



USD

23/05/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

May 17

01:00 - 15:00

- *RBA Minutes*
- *RBNZ Inflation Expectations*
- *Japanese Industrial Production*
- *UK CPI, PPI*
- *EMU Trade Balance*
- *US CPI, Building Permits, Housing Starts, Industrial Production*

Turquoise Area

May 18

10:30 - 18:30

- *UK CB Leading Economic Index*
- *FOMC Minutes*

Blue Area

May 19

06:00 - 15:00

- *UK Retail Sales*
- *ECB Monetary Policy Meeting Accounts*
- *US Jobless Claims, Chicago Fed National Activity Index, Philly Fed Manufacturing Survey, CB Leading Indicator, Fed Fischer's Speech*

USD Currency Index Change

-0.29%

0.21%

0%

Max USD Volatility Index

1.11

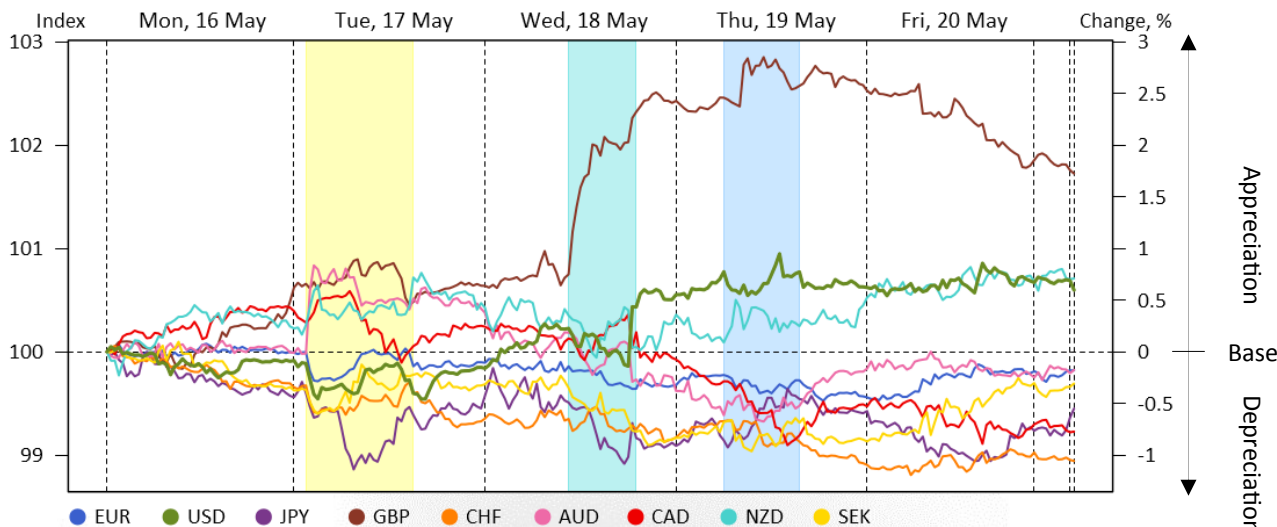
2.75

1.49



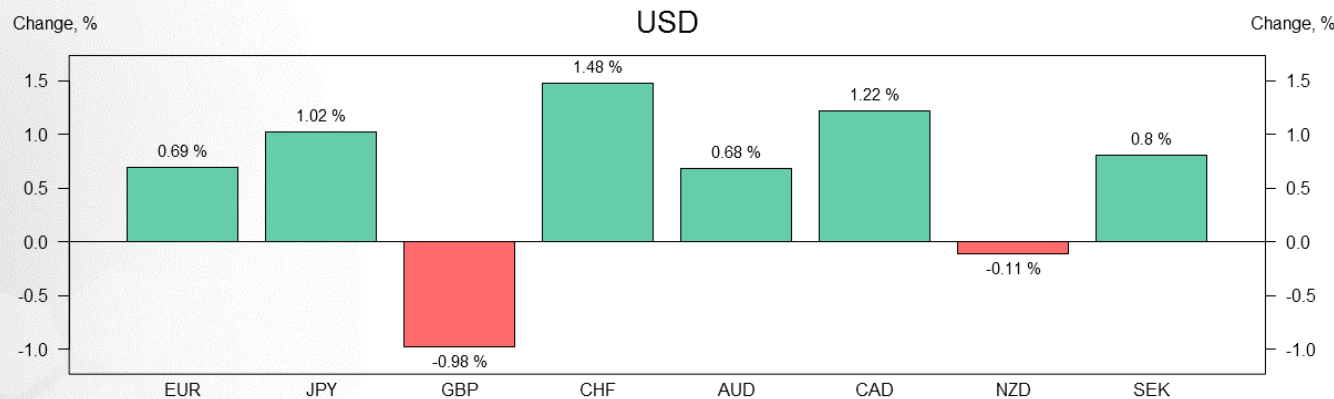
Relative Currency Strength

Currency Indexes



The British pound became the undisputed leader of the previous week. While its peers fluctuated in the range between -1.2% and +1%, the GBP Index experienced an almost 3% growth, fueled by the Brexit poll data release. At the end of the week, however, there was a slight decline, and the measure entered the new period at 101.7 mark. The Kiwi's and the Greenback's gauges shared the second best position, as they spent Friday entwined and ultimately posted 0.7% and 0.6% gains, respectively. All the other indexes, in turn, spent the last two days of the week in the depreciation area, finishing with 0.2-1.1% losses.

The USD Index started the week with a slide below the baseline and only managed to recover on Wednesday. Before that, the measure dropped to the week's low twice, losing ground against the background of the RBA minutes release in the morning and then again in the afternoon. On Wednesday, the index enjoyed its most notable increase, as it surged more than 0.7 points after the FOMC minutes release. As the document added fuel to the June rate hike expectations and the dollar rallied across the board, its index reached the 100.6 mark and swayed around it for the rest of the week, finishing yet another period with a gain.



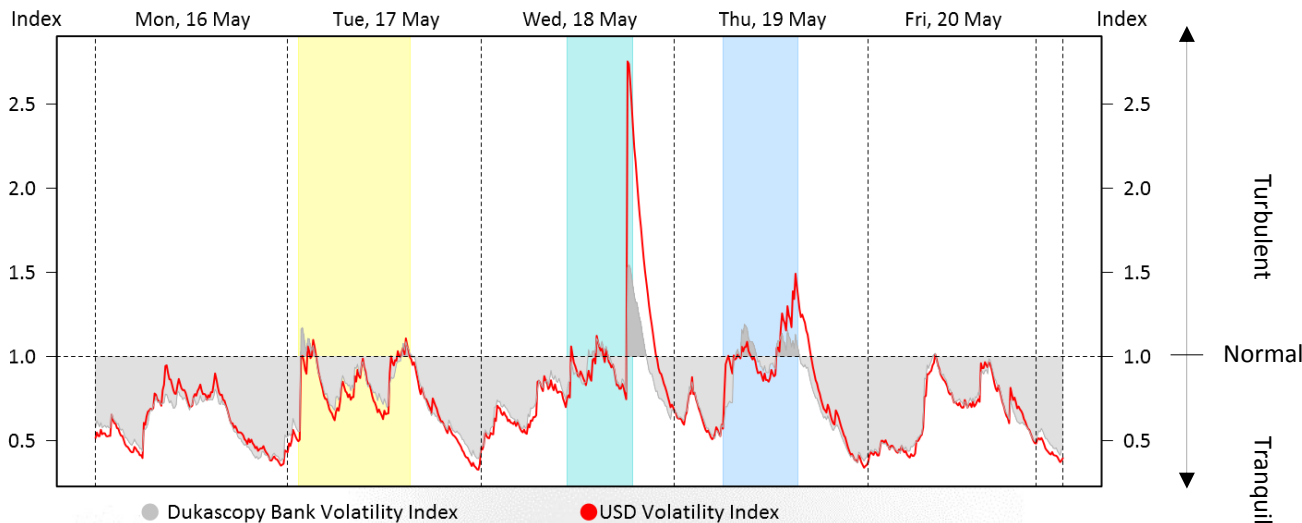
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.18%	0.6%	-0.55%	1.72%	-1.06%	-0.18%	-0.77%	0.71%	-0.31%
20	1.48%	1.61%	2.79%	2.34%	0.09%	-5.73%	-2.18%	-0.01%	-0.61%
130	2.86%	-3.2%	9.06%	-8.22%	0%	-2.66%	-1.08%	0.98%	2.15%
250	4.93%	2.4%	13.95%	-4.92%	-2.97%	-6.23%	-4.84%	-6.03%	3.72%



Volatility

Volatility



Turbulence on the market continued to fade, with the aggregate portion of elevated volatility losing 5% from the previous readings. The dollar, whose currency index moved on a slow uptrend throughout the period, showed only 12% of overturbulence and with even that found itself among the most volatile currencies. The yen spent 1% of time above the baseline, becoming the least volatile of the observed currencies. The most turbulent currency was the UK pound, which was affected by another wave of Brexit-related news and posted 25% of elevated volatility. Meanwhile, the Aussie and the Greenback became the leaders in terms of height of the volatility peaks, as their measures exceeded the 2.5 level at the time

of the RBA meeting's and FOMC minutes reports, respectively.

The past week was rather tranquil for the Greenback, and the mean of its volatility index barely exceeded the 0.7 level. For the most part, the dollar moved smoothly, showing no obvious reactions to the domestic news releases, resulting in only two occurrences of notably elevated volatility. The first was associated with the FOMC minutes, which increased prospects of a rate hike as soon as June. It turned out to be the most resonant event of the week as the market's volatility gauge reached its maximum of 1.54. The second spike took place on Thursday, shortly after the Fed's Dudley's comments of the same sentiment.

Elevated Volatility (% of the observed period)

Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
	11	14	2	36	17	12	31	17	28

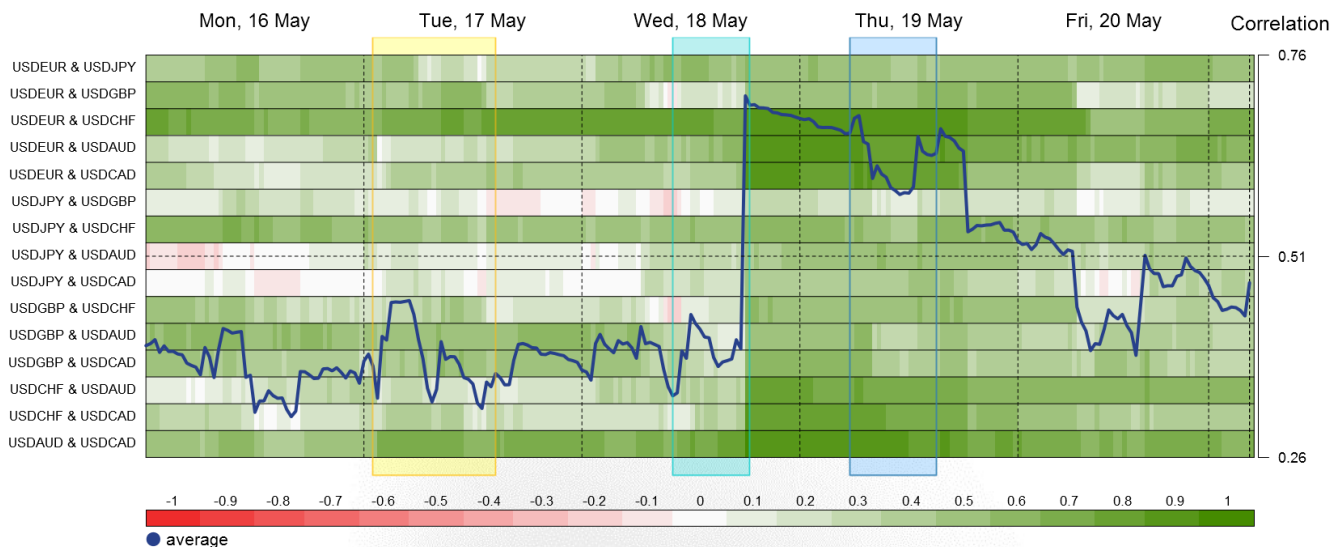
Volatility Index (for the observed period)

	Market	USD	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	USDCAD	NZDUSD	USDSEK
Max	1.54	2.75	3.48	1.55	2.58	3.17	2.78	3.63	3.36	2.94
Min	0.37	0.33	0.27	0.14	0.23	0.26	0.24	0.28	0.31	0.26
Average	0.72	0.74	0.73	0.54	0.85	0.74	0.72	0.88	0.79	0.79



Currency Significance

Correlations

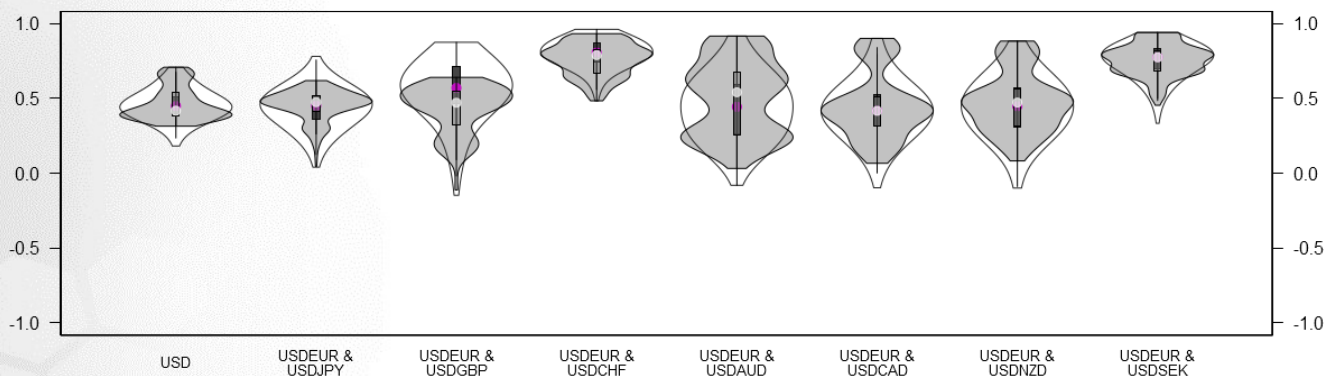


The dollar's correlation composite held on moderate levels between 0.3 and 0.5 points, and managed to lift the week's average above the 0.4 mark only with the surge that happened on Wednesday. Among the USD/EUR components, the bond with USD/AUD was the only one to post a growth in its mean value, attributable to the strengthening of the relationship in the second half of the week. The pair's mean correlation with USD/GBP, in turn, suffered a 0.2 points loss, as the individual values stayed almost entirely below the monthly average during the week. The pound itself

showed exceptional results in terms of its significance, pushing its composite above the 0.6 mark and into the top position with its surge on Wednesday. Another noteworthy uplift was observed on Tuesday, when the Aussie's jump caused its composite to spike to 0.9 points—the absolute high of the week.

As was mentioned before, the key development in the dollar's correlation composite was the surge that took place as the currency shot up with the release of the FOMC Minutes. The measure added 0.3 points in half an hour, reaching the period's high just above the 0.7 line. The strengthening, however, proved to be short-lived, and the dollar's lost direction, its correlation composite returned below the 0.5 level.

Correlations (5 vs 20 days)

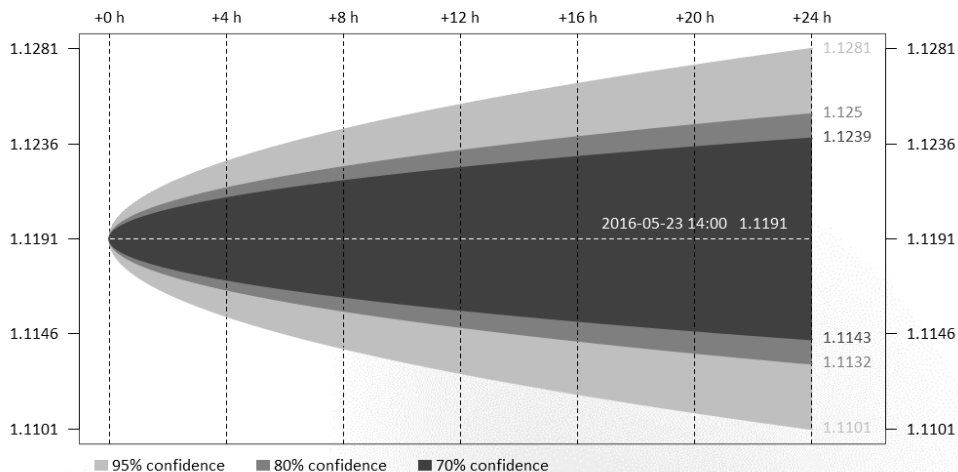


Mean Correlation Coefficient (with USDEUR)

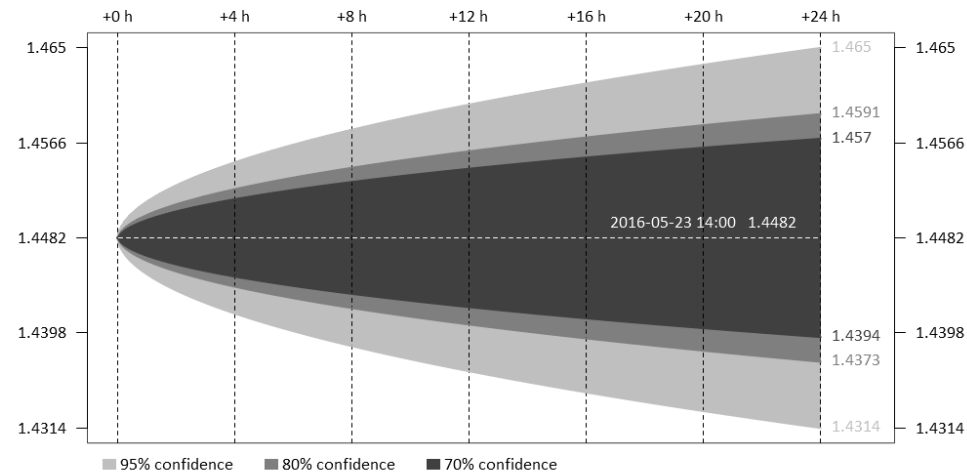
Days	USD	USDJPY	USDGBP	USDCHF	USDAUD	USDCAD	USDNZD	USDSEK
5	0.47	0.45	0.43	0.76	0.51	0.45	0.48	0.76
20	0.46	0.44	0.55	0.8	0.43	0.42	0.44	0.75
130	0.34	0.47	0.41	0.77	0.2	0.15	0.25	0.71
250	0.37	0.46	0.45	0.75	0.27	0.25	0.31	0.74

Confidence Intervals for Next 24 Hours

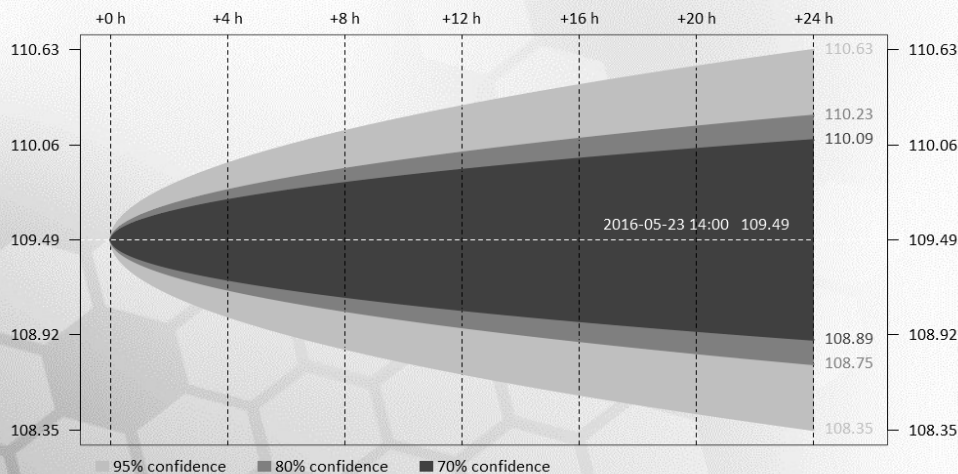
EURUSD Potential Rates



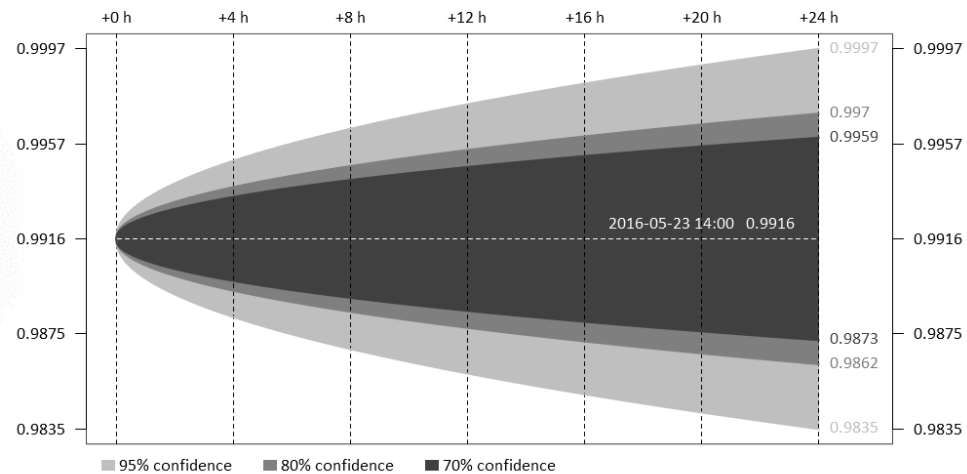
GBPUSD Potential Rates



USDJPY Potential Rates



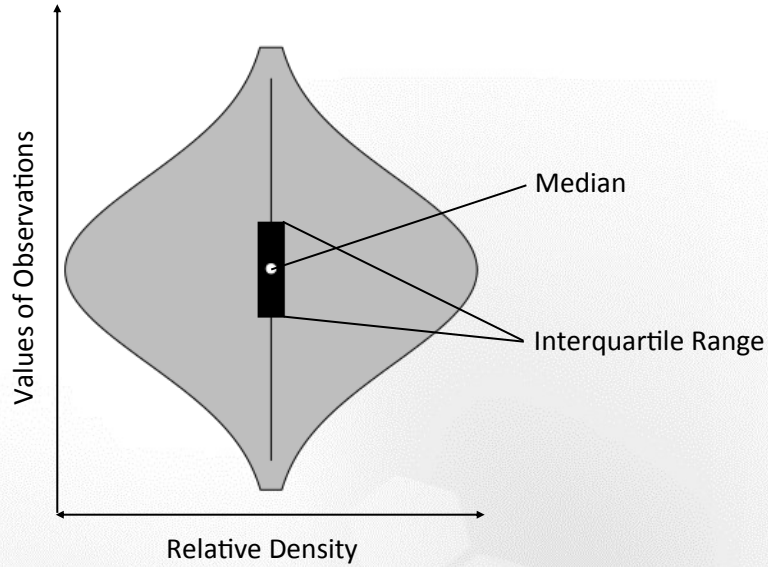
USDCHF Potential Rates



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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