



EUR

31/10/2014



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

October 24

04:00 - 16:00

- GfK German Consumer Climate
- UK Prelim GDP
- EU Economic Summit
- US New Home Sales

Turquoise Area

October 27

05:30 - 14:30

- German Ifo Business Climate
- UK CBI Realized Sales
- US Pending Home Sales
- Japan Retail Trade

Blue Area

October 28

06:00-16:00

- US Durable Goods Orders
- US CB Consumer Confidence
- Japan Industrial Production

Purple Area

October 29

07:00-22:30

- UK Consumer Credit
- FOMC Statement
- New Zealand Official Cash Rate
- BOC Governor Poloz Speech

Orange Area

October 30

04:30-18:30

- German Prelim CPI
- Swiss KOF Economic Barometer
- German Unemployment Change
- US Advance GDP
- Fed Chairman Yellen Statement

EUR Currency Index Range

0.15%

0.2%

0.23%

0.18%

0.27%

Max EUR Volatility Index

1.05

0.98

1.42

2.24

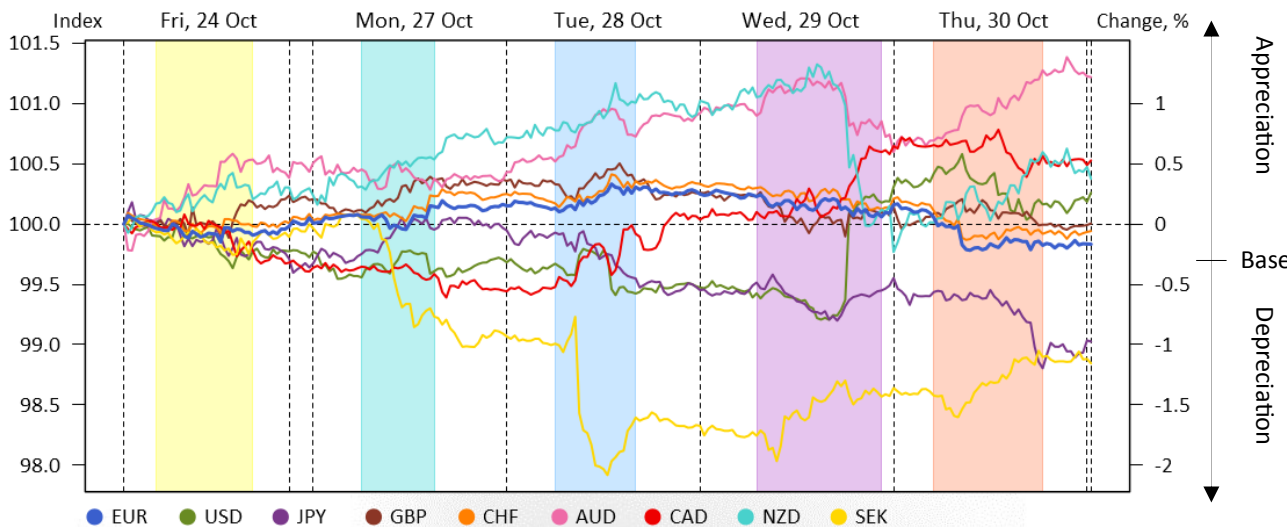
1.27



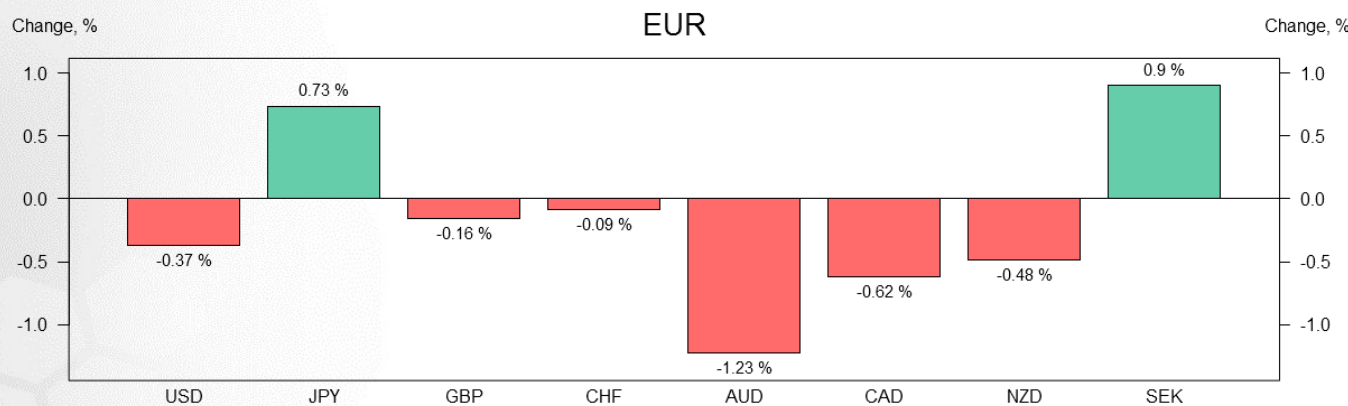
Relative Currency Strength

Currency Indexes

The past week was very stable for the single European currency. Throughout the period the Euro Currency Index was, on average, at the 100.01 level, almost at the base value. The biggest deflection from the norm was on Tuesday, when the US durable goods orders surprised the market to the downside. Moreover, compared to the other currencies the Euro also was the most 'peaceful'. On Thursday the Euro index was dragged lower by the disappointing inflation data from Germany; however, also this reaction was somewhat subdued.



If we compare the relative performance against the Euro's peers, then we see that the Aussie outperformed the Euro zone's currency rather heavily. However, other best-performing currencies (USD, GBP, CAD, NZD) appreciated just slightly versus the 18-nation currency. The key event in the period, of course, was the FOMC meeting, where the end of the Fed's bond-buying programme was announced. That; however, fueled the Greenback's performance. Also, the data from Germany—German Prelim CPI and Unemployment Change were considered as important drivers for the Euro. German CPI came in worse than expected, while jobless data were better than estimated; therefore, the impact was not as substantial as previously expected.

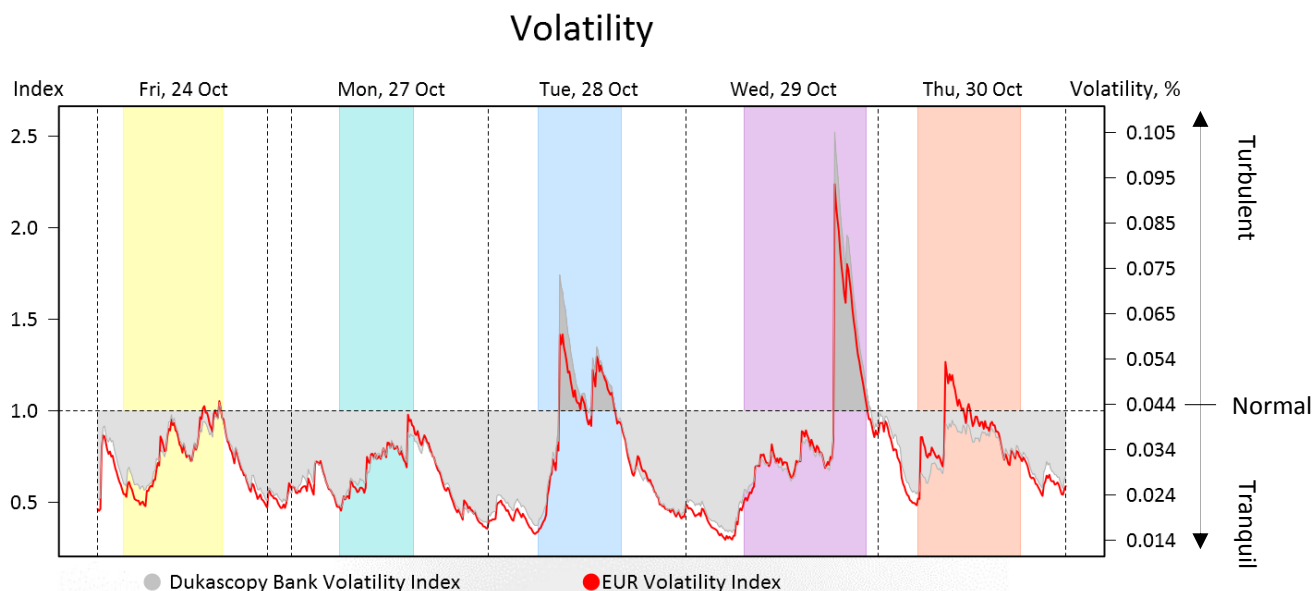


Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.17%	0.26%	-0.98%	0%	-0.06%	1.22%	0.53%	0.38%	-1.16%
20	0.09%	0.61%	-0.01%	-0.42%	0.37%	1.09%	0.29%	-0.1%	-2.04%
130	-3.31%	7.44%	-0.06%	1.16%	-1.97%	1.79%	5.24%	-3.4%	-6.49%
250	-2.35%	7.32%	-4.42%	7.02%	0.39%	-0.73%	-0.18%	1.36%	-8.37%



Volatility



In general, this has been a very calm week, the volatility has declined to even lower levels than we saw in the previous period. The elevated volatility of the Euro retreated to 12% from 25% last week, which already was the lowest reading seen since mid-August. The lowest elevated volatility was posted by EUR/JPY, EUR/GBP, EUR/CHF and EUR/CAD, for all of these pair's the gauge was below 10% mark, which is very low. While the highest portion of elevated volatility was achieved by EUR/SEK, which was impacted by the Riksbank's decision to cut the main interest rate to zero.

The Volatility Index also is below the numbers seen in the previous period; however, this time we saw a bigger spike or period of turbulence. That happened, after the FOMC meeting on Wednesday, when the end of the QE (Quantitative Easing) was announced. Above normal volatility was seen also on Tuesday, when the US durable goods orders missed the estimates. Excepting these two key happenings there were no major headwinds in the market witnessed. Still, we consider worth mentioning the relatively small increase in volatility on Thursday, when Germany's data were announced. The biggest impact was given by the disappointing inflation data in the first part of the day.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
10	12	13	6	8	4	11	9	15	39

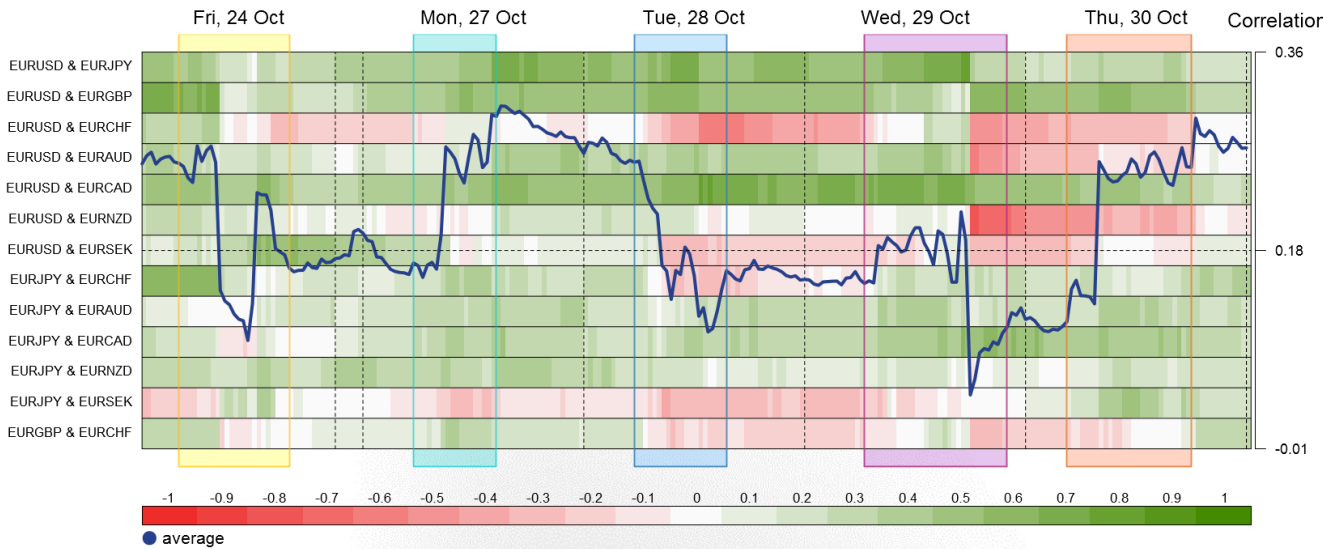
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.52	2.24	4.73	1.22	1.58	1.35	2.04	1.62	3.49	8.33
Min	0.34	0.29	0.2	0.24	0.19	0.19	0.22	0.21	0.35	0.19
Average	0.74	0.72	0.69	0.66	0.63	0.52	0.7	0.64	0.8	1.03



Currency Significance

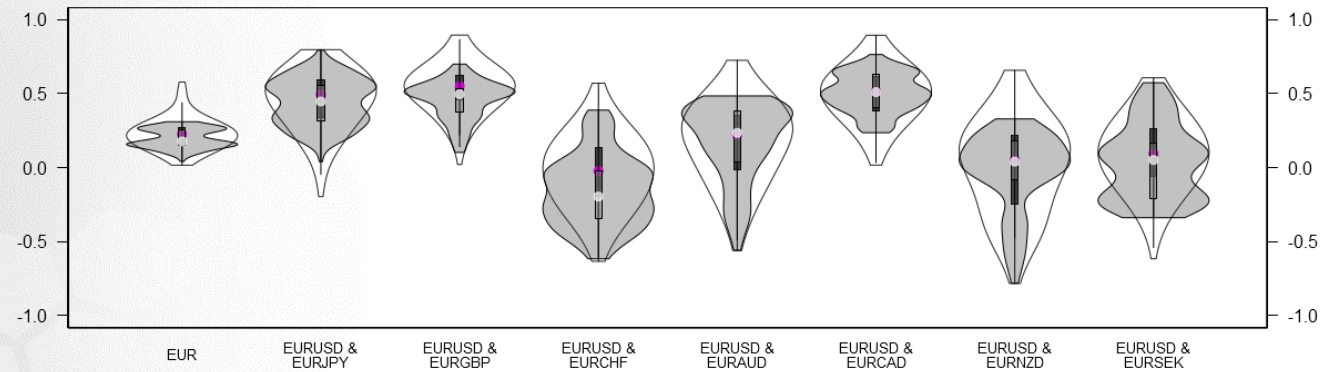
Correlations



The past five-day period was interesting for its lack of positive or negative correlations. Especially, after the previous week, when EUR/USD correlated very strongly with various currency pairs (EUR/GBP, EUR/JPY, EUR/CAD). However, this week has been more about the negative correlations than the positive ones. From Tuesday to Thursday unprecedented strong negative correlation levels were observed in EUR/USD-EUR/CHF and EUR/USD-EUR/NZD combinations. Moreover, the lowest level was reached on Wednesday's evening.

The average correlation measure started the period on comparably solid level of around 0.25, even though it is a heavy decline compared to the last weeks levels, when even the 0.5 mark was surpassed. On Monday the German Ifo Business climate pushed the single currency's significance measure to the highest level (0.30) at the period, as the data came in worse than expected. After German employment and inflation data on Thursday, the currency significance increased for the second time this week. The reaction was even stronger than on Monday, since the gauge reached the lowest level on Wednesday. By the end of Thursday the most significant currencies were the British Pound, Canadian Dollar and Swiss Franc.

Correlations (5 vs 20 days)

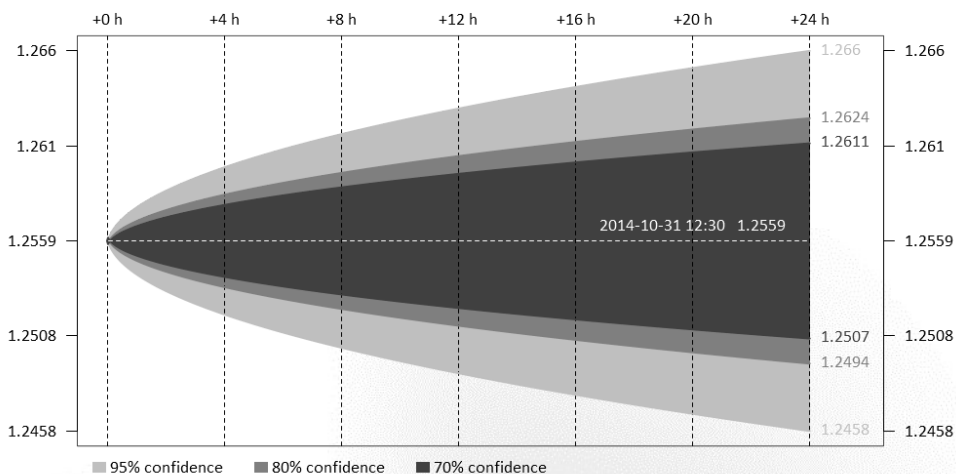


Mean Correlation Coefficient (with EURUSD)

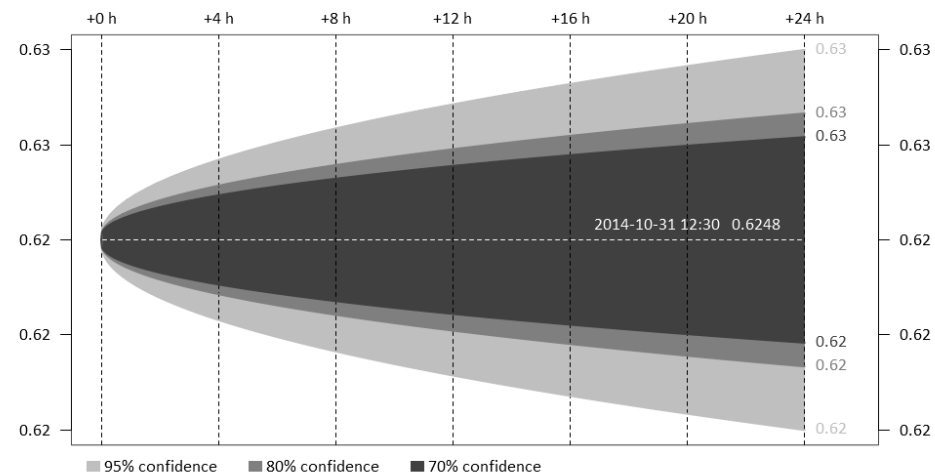
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.2	0.44	0.45	-0.16	0.17	0.5	-0.03	0.03
20	0.23	0.46	0.54	-0.03	0.17	0.49	0.01	0.09
130	0.24	0.48	0.53	-0.12	0.28	0.53	0.14	0.07
250	0.24	0.5	0.5	-0.1	0.32	0.55	0.23	0.07

Confidence Intervals for Next 24 Hours

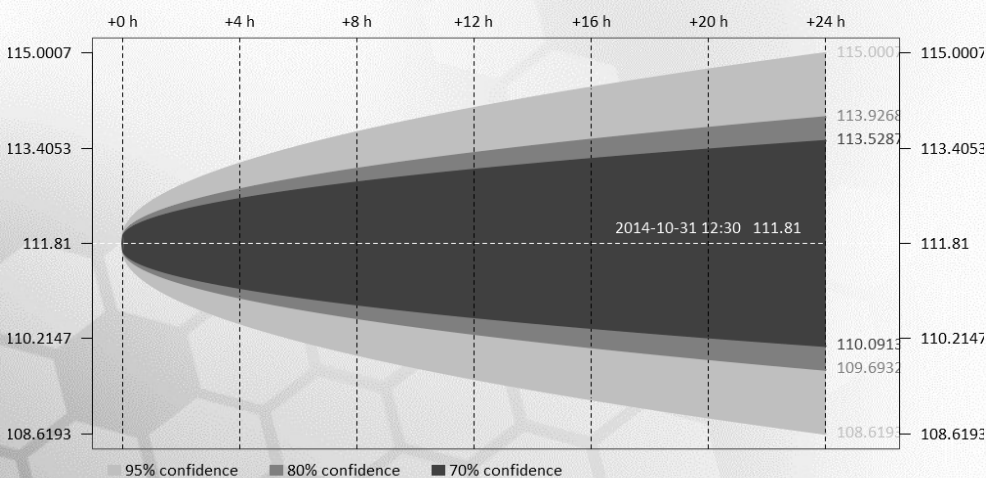
EURUSD Potential Rates



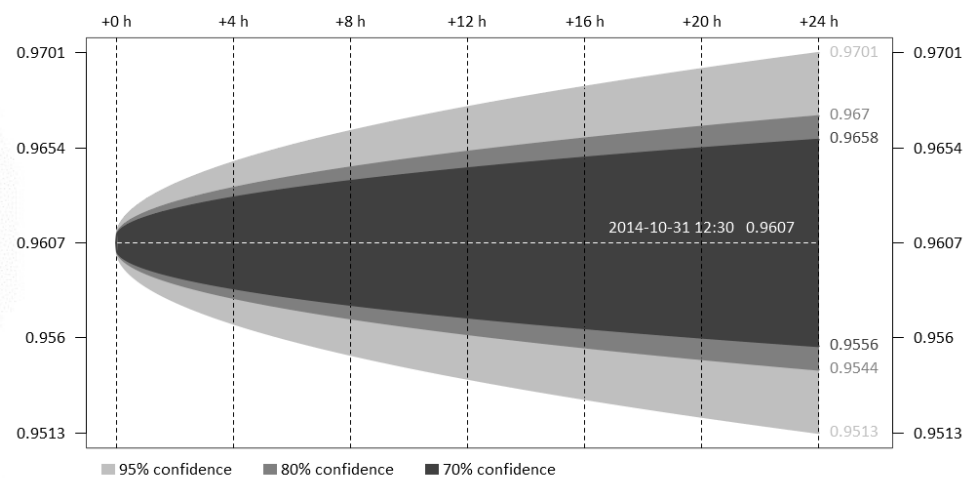
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

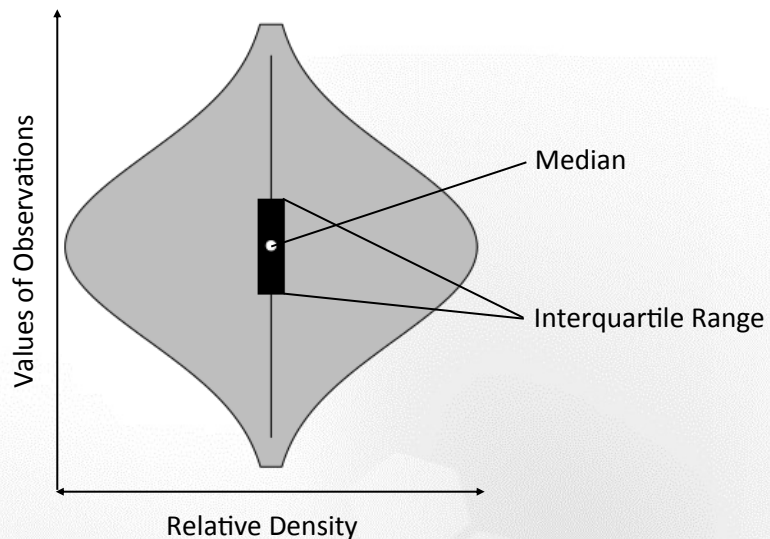
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.