DUKASCOPY

RESEARCH PRODUCTS

Market Research

Dominant Events of the Period

## Yellow Area

January 5

00:00 - 16:00

- *SVME PMI*
- *UK Construction PMI*
- *German Flash CPI*

Turquoise Area

January 6

08:00 - 22:30

- *Euro Zone Markit Services PMI, PMI Composite*
- *UK Markit Services PMI*
- *US Markit Services PMI, ISM Non-Manufacturing PMI*
- *AiG Performance of Services Index*

Blue Area

January 7

08:00 - 20:30

- *German Unemployment*
- *Euro Zone Flash CPI, Unemployment Rate*
- *US MBA Mortgage Applications, ADP Employment Change*
- *FOMC Minutes*

Purple Area

January 8

10:00-19:30

- *Euro Zone Retail Sales, Consumer Confidence*
- *BoE Interest Rate Decision, Asset Purchase Facility*
- *US Jobless Claims*

Orange Area

January 9

09:00-16:30

- *Canadian Housing Starts, Building Permits, Net Change in Employment, Unemployment Rate*
- *US NFP, Average Hourly Earnings, Weekly Hours, Labor Force Participation, Unemployment Rate*
- *UK NIESR GDP Estimate*

|					
USD Currency Index Range	0.39%	0.49%	0.51%	0.32%	0.34%
Max USD Volatility Index	1.89	1.5	1.24	1.18	2.2

Relative Currency Strength

Currency Indixes
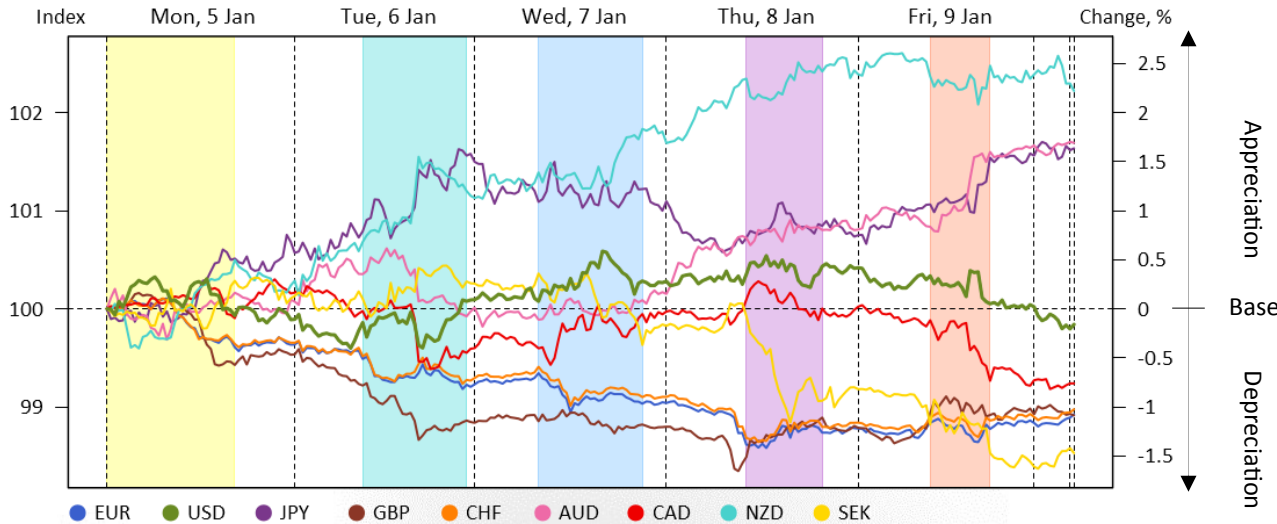
Majority of currencies experienced losses during the past week. The worst performers were the European currencies, with their indexes moderately slowing down during the week and eventually losing more than 1% of their base values. However, the gains of the Asia-Pacific currencies were even more conspicuous. The Aussie and the yen indexes ended the period with a 1.5% appreciation, while the Kiwi became the top performer with the 2.22% gain of the index. The index of the US dollar, in turn, was varying in a narrow range between 99.5 and 100.5 points and finished the trading week at the base line.

The week started with disappointing UK construction PMI and preliminary German CPI releases, which provoked the 0.5% weakening of the indexes during the day. The GBP Index continued to depreciate throughout Tuesday against the background of a drop in services PMI. The Greenback was also weighted by the lower-than-expected non-manufacturing PMI, and its index lost 0.5%. However, the recovery was quick to start, and by Wednesday noon the USD Index stood on the 100.5 level. Afterwards, though, it turned sharply to the baseline and yielded all its gains by the end of the period. On Friday, stronger-than-expected NFP struggled to offer the currency some support, but the upswing was short-lived and failed to turn the trend around.
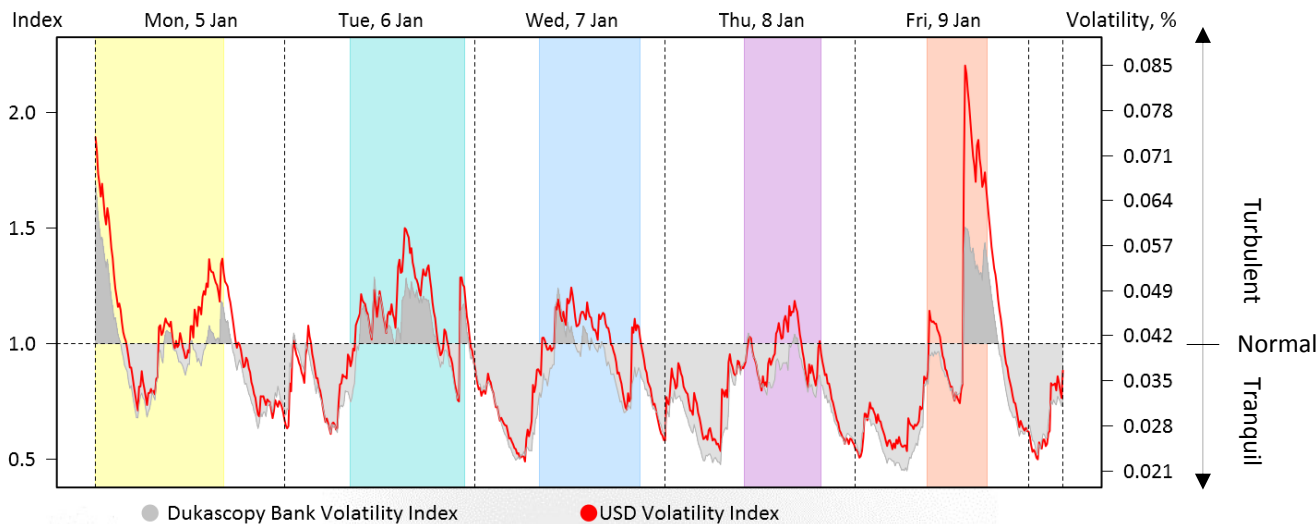
USD
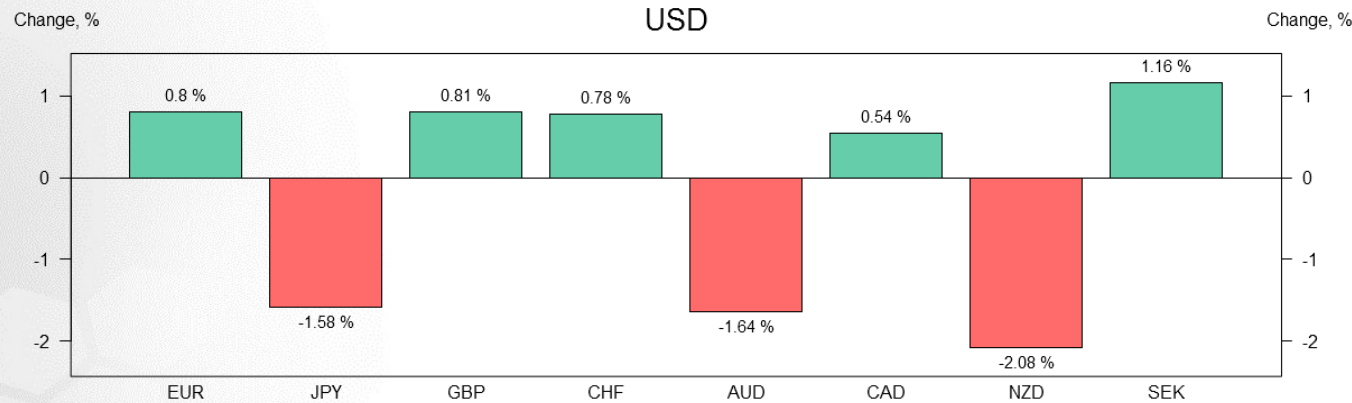
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.08%	-0.16%	1.64%	-1.09%	-1.02%	1.69%	-0.76%	2.22%	-1.47%
20	-2.4%	2.38%	3.45%	-1.06%	-2.35%	1.86%	-0.46%	2.92%	-4.81%
130	-2.08%	13.59%	-4.07%	-0.34%	-0.82%	-1.66%	1.33%	-0.01%	-6.06%
250	-4.52%	11.38%	-2.98%	2.12%	-1.57%	1.23%	2.06%	4.91%	-12.65%

Volatility

Volatility

As data release activity picked up in the first post-holiday week, volatility across the market finally crept out of the tranquil area. Remarkably, the Greenback took the title of the most volatile currency of the past period, surpassing it's peers in all observed parameters. AUD/USD, EUR/USD, and NZD/USD were the most turbulent dollar's pairs, with their average volatility indexes above the reference line of 1 point and their portions of elevated volatility exceeding 50%. Interestingly, corresponding currencies were not particularly volatile on their own, implying that the instability of the combinations came mostly from the Greenback's component.

During the past period, the USD Volatility Index clearly dominated over the market's gauge, holding above the aggregated measure in over 80% of observations. The most notable dollar's overturbulence compared to the market was observed on Monday, when the USD Currency Index was jumping between 100.0 and 100.3 points with no clear macroeconomic movers. On Tuesday, the USD Volatility Index spiked 0.3 points above the market's gauge, as the Greenback was undermined by slower-than-expected growth in services sector. The greatest volatility surge, however, took place on Friday, fueled by a mix of surprising releases from North America. As Canadian data underscored the forecasts and pushed the Loonie down, the US NFP prompted the Greenback up, resulting in the USD/CAD component reaching its maximum and USD Volatility Index towering 0.7 points over the market's.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
23	37	53	28	48	42	58	36	53	10

Volatility Index (for the observed period)

|	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	1.69	2.2	2.99	2.24	3.4	2.65	2.69	3.19	2.36	1.41
Min	0.45	0.49	0.39	0.36	0.28	0.31	0.49	0.39	0.51	0.17
Average	0.85	0.94	1.11	0.87	1	0.95	1.11	0.96	1.08	0.68

Currency Significance

Correlations
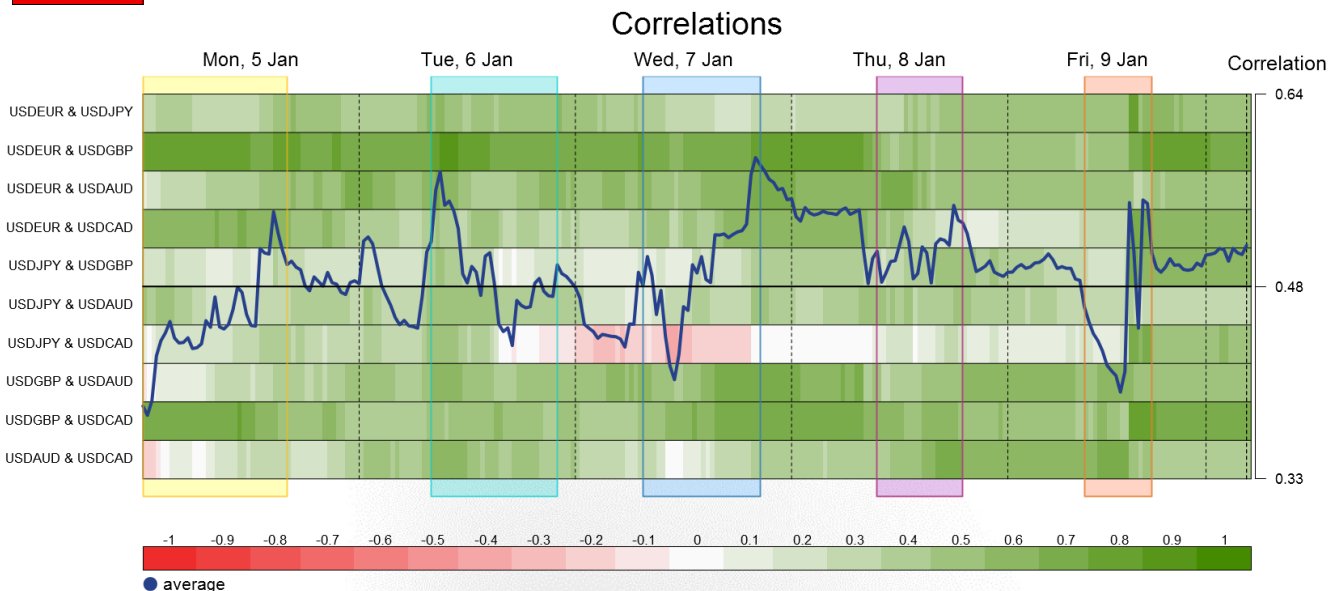
The past week saw an increase of the USD significance measure. Starting the period around 0.40 points, the measure moved on a mild the upward trend and by the end of the week reached above the 0.50 points mark. Compared with the previous period, the average component correlations gained 0.10-0.20 points, while the growth of the composite's mean was 0.12 points. The distributions of correlations also shifted up, and their upper tails became notably heavier. The period was notably turbulent for the EUR/USD-USD/CAD correlation, as it was fluctuating in a wide range from -0.03 to 0.72 points.

The period was also rather turbulent for the USD significance measure itself. The composite started to rise from the very beginning of the week, but lost its position amid numerous PMI releases on Tuesday. Afterwards, it held around the 0.40 points level until Wednesday, when the market's anticipation of the FOMC report turned it movement upward to eventually reach the period's maximum of 0.59 points. The surge was followed by another decline, but Friday's data managed the measure to bounce up and finish the period on a firm level of 0.50 points.
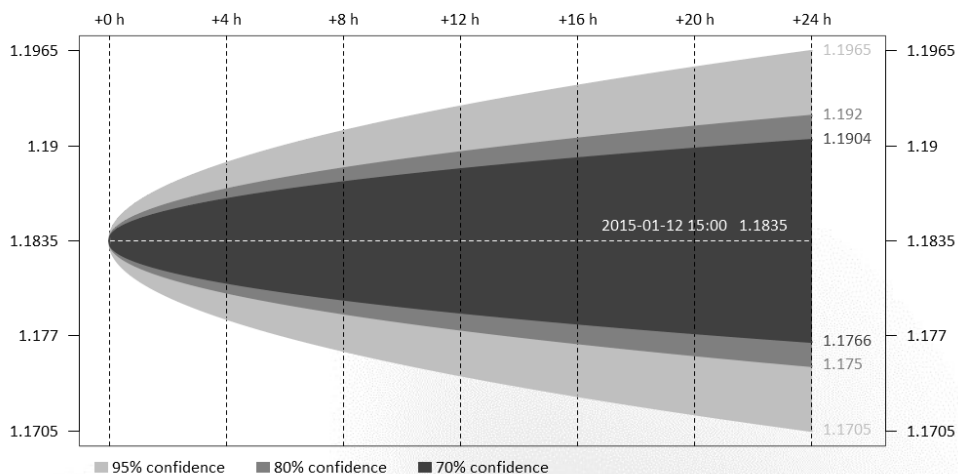
Correlations (5 vs 20 days)
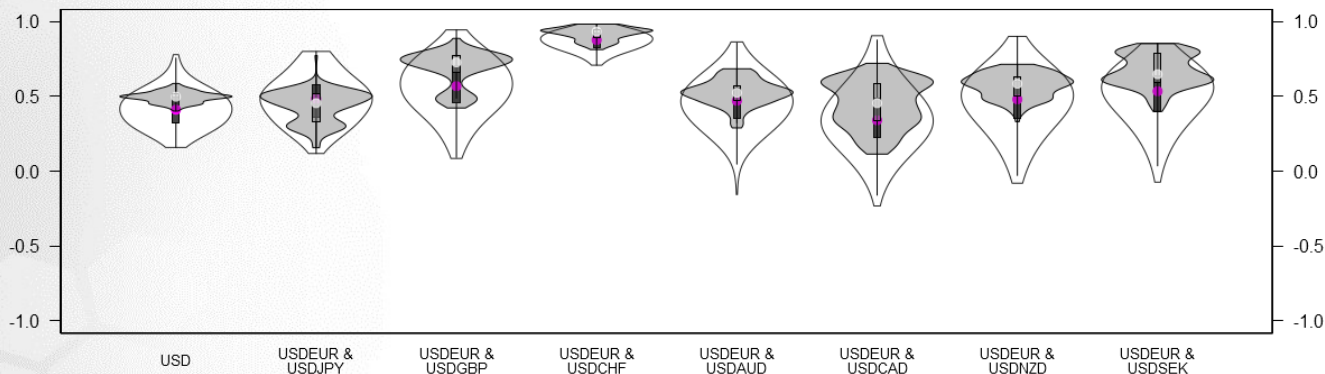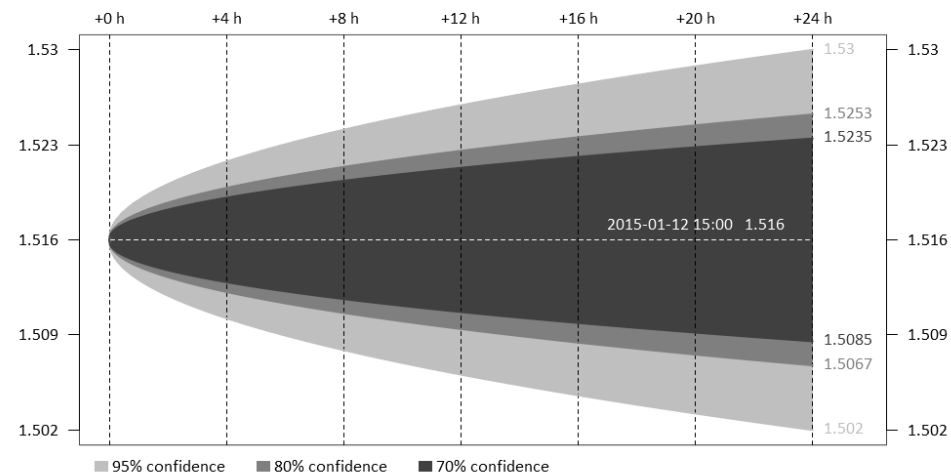

Mean Correlation Coefficient (with USDEUR)

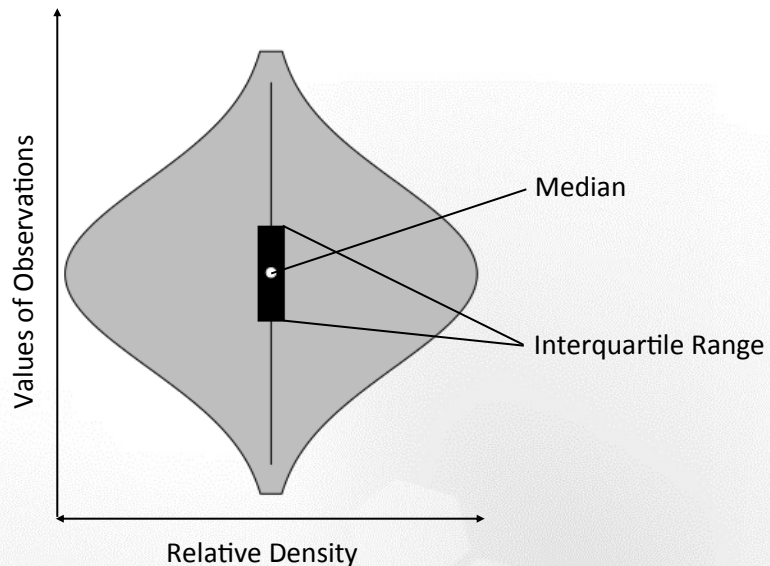| Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.5	0.43	0.68	0.92	0.52	0.44	0.57	0.67
20	0.42	0.48	0.56	0.87	0.46	0.35	0.46	0.51
130	0.47	0.45	0.52	0.89	0.48	0.38	0.51	0.61
250	0.39	0.32	0.47	0.87	0.36	0.27	0.4	0.6
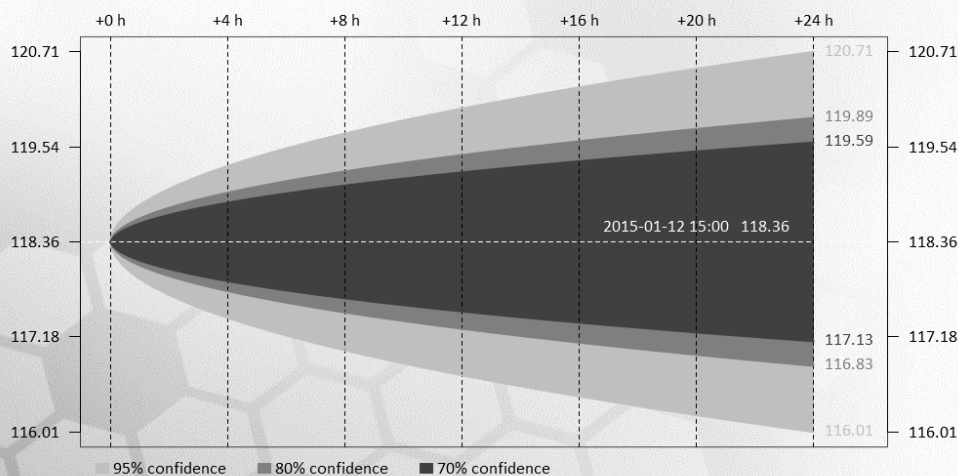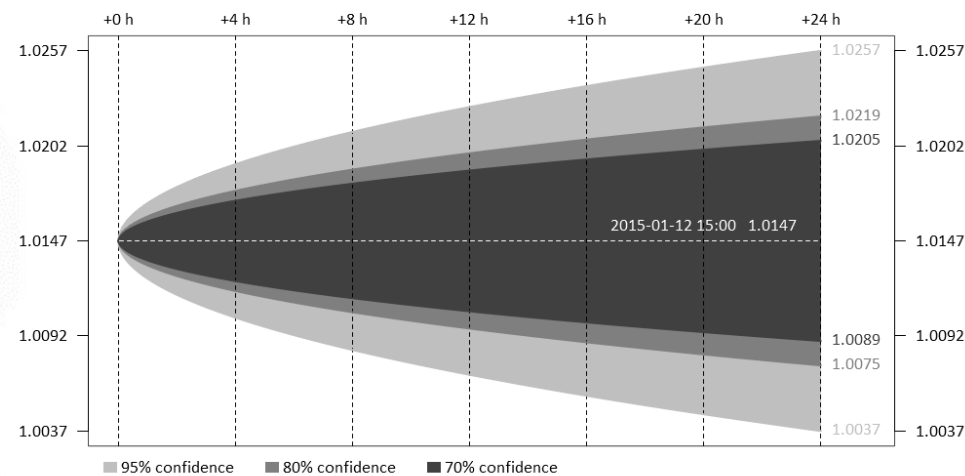
EXPLANATIONS

Violin Plot

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

Methodologies

Volatility Index

Confidence Interval

Values of Observations

Median

Interquartile Range

Relative Density

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