



EUR

09/01/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

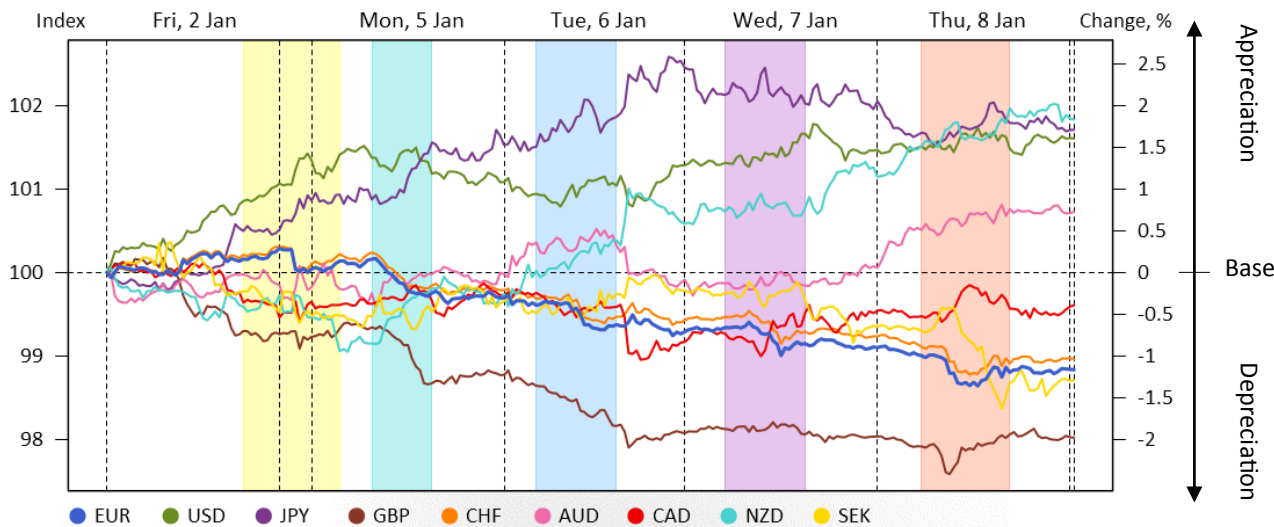
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
January 2-5	January 5	January 6	January 7	January 8
17:30 - 03:30	07:30 - 15:00	03:30-14:00	04:30-14:30	05:00-16:30
<ul style="list-style-type: none"> <u>Spanish Manufacturing PMI</u> <u>Italian Manufacturing PMI</u> <u>UK Manufacturing PMI</u> <u>US ISM Manufacturing PMI</u> 	<ul style="list-style-type: none"> <u>German Prelim CPI</u> <u>Spanish Unemployment Change</u> <u>UK Construction PMI</u> 	<ul style="list-style-type: none"> <u>Spanish Services PMI</u> <u>Italian Services PMI</u> <u>UK Services PMI</u> <u>Australian Trade Balance</u> <u>US ISM Non-Manufacturing PMI</u> 	<ul style="list-style-type: none"> <u>German Retail Sales and Unemployment Change</u> <u>Eurozone CPI Flash Estimate and Unemployment Rate</u> <u>US ADP Non-Farm Employment Change and Trade Balance</u> <u>FOMC Meeting Minutes</u> 	<ul style="list-style-type: none"> <u>Eurozone Retail Sales</u> <u>UK BoE Official Bank Rate and Asset Purchase Facility</u> <u>US Unemployment Claims</u>

EUR Currency Index Range	0.29%	0.45%	0.34%	0.4%	0.37%
Max EUR Volatility Index	2.33	1.23	1.56	1.41	1.17



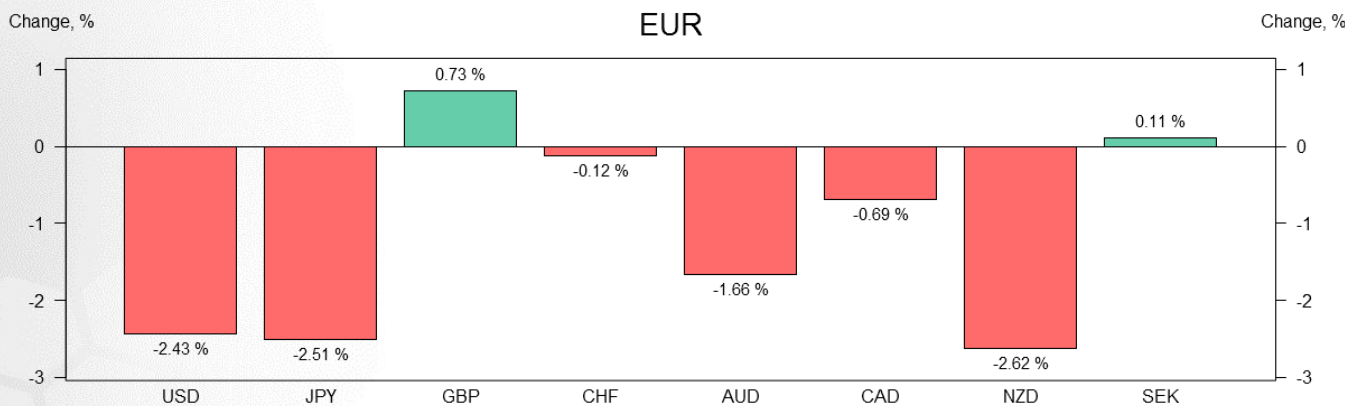
Relative Currency Strength

Currency Indexes



After rather flat pre-Christmas week for the single European currency, during January 2-8 time period the Euro declined rather considerably as it registered the third strongest fall among major currencies. During the first day of the period on Friday the Euro traded just above the baseline, but on Monday it slid below the zero level and remained there until January 8. On overall, the shared currency lost 1.16% in one week, even though the worst performer used to be the British pound which plunged 1.98%. New Zealand's and Japanese currencies, however, gained the most by rising 1.83% and 1.71%, respectively.

The most significant declines of the Euro were against three currencies simultaneously: USD, JPY and NZD by 2.43%, 2.51% and 2.62%, respectively. On the first day the bloc's currency traded slightly upwards, even though economic data used to be mainly disappointing on all fronts in Eurozone, Britain and US. Manufacturing activity's PMI indicators in both Spain and Italy showed a deterioration and opposite to positive expectations. Already on Monday the EUR Index fell below 100 points amid zero inflation in Germany and worse-than-expected change in number of unemployed people in Spain. A downward movement continued on Wednesday, when the Eurostat announced the consumer price index in the Eurozone for December, which decreased below zero for the first time since 2009.



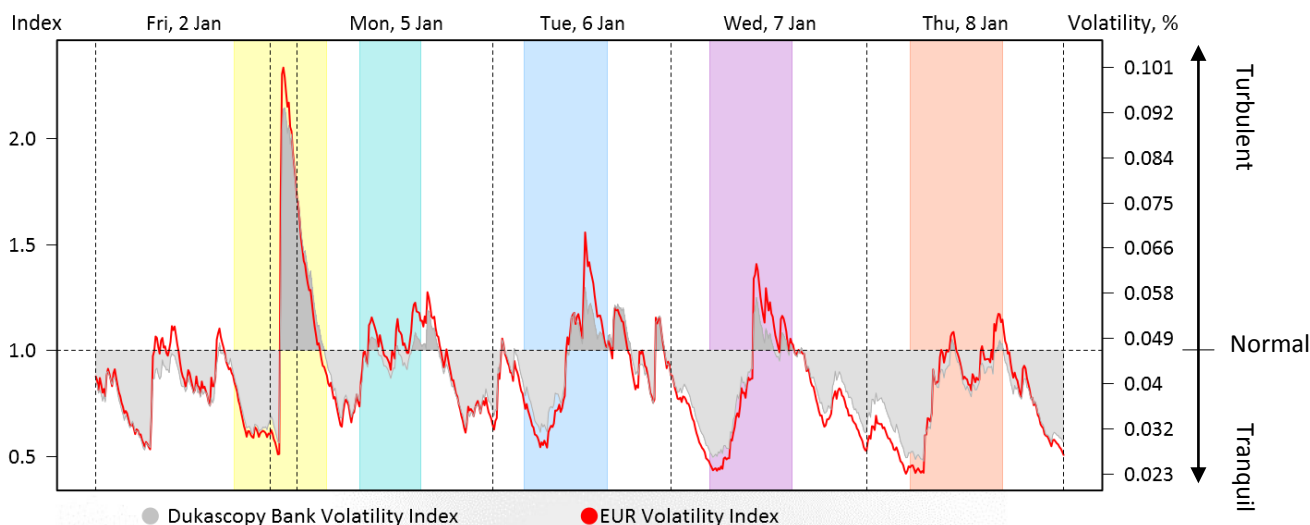
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.16%	1.6%	1.71%	-1.98%	-1.04%	0.72%	-0.39%	1.83%	-1.29%
20	-2.45%	2.89%	2.76%	-1.1%	-2.28%	0.21%	-0.39%	4.48%	-4.54%
130	-2.53%	14.27%	-4.48%	-0.44%	-1.13%	-2.6%	2.12%	0.34%	-5.42%
250	-4.47%	11.36%	-3.72%	1.64%	-1.12%	1.08%	1.39%	4.96%	-11.15%



Volatility

Volatility



Except the weekend on January 3-4, volatility of the Euro used to hover around the normal level for the vast part of the period. Some local spikes in turbulence were observed on Tuesday and Wednesday along with many economic events across all regions, which drove the single currency in different directions, thus creating uplifted activity on the market. In Spain, Italy, United Kingdom and United States - services PMI were released and on aggregate showed a negative tendency (all except Spanish). On Tuesday, Australian statistical authorities have also published much better than forecasted numbers on trade balance in November.

In Eurozone, the CPI fell 0.2% in December for the first time since 2009. On the other hand, US employers created more jobs than initially anticipated during the same month, which added to market volatility back on January 7. Having a look at the elevated volatility of currencies, the Euro's one at 28% was slightly above the market average level of 22%. While EUR/CHF was not volatile in 99% of all time, the most traded EUR/USD cross was turbulent during vast part of the period (58%). Meanwhile, no other EUR currency pair surpassed the 50% level. All in all, volatility index of the Euro stood at 2.33 points for the observed period. EUR/USD and EUR/AUD used to be the most turbulent at 4.23 and 3.28 points, respectively.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
22	28	58	41	43	1	38	42	42	5

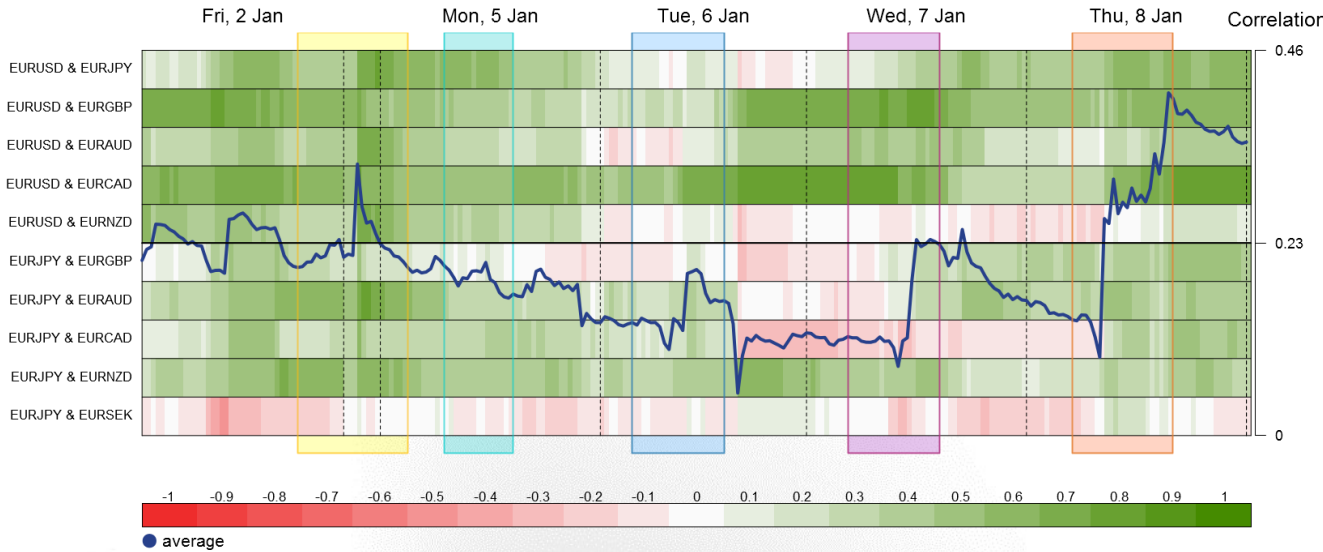
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.14	2.33	4.23	2.61	2.65	1.09	3.28	2.95	2.77	1.5
Min	0.48	0.42	0.3	0.38	0.28	0.08	0.45	0.29	0.5	0.09
Average	0.87	0.87	1.13	1.01	0.94	0.32	0.97	0.97	1	0.54



Currency Significance

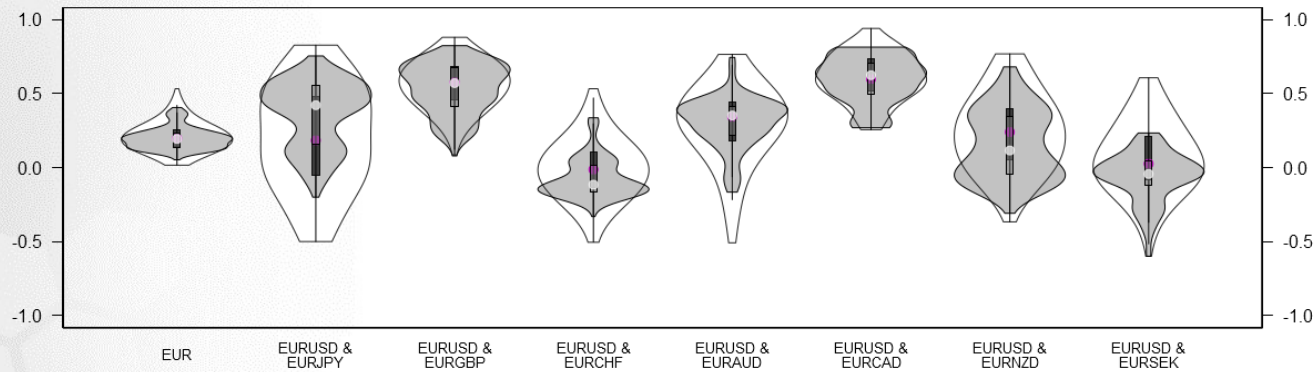
Correlations



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 at all time except January 8 and had a low average value. As usually, the correlation between the Euro pairs were relatively low and this week the components of the composite were concentrating around the zero; however, only at the very end of the period correlations spiked up to 0.35.

There was one episode of collective strengthening in the component correlations—on Friday when Eurozone’s retail sales were published and were fuelled by expectations for the Bank of England’s decision on interest rates. The fast change was also caused by some components exiting the negative zone, namely EUR/USD with EUR/NZD, as well EUR/JPY with EUR/CAD. At this time the measure surged to reach 0.43 mark at maximum. The rest of the period in the beginning showed very small correlations, especially on Tuesday and Wednesday when the minimum was hit just around 0.05. Alongside, weekly mean significance level for EUR/CHF and EUR/SEK has even dropped below zero.

Correlations (5 vs 20 days)

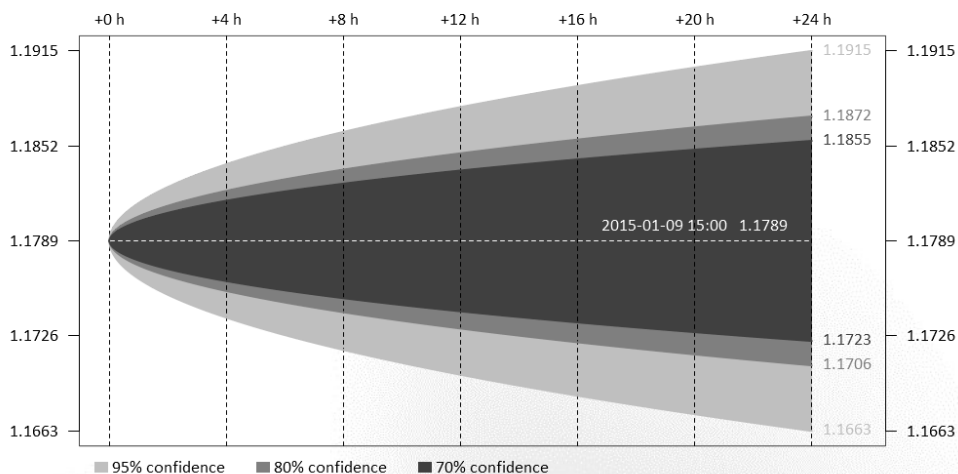


Mean Correlation Coefficient (with EURUSD)

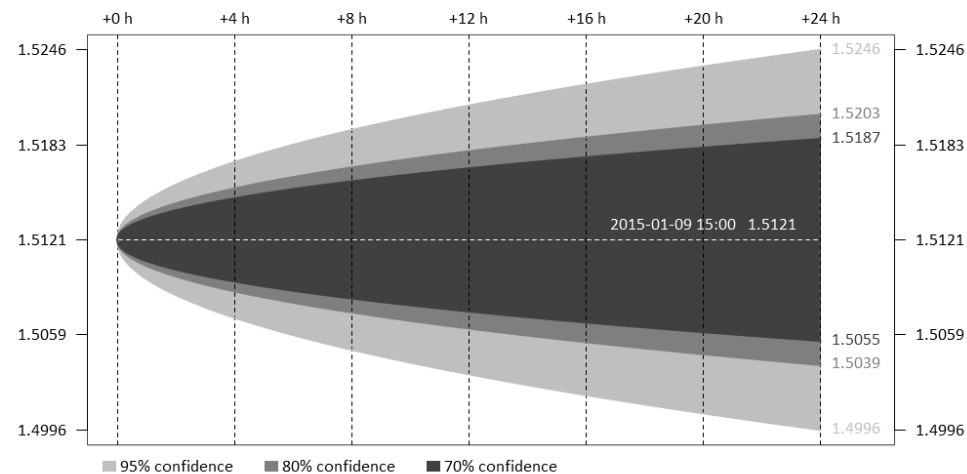
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.2	0.36	0.53	-0.07	0.3	0.59	0.15	-0.06
20	0.21	0.2	0.56	-0.01	0.29	0.61	0.24	0.06
130	0.23	0.38	0.53	-0.08	0.24	0.5	0.1	0.1
250	0.24	0.45	0.52	-0.1	0.3	0.54	0.21	0.09

Confidence Intervals for Next 24 Hours

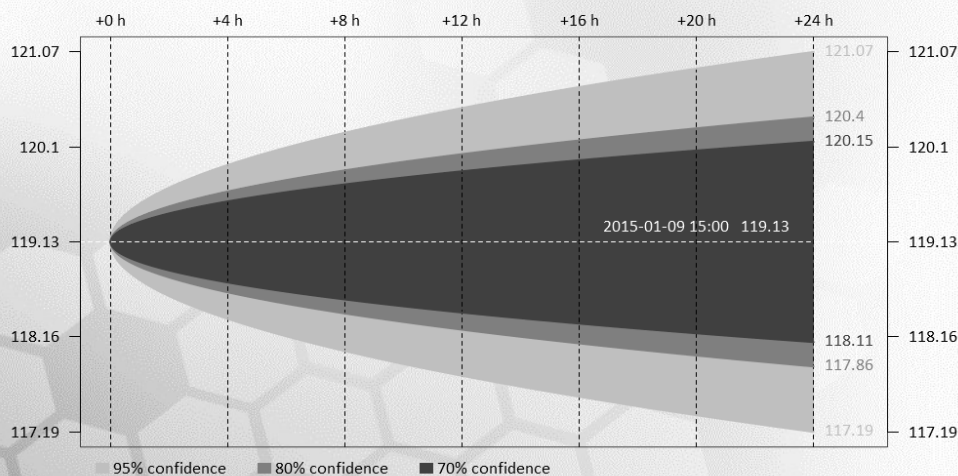
EURUSD Potential Rates



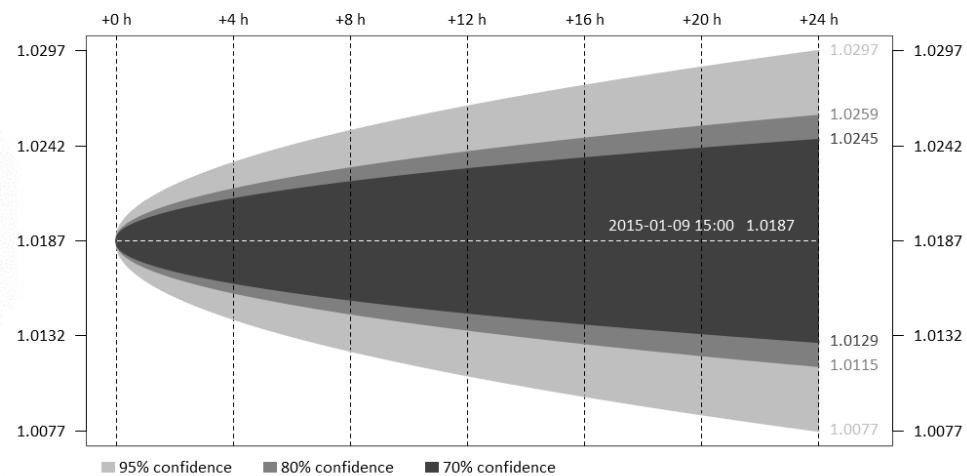
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

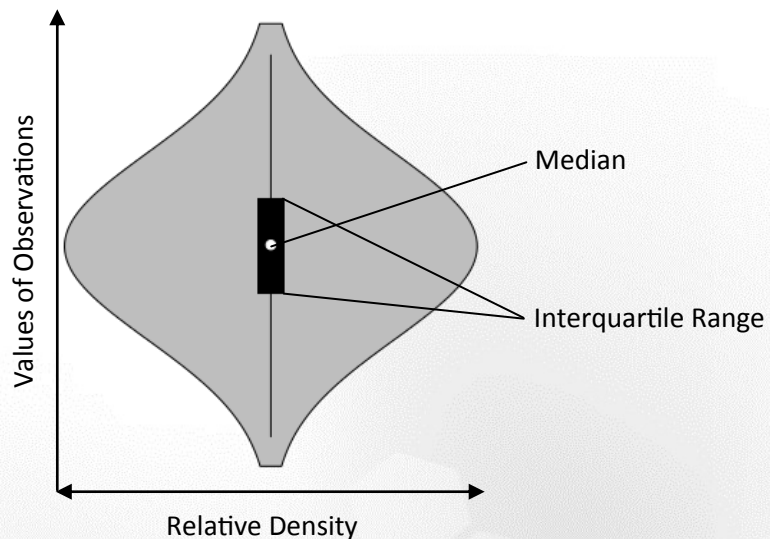
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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