



USD

11/01/2016



DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

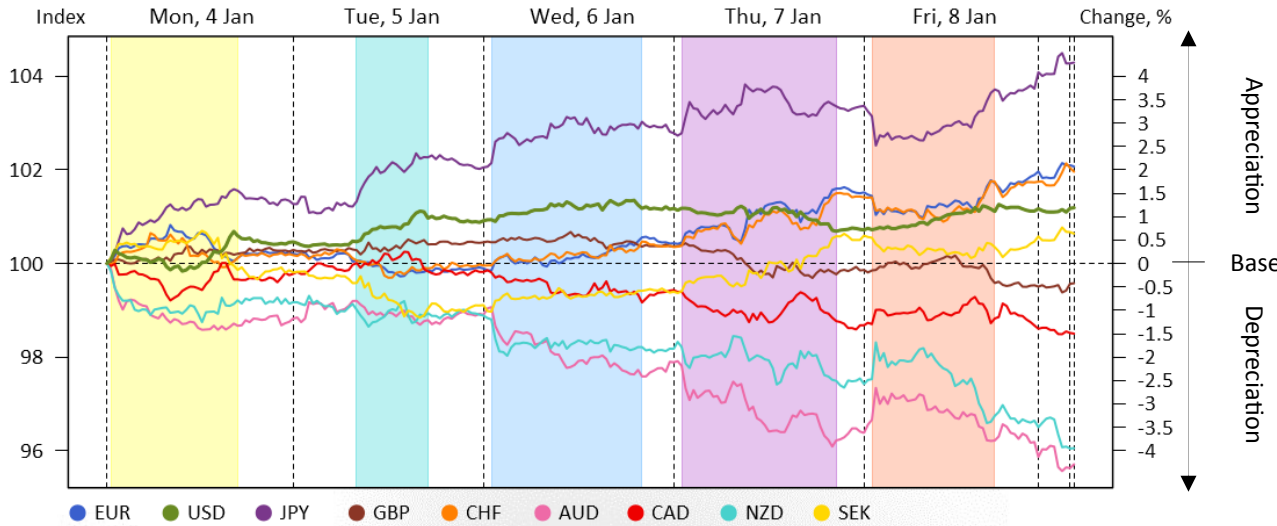
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
January 4	January 5	January 6	January 7	January 8
00:30 - 17:00	07:30 - 17:00	01:00 - 20:00	00:30 - 20:00	00:30 - 16:00
<ul style="list-style-type: none"> Caixin China Manufacturing PMI German, EMU Markit Manufacturing PMI UK Markit Manufacturing PMI, Consumer Credit, Mortgage Approvals German Flash CPI US Manuf. PMI, Constr. Spending 	<ul style="list-style-type: none"> German Unemployment Rate EMU Preliminary CPI 	<ul style="list-style-type: none"> Caixin China Services PMI EMU Services PMI, PMI Composite US ADP Employment Change, Trade Balance, Services PMI, Factory Orders FOMC Minutes 	<ul style="list-style-type: none"> Australian Trade Balance German Retail Sales EMU Unemployment Rate BoC Governor Poloz's Speech US Jobless Claims 	<ul style="list-style-type: none"> Australian Retail Sales Swiss Unemployment Rate, CPI German Trade Balance US Unemployment Rate, Nonfarm Payrolls Canadian Unemployment Rate

USD Currency Index Change	0.51%	0.5%	0.24%	-0.49%	0.39%
Max USD Volatility Index	1.77	1.45	1.9	2.07	2.38



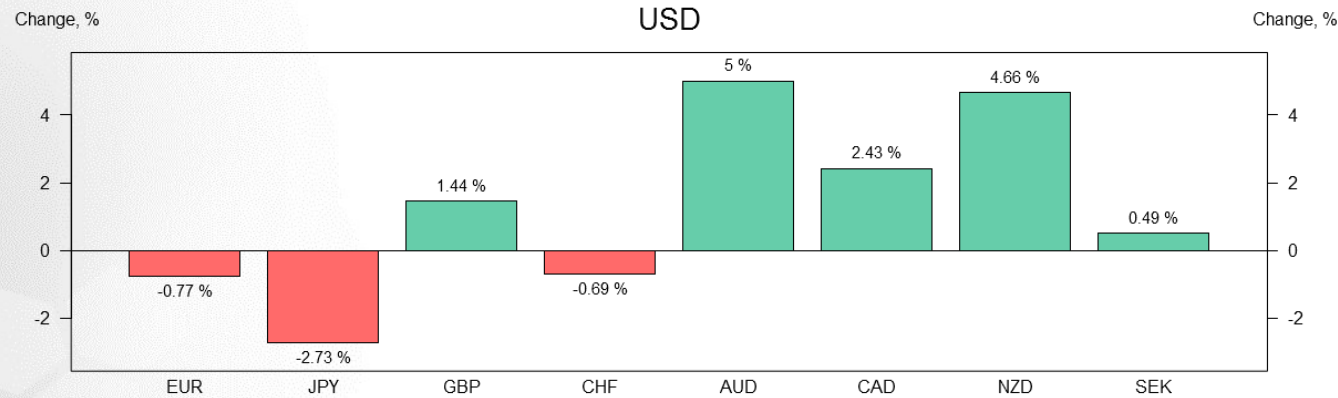
Relative Currency Strength

Currency Indexes



During the past week the market was mostly driven by the Chinese economic news. Renewed worries about the world's second largest economy sent traders to traditional low-risk yen and Swiss franc. As a result, the yen's index finished the period with a significant gain of 4%. Meanwhile, the situation hurt the Pacific currencies, whose economies export heavily to China. Thus, the Aussie and the Kiwi turned out to be the absolute losers with 4% depreciation of their indexes. The rest of the currency indexes remained in relatively narrow range of 98.5-102 points.

The US dollar grew slightly while its counterparts experienced dramatic rate changes. The week started with disappointing Chinese factory data, which was followed by immediate reaction of its counterparts. A surge in the safe-haven currencies' rates led to a minor depreciation of the USD Index, but it retrieved shortly and did not drop below the base line during the rest of the period. While the yen and the Pacific currencies followed their up- and down-trends amid weakening yuan, the Greenback's index posted slight changes against the background of FOMC minutes and optimistic nonfarm payrolls releases. Nevertheless, all the economic releases had insignificant impact compared to that of People's Bank of China decision to lower the yuan's rate.



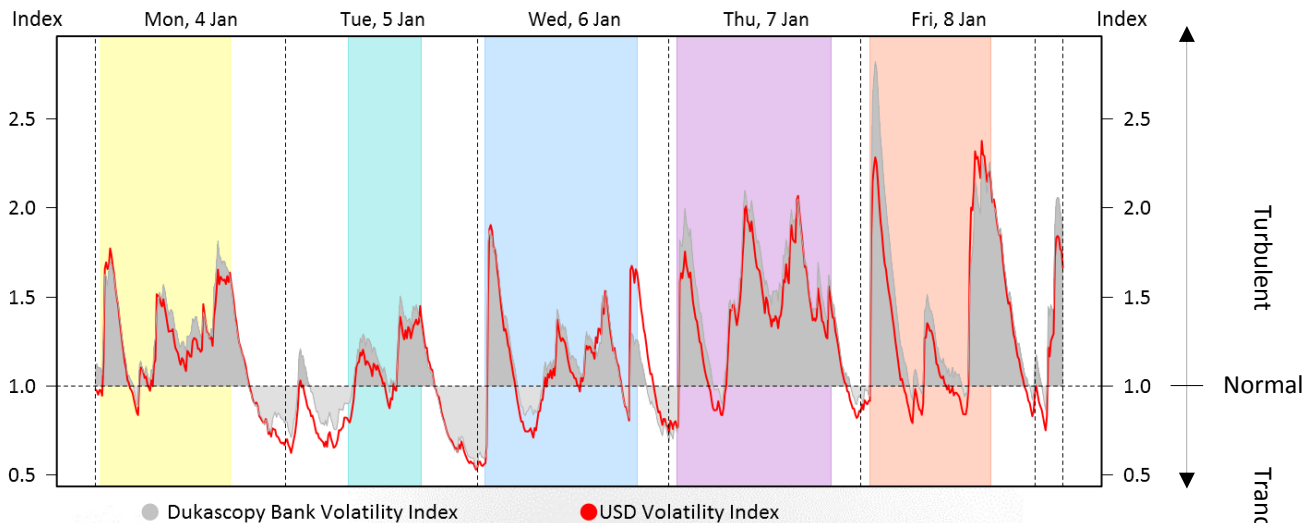
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	2.07%	1.19%	4.29%	-0.42%	1.96%	-4.29%	-1.5%	-3.95%	0.64%
20	1.52%	1.38%	5.99%	-3.03%	0.86%	-3.73%	-3.2%	-2.61%	1.82%
130	2.58%	3.22%	9.25%	-3.72%	-1.58%	-4.28%	-8.96%	0.22%	3.13%
250	-0.52%	8.5%	9.71%	3.52%	10.79%	-10.33%	-11.72%	-12.39%	2.46%



Volatility

Volatility



After two largely uneventful, tranquil end-of-the-year periods, the market's turbulence picked up in the first week of 2016. As the holiday weeks produced low benchmark volatility levels, the observed indexes spent most of the days above the 1-point line, resulting in impressing elevated volatility readings. However, their averages lay in a moderate range of 1.1-1.5 points, suggesting that turbulence was still not particularly strong. The most volatile were the Asia-Pacific currencies, which also posted the most remarkable currency indexes' changes. They were also the ones responsible for the aggregate index's highest spike, as their moves

on early Friday pushed the DBVI to the 2.8 mark.

The dollar's movements were mostly producing below-the-market turbulence in the past period. A notable exception was late Wednesday peak, produced by the Greenback's slip in reaction to the December FOMC minutes. The release showed some dovish moods, revealing concerns over inflation level and adding fuel to the speculations on how gradual the tightening will be. Another noticeable spike above the market average took place on Friday, when the USD Volatility Index reached its period's high against the background of greater-than-expected US nonfarm payrolls numbers.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK	
	72	63	58	80	40	56	73	49	64	45

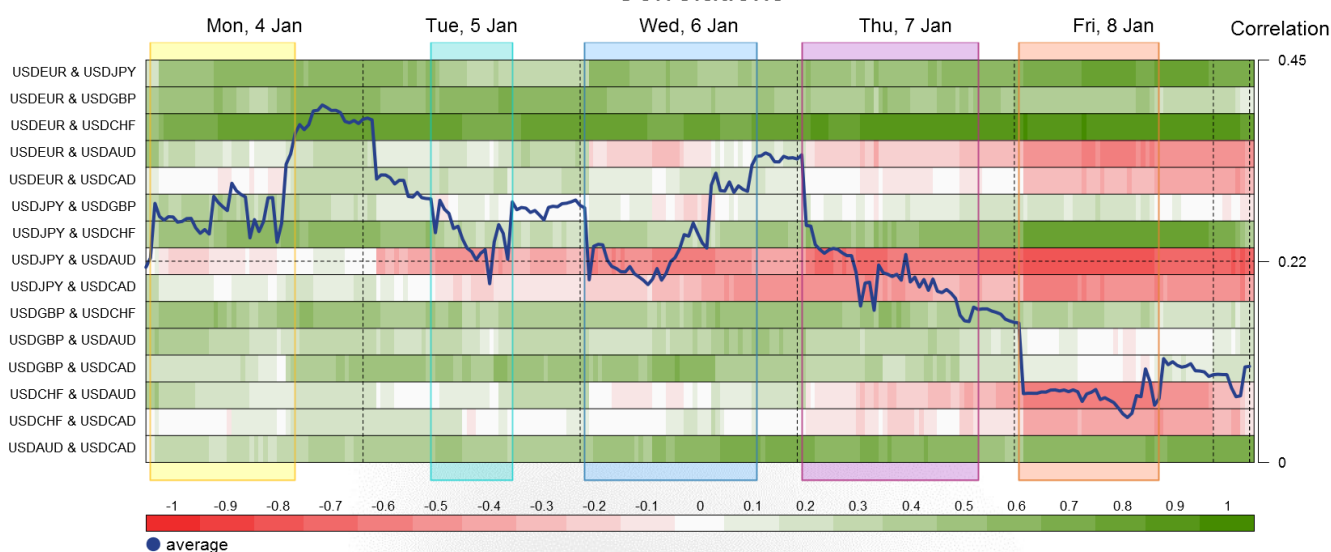
Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	2.82	2.38	3.23	3.74	2.14	3.55	3.78	2.51	3.58	2.69
Min	0.54	0.53	0.45	0.47	0.38	0.39	0.53	0.44	0.5	0.39
Average	1.26	1.19	1.23	1.41	0.96	1.18	1.37	1.09	1.25	1.01



Currency Significance

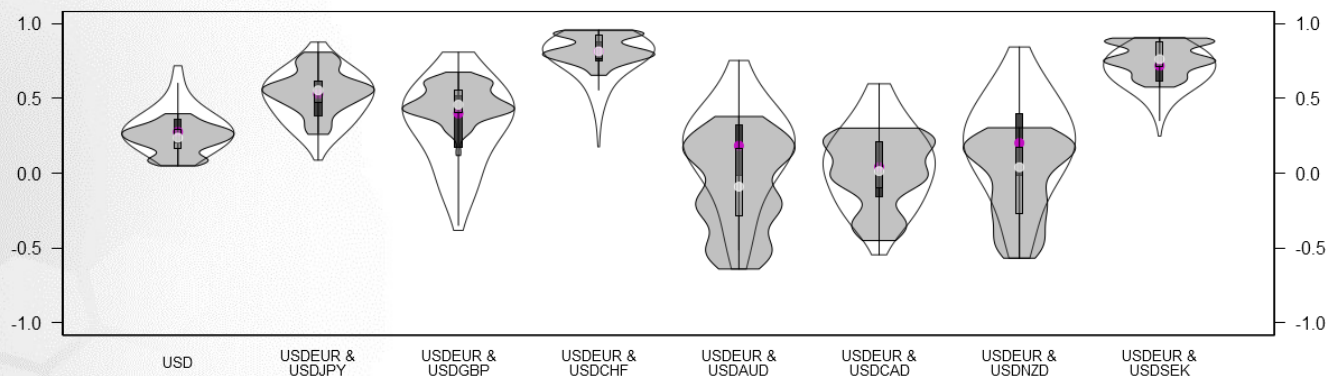
Correlations



The past period was marked by the notable weakening of the dollar's correlations. Despite the fact that the composite started the period at a rather low level of 0.21, it managed to fall even and lose 0.11 points by the end of the week. Nevertheless, its average value remained almost unchanged compared to the previous readings. Meanwhile, the USD/EUR correlations with USD/GBP, USD/CHF, and USD/JPY gained 0.28, 0.17, and 0.16 points, respectively. The pair's bonds with the Pacific currencies, in turn, showed an extreme weakening, losing about 0.3 points and dropping into the negative area.

Despite a general downward trend, the Greenback's significance measure had a few upturns in the past week. Thus on Monday the ISM releases pushed the composite to the week's maximum value of 0.39. The next strengthening of the aggregate took place on Wednesday. The composite started to rise right after the encouraging US trade balance and ADP employment data came out, and at the time of the FOMC minutes release the measure reached 0.34 points. The last two trading days were marked by the dramatic decline of the correlation with the Pacific currencies, caused by the concerns about the Chinese economic slowdown and the fall of the commodity prices. The measure lost 0.23 points and ended the period at the level of 0.11.

Correlations (5 vs 20 days)

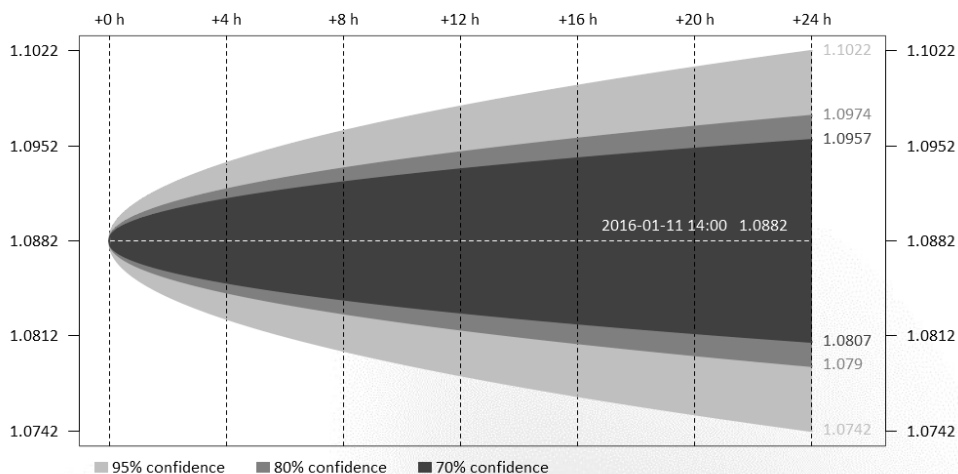


Mean Correlation Coefficient (with USDEUR)

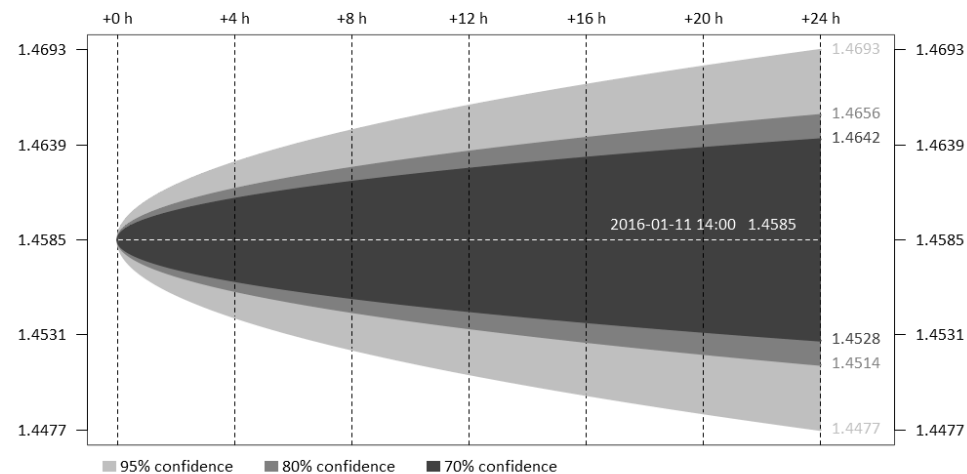
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.23	0.55	0.47	0.83	-0.09	0.01	-0.05	0.77
20	0.29	0.51	0.34	0.78	0.14	0.04	0.17	0.7
130	0.37	0.52	0.42	0.74	0.26	0.23	0.29	0.72
250	0.43	0.45	0.52	0.7	0.4	0.36	0.42	0.74

Confidence Intervals for Next 24 Hours

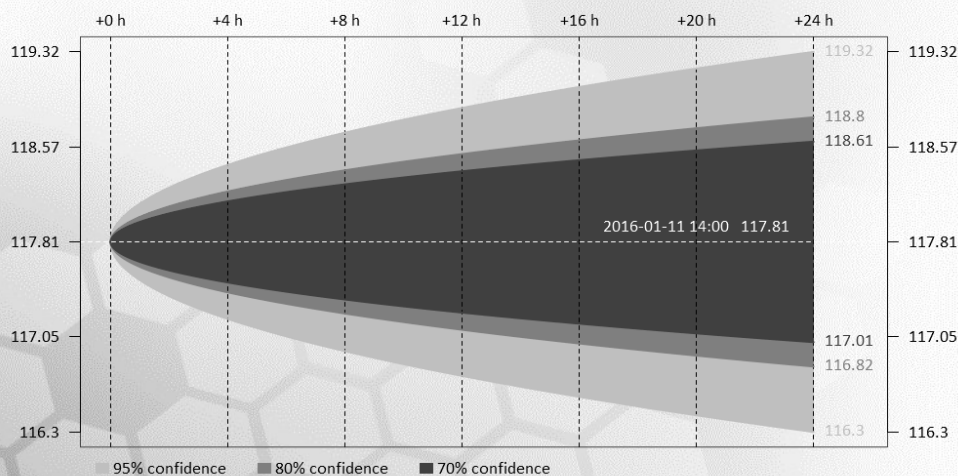
EURUSD Potential Rates



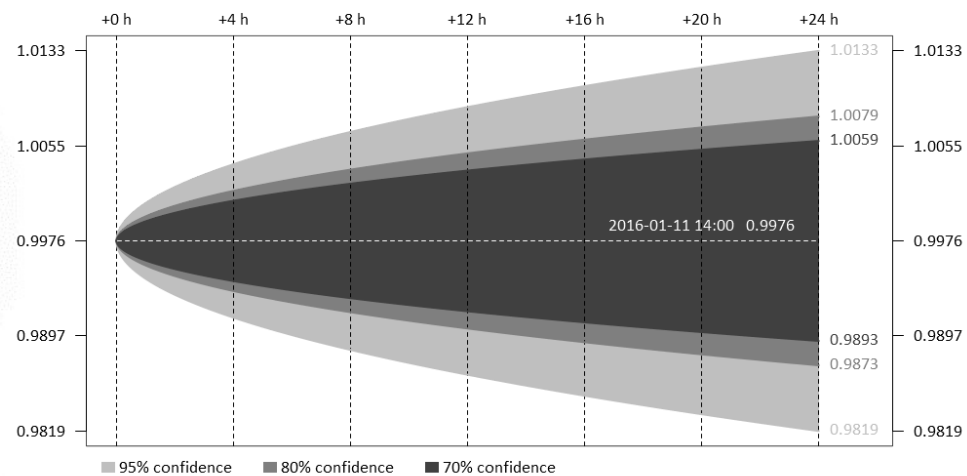
GBPUSD Potential Rates



USDJPY Potential Rates



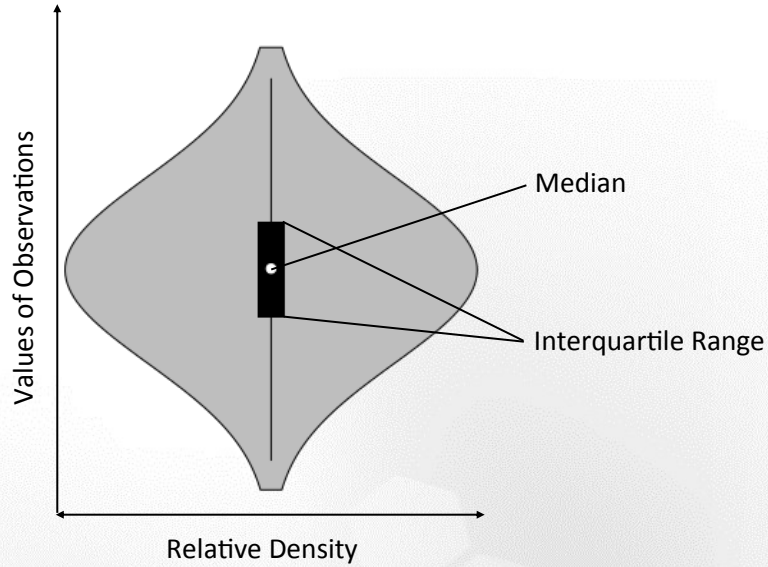
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.