



02/12/2015



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Market Research





Dominant Events of the Period

Yellow Area

November 25

05:00 - 17:30

- UK Autumn Forecast Statement
- US Durable Goods Orders, Personal Spending, Personal Income and New Home Sales

Turquoise Area

November 26

00:30 - 12:00

- New Zealand Trade Balance
- Swiss Industrial Production
- Japanese CPI and Unemployment Rate

Blue Area

November 27

03:30 - 16:00

- UK GDP
- German Gfk Consumer Confidence

Purple Area

November 28

04:00 - 17:30

- Australian Private Sector Credit
- Japanese Industrial Production and Retail Trade
- German Retail Sales and CPI
- US Pending Home Sales

Orange Area

December 1

00:30 - 18:00

- RBA Rate Statement and Interest Rate Decision
- Chinese Manufacturing PMI
- UK Bank Stress Test Results
- Canadian GDP
- US ISM Manufacturing PMI

AUD Currency Index Change

0%

-0.45%

-0.17%

0.52%

1.05%

Max AUD Volatility Index

1.12

2.34

1.71

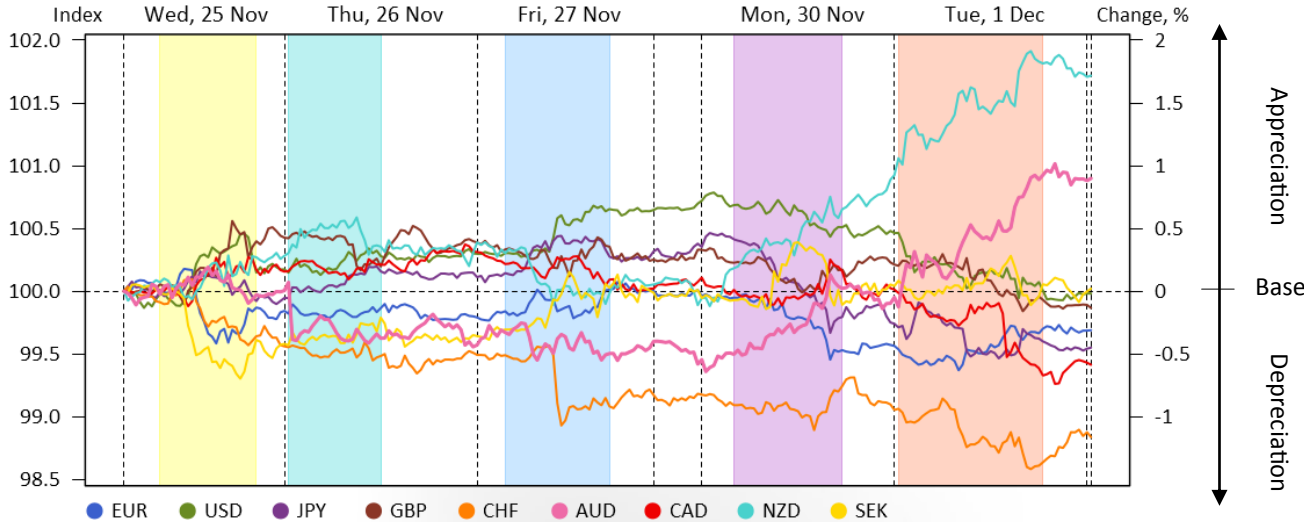
1.08

1.96



Relative Currency Strength

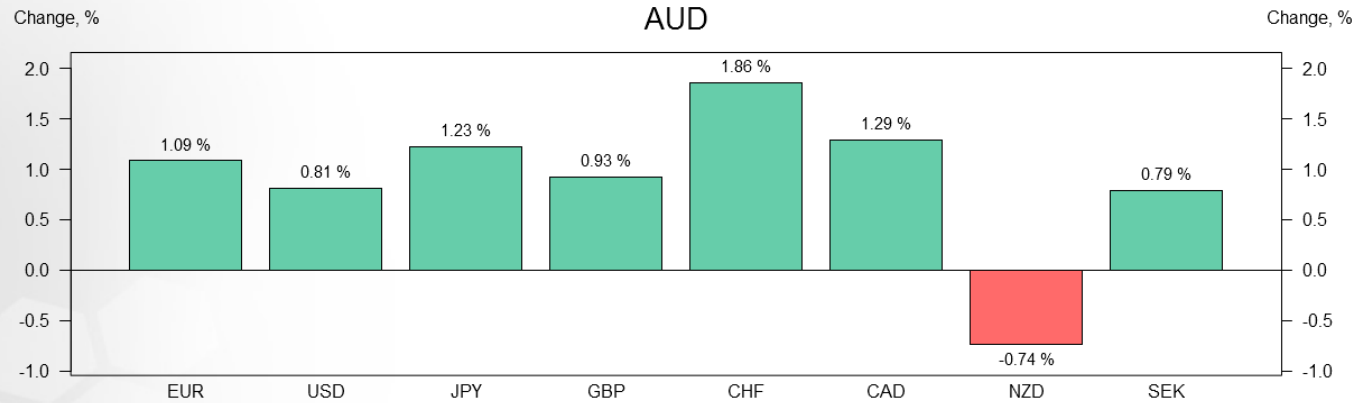
Currency Indexes



Australian Dollar spent most of the time below the base line during the last four days of November. However, positive but expected impetus provided by the RBA decision to keep interest rates unchanged helped the currency to escape the red territory. As a result of that, the AUD Index was the second-best performing component this time, which rose by 90 basis points in five days. Weekly leader was the Kiwi, which added 1.72%, even though this currency also had lagged behind the majority of its peers, especially in the middle of the period. Meantime, the Swiss Franc tumbled by 1.16%, on the back of expectations that SNB will be forced to cut interest rates

further into negative zone, in case the European Central Bank decides to expand/extend stimulus measures at its meeting on December 4.

The vast part of Australian fundamentals was due on Monday and Tuesday of a new week. Earlier last week, AUD was broadly following the oil price developments and other countries' data. Traders expected the exchange rate to surge by Tuesday. Projections were based on earlier comments from the RBA Governor Glenn Stevens who noted that economic growth in Australia is good enough, in order not to slash rates further in the near term. Few analysts saw the RBA moving on December 1, and the meeting's outcome to keep the rate flat at 2% pushed the Aussie confidently to the north.



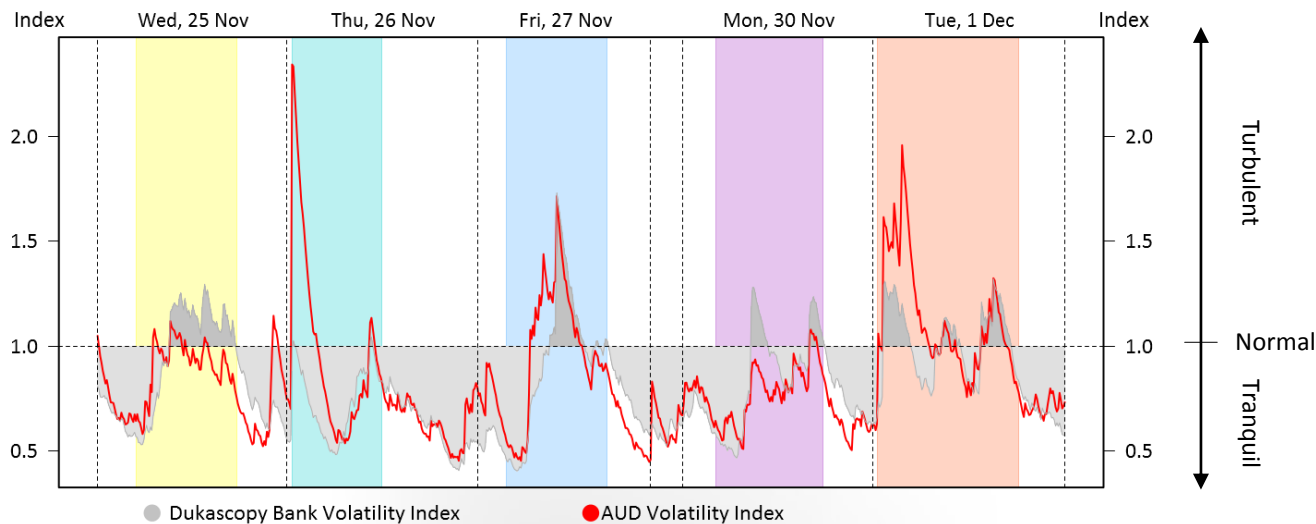
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.31%	-0.02%	-0.45%	-0.13%	-1.16%	0.9%	-0.59%	1.72%	0.02%
20	-1.76%	1.29%	-0.13%	-1.02%	-2.45%	3.84%	-1.18%	2.09%	-0.2%
130	-1.3%	4.44%	6.03%	2.53%	-5.23%	-0.72%	-2.92%	-2.8%	-0.37%
250	-6.3%	11.72%	7.4%	6.88%	4.69%	-4.86%	-6.93%	-6.88%	-5.73%



Volatility

Volatility



Even though the overall volatility of the Australian currency was light during the observed period, at some points of time the Volatility Index registered a number of very important spikes which reflected incoming fundamentals from both Australia and other countries. Elevated volatility stayed at 22% last week, missing the average market reading by one full percentage point. EUR/AUD and AUD/CHF were among the most volatile crosses. The Euro has become increasingly turbulent, as the ECB meeting is looming, while the Franc is largely dependent on the single currency due to monetary policy interconnection between the Euro zone and Switzerland.

Surprisingly, the largest increase in the Aussie's turbulence was registered on Thursday when data revealed the private capital expenditure in Australia crashed by 9.2% in the third quarter. It marked the fourth consecutive quarterly loss, meaning firms are decreasing investment. The weekly high for the AUD Vol Index was touched at 2.34 points. Based on the main chart, the third most vigorous increase in turbulence occurred on Friday, caused by British GDP data and Swiss Franc's developments. AUD/CHF was the most volatile component on Friday amid speculations the SNB will follow the ECB in easing monetary conditions. Meantime, Tuesday's RBA event resulted in the AUD Volatility Index soaring up to 2.00 points, the second-biggest gain of the period.

Elevated Volatility (% of the observed period)

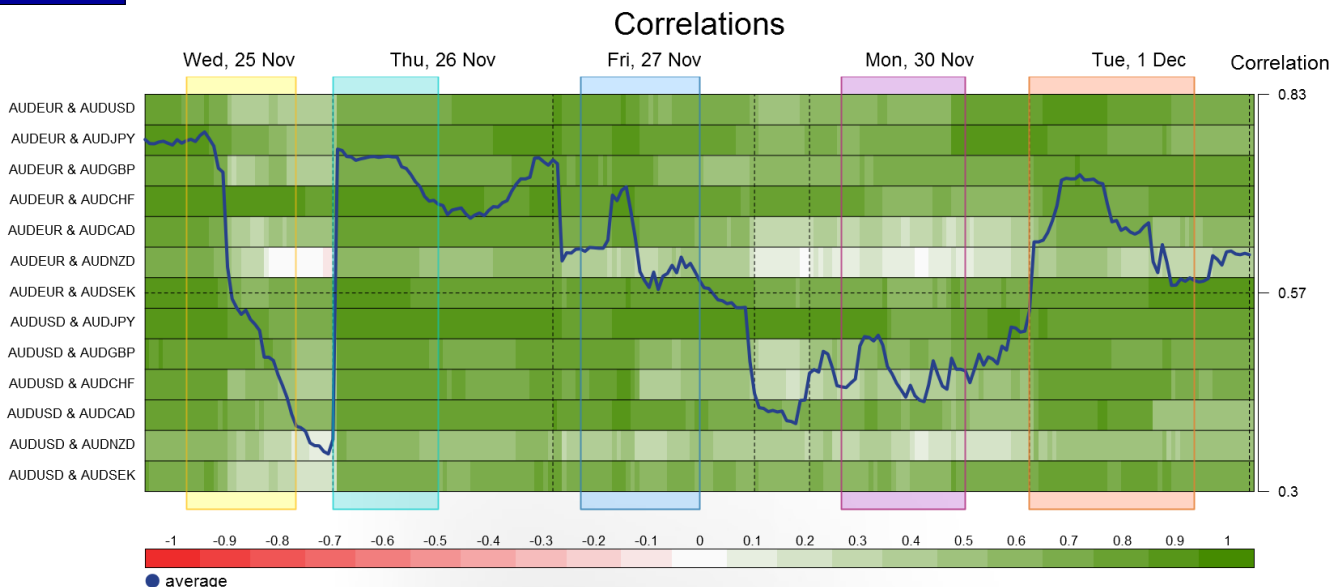
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
23	22	27	18	21	21	28	23	17	30

Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.73	2.34	2.32	2.25	2.61	2.35	3.46	2.86	2.53	2.32
Min	0.4	0.45	0.4	0.22	0.22	0.33	0.4	0.34	0.37	0.36
Average	0.81	0.84	0.88	0.77	0.82	0.8	0.92	0.84	0.83	0.89



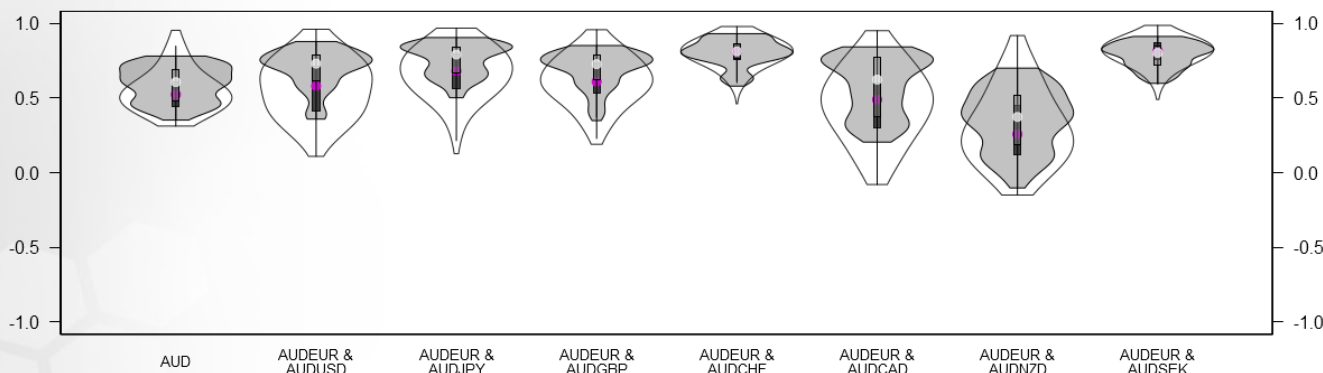
Currency Significance



Significance of the Australian Dollar held at more or less uplifted levels during the period from November 25 until the first day of winter. As a result of that, the mean correlation coefficient hovered at 0.59 points. The reading surpassed all monthly, 6-month and yearly averages of 0.54-0.56 points. Only on Wednesday and Monday the composite coefficient indicator has been located below the weekly average, but in all times it managed to commence a quick recovery. The only correlations, namely those with the Kiwi, used to spend short periods of time in red, and it was reflected in longer tails for these components.

As for day-to-day correlation changes, the Aussie experienced the sharpest decline in significance during Wednesday, November 25, which was the first day of the week. Such drops are often explained by the lack of domestic news releases for the researched currency, which also was the case this time. A Tuesday's surge in aggregate correlations has been caused by data on Capex in Australia. The composite preserved gains until the end of the working week, but on Monday AUD was kept under a substantial driving force from other G10 currencies. As mentioned before, the RBA decision on rates was unsurprising and predictable. Correlations have clearly echoed these priced-in estimates. The composite climbed to 0.72 points, but not as high as it could surge in case of any unexpected event.

Correlations (5 vs 20 days)



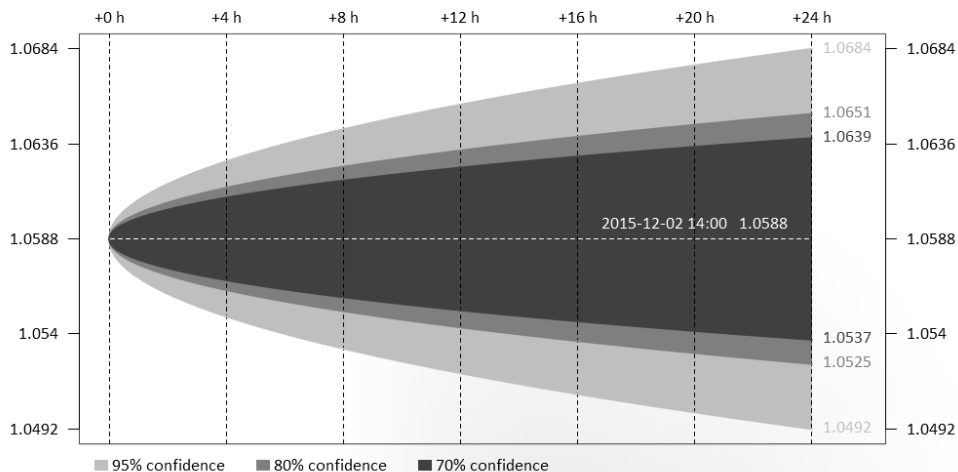
Mean Correlation Coefficient (with AUDEUR)

Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.59	0.7	0.76	0.69	0.8	0.58	0.35	0.79
20	0.55	0.57	0.67	0.61	0.81	0.46	0.3	0.81
130	0.56	0.61	0.65	0.67	0.81	0.51	0.27	0.83
250	0.54	0.56	0.59	0.67	0.77	0.5	0.32	0.78

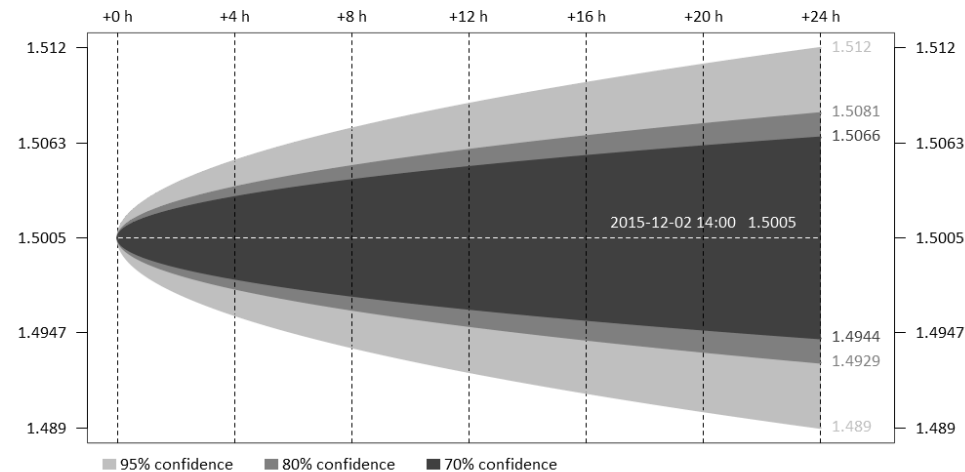
Confidence Intervals for Next 24 Hours

Wednesday, December 02, 2015
16:30 GMT

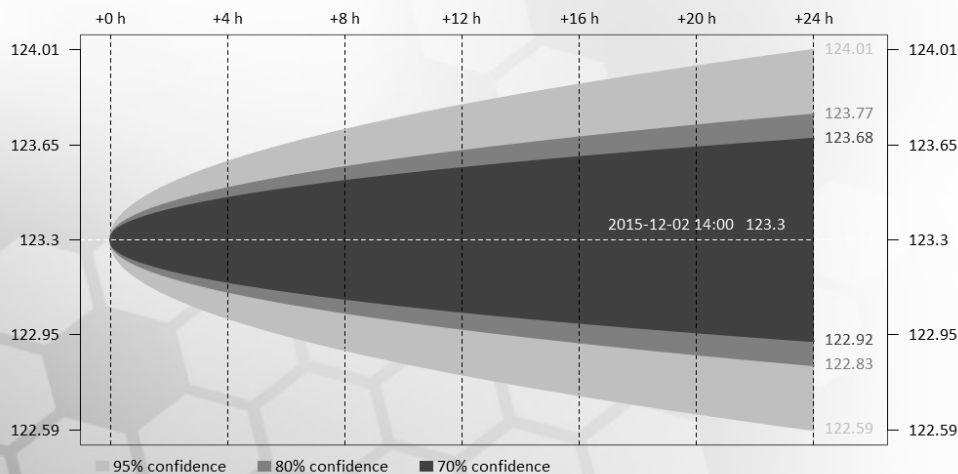
EURUSD Potential Rates



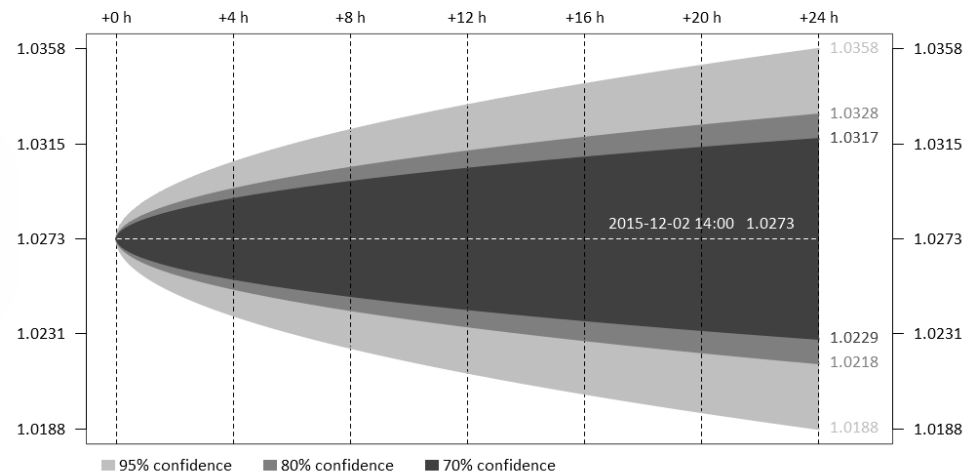
GBPUSD Potential Rates



USDJPY Potential Rates



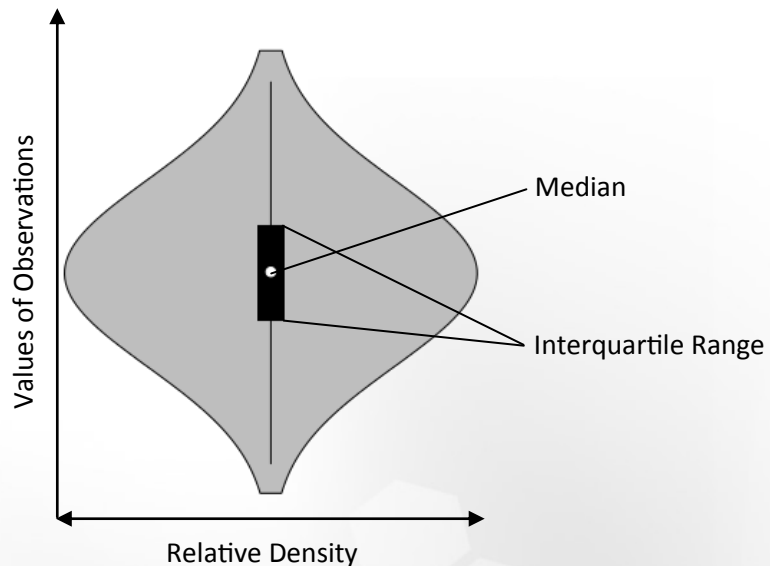
USDCHF Potential Rates



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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