



**GBP**

24/09/2014



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# Dominant Events of the Period

## Yellow Area

September 17

07:00 - 22:00

- BoE Minutes, MPC Vote, ILO Unemployment Rate, Claimant Count
- Euro zone CPI
- Swiss ZEW Survey
- U.S. CPI, Fed Monetary Policy Statement, FOMC Economic Projections

## Turquoise Area

September 18

05:00 - 15:30

- Scottish Independence Referendum
- Swiss Trade Balance, SNB Interest Rate Decision
- UK Retail Sales
- ECB Targeted LTRO
- U.S. Building Permits, Housing Starts, Jobless Claims

## Blue Area

September 18 20:30 -

September 19 15:30

- Japanese All Industry Activity Index, Coincident Index, Leading Economic Index
- Canadian CPI
- CB Leading Indicator

## Purple Area

September 22

08:00 - 16:00

- ECB President Speech
- U.S. Existing Home Sales

## Orange Area

September 23

07:00 - 15:00

- German Markit Manufacturing and Services PMI
- Euro zone Markit PMI
- Canadian Retail Sales
- U.S. Housing Price Index, Markit Manufacturing PMI

GBP Currency Index Range

0.64%

0.58%

1.05%

0.22%

0.47%

Average GBP Volatility Index

1.26

1.69

1.92

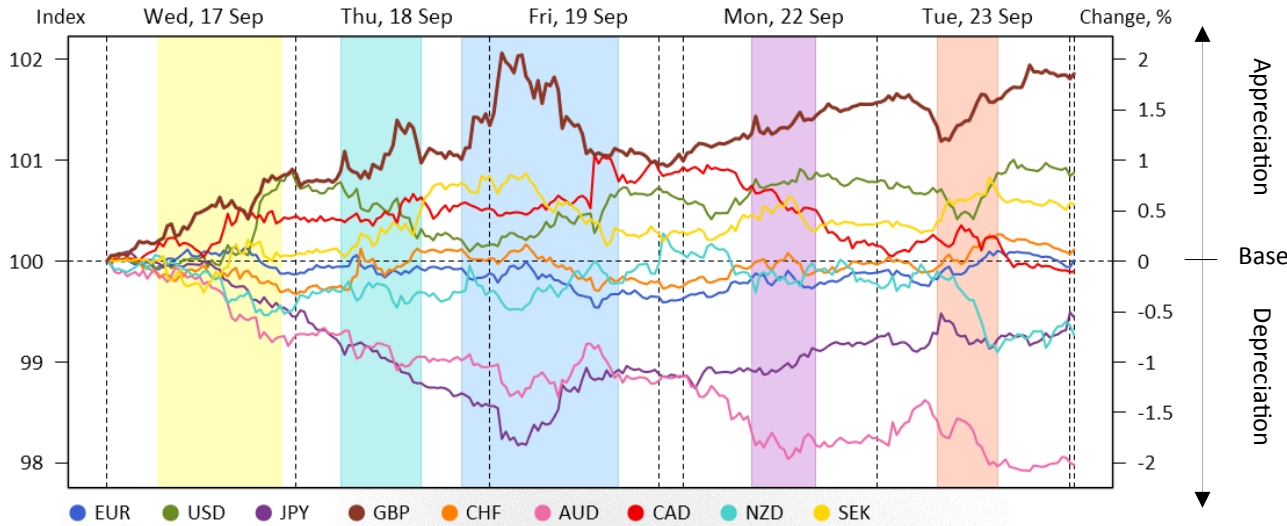
1.09

1.18



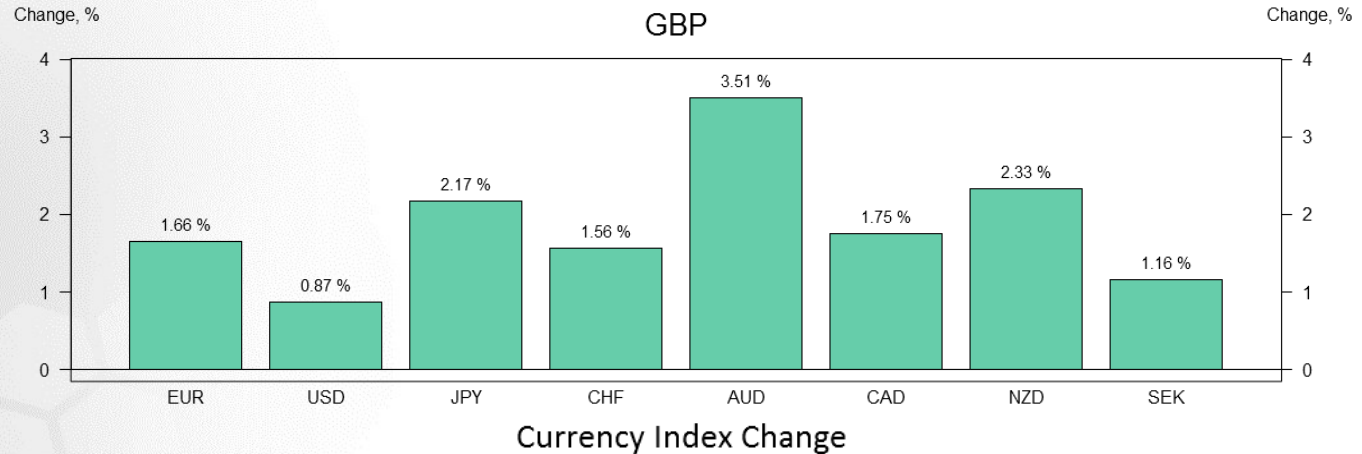
# Relative Currency Strength

## Currency Indices



The GBP Index was recovering during the past two weeks after the hard blow it took from the Scottish independence poll on September 8, and at the end of the period posted its greatest weekly growth this year. The index dominated its counterparts throughout the whole period, and with a final 1.86% advance over the base value became the period's top performer, leaving the second-best USD gauge almost 1% behind. The pound rose more than 1% against most of its observed peers, reporting the highest gains over the Australian dollar (+3.51%), the New Zealand dollar (+2.33%), and the yen (+2.17%).

The GBP Index spent the days prior to the Scottish independence referendum in a vigorous growth, and the culmination of the event's influence fell on the night of September 19. The index rose 1% between late Thursday and early Friday, with the steepest half-hourly jump covering 0.3 points. Afterwards the index took most of the Friday to ease back to the pre-surge level, but nevertheless started the new week on an uptrend. The bunch of UK data that was released in the beginning of the period passed virtually unnoticed, with the GBP Index losing modest 0.12 points as the MPC's unchanged position on the interest rate hike seemingly overshadowed better-than-expected unemployment figures.

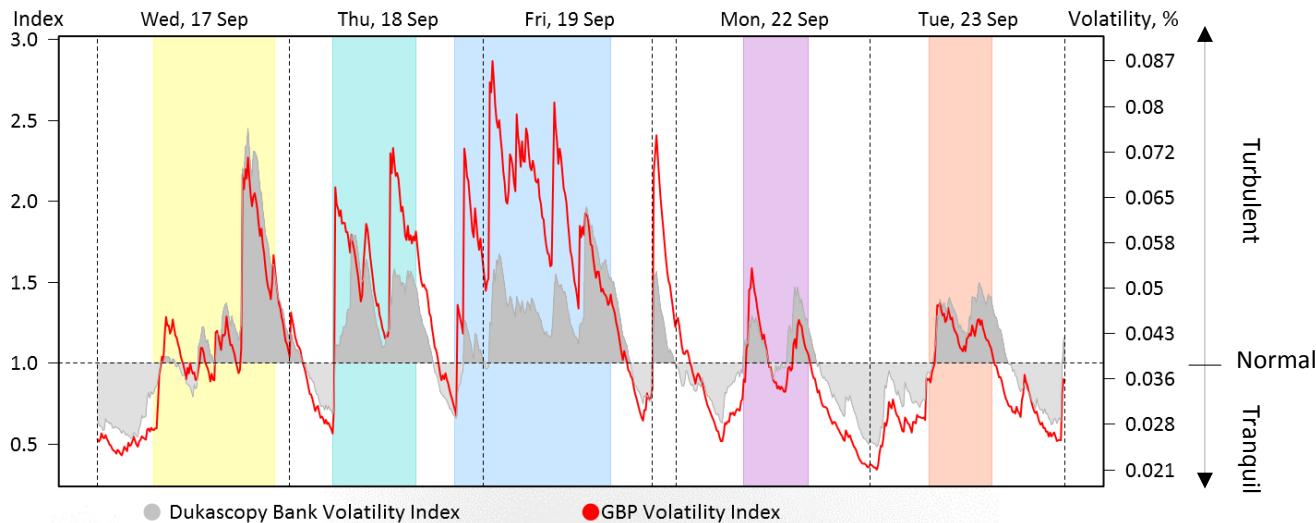


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.01%	0.88%	-0.56%	1.86%	0.12%	-2.02%	-0.1%	-0.73%	0.56%
20	-0.01%	2.71%	-2.13%	1.64%	0.06%	-2.86%	1.57%	-0.74%	-0.35%
130	-3.11%	4.99%	-1.86%	3.96%	-1.93%	1.14%	6.58%	-1.77%	-7.34%
250	-0.06%	5.41%	-5.35%	7.93%	1.9%	-1.44%	-2.89%	1.75%	-7.24%



# Volatility

## Volatility



The beginning of the period was immensely turbulent – the pound’s Volatility Index has spent about 70% of the first three days above its historical level. The highest portion of elevated volatility in these days was observed in GBP/AUD, GBP/NZD, and GBP/CAD, whereas the highest spike was reached by the GBP/JPY index. Nevertheless, the overall level of GBP volatility peaks was not particularly high and its index did not exceed 3 points. For comparison, the U.S. dollar Volatility Index reached a 3.99 mark in the time of the Fed’s conference, while the Loonie’s turbulence gauge jumped as high as 4 points right after the release of the Canadian CPI numbers.

The MPC vote distribution and UK unemployment numbers lifted the GBP volatility at the very beginning of the period, but, against the background of the other events, failed to produce any notable peaks. The Fed’s rate decision had much stronger impact on both the market and the GBP Volatility Indexes, with both gauges reaching above the 2 point mark. September 18 and 19 were marked by the Scottish independence referendum. The night of the results pending was extremely turbulent, and the GBP Volatility Index reached the highest value of the week, towering 1.5 points over the market’s gauge. The rest of the period was rather calm, and the spikes in the GBP volatility mostly followed the overall market turbulence.

### Elevated Volatility (% of the observed period)

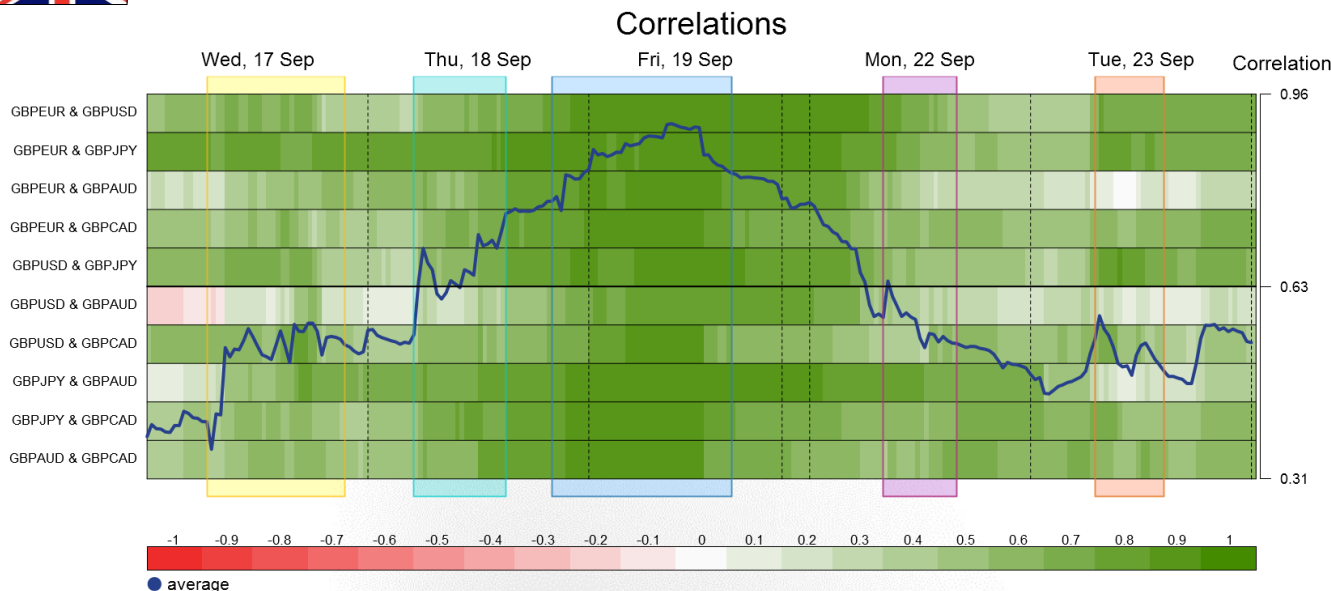
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
56	54	40	56	57	42	61	58	62	48

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.45	2.87	2.72	2.91	3.76	2.57	3.05	3.41	3.67	2.89
Min	0.48	0.34	0.2	0.32	0.24	0.29	0.38	0.28	0.44	0.14
Average	1.1	1.17	1.01	1.17	1.29	1.03	1.25	1.23	1.3	1.07



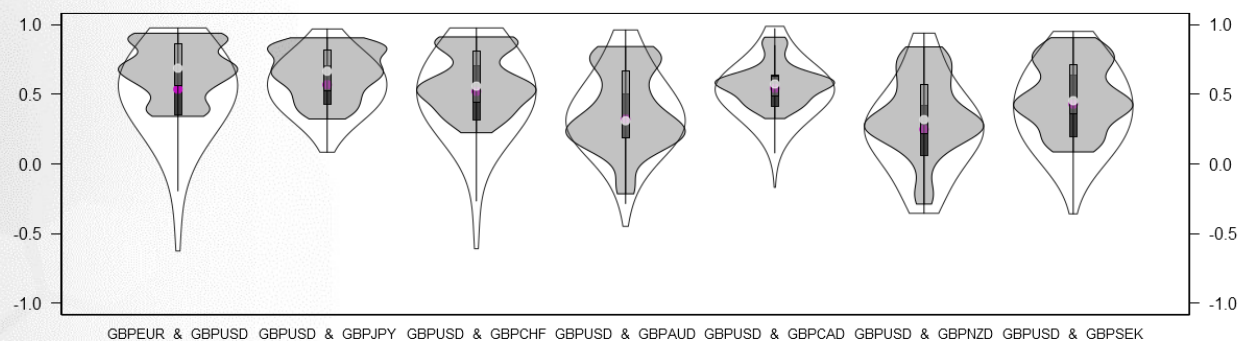
# Currency Significance



The pound's significance measure continued to hold on a very high level, with its average value at least 0.05 points higher than those of its peers. It largely overtopped its counterparts in the middle of the period and by the end of it was only outrun by the Australian and the New Zealand dollars' composites. The strife was apparent throughout the whole period as GBP/USD combinations with the GBP/AUD and GBP/NZD reported the weakest bonds and were the only ones to produce negative values. Aside from that, all GBP/USD components lifted their means above long-term readings, with most distributions exhibiting shortened lower and heavier upper tails.

The beginning of the period was remarkable with very well synchronised developments in absolutely all pound's correlation components, as the bonds were tightening under the influence of the Scottish referendum. The composite reached its maximum on Friday morning and then started to rapidly lose its positions as news from other regions took their hold on the market. The weakening began with a dip of the GBP/CAD components when the Canadian CPI pushed the Loonie up against its peers, and then slowly spread to other combinations. Nevertheless, the end of the period still found the pound's significance measure on a solid level of 0.55, higher than most gauges of other observed currencies.

## Correlations (5 vs 20 days)

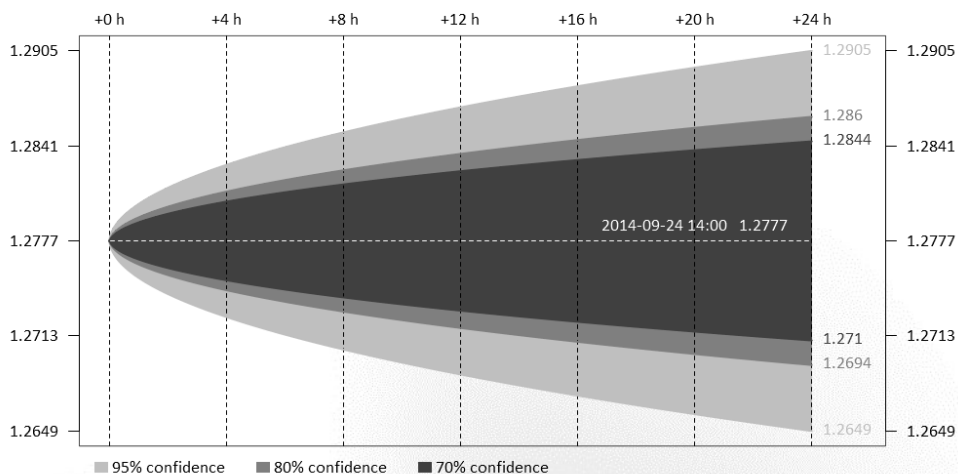


## Mean Correlation Coefficient (with GBPUSD)

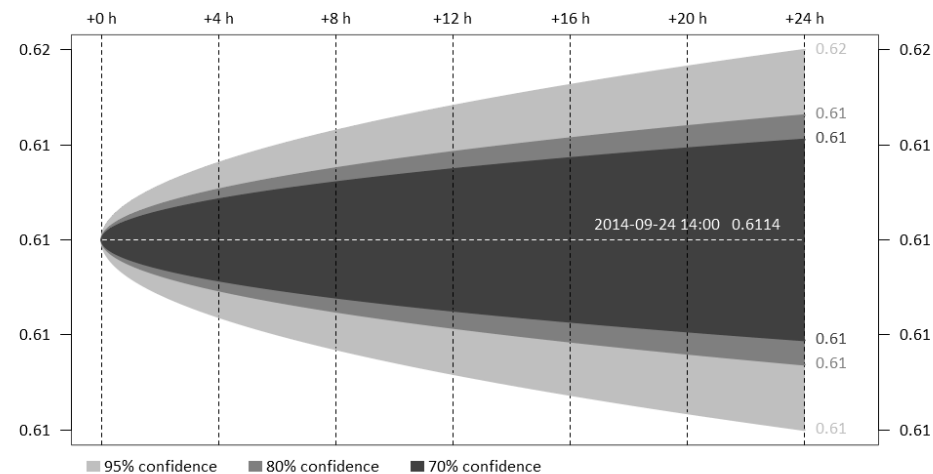
Days	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.68	0.66	0.59	0.38	0.58	0.36	0.5
20	0.51	0.57	0.5	0.36	0.54	0.26	0.41
130	0.46	0.53	0.4	0.33	0.54	0.23	0.31
250	0.48	0.55	0.4	0.35	0.59	0.27	0.32

# Confidence Intervals for Next 24 Hours

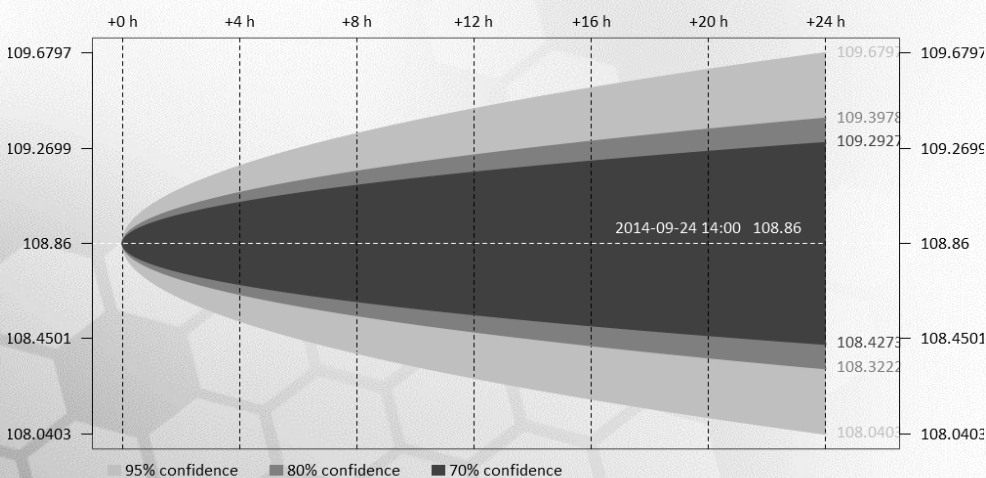
EURUSD Potential Rates



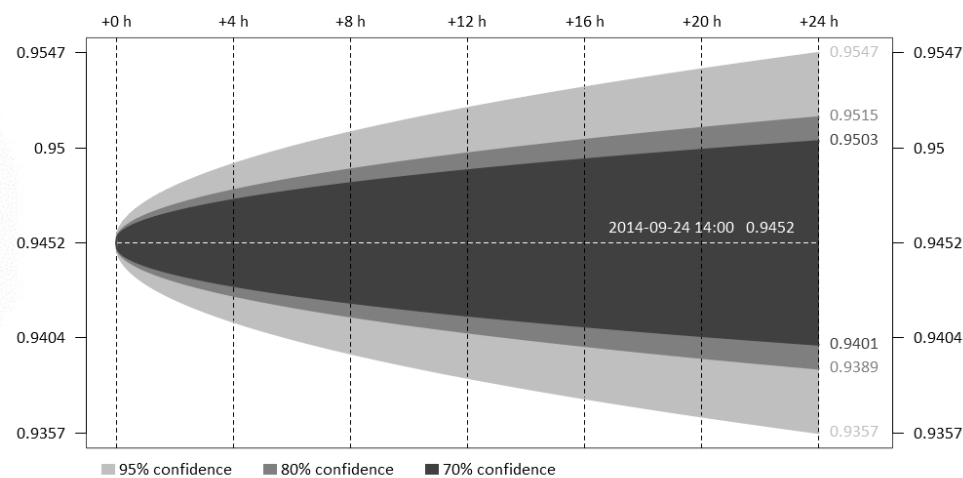
GBPUSD Potential Rates



USDJPY Potential Rates



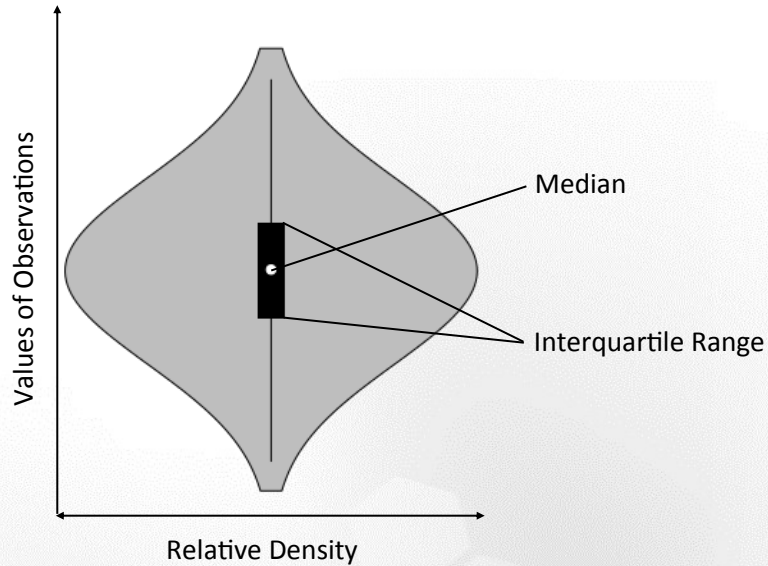
USDCHF Potential Rates



## 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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