



EUR

11/07/2014



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Market Research





Dominant Events for the Euro

Yellow Area

July 7

04:00 - 15:00

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

Turquoise Area

July 8

05:30 - 14:00

- German, French Trade Balance
- Swiss CPI
- UK Industrial and Manufacturing Production
- NIESR UK GDP Estimate

Blue Area

July 9

05:30 - 18:30

- FOMC Minutes
- ECB President's Speech

Purple Area

July 10

05:00 - 19:00

- French CPI, Inflation ex-tobacco, Industrial Output
- ECB Monthly Report
- Italian Industrial Output
- UK Trade Balance
- BoE Interest Rate Decision

EUR Currency Index Range

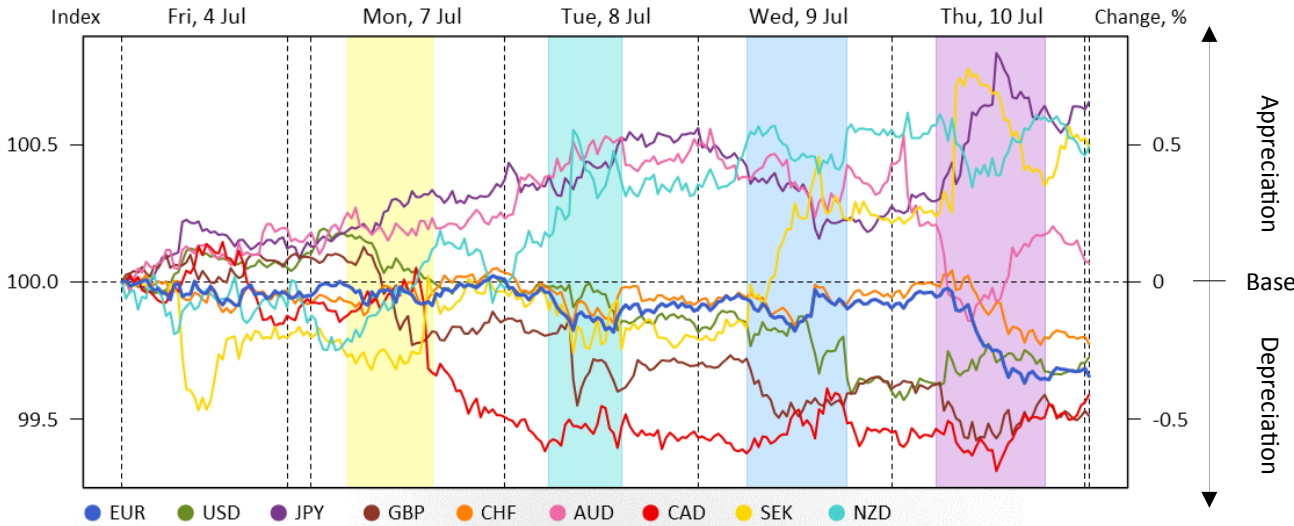
0.07%	0.15%	0.15%	0.34%
0.91	0.87	0.96	1.23

Average EUR/USD Volatility Index



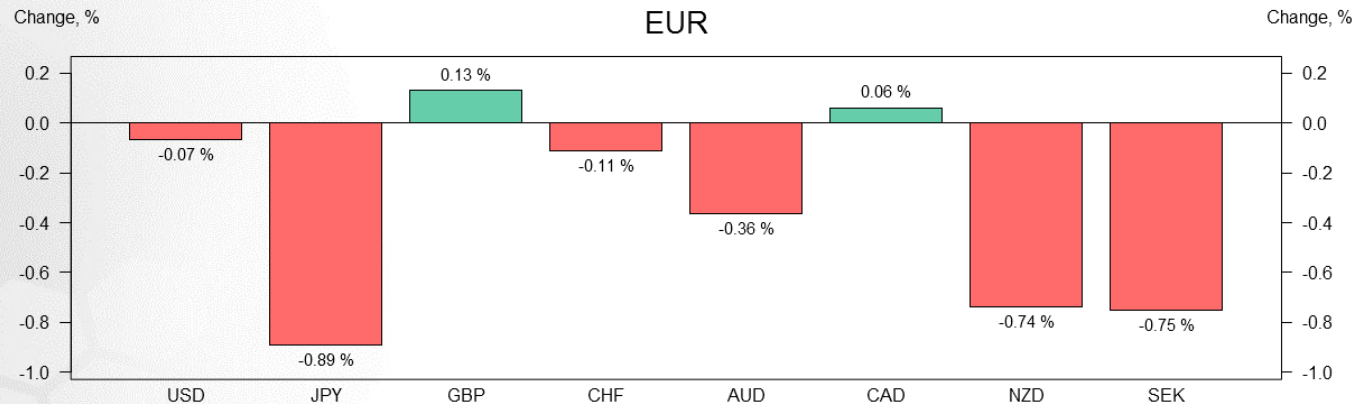
Relative Currency Strength

Currency Indices



The first four days of the period were very calm for the Euro. The Currency Index varied in a narrow range, posting close to 0% changes until Thursday morning, when the Euro started to weaken and finished the day with 0.34% loss from the base value. The top performer was the yen, as its Index remained above the 100 mark throughout the whole period and consequently gained 0.66% over the base value. The pound and the Loonie, in turn, ended up being the worst performers, posting a 0.49% and a 0.41% loss over the period, respectively.

The period started with the Swedish krona dropping after Sweden's weak production and orders releases. The next noticeable fall was observed in CAD amid unexpectedly decreasing PMI data on Monday. It lost 0.5% of its value during the day and stayed on this level up until the end of the period. Both Wednesday and Thursday were associated with the krona's revival against the background of positive news on unemployment rate and CPI. Thursday also saw AUD and JPY undergo some great changes. Unexpectedly high unemployment rate drove AUD down, while high Japanese CCI was followed by the national currency's appreciation. At the same time, the Euro started to slide after French and Italian production both posted sharp declines.



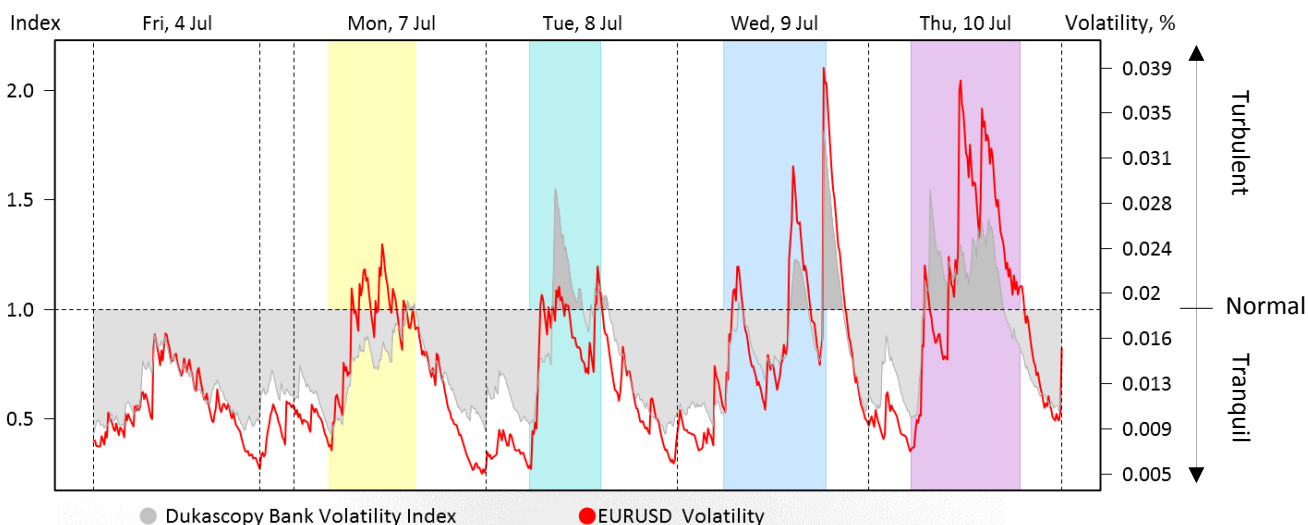
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.34%	-0.27%	0.66%	-0.49%	-0.23%	0.07%	-0.41%	0.49%	0.49%
20	-0.18%	-0.55%	0.05%	0.6%	0.1%	-0.95%	1.78%	-2.27%	1.29%
130	-2.38%	-2.42%	1.58%	1.78%	-0.64%	3.79%	-0.34%	-6.23%	4.91%
250	0.67%	-3.6%	-5.6%	10.54%	3.27%	-1.7%	-6.07%	-6%	8.47%



Volatility

Volatility



The beginning of the period was marked by general flatness on the market. The Volatility Index ranged from 0.42 to 1.03 until Tuesday, when unexpectedly low UK Industrial and Manufacturing Production data was cause the pound to drop. Right after the releases EUR/GBP and GBP/USD Volatility Indexes jumped to 4.2 and 3.1, respectively, posting the period's highest volatility readings. The surges also caused the first noticeable rise in the market turbulence.

The most traded currency pair was rather calm in the first half of the week, and its Volatility Index did not cross the 1.3 mark. The first noteworthy surge of the EUR/USD volatility happened on July 9, late into the second half of the period, as Mario Draghi's speech raised the EUR/USD index to the week's maximum value of 2.1. July 10 was also turbulent enough for the pair, with the Volatility Index holding above the 1 point mark for more than nine hours. The index started to rise right after ECB Monthly Report release and reached 2.04 points by midday. In spite of the weak volatility in the beginning of the week, the aggregated percent of the elevated EUR/USD volatility was on its usual level of 21%.

Elevated Volatility (% of the observed period)

Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
18	21	27	23	17	24	20	26	24	28	6	26

Volatility Index (for the observed period)

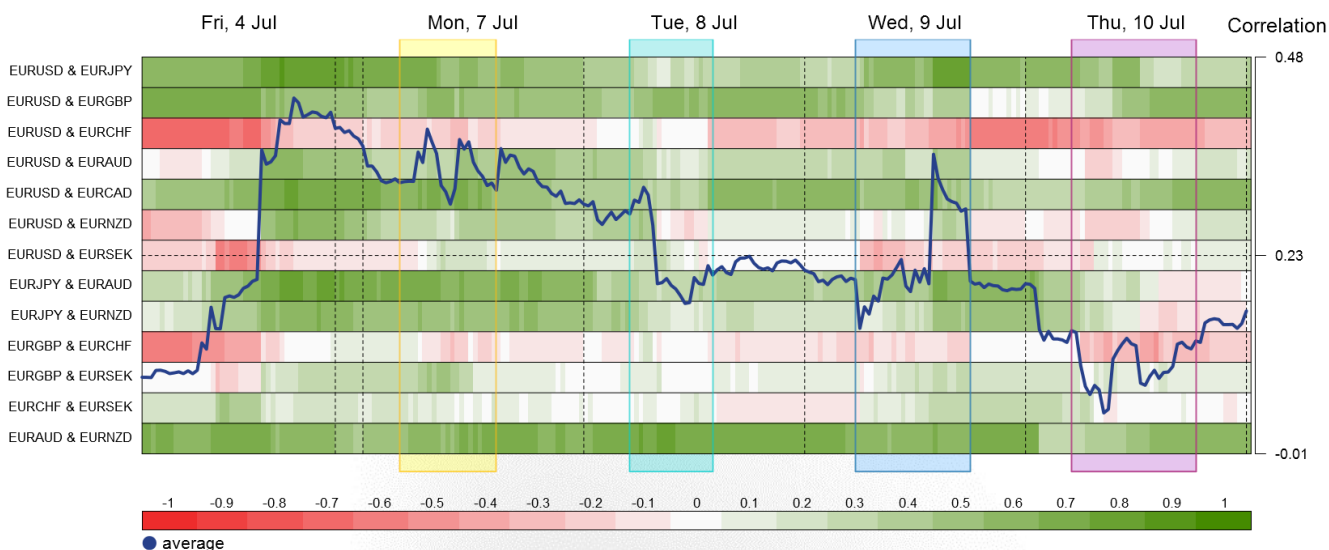
	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.8	2.1	2.6	3.1	2.8	2.8	2	2.7	4.2	1.7	3.2	2.4
Min	0.4	0.2	0.3	0.3	0.3	0.4	0.2	0.3	0.3	0.3	0.1	0.4
Average	0.8	0.7	0.9	0.8	0.8	0.8	0.7	0.9	0.8	0.8	0.5	0.9



Currency Significance

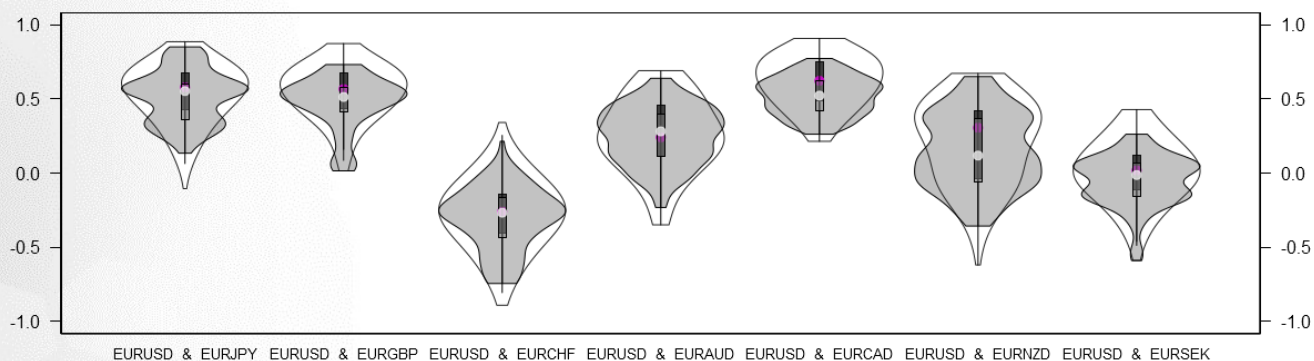
Correlations

The Euro significance measure has inherited and magnified its overall febleness from the previous period. While previously weak composite measure was, on many occasions, due to firm negative and positive components cancelling each other out, during the past week it was a result of all the values sliding closer to zero. Consequently, most mean correlations with EUR/USD, both positive and negative, lost some of their points and became slightly less significant. The only exception was the pair's bond with EUR/AUD, but the strengthening was not major enough to make the measure cross the 0.3 significance barrier.



Correlations (5 vs 20 days)

The Euro significance measure started out with a soar to the period's maximum on Friday afternoon as the U.S. dollar took the back seat for the long weekend. However, the new week offered no ground to support the strengthening of the currency's influence, and so the only way for the measure was down. It struggled to hold the 0.35 level on Monday, but as the endeavor was backed by the weakening of the Euro against the background of the German Industrial Production data, it hardly bore any fruit. The Kiwi and the pound took the spotlight on Tuesday, the Euro significance measure was pushed down to the 0.2 mark. Afterwards there were no sensible improvements, and the single currency finished the period having little power over the market.

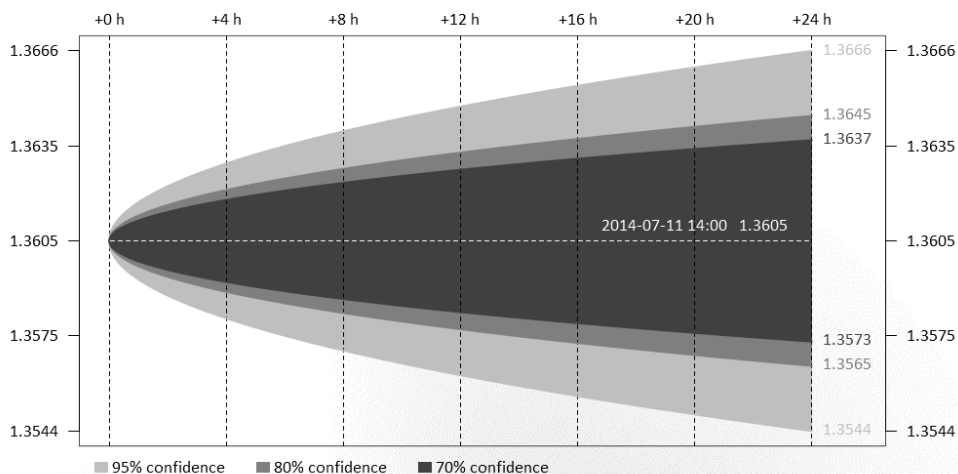


Mean Correlation Coefficient (with EURUSD)

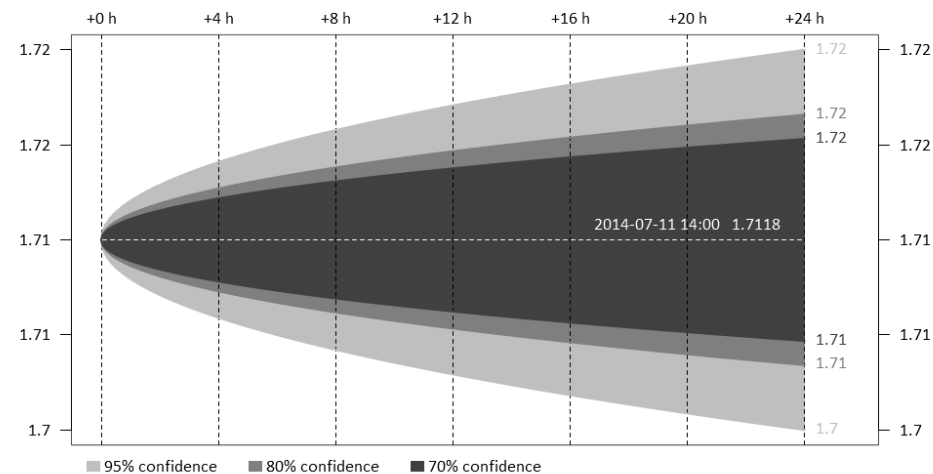
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.51	0.47	-0.31	0.25	0.52	0.15	-0.05
20	0.54	0.54	-0.28	0.25	0.61	0.22	0.01
130	0.52	0.5	-0.12	0.37	0.58	0.31	0.07
250	0.47	0.46	-0.11	0.32	0.59	0.27	0.06

Confidence Intervals for Next 24 Hours

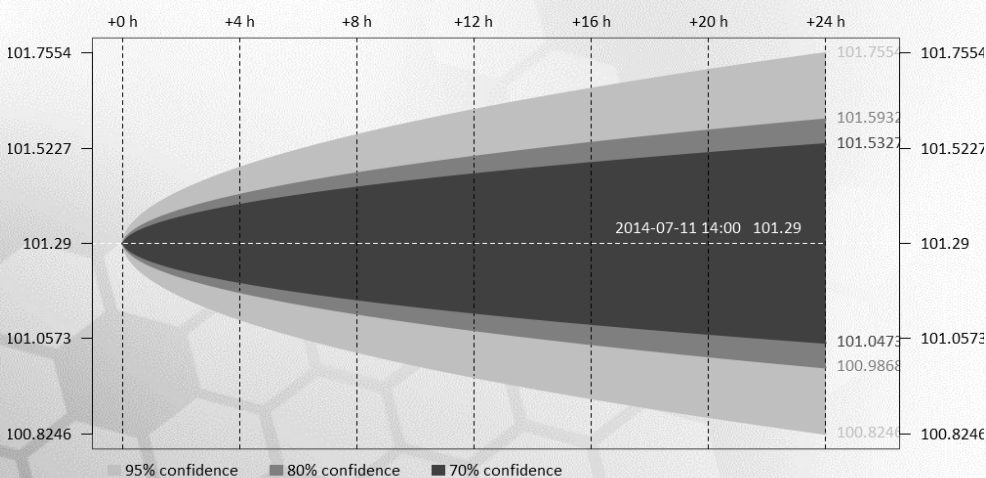
EURUSD Potential Rates



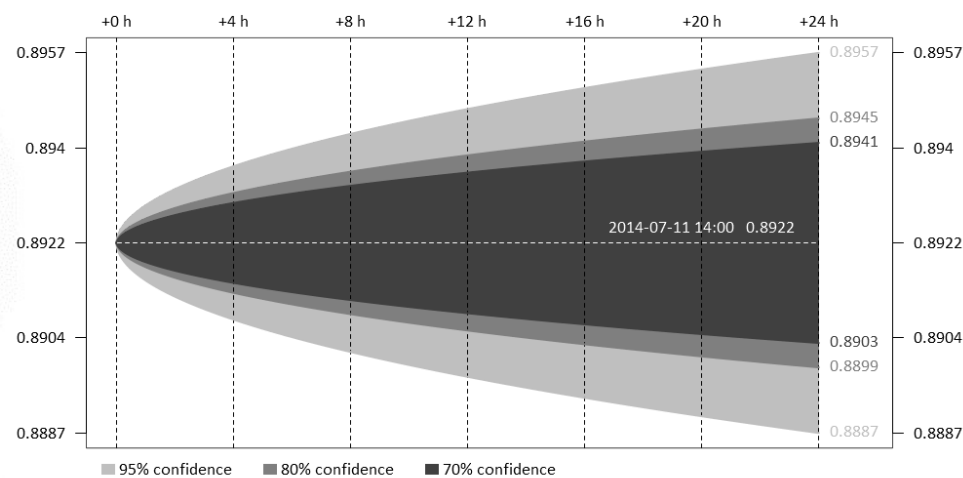
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

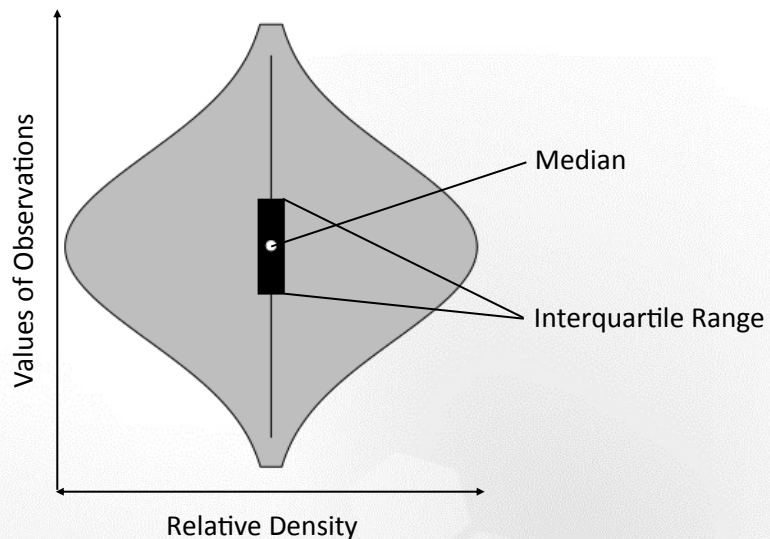
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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