



**EUR**

04/11/2013



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**



# Dominant Events for the Euro

## Yellow Area

October 28

11:00 - 20:00

- U.S. Industrial Production [\[link\]](#)
- U.S. Pending Home Sales [\[link\]](#)

## Turquoise Area

October 29

10:00 - 18:00

- U.S. PPI; Retail Sales; Consumer Confidence [\[link\]](#)

## Blue Area

October 30

08:00 - 22:00

- German CPI [\[link\]](#)
- U.S. Employment Change; CPI; FOMC Statement [\[link\]](#)

## Purple Area

October 31

02:00 - 19:00

- BOJ Monetary Policy Statement [\[link\]](#)
- Eurozone CPI; Unemployment [\[link\]](#)
- U.S. Unemployment Claims [\[link\]](#)

## Orange Area

November 1

07:00 - 17:00

- U.K. Manufacturing PMI [\[link\]](#)
- U.S. Manufacturing PMI [\[link\]](#)

EUR Currency Index Range

0.15%

0.26%

0.13%

0.88%

0.19%

Average EUR/USD  
Volatility Index

1.01

1.46

1.27

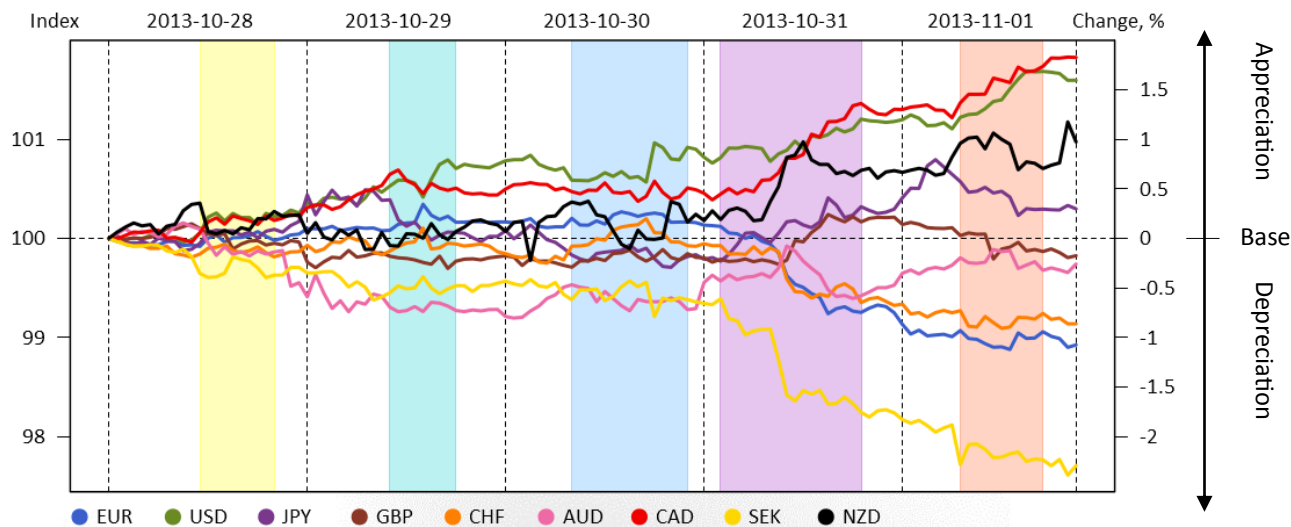
1.26

1.25



# Relative Currency Strength

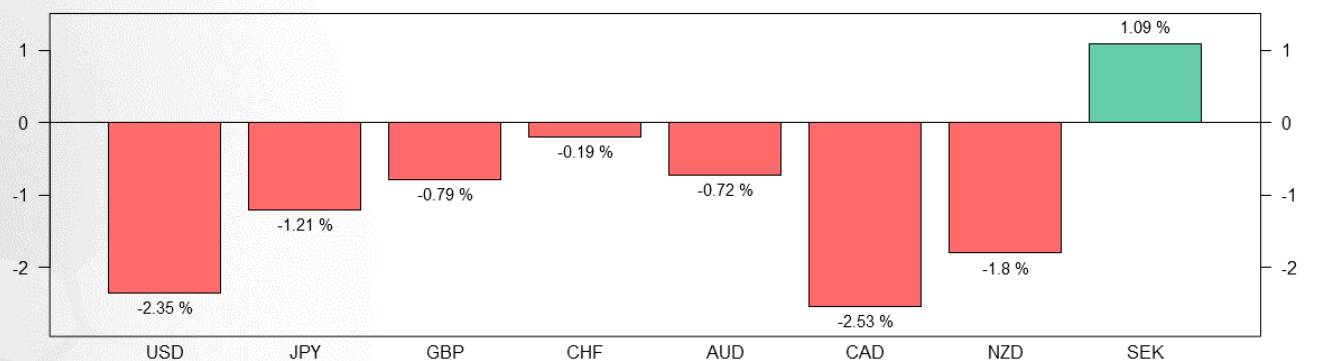
Currency Indices



The beginning of the last week the Euro stayed buoyant. Within the first three days the common currency even appreciated 0.3%, even though its main counterpart, the U.S. Dollar, has been on the constant rise since Oct 28 despite weak fundamentals. Apparently, the market participants gave the Euro the benefit of the doubt ahead of the important macroeconomic releases that concerned inflation and the unemployment rate in the bloc. However, the data published on Thursday did not meet the expectations—the price level grew at a slower pace than expected and the labour market did not experience awaited improvement.

Accordingly, the Euro witnessed a massive sell-off across the board and the currency lost 0.9% of its value during the day. The most significant changes were observed in EUR/USD and EUR/CAD that have gone down by 2.35% and 2.5% respectively since Monday. The only peer the Euro managed to outperform turned out to be the Swedish Krona—this pair has surged 1.1% starting from Oct 28, being that the latter currency has once again proved to be highly sensitive to the monetary union's fundamentals, just as the Euro itself, on average the Krona depreciated by 0.8%. Nevertheless, in the long-term perspective the Euro is the best-performing currency among the majors—its equally-weighted index is 4.1% higher than six months ago, while the Swiss Franc is the second best, being on average 3.8% more expensive.

Change, %



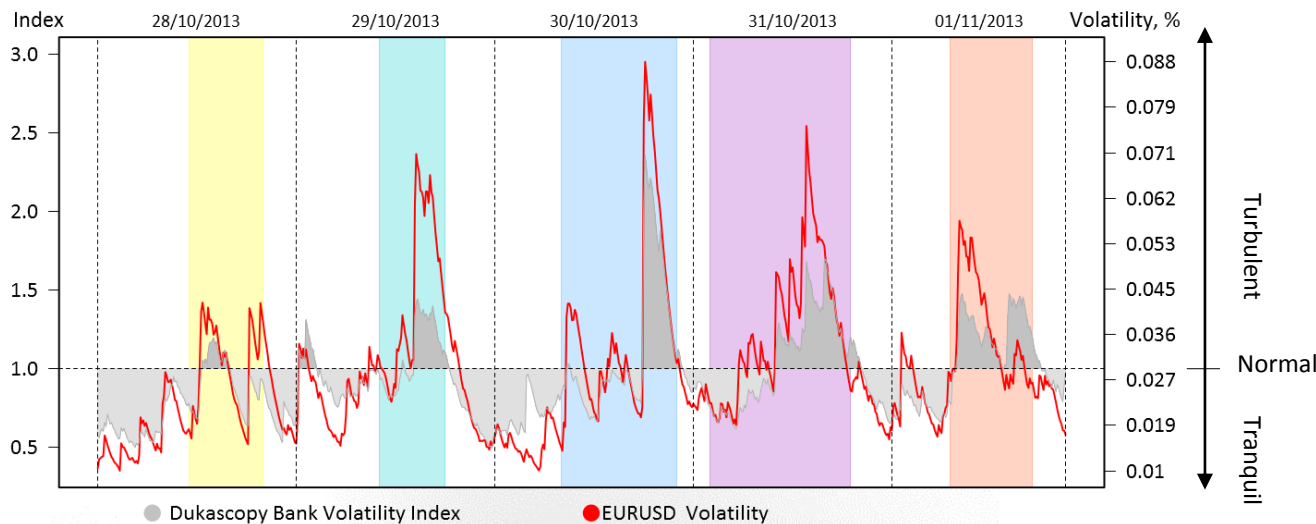
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-1.08%	1.59%	0.30%	-0.18%	-0.86%	-0.26%	1.82%	-2.30%	0.97%
20	0.22%	0.90%	-0.79%	0.11%	0.05%	1.11%	-0.42%	-1.13%	0.10%
130	4.14%	0.96%	1.49%	3.55%	3.81%	-8.83%	-2.75%	0.51%	-2.86%



# Volatility

Volatility



Last week the exchange rates were strongly responsive to the world events, as evidenced by the relatively high average Dukascopy Bank Volatility Index of 0.9 and the increased percentage of its elevated values—31%. However, despite being marked with potentially important reports on the tendencies in the industrial production and real estate market in the United States, Monday was an outlier in this context—the volatility was mostly staying low on Oct 28 and hardly rose above the mark of 1: 86% of the day the volatility remained decreased.

Meanwhile, the statement of the Federal Open Market Committee was once again associated with the highest level of volatility in the market: DBVI soared as high as 2.4 and the velocity of EUR/USD was exceeding the norm three times. Still, the highest with respect to the historical performance volatility was exhibited by USD/CAD and USD/CHF, both of these currency pairs were 3.2 times more changeable than their norms, although it was USD/SEK, which was the most frequently volatile instrument (46% of the time).

In the meantime, the Japanese Yen crosses with the U.S. Dollar and the Euro were the most stable—their volatility indices did not exceed respectively the levels of 2.2 and 2.

Elevated Volatility (% of the observed period)

Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
31	39	16	36	34	36	36	30	37	35	46	35

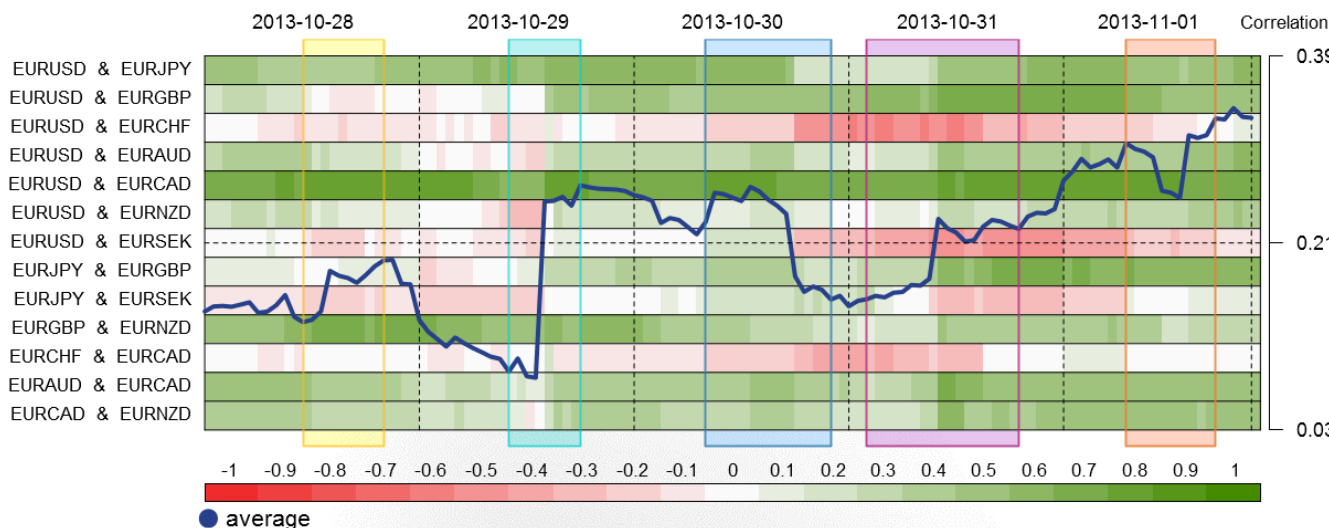
Volatility Index (for the observed period)

	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
<b>Max</b>	2.4	3	2.2	2.5	2.7	3.2	3.2	2	2.6	2.3	2.9	3
<b>Min</b>	0.5	0.4	0.3	0.3	0.4	0.3	0.3	0.4	0.3	0.2	0.3	0.4
<b>Average</b>	0.9	1	0.8	0.9	1	0.9	0.9	0.9	1	0.9	1	1



# Currency Significance

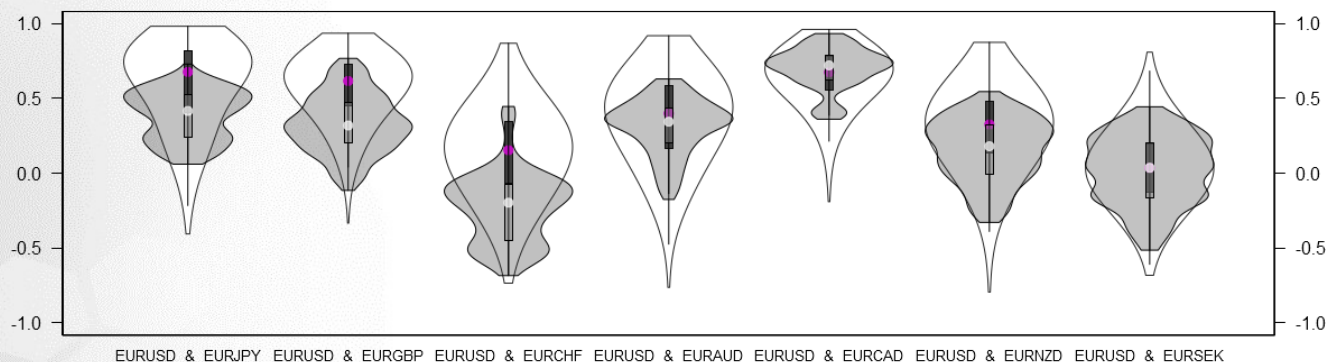
Correlations



Over the past week the importance of the single European currency in the foreign exchange market has noticeably increased—the average correlation coefficient grew from 0.15 up to 0.33. However, the growth was gradual only after the FOMC statement. Prior to that the coefficient made a significant thrust on Tuesday, even though there were no events that were directly related to the well-being of the Eurozone. Surprisingly, the level of Euro's importance increased in light of the news on the U.S. retail sales, producers' price index and consumer confidence.

A day later, amid the FOMC statement, the average correlation coefficient declined from 0.27 down to 0.16, but then started to recover and closed Friday at 0.33. And even though on average the consistency among the Euro-crosses increased, there are some currency pairs, correlation between which was negative. Such remains the interrelation between EUR/USD and EUR/CHF—the mean 50-hour rolling correlation for the week is  $-0.19$ . A similar link since Oct 28 was observed between EUR/USD and EUR/SEK (the mean correlation for the week was  $-0.15$ ), although historically there was no linear relationship between these two currency pairs (the mean for the last 130 days was 0.01).

Correlations (20 vs 130 days)



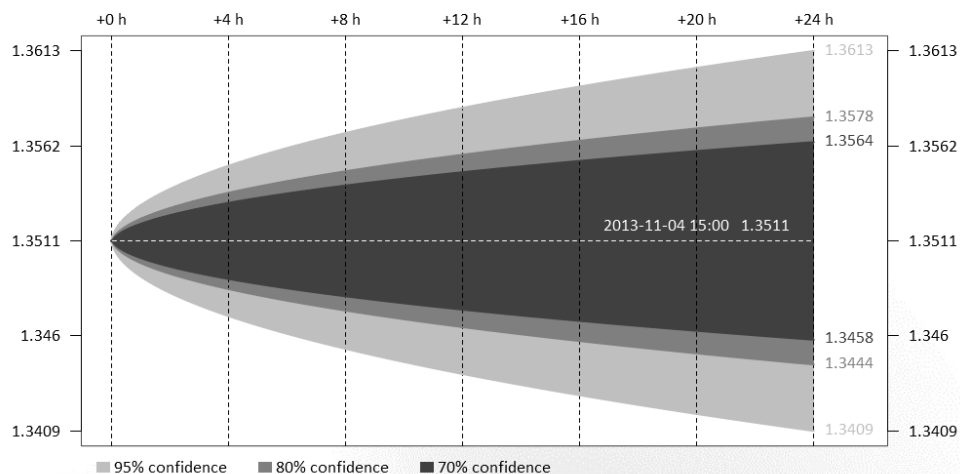
Average Correlation Coefficient (with EURUSD)

Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.48	0.39	-0.19	0.28	0.74	0.17	-0.15
20	0.39	0.33	-0.23	0.31	0.7	0.15	0.02
130	0.27	0.39	-0.14	0.17	0.57	0.14	0.01

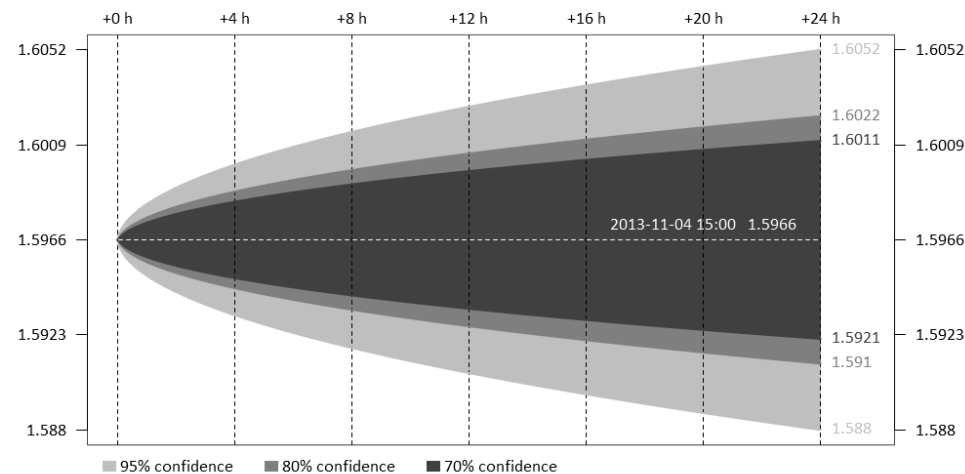
Monday, November 04, 2013  
15:30 GMT

# Confidence Intervals for Next 24 Hours

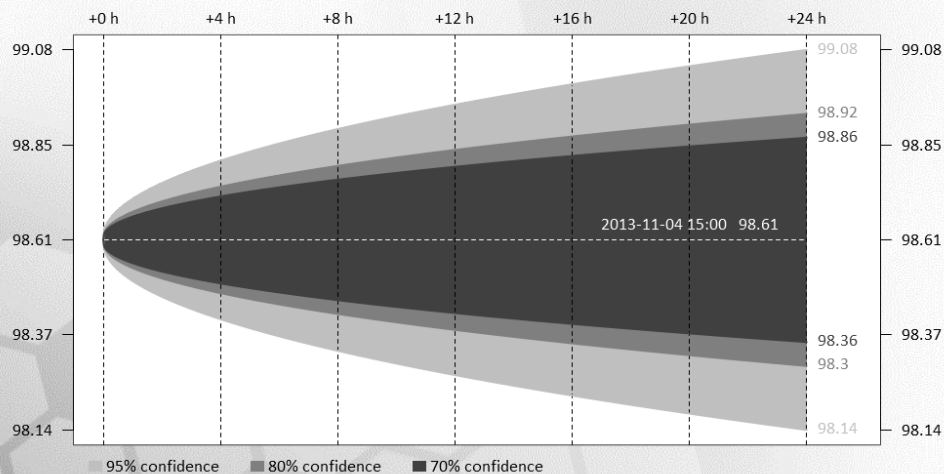
EURUSD Potential Rates



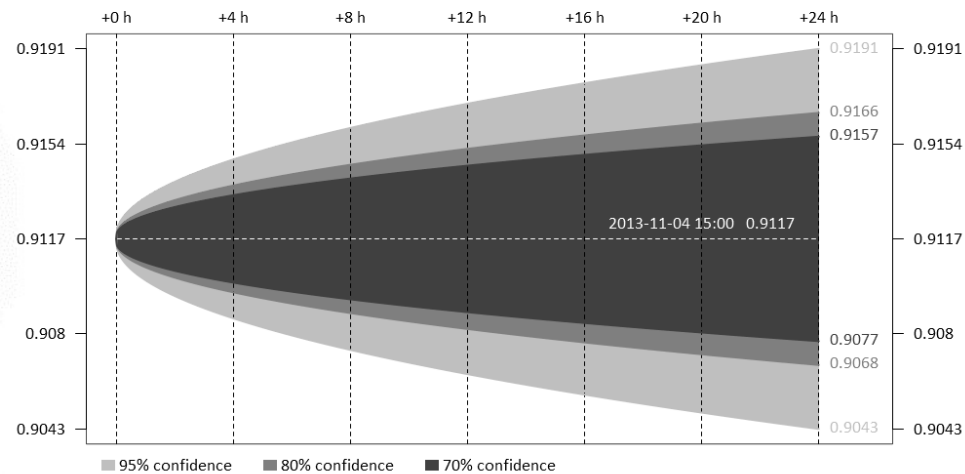
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



## EXPLANATIONS

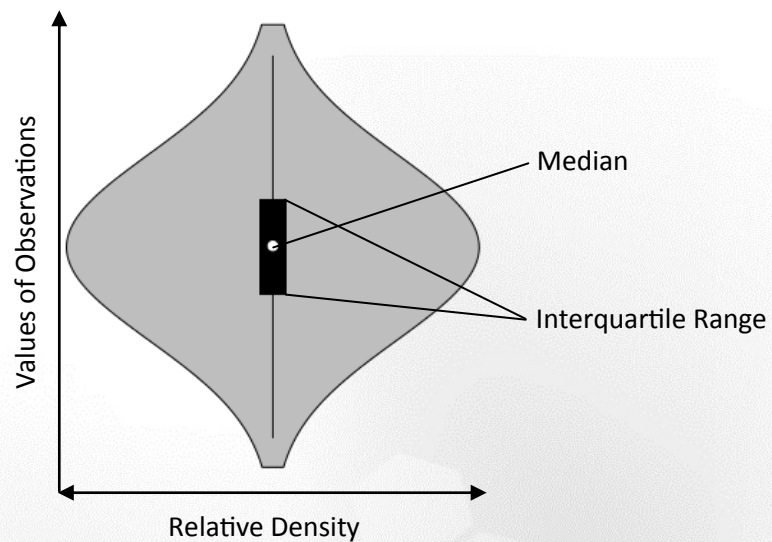
### Violin Plot

Violin Plot is a combination of a Box Plot  
and rotated Kernel Density Plot

### Methodologies

Volatility Index

Confidence Interval





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