



**GBP**

24/12/2014



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# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
<i>December 17</i>	<i>December 18</i>	<i>December 19</i>	<i>December 22</i>	<i>December 23</i>
<i>05:00 - 20:30</i>	<i>05:30 - 17:30</i>	<i>06:00 - 16:30</i>	<i>03:00 - 13:00</i>	<i>02:30 - 19:30</i>
<ul style="list-style-type: none"> <li>■ <u>Bank of England MPC Meeting Minutes</u></li> <li>■ <u>UK Claimant Count Change, Unemployment Rate</u></li> <li>■ <u>US Core CPI</u></li> <li>■ <u>FOMC Federal Funds Rate</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>UK Retail Sales</u></li> <li>■ <u>German Ifo Business Climate</u></li> <li>■ <u>US Unemployment Claims</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>UK Public Sector Net Borrowing</u></li> <li>■ <u>Japanese Monetary Policy Statement</u></li> <li>■ <u>Canadian Core CPI</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>US Existing Home Sales</u></li> <li>■ <u>New Zealand Trade Balance</u></li> </ul>	<ul style="list-style-type: none"> <li>■ <u>UK BBA Mortgage Approvals, Current Account, Q3 GDP</u></li> <li>■ <u>Canadian GDP</u></li> <li>■ <u>US Q3 Final GDP, Durable Goods Orders, Consumer Sentiment, New Home Sales</u></li> </ul>

GBP Currency Index Range

0.52%	0.73%	0.31%	0.19%	0.49%
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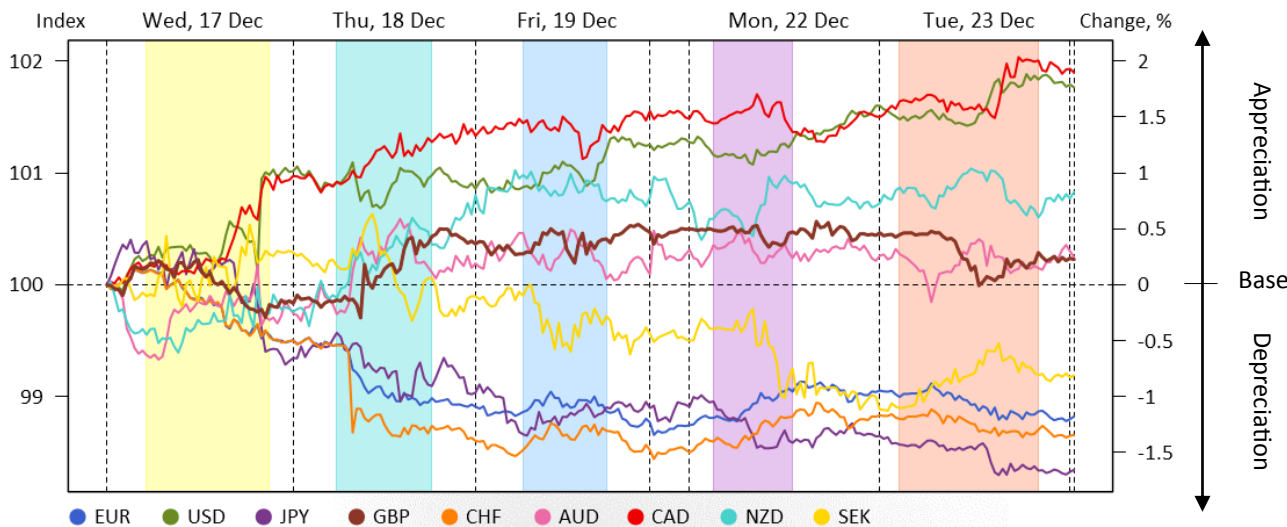
Max GBP Volatility Index

1.95	2.27	1.4	1.28	1.39
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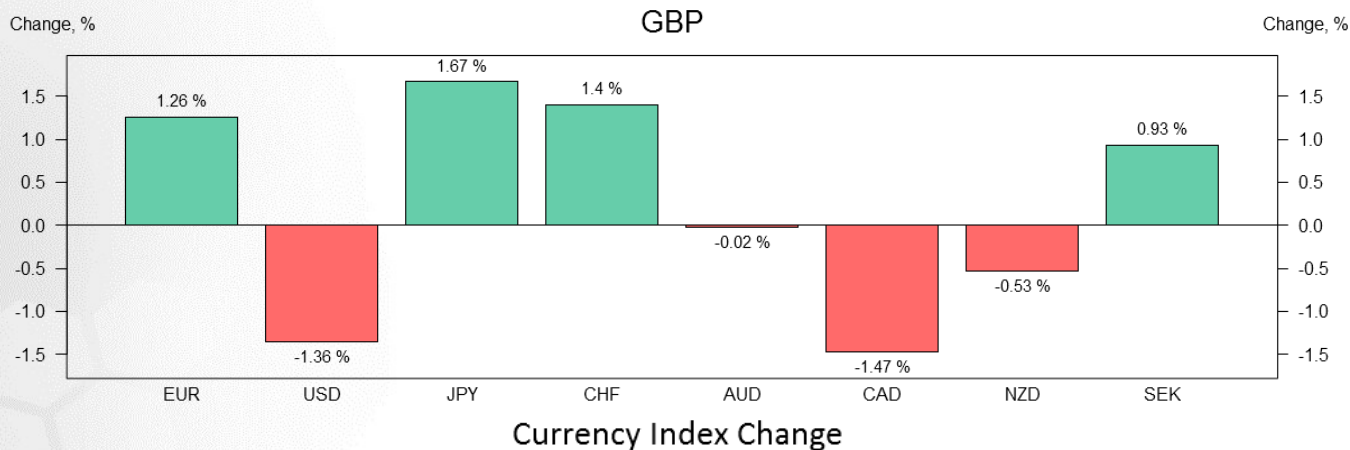
# Relative Currency Strength

## Currency Indexes



Even though the British pound was far away from being the best performer last week, the GBP Index was hovering above the baseline for the vast part of December 17-23 time period on rather positive fundamental data. The currency, however, managed to increase only 0.23% during the period, both outperforming and underperforming four currencies on the market. US Dollar posted the fastest gain of 1.76%, while the Japanese yen dropped as much as 1.66%, against which the Pound surged 1.67%. Despite that, the GBP went down against USD and CAD, by 1.36% and 1.47%, respectively.

The GBP Index started the period on a surprising downtrend, losing around 0.3% already during the first day, even though statistics on Wednesday was released mostly better than estimated. The Bank of England's meeting minutes were published without surprises, while jobless claims dropped more than expected and the unemployment rate remained at 6%. Nevertheless, on Thursday the GBP Index started to recover gradually. Despite that, still the overall weekly increase did not exceed 0.5% at any time and the index remained there for the vast part of the period, only losing ground towards 100.2 points on Tuesday, following worse than forecasted current account data in Britain.

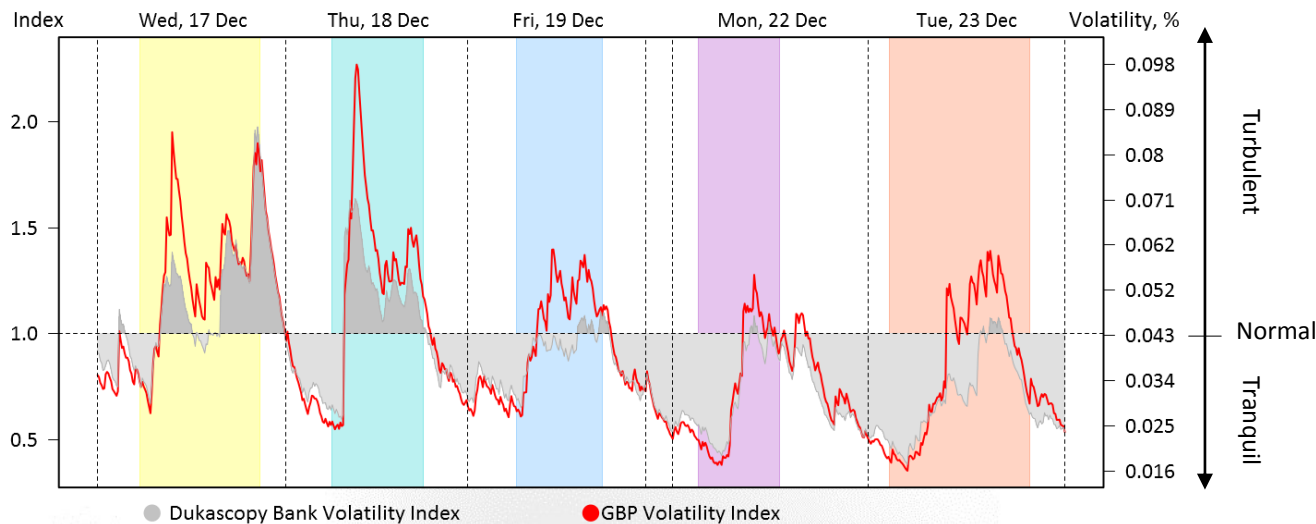


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.18%	1.76%	-1.66%	0.23%	-1.34%	0.25%	1.9%	0.83%	-0.81%
20	0.18%	2.63%	0.17%	1.48%	0.17%	-2.91%	-0.62%	1.35%	-2.81%
130	-0.52%	12.13%	-6.99%	1.81%	0.79%	-4.09%	3.26%	-1.18%	-4.92%
250	-2.77%	10.41%	-6.1%	4.58%	-0.78%	-0.45%	0.26%	3.71%	-8.85%



# Volatility

## Volatility



From time to time, the period was notably turbulent, but the pound's Volatility Index has spent about more than 50% of the first two days above the average level. The highest portion of elevated volatility in these days was observed in EUR/GBP pair, which was the only one to surpass 50% mark, on aggregate. GBP/USD and GBP/CHF followed with an elevated volatility of around 43-48%. On the other hand, it is worth pointing out that the average GBP elevated volatility of 41% was well above the market average, which stood at 26% only. Meanwhile, the largest GBP volatility peak did not exceed 2.5 points during December 17-23 period.

A bunch of important fundamental data has sent the turbulence levels of the British pound considerably higher already during first days of the period. It managed to produce a couple of notable peaks, following local UK data for labor market, which included better than expected unemployment claims for November, but worse than estimated jobless rate. The second part of data came from the Bank of England, where the meeting minutes were published in line with predictions, and the GBP volatility surged up to 1.95. The next spike above 2 points happened the next trading day on very strong retail sales in Britain, which climbed 1.6% in November. As seen from the chart, the remaining part of the period was marked by low volatility around normal levels.

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

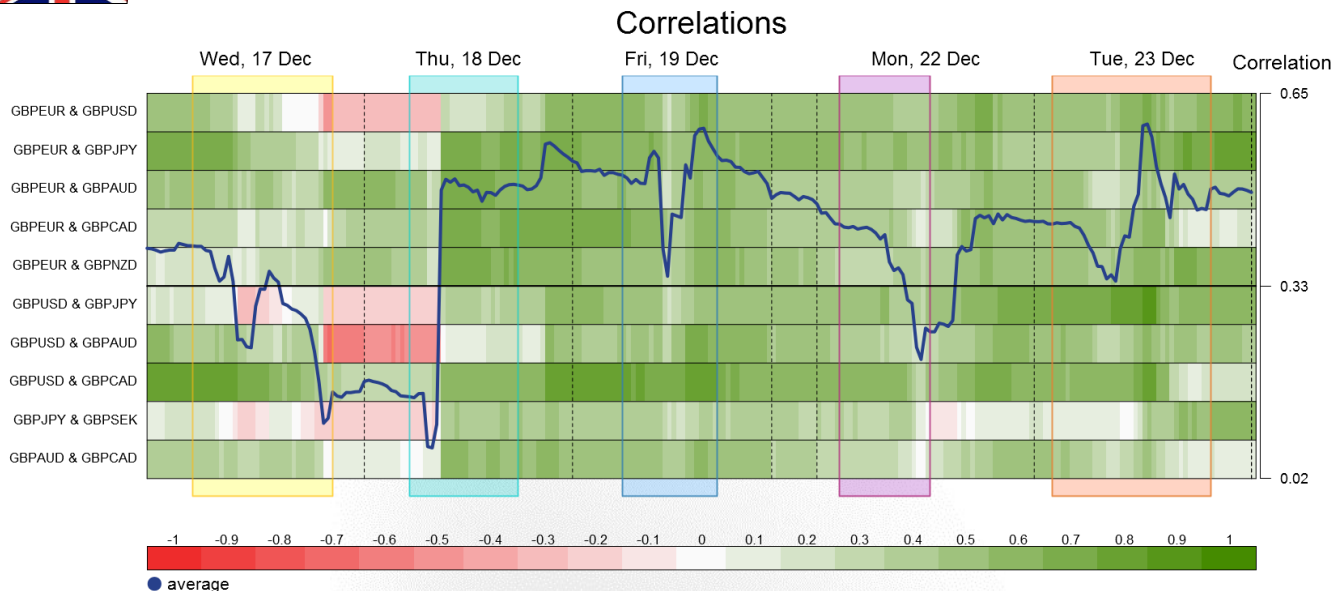
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
26	41	51	43	35	48	38	40	21	42

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.98	2.27	2.37	3.58	2.5	6.11	2.49	2.41	1.93	1.95
Min	0.38	0.35	0.23	0.25	0.18	0.28	0.42	0.26	0.36	0.25
Average	0.86	0.94	1.03	0.96	0.89	1.1	0.95	0.96	0.81	0.92



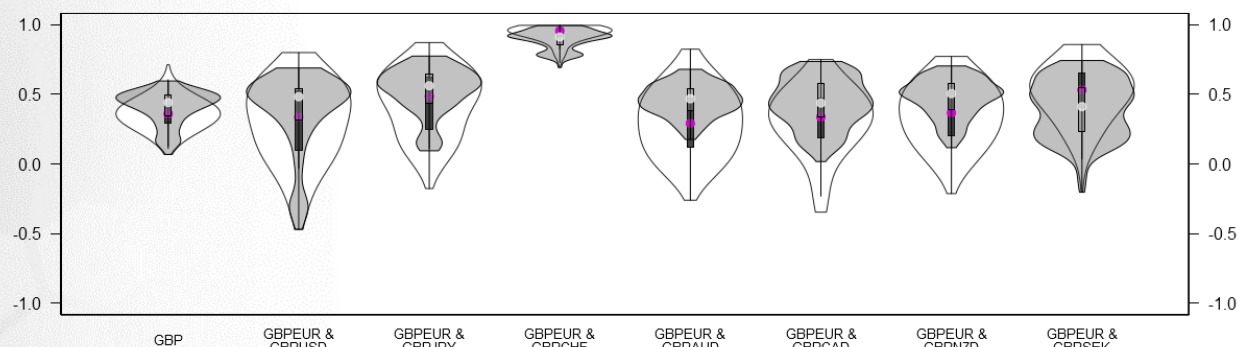
# Currency Significance



The components of the British pound's significance measure showed rather small correlations over the observed period, while the overall GBP composite was volatile for the most part of the period. The short-term correlations during the period between GBP/EUR and other GBP crosses varied from 0.37 to 0.89. As seen from the main chart, the smallest correlation was with GBP/USD, particularly on Wednesday when a drop far below zero provided the component the weakest result of the week, as its correlations stood around 0.05 only. Compared to the 20-day values, most of the correlation pairs gained 0.07-0.16 points, but GBP/USD and GBP/SEK tumbled around 0.10.

Very small parts of the period were remarkable with well synchronized developments in absolutely all pound's correlation components, as a lot of fundamental news from different countries influenced only some particular currency pairs. The composite reached its maximum on Friday when data on government's borrowing was released much better than forecasted. Meanwhile, the composite remained above the week's mean level already since Thursday, registering only a small decline below the baseline at 0.33 on Monday, when all GBP pairs were driven by news from abroad, mostly the Unites States. Still, the period was closed on a positive note around the 0.50 mark.

Correlations (5 vs 20 days)

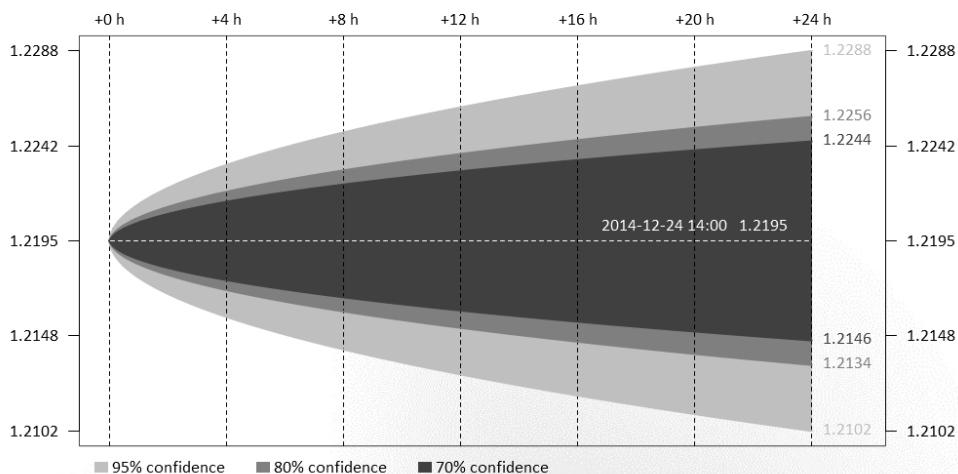


Mean Correlation Coefficient (with GBPEUR)

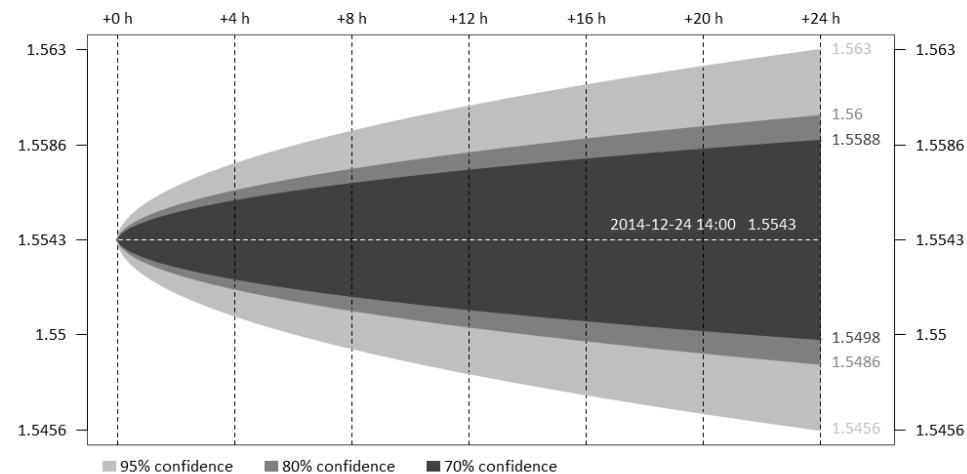
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.41	0.37	0.52	0.89	0.46	0.44	0.47	0.39
20	0.36	0.3	0.44	0.94	0.3	0.31	0.35	0.51
130	0.41	0.37	0.48	0.92	0.36	0.38	0.37	0.61
250	0.41	0.42	0.43	0.89	0.34	0.37	0.35	0.62

# Confidence Intervals for Next 24 Hours

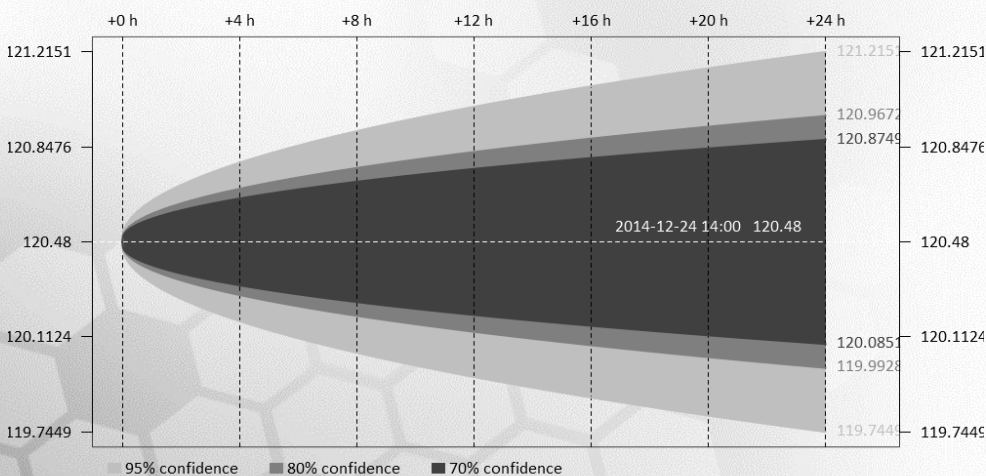
EURUSD Potential Rates



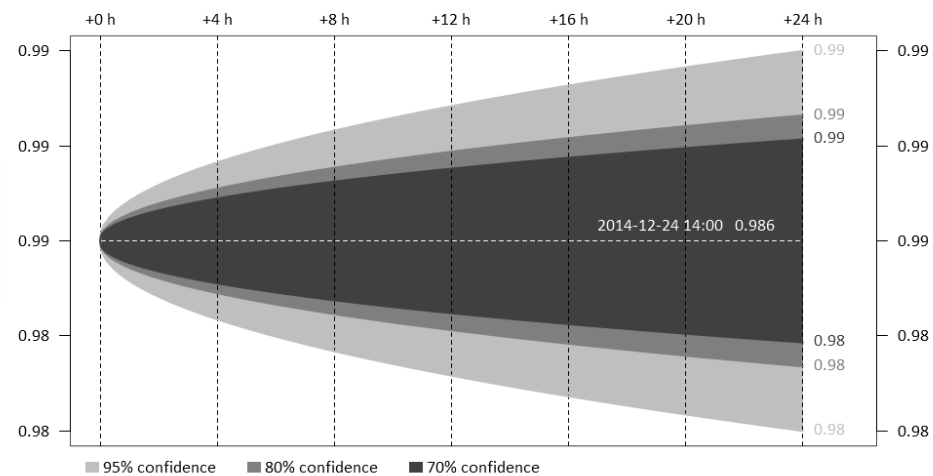
GBPUSD Potential Rates



USDJPY Potential Rates



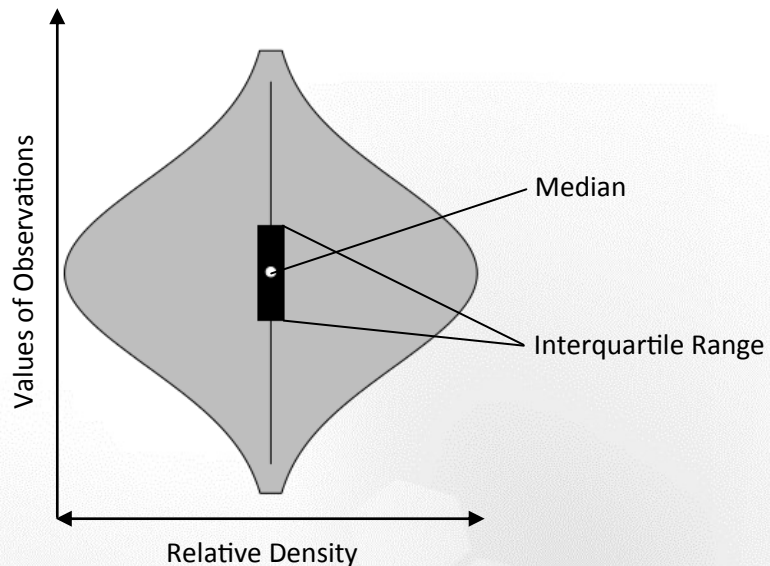
USDCHF Potential Rates



# 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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