



USD

09/06/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the U.S. Dollar

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
June 02	June 03	June 04	June 05	June 06
07:00 - 18:00	08:00 - 18:00	06:00 - 18:00	11:00 - 22:00	08:00 - 18:00
<ul style="list-style-type: none"> ■ <u>SVME PMI</u> ■ <u>Spanish, Italian, German, Eurozone Markit Manufacturing PMI</u> ■ <u>German Preliminary CPI</u> ■ <u>UK Manufacturing PMI</u> ■ <u>US Manufacturing PMI</u> 	<ul style="list-style-type: none"> ■ <u>Italian Unemployment</u> ■ <u>Eurozone Preliminary CPI</u> ■ <u>Eurozone Unemployment</u> ■ <u>U.S. Factory Orders</u> ■ <u>US Totally Vehicle Sales</u> 	<ul style="list-style-type: none"> ■ <u>Spanish, Italian, German, Eurozone Markit Services PMI</u> ■ <u>UK Markit Services PMI</u> ■ <u>Eurozone GDP and PPI</u> ■ <u>US Trade Balance</u> ■ <u>G7 Meetings</u> 	<ul style="list-style-type: none"> ■ <u>BoE Interest Rate Decision</u> ■ <u>ECB Interest Rate Decision</u> ■ <u>ECB Monetary Policy Statement</u> ■ <u>U.S. Initial and Continuing Jobless Claims</u> 	<ul style="list-style-type: none"> ■ <u>UK Trade Balance</u> ■ <u>US Non-Farm Employment Change</u> ■ <u>US Unemployment Rate</u> ■ <u>US Average Hourly Earnings</u>

USD Currency Index Range

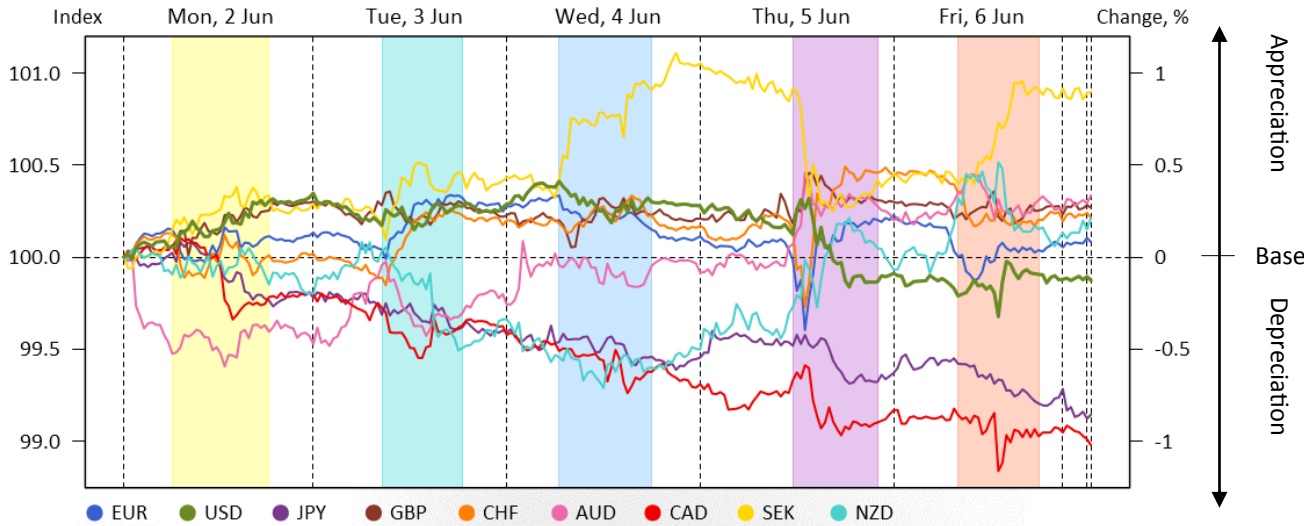
0.26%	0.14%	0.23%	0.48%	0.3%
1.28	1.41	1.35	2.9	1.43

Average EUR/USD Volatility Index



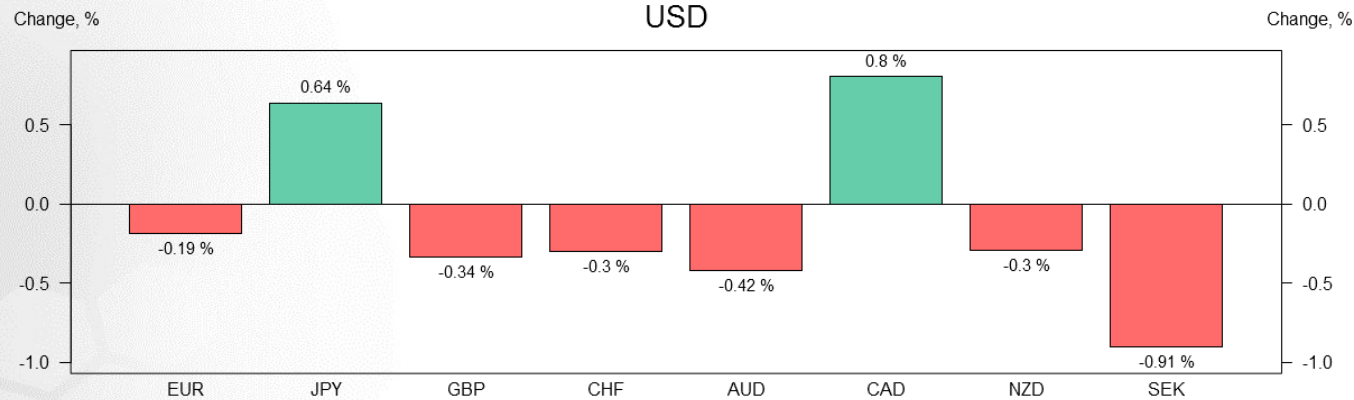
Relative Currency Strength

Currency Indices



An abundance of high importance economic data releases were shaking markets over the last week. The most remarkable event was the ECB press conference, however, the most impressive changes posted the Swedish Krone and Japanese and Canadian currencies. An improvement in Swedish industrial production and a pickup in new manufacturing orders, caused a massive market reaction, resulting in a 0.9% appreciation. In contrast, the Japanese Yen failed to gain from its safe-haven appeal and due to revival of stimulus expectations the currency declined 0.86%. Disappointing trade balance and a 7.0% unemployment pushed the loonie 1.02% lower.

The greenback, benefited from strong manufacturing PMI on Monday, as stronger demand raised hopes the economy will gain momentum in the second quarter. On Tuesday, wider-than-expected trade gap was outweighed by upbeat services PMI and the USD index was still fluctuating around 100.30. During the second half of the week, the currency began losing its value, as investors were focusing on Friday's jobs report that was expected to show an uptick in the unemployment, due to winter slump. Jobless claims at 312,000 dragged the USD index into the negative territory. The index was hovering around 99.8, and even a 217,000 gain in employment and a 6.3% unemployment rate were not able to push the index back above its base value. The currency lost 0.13% by the end of the week, failing to benefit from ECB's decision to trim rates.



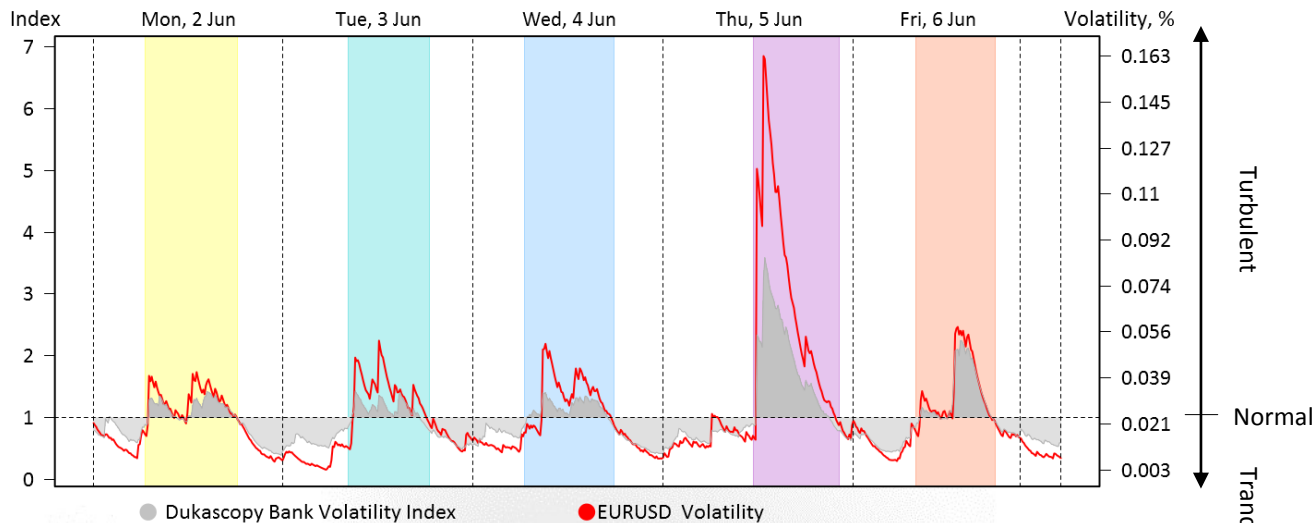
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.08%	-0.13%	-0.86%	0.27%	0.21%	0.33%	-1.02%	0.9%	0.21%
20	-0.24%	0.66%	0%	0.29%	-0.15%	0.46%	0.33%	-0.38%	-0.86%
130	-0.67%	-0.54%	-1.46%	2.62%	-0.01%	3.01%	-3.8%	-2.92%	3.38%
250	2.37%	-1.39%	-6.72%	7.46%	3.94%	-2.15%	-9.01%	-2.44%	7.92%



Volatility

Volatility



Last week's main catalyst were ECB's press conference. It was not a surprise that a decision to cut all three rates and extend its LRTOs provoked a massive spike in volatility, pushing the Dukascopy Bank Volatility Index to 3.6 on Thursday, while the elevated market volatility stood in the turbulence zone for 37% of the time. The EUR/USD was one of the most volatile currency pairs, with volatility reaching the turbulence zone in 39% of the time. In theory, Draghi's announcement should have provided a massive sell-off of the single currency. In contrast, the currency index gained 0.08% and it seems that the President is facing a serious [conundrum now](#), as all these efforts were mostly aimed at Euro's depreciation.

During all the over days of the week, the volatility index of the most traded currency pair was fluctuating below 2 level. There was a little interest for the greenback last week, however, any improvement in statistic were highly welcomed by markets. This week, we can expect EUR/USD volatility to remain mostly in the tranquil zone, as there is a lack of fundamentals from both sides. The only day the volatility can jump towards 2 level is Thursday, as the ECB will unveil its monthly bulletin and provide a more detailed report on the economic situation in the 18-nation's bloc. Moreover, the same day a couple of hours later, the Census Bureau and Labor Department will publish retail sales and weekly jobless claims, respectively.

Elevated Volatility (% of the observed period)

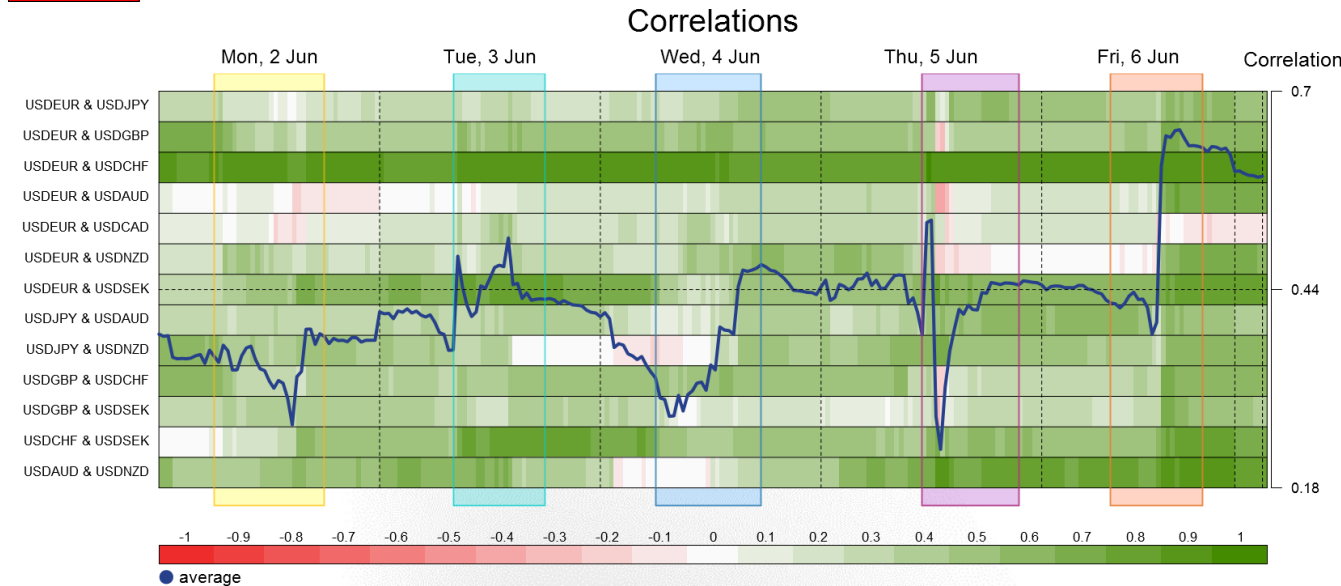
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	37	23	36	33	40	39	33	36	39	39	41

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	3.6	6.9	3.6	2.7	3	2.7	6.7	5	6.1	3.7	2.8	3
Min	0.4	0.2	0.3	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.5
Average	1	1.1	0.9	0.9	0.9	1	1	1	1	1	0.9	1



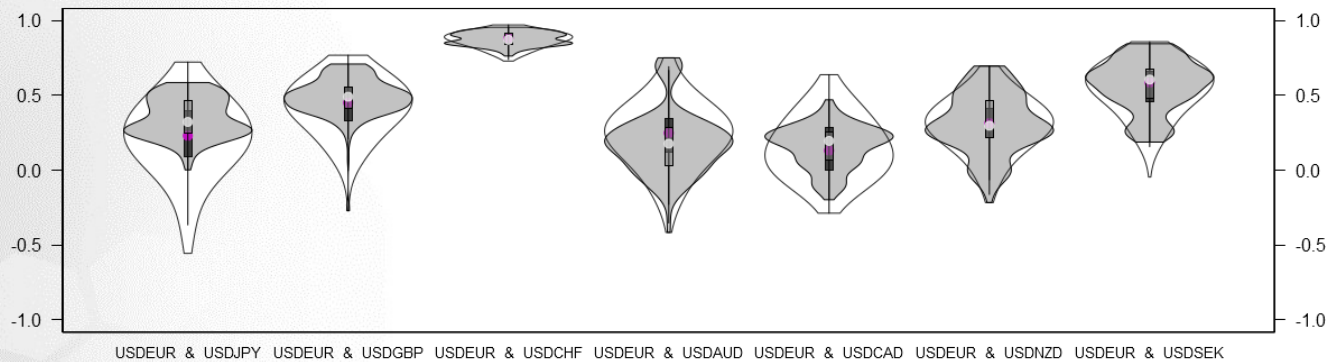
Currency Significance



The level of USD significance was constantly increasing over the week, as traders were waiting for the unemployment rate and payrolls, both considered as main proxies for the U.S. economy. Moreover, short-term mean correlation coefficients between USDEUR and other USD crosses increased, representing hedging opportunities. The most attractive opportunity was seen between USDEUR and USDCHF. This fact once again proves fundamentals from the Alpine country are having muted impact on markets. Neither manufacturing output, nor inflation figures, both had limited impact on the Swiss Franc.

The first peak in average correlation coefficient was observed on Tuesday, June 3, as effects of ISM manufacturing PMI began to wane, and market were driven mostly by the U.K. construction PMI and inflation figures from Europe. After touching a level of 0.27 after the release of the U.K. services PMI, investors' focus switched to the U.S. trade balance and services PMI. Moreover, the Fed published its Beige Book, which offered a much more optimistic outlook, rather than the previous report. The lowest level was reached immediately after the ECB's decision to cut rates. The average correlation coefficient plummeted to 0.23, however, the impact was short-lived, as figures from the U.S. labour market pushed the correlation coefficient to the highest level at 0.64.

Correlations (5 vs 20 days)

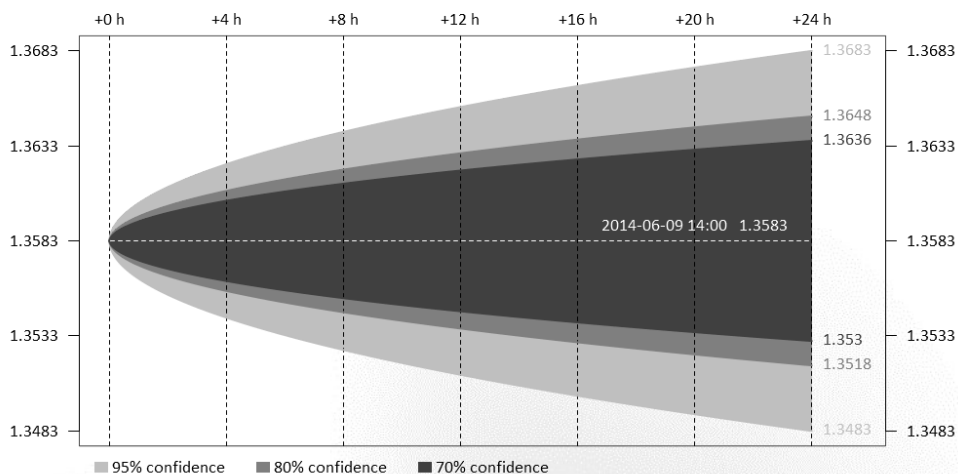


Mean Correlation Coefficient (with USDEUR)

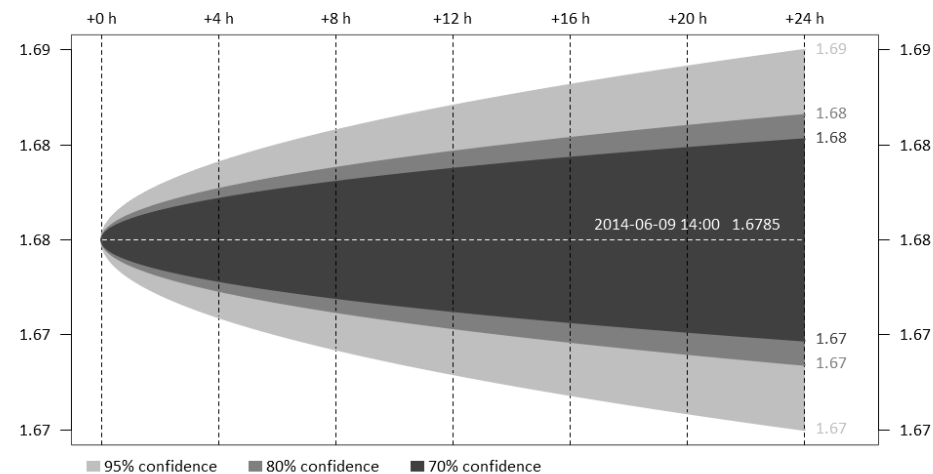
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.35	0.49	0.88	0.19	0.16	0.31	0.57
20	0.22	0.43	0.87	0.23	0.15	0.3	0.55
130	0.16	0.44	0.83	0.23	0.16	0.27	0.6
250	0.23	0.51	0.85	0.29	0.24	0.31	0.61

Confidence Intervals for Next 24 Hours

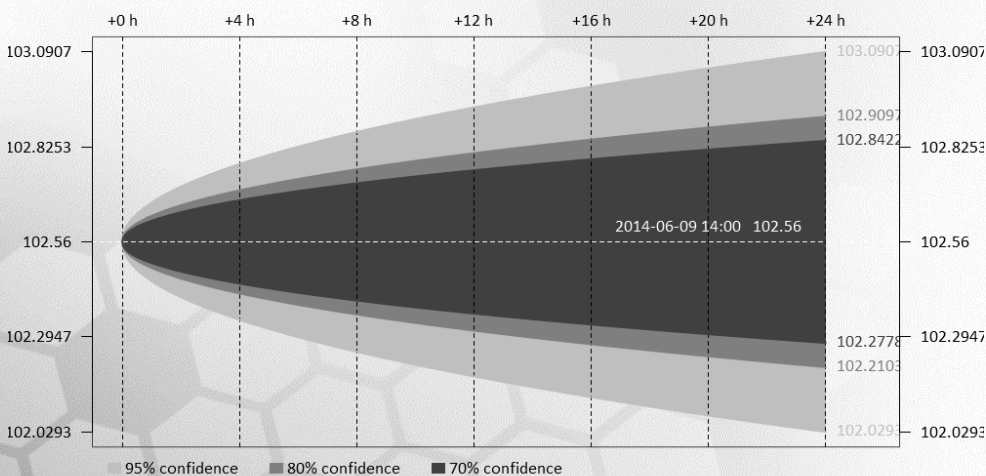
EURUSD Potential Rates



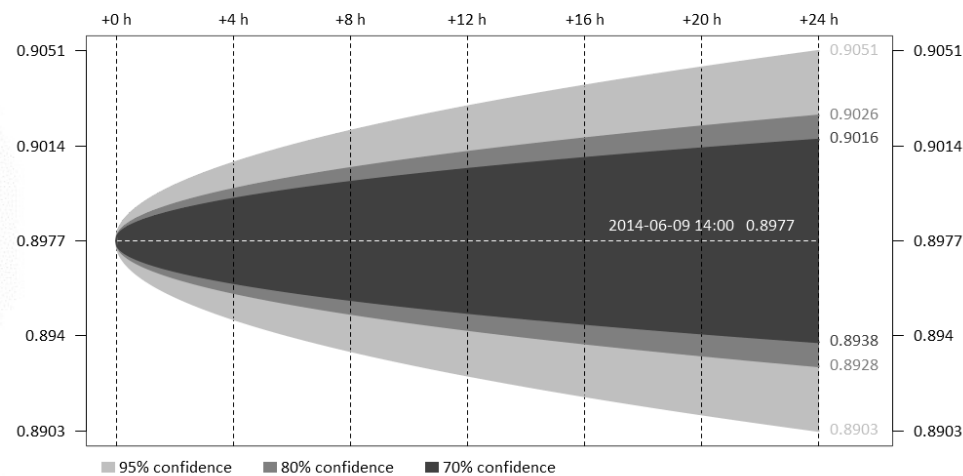
GBPUSD Potential Rates



USDJPY Potential Rates



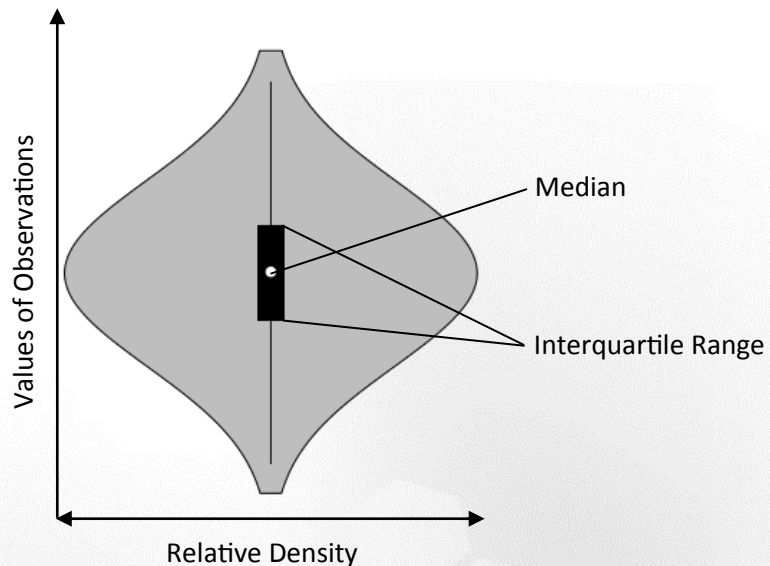
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.