

**JPY**

21/01/2015

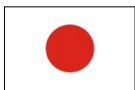


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# Dominant Events of the Period

## Yellow Area

January 14

01:30 - 19:30

- Japan Machine Tool Orders
- Eurozone Industrial Production
- US Retail Sales
- UK BoE Governor Carney Speech

## Turquoise Area

January 15

00:00 - 23:00

- Japan Machinery Orders
- China New Loans
- Switzerland SNB Interest Rate Decision and Chairman Jordan Speech
- US Unemployment Claims

## Blue Area

January 16

07:00 - 20:00

- Germany CPI
- Switzerland Retail Sales
- Eurozone CPI
- US CPI and Industrial Production

## Purple Area

January 19

04:30 - 13:30

- Japan Industrial Production and Consumer Confidence

## Orange Area

January 20

01:00 - 22:00

- China GDP, Industrial Production and Retail Sales
- Germany ZEW Economic Sentiment

JPY Currency Index Range

1%

2.02%

1.19%

0.39%

0.79%

Max JPY Volatility Index

2.31

11.96

2.96

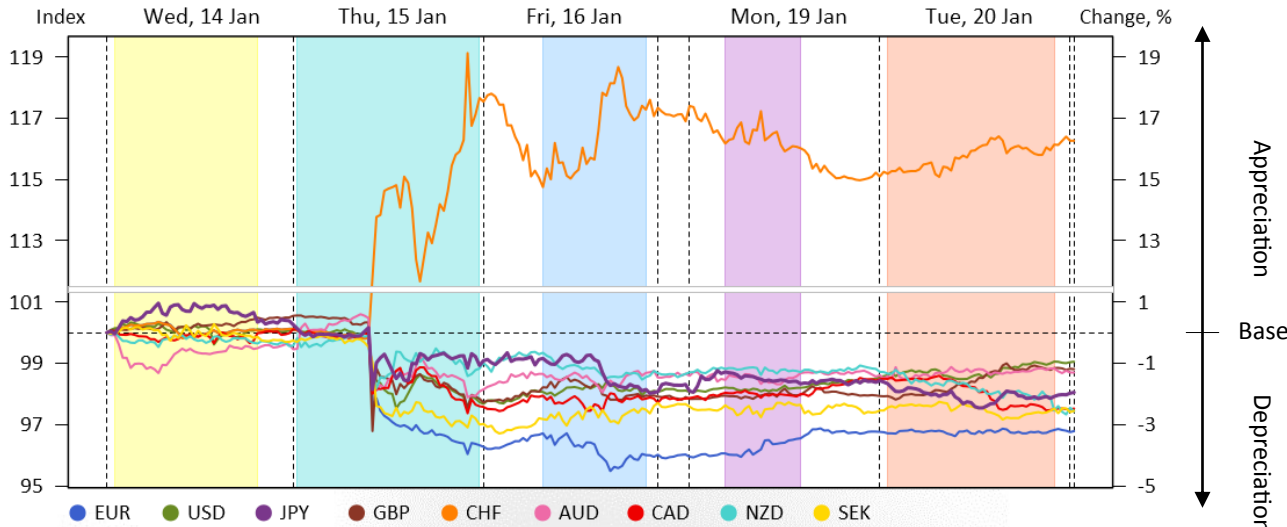
1.73

1.66



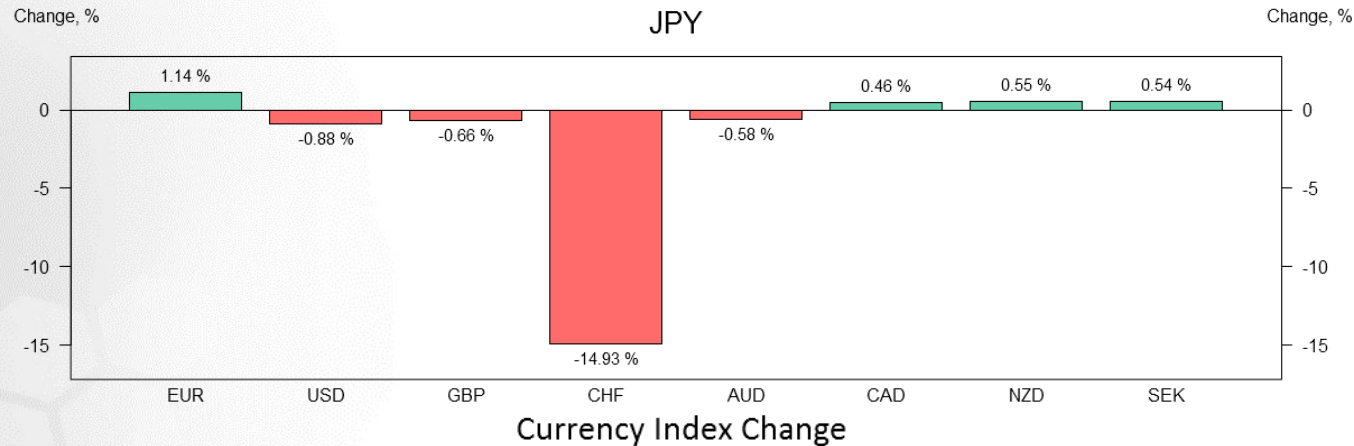
# Relative Currency Strength

Currency Indexes

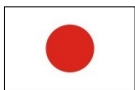


The Japanese currency entered into decline phase on Thursday during January 14-20 time period, which was, to a great extent, caused by the decision of the Swiss National Bank to decrease the deposit rate even lower to -0.75% and abandon its exchange rate limit with the euro at 1.20. As a result, all currencies on the market dropped against the franc. JPY/CHF, in particular, declined as much as 14.93%, which was not the worst result. The franc itself managed to gain 16.26% during the mentioned period and the most changes took place on Thursday. Back to the yen, it gained the most value against the euro last week by 1.14%.

Weakness of the common European currency has largely reflected expectations for massive quantitative easing in the Eurozone which is likely to be announced on January 22 by the ECB. Nevertheless, Japanese currency developed much more positively and even used to be the leader during Wednesday, before the Swiss event took place. The yen was broadly supported amid strong machine tool orders that gained 33.8% in December. On the other hand, some bearish pressure was actively pushing Japan's currency down on Tuesday, reflecting positive data on economic growth, retail sales and industrial production in China, the world's second biggest economy. All in all, the currency ended the period with a fall of 1.95%.

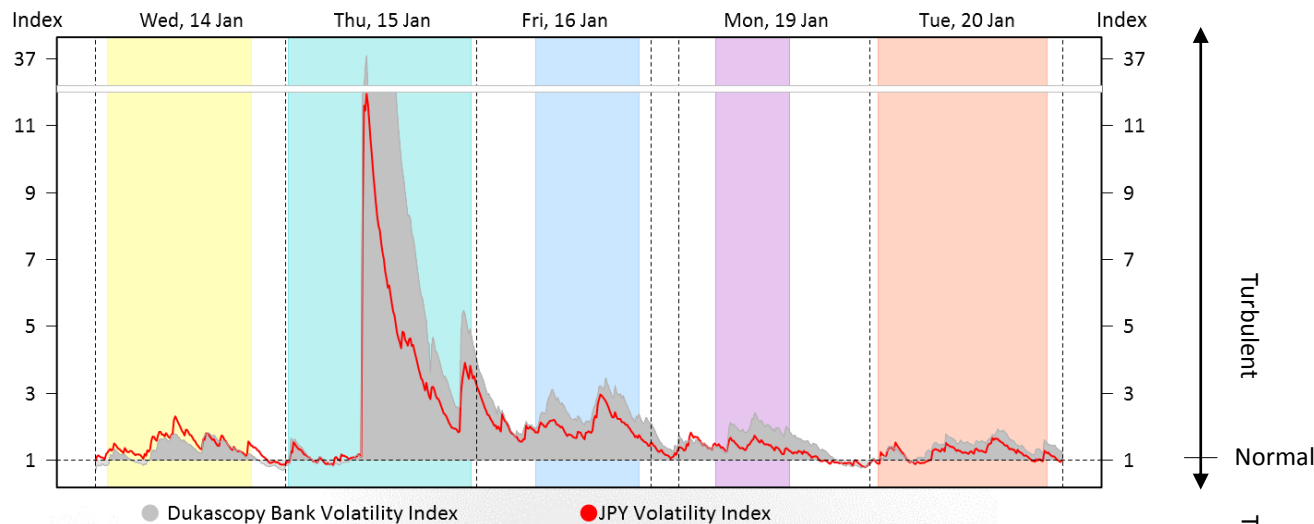


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-3.22%	-0.95%	-1.95%	-1.2%	16.26%	-1.31%	-2.48%	-2.57%	-2.55%
20	-5.97%	0.7%	2.11%	-2.55%	13.7%	1.07%	-3.59%	-0.63%	-5.42%
130	-5.72%	12.42%	-5.43%	-1.31%	15.17%	-3.22%	-1.36%	-2.24%	-8.46%
250	-7.7%	10.23%	-4.13%	1.11%	14.87%	1.72%	-0.97%	0.65%	-15.76%



# Volatility

## Volatility



The period was associated with extremely uplifted volatility values in the end of the previous week and very high portion of elevated volatility for the yen at 86%, even though it almost matched the market's one of 85%. The most noticeable impetus was provided by the Swiss franc, where the yen's pair with this currency observed substantial volatility in 93% of all time during the period. On the other hand, as can be seen from the tables, the Japanese yen was not the period's most volatile currency – its Volatility Index reached the 11.96 level at the peak due to incredibly strong CHF/JPY changes, while market's maximum hit 37.6 at that time.

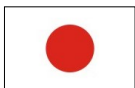
Japanese currency started the week with a third-highest spike in turbulence during the whole period at 2.31, when the Eurozone's industrial production data was published surprisingly better than estimated. The most dramatic changes took place on Thursday, when the SNB's move to abandon the euro-franc cap caused the volatility of all currency pairs with the franc to skyrocket. Mostly due to CHF/JPY high turbulence, the Yen's aggregate nervousness remained in place in course of Friday as well, hovering around 3 points. Meanwhile, no other important events were able to provide the Yen with such energy in order to increase volatility on January 19-20.

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

Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
85	86	78	66	69	93	81	67	85	55

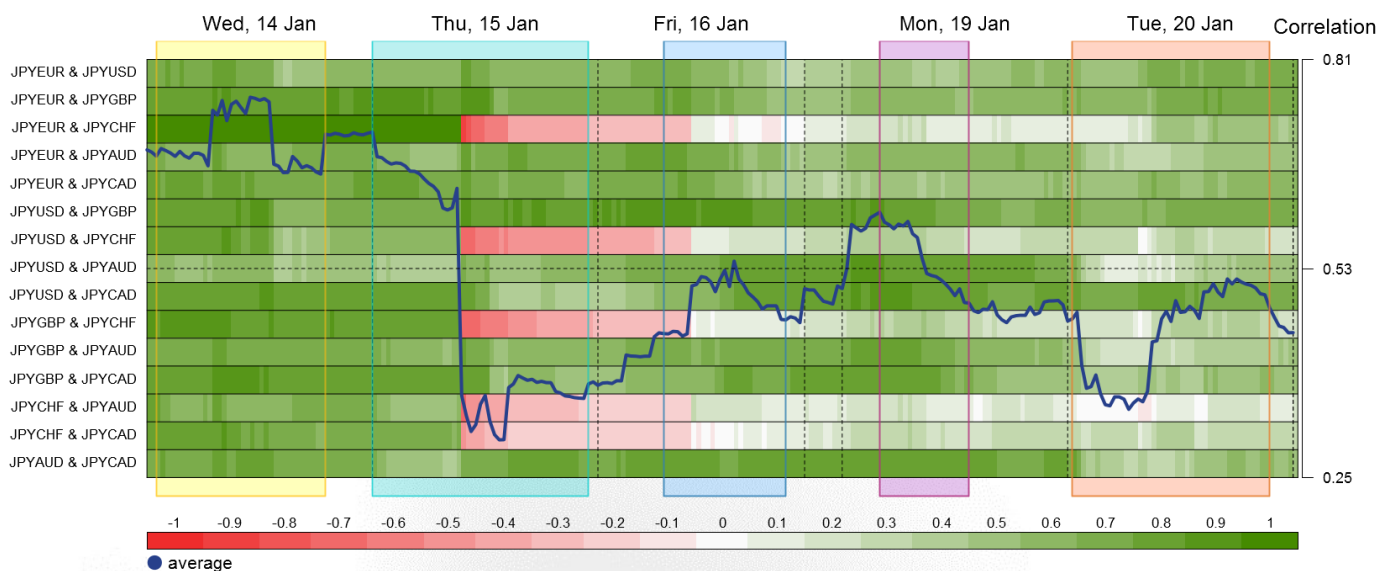
### Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	37.6	11.96	6.76	3.27	2.73	87.56	6.17	2.81	3.86	4.73
Min	0.68	0.78	0.6	0.49	0.56	0.66	0.71	0.47	0.57	0.44
Average	2.68	1.82	1.55	1.28	1.25	5.99	1.6	1.26	1.48	1.2



# Currency Significance

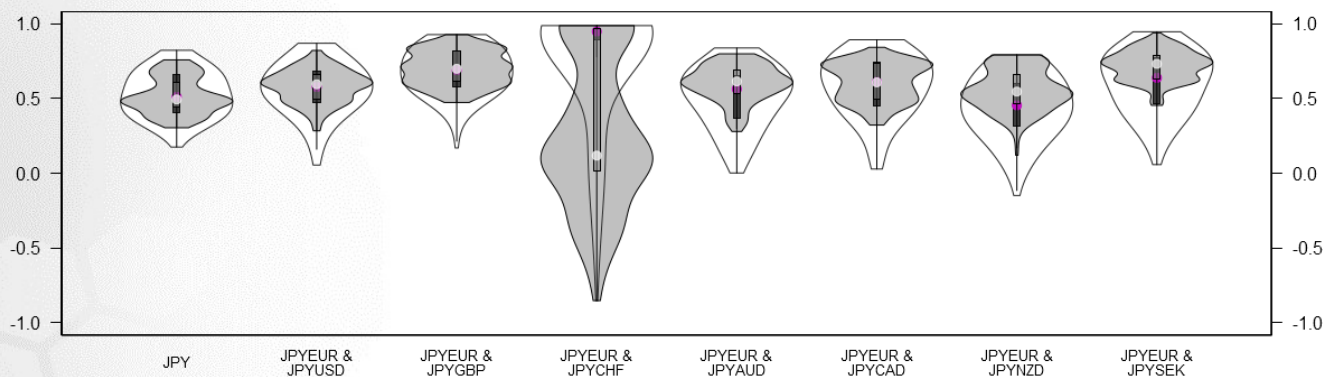
## Correlations



Taking into account significance levels of JPY, calculated as an average correlations between all currency pairs of the yen, this currency was not one of the main drivers last week. The average correlation levels stood at 0.53 points during the week while for the most of the period the currency developed below this mark amid major changes with the Swiss franc on Thursday. Taking into consideration the mean correlation coefficients for the Japanese currency, they mostly matched one month and half-year levels around 0.56-0.58 points.

Even though significance of both the composite and different components started the period at confident levels of about 0.75, Thursday's news changed a lot on the market. Yen's correlations between crosses that include the Swiss franc dropped far below zero, which followed the SNB's decision to scrap euro-franc limit of 1.20. A major appreciation of the franc followed this news. As a result, yen's composite reached its weekly low around 0.28 on Thursday but rebounded rather fast and hovered around 0.50 by the end of the working week. On Tuesday, however, the correlation level of the yen dropped once more, in time when Chinese GDP and industrial production data was revealed. The period, in turn, was closed at 0.45 mark.

## Correlations (5 vs 20 days)

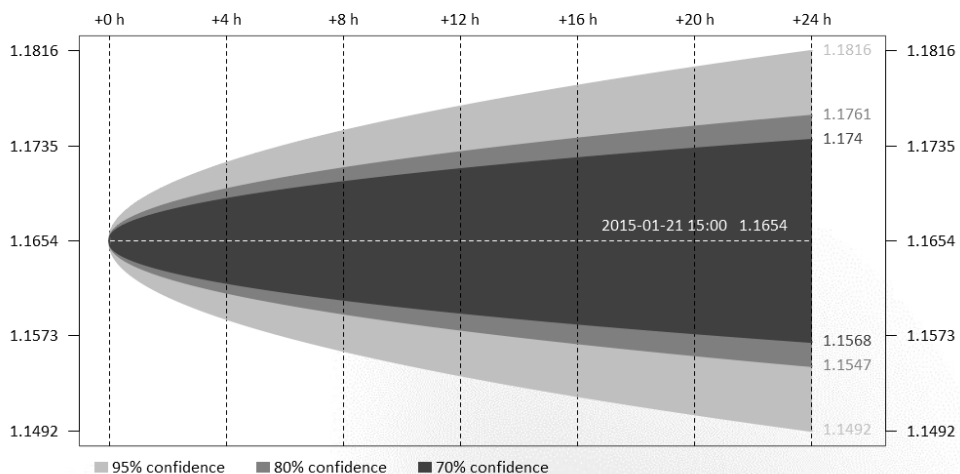


### Mean Correlation Coefficient (with JPYEUR)

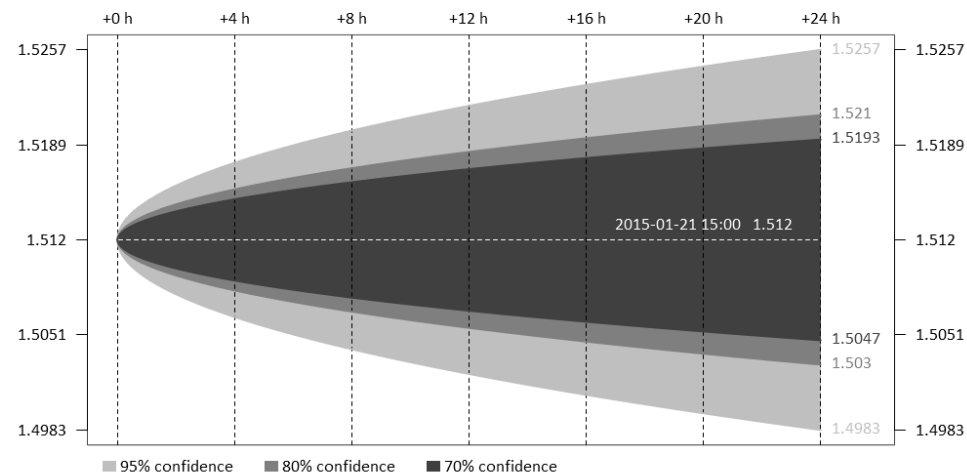
Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.52	0.58	0.7	0.27	0.6	0.61	0.55	0.72
20	0.53	0.57	0.68	0.78	0.51	0.58	0.45	0.61
130	0.5	0.56	0.63	0.9	0.44	0.52	0.38	0.71
250	0.52	0.62	0.66	0.91	0.45	0.51	0.41	0.71

# Confidence Intervals for Next 24 Hours

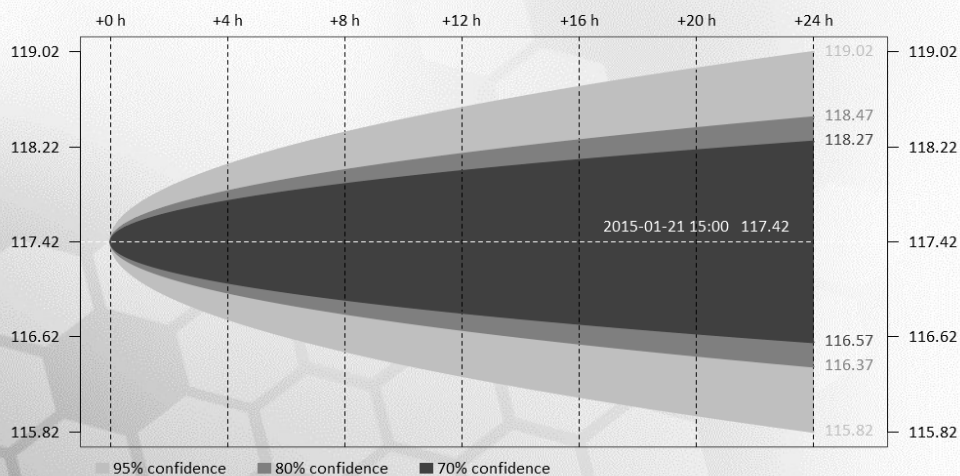
EURUSD Potential Rates



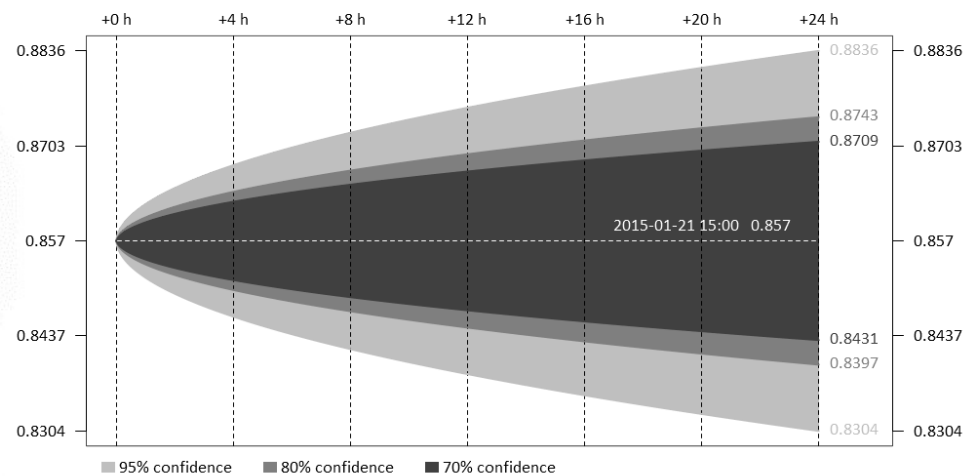
GBPUSD Potential Rates



USDJPY Potential Rates



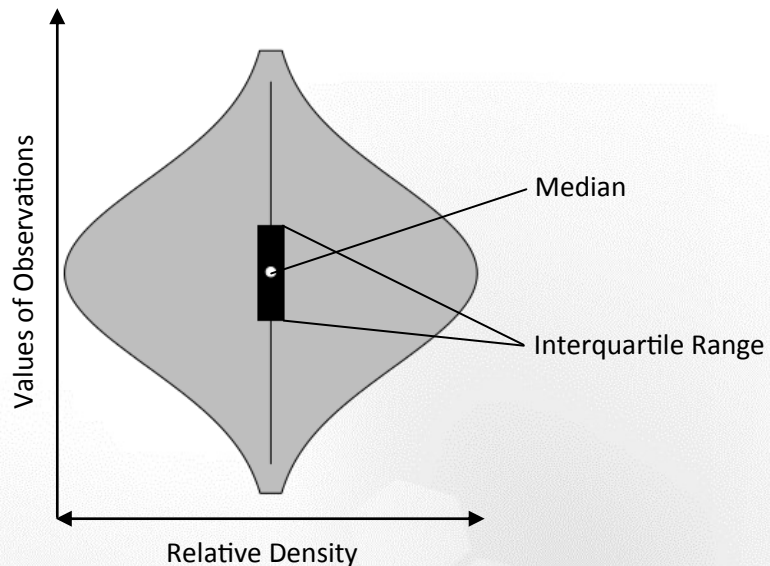
USDCHF Potential Rates



# 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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