



GBP

26/11/2014



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Market Research





Dominant Events of the Period

Yellow Area

November 19

04:30 - 14:30

- MPC Official Bank Rate and Asset Purchase Facility Votes
- BoJ Monetary Policy Statement
- FOMC Meeting Minutes

Turquoise Area

November 20

05:30 - 16:30

- UK Retail Sales
- Eurozone's Manufacturing and Services PMI
- US Core CPI

Blue Area

November 21

06:00 - 17:30

- UK Public Sector Net Borrowing
- ECB President Draghi Speaks

Purple Area

November 25

05:30 - 11:00

- BoE Inflation Report Hearings
- UK BBA Mortgage Approvals

GBP Currency Index Range

0.56%

0.31%

0.26%

0.17%

Max GBP Volatility Index

2.29

1.59

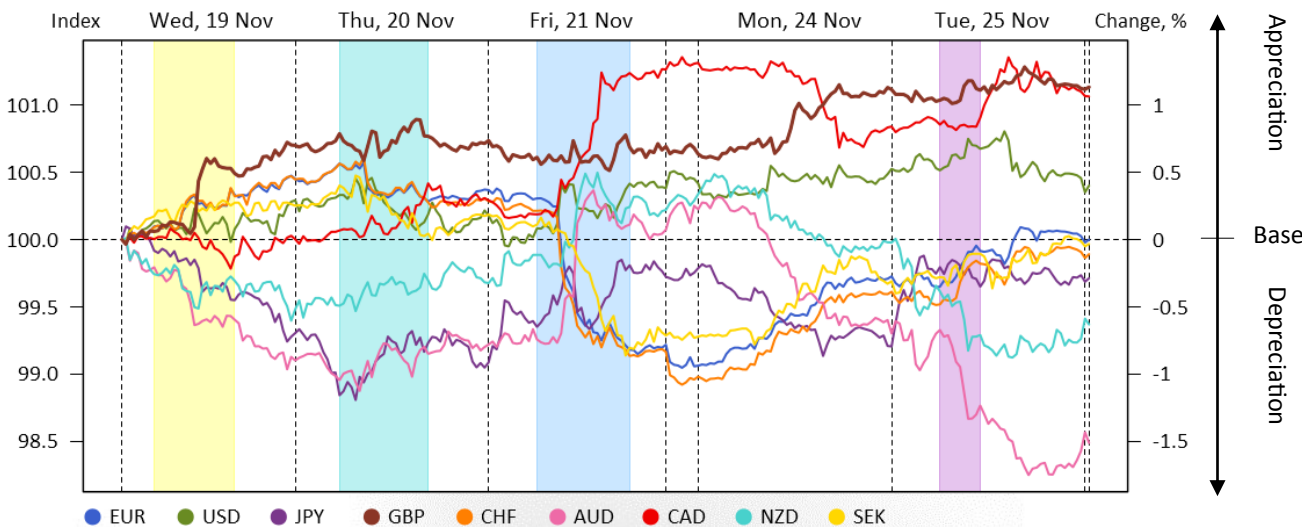
2.65

1.33



Relative Currency Strength

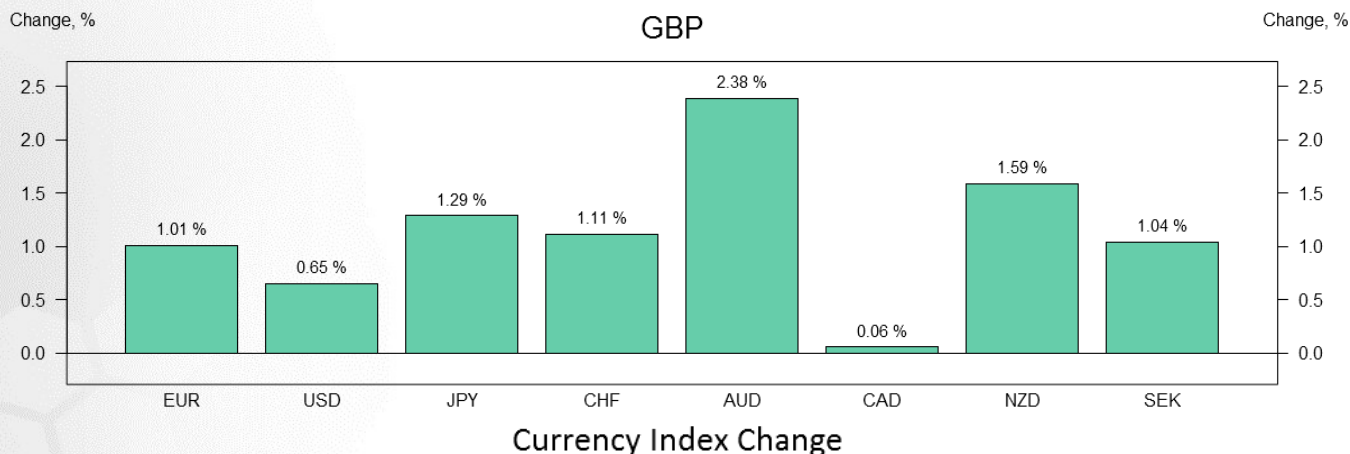
Currency Indexes



Unlike the previous week, during November 19-25 time period the British pound had a clear trend to gain value. The currency stayed above the baseline for most of the time and managed to surge 1.13% from Wednesday to Tuesday. Therefore, it took the first place among the best performing currencies on the market last week. It surged against its all major counterparts, showing the strongest climb versus the Aussie and Kiwi by 2.38% and 1.59%, respectively. Moreover, the Pound outperformed its Canadian peer, which increased 1.06% during five days and took the second place on the pedestal. On the other hand, the Australian dollar lost 1.51% during the period,

while the New Zealand's dollar and Japanese yen followed with a decline of 0.63% and a drop of 0.29%, respectively.

The GBP has already passed the 100.5 points mark in its weekly index value in the first day of the period, when the Bank of England's MPC meeting minutes were published. After that, the currency consolidated around this level until Monday, when it surged up to 101 points despite having no major fundamentals from Britain and overseas. On Tuesday, the BBA Mortgage Approvals for the UK were released worse than expected, which, however, had no influence and did not prevent the Pound from closing the week as the best performing currency on the market.

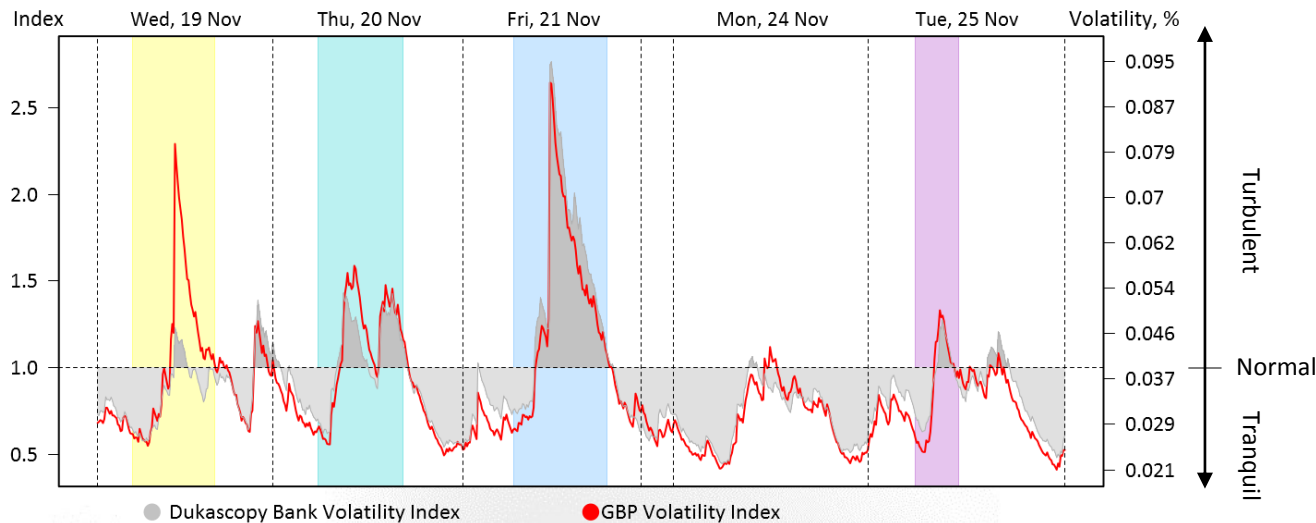


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0%	0.4%	-0.29%	1.13%	-0.11%	-1.51%	1.06%	-0.63%	-0.03%
20	0.53%	2.63%	-7.15%	-0.12%	0.81%	-1.47%	1.85%	1.11%	1.71%
130	-1.33%	8.69%	-7.8%	1.03%	0.54%	-0.3%	4.79%	-1.23%	-4.3%
250	-1.24%	7.86%	-9.06%	4.69%	1.5%	-0.28%	0.39%	2.07%	-5.93%



Volatility

Volatility



As can be seen from the main volatility chart, the period with the highest turbulence took place in first three days of the period, and especially on Wednesday and Friday. The portion of elevated GBP volatility was slightly above that of the market. GBP/SEK was the only pound's cross with the parameter smaller than the market's average of 24%, and with that posted the lowest elevated volatility portion of 19%. Besides that, the most traded GBP pair, the one with the US dollar, showed the largest elevated volatility index from Wednesday to Tuesday, as it has been increasingly turbulent in 40% of the time.

Uplifted activity of the British currency due to Wednesday's minutes of the Bank of England Monetary Policy Committee's meeting was clearly observed in the currency's turbulence, causing the GBP Volatility Index to jump up to 2.29. The same behaviour of the Pound could be observed on Friday, following data release on UK Public Sector Borrowing in October, which showed a 0.2 billion pounds fall in government borrowing on the annual basis. As a result, the currency's maximum volatility reached the weekly highest level at 2.65 points. Among components, the most noticeable volatility was posted by GBP/AUD and GBP/NZD crosses with peaks at 6.04 and 4.94 points, respectively.

Elevated Volatility (% of the observed period)

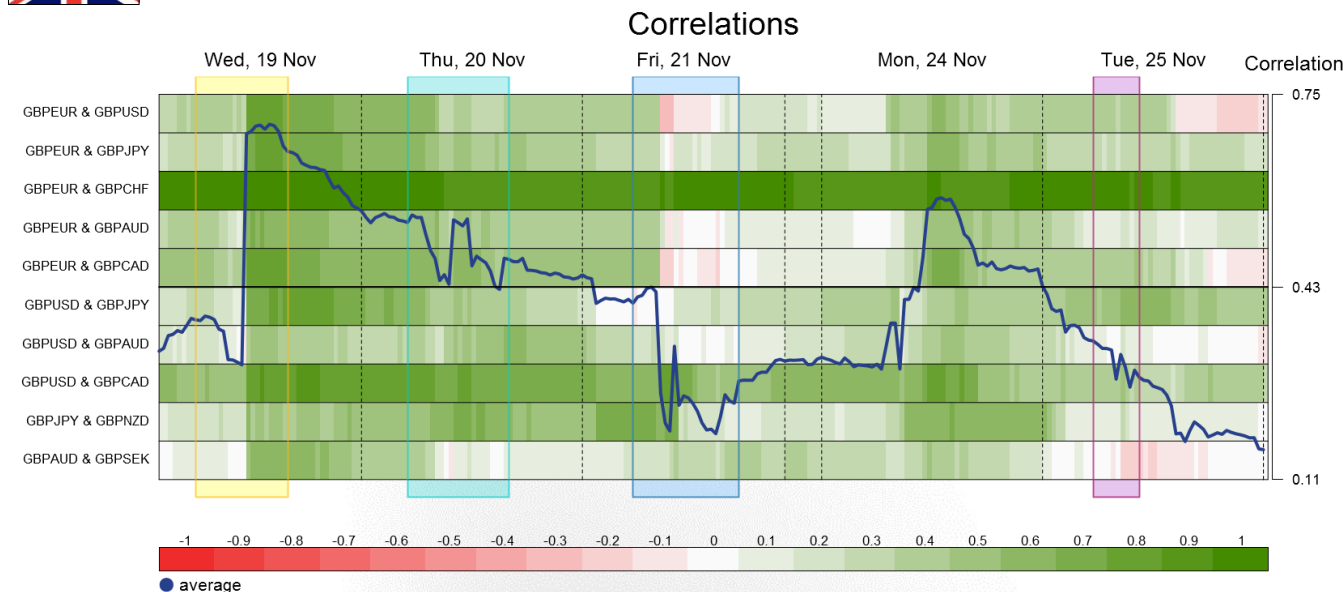
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
24	26	27	40	26	27	35	33	28	19

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.77	2.65	2.93	3.59	2.17	2.81	6.04	2.72	4.94	2.16
Min	0.45	0.41	0.3	0.32	0.29	0.28	0.34	0.33	0.35	0.26
Average	0.89	0.87	0.81	0.97	0.82	0.82	0.99	0.87	0.92	0.73



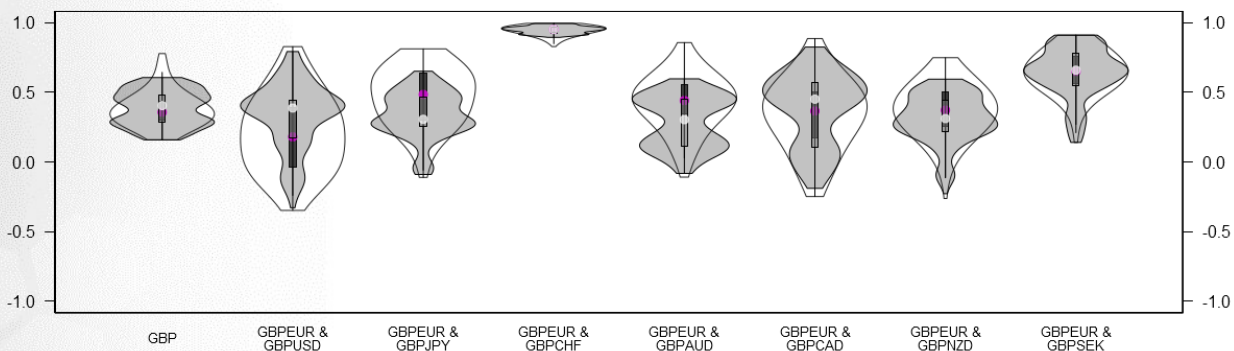
Currency Significance



Significance level of the GBP, calculated as an average correlation between different crosses of this currency, was much more volatile during the period, as important news from Britain and other countries significantly weighed on the UK currency. The first major hike of the correlation index up to 0.61 took place on Wednesday. However, the GBP composite managed to stabilize and decreased slightly to the period's average levels and oscillated just below this level for the vast part of time from November 21. The weekly low at 0.16 was reached on Tuesday, reflecting the smallest correlation among different GBP-crosses.

The gauge reached its maximum value of 0.61 already in the beginning of the reported period, when essentially all correlations between GBP currency pairs jumped on news from the Bank of England. On the other hand, the GBP significance fell to 0.17 on Friday and followed statistics on UK Government's borrowing in October. The most important change, however, was noticed between GBP/EUR cross and other currency pairs due to Mario Draghi's speech on the same day, where he underlined an importance to raise inflation in the Eurozone as soon as possible. Meanwhile, apart from a short-term rise of the composite on Monday amid news from Germany and the US, it continued to hover below the weekly mean for the rest of the period and closed it at the rather small level of 0.16.

Correlations (5 vs 20 days)

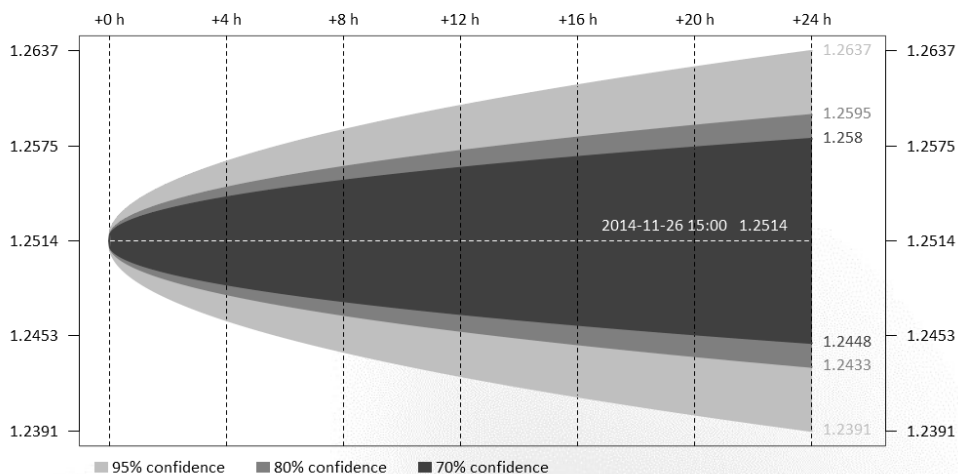


Mean Correlation Coefficient (with GBPEUR)

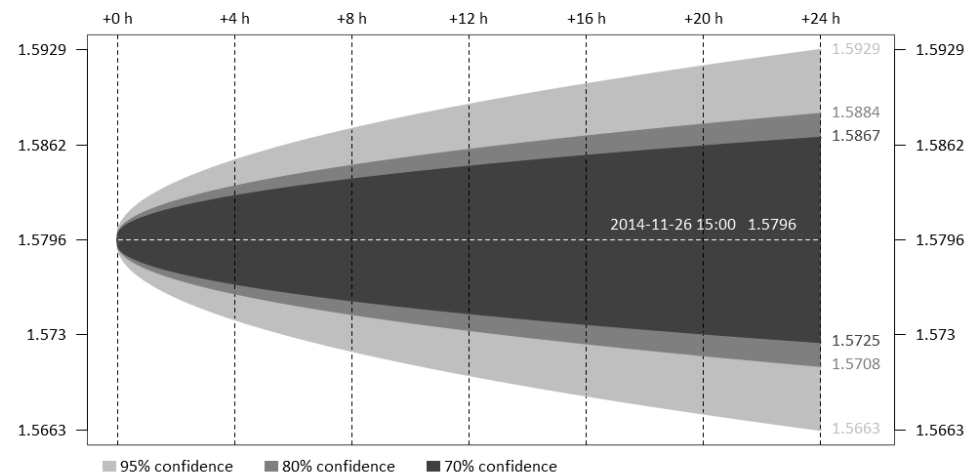
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.38	0.33	0.34	0.95	0.29	0.38	0.31	0.64
20	0.38	0.21	0.47	0.94	0.43	0.33	0.37	0.65
130	0.42	0.39	0.48	0.92	0.37	0.39	0.37	0.63
250	0.42	0.44	0.43	0.89	0.34	0.38	0.34	0.62

Confidence Intervals for Next 24 Hours

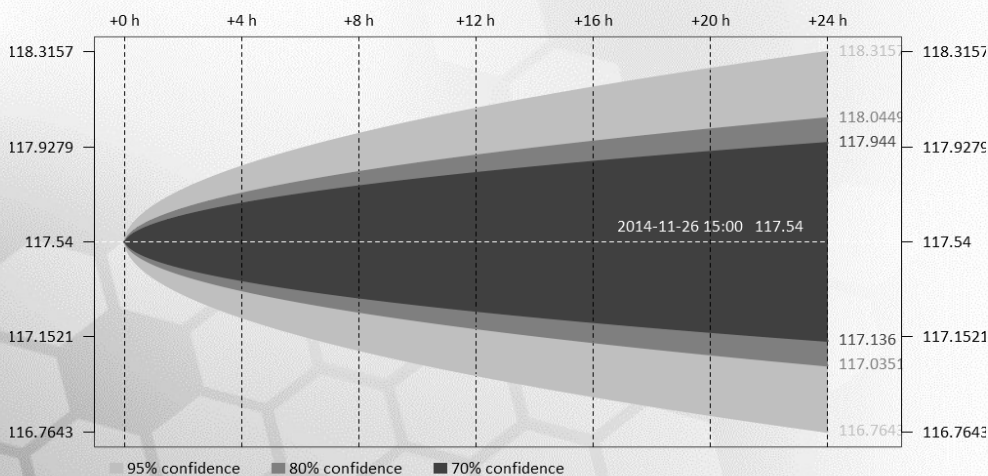
EURUSD Potential Rates



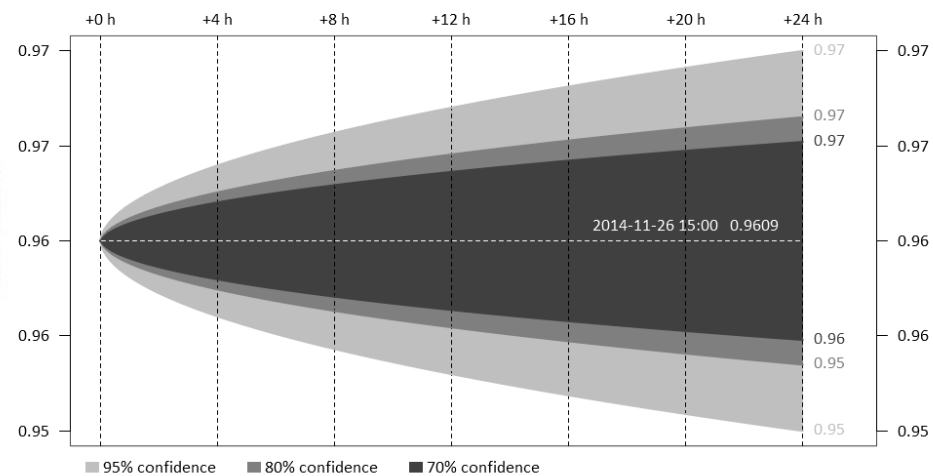
GBPUSD Potential Rates



USDJPY Potential Rates



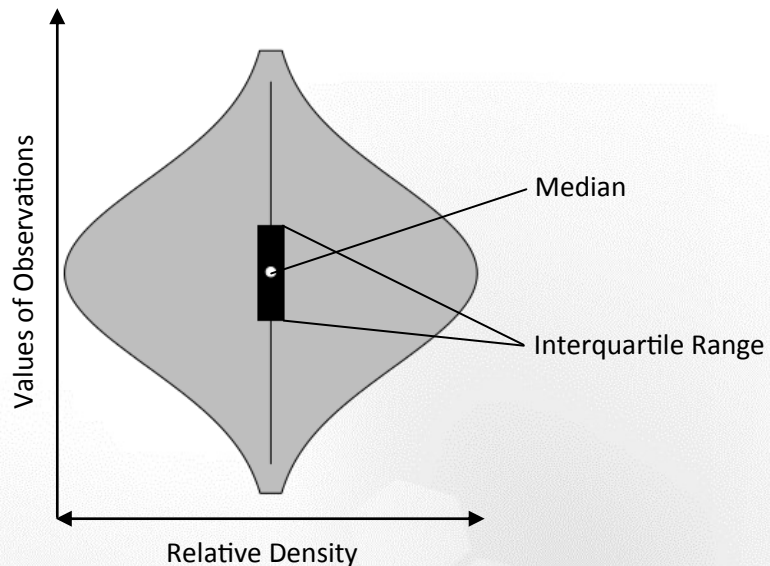
USDCHF Potential Rates



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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