



**EUR**

15/07/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events for the Euro

## Yellow Area

July 9

05:00 - 19:00

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

## Turquoise Area

July 10

05:00 - 24:00

- German Inflation [[link](#)]
- FOMC Meeting Minutes [[link](#)]

## Blue Area

July 11

13:00 - 21:00

- U.S. Unemployment Claims [[link](#)]

## Purple Area

July 12

05:00 - 18:00

- Eurozone Industrial Production [[link](#)]
- U.S. PPI and Consumer Sentiment [[link](#)]

EUR Currency Index Range

0.85%

1.38%

0.29%

0.48%

Average EUR/USD  
Volatility Index

1.1

1.61

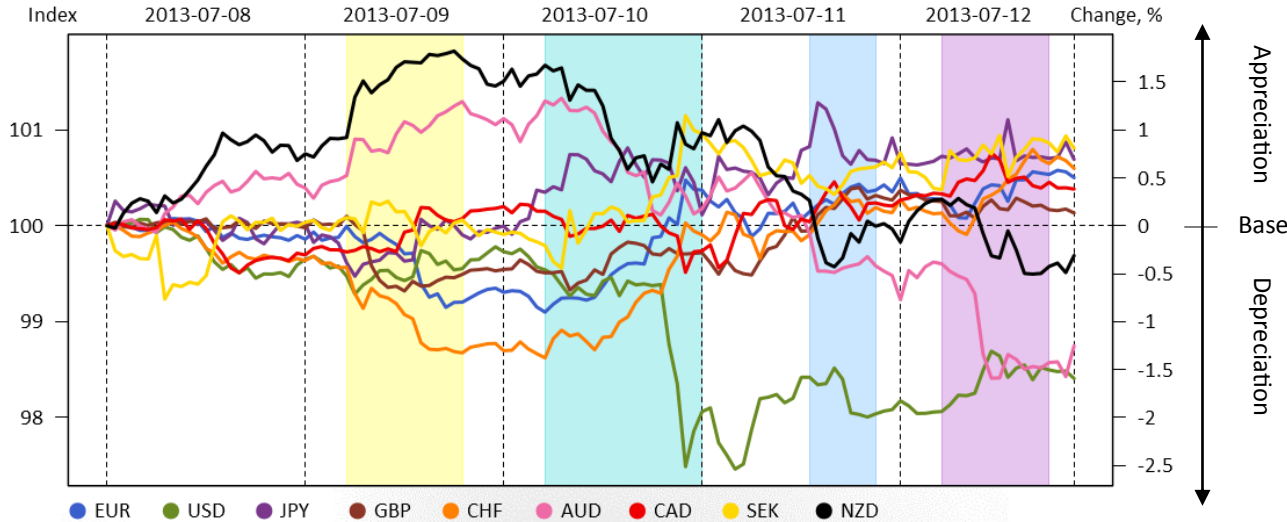
1.72

0.96



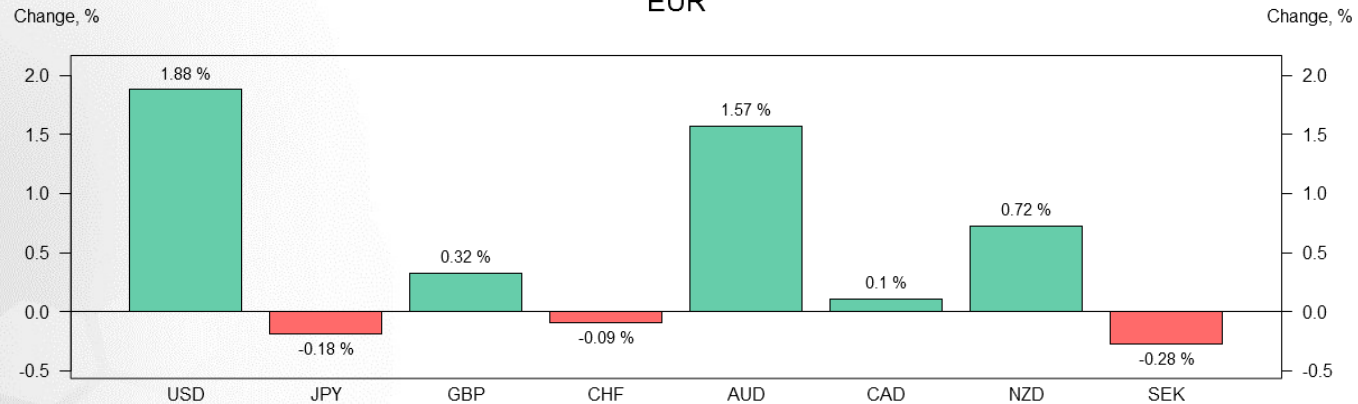
# Relative Currency Strength

Currency Indices



The very start of the week was explicitly sluggish, with only two currencies (NZD and SEK) showing any liveliness at all. Subsequently, however, stagnation left without a trace, giving way for major changes in the context of the market. Shortly before that the single European currency was rapidly ceding ground amid a signal by the ECB the accommodative policy could last for a while. By the end of Tuesday the Euro was already 0.8% below its starting point, lagging behind the commodity currencies the most.

Nonetheless, against the background of supposedly more asset purchases in the future, as may be derived from the speech of the FOMC Chairman Ben Bernanke, the common currency was able to offset the prior losses. The bullish momentum was reinforced by the U.S. unemployment claims published next day as well, being that the report highlighted labour market's vulnerability. Attractiveness of the Euro was not even impaired by the disappointing data on the bloc's industrial production, the volume of which contracted. In the end, the Euro appreciated by 0.5%, adding to its modest monthly gains that now amount to 1.1%, a great deal behind greenback's 3.4%.



Currency Index Change

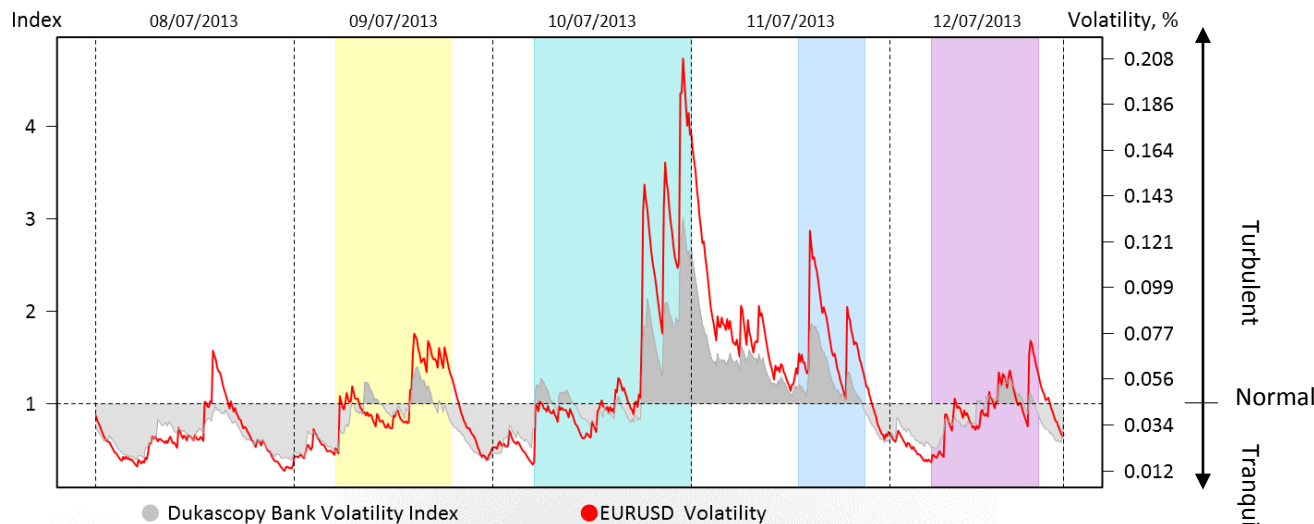
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.50%	-1.59%	0.69%	0.13%	0.60%	-1.25%	0.38%	0.81%	-0.31%
20	1.09%	3.41%	-2.43%	-0.94%	0.55%	-2.65%	1.07%	-0.47%	-0.09%
130	4.33%	6.63%	-5.44%	-0.66%	2.65%	-10.06%	0.54%	3.19%	-1.23%





# Volatility

Volatility



The impact of Bernanke's comments late Wednesday had an overwhelming effect on the whole market, which is even more visible while looking at the 10-minute volatility graph than at the changes in the currency index of the major Forex instruments. This was the reason why Dukascopy Bank Volatility Index spiked through the roof and soared as high as 3.0, although only a few hours after it became widely known that the Fed is not planning to withdraw its stimulus just yet, considering that there still exist substantial risks to the recovery and that an abrupt cessation of regular liquidity injections could lead to undesired consequences.

EUR/USD turned out to be the most responsive to these events, staging unsurpassed since July 8 volatility levels—4.7 times above the norm. The second most variable currency pair was GBP/USD, changing 4.3 times faster than it did in the past. USD/JPY was also among the leaders in terms of turbulence together with USD/CHF—their volatility indices were maximally at 3.8 and 3.9 respectively.

There was also a spike in activity as a result of the unemployment claims missing the target, but it was rather continuation of the same story, since there was not a single DBVI value below 1 for consecutive 26 hours since Bernanke started his speech.

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

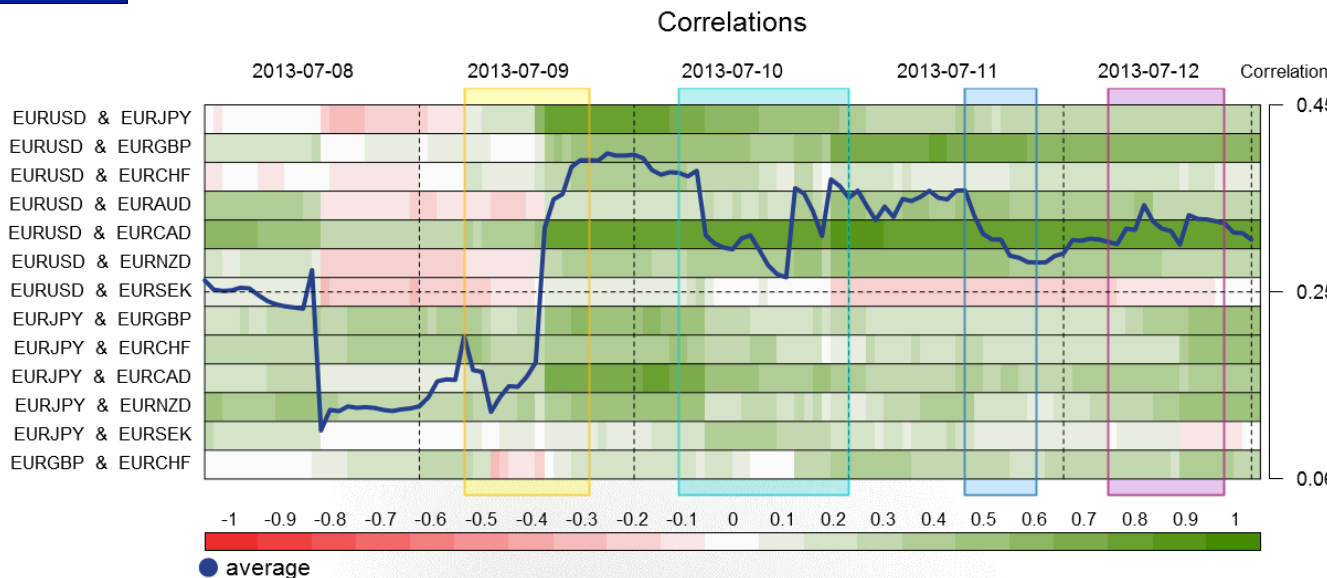
Market	EUR/ USD	USD/ JPY	GBP/ USD	AUD/ USD	USD/ CAD	USD/ CHF	EUR/ JPY	EUR/ GBP	EUR/ CHF	USD/ SEK	NZD/ USD
	37	42	38	36	37	27	40	37	27	42	34

**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>	3	4.7	3.8	4.3	3.1	2.5	3.9	2.3	3.2	2.5	3.3	2.5
<b>Min</b>	0.4	0.3	0.3	0.2	0.4	0.2	0.3	0.3	0.2	0.3	0.3	0.3
<b>Average</b>	1	1.1	1	1	1	0.8	1	1	0.8	1	0.9	0.9



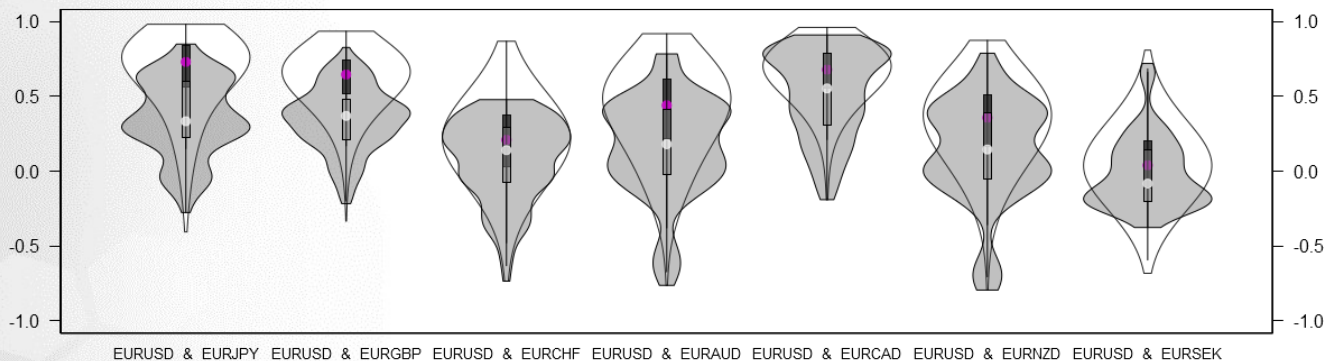
# Currency Significance



The Euro's average correlation coefficient started the past week at 0.27, but quickly retreated to 0.11 on Jul 8. The absence of news from the Eurozone had a negative effect on the level of Euro's significance in the market, though the inflicted damage was reversed next day, when the policymaker made additional clarification regarding forward guidance of the European Central Bank. Buoyed by this the average correlation soared up to 0.4, since most of the EUR crosses moved in the same direction that day, namely south.

In a historical perspective the current level of Euro's significance is sizeably below the average, meaning we should not expect consistency in the Euro currency pairs. Nearly all of the major Euro crosses displayed less interdependence in the short term than in the long term. This particularly concerns interdependence of EUR/USD with EUR/AUD, the correlation between which lately has been hovering in the 0.2-ish region, but in the past was more than twice as high (0.44). The same goes to EUR/USD with EUR/JPY, but to a somewhat lesser degree—the mean 50-hour rolling correlation was 0.3 for the last week and 0.5 for the last six months.

Correlations (20 vs 130 days)

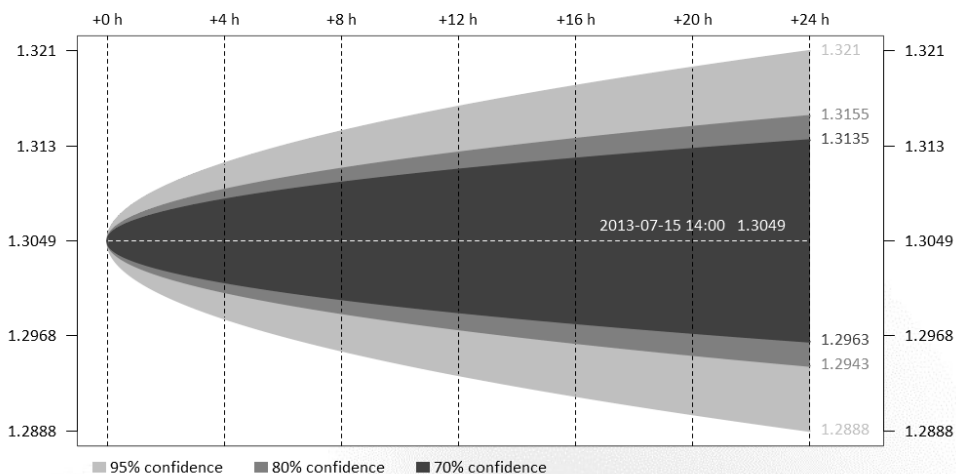


Average Correlation Coefficient (with EURUSD)

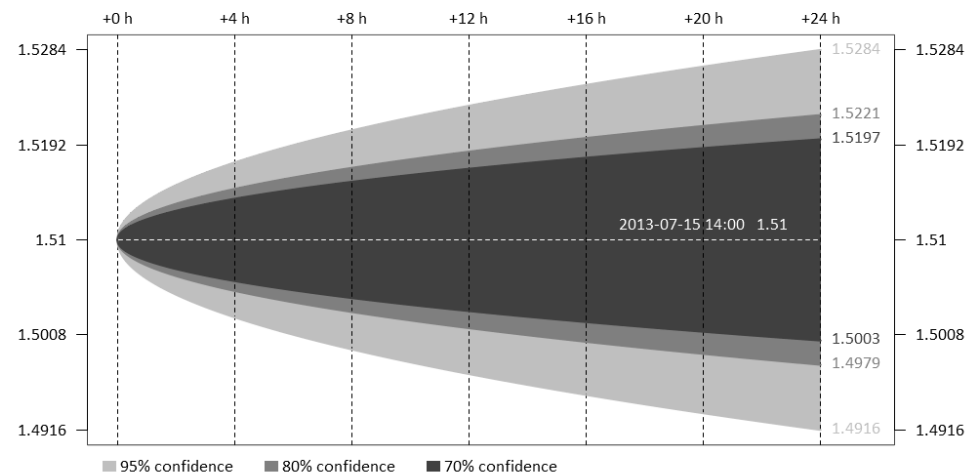
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.3	0.42	0.15	0.24	0.68	0.26	-0.07
20	0.36	0.35	0.07	0.15	0.51	0.12	-0.02
130	0.5	0.51	0.21	0.44	0.67	0.36	0.07

# Confidence Intervals for Next 24 Hours

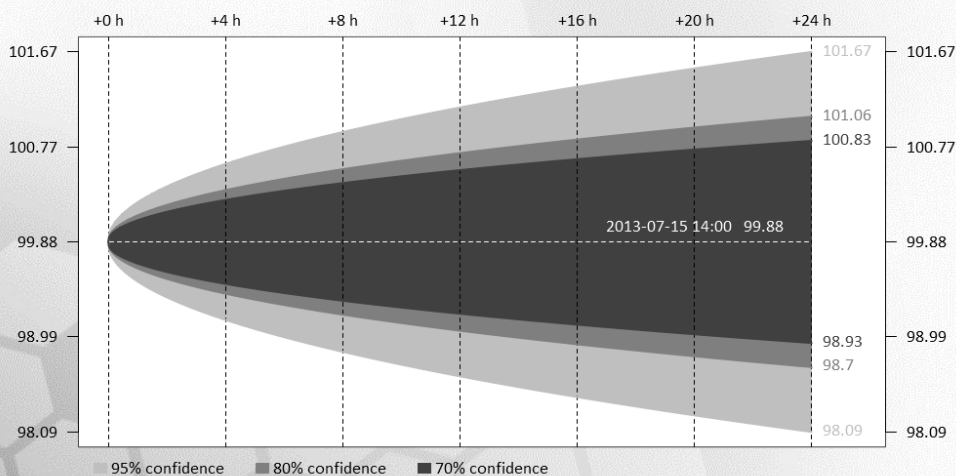
EURUSD Potential Rates



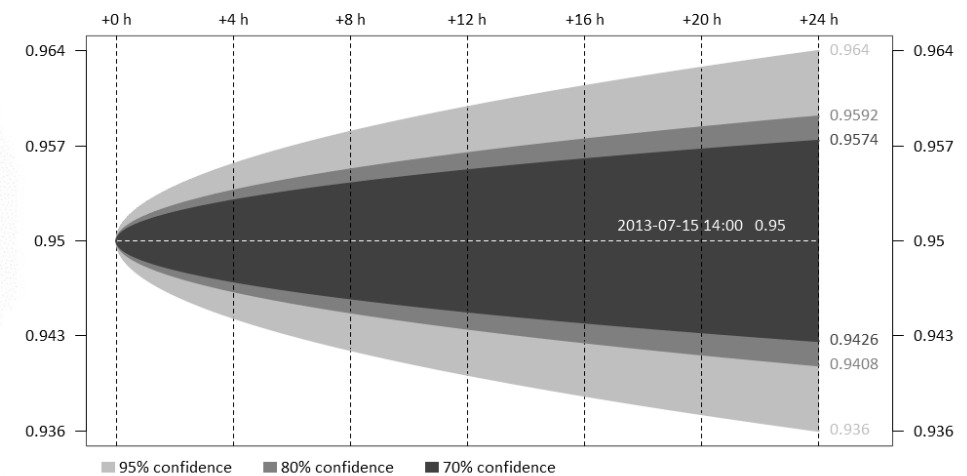
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates





# EXPLANATIONS

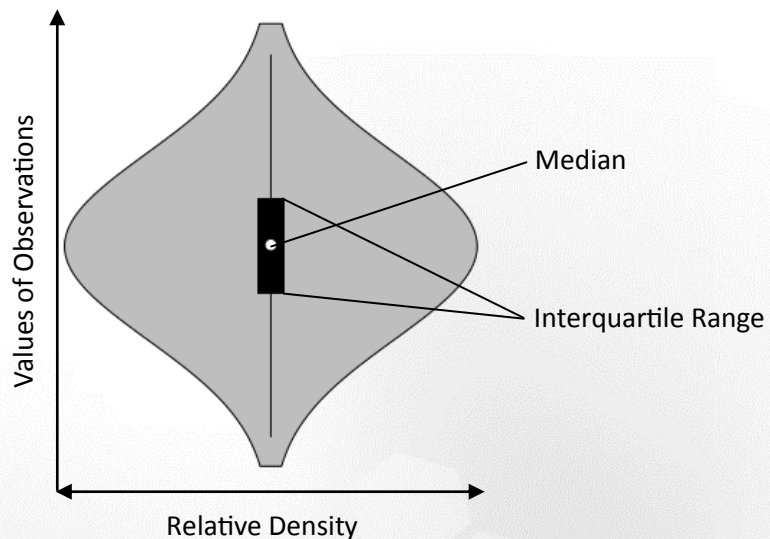
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval





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