



CAD

13/08/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

August 6

12:00 - 18:30

- Canadian Exports, Imports, International Merchandise Trade
- U.S. Trade Balance
- UK NIESR GDP Estimate

Turquoise Area

August 7

01:00 - 17:00

- Australian Unemployment Rate, Employment Change
- Euro zone Interest Rate Decision, Mario Draghi's speech
- Canadian Ivey PMI
- UK Interest Rate Decision
- U.S. Jobless Claims

Blue Area

August 8

01:00 - 16:00

- RBA Monetary Policy Statement
- BoJ Monetary Policy Statement
- UK Trade Balance
- Canadian Net Change in Employment

Purple Area

August 11

12:00 - 17:30

- Canadian Housing Starts

CAD Currency Index Range

0.35%

0.23%

0.68%

0.41%

Average CAD Volatility Index

1.35

1.04

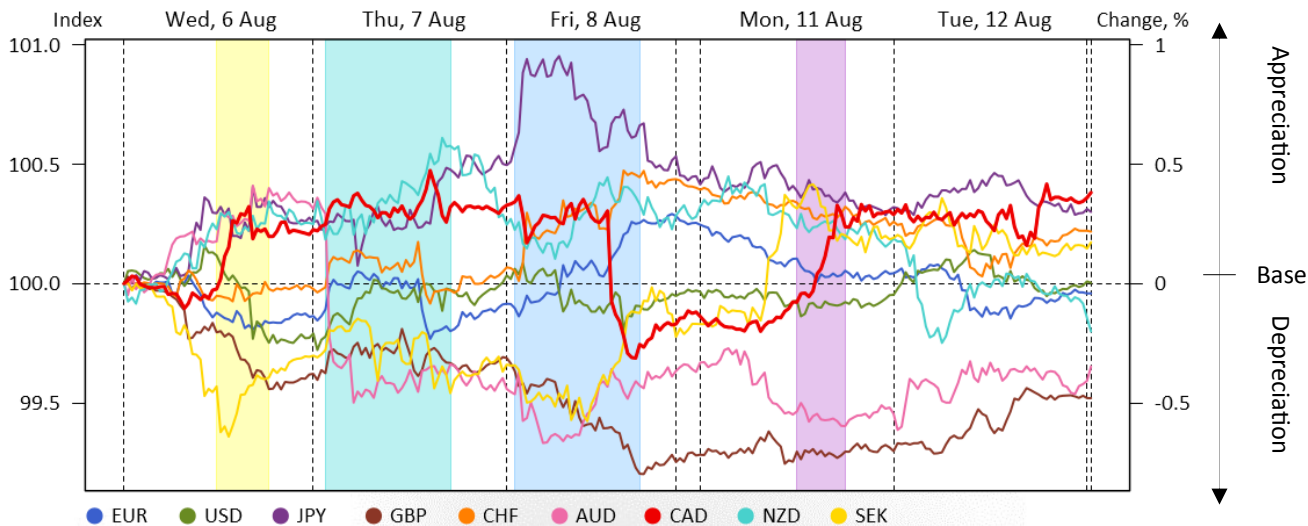
1.46

0.91



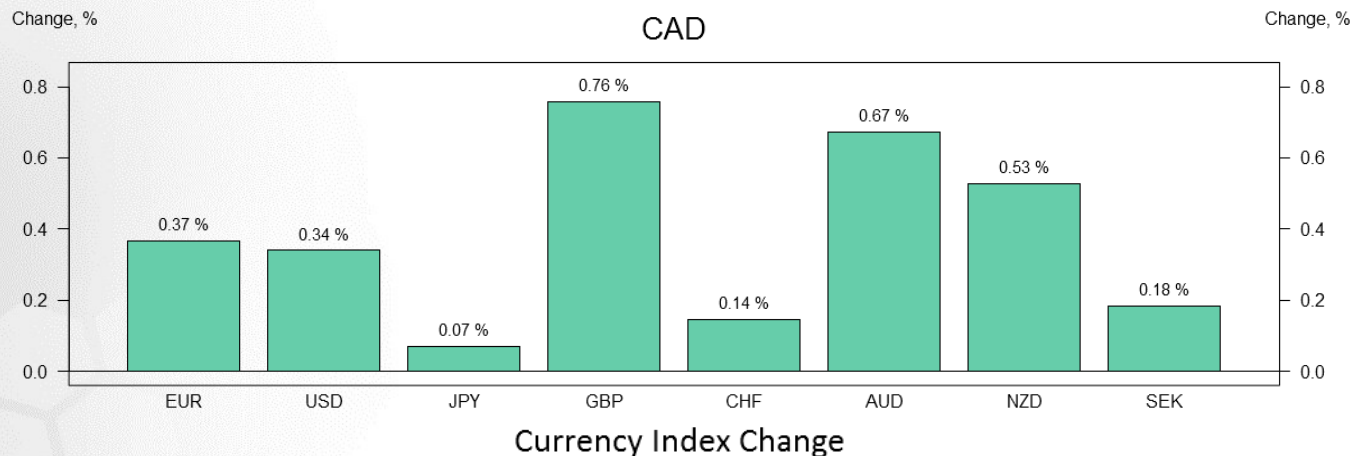
Relative Currency Strength

Currency Indices



After spending the previous period below the baseline and ending up with the largest loss, the Canadian dollar recovered and became the best performer of the week. However, all currencies ended the period with the change not exceeding 0.5% level. The unexpectedly low UK Trade Balance pushed the GBP index down, and it has ended the period with the worst result. August 8 was rich with news coming from Japan. Despite weaker exports, BoJ decided to keep monetary policy unchanged in August, and JPY index gained the week's best value of 100.95. Nevertheless, the yen have finished the week with only the second-best result, losing 0.07% against CAD.

The growth of the Canada export managed to increase CAD, and by the midday of Wednesday the index reached 100.3 mark and held at this level till August 8. On Friday, the Canada net change in employment data was noticeably below forecasts. The CAD index fell to the 99.69 mark – the lowest value of the week, and spent the weekend in a narrow range between 99.73 and 99.82. The level was changed on Monday, when the index begun to grow after better-than-expected Canadian housing data was released. The CAD Currency index reached the 100.32 mark and held at this level till the end of the period, fluctuating in a range from 100.16 to 100.41.

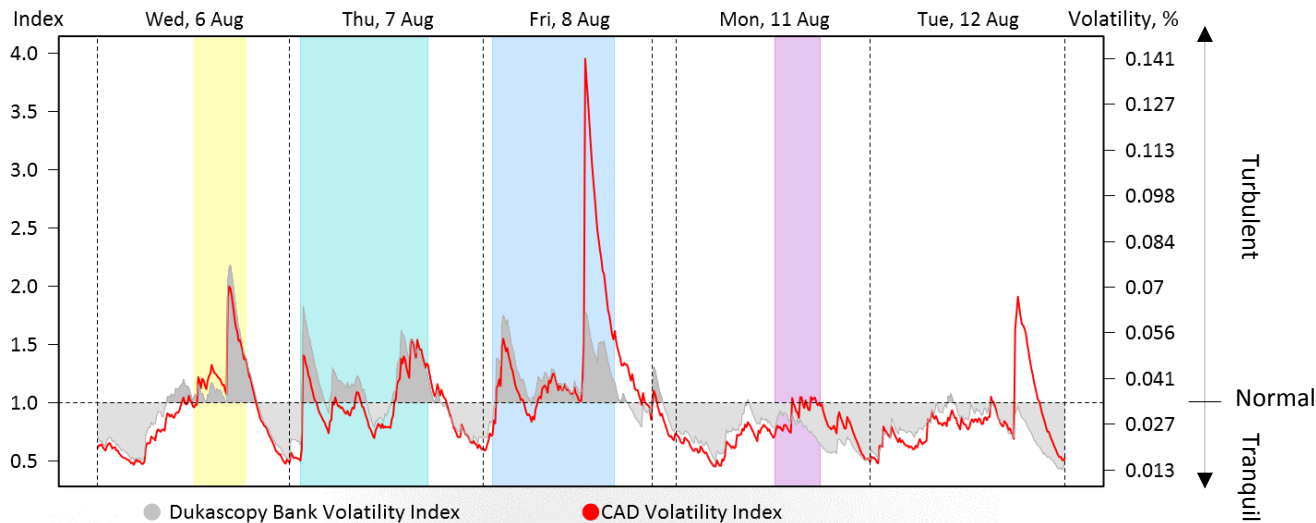


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.04%	0%	0.3%	-0.48%	0.22%	-0.35%	0.38%	-0.2%	0.17%
20	-0.19%	1.54%	0.98%	-0.62%	0.04%	0.46%	-0.16%	-2.26%	0.57%
130	-1.91%	0.31%	0.64%	2.54%	-0.83%	3.33%	1.29%	1.76%	-7.02%
250	0.33%	-0.29%	-5.87%	9.17%	2.07%	1.69%	-6.82%	5.75%	-6.02%



Volatility

Volatility



Rich with news releases, the end of the previous trading week was rather turbulent for the market. That caused several currency pairs to have a high percent of elevated volatility. Indeed, CAD/JPY Volatility Index spent almost 50% of the time above the historical level. However, the highest spike was provoked by the Aussie after unexpectedly bearish unemployment data came out on August 7. All in all CAD/JPY and AUD/CAD were the only currency pairs that finished the observed period with an average volatility higher than usual.

The first surge of the CAD volatility occurred in Wednesday's afternoon, the Loonie volatility index jumped to the 2.0 level—the second highest period's value. Friday was turbulent for both the market and CAD. The Canadian dollar volatility remained above the historical level about 80% of the time, moreover, the highest spike of 3.95 was reached in the afternoon right after the lower-than-expected Canadian change in employment came out. The last two days of the period were especially tranquil with the only peak of the CAD volatility on Tuesday, when the Volatility Index reached the 1.9 level.

Elevated Volatility (% of the observed period)

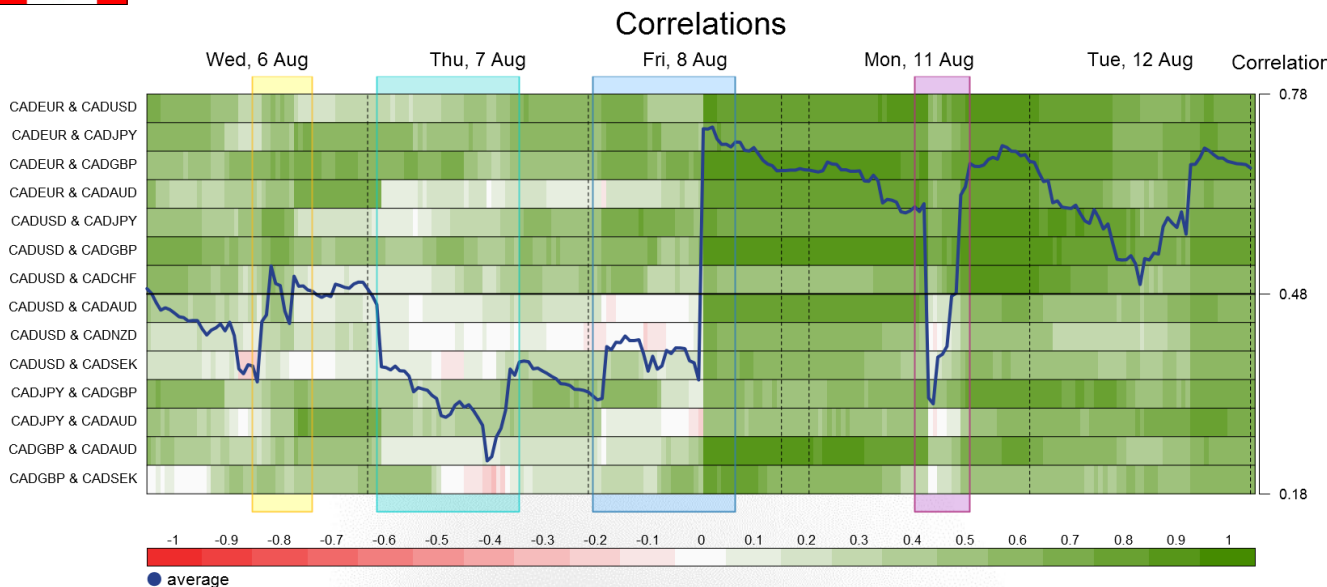
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
36	33	37	28	49	26	38	32	14	44

Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	2.18	3.95	4.86	5.65	4.34	5.43	3.4	5.85	2.34	2.96
Min	0.42	0.45	0.38	0.28	0.42	0.27	0.34	0.35	0.35	0.27
Average	0.94	0.95	0.97	0.88	1.18	0.89	0.96	1.04	0.78	0.94



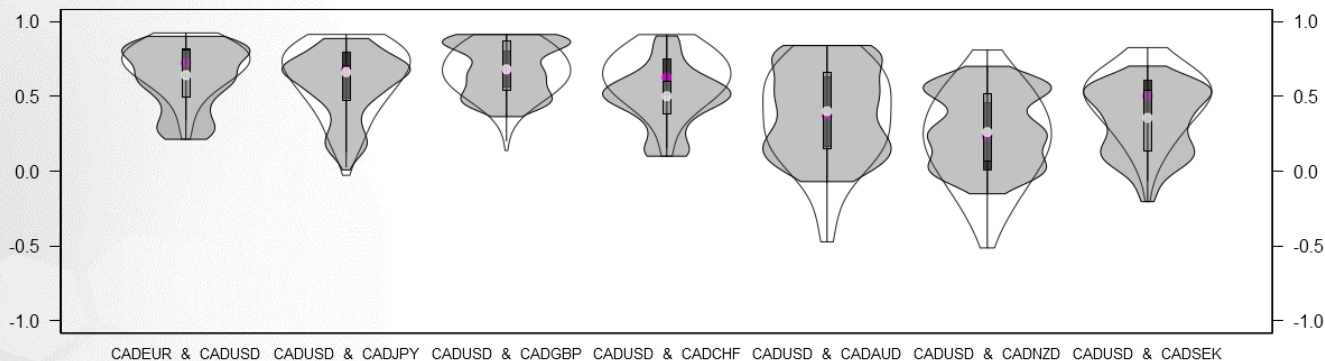
Currency Significance



The past week can be apparently divided into two parts of weak and strong correlations between the Loonie's crosses. The average correlation, which measures currency's strength, was above its historical level during the period from Wednesday till Friday's noon. The picture changed dramatically on Friday. During the rest of the period, in contrast to previous days' average of 0.39, the mean value of the gauge reached 0.63 mark, which is notably higher than historical level. In fact, such a pattern can be explained by plenty of influential news on different countries' economies at the end of previous trading week, but absence of such at the beginning of current week.

The first evident rise of Loonie's significance occurred after the release of difference in the value of Canadian imports and exports, which turned to be much more positive than expected. The gauge reached 0.52 mark, but declined considerably against the background of release of Australian unemployment, ECB press conference and Jobless Claims on Thursday. Obviously, the Canadian dollar was not the driver of the market till Friday's noon, when disappointing data on change in employment in Canada caused the currency drop, thus strengthening the correlations among CAD crosses. The gauge remained on very high level of around 0.7 till the end of the period, excepting the moment in Monday's noon, when it dipped to 0.31, but retrieved shortly.

Correlations (5 vs 20 days)

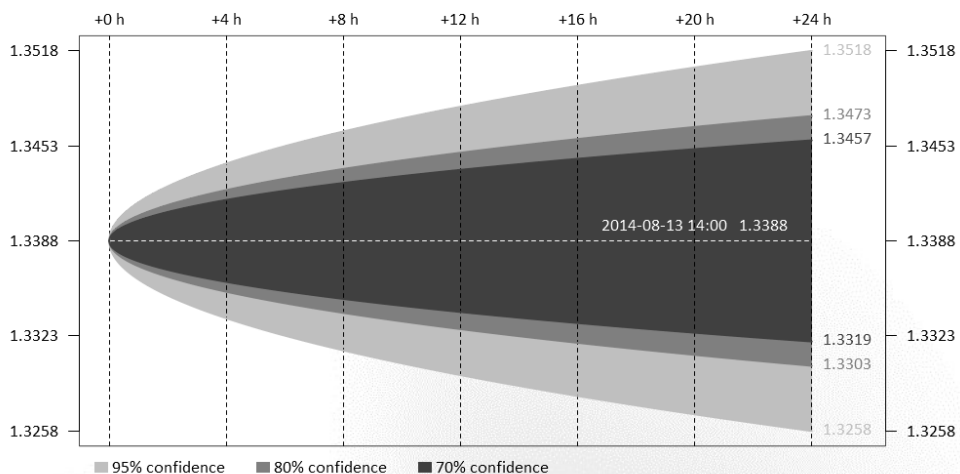


Mean Correlation Coefficient (with CADUSD)

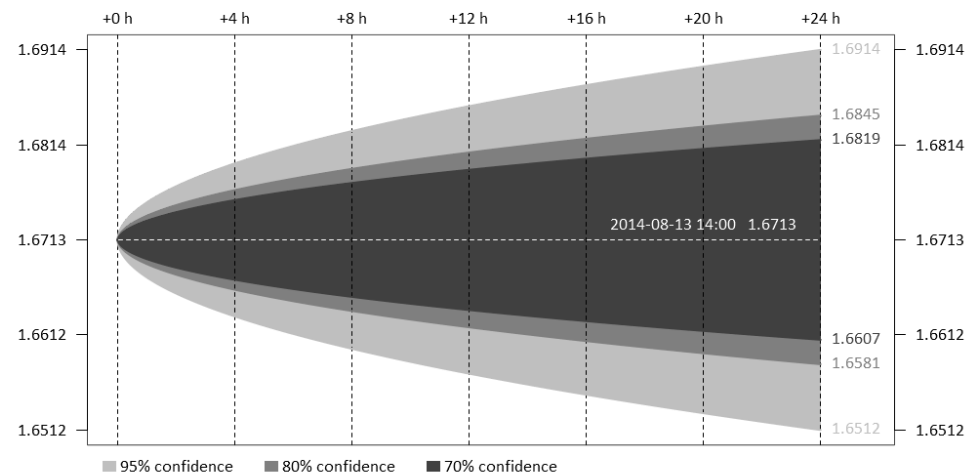
Days	CADEUR	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.62	0.57	0.69	0.48	0.41	0.28	0.33
20	0.7	0.62	0.67	0.62	0.36	0.22	0.46
130	0.64	0.59	0.65	0.58	0.34	0.31	0.47
250	0.6	0.54	0.61	0.53	0.26	0.24	0.43

Confidence Intervals for Next 24 Hours

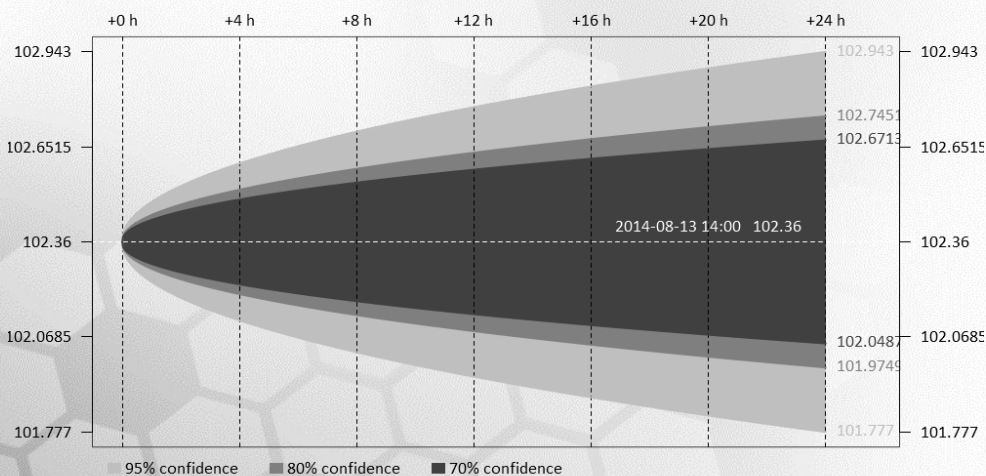
EURUSD Potential Rates



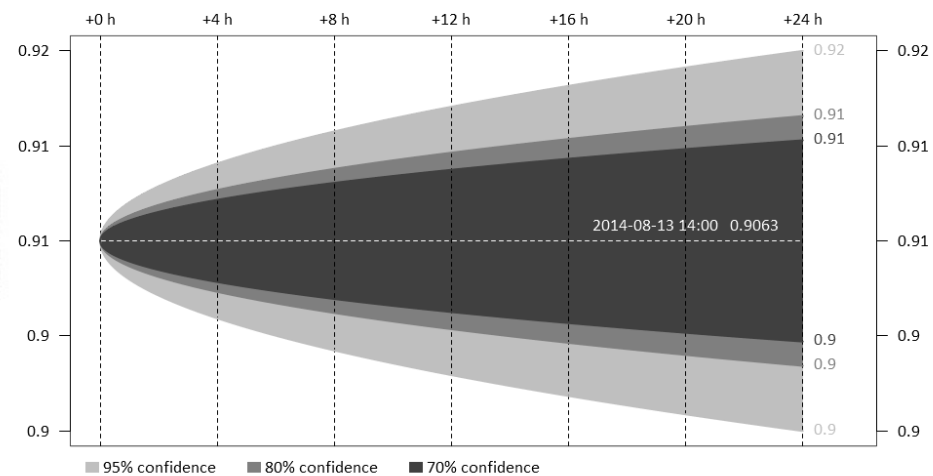
GBPUSD Potential Rates



USDJPY Potential Rates



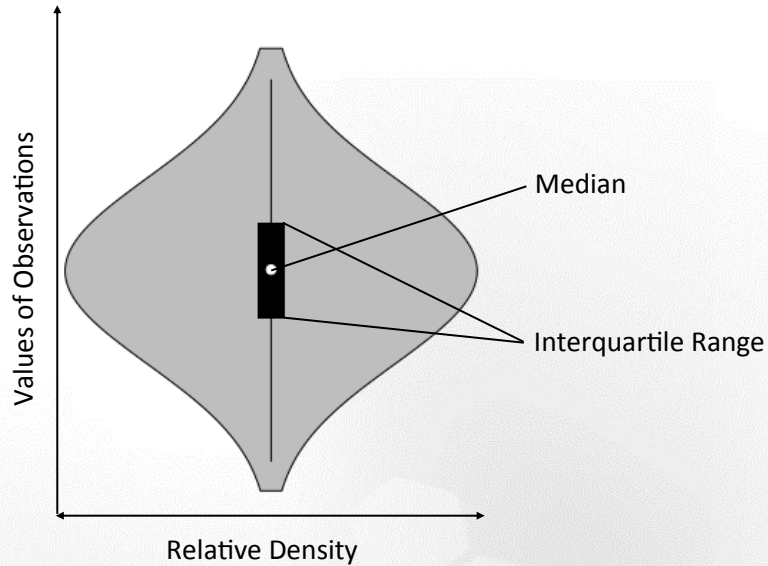
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.