



EUR

17/03/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

March 10

07:00 - 17:00

- French Industrial Production
- Italian Industrial Production
- Eurozone Investor Confidence
- FOMC Member Plosser Speaks
- Eurogroup Meetings

Turquoise Area

March 11

8:00 - 19:00

- German trade Balance
- UK Inflation Report Hearings
- UK Manufacturing Production
- US Jobs Openings
- UK GDP Estimate
- ECOFIN Meetings

Blue Area

March 12

08:00 - 17:00

- Eurozone Industrial Production
- Eurozone Trade Balance
- US Crude Oil Inventories
- G7 Meetings

Purple Area

March 13

04:00 - 22:00

- Chinese Industrial Production
- US Retail Sales
- US Unemployment Claims
- US Business Inventories
- US Federal Budget Balance

Orange Area

March 14

09:00 - 20:00

- UK Trade Balance
- UK Leading Index
- Eurozone Employment Change
- US PPI
- US Preliminary Consumer Sentiment

EUR Currency Index Range

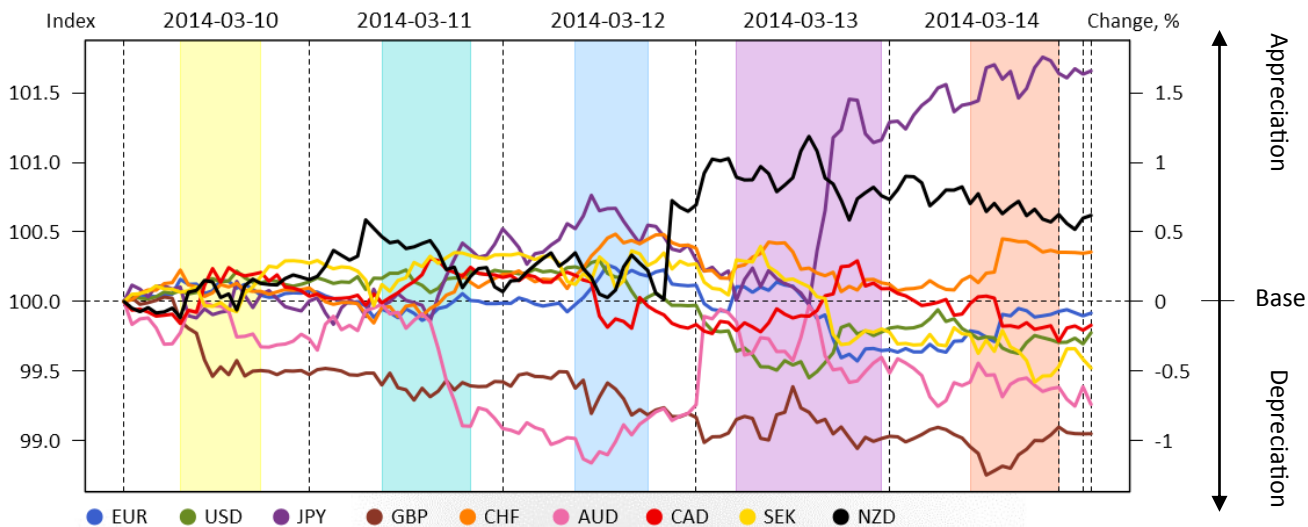
0.11%	0.19%	0.28%	0.57%	0.24%
0.96	0.82	1.03	1.39	1.24

Average EUR/USD
Volatility Index



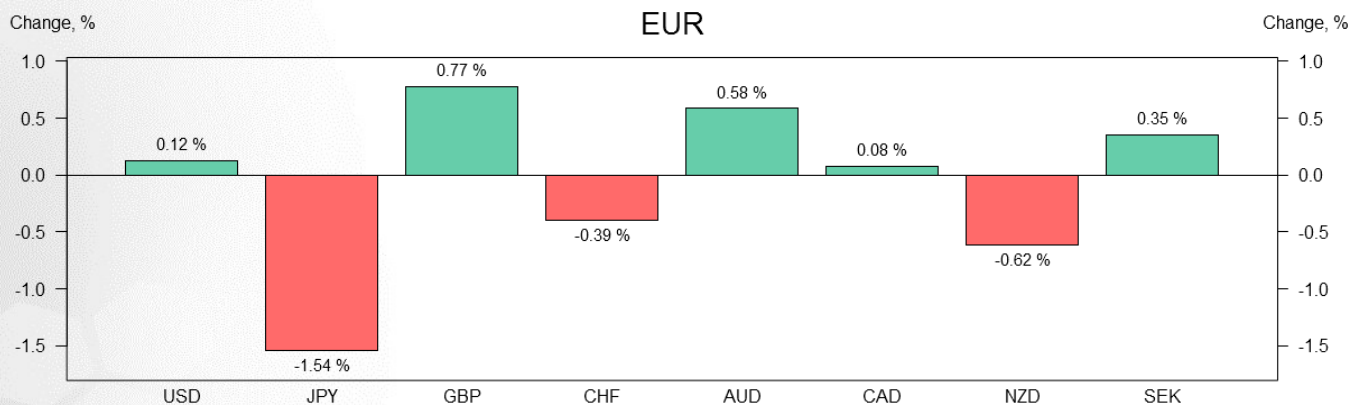
Relative Currency Strength

Currency Indices



Amid a lack of fundamental data from Europe, and a bunch of important economic data releases from Australia, Japan and New Zealand it was not a surprise that the single currency managed to change only by 0.1%. Moreover, despite a fluctuation in a 135-pip range, the most traded currency pair was almost unchanged over the observed period. With almost 70% of opened position being short on EUR/USD and with the single currency being sold in 64% of the time, it was not a surprise that the Euro index remained around the base value in the first half of the week and moved lower closer to Friday. The U.S. Dollar index lost only 0.27% even despite positive retail sales and jobless claims on Thursday.

Last week's highlights were RBNZ's meeting and a series of reports from Japan, as ahead of April's sales tax hike each set of data has stronger market impact. On Thursday the Japanese Yen rocketed 1.07% as Japan's manufacturing data came stronger-than-expected, while renewed anxiety over China and Ukraine boosted demand for safe haven. A rate hike from the RBNZ was already priced in by markets, as constant flow of positive data pushed analysts to invest in the New Zealand currency. Therefore, the Kiwi advanced only 0.65% over the period, while more rate hikes are suggesting only further rise of the New Zealand currency. At the same time, BoE's deputy governor's Charlie Bean comments about too strong Pound dragged the Sterling down over the week, resulting in a 0.93% drop, and even positive manufacturing data was not able to limit losses.



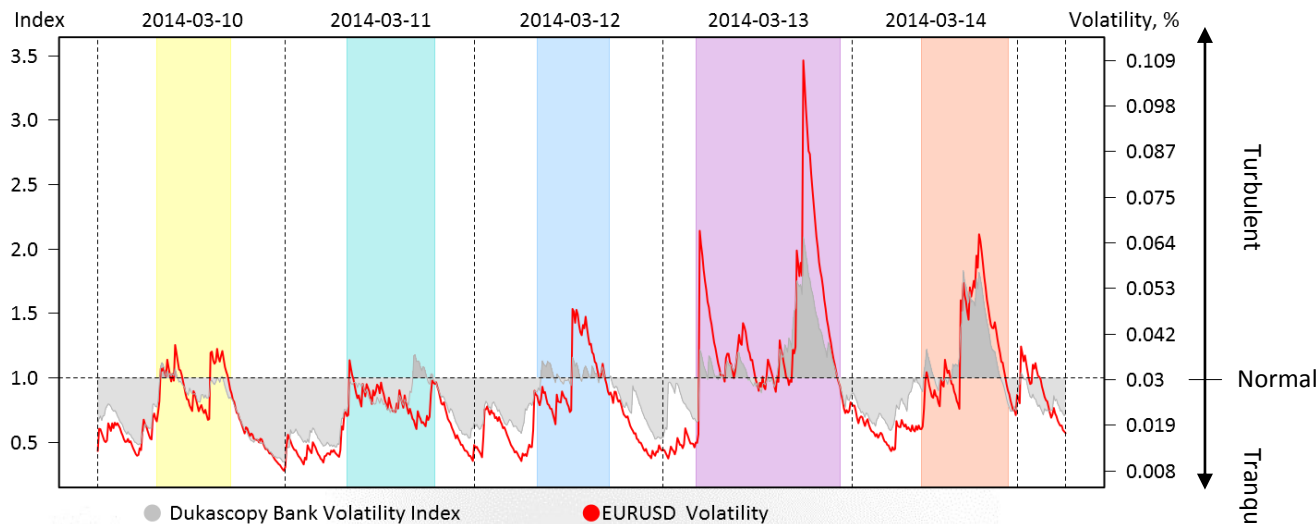
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.1%	-0.27%	1.62%	-0.93%	0.32%	-0.6%	-0.12%	-0.52%	0.65%
20	1.1%	-0.35%	-0.12%	-1.5%	1.81%	-1.03%	-1.94%	0.31%	1.49%
130	3.68%	-1.32%	-3.53%	4.4%	5.88%	-4.43%	-9.45%	0.87%	3.91%



Volatility

Volatility



Financial markets remained rather calm during the last week, with an average volatility being mostly below the historic values, while elevated market volatility was registered only in 26% of the time. Until Thursday the most traded currency pair's volatility was below the Dukascopy Bank Volatility Index, as markets were driven by China's CPI data, Japan's GDP and comments from the Bank of Japan. On Tuesday EUR/USD volatility remained around 0.66, while overall market's volatility soared to 1.17 on 16:00 GMT on jitters about Chinese growth outlook. A massive sell-off of emerging markets currencies sparked demand for Japanese Yen, with USD/JPY and EUR/JPY volatility being above the average market's elevated volatility.

As usually, Thursday was the most attractive day for investors; at first, Australian employment and Chinese industrial production data were the main drivers, while later EUR/USD volatility index rocketed to 2.14 amid underlying bullishness from investors amid diminished concerns about fresh easing from the ECB. Later that day, the index skydived to 3.46, becoming the top performed over the described period, as the single currency plunged to session low against the Dollar and Yen after ECB's President signalled he remains open for more action if needed to avert the crippling impact of weak inflationary pressure. On Friday there were almost no divergence in EUR/USD's volatility and overall market's movements, as U.S. statistics and Ukraine worries added more liquidity into financial markets.

Elevated Volatility (% of the observed period)

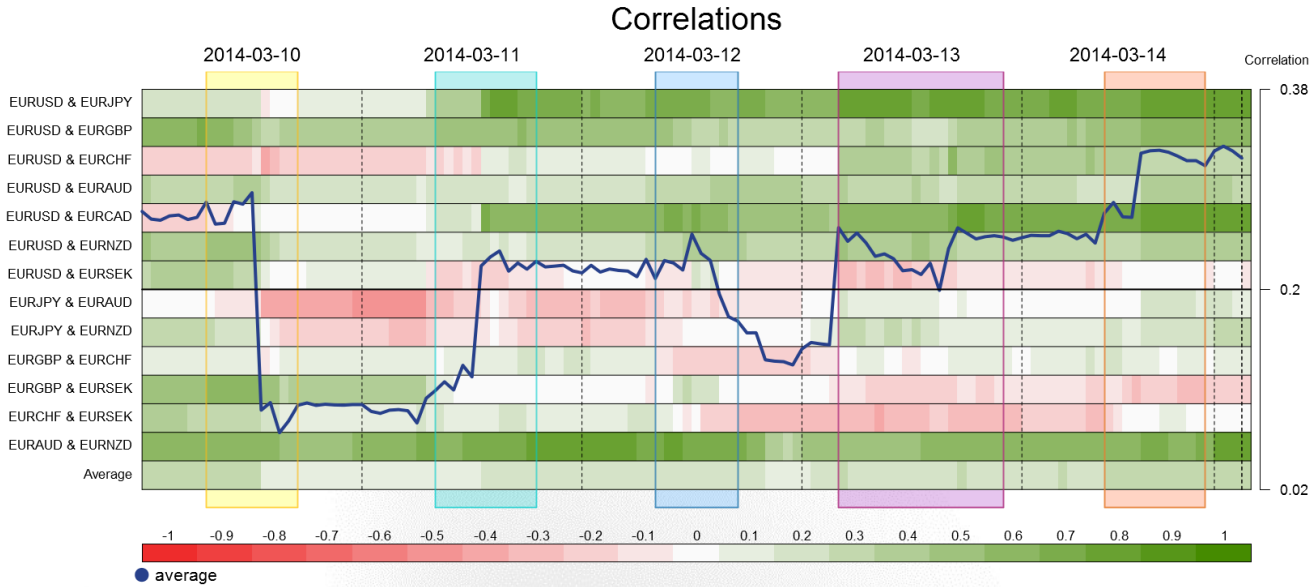
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
26	27	29	34	40	22	33	30	34	27	27	40

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.1	3.5	2.2	1.6	3.4	1.8	2.9	2.7	2.6	1.9	2.5	3.2
Min	0.3	0.3	0.3	0.3	0.4	0.2	0.2	0.3	0.2	0.2	0.3	0.4
Average	0.9	0.9	0.9	0.8	1	0.8	0.9	0.9	0.8	0.8	0.8	1



Currency Significance

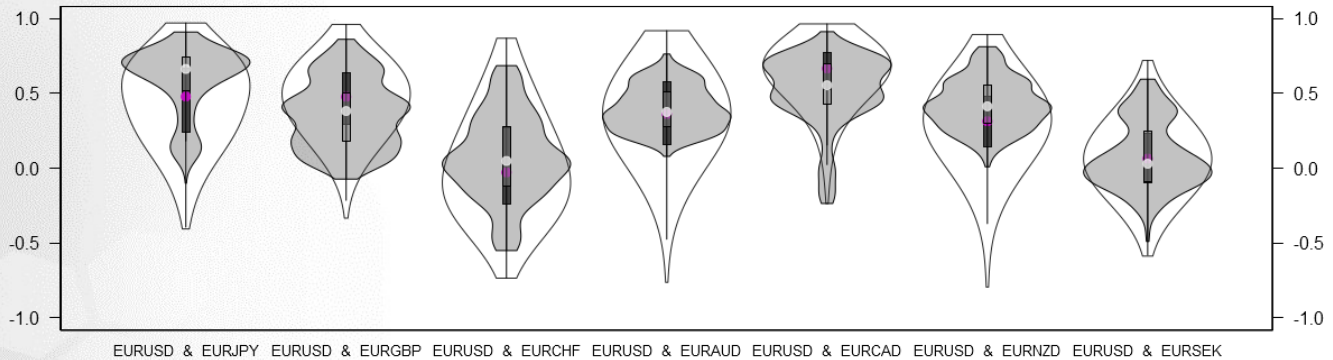


A level of significance of the single currency, expressed as average correlation between various Euro crosses, decreased noticeably on Monday. After opening around 0.26, the gauge pulled back to 0.07 as investor's were attracted by weaker-than-expected Japan's GDP figures and consumer prices from the world's second largest economy. However, later the index climbed back above the mid-point of the period, reaching 0.23 due to release of the German trade balance, ECOFIN meeting and the number of new job openings in the United States. Until Thursday the measure of average correlation stayed just slightly above 0.2.

ECB's monthly bulletin, a series of important economic data from the U.S. that all are shedding light on the Fed's future moves and German inflation data all pushed the level of significance of the shared currency up to 0.325 by Friday.

The mean correlation coefficient with EUR/SEK turned into negative territory over the described period as Swedish Prime Minister decided to join George Soros in his cautioning against complacency as risks to the 18-nation bloc still persist. Moreover, he pointed out the latest performance of the Eurozone economy is a threat to Sweden. In general, the level of divergence between short, medium and long term correlation between EUR/USD and other crosses decreased slightly over the last week.

Correlations (20 vs 130 days)

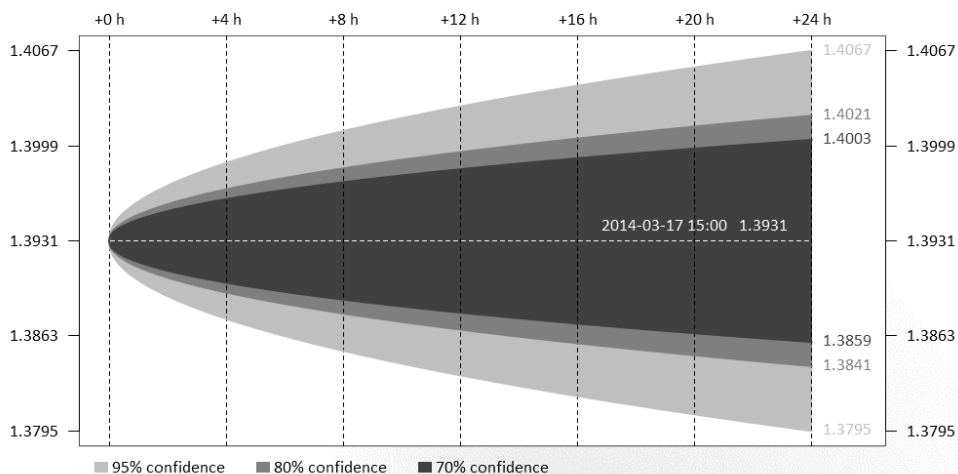


Mean Correlation Coefficient (with EURUSD)

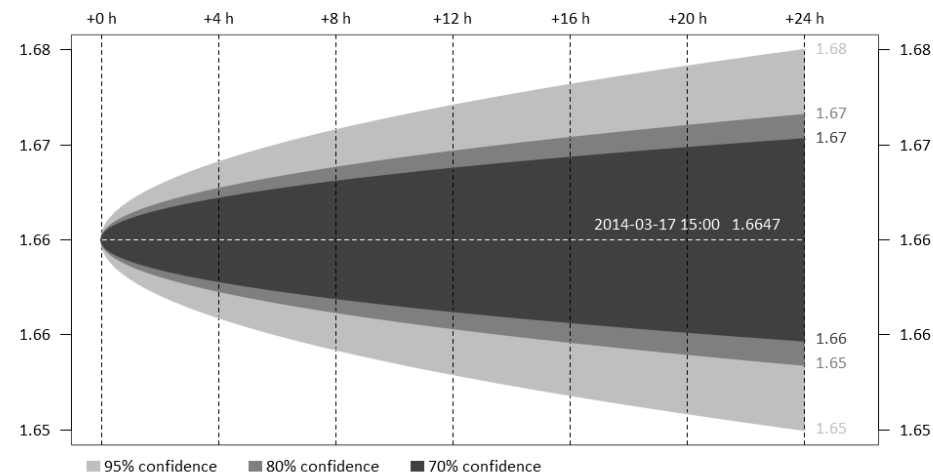
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.55	0.44	0.11	0.27	0.44	0.32	-0.03
20	0.59	0.36	0.07	0.4	0.51	0.42	0.08
130	0.46	0.42	-0.12	0.3	0.61	0.27	0.07

Confidence Intervals for Next 24 Hours

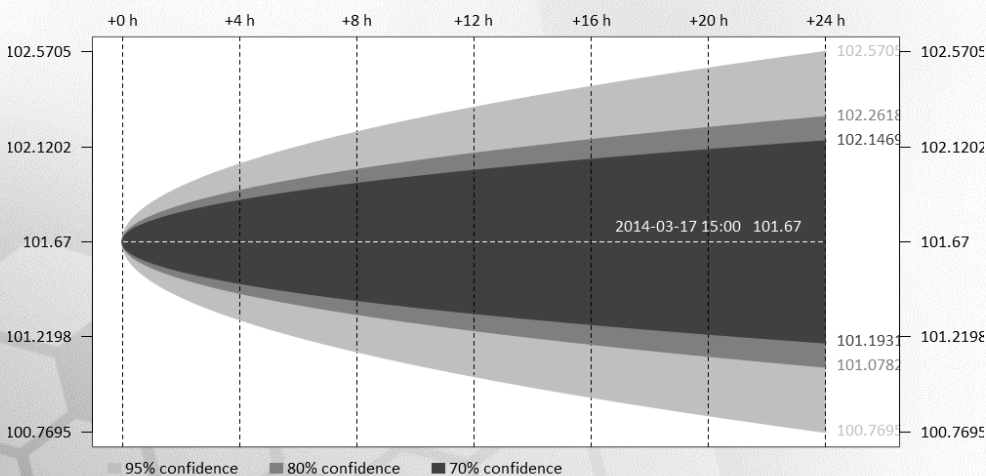
EURUSD Potential Rates



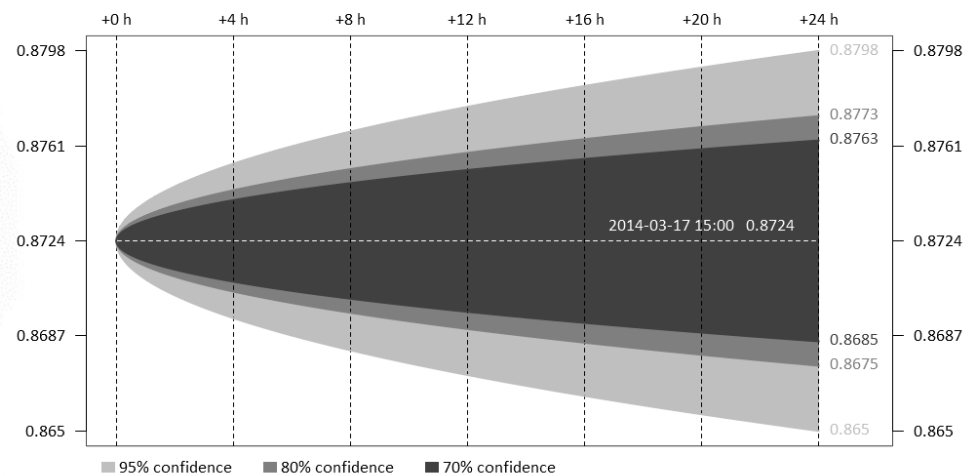
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

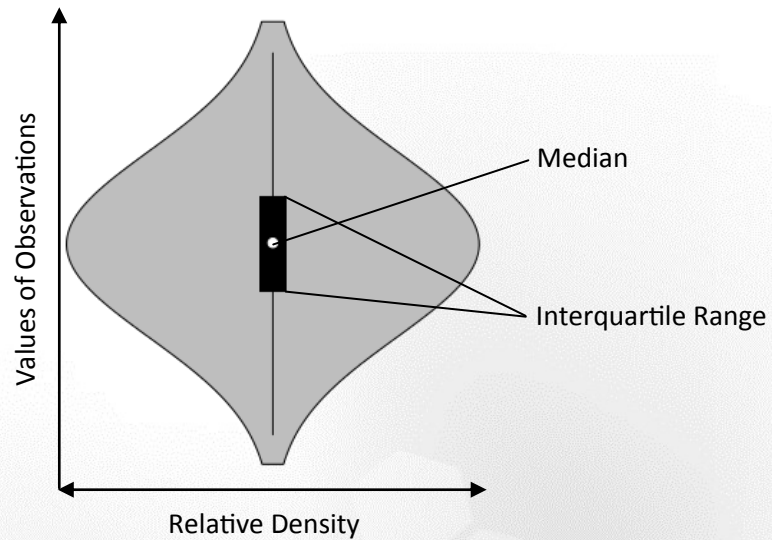
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.