



EUR

19/09/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

September 12

09:00 - 18:00

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

Turquoise Area

September 16

08:30 - 16:30

- UK CPI
- German and Euro zone ZEW Survey
- U.S. PPI

Blue Area

September 17

06:30 - 21:30

- BoE Minutes, MPC Vote, ILO Unemployment Rate, Claimant Count
- Euro zone CPI
- Swiss ZEW Survey
- U.S. CPI, Fed Monetary Policy Statement, FOMC Economic Projections

Purple Area

September 18

05:00 - 23:00

- Scottish Independence Referendum
- Swiss Trade Balance, SNB Interest Rate Decision
- UK Retail Sales
- ECB Targeted LTRO
- U.S. Building Permits, Housing Starts, Jobless Claims

EUR Currency Index Range

0.38%

0.22%

0.26%

0.24%

Average EUR Volatility Index

1.04

1.04

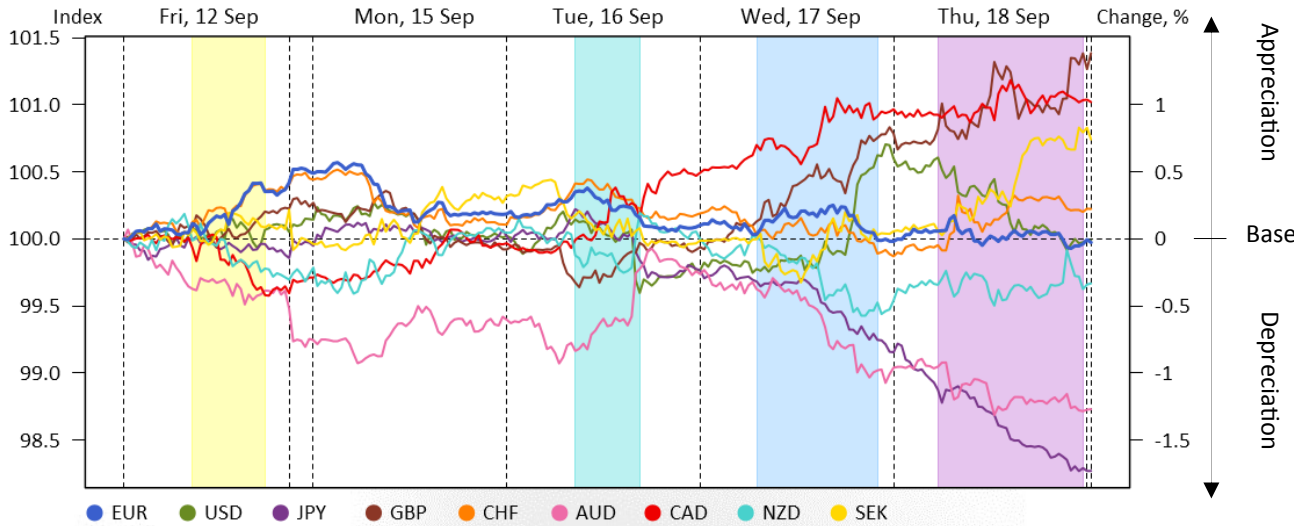
1.19

1.19



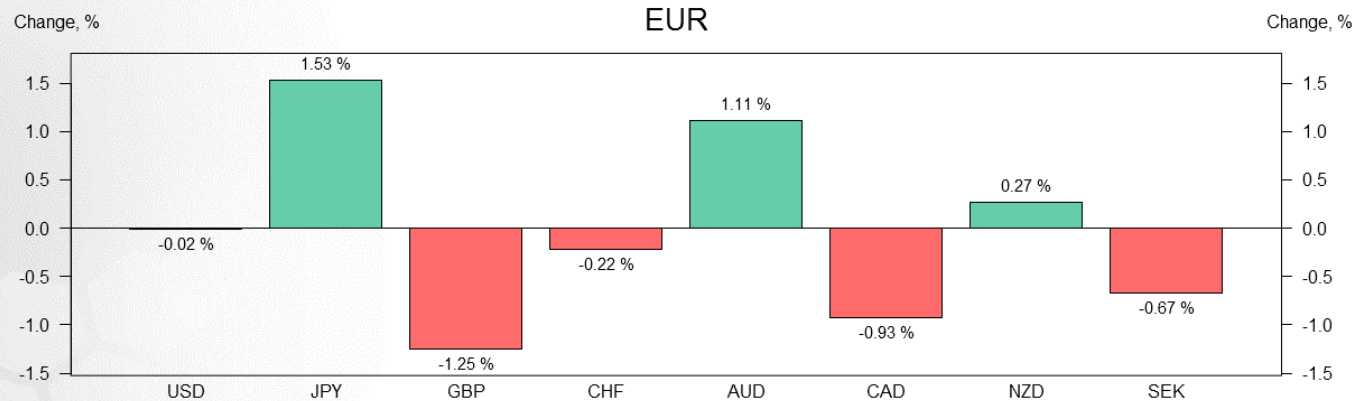
Relative Currency Strength

Currency Indices



The EUR Index was steadily growing after its slump over the ECB's rate cut on September 4, but this week seemed to see its long recovery come to a halt. The single currency posted losses against four of its observed peers and came at a tie with the Greenback, thus outweighing only the yen, the Aussie, and the Kiwi. The fallback, however, was not major enough to critically affect the index long-term performance — its monthly and half-yearly losses stayed around the same level, while the yearly change slid from +0.1% to slightly below zero.

The EUR index showed smooth performance during the period and did not go through any remarkable surges or dips. It started off with a rapid upswing on Friday, after the region's industrial production and employment were reported to pick up from their previous readings, but opened the new week with a loss of its freshly claimed position. On Wednesday, the upward revision of CPI pushed the EUR Index 0.1 points up, but the long-awaited Fed' monetary policy decision and the dollar's hasty gains glued the index to the baseline, eating away the last bits of the period's advancements. The ECB's humbler-than-expected allotment of the first targeted LTRO weighted the Euro on Thursday, preventing the index from recovering and putting it at a zero change over the period.



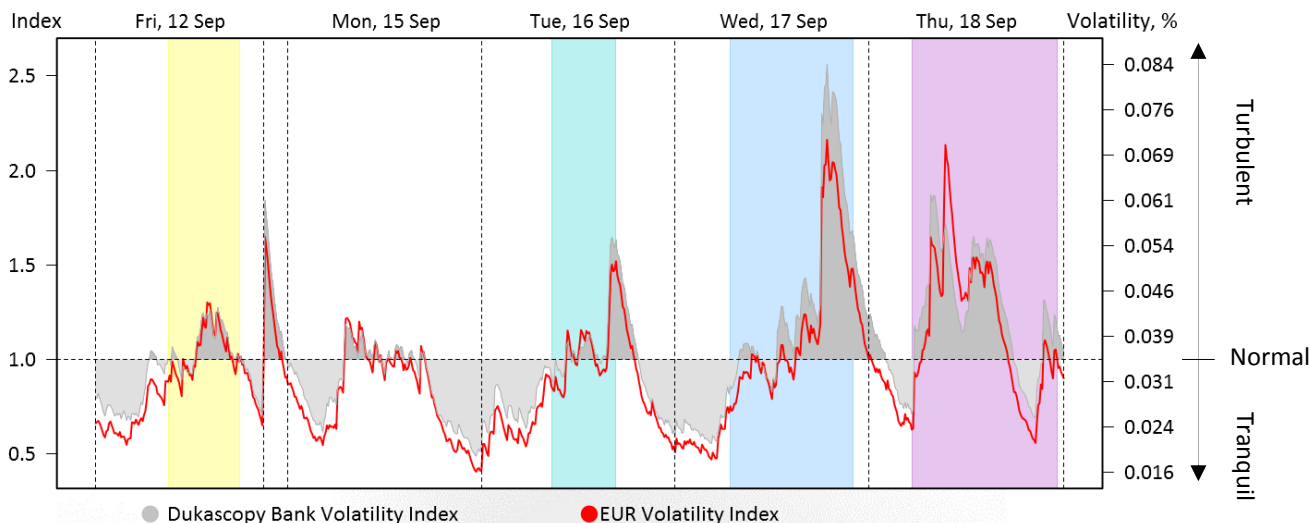
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.03%	-0.01%	-1.73%	1.39%	0.22%	-1.27%	1.02%	-0.33%	0.74%
20	-0.59%	2.45%	-2.86%	1.49%	-0.28%	-1.38%	2.65%	-0.9%	-0.69%
130	-3.27%	3.8%	-2.99%	3.34%	-2.25%	3.24%	7.57%	-1.31%	-7.26%
250	-0.01%	5.16%	-6.43%	7.29%	2.45%	-1.06%	-2.53%	1.97%	-6.83%



Volatility

Volatility



The period saw the turbulence subside from the extraordinary levels of the previous week, with the portion of elevated volatility falling back below 50% for the market and closer to usual 30% for the Euro. The maximum values of volatility, however, were renewed, as Wednesday and Thursday brought in sharp peaks to both the market's and the single currency's indexes. Among the Euro crosses, EUR/SEK, EUR/NZD, and EUR/AUD reported the greatest portions of elevated volatility, all gauges reaching above 40%, while EUR/SEK and EUR/CHF spiked to highest values, both posting maxima of over 5 points.

The EUR Volatility Index spent the period in perfect synch with the overall gauge, mostly keeping about 0.1 points below the market's line. Some notable exceptions, however, took place in second half of the period. On Wednesday, the market volatility, fuelled by the U.S. dollar's surges, exceeded that of the Euro by 0.4 points, while on Thursday the SNB's decision to leave its interest rate unchanged and promise to continue to enforce the minimum exchange rate pushed the Swiss franc up and the overall volatility index 0.3 points above the Euro's. Tables turned later on Thursday, as the Euro's zigzagging around the ECB's announcement on its targeted LTRO caused its volatility index to reach the period's second highest level at 0.4 points above the market.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
48	35	36	23	26	39	42	27	43	47

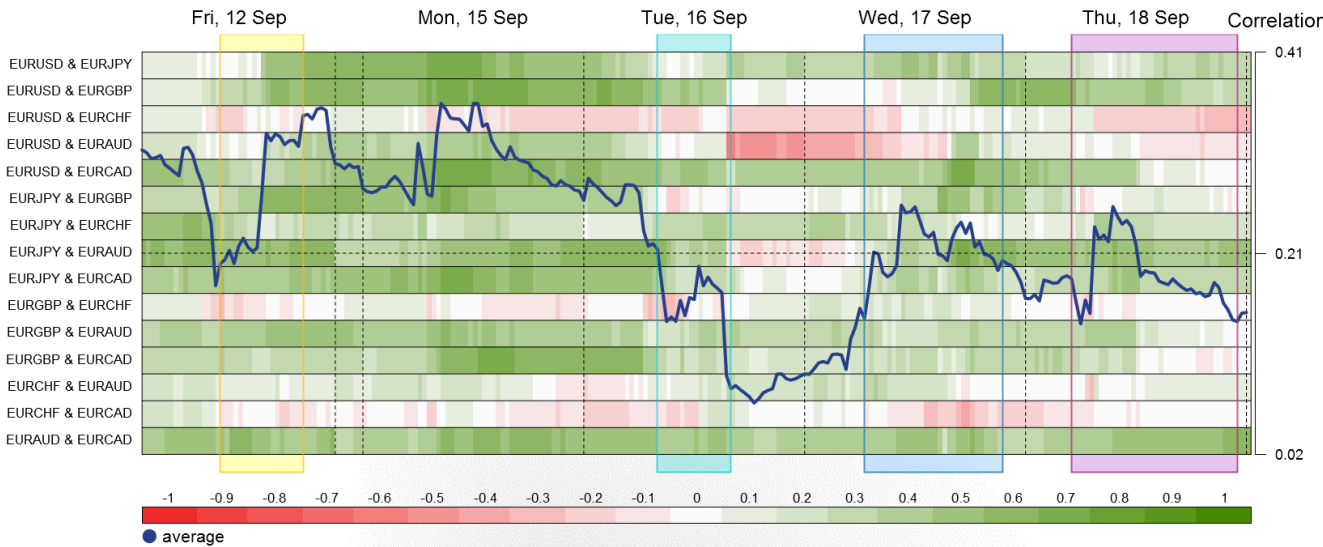
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.56	2.16	3.94	2.45	2.64	5.34	2.66	1.8	2.95	5.48
Min	0.49	0.41	0.28	0.34	0.31	0.32	0.48	0.34	0.39	0.2
Average	1.03	0.94	1	0.83	0.84	1.04	0.99	0.83	0.99	1.06



Currency Significance

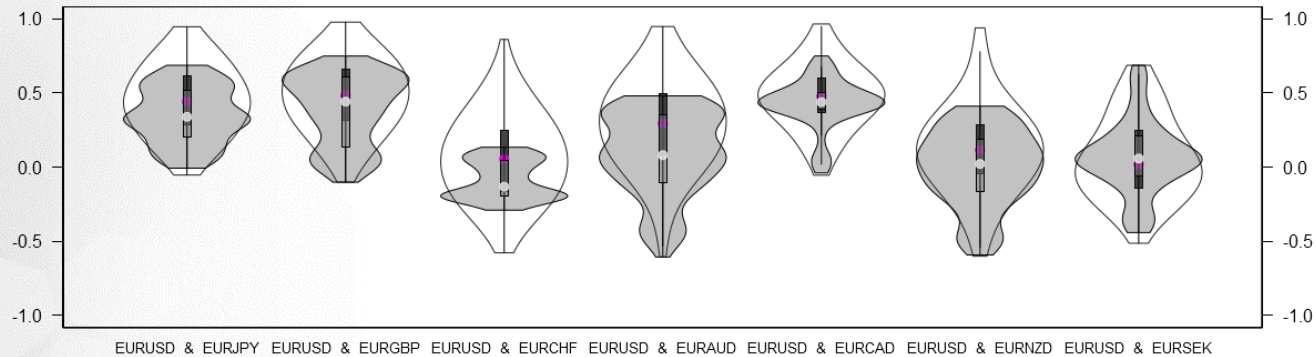
Correlations



After the sharp drop of the Euro significance measure in the beginning of the previous period, the composite continued to hold on quite a low level, fluctuating within the range of 0.07-0.36. The mean values of most components also remained virtually unchanged. The only exceptions were EUR/USD correlations with EUR/AUD and EUR/NZD, whose bonds have noticeably weakened and even became strongly negative right after the PBoC announcement. Compared to the long-term values, averages of all components were reduced, and correlation distributions shifted down.

The Euro significance measure had a few ups-and-downs during the past week, but its general tendency was to decline. Having held on the level of 0.3 for the first two days, the composite began to decrease on Monday evening. The greatly lower-than-expected Euro zone ZEW Economic sentiment became the main cause of the measure decrease, and by Tuesday midday it reduced up to the 0.07 mark, reaching the minimum value of the week. The encouraging Euro zone CPI data has pushed the composite up, and it has reached a 0.26 level. Nevertheless, after the ECB's TLTRO announcement came out, the measure started lowering again, and ended the period on the 0.15 mark.

Correlations (5 vs 20 days)

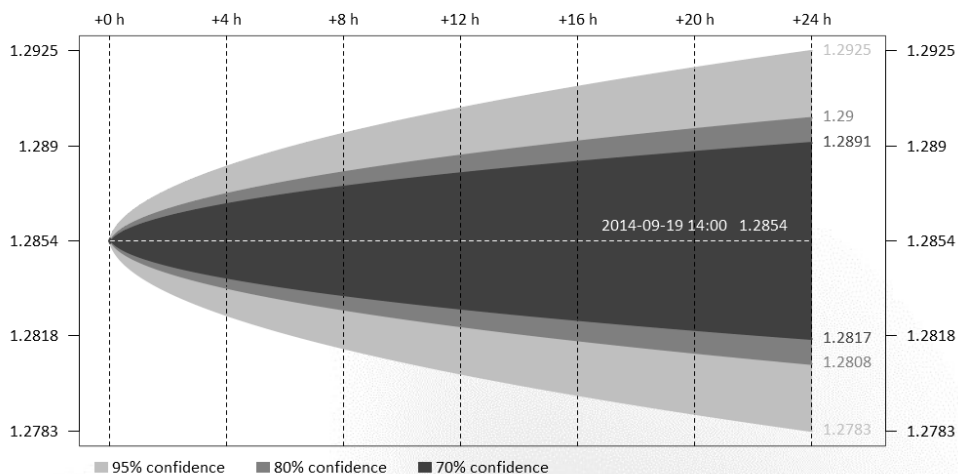


Mean Correlation Coefficient (with EURUSD)

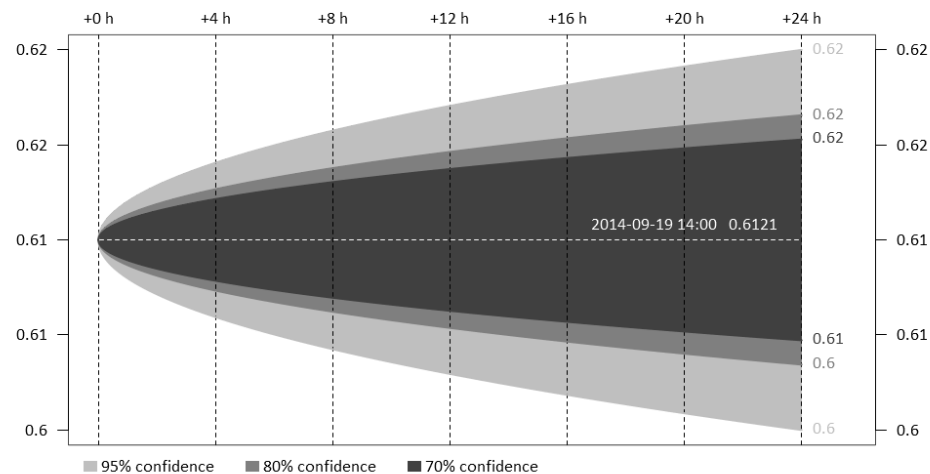
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.35	0.39	-0.09	0.08	0.43	-0.01	0.06
20	0.45	0.48	0.07	0.29	0.47	0.12	0.06
130	0.51	0.55	-0.14	0.35	0.56	0.22	0.07
250	0.5	0.49	-0.11	0.33	0.57	0.25	0.07

Confidence Intervals for Next 24 Hours

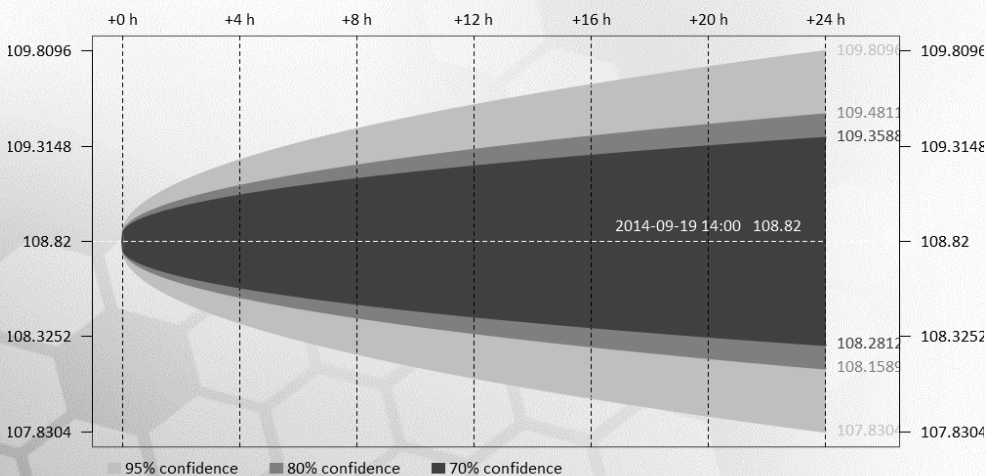
EURUSD Potential Rates



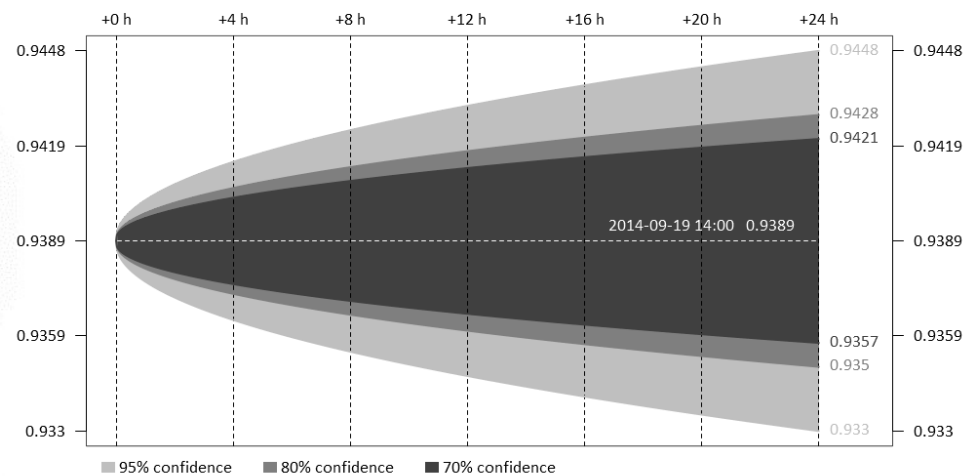
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

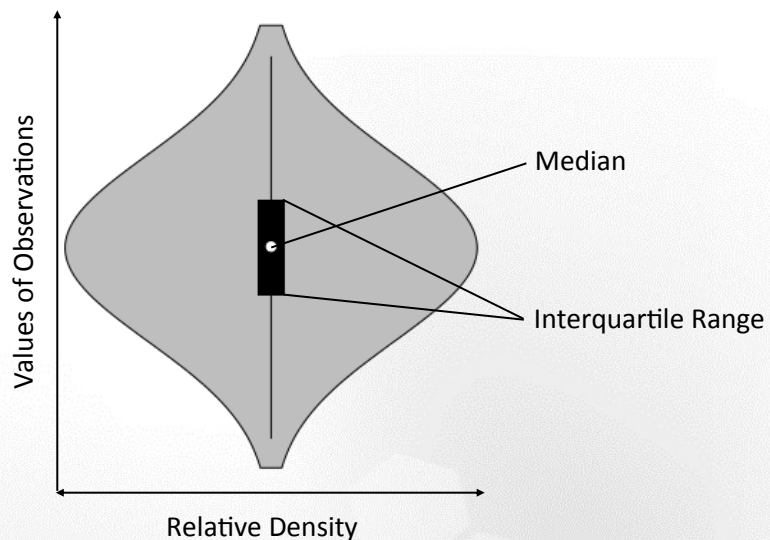
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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