



**GBP**

15/04/2015



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# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
April 8	April 9	April 10	April 13	April 14
03:30 - 20:00	04:00 - 16:30	05:00 - 17:30	00:30 - 15:30	04:00 - 17:30
<ul style="list-style-type: none"> <li>German Factory Orders</li> <li>Euro zone's Retail Sales</li> <li>FOMC Minutes</li> </ul>	<ul style="list-style-type: none"> <li>UK Trade Balance</li> <li>BoE Interest Rate Decision and Asset Purchase Facility</li> <li>German Trade Balance</li> <li>US Unemployment Claims</li> </ul>	<ul style="list-style-type: none"> <li>UK Manufacturing Production</li> <li>UK NIESR GDP Estimate</li> <li>Chinese CPI</li> <li>Canadian Employment Change</li> <li>Swiss Unemployment Rate</li> </ul>	<ul style="list-style-type: none"> <li>Chinese Trade Balance</li> </ul>	<ul style="list-style-type: none"> <li>UK CPI</li> <li>Chinese GDP</li> <li>Euro zone's Industrial Production</li> <li>US Retail Sales</li> </ul>

GBP Currency Index Change

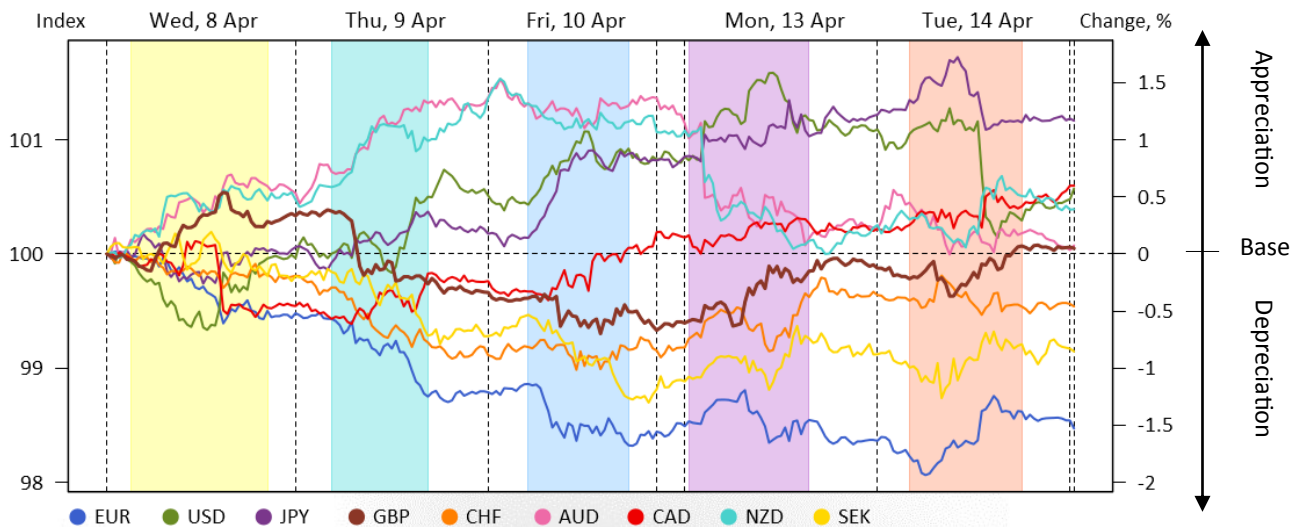
0.33%	-0.64%	-0.12%	0.44%	0.29%
1.34	1.28	1.44	1.26	1.59

Max GBP Volatility Index



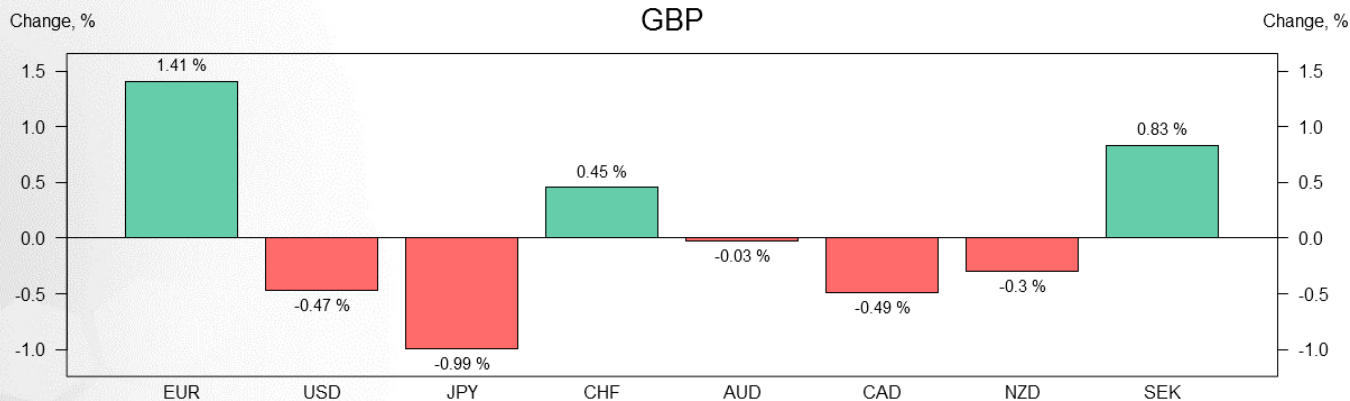
# Relative Currency Strength

## Currency Indexes



Despite rather volatile movements throughout the seven-day period between April 8 and April 14, the British currency was broadly unchanged on a weekly basis. The mixed situation could also be observed with other currencies on the market. As a result of that, the Sterling managed to gain value against three other major currencies, while declining versus five of them. Most noticeably, the Pound surged 1.41% in its currency pair with the Euro, which has been a clear under-performer of the period and lost 1.53%. On the other hand, the Yen jumped the most by 1.17% during period, and EUR/JPY alone falling by 0.99%.

The beginning of the period was fairly positive for the British Pound. On Wednesday, it climbed above 100.5 points to reach its weekly maximum, driven by positive fundamentals from different countries around the world. However, all gains were lost immediately on Thursday, following considerably worse than estimated trade balance data from the UK. Moreover, apart from rising trade deficit, the Bank of England kept main rates unchanged, thus fuelling the Sterling's slump. Later, the GDP Index continued hovering around 99.4 points on Friday-Monday. Some optimism was caused by inflation data on Tuesday as Britain escaped the case of the CPI falling below zero. It, in turn, produced an overall positive change of the Sterling of just 0.05% by the end of Tuesday.



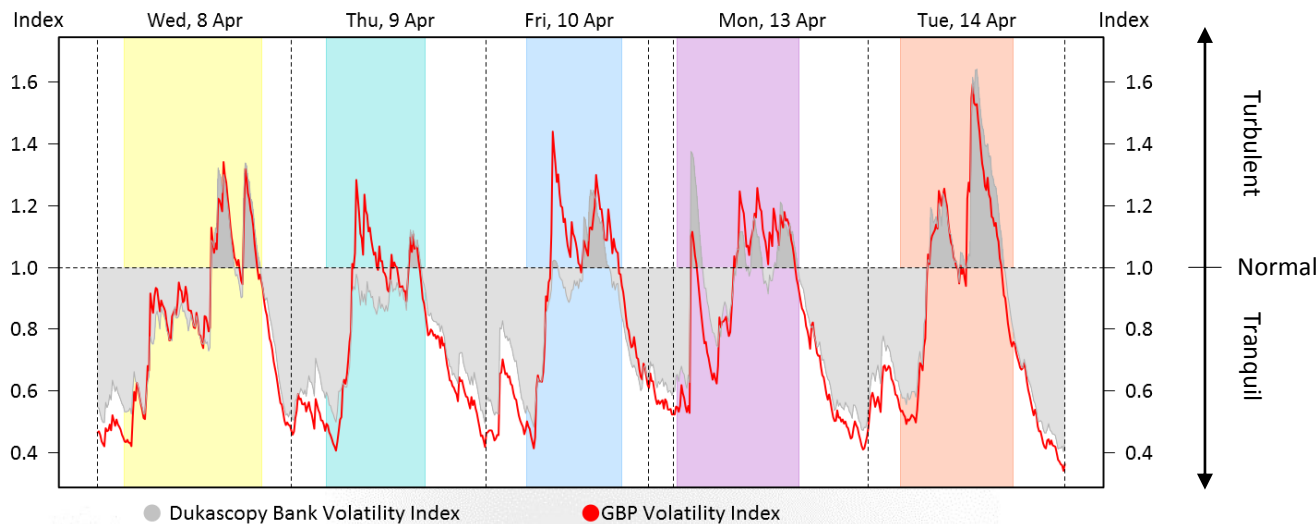
### Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.53%	0.57%	1.17%	0.05%	-0.46%	0.07%	0.6%	0.39%	-0.85%
20	-0.84%	-0.96%	0.53%	-1.07%	2.43%	-1.26%	1.51%	1.93%	-2.64%
130	-9.18%	9.83%	-1.61%	2.09%	8.51%	-4.96%	-0.45%	5.97%	-11.27%
250	-11.64%	17.87%	-0.16%	3.77%	6.46%	-6.07%	3.2%	1.41%	-14.85%



# Volatility

## Volatility



The British Pound continued to show moderate volatility numbers during the period ended April 14. However, this time we could definitely observe major spikes and downturns throughout the week, when strongly tranquil periods were surprisingly changed by turbulence indicators above the norm. In the meantime, elevated volatility of the British currency stayed as low as 29%, meaning that the Pound remained silent for most of the time from Wednesday of last week till Tuesday of this week. Nevertheless, this number still managed to exceed the market mean of just 22%. The most turbulent currency pair, however, used to be GBP/AUD, which was volatile 32% of all time.

As 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 jumped above 1.3 points, driven by FOMC meeting minutes. Local nervousness of the Sterling took place every day; however, we should point out the most noticeable surge in volatility of this currency. It happened on Tuesday, the last day of the period. At the same time, news from the UK on the CPI used to be only a minor driver of Tuesday's volatility. Mainly, the highest turbulence of 1.6 points was produced by US retail sales numbers, which fell short of market expectations.

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

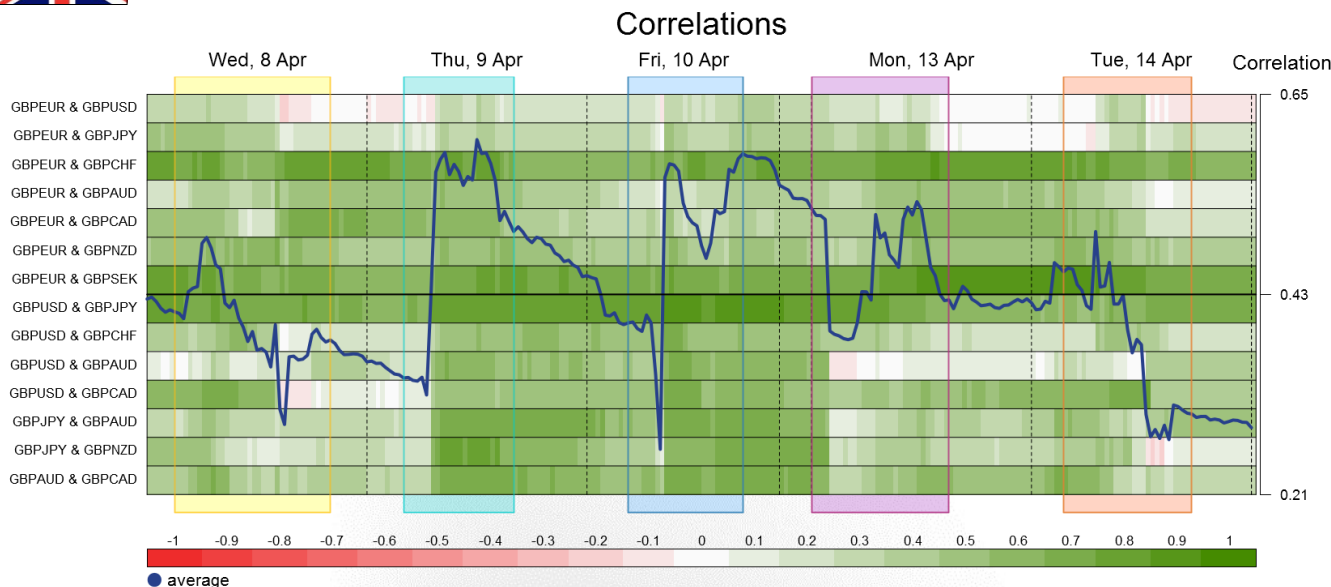
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
22	29	30	21	23	21	32	29	24	30

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.64	1.59	1.67	2.54	1.79	1.46	3.46	1.83	2.17	2.1
Min	0.4	0.34	0.24	0.19	0.3	0.22	0.33	0.23	0.35	0.23
Average	0.82	0.8	0.76	0.77	0.79	0.71	0.9	0.78	0.82	0.85



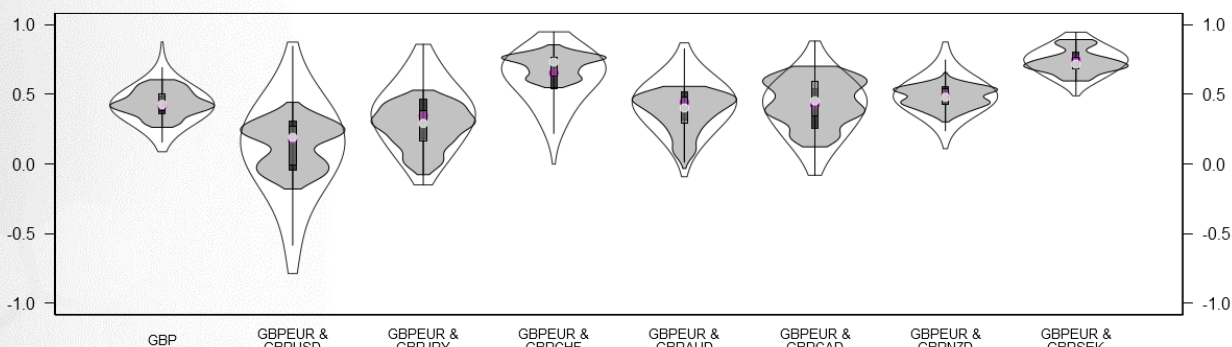
# Currency Significance



The period was rich with influential economic releases on all the major currencies, thus posting rather volatile correlations. Despite that, the distributions of the components had quite short but wide tails in the majority of all cases, except GBP/EUR with GBP/USD. The composite itself, which measures the significance of the Pound on the market, stayed at 0.44 on average, higher than both 20 and 130-day averages, and just slightly above the level seen two weeks ago in our previous review. Meanwhile, GBP/USD and GBP/EUR, along with GBP/EUR and GBP/JPY demonstrated one of the lowest correlations during the week, at 0.14 and 0.27 points on average, respectively.

Looking at events during the period and their influence on correlations between different currency pairs of the British Pound, we can see that the first major change took place already on April 8. On that day, some USD currency pairs decided to develop in a separate trend, following the release of FOMC meeting minutes. However, GBP currency pairs traded in the same direction after Thursday's trade balance data from the UK, when the composite reached its weekly high of 0.63 points. On Friday, the worse than forecasted UK manufacturing production data resulted in the lowest GBP correlations during the period, with composite plunging to just 0.26 points. Towards the end of the period correlations undertook some attempts to recover, but eventually failed to do that and closed the period at 0.29 points.

Correlations (5 vs 20 days)

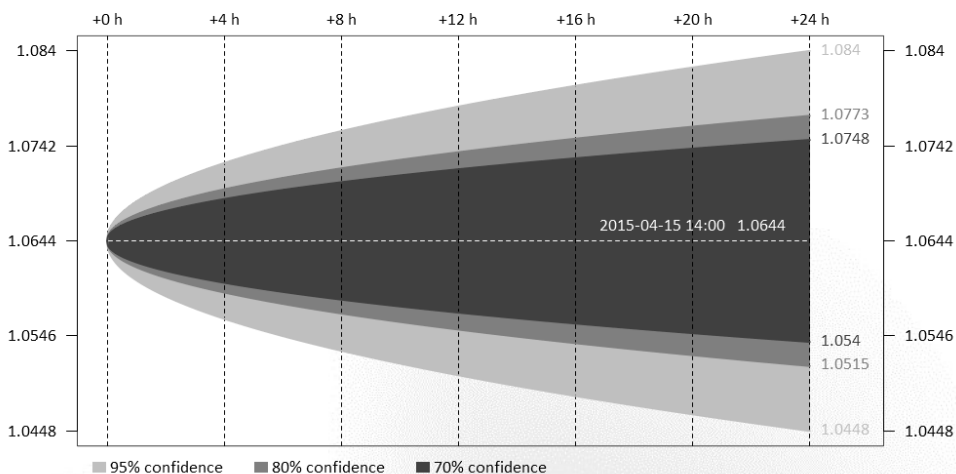


Mean Correlation Coefficient (with GBPEUR)

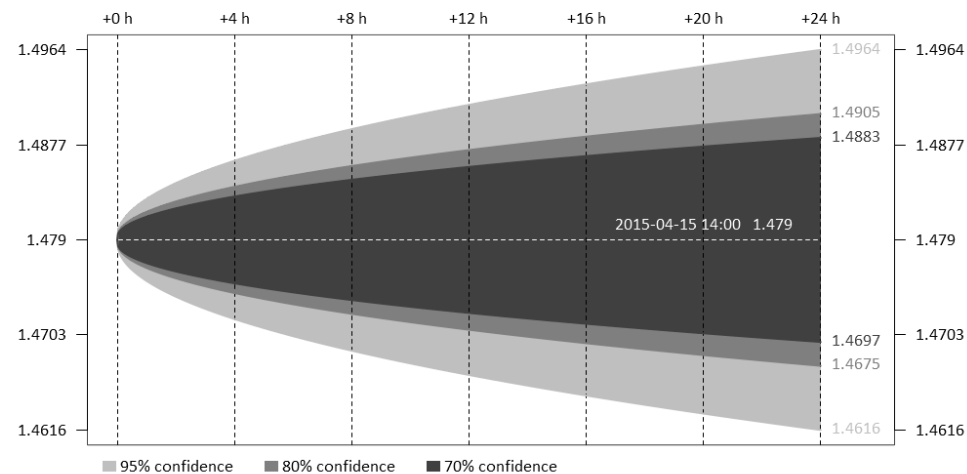
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.44	0.14	0.27	0.71	0.37	0.45	0.48	0.73
20	0.42	0.11	0.34	0.62	0.42	0.41	0.49	0.74
130	0.36	0.2	0.35	0.7	0.36	0.31	0.39	0.62
250	0.39	0.32	0.4	0.8	0.35	0.34	0.36	0.61

# Confidence Intervals for Next 24 Hours

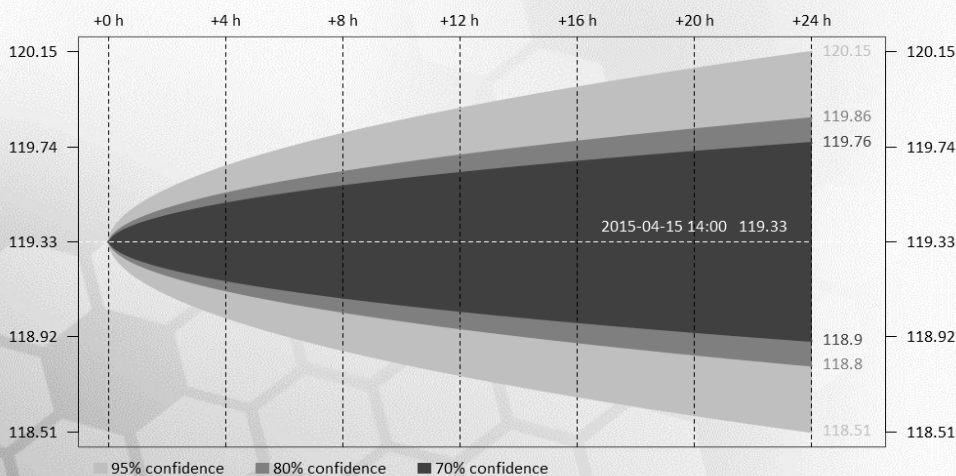
EURUSD Potential Rates



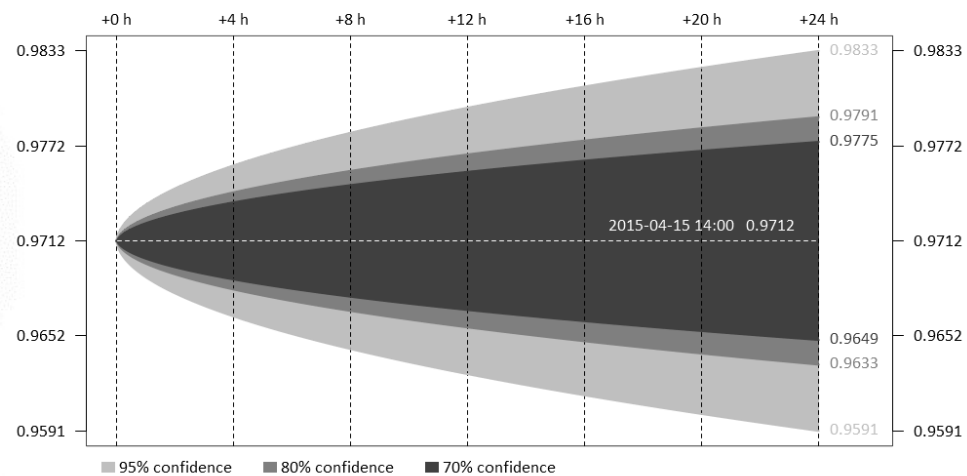
GBPUSD Potential Rates



USDJPY Potential Rates



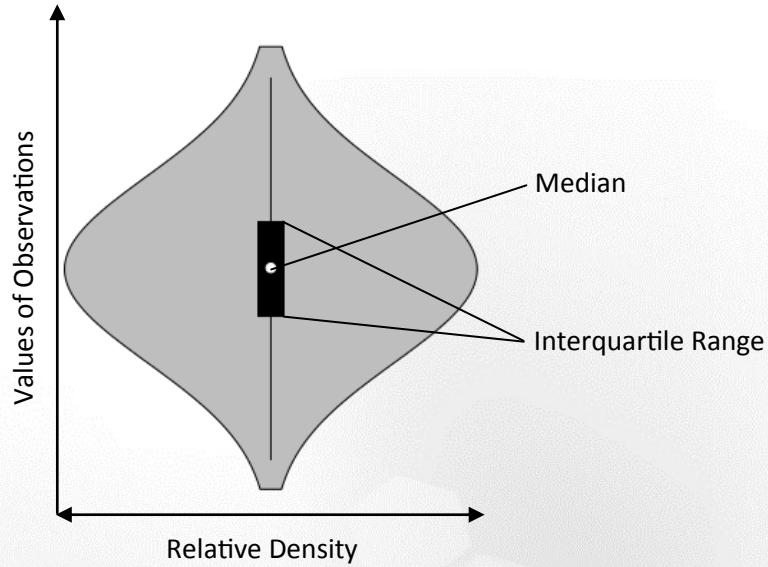
USDCHF Potential Rates



# 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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