



**GBP**

14/01/2015



**DUKASCOPY**  
RESEARCH PRODUCTS



**Market Research**





# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
January 7	January 8	January 9	January 12	January 13
04:00 - 13:00	04:30 - 13:00	03:00 - 18:00	03:00 - 17:00	05:30 - 17:30
<ul style="list-style-type: none"> <li>Germany Retail Sales and Unemployment Change</li> <li>Eurozone CPI Flash Estimate</li> <li>US ADP Non-Farm Employment Change and Trade Balance</li> <li>FOMC Meeting Minutes</li> </ul>	<ul style="list-style-type: none"> <li>UK Halifax HPI</li> <li>BoE Interest Rate Decision and Asset Purchase Facility</li> <li>Eurozone Retail Sales</li> <li>US Unemployment Claims</li> </ul>	<ul style="list-style-type: none"> <li>UK Industrial Production and Trade Balance</li> <li>French Industrial Production</li> <li>US Non-Farm Employment Change and Unemployment Rate</li> </ul>	<ul style="list-style-type: none"> <li>China Trade Balance</li> <li>Australia Home Loans</li> </ul>	<ul style="list-style-type: none"> <li>UK CPI</li> <li>US Federal Budget Balance</li> </ul>

GBP Currency Index Range

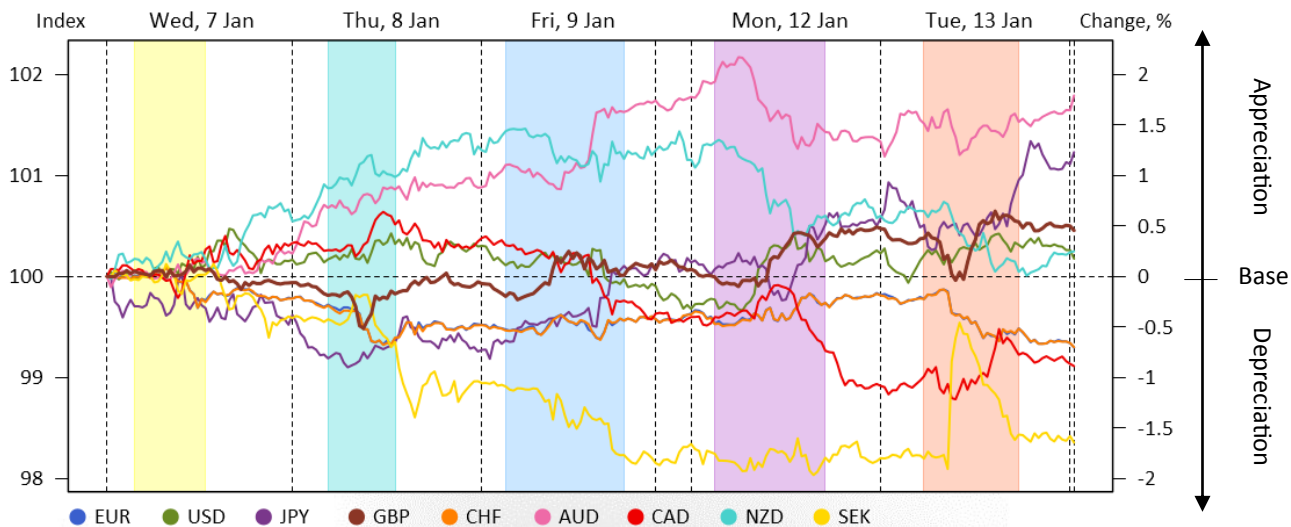
0.11%	0.37%	0.48%	0.53%	0.69%
1.23	1.29	1.47	1.22	1.91

Max GBP Volatility Index



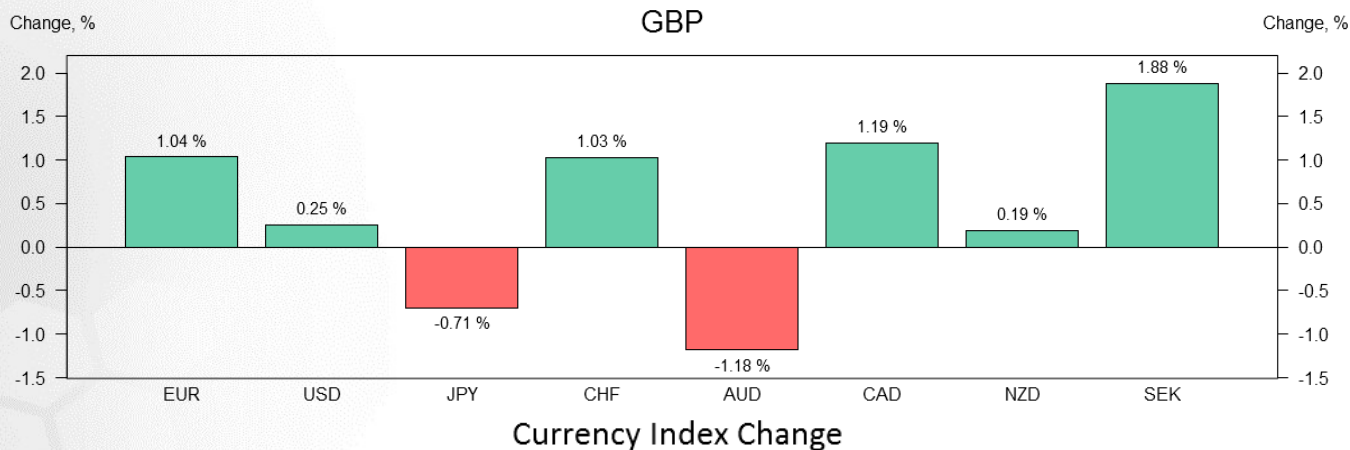
# Relative Currency Strength

## Currency Indexes



In contrast to our previous analysis of the British pound before Christmas, during the very last January 7-13 period this currency performed much better, as it used to be the third most successful performer on the market. Despite that, the overall trend was mixed, as the GBP index was swinging around the baseline from both sides for most part of the week. Overall, the Pound added 0.46% in five working days, underperforming only to the Japanese yen and Australian dollar which surged 1.23% and 1.79%, respectively. Among GBP pairs, the most noticeable increase of 1.88% was registered by GBP/SEK.

The period has started in a neutral way for the British pound, as on Wednesday the GBP Index was mainly staying around 100 points, as lack of UK data kept from country's currency broadly unchanged. On Thursday, the Bank of England made its scheduled decision on interest rates and asset purchase facility, which in accordance with expectations remained completely unchanged. No signals of monetary policy tightening provided the Pound with the most significant decline of the week, as GBP Index fell to 99.5 points. Meanwhile, towards the end of period the Pound advanced on international news, even though some short term weakness was caused by UK inflation which slipped to 0.5%.

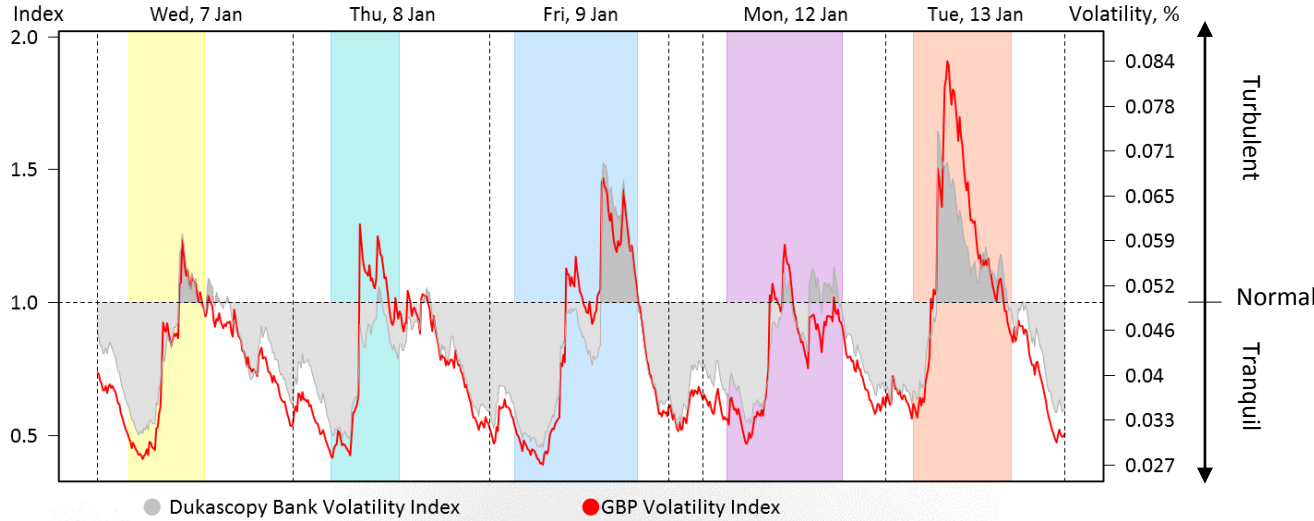


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.7%	0.18%	1.23%	0.46%	-0.7%	1.79%	-0.89%	0.25%	-1.64%
20	-3.36%	2.52%	4.11%	-0.76%	-3.26%	2.56%	-0.57%	2.94%	-4.47%
130	-2.76%	13.8%	-2.87%	0.27%	-1.43%	-1.79%	1.32%	-0.72%	-6%
250	-4.65%	12.05%	-2.61%	3.4%	-1.99%	0.95%	1.57%	3.31%	-12.07%



# Volatility

## Volatility



Except some local spikes in the GBP volatility on Friday and Tuesday, it used to be rather calm in terms of turbulence. This could be also reflected in the elevated volatility index, which was on the upside only during 23% of the whole period and in 77% of all time stayed below the average line. Some local turbulence increases were, as usually, provided by very specific fundamental data releases, which included UK manufacturing production back on Friday and Britain's inflation. While the former rose 0.7% in November of the previous year, the UK CPI dropped to 0.5% in December, down from 1% a month before.

In Eurozone, the CPI fell 0.2% in December for the first time since 2009. On the other hand, US employers created 252,000 jobs the same month. Despite all, this important fundamentals used to have little impact on the Pound. Returning back to elevated volatility, Britain's 23% still was able to be higher than market average of 20%. The most turbulent GBP cross was the Cable and GBP/JPY, as they were volatile in 40% and 35% of all time, respectively. All in all, the maximum volatility index of the pound stood at 1.91 points. Among currency pairs, it seems that Swedish krona contributed a lot in terms of movements, as the highest volatility reading stood at 3.03 points for EUR/SEK currency pair last week.

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

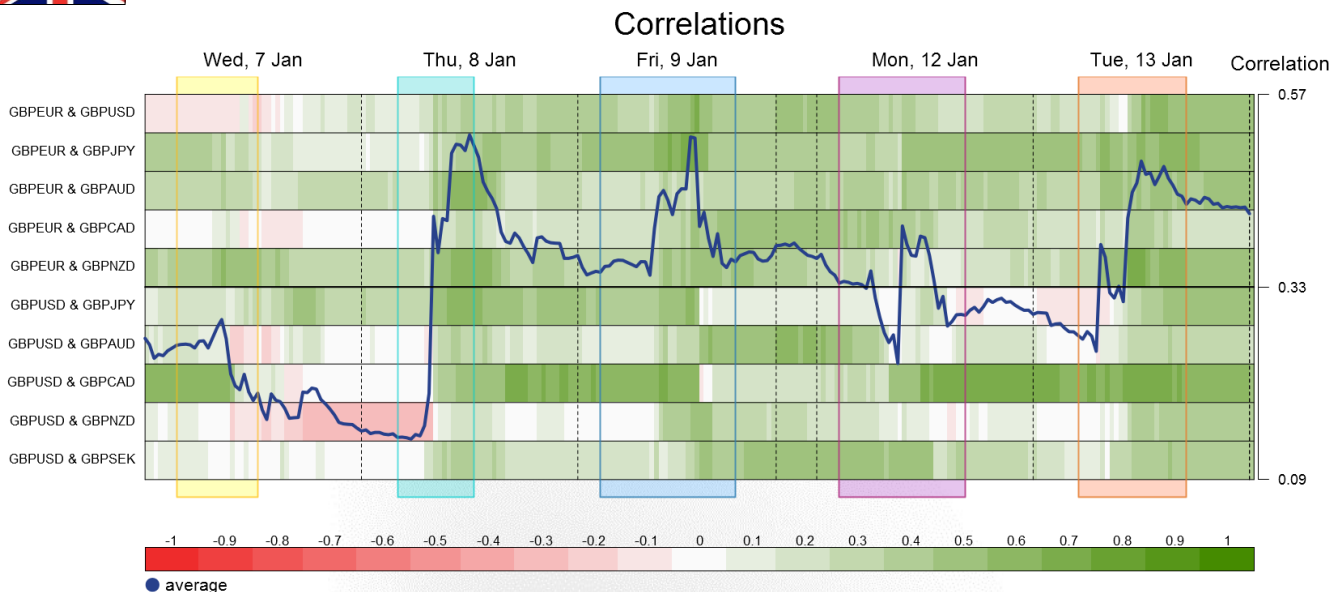
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
20	23	29	40	35	26	22	32	33	9

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.64	1.91	2.06	2.53	2.09	2.01	1.79	1.63	1.9	3.03
Min	0.46	0.39	0.26	0.26	0.46	0.27	0.35	0.27	0.4	0.16
Average	0.83	0.81	0.82	0.9	0.9	0.77	0.82	0.82	0.92	0.63



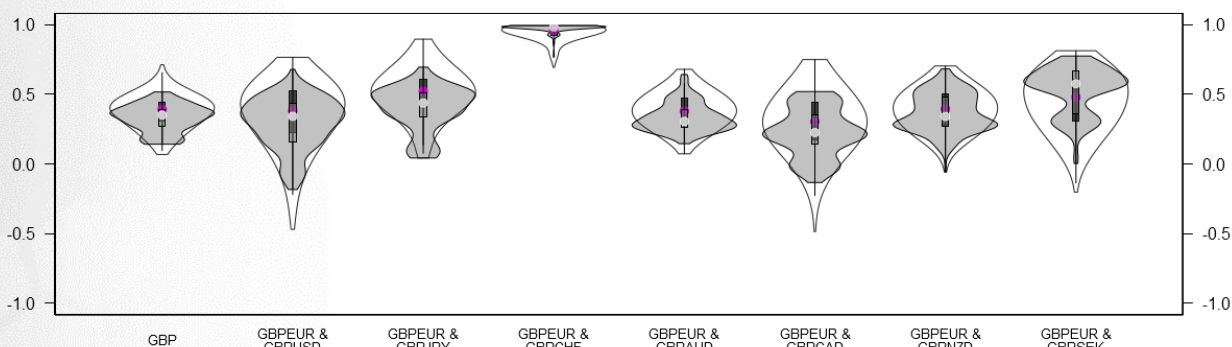
# Currency Significance



As was seen in both Currency and Volatility Indexes, the main catalyst for the Pound was statistical news exactly from the United Kingdom, mainly due to high importance of indicators released. The observation was well supported by the Pound significance measure that was located above the baseline for more than 50% of all time in the period, even though the average level itself was not high and stood only at 0.33 points. Correlations between different GBP crosses were around 0.40 points since Thursday, only registering a short-term decline below the average level on Monday. Nevertheless, the currency's significance managed to recover and close the period at 0.42 points.

There was one episode of collective strengthening in the component correlations—on Thursday when the Bank of England held its monthly meeting which resulted in no changes for both the interest rate and asset purchase facility. The fast change was largely caused by one big component exiting the negative zone, namely GBP/USD with GBP/NZD. Moreover, on that day the weekly maximum was hit at 0.52 points. This level, however, was reached for the second time the next day, when market was waiting for both positive Canadian and US labour market data, and GBP/USD & GBP/CAD correlations jumped as high as 0.7 points.

## Correlations (5 vs 20 days)

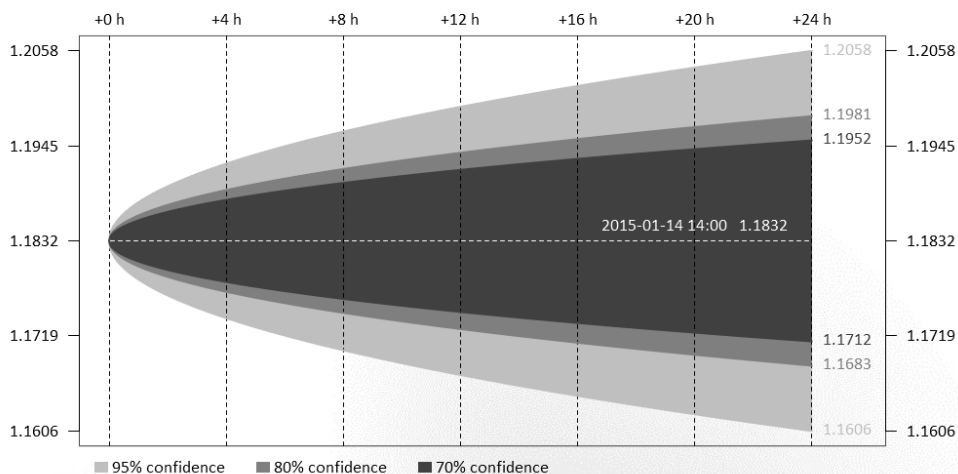


## Mean Correlation Coefficient (with GBPEUR)

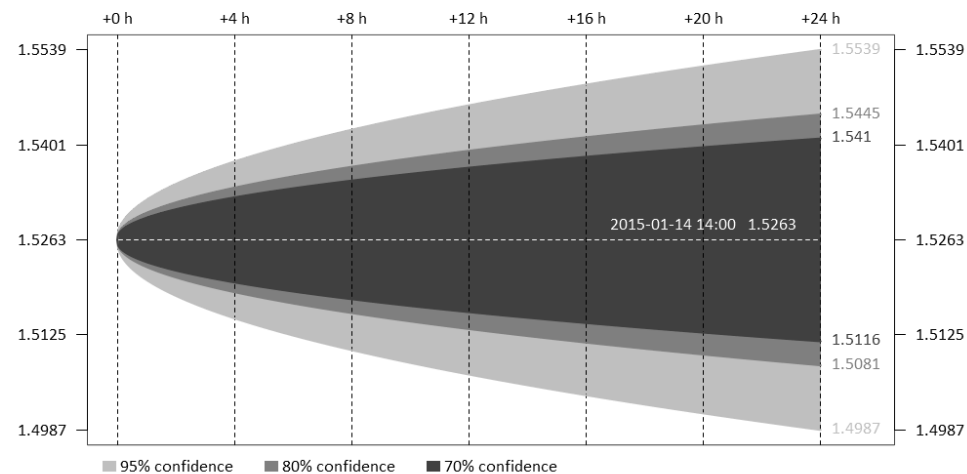
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.33	0.29	0.4	0.97	0.34	0.22	0.37	0.53
20	0.37	0.35	0.51	0.94	0.38	0.3	0.39	0.45
130	0.4	0.35	0.48	0.93	0.35	0.36	0.36	0.61
250	0.41	0.41	0.43	0.9	0.33	0.36	0.34	0.61

# Confidence Intervals for Next 24 Hours

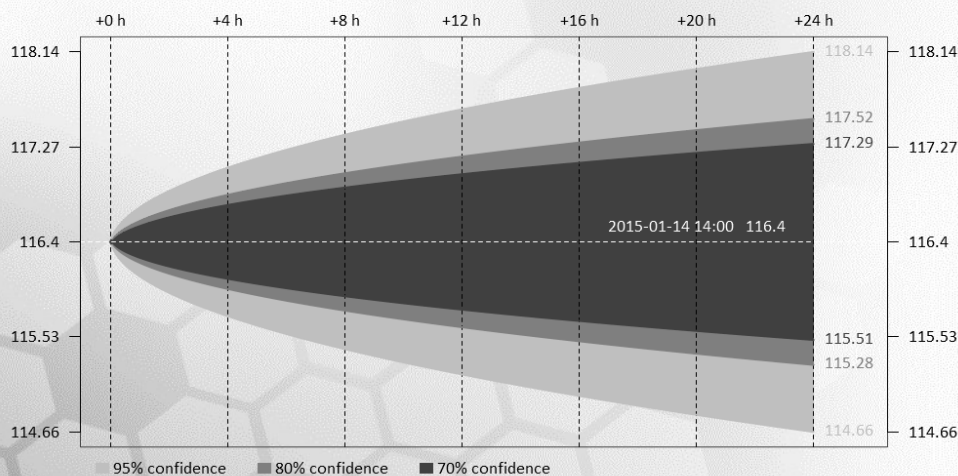
EURUSD Potential Rates



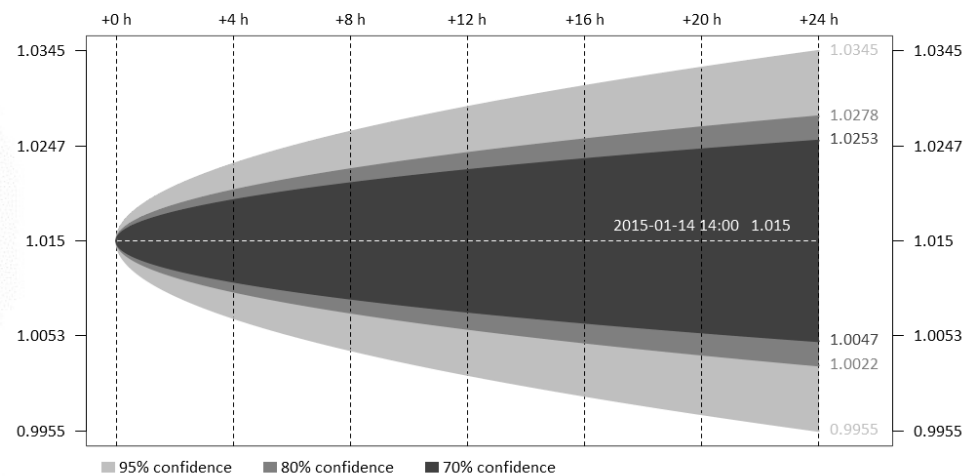
GBPUSD Potential Rates



USDJPY Potential Rates



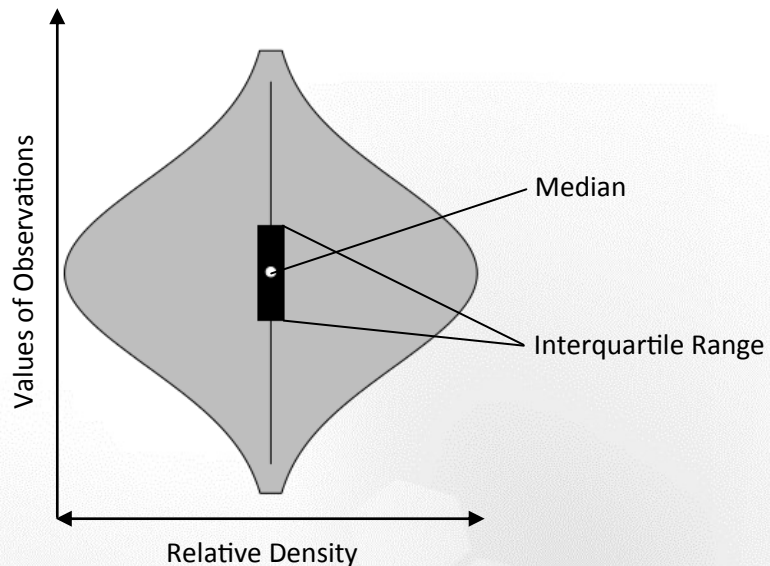
USDCHF Potential Rates



# EXPLANATIONS

## Violin Plot

Violin Plot is a combination of a Box Plot and rotated Kernel Density Plot



## Methodologies

Volatility Index

Confidence Interval



**Newest releases and archive:**

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

**Additional information:**

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

**Social networks:**



**Disclaimer**

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.