



09/03/2016



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RESEARCH PRODUCTS



# Market Research





# Dominant Events of the Period

## Yellow Area

March 2

00:30 - 18:30

- UK Construction PMI
- US ADP Employment Change
- Spanish Unemployment Change

## Turquoise Area

March 3

06:00 - 15:30

- Australian Trade Balance
- Chinese Caixin Services PMI
- UK Services PMI
- US USM Non-Manufacturing PMI and Factory Orders

## Blue Area

March 4

07:00 - 18:30

- Australian Retail Sales
- Canadian Trade Balance and Ivey PMI
- US Non-Farm Employment Change, Unemployment Rate, Average Hourly Earnings and Trade Balance

## Purple Area

March 7

04:30 - 17:00

- German Factory Orders
- FOMC Members Brainard and Fischer Speak
- Swiss Foreign Currency Reserves

## Orange Area

March 8

05:30 - 18:00

- Australian NAB Business Confidence
- Japanese Final GDP
- Chinese Trade Balance
- BOE Governor Carney Testifies

AUD Currency Index Change

0.65%

0.23%

0.78%

0.6%

0.63%

Max AUD Volatility Index

2.8

1.04

2

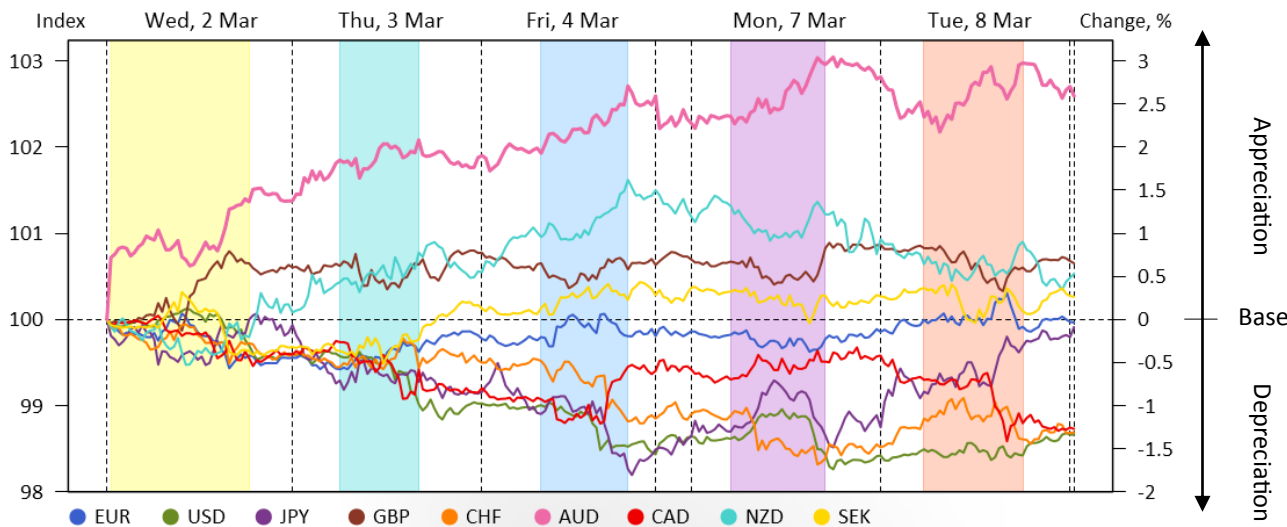
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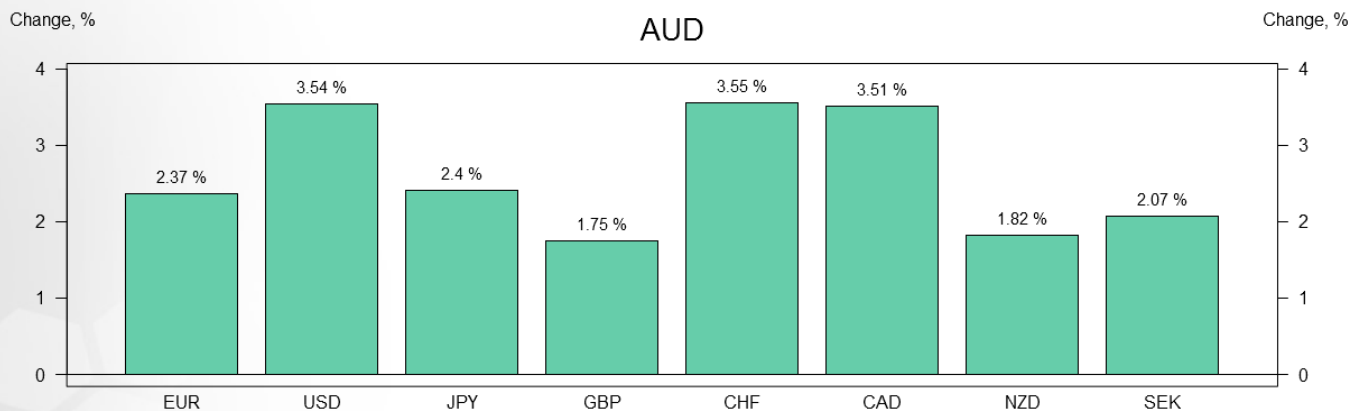
# Relative Currency Strength

Currency Indexes



In the first report on the Australian Dollar in three months, this currency is showing the best weekly performance among all G9 currencies. The lead of the period was established immediately after it had started on Wednesday, March 2. At some point of the rally was reaching three percent and the gains were completely maintained until Tuesday of this week when the Aussie Index closed with a 2.59% increase against the others. On the positive side, the Pound Sterling rebounded 0.65% amid fading concerns over the so-called Brexit, or Britain leaving the European Union after the referendum that is due to be held on June 23.

The Kiwi and Swedish Krona were two remaining components to book a weekly advance of 0.26%-0.53%. In the meantime, safe-haven currencies, surprisingly joined by the Canadian Dollar, fluctuated on the downside and ended the period in the red area. The Aussie was largely backed by local statistical data releases and bullish sentiment coming after the GDP report earlier before the period. Trade deficit in the South Pacific country dropped more than expected in January. Retail sales also climbed in the first month of 2016, albeit at a slightly smaller pace than economists had anticipated. Fuelled by surging prices of oil, the AUD Index managed to widen the lead against all other currencies by the end of the period on March 8.



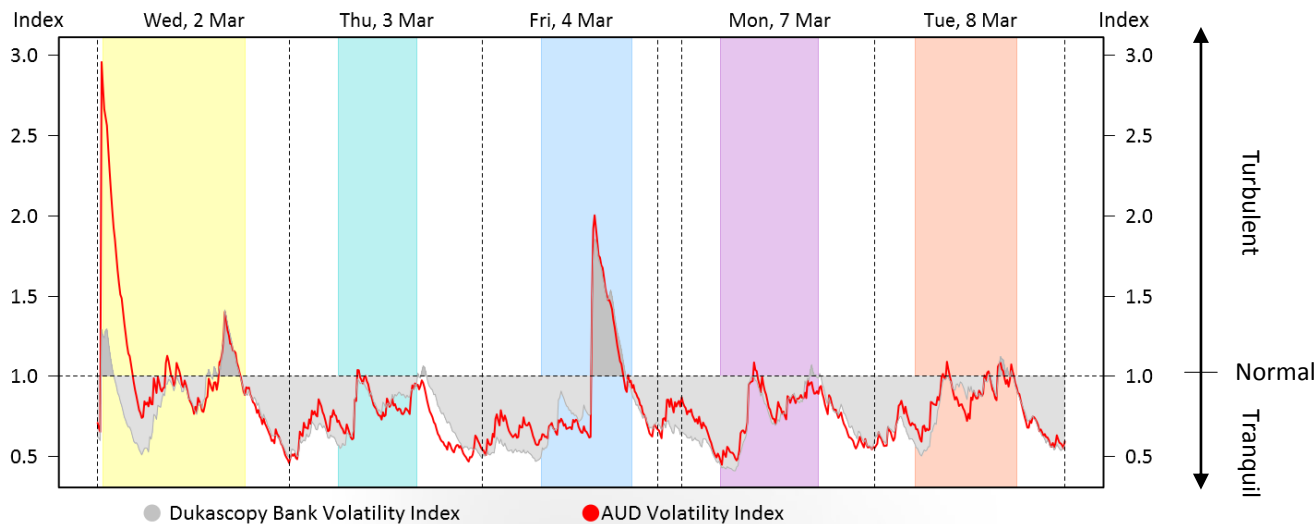
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.04%	-1.34%	-0.09%	0.65%	-1.31%	2.59%	-1.27%	0.53%	0.26%
20	-2.89%	-0.39%	1.74%	-2.77%	-2.88%	4.78%	3.51%	1.04%	-1.3%
130	-1.85%	-0.51%	7.52%	-9.03%	-2.39%	5.71%	-2.27%	5.73%	-1.3%
250	3.78%	2.29%	10.09%	-4.35%	0.95%	-2.11%	-4.82%	-7.63%	1.79%



# Volatility

## Volatility



In case we do not include those spikes of the AUD volatility that took place on Wednesday and Friday of the last week, this currency may seem to be completely calm and tranquil. Events other than Australian foreign trade statistics or US labour market data failed to provide the Australian Dollar with any active momentum, but it did not prevent this component from becoming the best performer of the period. Low volatility is clearly reflected in the elevated volatility readings for both the Aussie and the market—both did not exceed 13%. Nonetheless, some currency pairs including AUD/USD (23%) and GBP/AUD (27%) performed somewhat better than the others.

An immediate spike to 2.96 points for the AUD main Volatility Index has probably surprised even the market participants themselves. Trade balance of the country had initially been estimated to improve in the first month of this year, but the number came out moderately better than the projection. However, trade data is an important component of the GDP, meaning positive statistics this time will offer a good maneuver opportunity for the pace of economic expansion in the first quarter of 2016. Exports, in particular, gained 1.1% on weaker AUD. The second period's climb in turbulence, which happened on Friday, was in full connected with the US non-farm employment change and other job market data, which renewed speculations about possibility of the Fed interest rate hike later this month.

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

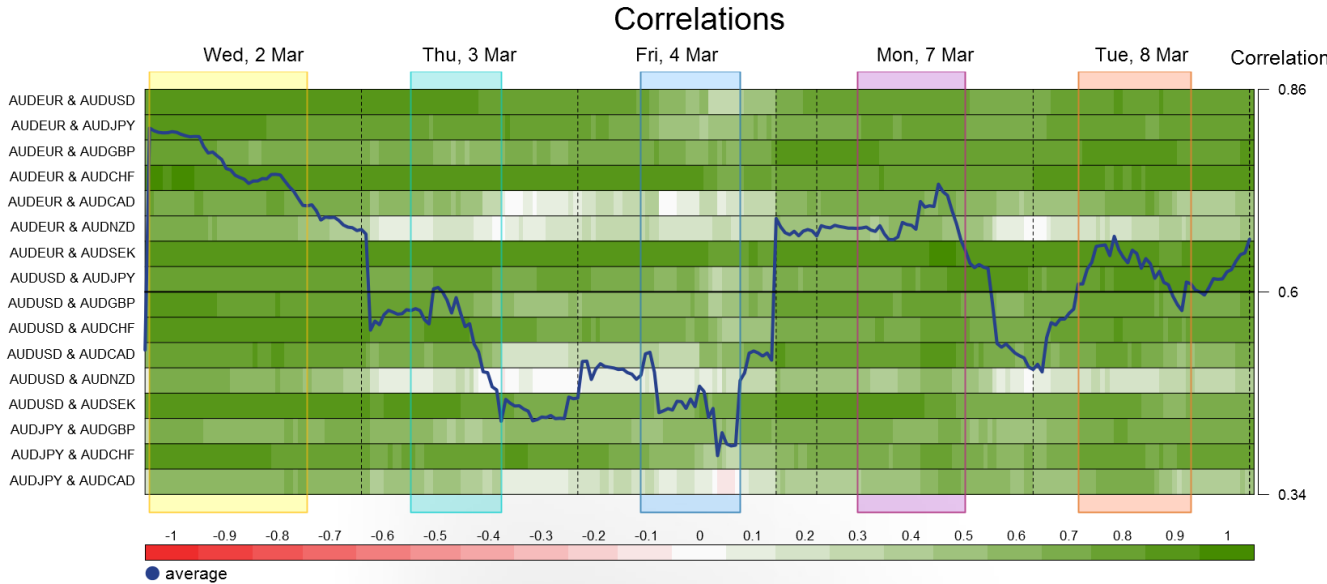
Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
12	13	17	23	10	27	20	15	20	22

### Volatility Index (for the observed period)

	Market	AUD	EURAUD	AUDUSD	AUDJPY	GBPAUD	AUDCHF	AUDCAD	AUDNZD	AUDSEK
Max	1.85	2.96	2.8	3.43	2.57	3.03	2.8	3.94	2.51	2.92
Min	0.41	0.45	0.39	0.44	0.35	0.42	0.4	0.42	0.38	0.39
Average	0.78	0.83	0.81	0.89	0.74	0.86	0.83	0.84	0.83	0.85



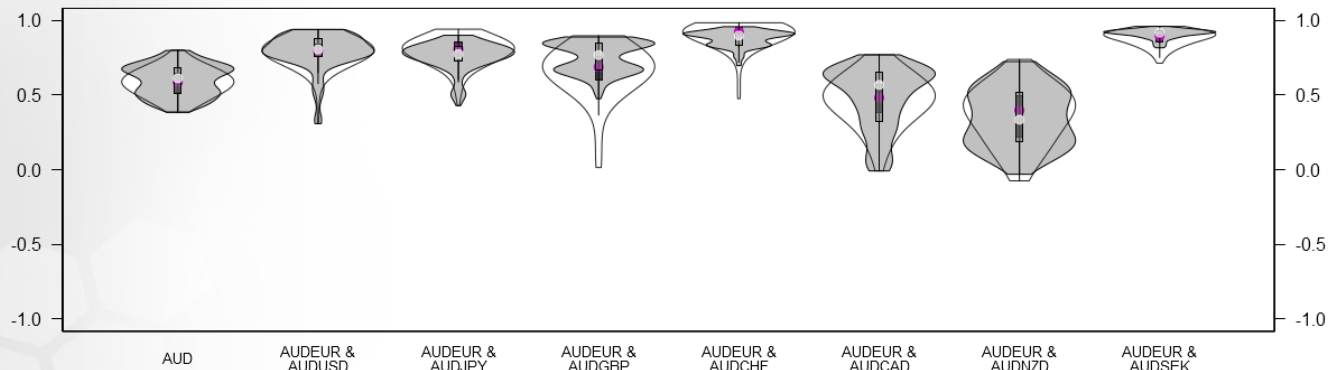
# Currency Significance



Without quite strong correlations between various currency pairs of the Australian Dollar the substantial growth of this currency against its main counterparts, most likely, would not be possible. The mean correlation coefficient was 0.60 points last period, which is two basis points higher than the monthly and half-year averages. It is therefore exceeding the annual mean by five basis points. The AUD/EUR & AUD/GBP separate component booked much higher correlation than it had normally done before. This is due to a strong link between the Euro and the Pound in the run up to the UK-EU referendum.

Despite starting the period at about 0.50 points, significance of the researched currency surged to the weekly high just immediately after the previously mentioned trade data for Australia. The peak was touched at 0.81 points and it was not repeatedly reached throughout any other day of the previous week. However, it does not mean the significance of AUD declined substantially, on the contrary, vital global fundamental across the globe were strong enough to offer the Aussie some support during other days of the period. The low of the week for the composite was hit at 0.40 points by Friday evening, when components including the Canadian and New Zealand dollars showed correlations of close to zero. A recovery followed shortly and the composite increased above the 0.60 mark to finish it at 0.67 points.

## Correlations (5 vs 20 days)



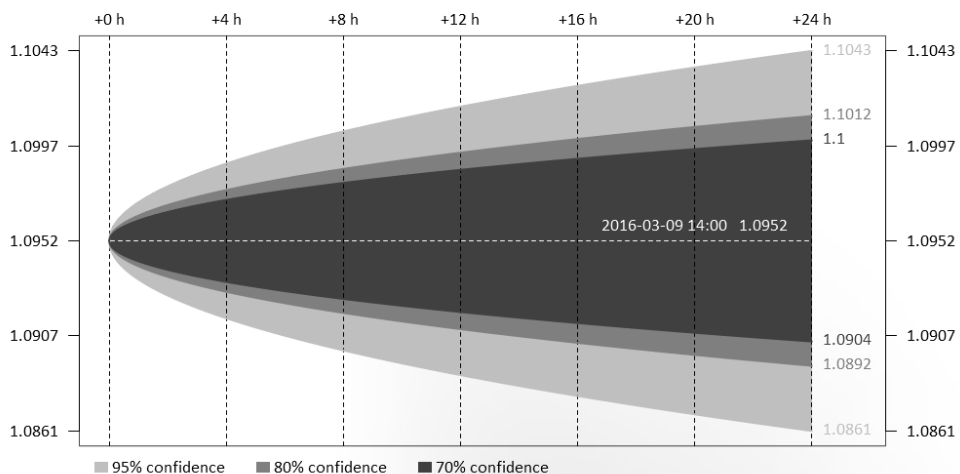
## Mean Correlation Coefficient (with AUDEUR)

Days	AUD	AUDUSD	AUDJPY	AUDGBP	AUDCHF	AUDCAD	AUDNZD	AUDSEK
5	0.6	0.79	0.76	0.75	0.88	0.48	0.35	0.91
20	0.58	0.79	0.8	0.66	0.9	0.46	0.36	0.88
130	0.58	0.71	0.77	0.7	0.87	0.48	0.3	0.85
250	0.55	0.59	0.65	0.66	0.81	0.48	0.3	0.82

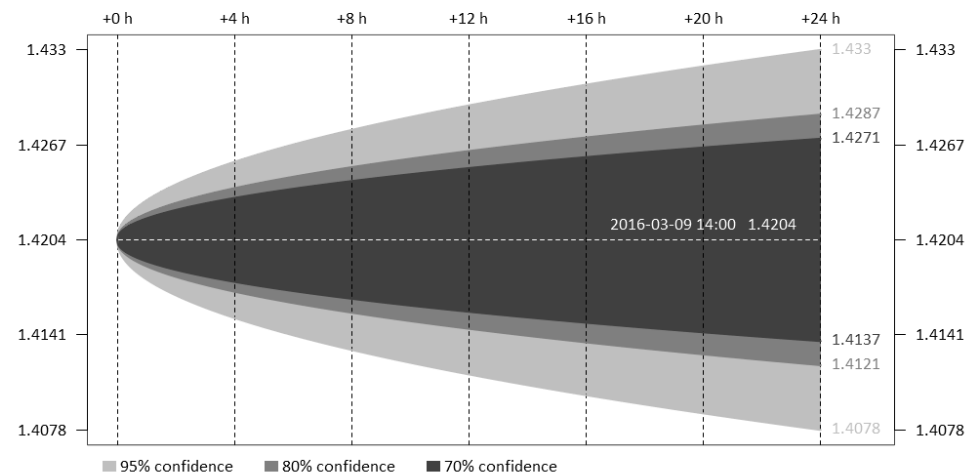
# Confidence Intervals for Next 24 Hours

Wednesday, March 09, 2016  
16:30 GMT

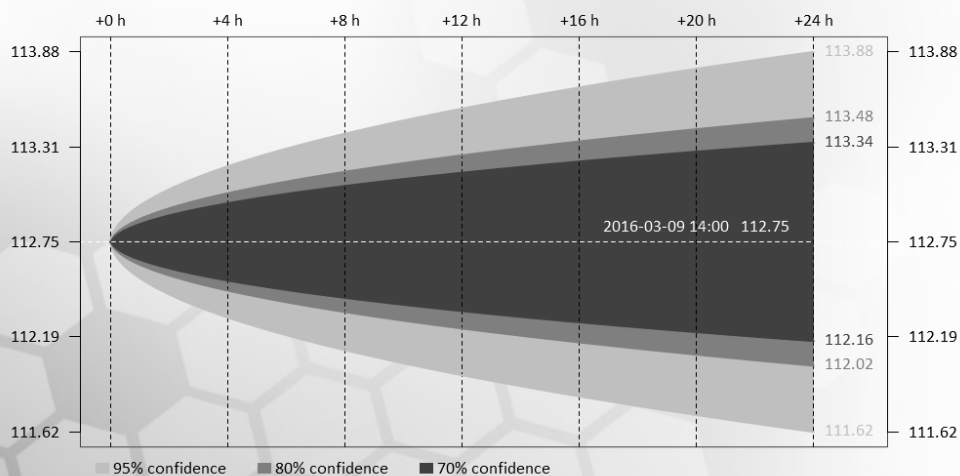
EURUSD Potential Rates



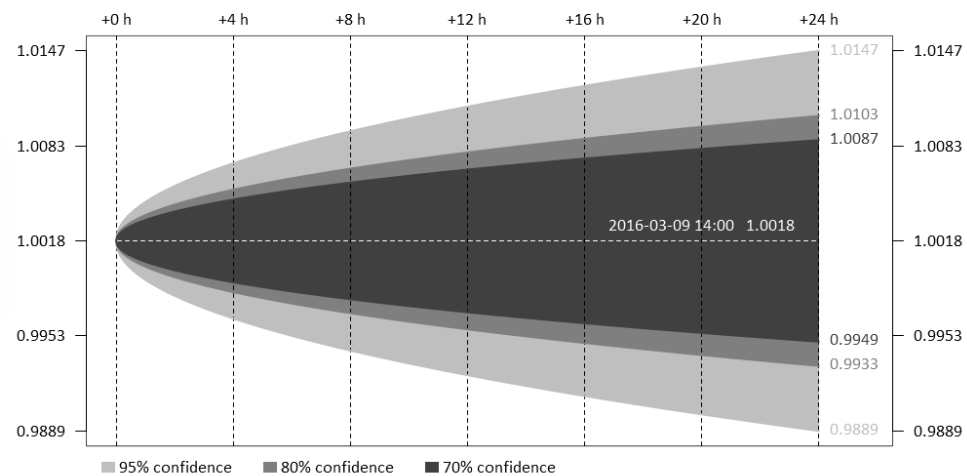
GBPUSD Potential Rates



USDJPY Potential Rates



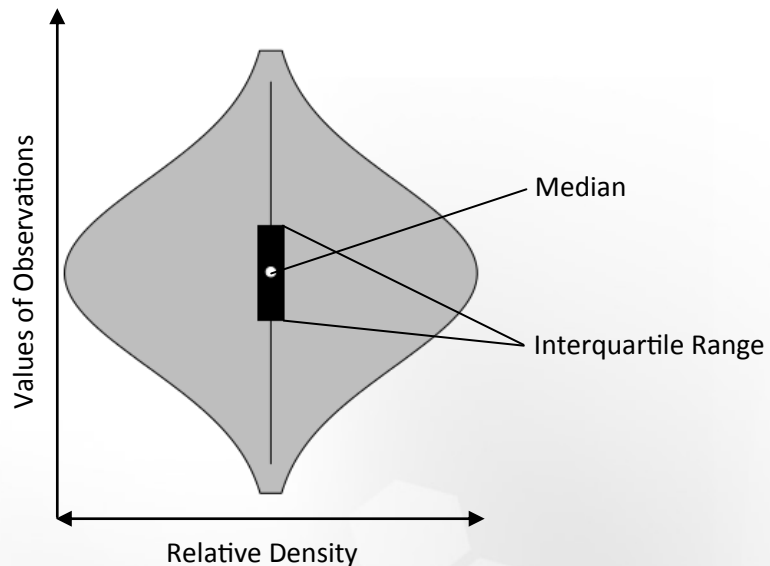
USDCHF Potential Rates



# 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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