



USD

22/12/2014



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Market Research





Dominant Events of the Period

Yellow Area

December 16

08:00 - 16:30

- Riksbank Rate Decision
- UK CPI, BoE Governor Speech
- German and Euro Zone ZEW Survey
- US Building Permits, Housing Starts, Flash Manufacturing PMI

Turquoise Area

December 17

02:30 - 20:00

- BoE Minutes, MPC Vote
- UK Claimant Count Rate, ILO Unemployment Rate
- Euro Zone CPI
- US CPI, Fed Interest Rate Decision, Monetary Policy Statement

Blue Area

December 18

06:30 - 16:30

- SECO Economic Forecasts
- German Ifo Survey
- UK Retail Sales
- US Jobless Claims, Flash Services PMI, CB Leading Indicator, Philly Fed Manufacturing Survey

USD Currency Index Range

0.65%

1.06%

0.41%

Max USD Volatility Index

3.32

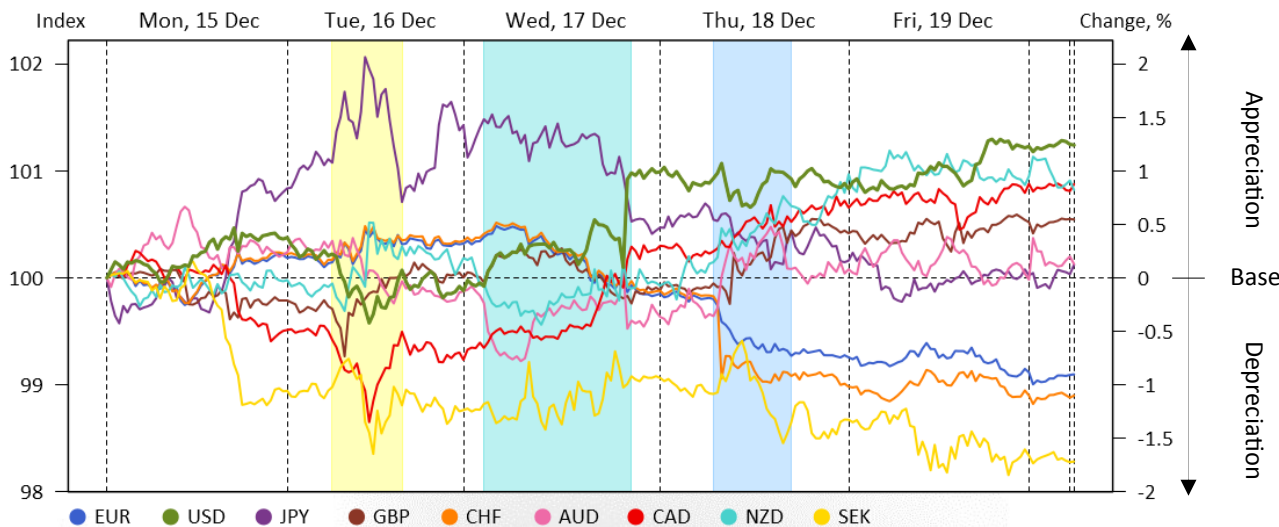
3.28

1.62



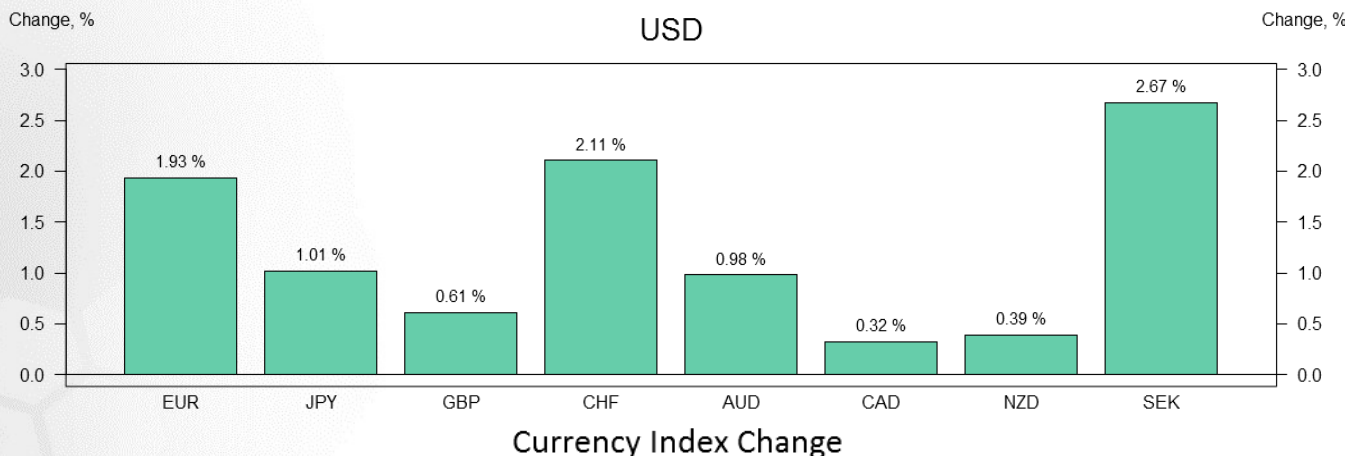
Relative Currency Strength

Currency Indexes



The past week appeared to be eventful for all observed currencies, as the each index experienced some sharp changes. The Greenback's gauge was mostly growing and finished the period on a leading position with a 1.25% gain over the base value. The Swedish krona, in turn, was weakening since the very beginning the period, and by the end of the week its index lost 1.7% to become the worst performer. The only other indexes to finish the period below the baseline were the Euro's and the Swiss franc's gauges, which started to lose their positions in the middle of the week.

The period started with a sweeping 2% growth of the JPY and 1.5% fall of the SEK indexes. The dollar's gauge was strengthening throughout Monday, supported by optimistic industrial production and capacity utilization numbers, but swiftly turned to depreciation on Tuesday and met the 99.7 points mark at the moment of disappointing building data release. That, however, proved to be the measure's minimal value, and from that point onwards the index was growing. It spiked on Wednesday, after the Fed's comments on its confidence about the US economic growth and the investor's belief in the rate hike next year. The USD index reached the 100.1 points and was slightly varying around this level till the end of the trading week.

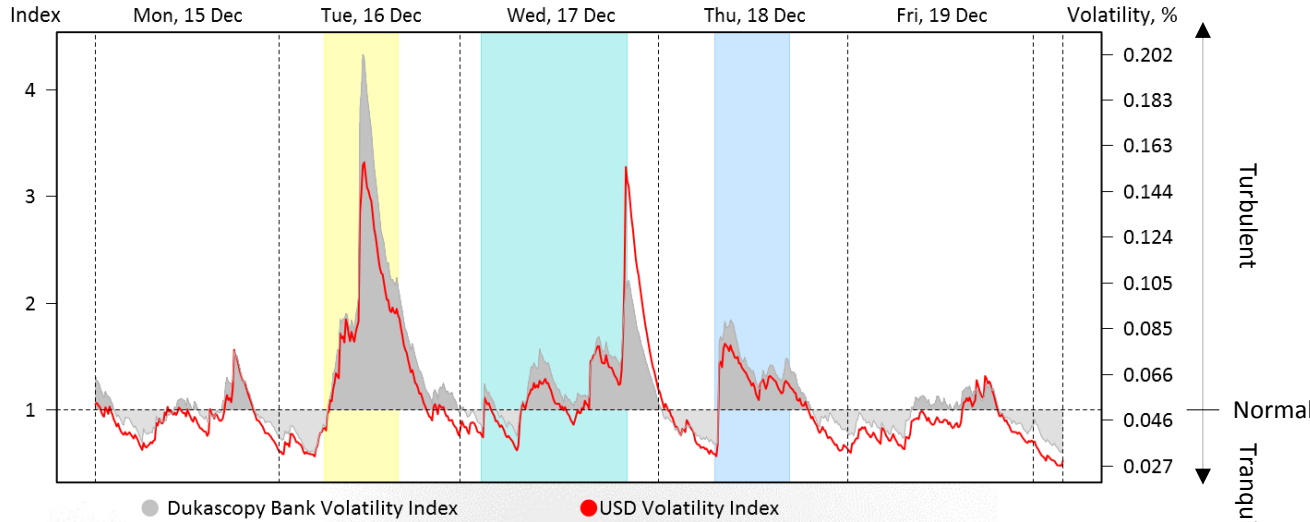


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.9%	1.24%	0.12%	0.55%	-1.1%	0.13%	0.88%	0.82%	-1.72%
20	1.07%	2.31%	1%	2.21%	0.98%	-4.68%	-1.22%	0.09%	-1.76%
130	-0.34%	11.91%	-6.06%	1.93%	1.01%	-4.69%	2.93%	-1.78%	-4.5%
250	-2.75%	9.81%	-5.7%	4.86%	-0.7%	-0.45%	0.07%	3.27%	-8.4%



Volatility

Volatility



The past week was rather turbulent for almost all observed currencies. Thus the portion of both the dollar's and the market's elevated volatility rose back to October levels, and came at 43% and 56%, respectively. The period was especially noteworthy for the Swedish krona. The Riksbank's decision to leave the interest rate on hold at 0% caused the lowering of the national currency, and USD/SEK Volatility Index reached an unprecedented value of 12.31, subsequently spending 62% of the week above the 1-point mark. Another highly volatile pair was USD/JPY, which, though not reached the highest peaks, was overturbulent for 64% of the period.

The market and almost all other currencies started the period with elevated volatility, associated with the Tankan large manufacturing outlook. However, the rest of Monday was rather calm, and the dollar's volatility increased slightly only after US NAHB housing market index release. Tuesday was marked by notably high volatility in all observed currencies, mostly affected by the UK data reports. Thus, the USD Volatility Index reached the 3.32 points, while the peak of the market volatility was even higher at 4.33. Further into the week, the dollar's gauge spent more than 70% of Wednesday above the historical level. The index started to rise against the background of the US CPI release, but the highest value of the day was reached with the release of the Fed's monetary policy statement.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK	
	56	43	44	64	48	35	31	30	24	62

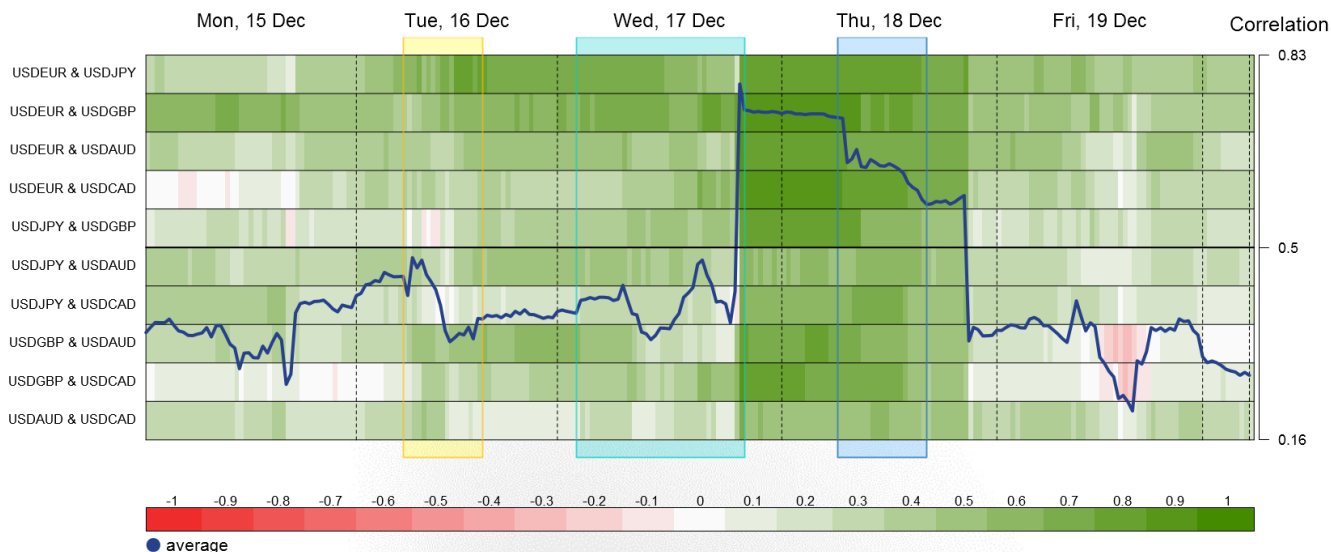
Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	4.33	3.32	3.96	3.81	2.73	5.55	2.78	3.69	3.37	12.31
Min	0.6	0.48	0.28	0.45	0.35	0.26	0.35	0.36	0.42	0.44
Average	1.18	1.08	0.99	1.28	1.06	1.01	0.91	0.92	0.9	1.5



Currency Significance

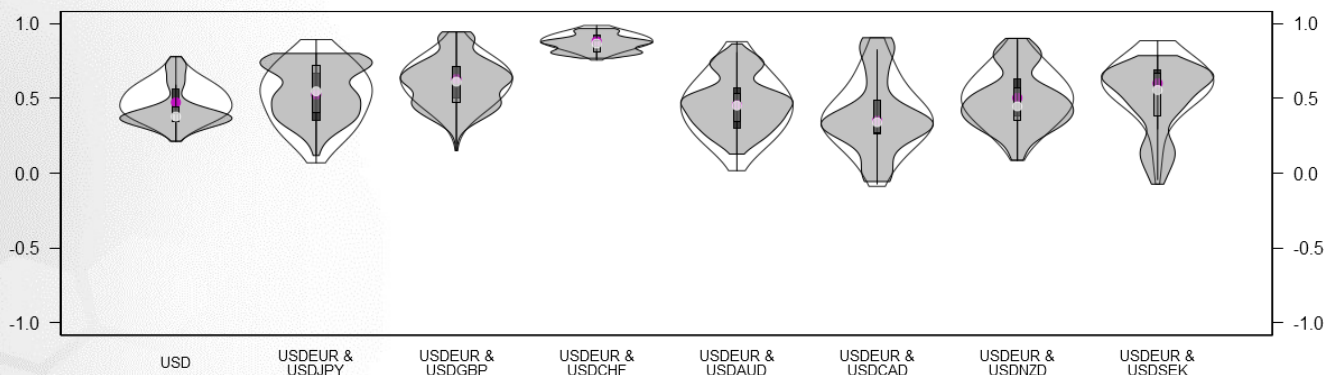
Correlations



The past period saw the dollar's significance reduce, with the component distributions notably heavier on their lower tails, and mean values below previous readings. Consequently, the measure was topped by most of its counterparts, holding around the same levels as the Loonie's, the Aussie's, and the pound's gauges. The yen, the Kiwi, and the Swedish krona, for the most part, held their composites dominating the others, indicating most consistency in their movements across the market, while the Euro's significance, as per usual, lacked behind its peers.

The USD composite spent most of the period in a range between 0.3 and 0.5 points, with its ups and downs dictated by the dollar's peers. The only movement clearly caused by the US events was the major upsurge on Wednesday, when the measure jumped 0.4 points to its maximum against the background of the Fed's policy statement release. However, the composite failed to hold the mark in the next trading day. It fell below 0.7 points, as the Swiss franc took the spotlight by reacting to the SEKO downgrading its economic growth forecast, and sending its significance measure 0.7 points up — the week's sharpest change among all the composites. By the end of the day, the dollar's gauge slid back to 0.3-0.4 points, and finished the period among the weakest performers.

Correlations (5 vs 20 days)

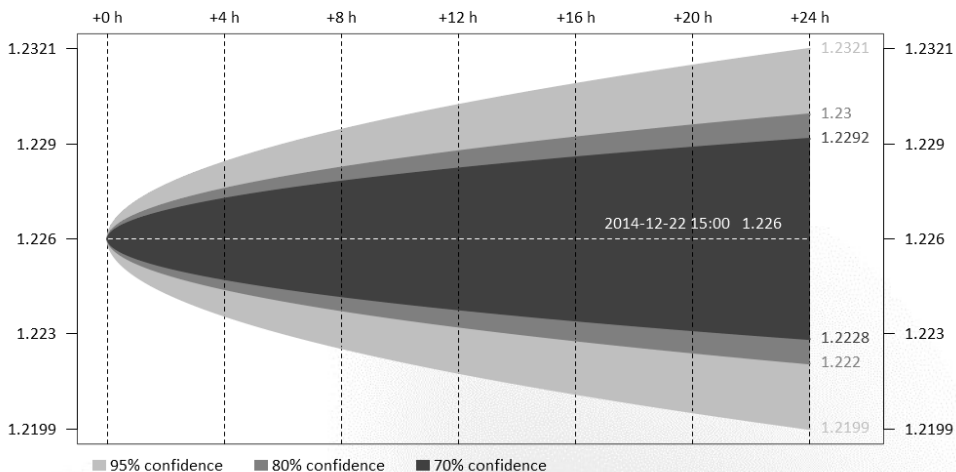


Mean Correlation Coefficient (with USDEUR)

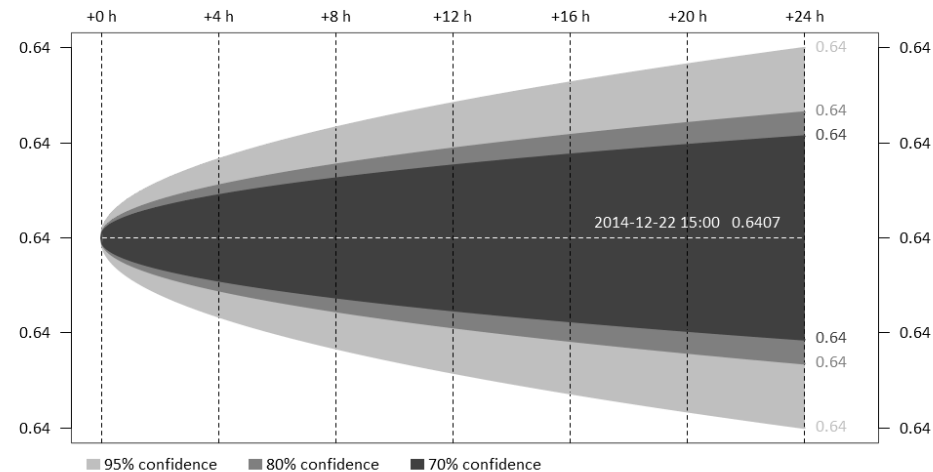
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.43	0.56	0.6	0.86	0.47	0.39	0.48	0.48
20	0.48	0.51	0.61	0.88	0.45	0.38	0.5	0.59
130	0.47	0.44	0.49	0.89	0.47	0.37	0.5	0.61
250	0.38	0.31	0.46	0.86	0.35	0.26	0.39	0.61

Confidence Intervals for Next 24 Hours

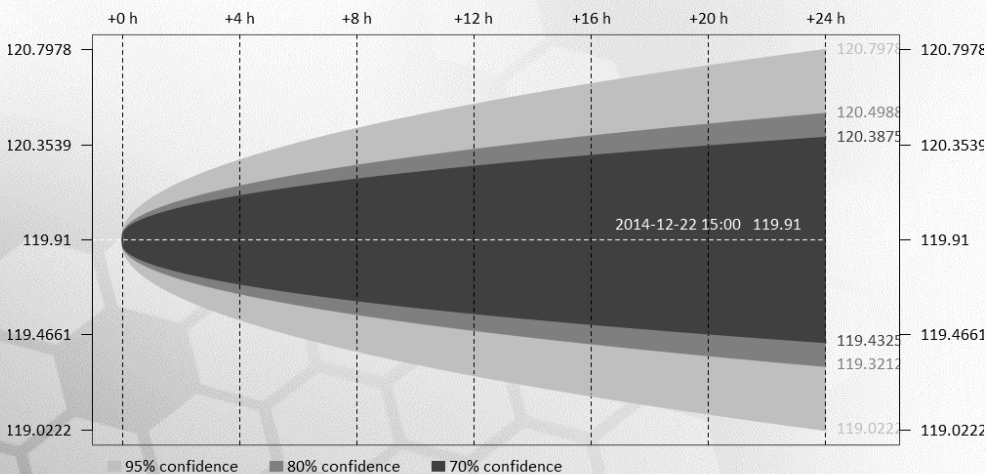
EURUSD Potential Rates



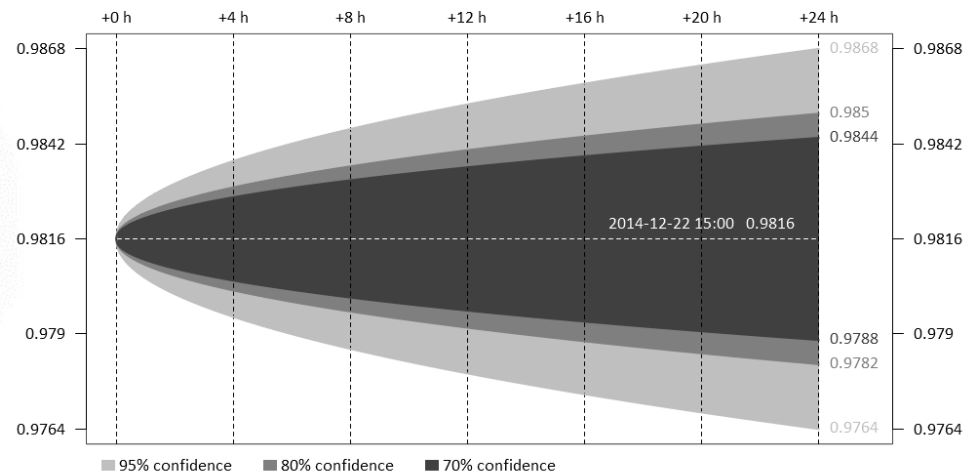
GBPUSD Potential Rates



USDJPY Potential Rates



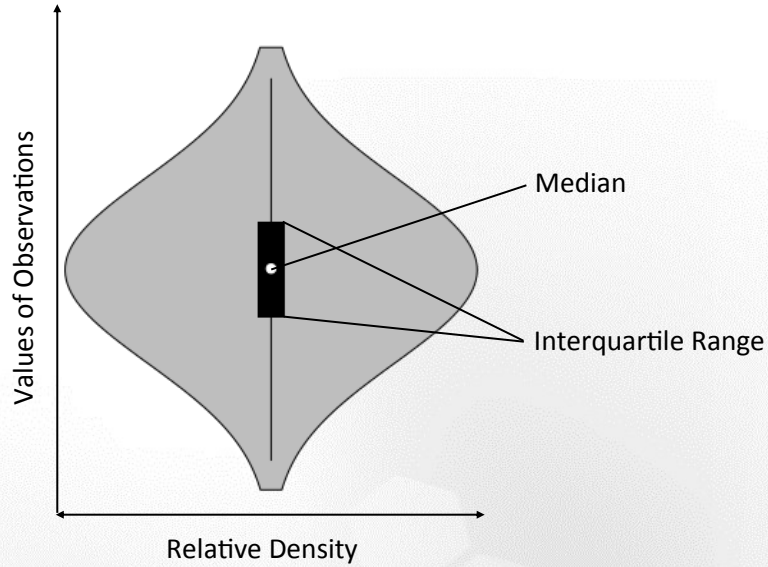
USDCHF Potential Rates



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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