

02/09/2015

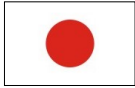


DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

August 26

00:00-21:30

- Japanese Foreign Bond and Stock Investment
- US Durable Goods Orders

Turquoise Area

August 27

06:00 - 20:00

- Japanese National CPI, Retail Trade and Unemployment Rate
- US Prelim GDP, Unemployment Claims and Pending Home Sales
- Swiss Industrial Production
- Jackson Hole Symposium

Blue Area

August 28

11:30 - 17:30

- Swiss GDP
- UK GDP
- Euro zone Economic Sentiment
- US Personal Income and Spending and Consumer Sentiment Index
- Jackson Hole Symposium

Purple Area

August 31

13:00 - 17:00

- Australian Private Sector Credit
- German Retail Sales
- Euro zone CPI
- Canadian Current Account

Orange Area

September 1

05:30 - 18:30

- Chinese Manufacturing PMI
- RBA Interest Rate Decision
- Euro zone Manufacturing PMI and Unemployment Rate
- Canadian GDP
- US Manufacturing PMI

JPY Currency Index Change

-0.23%	-0.74%	-0.29%	0.07%	1.09%
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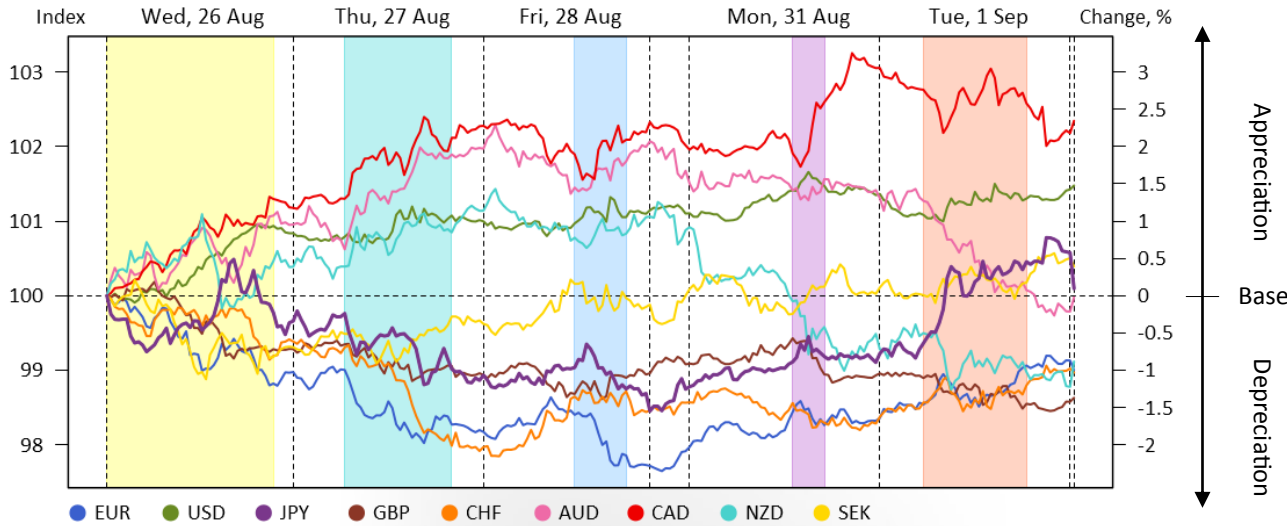
Max JPY Volatility Index

2.14	1.36	1.26	1.14	1.95
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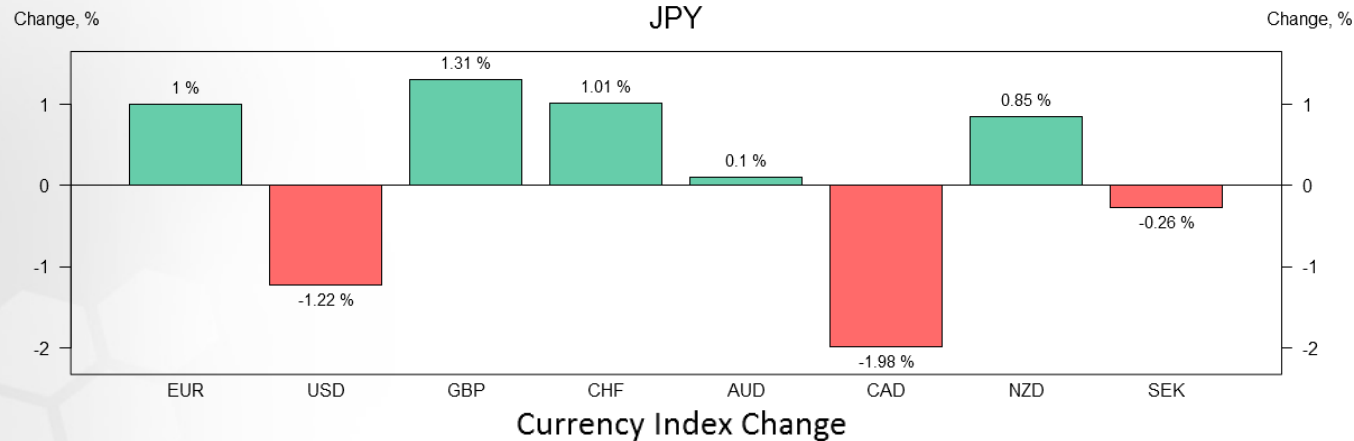
Relative Currency Strength

Currency Indexes



Even though the Japanese currency managed to show only a marginal 0.09% advance in value during the previous five-day trading period ended September 1, there were interesting developments to observe during that time. Mentioning other currencies, the Canadian Dollar surged the most 2.35%, while being influenced by recovering oil prices. From Thursday until Monday this commodity climbed 27%, the biggest streak of gains in several years. However, such commodity-linked currencies as the Aussie and Kiwi failed to keep momentum, as Tuesday oil's bounce back pushed their indices below zero by the end of the period.

The Yen was in turn trading in positive trend from Monday until Wednesday of the previous week, when the stock rout across major equity markets pushed the safe-haven Japanese currency noticeably to the upside, along with the Swiss Franc and the Euro. However, as market volatility decreased, so did the mentioned currencies. As a result of that, the JPY Index depreciated to 98.5 points by Friday evening, while the common European currency lost more than 2% by that point of time. However, Chinese economic statistics used to disappointing markets again this Monday, and risk-averse investors started to increase their Yen reserves, which resulted in the JPY Index hovering above the base line already by midday Tuesday.

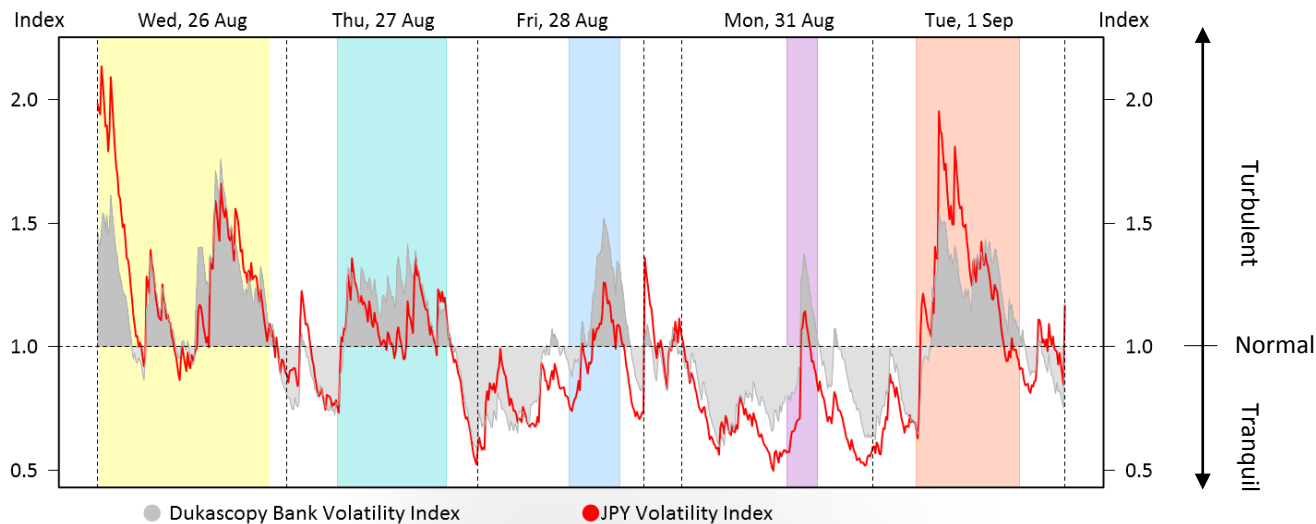


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1%	1.48%	0.09%	-1.37%	-1.03%	-0.02%	2.35%	-0.88%	0.39%
20	4.16%	-0.23%	3.59%	-2.1%	1.73%	-6.29%	-0.77%	-4.23%	3.69%
130	6.8%	3.42%	3.68%	4.15%	4.87%	-8.57%	-2.87%	-14.94%	2.67%
250	0.01%	17.14%	1.14%	7.9%	12.14%	-14.94%	-5.03%	-14.38%	-3.97%



Volatility

Volatility



Volatility of both the market and the Yen, in particular, was quite in high in the very beginning of the observed period, while it lost steam by the last day of August and inched back higher on the first day of autumn. All in all, market turbulence followed global events from the stock market and oil prices, which used to drive the foreign exchange market last week as well. Therefore, elevated volatility posted a high 47% reading for the market and the 44% level for the Yen. Three components crossed the 50% threshold including GBP/JPY, SEK/JPY and CAD/JPY at 55%, 53% and 52%, respectively. Meanwhile, the Yen's mean volatility fell just one basis point short of 1.00.

The Japanese currency's highest volatility of the period was reached already in the first hours of Wednesday. Turbulence indicator surged as high as 2.14 points, therefore considerably outperforming the average market volatility of around 1.5 points. The safe-haven currency fell victim to improving global sentiment, which led to depreciation in its value against the majority of peers. As mentioned before, risk appetite stayed high until the new week, when renewed equity market's decline in Asia, Europe and US strengthened demand for the Japanese Yen. Volatility has also been uplifted amid the decision of the Reserve Bank of Australia to keep interest rates unchanged, while Chinese production sector slid into contraction territory last month.

Elevated Volatility (% of the observed period)

Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
47	44	38	35	55	34	41	52	35	53

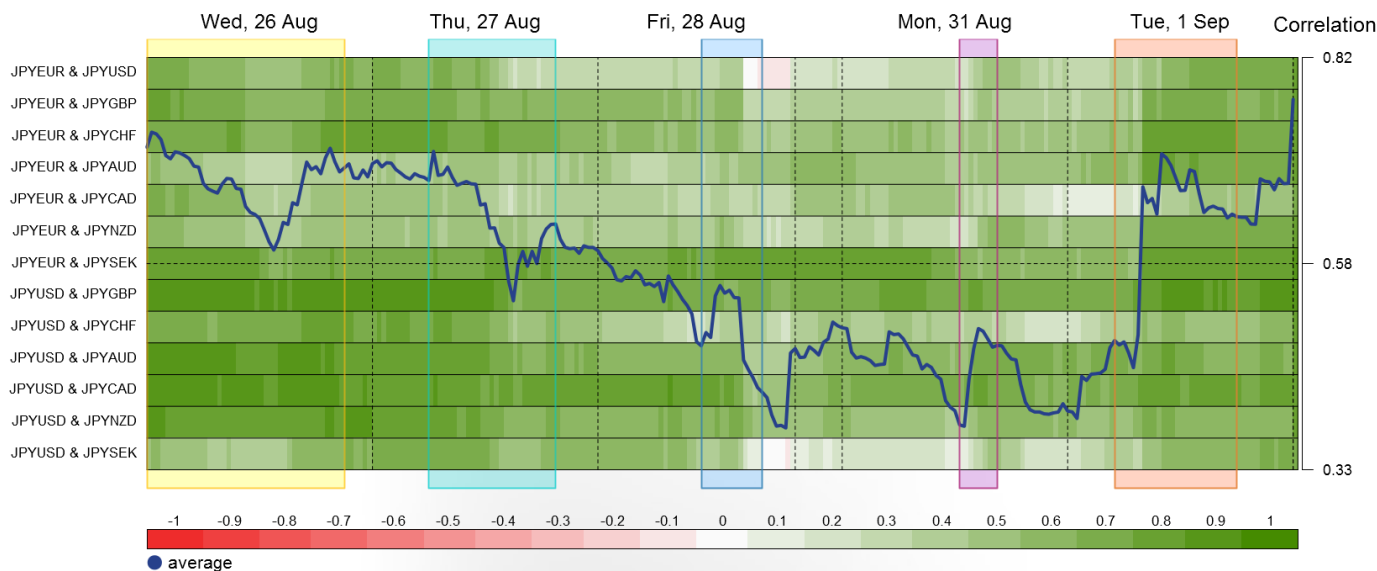
Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	1.76	2.14	2.19	2.48	2.62	1.88	2.69	2.22	1.95	2.13
Min	0.59	0.5	0.38	0.27	0.35	0.37	0.39	0.43	0.43	0.38
Average	1.02	0.99	0.95	0.94	1.09	0.91	0.99	1.06	0.94	1.04



Currency Significance

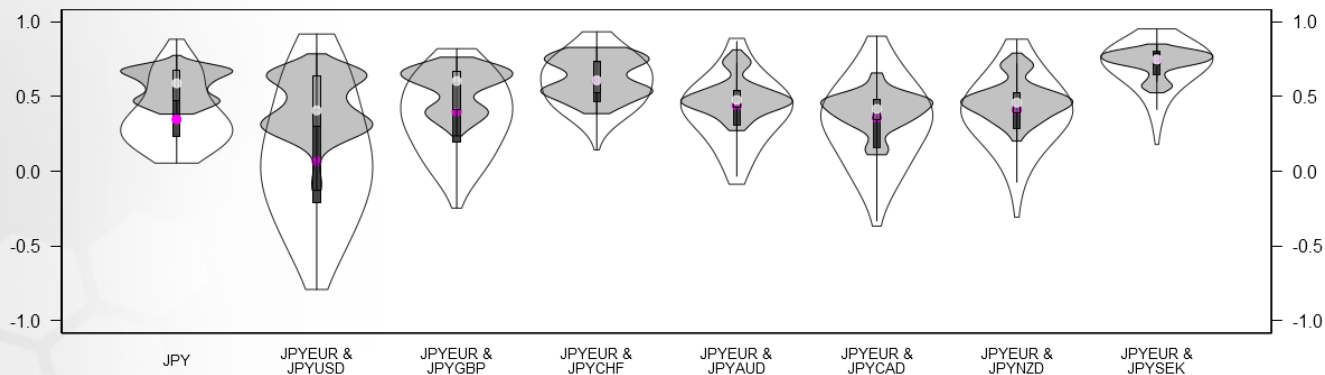
Correlations



Close attention paid to the Japanese Yen provided this currency with uplifted significance readings last week. The mean correlation coefficient skyrocketed up to 0.57 points for the whole period compared with 0.37 points for the past six months and 0.44 points on an annual basis. It is worth mentioning the EUR/JPY & CHF/JPY component, which showed the correlation level of 0.63 points, as these currency pairs have mostly had a united movement due to the safe-haven status of Franc, Yen. The Euro was among them as well, acting as a bullish peer to the weakening US Dollar.

Correlations of the Japanese currency started the researched period at a considerably high level of 0.72 points, while many components used to move in the same direction as equity markets stabilised and the necessity to invest in the safe-haven currency waned moderately. This led to a slump of the composite during the next three days, and on Friday it has already touched the weekly low at 0.38 points. Nevertheless, this reading is still considered to be appropriate for the majority of currencies, even during the volatile period. The Yen's significance, however, had the best performance on Tuesday, when it peaked at 0.77 points when Asian stock markets opened noticeably lower in the beginning of September 2 trading session.

Correlations (5 vs 20 days)



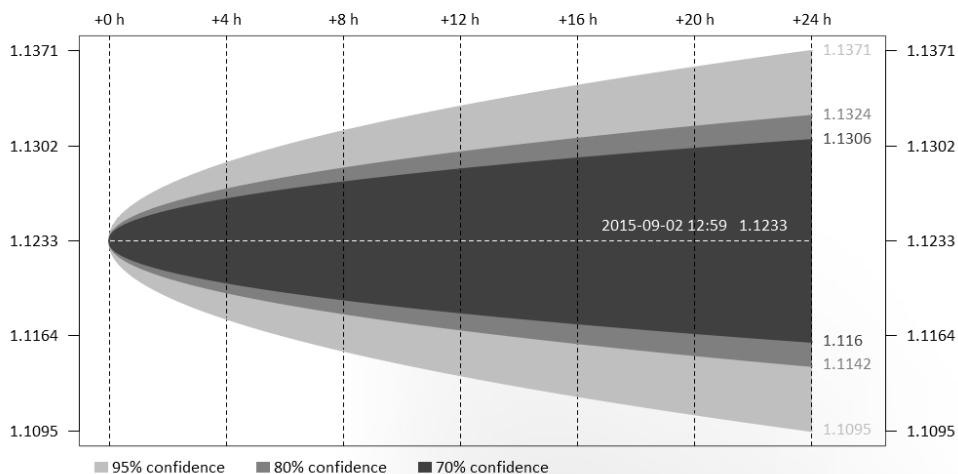
Mean Correlation Coefficient (with JPYEUR)

Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.57	0.43	0.55	0.63	0.49	0.4	0.47	0.73
20	0.39	0.11	0.38	0.6	0.41	0.33	0.41	0.71
130	0.37	0.07	0.48	0.68	0.43	0.4	0.41	0.75
250	0.44	0.3	0.57	0.74	0.45	0.47	0.42	0.73

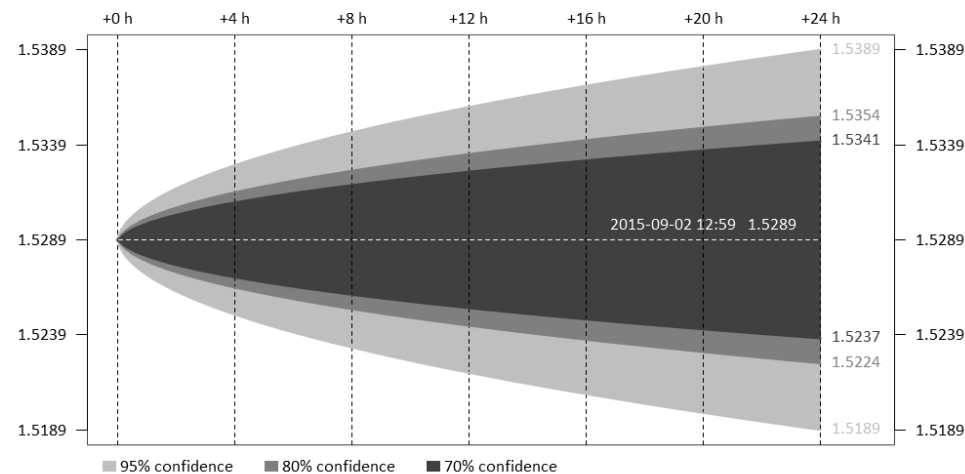
Confidence Intervals for Next 24 Hours

Wednesday, September 02, 2015
15:30 GMT

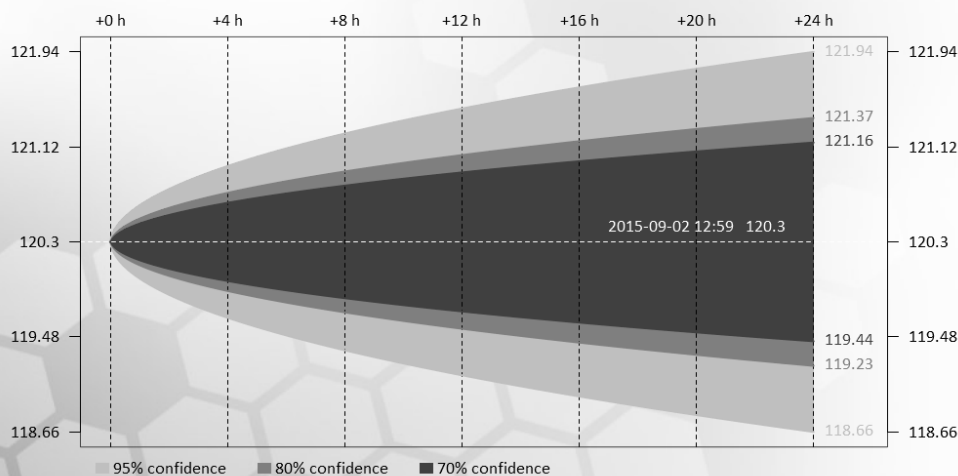
EURUSD Potential Rates



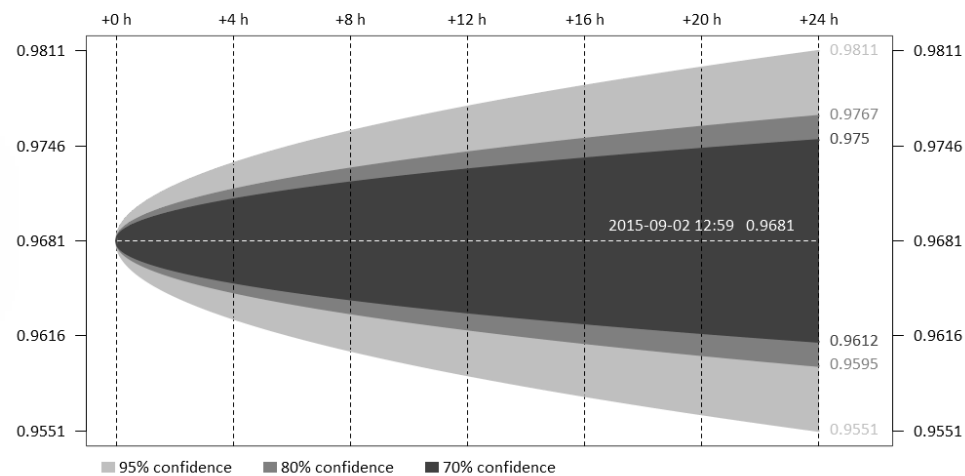
GBPUSD Potential Rates



USDJPY Potential Rates



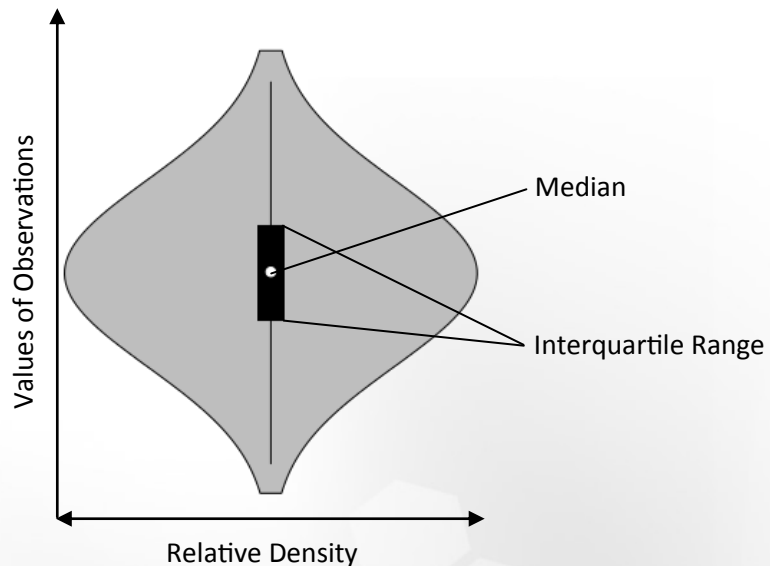
USDCHF Potential Rates



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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