



EUR

08/07/2013



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RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

July 1

05:00 - 17:00

- Eurozone Manufacturing, Unemployment, CPI [[link](#)]
- U.S. ISM Manufacturing PMI [[link](#)]

Turquoise Area

July 2

03:00 - 19:00

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

Blue Area

July 3

06:00 - 18:00

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

Purple Area

July 4

10:00 - 16:00

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

Orange Area

July 5

11:00 - 15:00

- German Factory Orders [[link](#)]
- U.S. Non-Farm Employment Change, Unemployment Rate [[link](#)]

EUR Currency Index Range

0.32%	0.31%	0.55%	0.68%	0.44%
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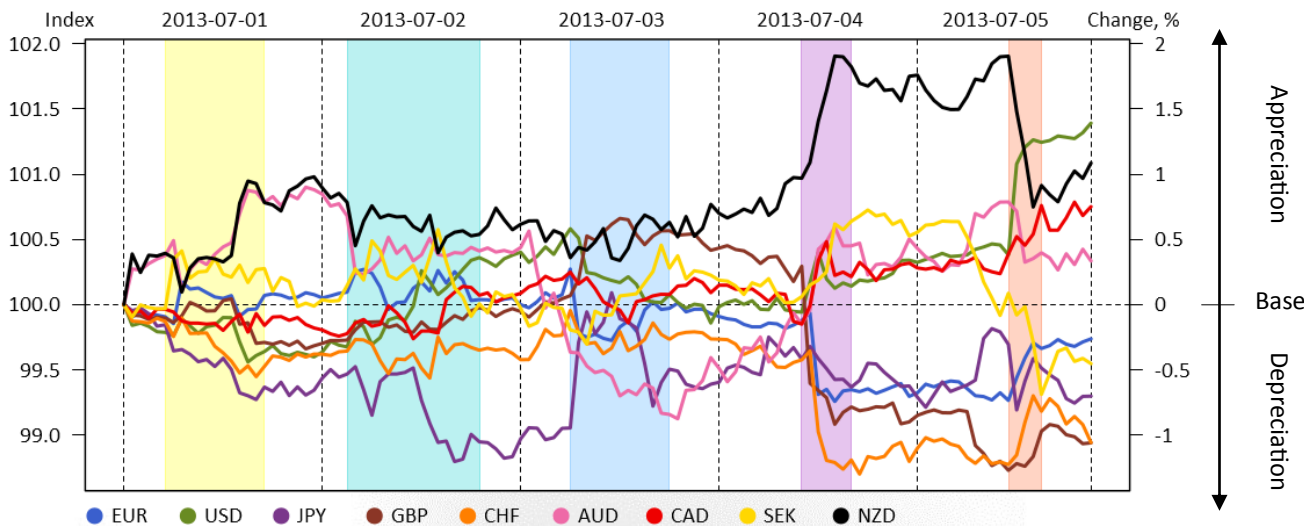
Average EUR/USD Volatility Index

0.83	0.76	1.31	2	1.65
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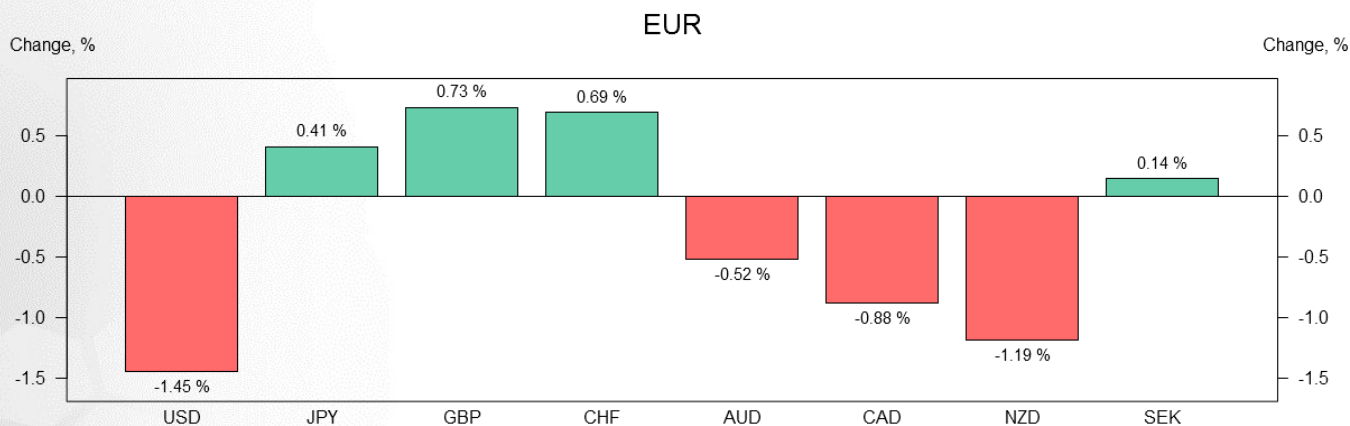
Relative Currency Strength

Currency Indices



The bloc's data published in the first part of the week was mixed, hence the absence of any particular direction in the Euro until Jul 4. The retail sales surprised on the upside, as did the report on manufacturing PMI. At the same time unemployment rate across the 17 nations reached a new high—12.1%. The percentage of people out of work was expected to be even higher, but the increase is still a negative indication of the Eurozone's health. Moreover, services sector showed weaker numbers than before as well.

Euro's hesitation could be also viewed as market participants' unwillingness to take on more risk before the major events that were scheduled on Thursday and Friday, namely ECB and BOE statements on their monetary policies on July 4 and U.S. labour market next day. In the end this reaffirmed the existing divergence between the accommodative stance of European central banks and hawkish rhetoric of the Federal Reserve. This resulted in a 1.45% drop of EUR/USD over the week. The single currency also underperformed against the Antipodeans and the Canadian Dollar, but in the meantime managed to gain relative to its European counterparts and the Japanese Yen.



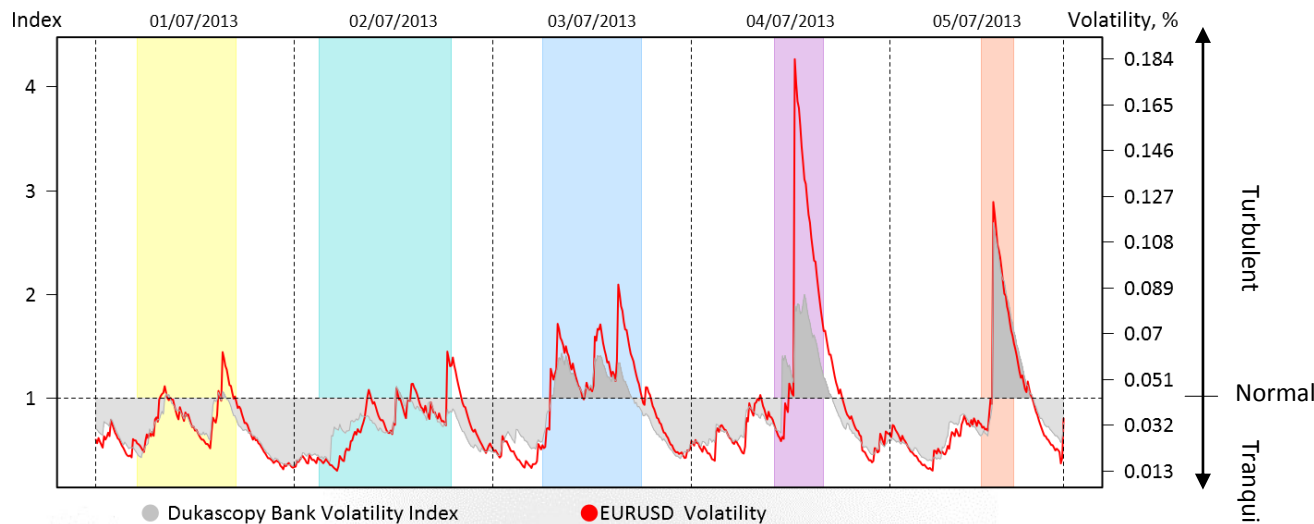
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.26%	1.39%	-0.70%	-1.06%	-1.06%	0.33%	0.75%	-0.45%	1.09%
20	-0.05%	3.12%	-0.12%	-1.56%	-0.12%	-1.30%	-0.70%	-0.88%	1.47%
130	5.53%	7.50%	-7.93%	-0.99%	2.80%	-8.80%	-0.46%	3.13%	-0.78%



Volatility

Volatility



As mentioned, the market was largely in a wait-and-see mode before the Jul 4, exhibiting somewhat increased turbulence only last Wednesday amid the approaching date of important announcements, but also due to a series of reports, including the unemployment claims, trade balance and services PMI of the United States. The next two days were accompanied by a much higher volatility. The Dukascopy Bank Volatility Index reached a level of 2.0 on Thursday, but peaked the next day at 2.7, but previously was hardly ever exceeding 1.0.

Variability of EUR/USD was slightly different, specifically in the timing of the highest activity. On average the currency pairs were moving the fastest on Friday, according to the DBVI, meaning that on the whole the U.S. data had the most impact on the exchange rates. EUR/USD, on the other hand, was sensitive the most to Thursday's events, being that its index soared up to 4.3, which is quite reasonable given the change in variables that directly affect valuation of the Euro. GBP/USD and EUR/GBP were even more hectic, posting 6 and 6.8 times larger steps than usually. On Friday EUR/USD was already just as variable as the market, its volatility index was 2.9.

Elevated Volatility (% of the observed period)

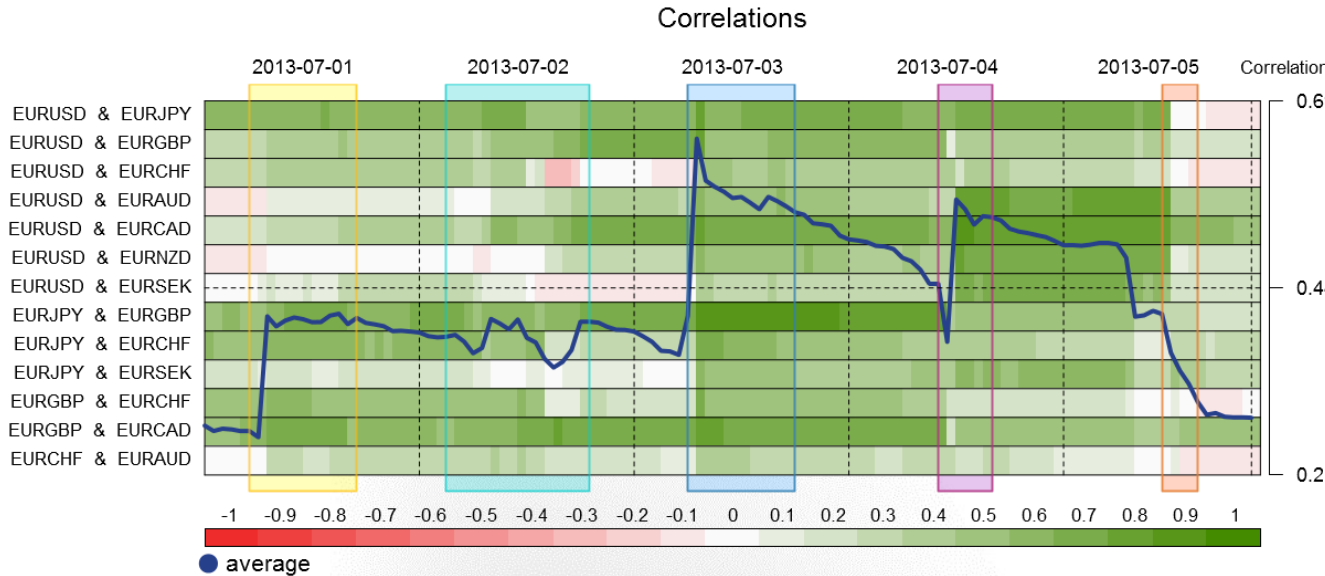
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
	19	25	12	33	17	18	26	17	37	29	23

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	4.3	3	6	2.9	3.6	4.3	2.5	6.8	3	2.3	2.6
Min	0.3	0.3	0.2	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3
Average	0.8	0.9	0.6	1	0.8	0.8	0.8	0.7	1	0.9	0.8	0.8



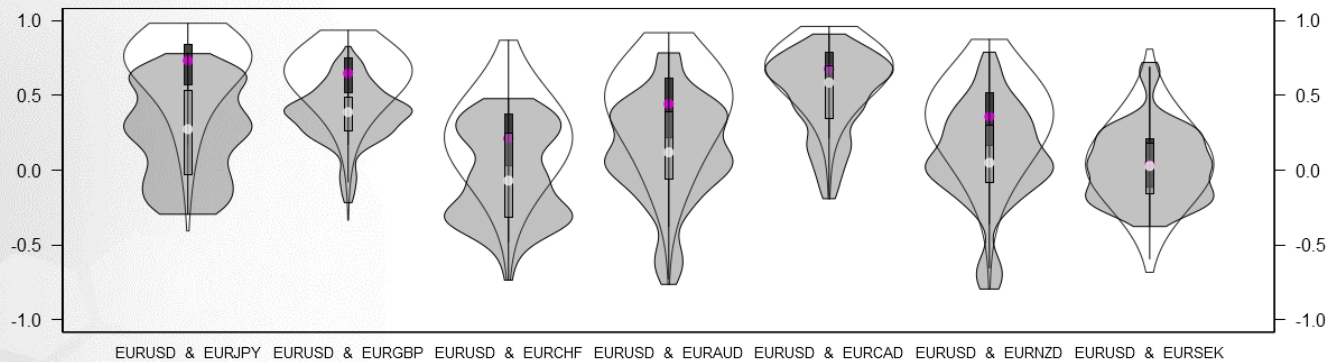
Currency Significance



The significance of the Euro, measured in this case by the average correlation coefficient between its crosses, was rather elevated at some intervals of the past week. At first it was buoyed by a number of releases on Monday, including manufacturing, unemployment and inflation. Then the coefficient went up from 0.26 to 0.41, but it was the ECB and BOE press conferences that lifted the average coefficient further, up to 0.64, the level previously seen two months ago, at the time of the ECB press conference in May.

The subsequent decline in the level of Euro's importance back to 0.27 on Friday was associated with reduced topicality of Draghi's comments, since they were already priced in, but the non-farm employment change figure exceeded expectations by a long shot, forcing many to reposition themselves in accordance with the latest numbers. This is why calculation of correlation over a certain period of time, even an extended one, cannot be extrapolated; context of the situation must be factored in as well. Having important news coming from the Eurozone we would expect more consistency across EUR currency pairs. If the origin of data are the United States, it would logically decrease the link among them, depending on the scale of the news.

Correlations (20 vs 130 days)

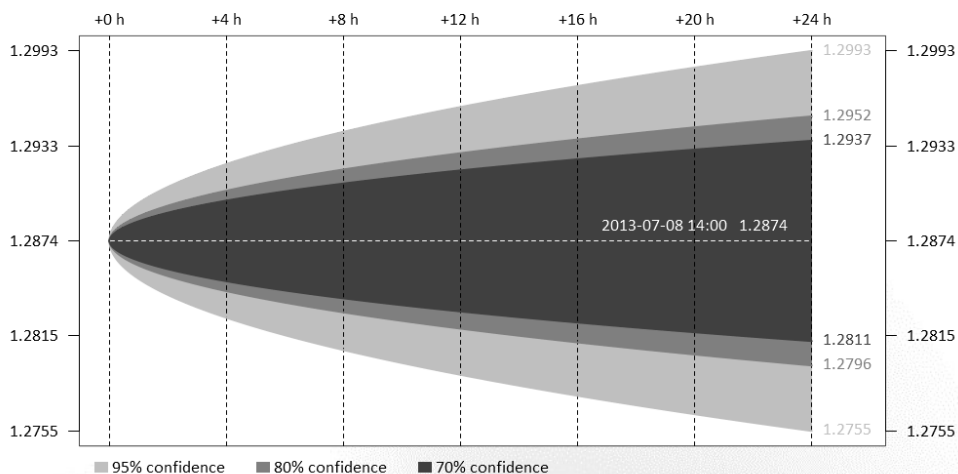


Average Correlation Coefficient (with EURUSD)

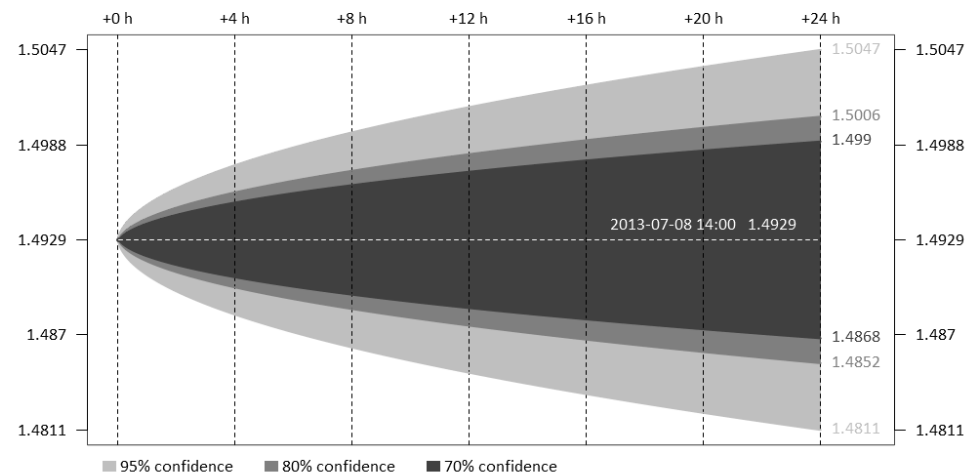
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.58	0.46	0.26	0.38	0.6	0.31	0.26
20	0.25	0.36	-0.04	0.12	0.5	0.07	0.03
130	0.51	0.52	0.22	0.45	0.68	0.37	0.09

Confidence Intervals for Next 24 Hours

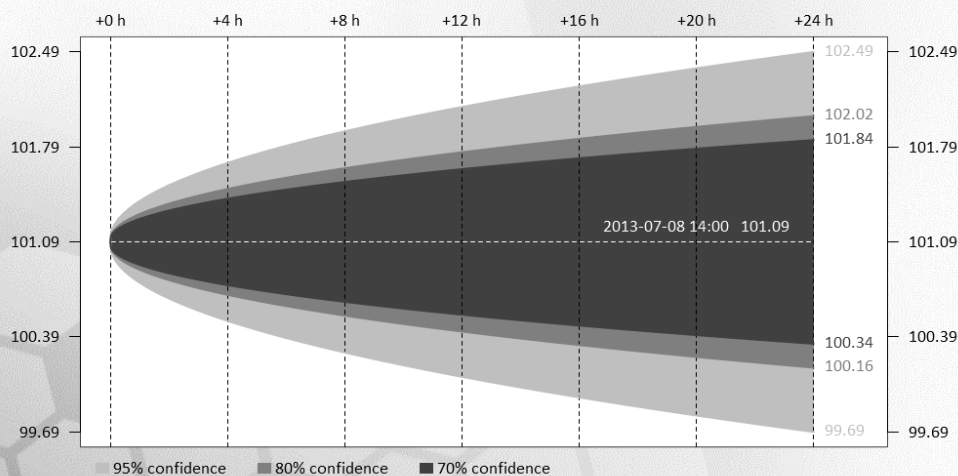
EURUSD Potential Rates



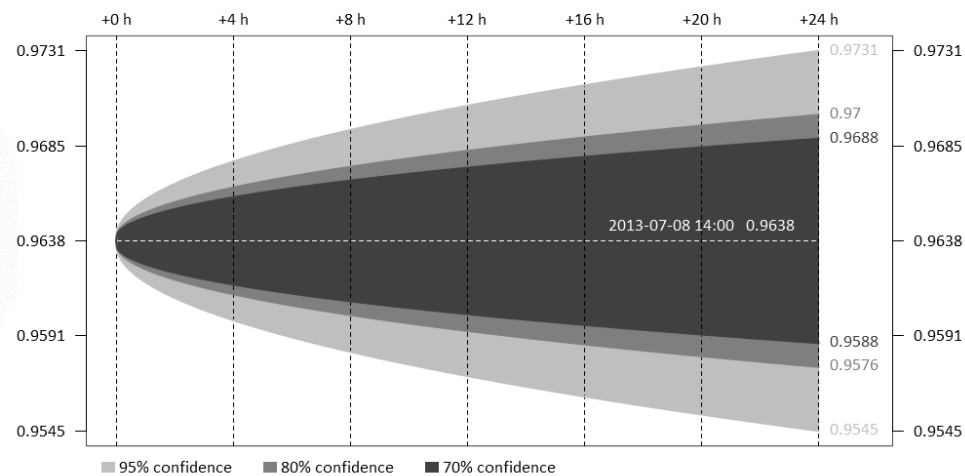
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

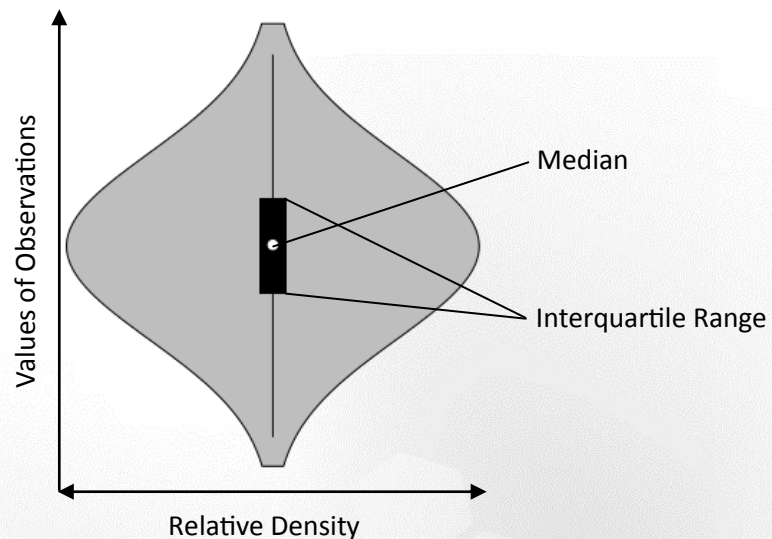
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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