

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

23/10/2017











M A R K E T

RESEARCH

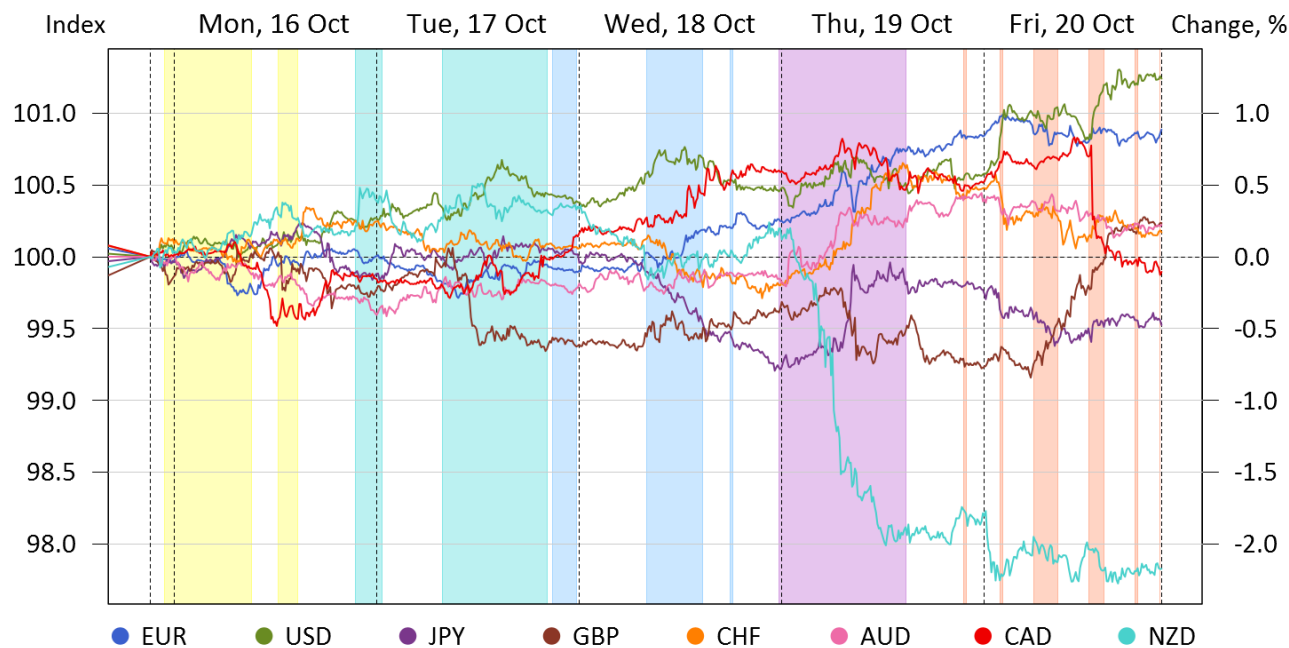


Major Events of the Week

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
MONDAY, OCTOBER 16 SESSIONS					
12:30		USD	Empire State Manufacturing Index	+0.07 pp	0.03%
TUESDAY, OCTOBER 17 SESSIONS					
21:45		NZD	CPI	+0.19 pp	0.05%
10:15		GBP	BoE Governor Carney's Speech	-0.48 pp	0.05%
WEDNESDAY, OCTOBER 18 SESSIONS					
08:30		GBP	Average Earnings, Claimant Count, Unemployment rate	-0.13 pp	0.03%
12:30		CAD	Manufacturing Sales	+0.21 pp	0.05%
12:30		USD	Building Permits, Housing Starts	-0.09 pp	0.04%
THURSDAY, OCTOBER 19 SESSIONS					
00:30		AUD	Employment Change, Unemployment Rate	+0.21 pp	0.05%
00:50		NZD	Coalition Between Labour and New Zealand First Parties	-2.20 pp	0.15%
08:30		GBP	Retail Sales	-0.30 pp	0.10%
12:30		USD	Initial Jobless Claims, Philly Fed Manufacturing Index	+0.14 pp	0.04%
FRIDAY, OCTOBER 20 SESSIONS					
00:00		USD	US Senate Passes Budget Plan	+0.45 pp	0.04%
12:30		CAD	CPI, Retail Sales	-0.64 pp	0.13%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	0.89	1.24	-0.48	0.24	0.17	0.22	-0.10	-2.17
4	0.66	2.26	0.72	-0.33	0.56	0.20	-0.35	-3.72
26	8.07	-2.71	-7.20	0.64	-1.31	1.37	4.93	-3.80
52	7.17	-1.83	-11.99	6.74	-0.72	1.27	4.41	-5.05
YTD	7.39	-5.58	-2.21	1.96	-1.53	3.60	1.47	-5.09

In the past week, most of the observed indexes moved in a moderate range between -0.85% and +1.30%, with a notable skew to the upside and five of the eight gauges finishing the period above the baseline.

An obvious exception was the Kiwi's index, which fell below the -2.00% mark and posted its greatest weekly loss since late April. The gauge had an upbeat start, continuing the previous period's uptrend and getting support from the Q3 CPI numbers, which came in better than expected and beat the RBNZ forecasts. Tuesday and Wednesday, however, saw the NZD Index turn sluggish, as it was weighted by another fall in the dairy prices and the overall anticipation of the outcome of the new government talks. The real downfall, however, came on Thursday, when it a coalition was announced between the Labour and the New Zealand First parties, putting an end to the nine-year reign of the National Party. While the new government, headed by the country's youngest Prime Minister since 1856, had not yet set its policy priorities, the market was quick to push the NZ Dollar down amid speculations on possible aggressive reforms that could affect the economic drivers. Among such feared measures are a curb on migration and changes to the RBNZ, including imposition of a double mandate to target employment in addition to inflation and a shift to a committee structure. As a result, the NZD Index lost 2.20 pp in 12 hours, falling to 98.0 points line. The measure held above the level for the rest of the day, but crossed

Relative Currency Strength

below it as it continued the downslide on early Friday, and spent the last day of the period fluctuating between the 97.7 and 98.0 points mark. Meanwhile, the GBP Index showed the period's most spectacular turnaround, as it seemed set to become the week's second-worst performer, but ended up amid the top-three gainers instead. The gauge started the week edging down from the previous period's highs and slid below the -0.50% line on Tuesday, after the market reaffirmed its sensitivity to failed expectations and pushed the Pound down as the BoE Governor Carney did not offer any new hawkish signals in his speech before the MPs. The GBP Index spent the next 24 hours below the mark and started to pick up in Wednesday afternoon, but barely managed to approach the baseline before it was hit by the disappointing retail sales figures. The month-on-month change came in at -0.8%, coming close to negating August's growth and casting a shadow on the awaited preliminary Q3 GBP figure due on October 25, which pushed the Pound's

Currency Pair Weekly Change, %

Oct 16 - Oct 20

	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		-0.27	1.28	0.52	0.63	0.56	0.84	2.70
USD	0.27		1.55	0.88	0.92	0.93	1.16	3.07
JPY	-1.27	-1.52		-0.61	-0.44	-0.62	-0.33	1.49
GBP	-0.52	-0.87	0.61		0.10	-0.09	0.32	2.12
CHF	-0.63	-0.91	0.44	-0.10		-0.00	0.34	2.08
AUD	-0.55	-0.92	0.63	0.09	0.00		0.29	2.04
CAD	-0.84	-1.14	0.33	-0.32	-0.34	-0.29		1.90
NZD	-2.63	-2.98	-1.46	-2.08	-2.04	-2.00	-1.86	

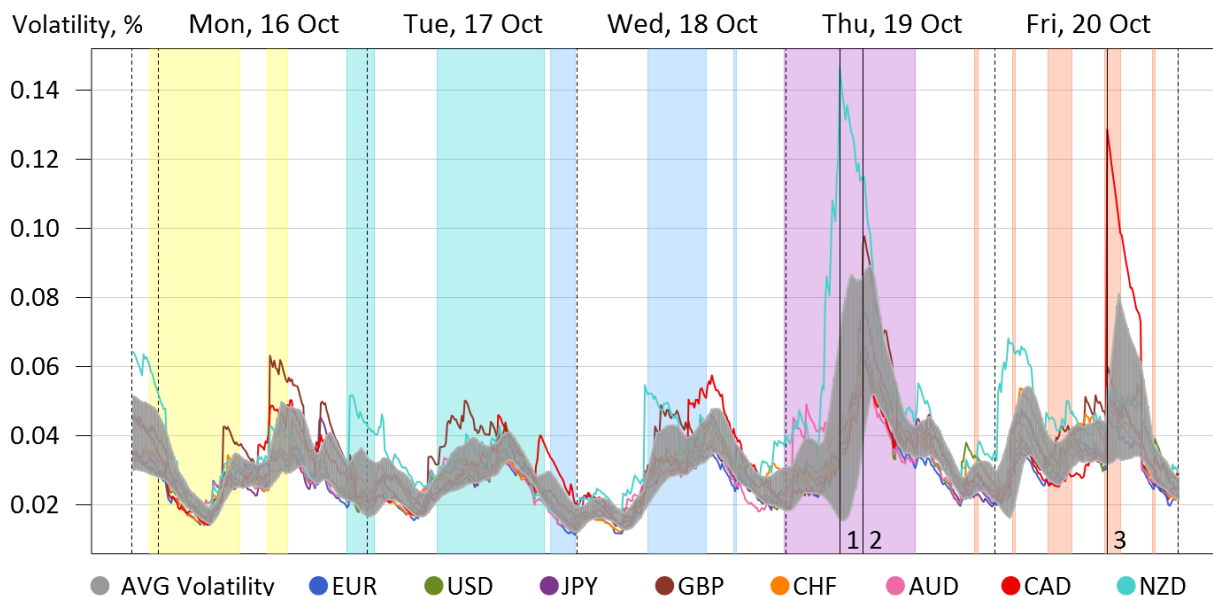
gauge further into the negative territory. With that the index could post a near-1.00% weekly loss, but was saved by a boost in Brexit optimism, prompted by comments from Angela Merkel and Donald Tusk pointing at the agreement between the EU leaders and the UK to start preparing for the trade talks before the end of the year. The GBP Index skyrocketed, gaining 1.05 pp in ten hours and posting a small weekly gain.

At the meantime, an opposite last-minute move took the Loonie's gauge from its lace among the top-three leaders into the negative territory. The CAD Index spent the period on an uptrend, recovering from the previous period's plunge, but was hit by both CPI and retail sales figures disappointing expectations and painting a gloom picture ahead of the BoC interest rate announcement on October 25.

The measure's US counterpart, in turn, was the only gauge to spend the whole period above the baseline. The Greenback's Index also made its sharpest move on Friday, taking the leadership from the Euro's gauge after the US Senate passed the 2018 budget plan, raising hopes for the implementation of the President's proposed tax cuts. As a result, the USD Index posted a 1.24% weekly gain – its highest result since the start of our observations in April.

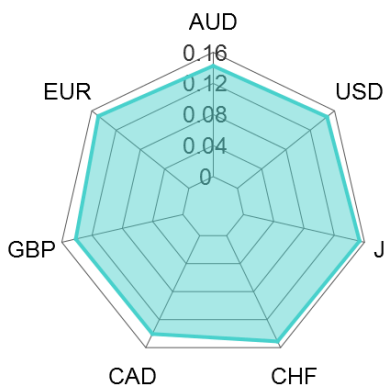
Currency Volatility

Volatility



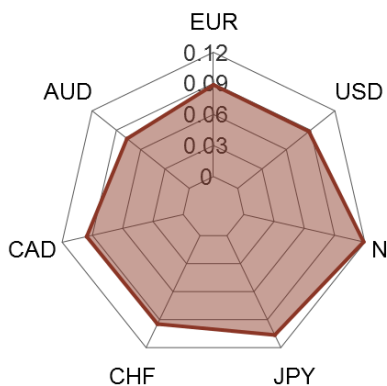
New Zealand New Government

NZD vs.



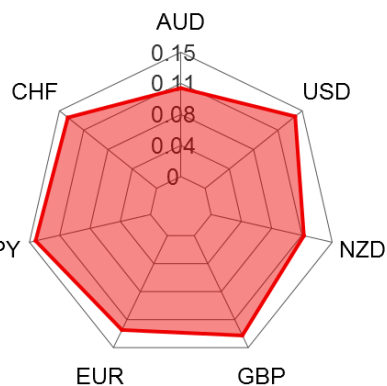
UK Retail Sales

GBP vs.



Canadian CPI

CAD vs.



The past period was slightly more turbulent than the previous week, with most of the currencies posting median volatility levels of 0.028-0.030%. For the second week in a row, the highest medians by the Pound's and the Kiwi's measures with the reading of 0.034% and 0.037%, respectively.

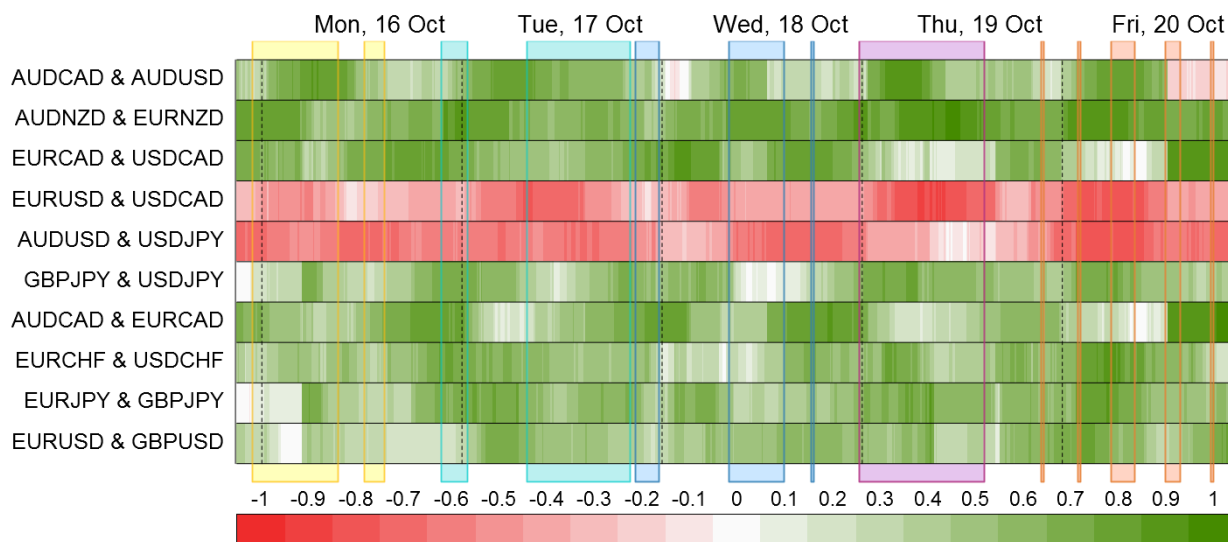
The period's greatest volatility surge was caused by the Kiwi's plunge on Thursday and was once again prompted by the outcome of the general election. The Kiwi's aggregate volatility jumped to 0.147%, marking its second-sharpest reaction to the election-related headlines. The response was fairly uniform among the pairs, with the lowest turbulence notably posted by NZD/CAD and GBP/NZD and not by AUD/NZD.

Not far below stood the peak formed by the Loonie's fall in the aftermath of the disappointing Friday's releases. The aggregate value reached 0.129%, with the over-0.130% components of CAD/JPY, USD/CAD, CAD/CHF, and GBP/CAD brought down by the muted reactions from the Antipodean currencies.

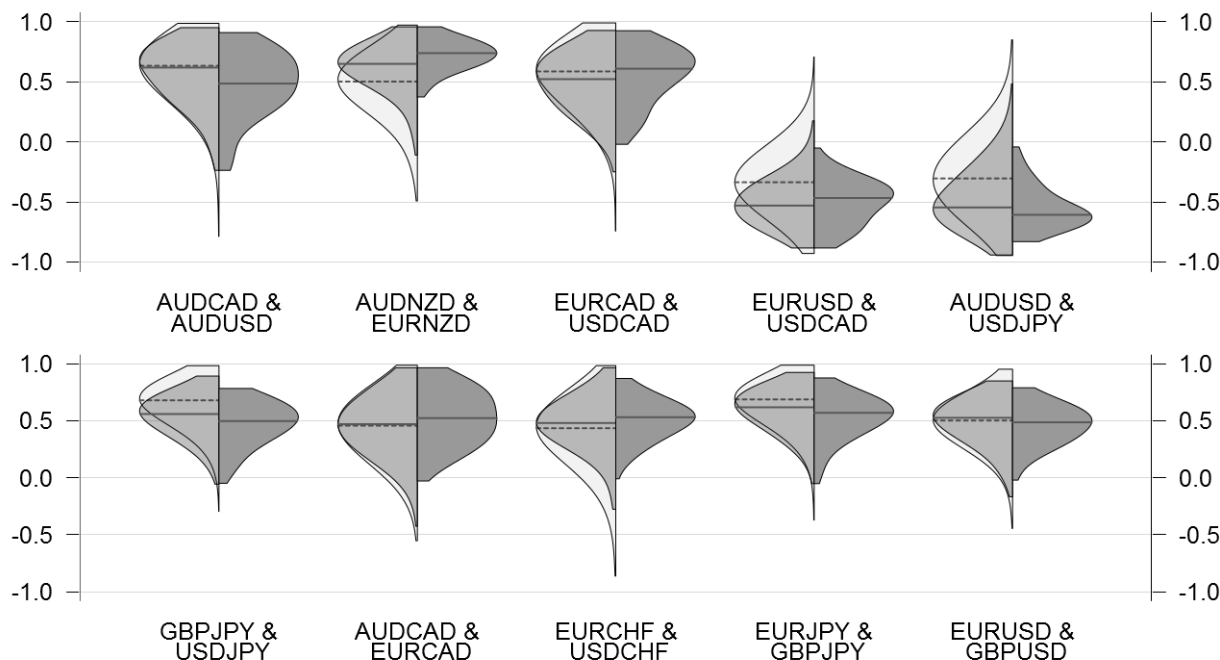
The third-highest volatility spike took place only a few hours after the surge of the Kiwi's measure and was caused by the Pound's reaction to lower-than-expected retail sales figure. This event prompted the most diverse responses, with the volatility levels of the individual pair's ranging from 0.077% for GBP/AUD to 0.107% for GBP/JPY and 0.112% for the Pound's cross with the still volatility Kiwi.

Currency Pair Correlations

Rolling Correlations



Historical Correlations — week — 4 weeks — 26 weeks



The past week saw quite moderate shifts between the weekly and the monthly correlation medians.

The greatest changes seemed to be caused by the Loonie's moves and to highlight the Canadian currency's pull on its peers. The most notable change was observed in the correlations between AUD/CAD and AUD/USD, whose weekly median suffered a 0.13 points drop from the monthly value, pointing to a discrepancy in the Loonie's and the Greenback's behavior towards their Australian peer. Similarly, the Loonie and the Euro lost some of their synchronicity in their moves against the Greenback, which was shown by the shift of the EUR/USD & USD/CAD correlation distribution away from the unusually high levels of the past month. Finally, elevated EUR/CAD correlations with USD/CAD and AUD/CAD suggested that the Loonie moved similarly against the Greenback, the commodity Aussie, and the safe-haven single currency.

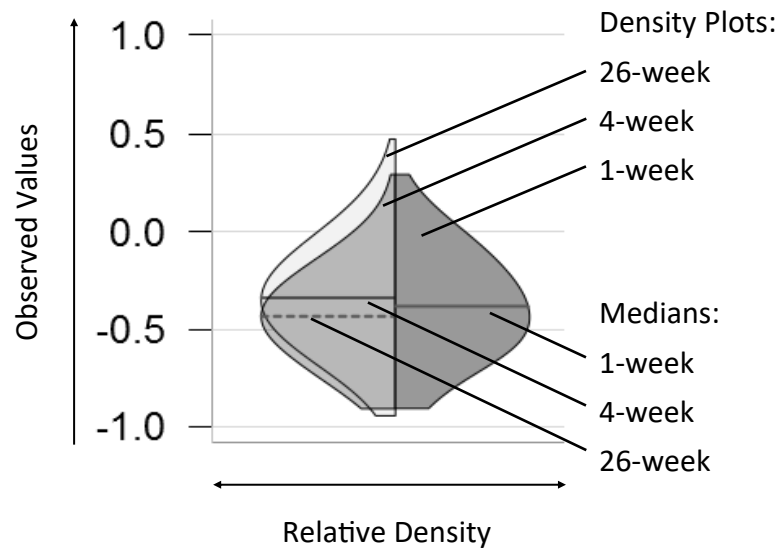
The Kiwi's moves also did not go unnoticed by the correlations. Thus, the already abnormally strong bond between AUD/NZD and EUR/NZD showed further strengthening, with most of the rolling correlations shifting above the long-term median and cutting the lower tail of their distribution notably shorter than the that of the monthly one.

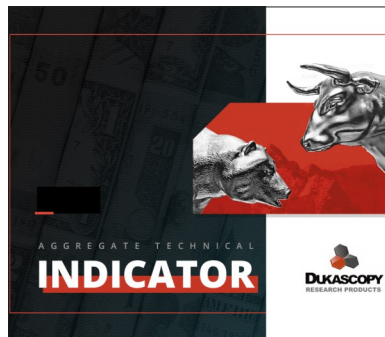
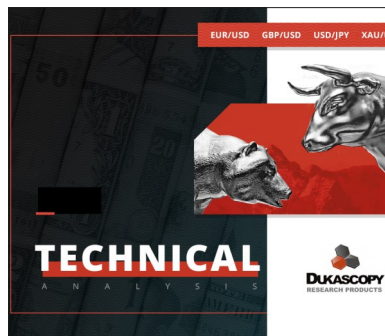
Finally, some interesting developments were observed in the bonds between the Greenback and the Yen, which were reflected by USD/JPY extremely strong correlation with AUD/USD and further lowering correlations with GBP/JPY.

Explanations

Violin Plot

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





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