



EUR

04/04/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

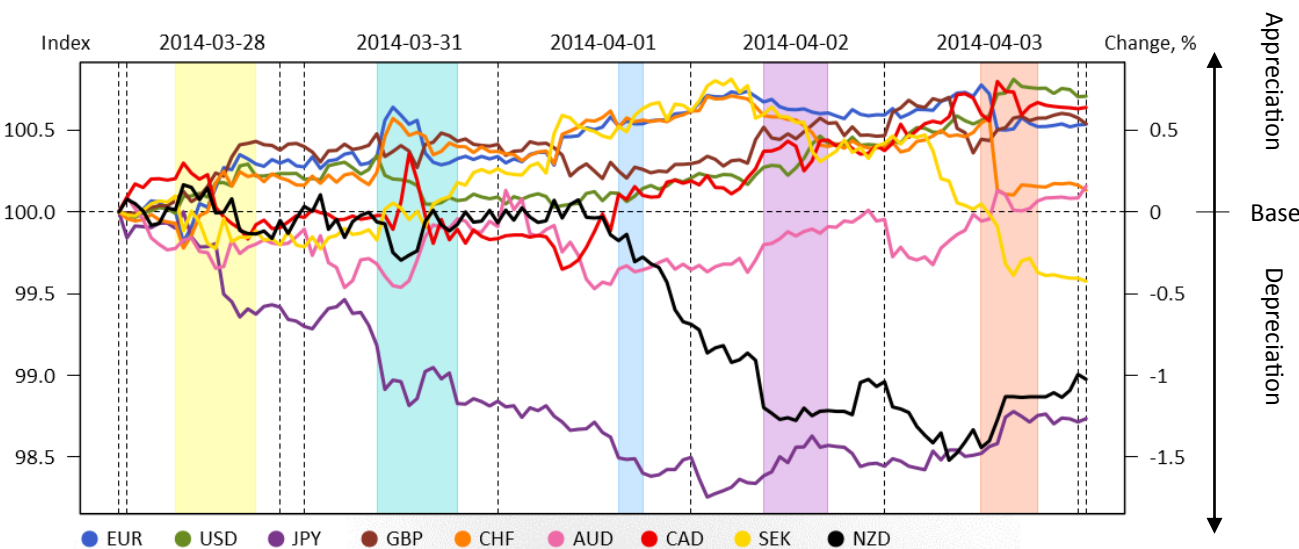
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
March 28	March 31	April 01	April 02	April 03
08:00 - 17:00	08:00 - 18:00	14:00 - 17:00	08:00 - 16:00	11:00 - 18:00
<ul style="list-style-type: none"> <u>UK Current Account and Final GDP</u> <u>US Core PCE Price Index</u> <u>US Personal Spending and Income</u> <u>US Revised Consumer Sentiment</u> 	<ul style="list-style-type: none"> <u>UK Net Lending to Individuals</u> <u>Eurozone CPI Flash Estimate</u> <u>Canada GDP</u> <u>US Chicago PMI</u> <u>Fed Chairman Speaks</u> <u>BOE Governor Speaks</u> 	<ul style="list-style-type: none"> <u>US Manufacturing PMI</u> <u>US Construction Spending</u> <u>US Economic Optimism</u> <u>US Manufacturing Prices</u> 	<ul style="list-style-type: none"> <u>UK Construction PMI</u> <u>Eurozone Final GDP</u> <u>Eurozone PPI</u> <u>MPC Member Cunliffe Speaks</u> <u>US Non-Farm Employment Change</u> <u>ECOFIN Meetings</u> 	<ul style="list-style-type: none"> <u>ECB Minimum Bid Rate and Press Conference</u> <u>US Trade Balance</u> <u>US Unemployment Claims</u> <u>ECB President Speaks</u> <u>US Non-Manufacturing PMI</u>

EUR Currency Index Range	0.54%	0.35%	0.03%	0.09%	0.28%
Average EUR/USD Volatility Index	1.42	1.35	0.91	0.95	1.58



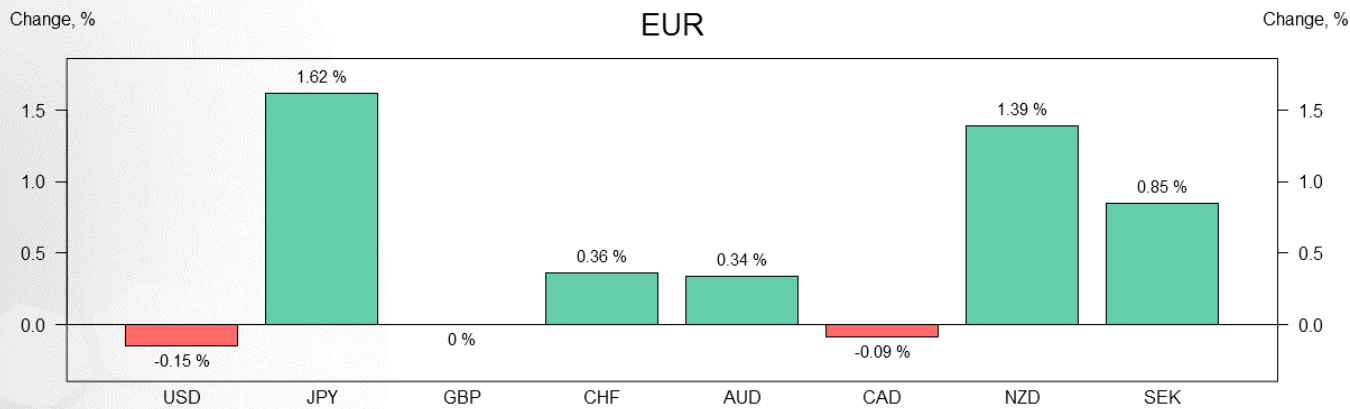
Relative Currency Strength

Currency Indices



Euro index was one of the best performers last week. GBP came at par and only the USD and the CAD index managed to post slightly better, 0.15% and 0.09%, respectively, results. Almost from the very beginning of the period it started showing rather strong bullish bias. At the end of Friday it was already 0.27% above the base value. Even worse than expected Eurozone CPI data on Monday did not manage to negate this trend, just to pause it for some time. However, it resumed appreciating on Tuesday and continued to do so till the Wednesday noon. That's when worse than expected Eurozone final GDP and PPI numbers came out. However, the impact was very marginal.

Index lost only 0.08% on the back of this data, but resumed the appreciation afterwards. It reached the highest point in the period, 0.78% above the base value, right before the ECB announced it's Minimum Bid rate yesterday. Despite the recent economic data (below the target inflation and stagnant unemployment) ECB decided to keep the rates unchanged. This dragged the Euro index 0.2% lower, from which it did not manage to recover and ended the period 0.52% above the base value. Substantially larger impact was felt by the Swiss franc index which lost 0.43% on this data alone. This erased almost all of it's gains in the period. Biggest loser in the period were the yen and kiwi indices, 1.17% and 1.07% loses, respectively, in the period of analysis.



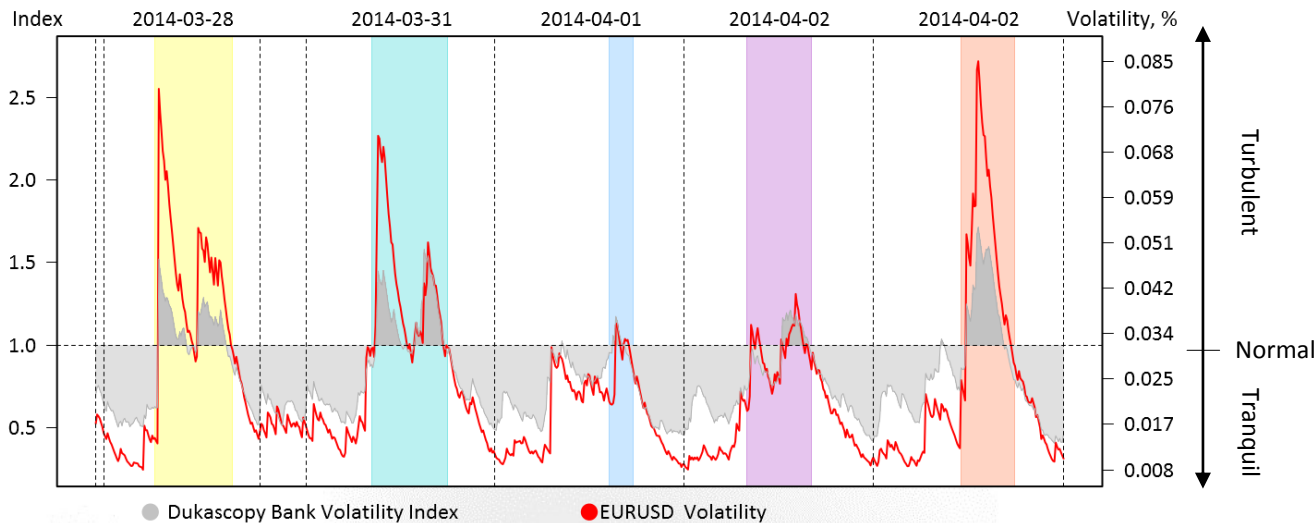
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.52%	0.73%	-1.17%	0.5%	0.17%	0.07%	0.6%	-0.4%	-1.07%
20	-0.54%	0.53%	-0.47%	-0.4%	-0.88%	2.71%	0.13%	-2.02%	1.47%
130	2.27%	1.24%	-6.05%	3.48%	2.54%	-0.6%	-6.26%	-1.64%	4.59%
250	6.4%	0.55%	-5.83%	10.12%	5.74%	-11.6%	-7.56%	0.07%	2.14%



Volatility

Volatility



We saw quite a few substantial peaks in market (Dukascopy Bank Volatility index) and EUR/USD volatility in the period of analysis. However, they were very concentrated and short term, therefore the market showed subdued levels of volatility. Elevated volatility in the market and EUR/USD was observed in approximately 20% of the time as historical levels are at 30-35%. In addition, average volatility of the market and currency pair's is at 70-80% of the usual (long term) level.

There were three major periods of excess volatility in the period of analysis. First took place on Friday last week when UK's Current Account and Final GDP numbers came out.

Second, took place on Monday when Eurozone Flash Estimate CPI showed slightly worse than anticipated numbers. The last, which took place yesterday, could be called the highlight of the week. Everyone was expecting that worse than expected inflation numbers and stagnant job market in the Eurozone would prompt ECB to cut the Minimum Bid Rate. However, as rate was left untouched it facilitated the 2.7 times higher than usual trading activity on the EUR/USD. Market volatility at that time was at the highest level in the period as well—1.7 times higher than usual. Minor peaks on Friday and Monday were related to US Revised Consumer Sentiment and speeches given by the Fed Chairman and bank of England Governor.

Elevated Volatility (% of the observed period)

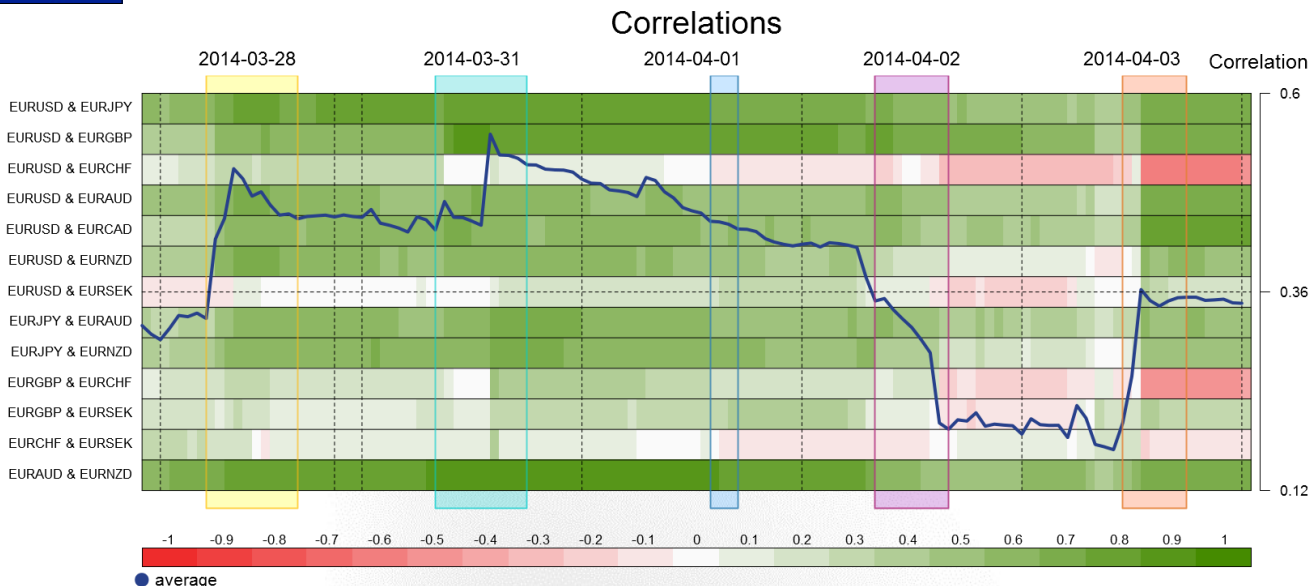
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
20	22	17	24	15	14	25	20	37	20	33	24

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.7	2.7	1.6	2	1.9	2.1	3.4	2.4	2.8	2.8	2.7	1.7
Min	0.4	0.2	0.3	0.2	0.4	0.3	0.2	0.3	0.2	0.3	0.2	0.4
Average	0.8	0.7	0.7	0.7	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.9



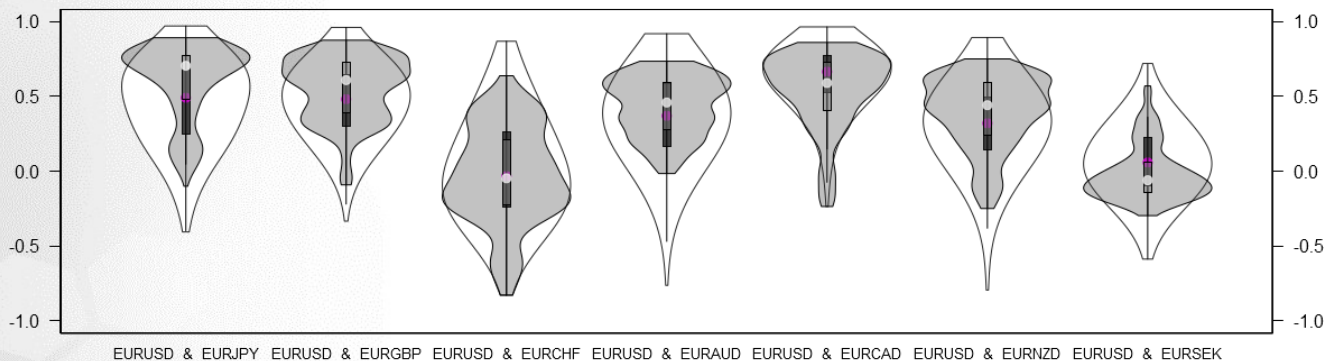
Currency Significance



Significance of the Euro, expressed as average correlation between various Euro crosses, remained largely unchanged; it started the period at 0.31 and ended at 0.34. First increase in the gauge is observed on Friday when worse than expected UK Current Account and Final GDP numbers prompted the market participants to start looking for other investment opportunities and due to the geographical proximity redirected fair share of capital to the Eurozone. After that the gauge remained around 0.45 until Monday when Eurozone CPI Flash Estimate numbers came out. As this was and estimate of actual numbers it boosted the gauge further, till the period high of 0.55.

We start observing clear downtrend afterwards. It seems that traders this happened mainly for two reasons. First, lack of Eurozone related data releases. Second, investors were protecting their positions due to the upcoming ECB Minimum Bid Rate Announcement as only Eurozone Final GDP and PPI numbers managed to stop the gauge from falling further and stabilized it around 0.2 on Thursday. The mentioned ECB rate announcement, following press conference and speech by the ECB president boosted the importance of the Euro as average correlation skyrocketed from 0.21 till 0.34 in the matter of few hours.

Correlations (20 vs 130 days)

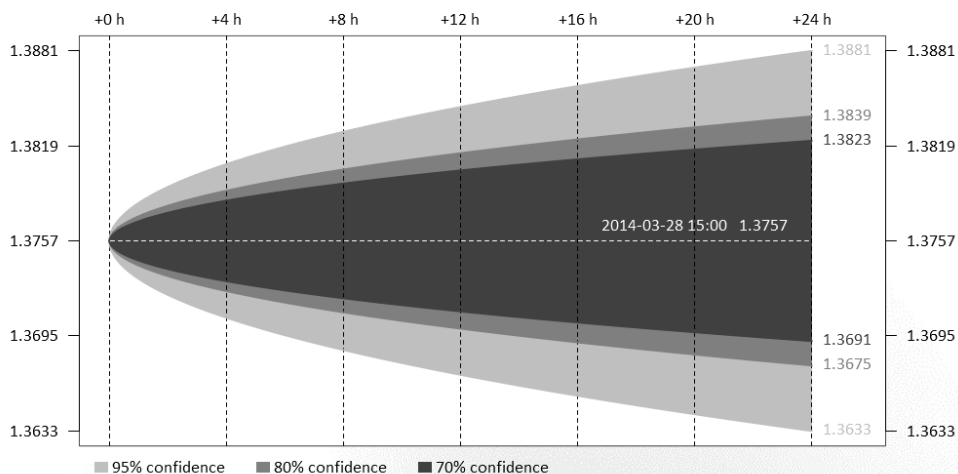


Mean Correlation Coefficient (with EURUSD)

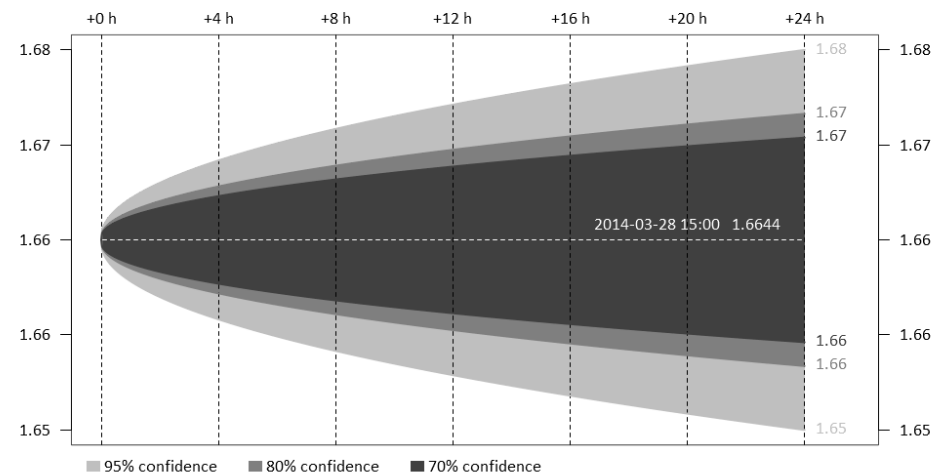
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.68	0.68	-0.05	0.54	0.55	0.43	0.09
20	0.6	0.55	-0.03	0.43	0.53	0.39	-0.02
130	0.49	0.42	-0.12	0.35	0.6	0.31	0.07
250	0.39	0.42	-0.1	0.26	0.59	0.24	0.03

Confidence Intervals for Next 24 Hours

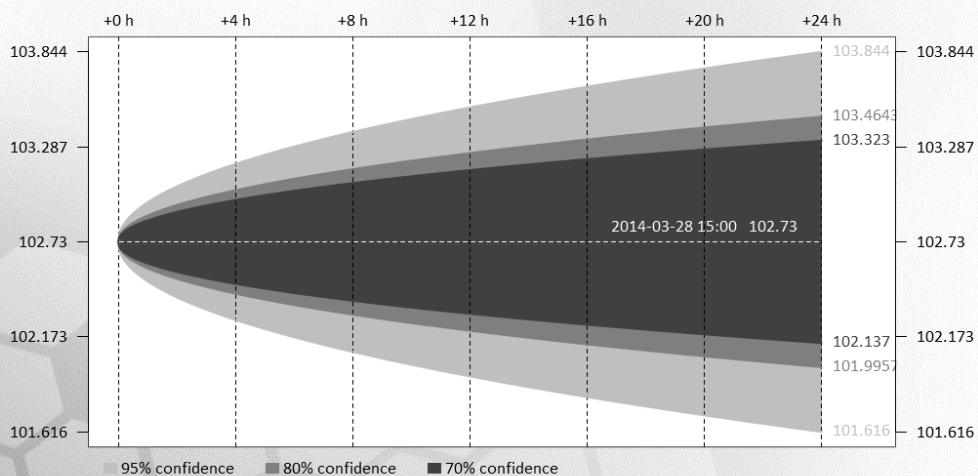
EURUSD Potential Rates



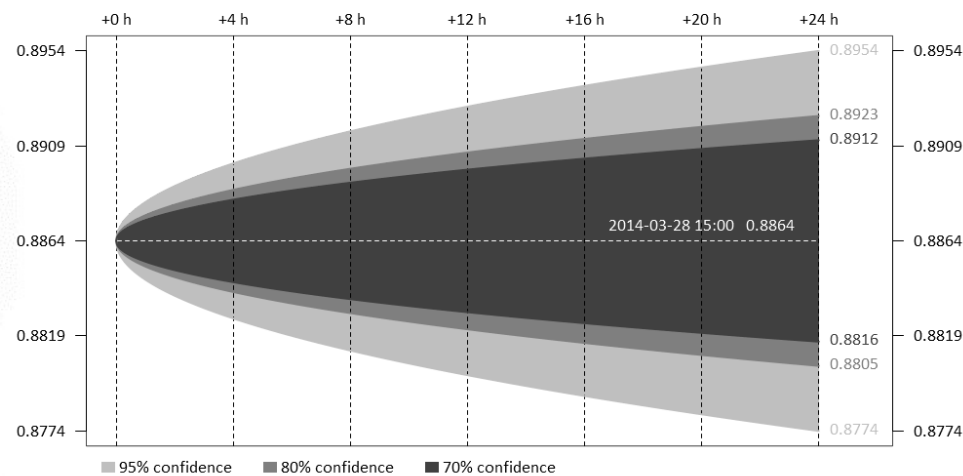
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

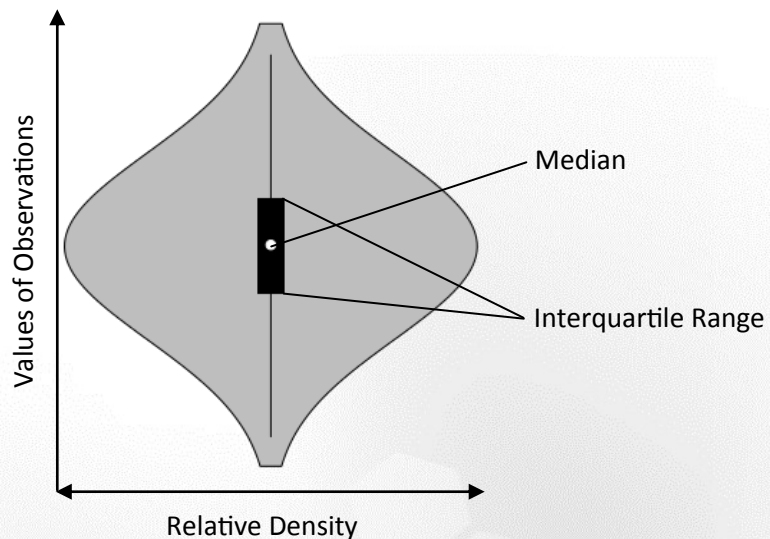
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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