

JPY

04/03/2015

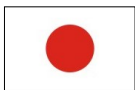


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Market Research





Dominant Events of the Period

Yellow Area

February 25

05:00-17:00

- UK BBA Mortgage Approvals
- Federal Reserve Chairwoman Janet Yellen testifies

Turquoise Area

February 26

05:00 - 22:00

- Japanese National CPI, Unemployment Rate, Retail Trade and Industrial Production
- UK GDP
- US CPI and Durable Goods Orders
- German Unemployment Change

Blue Area

February 27

03:30 - 20:00

- Japanese Housing Starts
- German CPI
- US Preliminary GDP

Purple Area

March 2

04:30 - 17:00

- German Manufacturing PMI
- UK Manufacturing PMI
- US Manufacturing PMI
- Euro zone CPI and Unemployment Rate

Orange Area

March 3

03:00 - 17:30

- Japanese Monetary Base
- Australian RBA Interest Rate Decision
- German Retail Sales
- UK Construction PMI

JPY Currency Index Change

0.37%

-0.37%

0.41%

0.14%

0.19%

Max JPY Volatility Index

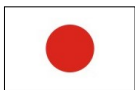
0.94

1.16

1.33

0.97

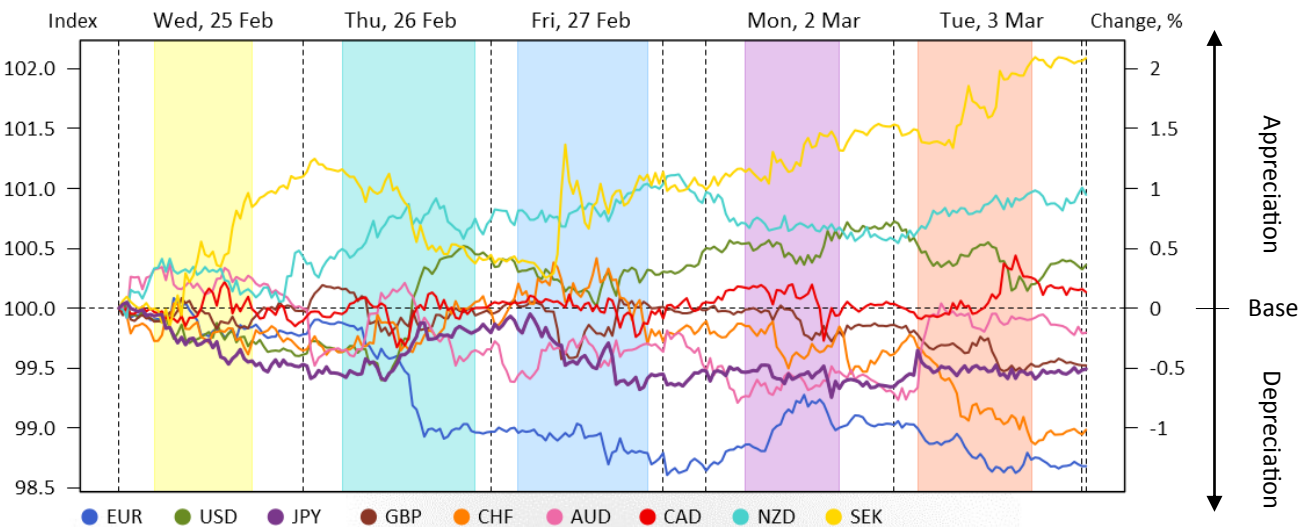
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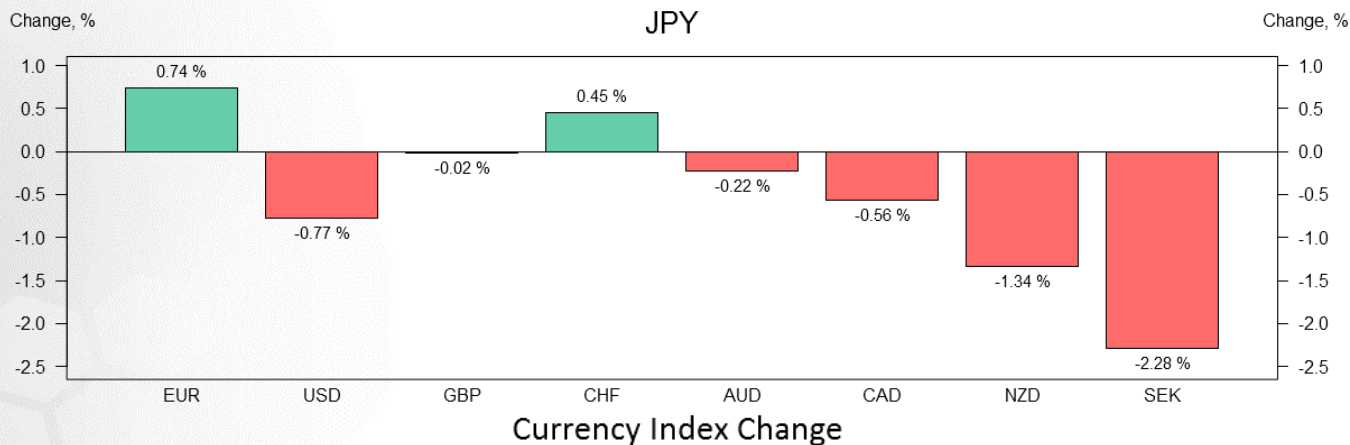
Relative Currency Strength

Currency Indexes

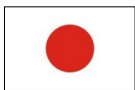
The Japanese Yen chose to stay on the side of under-performers during the weekly period ended March 3. At the same time, despite the fact that the JPY Index was located below the baseline for the whole week, it lost just 0.51% from Wednesday of the previous week till Tuesday of the current week. Among worst performing major currencies, however, were the Euro and Swiss Franc, as they lost 1.32% and 1.01%, correspondingly. Among particular currency pairs with the Yen, JPY/SEK dropped the most by 2.28% on a weekly basis. Opposite to that, the Japanese currency managed to gain 0.74% against the shared European currency and rise 0.45% versus the Franc.



For the Yen, a negative development started already on Wednesday, February 25. Among fundamental news, Japan has only released fairly positive numbers on the foreign bond investment. Moreover, news from other regions around the world used to be bearish for GBP and USD. Nevertheless, this factor failed to push the safe-haven currency upwards. Some positive signs were noticed a day later, when Japan published a bunch of important indicators, but a majority of them disappointed markets. Unemployment rate rose unexpectedly to 3.6%, while retail sales' volumes slumped 2% in January. All in all, JPY bearishness resumed on Friday and persisted until the end of the period, which was came to an end with a total decrease of 0.51%.

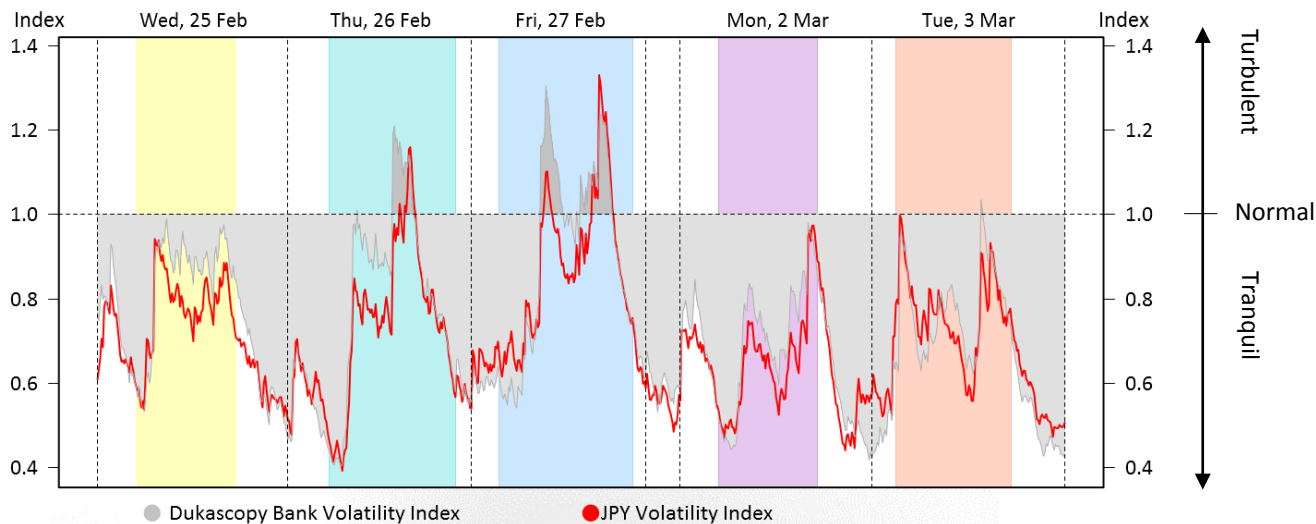


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.32%	0.36%	-0.51%	-0.48%	-1.01%	-0.2%	0.13%	0.95%	2.09%
20	-2.09%	0.61%	-1.33%	1.93%	-3.18%	0.46%	0.37%	2.82%	0.17%
130	-5.95%	11.98%	-2.63%	3.92%	7.58%	-6.69%	-2.87%	1.19%	-6.78%
250	-8.98%	14.21%	-4.28%	5.02%	4.72%	-0.76%	0.68%	2.76%	-13.36%



Volatility

Volatility



The period was associated with extremely low volatility values for almost the whole length of the February 25—March 3 time period. The only notable exception has been made on Friday, especially in time of economic data releases in the United States. As a result, the elevated volatility index for the Japanese Yen stayed as low as at just 4%, meaning that only during 1/25 of all time this currency used to have increased turbulence on the market. Among currency pairs, the highest elevated volatility was registered by the Loonie/ Yen and Aussie/ Yen crosses, but it still stayed at just 19% and 16%, respectively.

JPY started the week with one of the smallest volatility indicators during the whole period below 0.6 points, as statistics from Japan and abroad was not significant enough to cause any major movements and fluctuations of both Japanese and other foreign currencies. At the same time, on Friday the Yen's volatility spiked above 1.3 points, caused by preliminary (second reading) gross domestic product data from the United States which grew 2.2% in Q4 on the annual basis. This indicator, along with better-than-estimated Michigan consumer sentiment and personal consumption indexes managed to give market and the Yen, in particular, volatility impetus at the end of the previous week.

Elevated Volatility (% of the observed period)

Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
9	4	5	7	4	11	16	19	15	11

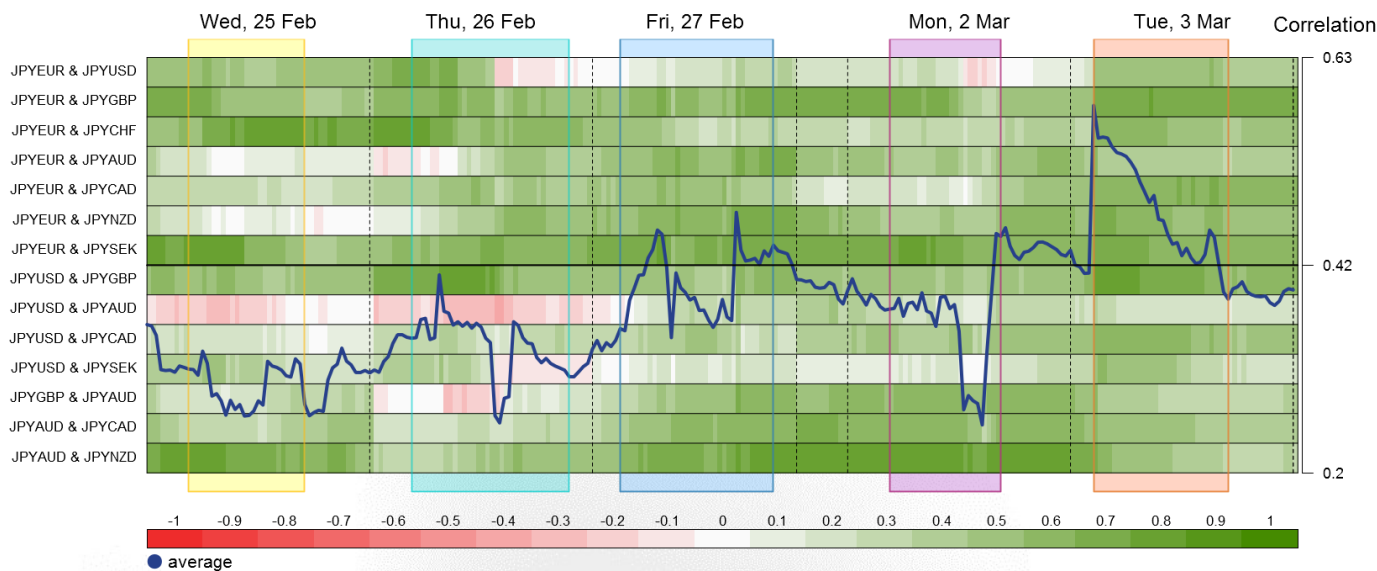
Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	1.31	1.33	1.6	1.59	1.68	1.59	2.68	1.91	1.33	2.09
Min	0.4	0.39	0.21	0.24	0.26	0.3	0.3	0.25	0.28	0.27
Average	0.73	0.71	0.6	0.62	0.63	0.7	0.76	0.78	0.82	0.66



Currency Significance

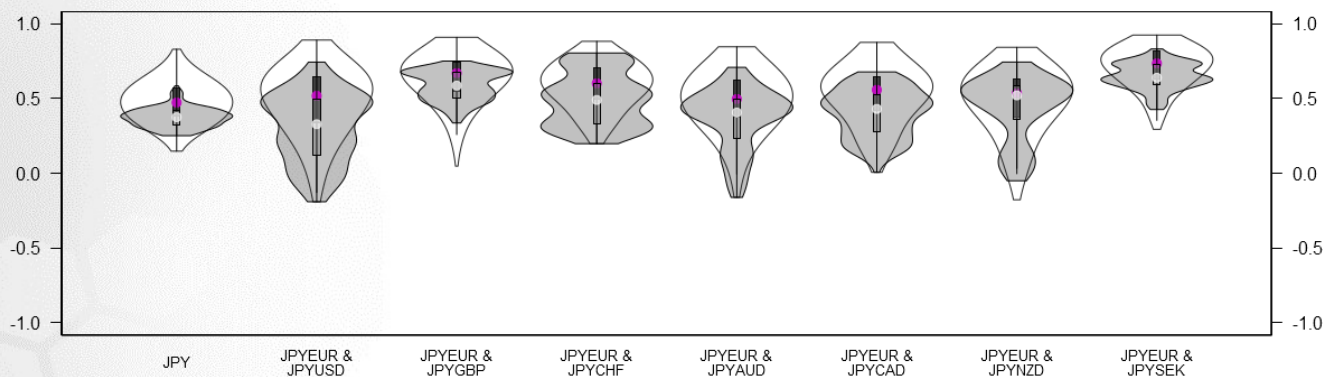
Correlations



Despite low correlations between different pairs with the Japanese Yen well-below 0.5 points, we could still observe a clear increase in composite's value last week, showed by the main chart. Still, the mean correlation coefficient stood at just 0.37 points. This number was also far below monthly, 6-month and yearly averages, with all of them hovering around 0.50 points. Turning back to significance, it started growing gradually already on the second day, while beginning the period just above 0.30 points. Initial weakness was provided by the negative correlation between

JPY/USD and JPY/AUD currency pairs. At the same time, a return back above zero provided the composite with the strong positive impetus and it surged above the average line to reach 0.45 points. Despite that, JPY significance dropped again on Monday, triggered by a sharp slump in correlations between two most popular JPY crosses with the Euro and US Dollar amid mixed statistical releases from both the Euro zone and North America. The period's high, however, was reached a day later at 0.58 points due to a decision of the Reserve Bank of Australia to refuse cutting the benchmark interest rate by 25 basis points to 2%. Meanwhile, at the end of the period the significance closed slightly below the average level of 0.42 points.

Correlations (5 vs 20 days)

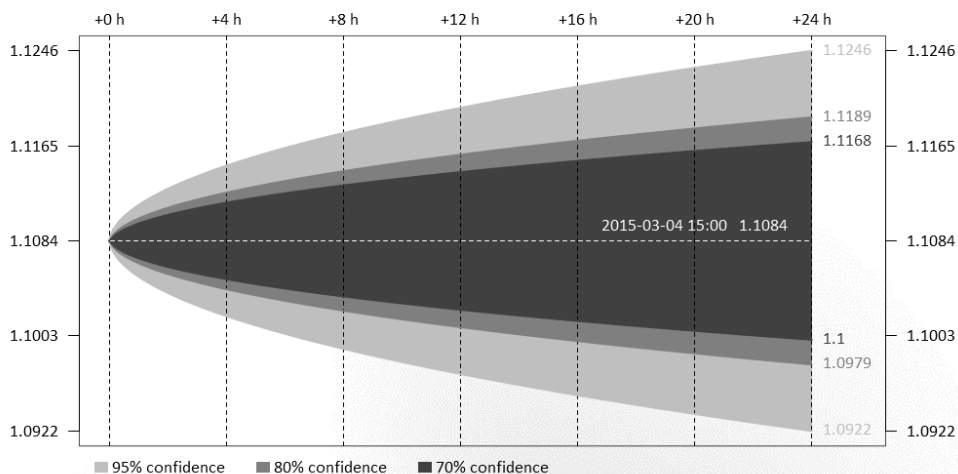


Mean Correlation Coefficient (with JPYEUR)

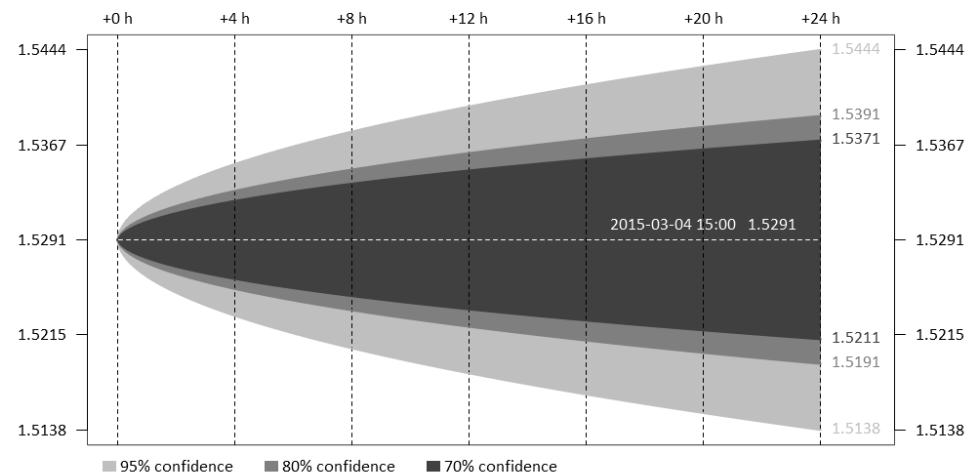
Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.37	0.3	0.58	0.49	0.36	0.4	0.44	0.65
20	0.48	0.48	0.64	0.59	0.48	0.53	0.48	0.71
130	0.51	0.54	0.66	0.81	0.47	0.55	0.42	0.72
250	0.5	0.58	0.64	0.86	0.44	0.5	0.4	0.7

Confidence Intervals for Next 24 Hours

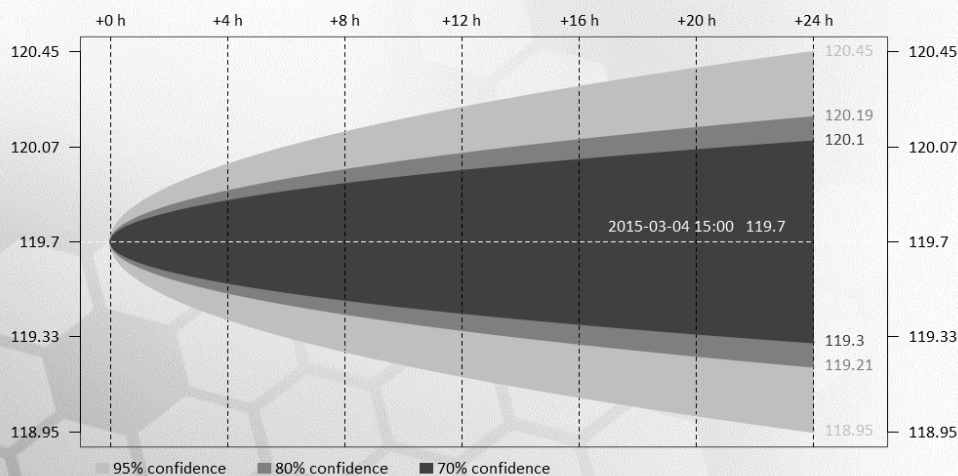
EURUSD Potential Rates



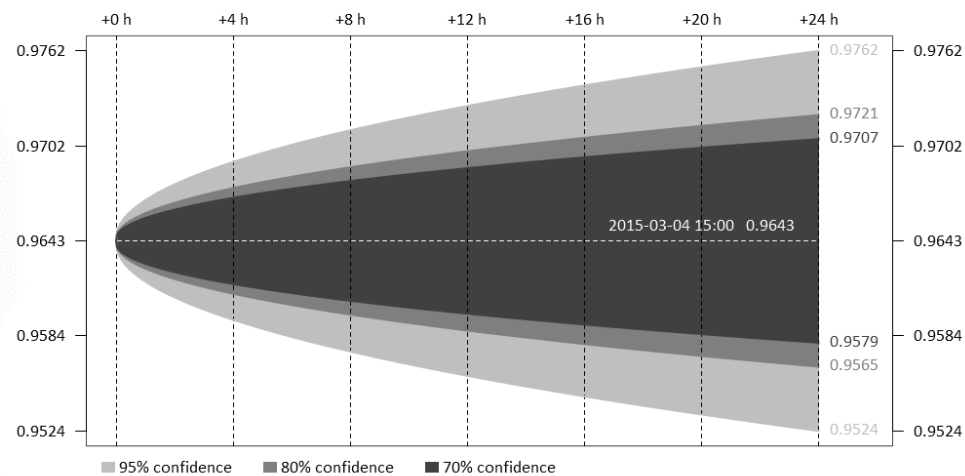
GBPUSD Potential Rates



USDJPY Potential Rates



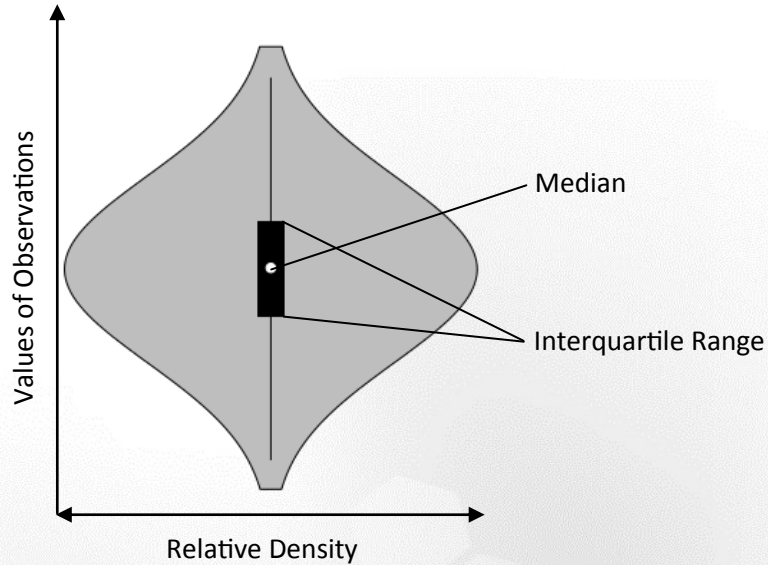
USDCHF Potential Rates



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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