



**AUD**

05/08/2015



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# Dominant Events of the Period

## Yellow Area

July 29

03:30 - 20:30

- Federal Funds Rate and FOMC Statement
- US Pending Home Sales

## Turquoise Area

July 30

01:00 - 15:30

- Australian Building Approvals
- RBA Governor Stevens Speaks
- US Advance GDP and Unemployment Claims

## Blue Area

July 31

01:30 - 20:00

- Canadian GDP
- Chinese Manufacturing PMI
- Euro zone CPI and Unemployment Rate

## Purple Area

August 4

01:00 - 18:30

- Australian Retail Sales and Trade Balance
- RBA Cash Rate and Rate Statement
- UK Construction PMI
- US Factory Orders

AUD Currency Index Change

0.05%

-0.08%

0.14%

1.93%

Max AUD Volatility Index

1.44

1.16

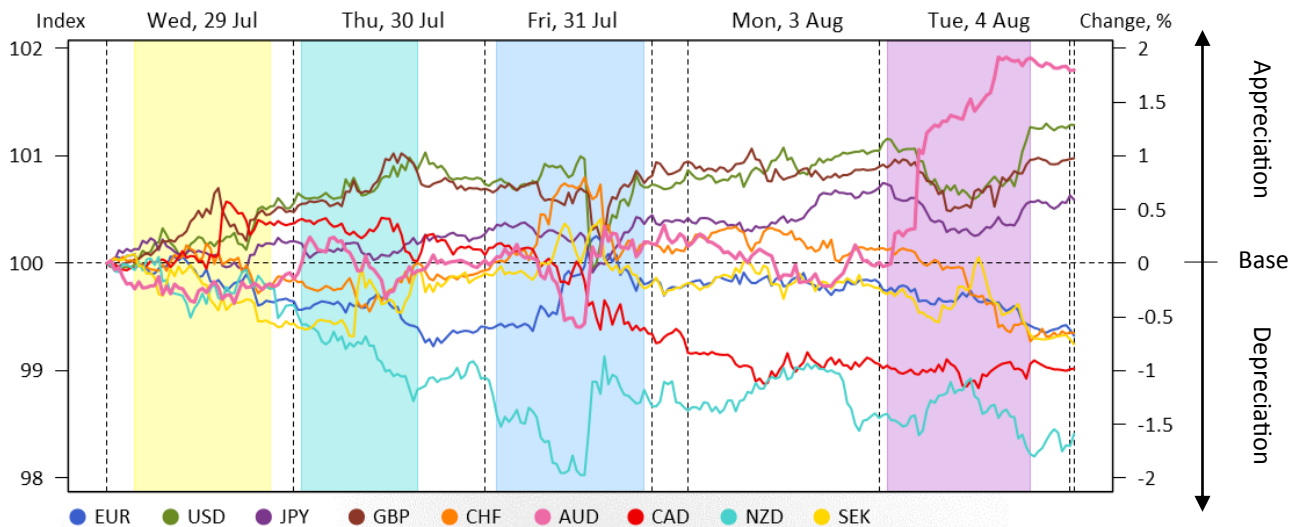
3.14

2.65



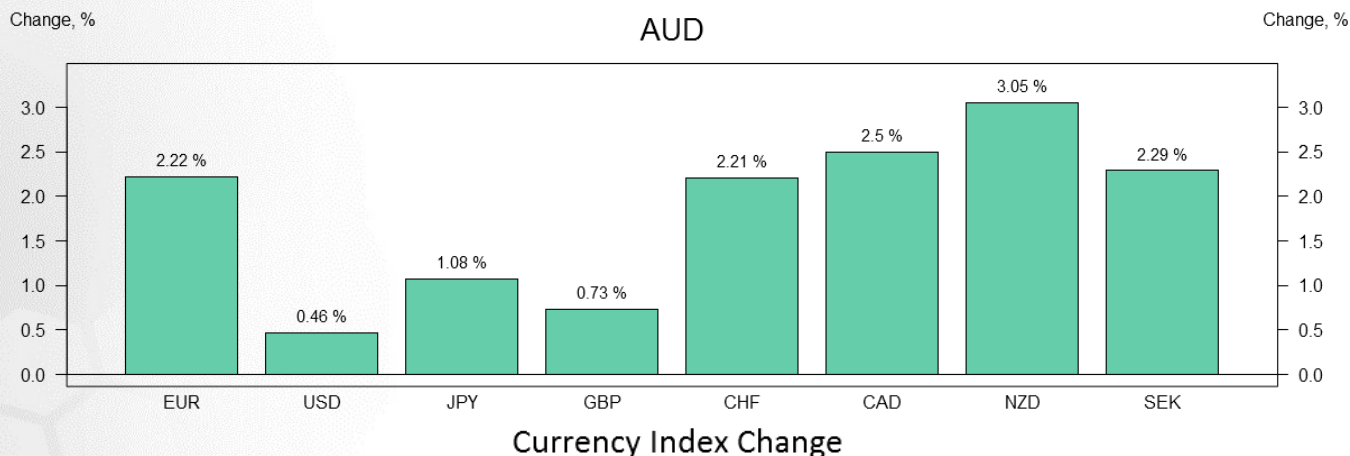
# Relative Currency Strength

## Currency Indexes



There were no united movements among different currencies during the observed period. On one hand, the Aussie ended the week substantially above the base value, and it was accompanied by USD, GBP and JPY gauges. On the other hand, the Kiwi resumed depreciating and fell 1.59% in five trading days. Additionally on the downside, the Canadian Dollar, Swedish Krona and Euro managed to limit their losses up to 1%. The New Zealand currency showed a rapid descent at the back of pessimistic fundamentals, including business confidence and labour market.

The Australian Dollar decided to be the leader of the week only on the last day of the period, when the RBA's decision to maintain its monetary policy stance fully unchanged encouraged bulls for considerable purchases of the Pacific currency. As a result, the Aussie surged almost two percentage points to close the week with a positive change of 1.8%. In absence of any data publications the beginning of July 29-August 3 period was spent mainly around the baseline, as aggregate daily changes did not exceed 0.14%. Meanwhile, it should be noted that all commodity currencies including AUD, CAD and NZD were under pressure amid weakness in China and upcoming Fed interest rate hike.

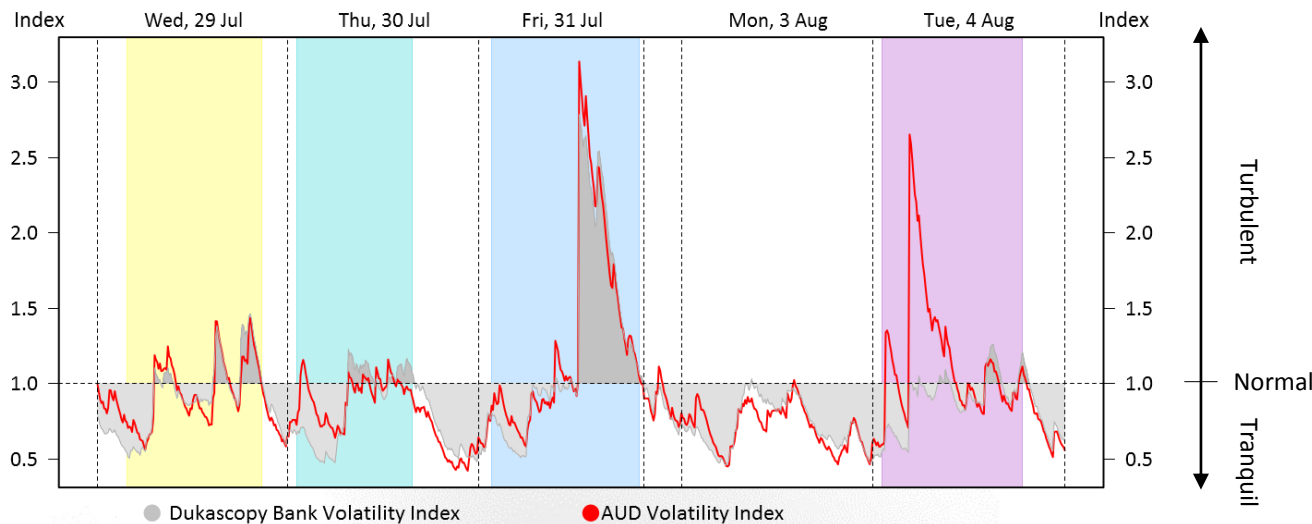


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.68%	1.29%	0.59%	0.98%	-0.65%	1.8%	-0.98%	-1.59%	-0.75%
20	0.21%	1.48%	-0.77%	2.68%	-2.1%	1.75%	-2.19%	-0.16%	-1.02%
130	-0.27%	5.01%	-0.88%	7.24%	-0.78%	-1.07%	-0.97%	-8.75%	-0.66%
250	-5.08%	18.53%	-3.1%	9.52%	10%	-7.87%	-2.85%	-11.17%	-7.97%



# Volatility

## Volatility



With two significant spikes in volatility, the Aussie became one of the most turbulent currencies on the market during the reported time period. This currency has probably been topped only by the US counterpart, whose volatility gauge climbed above 4.5 after a release of the Employment Cost Index, which showed American workers suffered the worst pay rise since 1982. Therefore, elevated volatility for the AUD/USD component stood at 33%, well above the Aussie's and market averages of 27% and 24%, respectively. Speaking further about this currency pair, its highest turbulence index skyrocketed up to 5.78 on Friday and was noticeably bigger than the overall AUD maximum gauge of 3.14.

The AUD volatility index posted two clear above-the-market spikes in the past five working days through August 4. The first one took place in the middle of the period, when it reached the before-mentioned high of 3.14. It was predominantly caused by US Labour Cost statistics, when all currency pairs with the dollar had a strong reaction on this data. In the meantime, the second jump in turbulence on Tuesday was more independent from Australian Dollar's side. The market remained calm for all currencies except the Aussie, whose Volatility Index advanced to 2.65, following a release of the RBA cash rate. Meanwhile, this news was fueled by an earlier announcement of Australian retail sales and trade balance for June.

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

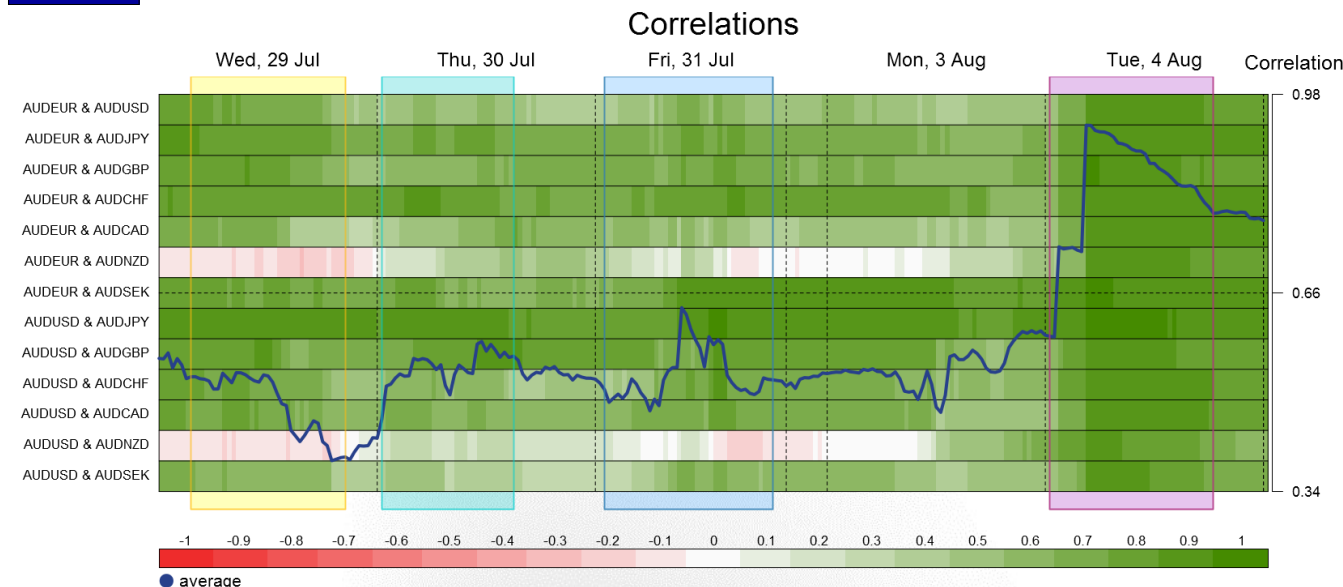
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
24	27	28	33	19	28	34	31	35	34

### Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	2.79	3.14	2.81	5.78	3.51	3.25	3.59	3.72	3.51	2.82
Min	0.46	0.42	0.35	0.34	0.28	0.32	0.36	0.41	0.41	0.31
Average	0.88	0.93	0.89	1.01	0.83	0.92	0.96	0.98	0.98	0.94



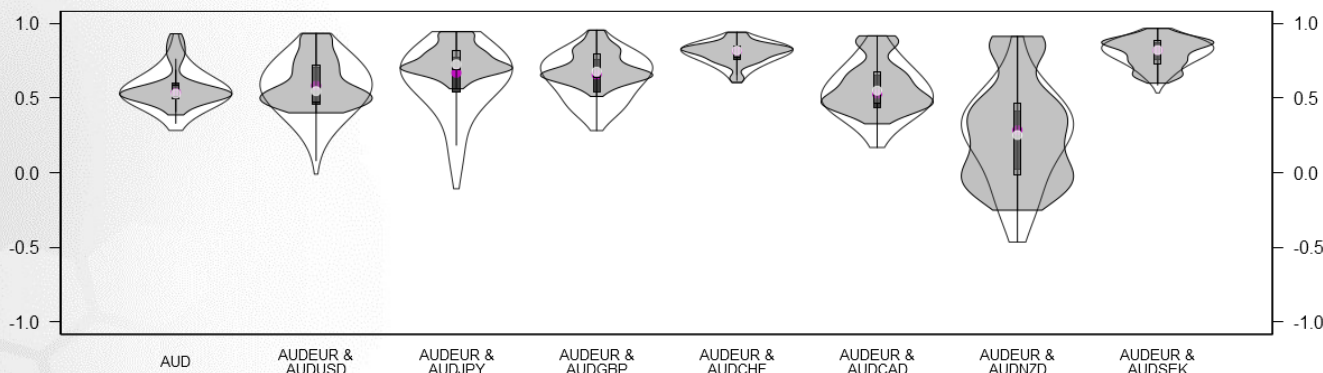
# Currency Significance



There were two main reasons, which kept the Aussie's significance measure on exceptionally high levels during the period. At first, correlations were stable around 0.5 points from Wednesday of the previous week until Monday, the period when the pair posted little changes in its value. Secondly, average correlations were boosted by the RBA key rate decision on Tuesday, when the composite was lifted well above the historical mean. As a result, distributions cut their lower tails, and only the one between AUD/EUR and AUD/NZD was stretched below zero. Meanwhile, the competition between the Aussie and Kiwi in terms of market influence is still visible.

The components of the composite, which in any case included AUD and NZD, were affected the most during the period, as they were the only ones to fall into red territory. However, they failed to hinder the overall positive development of the composite, which started the period at a healthy level of 0.55 points, but weakened slightly to hit the period's low by the end of Wednesday at 0.26. Nonetheless, a recovery followed shortly, but significance of the Australian currency stayed below the historical mean of 0.66 in course of four days, until it was given energy to surge as high as 0.93 on Tuesday. Moreover, strength of correlations between different crosses of the Aussie was felt up till the very end of the period, which led to a closing level of 0.78 on August 4.

Correlations (5 vs 20 days)

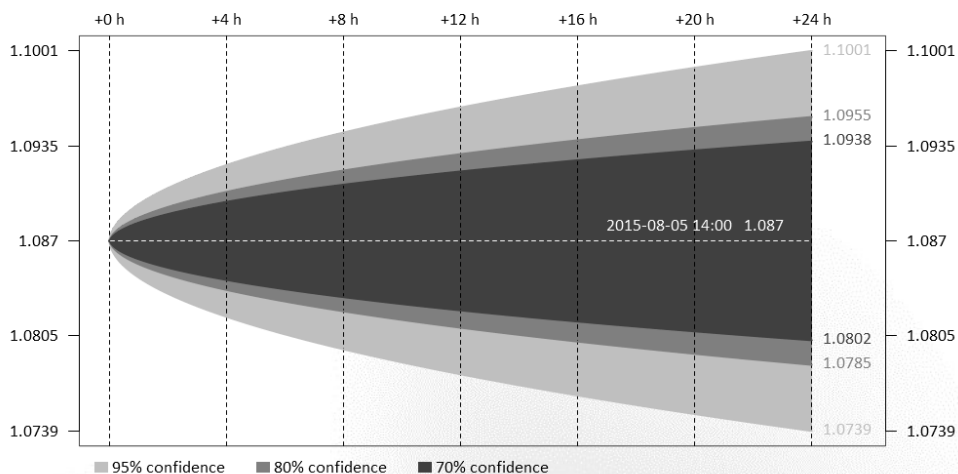


Mean Correlation Coefficient (with AUDEUR)

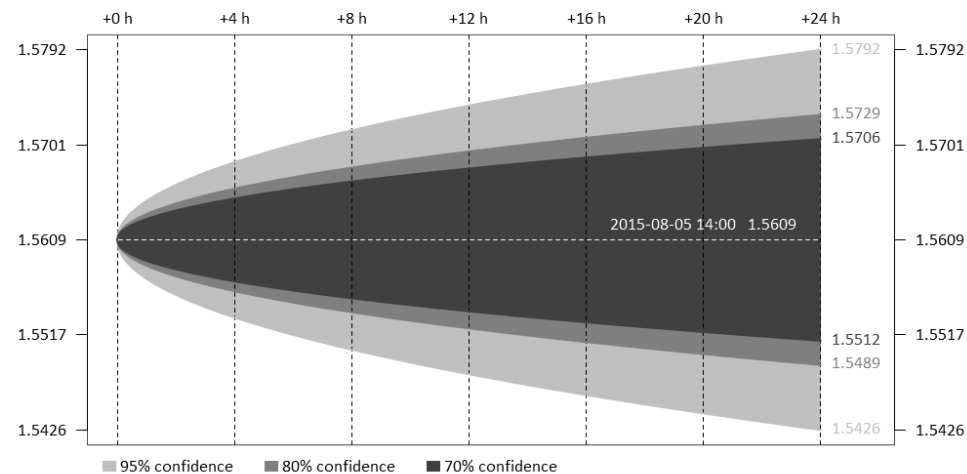
Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.58	0.61	0.75	0.71	0.81	0.58	0.27	0.8
20	0.55	0.58	0.63	0.64	0.8	0.54	0.23	0.81
130	0.51	0.46	0.48	0.62	0.72	0.47	0.32	0.78
250	0.52	0.56	0.55	0.66	0.81	0.52	0.33	0.76

# Confidence Intervals for Next 24 Hours

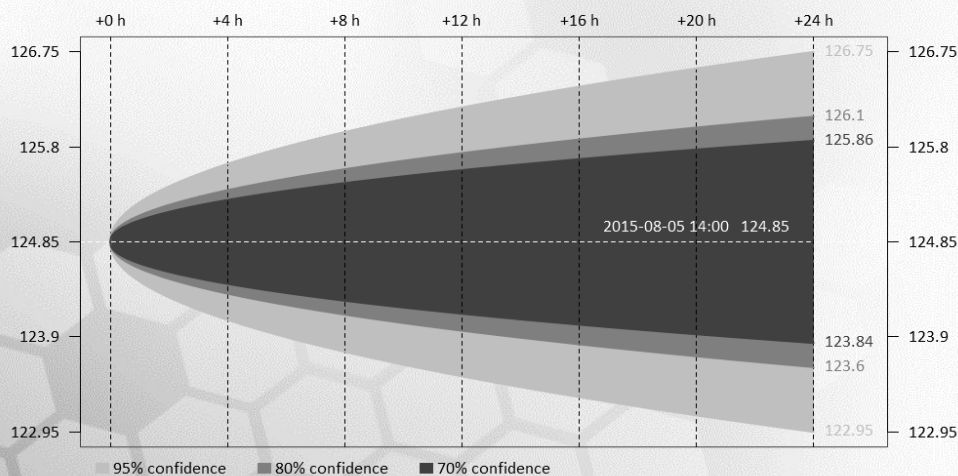
EURUSD Potential Rates



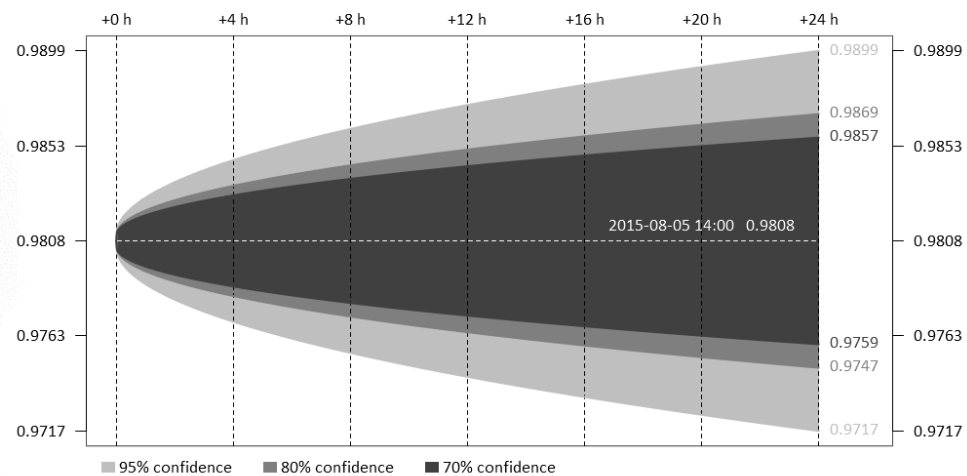
GBPUSD Potential Rates



USDJPY Potential Rates



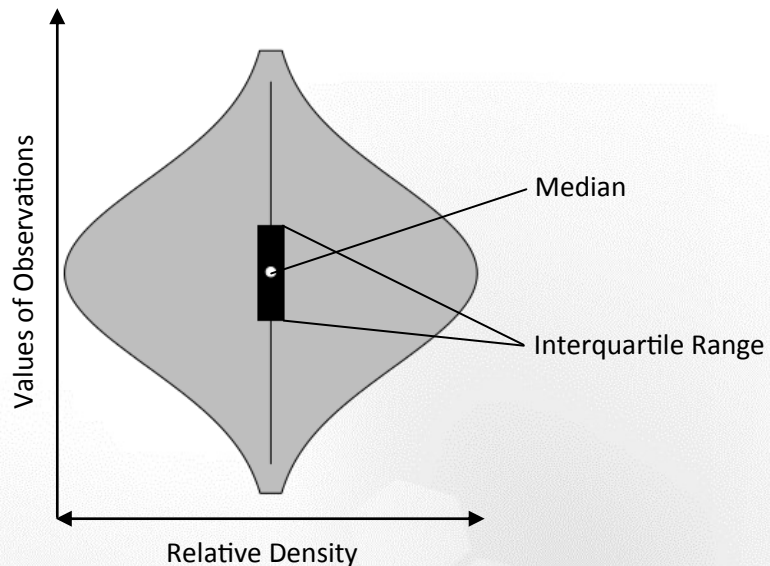
USDCHF Potential Rates



# 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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