



USD

09/07/2014



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Market Research



Wednesday, July 09, 2014
15:30 GMT

Dominant Events for the U.S. Dollar

Yellow Area

July 2

04:30 - 15:00

- Eurozone GDP
- ADP Employment Change
- U.S. Factory Orders
- Fed's Chair Speech

Turquoise Area

July 3

05:30 - 14:00

- German, Eurozone Markit Services PMI
- Riksbank's Interest Rate Decision
- U.S. Initial and Continuing Jobless Claims, Nonfarm Payrolls, Unemployment Rate, Trade Balance, Markit Services PMI

Blue Area

July 7

06:30 - 15:00

- German Industrial Production
- Swiss Foreign Currency Reserves
- Canadian Ivey PMI

Purple Area

July 8

05:00 - 14:00

- German Trade Balance
- Swiss CPI
- UK Industrial and Manufacturing Production

USD Currency Index Range

0.2%

0.56%

0.14%

0.17%

Average EUR/USD
Volatility Index

0.96

1.2

1.02

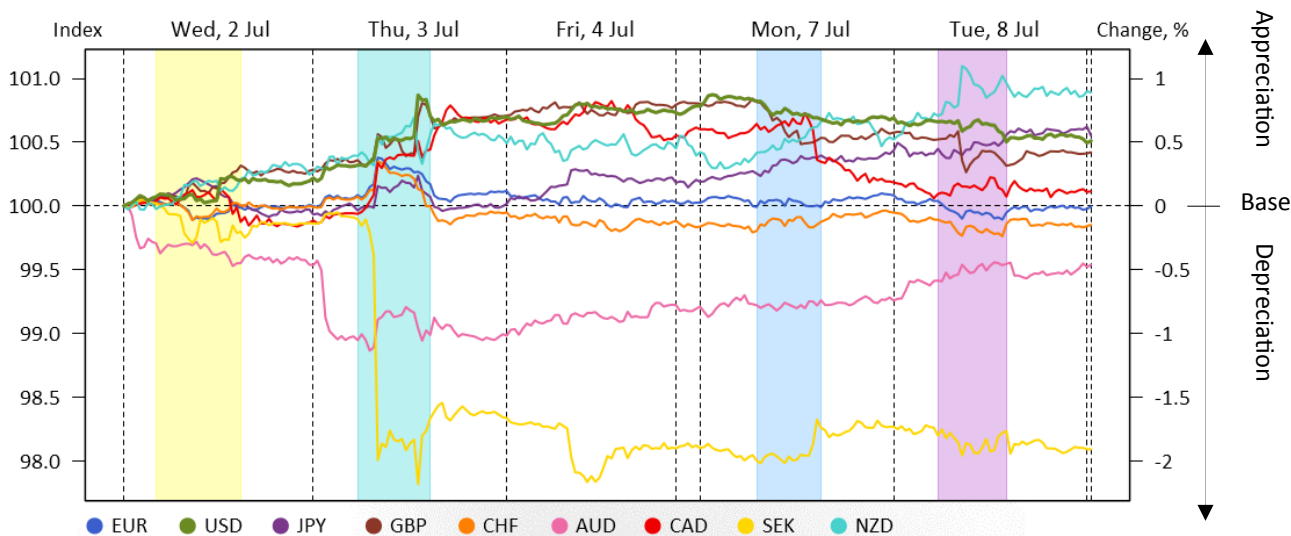
0.85



Wednesday, July 09, 2014
15:30 GMT

Relative Currency Strength

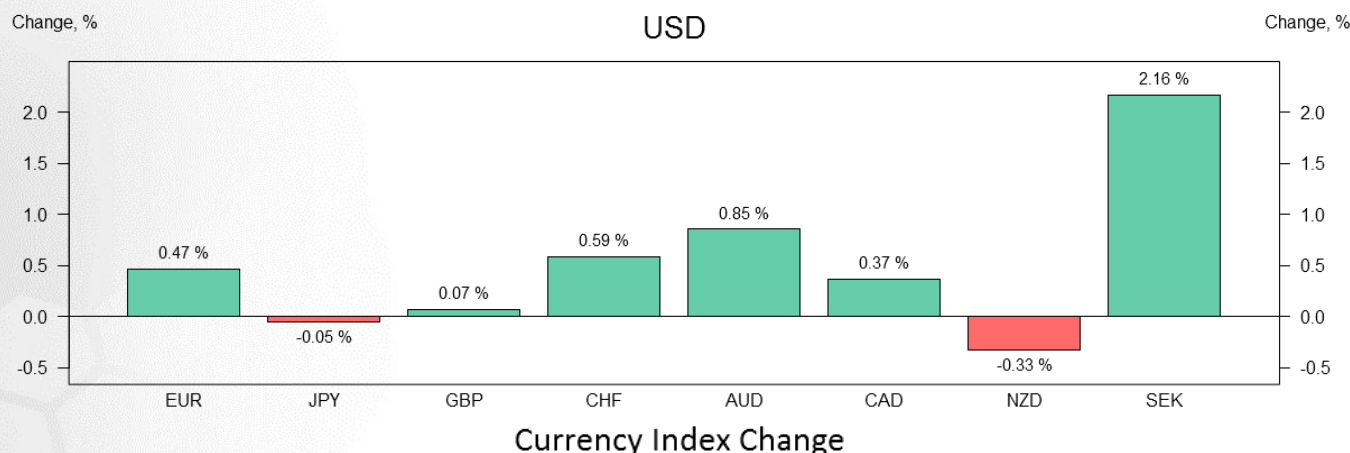
Currency Indices



Tables have turned for the U.S. dollar in the past week, pushing the greenback's Currency Index to hold above the base value throughout the whole period for the first time since late May. Driven by both favourable U.S. data and weakness of other currencies, the dollar managed to surpass six out of its eight observed peers, losing only to the yen and the kiwi. However, the 0.51% gain over the week was not enough to overpower the long-term tendencies, and the U.S. dollar Currency Index monthly, half-yearly and yearly changes remained negative.

The dollar Currency Index started off with a rise over a baddish Tuesday, getting its first burst from a better-than-expected ADP employment data. The main advance, however, took place on the following Thursday, when the greenback first benefitted from the sharp declines of the Aussie and the Swedish krona, but later was supported by the region's strong nonfarm payrolls and unemployment rate data. Afterwards the index remained virtually flat, holding among top three performers for the rest of the period.

As for the other leaders of the period, the yen was gradually strengthening since Friday, while the New Zealand dollar was pushed to the leading position after Fitch revised the country's outlook up to positive.



Currency Index Change

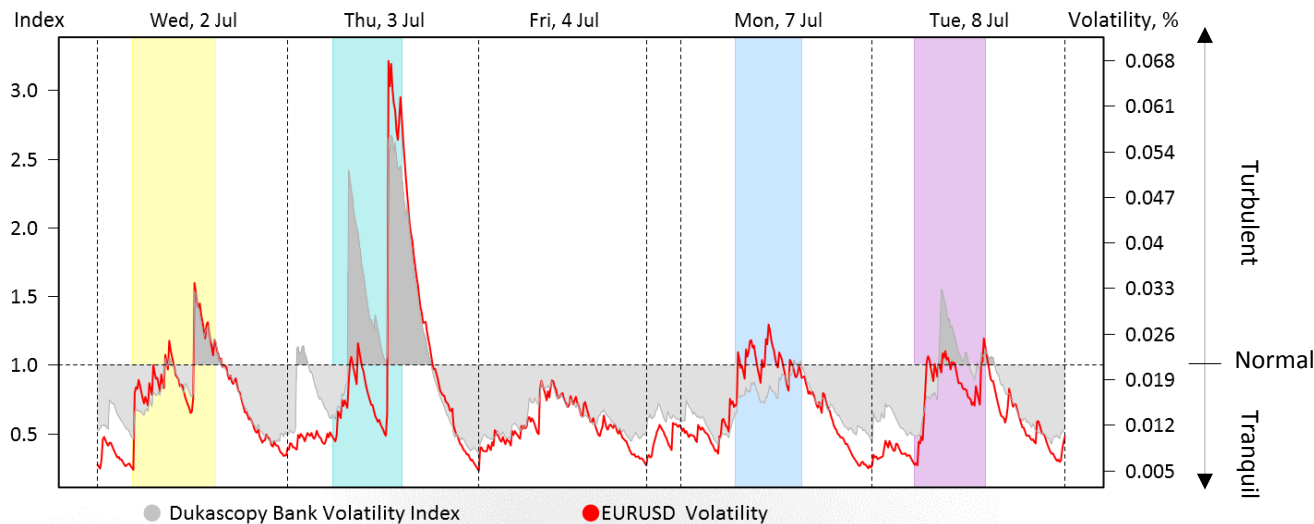
| Days | EUR | USD | JPY | GBP | CHF | AUD | CAD | SEK | NZD |
|------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| 5 | 0% | 0.51% | 0.55% | 0.42% | -0.15% | -0.46% | 0.11% | -1.91% | 0.89% |
| 20 | -0.31% | -1.06% | -0.13% | 1.43% | -0.08% | -0.52% | 1.47% | -3.31% | 2.21% |
| 130 | -2.04% | -2.18% | 1.45% | 2.63% | -0.03% | 4.15% | -1.1% | -7.32% | 4.45% |
| 250 | 1.44% | -5.08% | -5.67% | 10.47% | 3.7% | -1.47% | -6.18% | -5.78% | 8.55% |



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Volatility

Volatility



With a long weekend and little to no releases of the U.S. data afterwards, the period was not rich with volatility peaks. All in all, the U.S. dollar pairs were more tranquil than the respective Euro crosses, suggesting greater sensitivity to the foreign news on the single currency's part. It is further confirmed by the most traded currency pair itself, as it seemed to be more prone to respond to the developments on the greenback's side of the globe. As for the magnitude of the reactions, the dollar's Thursday's rise proved to be the period's most shocking event for EUR/USD, USD/JPY, USD/CHF, and USD/NZD, while the pairs with the pound, the Aussie, the loony and the Swedish krona were more sharply affected by the developments in the respective regions.

The most turbulence-causing U.S. releases were the ADP National Employment Report and the U.S. Department of Labor data, which resulted in the only two peaks of the EUR/USD volatility and the highest rise of turbulence in the market. Nevertheless, the market volatility had two more considerable outbursts above the normal level, proving once again that the Euro and the greenback are not the only currencies that can affect the big picture. The first such peak was recorded on Thursday, as the Riksbank's decision to cut its repo rate caused a major drop of the Swedish krona. The second peak occurred with the fall of the pound that was undermined by the poor Industrial and Manufacturing production data.

Elevated Volatility (% of the observed period)

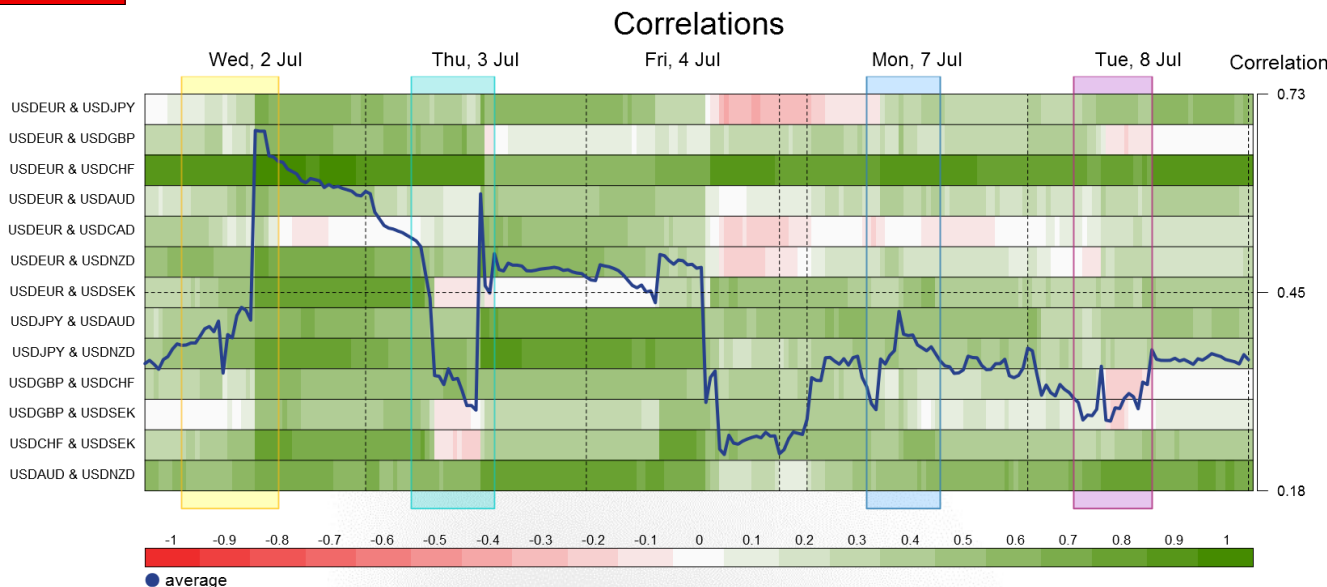
| Market | EURUSD | USDJPY | GBPUSD | AUDUSD | USDCAD | USDCHF | EURJPY | EURGBP | EURCHF | USDSEK | NZDUSD |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 19 | 16 | 18 | 19 | 25 | 24 | 15 | 21 | 23 | 22 | 14 | 28 |

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 | 3.1 | 4.1 | 2.8 | 3.2 | 1.6 | 4.2 | 2.6 | 9.7 | 4.2 |
| Min | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 | 0.3 | 0.2 | 0.4 |
| Average | 0.8 | 0.7 | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 |

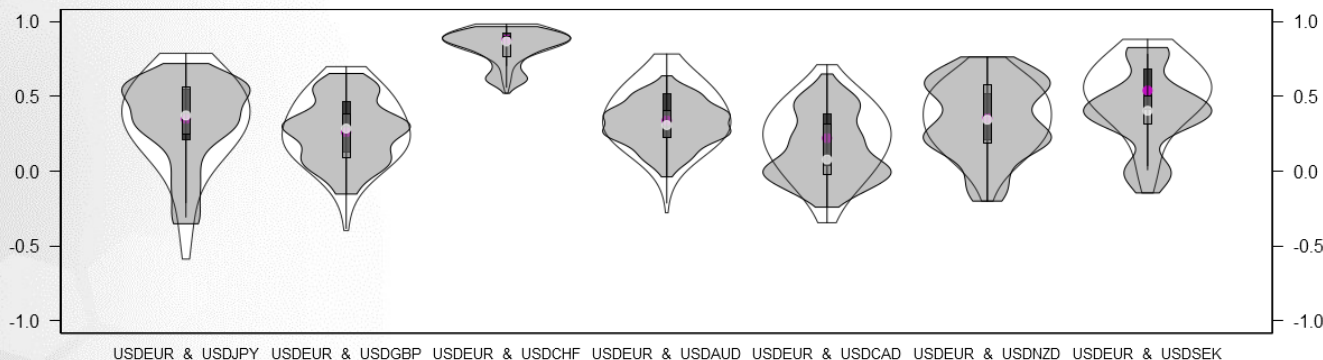


Currency Significance



The last three days of the previous week were marked by the sharp changes of the USD significance measure. The correlations rose after the positive employment change announcement on Wednesday, and remained above 0.6 against the background of consequent Fed's Chair speech. The greenback's significance weakened after the Riksbank's decision to cut interest rates was followed by SEK rate's spotlight stealing tumble. On Thursday unexpectedly low unemployment rate and higher-than-expected nonfarm payrolls drove USD and its significance on the market back up, and held it above 0.45 until Friday afternoon. As later there were no more events to fuel the USD significance measure, it dropped to the levels around 0.3 and saw no more advancements until the end of the period.

Correlations (5 vs 20 days)



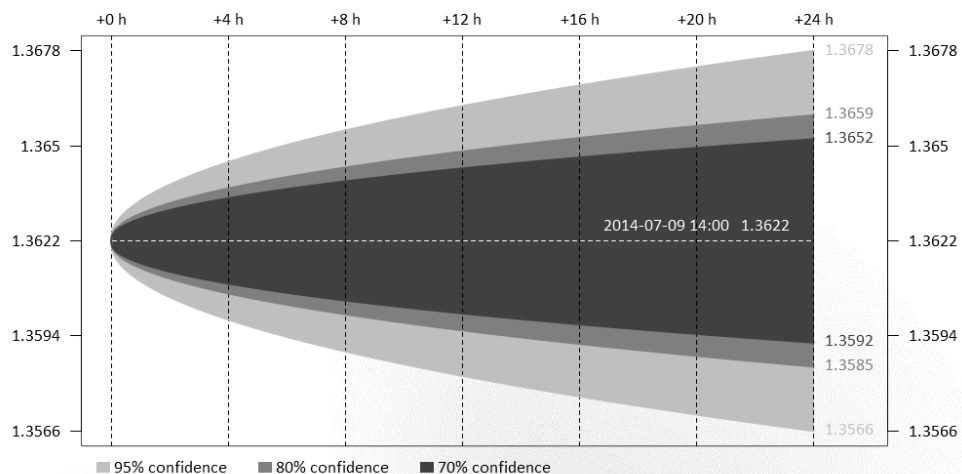
Mean Correlation Coefficient (with USDEUR)

| Days | USDJPY | USDGBP | USDCHF | USDAUD | USDCAD | USDNZD | USDSEK |
|------|--------|--------|--------|--------|--------|--------|--------|
| 5 | 0.32 | 0.26 | 0.82 | 0.31 | 0.15 | 0.35 | 0.38 |
| 20 | 0.34 | 0.28 | 0.87 | 0.36 | 0.21 | 0.35 | 0.52 |
| 130 | 0.19 | 0.43 | 0.86 | 0.24 | 0.16 | 0.29 | 0.59 |
| 250 | 0.24 | 0.48 | 0.85 | 0.3 | 0.23 | 0.31 | 0.6 |

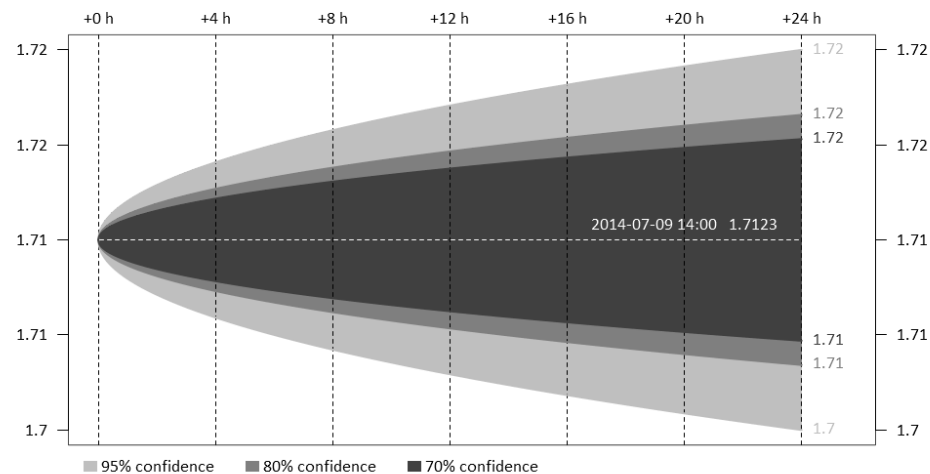
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15:30 GMT

Confidence Intervals for Next 24 Hours

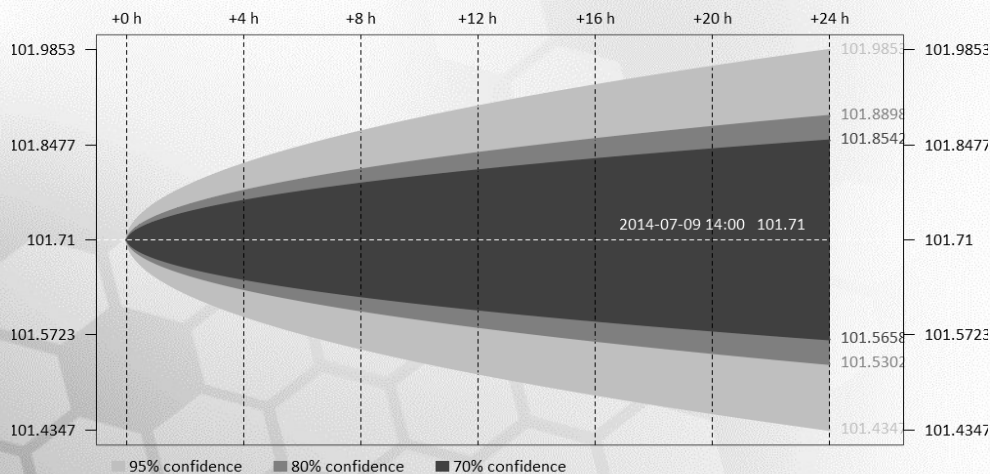
EURUSD Potential Rates



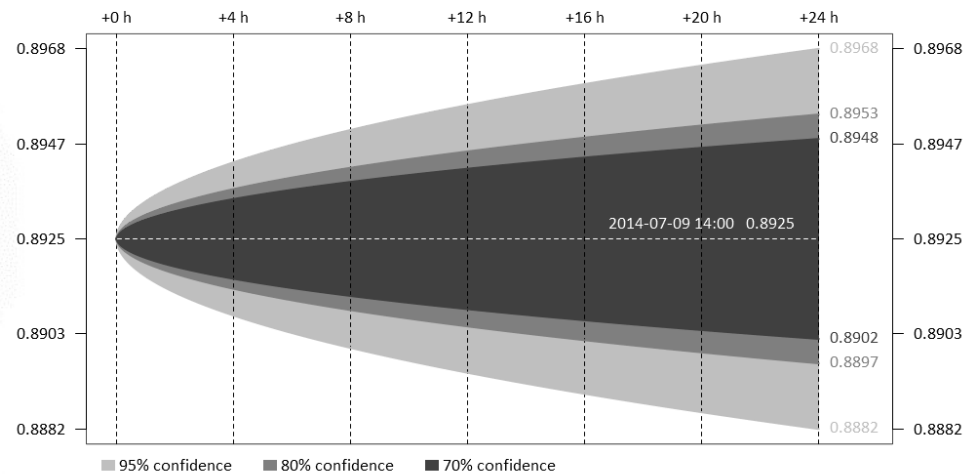
GBPUSD Potential Rates



USDJPY Potential Rates



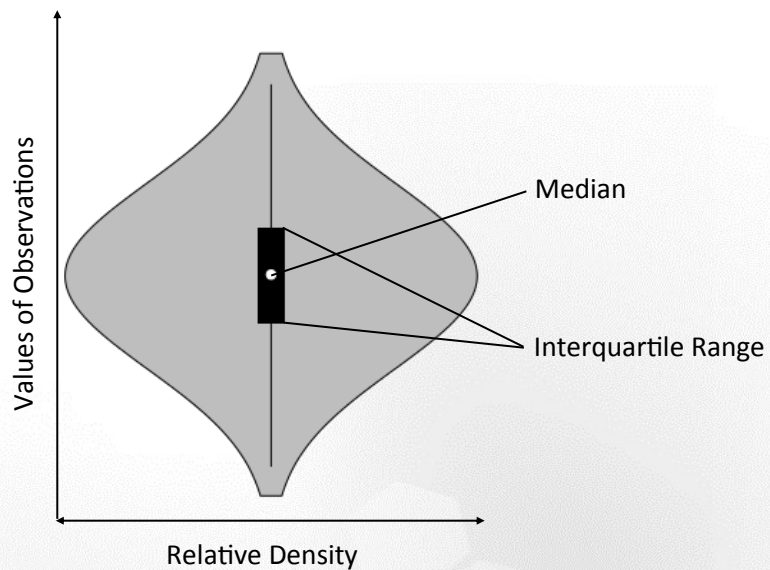
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



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