



GBP

29/10/2014



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Market Research





Dominant Events of the Period

Yellow Area

October 22

05:00 - 19:00

- Bank of England Meeting Minutes
- US Consumer Price Index

Turquoise Area

October 23

06:00 - 17:00

- UK Retail Sales, BBA Mortgage Approvals
- Eurozone's Manufacturing and Services PMI
- US Unemployment Claims

Blue Area

October 24

06:00 - 13:00

- UK Prelim GDP
- US New Home Sales

Purple Area

October 28

04:30 - 15:00

- US Core Durable Goods Orders

GBP Currency Index Range

0.46%

0.42%

0.25%

0.31%

Max GBP Volatility Index

1.83

1.25

1.51

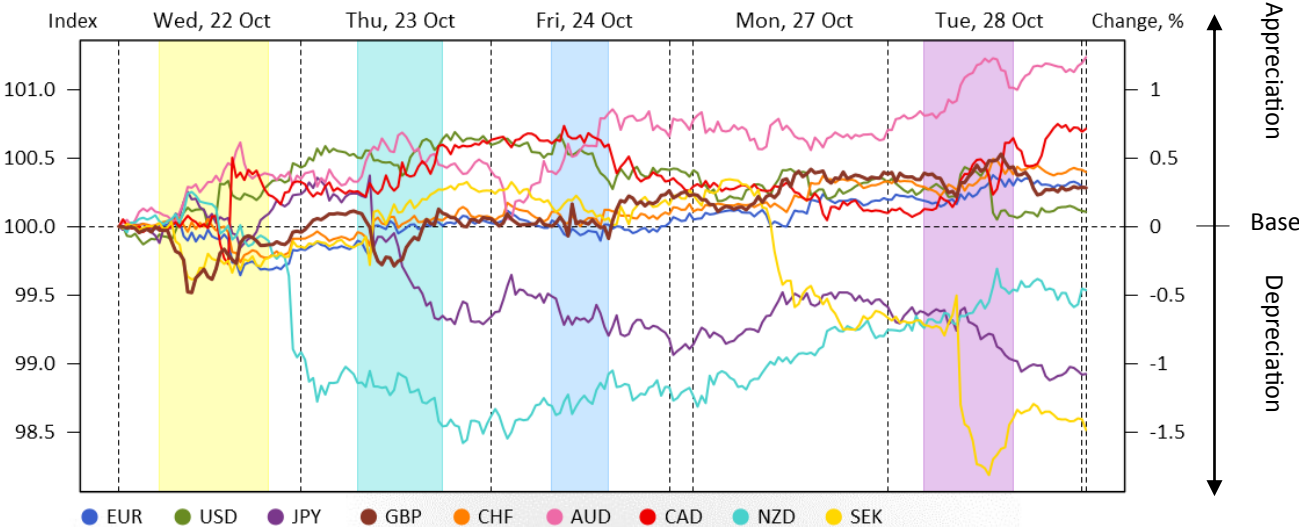
1.28



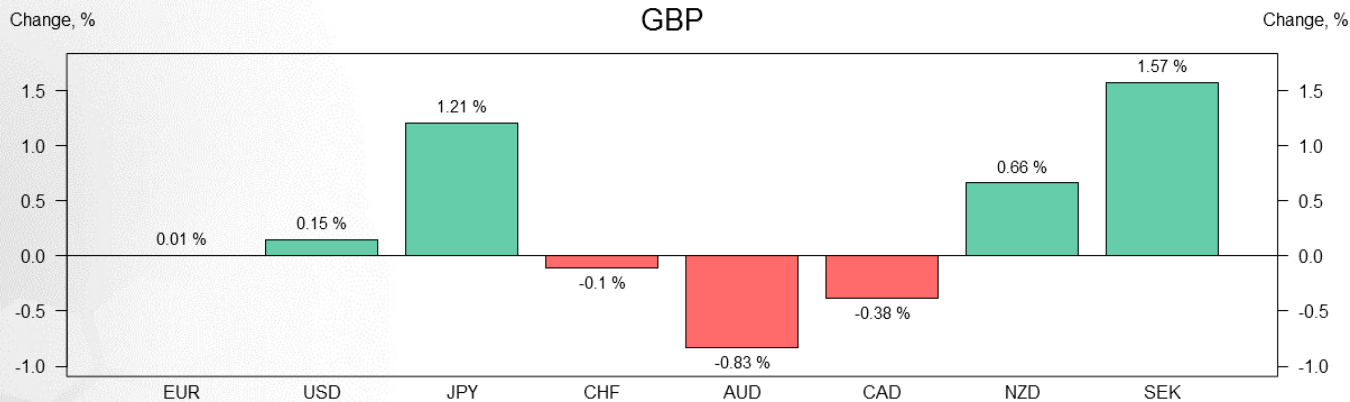
Relative Currency Strength

Currency Indexes

The British currency traded in a rather calm environment during the October 22-29 time period, even though sometimes it managed to either gain strong value or decline considerably. Over the past five trading days the GDP Index added 0.28% and improved its monthly performance as well. However, it remains among one of the few currencies that lost value month-on-month, along with the Swedish krona, the US dollar, and the Loonie. Meanwhile, in a week's time the pound grew significantly against Japanese and Swedish currencies, gaining 1.21% and 1.57%, respectively, while it lost the biggest value of 0.83% against the Aussie.



Due to important fundamental data, the pound began its active development already in the beginning of the period, namely on October 22. The currency index of the GBP went down and reached its lowest weekly value of 99.5 on that day, after minutes of the Bank of England's meeting of October 9 were released. They showed no changes in distribution of votes on interest rates, compared to the previous meeting. Later, the currency started raising value. The only one minor correction took place on Thursday, when UK data on retail sales was published worse than estimated. All in all, the GBP Index closed the period with the fourth biggest increase among major currencies, as it added 0.28%.



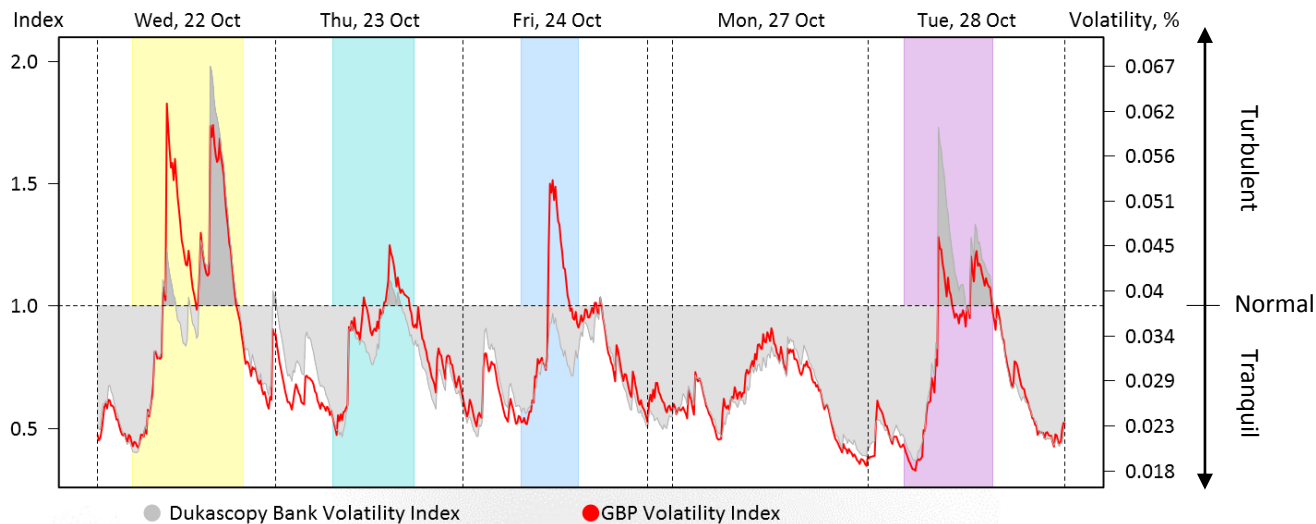
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.28%	0.11%	-1.08%	0.28%	0.4%	1.24%	0.71%	-0.47%	-1.49%
20	0.45%	-0.48%	1.11%	-0.95%	0.46%	1.11%	-0.12%	1.07%	-2.62%
130	-2.92%	6.13%	0.29%	1.42%	-1.52%	1.23%	4.27%	-2.26%	-6.58%
250	-1.82%	6.98%	-4.53%	7.36%	0.84%	-1.12%	-0.49%	2.09%	-9.32%



Volatility

Volatility



The period was mixed in terms of volatility, as some days of increased turbulence were changed by rather quiet periods for the currency. The portion of elevated GBP volatility was slightly above that of the market. GBP/CHF was the only pound's cross with the parameter smaller than market's average of 13%, and with that posted the lowest elevated volatility portion of 12%. However, it is explained by calm environment of all CHF-crosses. Among others, GBP/SEK and GBP/CAD posted the highest elevated volatility indicators during the period.

The fuelled activity of the pound due to release of the BoE meeting minutes on Wednesday was well observed in the currency's turbulence, causing the GBP Volatility Index to jump considerably and almost reach the market's maximum level. The currency's maximum volatility index stood at 1.83 points versus market's 1.98. Additionally, the average volatility during the period of five trading days was also close to the mean level for all currencies on the market. Except Monday, the rest of the period was marked by uplifted volatility for the pound, as market reacted on fundamental news both from Britain and other major economies.

Elevated Volatility (% of the observed period)

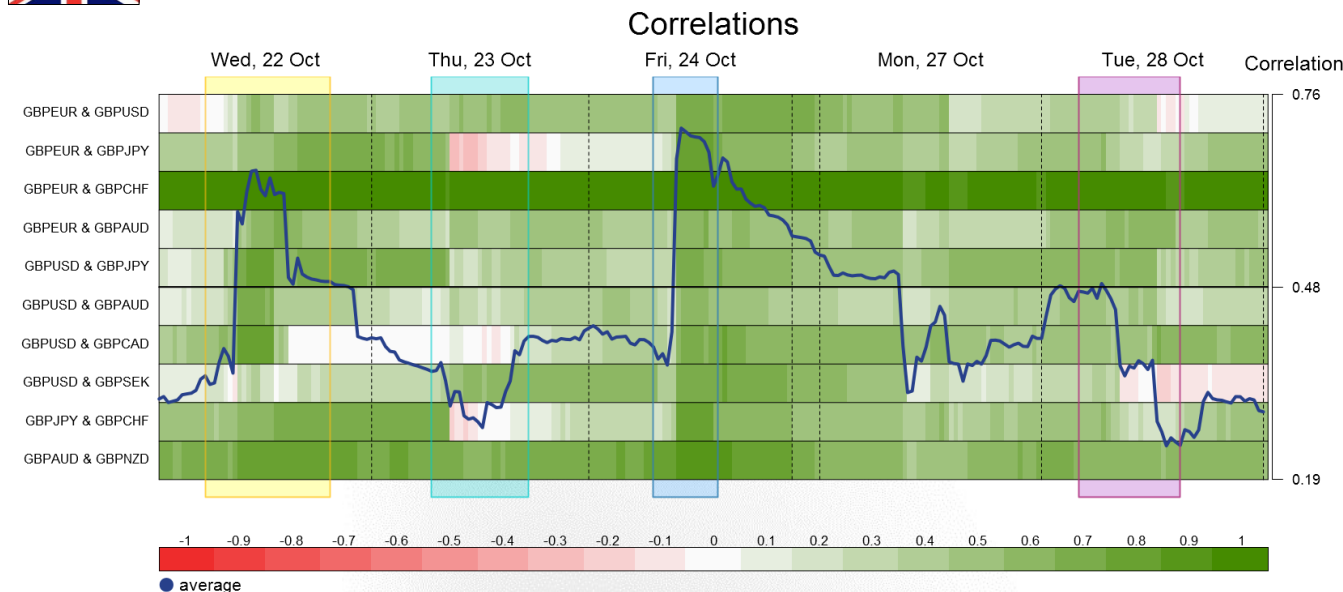
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
13	17	13	15	16	12	16	26	15	30

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.98	1.83	2.27	2.05	2.14	1.97	1.65	6.68	2.52	6.13
Min	0.37	0.33	0.21	0.21	0.26	0.23	0.24	0.23	0.3	0.31
Average	0.75	0.76	0.7	0.69	0.74	0.68	0.75	0.87	0.74	0.9



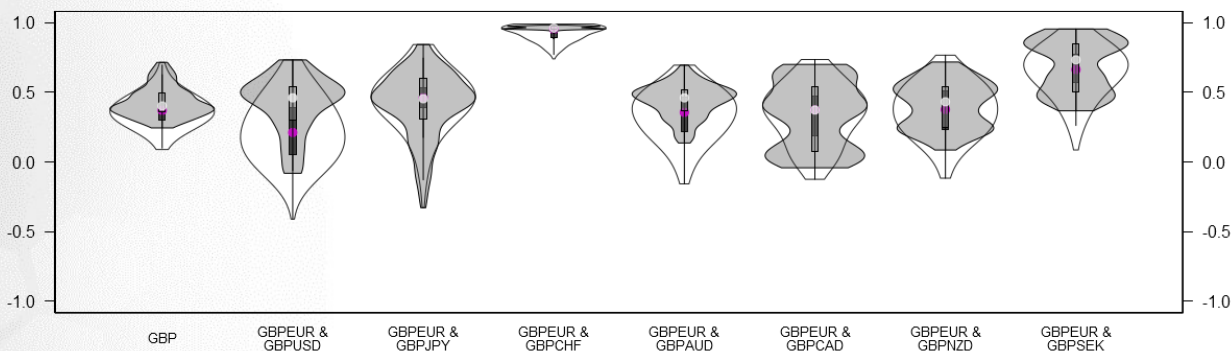
Currency Significance



The significance of the British currency, calculated as an average correlation between different GBP crosses, was notably changing during all days of the reporting period. Except Thursday, when the correlation stayed around the 0.40 level throughout the whole day, the GBP composite swung between 0.25 and 0.70 points. Radical changes were caused by some components returning to weekly value of just above zero or falling below it. As a result, the week was finished with the average correlation of around 0.30, just slightly above the period's lowest level.

The gauge reached its maximal value of 0.70 in the middle of the period, especially influenced by GBP/JPY pair's correlations with other currency crosses, when they sharply changed to the positive value, even without any notable news from Japan. As mentioned before, the minimum value of the GBP significance fell to 0.25 on Tuesday, when the UK GDP data showed the slowing pace of economic growth in the third quarter of this year. The period's minimum significance level was almost reached also on October 23, but it managed to rebound closer to the mean level of the period due to fundamental data on retail sales and BBA mortgage approvals in the United Kingdom. Meanwhile, the weekly mean correlation coefficient managed to stay around half-yearly and annual values of 0.42-43.

Correlations (5 vs 20 days)

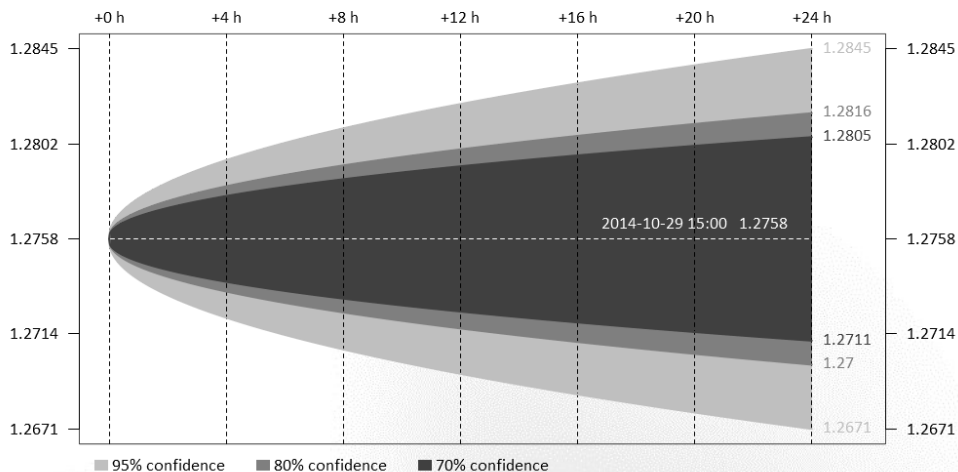


Mean Correlation Coefficient (with GBPEUR)

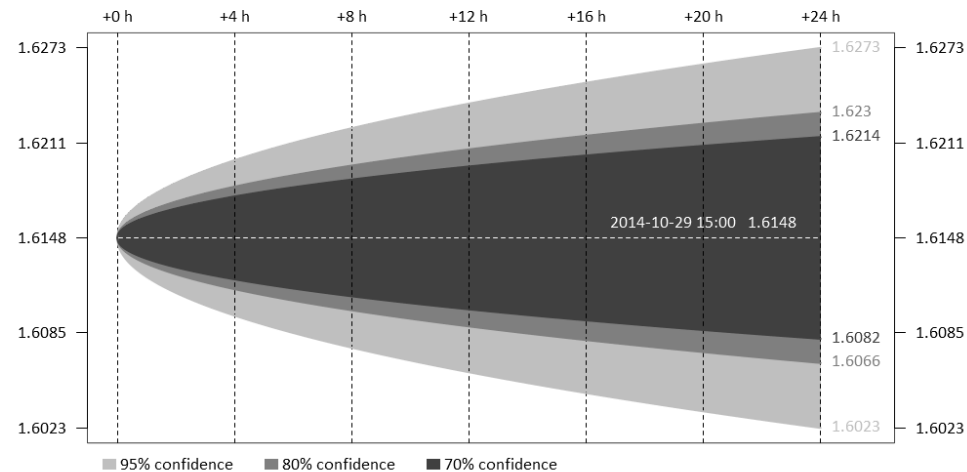
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.43	0.41	0.41	0.96	0.44	0.33	0.41	0.69
20	0.37	0.22	0.44	0.93	0.33	0.34	0.37	0.65
130	0.42	0.43	0.46	0.91	0.35	0.38	0.36	0.61
250	0.42	0.45	0.42	0.88	0.33	0.38	0.33	0.61

Confidence Intervals for Next 24 Hours

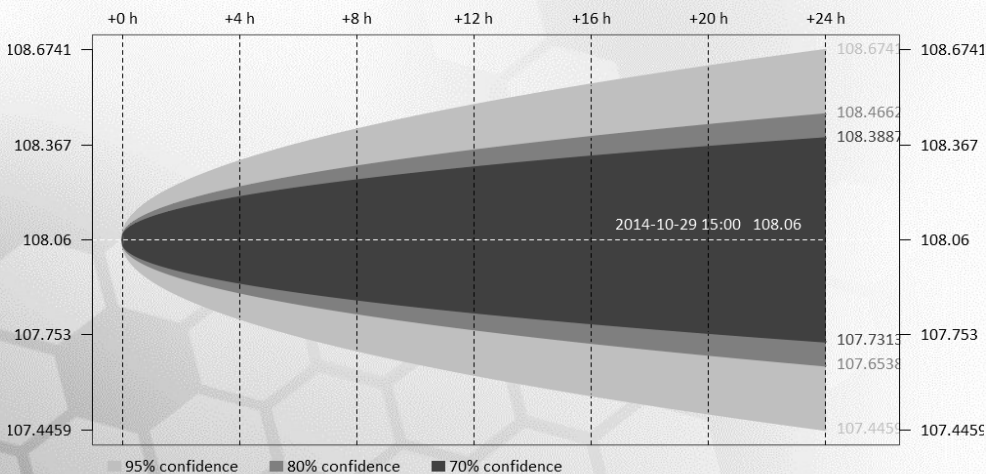
EURUSD Potential Rates



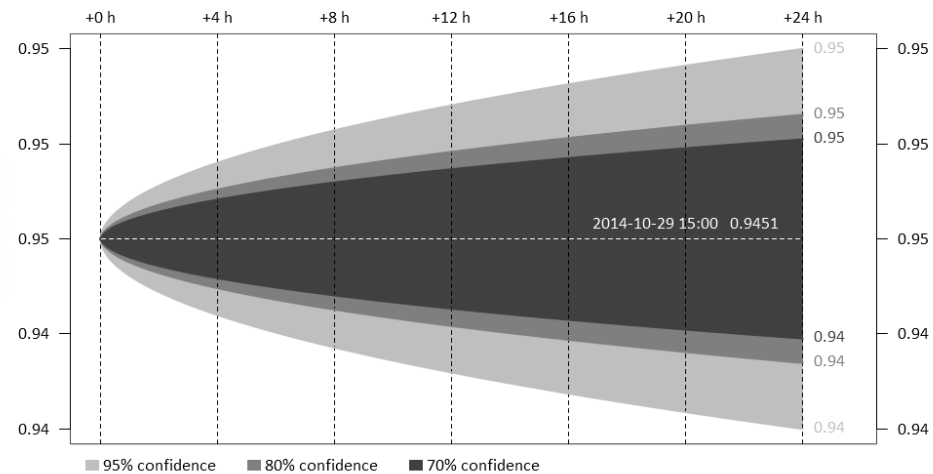
GBPUSD Potential Rates



USDJPY Potential Rates



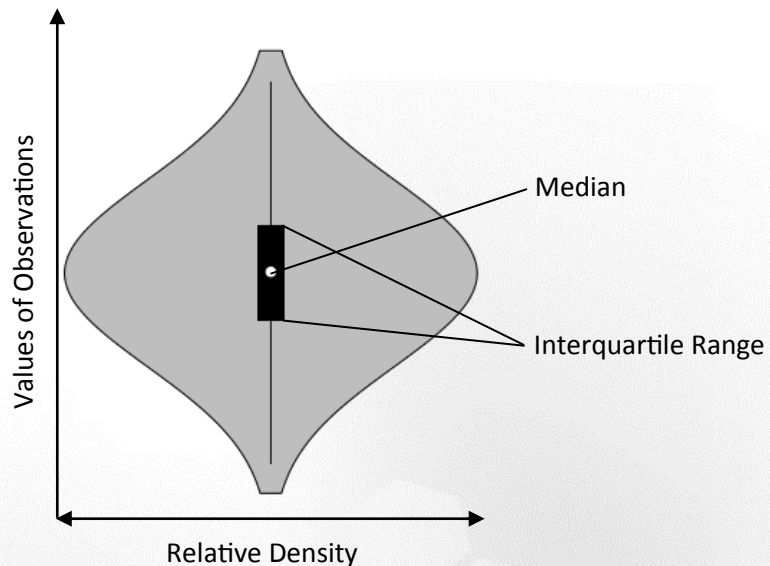
USDCHF Potential Rates



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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