



USD

12/02/2014



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Market Research





Dominant Events for the U.S. Dollar

Yellow 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

Turquoise Area

February 6

11:00 - 20:00

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

Blue Area

February 7

07:00 - 18:00

- German and French Trade Balances [\[link\]](#)
- UK'S Manufacturing Production [\[link\]](#)
- German Industrial Production
- US Non-Farm Employment Change [\[link\]](#)

Purple Area

February 11

00:00 - 19:00

- Australian Business Confidence [\[link\]](#)
- Fed Chairman Testifies
- US Jobs Openings [\[link\]](#)
- Canadian Annual Budget [\[link\]](#)
- Australian Consumer Sentiment [\[link\]](#)

USD Currency Index Range

0.15%

0.26%

0.34%

0.29%

Average EUR/USD Volatility Index

1.35

2

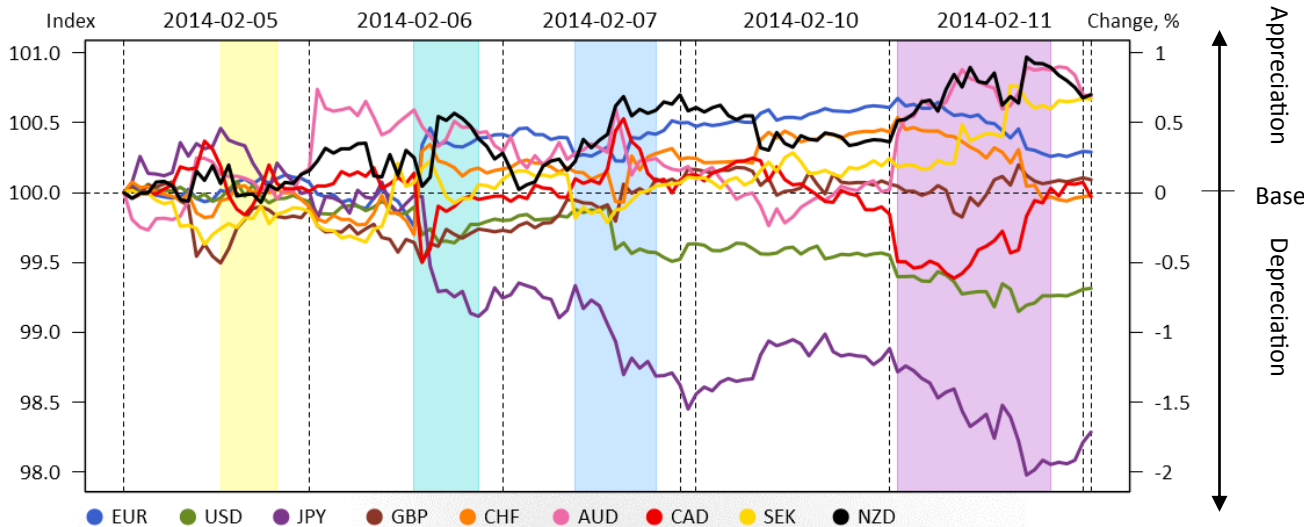
1.27

0.92



Relative Currency Strength

Currency Indices

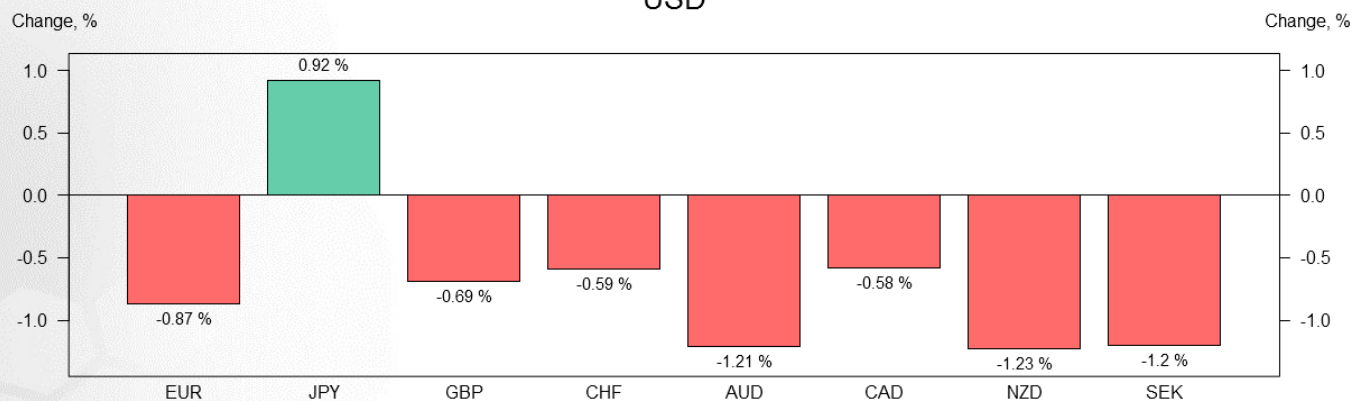


USD index was one of the worst performers in the period of analysis. It managed to outperform only JPY index which was hit heavily by the ECB rate decision after the Japanese 30-y Bond Auction that took place earlier. We saw quite a few data releases from the US on Wednesday, but USD index felt none of it and was +/- 0.07% around the base (opening) value. However, it lost 0.2% on the ECB Bid Rate decision on Thursday. Index started recovering afterwards, but was hit by the Non-Farm Employment Change data on Friday. It dragged the index 0.3% lower and caused it to close 0.45% below the base value. That was a defining moment in the period for the USD index.

There was very few events on Monday and they had no impact on any of the major currencies. USD index continued to trail lower on Tuesday as testimony by the new Fed Chairman, speech by the FOMC Member Plosser and the US Job Openings failed to boost the market's confidence in the USD.

USD posted gains only against JPY which, as mentioned before, was surprisingly heavily hit by the ECB Rate Decision. Losses against other currencies were substantial—from 0.58% to 0.67% against CAD, CHF, GBP and EUR till at least 1.2% against SEK, NZD and AUD.

USD



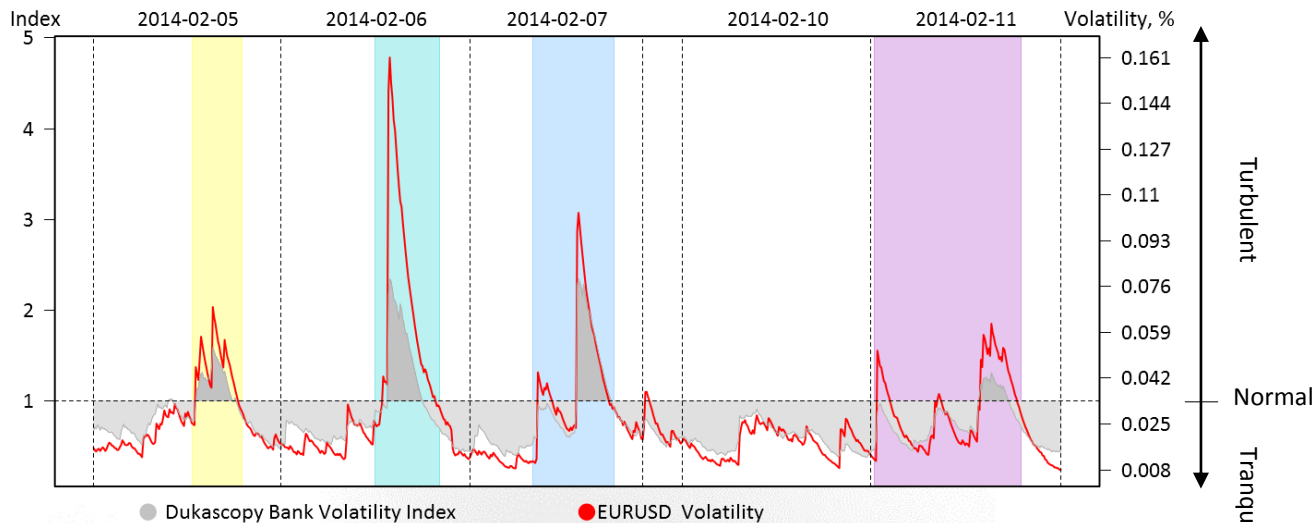
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.22%	-0.7%	-1.88%	0.05%	-0.09%	0.9%	0.01%	0.65%	0.72%
20	-0.37%	-0.35%	1.84%	-0.15%	0.52%	0.63%	-0.92%	-0.17%	-0.88%
130	2.43%	-0.34%	-6.75%	6.57%	3%	-1.91%	-7.93%	1.08%	3.86%



Volatility

Volatility



We continued to see decrease in volatility in the period of analysis. Few very important facts contributing to this—elevated volatility in the market (Dukascopy Bank Volatility Index) was observed only in 14% of the time whereas historical average of this gauge is around 30-35%. Besides that, none of the currency pairs showed elevated volatility in more than 27% of the time in the period of analysis. In addition, average volatility in the market was only 70% of the long term value. Similar results are seen in the currency pair's as well.

US data releases on Wednesday fuelled trading activities on the EUR/USD as it's volatility was 2 times higher than normal.

Highlight of the week, in terms of volatility, was seen on Thursday when ECB Minimum Bid Rate announcement and following press conference took place. This caused EUR/USD to change hands 4.8 times more intensively than usual. Market volatility at the same time was at the highest level in the period—2.3 times higher than usual. Same level of market volatility was seen on Friday when US job market data was coming out. EUR/USD at the same time showed second highest, 3 times higher than usual, volatility in the period. Lack of events/data releases on Monday caused trading activities be scarce and volatility to be below the long term values. The only noticeable mismatch in market and EUR/USD volatility is seen on Tuesday when Australian Business Confidence data came out effecting NZD and, surprisingly, USD.

Elevated Volatility (% of the observed period)

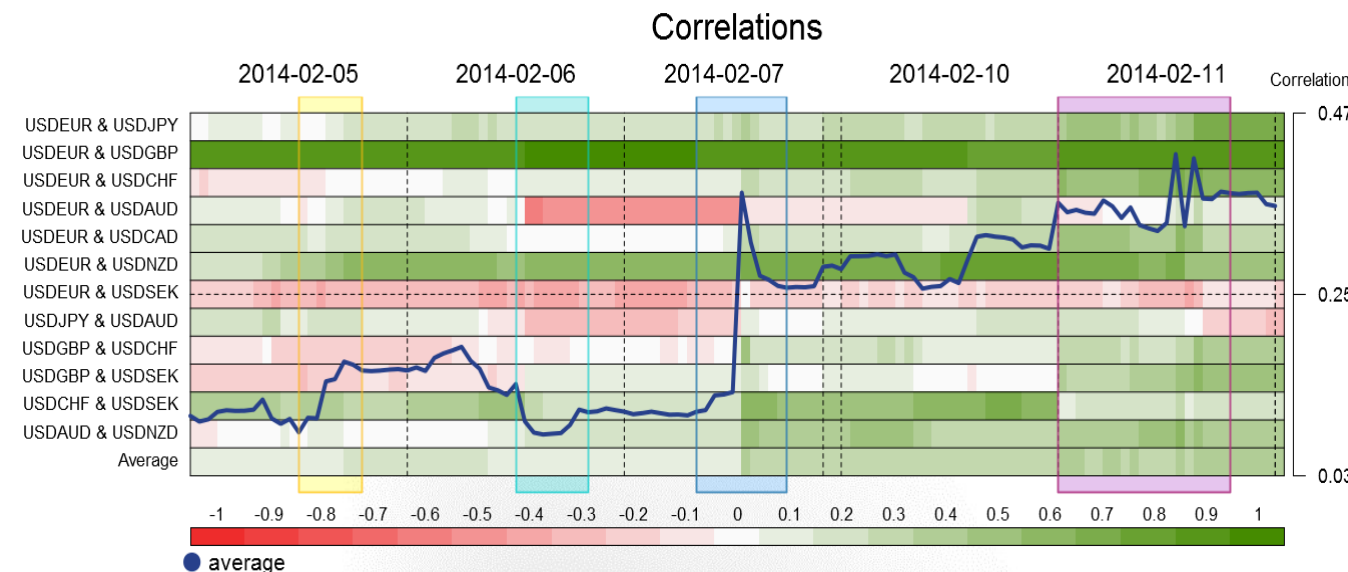
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	21	18	23	15	17	17	20	25	13	27	14

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	2.4	3.3	3.9	2.7	3.3	2	3	2.1
Min	0.4	0.2	0.3	0.2	0.2	0.2	0.2	0.4	0.2	0.2	0.1	0.2
Average	0.8	0.8	0.8	0.7	0.7	0.8	0.7	0.9	0.8	0.7	0.8	0.7



Currency Significance

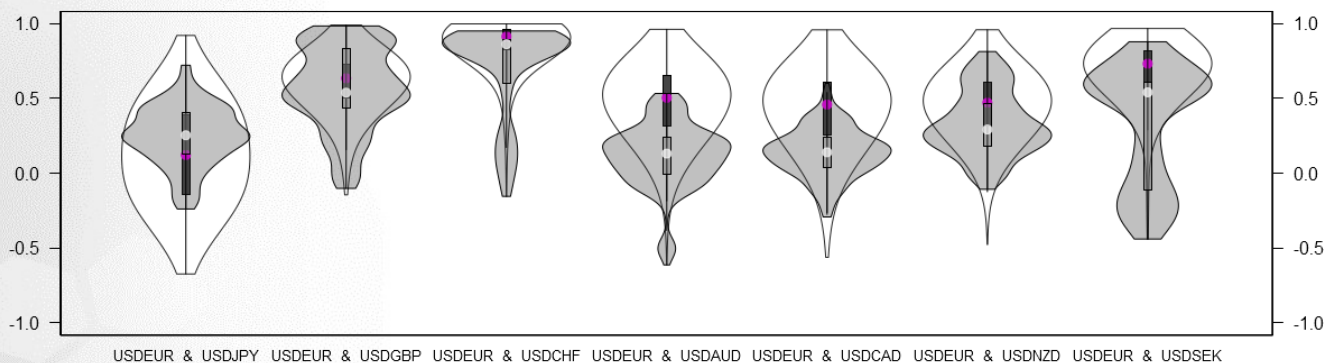


Significance of the USD in the markets, expressed as average correlation between the various USD crosses, increased substantially in the period of analysis. It started the period at 0.10 and ended at 0.34. Minor increase in the gauge is seen on Wednesday when range of US data releases boosted it till 0.2. It started to slowly trail lower on Thursday and hit the weekly low of 0.09 when ECB announced it's Bid Rate. Major increase, from 0.13 till 0.35 took place on Friday when US job market data came out. Soon after that index dipped lower, but remained around 0.27 until Tuesday due to the lack of events/data releases on Monday.

Minor increase in the gauge is seen right before the midnight on Tuesday. Surprisingly, it was caused by the Australian Business Confidence. We saw few ups and downs later in the day when new Fed chairman was giving her testimony, FOMC Member Plosser was speaking and Job Openings data came out. It didn't change much as index closed at 0.34.

We are observing a moderate level of divergence in short, medium and long term correlations of various USD crosses with the EUR/USD . There are very few reasons to explain this. One of them could be the fact that we saw very few quantifiable high impact data releases lately. Second could be that due to the timing of some of the data releases the reactions of the market were rather elevated and localised on few currency pair's rather than the whole market.

Correlations (20 vs 130 days)

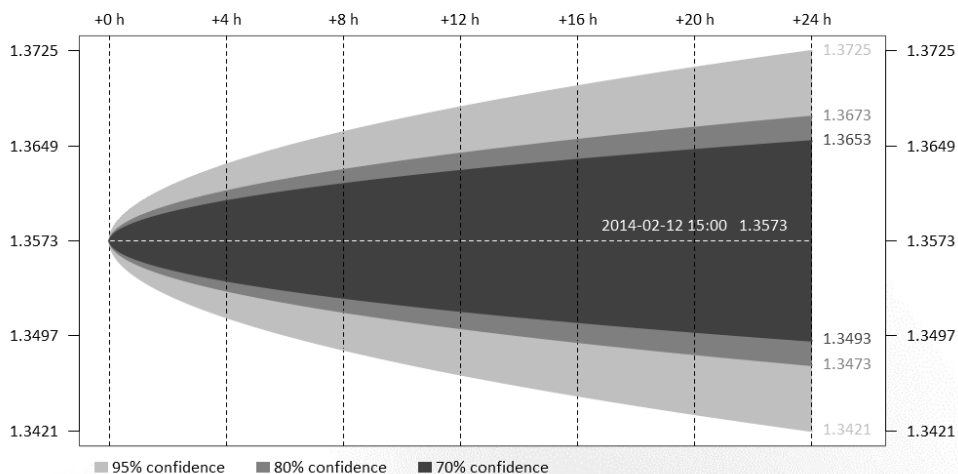


Mean Correlation Coefficient (with USDEUR)

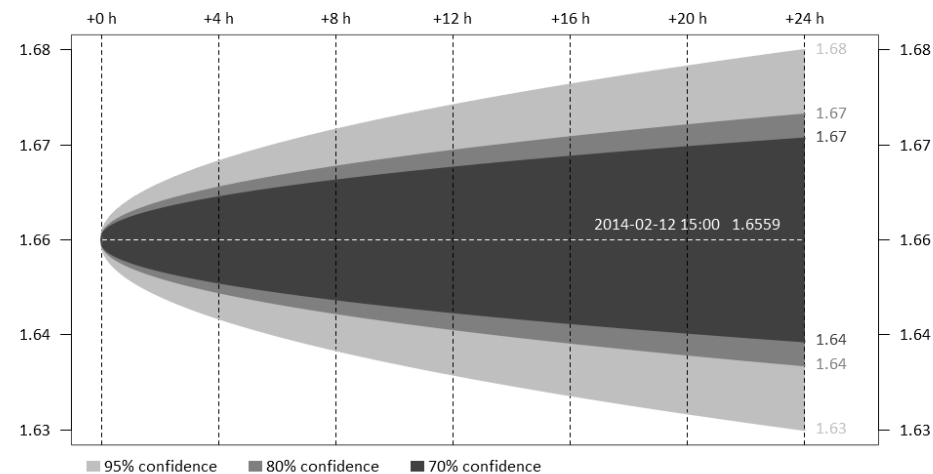
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.28	0.9	0.22	-0.07	0.21	0.61	-0.25
20	0.25	0.56	0.69	0.11	0.14	0.33	0.32
130	0.3	0.55	0.83	0.33	0.27	0.35	0.57

Confidence Intervals for Next 24 Hours

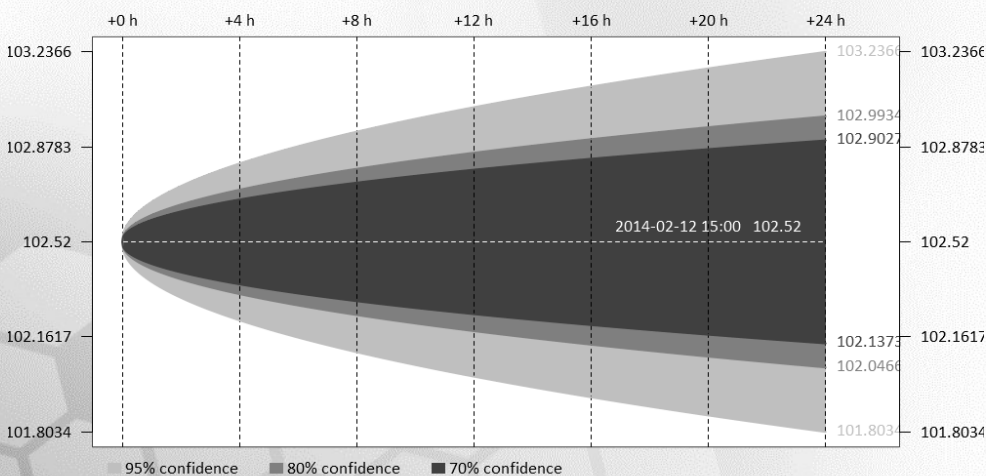
EURUSD Potential Rates



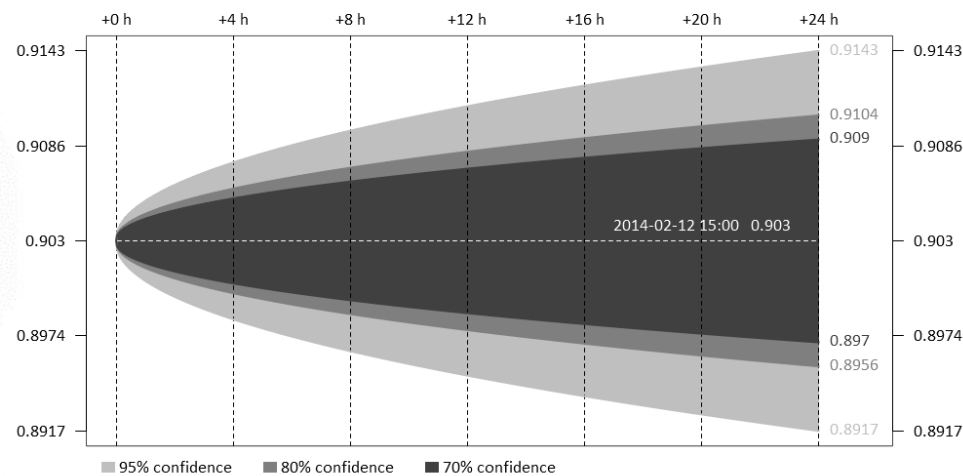
GBPUSD Potential Rates



USDJPY Potential Rates



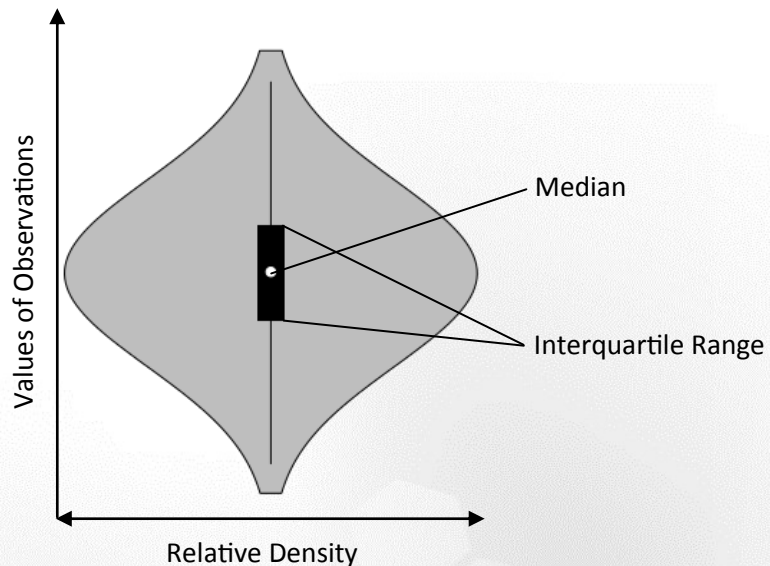
USDCHF Potential Rates



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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