



**AUD**

04/02/2015



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# Dominant Events of the Period

## Yellow Area

January 28

00:00 - 20:00

- Australia CPI
- Fed Interest Rate Decision and Monetary Policy Statement

## Turquoise Area

January 29

03:30 - 18:00

- Germany CPI
- US Unemployment Claims
- Japan CPI and Unemployment Rate

## Blue Area

January 30

02:30 - 17:00

- Germany Retail Sales
- UK Mortgage Approvals
- Eurozone CPI and Unemployment Rate
- US GDP

## Purple Area

February 2

02:00 - 12:30

- Eurozone Manufacturing PMI
- US Manufacturing PMI and Personal Spending

## Orange Area

February 3

01:00 - 21:30

- Australia Trade Balance
- RBA Interest Rate Decision
- UK Construction PMI
- US Factory Orders

AUD Currency Index Range

1.2%

1.6%

0.68%

0.52%

2.06%

Max AUD Volatility Index

3.88

1.57

1.93

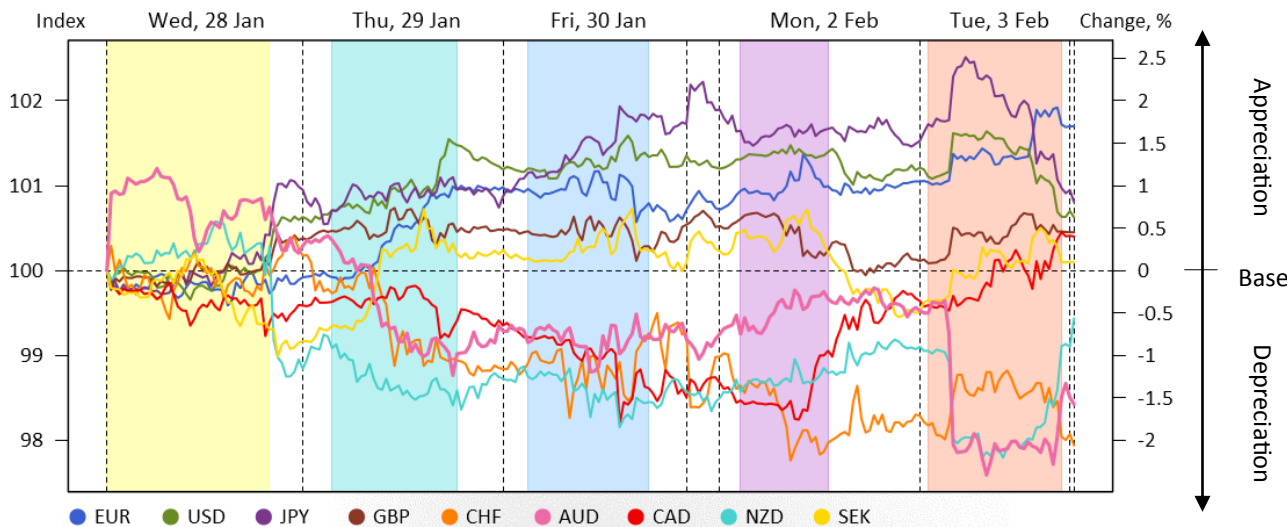
1.48

5.18



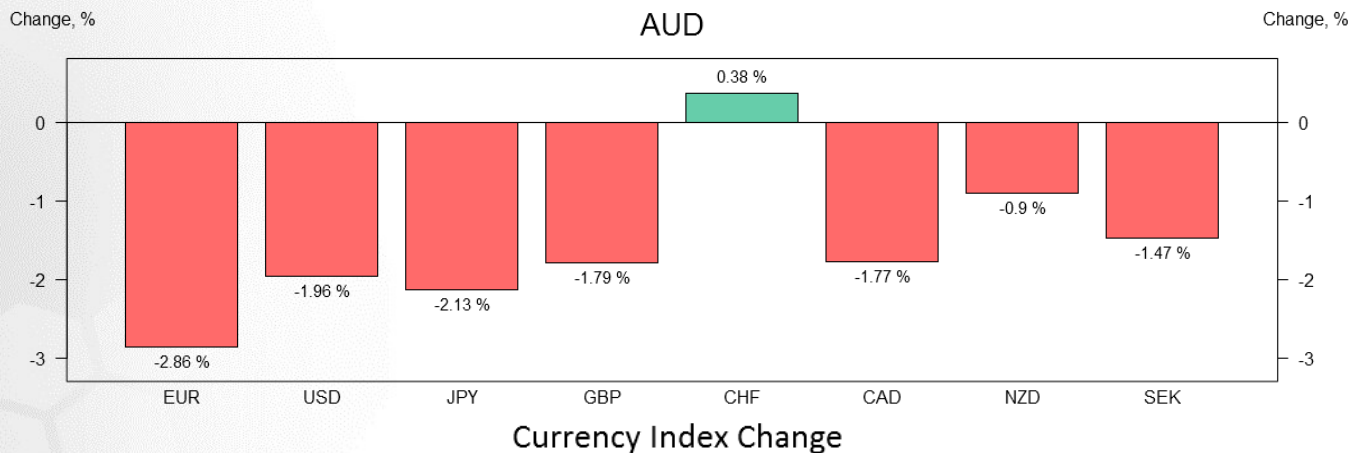
# Relative Currency Strength

Currency Indexes



The Australian dollar was in the list among the worst performing currencies in the period from January 28 till February 2, as its currency index declined 1.58%, during five trading days. Only the Swiss Franc dropped even more, by losing 2.06% last week. Having a look at the components, AUD plummeted the most versus the Euro and Japanese Yen by 2.86% and 2.13%, correspondingly. Speaking about positive performers of the period, the Euro rebounded notably by registering an overall advance of 1.7% versus its counterparts, while other currencies managed to gain less than 1% for the weekly period ended this Tuesday.

Compared to general negative performance of the Australian Dollar over the whole week, in the beginning of the period it even managed to be the fastest rising currency on the market. The AUD Index climbed above 101 points on news that domestic inflation fell more than expected to 1.7% on the annual basis. As a result, it gave a major boost to the Aussie. However, already on Thursday the Australian Dollar fell below the baseline and remained there for the rest of the period till February 2. The strongest downward impetus was provided on Tuesday by the RBA's surprising decision to cut the main interest rate to 2.25% amid slowing pace of inflation, when the currency Index dropped even below 98 points.

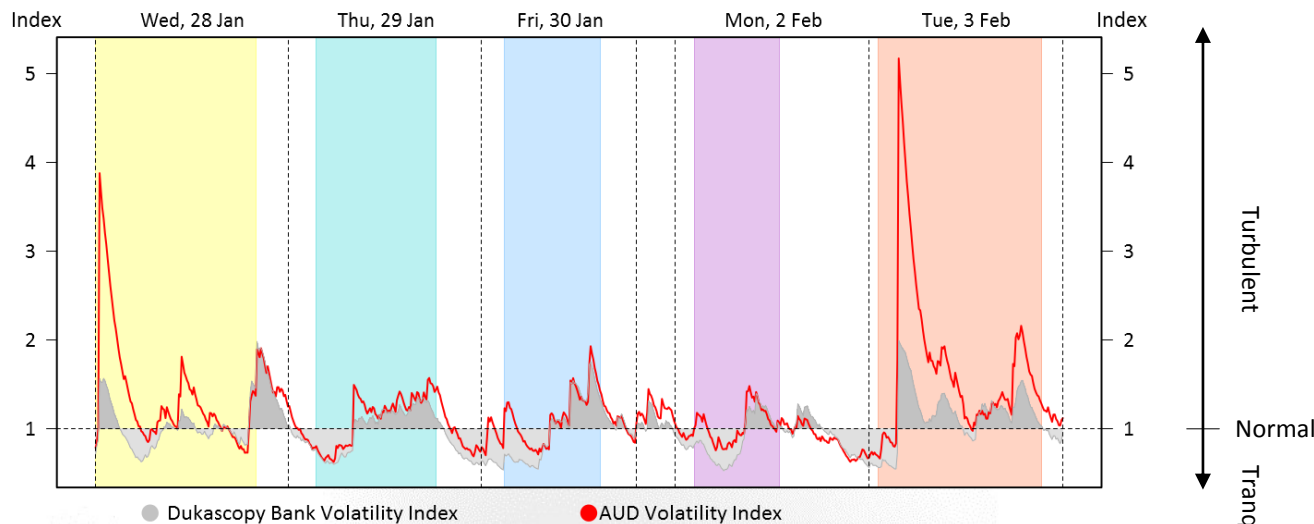


| Days | EUR    | USD    | JPY    | GBP   | CHF    | AUD    | CAD    | NZD    | SEK     |
|------|--------|--------|--------|-------|--------|--------|--------|--------|---------|
| 5    | 1.7%   | 0.63%  | 0.81%  | 0.45% | -2.06% | -1.58% | 0.4%   | -0.57% | 0.1%    |
| 20   | -2.66% | 1.28%  | 2.84%  | 1.44% | 11.67% | -2.98% | -4.06% | -4.2%  | -3.05%  |
| 130  | -4.54% | 13.46% | -2.3%  | 1.24% | 11.2%  | -7.01% | -1.43% | -3.06% | -7.36%  |
| 250  | -6.49% | 12.11% | -4.95% | 3.79% | 9.16%  | -1.25% | -0.62% | 1.81%  | -13.62% |



# Volatility

## Volatility



Both elevated volatility proportions and values of volatility indices of the Australian currency were well above market average levels during the period. Concerning elevated volatility, it is worth pointing out that especially the Pound/Aussie and Aussie/Loonie crosses were unusually active, as they both were turbulent in 72% of all time, compared to currency's average of 65% and market's mean at just 51%. Meanwhile, the maximum volatility index for the Australian Dollar stayed at 5.18 points last week, while the most turbulent currency pair in terms of this particular indicator used to be the AUD/JPY at 6.86 points.

For last week, there are two main points in time where we can observe a very strong volatility of the Australian currency—one in the very beginning of period, the second one in the very end of it. On Wednesday, the AUD volatility spiked to just below 4 points, when the Australian Bureau of Statistics released weaker than estimated inflation reading for the Q4 2014. The second and even more noticeable increase in currency's turbulence was observed back on Tuesday of the current week. As mentioned before, it reached 5.18 points when the Reserve Bank of Australia made its unexpected decision to slash the main interest rate from 2.50% to 2.25%, joining other central banks in implementing a softer stance of monetary policy.

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

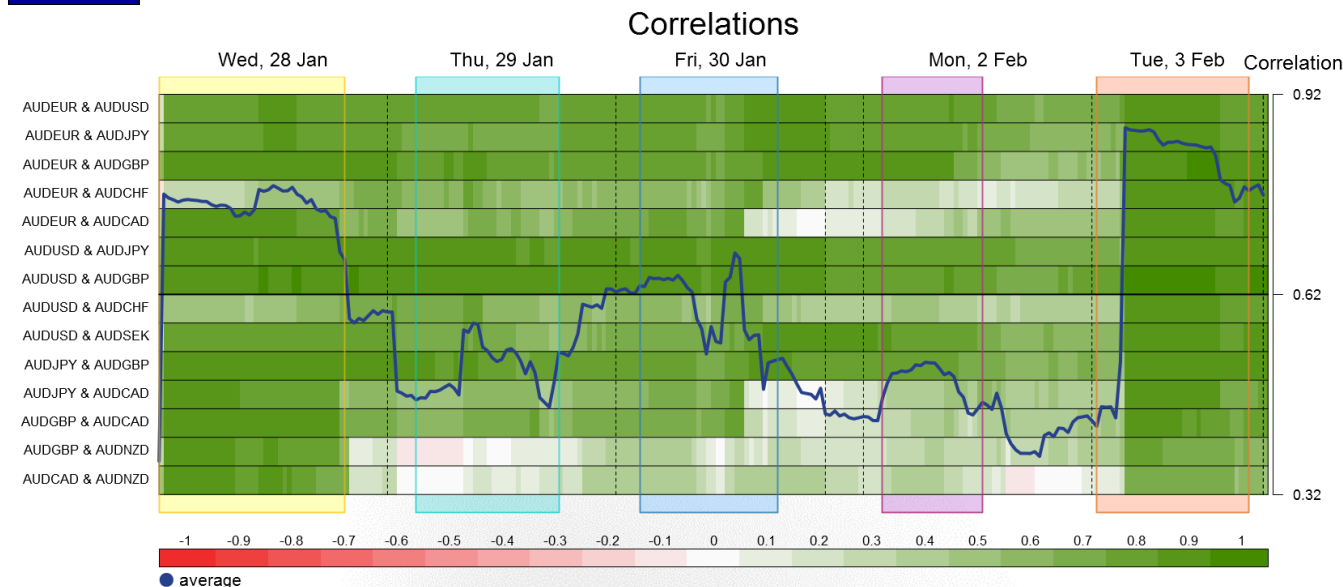
| Market | AUD | EURAUD | AUDUSD | AUDJPY | GBPAUD | AUDCHF | AUDCAD | AUDNZD | AUDSEK |    |
|--------|-----|--------|--------|--------|--------|--------|--------|--------|--------|----|
|        | 51  | 65     | 66     | 64     | 68     | 72     | 36     | 72     | 65     | 57 |

### Volatility Index (for the observed period)

|         | Market | AUD  | EURAUD | AUDUSD | AUDJPY | GBPAUD | AUDCHF | AUDCAD | AUDNZD | AUDSEK |
|---------|--------|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Max     | 1.99   | 5.18 | 5.82   | 5.73   | 6.86   | 6.07   | 3.5    | 6.4    | 4.63   | 4.48   |
| Min     | 0.52   | 0.62 | 0.51   | 0.45   | 0.58   | 0.53   | 0.39   | 0.55   | 0.52   | 0.5    |
| Average | 1      | 1.22 | 1.27   | 1.32   | 1.34   | 1.39   | 0.97   | 1.32   | 1.29   | 1.16   |



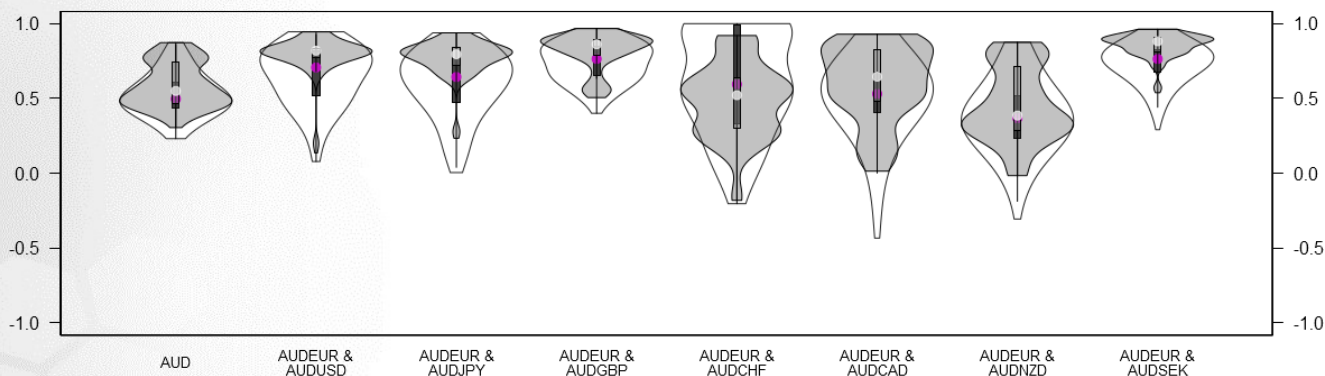
# Currency Significance



Even despite the high volatility on the market, components of the Australian Dollar's significance measure showed strong correlations over the observed period. By having a look at significance measures of the AUD, which are calculated as an average correlations between all Aussie's crosses, we should underline that main drivers here used to be domestic factors from Australia, while news from abroad had less important impact. With the average significance measure of 0.62, AUD correlations stood mostly below this mark, jumping only in time of local data releases on Wednesday and Tuesday.

The period started with a rather dynamic movement of the AUD measure up to 0.78 points, caused by inflation data from Australia, which drove all crosses of AUD to the upside. At the same time, on Thursday the composite started declining and reached its lowest value around 0.38 by Monday's evening. Main influencing factors for a decline of the measure came from other developed economies. In Canada, GDP data for November was published worse than forecasted and this data pushed Aussie's cross with the Canadian Dollar into a negative territory against other currency pairs. Meanwhile, the mean correlation skyrocketed on Tuesday amid RBA's interest rate decision, when all AUD currency pairs dropped, showing similar trend.

## Correlations (5 vs 20 days)

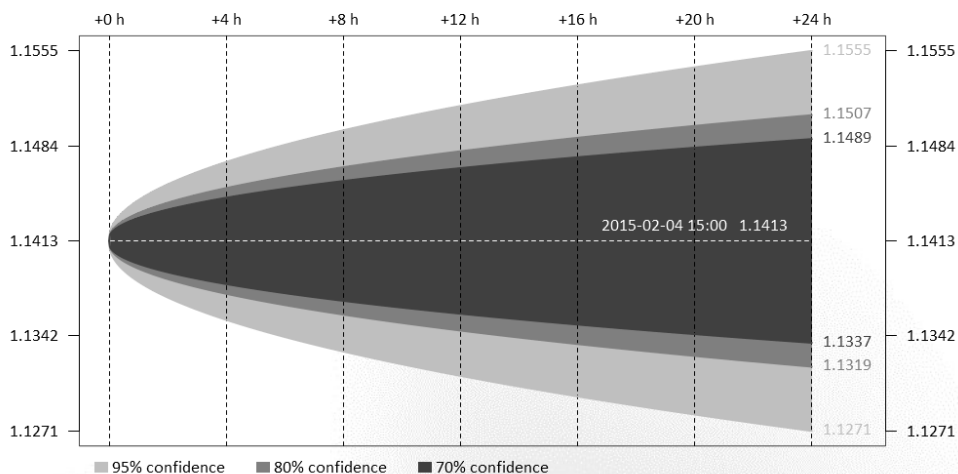


## Mean Correlation Coefficient (with AUDEUR)

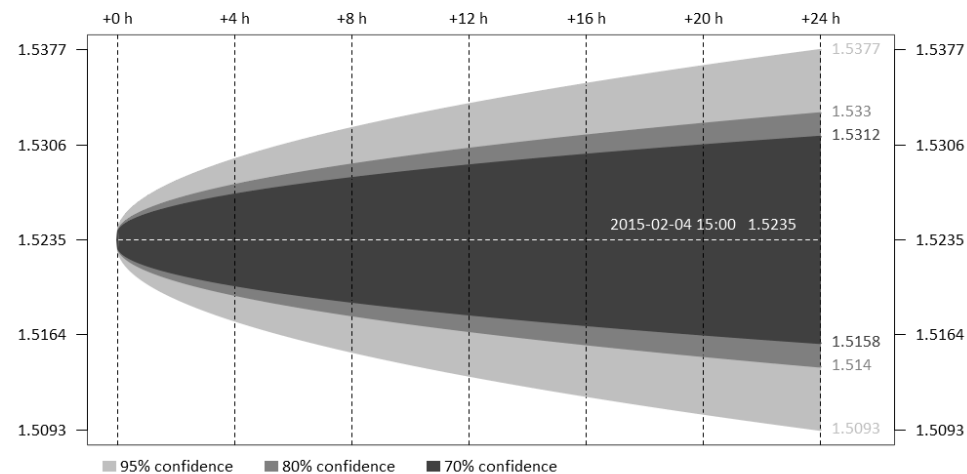
| Days | AUD  | AUDUSD | AUDJPY | AUDGBP | AUDCHF | AUDCAD | AUDNZD | AUDSEK |
|------|------|--------|--------|--------|--------|--------|--------|--------|
| 5    | 0.59 | 0.79   | 0.77   | 0.81   | 0.48   | 0.6    | 0.45   | 0.86   |
| 20   | 0.52 | 0.65   | 0.6    | 0.74   | 0.6    | 0.5    | 0.38   | 0.74   |
| 130  | 0.54 | 0.67   | 0.61   | 0.71   | 0.9    | 0.57   | 0.33   | 0.74   |
| 250  | 0.56 | 0.72   | 0.63   | 0.73   | 0.92   | 0.57   | 0.34   | 0.74   |

# Confidence Intervals for Next 24 Hours

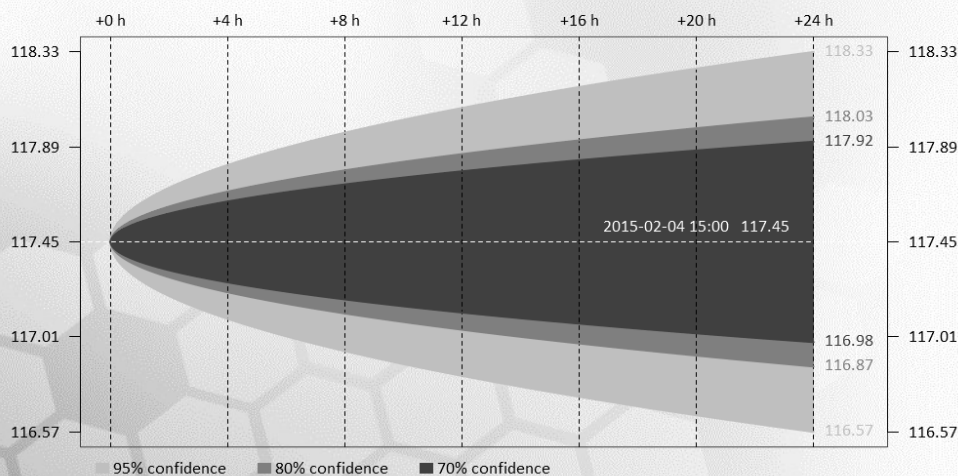
EURUSD Potential Rates



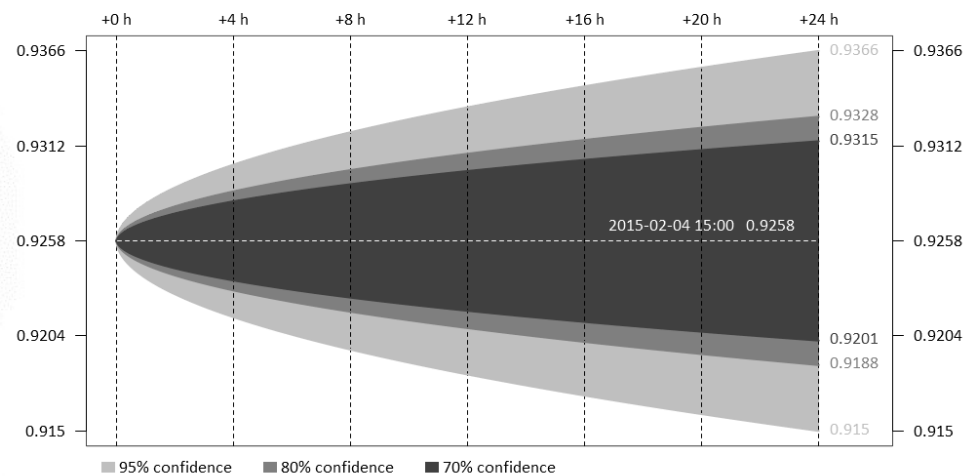
GBPUSD Potential Rates



USDJPY Potential Rates



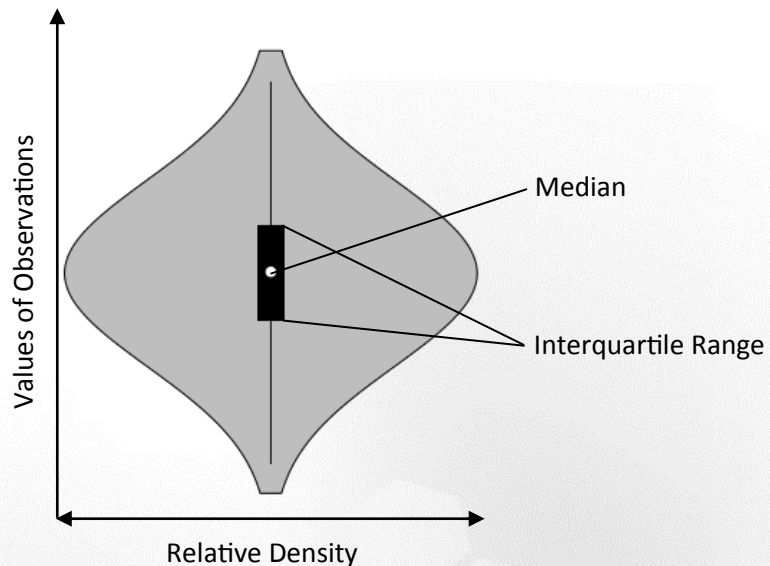
USDCHF Potential Rates



# 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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