



USD

21/12/2015



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RESEARCH PRODUCTS



Market Research



Monday, December 21, 2015
14:30 GMT

Dominant Events of the Period

Yellow Area

December 14

11:00 - 18:00

- *ECB President's Draghi Speech*

Turquoise Area

December 15

07:00 - 17:00

- *Riksbank Interest Rate Decision*
- *UK CPI, PPI*
- *German, EMU ZEW Survey*
- *US CPI, NAHB Housing Market Index*
- *BoC Review, Governor Poloz's Speech*

Blue Area

December 16

12:30 - 20:30

- *US Housing Starts, Building Permits, Industrial Production, Capacity Utilization, Markit Flash Manufacturing PMI*
- *SNB Quarterly Bulletin*
- *Fed Interest Rate Decision, Monetary Policy Statement, Press Conference*

Purple Area

December 17

08:30 - 16:30

- *Swedish Unemployment Rate*
- *German IFO Survey*
- *UK Retail Sales*
- *US Current Account, Jobless Claims, Philly Fed Manufacturing Survey, CB Leading Indicator*

Orange Area

December 18

03:30 - 16:30

- *BoJ Interest Rate Decision, Monetary Policy Statement, Press Conference*
- *Canadian CPI, BoC CPI*
- *US Markit Flash Services PMI, PMI Composite*

USD Currency Index Change

-0.33%

0.71%

-0.13%

0.53%

-0.49%

Max USD Volatility Index

1.63

1.47

3.51

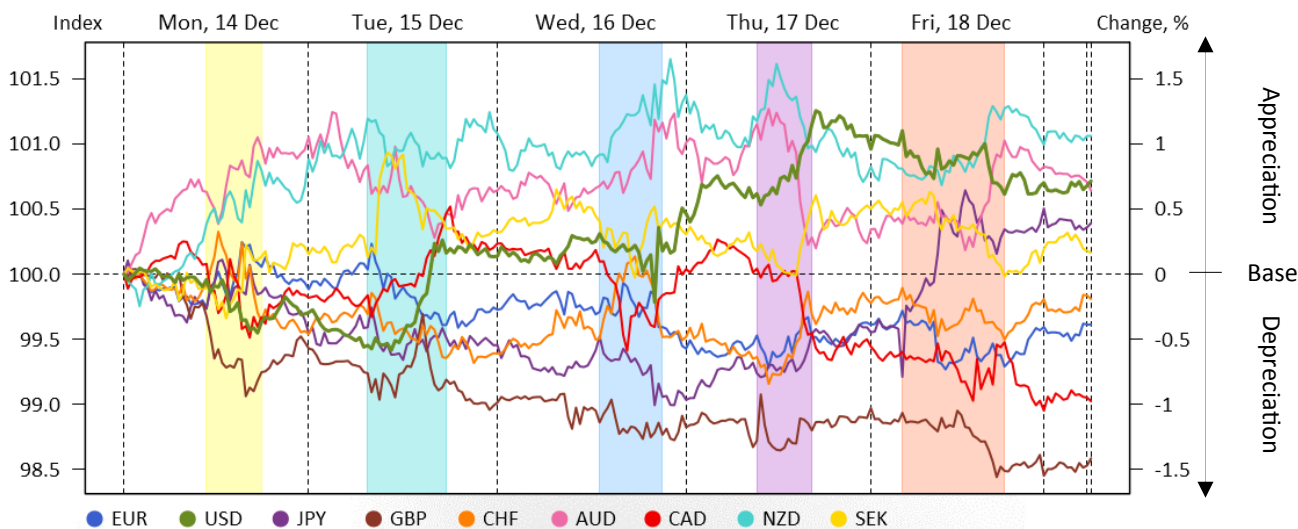
1.61

1.63



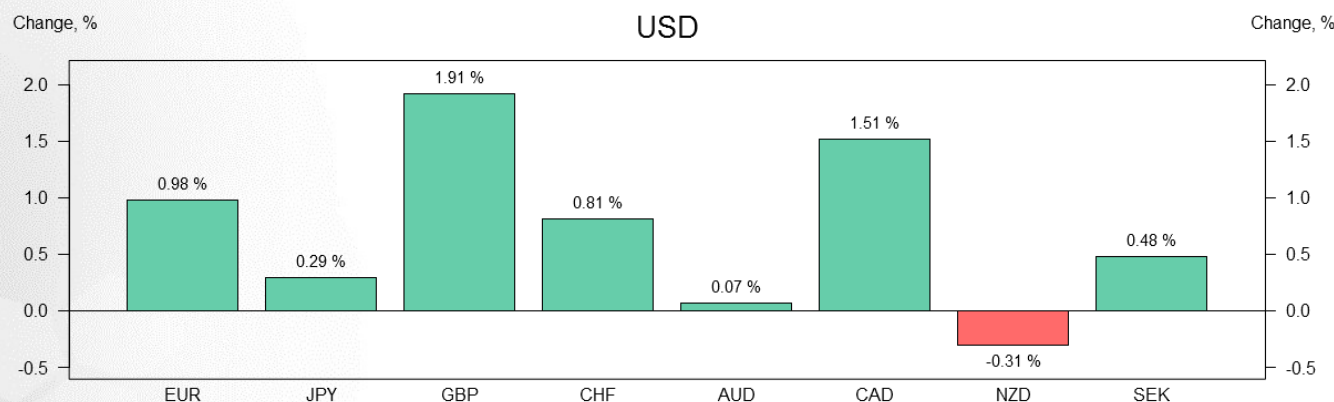
Relative Currency Strength

Currency Indexes



The past week was one of the most anticipated week's of the year, as the Fed finally delivered its first rate hike since 2006. However, the US policymaker was not the only one to make announcements, and the long-awaited Wednesday did not hold the sharpest moves. Instead, the greatest surges were shown by the krona's and the yen's gauges, both in response to their national banks' releases. The SEK Index jumped 0.8 points as the Riksbank decided against additional stimulus on Tuesday, while the yen's measure went into a half-day-long rally after the BoJ set on supplementary measures instead of a major policy move on Friday.

Nevertheless, Wednesday's announcement proved to be the most influential one, as its influence spread well into the next day. As the Fed hiked the rate, the initial reaction was mixed, and the USD Index zigzagged around the baseline. Afterwards, however, the measure started to rally, reaching its peak in Thursday afternoon. Thursday's increase also took its toll on the Greenback's counterparts, as the Loonie's, the Aussie's, and the Kiwi's gauges tumbled. Another driver for the dollar's strengthening was the US inflation released on Tuesday, with the year-on-year change above expectations. The release prompted the USD Index to gain 0.9 points, allowing it cross above the baseline ahead of the Fed's day.



Currency Index Change

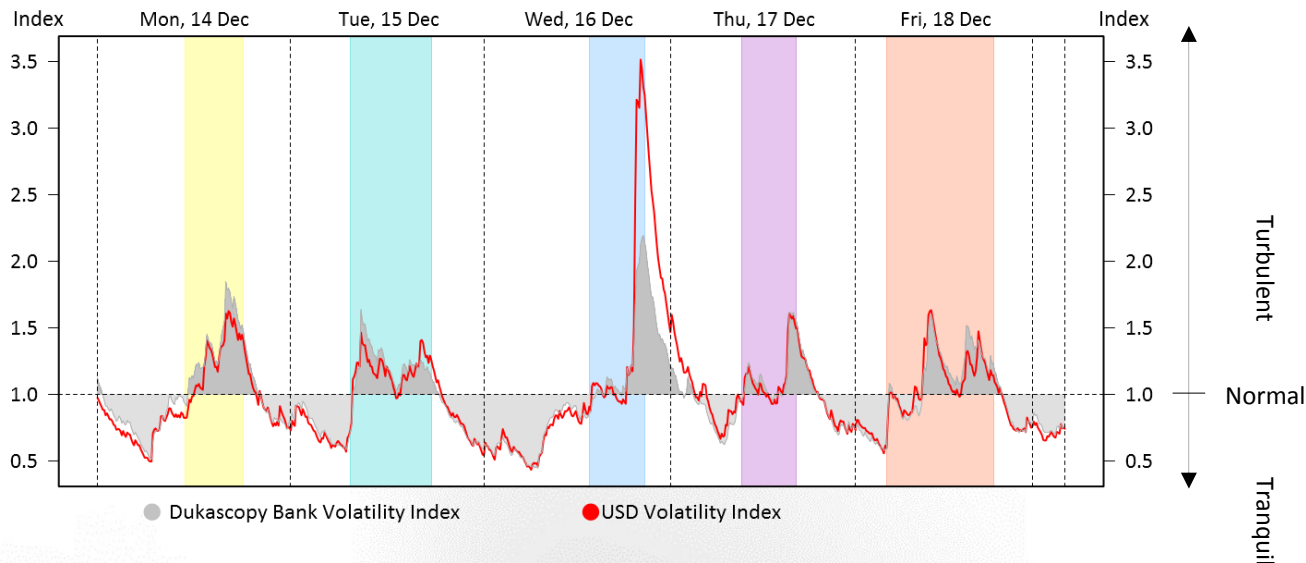
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.39%	0.71%	0.39%	-1.41%	-0.19%	0.64%	-0.98%	1.06%	0.16%
20	1.89%	-0.7%	0.91%	-2.41%	2.28%	-1.05%	-5.49%	3.43%	1.27%
130	1.63%	4.57%	7.12%	-1.26%	-1.94%	-3.99%	-9.39%	2.77%	0.63%
250	-3.91%	9.33%	7.59%	4.1%	8.42%	-5.41%	-11.38%	-6.78%	-1.99%



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Volatility

Volatility



For the third week in a row the Volatility Indexes of the market and the Greenback were quite turbulent and spent about 40% of the period above the historical level. For the dollar the week was also marked by the highest volatility spike compared with its peers. However, in terms of elevated volatility, the undisputed leaders were the yen and the British pound, which spent a half of the past week above the 1-point line. The Euro, in turn, was the most tranquil currency of the period and the portion of the elevated volatility of the index was even less than 30%.

Through the observed period the US dollar turbulence measure did not exceed the 1.7 level, the only exception was the Wednesday's surge. The most of the USD volatility spikes were driven by the other currencies' events. Thus on Tuesday, the Greenback's volatility started to rise ahead of the UK PPI and CPI reports. A few hours later the BoC governor speech managed the index to climb to 1.47 level. Moreover, on Friday following the yen the Greenback's index surged to 1.63. However the strongest push to volatility of the Greenback was caused by the FOMC statement. The Fed has raised the target range for federal funds for the first time since 2006, and the dollar's Volatility Index jumped to the 3.51 mark.

Elevated Volatility (% of the observed period)

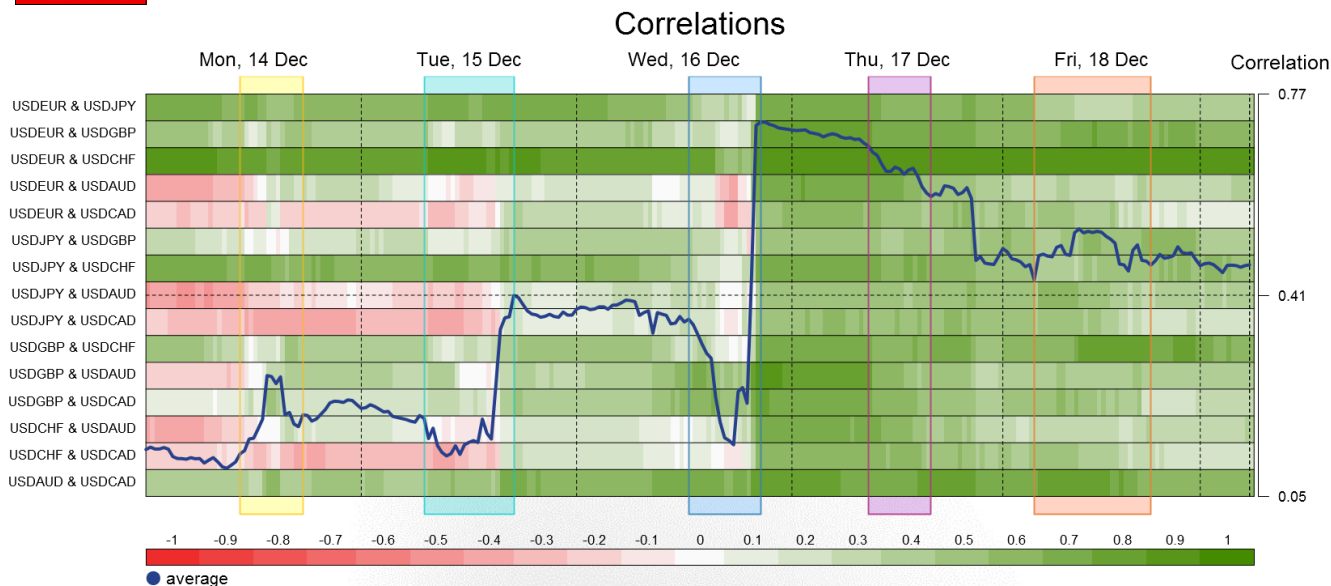
Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
42	40	17	70	50	29	53	45	25	30

Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.19	3.51	3.56	4.78	3.6	4.21	3.49	3.92	3.36	3.26
Min	0.45	0.44	0.22	0.52	0.4	0.27	0.38	0.38	0.4	0.26
Average	0.98	1	0.79	1.41	1.07	0.9	1.11	1.11	0.93	0.93



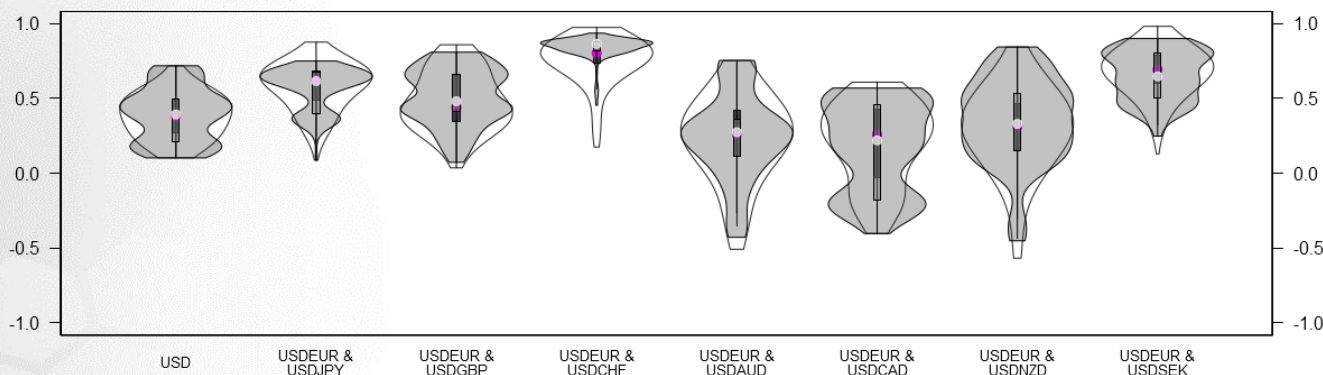
Currency Significance



The dollar's correlation composite retained its weak position till Wednesday, when the boost from the Greenback's reaction to the Fed's rate decision pushed the measure towards the high 0.70 level. The post-Fed strength also shifted up the USD/EUR components' distributions, however, the weekly average correlation levels did not grow significantly because the start of the week was associated with low and even negative values for the Pacific components, while the currencies themselves kept on being the major market drivers. Much like for all other characteristics, the period's key event for the dollar's correlation composite was

the Fed's statement on Wednesday. However, the first notable surge of the measure took place on Tuesday, when the optimistic inflation data came out and managed the dollar to grow against its counterparts. One day later, the composite jumped even higher and reached the week's maximum of 0.72 points. However, it did not strongly affect the significance measures of the dollar's peers, so the Greenback kept the leading position just for a couple of hours and spent rest of the period in a slight downtrend. It is worth noting that the BoJ monetary policy statement had very similar impact on the domestic currency so on Friday morning the yen's composite skyrocketed and reached the week's absolute high of 0.79 points.

Correlations (5 vs 20 days)



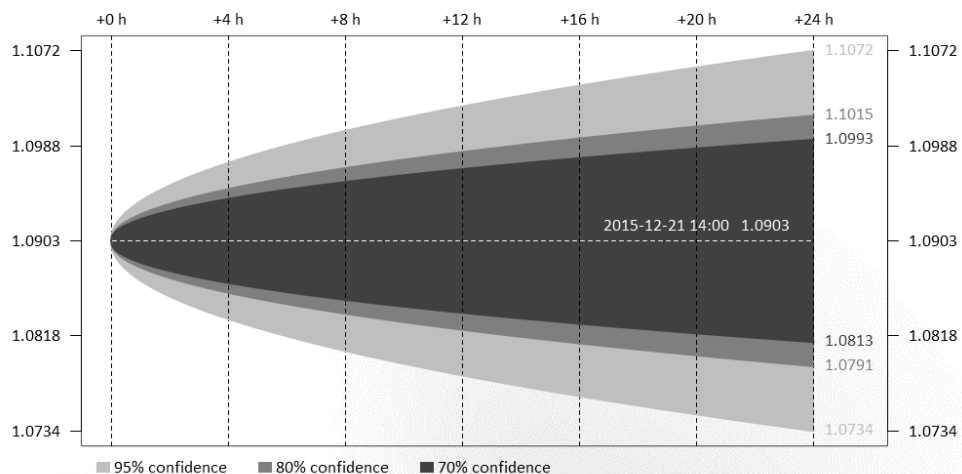
Mean Correlation Coefficient (with USDEUR)

Days	USD	USDJPY	USDGBP	USDCHE	USDAUD	USDCAD	USDNZD	USDSEK
5	0.39	0.57	0.51	0.84	0.24	0.17	0.35	0.65
20	0.38	0.58	0.48	0.76	0.23	0.19	0.29	0.68
130	0.38	0.47	0.45	0.73	0.29	0.28	0.32	0.74
250	0.43	0.45	0.53	0.7	0.42	0.38	0.43	0.73

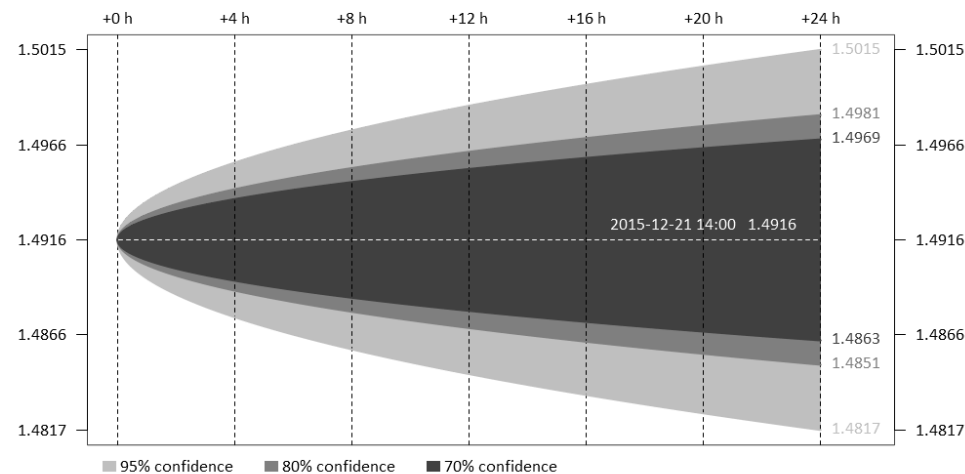
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Confidence Intervals for Next 24 Hours

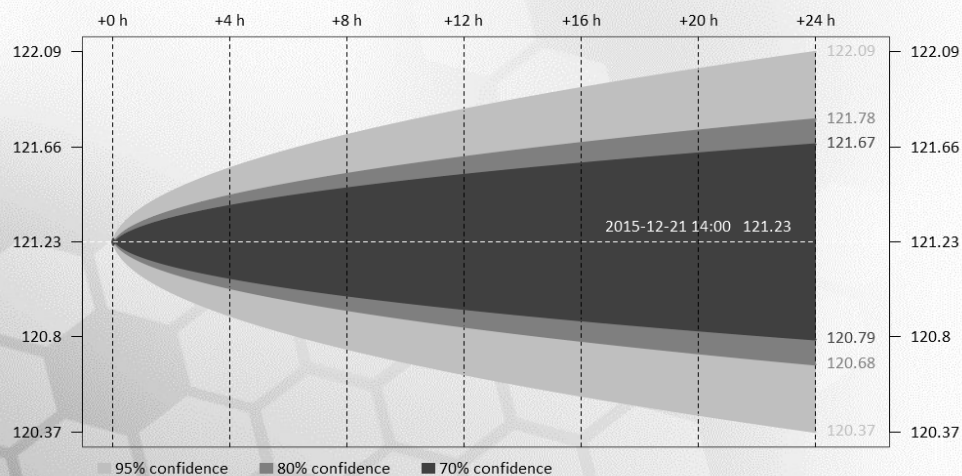
EURUSD Potential Rates



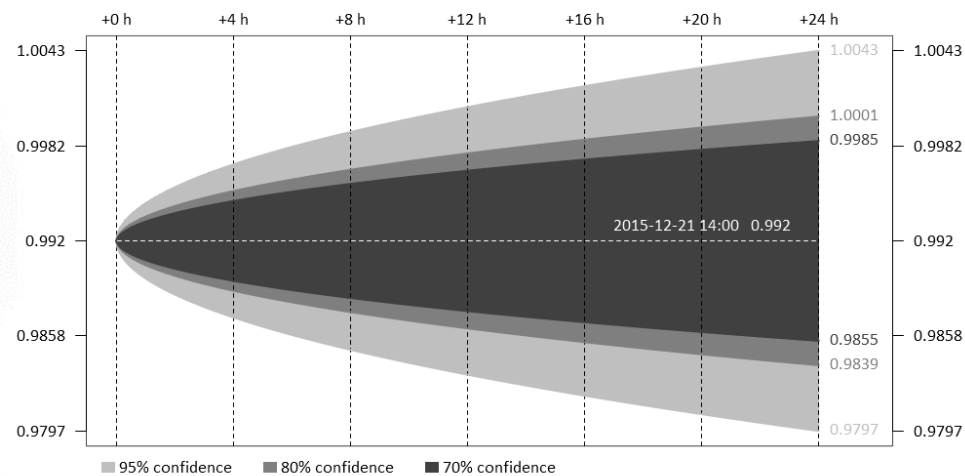
GBPUSD Potential Rates



USDJPY Potential Rates



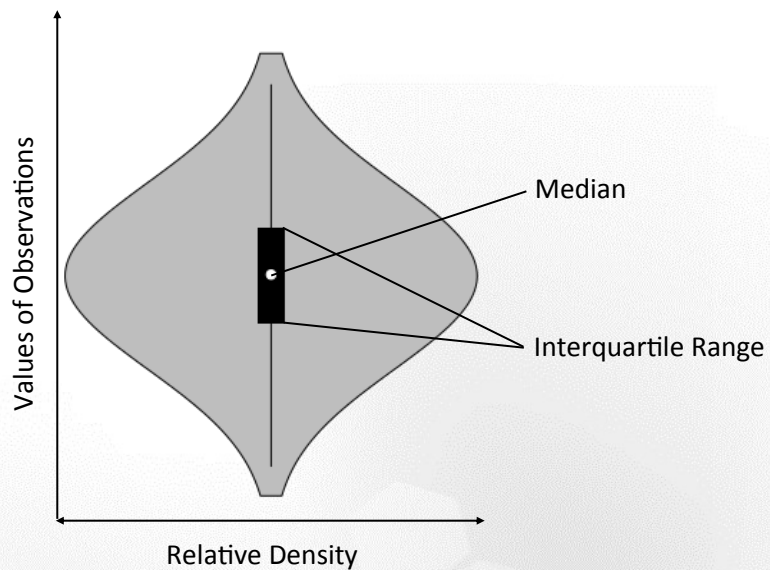
USDCHF Potential Rates



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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