



EUR

10/02/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

February 3

07:00 - 21:00

- Spanish Manufacturing PMI
- Treasury Secretary Speaks
- US Manufacturing PMI [\[link\]](#)
- US Total Vehicles Sales
- Canadian RMPI [\[link\]](#)

Turquoise Area

February 4

05:00 - 18:00

- Spanish Unemployment Change
- UK'S Construction PMI [\[link\]](#)
- Eurozone PPI [\[link\]](#)
- US Factory Orders
- US Economic Optimism [\[link\]](#)

Blue Area

February 5

12:00 - 19:00

- US Non-Farm Employment Change [\[link\]](#)
- US Non-Manufacturing PMI [\[link\]](#)
- US Final Services PMI [\[link\]](#)
- FOMC Member Plosser Speaks

Purple Area

February 6

12:00 - 20:00

- UK Official Bank Rate [\[link\]](#)
- ECB Minimum Bid Rate [\[link\]](#)
- US Trade Balance [\[link\]](#)
- US Unemployment Claims [\[link\]](#)
- Canadian PMI [\[link\]](#)

Orange Area

February 7

08:00 - 19:00

- German Constitutional Court Ruling
- UK'S Manufacturing Production [\[link\]](#)
- German Industrial Production
- US Non-Farm Employment Change [\[link\]](#)

EUR Currency Index Range

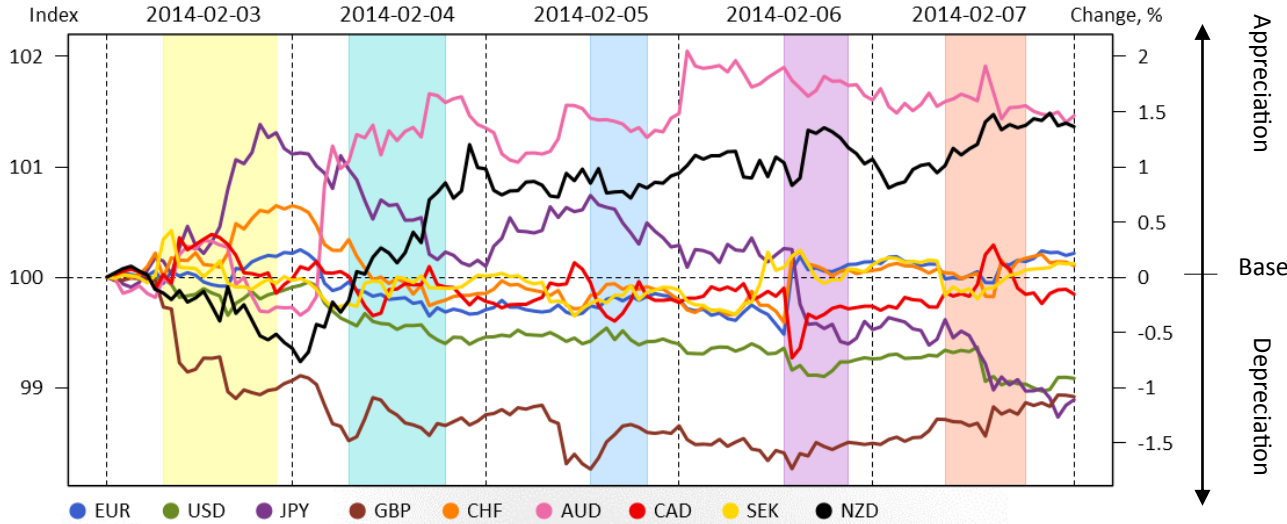
0.28%	0.31%	0.1%	0.7%	0.2%
1.21	1.09	1.35	2.11	1.25

Average EUR/USD Volatility Index



Relative Currency Strength

Currency Indices

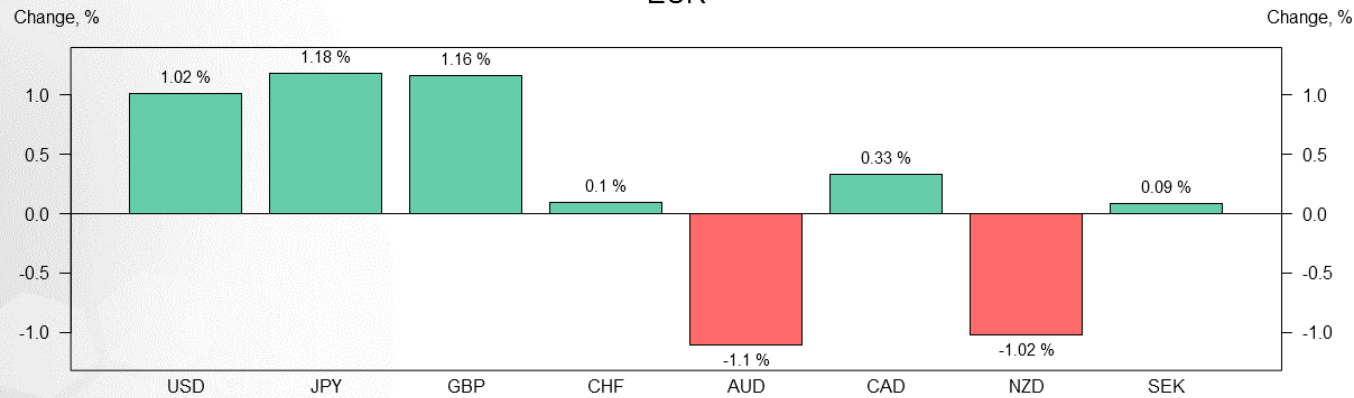


Euro index was one of the best performers last week amongst currency indices. As aussie and kiwi indices were virtually unreachable it could be said that Euro index was the best performer outside the Pacific region. Euro index spent most of the Monday around base (opening) value. It managed to gain 0.2% on worse than expected US Manufacturing PMI data. It helped the index to end the day 0.22% above the base value. Worse than expected Spanish Unemployment Change and Eurozone PPI numbers dragged the Euro Index to close 0.3% below the base value on Tuesday. Mixed data coming from the US and the Eurozone on Wednesday did not change much. Index closed 0.25% below the base value.

EUR

Index was showing clear bearish bias on Thursday up till noon when ECB's Minimum Bid Rate was announced and following Press Conference took place. It helped euro index gain 0.7% and end the day 0.15% above the base value. Friday had quite a few high impact events taking place, but they seemingly had very little effect on the Euro which ended the period of analysis 0.22% above the opening value.

Euro was outperformed only by the two pacific currencies. Losses against the aussie and the kiwi were 1.1% and 1.02%, respectively. Moderate gains, varying from 0.09% to 0.33%, were seen against Swiss franc, Swedish kroona and loonie. Gains, however, were substantial and were registered against greenback (1.02%), yen (1.18%) and the pound (1.16%).



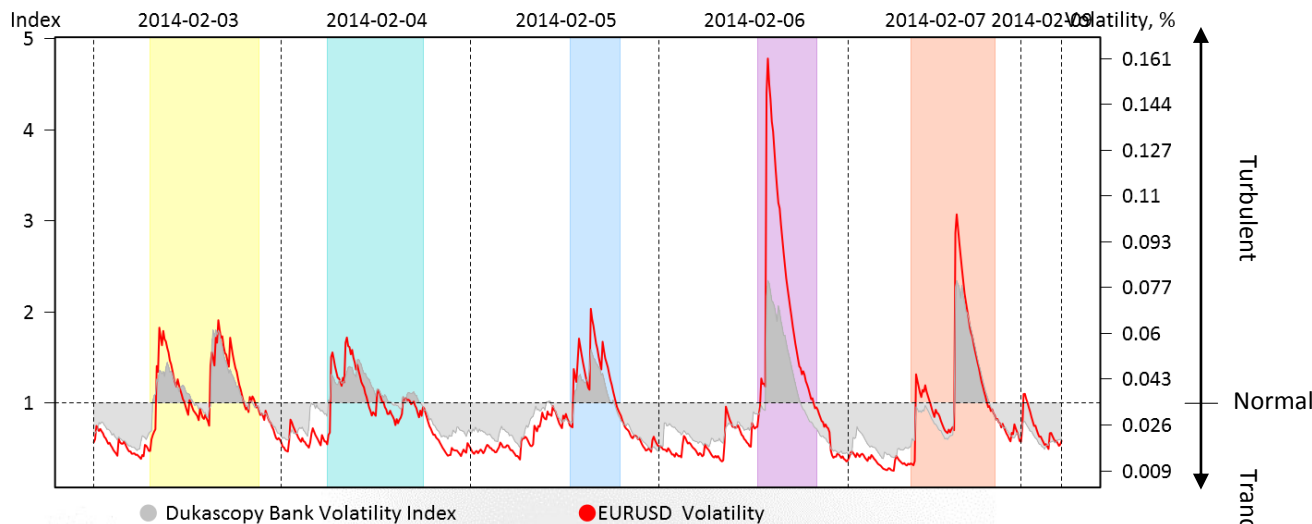
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.22%	-0.91%	-1.21%	-0.98%	0.09%	1.53%	-0.16%	0.13%	1.29%
20	-0.09%	0.26%	1.6%	-0.3%	0.67%	-0.71%	-1.2%	0.16%	-0.31%
130	2.18%	0.22%	-6.32%	6.29%	2.79%	-1.79%	-7.35%	0.15%	3.8%



Volatility

Volatility



Although we had a trading week which was marked with a few substantial peaks in volatility, overall it could be said it was rather tranquil period as elevated volatility in the market was observed 28% of the time, which is clearly below the historical average. Similar results, 24% to 33%, were shown by the currency pairs as well. In addition to this, average volatility of the market and currency pairs was below the usual (long term) level in clear majority of the cases and only yen crosses were showing volatility levels equal to the long term values.

Monday showed a few peaks in volatility as Spanish and US Manufacturing PMI caused EUR/USD to trade 1.8 times more intensively than usual.

Substantially worse than expected Spanish Unemployment Change numbers on Tuesday shook the markets as EUR/USD demonstrated 1.7 times higher volatility than usual. Wednesday was rather calm and only US Non-Manufacturing PMI data managed to move the markets—EUR/USD volatility was 2 times and market volatility was 1.6 times higher than usually. Highlight of the week, in terms of volatility, was observed on Thursday. Minimum bid rate announcement by the ECB and following Press Conference caused EUR/USD volatility to skyrocket till 4.8 times the usual level. Market volatility at the same time was 2.3 times higher than normal. Friday's volatility levels were lesser, but no less impressive. US Non-Farm Employment Change caused EUR/USD to trade 3 times more intensively than usual. Market volatility was 2.3 times higher than usual.

Elevated Volatility (% of the observed period)

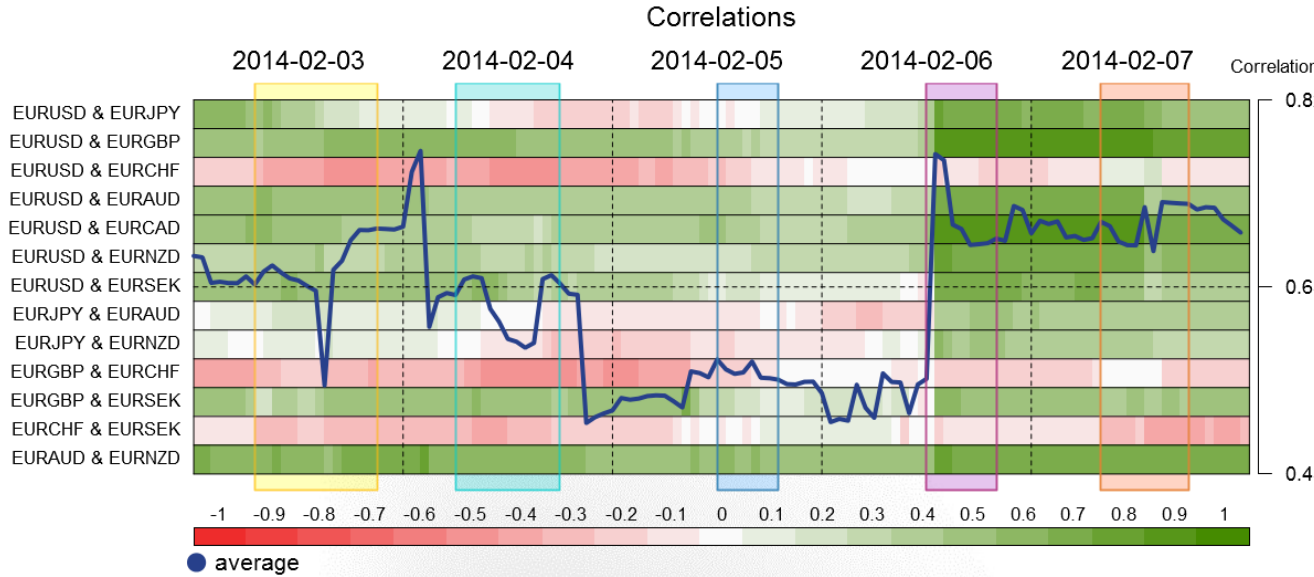
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	28	32	28	28	31	24	33	32	30	34	31

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.3	4.8	4	2.2	3.2	3.3	3.9	2.7	3.3	2	3.1	2.2
Min	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.4	0.2	0.2	0.1	0.3
Average	0.9	0.9	1	0.8	0.9	0.9	0.8	1	0.9	0.8	0.9	0.9



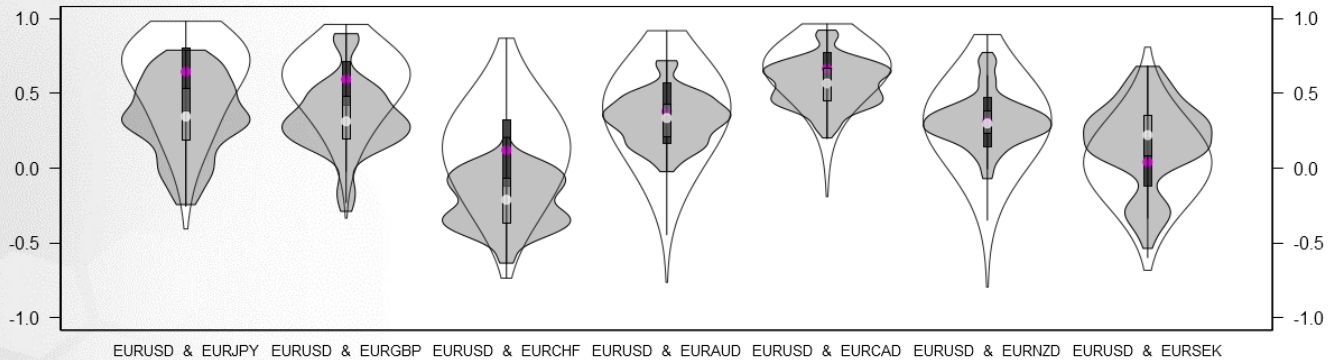
Currency Significance



Significance of the euro, expressed as the average correlation between the Euro crosses, did not show a significant overall change in the period. It opened the period of analysis at 0.65 and ended it at 0.67. First noticeable dip and momentarily recovery took place on Monday when US Manufacturing PMI numbers were released. Both major dips in the gauge on Tuesday took place outside the period of interest that day—RBA Cash Rate announcement and following Rate statement early in the morning and New Zealand’s Employment change in the evening. Both events dragged the gauge to the lowest level in the period—0.47.

Worse than expected Eurozone PPI had some negative impact in between the two events as well, but index recovered almost instantly after it. Wednesday did not bring any major changes, just few ups and downs as gauge ended the day at 0.48. The highlight of the period was Minimum Bid Rate announcement by the ECB and following Press Conference. It boosted the value of the average correlation till the highest level (0.79) in the period for the second time. Following minor decrease was expected as traders started looking in to the other currencies. Rest of the period did not change anything. US Non-Farm Employment Change and Unemployment Rate data caused some disturbance, but overall level of the average correlation remained around 0.65.

Correlations (20 vs 130 days)

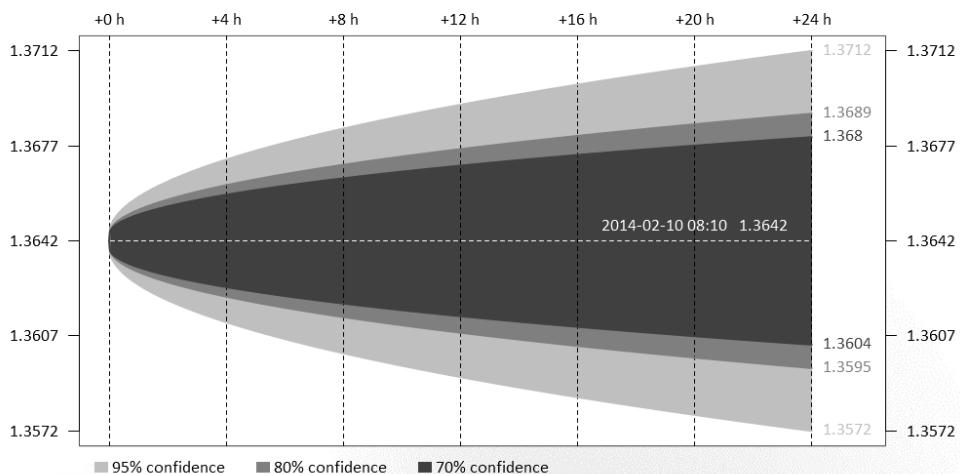


Mean Correlation Coefficient (with EURUSD)

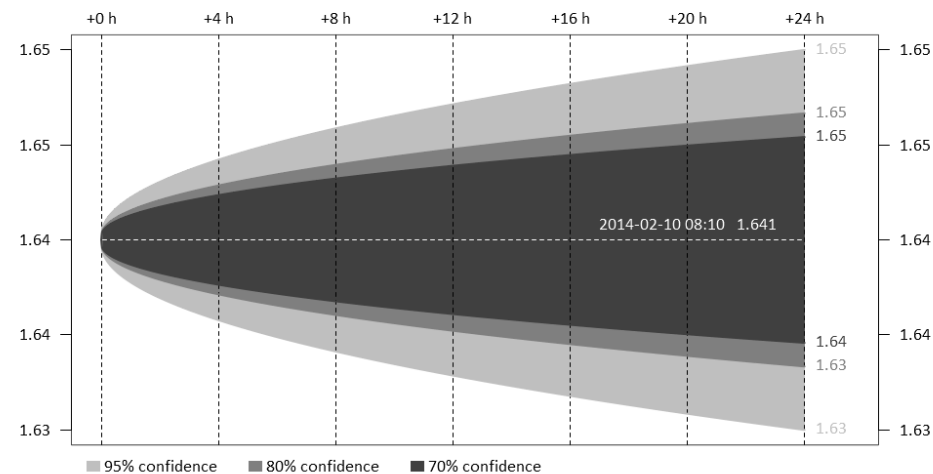
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.23	0.59	-0.24	0.47	0.53	0.42	0.4
20	0.34	0.33	-0.22	0.33	0.56	0.31	0.18
130	0.39	0.43	-0.15	0.27	0.62	0.23	0.06

Confidence Intervals for Next 24 Hours

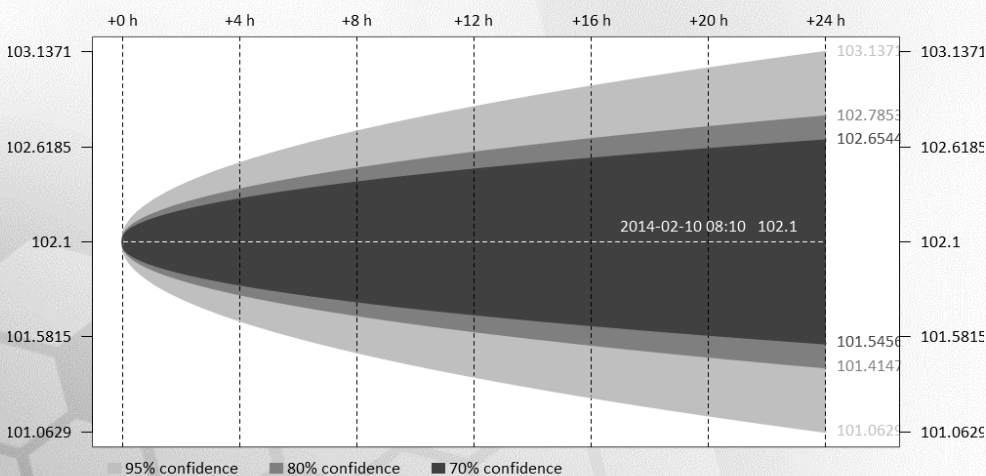
EURUSD Potential Rates



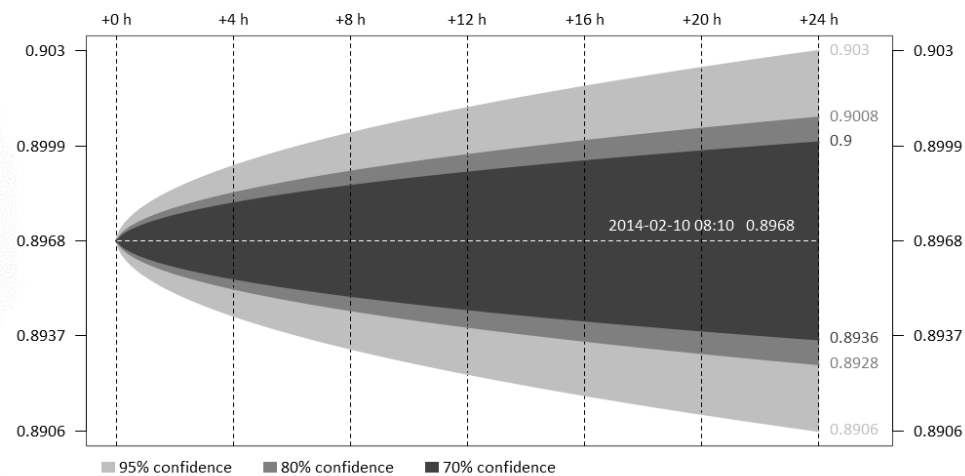
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

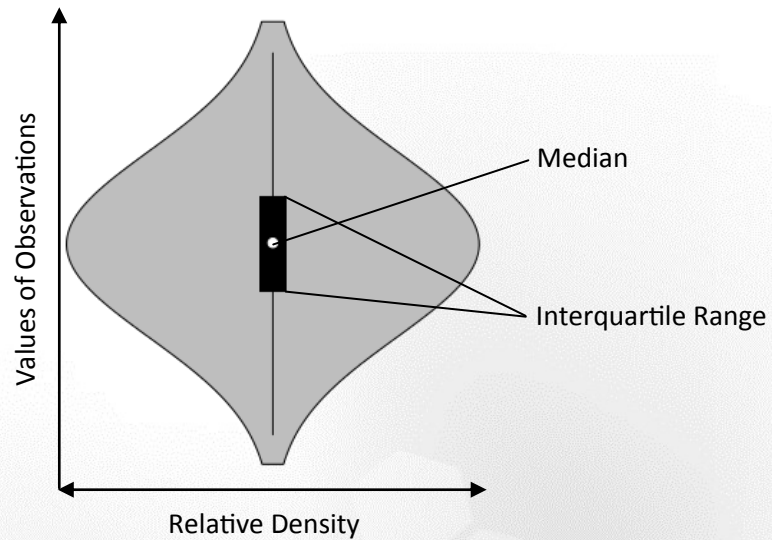
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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