



EUR

18/12/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

December 11

08:00 - 17:30

- *EU Targeted LTRO*
- *US Retail Control, Retail Sales, Producer Price Index*

Turquoise Area

December 14

08:30 - 18:30

- *US Labor Market Conditions Index*
- *BOE Governor Carney Speech*

Blue Area

December 15

07:30 - 12:00

- *ECB President Mario Draghi Speech*

Purple Area

December 16

14:30 - 23:30

- *ECB Non-Monetary policy ECB meeting*
- *German Markit Services PMI*
- *EU Trade Balance, Consumer Price Index*
- *US Housing Starts, Industrial Production*
- *Fed Interest Rate Decision*

Orange Area

December 17

12:30 - 18:30

- *Philadelphia Fed Manufacturing Survey (Dec)*
- *CB Leading Indicator*

EUR Currency Index Change

0.46%	0.36%	-0.18%	-0.25%	0.07%
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Max EUR Volatility Index

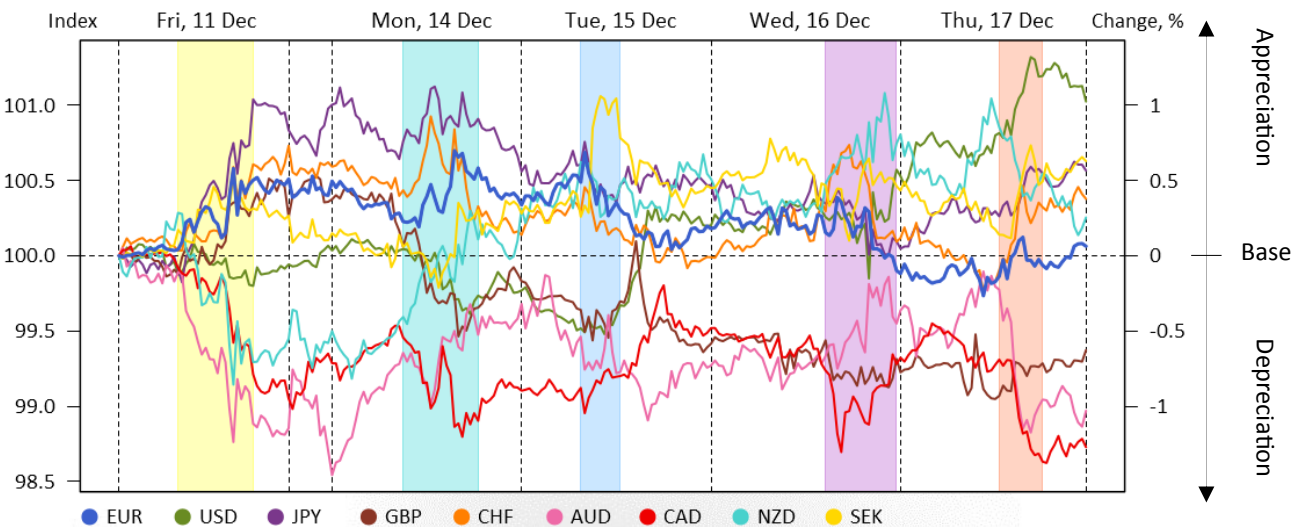
1.68	1.59	1.5	2.2	1.4
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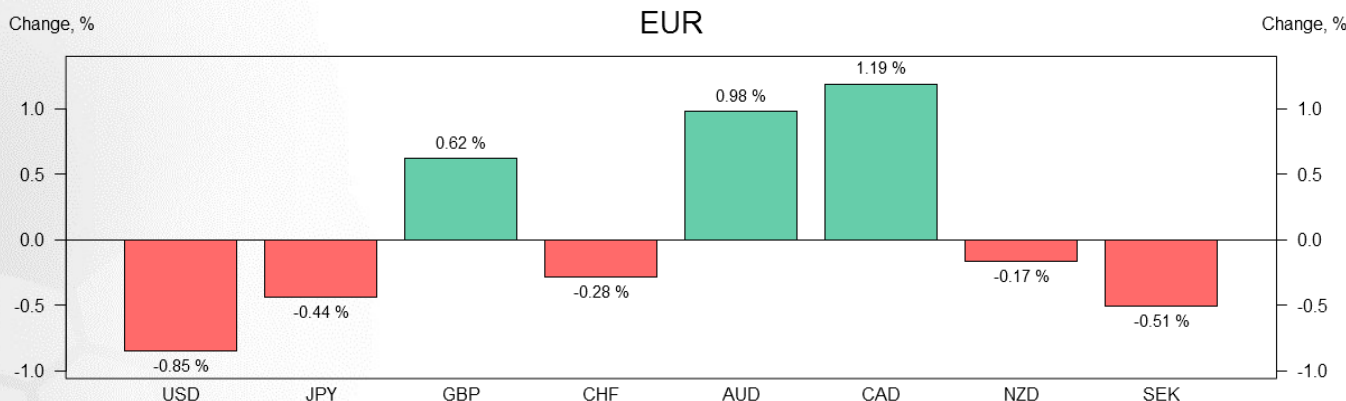
Relative Currency Strength

Currency Indexes

The Euro index was rather stable past week, and even spent the most of the time above the baseline. However on Wednesday, the single European currency was induced by the Federal Reserve's rate hike, as investors digested details of the subsequent press conference, pushing the euro closer to the \$1.10 level. The dollar, which showed the downward trend, on the contrary, began to grow stronger and became the leader of the period (+1.02%). The much less fortunate were the pound, the Aussie, and the Canadian Dollar, whose indexes formed the top 3 losers and dropped by 0.63, 1.03 and 1.27 points, respectively.



The observed period could be divided into two parts for the single currency. The German CPI month-on-month increased by a notch in November, from 0.0% to 0.1%, while the yearly gauge also perked up from 0.3% to 0.4%, pushing the Euro to rise. However, on Tuesday, the pair started preparing for the Fed's monetary policy decision scheduled for the next day. As a result, amid a period of increased market volatility following the crucial decision of the Federal Reserve to step from record low rates onto a gradual path to normal monetary policy, on Wednesday, the Euro's gauge entered the period of decrease, which lasted almost till the end of the week.



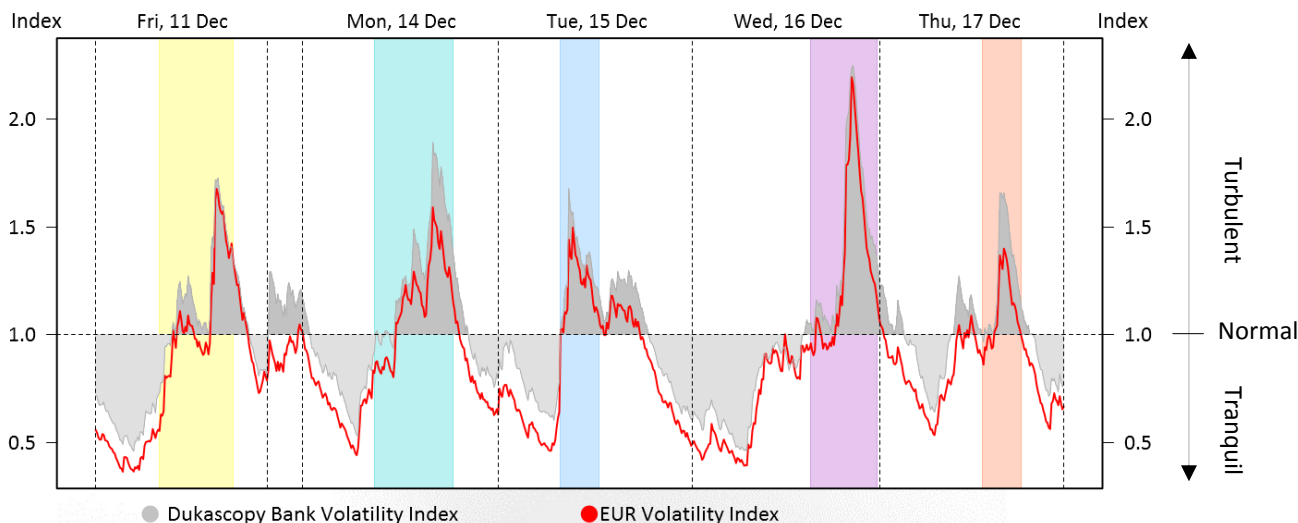
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.06%	1.02%	0.57%	-0.63%	0.38%	-1.03%	-1.27%	0.25%	0.63%
20	1.84%	0.15%	0.43%	-2.42%	2.18%	-1.23%	-5.41%	2.55%	2.03%
130	0.56%	5.41%	6.49%	-0.9%	-2.72%	-3.51%	-8.41%	3.12%	0.13%
250	-4.76%	9.76%	6.33%	5.02%	7.33%	-4.96%	-10.45%	-5.81%	-2.46%



Volatility

Volatility



The past trading days injected the market with a solid amount of volatility, raising most of the currencies' overturbulence portion above 40%. The Euro was the most tranquil currency with the reading of 31%, while the absolute leader was the yen, which held its index above the historical average for more than 55% of time. The highest peak, in turn, was reached by the Greenback's gauge, as it spiked to 3.6 points on Wednesday, amid the Federal Reserve meeting. Meanwhile, the next day the dollar was trading close to two-week

highs after the Federal Reserve raised US interest rates for the first time in almost a decade.

Wednesday and Friday held the only significant peaks on which the Euro's volatility measure stood close to the composite index. During the rest of the period the EUR Volatility Index was holding below the market's gauge. The calmest day for the single currency as well as for its peers was Thursday, when the market already calmed after the Fed's announcement and had no data releases to fuel turbulence.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK	
	48	31	20	17	40	20	43	37	30	40

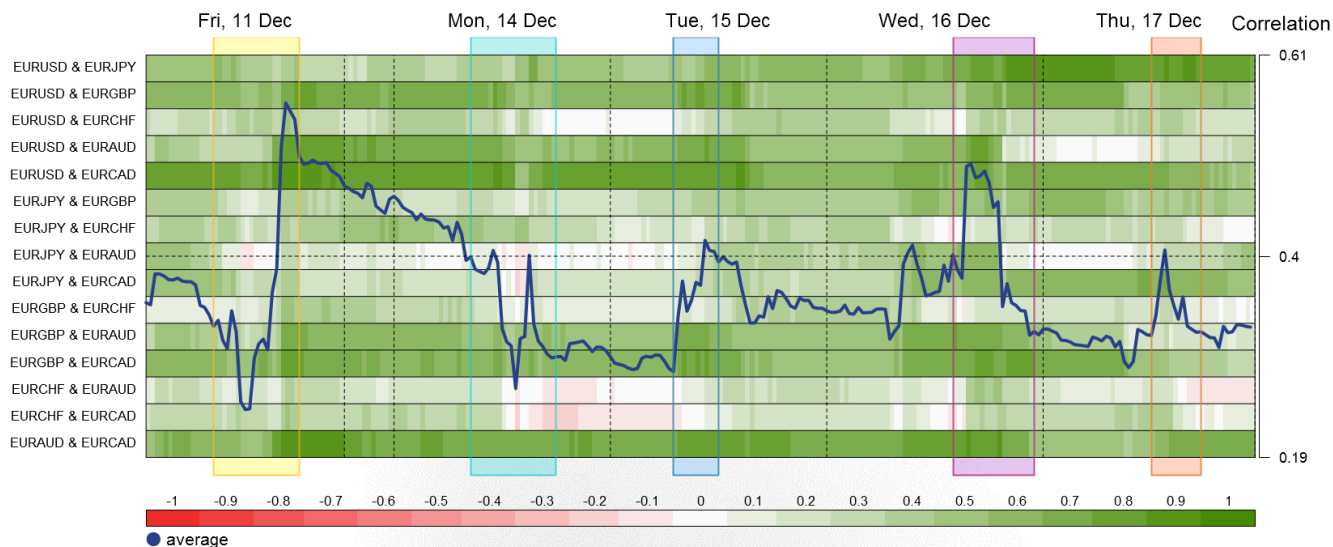
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.25	2.2	3.72	2.35	2.31	1.79	2.07	2.24	1.99	4.9
Min	0.46	0.36	0.22	0.34	0.24	0.25	0.41	0.26	0.39	0.14
Average	1.01	0.87	0.81	0.8	0.89	0.77	0.96	0.9	0.9	0.9



Currency Significance

Correlations

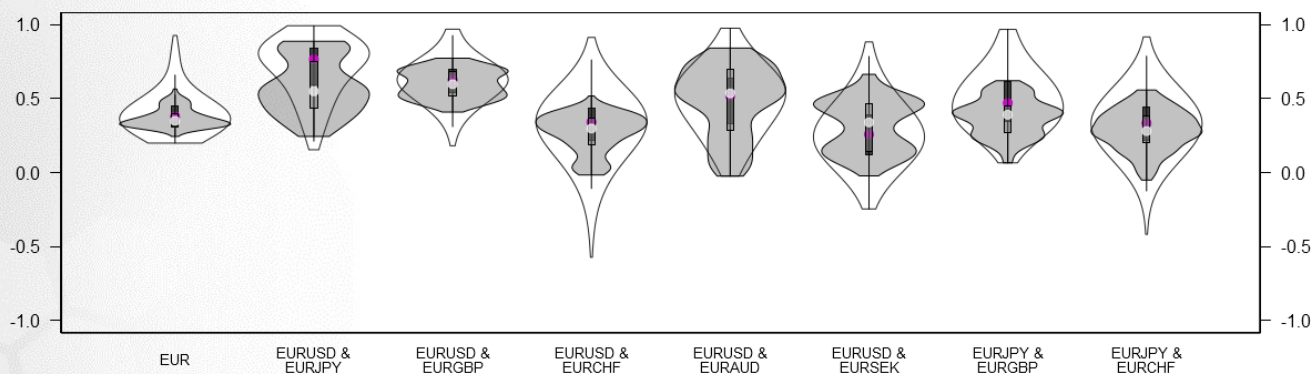


The Euro's significance measure posted stable negative trend, with the lower readings at the end of the observed period which were affected greatly by the Fed monetary policy decision. The reaction was well seen in the EUR/USD-EUR/AUD correlation distribution, which slid down to its lowest long-term values. Among other EUR/USD components, there was virtually no shifts neither from the previous readings nor from the long-term records. During the past period, the Euro's correlation composite was mostly governed by the single currency's morning movements,

pushing the measure up on Friday and Wednesday. The decline in the first day of the period was the most substantial one, taking the composite from its maximum of 0.58 points below the significance threshold. Despite the negative movement in the middle of the week, the Euro managed to start positive development throughout the Orange Area on Thursday, prompting its significance measure to pare slight losses it suffered when the Fed hikes US interest rates.

After that, despite some attempts to recover, the measure again experienced slight decline but managed to close the period around the opening' level.

Correlations (5 vs 20 days)

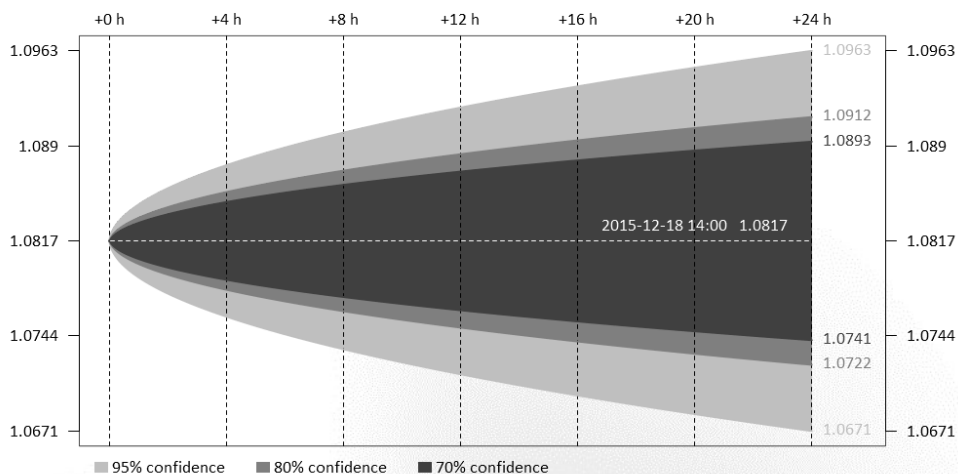


Mean Correlation Coefficient (with EURUSD)

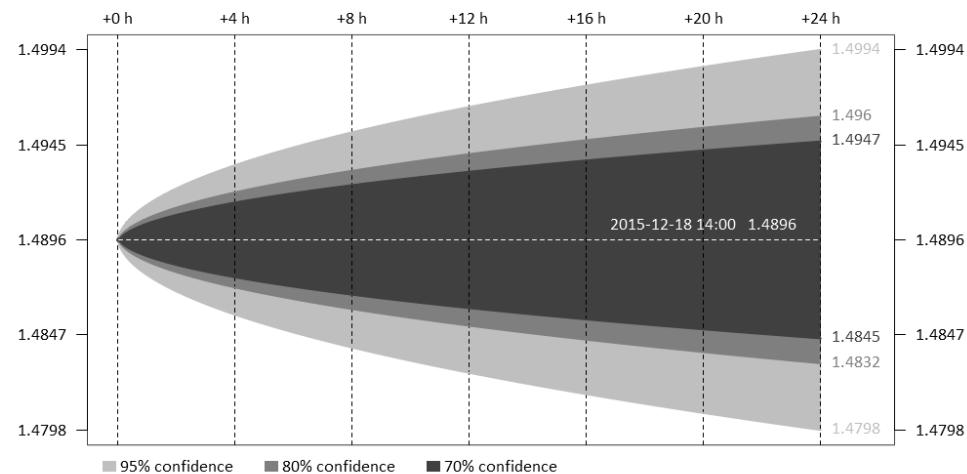
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURSEK	EURGBP	EURCHF
5	0.37	0.58	0.6	0.27	0.48	0.31	0.37	0.29
20	0.4	0.71	0.62	0.31	0.49	0.26	0.49	0.32
130	0.39	0.71	0.71	0.36	0.48	0.21	0.53	0.37
250	0.38	0.7	0.69	0.34	0.45	0.18	0.54	0.35

Confidence Intervals for Next 24 Hours

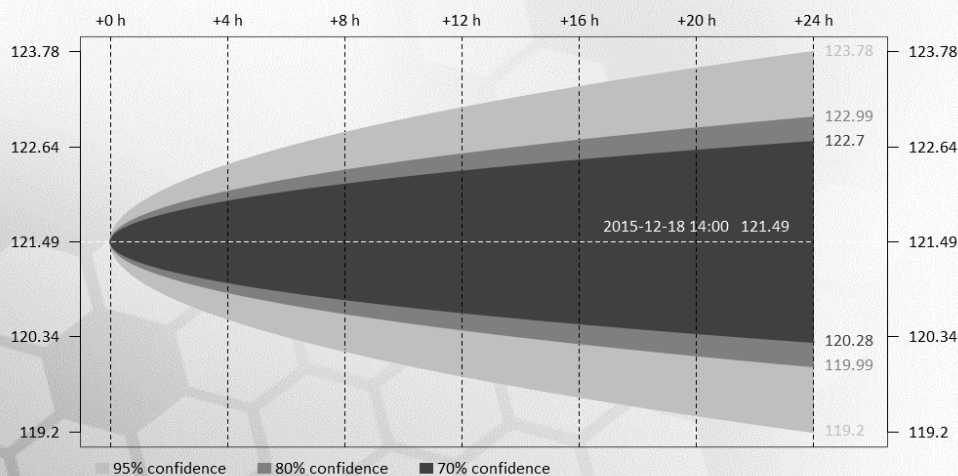
EURUSD Potential Rates



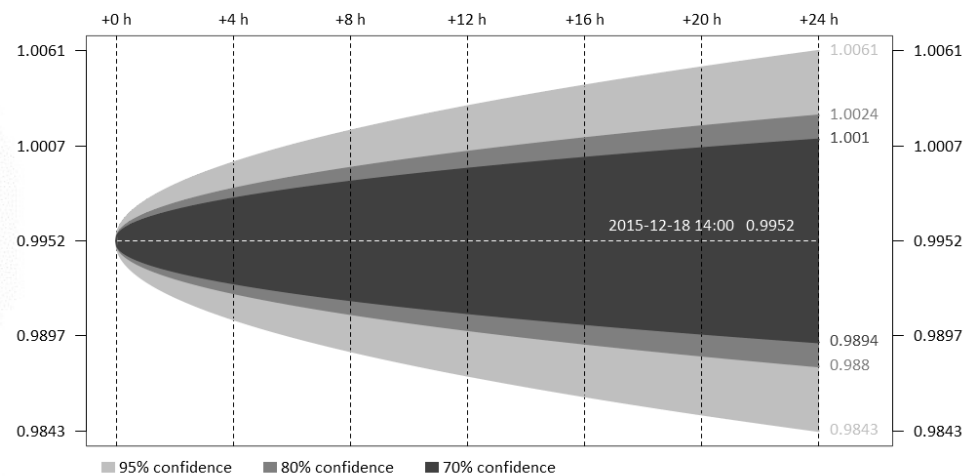
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

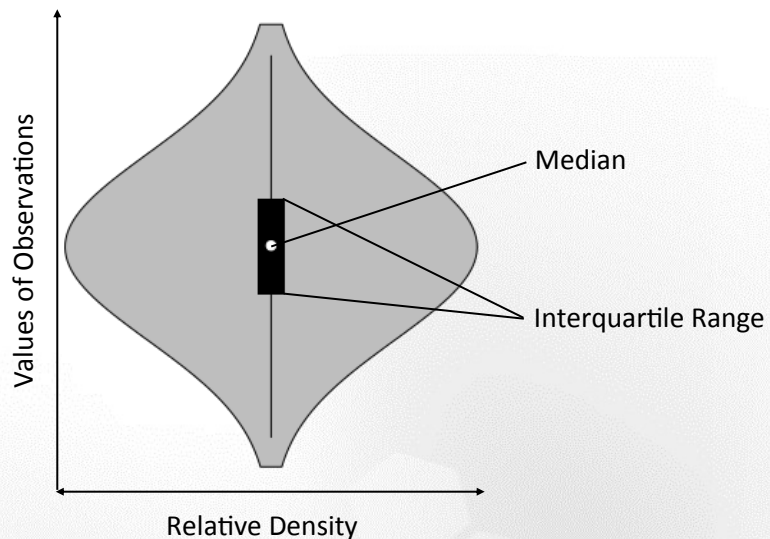
Violin Plot

Violin Plot is a combination of a Box Plot and rotated Kernel Density Plot

Methodologies

Volatility Index

Confidence Interval





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