



USD

28/04/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area

April 22

06:00 - 18:00

- Eurozone Construction Output
- Canada Wholesale Sales
- US HPI
- Eurozone Consumer Confidence
- US Existing Home Sales

Turquoise Area

April 23

06:00 - 19:00

- Eurozone Flash Composite PMI
- MPC Votes
- Canada Core Retail Sales
- US Flash Manufacturing PMI
- US New Home Sales

Blue Area

April 24

07:00 - 18:00

- German Ifo Business Climate
- ECB President Draghi Speaks
- UK CBI Realized Sales
- US Core Durable Goods Orders
- US Unemployment Claims

Purple Area

April 25

10:00 - 16:00

- US Flash Services PMI
- US Revised Consumer Sentiment
- US Revised Inflation Expectations

USD Currency Index Range

0.13%

0.17%

0.23%

0.1%

Average EUR/USD
Volatility Index

1.07

1.48

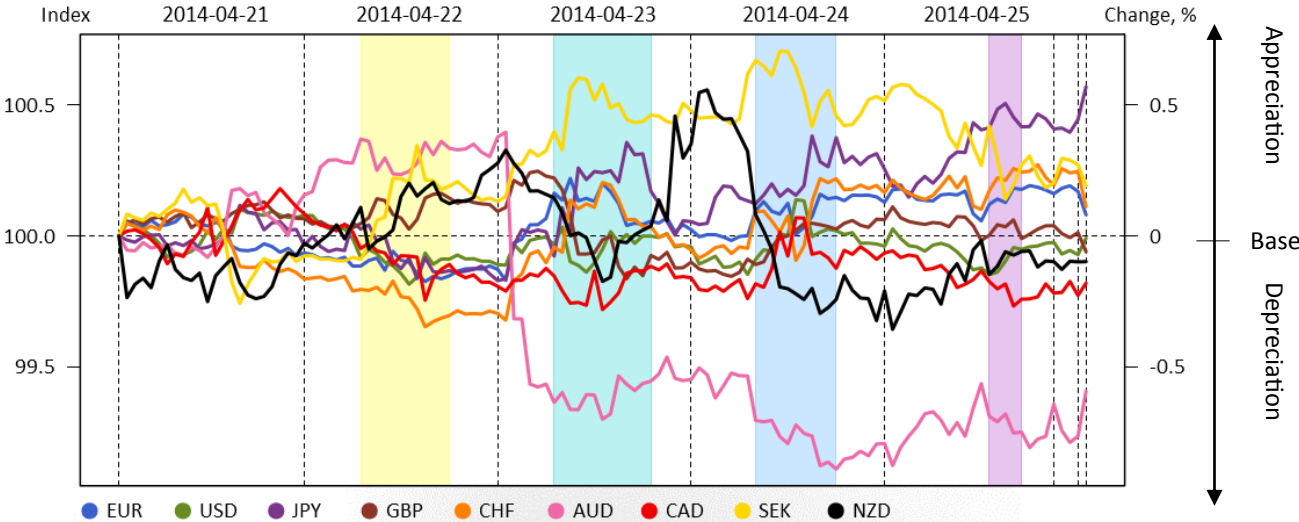
1.37

1.12



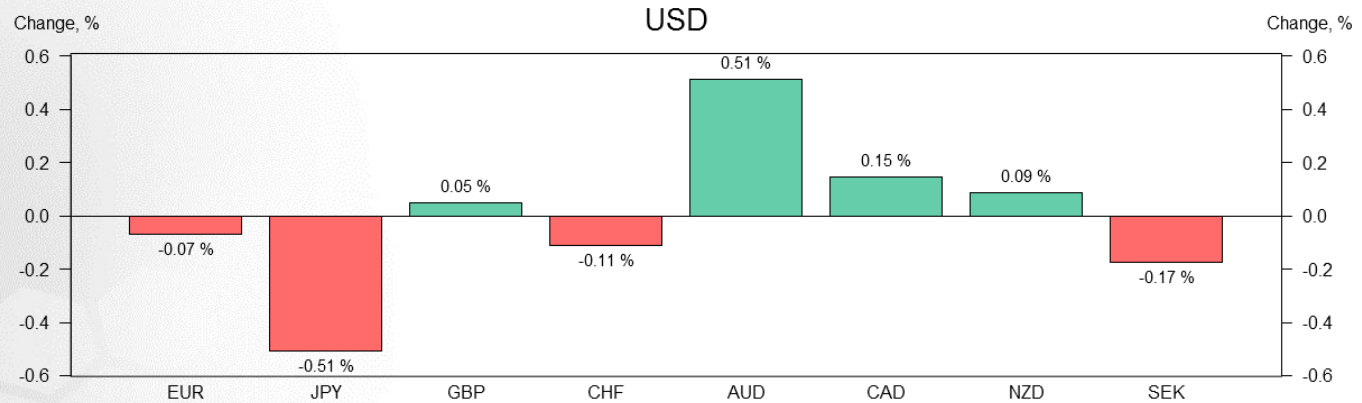
Relative Currency Strength

Currency Indices



Last week markets were coming back to senses after Easter holidays and that is why trading sessions were very quiet. Hence, it was not a surprise that both losses and gains were limited, with the Japanese Yen becoming main gainer, posting a 0.6% increase. At the same time, the Aussie posted the steepest decline, which equals only 0.6%. What is more important, the kiwi index advanced only 0.14%, even despite the fact the RBNZ made the second straight rate hike, raising the OCR to 3.00%. Hawkish comments had no effect as well, meaning that investors are already pricing in future tightening of the monetary policy.

USD index was almost unchanged over the observed period, registering a 0.06% decline on Friday. A bunch of economic data from the U.S. housing market, as well as weekly unemployment claims and durable goods orders— a main proxy of overall production, had little impact on the U.S. Dollar, with the corresponding index fluctuating around the base value. The index climbed to 100.138 on March 24, hitting the highest over the period, as demand for the long-lasting goods was stronger than it was initially expected in March, meaning that American companies are shrugging off effects of harsh winter, hence, the economy will gather pace in the coming months. This week the currency is likely to be highly volatile, due to a slew of important fundamental data, including advance GDP, Janet Yellen’s speech as well as payrolls and unemployment rate.



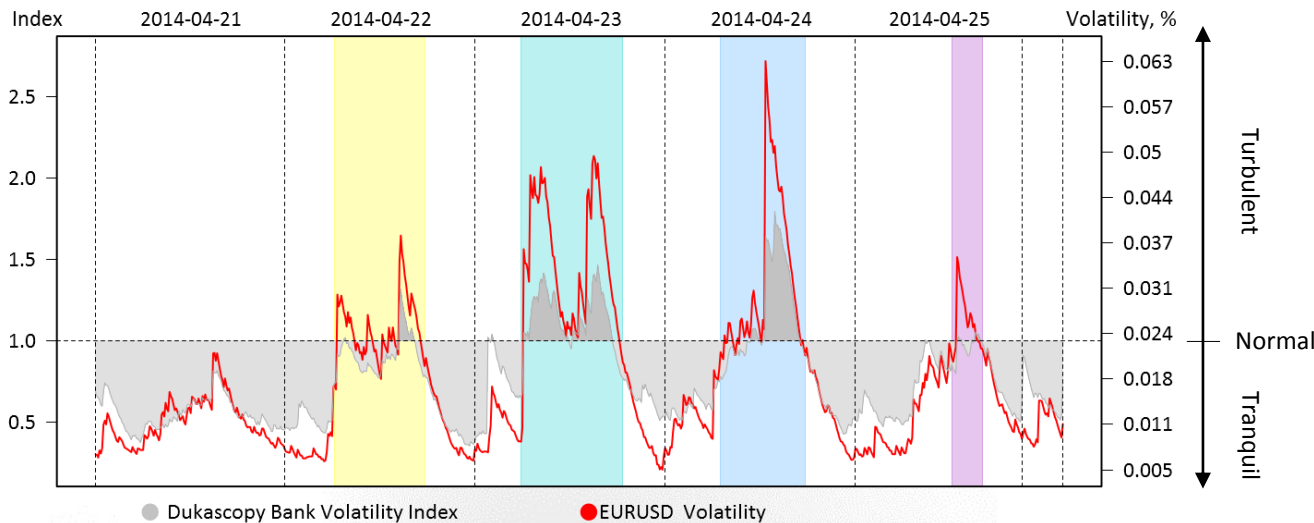
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.02%	-0.06%	0.6%	-0.1%	0.06%	-0.6%	-0.22%	0.11%	0.14%
20	0.46%	-0.06%	0.83%	0.88%	0.45%	0.28%	0.05%	-1.59%	-1.34%
130	1.38%	1.31%	-4%	5.06%	2.4%	-2.92%	-5.44%	-2.79%	4.37%
250	6.05%	-0.56%	-2.12%	8.79%	7.53%	-9.88%	-10.81%	-1.13%	2.09%



Volatility

Volatility



Compared with the previous week, markets are getting more active, as effects of Easter holidays began to wane. Elevated market volatility was observed in 18% of the time. The most volatile currency pair was the USD/SEK, with elevated volatility recorded in almost 30% of the observed period. Unemployment in Sweden picked up to 8.6% in March, and keeping in mind FOMC statement later this week, the pair has a great opportunity to penetrate an important resistance at 6.6257, with the outlook remaining bullish as long as the 6.3209 support level remains intact. In contrast, the least volatile pair was AUD/USD, with volatility reaching the turbulence zone only in 14% of the time.

Regarding the most traded currency cross, elevated volatility was observed more often than overall in the market. The main catalysts for the single currency were manufacturing and services PMI as well as German Ifo Business climate and Draghi's speech. The President only reiterated his pledge to introduce the U.S.-style quantitative easing in case the currency continue appreciating, while inflation is likely to accelerate in the coming months. EUR/USD volatility hit 2.719 on April 24, following Draghi's speech and a release of the upbeat durable goods orders from the United States. Two more major spikes were recorded a day earlier, as first markets were boosted by German, French and Europe's manufacturing data, while later on, the number of new home sales in the United States disappointed markets, pushing the volatility index slightly above 2.0.

Elevated Volatility (% of the observed period)

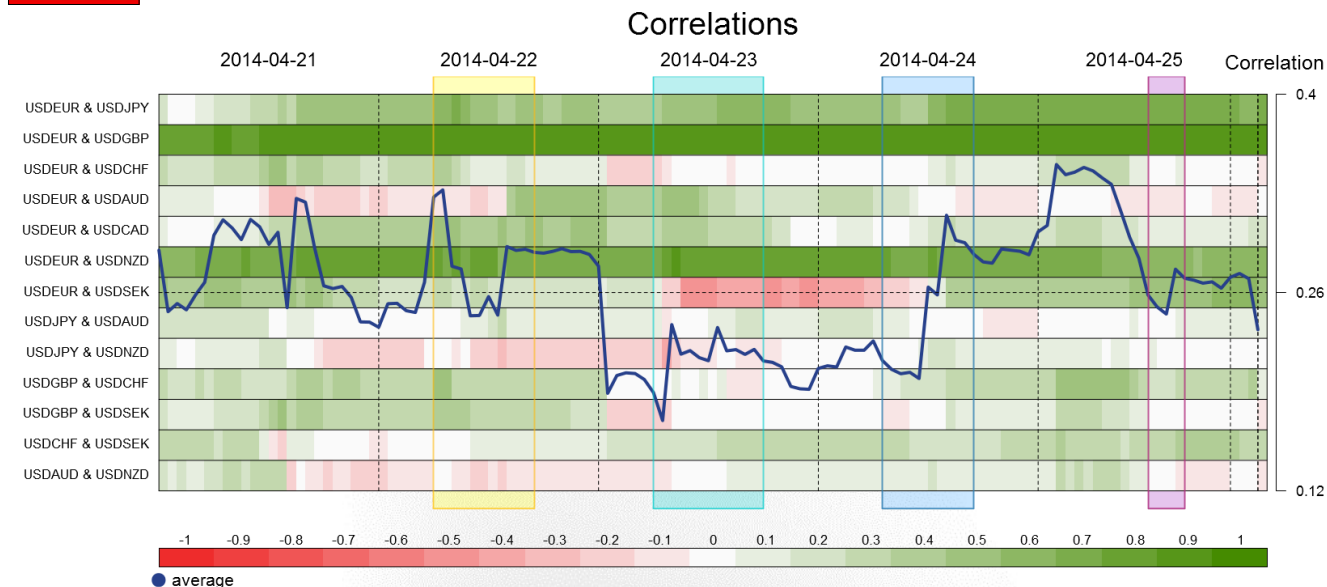
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD	
	18	24	17	18	14	15	24	22	17	19	29	20

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.8	2.7	2.7	2.3	4.5	1.5	2.8	2	1.9	3.5	2.2	2
Min	0.4	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.4
Average	0.8	0.8	0.8	0.7	0.8	0.7	0.8	0.8	0.7	0.8	0.7	0.8



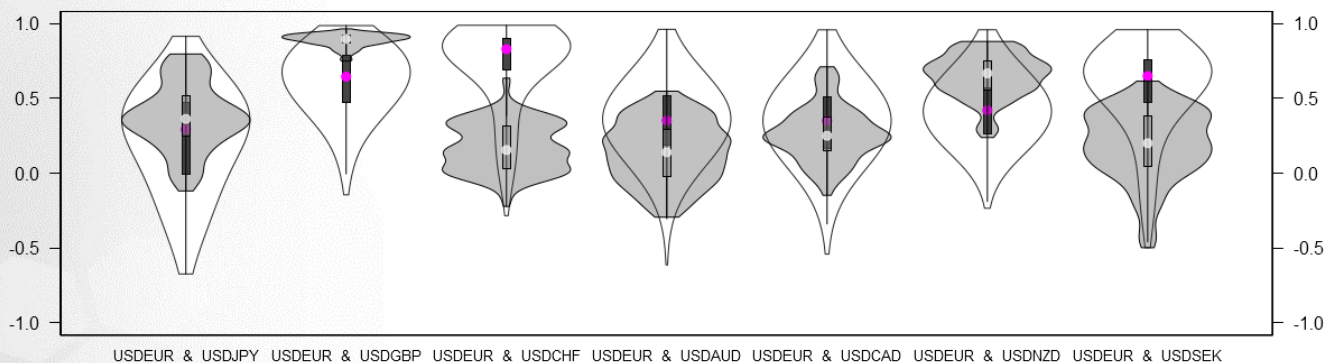
Currency Significance



As always, the U.S. Dollar played a significant role in financial markets over the described period, especially keeping in mind a bunch of important fundamental data. The average correlation coefficient turned lower in the first half of the week, as due to a lack of fundamental data, markets were mostly driven by a demand for safe haven assets. On Tuesday, at 2:00pm GMT the National Association of Realtors unveiled the first set of statistical data, saying the number of existing home sales climbed above the forecast. The average correlation coefficient, however, moved to 0.290 from 0.293, meaning that traders little attention to the report.

A day later the interest towards the greenback was muted as well, as investors kept an eye on the Bank of England meeting, where Mark Carney was expected to shed light on the future moves. Manufacturing PMI and the number of new home sales had limited impact on the greenback as well, resulting only in a 0.01 change. The biggest spike in the value of the correlation coefficient was provoked by durable goods orders and unemployment claims, which both pushed the coefficient up to 0.31 from 0.25 before the release of the data. The highest level of 0.35 was reached on Friday, however, later the index began moving to the south, as investors turned their interest to Japan's inflation report. By the end of the week, the average correlation coefficient stood at 0.2340, compared with 0.2906 on Monday.

Correlations (20 vs 130 days)

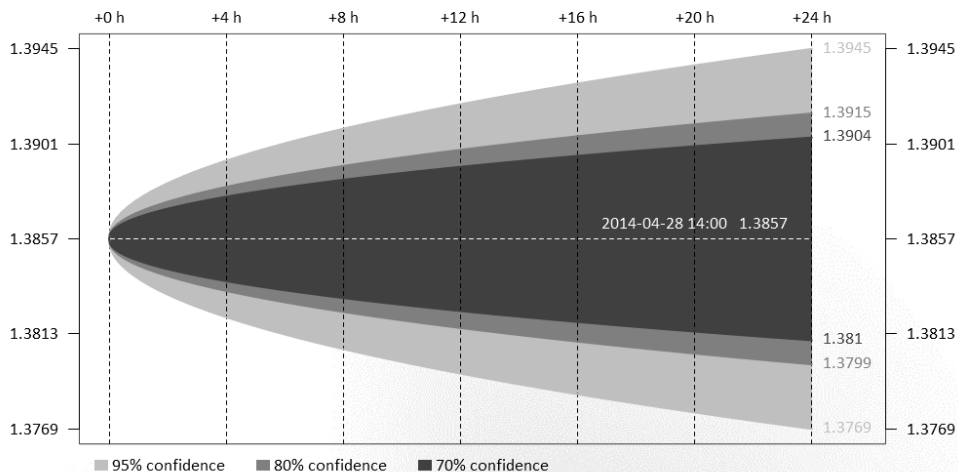


Mean Correlation Coefficient (with EURUSD)

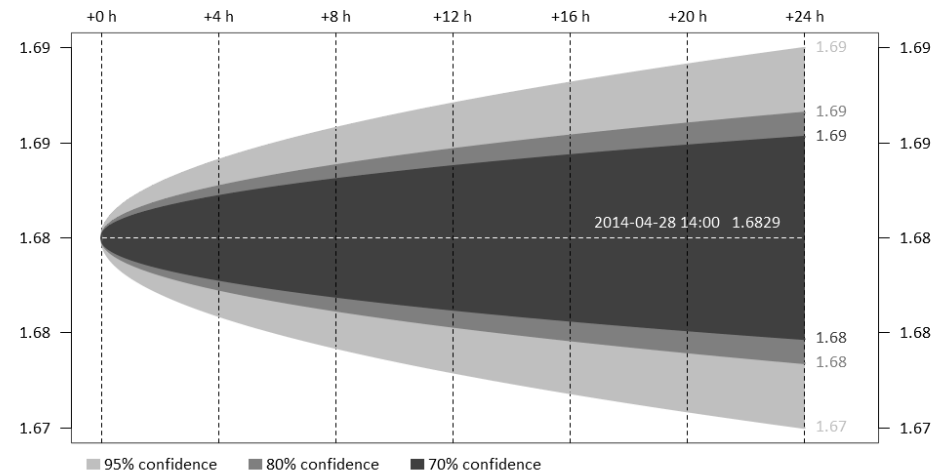
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.52	0.9	0.13	0.08	0.25	0.71	0.18
20	0.37	0.89	0.17	0.14	0.26	0.65	0.19
130	0.35	0.66	0.57	0.24	0.23	0.47	0.35
250	0.36	0.66	0.7	0.33	0.33	0.45	0.5

Confidence Intervals for Next 24 Hours

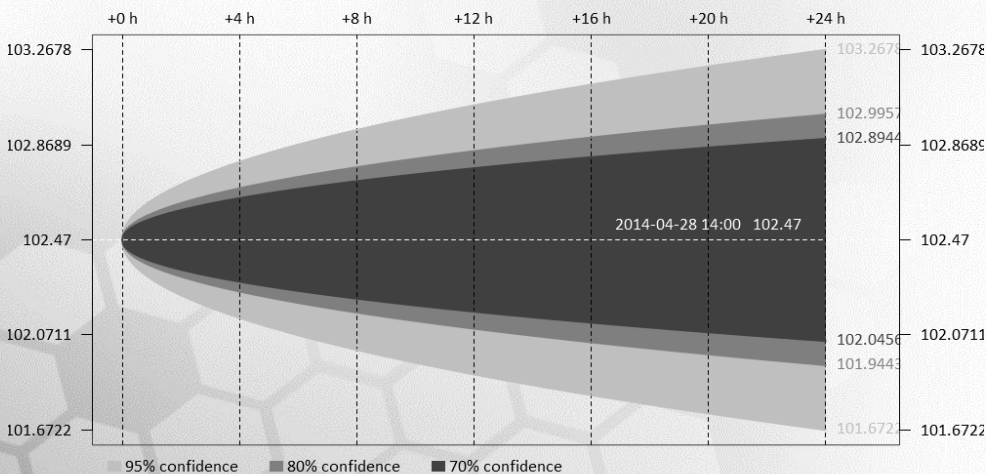
EURUSD Potential Rates



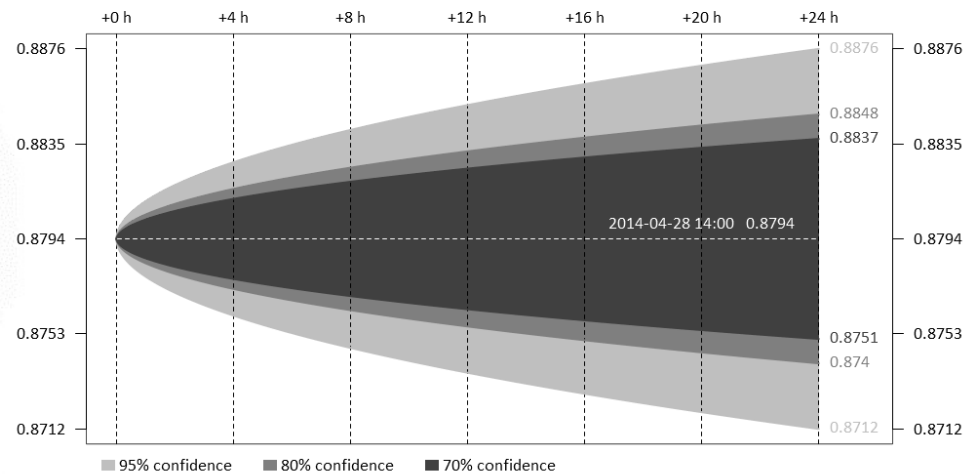
GBPUSD Potential Rates



USDJPY Potential Rates



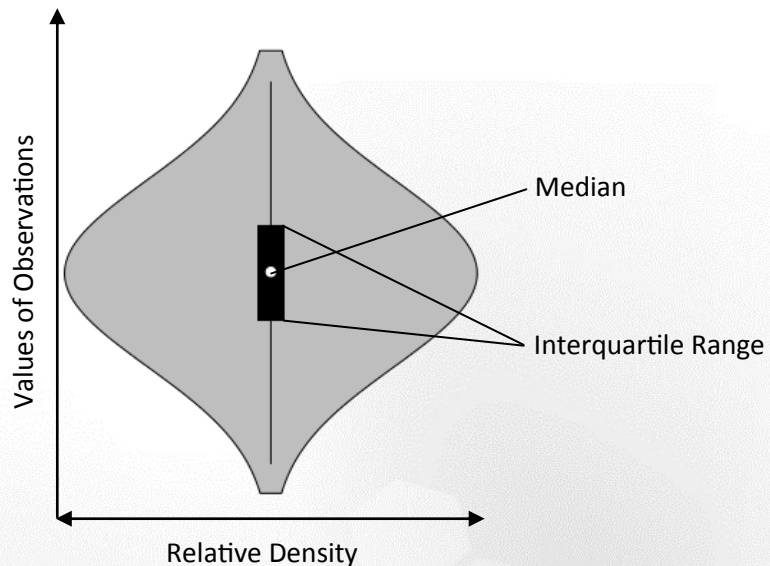
USDCHF Potential Rates



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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