



USD

03/11/2014



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Market Research





Dominant Events of the Period

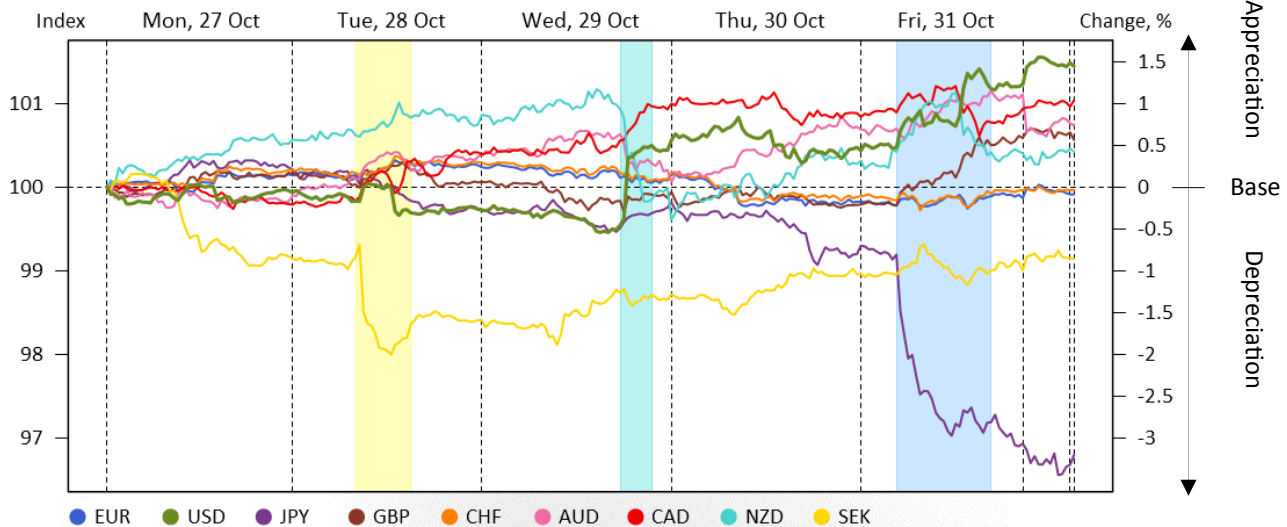
<p style="text-align: center;">Yellow Area</p> <hr/> <p style="text-align: center;"><i>October 28</i></p> <hr/> <p style="text-align: center;"><i>07:30 - 15:00</i></p> <hr/> <ul style="list-style-type: none"> ■ <u><i>US Durable Goods Orders, Consumer Confidence</i></u> 	<p style="text-align: center;">Turquoise Area</p> <hr/> <p style="text-align: center;"><i>October 29</i></p> <hr/> <p style="text-align: center;"><i>17:00 - 21:00</i></p> <hr/> <ul style="list-style-type: none"> ■ <u><i>Fed Interest Rate Decision, Pace of QE, Monetary Policy Statement</i></u> 	<p style="text-align: center;">Blue Area</p> <hr/> <p style="text-align: center;"><i>October 31</i></p> <hr/> <p style="text-align: center;"><i>04:00 - 16:30</i></p> <hr/> <ul style="list-style-type: none"> ■ <u><i>BoJ Interests Rate Decision, Monetary Policy Statement, Outlook Report</i></u> ■ <u><i>Euro Zone Flash CPI</i></u> ■ <u><i>Canadian GDP</i></u> ■ <u><i>US Personal Income, PCE, Chicago PMI, UoM Consumer Sentiment</i></u>
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USD Currency Index Range	0.38%	0.95%	0.94%
Max USD Volatility Index	1.64	4.42	1.81



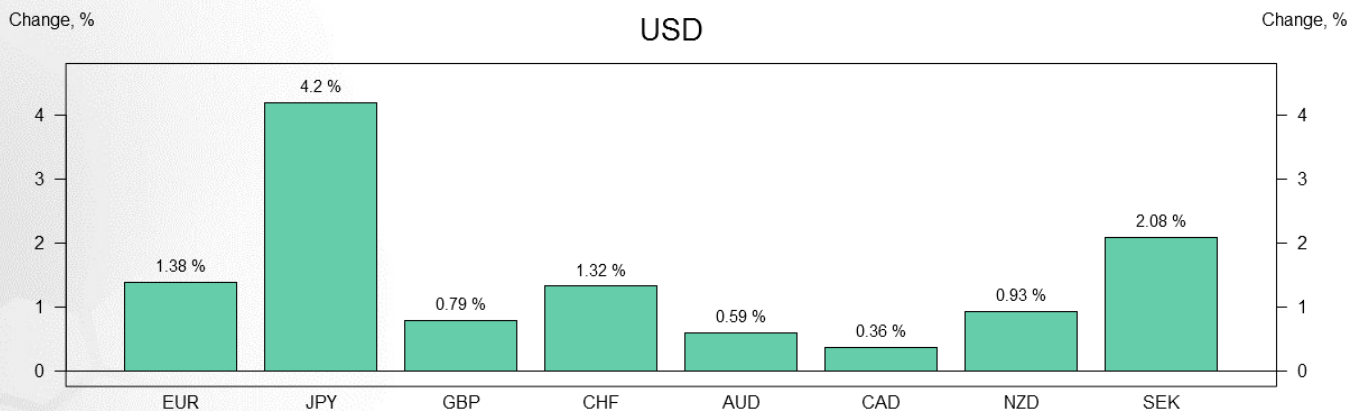
Relative Currency Strength

Currency Indexes



The week was marked with several significant movements of the currencies. In particular, SEK, USD, and JPY were reacting to domestic news most dramatically. Thus, the krona and the yen experienced the most considerable losses over the period – 0.86% and 3.2%, respectively. Moreover, the Swedish and the Japanese currencies turned out to be the only ones that finished the trading week with negative changes. As for the Greenback, it spent the first half of the week slightly below the baseline, but retrieved on Wednesday evening and finished the week on leading position, gaining 1.44% of its base value.

While the US dollar remained mostly unchanged, SEK fell by 2%, as the Swedish macro-economic outlook was revised downward and the Riksbank cut its repo rate on Tuesday. A little later, the release of disappointing durable goods orders drove USD Index down by 0.34%. However, it fully recovered on Wednesday evening, against the background of Fed's monetary policy statement reporting on finished quantitative easing program, and continued to grow on Friday, when the optimistic data on business conditions and consumer sentiment was released. The yen, in turn, fell by 2.5% after the announcement of BoJ's decision to ease monetary policy further.



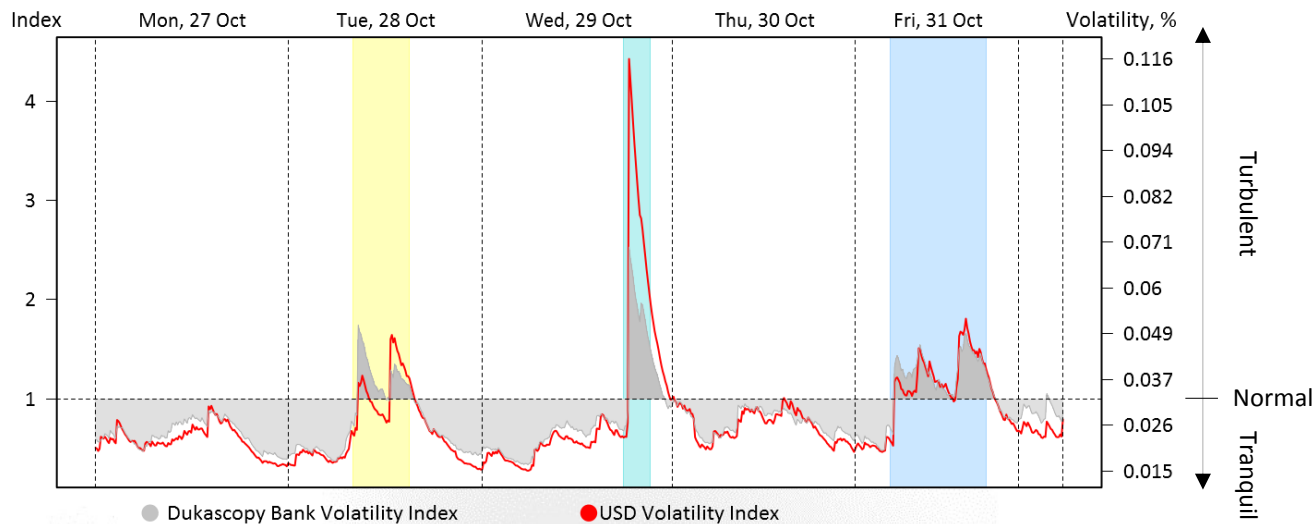
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.09%	1.44%	-3.2%	0.56%	-0.03%	0.73%	1.04%	0.42%	-0.86%
20	0.38%	0.44%	-2.78%	0.36%	0.84%	1.27%	0.17%	0.65%	-1.57%
130	-3.19%	8.46%	-2.7%	2.03%	-2.06%	1.98%	5.78%	-3.64%	-6.07%
250	-1.02%	7.52%	-7.36%	7.79%	1.26%	-1.14%	-1.38%	0.81%	-6.48%



Volatility

Volatility



After an overly calm previous week, the US dollar turbulence rose slightly, and its portion of the elevated volatility grew from 4% to 18%. Nevertheless, the overall level of volatility was quite low, not only in pairs with the Greenback, but also in other currencies. Only the Swedish krona's pairs were volatile for more than 30% of the observed period. The disturbances were caused by a host of the Swedish data releases on October 28 – 29. Despite rarity of the volatility peaks, maximum values of spikes were rather high. Thus, NZD/USD volatility surged to the 6.41 mark, while the maxima of the other USD indexes were holding in the range from 2.79 to 4.95 points.

For both the market and US dollar there were only three volatile days last week. On Tuesday, volatility indexes exceeded the 1 point mark for the first time, and the increase was mostly caused by the Swedish reports. However, at noon the indexes rose again after disappointing US durable goods orders release. The highest peak of turbulence occurred on Wednesday, when the USD Volatility Index jumped to the 4.42 level right after the Fed's monetary policy statement came out. It was also the week's highest spike for the market, but its gauge only reached the value of 2.53 points. On Friday, the USD volatility started to rise against the background of the Japanese data release and waned only after the US Reuters/Michigan consumer sentiment Index.

Elevated Volatility (% of the observed period)

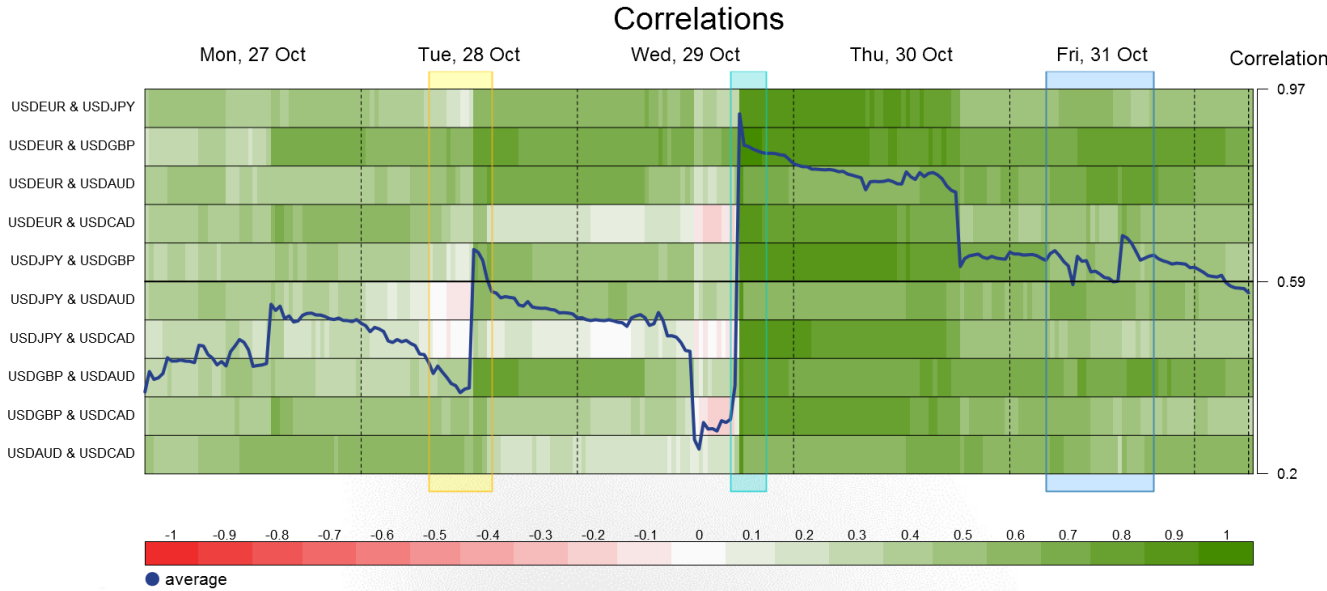
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
20	18	18	23	16	21	14	11	18	32

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.53	4.42	4.04	3.98	4.95	4.65	2.79	3.77	6.41	4.89
Min	0.34	0.27	0.19	0.23	0.24	0.2	0.18	0.19	0.26	0.17
Average	0.8	0.78	0.7	0.86	0.74	0.77	0.68	0.69	0.83	0.91



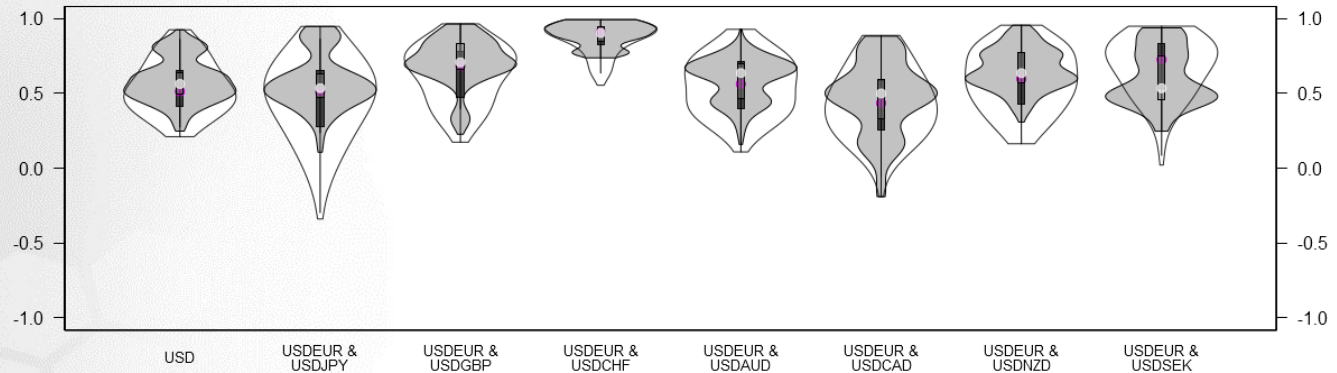
Currency Significance



The dollar's significance measure strengthened slightly in the last week of October, with its values taking up a higher part of the historical distribution, and its minimum growing closer to the reference level of 0.30 points. The composite's maximum stood less than 0.1 points short of the maximum possible value and was challenged only by the Swedish krona's and the yen's gauges. The distributions of most USD/EUR components also had lighter lower tails and lifted their average values above longer-term readings.

Throughout the period, the USD correlation composite was holding on an average level compared to its counterparts, with only a few moments when this equilibrium was broken. On Tuesday, as the dollar slipped on disappointing durable goods data, the composite spiked from 0.37 to 0.65 points, briefly becoming second-best after the krona's measure. On Wednesday, the composite first fell to its minimum, entering the worst performers triad with the Euro's and the Swiss franc's gauges, but then skyrocketed above all its peers. As the news on Fed's monetary policy pushed the Greenback up, the composite went from 0.30 to 0.92 points, and afterwards kept above 0.55 points mark until the end of the period. With that, the dollar spent the second part of the week as the third most significant currency.

Correlations (5 vs 20 days)

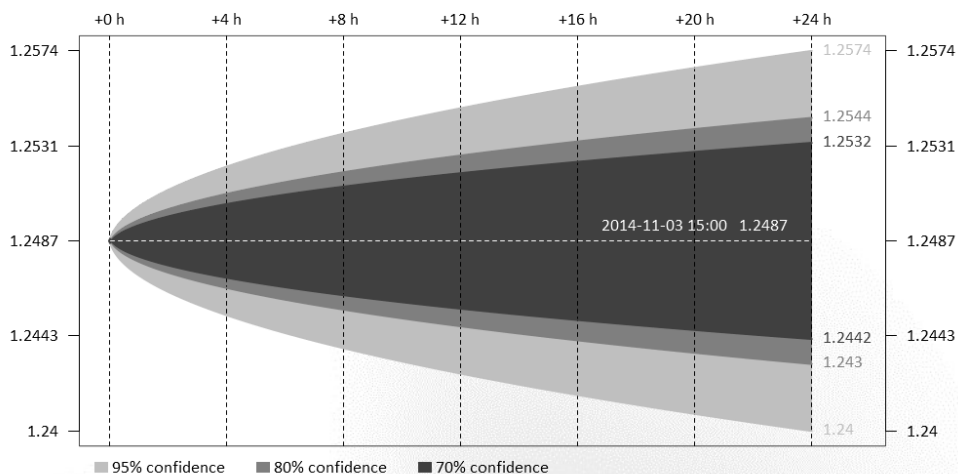


Mean Correlation Coefficient (with USDEUR)

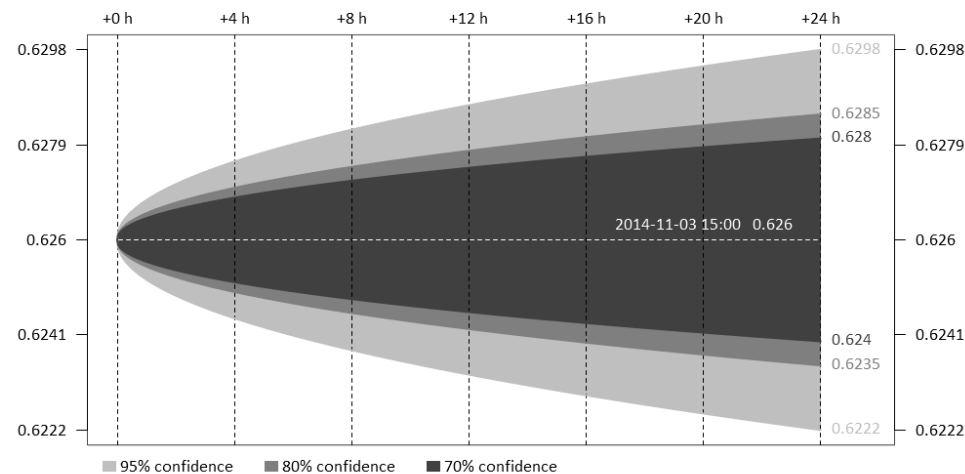
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.58	0.58	0.71	0.89	0.59	0.47	0.66	0.6
20	0.54	0.48	0.63	0.87	0.55	0.45	0.59	0.68
130	0.42	0.38	0.44	0.88	0.41	0.31	0.45	0.59
250	0.36	0.27	0.45	0.86	0.33	0.25	0.36	0.6

Confidence Intervals for Next 24 Hours

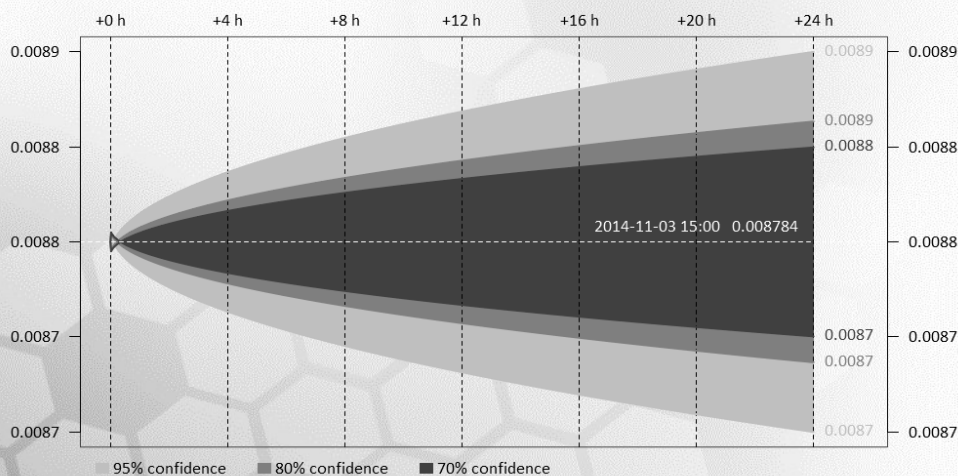
EURUSD Potential Rates



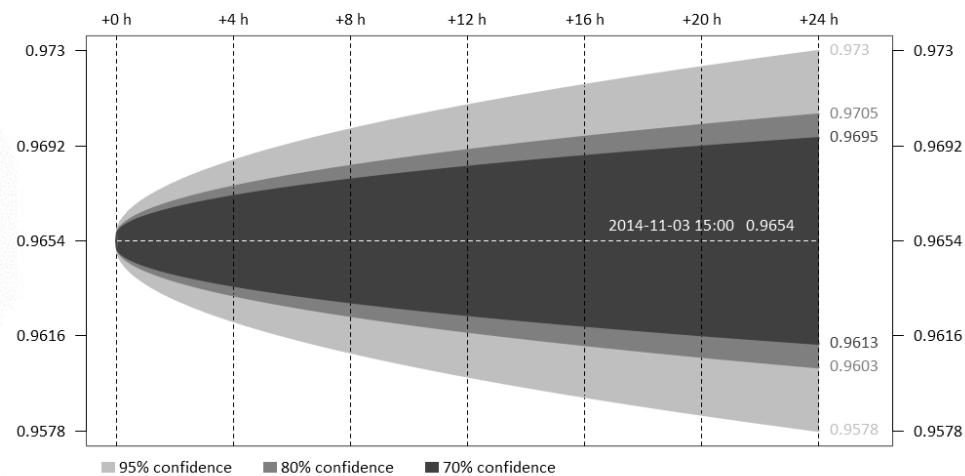
GBPUSD Potential Rates



USDJPY Potential Rates



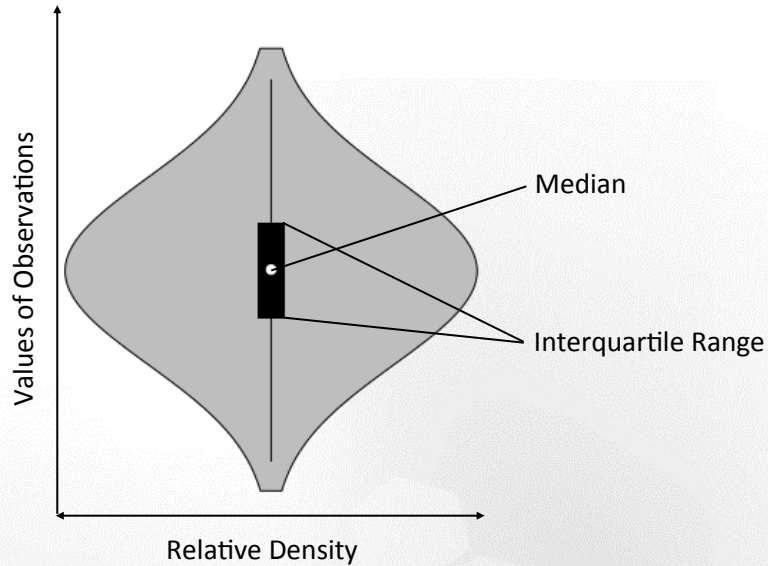
USDCHF Potential Rates



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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