



**EUR**

19/12/2014



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# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
<i>December 12</i>	<i>December 15</i>	<i>December 16</i>	<i>December 17</i>	<i>December 18</i>
<i>04:00 - 18:30</i>	<i>07:30 - 15:00</i>	<i>05:00-12:30</i>	<i>05:00-17:30</i>	<i>07:00-21:30</i>
<ul style="list-style-type: none"> <li>■ <u>German WPI</u></li> <li>■ <u>UK Construction Output</u></li> <li>■ <u>Euro zone's Industrial Production; Employment Change</u></li> <li>■ <u>US PPI; Prelim UoM Consumer Sentiment</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>Australia's Mid-Year Economic and Fiscal Outlook</u></li> <li>■ <u>Swiss PPI</u></li> <li>■ <u>German Buba Monthly Report</u></li> <li>■ <u>US Empire State Manufacturing Index; Industrial Production; NAHB Housing Market Index</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>Australia's Monetary Policy Meeting Minutes</u></li> <li>■ <u>French and German Flash Manufacturing PMI</u></li> <li>■ <u>BOE Governor Carney Speaks</u></li> <li>■ <u>UK CPI</u></li> <li>■ <u>German ZEW Economic Sentiment</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>UK Claimant Count Change; MPC Official Bank Rate Votes</u></li> <li>■ <u>Euro zone's Final CPI</u></li> <li>■ <u>Canadian Wholesale Sales</u></li> <li>■ <u>US CPI; FOMC Economic Projections, Statement and Press Conference</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>Swiss Libor Rate; Trade Balance</u></li> <li>■ <u>German Ifo Business Climate</u></li> <li>■ <u>UK Retail Sales</u></li> <li>■ <u>US Unemployment Claims; Philly Fed Manufacturing Index</u></li> </ul>

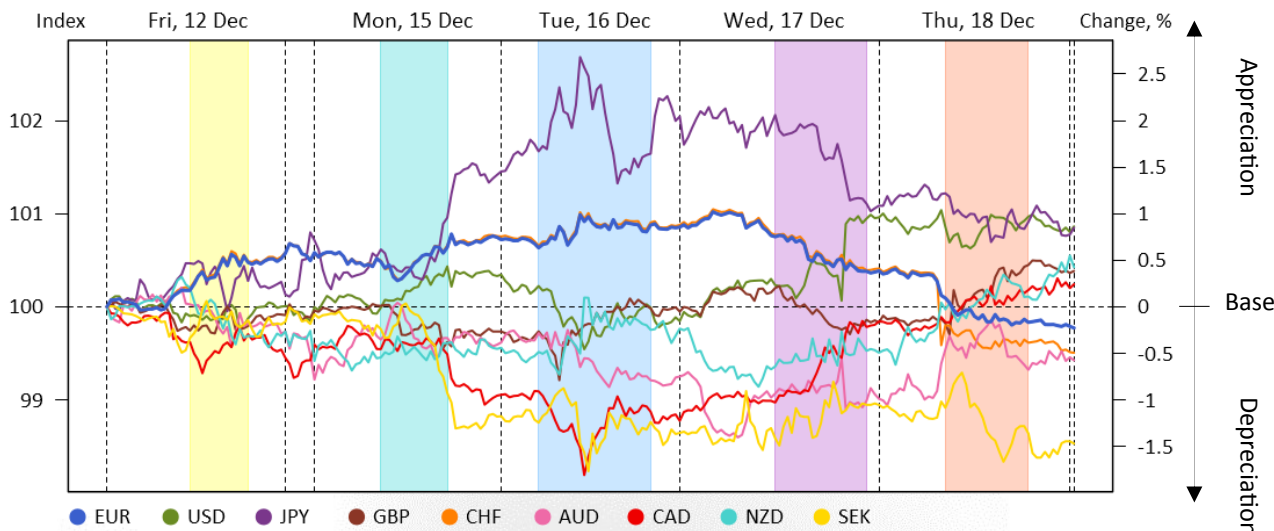
EUR Currency Index Range	0.39%	0.36%	0.35%	0.39%	0.29%
Max EUR Volatility Index	1.57	1.24	4.03	2.06	1.8





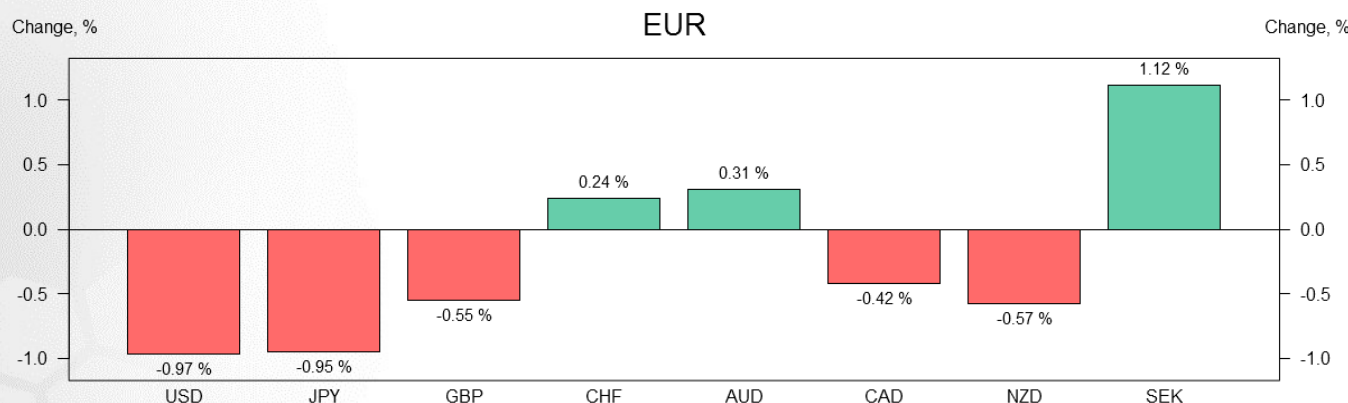
# Relative Currency Strength

Currency Indexes



During the period the Europe's common currency was mostly above the base value; however, on Thursday the currency slid below the level. The U.S. dollar, in turn, became the top performer of the period with 0.86% Index gain; moreover, the Japanese Yen added 0.85%. The Swedish currency was constantly falling during the last four days, thus finishing Thursday behind its counterparts with 1.47% loss over the base value. The most conspicuous in terms of Currency Index movement dynamics were the Japanese Yen and Swedish Krona, which both experienced several notable drops and recoveries.

The first two days of the period were very calm for all the major currencies; however, the most notable moves were witnessed on Tuesday, when many high-importance data were released. Although, the biggest impact was given, after the Bank of England's Governor Carney played down UK inflation data by saying that falling oil prices were positive for the British economy and that inflation data left the BoE's policy stance intact. Moreover, German investors became more optimistic in December as the ZEW index, measuring investors' sentiment for the next six months, advanced to 31.8 in December, compared with 11.5 recorded in November. On Thursday SNB introduced negative deposit rate to stave off the inflows.

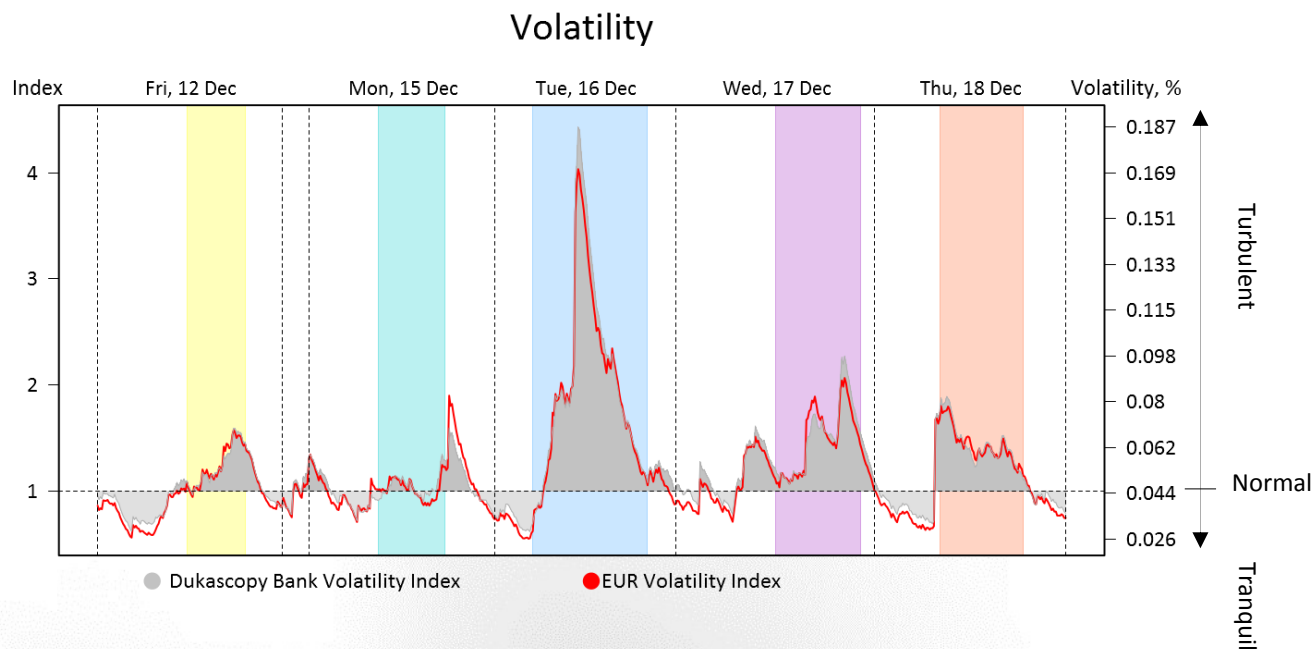


Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.23%	0.86%	0.85%	0.39%	-0.49%	-0.57%	0.24%	0.42%	-1.47%
20	-0.03%	2.34%	1.26%	2.13%	-0.22%	-3.8%	-0.31%	0.68%	-2.21%
130	-0.36%	11.41%	-6.1%	1.71%	0.84%	-4.48%	3.6%	-1.62%	-4.57%
250	-2.79%	9.46%	-5.52%	4.32%	-0.99%	0.34%	0.59%	3.11%	-8.52%



# Volatility



Very high volatility levels were seen through the week, especially on Tuesday. The second day of the week was special not just with many events, but also with the fact that high-importance data were released in almost all regions. In Australia—monetary policy meeting minutes were released, in UK—bank stress test results and CPI data, in Euro zone—German and French flash manufacturing figures, in Canada—the manufacturing sales were measured, while in the US—building permits saw the light of day. Meanwhile, Sweden’s central bank stated that they are ready to do whatever it takes to jolt its economy out of a deflation, adding that they

are ready to keep interest rates at zero further in 2016. Taking a closer look to the volatility index we see a couple of outrageous numbers—EUR/CHF and EUR/SEK jumped to a astonishing 21.63% and 17.58, respectively. EUR/SEK reaction came shortly after the central bank’s Governor Stefan Ingves stated that they are prepared to take necessary measures. While EUR/CHF reaction of course was due to the Swiss National Bank slashing deposit rate, sending it to the negative territory, to limit inflows from investors seeking a safe haven place to park their cash. All in all, this has been very turbulent week for the market; although, the volatility is expected to fall in the next few weeks since the Christmas holiday season is starting.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
60	57	39	85	54	12	52	58	28	66

Volatility Index (for the observed period)

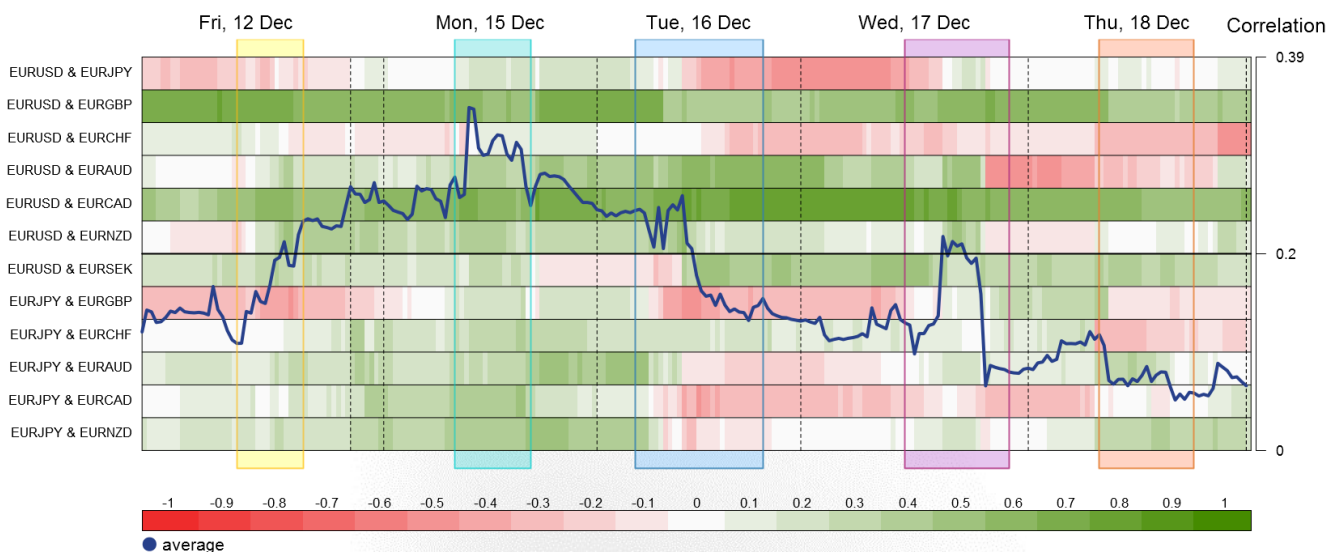
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	4.43	4.03	3.53	3.13	4.62	21.63	2.15	2.68	2.81	17.58
Min	0.61	0.55	0.29	0.65	0.36	0.12	0.44	0.38	0.34	0.38
Average	1.22	1.18	0.98	1.44	1.16	0.96	1.05	1.15	0.94	1.76





# Currency Significance

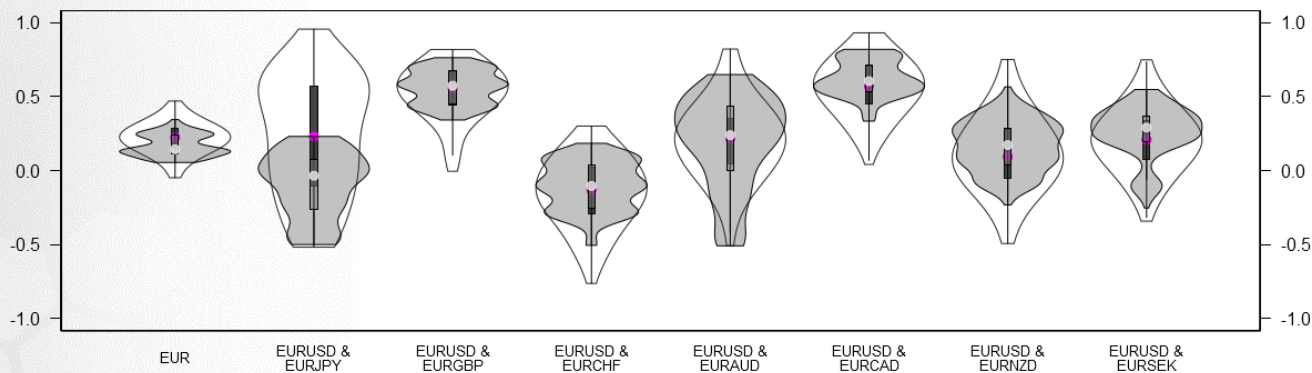
Correlations



As was seen in both Currency and Volatility Indexes, the single currency alone was not the catalyst of the market throughout the period, since that many data from all over world were released. The observation was well supported by the Euro significance measure, that spent the period on a very feeble level and had a very low average value. Even though, usually the correlation between the Euro pairs are relatively low, this week the components of the composite were concentrating around the zero even more and that is seen by the index falling to 0.07 at the end of the period.

There was one episode of collective strengthening in the component correlations—on Monday, after the Swiss PPI release as German Bundesbank monthly report was awaited. At this time the measure reached 0.34 mark; however, after that it started its gradual decline. A small spike was seen also on Wednesday, as Yellen took the stand by saying that the US central bank plans to hike interest rates next year, but it would take a patient approach in deciding on a timing of the first rate hike, which would not take place any earlier than late April. The reaction on other data from the Euro zone was limited, since news in other regions were considered as more important.

Correlations (5 vs 20 days)

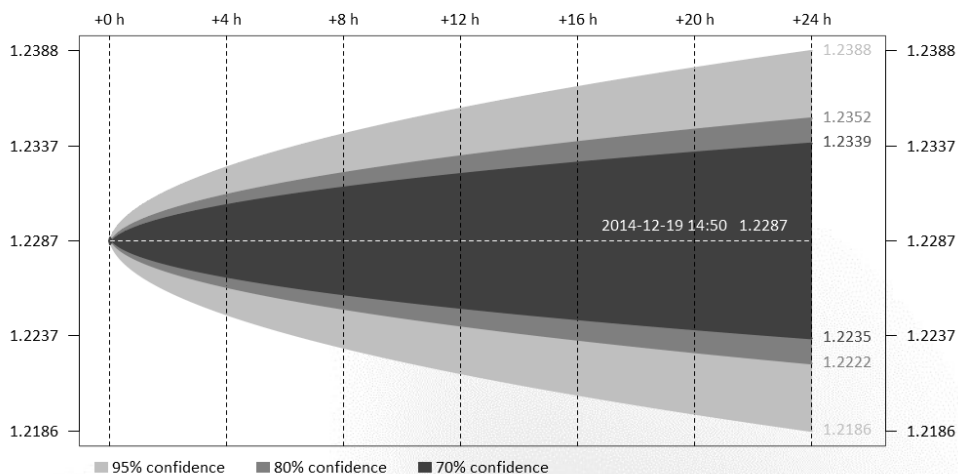


Mean Correlation Coefficient (with EURUSD)

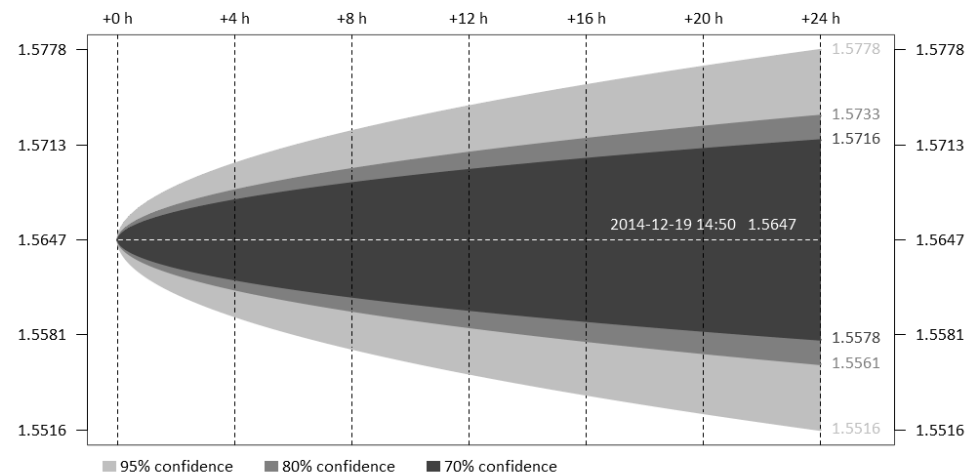
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.17	-0.1	0.56	-0.1	0.19	0.62	0.17	0.26
20	0.22	0.22	0.53	-0.15	0.21	0.56	0.12	0.2
130	0.23	0.4	0.53	-0.11	0.23	0.51	0.1	0.1
250	0.24	0.46	0.52	-0.1	0.3	0.54	0.21	0.09

# Confidence Intervals for Next 24 Hours

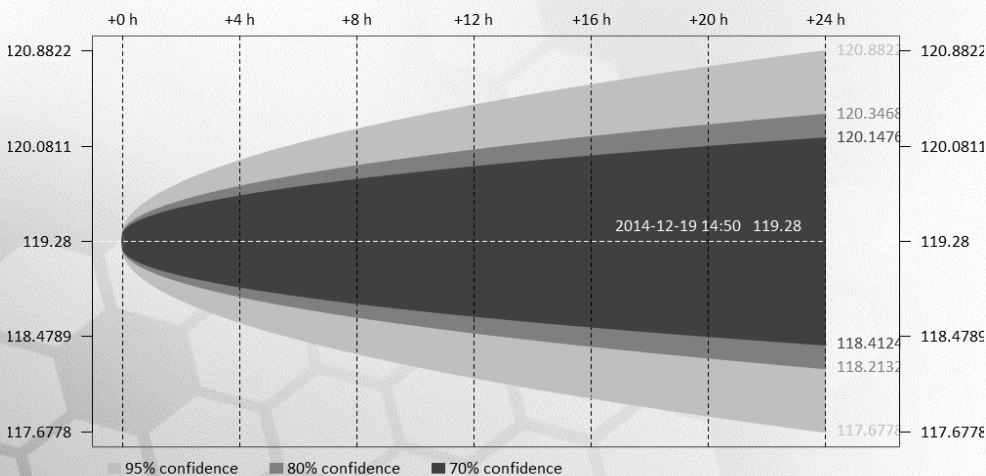
EURUSD Potential Rates



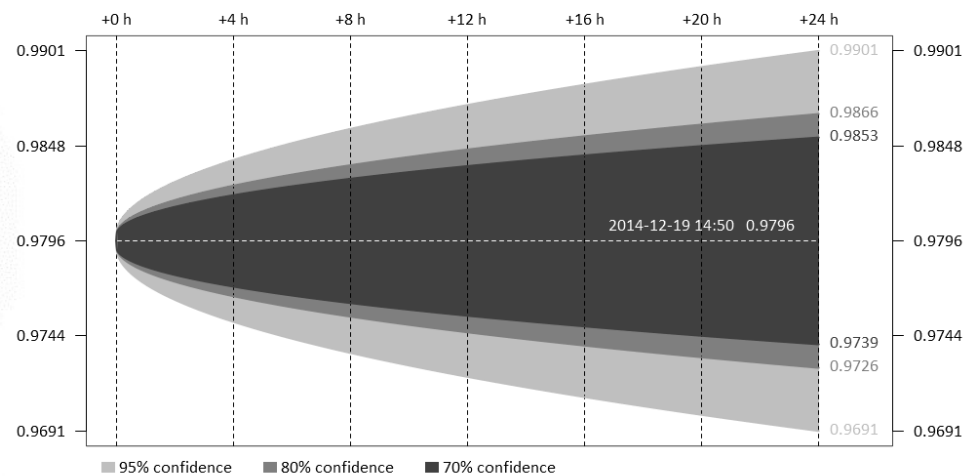
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

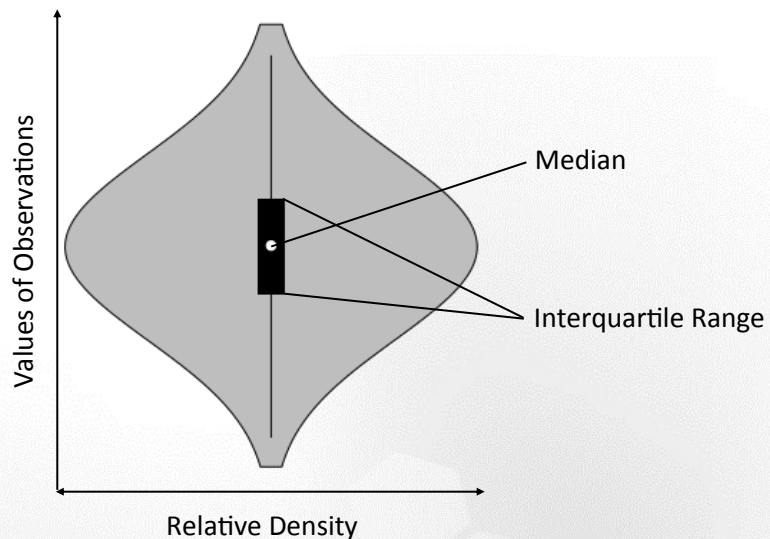
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval







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