



**USD**

24/11/2014



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# Dominant Events of the Period

## Yellow Area

November 18

08:30 - 17:00

- UK CPI
- German, Euro Zone ZEW Survey
- US PPI, NAHB Housing Market Index

## Turquoise Area

November 19

09:00 - 23:00

- BoE Minutes, MPC Vote
- US Building Permits, Housing Starts, FOMC Minutes

## Blue Area

November 20

06:30 - 17:00

- German, Euro Zone Flash Markit PMI
- UK Retail Sales
- Euro Zone Flash Consumer Confidence
- US CPI, Jobless Claims, Existing Home Sales, Philly Fed Manufacturing Survey

## Purple Area

November 21

07:30 - 15:00

- ECB Mario Draghi Speech
- UK Public Sector Net Borrowing
- Canadian CPI

USD Currency Index Range

0.17%	0.3%	0.39%	0.37%
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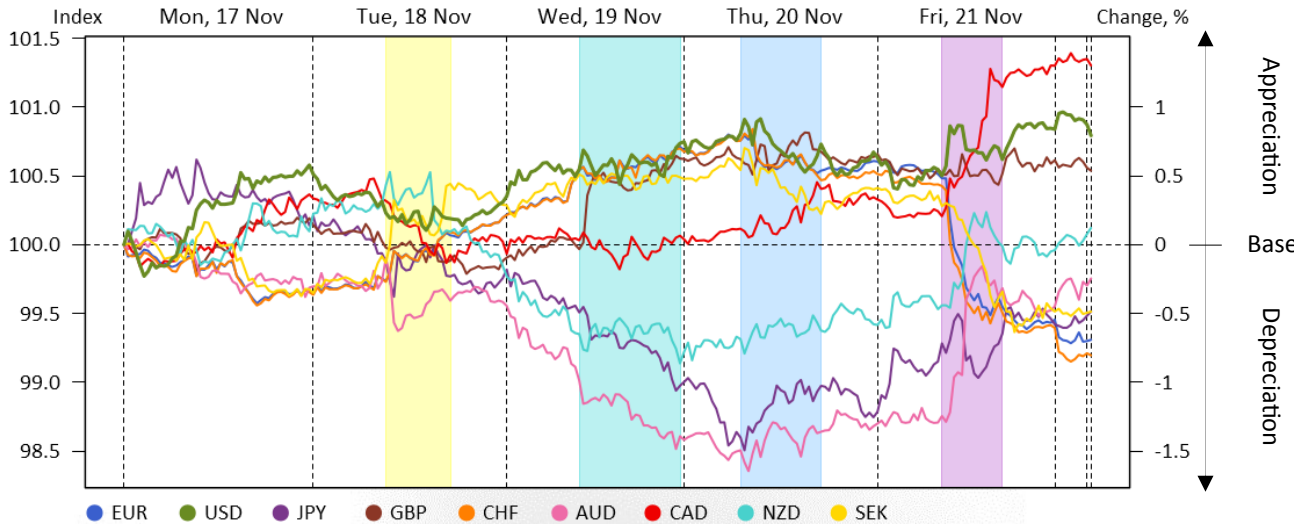
Max USD Volatility Index

1.27	1.67	1.78	2.12
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# Relative Currency Strength

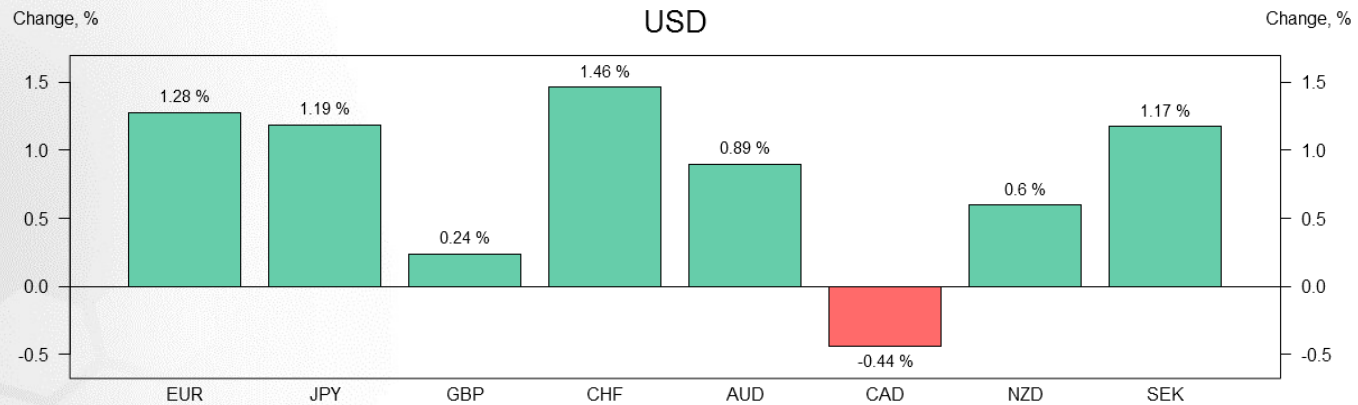
Currency Indexes



The USD Index was more confident compared to the previous period, and as its track turned from a flat line to an uptrend, it finished the week with the second highest weekly growth. 0.2 points behind it was the pound's gauge that surged above 100.5 point level on Wednesday and managed to hold above it for the rest of the period. The best performer, in turn, was the CAD Index, which skyrocketed on Friday, fueled by the stronger than expected Canadian inflation numbers, and posted the highest weekly growth since the end of September. The last day of the period was the most eventful one as it also saw the Aussie and the Kiwi jump in response to the PBOC rate cut, and the Euro

tumble with Mario Draghi's comments on the urgency of the inflation raise and the ECB's readiness to widen its asset purchase plan.

In the course of the period, the USD Index was little affected by the US data. The FOMC minutes, which were released on Wednesday and highlighted the Fed's concerns about declining inflation expectations, caused the week's sharpest fall of the Greenback, but as it managed to recover within half an hour, the event barely registered in the Currency Index. The most pronounced reactions were caused by the disappointing German and Eurozone PMI estimates and Mario Draghi's speech, which undermined the Euro and won the USD Index 0.2% and 0.3% spikes, respectively.



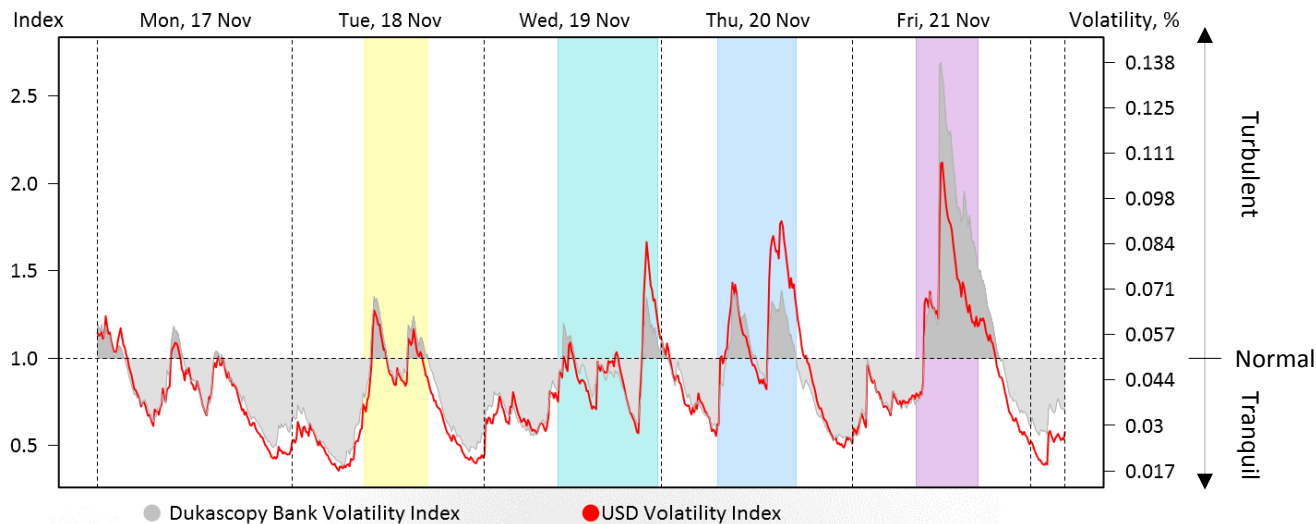
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.69%	0.79%	-0.49%	0.54%	-0.8%	-0.24%	1.3%	0.12%	-0.49%
20	-0.33%	2.36%	-7.34%	-0.62%	0.06%	1.12%	2.57%	2.86%	-0.9%
130	-2.25%	8.51%	-7.72%	0.3%	-0.55%	1.6%	5.05%	-0.25%	-4.63%
250	-2.35%	7.81%	-9.03%	3.77%	0.14%	1.79%	0.51%	3.79%	-6.42%



# Volatility

## Volatility



The overall level of the USD volatility has fallen palpably at the end of October and still has not returned to higher levels. Thus, for the second week in a row, the USD Volatility Index managed to exceed the 1-point mark in only 26% of time. The strength of the volatility surges was also rather moderate, and the maximum peak was only 2.12 points high. In turn, the market volatility has slightly increased compared with the previous week and caught up with the dollar's gauge, while its maximum peak exceeded that of the Greenback.

The market and almost all observed currencies started the week with elevated volatility. However, the Japanese GDP release mostly affected the yen's turbulence, and other indexes stayed below the 1.2 points level. The first noticeable peak of the USD volatility occurred on Wednesday. The index jumped to 1.67 points right after the FOMC minutes. Thursday was marked by the plenty of US news, including CPI, jobless claims, and manufacturing PMI, and the USD index formed two peaks, jumping to 1.43 and 1.78 points. The highest spike of all volatility indexes occurred on Friday, after the PBOC interest rate decision. It had an especially strong impact on the Pacific currencies, while the USD turbulence reached only a 2.12 points level, far below the market's peak.

### Elevated Volatility (% of the observed period)

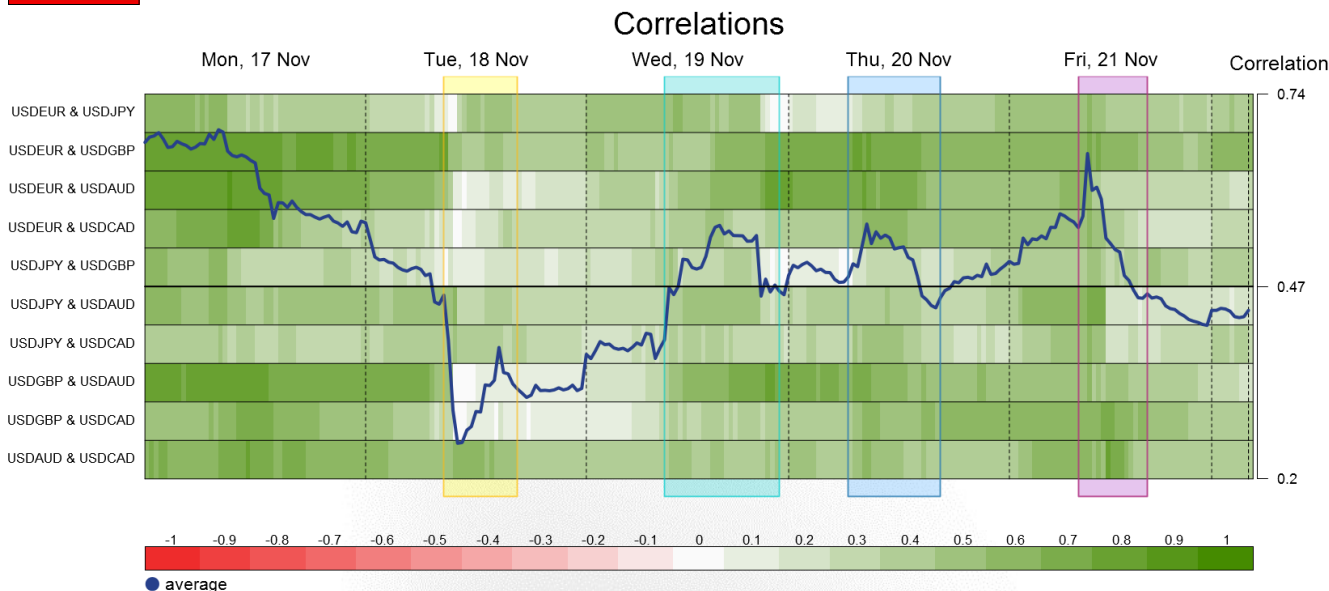
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	26	34	35	38	27	29	16	18	18

### Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.69	2.12	2.68	2.48	3.07	2.45	3.78	2.47	3.05	1.97
Min	0.38	0.36	0.27	0.29	0.27	0.26	0.28	0.32	0.29	0.22
Average	0.88	0.84	0.88	0.91	0.93	0.83	0.9	0.78	0.79	0.75



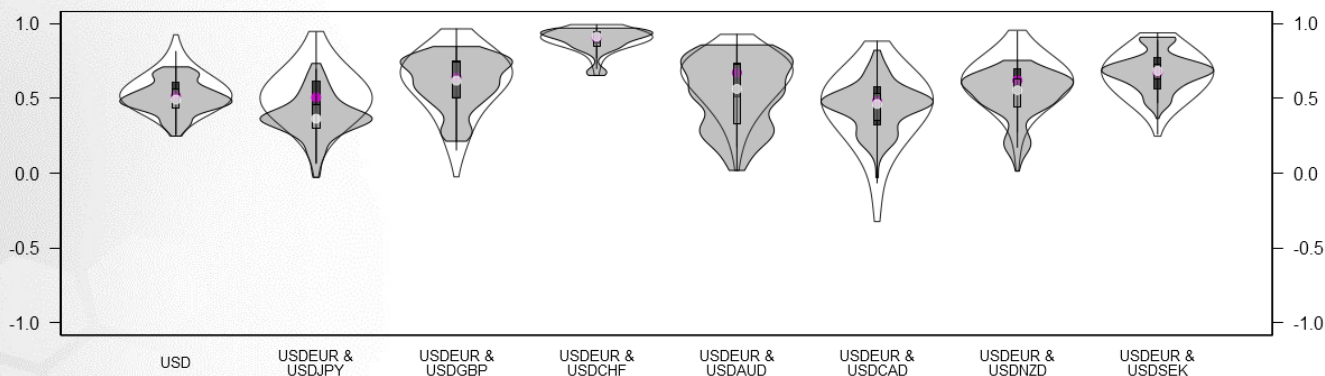
# Currency Significance



The average correlation of the observed USD pairs, which measures significance of the currency, was varying in a wide range of 0.25 – 0.69 points. As can be seen from the violin graph, the correlations during the week were mostly on or below the average correlations of a wider window.

The composite started the period on a relatively high 0.65 points level, but in absence of influential news on the US economy and against the background of the RBA Governor’s speech on Australian economy and UK CPI release, the Greenback lost its significance and the gauge fell to the 0.25 points – the week’s low.

## Correlations (5 vs 20 days)



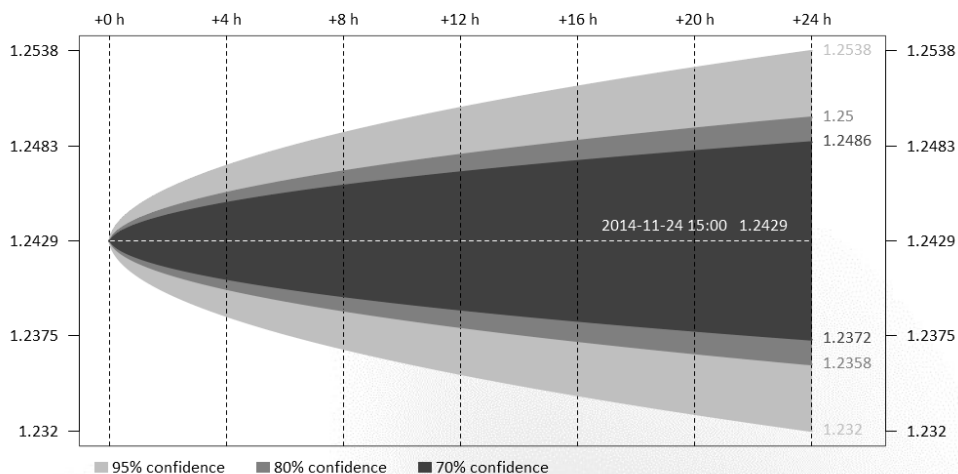
## Mean Correlation Coefficient (with USDEUR)

Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.5	0.38	0.61	0.89	0.54	0.44	0.51	0.68
20	0.54	0.51	0.61	0.9	0.62	0.44	0.61	0.66
130	0.45	0.42	0.46	0.89	0.45	0.34	0.48	0.61
250	0.37	0.29	0.45	0.86	0.34	0.25	0.37	0.6

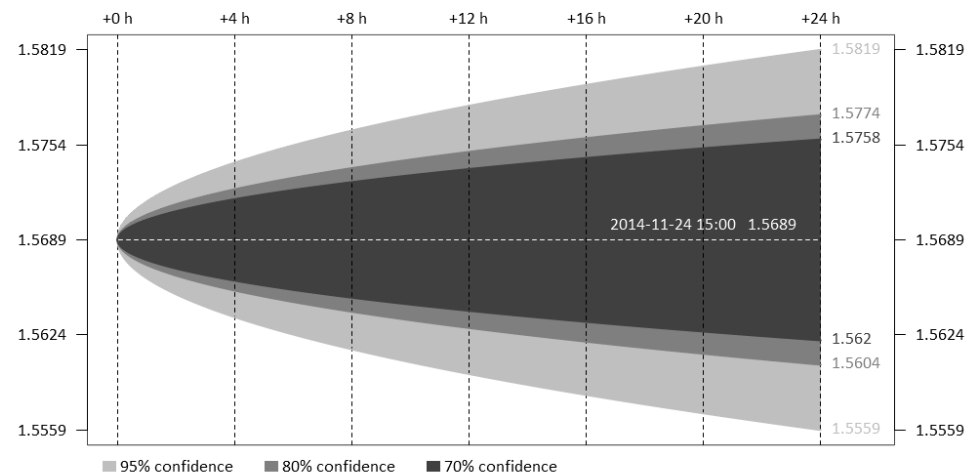
The correlations grew on Wednesday, when US construction data was released. The following day was not marked with any noticeable changes of the gauge and in spite of the positive news on CPI and declining jobless claims the gauge did not overpass 0.55 level of the previous day. The peak on Friday was associated with the US dollar’s appreciation against the background of the Euro’s negative reaction on President Draghi’s speech. The subsequent decrease of the USD correlations pointed out the weakening driving power of the dollar, after the announcement of the Chinese interest rate cut and the release of surprisingly high Canadian CPI.

# Confidence Intervals for Next 24 Hours

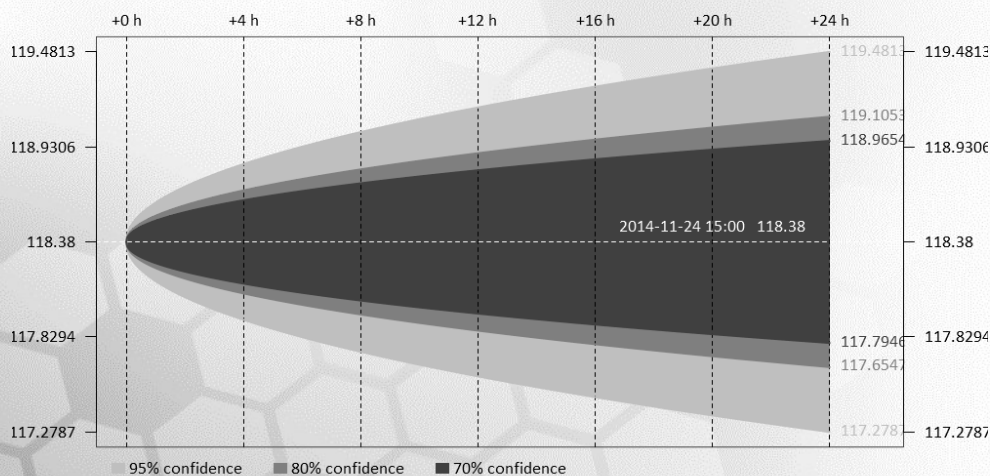
EURUSD Potential Rates



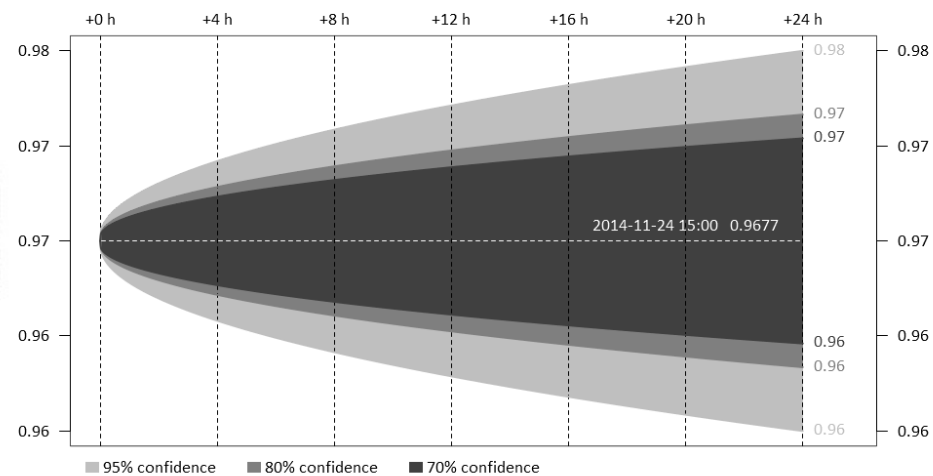
GBPUSD Potential Rates



USDJPY Potential Rates



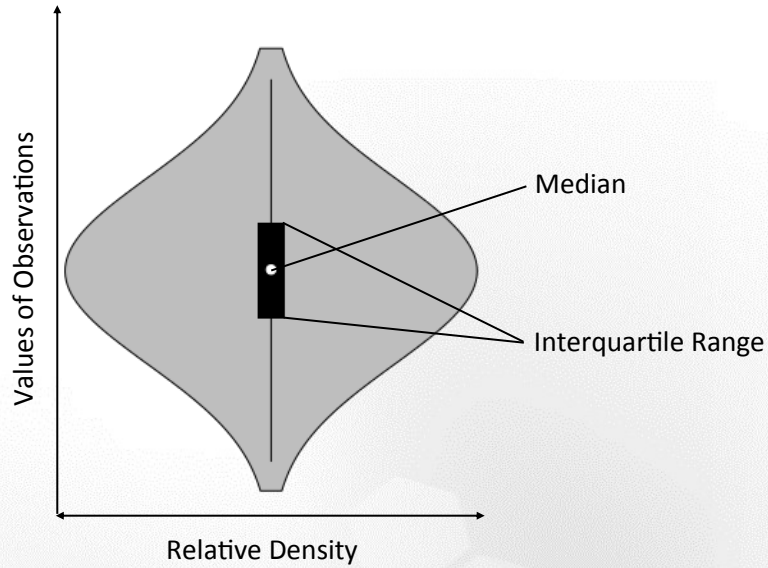
USDCHF Potential Rates



# 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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