

**JPY**

19/11/2014

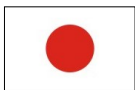


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# Dominant Events of the Period

## Yellow Area

November 12

01:00 - 08:30

- Japanese Tertiary Industry Activity
- UK Claimant Count Change, Unemployment Rate
- Eurozone Industrial Production

## Turquoise Area

November 13

00:30 - 06:00

- Japanese Core Machinery Orders
- Chinese Industrial Production

## Blue Area

November 14

11:00 - 19:30

- Eurozone Final CPI, Flash GDP
- Canadian Manufacturing Sales
- US Core Retail Sales, Consumer Sentiment

## Purple Area

November 16-17

20:30 - 06:30

- G20 Meetings in Australia
- Japanese Prelim GDP

## Orange Area

November 18

04:00 - 13:30

- UK CPI
- German ZEW Economic Sentiment

JPY Currency Index Range

0.33%

0.24%

0.43%

0.91%

0.51%

Max JPY Volatility Index

1.58

1.29

1.34

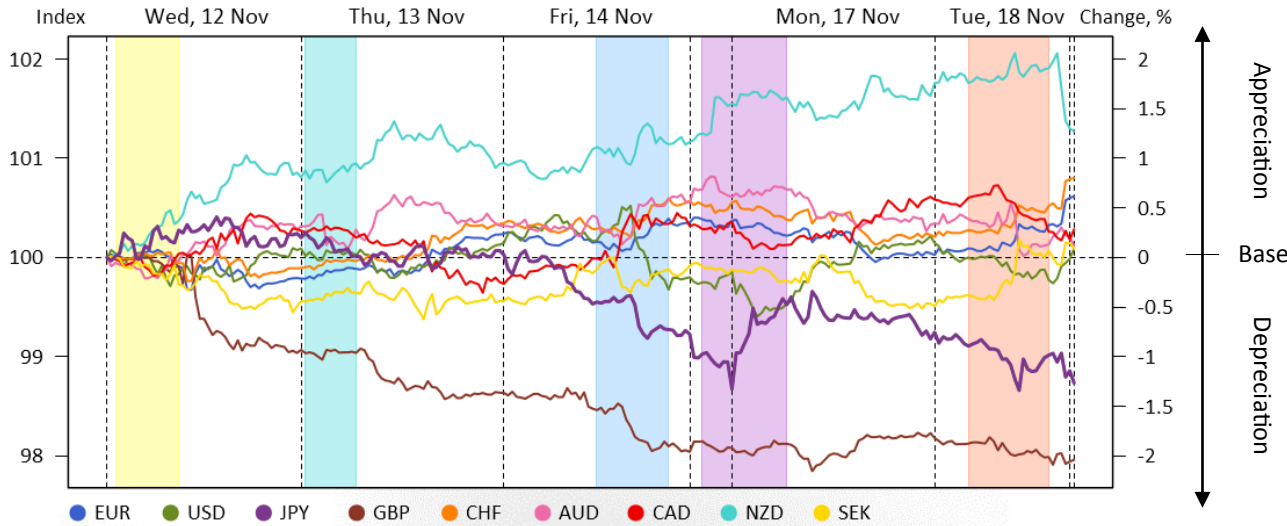
2.48

1.82



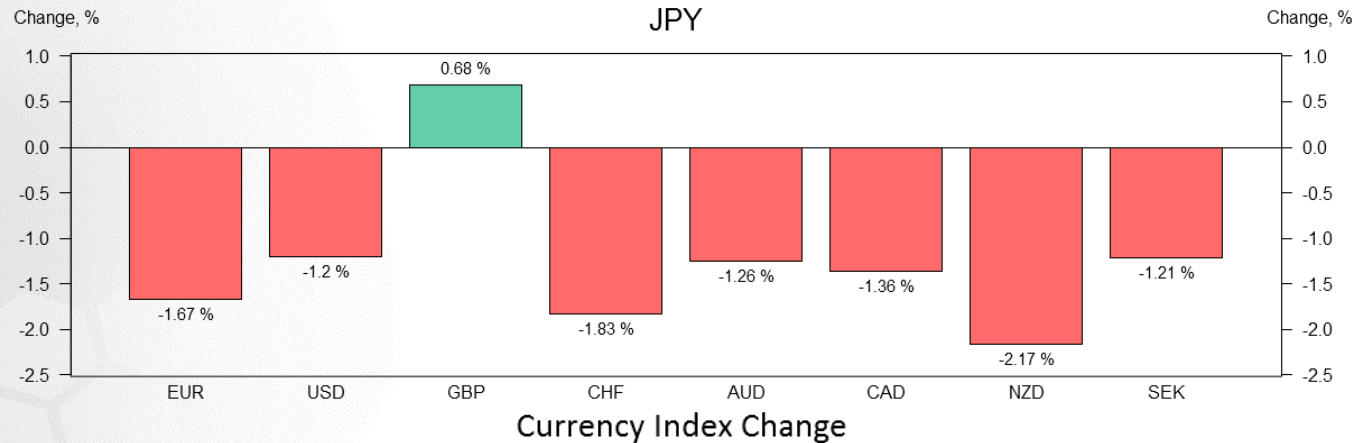
# Relative Currency Strength

## Currency Indexes

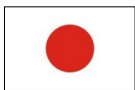


It seems that a long-term decrease of the yen index, caused by sluggish economic growth, decreasing inflation and further easing of the BoJ's monetary policy, is not ready to come to an end in the foreseeable future. During the past five trading days the JPY Index had the second-worst performance along with the GBP gauge. The yen ended the period losing as much as 1.26%, while a 2.04% decrease made the pound the main loser of the period. On the other hand, the New Zealand's dollar was the best performer during the period, as it's index grew 1.27% on news that the RBNZ is going to continue tightening monetary stance and keeping mortgage restrictions in place.

After spending the first two days of the period around the baseline, the JPY Index started dropping sharply to reach 99.1 points on Friday, even though no significant data in Japan was released on that day. The lowest point for the currency's index was reached in the night between Sunday and Monday at 98.7 points, when Japanese GDP data disappointed markets with negative growth numbers for the second quarter in a row, meaning that the economy entered the fourth recession since 2008. On Monday, the yen managed to recover some losses; however, the bearish pressure prevailed during the remaining part of the period and the week was closed with a total decrease of 1.26%.

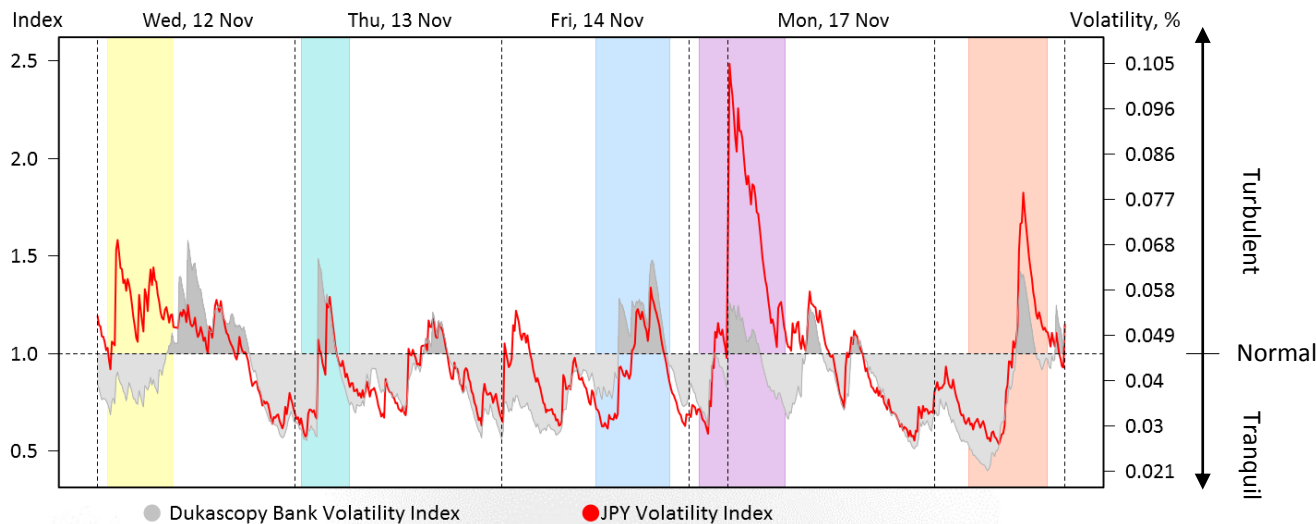


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.62%	0.09%	-1.26%	-2.04%	0.8%	0.12%	0.28%	1.27%	0.09%
20	0.73%	2.31%	-7.89%	-1.04%	1.25%	1.51%	1.56%	1.4%	-0.03%
130	-1.53%	8.52%	-8.05%	-0.02%	0.34%	1.6%	4.44%	-0.68%	-4.47%
250	-0.53%	7.94%	-9.94%	4.43%	2.37%	-0.4%	-1.26%	2.04%	-4.66%



# Volatility

## Volatility



The period was associated with uplifted volatility values in the second part of the period and rather high portion of elevated volatility for the yen, compared to the market. As can be seen from the tables, the Japanese yen was the period's most volatile currency – its Volatility Index reached the 2.48 level early on Monday and 1.70 on Tuesday's evening. The average volatility index for the whole November 12-18 time period of 0.54 has also been bigger than the mean number for the market at 0.40. Elevated volatility for the yen, in turn, surpassed the market average in all currency pairs and stayed at 43%.

Japanese currency started the week with a third-highest spike in turbulence during the whole period, as the country's tertiary industry activity rebounded more than expected by 1% in September on a monthly basis. For the next two days the volatility index remained unusually stable, as even surprisingly strong core machinery orders in Japan were not able to change the yen's calm behavior. The strongest increase in volatility of the analyzed currency took place on Monday amid news that Japanese economy contracted 0.4% in the third quarter, while Tuesday's changes were mostly driven by fundamentals from UK, US, and the Eurozone.

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

Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
28	43	42	38	45	42	40	36	30	38

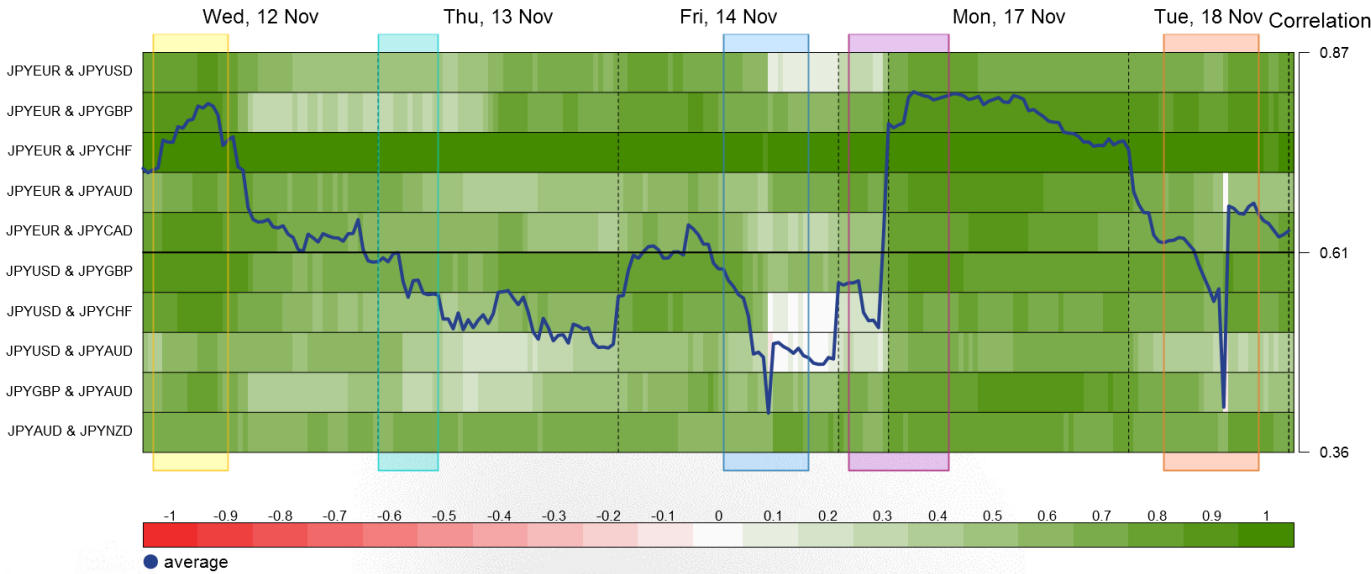
### Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	1.58	2.48	2.65	2.55	3.09	3.22	3.12	1.91	2.33	2.42
Min	0.4	0.54	0.46	0.4	0.45	0.42	0.37	0.29	0.45	0.38
Average	0.88	0.97	1	0.99	1.03	1.01	0.98	0.94	0.94	0.93



# Currency Significance

## Correlations

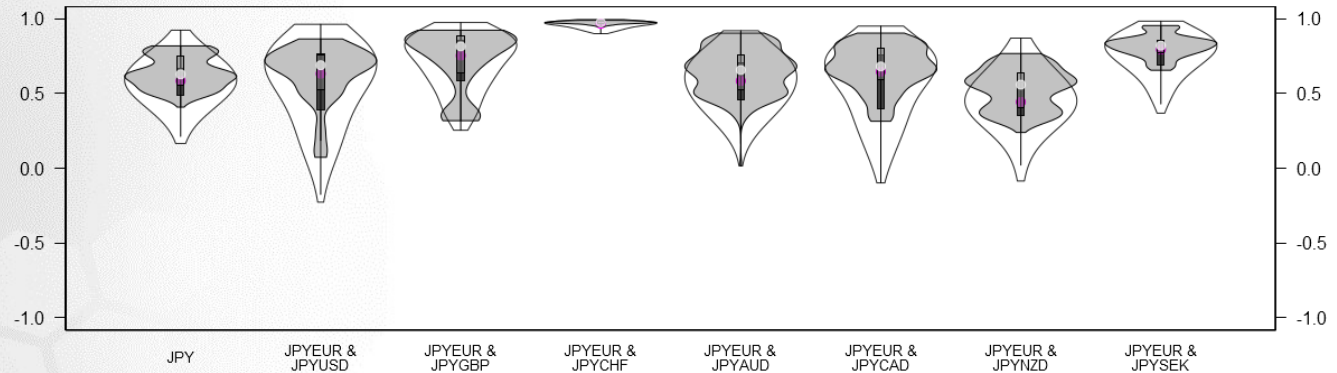


Taking into account the significance levels of JPY, calculated as an average correlations between all currency pairs of the yen, this currency was one of the main drivers last week. Only Thursday stood out for relatively low and at the same time stable correlations below 60% mark. The JPY began the period at a high 0.70 level but started to decrease gradually towards the weekly lows on Friday, as strong data from the United States on retail sales and consumer sentiment had a major impact on all crosses with the US dollar. The considerable surge in the JPY mean correlation

happened on Monday, as the coefficient reached its weekly high around 0.83, showing uplifted sensitivity to the data release on Japan's gross domestic product. Alongside, several components from the correlation matrix climbed significantly, including JPY/EUR & JPY/USD to 0.86 and JPYUSD & JPYAUD to 0.90.

Meanwhile, the composite went down to the weekly lows for the second time on Tuesday, especially reflecting influence of the RBA's monetary policy meeting minutes on several AUD crosses. Despite that, at the very end of the period the JPY mean correlation returned back above 50% to close the period at 0.64 mark.

## Correlations (5 vs 20 days)

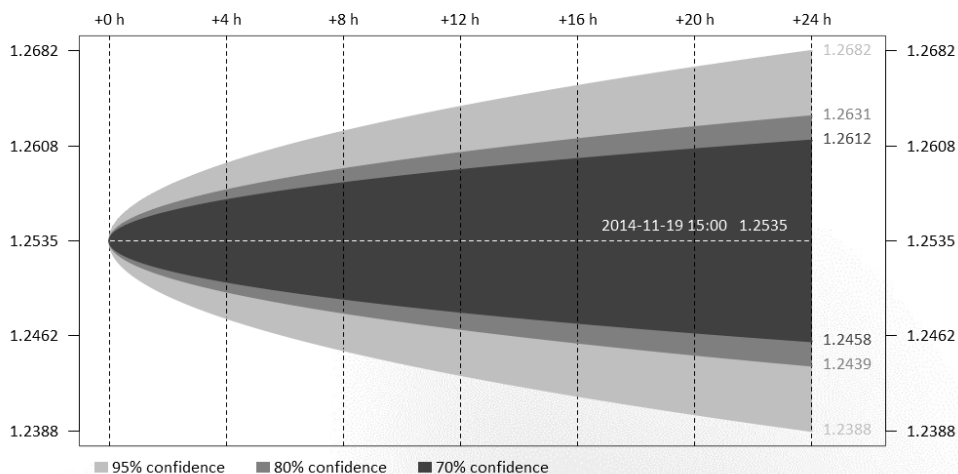


## Mean Correlation Coefficient (with JPYEUR)

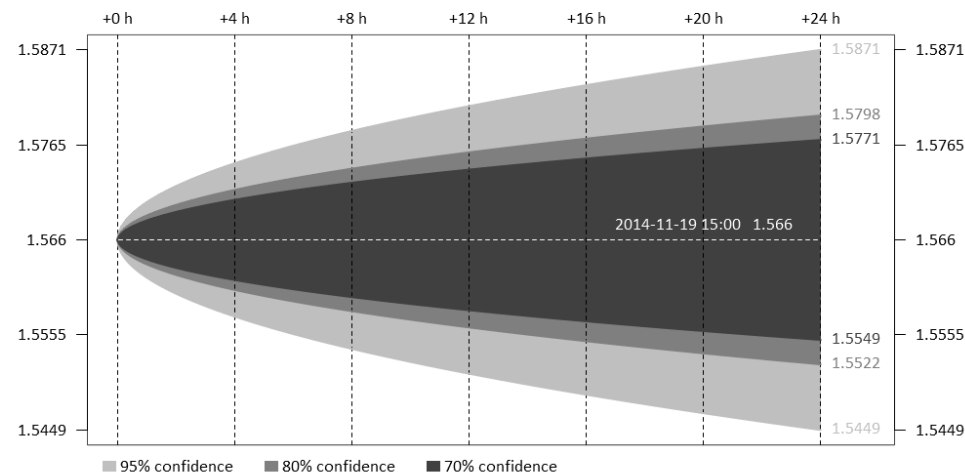
Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.64	0.63	0.73	0.97	0.65	0.67	0.53	0.82
20	0.58	0.57	0.71	0.96	0.58	0.58	0.46	0.77
130	0.46	0.54	0.58	0.92	0.4	0.46	0.33	0.67
250	0.51	0.63	0.66	0.91	0.44	0.51	0.39	0.72

# Confidence Intervals for Next 24 Hours

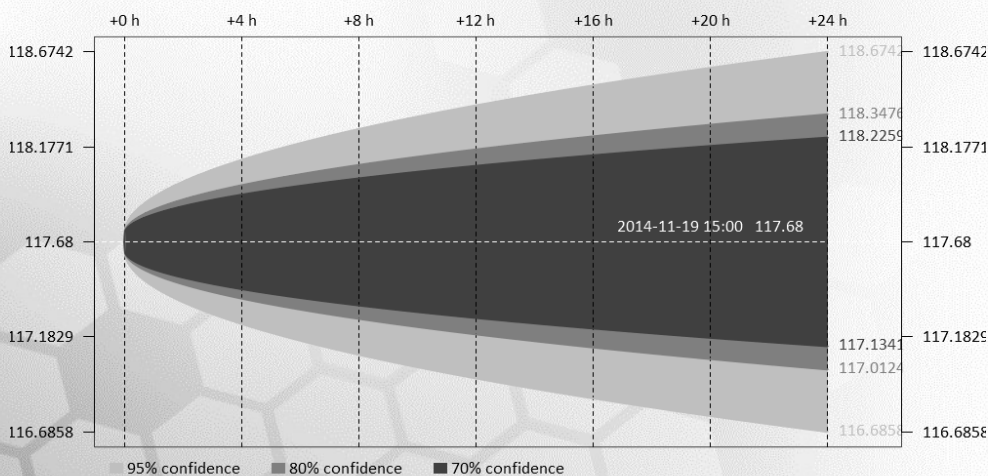
EURUSD Potential Rates



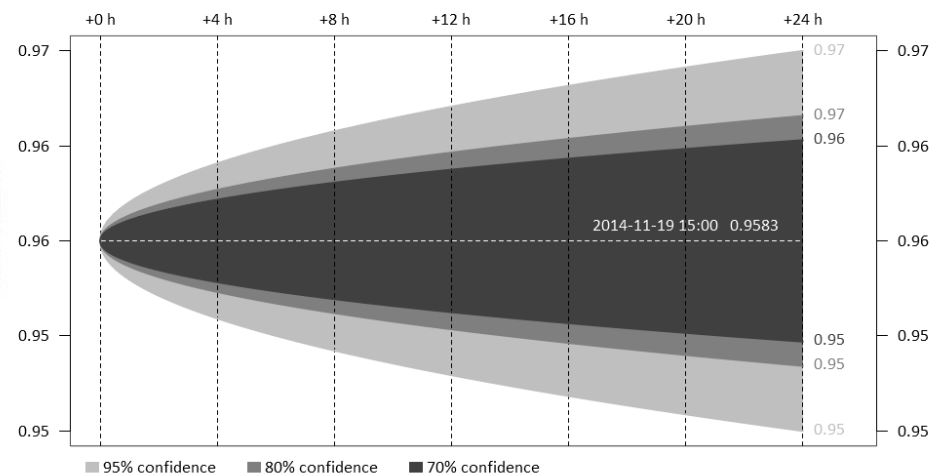
GBPUSD Potential Rates



USDJPY Potential Rates



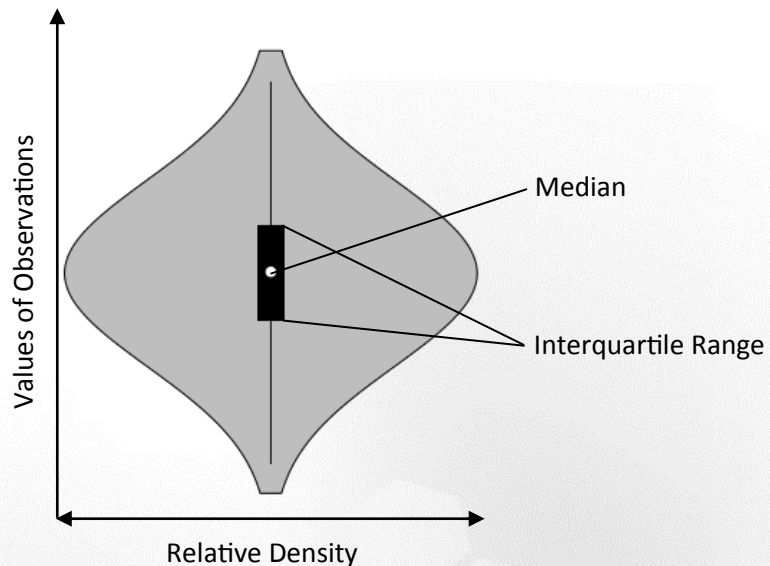
USDCHF Potential Rates



# 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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