



USD

31/03/2014



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Market Research





Dominant Events for the U.S. Dollar

Yellow Area

March 24

07:00 - 23:00

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

Turquoise 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

Blue Area

March 26

08:00 - 21:00

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

Purple Area

March 27

07:00 - 19:00

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

Orange Area

March 28

7:00 - 18:00

- UK Current Account and Final GDP
- US Core PCE Price Index
- US Personal Spending and Income
- US Revised Consumer Sentiment

USD Currency Index Range

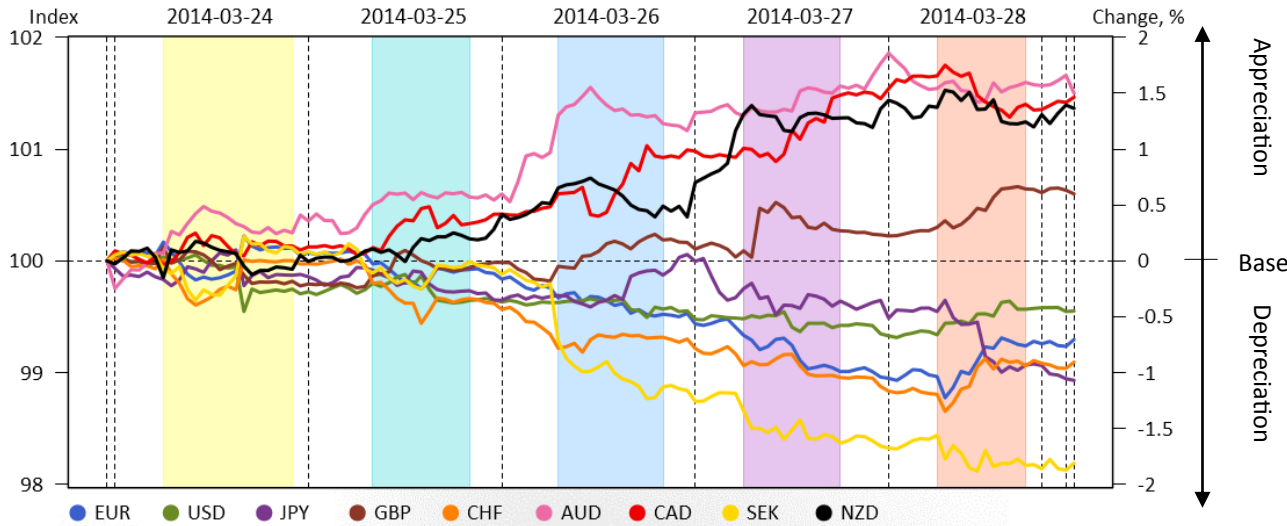
0.51%	0.26%	0.17%	0.18%	0.3%
1.55	1.36	1.1	1.12	1.39

Average EUR/USD Volatility Index



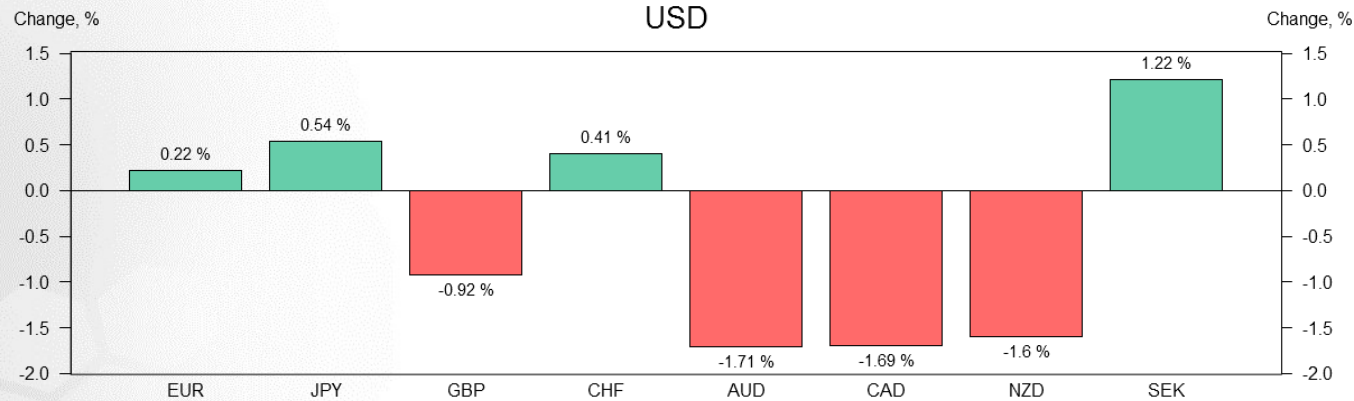
Relative Currency Strength

Currency Indices



USD index ended the last week in a negative territory, posting a 0.51% depreciation, as gains versus the single currency, Yen, Franc and Swedish Krone were almost unremarkable (except SEK), while loses against other major currencies were more noticeable. The Australian Dollar was last week's top performer, adding more than 2% to its base value as even despite a lack of fundamental data, comments from Australian policymakers provided a significant boost to the currency. RBA's Governor highlighted positive developments in the economy, saying the transition phase from mining-led demand is moving to its end. Central bank's comments are pushing the Aussie higher for the fourth consecutive week.

The greenback remained almost unchanged last Monday, staying around its base value amid a lack of fundamental data from the world's largest economy. However, later, after a release of disappointing manufacturing PMI from Markit, the USD gauge moved to 99.93. On Tuesday new home sales dragged the index lower, while durable goods orders a day later provided additional support for the currency, helping it to stay around 99.64. On Thursday the Commerce Department said the nation's GDP expanded 2.6% in the three months through December, more than the 2.4% reported earlier, however, weaker than the 2.7% growth predicted by analysts. While household spending was still driving economic growth, weaker-than-expected data dragged the USD index to 99.31.



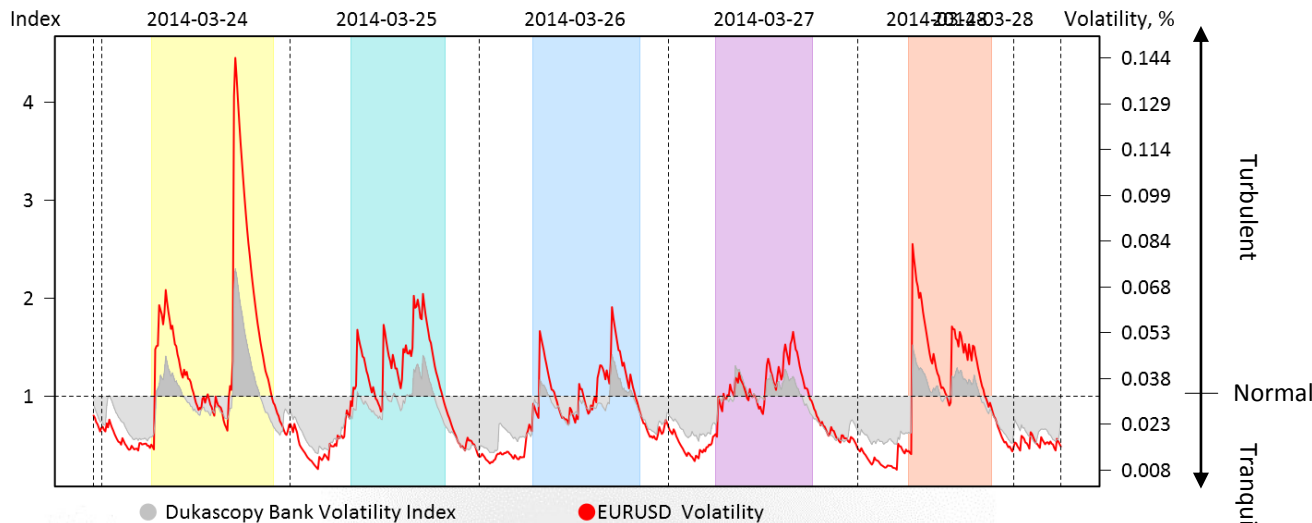
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.71%	-0.51%	-1.01%	0.51%	-0.86%	2.06%	1.53%	-1.86%	1.39%
20	-0.52%	-0.39%	-2%	-1%	-1.17%	4.46%	-0.37%	-1.72%	3.78%
130	2.21%	0.03%	-4.37%	3.96%	2.93%	-1.46%	-7.79%	-1.31%	5.4%
250	6.69%	1.16%	-2.25%	9.99%	6.68%	-13.62%	-8.84%	-1.39%	1.62%



Volatility

Volatility



Markets are preparing for the ECB meeting, and tax hike from the Japanese government that all will add more liquidity, therefore, financial markets remained rather calm over the week, as the elevated volatility was observed only in 24% of the time. The USD/CHF currency pair was the most volatile last week, as a bunch of important fundamental data from the United States influenced the buck, while SNB's worrying comments about risks of deflation dragged market's attention to the Swiss Franc. Moreover, SNB's quarterly report resulted a 0.86% drop of the Franc. It is important to mention that AUD/USD was the least volatile pair, while it still managed to gain more than 2% over the period, meaning that the pair was steadily appreciating, without any spikes.

Due to a series of important fundamental events from the 18-nation bloc and the United States, the most traded currency pair's volatility remained above the market's for the most of the time. On Monday, March 24 EUR/USD logged two major spikes in volatility, as first market was driven by the manufacturing and services PMI from Europe, while U.S. flash manufacturing PMI pushed the EUR/USD pair to 1.3875, while EUR/USD volatility soared to 4.45 from 1.35 immediately after the release. EUR/USD was highly sensitive to Friday's report from the Spanish National Statistics Office that reported on a weaker-than-expected retail sales in Spain. On the back of disappointing data the single currency lost 0.20% against the greenback and turned lower to 1.3712, while EUR/USD volatility index climbed to 2.55.

Elevated Volatility (% of the observed period)

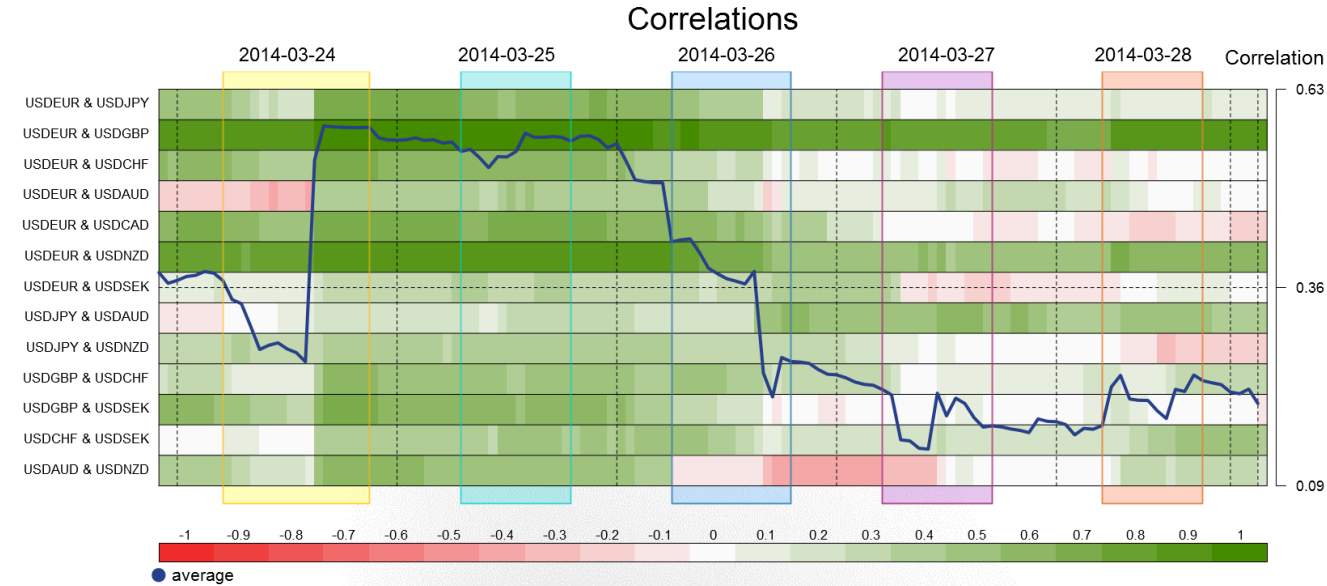
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
24	37	16	29	15	23	36	24	35	22	33	22

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	2.1	3.7	2.4	4	1.8	3.7	1.5
Min	0.4	0.2	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



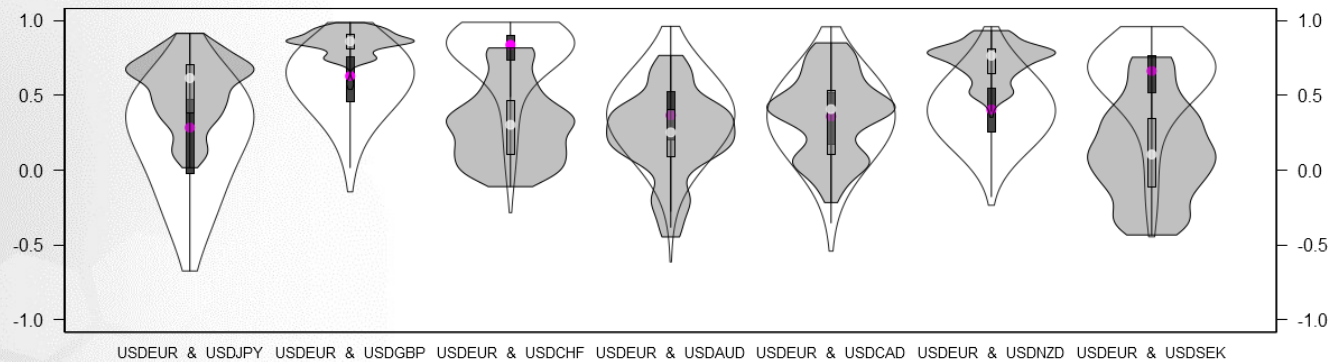
Currency Significance



A level of significance of American currency declined on Monday as Europe's statistics dragged market's attention. However, later after a release of the U.S. manufacturing PMI from Markit the average correlation index rocketed to 0.576, hitting the highest level in a week. While PMI still remained in the expansion zone, extremely cold weather conditions dampened activity in the sector, raising some concerns about the sustainability of economic growth. On Tuesday an inflow of mixed fundamental data from the United States kept the correlation index around 0.55, however, even stronger-than-expected consumer confidence had muted impact on the U.S. Dollar.

Durable goods orders is a leading indicator of economic health, as higher intensions to make huge purchases signal businesses' confidence about economic outlook. Therefore, the indicator has a strong market impact even despite being highly volatile. The same can be said about the unemployment claims and the GDP, as they all play decisive role for the Fed in their assessment of the economy. It seems that the implementation of the forward guidance by the Fed made each FOMC meeting less credible and interesting for investors. Janet Yellen decided to drop the reference to 6.5% unemployment, stressing the necessity of the qualitative assessment of the economy. With the Fed getting more predictable, each fundamental report tends to have less impact on markets, therefore, the average correlation coefficient reached 0.137.

Correlations (20 vs 130 days)

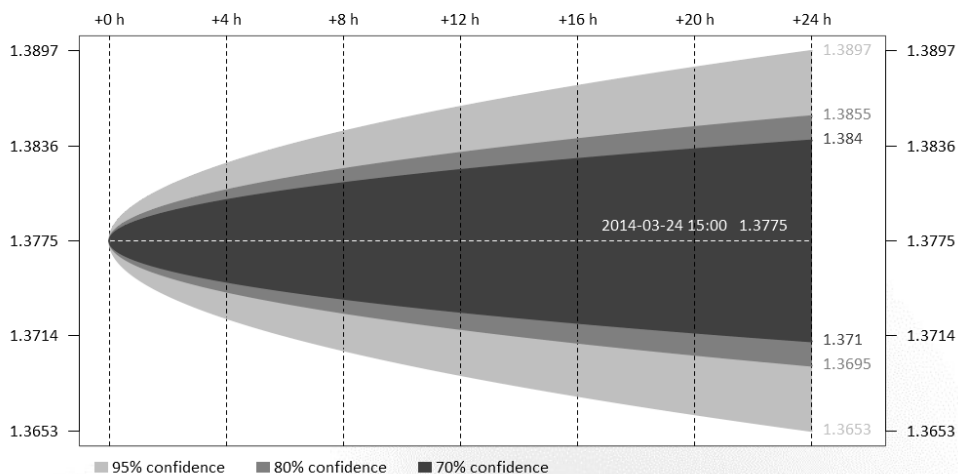


Mean Correlation Coefficient (with EURUSD)

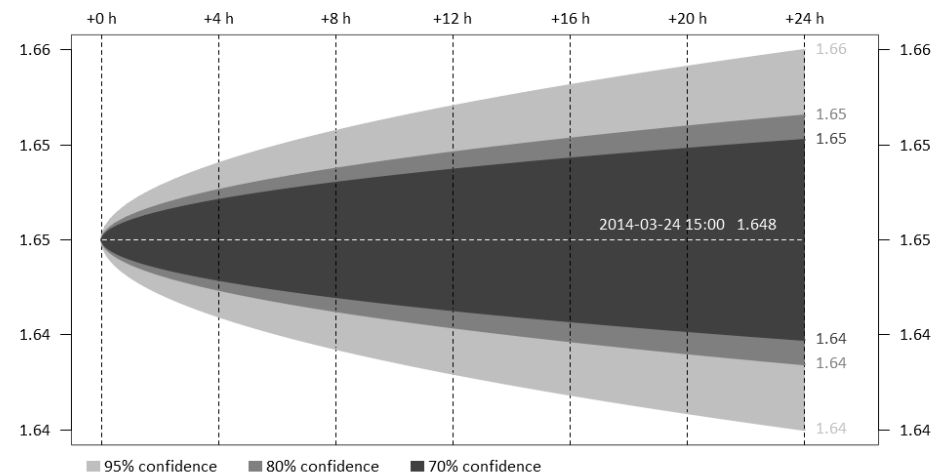
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.35	0.89	0.28	0.18	0.34	0.71	0.17
20	0.55	0.85	0.31	0.23	0.36	0.73	0.13
130	0.34	0.62	0.67	0.27	0.24	0.43	0.42
250	0.33	0.63	0.75	0.36	0.34	0.42	0.54

Confidence Intervals for Next 24 Hours

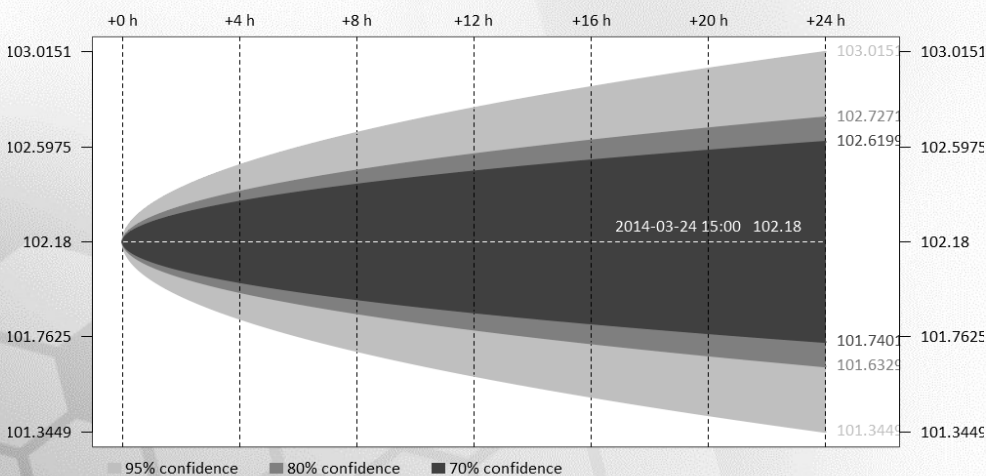
EURUSD Potential Rates



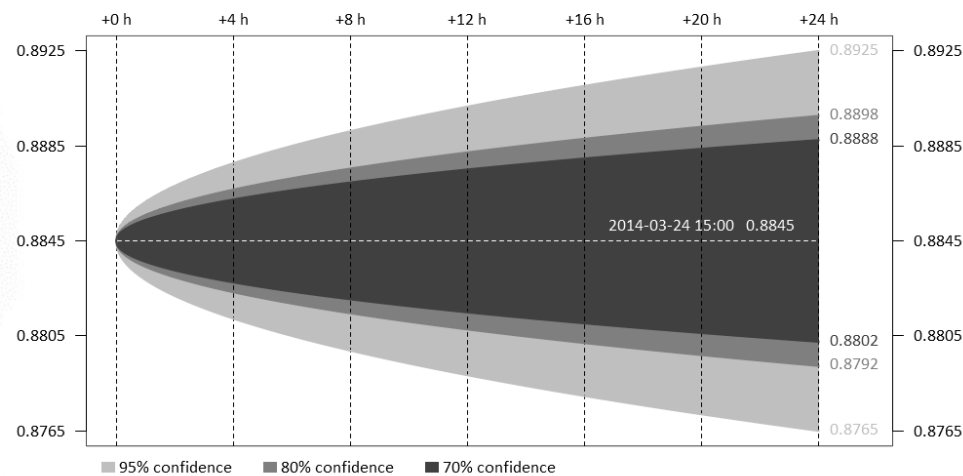
GBPUSD Potential Rates



USDJPY Potential Rates



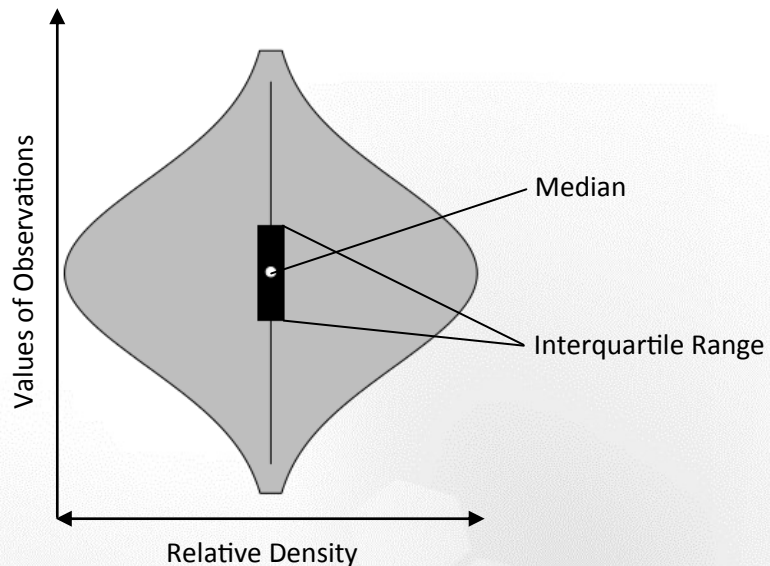
USDCHF Potential Rates



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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