



04/11/2015



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RESEARCH PRODUCTS



Market Research



Dominant Events of the Period

Wednesday, November 04, 2015

16:30 GMT

Yellow Area

October 28

00:30 - 23:30

- Australian CPI
- FOMC Interest Rate Decision
- RBNZ Interest Rate Decision
- Japanese Industrial Production

Turquoise Area

October 29

06:30 - 17:00

- German Unemployment Change and CPI
- UK Mortgage Approvals
- US Advance GDP
- Japanese Unemployment Rate and CPI
- BOJ Monetary Policy Statement

Blue Area

October 30

10:30 - 18:00

- Euro zone CPI and Unemployment Rate
- US Personal Income and Persona Spending
- Canadian GDP

Purple Area

November 3

00:30 - 22:00

- RBA Interest Rate Decision
- Australian Retail Sales and Trade Balance
- UK Construction PMI
- US Factory Orders
- New Zealand Unemployment Rate and Employment Change

AUD Currency Index Change

-0.8%

-0.56%

0.33%

0.6%

Max AUD Volatility Index

3.4

1.26

1.64

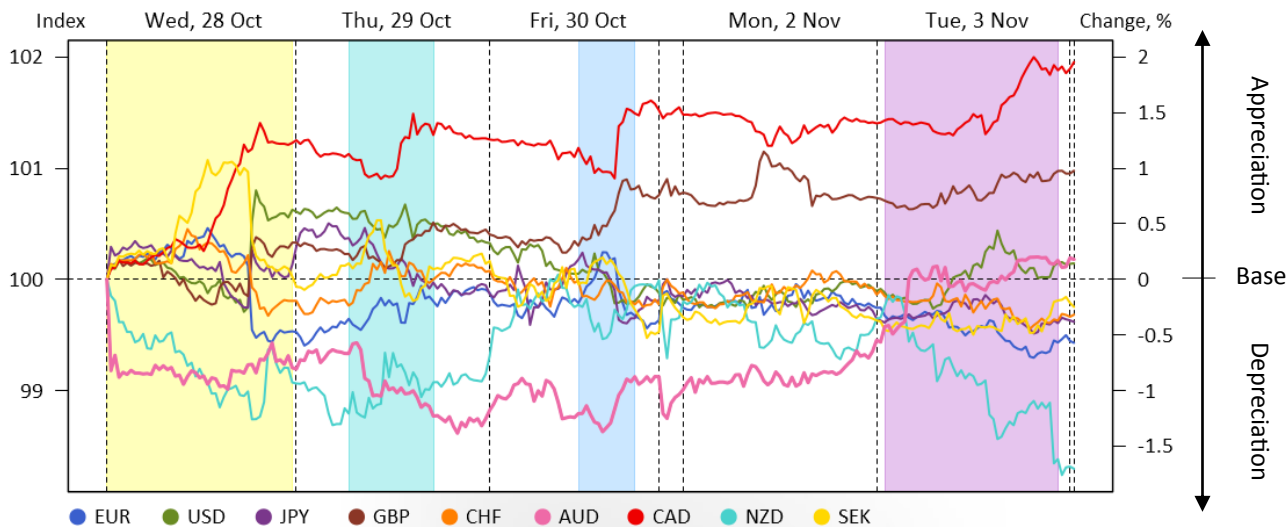
1.89



Relative Currency Strength

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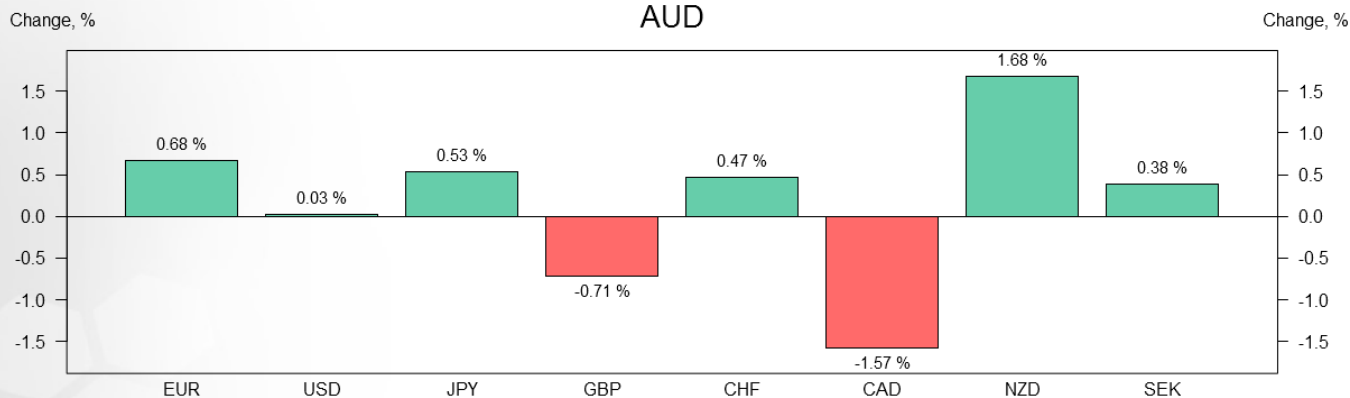
Currency Indexes



The Australian currency crashed already in the very beginning of the observed time period on the back of country's CPI numbers, which showed the annual inflation reading falling down to 1.5% in the third quarter of 2015. This data raised odds for the RBA to ease monetary policy even more at its meeting on Tuesday. However, the regulator has eventually decided to hold interest rates steady. The Reserve Bank noted that further softening is possible in the future. Nonetheless, market players welcomed this news, by sending the Aussie noticeably to the upside. It was a deserved bounce back, because earlier the currency traded in anticipation of dovish outcome of the RBA meeting. The AUD Index surged above the baseline by Tuesday afternoon to close the week with a rise of 0.18%.

There are three major currencies, which are worth mentioning in this report. Canadian Dollar and British Pound were two best performing currencies among G8 majors last week. The former gained almost two full percentage points for the period ended Nov 3, while the UK currency traded around 100 basis points to the north during the researched five days. Australian Dollar was strongly depressed and traded firmly below the baseline until Monday, but regained enough strength in order to register a weekly spike in value of 0.18%. It rose the most against the Kiwi, which established itself as the main underperformer with a loss of 1.7%.

AUD



Currency Index Change

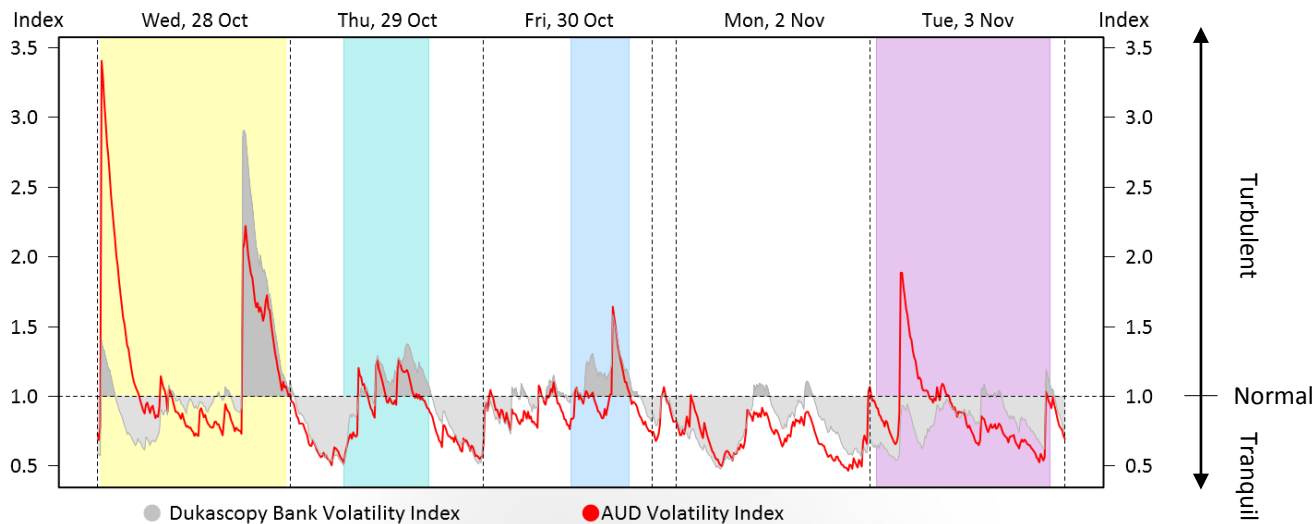
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.57%	0.14%	-0.38%	0.98%	-0.32%	0.18%	1.96%	-1.7%	-0.25%
20	-2.19%	0.89%	-0.11%	2.16%	-1.71%	1.26%	0.69%	2.44%	-3.15%
130	2.42%	5.04%	4.02%	5.35%	-2.53%	-5.77%	-3.22%	-7.11%	1.76%
250	-3.83%	11%	3.78%	6.99%	7.91%	-10.34%	-4.63%	-5.83%	-5.02%



Volatility

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Volatility



The Aussie acted decisively from the first minutes of the period. Volatility of this currency was mainly driven by domestic events in Australia, as well as by international news from US and Canada. Statistics from all above mentioned countries was successful in sending the AUD Volatility Index above the normal level of 1.00 points. Elevated volatility of the Aussie has therefore stayed below the market average, at 24% versus 32%, respectively. The most volatile crosses were AUD/NZD and AUD/CAD. The Kiwi was declining, while awaiting employment data from New Zealand on Tuesday, while Canadian Dollar was volatile after the GDP data back on Friday of the last week.

The first spike in AUD's turbulence occurred in the midnight between last week's Wednesday and Thursday, when Australian consumer prices fell more than expected in Q3 2015. The weekly high of volatility was reached at 3.40 points. After cooling down, the next surge happened shortly on Wednesday evening, when the Fed made its interest rate decision and kept the benchmark flat at 0-0.25%. Fed comments, however, pointed to a hike by the end of this year. On Friday the growth data from Canada was particularly driving the AUD/CAD cross, which pushed the overall AUD volatility as high as 1.64 points. In the meantime, RBA decision to keep rates flat provided the Aussie Dollar with bullish impetus and sent the Volatility Index up to 1.89 points.

Elevated Volatility (% of the observed period)

Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
32	24	20	25	22	26	18	36	47	32

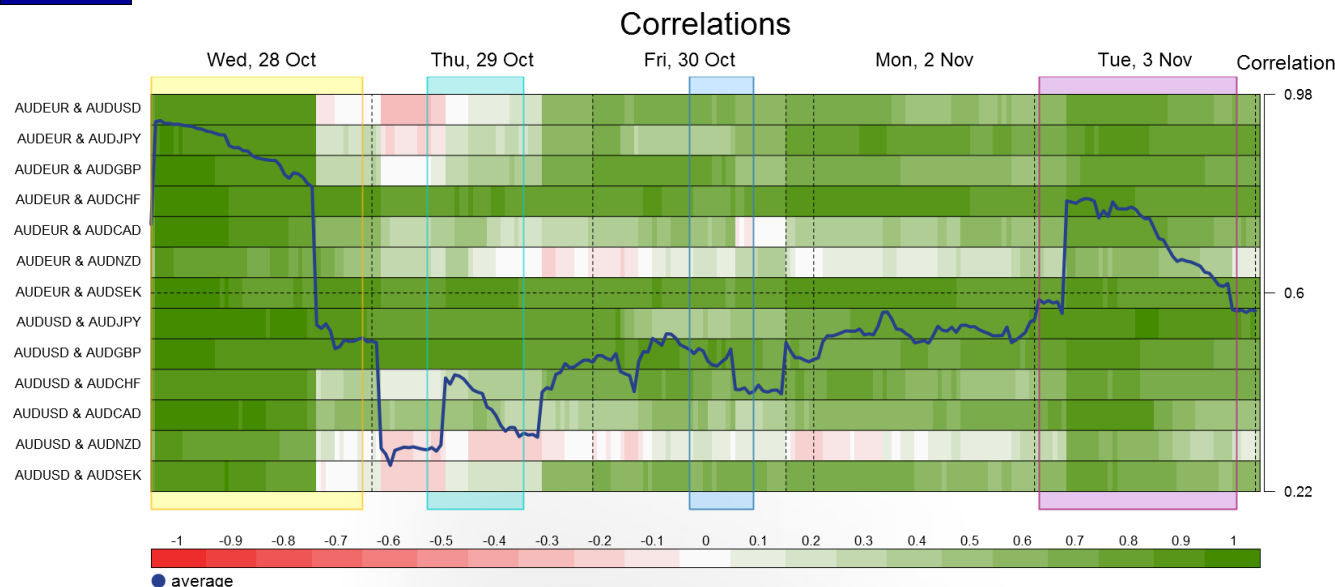
Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	2.91	3.4	3.31	4.91	3.45	3.7	3.08	4.32	3.38	3.13
Min	0.48	0.47	0.39	0.35	0.3	0.4	0.41	0.47	0.48	0.42
Average	0.93	0.91	0.84	0.94	0.86	0.91	0.84	0.98	1.09	0.92



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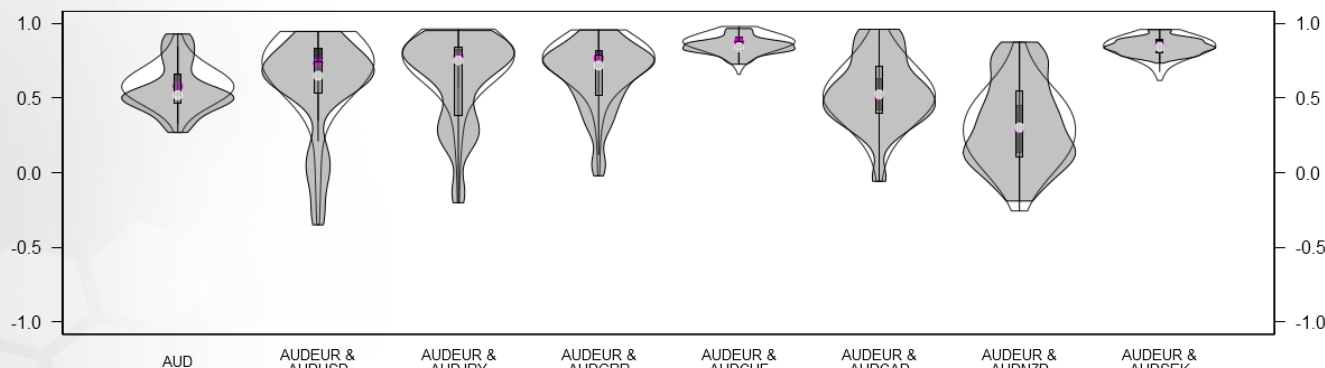
Currency Significance



Contrast to low significance of the Australian Dollar in the middle of the period, this currency registered very high levels of correlations on Wednesday and Tuesday, the first and last days of the researched time period, correspondingly. For a long period of time we have not seen the composite reaching 0.92 points. This event happened Wednesday morning, when Australia's inflation data was ready to be released. Divergence between different crosses of the Aussie started to be very noticeable on Oct 29. Then the weekly low was hit at 0.27 points for the composite. It resulted in longer tails for some of the components and especially for AUD/EUR & AUD/USD.

Overall correlations of the Aussie remained in the range showed by 20, 130 and 250-day means of 0.54-0.59 points. The composite received help from Wednesday and Tuesday events, which kept different currency pairs of the Aussie united in terms of their market movements. The RBA decision, however, has brought little surprise and used to have weaker impact on the composite than worse-than-estimated CPI data. One particular component to mention is AUD/USD and AUD/NZD, which posted lower correlations than others. One reason for that was New Zealand's statistics, because Kiwi traders were preparing for important labour market data on Tuesday. Still, this component was unable to derail a recovery of the composite, which finished the week exactly at the weekly average of 0.56 points.

Correlations (5 vs 20 days)



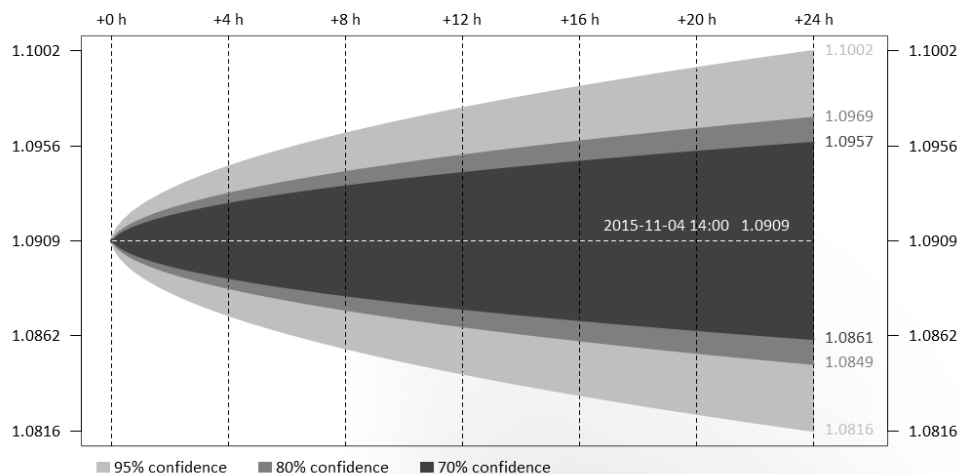
Mean Correlation Coefficient (with AUDEUR)

Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.56	0.56	0.62	0.64	0.85	0.54	0.32	0.85
20	0.59	0.7	0.74	0.74	0.87	0.52	0.29	0.84
130	0.55	0.58	0.62	0.66	0.81	0.51	0.27	0.82
250	0.54	0.57	0.58	0.67	0.79	0.51	0.32	0.78

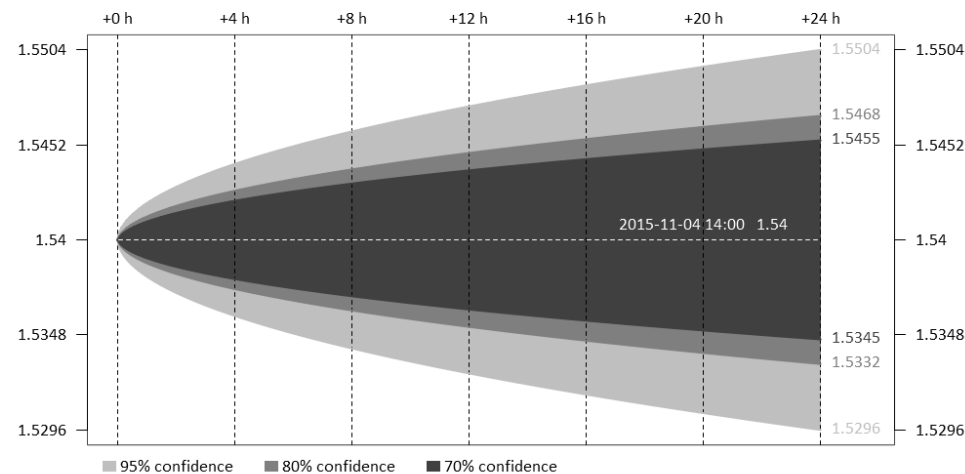
Confidence Intervals for Next 24 Hours

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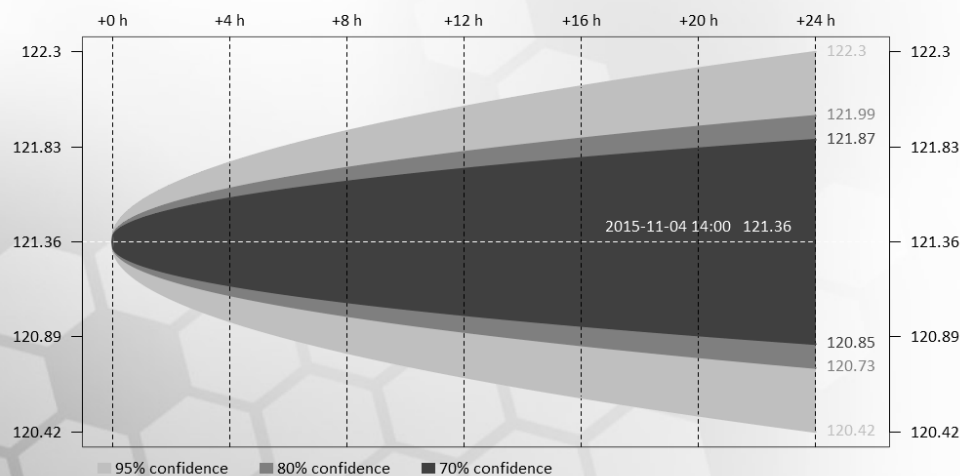
EURUSD Potential Rates



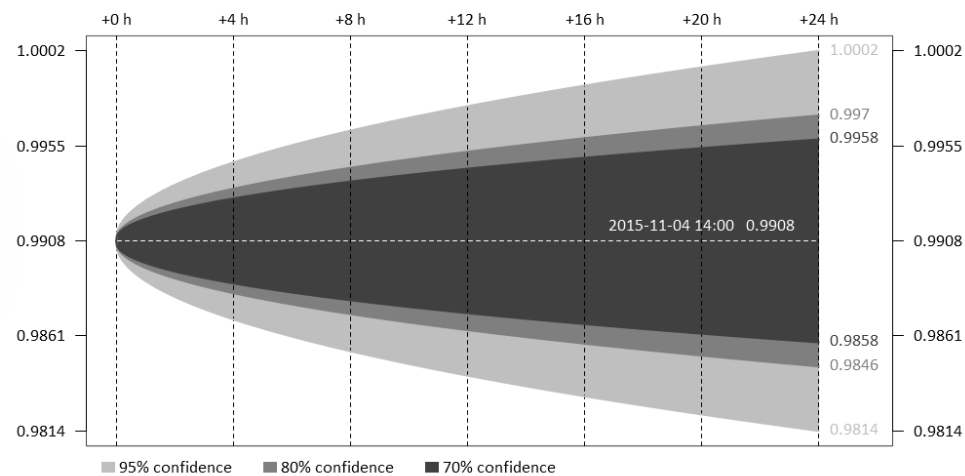
GBPUSD Potential Rates



USDJPY Potential Rates



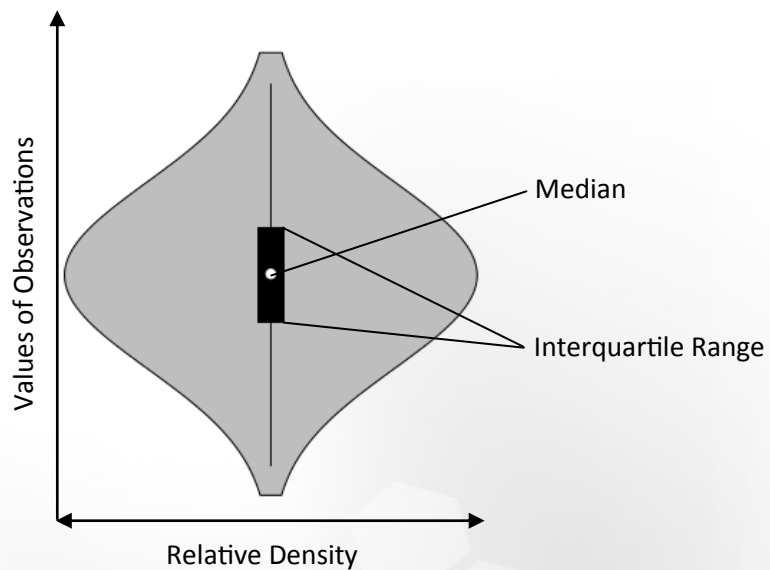
USDCHF Potential Rates



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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