



**EUR**

29/01/2016



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RESEARCH PRODUCTS



# Market Research





# Dominant Events of the Period

## Yellow Area

January 22

08:30 - 17:00

- German Manufacturing PMI, Markit Services PMI
- EU Markit Services PMI, Markit Manufacturing PMI
- Canadian Consumer Price Index, BoC Consumer Price Index
- US Markit Manufacturing PMI

## Turquoise Area

January 27

07:00 - 22:00

- US New Home Sales, US Fed Interest Rate Decision
- NZD Interest Rate Decision, Trade Balance, Imports, Exports

## Blue Area

January 28

08:00 - 17:00

- UK Gross Domestic Product
- US Initial Jobless Claims, Durable Goods Orders, Pending Home Sales

EUR Currency Index Change

-0.1%

0.49%

0.4%

Max EUR Volatility Index

1.23

2.18

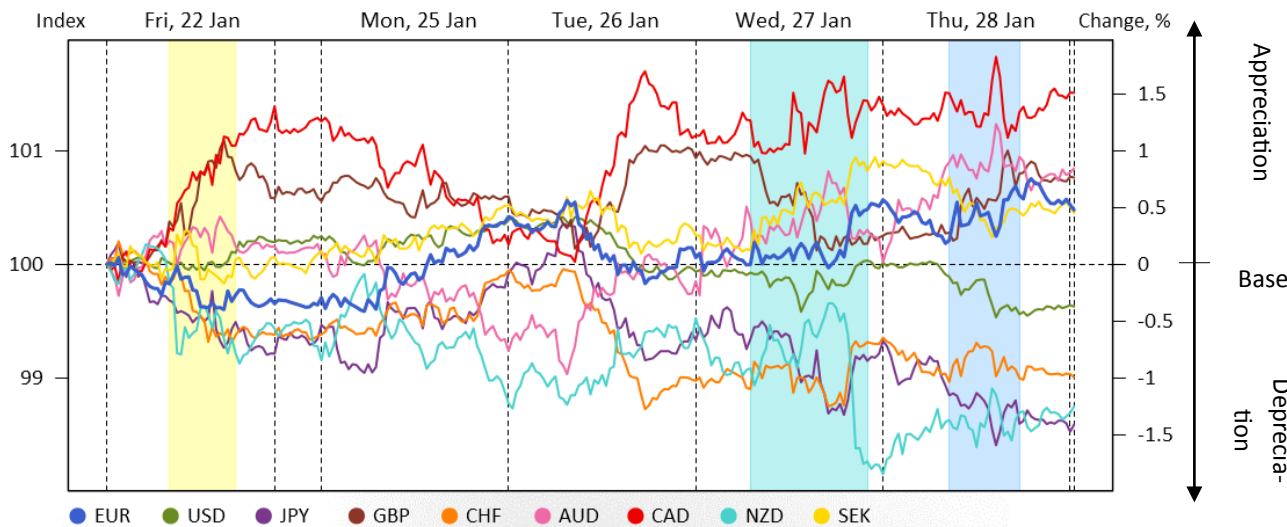
1.58





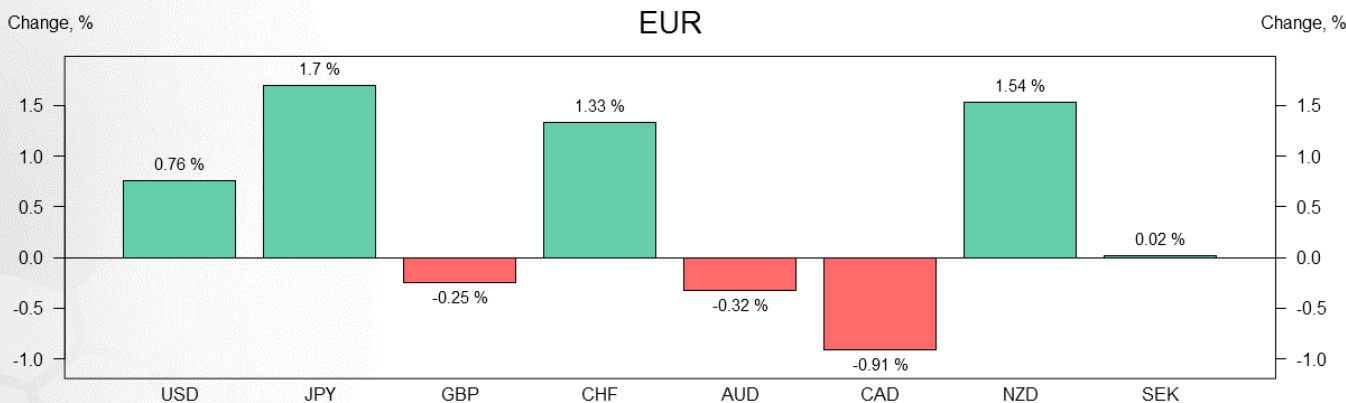
# Relative Currency Strength

Currency Indexes



After a plunge amid more favorable data from the US and anticipation of further action by the European Central Bank on January 22 and some wobbly movements on the following Friday, the EUR Index rushed through the new week on an uptrend, ultimately becoming one of the best performer of the period. The single currency posted modest weekly loses against the pound, the Canadian dollar and the krona, whose indexes held in the appreciation area throughout the whole period, but managed outperform notably the Pacific currencies and the Swiss franc.

The EUR Index started the period on a weak note due to surprisingly dovish statement from the European Central Bank President Mario Draghi, who announced a re-evaluation of the current policy measures on March, highlighting still low inflation and the recent market turmoil. The index lost 0.5 points on disappointing news, and finished the week among the worst performers, side-by-side with the Swiss franc and the New Zealand dollar. The new week, however, set off a steady recovery, and the index climbed to its final mark of 100.5 points with practically no dips along the way. The sharpest jump took place on Monday and Thursday.



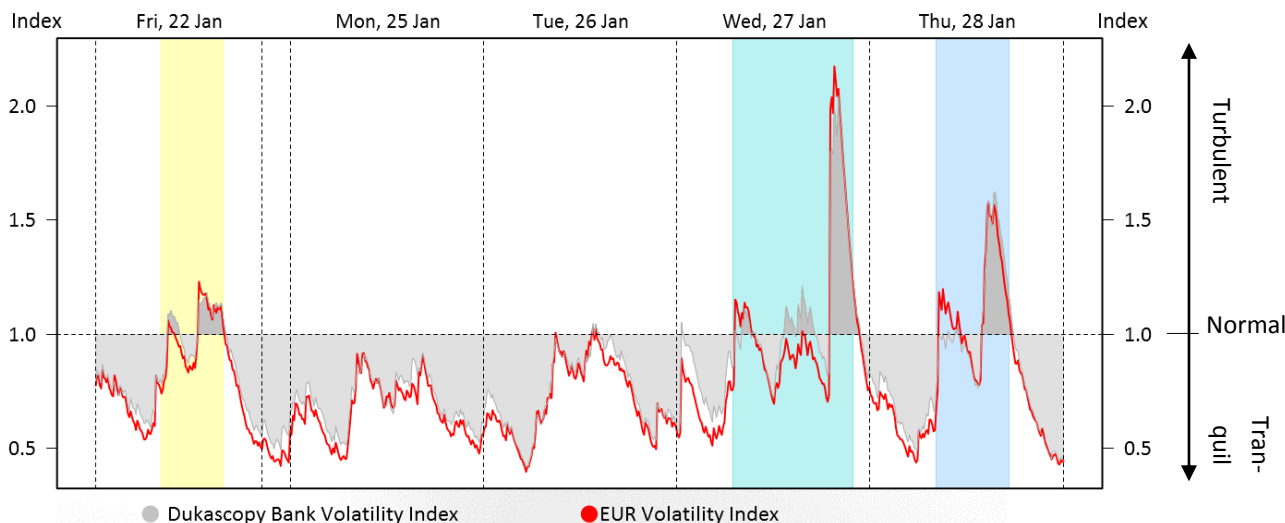
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.48%	-0.37%	-1.41%	0.76%	-1%	0.84%	1.51%	-1.25%	0.45%
20	1.96%	1.85%	3.29%	-1.65%	-0.91%	-1.61%	0.68%	-4.51%	0.58%
130	1.54%	3.16%	7.81%	-6.02%	-3.45%	-0.97%	-5.65%	0.43%	3.46%
250	3.62%	7.22%	6.13%	1.25%	-5.36%	-4.99%	-5.61%	-6.63%	4.39%



# Volatility

## Volatility



In spite of the fact that the period was rich with influential economic events, the market volatility during the period was mostly below the historical level and slightly exceeded it only in 15% of time. However, on Thursday, at the end of the observed period the Euro's volatility skyrocketed significantly almost above the historical level. Such a strong reaction started after the Federal Reserve decided to keep interest rates unchanged between 0.25% and 0.50%, following the first rate hike from the record low in a decade. The next day, the volatility continued, since the US durable goods orders for December crashed from -0.5% to -5.1%,

with the ex-transport gauge dropping to -1.2% from -0.5% previously. In addition, the US initial jobless claims improved from 294.000 to 278.000 and continuing claims worsened from 2.219k to 2.268k. A few hours later, the pair rose further despite the ECB Governing Council member and President of Germany's Bundesbank Jens Weidmann said on Thursday that the bond purchase program is nearly the same thing as money printing. However, the euro volatility measure exceeded slightly the 1.5 mark till Thursday.

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

Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
17	14	9	11	35	29	12	22	10	28

### Volatility Index (for the observed period)

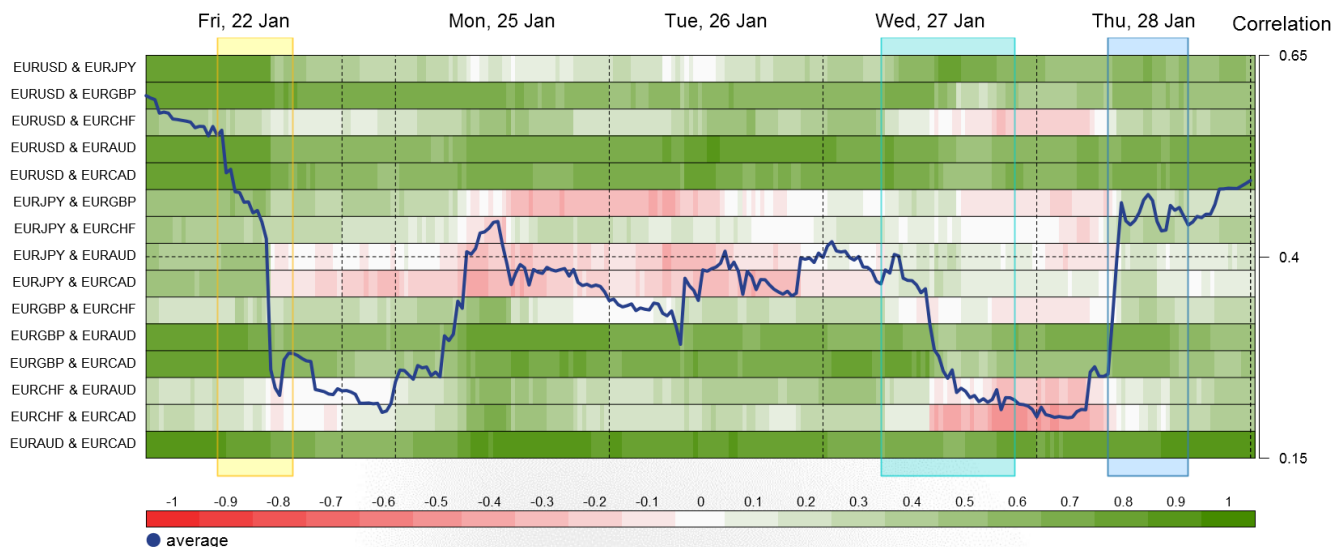
	Market	EUR	EURUSD	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
Max	2.05	2.18	2.23	1.7	2.87	2.65	2.22	3.14	2.82	2.4
Min	0.42	0.4	0.28	0.32	0.32	0.35	0.23	0.35	0.25	0.22
Average	0.82	0.78	0.66	0.71	0.87	0.88	0.75	0.85	0.74	0.83





# Currency Significance

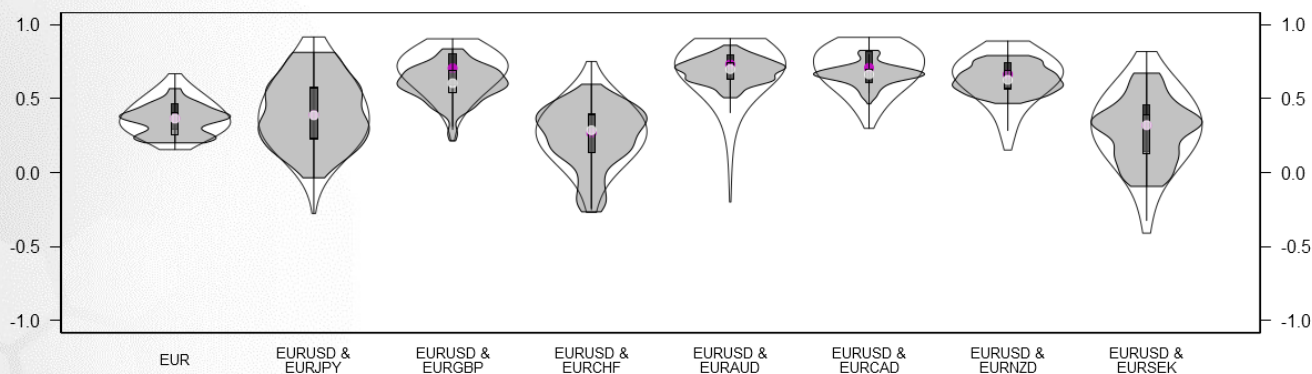
## Correlations



The period was marked by an increase in the average values of all observed correlation pairs. The most noticeable strengthening was observed in the bonds between EUR/USD and the EUR/JPY as well as EUR/CHF. Changes of the average EUR/USD correlations with EUR/AUD, EUR/CAD and EUR/NZD, in turn, were minimal, even though the dynamics of the component was rather animate. It held at the level of 0.35, but during the weekend and at the Wednesday's evening, sharp falls of the component were noted, bringing it as low as 0.20 and notably skewing the average.

On Friday, the single European currency decreased as expectations for fresh central bank easing bolstered risk appetite, dampening safe haven demand for the yen and the Swiss franc. Then followed a three-day period of the gradual increase of the composite, and by Wednesday noon it reached a 0.4 mark – almost the maximum level of the period, after the highly anticipated Federal Open Market Committee (FOMC) rate decision. However, almost at the same day, the measure went down. The turning-point of the week, however, occurred on Thursday, since the US durable goods orders decelerated very notably.

## Correlations (5 vs 20 days)

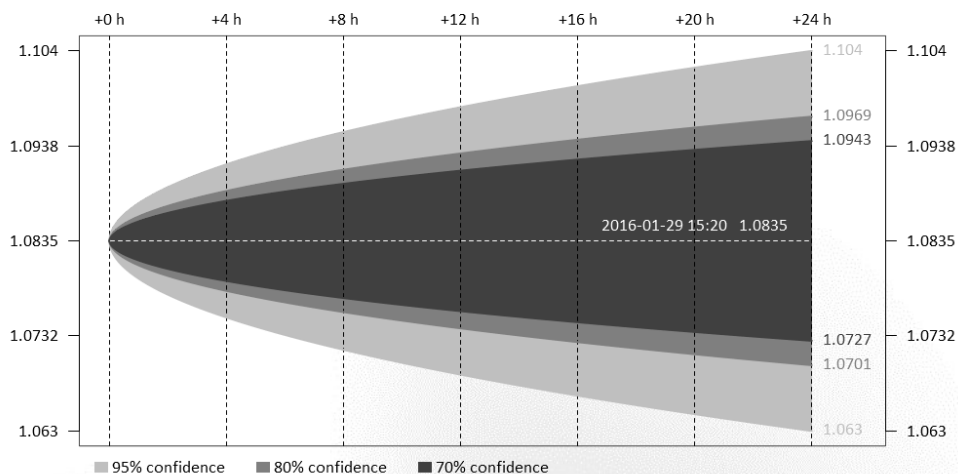


## Mean Correlation Coefficient (with EURUSD)

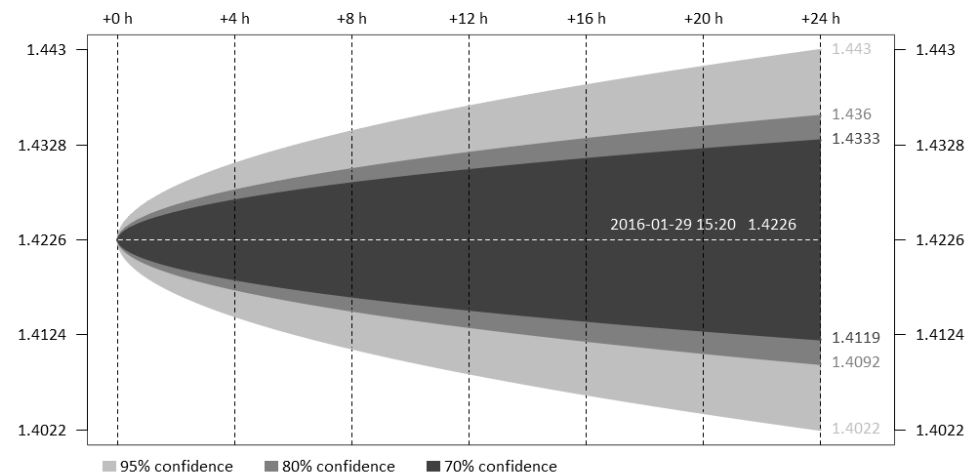
Days	EUR	EURJPY	EURGBP	EURCHF	EURAUD	EURCAD	EURNZD	EURSEK
5	0.35	0.41	0.6	0.24	0.69	0.67	0.63	0.28
20	0.38	0.4	0.68	0.26	0.69	0.7	0.64	0.3
130	0.38	0.63	0.7	0.32	0.53	0.67	0.45	0.22
250	0.39	0.71	0.7	0.35	0.48	0.66	0.42	0.2

# Confidence Intervals for Next 24 Hours

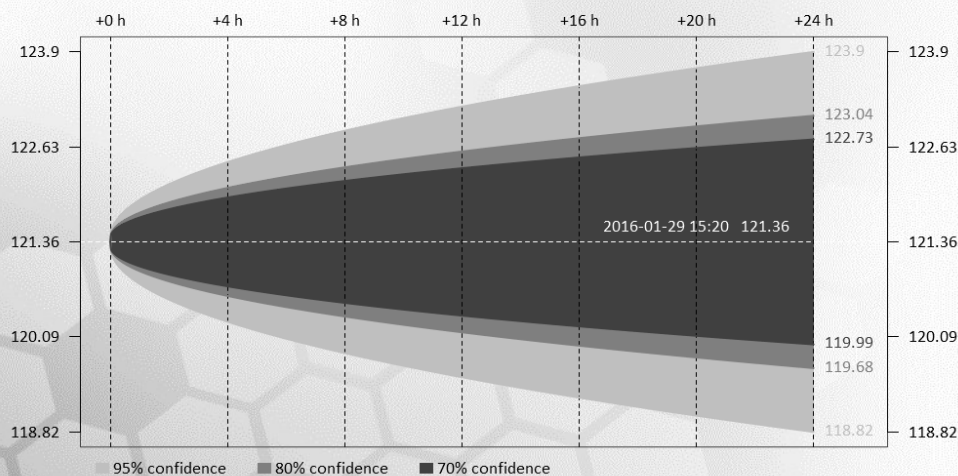
EURUSD Potential Rates



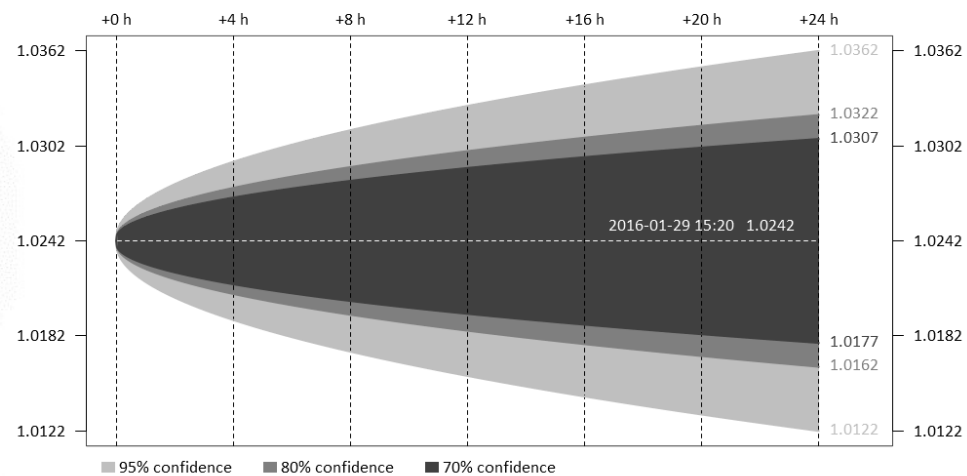
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates



## EXPLANATIONS

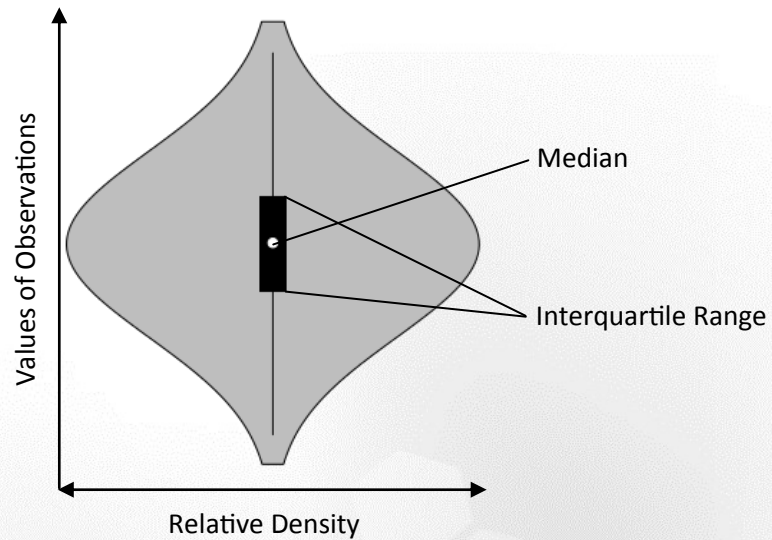
### Violin Plot

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

### Methodologies

Volatility Index

Confidence Interval







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