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RESEARCH PRODUCTS

Market Research

Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
August 14	*August 17*	*August 18*	*August 19*	*August 20*
07:00 - 15:30	07:30 - 15:00	08:00 - 15:00	14:30 - 19:00	06:00 - 20:30
■ *Euro Zone CPI, GDP Estimate*	■ *Euro Zone Trade Balance*	■ *UK CPI*	■ *EIA Crude Oil Stocks*	■ *Swiss Trade balance*
■ *US PPI, Industrial Production, Flash UoM Consumer Sentiment Index*	■ *US NAHB Housing Market Index*	■ *US Housing Starts, Building Permits*	■ *FOMC Minutes*	■ *UK Retail Sales*
				■ *US Jobless Claims, Existing Home Sales, Philly Fed Manufacturing Survey, CB Leading Indicator*

|					
EUR Currency Index Change	-0.37%	-0.11%	-0.48%	0.36%	0.63%
Max EUR Volatility Index	1.13	1.25	1.22	1.66	1.43

Relative Currency Strength

Currency Indexes

The past period was less about trends and more about sharp changes, with Wednesday being the apex of the market activity. Some of the effect came from the Fed's July meeting minutes, as the pre-release risk aversion sent the franc into a rally and caused the USD Index to go into the week's sharpest dip, deepened later by the dovish mood of the document. Meantime, the CAD Index lost 0.7 points on falling oil prices, while the previous period's leaders, the euro's and the krona's gauges, turned to recover from a downslide that started off on Friday and got them to an over 1% loss by Wednesday noon. On Thursday, the franc's measure extended its gains after the Swiss trade surplus was
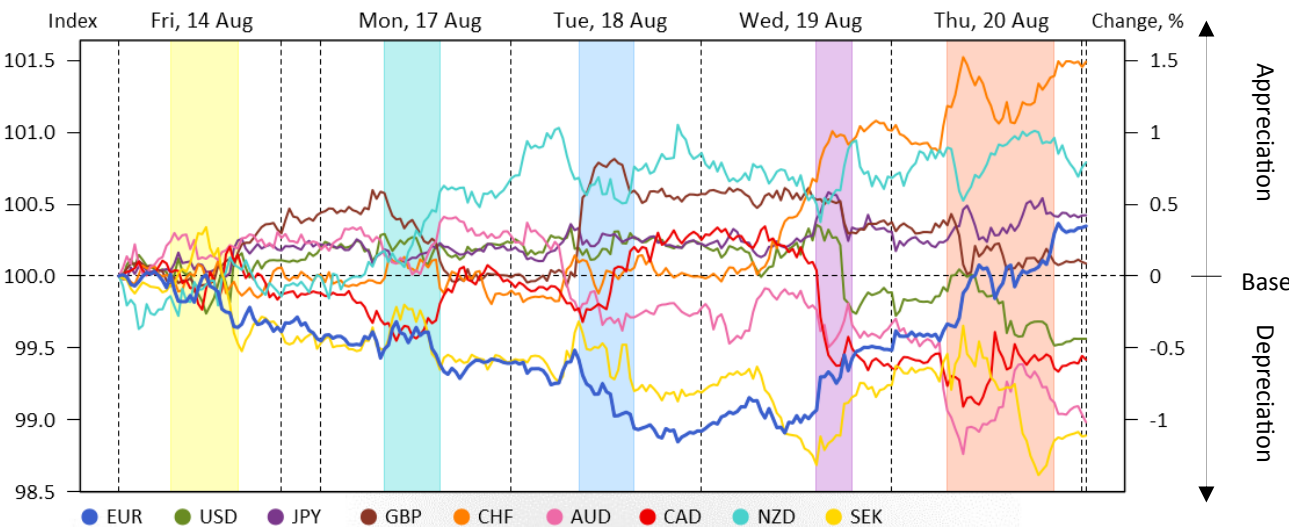
reported wider than expected, while its Swedish counterpart tumbled, with the moves securing the two European currencies as the period's best and worst performers, respectively.

The EUR Index spent most of the period in the role of the weakest measure, easing down from the previous week's 1.4% gain. The situation changed on Wednesday, when the gauge rebounded as Germany approved the third Greek bailout. The move marked the beginning of a recovery, and the EUR Index managed to climb above the baseline by the end of the period, with the single currency posting weekly gains against five of its eight observed peers.
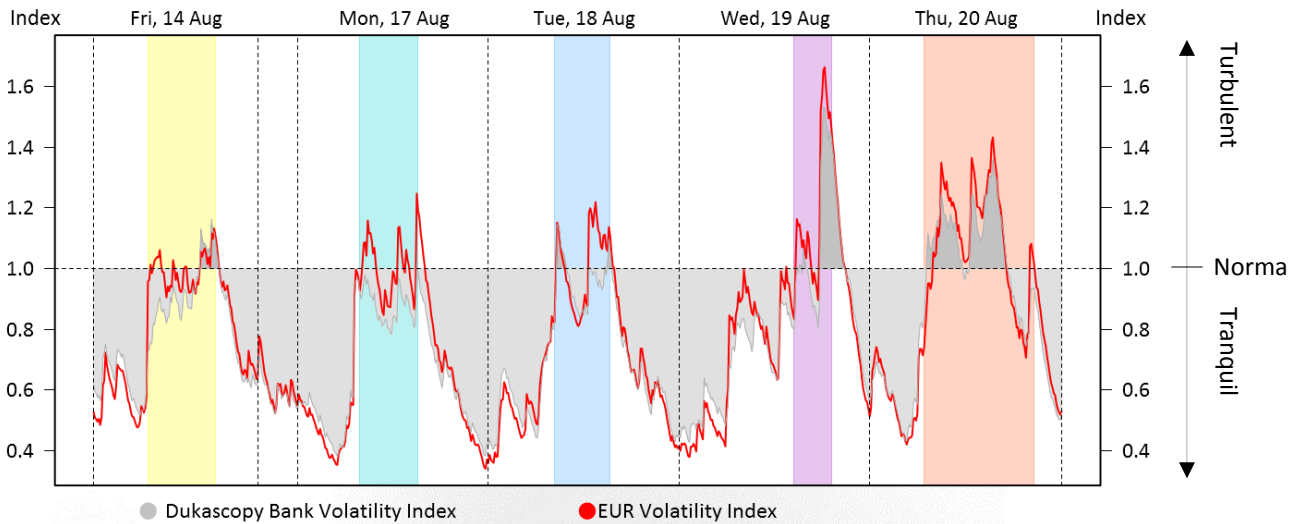
EUR
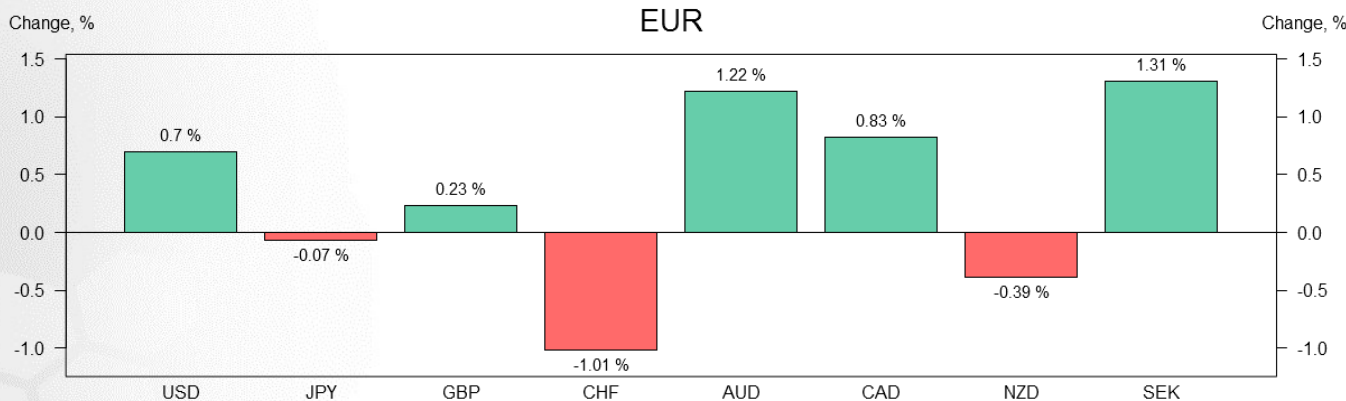
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.35%	-0.44%	0.42%	0.09%	1.49%	-1.02%	-0.58%	0.79%	-1.11%
20	2.38%	-0.68%	-0.3%	0.6%	-0.36%	-0.33%	-1.25%	-0.02%	0.11%
130	2.63%	3.13%	-0.64%	5.03%	2.37%	-3.77%	-1%	-10.78%	2.3%
250	-2.37%	16.24%	-3.31%	9.91%	10.81%	-10.37%	-3.53%	-10.13%	-7.26%

Volatility

Volatility

After the relatively turbulent previous trading week the observed period turned out to be extremely calm, with the Market Volatility Index posting the high of 1.53 and only 15% portion of elevated volatility. The Euro's measure, in turn, became the most volatile currency in terms of elevated volatility portion, but stood behind several of its peers in relation to levels of turbulence. The most notable volatility spikes on the market were associated with greater-than-expected UK annual CPI and mixed-toned FOMC minutes, which managed the indexes of the domestic currencies to exceed the 2.0 level. The latter also provoked the greatest peak of the Euro's composite gauge, and more than 3.0 points spike of its EUR/USD component.

During the first two days of the period the market followed a traditional pattern of volatility, with a moderate activity growth during the European trading session and without evident reaction to any particular news releases. The same picture was observed for the Euro's volatility gauge, which showed no reaction to the Euro zone's inflation and trade data releases. Tuesday and Wednesday, in turn, were a different story, as the pound, the Greenback and the Loonie responded dramatically to the oil price drop and the Fed's minutes. On Thursday, in turn, the activity of both the market and the single currency were largely governed by the declining Swedish unemployment rate and the UK retail sales releases.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
15	23	27	28	30	22	16	33	15	21

Volatility Index (for the observed period)

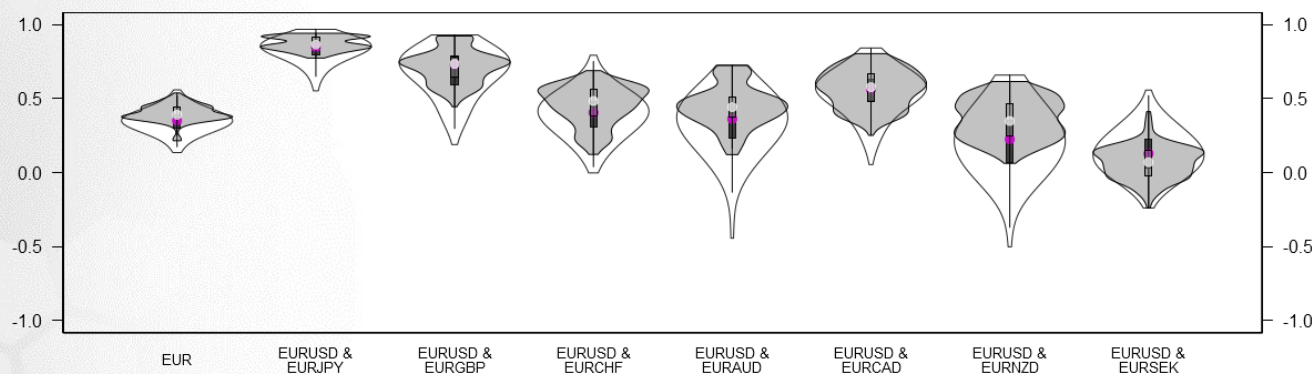|	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	1.53	1.66	3.04	2.13	2.58	2.07	1.4	2.44	1.61	1.78
Min	0.38	0.34	0.2	0.2	0.21	0.31	0.32	0.23	0.32	0.08
Average	0.76	0.78	0.79	0.8	0.79	0.77	0.75	0.86	0.77	0.74

Currency Significance

Correlations
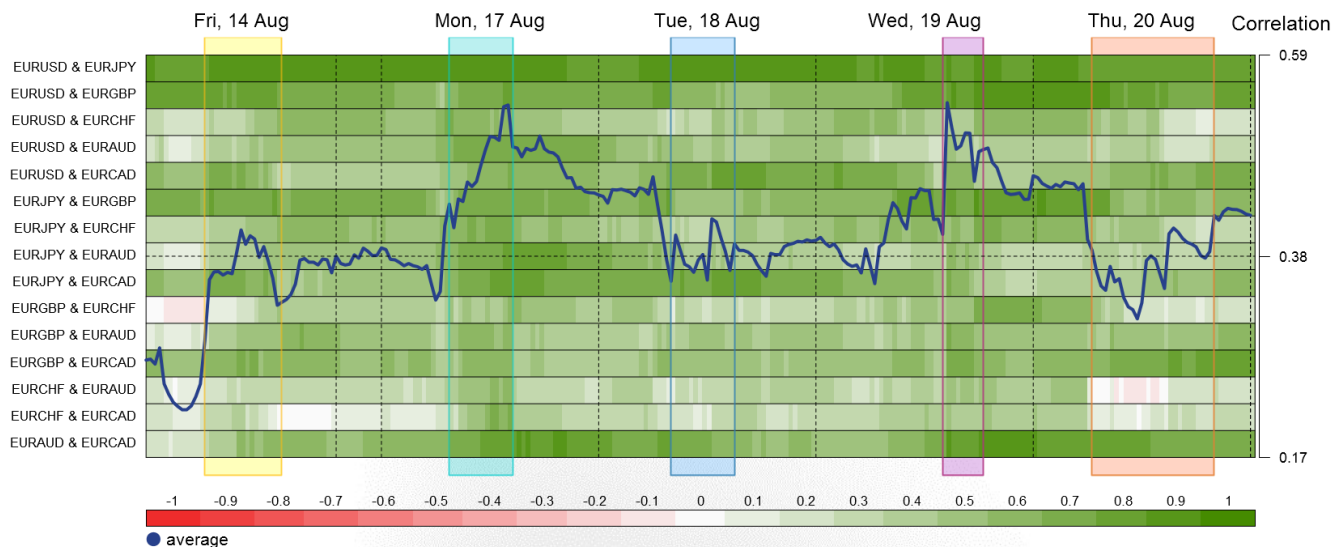
The Euros significance strengthened notably in the past week, and the average values of the aggregate and most of EUR/USD components increased compared with the previous period's readings. After two weeks of weakening, the components with the Pacific currencies showed the largest increase, gaining 0.2 and 0.33 points and exceeding their half-yearly values. Meanwhile, the period was less successful for the EUR/USD bond with EUR/GBP and EUR/SEK, which lost 0.07 and 0.1 points. Nonetheless, the pound's component stayed above the monthly average, whereas the krona's one lost some points compared with the long-term values.

The Euro composite started the period with a sharp surge caused by the German GDP release. The growth of the composite has continued after the Euro zone GDP and CPI reports came out. Thus the measure gained 0.18 points and reached 0.4 level. The next impetus for the aggregate took place on Monday, when, after the Swiss real retail sales and the Euro area trade balance releases, the measure began to strengthen and by the time of the US NAHB housing market index report reached 0.53. On Wednesday, the measure jumped to the maximum value of the period (0.54), though it failed to hold the level and on Thursday morning, while the attention was focused on the key Greece's debt repayment to ECB, dropped to 0.31. The composite picked up slightly by the end of the period risen and finished the week at 0.42.
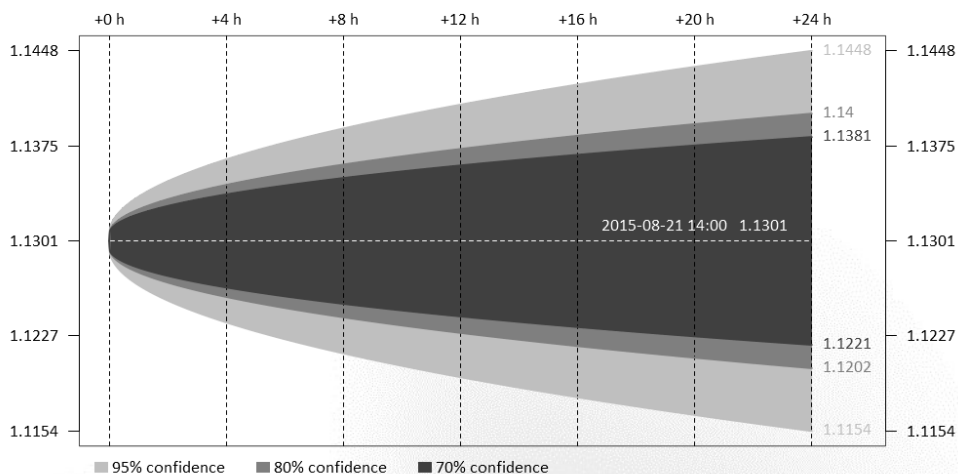
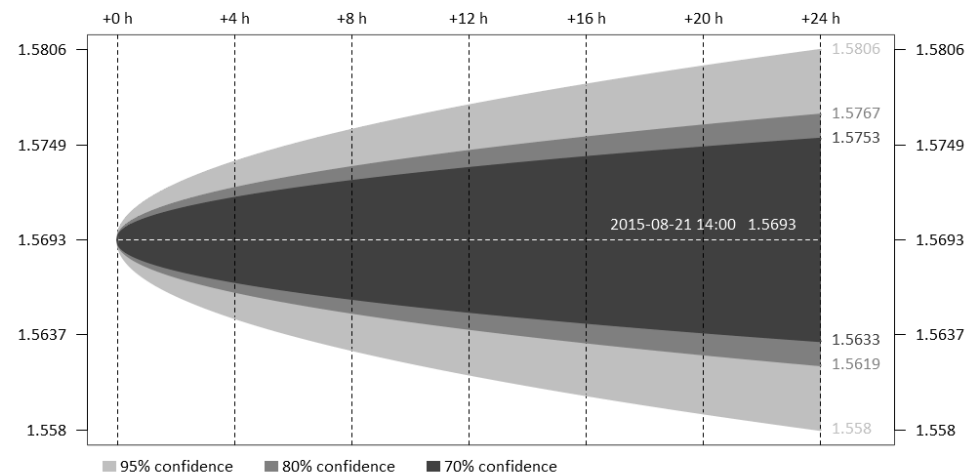## Correlations (5 vs 20 days)

Mean Correlation Coefficient (with EURUSD)

Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.4	0.87	0.72	0.46	0.45	0.57	0.36	0.07
20	0.35	0.83	0.68	0.39	0.34	0.54	0.22	0.13
130	0.41	0.82	0.69	0.39	0.43	0.66	0.37	0.18
250	0.33	0.61	0.63	0.22	0.34	0.59	0.26	0.14

Confidence Intervals for Next 24 Hours

EURUSD Potential Rates

95% confidence   80% confidence   70% confidence

GBPUSD Potential Rates

95% confidence   80% confidence   70% confidence

USDJPY Potential Rates

95% confidence   80% confidence   70% confidence

USDCHF Potential Rates
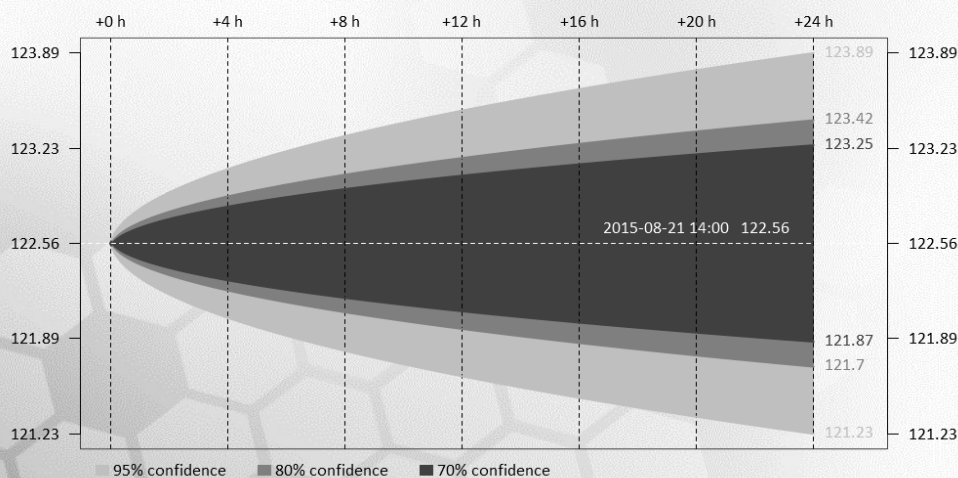
95% confidence   80% confidence   70% confidence
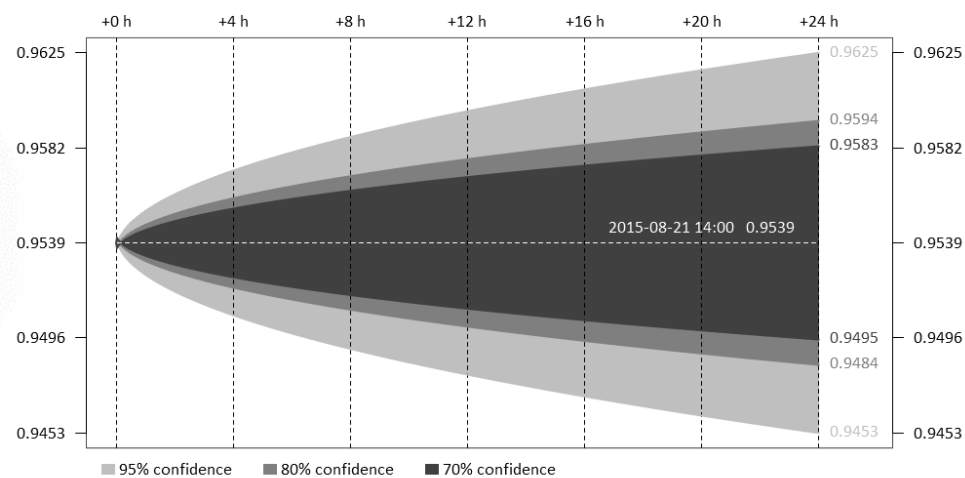
EXPLANATIONS

Violin Plot

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

Methodologies

Volatility Index

Confidence Interval

DUKASCOPY
Swiss Forex Bank & Marketplace

Fundamental Analysis

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Press Review

Market Research

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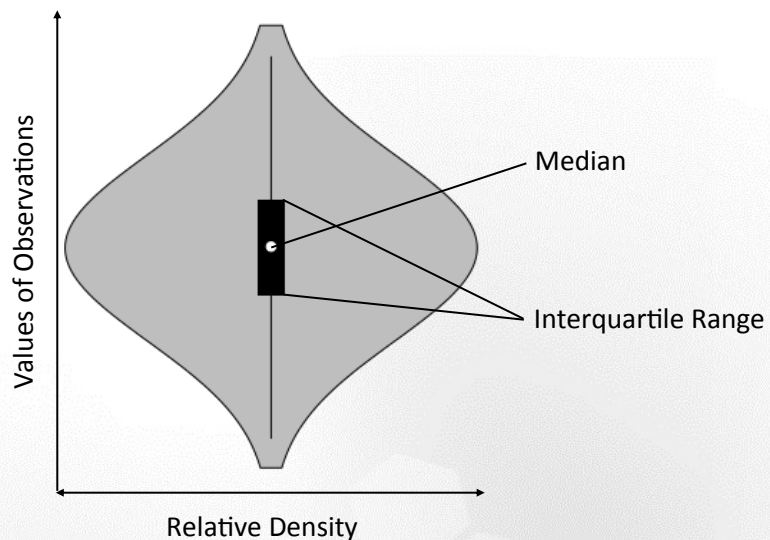
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