



AUD

17/09/2014



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Market Research





Dominant Events of the Period

Yellow Area

September 10

00:30 - 22:00

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

Turquoise Area

September 11

01:00 - 14:30

- Australian Unemployment, Consumer Inflation Expectations
- German CPI
- ECB Monthly Report
- U.S. Jobless Claims

Blue Area

September 12

00:00 - 16:30

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

Purple Area

September 16

01:00 - 16:00

- RBA Meeting's Minutes
- BoJ Governor Speech
- UK CPI
- German and Euro zone ZEW Survey
- U.S. PPI

AUD Currency Index Range

0.74%

0.95%

0.58%

0.7%

Average AUD Volatility Index

1.26

2.03

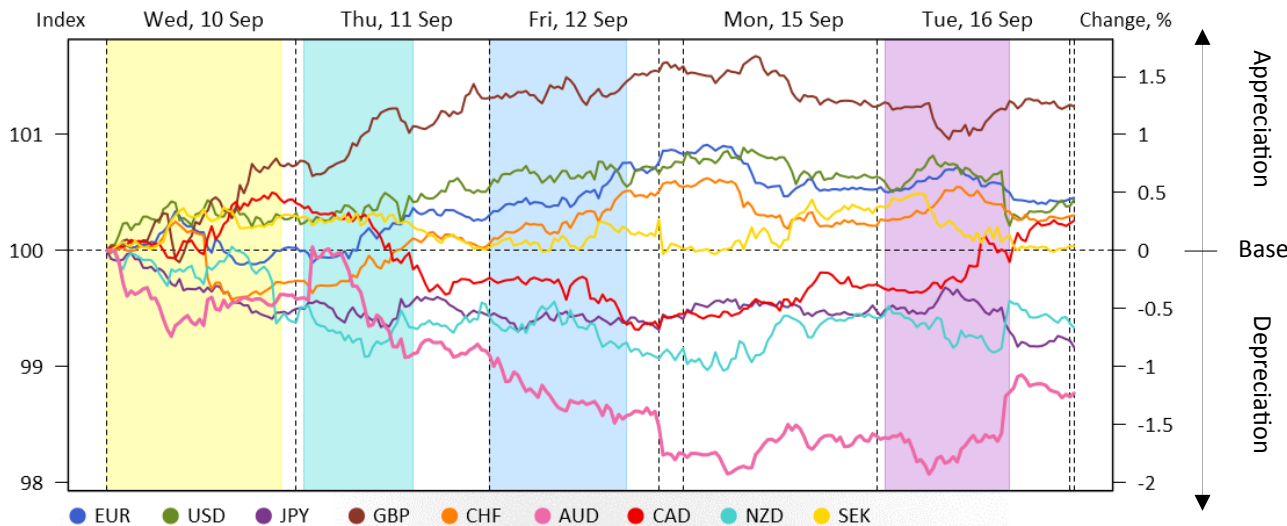
1.15

1.17



Relative Currency Strength

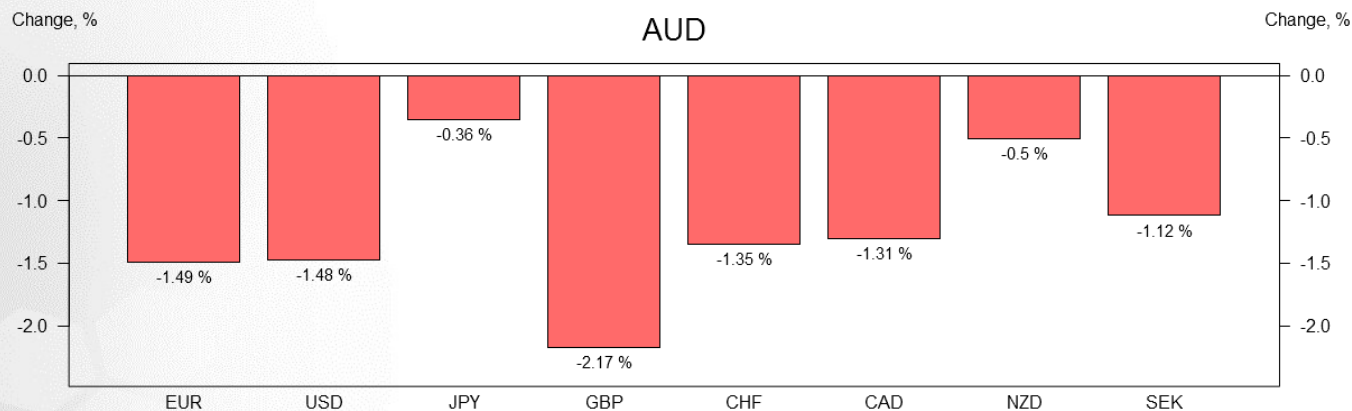
Currency Indices



The Australian dollar continued on a steep downtrend that started with a slump on September 9. Losing 1.23% from its Wednesday value, the AUD Index showed the worst results among the observed currencies for the third consecutive period. The index still managed to hold in the appreciation area on a longer-term scale, but its monthly change slipped below zero.

Over the past five trading days, the Aussie lost more than 2% against the pound, whose Currency Index spent the period in the leading position, and yielded almost 1.5% to both the U.S. dollar and the Euro.

Despite the fact that the AUD Index spent the period on a downtrend, its sharpest changes were associated with surges rather than drops. The most notable one took place on Thursday, when Australian employment numbers left the forecasts far behind and posted its largest rise on record, pushing the index up 0.5 points and across the baseline. Another positive change came at the end of the period, as the Aussie strengthened against the background of reported PBOC decision to fight weakening growth by liquidity injection into the country's banking system. The news from Australia's biggest business partner earned the AUD Index a 0.4 points rise and drove it away from the period's lowest levels.



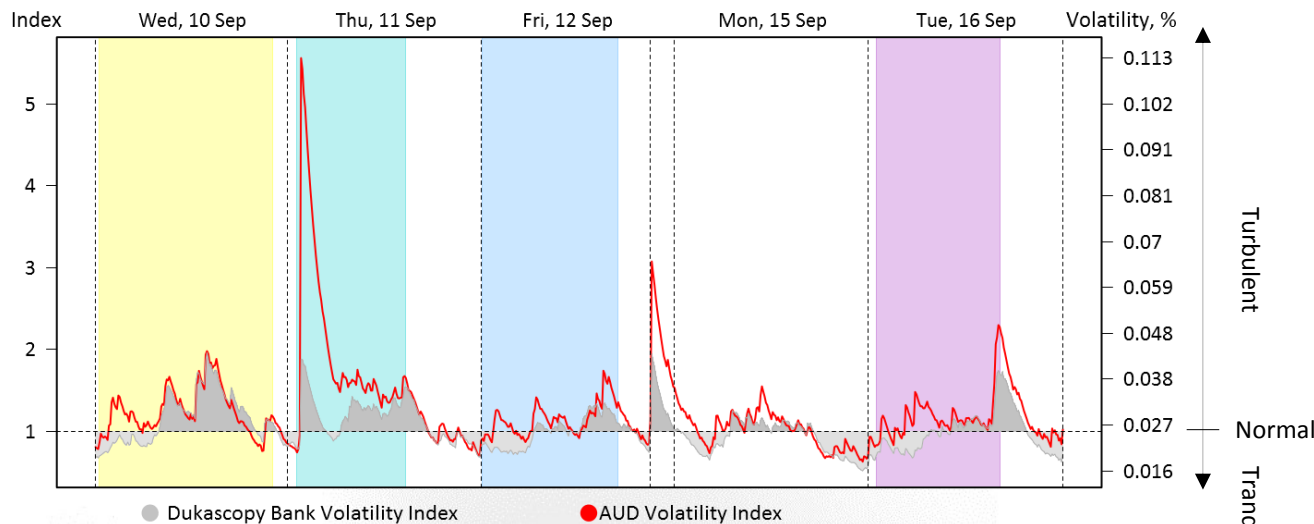
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.45%	0.44%	-0.83%	1.24%	0.3%	-1.23%	0.26%	-0.67%	0.04%
20	-0.52%	2.61%	-2.13%	0.14%	-0.32%	-0.15%	2.41%	-0.54%	-1.48%
130	-3.3%	4.76%	-1.65%	2.37%	-2.55%	4.24%	6.96%	-1.23%	-8.37%
250	0.1%	3.34%	-5.56%	5.84%	2.62%	0.52%	-3.6%	3.42%	-6.69%



Volatility

Volatility



The past week was marked by the incredibly high portion of the elevated volatility, as the AUD Volatility Index held above the historical level for more than 70% of the observed period. Almost all Aussie's index components were elevated for more than 60% of the time, with the measure for AUD/USD reaching as high as 78%. Nevertheless, with the exception of a few peaks, volatility indexes did not exceed a 2 points level. The most noticeable volatility spikes occurred in pairs AUD/NZD and AUD/USD, whose indexes surged to 6.95 and 6.04 marks, respectively. Meanwhile, the portion of elevated market volatility has slightly come down compared to the previous week.

The lowering of the Australian Westpac consumer confidence has managed the AUD Volatility Index to rise at the very beginning of the period, and the index was holding above its historical level throughout September 10. However, the main Wednesday's surge was caused by the UK inflation report hearings. On Thursday, right after the favourable employment data, the index has jumped to the week's highest value of 5.56. In the meantime, the market volatility reached only 1.88 points. The elevation of the AUD volatility during the rest of the period mostly was caused by the other countries news. Thus, Chinese news on September 16 evening has raised the AUD index to the period's third highest level of 2.3.

Elevated Volatility (% of the observed period)

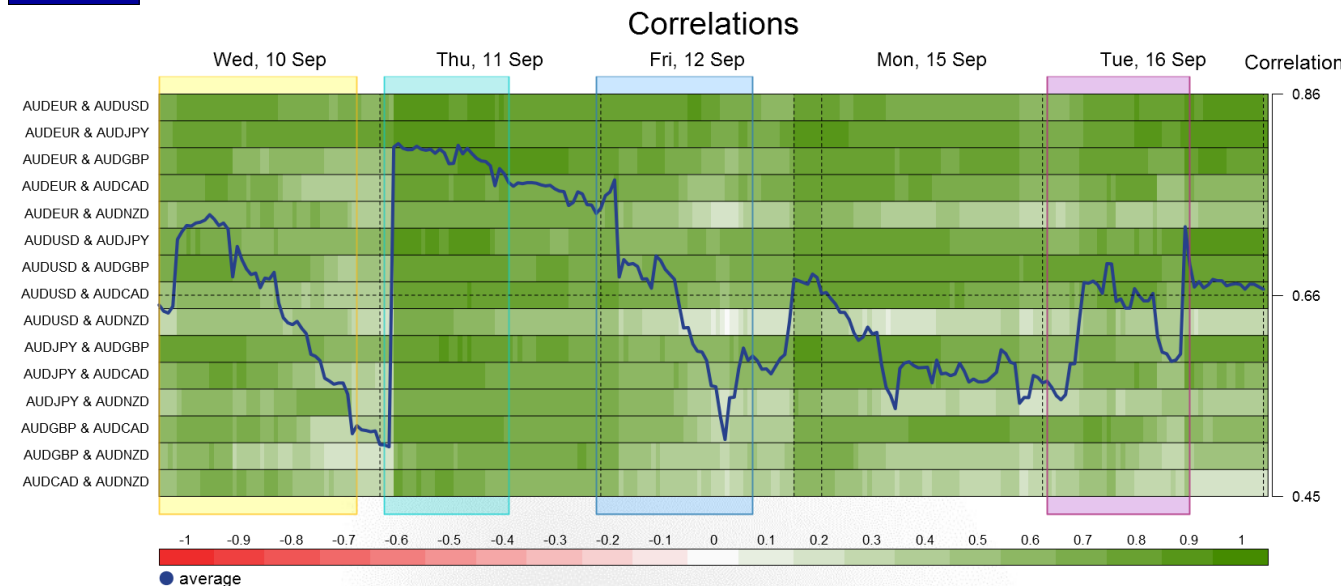
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK	
	52	72	57	78	68	60	62	69	68	59

Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.96	5.56	5.18	6.04	5.73	5.49	5.27	5.58	6.95	4.7
Min	0.52	0.63	0.55	0.6	0.46	0.58	0.58	0.6	0.51	0.46
Average	1.04	1.25	1.18	1.45	1.29	1.24	1.25	1.24	1.29	1.14



Currency Significance

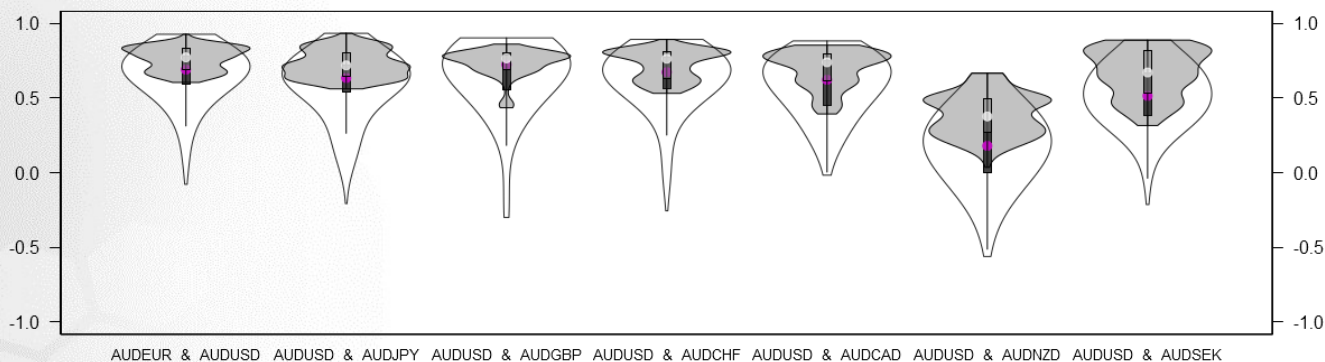


The AUD composite correlation held on such exceptionally high levels throughout the period, that its minimum value ended up greater than the maximums of the Euro and the yen measures. The strengthening was palpable in all AUD/USD components, as their period's averages exceeded the historical values for 0.1-0.2 points, and 5-day distributions cut their lower tails short. Admittedly, however, it was the case when the growth in the significance measure originated from the currency's weakening across the board.

During the period, the AUD composite was challenged only by its neighbouring New Zealand dollar's gauge, but on late Tuesday the USD measure surged 0.4 points, eventually posting a 0.74 closing value against the Aussie's 0.66.

Aside from the remarkable surge the Aussie's significance measure, much like its Currency and Volatility Indexes, experienced in the aftermath of the employment data release, the composite's movements during the period were relatively calm. Friday was marked by a rather steep return to the pre-surge level, but the beginning of the new week saw the composite move more smoothly, with the changes in the components less coordinated. Interestingly, two rapid significant measure's rises on Tuesday were associated with opposite developments in the exchange rates—the composite first gained 0.1 points on the Aussie's decline, and then advanced another 0.1 points as the currency strengthened against its peers.

Correlations (5 vs 20 days)

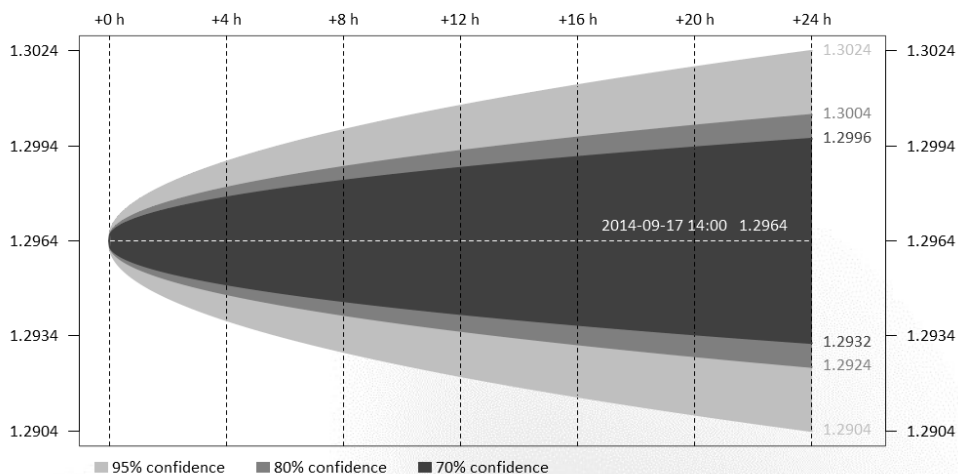


Mean Correlation Coefficient (with AUDUSD)

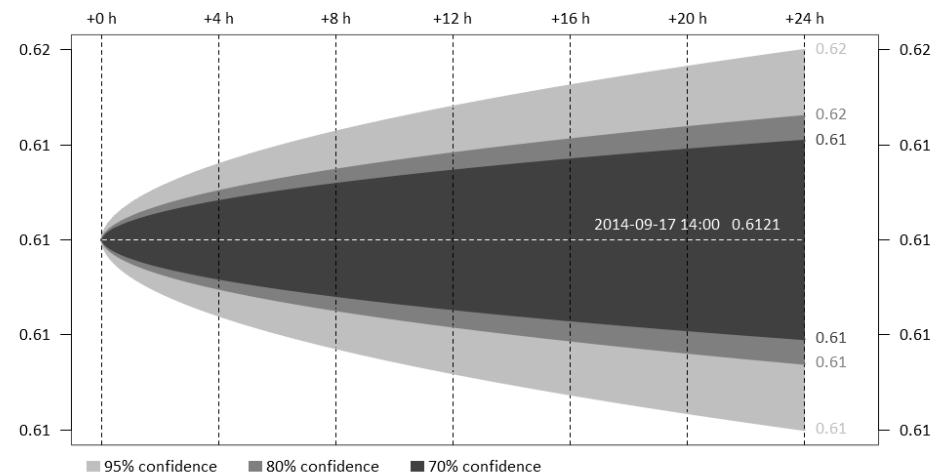
Days	AUDEUR	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.76	0.73	0.73	0.72	0.69	0.39	0.67
20	0.66	0.59	0.65	0.63	0.59	0.17	0.52
130	0.72	0.7	0.75	0.67	0.68	0.25	0.54
250	0.75	0.72	0.76	0.7	0.71	0.27	0.58

Confidence Intervals for Next 24 Hours

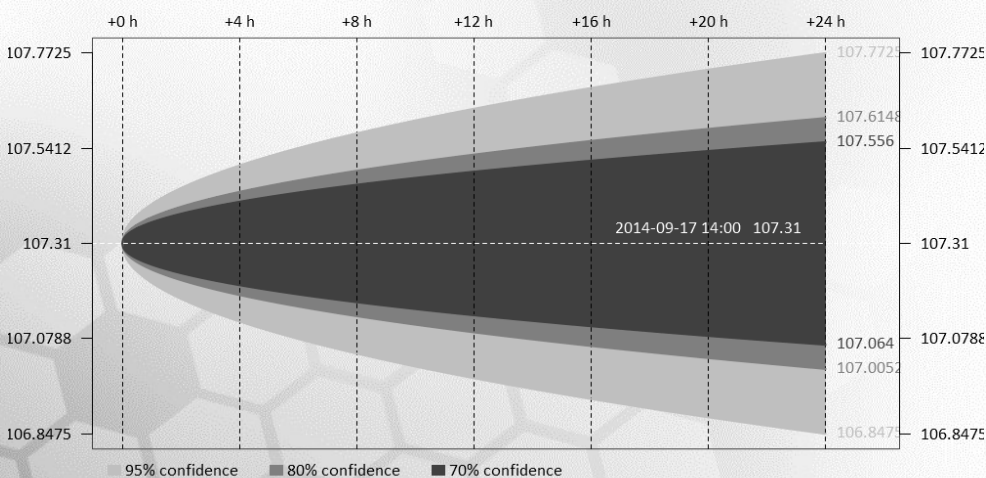
EURUSD Potential Rates



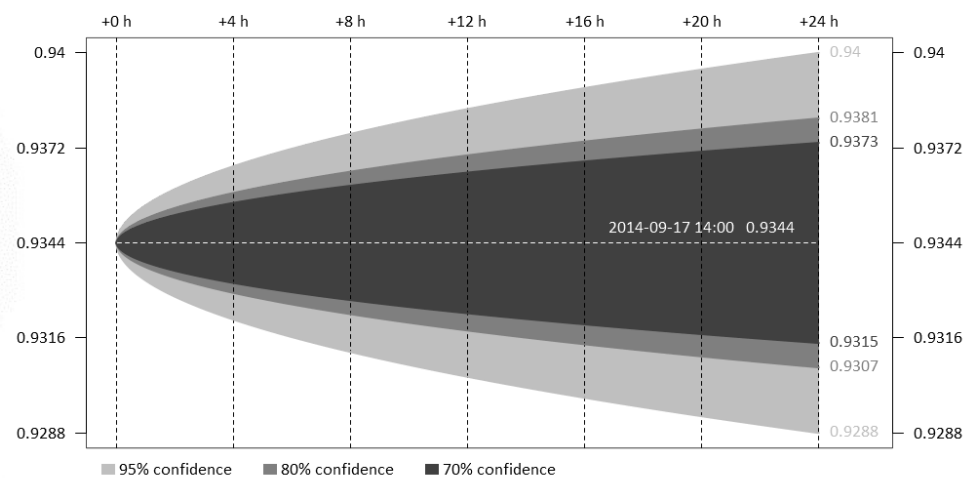
GBPUSD Potential Rates



USDJPY Potential Rates



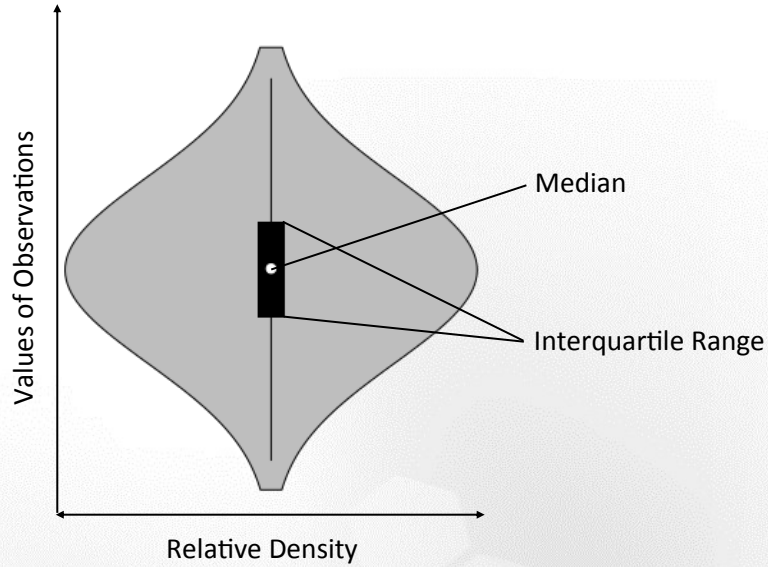
USDCHF Potential Rates



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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