



EUR

23/01/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

January 16

04:30 - 21:00

- Euro Zone, German CPI
- Swiss Real Retail Sales
- US CPI, Industrial Production, UoM Flash Consumer Sentiment Index

Turquoise Area

January 19

04:30 - 18:30

- Japanese Industrial Production and Consumer Confidence

Blue Area

January 20

01:30 - 22:00

- Chinese GDP, Industrial Production and Retail Sales
- German ZEW Economic Sentiment
- New Zealand CPI

Purple Area

January 21

06:30 - 20:00

- BoE Minutes, MPC Vote, UK Claimant Count Rate, ILO Unemployment Rate
- BoC Monetary Policy Report, Interest Rate Decision

Orange Area

January 22

06:00 - 19:30

- ECB Monetary Policy Statement, Interest Rate Decision
- Euro Zone Flash Consumer Confidence
- US Jobless Claims

EUR Currency Index Range

1.24%

0.93%

0.25%

0.83%

1.56%

Max EUR Volatility Index

3.41

2.45

1.91

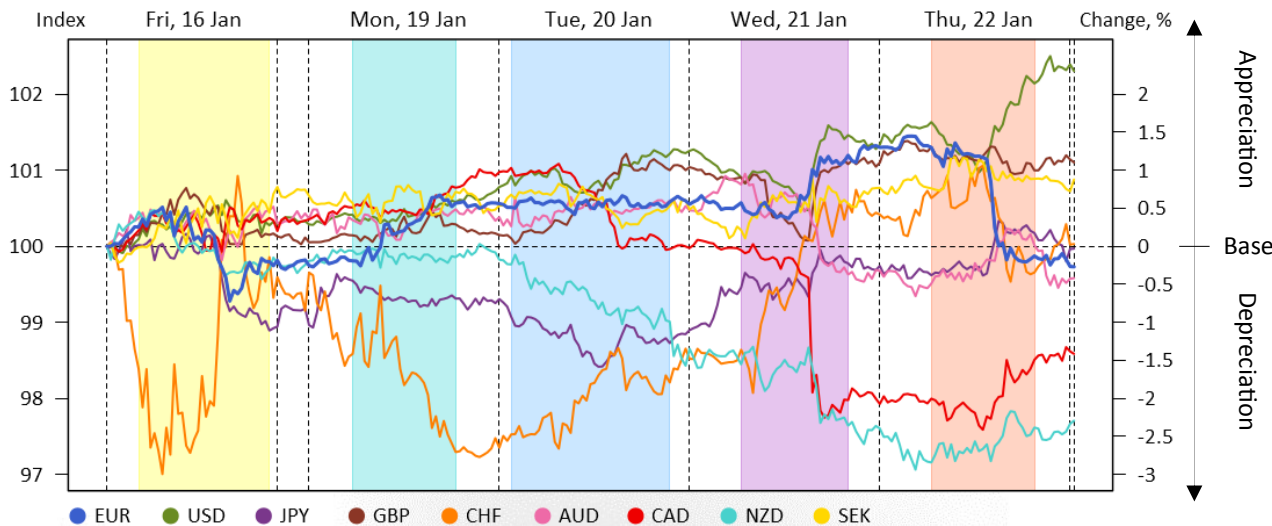
6.52

4.78



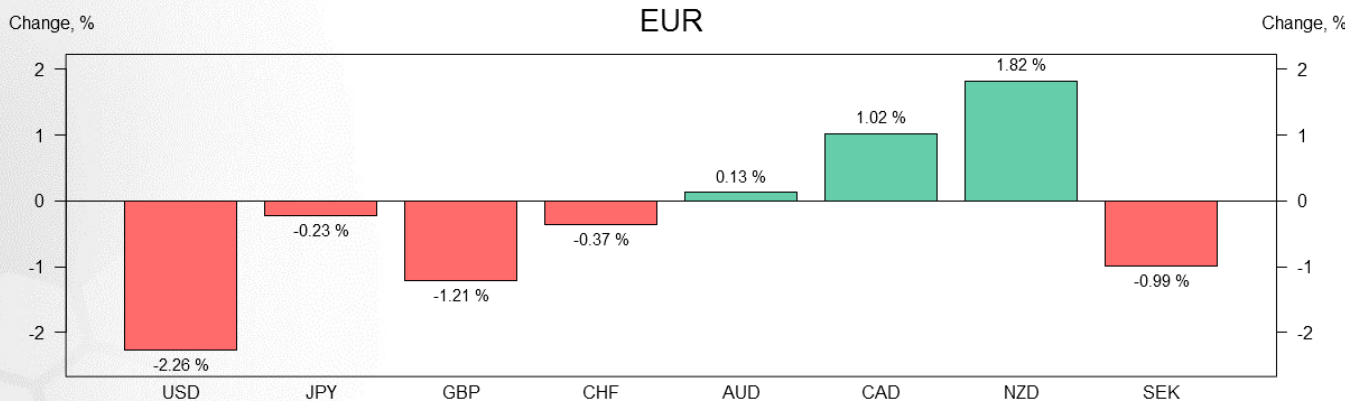
Relative Currency Strength

Currency Indexes



The new week eased some of the turmoil of the SNB's January 15 announcement, and most of the currency indexes returned to their usual behavior. The franc's gauge proved to be an expected anomaly, as it took over the position of the most volatile index from the krona's gauge. Majority of the indexes spent most of the period in the appreciation area, recovering from the past slump. Notable exceptions were the yen, which seemed to suffer the least among the franc's major peers, but whose index failed to keep up with its counterparts later on, and the Kiwi that set its gauge into a downtrend after New Zealand CPI numbers reported an unforeseen drop.

The biggest shocks of the period were once again delivered by the policy makers. On Wednesday, the BoC unexpectedly cut interest rates and reduced its growth and inflation forecasts, highlighting the weight that tumbling oil prices put on the country's economy. The CAD Index lost 1.6 points, while the single currency gained 1.55% against the Loonie in the following half hour. Thursday's developments, in turn, were less of a surprise, but still got a sharp response from the market. As the ECB announced the volume of its expanded asset purchase programme, the Euro plunged against its counterparts, causing its index to lose 1.3 points in the course of the next two hours. As a result, the EUR Index finished the period below the baseline, with the single currency posting weekly loses against five of its eight observed peers.



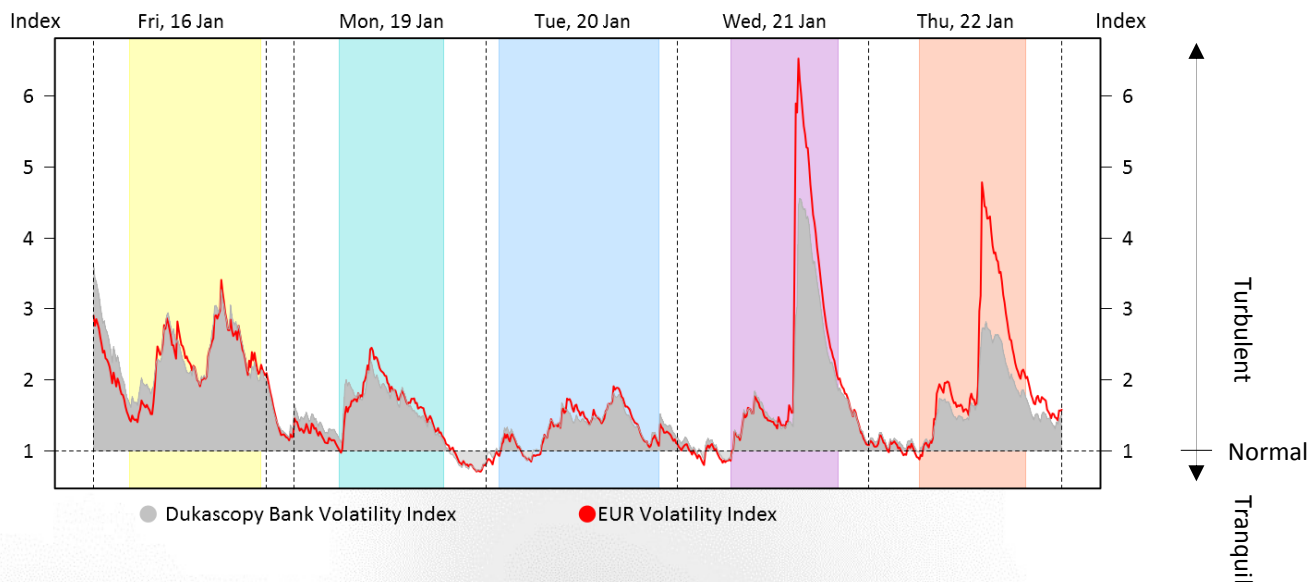
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.27%	2.3%	-0.03%	1.1%	0.03%	-0.42%	-1.41%	-2.29%	0.88%
20	-6.65%	1.38%	3.42%	-2.47%	15.31%	0.32%	-5.26%	-1.6%	-4.91%
130	-6.23%	13.32%	-4.37%	-1.16%	17.16%	-4.97%	-2.99%	-2.38%	-8.34%
250	-8.63%	11.14%	-2.81%	0.11%	16.45%	0.35%	-1.03%	0.04%	-15.61%



Volatility

Volatility



The period was enormously volatile for both the market and the single currency. Almost all Euro pairs lifted their elevated volatility portions above 50%, with the measure for EUR/CHF reaching full 100%. Of course, it can be easily explained by the fact that during previous three years the pair's rate was only slightly varying around 1.2, thus demonstrating the lowest volatility among its peers. As a result, present volatility of the pair is considered as very high against that of the past. The reason of such high market Volatility Index values is the same. In addition, the period was full with influential news on different economies.

During Friday, the volatility indexes reached the 3 points level several times, as it was the day after the SNB decision. Furthermore, the Euro zone and US CPI were announced, but there was no noticeable reaction to these events in terms of volatility change. Two first days of current trading week were relatively calm. Wednesday, in turn, started with the BoE rate vote shifting back to unanimous, but later the BoC decision to cut interest rate was accompanied by high volatility of almost all Euro pairs, excepting EUR/CHF and EUR/SEK. One more volatile event was the ECB press conference on Friday, when, for example, the EUR/USD Volatility Index surged to the 5.8 points mark.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
91	88	52	70	65	100	72	57	82	49

Volatility Index (for the observed period)

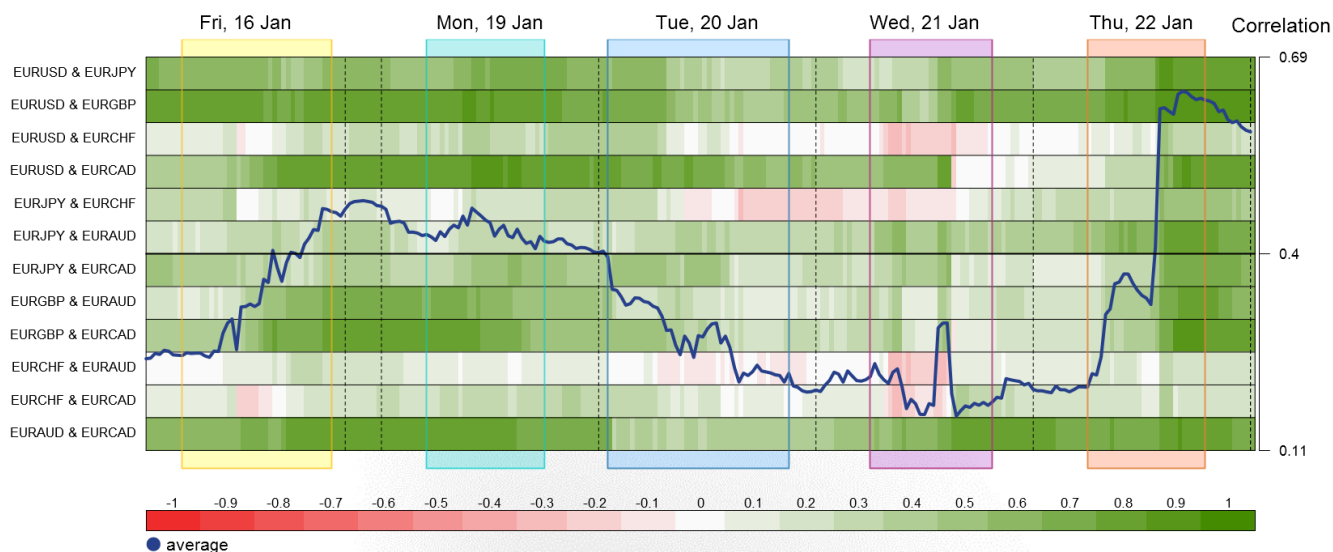
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	4.56	6.52	7.21	4.22	5.9	104.19	4.68	11.98	5.01	2.59
Min	0.72	0.71	0.35	0.54	0.35	2.97	0.56	0.35	0.6	0.21
Average	1.67	1.74	1.31	1.31	1.43	29.14	1.32	1.52	1.47	1.01



Currency Significance

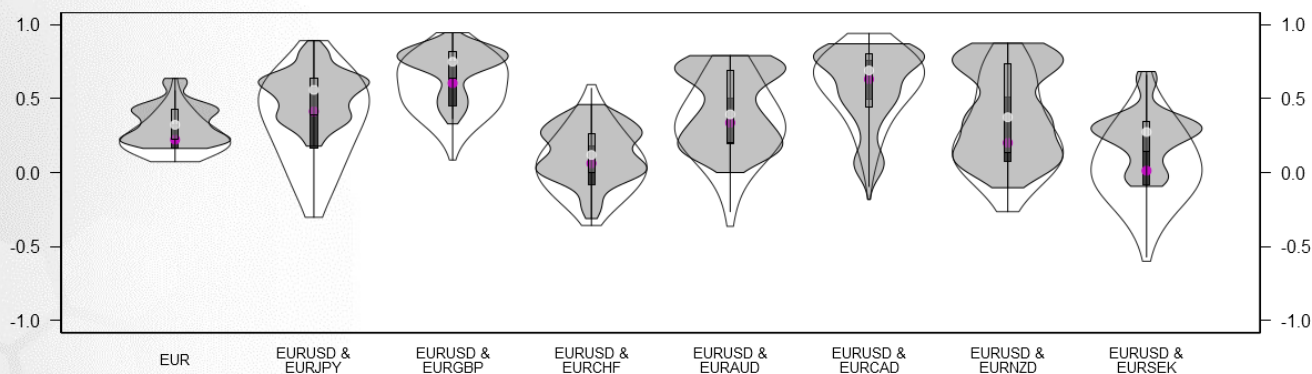
Correlations

The period was marked by an increase in the average values of all observed correlation pairs. Compared with the previous week, the components have gained 0.03-0.33 points, while the average of the composite has risen for 0.15 points. The most noticeable strengthening was observed in the bonds between EUR/USD and the Asia-Pacific currencies. Changes of the average EUR/USD correlations with EUR/CAD were minimal, even though the dynamics of the component was rather animate. It held at the level of 0.69, which significantly exceeded the usual, but the BoC decision to cut interest rates caused a sharp fall of the component, bringing it as low as -0.18 and notably skewing the average.



On Monday, against the background of the German and Euro zone CPI releases, the Euro significance measure started to rise, and by the end of the day gained about 0.23 points. Then followed a three-day period of the gradual decline of the composite, and by Wednesday noon it reached a 0.16 mark – the minimum level of the period. There the BoC interest rate decision halted the decline, and the measure started to recover. The turning-point of the week, however, occurred of Thursday, at the time of the ECB president Draghi’s press conference. The Euro significance measure jumped to the level of 0.61, gaining about 0.41 points, and ended the week at the unusually high level of the 0.58.

Correlations (5 vs 20 days)

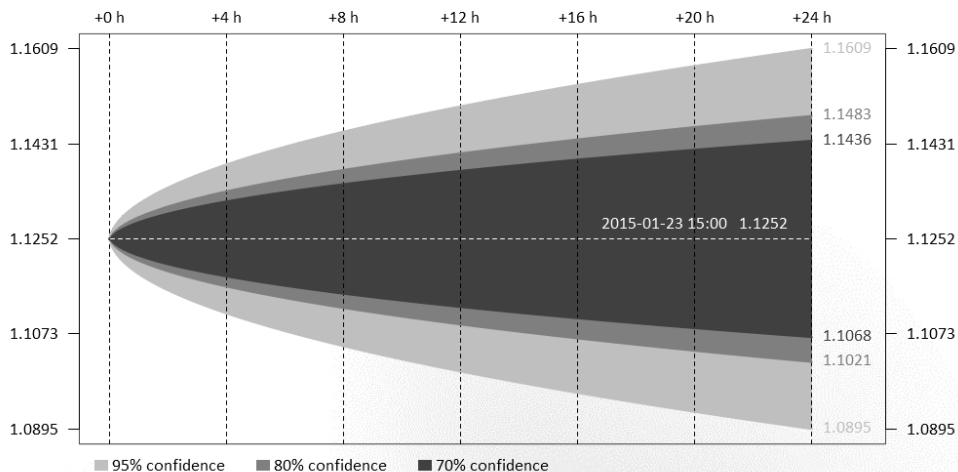


Mean Correlation Coefficient (with EURUSD)

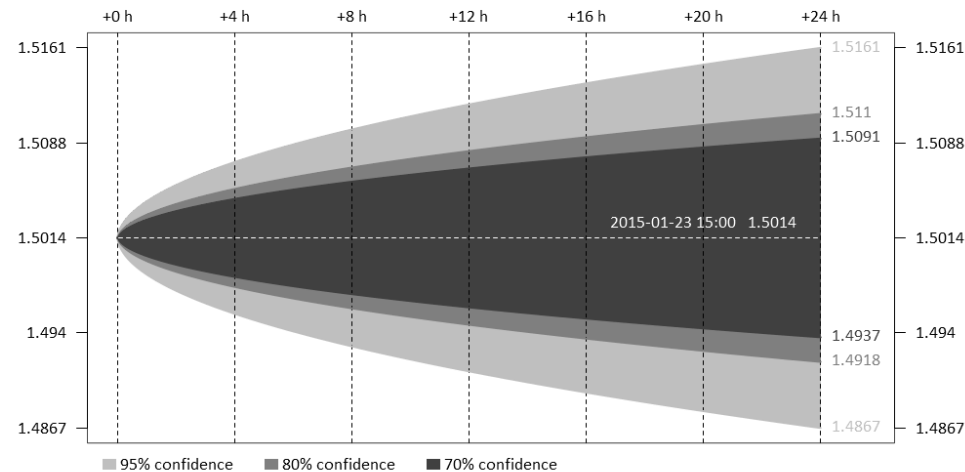
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.34	0.53	0.71	0.13	0.44	0.58	0.41	0.25
20	0.25	0.36	0.59	0.06	0.34	0.59	0.28	0.05
130	0.24	0.36	0.54	-0.05	0.24	0.51	0.11	0.1
250	0.24	0.44	0.53	-0.09	0.31	0.54	0.21	0.09

Confidence Intervals for Next 24 Hours

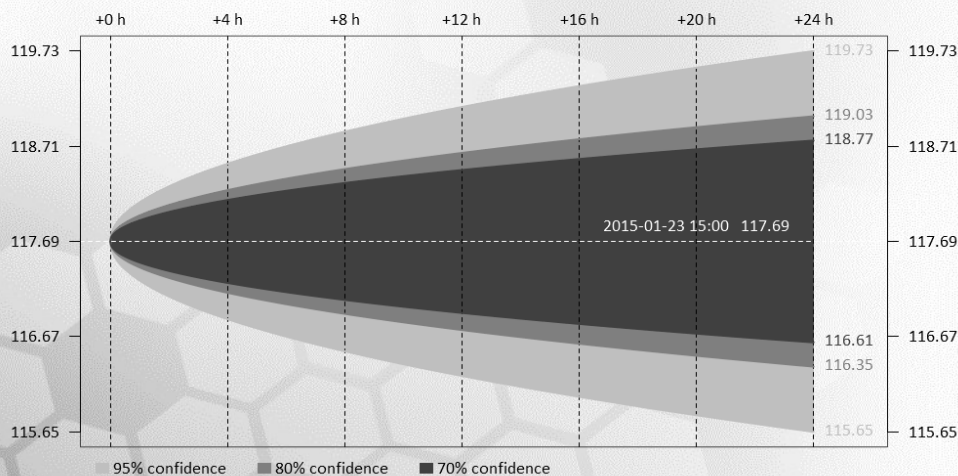
EURUSD Potential Rates



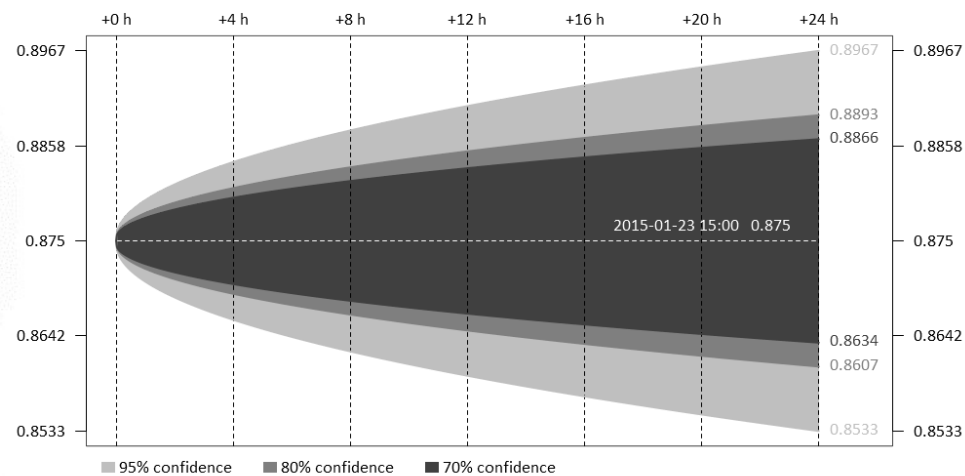
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

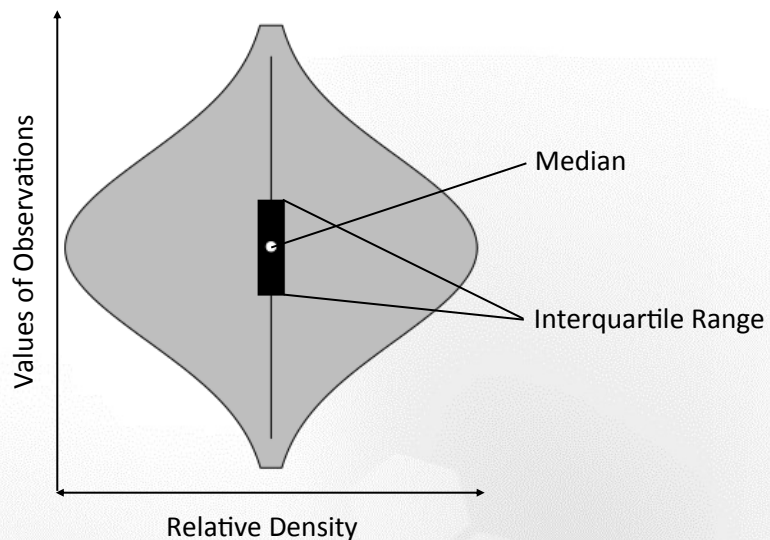
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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