



EUR

28/03/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

March 21

08:00 - 19:00

- Eurozone Current Account
- UK Public Sector Borrowing
- Canada's CPI
- FOMC Member Fisher Speaks
- EU Economic Summit

Turquoise Area

March 24

7:00 - 23:00

- Eurozone Flash Manufacturing PMI
- Eurozone Flash Services PMI
- German Buba Monthly Report
- US Flash Manufacturing PMI
- G7 Meetings

Blue Area

March 25

09:00 - 21:00

- German Ifo Business Climate
- US Consumer Confidence
- US New Home Sales
- ECB President Speaks
- German Buba President Speaks

Purple Area

March 26

08:00 - 23:00

- Swiss Consumption Indicator
- German Consumer Climate
- US Core Durable Goods Orders
- US Flash Services PMI
- US Bank Stress Test Results

Orange Area

March 27

08:00 - 19:00

- Eurozone M3 Money Supply
- Eurozone Private Loans
- US Unemployment Claims
- US Final GDP
- US Pending Home Sales

EUR Currency Index Range

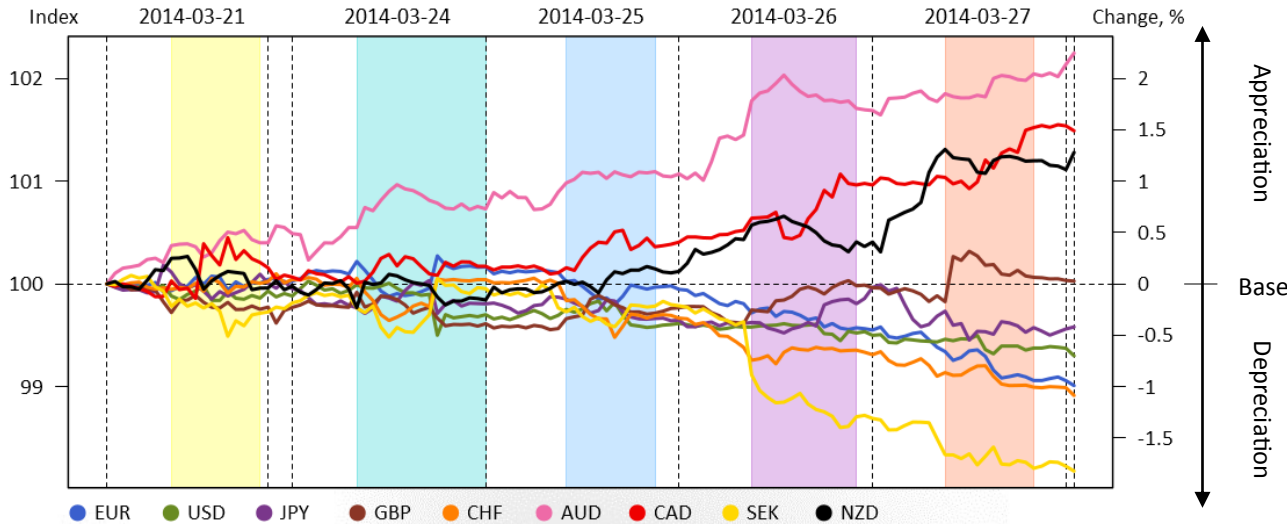
0.14%	0.39%	0.23%	0.21%	0.3%
1.22	1.56	1.36	1.11	1.15

Average EUR/USD Volatility Index



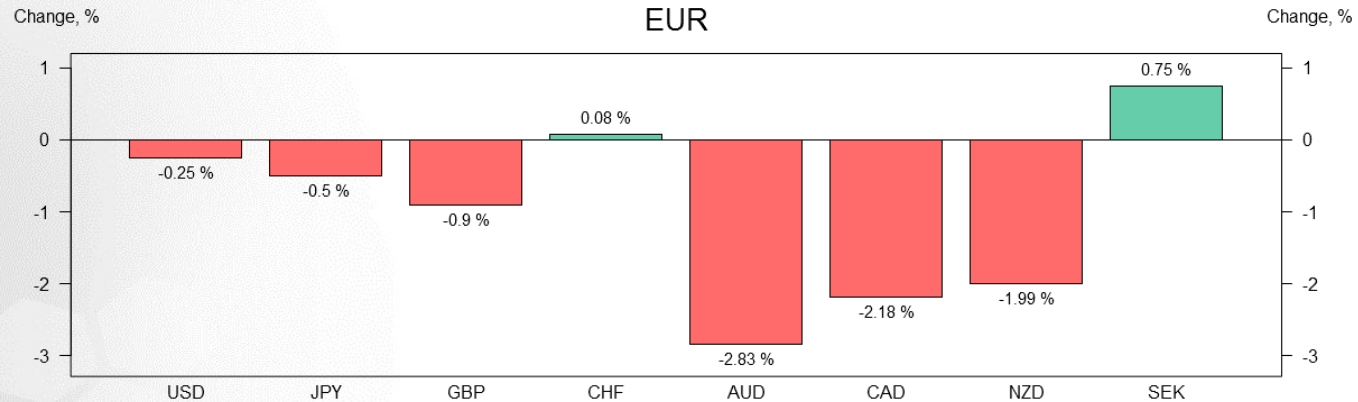
Relative Currency Strength

Currency Indices



Euro index was one of the worst performers in the period of analysis managing to clearly surpass only Swedish Krona and coming almost at par with Swiss frank. Clear indication of the underperformance is the fact that euro index spend only 1/3 of the period at or above the base (opening) value. Even when it managed to climb above it, the index could not advance higher the 0.21% level. Despite the range of Eurozone related events and data releases on Friday and Monday the Euro index remained around base value. It peaked till the period high, 0.21% above the base value, after worse than expected US Flash Manufacturing PMI data came out on Monday, but started to trail lower afterwards.

Moderate, 0.15%, recovery is seen on Tuesday when ECB president was speaking. However, that was just a temporary happening as Euro index continued to head southwards after that. Wednesday did not bring any changes in trend of the Euro index which lost 0.38% during the day. Although Eurozone M3 Money Supply data came out as expected and it seemed like it could stabilize the Euro, the worse than expected Eurozone Private Loans increased the rate of depreciation and caused the Euro index to end the period 0.92% below base value. Best performers in the period were aussie, kiwi and loonie indices. Oceanic currencies benefited from the concerns about Chinese economy as China's central bank might intervene in to the markets in order to raise domestic consumption, raising the demand for imports as well.



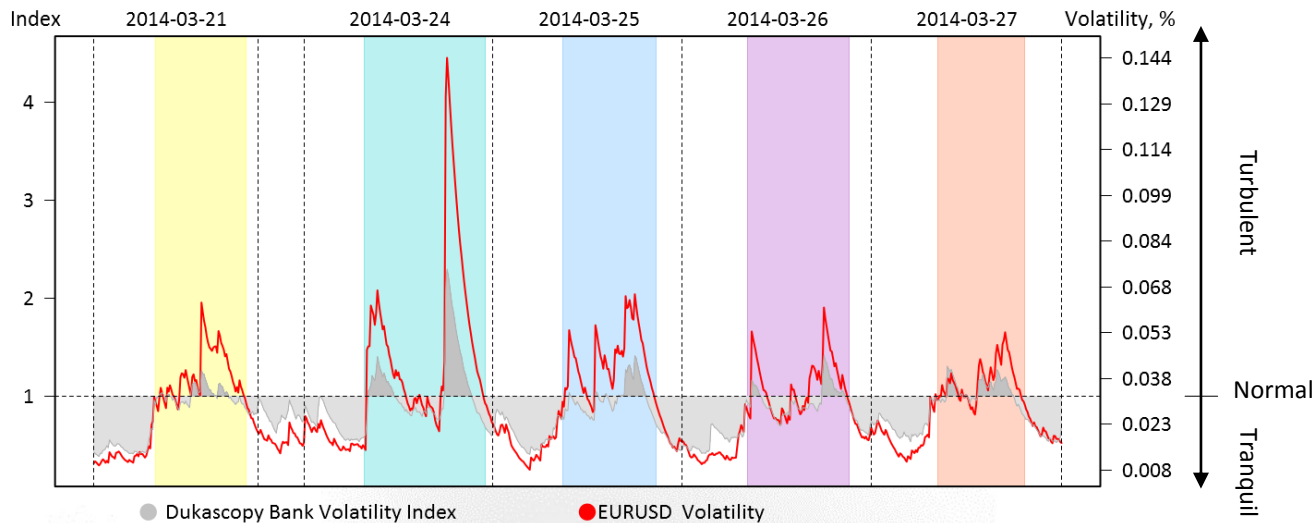
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.92%	-0.66%	-0.39%	0.02%	-1%	2.54%	1.68%	-1.79%	1.24%
20	-0.67%	-0.95%	-1.15%	-1.32%	-0.77%	3.37%	-0.06%	-0.3%	2.67%
130	1.66%	-0.04%	-4.05%	3.42%	2.7%	-1.25%	-7.67%	-1.07%	5.97%
250	6.31%	0.64%	-1.92%	9.73%	6.36%	-13.66%	-8.75%	-0.78%	2.06%



Volatility

Volatility



Overall volatility levels remain subdued. Although some currencies demonstrate elevated volatility in 30-35% of the time, which is close to historical levels, there are quite a few cases on the lower end of the spectrum. As a consequence, elevated volatility in the market is seen in 23% of the time. Besides that, in all of the cases, market and individual currency pairs, average volatilities are at 70 to 90% of the usual (long term) level. One unusual observation in this period is that although market (Dukascopy Bank Volatility Indices) and EUR/USD volatility paths coincided, the EUR/USD volatility showed much greater magnitude of volatility—period high at 4.5, usual peaks till 2 times higher levels of volatility than usual.

Highlight of the period, in terms of volatility, was observed on Monday. Eurozone Flash Manufacturing and Flash Services PMI's boosted the EUR/USD volatility till 2.1 times higher than usual level early in the day. 4.5 times higher than usual volatility later in the day was observed due to ongoing Crimea fears, weak data from China and concerns about rate hike in the US. Slightly lower, but more stable levels of volatility were observed on Tuesday. Business Climate from Germany and speeches by the ECB and Buba bank presidents fuelled the trading activity on the euro side causing the EUR/USD to change hands almost two times more intensively than usual for the most of the day.

Elevated Volatility (% of the observed period)

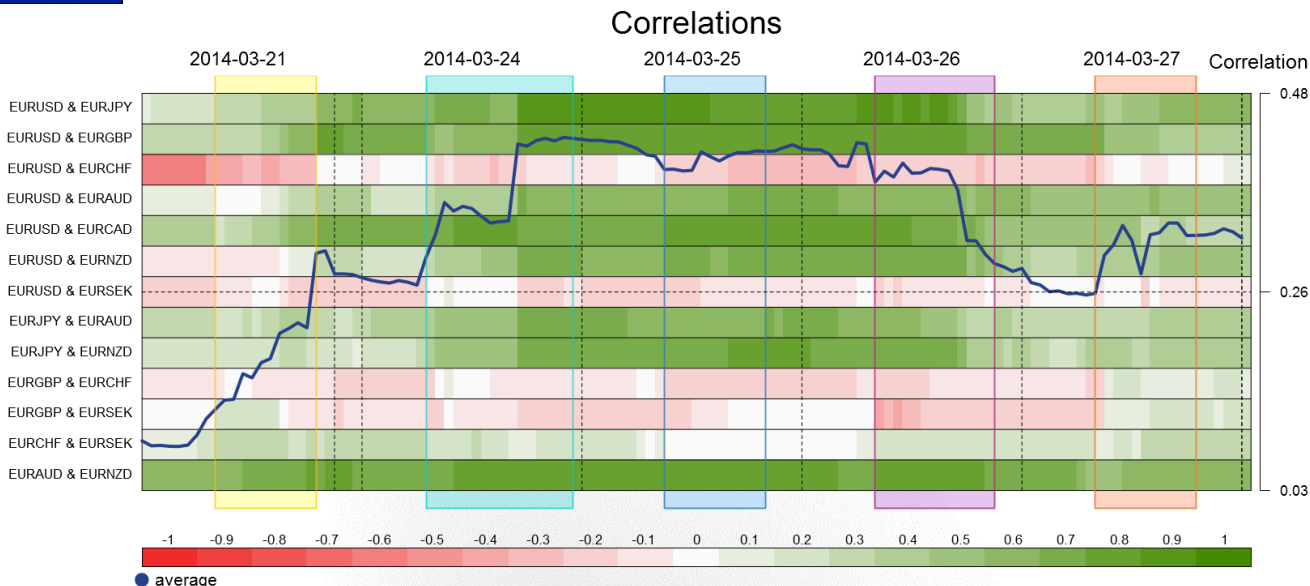
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
23	38	14	32	14	29	33	23	36	22	36	23

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.3	4.5	1.9	2.4	2.1	2.4	3.7	2.4	4	1.8	3.7	1.7
Min	0.4	0.3	0.2	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.4
Average	0.8	0.9	0.7	0.8	0.8	0.8	0.9	0.8	0.9	0.8	0.9	0.8



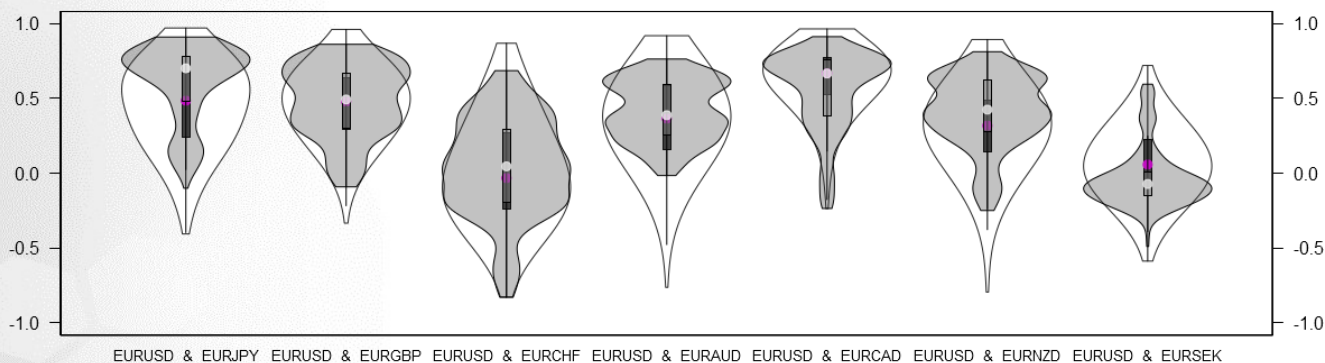
Currency Significance



Significance of the Euro in the financial markets, expressed as average correlation between various Euro crosses, increased dramatically in the period of analysis. It opened at 0.08 and closed at 0.32. Gauge started to climb higher almost from the very beginning and managed to reach 0.30 on Friday evening in anticipation to the Eurozone Flash Manufacturing and Flash Services PMI's releases on Monday. Releases themselves boosted the gauge further and allowed it to climb till 0.3 on Monday morning. Ongoing Crimea fears, weak data from China and concerns about rate hike in the US seemingly caused the traders to look at Euro once more later on Monday.

That's when the average correlation rocketed till the highest level in the period—0.43. that where it remained till Wednesday morning. Lack of Eurozone related data releases caused market participants to start looking in to the other currencies. Primarily the USD as Core Durable Goods Orders, Flash Services PMI, Bank Stress Test Results and some other data was coming out from the US. Gauge 3as stable around 0.26 for the first part of Wednesday, but as expected Eurozone M3 Money Supply and worse than expected Eurozone Private Loans drew attention back to the Euro. These two events might have heightened importance due to the speeches given by the ECB and Buba Bank presidents on Tuesday. In the end the gauge ended the period at 0.32.

Correlations (20 vs 130 days)

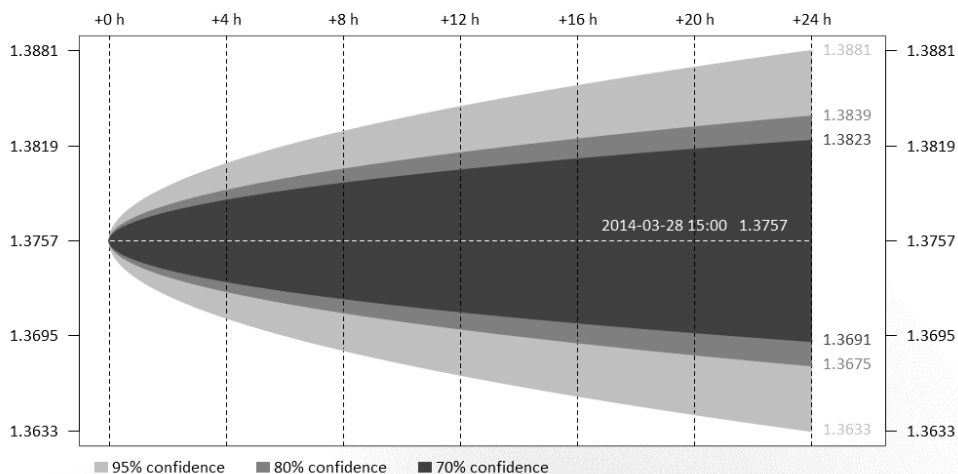


Mean Correlation Coefficient (with EURUSD)

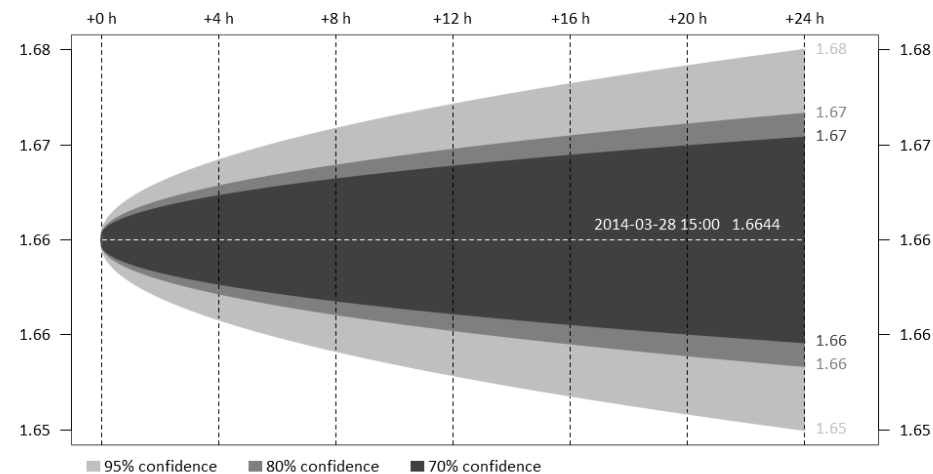
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.64	0.65	-0.19	0.47	0.62	0.43	-0.11
20	0.61	0.48	0.04	0.41	0.55	0.4	-0.03
130	0.48	0.42	-0.11	0.34	0.61	0.3	0.06
250	0.39	0.42	-0.09	0.26	0.59	0.24	0.03

Confidence Intervals for Next 24 Hours

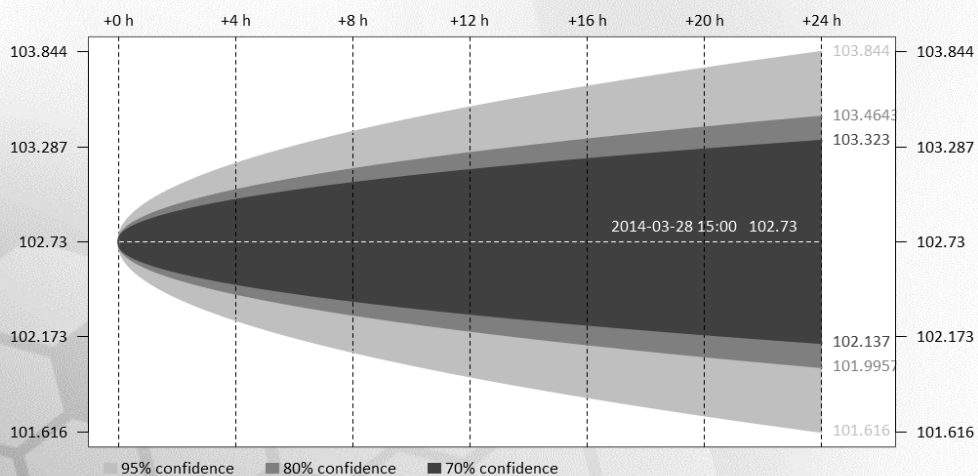
EURUSD Potential Rates



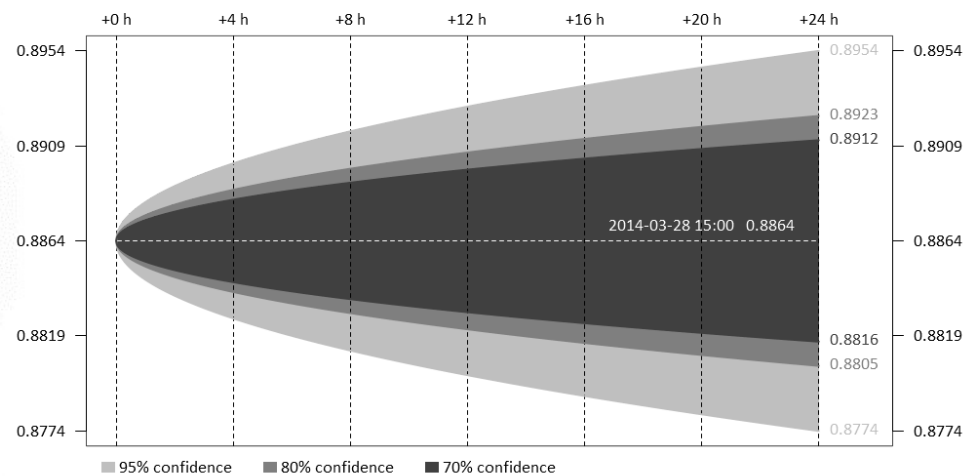
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

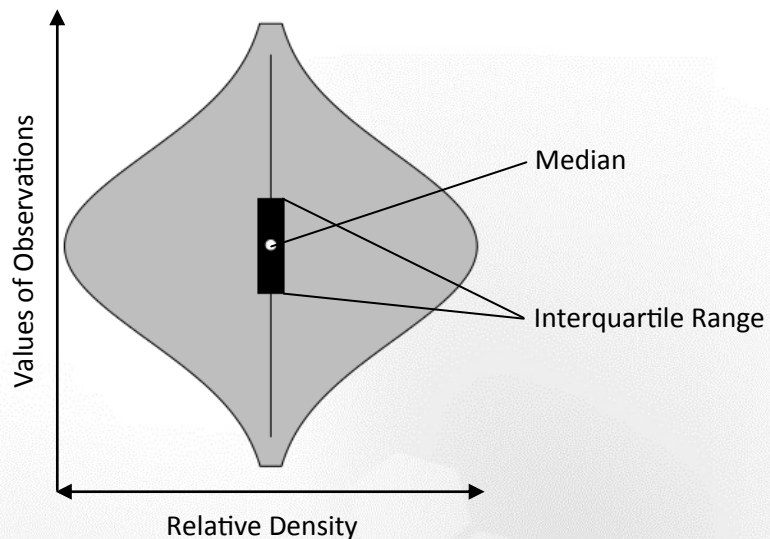
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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