



**AUD**

03/12/2014



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# Dominant Events of the Period

## Yellow Area

November 26

03:30 - 16:00

- Australian Construction Work Done
- UK Second Estimate GDP
- US Core Durable Goods Orders

## Turquoise Area

November 27

00:30 - 05:00

- Australian Private Capital Expenditure

## Blue Area

November 28

04:00 - 21:00

- Australian Private Sector Credit
- Eurozone Flash CPI
- Canadian GDP

## Purple Area

December 1

00:00 - 18:30

- Australian AIG Performance of Manufacturing Index
- Eurozone Manufacturing PMI
- UK Manufacturing PMI
- US ISM Manufacturing PMI

## Orange Area

December 2

00:30 - 07:30

- Australian Building Approvals, RBA Cash Rate

AUD Currency Index Range

0.73%

0.44%

0.58%

0.42%

0.55%

Max AUD Volatility Index

2.01

1.72

2.18

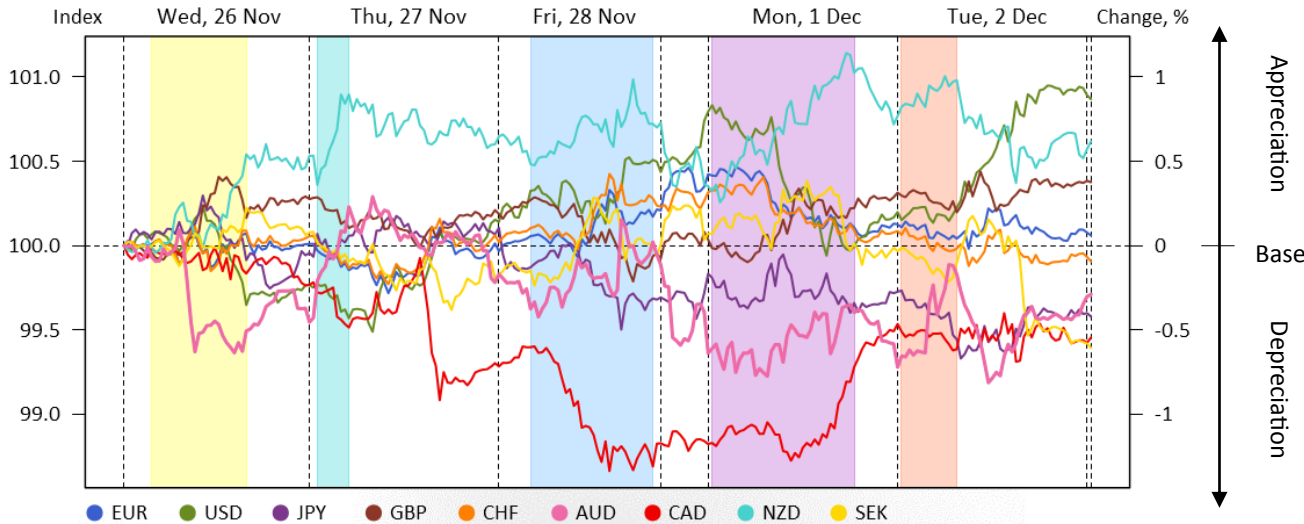
1.73

1.78



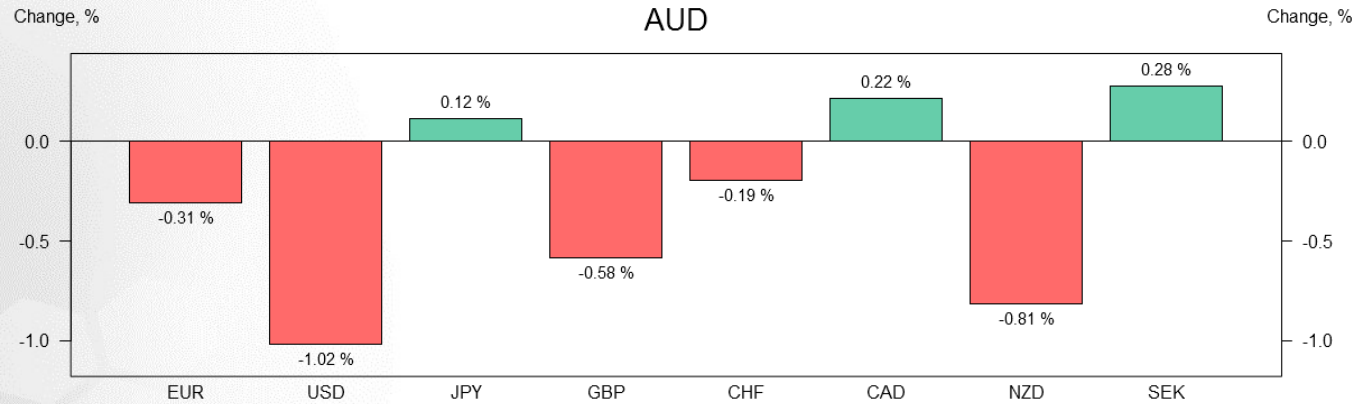
# Relative Currency Strength

## Currency Indexes



The Australian dollar was in the list among the worst performing currencies in the period from November 26 till December 2, as its currency index declined 0.29% in overall amid rather mixed fundamental data. Having a look at components, the AUD rose against three majors, including the Yen, Loonie and Swedish Krona by 0.12%, 0.22% and 0.28%, respectively, but lost value versus other currencies. Among other negative performers, the Swedish krona dropped 0.61% from Wednesday till Tuesday, while Japanese yen slipped as much as 0.42%. On the other hand, US dollar and the Kiwi surged 0.87% and 0.62%, respectively.

Australian currency developed rather neutrally during first days of the period, as some negative fundamental data from the country was changed by positive statistics from time to time. The AUD Index slipped below 99.5 mark on Wednesday, when data on construction work done showed worse than expected results. However, the currency recovered quite fast on optimistic statistics for new home sales in Australia in October, as they added 3%. Despite that, on Monday the AUD plummeted below the baseline and kept hovering there for the remaining part of the period, despite positive data on current account, building permits and unchanged RBA interest rate decision. All in all, the AUD Index decreased 0.29% over the period.



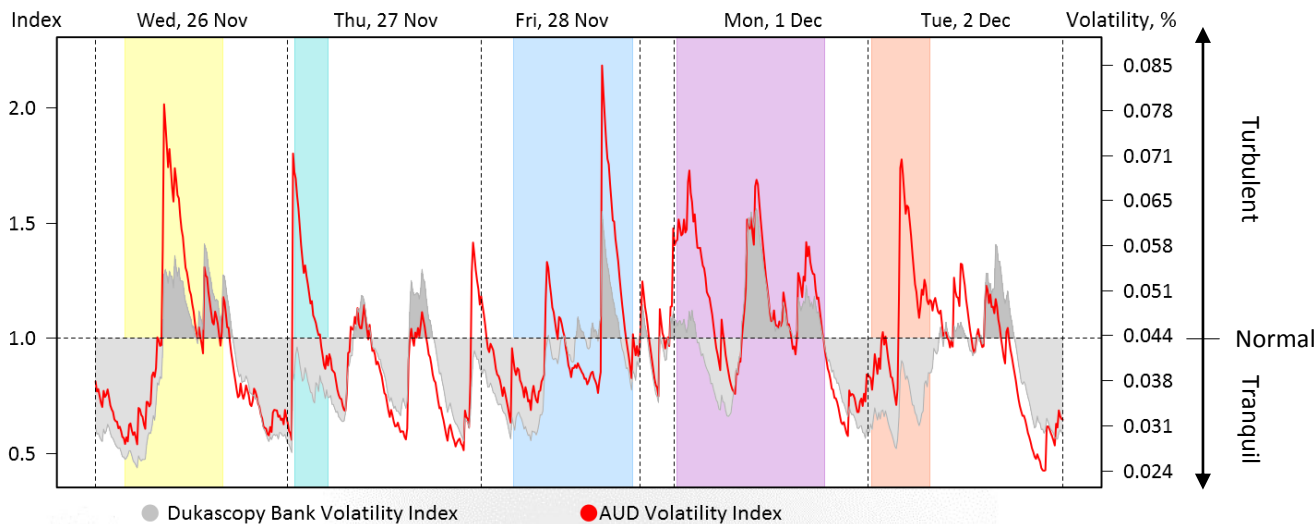
## Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.06%	0.87%	-0.42%	0.38%	-0.09%	-0.29%	-0.54%	0.62%	-0.61%
20	0.31%	1.39%	-3.26%	-0.67%	0.34%	-1.53%	1.86%	1.77%	-0.44%
130	-1.69%	8.95%	-7.81%	1.41%	-0.02%	-1.31%	4.42%	0.39%	-4.36%
250	-1.58%	8.46%	-8.1%	3.44%	0.87%	0.08%	0.73%	2.98%	-6.84%



# Volatility

## Volatility



Both the elevated volatility proportions and the values of Volatility Indexes of the Australian currency were well above market average levels during the period. Concerning elevated volatility, It is worth pointing out that especially the AUD/NZD cross was unusually dynamic and became the most volatile pair in terms of this indicator during the period, as it was turbulent in 57% of all time, compared to currency's average of 43% and market's mean at 34%. Maximum volatility index for the currency pair was registered at 3.1 points, while the smallest one was posted by the AUD cross with Canadian dollar, namely 1.99 points.

It is unusually hard to mark a specific period of time, when the overall volatility of Australian currency was especially high, as major hikes of the Index were observed every day. The peak at 2.18 points, however, was reached on Friday's evening, in time when Canadian GDP data for September was published in line with expectations. Concerning other trading days of the period, Wednesday was the second time, when the volatility indicator managed to reach 2 points threshold, as it was driven by the second revision of British economic growth in the third quarter. Besides that, the increased turbulence of the AUD was noticed on Monday and Tuesday due to both domestic and international influencing factors.

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

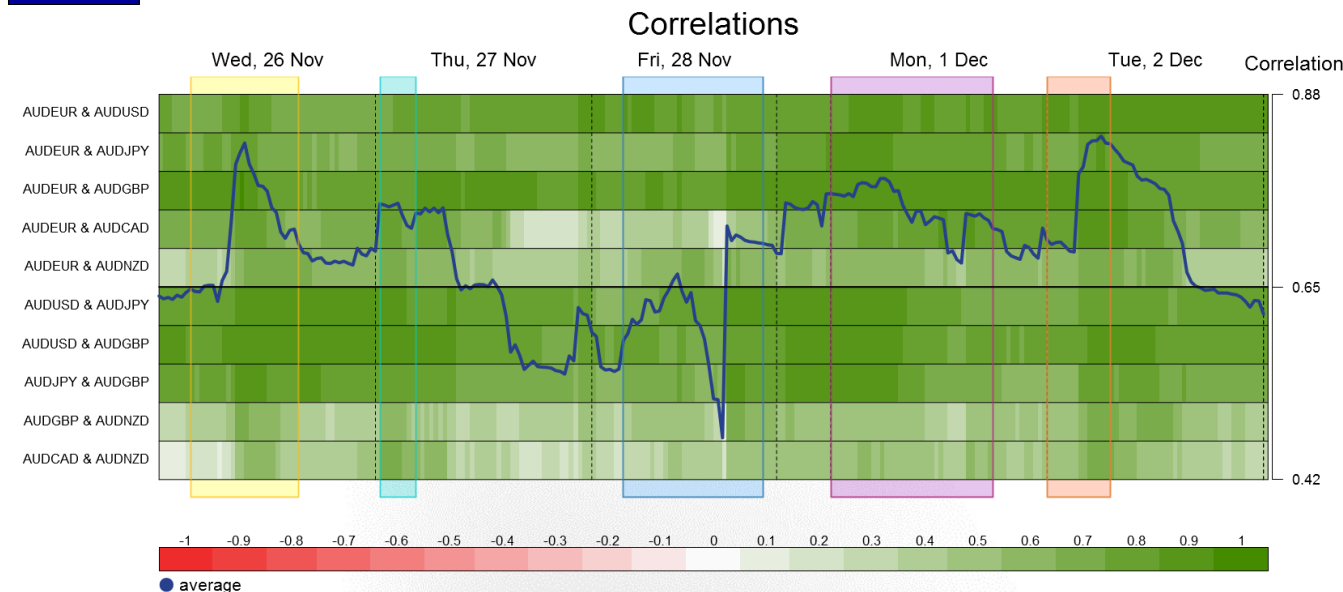
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
34	43	43	40	36	41	44	47	57	29

### Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.56	2.18	2.64	2.31	2.8	2.18	2.78	1.99	3.1	2.12
Min	0.44	0.43	0.36	0.32	0.27	0.32	0.37	0.52	0.47	0.37
Average	0.88	0.98	1.01	0.97	0.94	0.96	1.01	1.02	1.15	0.87



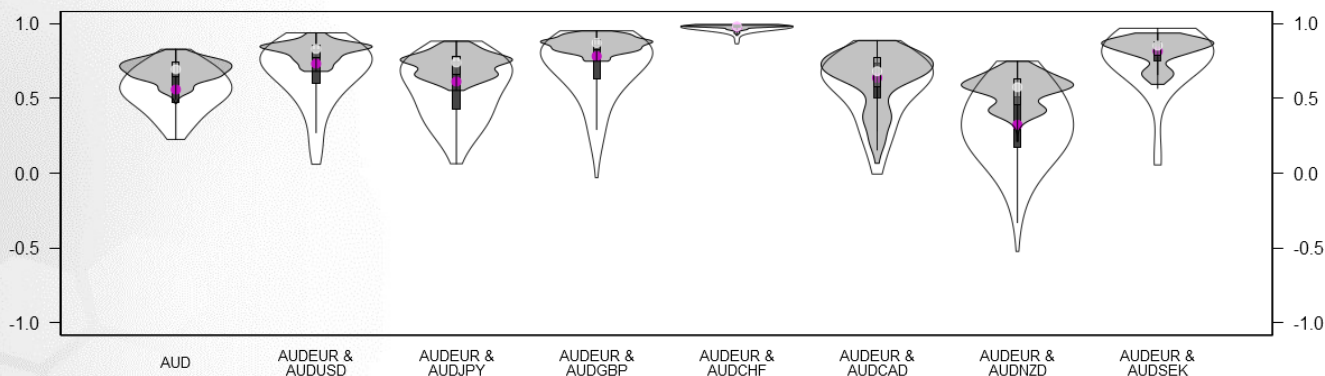
# Currency Significance



The components of the Australian dollar significance measure showed strong correlations over the observed period. The short-term correlations during the period between AUD/EUR and other AUD crosses varied from 0.07 to 0.95. As seen from the main chart, the smallest correlation was with AUD/CAD, particularly on Friday, when a drop closer to zero provided the component the weakest result of the week, as its correlations stood at 0.07. Compared to the 20-day values, most of the correlation pairs have gained 0.01-0.15 points, but AUD/NZD pair added 0.24.

The period started with the rather dynamic movement of the AUD measure, as it was mostly driven by news both from Britain and US. At the same time, on Thursday the composite started declining and reached its lowest value around 0.47 on Friday. However, the composite managed to recover in a rather fast way to hover around 0.75 for the rest of the period. Alongside, some negative changes were noticed on Tuesday, namely in the end of November 26—December 2 time 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, as the mean correlation returned down to the period's average just below 0.65.

## Correlations (5 vs 20 days)

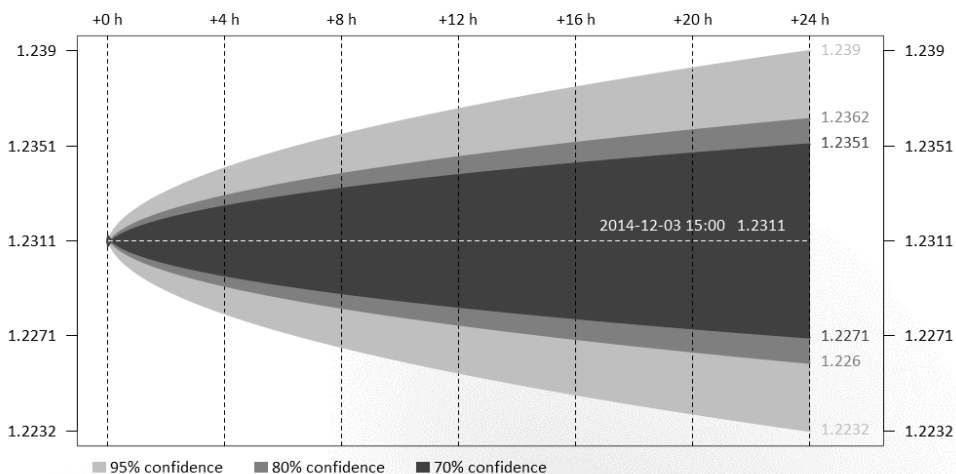


## Mean Correlation Coefficient (with AUDEUR)

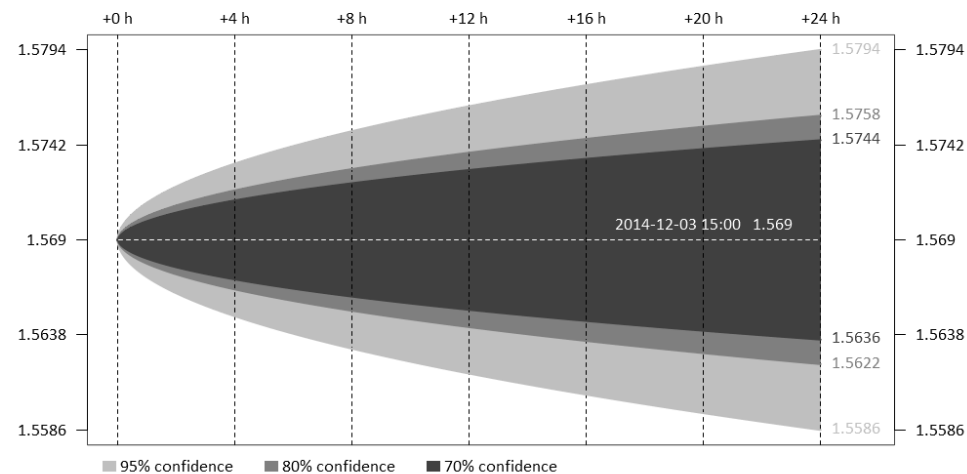
Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.69	0.82	0.72	0.86	0.98	0.64	0.56	0.82
20	0.56	0.68	0.57	0.72	0.97	0.58	0.32	0.77
130	0.54	0.7	0.64	0.68	0.95	0.57	0.31	0.73
250	0.57	0.74	0.63	0.73	0.94	0.58	0.33	0.75

# Confidence Intervals for Next 24 Hours

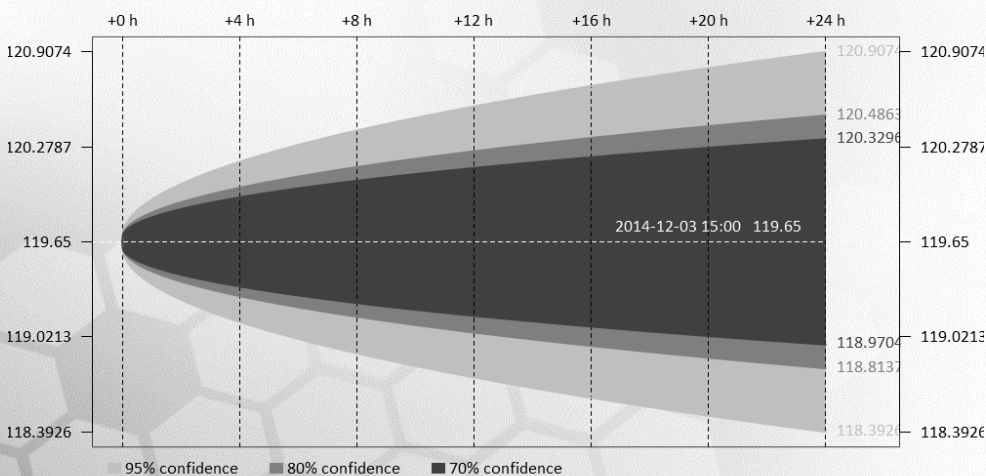
EURUSD Potential Rates



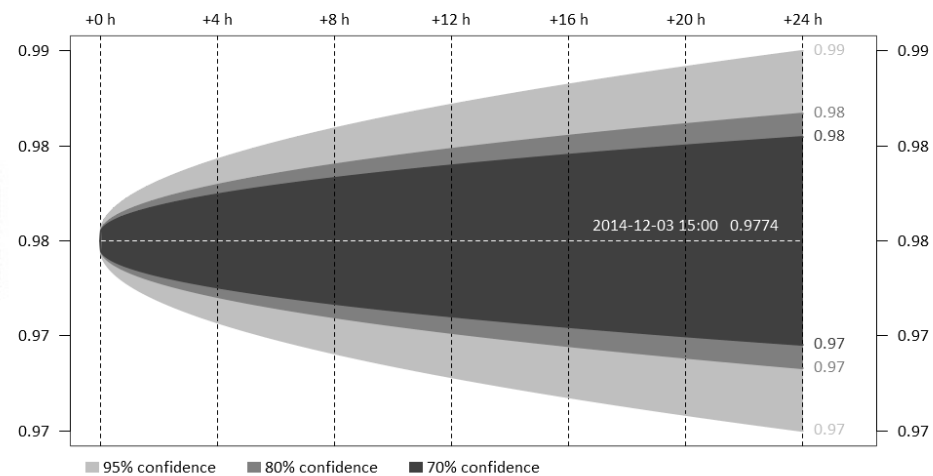
GBPUSD Potential Rates



USDJPY Potential Rates



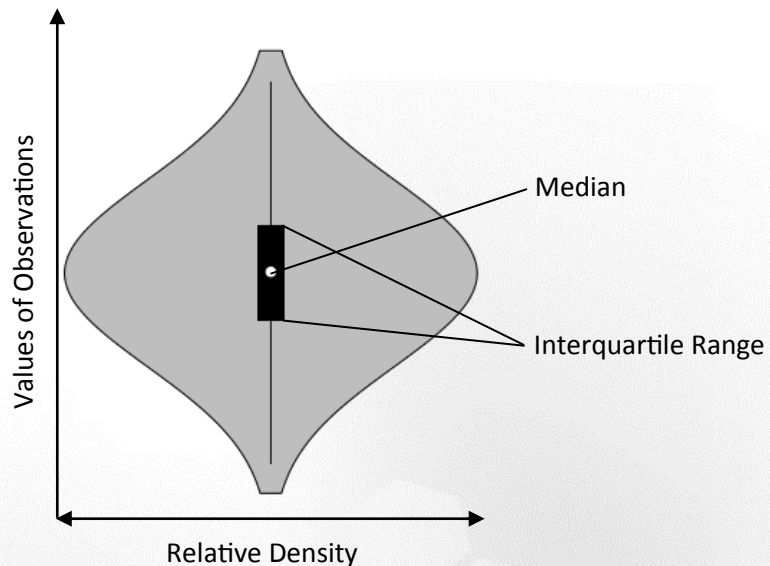
USDCHF Potential Rates



# 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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