



USD

28/07/2014



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Market Research





Dominant Events of the Period

Yellow Area

July 22

07:00 - 15:00

- U.S. CPI, House Price Index, Existing Home Sales

Turquoise Area

July 23

01:00 - 21:00

- Australian CPI
- BoE Minutes, MPC Vote, BoE Governor's Speech
- Canadian Retail Sales
- Euro zone flash Consumer Confidence
- RBNZ Interest Rate Decision

Blue Area

July 24

05:30 - 15:30

- German and Euro zone flash Markit PMI
- UK Retail Sales
- U.S. Initial and Continuing Jobless Claims, flash Manufacturing PMI, New Home Sales

Purple Area

July 25

06:30 - 16:30

- German IFO
- UK Preliminary GDP
- U.S. Durable Goods

USD Currency Index Range

0.18%

0.19%

0.19%

0.27%

Average EUR/USD Volatility Index

1.41

0.95

1.62

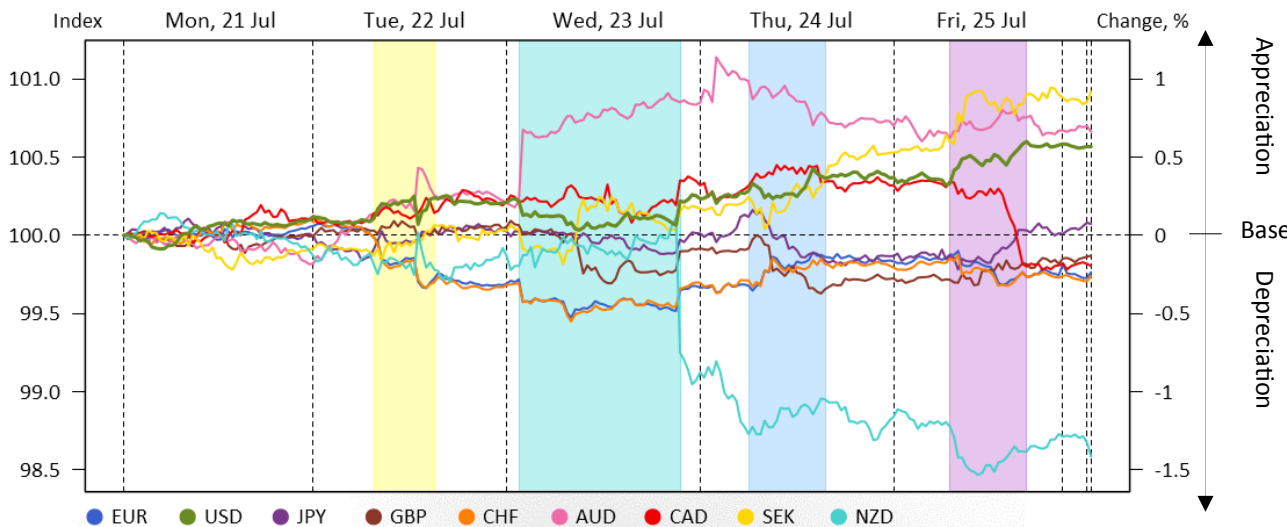
1.4



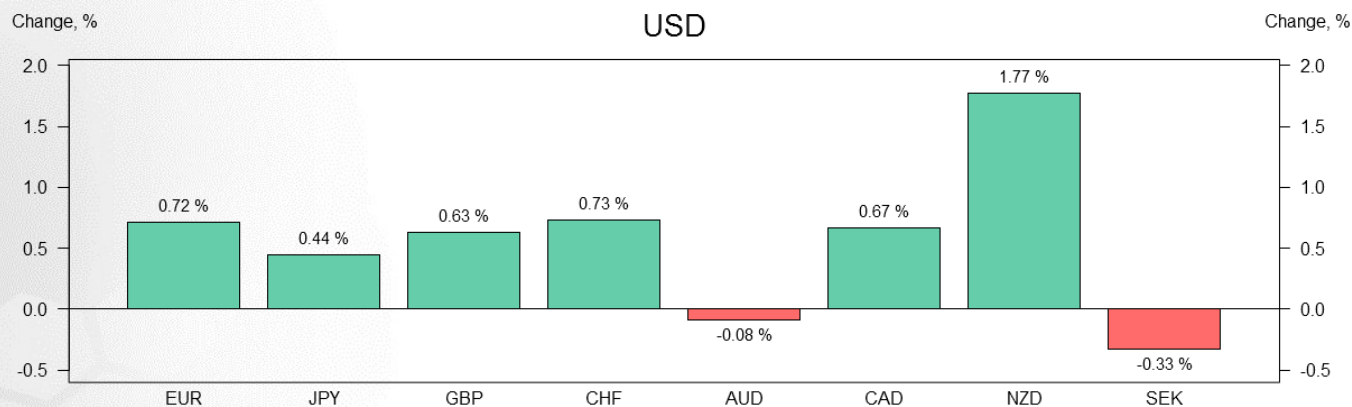
Relative Currency Strength

Currency Indices

The top performers of the past week were the Swedish krona and the Australian dollar. The former made its winning surge on Friday, gaining 0.92% on its base value against the background of positive news on Sweden's Retail Sales and Household Lending, while the Aussie took the leadership on Wednesday, when the currency rate surged in reaction to greater-than-previous CPI release. The same day was associated with the Kiwi's drop. It lost 0.9% of base value on the spot and was continuing to move down until Friday, becoming the worst performer of the week with 1.42% loss over the period.



The first half of the week was calm for the dollar, with no major enough news to greatly influence the currency strength. The USD Index varied in a narrow range of 99.9-100.25, mostly responding to changes in the counterparts' rates. The Greenback started to appreciate on Wednesday evening and continued to grow during the next two days against the background of initial and continuing jobless claims being below expectations and durable goods orders reporting growth. As a result, USD became the third best performer of the week with 0.57% gain.



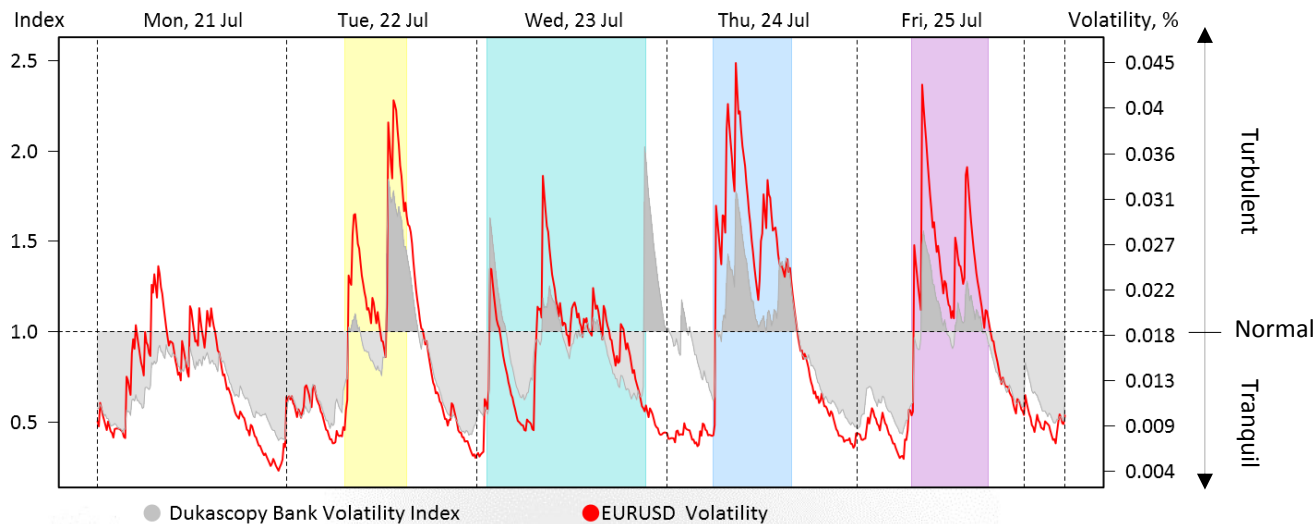
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.24%	0.57%	0.07%	-0.13%	-0.26%	0.66%	-0.19%	0.92%	-1.42%
20	-0.6%	1.17%	0.77%	0.73%	-0.53%	0.88%	-0.43%	-0.16%	-1.73%
130	-3.04%	-1.04%	-0.68%	2.17%	-2.32%	8.31%	1.66%	-7.51%	3.17%
250	0.38%	-0.91%	-4.78%	10.22%	2.05%	0.77%	-6.55%	-6.64%	5.46%



Volatility

Volatility



After a quite calm Monday, the rest of the week was rather turbulent, even though the percent of elevated volatility declined for most of the observed currency pairs compared to the previous period ending on July 24. The most noticeable surge of the week took place on Wednesday, when NZD Volatility Index jumped to 8.38 right after New Zealand interest rate decision came out. The excessive lowering of the Kiwi has affected the overall market, and the composite Volatility Index rose to the week's maximum value of 2.02.

The first perceptible peak of the EUR/USD volatility occurred on Tuesday. U.S. CPI release raised the index to 2.16 – the third greatest value of the week. On Thursday, EUR/USD index reached the week's highest level of 2.49, but the spike was mostly caused by German and Euro zone PMI data releases. U.S. jobless claims report also affected the turbulence of the pair, but the index only managed to climb to 1.84 mark. Friday's first surge of the Index could be attributed to non-U.S. developments, as it happened against the background of the German IFO report. In total, despite the not-so-high volatility peaks, the period could be considered reasonably turbulent as volatility was elevated for more than a third of the past week.

Elevated Volatility (% of the observed period)

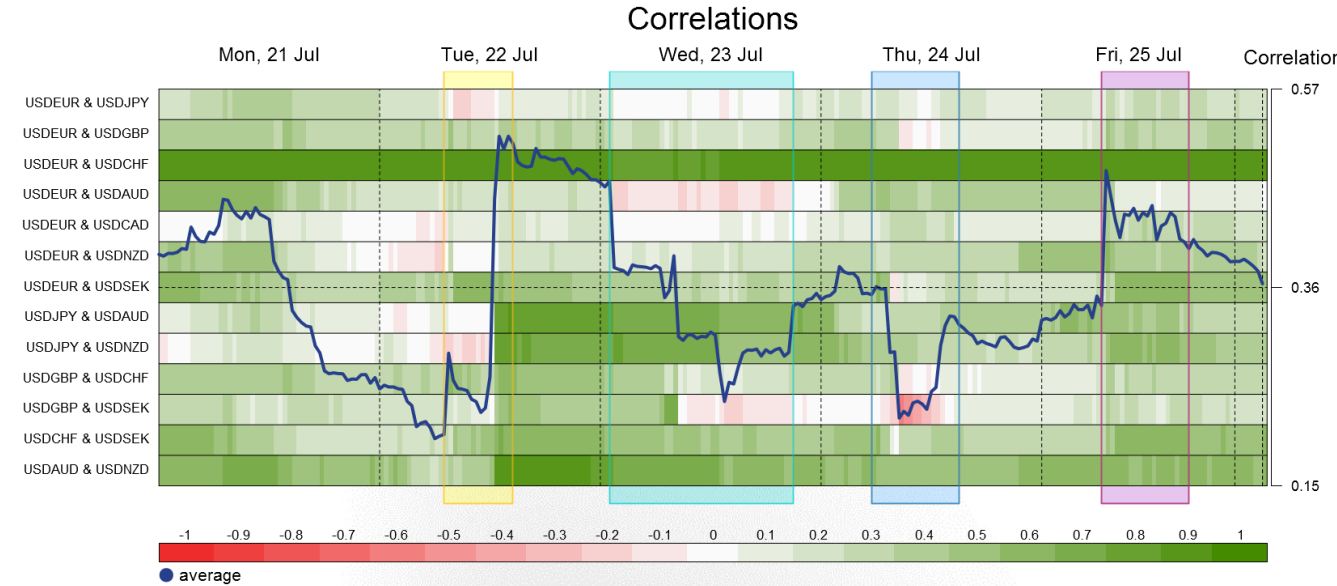
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
27	35	23	30	22	22	27	30	22	19	27	21

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	2.02	2.49	2.08	2.57	4.8	2.33	2.49	2.61	3.41	2.05	2.28	8.38
Min	0.4	0.23	0.41	0.2	0.37	0.29	0.21	0.36	0.26	0.29	0.14	0.43
Average	0.84	0.87	0.86	0.8	0.89	0.77	0.81	0.91	0.76	0.81	0.77	0.97



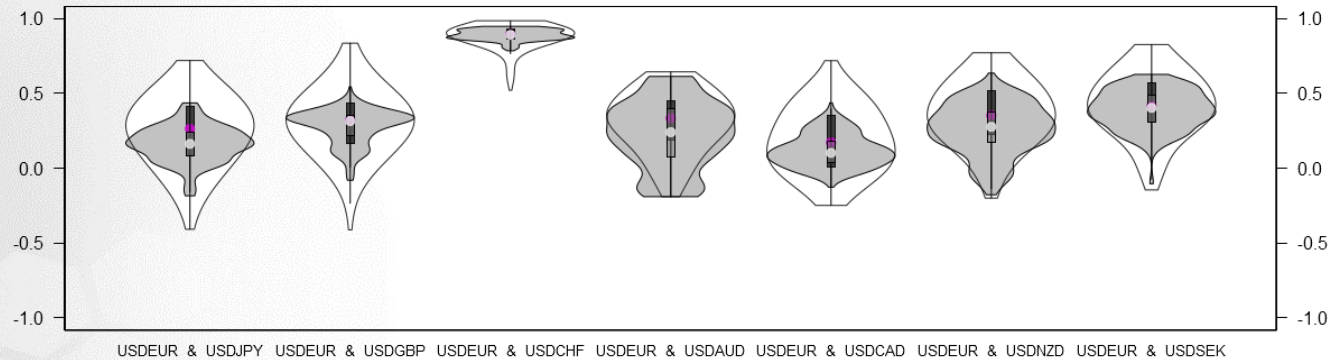
Currency Significance



The USD significance measure was very unstable during the past week, with hardly any periods of constancy or trending. The components' values grouped around their historical averages, with period's means weaker than the long-term ones. Nevertheless, the average value of the composite itself ended up above 0.35, and even the minimum was on a reasonable level of 0.2. It was largely due to very few negative correlation values, which were mostly isolated and marked major non-U.S. data releases.

The main surge, which brought the USD significance measure to the period's maximum, happened on Tuesday against the background of the U.S. inflation releases. The strengthening was supported by all the components as the Greenback slipped on lower-than-expected core CPI, and the subsequent easing was smooth enough for the composite to hold around 0.5 for a prolonged period. However, Wednesday's Australian CPI proved to be too influential and pushed the measure below 0.4. Later on, the pound repeatedly stole the spotlight, as first BoE reports and then Retail Sales figures introduced some more negative component values, resulting in two dips of the USD significance. The period ended with the composite jumping to 0.48 at the opening of the European session and slowly sliding down by the end of the day.

Correlations (5 vs 20 days)

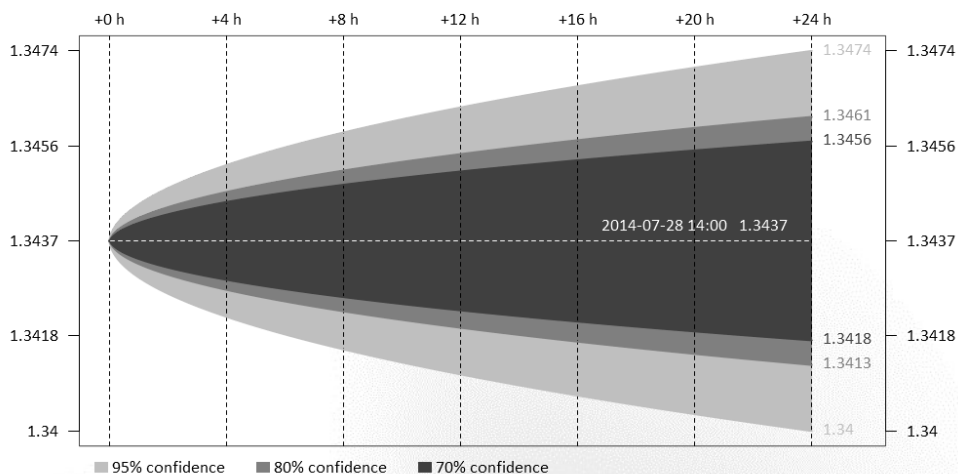


Mean Correlation Coefficient (with USDEUR)

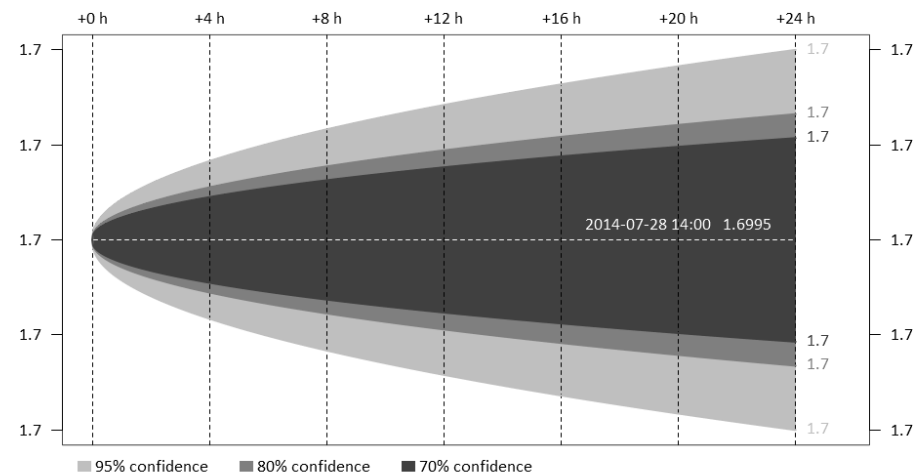
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.16	0.28	0.89	0.22	0.12	0.26	0.39
20	0.24	0.31	0.88	0.31	0.18	0.36	0.42
130	0.19	0.41	0.86	0.24	0.15	0.29	0.57
250	0.23	0.46	0.85	0.29	0.22	0.31	0.58

Confidence Intervals for Next 24 Hours

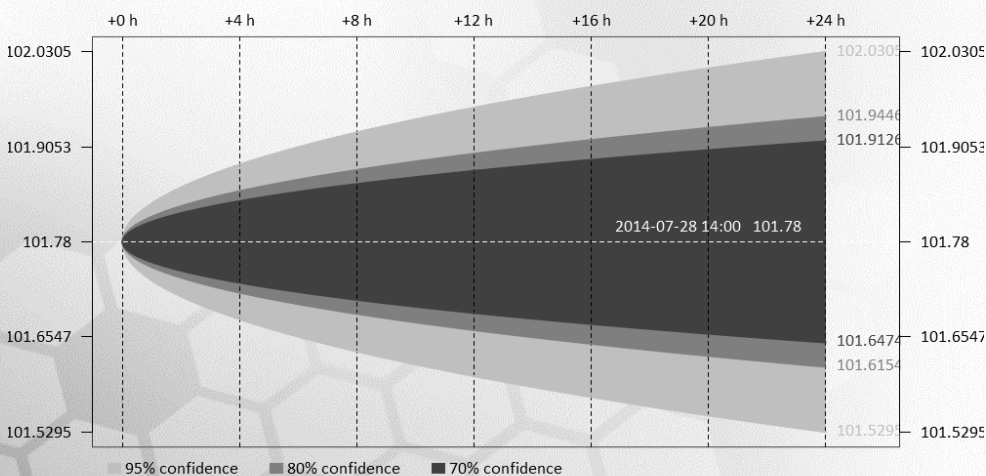
EURUSD Potential Rates



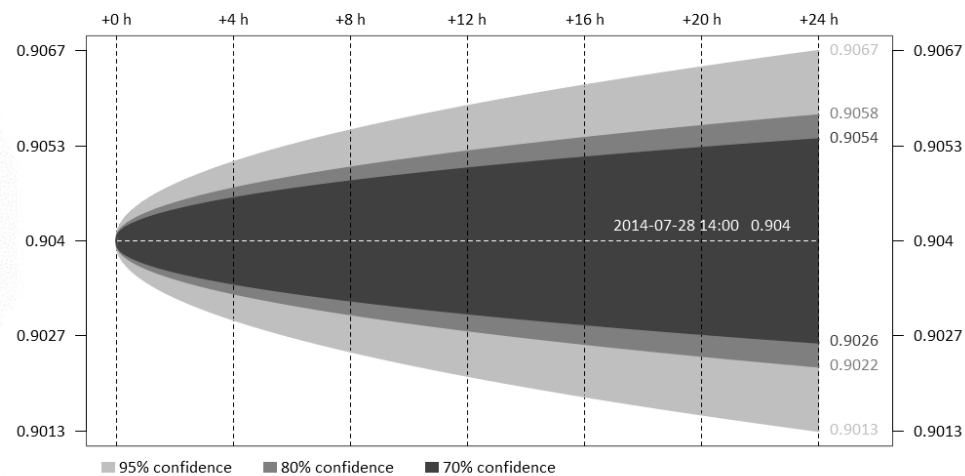
GBPUSD Potential Rates



USDJPY Potential Rates



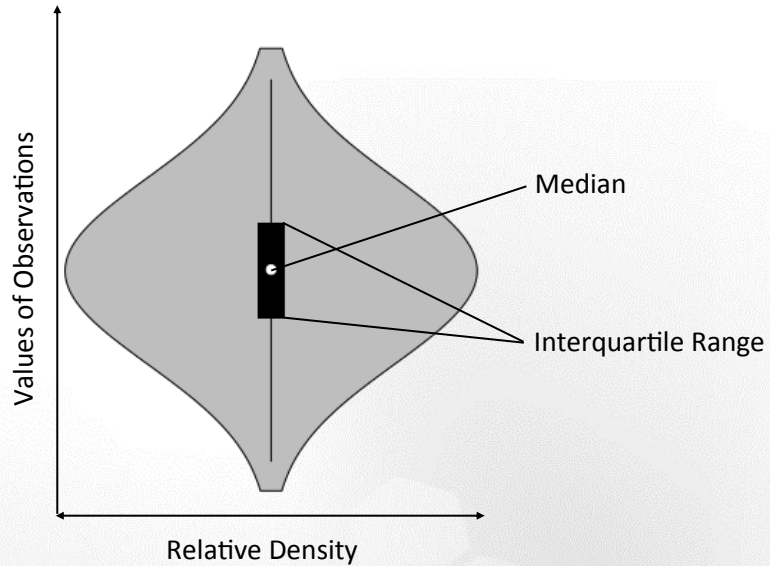
USDCHF Potential Rates



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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