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# Market Research





# Dominant Events of the Period

## Yellow Area

August 19

14:00 - 20:30

- US CPI
- FOMC Meeting Minutes

## Turquoise Area

August 20

07:00 - 20:00

- UK Retail Sales
- US Unemployment Claims, Existing Home Sales and Philadelphia Fed Manufacturing Index
- Swiss Trade Balance

## Blue Area

August 21

09:00 - 19:00

- Canadian CPI and Retail Sales
- Chinese Caixin Manufacturing PMI
- French Manufacturing PMI
- German Manufacturing PMI
- UK Public Sector Net Borrowing

## Purple Area

August 24

01:00 - 21:30

- New Zealand RBNZ Inflation Expectations

## Orange Area

August 25

04:30 - 20:30

- German IFO Business Climate and Final GDP
- PBoC Interest Rate Decision
- US CB Consumer Confidence and New Home Sales

CAD Currency Index Change

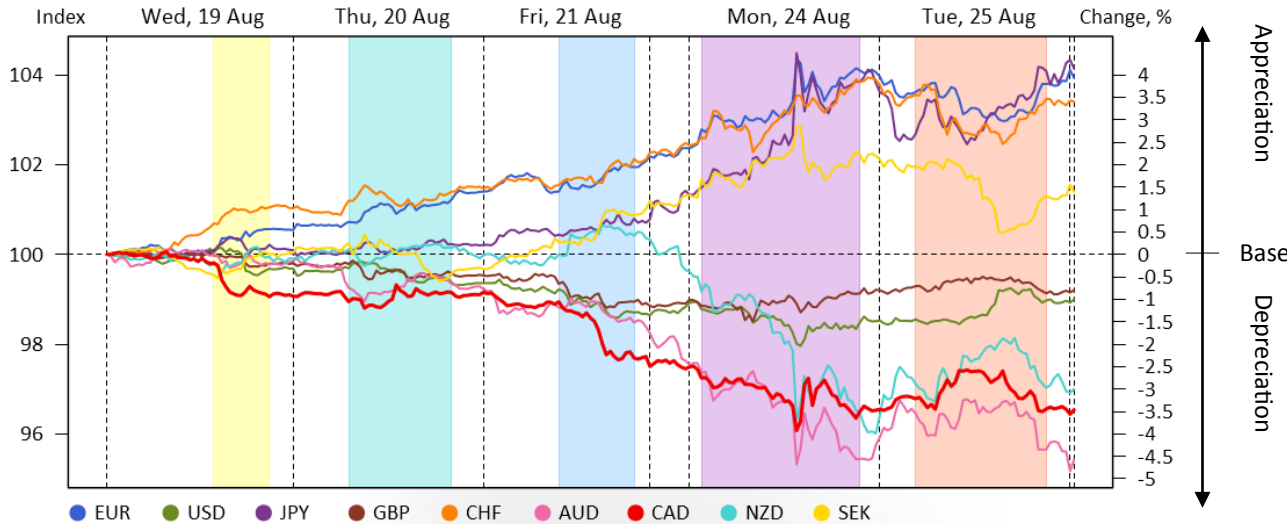
-0.75%	0.2%	-1.25%	-0.74%	-0.23%
2.04	1.88	1.94	6.16	2.6

Max CAD Volatility Index



# Relative Currency Strength

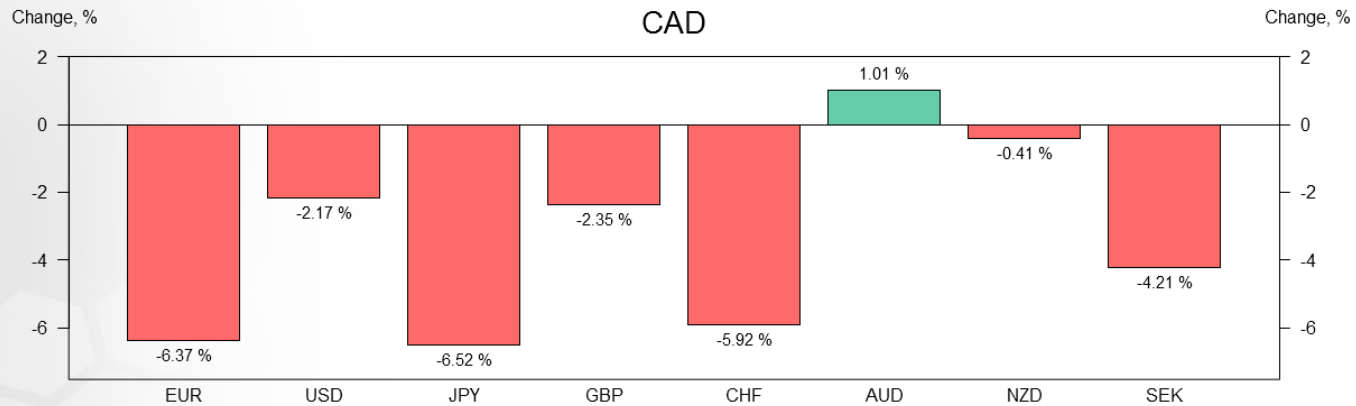
Currency Indexes



There were two distinct groups of currencies, which were moving in different directions during the observed period ended August 25. The period included a so-called “Black Monday”, when the equity markets crashed worldwide amid fears the Chinese economy is slowing down. Moreover, additional important factor was oil, which dropped below \$38 per barrel for the first time since 2009. Therefore, market participants were selling off three major commodity currencies including the Loonie, Aussie and Kiwi. On the other hand, along with the Swiss Franc and Japanese Yen, the Euro acted as a safe-haven currency to show a weekly rise of 3.93%.

US Dollar remained under intense pressure as well, while economists are now betting the Fed may postpone a first interest rate hike since 2006 to December or even the next year.

Canadian Dollar was the worst-performing currency until Monday, when the bearish lead was overtaken by the Australian currency. Even positive Canadian fundamentals, such as rising retail sales and stable inflation, failed to provide the national currency with any positive impetus, as markets were predominantly following oil price developments. As a result, the CAD Index was down to 96.54 points by Tuesday evening, and it only outperformed the Aussie by 1.01%, which dipped 4.57% during the period.



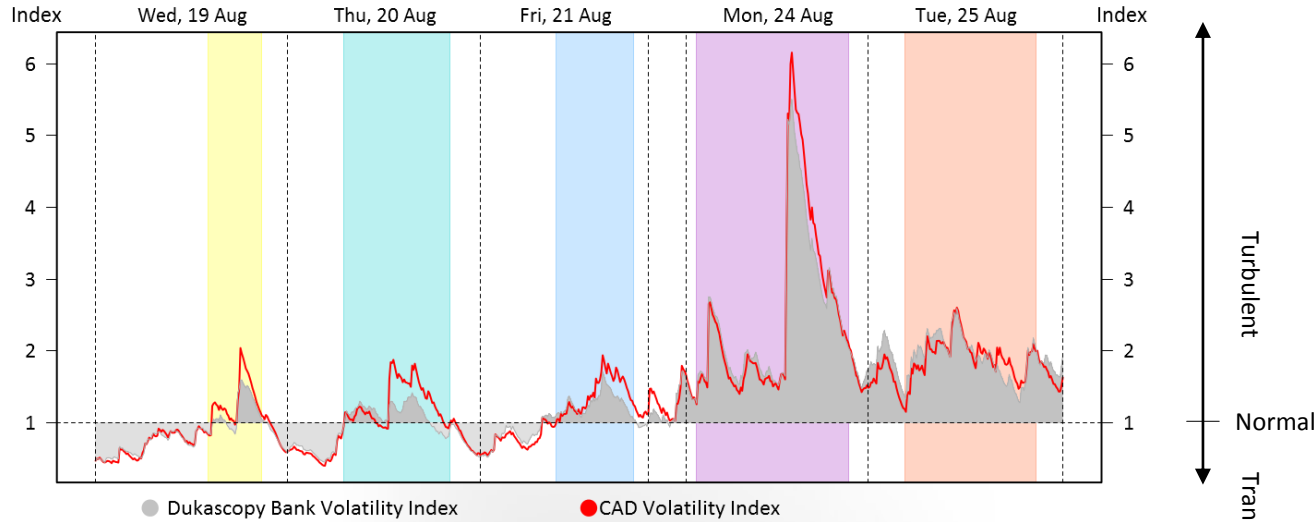
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	3.93%	-1%	4.14%	-0.79%	3.4%	-4.57%	-3.46%	-3%	1.39%
20	4.27%	-0.49%	4.02%	0.01%	1.95%	-4.1%	-3.98%	-4.64%	2.41%
130	6.61%	2.76%	3.66%	4.77%	4.09%	-7.78%	-4.37%	-14.03%	3.85%
250	0.44%	15.55%	0.68%	9.46%	12.67%	-14.35%	-6.23%	-12.76%	-5.47%



# Volatility

## Volatility



Monday of this week was the key day for volatility, which surged up to its one of the highest levels in since the financial crisis. Along with currency trading, volatility has been absolutely extreme in both equity and commodity markets. The commodity-linked Canadian Dollar must have had a very substantial reaction to all events that happened during the massive sell-off across the board. Turbulence from Monday and Tuesday provided the Loonie with a 68% elevated volatility reading, which in turn has just barely exceeded the pan-market gauge of 66%. Meanwhile, the most volatile currency pair was CAD/CHF, as markets were increasingly acquiring the safe-haven Franc.

Judging by the CAD volatility registered on Wednesday-Friday, the researched currency was rather tranquil, while its reaction to important fundamentals at home and abroad was somewhat subdued. First signs of super-uplifted turbulence were observed on Monday morning, when China's stock market rout pushed the CAD volatility reading up to 2.68 points. However, plunging US stocks with DJIA falling 1089 points in the opening, as well as Crude oil prices below \$38, sent CAD noticeably downwards later the same day. Therefore, its volatility reached the peak at 6.16 points, while pressure continued to be intensive throughout the next 24 hours, namely until the end of the period.

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

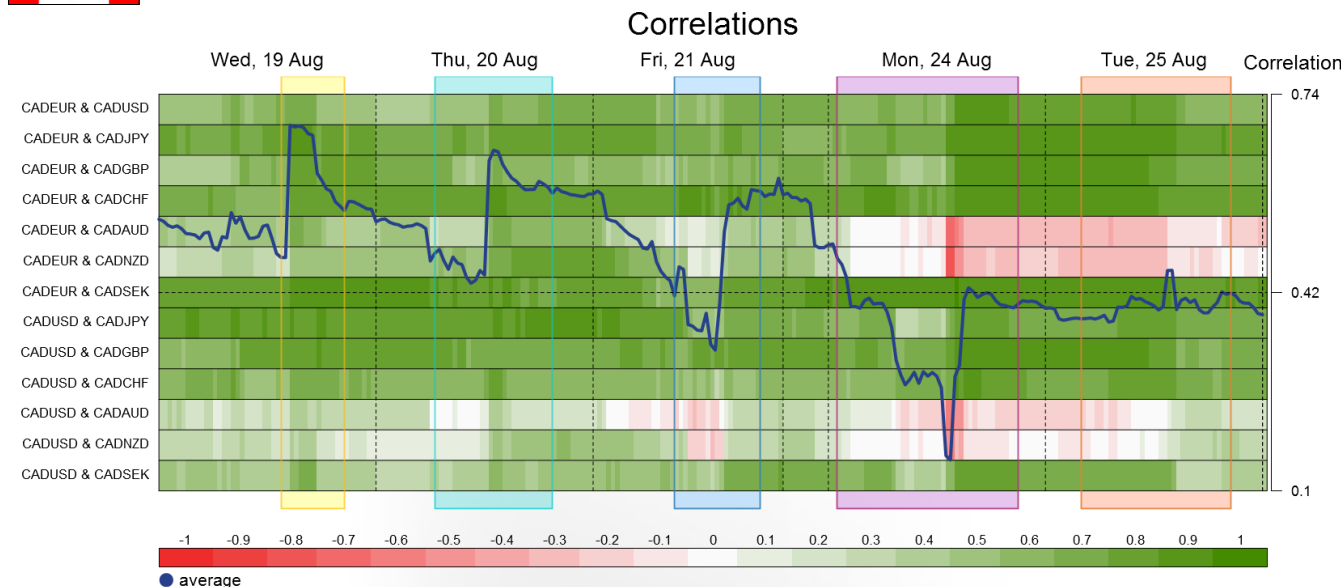
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
66	68	70	45	71	55	74	63	61	69

### Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	5.5	6.16	7.64	2.91	11.2	3.83	4.67	3.99	11.97	5.59
Min	0.45	0.4	0.3	0.33	0.34	0.28	0.34	0.37	0.45	0.31
Average	1.41	1.44	1.63	1.07	2.09	1.12	1.5	1.28	1.46	1.42



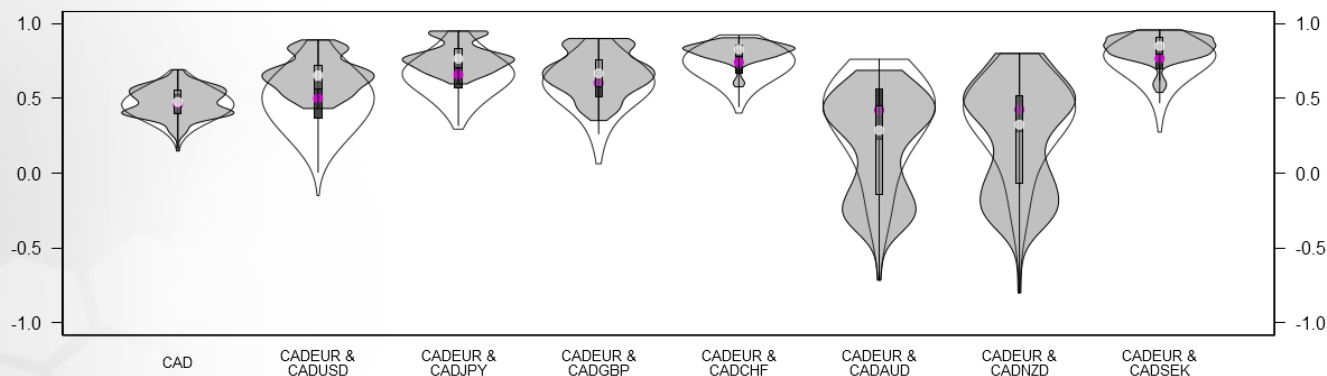
# Currency Significance



Massive fluctuations of the market and CAD in particular, which have already been discussed earlier, can be largely reflected in the significance of the Canadian Dollar. This currency has historically registered positive correlations between different crosses, and this fact was suitable for the first three days of the reported period. The composite was mainly moving above the historical mean, while only on rare occasions it was forced to fall below that mark of 0.42 points. However, after AUD and NZD joined the global sell-off on Monday, the state of affairs was immediately changed against the Canadian Dollar.

Commodity currencies were among those, where market participants eliminated open positions on Monday. Thus, the components with Aussie and Kiwi fell deeply into the red zone on Aug 24, with some of them (CAD/EUR vs CAD/NZD) dropping as low as -0.8 points and pushing their mean correlation coefficients with EUR/CAD to just 0.18-0.24. As a consequence, correlations with commodity-dependant currencies created quite long tails, while the composite was dragged lower to hit its weekly low of just 0.15 points by 13:30 GMT. A recovery followed shortly, but after touching the historical average the composite decided to hover there for the remaining part of the week. However, market instability continued to be present even after the end of the period.

## Correlations (5 vs 20 days)



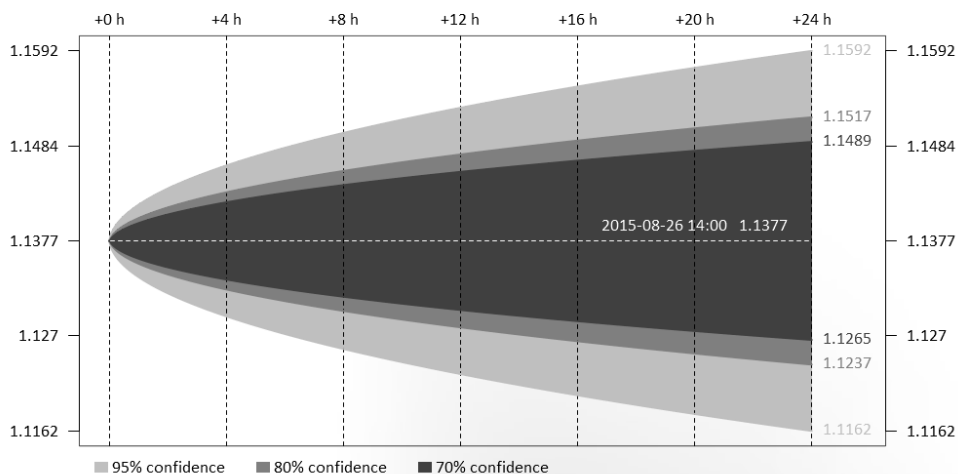
## Mean Correlation Coefficient (with CADEUR)

Days	CAD	CADUSD	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.47	0.65	0.78	0.67	0.81	0.18	0.24	0.83
20	0.46	0.48	0.66	0.59	0.73	0.35	0.35	0.75
130	0.4	0.25	0.39	0.52	0.68	0.38	0.4	0.74
250	0.43	0.36	0.46	0.57	0.74	0.39	0.41	0.7

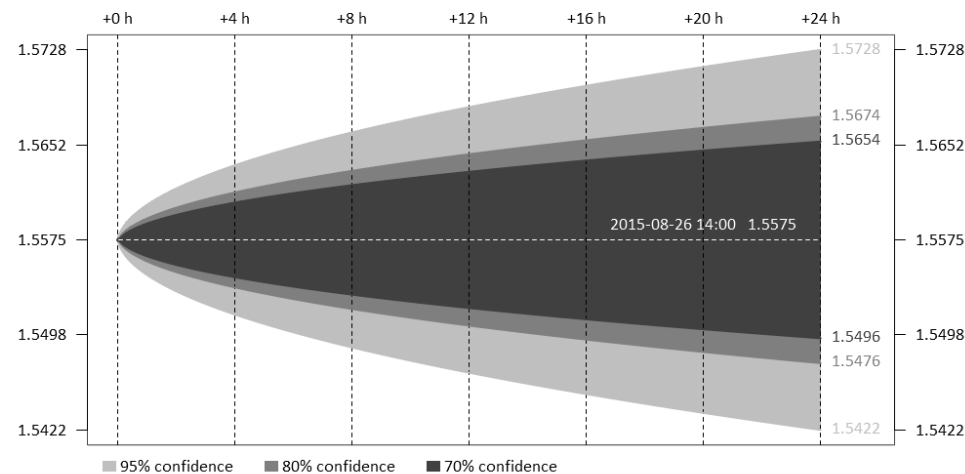
# Confidence Intervals for Next 24 Hours

Wednesday, August 26, 2015  
15:30 GMT

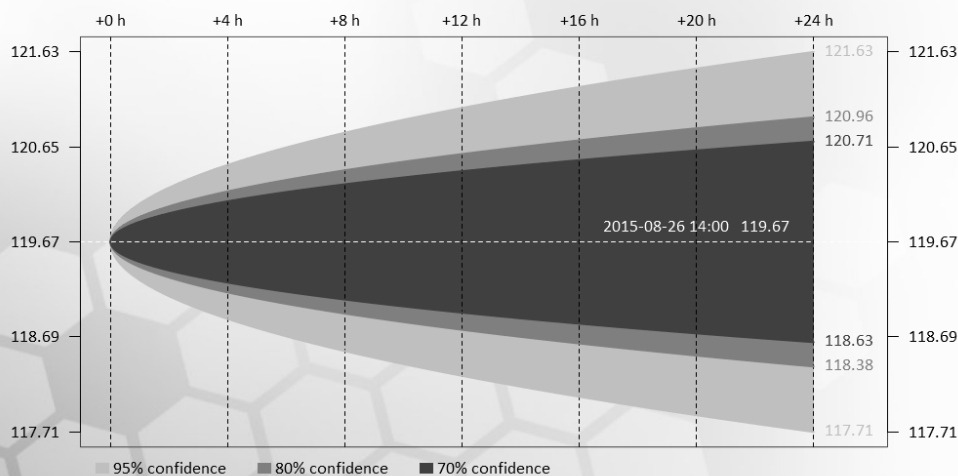
EURUSD Potential Rates



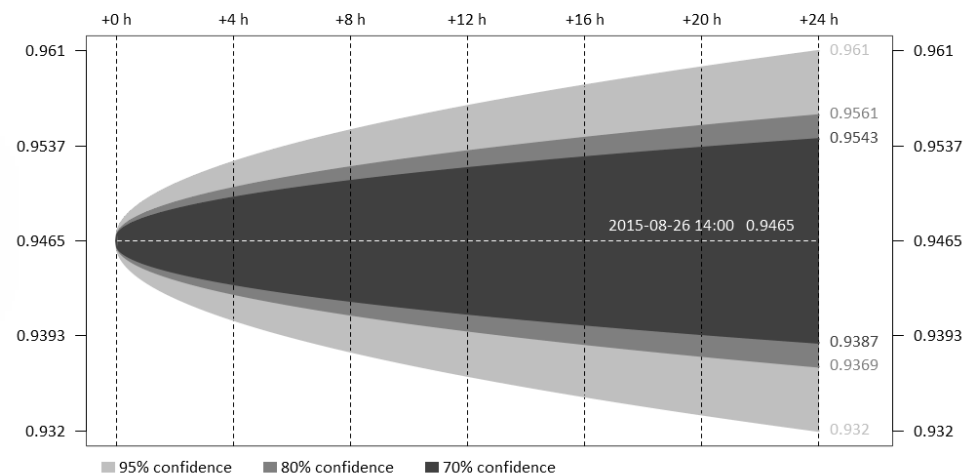
GBPUSD Potential Rates



USDJPY Potential Rates



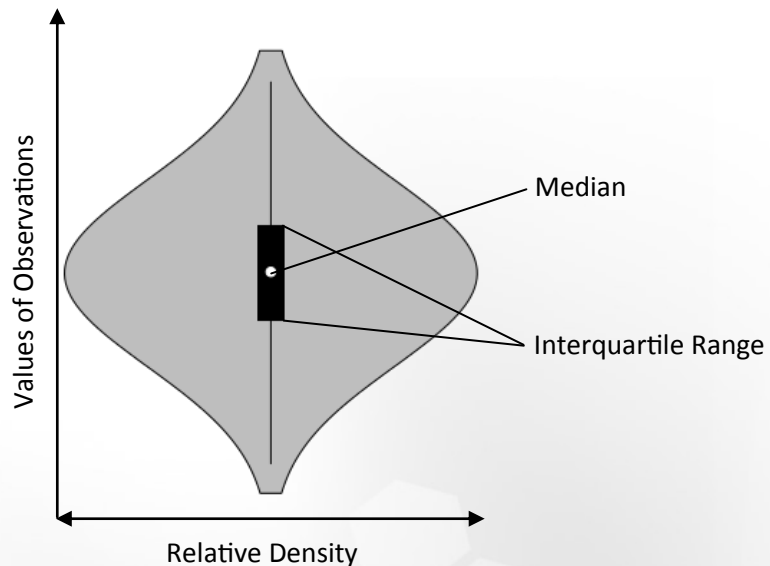
USDCHF Potential Rates



# 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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