



USD

05/03/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area

February 26

09:00 - 19:00

- MPC Member Broadbent Speaks
- UK Prelim Business Investment
- German 30-y Bond Auction
- US New Home Sales
- US Crude Oil Inventories

Turquoise Area

February 27

07:00 - 21:00

- German Prelim CPI
- Eurozone M3 Money Supply
- US Core Durable Goods Orders
- US Unemployment Claims
- Fed Chairman Testifies

Blue Area

February 28

07:00 - 18:00

- Eurozone CPI Flash Estimate
- Eurozone Unemployment Rate
- US Prelim GDP
- US PMI
- US Consumer Sentiment

Purple Area

March 3

07:00 - 21:00

- Eurozone Final Manufacturing PMI
- UK Manufacturing PMI
- US Personal Spending
- ECB President Speaks
- US Manufacturing PMI

Orange Area

March 4

6:00 - 12:00

- Spanish Unemployment Change
- UK Construction PMI
- Eurozone PPI
- MPC Member Cunliffe Speaks

USD Currency Index Range

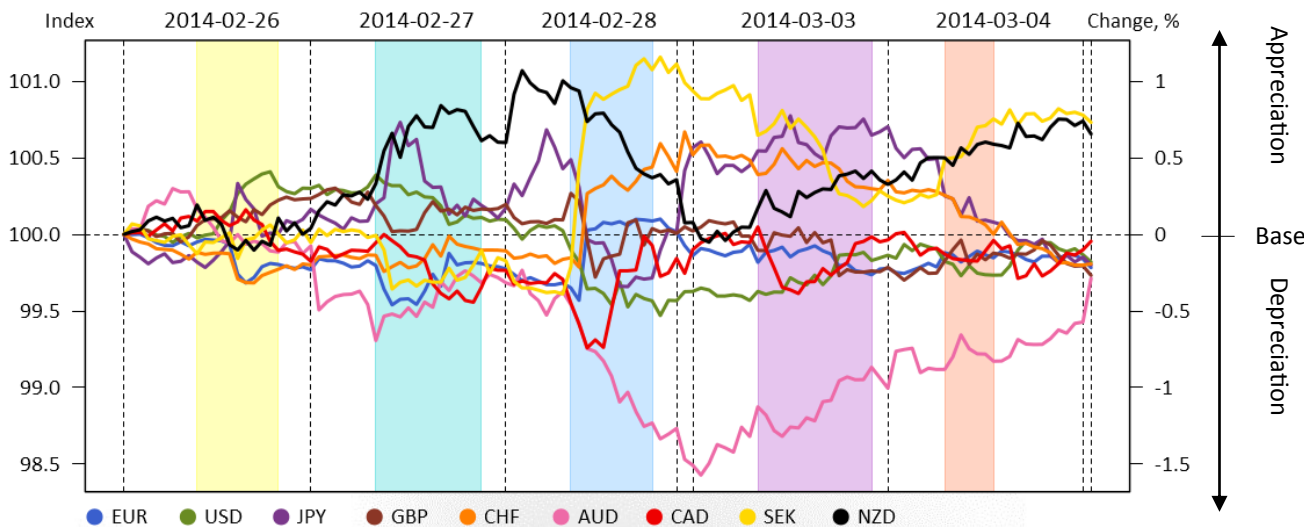
0.43%	0.32%	0.37%	0.27%	0.09%
1.2	1.28	1.76	1.2	1.18

Average EUR/USD Volatility Index



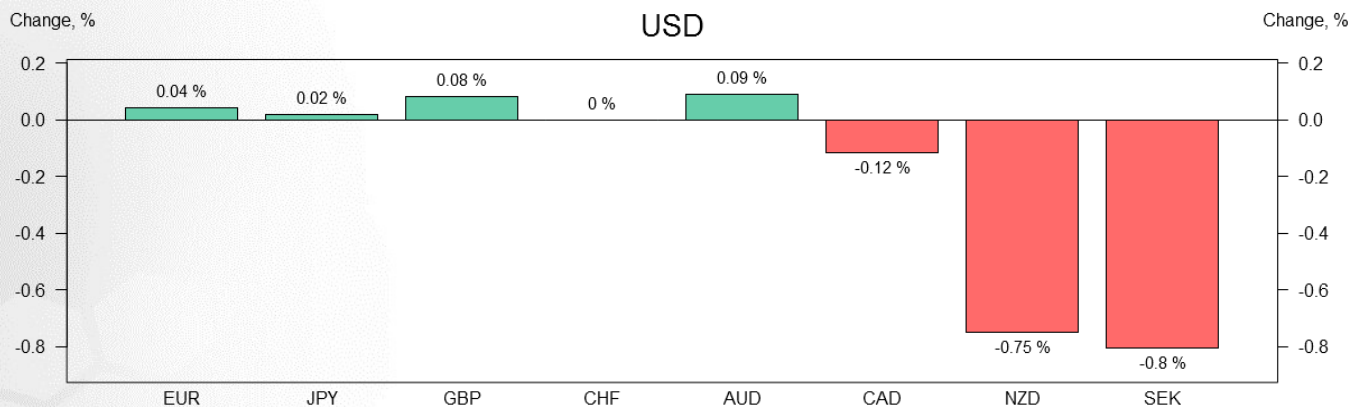
Relative Currency Strength

Currency Indices



As most of the other currency indices, USD, ended the period of analysis below the base (opening value). The only two noticeable outperformers were the SEK and NZD Indices. The first one benefited heavily from the Eurozone data on Friday and yesterday, whereas the latter one got a boost from the Asia-Pacific data releases on weekend. USD index started the period with a 0.4% gain on the back of the New Home Sales data. That was the highest level of the index in the period of the analysis. It started to demonstrate clear bearish bias on Thursday as major data releases from other economies were coming out better than expected and US numbers, even when better than expected, weren't that optimistic.

Index continued to trail lower on Friday as better than expected Eurozone data early in the day directed some of the capital flows from the USD. Although we saw mixed results in the data releases from the US later in the day, the good ones managed to stabilise the dollar as it hit the lowest level in the period, 0.53% below the base value. Index started to slowly climb higher afterwards as slightly better than expected, low to medium impact, data releases from the US helped it to gain 0.2%. We saw few rather low impact data releases from the US yesterday. That didn't change much for the USD index as it ended the period 0.18% below the base value. Most of the other currency indices, showed pretty similar, 0.2% below the base value, results as well.



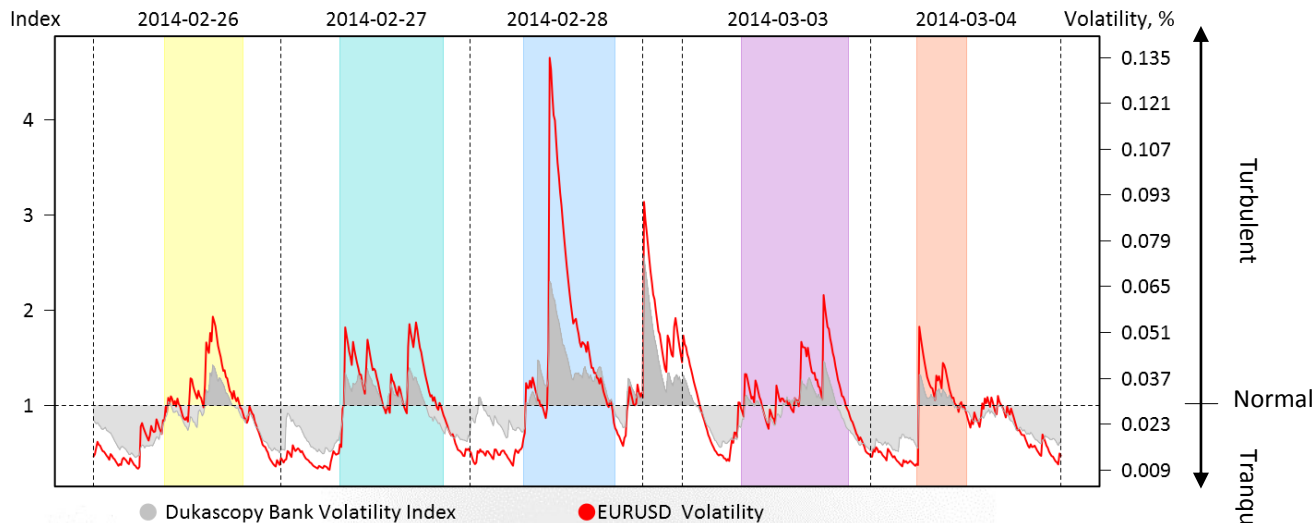
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.21%	-0.18%	-0.21%	-0.25%	-0.19%	-0.29%	-0.05%	0.73%	0.62%
20	0.69%	-1.16%	-1.95%	1.07%	0.95%	-0.18%	-1.12%	0.13%	1.25%
130	2.31%	-2.26%	-5.46%	5.62%	3.63%	-2.23%	-7.85%	0.44%	5.76%



Volatility

Volatility



We didn't see any more of major mismatches between the EUR/USD and market (Dukascopy Bank Volatility Index) volatility patterns as it was becoming usual in the last few weeks. We saw rather few data releases on Wednesday at all, due to this, EUR/USD volatility, surprisingly, peaked till 2 times the usual (long term) level during the release of New Home Sales numbers. Range of data releases, around 3 times more than on Wednesday, kept the EUR/USD volatility fuelled till 1.8-1.7 times the normal level for most of the day. Highlight of the week was seen on Friday as Eurozone CPI Flash Estimate and Unemployment Rate numbers boosted the EUR/USD volatility level till the highest level in the period—4.6 times the usual level.

Market Volatility at the same time was at the second highest level in the period—2.4 times higher than usual. Second highest EUR/USD and highest market volatility, 3 times and 2.6 times higher than usual, respectively, was observed slightly after the markets opened on Sunday. Such reaction was caused by the Asia-Pacific data releases on Saturday and Sunday. Monday and Tuesday were much calmer, we saw very few peaks in volatility and the ones that took place were between 1.5 to 2 times the usual level.

Overall, we saw a rather turbulent period as elevated volatility in the market and most of the crosses was observed in +30% of the time. Besides that, average volatilities in most of the cases are just slightly below their long term values and at it or higher in the rest.

Elevated Volatility (% of the observed period)

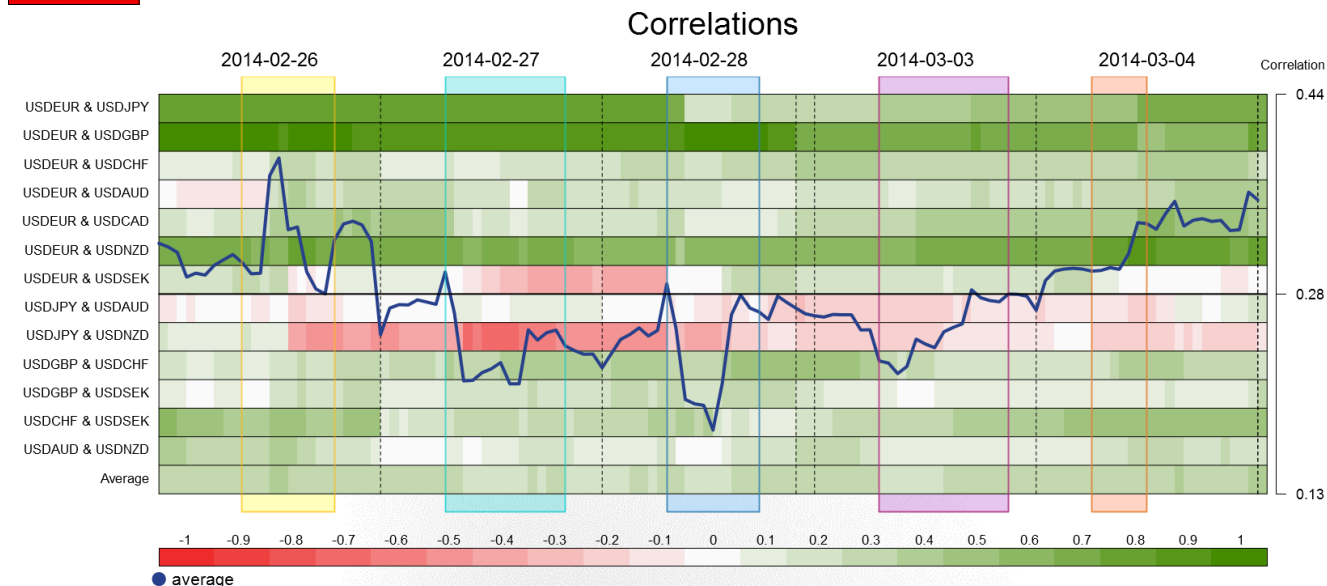
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
39	45	30	40	27	32	37	42	31	51	33	32

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.6	4.6	3.3	2.4	2.9	2.4	2.9	4.3	3.5	5.2	5.4	2.7
Min	0.5	0.3	0.3	0.2	0.4	0.3	0.3	0.4	0.2	0.3	0.2	0.4
Average	0.9	1	0.9	0.9	0.9	0.9	0.9	1	0.8	1.2	0.9	0.9



Currency Significance

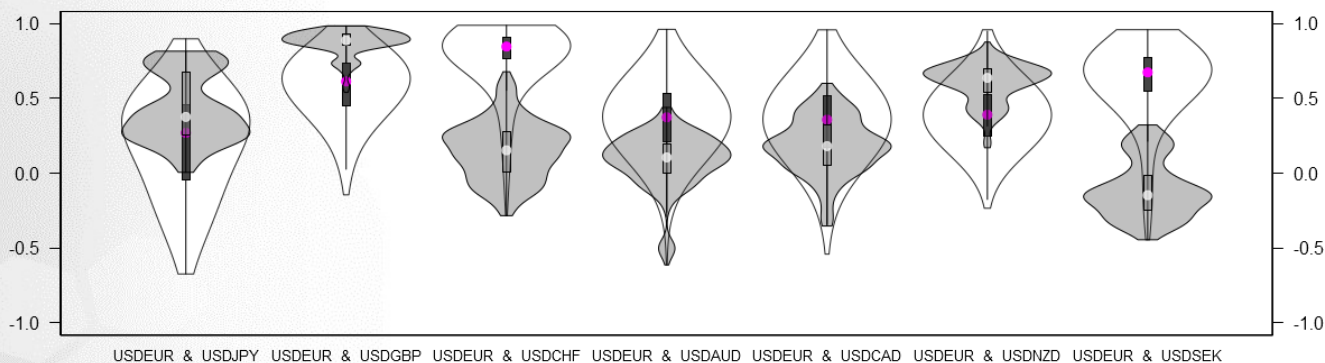


Significance of the USD in the markets, expressed as average correlation between the various USD crosses, showed a minor overall increase in the period of analysis. It started the period of analysis at 0.30 and ended it at 0.34. The gauge received a substantial boost, till the weekly high of 0.40, on Wednesday from the US New Home Sales data. However, it started trailing lower afterwards and with a few ups and downs hit 0.22 on Thursday. Gauge stabilized afterwards, but Eurozone data releases on Friday dragged it to the period low at 0.18. However, shortly after it recovered till 0.28 due to the US data releases later in the day.

From this moment on, the gauge showed mostly north sided trend and managed to rise from Monday low at 0.23 till Tuesday high/period close at 0.34. US Personal Spending and Manufacturing PMI data releases on Monday seemingly had the biggest effect on this.

We are continuing to observe high degree of divergence between short, medium, and long term correlations between USD/EUR and other USD crosses. It is pretty safe to say that some effect is still coming from the New year vacation period and events like G-20 summit, appointment of new Fed chairman and her first testimony etc. We expect these level to normalise as soon as 130 day span will not take new year period in to account.

Correlations (20 vs 130 days)

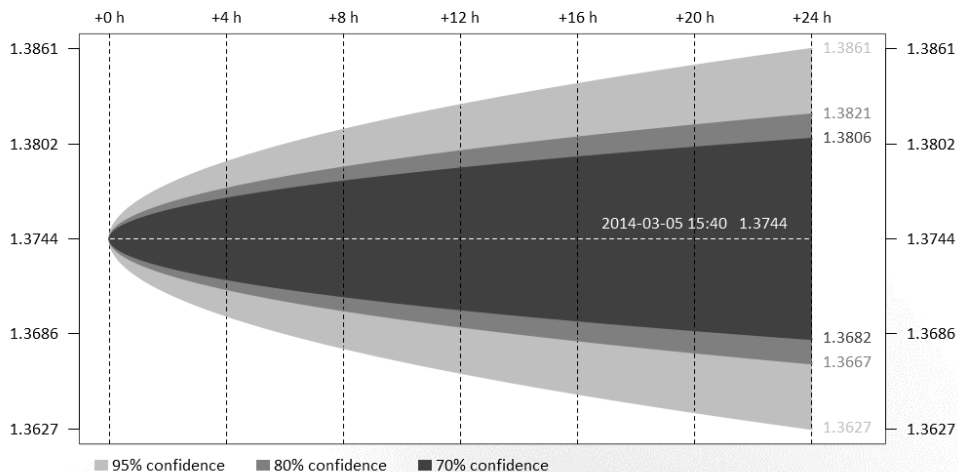


Mean Correlation Coefficient (with USDEUR)

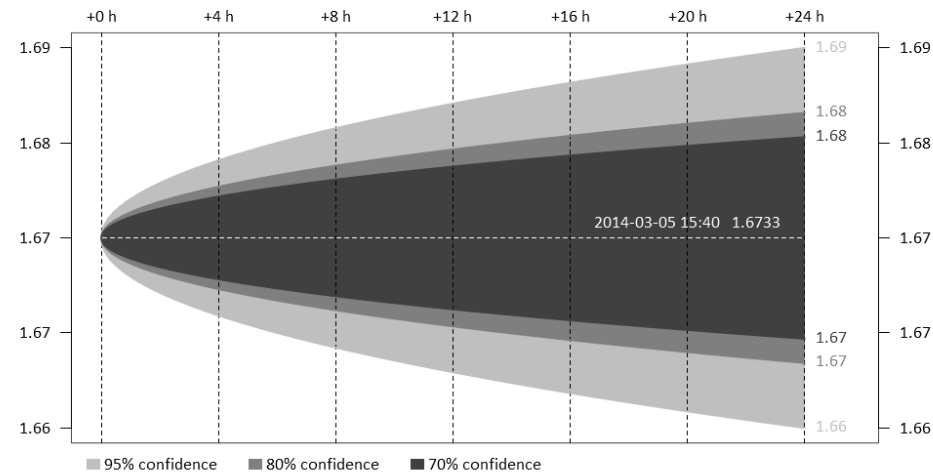
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.61	0.84	0.26	0.21	0.32	0.68	0.05
20	0.43	0.87	0.15	0.08	0.18	0.6	-0.11
130	0.31	0.58	0.75	0.29	0.25	0.38	0.49

Confidence Intervals for Next 24 Hours

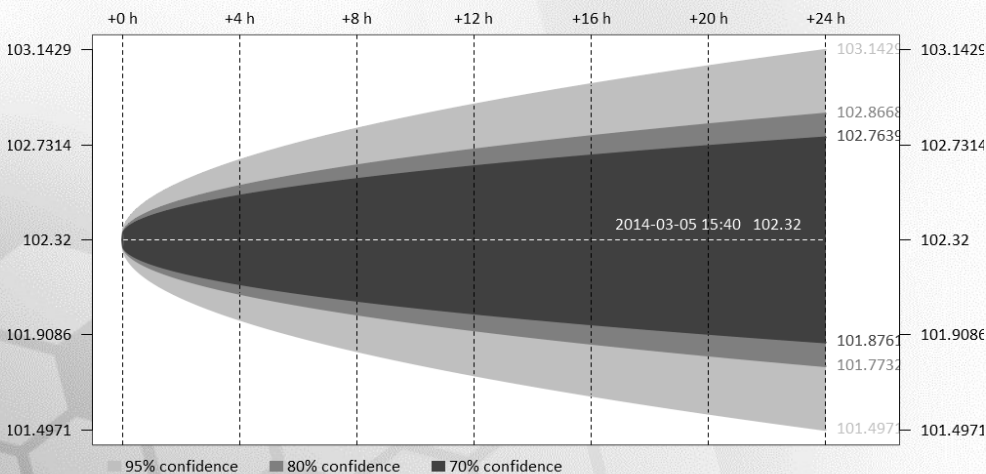
EURUSD Potential Rates



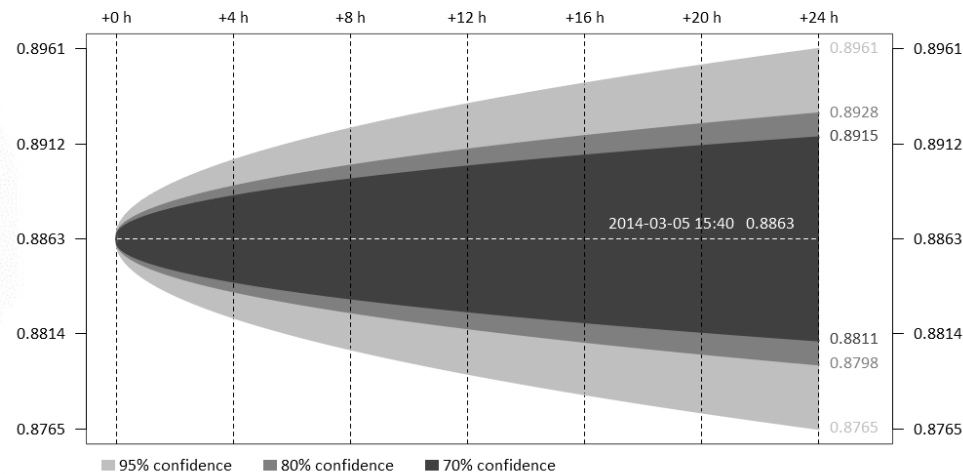
GBPUSD Potential Rates



USDJPY Potential Rates



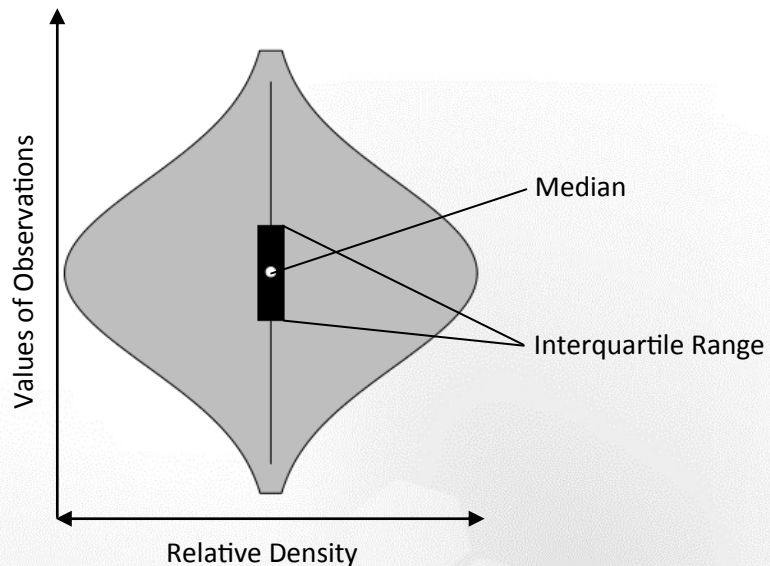
USDCHF Potential Rates



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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