



EUR

20/06/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

June 13

05:30 - 15:30

- French Nonfarm Payrolls
- German CPI, HICP
- Eurozone Employment Change and Trade Balance
- U.S. PPI and Consumer Sentiment

Turquoise Area

June 16

05:00 - 16:00

- BoJ Monthly Economic Survey
- Eurozone CPI
- U.S. Industrial Production, Capacity Utilization

Blue Area

June 17

01:30 - 13:00

- RBA Meeting's Minutes
- SECO Economic Forecasts
- UK CPI, PPI
- Eurozone Labour cost
- ZEW Survey
- U.S. CPI, Housing Starts, Building Permits

Purple Area

June 18

17:30 - 19:30

- Fed Interest Rate Decision, Monetary Policy Statement

Orange Area

June 19

05:00 - 08:00

- SNB Interest Rate Decision
- UK Retail Sales

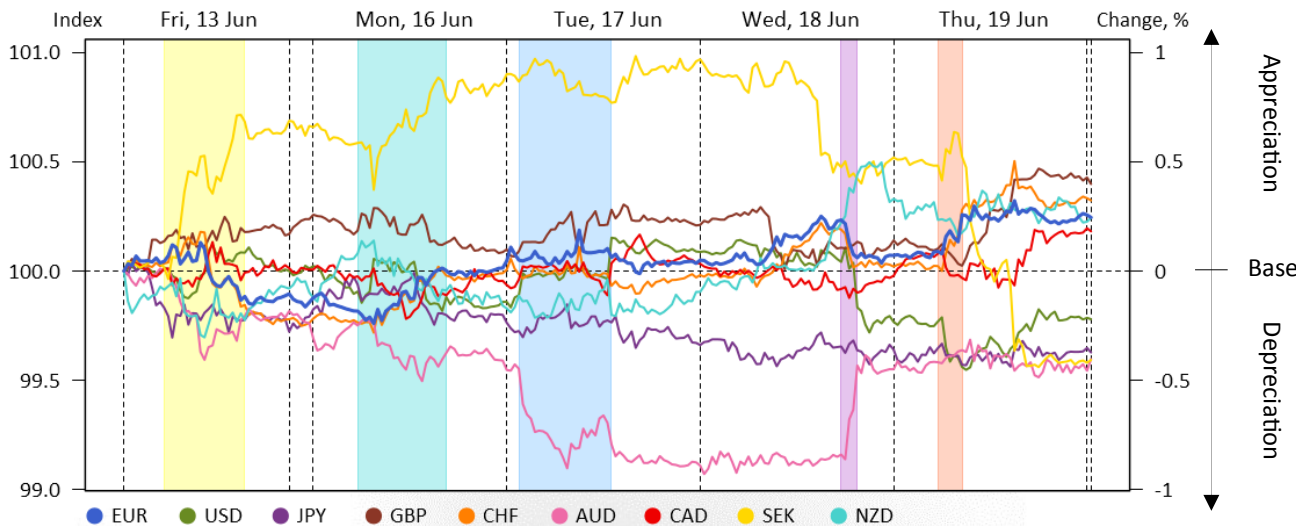
EUR Currency Index Range	0.26%	0.25%	0.16%	0.17%	0.18%
Average EUR/USD Volatility Index	1.13	1.15	0.83	1.82	1.18



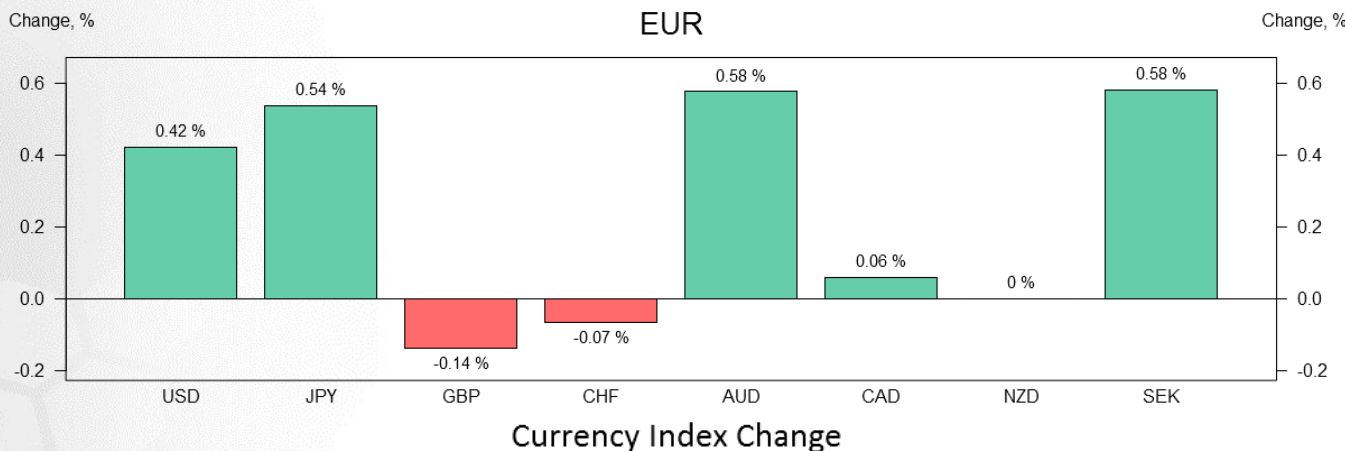
Relative Currency Strength

Currency Indices

Most of the observed currencies started the past week with a negative movement and kept to it until the middle of the period. The situation changed on Tuesday, when losers slowly began to move up. The exceptions were the Yen and the Australian Dollar, which were below the base level throughout the whole period. Some currencies, including the U.S. Dollar, dropped just after the Fed's Monetary Policy Statement and press conference. In the meantime, the Aussie jumped from 99.13 to 99.56 in the sharpest surge of the week. All currencies finished the period close to base value, with the index change not exceeding 0.5% mark.



The single currency began the week in the losers group, but started to rise on Monday against the background of the Eurozone CPI release, and reached the base level by the end of the day. For the next two days the EUR index continued a slow climb within a narrow range of 99.98 - 100.25, which was interrupted by Fed statement on Wednesday. However, the lowering was feeble, and the index continued to rise shortly after. In total, the weekly change of the Euro returned to its habitual level after the previous week's fall and came to 0.24%.

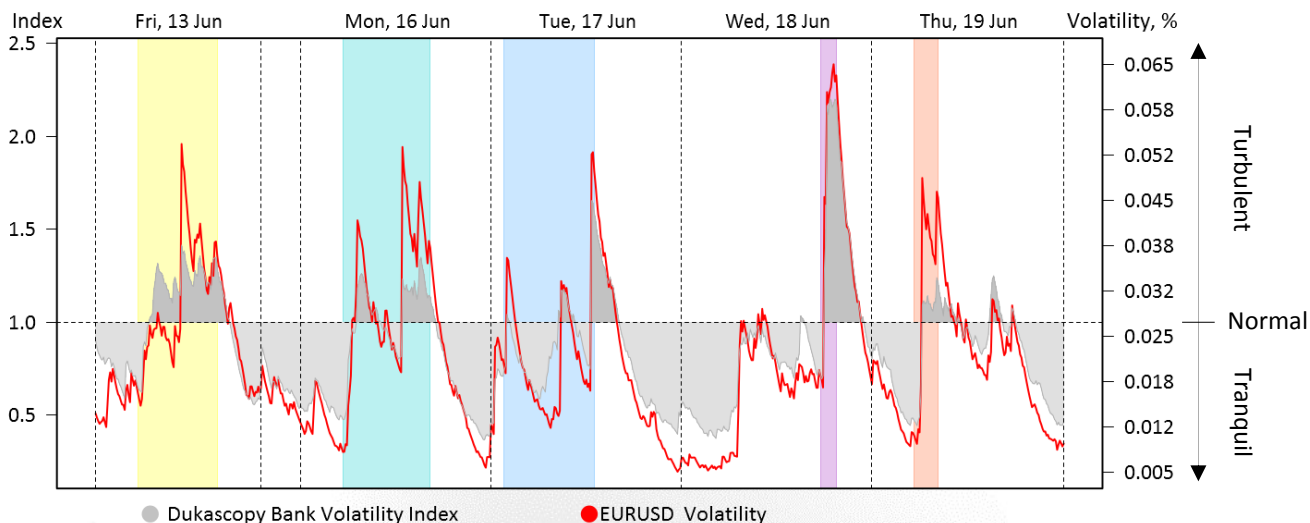


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.24%	-0.22%	-0.37%	0.4%	0.32%	-0.4%	0.18%	-0.41%	0.24%
20	-0.75%	-0.43%	-0.6%	0.66%	-0.33%	1.75%	0.41%	-2.28%	1.33%
130	-2.51%	-1.35%	-0.01%	2.84%	-2.09%	5.39%	-3.2%	-4.12%	4.92%
250	1.13%	-1.57%	-7.73%	9.26%	2.43%	-0.3%	-7.3%	-5.64%	9.72%



Volatility

Volatility



The period was marked by moderate volatility, with both market and the most traded currency pair's volatility indices demonstrating close-to-average values. The same situation was observed in other major currency pairs. The most influential event of the week was the Fed's Press Conference on Wednesday afternoon, since all the pairs with USD showed maximal volatility of the week against the background of this event.

Friday and Monday both were rather tranquil in terms of market reaction to news. Successfully predicted German and Eurozone CPI did not cause noticeable turbulence on the market. Tuesday morning, on the other hand, was full of news reflected in pairs' volatility. The releases of lower-than-expected German and Eurozone Economic Sentiment weakened the Euro positions, but positive news on U.S. CPI brought dollar to a surge, causing EUR/USD volatility to increase. The next volatility peak occurred on Wednesday evening, in the aftermath of the already mentioned Fed's report. The period ended with relatively quiet day without any strong market fluctuations.

Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD	
	29	27	26	39	28	31	28	21	31	33	42	16

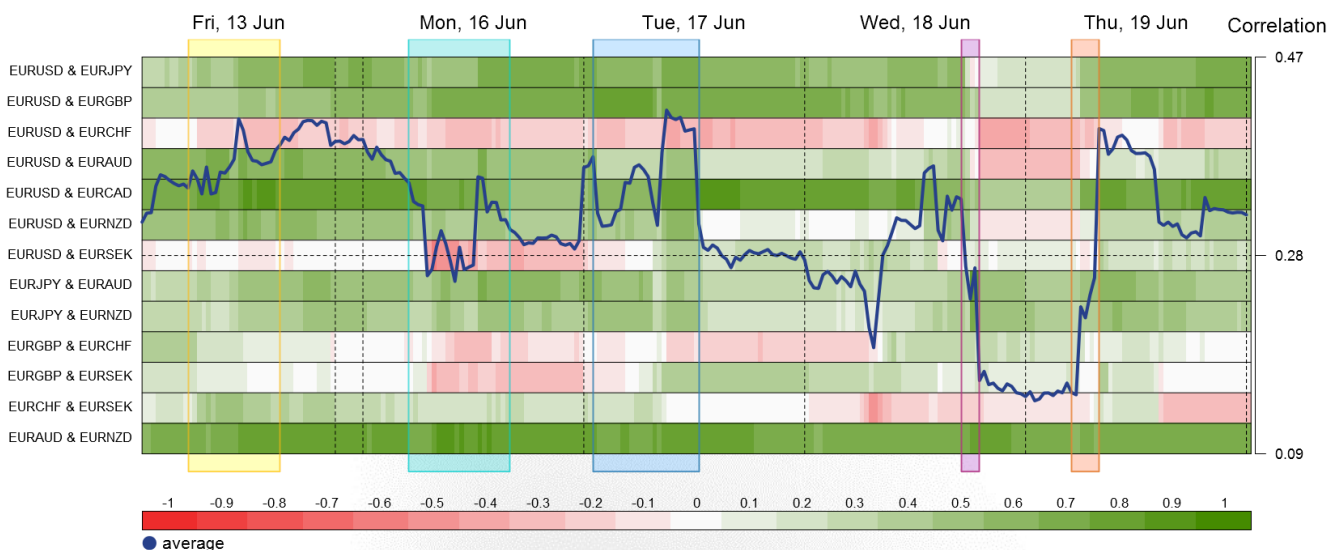
Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.2	2.4	3.8	2.4	2.9	2.8	2.4	1.8	2	2	2.6	2
Min	0.4	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.3
Average	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	1	0.8



Currency Significance

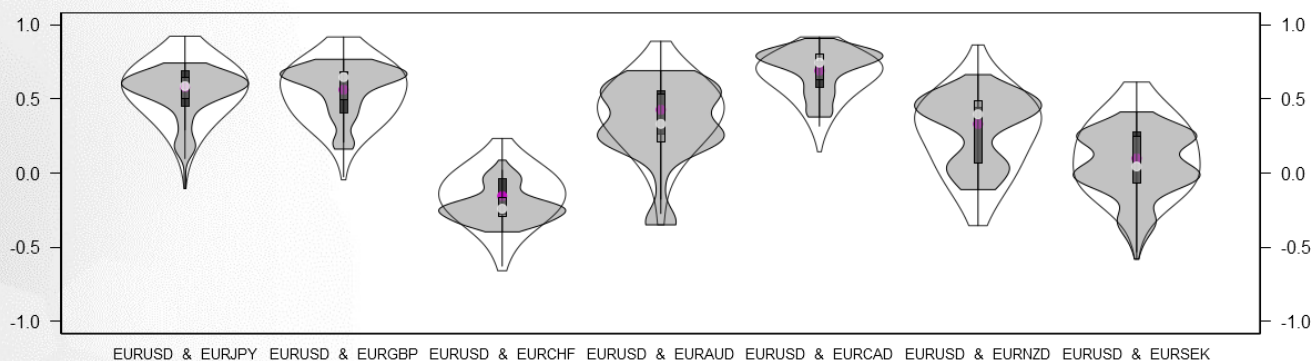
Correlations



During the past week the ECB's influence on the single currency gave way to other global developments, and the correlations retreated closer to their usual levels, giving up the uniformity of the picture. As the Euro started to win its ground back with some of its peers while staying on the losing side against the others, its significance measure occupied more moderate levels, losing 0.1-0.2 points to previous period's numbers. Reappearing negative correlations with the European crosses played the role of the main undermining force, while the counterweight was provided by EUR/USD syncing with EUR/CAD, EUR/JPY and EUR/GBP.

The Euro significance measure suffered many steep falls and surges, with a weakening or strengthening of one bond having a noticeable effect against the background of overall smoothness. Admittedly, the moments of simultaneous movements were not completely absent. The ZEW's disappointing sentiment echoed through most of the observed currency pairs and pushed the average correlation up to its maximum of 0.42. The Fed, in turn, managed to move the measure into the area of non-existent significance on late Wednesday, when some correlations went as far as shifting from notably positive to negative. The effect was short-lived, however, and the figures returned to their previous states with the beginning of the European session.

Correlations (5 vs 20 days)

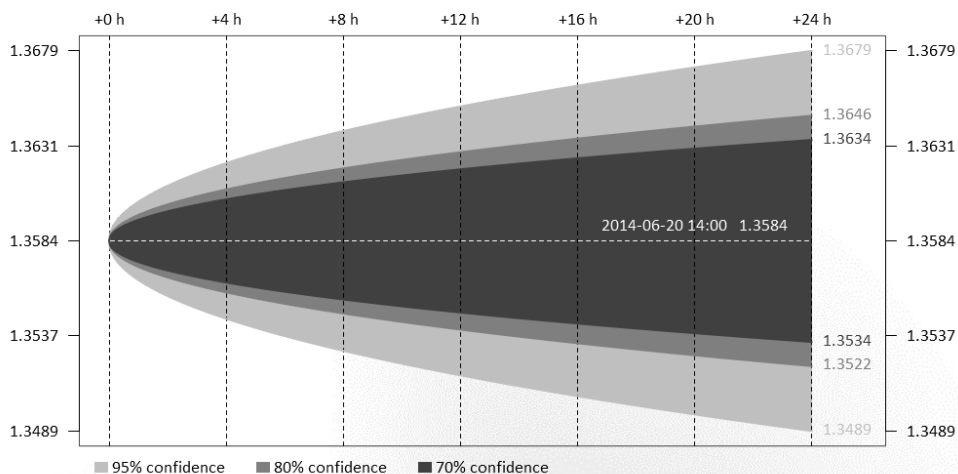


Mean Correlation Coefficient (with EURUSD)

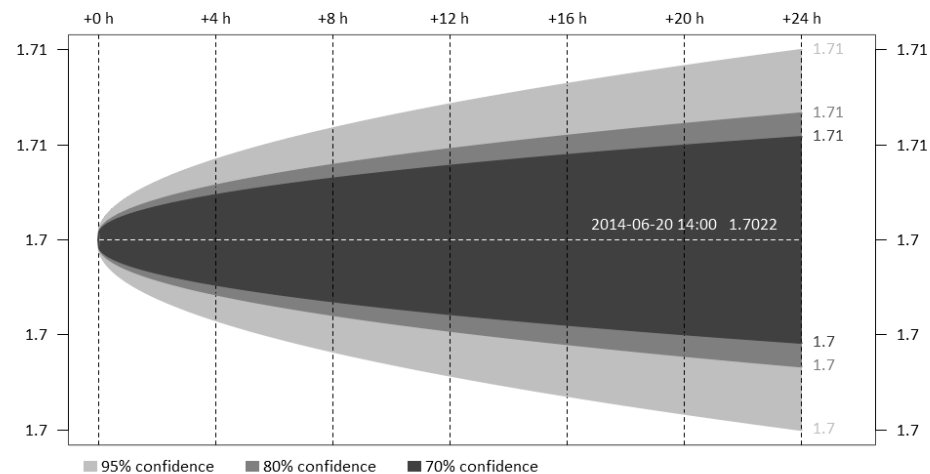
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.54	0.58	-0.22	0.33	0.71	0.31	0.05
20	0.56	0.55	-0.16	0.39	0.66	0.26	0.11
130	0.53	0.5	-0.09	0.38	0.57	0.33	0.09
250	0.47	0.46	-0.09	0.32	0.59	0.27	0.06

Confidence Intervals for Next 24 Hours

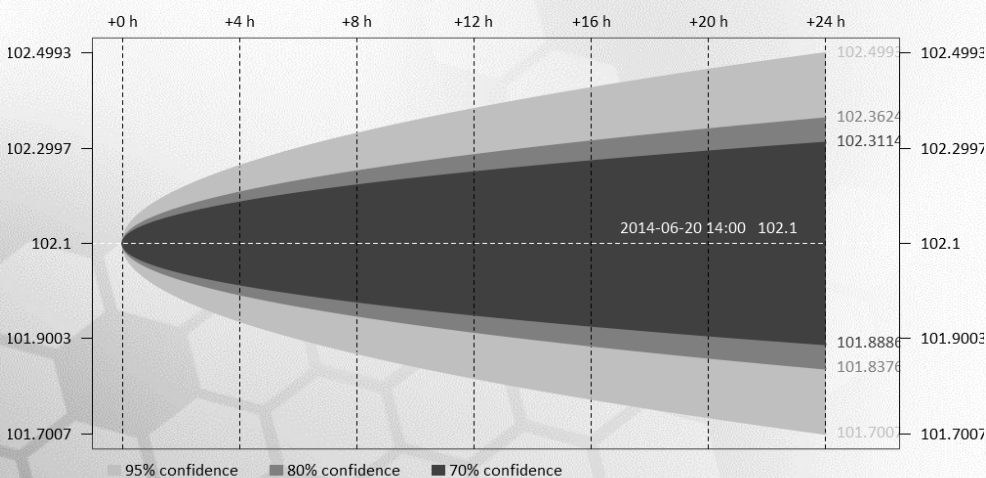
EURUSD Potential Rates



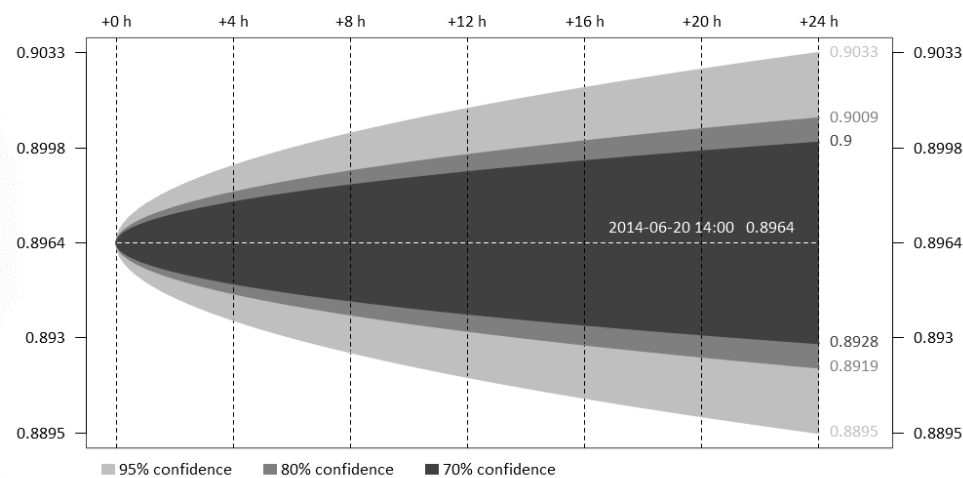
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

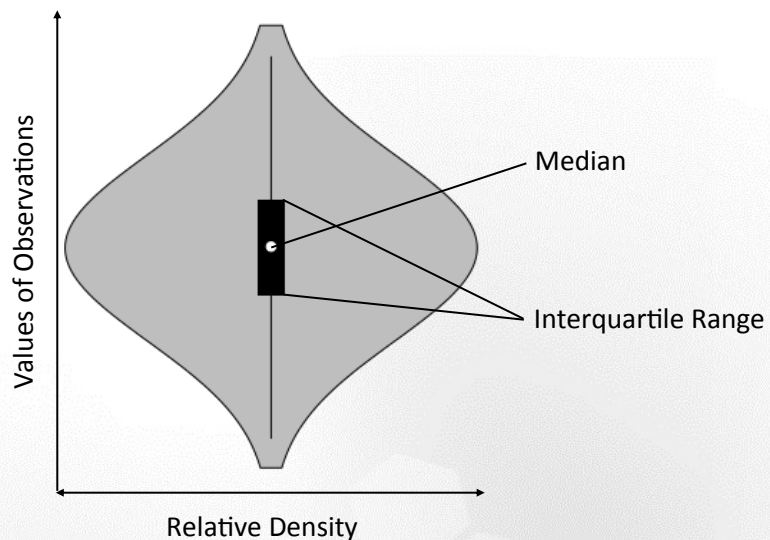
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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