



**EUR**

16/05/2014



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# Dominant Events for the Euro

## Yellow Area

May 9

05:30 - 15:00

- Germany Trade Balance and Current Account
- Canada Net Change in Employment
- UK Industrial Production, Manufacturing Production and Total Trade Balance
- UK GDP Estimate

## Turquoise Area

May 13

08:30 - 14:30

- Germany ZEW Economic Sentiment
- Eurozone ZEW Economic Sentiment
- US Retail Sales

## Blue Area

May 14

06:00 - 12:30

- Germany CPI
- UK Unemployment Rate, Claimant Count Change and Claimant Count Rate
- Eurozone Industrial Production
- BOE's Quarterly Inflation Report and Governor speech

## Purple Area

May 15

06:00 - 15:30

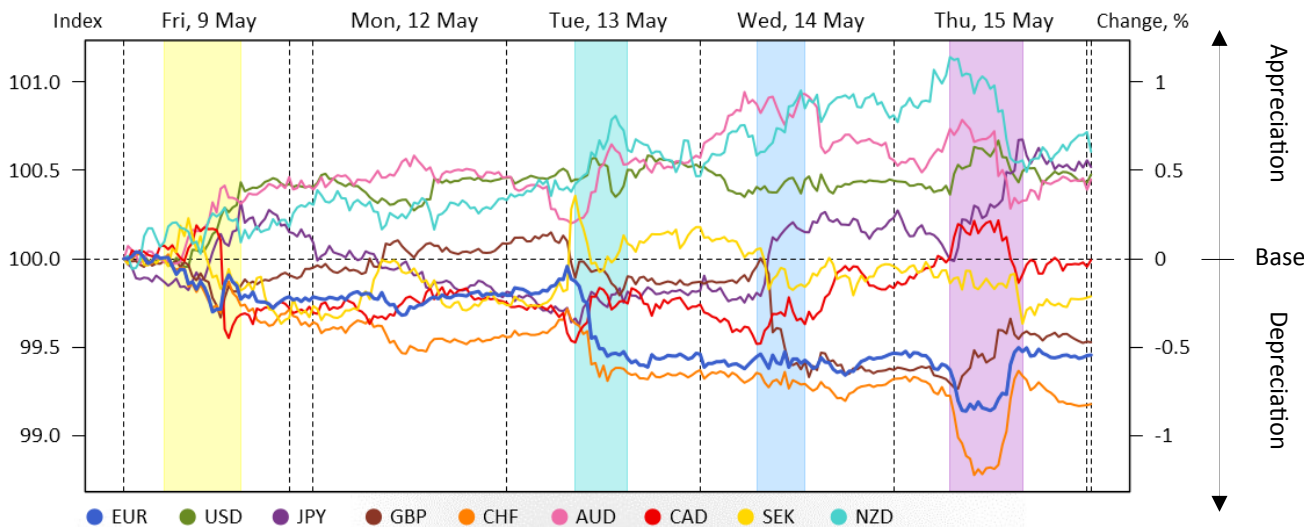
- Germany GDP
- ECB Monthly Report
- Eurozone CPI
- US CPI
- US Initial Jobless Claims

EUR Currency Index Range	0.31%	0.44%	0.09%	0.36%
Average EUR/USD Volatility Index	1.1	1.63	1.16	1.52



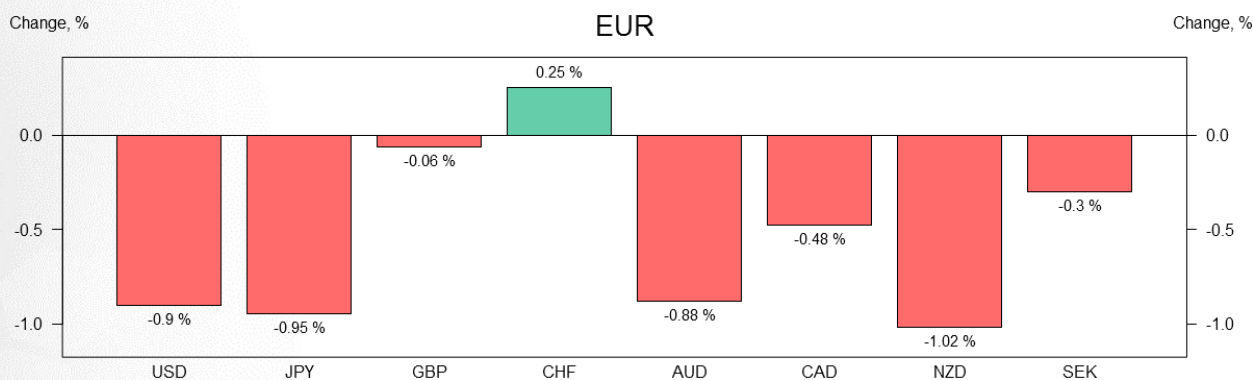
# Relative Currency Strength

## Currency Indices



The past five-day period was associated with negative change of the EUR and the CHF indices, while greenback, Aussie, and kiwi were the top performers of the week. Interestingly, the NZD and the CHF indices were moving in the opposite directions throughout the week and finished the period with the best and the worst results of 101.14 and 98.78, respectively. The Euro index was stably below the base value, and the single currency ended the period with an average loss of 0.5% against its peers.

The first depreciation of the Euro occurred after Friday's news from Germany, when the releases of German Trade Balance, Export, and Import turned out to be either more pessimistic than expected or lower than previous. Unexpectedly low negative Canadian Net Change in Employment was followed by the much sharper dip of the CAD and became the most influential event of the day. After a tranquil Monday, Tuesday's releases of German and Eurozone's Economic Sentiment drove the Euro to lose 0.5% against its counterparts. The Euro remained on this level throughout Wednesday, while GBP experienced 0.65% drop against the background of BOE Inflation Report and negative news on Average Earnings and Claimant Count. GDP releases from across Europe caused slight fluctuations in the Euro rate on Thursday.

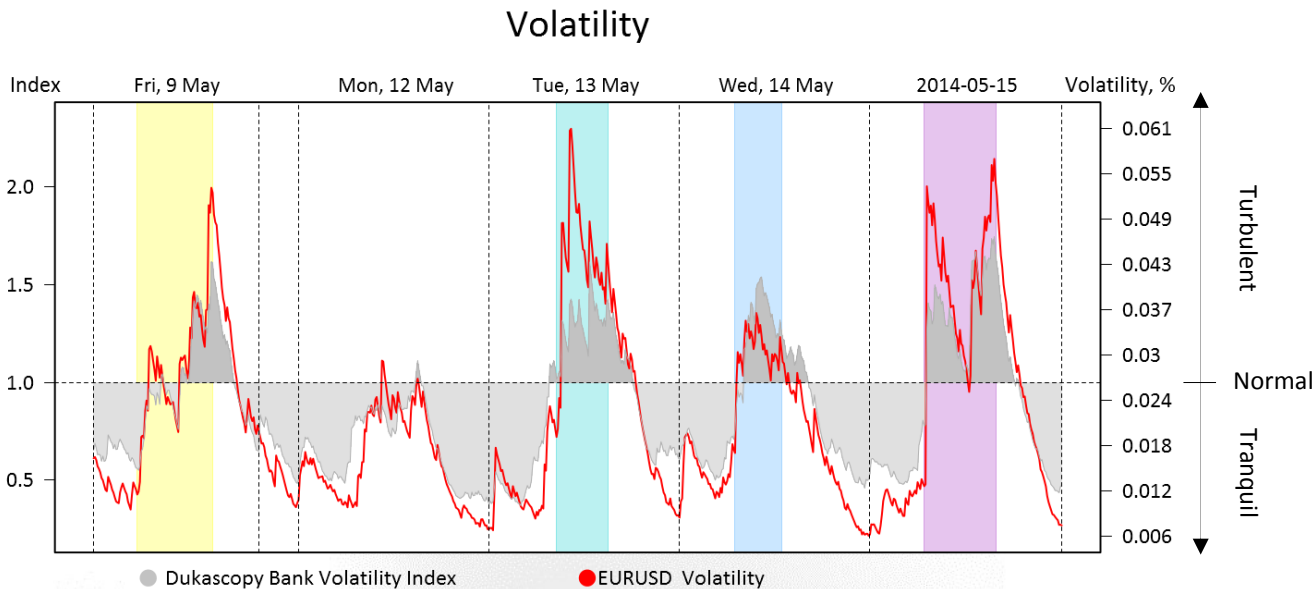


## Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.52%	0.48%	0.56%	-0.43%	-0.76%	0.41%	0.01%	-0.18%	0.58%
20	-1.02%	-0.27%	0.75%	-0.24%	-1.14%	0.05%	1.24%	0.36%	0.57%
130	0.94%	-1.17%	-3.56%	3.88%	1.83%	-0.9%	-5.84%	0.37%	3.93%
250	4.79%	-2.25%	-1.61%	8.62%	6.81%	-8.67%	-9.97%	-0.54%	2.81%



# Volatility



The observed period was amongst the most volatile ones for the past several months. While the separate peaks of volatility indices were on generally unimpressive levels, far below the past week's maxima, the portion of time during which they exceeded historical averages was notably high. Such findings could be largely attributed to a great number of small spikes in the indices – a somewhat uncommon occurrence, indicating that volatility was increasing more chaotically and frequently than usual. It was most pronounced in the EUR/USD index, whose peaks were lower than the ones of other Euro indices, but which showed a second-best result at keeping in the turbulent area.

EUR/GBP Volatility Index was the one with the highest values in both magnitude and duration. The index reached its two major peaks on Wednesday, when sterling fell against most of its peers, first after some mixed unemployment data and later against the background of BOE's Quarterly Inflation Report and governor Carney speech. The rest of the Euro indices made some of their most significant climbs in the aftermath of the Eurozone news releases – either German and Eurozone ZEW Economic Sentiment on Tuesday, or ECB Monthly Report on Thursday. The ZEW Survey data could also be named amongst the most influential this week, as its release was followed by a moment when the volatility indices of all Euro crosses were above that of the market.

## Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
31	31	25	39	23	33	25	30	33	24	34	23

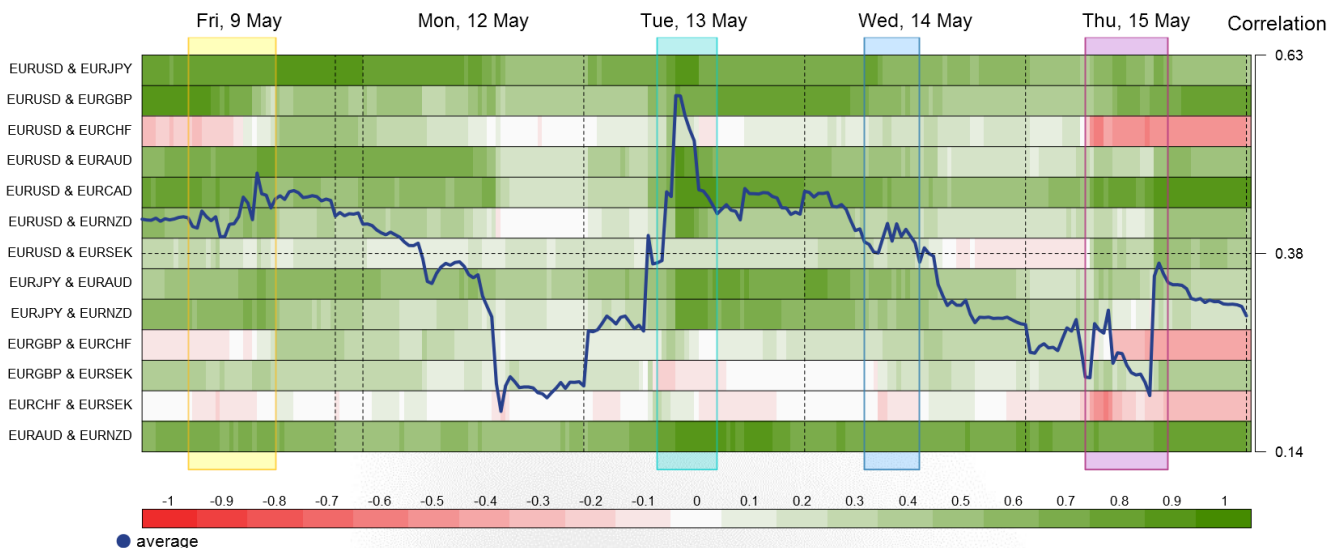
## Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.7	2.3	2.5	3.6	2.2	4.1	2.3	2.5	3.2	2.5	2.8	2.1
Min	0.4	0.2	0.4	0.3	0.3	0.2	0.2	0.3	0.2	0.3	0.2	0.3
Average	0.9	0.8	0.9	0.9	0.8	0.9	0.8	0.9	0.8	0.9	0.9	0.8



# Currency Significance

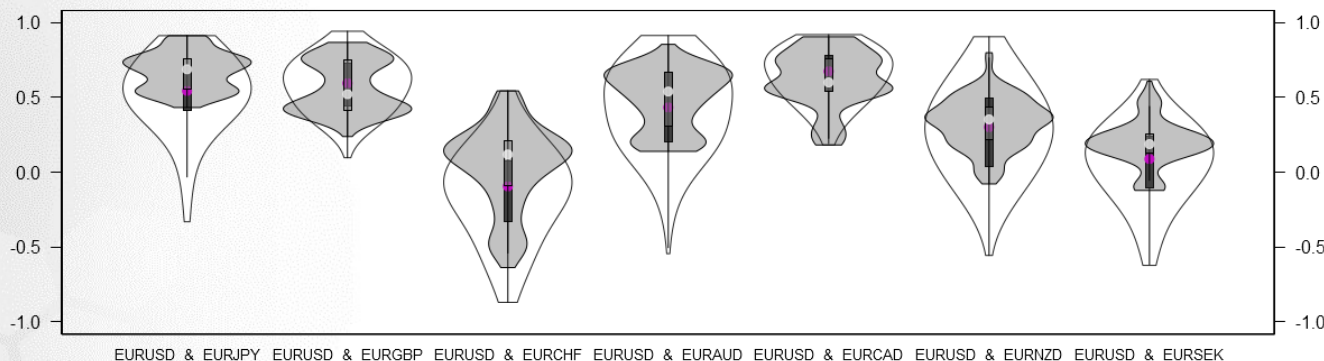
Correlations



The week's average correlations were rather elevated compared to the historical levels. In particular, there were extremely strong correlations between EUR/USD and EUR/JPY, and EUR/USD and EUR/CAD, which reached outstandingly high level of 0.9 by the middle of the period. It is worth noting that almost all correlation series, excepting those with EUR/SEK, had a swift rise in the turquoise area. This unity of the movement might be explained by the unexpectedly low values of the ZEW Survey for Eurozone and U.S. Retail Sales.

The strength of the Euro, represented by the average correlation between its crosses, was quite substantial during the past week, with the measure ranging from 0.19 to 0.58. It began the period at a rather high level of 0.42, but started gradually decreasing on Monday and came down to its least value of just below 0.2. The increase started only on Tuesday. At the time of the ZEW Survey release the average correlation jumped to its maximum value of the week. However, it was the only peak in the observed period, and from there on the strength of the single currency was lowering. The eventful Thursday has forced the measure to rise briefly—it managed to climb from 0.2 to 0.37 against the background of the GDP, CPI and ECB Monthly Report releases. Nevertheless, the momentum did not last, and the average correlation returned to lower levels.

Correlations (5 vs 20 days)

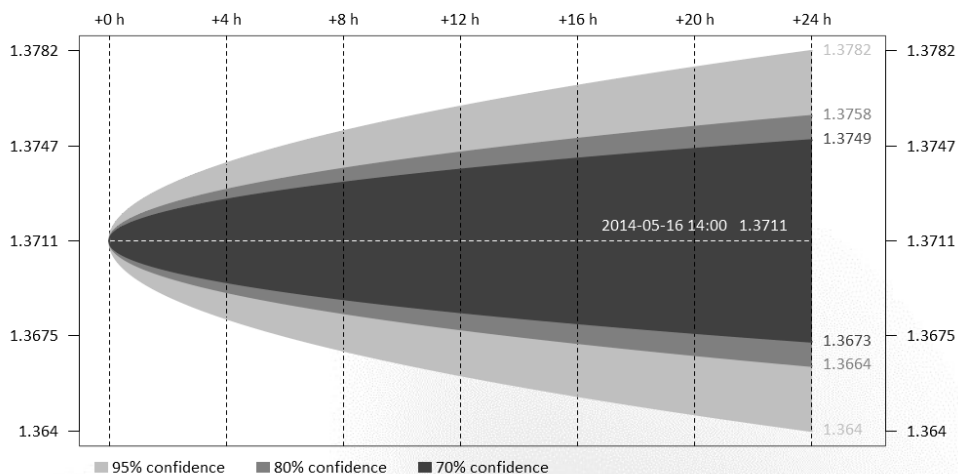


Mean Correlation Coefficient (with EURUSD)

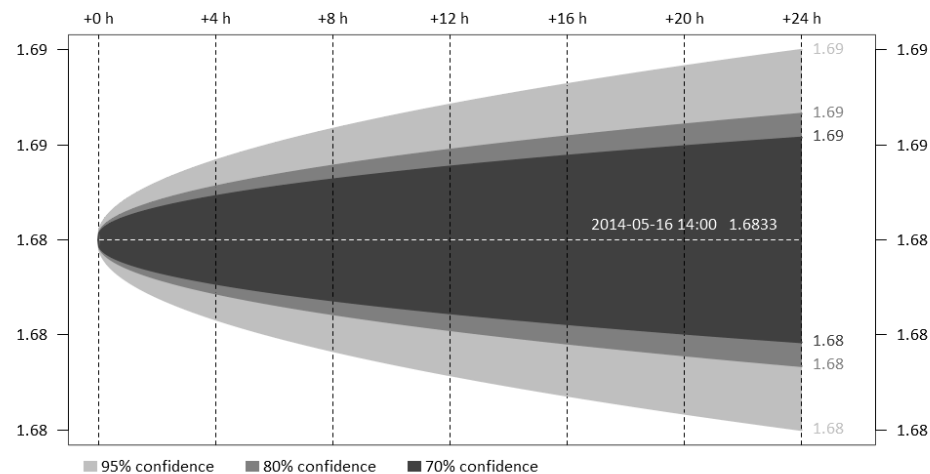
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.67	0.57	0.04	0.49	0.62	0.33	0.19
20	0.53	0.59	-0.14	0.43	0.65	0.28	0.06
130	0.5	0.48	-0.08	0.35	0.56	0.32	0.07
250	0.43	0.44	-0.1	0.29	0.57	0.25	0.05

# Confidence Intervals for Next 24 Hours

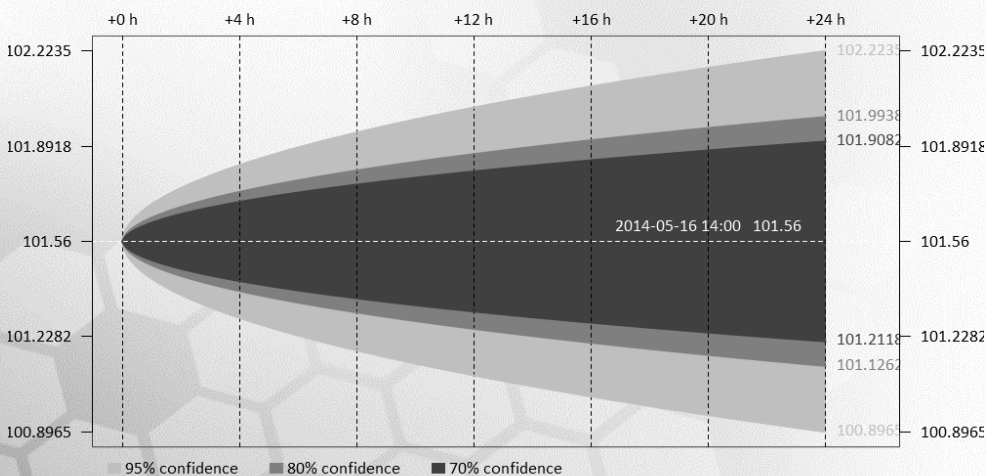
EURUSD Potential Rates



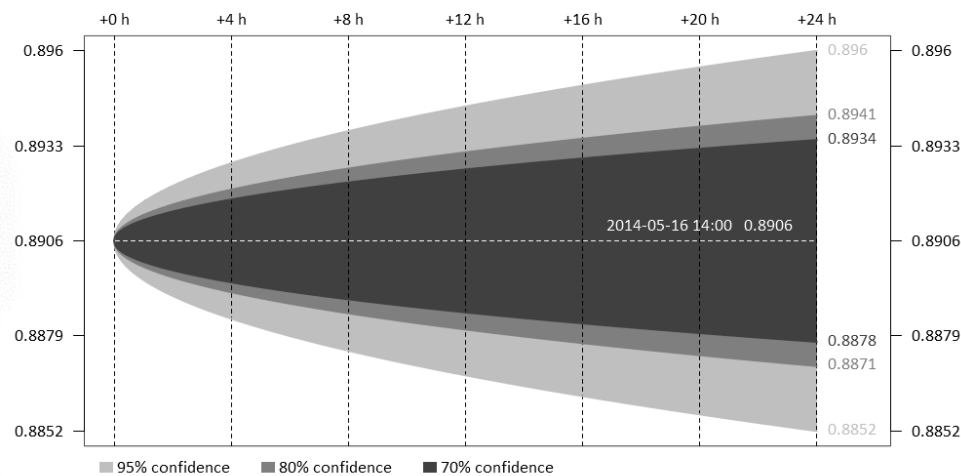
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

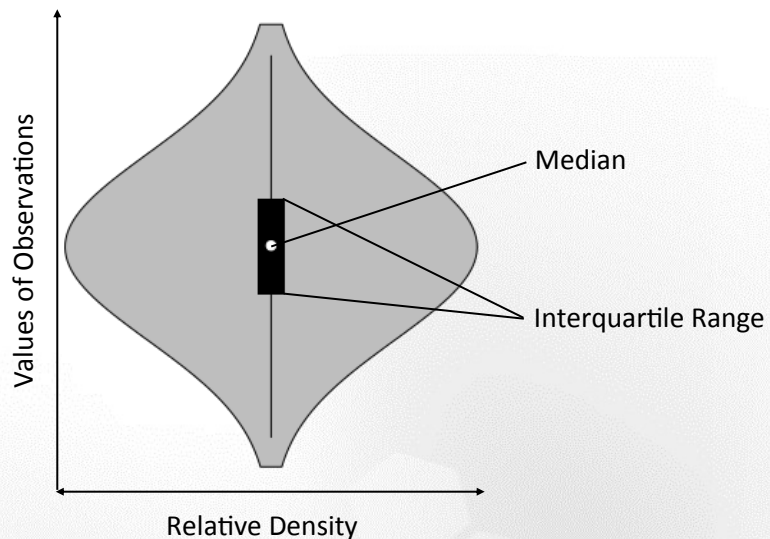
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval





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