



USD

15/12/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

December 9

07:30 - 20:00

- EcoFin Meeting
- UK Industrial Production, Manufacturing Production, NIESR GDP Estimate
- US Wholesales Inventories

Turquoise Area

December 10 - 11

07:30 - 02:30

- UK Trade Balance
- RBNZ Interest Rate Decision, Monetary Policy Statement
- Japanese Machinery Orders, Tertiary Industry Index
- Australian Employment Change

Blue Area

December 11

07:30 - 17:00

- SNB Interest Rate Decision
- ECB Monthly Report, Targeted LTRO
- BoC Governor Speech
- US Jobless Claims, Retail Sales, Business Inventories

Purple Area

December 12

08:00 - 17:00

- Euro Zone Employment Change, Industrial Production
- US PPI, Flash UoM Consumer Sentiment Index

USD Currency Index Range

0.7%

0.86%

0.67%

0.3%

Max USD Volatility Index

1.87

1.98

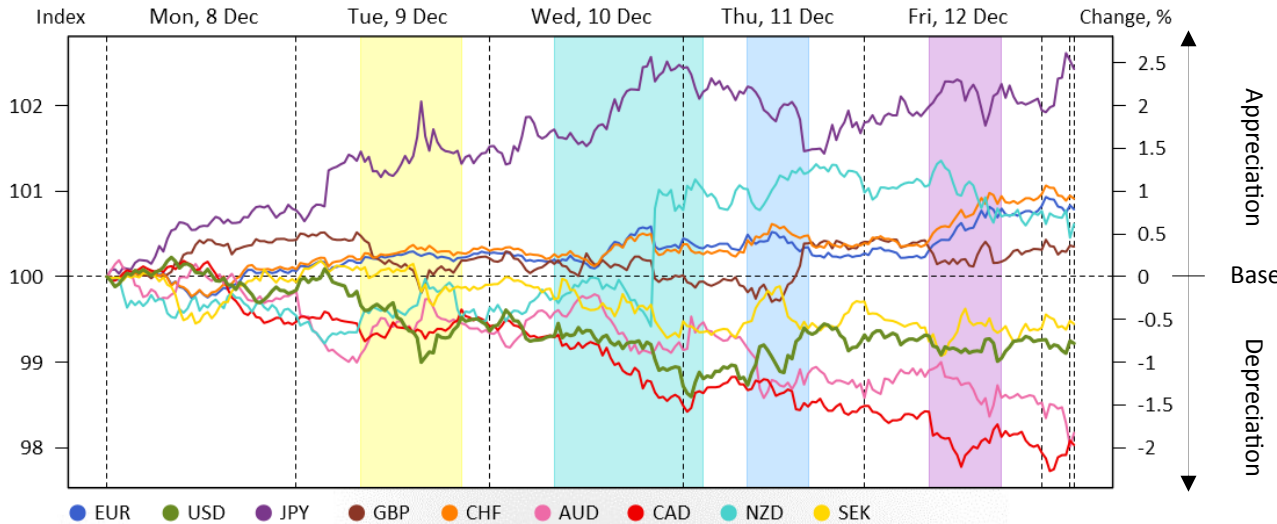
2.01

1.77



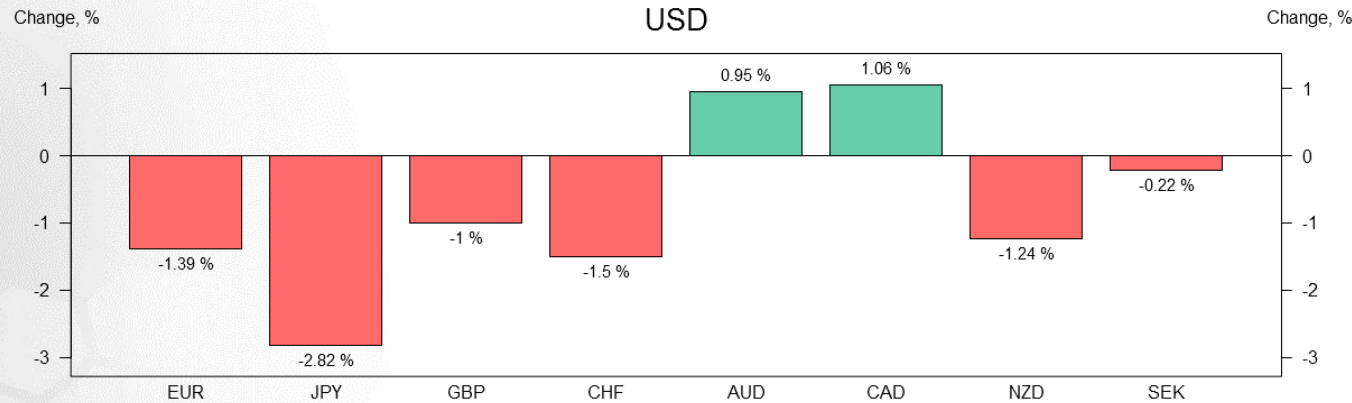
Relative Currency Strength

Currency Indexes



After the yen's 1.5% loss during the week ending December 5, the currency fully recovered during the past period, finishing it with a 2.5% appreciation and leaving its peers far behind. Diametrically opposite situation was observed in the Loonie's index change. It had lost its past 1.2% gain by Wednesday noon and continued to depreciate during the rest of the observed period. The Aussie was another currency to spend the week on a downtrend. As a result, the Canadian and Australian dollars finished the period with a 1.9% loss.

In absence of influential news on US economy, the Greenback started the period with losses, putting its index back to the pre Friday nonfarm payrolls level. Noticeable 1% depreciation was observed in the AUD Index after the release of decreasing business confidence and conditions early on Tuesday. The most conspicuous movement of the currency index took place on Wednesday, when the New Zealand dollar surged in reaction to RBNZ's monetary policy statement reflecting optimism about economic growth. As for the Greenback's measure, its steady decline reversed on Thursday, as it gained 0.5% of the base value on the background of growing retail sales. Afterwards, the index remained on the 99.25 points level till the end of the period.



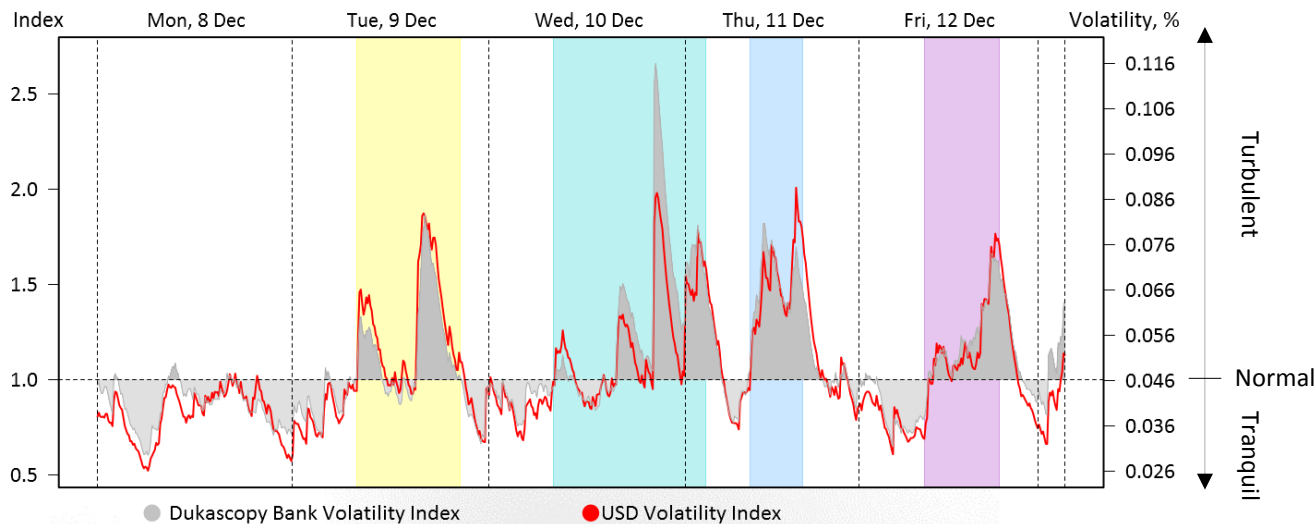
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.79%	-0.78%	2.43%	0.35%	0.91%	-1.83%	-1.97%	0.62%	-0.55%
20	1.44%	2.02%	-0.2%	2.1%	1.44%	-5.06%	-0.66%	-0.63%	-0.39%
130	0.86%	10.31%	-6.66%	1.48%	2.47%	-4.71%	3.12%	-2.28%	-4.12%
250	-1.93%	9.04%	-6.29%	4.99%	0.02%	-0.61%	-0.88%	2.02%	-6.38%



Volatility

Volatility



The previous week was the most volatile in the past two months, as several currencies contributed notably to the overall turbulence. Among the most prominent occurrences, the yen's portion of elevated volatility stood at 80%, greater even than the heightened October readings, and the Kiwi's Volatility Index reached as high as 7.29 points. The Greenback was calmer than the market in all aspects, and its turbulence measure held below that of its peers on most occasions. The only noteworthy detail about the dollar here is that the USD/JPY elevated volatility portion was higher than the yen's composite measure, signaling that the pair's instability was above average for the Asian currency.

The market's Volatility Index reached its maximum with the RBNZ statement on Wednesday, and the dollar's turbulence measure was not left unaffected by the event. The USD index jumped to 1.95 points, and its NZD/USD component reached above the 6.5 level. However, while it was the greatest spike of an individual Greenback's pair, the composite surged to its maximum on US fundamentals, as the unexpectedly strong retail sales numbers pushed the dollar up. Five out of eight USD volatility components jumped above the 2 points mark, making the retail sales report the week's leading US event. The week's third highest spike of the USD Volatility Index took place on Tuesday, mostly supported by the USD/JPY, EUR/USD, and GBP/USD components, as the Greenback briefly dropped against its major peers.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
45	40	33	86	37	27	36	28	48	32

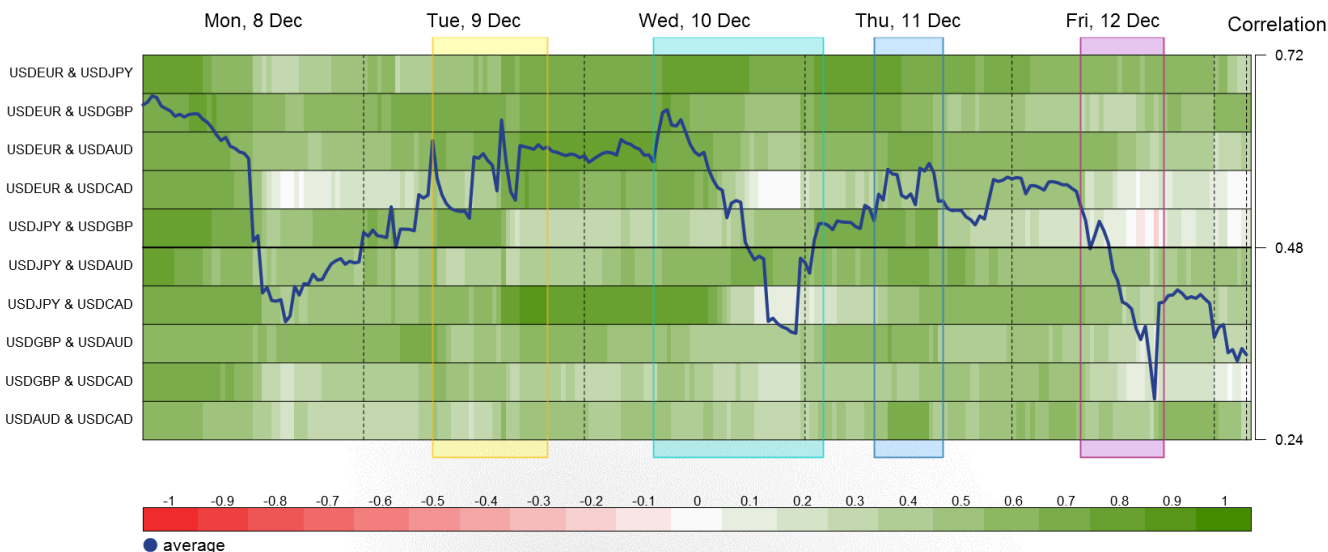
Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.66	2.01	2.74	3.44	2.13	2.18	2.43	2.45	6.57	2.59
Min	0.6	0.52	0.35	0.43	0.3	0.32	0.44	0.27	0.45	0.34
Average	1.07	1.03	0.91	1.6	0.89	0.87	0.98	0.87	1.16	0.91



Currency Significance

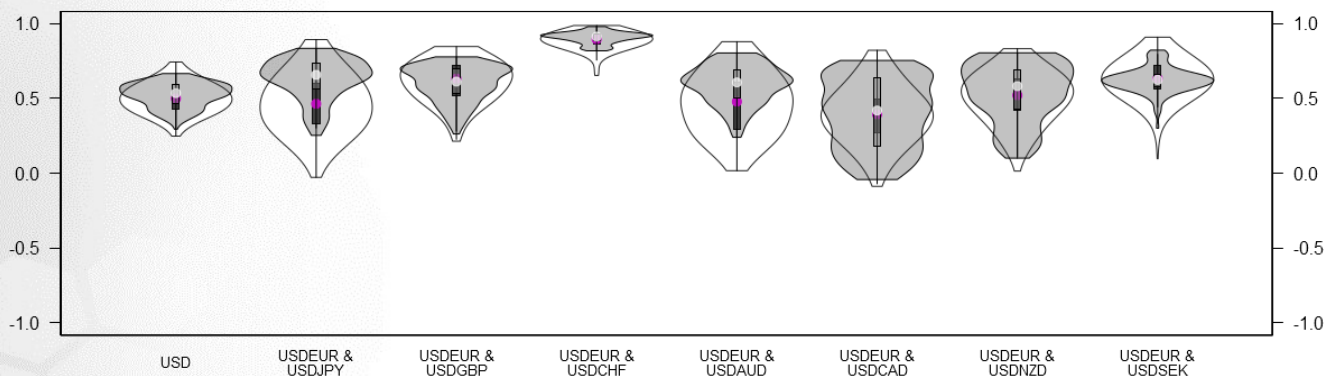
Correlations



The USD significance measure spent the past week zigzagging around a downtrend line, gaining strength and losing its position on several occasions. Still, the average values of the composite and its components edged up from the previous readings. The most noticeable growth was observed in the correlation between EUR/USD and AUD/USD – its mean value increased by 0.21 points. An unusual, almost uniform distribution was observed in correlations of EUR/USD and USD/CAD, as it ranged from -0.04 to 0.75 points during the period.

The USD measure started the week on the 0.66 points level – the maximum value of the period. However, the decrease of the US labor market conditions index led to the fall of the component. The measure was struggling to recover, and by Wednesday morning almost succeeded in regaining the previous level. However, it was struck down by the Kiwi's response to the RBNZ statement. On Thursday, the measure held around 0.53 points, jumping a little at the time of the US retail sales release. The last day of the period was marked by the sharp lowering of the measure, as the composite dropped by 0.22 points and ended the week on the 0.34 mark.

Correlations (5 vs 20 days)

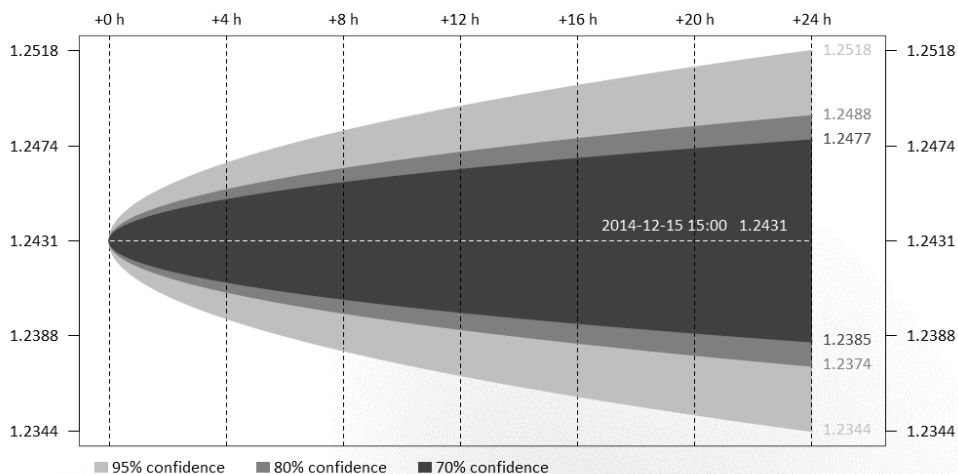


Mean Correlation Coefficient (with USDEUR)

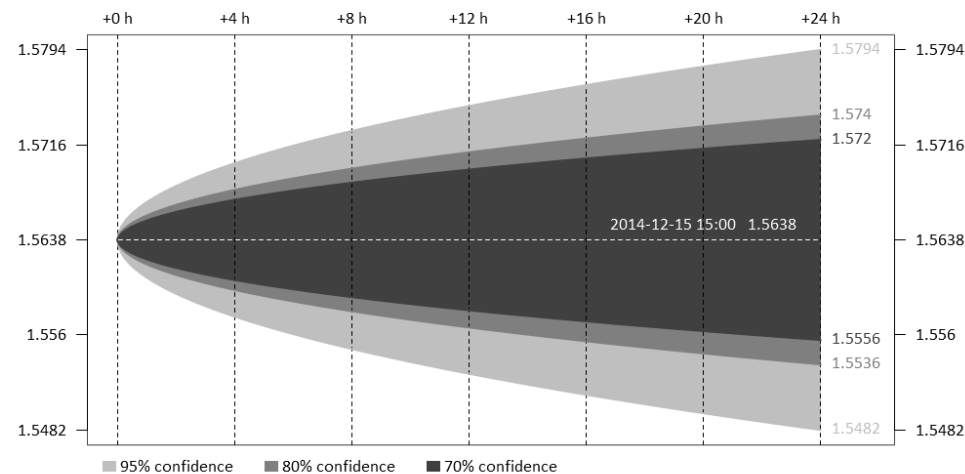
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.52	0.63	0.6	0.91	0.59	0.4	0.54	0.62
20	0.5	0.46	0.61	0.89	0.46	0.39	0.51	0.63
130	0.47	0.43	0.48	0.89	0.47	0.36	0.5	0.61
250	0.38	0.3	0.46	0.86	0.35	0.26	0.39	0.61

Confidence Intervals for Next 24 Hours

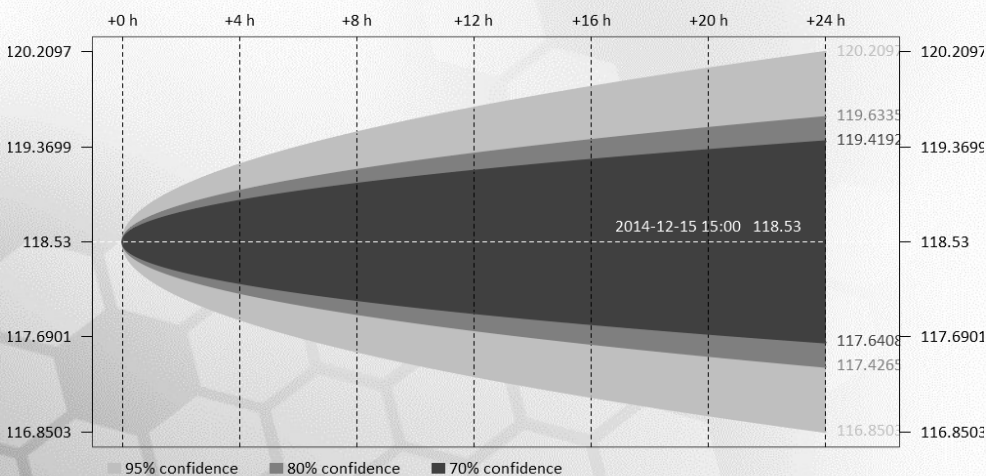
EURUSD Potential Rates



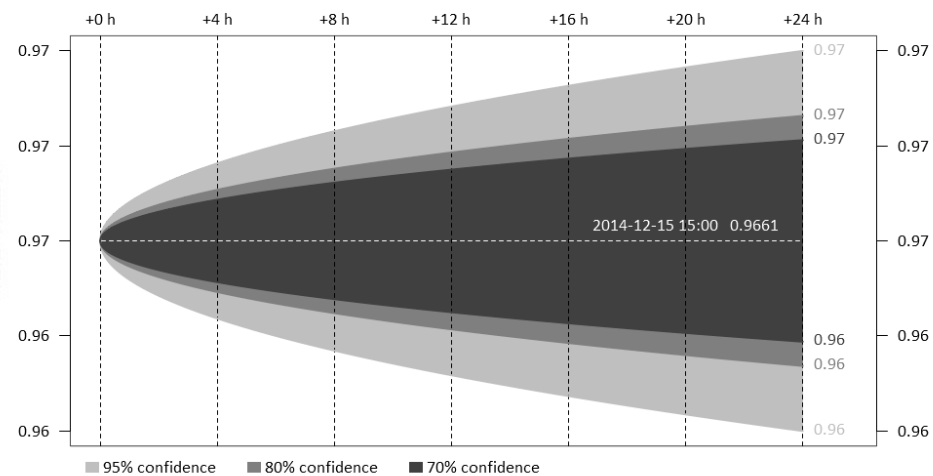
GBPUSD Potential Rates



USDJPY Potential Rates



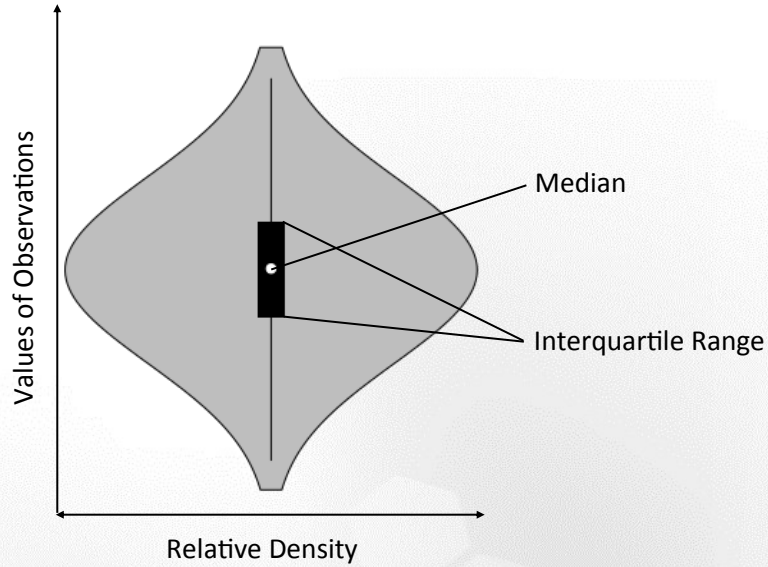
USDCHF Potential Rates



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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