



**USD**

22/09/2014



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# Dominant Events of the Period

## Yellow Area

September 16

15:00 - 17:00

- U.S. Treasury Bill Auction
- BoC Governor Speech

## Turquoise Area

September 17

12:00 - 22:00

- U.S. CPI, Fed Monetary Policy Statement, FOMC Economic Projections

## Blue Area

September 18

05:00 - 17:00

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

## Purple Area

September 19

00:30 - 16:00

- Japanese All Industry Activity Index, Coincident Index, Leading Economic Index
- Canadian CPI
- CB Leading Indicator

USD Currency Index Range

0.47%

0.86%

0.58%

0.55%

Average USD Volatility Index

1.85

2.15

1.48

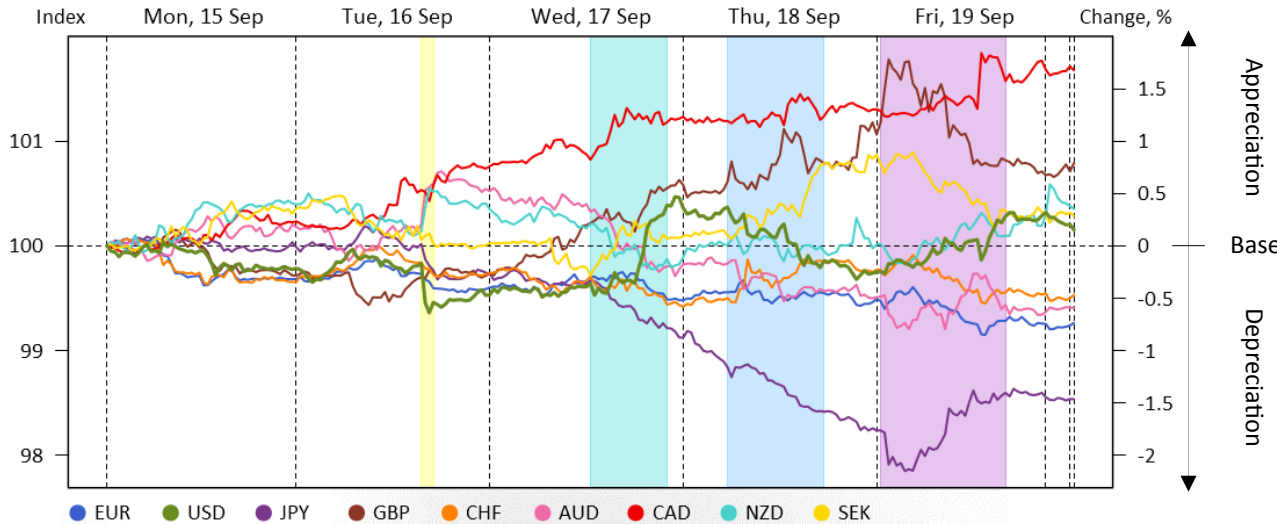
1.5





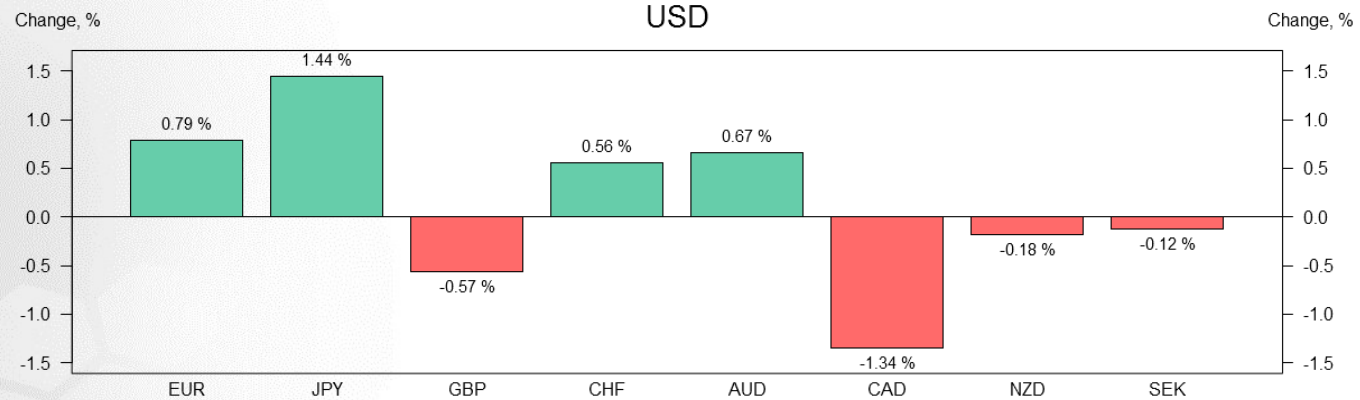
# Relative Currency Strength

Currency Indices



After the persistent uptrend of September 8-12 week, the movements of the USD Index became less ordered as the gauge wound around the baseline. By the end of the period the index came to be the last among gain-posting currencies, with the dollar outperforming only a half of its observed peers. A 0.15% gain over the base value proved to be moderate compared to 1% advancements the index was posting in the previous periods, and slowed down monthly and half-yearly growth. The yearly change, however, gained 1% to report a 5% increase. With that the USD Index turned out to be second-best on a longer-term basis, yielding, on different timeframes, to the pound and the Loonie.

The two sharpest changes of USD Index this period were associated with the FOMC meeting and the subsequent release of the statement on monetary policy. On Tuesday, the index suffered its swiftest fall, losing 0.5 points as the dollar dipped against its peers on speculations that the Fed will not discard the “considerable time” wording when talking about the rate hike. However, the next day, as the statement indeed proved to be little different than the June’s, but the dot plots send a more hawkish message, the index gained a total of 0.8 points in five hours. The unexpected decline in CPI announced earlier that day was somewhat lost amid anticipation of later developments, and cost the USD index only 0.11 points. Better than expected Canadian inflation, in turn, ate away 0.19 points.



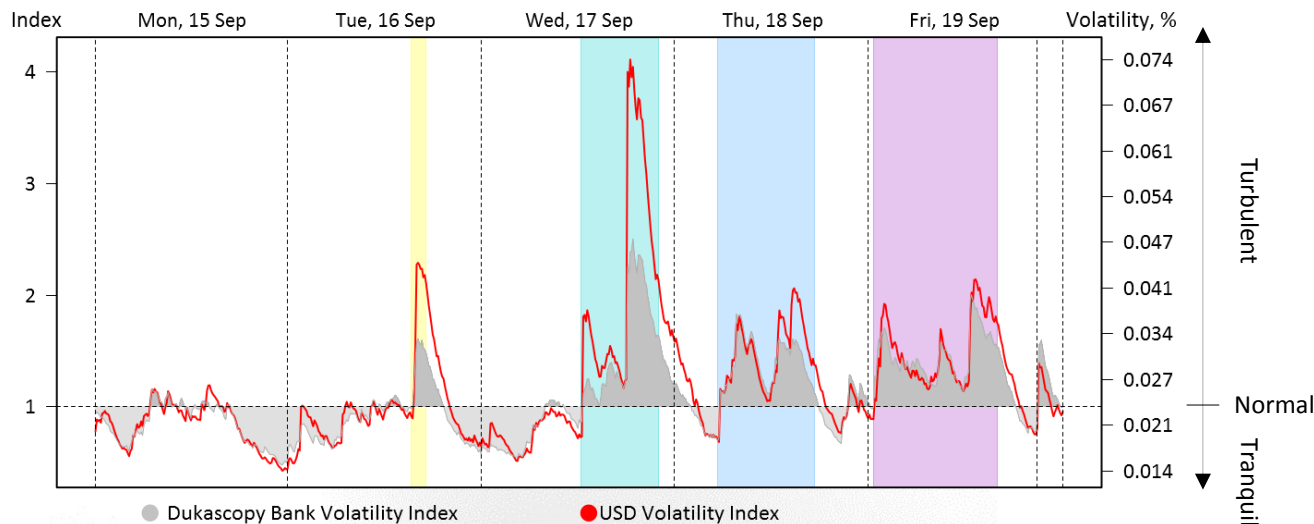
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.73%	0.15%	-1.46%	0.79%	-0.47%	-0.59%	1.68%	0.35%	0.28%
20	-0.62%	2.75%	-2.52%	1.03%	-0.34%	-1.77%	2.92%	-0.67%	-0.88%
130	-3.45%	4.42%	-2.72%	3.17%	-2.5%	2.57%	7.67%	-1%	-7.49%
250	-0.77%	5.06%	-5.35%	7.36%	1.44%	-0.26%	-1.7%	2.27%	-8.07%



# Volatility

## Volatility



The market seemed to have returned to the usual order of calmer Monday and Tuesday and more turbulent second part of the week, but the portions of elevated volatility still remained increased. The dollar was among the majority of currencies for whom the measure reached as high as 50%, but also reported to be 1% calmer than the market — a change from several previous periods when the standings were opposite. For the second week in a row all USD volatility components had their average values above the normal level, with most reaching maxima of over 4 points.

The USD Volatility Index was mostly affected by the region’s news, with all main events clearly visible in its superiority over the market’s turbulence. Tuesday’s dip of the dollar and Wednesday’s CPI data lifted the Greenback’s index 0.7 points above that of the market, while the Fed’s press conference resulted in a 1.7 points gap. GBP/USD and USD/CAD indexes were the only components that did not reach their maxima on Wednesday. The former reached over 3 points level during the night of September 19, fuelled by the pound’s rally against the background of Scottish independence referendum, while the later peaked above 5.7 points as the Loonie strengthened on Canadian CPI numbers.

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

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
53	52	43	53	50	49	61	43	63	51

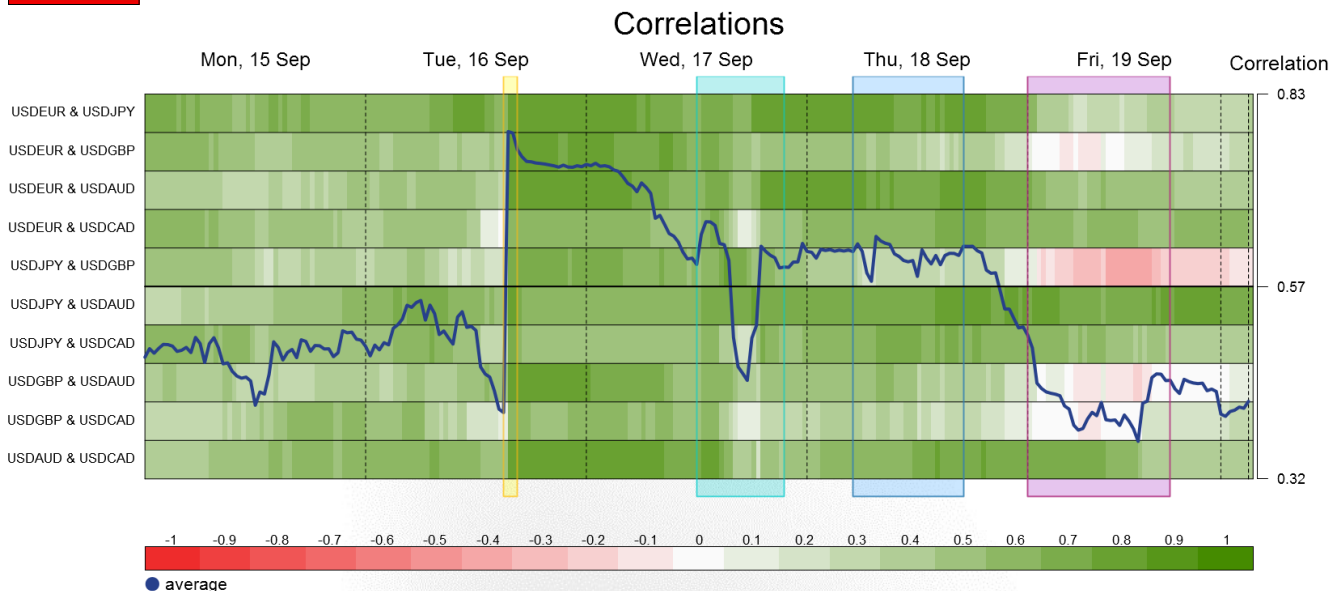
### Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.51	4.11	4.62	4.72	3.04	3.91	4.39	5.75	5.57	4.2
Min	0.48	0.43	0.39	0.31	0.32	0.3	0.55	0.37	0.46	0.34
Average	1.08	1.17	1.03	1.24	1.15	1.1	1.26	1.17	1.29	1.11





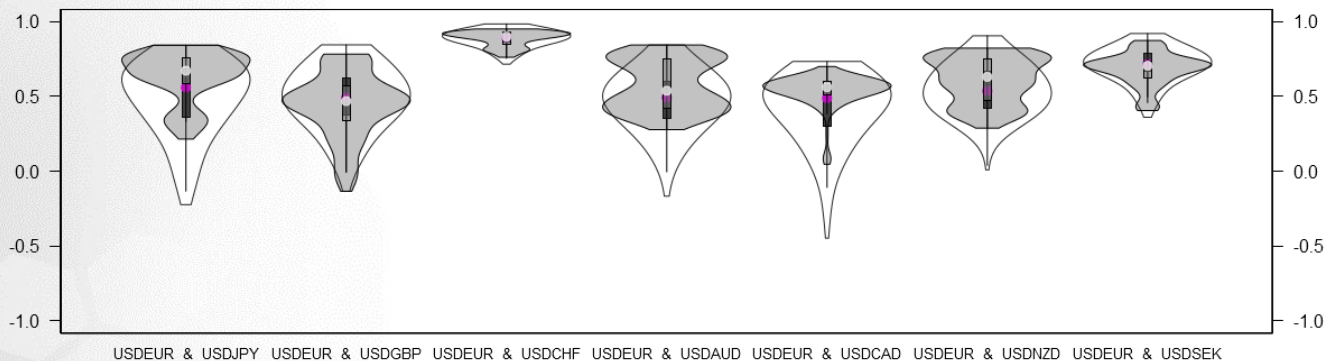
# Currency Significance



The overall performance of the USD significance measure remained unchanged from the previous period. The composite ranged from 0.37 to 0.78 and was mostly holding below the average level, while almost all components rose slightly compared to their long-term values. The most noticeable growth was observed in correlations between EUR/USD and AUD/USD, where the bond has strengthened by 0.16 points. In turn, the biggest loss occurred in EUR/USD correlation with USD/SEK, but it only made up 0.06 points. Distributions of the component correlations have pulled lower tails closer to the center, and some of them even made their upper tails heavier.

The beginning of the week was rather calm, and the USD measure was fluctuating in the range from 0.41 to 0.56. The main surge of the week occurred on Tuesday, when the composite jumped by 0.37 points and reached the week's maximum value of 0.78 as the dollar dipped against its peers. Nevertheless, the composite has failed to hold on this level, and on Wednesday midday reduced to the 0.61 mark. The Fed's monetary policy statement caused the sharp, but brief drop of the USD measure, and the composite quickly came back to its previous level. The end of the week was marked by the smooth decreasing of the composite, and it ended the period below its initial level.

## Correlations (5 vs 20 days)

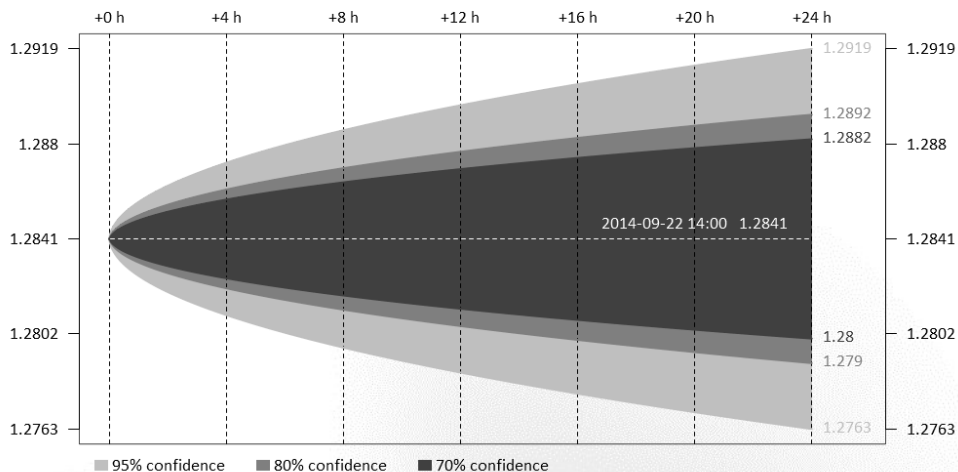


## Mean Correlation Coefficient (with USDEUR)

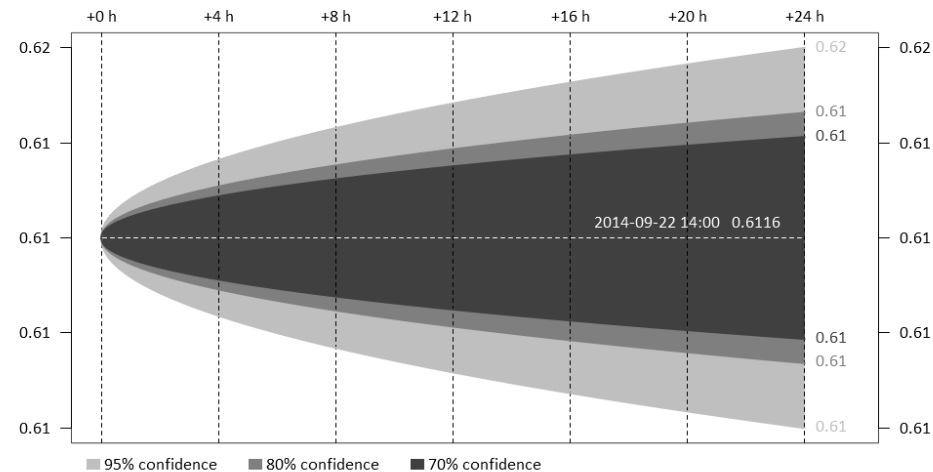
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.63	0.44	0.88	0.58	0.54	0.61	0.68
20	0.49	0.49	0.89	0.47	0.42	0.54	0.71
130	0.3	0.39	0.88	0.32	0.22	0.38	0.58
250	0.25	0.44	0.86	0.31	0.22	0.34	0.59

# Confidence Intervals for Next 24 Hours

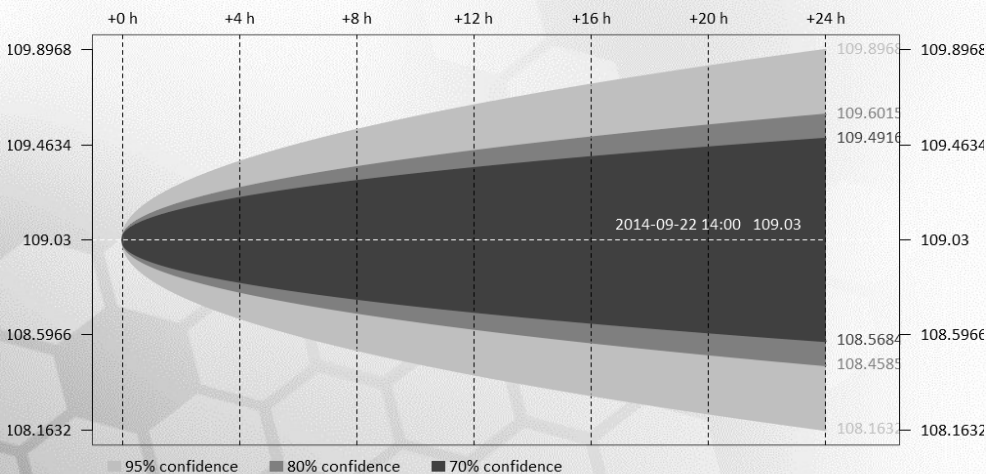
EURUSD Potential Rates



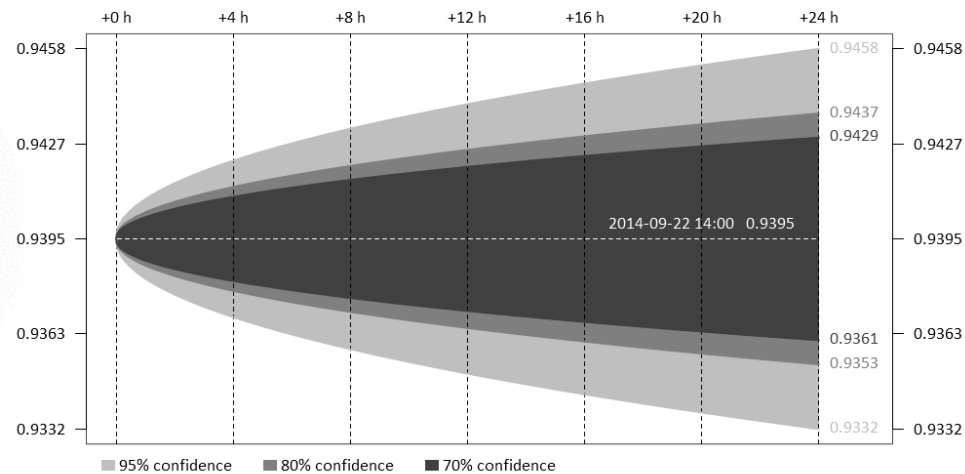
GBPUSD Potential Rates



USDJPY Potential Rates



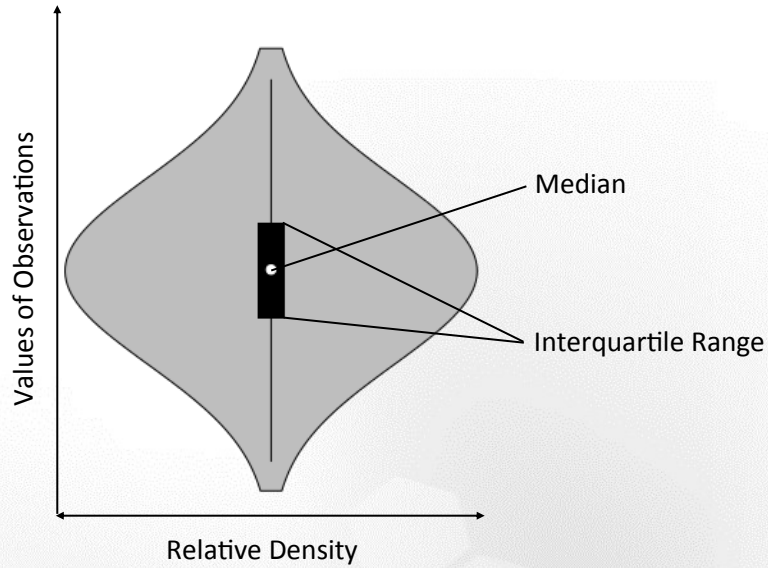
USDCHF Potential Rates



# 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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