

USD

14/04/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area

April 08

06:00 - 17:00

- BOJ Press Conference
- UK Manufacturing Production
- US Small Business Index
- US Job Openings
- FOMC Members Kocherlakota and Plosser Speak

Turquoise Area

April 09

13:00 - 22:00

- UK Trade Balance
- Wholesale Inventories
- US Crude Oil Inventories
- US 10-y Bond Auction
- FOMC Meeting Minutes

Blue Area

April 10

01:00 - 16:00

- ECB Monthly Bulletin
- BOE Official Bank Rate
- US Unemployment Claims
- US Federal Budget Balance
- G20 Meetings
- G7 Meetings

Purple Area

April 11

10:00 - 16:00

- US PPI
- US Prelim Consumer Sentiment
- US Prelim Inflation Expectations
- G20 Meetings
- IMF Meetings

USD Currency Index Range

0.41%

0.41%

0.19%

0.18%

Average EUR/USD
Volatility Index

1.03

1.36

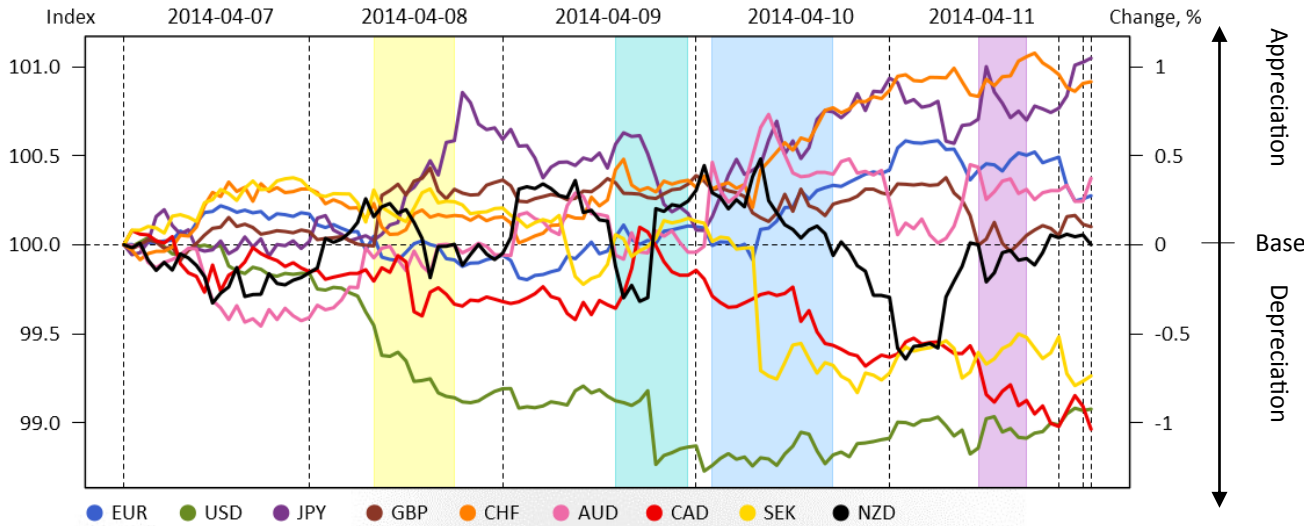
0.78

0.87



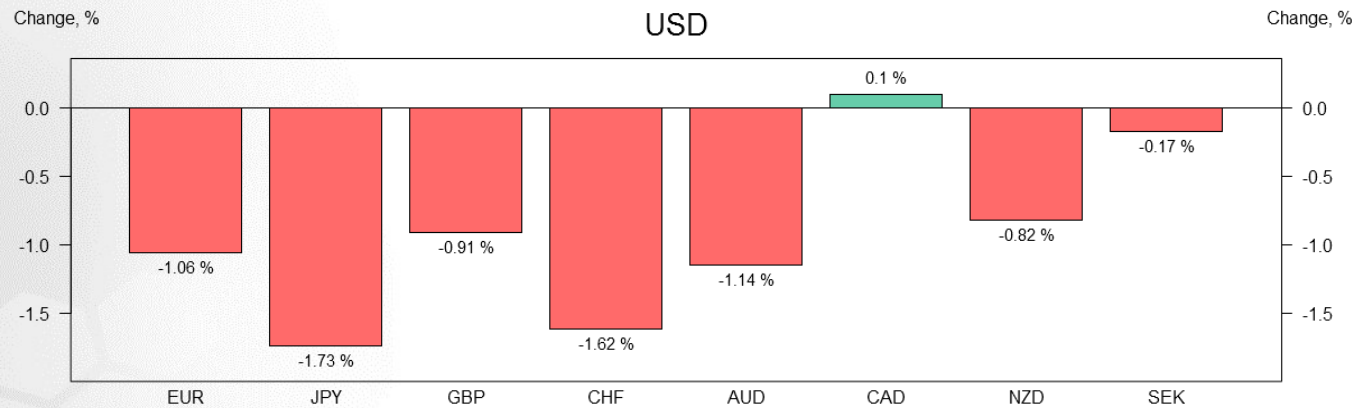
Relative Currency Strength

Currency Indices



USD currency index was one of the main losers during the last week, posting losses versus seven out of eight other major currencies. The only currency that posted even steeper decline was the loonie. Canadian Dollar plunged 1.21% over the week, as the nation's building permits for February disappointed markets to the downside, falling most in five months. Moreover, even a more positive picture of Canada's corporate sector was not able to provide a significant, long-term bullish bias for the loonie. In contrast, the Japanese Yen gained 1.15% over the described period, as the Bank of Japan refrained from additional stimulus, citing stronger growth and a pickup in inflation.

The U.S. Dollar lost 0.91% of its value during the last week, with the corresponding index staying mostly around 99.23 over the period. The currency began its depreciation on Tuesday, as investors slashed their Dollar long positions ahead of the FOMC minutes, while positive data from the U.K., Europe and confident BoJ's comments added to the USD's losses. The index reached its lowest level in the week on Wednesday, falling to 98.72 immediately after the release of the FOMC minutes. According to the minutes, the Fed officials are concerned over low inflation rate in the U.S., as they had predicted that a strengthening U.S. economy would boost inflation from 1% towards the healthy 2% target, associated with a robust business activity. Harsh winter conditions had stronger impact on the economy, hence, the Fed is projected not to accelerate the pace of the tapering process.



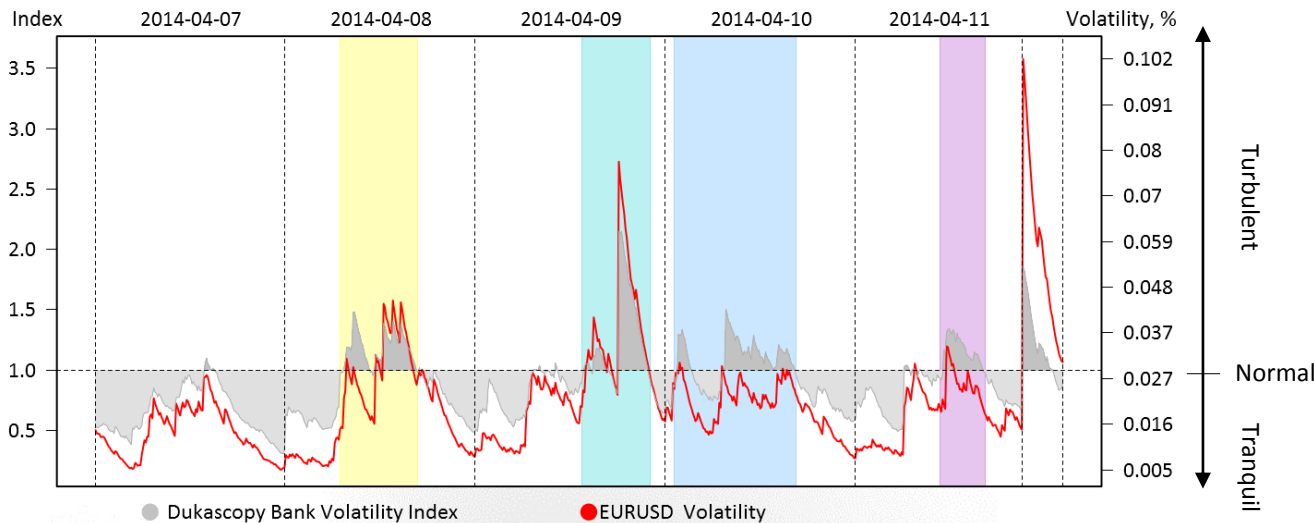
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.26%	-0.91%	1.15%	0.11%	0.89%	0.43%	-1.21%	-0.81%	0.02%
20	-0.9%	-0.49%	-0.5%	0.11%	-0.95%	4.76%	0.68%	-3.05%	1.37%
130	1.95%	-0.64%	-4.21%	4.38%	3.54%	-1.62%	-7.03%	-1.49%	4.62%
250	6.31%	-0.77%	-3.08%	8.29%	7.61%	-11.03%	-9.07%	0.33%	1.42%



Volatility

Volatility



Over the last week the most traded currency pair was almost twice less volatile than the overall market's volatility, due to a lack of important fundamental data from Europe and the United States. While the elevated volatility on EUR/USD was observed only in 16% of the time, the most volatile currency cross was USD/JPY, as Japanese central bank maintained the current pace of the stimulus programme, sticking to its upbeat assessment of the economy, as the impact of the sales tax is still unclear. Even Kuroda's comments were able to push pair's volatility only to 2.1%, however, later, the average volatility stayed around 1.1%, making the pair highly attractive for traders, as the pair moved to 101.32, after a massive sell-off.

Amid a lack of statistical data from Europe and the world's largest economy, EUR/USD volatility remained mostly below the Dukascopy Bank Volatility Index, while on Tuesday Canada's building permits and the number of job openings from the U.S. pushed EUR/USD volatility to 1.49. The highest point over the corresponding period was reached on Wednesday, following Janet Yellen's cautious comments that pushed the volatility of the most traded currency pair up to 2.58. What is more important, the pair was highly volatile in the beginning of this week, as on Saturday Mario Draghi said further Euro's appreciation would force European policymakers to pull the trigger. Moreover, German top finances claimed that markets should not celebrate an overhaul of the 18-nation's bloc's economy yet.

Elevated Volatility (% of the observed period)

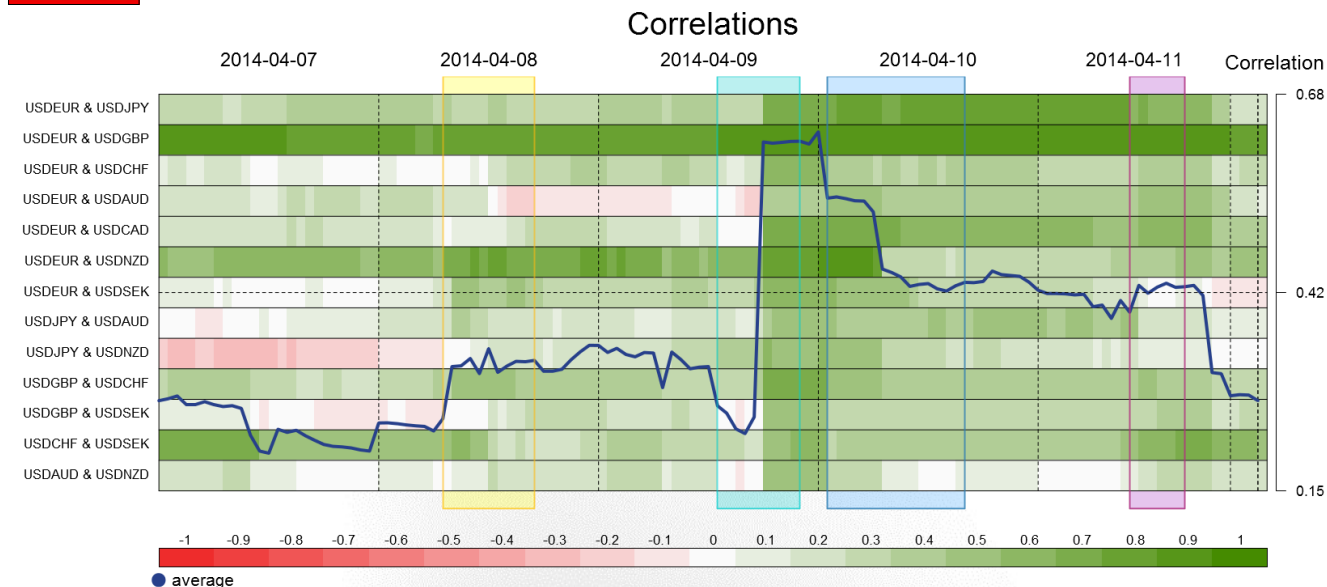
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	16	58	28	35	31	22	37	16	28	26	36

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.2	3.6	2.1	3.4	4.6	2.1	2.4	2.2	2.5	1.8	5.3	3.9
Min	0.3	0.2	0.4	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	1	0.9	0.8	0.9	0.7	0.9	0.8	1



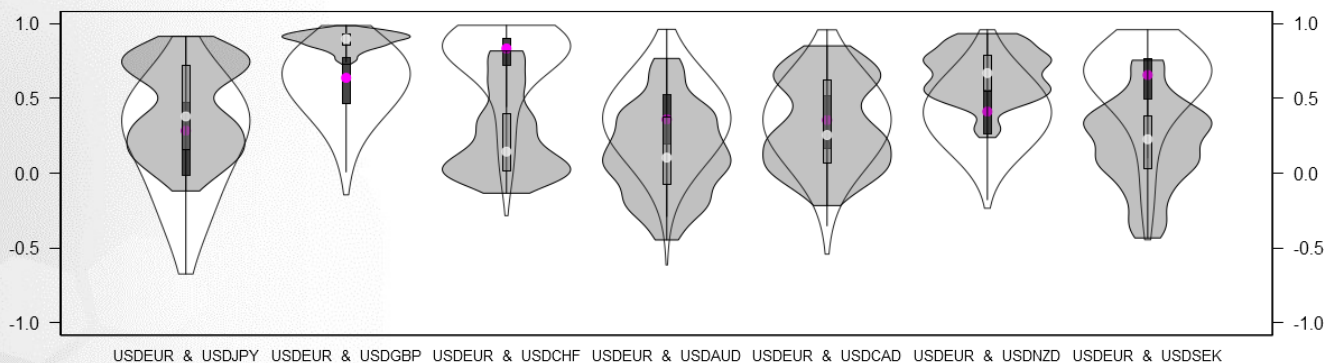
Currency Significance



A release of the U.S. consumer credit figures on Monday were not able to provide any substantial boost to the U.S. Dollar, even despite stronger-than-expected figures. The indicator is correlated with consumer spending, which account for a majority of the overall economic activity, therefore, it is even more interesting why the data pushed the average correlation coefficient even lower to 0.21. However, later, in the anticipation of the FOMC minutes that were expected to shed some light on the future moves of the U.S. policymakers, investors turned back their intention towards the USD. Moreover, positive data from the labour market reinforced a view the economy is building up steam.

On Wednesday, April 9, German and British trade figures pushed the average correlation coefficient up to 0.25, as markets were driven by these events. However, later, after the Federal Reserve has unveiled its FOMC minutes from the last meeting, the correlation coefficient rocketed to 0.61, hitting the highest point over the period. Later on, the main attention grabbers were Australian unemployment rate, the BoE's meeting and Chinese inflation data. Even weekly unemployment claims had no impact on the correlation coefficient. What is more important, the short-term correlation between the most traded currency pair and USD/JPY increased up to 0.5, meaning that FOMC minutes outweighed the unexpected comments from the Bank of Japan.

Correlations (20 vs 130 days)

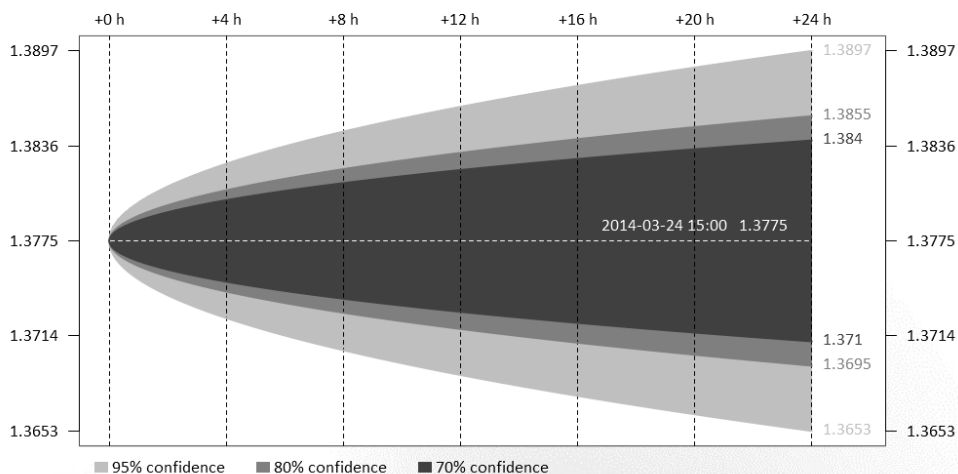


Mean Correlation Coefficient (with EURUSD)

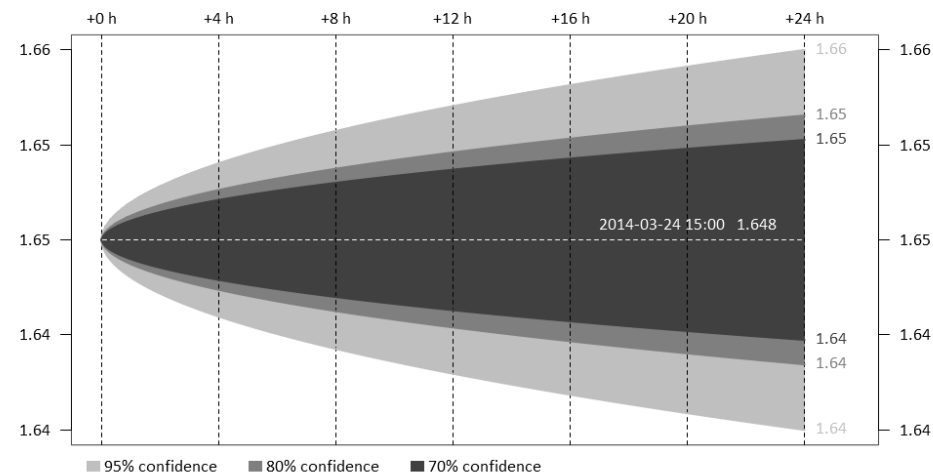
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.5	0.86	0.27	0.23	0.37	0.56	0.25
20	0.43	0.89	0.24	0.14	0.32	0.66	0.2
130	0.34	0.65	0.62	0.26	0.23	0.45	0.39
250	0.35	0.64	0.72	0.34	0.33	0.43	0.53

Confidence Intervals for Next 24 Hours

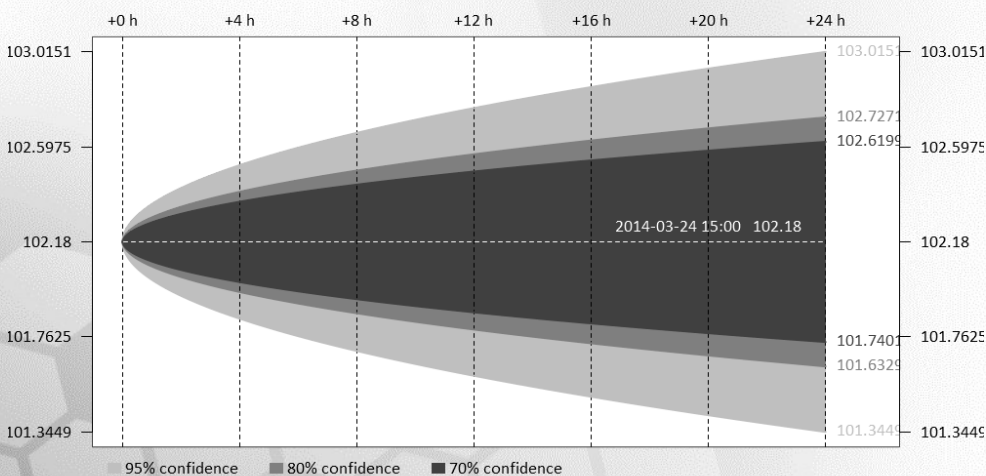
EURUSD Potential Rates



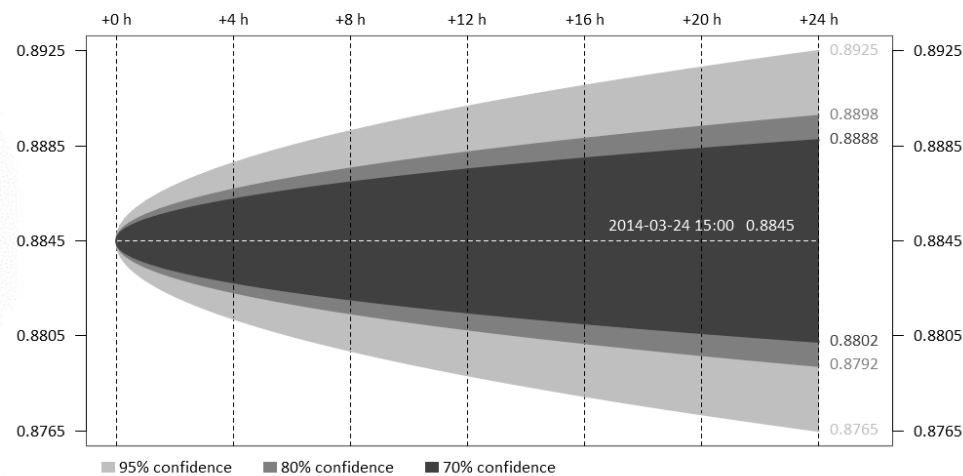
GBPUSD Potential Rates



USDJPY Potential Rates



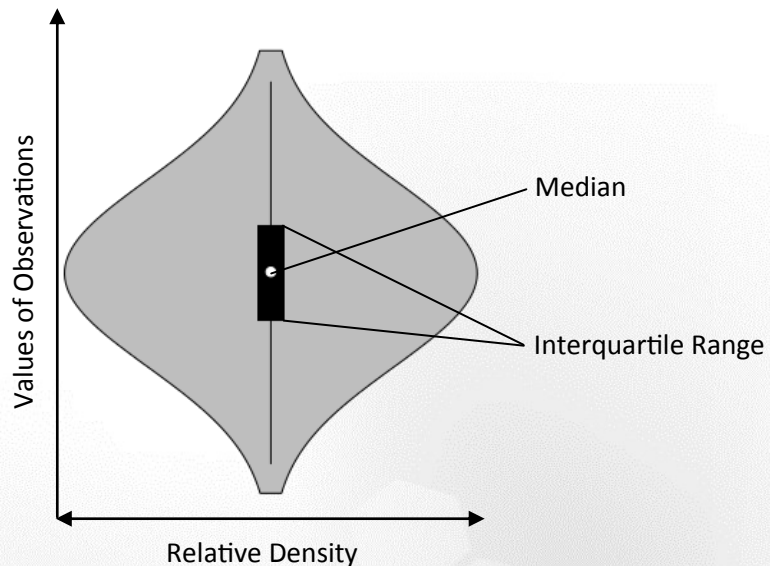
USDCHF Potential Rates



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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