



EUR

05/12/2014



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Market Research





Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
November 28	December 1	December 2	December 3	December 4
04:00 - 18:30	07:30 - 15:00	05:00-12:30	05:00-17:30	07:00-21:30
<ul style="list-style-type: none"> ■ <u>UK Nationwide HPI</u> ■ <u>German Retail Sales</u> ■ <u>French Consumer Spending</u> ■ <u>Euro zone CPI Flash Estimate;</u> <u>Unemployment Rate</u> ■ <u>Canada's GDP</u> 	<ul style="list-style-type: none"> ■ <u>Spanish Manufacturing PMI</u> ■ <u>Italian Manufacturing PMI</u> ■ <u>UK Manufacturing PMI</u> ■ <u>US ISM Manufacturing PMI</u> 	<ul style="list-style-type: none"> ■ <u>Australian Building Approvals; Cash Rate; RBA Rate Statement</u> ■ <u>Spanish Unemployment Change</u> ■ <u>UK Construction PMI</u> ■ <u>Fed Chair Yellen Speech</u> 	<ul style="list-style-type: none"> ■ <u>Australia's GDP</u> ■ <u>Spanish Services PMI</u> ■ <u>Italian Services PMI</u> ■ <u>UK Services PMI</u> ■ <u>UK Autumn Forecast Sentiment</u> ■ <u>US ADP Non-Farm Employment Change</u> ■ <u>BOC Rate Statement; Overnight Rate</u> 	<ul style="list-style-type: none"> ■ <u>Australian Retail Sales; Trade Balance</u> ■ <u>UK Halifax HPI</u> ■ <u>UK Official Bank Rate</u> ■ <u>Eurozone's Minimum Bid Rate</u> ■ <u>ECB Press Conference</u> ■ <u>US Unemployment Claims</u> ■ <u>Canadian Ivey PMI</u>

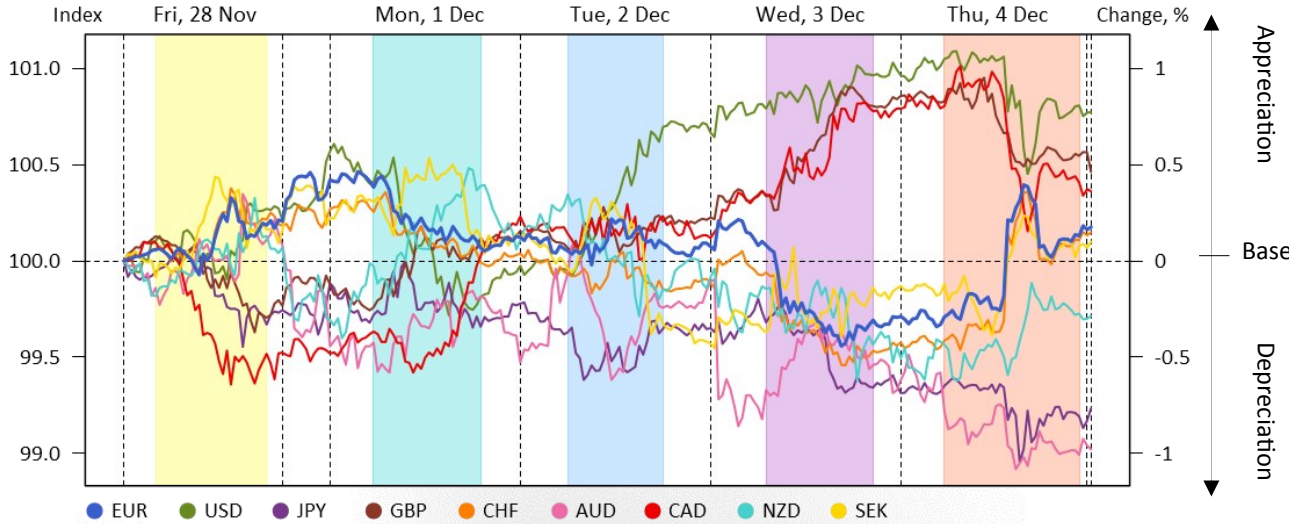
EUR Currency Index Range	0.4%	0.37%	0.24%	0.52%	0.7%
Max EUR Volatility Index	1.62	1.58	1.32	1.61	2.91



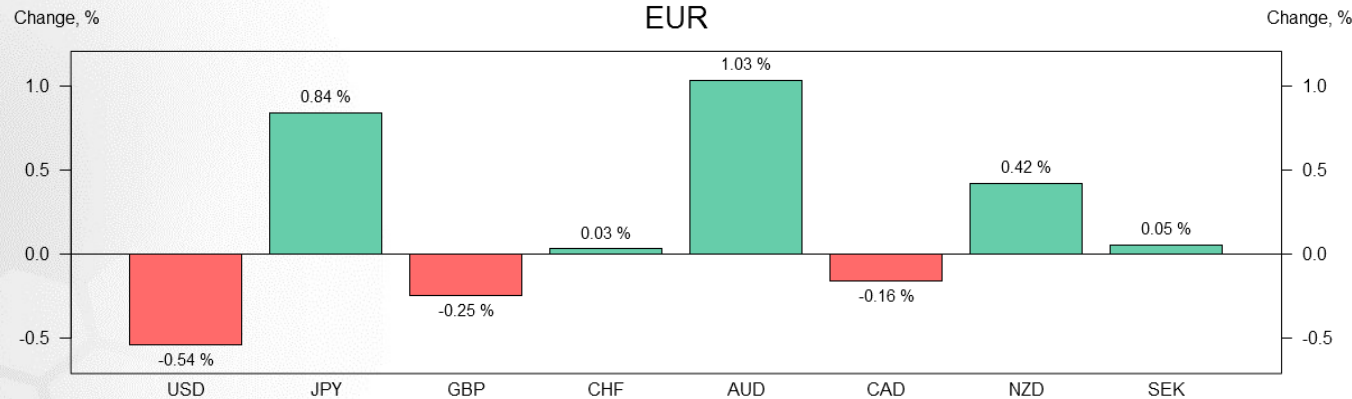
Relative Currency Strength

Currency Indexes

The Euro has rebounded from last week's decline, when it slipped against almost all of the major currencies. While this week Euro was outperformed by only the very strong US Dollar and British, Canadian currencies. The worst performer for second week straight is the Australian Dollar. Moreover, it seems that the Kiwi is starting to lose its relatively stable positions and is following its Australian peer due to the price drop in commodities. Also, the Japanese Yen has returned to its losing streak, after gaining for one week. The strongest performers were the US Dollar and British Pound that added 0.77% and 0.46% to their value, respectively.



The Euro started the period off well by rising 0.5% on Monday, as the Euro zone's CPI came in line with expectations already on Friday and Monday came with good news from Spain—their manufacturing PMI exceeded the expectations. The next somewhat significant move was a decline on Wednesday, when the area's retail sales disappointed by increasing just 0.4% instead of the expected 0.6%. The last but certainly not the least important news were on Thursday, when the highly anticipated ECB press conference took part. Outlining new, lower economic growth and inflation outlook over the coming two years, Draghi stressed that in case the council decide its policies are not enough to end a period of disinflation, that would "imply altering the size, pace and composition of our measures."



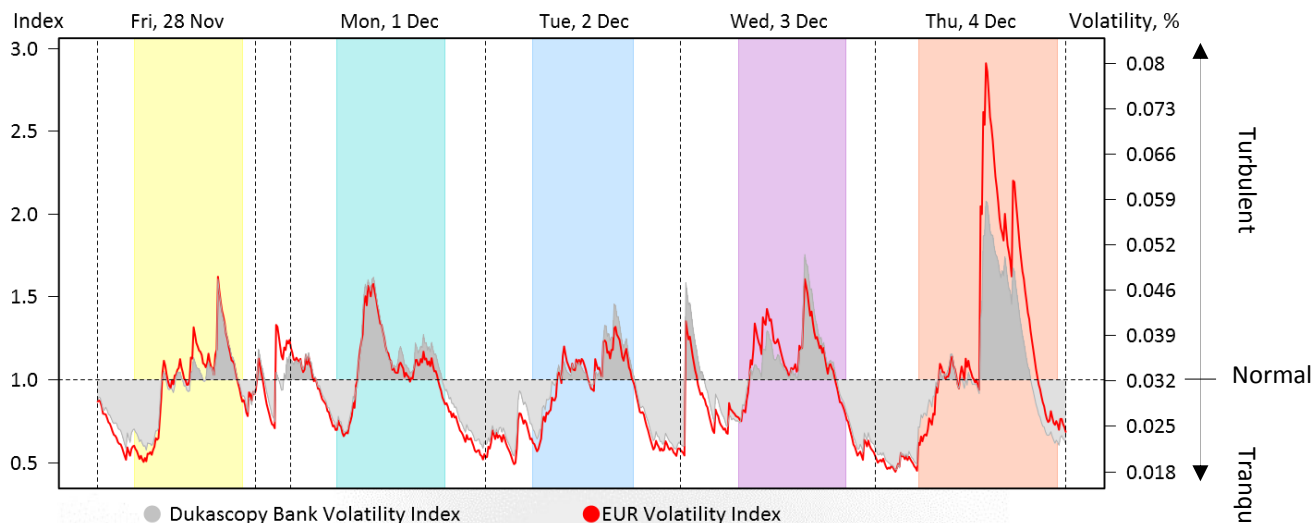
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.18%	0.77%	-0.77%	0.46%	0.15%	-0.98%	0.36%	-0.29%	0.1%
20	0.78%	0.77%	-3.73%	-0.3%	0.96%	-1.87%	1.27%	2.11%	-0.23%
130	-1.43%	9.65%	-8.15%	1.59%	-0.01%	-2.4%	5.03%	-0.29%	-3.9%
250	-1.65%	8.75%	-8.9%	3.75%	0.57%	0.42%	1.5%	2.81%	-7.23%



Volatility

Volatility



The market's and Euro's elevated volatility has almost doubled since the previous time of writing, as it has reached 45% and 46%, respectively, after being at 25% a week ago. However, the fact that high volatility was observed in 23% of time for some components and 60% for others, pointed out that the turbulence on the market was caused by Euro only not in the majority of cases. Low volatility indexes readings – average values mostly around 0.9 – suggested the same. The peaks of components' volatilities also were not provoked by the news on Euro zone's economy; however, that all, of course, is excepting Thursday, when Draghi pushed the

volatility to the highest levels seen in the week. Nonetheless, the highest peak for EUR/AUD was not reached after or during Draghi's speech, but after the disappointing Australian GDP release that indicated on nation expanding only 0.3% instead of the expected 0.7%.

Friday, Monday and Wednesday all were very similar to each another, with the highest volatility index reached around 1.5% and the lowest 0.5%. However, completely different was Thursday, as already mentioned previously ECB press conference boosted the volatility to the highest levels in the period, especially the Euro's volatility index.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
45	46	26	23	30	58	60	43	38	54

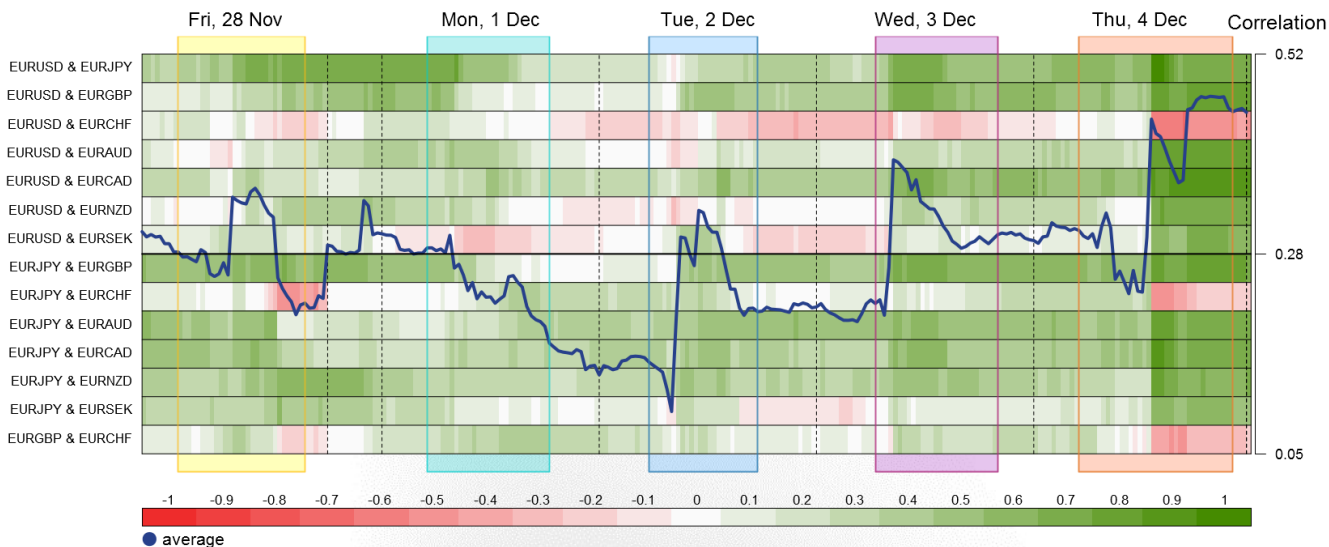
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.08	2.91	5	2.81	2.96	2.39	4.26	3.71	2.1	3.32
Min	0.46	0.44	0.26	0.24	0.25	0.32	0.37	0.25	0.44	0.17
Average	0.96	0.97	0.87	0.81	0.83	1.13	1.14	1.01	0.97	1.08



Currency Significance

Correlations

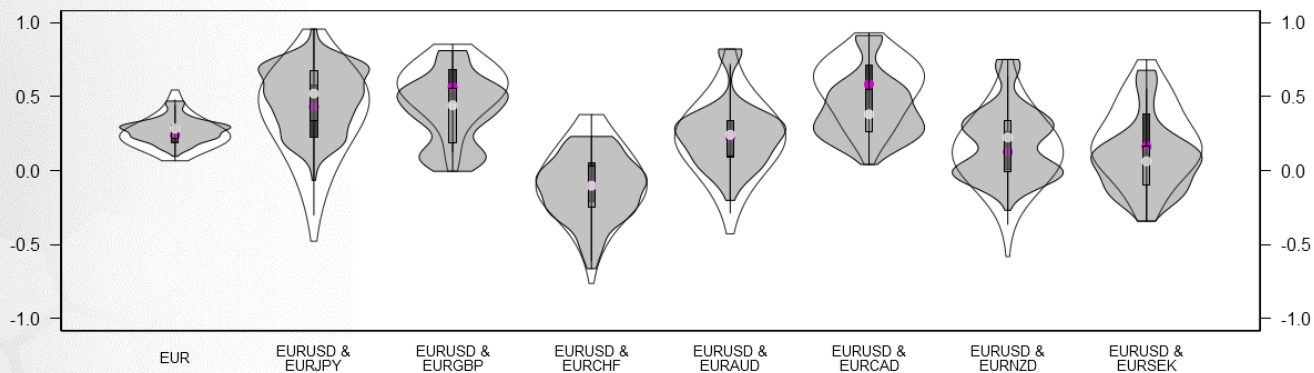


The EUR significance measure was gradually bouncing to higher and lower levels throughout the period and mostly was below the significance threshold of 0.3. However, in general the mean correlation coefficient was higher than the historical values. The EUR/JPY cross has returned to around its 250 day average, after showing less correlation during the last month due to the poor performance of the Japanese Yen. Also, interestingly EUR/CAD correlation coefficient with EUR/USD decreased in the last week.

In the middle of the week correlation coefficient fell to its lowest level, as the market was almost completely driven by the other currencies. Although, from that point onwards it grew and reached 0.4% by the end of the week. Starting from Thursday's afternoon, when the ECB press conference was held, the Euro was the main driver for the Euro denominated pairs. During all the other days the Euro was a somewhat important catalyst; although, definitely not the most important one.

Generally, the week was with no major surprises and the only major event for Euro was the ECB press conference that of course always is an important event to measure the Euro zone's economy.

Correlations (5 vs 20 days)

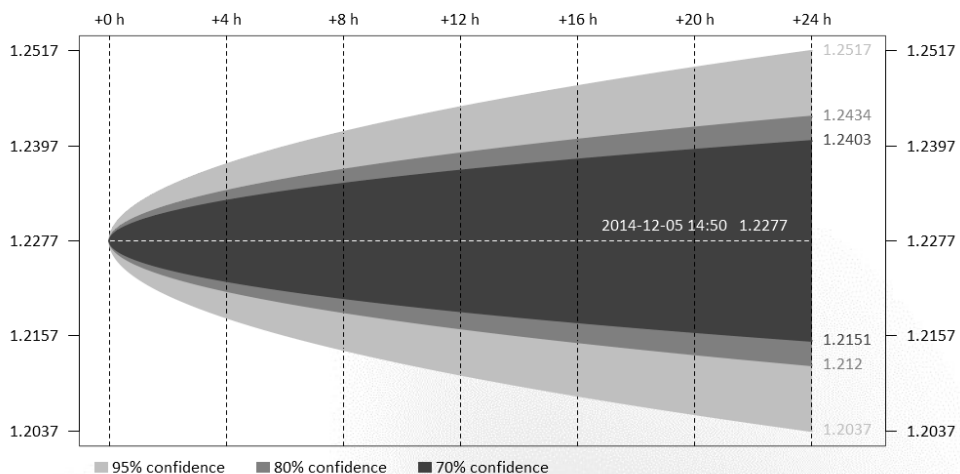


Mean Correlation Coefficient (with EURUSD)

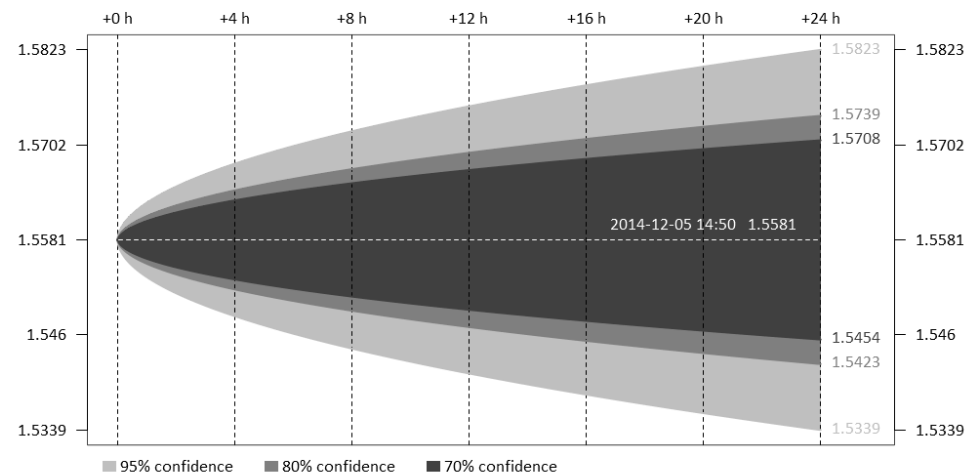
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.28	0.49	0.4	-0.12	0.25	0.41	0.19	0.07
20	0.25	0.39	0.55	-0.09	0.22	0.56	0.14	0.19
130	0.24	0.45	0.54	-0.11	0.24	0.51	0.12	0.09
250	0.24	0.48	0.51	-0.1	0.31	0.54	0.22	0.09

Confidence Intervals for Next 24 Hours

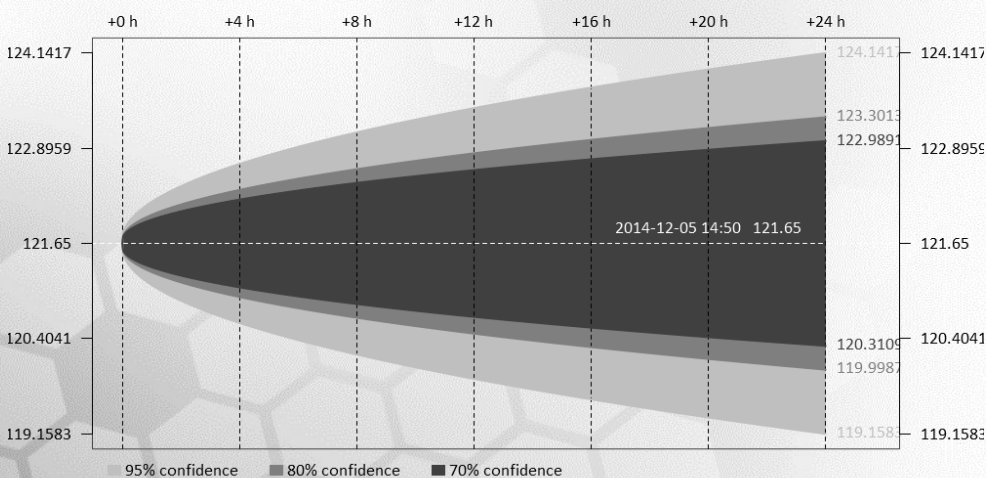
EURUSD Potential Rates



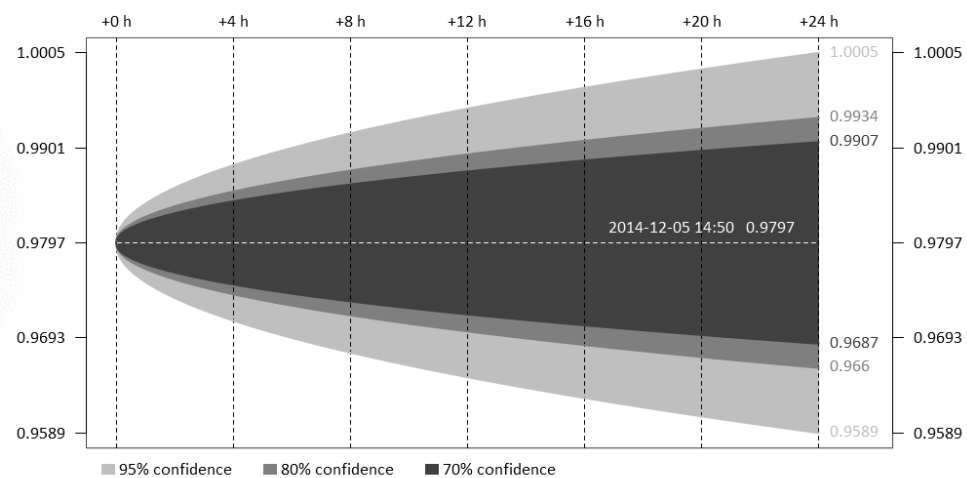
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

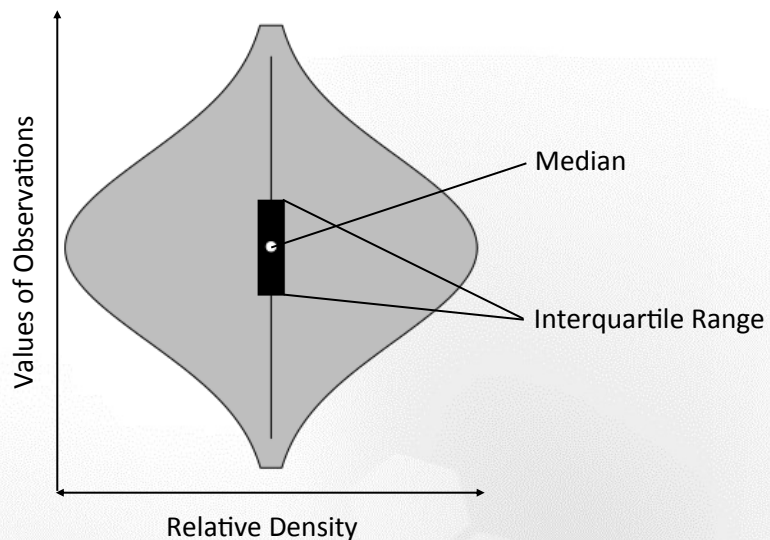
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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