



GBP

12/11/2014



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Market Research





Dominant Events of the Period

Yellow Area

November 5

06:00 - 14:30

- UK Services PMI
- US ADP Non-Farm Employment Change and ISM Non-Manufacturing PMI

Turquoise Area

November 6

10:30 - 20:00

- UK Manufacturing Production
- BoE Asset Purchase Facility and Official Bank Rate
- ECB Minimum Bid Rate

Blue Area

November 7

9:30 - 19:00

- BoE Governor Carney Speaks
- US Non-Farm Employment Change

Purple Area

November 11

05:00 - 11:00

- Australian NAB Business Confidence

GBP Currency Index Range

0.63%

0.23%

0.35%

0.24%

Max GBP Volatility Index

1.81

2.28

2.32

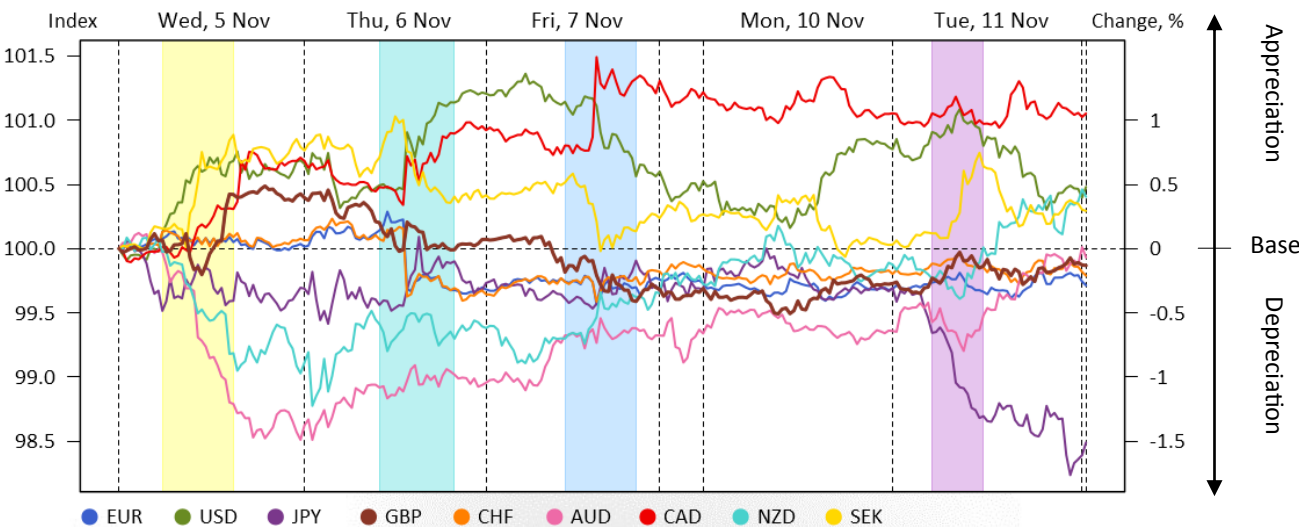
1.3



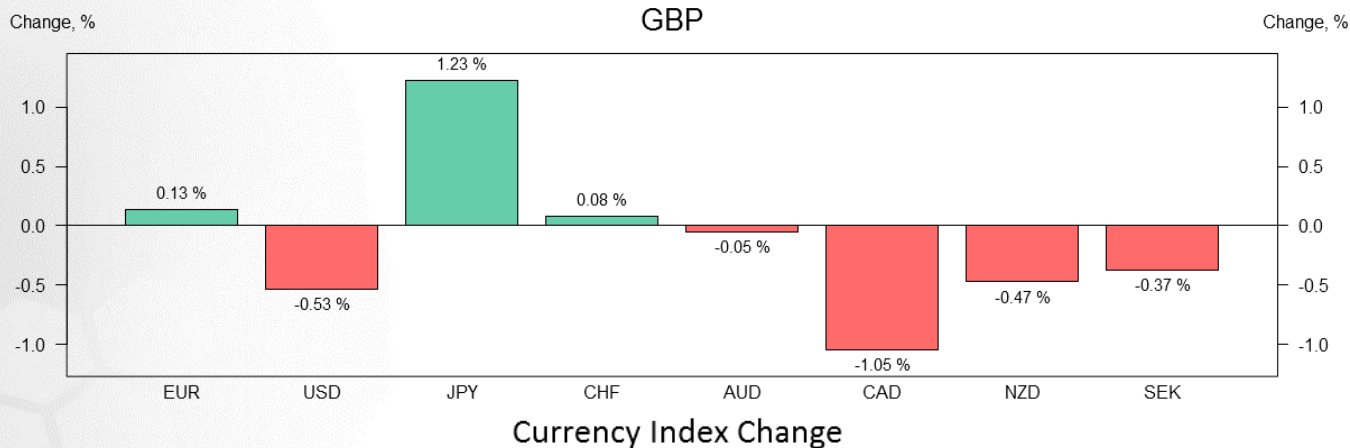
Relative Currency Strength

Currency Indexes

The British currency traded in a more volatile environment during the November 5-11 time period compared to the previous report two weeks ago. In the first two days the currency gained value, while starting on Friday it dropped below the baseline. Over the five trading days the GBP Index decreased 0.13%. However, it remained among one of the best performing currencies year-on-year, along with the US dollar, as they rose 7.1% and 7.59%, respectively. Meanwhile, in a week's time the pound surged against the Japanese yen, Euro and Swiss franc, gaining 1.23%, 0.13% and 0.08%, accordingly. The sharpest fall was posted against the Loonie by 1.05%.



Important and influential fundamental data started coming already in the very beginning of the period, namely on November 5. The currency index of the GBP climbed to hit its highest weekly value around 100.4 points in the night between Wednesday and Thursday, despite worse-than-expected UK services PMI data. The sector's activity index fell to 56.2 points in October, underlying possible slowdown of country's economy. Later, the currency started losing value and slipped below the baseline on Friday. It is worth pointing out that the decision of the Bank of England on interest rates did not have any considerable impact on the pound in terms of its performance. All in all, the currency closed the week with a marginal decrease of 0.13%.

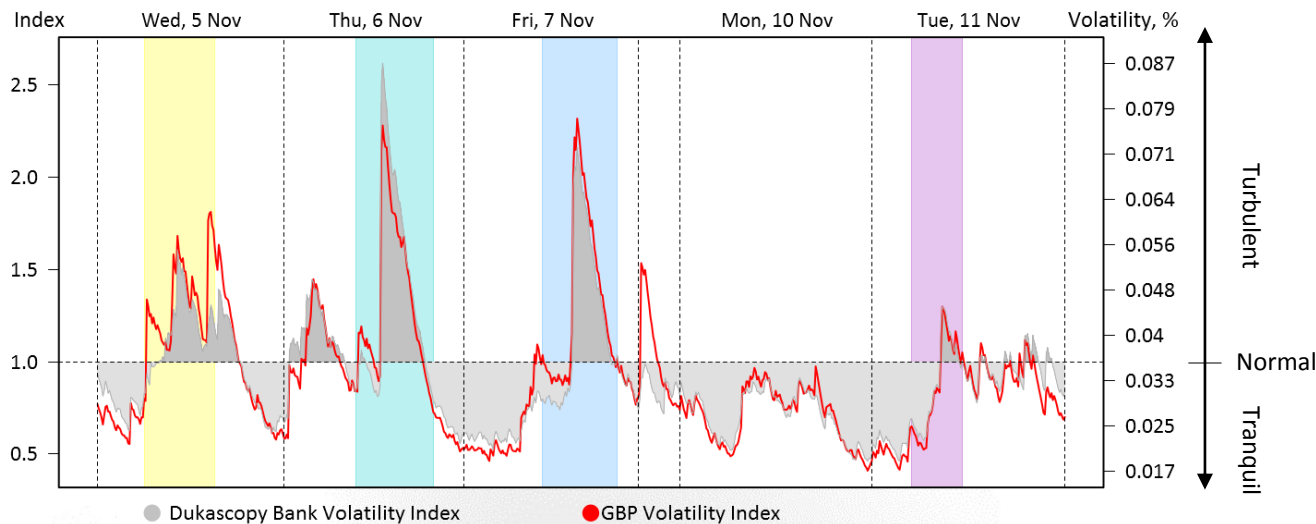


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.29%	0.48%	-1.51%	-0.13%	-0.21%	-0.07%	1.05%	0.4%	0.29%
20	0.01%	1.52%	-7.13%	1.57%	0.37%	1.12%	1.54%	1.2%	-0.52%
130	-2.01%	8.73%	-5.51%	2.24%	-0.5%	0.3%	4.52%	-2.61%	-5.04%
250	-0.59%	7.59%	-9.74%	7.1%	2.17%	-0.82%	-1.38%	1.49%	-5.82%



Volatility

Volatility



The period can be considered as active in terms of volatility, as the vast part of the period was marked by uplifted turbulence of the British currency. The portion of elevated GBP volatility was slightly above that of the market. EUR/GBP and GBP/CAD were the only pound's crosses with the parameter smaller than the market's average of 29%, and with that posted the lowest elevated volatility portion of 26% and 15%, respectively. Concerning other currency pairs with the pound, GBP/JPY and GBP/SEK posted the highest elevated volatility indicators during the period at 41% and 40%.

The fuelled activity of the pound due to meeting of the Bank of England's Monetary Policy Committee on Thursday was clearly observed in the currency's turbulence, causing the GBP Volatility Index to jump considerably. The same behaviour of the Pound could be observed on Friday, following the speech of BoE Governor Mark Carney. Nevertheless, the currency's maximum volatility index stood below the market's average at 2.32 points. Among currency pairs, the most noticeable volatility was posted by EUR/GBP and GBP/CHF crosses. Meanwhile, the average volatility during the reported period was slightly below the mean level for all currencies on the market.

Elevated Volatility (% of the observed period)

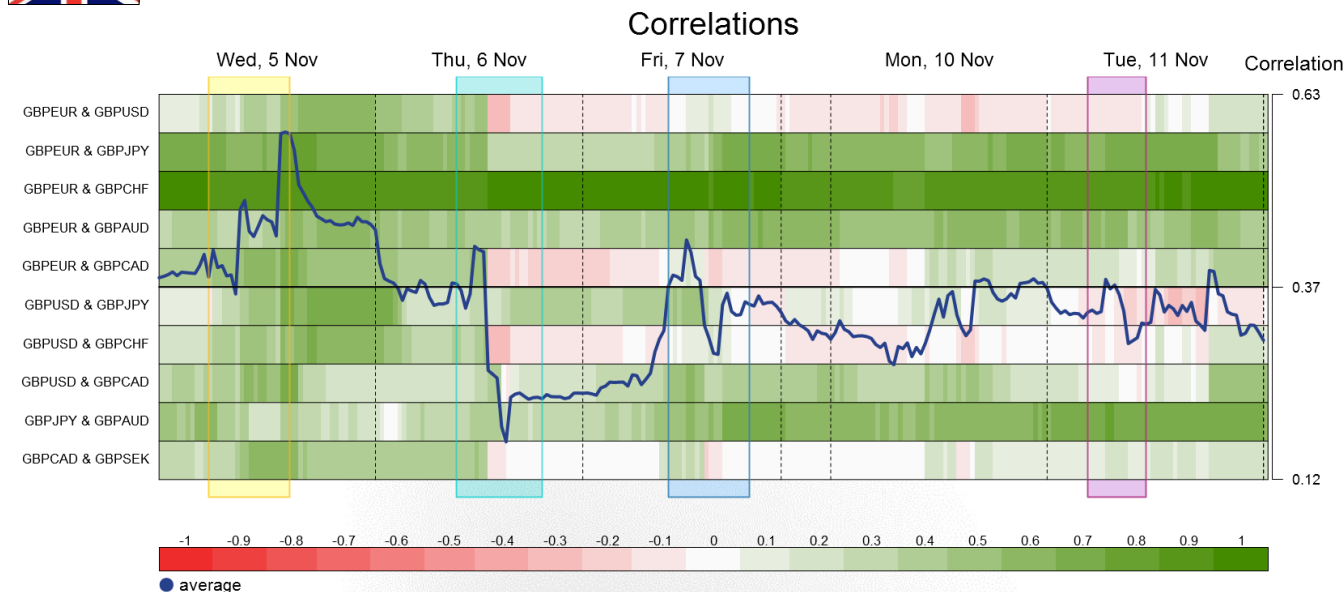
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
29	30	26	35	41	33	31	15	32	40

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.61	2.32	6.53	2.67	2.48	6.06	2.74	5.66	2.43	6.1
Min	0.46	0.41	0.29	0.31	0.31	0.3	0.35	0.23	0.35	0.23
Average	0.92	0.92	0.91	0.9	1	0.93	0.95	0.77	0.92	0.97



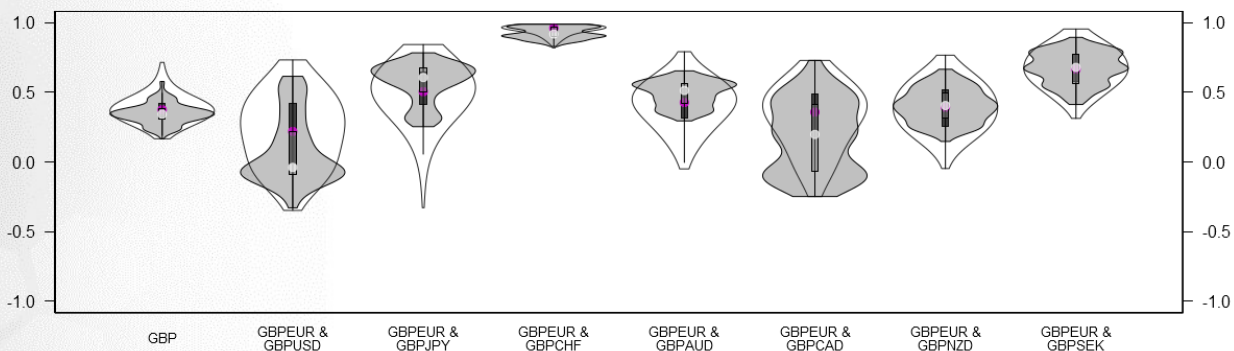
Currency Significance



Significance level of the Pound, which is calculated as an average correlation between different crosses of this currency, was rather balanced during the period, except for the first two trading days. On Wednesday, the correlation stayed around the 0.55 level, while a day later it dropped down to the period's low at 0.15. However, the GBP composite managed to stabilize and close the week just below the mean level at 0.30. Radical changes throughout the period were caused by some components falling below the value of zero.

The gauge reached its maximum value of 0.55 in the beginning of the period, even though there were no significant changes in correlations between major currency pairs, except GBP/EUR with GBP/USD, where it jumped from 0.2 up to 0.7 in a short period of time. On the other hand, the minimum value of the GBP significance fell to 0.15 on Thursday, as the data from the Bank of England on the interest rate and asset purchase facility was published. The change was mainly caused by some components dropping below zero, including GBP/EUR and GBP/CAD, GBP/USD and GBP/CHF. The mean correlation, however, managed to rebound closer to the average level of the period due to the lack of other important fundamentals from the UK and the rest of the world.

Correlations (5 vs 20 days)

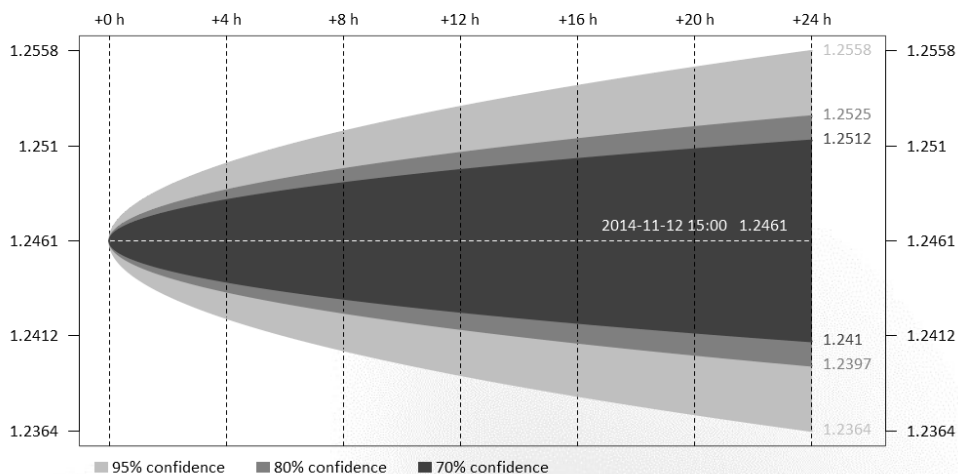


Mean Correlation Coefficient (with GBPEUR)

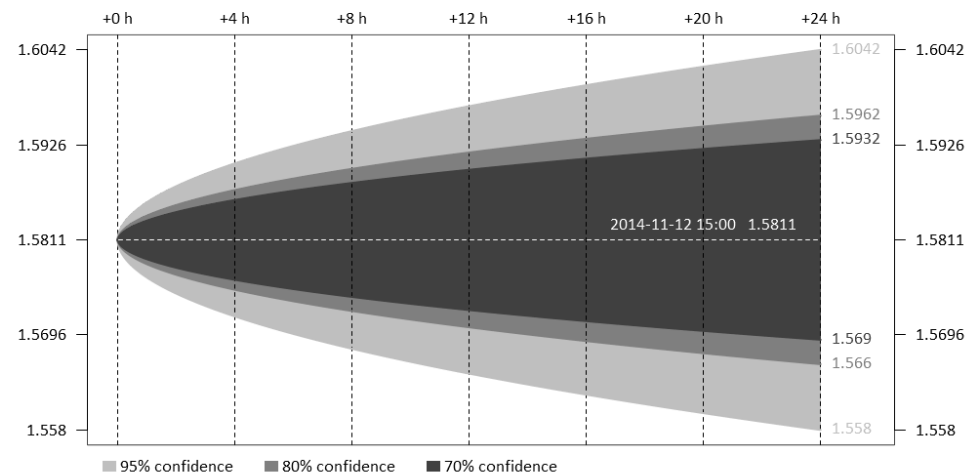
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.35	0.08	0.57	0.92	0.49	0.18	0.4	0.67
20	0.38	0.22	0.5	0.95	0.41	0.32	0.39	0.67
130	0.43	0.41	0.48	0.91	0.37	0.39	0.37	0.62
250	0.42	0.45	0.43	0.88	0.34	0.38	0.34	0.61

Confidence Intervals for Next 24 Hours

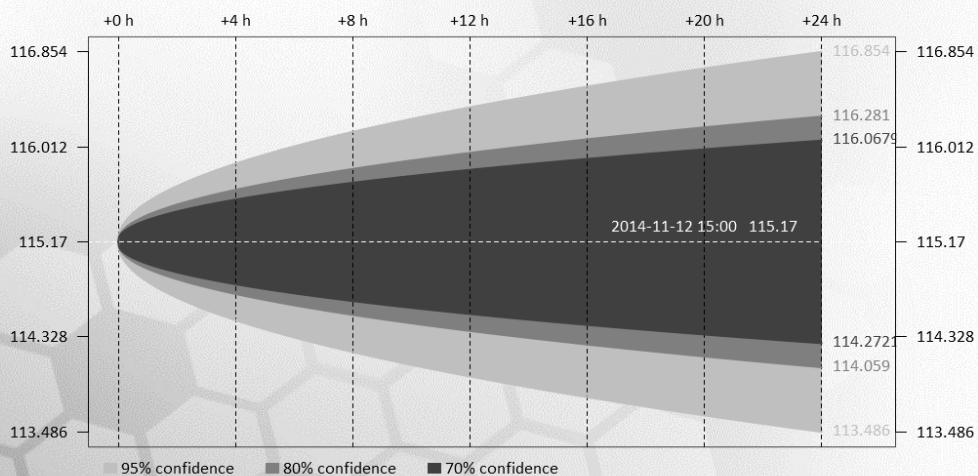
EURUSD Potential Rates



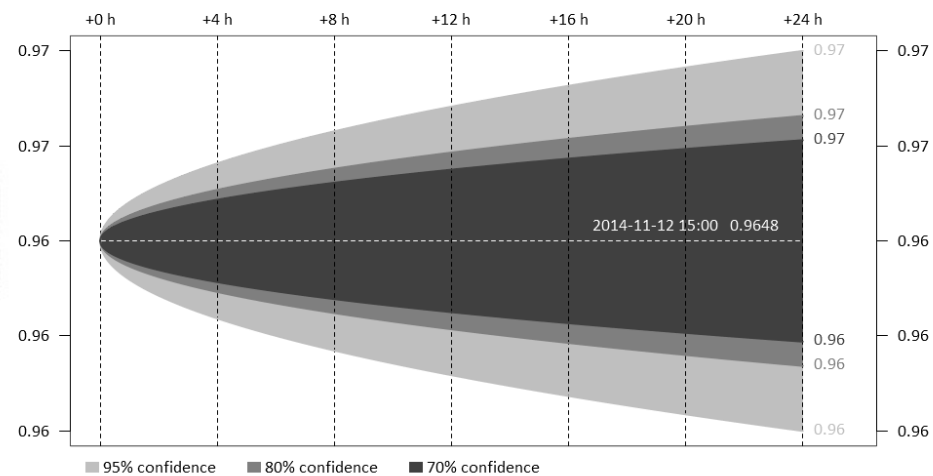
GBPUSD Potential Rates



USDJPY Potential Rates



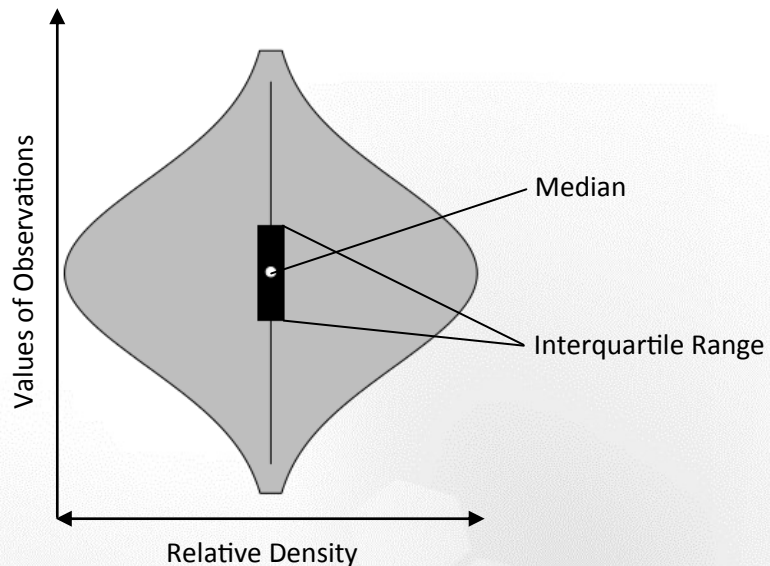
USDCHF Potential Rates



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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