



EUR

12/12/2014



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Market Research





Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
December 5	December 8	December 9	December 10	December 11
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"> German Factory Orders Swiss Foreign Currency Reserves Canadian Employment Change; Unemployment Rate US Non-Farm Employment Change; Unemployment Rate 	<ul style="list-style-type: none"> Australian ANZ Advertisements Swiss CPI; Retail Sales Eurogroup Meetings Canadian Housing Starts; Building Permits 	<ul style="list-style-type: none"> Australian NAB Business Confidence UK Manufacturing Production Eurozone's ECOFIN Meetings UK NIESR GDP Estimate US JOLTS Job Openings 	<ul style="list-style-type: none"> Australian Home Loans French Industrial Production UK Trade Balance New Zealand's Official Cash Rate; RBNZ Press Conference; Rate Statement 	<ul style="list-style-type: none"> Australian Employment Change; Unemployment Rate Swiss Libor Rate; SNB Press Conference Eurozone's Targeted LTRO US Core Retail Sales; Unemployment Claims; Import Prices

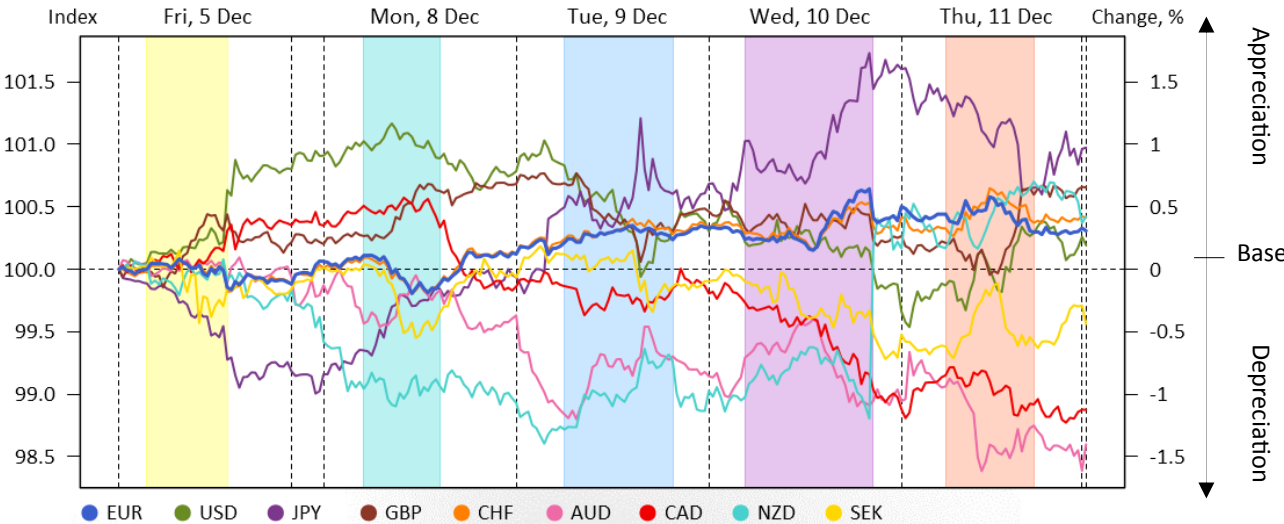
EUR Currency Index Range	0.23%	0.31%	0.14%	0.49%	0.28%
Max EUR Volatility Index	2.25	1.15	1.74	2.46	1.75



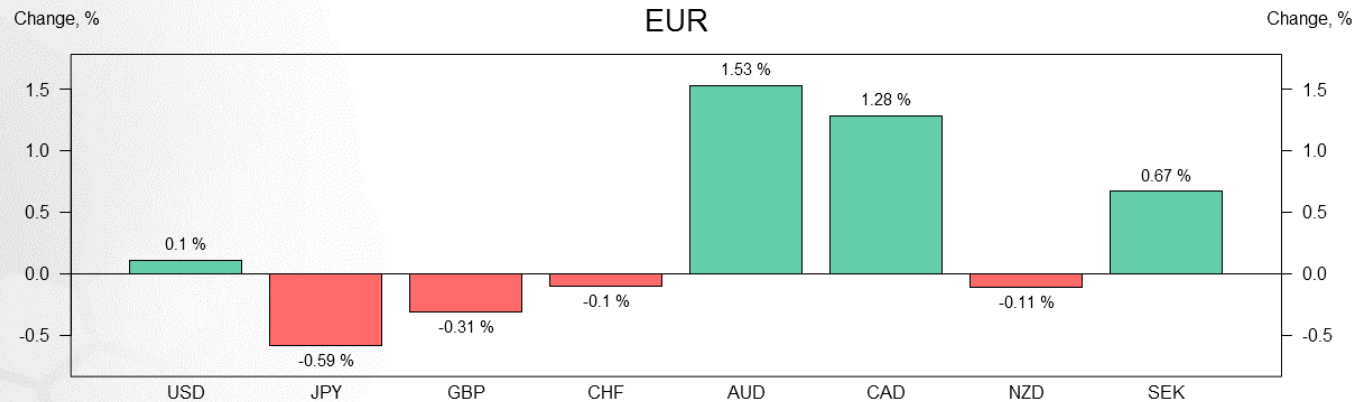
Relative Currency Strength

Currency Indexes

The Europe's shared currency has gained for a second straight week as it added 0.31%. A clear worst-performer remains the Australian Dollar that has lost more than 4% in the last month. The Canadian Dollar also performed poorly by declining 1.12% in the period, as the oil prices remain very low. However, the best-performers were Japanese Yen and the British Pound, if the Yen rebounded from the last week's losses then the Sterling has prolonged its advance. Interestingly, the Japanese currency breached even the 1.5% mark on Thursday; however, it failed to sustain the gained bullish momentum.



Through Friday and Monday the 18-nation currency traded almost completely flat, even though on Friday the non-farm payrolls data were released in US. Also, German factory numbers were released better than expected on Friday. The beginning of the week indeed lacked any high importance data; therefore, no major moves were witnessed. In the remaining part of the week the Euro was mostly driven by data elsewhere, since excepting ECB's lending (Targeted LTRO) that met expectations no major events were taking the stand. In other regions, UK's manufacturing was released worst than expected on Tuesday, New Zealand's cash rate remained unchanged, while US core retail sales came in considerably better than anticipated.



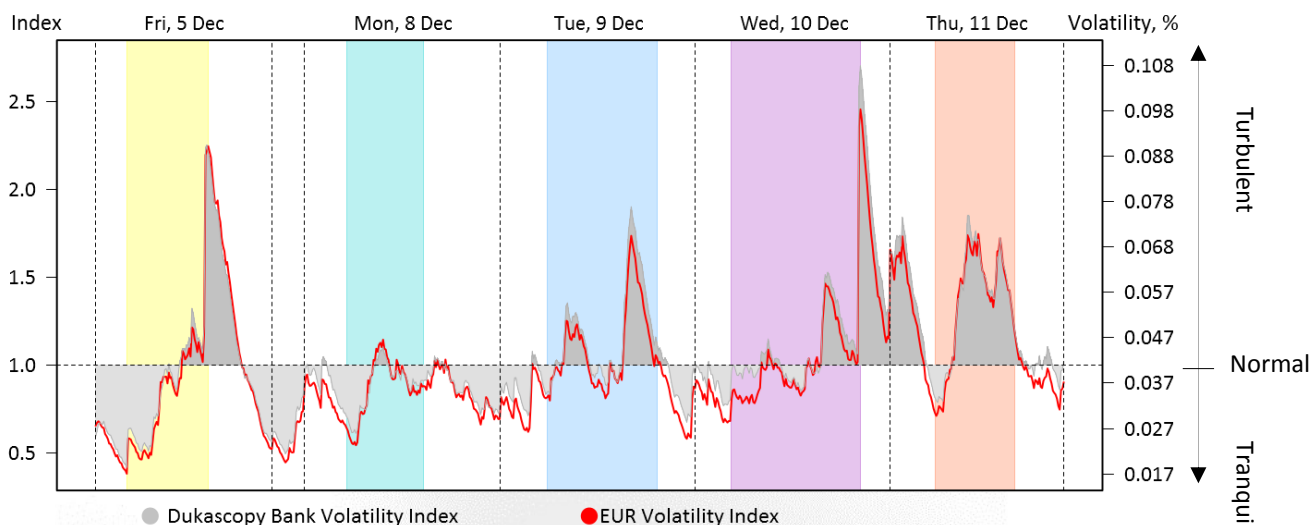
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.31%	0.19%	0.97%	0.65%	0.41%	-1.4%	-1.12%	0.42%	-0.44%
20	1.02%	1.16%	-1.38%	1.72%	1.07%	-4.11%	-0.04%	0.55%	-0.05%
130	0.08%	10.2%	-7.28%	1.58%	1.66%	-4.35%	3.58%	-1.69%	-3.47%
250	-2.42%	9.49%	-7.22%	4.97%	-0.47%	-0.83%	-0.01%	2.8%	-6.35%



Volatility

Volatility



The market's elevated volatility remained near the same levels as it were last time of writing, while the Euro was a little calmer compared with the previous week. Most of the currencies were not very volatile, as the measure was around 30%; however, there certainly were some exceptions. For instance, EUR/JPY reached as high as 62%, which is of course above the average value and a substantial increase since a week ago. At the same time, EUR/AUD pair's volatility was elevated only in 21% of all cases and it is a substantial drop from the past week's 60%. Also, EUR/CHF fell from 58% to 30% in the period from 5th to 12th of December.

The EUR Volatility Index was mostly affected by news elsewhere not in the Euro area. Several pairs reached high readings; although, in general Euro's volatility did not reach as high readings as last week. Two pairs that outshined the other pairs were EUR/CHF and EUR/NZD that reached 5.14 and 8.05, respectively. They both gained because of the same cause—interest rate decision and monetary policy statement that took part on Wednesday (New Zealand) and Thursday (Switzerland). Both nation's left their interest rates unchanged; nevertheless, the remarks of theirs shattered the markets. However, on average the Euro's volatility was near a one point level.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK	
	43	35	31	62	34	30	21	29	36	44

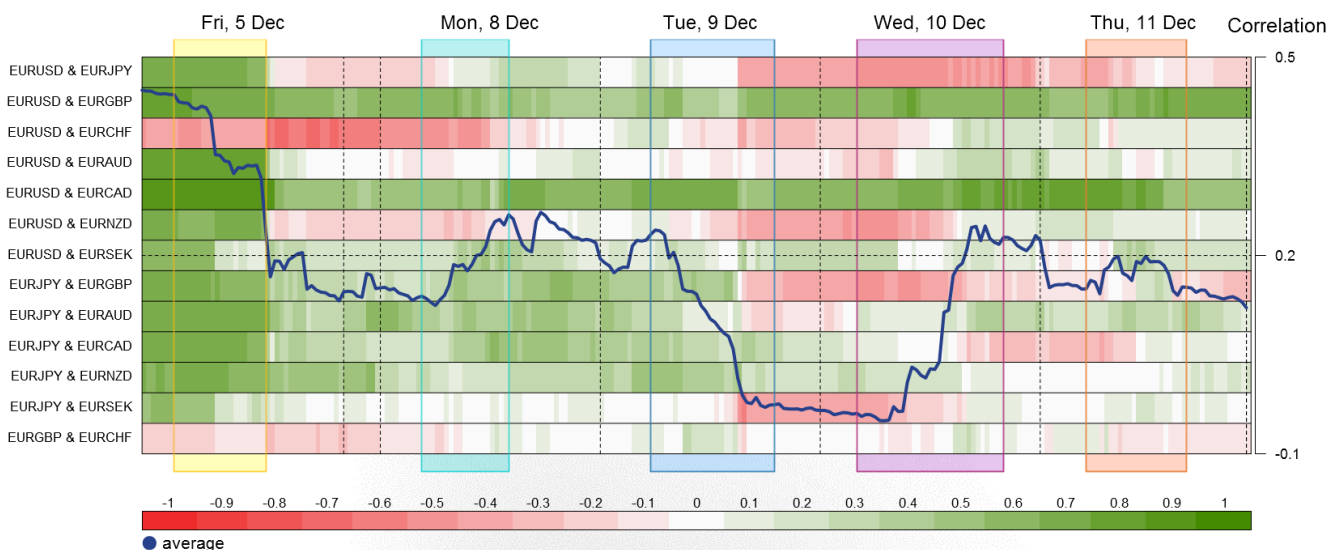
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.71	2.46	4.96	3.22	2.8	5.14	2.08	2.79	8.05	3.85
Min	0.42	0.38	0.31	0.38	0.37	0.22	0.3	0.27	0.4	0.16
Average	1.05	0.99	0.96	1.24	0.92	0.93	0.83	0.87	1.11	1.05



Currency Significance

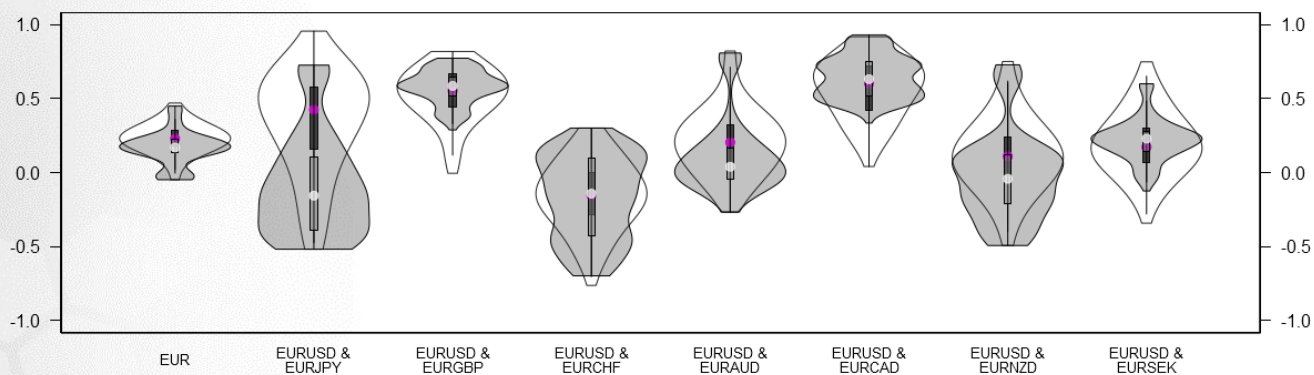
Correlations



The correlation graphic perfectly shows that the Euro zone was lacking important news and the impact given by the area was minimal. The composite ranged from 0.10 to 0.20 for most of the time, which is low to say the least. The greatest correlations were seen on Friday when the significance measure was near the 0.5 mark. The mean correlation coefficient was not just low, but it was also well below the historical average, as it stood at 0.16. EUR/USD and EUR/CAD correlation was leading the parade, as it returned above the 0.50 level and it even surpassed the 0.60 mark.

Even though usually EUR/USD and EUR/NZD do not correlate well, then this time there were basically no correlation at all, as the EUR/NZD cross was driven by the New Zealand's interest rate decision, while EUR/USD pair was mostly impacted by the US news, for example, US non-farm employment change US core retail sales. Moreover, EUR/JPY mean correlation coefficient dropped significantly from 0.49 to -0.08 this week. At the same time many pair's remained around their historical averages, EUR/GBP was near the 0.6 level, as it rebounded from previous week's 0.4. All in all, the Euro was not the main catalyst through the week; although, the second part of the week was relatively filled with important data globally.

Correlations (5 vs 20 days)

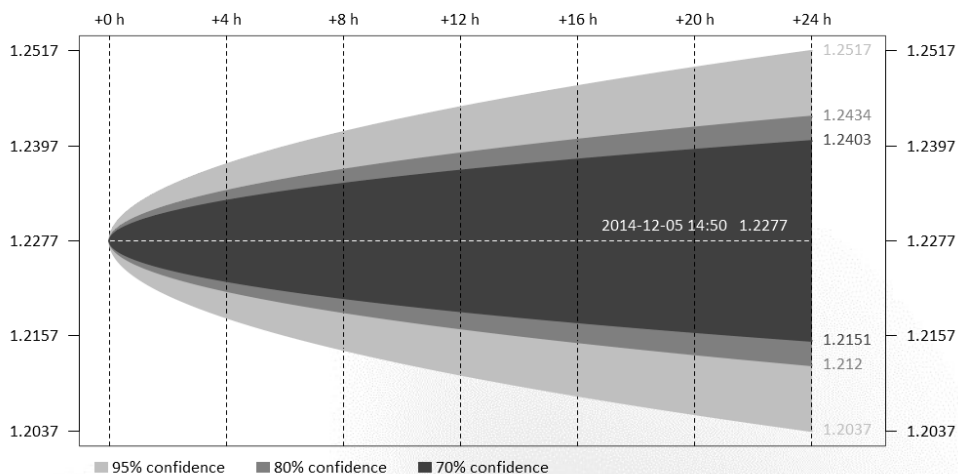


Mean Correlation Coefficient (with EURUSD)

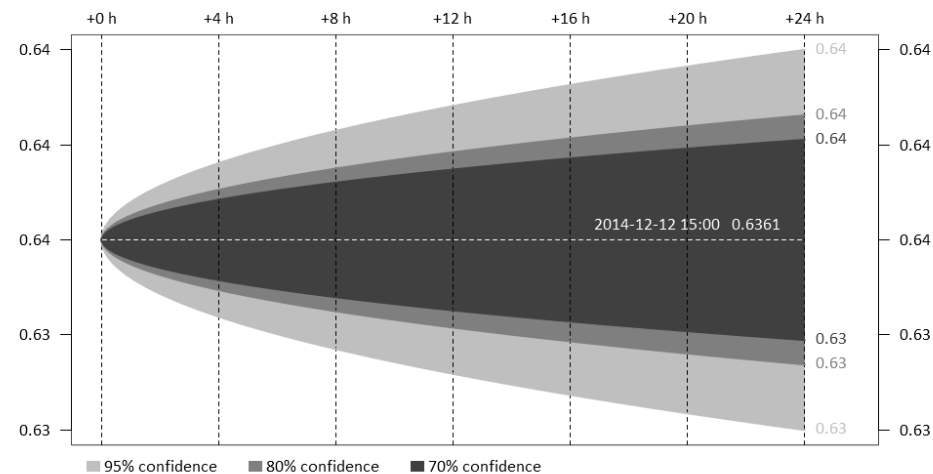
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.16	-0.08	0.58	-0.17	0.12	0.65	-0.02	0.22
20	0.23	0.33	0.53	-0.16	0.21	0.57	0.11	0.2
130	0.24	0.42	0.53	-0.11	0.23	0.51	0.1	0.09
250	0.24	0.47	0.51	-0.1	0.3	0.54	0.21	0.09

Confidence Intervals for Next 24 Hours

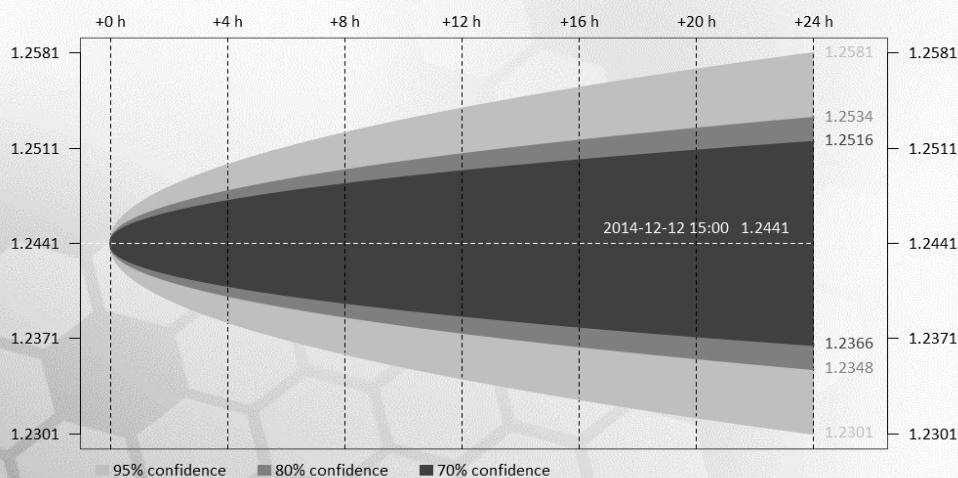
EURUSD Potential Rates



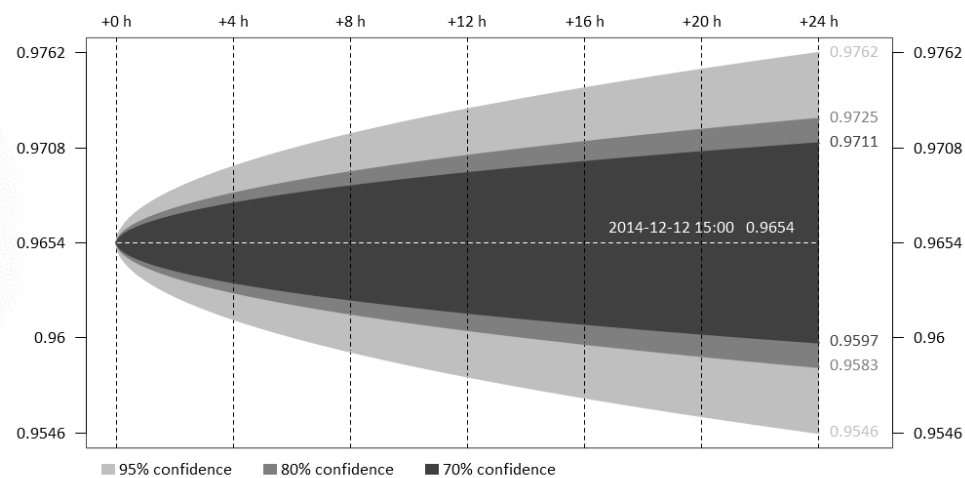
GBPUSD Potential Rates



EURUSD Potential Rates



USDCHF Potential Rates



EXPLANATIONS

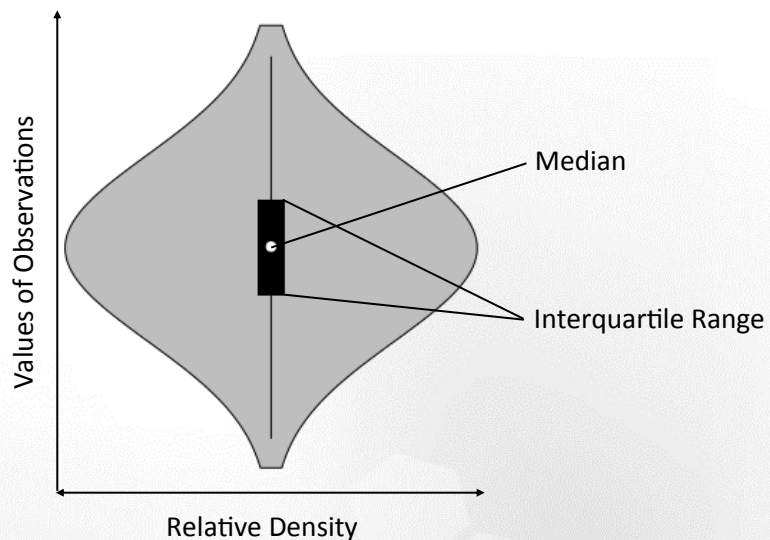
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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