



**USD**

01/09/2014



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# Dominant Events of the Period

## Yellow Area

August 25

12:00 - 15:00

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

## Turquoise Area

August 26

12:30 - 18:00

- U.S. Durable Goods Orders, Housing Price Index, Consumer Confidence

## Blue Area

August 28

05:30 - 15:30

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

## Purple Area

August 29

12:00 - 21:00

- U.S. Core PCE Price Index, Personal Income, Personal Spending, Chicago PMI, Michigan ICS

USD Currency Index Range

0.13%

0.21%

0.25%

0.38%

Average USD Volatility Index

0.96

0.9

1.15

1.17

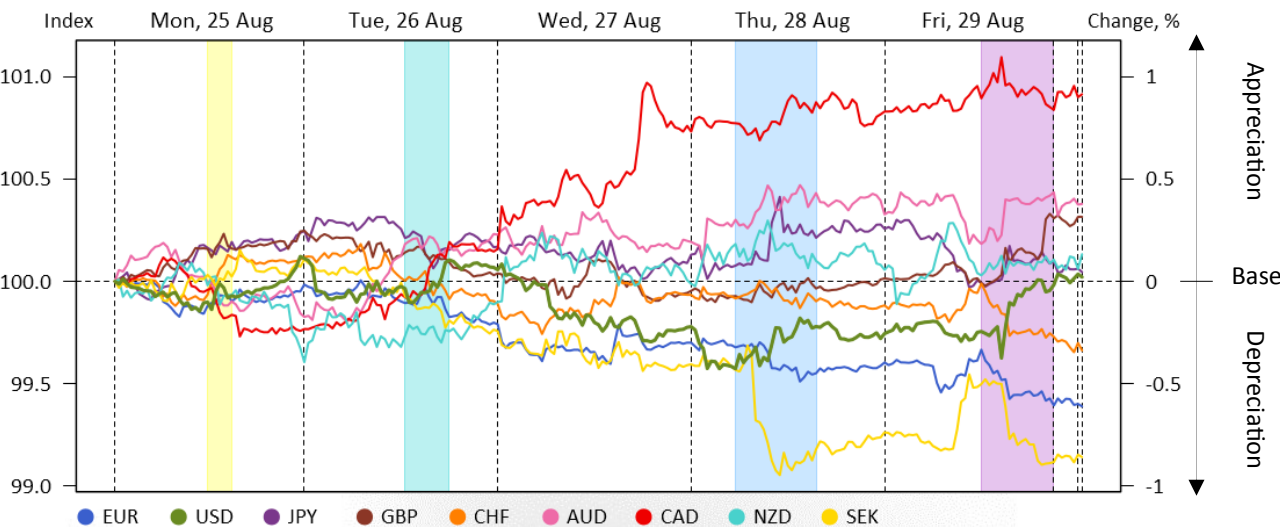




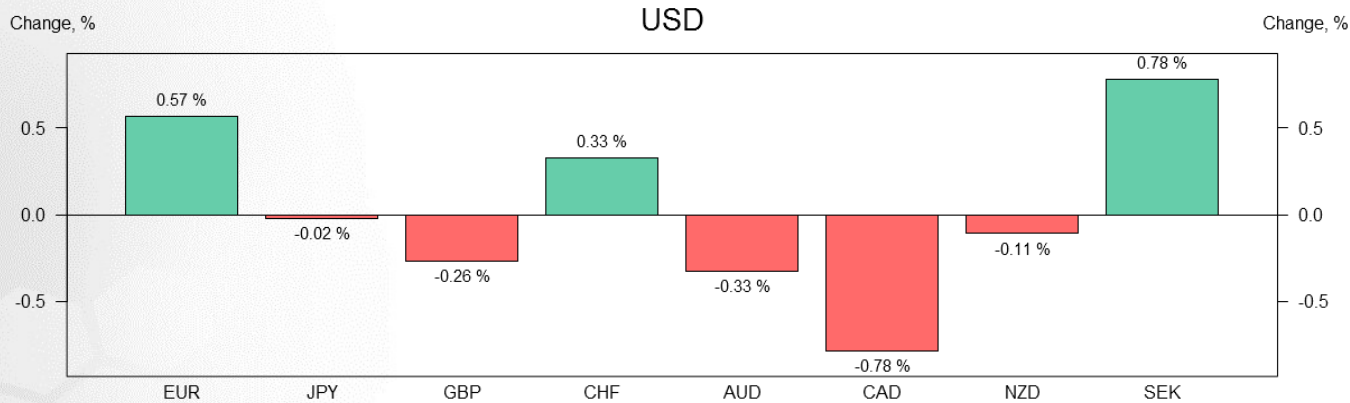
# Relative Currency Strength

Currency Indices

The USD Index was not particularly strong in the past week, as it spent the biggest part of the period below the baseline. Nevertheless, it did manage to finish the period outside the depreciation region and notably outperform three of its observed peers, with the Greenback gaining 0.78% against the Swedish krona, 0.57% against the single currency, and 0.33% against the Swiss franc. The yearly change of the index slipped further into negative area compared to the period ending on Friday, while the monthly and half-yearly figures both went up. Meanwhile, the dollar weakened the most against its Canadian counterpart, losing 0.78% over the week, and yielded 0.33% and 0.26% to the Aussie and the pound.



The past period covered several important U.S. data releases, but the USD Index was not keen on displaying acute reaction to the news. The general tendency of the index change during the first part of the period was decreasing. The surge in durable goods orders and unexpected consumer optimism reported on Tuesday did prompt the index up, but the subsequent decline swiftly erased the gains, and the gauge tumbled to its minimum value. The downside stopped on Thursday, when the second GDP estimate reported a faster-than-expected growth and the jobless claims numbers offered another sign of improvement in labor market. On Friday, the rise in Chicago PMI and the Michigan ICS offered a final push, and the USD Index finished the period with a climb from -0.3 to +0.02 points.



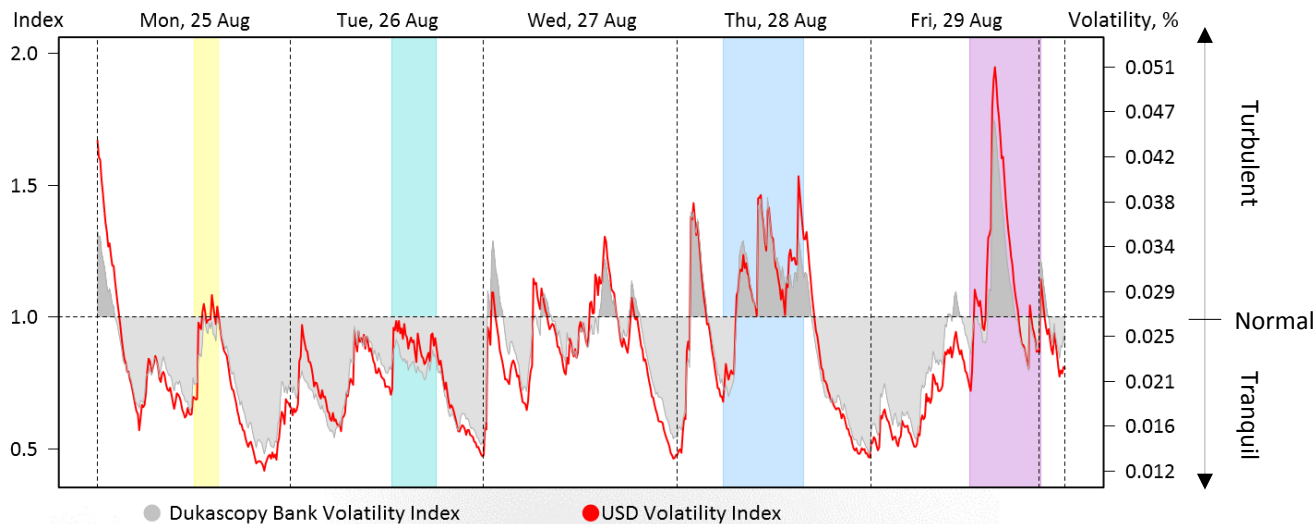
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.61%	0.02%	0.05%	0.31%	-0.34%	0.38%	0.91%	0.13%	-0.86%
20	-1.3%	1.25%	-0.58%	-0.31%	-0.38%	1.33%	1.79%	-0.68%	-1.03%
130	-3.53%	1.89%	-1.33%	0.83%	-3.02%	7.44%	4.14%	1.86%	-7.62%
250	-1.32%	-0.59%	-7.03%	6.93%	0.89%	4.29%	-4.23%	7.71%	-6.62%



# Volatility

## Volatility



Despite the fact that the week started with high volatility values, as a whole it was rather calm. The portion of elevated volatility for both market and USD was only 23%, which is lower than usual. Moreover, the fact that high volatility was observed in 16% of time for some components and 40% for others, pointed out that the turbulence on the market was caused by USD only in relatively few cases. Low volatility indexes readings – average values mostly below 0.9 – suggested the same. optimistic Australian private capital expenditure announcement and Canadian GDP release, respectively. The peaks of components' volatilities also were not provoked by the news on U.S. economy.

For example, the greatest spikes of AUD/USD and USD/CAD volatility indexes, which exceeded 3.0 mark, took place against the background of optimistic Australian private capital expenditure announcement and Canadian GDP release, respectively.

The period started with unusually high 1.67 value of USD Volatility Index, caused by the weekend's Jackson Hole symposium, but reduced shortly. Afterwards it did not show values significantly above historical average till Thursday, when higher-than-expected preliminary GDP and pending home sales numbers as well as mixed data on jobless claims raised USD Volatility Index to 1.54 mark. The most conspicuous USD volatility spike occurred on Friday, after the releases of PMI and ICS, when the index reached 1.95 level.

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

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
23	23	27	18	23	28	16	40	31	25

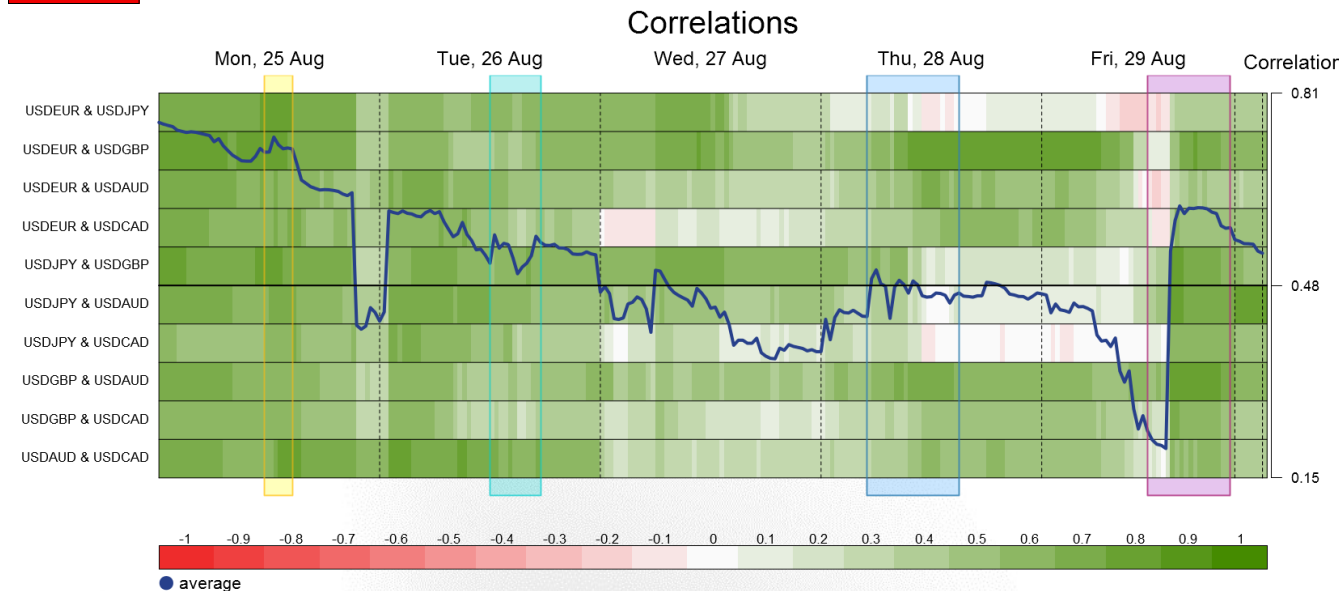
### Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	1.75	1.95	2.32	1.74	2.35	1.94	3.32	3.61	2.51	2.88
Min	0.48	0.42	0.26	0.33	0.24	0.28	0.31	0.3	0.37	0.26
Average	0.86	0.85	0.85	0.78	0.83	0.81	0.79	0.99	0.91	0.85





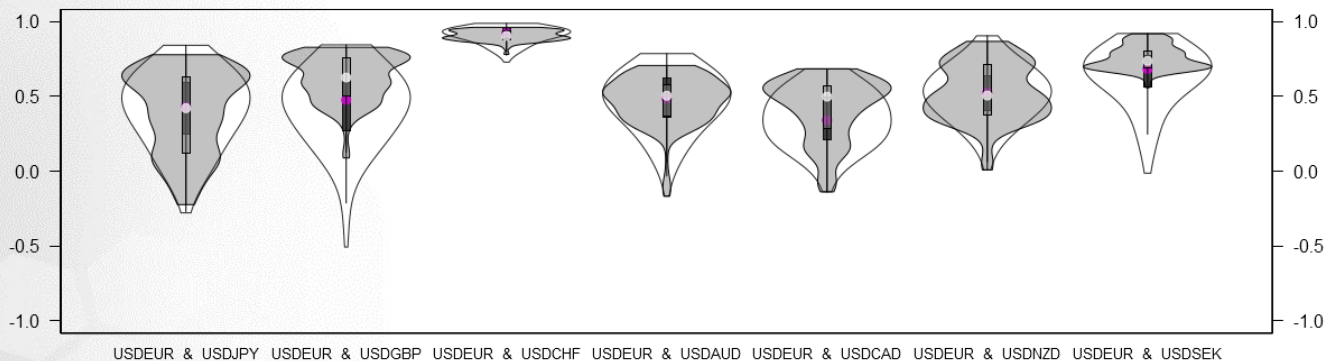
# Currency Significance



The USD significance measure was gradually declining throughout the period, but still held above the significance threshold of 0.3. The composite was among the top-three in terms of maximum and average values, yielding only to the New Zealand's significance gauge and sharing the levels with the Canadian and the Australian dollars. The component correlations with USD/EUR mostly kept within their historical limits, excepting the combinations with USD/GBP, USD/CAD, and USD/SEK that diverged from the norm by shifting up.

The composite started the period on its maximum levels, the Greenback's impact high after the Jackson Hole symposium. However, the measure fell below 0.5 by Wednesday, and from there on was trapped between 0.35 and 0.5. A rapid decline started early on Friday, as the Euro took the lead with its own significance measure jumping from 0.15 to 0.4 around the release of German retail sales. The USD composite's recovery, however, was even more rapid, and it skyrocketed back to the beginning of the week levels, as the Greenback reinforced its positions against the background of strong purchasing managers' and consumer sentiment indexes.

## Correlations (5 vs 20 days)

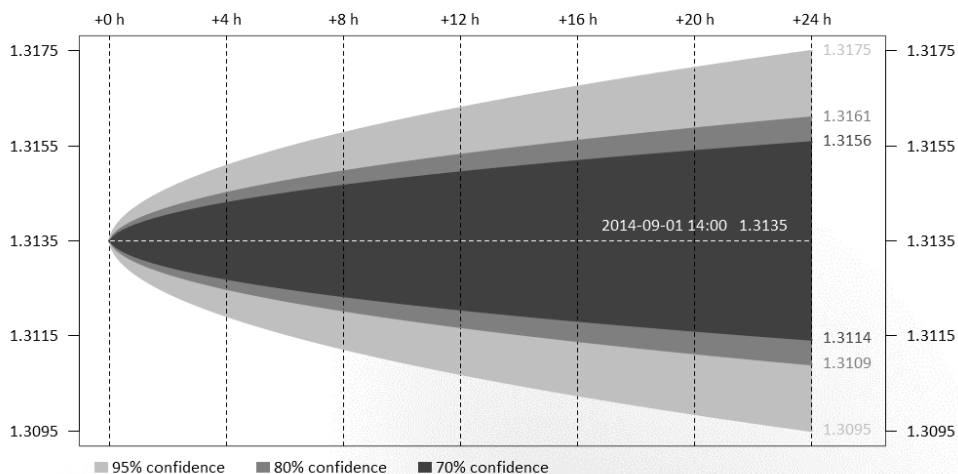


## Mean Correlation Coefficient (with USDEUR)

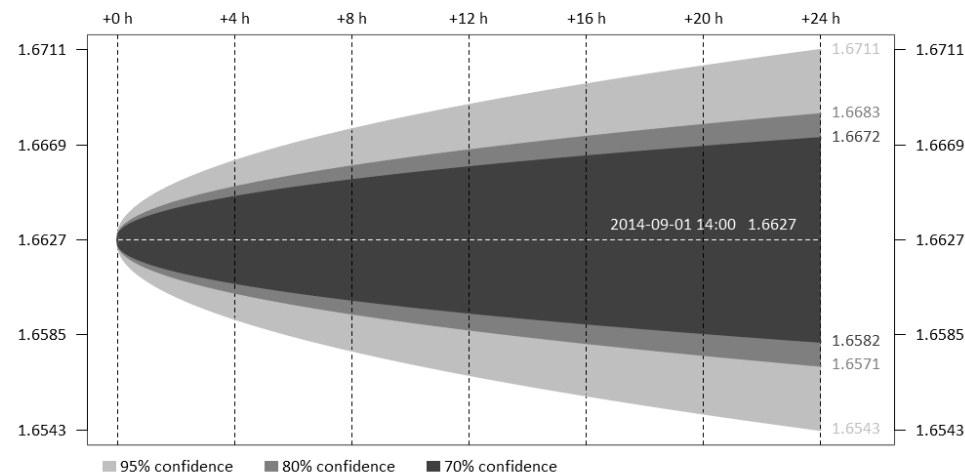
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.4	0.63	0.91	0.47	0.41	0.53	0.76
20	0.4	0.43	0.91	0.47	0.35	0.52	0.64
130	0.24	0.4	0.87	0.3	0.2	0.35	0.58
250	0.24	0.45	0.86	0.3	0.22	0.33	0.58

# Confidence Intervals for Next 24 Hours

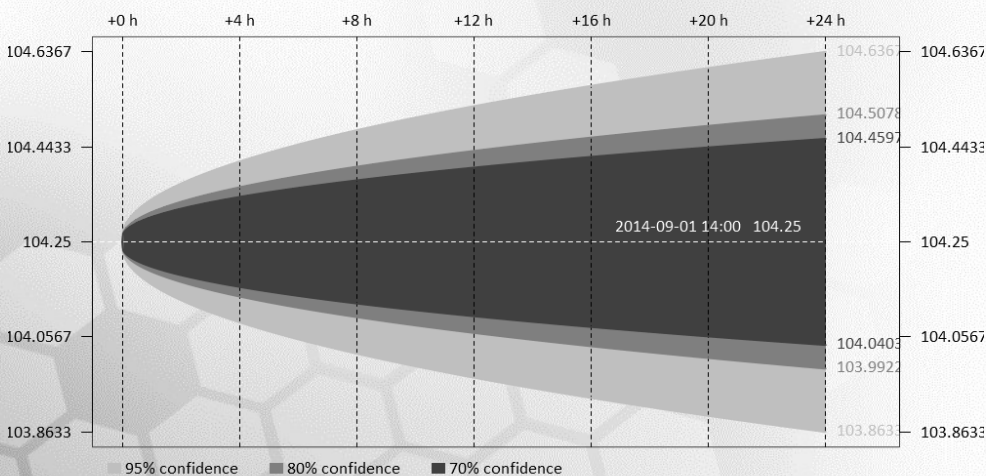
EURUSD Potential Rates



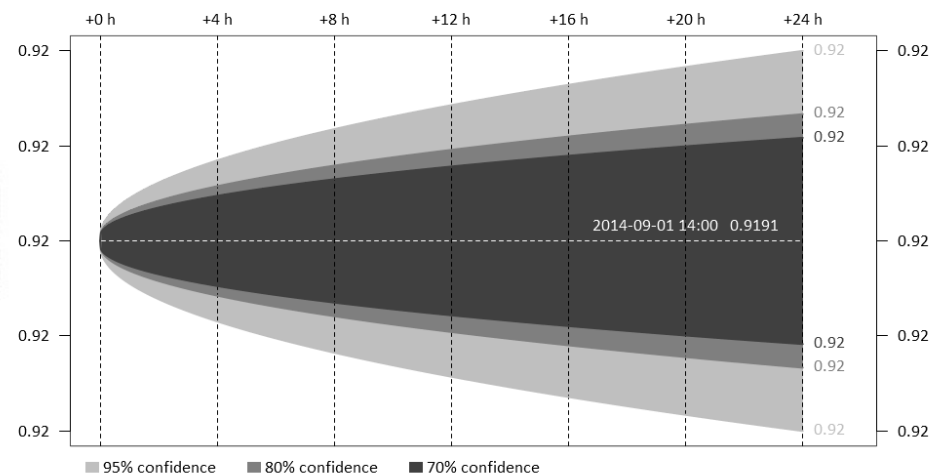
GBPUSD Potential Rates



USDJPY Potential Rates



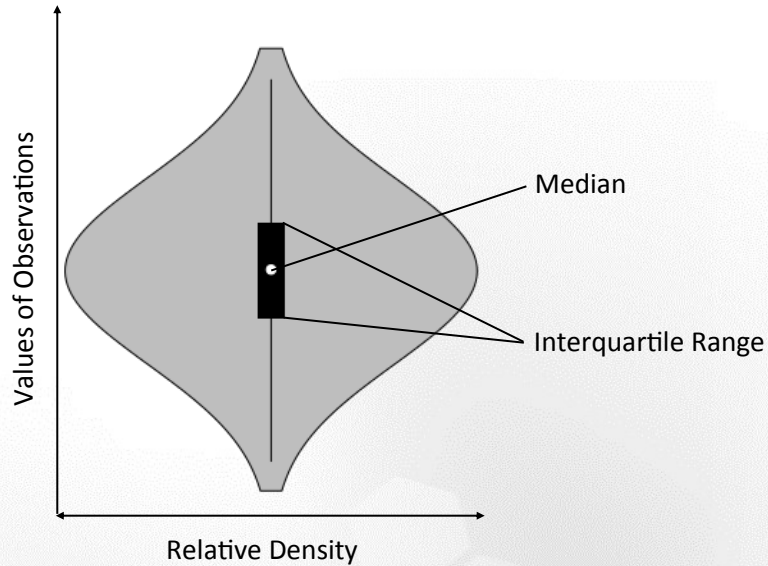
USDCHF Potential Rates



## 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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