



**USD**

21/07/2014



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# Dominant Events of the Period

## Yellow Area

July 14

04:30 - 16:30

- Japanese Industrial Production
- Euro Area Industrial Production
- ECB President's Speech

## Turquoise Area

July 15

05:30 - 15:30

- UK CPI, PPI, RPI
- BoE Governor's Speech
- German ZEW Survey, Euro zone ZEW Survey
- US Retail Sales
- Fed Chair's Testimony

## Blue Area

July 16

05:30 - 13:30

- UK Claimant Count Change, Claimant Count Rate, Average Earnings, ILO Unemployment Rate
- U.S. PPI, Industrial Production, Capacity Utilization
- BoC Monetary Policy Report

## Purple Area

July 17

08:30 - 16:30

- Euro zone Construction Output, CPI
- U.S. Building Permits, Housing Starts, Initial and Continuing Jobless Claims, Philadelphia Fed Manufacturing Survey

## Orange Area

July 18

05:30 - 18:00

- German Buba President's Speech
- Canadian CPI
- U.S. Preliminary Reuters/Michigan Consumer Sentiment Index, CB Leading Indicator, President Obama Speech

USD Currency Index Range

0.14%

0.27%

0.1%

0.13%

0.17%

Average EUR/USD  
Volatility Index

1.06

1.6

1.05

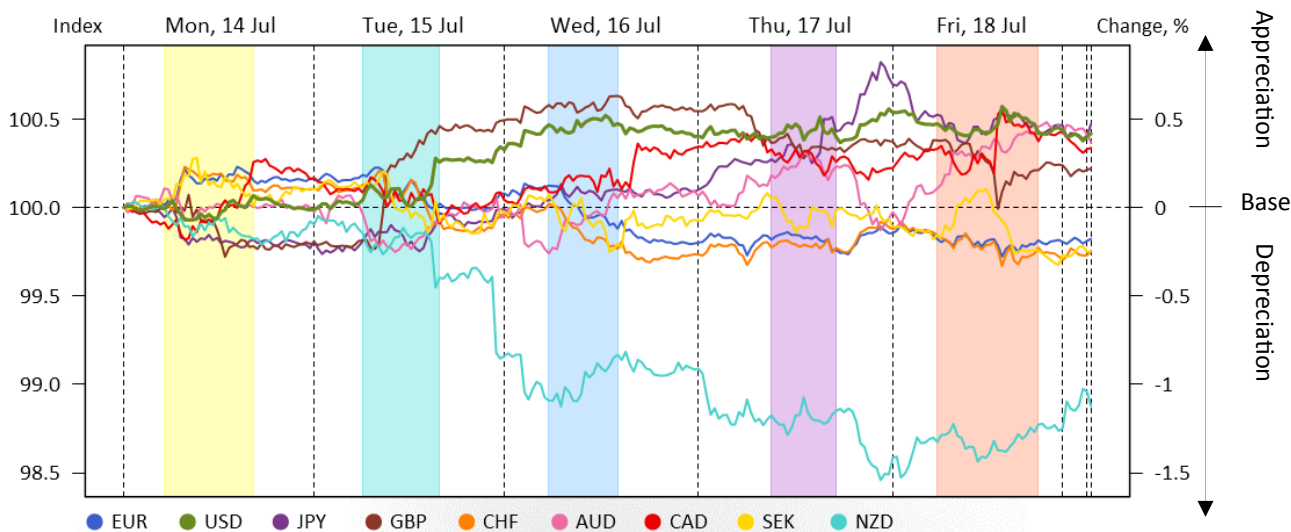
1.03

1.43



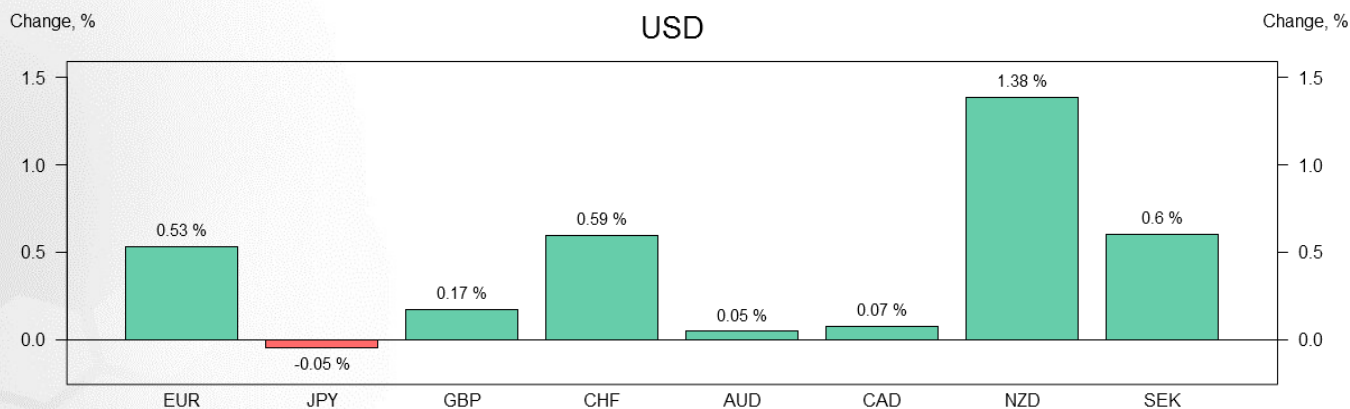
# Relative Currency Strength

Currency Indices



After spending the entire previous period in the depreciation area, the U.S. dollar index managed to recover and have a successful week. The world's largest economy's currency strengthened against almost all of its observed peers, only failing to surpass the yen, which was on an uptrend throughout the whole period. The period is especially remarkable with the USD Index finally bringing one of its longer-term changes up to a positive value - something it was struggling to do for the past month.

Tuesday afternoon was the week's turning point for the USD Index. As Janet Yellen said the Fed was not planning to ease its support to the U.S. economy in the near future, the dollar started to gain momentum, raising the index to one of the leading positions. A swift rise in CPI triggered a similar surge in the GBP Index earlier that day, and the two remained well above their peers up to Thursday. Then, as indexes positions were shifting, the dollar slipped on discouraging housing starts, but was timely supported by later, more optimistic data releases, and managed to remain second-best, now competing with the yen. Sure strengthening of the Aussie and a spike in the Loony's index concluded the period with an apparent four currency leadership, and the USD still the second of the top.



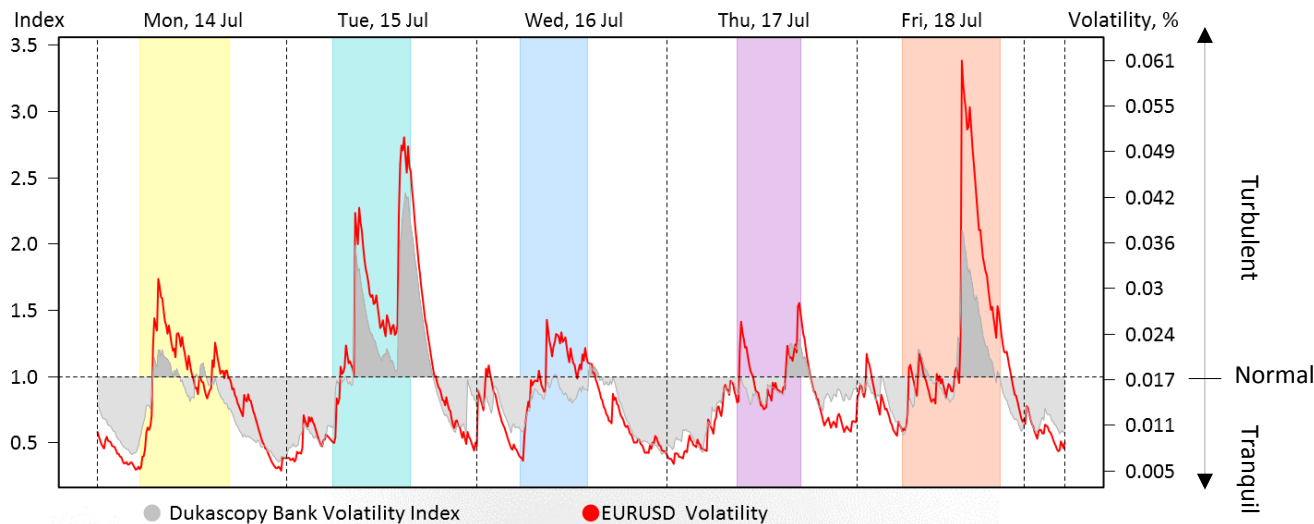
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.18%	0.42%	0.47%	0.22%	-0.25%	0.37%	0.34%	-0.25%	-1.12%
20	-0.36%	0.14%	1.08%	0.55%	-0.13%	0.17%	0.28%	-1.84%	0.05%
130	-2.06%	-2.13%	1.15%	2.19%	-0.45%	5.82%	0.26%	-8.19%	3.6%
250	0.58%	-2.73%	-3.78%	9.98%	2.58%	-0.15%	-6.72%	-7.72%	7.97%



# Volatility

## Volatility



During the past week the market was largely affected by developments outside of the world's largest economy. Most of the volatility peaks for the dollar pairs were individual, connect to the weakening or strengthening of the peers rather than the Greenback itself. The highest peaks were reached by GBP/USD, NZD/USD, and USD/CAD, all against the background of major regional releases. The most turbulent EUR/USD, GBP/USD, and NZD/USD, with their volatility indexes exceeding the norm for one third of the time.

The two largest spikes of market volatility were induced by simultaneous surges in component turbulence, first on Tuesday during the Fed's Chair testimony, and then on Friday, between the releases of Canadian and the U.S. consumer data. Another spike on Tuesday was the result combined efforts of the UK CPI and heavily disappointing ZEW sentiment. Locally influent releases included the New Zealand CPI and Canadian monetary policy statement, both of which pushed the corresponding volatility indexes to their maxima.

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

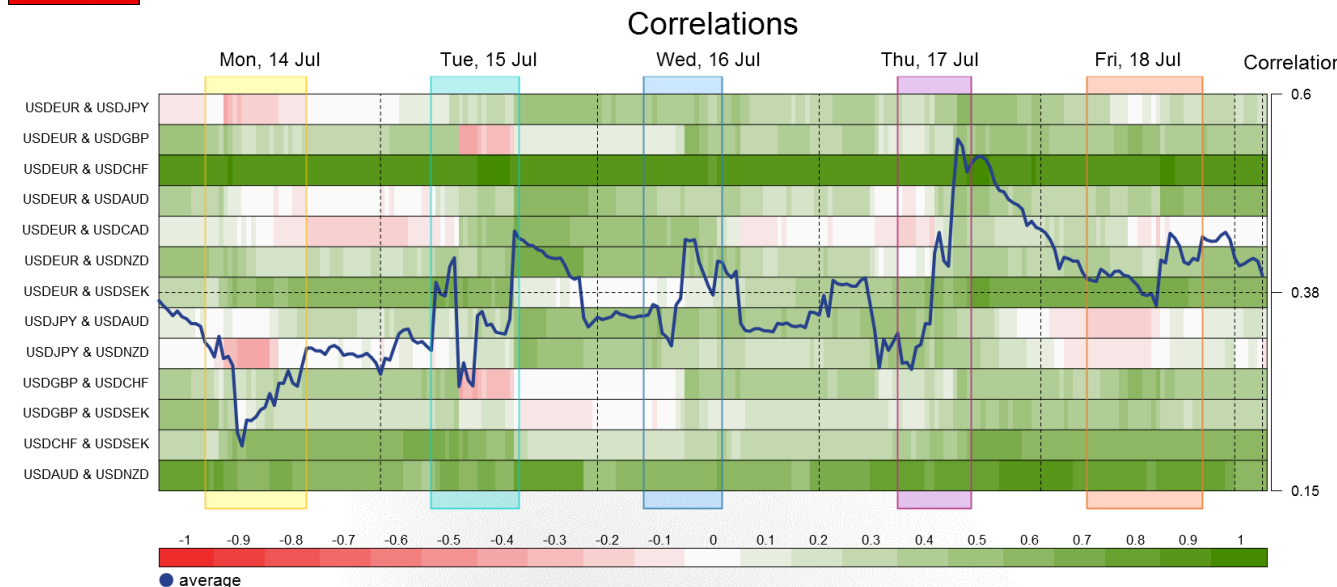
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD	
	22	33	28	33	27	32	30	41	27	26	6	33

### Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.39	3.38	2.93	4.39	2.98	3.96	3.08	2.62	6.15	2.91	2.08	3.7
Min	0.36	0.29	0.36	0.25	0.3	0.3	0.18	0.39	0.22	0.34	0.16	0.42
Average	0.86	0.92	0.9	0.91	0.87	0.95	0.9	1	0.88	0.88	0.58	0.97



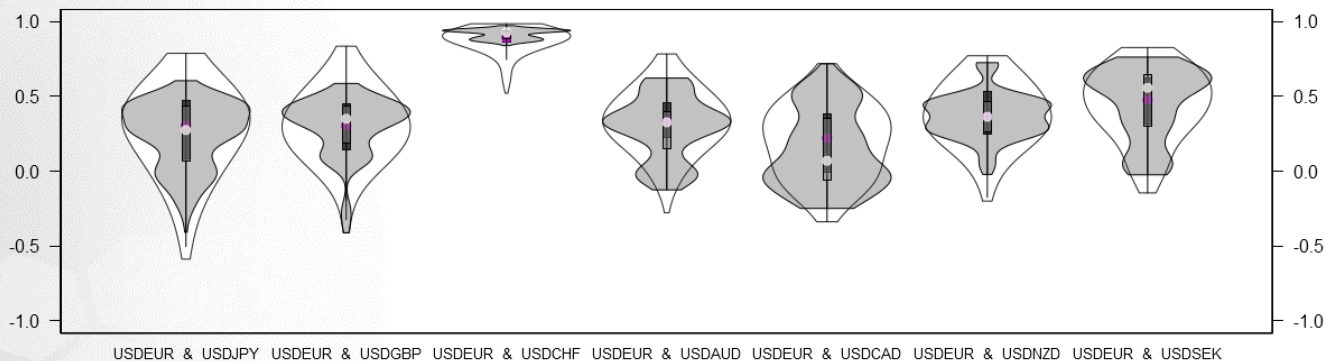
# Currency Significance



Despite the fact that the period was rich with important news from various regions, the U.S. dollar managed to maintain its influence on a solid level, with the significance measure holding around the 0.4 mark. Individual correlations for the period were mostly within their long-term limits, with slightly greater portion of negative values that were localized around the time of major data releases. Average correlations stayed close the previous values, with slightly more palpable weakening in the most traded currency pair's bonds with USD/AUD and USD/JPY.

As was mentioned above, the non-U. S. data releases were reflected by the weakening of the dollar's significance measure through introduction of negative component correlations. The most striking examples were the decreases in the aftermath of Japanese industrial production release early on Monday, and the U.K. inflation data on Tuesday. The strongest surge of the significance measure happened against the background of numerous U.S. data reports on Thursday. Interestingly, these releases had little influence on other observed measures, but seemed to have brought the composite correlation to its period's maximum.

## Correlations (5 vs 20 days)

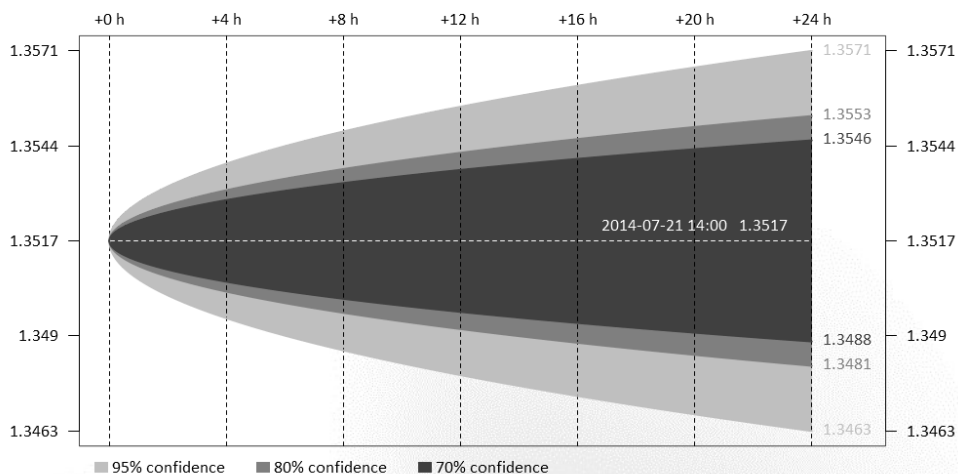


## Mean Correlation Coefficient (with USDEUR)

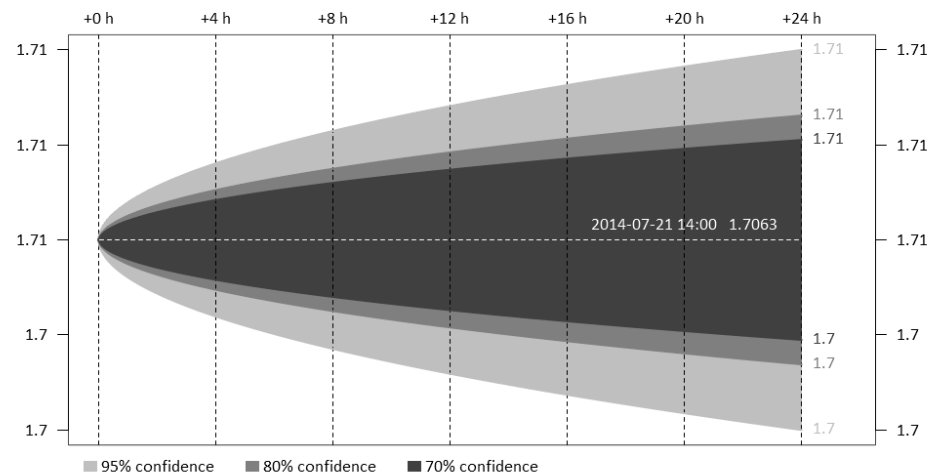
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.24	0.3	0.91	0.29	0.14	0.37	0.45
20	0.27	0.3	0.88	0.33	0.19	0.38	0.45
130	0.19	0.42	0.86	0.24	0.15	0.3	0.58
250	0.23	0.47	0.85	0.29	0.22	0.31	0.59

# Confidence Intervals for Next 24 Hours

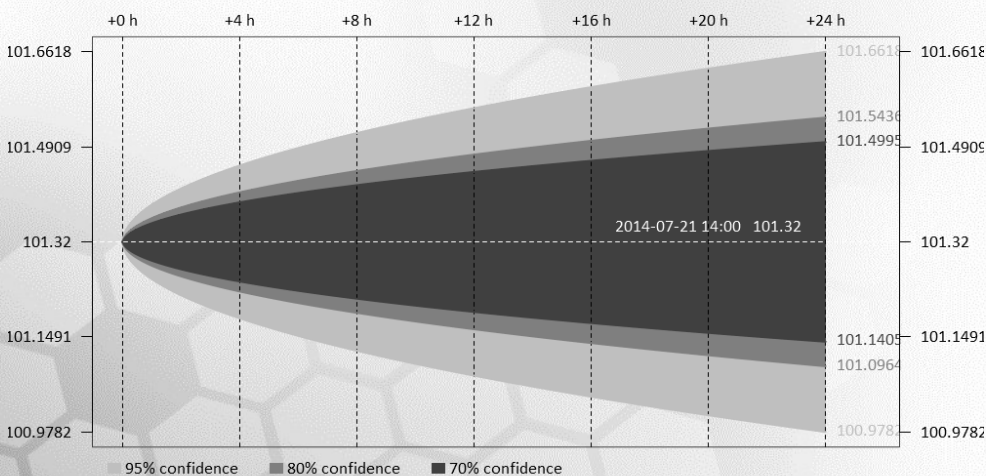
EURUSD Potential Rates



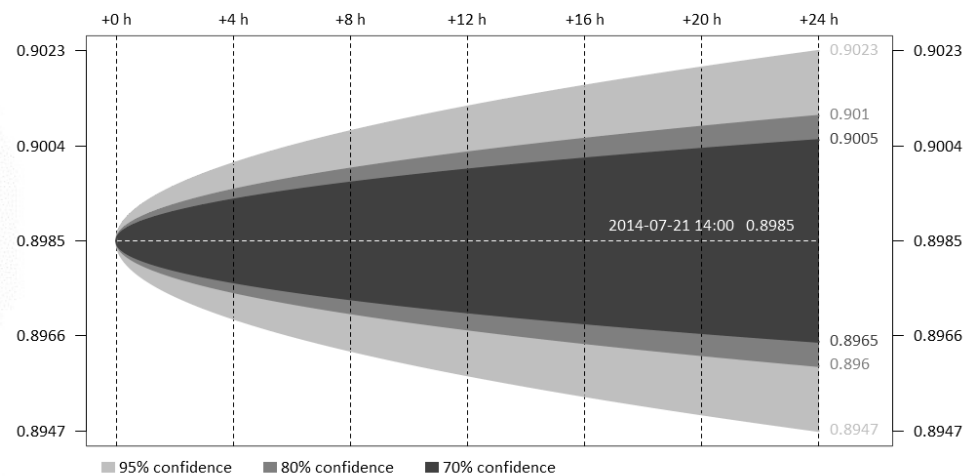
GBPUSD Potential Rates



USDJPY Potential Rates



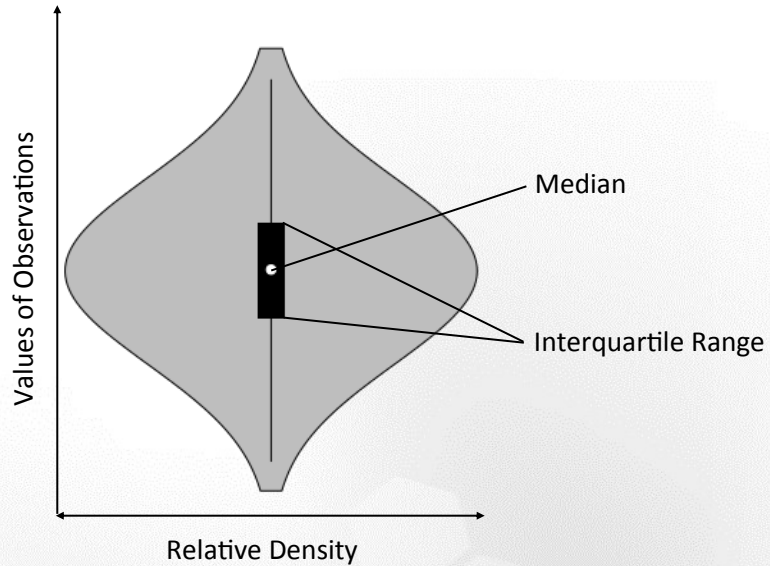
USDCHF Potential Rates



## 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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