



EUR

10/10/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

October 3

05:30 - 15:00

- Euro Zone, German Services PMI
- Euro Zone Retail Sales, PMI Composite
- U.S. Nonfarm Payrolls, Unemployment Rate, Non-Manufacturing PMI, Trade Balance, Services PMI, Composite PMI

Turquoise Area

October 6

06:00 - 19:30

- German Factory Orders
- Sentix Investor Confidence
- Canadian Ivey PMI

Blue Area

October 7

03:00 - 15:00

- RBA Interest Rate Decision
- BOJ Interest Rate Decision
- German Industrial Production
- Swiss CPI
- UK Manufacturing Production

Purple Area

October 8

05:30 - 18:30

- Swiss Unemployment Rate
- UK Halifax HPI
- Canadian Housing Starts
- US FOMC Minutes

Orange Area

October 9

05:00 - 16:00

- Australian Unemployment Rate
- German Trade Balance
- UK Asset Purchase Facility, Official Bank Rate
- ECB President Draghi Speaks

EUR Currency Index Range

0.25%

0.31%

0.36%

0.46%

0.21%

Max EUR Volatility Index

1.73

1.2

1.38

1.58

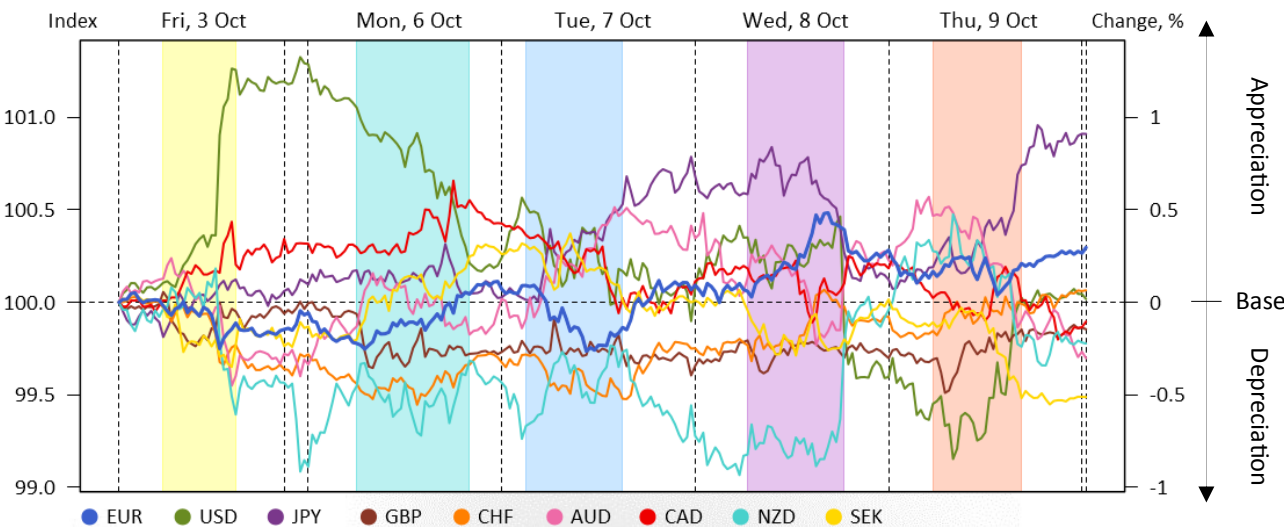
1.47



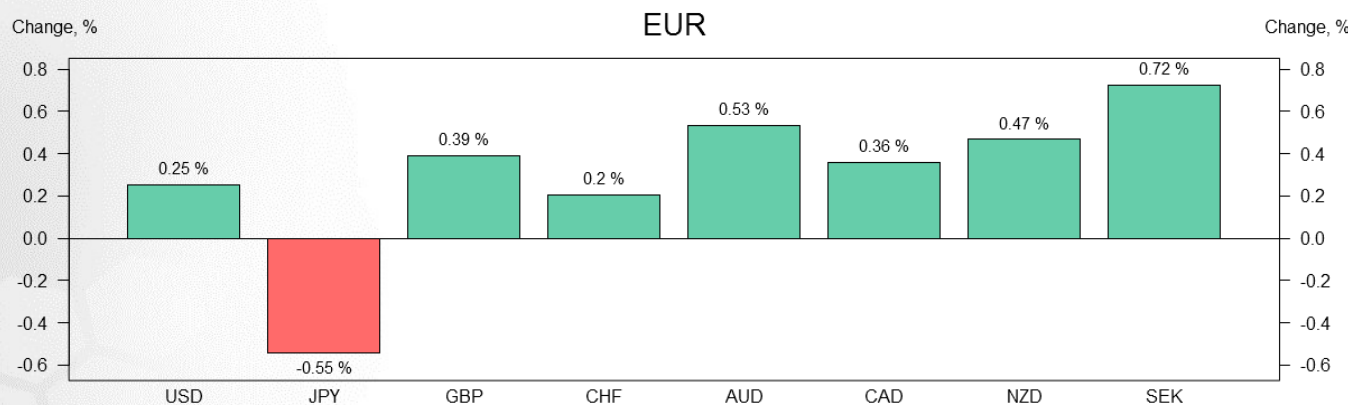
Relative Currency Strength

Currency Indices

In the period from 3rd to 9th October, the Europe's shared currency has performed well, as it managed to gain against seven of its eight observed counterparts. The biggest advance has been witnessed versus the Swedish krona, that failed to keep its bullish momentum from the last week. As a matter of fact, for most of the time the Euro was not among the best performing currencies; however, by the end of Thursday it reached the second best-performing position. Moreover, the increase was also spurred by the underperformance of the other currencies, as most of them remained unchanged or posted losses in the period.



At the beginning of the period, the 18-nation currency fluctuated slightly below the starting point and we had to wait until the end of Tuesday to see the Euro Index advancing. Nonetheless, the common currency's movements were mostly dictated by the situation elsewhere, since there were no major data released in the Euro zone. The news that the German exports fell the most since 2009 dragged the currency slightly lower; however, no major impact was given. At the same time, the ECB has started to provide some hints concerning the volume of its balance sheet expansion plan, by doing that they are trying to calm the markets. Also, the ECB Vice President Vitor Constancio stated that the ECB will not buy the so called "junk securities" with a high risk of default.



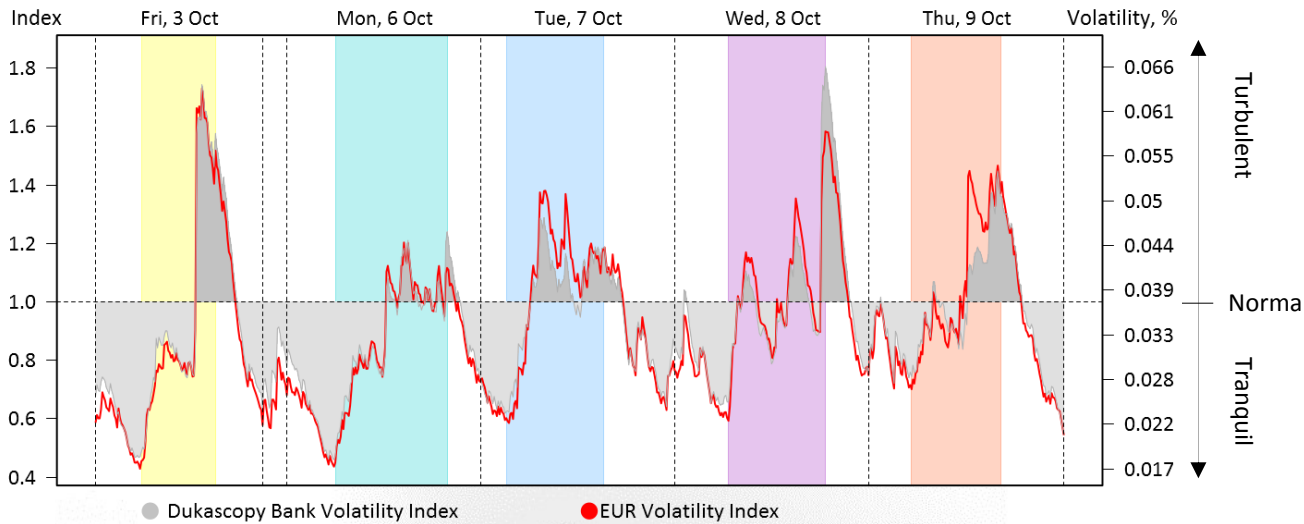
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.3%	0.02%	0.91%	-0.15%	0.06%	-0.3%	-0.1%	-0.22%	-0.51%
20	-0.13%	1.77%	1.25%	0.97%	-0.25%	-2.19%	0.55%	-2.46%	0.55%
130	-2.87%	7.22%	0.32%	2.51%	-2.32%	-1.01%	4.84%	-4%	-4.21%
250	-0.66%	6.33%	-4.86%	7.53%	1.21%	-2.16%	-1.79%	0.37%	-5.97%



Volatility

Volatility



Even though the Euro area's currency demonstrated some sharp moves on Friday and Wednesday, in general the elevated volatility portions were slightly above the 30% mark, which is below the past overturbulence levels. The most volatile currency this week was the U.S. Dollar; however, not to extreme levels. At the same time, the Kiwi has lost its turbulence, after reaching 74% level last week.

The previously mentioned volatility on the last day of the past week was caused by the US employment numbers. The non-farm employment was released considerably better than expected and also the unemployment rate reached the lowest level in six

years. The US jobs data, of course, led to some additional volatility and helped the most popular currency pair (EUR/USD) to become the one with the highest volatility. Moreover, the Euro Volatility Index jumped to 1.73 mark on Friday, after the previously mentioned release. Also, rather turbulent was Wednesday, when the Dukascopy Bank Volatility Index spiked to 1.8 level. The main catalyst for Wednesday's fluctuation were the US FOMC meeting minutes. The minutes showed that the policy makers are worried about slowing global growth and a stronger U.S. Dollar that poses risks to the nation's economy. Other days did not provide that much of volatility and the volatility index was rather tranquil, with no sharp moves.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
32	33	53	46	14	43	33	32	20	37

Volatility Index (for the observed period)

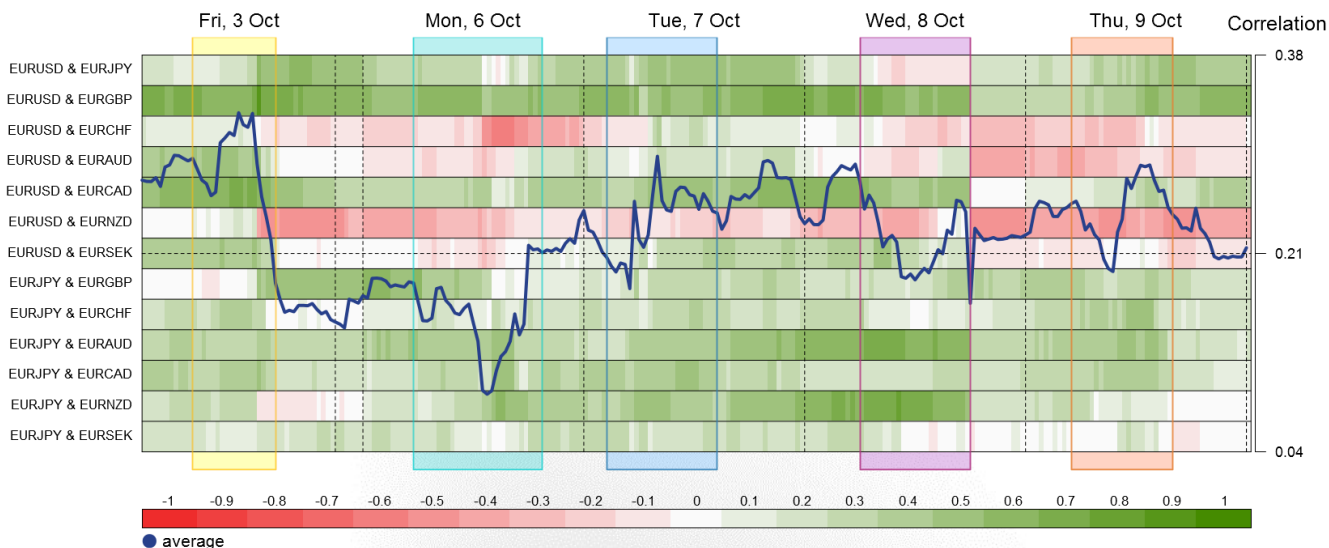
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	1.81	1.73	3.96	2.21	1.76	2.54	1.69	1.77	1.63	2.51
Min	0.46	0.43	0.2	0.42	0.25	0.28	0.42	0.29	0.36	0.16
Average	0.92	0.91	1.13	1.01	0.74	1.03	0.92	0.86	0.83	0.86



Currency Significance

Excepting some minor dips and climbs, the significance of the Euro, measured as an average correlation between various Euro crosses, was around its medium levels of 0.20. For some time on Friday and Monday the measure fell down to tenuous area; however, later managed to recover to more solid levels. The decline was caused by most of the components sliding to weakly negative values, suggesting that the single currency was not on the strong governing side of the pair movements. Nonetheless, the lack of important Euro zone's events in the period contributed to no significant changes. At the same time the gauge is not indicating that more market participants have started looking in other currencies.

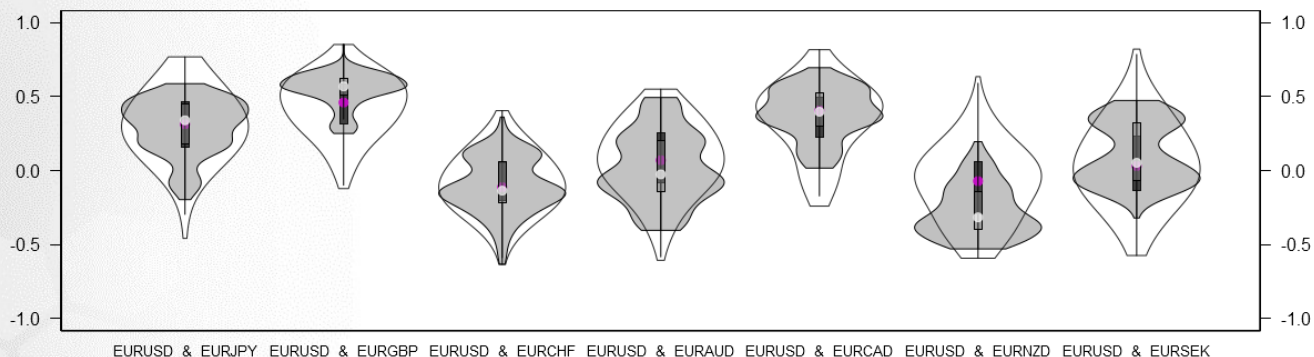
Correlations



The Euro significance remains at more or less the same levels that at the beginning of the period; however, some of the crosses have changed more significantly. After a drop in investor confidence (released by Sentix) on Monday the interest in Euro also fell to around 0.10 level, which is considerably below the average. However, on Tuesday the average correlation rebounded to better known levels—around 0.20. Starting from Tuesday there were a little change witnessed in the measure.

All in all, it appeared that neither local, nor foreign data were able to solidly affect the single currency during this period, and its crosses were mostly pushed by the developments in its counterparts' regions.

Correlations (5 vs 20 days)

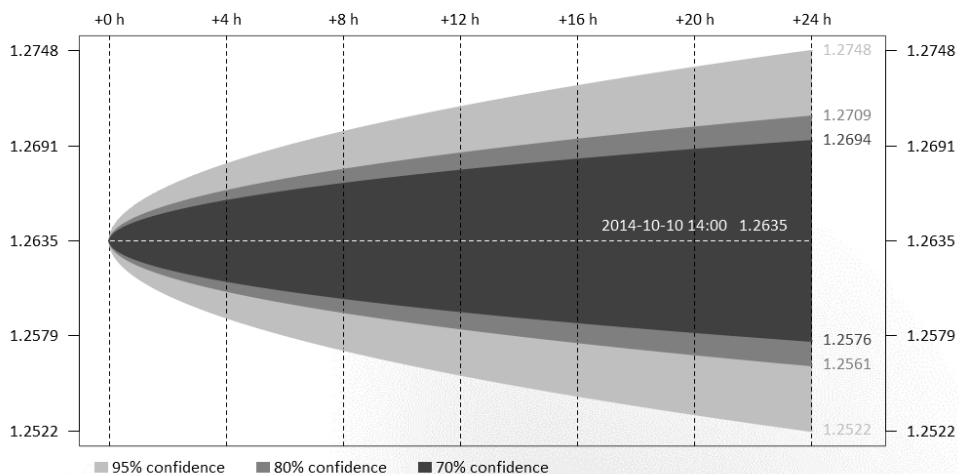


Mean Correlation Coefficient (with EURUSD)

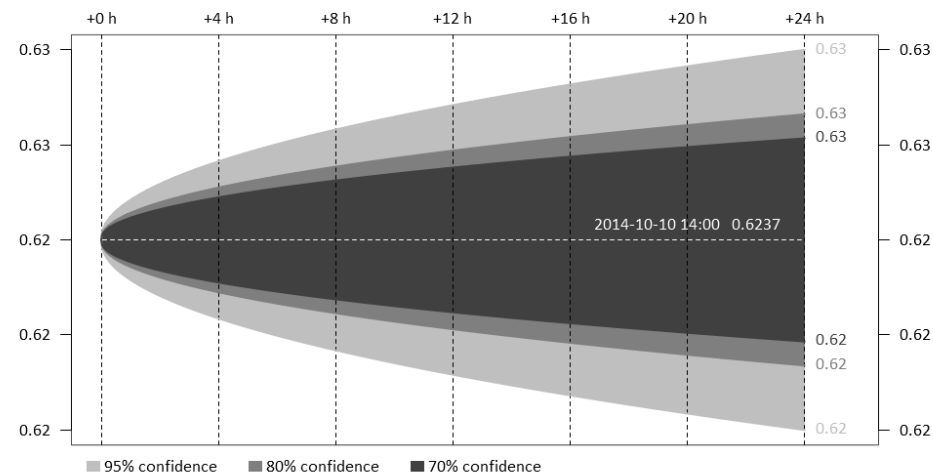
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.29	0.55	-0.11	0.02	0.38	-0.27	0.11
20	0.3	0.44	-0.09	0.08	0.35	-0.1	0.05
130	0.48	0.53	-0.14	0.31	0.54	0.17	0.07
250	0.49	0.49	-0.11	0.32	0.56	0.23	0.07

Confidence Intervals for Next 24 Hours

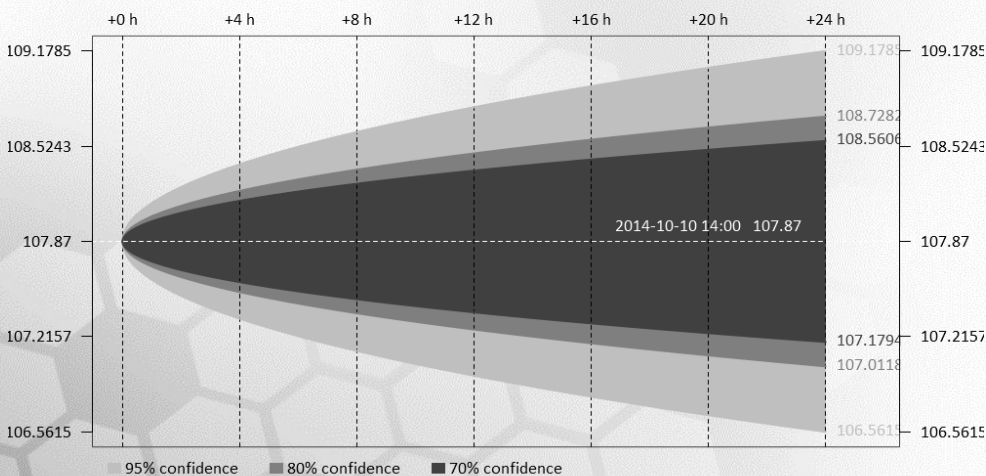
EURUSD Potential Rates



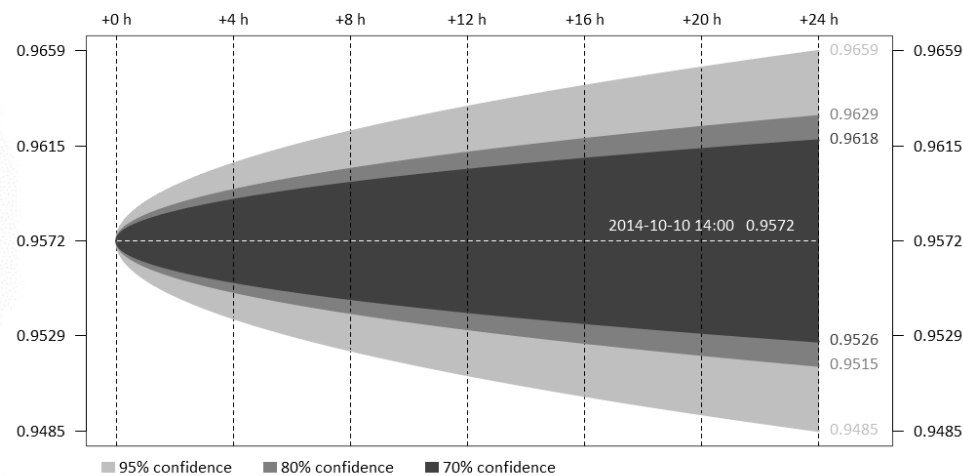
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

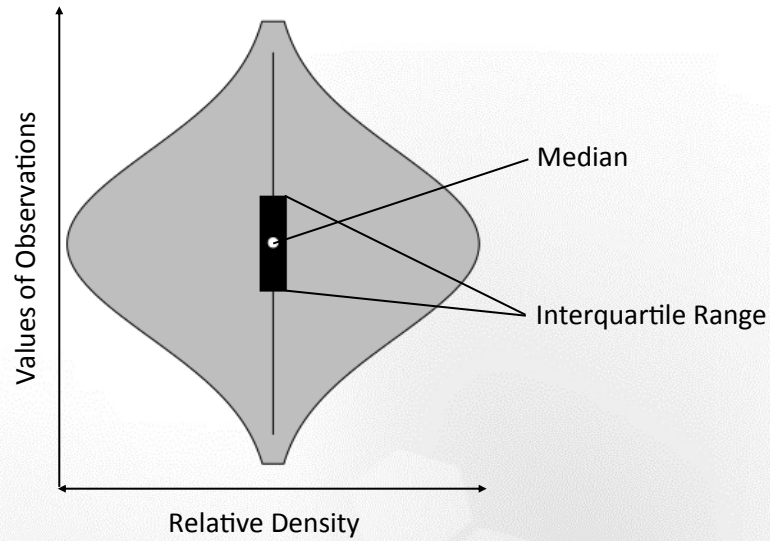
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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