



USD

19/01/2015



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Market Research





Dominant Events of the Period

Yellow Area

January 13

06:30 - 16:30

- Swedish CPI
- UK CPI

Turquoise Area

January 14

06:00 - 15:00

- Euro Zone Industrial Production, European Court of Justice Ruling
- US Retail Sales
- BoE's governor Carney speech

Blue Area

January 15

00:00 - 23:00

- Australian Unemployment Rate
- SNB Interest Rate Decision
- US Jobless Claims, PPI, Philly Fed Manufacturing Survey

Purple Area

January 16

05:30 - 20:00

- Euro Zone, German CPI
- Swiss Real Retail Sales
- US CPI, Industrial Production, UoM Flash Consumer Sentiment Index

USD Currency Index Range

0.3%

0.69%

2.64%

0.47%

Max USD Volatility Index

1.75

2.82

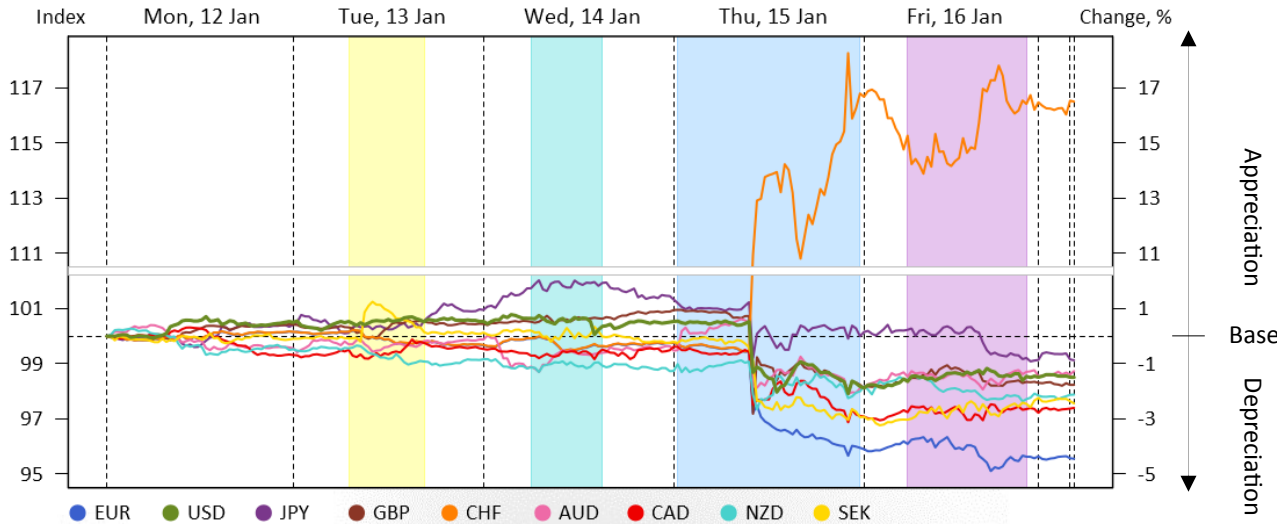
28.13

2.91



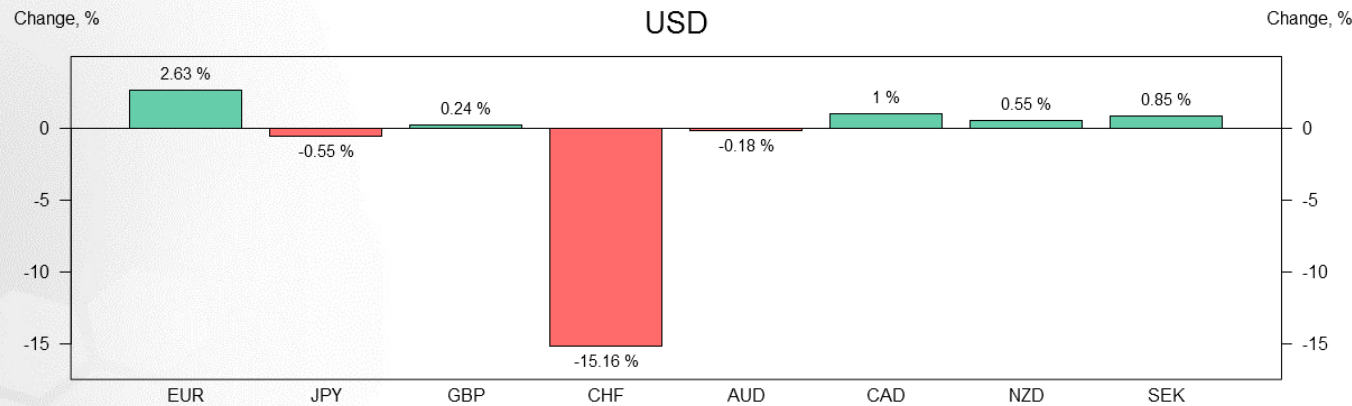
Relative Currency Strength

Currency Indexes



Let's observe the period before Thursday morning separately from the rest of the trading week. The top performer during this period was the yen, with its currency index gaining 2% of the base value by the middle of the week. The second best was the pound, which was steadily growing during the period in spite of lower-than-expected CPI data. The most conspicuous changes in currency strength were Tuesday's 1.45% surge of the SEK Index as unexpectedly optimistic December's CPI was released and 1% drop of the AUD Index in reaction to a sharp fall in copper price. Decreasing Australian unemployment data release early on Thursday prompted the AUD Index to rise by 0.8%.

The Greenback spent the beginning of the week in absence of influential news on US economy, so the index was varying feebly around the 100.5 points level. Disappointing US retail sales, which decreased by 0.9% in December, induced 0.5% fall of the currency index on Wednesday. However, the currency recovered shortly. Thursday morning completely changed the picture. Almost all currency indexes, excepting the yen's, found themselves in the negative area and with losses greater than 1%. The SNB's decision to drop the 1.20 floor for EUR/CHF was followed by 17% appreciation of the Swiss franc's currency index.



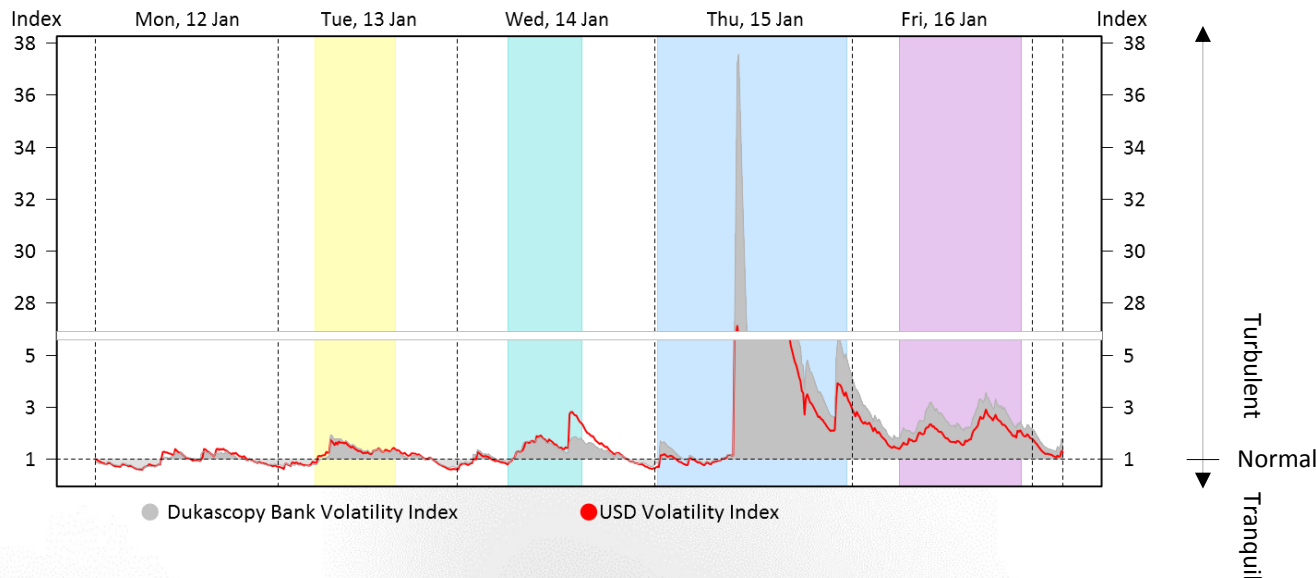
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-4.44%	-1.49%	-0.87%	-1.76%	17%	-1.27%	-2.6%	-2.12%	-2.44%
20	-6.69%	0.24%	1.5%	-3.45%	14.98%	1.17%	-3.16%	0.74%	-6.06%
130	-6.6%	11.41%	-5.72%	-2.41%	16.23%	-2.88%	-0.79%	-0.73%	-8.74%
250	-8.56%	9.17%	-4.36%	0.11%	15.81%	2.03%	-0.66%	2.58%	-16.09%



Volatility

Volatility



The past week was the most turbulent one on record, fueled generously by the Swiss franc's rally. The dollar showed the second-sharpest reaction among the franc's peers, with its volatility index surging to 28 points, 6 points below that of the Euro. The market remained overturbulent long after the initial shock of the SNB's announcement, and all of the volatility measures held well above their historical averages for the rest of the period. Notably, pairs with the Pacific currencies were the only ones that reached their maximum volatility outside the scope of the Swiss news.

Thus, AUD/USD was strongly affected by Thursday's optimistic Australian jobs data, while NZD/USD responded to US retail sales report.

Retail sales release was the vent that brought the USD Volatility Index the highest away from the market's gauge. The report revealed a slump in overall measure and, more importantly, a drop in the core numbers, throwing a shadow on confident views of economic recovery. The dollar dipped, and its volatility index jumped to 2.7, around 1 point above the market's. The market's turbulence measure, in turn, reached its highest non franc related peak on Tuesday, when Swedish higher-than-expected inflation rate readings prompted the krona up against its peers.

Elevated Volatility (% of the observed period)

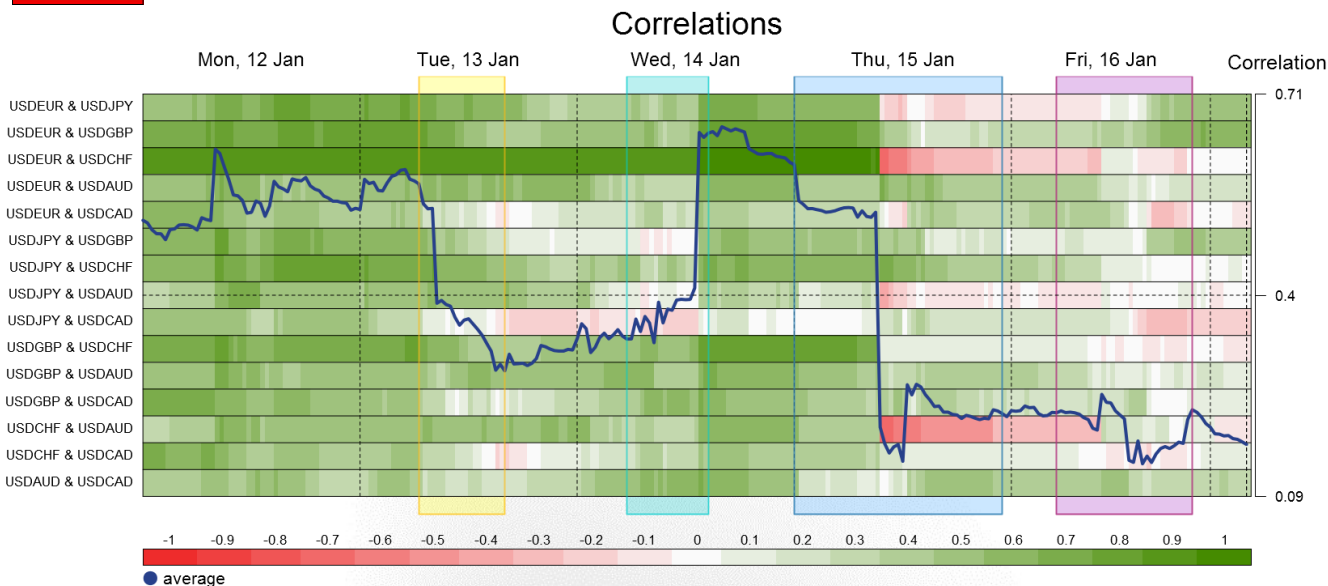
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	72	71	59	87	52	63	72	58	72

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	38.58	28.13	6.13	3.49	2.87	217.28	4.15	4.84	4.09	5.37
Min	0.63	0.6	0.32	0.7	0.37	0.39	0.46	0.44	0.51	0.36
Average	2.63	2.16	1.41	1.53	1.09	8.51	1.42	1.28	1.44	1.22



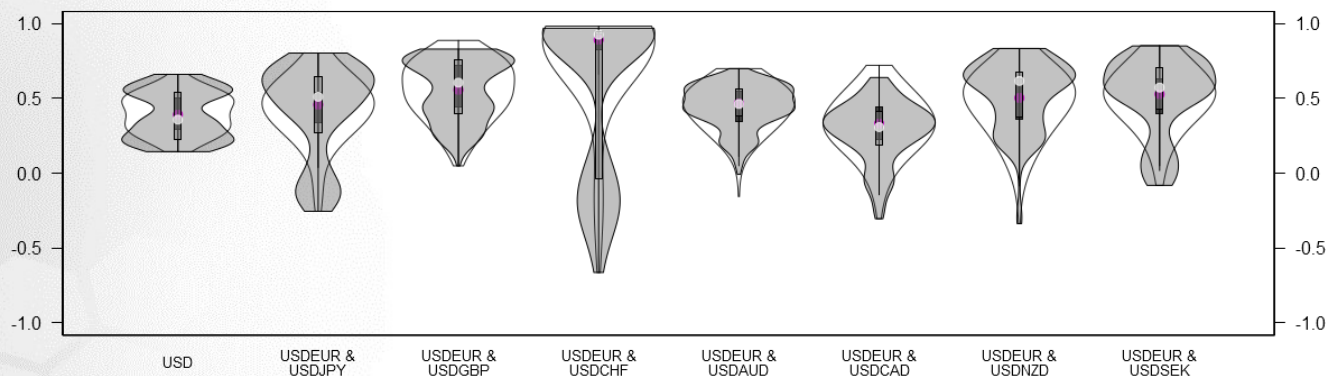
Currency Significance



Similarly to the Currency and Volatility Indexes, the USD significance measure also was heavily influenced by the SNB's new monetary policy. Compared with the past week, composite's average lost 0.11 points. In turn, observed components dropped for 0.01-0.37 points. The most noticeable drop was observed in correlations between EUR/USD and USD/CHF. As the news went viral, the component fell instantaneously from 0.95 to -0.66 points. However, by the end of the period the negativity retreated and the component reached the level of -0.03. The usually compact distribution of the component shifted down significantly.

In the beginning of the week, the US dollar significance measure held on a strong level of 0.54 points. The first noteworthy fall of the composite occurred on Tuesday, when the UK CPI was released. The measure lost about 0.25 points to stand on the 0.28 points mark. Nonetheless, on Wednesday, right after the US retail sales came out, the measure jumped to 0.66 points. The strengthening was short-lived, though, as the Swiss news release had a tremendous impact to the USD measure, and it dropped from 0.53 to 0.15 points. Despite some recovery attempts, the composite remained on the level of 0.18 till the end of the period.

Correlations (5 vs 20 days)

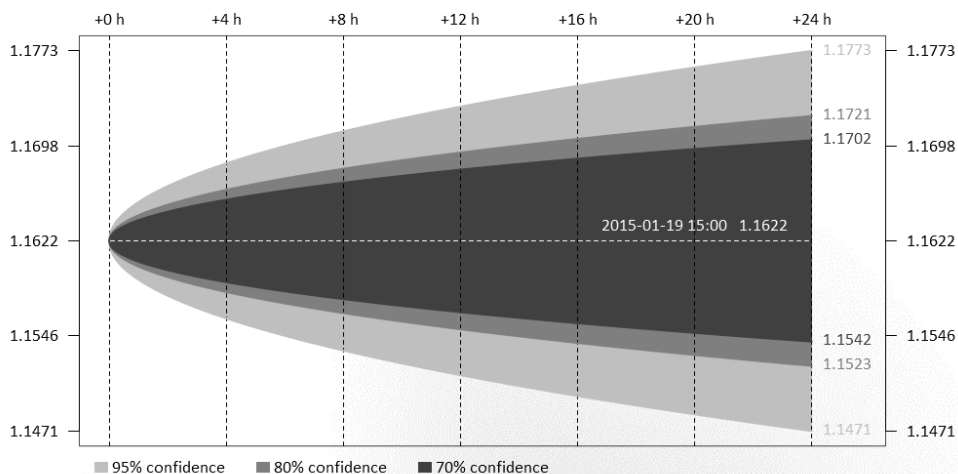


Mean Correlation Coefficient (with USDEUR)

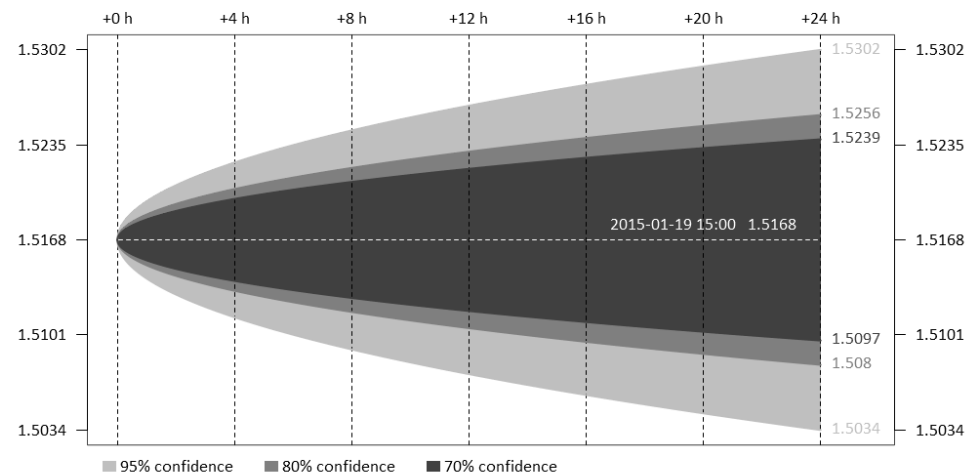
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.39	0.42	0.56	0.55	0.44	0.27	0.53	0.51
20	0.4	0.43	0.55	0.79	0.44	0.33	0.47	0.51
130	0.48	0.46	0.53	0.87	0.48	0.38	0.52	0.62
250	0.39	0.32	0.47	0.87	0.36	0.27	0.41	0.6

Confidence Intervals for Next 24 Hours

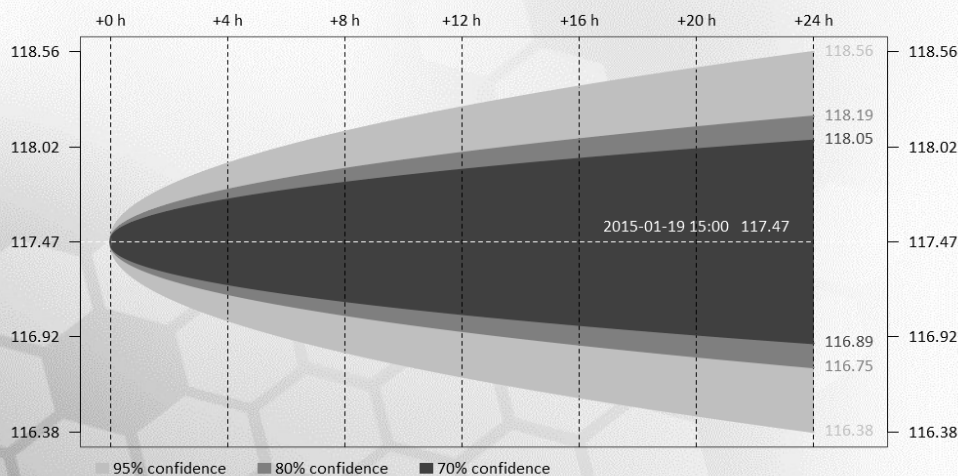
EURUSD Potential Rates



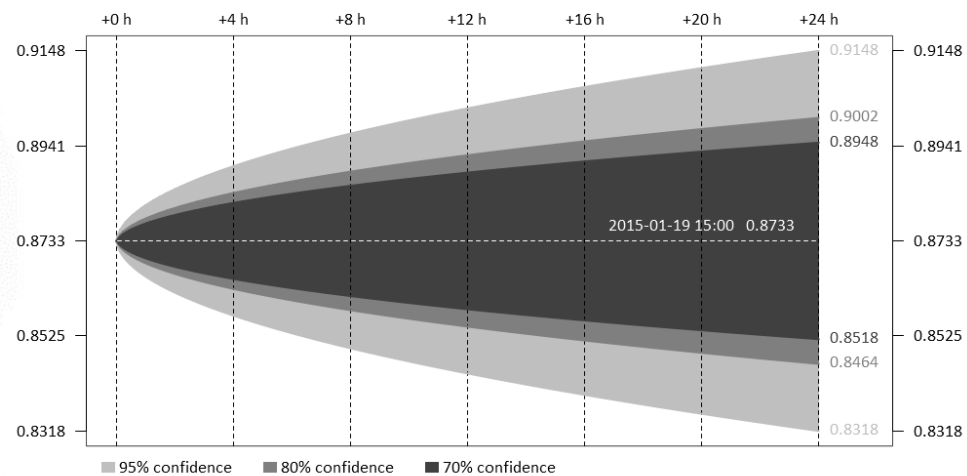
GBPUSD Potential Rates



USDJPY Potential Rates



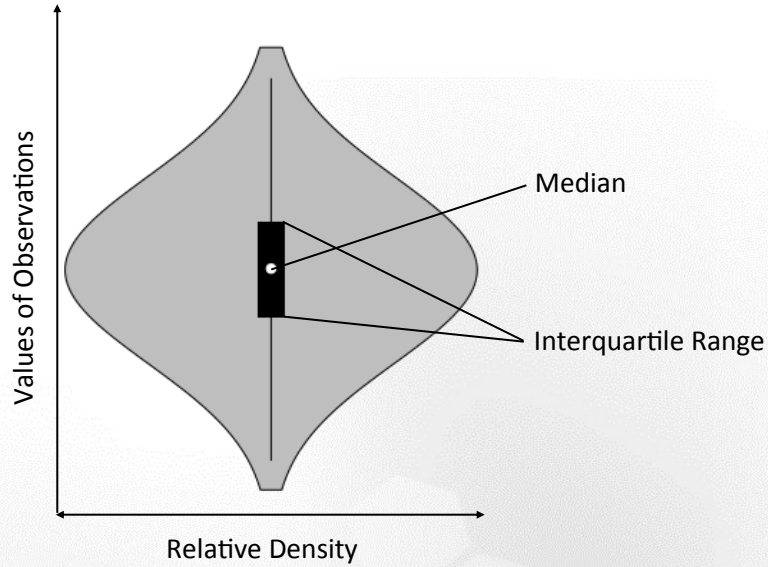
USDCHF Potential Rates



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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