



USD

16/06/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Monday, June 16, 2014
15:30 GMT

Dominant Events for the U.S. Dollar

Yellow Area

June 09

06:30 - 15:00

- Japan Eco Watchers Survey
- RBA's Governor Glenn Stevens Speech

Turquoise Area

June 10

08:00 - 15:30

- UK Industrial Production, Manufacturing Production
- Italian GDP
- UK NIESR GDP Estimate

Blue Area

June 11

06:00 - 16:30

- UK ILO Unemployment Rate, Average Earnings, Claimant Count Change and Claimant Count Rate

Purple Area

June 12

07:30 - 22:30

- ECB Monthly Report and Eurozone Industrial Production
- U.S. Initial and Continuing Jobless Claims, Retail Sales
- German Buba President speech
- BOE's Governor speech

Orange Area

June 13

06:30 - 17:30

- German CPI
- Eurozone Employment Change and Trade Balance
- U.S. PPI and Consumer Sentiment

USD Currency Index Range

0.38%

0.21%

0.22%

0.3%

0.24%

Average EUR/USD
Volatility Index

1.08

1.24

1.06

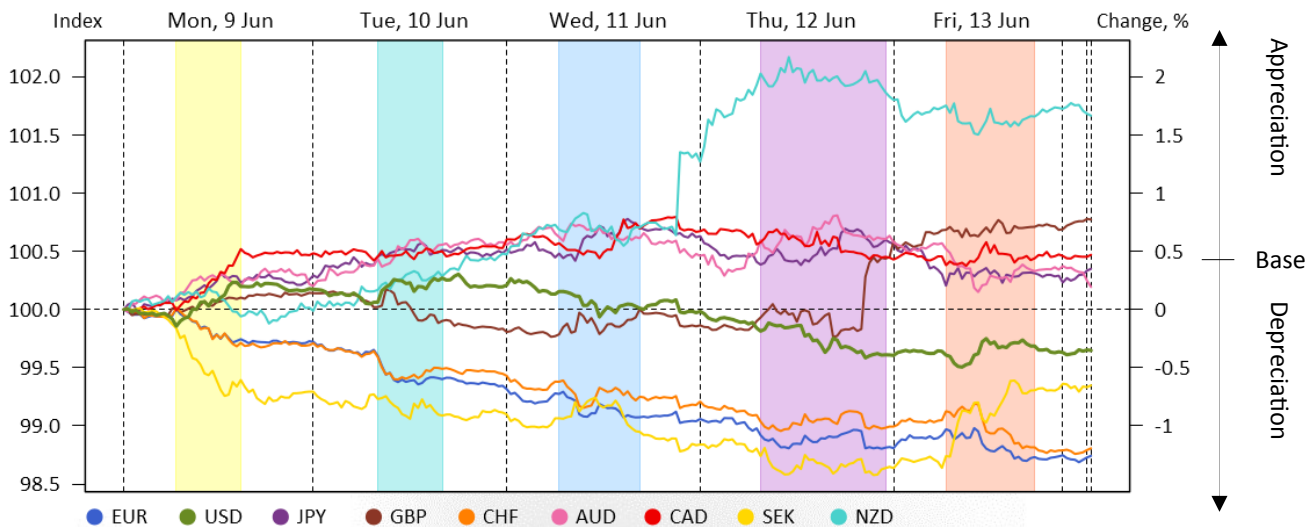
1.14

1.17



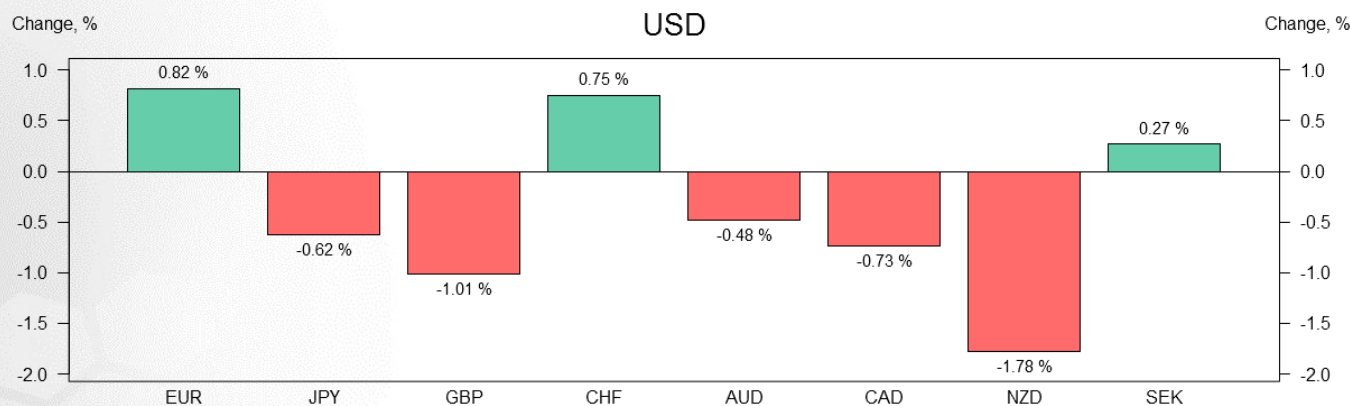
Relative Currency Strength

Currency Indices



The New Zealand Dollar is still one of the best-performing currencies this year. The kiwi added 1.67% over the last week, with even more impressive gains in the past 130 and 250 trading days. The main reason for another boost was a decision by the RBNZ to make a third consecutive rate hike, bringing the official cash rate to 3.25%. In contrast, the single currency and the Swiss Franc were the main losers last week, each losing 1.26% and 1.19%, respectively. The impact of the latest rate cuts and the extension of the LTRO programme are finally feeding through the economy, while ECB's officials' comments and a monthly bulleting only added fuel to the fire.

The U.S. Dollar failed to benefit from the weakness of the single currency, and lost 0.35% over the last week, logging losses versus 5 out of 8 major currencies. Analysts were focusing on the retail sales report that was expected to revive hopes for a pickup in the second quarter. Nevertheless, after staying mostly above the base value for the first three days of the week, the greenback plunged following a disappointing retail sales report. Moreover, weekly jobless claims fell short of analysts' expectations, while PPI and consumer sentiment also pointed at a downward revision of the first quarter's GDP and a sluggish growth in the second quarter. This week the currency can add to earlier losses, as we expect disappointing inflation figures as well as dovish statement from the FOMC on June 18.



Currency Index Change

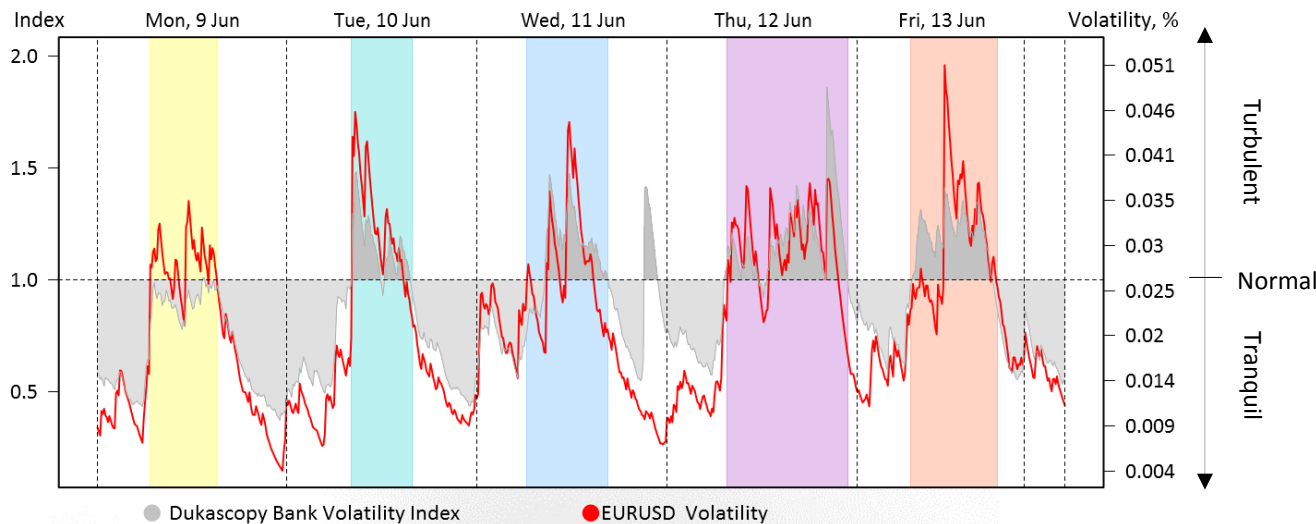
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-1.26%	-0.35%	0.35%	0.77%	-1.19%	0.19%	0.47%	-0.65%	1.67%
20	-1.03%	0.31%	-0.13%	1.2%	-0.71%	0.61%	0.38%	-1.22%	0.52%
130	-2.83%	-1.2%	-0.01%	2.99%	-2.37%	4.82%	-3.53%	-2.04%	4.24%
250	1.67%	0.09%	-8.82%	8.78%	2.79%	-2.09%	-7.21%	-3.54%	8.3%



Volatility

Monday, June 16, 2014
15:30 GMT

Volatility



The cable was one of the least attractive currency pairs in the recent weeks, as a lack of action from the Bank of England despite rosy outlook made investors confident there will be no rate hikes any time soon. Nevertheless, during a speech in London, Mark Carney claimed that investors, households and companies should brace themselves for a sooner-than-expected tightening of the monetary policy. That is why the cable rocketed to 1.67-mark, while cable's volatility stood in the turbulence zone for 44% of the time. In contrast, the EUR/CHF currency pair was the least volatile, as despite Swiss unemployment rate and retail sales, as well as a bunch of reports from the Eurozone, the pair has been under the pressure following ECB's meeting.

While EUR/USD's volatility index stood in the turbulence zone only in 34% of the time, the pair regularly penetrated the zone of normal volatility, mostly driven by events from the United States. Monday was a calm day, as usually there is a lack of events from Europe and the world's largest economy. French industrial production and Britain's manufacturing output pushed the volatility index to 1.61, while the same reaction was recorded a day later on the back of the upbeat jobs report from the U.K. A further drop in unemployment and a sharp drop in jobless benefits bolstered the case the BoE should start raising rates. The volatility index reached the highest level of 1.95 last Friday, as fresh tensions in Iraq and sluggish employment in the Eurozone dragged the single currency lower.

Elevated Volatility (% of the observed period)

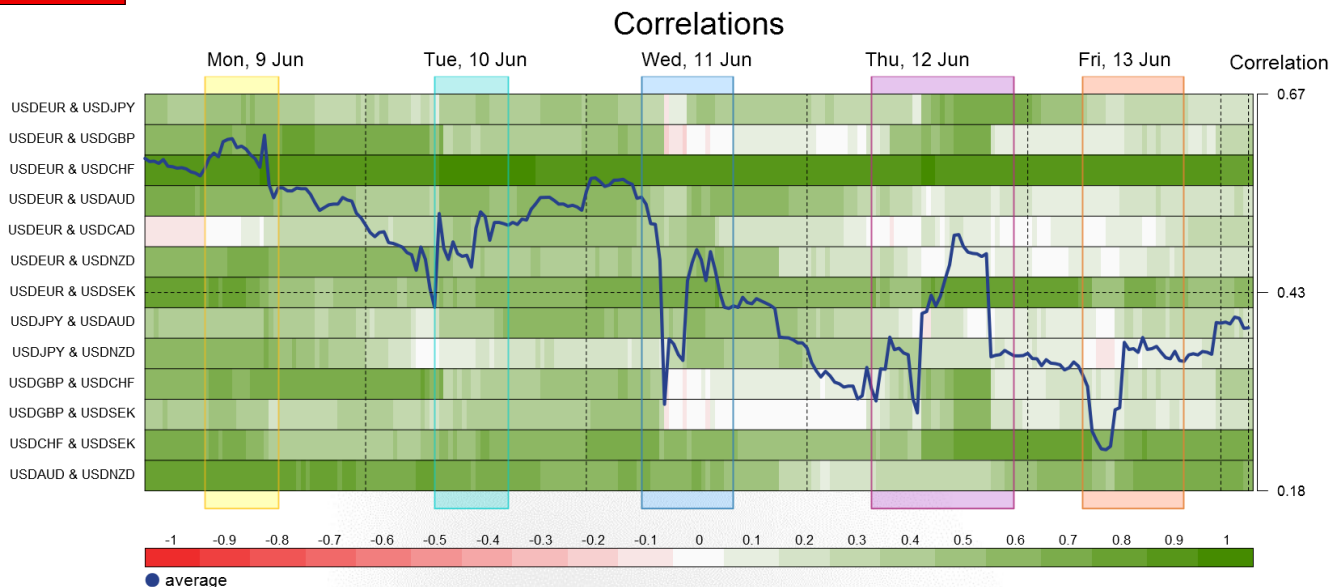
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
	34	32	32	44	23	25	29	35	38	16	36

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.9	2	2.3	5.4	2.1	1.9	1.8	1.7	5.6	1.9	2	5.3
Min	0.4	0.1	0.3	0.2	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.4
Average	0.9	0.8	0.9	1	0.8	0.8	0.8	0.9	1	0.8	0.9	1



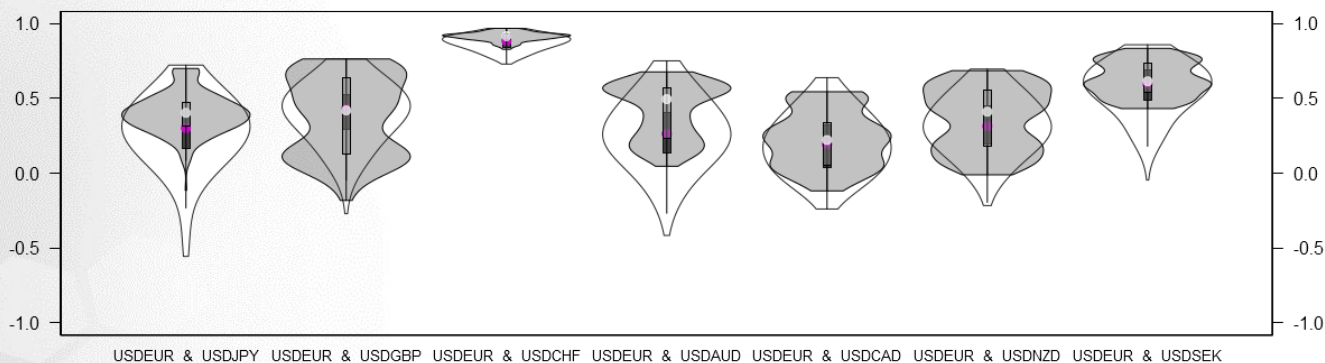
Currency Significance



The greenback was definitely not the high-importance currency that has been driving markets over the last week. The focus was turned to the weakness of the single currency, Mark Carney's speech and June's RBNZ's meeting. That is why the average correlation coefficient was moving to the south during the week. The impact of the unemployment data on Friday, June 6, began to wane from the beginning of the last week, while a lack of data was not able to provide any support for the currency. The first major move to the downside was provoked by the U.K. manufacturing production, while later investors switched their focus to the number of job openings.

That was one of the several upbeat reports over the week, but the impact was short-lived, as jobs report from the U.K. and RBNZ meeting were on the radar. Nevertheless, the average correlation coefficient hit the lowest level of 0.23 last Friday, June 13, as fundamental data failed to deliver, while the currency benefited only from the renewed tensions in Iraq. Despite weaker interest for the greenback, the short-term correlations between USD/EUR and the 20-day average correlation with other USD crosses increased, meaning they were more driven by events from the United States, representing hedging opportunity. This week we expect the average correlation coefficient to move higher, despite expectations for disappointing inflation report and dovish Fed.

Correlations (5 vs 20 days)



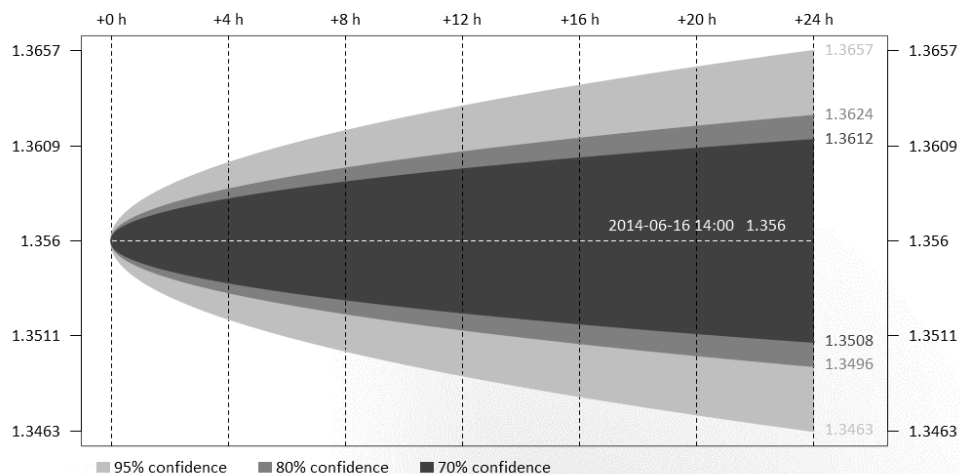
Mean Correlation Coefficient (with USDEUR)

Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.4	0.38	0.91	0.41	0.23	0.36	0.63
20	0.28	0.41	0.87	0.27	0.19	0.32	0.57
130	0.17	0.44	0.84	0.23	0.16	0.27	0.6
250	0.23	0.5	0.85	0.29	0.24	0.31	0.61

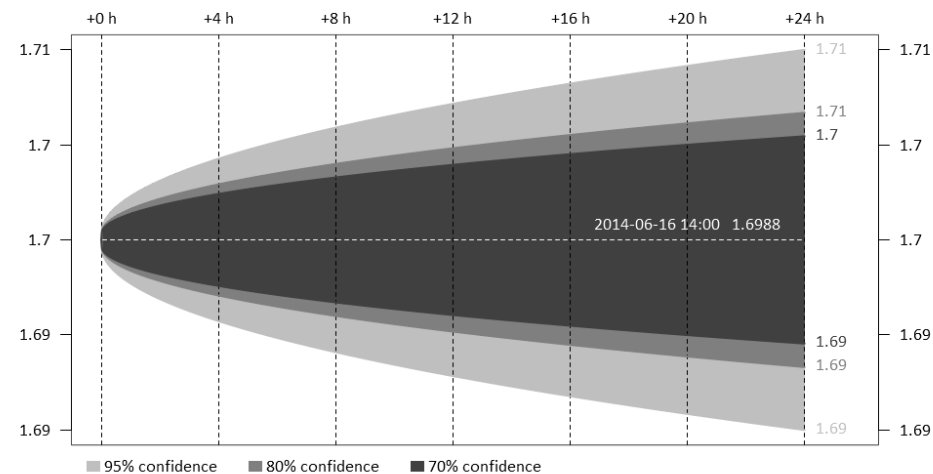
Monday, June 16, 2014
15:30 GMT

Confidence Intervals for Next 24 Hours

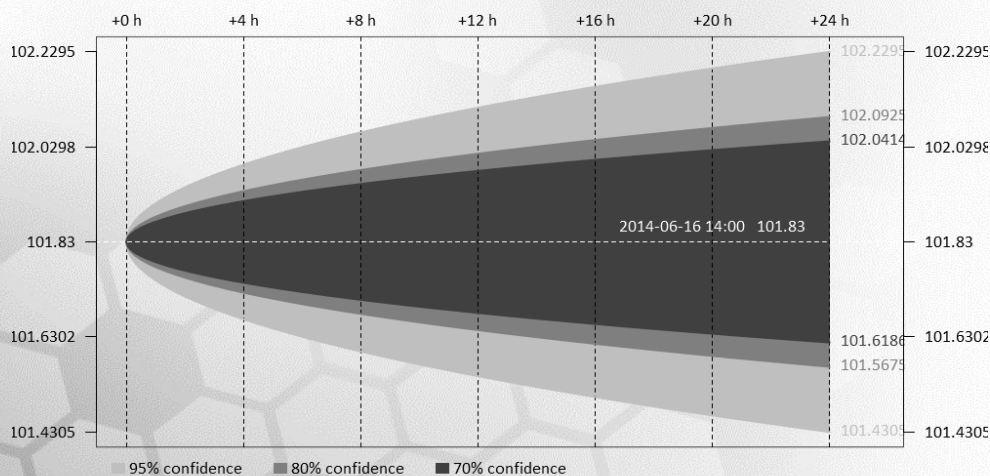
EURUSD Potential Rates



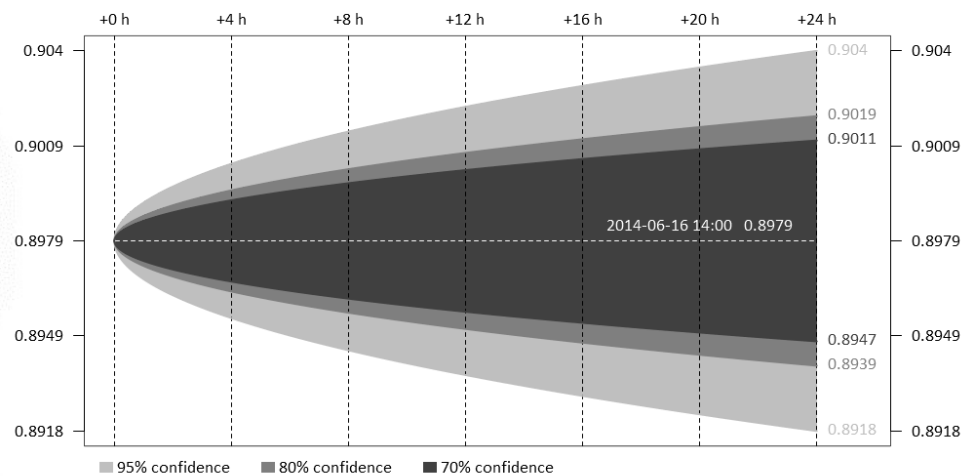
GBPUSD Potential Rates



USDJPY Potential Rates



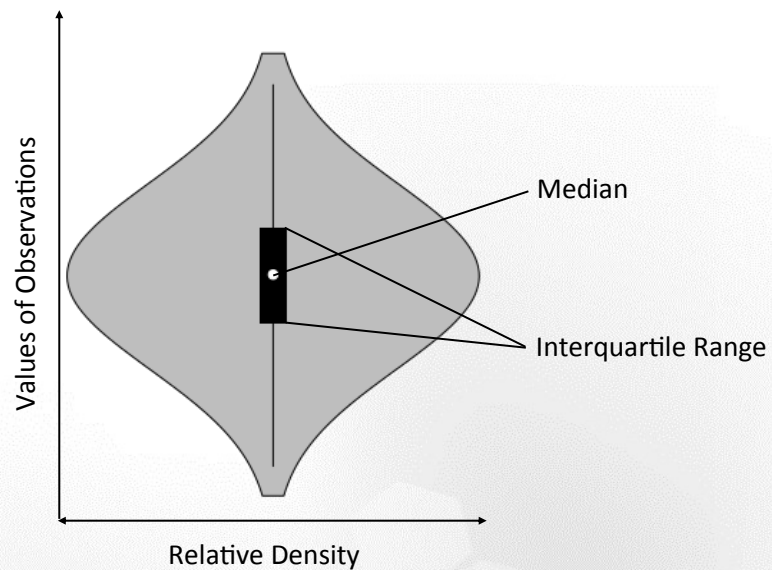
USDCHF Potential Rates



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.