



16/03/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

March 9

05:00 - 22:30

- Bank of Canada Overnight Rate Decision
- UK Manufacturing Production
- Reserve Bank of New Zealand Official Cash Rate Decision

Turquoise Area

March 10

05:30 - 21:00

- Chinese CPI
- ECB Rate Decisions and Press Conference
- US Unemployment Claims

Blue Area

March 11

05:00 - 18:30

- Canadian Employment Change and Unemployment Rate

Purple Area

March 14

05:00 - 17:00

- RBNZ Governor Wheeler Speaks
- RBA Monetary Policy Meeting Minutes

Orange Area

March 15

06:00 - 16:00

- Bank of Japan Monetary Policy Statement
- US Retail Sales, PPI and Empire State Manufacturing Index
- New Zealand GDT Price Index

CAD Currency Index Change

1.33%	-1.2%	0%	-0.04%	-0.34%
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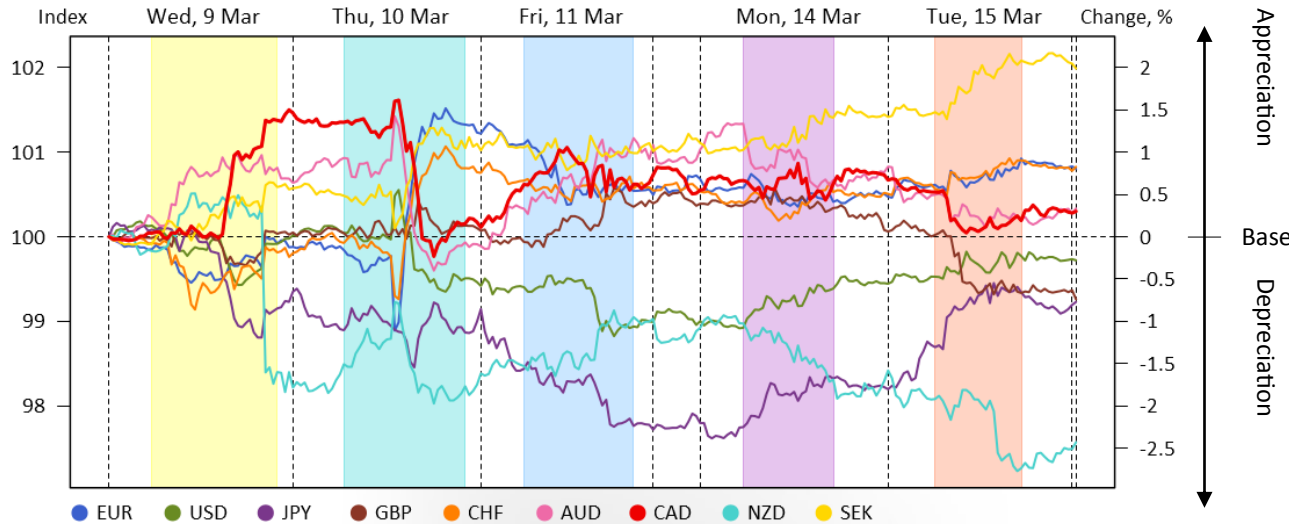
Max CAD Volatility Index

1.98	2.93	2.13	1.27	1.38
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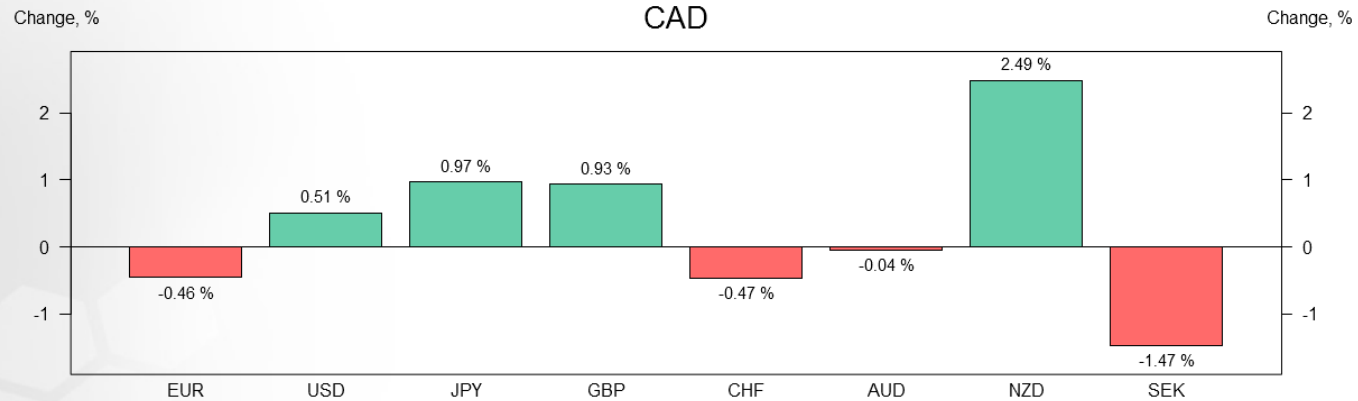
Relative Currency Strength

Currency Indexes



Activity of the foreign exchange market was dampened throughout the period, but we make an exception for Wednesday and Thursday. Canadian Dollar traded on a positive side during all days of the week, and even the unexpected European Central Bank's decision to cut all facility rates and expand monetary support was unable to completely derail the observed currency. Margin of safety was accumulated on Wednesday when the Bank of Canada's interest rate decision provided CAD with upward momentum. The period was finished with a gain of 30 basis points, just slightly behind its Australian counterpart that added 0.33%.

The best weekly performer was Swedish Krona, which reacted positively to inflation data released earlier on Tuesday of this week. The SEK Index has therefore surged by 2% over the period from March 9-15, and the greatest part of this rally was in place starting midday Monday when it started outperforming all other G9 currencies. On the side of losers, a disastrous week was experienced by the New Zealand that plunged 2.43% over the week. Firstly, the unexpected decision of RBNZ to cut interest rates by 25 bps sent the NZD Index below the baseline, while falling dairy prices finally made this currency the worst weekly performer. This development widened the spread between CAD and NZD to 249 bps by the end of the five-day period ended March 15.



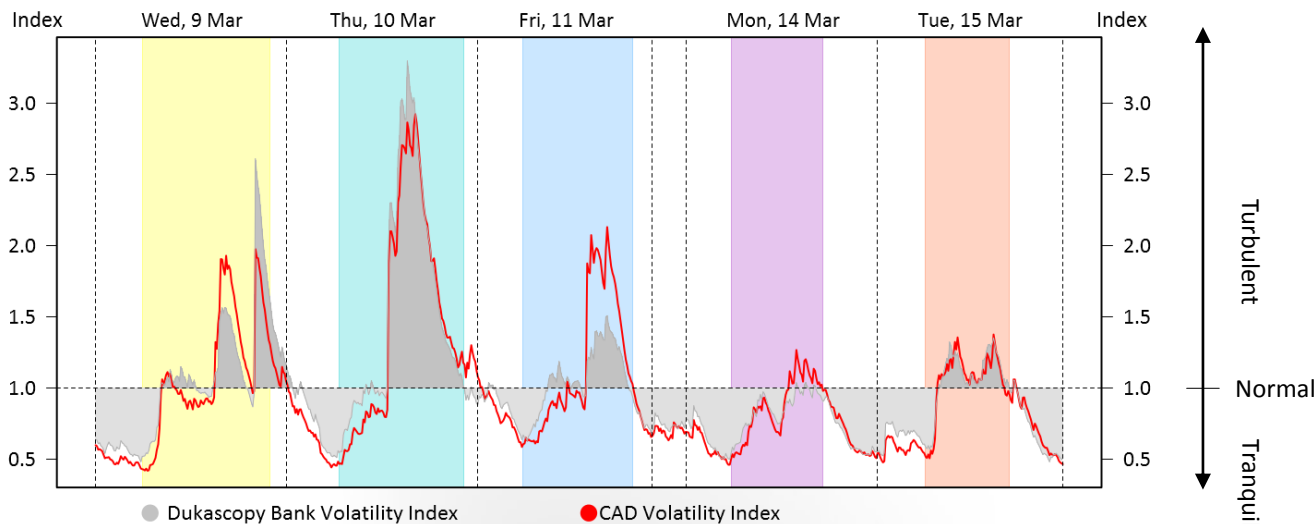
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.8%	-0.28%	-0.77%	-0.74%	0.83%	0.33%	0.3%	-2.43%	1.99%
20	-1.48%	-1.33%	-0.22%	-2.65%	-0.76%	4.19%	2.63%	-0.96%	1.05%
130	-1.65%	0.11%	7.23%	-9.74%	-1.89%	4.64%	-1.23%	5.25%	-0.83%
250	6.54%	0.19%	8.17%	-4.57%	2.32%	-2.22%	-4.49%	-11.3%	5.4%



Volatility

Volatility



According to the tracking indicator for elevated volatility, the Canadian Dollar stayed turbulent in about a third of all time in the last five days. At the same time, market volatility was 36%. Without any surprises, the most active currency pair had to be NZD/CAD (44% of all time), given presence of many central bank and other fundamental events during the length of the whole period. Second in a row, the CAD/SEK cross was volatile in 37% of all moments over the period amid the previously mentioned Swedish inflation numbers that moved the Krona. Particularly the first three days of the week were quite choppy, owing to Canadian statistical data releases and the ECB meeting.

The first spike in volatility of Canadian currency is obliged to a completely domestic event. The Bank of Canada maintained its key interest rate unchanged at 0.50%, even though some analysts had expected a change to the downside. Low commodity prices have hardly hit the oil-dependent Canadian economy and the outlook for inflation. Absence of the BOC's action sent the currency up and its Volatility Index surged to about 1.8 points. A similar increase in turbulence occurred after the RBNZ rate decision later on Wednesday, while on Thursday the period's peak (2.93 points) was reached before and during the ECB's press conference. Meanwhile, worse-than-estimated Canadian employment figures resulted in more activity on Friday, March 11.

Elevated Volatility (% of the observed period)

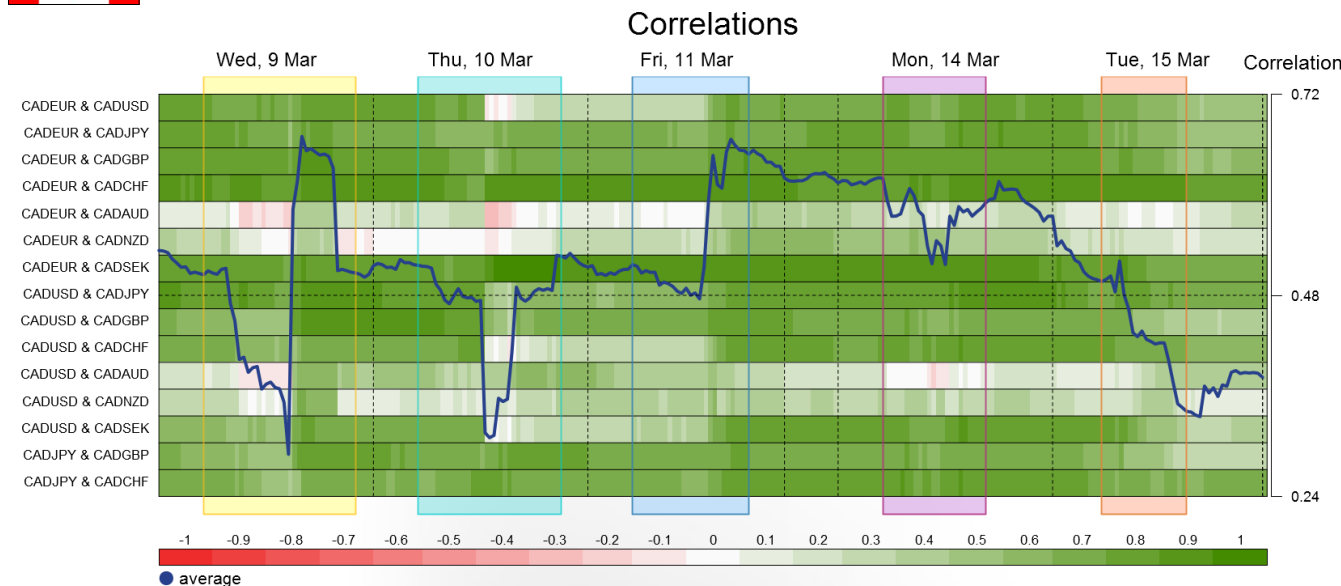
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
36	34	33	35	28	26	33	32	44	37

Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	3.3	2.93	4.97	3.21	2.65	2.9	3.97	2.65	9.08	3.25
Min	0.48	0.42	0.23	0.36	0.24	0.29	0.31	0.52	0.45	0.26
Average	0.98	0.96	0.98	0.95	0.88	0.84	0.91	0.98	1.2	0.98



Currency Significance

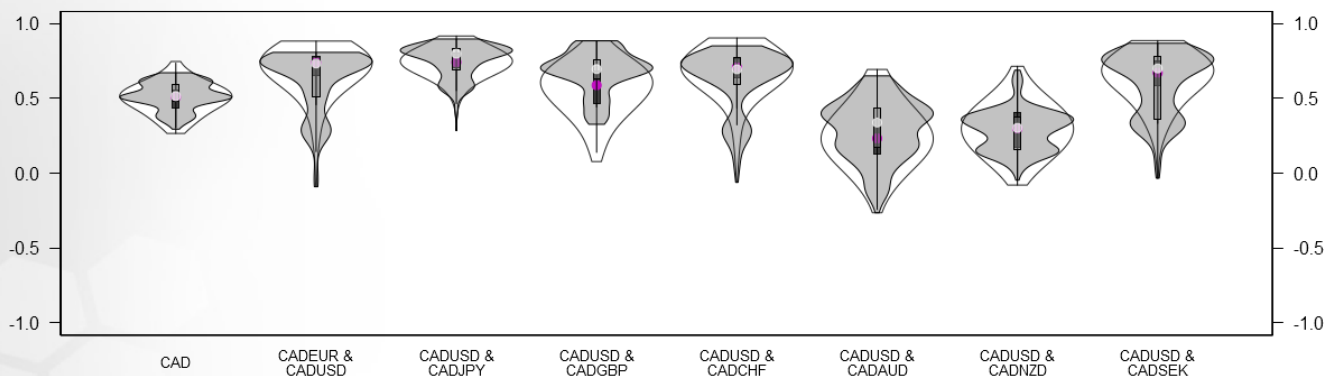


While volatility of the currency has a greater exposure to international events, correlations of different crosses of the same currency are influenced mostly by fundamentals released inside the respective region or country. Significance of the Canadian Dollar was high last week due to the BOC monetary policy event and employment data for the country. The mean correlation coefficient picked up to 0.52 points over the past five working days and exceeded the monthly average of 0.50 points. Moreover, six-month (0.48) and annual (0.44) readings were left even more behind.

Only components that included both Australian and New Zealand dollars failed, in the majority of the cases, to exceed the 0.50 mark in terms of their correlations coefficients with other currency pairs. Separately, CAD/USD & CAD/AUD posted a reading of only 0.29 points and CAD/USD & CAD/NZD stopped at 0.28. Their violins have therefore had quite prolonged tails to the downside.

As for the period's developments, the peak was touched during the BOC rate decision at 0.67 points, when some components even escaped the red territory. Significance additionally climbed (to 0.66 points) on Friday, but employment numbers were unable to update the Wednesday's record for the composite correlation coefficient.

Correlations (5 vs 20 days)



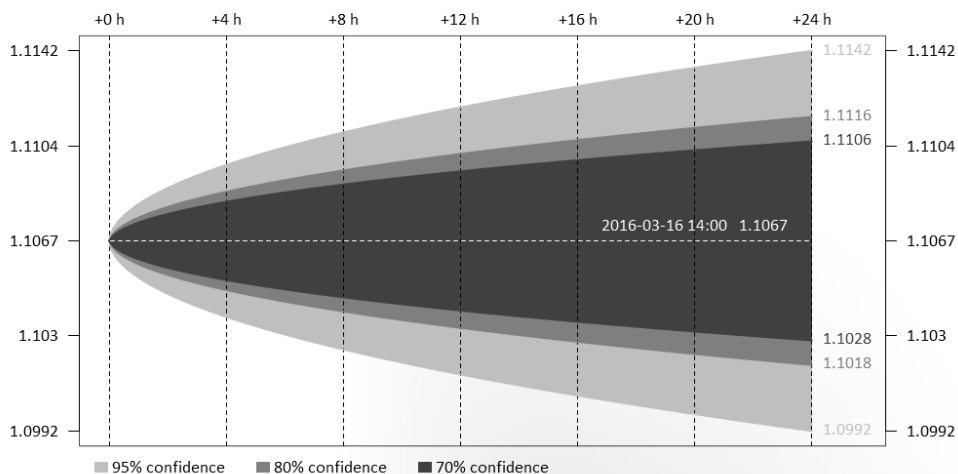
Mean Correlation Coefficient (with CADUSD)

Days	CAD	CADEUR	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.52	0.61	0.75	0.68	0.62	0.29	0.28	0.6
20	0.5	0.69	0.74	0.56	0.69	0.25	0.29	0.64
130	0.48	0.6	0.75	0.62	0.6	0.21	0.23	0.55
250	0.44	0.45	0.72	0.58	0.49	0.19	0.19	0.41

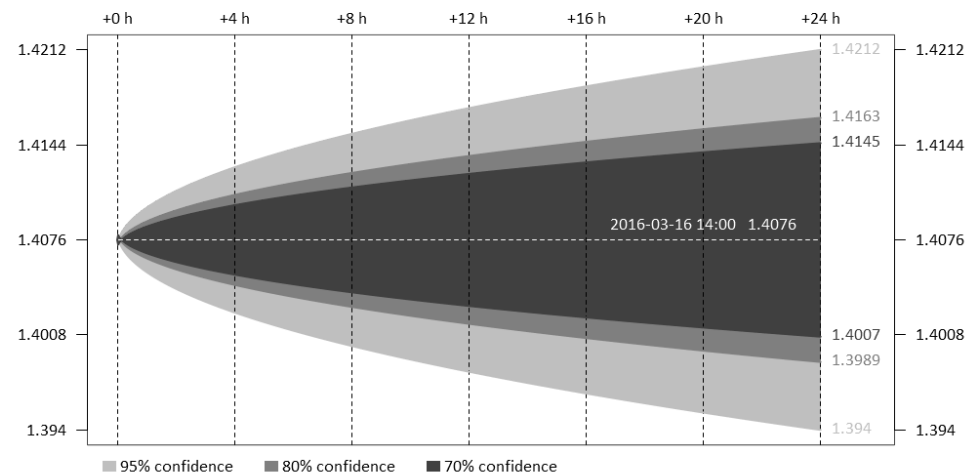
Confidence Intervals for Next 24 Hours

Wednesday, March 16, 2016
16:30 GMT

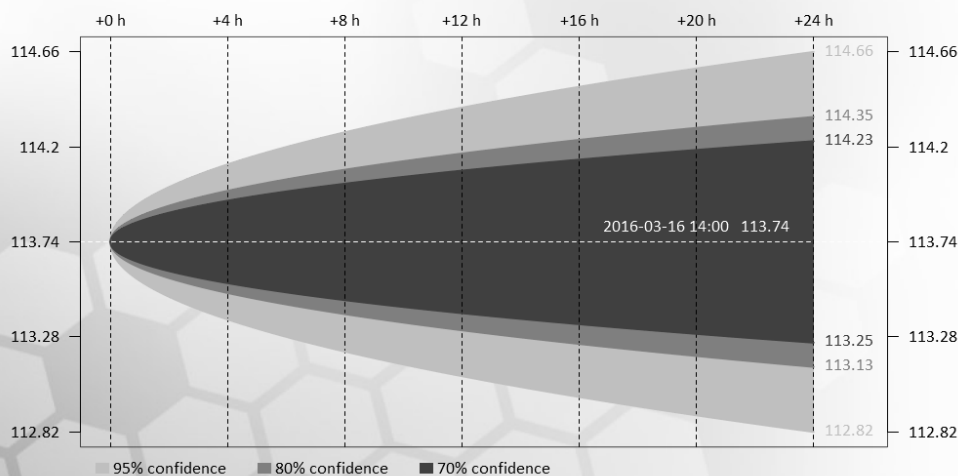
EURUSD Potential Rates



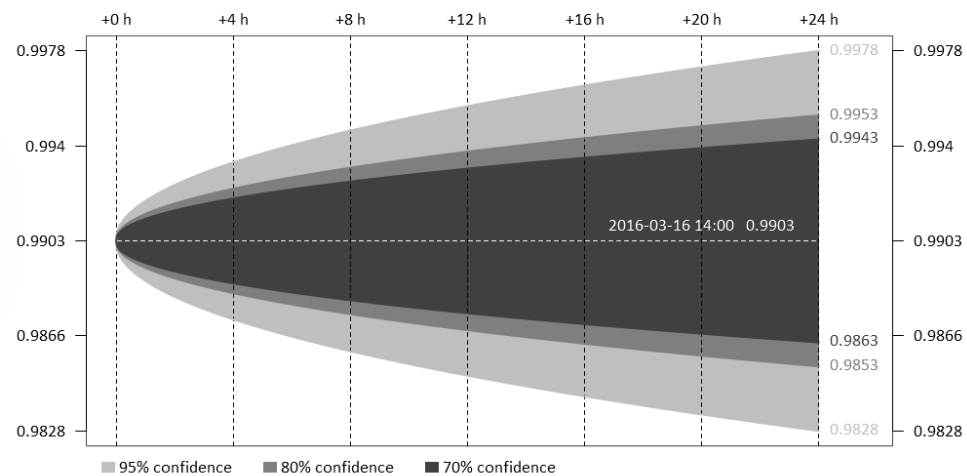
GBPUSD Potential Rates



USDJPY Potential Rates



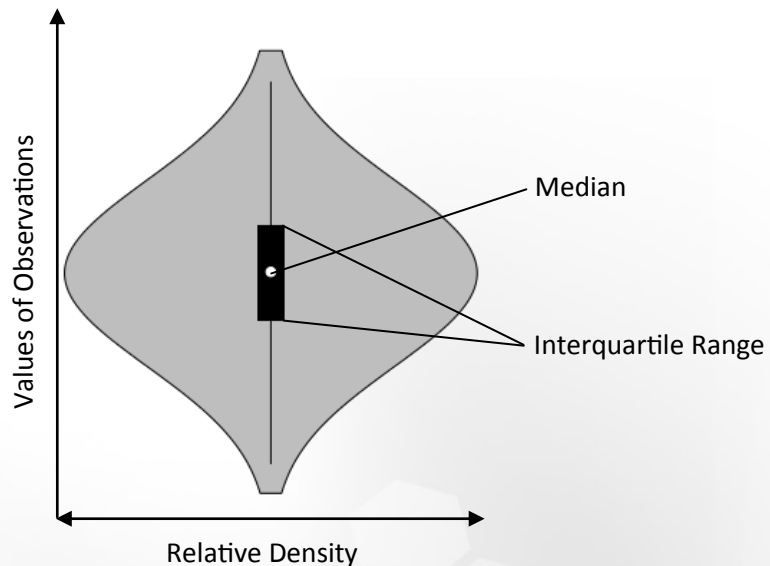
USDCHF Potential Rates



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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