



07/10/2015



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Market Research





Dominant Events of the Period

Yellow Area

September 30

12:00 - 16:30

- Canadian GDP
- US ADP Non-Farm Employment Change
- UK Current Account
- Fed Chair Yellen Speaks

Turquoise Area

October 1

08:00 - 17:00

- Canadian RBS Manufacturing PMI
- Chinese Manufacturing PMI
- UK Manufacturing PMI
- US ISM Manufacturing PMI and Unemployment Claims

Blue Area

October 2

12:00 - 18:30

- UK Construction PMI
- US Non-Farm Employment Change, Unemployment Rate and Average Hourly Earnings

Purple Area

October 6

12:00 - 16:00

- Canadian Trade Balance and Ivey PMI
- RBA Cash Rate
- US Trade Balance
- ECB President Draghi Speaks

CAD Currency Index Change

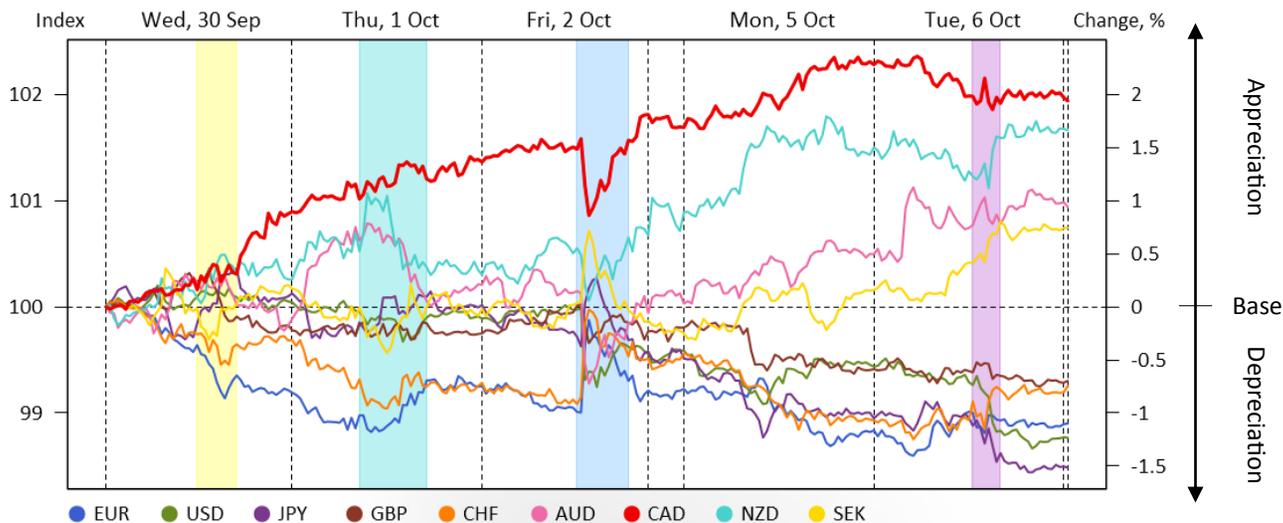
0.15%	0.19%	0.08%	-0.07%
1.38	1.48	2.88	1.57

Max CAD Volatility Index



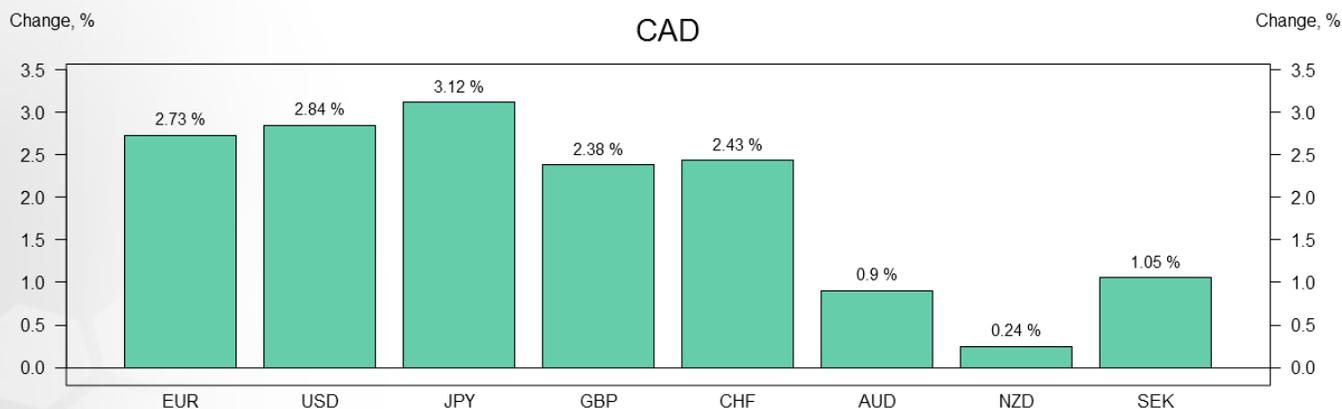
Relative Currency Strength

Currency Indexes



Canadian currency was the clear best performer during the five-day period ended October 6. This currency traded firmly in green every single day from Wednesday of the previous week until Tuesday of this week. Only the New Zealand Dollar attempted to challenge the leadership status of the Loonie, when the NZD Index neared the CAD Index on the first day of October. However, the situation remained intact and the week was ended with an overall gain of around 2%. The Kiwi and Aussie followed with an advance of 1.6% and 0.94%, respectively. On the green side, only the Swedish Krona managed to gain some additional value (0.74%), while others declined.

Last week, divergence between safe-haven and commodity currencies was quite obvious. Rising oil prices, a possibility of Russia's meeting with OPEC officials and declining numbers of US rigs were supporting the Canadian Dollar throughout the period. Alongside, the likes of Swiss Franc, Japanese Yen and US Dollar were losing value the most, especially after the US disappointing NFP report pushed back estimates for a first Fed rate hike in a decade. Meanwhile, the CAD Index experienced the only weakness on Friday, when it declined substantially along with the US currency. However, a rebound followed shortly, while by the end of Tuesday the Canadian Dollar was trading up by 1.94% on a five-day basis.



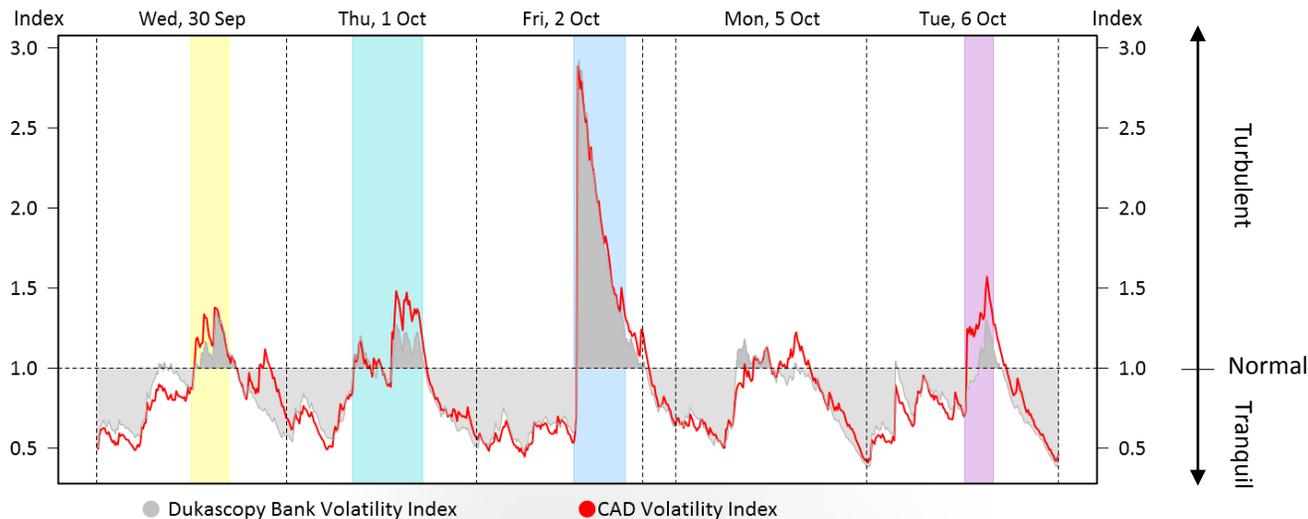
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.1%	-1.23%	-1.51%	-0.7%	-0.75%	0.94%	1.94%	1.66%	0.74%
20	-0.2%	-0.99%	-0.73%	-2.04%	0.08%	0.66%	0.39%	2.06%	1.54%
130	8%	1.04%	1.44%	4.97%	2.14%	-7.42%	-3.03%	-14.31%	9.17%
250	-1.01%	11.88%	0.71%	5.83%	11.04%	-10.96%	-5.78%	-8.29%	-3.42%



Volatility

Volatility



A steady bullish trajectory of the Canadian Dollar resulted in quite low volatility readings for this currency. There were a number of important fundamental reports published throughout the period, and all of them helped the CAD Volatility Index to come back above the historical average for some periods of time. Nonetheless, the elevated volatility stood at just 28%, meaning that the Canadian Dollar was turbulent in just over a quarter of all time last week. AUD/CAD was the most volatile cross as both commodity currencies used to have stronger reaction to important market news.

The period began with the CAD Volatility Index significantly below the historical mean of one point. However, the indicator started rising gradually throughout the day as the Canadian GDP data release for July was nearing. Economy more than expected by 0.3% on a monthly basis, following a revised 0.4% gain in June. On Thursday and Friday the turbulence was mainly created by US news including ISM Manufacturing PMI and employment change. The latter used to come in noticeably worse than projected. It sent both CAD and market volatility readings to the north, while the peak was reached at 2.88 points.

Elevated Volatility (% of the observed period)

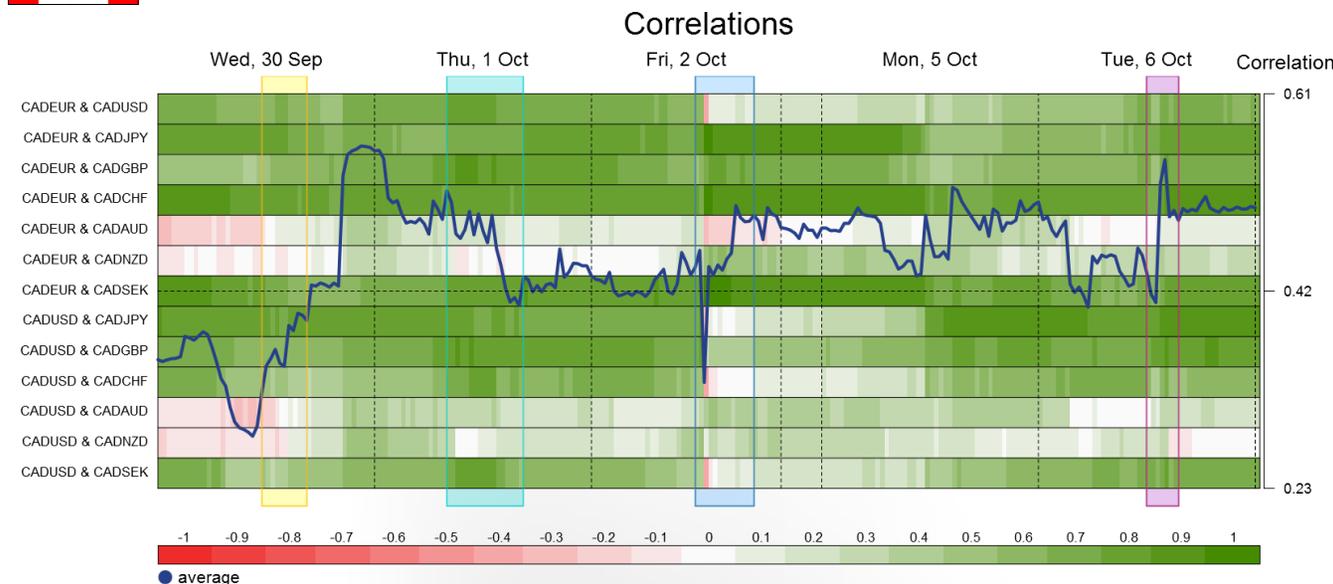
Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
24	28	28	28	27	30	25	33	25	31

Volatility Index (for the observed period)

	Market	CAD	EURCAD	USDCAD	CADJPY	GBPCAD	CADCHF	AUDCAD	NZDCAD	CADSEK
Max	2.92	2.88	5.07	2.4	3.53	1.71	3.52	2.29	2.57	3.75
Min	0.38	0.41	0.36	0.27	0.32	0.27	0.26	0.45	0.42	0.33
Average	0.85	0.88	0.91	0.83	0.86	0.82	0.84	0.92	0.9	0.91



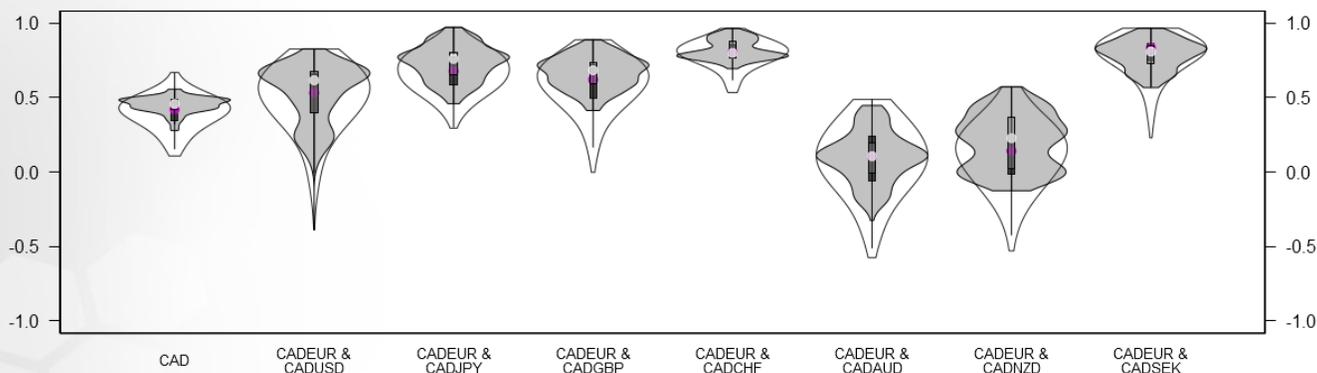
Currency Significance



Significance of the Canadian currency, calculated as an average correlation between its different crosses, showed unusual stability during the vast part of the reported period. Only Wednesday was marked with some volatility of the composite, while during other days it hovered in a narrow range between the historical average of 0.42 and the 0.55 area. Despite that, some components were showing relatively low correlations, especially those including the Euro on the one side and commodity currencies on the other side. Therefore, CAD/EUR & CAD/AUD and CAD/EUR & CAD/NZD used to have longer tails as their mean correlations were as low as 0.1 and 0.2 points, respectively.

As mentioned earlier, the CAD composite started the period somewhat below the historical mean around 0.35 points, but has immediately plunged the weekly low of 0.27 points just before the Canadian GDP statistics was announced. This development was predominantly driven by Aussie and Kiwi components, which fell into the red zone. However, the following recovery of the composite pushed it to the weekly high of 0.56 points. Despite being broadly flat from Thursday till Tuesday, correlations experienced a short term weakness on Friday, created by US Dollar's components. Some of them fell below zero and forced the composite to dive from 0.46 to 0.33 points. Nevertheless, losses were quickly eroded in the next several hours of the trading.

Correlations (5 vs 20 days)



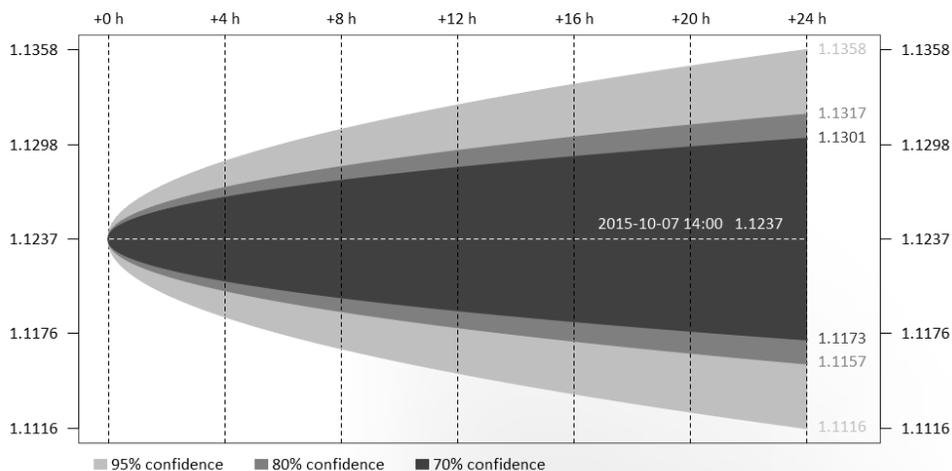
Mean Correlation Coefficient (with CADEUR)

Days	CAD	CADUSD	CADJPY	CADGBP	CADCHF	CADAUD	CADNZD	CADSEK
5	0.45	0.53	0.73	0.67	0.82	0.1	0.2	0.79
20	0.4	0.5	0.67	0.59	0.8	0.08	0.12	0.78
130	0.41	0.34	0.47	0.54	0.73	0.31	0.33	0.75
250	0.43	0.36	0.48	0.58	0.74	0.37	0.4	0.72

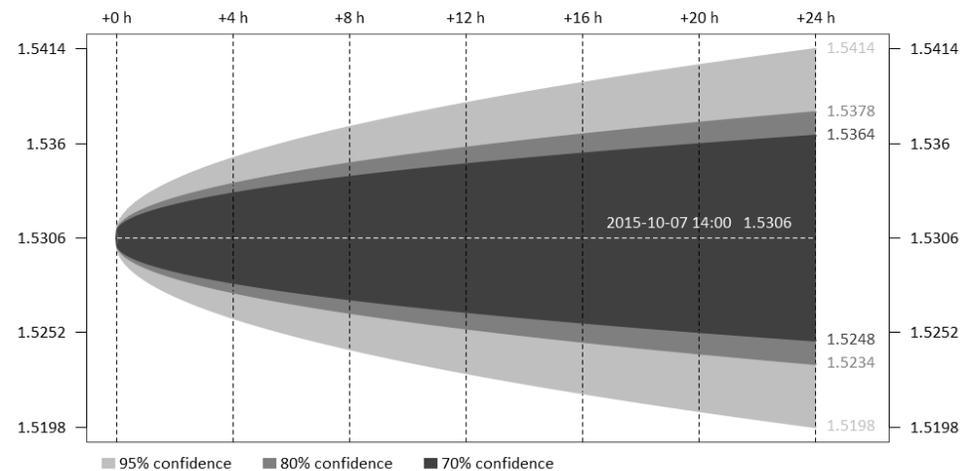
Confidence Intervals for Next 24 Hours

Wednesday, October 07, 2015
15:30 GMT

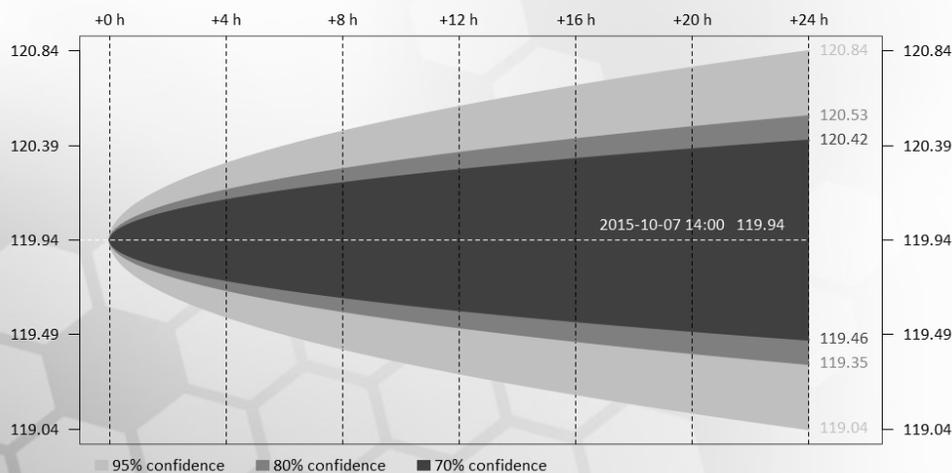
EURUSD Potential Rates



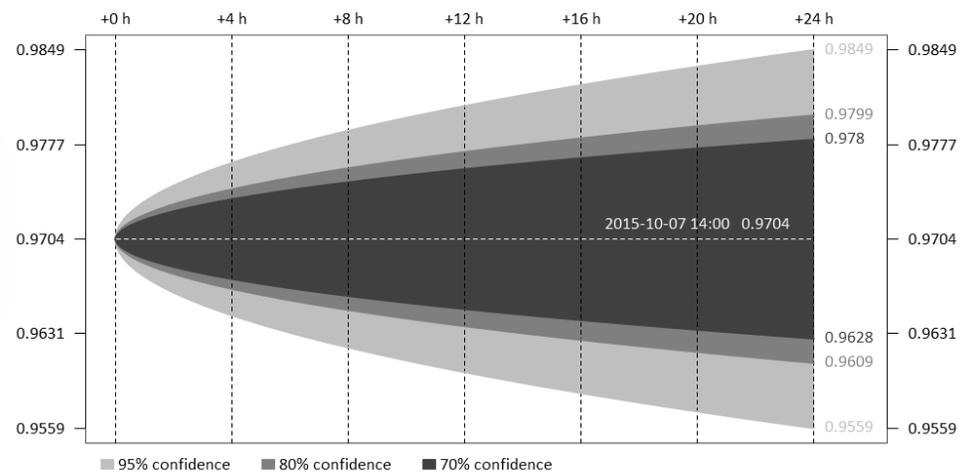
GBPUSD Potential Rates



USDJPY Potential Rates



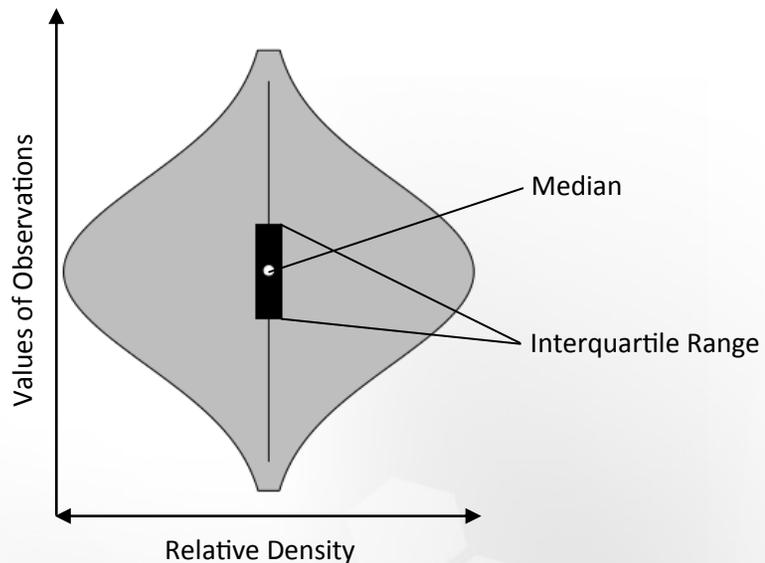
USDCHF Potential Rates



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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