



EUR

23/05/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

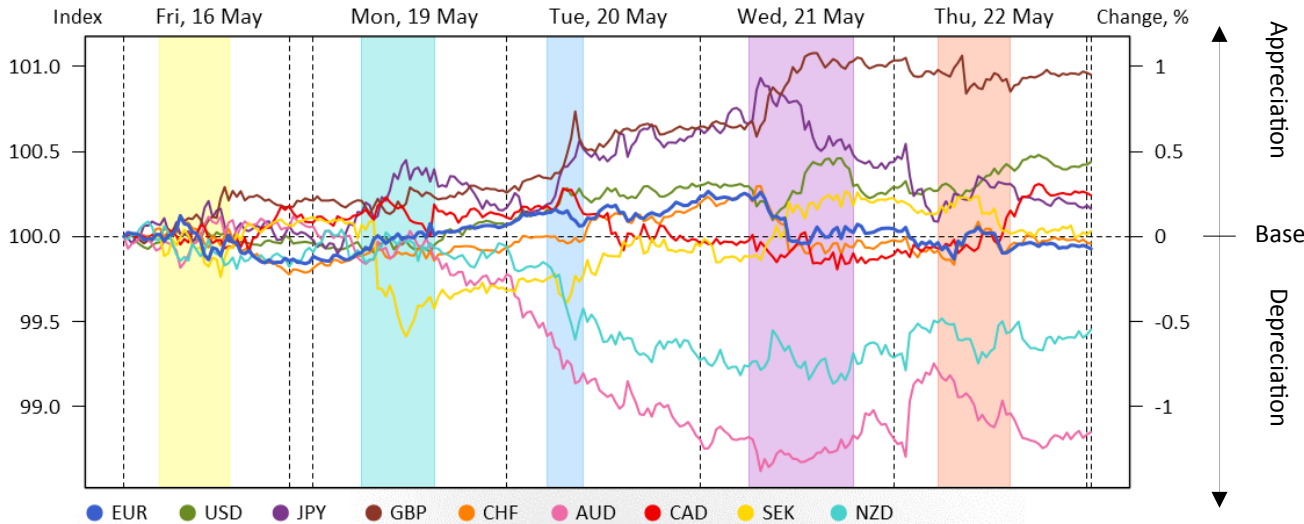
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
May 16	May 19	May 20	May 21	May 22
05:00 - 13:00	05:30 - 14:30	05:00 - 09:30	05:30 - 18:30	05:00 - 14:30
<ul style="list-style-type: none"> ■ <u>Eurozone Trade Balance</u> ■ <u>US Building Permits</u> ■ <u>US Housing Starts</u> 	<ul style="list-style-type: none"> ■ <u>German Buba President Speaks</u> ■ <u>German Buba Monthly Report</u> ■ <u>Eurozone Construction Output</u> 	<ul style="list-style-type: none"> ■ <u>German PPI</u> ■ <u>UK CPI, PPI Input and RPI</u> 	<ul style="list-style-type: none"> ■ <u>Eurozone Current Account</u> ■ <u>MPC Official Bank Rate Votes</u> ■ <u>UK Retail Sales</u> ■ <u>FOMC Meeting Minutes</u> 	<ul style="list-style-type: none"> ■ <u>France, Germany and Eurozone Markit Preliminary PMI</u> ■ <u>UK Preliminary GDP</u> ■ <u>US Initial Jobless Claims</u> ■ <u>US Markit Preliminary PMI</u> ■ <u>US Existing Home Sales</u>

EUR Currency Index Range	0.26%	0.17%	0.1%	0.3%	0.19%
Average EUR/USD Volatility Index	1.04	0.75	0.79	1.02	1.21



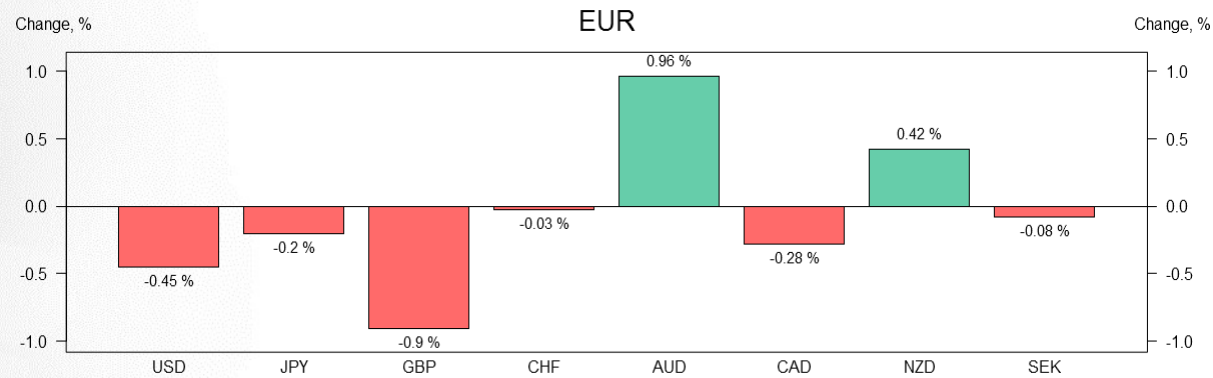
Relative Currency Strength

Currency Indices



The past five days were tranquil for Euro, and its currency index remained in a narrow range of 99.84-100.26 throughout the period. Friday was calm for almost all observed currencies, and the Euro index suffered a slight decrease against its peers following the lower-than-expected Eurozone Trade Balance data. Monday was marked by the sharp 0.5% drop of SEK index, but the majority of indices remained on their Friday's levels as the event of the day – Bundesbank's President Speech – did not affect the Euro rate. Later in the afternoon AUD started its prolonged fall, after S&P warnings about Australia's credit rating.

Tuesday was also marked by the news from Australia, as AUD was weighed down by quite pessimistic economic forecasts presented in the RBA Meeting Minutes and RBA Assistant Governor Speech. Thus, towards the end of the day the AUD index lost 1.2% of its base value. At the same time, JPY started to appreciate against the background of the release of Japanese economy assessing indices. On Wednesday, BoE Minutes Report and Vote Releases coupled with optimistic Retail Sales drove the GBP index up to 101.1 level. JPY, in turn, started to decrease, following the Bank of Japan decision on Interest Rates and Monetary Policy. The end of the period was uneventful for all of the indices except AUD, which rose a little after the release of greater-than-previous Consumer Inflation Expectation, but slid back to 98.8 shortly after. In overall, the most major movements on the currency market were the 1.16% decline of the AUD index and the 0.86% growth of GBP.



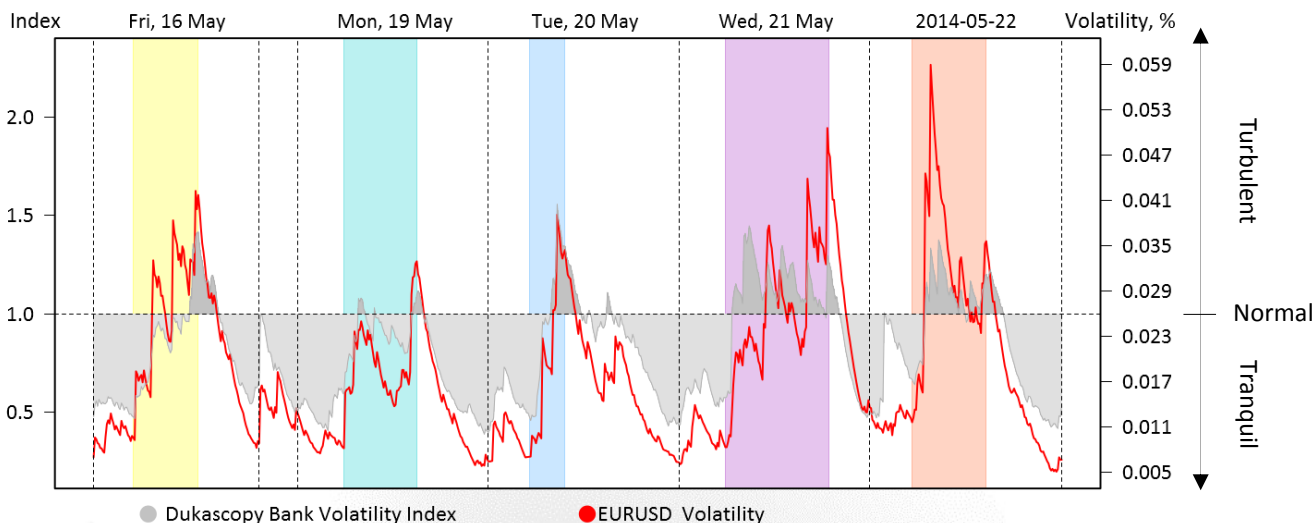
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.09%	0.44%	0.18%	0.86%	-0.05%	-1.16%	0.26%	0.01%	-0.51%
20	-1.23%	0.19%	0.75%	0.52%	-1.34%	-0.32%	1.66%	-0.2%	0.27%
130	1.1%	-0.64%	-2.5%	4.14%	2.03%	-2.5%	-5.52%	0.17%	3.02%
250	3.67%	-3.32%	-1.48%	9.67%	7.1%	-8.41%	-8.72%	-2.25%	3.77%



Volatility

Volatility



The past week, as opposite to the previous one with its high portion of elevated volatility, was quite calm, and the percent of the exceeded EUR/USD volatility index came back to its usual level. The same tranquility was observed in all the other observed currency pairs, marking the period as a generally calm one. It is also supported by the maximal values of the volatility indices, which were not distinctive and held on their usual levels of about 2-3.

By the beginning of the period the EUR/USD managed to recover from its May 15 drop, and the pair's volatility index stabilized at lower levels on Friday morning. However, against the background of the Eurozone Trade Balance release, the index started to grow, and remained elevated up until late afternoon. Monday morning was supposed to be notable for the speech of the Deutsche Bundesbank president, but it failed to strongly affect neither the market, nor the EUR/USD volatility indices. The first meaningful surge of the volatility happened on Wednesday, when the EUR/USD volatility index, with some delay from the market, overcame the level of the historical average and reached the level of 1.9. The following Thursday was the most turbulent day for EUR/USD, with the pair's volatility index jumping to 2.3 right after the German Preliminary PMI came out.

Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD	
	28	23	31	32	27	28	25	34	27	30	23	18

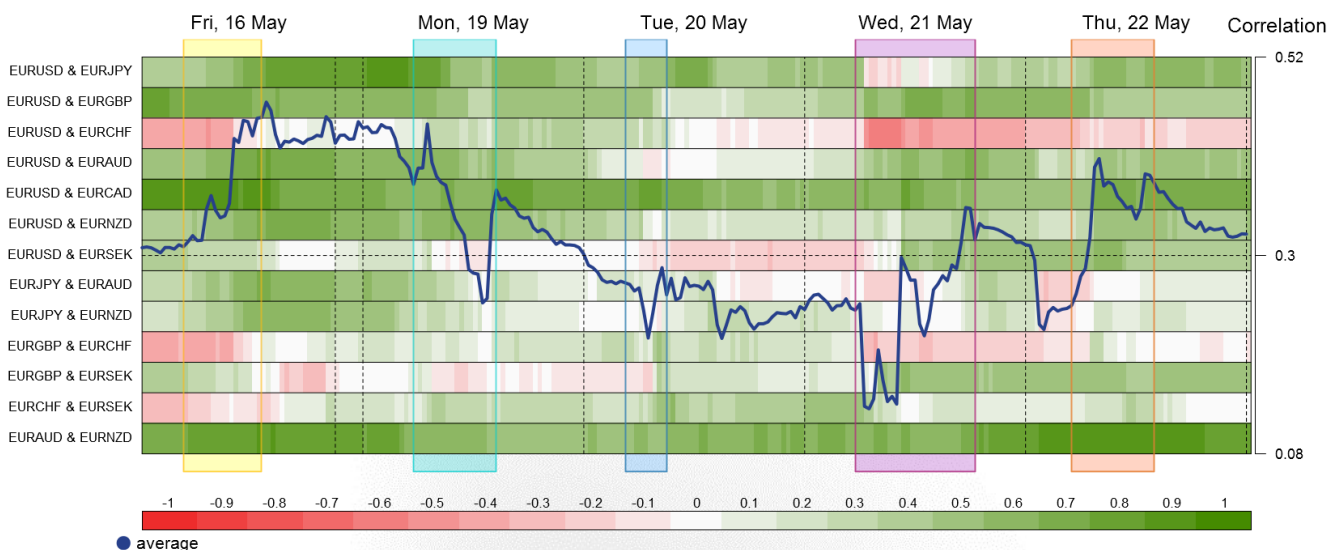
Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.6	2.3	2.8	4.1	2.6	2	2	2.2	3	1.6	2.7	2
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	0.9	0.9	0.9	0.8	0.7	0.9	0.8	0.8	0.7	0.8



Currency Significance

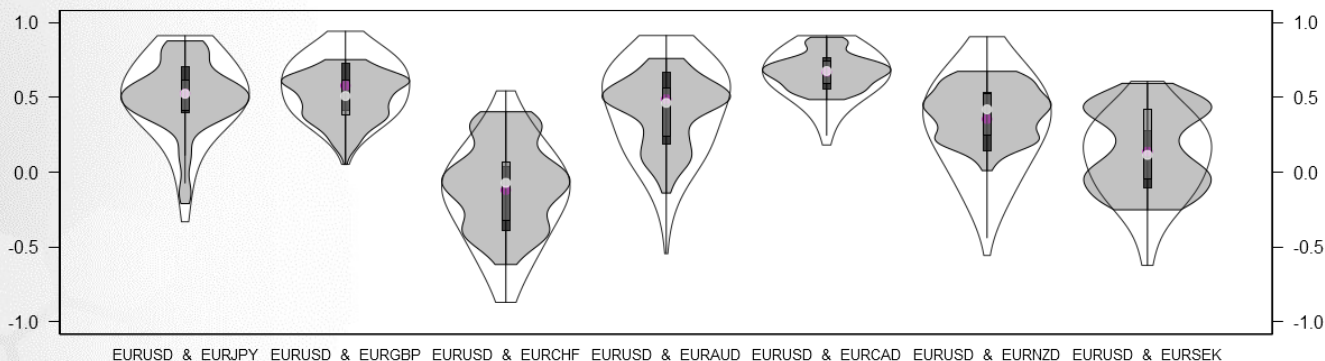
Correlations



The currency significance measure spent most of the period on a feebly positive level, mostly fueled by the correlations between EUR/USD and the Euro crosses with JPY, AUD, CAD, NZD, and GBP. The European crosses, in turn, showed little to no synchronicity in their movements. Their correlations ranged from mildly positive to mildly negative, with little impact to the overall picture. That being said, the general tint of the relationships between the currency pairs during the period offered no revelations, as all values were well in their average historical limits.

The period's highest peak of the single currency significance was reached in the yellow area last Friday. The rapid strengthening followed the news of seasonally adjusted trade balance, reported by Eurostat, failing to expand as much as expected, and came to its end at 0.4 as the Euro painted a similar dip and lift pattern against most of its peers. In the middle of the period the average correlation lingered on much weaker levels, but was forced up again by the Eurozone preliminary PMI data. The single currency suffered a brief fall as business activity in France was reported to cross into the contraction area, but recovered quickly with German readings offering a much more optimistic picture. Afterwards the significance measure began gradually decreasing, closing the period at just above 0.3— the same level it started from.

Correlations (5 vs 20 days)

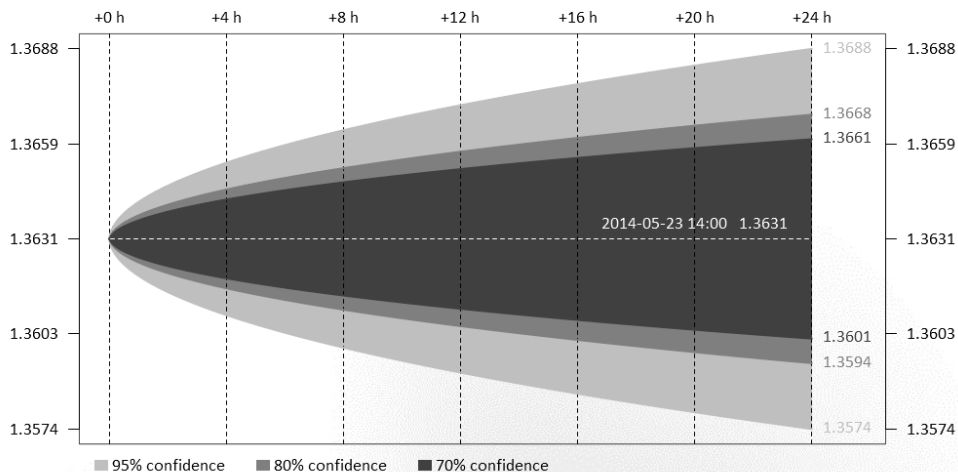


Mean Correlation Coefficient (with EURUSD)

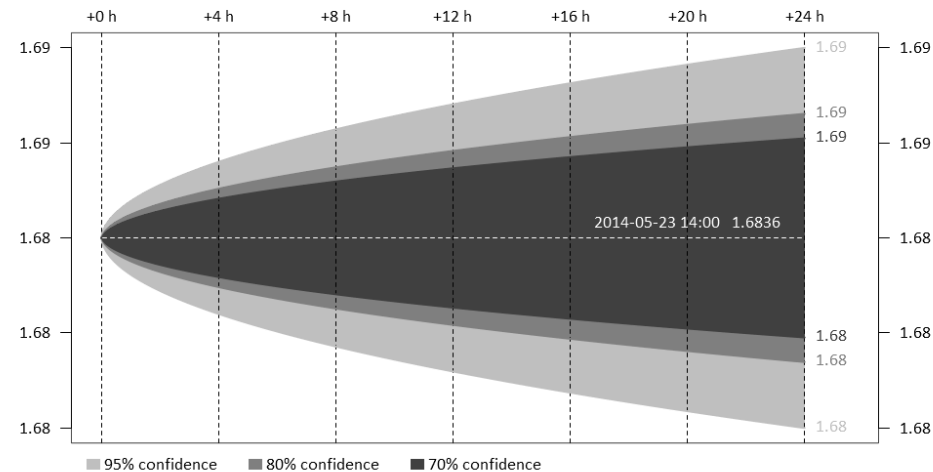
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.5	0.5	-0.08	0.41	0.68	0.4	0.15
20	0.51	0.57	-0.15	0.43	0.66	0.33	0.09
130	0.51	0.48	-0.08	0.36	0.56	0.33	0.08
250	0.44	0.44	-0.09	0.3	0.58	0.26	0.05

Confidence Intervals for Next 24 Hours

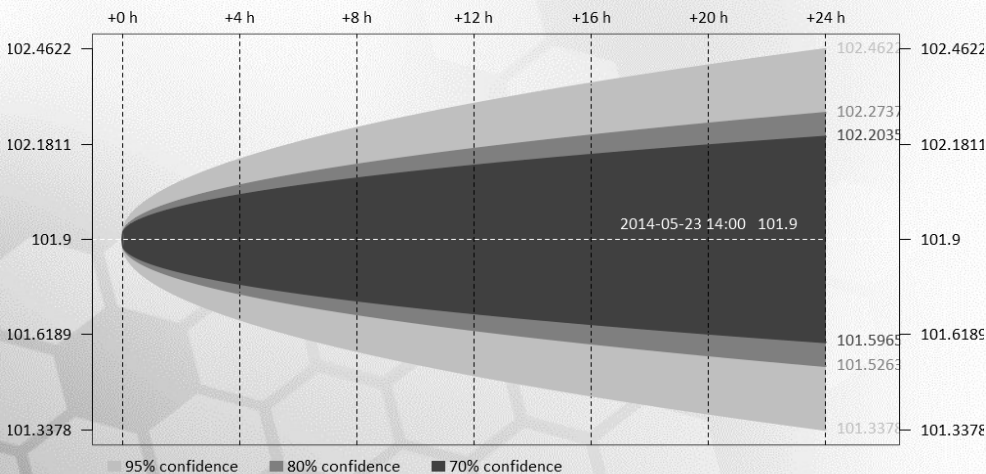
EURUSD Potential Rates



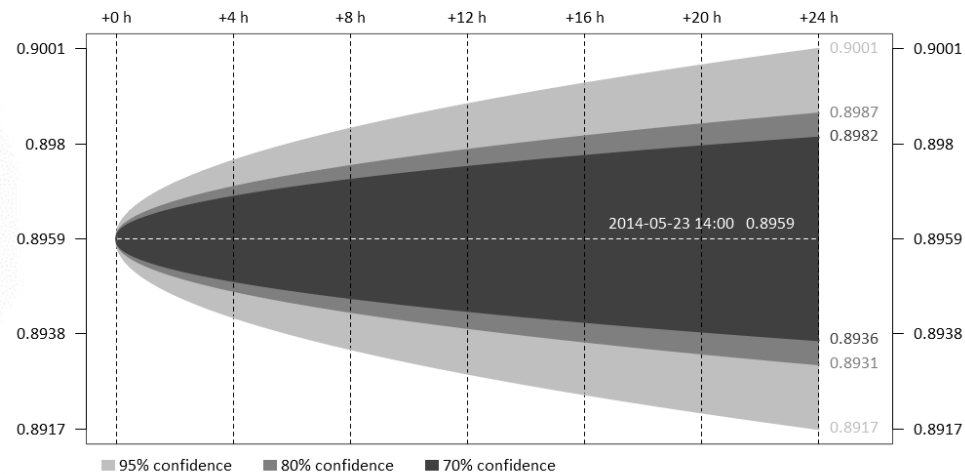
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

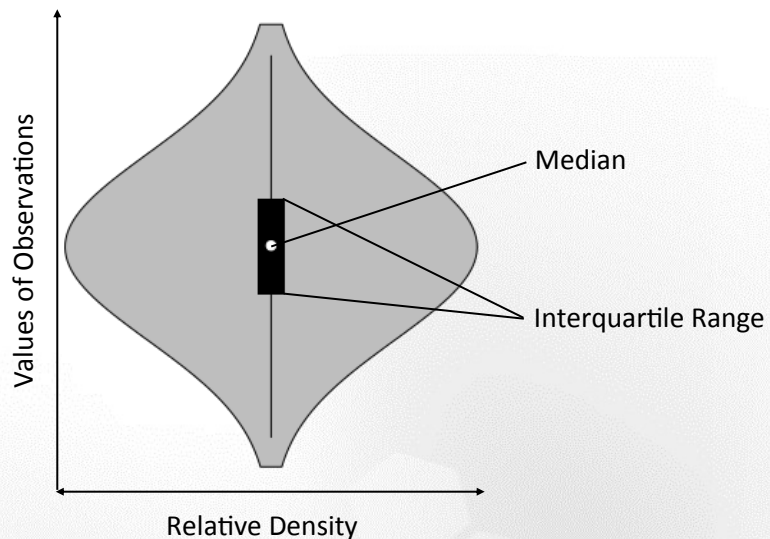
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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