

JPY

05/11/2014

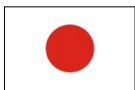


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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

October 29

16:30 - 22:30

- FOMC Statement
- RBNZ Rate Statement

Turquoise Area

October 31

03:30 - 15:00

- Bank of Japan Monetary Policy Statement
- Eurozone's Inflation
- Canada GDP

Blue Area

November 3

07:30 - 18:30

- Australia Building Approvals
- China Manufacturing PMI
- UK Manufacturing PMI
- US ISM Manufacturing PMI

JPY Currency Index Range

0.27%

2.18%

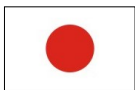
1.06%

Max JPY Volatility Index

1.92

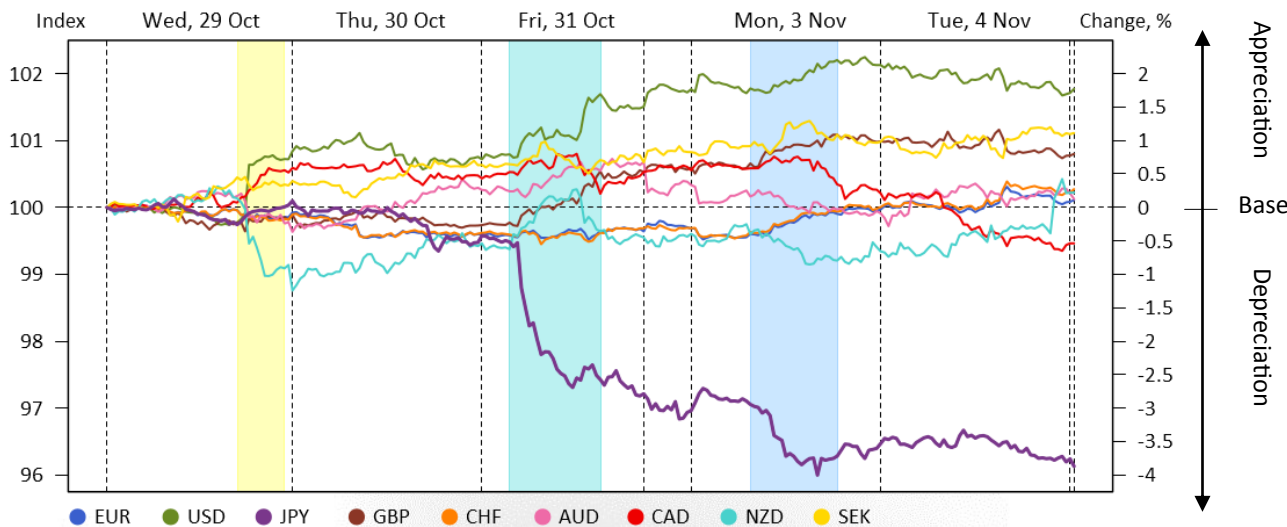
3.01

1.6



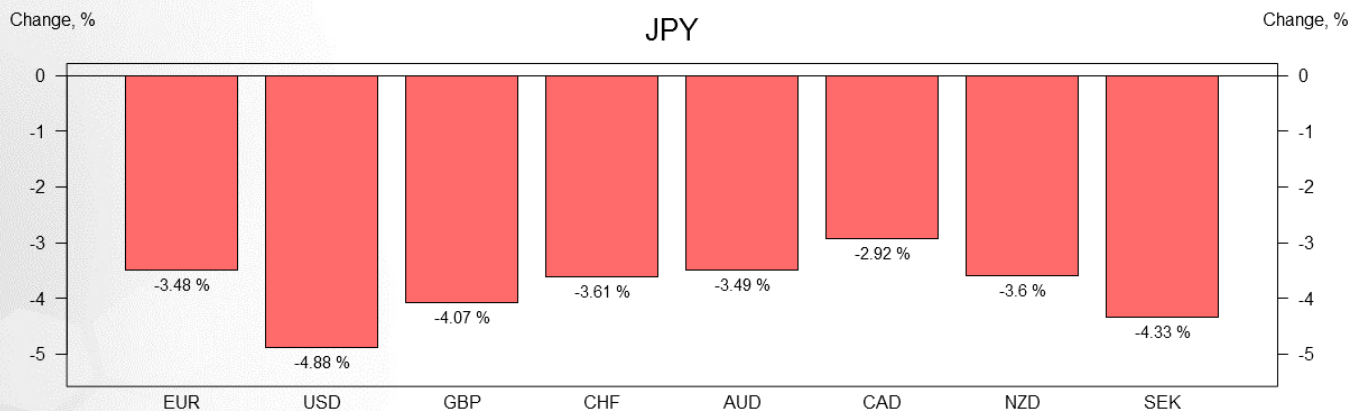
Relative Currency Strength

Currency Indexes



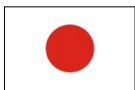
The significant decline of the Japanese currency index during the reported period was mainly caused by the unexpected announcement of the Bank of Japan, which decided to expand its quantitative easing program in time when analysts expected no changes in the monetary policy stance. Due to that, the JPY Index plunged considerably and made this currency the worst-performing one during the past five trading days. All in all, the JPY Index lost 3.87% from past Wednesday till this week's Tuesday, while the sharpest drop was registered against the US dollar and Swedish krona, -4.88% and -4.33%, respectively. The period's best-performing currency was the USD, which gained 1.77%.

The JPY Index spent the first day of the period on the baseline, but the first signs of decline started to appear a day later, on October 30. The gauge slipped down to 99.5 points and was mainly driven by news from abroad and, especially, the United States. Country's GDP advanced more than expected in the third quarter, which forced all major currencies to lose value against the Greenback on that day. The most important event, a BoJ statement on Friday, pushed the JPY Index down to 97.3 points. Moreover, a downward trend for JPY persisted on the market for the next 24 hours. As a result, the index approached its lowest mark of around 96 points on Monday, when Japan had a Bank Holiday. The currency was unable to recover any losses until the end of the period.



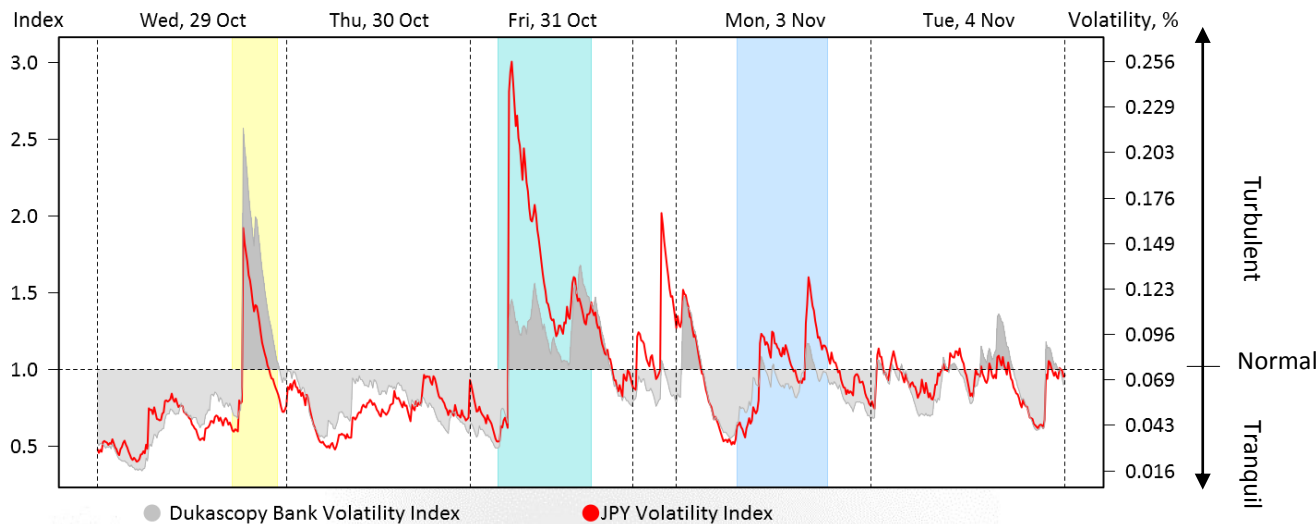
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.11%	1.77%	-3.87%	0.8%	0.27%	0.12%	-0.54%	0.22%	1.11%
20	0.62%	1.26%	-4.27%	0.86%	1.3%	0.64%	-0.9%	1.58%	-1.47%
130	-2.64%	9.18%	-3.74%	2.25%	-1.39%	1.38%	4.06%	-3.43%	-5.38%
250	-0.52%	7.86%	-8.21%	8.02%	1.85%	-1.79%	-2.23%	1.31%	-6.3%



Volatility

Volatility



Due to previously mentioned unexpected news from the Bank of Japan, the yen's volatility grew above the market average during the week. However, the period was marked by moderate volatility values. As seen from the table, the Volatility Index for Japanese yen surged to the 1.9 level on Wednesday, when all currencies on the foreign exchange market hovered in a wide trading range because of statement of the US Federal Open Market Committee. The greatest market volatility at the level of 3.01 took place on Friday at the time of BoJ's monetary policy announcement. However, the average Volatility Index for the JPY returned back to normal at the end of the period.

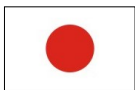
Among currency pairs, the highest portion of elevated volatility was registered by USD/JPY currency cross, which was almost twice above the market average levels at 26%. The first day of the period was important in terms of news from the Federal Reserve, which decided to end its QE3 program. It pushed up the JPY volatility as well. Japanese household spending and Tokyo CPI data began the active yen's volatility period on Friday morning, but the most attention was paid to the Bank of Japan, which made the local currency extremely turbulent. On Monday, volatility index of JPY increased in time when US data on activity in the manufacturing sector was released much better than estimated, while Tuesday was the least turbulent day for the Japanese currency.

Elevated Volatility (% of the observed period)

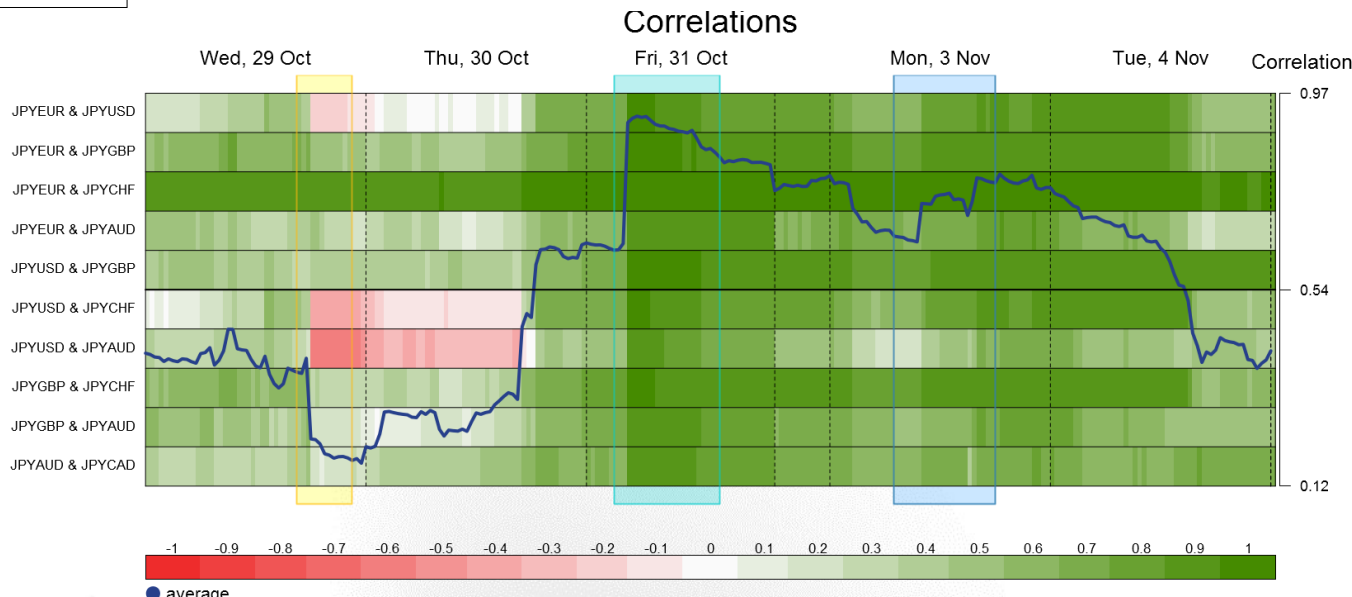
Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
26	32	29	48	34	32	24	36	35	29

Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	2.57	3.01	3.54	4.3	3.61	3.85	2.34	2.54	3.16	2.86
Min	0.34	0.4	0.25	0.25	0.26	0.29	0.31	0.24	0.39	0.23
Average	0.89	0.95	0.94	1.1	0.94	0.98	0.85	0.92	0.99	0.89



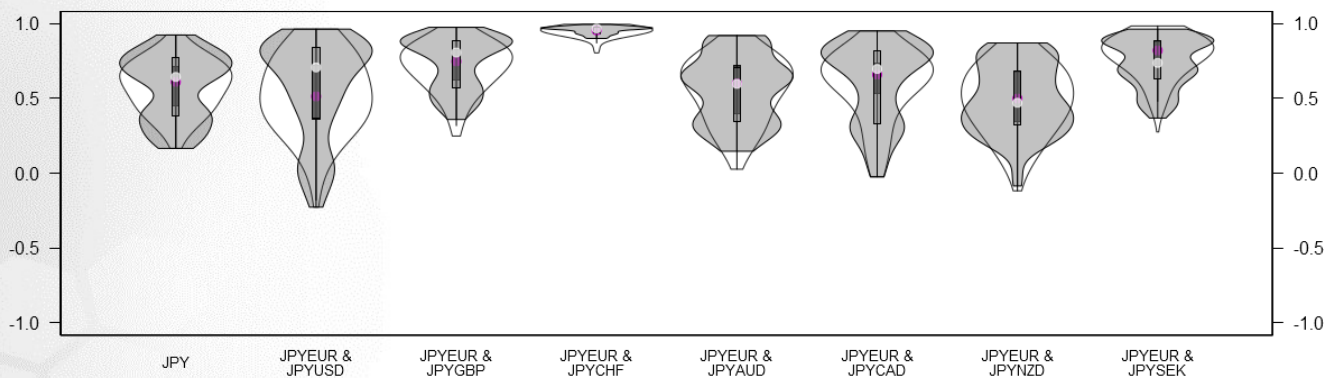
Currency Significance



The Japanese yen's significance measure, calculated as an average correlation between all JPY currency crosses, started the period at rather low levels of 0.40, helped by lack of local and international economic news. At the same time, the currency began being in focus on the second day of the period and the most important day for it was Friday. On that day, the significance measure jumped to 0.95, considerably higher than the average correlation coefficient of the week at 0.58 points. Last week, the mean correlation coefficient has also exceeded the half-year and annual averages.

Despite the yen being one of the most active currencies on the market throughout the period, the JPY correlation composite was able to close even below the average level on Tuesday, November 4. On Thursday, the composite of the JPY began increasing from the week's lows of 0.20 and reached 0.60 points at the end of the day. Its maximum, in turn, was hit on Friday, when the encouraging information on more stimulus of the Bank of Japan crashed the JPY exchange rate at its crosses. On that moment, the peak correlation around 1.00 was reached between the majority of currency pairs. Meanwhile, during the reported period only JPY/USD correlations with JPY/CHF and JPY/AUD fell below zero, while others stayed broadly above this mark.

Correlations (5 vs 20 days)

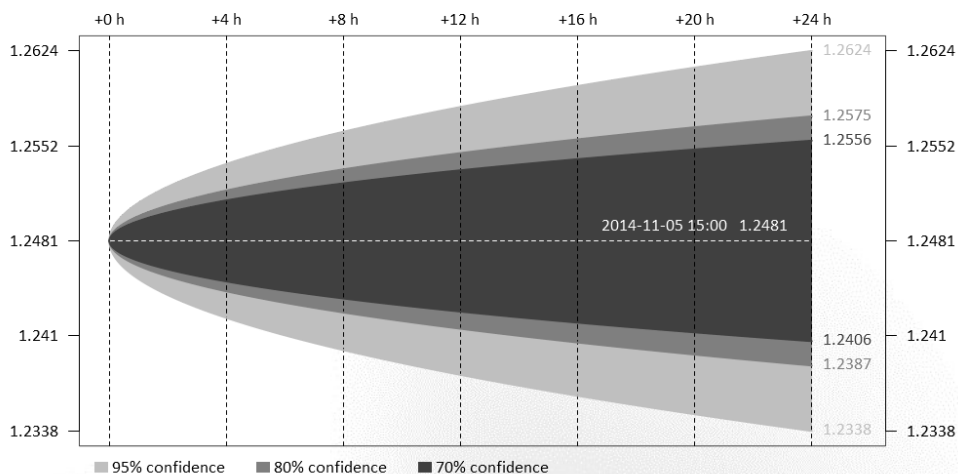


Mean Correlation Coefficient (with JPYEUR)

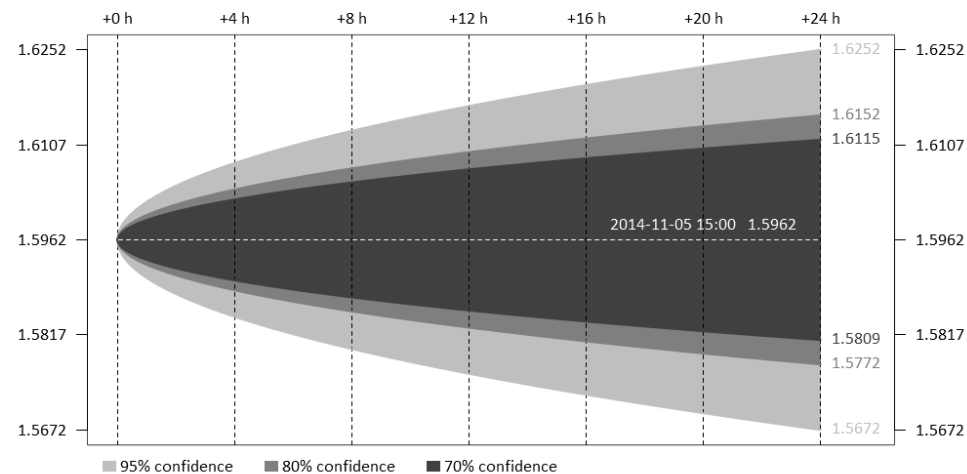
Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.58	0.57	0.74	0.96	0.56	0.6	0.49	0.73
20	0.58	0.53	0.71	0.95	0.56	0.59	0.48	0.78
130	0.45	0.55	0.57	0.92	0.39	0.45	0.32	0.67
250	0.51	0.63	0.66	0.91	0.44	0.51	0.39	0.71

Confidence Intervals for Next 24 Hours

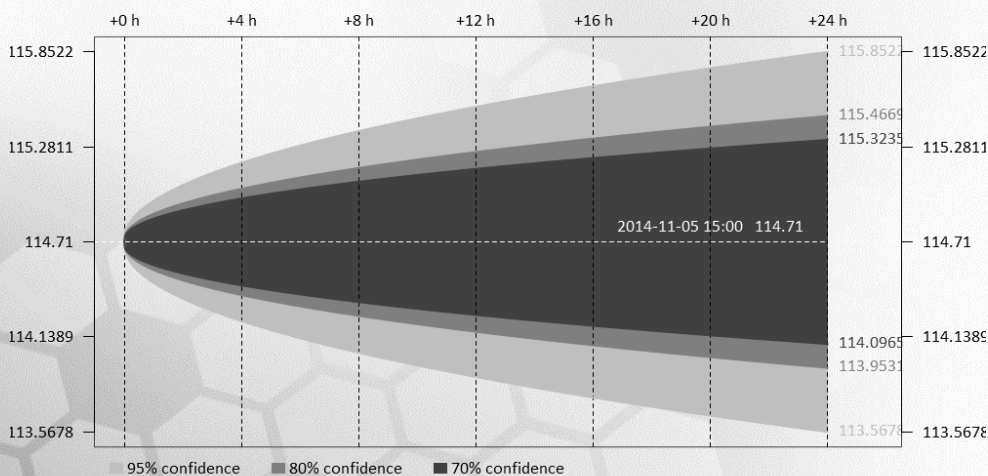
EURUSD Potential Rates



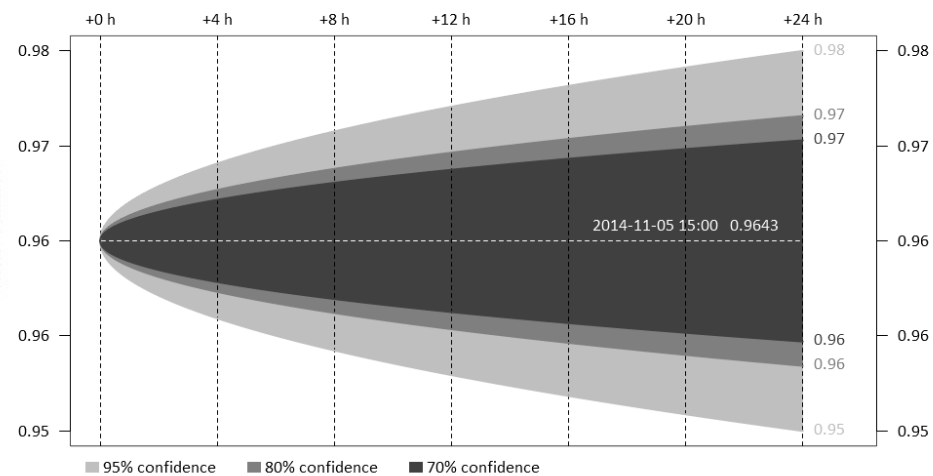
GBPUSD Potential Rates



USDJPY Potential Rates



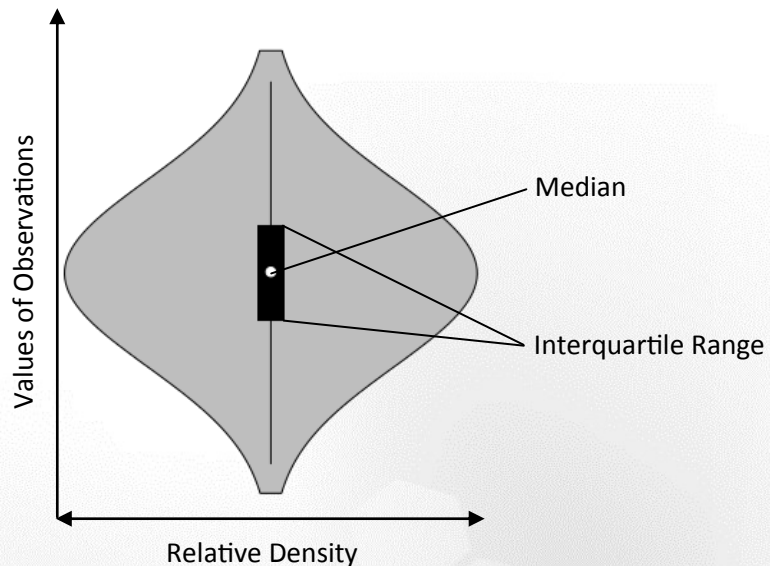
USDCHF Potential Rates



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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