



USD

20/10/2014



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Market Research





Dominant Events of the Period

Yellow Area

October 14

06:30 - 13:00

- Swedish CPI
- UK CPI
- German ZEW Economic Sentiment
- ECOFIN Meetings

Turquoise Area

October 15

06:30 - 20:30

- ECB President Draghi's Speech
- UK Claimant Count Change; Unemployment Rate
- US Core Retail Sales, PPI, Fed Beige Book

Blue Area

October 16

05:30 - 18:00

- RBA Assist Gov Debelle Speaks
- Euro zone's Final CPI
- US Jobless Claims, Industrial Production, NAHB Housing Market Index, Philly Fed Manufacturing Survey, Capacity Utilization

Purple Area

October 17

06:30 - 16:00

- German Buba President Speech
- Canadian CPI
- Fed Yellen Speech
- US Housing Starts, Building Permits, UoM Flash Consumer Sentiment

USD Currency Index Range

0.55%

1.42%

0.6%

0.43%

Max USD Volatility Index

1.57

3

2.02

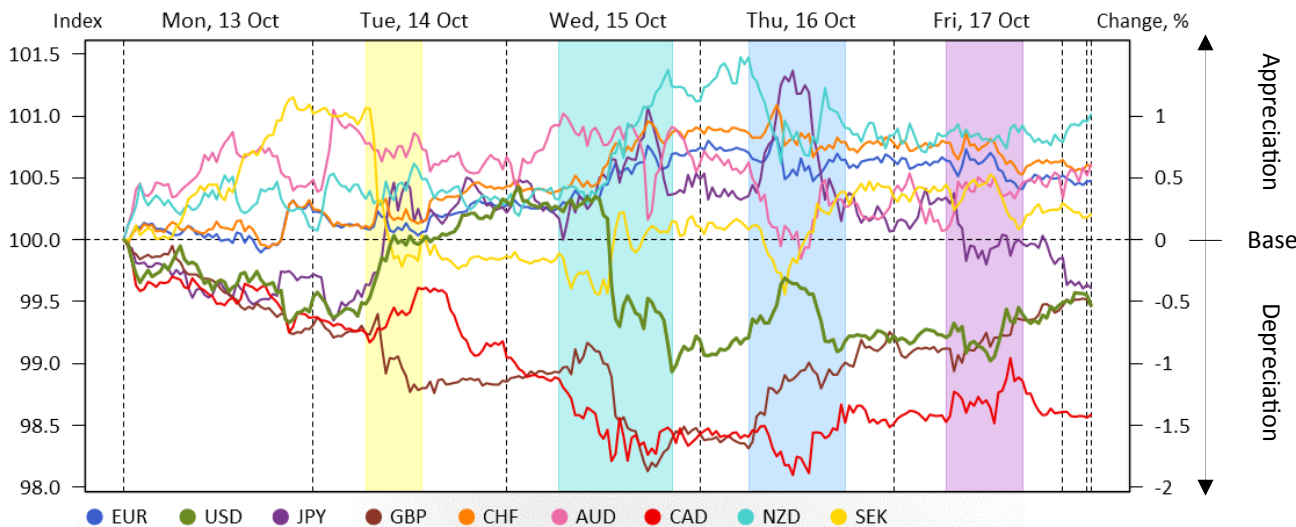
1.72



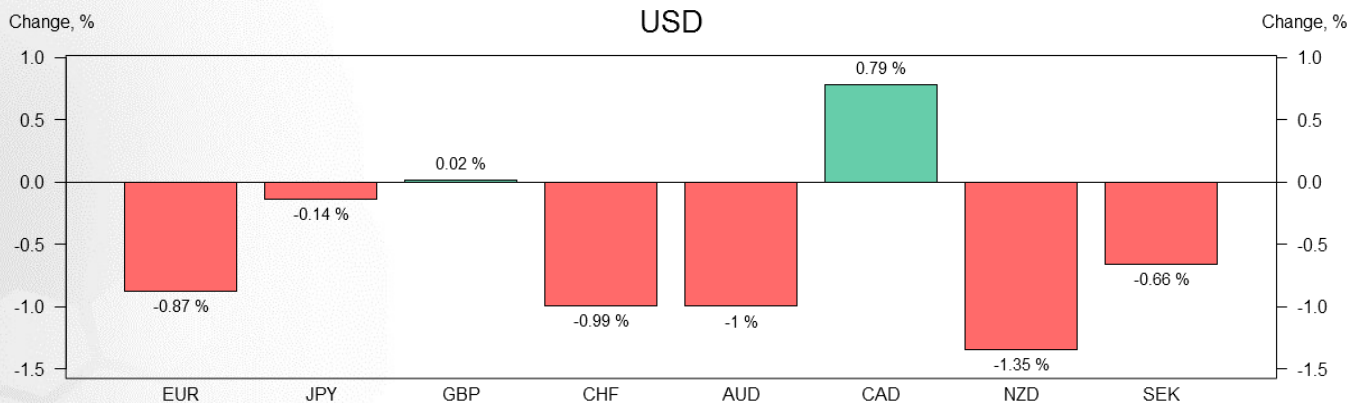
Relative Currency Strength

Currency Indices

The USD Index remained on a general downtrend for the second week in a row, though it did not reach quite as far into the depreciation area as it did in the previous period. It also shifted from being the worst performer, holding above the pound's and the Loonie's gauges throughout the week. The dollar lost 1.35% of its value against its New Zealand counterpart, and around 1% against the Aussie and the Swiss franc. The Euro posted another weekly gain over the Greenback, adding 0.87% to the previous period's 1% growth, as it seemed that for the time being the market stood on the Fed's side in the race for the weaker currency.



The USD Index returned from the long weekend with a swift upturn against the background of discouraging news from its peers' economies. As German ZEW sentiment fell below zero, and UK and Swedish soft inflation undermined expectations regarding respective interest rates, the Euro's, the pound's, and the krona's plunge lifted the USD Index above the baseline for the first time in two weeks. The strengthening, however, was cut short the next day, when a downturn in retail sales send the index 0.5 points down and back below the reference value. Friday afternoon kicked off another strengthening streak, taking the index away from the 99 points level and resulting in the weekly loss shrinking to -0.5%.



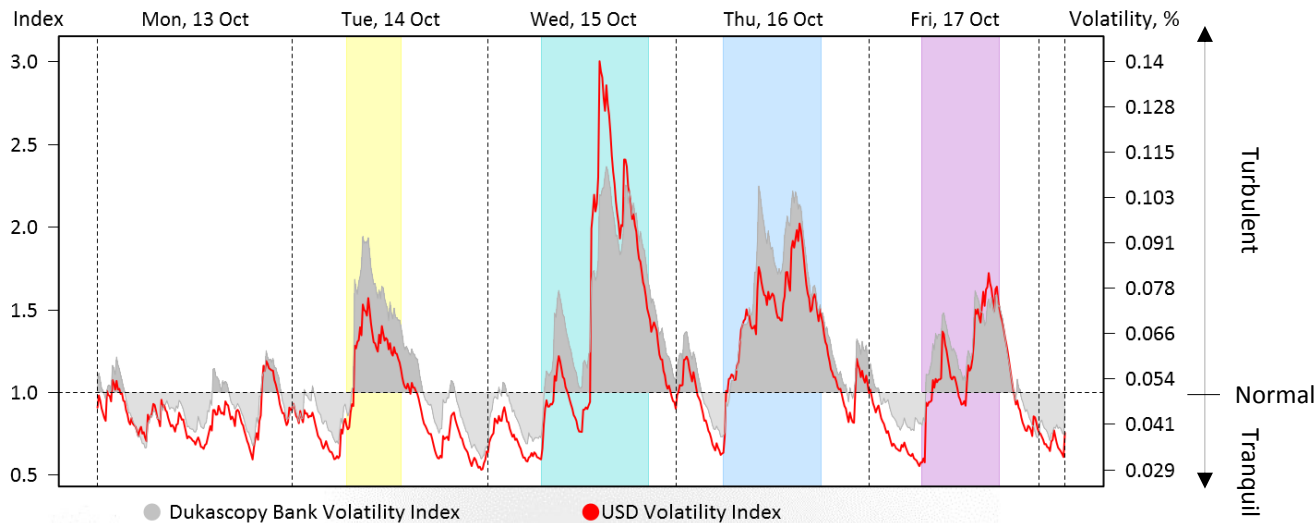
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.47%	-0.53%	-0.39%	-0.54%	0.59%	0.61%	-1.41%	1.01%	0.21%
20	0.37%	1.1%	3.22%	-0.43%	0.34%	-1.07%	-2.22%	-1.73%	0.6%
130	-2.87%	5.96%	1.03%	1.24%	-1.7%	-0.98%	3.73%	-2.61%	-3.57%
250	-0.61%	7.27%	-2.8%	6.71%	1.83%	-3.68%	-3.02%	-0.28%	-5.4%



Volatility

Volatility



After a rather turbulent previous week, the past period proved to be quite tranquil for the US dollar, and its volatility index was mostly driven by the USD/SEK, USD/CAD, and USD/JPY components. Thus, USD/SEK volatility surged up to the 4.7 points, but USD/JPY and USD/CAD reached 3.7 and 3.9 marks, respectively. Consequently, the Swedish krona became the past week's most volatile currency in terms of its turbulence levels. Tuesday's inflation rate release managed the SEK Volatility Index to jump to 4.39 points, and afterwards it held in the turbulent area till the end of the period. However, the yen exhibited the maximum portion of elevated volatility, as its index stayed above the historical level for about 73% of the time.

Both the market's and USD indexes started to rise on Tuesday, right after the Swedish CPI report came out, and by the time the German and the Euro zone economic sentiments were published, they reached the day's maximum values. On Wednesday, the market's turbulence started off slightly above the dollar's gauge, and ahead of the ECB's president speech grew up to 1.6 points. Nevertheless, the main peak of the day, and also of the observed period, occurred at noon, right after the US retail sales release, as the market's and USD indexes jumped to 2.4 and 3.0 points marks, respectively. The remaining two days were rich with the US fundamentals, but the USD Volatility Index failed to reach even the 2 points level.

Elevated Volatility (% of the observed period)

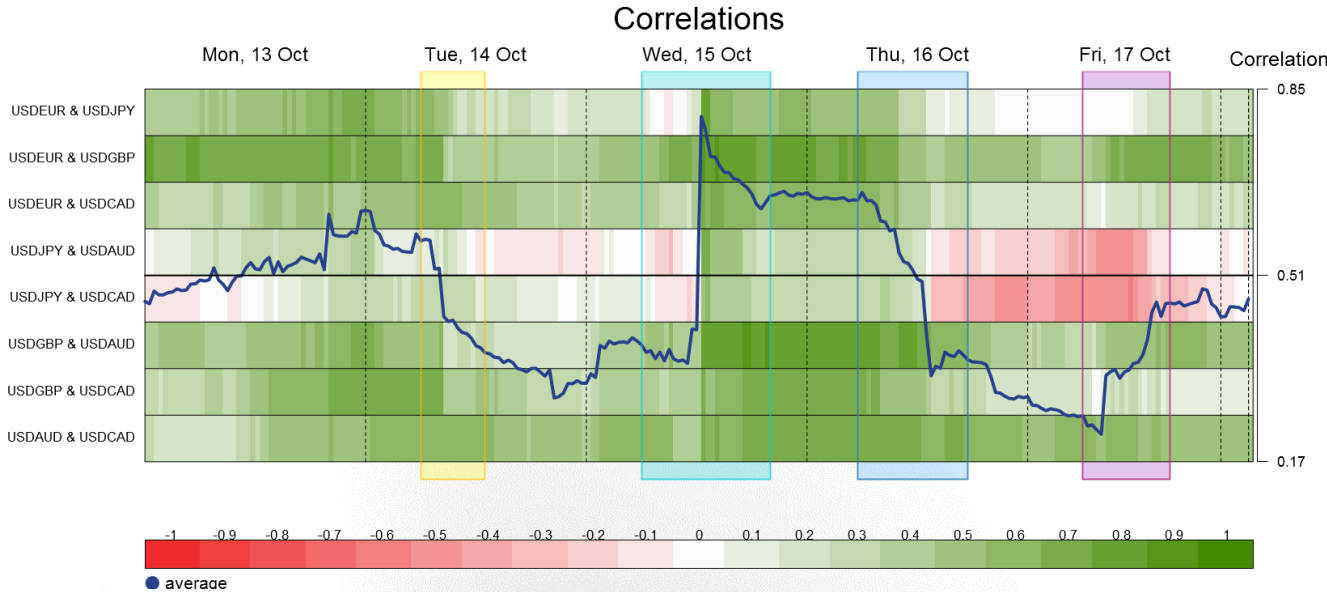
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
56	42	43	39	43	42	44	39	25	57

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.37	3	2.77	3.66	2.9	3.45	2.65	3.92	2.66	4.72
Min	0.6	0.53	0.33	0.52	0.4	0.3	0.42	0.39	0.37	0.37
Average	1.17	1.05	1.06	1.07	1.06	1.09	1.03	1.09	0.9	1.28



Currency Significance

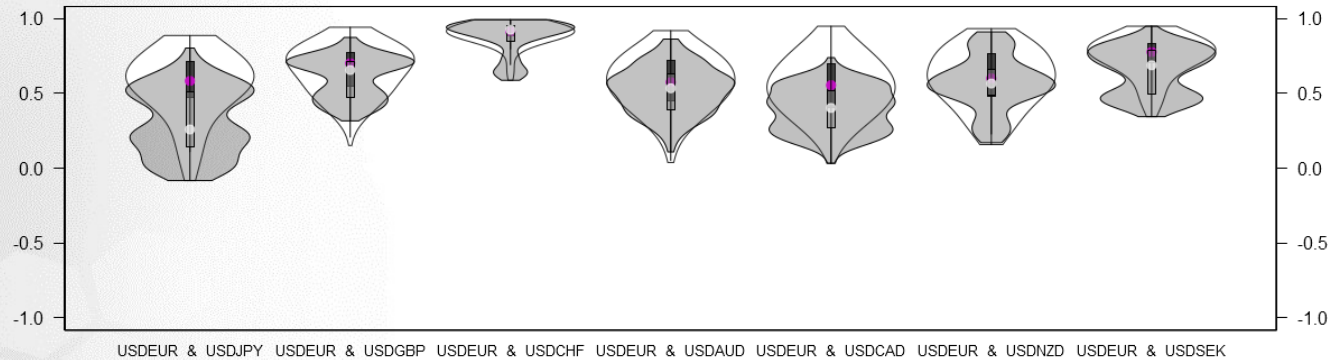


The USD significance measure was varying in a wide range of 0.22–0.8 points, pointing out the fact that a lot of influential news from various regions drove the market during the week. Correlations between USD/EUR and other USD pairs were mostly on average historical levels or below them, which reconfirmed the driving power of Greenback’s counterparts.

The composite started the period on the 0.5 points level, which is near the historical average, and remained almost unchanged till Tuesday morning,

when disappointing Swedish and UK inflation data significantly influenced the domestic currencies and the overall market situation. Thus, toward the end of the day, the USD significance measure fell to 0.3 points. It fully recovered and, furthermore, reached its maximum of 0.8 on Wednesday noon, after the releases of unexpectedly low US PPI and retail sales. The gauge decreased again on Thursday, when sharp movements of JPY rate caused the lowering of correlations with USD/JPY. The lowest value of the gauge was reached on Friday morning, but the measure grew after the optimistic Michigan CSI and ended the period on 0.45 points mark, which is slightly below the historical average.

Correlations (5 vs 20 days)

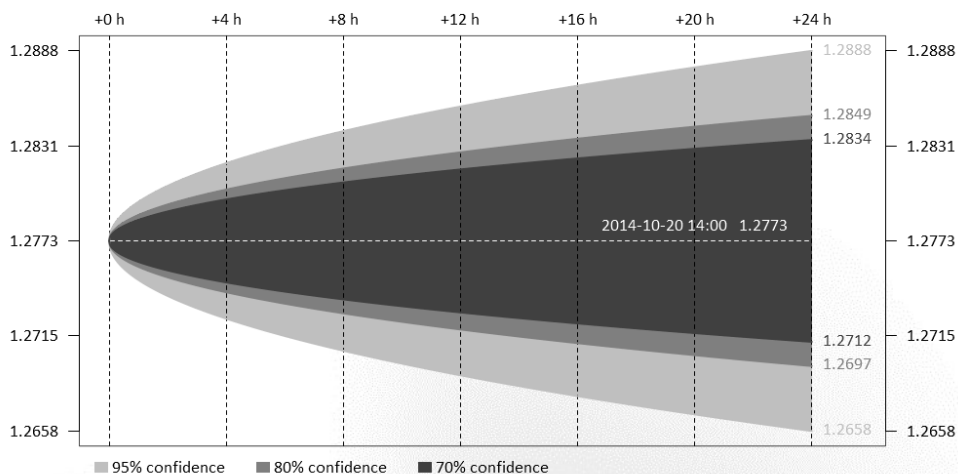


Mean Correlation Coefficient (with USDEUR)

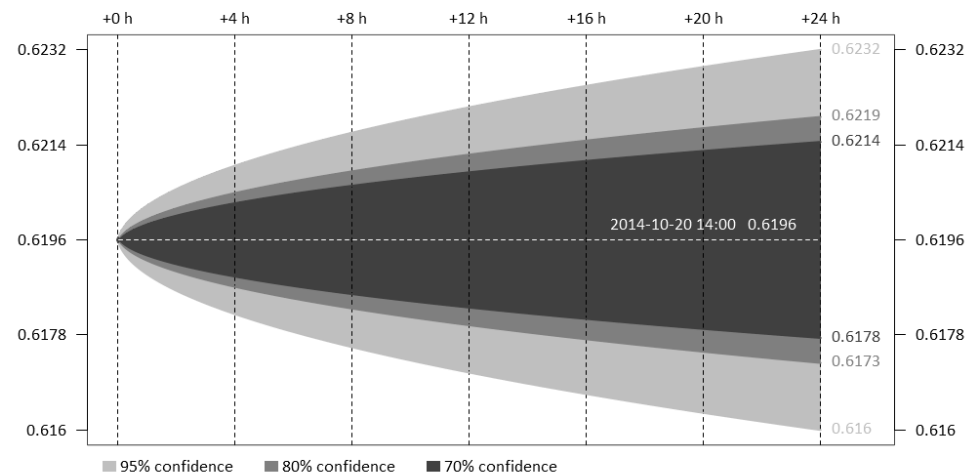
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.31	0.61	0.87	0.52	0.39	0.56	0.65
20	0.55	0.66	0.9	0.57	0.54	0.6	0.74
130	0.35	0.43	0.88	0.37	0.28	0.42	0.59
250	0.27	0.45	0.86	0.33	0.24	0.36	0.6

Confidence Intervals for Next 24 Hours

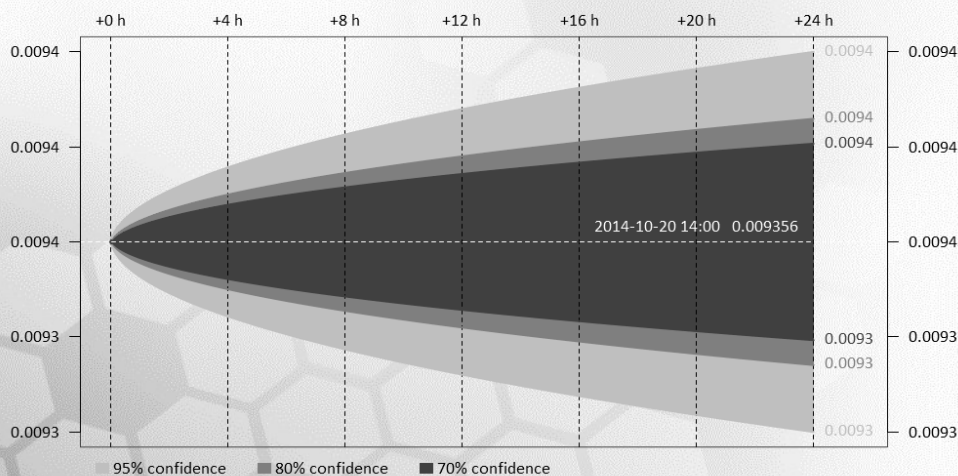
EURUSD Potential Rates



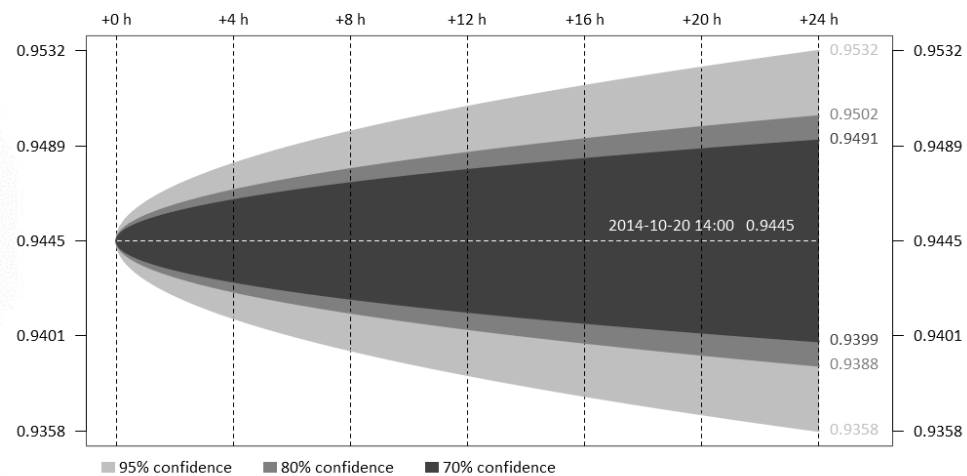
GBPUSD Potential Rates



USDJPY Potential Rates



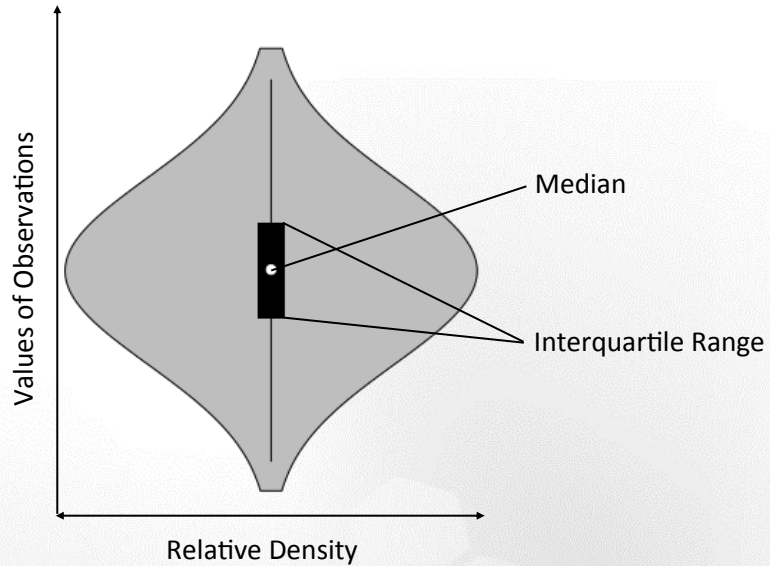
USDCHF Potential Rates



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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