



AUD

04/06/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Australian Dollar

Yellow Area

May 28

06:30 - 17:00

- German Unemployment Change
- M3 Money Supply
- CBI Realized Sales

Turquoise Area

May 29

00:00 - 17:00

- Private Capital Expenditure
- Canada Current Account
- U.S. Prelim GDP
- Weekly Jobless Claims
- Pending Home Sales

Blue Area

May 30

06:30 - 18:00

- KOF Economic Barometer
- Spanish Flash CPI
- Canada GDP
- Core PCE Price Index

Purple Area

June 02

01:30 - 18:00

- Australia Building Approvals
- Company Operating Profits
- German Prelim CPI
- U.K. Manufacturing PMI
- ISM Manufacturing PMI

Orange Area

June 03

00:00 - 17:00

- China Non-Manufacturing PMI
- Australian Retail Sales
- China HSBC Final Manufacturing PMI
- RBA Rate Statement
- EU CPI Flash Estimate

AUD Currency Index Range

0.21%

0.78%

0.23%

0.62%

0.46%

Average AUD/USD Volatility Index

1.37

1.31

0.91

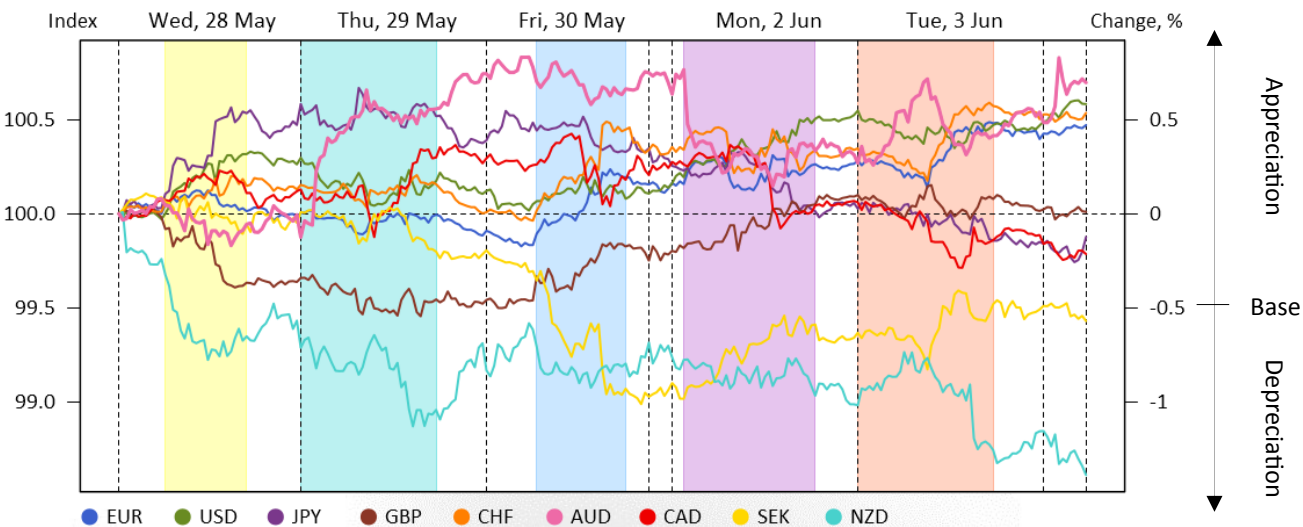
1.15

1.12



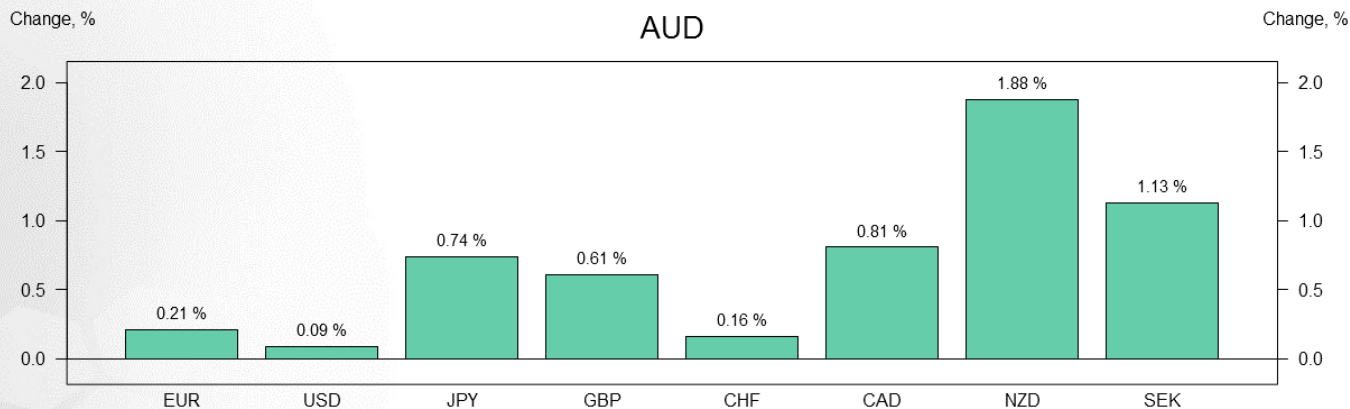
Relative Currency Strength

Currency Indices



The Australian Dollar was the best performing major currency over the last five trading days, with AUD index adding 0.70%. The U.S. Dollar, the Euro and the Swiss Franc also advanced around 0.50%. Despite disappointing statistics from the world's largest economy, month-end needs for the buck spurred demand for the currency, while the European currency shrugged off the upcoming ECB's meeting and logged gains as well. The Franc benefitted from Euro's performance even despite weaker-than-expected GDP, KOF economic barometer as well as manufacturing activity, once again adding to signs fundamentals from the Alpine country are having muted impact on markets.

The Australian Dollar remained broadly unchanged on Wednesday, May 28, however, a day later the currency showed no mercy to the greenback and other currencies, surging more than 0.60% versus the Dollar. The fact Australian companies increased investment in equipment and the fact American currency contracted 1% in the first quarter, all led to a 0.83% appreciation of the Aussie index. A significant drop in building approvals almost erased earlier gains, however, upbeat current account figures and the decision by the RBA to keep borrowing costs on hold, were welcomed by markets and the currency index rocketed to 100.71. Finally, a 1.1% expansion in the first quarter eased pressure on the central bank and the government, and pushed the index to its earlier highs at 100.82.



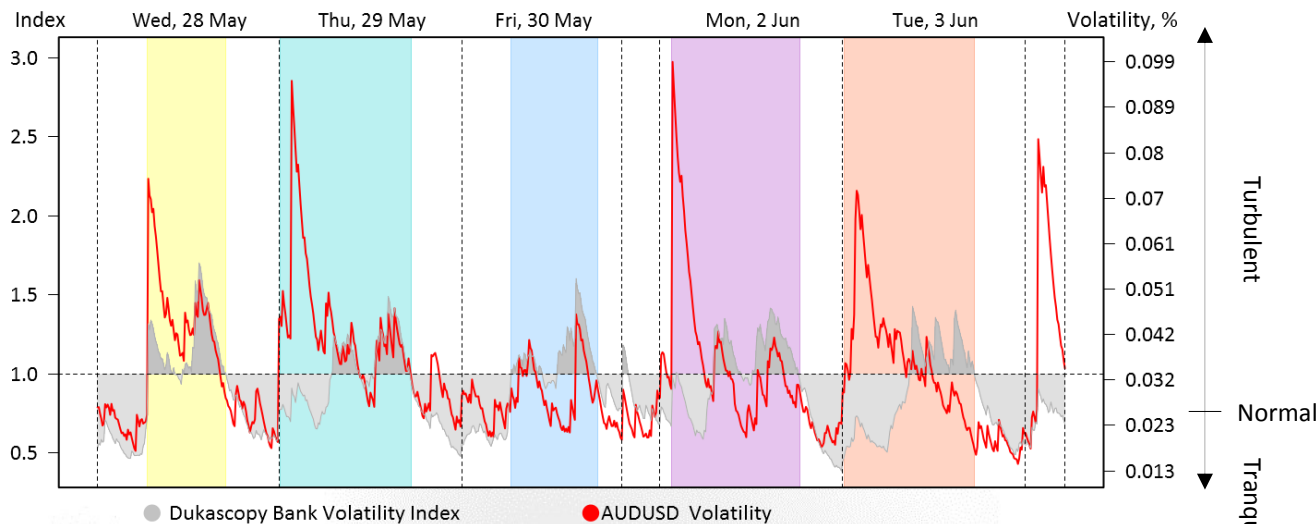
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.47%	0.58%	-0.12%	0.01%	0.54%	0.7%	-0.21%	-0.57%	-1.39%
20	-0.65%	1.88%	0.74%	0.12%	-1.07%	1.06%	1.49%	-1.41%	-1.71%
130	0.11%	-0.52%	-0.18%	1.87%	0.86%	1.59%	-3.75%	-2.66%	2.43%
250	3.78%	-0.84%	-3.91%	9.02%	5.4%	-6.36%	-7.63%	-3.39%	3.93%



Volatility

Volatility



A bunch of high importance economic releases, including Canada and U.S. GDP, Japan's inflation, German inflation and Australia GDP all were the main catalysts over the last five trading days. Market was highly volatile as well, as Dukascopy Bank Volatility Index stayed in the turbulence zone for 36% of the time. Despite a lack of fundamentals from New Zealand, the Kiwi lost 1.39%, while NZD/USD cross remained in the turbulence zone for almost 50% of the observed period. The pair has been moving lower since May 6, however, it is a good sign for those, who are still long on the pair, as the RBNZ signalled future moves will be dependent on the exchange rate, hence, further depreciation will only bolster the case for more tightening.

The AUD/USD was more affected by statistics from the resource-rich economy rather than the United States. This fact is supported by major spikes in volatility that were provoked by important statistics from Oz country. Two largest spikes were recorded on May 29 and June 2, when Australian Bureau of Statistics unveiled private capital expenditure and building permits. First report showed investment in new equipment rose 2.8% to \$12.6 billion, meaning companies are not building new structures, but still purchasing new equipment. On the back of solid figures AUD/USD volatility rocketed to 2.85. A couple of days later, disappointing data from the housing market diminished hopes for a solid growth, and provoked a selloff of the Aussie, with volatility index rising even higher and hitting the highest over the period – 2.97.

Elevated Volatility (% of the observed period)

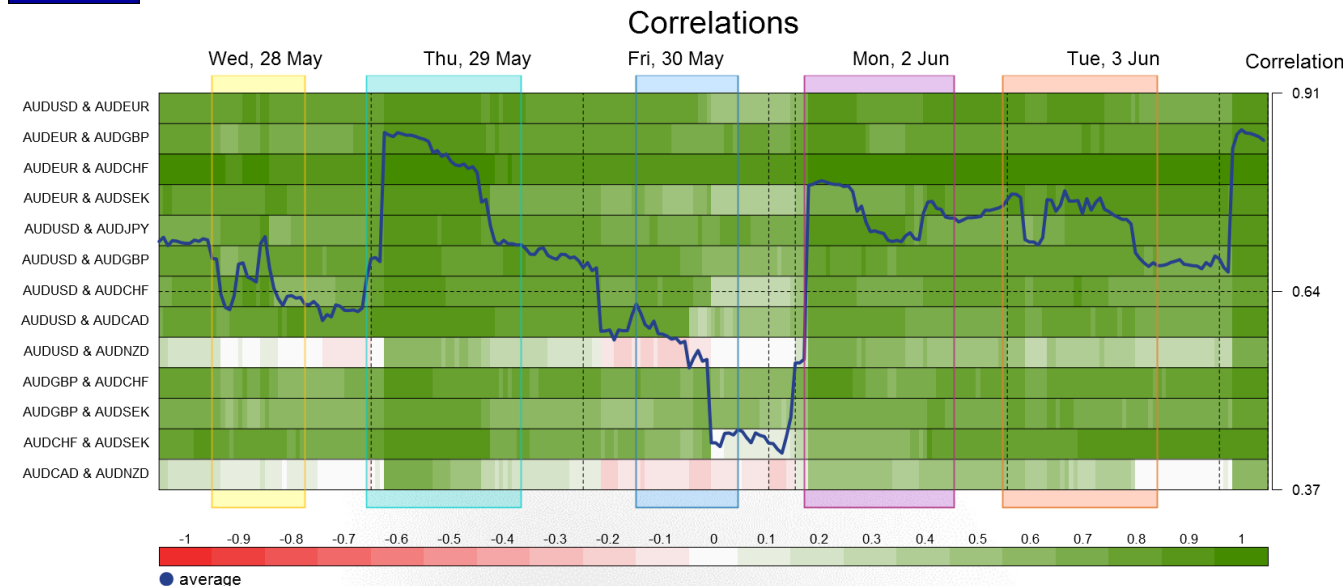
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD	
	36	31	19	36	42	35	34	26	38	31	36	49

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.7	2.6	2.1	2.7	3	2.5	2.8	1.9	2.7	2.4	2	3
Min	0.4	0.2	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.3	0.2	0.5
Average	0.9	0.9	0.8	0.9	1	0.9	0.9	0.8	0.8	0.8	0.8	1.1



Currency Significance

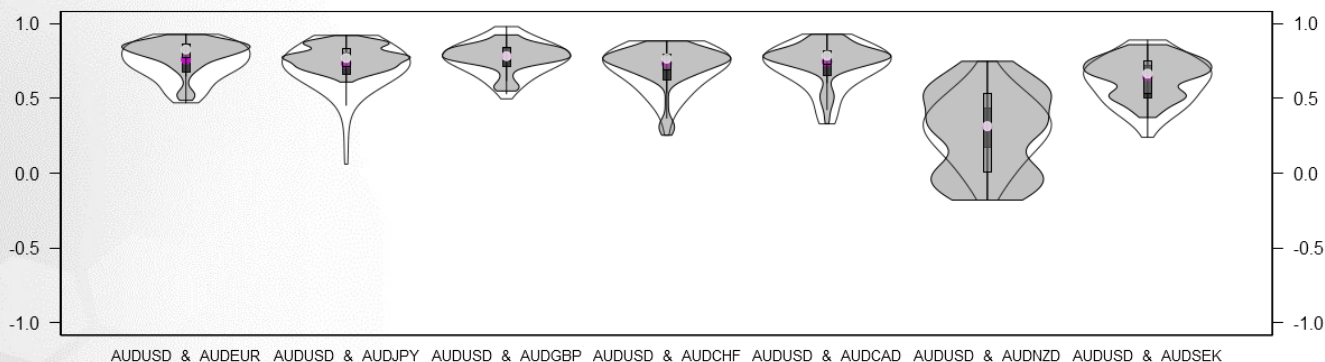


As we have mentioned earlier, several economic events from Australian economy had significant impact on the performance of the Aussie. Moreover, they have substantially increased the level of significance of the South Pacific currency. The latest GDP report showed that mining sector accounted for around 80% of the overall GDP in the first quarter of 2014, highlighting the significance of the sector. While the economy is in the transition phase and searches for another driver, housing market is sending worrying signs, as there is a shortage in supply, while dwelling prices fell by most in more than five years. It means that reports from both sectors will continue pushing the Aussie.

Private capital expenditure and GDP reports pushed the average correlation coefficient to its highest level over the period, while building approvals returned the interest towards the Aussie once. On Thursday Australian Bureau of Statistics will unveil the trade balance for April, and keeping in mind strong dependence on exports, any improvement will be highly welcomed by markets, meaning the average correlation coefficient back to 0.90-mark.

Meanwhile, the short-term correlations between AUD/USD and other AUD crosses strengthened over the period, representing great hedging opportunities, and also suggesting investors were highly interested in the currency, as annual budget suggested gloomy outlook for the economy in the nearest future.

Correlations (5 vs 20 days)

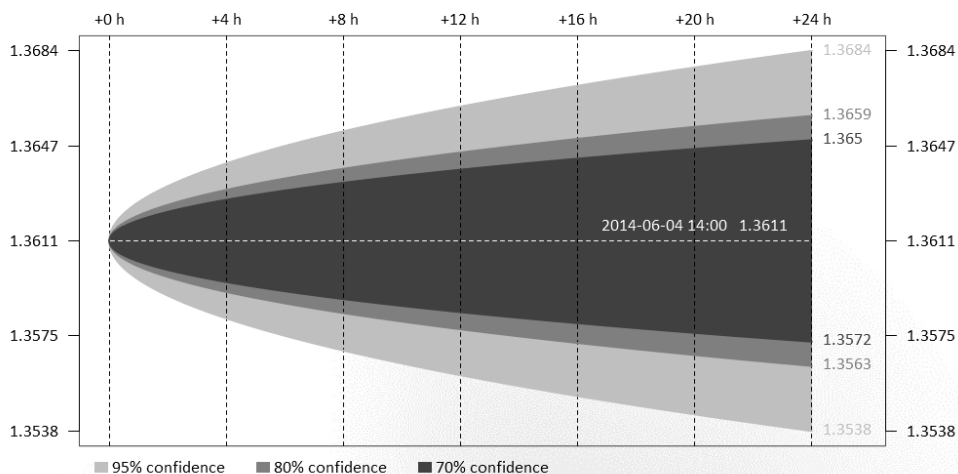


Mean Correlation Coefficient (with AUDUSD)

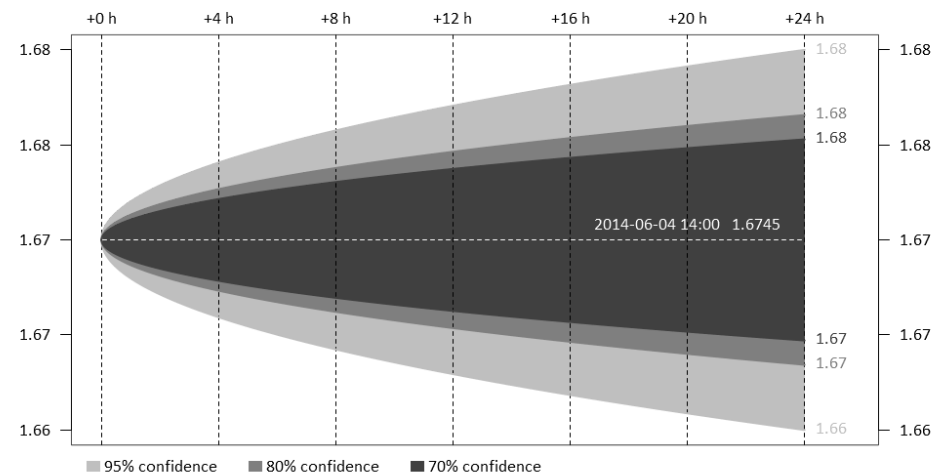
Days	AUDEUR	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZNZD	AUDSEK
5	0.8	0.77	0.78	0.72	0.76	0.28	0.65
20	0.75	0.72	0.77	0.71	0.71	0.29	0.62
130	0.78	0.73	0.79	0.73	0.71	0.35	0.63
250	0.78	0.7	0.78	0.72	0.75	0.27	0.6

Confidence Intervals for Next 24 Hours

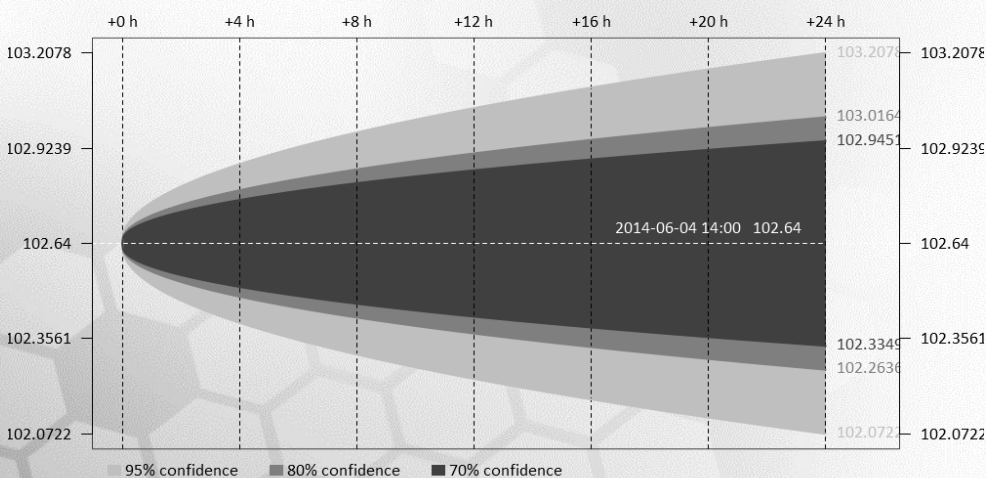
EURUSD Potential Rates



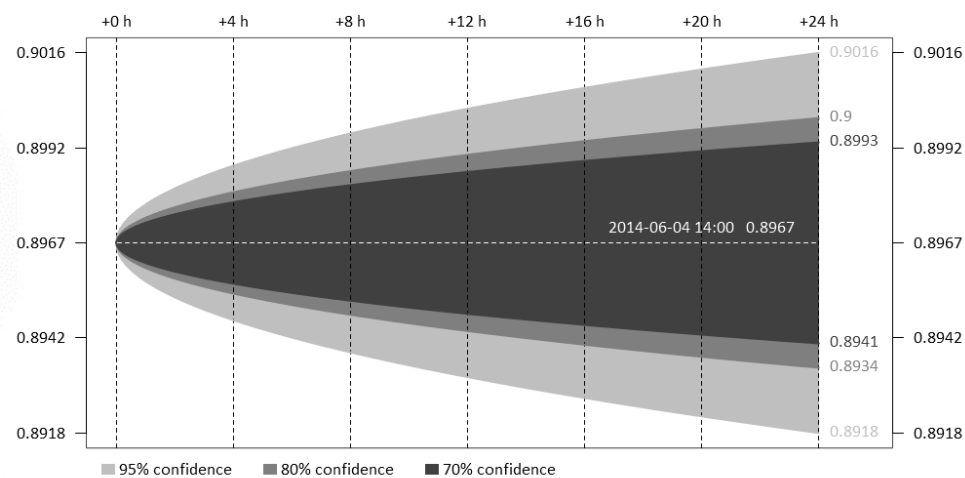
GBPUSD Potential Rates



USDJPY Potential Rates



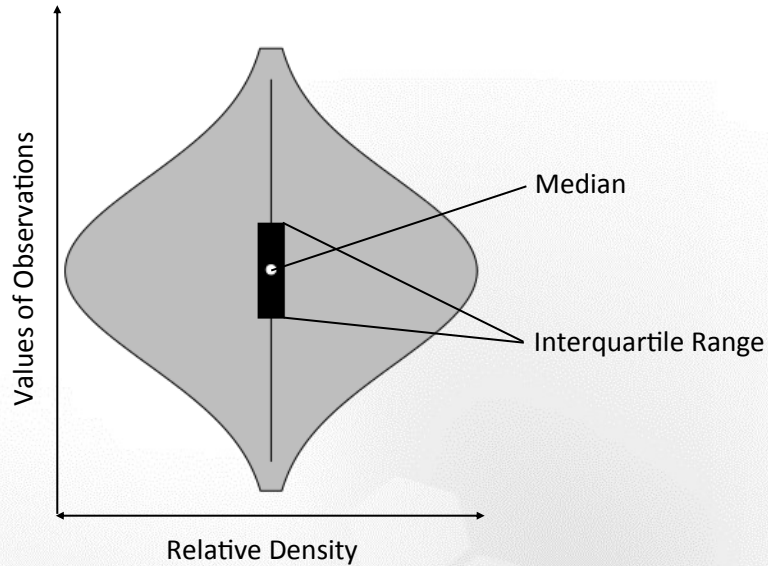
USDCHF Potential Rates



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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