

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

11/09/2017















M A R K E T

**RESEARCH**



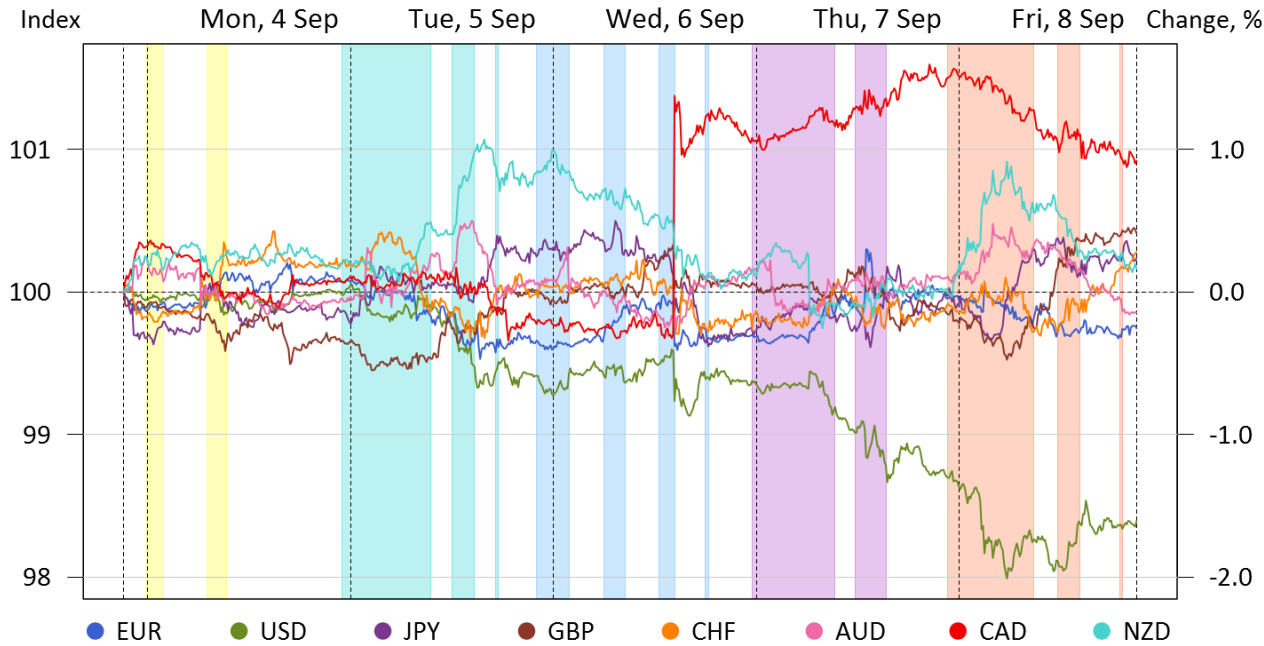
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# Major Events of the Week

| Time (GMT)                             | Flag  | Currency | Event                                | Currency Index | Volatility Peak |
|--|---|----------|--------------------------------------|----------------|-----------------|
| <b>MONDAY, SEPTEMBER 4 SESSIONS</b>    |   |          |                                      |                |                 |
| 08:30                                  |    | GBP      | Construction PMI                     | -0.05 pp       | 0.04%           |
| 09:00                                  |    | EUR      | EMU PPI                              | -0.06 pp       | 0.05%           |
| <b>TUESDAY, SEPTEMBER 5 SESSIONS</b>   |   |          |                                      |                |                 |
| 01:30                                  |    | AUD      | Current Account                      | +0.30 pp       | 0.05%           |
| 04:30                                  |    | AUD      | RBA Cash Rate, rate Statement        | -0.15 pp       | 0.06%           |
| 12:00                                  |    | USD      | FOMC Member Brainard's Speech        | -0.26 pp       | 0.03%           |
| <b>WEDNESDAY, SEPTEMBER 6 SESSIONS</b> |   |          |                                      |                |                 |
| 01:30                                  |    | AUD      | GDP                                  | -0.32 pp       | 0.08%           |
| 14:00                                  |    | CAD      | BoC Overnight Rate                   | +1.63 pp       | 0.40%           |
| <b>THURSDAY, SEPTEMBER 7 SESSIONS</b>  |   |          |                                      |                |                 |
| 01:30                                  |   | AUD      | Trade Balance, Retail Sales          | -0.31 pp       | 0.05%           |
| 06:00                                  |  | NZD      | New Zealand General Election Poll    | -0.42 pp       | 0.10%           |
| 12:30                                  |  | EUR      | ECB Press Conference                 | +0.44 pp       | 0.10%           |
| <b>FRIDAY, SEPTEMBER 8 SESSIONS</b>    |   |          |                                      |                |                 |
| 23:00                                  |  | USD      | FOMC Member Dudley's Speech          | -0.07 pp       | 0.03%           |
| 12:30                                  |  | CAD      | Unemployment Rate, Employment Change | -0.12 pp       | 0.05%           |

# Relative Currency Strength

## Currency Indexes



## Currency Index Change

| Weeks | EUR   | USD   | JPY   | GBP   | CHF   | AUD   | CAD  | NZD   |
|-------|-------|-------|-------|-------|-------|-------|------|-------|
| 1     | -0.26 | -1.61 | 0.24  | 0.41  | 0.28  | -0.15 | 0.92 | 0.16  |
| 4     | 0.31  | -1.67 | -0.26 | -0.03 | 0.44  | 0.60  | 3.19 | -2.59 |
| 26    | 5.75  | -7.71 | -0.63 | 1.44  | -0.09 | -0.32 | 3.97 | -2.40 |
| 52    | 5.29  | -2.51 | -8.03 | -3.15 | 1.21  | 4.99  | 5.67 | -3.47 |
| YTD   | 6.56  | -8.79 | 0.48  | -1.17 | 0.02  | 3.77  | 2.65 | -3.52 |

After a rather active previous period, the past week saw the Yen's, the Franc's, the Pound's, and the Aussie's indexes return to the  $\pm 0.50\%$  range, while the Kiwi's, the Loonie's, and the Greenback gauges continued to show some wide moves.

The week's most prominent performer was the CAD Index. While it failed to extend the previous period's dramatic rally, the measure did enjoy the week's sharpest 10-minute jump of 1.67 pp as the BoC announced a largely unexpected interest rate raise. While the policymaker did not offer any timelines for further hikes, it also voiced no concerns over the strength of the national currency, and the Loonie's index successfully held the +1.00% line for the rest of the day. The strengthening carried over into Thursday, with additional fuel coming from the US Dollar's sell-off, but Friday saw the gauge soften, surrendering the leadership to the Kiwi's and the Aussie's measures. Later in the day the CAD Index was further pressured by the Canadian labour data release showing growth in part-time jobs and a fall in better-paid full-time employment. The measure slid below the +1.00% mark and posted a smaller weekly gain compared to the previous period.

Meanwhile, the Antipodean currencies were the ones to benefit the most from the several waves of sell-off that the Greenback suffered during the week. The most affected seemed to be the Kiwi. The NZD Index first reached the +0.50% line on Tuesday morning, supported

## Relative Currency Strength

by renewed demand for the riskier assets, but broke above it as the Greenback fell after the FOMC member Brainard highlighted the gap between the current US inflation level and the Fed's target and said that the policymaker should be cautious with future rate hikes. The Kiwi's gauge reached its week's high of +1.07%, but got no new fuel and started to ease until plummeting on Thursday, when the general election poll showed that the governing National Party lost two points to widen the Labour Party's lead. The NZD Index found itself glued to the baseline and only managed to cross back into the appreciation area with another wave of the Greenback's downslide on early Friday. However, the momentum was lost at the opening of the European session, and the Kiwi's gauge finished the period with the smallest weekly growth, below the measures of the safe-haven currencies.

In the meantime, the US Dollar's across-the-board weakness made its gauge into the week's worst performer. After the Tuesday's slide, the USD Index

### Currency Pair Weekly Change, %

Sep 4 - Sep 8

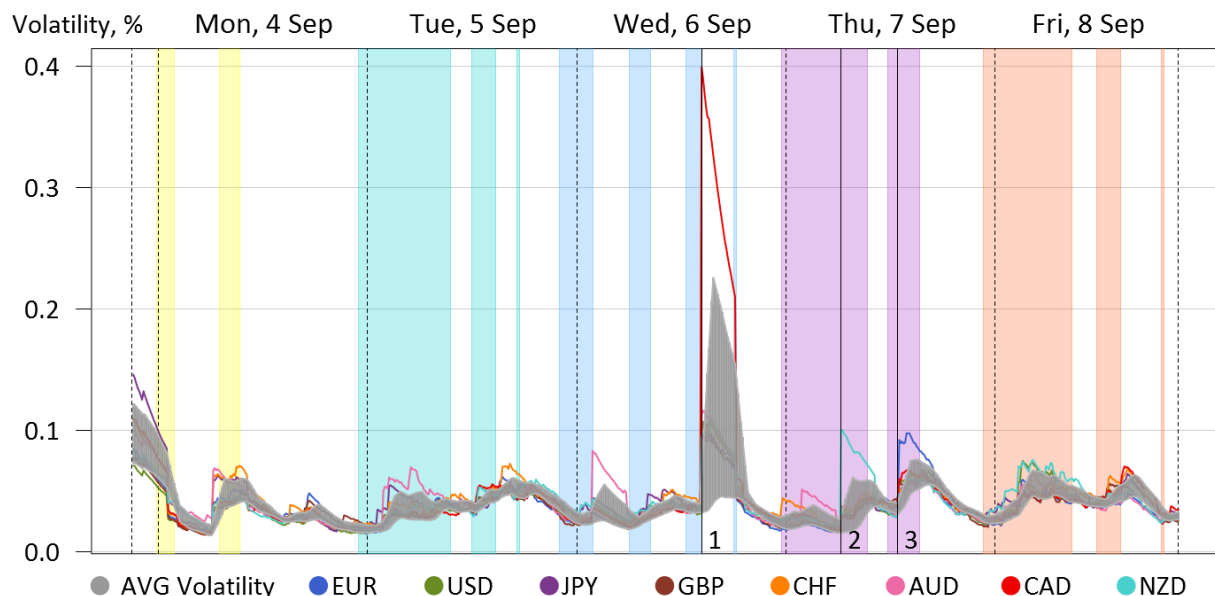
|     | EUR   | USD  | JPY   | GBP   | CHF   | AUD   | CAD   | NZD   |
|-----|-------|------|-------|-------|-------|-------|-------|-------|
| EUR |       | 1.20 | -0.40 | -0.59 | -0.44 | -0.09 | -1.05 | -0.40 |
| USD | -1.19 |      | -1.60 | -1.78 | -1.64 | -1.27 | -2.20 | -1.47 |
| JPY | 0.40  | 1.62 |       | -0.18 | 0.00  | 0.32  | -0.57 | 0.10  |
| GBP | 0.59  | 1.81 | 0.18  |       | 0.16  | 0.49  | -0.46 | 0.12  |
| CHF | 0.44  | 1.67 | -0.00 | -0.16 |       | 0.35  | -0.47 | 0.13  |
| AUD | 0.09  | 1.29 | -0.32 | -0.49 | -0.35 |       | -0.96 | -0.27 |
| CAD | 1.06  | 2.25 | 0.57  | 0.46  | 0.48  | 0.97  |       | 0.67  |
| NZD | 0.40  | 1.49 | -0.10 | -0.12 | -0.13 | 0.28  | -0.67 |       |

spent a day and a half just below the -0.50% mark, with only a two-hour dip at the Loonie's surge. Thursday's European session, however, found the gauge in a downtrend against the background of the Euro's pre-ECB-press-conference uplift. The Greenback's gauge was pushed below the -1.00% line by the single currency's jump and proceeded to decline to the absolute week's low of -2.01% by early Friday. From there the measure zigzagged to ultimately pare some losses finish the week at -1.61%, its worst result since mid May.

On the year-to-date basis, the Greenback's gauge extended its loss beyond the -8.50% mark. The only other measure to slide deeper into the negative area was the NZD Index, which took its readings to -3.52% from -3.49% recorded in the previous period. Meanwhile, the Yen's and the Franc's measures, which enjoyed a relatively uneventful period, pared the previous period's losses and posted positive year-to-date changes. The Loonie's gauge, in turn, enjoyed its fourth consecutive positive week, thus raising its long-term change from -0.54% in early August to +2.65% in the past week, thus posting the third largest year-to-date growth among the observed currencies.

# Currency Volatility

## Volatility



The past period proved to be one of the most turbulent ones since late April, with the median volatility values ranging from 0.034% for the Greenback to 0.040% for the Swiss Franc.

Unsurprisingly, the week's most turbulent event was the BoC's rate decision that caused the Canadian Dollar to skyrocket against its peers. The aggregate reaction of the Loonie's pairs put their average volatility at 0.399%, the highest currency turbulence value since the first tour of the French elections. The greatest peaks of around 0.420% were reached by USD/CAD, GBP/CAD, and EUR/CAD, while AUD/CAD showed a notably muted reaction with 0.346% volatility.

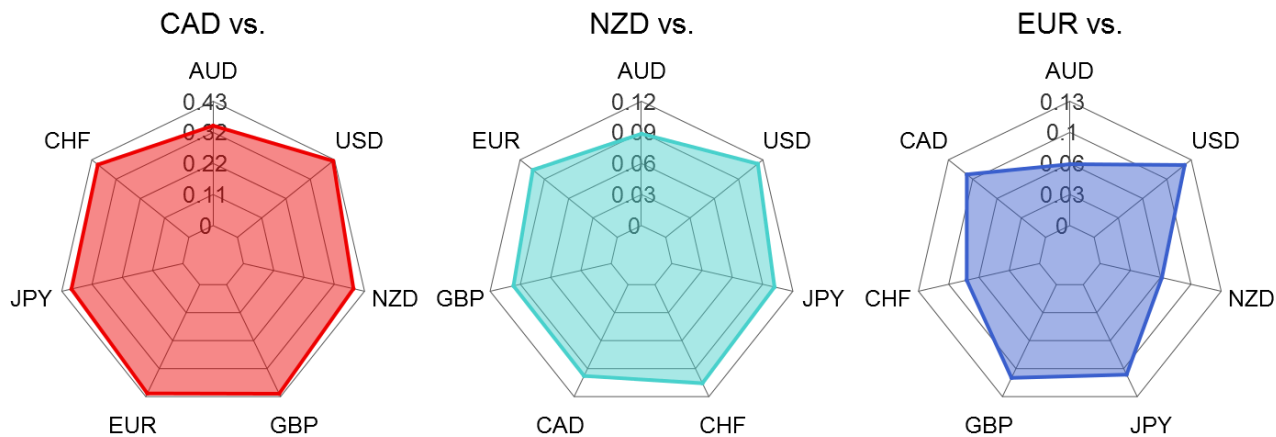
All the other mid-period peaks remained below the 0.110% line, with the highest of them being formed by the Kiwi's fall after the publication of the election poll results. The NZ Dollar's aggregate volatility reached 0.100%, with greater reactions coming from the pairs with the Greenback and the safe-haven currencies.

The third-greatest volatility splash was caused by the ECB news. The central bank raised its growth forecast, but lowered the inflation outlook, while Mario Draghi stated that most of the decisions on the winding down of the bond buying programme would be made by October. As a result, the Euro's index made a wave-like move, with the initial surge causing a 0.093% volatility rise, and the subsequent fall lifting turbulence to 0.098%. EUR/USD had a notably sharp reaction to the announcements, with the pairs volatility reaching 0.121%.

### BoC Overnight Rate

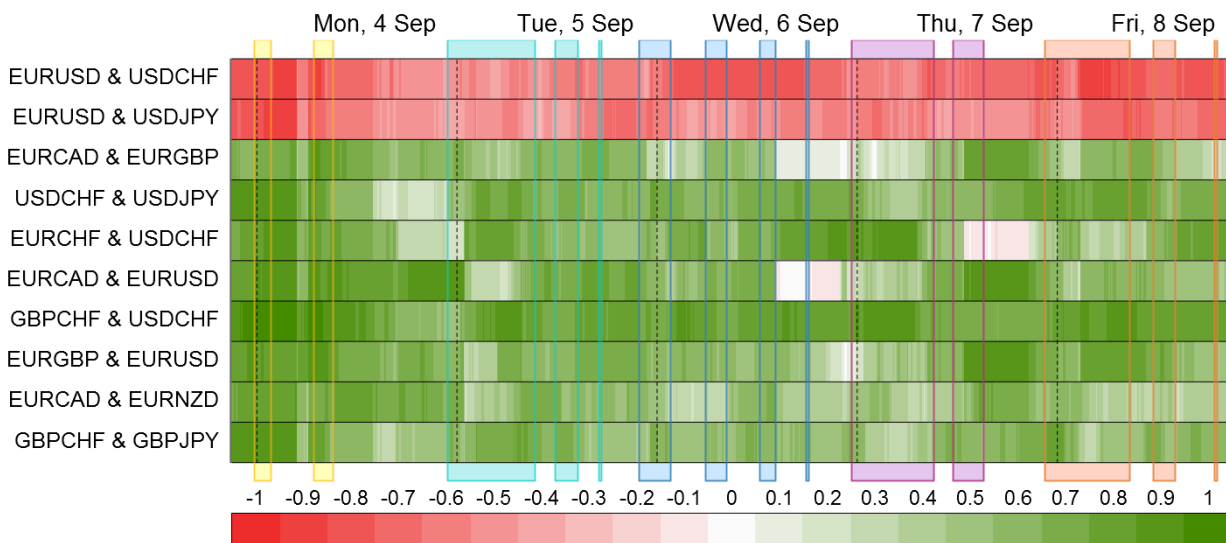
### NZ General Election Poll

### ECB Press Conference

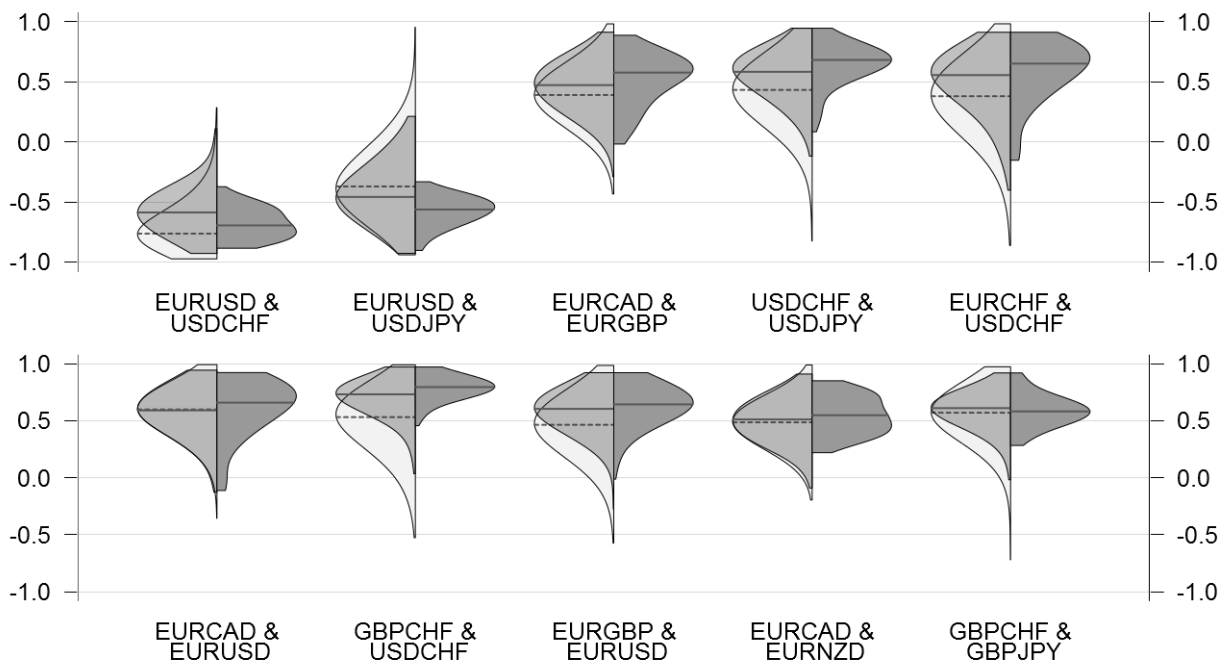


# Currency Pair Correlations

Rolling Correlations



Historical Correlations — week — 4 weeks — 26 weeks



The period's events resulted in rather moderate shifts of the weekly correlation medians, but notably all but one of the top-ten changed distributions showed strengthening of the underlying bonds. Also, in contrasts to the pattern of the previous periods, most the greatest changes took the distributions away from the long-term norm.

The only exceptions to the latter was the bond between EUR/USD and USD/CHF, which shifted the rolling correlations closer to strongly negative values and cut the distribution's upper tail short for the second week in a row.

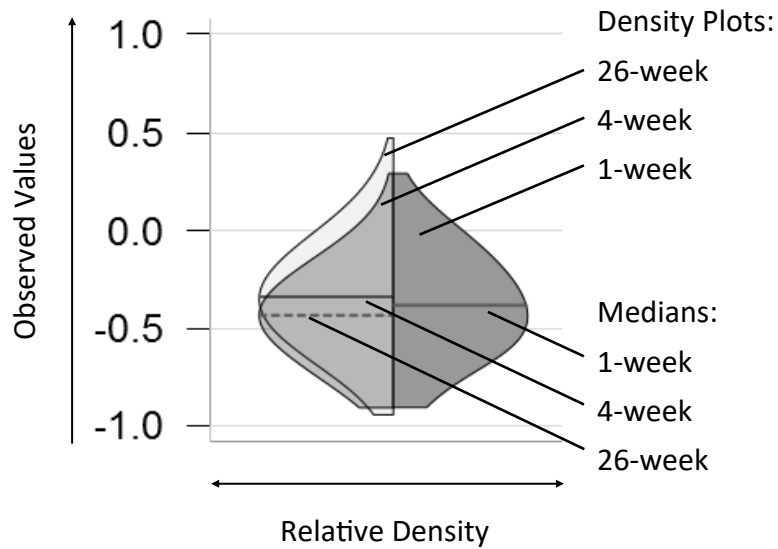
Meanwhile, the correlations between EUR/USD and USD/JPY were abnormally strong, with most of the values lying below the 26-week median and signaling firm inverse relationship in stead of the largely varying long-term bond. Similar situation was observed in the correlations between GBP/CHF and USD/CHF, whose values kept largely above the 26-week median, thus showing a stronger-than-usual unity in movements.

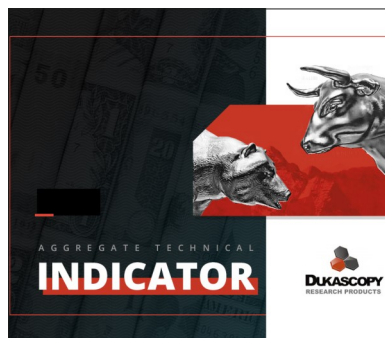
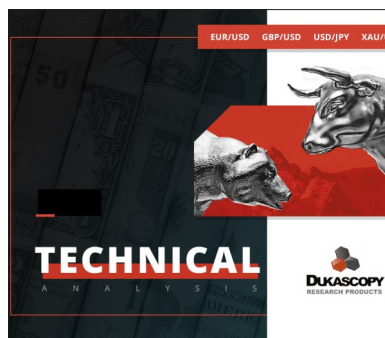
The shift in the relationship between the Greenback and the safe-haven currencies also seemed to impact the bonds between USD/CHF and USD/JPY, and EUR/CHF and USD/CHF, whose weekly correlations distributions crept mostly above the +0.50-point mark and medians stood 0.10 points above the monthly values.

# Explanations

## Violin Plot

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





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