



AUD

08/10/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

October 1

01:00 - 16:30

- Australian Retail Sales
- U.S. ADP Employment Change, ISM Manufacturing PMI

Turquoise Area

October 2

01:00 - 19:00

- Australian Building Permits, Trade Balance, RBA Annual Report
- ECB Rate Decision, Monetary Policy Statement
- U.S. Initial Jobless Claims, Factory Orders

Blue Area

October 3

12:30 - 16:00

- Australian HIA New Home Sales
- Eurozone Retail Sales
- U.S. Non-Farm Payrolls, Trade Balance, Unemployment Rate

Purple Area

October 6

11:30 - 19:30

- Australian ANZ Job Advertisements, AiG Performance of Construction Index

Orange Area

October 7

04:00 - 10:30

- RBA Interest Rate Decision, Rate Statement
- U.S. Consumer Credit Change, Former Fed's Bernanke Speech

AUD Currency Index Range

0.65%

0.33%

0.43%

0.24%

0.37%

Max AUD Volatility Index

2.33

1.96

1.76

1.28

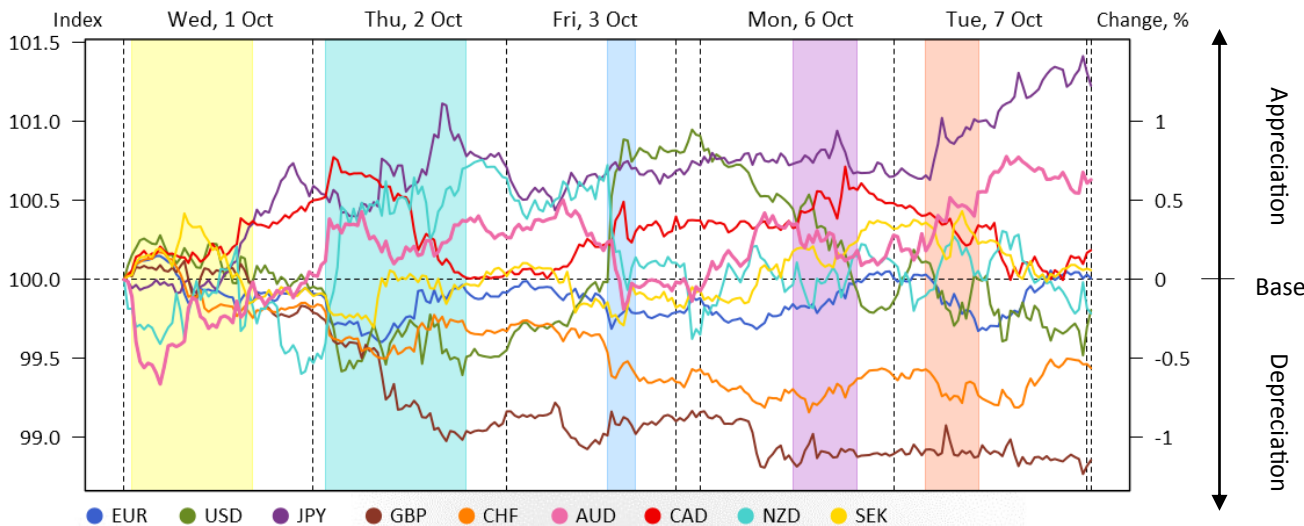
1.4



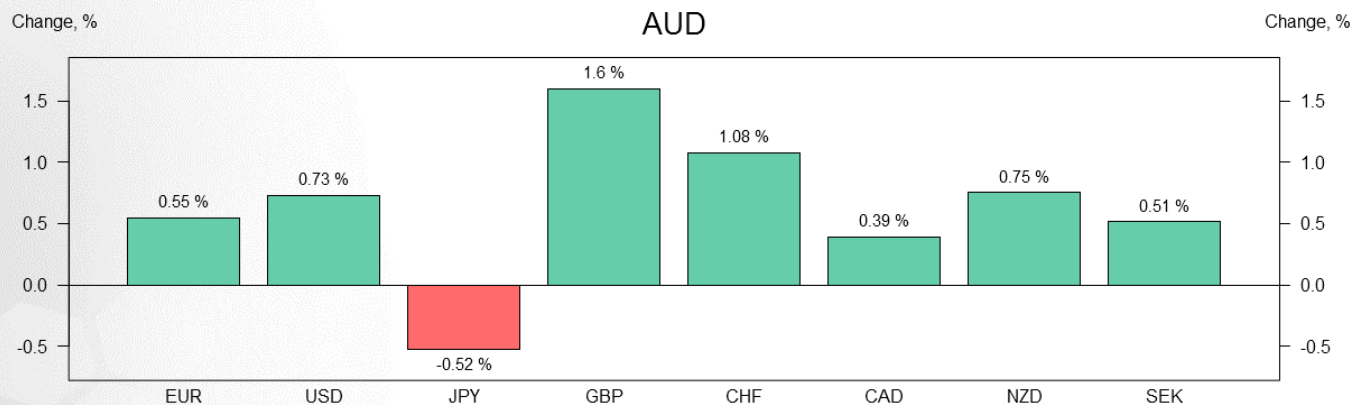
Relative Currency Strength

Currency Indices

The Japanese yen was the best performing currency in the period from October 1 till October 7, as its currency index advanced considerably on growing service sector of the economy and unchanged monetary policy stance from the Bank of Japan. The largest increase was seen exactly on Friday, when the BoJ made its final decision on interest rates, as it helped the Japanese currency to end period with a jump of 1.23%. Among worst performers, the British Pound's index dropped 1.14% on disappointing news on manufacturing and services activity, even though construction sector expanded. The single European currency, in turn, ended the period virtually unchanged.



Australian currency developed rather positively during last five working days, despite mostly neutral fundamental data from the country and also due to other influencing factors. The AUD Index slipped below 99.5 mark on Monday, when retail sales data for August was released worse than expected. However, it managed to recover quite fast on optimistic statistics for building permits, as they added 3% in the last month of summer. During the remaining period, the currency traded in a calm manner due to lack of important news, while on Friday it managed to advance, when the Reserve Bank of Australia kept interest rates on previous record-low levels. All in all, the index surged 0.63% in five days to close above the 100.6 mark on Tuesday.



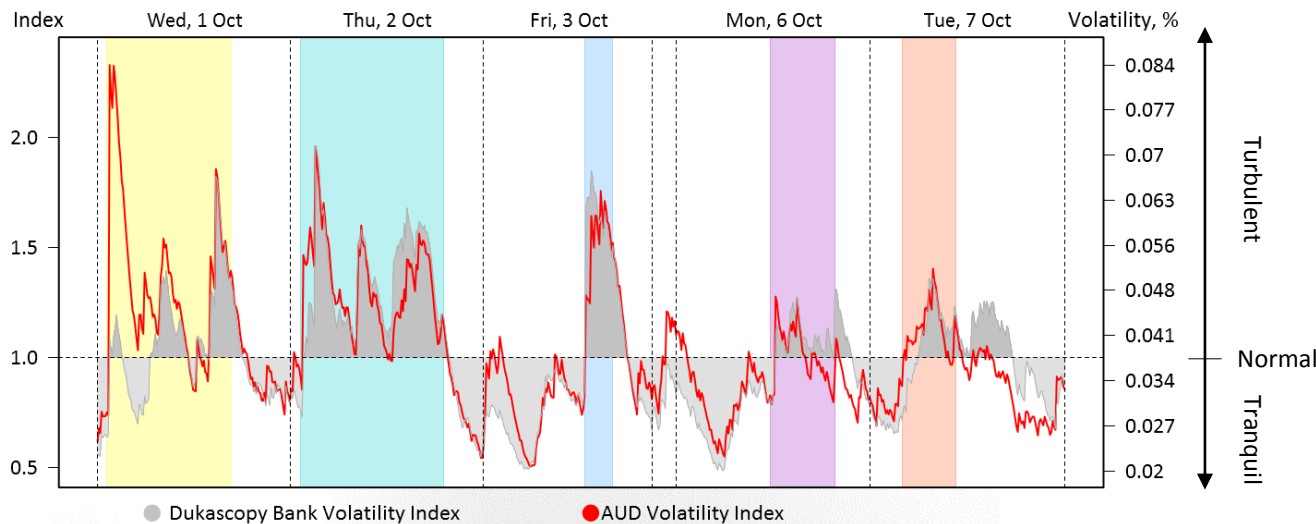
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.01%	-0.19%	1.23%	-1.14%	-0.56%	0.63%	0.19%	-0.21%	0.06%
20	-0.02%	2.52%	0.34%	2.09%	-0.49%	-2.48%	0.52%	-3.54%	1.16%
130	-2.71%	7%	0.25%	2.3%	-2.07%	0.1%	4.8%	-4.53%	-4.65%
250	-0.85%	7.09%	-5.58%	6.95%	0.45%	-0.75%	-1.85%	0.4%	-5.85%



Volatility

Volatility



Both the elevated volatility proportions and the values of Volatility Indexes of the AUD/USD currency pair were above market average levels during the period. It is worth pointing out that especially the AUD/NZD cross was unusually dynamic and became the most volatile pair in terms of elevated volatility proportion past week. The highest peak of the volatility was also reached by exactly the same currency pair, even though released data was not supposed to drive this pair so much. However, the largest point for volatility index for this pair was reached at 6.15 points.

The highest hike of AUD Index volatility was observed in the beginning of period on Wednesday amid unexpectedly low increase of retail sales in Australia and rising employment in the U.S. On Thursday, statistics from the United States dominated on the market and moved the index of the currency, as initial jobless claims fell further, while factory orders plunged significantly. Australian trade deficit, however, narrowed less than forecasted. Mostly driven by American data, the pair has also experienced some uplifted volatility on Friday, when labor market and trade data was released in the U.S. Meanwhile, the beginning of new week was marked by more balanced volatility numbers than it was some time before.

Elevated Volatility (% of the observed period)

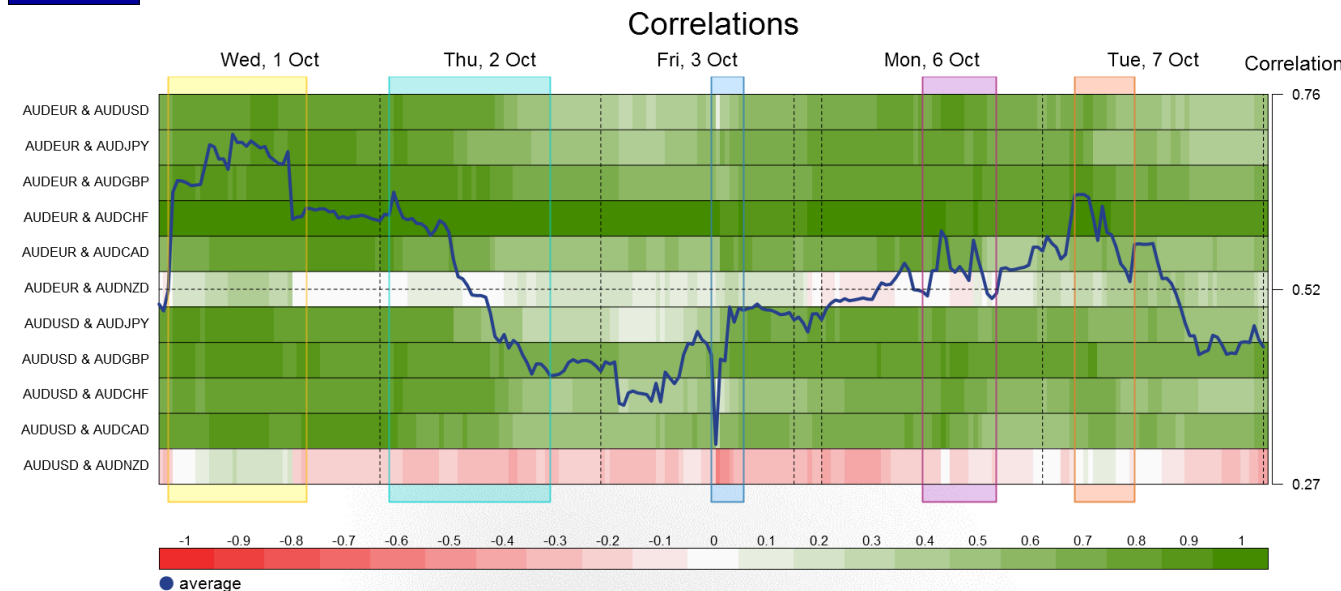
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
	47	42	52	55	32	47	46	58	40

Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.96	2.33	2.59	2.62	2.51	2.21	2.52	2.58	6.15	2.42
Min	0.49	0.51	0.44	0.44	0.52	0.42	0.44	0.48	0.54	0.45
Average	1	1.04	1.01	1.08	1.07	0.92	1.03	1.03	1.25	0.96



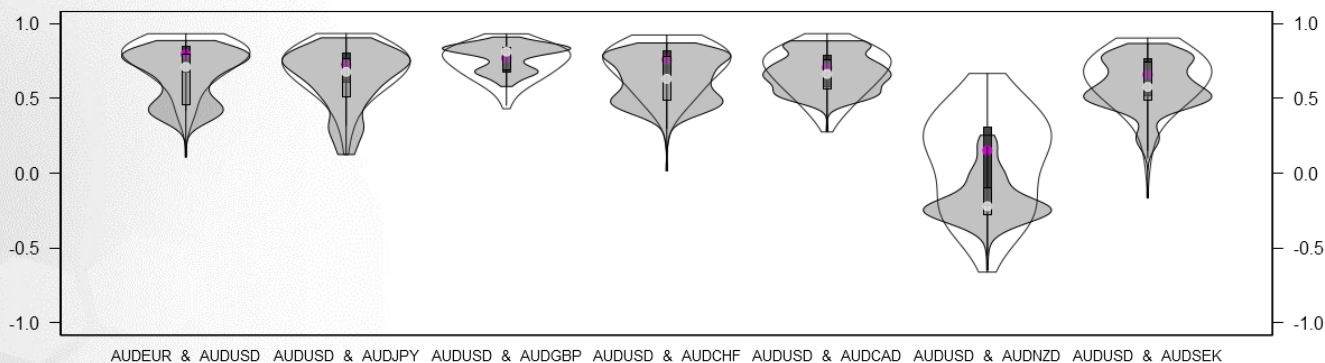
Currency Significance



The components of the Australian dollar significance measure showed strong correlations over the observed period. The short-term correlations between AUD/USD and other AUD crosses varied from 0.58 to 0.78. The only exception was correlation with AUD/NZD, where a drop into negative territory provided the component the weakest result of the week, as its correlations stood at minus 0.17. Compared to the 20-day values, most of the correlation pairs have lost 0.01-0.20 points, but AUD/JPY pair added 0.03.

The period started with the rather dynamic movement of the AUD measure, as it was mostly driven by news both from Australia and U.S. At the same time, on Thursday the composite started declining and reached its lowest value around 0.32 on Friday. However, the composite managed to recover in a rather fast way to hover around 0.50 for the rest of the period amid lack of news. Therefore, the Australian currency and the AUD measure stayed in a quite narrow range during this time period. Alongside, some changes were noticed on Tuesday, namely in the end of October 1-7 period, when the Reserve Bank of Australia decided to implement no changes to the monetary policy, as it could drive the Aussie a bit stronger.

Correlations (5 vs 20 days)

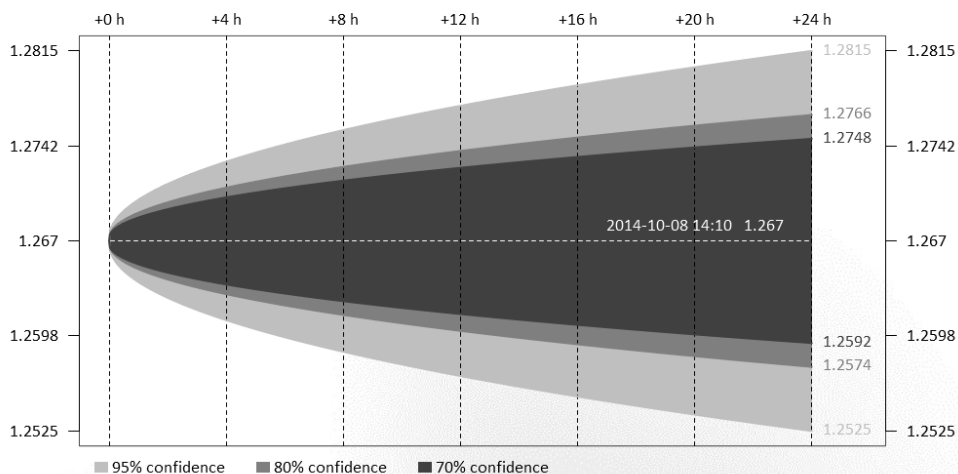


Mean Correlation Coefficient (with AUDUSD)

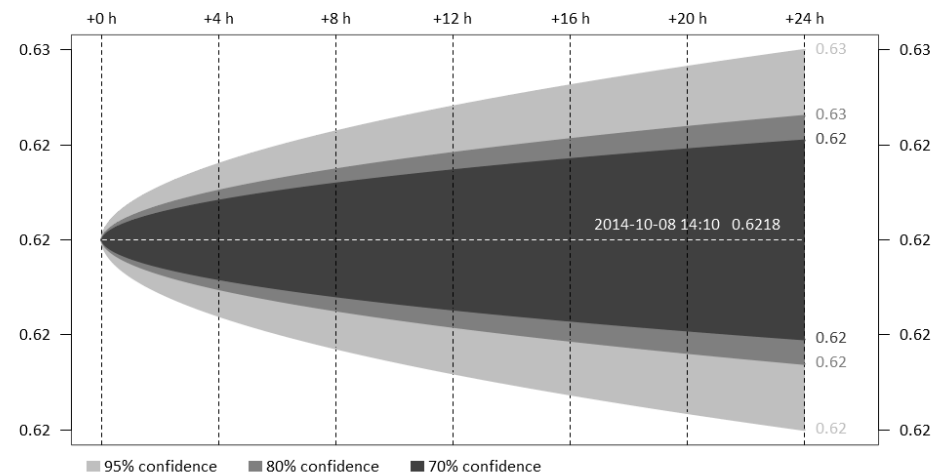
Days	AUDEUR	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.64	0.63	0.78	0.62	0.67	-0.17	0.58
20	0.75	0.69	0.75	0.71	0.68	0.07	0.64
130	0.73	0.7	0.75	0.68	0.69	0.22	0.56
250	0.75	0.72	0.76	0.7	0.71	0.25	0.58

Confidence Intervals for Next 24 Hours

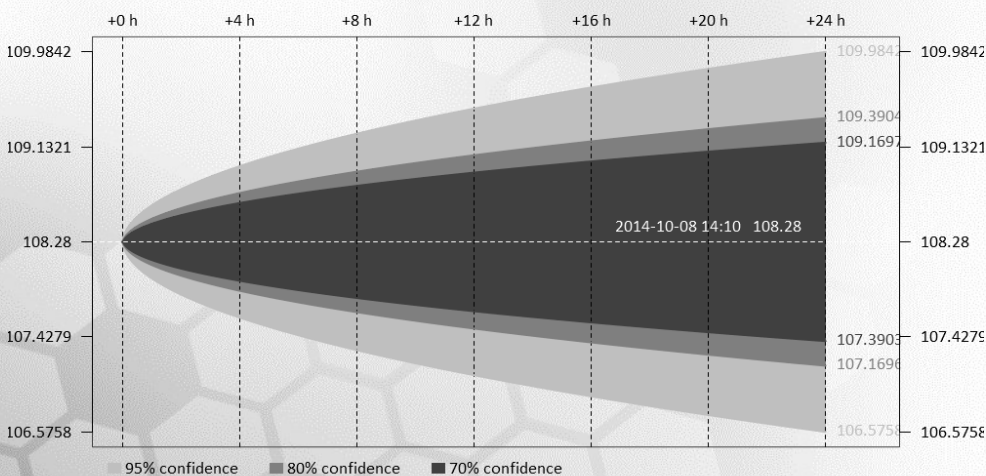
EURUSD Potential Rates



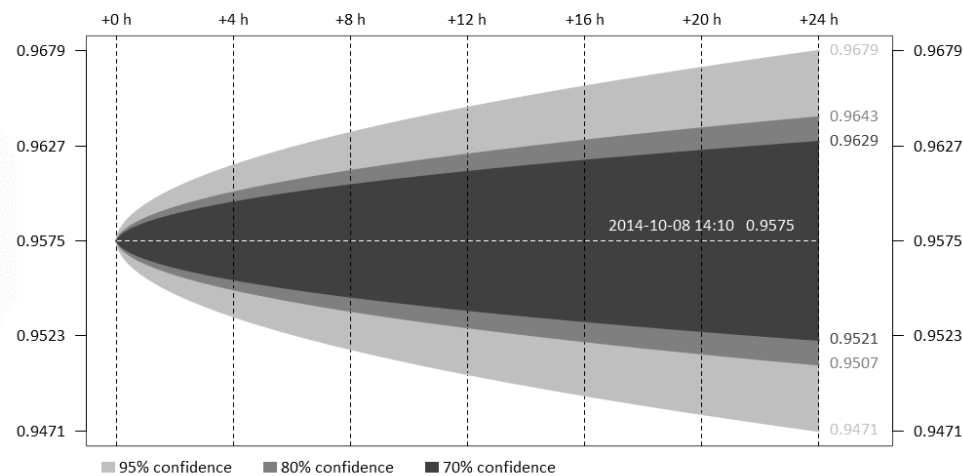
GBPUSD Potential Rates



USDJPY Potential Rates



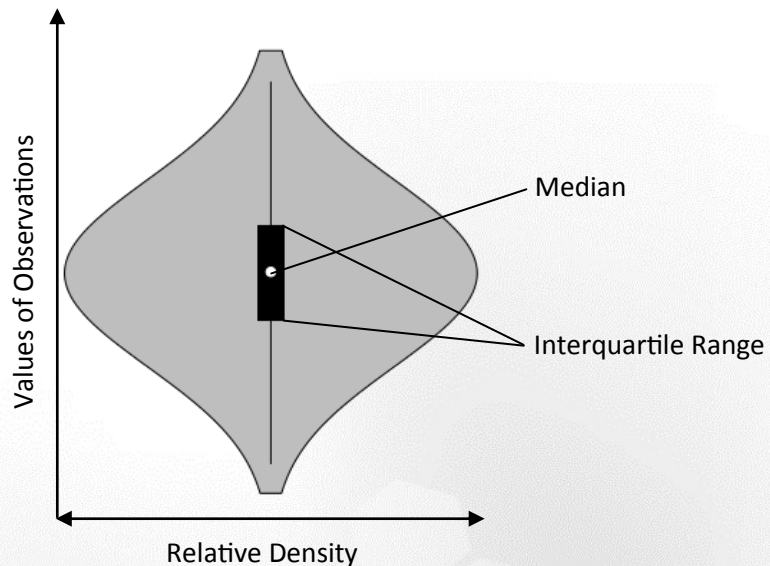
USDCHF Potential Rates



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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