



**EUR**

13/02/2015



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# Dominant Events of the Period

## Yellow Area

January 6

13:00 - 17:30

- Canadian Net Change in Employment, Unemployment Rate
- US Nonfarm Payrolls, Average Hourly Earnings, Unemployment Rate

## Turquoise Area

February 11-12

21:00 - 01:00

- 'Normandy Four' meeting
- Japanese Machinery Orders
- Australian Employment change, Unemployment Rate

## Blue Area

February 12

07:00 - 17:00

- German CPI
- Euro zone Industrial Production
- BoE Quarterly Inflation Report
- US Jobless Claims, Retail Sales

EUR Currency Index Range

0.45%

0.35%

0.18%

Max EUR Volatility Index

1.48

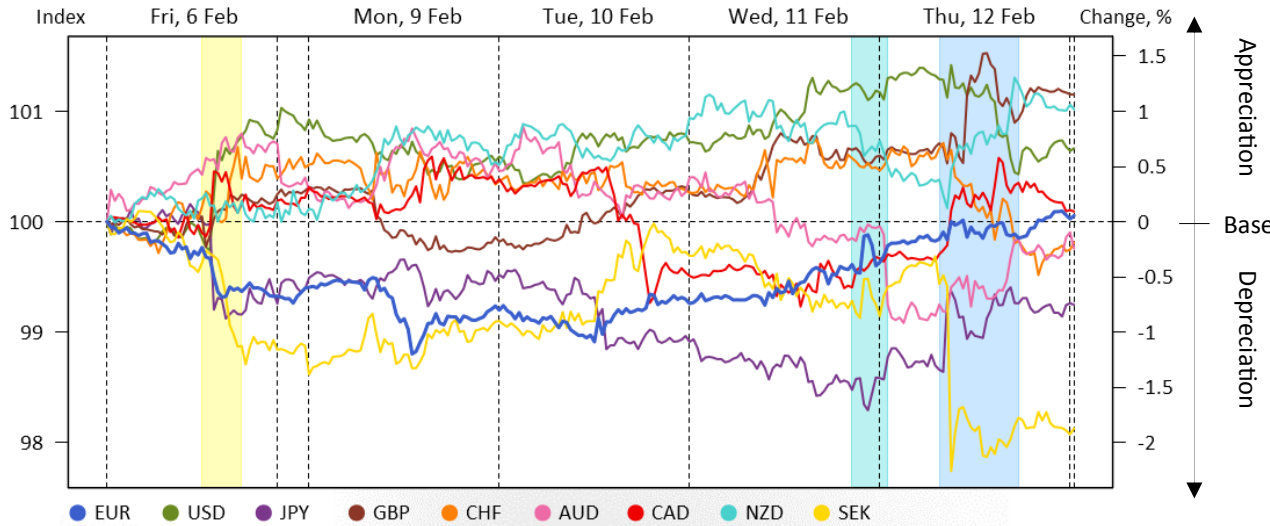
1.3

1.58



# Relative Currency Strength

## Currency Indexes

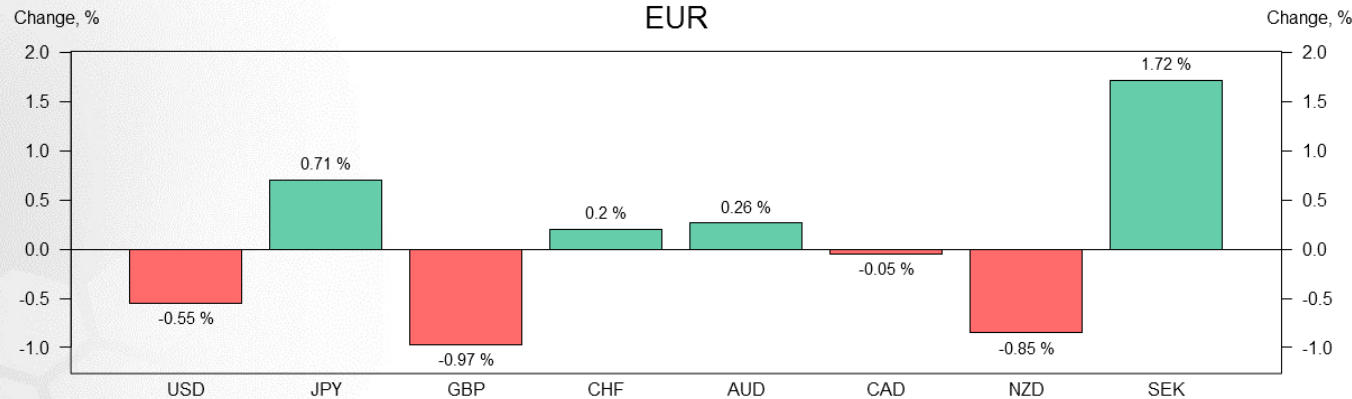


The releases of significant economic news, which notably influenced the currencies, were concentrated on the first and the last day of the observed period. Only few releases took place on Monday-Wednesday, which, in fact, did not significantly affected the market. However, the CAD index was quite changeable during these days. For example, on Tuesday it decreased by 1.2% against the background of falling oil price. The most dramatic movements of the currency indexes occurred on Thursday. The day started with Aussie's depreciation. The currency index lost 0.8% of its base value after the announcements of unexpectedly negative employment change and significantly growing unemployment rate in January. Later, the Riksbank's

### EUR

decision to cut the repo rate to -0.1% caused the 1.5% drop of krona's index and the currency finished the period on the worst performer's position. The US dollar also experienced noticeable losses after the release of disappointing US retail sales. The pound, in turn, has shown the best result as it grew by almost 1% after the BoE published the inflation report.

During whole the period the Euro index was varying below the base line. The single currency depreciated amid the discussion of the feasibility of Greek withdrawal from the Euro zone and by the Monday's afternoon its index had lost 1.2% of the value. Nevertheless, the measure fully retrieved by the end of the observed period and finished at the 100 points level.



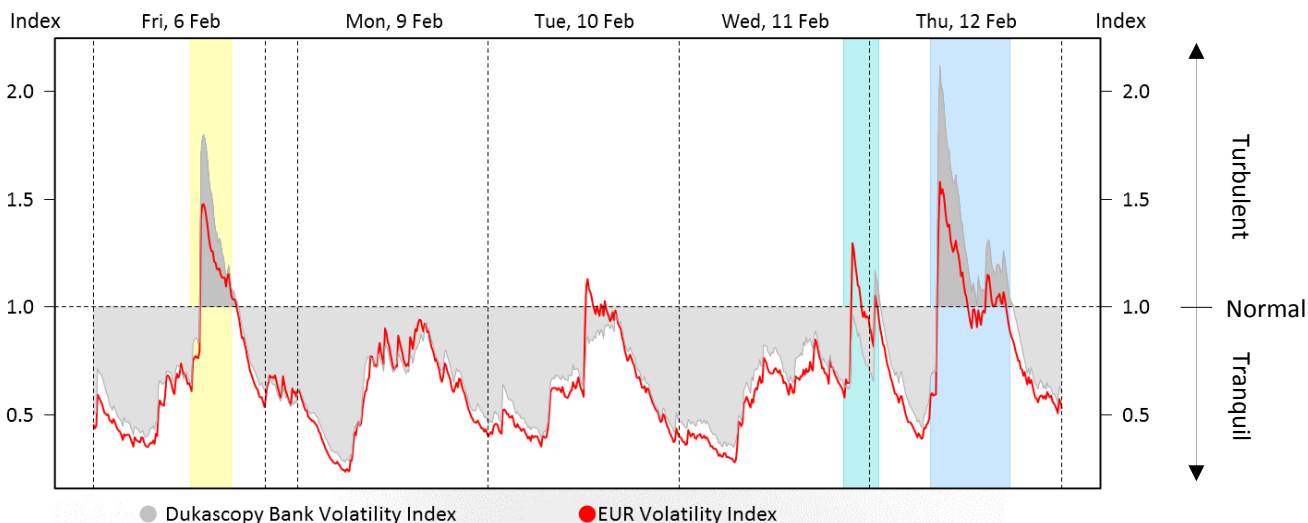
### Currency Index Change

| Days | EUR    | USD    | JPY    | GBP   | CHF    | AUD    | CAD    | NZD    | SEK     |
|------|--------|--------|--------|-------|--------|--------|--------|--------|---------|
| 5    | 0.05%  | 0.66%  | -0.75% | 1.15% | -0.19% | -0.24% | 0.09%  | 1.02%  | -1.87%  |
| 20   | 1.43%  | 3.18%  | 1.12%  | 4.68% | -3.19% | -3.14% | -1.28% | -1.92% | -0.77%  |
| 130  | -4.57% | 13.27% | -3.33% | 4.2%  | 10.63% | -6.99% | -2.01% | -1.35% | -10.37% |
| 250  | -5.99% | 13.72% | -3.07% | 5.15% | 10.13% | -3.41% | -0.9%  | 0.82%  | -16.46% |



# Volatility

## Volatility



In terms of elevated volatility portion the past period has been an extremely calm for the market and all observed currencies. The portion of the elevated volatility of the Euro retreated to 12% from 31%. The market, in turn, was above the historical level only for the 13% of the period. The most turbulent component of the period was EUR/SEK. Sweden decision to cut interest rate caused the increase of volatility in pairs containing krona. Thus on Friday the EUR/SEK volatility has surged to the 6.6 mark. Nonetheless, the volatility levels of the rest of indexes were far from highest, and EUR has one of the worst results in terms of its maximum value.

The first peak of the single currency volatility took place on Monday and was generally driven by the US unemployment data report. The Euro Volatility Index reached the second highest level of the period of 1.46, as the EUR/USD index surged to its highest value of 3.94. During the next three days volatility of the market and EUR held below the historical level. The noticeable peak of the Euro index was observed on Wednesday after beginning of the Normandy Four meeting. However, the index managed to climb only to 1.26 mark, and the market volatility remained below the 1-mark line. The highest spikes of both the market and EUR volatility occurred on Thursday and were caused by the change in Sweden interest rate.

Elevated Volatility (% of the observed period)

| Market | EUR | EURUSD | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|--------|-----|--------|--------|--------|--------|--------|--------|--------|--------|
| 13     | 12  | 15     | 14     | 16     | 6      | 9      | 11     | 5      | 20     |

Volatility Index (for the observed period)

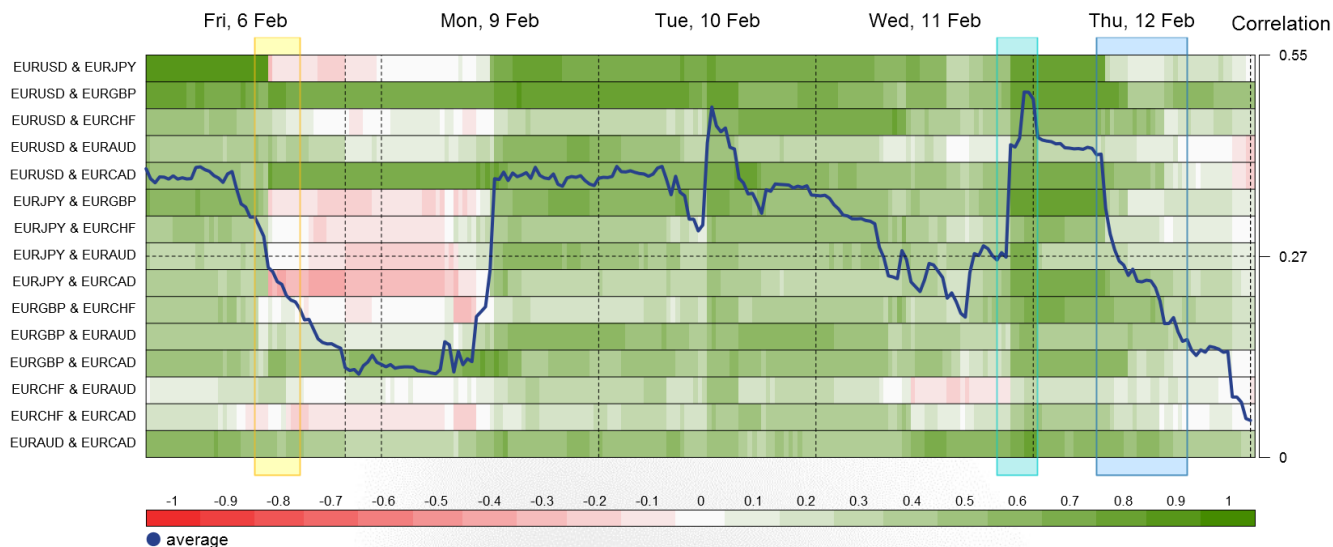
|         | Market | EUR  | EURUSD | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|---------|--------|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Max     | 2.12   | 1.58 | 3.94   | 3.67   | 2.45   | 1.59   | 2.42   | 1.63   | 1.47   | 6.6    |
| Min     | 0.28   | 0.24 | 0.21   | 0.2    | 0.18   | 0.1    | 0.25   | 0.19   | 0.27   | 0.26   |
| Average | 0.72   | 0.67 | 0.7    | 0.74   | 0.69   | 0.55   | 0.68   | 0.62   | 0.63   | 0.86   |



# Currency Significance

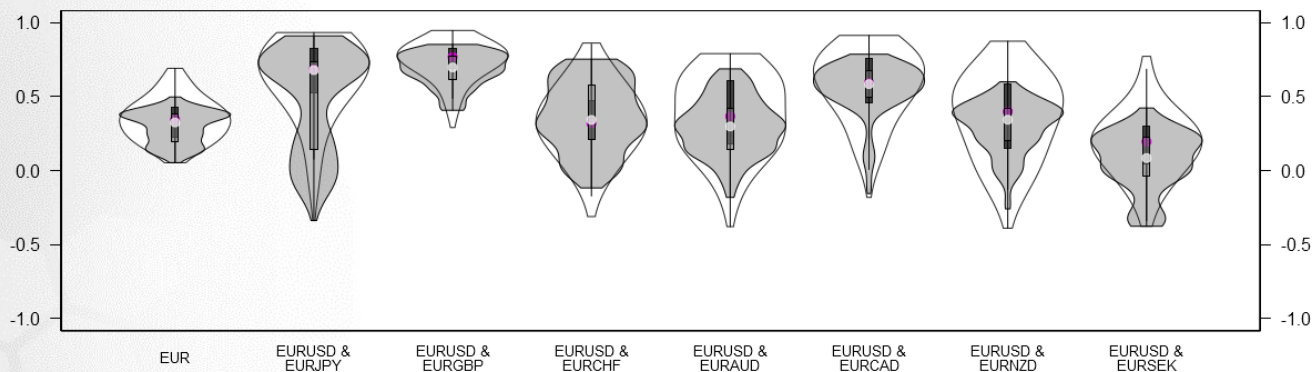
## Correlations

During the observed period the EUR significance measure was fluctuating in the range of 0.05-0.5. Nevertheless, comparing to the previous period, the average value of the composite has lost only 0.01 point. In turn, change of majority of the components was more notable. Thus EUR/USD bonds with EUR/CAD and EUR/NZD strengthened by 0.13 and 0.04 points, respectively. However, average values of other components containing EUR/USD declined, so the correlations lost from 1 to 8 points. The most noticeable change occurred in EUR/USD and EUR/JPY correlation. The average of the component decreased by 0.25, and the lower tail of the distribution was significantly shifted down.



The past week was rather turbulent for the Euro significance measure. The composite started the period with the fall caused by a set of US employment data, losing 0.2 points. However as early as Monday the measure has recovered, and the next two days it remained on the 0.38 points level. On Wednesday, ahead of the Eurogroup meeting the composite has gradually decreased to 0.19 mark. The Normandy Quartet meeting in the night of February 11th managed the measure to jump to 0.5 – the highest value of the period. The lowering of the composite occurred late in the morning and was caused by the Sweden interest rate decision and lower-than-expected Euro zone industrial production. The measure began to decline sharply and ended the period on the level of 0.05.

## Correlations (5 vs 20 days)

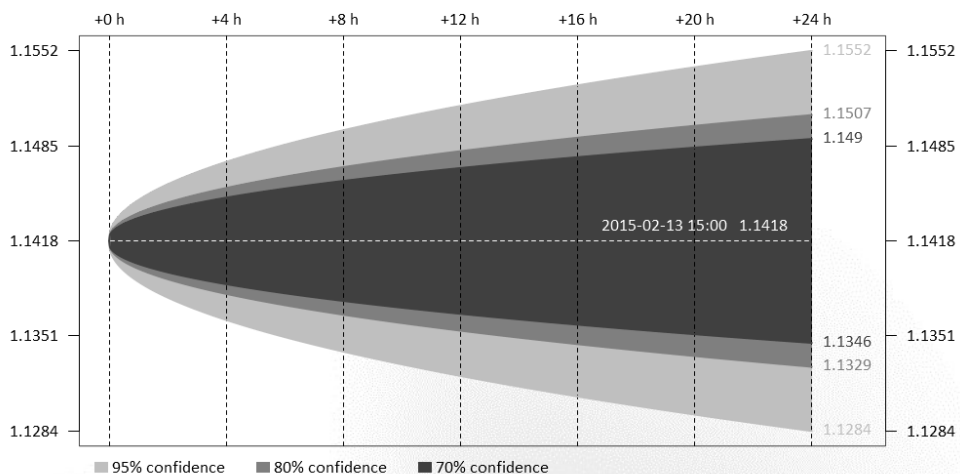


## Mean Correlation Coefficient (with EURUSD)

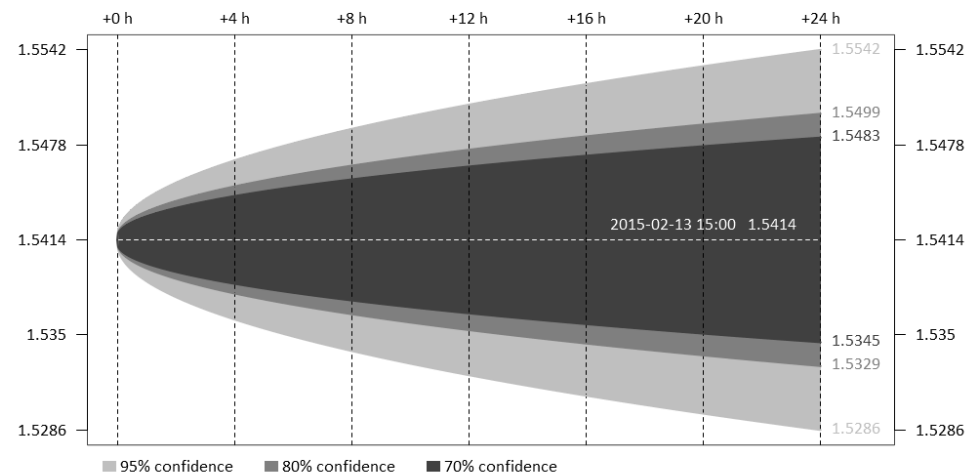
| Days | EUR  | EURJPY | EURGBP | EURCHF | EURAUD | EURCAD | EURNZD | EURSEK |
|------|------|--------|--------|--------|--------|--------|--------|--------|
| 5    | 0.29 | 0.48   | 0.68   | 0.36   | 0.29   | 0.55   | 0.3    | 0.06   |
| 20   | 0.34 | 0.63   | 0.74   | 0.33   | 0.37   | 0.57   | 0.36   | 0.18   |
| 130  | 0.25 | 0.39   | 0.56   | 0.02   | 0.25   | 0.52   | 0.14   | 0.11   |
| 250  | 0.25 | 0.46   | 0.54   | -0.05  | 0.3    | 0.54   | 0.21   | 0.09   |

# Confidence Intervals for Next 24 Hours

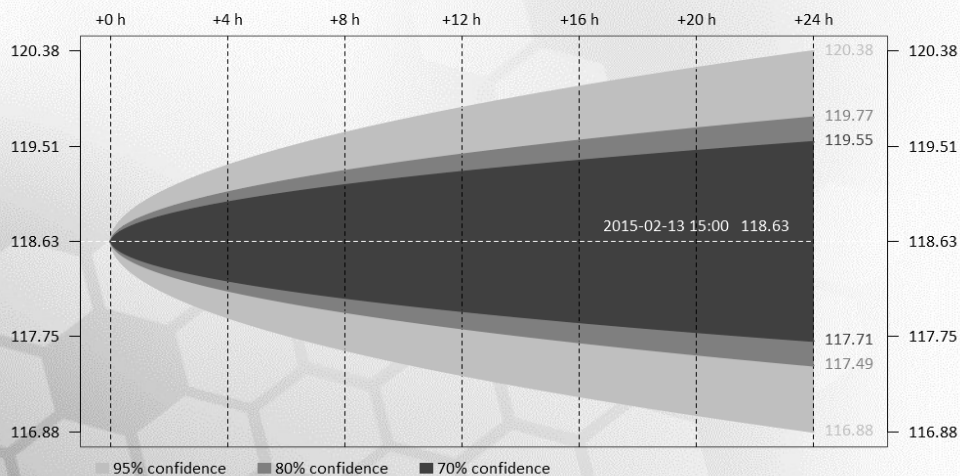
EURUSD Potential Rates



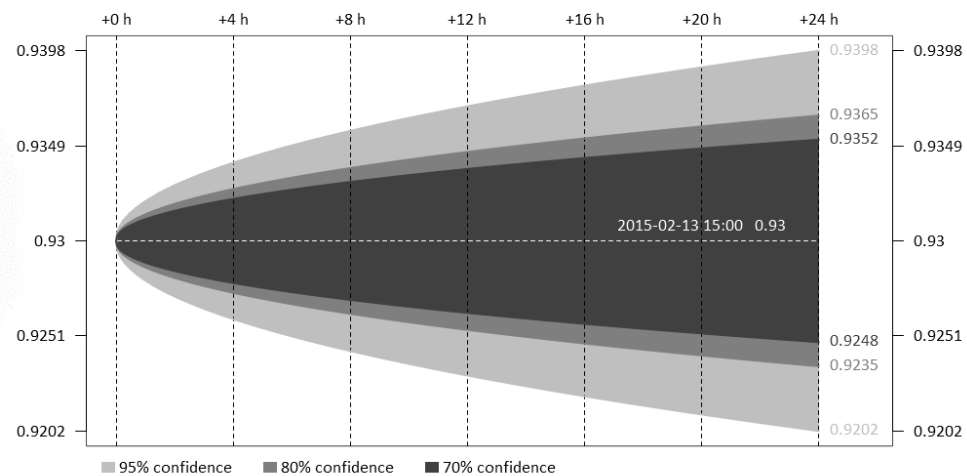
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



# EXPLANATIONS

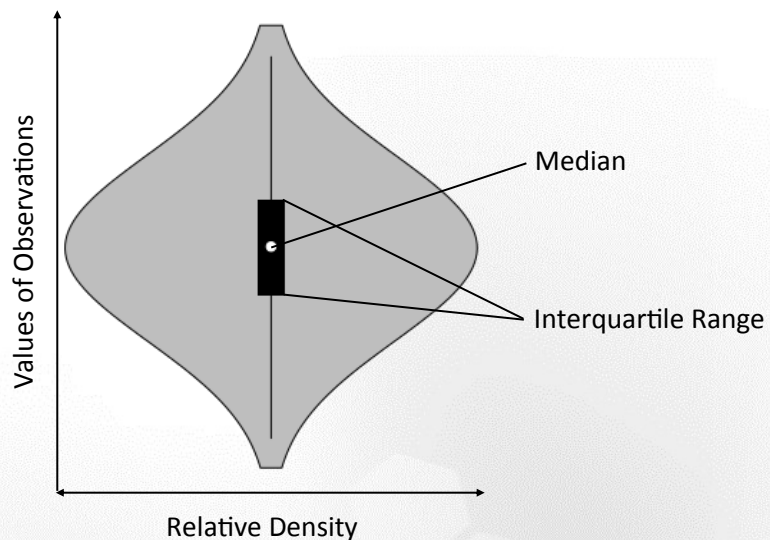
## Violin Plot

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

## Methodologies

Volatility Index

Confidence Interval





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