

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

20/11/2017















M A R K E T

RESEARCH



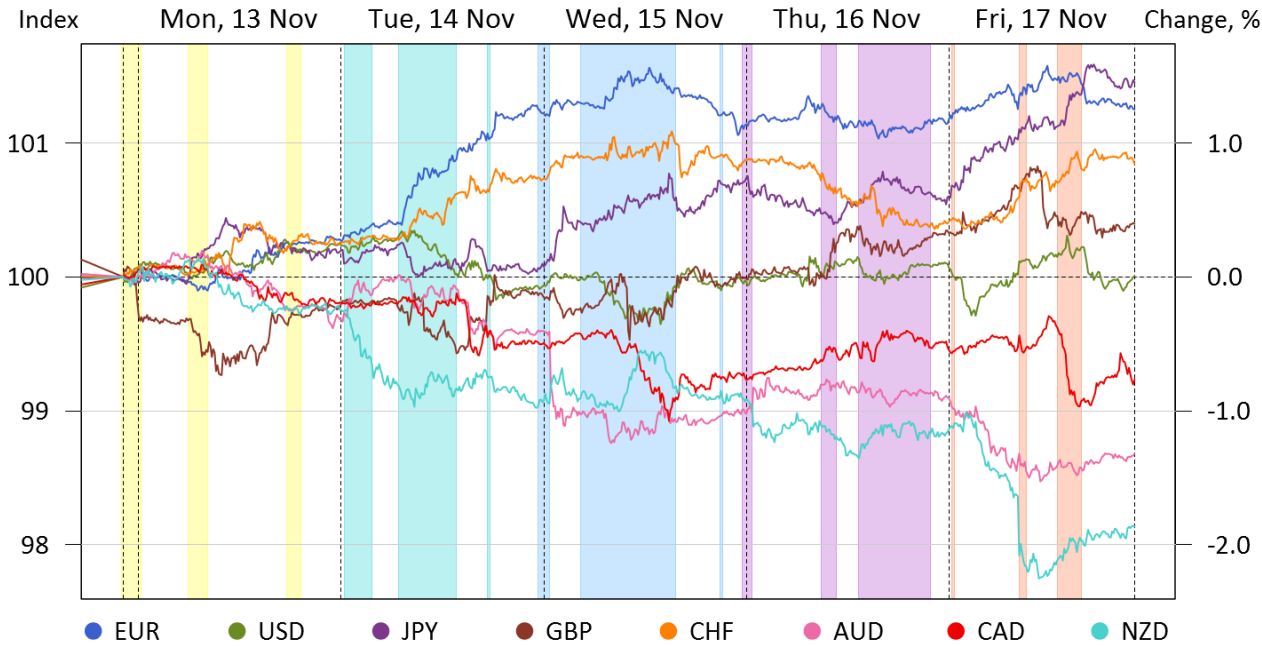
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RESEARCH PRODUCTS

Major Events of the Week

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
MONDAY, NOVEMBER 13 SESSIONS					
23:50		JPY	PPI	+0.11 pp	0.03%
TUESDAY, NOVEMBER 14 SESSIONS					
00:30		AUD	NAB Business Confidence	+0.14 pp	0.03%
07:00		EUR	German Preliminary GDP	+0.22 pp	0.02%
09:30		GBP	CPI	-0.25 pp	0.07%
WEDNESDAY, NOVEMBER 15 SESSIONS					
00:30		AUD	Wage Price Index	-0.65 pp	0.10%
09:30		GBP	Average Earnings Index, Claimant Count, Unemployment Rate	-0.41 pp	0.05%
THURSDAY, NOVEMBER 16 SESSIONS					
00:30		AUD	Employment Change, Unemployment Rate	+0.19 pp	0.05%
13:30		CAD	Foreign Securities Purchases, Foreign Securities	+0.12 pp	0.04%
14:00		GBP	BoE Governor Carney's Speech	-0.12 pp	0.04%
FRIDAY, NOVEMBER 17 SESSIONS					
09:00		EUR	Current Account	+0.07 pp	0.05%
13:30		CAD	CPI	-0.34 pp	0.04%
13:30		USD	Building Permits, Housing Starts	+0.11 pp	0.03%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	1.25	0.01	1.45	0.40	0.84	-1.32	-0.77	-1.86
4	0.87	0.82	2.20	1.02	0.26	-2.95	-0.53	-1.68
26	4.44	-1.31	-2.25	0.21	-3.26	0.32	5.10	-3.25
52	8.74	-3.45	-4.67	4.20	-1.01	0.03	2.88	-6.71
YTD	8.25	-4.76	-0.00	2.98	-1.28	0.64	0.94	-6.78

The past period saw relatively high activity from the observed currencies, with the Greenback's index being the only measure to stick to the baseline and not cross the 0.50%-change marks.

The appreciation area was dominated by the safe haven indexes. The Euro's and the Franc's gauges shot up on Tuesday, after the data release from Germany showed better-than-expected GDP growth. The JPY Index, in turn, went down in response to its peers' surge, and only joined the leaders in Wednesday Asian session, backed by the fall of the Aussie. The collective uptrend, largely fueled by the US Dollar's weakness, persisted till Wednesday afternoon, when the safe-havens gave way to the Greenback, the Pound, and the Loonie. The losses, however, were modest, and the leading gauges retained their top positions. Thursday was mixed for the currencies, but Friday delivered another wave of strengthening, which took the EUR Index back to Wednesday's level, but held an hour longer for the Yen and thus allowed its gauge to overcome its European peer. As a result, the JPY Index posted its greatest weekly gain since early August, the Euro's reading reached the level of late August, and the Franc's growth, while moderate, represented the first palpable gain after six weeks of negative or near-zero changes. On the year-to-date basis, the Euro's change crossed the +8.00% mark, while the Yen's figure stood at zero change after nine weeks of negative readings.

Meanwhile, another period's gainer was the GBP Index.

Relative Currency Strength

It started out with an over 0.20 pp drop, pressured by the weekend reports stating that over 40 MPs were prepared to sign a letter of no confidence in the UK PM. The measure fell below the -0.50% line early in the European session, and consolidated around the -0.30% level during the Asian trading. It was hit again on Tuesday by the CPI release that showed the inflation unchanged at 3.0% – the highest level in over five years, but below the expected reading. Subsequent recovery allowed the GBP Index to touch the baseline, but not cross above it, and the labour data released on Wednesday pushed it down again. While the numbers did not fail expectations, they painted an alarming picture with the wage growth lagging behind inflation even in light of low unemployment, the employment figures posting the first fall since October 2016, and the number of economically inactive people showing the greatest quarterly increase since 2010. The GBP Index suffered its week’s greatest 10-minute drop of 0.32 pp, but almost immediately found itself

Currency Pair Weekly Change, %

Nov 13 - Nov 17

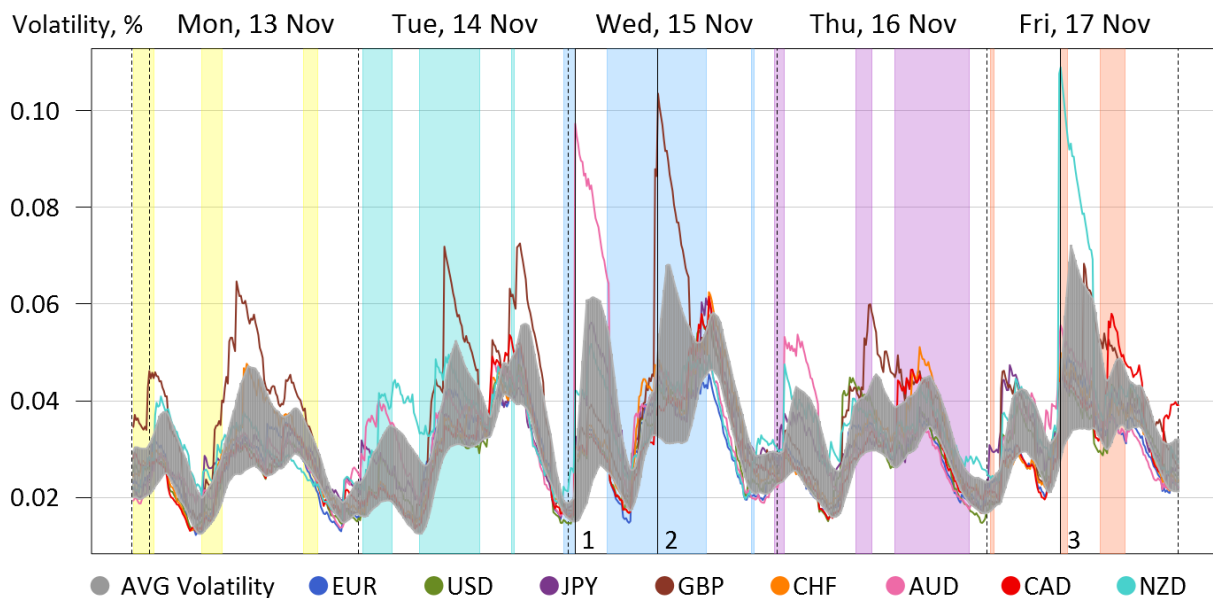
	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		1.10	-0.13	0.72	0.39	2.26	1.77	2.72
USD	-1.09		-1.24	-0.36	-0.72	1.19	0.64	1.70
JPY	0.13	1.26		0.92	0.60	2.44	1.97	2.95
GBP	-0.72	0.36	-0.91		-0.40	1.51	1.02	1.95
CHF	-0.39	0.73	-0.59	0.40		1.90	1.52	2.40
AUD	-2.21	-1.17	-2.38	-1.48	-1.86		-0.51	0.47
CAD	-1.74	-0.64	-1.94	-1.01	-1.50	0.51		1.00
NZD	-2.65	-1.67	-2.86	-1.92	-2.35	-0.47	-0.99	

tangled with its US peer in a move back to the baseline. On Thursday, the measure got a nudge from solid retail sales that allowed it to push away from the Greenback’s gauge and join the leaders. Friday, however, saw its uptrend cut short, and the measure lost its advantage over the Franc’s index, though still managed to finish the week with a positive change.

Meanwhile the other side of the baseline was populated by the commodity currencies, though their development was largely stepwise. The greatest loss was posted by the Kiwi’s gauge, which suffered two major sell-offs on Tuesday and Friday, ultimately dropping its YTD change below -6.0%. Its Australian peer fared slightly better, and its resulting loss was largely defined by the downside in response to the smaller-than-expected wage growth reported on Wednesday. Meanwhile, the CAD Index was pressured by falling oil prices on Tuesday and Wednesday, and suffered its week’s greatest downside on Friday, pushed to the -0.50% line by the combination of the Greenback’s recovery and uninspiring Canadian CPI release, which showed inflation to be in line with gloomy expectations of a slowdown to 0.1% from 0.2% reported in October.

Currency Volatility

Volatility



Australian Wage Price Index

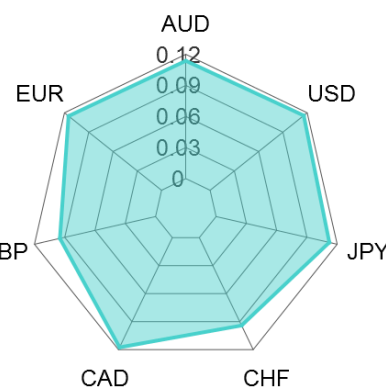
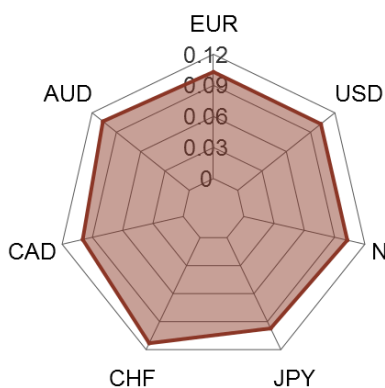
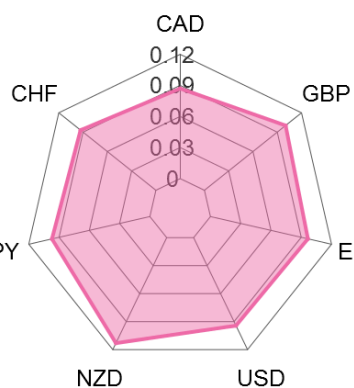
UK Labour Data

Kiwi volatility peak

AUD vs.

GBP vs.

NZD vs.



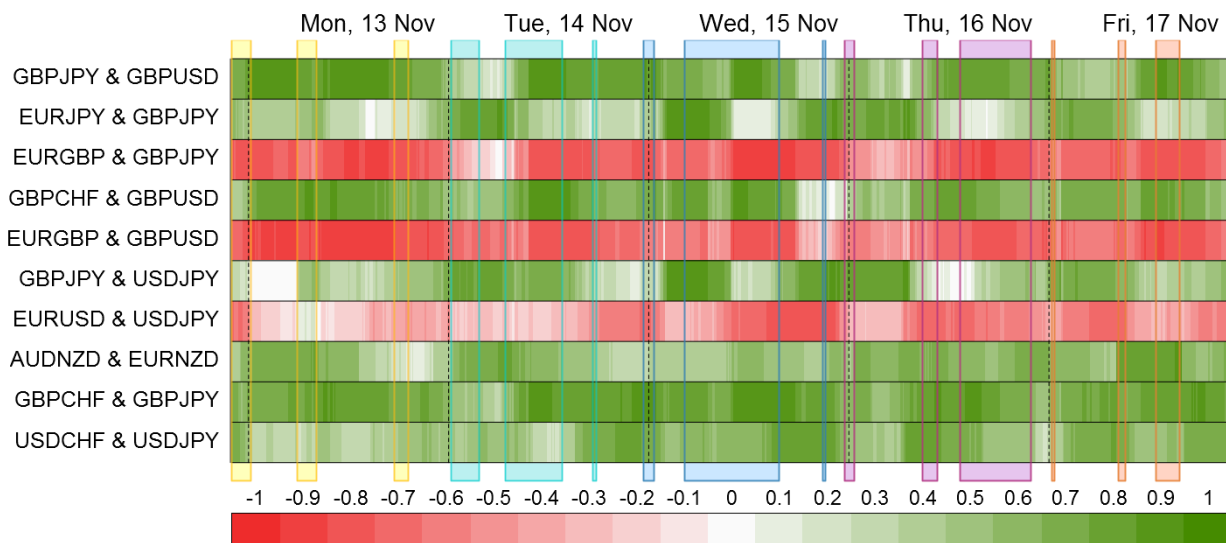
The ups and downs seen in the currency indexes were also reflected in the market's turbulence as the observed median volatility levels edged up from the previous period's values. Notably, the smallest reading of 0.028% was posted by the Loonie, while the usual tranquility leader, the Euro, shared the level of 0.029% with the Greenback. Meanwhile, the most turbulent currencies were the Kiwi and the Pound with the medians of 0.034% and 0.037%, respectively.

The New Zealand and the British currencies were also the ones to cause the week's largest volatility spikes. Thus, the Kiwi's plunge on Friday prompted its aggregate turbulence measure to jump to 0.109%, with most of the individual pairs' readings standing above 0.110%, and the average being pulled down by the GBP/NZD and NZD/CHF values of 0.095%. The peak formed by the Pound's Wednesday drop-and-rebound was only a little lower at 0.104%, but incorporated less uniform reactions of the pairs. The lowest value of 0.097% was posted by the GBP/JPY, while the greatest reading of 0.113% came from GBP/CHF, with the rest ranging from 0.100% to 0.107%.

The third-largest volatility spike was prompted by the Aussie's fall on Wednesday. The aggregate measure stood at 0.097%, while most of the individual readings ranged between 0.093% and 0.100%. The smallest value of 0.087% was posted by AUD/CAD, while AUD/NZD, which often has muted reactions to the across-the-board moves of any of the Antipodean currencies, pushed its volatility to the highest level of 0.113%.

Currency Pair Correlations

Rolling Correlations

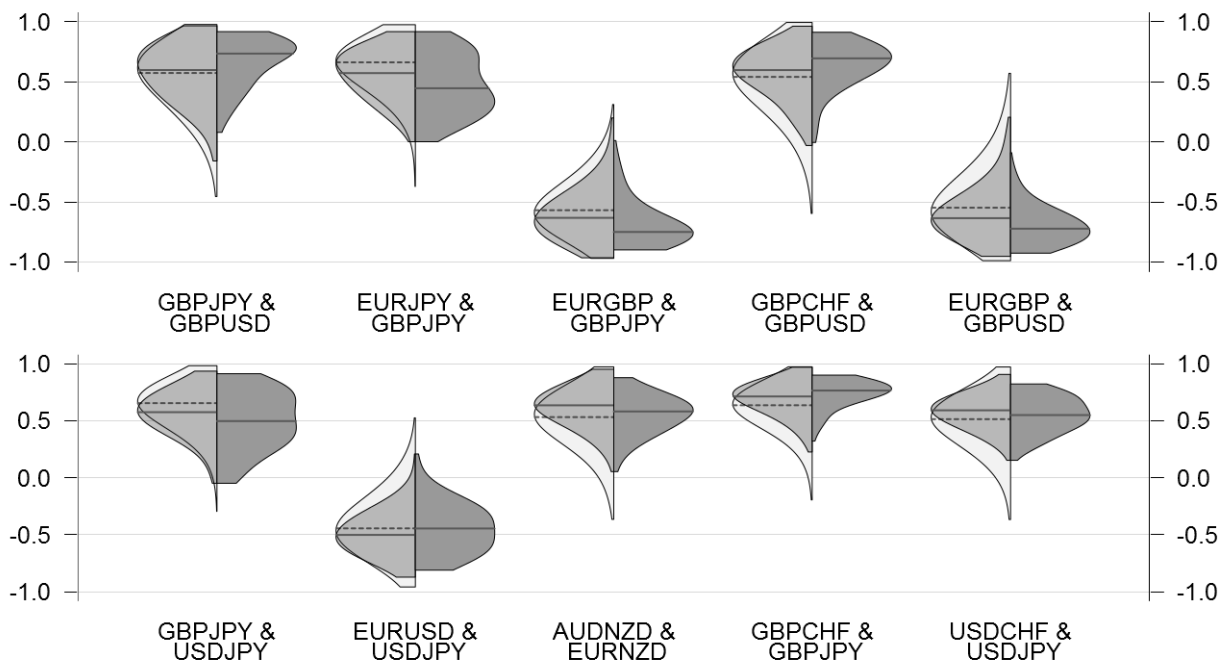


In the past period, seven out of ten greatest differences between the weekly and the monthly correlations were prompted by the Pound's moves, and all of them showed shifts away from the long-term distributions.

Half of all the chosen correlations consisted of the combinations between the Pound's pairs, with all of them reporting strengthening of the bonds and thus showing an increase in the level of synchronicity of the various currency's moves against the Sterling. Such pattern was observed for the Pound's pairs against the Yen, the Greenback, the Euro, and the Franc. The most prominent changes were reported by GBP/JPY & GBP/USD and EUR/GBP & GBP/JPY, whose weekly medians gained 0.14 and 0.12 points on the monthly values, respectively. GBP/CHF & GBP/USD and EUR/GBP & GBP/USD, in turn, reported moderate median shifts of 0.10 and 0.09 points.

In the meantime, GBP/JPY correlations with EUR/JPY and USD/JPY lost some of their usual strength, with their distributions shifting closer to the weaker historical levels and their medians falling below both 4- and 26-week readings. Thus the correlations between EUR/GBP and GBP/JPY posted the week's second-greatest median shift of 0.13 points, while the reading for GBP/JPY & USD/JPY stood at 0.08 points.

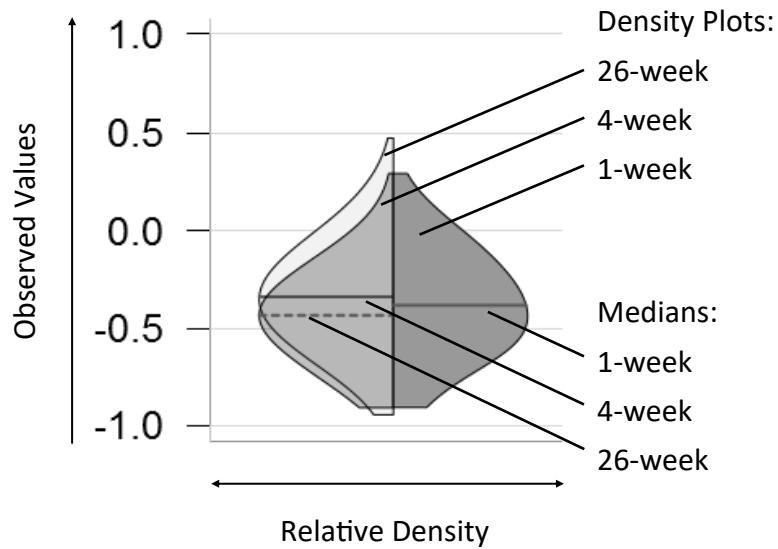
Historical Correlations — week — 4 weeks — 26 weeks

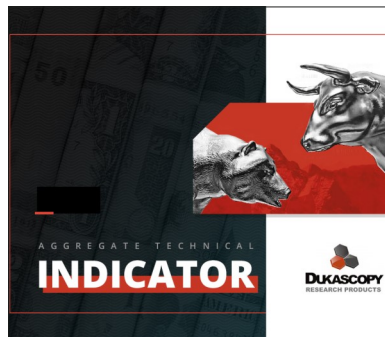
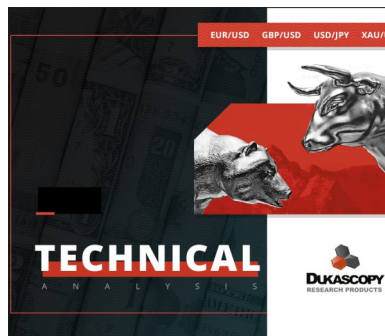


Explanations

Violin Plot

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





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