



**CHF**

05/07/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



# Market Research





# Dominant Events for the Swiss Franc

## Yellow Area

June 28

07:00 - 16:00

- German Data [\[link\]](#)
- Swiss Economic Barometer [\[link\]](#)
- Fed Officials' Speeches [\[link\]](#)
- U.S. Consumer Sentiment [\[link\]](#)

## Turquoise Area

July 1

06:00 - 16:00

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

## Blue Area

July 2

03:00 - 16:00

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

## Purple Area

July 3

01:00 - 18:00

- Australian Retail Sales and Trade Balance [\[link\]](#)
- RBA Governor Speech [\[link\]](#)
- Eurozone Retail Sales and Services PMI [\[link\]](#)
- U.S. Data [\[link\]](#)

## Orange Area

July

10:00 - 16:00

- BOE MPC Rate Statement [\[link\]](#)
- ECB Press Conference [\[link\]](#)

CHF Currency Index Range

0.66%	0.45%	0.31%	0.38%	0.91%
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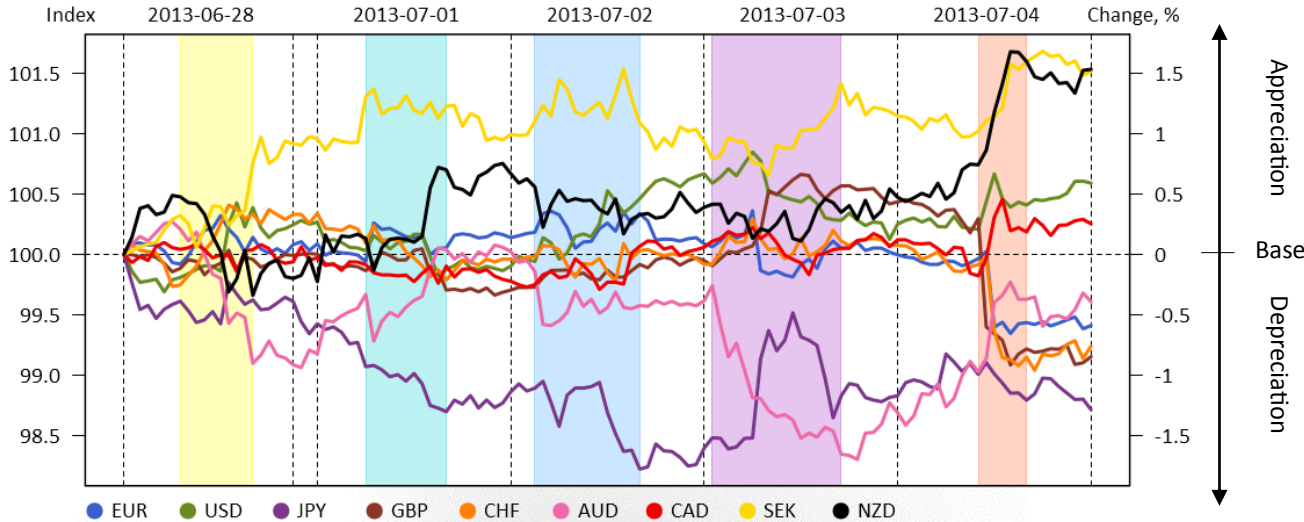
Average USD/CHF Volatility Index

0.97	0.69	0.7	0.98	1.86
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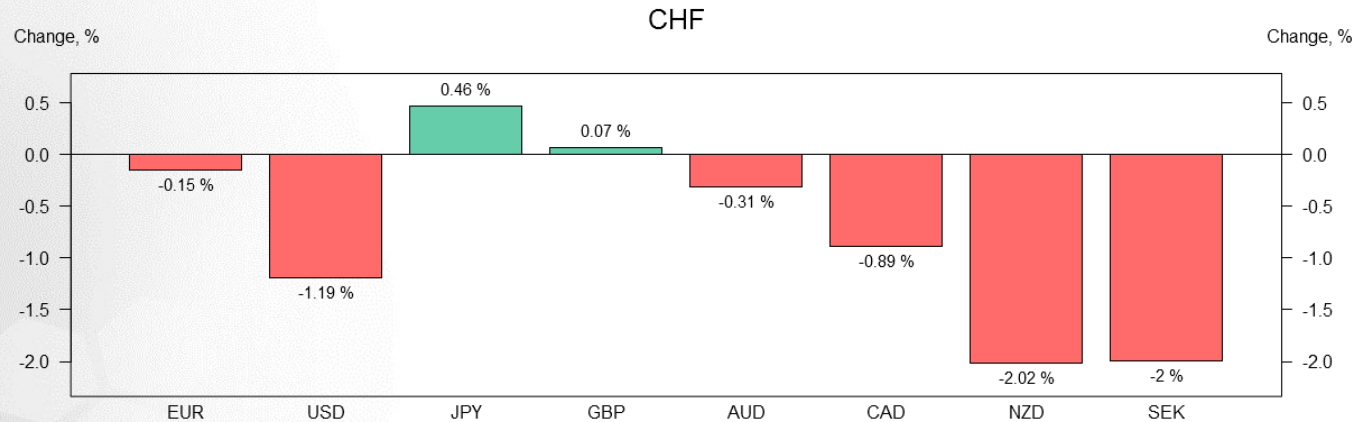
# Relative Currency Strength

Currency Indices



Due to an abundance of news from various regions it was fairly hard to follow the changes in the Swiss Franc, as it is rather a follower than a driver in the foreign exchange market. At the very beginning the currency was noticeably reacting to the data coming from the Eurozone that continues to evidence of an improving economy. Consequently, both the Swissie and the Euro, being closely bound, posted strong gains (+0.6-0.7%). However, subsequent performance of the Franc was not tied to the outlook for the 17-nation bloc, rising unemployment in which dampened the overall positive image.

The next events to impact behaviour of the Franc were largely taking place in Australia. Despite the geographical remoteness, they exerted considerable influence on the value of the Swiss currency, more than one would expect. The elevated significance of the Australian Dollar on the Forex arena was provided by the RBA statement and even to a larger extent by the comments of the central bank's governor Stevens, who was able to slice 1.4% off the Aussie's worth by sounding dovish, i.e. willing to go on with the accommodative policy. Still, the most impressive move of the Franc was observed on Friday, when the BOE indicated desire to support economic growth by keeping rates low, which in turn has negatively affected the currency, stripping 2% of its value in several hours.



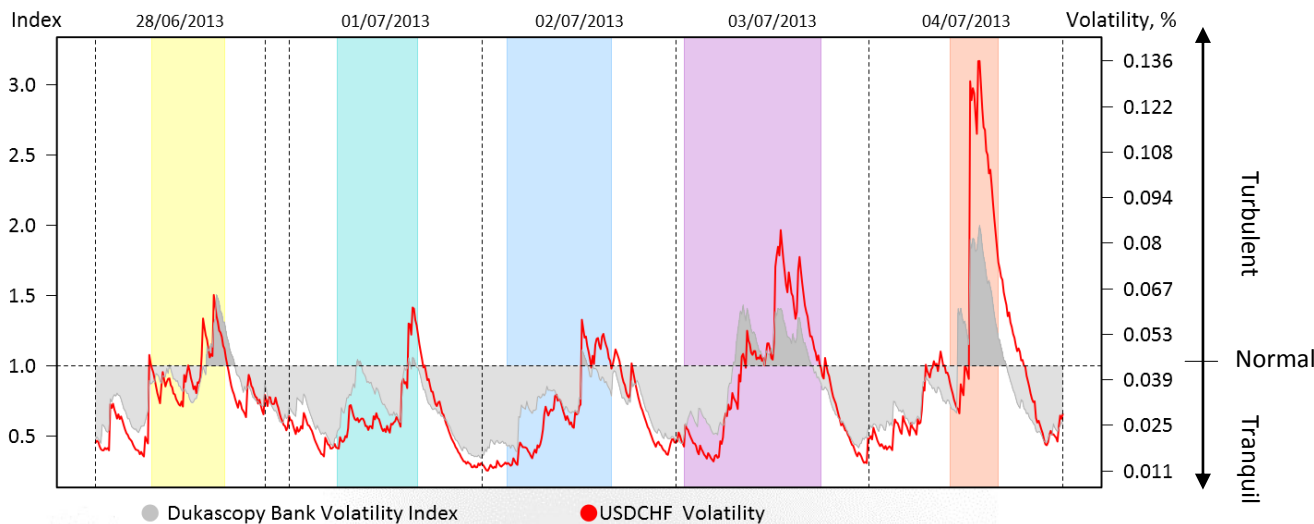
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.59%	0.59%	-1.29%	-0.85%	-0.76%	-0.39%	0.25%	1.51%	1.53%
20	0.01%	2.84%	-1.29%	-1.05%	-0.46%	-1.93%	0.24%	0.58%	0.74%
130	5.27%	6.60%	-9.05%	-0.99%	2.97%	-8.56%	-0.49%	3.94%	0.32%



# Volatility

Volatility



It may seem at first that the volatility in the market was high the last five days, judging by the moves the currency indices performed, but in reality, relative to the changeability we have seen the past two weeks, the turbulence was actually quite low if we look at the 11 major pairs as a whole. This is particularly evident from the share of Dukascopy Bank volatility Index values that were exceeding historical variability denoted by a level of 1 on the chart. Less than 20% of the time since June 28 the market was exhibiting somewhat increased turbulence. The same measure three weeks ago was at 51%, although we must acknowledge the notable difference in informational background.

Nonetheless, if we examine each currency pair separately, it becomes explicit that it would be reasonable to state that all of the instruments maintained equilibrium, some of them, namely EUR/USD, GBP/USD and EUR/GBP acted by far the most hectically among its major counterparts. These were the currencies responsible for a surge in DBVI up to 2.0 on July 4 that appeared despite complete absence of responsiveness from such pairs as USD/JPY, AUD/USD, USD/CAD, etc. to the events transpired that day. The highest volatility levels were recorded by EUR/GBP—it was moving 6.8 times faster than it usually does. GBP/USD's maximum volatility index value was slightly lower, at 6. EUR/USD was relatively more calm, reaching only 4.3, but still well above market's 2.0.

**Elevated Volatility (% of the observed period)**

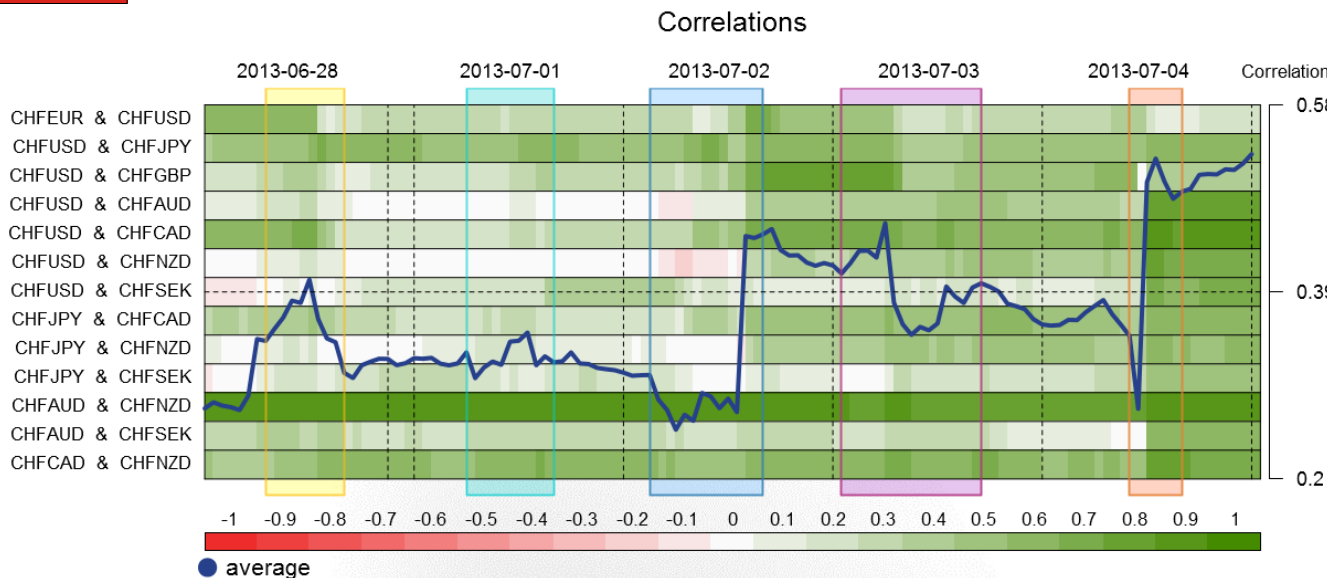
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
18	26	8	33	18	23	23	13	40	31	27	17

**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>	2	4.3	2	6	1.8	2.7	3.2	2.5	6.8	3	2.2	1.8
<b>Min</b>	0.3	0.3	0.2	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3
<b>Average</b>	0.8	0.9	0.6	0.9	0.8	0.8	0.8	0.7	1	0.8	0.8	0.8



# Currency Significance

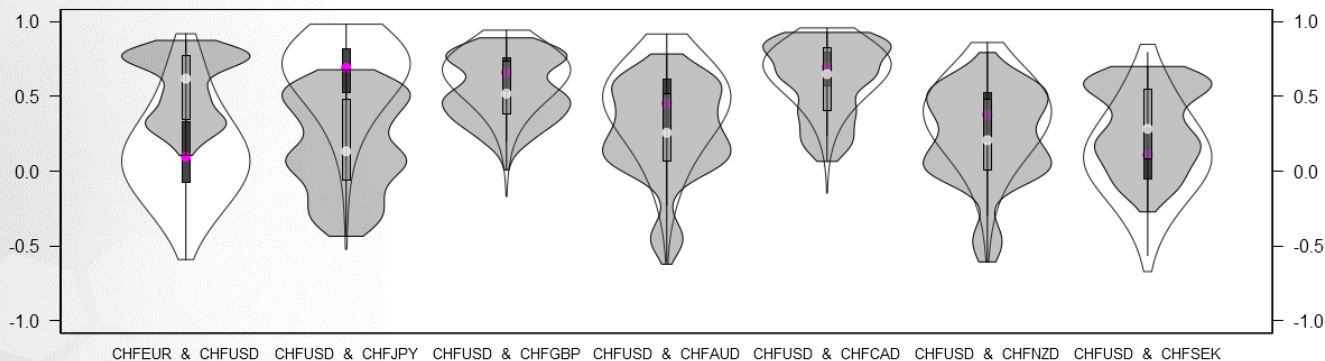


Even though the latest happenings did not directly relate to Switzerland, the level of Franc's significance was able to add 0.26 points, starting the studied period at 0.27 and ending it at 0.53. The increase, however, was not gradual, but characterised by large and sharp changes in the interdependence of CHF currency pairs, which is now substantially more consistent than just five days ago, according to the higher average correlation coefficient. The jumps occurred on June 28, July 2 and July 4.

While the former and the latter rallies could be explained by the data releases in Europe, which would logically lift Franc's significance, the surge last Tuesday was not associated with any particular event. The news published at the time were factory orders that showed sizeable improvement in the manufacturing sector of the United States.

On a historical basis, on the other hand, the current levels do not impress, being that in some Franc crosses the correlations weakened. This is the case for CHF/USD with CHF/AUD and CHF/USD with CHF/NZD. The only thing shared by all correlations was a loss of stability—the ranges within which the coefficient fluctuate widened.

Correlations (20 vs 130 days)

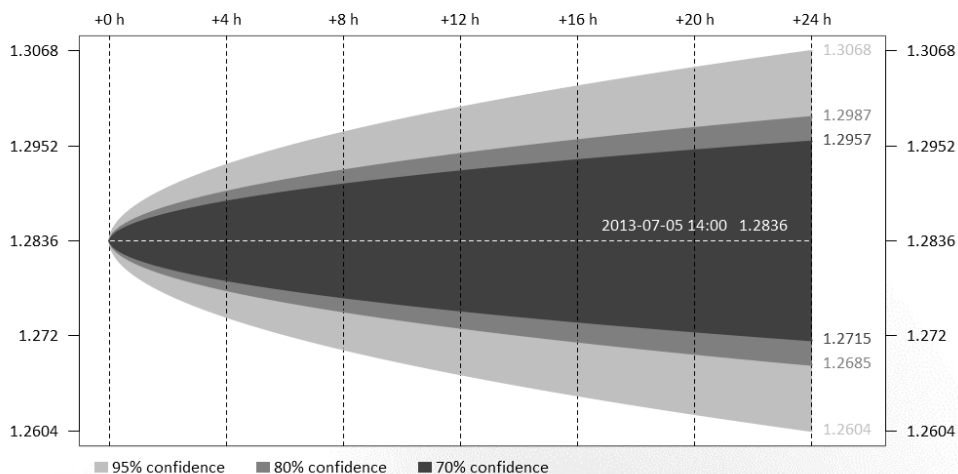


Mean Correlation Coefficient (with CHFUSD)

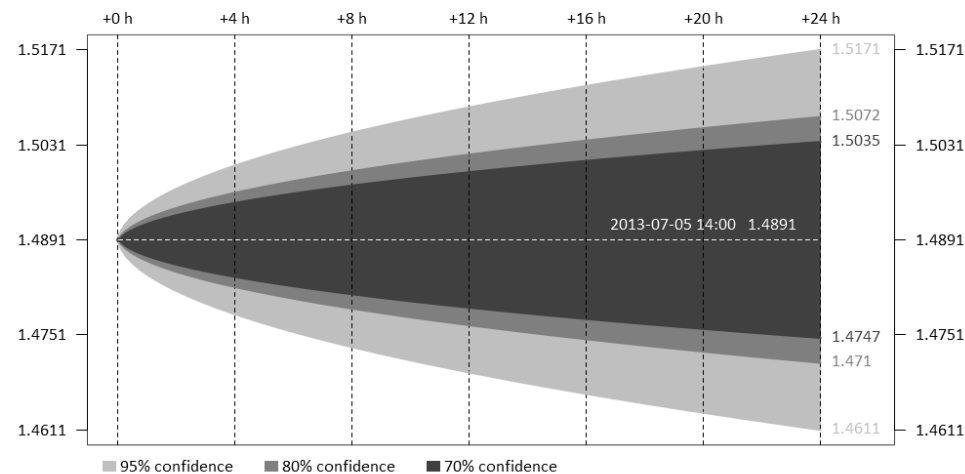
Days	CHFEUR	CHFJPY	CHFGBP	CHFAUD	CHFCAD	CHFNZD	CHFSEK
5	0.31	0.54	0.44	0.3	0.54	0.27	0.26
20	0.57	0.17	0.54	0.25	0.61	0.21	0.3
130	0.34	0.46	0.6	0.53	0.73	0.43	0.26

# Confidence Intervals for Next 24 Hours

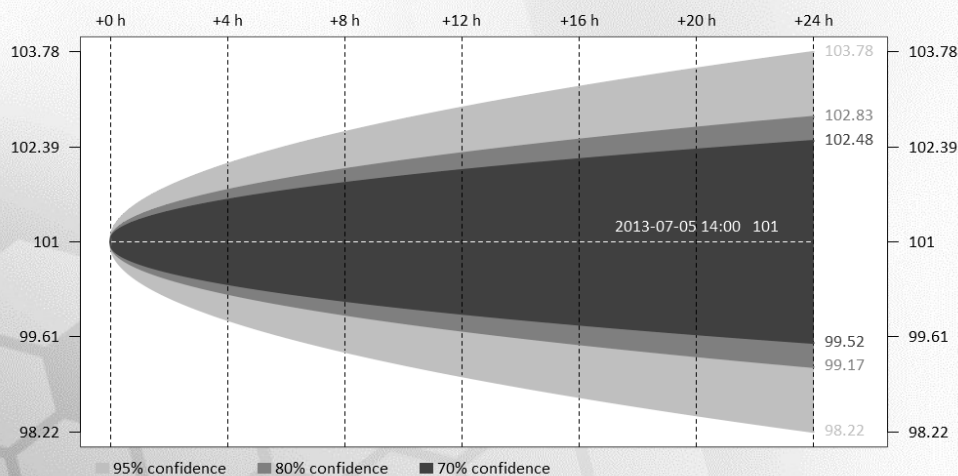
EURUSD Potential Rates



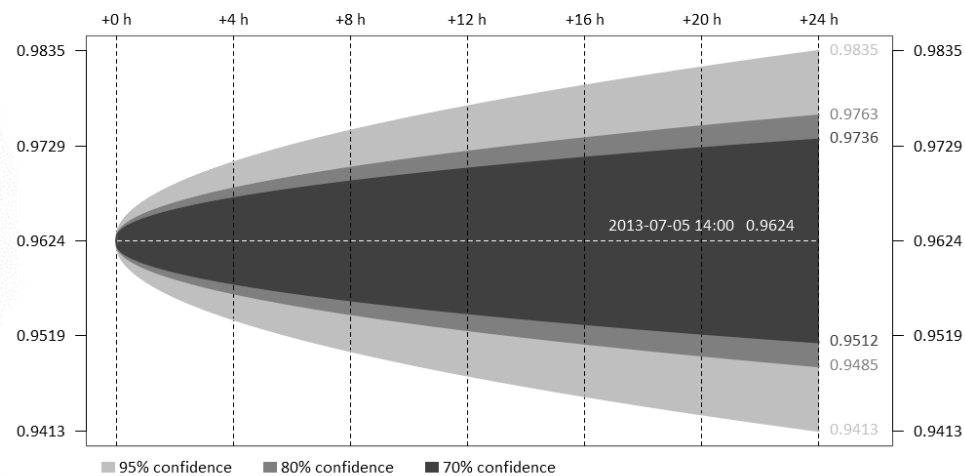
GBPUSD Potential Rates



USDJPY Potential Rates



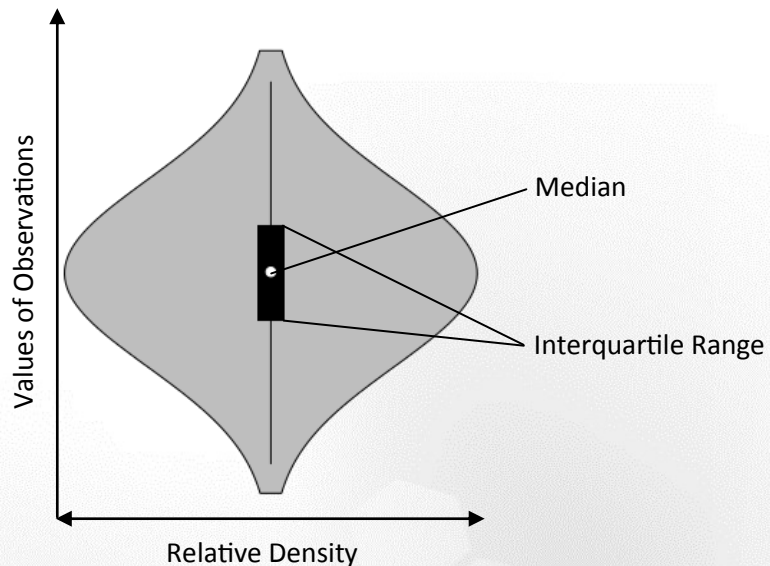
USDCHF Potential Rates



# 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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