



**USD**

16/03/2015



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# Dominant Events of the Period

## Yellow Area

March 10

01:30 - 15:30

- Chinese CPI
- EcoFin Meeting
- US Wholesale Inventories
- BOE Governor Carney's Speech

## Turquoise Area

March 11

06:30 - 20:30

- ECB President Draghi's Speech
- RBNZ Interest Rate Decision and Monetary Policy Statement
- US Bank Stress Test Info

## Blue Area

March 12

02:00 - 17:00

- German CPI
- Euro Zone Industrial Production
- US Jobless Claims, Retail Sales
- BOE Governor Carney's Speech

## Purple Area

March 13

07:30 - 18:00

- Canadian Net Change in Employment, Unemployment Rate
- US PPI, Flash UoM Consumer Sentiment Index

USD Currency Index Change

0.31%

0.57%

-0.49%

0.55%

Max USD Volatility Index

2.29

1.92

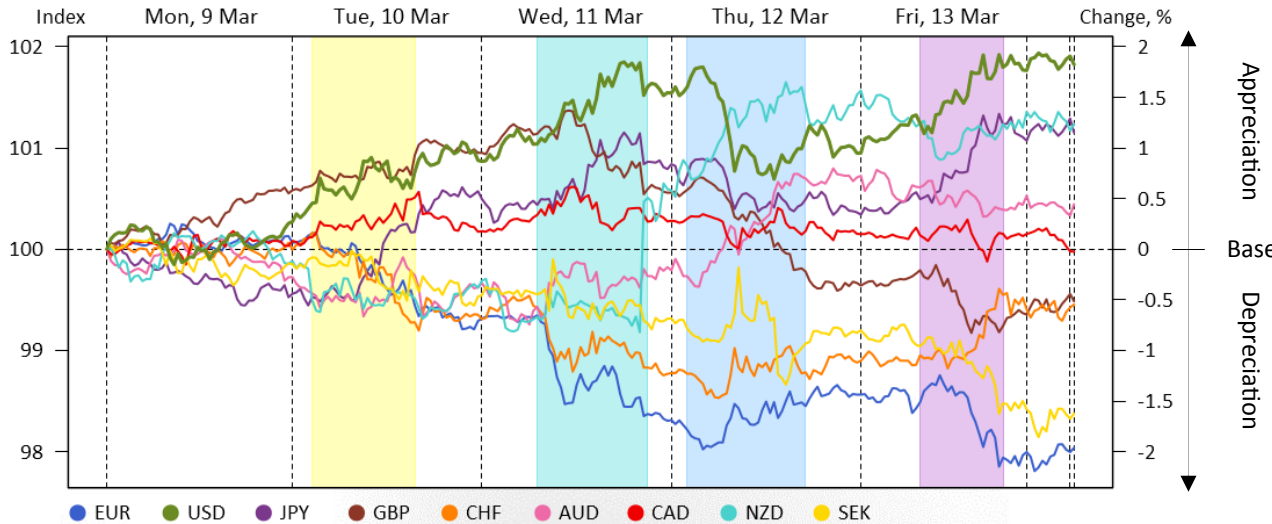
2.72

1.9



# Relative Currency Strength

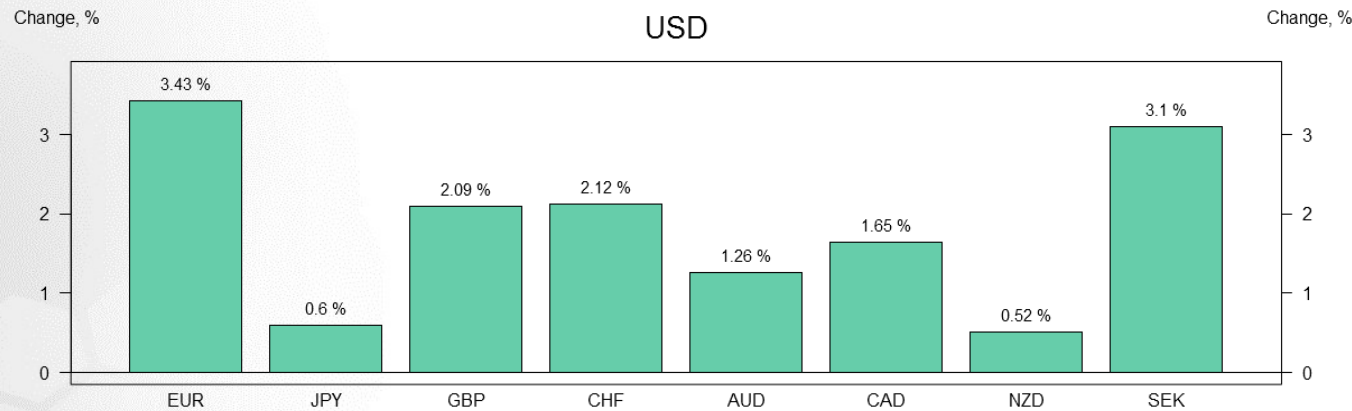
Currency Indexes



The USD Index finished the period 0.6 points above its nearest peer, continuing on the uptrend that started with a push from positive PMI data on March 4 and then was richly fueled by the payrolls numbers on March 6. The second-best performer, the NZD Index, surged from below the baseline on March 11, when the RBNZ expressed a neutral stance in its policy and promised to keep rates stable for up to two years. March 11 was also the day when the EUR Index secured its position as the worst performer, with the single currency slumping closer to parity with the Greenback. On the long-term basis, the dollar's index increased its gains to 19%, while the Euro's gauge

deepened its losses to 13%, both measures continuing in the directions they picked up in the beginning of the year.

The USD Index was steadily moving upwards throughout the period, with a slump on Thursday being the only deviation from the pattern. Then, as the Greenback eased from its 12-year high against the Euro, its index lost more than a point and temporarily yielded the leading position to the Kiwi's gauge. Nevertheless, it was back on an uptrend by noon, and the most notable US release of that day — retail sales numbers that drastically missed the forecast, — left no long-term effects and only managed to eat away 0.1 points on a 30-minute scale, not swaying the gauge from its course.



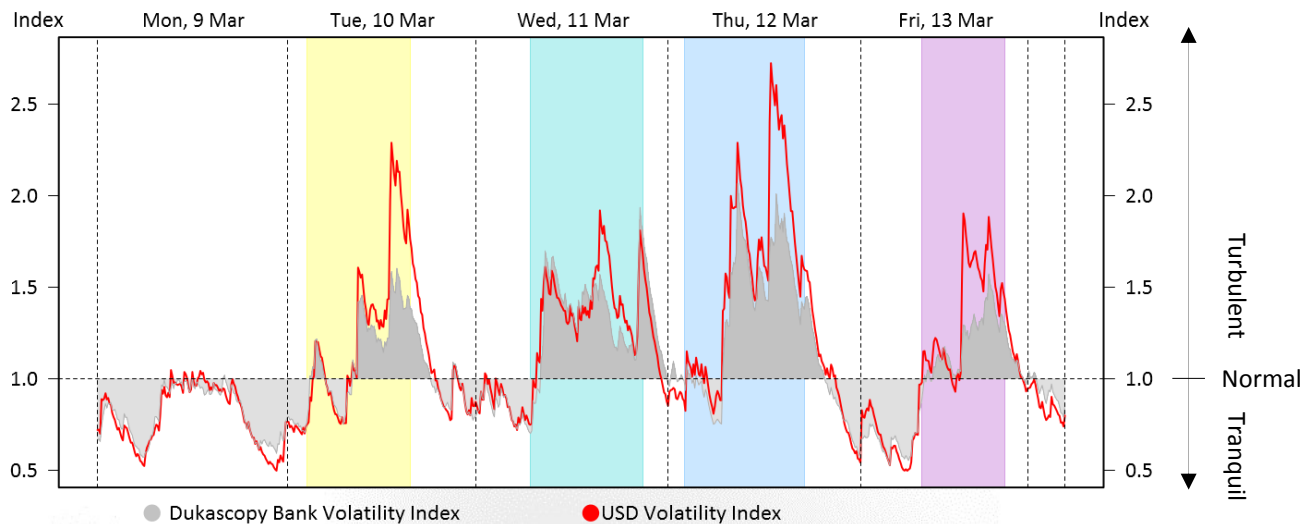
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.96%	1.82%	1.15%	-0.51%	-0.55%	0.44%	-0.02%	1.24%	-1.62%
20	-5.65%	3.69%	1.65%	-0.44%	-4.12%	2.03%	0.97%	1.39%	-0.15%
130	-10.05%	13.37%	0.16%	3.06%	5.83%	-4.54%	-2.1%	2.13%	-9.12%
250	-12.96%	18.74%	-1.55%	5.24%	2.75%	-0.06%	2.61%	1.6%	-16.33%



# Volatility

## Volatility



After more than a month-long break, the activity of the US dollar came back to the usual level. The USD Volatility Index spent almost 50% of time above its historical average, with the portions of elevated volatility of its components notably increasing from the previous period's values. The greatest change, 45% growth, was observed in NZD/USD. The Kiwi's turbulence rose after the Chinese CPI and PPI releases on Tuesday, and continued till the end of the week, supported by the RBNZ interest rate decision on Wednesday and Wheeler speech on Thursday. It also made the Kiwi itself the most volatile currency of the period, with its overturbulence gauge at 65%. For other currencies, the measure varied from 36% to 54%,

indicating the marketwise growth of volatility.

The first notable peak of the Greenback's volatility took place on Tuesday. The index surged to the 2.29 mark, significantly exceeding the market's gauge. Later, the index spent almost whole Wednesday above the 1-point mark. The increase of volatility started ahead of the ECB president's speech, as the Euro was rapidly losing its positions, and was further fueled by the movement of EUR/USD rate. The USD Volatility Index reached the highest level of the period on Thursday, jumping to 2.72 points after the US retail sales release. Friday's drop in the US PPI caused another spike of the index, though failed to push it above the 2-point mark.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
47	49	58	43	55	46	52	28	69	55

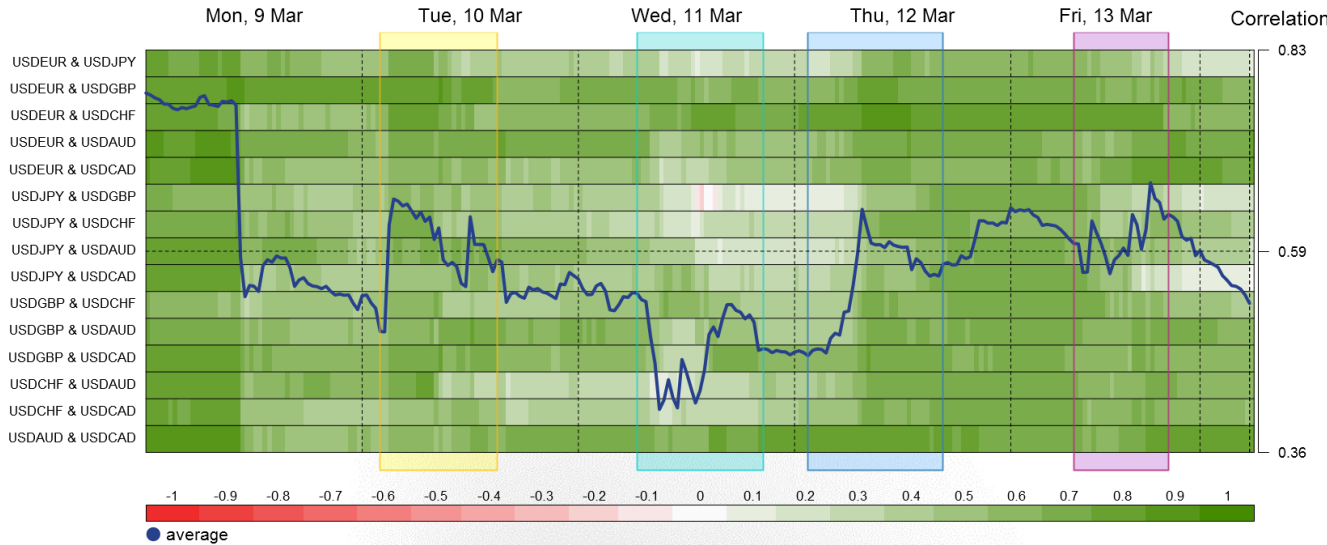
Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.07	2.72	4.09	2.58	3.2	2.76	3.3	2.62	4.82	3.91
Min	0.53	0.5	0.32	0.38	0.34	0.31	0.42	0.31	0.56	0.3
Average	1.06	1.12	1.21	1	1.23	1.06	1.12	0.85	1.31	1.13



# Currency Significance

## Correlations

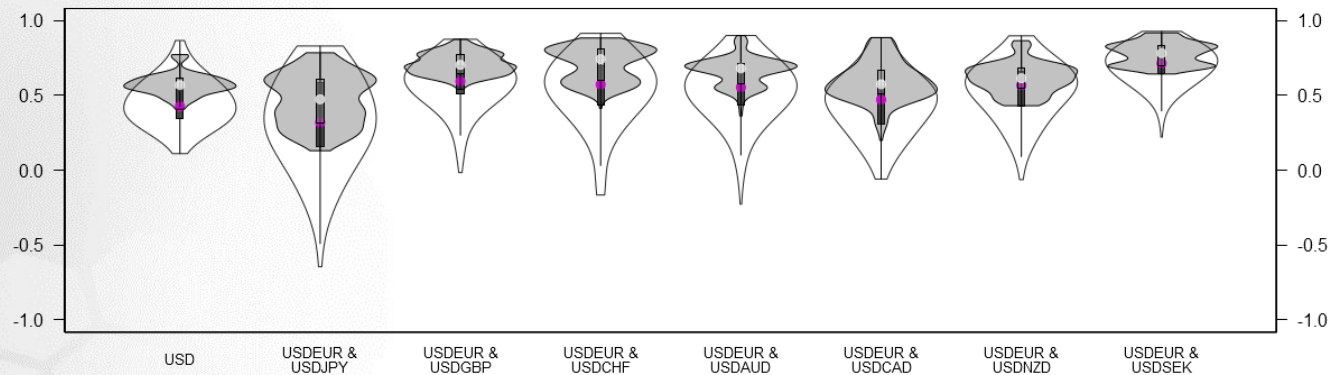


Correlations between the dollar's pairs were high comparing to their historical levels. The distributions of the components were significantly skewed towards strong positive values. However, during the week there was no influential news that could made the Greenback a market driver, so the movements of the significance measure were mostly associated with other economic events.

As the dollar was steadily appreciating against all its counterparts throughout the first week of March, the correlations of USD pairs strengthened significantly, and the composite started the period

at an extremely high 0.78 points level. Nevertheless, the measure dropped against the background of growing Euro significance as the ECB launched its bond purchasing programme. Moreover, notable increase was observed in the Loonie's significance measure, which can be associated with the release of disappointing housing starts data. Similar, but smaller-scaled dip of the dollar's gauge took place on Wednesday, after President Draghi's comments on European economy made the Euro to weaken, and became the market's driving power. EUR/USD reached the 12-year low during the day, and the dollar started the next day with depreciation, boosting the currency's significance. Thus, the measure reached the 0.6 points level and was fluctuating around it during the rest of the week.

## Correlations (5 vs 20 days)

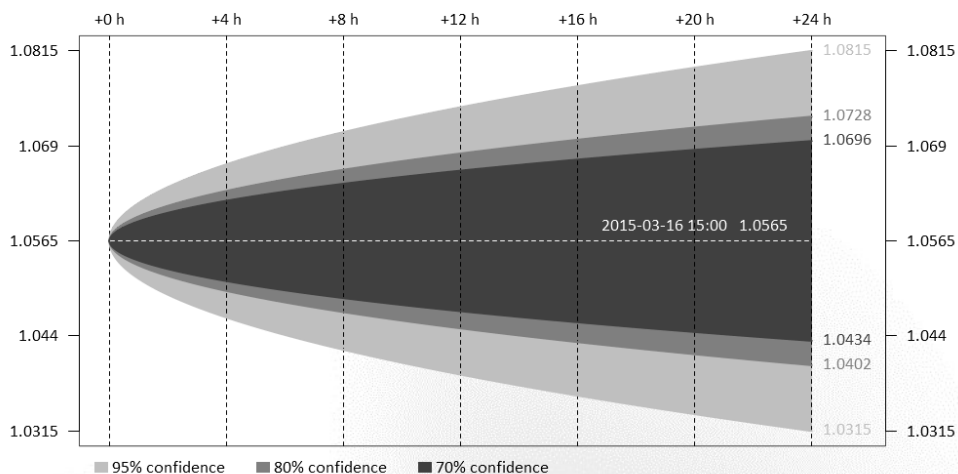


## Mean Correlation Coefficient (with USDEUR)

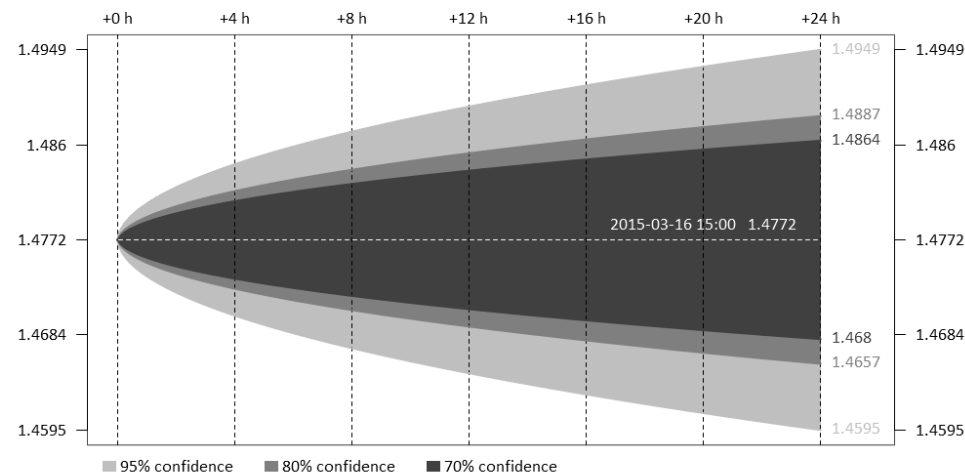
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.57	0.47	0.71	0.71	0.66	0.59	0.61	0.78
20	0.45	0.33	0.58	0.54	0.54	0.45	0.54	0.71
130	0.46	0.43	0.58	0.73	0.5	0.42	0.53	0.65
250	0.41	0.35	0.49	0.8	0.41	0.31	0.45	0.61

# Confidence Intervals for Next 24 Hours

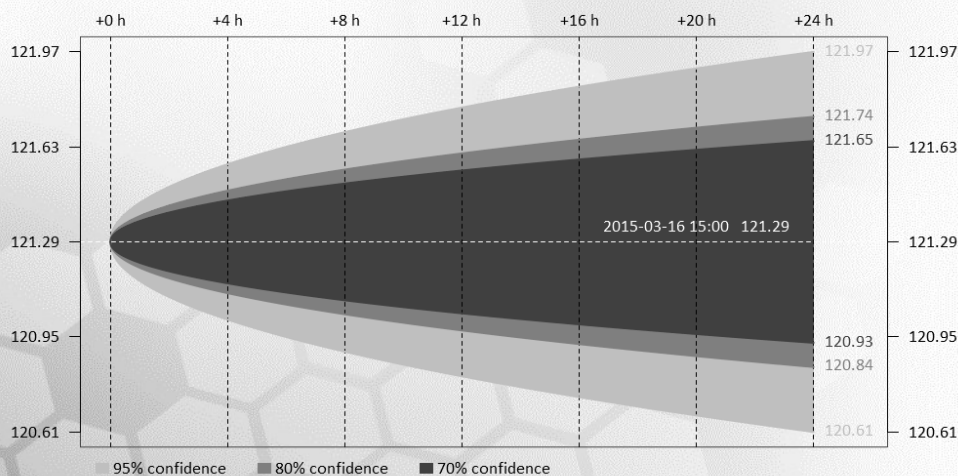
EURUSD Potential Rates



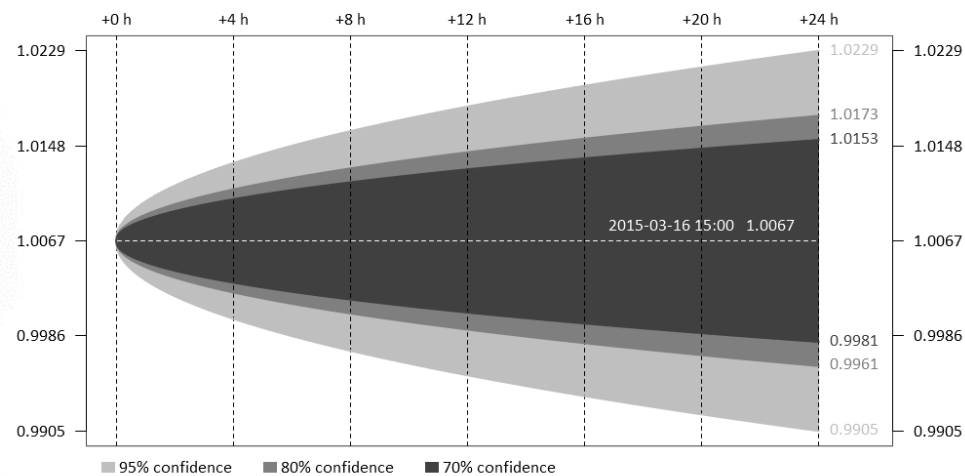
GBPUSD Potential Rates



USDJPY Potential Rates



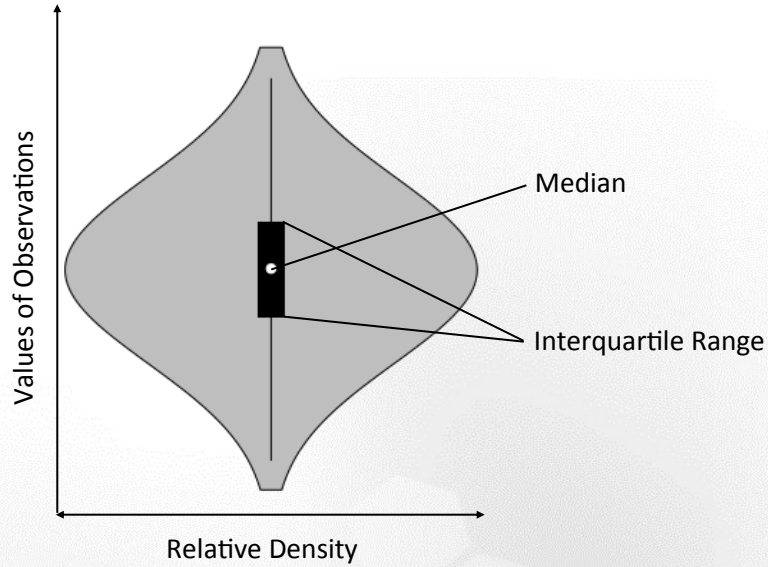
USDCHF Potential Rates



# 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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