



09/12/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

December 2

06:00 - 21:00

- Bank of Canada Overnight Rate Decision
- UK Construction PMI
- US ADP Non-Farm Employment Change
- Fed Chair Yellen Speaks

Turquoise Area

December 3

03:30 - 23:00

- UK Services PMI
- ECB Minimum Bid Rate, Deposit Rate
- Fed Chair Yellen Testifies
- US ISM Non-Manufacturing PMI
- Australian Retail Sales

Blue Area

December 4

06:00 - 19:00

- Canadian Trade Balance, Employment Change and Unemployment Rate
- US Non-Farm Employment Change and Unemployment Rate
- ECB President Draghi Speaks

Purple Area

December 8

04:30 - 21:00

- Canadian Building Permits
- Bank of Canada Governor Poloz Speaks
- UK Manufacturing Production

CAD Currency Index Change

0.2%	-1.34%	-0.01%	-0.63%
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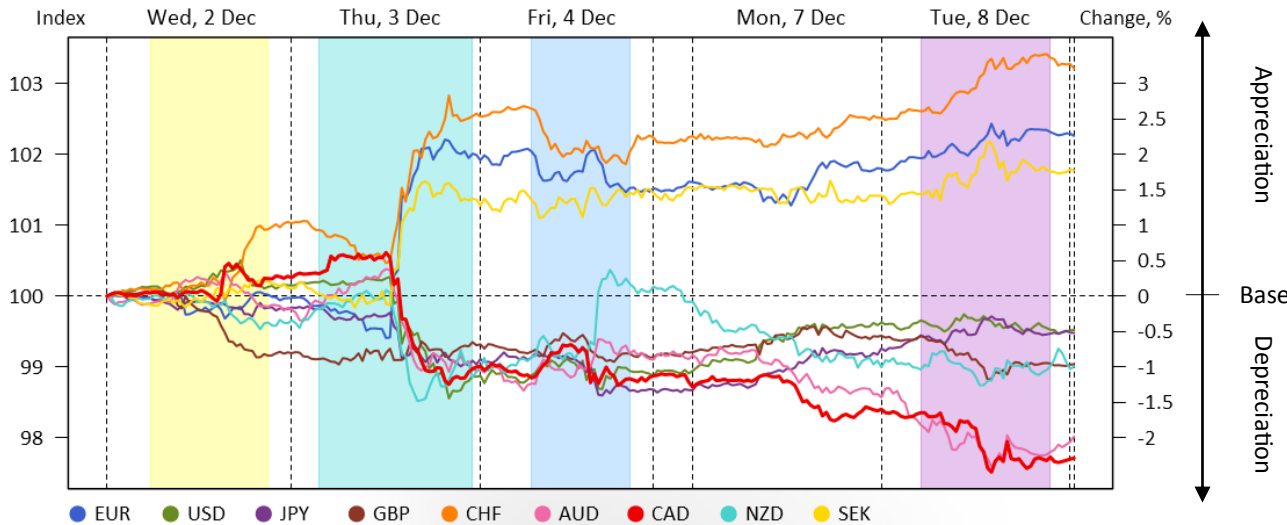
Max CAD Volatility Index

2.53	4.29	3.8	2.56
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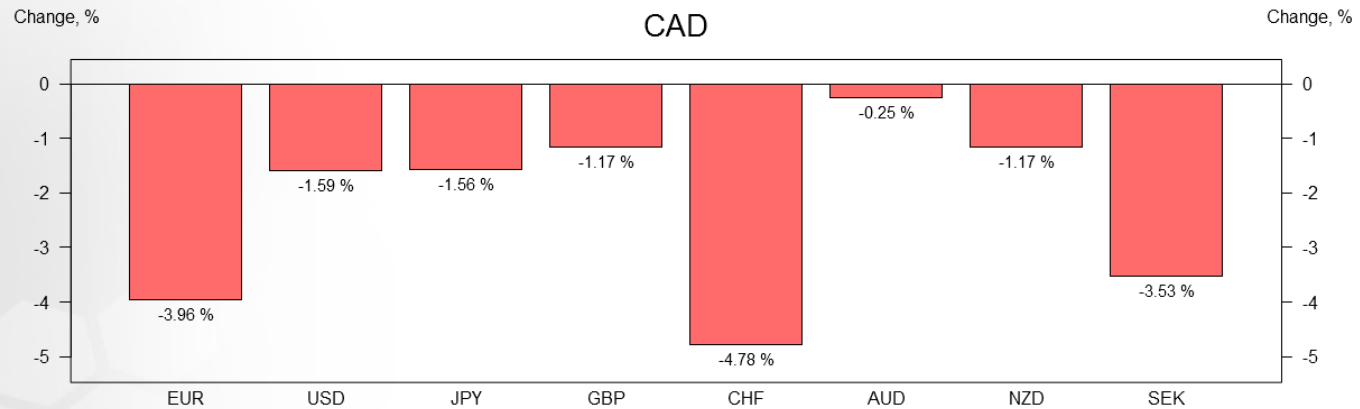
Relative Currency Strength

Currency Indexes



Following the long-awaited, but disappointing ECB decision to expand the monetary policy less than it was initially estimated, the foreign exchange market divided itself into two camps. In the first group, which included the Swiss Franc, Euro and Swedish Krona, we observed a strong rally starting from Thursday of the previous week. The 19-nation currency appreciated by more than 2%, but the Franc had an even sharper gain of 3.21% on a five-day basis. Alongside, the Canadian Dollar and other currencies found themselves below the base line, and the Loonie plunged the most by 2.29% during the period. Meantime, the Kiwi made an attempt to recover on Friday, but bounced back amid

a deepening decline in oil prices, which put extra pressure on commodity-linked currencies. Back to Wednesday of the previous trading week, a BOC decision to keep interest rates flat at 0.50% used to have a bullish impact on the Canadian Dollar. At the same time, much more active movements were in place in the beginning of Dec 7-11 week, apart from the Thursday's steep drop. The Loonie competed with the Aussie, in order not to become the period's worst performer. However, the Bank of Canada Governor Stephen Poloz's speech ruined any hopes for the CAD Index to revive strength by Tuesday evening. He said that the Bank of Canada is not ruling out an option of introducing negative interest rates in the future, by following other central bank across the globe.



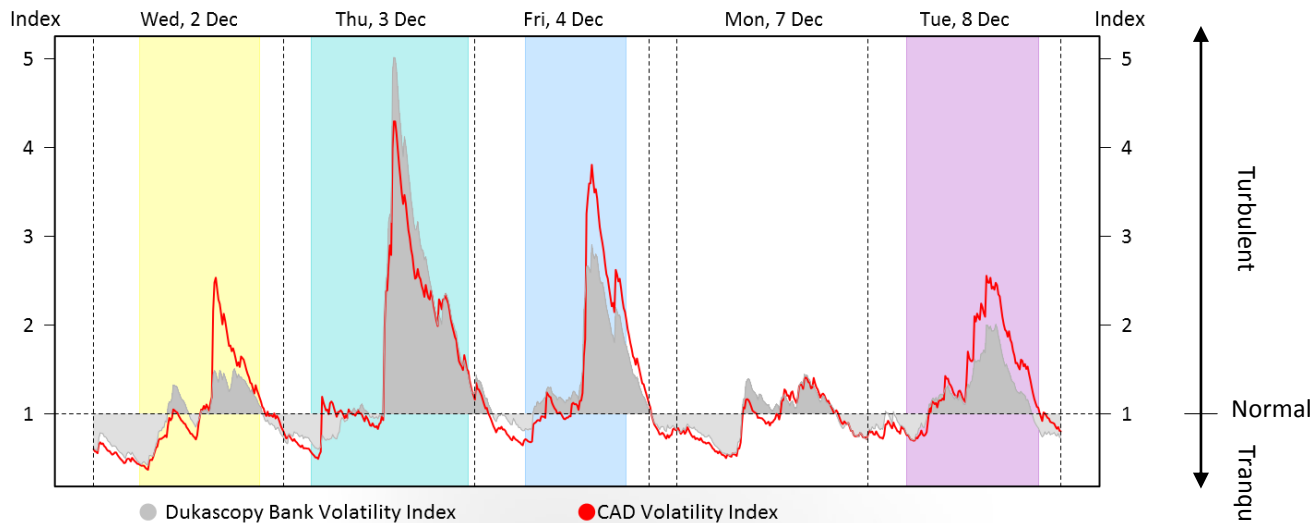
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	2.26%	-0.48%	-0.52%	-0.96%	3.21%	-1.98%	-2.29%	-0.99%	1.77%
20	1.13%	-0.64%	-0.47%	-1.73%	0.68%	2.26%	-3.53%	0.82%	1.84%
130	1.19%	4.61%	5.18%	1.02%	-2.02%	-3.16%	-6.6%	-1.45%	0.82%
250	-4.29%	9.49%	7.55%	4.84%	7.58%	-5.68%	-9.31%	-6.23%	-3.93%



Volatility

Volatility



Elevated volatility of the Canadian Dollar held at a healthy 50% level during the period ended Tuesday, December 8, even despite falling short of the pan-market's 56% reading. The most turbulent currency pairs were EUR/CAD (54%), CAD/CHF and CAD/SEK. The Euro, Franc and Krona were three components, against which the Canadian Dollar tumbled the most last week. In the meantime, USD/CAD was increasingly volatile in just 41% of all time, in spite of important US fundamentals including the payrolls report on Friday and ISM non-production PMI on Thursday.

The first solely Canadian Dollar's volatility surge took place last Wednesday when the Bank of Canada made a verdict on interest rates, which were kept steady this time. The largest weekly CAD turbulence, which reached 4.29 points, was fuelled by the ECB decision to increase monetary stimulus, albeit less than analysts had anticipated. EUR/CAD alone registered the period's highest volatility of 9.55 points. On Friday, the Volatility Index has almost reached the 4.00 mark, after Canadian employment and international trade data missed economists' estimates, while US payrolls surprised to the upside. Meanwhile, the BOC Governor's dovish speech resulted in the CAD volatility jumping as high as 2.5 points, the biggest reading posted this week so far.

Elevated Volatility (% of the observed period)

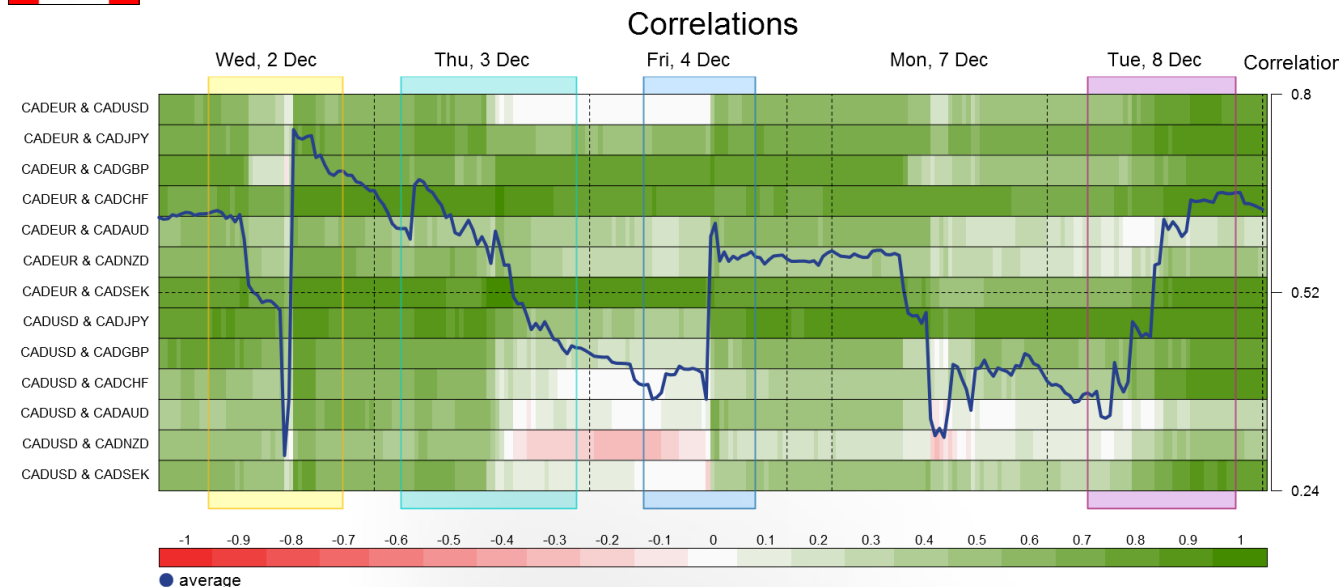
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
	50	54	41	41	53	58	52	44	58

Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	5.01	4.29	9.55	3.59	4.09	3.62	6.3	3.62	5.69	6.79
Min	0.42	0.37	0.35	0.27	0.32	0.28	0.2	0.47	0.51	0.33
Average	1.23	1.24	1.48	1.05	1.09	1.16	1.42	1.13	1.14	1.35



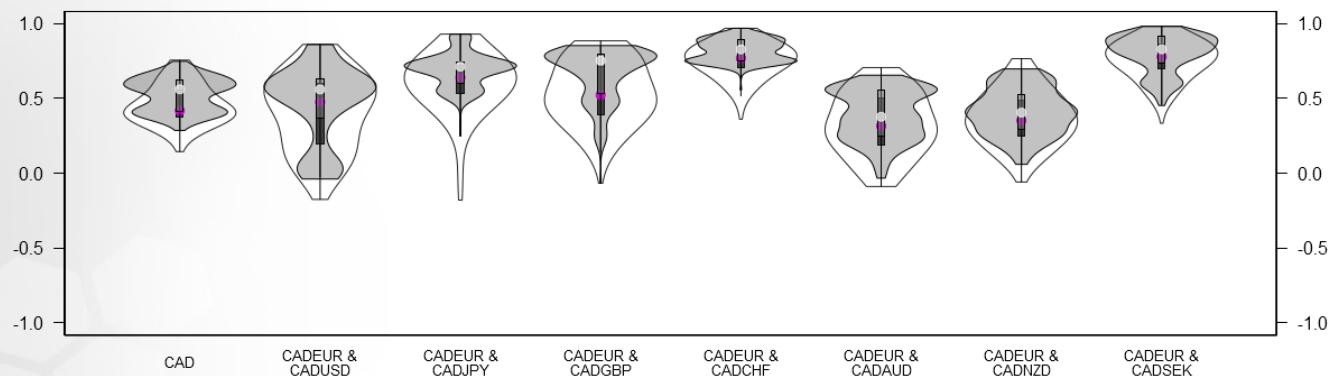
Currency Significance



Significance of the fifth most held reserve currency in the world is considered to have been high in course of the first week of December. Canadian Dollar was helped by the busy fundamental calendar, which included a number of important domestic events. Moreover, oil price developments had a major impact on the Loonie, which is one of the main commodity-driven currencies. Overall, the mean correlation coefficient was 0.53 points last week, up from 0.43-0.46 points on the monthly, 6-month and annual time frames. This fact is only affirming the importance of CAD, while long tails for the majority of the components shows that the CAD crosses were not fully unanimous during all time of the period.

Just before the Bank of Canada's announcement on interest rates, the composite hovered at the weekly low of 0.29 points. The majority of all components became white, meaning that the CAD crosses were moving in a completely chaotic way. However, the BOC decision pushed the composite immediately to the weekly high of 0.74 points. The next two-day period saw the composite falling down, and the majority of currency pairs were again disorganized by Friday's mid-day. They were later underpinned by US employment data, accompanied by disappointing Canadian labour market statistics and widening trade deficit. It is worth noting that local dips of the composite were often caused by CAD/USD & CAD/NZD component, which posted negative correlations from time to time including Friday and a short time interval on Monday, December 7.

Correlations (5 vs 20 days)



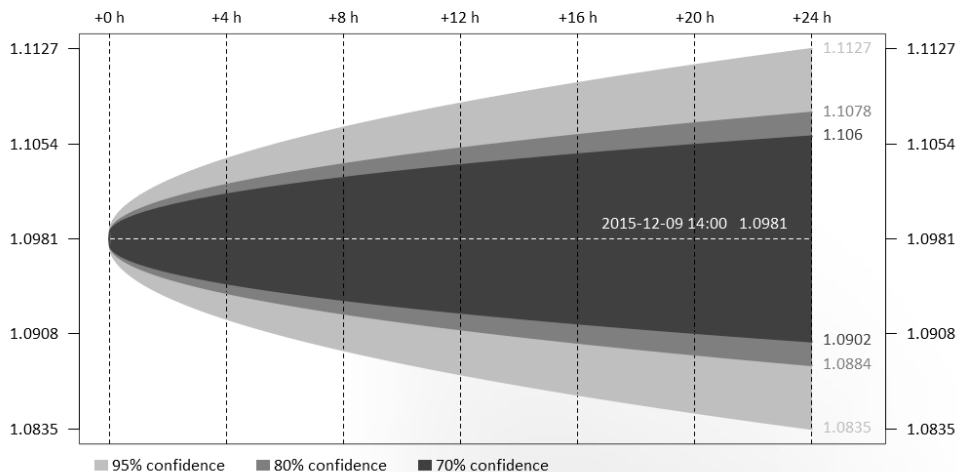
Mean Correlation Coefficient (with CADEUR)

Days	CAD	CADUSD	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.53	0.47	0.69	0.66	0.82	0.39	0.41	0.8
20	0.46	0.41	0.61	0.54	0.76	0.32	0.37	0.76
130	0.43	0.44	0.56	0.55	0.75	0.27	0.29	0.76
250	0.43	0.37	0.5	0.56	0.71	0.35	0.37	0.72

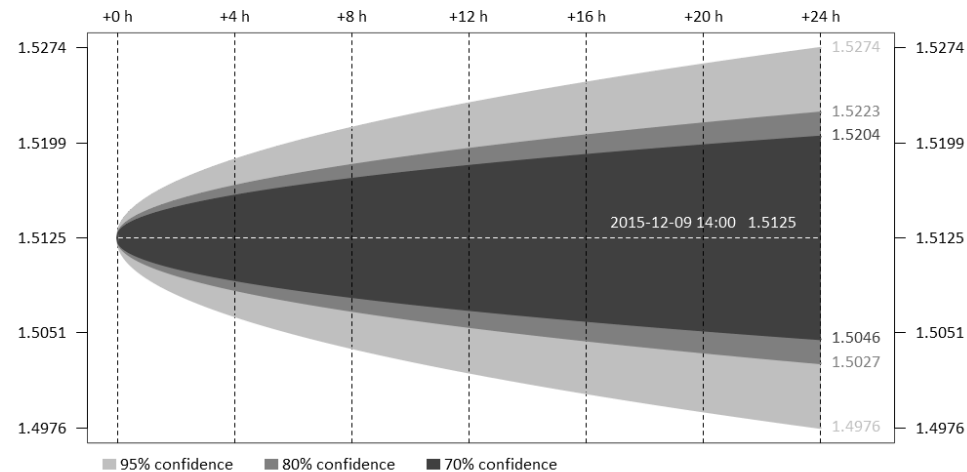
Confidence Intervals for Next 24 Hours

Wednesday, December 09, 2015
15:30 GMT

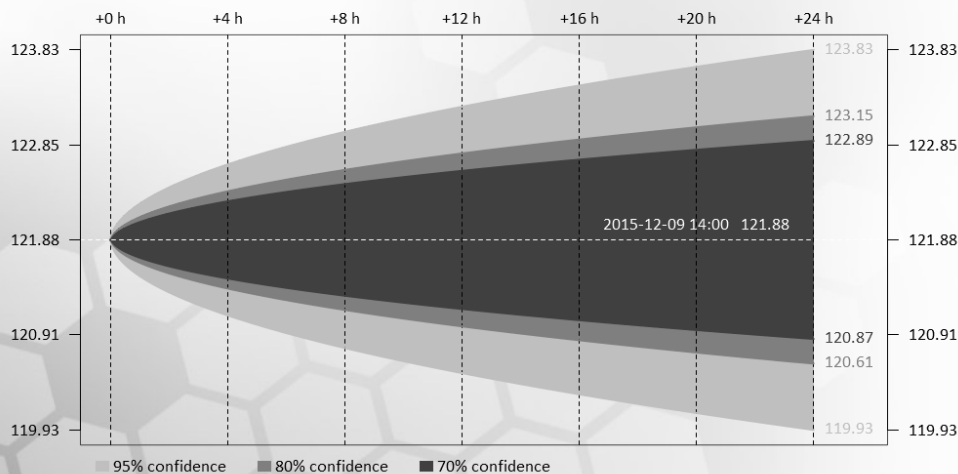
EURUSD Potential Rates



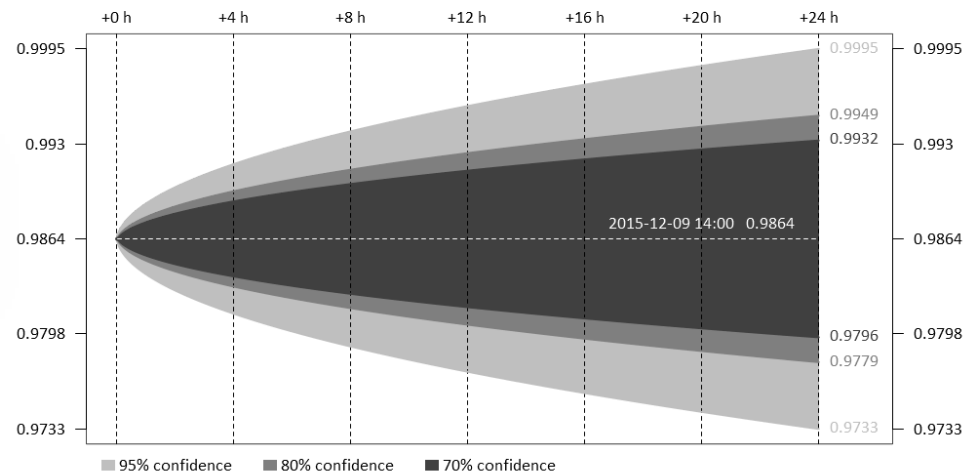
GBPUSD Potential Rates



USDJPY Potential Rates



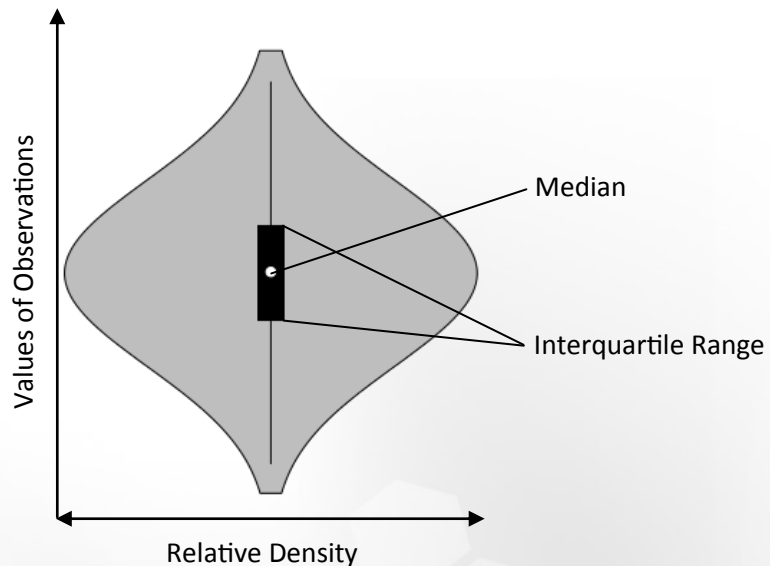
USDCHF Potential Rates



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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