



GBP

11/02/2015



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Market Research





Dominant Events of the Period

Yellow Area

February 4

04:30 - 17:00

- UK Markit Services PMI
- HSBC China Services PMI
- Eurozone Retail Sales
- US ADP Employment Change and Markit Services PMI

Turquoise Area

February 5

05:30 - 18:30

- BoE Interest Rate Decision and Asset Purchase Facility
- Germany Factory Orders
- US Trade Balance and Unemployment Claims

Blue Area

February 6

06:00 - 18:30

- UK Trade Balance
- RBA Monetary Policy Statement
- Germany Industrial Production
- Switzerland Retail Sales
- US Non-Farm Payrolls and Unemployment Rate

Purple Area

February 9

05:00 - 19:00

- China Trade Balance
- Germany Trade Balance
- Japan Tertiary Industry Index

Orange Area

February 10

05:00 - 19:00

- UK Industrial Production and NIESR GDP Estimate
- China CPI

GBP Currency Index Range

1.03%

0.6%

0.47%

0.58%

0.49%

Max GBP Volatility Index

1.3

1.17

1.78

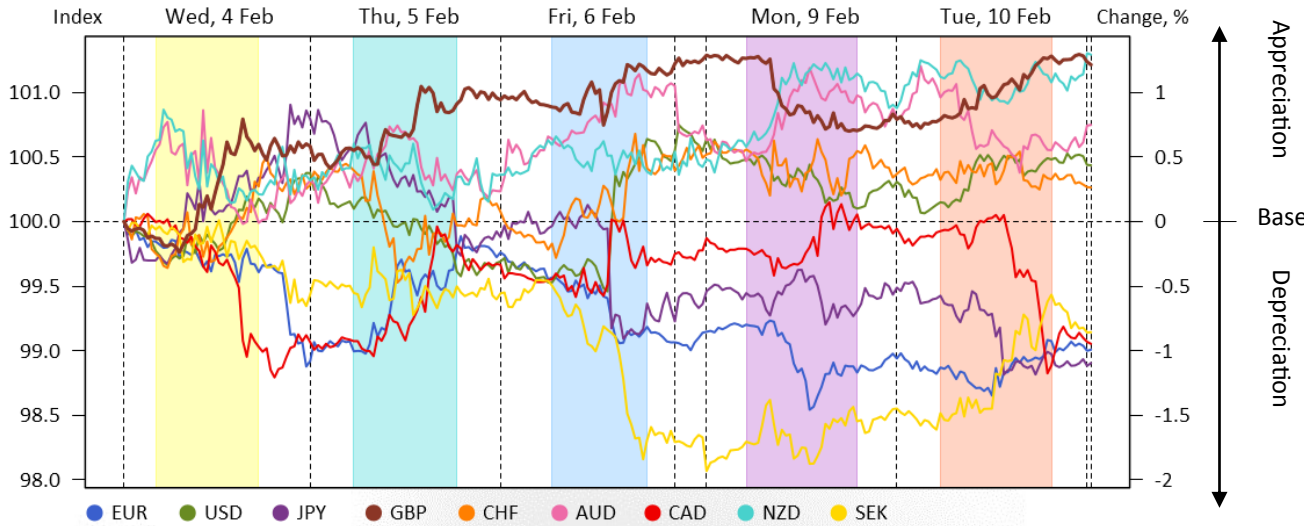
1.13

1.01



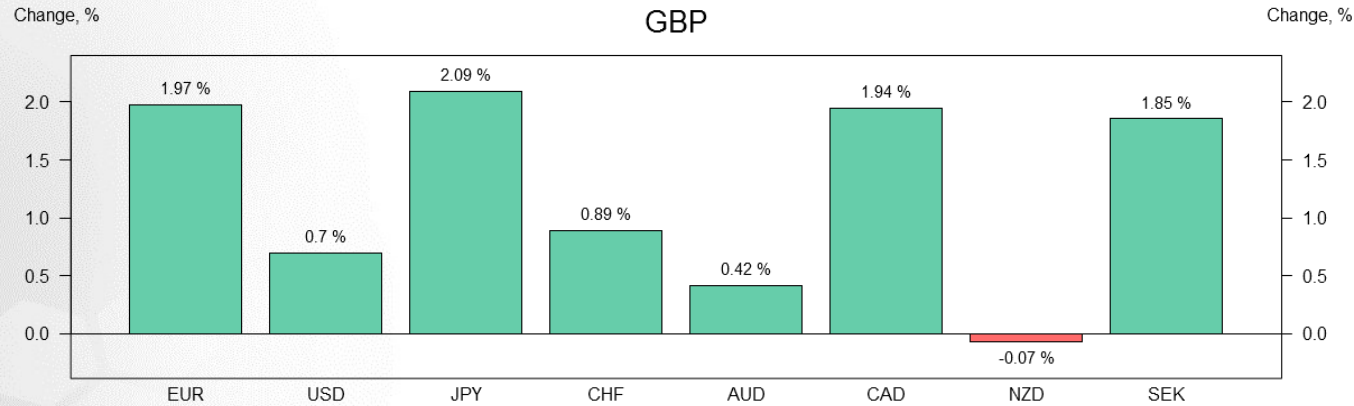
Relative Currency Strength

Currency Indexes



During last period ended February 10, the Pound used to be one of the best performers among major currencies on the foreign exchange market. The British currency was hovering above the baseline for most part of the period, only except a small time period in the beginning of the week. As a result, the currency was only outperformed by the Kiwi in terms of weekly gains, while GBP/NZD lost just 0.07% in five working days from Wednesday till Tuesday. The most noticeable gainers among GBP pairs were GBP/JPY and GBP/EUR which advanced 2.09% and 1.97%, respectively.

At the same time, beginning of the period was marked by a slight weakness of the Pound compared to its major peers. The Britain's currency reached its minimum on Wednesday around 99.8 points, even though the fundamental background used to be positive. UK services PMI rebounded more than expected to 57.2 points in January of this year. This data provided the Pound with bullish impetus for the future, as strong appreciation took the lead. Throughout the week, all statistical releases were mostly supportive for the UK currency. The only exception was worse than expected Britain's trade deficit for December. Nevertheless, the currency gained 1.21% during five days.



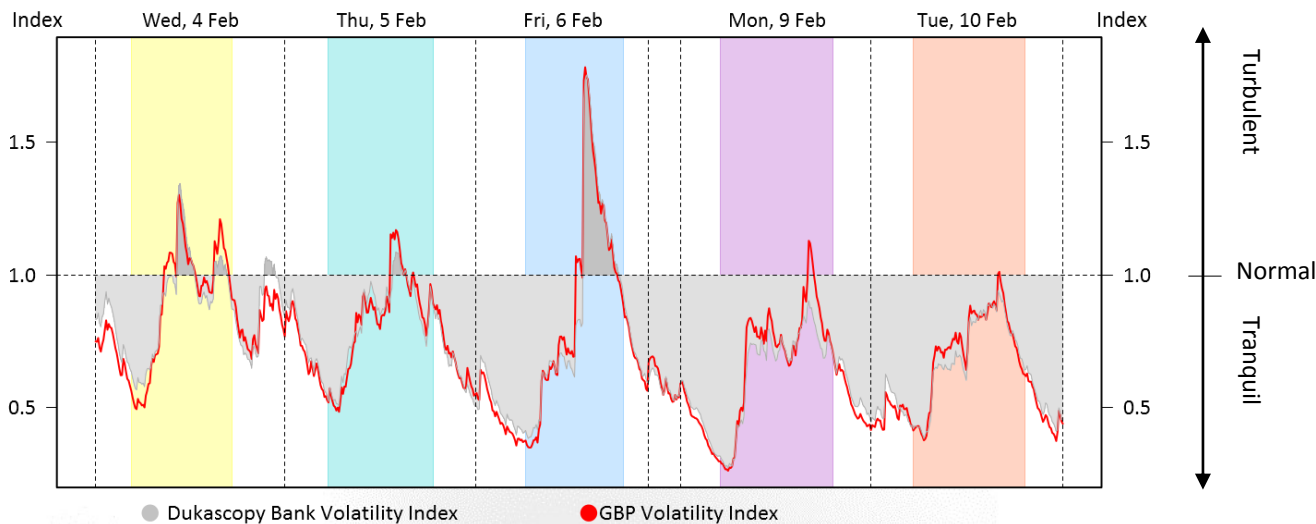
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.99%	0.44%	-1.1%	1.21%	0.26%	0.75%	-0.95%	1.29%	-0.86%
20	-2.81%	1.31%	-0.77%	2.03%	12.92%	-3.46%	-4.01%	-3.03%	-2.26%
130	-5.53%	13.35%	-4.01%	2.66%	11.17%	-5.99%	-2.39%	-0.84%	-8.8%
250	-7.6%	13.43%	-4.07%	5.23%	9.72%	-2.29%	-0.84%	1.19%	-14.82%



Volatility

Volatility



For the vast time of the period the British Pound's volatility stayed considerably below the average level, only making small exceptions on Wednesday and Friday. This fact can be also proved by the elevated volatility index both for the Pound and market as a whole. The British currency used to be turbulent just in 11% of all time during the period. Moreover, this small number has even surpassed the market mean of 9%. The only two turbulence increases were fuelled by very specific news releases, which included UK Services PMI / US ADP employment change on Wednesday, as well as much worse than estimated UK deficit data two days later on February 6.

With no surprises, the most volatile GBP cross used be the most traded one, namely the Cable. This currency pair had a volatility reading of 3.63% at its maximum. Along with that, the average volatility for this pair has also exceeded both market's mean and its major GBP-peers. Last week, all US Dollar pairs came under increased pressure due to high number of important statistical releases, including country's non-farm payrolls / jobless rate on Friday. Moreover, trade deficit in the world's leading economy widened to \$46.56 billion in December, thus causing turbulence at all USD-crosses. UK side, however, was less influential, while even the November-January positive 0.7% British GDP estimate from NIESR failed to push the GBP volatility to the upside.

Elevated Volatility (% of the observed period)

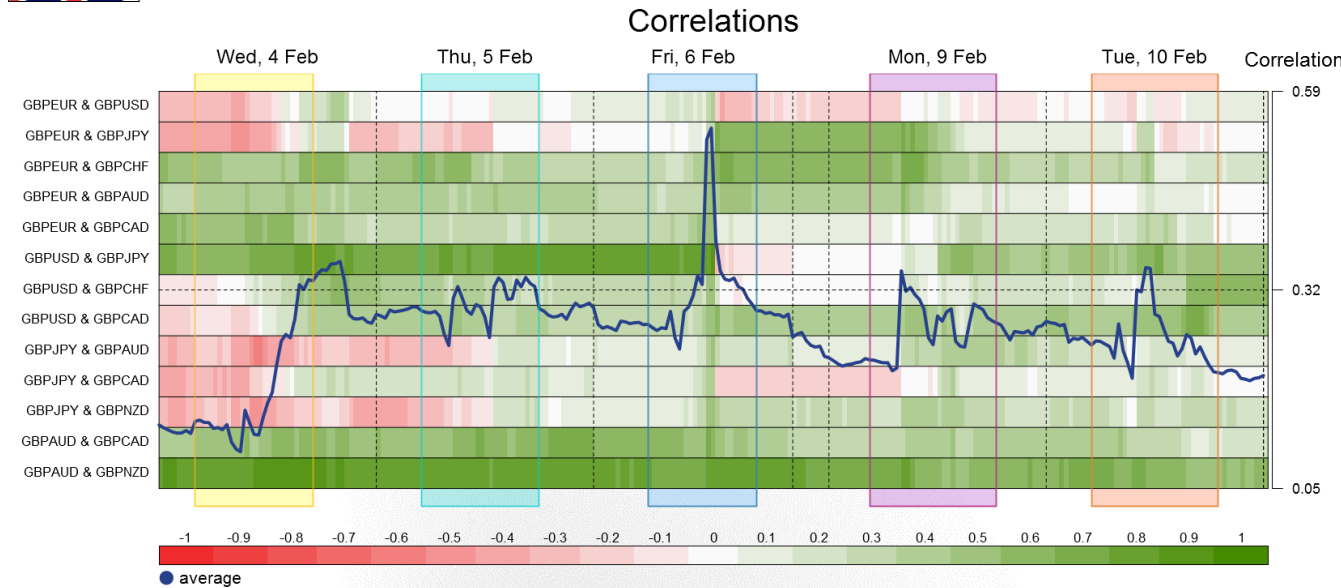
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
9	11	17	27	21	3	21	19	24	17

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.75	1.78	2.17	3.63	2.72	1.33	2.53	2.09	1.94	1.47
Min	0.27	0.26	0.19	0.3	0.26	0.12	0.27	0.19	0.29	0.24
Average	0.72	0.72	0.71	0.86	0.79	0.53	0.78	0.71	0.81	0.75



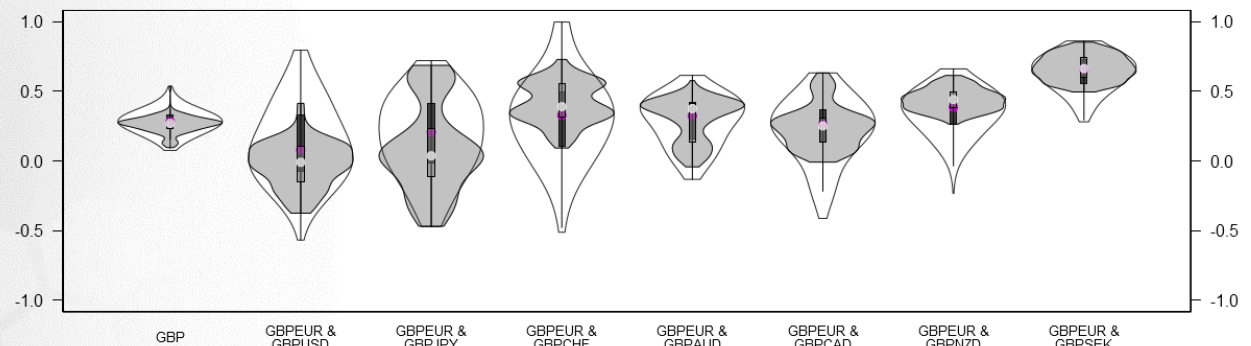
Currency Significance



Along with the Volatility index, the main catalysts for Pound's correlation changes were news releases both from the UK and abroad. Moreover, due to wide variety of data published and countries involved, significance levels of the GBP used to be different for all currency pairs of it. Judging from data provided by the main chart, we should point out that correlations stood at very low levels last week. The significance measure itself was located below the baseline for more than 80% of all time in the period, even though the average level was not high and stood only at 0.32 points. The period started with the composite at just 0.09 points. Despite that, there was one remarkable

period of collective strengthening of correlations among various GBP currency pairs — on Friday. On that day the UK revealed a bigger than forecasted country's trade deficit for December, slightly above 10 billion pounds. Alongside, US economy added much more jobs than estimated last month, with employment rising 257,000 on a monthly basis. This statistics altogether pushed the composite up to 0.54 points, especially helped by GBP/JPY correlations with other crosses of the Pound, which returned strongly above zero or rebounded from the negative side. Meanwhile, towards the end of the period the composite fell moderately to close the week just around 0.20 points on Tuesday.

Correlations (5 vs 20 days)

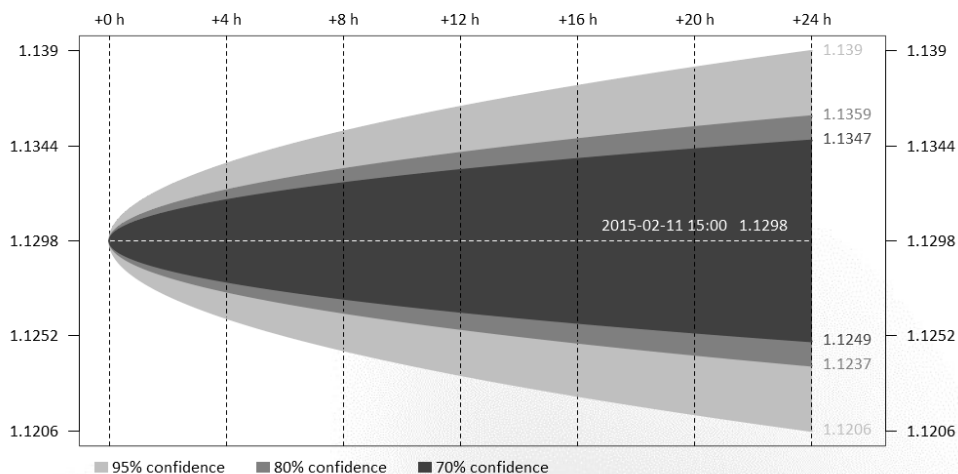


Mean Correlation Coefficient (with GBPEUR)

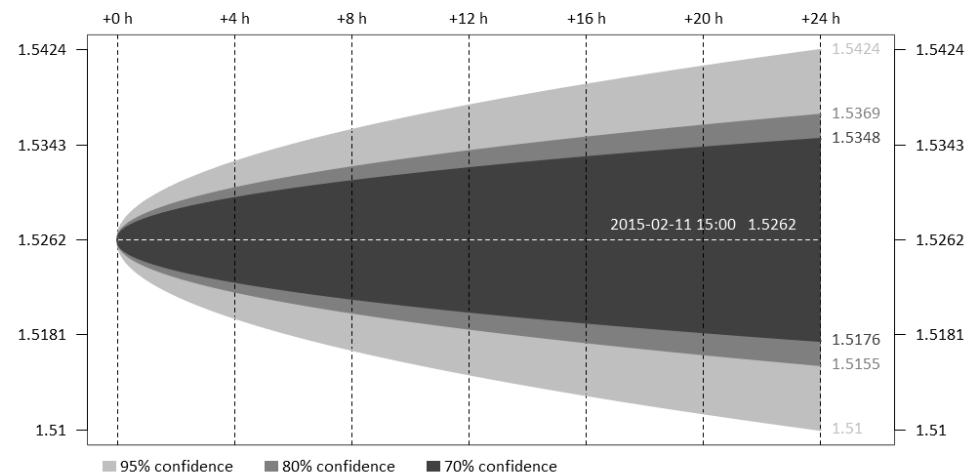
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.26	-0.02	0.08	0.41	0.3	0.25	0.44	0.67
20	0.28	0.12	0.17	0.31	0.29	0.23	0.36	0.64
130	0.38	0.29	0.43	0.84	0.35	0.33	0.37	0.62
250	0.39	0.38	0.41	0.86	0.33	0.34	0.35	0.61

Confidence Intervals for Next 24 Hours

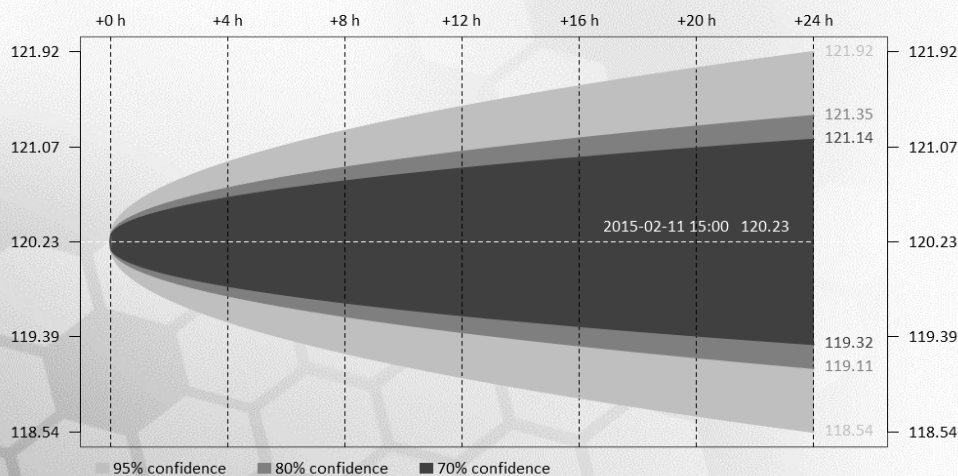
EURUSD Potential Rates



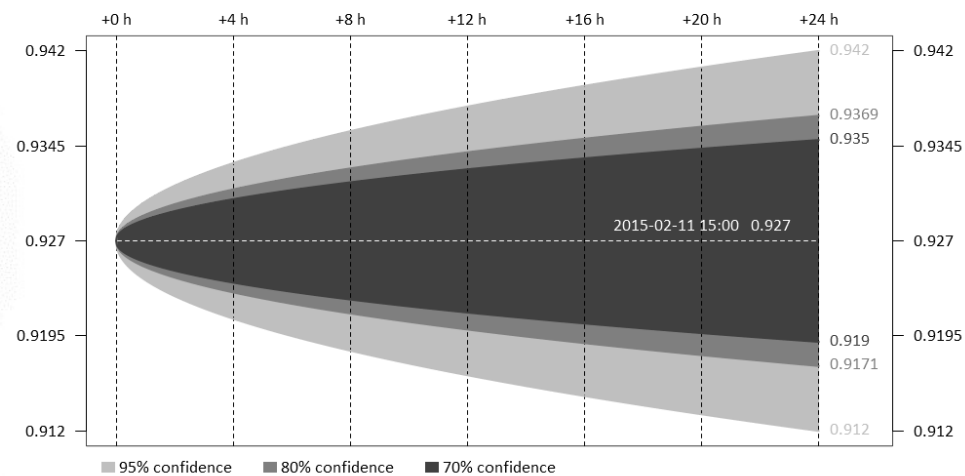
GBPUSD Potential Rates



USDJPY Potential Rates



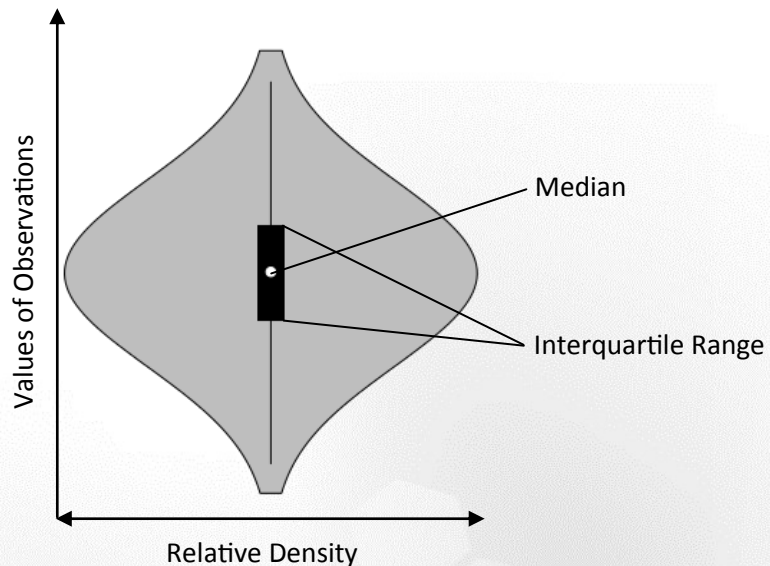
USDCHF Potential Rates



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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