



USD

18/08/2014



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Market Research





Dominant Events of the Period

Yellow Area

August 12

08:30 - 15:00

- G20 Meeting
- Euro zone and German ZEW Economic Sentiment

Turquoise Area

August 13

05:00 - 15:30

- German CPI, HICP
- Euro zone Industrial Production
- Swiss ZEW Survey Expectations
- UK Claimant Count Change, BoE Quarterly Inflation Report, Carney speech
- U.S. Retail Sales

Blue Area

August 14

04:30 - 15:00

- German Preliminary GDP
- Euro zone CPI, Preliminary GDP, ECB Monthly Report
- U.S. Jobless Claims
- Canadian NHPI

Purple Area

August 15

09:30 - 16:00

- U.S. PPI, TIC Flows, Industrial Production, Capacity Utilization, Preliminary Reuters/Michigan Consumer Sentiment Index

USD Currency Index Range

0.13%

0.29%

0.32%

0.13%

Average USD Volatility Index

0.91

1.35

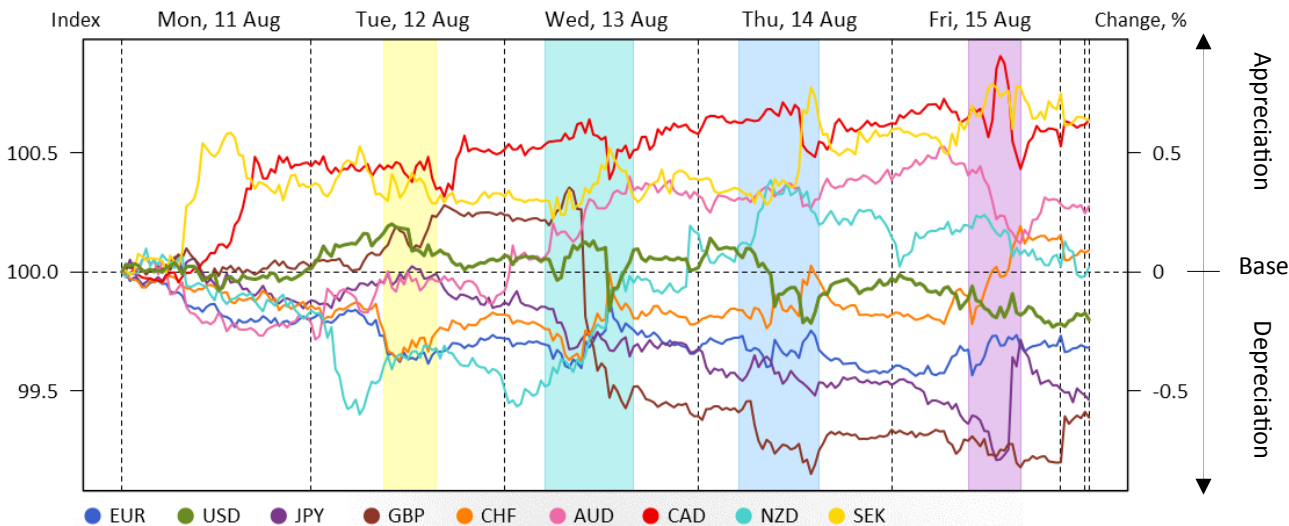
1.06

1.26



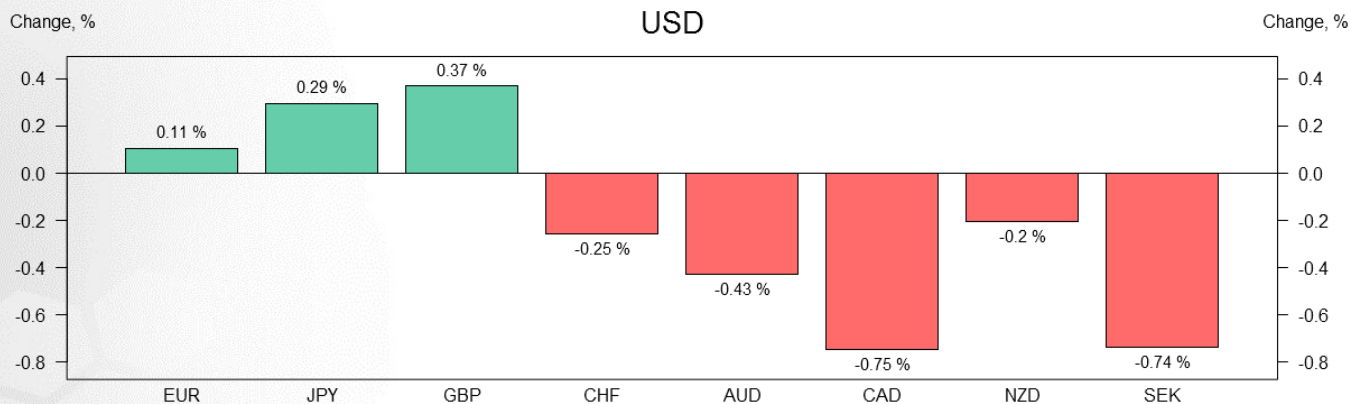
Relative Currency Strength

Currency Indices



The past week was a rather futile one for the U.S. dollar. None of the bursts and falls managed to start a trend, and the overall USD Index movement was flat. However, while the beginning of the week saw the index hold above the base value, Friday was marked by mounting losses, and the dollar posted negative weekly change against five out of its eight observed peers. The period's best performers, the Canadian dollar and the Swedish krona, both gained around 0.75% against the Greenback, while the period's losers, the pound and the yen, only gave up 0.37% and 0.29%, respectively.

Fundamental data released throughout the past week served mostly as a demoting force for the U.S. dollar. The most influential proved to be the retail sales numbers, which were reported short of expectations on Wednesday and provoked the period's sharpest change of the USD Index, pushing it to lose 0.26 points in half an hour. A less subsequent, but somewhat defining drop took place against the background of rising unemployment figures released on Thursday. That was the last plunge of the week, and the index did not manage to recover back above baseline, subsequently closing the period with a 0.2% weekly loss.



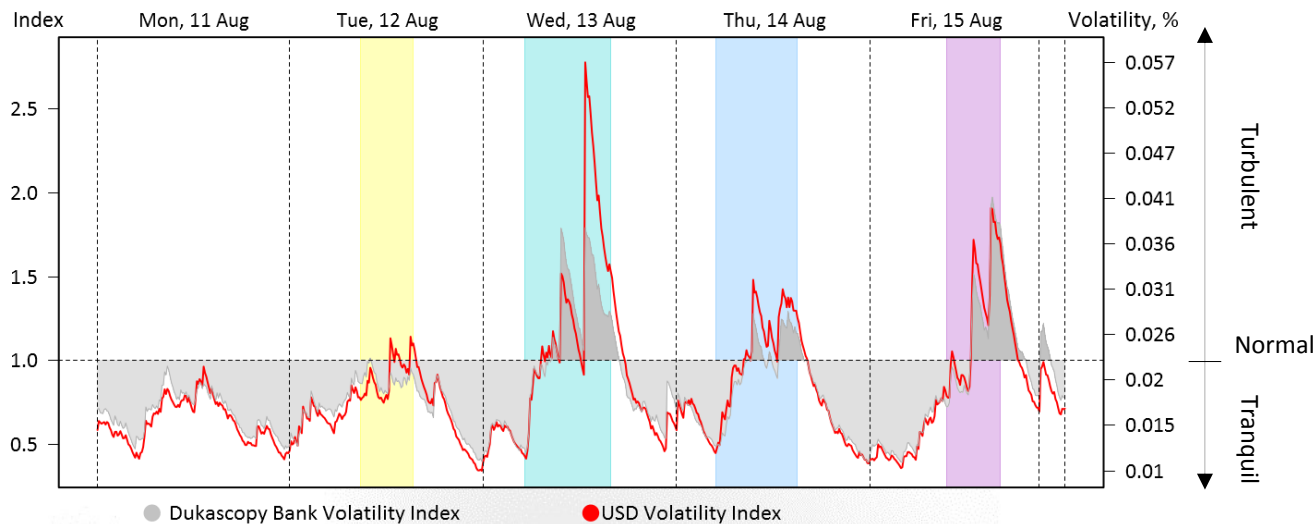
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.32%	-0.2%	-0.54%	-0.61%	0.09%	0.28%	0.64%	0.02%	0.64%
20	0.04%	1.2%	-0.03%	-1.14%	0.51%	0.37%	-0.39%	-1.48%	1.16%
130	-1.82%	0.68%	-0.05%	0.41%	-0.73%	4.03%	1.68%	2.13%	-6.11%
250	0.39%	-0.09%	-5.46%	7.48%	2.73%	1.51%	-5.98%	5.02%	-5.6%



Volatility

Volatility



The past week was rather tranquil for the U.S. dollar. Both the market and the USD Volatility Indexes held above the historical level in only around 20% of the time. The percent of elevated volatility of the components has also declined. Thus, the portion of the heightened volatility of USD/JPY, the most elevated pair of the previous period, has decreased by 37%. The most noticeable volatility spike happened on Wednesday, when GBP/USD volatility jumped to 5.88 mark following the BoE quarterly inflation report and Mark Carney speech. However, the event had limited effect on the market and USD volatility, whose corresponding peaks were only 1.79 and 1.52 high.

The beginning of the week was, as usual, quite calm. On Tuesday, USD volatility managed to overcome the 1 point level, but did not reach even a 1.15 mark. The highest peak of the USD volatility occurred on Wednesday, when after the unexpectedly low U.S. Retail Sales data volatility indexes of almost all USD pairs with European currencies jumped to their maxima and caused a surge of the USD Volatility Index itself. Friday was rather eventful for the U.S. dollar, and during the time of the news releases USD volatility was fluctuating in the range between 1.21 and 1.91.

Elevated Volatility (% of the observed period)

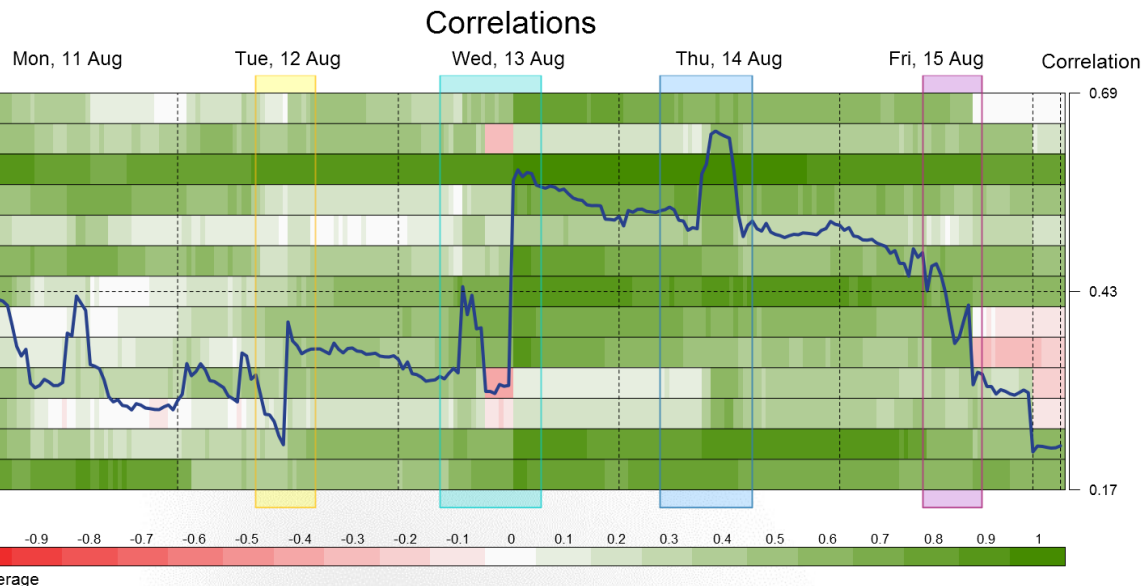
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK	
	19	21	34	19	21	32	9	30	10	35

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	1.97	2.78	3.65	2.58	5.88	4.43	2.31	3.78	2.66	2.8
Min	0.39	0.34	0.22	0.3	0.23	0.25	0.27	0.23	0.28	0.19
Average	0.81	0.81	0.98	0.77	0.88	0.96	0.68	0.85	0.68	0.86



Currency Significance

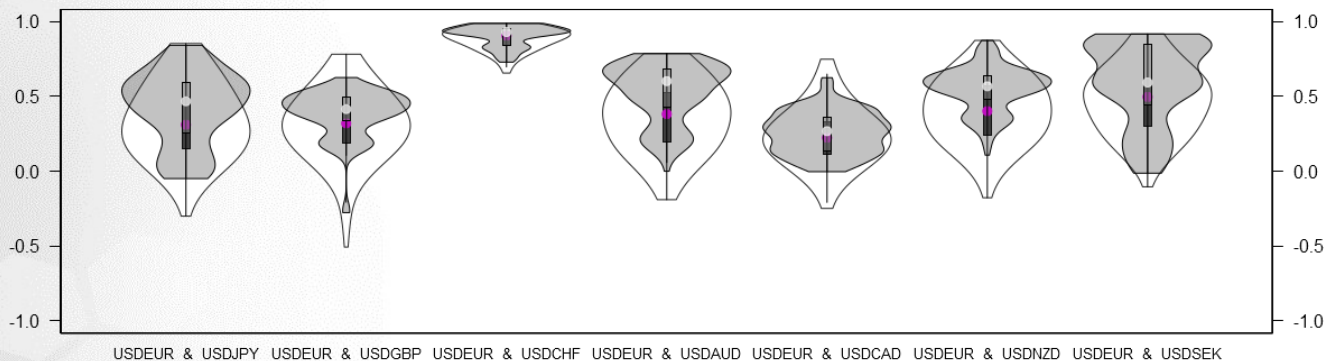


The correlations between USD pairs were rather strong during the observed period. Their distributions were notably skewed towards the greater historical values, pointing out relative significance of correlation positivity.

The composite started the period with two days of moderate values. In absence of influential news on the U.S. economy, and in light of Canadian housing starts release on Monday and disappointing data on New Zealand house prices and Euro zone economic sentiment on Tuesday, which notably influenced the domestic currencies, the USD significance measure was fluctuating around feeble 0.3 level.

The picture changed dramatically after the U.S. retail sales announcement. No change in sales of retail goods had a strong negative impact on the currency, thus raising the correlations. The gauge reached 0.58 mark shortly after the release and remained on this level till Friday. The fact that a host of news on USD – starting with PPI and finishing with consumer sentiment – was released on Friday did not affect the correlations positively. Moreover, the gauge values were decreasing and dropped to 0.22 mark against the background of sharp movements of several currency rates, indicating that the Greenback was not the driver of the market.

Correlations (5 vs 20 days)

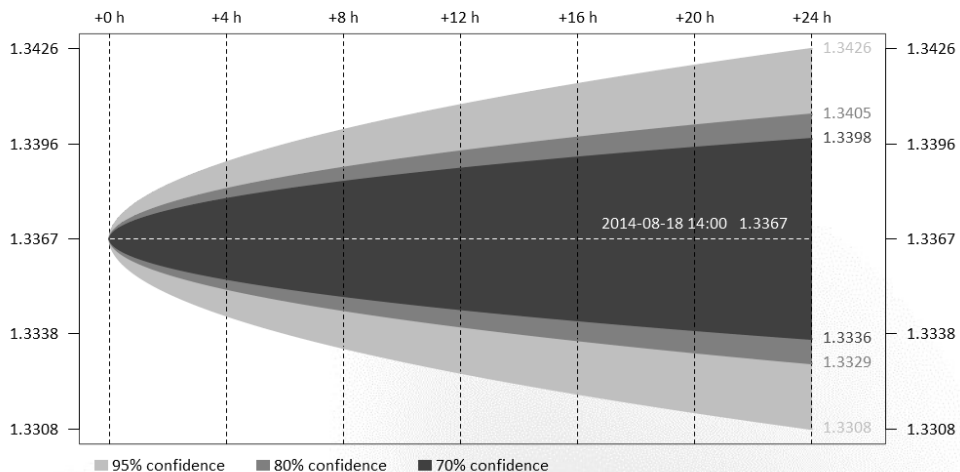


Mean Correlation Coefficient (with USDEUR)

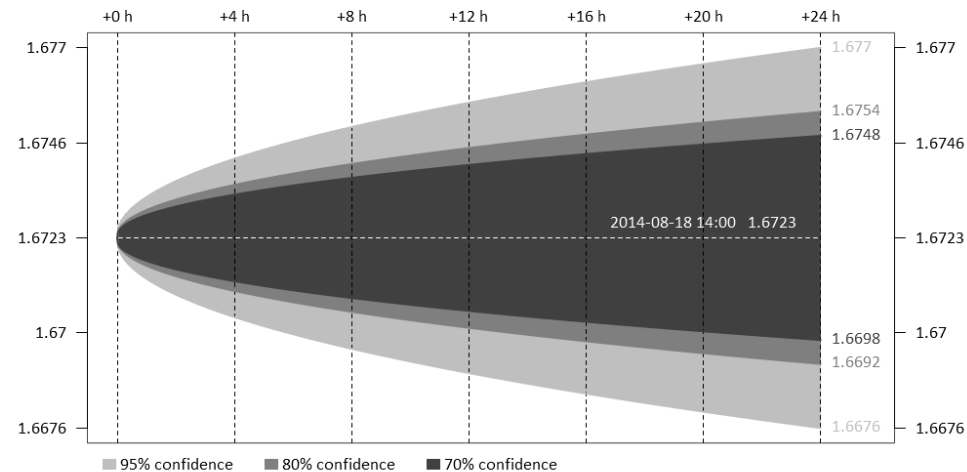
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.42	0.38	0.9	0.53	0.26	0.55	0.59
20	0.33	0.31	0.88	0.36	0.23	0.41	0.47
130	0.21	0.4	0.86	0.28	0.18	0.33	0.57
250	0.23	0.45	0.85	0.29	0.21	0.32	0.58

Confidence Intervals for Next 24 Hours

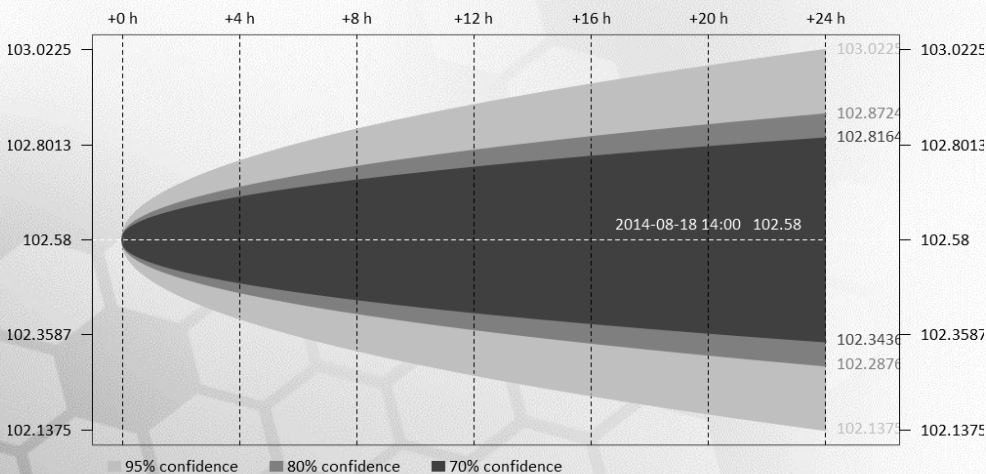
EURUSD Potential Rates



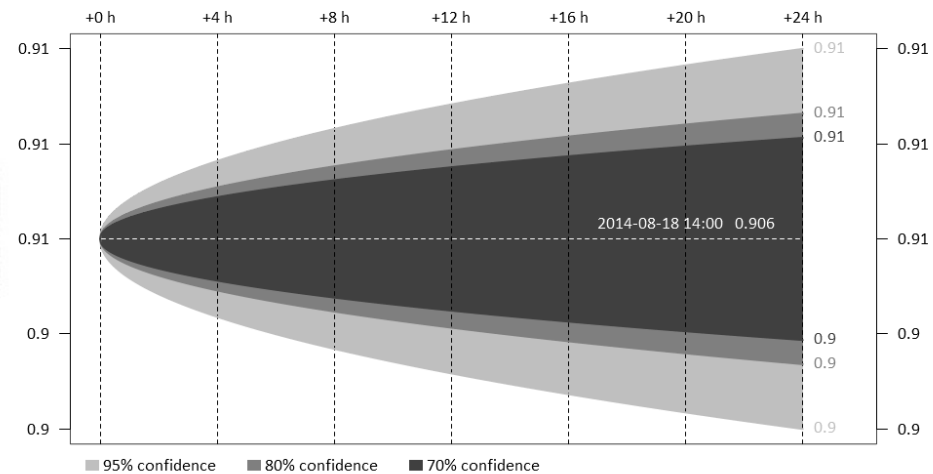
GBPUSD Potential Rates



USDJPY Potential Rates



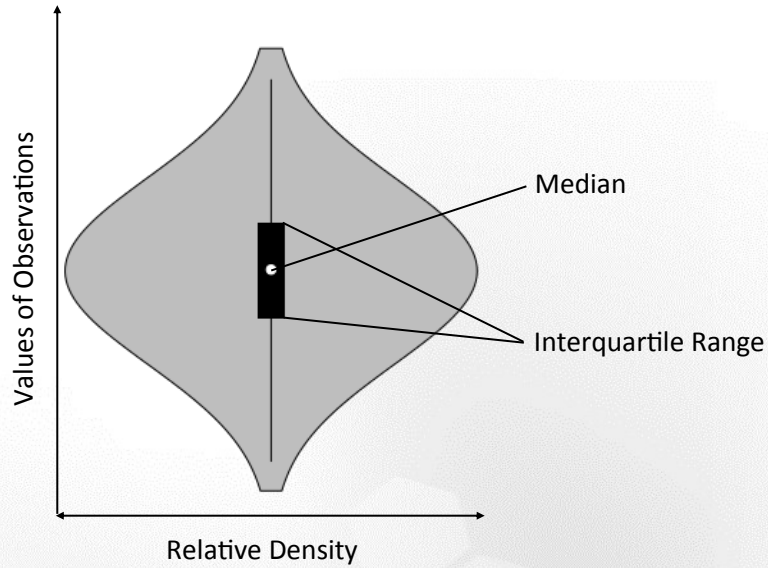
USDCHF Potential Rates



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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