



GBP

31/05/2013



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RESEARCH PRODUCTS



Market Research



Dominant Events for the British Pound

Yellow Area

May 24

04:00 - 16:00

- *BOJ Governor Speech* [\[link\]](#)
- *German GDP and Ifo Business Climate* [\[link\]](#)
- *U.K. Mortgage Approvals* [\[link\]](#)
- *U.S. Durable Goods Orders* [\[link\]](#)

Turquoise Area

May 28

13:00 - 17:00

- *U.S. Consumer Confidence* [\[link\]](#)

Blue Area

May 29

06:00 - 18:00

- *German Unemployment and Consumer Prices* [\[link\]](#)
- *U.K. Retail Sales* [\[link\]](#)

Purple Area

May 30

04:00 - 16:00

- *Eurozone Retail PMI* [\[link\]](#)
- *U.S. GDP and Unemployment Claims* [\[link\]](#)
- *U.K. Home Prices* [\[link\]](#)

GBP Currency Index Range

0.26%

0.09%

0.44%

0.27%

Average GBP/USD
Volatility Index

1.22

1.63

1.48

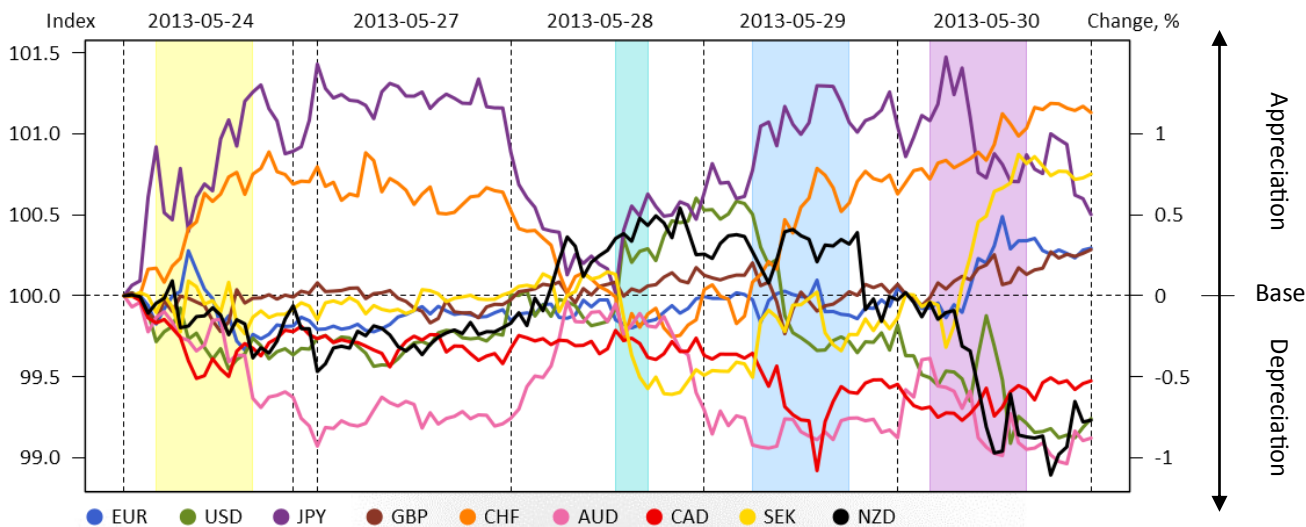
1.45



Relative Currency Strength

Friday, May 31, 2013
15:30 GMT

Currency Indices

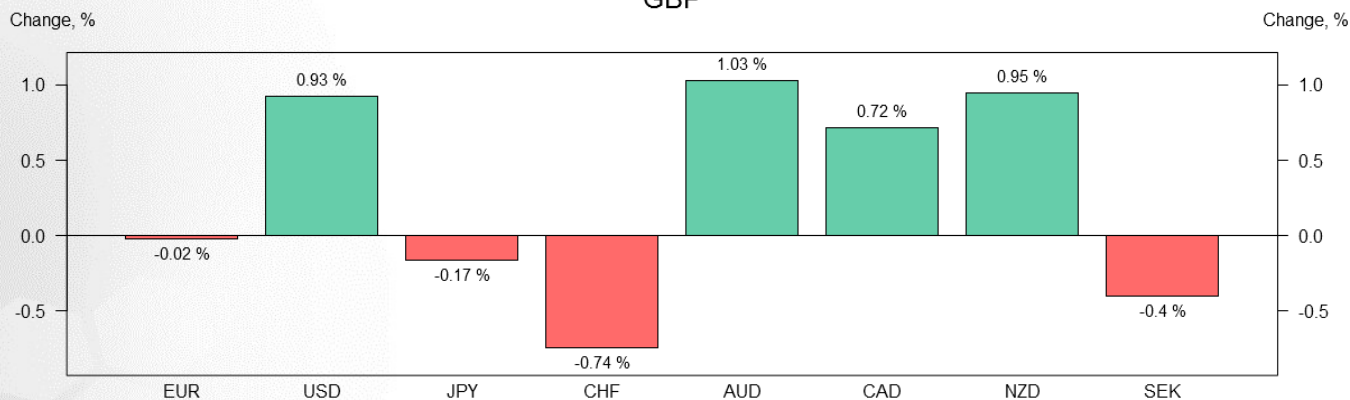


If the British Pound were to trade in isolation, its price would probably decline, as fundamentally the currency turned to be softer than before. The only positive news directly related to the United Kingdom was on consumer confidence, although technically there is no optimism among the consumers, only less pessimism. Accordingly, the value of the Sterling was mainly underpinned by indirect factors—weakness of its major counterpart, specifically weakness of the U.S. Dollar, an instrument that has failed to keep its winning streak, losing 1.3% of its worth during the last two days.

This sharp decline, however, was not initiated by the disappointing data on the GDP, unemployment claims and home sales. They only reinforced the sell-off that took place on Wednesday, reinforcing fears of investors that we will have to wait before tapering becomes a reality, becoming good news for the currencies that usually remains stable, namely for the Pound.

Of note, since May 24 the Sterling has looked like a more stable version of the Euro, even though the correlation between these two currencies was not observed lately. Still, this interdependency will have to pass the test next week, when more volatility is expected.

GBP



Currency Index Change

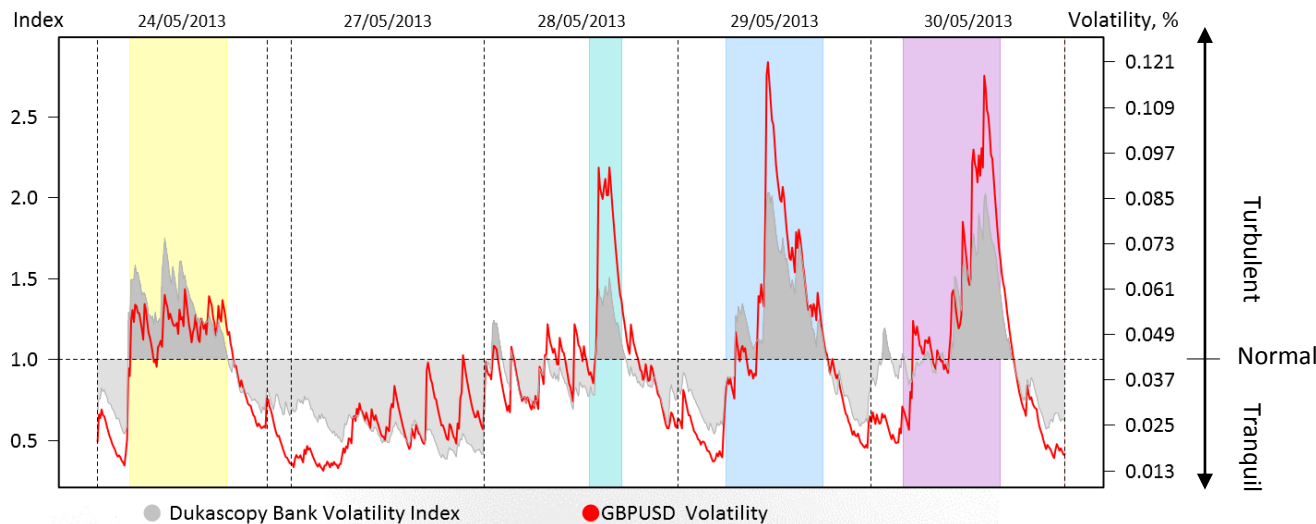
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	0.29%	-0.76%	0.50%	0.28%	1.13%	-0.88%	-0.53%	0.75%	-0.77%
20	2.28%	2.62%	-1.19%	0.40%	0.29%	-4.04%	0.48%	1.94%	-3.01%
130	6.06%	4.80%	-19.17%	-0.60%	2.25%	-3.86%	0.85%	6.59%	3.08%



Volatility

Friday, May 31, 2013
15:30 GMT

Volatility



Even though this week's main news came out only yesterday, early signs of abnormally high level of sensitivity in the market were already observed on Tuesday when the only visible reason for the exchange rates to be exceedingly variable was a report on U.S. consumer confidence that supported bullishness of the U.S. Dollar. Next day heightened turbulence was confirmed, when the Dukascopy Bank Volatility Index reached its weekly high—a level of 2. GBP/USD was also the most changeable that day, covering 2.8 times more distance within 10 minutes then it usually does despite a lack of economic news from the U.S., a gap that was filled by European data over and above.

This is why the volatility peak of May 29 is skewed towards the start of the European session and the volatility peak of May 30, marked with various economic releases, is skewed towards the start of the American session. Nonetheless, the least stable relative to its historical behaviour currency pair turned out to be USD/JPY with the highest volatility index value recorded neither on May 29 or May 30, but last Friday (May 24) at the time of BoJ governor's speech. Meanwhile, EUR/GBP was exhibiting the least volatility over the past few days, having the average volatility index of 0.8 and thus indicating strengthening correlation between the currencies forming the pair, i.e. EUR and GBP.

Elevated Volatility (% of the observed period)

Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
34	33	50	37	38	33	35	47	21	40	32	37

Volatility Index (for the observed period)

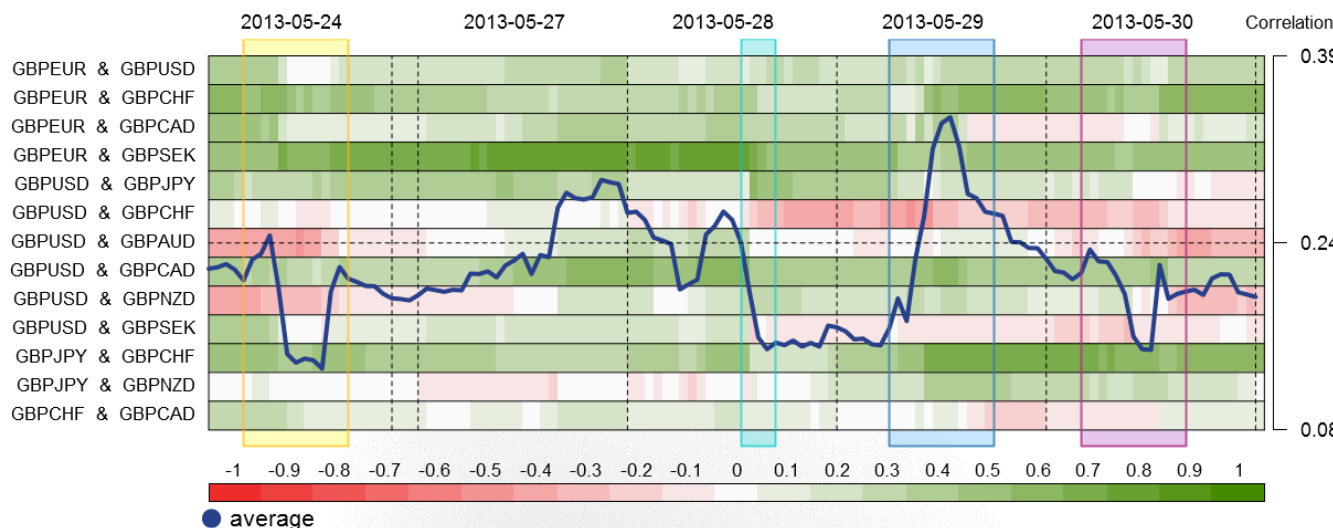
	Market	EUR/USD	USD/JPY	GBP/USD	AUD/USD	USD/CAD	USD/CHF	EUR/JPY	EUR/GBP	EUR/CHF	USD/SEK	NZD/USD
Max	2	2.6	3.1	2.8	2.6	2.5	2.8	2.7	2.3	2.5	2.5	2.4
Min	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.2
Average	0.9	0.9	1	0.9	1	0.9	0.9	1	0.8	0.9	0.9	0.9



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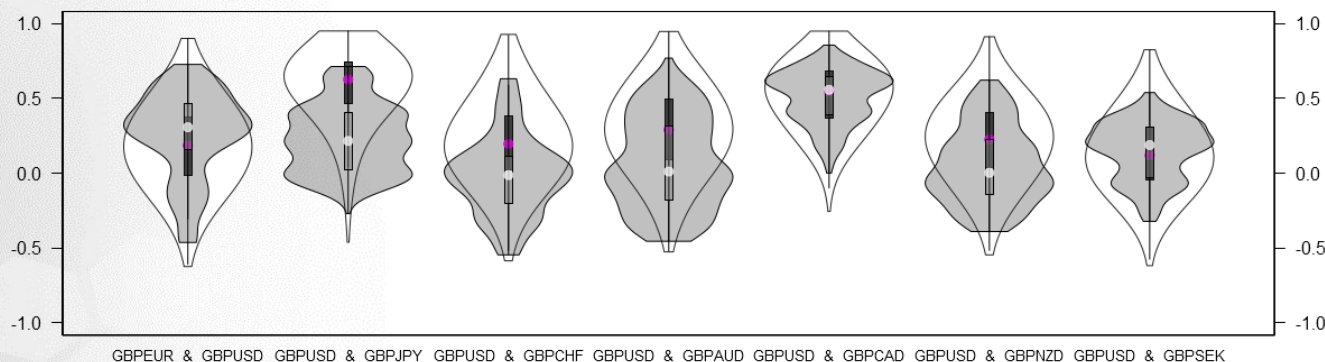
Currency Significance

Correlations



The significance of the British Pound has been decreasing lately, as shown by the average correlation coefficient that for the most part stayed below 0.3. The only time investors started to look in the Sterling's direction was Wednesday, when the statistics on the U.K. realized sales were published. Nonetheless, the average coefficient was still 0.34, while the measure of importance for the main Forex market drivers, such as the U.S. Dollar and Japanese Yen, is 0.6 and above.

Correlations (20 vs 130 days)



Lack of attention paid to the Sterling was primarily manifested in the correlation of GBP/USD with GBP/CHF, which from being direct (0.31) for the past six months became inverse (-0.16), although the absolute value is not high enough to make conclusions about the consistency. In the meantime, linear dependency between GBP/USD and GBP/AUD has also vanished, whereas previously we were able to talk about rather frequent co-moves of these two currency pairs. Correlations of GBP/USD with GBP/EUR and GBP/CAD proved to be the most reliable, continuously fluctuating around 0.29 and 0.66 respectively, while others weakened due to the shift of market's focus.

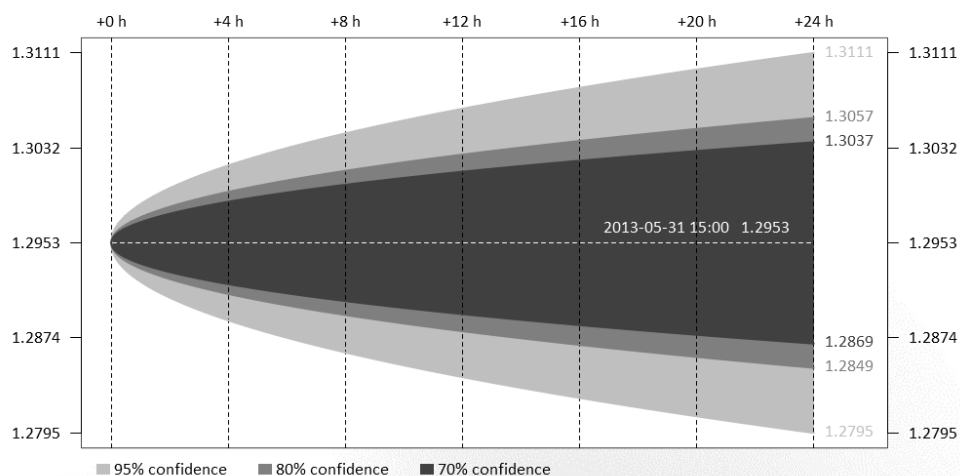
Mean Correlation Coefficient (with GBPUSD)

Days	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.24	0.25	-0.16	0.01	0.43	0.08	0.01
20	0.26	0.23	-0.02	0.07	0.51	0.05	0.15
130	0.29	0.47	0.31	0.46	0.66	0.35	0.26

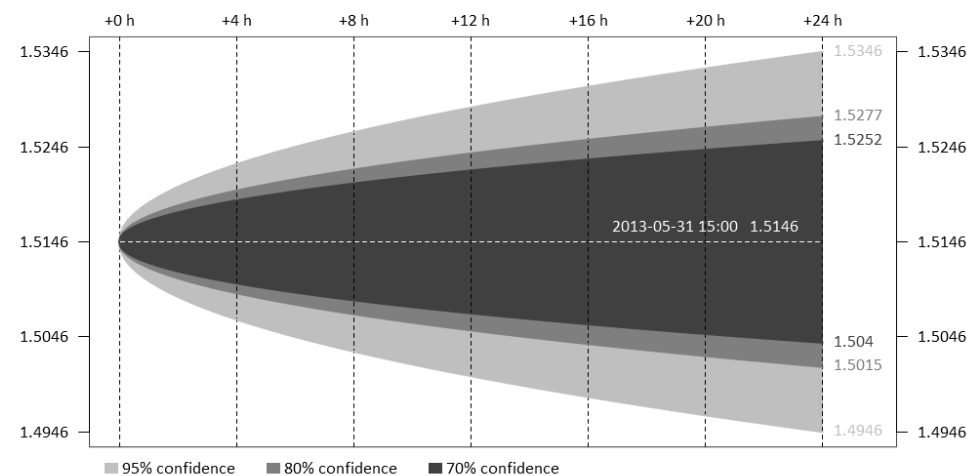
Friday, May 31, 2013
15:30 GMT

Confidence Intervals for Next 24 Hours

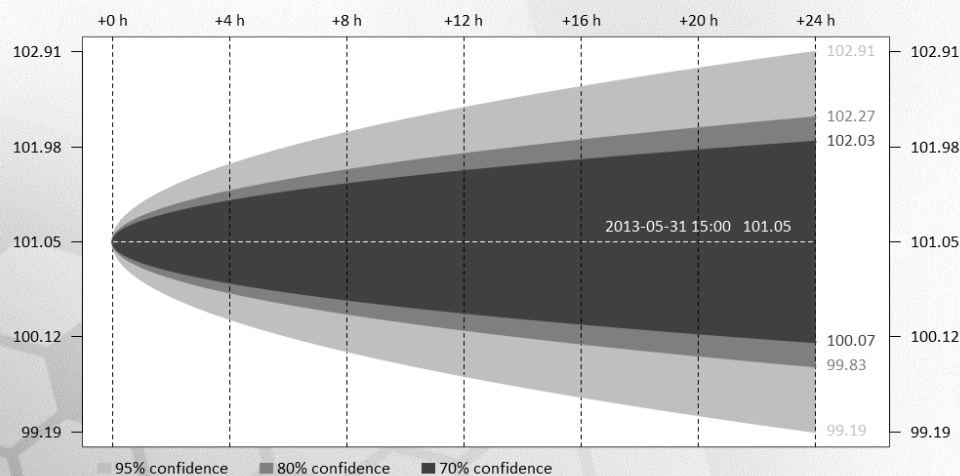
EURUSD Potential Rates



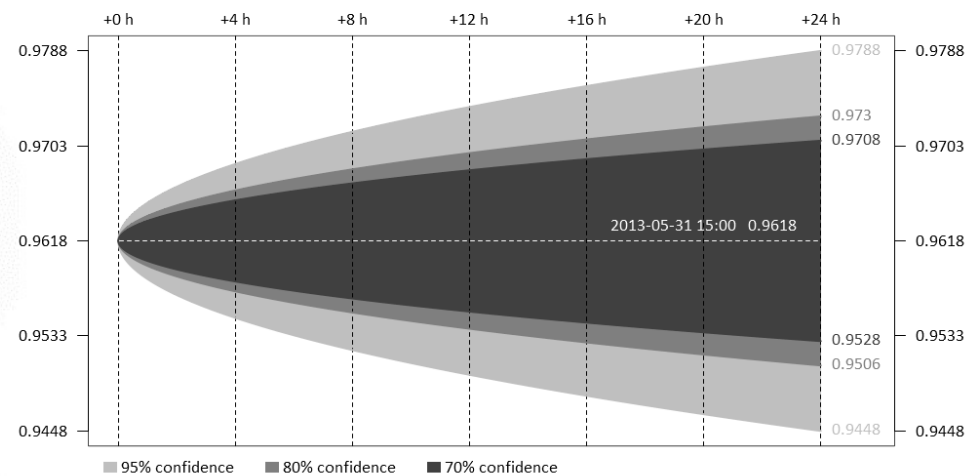
GBPUSD Potential Rates



USDJPY Potential Rates



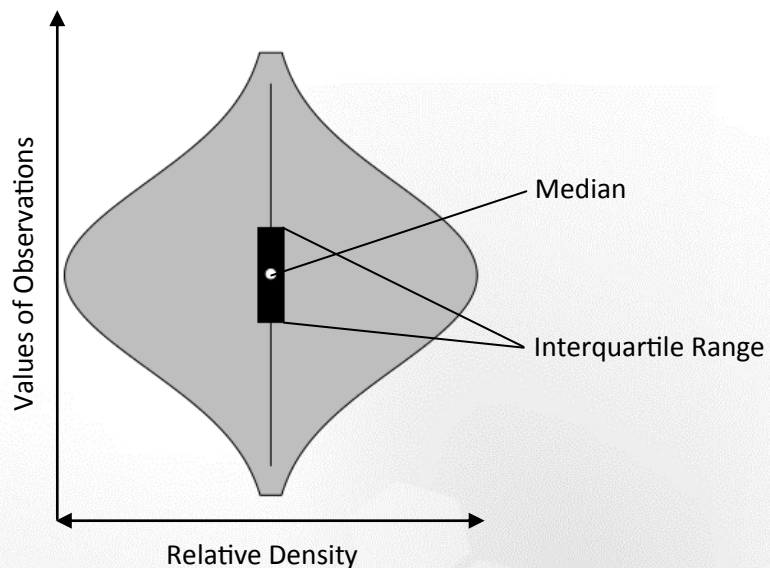
USDCHF Potential Rates



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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Trade Pattern Ideas
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