

AUD / CAD / CHF / EUR / GBP / JPY / USD

21/08/2017
















M A R K E T

RESEARCH



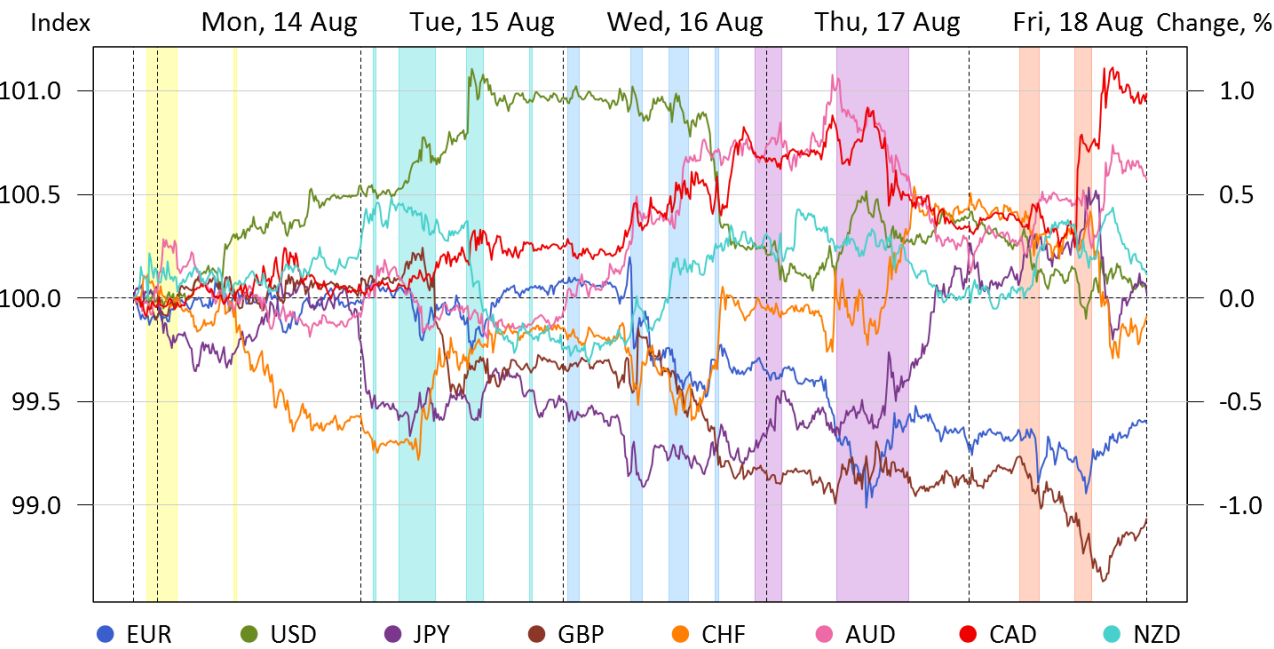
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RESEARCH PRODUCTS

Major Events of the Week

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
MONDAY, 14 AUGUST SESSIONS					
22:45		NZD	Retail Sales	+0.23 pp	0.08%
02:00		AUD	Chinese Retail Sales and Industrial Production	-0.14 pp	0.05%
TUESDAY, 15 AUGUST SESSIONS					
01:30		AUD	RBA Monetary Policy Meeting Minutes	+0.15 pp	0.04%
08:30		GBP	CPI	-0.58 pp	0.07%
12:30		USD	Retail Sales	+0.31 pp	0.07%
WEDNESDAY, 16 AUGUST SESSIONS					
08:30		GBP	Average Earnings, Unemployment Rate, Claimant Count	+0.29 pp	0.09%
18:00		USD	FOMC Meeting Minutes	-0.27 pp	0.05%
THURSDAY, 17 AUGUST SESSIONS					
01:30		AUD	Unemployment Rate, Employment Change	-0.12 pp	0.04%
08:30		GBP	Retail Sales	+0.08 pp	0.04%
11:30		EUR	ECB Monetary Policy Meeting Accounts	-0.21 pp	0.06%
12:30		CAD	Manufacturing Sales	-0.18 pp	0.04%
12:30		USD	Unemployment Claims, Philly Fed Manufacturing Index	+0.09 pp	0.04%
FRIDAY, 18 AUGUST SESSIONS					
12:30		CAD	CPI	+0.49 pp	0.08%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	-0.60	0.06	0.02	-1.07	-0.09	0.57	0.99	0.12
4	1.28	0.31	2.28	-0.68	-1.88	0.57	0.02	-1.91
26	7.45	-4.36	-0.56	-0.10	0.12	-0.52	0.32	-2.34
52	4.29	0.00	-9.82	-1.71	-0.45	4.43	2.66	0.61
YTD	5.75	-7.03	0.74	-2.16	-0.61	3.78	0.50	-0.97

While risk appetite remained one the main drivers of the market, none of the moves matched the previous period's rallies, with the observed indexes staying in a relatively narrow range between -1.40% and +1.10%.

The beginning of the week saw tables turn for the currencies affected by the US-North Korea tensions. During the first European session, the comments from the US Defense and State Secretaries on seeking diplomatic solutions for the crisis, as well as the reveal of the Russia-China plan to defuse the conflict, lifted the USD Index and caused the Franc's measure to tumble, making them both leaders on the respective sides of the baseline. The Dollar's gauge was further pushed by the reports on Kim Jong Un deciding to not launch a missile attack on Guam, and this time the news had a stronger effect on the Japanese safe-haven currency, whose index experienced a minor slide during the day, but tumbled overnight, losing almost 0.50 pp in two hours. From there the market was taken over by other events.

The USD Index enjoyed its largest 10-minute jump of 0.27 pp with the release of upbeat retail sales numbers on Tuesday and remained well above its peers at the 101.0 points level until late Wednesday. Then the FOMC July 26 meeting minutes showed a discord among the members, some of whom expressed concerns over decline in inflation and argued against making any moves before the numbers returned on track, while others noted that the tightening labour market might overshoot the employment target. All in all, the release

Relative Currency Strength

was seen as dovish, and the USD Index tumbled and nearly touched the baseline. The measure managed to pare some of its loses by mid-Thursday, but remained feeble and finished the period with a near-zero weekly change.

Meanwhile, the USD Index's safe-haven counterparts struggled to climb out of the negative area, with the Franc's measure rebounding from its week's low against the background of the Pound's tumble on Tuesday, while the JPY Index joined the recovery with the Dollar's downslide. Both gauges stood at the +0.50% level on Friday, but were hit by the rally of the commodity currencies and finished the week not far from their US peer.

The Pound's index was the one to end the period the farthest from the baseline, posting its third negative weekly change in a row. The gauge started the week at the baseline, but lost over 0.50 pp to meet the JPY Index below the base value after the UK CPI numbers came in below expectations, casting a

Currency Pair Weekly Change, %
Aug 14 - Aug 18

	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		-0.54	-0.47	0.22	-0.41	-1.02	-1.35	-0.63
USD	0.54		0.03	1.03	0.12	-0.45	-0.84	-0.00
JPY	0.47	-0.03		0.93	0.15	-0.49	-0.79	-0.06
GBP	-0.21	-1.02	-0.92		-0.87	-1.47	-1.82	-1.10
CHF	0.41	-0.12	-0.15	0.88		-0.59	-0.89	-0.16
AUD	1.03	0.45	0.49	1.49	0.60		-0.37	0.35
CAD	1.37	0.85	0.79	1.86	0.90	0.37		0.81
NZD	0.64	0.00	0.06	1.12	0.16	-0.35	-0.80	

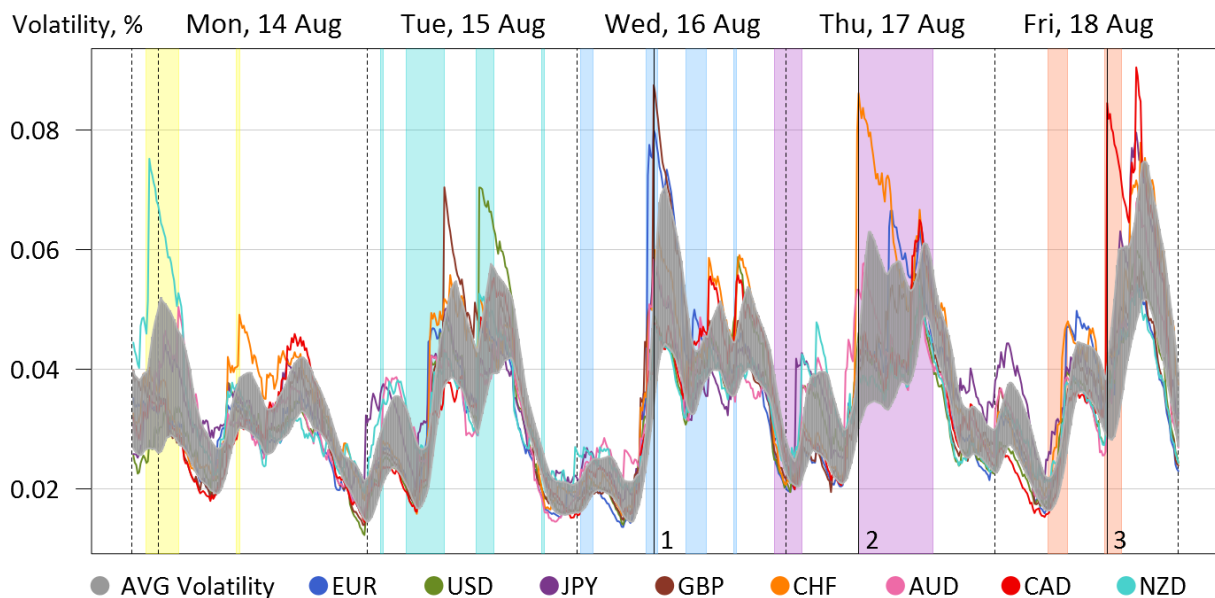
shadow on rate hike expectations. The next day, the gauge enjoyed the week's second-largest 10-minute spike of 0.30 pp as the UK unemployment rate fell to its lowest level since 1975 and wages rose more than expected. The surge, however, was fleeting, and the GBP Index proceeded to slide below the post-CPI level and, with another wave of weakening on Friday, below the -1.00% mark.

Another measure to finish the week relatively deep in the negative area was the EUR Index. The gauge's position was mainly defined by two downslides. The first one took it firmly below the baseline and was the result of the reports stating that, against wide expectations, the ECB President would not announce any policy changes at the Jackson Hole Fed conference on August 25. The second downslide started at the opening of the next European session and could be largely attributed to the anticipation of the release of the ECB monetary policy meeting accounts.

The leader in the appreciation area, in turn, was the Loonie. Its gauge rose the +0.50% line with the Euro's and the Pound's tumble on Wednesday, but solidified its dominance with two sharp jumps on Friday, fueled by the solid CPI data and a rally in oil prices.

Currency Volatility

Volatility



The past period was slightly more turbulent than the previous one, with the median volatility levels ranging from 0.031% for the Euro and the Dollar to 0.037% for the Franc.

The greatest volatility peak stood a little higher than 0.090% and was formed by the Loonie's oil-fueled surge on Friday. That peak, however, was not the first spike in the four-hour-long period of overturbulence. The initial rise of volatility was caused by the Loonie's reaction to the CPI numbers, which took its aggregate and most of the individual turbulence measures above 0.080%. The only pair to keep its volatility below the mark was AUD/CAD.

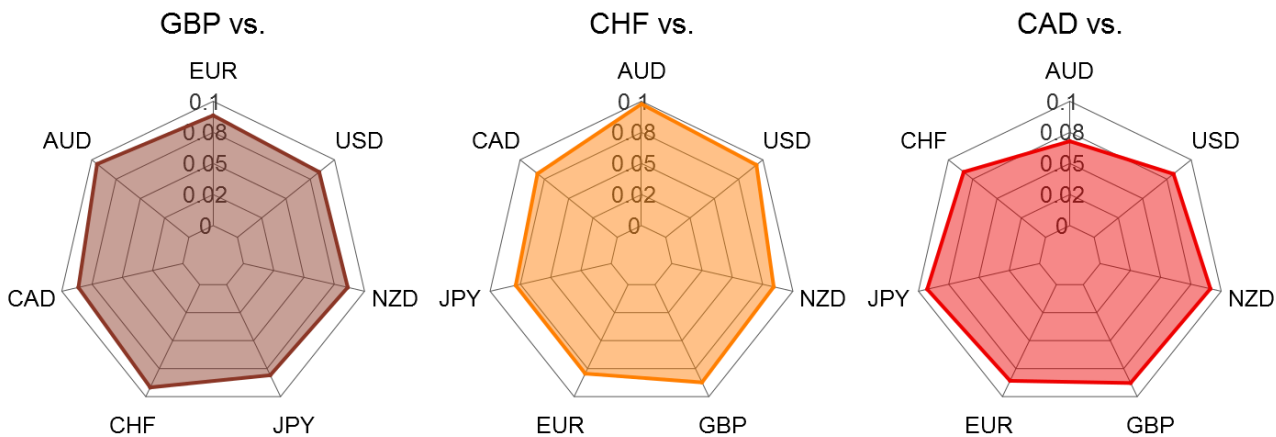
Another prolonged period of elevated volatility was observed on Thursday, when the Franc surged with the rumors that Gary Kohn, the White House key advisor on the US economy, would resign following President Trump's controversial remarks about the violent outcome of the protest in Charlottesville on August 12. The rumor was later rebuffed by the White House statement, but the market's reaction pushed the CHF Index into its sharpest 10-minute jump and caused the currency's aggregate volatility to hold above the 0.070% line for three hours.

Meanwhile, the week's second-highest spike, which stood only 0.001% above the one formed by the Franc, was attributable to the Pound's momentary surge in response to the earnings and unemployment rate release on Wednesday. The event caused the most uniform reaction, with the individual pairs' measures ranging from 0.081% for GBP/JPY to 0.095% for GBP/AUD.

UK Labour Data

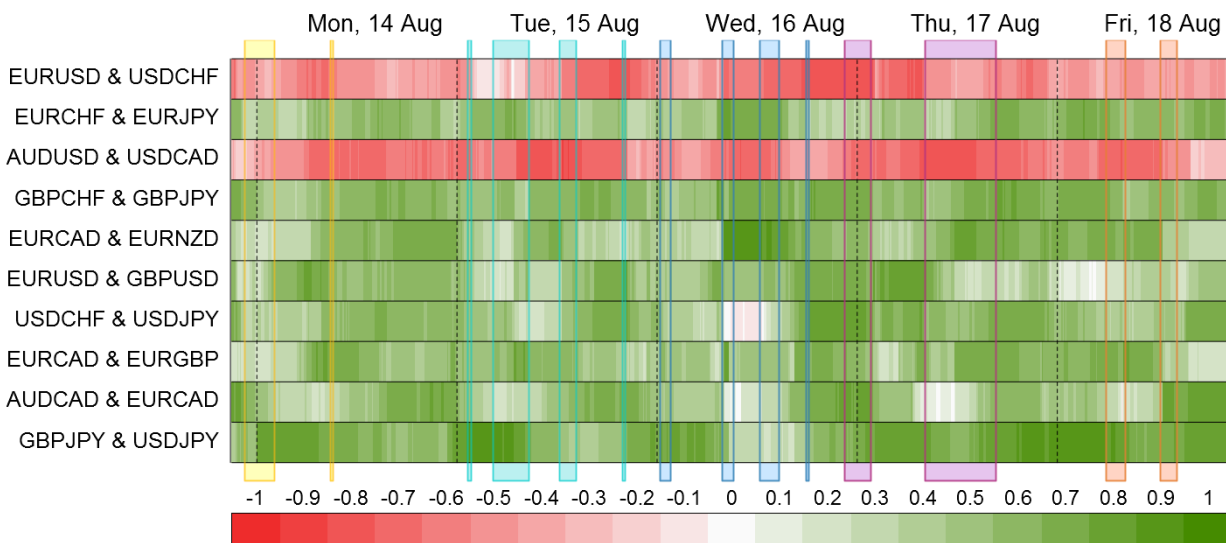
Swiss franc volatility peak

Canadian CPI

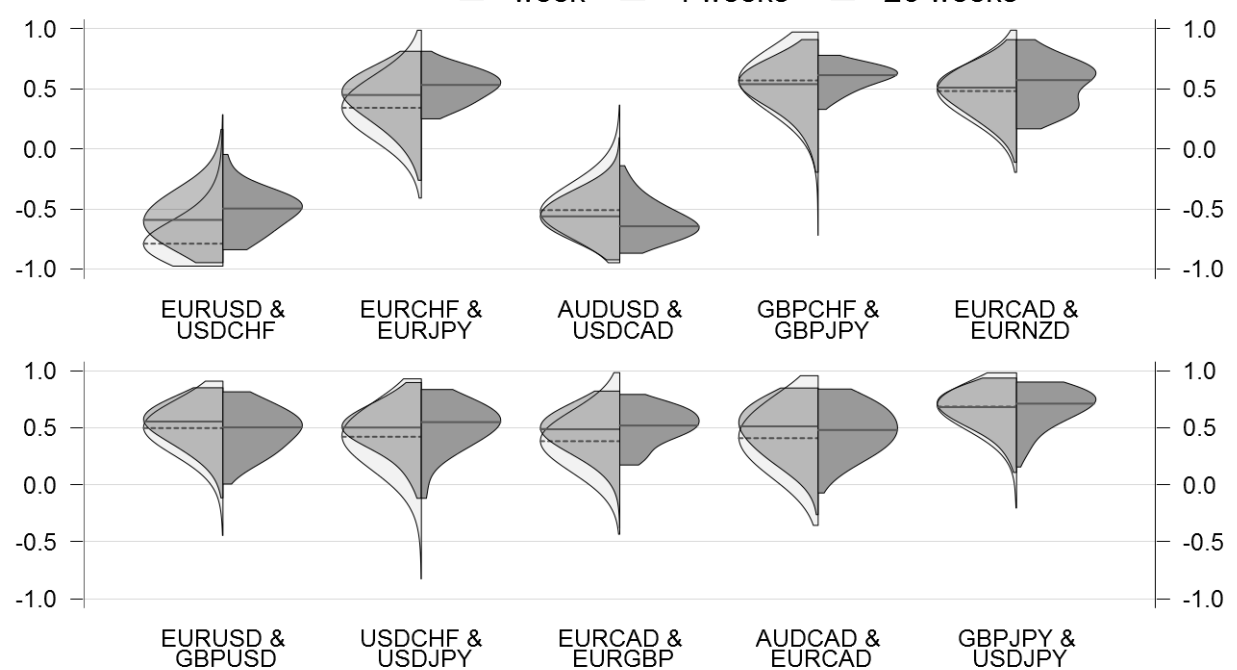


Currency Pair Correlations

Rolling Correlations



Historical Correlations — week — 4 weeks — 26 weeks



The past period's events did not cause any prominent shifts in the correlation medians, with none of the top-10 deviations between the weekly and the monthly readings reaching above 0.10 points.

The three greatest shifts were the extensions of the changes observed in the previous periods. Thus the weakening of the bond between EUR/USD and USD/CHF, which was first picked up by the correlations during the July 30 – August 4 week, caused the correlation distribution to shift farther away from the long-term strongly negative values, adding another 0.09 points to its median.

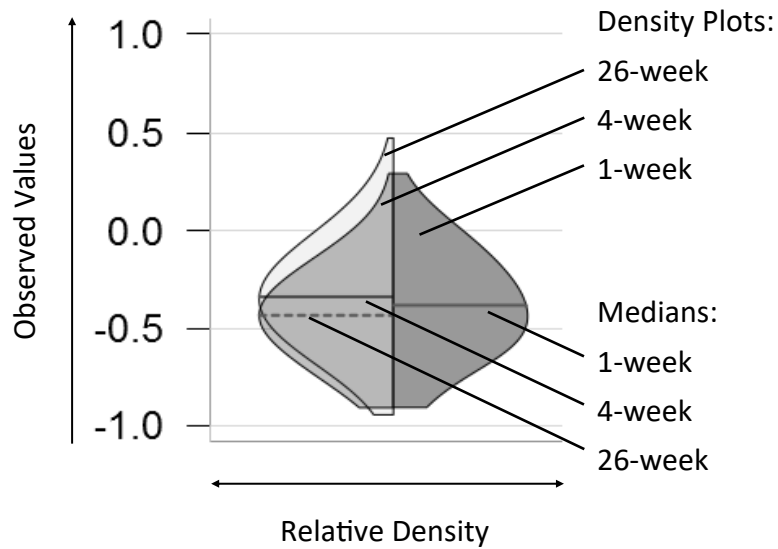
Another result of the recent discrepancy between the Euro and the Franc was the strengthening of the usually very changeable bond between EUR/CHF and EUR/JPY. Compared to the previous period, the correlation distribution formed during the past week cut its lower tail even shorter, concentrating its mass more tightly around the moderate positive level of 0.50 points.

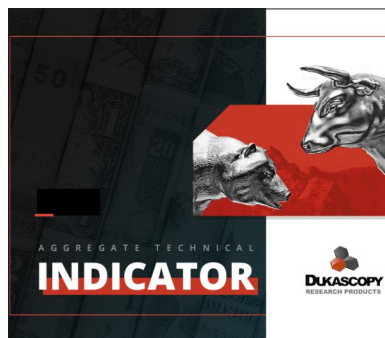
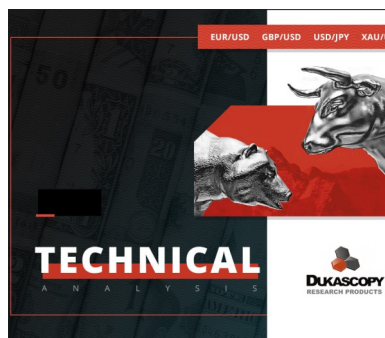
Meanwhile, the third-largest deviation between the weekly and the monthly medians was attributable to the bonds between the commodity currencies. Namely, the distributions of the correlations between AUD/USD and USD/CAD shifted farther below the -0.50 points line, sending its negative weekly median 0.08 points lower than the monthly one. Similar effect was observed in the relationship between the Loonie and the Kiwi, whose correlations in the Euro's crosses also strengthened their median.

Explanations

Violin Plot

Violin Plot combines several rotated Kernel Density Plots for ease of comparison





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