



**EUR**

22/01/2016



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## Dominant Events of the Period

### Yellow Area

January 15

01:00 - 17:00

- *US Retail Sales, Retail Control, Industrial Production, Capacity Utilization*

### Turquoise Area

January 19

06:30 - 18:30

- *German Consumer Price Index*
- *UK Producer Price Index, Core Consumer Price Index, Consumer Price Index, BoE Governor speech*
- *EU Consumer Price Index*

### Blue Area

January 20

06:30 - 17:30

- *German Producer Price Index*
- *US Building Permits, Consumer Price Index, Core Consumer Price Index*
- *Bank of Canada Monetary Policy Statement, BoC Rate Statement*

### Purple Area

January 21

06:30 - 21:00

- *ECB Interest Rate Decision*
- *US Initial Jobless Claims*

EUR Currency Index Change

0.91%

0.21%

-0.79%

-0.75%

Max EUR Volatility Index

2.25

1.53

1.91

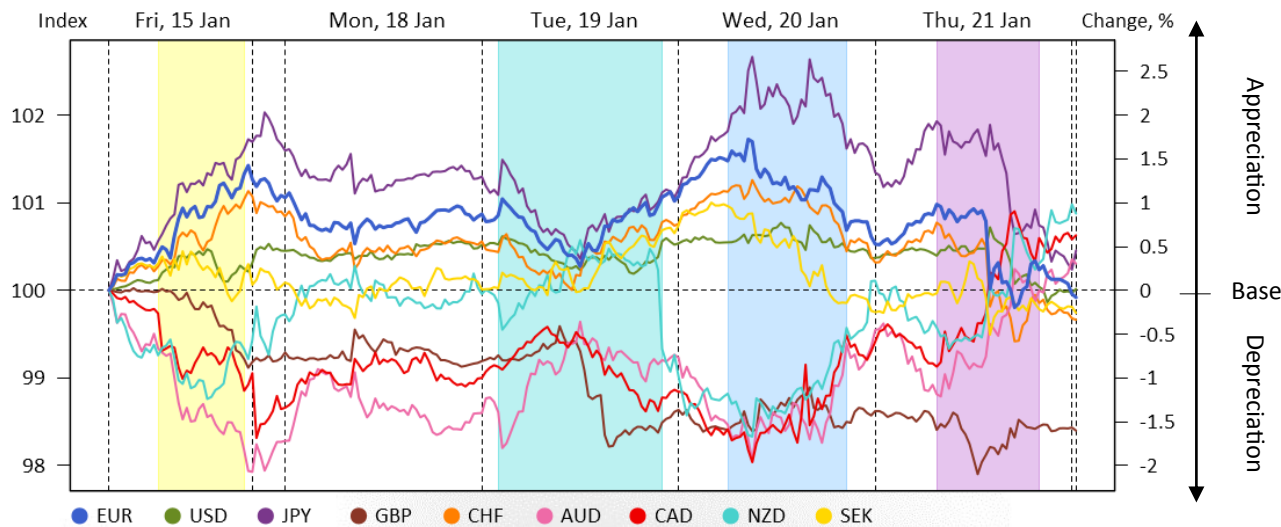
4.11





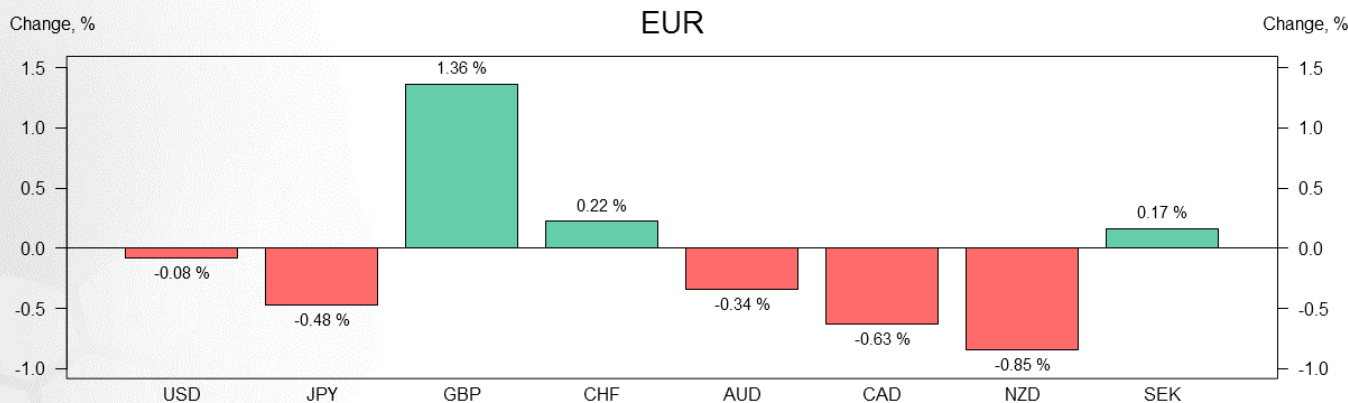
# Relative Currency Strength

## Currency Indexes



Euro was one of the best performers last week. It came virtually at par with Swiss franc and Greenback and was surpassed only by the Yen. All of the other currency indices lagged at least 1% behind the Euro. From the very beginning Euro index showed strong commitment to be amongst the best performers in the period. It ended Friday 1.1% above the base while losing additional points the next day. On Tuesday the latest inflation data from the Euro zone failed to set direction for the pair and it remained at its lows of the period. Annual euro area inflation remained stuck at mini-growth in December.

Nevertheless, on Wednesday the single European currency skyrocketed again after Asian stocks plunged and investors shifted focus to safe-haven assets. Thursday, in turn, again pushed the Euro down, mainly due to the European Central Bank decision to make no changes in monetary policy and keep the deposit rate at -0.3% and the main refinancing rate at 0.05%. At the end of the period, the Euro index remained in line with its opening value. Additionally, the ECB President Mario Draghi surprised markets by saying the bank could reconsider its policy in March, beating the single European currency down by around 100 pips against the US dollar.



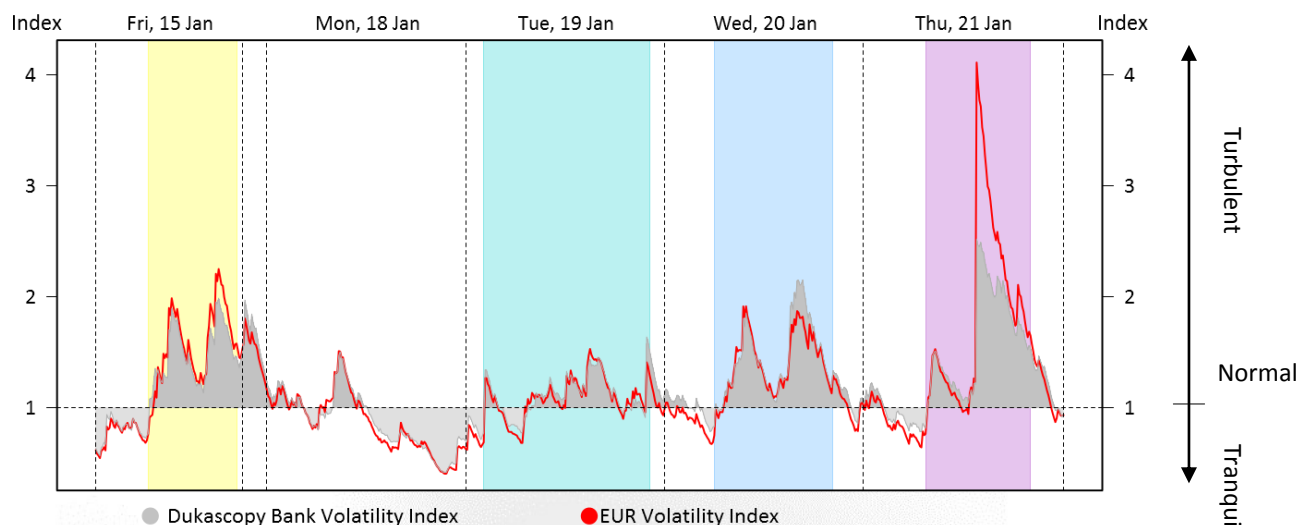
## Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.08%	0.02%	0.45%	-1.6%	-0.34%	0.3%	0.63%	0.88%	-0.26%
20	1.52%	1.71%	4.65%	-3.04%	0.18%	-1.68%	-1.55%	-2.59%	0.33%
130	1.73%	2.58%	8.48%	-6.36%	-2.87%	-1.48%	-7.25%	2.31%	3.14%
250	2.02%	9.55%	9.89%	2.42%	-8.13%	-6.51%	-6.73%	-6.79%	4.27%



# Volatility

## Volatility



Levels of volatility remain rather moderate. Elevated volatility (above the usual (long term value; 1.0 in the index scale) is being observed in 55%, or more, of the time in a clear majority of the cases (market and individual currency pairs). In addition, average volatility is at 92 to 131% of the long term level. Highlight of the period, in terms of volatility, as anticipated, was observed on Thursday. We saw three peaks in market volatility (2.3, 2.1 and 4 times higher than the usual level). First one is attributable to the poor US retail sales. The second one, after the publication of the US inflation report, even though it missed expectations.

Inflation in the US for December ticked higher from 0.5% to 0.7% year-on-year, while the monthly change decreased from 0.0% to -0.1%. The EUR/USD volatility at the same time was at the highest level in the period as well 2.1 times higher than normal. The last noticeable peak in volatility was observed on Thursday, after the European Central Bank kept its monetary policy unchanged, while ECB President Mario Draghi spoke of a possible reconsideration of the Bank's policy in March in the same day. Although, during the other days of the period the abnormal volatility levels were much more modest it shows a positive trend of market being active in all of the trading days.

### Elevated Volatility (% of the observed period)

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
65	60	34	41	58	37	74	58	71	50

### Volatility Index (for the observed period)

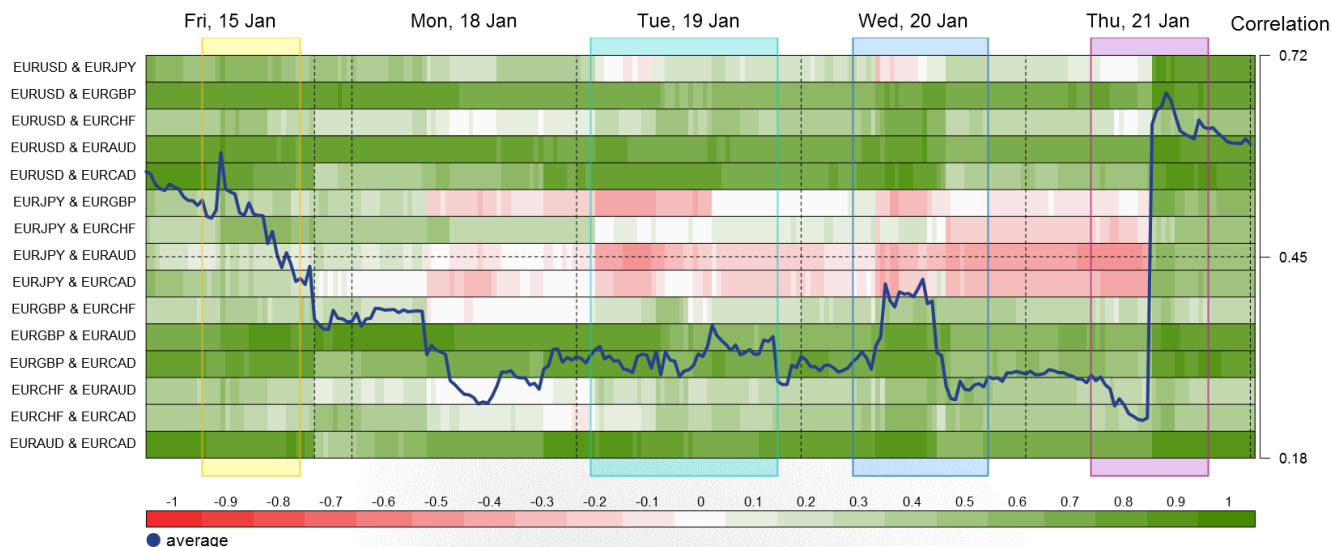
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.52	4.11	5.47	4.37	5.09	2.89	3.89	4.47	3.68	3.16
Min	0.41	0.4	0.3	0.32	0.35	0.25	0.28	0.32	0.36	0.31
Average	1.17	1.17	0.99	1.06	1.25	0.92	1.23	1.31	1.23	1.07





# Currency Significance

## Correlations

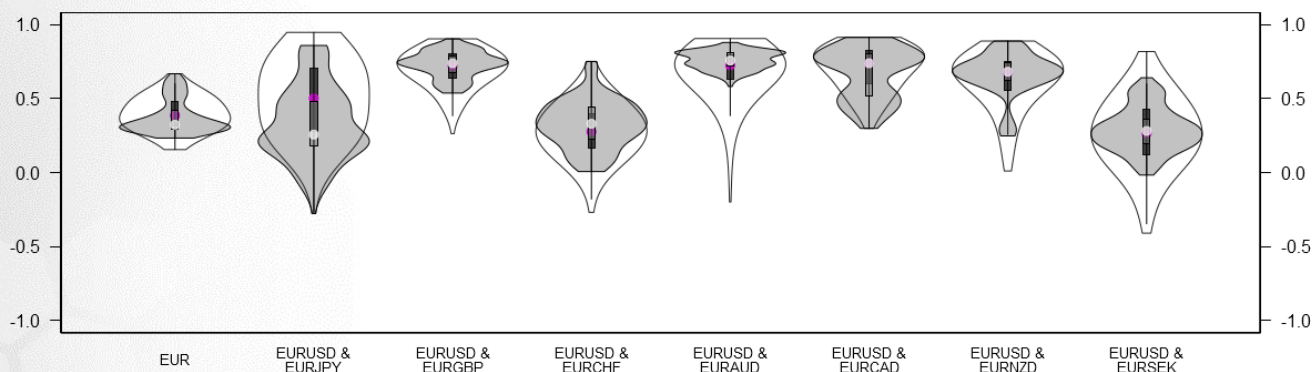


Significance of the Euro, measured as an average correlation between various Euro crosses, was mixed in the period of analysis. The gauge started the period at 0.61 and ended it at 0.68. The change in the gauge in the period was pretty surprised with one major recovery at the end of the week. Average correlation was steadily decreasing until Thursday affected by economic announcements from the different regions. As surveyed, the ECB decided to maintain the lending rate at a record low

Level of 0.05%, along with the deposit rate remaining at -0.30%.

However, the gauge also managed to hit the highest level in the period, 0.58, almost right from the beginning since the US dollar was weak after weak retail sales and Empire Fed manufacturing data. American retail sales disappointed, as consumers did not do much holiday shopping in December, which raised concerns about whether consumption will be able to rebound in the spring. Total nominal retail sales fell 0.1% in December, in line with forecasts. Both, Monday and Wednesday, demonstrated similar turn of events, as well as level of correlation.

## Correlations (5 vs 20 days)



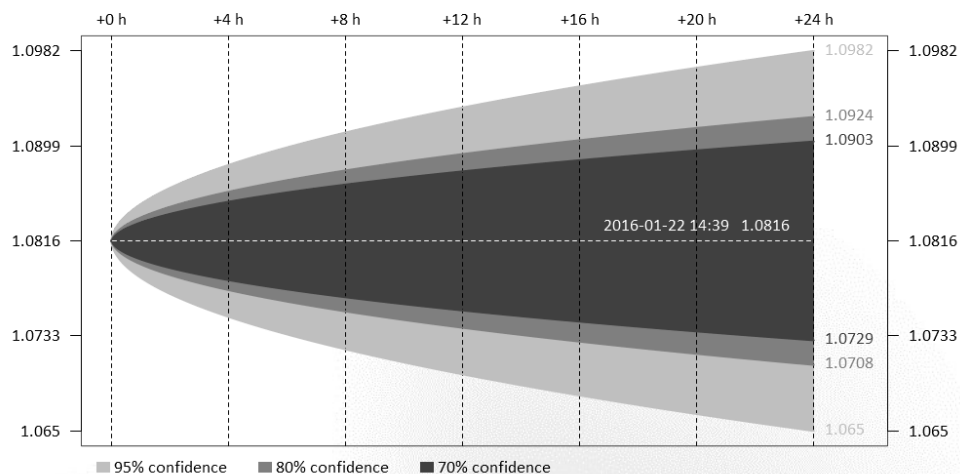
## Mean Correlation Coefficient (with EURUSD)

Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.37	0.33	0.73	0.33	0.76	0.66	0.66	0.29
20	0.4	0.5	0.7	0.28	0.68	0.71	0.63	0.27
130	0.38	0.65	0.7	0.33	0.52	0.67	0.43	0.22
250	0.4	0.72	0.7	0.36	0.48	0.66	0.42	0.2

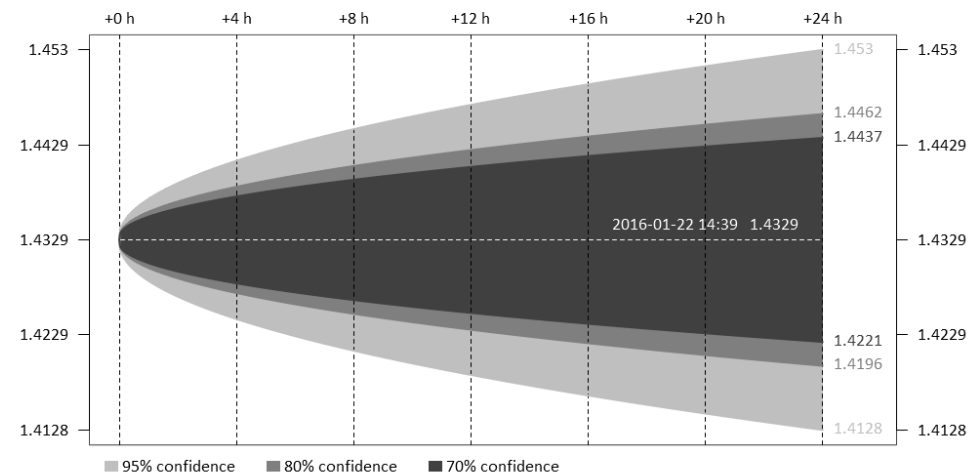
Friday, January 22, 2016  
15:30 GMT

# Confidence Intervals for Next 24 Hours

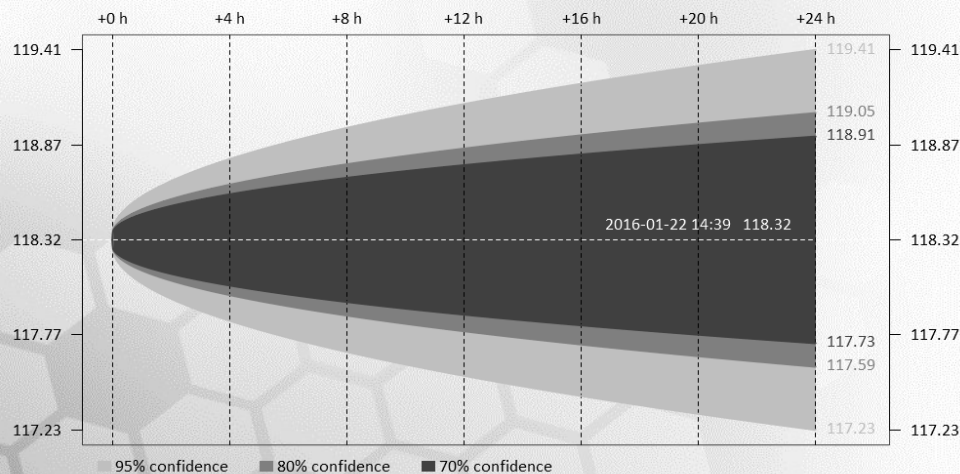
EURUSD Potential Rates



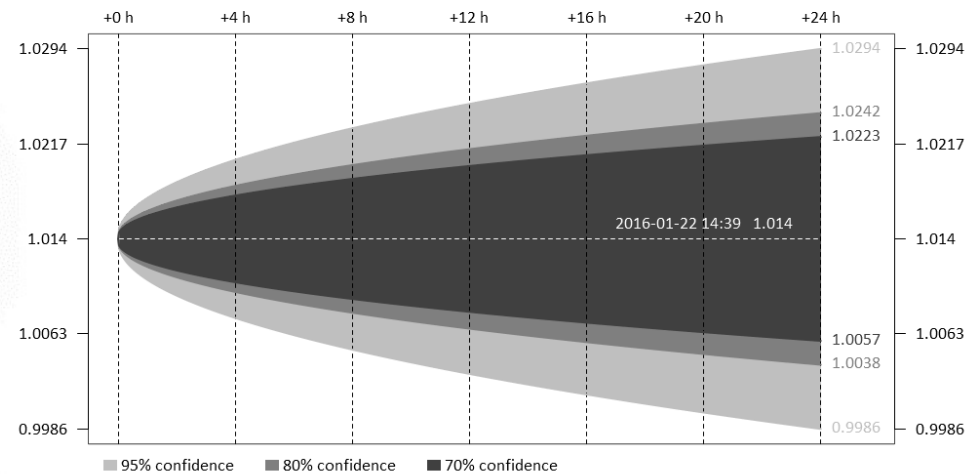
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



## EXPLANATIONS

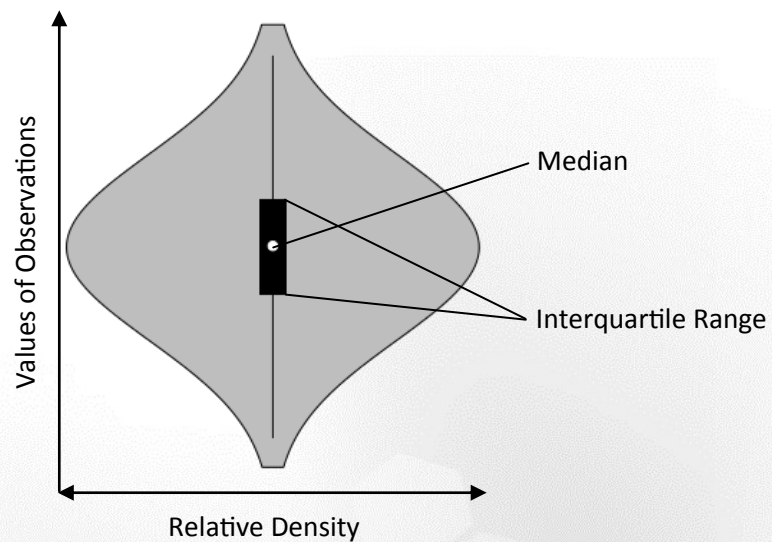
### Violin Plot

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

### Methodologies

Volatility Index

Confidence Interval







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