



GBP

25/02/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

February 18

09:00 - 20:00

- BoE Minutes, MPC Vote, UK Claimant Count, ILO Unemployment Rate, Average Earnings
- US PPI, Building Permits, Housing Starts, FOMC Minutes

Turquoise Area

February 19

09:00 - 12:30

- UK CBI Industrial Trends Survey
- ECB Monetary Policy Meeting Accounts

Blue Area

February 20

08:30 - 20:30

- German, Euro Zone Flash Markit PMI
- UK Public Sector Net Borrowing, Retail Sales
- Canadian Retail Sales
- US Flash Markit Manufacturing PMI
- Eurogroup Meeting

Purple Area

February 23

10:00 - 11:00

- UK CBI Distributive Trends Survey

Orange Area

February 24

09:00 - 19:30

- Eurozone CPI
- UK Inflation Report Hearing
- Eurogroup Meeting
- ECB President Draghi's Speech
- US Consumer Confidence, Fed Chair Yellen Testifies

GBP Currency Index Range

0.89%

0.19%

0.39%

0.18%

0.36%

Max GBP Volatility Index

1.99

1.09

1.2

1.07

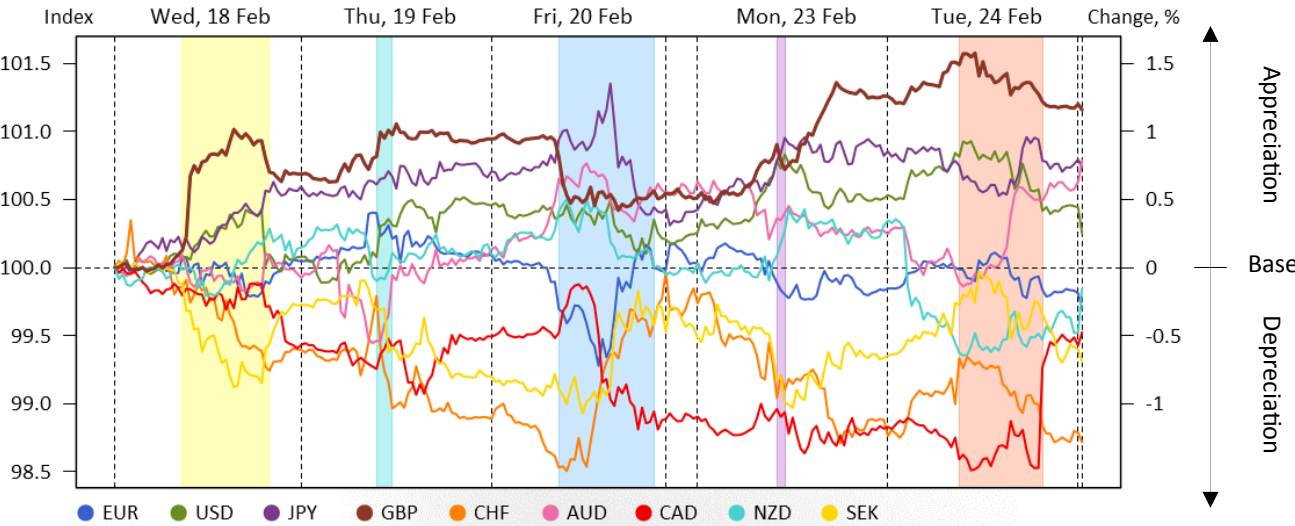
1.06



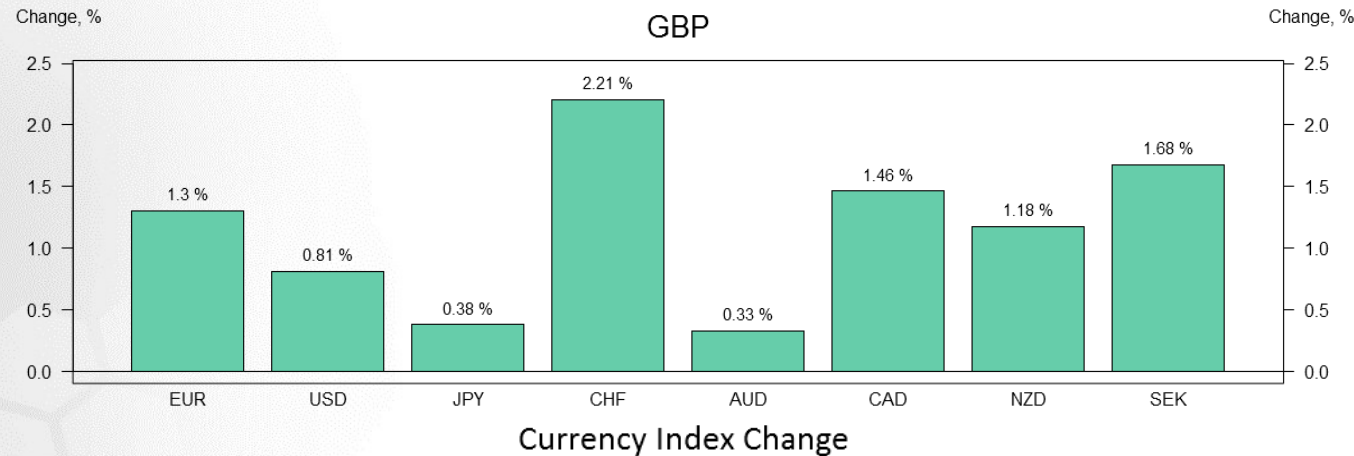
Relative Currency Strength

Currency Indexes

The past five trading days were remarkably successful for the pound, whose index spent most of them well above its peers and posted its greatest long-term advance since the beginning of the year. Together with the dollar's, the yen's, and the Aussie's measures, the GBP Index proved to be the most persistent among the observed gauges, with all four spending most of the period on an uptrend and suffering only some short-term dips. They also composed the group of indexes that ended the period with a weekly gain, with all other gauges either falling below the baseline on the last day or never lifting above it in the first place.



The GBP Index started the period with its sharpest surge, instantly putting itself above its peers. After losing some ground with the record low CPI released on February 17, the pound was quick to compensate the dip by pushing its composite 0.4 points up the next day, fuelled by the largely optimistic unemployment data. Thus started the gauge's strengthening, with the only significant fall taking place on Friday, against the background of disappointing UK retail sales numbers. However, the decline was shaken off over the weekend, and the index entered the new week on an even more rapid uptrend, ultimately posting a 1.16% gain, with the pound itself gaining over 1% against most of its peers.

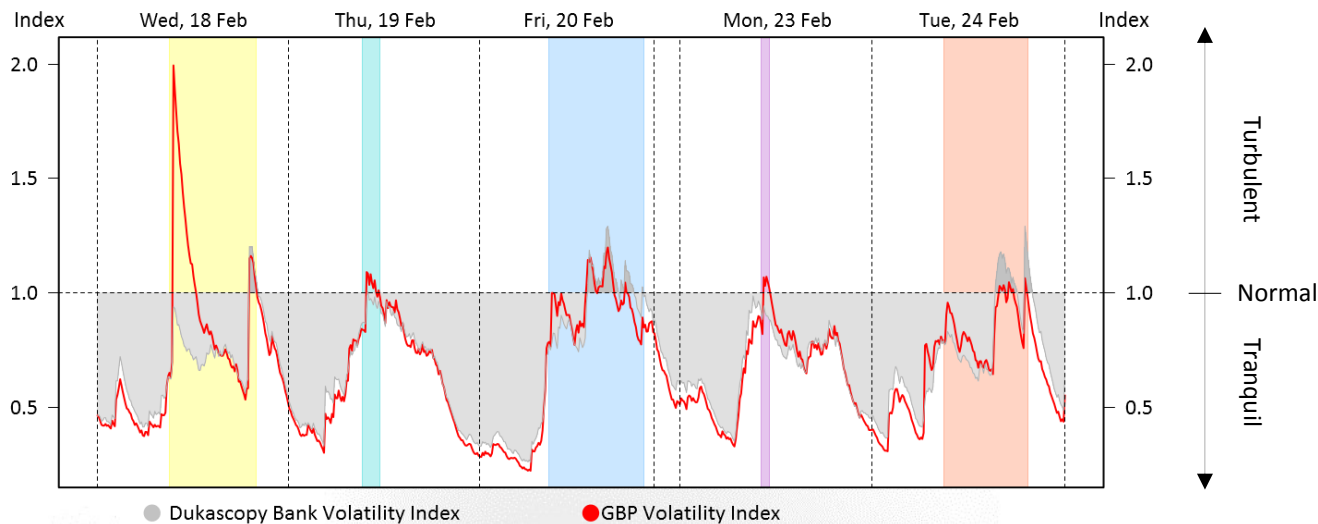


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.3%	0.25%	0.74%	1.16%	-1.29%	0.79%	-0.48%	-0.16%	-0.69%
20	1.14%	0.84%	0.06%	2.99%	-4.17%	-0.91%	0.72%	1.78%	-2.31%
130	-4.87%	12.11%	-2.76%	4.54%	8.35%	-6.45%	-2.1%	0.61%	-9.85%
250	-7.79%	13.7%	-2.87%	5.43%	6.28%	-2.07%	0.26%	2.09%	-15.03%



Volatility

Volatility



For the third week in a row, volatility of all observed currencies remained quite low. The portions of the elevated volatility for both the market and the pound were only 9% and 10%, respectively. The most turbulent currencies of the week were the Euro and the krona. Thus, the single currency's volatility index spent 17% of the time above its historical level, while for its Swedish peer the reading was 21%. The past week was a period of slackness for Pacific currencies. Their gauges managed to hold above the 1-point level for only 3% of time.

The major peak of the British currency's volatility took place on Wednesday. Results of the BoE MPC

minutes meeting were in line with expectations, while the claimant count change was notably below forecasts. Right after the news releases, the GBP Volatility Index jumped to its highest level of the period. Nonetheless, the market did not follow the pound and remained calm. The movements on Wednesday evening as well as Tuesday surges were caused by the US data reports and barely reached 1.16 and 1.06 marks. The UK retail sales report managed the GBP volatility to rise, however, the highest peak of the day was reached after the US PMI came out. It is worth noting that the UK inflation report on Tuesday failed to arouse any notable increase of the volatility and the index stayed below 1-point level.

Elevated Volatility (% of the observed period)

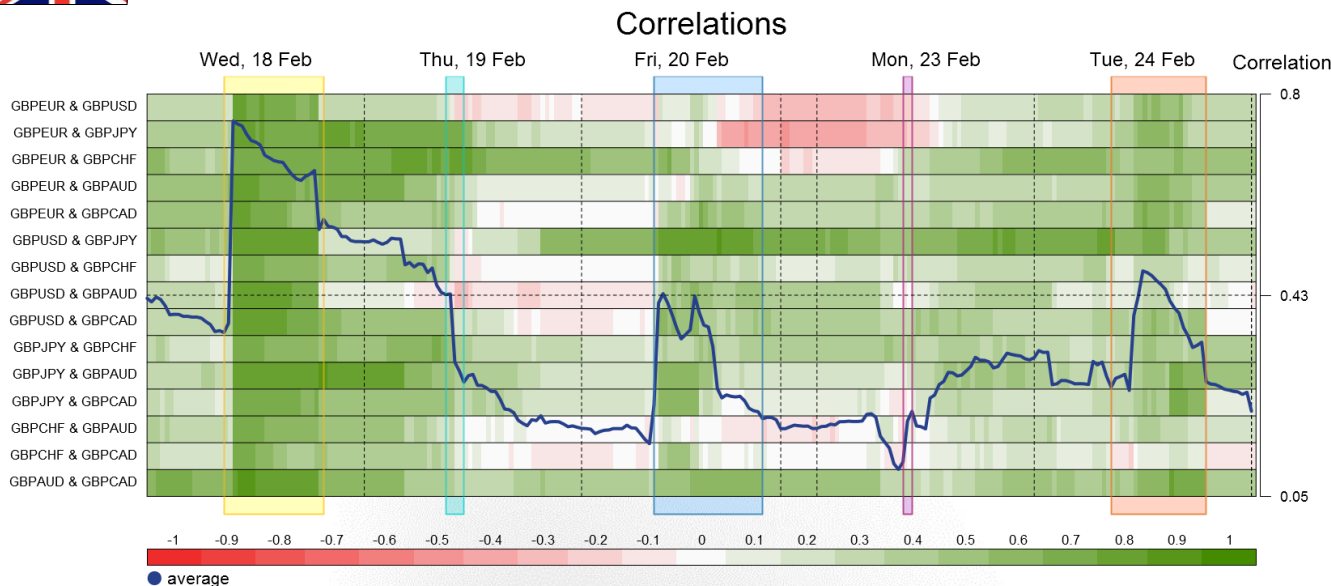
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	9	28	21	11	14	7	16	6	24

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.29	1.99	2.63	2.94	2.15	1.66	1.85	3.43	1.82	1.66
Min	0.26	0.22	0.15	0.2	0.19	0.14	0.21	0.13	0.2	0.17
Average	0.68	0.68	0.76	0.77	0.66	0.67	0.59	0.7	0.61	0.74



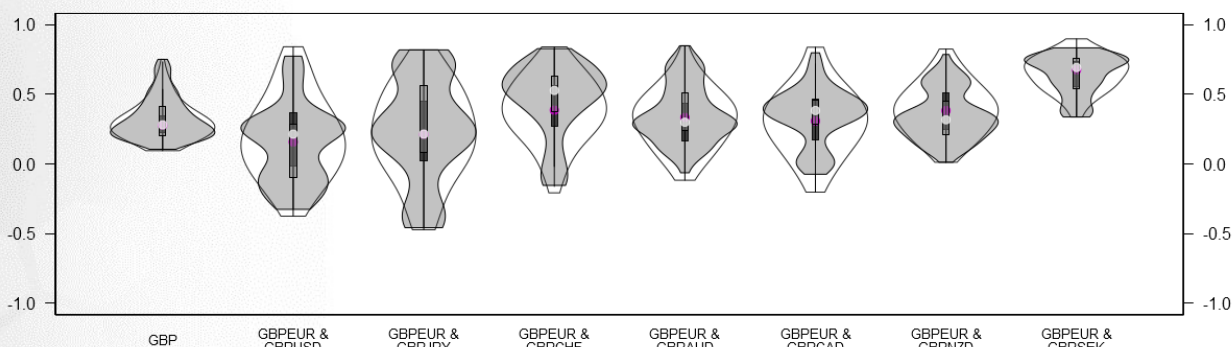
Currency Significance



The period was rich with influential economic releases on all the major currencies, so there were several periods of high and low correlation between GBP pairs. As a result, the distributions of the components had heavy tails. In spite of some notable spikes of the composite, measuring the significance of the pound on the market, the average of the gauge was below the long-term historical readings. GBP/USD and GBP/EUR demonstrated unusually low correlation, pointing out relative significance of the Greenback's and the Euro's movements in reaction to some economic events. Similar situation was observed in GBP/JPY and GBP/CHF correlation with GBP/EUR.

On Wednesday, the pound undoubtedly was the hero of the day, as diversity of news on UK economy, including surprisingly decreasing unemployment rate, was released. As a consequence, the GBP significance measure surged to the period's highest mark of 0.75 points. However, it weakened shortly after the publication of FOMC minutes. One day later the gauge lost 0.34 points more. Friday was another day when the changes in GBP rate were very conspicuous, as the UK retail sales disappointed the expectations, and the significance of the currency increased to the 0.43 mark. Nevertheless, just like in Wednesday's scenario, a few hours later the composite decreased after the Canadian data release. The gauge notably grew for the third time on Tuesday, against the background of inflation report hearings.

Correlations (5 vs 20 days)

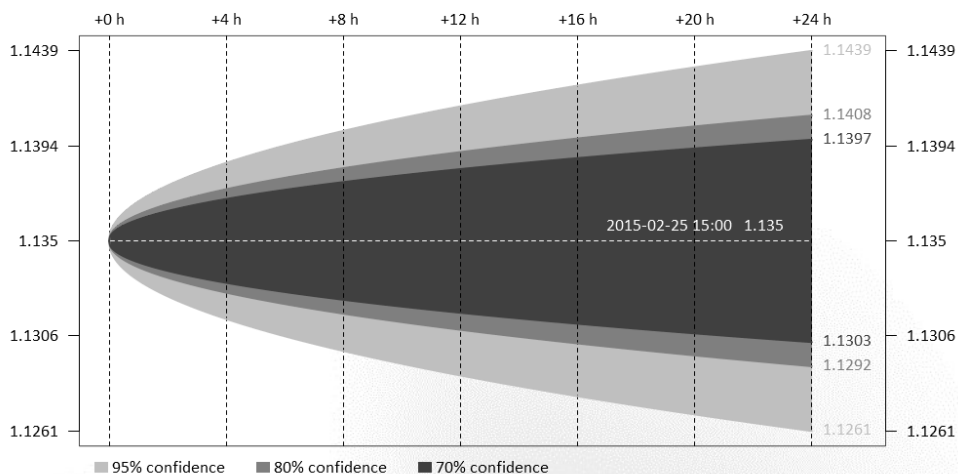


Mean Correlation Coefficient (with GBPEUR)

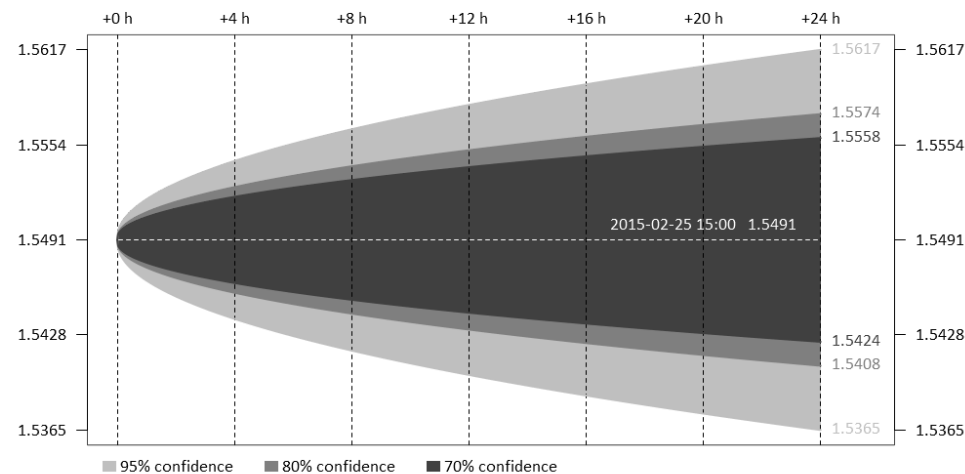
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.33	0.14	0.24	0.46	0.36	0.35	0.35	0.64
20	0.31	0.19	0.21	0.39	0.32	0.31	0.39	0.65
130	0.37	0.28	0.41	0.8	0.34	0.33	0.37	0.62
250	0.39	0.36	0.4	0.84	0.33	0.34	0.34	0.61

Confidence Intervals for Next 24 Hours

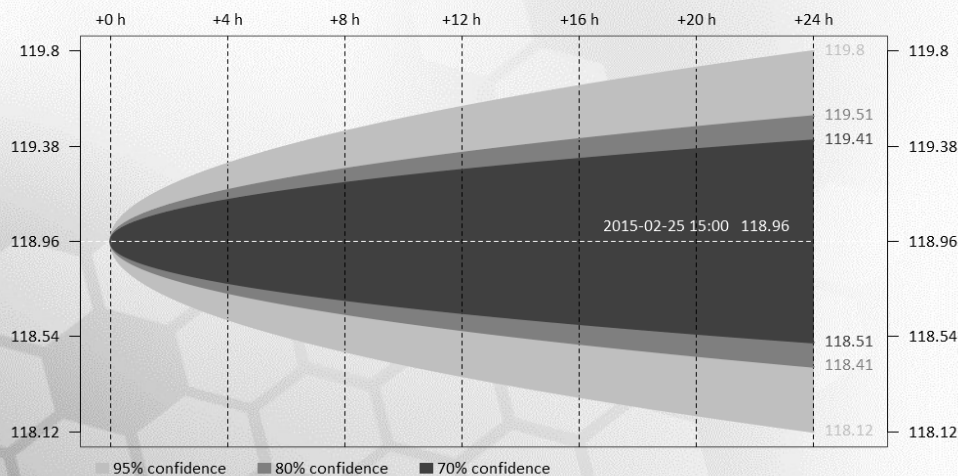
EURUSD Potential Rates



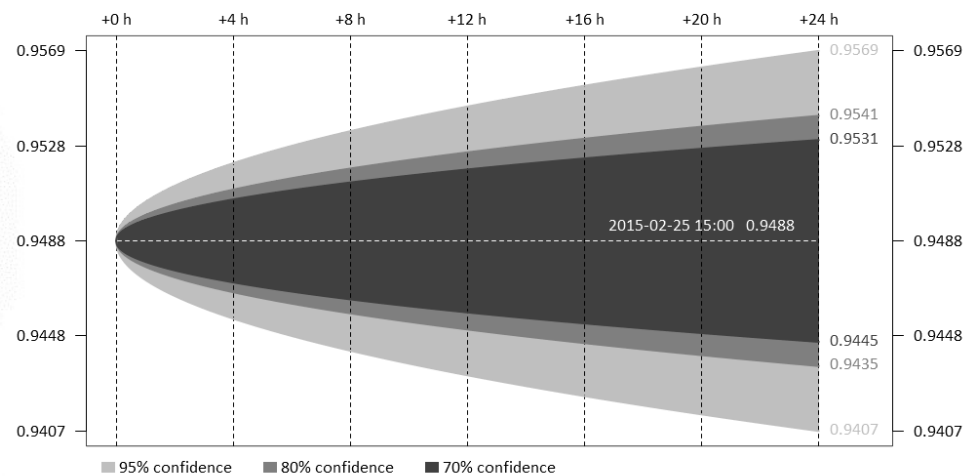
GBPUSD Potential Rates



USDJPY Potential Rates



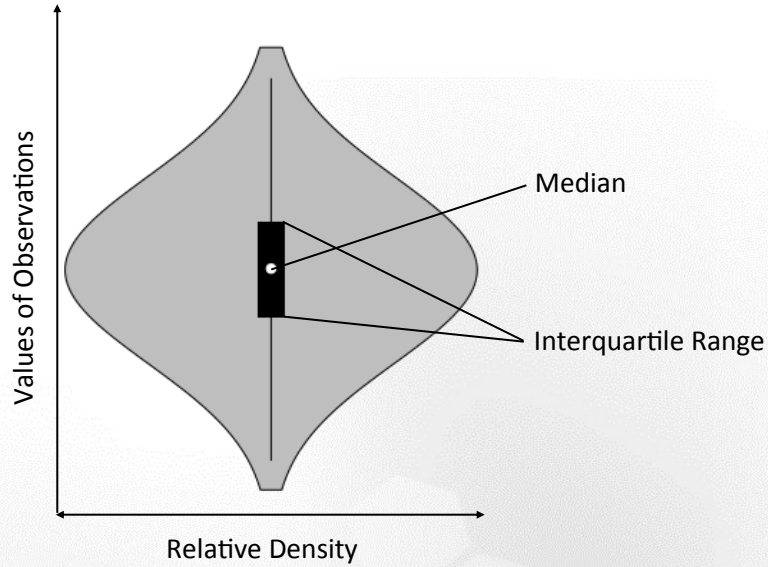
USDCHF Potential Rates



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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