



EUR

11/04/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area
April 4
10:30 - 14:30

- Canada unemployment rate
- US Nonfarm Payrolls
- US Unemployment Rate
- Ivey Purchasing Managers Index

Turquoise Area
April 8
05:30 - 15:00

- BOJ Press Conference
- French Trade Balance
- French Gov Budget Balance
- UK Manufacturing Production

Blue Area
April 9
05:30 - 18:00

- German Trade Balance
- UK Trade Balance
- Wholesale Inventories
- FOMC Meeting Minutes

Purple Area
April 10
07:00 - 16:30

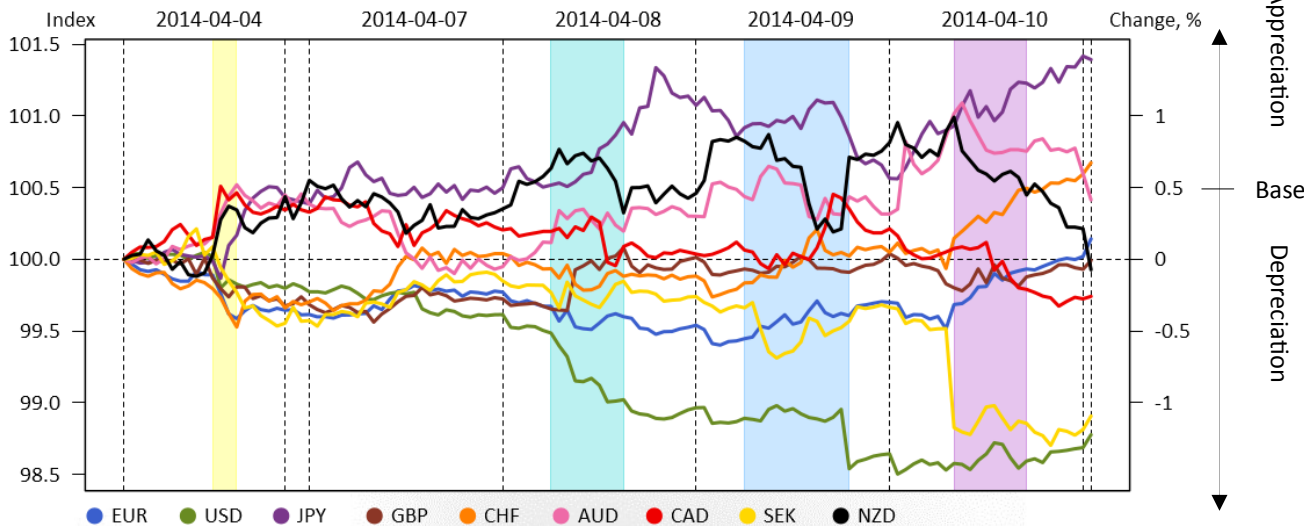
- French Industrial Production
- French Consumer Price Index
- ECB Monthly Bulletin
- BOE Official Bank Rate
- US Unemployment Claims

EUR Currency Index Range	0.3%	0.16%	0.26%	0.25%
Average EUR/USD Volatility Index	1.33	0.87	0.89	0.83



Relative Currency Strength

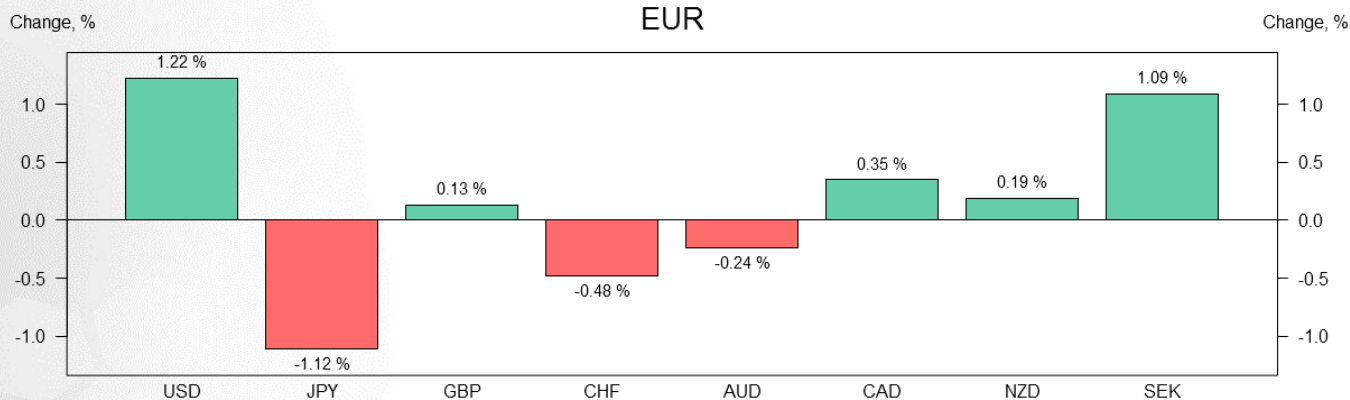
Currency Indices



The Euro index remained virtually on the same level throughout the week, moving in the narrow band between 99.5 and 99.8. It reached its lowest point on Wednesday morning, losing more than half per cent of the initial value. Later on, seemingly in anticipation of German and British trade balance and ECB Monthly bulletin releases, the index started its slow growth and crossed the 100 points mark by Friday, resulting in a 0.17% change. With that the EUR index significantly outranged the USD and the SEK indices, and took the lead over its GBP, CAD, and kiwi counterparts that were ahead of it during the whole period.

Other currency indices were more active during the period. The lowering of the unemployment rate in Canada caused a sharp rise of the CAD index in the yellow area, giving it a good head start. But the impulse did not last, and the index ended the period with a 0.34% loss. JPY, AUD, and NZD were steadily rising during the week, but the Japanese currency was the only one that managed to preserve the direction and thus ended up in the leading position.

Worse than expected values of US unemployment rate and Non-Farm Employment Change, in turn, initiated a lengthy fall in the USD index, leaving it with a 1.26% loss at the end of the period. European currencies seemed to start off following the lead, but, for the most part, managed to recover further into the week.



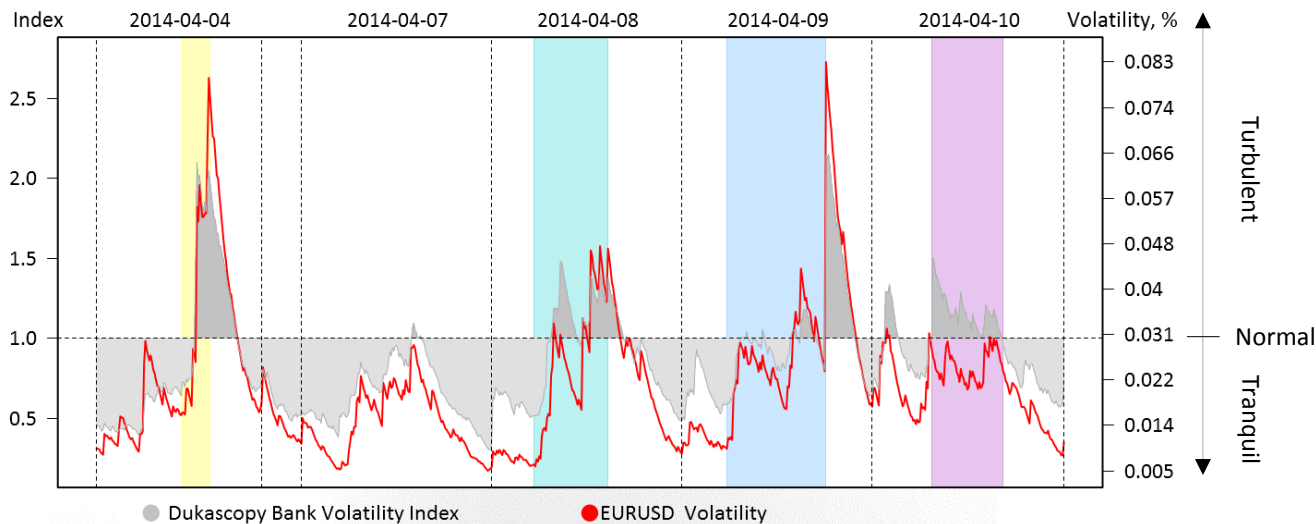
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.17%	-1.26%	1.48%	-0.03%	0.69%	0.5%	-0.34%	-1.09%	-0.1%
20	-0.41%	-0.64%	-0.28%	0.38%	-0.7%	4.14%	0.9%	-3.11%	0.54%
130	2.4%	-0.53%	-5.13%	4.88%	3.62%	-1.54%	-6.44%	-1.75%	3.97%
250	6.16%	-1.16%	-3.31%	9.43%	7.6%	-11.54%	-8.42%	0.26%	0.95%



Volatility

Volatility



For the first time in more than a month the most traded currency pair seemed to be less agitated than the market. While the Dukascopy Bank Volatility Index exceeded unity for almost a third of the observed period and reached a relatively high maximal level of 2.2, EUR/USD volatility stayed above its historical average for the modest 15% of the time and did not rise to any new highs. It can, to some extent, be explained by little to no significant news for the region and the overall lull in wait for the next ECB move.

EUR/USD volatility spiked rapidly in the Friday midday yellow area, possibly stirred up by the chain of mostly negative news from North America. A more gradual ascent took place on Wednesday, with minor surges around German and British trade balance announcements and a steeper peak right before the release of the FOMC meeting minutes. An interesting trident formed in the Tuesday turquoise area, revealing three hourly infusions into the pairs volatility. No news, however, offered an explanation of this wavy turbulence. Thursday news on France, the United Kingdom and even the EU as a whole, on the other hand, did not manage to push the EUR/USD volatility index out of the tranquil area, and the currency pair finished the period calmer than the market.

Elevated Volatility (% of the observed period)

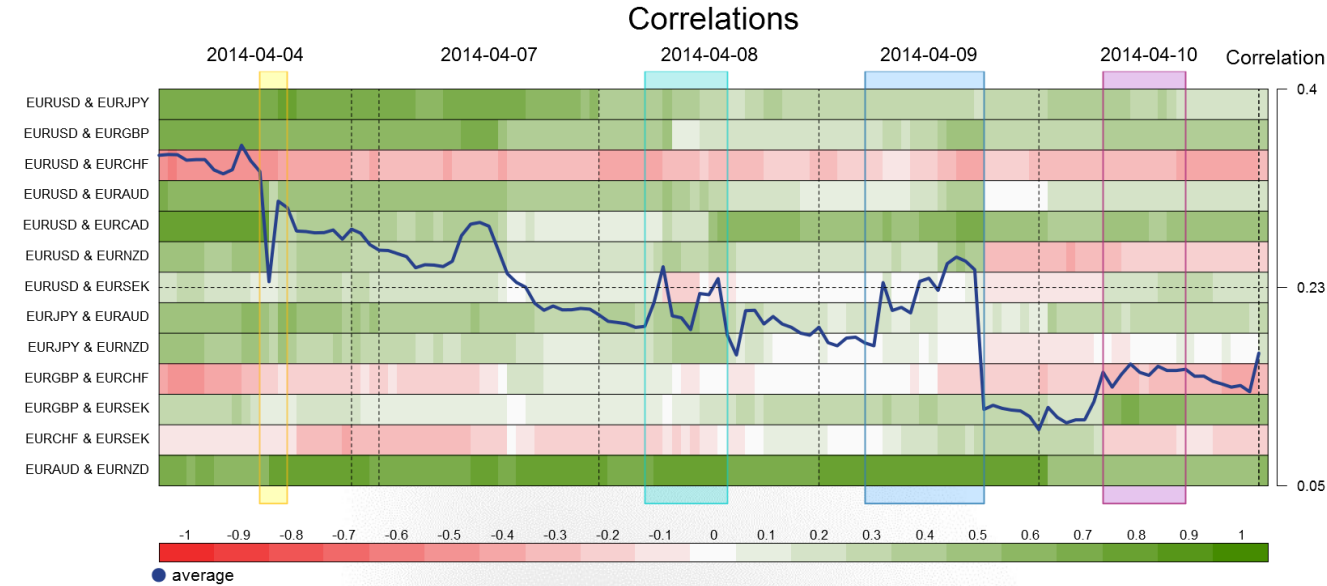
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
27	15	54	26	31	27	22	29	18	28	26	29

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.2	2.7	2.3	3.4	4.6	3.9	2.9	2.5	2.5	3.4	5.3	3.9
Min	0.3	0.2	0.3	0.2	0.3	0.2	0.2	0.3	0.2	0.4	0.2	0.3
Average	0.9	0.7	1.1	0.8	0.9	0.8	0.8	0.9	0.7	0.9	0.8	0.9



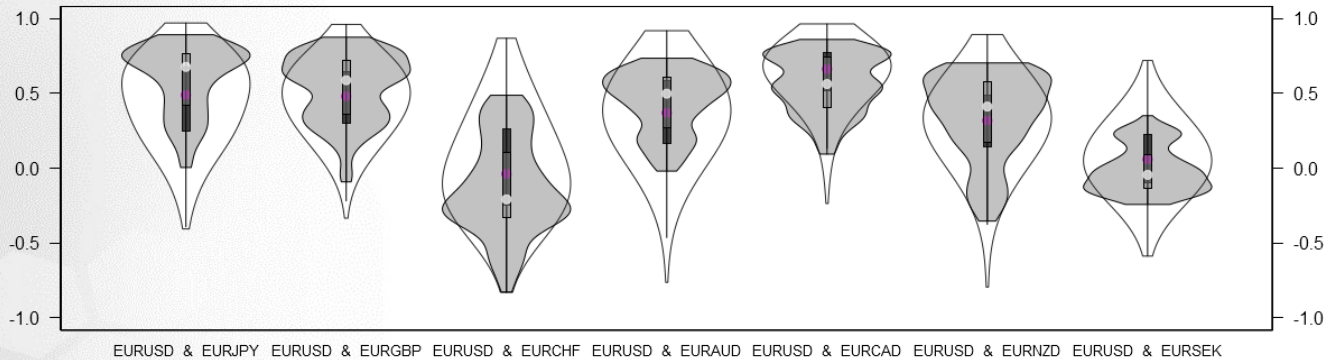
Currency Significance



The period was marked by the low values and a general downtrend in the average correlation between Euro crosses, which suggests relative unimportance of the news on the Eurozone. The first major fall happened against the news releases from North America, while the greatest turbulence in the currency significance was associated with the variety of news from all regions in the turquoise area. German Trade balance announcement on Wednesday facilitated a small increase in correlations. However, the release of minutes from Fed's meeting and the subsequent drop in the USD rate weakened the market significance of the single currency.

EUR/USD and EUR/CHF showed significantly negative correlation throughout the past five days, suggesting a possible hedging opportunity. The correlation of EUR/USD with other Euro crosses, on the other hand, was rather high against historical background. The only exception is EUR/CAD, which demonstrated extremely low correlation with EUR/USD in Monday afternoon, when the Canadian dollar appreciated against its counterparts. This could be related to the quite optimistic release of BOC Business Outlook Survey.

Correlations (20 vs 130 days)

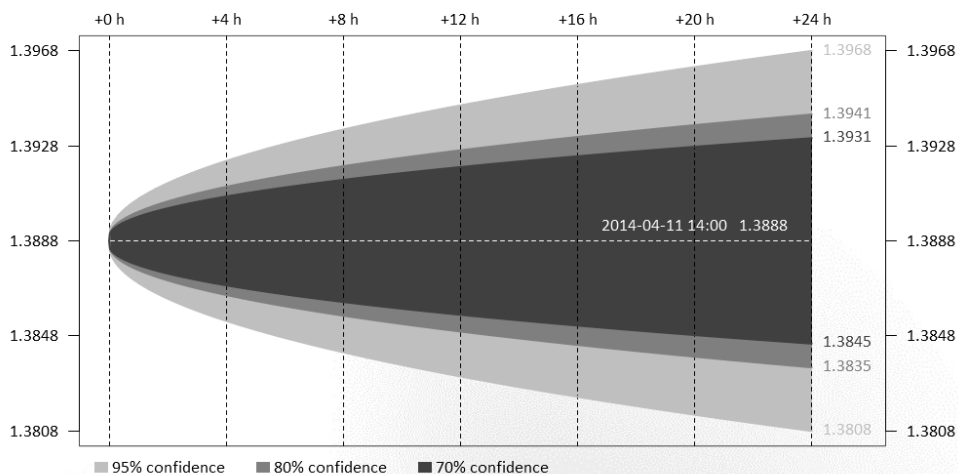


Mean Correlation Coefficient (with EURUSD)

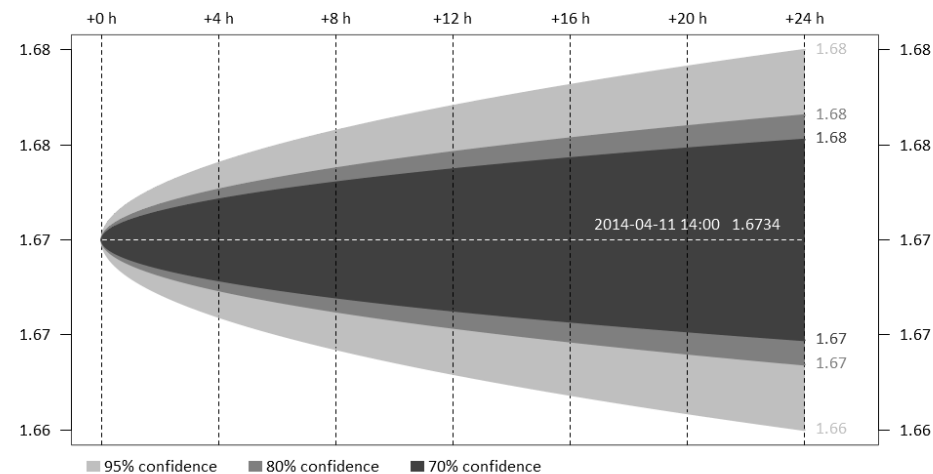
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.46	0.41	-0.33	0.32	0.43	0.15	0.09
20	0.59	0.53	-0.13	0.44	0.56	0.34	-0.01
130	0.49	0.43	-0.12	0.34	0.59	0.3	0.07
250	0.38	0.42	-0.11	0.26	0.58	0.23	0.03

Confidence Intervals for Next 24 Hours

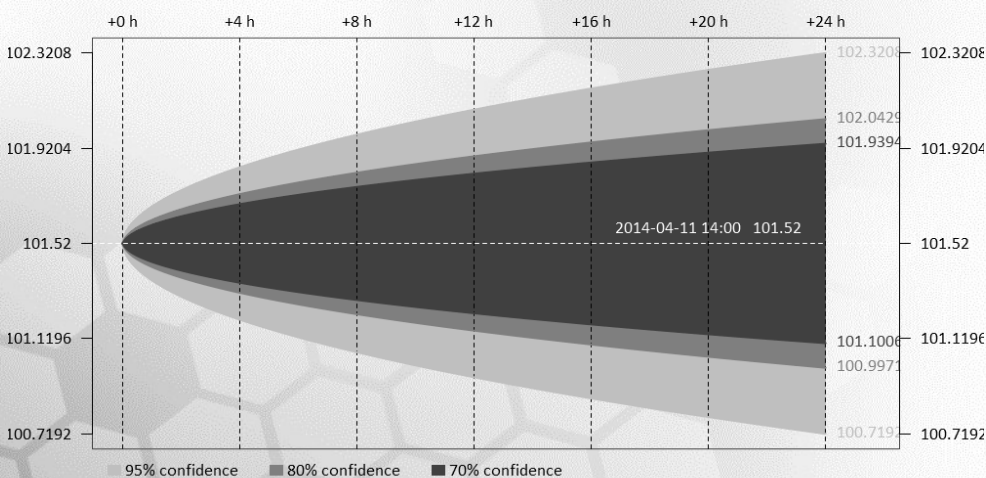
EURUSD Potential Rates



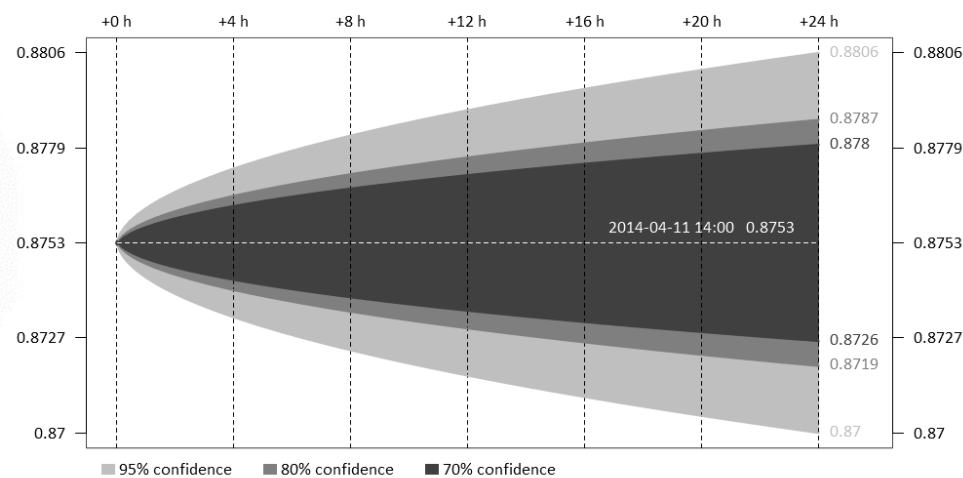
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

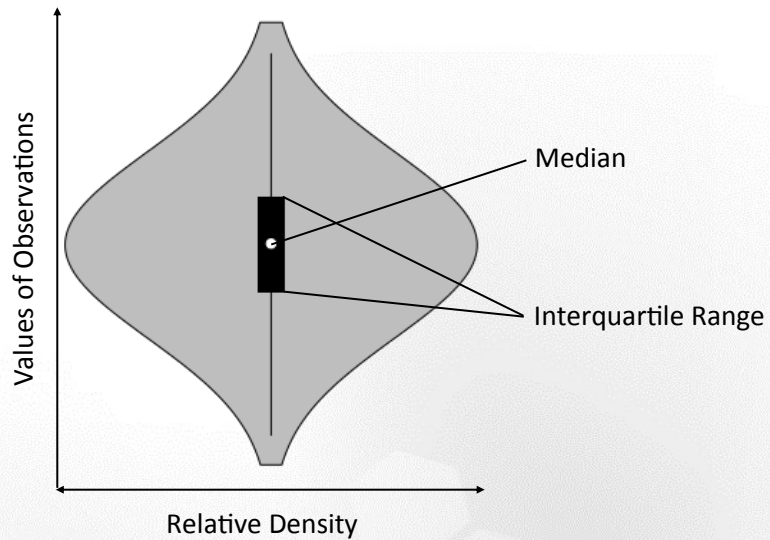
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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