



**EUR**

10/03/2014



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**



# Dominant Events for the Euro

## Yellow Area

March 3

07:00 - 21:00

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

## Turquoise Area

March 4

05:00 - 12:00

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

## Blue Area

March 5

08:00 - 18:00

- Eurozone Final Services PMI
- UK Services PMI
- Eurozone Retail Sales
- US Non-Farm Employment Change
- US Non-Manufacturing PMI

## Purple Area

March 6

12:00 - 21:00

- UK Asset Purchase Facility
- UK Official Bank Rate
- ECB Minimum Bid Rate
- ECB Press Conference
- US Unemployment Claims

## Orange Area

March 7

11:00 - 19:00

- German Industrial Production
- US Non-Farm Employment Change
- US Trade Balance
- US Unemployment Rate
- FOMC Member Dudley Speaks

EUR Currency Index Range

0.19%

0.1%

0.19%

0.14%

0.2%

Average EUR/USD  
Volatility Index

1.19

1.16

1.4

1.82

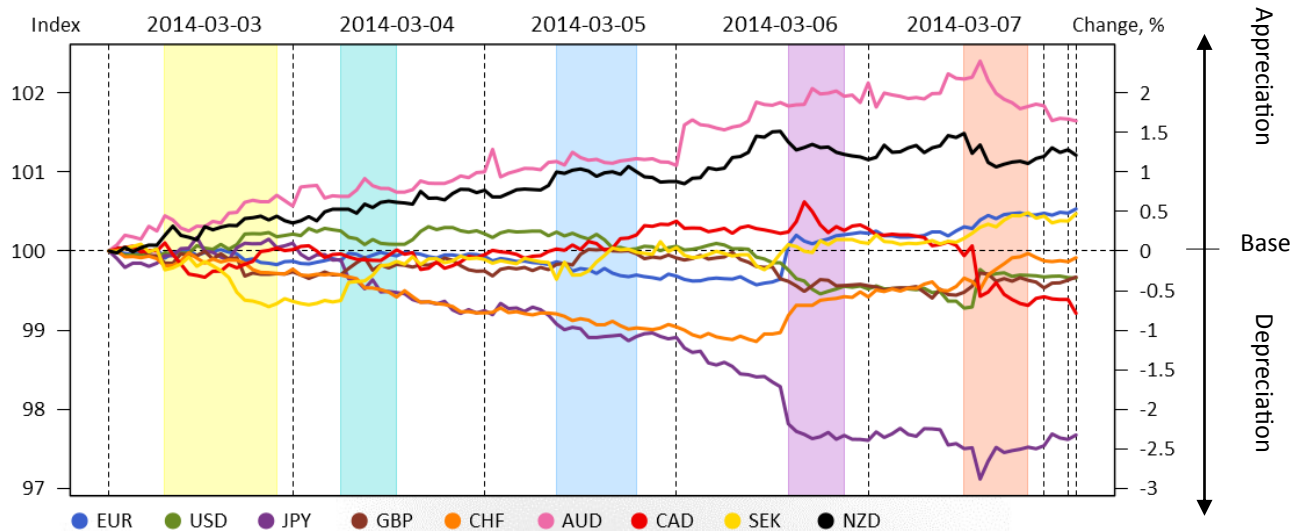
1.4





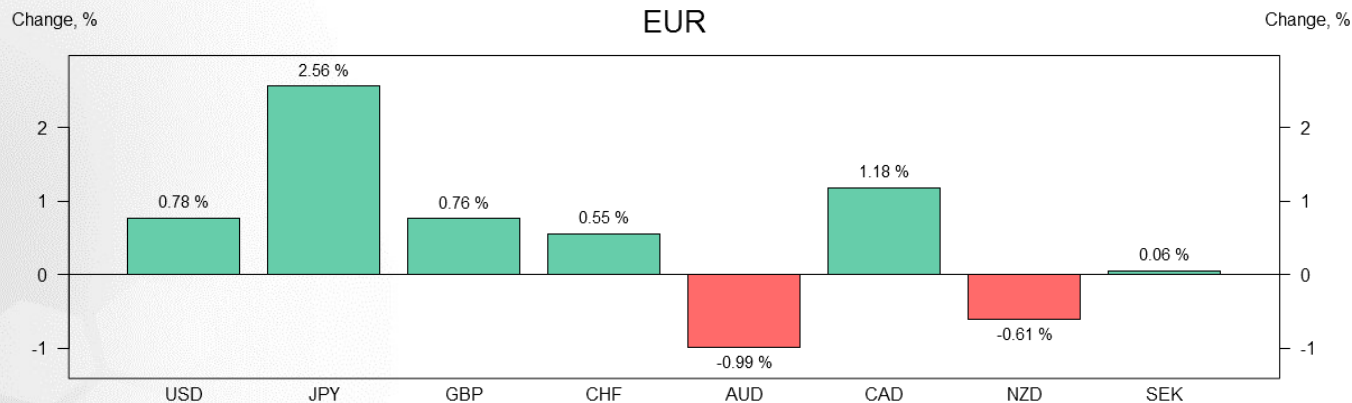
# Relative Currency Strength

Currency Indices



Euro index was one of the best performers last week. It was surpassed only by the aussie and kiwi indices and, despite the 1.2 cap between the EUR/CHF held by the Swiss National bank, even managed to surpass CHF index. Overall, the week was rather calm for the Euro index as the minimum and maximum values were just 0.5% from base (opening) value and we saw only one major move in the period. That was when UK's Asset Purchase Facility and Official Bank Rate and ECB's Minimum bid Rate were announced on Thursday. It helped Euro index to gain 0.6% on the news alone and caused it to demonstrate clear bullish bias for the rest of the period.

Before that, however, Euro index spent clear majority of the time below the base value. Spanish and Italian Manufacturing PMI's on Monday came out slightly worse than expected which send the euro index 0.1% below the base value. Eurozone Final Manufacturing PMI later in the day came out as expected which stabilized, but failed to reignite the confidence in the Euro. It remained around 0.1% below the base value till Wednesday. That's when it started to slowly trail lower and hit the period low, 0.5% below the base value, right before the mentioned UK's and ECB's data releases on Thursday. JPY was the worst performance last week. It suffered heavily from the changed risk appetite and comments by the advisors to the Japan's 1.26 trillion USD public pension fund.



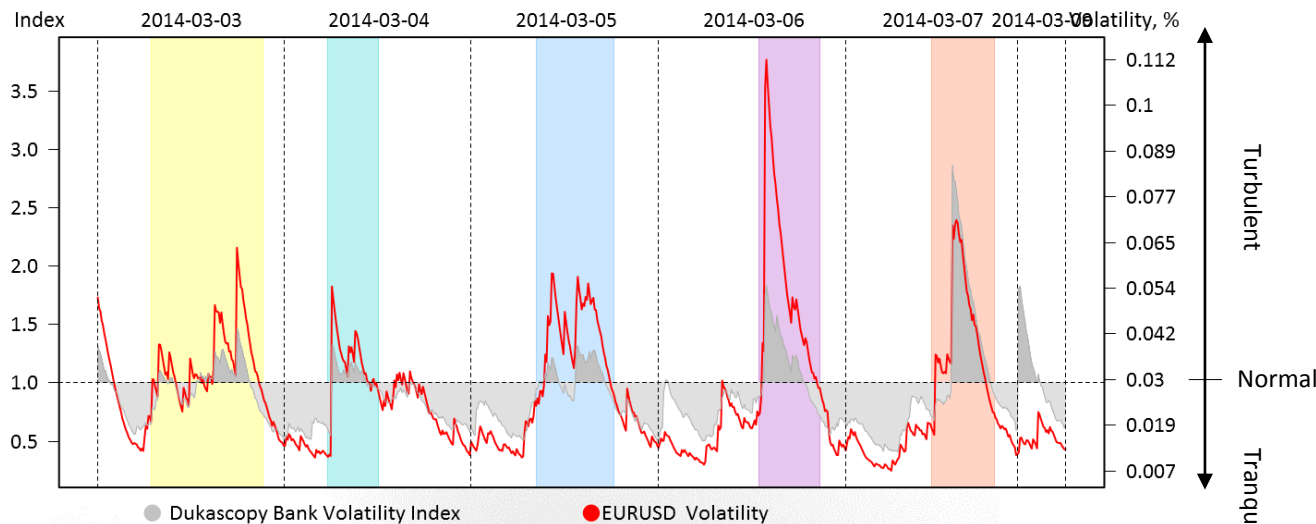
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.55%	-0.3%	-2.21%	-0.34%	-0.01%	1.52%	-0.91%	0.43%	1.12%
20	0.86%	-1.26%	-2.07%	0.93%	1.4%	0%	-2.14%	0.67%	1.18%
130	3.59%	-2.8%	-6.12%	5.2%	5.51%	-3.75%	-9.06%	2.32%	5.11%



# Volatility

## Volatility



We saw a slight decrease in volatility last week. Elevated volatility in the market (Dukascopy Bank Volatility Index) was observed in 28% of the time whereas historic average is at around 35%. Same gauge in the currency pair's was noticeably below historical levels as well. Besides that, average volatilities of currency pairs were below the usual (long term). Substantial volatility levels were seen only in CHF crosses, which most likely happened due to informational noise created by the recent referendum vote on quotas for immigrants to the Switzerland.

The highest EUR/USD volatility, 3.8 times the usual level, was observed on Thursday .

That's when UK's Asset Purchase Facility numbers and rates from BOE and ECB were announced. Highest level of market volatility was seen on Friday when a range of high impact data releases took place in US and Canada. This caused market volatility to be almost 3 times higher than usual. During the other days the EUR/USD and market volatilities were following the same path, but the latter, as it is rather common, was subdued during the peaks in EUR/USD volatility. Monday and Wednesday were rather similar as volatility was above the usual levels for the most of the period of interest during the day due to the range of data releases/events taking place in the Europe and elsewhere. Tuesday was the most tranquil day as there was very few data releases at all.

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

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
28	34	22	29	23	30	39	30	25	44	22	28

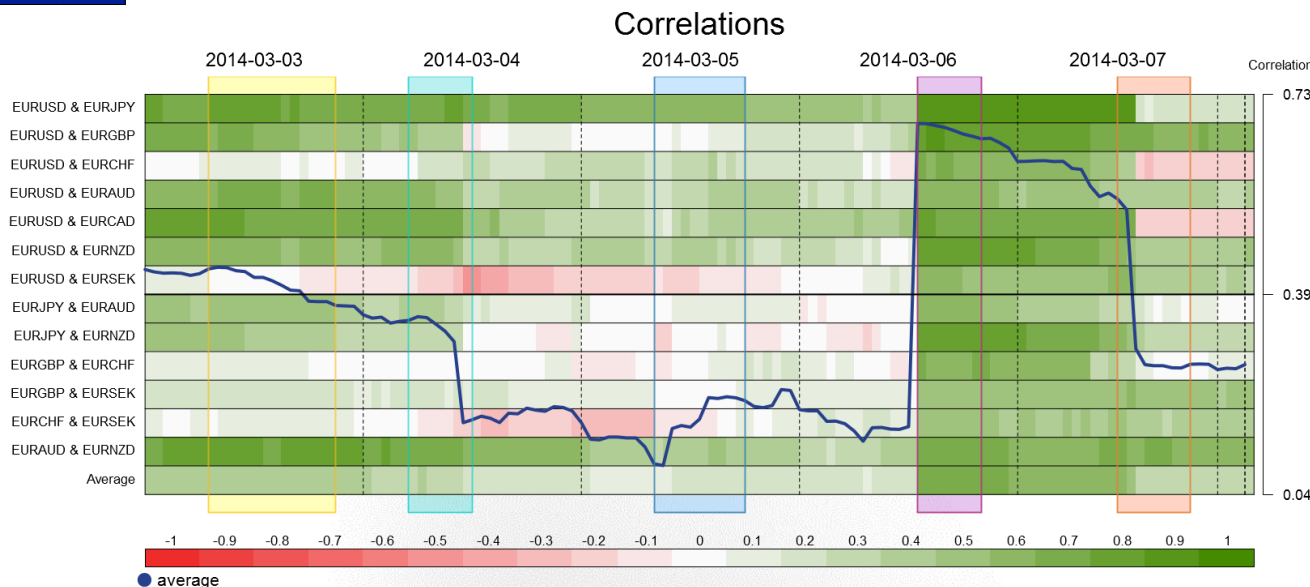
### Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.9	3.8	5.1	2.4	3.2	5.9	3.3	3.8	2.3	2.6	2	3.4
Min	0.4	0.2	0.4	0.2	0.4	0.3	0.3	0.4	0.2	0.3	0.2	0.4
Average	0.9	0.9	0.9	0.8	0.9	0.9	1	0.9	0.8	1	0.8	0.9





# Currency Significance

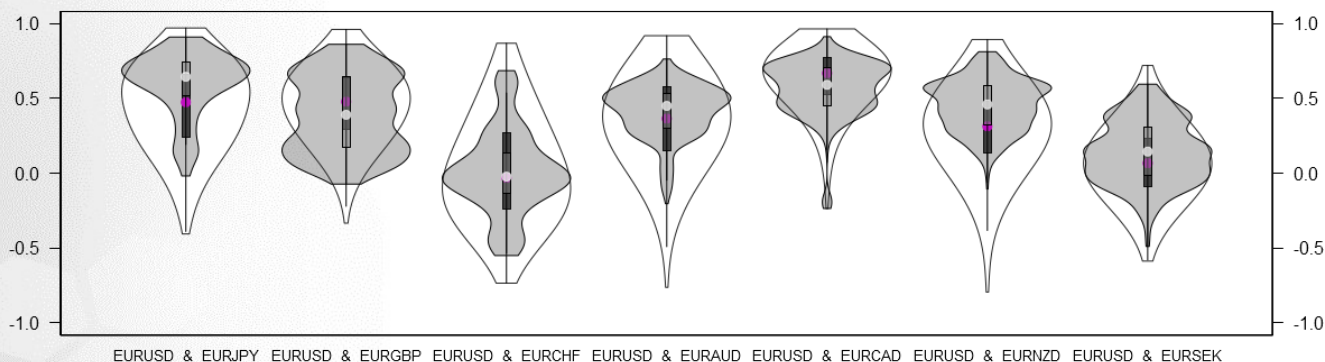


Significance of the Euro, expressed as average correlation between various Euro crosses, decreased noticeably in the period of the analysis. It started the period at 0.44 and ended it at 0.27. Gauge started trailing lower right from the very beginning and was at 0.34 on Tuesday right before the release of Eurozone PPI numbers. It caused the traders to start looking in to other regions and dragged the gauge till 0.12. Release of the Eurozone Final Services PMI on Wednesday dragged to gauge till the lowest level in the period—0.09. It didn't change much until Thursday afternoon.

Asset Purchase Facility and Official Bank Rate announcement from the UK and release of the ECB Minimum Bid Rate and following press conference caused the average correlation to skyrocket till the highest level in the period—0.68. However, it did not manage to stay above the 0.60 and trailed till 0.55 at Friday noon. That when data releases from US and Canada dragged the gauge till 0.27. That's where it spent the rest of the period.

We are observing a higher degree of convergence between the short, medium and long term correlations between EUR/USD and other EUR crosses. However, noticeable difference is observed in EUR/CHF case, possibly due to the informational noise created by the recent referendum on immigration to Switzerland.

## Correlations (20 vs 130 days)



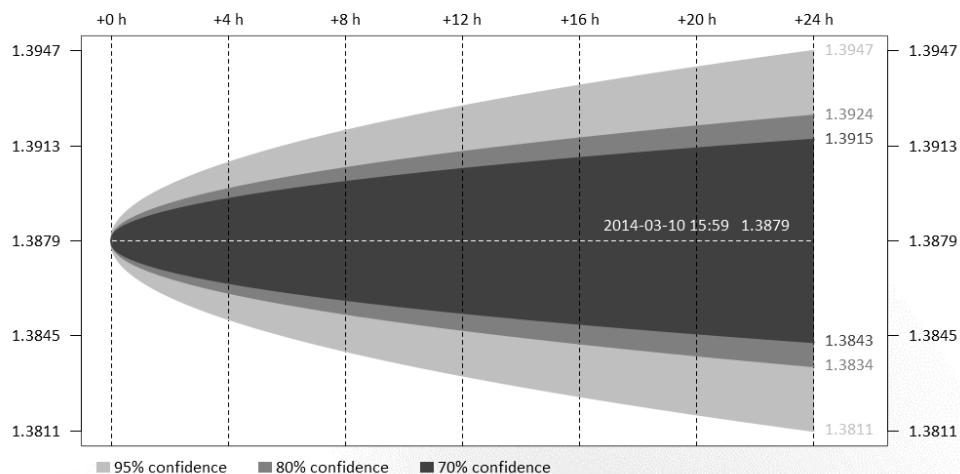
## Mean Correlation Coefficient (with EURUSD)

Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.64	0.41	0.21	0.44	0.47	0.47	0.07
20	0.6	0.39	0	0.41	0.56	0.45	0.14
130	0.45	0.42	-0.14	0.31	0.62	0.27	0.07

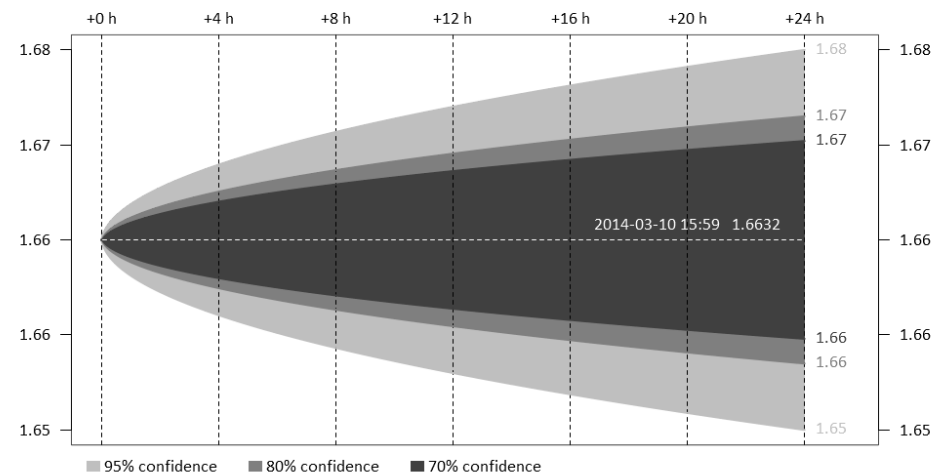
Monday, March 10, 2014  
15:30 GMT

# Confidence Intervals for Next 24 Hours

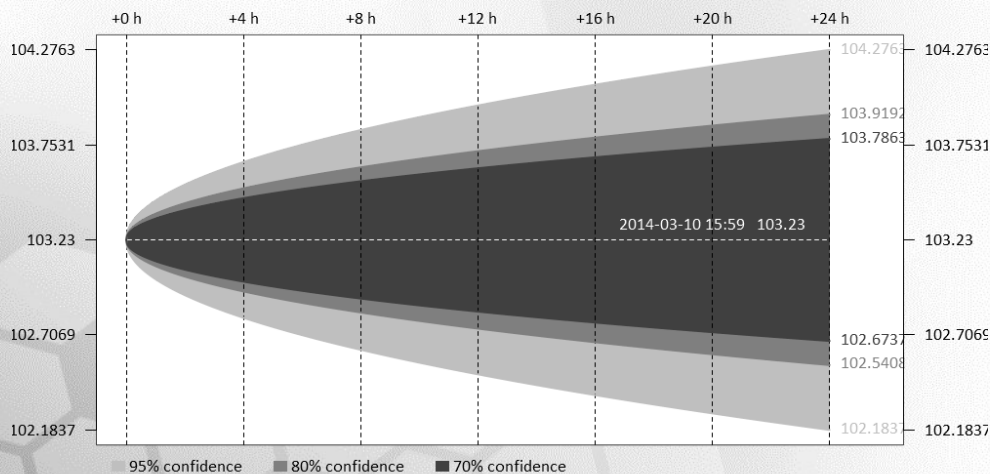
EURUSD Potential Rates



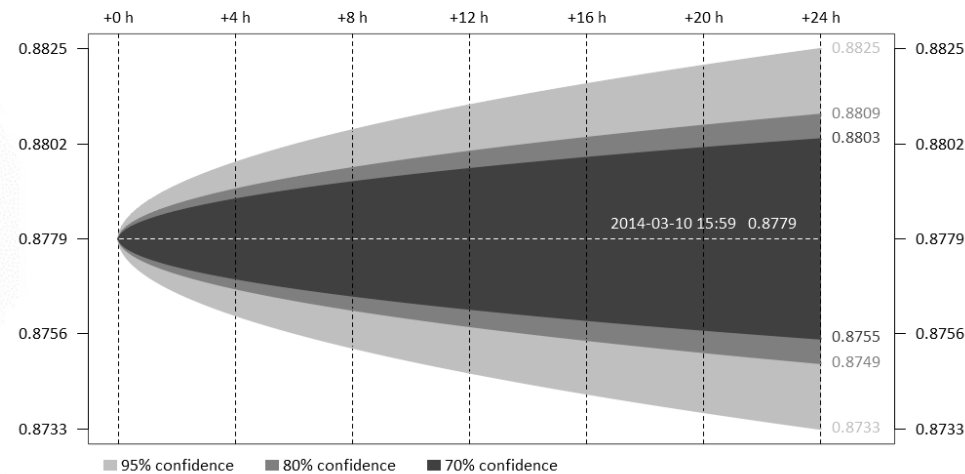
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



## EXPLANATIONS

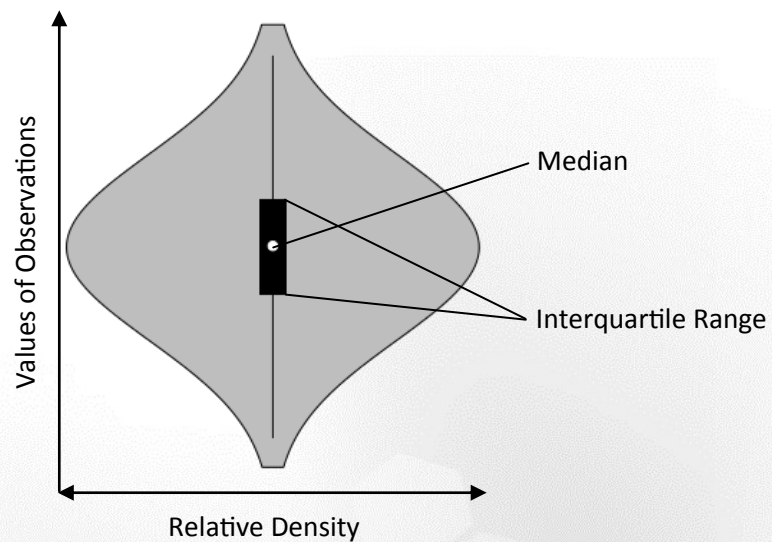
### Violin Plot

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

### Methodologies

Volatility Index

Confidence Interval







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