



**USD**

10/11/2014



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# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
November 3	November 4	November 5	November 6	November 7
14:30 - 17:00	14:00 - 17:00	08:00-17:30	04:00-16:30	12:30-21:00
<ul style="list-style-type: none"> <li><u>US ISM Manufacturing PMI, Markit Manufacturing PMI, Construction Spending</u></li> <li><u>RBC Manufacturing PMI</u></li> </ul>	<ul style="list-style-type: none"> <li><u>US Trade Balance, Factory Orders</u></li> <li><u>BoC Governor Poloz Speech</u></li> </ul>	<ul style="list-style-type: none"> <li><u>UK Markit Services PMI</u></li> <li><u>Eurozone's Retail Sales</u></li> <li><u>US ADP Nonfarm Employment Change, ISM Non-Manufacturing PMI, Markit Services PMI</u></li> </ul>	<ul style="list-style-type: none"> <li><u>German Factory Orders</u></li> <li><u>UK Manufacturing Production</u></li> <li><u>BoE Interest Rate Decision</u></li> <li><u>US Jobless Claims</u></li> <li><u>ECB Press Conference</u></li> <li><u>Canadian Ivey PMI</u></li> </ul>	<ul style="list-style-type: none"> <li><u>Canadian Net Change in Employment, Unemployment Rate</u></li> <li><u>US Nonfarm Payrolls, Average Hourly Earnings, Average Weekly Hours, Unemployment Rate, Consumer Credit Change</u></li> <li><u>Fed's Yellen Speech</u></li> </ul>

USD Currency Index Range	0.16%	0.33%	0.4%	0.68%	0.62%
Max USD Volatility Index	1.28	1.43	1.47	2.23	2.11

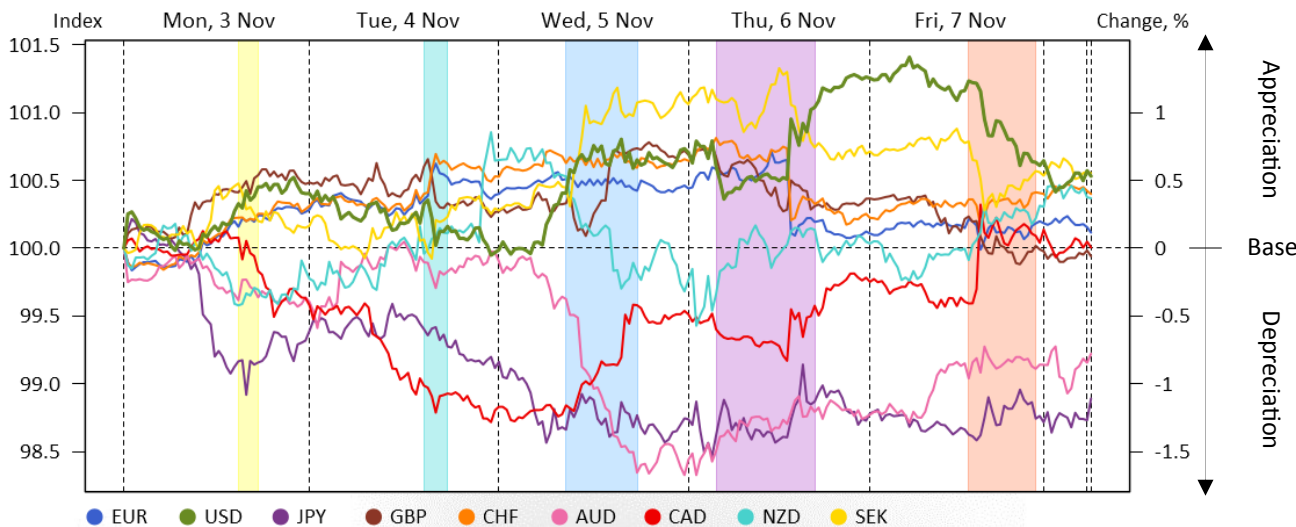




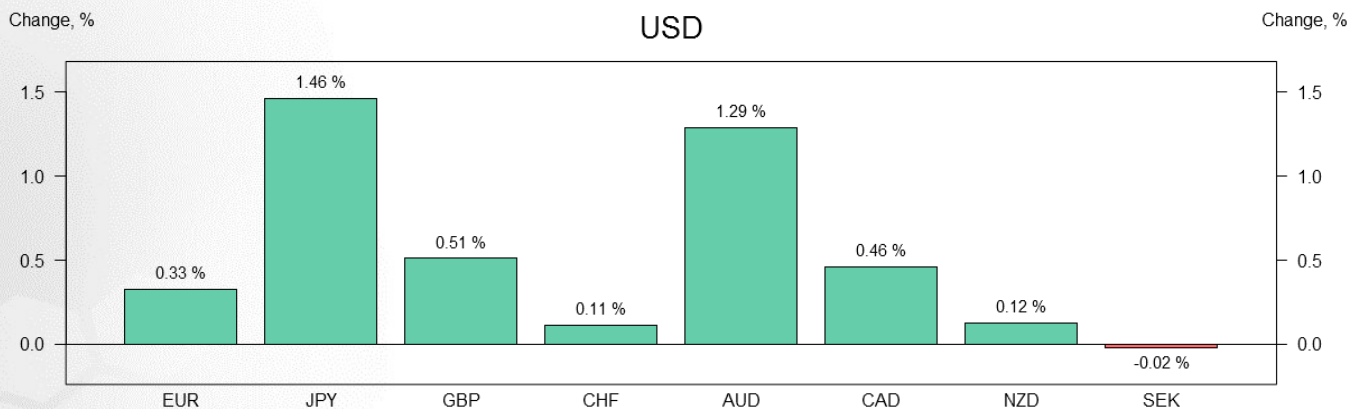
# Relative Currency Strength

## Currency Indexes

The USD Index continued to show strong performance throughout the period, ending up among the top three gainers for the third week in a row. The Greenback grew the most against the yen, which remained feeble after the BoJ announced the increase of monetary stimulus on October 31, and the Aussie, whose index went into the sharpest downfall against the background of the strong dollar and decrease in metal prices. Among other USD Index counterparts, the Loonie's gauge posted the highest spike on Friday, as Canadian job creation data reported a 43.1K rise against the expected 5K fall.



The USD Index spent the beginning of the period pent in between the 100.0 and 100.5 points marks, but managed to break into higher levels following the US elections results. As the Republicans' victory roused expectations for a more pro-business policy, the USD Index settled around 100.7 points and held the level throughout the day. Its sharpest spike took place on Thursday, as the combined effect of falling US jobless claims and the dovish tone of the ECB's press conference pushed the index 0.4 points up and above the 101.0 points mark. On Friday, however, the index pulled back, weighted by the disappointing nonfarm payrolls data and the strengthening Loonie, and finished the period with a 0.5% gain over the base value.



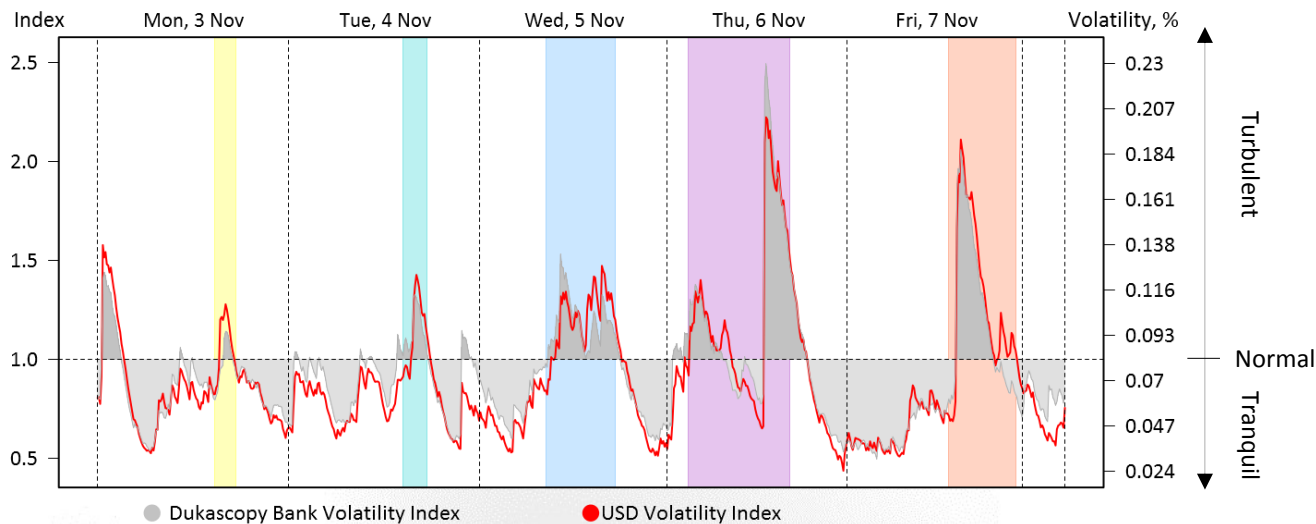
### Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.11%	0.53%	-1.11%	-0.06%	0.4%	-0.78%	0%	0.37%	0.55%
20	0.13%	1.95%	-5.31%	0.44%	0.71%	1.07%	0.84%	0.66%	-0.78%
130	-2.34%	8.86%	-4.47%	1.99%	-0.75%	-0.13%	4.65%	-2.94%	-4.62%
250	-0.34%	7.52%	-8.52%	6.64%	2.36%	-1.65%	-1.2%	0.54%	-5.32%



# Volatility

## Volatility



The week was relatively calm for the Greenback with only 28% portion of elevated volatility. Moreover, the greatest peaks of the USD Volatility Index were associated with news from its peers' economies. The market volatility was on its average historical level – elevated volatility was observed in 31% of time. The highest peaks of both market and USD volatility indexes – 2.5 and 2.23 points, respectively – were reached on Thursday, against the background of ECB press conference on monetary policy, while the EUR Volatility Index reached the 4.5 level. Thus, the ECB statement became the most turbulent event of the week.

The week started with two rather calm days for the Greenback – the minor volatility spikes were observed after higher-than expected manufacturing PMI release on Monday and Tuesday's factory orders. Nevertheless, Tuesday was turbulent for the Pacific currencies, especially for the Kiwi – its volatility index reached the week's maximum of 3.0 points after the release of optimistic news on employment. Wednesday was marked with moderate values above the average volatility level as services PMIs on EU countries and US were released. The news from Pacific region on Thursday morning caused moderate turbulence, while the announcement of surprisingly positive change in Canadian employment on Friday prompted the period's last volatility peak.

### Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
31	28	29	40	24	23	36	21	31	25

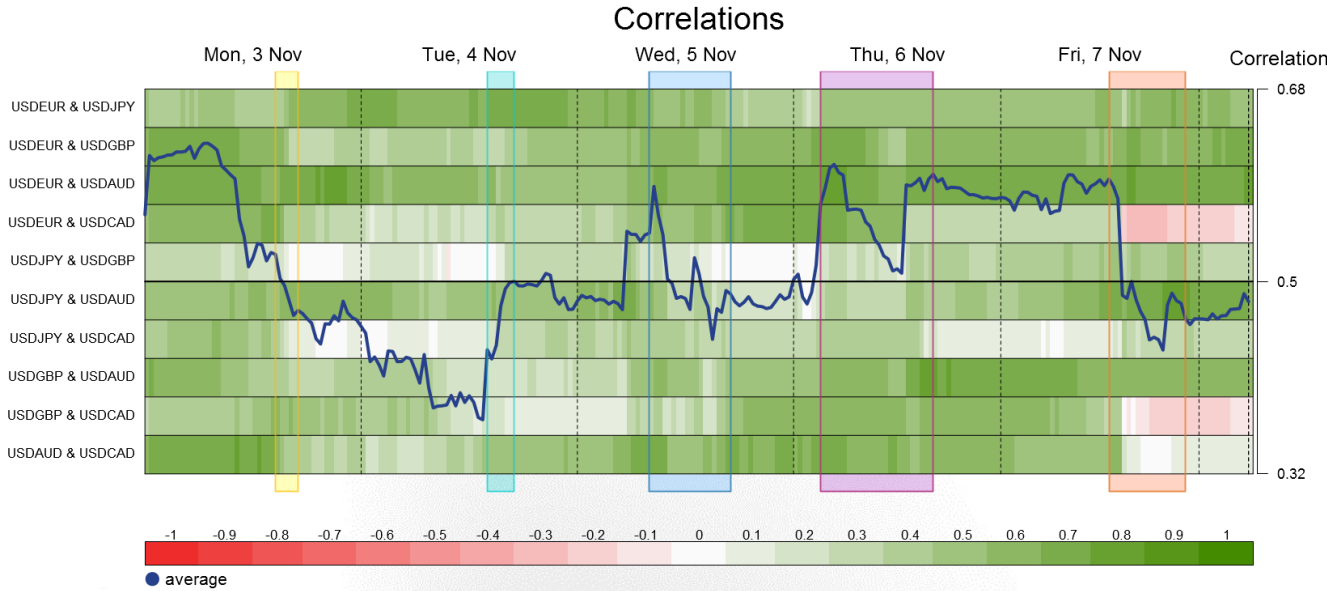
### Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.5	2.23	4.06	2.84	2.81	5.61	2.53	5.75	2.4	2.81
Min	0.5	0.44	0.35	0.39	0.3	0.32	0.31	0.25	0.39	0.26
Average	0.93	0.91	0.92	1.03	0.83	0.87	1	0.81	0.89	0.87





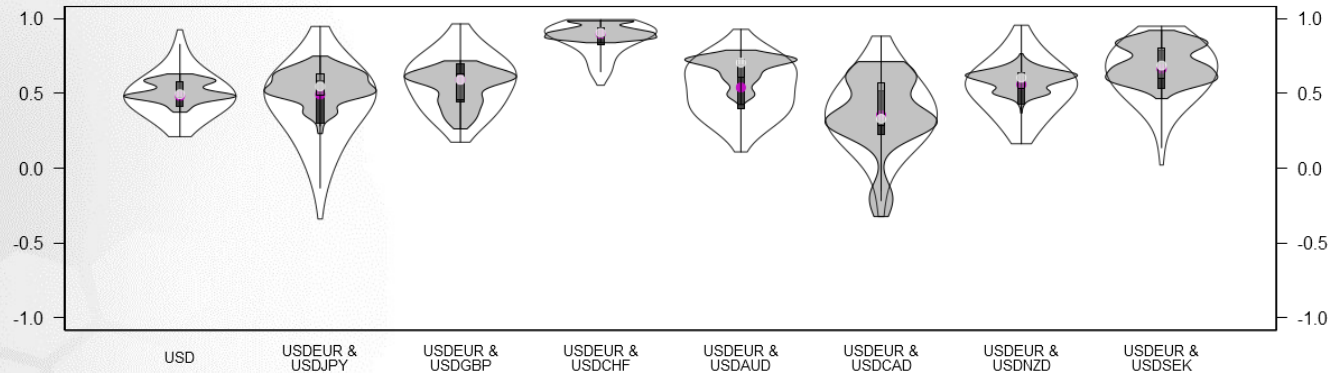
# Currency Significance



The overall level of the USD correlation decreased slightly compared with the previous period, and the significance measure held at the 0.51 mark on average. Most of the components' mean values also lost about 0.04 – 0.17 points of their previous readings. In turn, EUR/USD correlations with AUD/USD and USD/SEK grew by 0.08 and 0.1 points, respectively. Surprisingly low Swedish industrial production data caused the strengthening of the bond between USD/SEK and most of the other USD pairs. Compared with the long-term values, all components showed the upward trend.

The USD significance measure started the week on its maximum level of 0.63, but almost immediately began to gradually decrease. By Tuesday afternoon, the measure dropped to its minimum value of 0.37, but promptly recovered with the lower-than-expected US trade balance and reached the mean correlation level. The next drop occurred on Wednesday and was caused by the low US non-manufacturing PMI. Thursday was rather turbulent for the measure, and it spent the day in the range of 0.48-0.61. The bunch of the US news on November 7 contributed to the 0.09-points fall of the composite, and the measure ended the period on the level of 0.48.

## Correlations (5 vs 20 days)

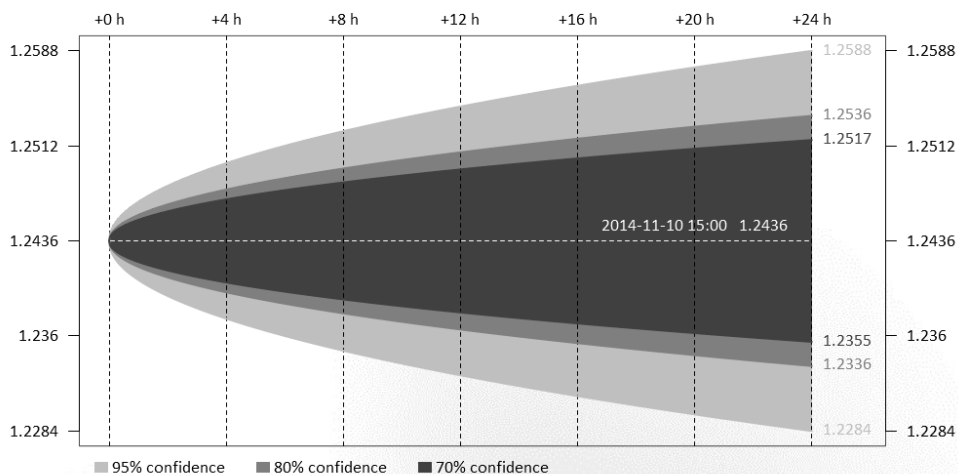


## Mean Correlation Coefficient (with USDEUR)

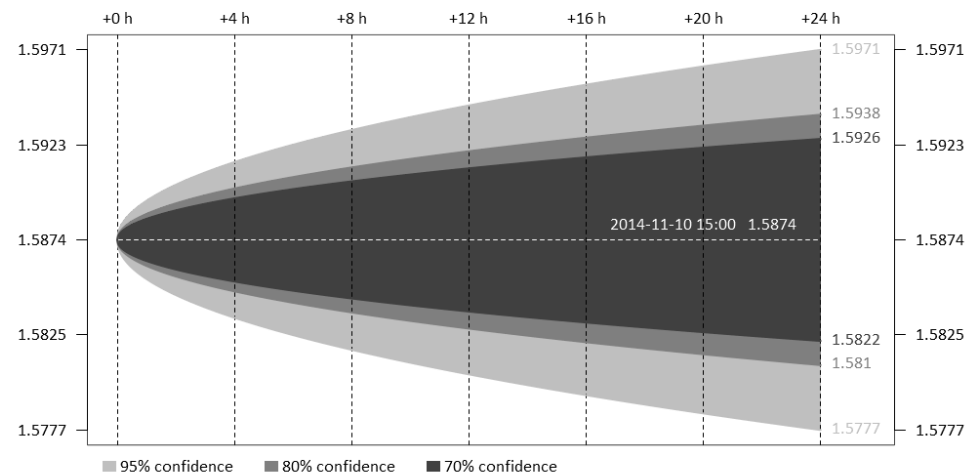
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.51	0.54	0.54	0.91	0.67	0.35	0.59	0.7
20	0.49	0.44	0.57	0.87	0.53	0.37	0.55	0.65
130	0.43	0.39	0.44	0.88	0.42	0.31	0.46	0.6
250	0.36	0.28	0.45	0.86	0.33	0.24	0.37	0.6

# Confidence Intervals for Next 24 Hours

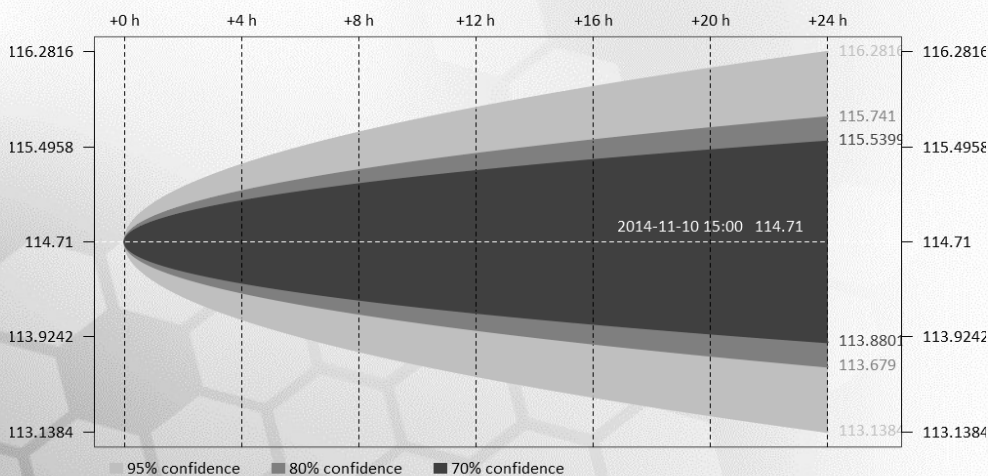
EURUSD Potential Rates



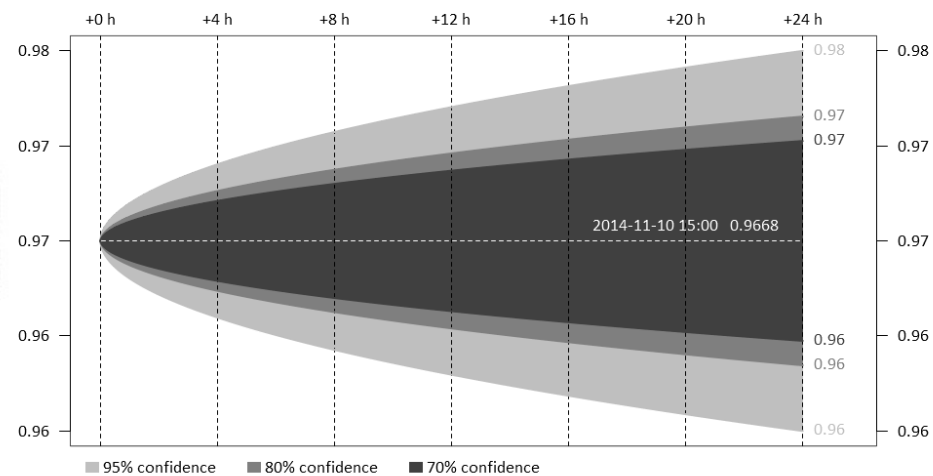
GBPUSD Potential Rates



USDJPY Potential Rates



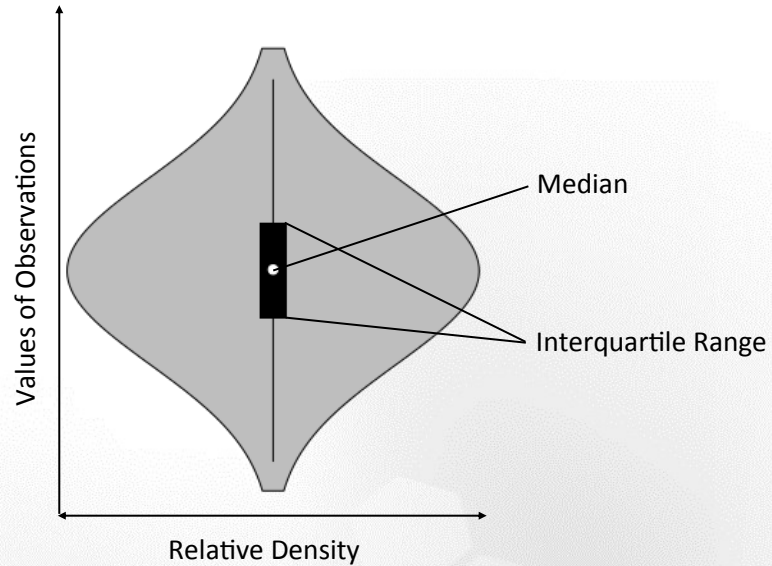
USDCHF Potential Rates



## 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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