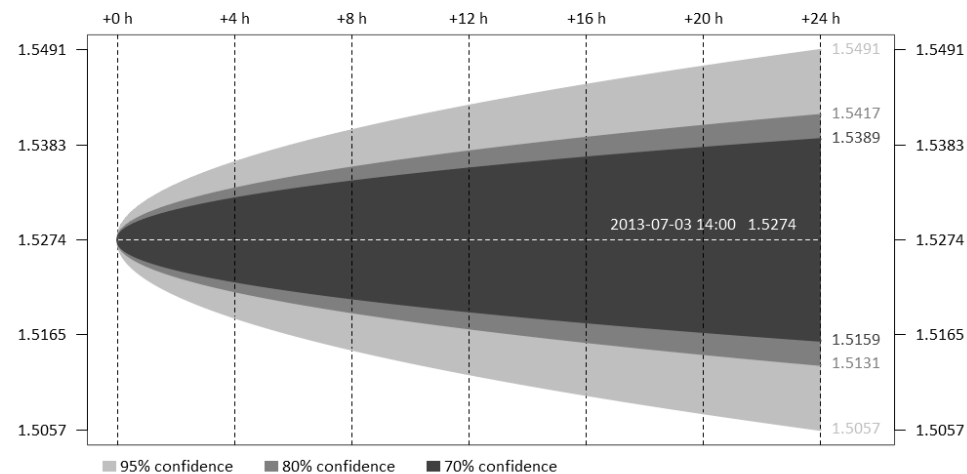
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.29	0.7	0.81	0.46	0.52	0.45	0.54
20	0.35	0.68	0.82	0.42	0.4	0.41	0.62
130	0.02	0.56	0.79	0.42	0.39	0.39	0.72

# Confidence Intervals for Next 24 Hours

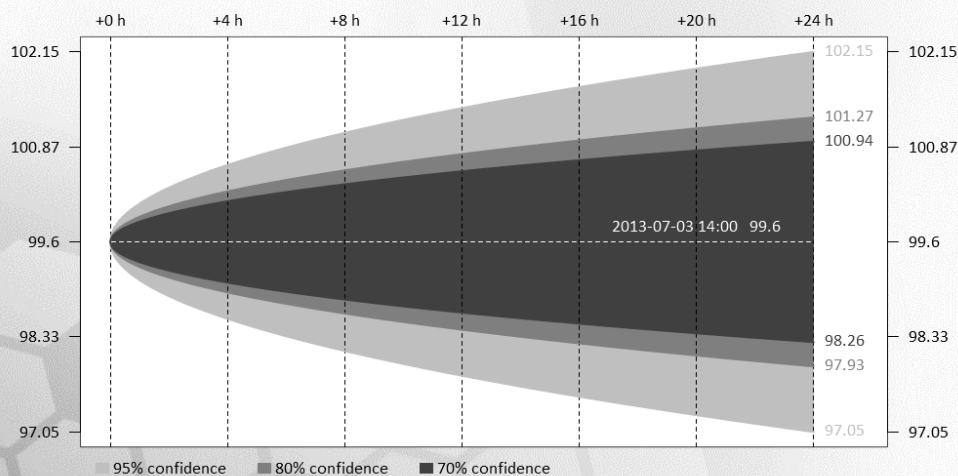
EURUSD Potential Rates



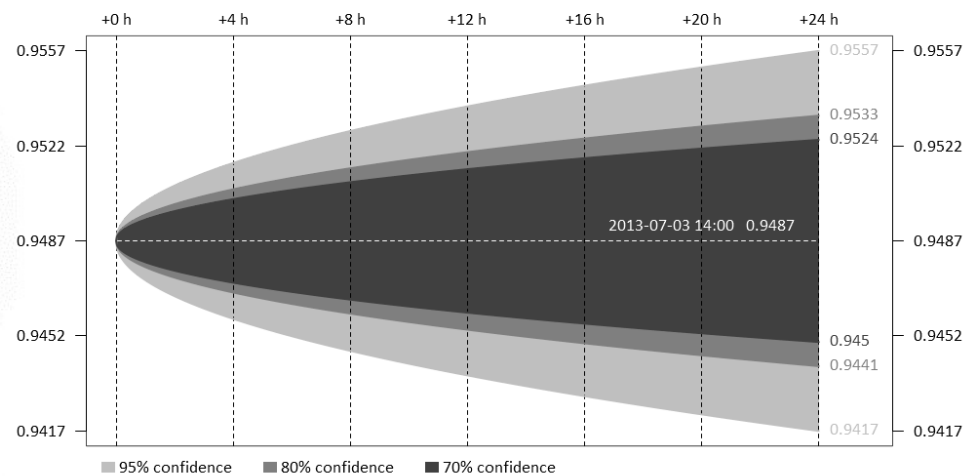
GBPUSD Potential Rates



USDJPY Potential Rates



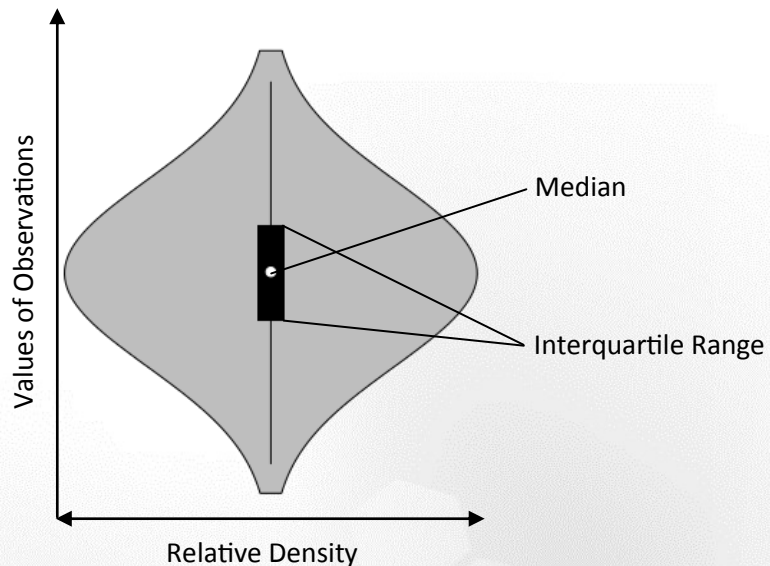
USDCHF Potential Rates



# 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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