



USD

29/09/2014



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Market Research



Monday, September 29, 2014
15:30 GMT

Dominant Events of the Period

Yellow Area

September 22

08:00 - 16:00

- ECB President Speech
- U.S. Existing Home Sales

Turquoise Area

September 23

06:30 - 17:00

- French GDP
- German Flash Markit Manufacturing and Services PMI
- Euro zone Flash Markit PMI
- Canadian Retail Sales
- U.S. Housing Price Index, Flash Markit Manufacturing PMI

Blue Area

September 24

07:00 - 17:30

- German IFO Survey
- SNB Quarterly Bulletin
- U.S. MBA Mortgage Applications, New Home Sales
- BoC Deputy Governor Speech

Purple Area

September 25

02:00 - 17:30

- RBA Governor Speech
- ECB President Speech
- U.S. Durable Goods Orders, Jobless Claims, Flash Markit PMI
- BoE Governor Speech

Orange Area

September 26

06:00 - 16:30

- German Gfk Confidence Survey
- U.S. GDP, Personal Consumption Expenditures, Michigan CSI

USD Currency Index Range

0.27%

0.59%

0.46%

0.59%

0.49%

Average USD Volatility Index

1.14

1.15

1.08

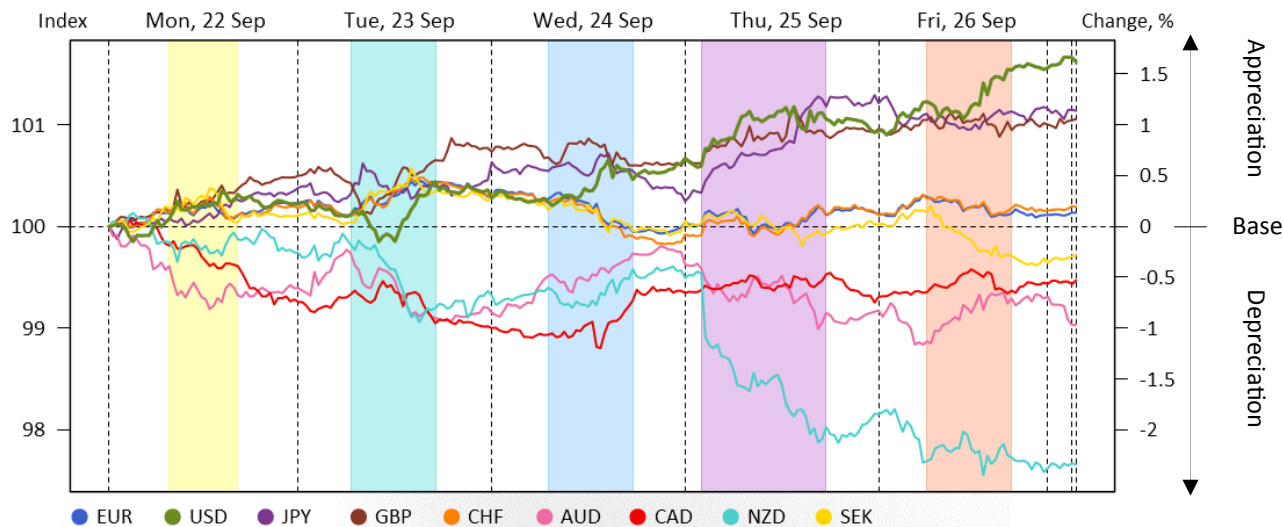
1.19

1.11



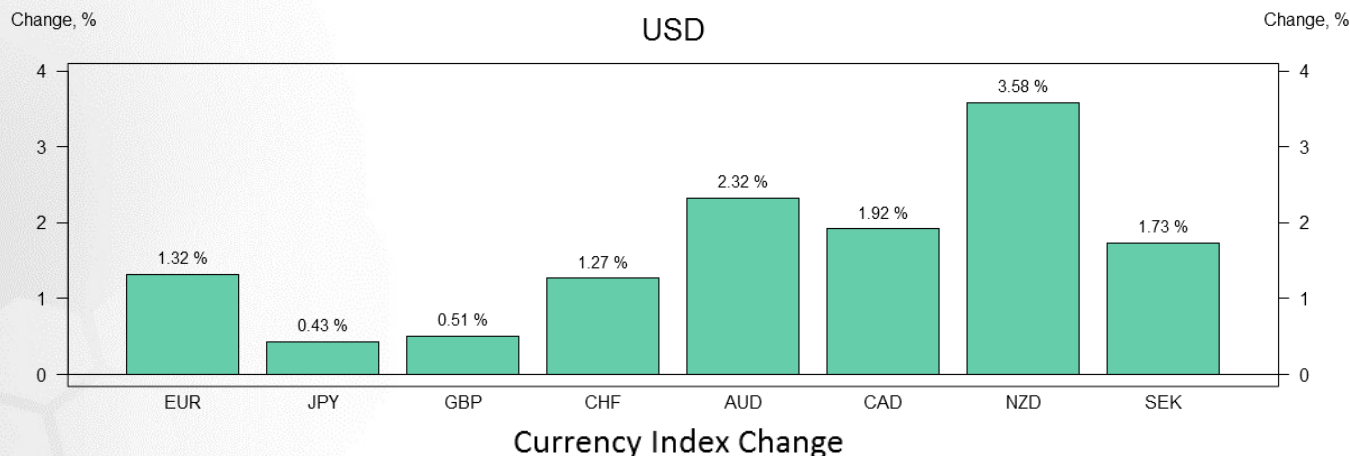
Relative Currency Strength

Currency Indices



The strengthening of the USD Index has been gaining pace since the Fed's monetary policy press conference on September 17, and by the end of the past period finally drove it to become the top performer. The index posted a 1.62% growth over the past week, almost 0.5% above its closest counterpart, as the dollar gained more than 1% over six of its observed peers. The USD Index also took a clear leading position in respect to the long-term advancements, with both half-yearly and yearly growth standing at over 6%, and monthly change reaching above +4%.

The USD Index spent the period on a steady uptrend, with the region's data serving as the main accelerating factor. On Wednesday, the index gained 0.2% in the hour following the release of the new home sales, which unexpectedly skyrocketed to their six-year high, while on Friday it jumped 0.22% as the GDP was revised up from its second estimate. The index fell below the baseline for only a brief moment on Tuesday, when the dollar tumbled against its peers, and went through a notable dip on Wednesday, weighted by the lower-than-expected services PMI estimation.



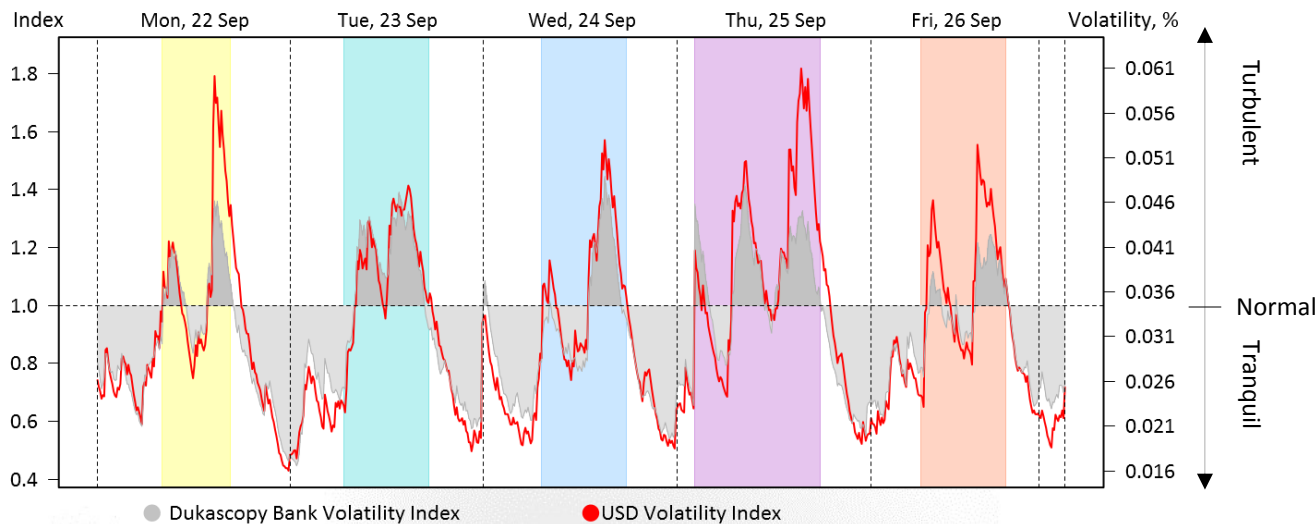
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.13%	1.62%	1.14%	1.06%	0.19%	-0.97%	-0.53%	-2.34%	-0.29%
20	0.15%	4.04%	-1.52%	1.84%	0.12%	-3.18%	1.28%	-2.61%	-0.19%
130	-2.68%	6.38%	-0.55%	3.52%	-1.53%	0.01%	5.83%	-4.19%	-6.24%
250	-0.31%	6.58%	-6.01%	7.31%	1.12%	-0.5%	-2.23%	0.94%	-6.87%



Volatility

Volatility



Volatility generally normalized during the past week, with the portions of overturbulence going down from their recent extreme levels and holding closer to the previous month's numbers. The USD Volatility Index reported an average of less than 1 for the first time since late August, but still indicated greater instability than the overall market's measure. The dollar was fourth both in terms of the index levels and the portion of elevated volatility, with its readings exceeded by those of the Asia-Pacific currencies on both accounts. Consistently, AUD/USD and NZD/USD were the only components with the portions of elevated volatility as high as 50%.

The USD Volatility Index spend a notable amount of time above the market's gauge, signalling that the Greenback played a considerable role in lifting the overall instability. The first major spike of the index lifted it 0.4 points above the market's measure on Monday, when the dollar briefly zigzagged at the unexpected drop of the U.S. home resales. On Thursday, the index reached its period's maximum of 1.8 points, 0.5 points above the overall volatility level, as the Greenback slipped on the disappointing PMI data and recovered shortly after. Friday's afternoon releases were the last ones to lift the USD Volatility Index, and though it spiked to a moderate level of 1.4, it stood good 0.3 points above the market's index.

Elevated Volatility (% of the observed period)

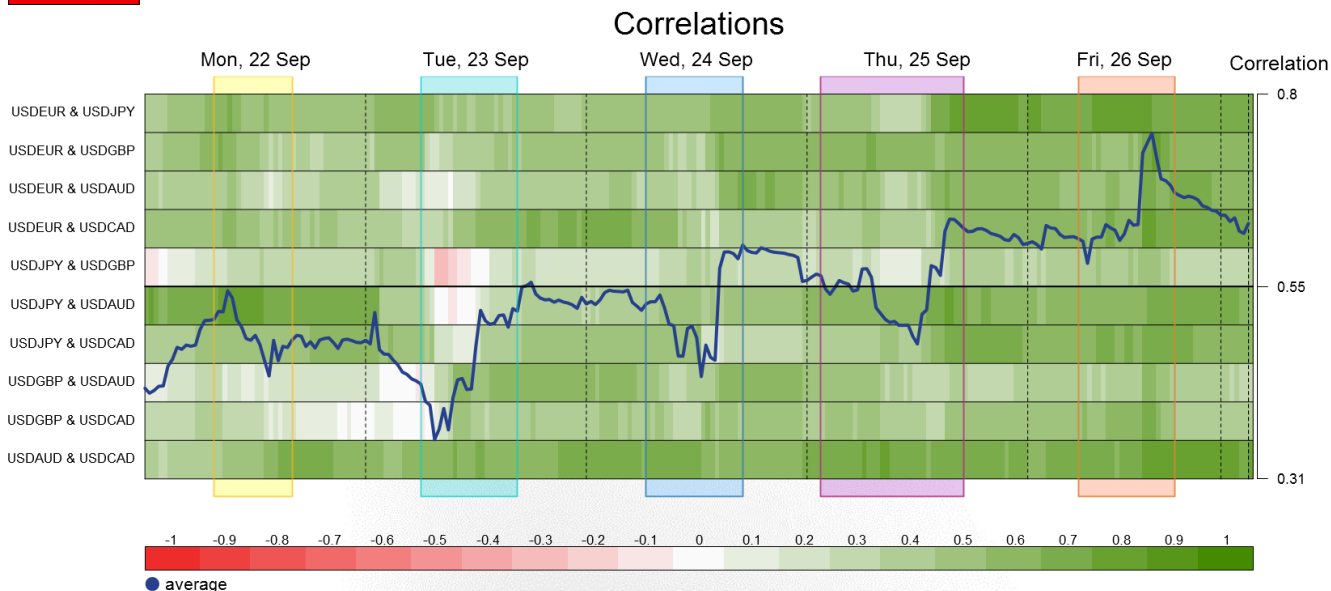
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
31	35	32	34	26	28	52	30	49	28

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	1.44	1.82	2.35	2.46	1.77	1.94	2.29	2.06	3.33	2.17
Min	0.45	0.43	0.29	0.4	0.23	0.28	0.41	0.35	0.41	0.26
Average	0.89	0.91	0.84	0.96	0.78	0.8	1.04	0.89	1.11	0.78



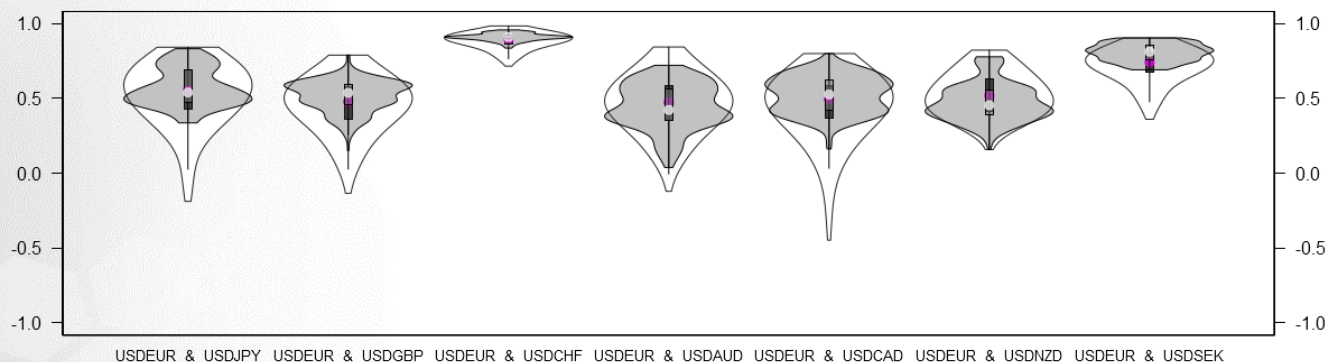
Currency Significance



The Greenback's significance measure and its components were strengthening throughout the period, raising their average values above the historical levels. Nevertheless, the USD/EUR correlations with other European currencies' pairs were the only ones to gain some points over the previous period's short-term values. The strengthening was especially noticeable in the bond between USD/EUR and USD/SEK. In turn, components with Pacific currencies have lost in both long-term and short-term values, lowering by over 0.1 points from the previous period.

After the past week's decline, the significance measure has started the period on the relatively low level of 0.42. The first two days were marked by the composite's lowest level of the week, and it managed to steadily hold above 0.5 only on late Tuesday. On Wednesday, the decline of the U.S. MBA mortgage applications caused the composite to reduce down to 0.44. However, the sharp jump of the U.S. new home sales change pushed the measure back up, and it continued to grow. The bunch of news on Thursday became a new incentive for the USD significance measure, and it increased to the level of 0.64. Right after the U.S. GDP had met expectations, the composite jumped to the week's maximum of 0.75 points.

Correlations (5 vs 20 days)



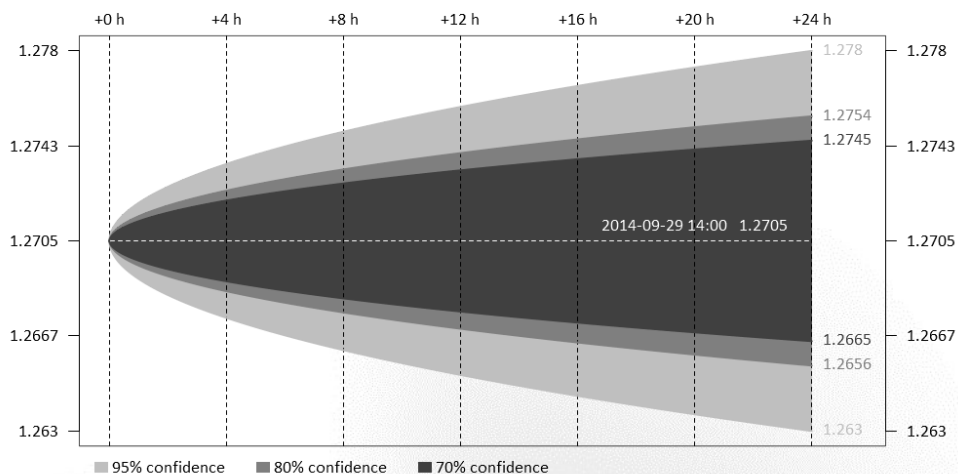
Mean Correlation Coefficient (with USDEUR)

Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.57	0.52	0.91	0.44	0.52	0.48	0.81
20	0.53	0.46	0.89	0.46	0.45	0.53	0.72
130	0.32	0.39	0.88	0.32	0.23	0.38	0.58
250	0.26	0.44	0.86	0.31	0.23	0.34	0.59

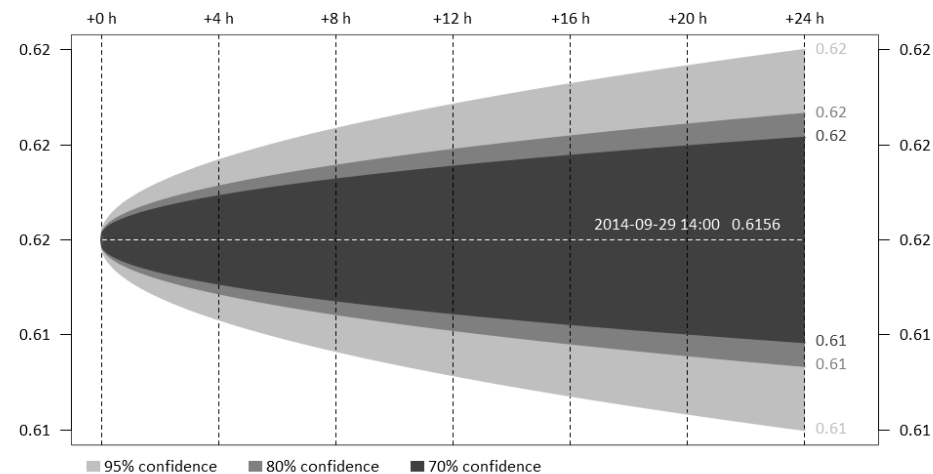
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Confidence Intervals for Next 24 Hours

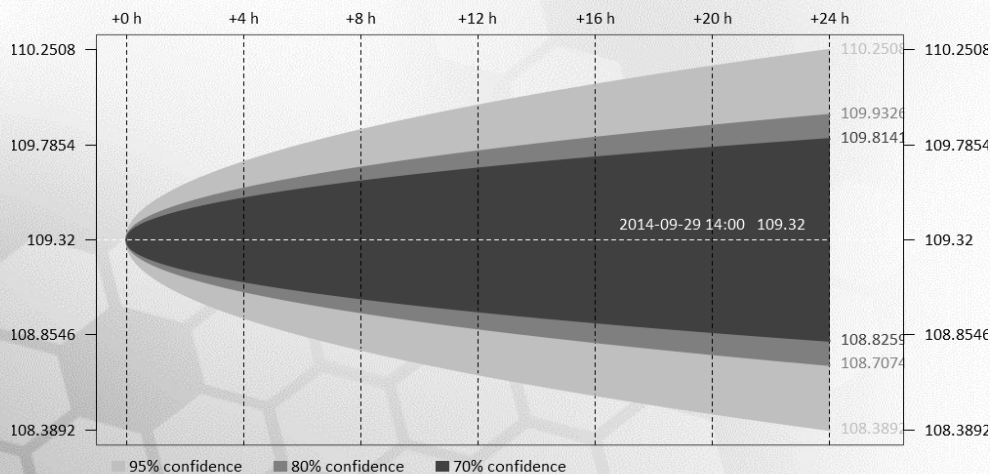
EURUSD Potential Rates



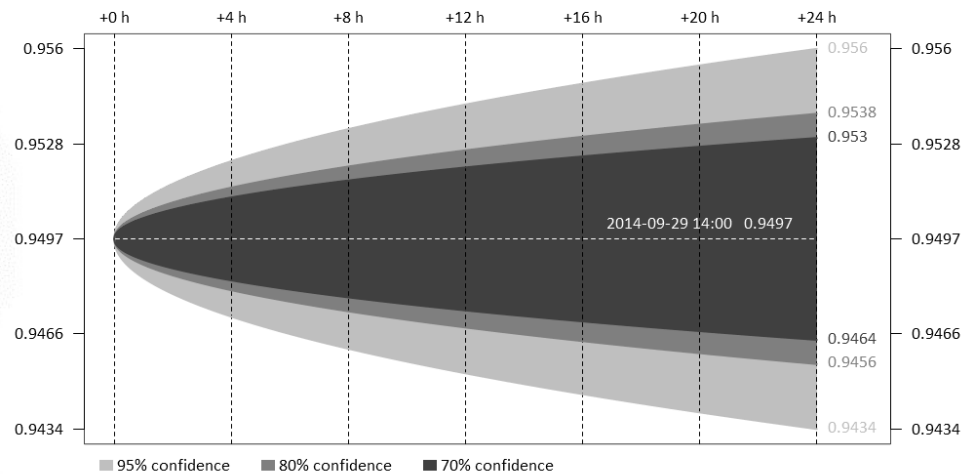
GBPUSD Potential Rates



USDJPY Potential Rates



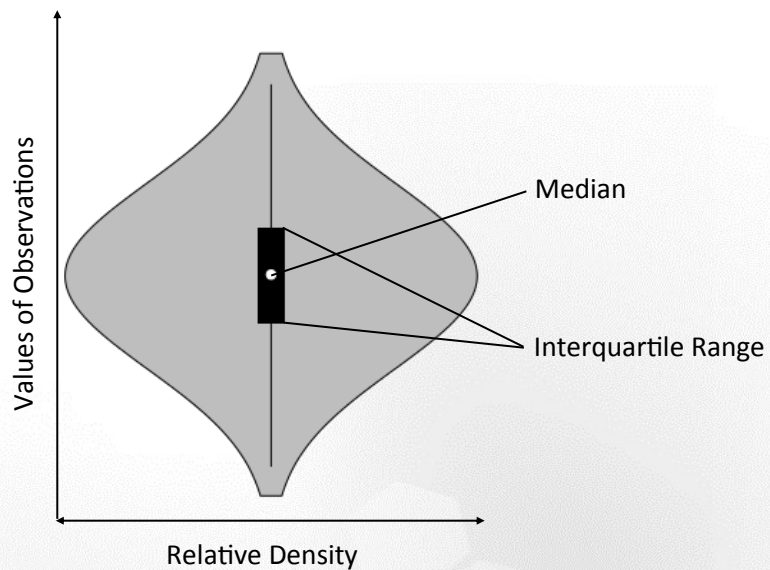
USDCHF Potential Rates



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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