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15/05/2017



Market Research

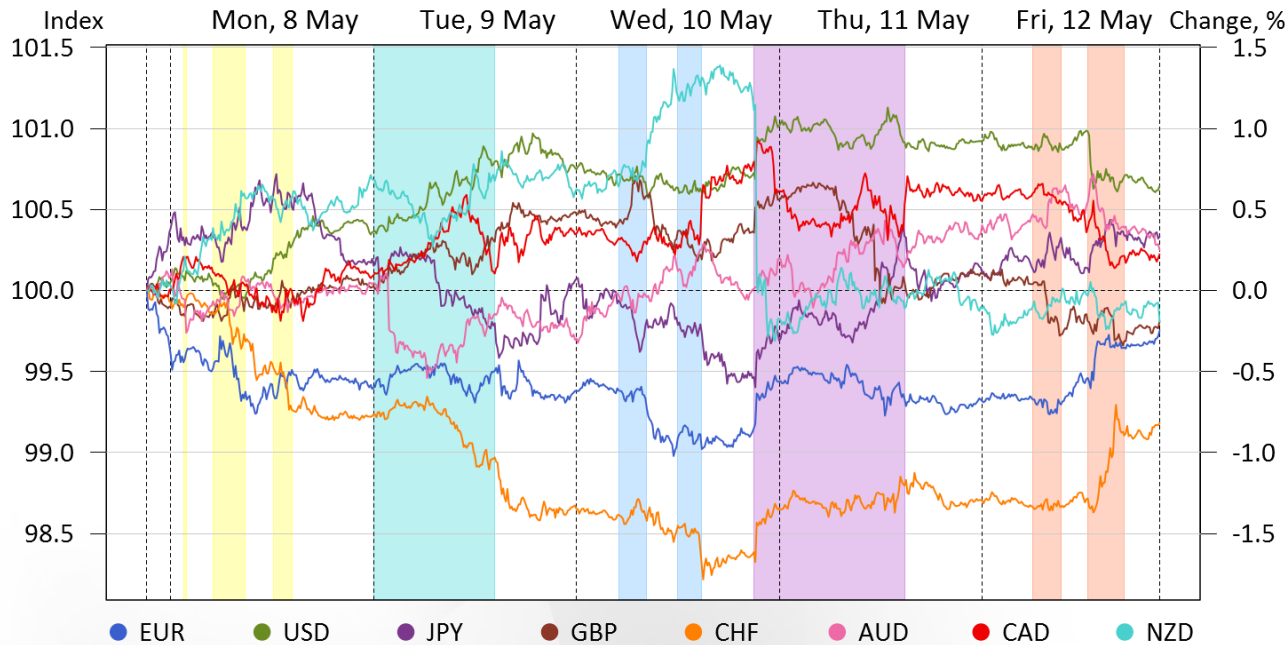
Monday, May 15, 2017
 13:30 GMT

Major Events of the Period

Time (GMT)	Flag	Currency	Event	Currency Index	Volatility Peak
SUNDAY, 7 MAY - MONDAY, 8 MAY					
21:00		EUR	French Presidential Election	-0.12%	0.09%
01:30		AUD	Building Approvals, NAB Business Confidence, ANZ Job Advertisements	-0.20%	0.07%
TUESDAY, 9 MAY					
01:30		AUD	Retail Sales	-0.47%	0.08%
WEDNESDAY, 10 MAY					
14:30		CAD	US Crude Oil Inventories	+0.37%	0.07%
21:00		NZD	RBNZ Official Cash Rate, Monetary Policy Statement	-1.16%	0.30%
23:00		CAD	Moody's downgrades Canadian Banks	-0.30%	0.08%
THURSDAY, 11 MAY					
11:00		GBP	BoE Official Rate, Monetary Policy Summary, Inflation Report	-0.49%	0.09%
12:30		USD	Unemployment Claims, PPI, Core PPI	+0.09%	0.05%
FRIDAY, 12 MAY					
12:30		USD	CPI, Retail Sales	-0.33%	0.05%

Relative Currency Strength

Currency Indexes



Currency Index Change

Weeks	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
1	-0.25	0.65	0.33	-0.19	-0.82	0.25	0.22	-0.19
4	4.18	0.83	-3.95	4.02	1.31	-2.17	-2.45	-1.78
26	2.54	1.64	-5.22	4.23	0.15	-0.79	0.24	-2.79
52	-0.47	3.44	-1.35	-8.97	0.55	5.20	-3.24	4.84
YTD	2.67	-1.74	1.82	3.14	0.41	0.93	-4.13	-3.11

The past week was largely a reversal of the previous periods. Thus the Euro's, the Franc's, and the Pound's indexes posted negative weekly changes after three weeks of reported gains, while the Yen's, the Aussie's, and the Loonie's gauges managed to rise above the baseline after three periods of weekly losses.

The tendency was especially pronounced in the Franc's developments as its index went from being among the top three performers for three consecutive weeks to posting the greatest weekly loss. The downslide took place amid the overall low risk aversion, which was weighting on the Yen in the previous periods and now have taken over its European safe-haven counterparts that lost the support of the French election hype. In the past week the three gauges were sliding down until late Wednesday and only managed to regain some ground on the back of their peers' downslides.

The week's sharpest move was the Kiwi's reaction to the RBNZ monetary policy statement on Wednesday. As the policymaker disappointed the market by retaining its neutral stance, the NZD Index suffered an over 1% 10-minute drop, triggering the week's sharpest upsurges in its peers – +0.26% for the USD, +0.24% for the CHF, and +0.21% for the JPY Indexes.

Another sharp uptick was observed earlier the same day, when the Loonie's gauge jumped 0.24% as the weekly US oil inventories showed a bigger-than-expected drawdown and sent the oil prices up.

The gains, however, were soon erased as Moody's cut its credit ratings of six Canadian banks citing growth in consumer debt and elevated housing prices as the sources of downside risks.

Among the moves that supported the safe-haven currency was also the Greenback's dip on Friday, when the US CPI and retail sales came in below expectation, causing the USD Index to lose 0.33% in a half an hour long decline.

The second-largest 10-minute drop, however, was produced by the Pound's gauge that lost 0.35% in its immediate reaction to the rather pessimistic BoE statement, which contained, among other things, a projection of declining living standards with a downgraded forecast for average earning growth. A similarly strong negative reaction was caused by the release of the weaker-than-expected Australian retail sales on Tuesday,

when the AUD Index lost 0.32% in one 10-minute move and proceeded to deepen the decline to -0.47% in the following hour.

Despite the overall turnaround, the week's developments were not dramatic enough to change the year-to-date tendencies. The indicators remained largely unchanged with only the week's main movers managing some close to 1% shifts. Thus the Greenback's index cut its loss by 0.72%, while the Franc's gauge yielded 0.80% off its gain.

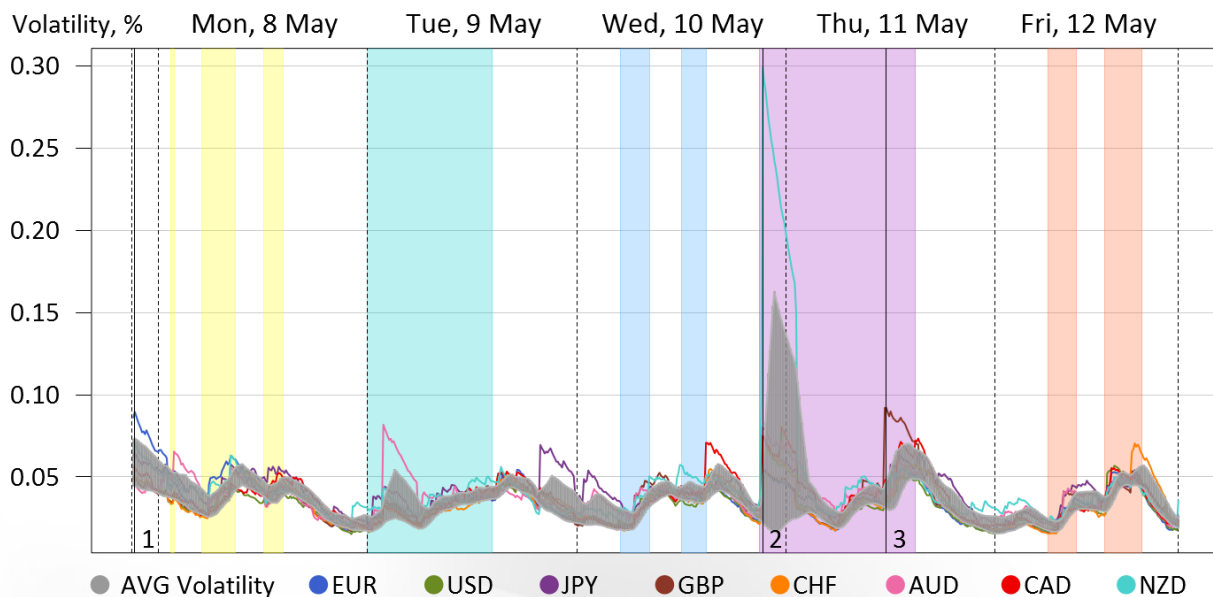
Other long-term readings, however, showed more prominent changes. Despite its weekly loss the Euro's index raised its 4- and 26-week growth by 0.81% and 1.29%, respectively. Meanwhile, the JPY Index deepened its monthly decline by 1.32%, but cut its 26-week losses by 2.25%. Finally, the Pound's gauge posted a moderate weekly loss but ended up trimming its 26-week gains from 6.94% to 4.23%.

Currency Pair Weekly Change, %
May 8 - May 12

	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD
EUR		-0.80	-0.49	-0.06	0.53	-0.44	-0.41	-0.07
USD	0.81		0.28	0.76	1.22	0.37	0.32	0.78
JPY	0.49	-0.28		0.44	1.05	0.06	0.12	0.45
GBP	0.06	-0.76	-0.44		0.59	-0.39	-0.35	-0.02
CHF	-0.53	-1.21	-1.04	-0.58		-0.95	-0.84	-0.57
AUD	0.44	-0.37	-0.06	0.39	0.96		0.02	0.37
CAD	0.41	-0.32	-0.12	0.36	0.84	-0.02		0.41
NZD	0.07	-0.77	-0.44	0.02	0.57	-0.37	-0.41	

Currency Volatility

Volatility



The past week's volatility landscape was somewhat dominated by the Asia-Pacific currencies, as the Kiwi's, the Yen's, and the Aussie's gauges posted the highest average values and formed many of the period's prominent peaks.

Turbulence-wise the week's main event was undoubtedly the RBNZ statement release and the subsequent dramatic fall of the New Zealand Dollar. The currency's aggregate volatility measure reached 0.30%, while the values for NZD/USD, NZD/CHF, and NZD/JPY surged as high as 0.35%, 0.34%, and 0.34%, respectively.

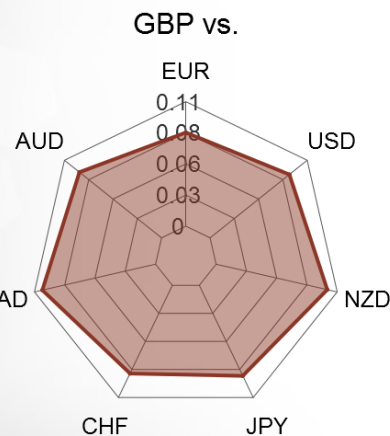
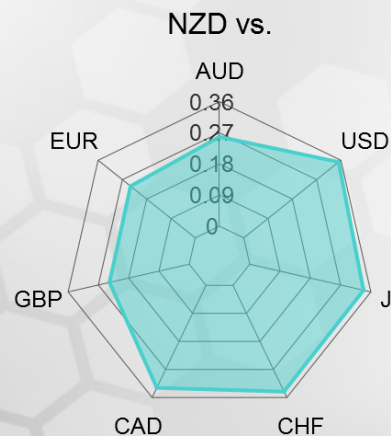
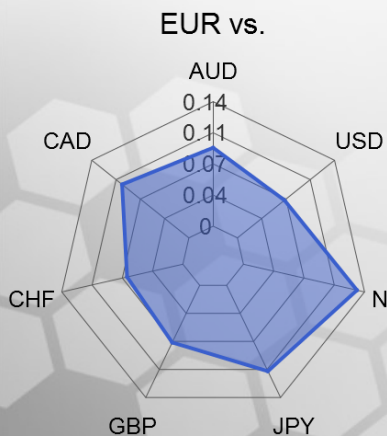
The second-highest peak was formed by a similar event, as the Pound's aggregate volatility jumped to 0.09%. The reaction was fairly uniform among the pairs, but the event was noteworthy was the duration of overturbulence – the Pound's aggregate measure held above its peers for over three hours.

The period opened with the third-highest volatility level, with the turbulence fueled by the Euro retracting strongly from its initial positive reaction to the results of the French presidential election. The effect, however, was not uniform across the single currency's pairs. The sharpest reactions were observed in EUR/NZD and EUR/JPY as the pairs' volatility jumped to 0.13% and 0.11%, respectively. Meanwhile, the least affected were EUR/CHF with a 0.06% and EUR/USD with a 0.07% peaks.

French Presidential Election

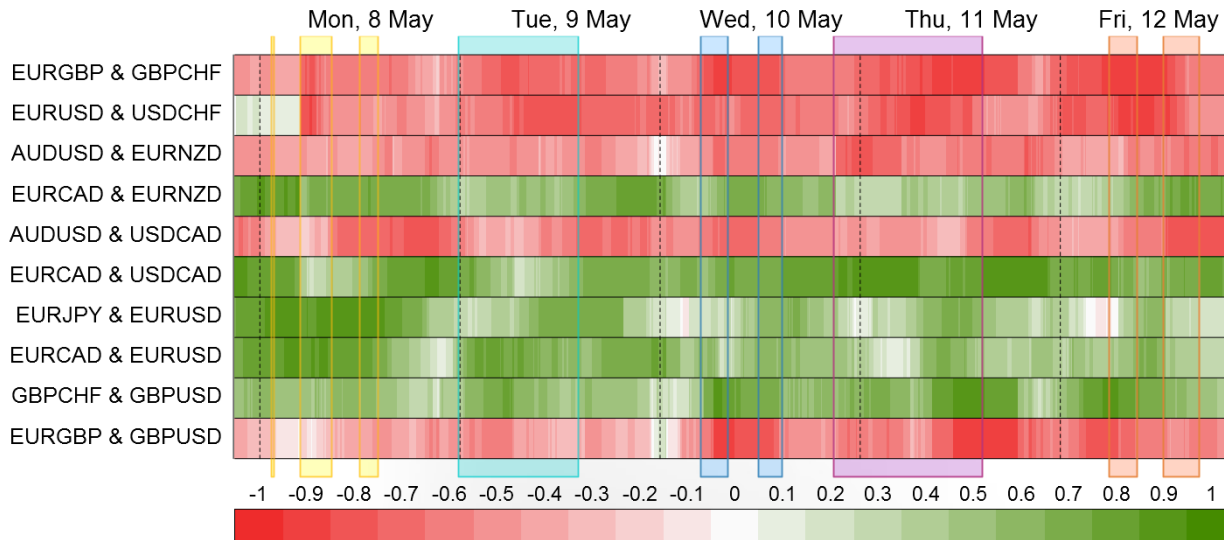
RBNZ Official Cash Rate

BoE Official Bank Rate



Currency Pair Correlations

Rolling Correlations



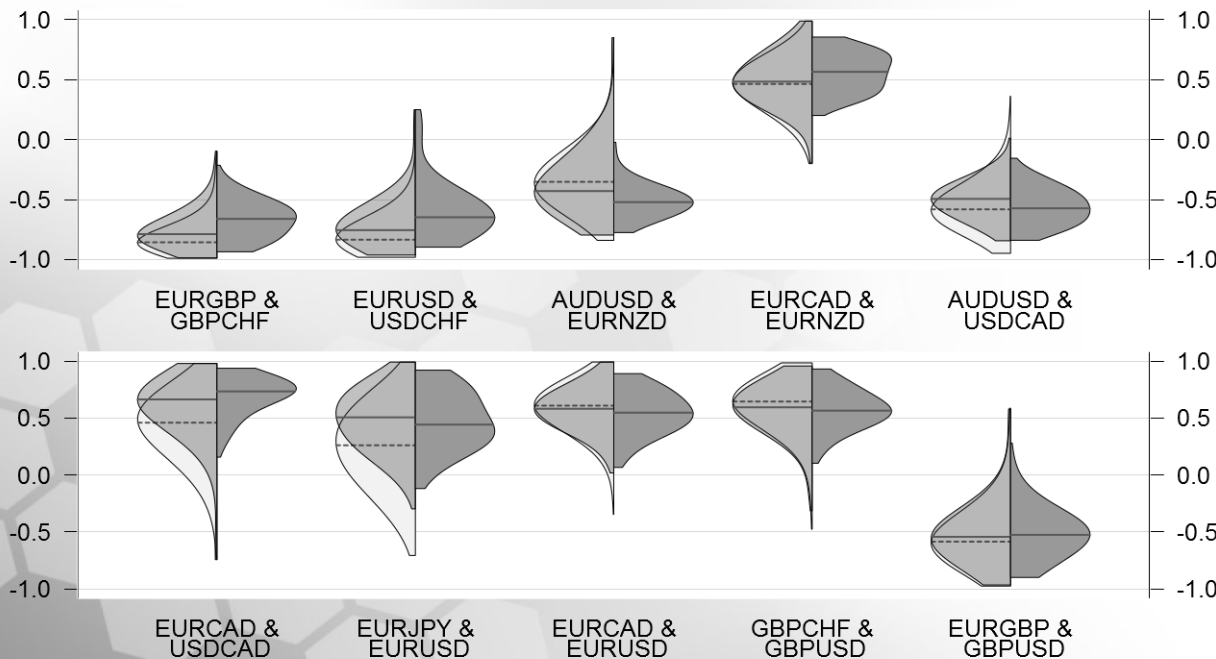
The past period saw relatively many changes in negative bonds, with five of the most changed correlation medians lying below the -0.50 line. In the previous periods the top ten contained only two or three negatively correlated combinations.

Seven out of ten most changed correlation medians suffered a weakening, and six of them were produced by the combinations with the single currency's pairs. The greatest drops were recorded for the EUR/GBP & GBP/CHF and EUR/USD & USD/CHF correlations, signaling a slight disturbance in the bonds between the Euro and the Swiss Franc. It was most prominent in the correlations between EUR/USD and USD/CHF, which turned weekly positive as the Euro sliding off the post-election high in early Monday trade. Meanwhile, the EUR/GBP & GBP/USD median changed the least, but was also interesting for briefly changing its sign in Wednesday Asia-Pacific trade.

Strengthening of medians, on the other hand, was observed in the combinations with commodity currencies paired against the Euro and the Greenback. For all four combinations the rise of the median was supported by an overall shift of the correlations' distributions, while EUR/CAD & EUR/NZD and AUD/USD & USD/CAD were also notable for shortened distribution tails.

Historical Correlations

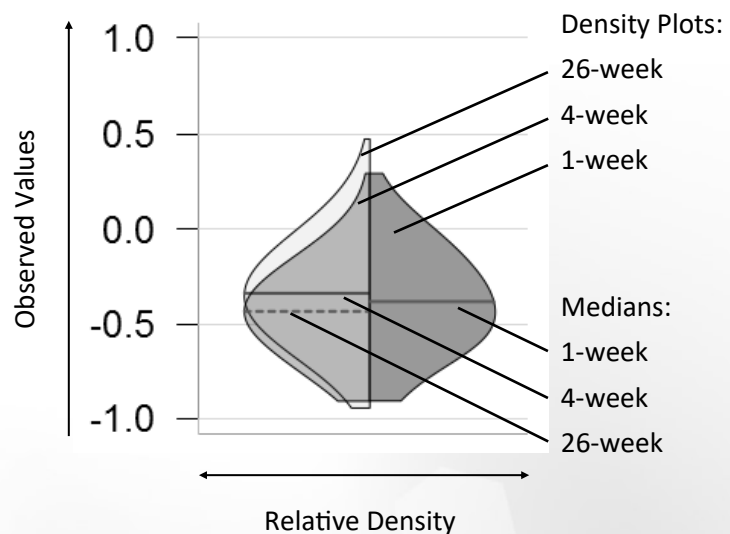
■ week ■ 4 weeks □ 26 weeks



EXPLANATIONS

Violin Plot

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





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