



EUR

04/07/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events for the Euro

Yellow Area

June 27

06:30 - 18:30

- UK Current Account, Final GDP
- Canada's RMPI
- U.S. Revised Consumer Sentiment
- German Prelim CPI
- EU Economic Summit

Turquoise Area

June 30

06:00 - 18:00

- Eurozone M3 Money Supply, Private Lending
- UK Net Lending To Individuals
- Eurozone CPI Flash Estimate
- US Chicago PMI
- US Pending Home Sales

Blue Area

July 01

08:30 - 18:00

- UK Manufacturing PMI
- Eurozone Unemployment Rate
- US Treasury Secretary Speaks
- US ISM Manufacturing PMI

Purple Area

July 02

08:00 - 16:00

- UK Construction PMI
- Eurozone Final GDP, PPI
- US Non-Farm Employment Change
- Fed Chairman Speaks

Orange Area

July 03

07:00 - 18:30

- Eurozone Retail Sales
- ECB Minimum Bid Rate, Press Conference
- US Non-Farm Employment Change, Trade Balance, Unemployment Rate

EUR Currency Index Range

0.13%	0.15%	0.29%	0.12%	0.35%
0.89	1.18	1	1.05	1.42

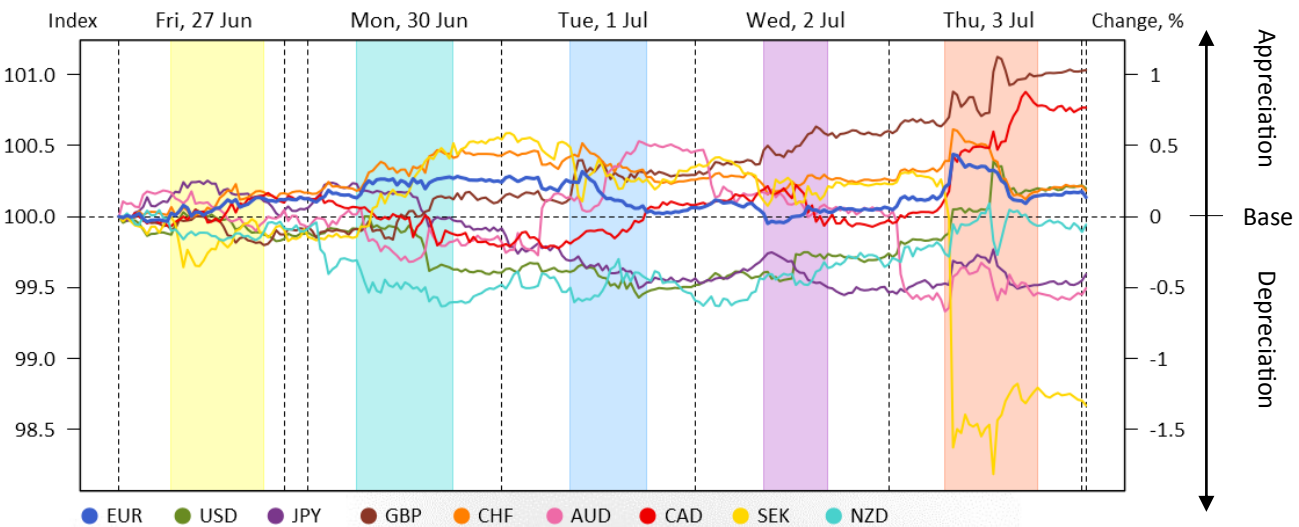
Average EUR/USD Volatility Index



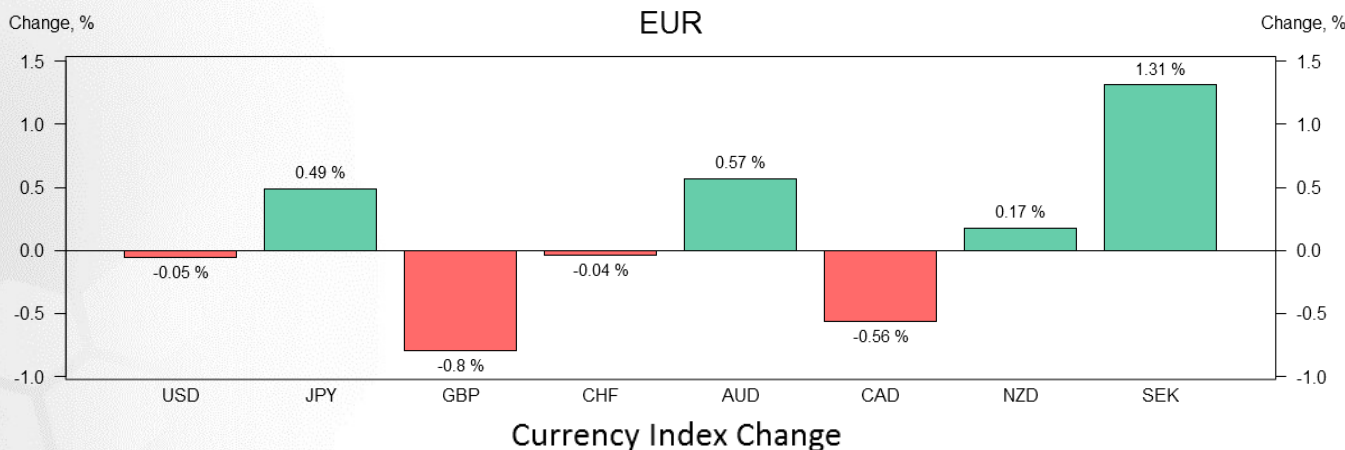
Relative Currency Strength

Currency Indices

Euro was one of the best performers last week. It came virtually at par with Swiss franc and greenback and was surpassed only by the Great Britain Pound and the Canadian Dollar. All of the other currency indices lagged at least 0.2% behind the Euro. From the very beginning Euro index showed strong commitment to be amongst the best performers in the period. It ended Friday 0.13% above the base adding additional 0.11% on Monday. Tuesday brought a bit of a surprise, despite better than expected data from Eurozone the Euro index trailed lower. It might be that worse than expected German Unemployment Change had impact on it.



However, the Euro index still remained above the base (opening) value. Worse than expected Spanish Unemployment Change and Eurozone PPI numbers on Wednesday pushed the Euro index to it's lowest level in the period—0.05% below the base value. However, it remained above the base value for the rest of the period and managed to climb to the highest level in the period—0.44% above the base value on Thursday, ahead of the ECB's Minimum Bid Rate announcement and following Press Conference. Rate announcement was in line with expectation, but it seems that market participants weren't fascinated with what they heard during the press conference.

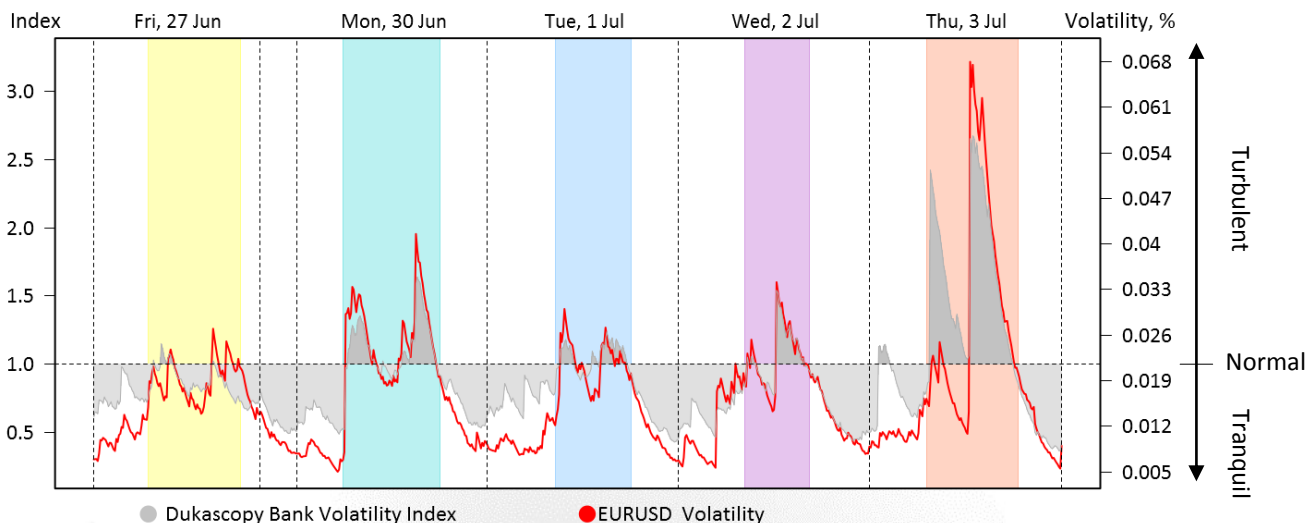


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.14%	0.2%	-0.41%	1.03%	0.18%	-0.5%	0.77%	-1.33%	-0.06%
20	-1.04%	-0.66%	-0.46%	1.54%	-0.84%	-0.33%	2.6%	-3.57%	2.61%
130	-2.2%	-1.83%	1.24%	2.77%	-1.03%	3.9%	-1.49%	-6.9%	5.52%
250	1.22%	-3.87%	-6.36%	9.25%	2.68%	-0.79%	-5.26%	-6.2%	9.33%



Volatility

Volatility



Levels of volatility remain rather moderate. Elevated volatility (above the usual (long term value; 1.0 in the index scale) is being observed in 20%, or more, of the time in a clear majority of the cases (market and individual currency pairs). In addition, average volatility is at 80 to 100% of the long term level. Highlight of the period, in terms of volatility, as anticipated, was observed on Thursday. We saw 2 peaks in market volatility (2.4 and 2.7 times higher than the usual level). First one is attributable to the Eurozone Final Services PMI.

The second one, no surprise, took place during the ECB's Minimum Bid rate announcement and following Press Conference. EUR/USD volatility at the same time was at the highest level in the period as well—3.2 times higher than normal. Other noticeable peaks in volatility in the period were Eurozone M3 Money Supply and Private Lending data (1.5 times higher than usual) and US Chicago PMI (1.9 times higher than usual) on Monday. Although during the other days of the period the abnormal (above the usual) volatility levels were much more modest it shows a positive trend of market being active in all of the trading days in the period of analysis.

Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
26	23	18	21	41	27	25	26	24	28	36	29

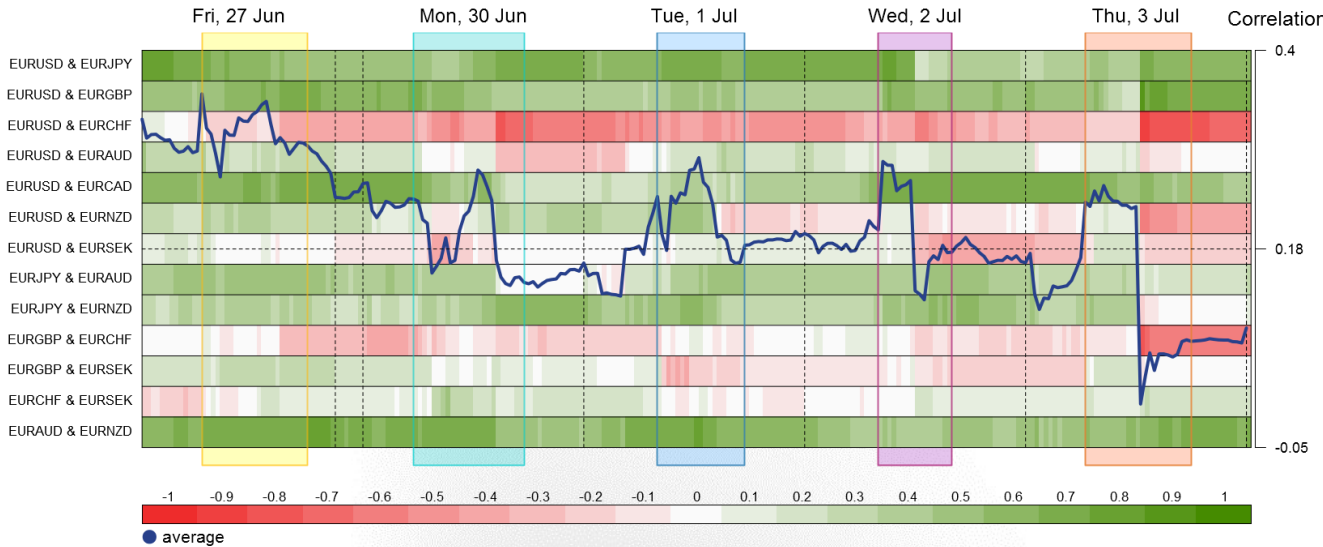
Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.7	3.2	2.6	1.8	4.1	2.7	3.2	1.8	3.1	2.6	9.7	4.2
Min	0.4	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.3	0.2	0.4
Average	0.9	0.8	0.8	0.8	1	0.9	0.8	0.8	0.8	0.8	1	1



Currency Significance

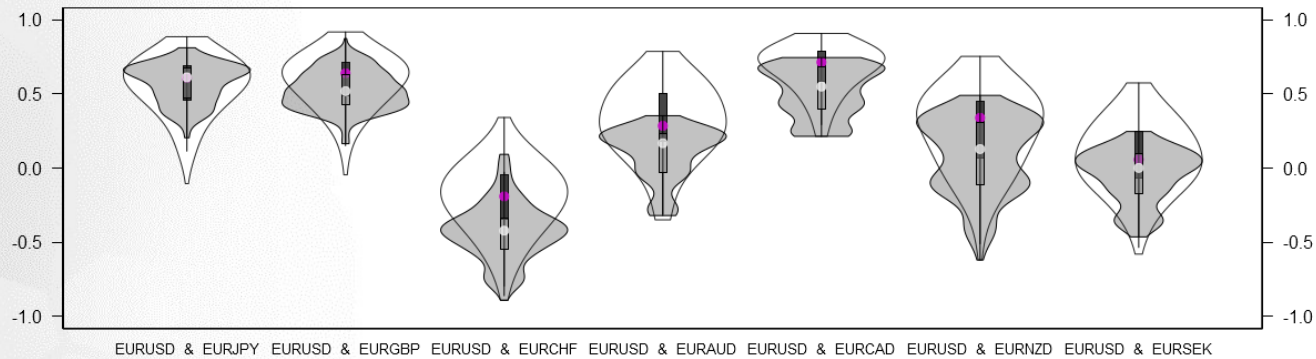
Correlations



Significance of the Euro, measured as an average correlation between various Euro crosses, decreased dramatically in the period of analysis. The gauge started the period at 0.32 and ended it at 0.08. The change in the gauge in the period was pretty much one sided with no major recoveries and with very few recoveries at all. This is rather worrying because it seems that after the ECB's benchmark rate cut some time ago, the market participants started looking in to other currencies much more closely and indicates that Euro is by far not as important as one would expect it to be.

Gauge hit the highest level in the period, 0.35, almost right from the beginning and started its decline shortly after ending the day at 0.24. Initially it seemed that Eurozone M3 Money Supply and Private Lending data could boost the interest in Euro, but it was just a temporary occurrence. Both, Tuesday and Wednesday, demonstrated similar turn of events, but that just kept the average correlation slightly above the 0.2, but did not bring any major changes. The highlight, in term of this measurement, was also the ECB Minimum Bid Rate announcement. It dragged the gauge from 0.22 to a slightly below the zero. We saw a small rebound afterwards, but overall level remained mostly unchanged.

Correlations (5 vs 20 days)

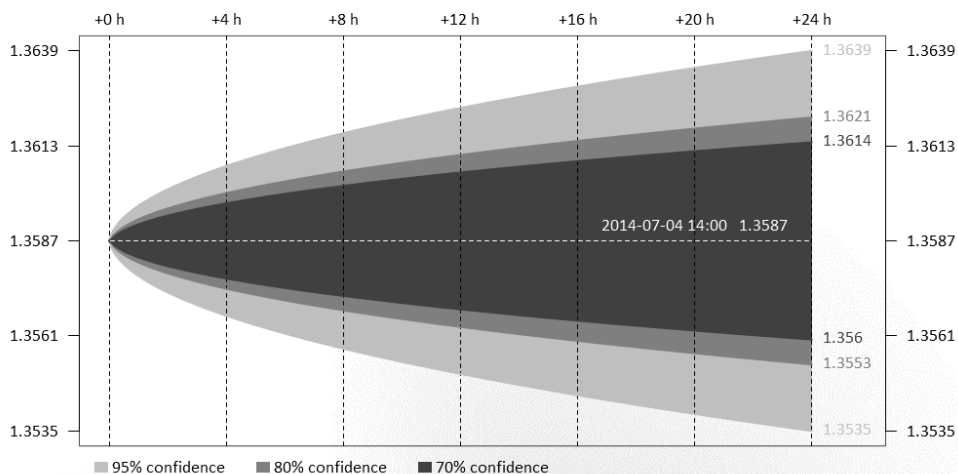


Mean Correlation Coefficient (with EURUSD)

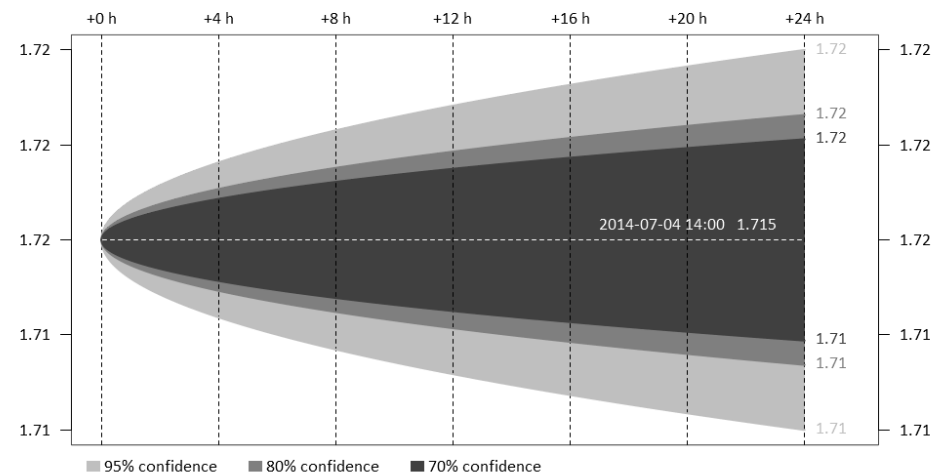
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.57	0.52	-0.43	0.1	0.51	0.08	-0.05
20	0.56	0.59	-0.21	0.3	0.67	0.26	0.08
130	0.52	0.5	-0.1	0.37	0.58	0.32	0.08
250	0.47	0.46	-0.11	0.32	0.59	0.27	0.06

Confidence Intervals for Next 24 Hours

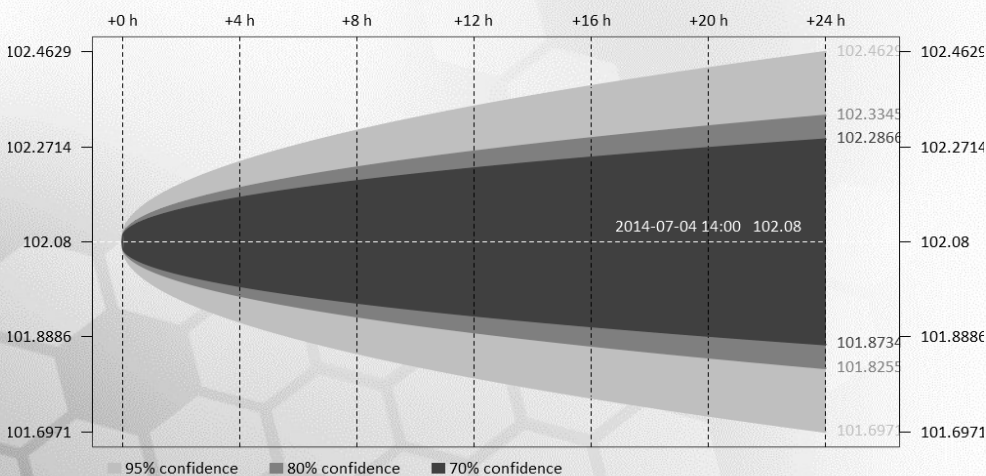
EURUSD Potential Rates



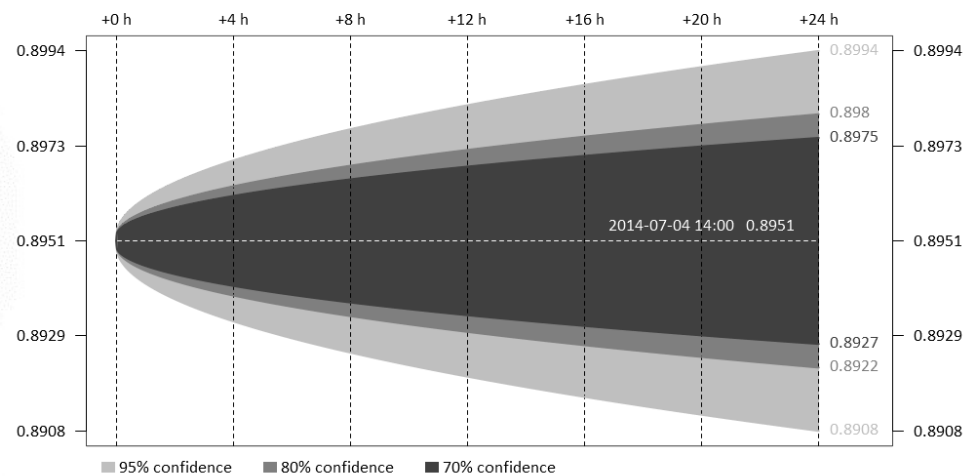
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

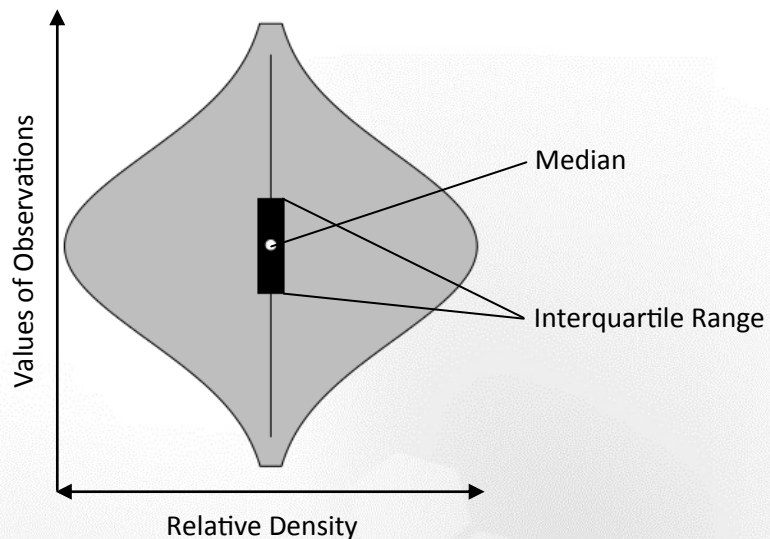
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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.