



**JPY**

14/03/2014



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RESEARCH PRODUCTS



**Market Research**



# Dominant Events for the Japanese Yen

## Yellow Area

March 7

12:00 - 20:00

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

## Turquoise Area

March 10

06:00 - 11:00

- Chinese New Loans
- Chinese Money Supply
- Eurozone Investor Confidence
- FOMC Member Plosser Speaks
- Eurogroup Meetings

## Blue Area

March 11

15:00 - 22:00

- UK GDP Estimate
- ECOFIN Meetings

## Purple Area

March 12

01:00 - 17:00

- BOJ Monthly Report
- BOJ Consumer Confidence
- Eurozone Industrial Production
- US Crude Oil Inventories
- G7 Meetings

## Orange Area

March 13

12:00 - 23:00

- US Retail Sales
- US Unemployment Claims
- US Business Inventories
- US Federal Budget Balance
- Japan's Monetary Policy Meeting Minutes

JPY Currency Index Range

0.4%

0.22%

0.38%

0.5%

1.48%

Average USD/JPY  
Volatility Index

2.34

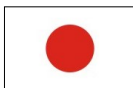
0.93

1.15

0.95

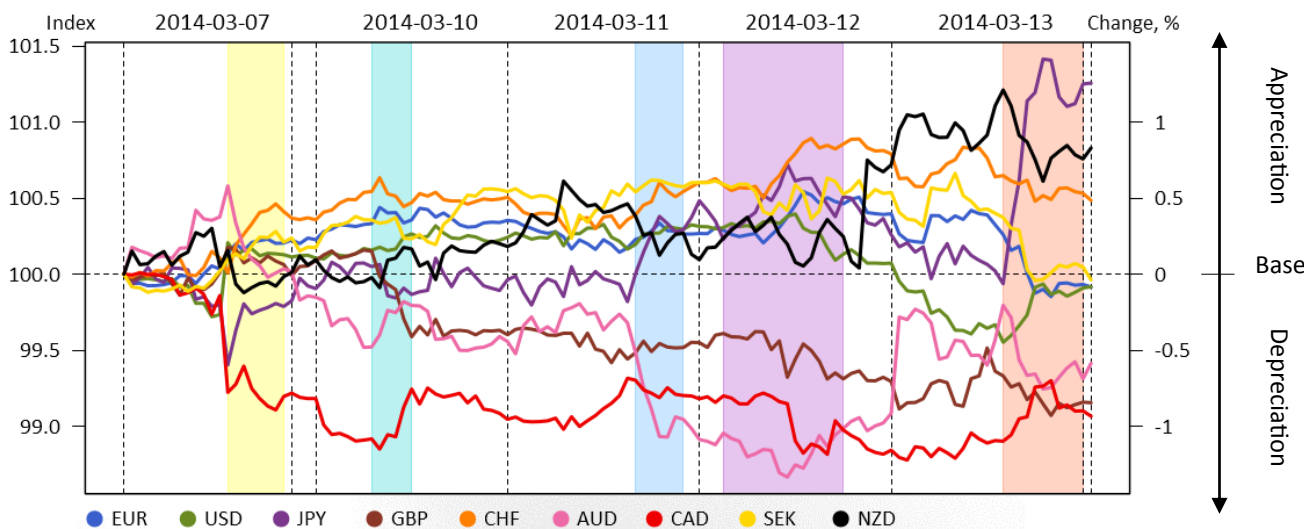
1.49





# Relative Currency Strength

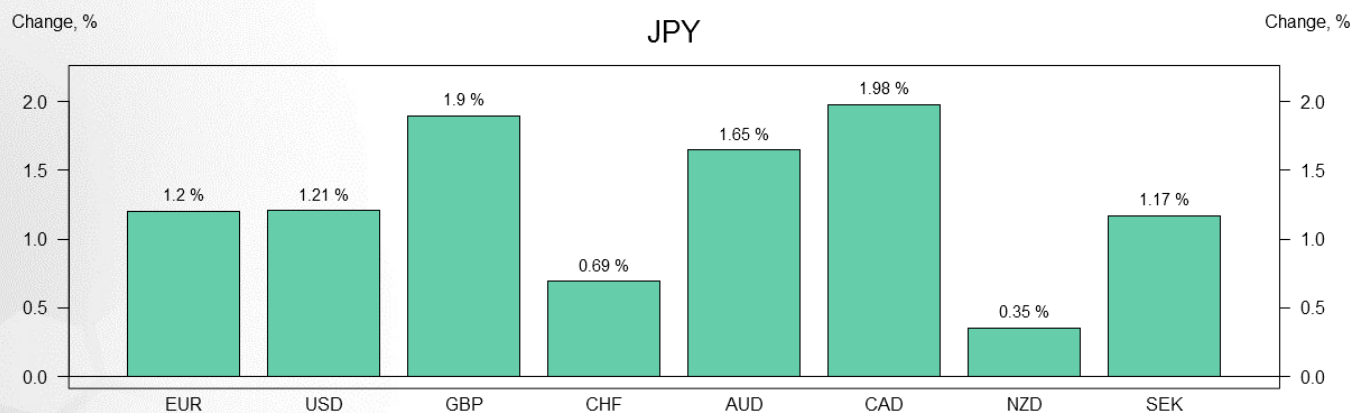
## Currency Indices



JPY index, surprisingly, was the best performer last week closing 1.34% above the base (opening) value. However, as we can see from the graph, this happened mainly due to the gains yesterday which occurred due to changed risk appetite as anxiety over Ukraine renewed. On Friday last week, Yen index lost around 0.4% as better than expected US Non-Farm Employment Change data redirected some of the capital flows towards USD. However, we saw a rather sharp recovery soon after. JPY index remained around base value till Tuesday. That's when JPY index gained 0.35% as investors tried to dodge risk due to concerns about China's economic health and fallen US stock indices.

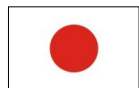
Additional, 0.3%, boost came on Wednesday as BOJ Monthly Report and Consumer Confidence boosted the trust in Yen as a safe haven currency. After that, however, we saw the JPY, together with USD, index to trail down until Friday's noon.

JPY posted gains against all of it's counterparts. The smallest one were 0.35% against NZD, which was boosted by the RBNZ, and 0.69% against CHF, which also, as Yen, benefited from the changed risk perception due to the anxiety over Ukraine. Gains against Euro, greenback and Swedish krona were around 1.2%. Gains against pound, which was hit heavily by the FX oversight by the BOE scandal, amounted to 1.9%. The biggest gains in the period, almost 2%, were posted against loonie which suffered from the US and Canadian data releases on Friday's noon last week.



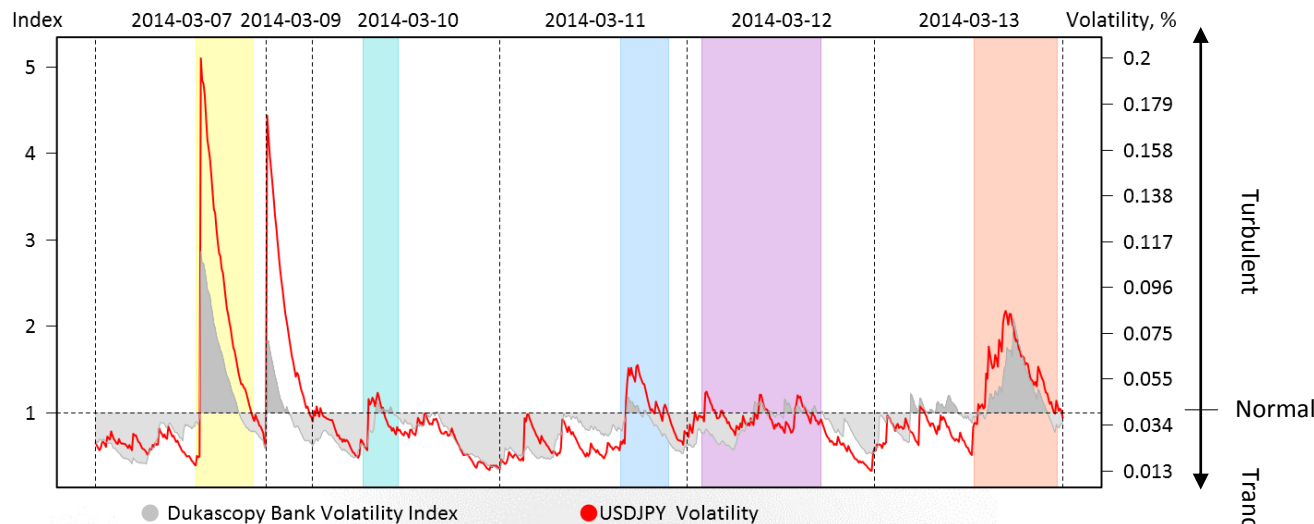
## Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.02%	-0.05%	1.34%	-0.79%	0.45%	-0.77%	-1.03%	0.05%	0.74%
20	0.71%	-0.76%	-0.34%	-0.93%	1.44%	-0.38%	-2.18%	0.45%	1.72%
130	3.25%	-1.29%	-3.43%	4.24%	5.52%	-4.87%	-9.35%	1.04%	4.9%



# Volatility

## Volatility



Despite the political tension in the US and Europe over Ukraine we are continuing to observe rather low levels of volatility in the market. Elevated volatility (above usual) in the market observed in 26% of the time although historical average would be around 30-35%. We do see an increase in average volatility in some of the currency pairs, but in most of the cases it remains substantially below the usual (long term) level (Index value 1).

USD/JPY demonstrated highest levels of volatility at the end of last week. 5.1 times higher than usual volatility was reached on US and Canadian data releases on Friday noon; 4.5 times higher than usual volatility was seen on Sunday, during first hours when market opened.

Investors were trading on Asia-Pacific data which came out during the weekend. Rest of the period was rather tranquil. Minor peak in volatility on Monday was caused by the release of Chinese data. Volatility peak on Tuesday was due to trading on anxiety over Ukraine and overall risk aversion. Events related to BOJ, US, Eurozone data releases and G7 meetings kept the trading activities slightly above the usual levels on Wednesday. Range of US data releases and Japan's Monetary Policy Meeting Minutes fuelled the volatility yesterday as USD/JPY was trading 2 times more intensively than usual. Market volatility was not far behind as well—1.8 times higher than usual.

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

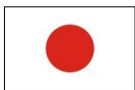
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	26	29	30	37	19	35	31	28	32	20	42

### Volatility Index (for the observed period)

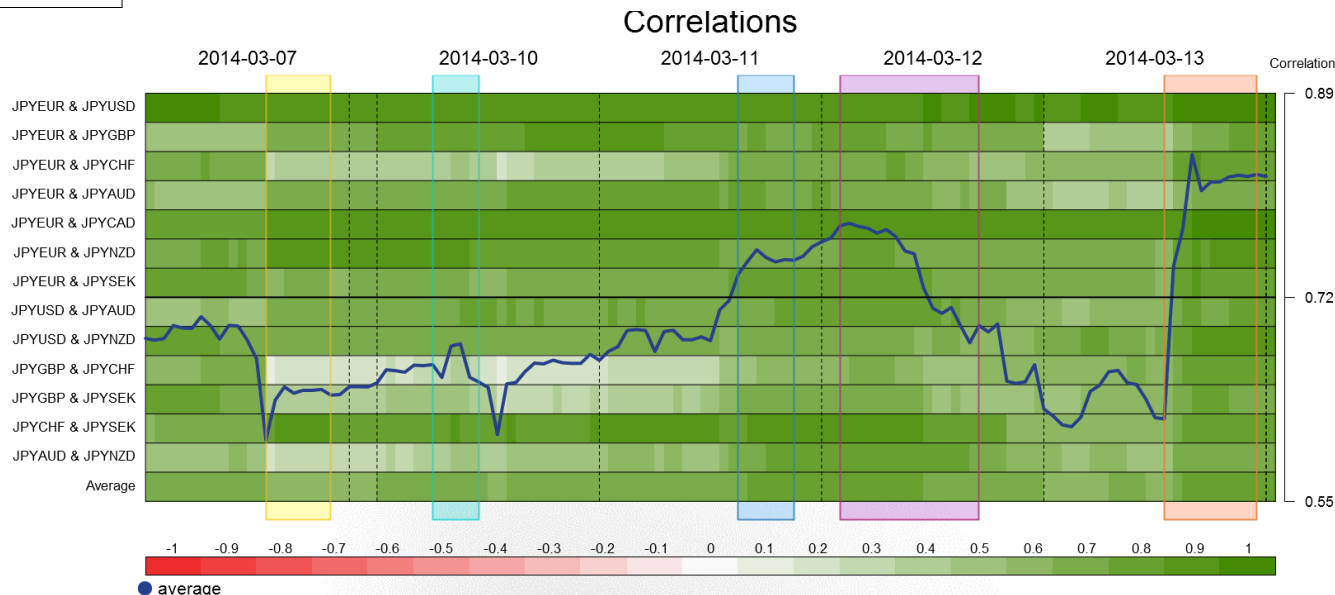
	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.9	3.5	5.1	2.1	3.4	5.9	3.3	3.8	2.6	2.6	2.5	3.4
Min	0.3	0.2	0.3	0.2	0.4	0.2	0.2	0.3	0.2	0.2	0.2	0.4
Average	0.9	0.8	1	0.8	1	0.8	0.9	0.9	0.8	0.9	0.7	1



Friday, March 14, 2014  
15:30 GMT



# Currency Significance

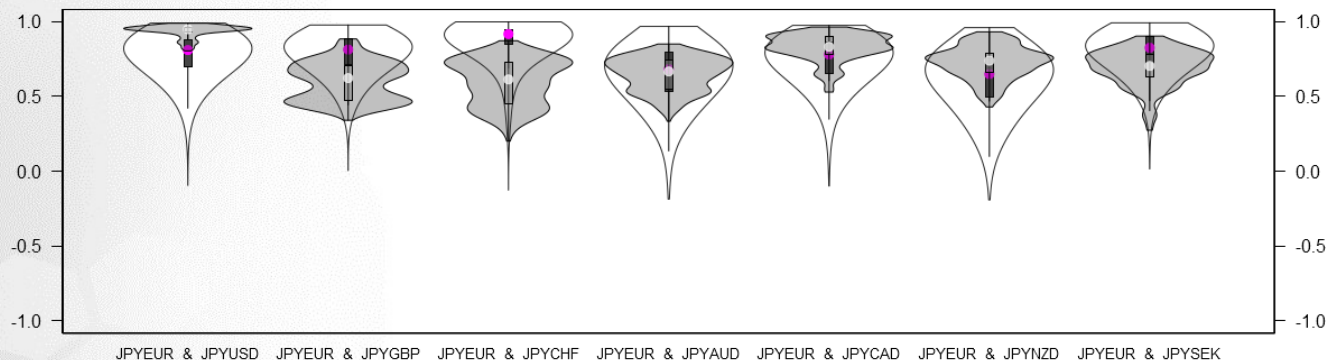


Significance of the Yen, expressed as the average correlation between the various Yen crosses, increased noticeably in the period of analysis; opened at 0.68 and closed at 0.86. First dip in the gauge took place on Friday when range of data coming from the US and Canada shook the market; average correlation dipped till the lowest level in the period—0.59. After that the gauge started to slowly trail higher and hit 0.79 on Wednesday. In between, the gauge hit the second lowest level in the period—0.60. That happened on Monday after Chinese New Loans and Money Supply numbers came out and caused doubts about the health of China's economy.

After hitting 0.79 on Wednesday, the gauge started to slowly trail lower and reached 0.61 on Friday. After the second dip, till 0.62, the average correlation skyrocketed till period high at 0.84. That's happened due to increased interest in safe haven currencies since risk appetite changed as anxiety over Ukraine renewed.

There are very few mismatches between short, medium and long term correlations between EURJPY and various JPY crosses. In NZD case this is mainly due to the informational noise created by the RBNZ comments a few days back. In CHF case is due to changed risk sentiment in the markets and in CAD case it is due to the value shock it receiver after data releases last Friday.

## Correlations (20 vs 130 days)



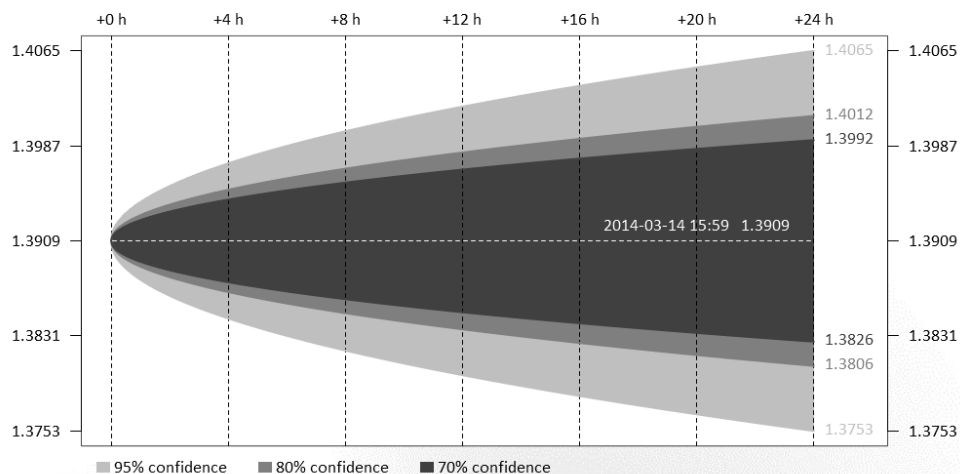
## Mean Correlation Coefficient (with JPYEUR)

Days	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.94	0.71	0.56	0.67	0.9	0.77	0.72
20	0.94	0.6	0.6	0.65	0.82	0.73	0.69
130	0.75	0.71	0.83	0.55	0.66	0.54	0.73

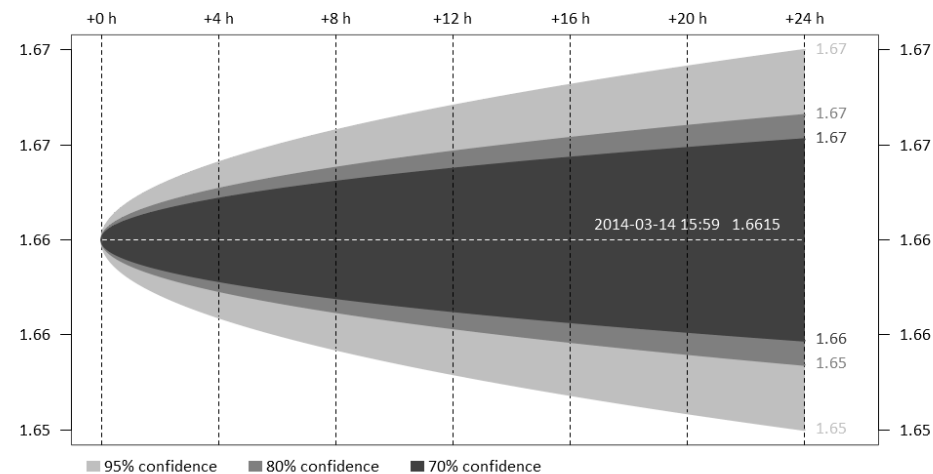
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# Confidence Intervals for Next 24 Hours

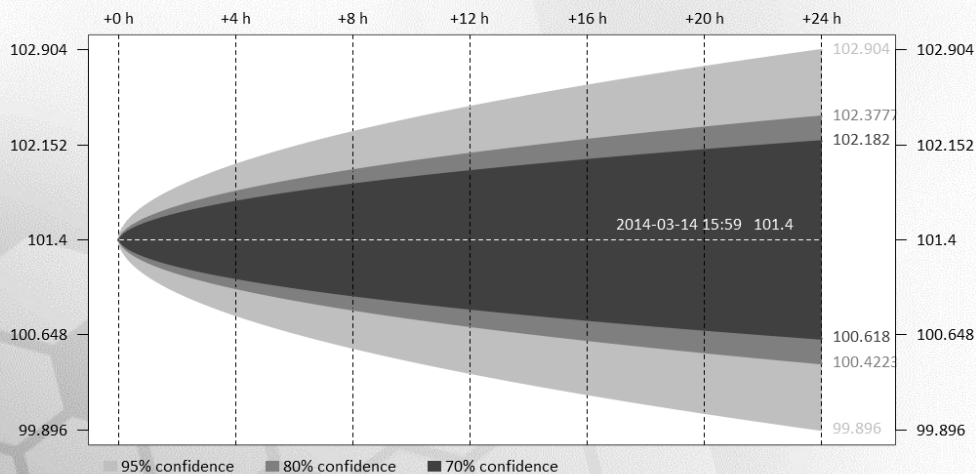
EURUSD Potential Rates



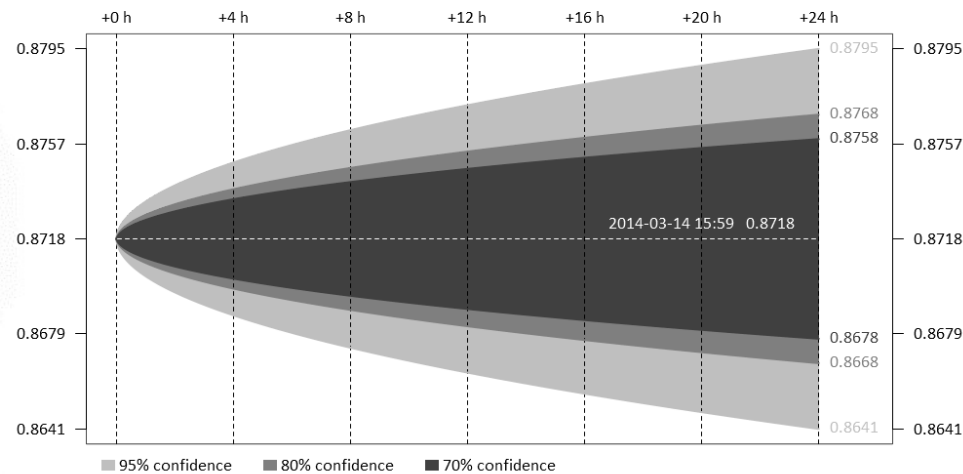
GBPUSD Potential Rates



USDJPY Potential Rates



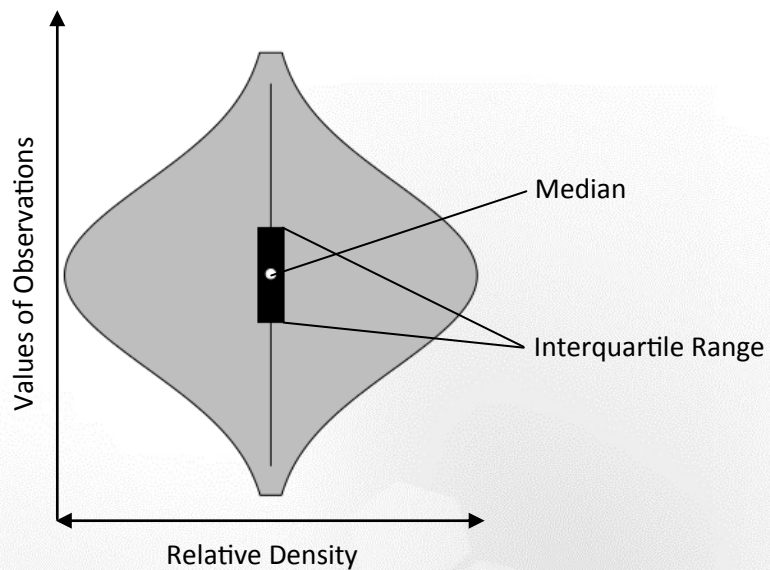
USDCHF Potential Rates



## 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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