

USD

10/07/2013



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Market Research





Dominant Events for the U.S. Dollar

Yellow Area

July 3

07:00 - 17:00

- Eurozone Retail Sales and Services PMI [\[link\]](#)
- U.S. Employment Change, Unemployment Claims, Service Sector [\[link\]](#)

Turquoise Area

July 4

12:00 - 17:00

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

Blue Area

July 5

12:00 - 17:00

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

Purple Area

July 8

13:00 - 16:00

- Greece Secures Deal [\[link\]](#)
- Canadian Building Permits [\[link\]](#)
- Swedish Industrial Output [\[link\]](#)

Orange Area

July 9

07:00 - 20:00

- ECB Policymaker Comment [\[link\]](#)
- U.S. Job Openings and Hiring [\[link\]](#)

USD Currency Index Range

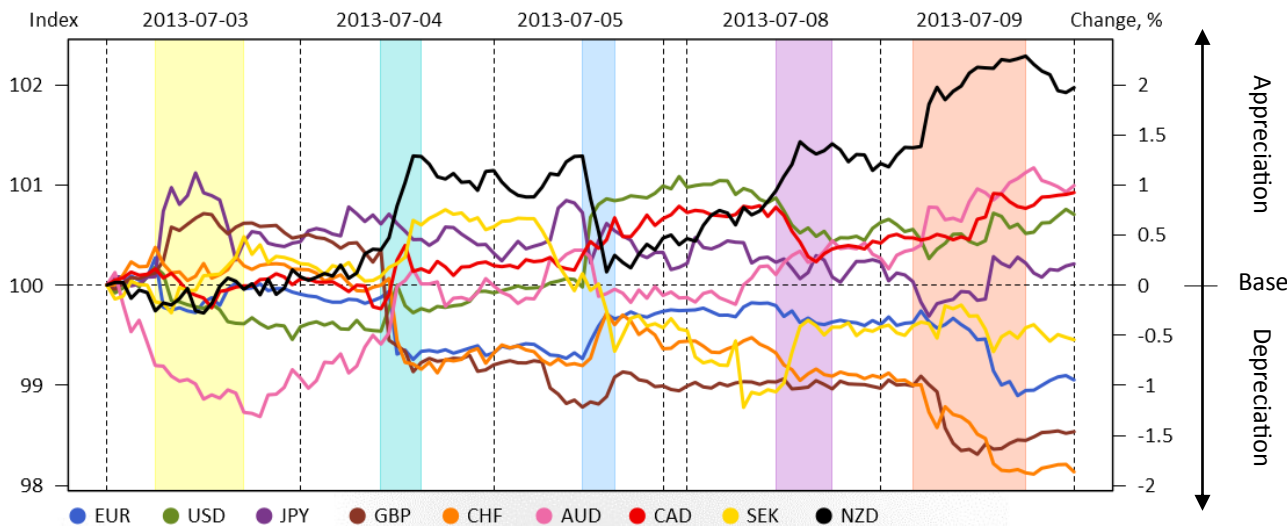
0.57%	0.46%	0.88%	0.44%	0.45%
1.32	2.02	1.65	0.94	1.03

Average EUR/USD Volatility Index



Relative Currency Strength

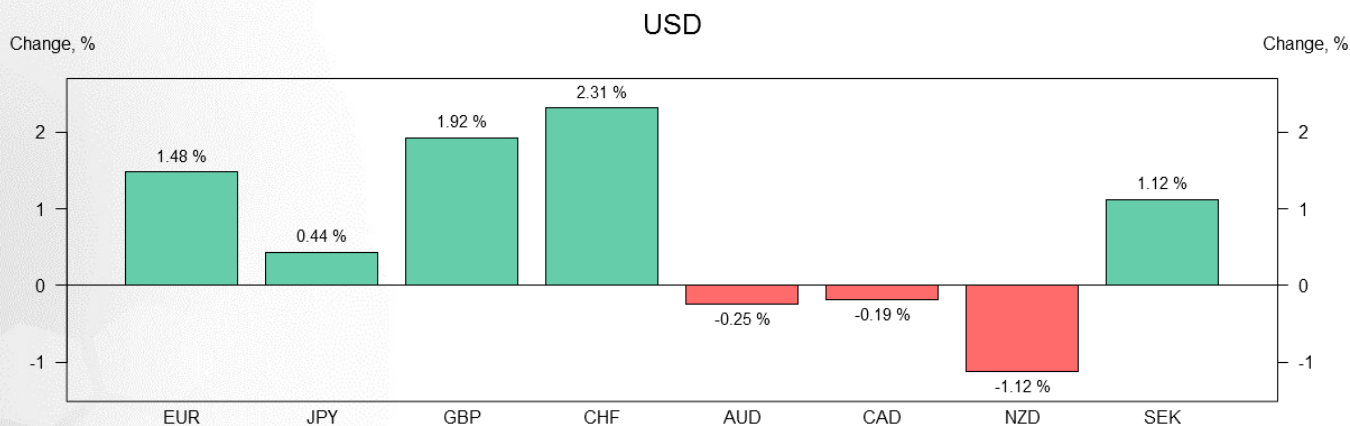
Currency Indices



While bearishness of the Australian Dollar provided strong support for many currencies last Wednesday, due to RBA's commitment to carry on with loose policy, for the buck this day was marred by the worse-than-expected data on tertiary sector and unemployment claims, pushing the currency 0.54% below its initial pricing in the market. However, subsequent news, namely the Bank of England and European Central Bank statements, despite the holiday in the United States, positively affected the U.S. Dollar, which gained 0.46% on Jul 4.

Still, currency's bullishness was mainly displayed next day. Previously initiated improvement in the sentiment towards the Dollar was exacerbated by the report on non-farm employment change that came in significantly better than expected, negating the release of the unemployment rate that in isolation would probably lead to a completely different result, as it fell short of expectations.

This week demand for the greenback is not as strong—promising news on the Greek deal and softness in the Euro failed to buoy Dollar's price. Also there were no influential statistics published on the U.S. economy that would increase the likelihood of a soon tapering.



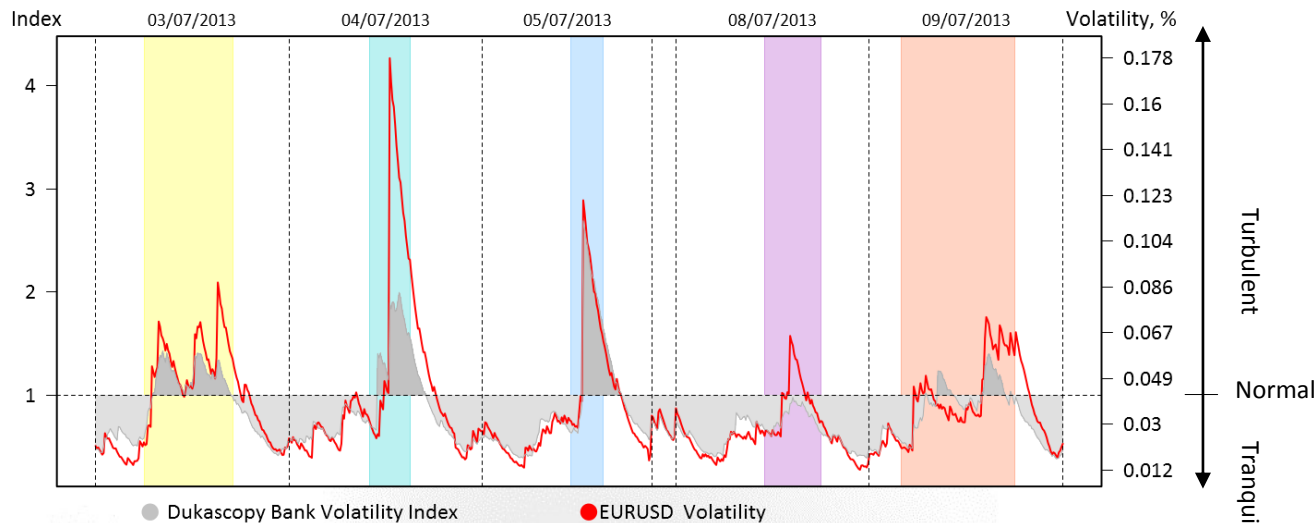
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.95%	0.71%	0.21%	-1.46%	-1.86%	0.99%	0.92%	-0.55%	1.97%
20	-0.79%	3.62%	-1.58%	-2.05%	-1.97%	0.13%	0.12%	-0.47%	2.96%
130	4.99%	7.65%	-9.38%	-1.12%	1.71%	-7.79%	0.32%	3.49%	0.13%



Volatility

Volatility



In terms of volatility there were no unexpected or major events during the last two days that would be able to stir the markets. Subdued activity of the exchange rates persists. Even if the turbulence does increase, it is usually observed during the American trading hours, while European sessions stay for the most part calm with very few exceptions. This is particularly true for USD/JPY, AUD/USD, USD/CAD and NZD/USD, volatility index values of which were increased in less than 20% of all the observations made since Jul 3.

The only currency pairs that were to exhibit more or less visible activity on their charts, in comparison to their historical behaviour, were GBP/USD, EUR/GBP and EUR/CHF that were subject to relatively large changes for around a third of the past five trading days. At the same time the maximum speed of change these instrument were able to develop was respectively 6.0, 6.8 and 3.0 times higher than their usual rate. These values were attained last week, specifically on Thursday, when the European central banks turned to forward guidance as a monetary policy tool and announced their plans to keep the benchmark rates low because of a rather grim outlook on the economies.

Elevated Volatility (% of the observed period)

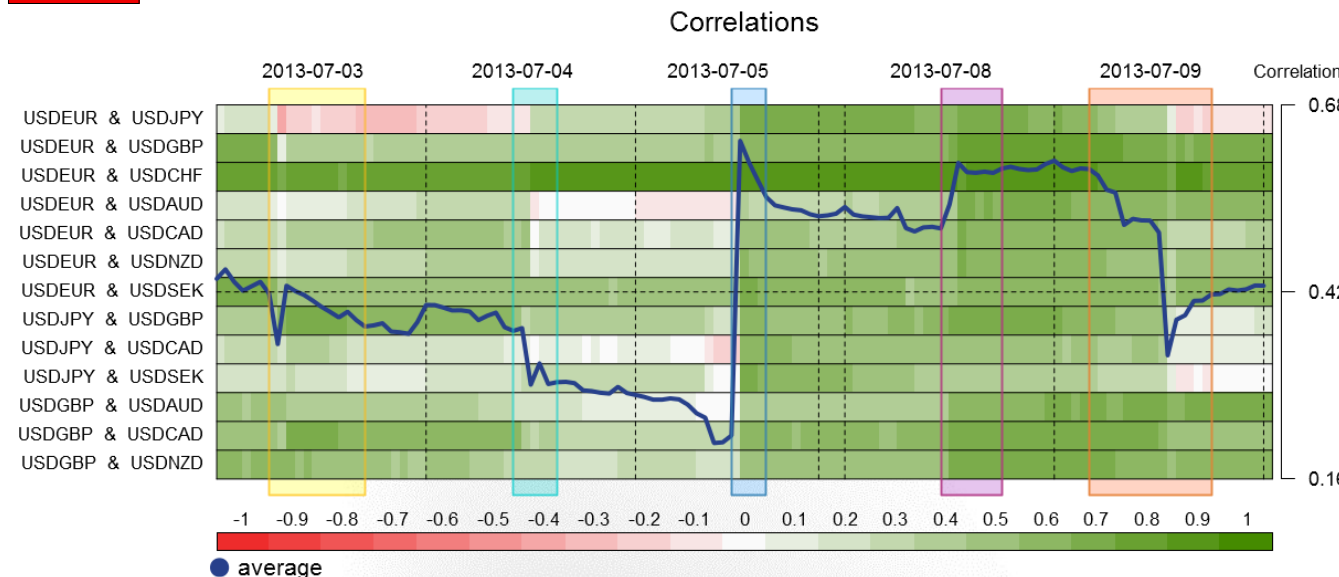
Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
21	28	11	33	16	18	27	20	29	32	23	17

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
Max	2.7	4.3	3	6	2.9	3.6	4.3	2.5	6.8	3	2.4	2.6
Min	0.4	0.3	0.3	0.3	0.4	0.2	0.3	0.3	0.2	0.3	0.2	0.3
Average	0.8	0.9	0.7	1	0.8	0.7	0.9	0.8	1	0.9	0.8	0.7



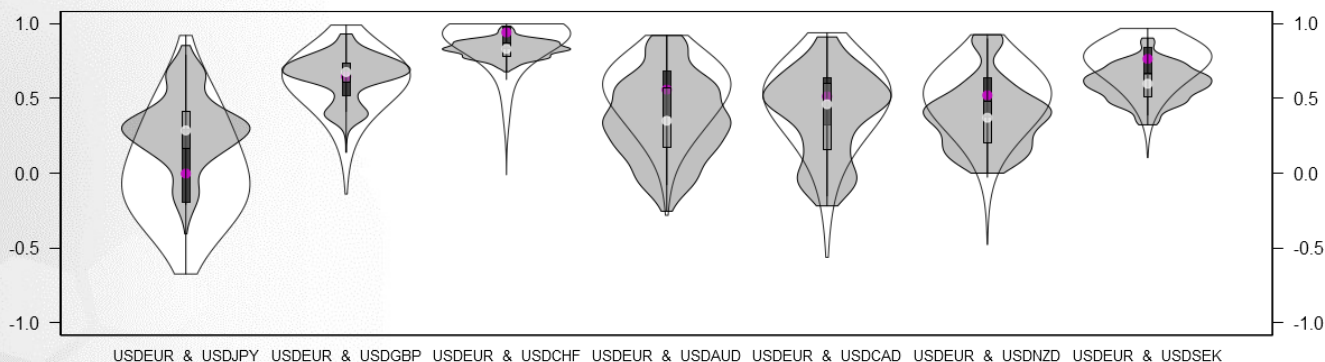
Currency Significance



From the point of view of U.S. Dollar's significance, in order of growing importance, were BOE and ECB press conferences (Jul 4), ECB's Jorg Asmussen commenting on the future interest rates (Jul 9) and the non-farm employment change figure (Jul 5). The first two events had a negative impact on the weight of the currency in the market, since they shifted the focus of investors to a different region—Europe, but the latter overall strengthened the correlation between the USD crosses—the average correlation coefficient jumped from 0.21 up to 0.63.

Looking at the correlations separately, most of them are more or less at the same levels that have been observed throughout the past six months. The 50-hour rolling correlation between USD/EUR and USD/CHF is one of the strongest and the most stable ones, consistently fluctuating around 0.8. The 50-hour mean correlation coefficients between USD/EUR and USD/CAD also have the same values (near 0.4) over the past five and 130 days, but we cannot characterise it as stable—observations range from 0.04 to 0.65 (last five days), making the interdependence between these currency pairs one of the least reliable ones, since during one interval the prices may move unidirectionally, but at a different time they may appear to be completely detached.

Correlations (20 vs 130 days)

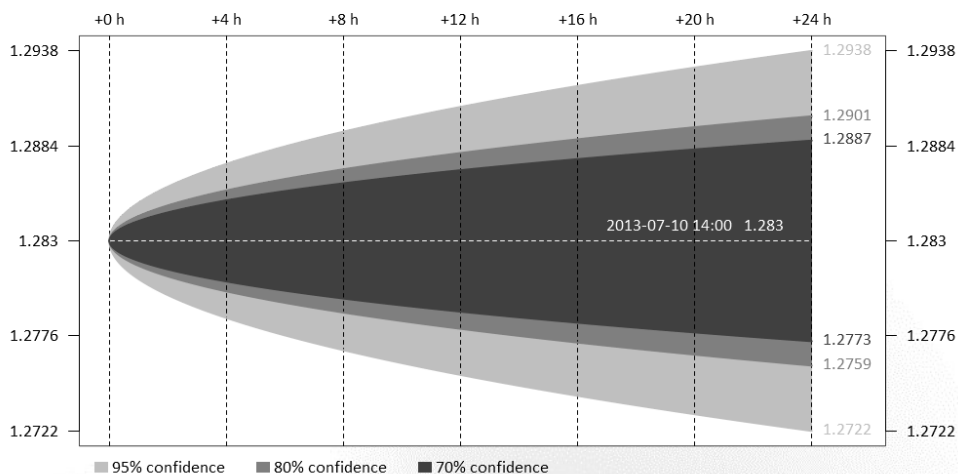


Mean Correlation Coefficient (with USDEUR)

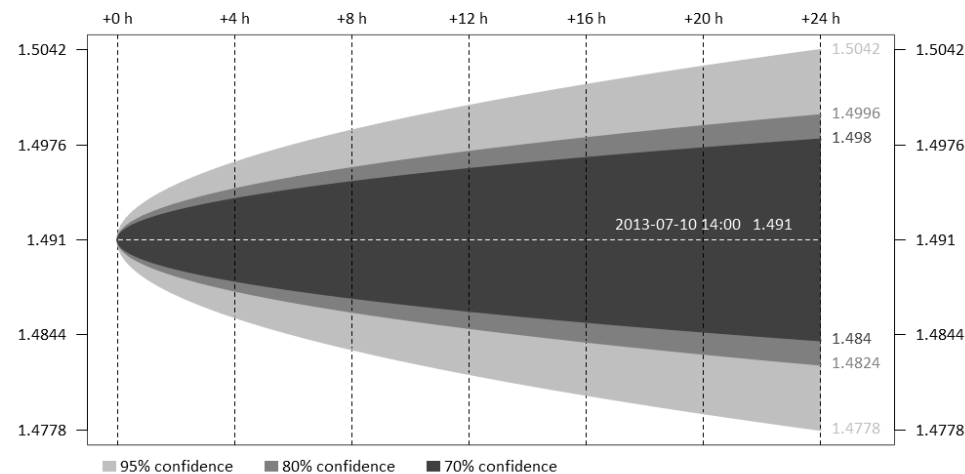
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.35	0.58	0.86	0.35	0.41	0.41	0.54
20	0.29	0.65	0.83	0.36	0.39	0.38	0.6
130	0.03	0.55	0.78	0.41	0.39	0.39	0.71

Confidence Intervals for Next 24 Hours

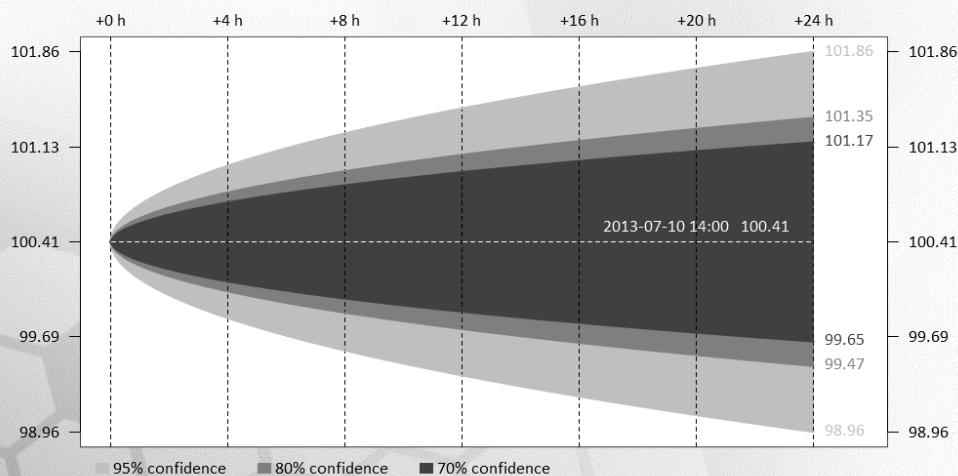
EURUSD Potential Rates



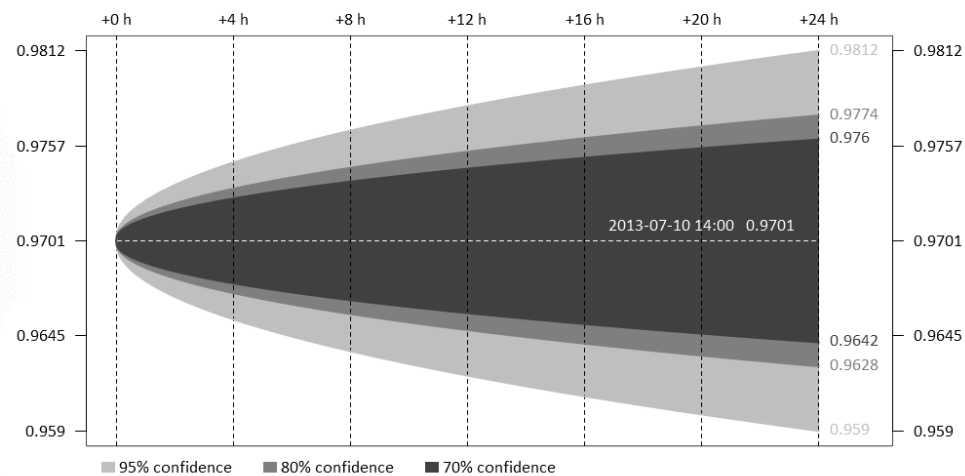
GBPUSD Potential Rates



USDJPY Potential Rates



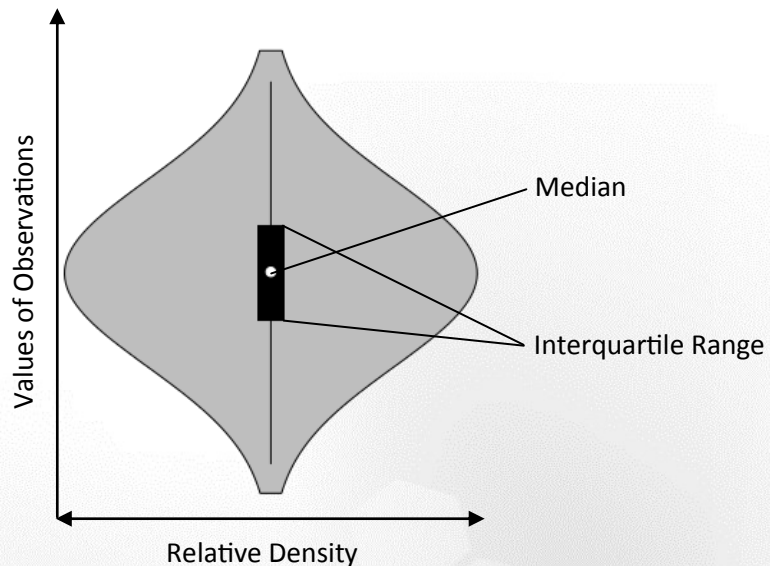
USDCHF Potential Rates



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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