



**USD**

15/09/2014



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# Dominant Events of the Period

## Yellow Area

September 8

05:00 - 20:00

- German Trade Balance
- Swiss CPI, Unemployment Rate
- Treasury Secretary Speech, U.S. Consumer Credit Change

## Turquoise Area

September 9

01:30 - 20:00

- NAB Business Confidence
- U.K. Manufacturing Production, Trade Balance, GDP Estimate
- BoE Governor Speech

## Blue Area

September 10

02:00 - 21:00

- UK Inflation Report Hearings
- MBA Mortgage Applications
- RBNZ Monetary Policy Statement

## Purple Area

September 11

01:00 - 15:00

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

## Orange Area

September 12 05:30 -

September 14 21:00

- BoJ Governor Speech
- Euro zone Employment Change, Industrial Production
- U.S. Retail Sales, Michigan Consumer Confidence, Business Inventories

USD Currency Index Range

0.55%

0.27%

0.3%

0.26%

0.22%

Average USD Volatility Index

1.01

1.29

1.31

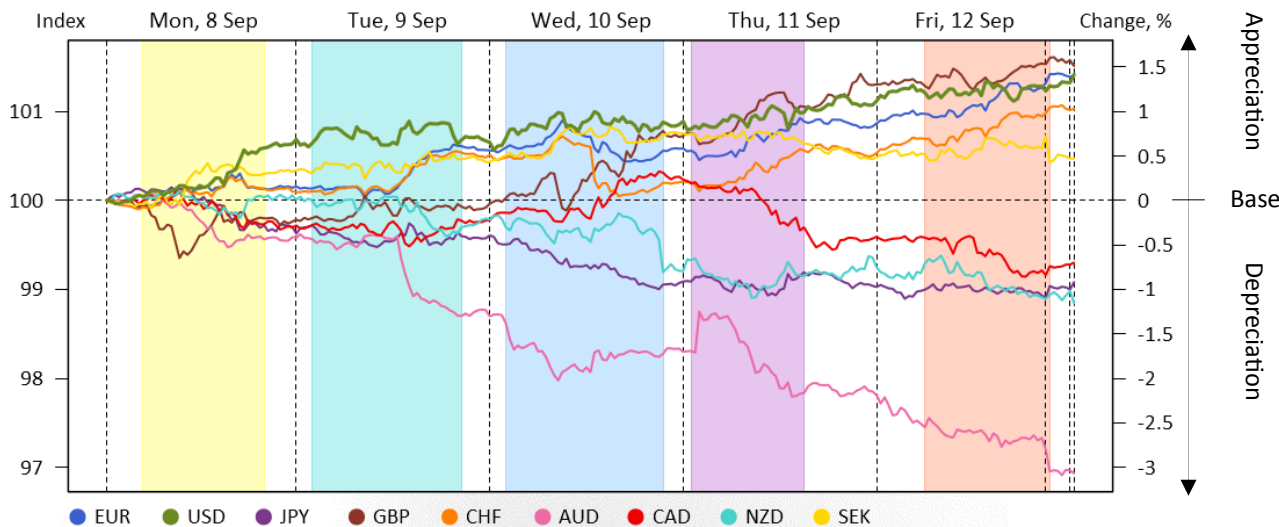
1.24

1.21



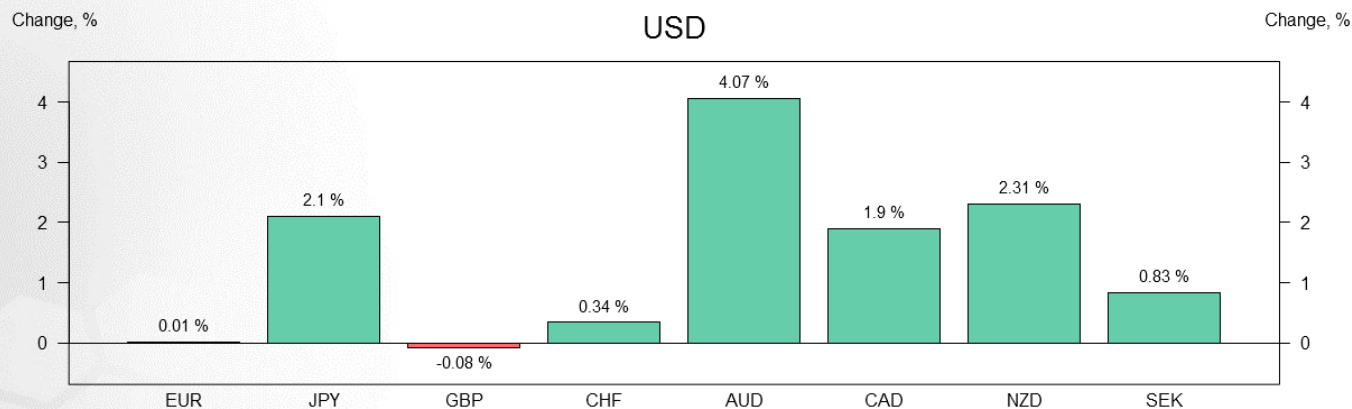
# Relative Currency Strength

## Currency Indices



The USD Index continued its strengthening trend, closing this year's most successful period with a 1.42% weekly gain. Backed up by a heightened expectations of a rate hike, the Greenback yielded only to the pound and stroke a virtual tie with the Euro, leaving all other peers far behind. On the longer-term scale, the appreciation gained momentum as well, with the index monthly change reaching +3.54%, while both half-yearly and yearly gains exceeded 4%. With such readings, the U.S. dollar came to be the period's top performer amongst the observed currencies.

The USD Index spent the period on a smooth uptrend, allowing only a few disruptions to the steady advancement. The index took a leading position on Monday afternoon, after the Treasury secretary's anti-inversion speech suggested the authorities were preparing measures to keep the funds from slipping into other currencies. One of the period's sharpest surges happened on Tuesday, when the Loonie took a hard blow from deterioration in housing starts and fell against its major peers. The USD Index went through a few dips itself, the deepest of which took place on Thursday, against the background of jobless claims posting a greater-than-expected rise for the second week in row.



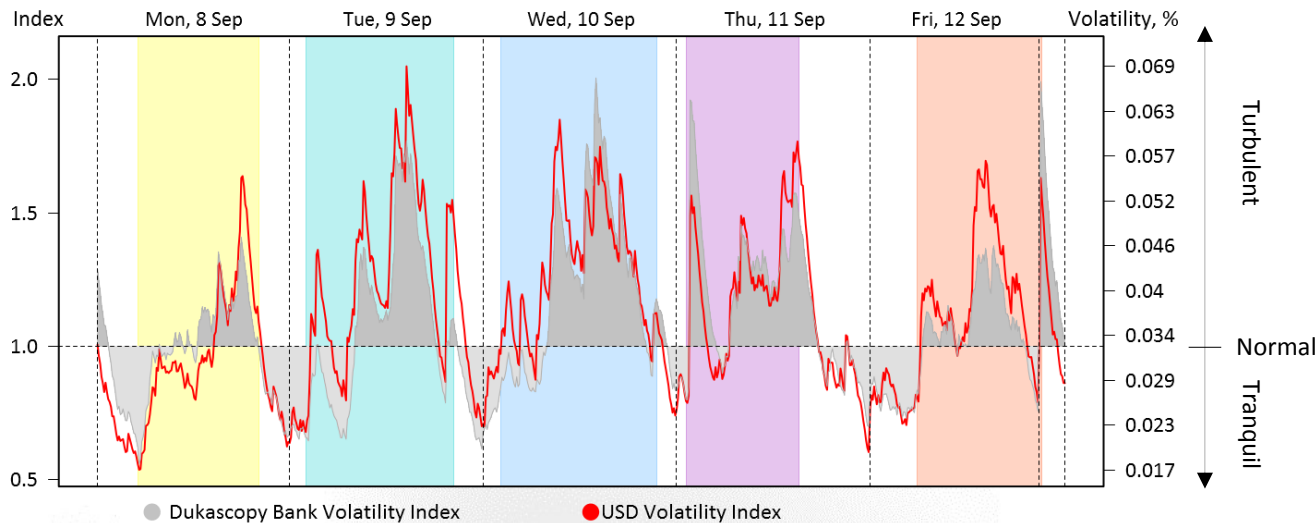
### Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.4%	1.42%	-0.92%	1.51%	1.03%	-3.07%	-0.7%	-1.16%	0.47%
20	-0.23%	3.54%	-1.89%	0.41%	-0.3%	-0.38%	1.56%	-1.19%	-1.58%
130	-3.08%	4.81%	-1.72%	2.03%	-2.78%	4.7%	5.32%	-0.66%	-7.64%
250	0.47%	4.02%	-5.26%	6.1%	2.84%	-0.22%	-4.2%	2.76%	-6.48%



# Volatility

## Volatility



The week turned out to be slightly less turbulent than the period ending on September 11, but on a bigger scale was still exceptionally volatile. With the 58% of elevated volatility, the dollar appeared to be more unstable than the market, and was surpassed only by its Australian counterpart that posted a reading of 63%. AUD/USD and USD/CAD were the most turbulent dollar pairs, having their portion of elevated volatility at over 60%, while EUR/USD and USD/CHF, with the measure reaching slightly above 40%, were the most stable.

The greatest maximum was reached by the AUD/USD Volatility Index as the Aussie surged on optimistic employment data, causing the measure to spike at least 1.5 times higher than any other peak of the period.

There were numerous occasions on which the USD Volatility Index exceeded that of the market, and the most notable of them traced the Greenback's rapid movements during otherwise calm Asian trading sessions on Tuesday and Wednesday. A more wide interval of the dollar's overturbulence was observed on Friday, when the currency dipped and surged against its peers amid the bunch of various U.S. fundamentals releases.

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

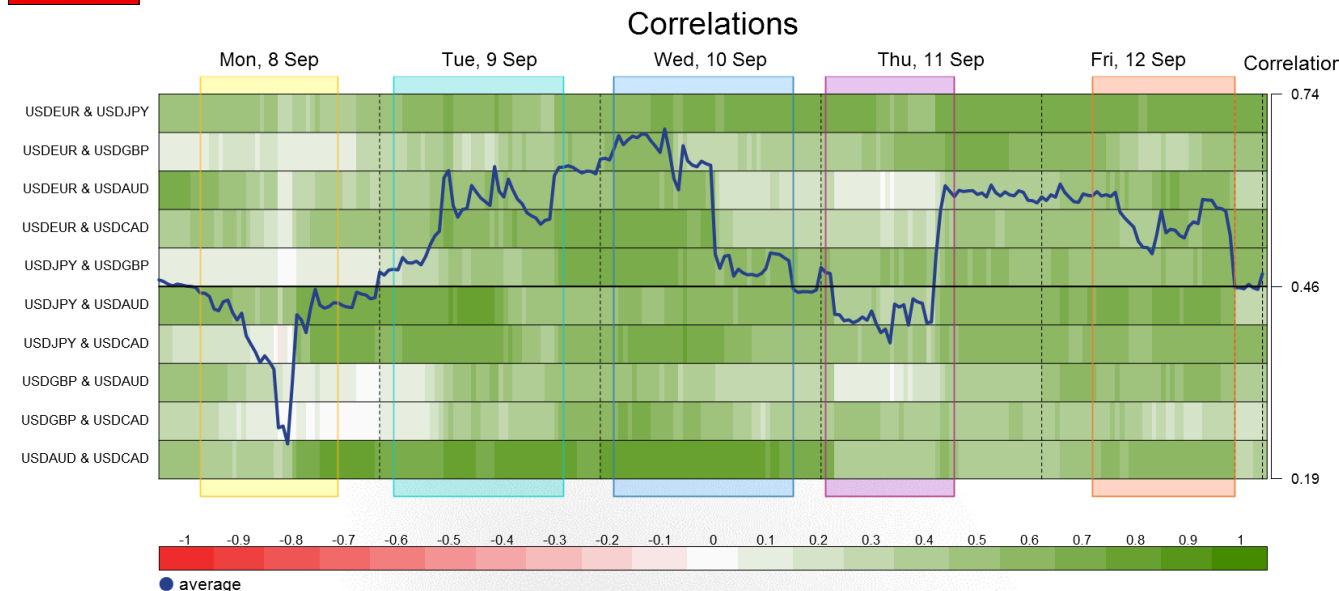
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
56	58	41	59	56	42	67	64	55	52

### Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.01	2.05	2.06	2.8	3.58	3.4	6.28	2.7	2.19	3.92
Min	0.56	0.54	0.37	0.45	0.45	0.27	0.46	0.21	0.48	0.36
Average	1.08	1.12	0.99	1.15	1.17	1	1.35	1.19	1.08	1.04



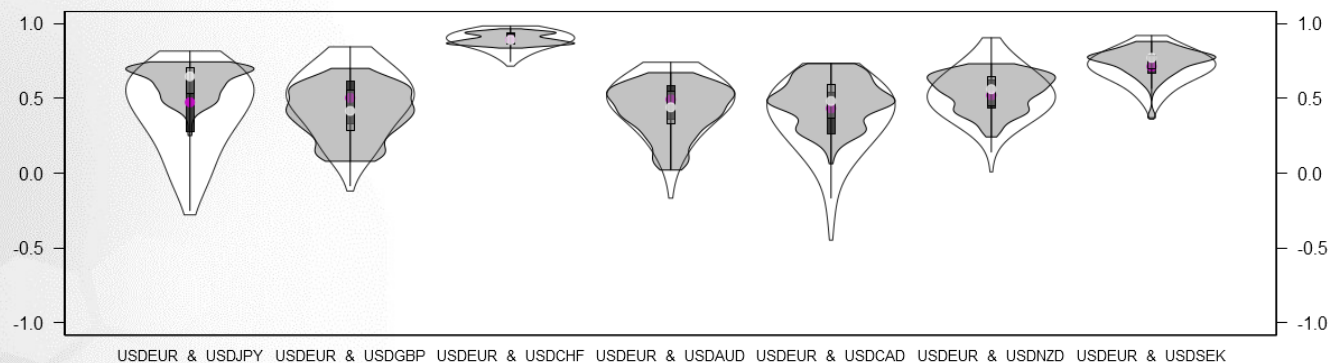
# Currency Significance



The average values of correlations between USD/EUR and the rest of the dollar pairs varied from 0.4 to 0.9, and have noticeably risen compared to their long-term values. In turn, lower tails of correlation distributions have shifted closer to averages, pointing to the stability of the relationships during the week. The only exception was the bond between USD/EUR and USD/GBP, whose mean correlation was only 0.4 as against 0.48 in the previous period. Furthermore, for the first time in weeks almost all components held above zero throughout the entire period.

Short of the Monday's drop to the minimum value of 0.24, the composite significance measure was also rather stable and varied from 0.38 to 0.69 in the last four observed days. The Treasury Secretary's speech drove the composite down, but this drop was not prolonged, and within the next few hours the measure returned to the level of 0.43. On Tuesday, the composite began to rise and by Wednesday morning has reached the week's maximum value. However, the increase was also short-lived, and the composite returned to the level of 0.45. The next rise of the measure was associated with the jobless claims report. Having reached the 0.51 mark, the composite held on this level almost till the end of the week.

## Correlations (5 vs 20 days)

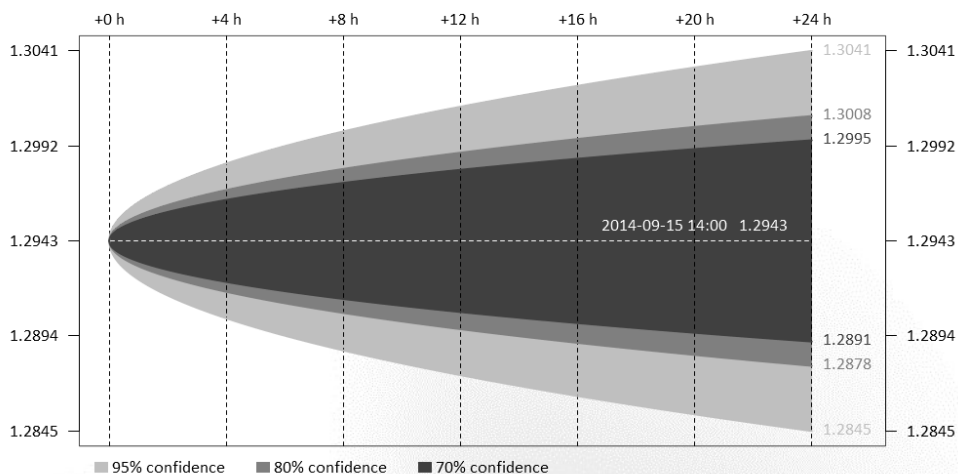


## Mean Correlation Coefficient (with USDEUR)

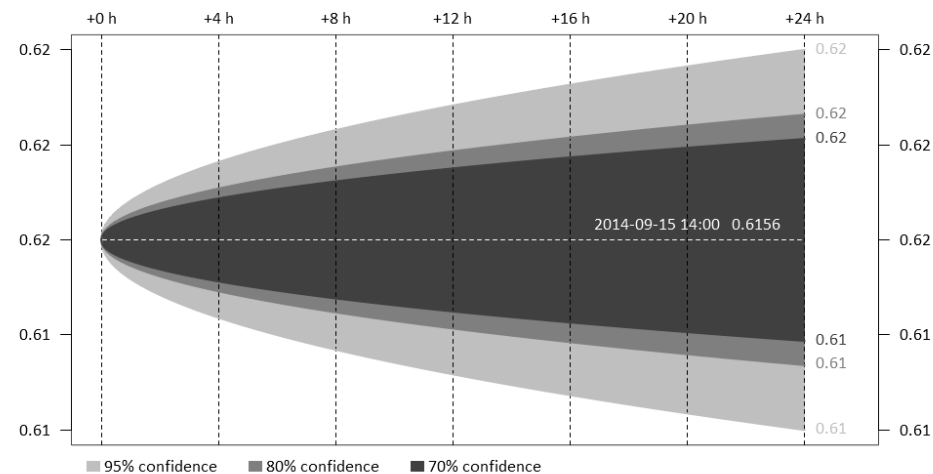
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.61	0.4	0.9	0.42	0.48	0.55	0.74
20	0.43	0.47	0.89	0.46	0.39	0.53	0.71
130	0.27	0.4	0.88	0.31	0.21	0.37	0.58
250	0.24	0.45	0.86	0.3	0.22	0.34	0.59

# Confidence Intervals for Next 24 Hours

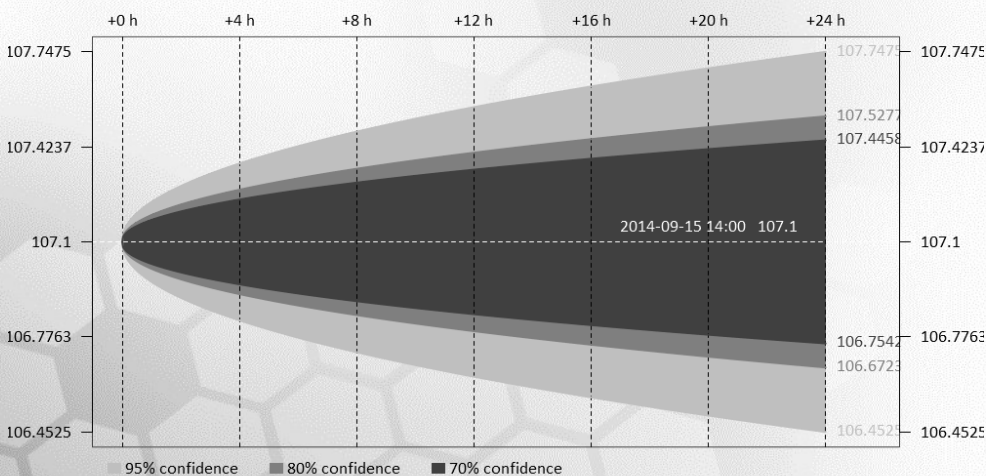
EURUSD Potential Rates



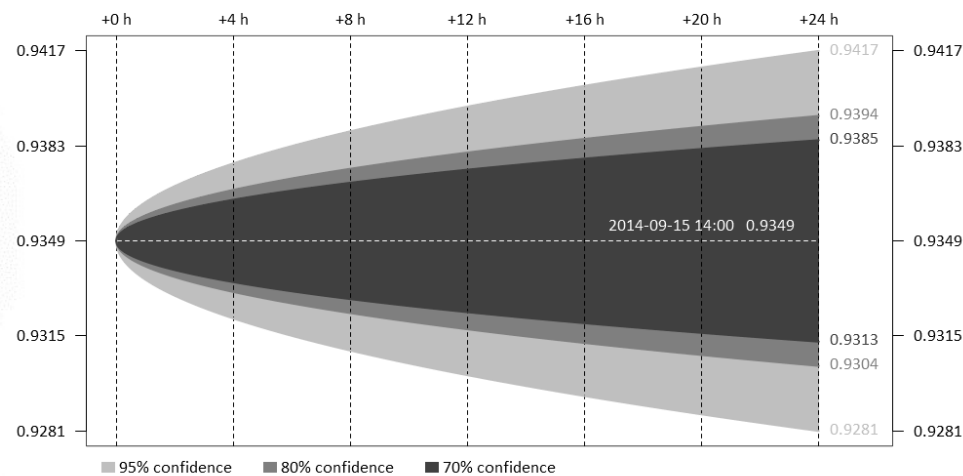
GBPUSD Potential Rates



USDJPY Potential Rates



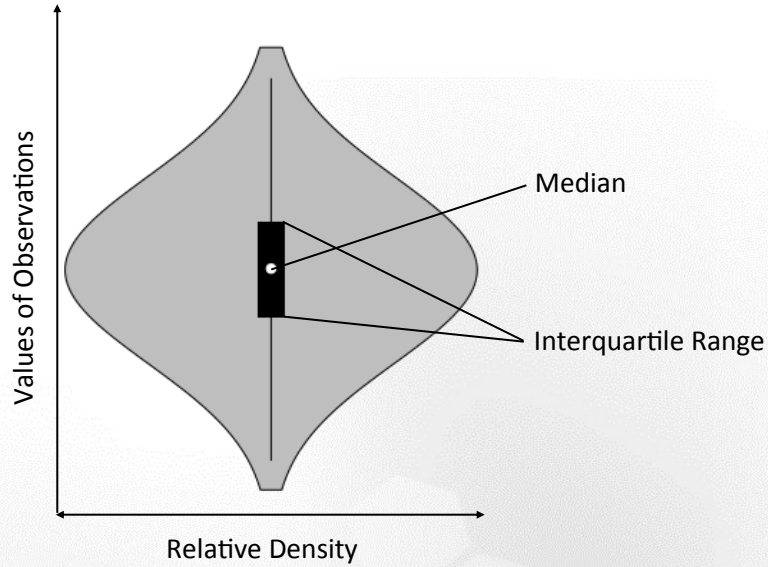
USDCHF Potential Rates



# 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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