

03/02/2016

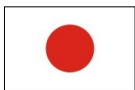


DUKASCOPY
RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

January 27

00:00 - 22:00

- *Federal Funds Rate Decision*
- *FOMC Statement*
- *US Crude Oil Inventories*
- *RBNZ Official Cash Rate*
- *New Zealand Trade Balance*

Turquoise Area

January 28

03:30 - 19:00

- *UK Prelim GDP*
- *US Durable Goods Orders and Unemployment Claims*

Blue Area

January 29

01:00 - 19:00

- *BOJ Monetary Policy Statement*
- *Euro zone Flash CPI*
- *Canadian GDP*
- *US Advance GDP*

Purple Area

February 2

03:30 - 17:30

- *BOJ Governor Kuroda Speaks*
- *UK Construction PMI*
- *SNB Chairman Jordan Speaks*
- *New Zealand Employment Change*
- *Australian Trade Balance*

JPY Currency Index Change

-0.26%

-0.43%

-1.56%

0.66%

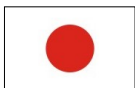
Max JPY Volatility Index

1.69

1.33

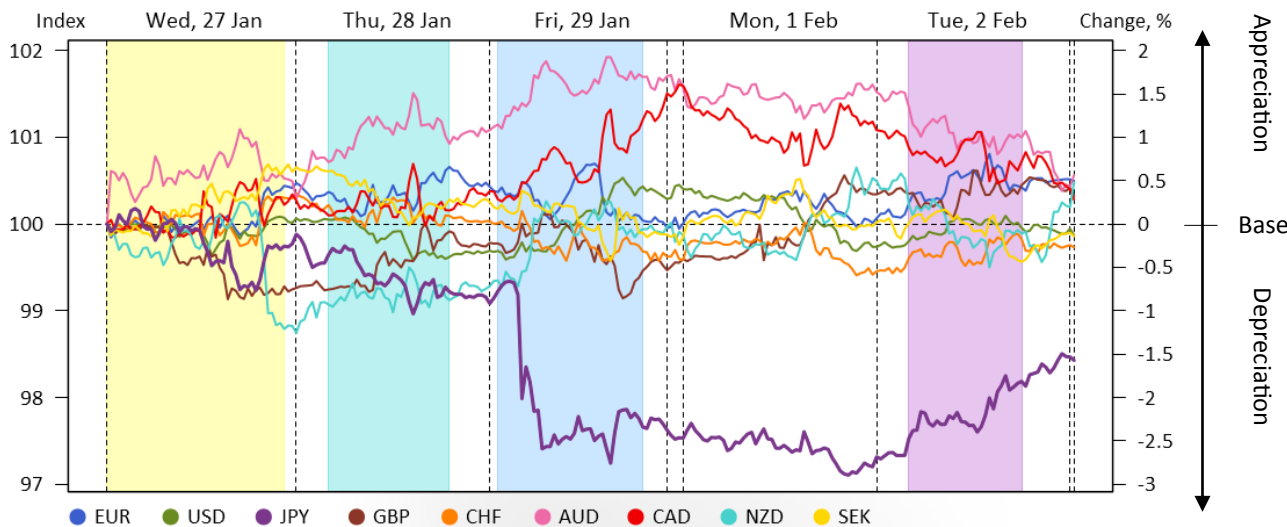
6.11

1.11



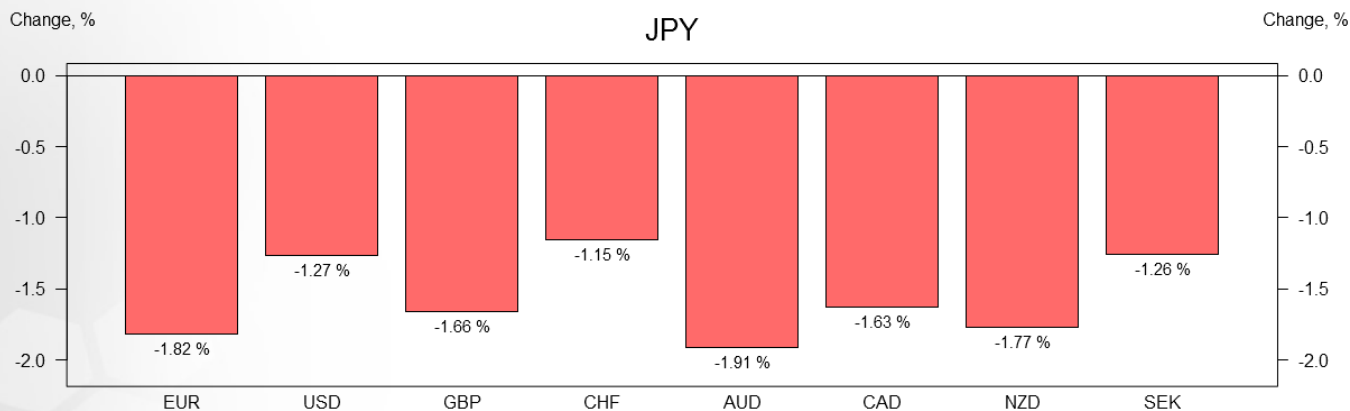
Relative Currency Strength

Currency Indexes



Without a doubt the Japanese Yen was the worst performing currency of the period ended February 2. The Bank of Japan's interest rate decision was quite unexpected for many market participants, while nobody had anticipated anything even similar to negative rates. BOJ Governor Kuroda had assured markets in Davos that the move was unlikely, but policymakers voted 5-4 in favour of cutting the rate from +0.10% to -0.10%. Bank of Japan is intended to combat declining inflation expectations and sluggish economic growth in the country. Following the decision, the Yen has immediately slumped 2%.

Compared to the Yen, a drop of several other currencies looked extremely negligible, with the Swiss Franc tumbling by 0.27%, and USD and SEK trading down by 13 and 14 basis points in five days, respectively. From another side of the coin, commodity price-sensitive currencies traded in green along with the Euro and Pound Sterling, while reflecting growing risk appetite and higher oil prices. Energy appreciated amid speculations Russia and OPEC are building ground for further negotiations on curbing oil output in the nearest future. Back to the Yen, it managed to recover by the last day of the period, ending it with a slump of 1.57%. Late gains were possible amid renewed worries about the Chinese economy where manufacturing sector continues to weaken.



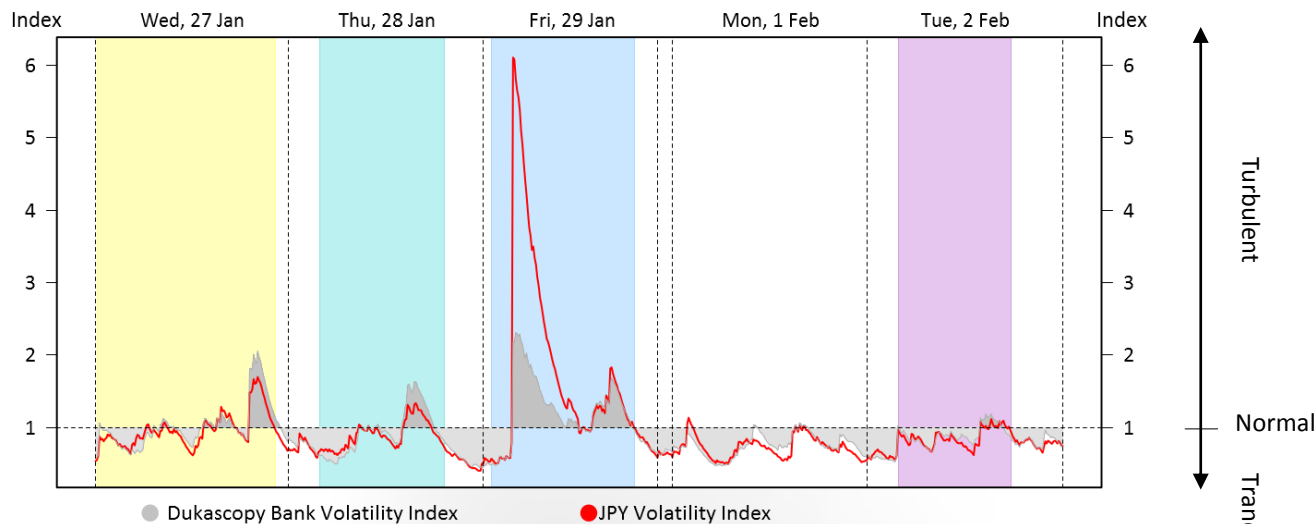
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.49%	-0.13%	-1.57%	0.32%	-0.27%	0.56%	0.28%	0.48%	-0.14%
20	2.39%	0.57%	-0.54%	-1.37%	-0.48%	-0.7%	0.32%	-1.37%	1.14%
130	2.62%	2.08%	6.39%	-6.43%	-2.35%	-3.05%	-5.22%	2.34%	4.31%
250	2.6%	6.83%	4.6%	2.03%	-3.67%	-4.69%	-5.7%	-5.59%	3.6%



Volatility

Volatility



Volatility readings for the Yen are clearly reflecting everything that took place in the world's third largest economy on Friday of the previous week. The Bank of Japan lowered the deposit rate, meaning now the commercial banks have to pay the central bank for parking cash there. The decision was followed by the Yen's turbulence indicator spiking as high as 6.11 points, the levels we have not observed for quite some time in recent past. On the other hand, the reaction used to be short-lived, as market focus moved on to the ECB and even Fed, which is now not considered to hike rates in March. On top of that, Japan released no important fundamentals

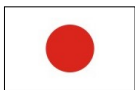
throughout other days of the period. This fact can be confirmed by the elevated volatility indicator, which stands at 24% for the observed currency and 28% for the market. The most active cross used to be GBP/JPY (42% of all time), as persistent data flow from the UK was putting more pressure on their domestic currency. Moreover, there is uplifted possibility that the Bank of England will not raise its key interest rate in 2016 at all. Meanwhile, the highest weekly Volatility Index was posted by the Euro/Yen currency pair at 10.39 points. Adding to that, the chart above indicates that the most silent period of the week was Monday-Tuesday when the JPY Volatility Index was barely managing to surpass the minimum level of 1.00 point.

Elevated Volatility (% of the observed period)

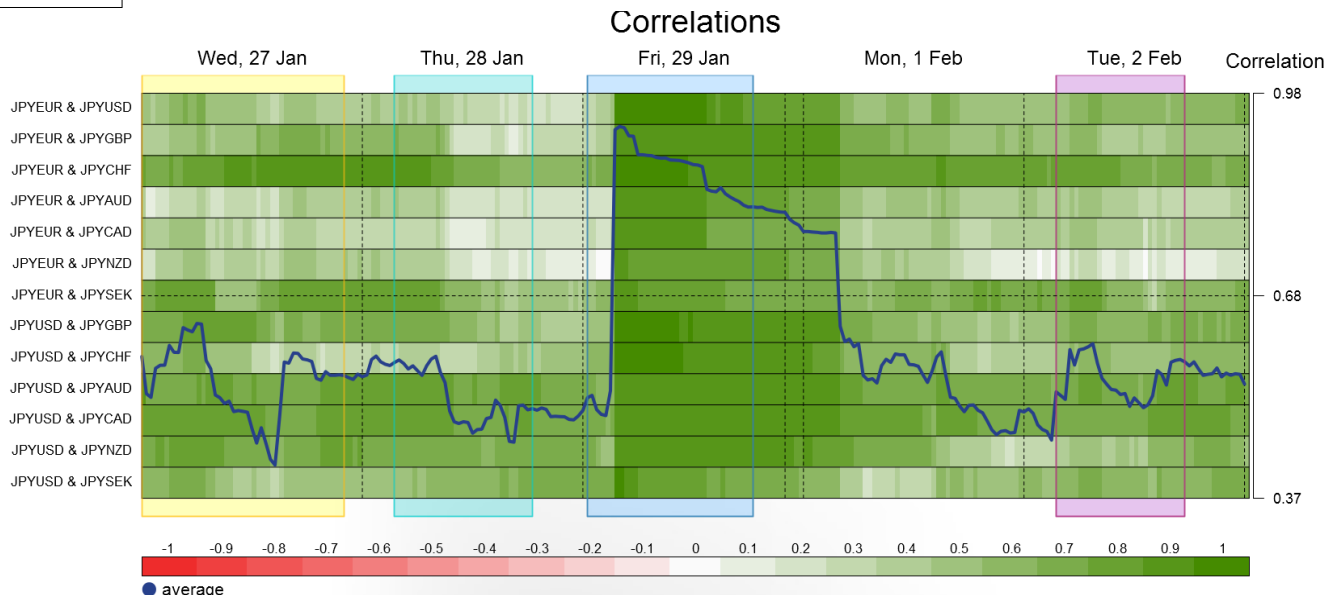
Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
28	24	21	17	42	26	24	33	25	29

Volatility Index (for the observed period)

	Market	JPY	EURJPY	USDJPY	GBPJPY	CHFJPY	AUDJPY	CADJPY	NZDJPY	SEKJPY
Max	2.31	6.11	10.39	9.45	7.3	9.51	4.55	5.1	5.33	4.03
Min	0.45	0.4	0.38	0.3	0.34	0.33	0.34	0.4	0.32	0.4
Average	0.91	0.97	1.04	0.98	1.07	1.05	0.87	1.01	0.93	0.94



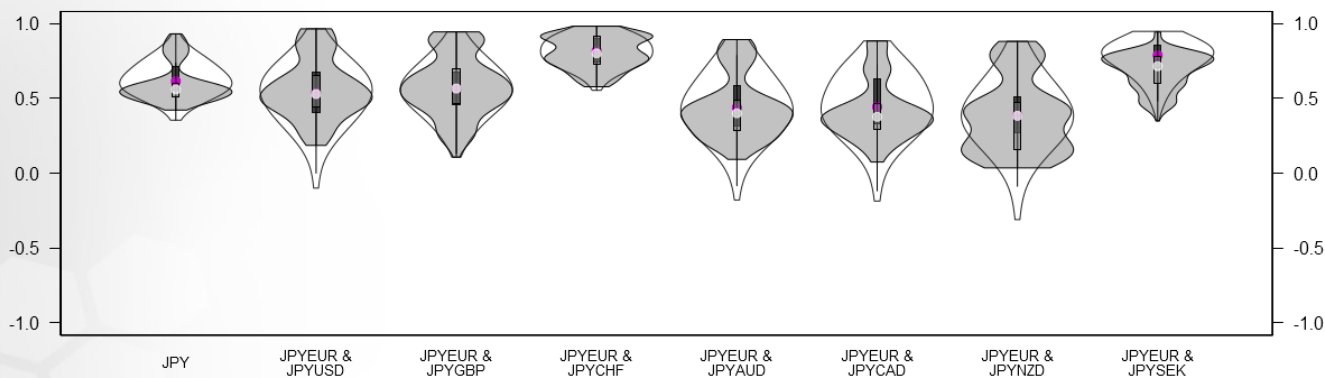
Currency Significance



Different currency pairs of the observed Japanese currency correlated pretty well in course of the whole time period ended Tuesday of the first week of February. This fact is confirmed by the mean correlation coefficient, which used to hold at 0.60 points, down slightly from 0.63 points on the basis of the previous four working weeks. However, last period's gauge has substantially overshoot the 6-month and yearly averages of 0.45-0.41 points. All crosses posted higher correlations with EUR/JPY than it was usually in the past. With Euro and Swiss Franc being quite interconnected to each other,

it resulted in the mean correlation coefficient of 0.81 for EUR/JPY & EUR/CHF last week, the best reading of the period compared to other JPY components. It seems that the composite would be happy to hover near 0.50 points for the whole week, but events surrounding the Bank of Japan have mixed all cards. The composite has immediately spiked close to 1.00 points and reached 0.936 at the maximum point in time. However, the boom of selling the Japanese Yen across the board waned over time, while by Monday the composite returned to normal pre-BOJ levels of 0.45-0.55. Some economic events across the world had impact on JPY correlations, but there was no component which traded below zero over the course of the previous week.

Correlations (5 vs 20 days)



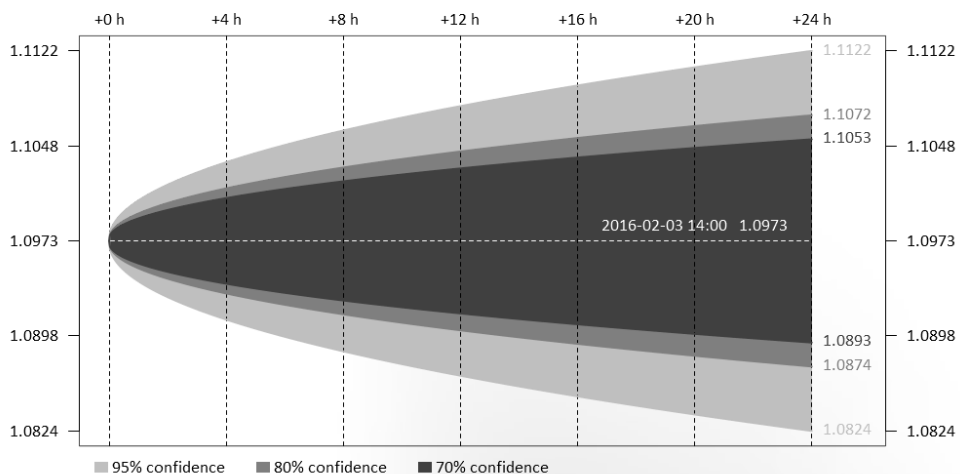
Mean Correlation Coefficient (with JPYEUR)

Days	JPY	JPYUSD	JPYGBP	JPYCHF	JPYAUD	JPYCAD	JPYNZD	JPYSEK
5	0.6	0.57	0.59	0.81	0.44	0.42	0.38	0.68
20	0.63	0.53	0.56	0.81	0.45	0.45	0.39	0.77
130	0.45	0.26	0.42	0.71	0.34	0.33	0.32	0.72
250	0.41	0.19	0.47	0.69	0.39	0.38	0.37	0.73

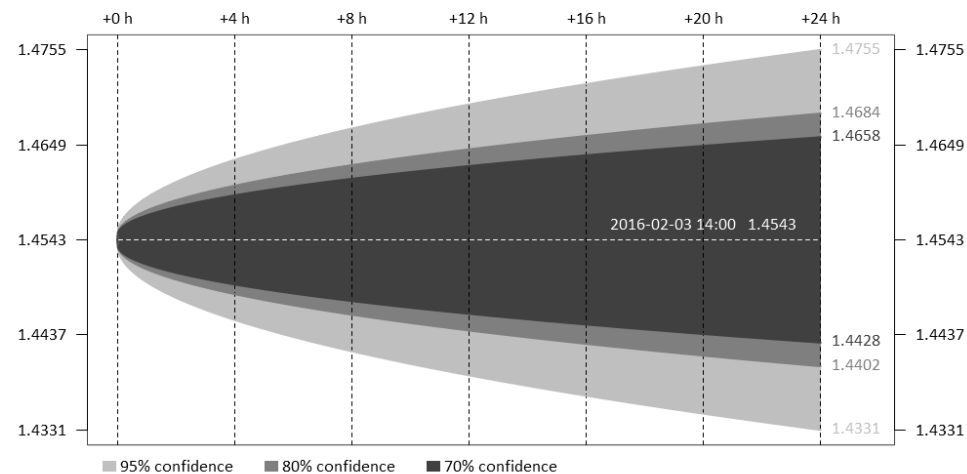
Confidence Intervals for Next 24 Hours

Wednesday, February 03, 2016
16:30 GMT

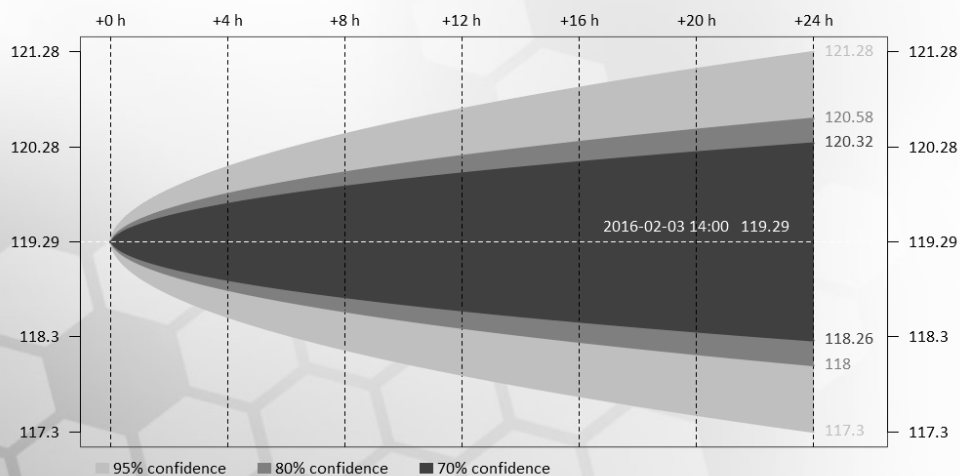
EURUSD Potential Rates



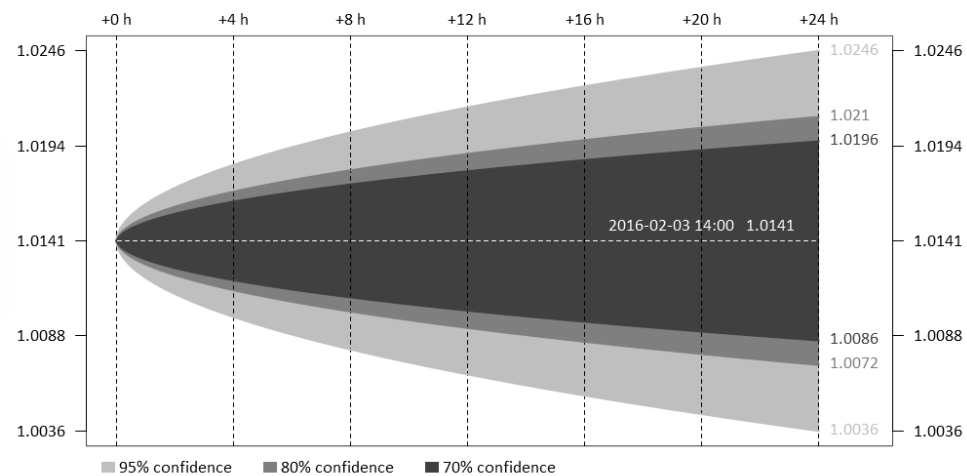
GBPUSD Potential Rates



USDJPY Potential Rates



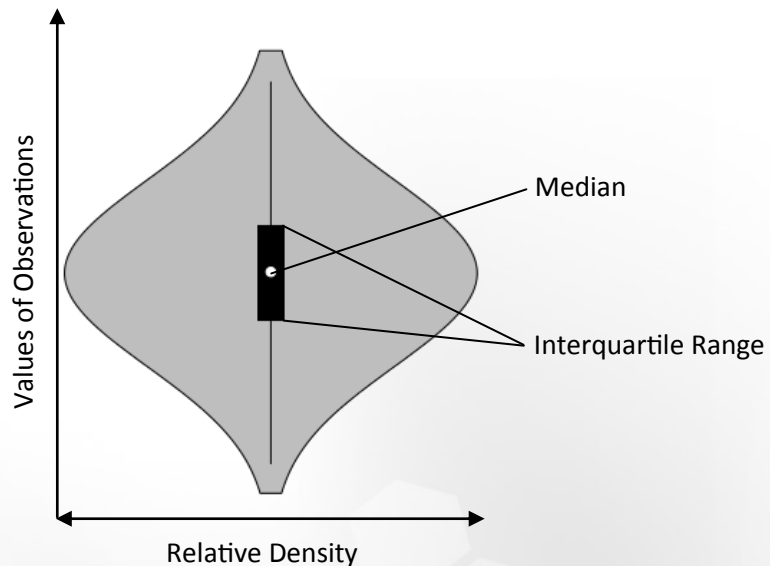
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

Violin Plot is a combination of a Box Plot and rotated Kernel Density Plot



Methodologies

Volatility Index

Confidence Interval



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