

**JPY**

02/04/2014



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# Dominant Events for the Japanese Yen

## Yellow Area

March 26

17:00 - 00:00

- US Bank Stress Test Results
- New Zealand Trade Balance

## Turquoise Area

March 27

03:00 - 18:00

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

## Blue Area

March 28

08:00 - 18:00

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

## Purple Area

March 31

08:00 - 18:00

- Eurozone CPI Flash Estimate
- Canada GDP
- US Chicago PMI
- Fed Chairman Speaks
- BOE Governor Speaks

## Orange Area

April 1

14:00 - 17:00

- US Manufacturing PMI
- US Construction Spending
- US Economic Optimism
- US Manufacturing Prices

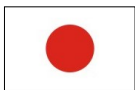
JPY Currency Index Range

0.2%	0.35%	0.64%	0.37%	0.09%
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Average USD/JPY Volatility Index

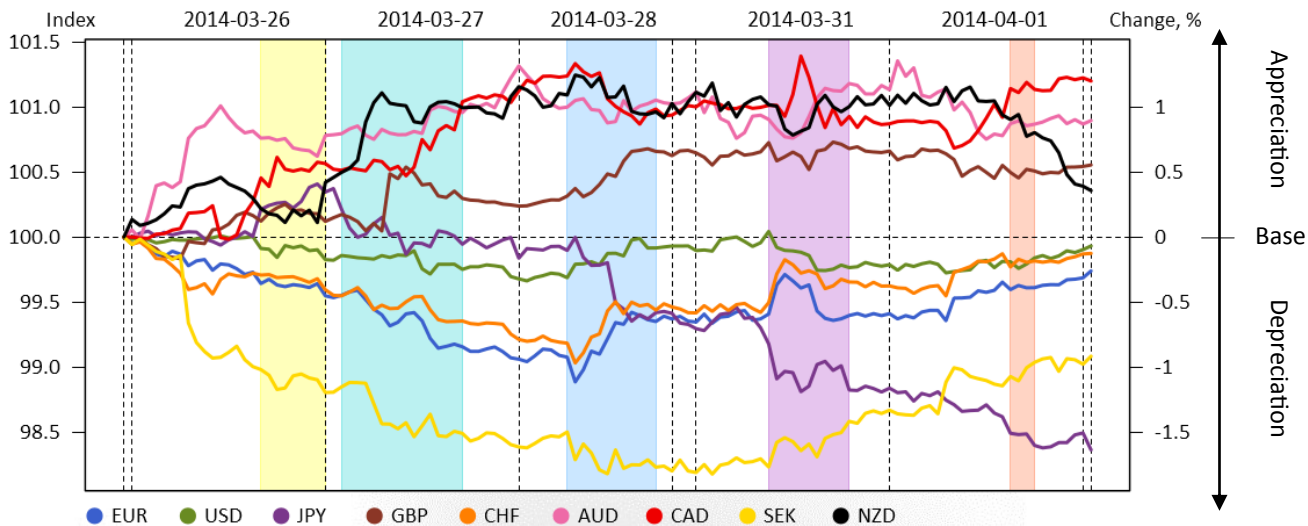
1.09	0.97	0.85	1.06	1.01
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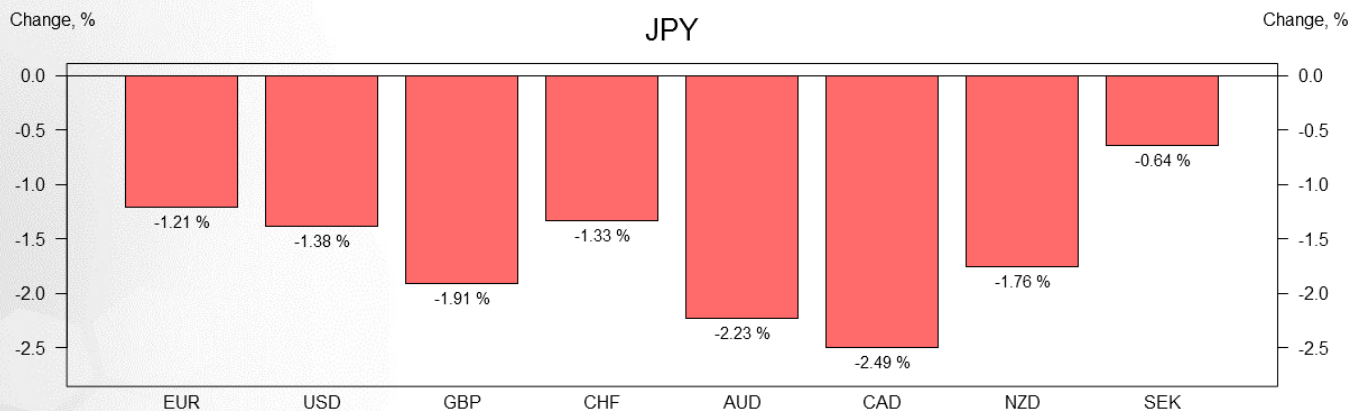
# Relative Currency Strength

Currency Indices



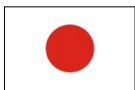
The Japanese Yen was the worse-performing currency among nine major currencies, with the Yen index falling 1.71% during the last five trading days. The Yen declined recorded losses versus all other currencies, while the steepest declines were logged versus the loonie, Aussie and Sterling. Canadian currency posted a 1.32% gain over the period, as stronger-than-expected GDP figures for January eased some of the pressure on the Bank of Canada. At the same time, following the latest comments from the RBA and RBNZ the Aussie and Kiwi continued its appreciation, posting 0.97% and 0.22% gains respectively. Both economies are gaining momentum and with hawkish central bank's view the appreciation is likely to continue.

On the contrary, the outlook for the Yen is not very optimistic, as after a tax hike on April 1 the economy is projected to slow down, bolstering the case the Bank of Japan will be forced to expand its stimulus programme. Currently, analysts believe that May's policy meeting will be the most appropriate time for Kuroda to pull the trigger. Due to a lack of fundamental data on March 26 and 27 the Yen remained around the base value, however later, after a bunch of economic data failed to convince BoJ's efforts were substantial enough to prepare the economy for a tax hike, provoked a sell-off of the Japanese Yen. Despite stable inflation figures, manufacturing data and growing uncertainty among central bank's members resulted in a 1.71% drop, as investors began pricing in further measures by the BoJ.



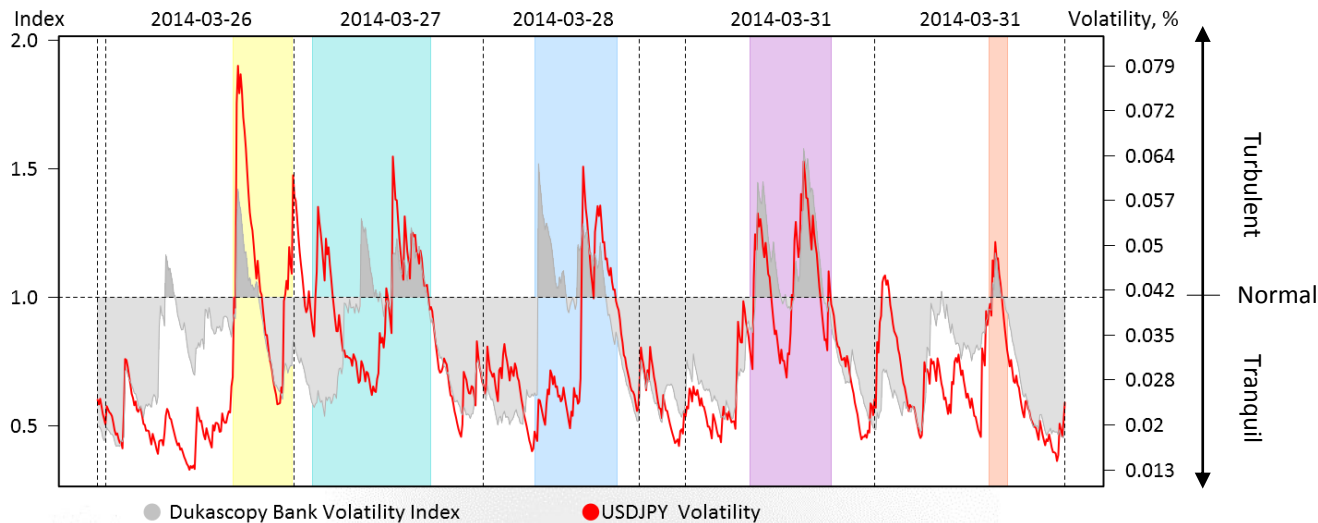
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.2%	-0.05%	-1.71%	0.51%	-0.07%	0.97%	1.32%	-0.85%	0.22%
20	-0.14%	-0.66%	-2.48%	-0.84%	-0.15%	3.35%	-0.13%	-0.71%	2.29%
130	2.5%	0.39%	-5.75%	3.19%	2.91%	-0.81%	-7.4%	-0.05%	4.53%
250	6.83%	0.42%	-7.31%	9.92%	6.44%	-11.88%	-7.85%	-0.08%	3.52%



# Volatility

## Volatility



The USD/JPY was highly volatile over the observed period, with major spikes representing great opportunities for investors. Nevertheless, the elevated market volatility was observed only in 21% of the time— the second lowest among other major currency pairs. However, despite the fact the elevated volatility on NZD/USD was recorded only in 20% of the observed period, the pair managed to reach the multi-year high, while kiwi index soared to its historic high, meaning that the pair followed the trend without bouncing between important support and resistance lines, making any trade on the pair less risky. In contrast, the EUR/GBP pair's volatility was above the average in 37% of the time, as an abundance of fundamental data from the U.K. and Europe resulted in pair's high volatility.

The USD/JPY pair was driven by news both from Japan and the United States, however the highest volatility was observed amid a lack of any reports. USD/JPY volatility index soared to 1.90, hitting the highest level over the described period, as market uncertainty combined with speculations of further quantitative easing from the BoJ boosted risk-on appetite. This idea is also supported by a 0.5% drop of the U.S. indices. The pair itself plunged to 101.92, however, later, following Fed's Bullard's speech and investment data in Japan, the pair was dragged to the lowest level over the period at 101.72. It is worth mentioning that even after a release of Japan's inflation, unemployment and retail sales figures, USD/JPY's volatility index remained around 0.65, as data came mostly in line with analysts' forecasts.

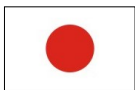
### Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	22	27	21	28	14	26	29	22	37	21	32

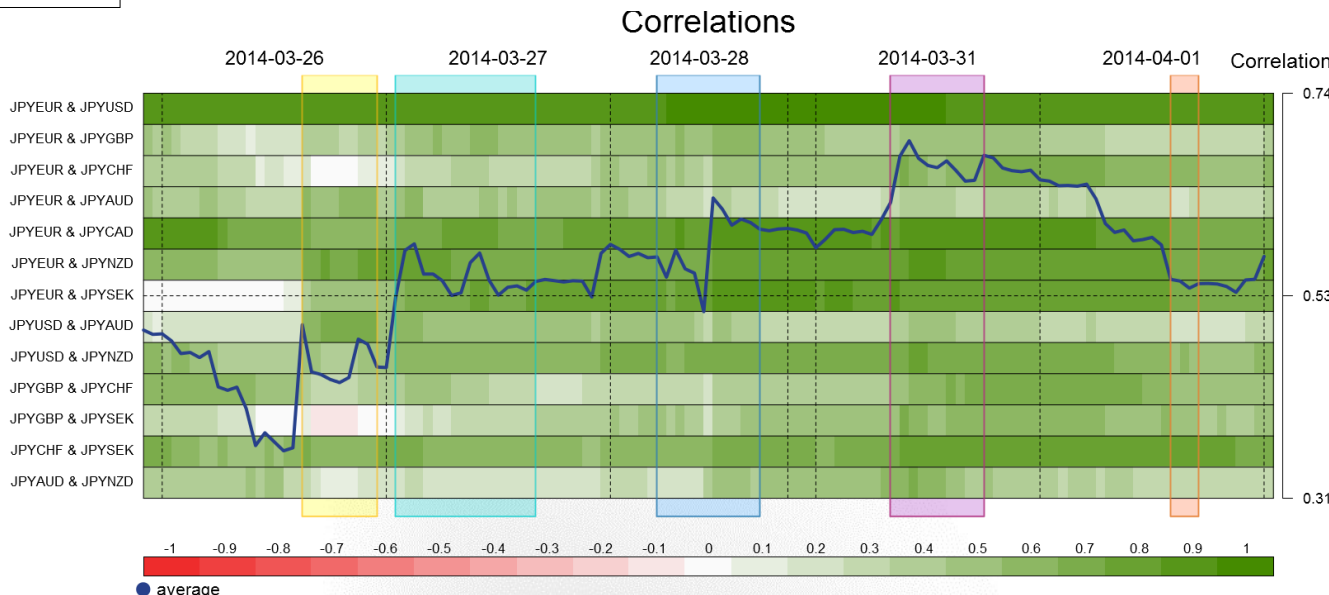
### Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.6	2.6	1.9	2.3	1.9	2.1	2.6	2.4	4	1.9	2.7	1.7
Min	0.4	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.4
Average	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8





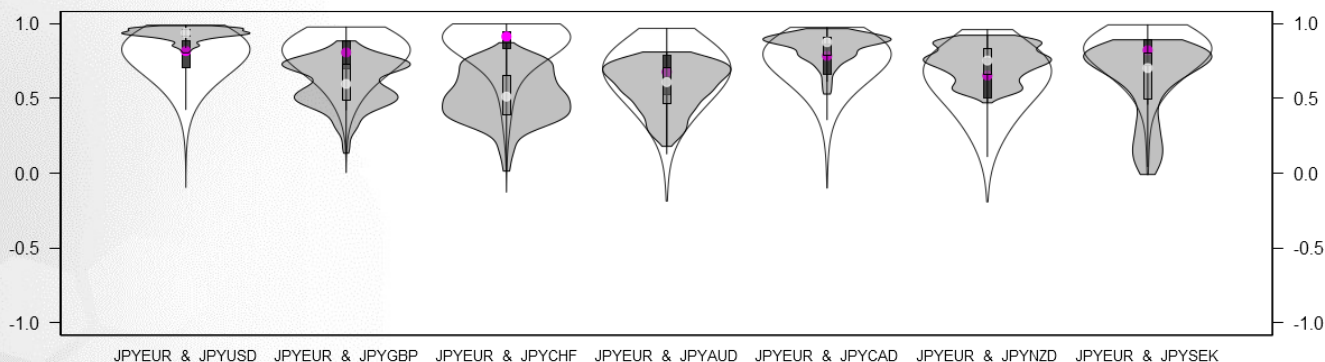
# Currency Significance



The world's third largest economy unveiled its statistical data only on March 27, 30 and 31, however, Japanese Yen become investors' attention grabber due to its safe-haven appeal. The average correlation coefficient posted sharp gains on March 26, recovering from its weekly bottom at 0.36. Inflation report provided a small market impact and did not managed to attract investors, with the correlation coefficient rising only by 0.04. From the one hand, core inflation at 1.3% is a sign of Shinzo Abe's success, who aims at ending decades of deflation in the world's third largest economy. From the other hand, it is not enough to achieve BoJ's ambitious 2% in two years.

The average correlation coefficient hit the period's high of 0.68 on march 31, however, later, investors began losing their interest in the Yen, as Japanese currency lost 0.31%. Market's focus moved away from Ukraine tensions, as risk-on sentiment boosted the Russian ruble and the Turkish lira, while precious metals and Japanese Yen lost their attractiveness. Moreover, after a rate hike on April 1, investors started to price in the upcoming disappoint statistics from Japan, as both households and companies will be left with less cash to spend, hence, domestic demand will deteriorate. The next BoJ press conference is scheduled on April 8, where policy makers can shed some light on future moves, however, what is more likely, Kuroda will once again claim bank's readiness to act and his confidence in achieving the 2% inflation within the planned period.

## Correlations (20 vs 130 days)

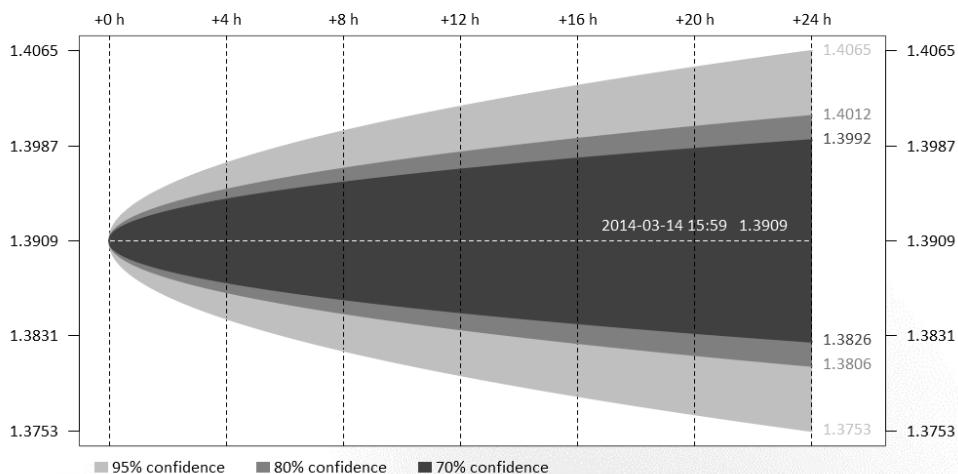


## Mean Correlation Coefficient (with USDJPY)

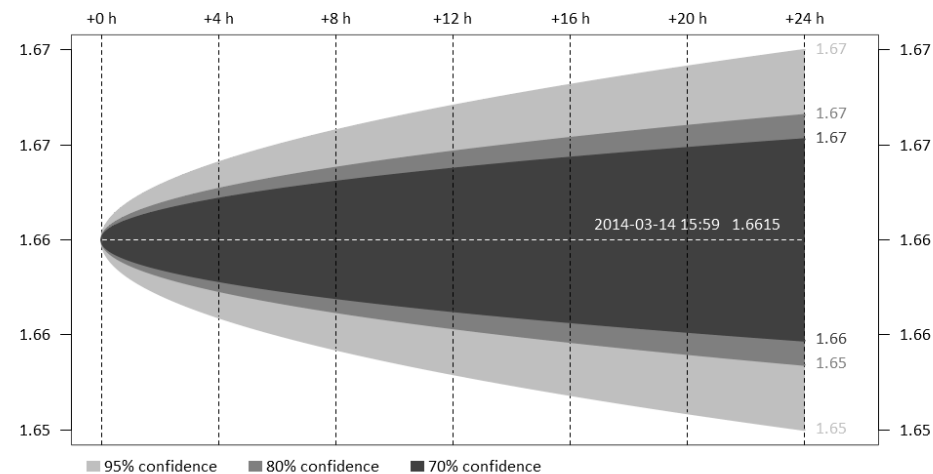
Days	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPNZD	JPYSEK
5	0.94	0.42	0.44	0.37	0.79	0.73	0.66
20	0.93	0.6	0.52	0.58	0.84	0.74	0.61
130	0.77	0.69	0.79	0.54	0.66	0.56	0.7
250	0.77	0.76	0.83	0.6	0.73	0.58	0.76

# Confidence Intervals for Next 24 Hours

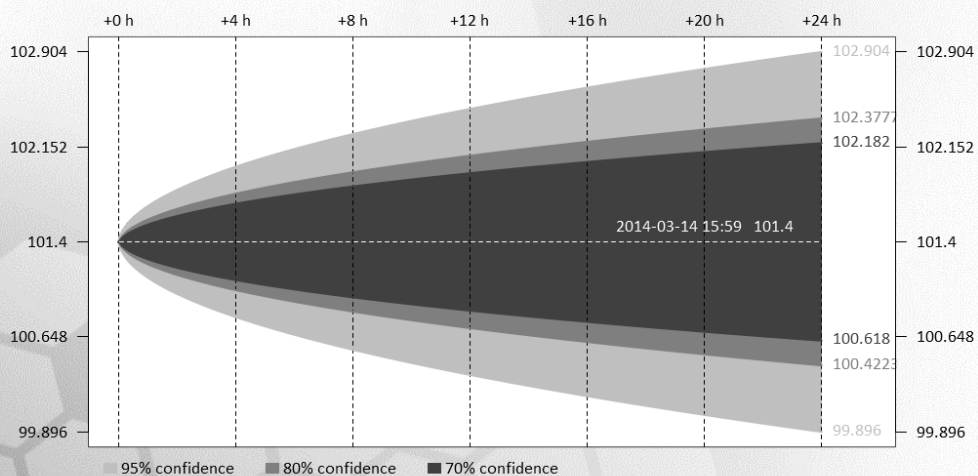
EURUSD Potential Rates



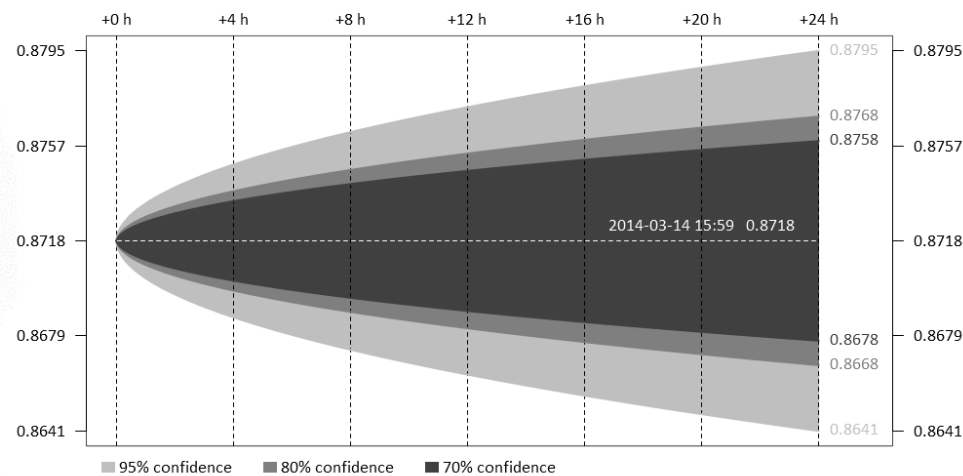
GBPUSD Potential Rates



USDJPY Potential Rates



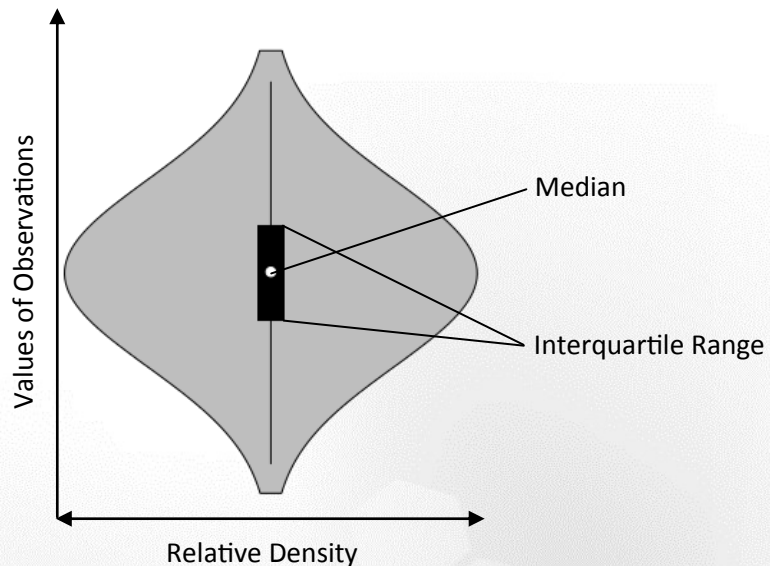
USDCHF Potential Rates



# 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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