

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

05/03/2018


















M A R K E T

RESEARCH



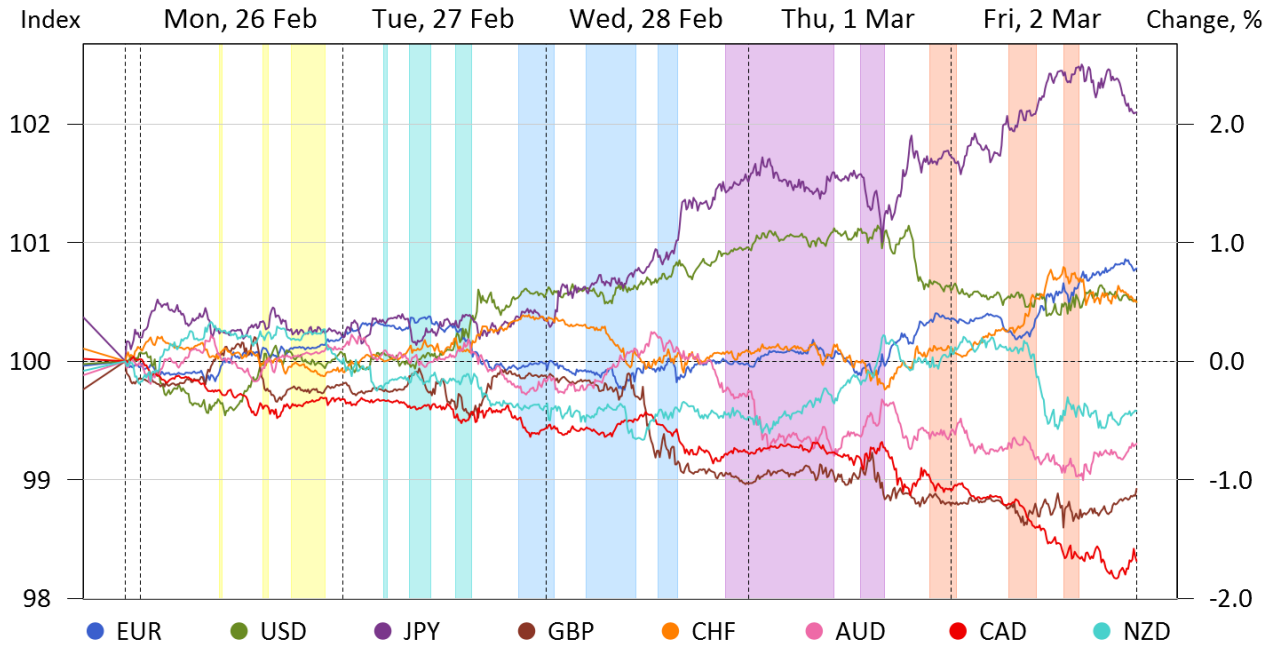
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RESEARCH PRODUCTS

Major Events of the Week

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
MONDAY, FEBRUARY 26 SESSIONS					
14:40		EUR	ECB President Draghi's Speech	-0.09 pp	0.032%
TUESDAY, FEBRUARY 27 SESSIONS					
21:40		NZD	Trade Balance	-0.29 pp	0.037%
10:00		EUR	German Buba President Weidmann's Speech	-0.07 pp	0.024%
13:30		USD	Fed Chair Powell's Testimony, Durable Goods Orders	-0.06 pp	0.035%
15:00		USD	CB Consumer Confidence	+0.02 pp	0.049%
WEDNESDAY, FEBRUARY 28 SESSIONS					
21:00		CAD	Annual Budget Release	-0.12 pp	0.026%
00:52		AUD	Chinese Manufacturing and Non-Manufacturing PMI	-0.13 pp	0.037%
09:00		CHF	Credit Suisse Economic Expectations	-0.16 pp	0.032%
13:30		USD	Preliminary GDP	+0.05 pp	0.034%
THURSDAY, MARCH 1 SESSIONS					
00:30		AUD	Private Capital Expenditure	-0.21 pp	0.046%
13:30		CAD	Current Account	+0.14 pp	0.046%
16:00		USD	US President Trump's Speech	-0.20 pp	0.065%
FRIDAY, MARCH 2 SESSIONS					
09:30		GBP	Construction PMI	+0.09 pp	0.043%
13:30		CAD	GDP	+0.10 pp	0.047%
13:43		GBP	UK Prime Minister May's Speech	+0.04 pp	0.073%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	0.78	0.50	2.10	-1.08	0.50	-0.70	-1.69	-0.42
4	-0.28	0.88	5.61	-1.69	0.16	-1.40	-3.24	-0.05
26	2.72	-1.70	3.13	5.55	1.57	-4.67	-6.21	-0.39
52	9.88	-7.14	1.51	6.08	1.22	-4.67	-2.90	-3.97
YTD	0.99	-1.95	5.30	0.38	2.64	-2.64	-4.98	0.26

The past week did not see many sharp moves from the observed indexes, but was instead notable for quite persistent trends, with three gauges breaking out of the $\pm 1.00\%$ range, and another two touching the levels.

The week's main gainer was the Yen's measure, which posted its fourth weekly growth in a row. The index opened the week with a drop from the previous period's closing value, but immediately went to retake the level, largely ignoring the BoJ Governor Kuroda's dovish comments on failing to achieve the inflation target and necessity to continue with the monetary easing policy. This initial rally positioned the index in the lead of its peers, but it remained close to other gainers until Wednesday, when the safe-haven started to rapidly gain ground as the European, Asian and US stocks had retreated. The growth accelerated later the same day, when the gauge jumped near the end of the European session, breaking through the +1.00% line. On Thursday additional support came from the US President's announcement on imposing heavy tariffs on aluminum and steel imports, which caused the Greenback to drop against its major peers. The push rekindled the JPY Index's stalled rally, and the gauge reached the period's absolute high of +2.50% on late Friday and posted a 2.10% weekly gain, which allowed it to raise its YTD change above the +5.00% line.

Meanwhile, the Greenback's measure was on its way to post the week's second-highest gain as it spent most of Tuesday, Wednesday, and Thursday moving in parallel

Relative Currency Strength

with its Japanese peer. The gauge started the period sluggishly, dropping below the base value with the Yen's rally and then staying glued to the +0.00% level as the market awaited the new Fed Chair Powell's testimony due on Tuesday. As the event came, there was little initial reaction as Powell expressed his agreement with Janet Yellen's policy of gradual rate hikes, but after his further comments raised the market's hopes on a higher March dot plot, the Greenback's measure started to move north, briefly surpassing the Yen's index. The gauge proceeded to slowly climb up, reaching the +1.00% line on Thursday, and holding the level through most of the day. The measure lost its footing amid concerns over "trade war" that arose in the aftermath of President Trump's speech, falling to the +0.50% line and remaining on that level for the rest of the period.

The EUR and the CHF Indexes became the only other gauges to finish the week in the appreciation area, with the single currency's measure posting the

Currency Pair Weekly Change, %

Feb 26 - Mar 2

	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		0.27	-1.12	1.63	0.34	1.25	2.16	1.02
USD	-0.27		-1.39	1.37	0.01	1.04	1.89	0.86
JPY	1.13	1.41		2.79	1.41	2.45	3.43	2.22
GBP	-1.60	-1.35	-2.72		-1.30	-0.38	0.55	-0.66
CHF	-0.34	-0.01	-1.39	1.32		1.09	2.01	0.87
AUD	-1.23	-1.03	-2.40	0.39	-1.08		0.79	-0.25
CAD	-2.12	-1.85	-3.32	-0.55	-1.97	-0.78		-1.09
NZD	-1.01	-0.86	-2.17	0.66	-0.87	0.25	1.10	

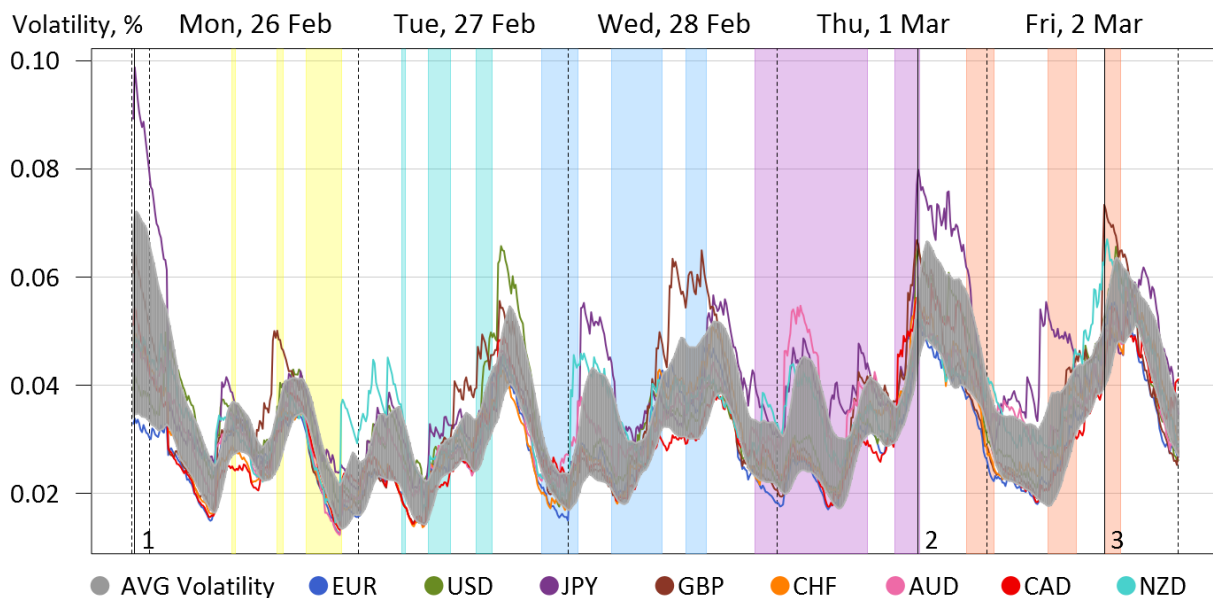
period's second-highest gain. Both indexes kept near the baseline through most the week, but picked up on Thursday, fueled by the accelerated weakening of their riskier peers.

The Loonie's gauge became the leader in the negative area as it spent the whole week in a slow downtrend, weighted by NAFTA talks and the Greenback's and the Yen's advances. The index ended up posting its greatest weekly loss since mid April, pushing its YTD change to the -5.00% mark.

The Pound's index was another measure to spend the week below the baseline, and its downtrend was only slightly less persistent than that of the Loonie's gauge. The GBP Index suffered its most prominent drop on Wednesday, when the UK rejected the EU's draft of Brexit legislation over the continuing Irish border dispute. The move brought the gauge below its Canadian peer, and the index slid to the -1.00% line by the end of the day. That level was lost on Thursday, when the safe-haven's growth kicked off, and the Pound's gauge proceeded to slid down alongside the Loonie's index until Friday noon. There, while the CAD Index remained in the downslide, the Pound's gauge zigzagged its way to recovery, edging back to the -1.00% mark and cutting its weekly loss at -1.08%.

Currency Volatility

Volatility

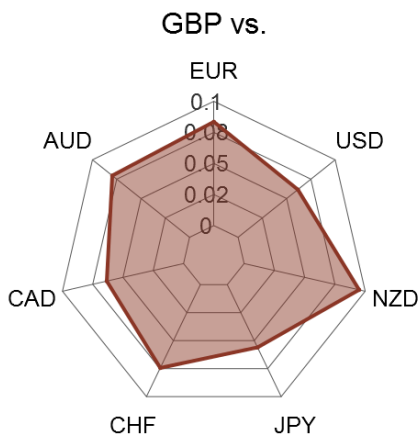
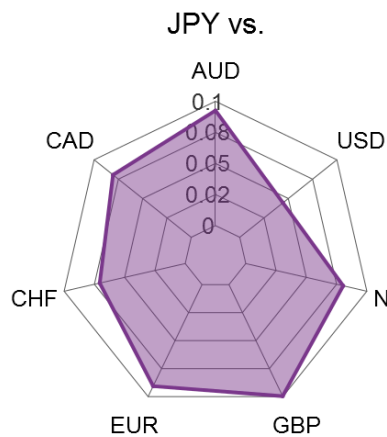
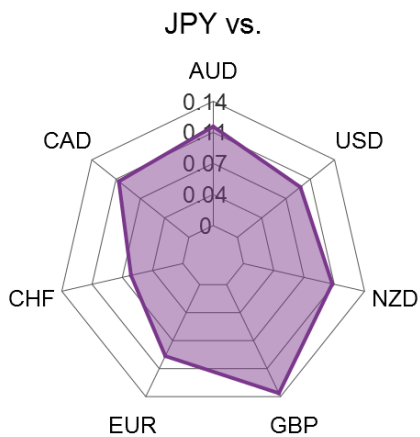


The past period did not see any prominent volatility peaks, yet the observed currencies still experienced moderate levels of turbulence. The most tranquil currencies were the Loonie, the Franc, and the Euro with median volatilities of 0.027-0.028%, while the highest medians of 0.035% and 0.037% were posted by the Kiwi and the Yen. The week's first and highest peak was formed by the Yen's rally right at the week's open. As the JPY Index entered the Asian session below the previous week's close and set off to rapidly gain ground, the currency's aggregate volatility jumped to 0.099%. GBP/JPY showed the highest turbulence among the Yen's pairs with the reading of 0.136%, while CHF/JPY was the most tranquil with 0.060%. The next highest volatility splash was also caused by the Yen's moves, and covered the currency's dip ahead of the US President's speech on Thursday and its subsequent rally. Overturbulence lasted for nearly five hours, with the highest point of 0.080% reached precisely at 4 PM GMT. Interestingly, at that moment USD/JPY reported the lowest volatility of 0.044%, while most of the other pairs pushed their readings above the 0.080% mark.

Yen Volatility Peak

US President Trump's Speech

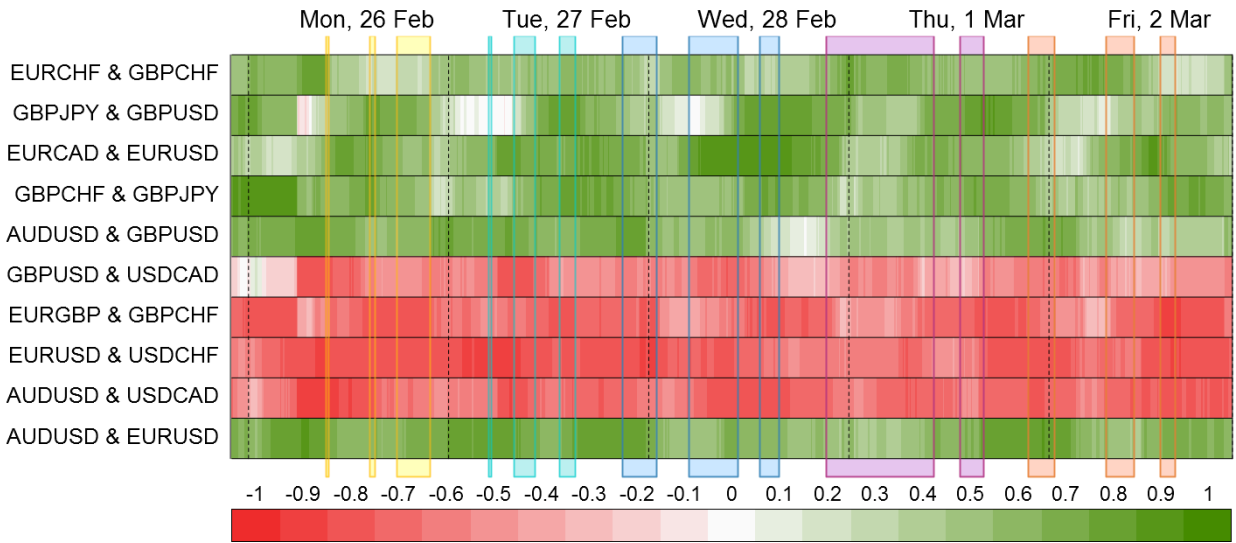
UK PM May's Speech



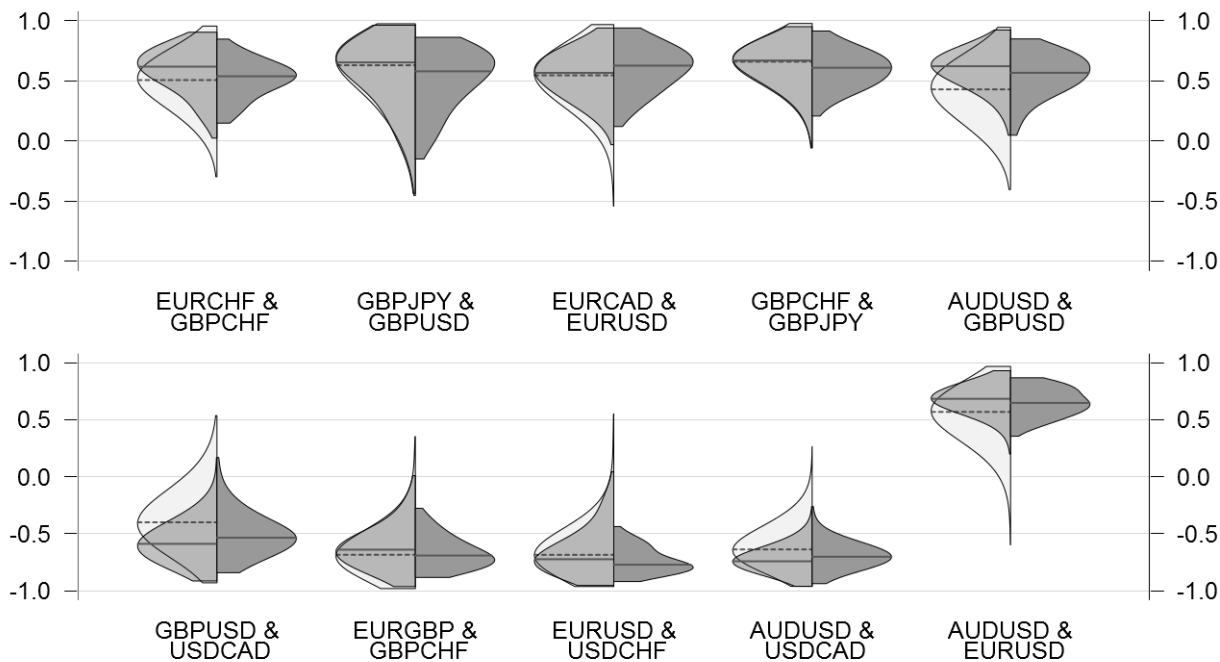
The week's third-highest turbulence level was recorded on Friday against the background of the UK Prime Minister's speech. The speech itself seemed to have evoked little to no reaction from the Pound, and the volatility peak was formed by the currency's dip and rebound prior to the event. The aggregate value rose to 0.073%, with higher-than-average peaks reported by GBP/NZD (0.095%), EUR/GBP (0.084%), and GBP/AUD (0.080%).

Currency Pair Correlations

Rolling Correlations



Historical Correlations — week — 4 weeks — 26 weeks



Shifts between the past week's correlations and the monthly readings were rather modest, with the maximum deviation between the weekly and the long-term medians standing below 0.10 points at 0.08.

Said maximum was reported by the correlations between EUR/CHF and GBP/CHF, whose distribution shifted back to the long-term levels from elevated monthly readings.

Other combinations with the safe-haven currencies saw their weekly correlation distributions edge away from the long-term levels, but those moves also reflected weakening of the bonds. Such was the situation with GBP/JPY correlations with GBP/USD and GBP/CHF.

The two exceptions were USD/CHF correlations with EUR/USD, and GBP/CHF correlations with EUR/GBP, both of which showed marginal strengthening as their distributions cut their weaker tails short.

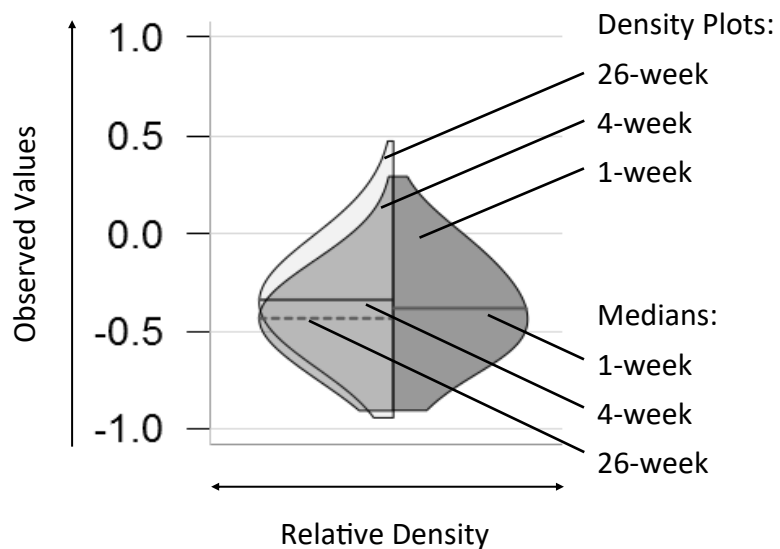
The rest of the selected combinations included pairs with the commodity currencies – the Aussie and the Loonie. AUD/USD correlations with GBP/USD, EUR/USD, and USD/CAD, as well as USD/CAD correlations with GBP/USD all weakened as their distributions edged away from the extreme monthly levels and closer to the moderate half-yearly readings.

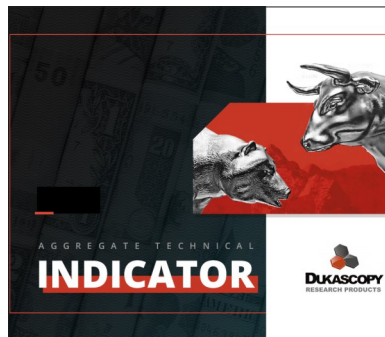
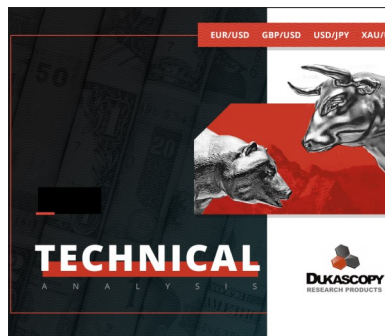
Meanwhile, correlations between EUR/CAD and EUR/USD showed a strengthening, with their distribution skewing to the side of the higher historical values.

Explanations

Violin Plot

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





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