



USD

08/09/2014



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Market Research





Dominant Events of the Period

Yellow Area

September 2

06:30 - 20:30

- U.K. Construction PMI
- U.S. Manufacturing PMI, Construction Spending

Turquoise Area

September 3

05:00 - 16:00

- Eurozone Retail Sales, Services PMI
- U.K. Services PMI
- U.S. Mortgage applications, Factory Orders
- BoC Rate Statement

Blue Area

September 4

11:30 - 19:30

- ECB Meeting
- U.S. Trade Balance, Unemployment Claims, Non-Manufacturing PMI
- Canada's International Merchandise Trade

Purple Area

September 5

12:00 - 16:30

- U.S. Nonfarm Payrolls, Unemployment Rate
- Canadian Unemployment Rate

USD Currency Index Range

0.27%

0.3%

0.62%

0.2%

Average USD Volatility Index

1.13

1.31

2.28

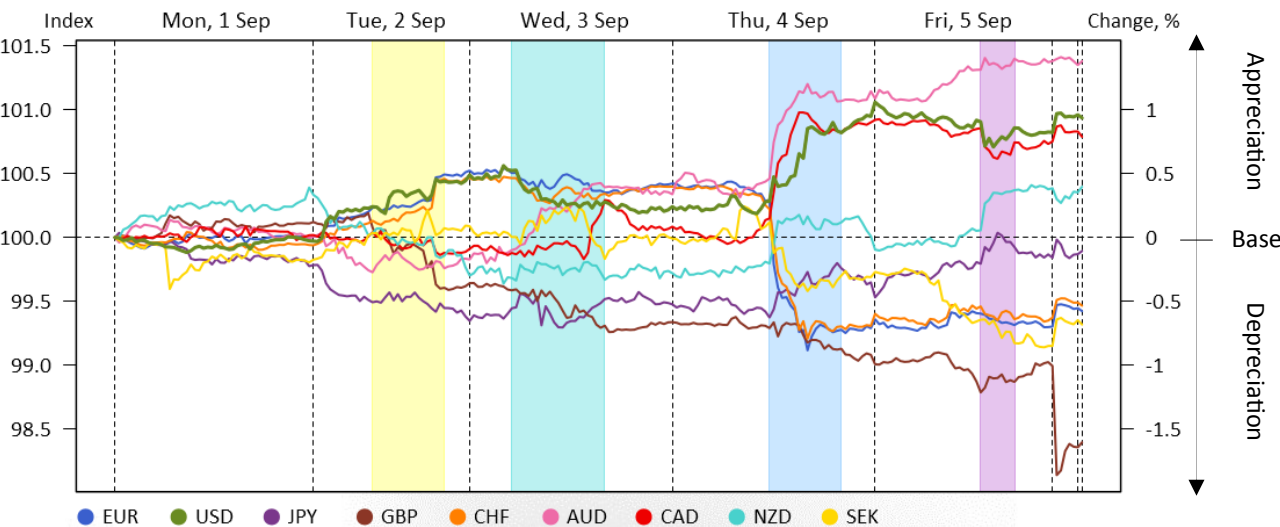
1.91



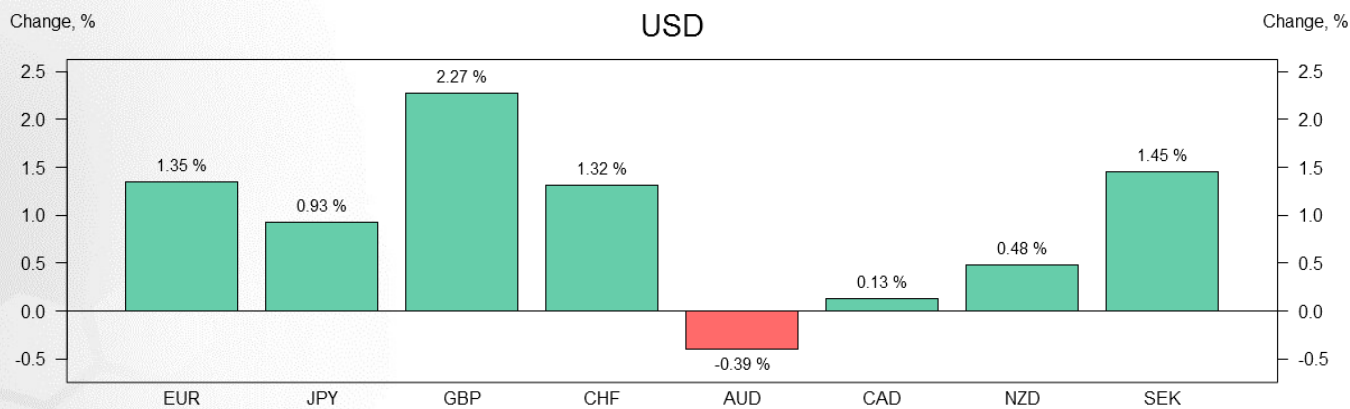
Relative Currency Strength

Currency Indices

The past week was quite successful for the Greenback. In contrast to the previous week, it spent most of the time above the baseline ending up as a second best performer of the period. The first place was taken by AUD, which had its biggest breakthrough on Thursday alongside with USD and CAD. The same day was crucial for European currencies, especially the Euro and the Swiss franc. They lost more than 1% of the opening value after unexpectedly bearish ECB Interest Rate Decision was announced. Nevertheless, GBP was the most unsuccessful of the currencies, as its index was constantly sinking during the period and, as a result, ended up below -1.5% mark.



The USD Currency Index spent Monday on baseline, but slightly appreciated on Tuesday, when positive data on Construction Spending and Manufacturing PMI was released. Moreover, it seems that ECB dovish view on the European economy and unexpectedly optimistic Trade Balance affected USD currency strength on Thursday. Another positive influence came from the release of the Non-Manufacturing Index, since the indicator rose despite pessimistic expectations. Thus, the Greenback ended Thursday with 0.9% of its base value. USD Index slightly decreased on Friday's Nonfarm Payrolls data, but finished the period near 101 level.



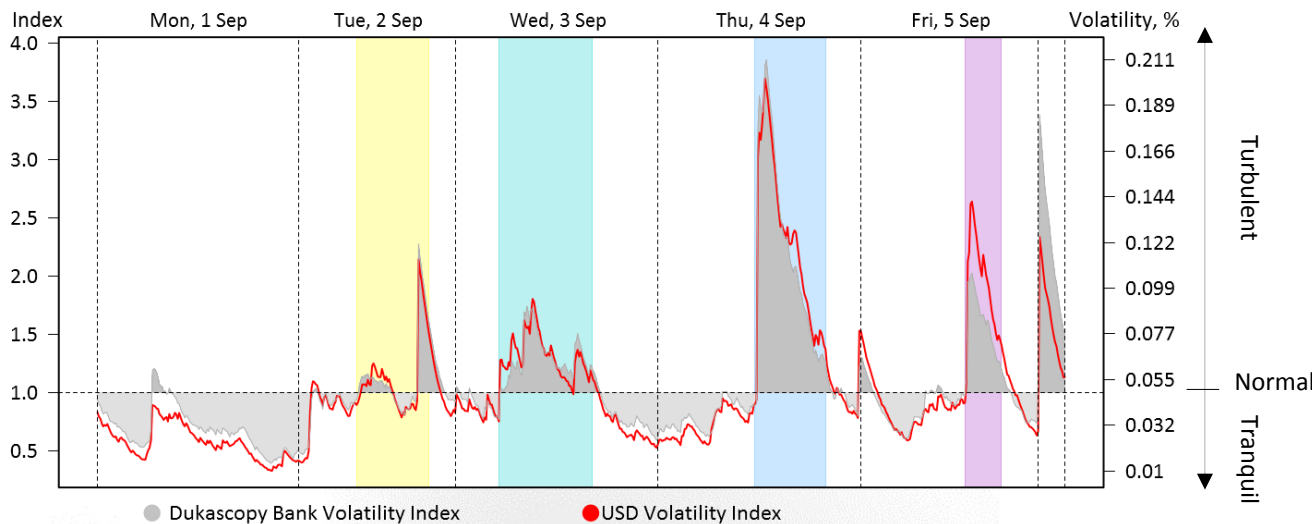
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.58%	0.94%	-0.11%	-1.6%	-0.53%	1.38%	0.79%	0.4%	-0.68%
20	-1.95%	1.96%	-1.45%	-1.71%	-1.19%	3.04%	3%	0.03%	-1.46%
130	-4.49%	3.14%	1.19%	-0.37%	-3.4%	7.06%	5.75%	1.16%	-8.58%
250	-0.89%	1.02%	-4.87%	5.2%	1.88%	3.04%	-4.11%	5.38%	-6.63%



Volatility

Volatility



Despite the serene start, overall last week was rather volatile with 39% portion of elevated volatility. Looking closer at the Greenback pairs, we can observe quite a variety. While some pairs like the EUR/USD and USD/CHF had a low proportion of elevated volatility— 23% and 25%, respectively, there were pairs whose volatility was elevated twice the amount of time, such being the USD/JPY and GBP/USD with 45% and 50%. In addition to high overall volatility, there could be observed huge surges and new highs in volatility levels. The most noticeable being GBP/USD pair, which, due to highlighted risk that Scotland might vote for independence next week, peaked at the 13.31 mark right at the end of the observed period.

On Monday market's volatility was elevated only for a very short period, while the Greenback's volatility didn't manage to cross the 1.0 mark even for a moment. Next day showed a different scene as volatility spiked, reaching the 2.3 level when U.S. Manufacturing PMI showed an increase by 1.9 points to 59.0. On Wednesday Euro zone released their Services PMI and with BoC statement regarding interest rates adding fuel to the fire, volatility level was elevated for more than half of the day. Next day, with ECB lowering the interest rate from 0.15% to 0.05% and ECB's press conference, USD's volatility peaked at the 3.69 mark reaching its highest value of the week. Period ended with one rather big spike when U.S. nonfarm payrolls showed a deceleration of growth.

Elevated Volatility (% of the observed period)

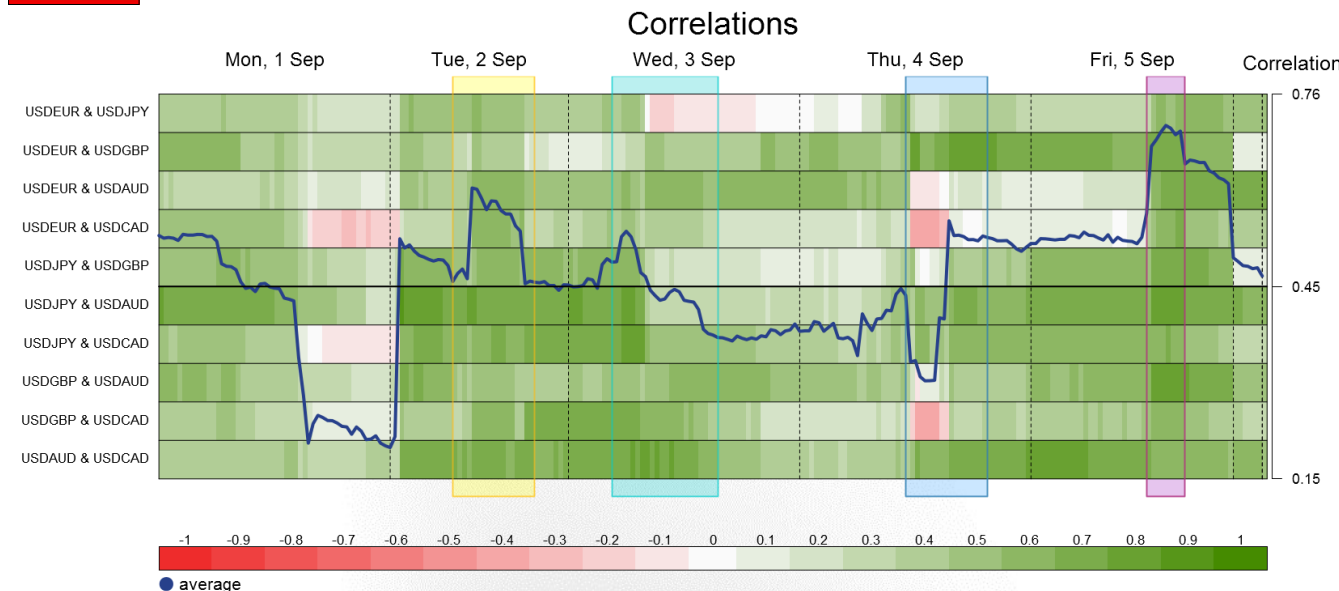
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	39	23	45	50	25	39	32	42	38

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	3.85	3.69	6.7	3.25	13.31	7.43	3.35	3.55	3.3	4.01
Min	0.39	0.33	0.2	0.26	0.25	0.18	0.3	0.25	0.3	0.22
Average	1.06	1.02	0.97	1.08	1.32	0.92	1.02	0.97	0.99	0.96



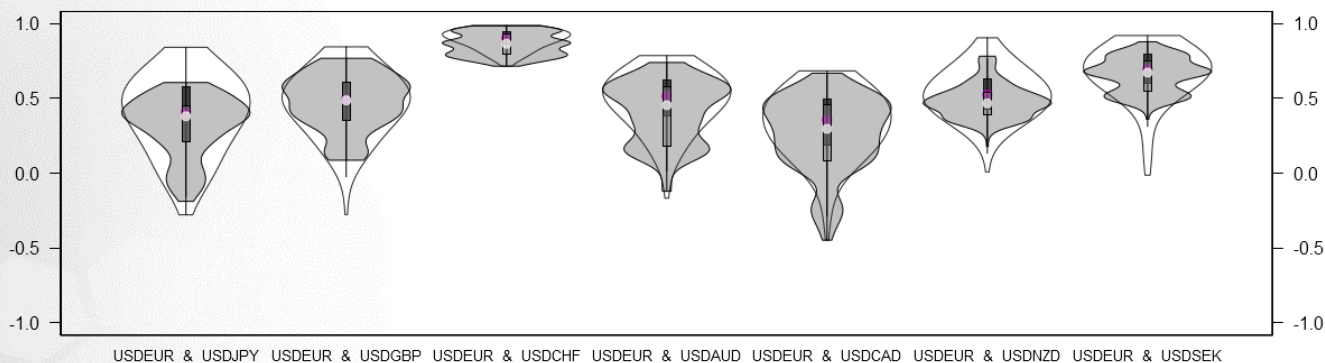
Currency Significance



During the week the correlations of USD pairs were mostly on and below its historical levels. The average correlation, which measures the significance of the U.S. dollar, experienced several surges and drops, which pointed out the moments, when the Greenback or its counterparts drove the market. The first day of the week was spent in absence of news from the United States, so starting the period at 0.54 the gauge dropped to low 0.2 mark in the evening. However, it fully retrieved early Monday, when USD rose against its counterparts and all the USD correlations became significantly positive.

Later, the gauge reached 0.6 level against the background of unexpectedly high Manufacturing PMI announcement. Next conspicuous changes in correlations took place on Thursday, when the most resonant event of the week – ECB Interest Rate decision – made Euro the market driver. The USD significance measure declined to 0.3, but recovered after the release of positive Non-Manufacturing PMI. It remained on 0.53 level till Friday’s noon, when disappointing Nonfarm Payrolls data negatively affected the Greenback and raised the average correlation to 0.7 – the highest level of the week. Thus, the gauge ended the trading week with relatively high 0.6 value.

Correlations (5 vs 20 days)

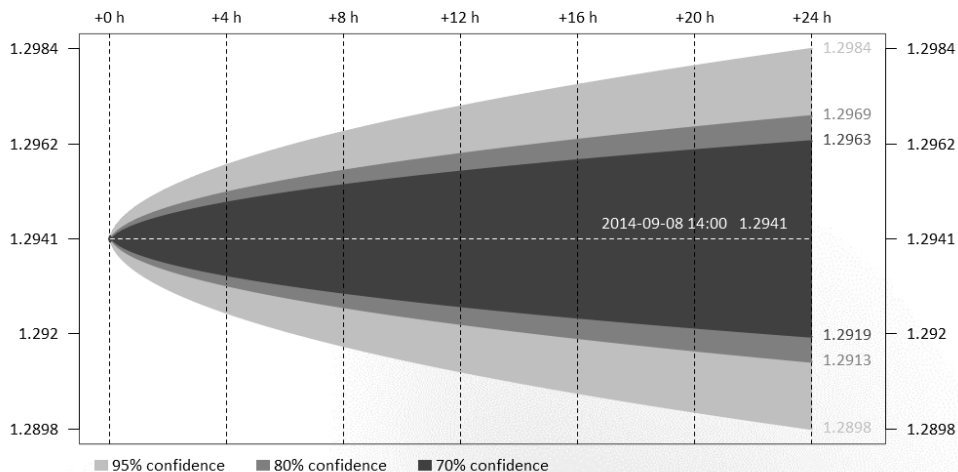


Mean Correlation Coefficient (with USDEUR)

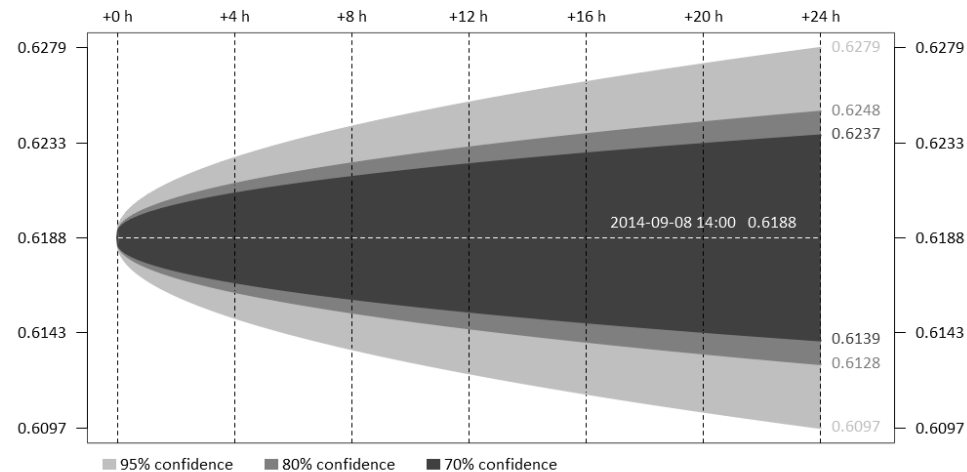
Days	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.31	0.48	0.86	0.4	0.25	0.48	0.66
20	0.38	0.47	0.89	0.49	0.33	0.53	0.67
130	0.26	0.4	0.87	0.31	0.2	0.36	0.58
250	0.24	0.45	0.86	0.3	0.22	0.33	0.58

Confidence Intervals for Next 24 Hours

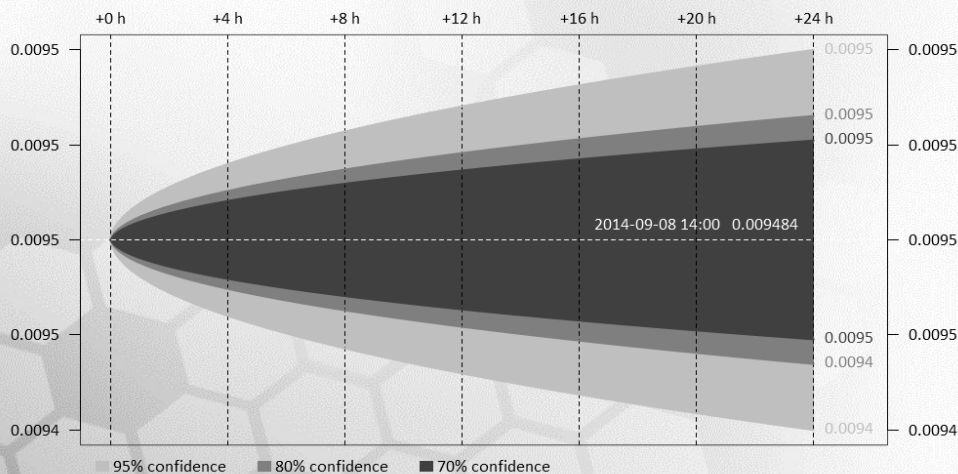
EURUSD Potential Rates



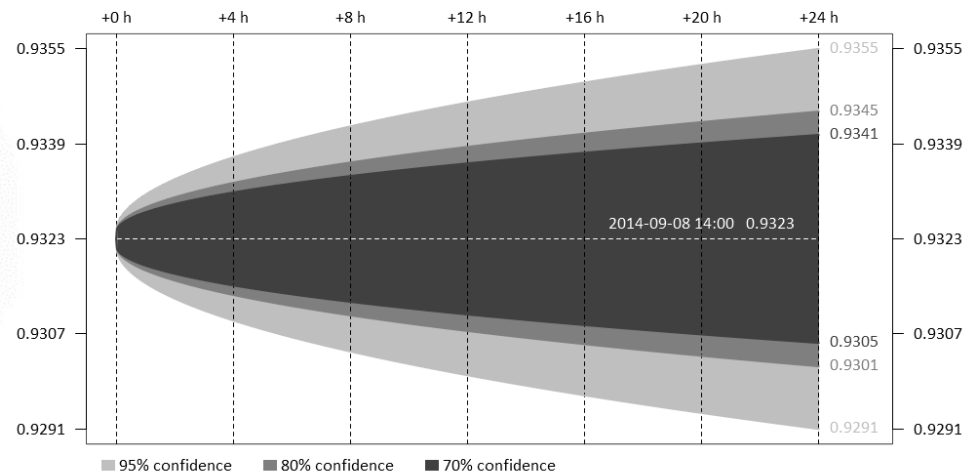
GBPUSD Potential Rates



USDJPY Potential Rates



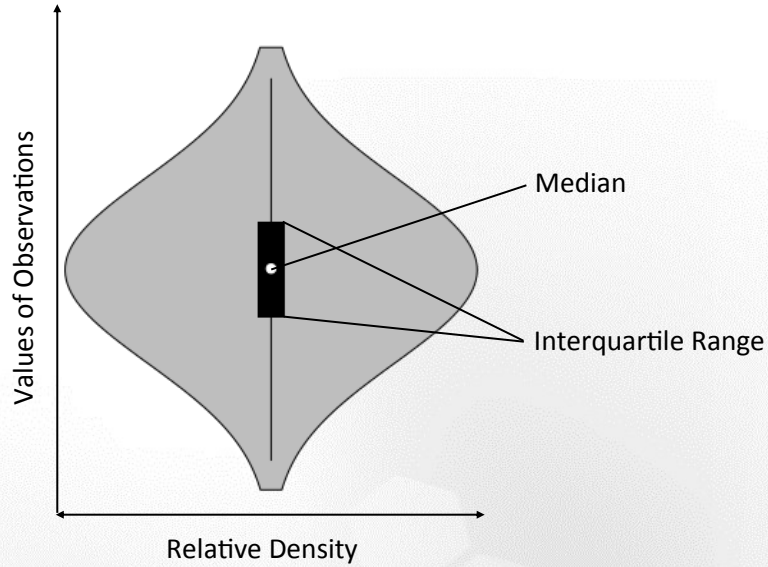
USDCHF Potential Rates



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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