



25/11/2015



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Market Research





Dominant Events of the Period

Wednesday, November 25, 2015

16:30 GMT

Yellow Area

November 18

05:30 - 12:30

- Swiss ZEW Survey
- US Building Permits and Housing Starts
- FOMC Meeting Minutes
- Japanese Trade Balance

Turquoise Area

November 19

06:30 - 18:30

- BOJ Interest Rate Decision
- UK Retail Sales
- ECB Monetary Policy Meeting Accounts
- US Unemployment Claims and Philadelphia Fed Manufacturing Survey

Blue Area

November 20

06:30 - 17:30

- BOJ Governor Kuroda Speaks
- ECB President Draghi Speaks
- Bundesbank President Weidmann Speaks
- UK Public Sector Net Borrowing
- Canadian CPI

Purple Area

November 23

01:30 - 17:00

- French Manufacturing and Services PMI
- German Manufacturing and Services PMI
- Euro zone Manufacturing and Services PMI
- US Manufacturing PMI

Orange Area

November 24

05:00 - 23:30

- RBA Governor Stevens Speaks
- German Revised GDP and IFO Business Climate
- BOE Inflation Hearings
- US Prelim GDP and CB Consumer Confidence

AUD Currency Index Change

0.13%

0.27%

0.83%

-0.05%

0.68%

Max AUD Volatility Index

1.01

1.23

1.14

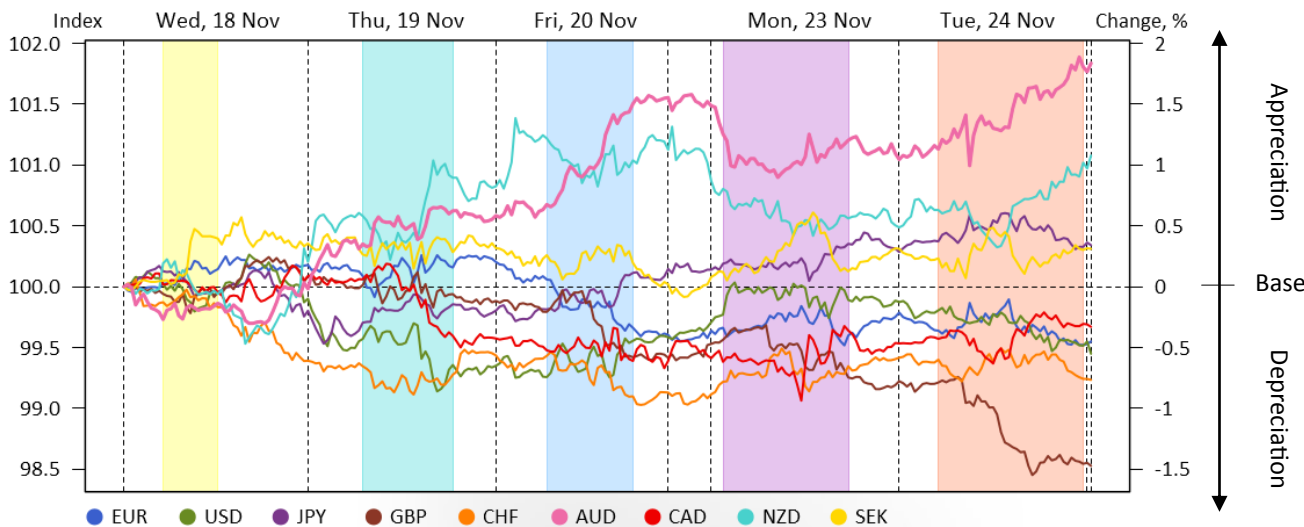
1.39

2.06



Relative Currency Strength

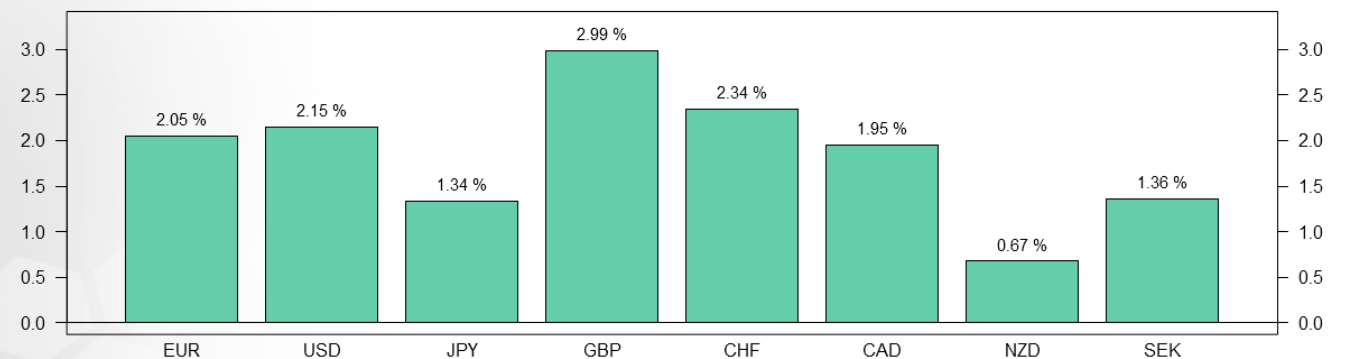
Currency Indexes



Last week was extremely busy, with different types of fundamental data releases. Apparently, almost all of them were published outside Australia, which is the main currency of discussion this time. Despite the mentioned fact on the lack of news, the Aussie used to be the most bullish currency of the period ended November 24. During the first part of the week it shared leadership with the New Zealand Dollar, which eventually gained 1.08% in five trading days, while AUD rallied by 1.84%. A clear loser was the British Pound, which was actively depreciating on Tuesday after comments from BOE Governor Carney who said that interest rates will rise very slowly.

The Bank of England has recently changed bullish stance it had preserved earlier this year, and this fact is dampening the Sterling's perspectives. The spread between AUD and GBP Index reached 3% in course of the observed period. The Australian Dollar was supported by a rebound in commodity prices, which started to recover after significant losses one week before. On top of that, the Governor of the Reserve Bank of Australia argued Tuesday that he believes additional rate cuts may not help the economy. Market considered his speech as a rather hawkish one, which provided AUD with another up-leg on Nov 24. RBA intends to watch closely Capex expenditures and other investment decisions of firms. Meantime, the AUD Index traded at 101.84 points by Tuesday evening.

Change, %



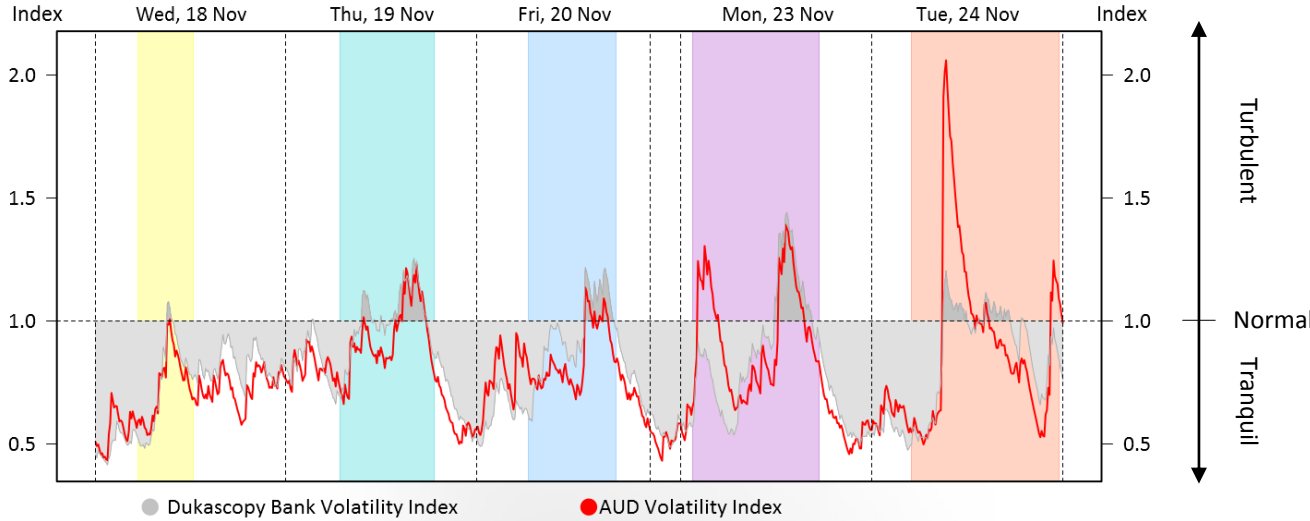
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.45%	-0.55%	0.34%	-1.47%	-0.77%	1.84%	-0.33%	1.08%	0.31%
20	-2.63%	1.55%	-0.21%	0.15%	-1.9%	4.28%	1.3%	-1%	-1.14%
130	1.2%	3.94%	5.35%	2.44%	-3.79%	-1.71%	-3.51%	-5.66%	1.48%
250	-5.55%	11.78%	7.91%	7.36%	6.24%	-7.32%	-6.59%	-8.41%	-5.4%



Volatility

Volatility



The Aussie's volatility was broadly following other countries' events, which made it quite dependent on other regions to see somewhat more active trading throughout the weekly period ended on November 24. Considering lack of local statistics, the AUD elevated volatility of 15% can be logically justified. Moreover, it lingered behind the all-market uplifted volatility indicator of 19%. Only the AUD/USD cross was shaken up slightly more than other components, mainly due to large presence of US fundamentals last period, including second-revision GDP and FOMC meeting minutes. Here the elevated volatility reached 23%.

Average turbulence of the Aussie was 0.79 points in the five previous days, which lagged behind the market mean by only one basis point. However, it is worth underlying the period-end events caused the biggest portions of volatility, while first days of the week were light and calm. AUD Volatility Index saw its first weekly gain on Thursday when the ECB published its minutes from the latest meeting. More pronounced turbulence was observed on Monday when several Euro area countries were able to brag about better-than-estimated activity in production and services industries. Period's highest measure of turbulence at 2.06 points was reached in time of Glenn Stevens' speech on Tuesday where he called into question another RBA rate cut in the near term.

Elevated Volatility (% of the observed period)

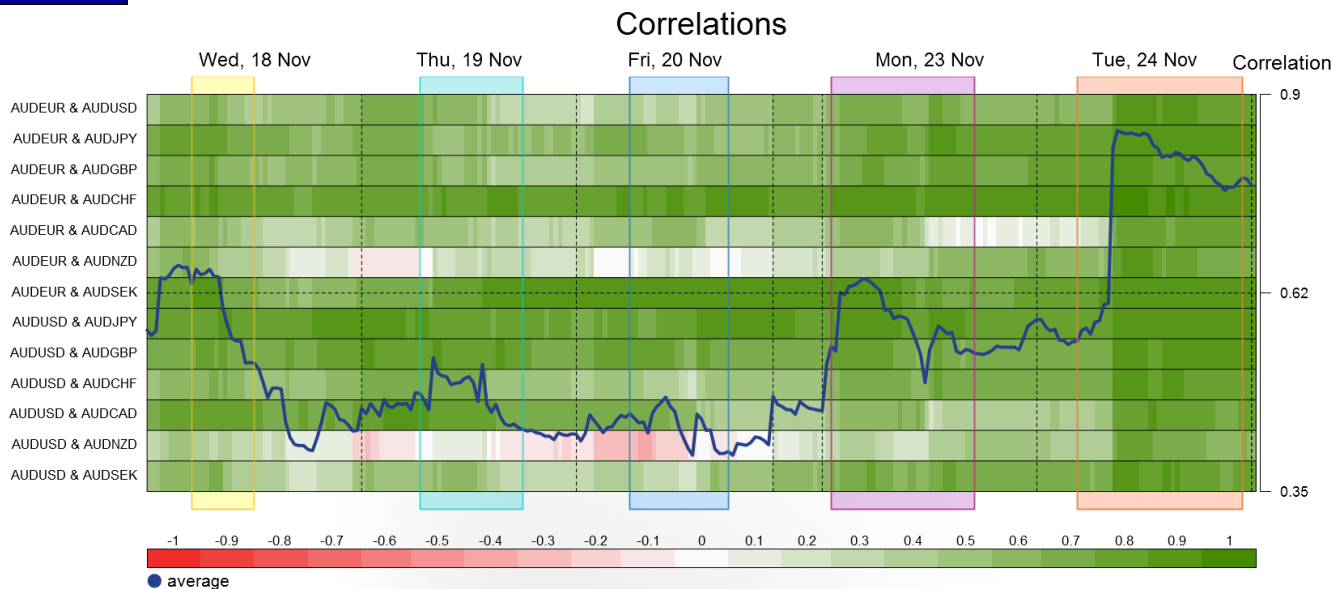
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
19	15	13	23	16	18	22	20	14	17

Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.44	2.06	2.36	1.75	2.44	2.1	2.1	1.69	2.04	2.13
Min	0.42	0.43	0.39	0.32	0.36	0.35	0.43	0.44	0.37	0.37
Average	0.8	0.79	0.75	0.82	0.77	0.79	0.85	0.81	0.79	0.76



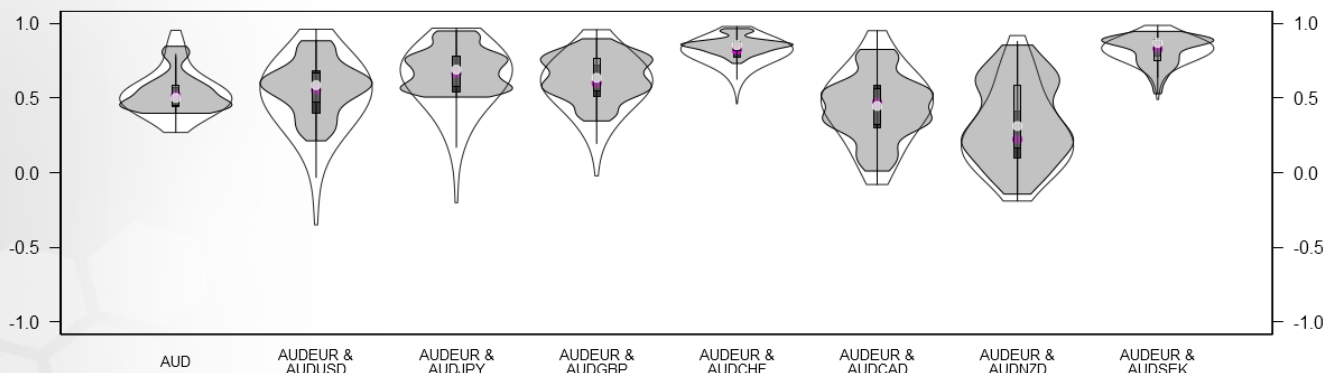
Currency Significance



Significance of the Australian currency calculated as an average correlation between various pairs of this currency and measured by the composite indicator stood at largely high levels from last week's Wednesday until Tuesday of this week. Initially correlations used to be subdued, partly due to behaviour of several separate components that turned red at some points of time. The vast majority of components, however, hovered firmly in green but failed to completely avoid situations with low or negative correlations. As a result of that, some components used to have their tails extending somewhat below zero last week.

The weekly mean correlation coefficient posted a reading of 0.54 points during the five-day period ended Nov 24. The number has broadly matched monthly, semi-annual and yearly averages of 0.53 -0.56 points. The most correlated component was AUD/SEK and AUD/EUR (0.82 points), meaning these crosses were united on the Aussie and were strongly driven by this currency, rather than by the Euro or Swedish Krona separately. The composite was limiting its gains by 0.60 points until Tuesday when the previously mentioned speech from RBA Governor Glenn Stevens pushed it towards the weekly high of 0.85 points. These uplifted levels were kept until Tuesday evening, albeit inside a marginally lower range of 0.76-78.

Correlations (5 vs 20 days)



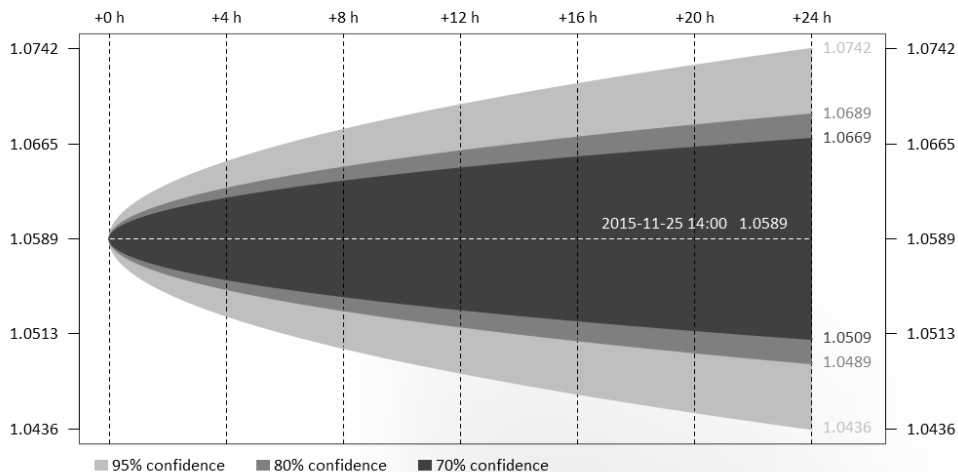
Mean Correlation Coefficient (with AUDEUR)

Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.54	0.57	0.7	0.64	0.85	0.44	0.35	0.82
20	0.53	0.53	0.64	0.6	0.82	0.44	0.28	0.82
130	0.56	0.6	0.64	0.67	0.81	0.51	0.27	0.83
250	0.54	0.56	0.59	0.67	0.78	0.5	0.32	0.78

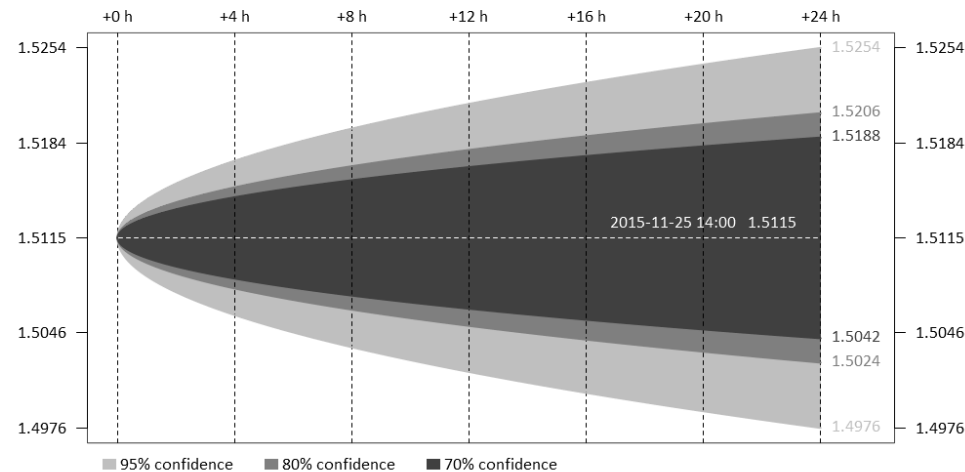
Confidence Intervals for Next 24 Hours

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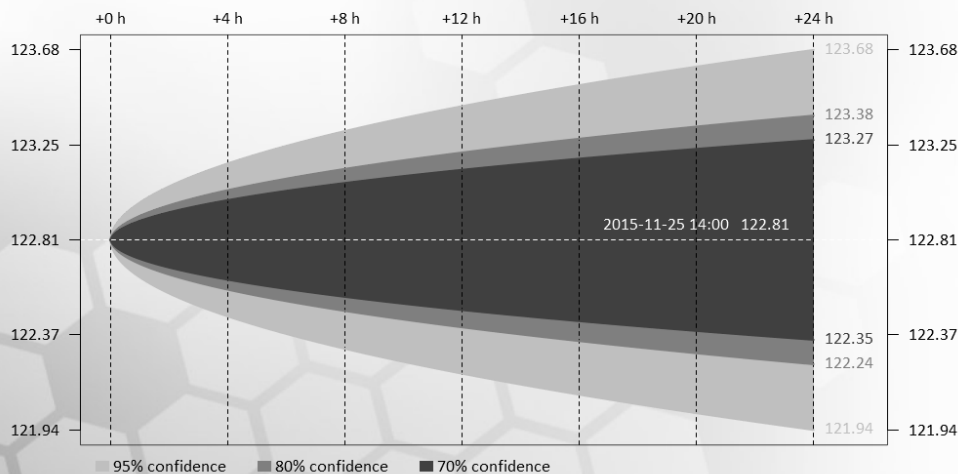
EURUSD Potential Rates



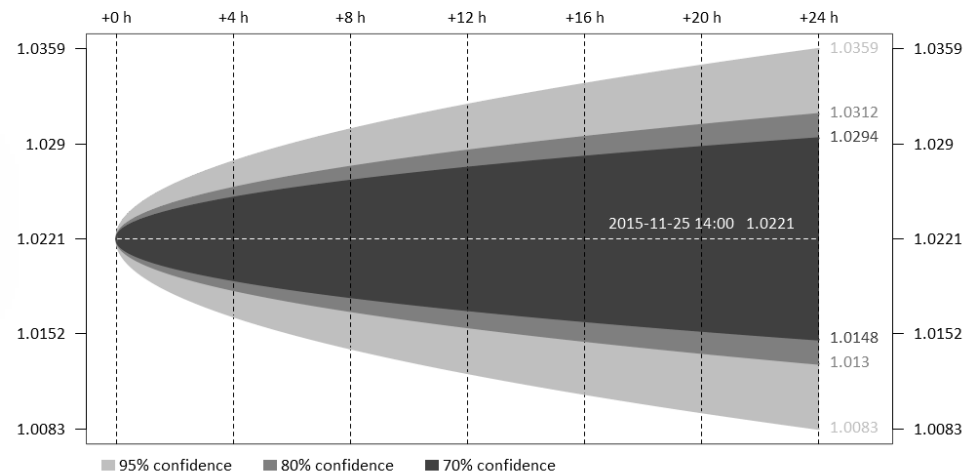
GBPUSD Potential Rates



USDJPY Potential Rates



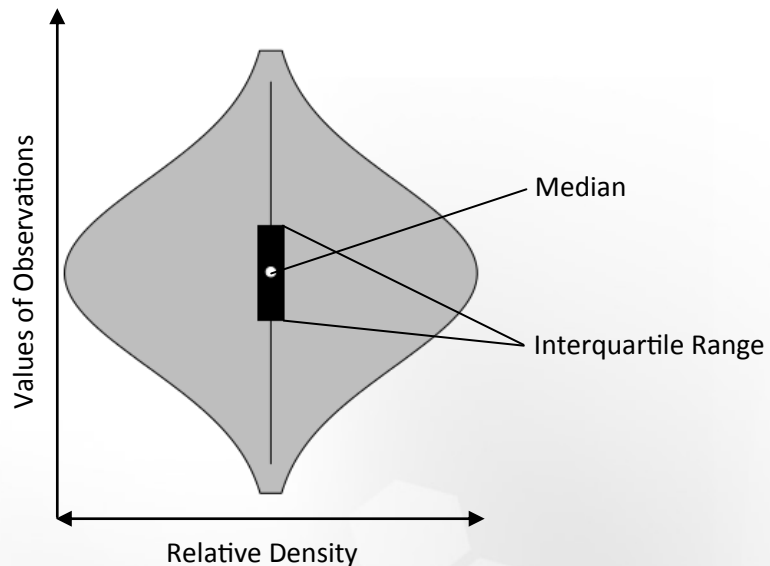
USDCHF Potential Rates



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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