



USD

14/07/2014



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Market Research





Dominant Events for the U.S. Dollar

Yellow Area

July 9

05:30 - 18:30

- FOMC Minutes
- ECB President's Speech

Turquoise Area

July 10

06:00 - 15:30

- ECB Monthly Report
- UK Trade Balance
- BoE Interest Rate Decision
- U.S. Initial and Continuing Jobless Claims
- Canadian New Housing Price Index

Blue Area

July 11

04:30 - 13:30

- German CPI, HICP
- Canadian Unemployment Rate, Net Change in Employment, Participation Rate

USD Currency Index Range

0.28%

0.15%

0.18%

Average EUR/USD Volatility Index

0.99

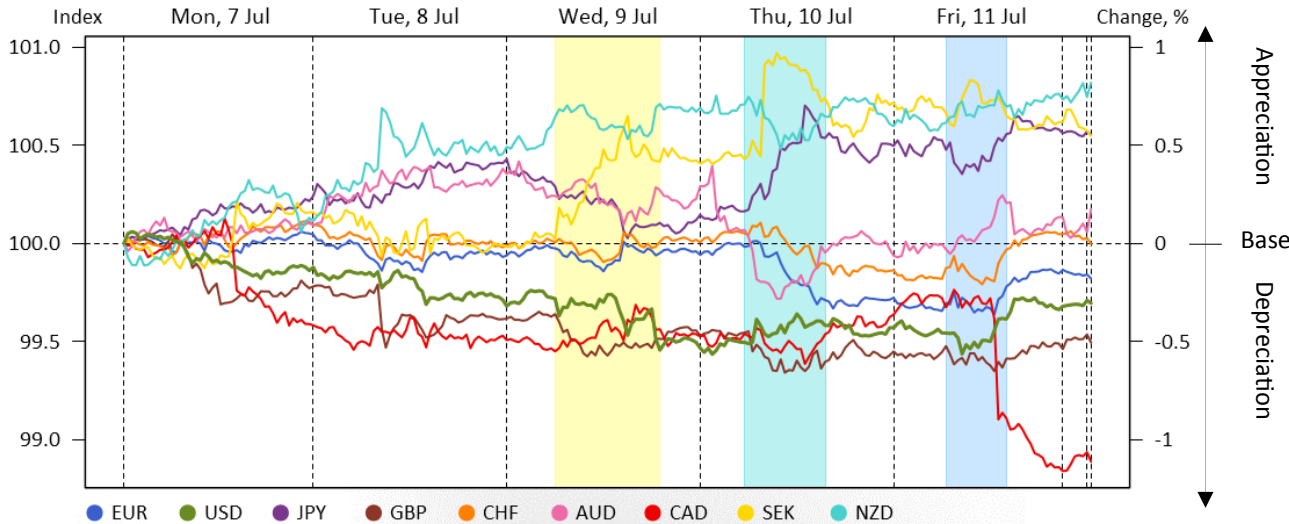
1.22

1.28



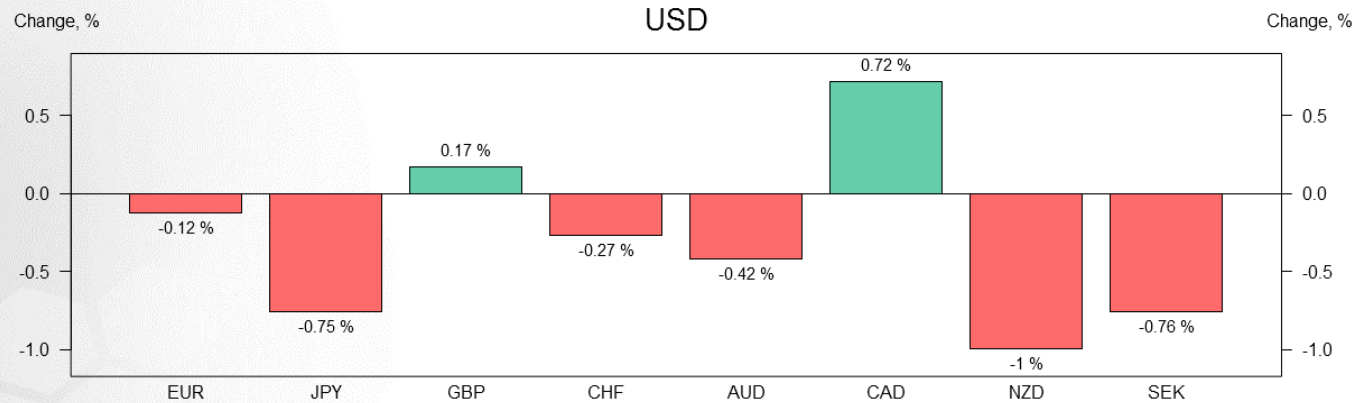
Relative Currency Strength

Currency Indices



The picture seems to have turned upside down for the U.S. dollar. While previously the Greenback posted gains against all but two of its observed peers, by the end of the past period it stood outpaced by all the currencies save the pound and the Loonie. The dollar index ended up the third worst performer, with a last minute safe from scoring second provided by its Canadian counterpart's plunge at the very end of the period. The only constant thing seems to be the long-term index changes — they once again remained negative, losses growing with increasing time frames.

The boosting July 3 unemployment data failed to provide long-term support to the U.S. dollar and stood forgotten as the Greenback index spent the whole period below the base value. With little fresh data aside from FOMC minutes and Fed's speeches, the dollar was steadily rolling down until it reached its period minimum of 99.44 in the first hours of Thursday. It then edged upwards, encouraged by the missteps of its peers and another better-than-expected unemployment release. A much steeper recovery took off on Friday afternoon, but flatlined 0.3 points short of bringing the index above the base value.



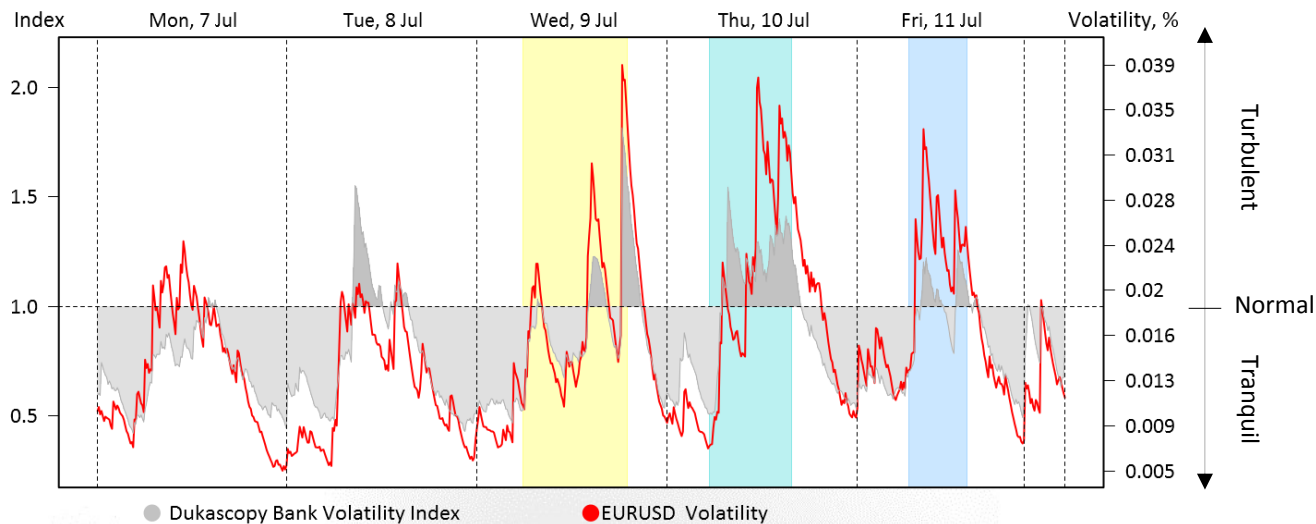
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.18%	-0.3%	0.55%	-0.5%	0%	0.17%	-1.11%	0.55%	0.82%
20	0.08%	-0.42%	0.27%	0.45%	0.48%	-0.36%	0.95%	-3.01%	1.37%
130	-2.24%	-1.77%	1.18%	2.27%	-0.53%	3.04%	0.08%	-6.95%	4.8%
250	0.66%	-3.84%	-6.15%	10.19%	2.73%	-0.02%	-7.49%	-5.98%	9.95%



Volatility

Volatility



After a rather tranquil beginning of July, Volatility Indexes reverted to their usual levels, and volatility of almost all the currency pairs was elevated for 25-30% of the period. The most noticeable peak of the volatility was reached on Friday, when USD/CAD index jumped to 4.6 mark right after the Canadian unemployment rate and net change in employment both came out disappointing expectations. The second and third most stressful news proved to be the UK industrial and manufacturing production data, whose releases pushed the pound pairs' Volatility Indexes to their peaks.

For nearly a month EUR/USD was weakly volatile, but during the past period it seemed to have returned to its usual turbulent state. Wednesday's ECB President Draghi's speech and FOMC minutes release pushed the most traded currency pair's volatility up, and the index reached the week's maximum value of 2.1 points. The next two days were even more packed with disturbances, with the index spending more than 30% of each day in the turbulent area. The ECB Monthly Report furthered to the lowering of EUR/USD, and by the midday of July 10 the index crossed the 2 point mark once again. The Friday's surges, though many, were not as high, and the largest of them barely reached above 1.8.

Elevated Volatility (% of the observed period)

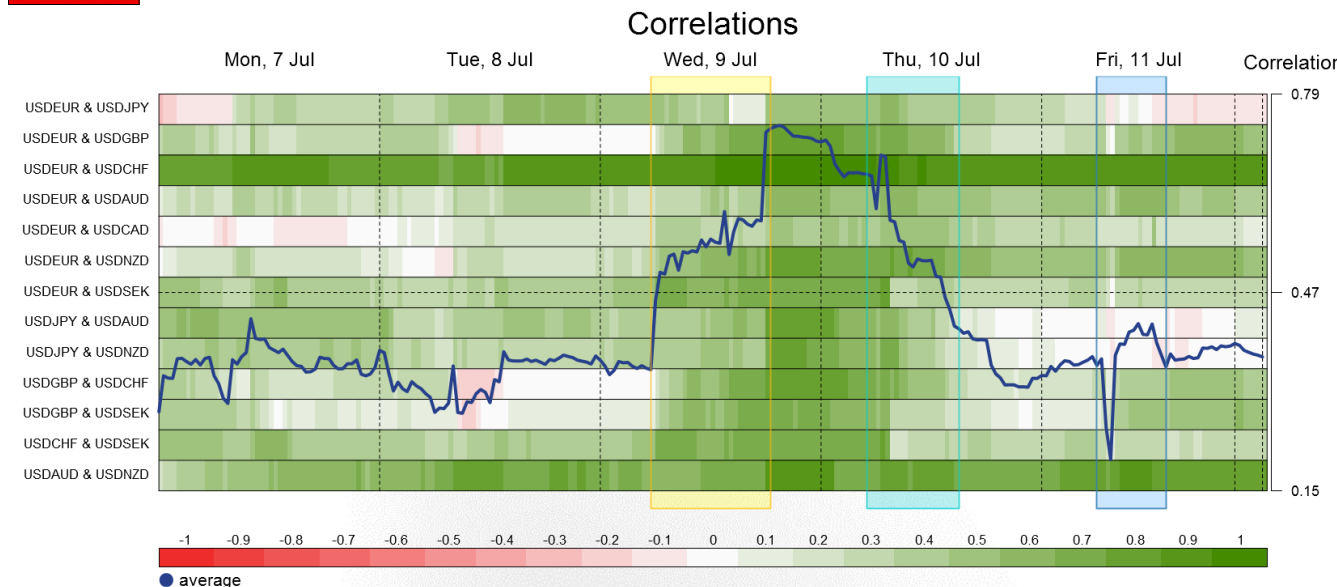
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
23	27	32	28	20	31	27	35	27	28	6	25

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	4.6	2	2.7	4.2	1.7	3.2	2.4
Min	0.4	0.2	0.4	0.3	0.4	0.4	0.2	0.4	0.3	0.3	0.1	0.4
Average	0.8	0.8	0.9	0.9	0.8	0.9	0.8	0.9	0.8	0.8	0.5	0.9



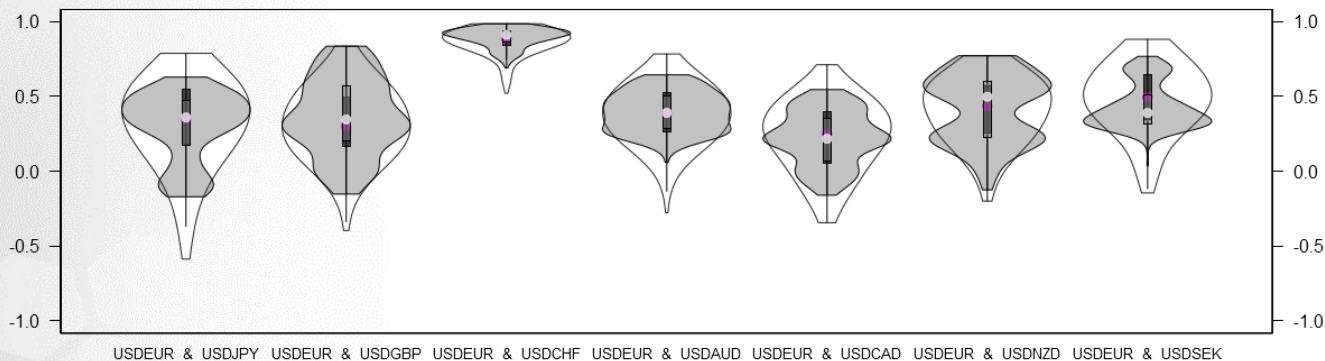
Currency Significance



The main pulling force behind the dollar significance measure was the outstandingly high correlation between USD/EUR and USD/CHF. As all other components held around their usual values, it is safe to assume that this outburst of significance spoke more of the bond between the single currency and the franc, rather than influence of the Greenback. Even without this component, however, the composite held steadily around the 0.3 level, arguing that the dollar was not the one to drive the market, but, nevertheless, was also not the one to be easily pushed around.

In the scope of correlations, the period offered two noteworthy developments. The first was a rapid growth of the composite measure, which covered most of Wednesday and reached its culmination point with simultaneous strengthening of all the components. The second event consisted of a sharp dip of the Greenback's significance, when the composite fell to its period's minimum and rose back to normal within two hours on Friday. Interestingly, none of those two occurrences happened against a background of any wide-scale news event, once again highlighting complicated nature of the currency rate evolution.

Correlations (5 vs 20 days)

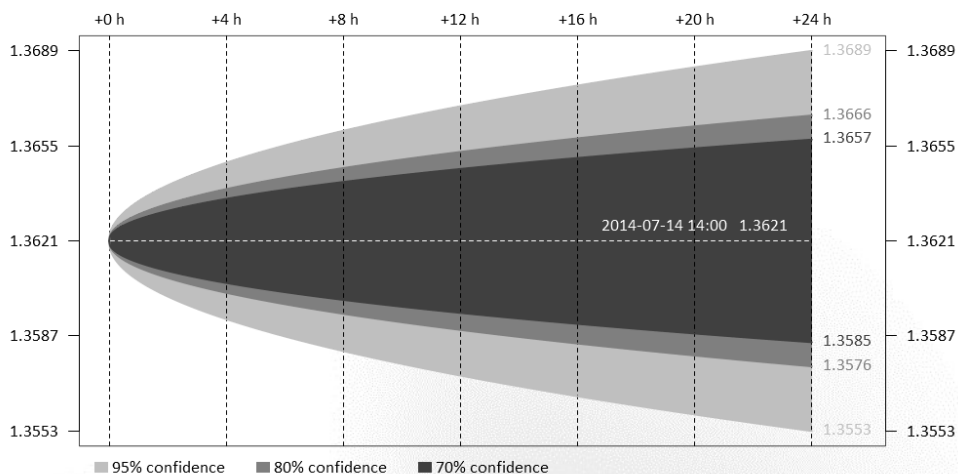


Mean Correlation Coefficient (with USDEUR)

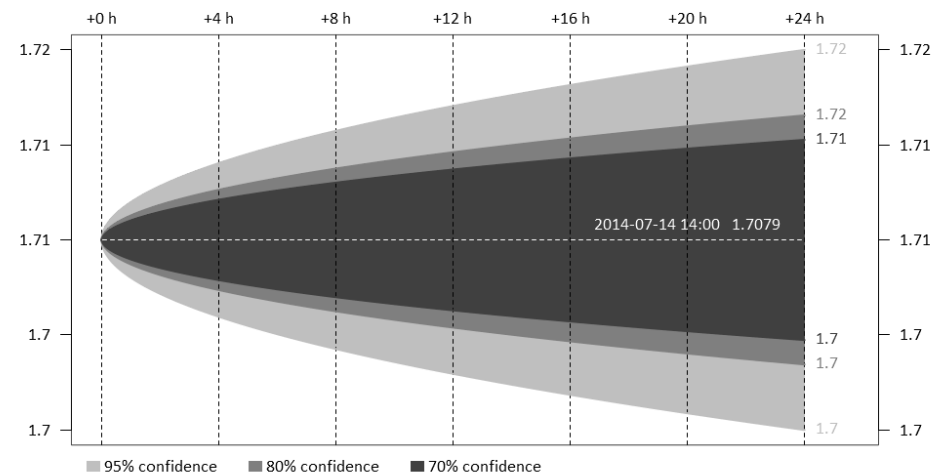
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.3	0.36	0.89	0.4	0.22	0.42	0.43
20	0.32	0.32	0.87	0.38	0.23	0.4	0.48
130	0.19	0.43	0.86	0.25	0.16	0.29	0.59
250	0.24	0.48	0.85	0.3	0.23	0.31	0.6

Confidence Intervals for Next 24 Hours

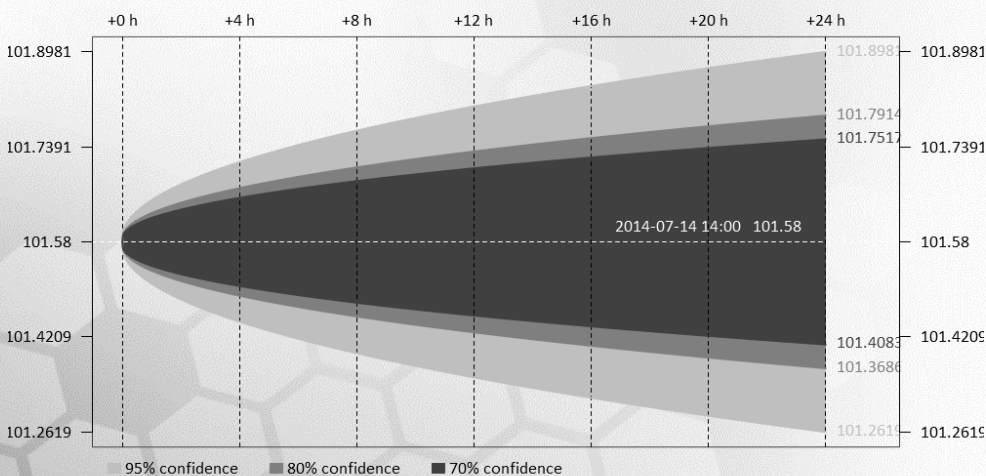
EURUSD Potential Rates



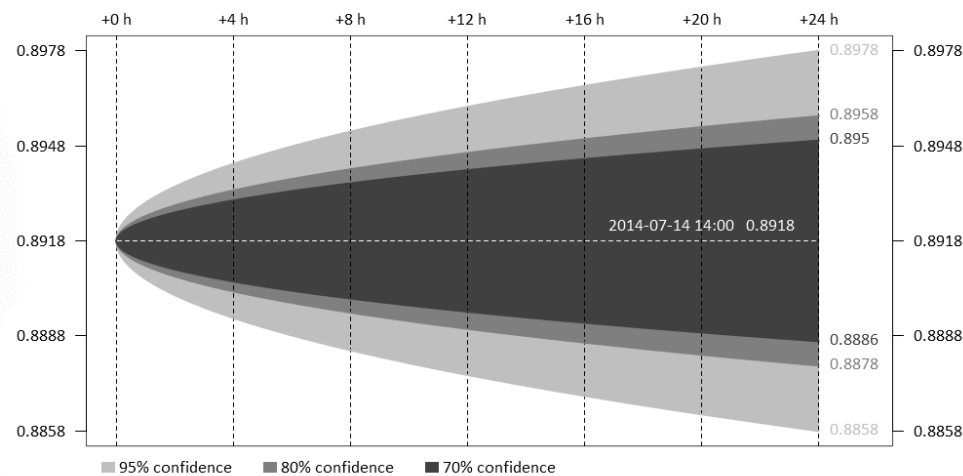
GBPUSD Potential Rates



USDJPY Potential Rates



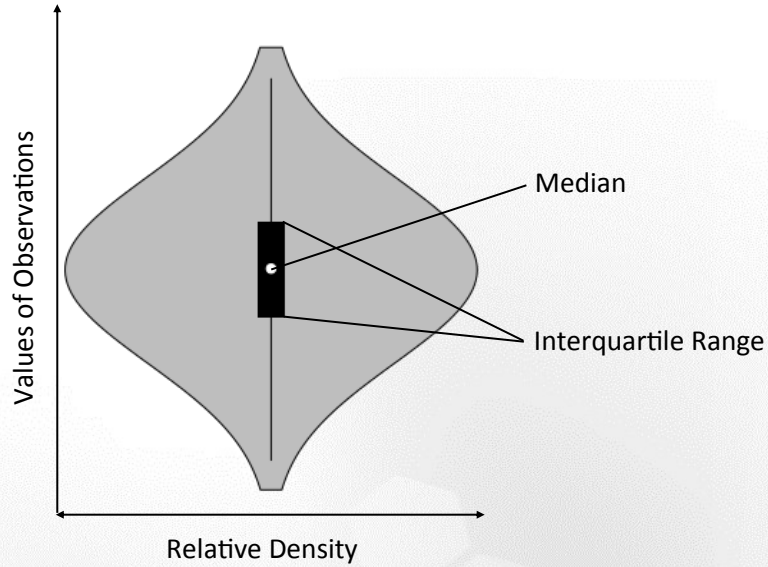
USDCHF Potential Rates



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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