



**USD**

23/06/2014



**DUKASCOPY**  
RESEARCH PRODUCTS



# Market Research





# Dominant Events for the U.S. Dollar

## Yellow Area

June 16

06:00 - 18:00

- Eurozone CPI
- German Buba Monthly Report
- US Empire State Manufacturing Index, Industrial Production, Capacity Utilization, NAHB Housing Market Index

## Turquoise Area

June 17

01:00 - 16:00

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

## Blue Area

June 18

07:00 - 23:00

- UK MPC Asset Purchase Facility, Official Bank Rate
- Canada's Wholesale Sales
- US Current Account, Crude Oil Inventories
- Fed Interest Rate Decision, Monetary Policy Statement

## Purple Area

June 19

06:00 - 18:00

- SNB Interest Rate Decision
- UK Retail Sales
- US Unemployment Rate, Philly Manufacturing Index, CB Leading Index
- Eurogroup Meetings

## Orange Area

June 20

07:00 - 16:00

- Eurozone Current Account
- Canada's CPI, Retail Sales
- ECOFIN Meetings

USD Currency Index Range

0.24%

0.26%

0.4%

0.28%

0.25%

Average EUR/USD Volatility Index

1.19

0.92

1.06

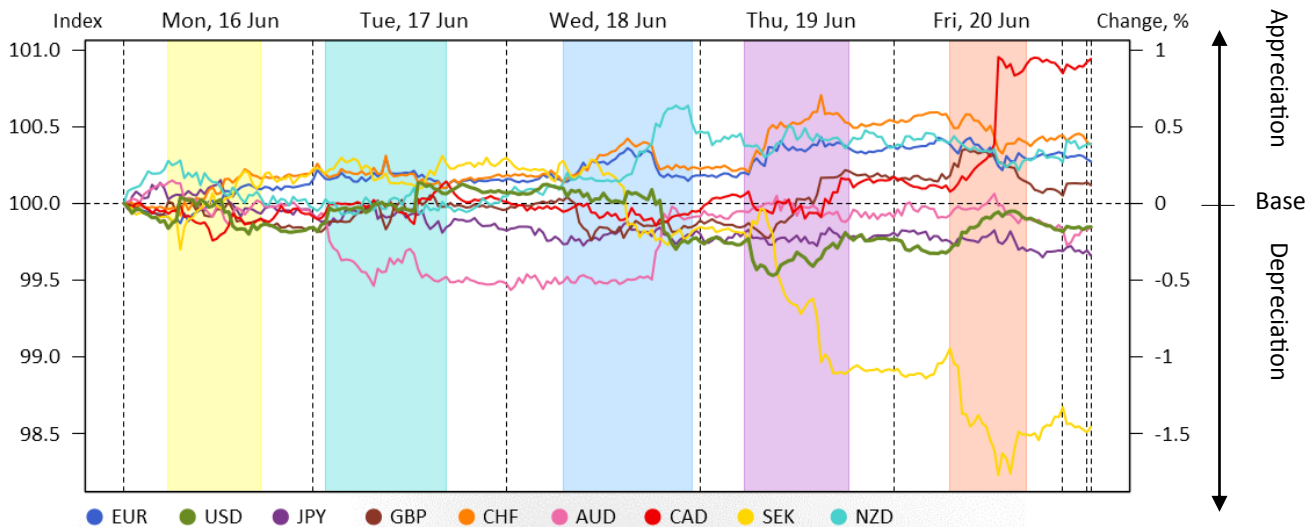
1.04

0.87



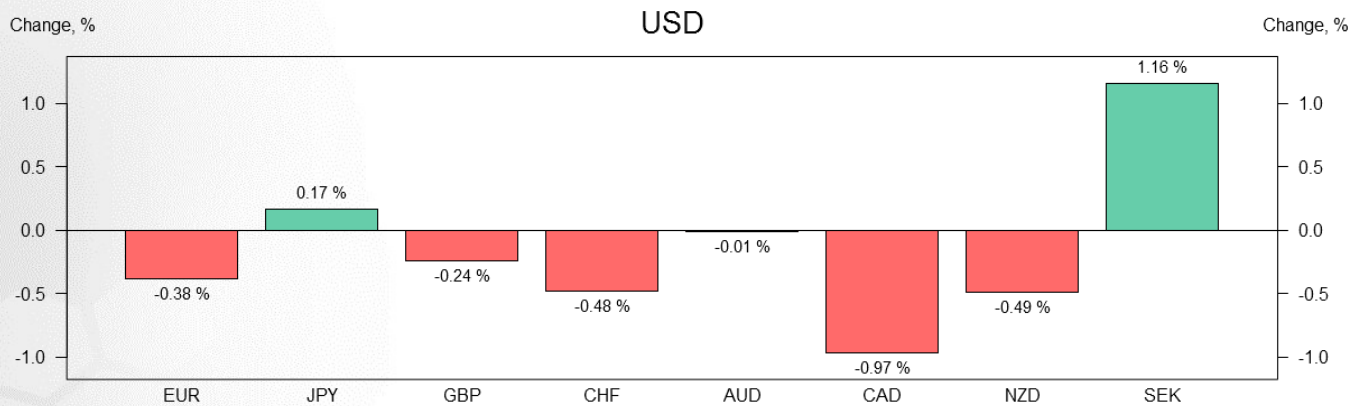
# Relative Currency Strength

Currency Indices



The United States Dollar Index was one of the worst performers in the last week. It came virtually at par with aussie, which was posing for a major shortfall in the first part of the week, posted 0.18% gains against yen and 1.16% gains against Swedish Krona. The latter one was hit rather hard during the Eurogroup and ECOFIN meetings on Thursday and Friday. Loonie index was the best performer which gained close to a full percent on Friday on the Canada's CPI and Retail Sales data. Performance of the greenback was rather dull last week. It spent the whole period in a rather narrow, 0.6%, range between 0.5% below and 0.1% above the base (opening) value.

It could be said that the performance of most of the index in the first part of the week was rather depressed. It seems that markets were still "sobering up" a bit from the ECB's rate cut and RBNZ's rate hike. More activity is observed starting from Wednesday's afternoon, when Fed Interest Rate Decision and Monetary Policy Statement were released, and with Eurogroup and ECOFIN meetings taking place on Thursday and Friday. Canada's CPI and Retail Sales added a bit to the stew as all of the numbers came out substantially better than expected, but effect was rather isolated—direct effect was seen only on loonie. To be fair, it seems this data release might have taken some capital flows from greenback, aussie and cable, but nothing out of the ordinary.



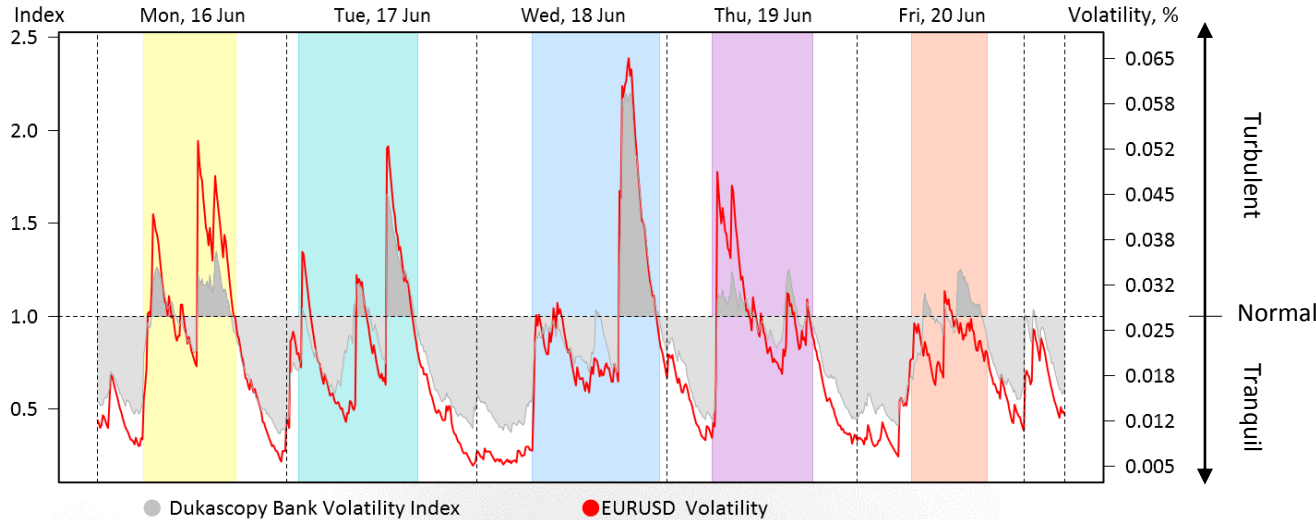
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.27%	-0.16%	-0.34%	0.12%	0.38%	-0.15%	0.94%	-1.46%	0.39%
20	-0.81%	-0.55%	-0.73%	0.67%	-0.5%	1.31%	0.76%	-1.88%	1.55%
130	-2.35%	-1.84%	0.42%	2.32%	-1.71%	5.02%	-2.68%	-4.3%	5.12%
250	1.1%	-2.98%	-7.65%	8.32%	1.96%	-1.16%	-5.91%	-3.75%	9.95%



# Volatility

## Volatility



Volatility levels were once again strongly subdued. Elevated volatility in 30% or more (historical level) of the time was observed only in 3 out of 12 cases, including market. In addition, average volatilities in 9 out of 12 cases were at 70-80% level of the long term (usual) volatility. Only aussie, Swiss franc and Swedish Krona managed to show something noticeably outside these levels. Trading activity on the aussie was mainly fuelled by the RBA Meeting's Minutes on Tuesday and New Zealand's GDP numbers on Wednesday. Swedish Krona reacted rather sensitively on then ongoing Eurogroup and ECOFIN meetings, but taking in to account kroon's tendencies that did not come as much of a surprise.

Market volatility (Dukascopy Aggregate Technical Indicator) and EUR/USD volatility followed mainly the same path during the week, but noticeable divergence is seen on Thursday and Friday. In our opinion that was mainly due to the Eurogroup and ECOFIN meetings. Highlight of the week, in terms of volatility (2.4 times higher than usual (long term) volatility), was observed on Wednesday when Federal reserve released it's Interest Rate Decision and Monetary Policy Statement. Other noticeable peeks in volatility in the period were attributable to the US as well— 1.9 times higher when range of US data (Empire State Manufacturing Index, Industrial Production, Capacity Utilization and NAHB Housing Market Index) was coming out on Monday and 1.8 times higher during US CPI numbers release on Tuesday.

### Elevated Volatility (% of the observed period)

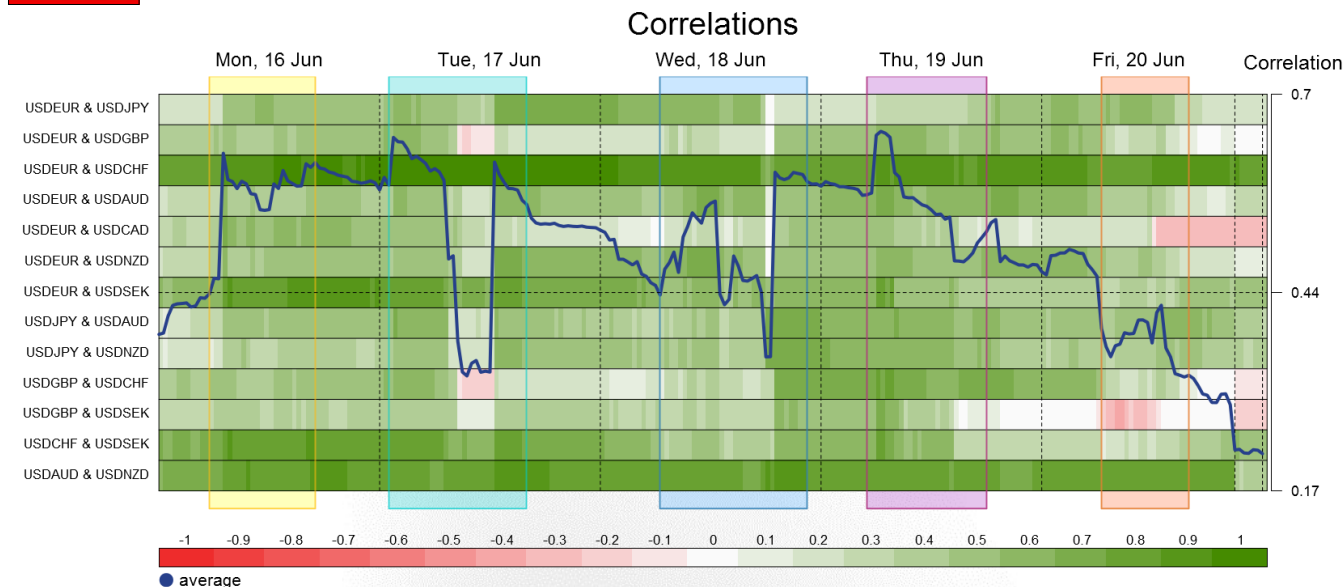
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
25	22	18	27	27	32	26	11	19	35	42	12

### 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	4.6	2.4	1.8	2	2	3.3	2
Min	0.4	0.2	0.3	0.2	0.4	0.3	0.2	0.3	0.2	0.3	0.2	0.3
Average	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.7	0.7	0.9	1	0.7



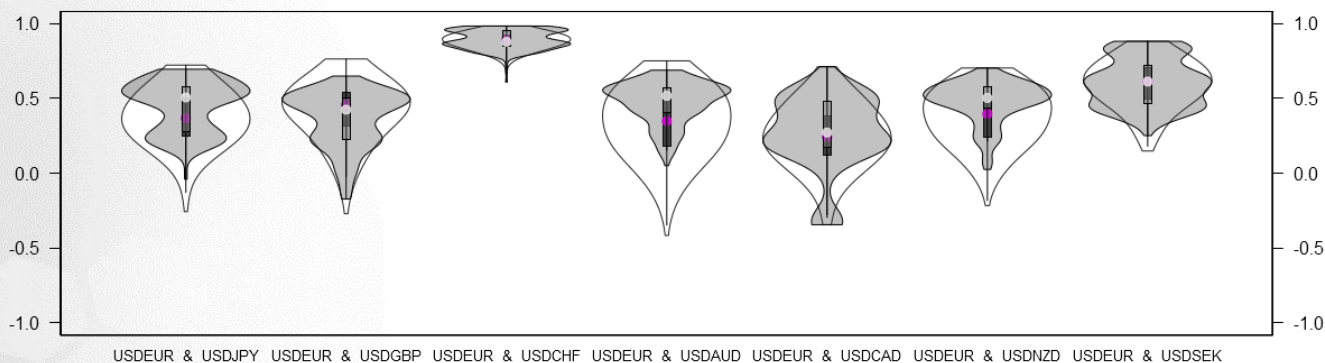
# Currency Significance



Significance of the greenback, measured as an average correlation between various USD crosses, has decreased noticeably in the period—it opened at 0.38 and closed at 0.22. It is worth pointing out that few times during the week the gauge managed to peak above the 0.6 threshold. First such case took place on Monday when Eurozone CPI numbers caused the traders to look in to other currencies. Average correlation remained virtually at the same level until the ZEW survey data came out which boosted the interest in European currencies. However, subsequent release of US CPI, Housing Starts and Building Permits data pushed the gauge back up.

Wednesday was marked with quite a few noticeable data releases from UK, Canada and US which caused ups and downs in the gauge through out the day. However, in the end of the day it remained around 0.6. For the rest of the period the changes in the gauge were rather one-sided, pointing southward. After a minor peak till 0.65 on Thursday afternoon (SNB Interest Rate Decision) the average correlation slowly, with few minor stops, trailed lower. In our opinion, Eurogroup and ECONFIN meetings had the biggest effect on this. The fact that relatively low importance data was coming out of the US did no favours as well.

## Correlations (5 vs 20 days)

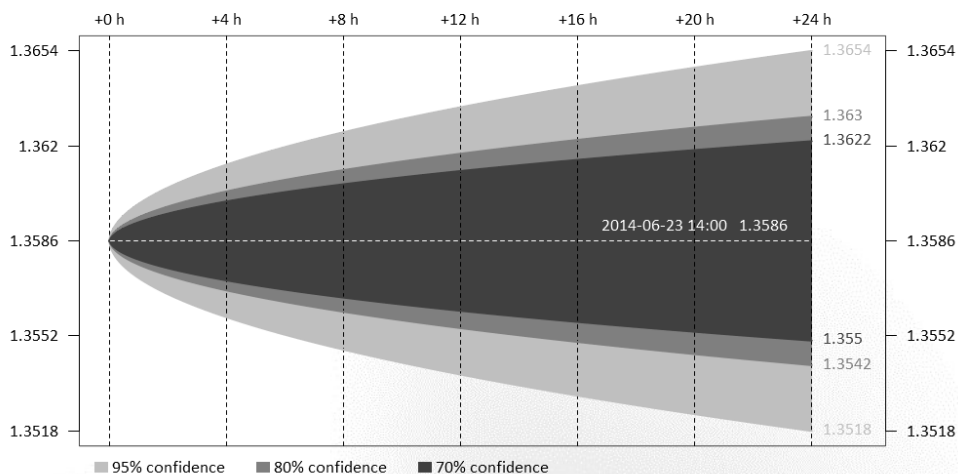


## Mean Correlation Coefficient (with USDEUR)

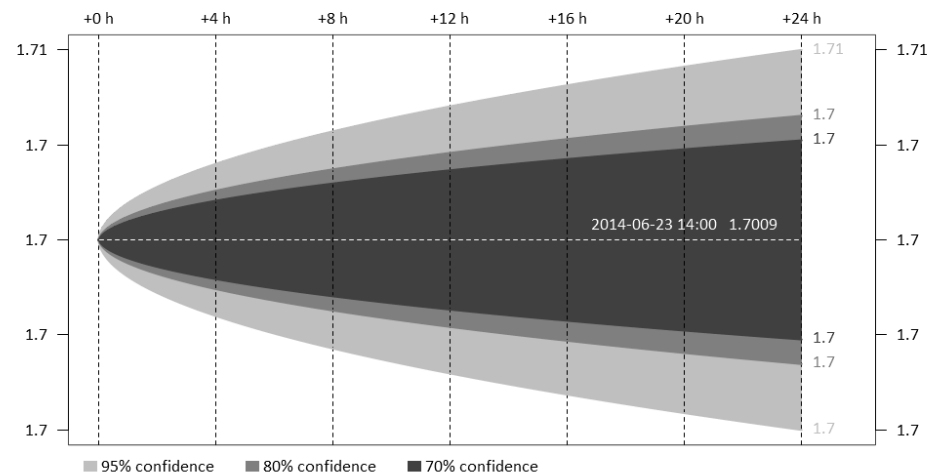
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.45	0.36	0.89	0.47	0.27	0.48	0.61
20	0.37	0.42	0.89	0.33	0.24	0.38	0.6
130	0.17	0.43	0.84	0.24	0.16	0.28	0.6
250	0.23	0.5	0.85	0.3	0.24	0.31	0.61

# Confidence Intervals for Next 24 Hours

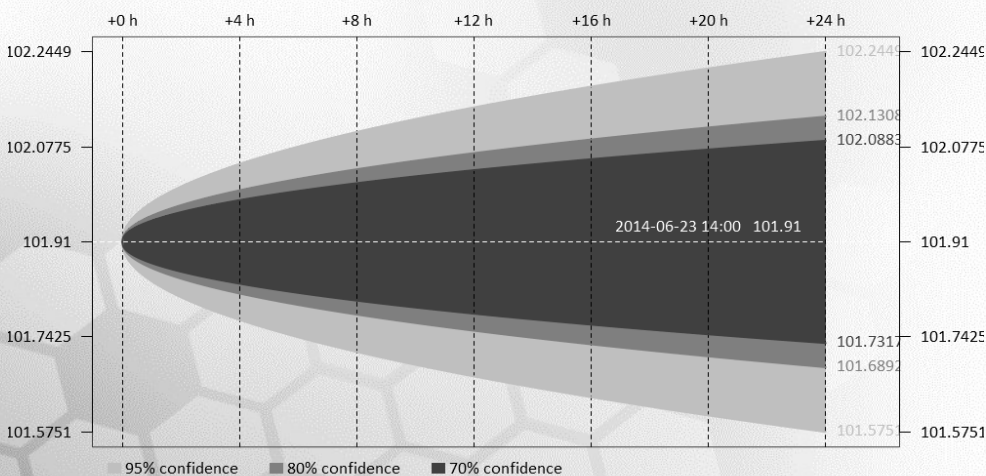
EURUSD Potential Rates



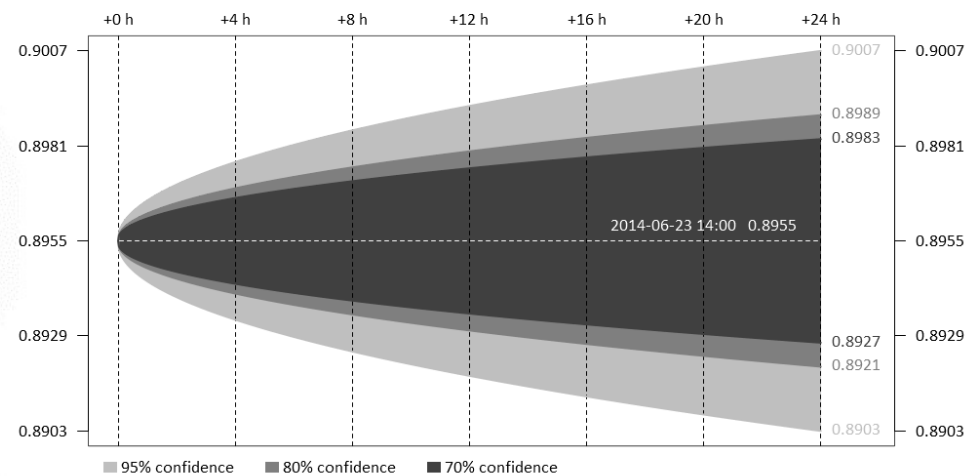
GBPUSD Potential Rates



USDJPY Potential Rates



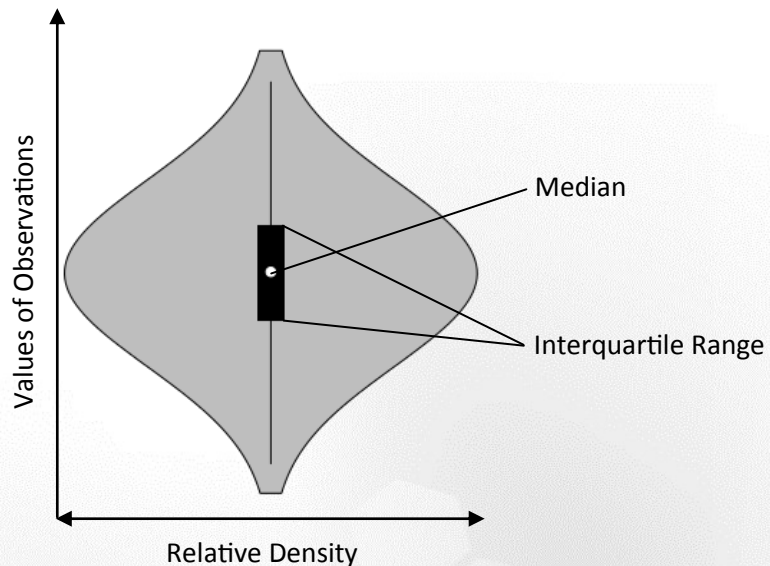
USDCHF Potential Rates



# EXPLANATIONS

## Violin Plot

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



## Methodologies

Volatility Index

Confidence Interval



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