



27/01/2016



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Market Research





Dominant Events of the Period

Yellow Area

January 20

04:00 - 22:00

- Canadian Manufacturing Sales
- Bank of Canada Interest Rate Decision
- US CPI and Building Permits
- UK Claimant Count Change

Turquoise Area

January 21

04:30 - 19:30

- ECB Interest Rate Decision and Press Conference
- US Unemployment Claims, Crude Oil Inventories and Philadelphia Fed Manufacturing Index

Blue Area

January 22

05:00 - 18:30

- Canadian CPI and Retail Sales
- ECB President Draghi Speaks
- Euro zone Flash Manufacturing PMI

Purple Area

January 25

06:30 - 17:30

- German IFO Business Climate
- ECB President Draghi Speaks

Orange Area

January 26

06:00 - 21:30

- BOE Governor Carney Speaks
- US CB Consumer Confidence

CAD Currency Index Change

0.84%

1.26%

1.17%

-0.56%

1.03%

Max CAD Volatility Index

3.54

2.2

1.65

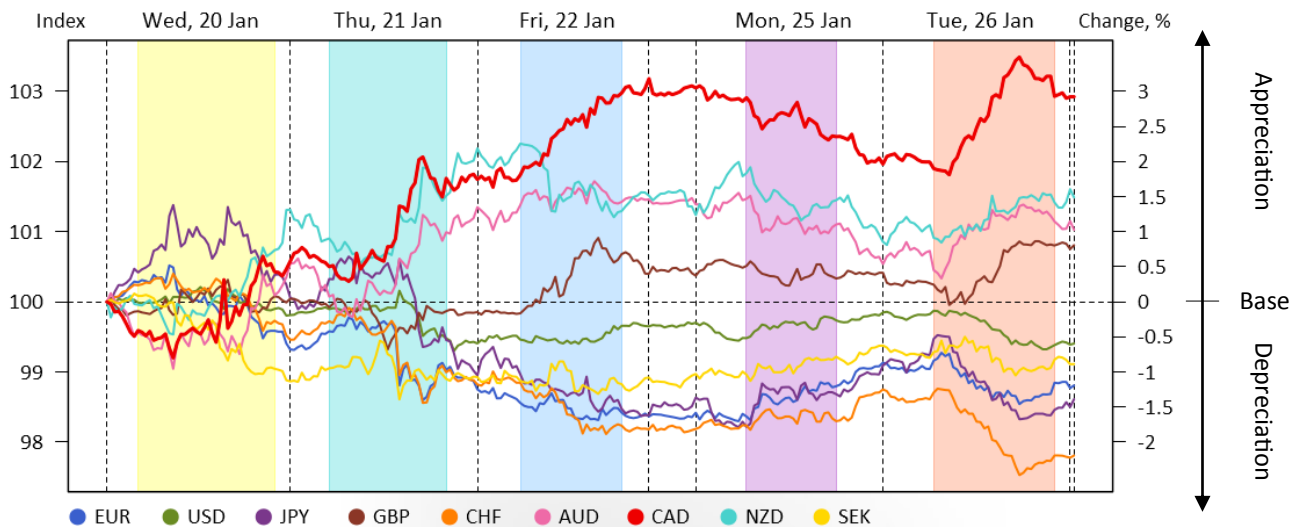
1.33

1.28



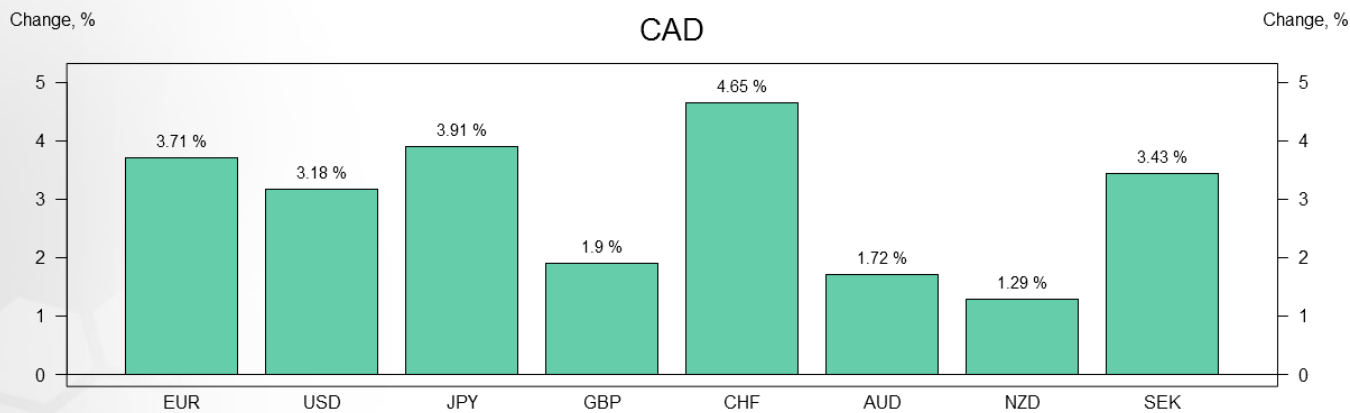
Relative Currency Strength

Currency Indexes



The total number of economic events was declining every day throughout the period ended Jan 26. Despite that, currency markets were kept in volatile mode due to other factors. They included continuous instability in global equity markets, even though we have seen some improvement of the situation after the ECB and the PBOC said they will provide more support. Additionally, oil prices are still hovering near \$30 a barrel. The latter fact, however, failed to derail commodity-linked crosses including the Canadian Dollar. Joined by the Aussie and Kiwi, they managed to become the best performers during the previous week and gains were held above one percent.

Canadian currency skyrocketed almost by three percentage points, with especially strong upward tendencies posted on Thursday and Tuesday. It should be pointed out that CAD was heavily driven by statistics on inflation, retail sales and also the central bank event on Wednesday of the previous week. Bank of Canada refrained from decreasing the key rate by 25 basis points and left it steady at 0.50%. Other fundamentals were mixed, with inflation falling in December and retail sales improving. The Canada-unrelated ECB rate decision on Thursday gave the market some hope for more support coming in March. Stocks rallied along with oil, which returned above \$32 by Monday. Thus, it provided CAD with another momentum to grow and close the week at +2.9%.



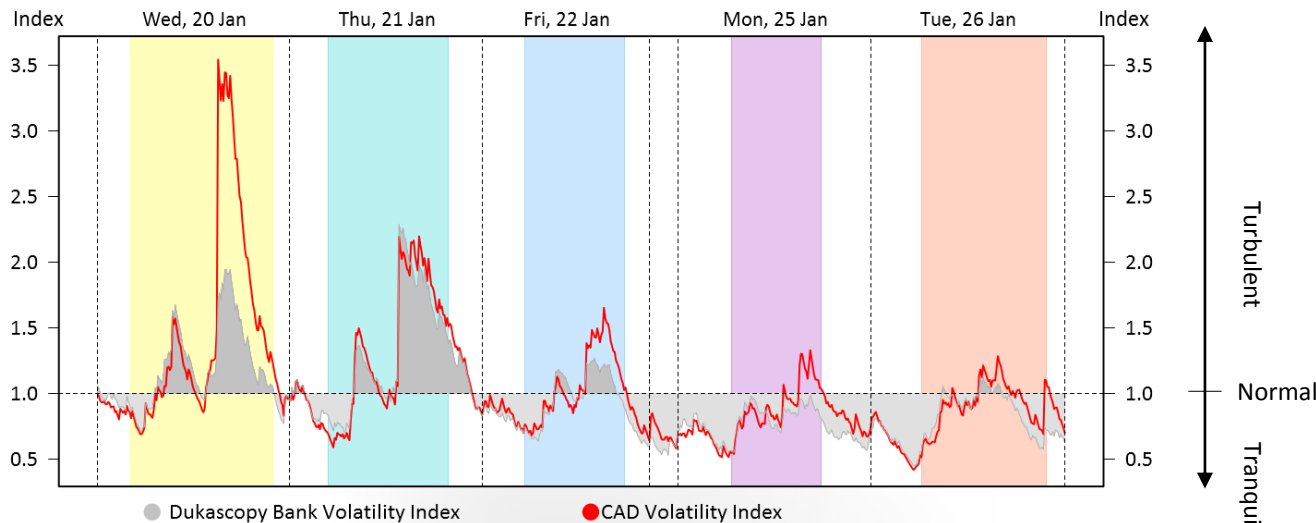
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.19%	-0.6%	-1.39%	0.81%	-2.19%	1.03%	2.92%	1.49%	-0.89%
20	1.25%	2.31%	4.23%	-1.75%	-0.88%	-2%	0.46%	-3.99%	-0.11%
130	1.55%	3.21%	8.42%	-5.91%	-3.02%	-1.76%	-6.45%	0.21%	3.97%
250	3.83%	7.69%	7.97%	2.04%	-5.98%	-6.21%	-6.21%	-7.46%	4.35%



Volatility

Volatility



Wednesday of the previous is clearly showing that Canadian events used to have great deal influence on the domestic currency. Indeed, the Bank of Canada's moderately-surprising decision created the most visible part of daily action. As we have mentioned before, the number of daily events had been falling every day and this fact was reflected in volatility of both the Canadian Dollar and the market. Tranquil Monday and Tuesday affected the overall weekly readings for elevated volatility, which stood at only 36% and 33% for CAD and market, respectively. Compared to our previous report on this currency, there has been a clear slump from 70-80% seen two weeks ago.

The most volatile currency pair was USD/CAD with an average and maximum of 1.12 and 5.06 points, accordingly. It was somewhat unexpected, because US events have not dominated during the period, except possibly on Wednesday when American CPI data was released. GBP/CAD and EUR/CAD completed the TOP-3 most volatile components. The Pound was influenced by many speeches from Bank of England officials and, on top of that, some vital fundamental events. For the Euro (and ultimately CAD), the most closely watched day was Thursday. Mario Draghi's team left rates on hold, but the President noted that more stimulus in March remains a possibility. CAD volatility spiked along with the Euro above 2.00 points.

Elevated Volatility (% of the observed period)

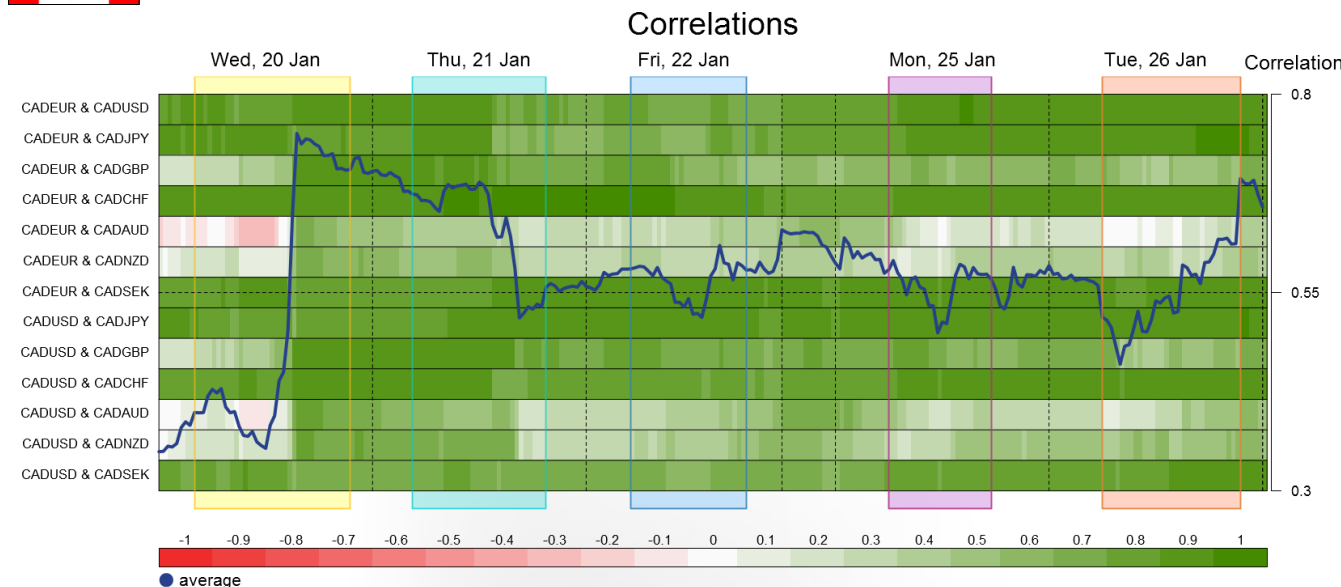
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
33	36	37	42	47	43	33	29	42	33

Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	2.29	3.54	4.14	5.06	3.43	4.72	3.16	3.92	3.38	2.9
Min	0.45	0.42	0.36	0.4	0.39	0.38	0.3	0.35	0.49	0.38
Average	0.96	1.04	1.07	1.12	1.1	1.09	0.99	0.94	1.04	0.99



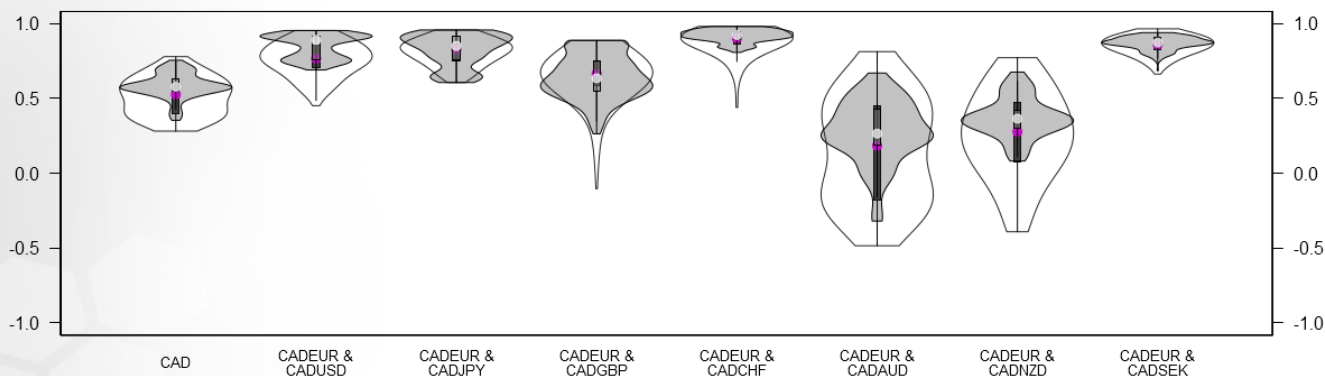
Currency Significance



Significance of the Canadian currency exceeded all possible short and long-term average indicators last week, helped by mainly unanimous and united market reactions of various CAD crosses to fundamental events from Canada and abroad. As seen from the mean correlation coefficient table, the average correlation between currency pairs stood at 0.58 points, well above the 20-day average of 0.51 and annual mean of just 0.43 points. With EUR/CAD the most correlated currency pairs normally include US Dollar, Japanese Yen and Swiss Franc due to the safe haven status of these currencies and the Euro.

The composite began to see some stability after the BOC rate decision, when it reached the five-day highest level of 0.75 points. Prior to that, some components which included the Aussie and Kiwi had even posted red correlations due to inability of oil-dependent currencies to move in parallel to the Euro and US Dollar. The composite has somewhat weakened by Thursday afternoon, but later stabilised near 0.55 points until the last day of the period. On Tuesday, we could initially anticipate that the composite was going to drop after oil prices resumed sliding. However, after reaching the weekly low of 0.46 points it started to climb and closed the week around 0.66 points. Oil reversed losses after Russian and Saudi Arabian producers said they may consider cutting production in order to increase prices.

Correlations (5 vs 20 days)



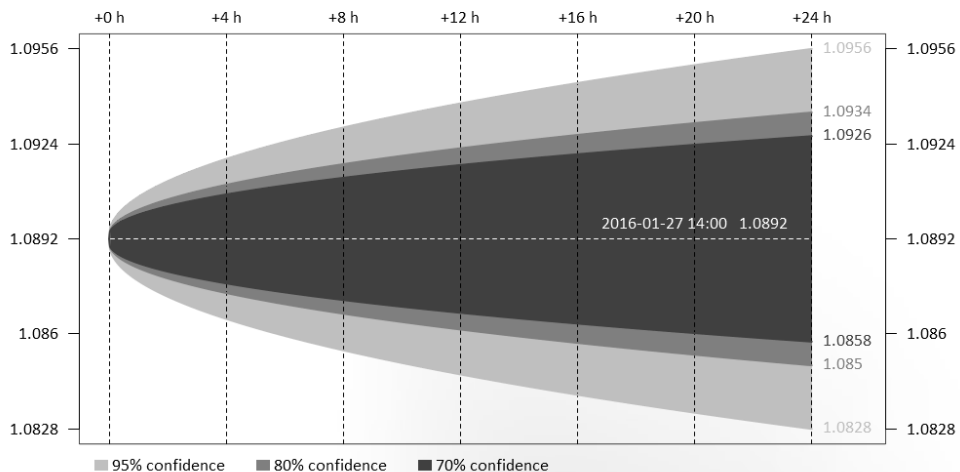
Mean Correlation Coefficient (with CADEUR)

Days	CAD	CADUSD	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.58	0.85	0.82	0.64	0.92	0.28	0.37	0.87
20	0.51	0.76	0.81	0.65	0.88	0.15	0.26	0.86
130	0.46	0.56	0.69	0.6	0.8	0.24	0.28	0.78
250	0.43	0.41	0.52	0.56	0.72	0.32	0.35	0.76

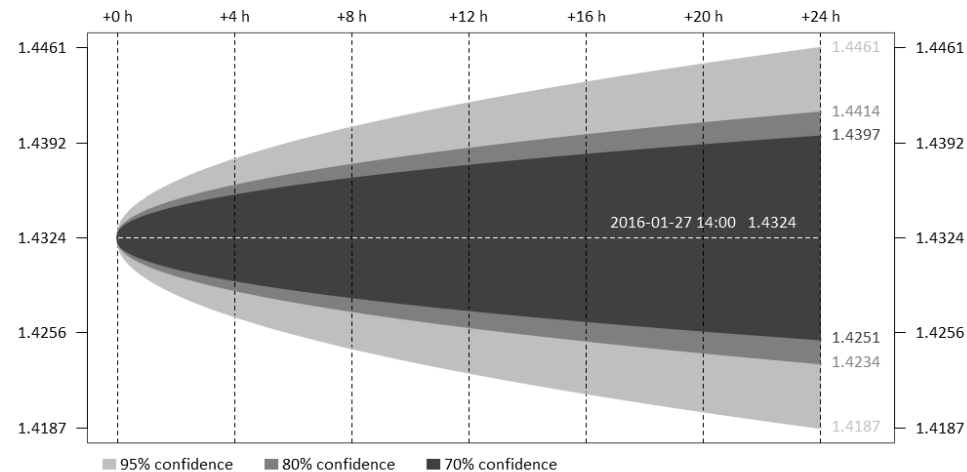
Confidence Intervals for Next 24 Hours

Wednesday, January 27, 2016
16:30 GMT

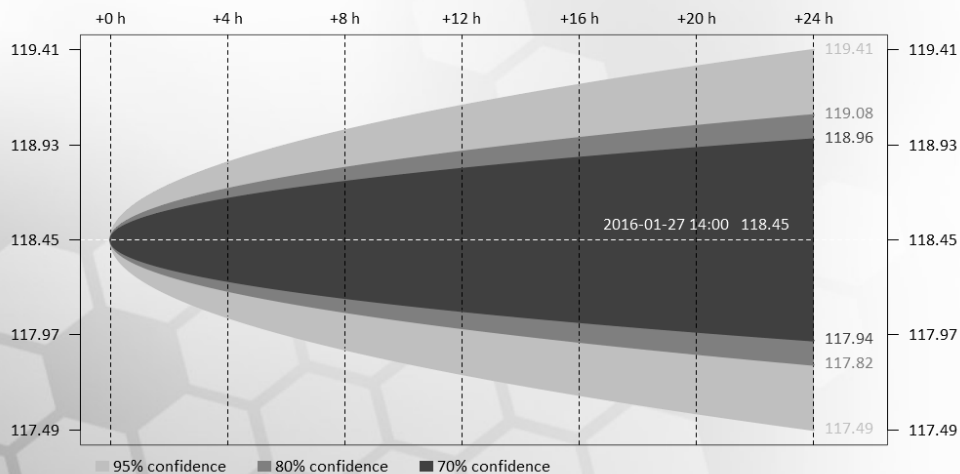
EURUSD Potential Rates



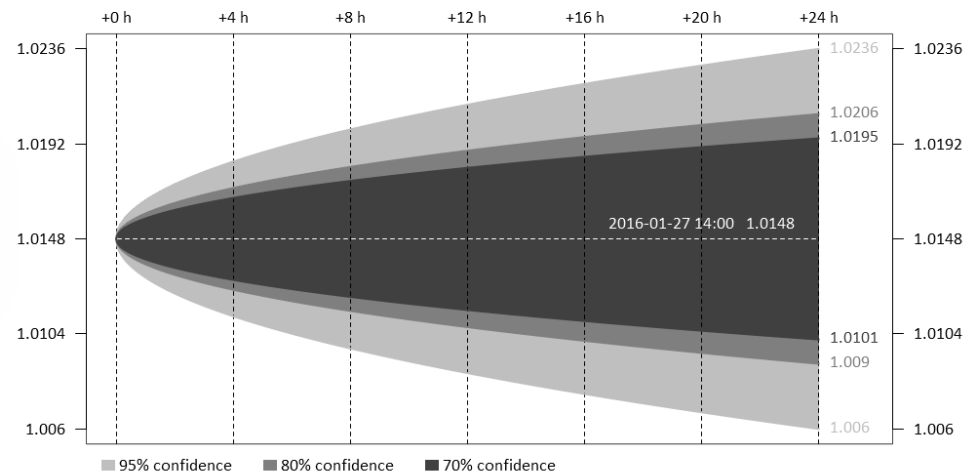
GBPUSD Potential Rates



USDJPY Potential Rates



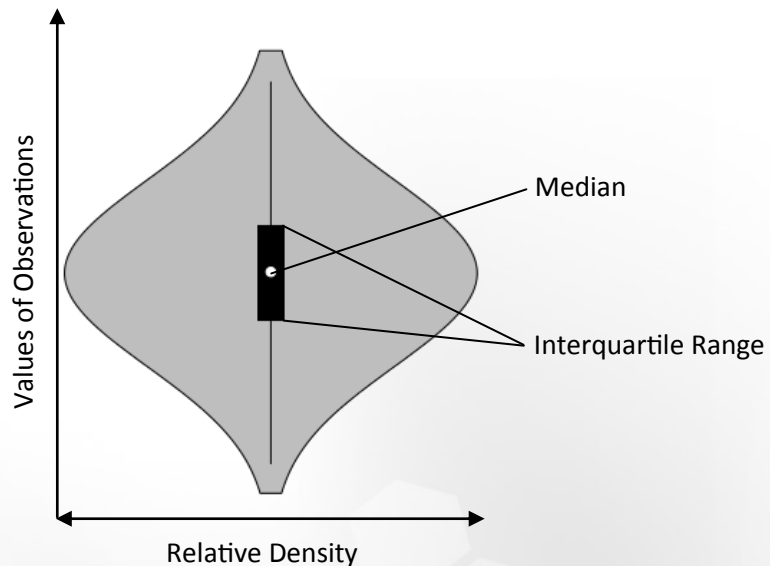
USDCHF Potential Rates



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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