



**USD**

19/02/2014



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# Market Research





# Dominant Events for the U.S. Dollar

## Yellow Area

February 12

07:00 - 19:00

- Eurozone Industrial Production [\[link\]](#)
- BOE Governor Speaks [\[link\]](#)
- BOE Inflation Report [\[link\]](#)
- US Crude Oil Inventories [\[link\]](#)
- ECB President Speaks [\[link\]](#)

## Turquoise Area

February 13

08:00 - 17:00

- ECB Monthly Bulletin [\[link\]](#)
- US Unemployment Claims [\[link\]](#)
- US Retail Sales [\[link\]](#)
- US Business Inventories

## Blue Area

February 14

06:00 - 16:00

- Italian, French and German Prelim GDPs [\[link1, link2, link3\]](#)
- Eurozone Flash GDP [\[link\]](#)
- US Import Prices [\[link\]](#)
- US Preliminary Consumer Sentiment

## Purple Area

February 17

01:00 - 9:00

- Australian New Vehicle Sales [\[link\]](#)
- Eurogroup Meetings

## Orange Area

February 18

03:00 - 17:00

- Japans Monetary Policy Statement
- BOJ Press Conference [\[link\]](#)
- German Economic Sentiment [\[link\]](#)
- US Manufacturing Index [\[link\]](#)
- ECOFIN Meetings

USD Currency Index Range

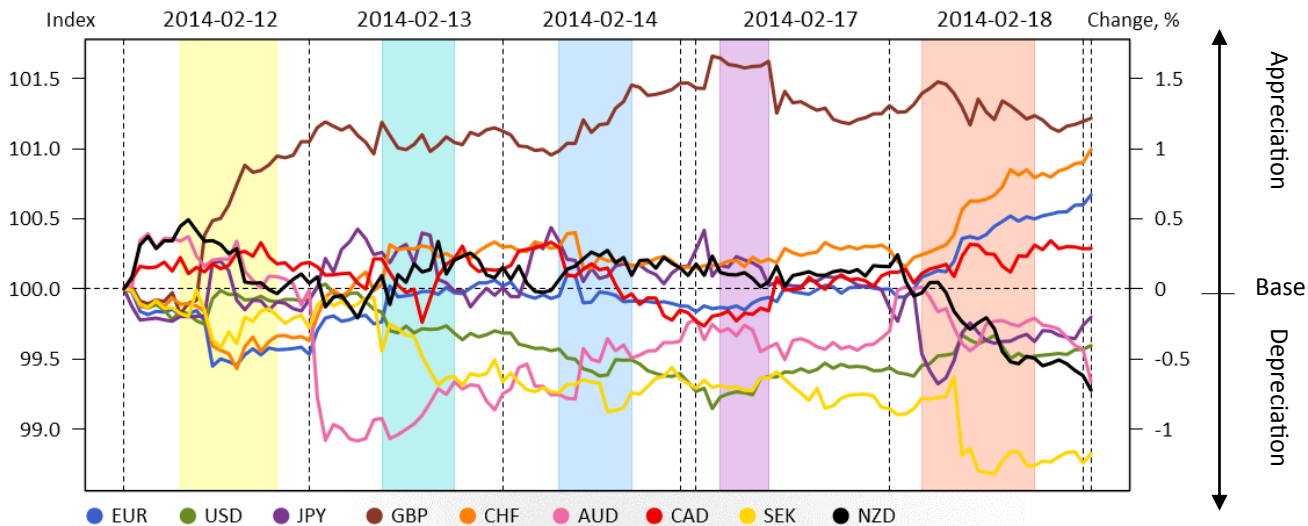
0.24%	0.15%	0.19%	0.14%	0.22%
1.36	1.35	1	0.83	0.88

Average EUR/USD Volatility Index



# Relative Currency Strength

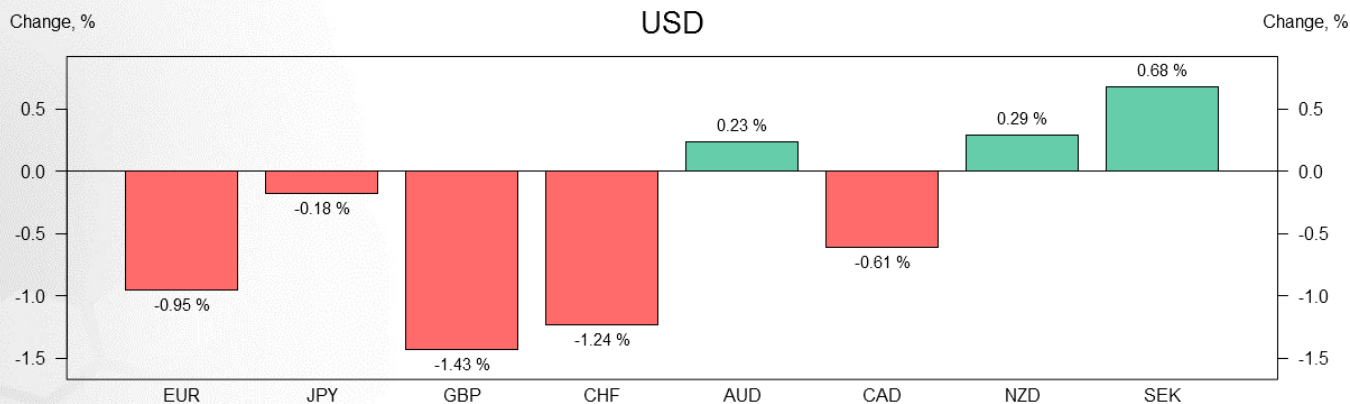
Currency Indices



USD index was one of the worst performers last week. It managed to outperform only 3 out of 8 other currency indices; also it closed (0.39%) and spent all of the period of the analysis below the base (opening) value. Wednesday had very few US data releases scheduled therefore no major changes were expected. However, BOE Governor's speech and Inflation Report boosted the value of the GBP and dragged USD, and most of the other indices, down. Although USD index recovered from it rather fast, clear bearish bias was felt on Thursday as well. US data gave worse than, or as expected, results which dragged the USD index lower to end the day 0.32% below the base value.

Worse than expected US data releases on Friday did not give any basis for the recovery either. USD index ended the week 0.73% below the base value. Monday did not bring much change for most of the currencies due to the bank holidays in the US. Worse than expected data releases from other regions helped USD index to advance yesterday. It gained 0.2% during the day and ended period of analysis 0.39% below the base value.

USD posted gains only against aussie, kiwi and Swedish Krona. The latter one, seemingly, was hit hard by the ECB Monthly Bulletin on Thursday and ECOFIN Meetings yesterday. The aussie and the kiwi lost fair share of value after Japans Monetary Policy Statement and BOJ Press Conference. It seems that Australian Monetary Policy Meeting Minutes did no favour either.



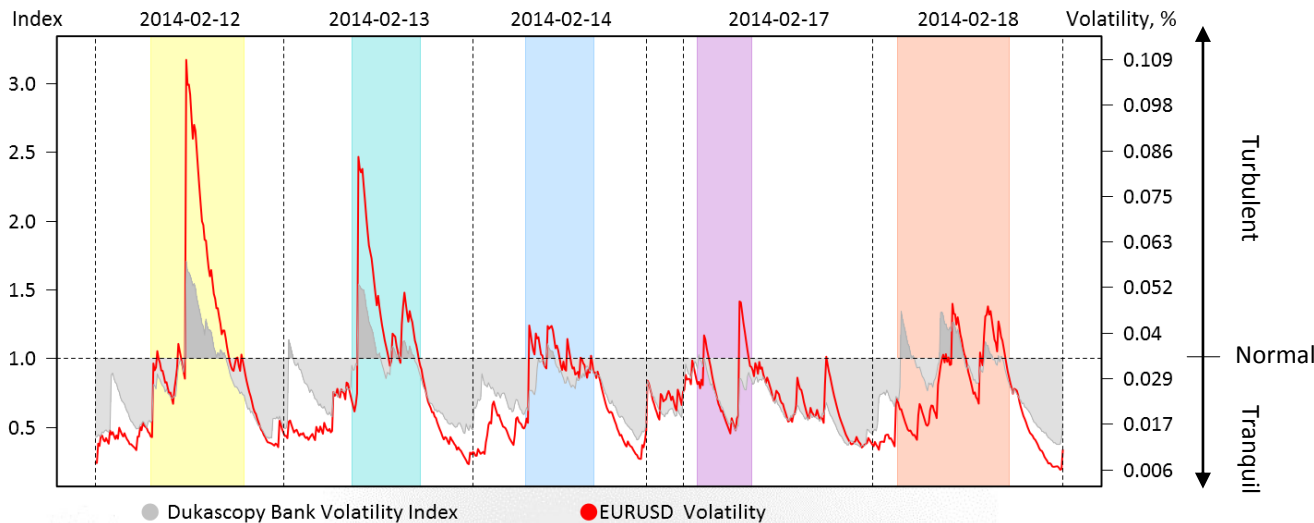
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.67%	-0.39%	-0.08%	1.14%	0.97%	-0.69%	0.23%	-1.15%	-0.78%
20	0.53%	-1.07%	1.28%	0.28%	1.72%	0.71%	-0.96%	-1.13%	-1.33%
130	2.97%	-0.57%	-5.97%	6.58%	3.97%	-2.04%	-7.06%	-0.27%	2.41%



# Volatility

## Volatility



Highlight of the period, in terms of trading activity was seen on Wednesday. BOE Inflation Report and following BOE Governor's speech caused EUR/USD volatility to peak till 3.2 times the usual (long term) level. Market volatility at the same time reached the highest level in the period of analysis as well—1.7 times the usual level. Thursday was similar in terms of volatility in the market—it peaked till 1.6 times the usual level. EUR/USD reaction to the ECB's Monthly Bulletin was much stronger. The pairs volatility was 2.5 times higher than usual. Range of data releases on Friday fuelled trading activities, but market and EUR/USD volatilities were just slightly above their usual levels.

Due to the Bank Holidays in the US we saw rather subdued levels of volatility on Monday. EUR/USD, however, reacted to the Australian New Vehicle Sales data release and the statements released by the Eurogroup during the day. On Tuesday we observed one of those few cases when market and EUR/USD volatilities do not coincide. Market reacted to the Japan's Monetary Policy Statement and following BOJ Press Conference, but EUR/USD continued to show half of the usual volatility. Peaks in the volatility later in the day were caused by the German Economic Sentiment and US Manufacturing Index.

Overall volatility in the market remained subdued—elevated volatility was observed in 16% of the time (historical level at 30-35%) and average volatility was 80% of the long term level.

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

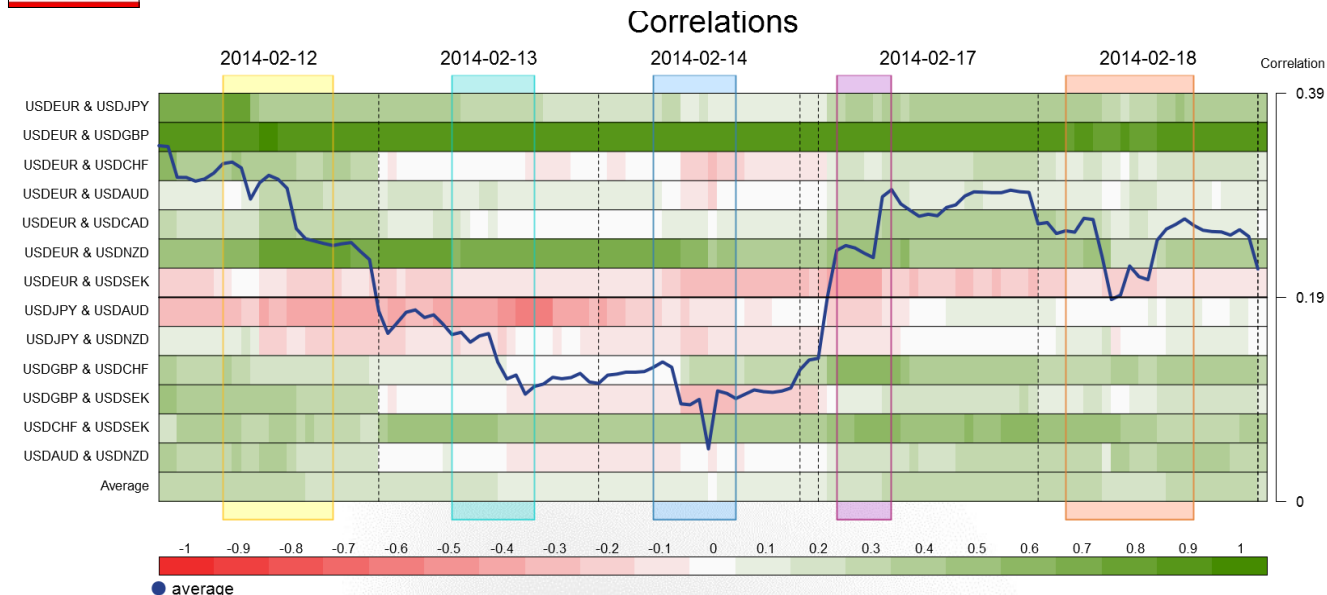
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
16	21	13	36	12	12	18	22	29	12	20	10

### Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.7	3.2	3.6	2.3	4.3	1.7	2.7	3.5	2.7	2	4.7	2.1
Min	0.4	0.2	0.1	0.2	0.3	0.2	0.3	0.2	0.2	0.3	0.2	0.3
Average	0.8	0.8	0.7	0.9	0.8	0.7	0.7	0.8	0.8	0.7	0.8	0.7



# Currency Significance

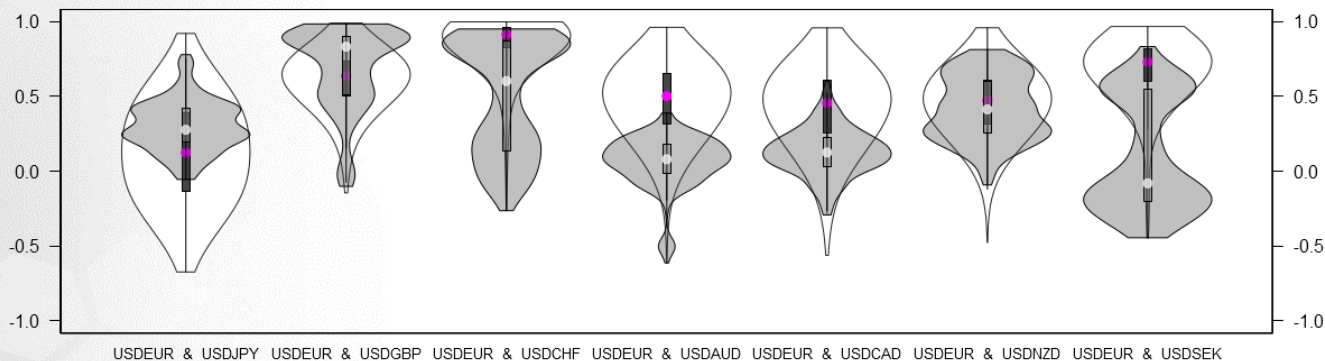


Significance of the USD in the markets, expressed as average correlation between the various USD crosses, decreased noticeably in the period of analysis. It started the period at 0.34 and ended it at 0.22. In the second part of the last week the gauge showed clear downward trend. It hit the lowest level (0.05) on Friday during the release of the US Preliminary Consumer Sentiment. Such results were expected as all of the scheduled data releases from the US from Wednesday to Friday came out either worse or at the expected levels. Taking in to account policy of the Fed this undermined the interest in the USD substantially. The gauge started to recover after that and hit 0.29 on Monday noon.

However, this positive note was just a temporary happening as Japanese and German data and ECOFIN meetings dragged the gauge till 0.19. US Manufacturing Index data provided some support and helped the gauge to close at 0.22.

Main differences in the short, medium and long term correlations are seen between USD/EUR and other USD/European currency (GBP, CHF and SEK) crosses. It seems that BOE Inflation Report and governors speech on Wednesday had the biggest influence on this. ECB's Monthly Bulletin on Friday, Eurogroup (Monday) and ECOFIN (Tuesday) meetings create significant informational noise as well.

## Correlations (20 vs 130 days)

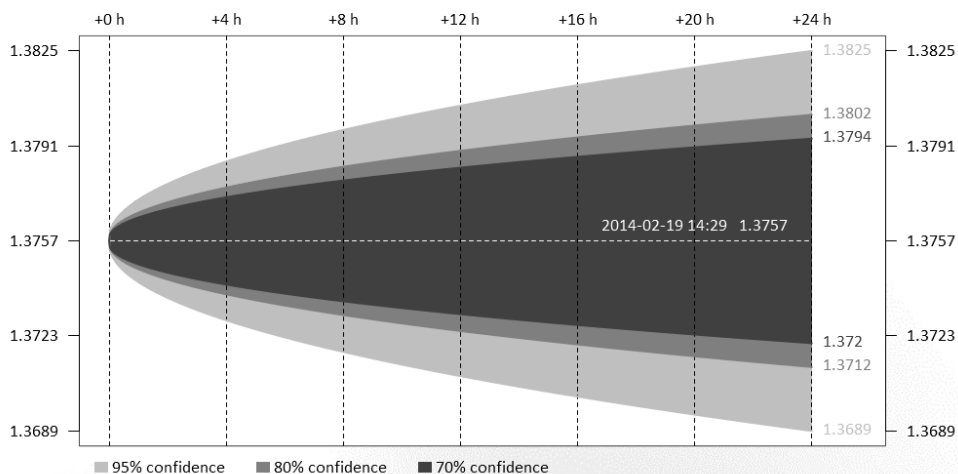


## Mean Correlation Coefficient (with USDEUR)

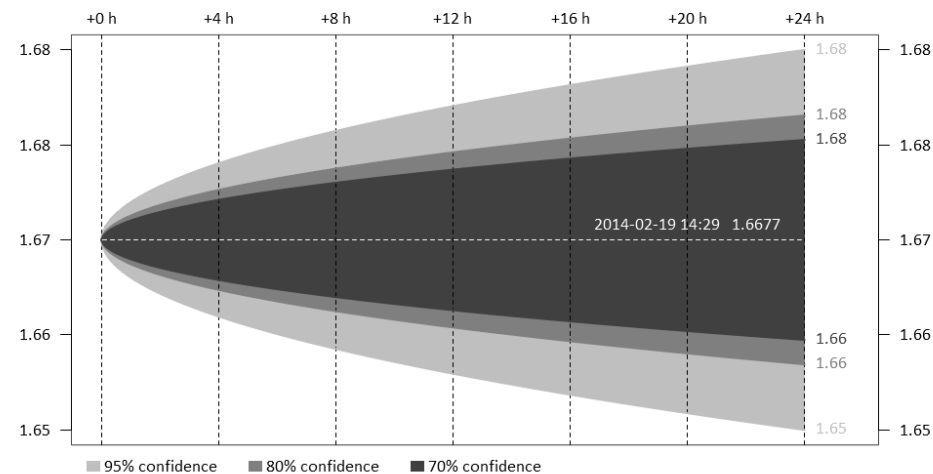
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.36	0.9	0.13	0.11	0.19	0.54	-0.19
20	0.3	0.68	0.5	0.06	0.13	0.41	0.1
130	0.3	0.57	0.8	0.31	0.26	0.36	0.54

# Confidence Intervals for Next 24 Hours

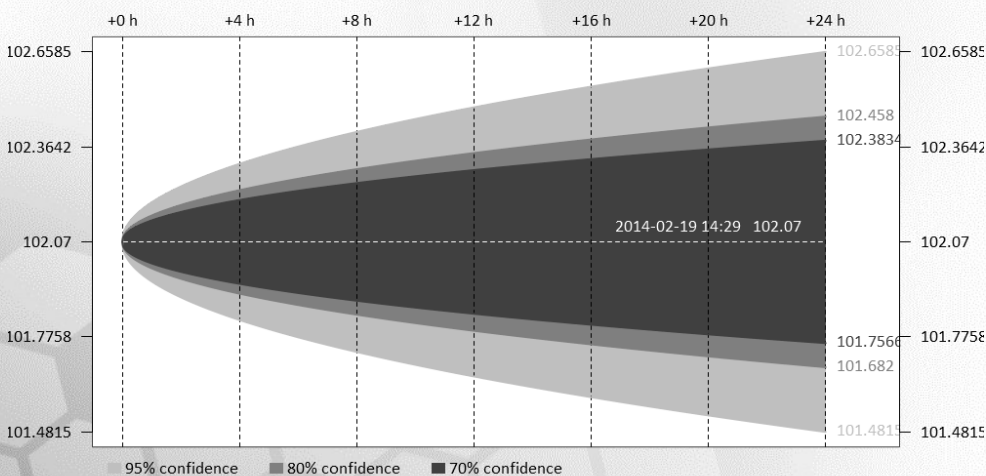
EURUSD Potential Rates



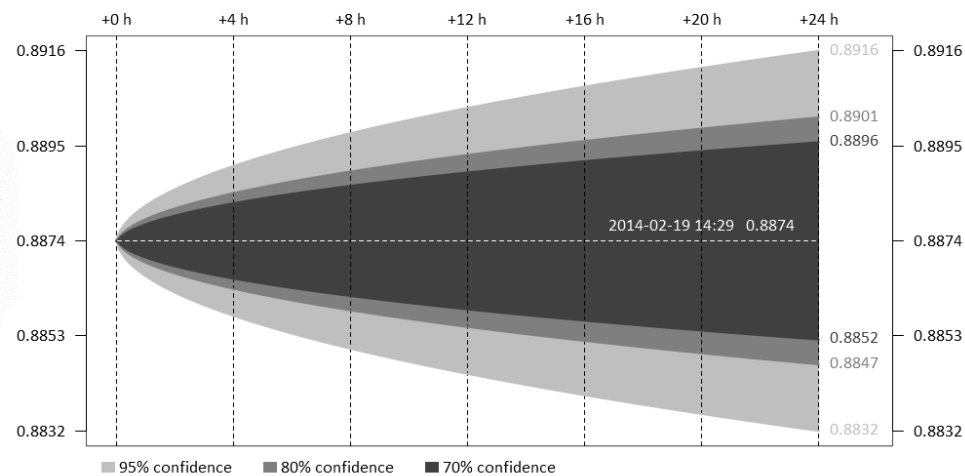
GBPUSD Potential Rates



USDJPY Potential Rates



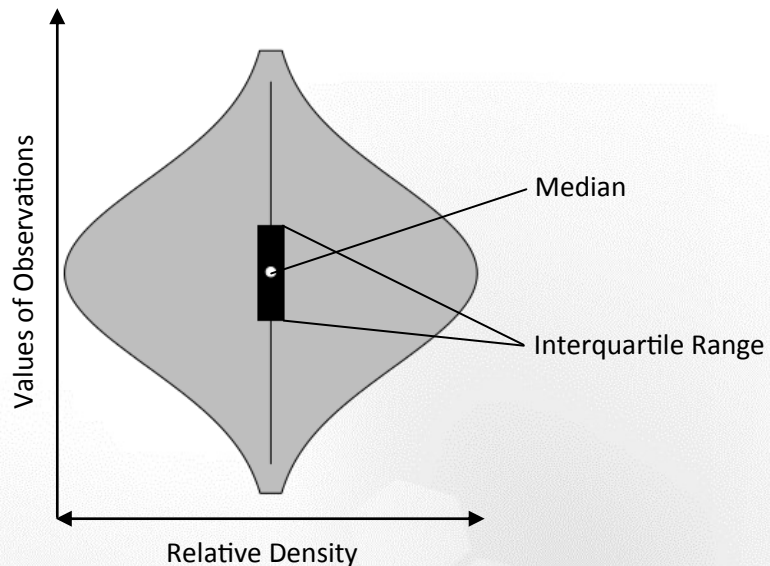
USDCHF Potential Rates



# 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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