



**USD**

01/02/2016



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**Market Research**





# Dominant Events of the Period

## Yellow Area

January 27

07:00 - 20:00

- German Gfk Consumer Confidence Survey
- Swiss UBS Consumption Indicator
- US New Home Sales
- Fed Interest Rate Decision
- RBNZ Interest Rate Decision

## Turquoise Area

January 28

08:00 - 15:30

- Swedish Retail Sales, Unemployment Rate
- UK Flash GDP
- German Flash CPI
- US Jobless Claims, Durable Goods Orders, Pending Home Sales

## Blue Area

January 29

03:00 - 17:00

- BoJ Interest rate Decision
- German Retail Sales
- Swiss KOF Leading Indicator
- EMU Flash CPI
- US Flash GDP, Flash Personal Consumption Expenditures
- Canadian GDP

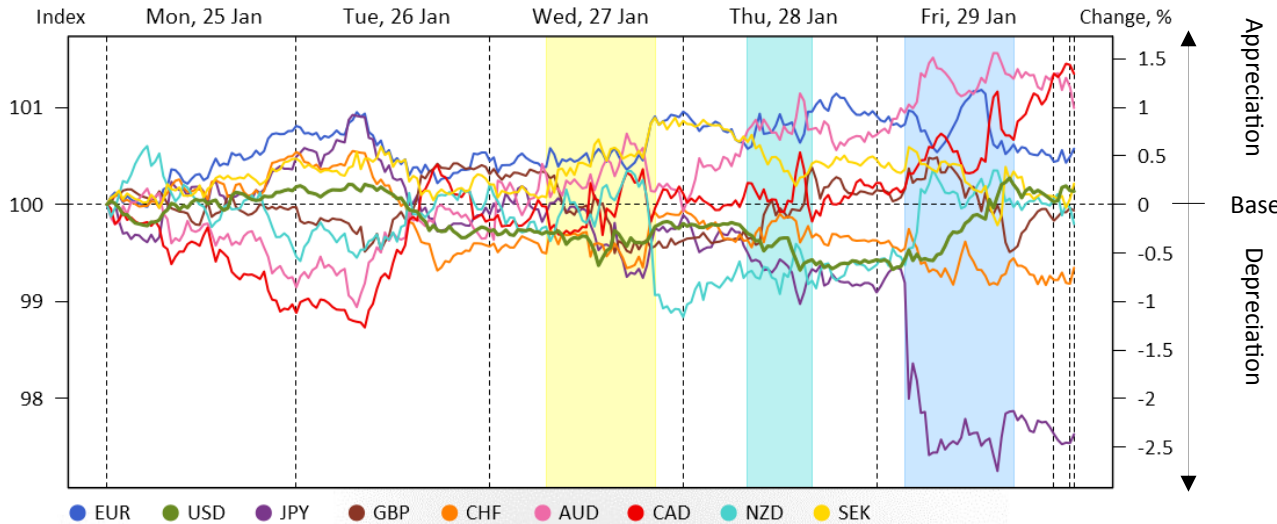
|                           |       |        |       |
|---------------------------|-------|--------|-------|
| USD Currency Index Change | 0.05% | -0.27% | 0.77% |
| Max USD Volatility Index  | 2.1   | 1.65   | 2.29  |





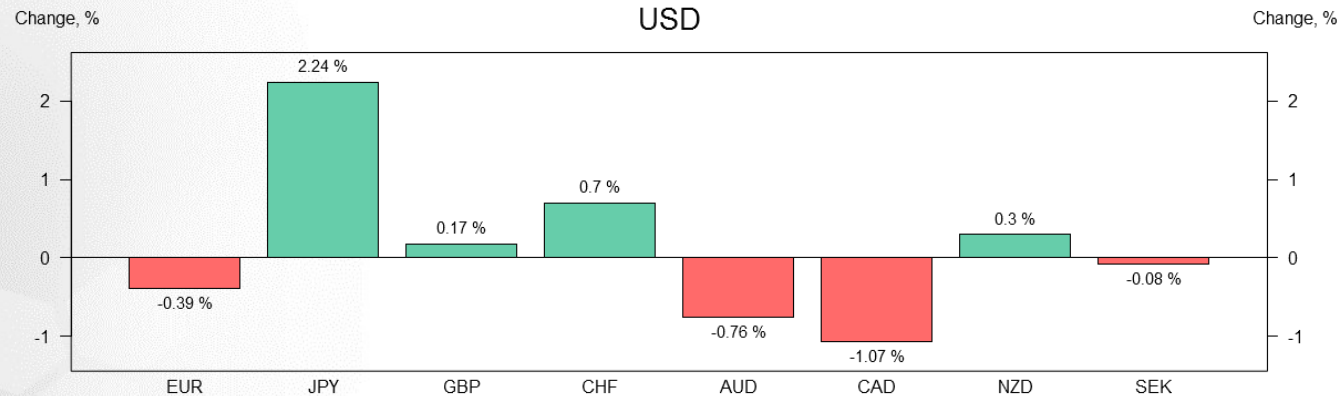
# Relative Currency Strength

Currency Indexes



The past week was full of ups and downs, but the market managed to retain its previous leaders and losers. Thus for the second week in a row the Canadian dollar became the best performer of the period, whereas the yen ended the week with a strong decrease. The BoJ's decision to introduce a negative interest rate surprised the market, and the yen fell sharply, losing 2.4%. The commodity currencies started the period with a downward trend, but the recovering of the oil prices on Tuesday became the turning point for the Loonie and the Aussie – their indexes changed direction and finished the observed week with 1.4% and 1.0% gains, respectively.

Compared with its peer currencies the Greenback was quite calm in the past period, and the USD Index gained only 0.14 points. The measure spent the beginning of the period above the 100-point level, but dropped below the baseline after the increase in the commodity currencies and stayed there till Friday. Though on Wednesday the Fed's monetary policy report contributed to the strengthening of the dollar, on Thursday the unexpectedly low US durable goods orders pushed the Greenback down, and the index fell to the period's low of 99.32. However, on Friday, against the background of the yen's sharp fall, the USD Index showed a strong upward trend and, even despite the decrease of the US GDP, overcame the baseline and finished the period with the slight gain.



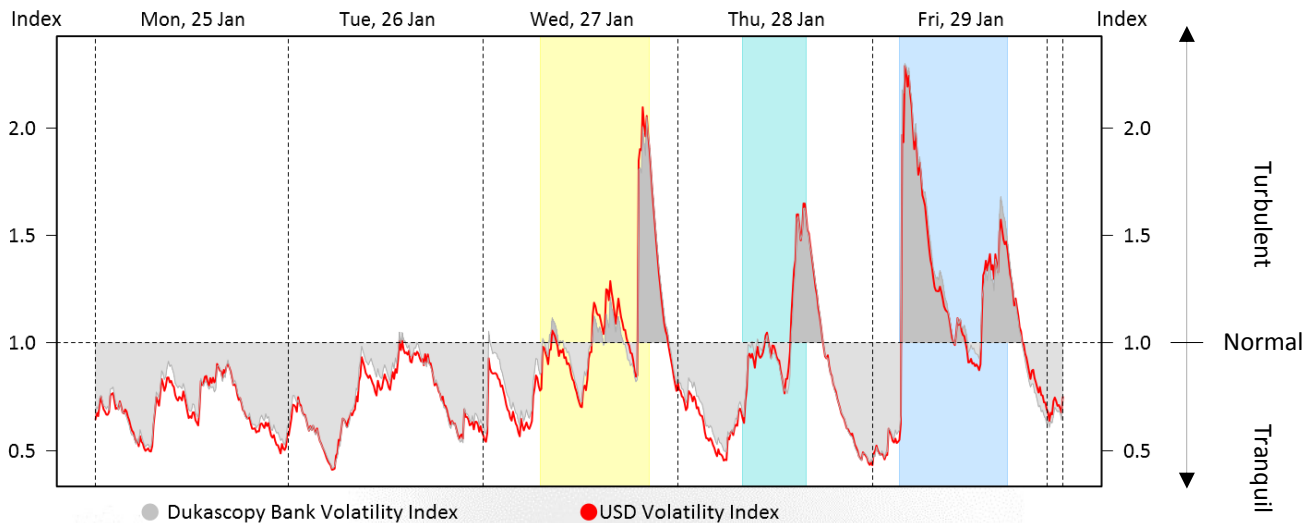
Currency Index Change

| Days | EUR   | USD   | JPY    | GBP    | CHF    | AUD    | CAD    | NZD    | SEK   |
|------|-------|-------|--------|--------|--------|--------|--------|--------|-------|
| 5    | 0.58% | 0.14% | -2.37% | -0.06% | -0.65% | 0.99%  | 1.35%  | -0.2%  | 0.21% |
| 20   | 1.71% | 1.98% | 0.69%  | -1.58% | -0.61% | -0.71% | 1.38%  | -3.18% | 0.16% |
| 130  | 1.71% | 2.74% | 5.78%  | -6.63% | -3.33% | -0.44% | -3.93% | 0.68%  | 4.02% |
| 250  | 2.47% | 7.26% | 3.23%  | 0.84%  | -3.82% | -3.54% | -3.62% | -5.86% | 3.03% |



# Volatility

## Volatility



The past week was the first one this year during which the market's elevated volatility portion did not exceed the 50% mark, moreover, it could hardly pass the 20% level. It means that the market calmed down and there were very few events to notably affect the observed currencies. The pound and the yen became the absolute leaders in terms of turbulence, as the former posted 43% portion of elevated volatility, but the volatility measure of the latter reached the 6.0 points mark against the background of BoJ decision to put the benchmark interest rate below zero. Undoubtedly, it became the most resonant event of the trading week as both the USD and DC volatility indexes reached their 2.3

points high, but the USD/JPY component surged above the 10.0 level.

During the week the dollar's volatility measure remained mostly below the market gauge. Wednesday was the first day when the dollar showed notable turbulence increase. The activity started to rise with the release of the unexpectedly high US home sales data, and continued with the Fed's rate decision, which did not surprise the market but still influenced the volatility of the domestic currency. One hour later the similar release of the RBNZ made the NZD Index reach the 2.8 mark. The rest of the market volatility spikes were associated with the movements of the USD's counterparts, particularly, the Canadian dollar, which conspicuously reacted to the oil price changes.

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

| Market | USD | EURUSD | USDJPY | GBPUSD | USDCHF | AUDUSD | USDCAD | NZDUSD | USDSEK |
|--------|-----|--------|--------|--------|--------|--------|--------|--------|--------|
| 24     | 22  | 9      | 17     | 56     | 16     | 25     | 39     | 21     | 25     |

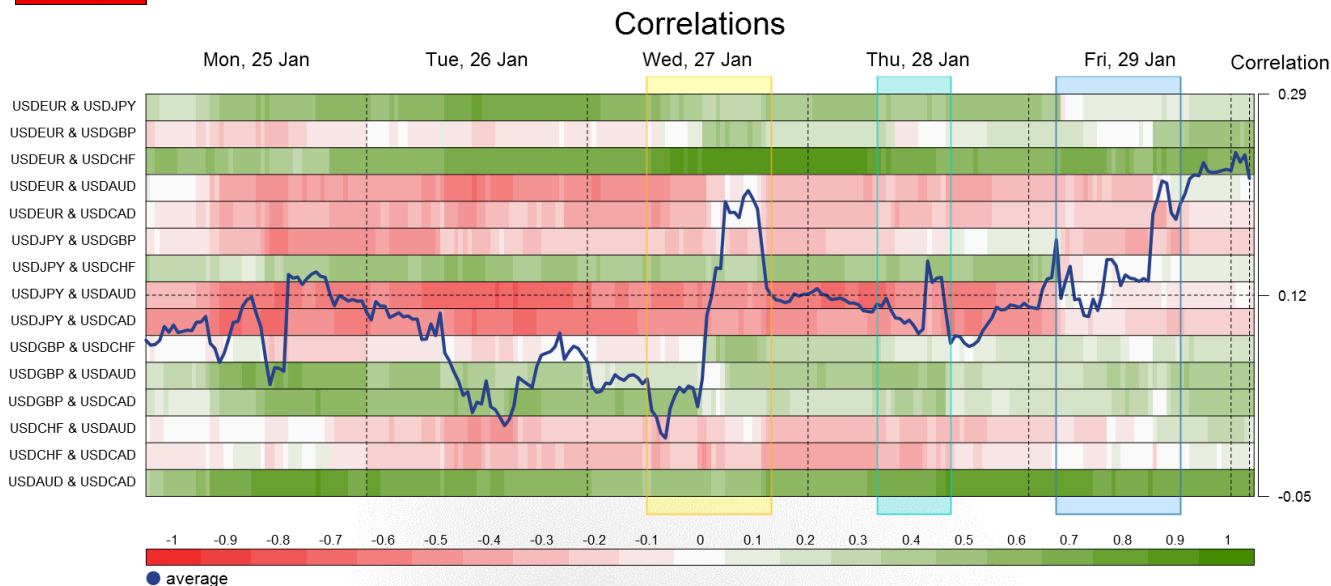
### Volatility Index (for the observed period)

|         | Market | USD  | EURUSD | USDJPY | GBPUSD | USDCHF | AUDUSD | USDCAD | NZDUSD | USDSEK |
|---------|--------|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Max     | 2.3    | 2.29 | 2.04   | 10.28  | 2.81   | 2.26   | 2.7    | 3.14   | 2.83   | 2.13   |
| Min     | 0.42   | 0.41 | 0.28   | 0.26   | 0.32   | 0.22   | 0.35   | 0.33   | 0.34   | 0.3    |
| Average | 0.88   | 0.87 | 0.67   | 0.97   | 1.11   | 0.72   | 0.87   | 1.01   | 0.84   | 0.81   |





# Currency Significance

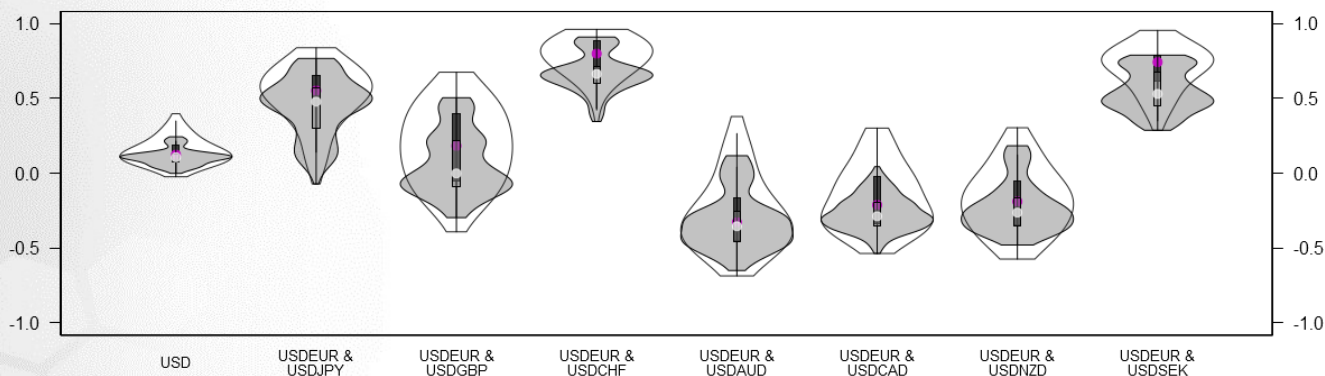


The dollars correlation composite held firmly below the significance threshold for the fourth week in a row. The measure remained heavily influenced by the commodity currencies, whose pairs' continued to inject negativity into the associated components. Thus, the USD/EUR correlation with USD/AUD, USD/CAD, and USD/NZD edged further down, bringing their averages closer to significant levels and signaling a well-defined opposing behavior. Meanwhile, the pair's bonds with USD/SEK and USD/CHF lost around 0.1 points, also contributing to the composite's

weakness.

Nevertheless, the gauge showed some signs of recovery in the second half of the week, starting a mild uptrend and peeking above the 0.20 line. The change was set off by the strengthening of bonds between USD/EUR, USD/GBP, and USD/CHF in Wednesday afternoon. Afterwards, the upward movement was richly fueled by the weakening of negative correlations between USD/JPY and USD/AUD and USD/CAD, as the dollar and the yen went their separate ways after the BoJ unexpectedly turned to negative rate policy on Friday. The dollar's composite spent the last day of the period rapidly gaining ground and entered the new week more than 0.10 points above the period's average, though still below its peers.

## Correlations (5 vs 20 days)

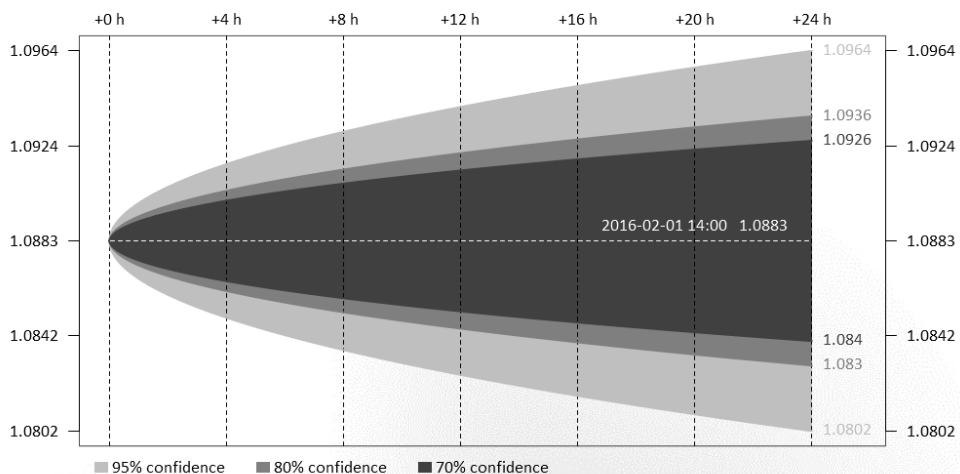


## Mean Correlation Coefficient (with USDEUR)

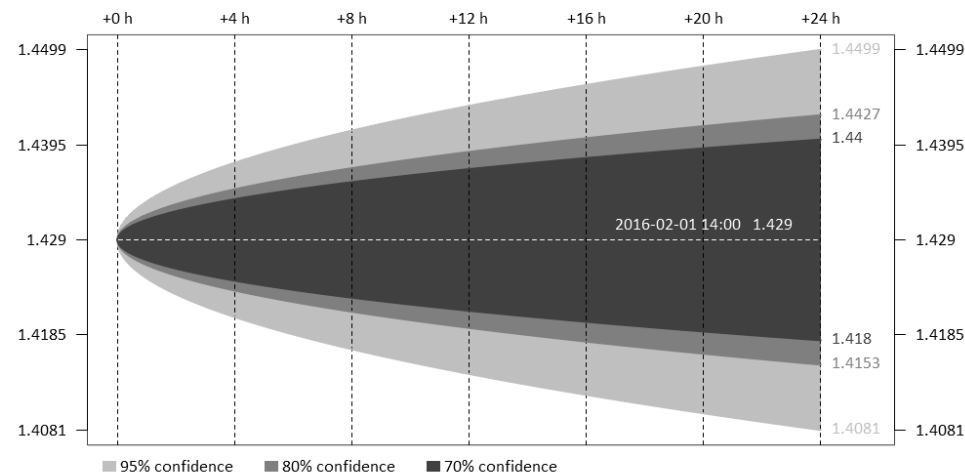
| Days | USD  | USDJPY | USDGBP | USDCHF | USDAUD | USDCAD | USDNZD | USDSEK |
|------|------|--------|--------|--------|--------|--------|--------|--------|
| 5    | 0.11 | 0.44   | 0.06   | 0.67   | -0.32  | -0.27  | -0.23  | 0.55   |
| 20   | 0.14 | 0.52   | 0.18   | 0.78   | -0.28  | -0.17  | -0.18  | 0.7    |
| 130  | 0.32 | 0.52   | 0.37   | 0.75   | 0.16   | 0.15   | 0.21   | 0.72   |
| 250  | 0.41 | 0.47   | 0.49   | 0.72   | 0.35   | 0.33   | 0.38   | 0.75   |

# Confidence Intervals for Next 24 Hours

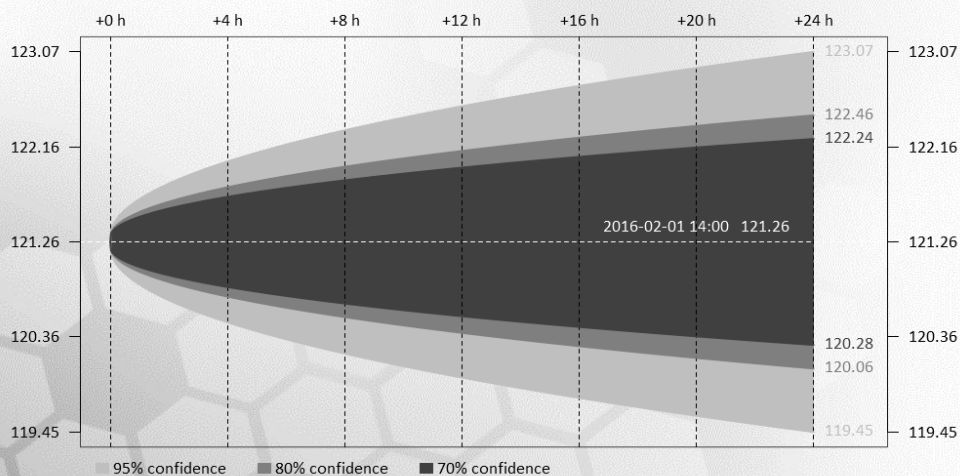
EURUSD Potential Rates



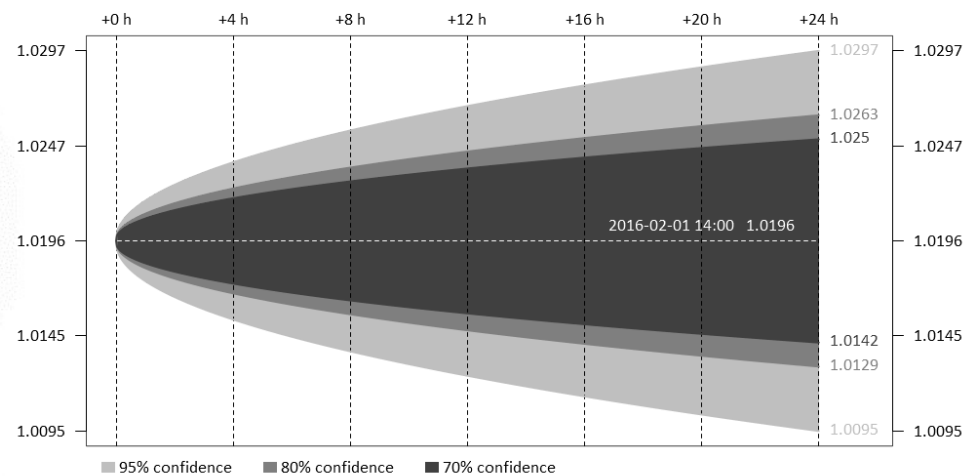
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates

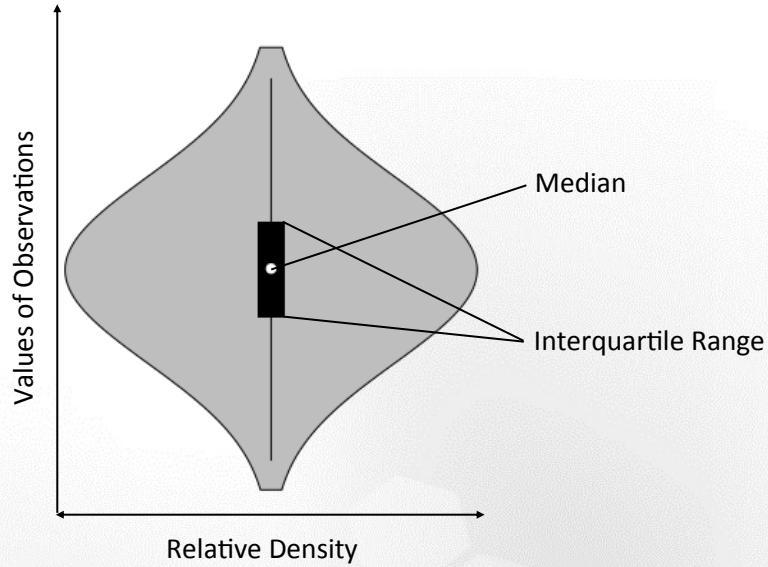




# EXPLANATIONS

## 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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