



EUR

29/08/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

August 22

08:30 - 20:30

- Canadian CPI, Retail Sales
- Jackson Hole Symposium

Turquoise Area

August 25

05:00 - 14:00

- German Ifo Indexes
- U.S. Flash Markit Services and Composite PMI, New Home Sales

Blue Area

August 27

00:00 - 18:30

- German Gfk Consumer Confidence
- UBS Consumption Indicator

Purple Area

August 28

01:00 - 16:00

- Swiss Employment Level
- German Unemployment rate, Flash CPI, HICP
- Euro zone Business Climate
- U.S. Preliminary GDP, Jobless Claims

EUR Currency Index Range

0.2%

0.17%

0.19%

0.21%

Average EUR Volatility Index

1.13

0.83

1.02

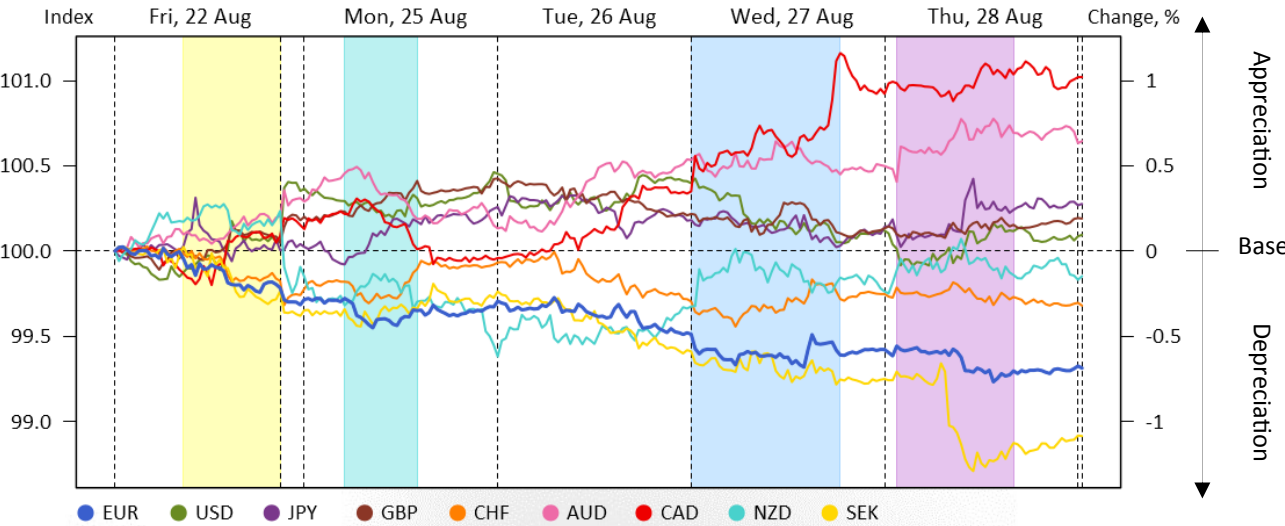
1.21



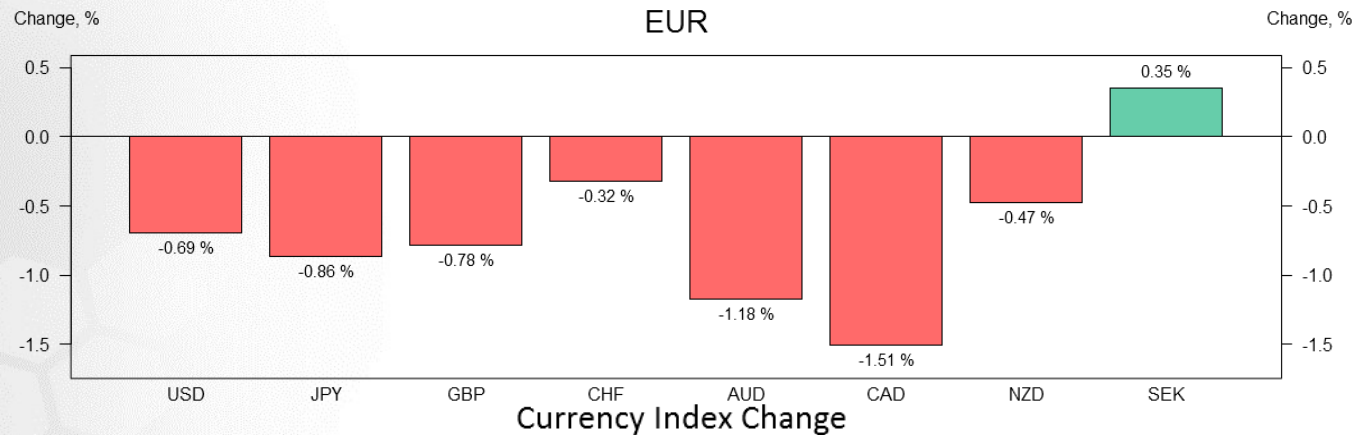
Relative Currency Strength

Currency Indices

The EUR Index spent the whole period below the baseline and held steadily among the worst three performers. In this regard, the index ended the period second, deepening the loses of the past periods with a -0.69% weekly change. The longer-term developments also remained on the negative side, with the 18-nation currency showing one of the greatest half-yearly declines among its observed counterparts. The only peer to underperform the Euro was the Swedish krona, whose index was closely following that of the single currency throughout the period, but plunged after disappointing retail sales on Thursday.



The EUR Index decline started right at the beginning of the period, and the downward trend persisted throughout the whole week. The single currency dipped against its peers after Mario Draghi's speech at Jackson Hole suggested that low inflation might be caused by deeper processes than merely temporary problems and that more monetary stimuli might be employed by ECB. The new week started with a new dip as Germany's Ifo business confidence index revealed unexpectedly strong skepticism among local companies. The loses only deepened at the end of the period, with the Euro zone economic confidence worsening and German inflation data failing to beat expectations.

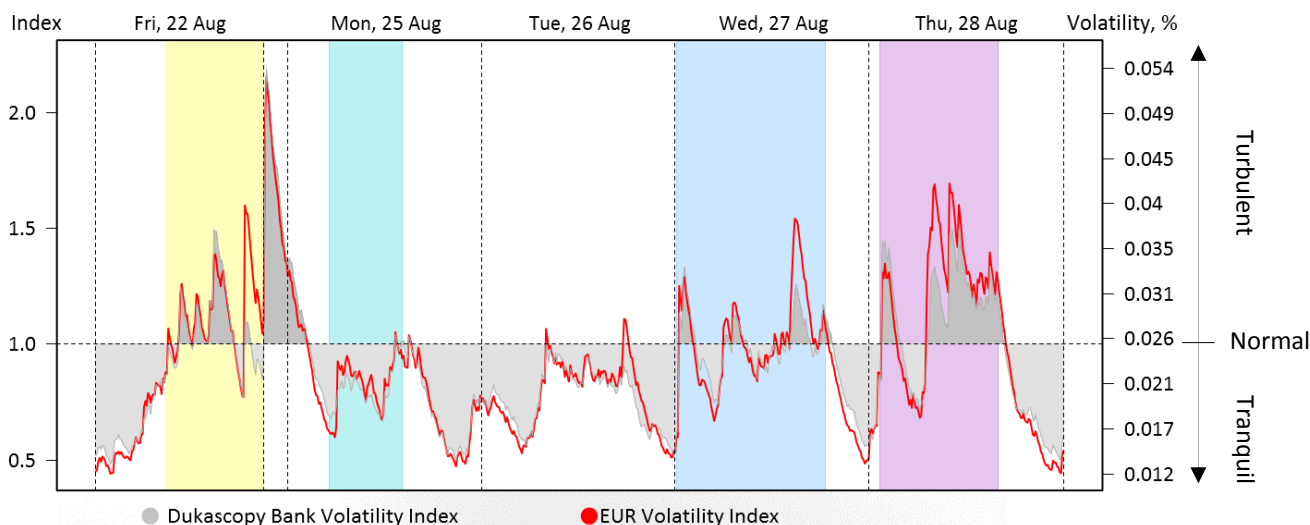


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.69%	0.1%	0.28%	0.19%	-0.32%	0.64%	1.02%	-0.15%	-1.09%
20	-0.93%	0.84%	-0.15%	-1.1%	0.02%	1.24%	1.43%	-0.87%	-0.32%
130	-3.24%	1.13%	-0.63%	0.4%	-2.17%	6%	4.23%	1.18%	-6.59%
250	-1.43%	-0.18%	-6.7%	7.3%	0.81%	4.66%	-4.03%	7.48%	-7.9%



Volatility

Volatility



Both the market and the Euro turbulence picked up compared to the period ending on August 26, with portions of elevated volatility rising closer to one third. EUR/CAD, EUR/CHF, and EUR/USD were most notable in that aspect, as their volatility indexes exceeded historical averages for over 40% of time. The most traded currency pair was also the one to reach the highest volatility peak, with its index spiking above 4 during the weekend. All in all, however, while the Euro was among the period's leaders in terms of elevated turbulence, its greatest volatility spikes were well below average compared to other observed currencies.

The period was interesting for a great number of isolated peaks in both the market and the Euro volatility indexes. Regarding the single currency, the most noteworthy outbursts took place on Friday, Wednesday, and Thursday. The first peak formed against the background of ECB president's speech at the monetary policy symposium, and exceeded the level of market volatility by 1.5 times. Another higher-than-market's spike happened as the German Finance Minister's comments eased the excitement over possible new ECB's stimulus, causing the Euro to jump against its peers. The final surges of the single currency's turbulence were the only ones to be attributed to actual fundamental data, as the composite rose above 1.5 with German unemployment numbers and Euro zone confidence measures.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
30	32	41	30	18	42	24	45	37	14

Volatility Index (for the observed period)

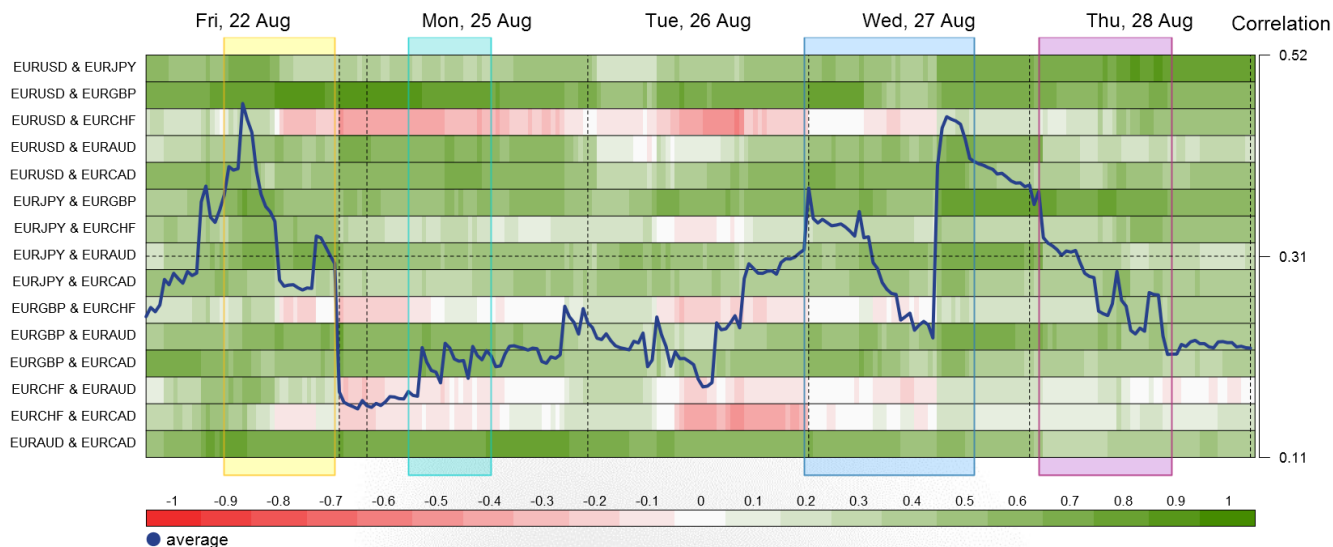
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.19	2.16	4.26	3.24	2.4	2.29	3.57	2.98	3.38	2.54
Min	0.48	0.44	0.27	0.37	0.19	0.27	0.35	0.31	0.38	0.15
Average	0.9	0.91	1.01	0.94	0.75	0.98	0.9	1.01	1.02	0.69



Currency Significance

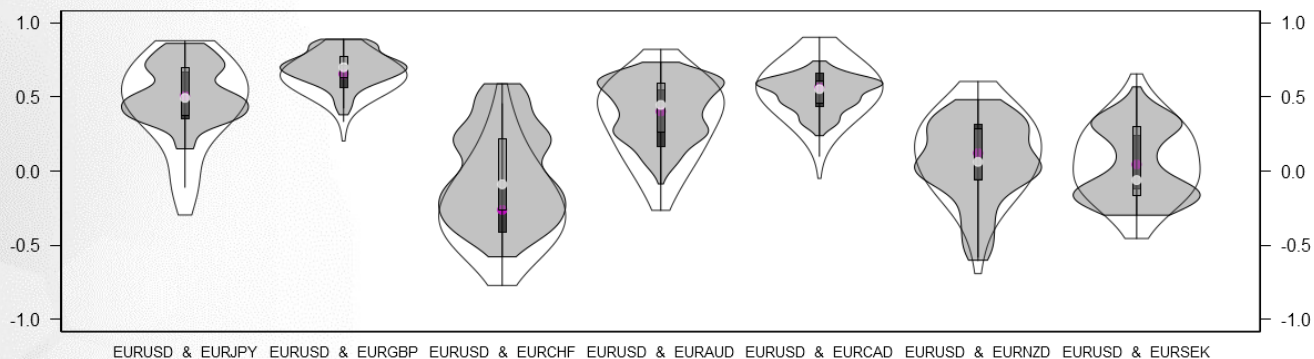
Correlations

Even though the period was not rich with European data releases, the composite, on average, was holding at the usual level of 0.28. Compared with the previous period, the short-term values of components also remained almost unchanged. The most noticeable development was the 0.17 points rise in correlations between EUR/USD and EUR/CHF. In the meantime, the bond between EUR/USD and EUR/NZD has weakened. Comparing the current value with the ones of the previous week and the previous year, average correlations has decreased for 0.09 and 0.21 points, respectively.



The composite started the period with a swift rise from 0.25 starting level to period's highest value of 0.47, but lost its ground after Janet Yellen's speech at the Jackson Hole symposium. Subsequent Mario Draghi's statement lifted the measure, but the momentum was lost almost immediately. The composite continued to decrease, and reduced to its minimum level by Monday. The most noticeable surge of the composite occurred on Wednesday, when after the comment of the German Finance Minister, the significance measure has increased by 0.23 points and reached 0.46 mark. Afterwards, however, the Euro significance was gradually decreasing, and ended the period at the 0.22 level - slightly below the starting point.

Correlations (5 vs 20 days)

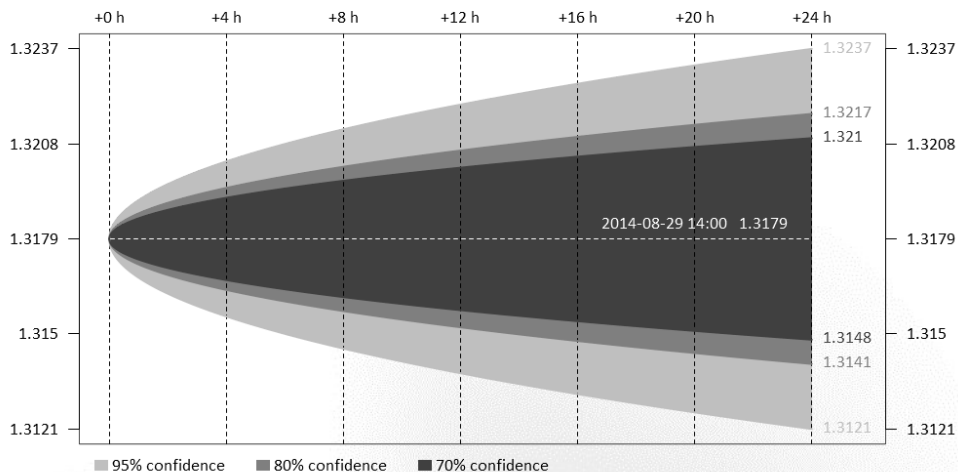


Mean Correlation Coefficient (with EURUSD)

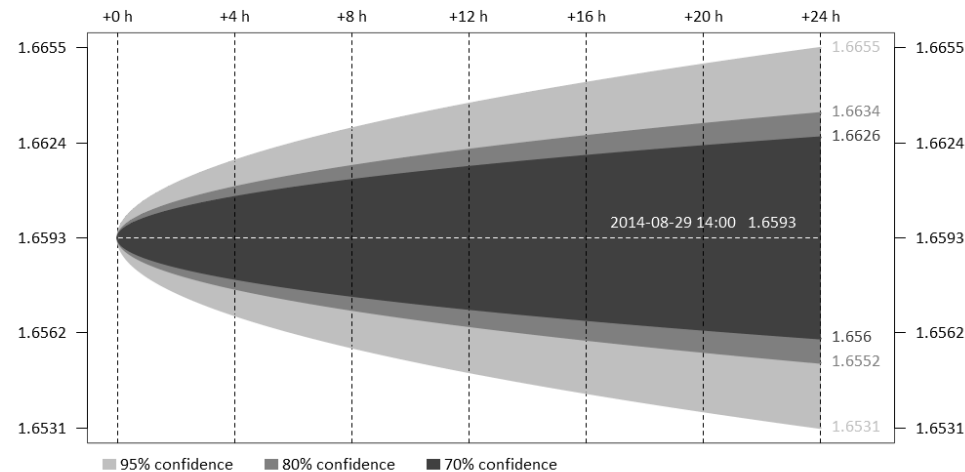
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.53	0.7	-0.02	0.42	0.52	0.05	0.04
20	0.47	0.65	-0.22	0.35	0.55	0.11	0.06
130	0.53	0.55	-0.13	0.36	0.57	0.25	0.06
250	0.5	0.49	-0.12	0.33	0.58	0.26	0.07

Confidence Intervals for Next 24 Hours

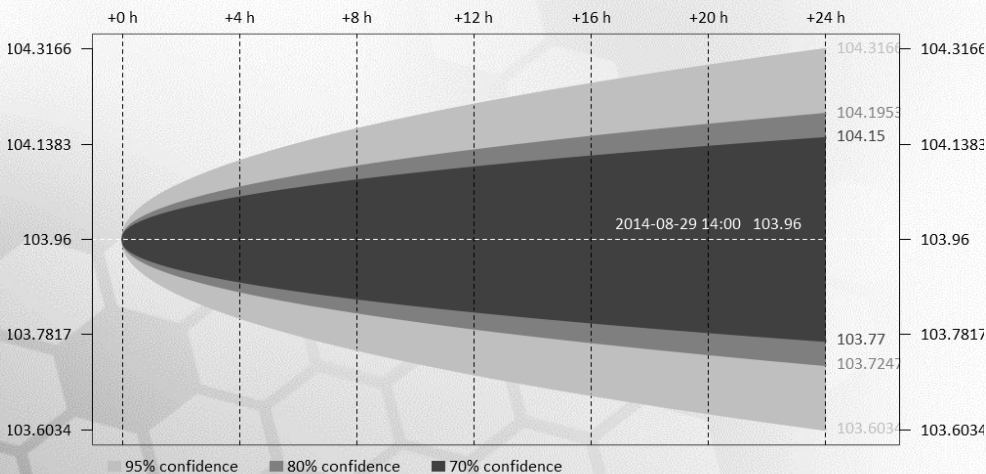
EURUSD Potential Rates



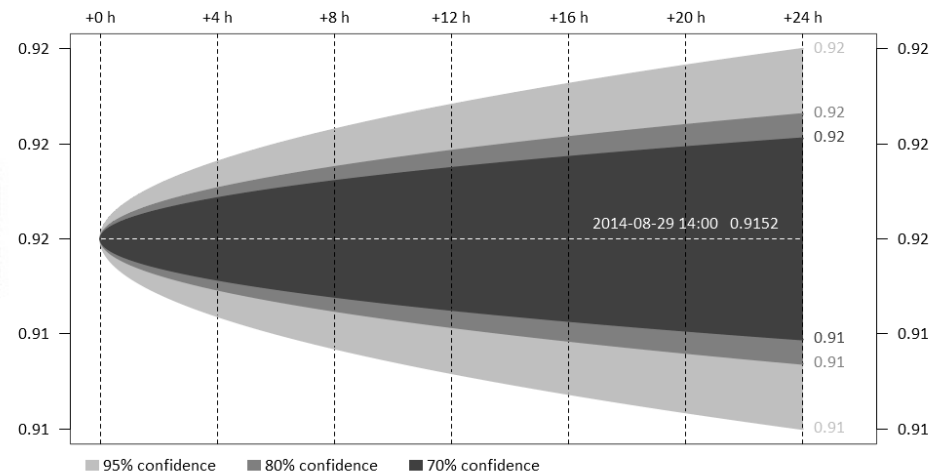
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

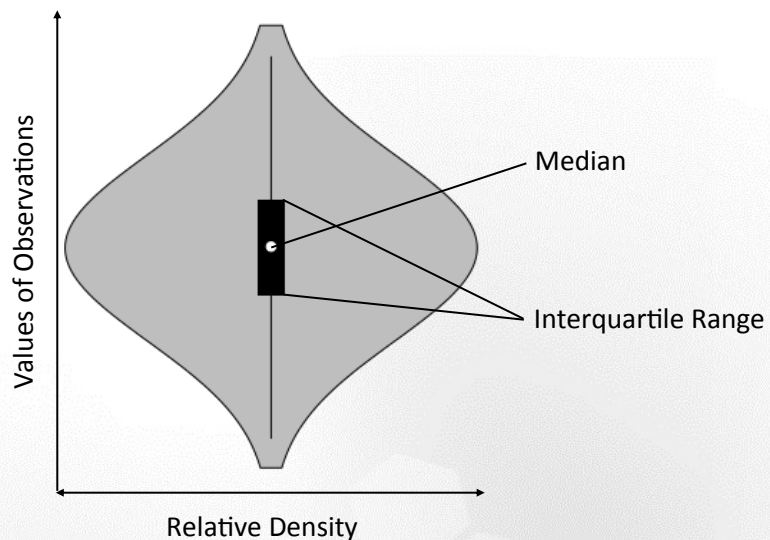
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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