

17/02/2016

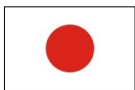


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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

February 10

01:30 - 19:30

- UK Manufacturing Production
- Fed Chair Yellen Testifies (Day 1)
- US Crude Oil Inventories

Turquoise Area

February 11

06:00 - 20:30

- US Unemployment Claims
- Fed Chair Yellen Testifies (Day 2)
- RBA Governor Stevens Speaks

Blue Area

February 12

00:30 - 17:30

- German Prelim GDP
- Italian Prelim GDP
- Euro zone Prelim GDP
- US Retail Sales and Consumer Sentiment

Purple Area

February 16

06:00 - 16:00

- UK CPI
- German ZEW Economic Sentiment
- Canadian Manufacturing Sales
- New Zealand GDT Price Index

JPY Currency Index Change

0.42%

0.24%

-0.56%

1.1%

Max JPY Volatility Index

2.01

3.2

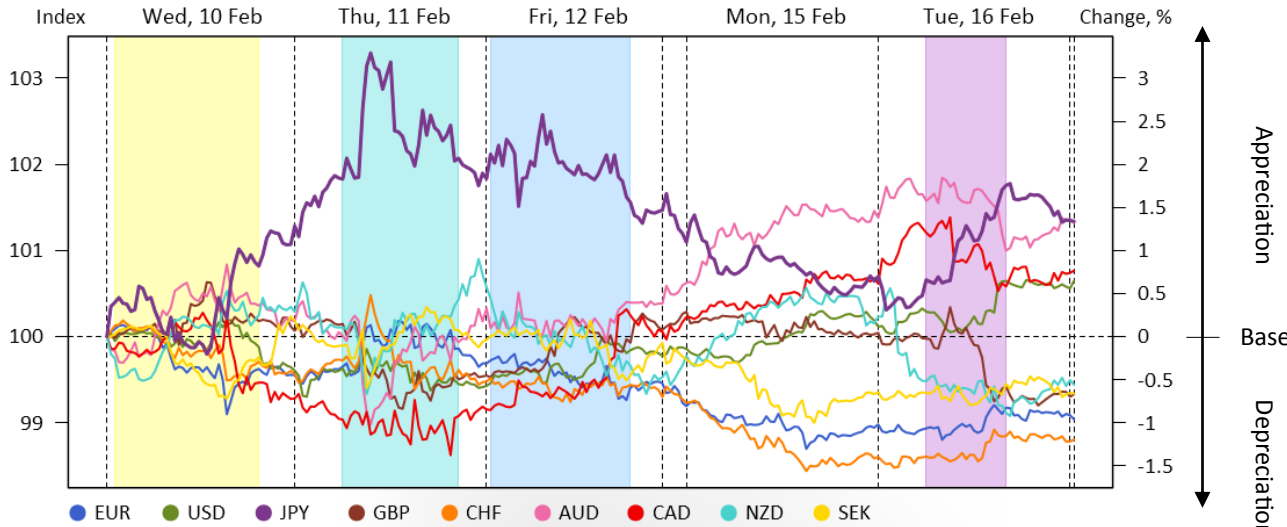
2.07

1.44



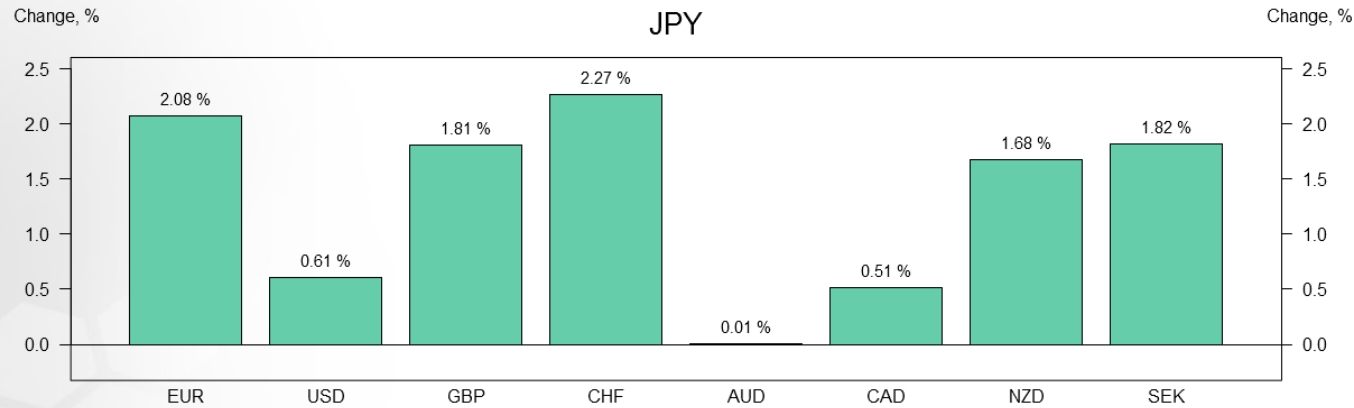
Relative Currency Strength

Currency Indexes



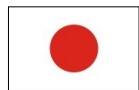
Last time when we discussed the Japanese currency, it used to be the worst performer across the board amid a decision of the Bank of Japan to introduce a negative interest rate. However, the Yen's bearish reaction was very short-lived and it resumed rallying in a few days post-decision. This is all about the safe haven status of this currency, which is attractive in times of increased instability in global equity and commodity markets. The vast part of indexes, even including the Euro and Swiss Franc, traded in the negative zone during last period ended February 16, while the researched currency earned the first place.

Wednesday of the last week was mixed for all G9 components. Trading was unstable and currencies were swinging between gains and losses. The Yen Index was the only one, which escaped the 100-101 range by late evening of the day. The rally was prolonged through Thursday when it peaked above 103 points. However, waning turbulence in global stocks and disappointing Japanese GDP data sent the currency down by the late hours of Friday. For some very short time on Tuesday the JPY was only the fourth most positive component behind the likes of Australian, Canadian and New Zealand dollars. Nonetheless, the Yen's bulls gathered strength to commence a confident and reliable rebound, while closing the week at +1.34%, just ahead of AUD, which rose 1.32%.



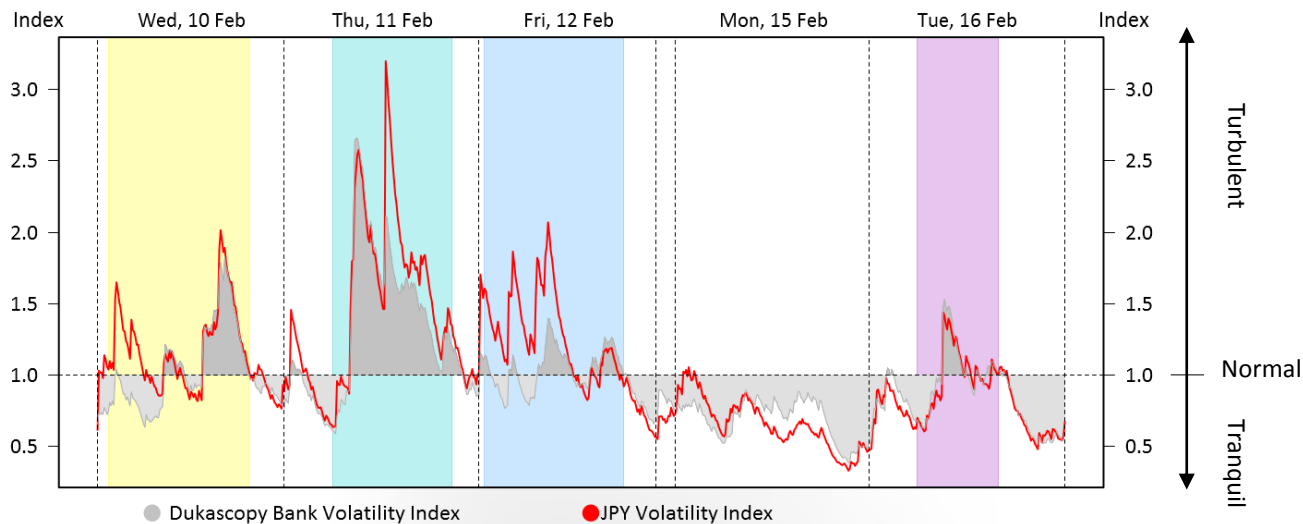
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.96%	0.65%	1.34%	-0.67%	-1.2%	1.32%	0.76%	-0.56%	-0.66%
20	-0.38%	-2.16%	0.12%	-1.31%	-0.88%	1.74%	4.18%	1.53%	-1.88%
130	2.17%	1.23%	10.98%	-8.49%	-0.49%	-2.49%	-5.48%	1.27%	1.95%
250	3.56%	5.61%	9.52%	-2.45%	-0.98%	-4.23%	-6.37%	-9.17%	4.52%



Volatility

Volatility



Japanese events were not those that dominated in the economic calendar during the researched time period. However, volatility of the Yen was still higher than two weeks ago when the Bank of Japan made its rate decision. JPY remained volatile for 44% of all time in the past five trading days, while the market's elevated volatility touched only the 35% mark. The only cross to trade in a turbulent manner more than 50% of all time was SEK/JPY. On Thursday the central bank of Sweden, Riksbank, curbed the Repo rate to – 0.50% from the previous level of –0.35%, thus creating a great deal of turbulence for the whole market.

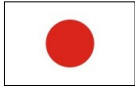
We can point out three distinct time slots when the Japanese Yen's volatility was independent and uplifted, while the market was tranquil at the same time. In the morning on February 10 and midday February 11, market participants were in the wait-and-see mode before the testimony of Fed Chair Janet Yellen in US Congress. Even the Dollar remained largely resilient to mainly dovish expectations, while oil slid and stocks tumbled. The Yen appeared to be the place to park funds in, and those changes forced the Volatility Index to surge above three points. On Friday, however, the Yen was predominantly driven by Japanese economic growth data. The world's third largest economy contracted by 0.4% in Q4 2015 and questioned reforms made by P.M. Shinzo Abe.

Elevated Volatility (% of the observed period)

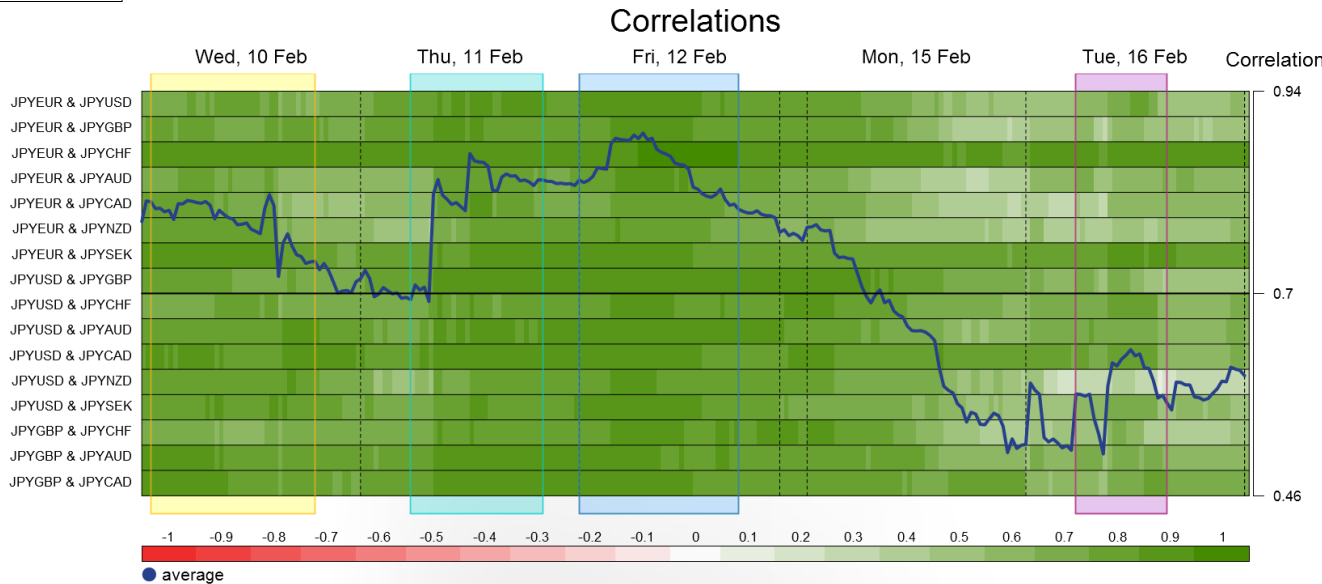
Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
35	44	37	49	43	41	45	42	44	60

Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	2.66	3.2	3.03	3.55	3.27	3.76	2.78	2.97	3.12	3.61
Min	0.38	0.33	0.26	0.27	0.28	0.32	0.26	0.27	0.27	0.28
Average	0.97	1.04	0.97	1.09	1.02	1	1.04	1.02	1.02	1.16



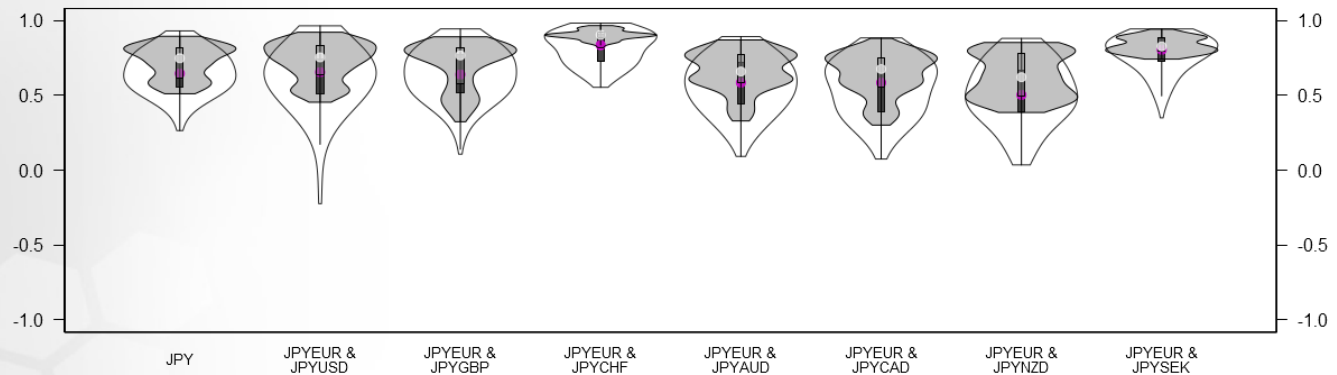
Currency Significance



Although weakening by the end of the period, significance of the Yen was high overall, helped by especially confident gains on Wednesday-Friday. Looking at violins, only the JPY/EUR's component with the JPY/USD pair, the most liquid one, was shortly moving into the red territory, even though general picture still looked quite positive. The mean correlation coefficient skyrocketed to 0.73 points, therefore surpassing all previous periodical averages. At the moment the 20-day mean is 0.65 points and it drops to only 0.42 on a yearly basis.

In the meantime, two safe haven currency pairs, EUR/JPY and CHF/JPY, were able to register the highest correlation of 0.90 points, meaning they have almost completely moved in the same direction during all time of the week. In course of the week, there were some local spikes in JPY significance when this currency reflected some clear market signals, especially growing or waning risk sentiment. Among other triggers for united JPY's development, the Japan's GDP data sent the composite to the weekly high of 0.89 points. That stability, however, abated by Feb 17, as traders started to prepare for fundamental data releases from various other countries later in the week. Still, the pan-market significance of the Yen has never declined below 0.50 points.

Correlations (5 vs 20 days)



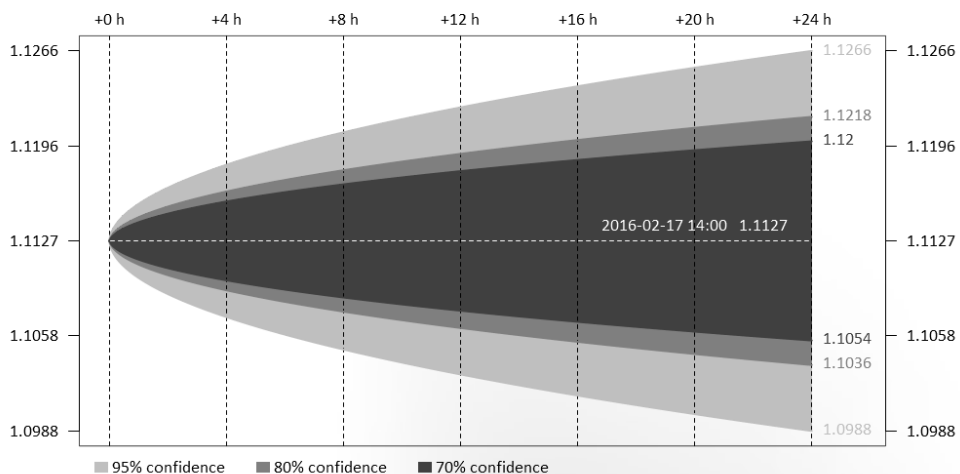
Mean Correlation Coefficient (with JPYEUR)

Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.73	0.73	0.7	0.9	0.66	0.64	0.63	0.83
20	0.65	0.62	0.64	0.82	0.57	0.55	0.51	0.78
130	0.48	0.32	0.46	0.73	0.37	0.36	0.34	0.72
250	0.42	0.2	0.47	0.7	0.39	0.38	0.38	0.73

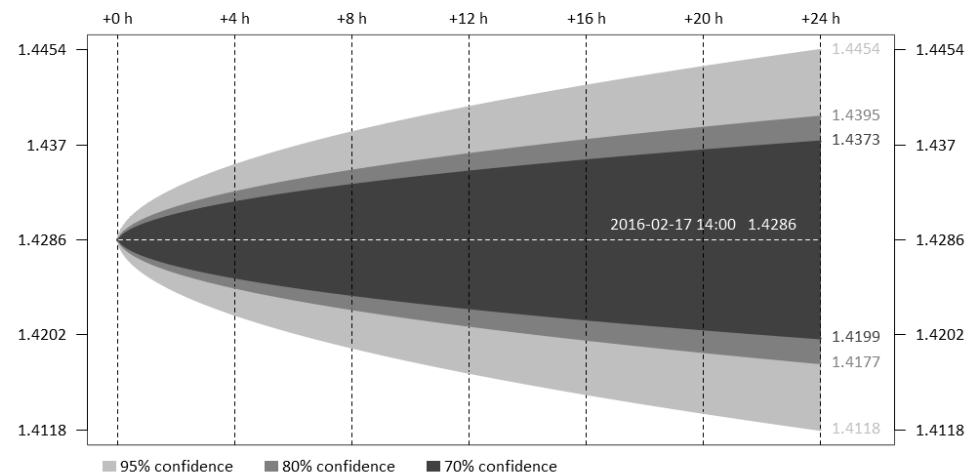
Confidence Intervals for Next 24 Hours

Wednesday, February 17, 2016
16:30 GMT

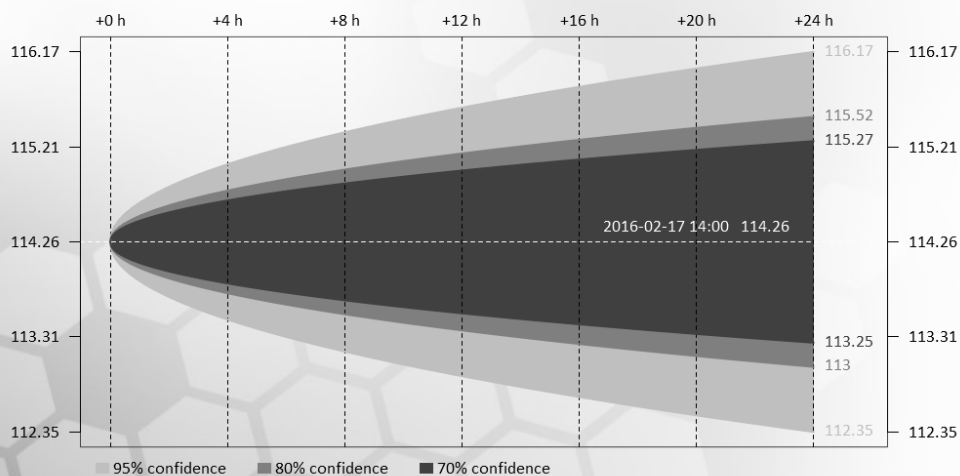
EURUSD Potential Rates



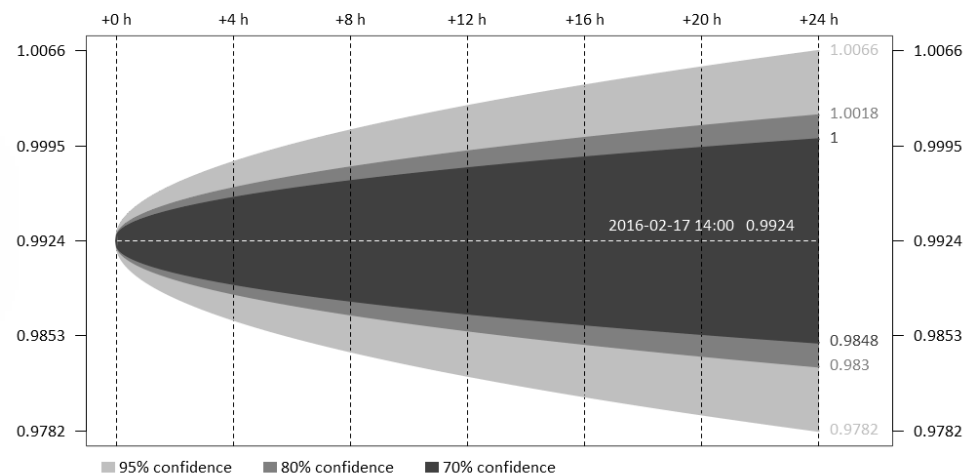
GBPUSD Potential Rates



USDJPY Potential Rates



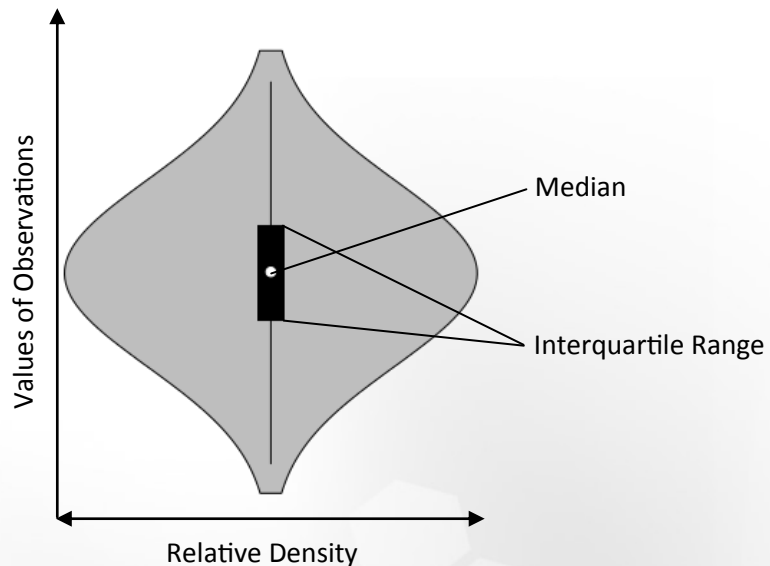
USDCHF Potential Rates



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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