



11/05/2016



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Market Research





Dominant Events of the Period

Yellow Area

May 4

05:00 - 18:00

- Canadian International Merchandise Trade Balance
- UK Construction PMI
- Euro zone Services PMI
- US ADP Employment Change, Trade Balance and ISM Non-Manufacturing PMI

Turquoise Area

May 5

04:30 - 15:00

- Australian Trade Balance and Retail Sales
- UK Services PMI
- US Initial Jobless Claims
- FOMC Members Bullard, Kaplan, Lockhart and Williams Speak

Blue Area

May 6

00:30 - 18:30

- Canadian Employment Change, Unemployment Rate and Ivey PMI
- RBA Monetary Policy Statement
- US Non-Farm Payrolls, Average Hourly Earnings and Unemployment Rate

CAD Currency Index Change

-1.01%

0.19%

-0.11%

Max CAD Volatility Index

1.85

1.4

2.14

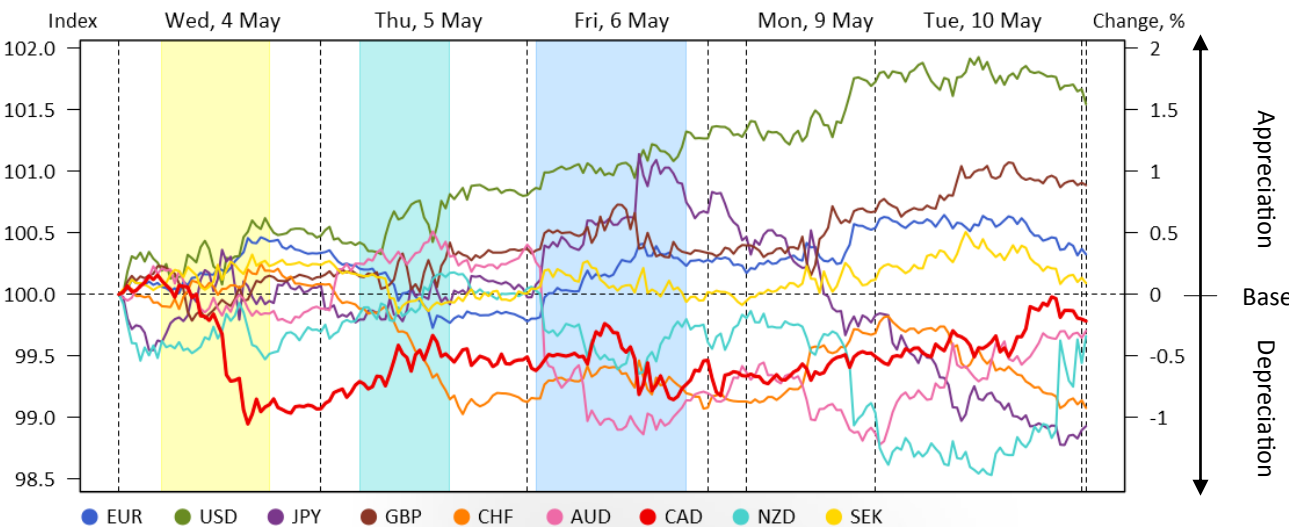


Relative Currency Strength

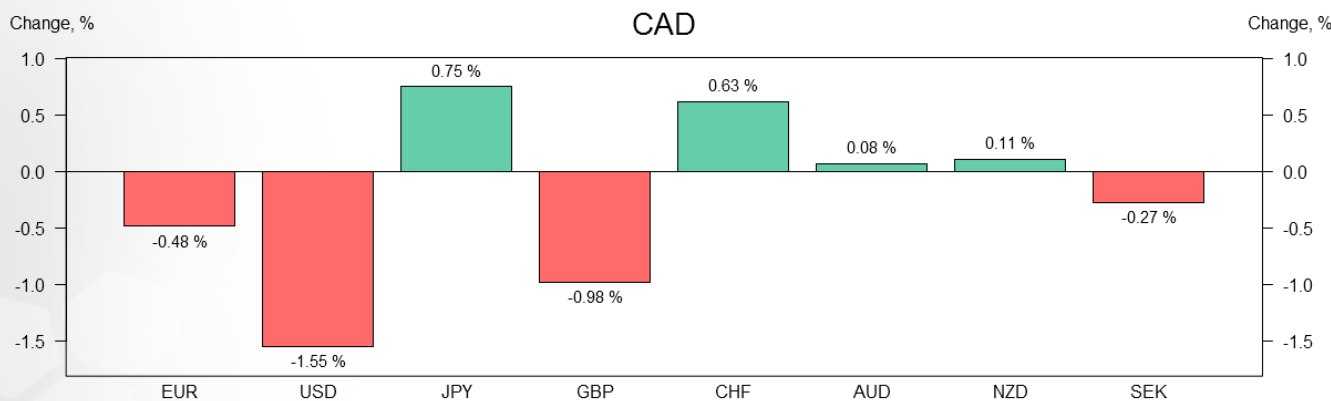
Wednesday, May 11, 2016
15:30 GMT

Currency Indexes

Canadian Dollar used to be a mixed performer over the weekly period ended on Tuesday, May 10. Despite that, overall this currency was tilted mainly to the south, as the CAD Index spent more than 90% of all time below the base line. The only currency, which seems to have had some clear direction, was the US Dollar. Data from America was released mostly on a daily basis, thereby helping the Greenback in establishing a distinct uptrend from the very beginning of last Wednesday. USD Index gained 1.55% over the week, followed by the Pound at +0.89%. Canadian currency, however, joined both save havens and other commodity currencies to lose 22 basis points.



The period began on a highly negative note for the observed currency, as Canadian hard data revealed a major deterioration of the country's international merchandise trade balance. Deficit between exports and imports widened to the biggest volume since at least 2008 to C\$3.41 billion in March. However, a recovery followed shortly amid growing oil futures that were even able to send AUD and NZD indices above 100 points. While trading near 99.5 points for most of Thursday and on Friday morning, the CAD Index saw another trigger to its value represented by domestic employment statistics. With Canadian companies eliminating 2,100 jobs in April after adding 40,600 in the preceding month, CAD dipped slightly to the downside by Friday-end. Meantime, over May 9/10 this currency erased almost all earlier losses.



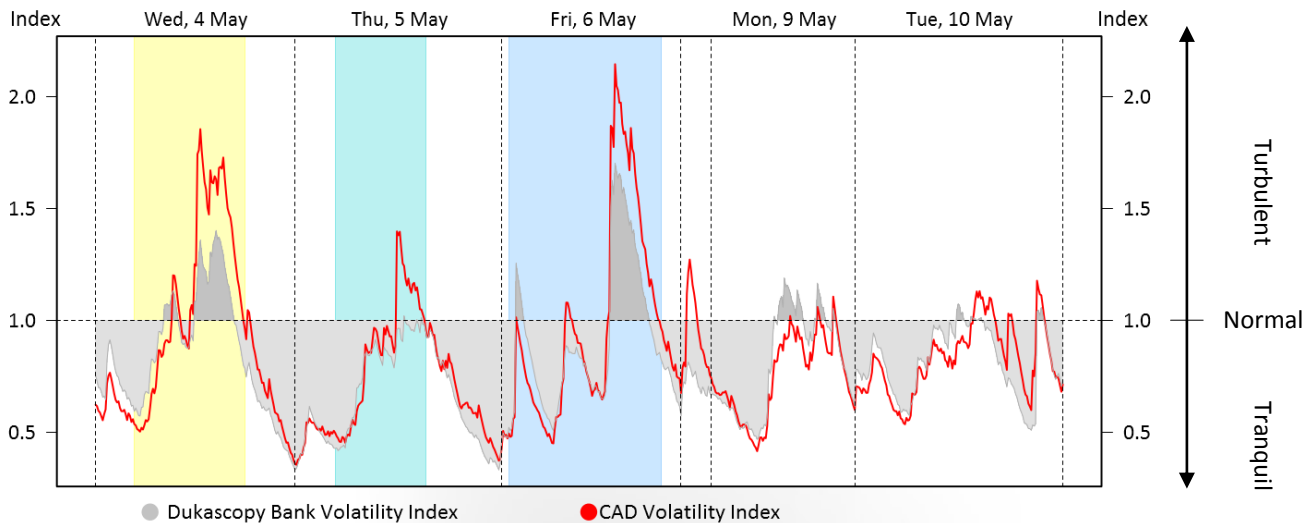
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.33%	1.55%	-1.07%	0.89%	-0.92%	-0.3%	-0.22%	-0.34%	0.09%
20	0.93%	1.08%	0.49%	2.83%	-1.24%	-3.48%	-0.14%	-0.57%	0.09%
130	2.28%	-3.92%	8.9%	-8.94%	-0.81%	0.97%	-1.2%	0.23%	2.77%
250	4.45%	2.66%	13.18%	-4.72%	-2.49%	-5.41%	-4.72%	-6.87%	3.94%



Volatility

Volatility



Markets were hardly turbulent amid a clear lack of fundamental data releases from the majority of regions but the US. Only in 18% of all time the whole market posted volatility readings of above one point, which means there was some uplifted activity taking place. Canadian Dollar, however, was slightly more turbulent at 22% of all time of the period. As expected, USD/CAD was the most energized component with the elevated volatility marker at 44%, helped by presence of crucial US employment statistics for April and various speeches by members of the FOMC Committee. GBP/CAD followed with an elevated volatility percentage of 35%.

The period's first heavy momentum was generated by US ADP Employment Change data on May 4, which revealed a downside trend of job creation in the world's largest economy in April 2016. Subsequent Canadian trade figures fuelled the market even more, while the CAD Volatility Index was sent as high as 1.85 points. On Thursday the UK services PMI was the key data release, and by time it came out the turbulence spiked up to 1.40 points. Nonetheless, nothing was comparable to Friday's volatility, the only time when it soared beyond 2.00 points. The calmest period of the week was Monday-Tuesday, with no vital events disturbing stability of both the Canadian Dollar and the market.

Elevated Volatility (% of the observed period)

Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK	
	18	22	29	44	12	35	33	11	27	28

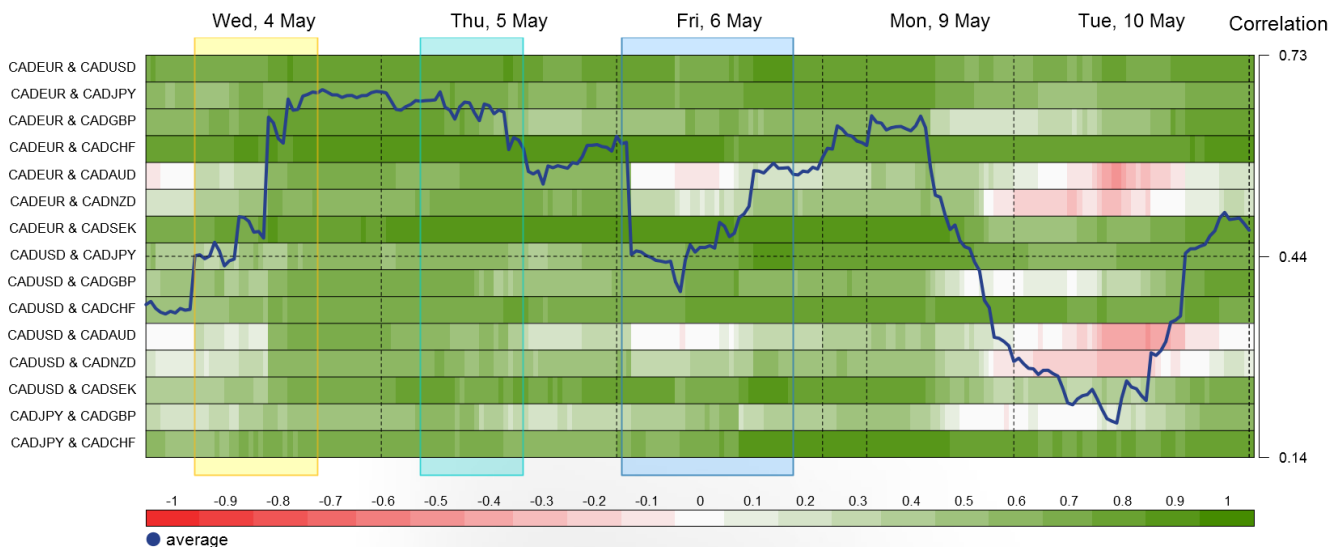
Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	1.7	2.14	2.51	2.5	2.44	1.91	3.19	2.47	3.41	2.24
Min	0.33	0.36	0.32	0.31	0.25	0.29	0.29	0.32	0.29	0.28
Average	0.8	0.84	0.88	0.99	0.72	0.87	0.92	0.72	0.87	0.84



Currency Significance

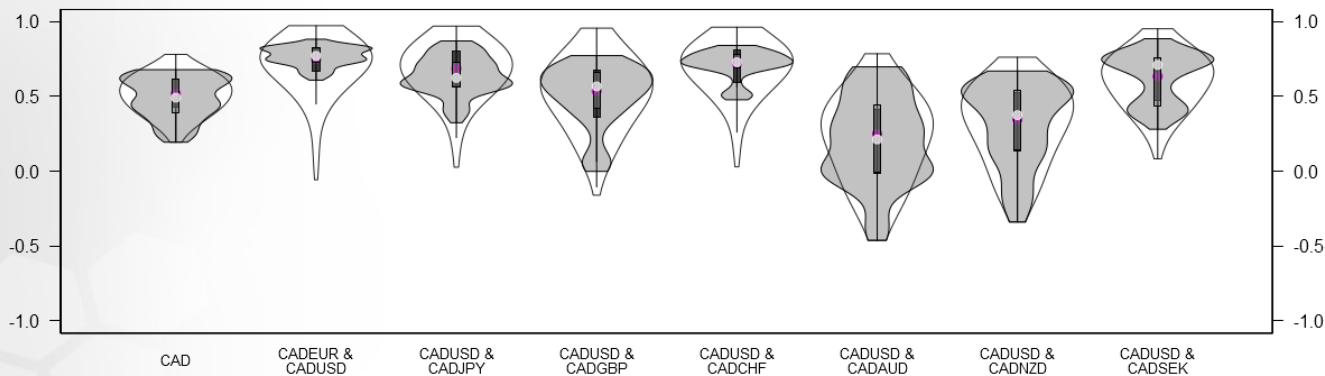
Correlations



Significance of the researched currency fell below the levels seen, on average, over the previous month and over the last six months. Measured by the average correlation coefficient, which itself is derived from mean correlations between various currency pairs, CAD significance was 0.49 points over the week through May 10. Classically, those components, which include the Aussie and Kiwi, slumped strongly below zero at some point of time, therefore sending the composite much lower and prolonging the respective distribution tails, as showed on the chart below.

On Wednesday-Monday the correlations were on the rise, while they were noticeably underpinned by both a small number of Canadian statistics and news from abroad, especially from the US. The composite peaked at 0.68 points after disappointing figures on Canada's trade balance. On May 6 the Aussie and Kiwi showed some first signs of their divergence with respect to the Euro and the Dollar. AUD dropped amid lowered inflation expectations by the Reserve Bank of Australia. On the other hand, even more severe action took place on the last day of the period. Correlations between CAD/USD, CAD/EUR vis-à-vis CAD/AUD, CAD/NZD turned deeply red. However, this time the commodity-linked currencies were bid amid growing risk-on sentiment and advancing equity markets. It drove the composite to a weekly low of 0.19 points.

Correlations (5 vs 20 days)



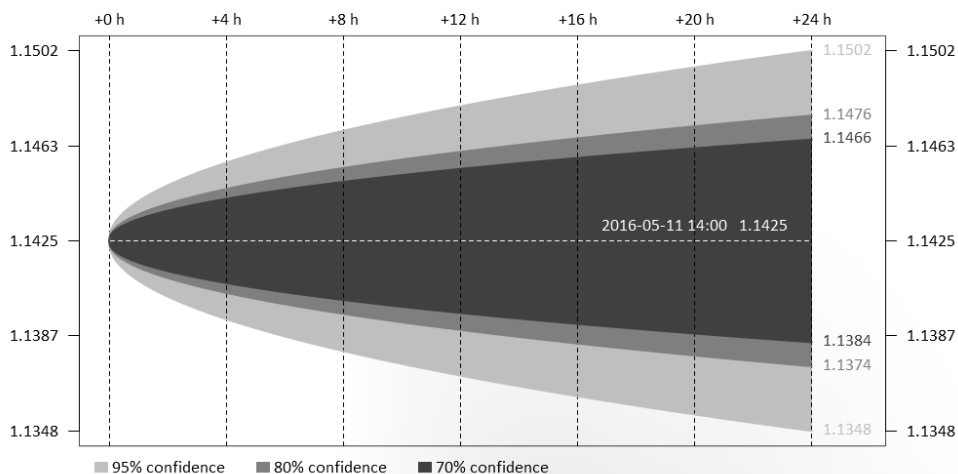
Mean Correlation Coefficient (with CADUSD)

Days	CAD	CAEUR	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.49	0.77	0.64	0.51	0.71	0.2	0.31	0.63
20	0.51	0.71	0.67	0.52	0.69	0.21	0.3	0.61
130	0.5	0.66	0.74	0.58	0.66	0.22	0.28	0.6
250	0.46	0.53	0.71	0.59	0.55	0.19	0.21	0.47

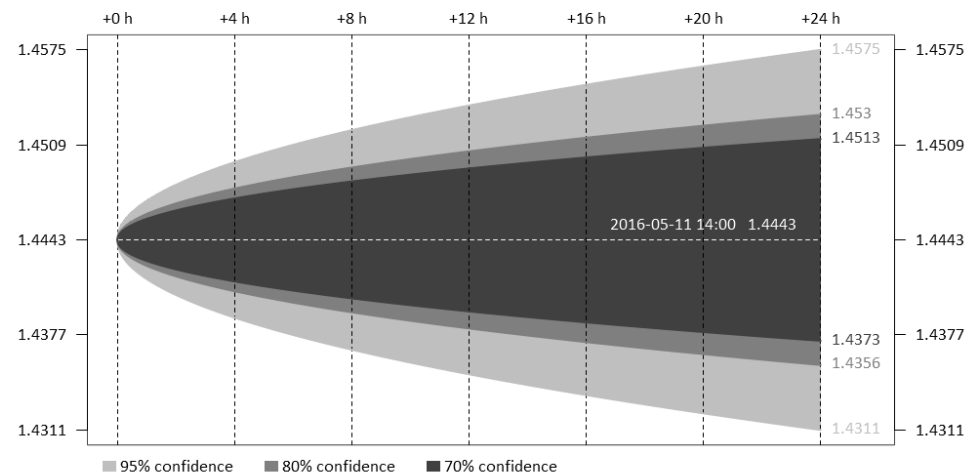
Confidence Intervals for Next 24 Hours

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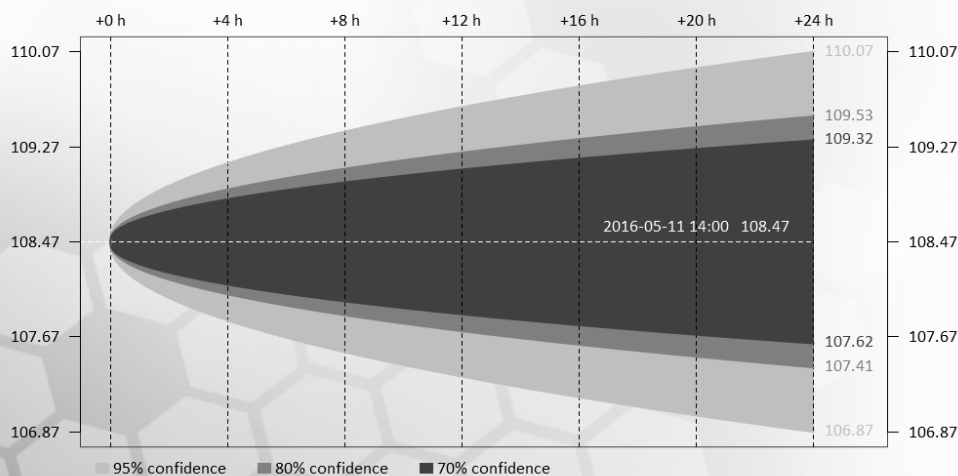
EURUSD Potential Rates



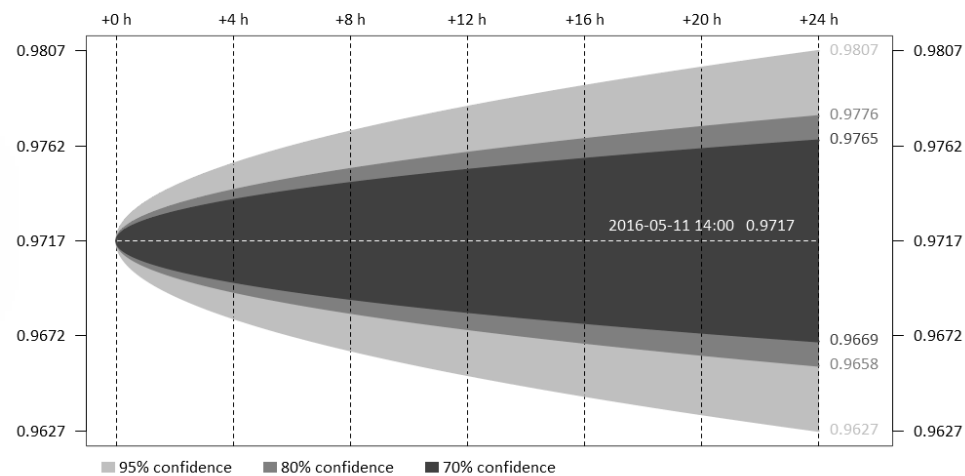
GBPUSD Potential Rates



USDJPY Potential Rates



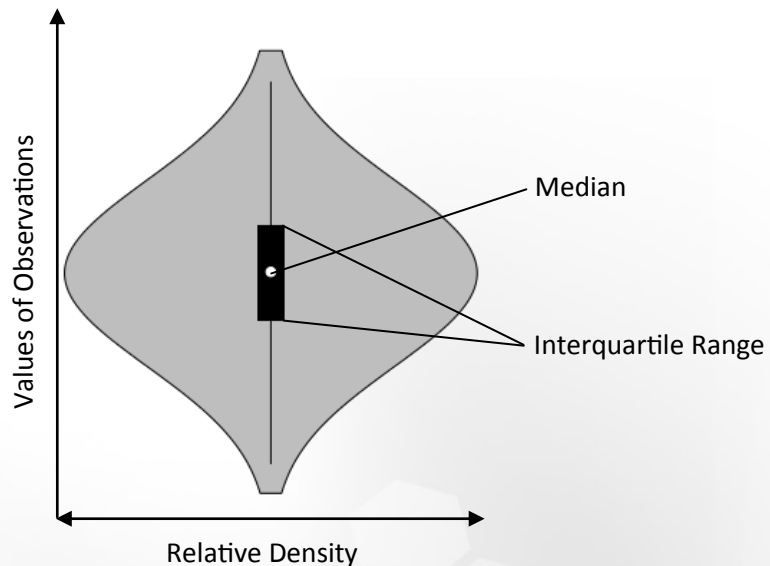
USDCHF Potential Rates



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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