



GBP

25/03/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

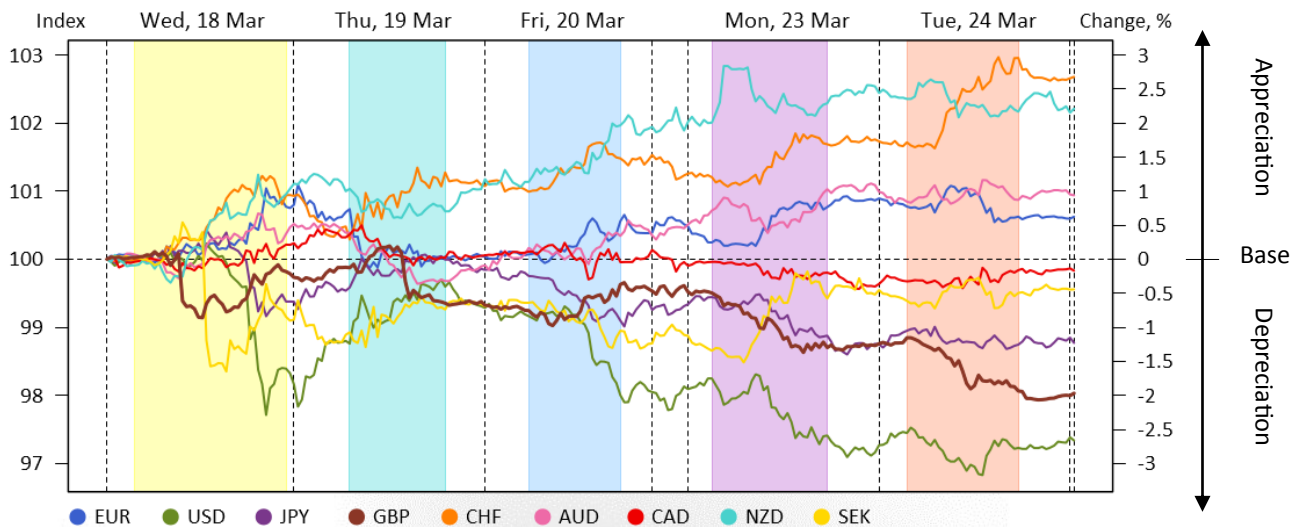
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
March 18	March 19	March 20	March 23	March 24
04:00 - 23:00	06:30 - 19:00	05:30 - 17:00	03:00 - 17:30	03:30 - 17:00
<ul style="list-style-type: none"> Bank of England MPC Meeting Minutes UK Claimant Count Change and Unemployment Rate UK Budget Report Fed Interest Rate Decision 	<ul style="list-style-type: none"> ECB Targeted LTRO US Unemployment Claims 	<ul style="list-style-type: none"> UK Public Sector Net Borrowing 	<ul style="list-style-type: none"> Euro zone Consumer Confidence US Existing Home Sales 	<ul style="list-style-type: none"> UK CPI German Manufacturing PMI Euro zone Manufacturing PMI US CPI, Manufacturing PMI and New Home Sales

GBP Currency Index Change	-0.21%	-0.52%	0.38%	-0.8%	-0.78%
Max GBP Volatility Index	4.68	2.61	1.77	1.56	2.11



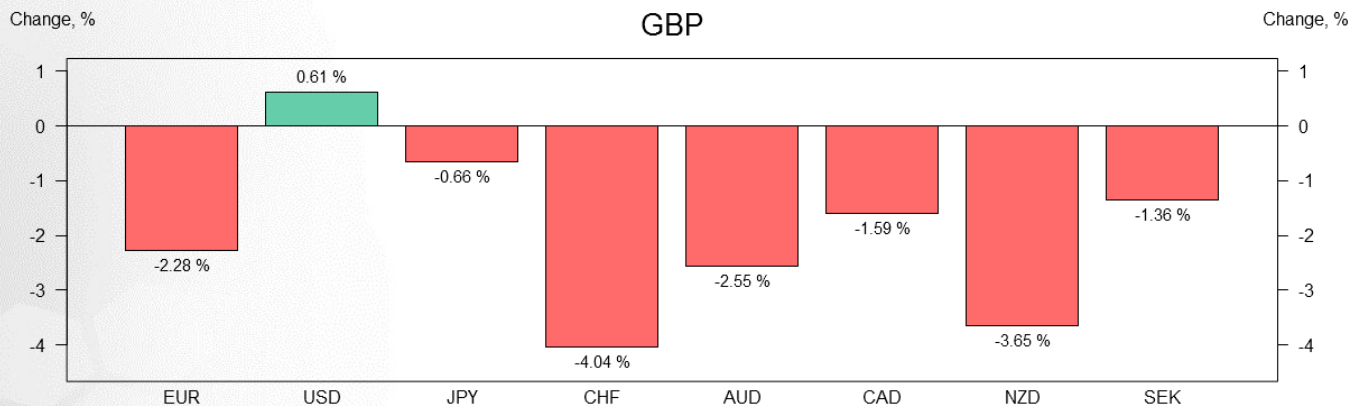
Relative Currency Strength

Currency Indexes



During past five trading days, the British Pound was a clear under-performer on the market. This currency lost just slightly less than 1.97% from Wednesday of the previous week till Tuesday of this week, only growing against the US Dollar by 0.61%, which itself lost 2.66% across the board. The Sterling has also traded below the baseline for the most part of all time during the period, only making a small exception on Thursday. The Swiss Franc and New Zealand Dollar, in turn, were the major gainers last week, which resulted in a jump of their crosses with the Pound which amounted to 4.04% and 3.65%, respectively.

GBP Index began trading on Wednesday on a fast negative note, by declining down to 99 points already in the first part of that day. There were very important indicators released, including the Bank of England MPC's minutes of its last meeting, as well as the claimant count change and jobless rate. The latter one was announced worse than expected as unemployment rate was unchanged at 5.7%, rather than decreasing to 5.6% as it was forecasted. Later, without any fundamental news the Pound rebounded back towards the baseline. However, a drop resumed shortly and the currency remained in a bearish trend for the rest of the period. As a result, the GBP Index fell as low as 98 points by the end of Tuesday.



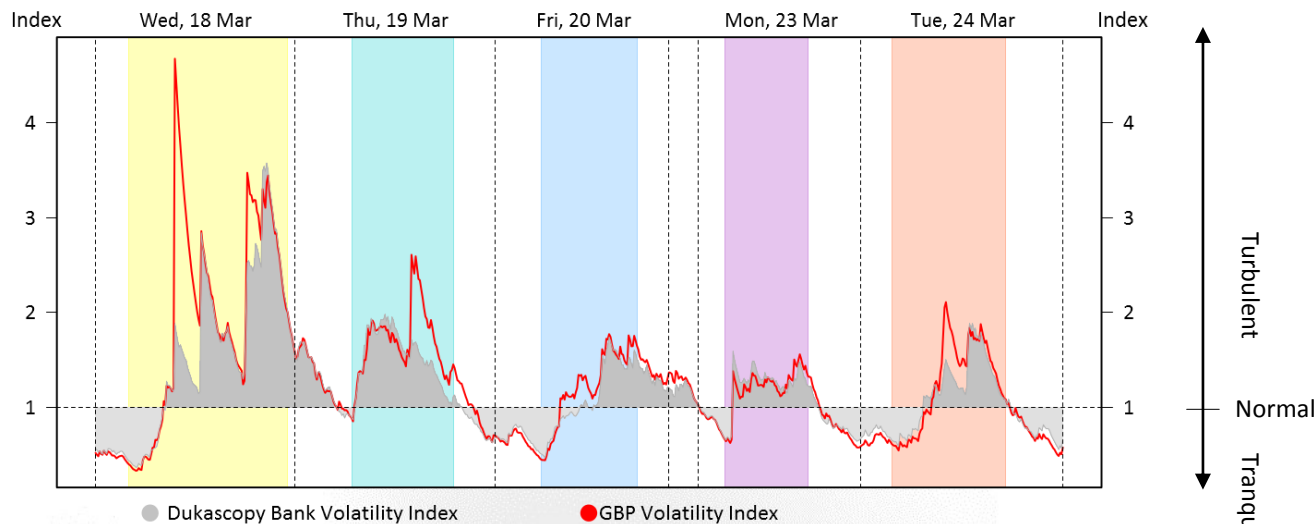
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.62%	-2.66%	-1.23%	-1.97%	2.68%	0.94%	-0.17%	2.21%	-0.44%
20	-3.18%	1.26%	0.5%	-3.18%	0.36%	1.27%	0.68%	2.68%	-0.74%
130	-8.06%	10.1%	-0.36%	-0.52%	8.51%	-2.57%	-2.85%	4.44%	-9.73%
250	-11.12%	15.6%	-2.33%	3.71%	6.01%	-1.31%	3.08%	2.81%	-16.46%



Volatility

Volatility



After three weeks of low volatility for many different currencies including the Pound, this indicator surged considerably last week for the Sterling. The portions of the elevated volatility for both the market and the Pound stayed at 59% and 62%, respectively. Meanwhile, the average volatility hovered well above the mean level at 1.28 points last week. The most turbulent currency pair with the British Pound used to be the most traded one, namely GBP/USD. It spent around 72% of all time above the average historical level. Moreover, GBP/JPY pair followed shortly, by being increasingly volatile throughout 68% of all time during the period.

One more dovish meeting minutes of the Bank of England's Monetary Policy Committee, along with many other crucial statistical data releases in Britain sent the turbulence index for this currency significantly to the north. At its peak time, volatility of the Pound was reaching as high as 4.68 points, the level which was not touched by this currency for a long period of time. Moreover, both market and Sterling's volatility spiked one more time later the same day, in time the Fed made its statement on interest rates, highlighting that a rate hike in April and June is unlikely. However, turbulence of the currency waned towards the end of the period and has even fell below 1.00 in the evening on Tuesday, March 24.

Elevated Volatility (% of the observed period)

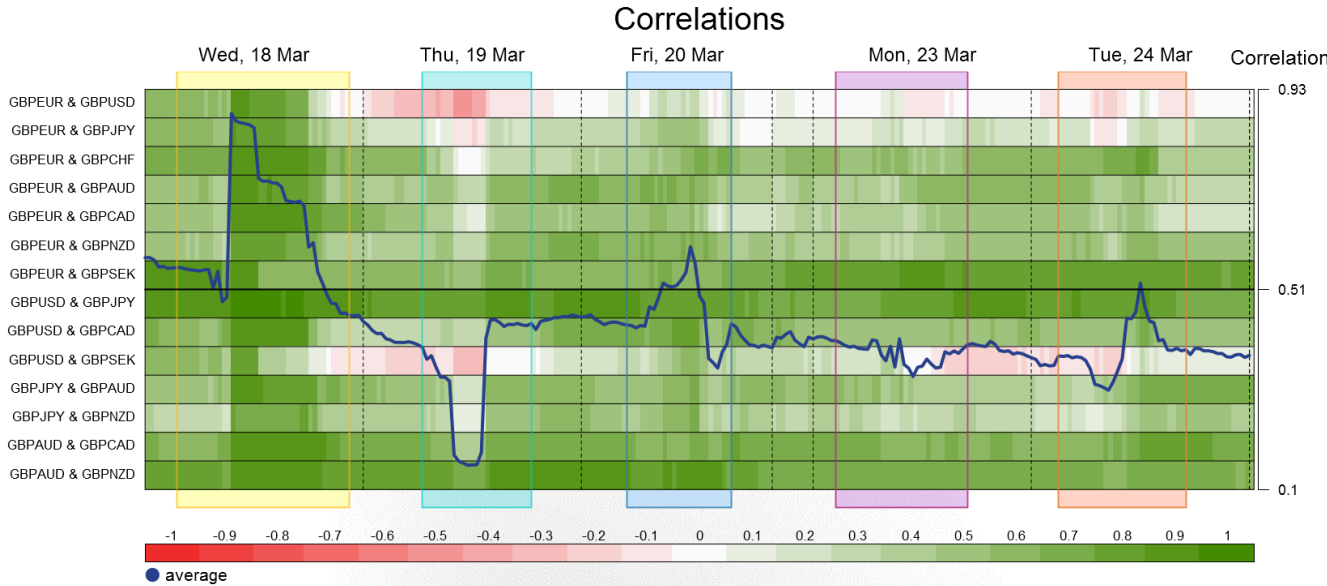
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
59	62	61	72	68	52	54	54	56	53

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	3.58	4.68	5.22	6.97	5.44	4.17	4.39	5.17	4.54	8.83
Min	0.37	0.33	0.27	0.27	0.27	0.21	0.39	0.32	0.39	0.28
Average	1.19	1.28	1.22	1.7	1.43	1.14	1.18	1.21	1.23	1.25



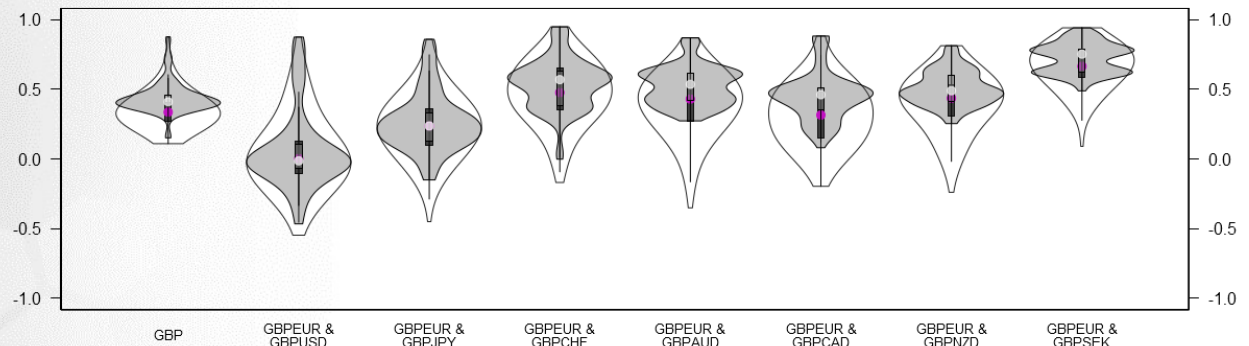
Currency Significance



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. The composite itself, which measures the significance of the Pound on the market, stayed at 0.44 level on average, or somewhat higher than historical average levels. GBP/USD and GBP/EUR demonstrated unusually low correlation, pointing out weakness of the Greenback due to the Federal Reserve's soft monetary policy statement. The same situation, in turn, was registered between GBP/USD and GBP/SEK currency pairs.

On Wednesday, the Pound undoubtedly was the hero of the day, by showing very high correlation levels during the day. As a consequence, the GBP significance measure surged to the period's highest mark of just below 0.90 points. In the meantime, it cooled down marginally towards the end of the day and reached the lowest mark of the week at just 0.14 points the next day, caused by many components falling closer to zero or even below. Despite that, correlations managed to return back to the normal level around 0.5 points for the composite between all Sterling's crosses and stayed around this mark for the rest of the period from Friday till Tuesday. A slight rise was registered on the last day of the period when UK CPI came out worse than predicted, but without having any major influence on the overall situation.

Correlations (5 vs 20 days)

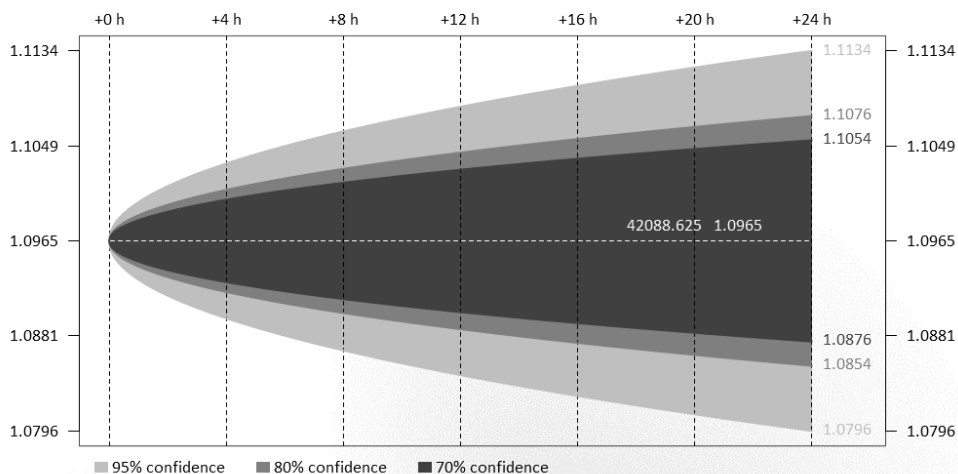


Mean Correlation Coefficient (with GBPEUR)

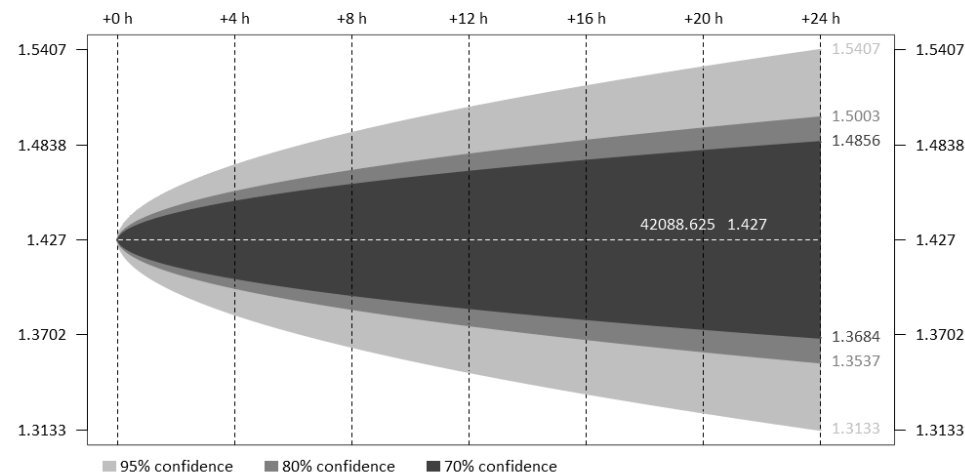
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.44	0.06	0.27	0.54	0.53	0.45	0.51	0.72
20	0.35	0.04	0.23	0.47	0.39	0.31	0.41	0.67
130	0.35	0.21	0.37	0.73	0.35	0.31	0.37	0.61
250	0.38	0.33	0.4	0.81	0.34	0.33	0.35	0.61

Confidence Intervals for Next 24 Hours

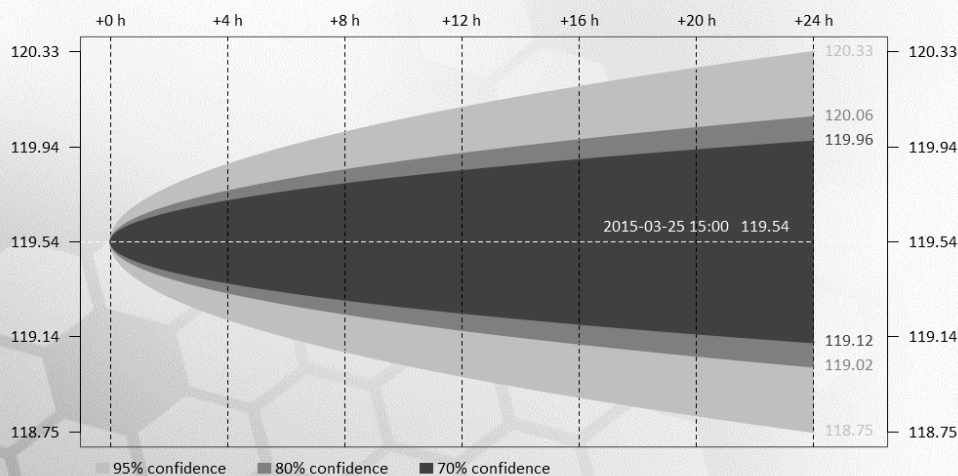
EURUSD Potential Rates



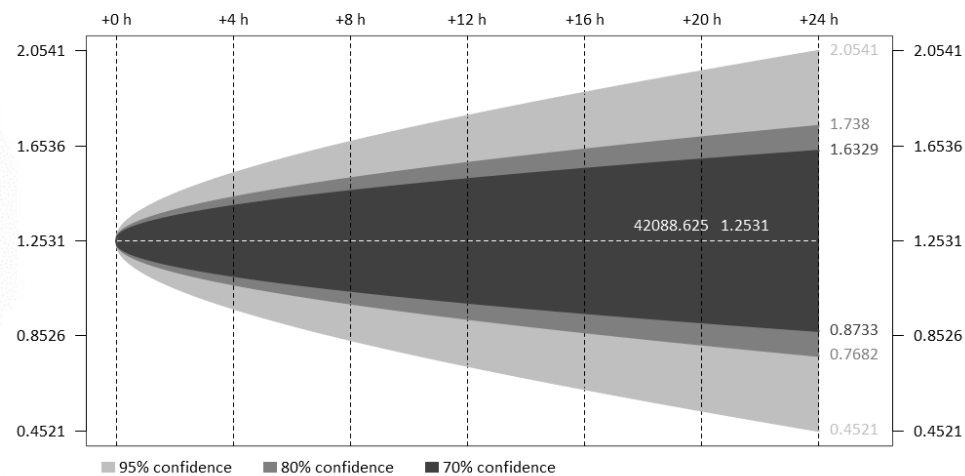
GBPUSD Potential Rates



USDJPY Potential Rates



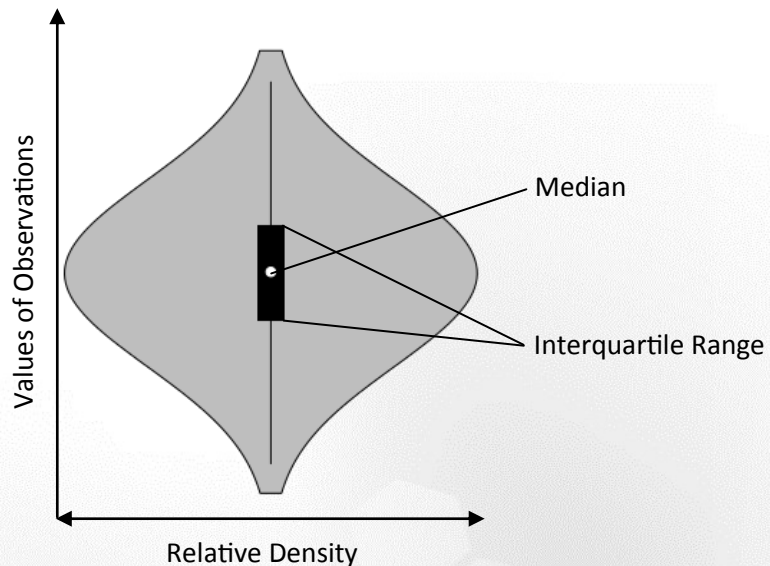
USDCHF Potential Rates



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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