



**CAD**

22/07/2015



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**



## Dominant Events of the Period

### Yellow Area

July 15

04:30 - 21:00

- Bank of Canada Interest Rate Decision
- Canadian Manufacturing Sales
- UK Claimant Count Change

### Turquoise Area

July 16

06:00 - 16:00

- Euro zone Final CPI and Trade Balance
- ECB Interest Rate Decision and Press Conference
- US Unemployment Claims

### Blue Area

July 17

05:30 - 15:00

- Canadian CPI
- US CPI and Housing Starts

### Purple Area

July 20

11:00 - 16:00

- Canadian Wholesale Sales

### Orange Area

July 21

11:30 - 16:30

- RBA Meeting Minutes
- Australian CPI
- UK Public Sector Net Borrowing

CAD Currency Index Change

-0.85%

-0.2%

0.06%

-0.02%

-0.17%

Max CAD Volatility Index

4.63

1.29

1.08

1.23

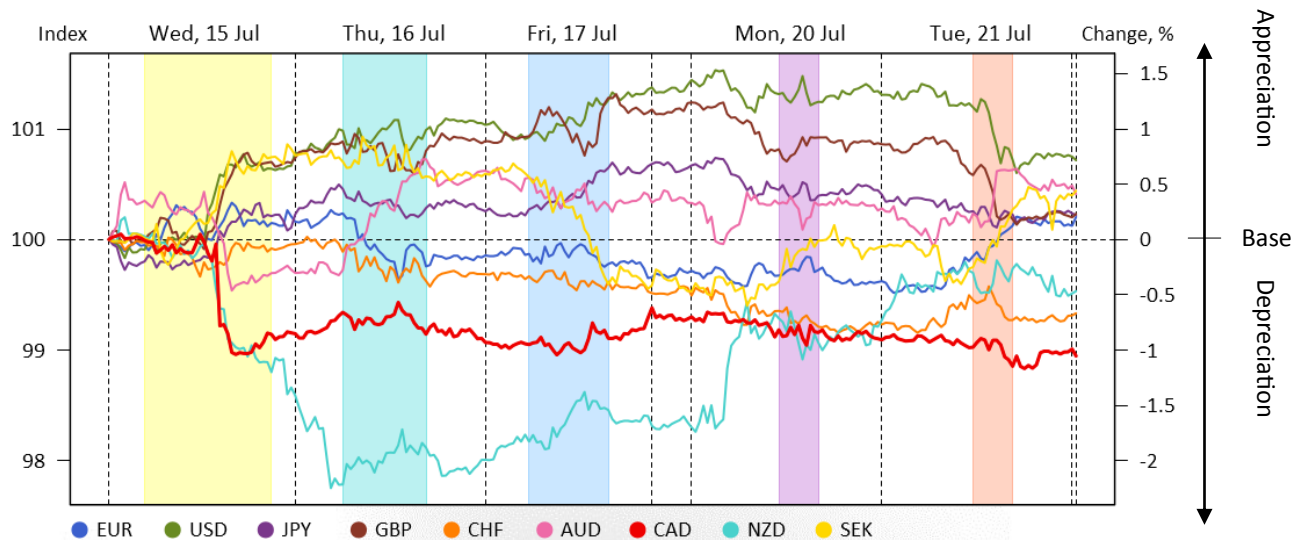
1.14





# Relative Currency Strength

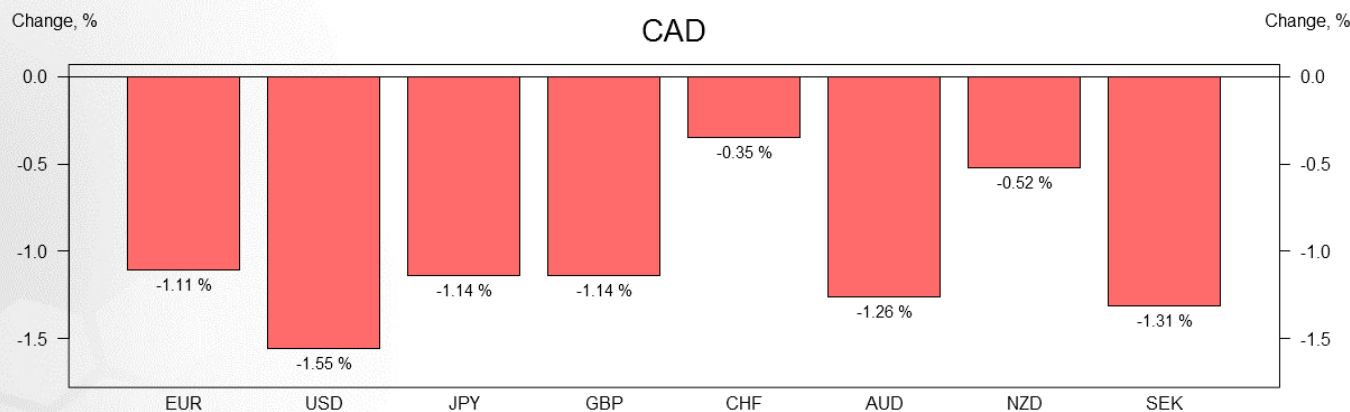
Currency Indexes



After falling around one percentage point on Wednesday, the first day of the period, the Canadian Dollar established itself confidently below the baseline for the rest of the week. As the same time, losses of the North American currency were initially overshadowed by the New Zealand Dollar, as the NZD Index slumped below 98 points by Thursday morning amid speculations that the Reserve Bank will cut interest rates this week. However, the Kiwi managed to erase losses in the early Monday trading, thus making it inevitable for the Loonie to be the biggest loser of the period. Meanwhile, the latter was quickly being approached by the Swiss Franc,

which eventually lost 0.67% on a five-day basis, but was close to plunge as much as the Canadian Dollar, which in turn lost 1.05%.

The most important and the only substantial drop of the Canadian Dollar was caused by the decision of the Bank of Canada to slash its benchmark interest rate from 0.75% to 0.5% in order to combat low economic growth in the country. The decision was not a big surprise, as experts were split on the outcome of the BoC meeting. The rest of the week, however, was spent in a quiet manner without any noticeable changes. Meanwhile, CAD lost the most against USD last week (-1.55%), but fell only 0.35% in its pair with the Swiss Franc.



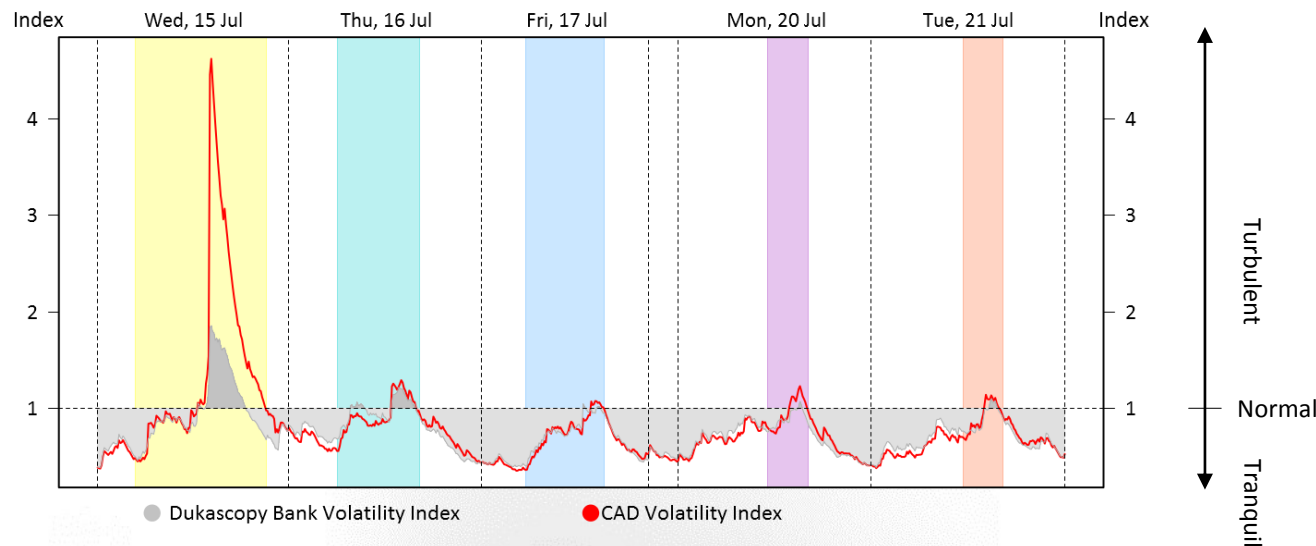
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.2%	0.72%	0.22%	0.23%	-0.67%	0.41%	-1.05%	-0.47%	0.44%
20	0.12%	2.51%	3.21%	1.25%	-0.38%	-2%	-2.74%	-1.25%	-1.17%
130	1.32%	4.45%	0.23%	9.41%	-4.67%	-3.31%	0.24%	-8.87%	1.3%
250	-5.33%	18.45%	-3.97%	8.04%	11.23%	-7.76%	-2.52%	-11.82%	-6.32%



# Volatility

## Volatility



Turbulence of the Canadian currency has predominantly respected the overall performance of the CAD Index. Except a strong spike in the volatility index on Monday, the currency was trading in a fairly flat way during the whole time period from July 15 until July 21. As a result, the elevated volatility indicator has barely exceeded ten percentage points and stood at just 15%. However, the Dukascopy Bank Volatility Index showed even smaller reading for the elevated volatility at just 10%. Among currency pairs, GBP/CAD was the most turbulent last week (30%) due to variety of fundamentals from Britain.

The biggest surge in volatility took place as early as Wednesday, when the Bank of Canada decided to make a surprising move of decreasing the key interest rate by 25 basis points. Without any doubt, it was the day when turbulence hit its weekly maximum at 4.63 points. However, separate currency pairs climbed well above 6 points, including USD/CAD and GBP/CAD, the components with one of the highest contributions to the CAD Volatility Index. Concerning other days of the period, some local increases in turbulence above the historical mean were noticed on Thursday and Monday, when inflation and wholesale sales data releases were published, respectively.

### Elevated Volatility (% of the observed period)

Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
10	15	13	23	8	30	13	18	31	21

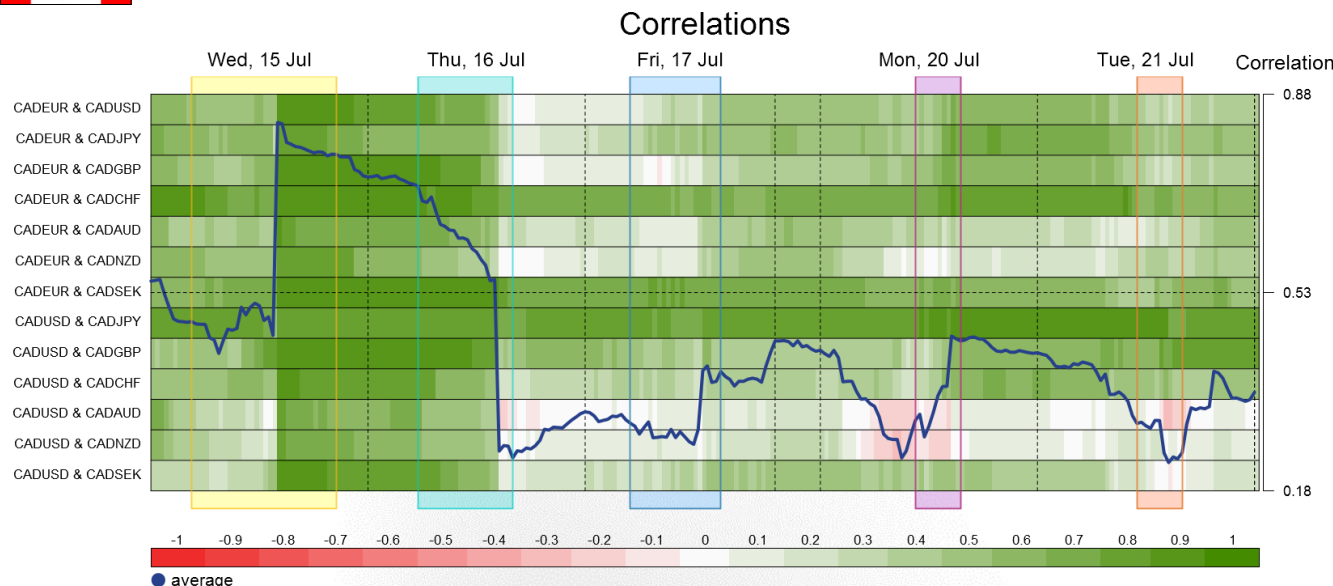
### Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	1.86	4.63	5.34	6.74	3.8	6.79	4.54	4.41	4.12	3.81
Min	0.38	0.35	0.21	0.29	0.19	0.24	0.22	0.25	0.33	0.24
Average	0.74	0.8	0.73	0.89	0.67	0.92	0.7	0.85	0.93	0.78





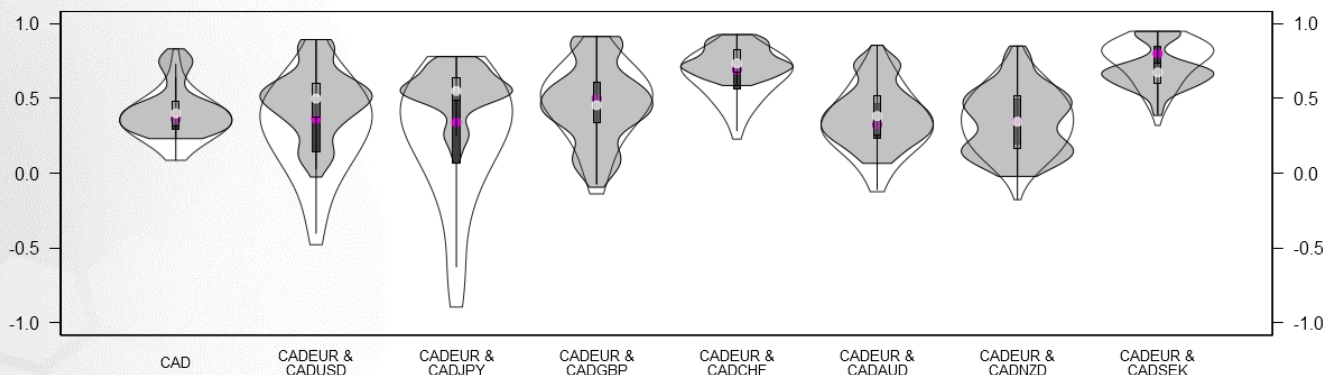
# Currency Significance



The Canadian Dollar's correlations were somewhat below the historically-recorded levels last week. Significance of the Canadian currency, calculated as an average correlation between different CAD crosses, posted no substantial and valuable developments, only except Wednesday. Weaker movements were mostly caused by the lack of fundamentals at the end of the previous week and on Monday/Tuesday of this week. Among currency pairs, the highest correlation coefficient of CAD/EUR pair was observed with CAD/CHF cross during the period, namely 0.75 points.

The mean correlation indicator for the Canadian currency stood at 0.44 points, strongly above both monthly and six-month averages of 0.37 and 0.41, but lower than the historical mean of 0.53 points. On the day-by-day basis, the Loonie showed its significance growing only on Wednesday, when the composite reached 0.83 points, as all currency pairs of the Canadian Dollar retreated considerably after the announcement of the Official Cash Rate from the Bank of Canada. However, the uniform development of this currency ended on Thursday, when the weekly low was hit at 0.23 points. There were attempts to recover, but local pressure, created by different currencies, brought to nought the idea of pushing the composite above 0.45 points.

## Correlations (5 vs 20 days)



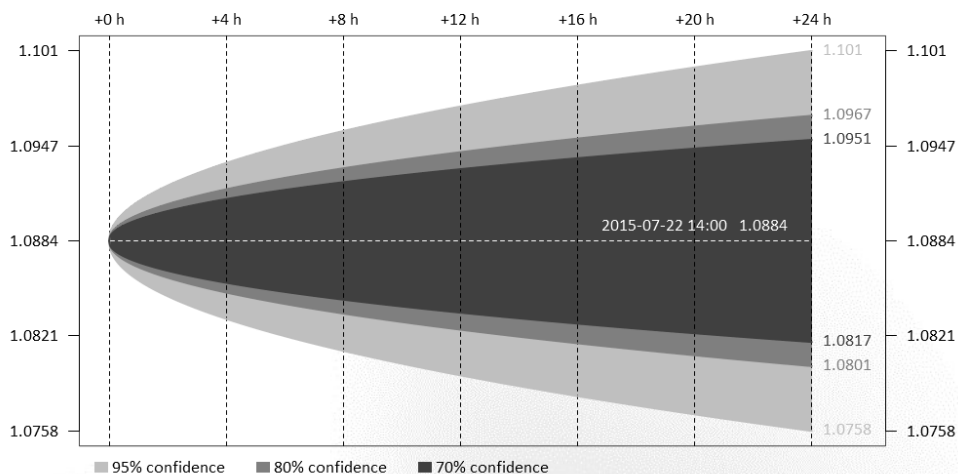
## Mean Correlation Coefficient (with CADEUR)

Days	CAD	CADUSD	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.44	0.49	0.54	0.47	0.75	0.4	0.35	0.7
20	0.37	0.31	0.24	0.47	0.66	0.35	0.35	0.75
130	0.41	0.26	0.36	0.52	0.64	0.4	0.42	0.73
250	0.44	0.38	0.46	0.57	0.76	0.4	0.42	0.69

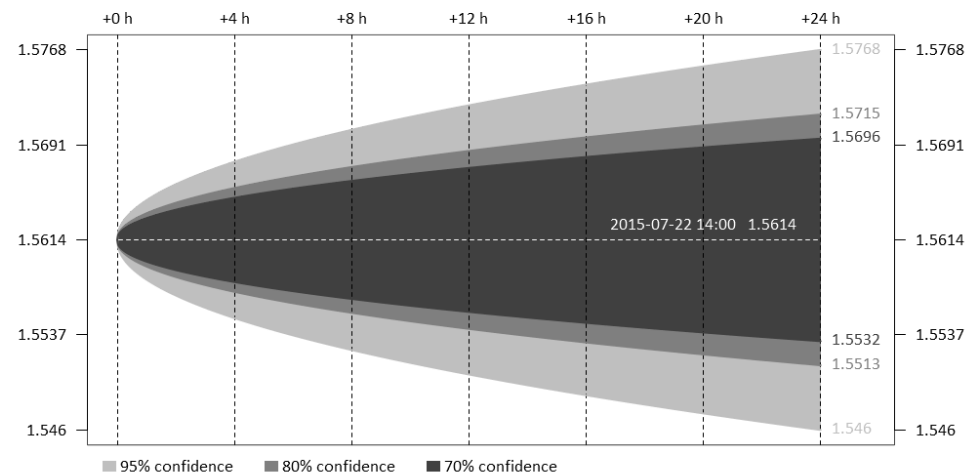
Wednesday, July 22, 2015  
15:30 GMT

# Confidence Intervals for Next 24 Hours

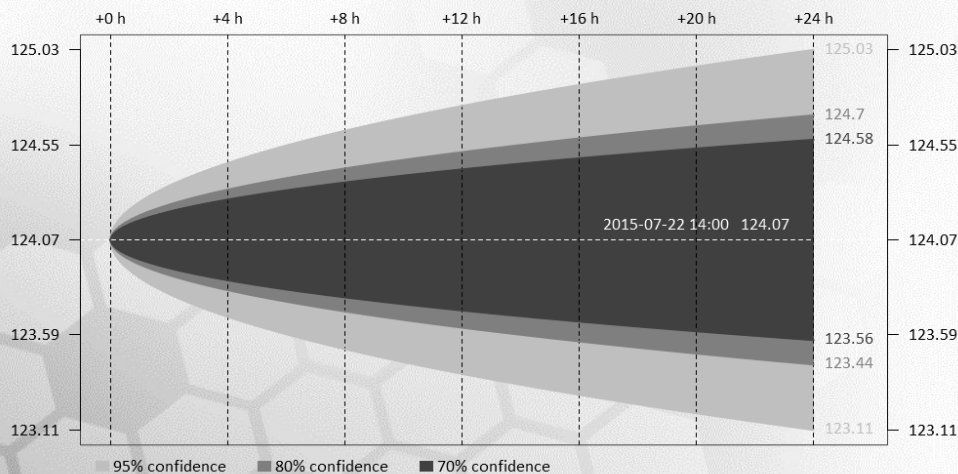
EURUSD Potential Rates



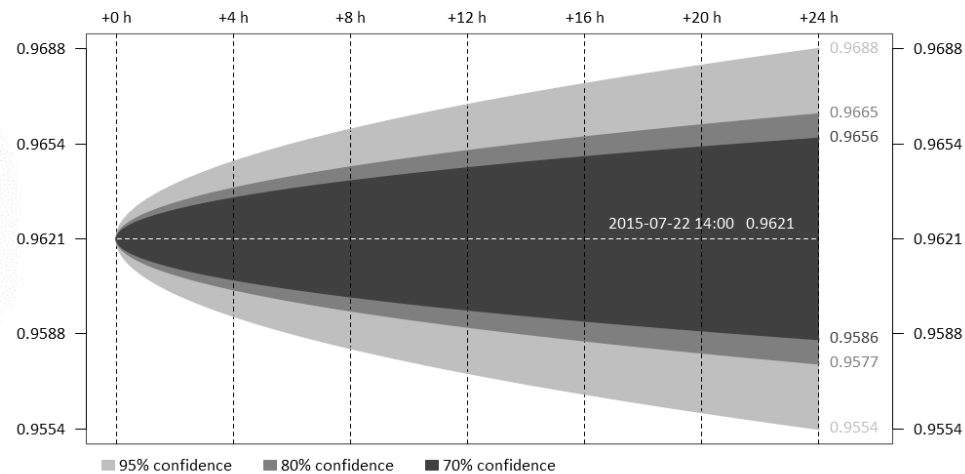
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates

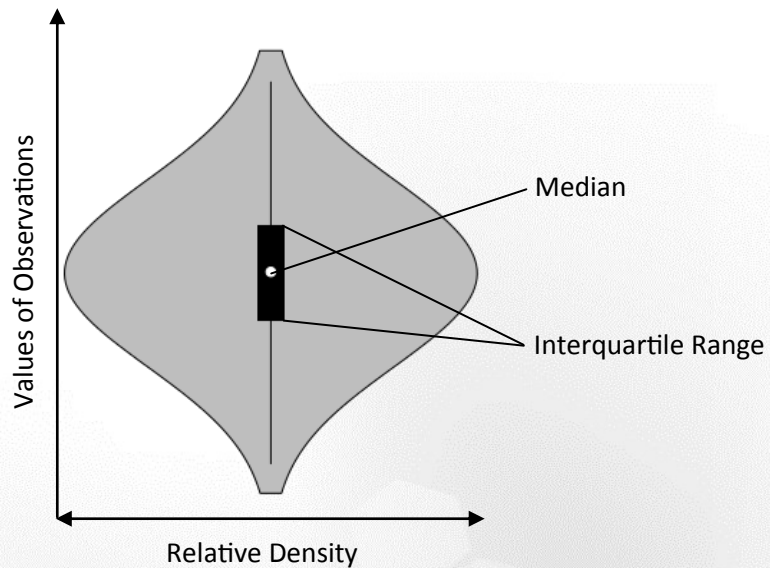




## EXPLANATIONS

### 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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