

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

22/01/2018














M A R K E T

RESEARCH



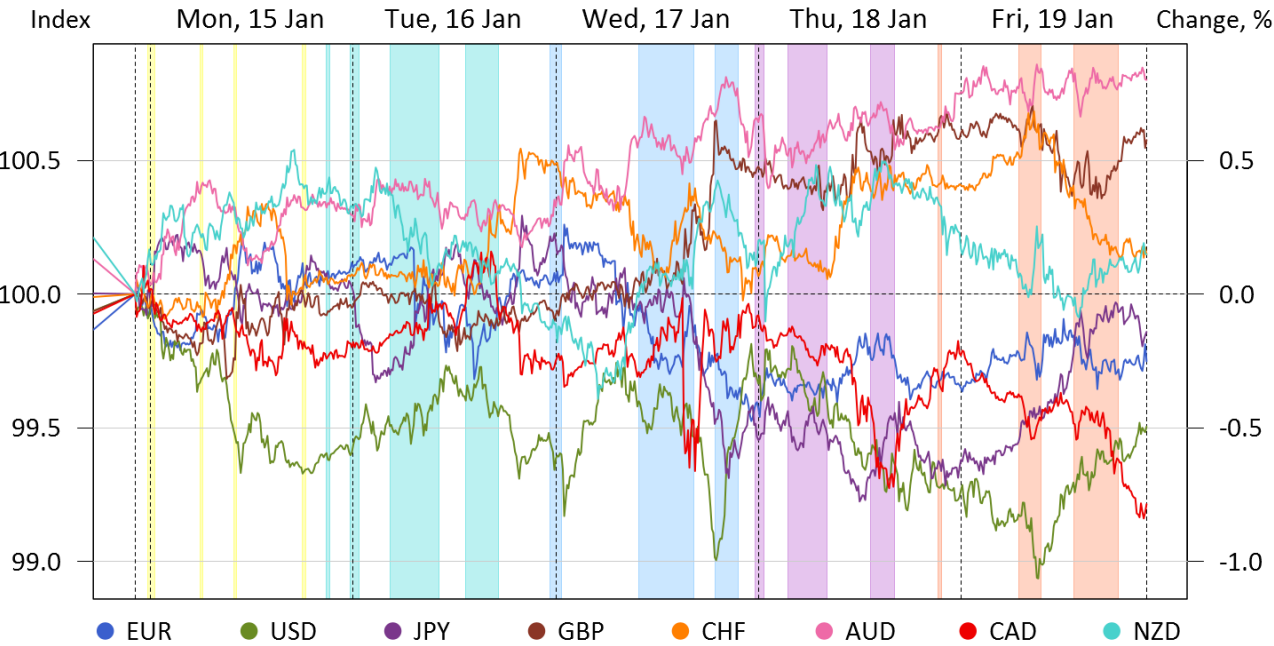
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RESEARCH PRODUCTS

Major Events of the Week

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
MONDAY, JANUARY 15 SESSIONS					
10:00		EUR	Trade Balance	+0.18 pp	0.04%
TUESDAY, JANUARY 16 SESSIONS					
23:50		JPY	PPI	-0.13 pp	0.03%
07:00		EUR	Germany Coalition Headlines	-0.28 pp	0.07%
09:30		GBP	CPI, PPI	-0.19 pp	0.04%
14:21		NZD	GDT Price Index	-0.13 pp	0.03%
WEDNESDAY, JANUARY 17 SESSIONS					
00:30		AUD	Home Loans	+0.17 pp	0.03%
15:00		CAD	BoC Rate Statement and Monetary Policy Report	-0.58 pp	0.12%
16:15		CAD	BoC Press Conference	-0.19 pp	0.12%
THURSDAY, JANUARY 18 SESSIONS					
13:32		CAD	ADP Non-Farm Employment Change	-0.16 pp	0.05%
FRIDAY, JANUARY 19 SESSIONS					
09:29		GBP	Retail Sales	-0.10 pp	0.04%
13:30		AUD	Foreign Securities Purchases, Manufacturing Sales	+0.11 pp	0.03%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	-0.25	-0.50	-0.14	0.58	0.15	0.80	-0.78	0.15
4	0.50	-2.93	-0.34	1.18	0.16	1.11	-0.85	1.16
26	4.12	-1.23	-0.87	6.12	-3.27	-0.07	-0.84	-3.97
52	8.65	-6.51	-2.56	6.44	-1.92	-0.13	0.78	-4.75
YTD	0.18	-1.77	0.13	1.04	-0.26	0.88	-1.30	1.10

The past week saw the observed indexes move in a narrower range compared to the previous period, but was instead notable for numerous sharp changes, with the currencies reacting to both economic releases and news headlines.

The Aussie's index became the week's best performer, shrugging off the previous period's sluggishness despite having little data to gain support from. Instead, the measure's main fuel was the weakness of its US peer. Thus the Greenback's tumble on Wednesday allowed the AUD Index to climb to the 100.8-point level, almost in par with the week's high, but the subsequent recovery of its counterpart caused the measure to fall back to the +0.50% line. Afterwards, mixed Australian employment data failed to counterweight the Greenback's jump, and the Aussie's gauge started Thursday with a dip. From there, however, the measure settled into an uptrend, which was slowed but not interrupted by the Greenback's strengthening on Friday, and ultimately posted a 0.80% weekly gain, raising its YTD change to the third-highest position.

The second-best performer was the Pound's index, which posted a 0.58% growth after the 0.45% gain reported in the previous period. The measure was fluctuating near the baseline until Wednesday, when it swiftly climbed to 100.7 points, supported by hopes for a soft Brexit and the Greenback's downslide. That proved to be the only directional move the GBP Index made during the week, as the measure proceeded to

Relative Currency Strength

fluctuate near the +0.50% level for the rest of the period.

Meanwhile, the Loonie's index finished the past week with the largest loss, extending the previous period's loss by over 0.70 pp. The measure started the period by fluctuating just below the 100-point level as the market was awaiting the BoC rate decision and touched the baseline just before the release. Then the central bank delivered the expected hike, but the market seemed to largely perceive it as a dovish one, and the CAD Index tumbled, posting the week's sharpest 10-minute fall of 0.50 pp. The following press conference brought about another fall, as the BoC's governor made warning statements concerning the future of NAFTA. From there, the gauge swiftly turned to recovery, gaining over 0.60 pp in an hour and thus erasing the losses. However, the index lost its footing again on Thursday and battled the -0.50% line until the end of the period, ultimately closing the week below the mark and losing

Currency Pair Weekly Change, %

Jan 15 - Jan 19

	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		0.22	-0.08	-0.73	-0.33	-0.93	0.46	-0.37
USD	-0.22		-0.30	-0.93	-0.57	-1.12	0.22	-0.54
JPY	0.08	0.30		-0.63	-0.24	-0.83	0.59	-0.25
GBP	0.73	0.94	0.64		0.39	-0.22	1.19	0.38
CHF	0.33	0.57	0.24	-0.39		-0.57	0.86	0.01
AUD	0.94	1.13	0.83	0.22	0.58		1.39	0.54
CAD	-0.46	-0.22	-0.59	-1.18	-0.85	-1.37		-0.79
NZD	0.37	0.54	0.25	-0.38	-0.01	-0.54	0.80	

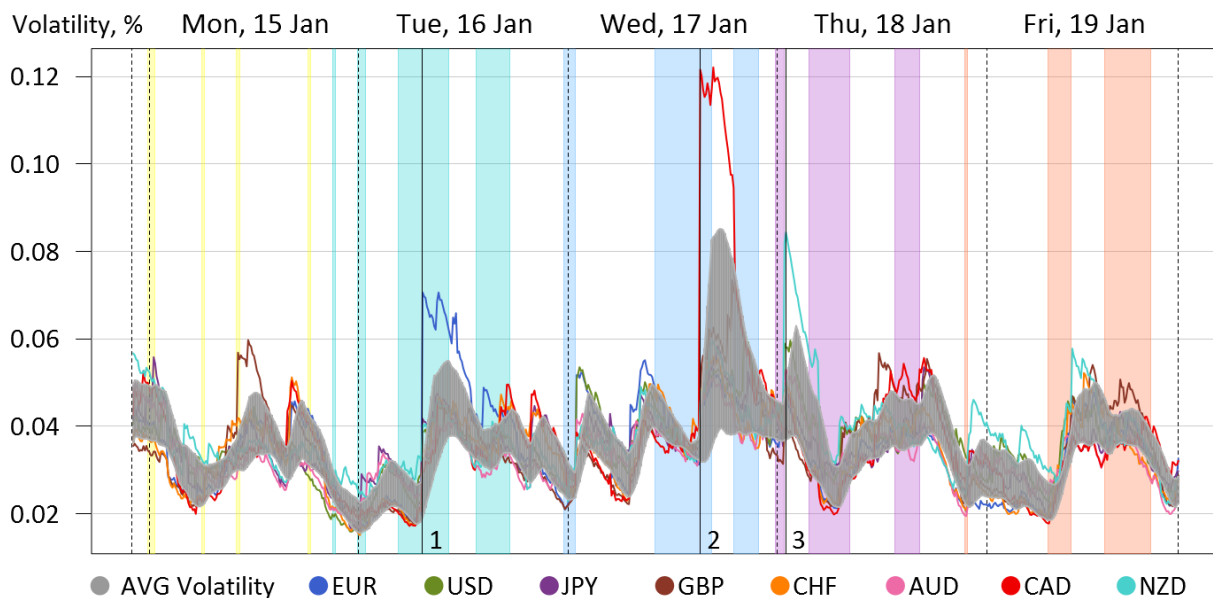
almost 0.30 pp to the Greenback's gauge.

The USD Index, in turn, spent the whole period zigzagging below the 100-point level. The measure dived on Monday, counterweighting the Euro's uptick, but suffered its sharpest plunge on Wednesday, against the background of the Loonie's recovery. There the gauge touched the -1.00% line, but rebounded strongly and returned to Monday's pre-fall level. Nevertheless, the USD Index started to lose ground again on Thursday, as the market saw concerns rise over a possible US government shutdown. The measure reached the week's absolute low of 98.9 points by Friday noon, but managed to win back some ground until the end of the period, cutting its loss to 0.50%.

Meanwhile, the NZD Index spent the period fluctuating both above and below the opening value. The gauge began the week on a positive note, but went into a downslide the next day as policymakers expressed their concerns over excessive volatility in currency markets. On Wednesday, however, the measure turned north in light of the Greenback's plunge, returning to the positive territory and managing to hold its ground for the rest of the week.

Currency Volatility

Volatility



Germany Coalition Headlines

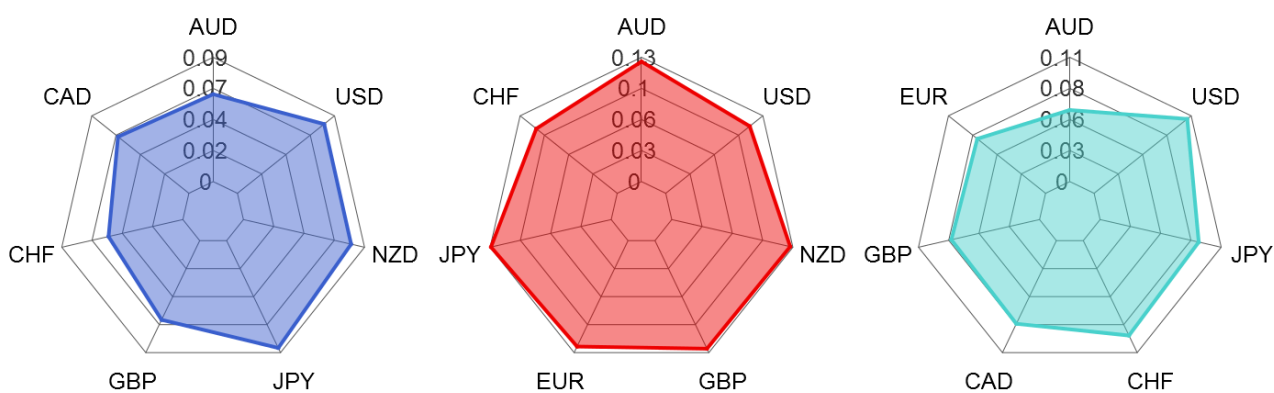
BoC Rate Statement and Press Conference

Kiwi volatility peak

EUR vs.

CAD vs.

NZD vs.



Various ups and downs observed in the Currency Indexes were well reflected by the volatility measures, so the past week proved to be rather turbulent. The lowest median volatility level stood at 0.033% and was posted by the Aussie, while the highest levels of 0.036% and 0.037% were reported by the Euro and the Greenback.

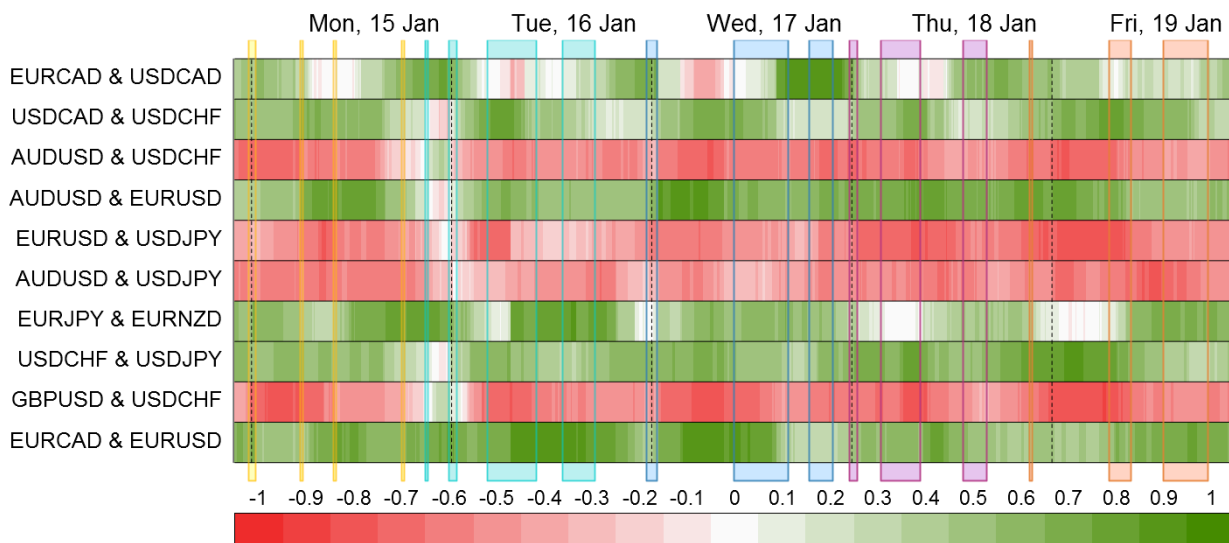
The Euro suffered the week's longest overturbulence period, with its aggregate volatility jumping to 0.071% at the beginning of Tuesday's European session and holding above the 0.060% mark for four hours. The wave of volatility was prompted by the single currency's zigzagging decline in response to the reports of the Berlin's SPD branch voting against the coalition with Merkel's party, and the sharpest reactions came from EUR/NZD, EUR/USD, and EUR/JPY, all of whom posted volatility of over 0.080%.

The week's highest volatility peak was reached amid a slightly shorter, but still quite prominent two-hour overturbulence period. The Loonie's aggregate measure stood above the 0.111% line throughout the currency's tumble and subsequent recovery in the wake of the BoC rate hike and press conference. The reaction was fairly uniform among the pairs, with only USD/CAD and CAD/CHF gauges falling short of the 0.120% mark.

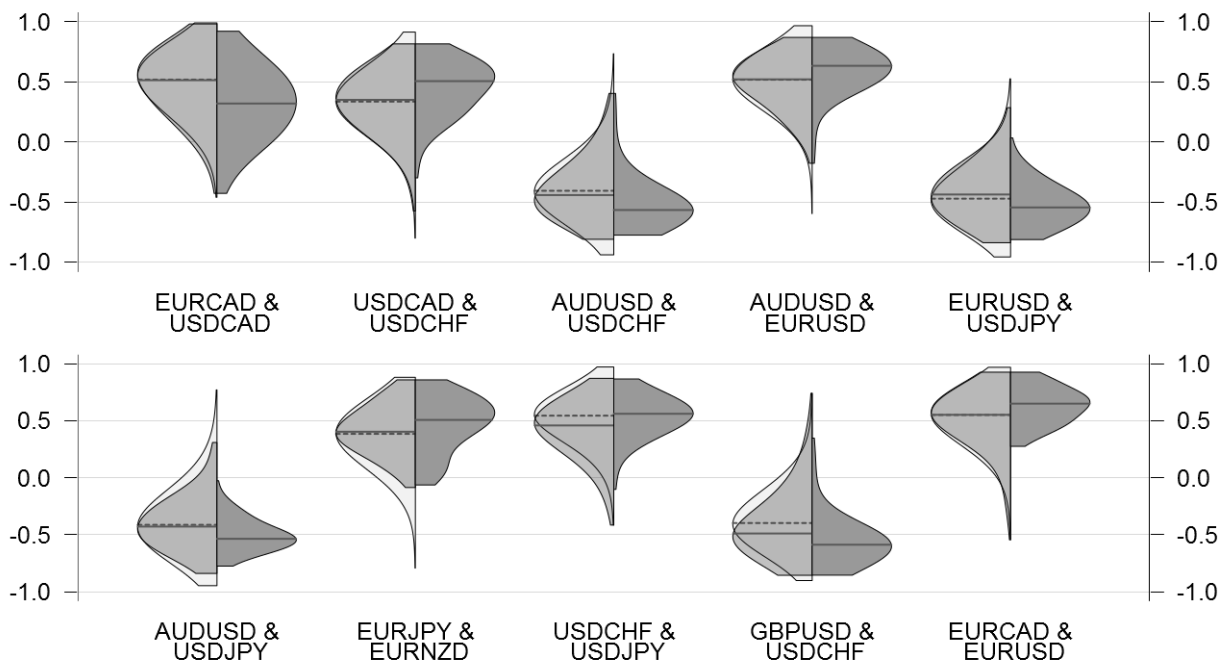
Finally, the third-highest volatility level was reached with a single spike of the Kiwi's gauge. The currency slipped with an uptick of the US Dollar on early Thursday, and NZD/USD posted the highest component volatility of 0.102%. Somewhat behind were NZD/CHF with 0.093% and NZD/JPY with 0.090%.

Currency Pair Correlations

Rolling Correlations



Historical Correlations — week — 4 weeks — 26 weeks



Correlations continued to show strong deviations between weekly and monthly values, with all of the ten selected combinations reporting gaps of over or close to 0.10 points between the medians.

As the US Dollar's Currency Index experienced some rather uncharacteristic swaying, it was not surprising that the greatest anomalies were detected in the Greenback's bonds. In this respect there were two main directions of the changes – the strengthening of the correlations between the Greenback's pairs with the commodity currencies and safe-havens, and the strengthening of bonds between the safe-haven pairs themselves.

The first group was comprised of the combinations that shifted their weekly distributions to extreme levels compared to both monthly and semi-annual readings, and included USD/CHD correlations with USD/CAD and AUD/USD, as well as AUD/USD correlations with EUR/USD and USD/JPY.

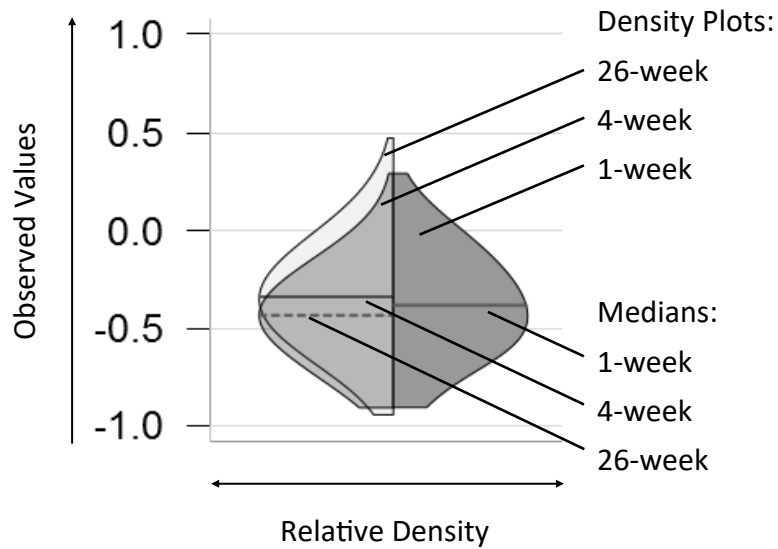
In the second group, EUR/USD and USD/JPY correlation median also shifted away from the long-term values, while the strength of the bond between USD/CHF and USD/JPY returned to the semi-annual levels, recovering from a slight weakening detected in the monthly distribution.

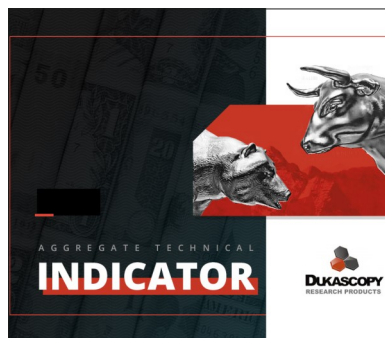
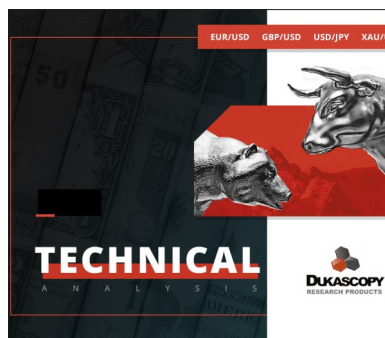
The only combination to report a weakening of the bond was EUR/CAD & USD/CAD, whose weekly median lost substantial 0.19 points from the monthly reading. Meanwhile, correlations between EUR/CAD and EUR/USD showed a moderate strengthening.

Explanations

Violin Plot

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





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