



EUR

12/09/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

September 5

12:00 - 15:00

- German Industrial Production
- U.S. Non-Farm Payrolls, Unemployment Rate
- Canadian Unemployment Rate

Turquoise Area

September 8

06:00 - 20:00

- German Trade Balance
- U.K. Home Prices
- Swiss CPI
- Treasury Secretary Speech
- BoJ Minutes

Blue Area

September 9

06:30 - 20:00

- U.K. Manufacturing Production, Trade Balance, GDP Estimate
- BoE Governor Speech
- Canadian Housing Starts

Purple Area

September 10

07:30 - 21:30

- UK Inflation Report Hearings
- RBNZ Monetary Policy Statement

Orange Area

September 11

01:00 - 14:30

- Australian Unemployment
- German CPI
- ECB Monthly Report
- U.S. Jobless Claims

EUR Currency Index Range

0.08%

0.35%

0.6%

0.46%

0.47%

Average EUR Volatility Index

1.25

1.05

1.14

1.37

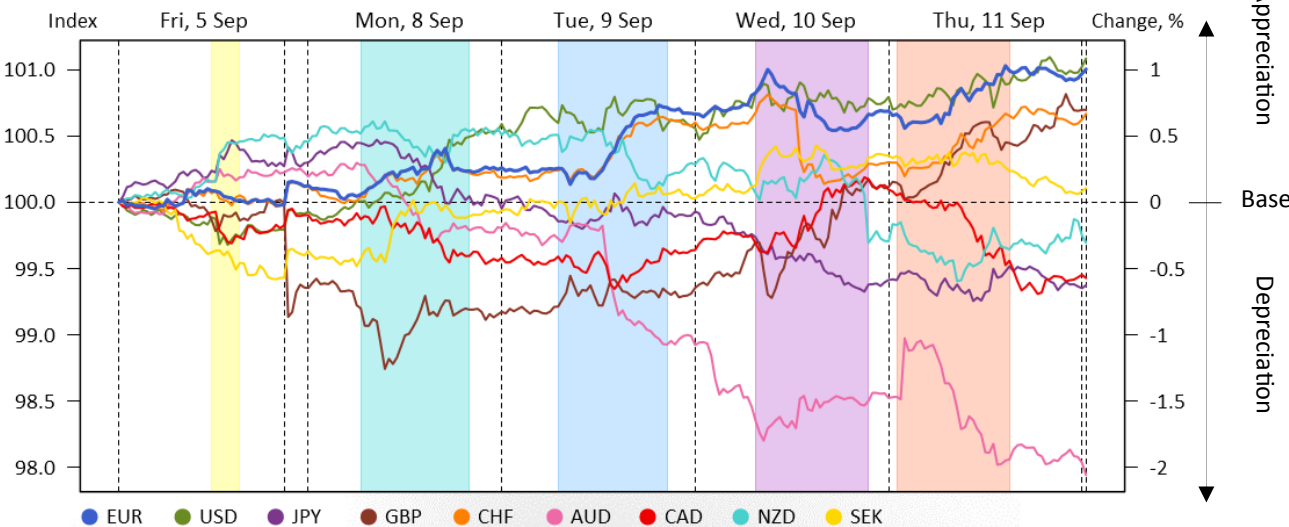
1.18



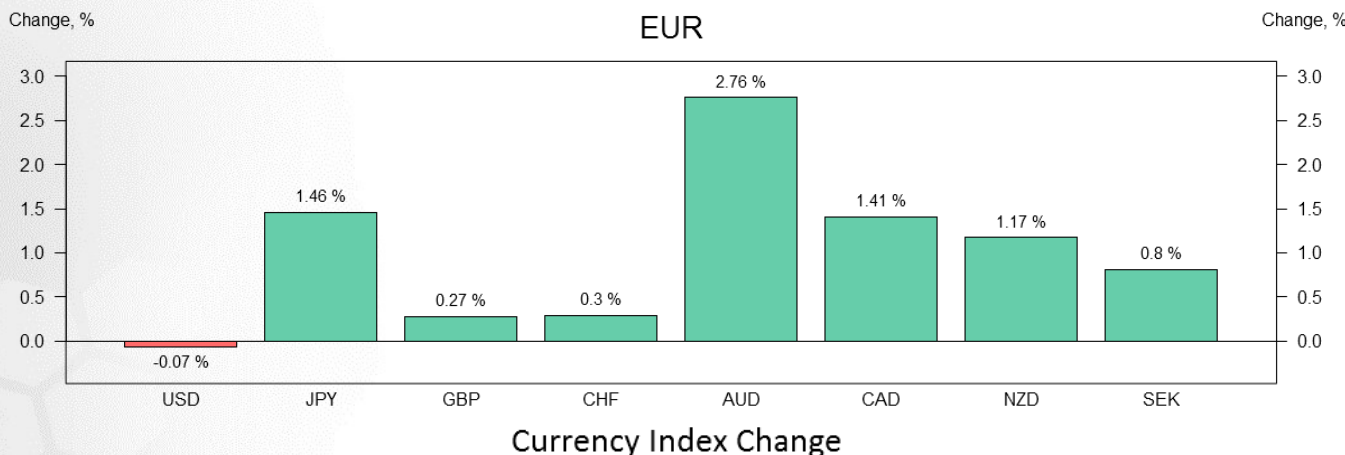
Relative Currency Strength

Currency Indices

The Euro Index spent the past five trading days recovering from its more than 1% slump on September 4, when ECB's unforeseen decision to cut interest rates shook the single currency. In the course of the past period, the Euro managed to regain its pre-fall positions against most of its peers, lacking in strength only in pairs with the Greenback, the pound, and the Canadian dollar. As a result, the EUR Index finished the period as second-best, posting a virtual tie with the USD measure and largely outperforming its other observed counterparts. The longer-term index change remained negative, but notably improved compared to the previous readings.



The data releases on the 18-nation economy were scarce and far from groundbreaking, so the Euro Index did not experience any sharp changes. In the beginning of the period, the index gained 0.03 points on the growth in German industrial production and lost 0.01 on the revised Euro zone GDP numbers, and it settled the magnitude of the reaction the currency was willing to show to the block's fundamentals. Much broader swings were observed against the background of major movements in other currencies, and it seemed that the Euro strengthening was largely supported by the interchanging slumps of its peers, most notably the pound and the Australian dollar.

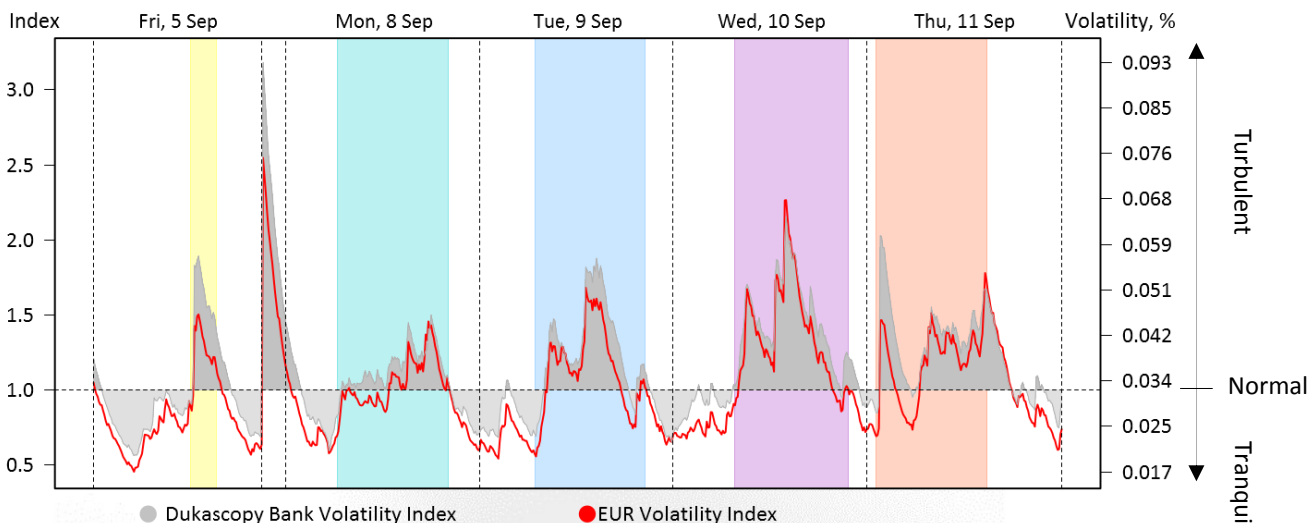


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1%	1.09%	-0.63%	0.7%	0.67%	-2.06%	-0.57%	-0.31%	0.11%
20	-0.66%	3.17%	-1.92%	0.11%	-0.47%	0.32%	1.86%	-1.04%	-1.31%
130	-3.29%	4.53%	-1.29%	1.73%	-2.91%	5.41%	5.12%	-0.38%	-7.88%
250	-0.06%	3.36%	-4.75%	6.26%	2.59%	0.18%	-4.42%	3.7%	-6.87%



Volatility

Volatility



The past period appeared to be even more turbulent than the one ending on September 9, with Wednesday and Thursday adding 3% to the market's portion of elevated volatility and putting it at 59%. However, the Euro, in its gradual recovery and general absence of shocking factors, was the least volatile of all observed currencies, both in terms of average volatility index values and the percentage of its higher-than-historical readings. As the single currency lacked fundamentals that would support synchronised exchange rates movements, the peaks reached by the EUR Volatility Index were mostly caused by the individual components, with EUR/GBP, EUR/CHF, and EUR/AUD bringing the most turbulence to the composite.

Throughout the whole period, the Euro Volatility Index held below that of the market, indicating that the single currency was largely moving with the flow in each separate pair and did not fall out of the general picture. The two highest peaks of the Euro turbulence were reached against the background of the developments outside the Euro zone. The first such surge happened on Sunday, as the growing heat around the Scotland independence referendum shook the pound, and the EUR/GBP Volatility Index skyrocketed to 11 points. Then on Wednesday, the Swiss franc fell in the aftermath of the SNB's comments on possibility of introducing negative interest rates, causing the EUR/CHF turbulence to jump above the 7 point mark.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
	42	37	36	54	52	41	35	40	36

Volatility Index (for the observed period)

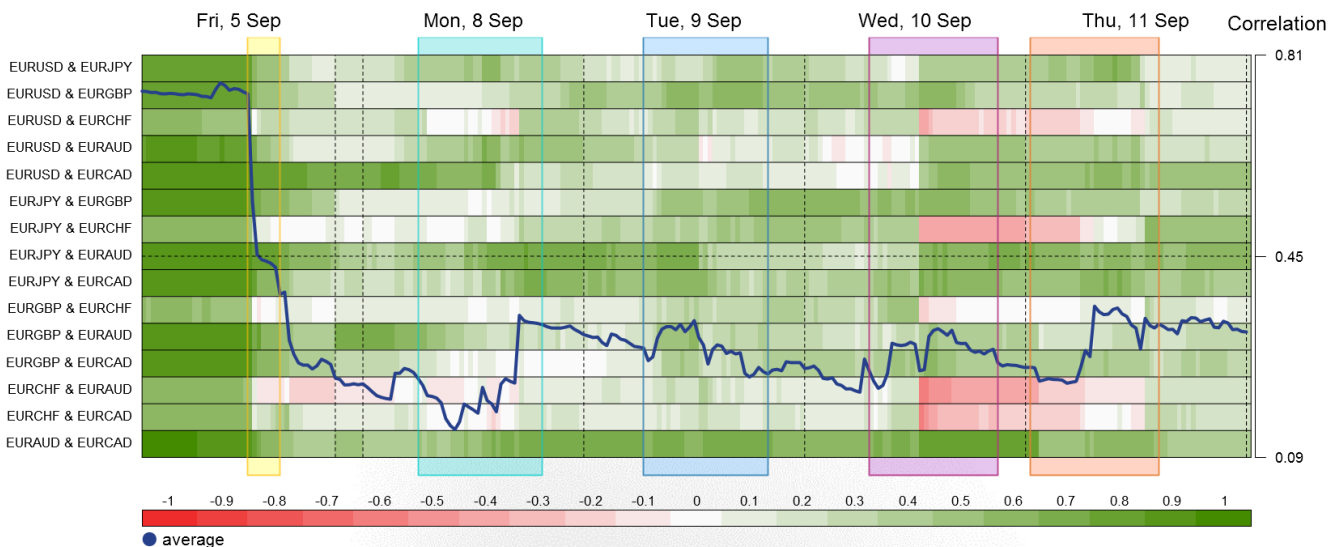
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	3.18	2.55	2.45	1.95	11.03	7.37	5.39	2.25	2.41	2.13
Min	0.56	0.46	0.3	0.47	0.39	0.45	0.42	0.27	0.46	0.22
Average	1.15	1.01	0.91	0.93	1.35	1.28	1.07	0.89	0.97	0.87



Currency Significance

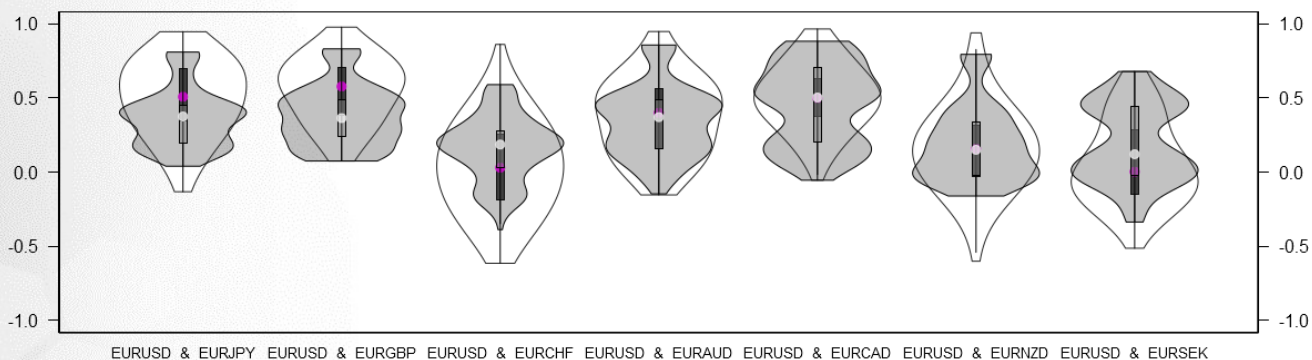
Correlations

The Euro significance measure largely confirmed the idea implied by the volatility data — the single currency was indeed far from being the main market driver of the past period. Both the average and the minimum values of the EUR composite correlation were lower than the ones of its peers, and the composite itself spent the period among the weakest measures, joined at different time moments by the Swiss franc's, the Swedish krona's, and the yen's gauges. The component correlations were diverse and unstable, and their distributions notably shifted away from the high values.



As the shock of Thursday ECB's announcement wore off, the Euro correlation component fell from its high readings of around 0.8 to spend most of the period moving in the range of feeble values below 0.3. A few attempts to strengthen were cut short as the momentum failed to spread among the components. The end of the period was marked by a surge in the Swiss franc's significance as the currency fell against its major peers. With that the increase in the Euro components was erased by the negative correlations with EUR/CHF, and the composite managed to reasonably exceed the significance threshold of 0.3 only on Thursday, reaching the weeks maximum value of 0.37.

Correlations (5 vs 20 days)

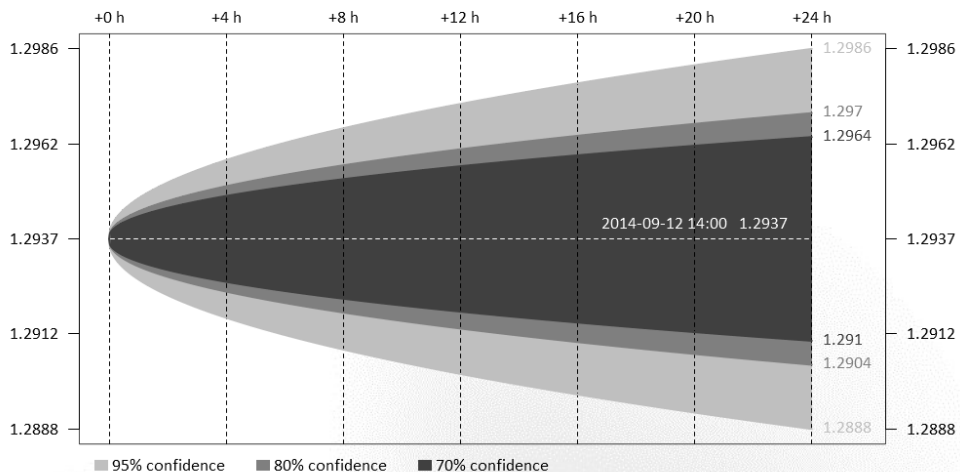


Mean Correlation Coefficient (with EURUSD)

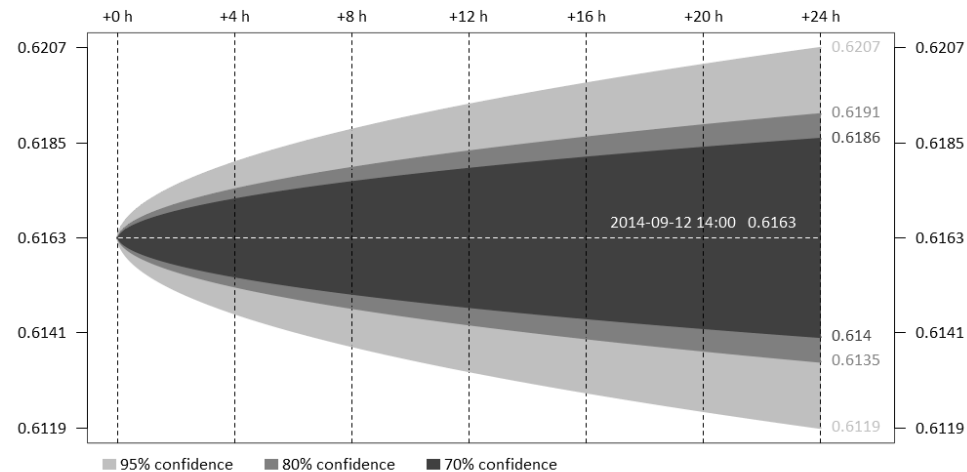
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.37	0.38	0.16	0.35	0.46	0.19	0.2
20	0.5	0.55	0.03	0.37	0.5	0.16	0.06
130	0.52	0.55	-0.13	0.36	0.57	0.23	0.06
250	0.5	0.49	-0.11	0.33	0.58	0.25	0.07

Confidence Intervals for Next 24 Hours

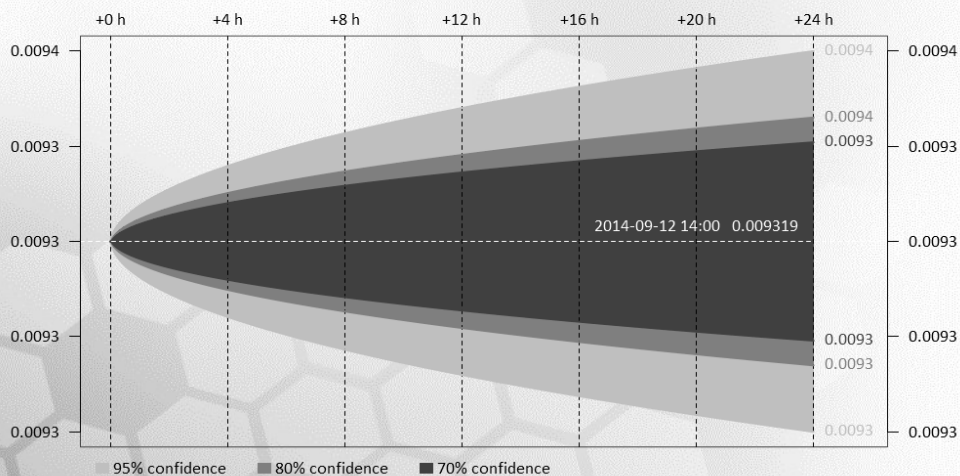
EURUSD Potential Rates



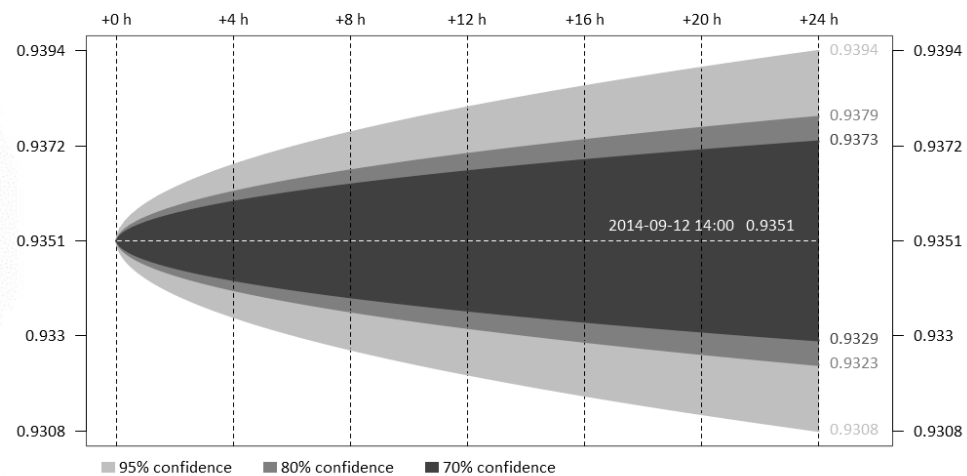
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

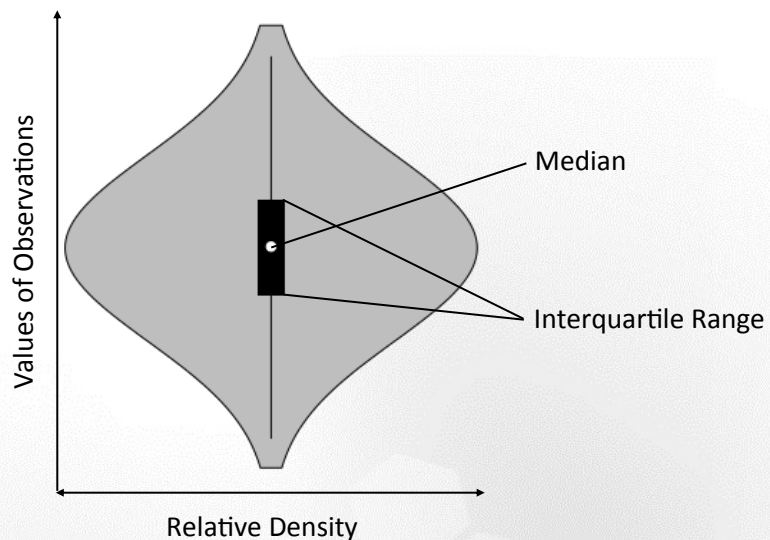
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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