



**USD**

23/03/2015



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# Dominant Events of the Period

## Yellow Area

March 16

13:00 - 17:30

- US Industrial Production, Capacity Utilization, NAHB Housing Market Index

## Turquoise Area

March 18

08:00 - 21:00

- BOE Minutes, MPC Vote, UK Claimant Count, ILO Unemployment Rate
- Fed's Monetary Policy Statement, FOMC Economic Projections

## Blue Area

March 19

01:00 - 19:00

- Swiss Trade Balance, SNB Interest Rate Decision
- ECB Economic Bulletin, Targeted LTRO
- US Jobless Claims, Current Account

## Purple Area

March 20

11:30 - 19:30

- Canadian CPI, Retail Sales

USD Currency Index Change

-0.24%

-1.99%

1.72%

-0.88%

Max USD Volatility Index

1.37

5.57

2.31

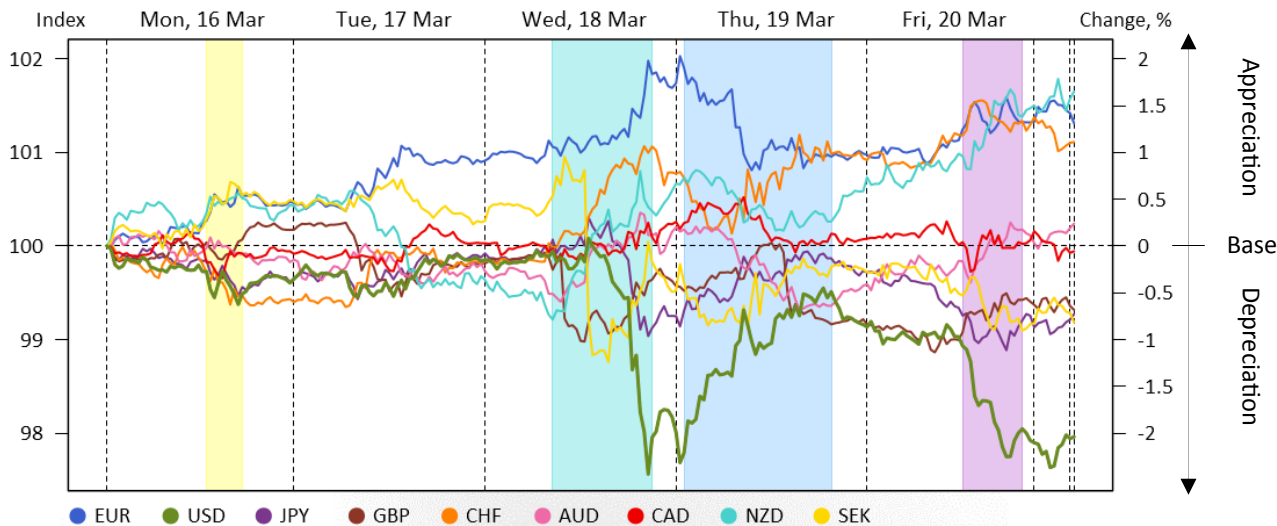
2.08





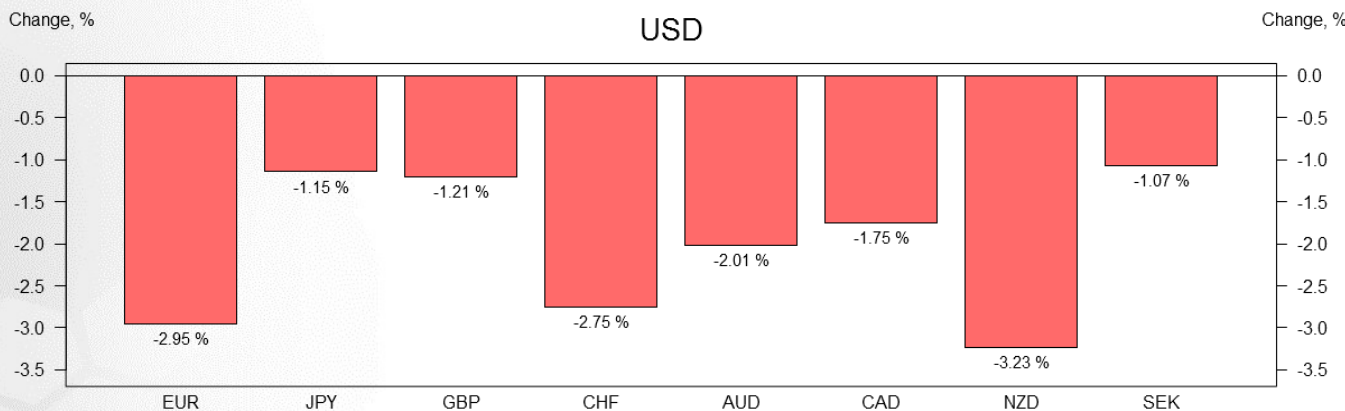
# Relative Currency Strength

## Currency Indexes



The past five trading days proved to be remarkable, as the dollar's and the Euro's indexes switched their positions on the opposite sides of the baseline. While the single currency's gauge turned to recovery and posted the second-greatest weekly growth, the USD Index erased all its previous week's gains and ended the period with a 2% loss. The Greenback declined against all its observed peers, yielding over 2% to the Aussie, the franc, and the Euro, and over 3% to the Kiwi. The pound's, the krona's, and the yen's indexes also ended the week below their initial value, while the Loonie's gauge spent the period practically glued to the baseline.

In the beginning of the period, the USD Index held close to the baseline, indicating that the Greenback did not stray far from the levels achieved the previous week. The game changer, however, came on Wednesday in the form of the Fed's monetary policy statement. The policy maker disappointed investors by reducing its rates outlook, pointing out the negative effect the rapidly strengthening national currency will have on the US growth and insisting some improvement in labor market must come before the next big move in policy tightening. The dollar slumped against its peers, with its index losing 2.5 points and setting its long-term advance back to the pre nonfarm payrolls surge of March 6.



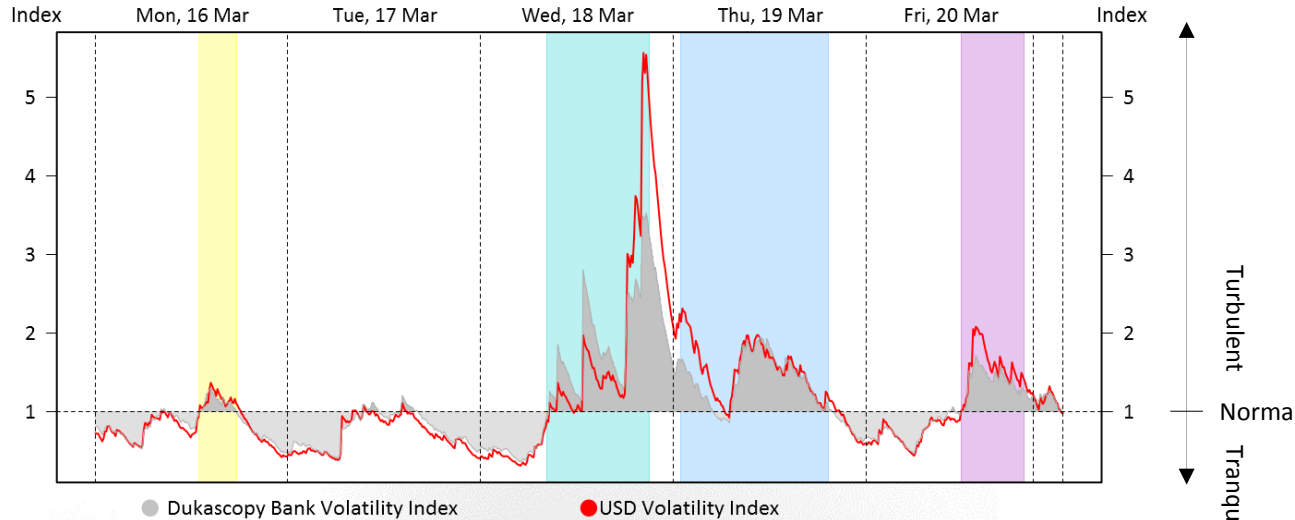
### Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.31%	-2.04%	-0.73%	-0.68%	1.11%	0.24%	-0.06%	1.65%	-0.82%
20	-3.82%	1.35%	0.71%	-1.52%	-1.65%	1.42%	1.55%	2.34%	-0.76%
130	-7.98%	11.21%	0.91%	1.62%	7.42%	-3.69%	-3.71%	3.49%	-10.28%
250	-11.27%	16.21%	-1.92%	5.11%	4.56%	-1.43%	3.27%	2.56%	-17.07%



# Volatility

## Volatility



The observed period could be clearly divided into two sub-periods of different volatility levels: Monday to Tuesday, and Wednesday to Friday. The first two days were tranquil for both the market and the Greenback. Portion of elevated volatility for the latter was only 15%.

Wednesday was the most turbulent day. The market volatility surged for the first time after the disappointing wage data release and the BoE's comments on the pound's strength. Second spike took place a few hours later, when the Riksbank's decision to cut the repo rate and to extend the bond-buying program sent the krona's index to

the 8.08 points level, which made the event the event the most resonant during the week. The evening's news from the US, in turn, managed the market volatility to reach its high. The Fed's decision to keep the rate unchanged, and, furthermore, uncertainty about the timing of the next rate hike, significantly influenced the domestic currency's volatility, and the USD index met the period's highest level of 5.57 points. Thursday's volatility was associated with another comment from the BoE's chief economist, noting that interest rate could be cut further. Friday, in turn, was the day when the market reacted to Canadian CPI release.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	46	49	29	57	45	31	36	35	50

Volatility Index (for the observed period)

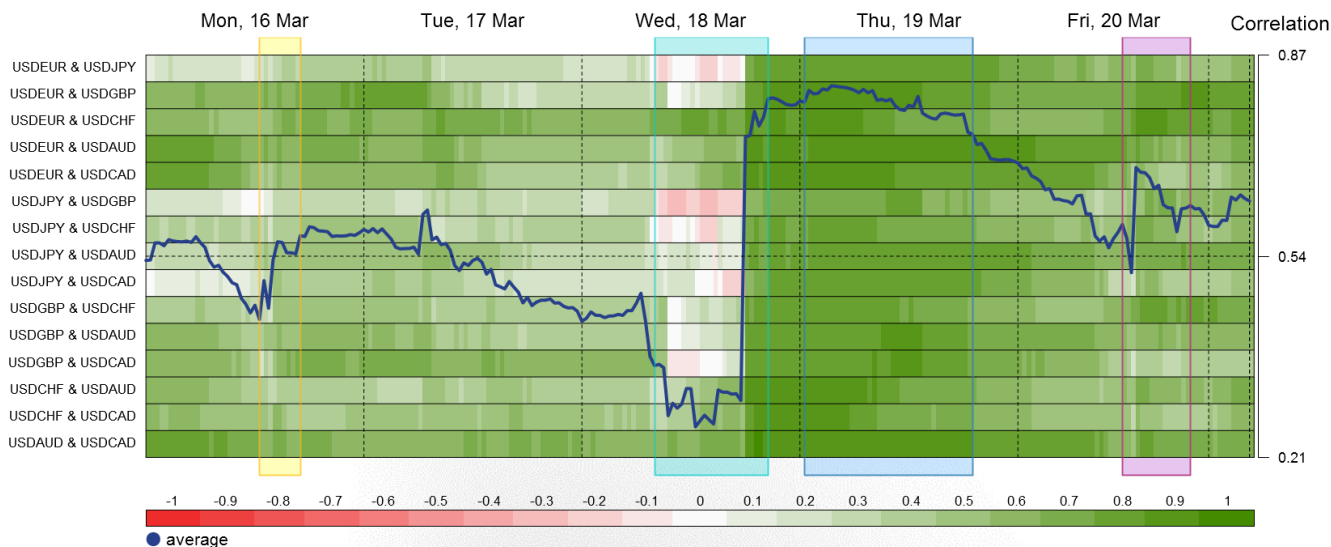
	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	3.52	5.57	8.65	3.71	12.1	3.66	5.44	4.54	4.51	7.68
Min	0.36	0.31	0.24	0.24	0.29	0.17	0.36	0.27	0.39	0.28
Average	1.08	1.12	1.25	0.87	1.48	1.08	1.03	0.97	1.01	1.28





# Currency Significance

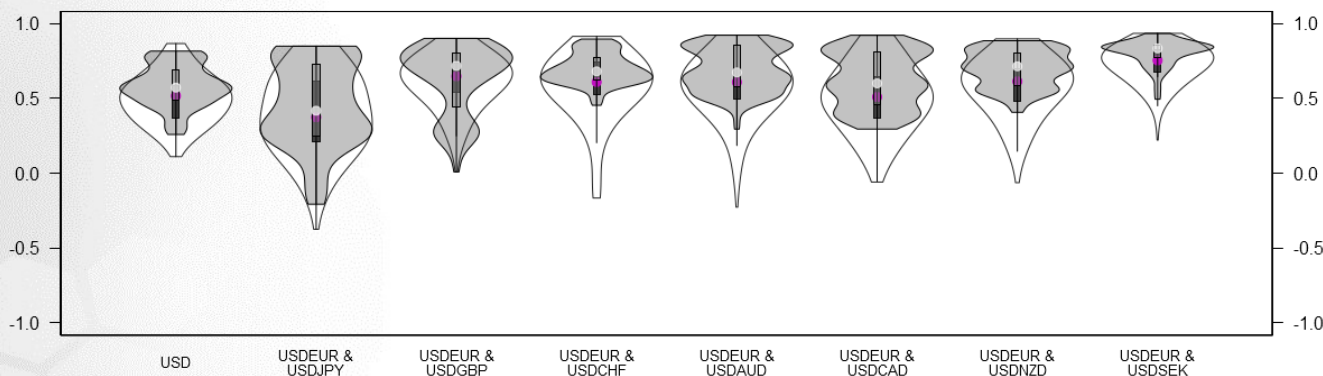
Correlations



The observed period was quite calm for the dollar's significance measure. Excepting the single surge of the measure on Wednesday, the composite was slowly declining during the week. Thus the measure has fluctuated in the range from 0.26 to 0.82 points. Average values of correlations between the Greenback's pairs stayed on the same level for the second week in a row. However, the lower tails of the component distributions became heavier and shifted down.

From the beginning of the period the Greenback's significance measure was showing a downward trend. Starting the week at 0.53 points, by Wednesday noon the composite has dropped to the minimum value of the period. Then appeared a deviation from the pattern, as the dollar's significance jumped to the 0.73 mark after the disappointing Fed's monetary policy statement, gaining almost 0.3 points. The growth continued overnight, but on Thursday morning the composite reached the highest value of the period and started to gradually decline. The measure eased to 0.51 points on Friday, and after a small jump finished the period on the 0.6 point level.

Correlations (5 vs 20 days)

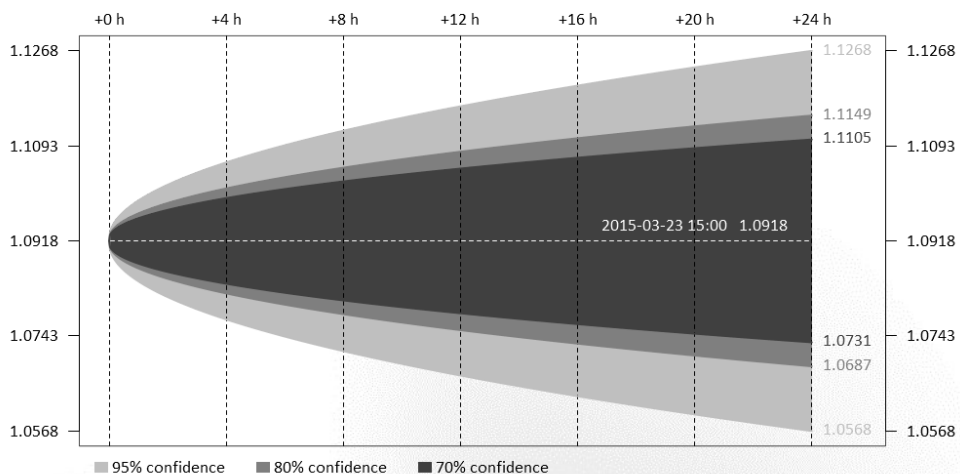


Mean Correlation Coefficient (with USDEUR)

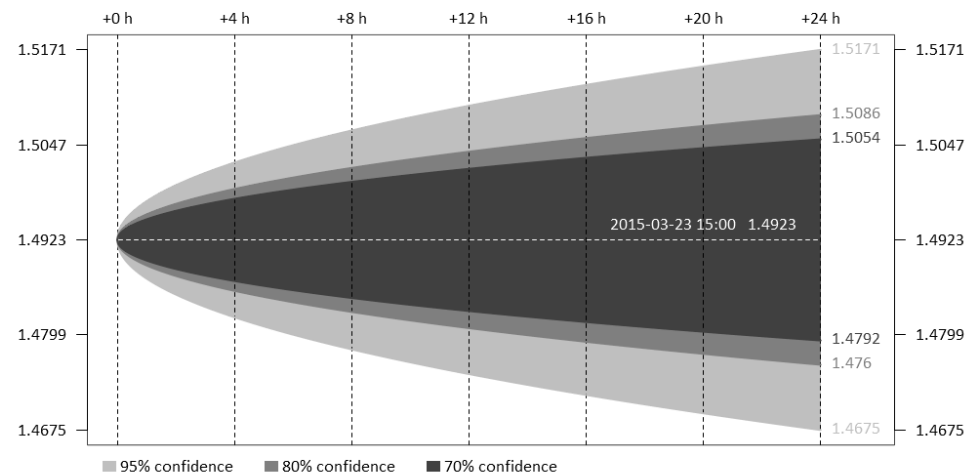
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.58	0.45	0.63	0.7	0.69	0.62	0.7	0.81
20	0.5	0.39	0.62	0.59	0.59	0.5	0.58	0.74
130	0.47	0.42	0.59	0.72	0.51	0.42	0.53	0.65
250	0.41	0.36	0.49	0.8	0.41	0.32	0.45	0.61

# Confidence Intervals for Next 24 Hours

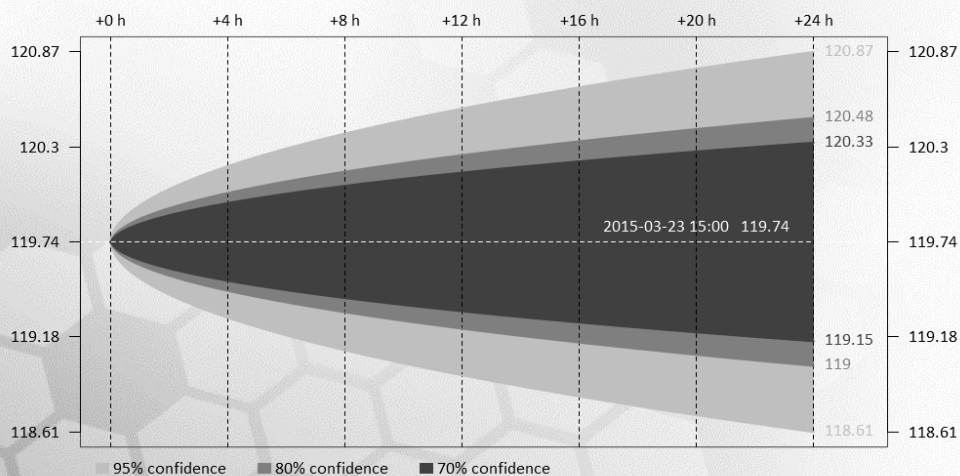
EURUSD Potential Rates



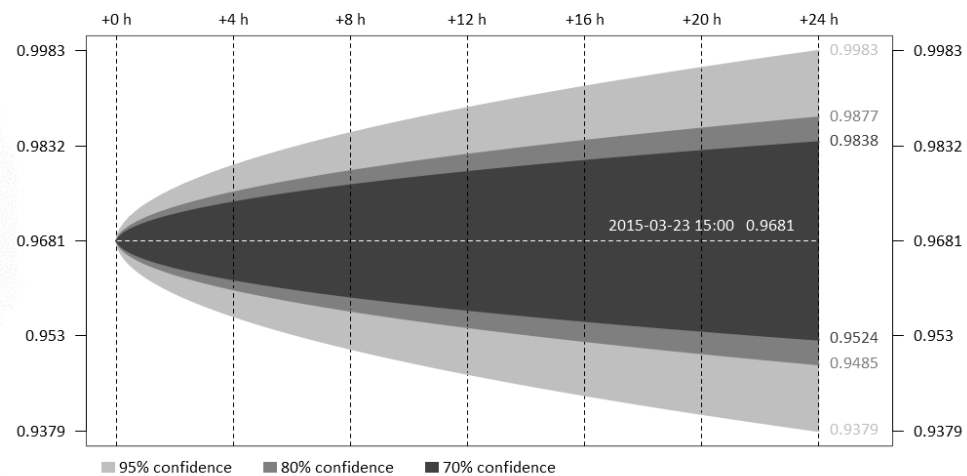
GBPUSD Potential Rates



USDJPY Potential Rates



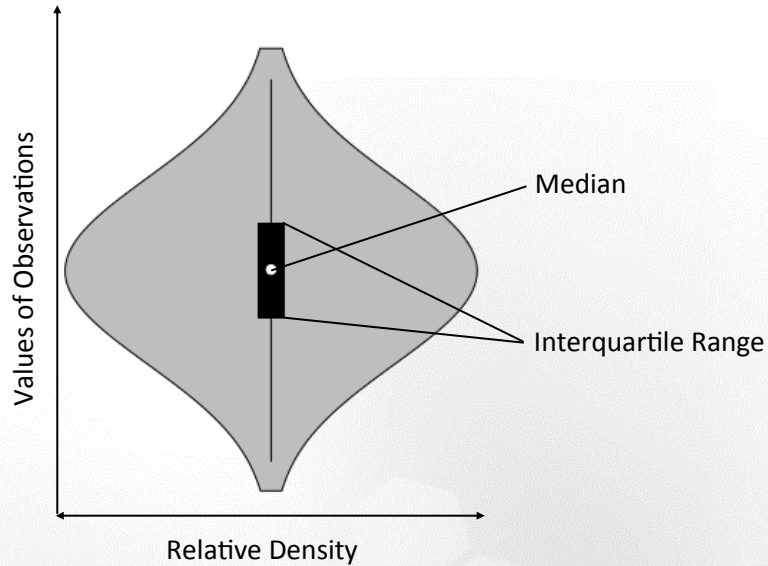
USDCHF Potential Rates



# 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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