



USD

17/08/2015



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Market Research





Dominant Events of the Period

Yellow Area

August 10

07:00 - 18:30

- Swedish Industrial Production
- US Labor Market Conditions Index
- Fed's Fisher's, Lockhart's Speeches

Turquoise Area

August 11

00:30 - 18:00

- The PBOC Yuan Devaluation
- German, Euro Zone ZEW Survey
- Canadian Housing Starts

Blue Area

August 12

00:30 - 18:30

- The PBOC Yuan Devaluation
- Australian Westpac Consumer Confidence
- UK Average Earnings, ILO Unemployment Rate, Claimant Count
- Euro Zone Industrial Production

Purple Area

August 13

00:30 - 16:30

- Australian Consumer Inflation Expectation
- German CPI
- Swedish CPI
- ECB Monetary Policy Meeting Accounts
- US Retail Sales

Orange Area

August 14

09:30 - 17:30

- US PPI, Industrial Production, Flash UoM Consumer Sentiment Index

USD Currency Index Change

-0.34%

0.61%

-0.87%

0.05%

0.04%

Max USD Volatility Index

1.4

1.63

2.02

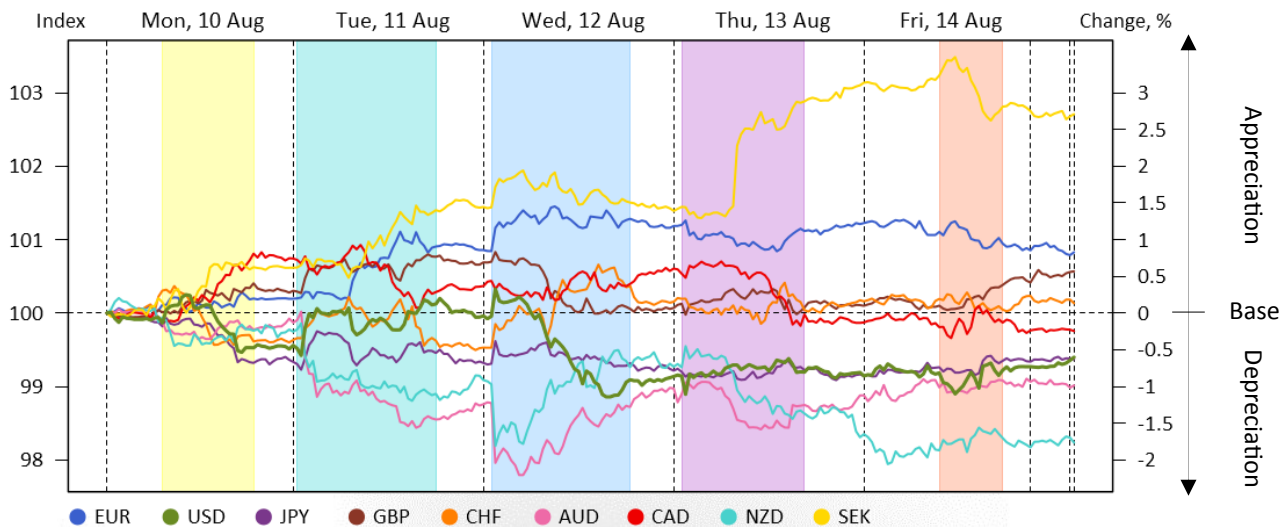
1.88

1.58



Relative Currency Strength

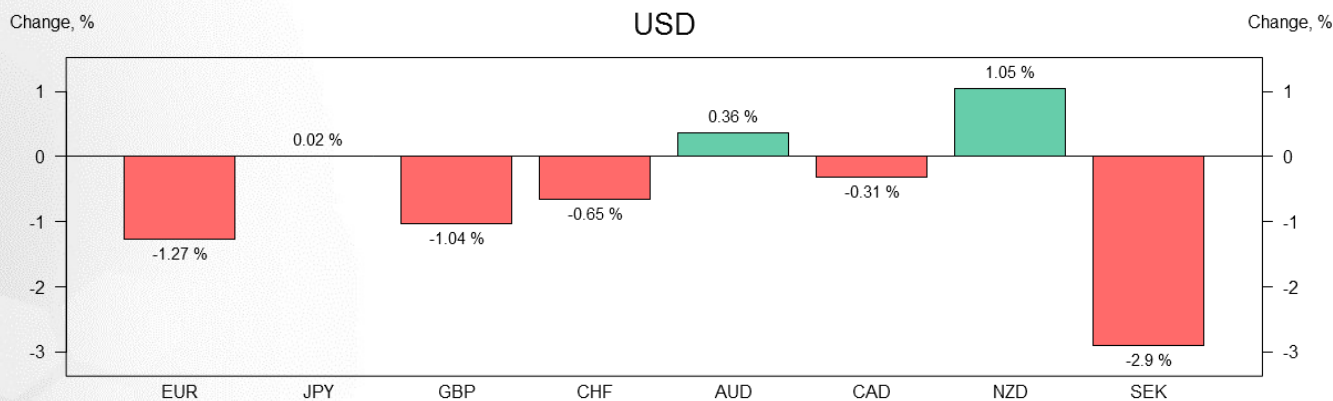
Currency Indexes



During the past week all of the attention was focused on the situation with devaluation of the yuan. The so-called "one-time correction" in the yuan did not go unnoticed for the Pacific currencies. Thus despite optimistic speeches from the RBA, the Aussie and the Kiwi finished the period with the 0.99% and 1.76% loss, respectively. The Greenback's result was not much better, and after the positive tendency of the two previous weeks, the US dollar lost 0.6% in the past period. The period was quite successful for the European currencies, as their indexes finished the week above the 100-points level. The greatest gain

was posted by the SEK Index, which jumped well above its peers after the Swedish CPI release.

The USD index opened the week with a decline after the Fed Vice Chairman Fischer said that the inflation remains weak, but jumped back to the base level with the first stage of the yuan devaluation on Tuesday. Another lower fixing in the Chinese yuan, however, undermined the dollar, causing the index to reduce to 98.9 and hold roughly at this level till the end of the period. The slight increases were observed on Thursday and Friday, when the unexpectedly high US retail sales and industrial production were released.



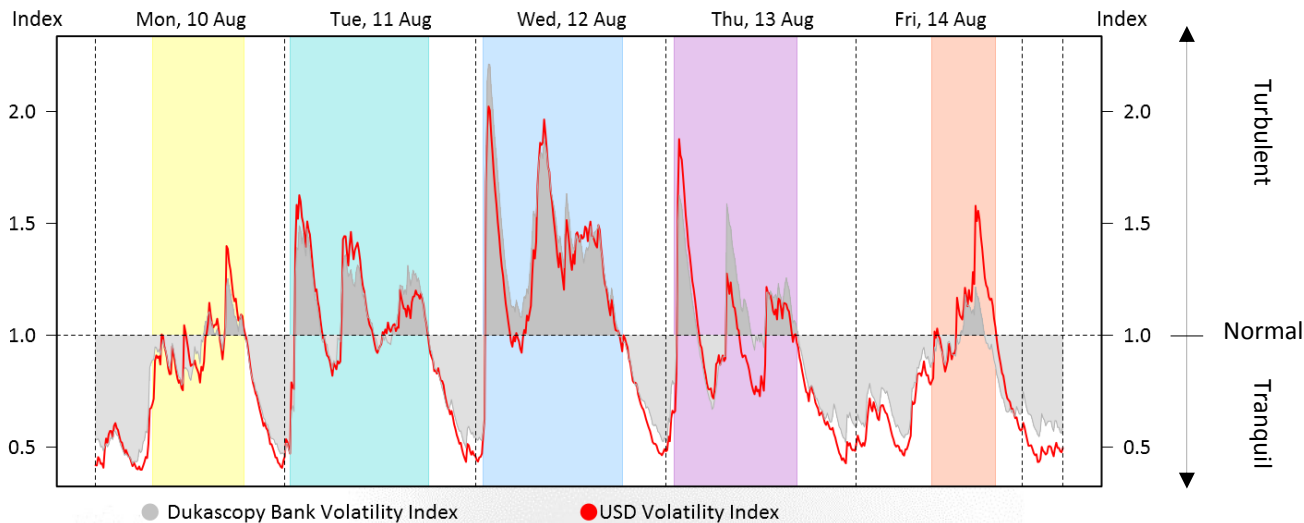
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.83%	-0.6%	-0.63%	0.57%	0.13%	-0.99%	-0.25%	-1.76%	2.71%
20	2.55%	-0.07%	-0.22%	0.3%	-1.69%	-0.26%	-1.21%	-0.79%	1.68%
130	1.7%	4.16%	-0.19%	6.59%	-0.2%	-2.16%	-1.59%	-11.38%	2.38%
250	-3.3%	17.9%	-4.06%	10.39%	8.98%	-8.57%	-2.99%	-11.62%	-6.75%



Volatility

Volatility



Volatility soared in the past period, with the measure of overturbulence picking over 20% from the previous readings for both the market and the dollar. The gauge was mostly fueled by Tuesday's and Wednesday's moves, as the market reacted to the yuan's devaluation. The sharpest responses to the PBoC decision came from the Aussie and the Kiwi, whose indexes surged to 3.5 and 3.2 points after the second intervention. The absolute highest peak, however, was reached by the Swedish krona's gauge, which jumped to 3.9 points as the currency soared with improved inflation data released on Thursday.

The dollar was largely governed by the investors' reaction to the news from China, and thus its volatility followed the path of its Pacific peers, albeit keeping below their more substantial splashes. Wednesday was the most volatile day for the three currencies, and their turbulence measures held close together, signaling that the Greenback's downside was as sharp as the Aussie's and the Kiwi's recovery. The only time when the Greenback's volatility shot above that of its peers was on Friday, when the dollar zigzagged amid positive data coming from the US and strengthening of its Canadian counterpart.

Elevated Volatility (% of the observed period)

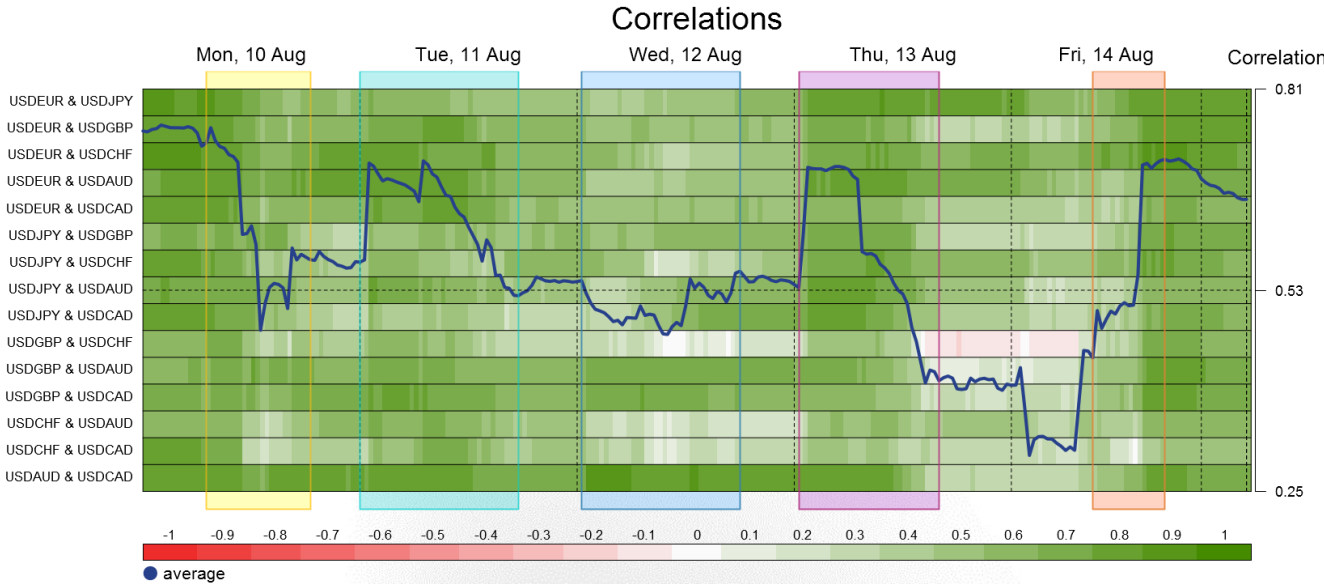
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	38	31	38	26	38	31	44	29	39

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.21	2.02	2.02	2.97	2.08	2.97	3.93	2.85	3.37	3.38
Min	0.42	0.4	0.23	0.25	0.25	0.3	0.35	0.27	0.3	0.26
Average	0.94	0.91	0.85	0.93	0.81	0.93	0.97	0.98	0.91	0.9



Currency Significance

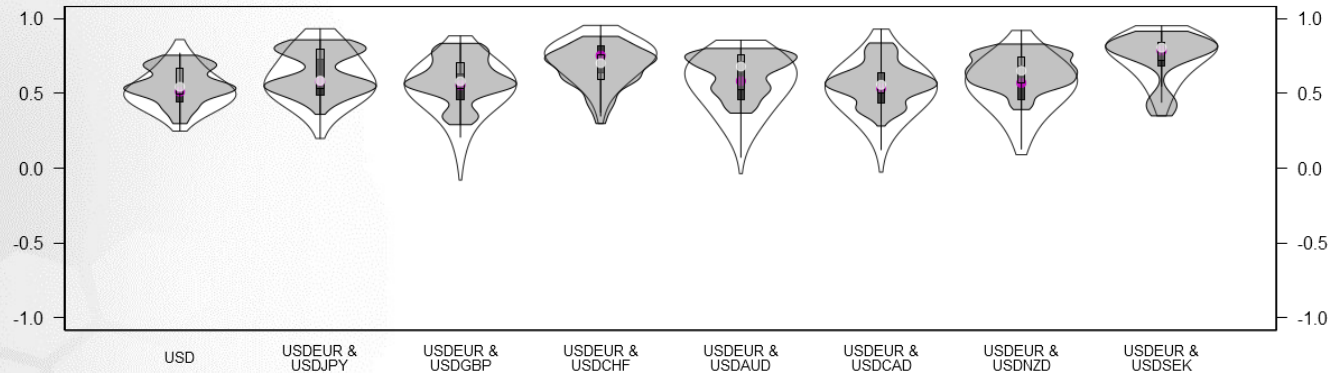


The average correlation of the USD pairs was very changeable during the week, varying in a wide range of 0.3-0.75 points. The mean levels of almost all USD/EUR components were above their monthly readings, which pointed out relative significance of the Greenback. At the same time, the bond between USD/CHF, USD/SEK and the most traded pair was weaker than its half-yearly levels, and the krona became the main competitor for the dollar.

As the August's first trading week ended with a batch of US labor data releases, which notably

affected the domestic currency, the USD composite measure started the period on a high 0.75 points level, which proved to be an upper limit for the future peaks. Nevertheless, in the beginning of the European trading session the dollar lost the leading position amid the growing significance of the krona following disappointing Sweden's industrial production release. Tuesday started with another surge of the USD gauge, as the currency rose sharply after the devaluation of the yuan. Similar movement was observed on Thursday night, however, just like on Monday, the composite dipped after the better-than-expected Swedish inflation report, which drove the krona's gauge to its 0.84 high. The USD composite gained 0.4 points on Friday and ended the period on 0.7 mark, reacting to optimistic US PPI and industrial production releases.

Correlations (5 vs 20 days)

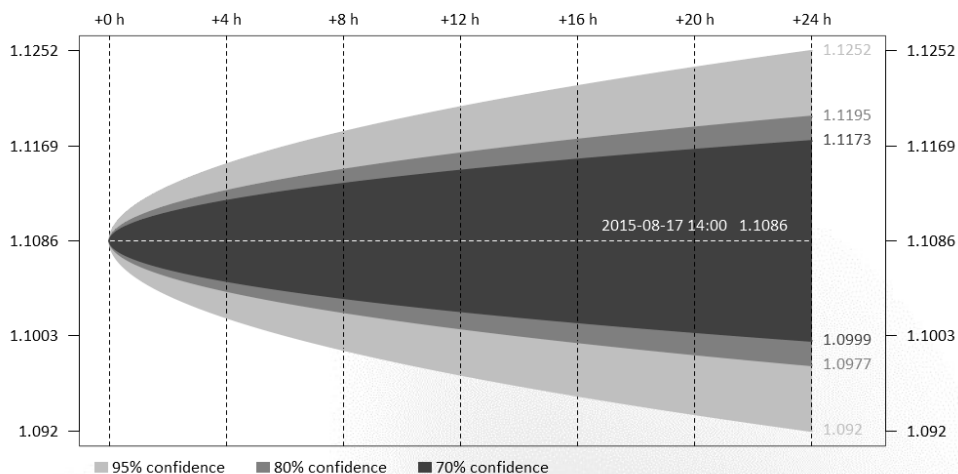


Mean Correlation Coefficient (with USDEUR)

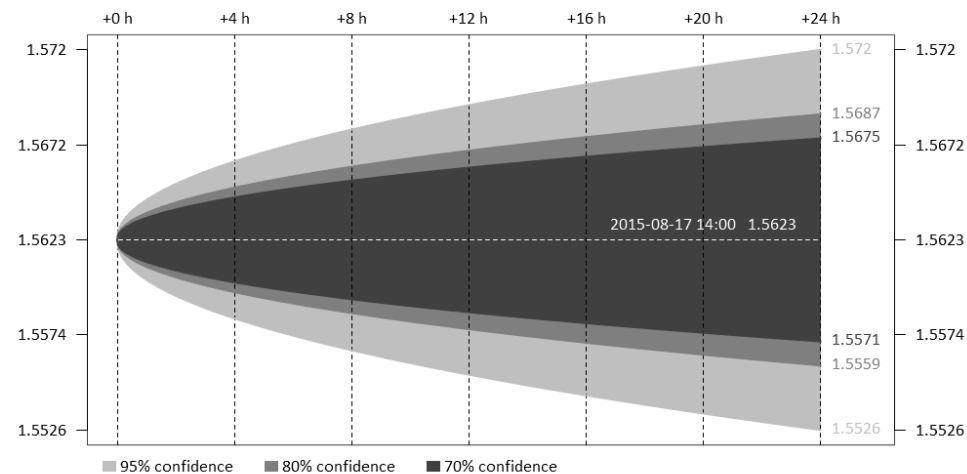
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.56	0.64	0.6	0.67	0.64	0.57	0.65	0.73
20	0.52	0.61	0.54	0.72	0.57	0.53	0.56	0.75
130	0.52	0.45	0.6	0.72	0.56	0.52	0.56	0.78
250	0.49	0.44	0.58	0.75	0.53	0.46	0.54	0.71

Confidence Intervals for Next 24 Hours

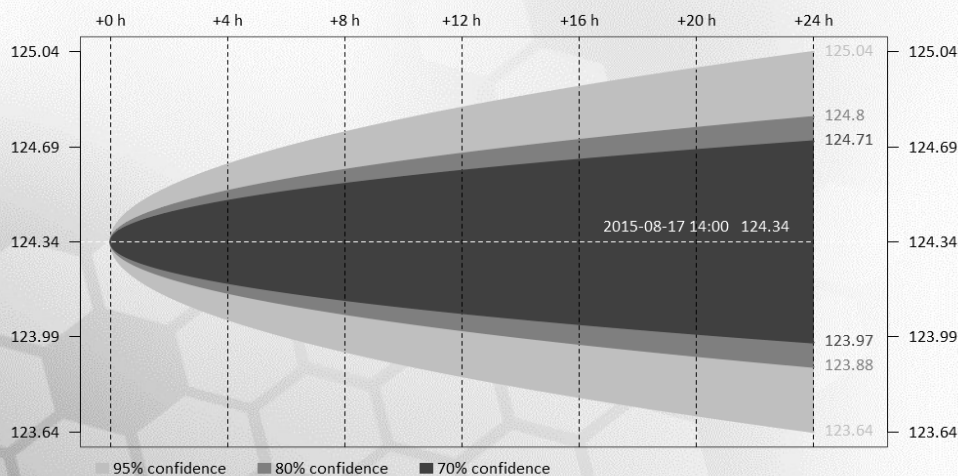
EURUSD Potential Rates



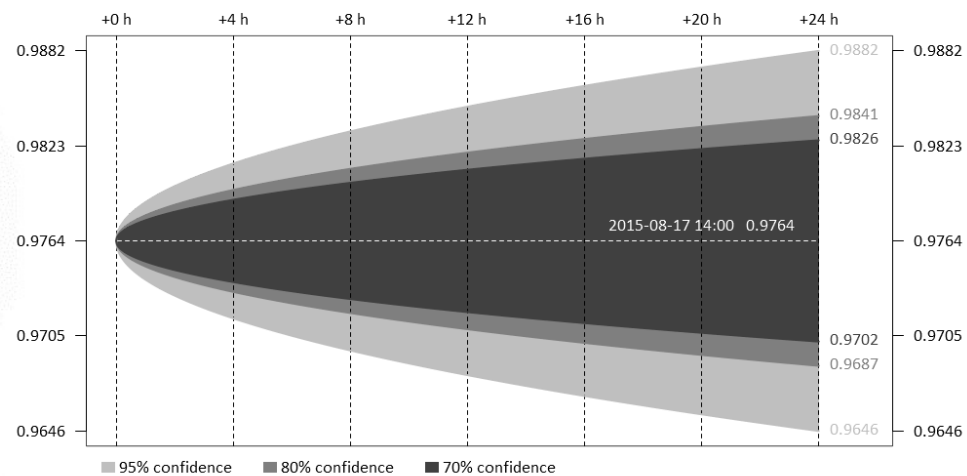
GBPUSD Potential Rates



USDJPY Potential Rates



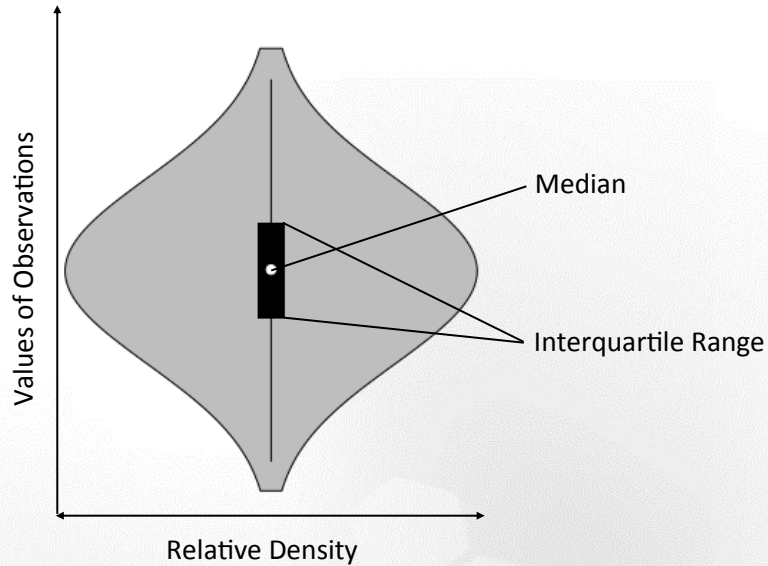
USDCHF Potential Rates



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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