



EUR

08/01/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

January 4

05:30 - 17:00

- German Market
Manufacturing PMI,
Consumer Price Index
- UK Market
Manufacturing PMI,
Consumer Credit,
Mortgage Approvals
- US Market
Manufacturing PMI,
ISM Manufacturing
PMI, Construction
Spending

Turquoise Area

January 5

07:00 - 18:00

- German
Unemployment Rate,
Unemployment
Change
- UK PMI Construction
- EU Consumer Price
Index

Blue Area

January 6

07:00 - 20:30

- EU Market Services
PMI
- US Trade Balance,
Market Services PMI,
Factory Orders,
FOMC Minutes

Purple Area

January 7

06:30 - 21:00

- German Retail Sales
- EU Unemployment
Rate
- US Continuing
Jobless Claims, Initial
Jobless Claims

EUR Currency Index Change

-0.28%

-0.14%

0.57%

0.8%

Max EUR Volatility Index

1.97

1.54

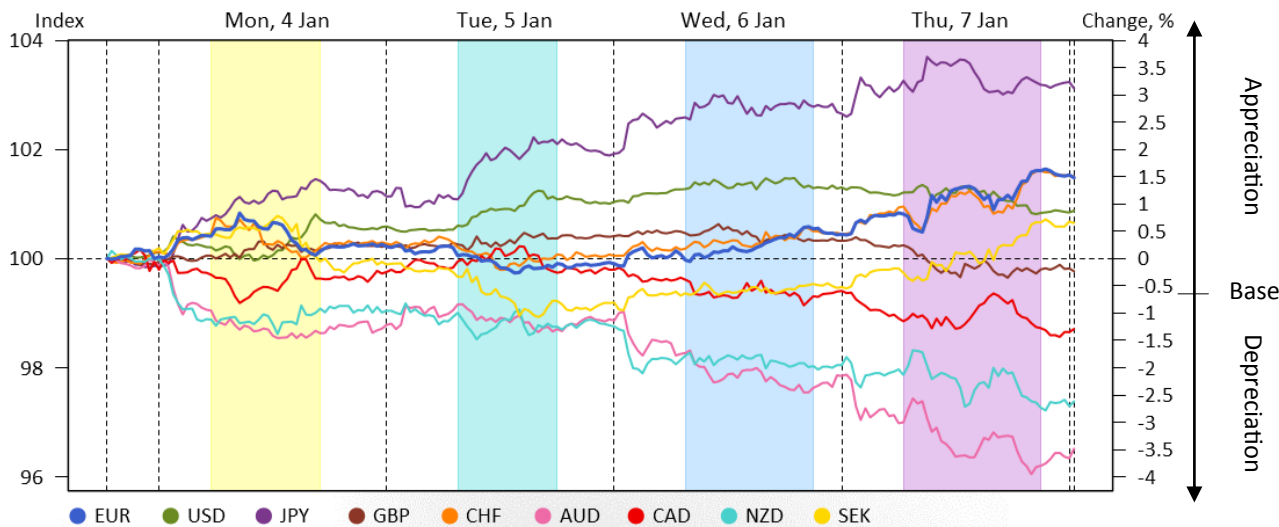
1.62

2.37



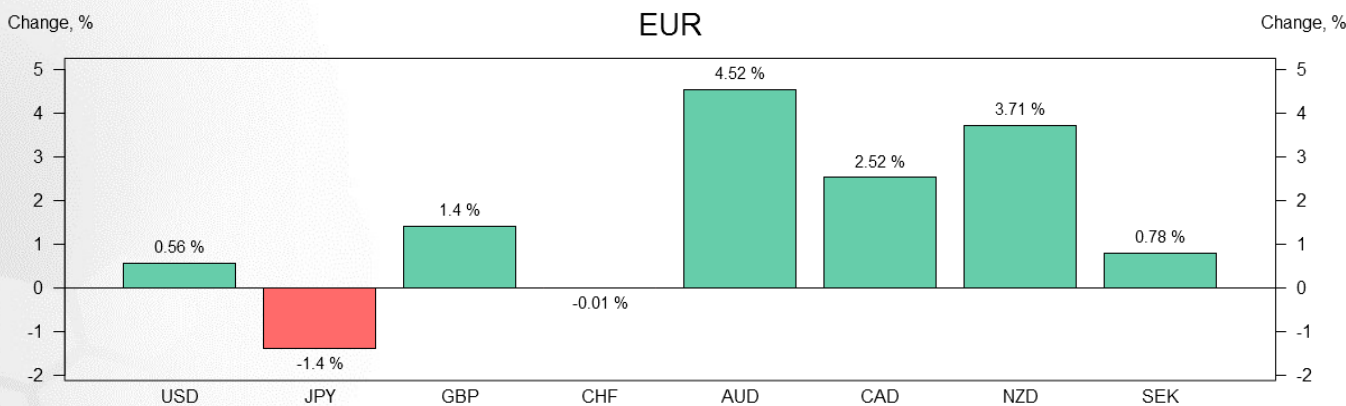
Relative Currency Strength

Currency Indexes



After rather flat pre-Christmas week for the single European currency, during January 4-7 time period the Euro remained rather calm. However, on Monday and on Thursday, volatility was extreme again as the Euro has been erasing previous losses, pushing above the important \$1.08 mark. During the whole observed period the Euro traded just above the baseline, except Tuesday when it slid below the zero level as the new year's sell-off continued, pushing the Euro to one-month lows. Earlier in the session, inflation in the Euro zone measured by CPI remained at 0.2% year-on-year, while the core gauge stayed at 0.9%.

On overall, the shared currency added 1.48% in one week, posting the highest result for the last 250 days. The most significant advance of the Euro were against three currencies simultaneously: AUD, NZD and CAD by 4.52%, 3.71% and 2.52%, respectively. Commodity currencies are being strongly affected right from the start of 2016, due to a lack of domestic fundamentals. Moreover, the kiwi and the aussie, are driven by the risk-off market mood spurred by the decline in equity stocks from Asia to the US. Therefore, many economists believe, the long-term bearish trend that has been dominating the commodity currencies is likely to continue in 2016.



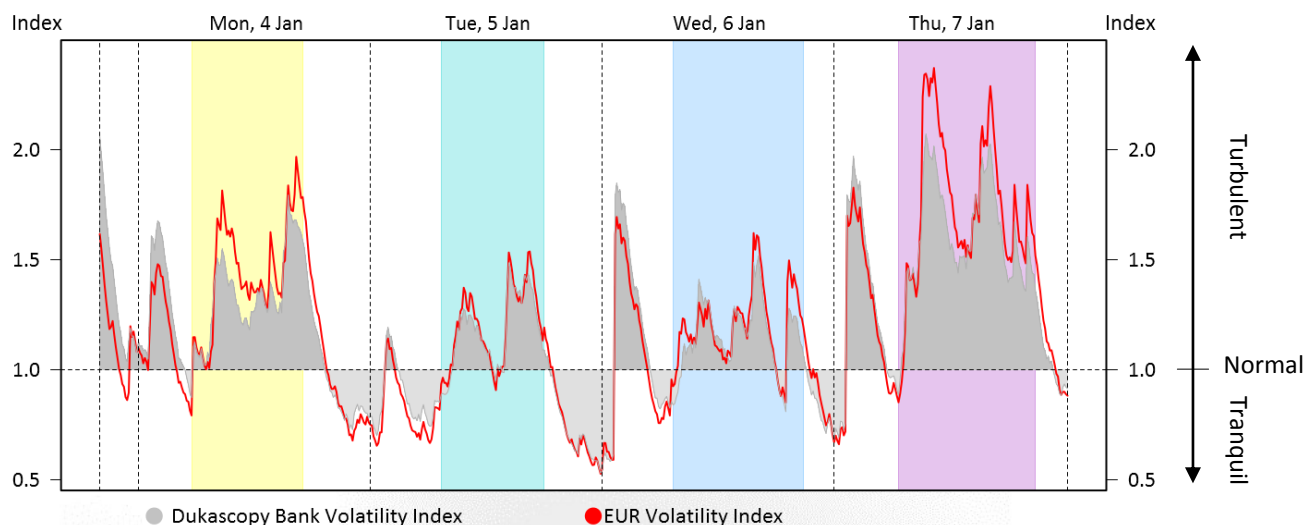
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.48%	0.88%	3.12%	-0.23%	1.5%	-3.48%	-1.29%	-2.62%	0.65%
20	0.44%	1.34%	4.98%	-2.68%	0.17%	-2.03%	-3.22%	-0.24%	0.72%
130	1.1%	3.09%	7.95%	-3.06%	-2.56%	-3.11%	-8.71%	2.44%	3.13%
250	-1.37%	7.75%	9.29%	3.96%	9.98%	-8.1%	-12.18%	-10.2%	0.91%



Volatility

Volatility



Volatility of the Euro used to hover around the normal level for the vast part of the period, after the calm Christmas week, thus, even the minor economic data announcements could provoke huge volatility. Some local spikes in turbulence were observed on Monday, Wednesday and mainly on Thursday, along with different economic events across all regions, which drove the single currency in different directions, thus creating uplifted activity on the market. On Monday, a raft of fresh data from the Euro zone showed an economy very much in recovery, with all countries remaining in expansionary territory.

The German PMI rose to 53.2 during the final month of the year, from 52.9 seen in November. The data from the Euro zone as a whole showed that the manufacturing sector improved to a fresh 20-month high in the final month of 2015. Having a look at the elevated volatility of currencies, the Euro's one at 67% was slightly below the market average level of 68%. The most traded EUR/USD cross was turbulent during vast part of the period (55%). All in all, volatility index of the Euro stood at 2.37 points for the observed period. EUR/AUD and EUR/NZD used to be the most turbulent pairs.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK	
	68	67	55	73	40	45	80	60	73	42

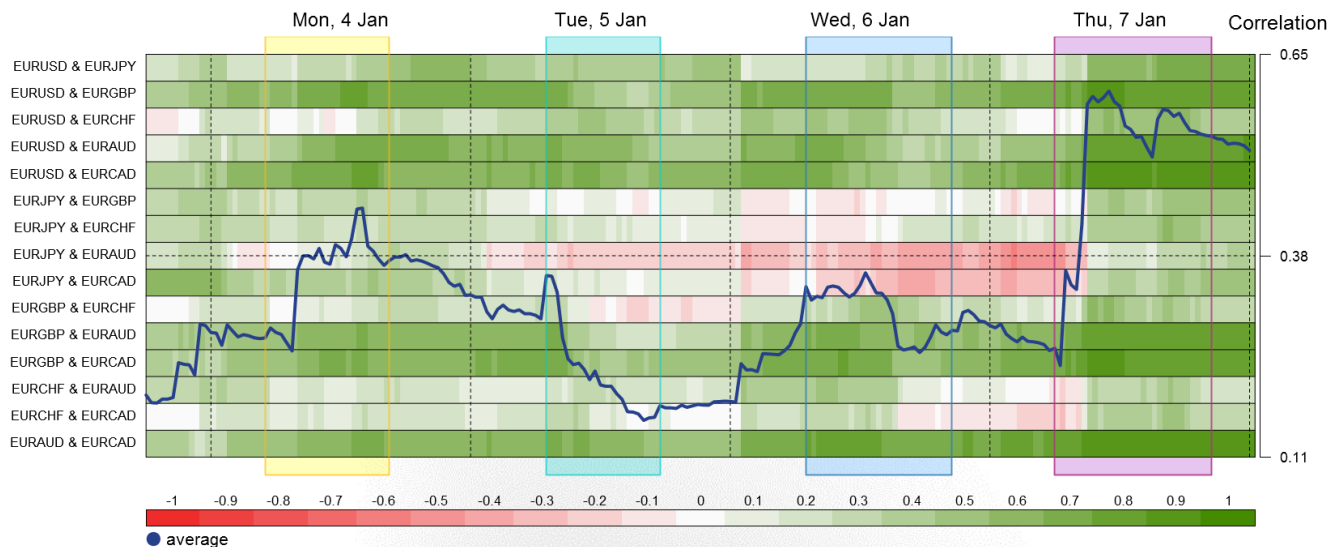
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.07	2.37	2.62	2.49	2.62	2.09	3.61	2.76	2.99	2.24
Min	0.53	0.53	0.42	0.57	0.4	0.43	0.45	0.47	0.52	0.22
Average	1.19	1.21	1.14	1.29	1.01	1.01	1.46	1.22	1.39	0.92



Currency Significance

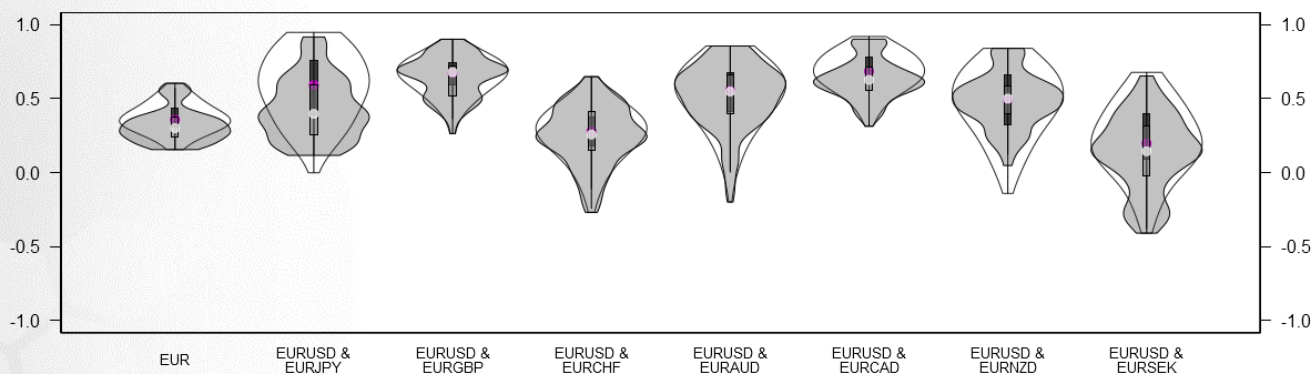
Correlations



As was seen in both Currency and Volatility Indexes, the single currency alone was not the catalyst of the market throughout the period, since that many data from all over world were released. The observation was well supported by the Euro significance measure, that spent the period on a very feeble level at all time except January 7 and had a low average value. As usually, the correlation between the Euro pairs were relatively low and this week; however, only at the very end of the period correlations spiked up to 0.60.

The significance of the single currency started to rise from the very beginning of the observed period. On Monday, the shared European currency bounced from its overnight lows as traders were expecting an upbeat PMI data from the Euro zone. Nevertheless, afterwards the composite showed a downward trend, and by Tuesday the measure has dropped to the 0.23 mark. The next surge took place on Wednesday, after the latest Fed minutes offered few hints about further tightening. Meanwhile, the biggest increase, was observed on Thursday, when the single currency jumped over 100 pips since investors started to buy the euro amid risk-off trading.

Correlations (5 vs 20 days)

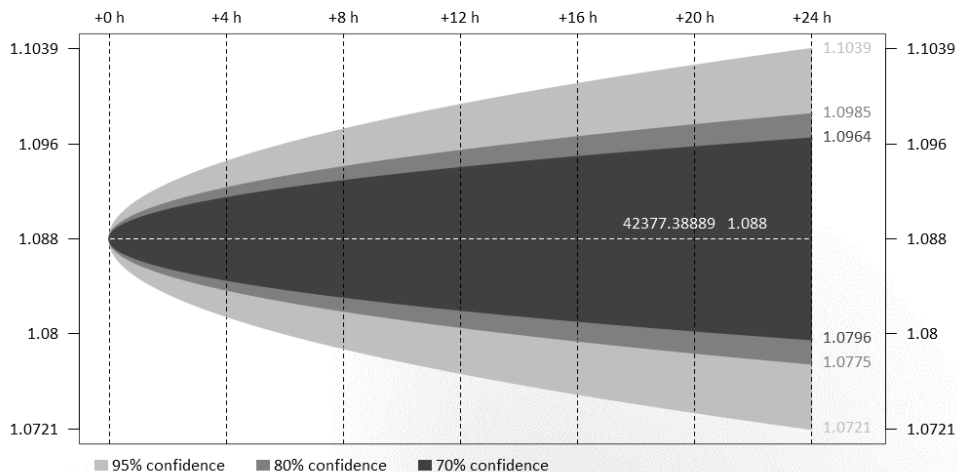


Mean Correlation Coefficient (with EURUSD)

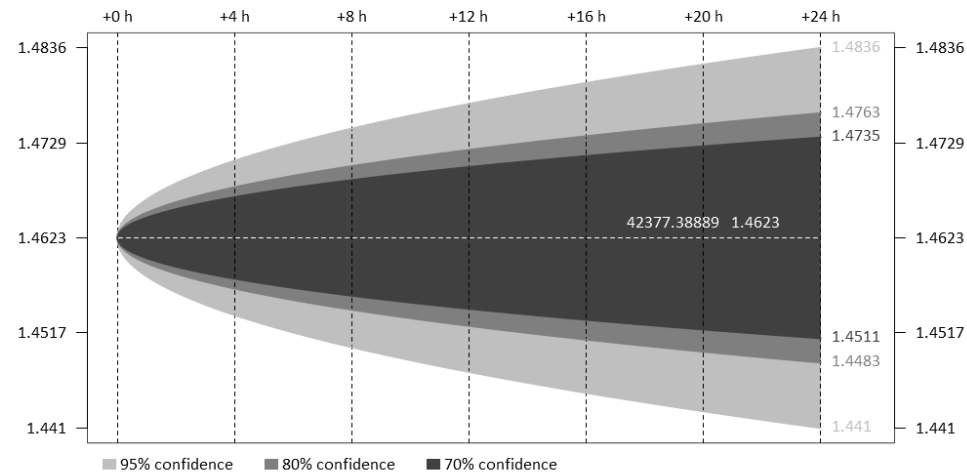
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.32	0.43	0.64	0.24	0.51	0.63	0.49	0.13
20	0.37	0.57	0.65	0.26	0.52	0.68	0.48	0.22
130	0.38	0.68	0.7	0.34	0.48	0.66	0.41	0.21
250	0.39	0.72	0.7	0.35	0.46	0.66	0.4	0.19

Confidence Intervals for Next 24 Hours

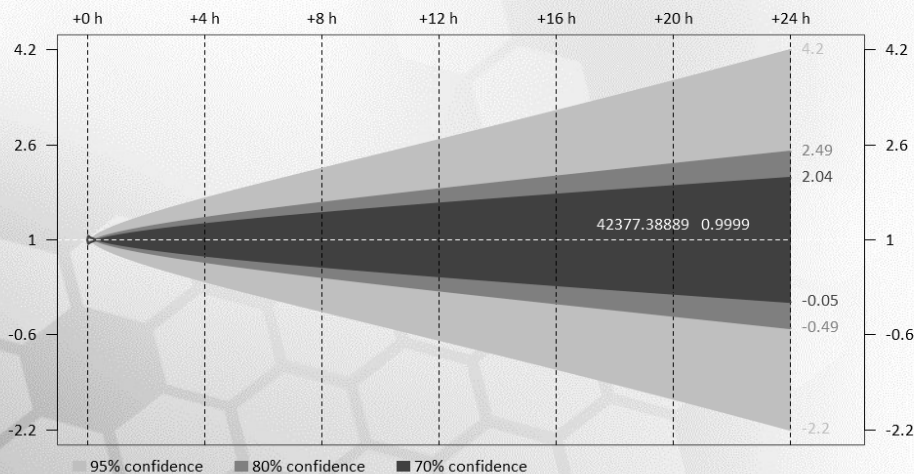
EURUSD Potential Rates



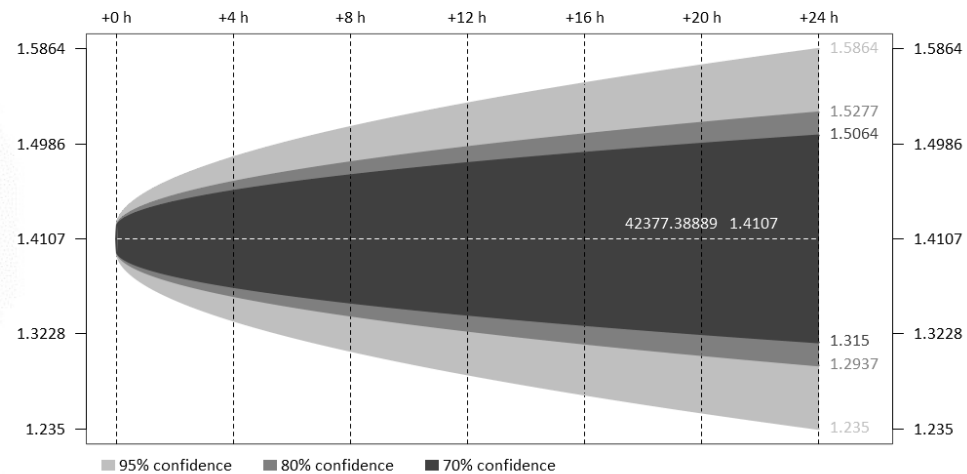
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

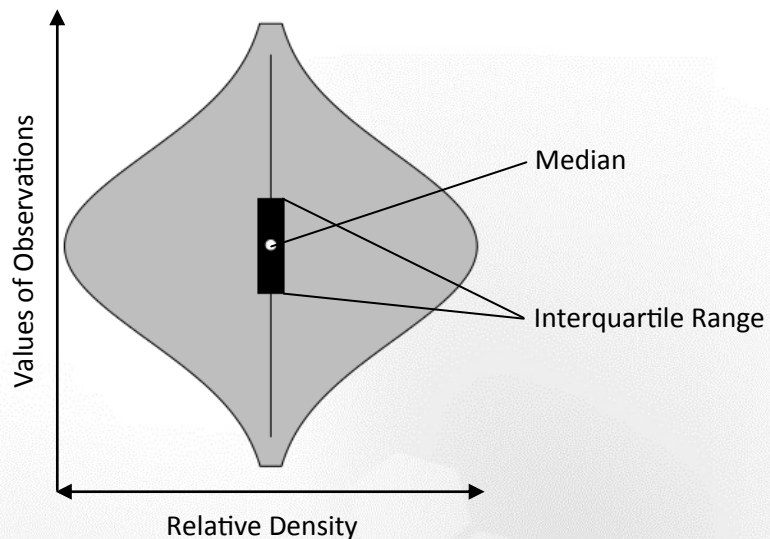
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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