



GBP

01/04/2015



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Market Research





Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
March 25	March 26	March 27	March 30	March 31
03:00 - 16:00	04:30 - 16:30	04:00 - 17:30	03:30 - 17:30	05:00 - 16:30
<ul style="list-style-type: none"> <u>UK BBA Mortgage Approvals</u> <u>German IFO Business Climate</u> <u>US Durable Goods Orders</u> 	<ul style="list-style-type: none"> <u>UK Retail Sales</u> <u>French GDP</u> <u>German Gfk Consumer Confidence</u> <u>US Unemployment Claims</u> 	<ul style="list-style-type: none"> <u>BoE's Governor Carney Speech</u> <u>US Final GDP and Reuters/Michigan Consumer Sentiment</u> 	<ul style="list-style-type: none"> <u>UK Mortgage Approvals and Gfk Consumer Confidence</u> <u>German CPI</u> <u>US Personal Spending</u> 	<ul style="list-style-type: none"> <u>UK Final GDP</u> <u>German Retail Sales and Unemployment Change</u> <u>Euro zone CPI</u> <u>US Consumer Confidence</u>

GBP Currency Index Change

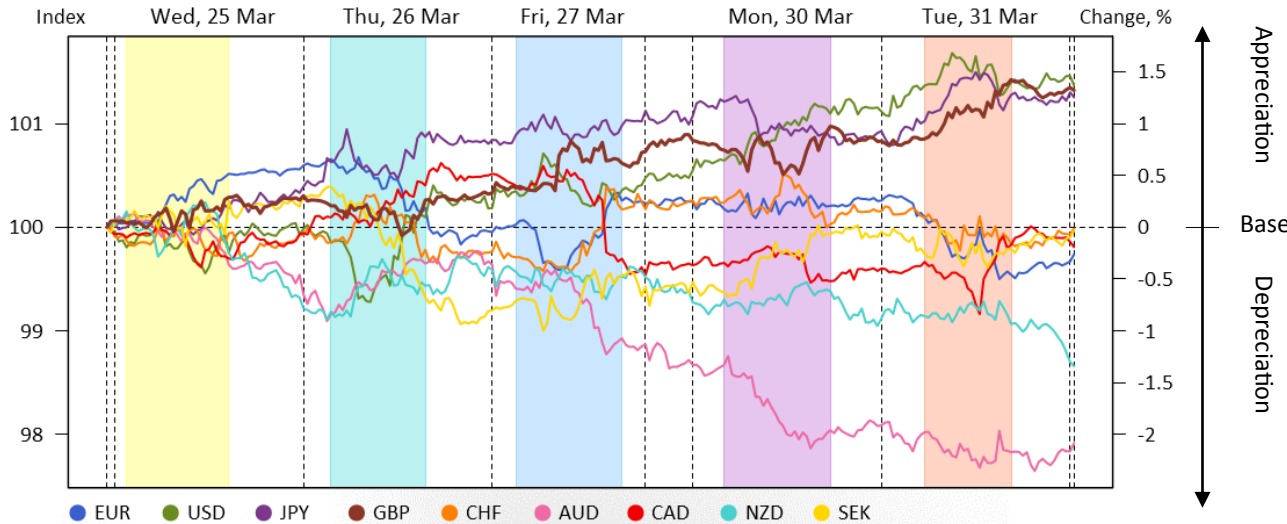
0.25%	0.06%	0.24%	0.23%	0.57%
1.24	1.44	1.34	1.24	1.31

Max GBP Volatility Index



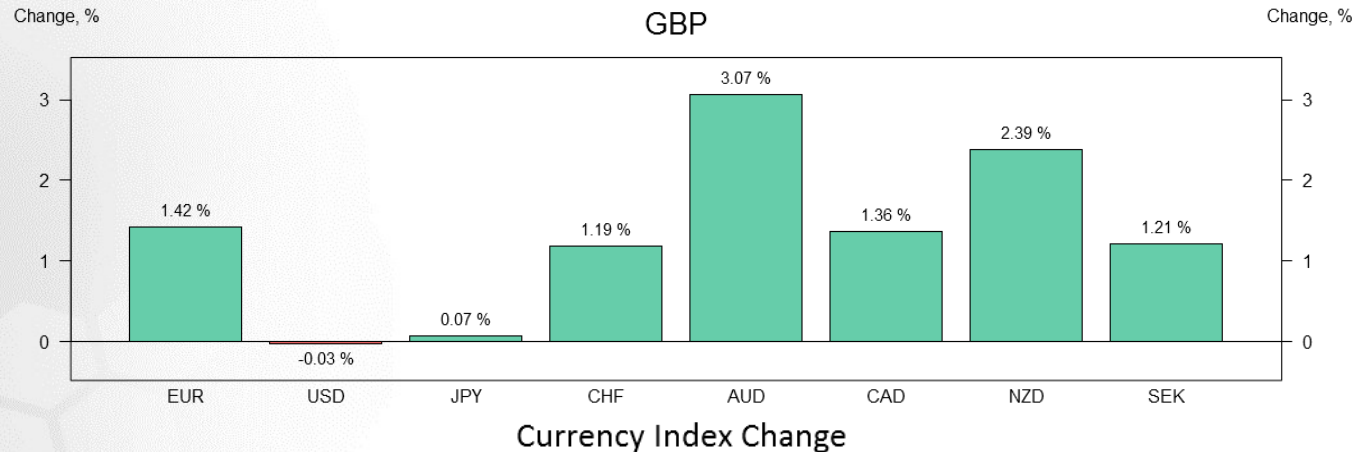
Relative Currency Strength

Currency Indexes



During past five trading days, the British Pound was a clear outperformer on the market. This currency surged considerably by as much as 1.32% from Wednesday of the previous week till Tuesday of this week, only losing against the US Dollar by 0.03%, which itself climbed 1.37% across the board. The Sterling has also traded clearly above the baseline since the second part of Thursday, while hovering below it on March 25. Australian and New Zealand dollars, in turn, were the major losers last week, which resulted in a drop of their crosses with the Pound of 2.08% and 1.34%, respectively.

Despite positive fundamental background, the Pound began its most recent weekly period on March 25 on a rather neutral note, even by declining slightly. BBA Mortgage Approvals showed a better than expected rise in February, signalling that UK property market is recovering. On Thursday, the Pound slipped even more, against much more than optimistic retail sales in Britain for the month of February, which rose 5.7% on the annual basis. A revival began taking place during the second part of the same day, helped by worse than estimated statistical data from Japan and US. GBP Index reached its weekly maximum above 101.5 points on Tuesday, when Office for National Statistics revealed that the UK economy advanced more than initially forecasted in Q4.

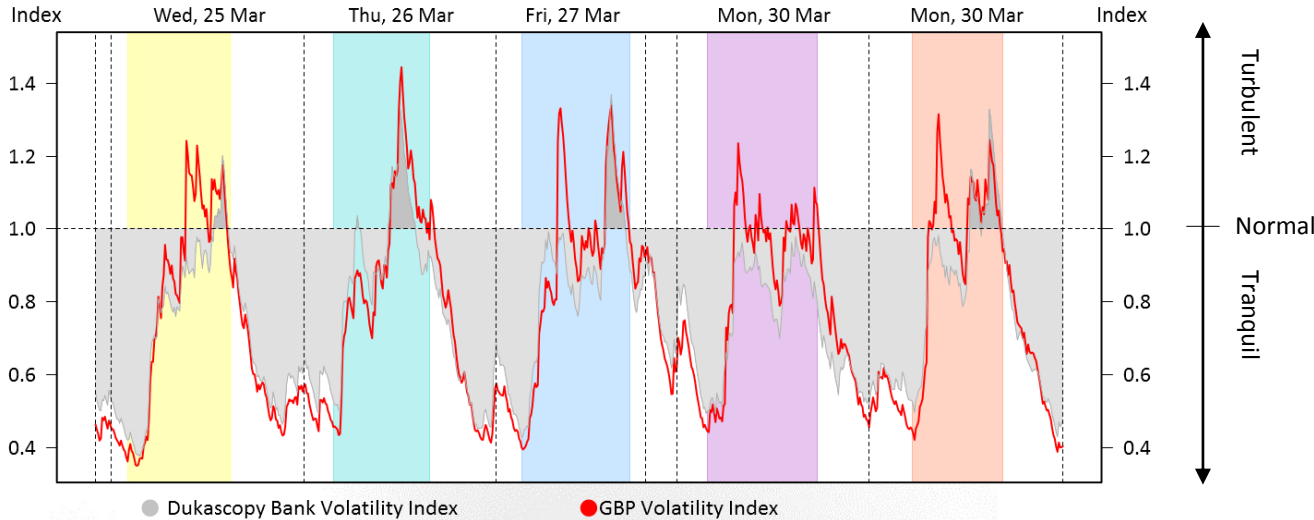


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.26%	1.37%	1.25%	1.32%	-0.01%	-2.08%	-0.19%	-1.34%	-0.03%
20	-1.81%	1.85%	1.89%	-1.49%	1.06%	-0.84%	0.76%	0.19%	-2.3%
130	-7.94%	9.6%	0.39%	0.46%	8.64%	-4.24%	-3.39%	5.8%	-10.18%
250	-10.59%	17.26%	0.31%	4.2%	6.76%	-4.82%	1.77%	0.13%	-15%



Volatility

Volatility



Following the unusually high volatility of the Sterling two weeks ago, last week this indicator returned closer to the norm, with most of time being tranquil, rather than turbulent. Portions of the elevated volatility for the Pound stayed at just 22%, even though it has significantly exceeded the market's average at 10%. Meanwhile, the average volatility hovered well under the mean level at 0.77 points last week, while the period's minimum was set just at 0.35 points and below the market's 0.38. The most turbulent currency pairs with the British Pound used to be GBP/JPY and GBP/CAD, as they both spent around 32% of all time above the normal volatility level.

As it can be seen from the main volatility chart, this indicator used to show a considerable increase in the Pound's turbulence from time to time. The first spike took place already on the first day of the period, when the volatility index reached 1.2 points, driven mostly by external factors, rather than the UK statistics, while US durable goods orders have dropped noticeable despite optimistic expectations. The highest volatility, however, was hit a day later at 1.44 points and was considerably influenced by data both from Britain on retail sales and the US on jobless claims. Similar turbulence jumps were noticed on Friday and Tuesday, but in general both the Sterling and market remained silent throughout the vast part of the period.

Elevated Volatility (% of the observed period)

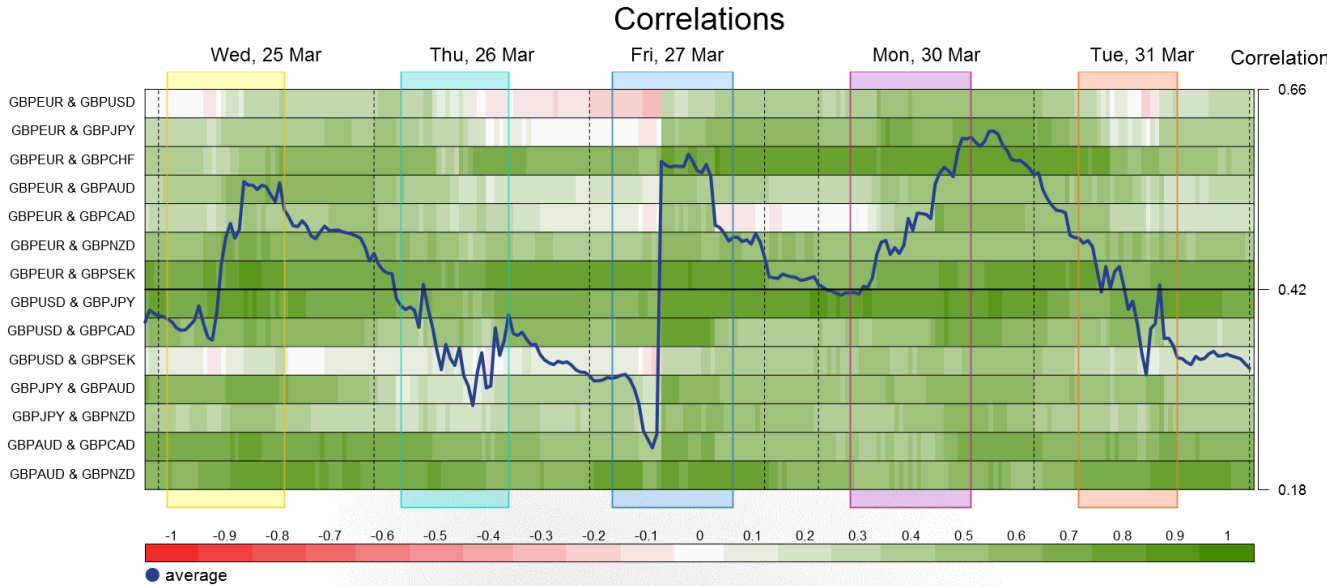
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
10	22	25	27	32	29	19	32	10	15

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.37	1.44	1.81	1.96	1.69	1.91	1.47	1.93	1.45	1.73
Min	0.38	0.35	0.24	0.2	0.33	0.29	0.33	0.31	0.33	0.21
Average	0.75	0.77	0.74	0.79	0.84	0.78	0.79	0.82	0.72	0.7



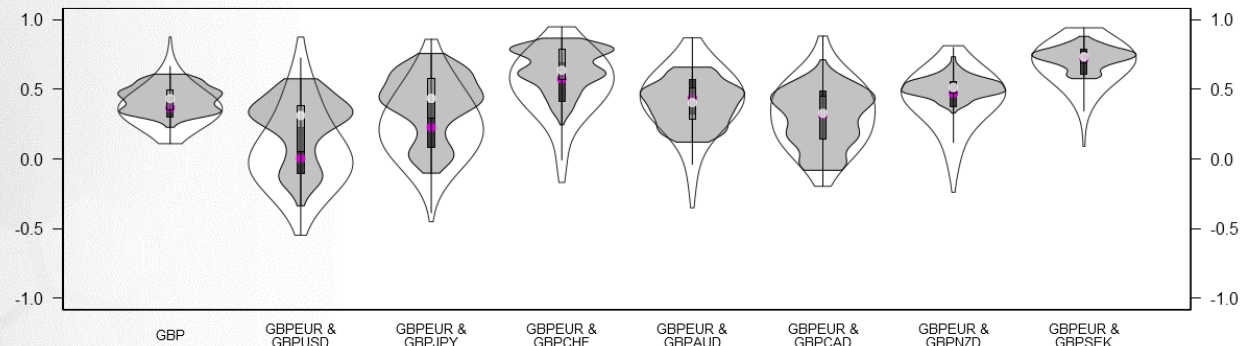
Currency Significance



The period was rich with influential economic releases on all the major currencies, so there were several periods of high and low correlation between different GBP pairs. As a result, the distributions of the components had quite heavy tails in the majority of all cases. The composite itself, which measures the significance of the Pound on the market, stayed at 0.43 on average, slightly higher than both 20 and 130-day averages, but almost the same as the preceding week's level. Meanwhile, GBP/USD and GBP/EUR, along with GBP/EUR and GBP/CAD demonstrated one of the lowest correlations for the second week in a row.

Following some optimism in the beginning of the period, correlations of the British pound started to deteriorate gradually and erased positive gains later on Thursday and Friday. The weekly minimum was reached at just 0.23 points on the last day of previous working week, while especially strong impact came from GBP/EUR's correlation with GBP/USD, which started falling below zero, as more or less positive news from the Euro zone were mostly offset by disappointing statistics from the United States. Nevertheless, a sharp and fast return above zero provided the composite with strong positive impetus as it surged instantly from its weekly minimum up to 0.57 points. Still, despite remaining above baseline during the weekend and on Monday, the composite decreased on Tuesday to close period at 0.32 points.

Correlations (5 vs 20 days)

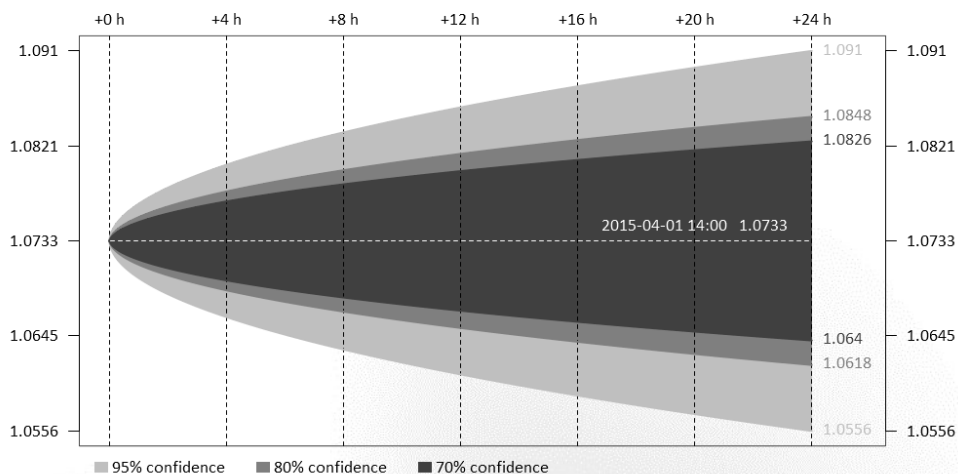


Mean Correlation Coefficient (with GBPEUR)

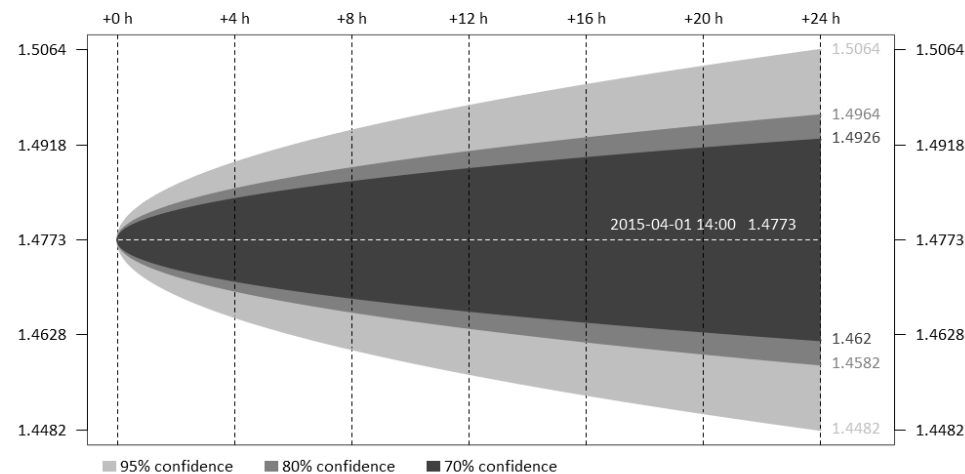
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.43	0.23	0.4	0.65	0.4	0.29	0.51	0.73
20	0.38	0.06	0.25	0.54	0.42	0.31	0.44	0.69
130	0.35	0.2	0.36	0.72	0.35	0.3	0.38	0.61
250	0.38	0.33	0.4	0.81	0.34	0.33	0.35	0.61

Confidence Intervals for Next 24 Hours

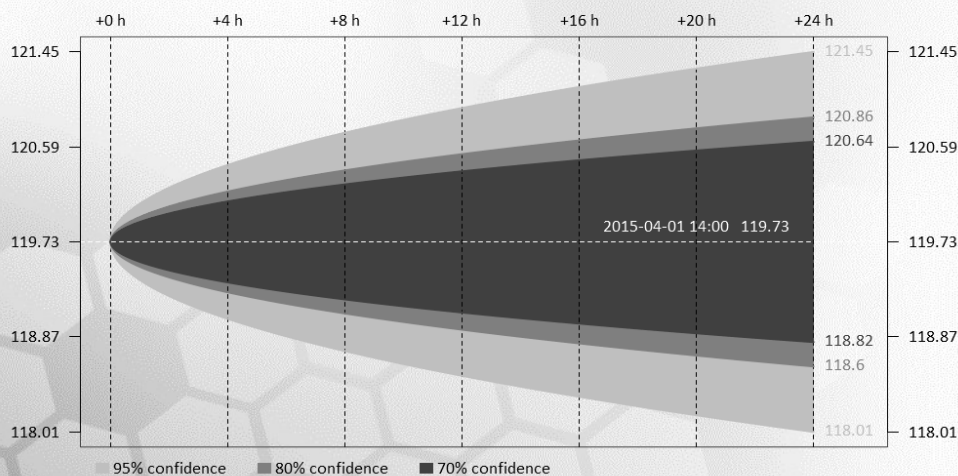
EURUSD Potential Rates



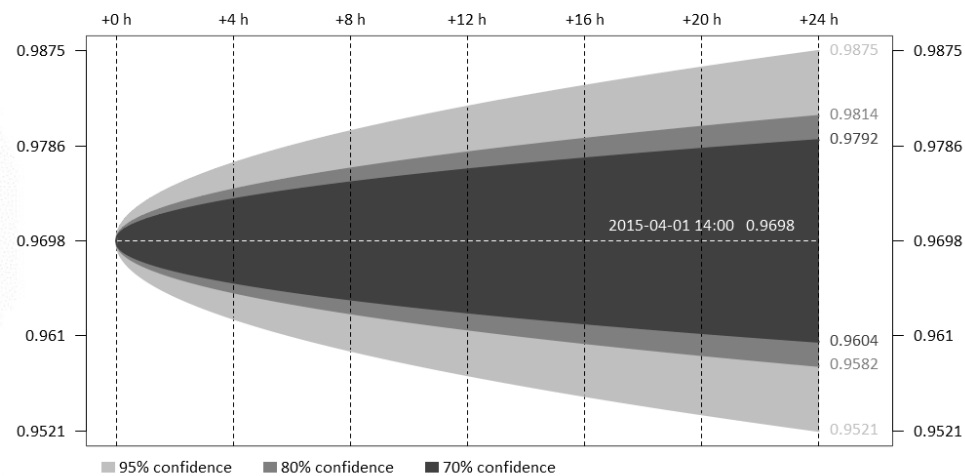
GBPUSD Potential Rates



USDJPY Potential Rates



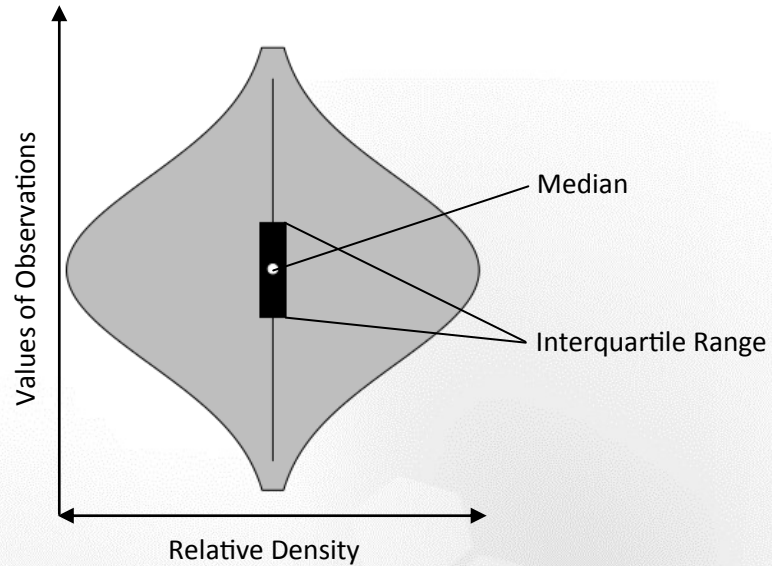
USDCHF Potential Rates



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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