



USD

25/08/2014



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Market Research





Dominant Events of the Period

Yellow Area

August 19

08:00 - 15:30

- Euro zone Current Account
- UK CPI, PPI, Retail Price Index
- U.S. CPI, Building Permits, Housing Starts

Turquoise Area

August 20

05:00 - 19:30

- BoE Minutes
- FOMC Minutes

Blue Area

August 21

07:00 - 15:00

- German and Euro zone Flash Markit PMI
- UK Retail Sales
- Euro zone Flash Consumer Confidence
- US Jobless Claims, Flash Markit PMI, CB Leading Indicator, Existing Home Sales, Philadelphia Fed Manufacturing Survey

Purple Area

August 22

08:30 - 20:00

- Canadian CPI, Retail Sales
- Jackson Hole Symposium

USD Currency Index Range

0.25%

0.35%

0.24%

0.3%

Average USD Volatility Index

1.11

1.14

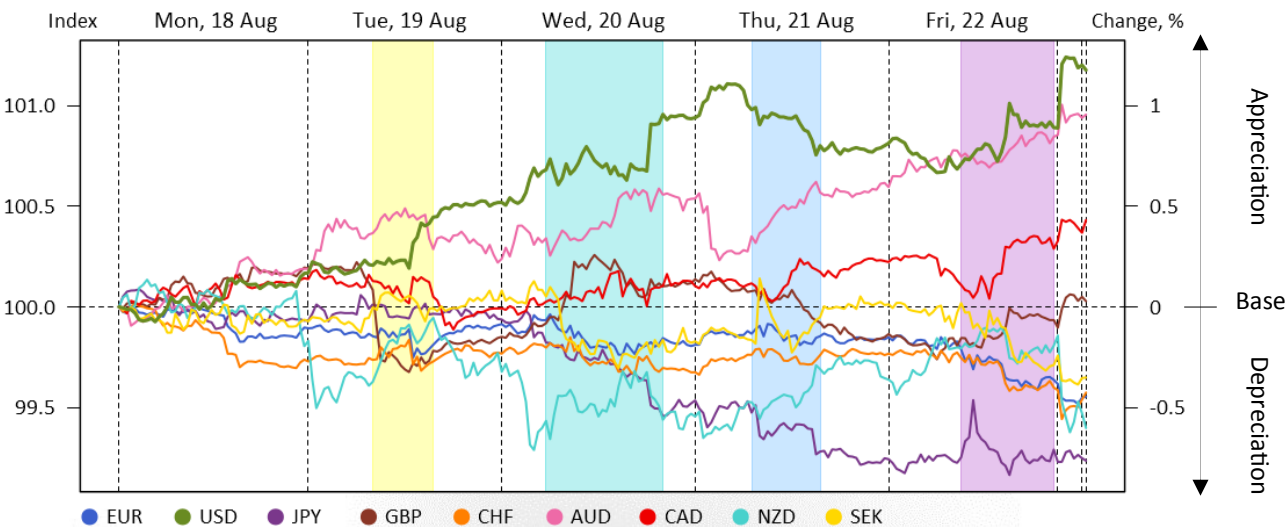
1.07

1.21



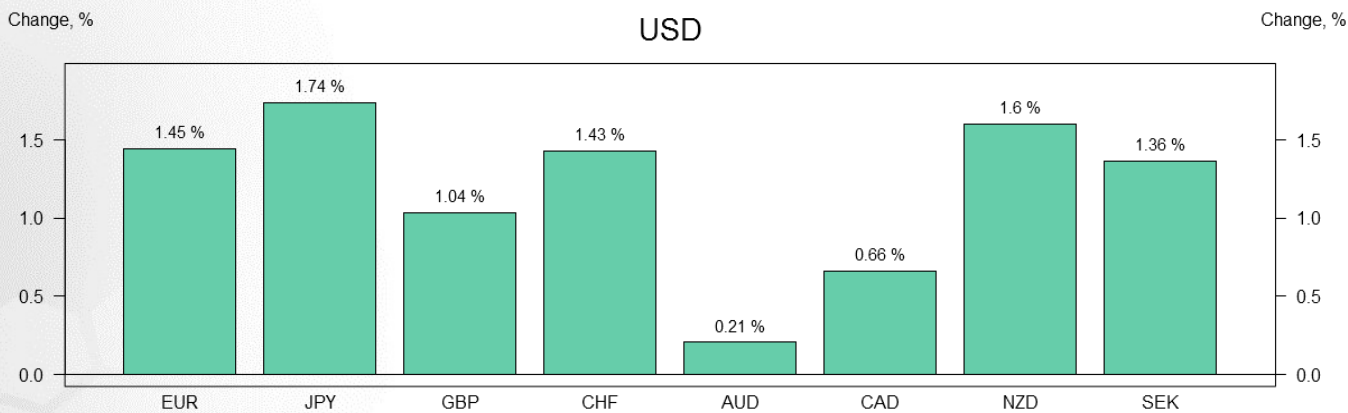
Relative Currency Strength

Currency Indices



After ending the previous period in the depreciation area, the U.S. dollar Index managed to recover and became the best performer of the past week. The second place was taken by AUD. In contrast to USD and AUD, that posted impressive gains of 1.18% and 0.96%, most of the other observed currencies were not so successful and finished the period below the baseline. The week was especially hard on the yen. After unexpectedly low Japan merchandise trade balance data, JPY began to decrease, and by the end of the period its index has dropped to -0.76%.

The USD Index showed a positive trend right from the beginning of the period. The Tuesday's surge in the U.S. housing starts and CPI in line with forecast became a strong impulse for the index, and it grew to 100.42. On Wednesday, the USD Index was fluctuating in the range from 100.51 to 100.79, and after FOMC minutes report the index jumped to 100.96 points. Thursday was rich with the positive news that failed to support the dollar, and by Friday the index decreased to the 100.77 mark. Friday's Yellen speech pushed the index up to 101.07, and the index continued to increase during the weekend, reaching the week's maximum value of 101.24.



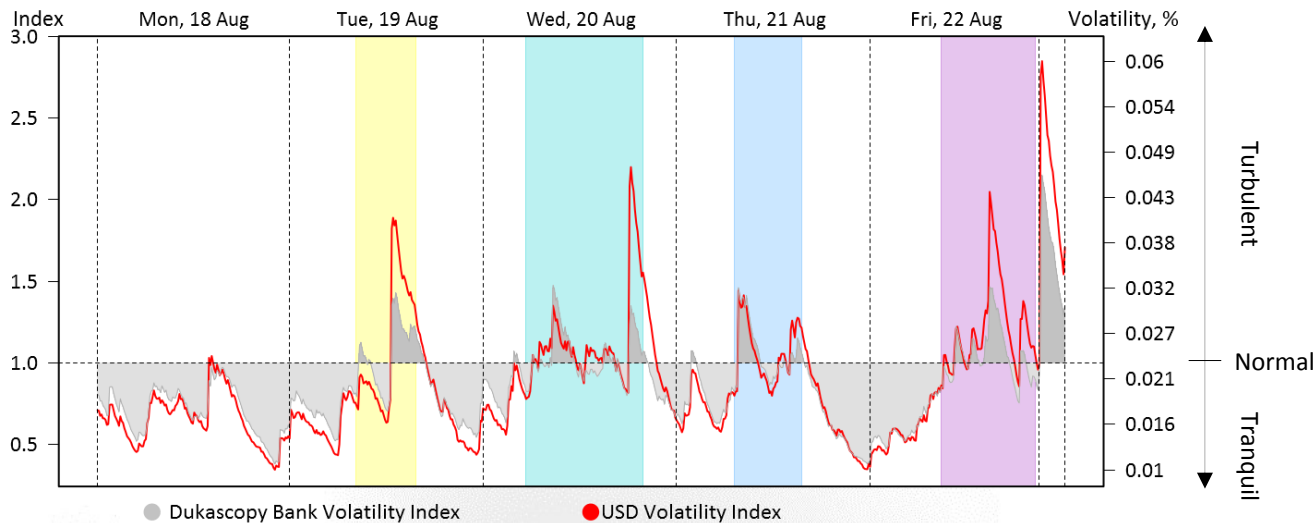
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.45%	1.18%	-0.76%	0.03%	-0.43%	0.96%	0.43%	-0.6%	-0.35%
20	-0.16%	1.81%	-0.93%	-1.02%	0.38%	0.66%	0.28%	-0.7%	-0.21%
130	-3.25%	1.2%	-0.64%	0.59%	-2.36%	5.31%	2.89%	2.04%	-5.63%
250	-1.36%	0.19%	-5.99%	7%	0.76%	3.55%	-4.5%	7.63%	-7.29%



Volatility

Volatility



The past trading week was rather calm for the market, with only 24% of elevated volatility and 2.15 maximum peak of the Volatility Index. The dollar's volatility exceeded the market in terms of both high turbulence proportion and index values, pointing out several events that significantly influenced the Greenback. The most conspicuous spike of the USD Volatility Index, as well as the greatest peaks of almost all its components, took place during the weekend against the background of Jackson Hole Symposium.

The market volatility first exceeded the average historical level on Tuesday morning, when disappointing UK CPI caused GBP to drop. However, the USD Volatility Index crossed the baseline several hours later, after the releases of positive building and housing data, and CPI numbers in line with expectations. Wednesday started with BoE minutes raising the market's volatility, but the second and more vivid USD volatility surge occurred in reaction to optimistic FOMC minutes. Thursday's volatility peaks were associated with better-than-expected Swedish labour force survey, when USD/SEK Volatility Index reached 3.19 mark, Eurozone flash PMIs, and U.S. Leading Indicator and home sales releases. Fed Chair's speech on Friday caused the period's final volatility spike.

Elevated Volatility (% of the observed period)

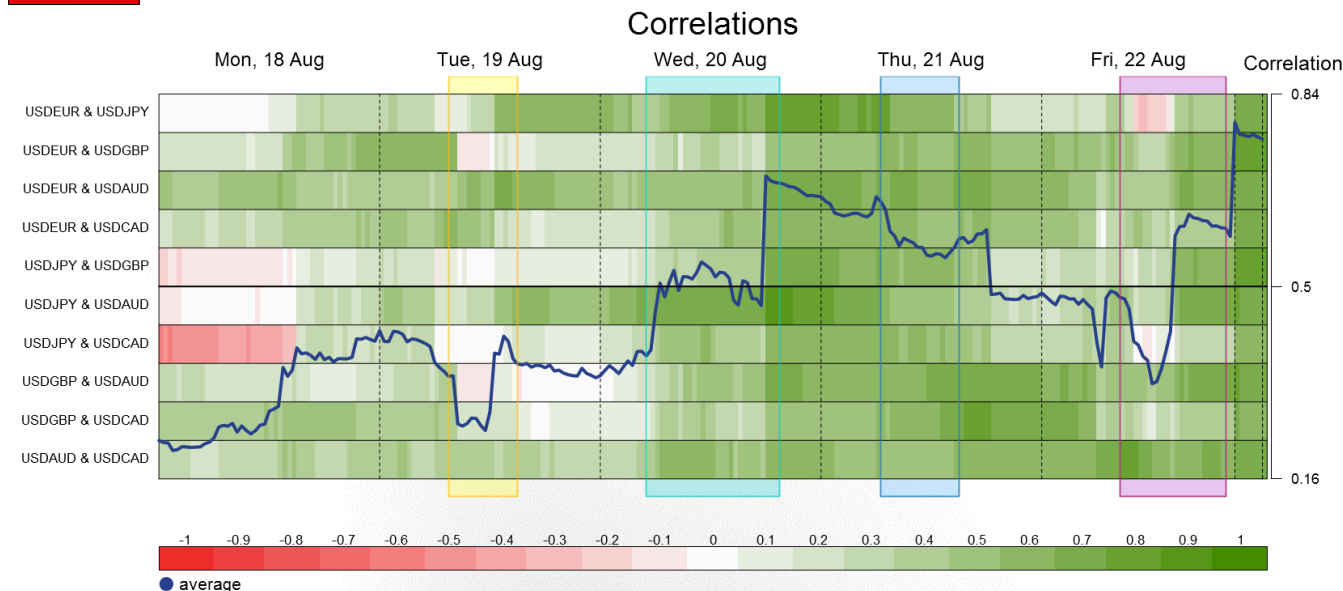
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	24	30	35	28	28	30	27	24	36

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.15	2.85	4.17	3.22	3.28	4.55	2.53	2.61	3.11	3.19
Min	0.38	0.34	0.27	0.28	0.28	0.2	0.24	0.29	0.31	0.14
Average	0.86	0.88	0.95	0.86	0.9	0.89	0.85	0.81	0.99	0.8



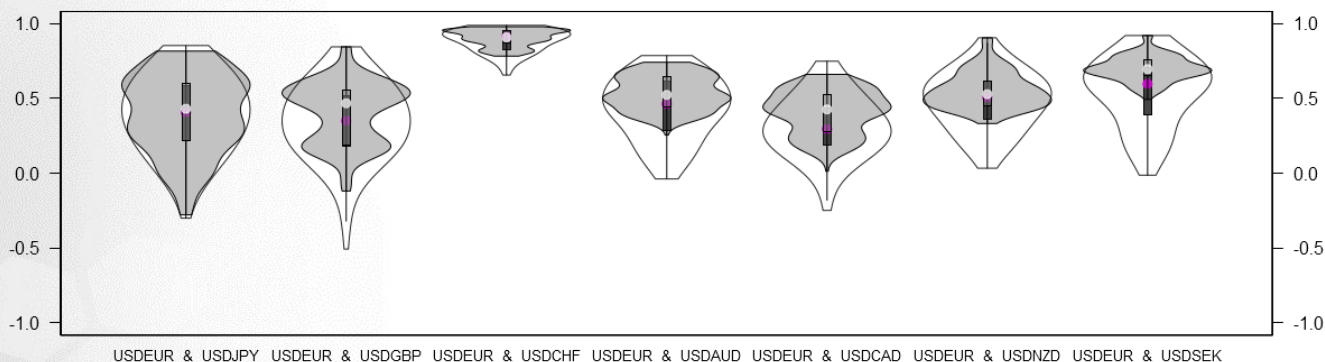
Currency Significance



The USD significance measure's movements were pronouncedly directional throughout the period, with the rather high average level of 0.5 serving as both support and resistance mark. Nevertheless, the composite showed modest results among the observed currencies, excelling in neither highest peaks nor strongest average level. The feebleness was especially noticeable in the first half of the period, when the USD average correlation produced third-weakest values. At the same time, the bonds in the USD/EUR components notably strengthened compared to their longer-term values, and the pair's correlations with USD/AUD, USD/CAD, and USD/SEK gained as much as 0.1-0.15 points.

The composite started the period with strengthening from feeble post-weekend levels. The recovery was interrupted by the market's spiked attention towards the pound against the background of the disappointing UK CPI numbers. However, the U.S. own inflation data, released later that day, pushed the composite back to around 0.4. A sharp surge took the measure from 0.5 to 0.7 at the possibility of sooner-than-expected rise of the interest rates expressed in the FOMC minutes. After the event, the dollar's influence was gradually easing, until Friday introduced numerous abrupt changes. In total, however, the end of the period brought more boosts than losses, with the USD significance swiftly gaining ground throughout the Jackson Hole Economic Policy Symposium.

Correlations (5 vs 20 days)

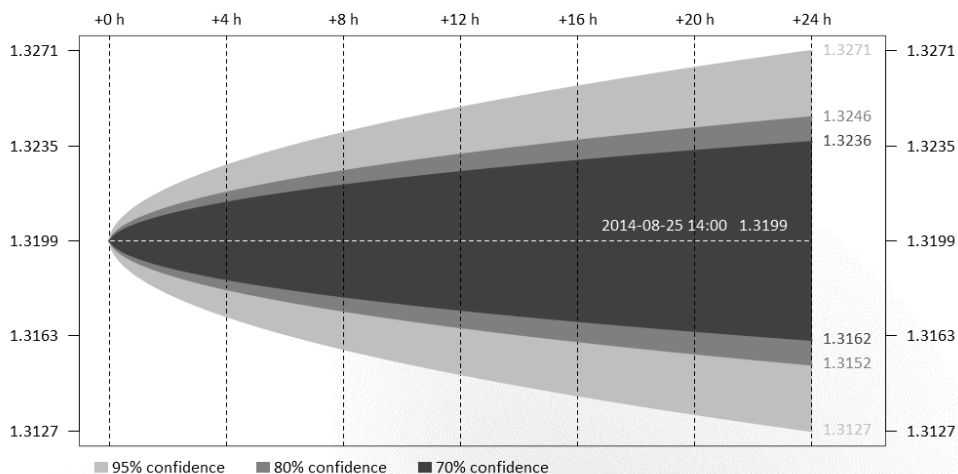


Mean Correlation Coefficient (with USDEUR)

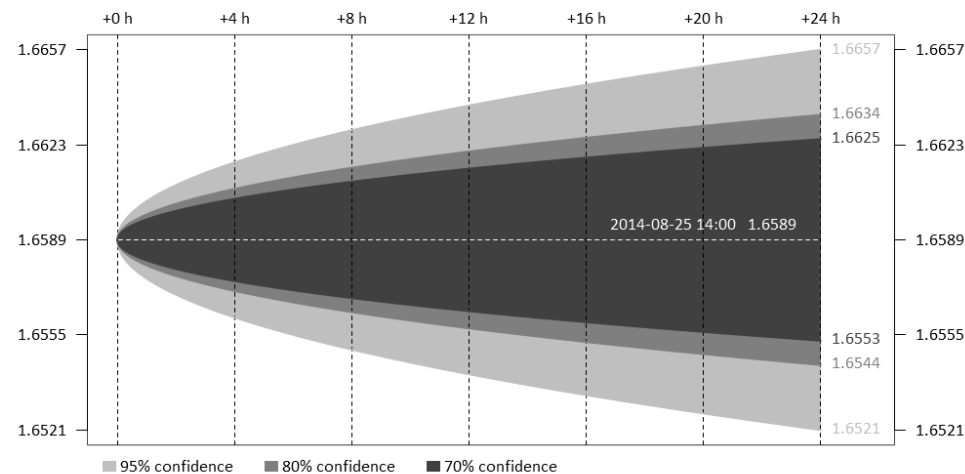
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.4	0.4	0.9	0.54	0.41	0.55	0.7
20	0.39	0.34	0.89	0.44	0.31	0.48	0.55
130	0.22	0.4	0.87	0.29	0.19	0.34	0.57
250	0.24	0.45	0.85	0.3	0.22	0.32	0.58

Confidence Intervals for Next 24 Hours

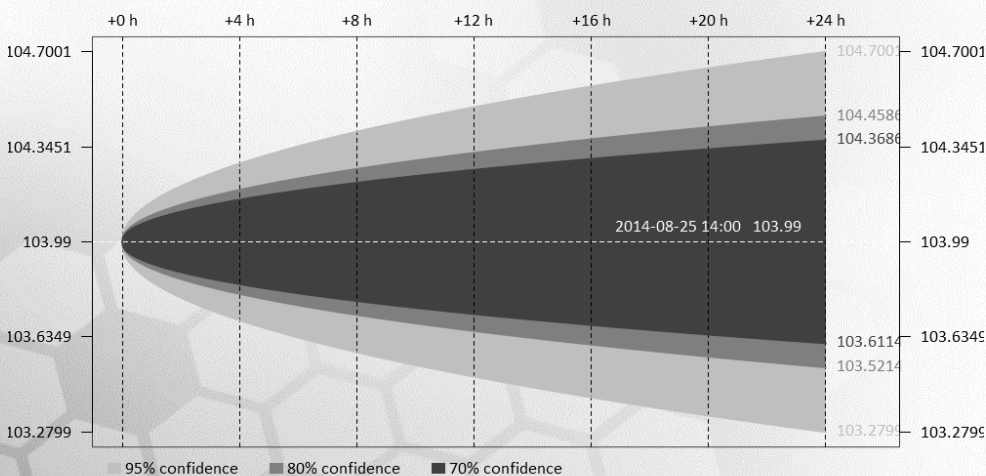
EURUSD Potential Rates



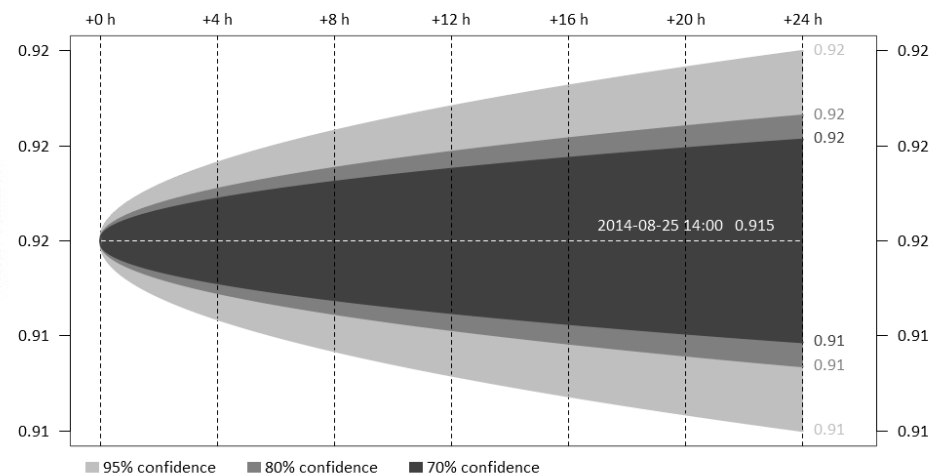
GBPUSD Potential Rates



USDJPY Potential Rates



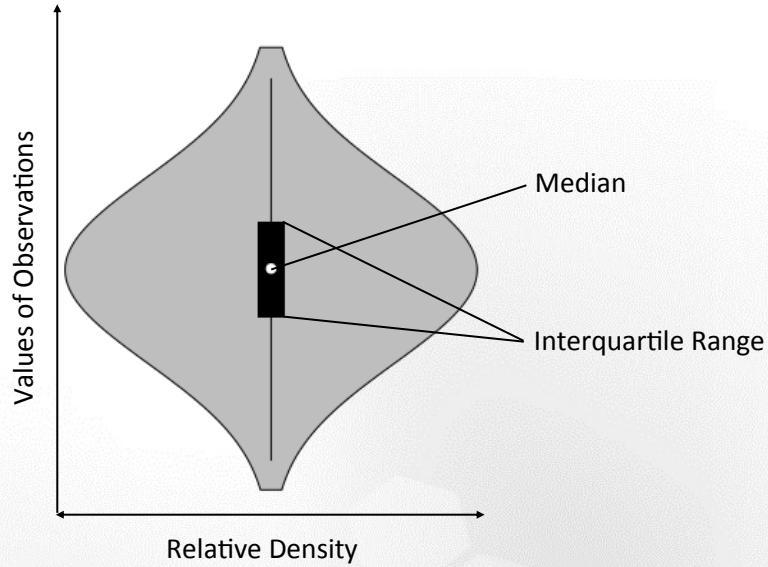
USDCHF Potential Rates



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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