



EUR

03/10/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

September 26

06:00 - 16:30

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

Turquoise Area

September 29

02:00 - 16:00

- UK Consumer Credit, Mortgage Approvals, Net Lending to Individuals
- Euro zone Economic Sentiment
- German Flash CPI, HICP
- U.S. Personal Income, Personal Spending, Pending Home Sales

Blue Area

September 30

03:00 - 16:00

- Japanese Housing Starts
- German Retail Sales, Unemployment, Euro zone Flash CPI
- UK GDP
- Euro zone Unemployment Rate
- U.S. Consumer Confidence

Purple Area

October 1

01:00 - 15:00

- Australian Retail Sales
- German, Euro zone Manufacturing PMI
- UK Manufacturing PMI
- U.S. Manufacturing PMI, ADP Employment Change
- RBC Manufacturing PMI

Orange Area

October 2

01:00 - 19:00

- Australian Trade Balance
- ECB Monetary Policy Statement
- U.S. Jobless Claims, Factory Orders

EUR Currency Index Range

0.19%

0.25%

0.54%

0.34%

0.36%

Average EUR Volatility Index

1.01

1.16

1.34

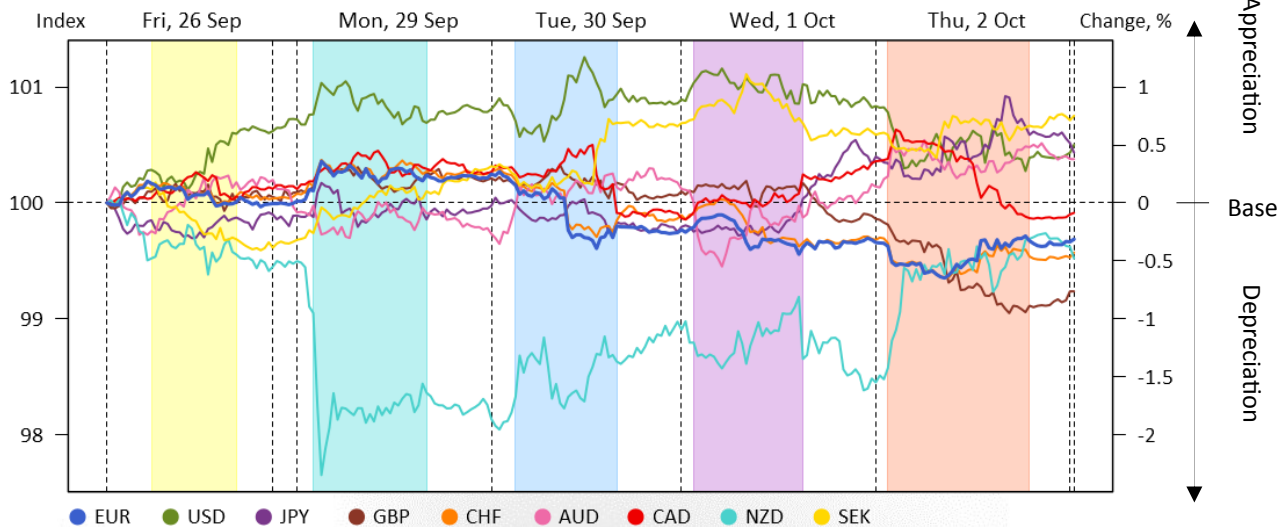
1.07

1.39



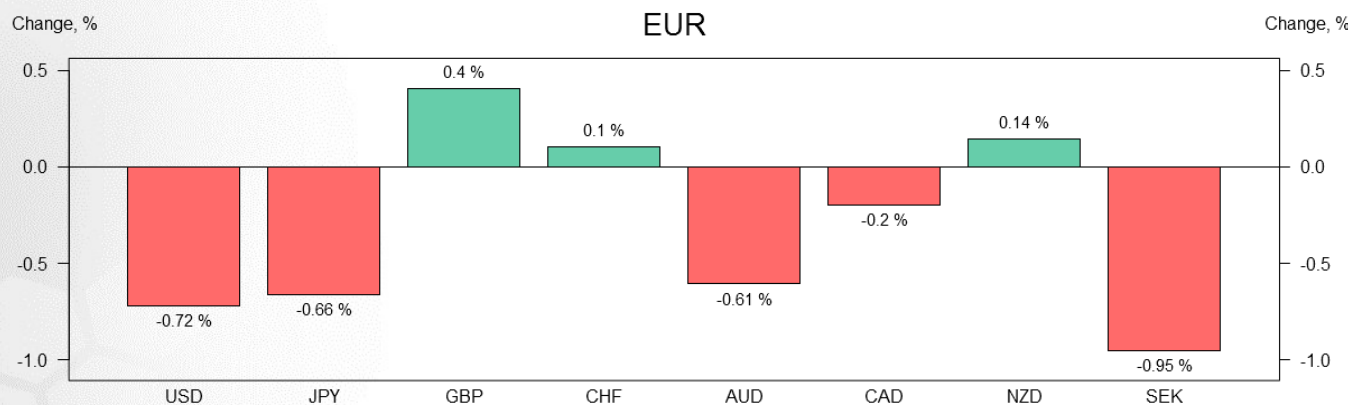
Relative Currency Strength

Currency Indices



After a week of moving back and forth around the baseline, the Euro seemed to settle for a downtrend in the past three trading days. The single currency weakened against five of its eight observed peers, most notably against the Swedish krona that added its own strengthening to the Euro's decline after a surge in the country's retail sales. Consequently, the EUR Index was on its way to posting the greatest loss among the observed gauges, but managed to rebound and outpace the pound, the New Zealand dollar, and the Swiss franc. The monthly change came to have the post-September-rate-cut level as a base, and showed that the index only gained slightly more than half a percent over those values.

Tuesday proved to be a defining day for the EUR Index, as it went from being one of the best to one of the worst performers in a matter of hours. The greatest hit came as the Euro zone CPI estimate revealed a continuation of the downtrend in inflation and advocated further easing from the ECB. The index lost 0.3 points and fell below most of its peers. Further slowing of the PMI for both the block and its biggest economy caused another slide, and eventually the index came to the period's lowest level of 99.4. Uncharacteristically, the support came from Mario Draghi's statement on ECB's monetary policy. As the Central bank's president expressed no intentions to target the exchange rates, the EUR Index gained 0.2 points and held at 99.7 mark until the end of the period.



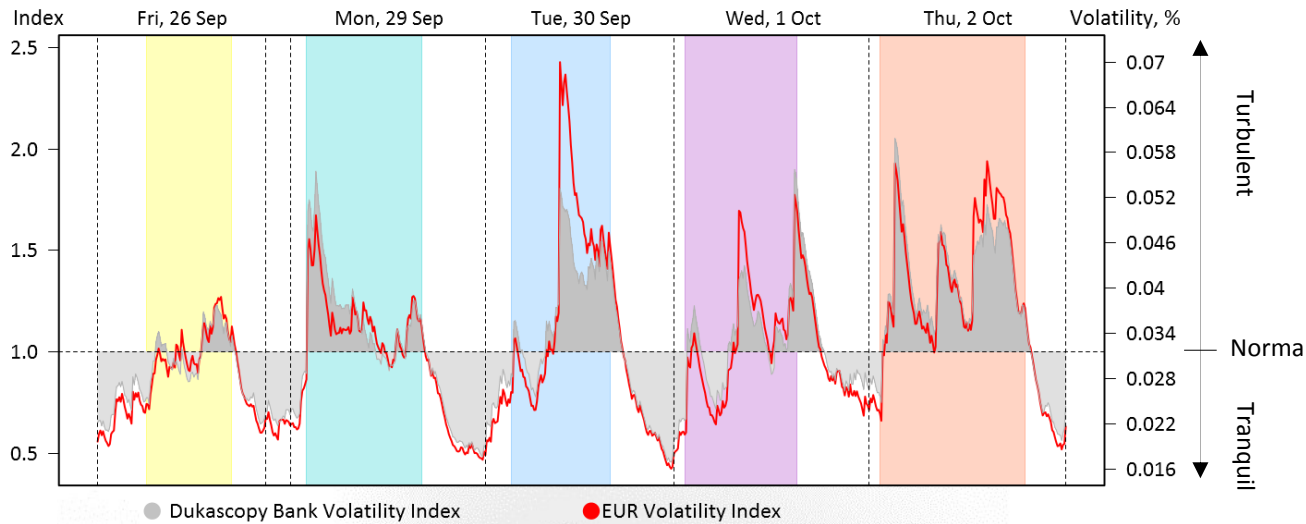
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.31%	0.5%	0.43%	-0.76%	-0.43%	0.38%	-0.09%	-0.48%	0.75%
20	0.59%	2.8%	-0.39%	1.8%	0.34%	-3.81%	0.07%	-2.52%	1.22%
130	-3.25%	5.6%	0.73%	2.52%	-1.97%	0.25%	4.72%	-3.23%	-5.02%
250	-0.93%	6.96%	-5.4%	6.42%	0.64%	-0.4%	-1.84%	0.94%	-6.41%



Volatility

Volatility



The observed period was rather turbulent for both the market and the single currency as the proportions of elevated volatility were near 50%. The New Zealand dollar remained the most volatile currency, and early on Thursday its volatility index reached the 5.31 points mark, taking the market's index up to its maximum.

The last day of the previous trading week, with U.S. GDP as a single influential economic release, became the calmest day of the period. As the numbers met expectations, the market volatility barely reached into the turbulence area. Monday's spike was caused by the Kiwi's drop,

and the consequent release of the Euro zone sentiment at the beginning of Europe's trading session was accompanied by slightly elevated volatility of the Euro pairs. The Euro Volatility Index spiked to the 2.43 mark on Tuesday morning, following the announcement of lower-than-previous Euro zone inflation data, and remained above the historical level against the background of pessimistic news on Canadian GDP and U.S. Consumer Confidence. Since Wednesday was the day of Manufacturing PMI releases, the two rises of market turbulence were associated with morning's Euro zone and afternoon's U.S. numbers. Thursday, in turn, was all about the Euro zone and the ECB's monetary policy. The market volatility during the day was elevated for 75% of time.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
50	47	41	50	11	14	60	34	74	39

Volatility Index (for the observed period)

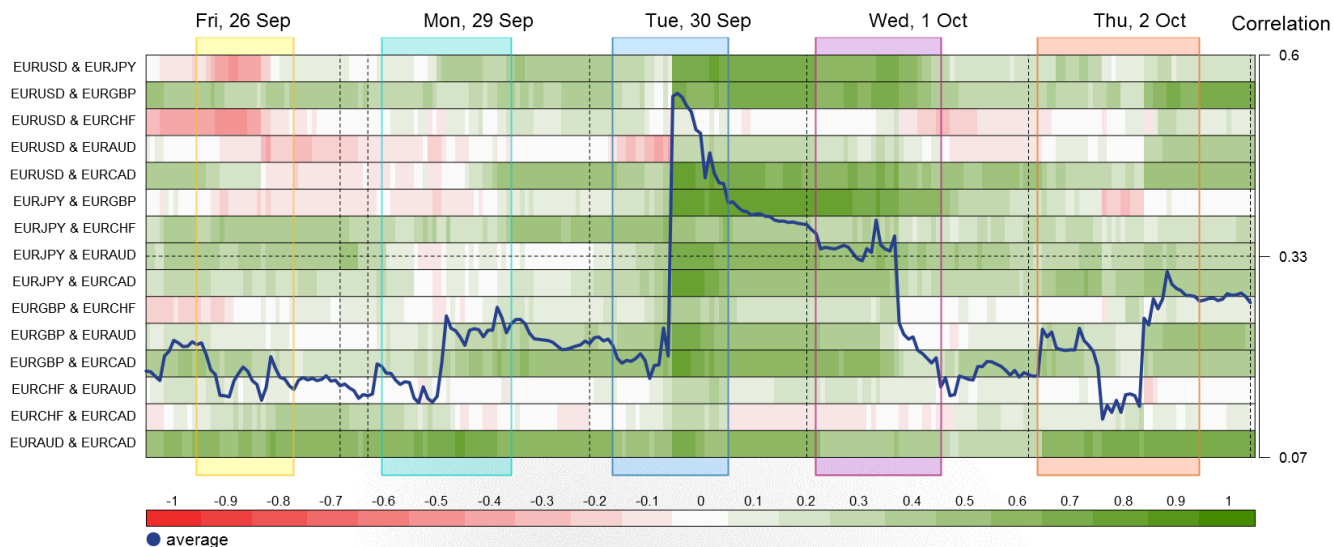
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.05	2.43	3.14	2.98	1.9	2.51	2.63	2.65	5.49	2.65
Min	0.46	0.42	0.34	0.4	0.19	0.28	0.36	0.35	0.43	0.14
Average	1.04	1.02	0.97	1.07	0.62	0.73	1.12	0.93	1.53	0.88



Currency Significance

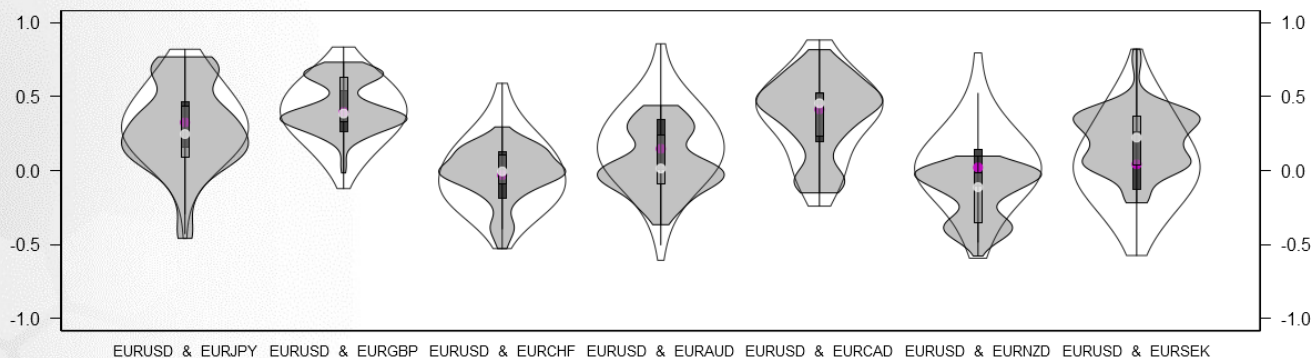
Putting aside the Tuesday's peak, the Euro significance measure held on its usual feeble levels with an average of 0.2 points. For the third consecutive period, abnormally frequent negative values appeared in many EUR/USD components, with heavy lower tails of correlation distributions especially pronounced in combinations with EUR/JPY, EUR/AUD, and EUR/NZD. EUR/USD-EUR/NZD component was also notable for strengthening of its unusual negative bond, as its average shifted to -0.16 from the previous readings of -0.01 and to an even sharper contrast with the historical values. Another anomaly was the EUR/USD-EUR/SEK component that lifted its average 0.15 points above historical levels.

Correlations



The Euro significance measure kept below its counterparts for the whole period save for the Tuesday's surge. Then, as the single currency slumped against its peers, the composite jumped from 0.19 to 0.54 and for a brief moment stood third after the dollar's and the Kiwi's gauges. But already on Wednesday it plunged back to 0.2, as the pound's measure took the lead amongst the PMI data releases. At the end of the period the component values were mostly weakly positive, and the composite reached its minimum of 0.1. ECB's monetary policy statement brought some coordination into the Euro's exchange rates, pushing the composite up to its average level. The surge, however, was not major enough to change the standings, and the single currency's significance remained among the weakest.

Correlations (5 vs 20 days)

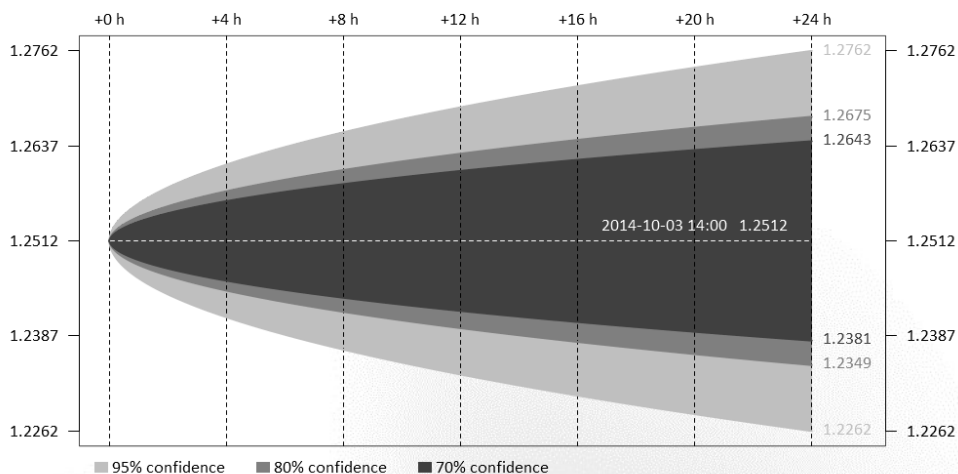


Mean Correlation Coefficient (with EURUSD)

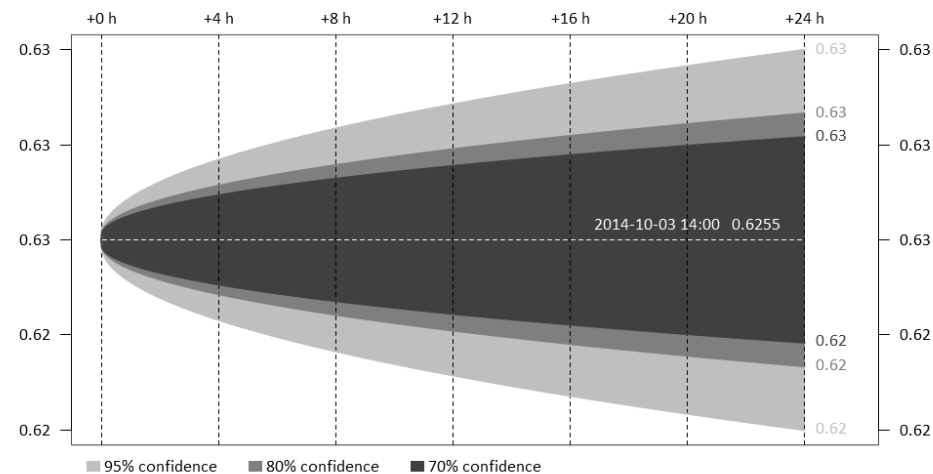
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.28	0.43	-0.02	0.05	0.37	-0.16	0.21
20	0.32	0.4	-0.02	0.16	0.37	0.02	0.07
130	0.49	0.53	-0.14	0.32	0.54	0.19	0.07
250	0.5	0.48	-0.11	0.33	0.56	0.24	0.07

Confidence Intervals for Next 24 Hours

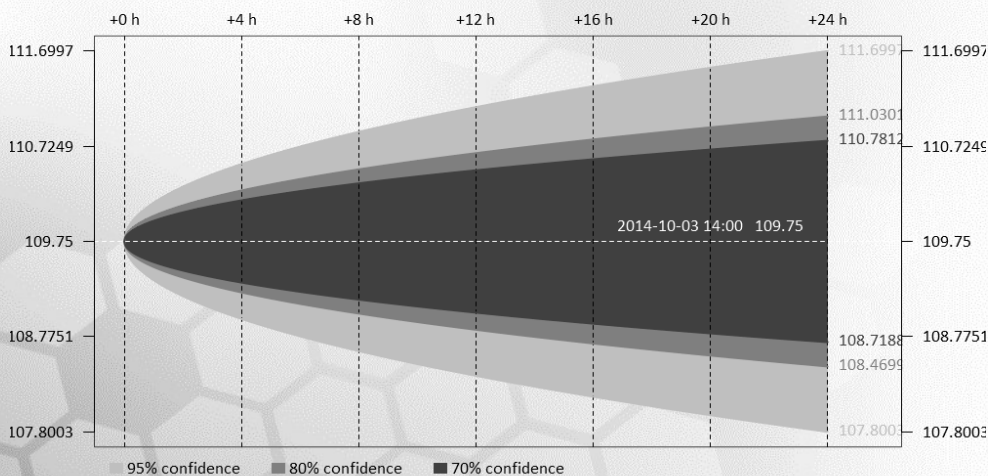
EURUSD Potential Rates



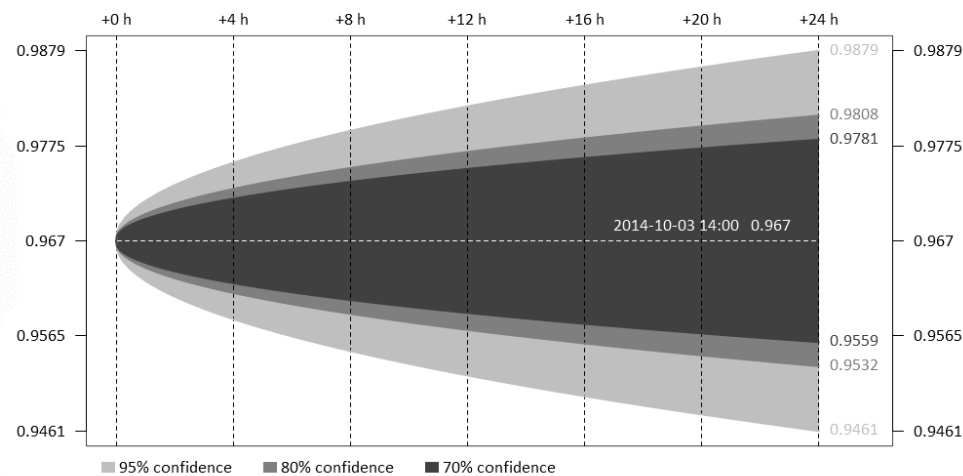
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

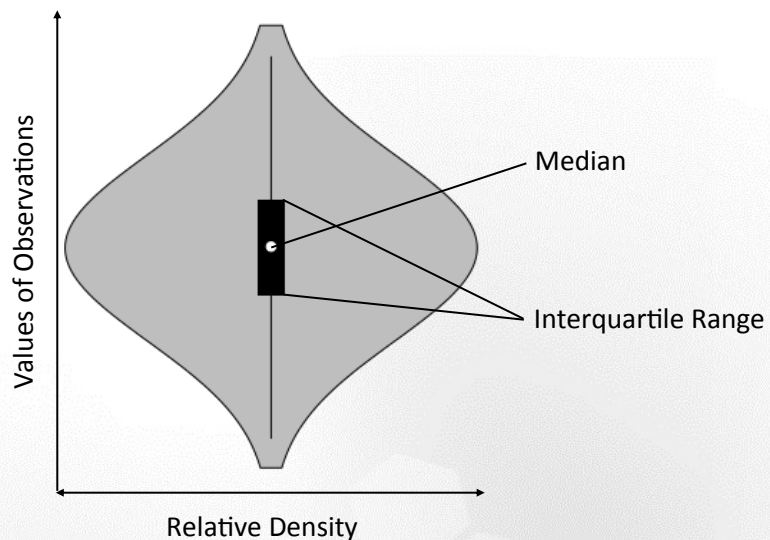
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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