



EUR

07/11/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

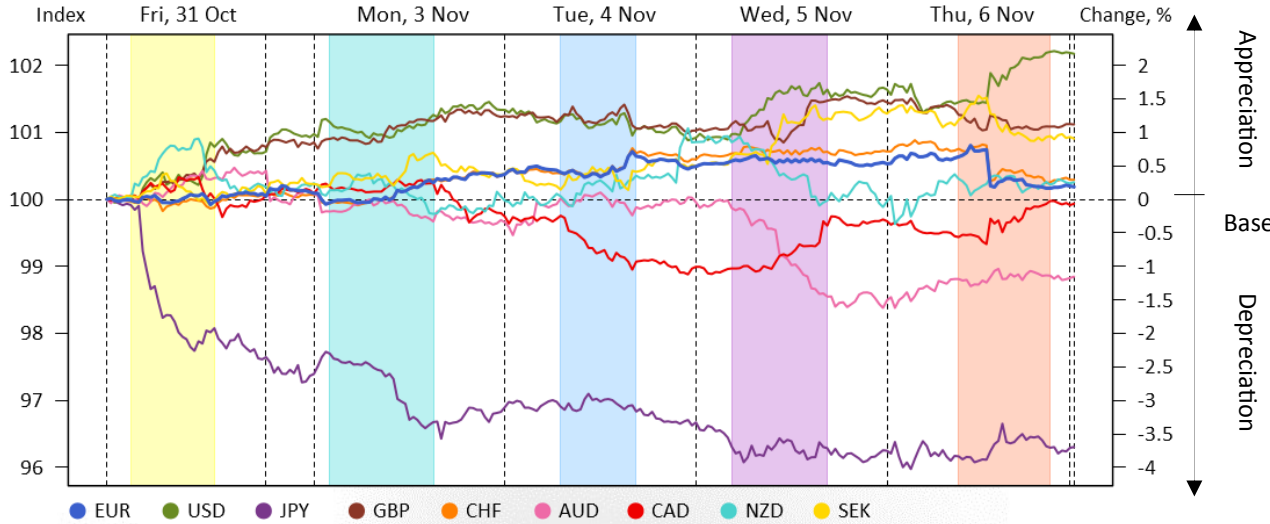
| Yellow Area | Turquoise Area | Blue Area | Purple Area | Orange Area |
|---|--|---|---|---|
| October 31 | November 3 | November 4 | November 5 | November 6 |
| 03:30 - 14:00 | 02:00 - 14:30 | 07:00-16:00 | 04:30-16:00 | 10:00-21:30 |
| <ul style="list-style-type: none"> <u>Bank of Japan Monetary Policy Statement</u> <u>German Retail Sales</u> <u>Eurozone's Consumer Price Index Flash Estimate</u> <u>Canada's Gross Domestic Product (GDP)</u> | <ul style="list-style-type: none"> <u>Australian Building Approvals</u> <u>UK Markit Manufacturing PMI</u> <u>US ISM Manufacturing PMI</u> <u>Bank of Canada Governor Poloz Speaks</u> | <ul style="list-style-type: none"> <u>Australian Retail Sales and Trade Balance</u> <u>Australian Interest Rate Decision</u> <u>UK Construction PMI</u> <u>US Trade Balance</u> <u>New Zealand's Employment Change</u> | <ul style="list-style-type: none"> <u>Bank of Japan Governor Kuroda Speaks</u> <u>UK Markit Services PMI</u> <u>Eurozone's Retail Sales</u> <u>US ADP Non-Farm Employment Change</u> <u>US ISM Non-Manufacturing PMI</u> | <ul style="list-style-type: none"> <u>Australian Employment Change</u> <u>German Factory Orders</u> <u>UK Manufacturing Production</u> <u>UK Interest Rate Decision</u> <u>US Unemployment Change</u> <u>ECB Press Conference</u> |

| | | | | | |
|--------------------------|-------|-------|-------|-------|-------|
| EUR Currency Index Range | 0.16% | 0.34% | 0.39% | 0.11% | 0.64% |
| Max EUR Volatility Index | 1.88 | 1.5 | 1.42 | 1.45 | 4.62 |



Relative Currency Strength

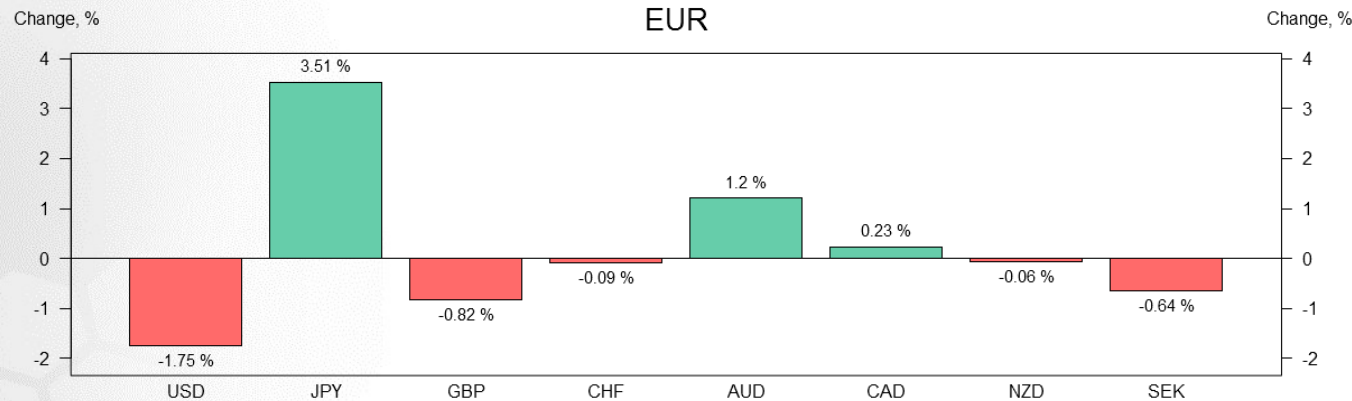
Currency Indexes



The Japanese yen has been clearly the worst performing currency with a significant 3.5% loss over the week, after the BOJ surprised the market by expanding their massive monetary stimulus even more. Also, the Aussie's performance was disappointing despite the better-than-expected employment numbers. The US dollar, in turn, has spent all the period above the baseline and achieved a great 2% of gains as most of the data from the US were in line with expectations or even better than forecasted. The Euro, however, was more or less stable and with indications to the upside, as for most of the time during the week it was close to 1% mark.

The pound and Swedish krona performed very similarly and both managed to post around 1% of gains.

The performance of the Euro Currency Index was with a few 'surprises'. The Euro managed to gain in value, even though it has performed below the baseline in the last 20 trading days. That is surprising because of the Thursday's ECB statement, when Mario Draghi hinted for further monetary stimulus that led to a rather heavy selling of the Euro. In the first part of the week, the 18-nation currency's movements were determined by some medium importance data and the overall market sentiment.



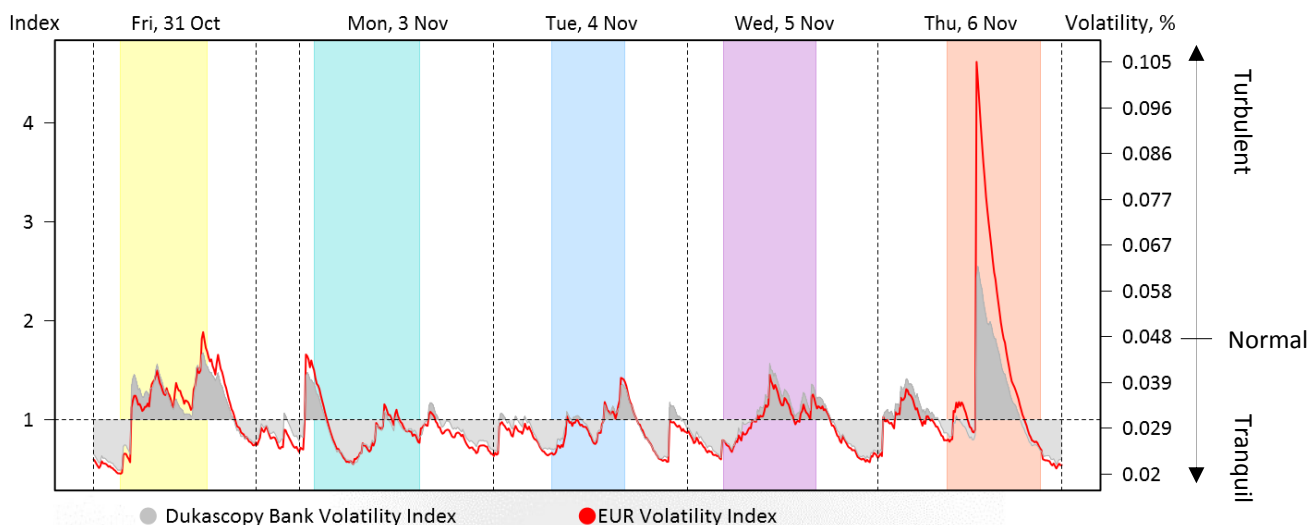
Currency Index Change

| Days | EUR | USD | JPY | GBP | CHF | AUD | CAD | NZD | SEK |
|------|--------|--------|--------|-------|--------|--------|--------|--------|--------|
| 5 | 0.19% | 2.17% | -3.7% | 1.12% | 0.29% | -1.15% | -0.07% | 0.26% | 0.9% |
| 20 | -0.08% | 2.67% | -4.74% | 0.77% | 0.56% | 0.19% | 0.57% | 0.26% | -0.61% |
| 130 | -2.59% | 10.08% | -4.39% | 2.31% | -1.33% | -0.19% | 4.1% | -3.02% | -4.84% |
| 250 | -0.61% | 9.23% | -8.15% | 7.53% | 1.99% | -2.69% | -1.12% | -0.22% | -5.95% |



Volatility

Volatility



The volatility of the Euro was very similar to the market's volatility in both elevated volatility portion and especially Volatility Index values. Moreover, looking at the volatility chart it might seem like the market was lacking turbulence; however, the levels of the gauge have improved considerably compared to the last week. Market's elevated volatility on average was 30% higher than the previous week, when we witnessed a multiple month low of 10%. Nonetheless, the biggest wave of volatility was on Thursday during the ECB's monetary policy statement and press conference, when Mario Draghi spoke about the problems that the Euro zone is

facing and also about the monetary stimulus. During this event the Euro Volatility Index skyrocketed to 4.62 level and EUR/USD turbulence reached even the 5.97 mark. At the same time, EUR/USD is the pair with the lowest elevated volatility at 25%. Also, the Volatility Index reached the 2% mark on Friday, when the BoJ decision to add to their monetary stimulus package shocked the market. Nonetheless, the highest level was touched by the EUR/GBP cross as it surpassed even the 6% mark right after Draghi started his speech.

Compared to the previous time of writing the market has become much more volatile, thus providing the market participants with more trading opportunities.

Elevated Volatility (% of the observed period)

| Market | EUR | EURUSD | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|--------|-----|--------|--------|--------|--------|--------|--------|--------|--------|
| 40 | 35 | 25 | 48 | 39 | 43 | 34 | 27 | 42 | 33 |

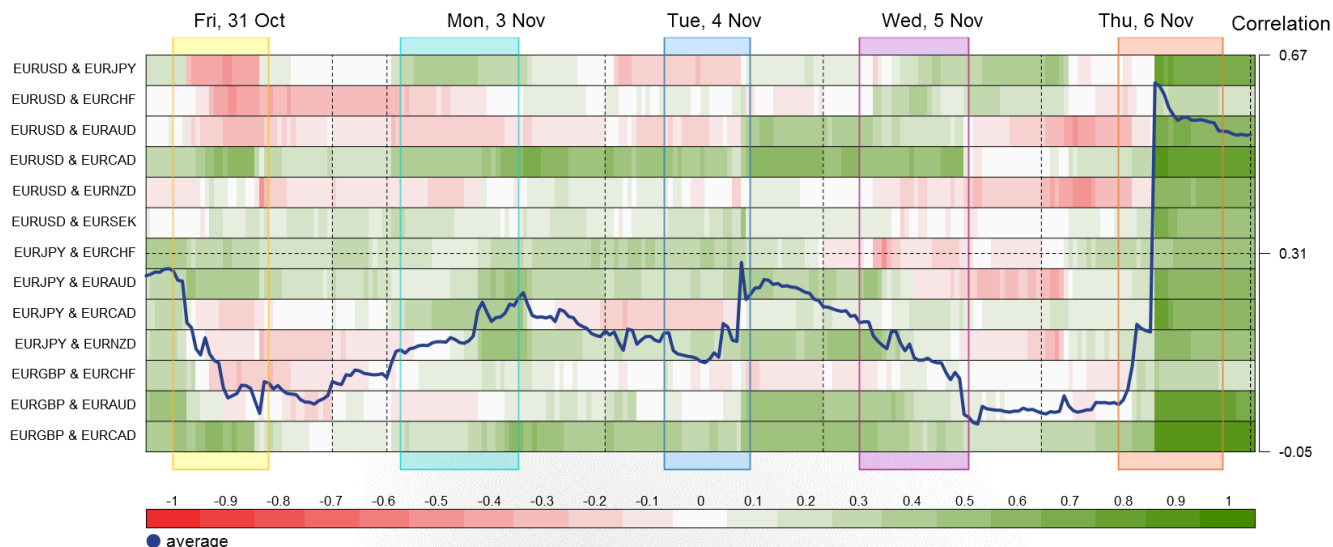
Volatility Index (for the observed period)

| | Market | EUR | EURUSD | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|---------|--------|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Max | 2.55 | 4.62 | 5.97 | 4.47 | 6.12 | 3.49 | 4.72 | 4.78 | 3.81 | 3.07 |
| Min | 0.49 | 0.45 | 0.28 | 0.44 | 0.26 | 0.41 | 0.45 | 0.32 | 0.33 | 0.14 |
| Average | 0.98 | 0.99 | 0.9 | 1.18 | 0.99 | 1.07 | 1 | 0.87 | 1.06 | 0.9 |



Currency Significance

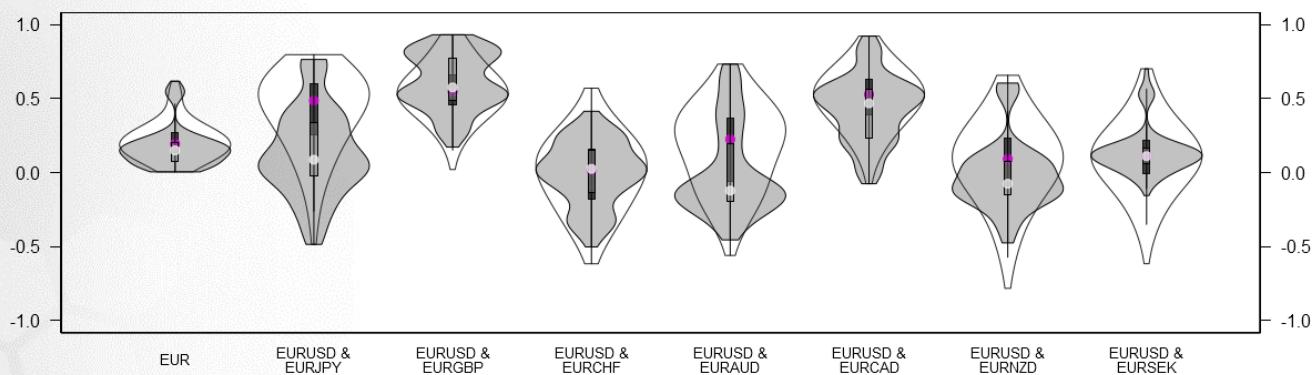
Correlations



The period proved to be very unsuccessful for the Euro significance measure, as it started at nearly zero level and through the week fell even lower. This performance was caused by most of the components sliding to weakly negative values, suggesting that the Europe's single currency was not on the governing side of the exchange rate movements. However, after the ECB announcement unprecedentedly strong correlations between almost all of the currency pairs occurred, since the Euro suddenly became the strongest driver for other currencies in the market.

The Euro correlations started the period on, in the last weeks, usual level—shifting between 0.1 and 0.3 up until Thursday. None of the events seemed to manage to critically boost nor depress the bonds between the currency pairs. Of course the main reason behind that was that there were no major Euro area's data released until Thursday. The disappointing Eurozone's retail sales on Wednesday sent the average correlation measure even lower as it reached 0.1 level. For most of the time through the period, the market was impacted by UK (manufacturing PMI; construction PMI; services PMI and manufacturing production) and US (ISM manufacturing PMI; Congressional Elections; ADP non-farm employment change) data.

Correlations (5 vs 20 days)

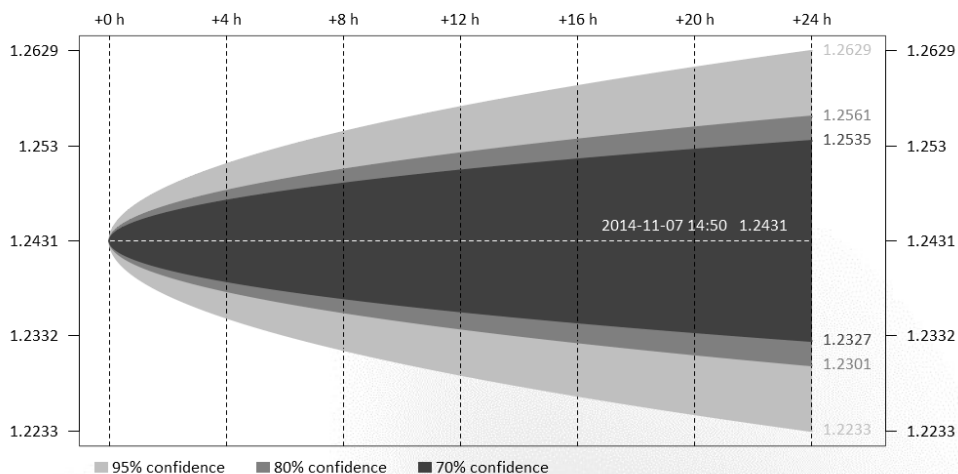


Mean Correlation Coefficient (with EURUSD)

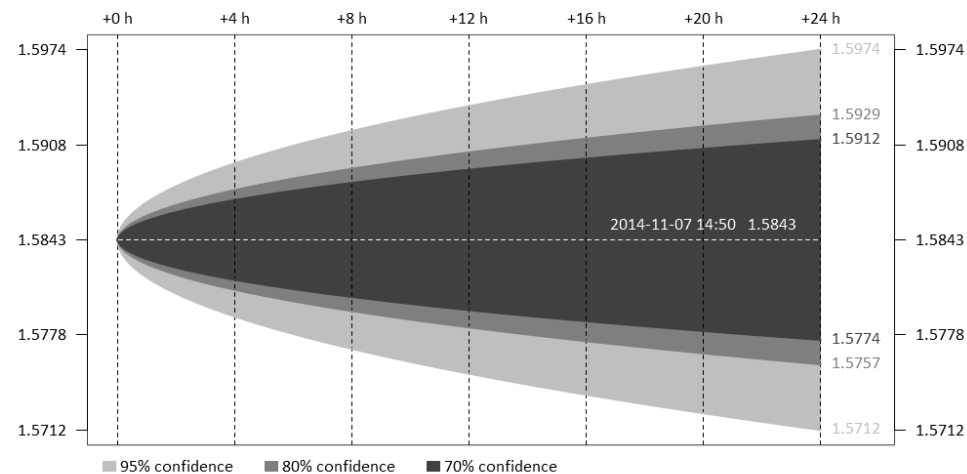
| Days | EUR | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|------|------|--------|--------|--------|--------|--------|--------|--------|
| 5 | 0.17 | 0.13 | 0.61 | -0.01 | 0.01 | 0.43 | -0.02 | 0.14 |
| 20 | 0.21 | 0.41 | 0.55 | 0 | 0.17 | 0.5 | 0.07 | 0.1 |
| 130 | 0.24 | 0.48 | 0.53 | -0.11 | 0.28 | 0.52 | 0.14 | 0.08 |
| 250 | 0.24 | 0.49 | 0.5 | -0.1 | 0.31 | 0.54 | 0.22 | 0.07 |

Confidence Intervals for Next 24 Hours

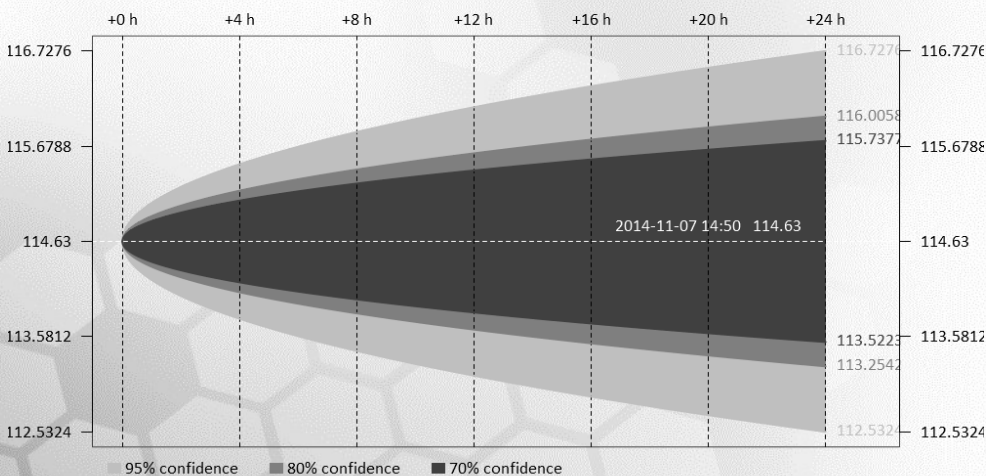
EURUSD Potential Rates



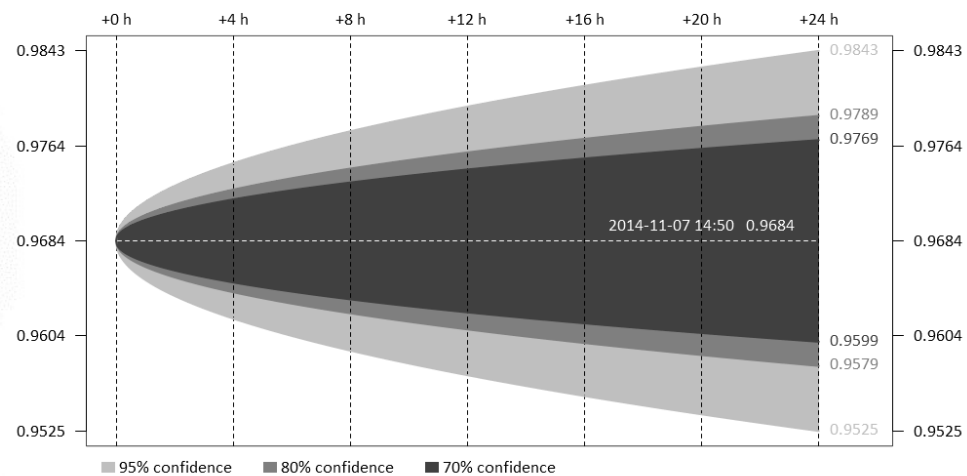
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

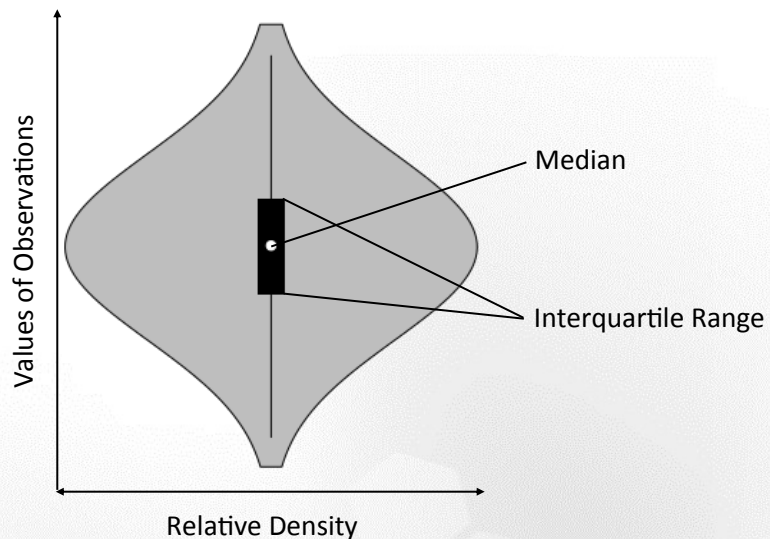
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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