

30/03/2016

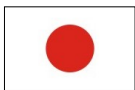


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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

March 23

03:30 - 15:30

- FOMC Member Bullard Speaks
- US New Home Sales
- New Zealand Trade Balance
- German Bundesbank President Weidmann Speaks

Turquoise Area

March 24

03:30 - 15:30

- Japanese CPI
- UK Retail Sales
- Euro zone TLTRO
- FOMC Member Bullard Speaks
- US Durable Goods Orders and Unemployment Claims

Blue Area

March 29

05:00 - 18:30

- Japanese Household Spending and Retail Sales
- Fed Chair Yellen Speaks
- US CB Consumer Confidence

JPY Currency Index Change

0.17%

0.26%

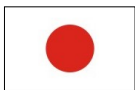
-0.19%

Max JPY Volatility Index

1.07

1.19

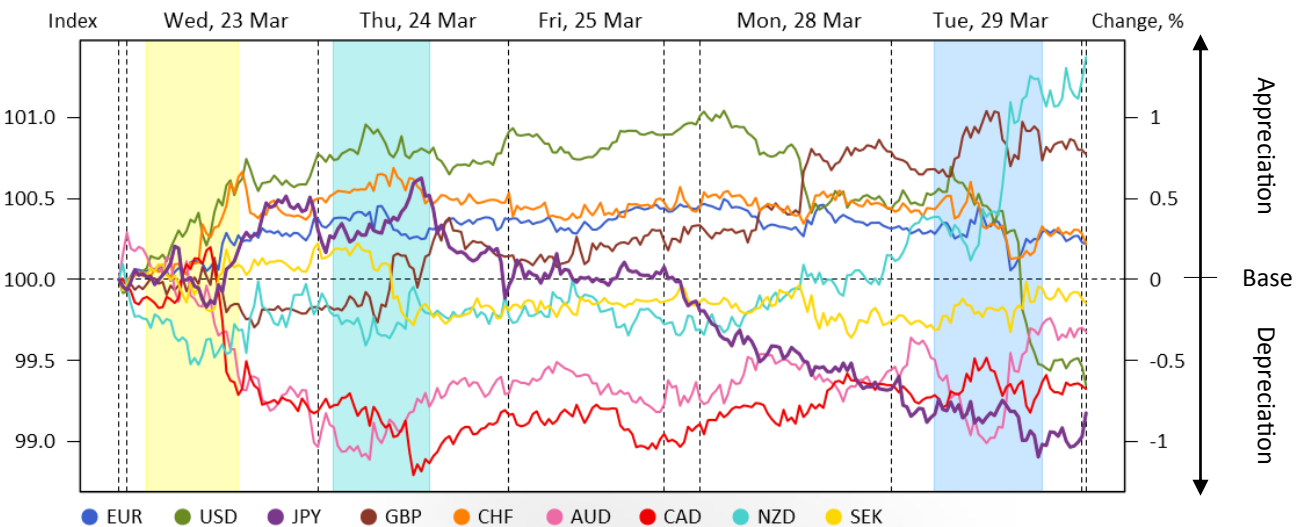
1.09



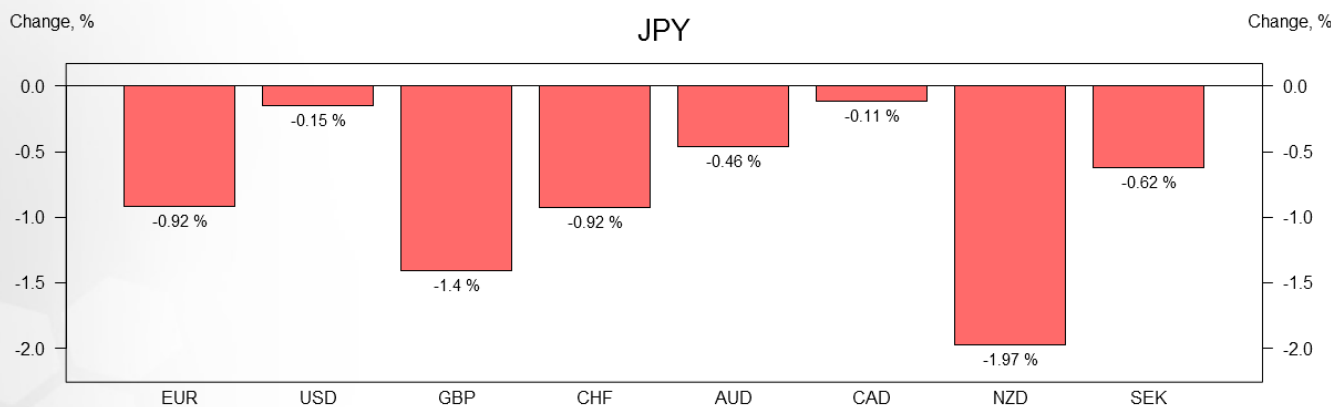
Relative Currency Strength

Currency Indexes

With a decline of 0.83%, the Japanese Yen became the worst-performing major currency over the period of the last five days. Risk-on sentiment across the globe was driving the whole market, despite hawkish remarks that were made twice by the St. Louis Fed President James Bullard. Yen's specific selloff was additionally fuelled by largely depressing domestic statistics. On the other hand, one of the riskiest currencies, the Kiwi, appreciated by 1.37% over the period. Until Tuesday the New Zealand Dollar was the fifth best performer, but it turned to become the undoubted leader after a dovish tone set by the Fed Chair Janet Yellen.



British Pound was another currency to book growth of more than 0.5%. It eroded pretty much all losses that had occurred on March 24-25 and thus spiked higher on the back of decent UK fundamentals and waning referendum talks. Nonetheless, Brexit risks remain on the topside, particularly after the Brussels terrorist attacks. As for the Yen's detailed development, this currency traded above the baseline for the first two days of the period. At some points of time the JPY Index was shooting ahead of its peers, by conceding the leadership only to the Greenback. However, with incoming disappointing Japanese inflation and retail sales numbers, the Yen came under heavy bearish pressure and eventually failed to sustain a rally by the end of the period. By midday Tuesday it became clear that JPY will finish it with the most severe loss.



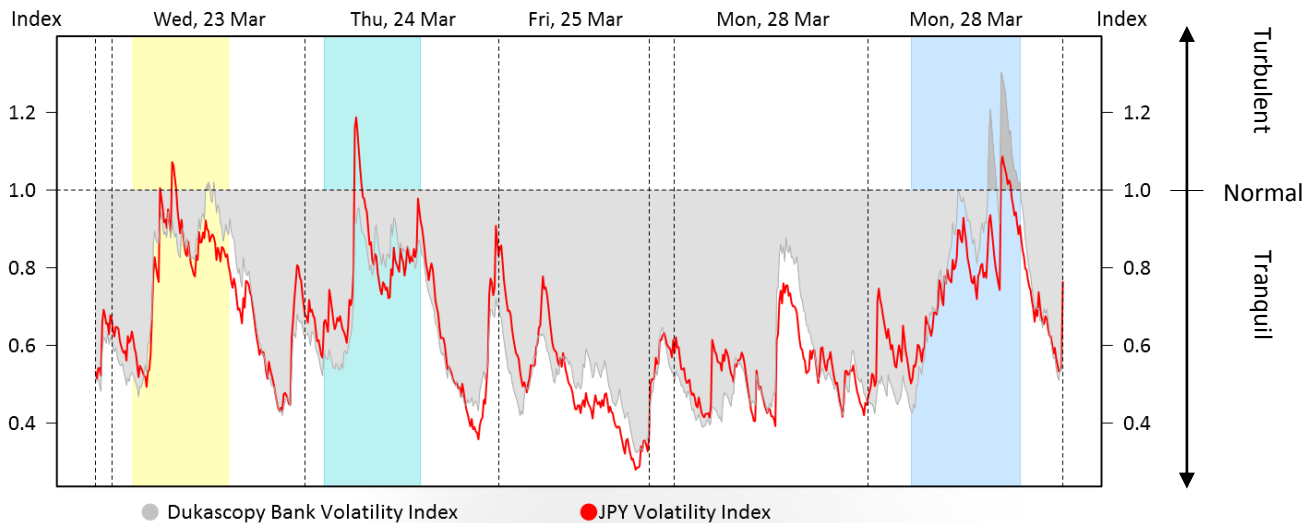
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.22%	-0.65%	-0.83%	0.77%	0.22%	-0.32%	-0.68%	1.37%	-0.15%
20	0.7%	-3.58%	-1.63%	-0.09%	-0.03%	2.68%	-0.34%	0.73%	1.88%
130	-1.82%	-2.94%	4.3%	-8.57%	-1.88%	6.98%	-0.14%	6.19%	-0.04%
250	4.72%	0.31%	6.93%	-3.32%	-0.07%	-0.94%	-3.48%	-10%	5.82%



Volatility

Volatility



Volatility of the Japanese currency had little to do with its real downside movement throughout the past five trading days. Very limited information can be extracted from the JPY Volatility Index, which is indicating this currency was turbulent is just 3% of all time during the observed period. It is even less than 4% registered for the market as a whole. Partly, this is because Easter holidays in a number of regions worldwide diminished trading volume and dragged the volatility lower as well. It is very clearly reflected in the main chart, where on Friday and Monday the red line was placed deeply below one point, which divides a turbulent market from tranquil conditions.

Compared to others, the USD/JPY currency pair has posted more or less trustworthy activity, because its peak for the Volatility Index reached 1.88 points, the highest level among any other JPY-crosses. American final GDP data was due on Good Friday. This release, along with durable goods orders data on Thursday and authoritative speeches by the St. Louis Fed chief Bullard, made the Dollar a highly attention-drawing currency. The Yen's sole turbulence soared back on March 24, as analysts were provided with low Japan's inflation numbers for February. Economists agree that the CPI is unlikely to commence a confident comeback over the next few years. Meanwhile, on Tuesday the Fed Chair Yellen said that the central bank should choose a cautious rate hike path. The subsequent risk appetite was shifted towards the FX market afterwards.

Elevated Volatility (% of the observed period)

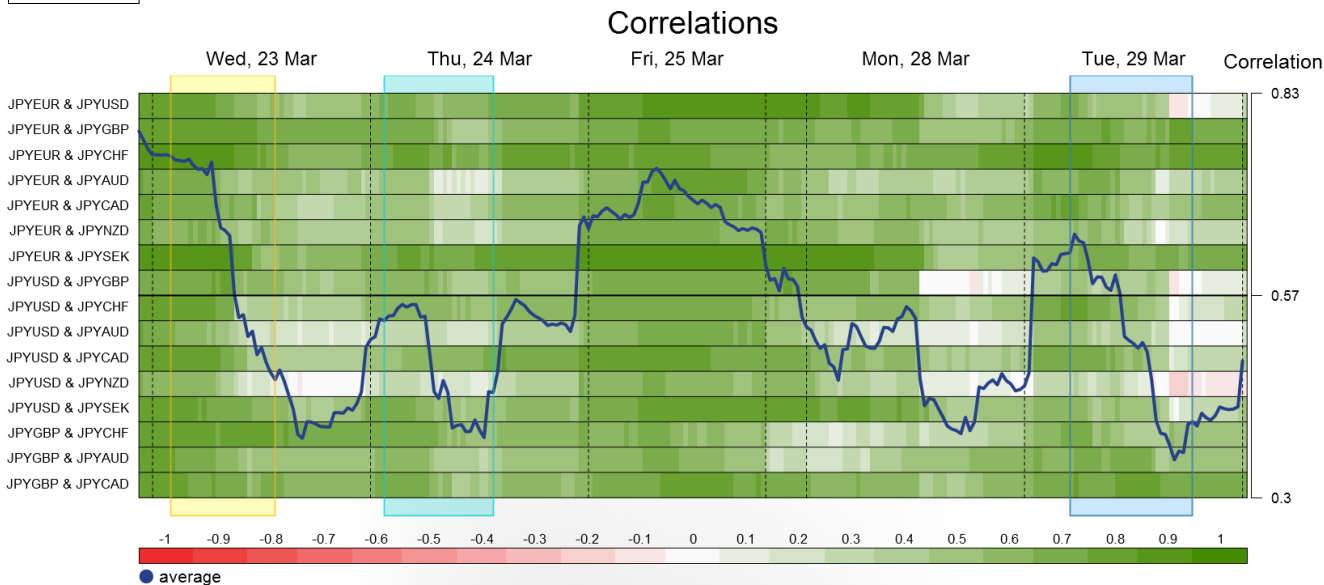
Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
4	3	3	6	11	4	7	12	2	5

Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	1.3	1.19	1.33	1.88	1.33	1.41	1.45	1.47	1.16	1.38
Min	0.33	0.28	0.15	0.13	0.29	0.26	0.21	0.33	0.27	0.18
Average	0.64	0.64	0.57	0.64	0.69	0.62	0.65	0.73	0.61	0.6



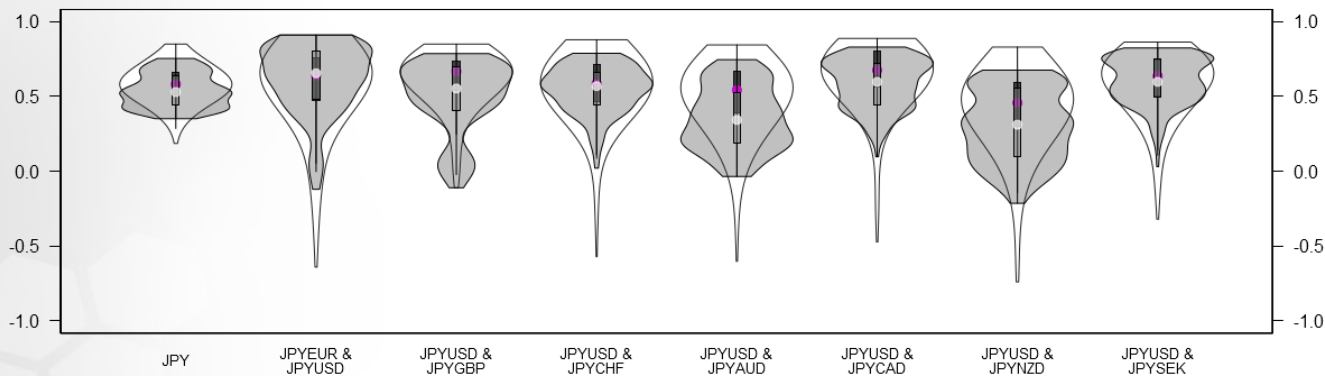
Currency Significance



Significance of the researched currency, normally measured by the average correlation coefficient between individual pairs of this currency, was declining day-by-day in course of the period we are looking at. In spite of that, the overall mean correlation coefficient settled at 0.54 points, which is four basis points lower than the 20-day average. At the same time, it exceeded the six-month mean by four basis points and the annual average by as many as ten basis points. The base USD/JPY cross was relatively well correlated to the Yen's rate with the Euro, Swedish Krona and Canadian Dollar.

This fact affirms the case neither commodity-related nor safe-haven currencies used to have any special conditions of trading last week, meaning all developments were predominantly independent from each other. Meantime, violins are showing that literally no component has fully avoided at least a minimally negative territory. On March 23, Wednesday, the composite was uplifted in the aftermath of attacks in Brussels that raised the flow of funds into the researched currency. Somewhat later the correlations' strength started to fade, as other countries' fundamentals were mainly dictating the rules of the game and Easter holidays were nearing. After temporarily sustaining a drop on no-data Good Friday, it resumed on Tuesday. The composite's low was touched in time of Janet Yellen's speech at merely 0.35 points.

Correlations (5 vs 20 days)



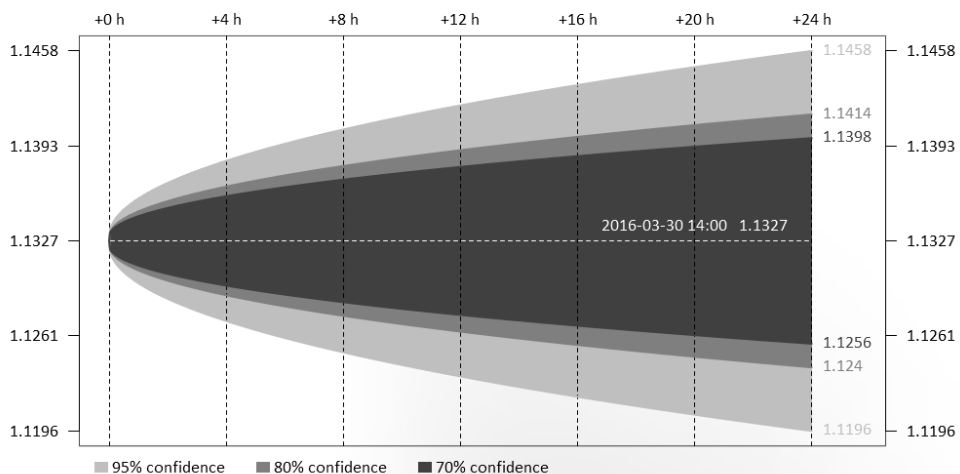
Mean Correlation Coefficient (with JPYUSD)

Days	JPY	JPYEUR	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPNZD	JPYSEK
5	0.54	0.62	0.49	0.55	0.35	0.59	0.3	0.6
20	0.58	0.58	0.61	0.57	0.5	0.64	0.42	0.59
130	0.5	0.37	0.6	0.38	0.5	0.64	0.41	0.42
250	0.44	0.25	0.52	0.27	0.33	0.52	0.26	0.29

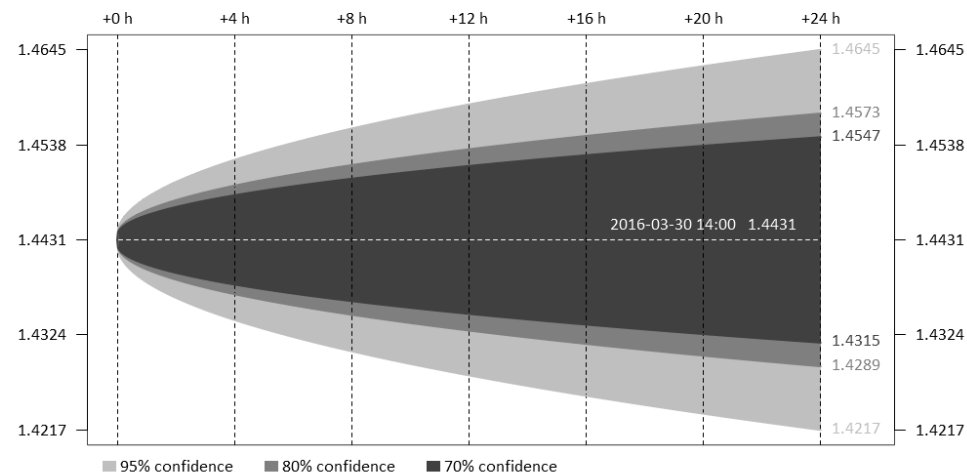
Confidence Intervals for Next 24 Hours

Wednesday, March 30, 2016
16:30 GMT

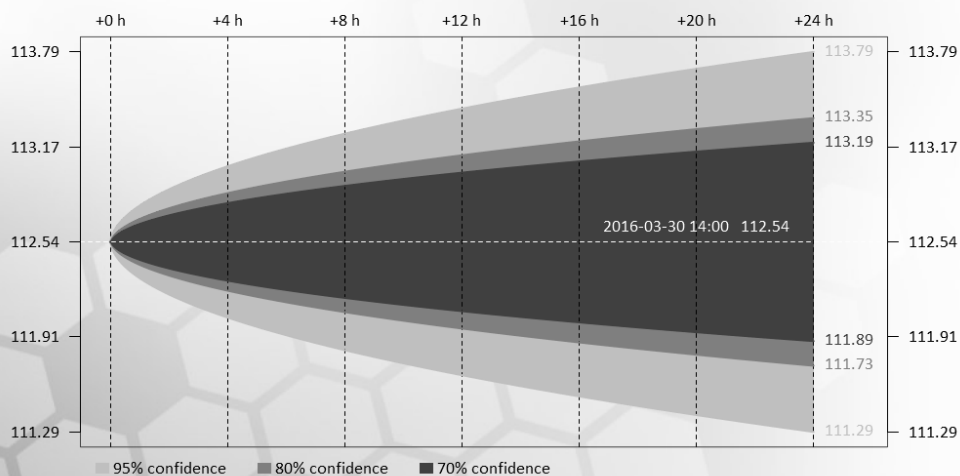
EURUSD Potential Rates



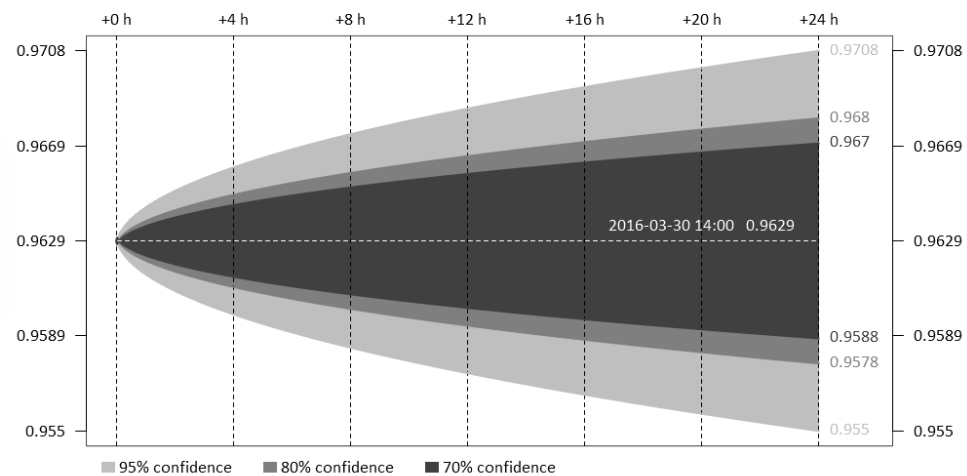
GBPUSD Potential Rates



USDJPY Potential Rates



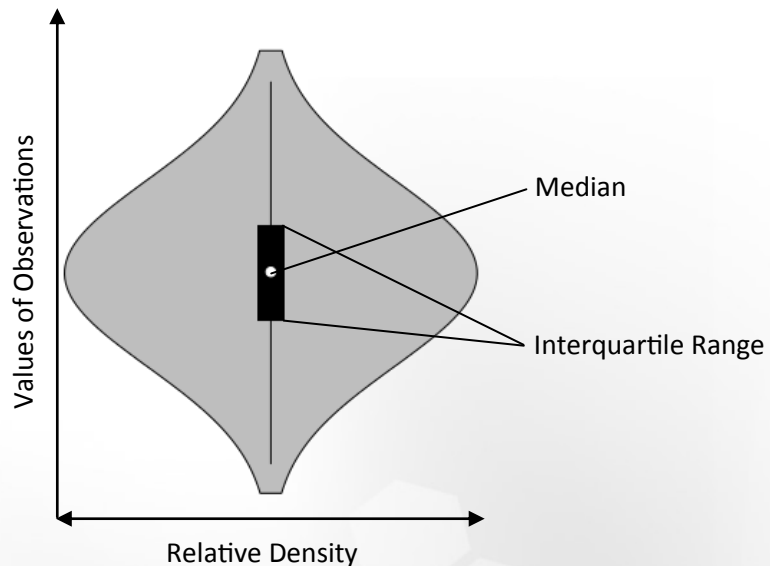
USDCHF Potential Rates



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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