



EUR

28/11/2014



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Market Research





Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
November 21	November 24	November 25	November 26	November 27
04:00 - 18:30	07:30 - 15:00	05:00-12:30	05:00-17:30	07:00-21:30
<ul style="list-style-type: none"> <u>ECB President Dragi Speech</u> <u>UK Public Sector Net Borrowing</u> <u>German Buba President Speech</u> <u>Canadian Core CPI</u> 	<ul style="list-style-type: none"> <u>Swiss Employment Level</u> <u>German Ifo Business Climate</u> <u>US Markit Services PMI</u> <u>BOJ Monetary Meeting Minutes</u> 	<ul style="list-style-type: none"> <u>BOJ Governor Kuroda Speech</u> <u>RBNZ Inflation Expectations</u> <u>RBA Deputy Gov. Lowe Speech</u> <u>UK Inflation Report Hearings</u> <u>US Prelim GDP, CB Consumer Confidence</u> 	<ul style="list-style-type: none"> <u>UK Second Estimate GBP</u> <u>German 10-y Bond Auction</u> <u>USD Core Durable Goods Orders; Unemployment Claims; Personal Spending</u> <u>US New Home Sales</u> <u>NZ Trade Balance</u> 	<ul style="list-style-type: none"> <u>German Prelim CPI; unemployment change</u> <u>OPEC Meetings</u> <u>ECB President Draghi Speech</u> <u>GfK German Consumer Climate</u> <u>Japan's Household Spending; Retail Sales</u>

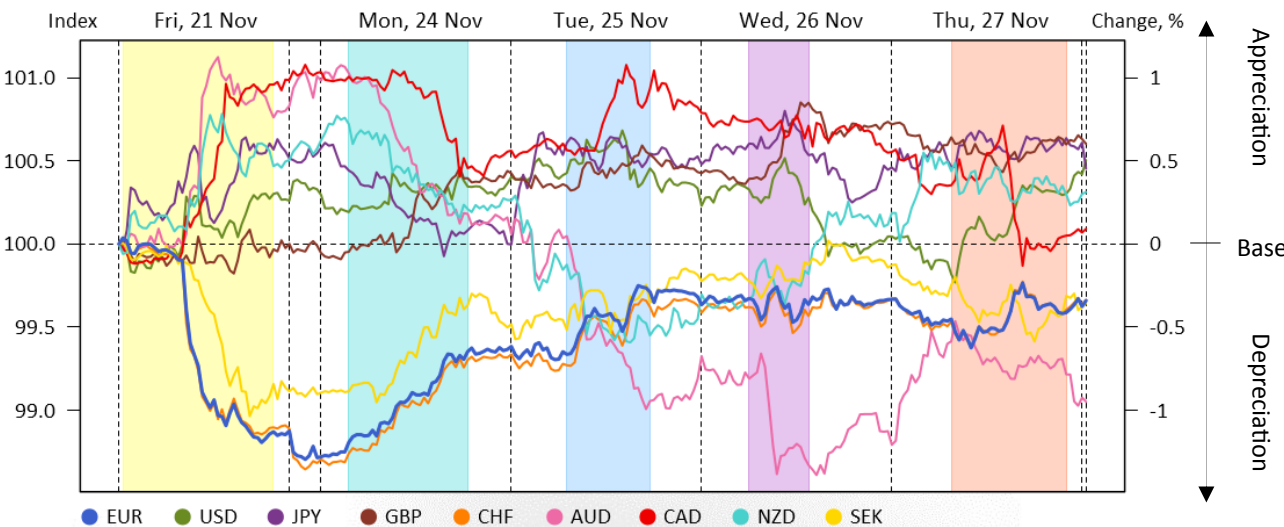
EUR Currency Index Range	1.23%	0.55%	0.41%	0.21%	0.39%
Max EUR Volatility Index	2.79	1.2	1.28	1.56	1.33



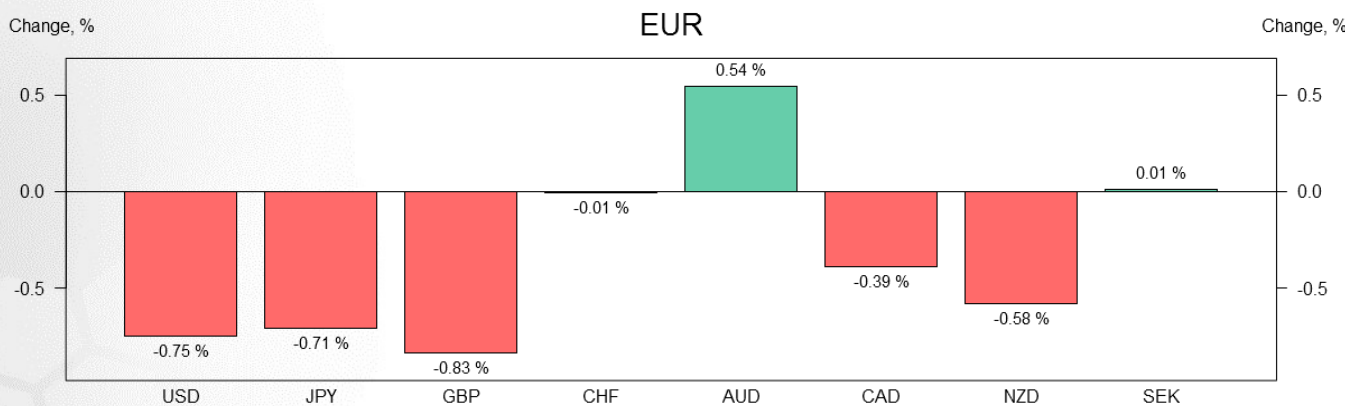
Relative Currency Strength

Currency Indexes

After a few relatively good weeks for the Euro, this has been a completely different story. The common currency declined against all the major currencies, excepting the Aussie and Swedish currency. However, Swedish Krona and Swiss Franc come basically in line with the 18-nation currency. All the other currencies outperformed the Euro in the range from 0.39%-0.83%, meaning that the outperformance was strong but not significant. The British Pound gained the most, while just near it was the Japanese Yen and US Dollar. However, a clear loser in the period was the Australian Dollar that was trading below 1% in the week and by the end of the period it had lost around 0.95%.



The biggest moves were seen at the beginning of the period, namely on Friday, when the Euro, Swissy and Swedish Krona dropped around 1%, after the ECB President Mario Draghi announced that they are ready to act and broaden its asset-purchases programme to drive inflation higher as fast as possible. In the rest of the week the Europe's shared currency managed to reverse the losses gradually. The key factors for the rebound were better than expected German Ifo business climate on Monday and then some disappointing figures from other regions that pushed the Euro higher. The BoE officials expect their next decision will be to hike interest rates and now they are focused on timing and a degree of an eventual tightening in policy.



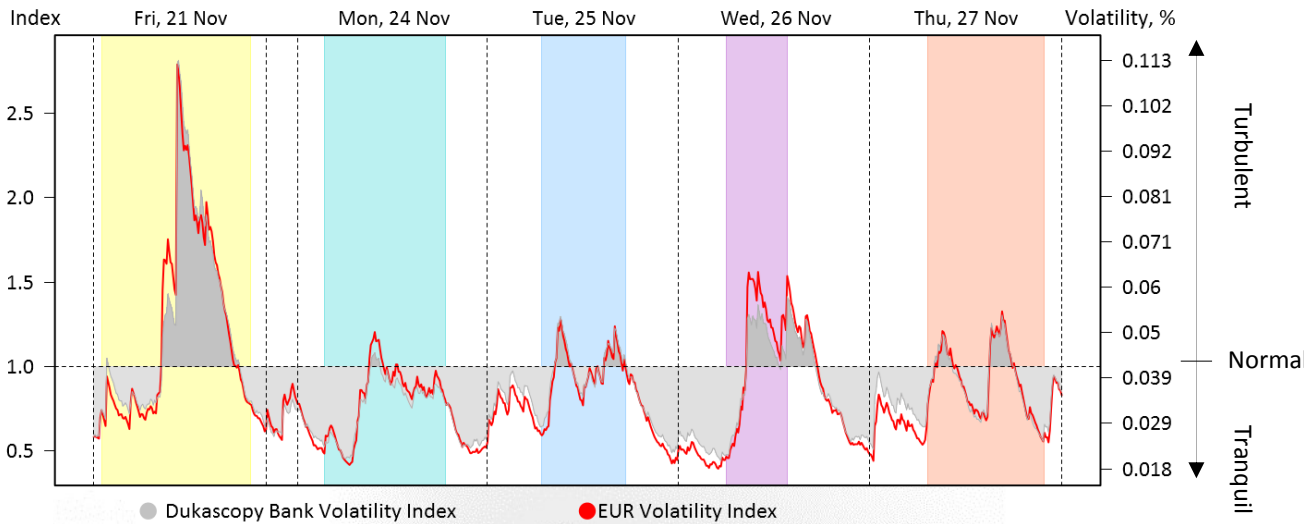
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.34%	0.5%	0.45%	0.6%	-0.34%	-0.95%	0.09%	0.31%	-0.36%
20	0.93%	1.82%	-5.01%	-0.1%	1.27%	-1.89%	0.59%	1.72%	0.47%
130	-1.17%	8.94%	-8.14%	1.71%	0.62%	-1.32%	3.75%	-0.12%	-4.17%
250	-1.94%	7.73%	-8.57%	3.7%	0.9%	0.55%	0.03%	3.78%	-6.17%



Volatility

Volatility



Similarly to the previous week this has been a tranquil one. Both the market and the EUR Volatility Indexes held above the historical level in only around 25% of the time; nonetheless, it is higher reading than in the previous time of writing. The percent of elevated volatility of the components has also improved in the most of the cases. The biggest gainer and the one which had the highest elevated volatility at the same time is EUR/AUD that reached 39%, increasing by 25%. However, the most noticeable spike in volatility happened on Friday, when Draghi's remarks moved the markets and the EUR volatility index jumped above the 2.5% mark.

Moreover, the event moved not only the Euro denominated pairs but the whole market. Afterwards, the market were almost standstill, with a few exceptions on Wednesday, when important data from US and UK were released. Although, the impact of the data was limited due to the fact that US celebrated the Thanksgiving Day on Thursday.

The highest volatility has moved from EUR/GBP to EUR/AUD and EUR/NZD. This increase in the volatility was, after the speech of RBA Deputy Governor Lowe, who said that the Aussie is likely to depreciate against other currencies with commodity export prices.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
25	25	24	26	19	27	39	33	30	29

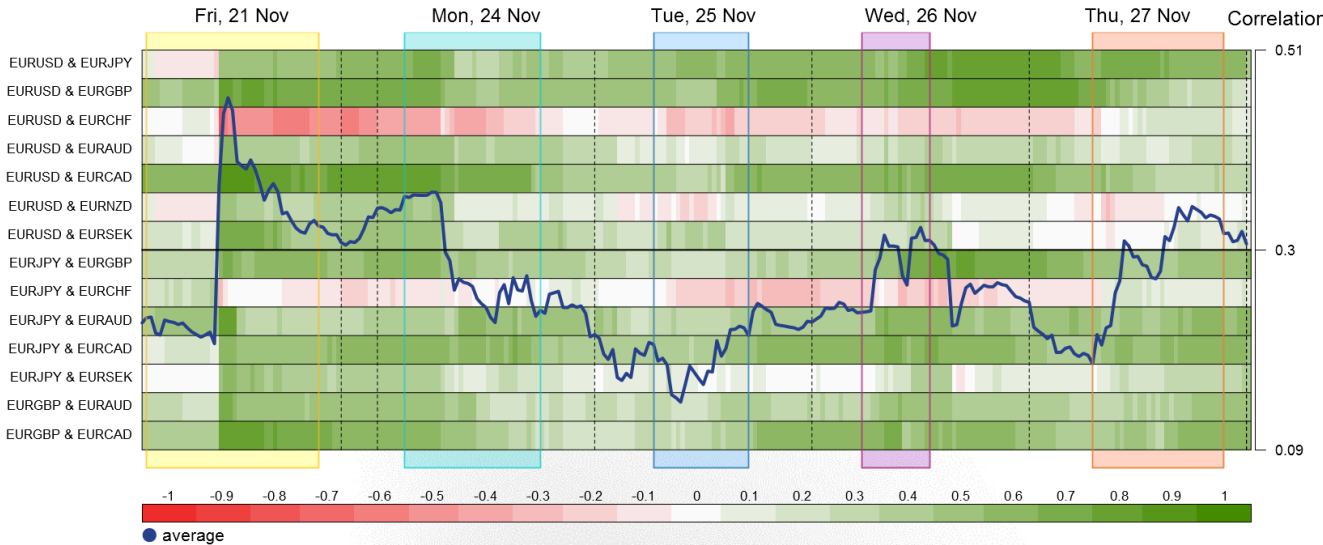
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.81	2.79	2.28	1.98	1.91	2.74	5.92	2.87	4.77	2.07
Min	0.44	0.39	0.24	0.31	0.28	0.28	0.39	0.31	0.36	0.09
Average	0.88	0.87	0.77	0.84	0.71	0.86	1.06	0.93	0.95	0.78



Currency Significance

Correlations



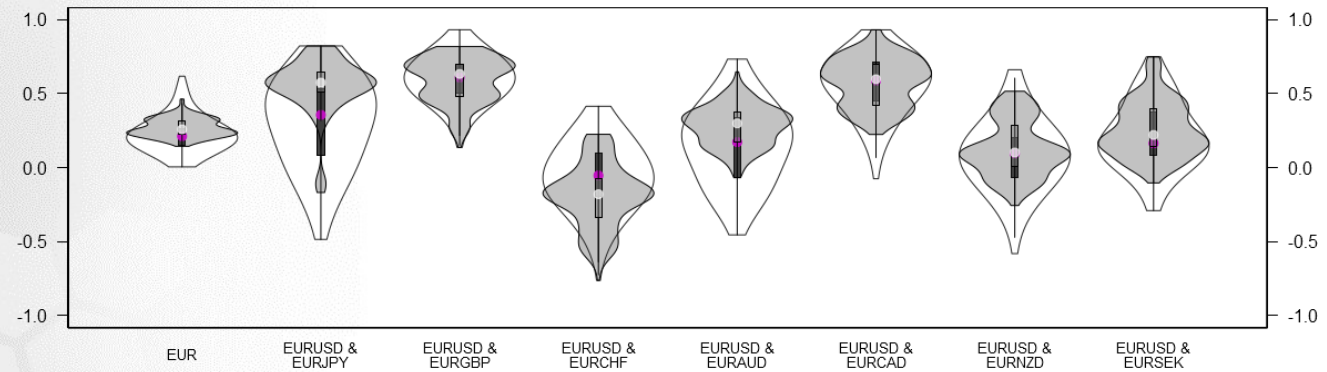
The correlations between the EUR pairs were considerably strong during the observed period. Their distributions were notably above both the historical values and the values seen in the last week.

The composite for most of the time were was at moderate values, with the biggest spike on Friday, when Mario Draghi announced that the ECB is ready to act and broaden its asset-purchases programme to drive inflation higher as fast as possible. On Monday the Euro average correlation coefficient remained around the 0.3 level.

The decrease started by the end of Monday and continued in Tuesday, as the most important data were released in UK, US and Canada. The negative data from US on Wednesday were somewhat subdued because of the national holiday and therefore it did not impact the Euro currency by much.

All in all, this was a calm week with no major headwinds, with an exception on Friday, when Draghi's remarks moved the markets. Nonetheless, at the same time many important data were released in all region and that kept the correlations at levels above the average despite the national bank holiday in the US.

Correlations (5 vs 20 days)

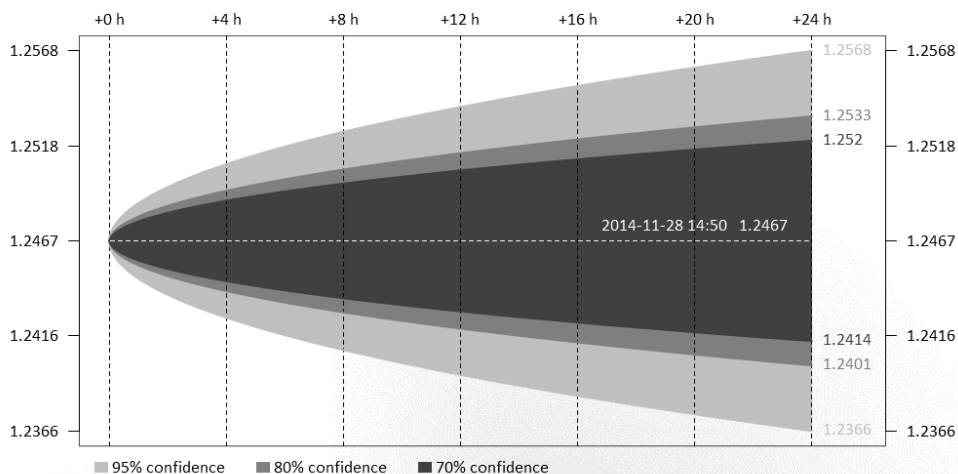


Mean Correlation Coefficient (with EURUSD)

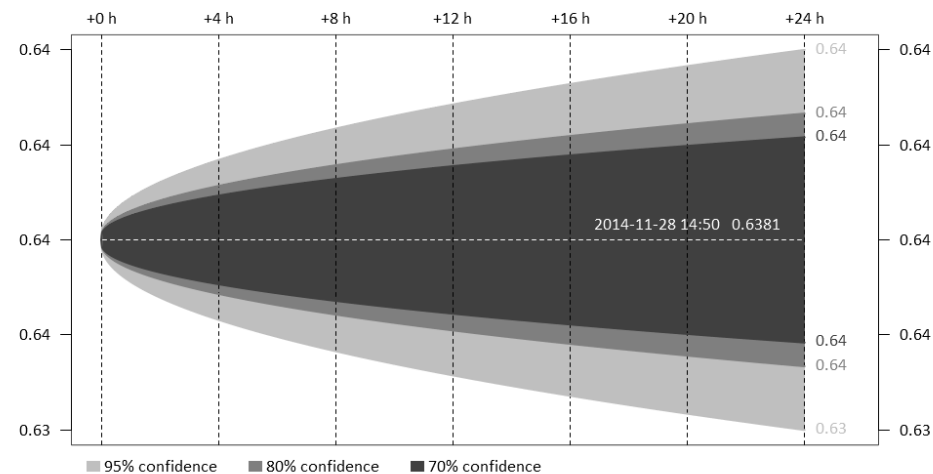
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.27	0.55	0.59	-0.19	0.28	0.58	0.12	0.26
20	0.22	0.3	0.6	-0.06	0.16	0.56	0.08	0.21
130	0.24	0.45	0.54	-0.11	0.25	0.52	0.12	0.09
250	0.24	0.48	0.51	-0.1	0.31	0.54	0.22	0.08

Confidence Intervals for Next 24 Hours

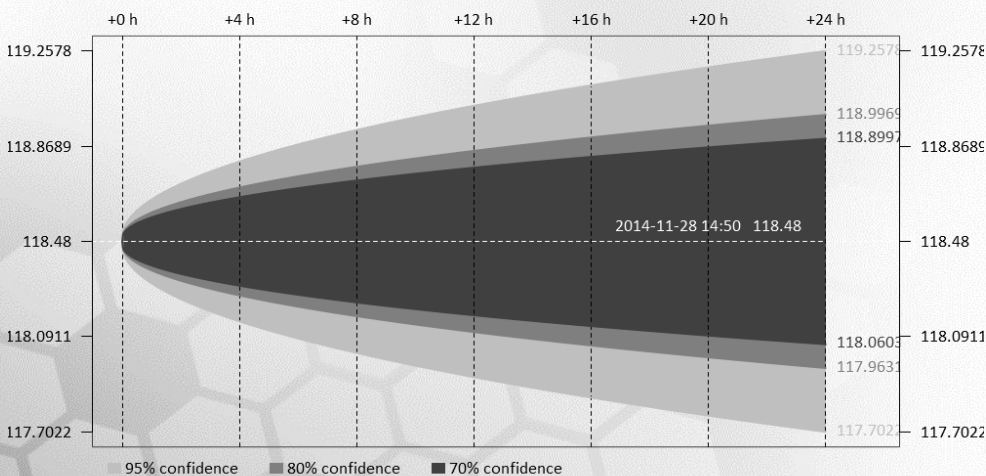
EURUSD Potential Rates



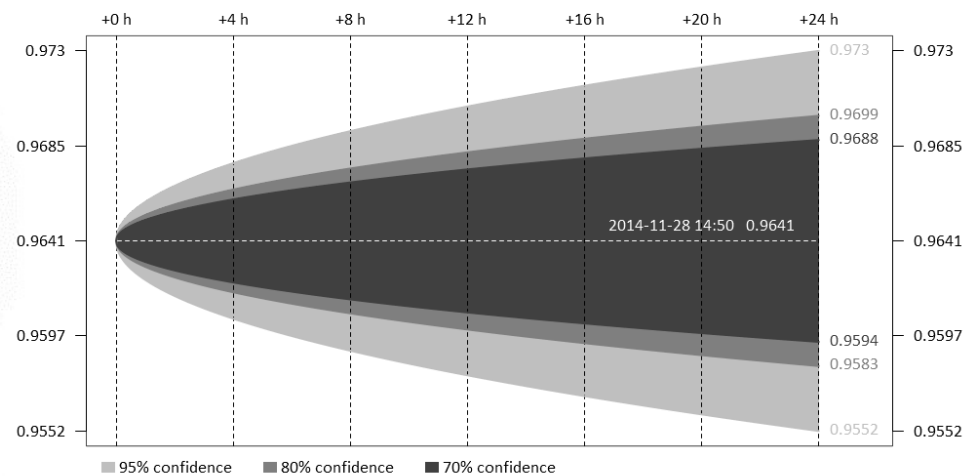
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

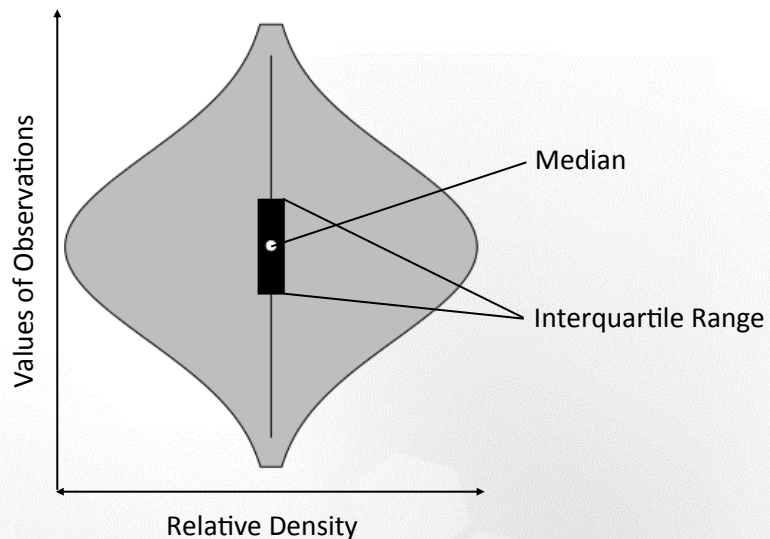
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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