



EUR

17/10/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

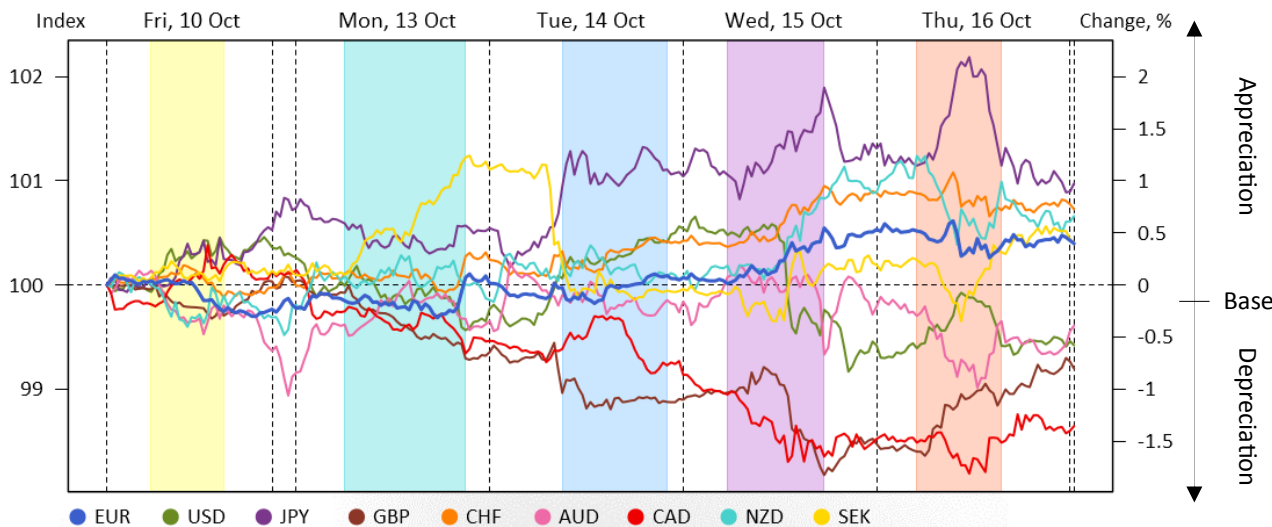
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
October 10	October 13	October 14	October 15	October 16
06:00 - 15:00	06:00 - 21:00	08:30-21:30	05:30-17:00	05:00-15:30
<ul style="list-style-type: none"> <u>Australian Home Loans</u> <u>UK Trade Balance</u> <u>Canadian Employment Change; Unemployment Rate</u> <u>IMF Meetings</u> 	<ul style="list-style-type: none"> <u>German Wholesale Price Index</u> <u>Eurogroup Meetings</u> <u>RBA Assist Gov Debelle Speech</u> 	<ul style="list-style-type: none"> <u>National Australia Bank's Business Confidence</u> <u>UK Consumer Price Index</u> <u>German ZEW Economic Sentiment</u> <u>ECOFIN Meetings</u> 	<ul style="list-style-type: none"> <u>ECB President Draghi's Speech</u> <u>UK Claimant Count Change; Unemployment Rate</u> <u>US Core Retail Sales; PPI</u> <u>New Zealand's GDT Price Index</u> 	<ul style="list-style-type: none"> <u>Australian MI Inflation Expectations</u> <u>RBA Assist Gov Debelle Speaks</u> <u>Euro zone's Final CPI</u> <u>Canadian Manufacturing Sales</u> <u>US Unemployment Claims; Industrial Production</u>

EUR Currency Index Range	0.31%	0.39%	0.28%	0.53%	0.35%
Max EUR Volatility Index	1.45	1.53	2.13	2.42	2.86



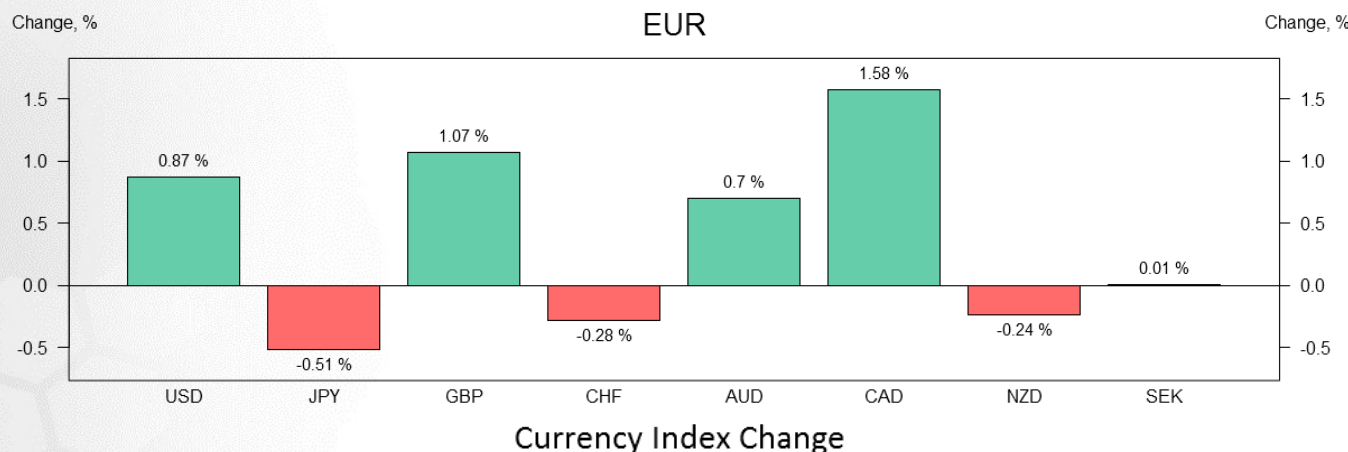
Relative Currency Strength

Currency Indices



Euro was amongst the best performing currencies in the period. It came basically at par with the Swedish currency and was surpassed only by the Japanese Yen and Swissy. However, all the other currency indices were outperformed by the Euro rather significantly, as they lagged at least 0.7% behind the Europe's shared currency. Trough the period the Euro has showed very calm performance, as it fluctuated around the base for the first three days. However, on the second part of Wednesday the common currency started to gain slightly, after the Pound and the US Dollar were impacted to the downside by the national data.

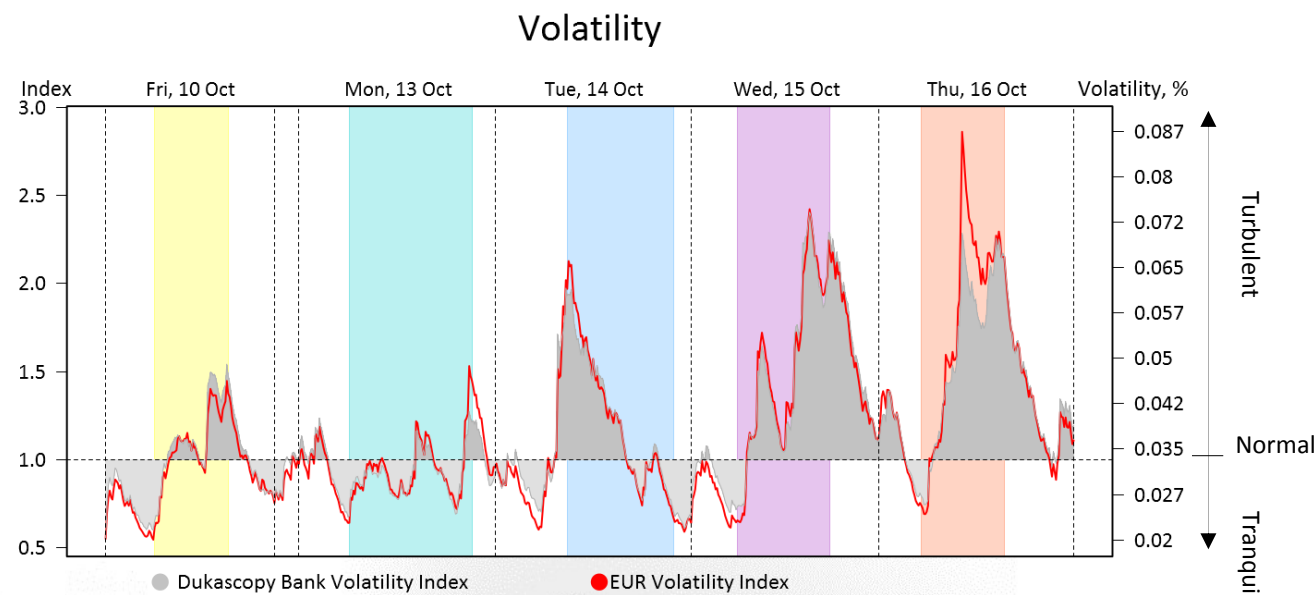
On Thursday the Euro index remained its position above the base value, as the area's Final CPI came in line with expectations. At the same time, Mario Draghi's remarks continued to impact the market. This week he sent the European equities to the biggest decline in almost three years, as he has disappointed the market with his quantitative easing plans. By the week end the Euro index reached 0.4%, meaning that the gauge has posted gains for four straight weeks. Moreover, worse than expected German ZEW sentiment did not impact the Euro zone's currency too much, since the overall sentiment towards the Euro area is unconvincing to say the least. All in all, it seems that the market participants are aware of the current situation.



Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.4%	-0.58%	0.97%	-0.8%	0.73%	-0.39%	-1.36%	0.66%	0.4%
20	0.3%	1.22%	4.13%	-1.07%	0.24%	-1.35%	-1.88%	-1.52%	0.18%
130	-2.72%	5.77%	1.63%	0.9%	-1.61%	-1.11%	3.49%	-2.68%	-3.31%
250	-0.2%	6.07%	-2.2%	6.97%	2.44%	-3.46%	-3.68%	-0.7%	-5.21%



Volatility



In the first part of the period the levels of volatility remained rather moderate. However, already starting from Tuesday the volatility in the market climbed significantly as the amount of important data increased. In the last three days of the period the EUR Volatility Index reached above the 2.0 mark. Moreover, On Thursday the gauge went even further and almost touched the 3.0 level, as the Canadian Manufacturing Sales disappointed. Also, US Unemployment Claims dropped to the lowest level in 14 years and US Industrial Production surprised to the upside. The US data were the most important news in the period.

Other noticeable peaks in volatility were UK Claimant Count (worse than expected) and US Retail sales (missed the forecasts) on Wednesday. Dukascopy Bank Volatility Index correlated very well with the Euro Volatility Index.

The most turbulent currency pairs were EUR/JPY and EUR/AUD, their elevated volatility reached 71% and 64%, respectively. However, also in general this week provided the traders' with great profit taking opportunities, as the market's volatility approached the highest level since the end of September. Whereas, the most tranquil (elevated volatility at 31%) currency pair was the EUR/NZD cross, that offered much more volatility few weeks ago.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
	56	45	71	56	37	64	56	31	54

Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.41	2.86	3.97	3.63	3.97	1.83	3.06	3.19	2.42	7.69
Min	0.55	0.54	0.4	0.53	0.34	0.31	0.53	0.39	0.37	0.16
Average	1.17	1.16	1.11	1.35	1.26	0.91	1.22	1.27	0.94	1.24

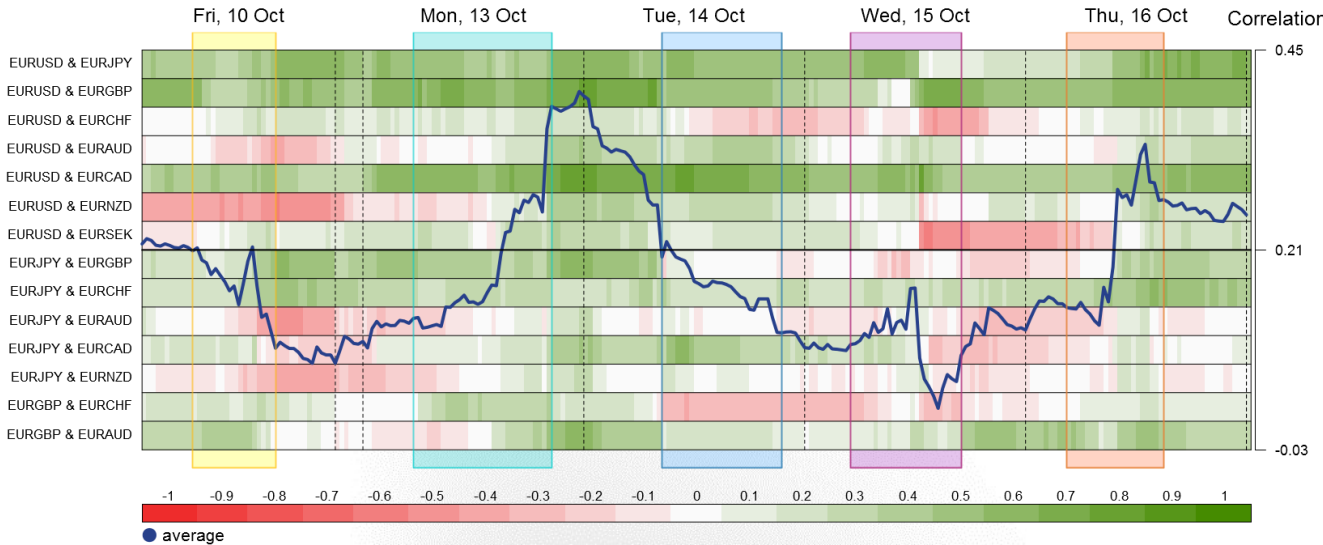


Currency Significance

The Euro significance measure remained moderate only for the first part of Friday and the last part of Thursday. The gauge started the period at 0.21 and ended it at 0.25, while the biggest changes were in-between the periods. At the end of Monday and at the beginning of Tuesday the measure exceeded the significance level of 0.4. Nonetheless, just slightly more than 24 hours later the significance level dropped below the 0.10 mark.

An overwhelming majority of the mean correlations strengthened both over the previous and longer-term values.

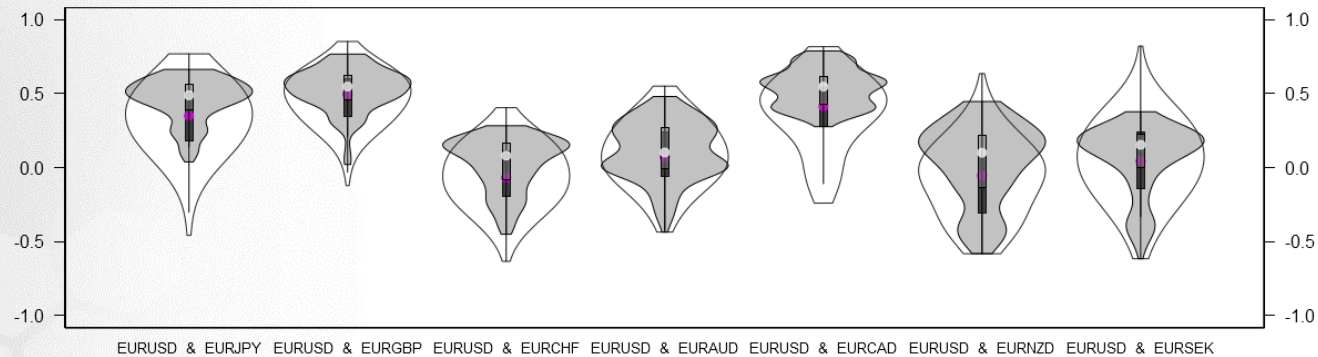
Correlations



Although, the most remarkable changes occurred in EUR/USD correlations with EUR/JPY, which average values sat around 0.3 both last period and last month, and EUR/NZD.

In the past week, there were more major movements than in the week before, as the composite topped around the 0.40 mark. This increase followed the Japanese and Australian data that moved the market. However, neither the disappointing ZEW numbers and the confirmation of the Euro area's inflation being at 0.8% did not help the Euro. On contrary, it fueled the worries of the Euro zone's economy. Nonetheless, the US data reestablished the interest in the most popular currency pair on Thursday.

Correlations (5 vs 20 days)

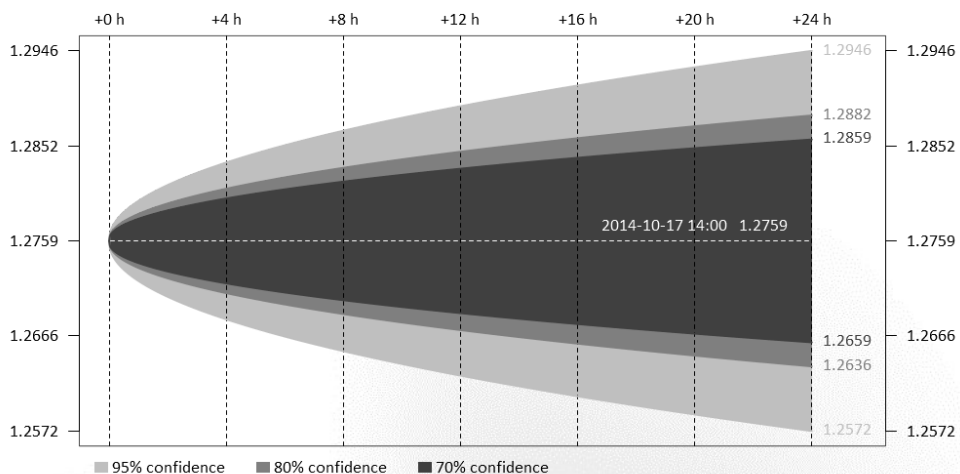


Mean Correlation Coefficient (with EURUSD)

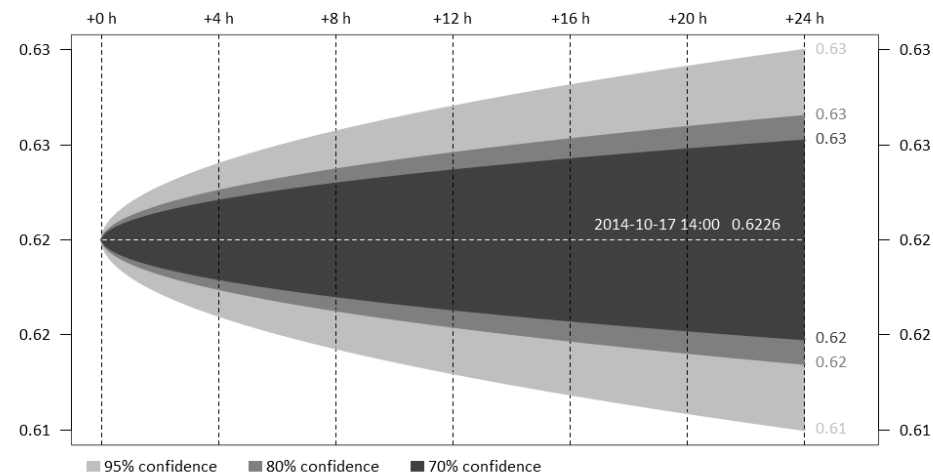
Days	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.46	0.53	0.02	0.11	0.54	0.03	0.06
20	0.33	0.47	-0.06	0.09	0.37	-0.08	0.05
130	0.49	0.53	-0.13	0.3	0.54	0.16	0.07
250	0.49	0.49	-0.1	0.31	0.55	0.23	0.07

Confidence Intervals for Next 24 Hours

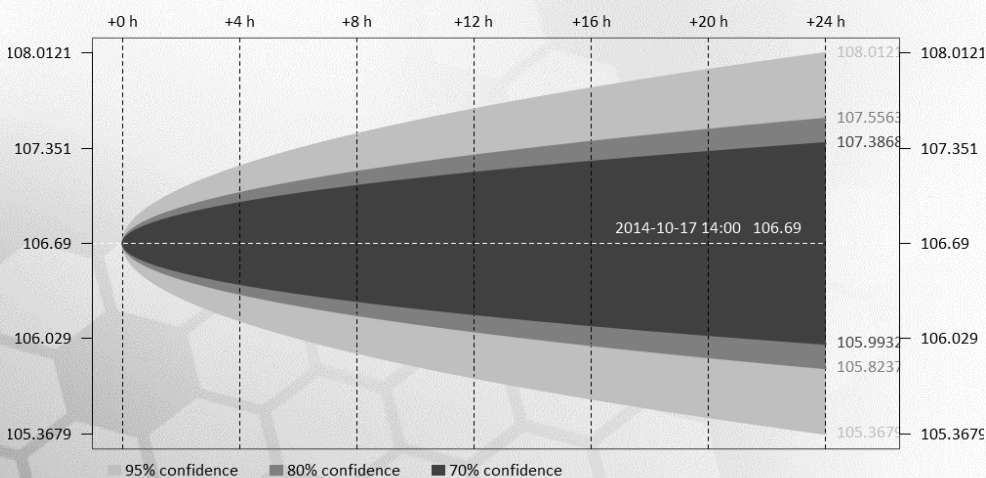
EURUSD Potential Rates



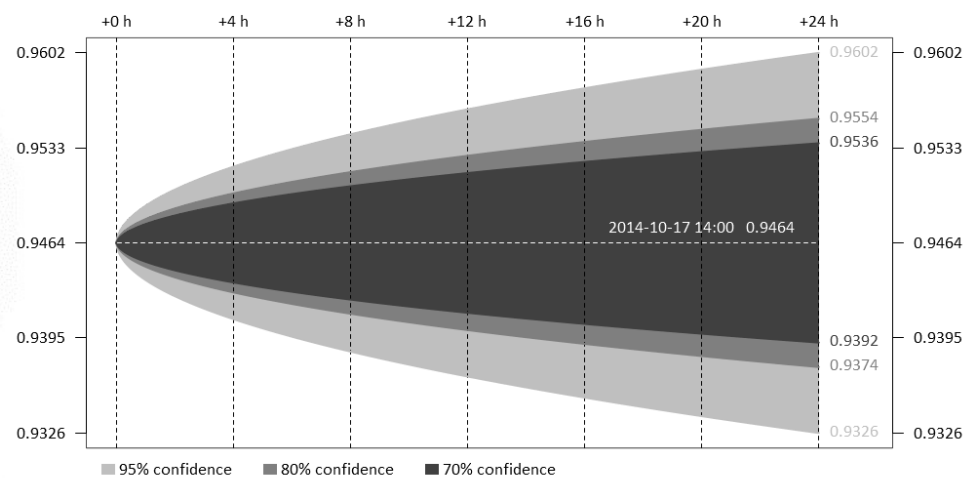
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

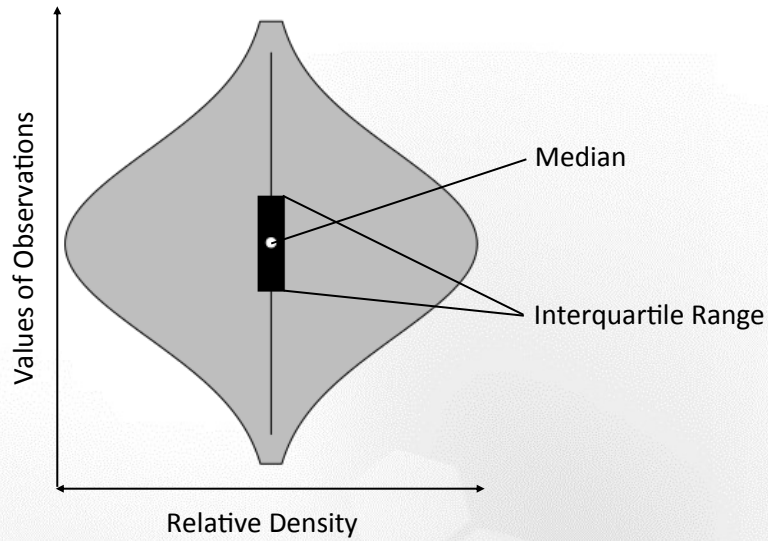
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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