



EUR

15/01/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

December 8

01:30 - 19:30

- *Switzerland Unemployment Rate*
- *German Imports, Exports, Trade Balance*
- *US unemployment rate, Nonfarm Payrolls*
- *Canadian Unemployment rate, Ivey Purchasing Managers Index*

Turquoise Area

December 11

07:00 - 21:30

- *Switzerland Real Retail Sales*
- *Canadian Housing Starts*

Blue Area

December 12

08:00 - 16:00

- *UK Industrial Production, Manufacturing Production*
- *BoJ Governor speech*
- *BoE Governor speech*

Purple Area

December 13

13:00 - 19:30

- *US Monthly Budget Statement*

Orange Area

December 14

07:30 - 21:30

- *UK Monetary Policy Summary, BoE Minutes*
- *US Initial Jobless Claims*
- *Canadian New Housing Price Index*

EUR Currency Index Change

0.7%

-0.51%

-0.21%

0.61%

0.06%

Max EUR Volatility Index

2.59

2.3

1.63

2.32

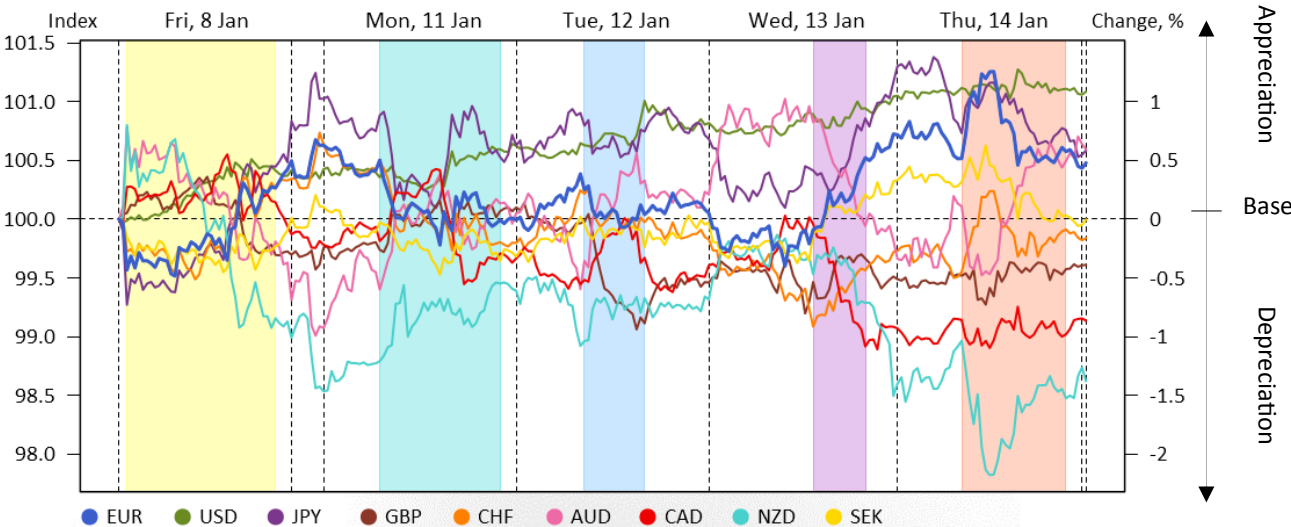
2.43



Relative Currency Strength

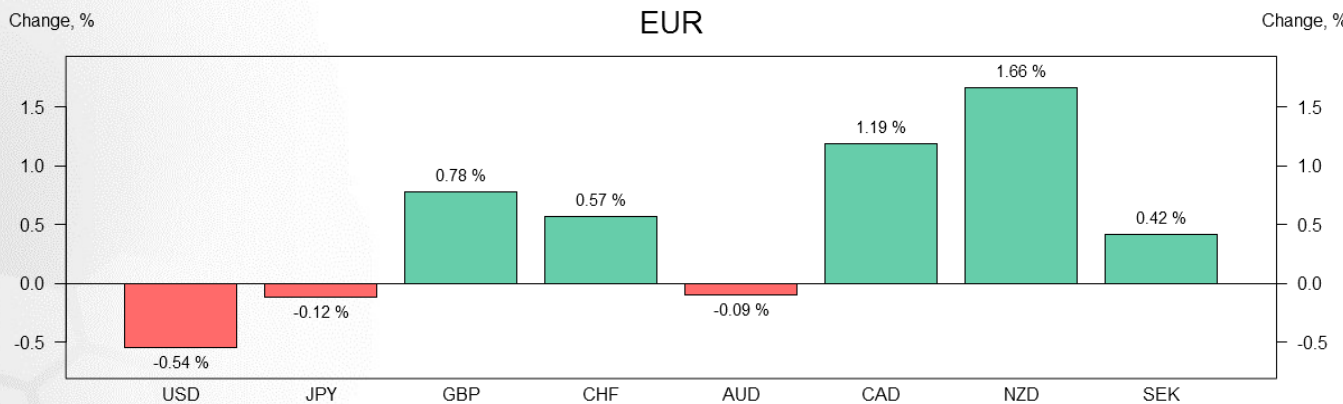
Currency Indexes

During the previous days, the observed currencies managed to go through some notable ups and downs. The yen became one of the best performer of the period with a 0.59% increase during the Asian session, on Friday, after the Chinese government fixed a slightly stronger yuan mid-point. Also, Chinese trade figures had great impact on Australian dollar, as data came with a much better numbers than markets anticipated, raising the outlook for demand from Australia's biggest trade partner, however, the overall trend for the aussie remains bearish. The Kiwi's gauge, on the other hand, was gradually decreasing through the whole period and ended the week with the worst result,



losing 1.38 points, after oil prices fell to a 12-year low, while Chinese stock markets also posted notables losses.

The euro's index, in turn, showed a mixed trend. It started to rise from the very beginning, advancing to 100.7 points, while later, entered calm session, even Friday's US labor market data failed to affect the Euro. Nevertheless, on Thursday, the ECB said that many members of the Governing Council believe that further policy actions are unnecessary in the near term. As the market is still heavily positioned for further ECB easing, the news spurred some short covering and the EUR/USD pair jumped nearly 100 pips to trade around 1.0930 level.



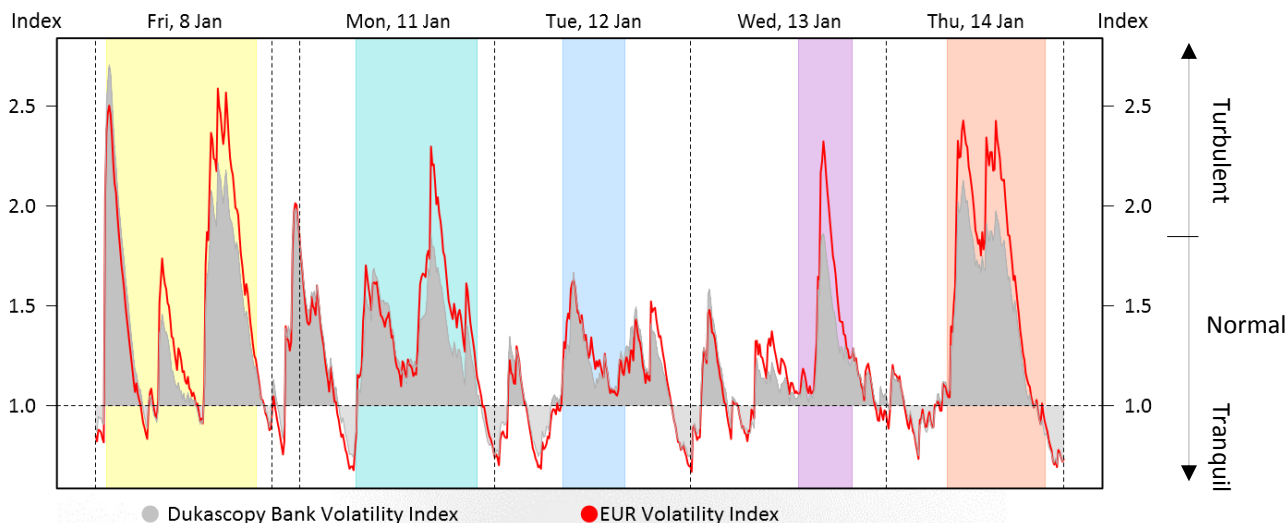
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.48%	1.09%	0.59%	-0.39%	-0.16%	0.6%	-0.87%	-1.38%	0%
20	1.34%	1.8%	5.47%	-2.43%	0.18%	-1.99%	-2.88%	-3.53%	1.23%
130	3.03%	2.71%	8.24%	-5.72%	-2.09%	-3.37%	-8.64%	2.29%	4.12%
250	-0.47%	8.68%	8.06%	2.5%	10.26%	-8.46%	-11.92%	-11.09%	2.46%



Volatility

Volatility



The period was enormously volatile for both the market and the single currency. Almost all Euro pairs lifted their elevated volatility portions above 50%, with the measure for EUR/AUD reaching almost 95%. Of course, it can be easily explained by the fact that during previous several weeks the whole market was strongly affected by Chinese equity market volatility. Chinese policy makers, rather than dampen volatility, decided to increase it, as investors rushed to sell for fear of being locked into positions in frozen markets. In addition, the period was full with influential news on different economies.

Friday, proved to be the most volatile day of the period, as the volatility index was reaching its highest levels several times, mostly due to the economic announcements. Friday's data showed that Germany's industrial production declined from 0.5% to -0.3% in November, in addition, Germany's current account notably improved from 22.9 billion euro to 24.7 billion euro. Moreover, the US non-farm payrolls data, pushed the euro down 20 pips right after the release. Meanwhile, on Friday, the euro was enjoying a stronger performance against other majors, as ECB comments showed that many members remain sceptical about the need for further monetary stimulus.

Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK	
	76	74	55	45	76	41	93	71	85	32

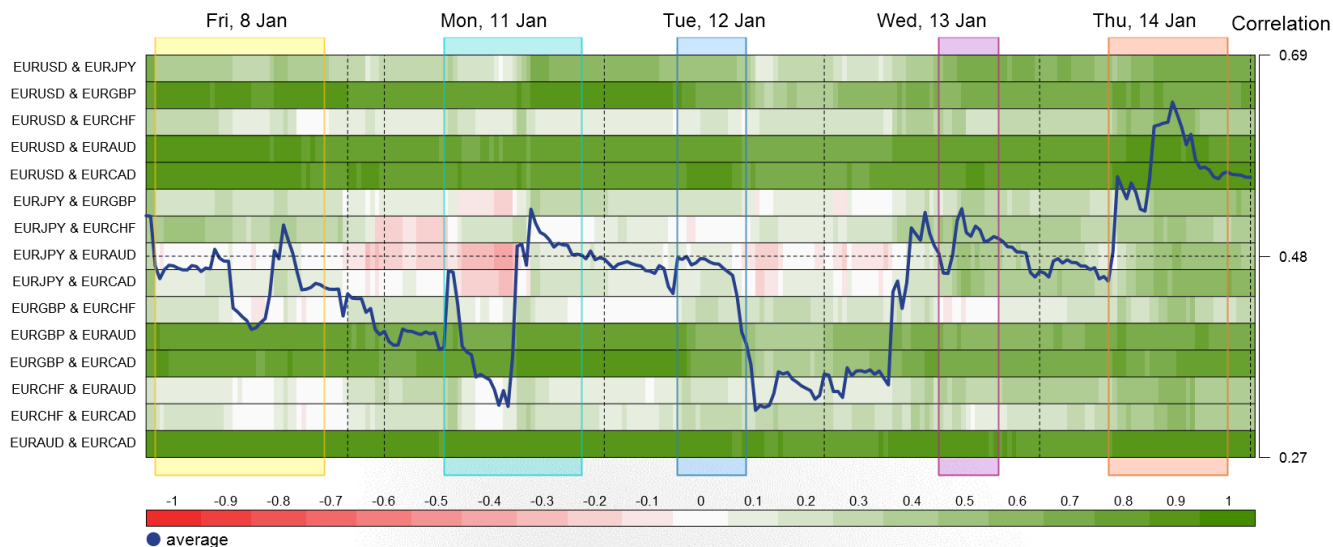
Volatility Index (for the observed period)

	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.71	2.59	3.57	2.55	2.85	3.16	3.91	3.21	4.38	3.46
Min	0.71	0.67	0.48	0.54	0.55	0.36	0.65	0.57	0.66	0.12
Average	1.25	1.3	1.21	1.02	1.37	0.99	1.59	1.36	1.53	0.87



Currency Significance

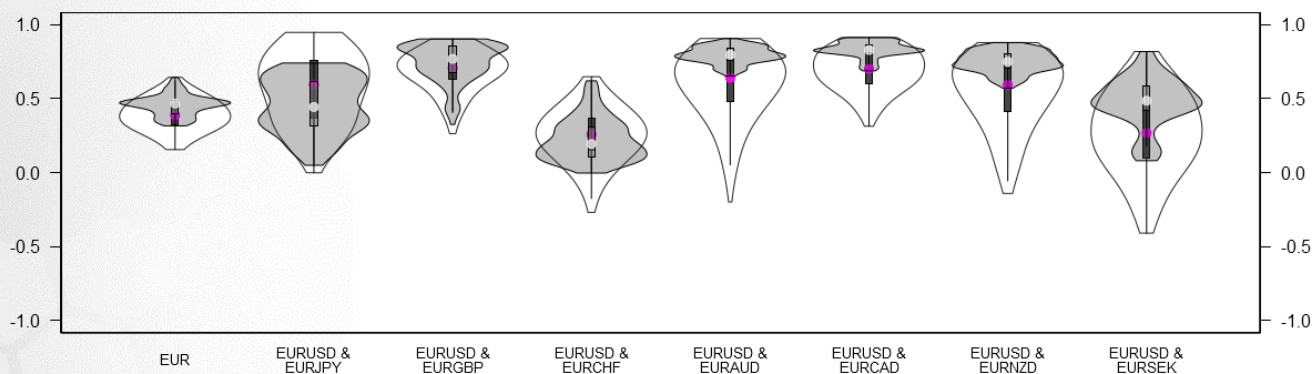
Correlations



The week was relatively dynamic for the single currency, with several events which noticeably influenced its value and forced the correlations of the Euro crosses to rise. The correlations during the period also were strong, and average values have reached even the 0.6 level. Compared to long-term values, mean correlations of the all components divided almost equally in their gains and losses while EUR/NZD and EUR/SEK advanced the most compared to the previous 20 days, by 0.21 points.

The average correlation started the period on neutral 0.51 mark, but lost 0.15 points, after the market open on Monday. The gauge was strongly fluctuating during the all observed days. The next and the last major soar of the gauge was associated with ECB minutes, which revealed that the Governing Council supported the latest round of monetary policy adjustment and some wanted even bolder measures. By the way all correlations of Euro crosses became positive and the composite reached the highest mark of the period, pointing out significance of the event.

Correlations (5 vs 20 days)

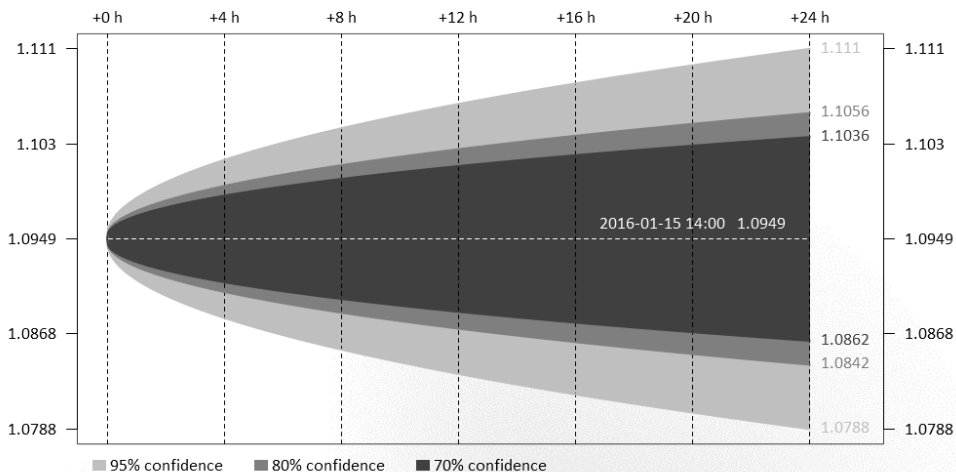


Mean Correlation Coefficient (with EURUSD)

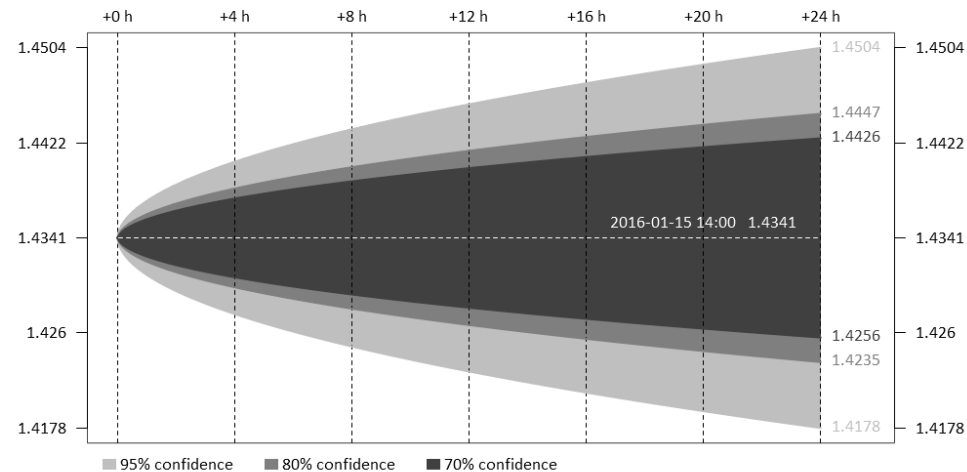
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.45	0.45	0.75	0.22	0.79	0.83	0.75	0.48
20	0.39	0.57	0.69	0.25	0.59	0.7	0.54	0.27
130	0.38	0.67	0.7	0.33	0.5	0.66	0.42	0.21
250	0.4	0.72	0.7	0.35	0.47	0.66	0.41	0.2

Confidence Intervals for Next 24 Hours

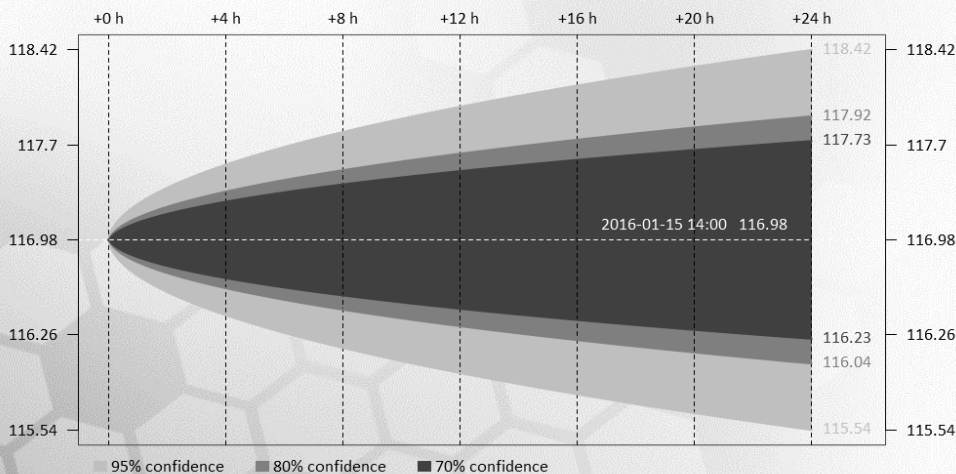
EURUSD Potential Rates



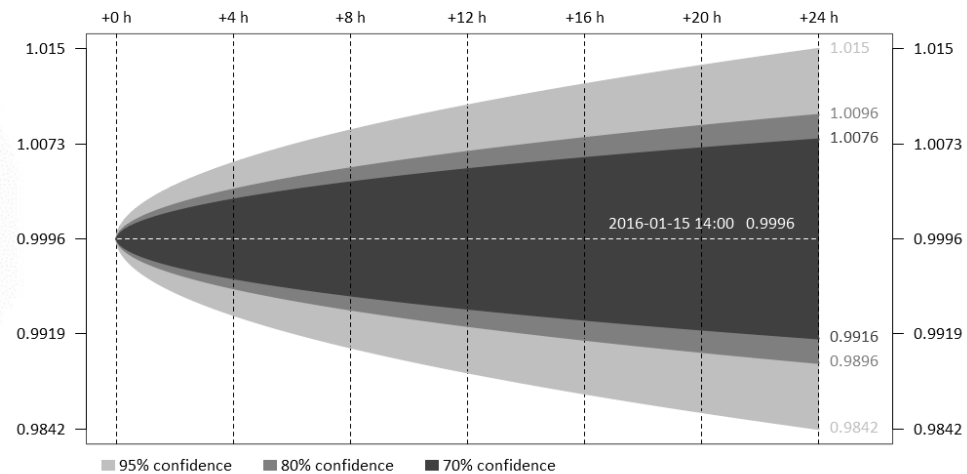
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



EXPLANATIONS

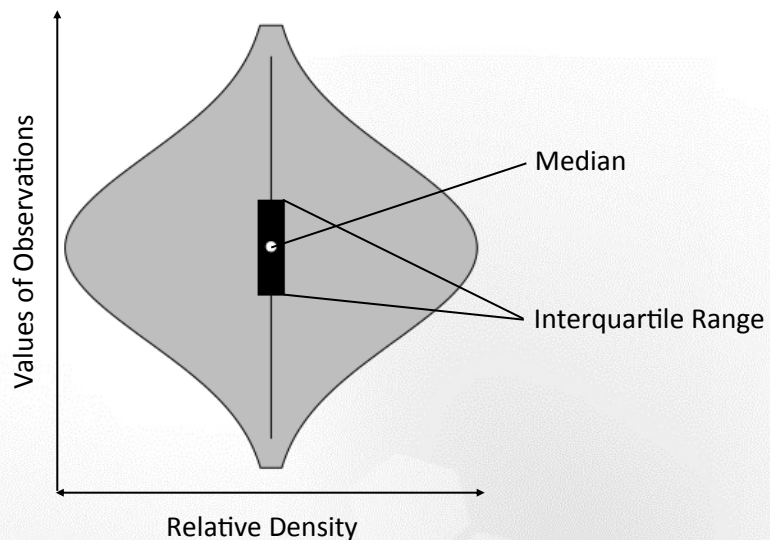
Violin Plot

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

Methodologies

Volatility Index

Confidence Interval





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