



EUR

16/01/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

January 9

09:00 - 16:30

- German Industrial Production, Trade Balance
- UK Industrial Production, Trade Balance
- Canadian Net Change in Employment
- US Unemployment Rate, Nonfarm Payrolls

Turquoise Area

January 13

07:30 - 16:30

- Swedish CPI
- UK CPI

Blue Area

January 14

01:30 - 16:00

- Eurozone Industrial Production, European Court of Justice Ruling
- US Retail Sales
- BoE's governor Carney speech

Purple Area

January 15

00:00 - 23:00

- Australian Unemployment Rate
- SNB Interest Rate Decision
- German Buba President Weidmann speech

EUR Currency Index Range

0.24%

0.51%

0.52%

4.04%

Max EUR Volatility Index

1.66

1.79

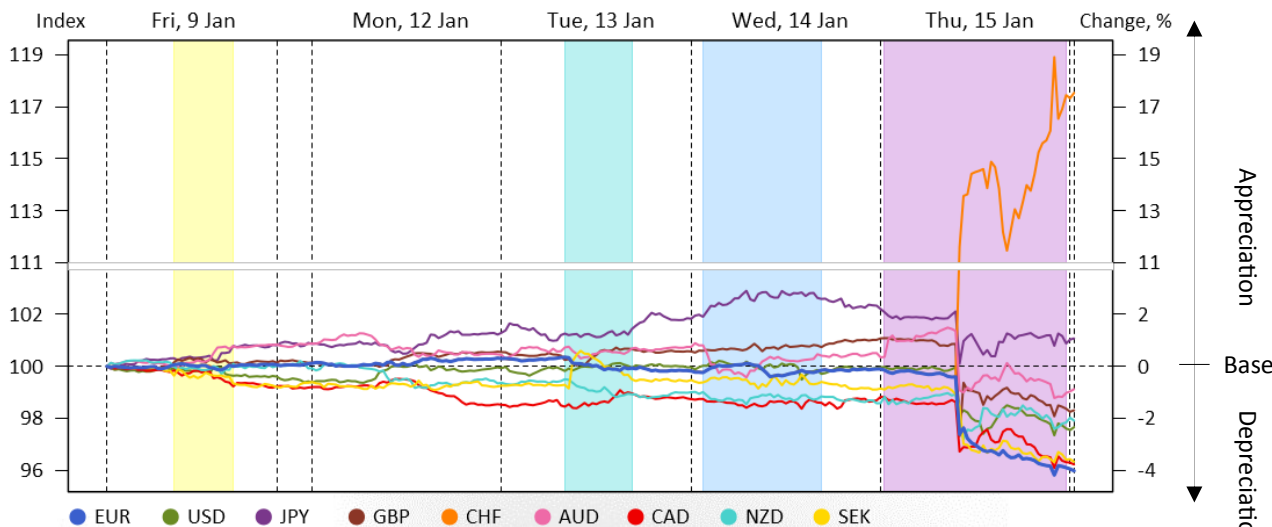
1.94

33.65



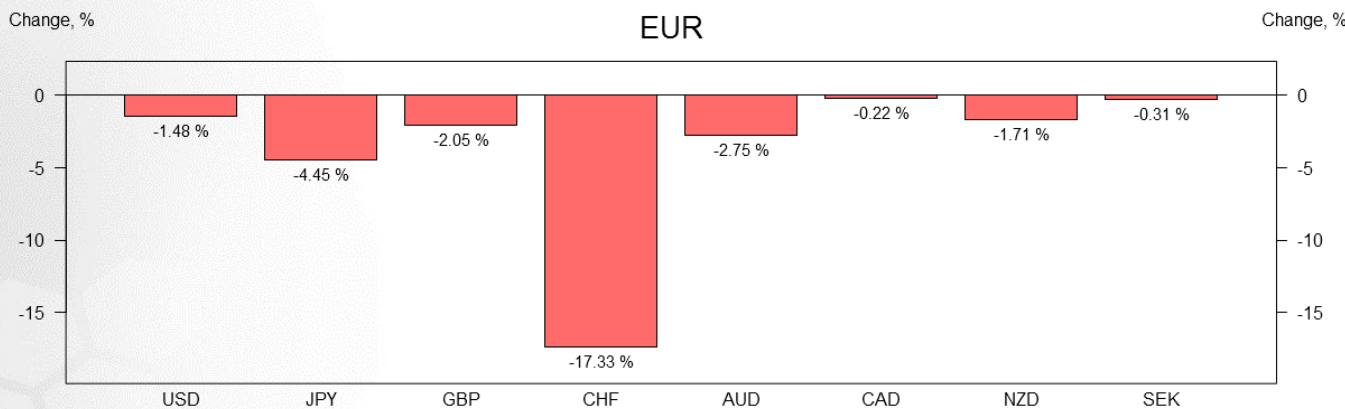
Relative Currency Strength

Currency Indexes



The main event of the past period can be summed up in three words: Thursday, Swiss franc. The historical safe-haven currency stole the spotlight after the SNB unexpectedly dropped the triennial cap of 1.20 Euro on the franc, and its Currency Index soared to unprecedented levels of over 110 points. Other majors were left far behind, and the yen's gauge was the only one that managed to hold above the baseline after the event. The single currency took the hardest blow, as it's index posted a record 4% weekly loss. The Loonie and the Swedish krona were not far behind, with their gauges ending the period 3.8% and 3.7% below the baseline.

Up until SNB's announcement, the period was peculiar for a very narrow gap between the EUR and CHF indexes — the two lines were barely distinguishable on the plot, with the franc's gauge holding about 0.01 points above the Euro's. After the event, the gap widened to 14.2 points and grew to 22.6 by the end of the period. The Euro measure's momentary loss was 2.2 points, the third-greatest behind the pound's 3.5 and the Aussie's 2.3, but while other measures managed to regain some ground in the following hours, the EUR Index continued to weaken throughout the rest of the day. Among other events, the gauge was undermined by the European Court of Justice declaring its preliminary decision favorable for the ECB's QE programme and weighting on the single currency.



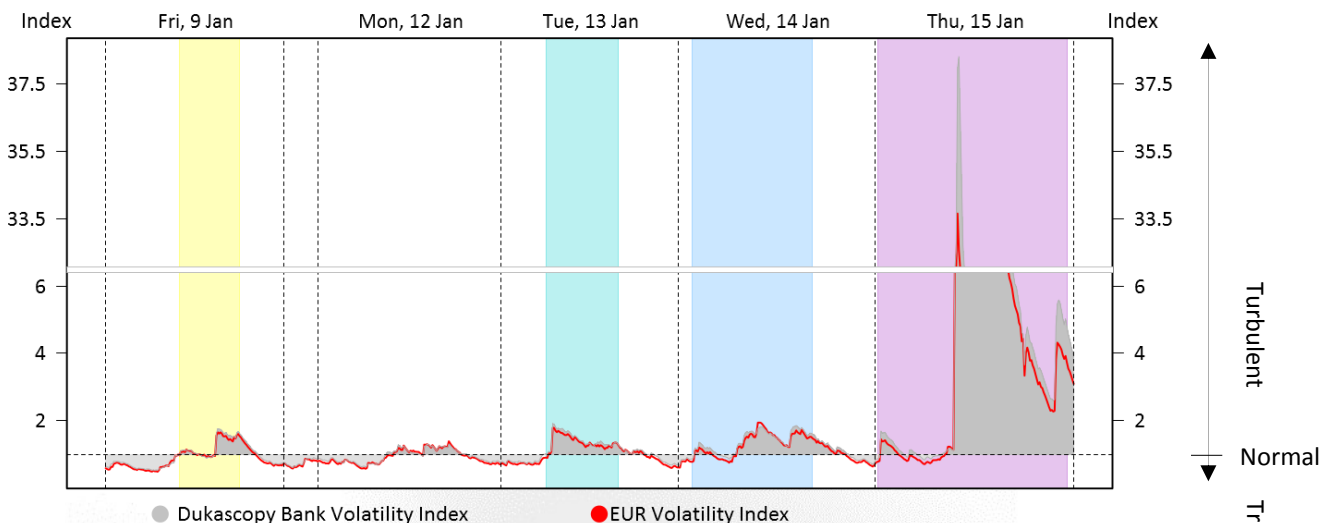
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-4.02%	-2.34%	1.08%	-1.69%	17.53%	-0.88%	-3.78%	-2.09%	-3.67%
20	-7.02%	0.48%	1.95%	-2.87%	14.4%	1.1%	-3.01%	1.8%	-7.53%
130	-6.3%	11.13%	-3.98%	-2.65%	16.79%	-3.56%	-1.25%	-1.04%	-9.28%
250	-8.53%	9.15%	-2.63%	0.69%	16.31%	0.29%	-0.92%	2.13%	-16.36%



Volatility

Volatility



Turbulent
Normal
Tranquil

The period can be divided into two parts: January 9th – 14th should be considered separately from Thursday, January 15th, which was quite a different story in terms of market volatility. The most volatile pairs during the first four days were the ones with Asia Pacific currencies. The spikes of market volatility were associated with disappointing Canadian change in employment on Friday and less negative than expected Swedish CPI on Tuesday morning. The later made the market volatility index surge to 1.91 points, but the EUR/SEK index – to 4.48. It was the only pair that reached its volatility maximum before the Thursday’s SNB decision to lower its interest rate.

During the first four days of the observed period, the average value of the Euro volatility index was equal to 1, but the maximum of 1.94 was fixed on Wednesday, against the background of the ruling from the European Court of Justice. On the same day, the EUR/USD index hit the 3.2 level as US retail sales turned out to be pessimistic. SNB interest rate decision became critical for the Euro. The volatility indexes of almost all Euro pairs passed 5 points level, but the 28% drop in EUR/CHF was reflected in enormously high volatility of the pair. As a result, both the market and the Euro indexes surged to 30+ level.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
56	50	49	66	40	12	56	50	62	36

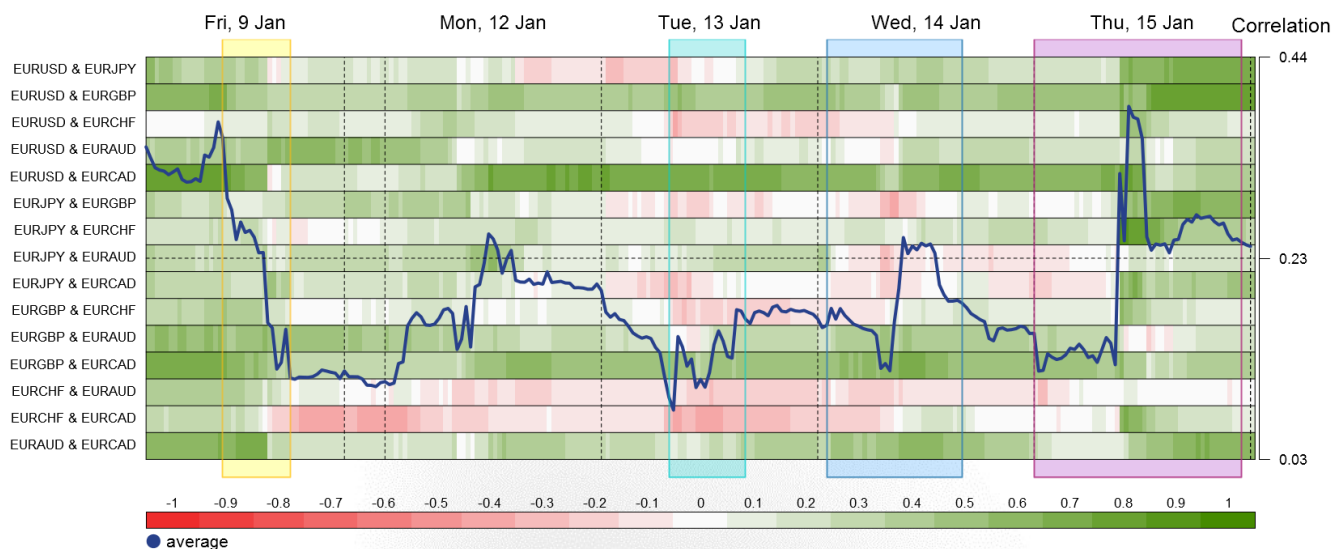
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	38.31	33.65	7.48	7.3	6.21	1184.14	5.75	5.44	5.79	4.48
Min	0.52	0.48	0.41	0.51	0.25	0.08	0.42	0.38	0.47	0.15
Average	2.28	2.04	1.3	1.4	1.12	34.65	1.31	1.23	1.35	0.97



Currency Significance

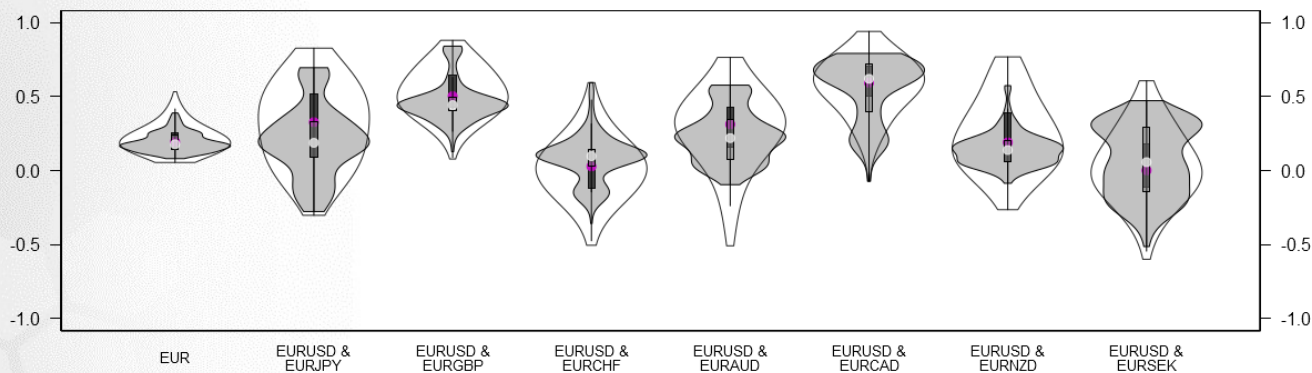
Correlations



Despite the upheavals that occurred in both Currency and Volatility Indexes, the Euro significance measure reacted to the Thursday events rather calmly. The composite was fluctuating in a usual range of 0.08 to 0.39 points, and, compared with the past week values, its average lost only 0.01 point. Though while the averages of most components also dropped quite moderately, the lower tails of their distributions shortened, and the values gathered closer to the averages. EUR/USD correlations with EUR/CHF and EUR/SEK strengthened the most, pulling their averages 0.15 and 0.16 points up, respectively.

The composite started the period with a fall, dropping 0.26 points against the background of Canadian and US news. For the next three days the measure held on a rather low level, varying between 0.08 and 0.26 points. On Wednesday, following the ECJ ruling the composite swayed up for a while, but started to decrease shortly after and soon found itself back on pre-spike level of 0.16 points. Thursday's events had the sharpest affect on the single currency's significance measure, as the Euro's fall strengthened almost all of its correlation components. The composite gained 0.26 points and reached the level of 0.39 points. Nevertheless, soon after the surge the measure decreased and ended the period on the 0.25 points mark.

Correlations (5 vs 20 days)

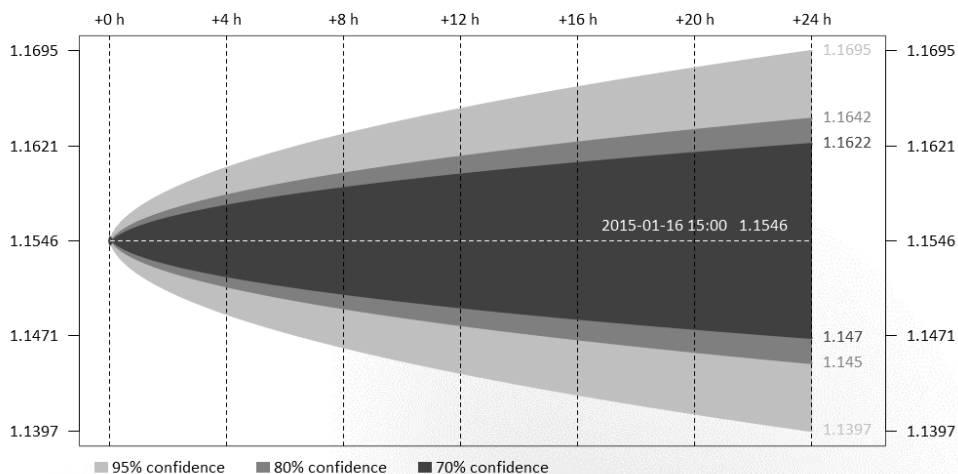


Mean Correlation Coefficient (with EURUSD)

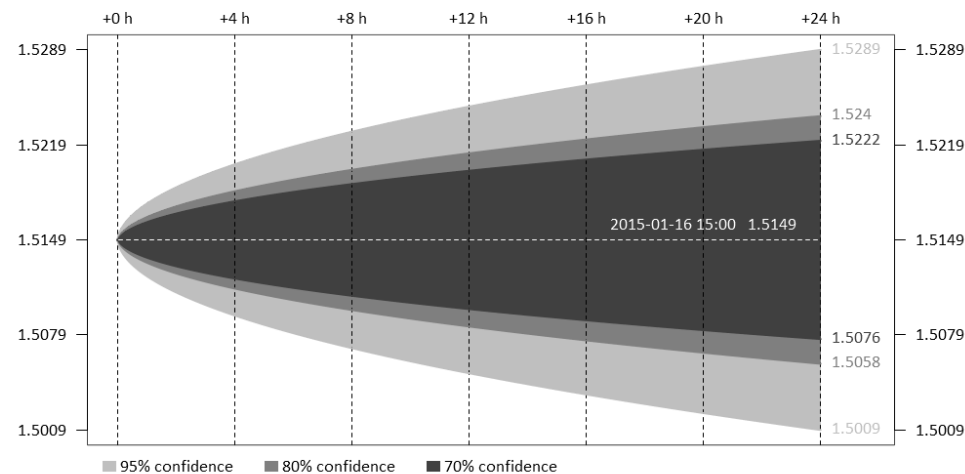
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.19	0.2	0.47	0.08	0.23	0.55	0.15	0.07
20	0.21	0.3	0.53	0.02	0.28	0.58	0.24	0.03
130	0.23	0.36	0.53	-0.07	0.23	0.51	0.1	0.09
250	0.23	0.44	0.52	-0.09	0.3	0.54	0.21	0.09

Confidence Intervals for Next 24 Hours

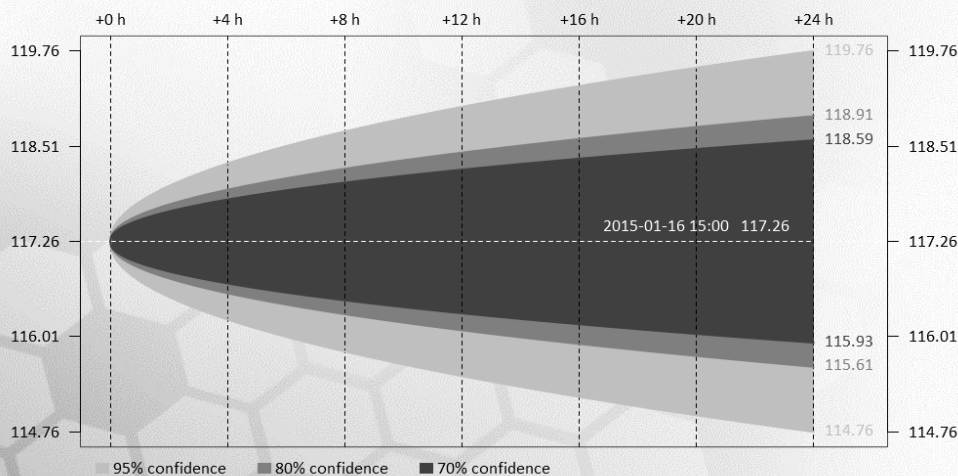
EURUSD Potential Rates



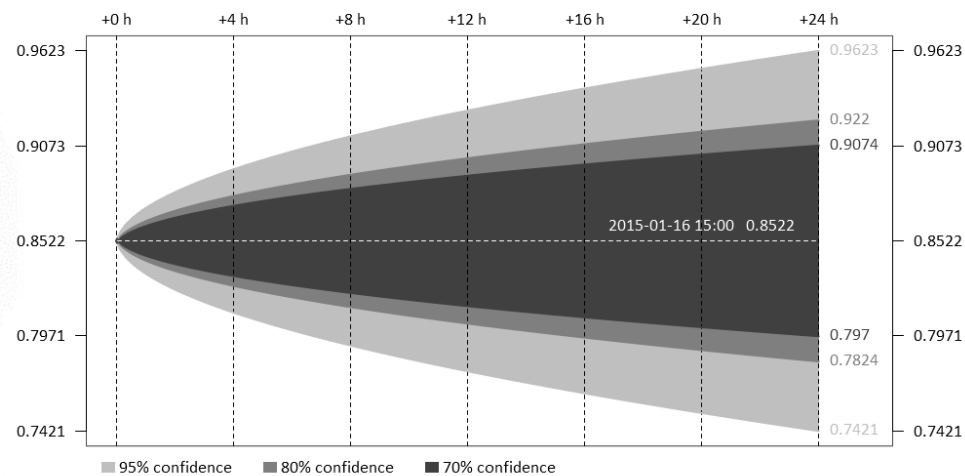
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

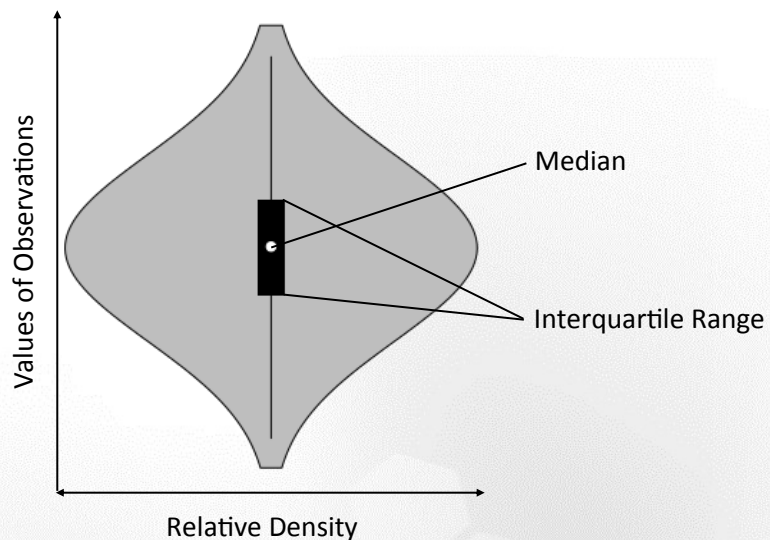
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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