



GBP

13/05/2015



DUKASCOPY
RESEARCH PRODUCTS



Market Research



Dominant Events of the Period

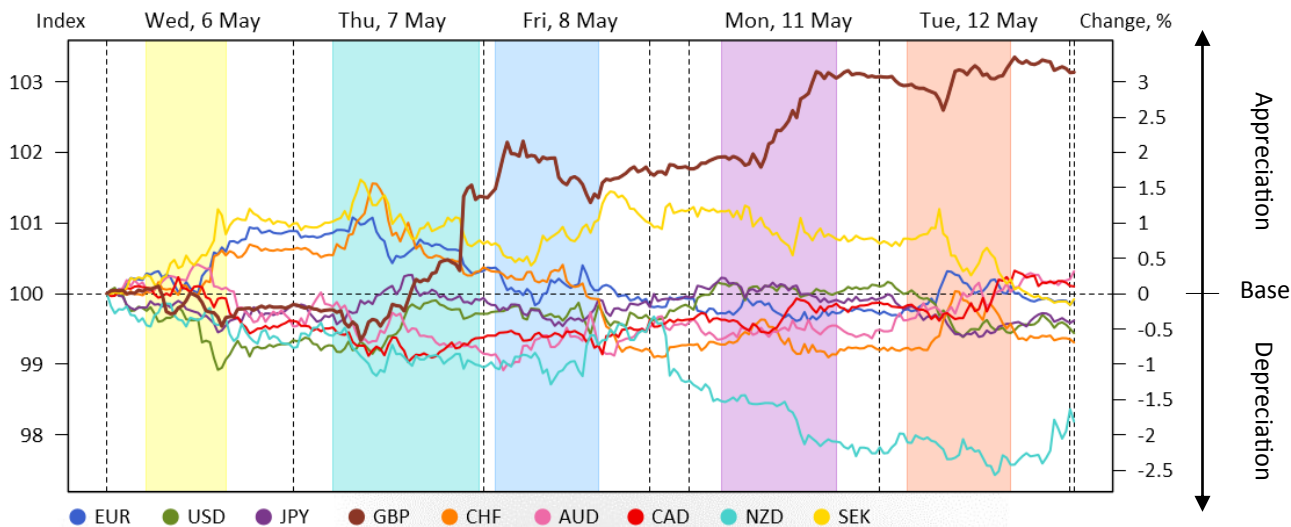
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
May 6	May 7	May 8	May 11	May 12
05:00 - 15:30	04:30 - 23:30	01:30 - 14:30	03:30 - 18:00	03:30 - 16:00
<ul style="list-style-type: none"> UK Markit Services PMI US ADP Employment Change Euro zone's Retail Sales ECB Non-Monetary Policy Meeting 	<ul style="list-style-type: none"> UK Parliamentary Election Australian Employment Change and Unemployment Rate German Factory Orders US Unemployment Claims 	<ul style="list-style-type: none"> UK Trade Balance German Trade Balance US Non-Farm Payrolls and Unemployment Rate 	<ul style="list-style-type: none"> BoE Interest Rate Decision and Asset Purchase Facility Eurogroup Meeting in Brussels 	<ul style="list-style-type: none"> UK Manufacturing Production UK NIESR GDP Estimate US Monthly Budget Statement

GBP Currency Index Change	-0.41%	1.61%	-0.13%	1.12%	0.32%
Max GBP Volatility Index	1.63	5.83	2.52	1.95	2.31



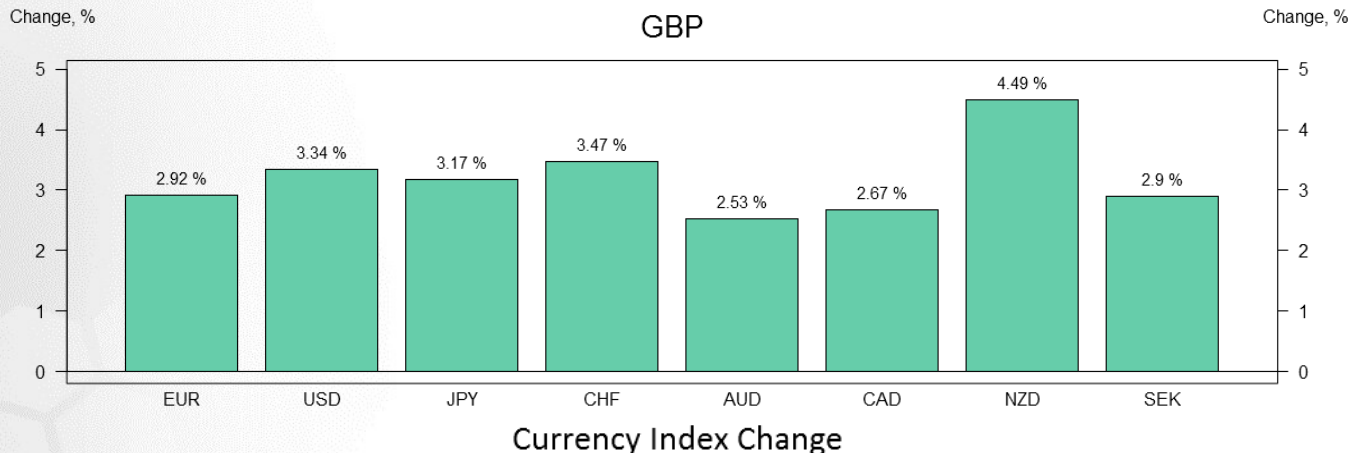
Relative Currency Strength

Currency Indexes



Without any doubt, the British Pound has been the best performing currency on the foreign exchange in course of the previous working week. There were many influential factors that altogether managed to push the UK currency considerably to the upside. The green performance has been observed against all major currencies, with the biggest increased posted by GBP/NZD and GBP/CHF crosses of 4.49% and 3.47%, respectively. Other currency pairs of the Sterling, however, followed shortly with significant gains as well. In the meantime, the Kiwi lost the most last week, as continuous weakness pushed its currency down by 1.81% on a weekly basis.

In the first two days of the period the Sterling has even hovered below the baseline, awaiting the most important weekly event — the UK Election. However, exit polls showing that David Cameron’s Conservative Party won a majority of seats in the new House of Commons resulted in the Pound Index skyrocketing above 101. A positive trend was preserved for the rest of the period, and gains continued to accumulate, while the gap down to the second best performer, the Australian Dollar, continued to widen. An increase of the Sterling was additionally fuelled by the BoE’s Monday decision to keep monetary policy unchanged, as well as better-than-estimated UK manufacturing data on Tuesday. All in all, the Pound surged 3.14% in five trading days through Tuesday.

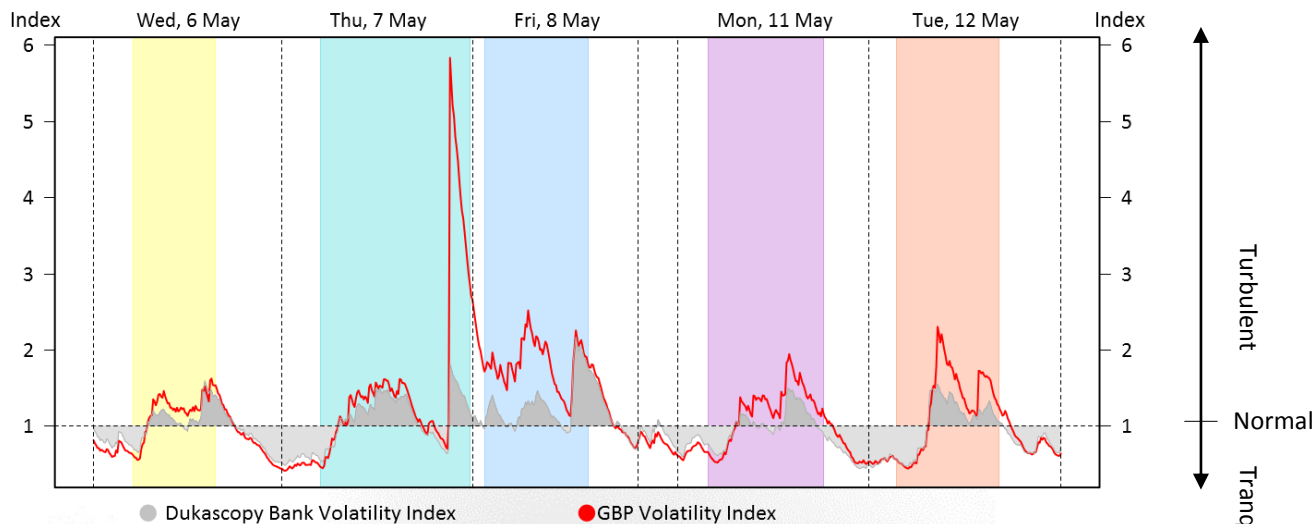


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.1%	-0.56%	-0.38%	3.14%	-0.69%	0.32%	0.1%	-1.81%	-0.08%
20	3.1%	-3.29%	-4.08%	3.08%	1.48%	2.47%	0.86%	-5.2%	3.1%
130	-6.49%	5.04%	1.22%	3.65%	9.85%	-3.96%	-1.05%	-1.06%	-8.05%
250	-8.82%	14%	-3.84%	5.74%	8.98%	-3.62%	3.2%	-3.09%	-12.53%



Volatility

Volatility



Judging from the main volatility chart, it may seem that the Sterling has been increasingly volatile during only one weekly event—the UK General Election on Thursday. However, the real situation used to be slightly different, and the Pound was turbulent for the biggest part of all time throughout the week. Elevated volatility indicator stayed at 54%, which is way above the number seen during two previous weeks. Moreover, the market average elevated volatility of 48% has also been surpassed. Among currency pairs, the most turbulent one used to be the GBP/NZD (62%), reflecting strong divergence between price developments of these two currencies last week.

While waiting for the Election Day on May 7, the Pound's volatility stood mostly around the mean historical levels, as markets were undecided on the result of the election itself and opinion polls pointed on the Hung Parliament eventually. Neither US ADP Employment data nor UK Services PMI gave the GBP volatility enough impetus on Wednesday. However, the next day the turbulence maximum was reached as the Sterling's volatility index climbed as high as 5.83 points, while some of the currency pairs posted the indicator close to 7 points (GBP/JPY and EUR/GBP). Volatility remained uplifted in the beginning of a new working week, but the new spikes on Monday and Tuesday have already been driven mostly by fundamentals.

Elevated Volatility (% of the observed period)

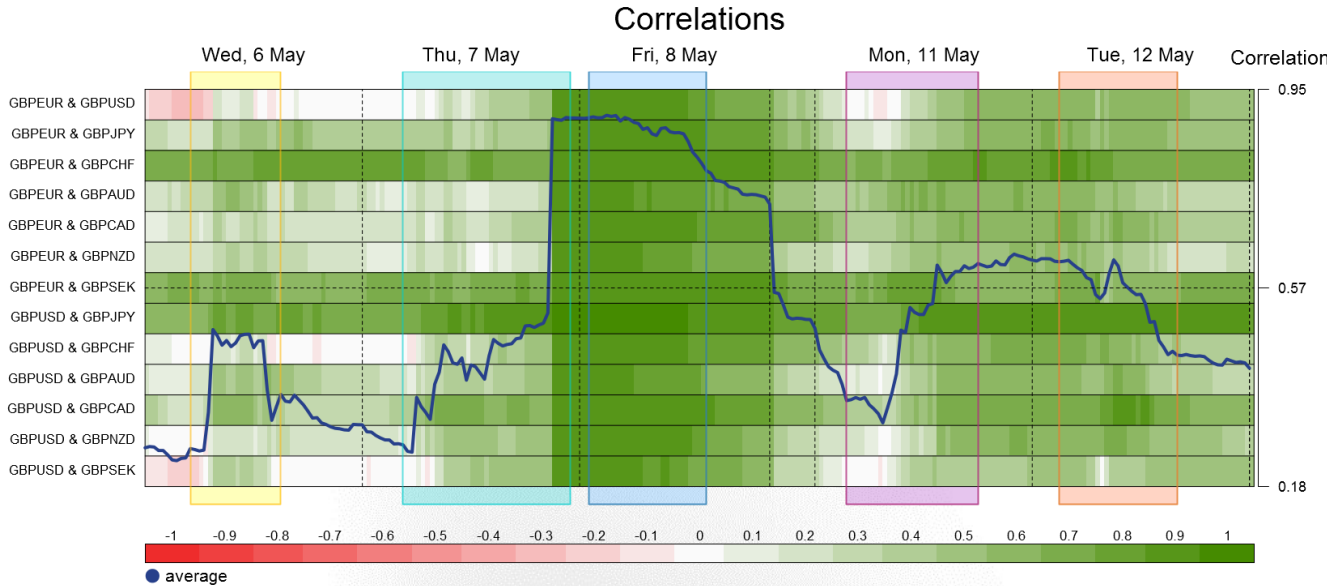
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
48	54	54	52	56	51	54	52	62	55

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.17	5.83	6.65	6.62	6.95	5.12	5.31	5.56	5.77	5.16
Min	0.45	0.42	0.25	0.23	0.29	0.21	0.49	0.2	0.58	0.27
Average	0.99	1.18	1.22	1.17	1.22	1.07	1.22	1.12	1.26	1.16



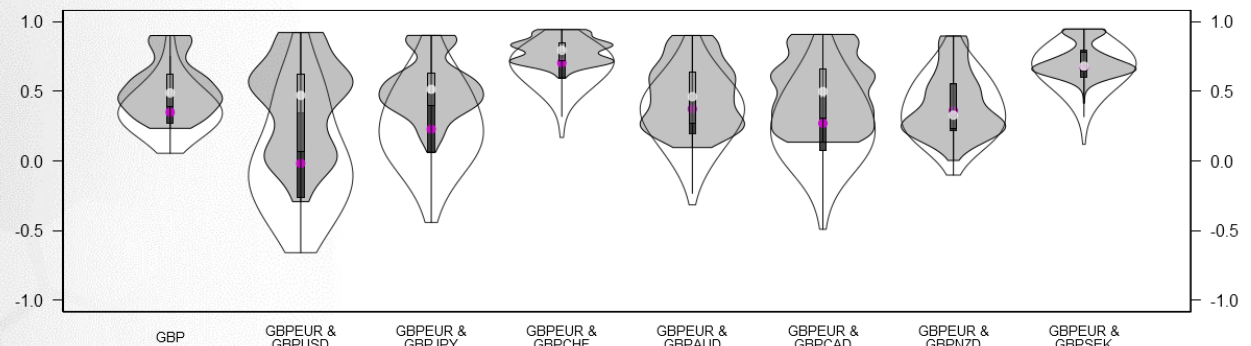
Currency Significance



The period was rich with influential fundamental releases on the Pound, in particular, thus resulting in rather volatile correlations. The distributions of the components have also had quite long and wide tails in the majority of all cases, except GBP/EUR with GBP/CHF. The composite itself, which measures the significance of the Pound on the market, stayed at 0.53 on average, much higher than both 20, 130 and 250-day averages, as well as above the level seen two weeks ago in our previous review. Meanwhile, GBP/CHF and GBP/EUR, along with GBP/EUR and GBP/SEK demonstrated one of the highest correlations during the week at 0.79 and 0.72 points on average, respectively.

The composite started the period with exceptionally low correlation reading at just 0.26 points. However, the first upside momentum was caused by UK Services PMI data, but growth was not sustained for that moment and the real recovery began only on Thursday. All currency pairs of the British Pound behaved in the same manner on Thursday evening and the move continued through Friday as well. During these two days the mean correlation coefficient between all GBP currency pairs jumped to 0.90 points at its maximum, the level we have not observed for a long period of time. Despite that, the united movement of the pairs was nullified on Monday, and the composite returned to its historical averages. Therefore, the correlation coefficient closed the previous week's time period at the mark of 0.41.

Correlations (5 vs 20 days)

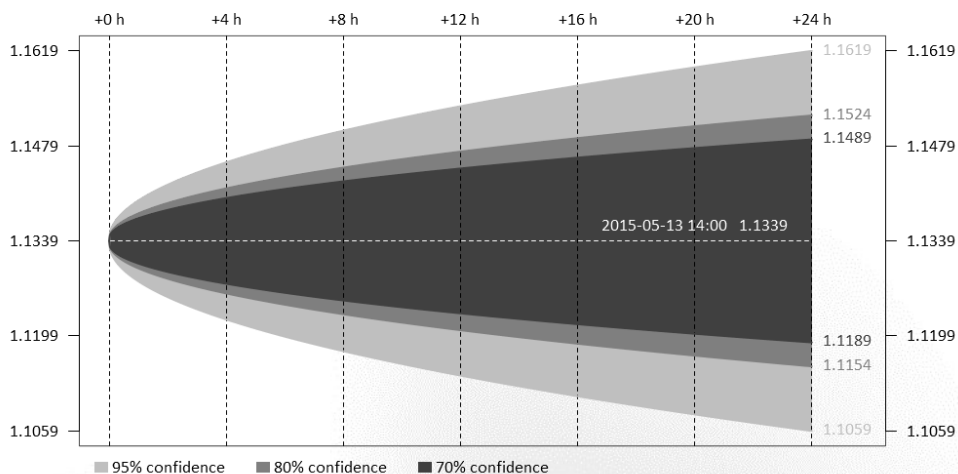


Mean Correlation Coefficient (with GBPEUR)

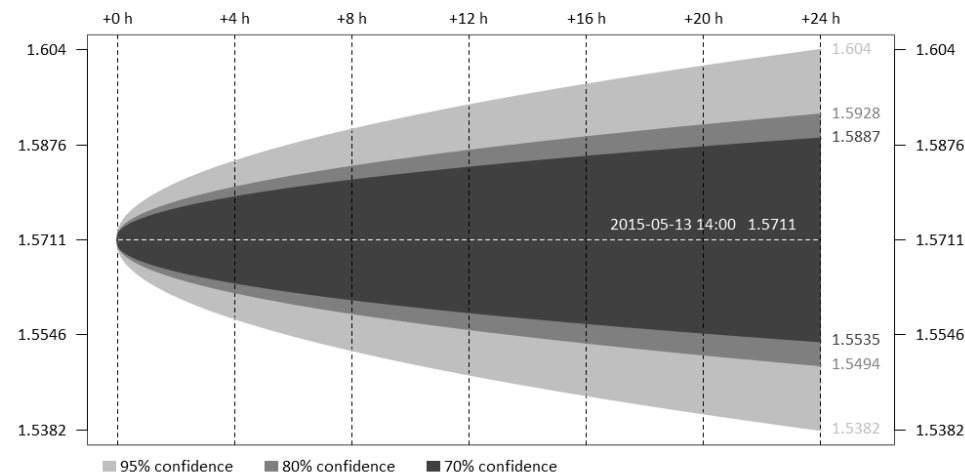
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.53	0.4	0.54	0.79	0.48	0.5	0.41	0.72
20	0.38	0.03	0.26	0.68	0.35	0.27	0.38	0.68
130	0.35	0.17	0.32	0.66	0.35	0.3	0.38	0.62
250	0.39	0.29	0.4	0.79	0.36	0.34	0.38	0.62

Confidence Intervals for Next 24 Hours

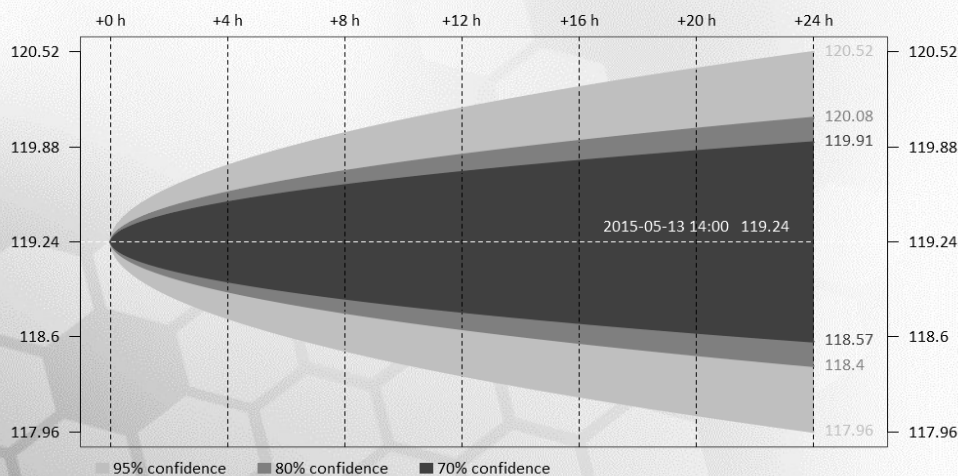
EURUSD Potential Rates



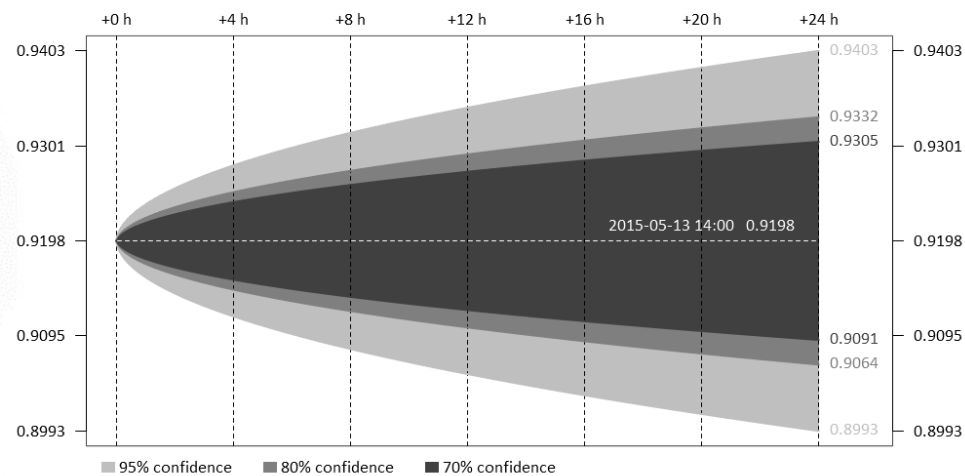
GBPUSD Potential Rates



USDJPY Potential Rates



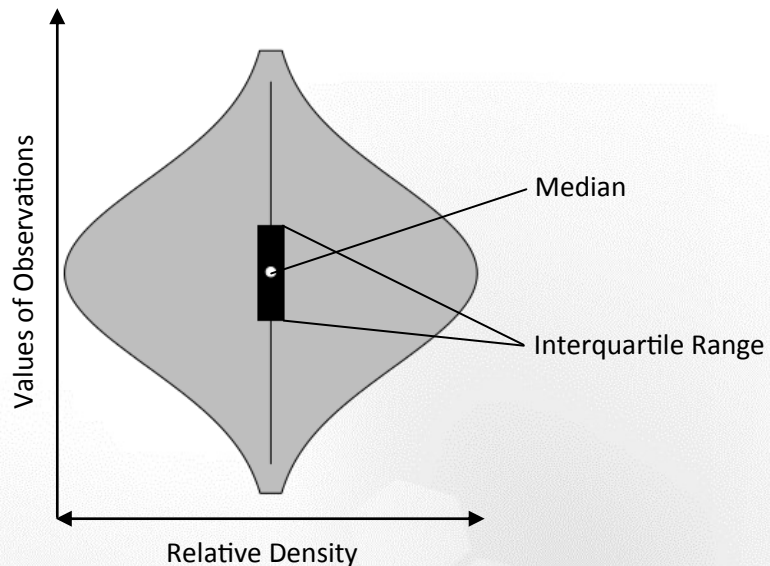
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

Violin Plot is a combination of a Box Plot and rotated Kernel Density Plot



Methodologies

Volatility Index

Confidence Interval



Newest releases and archive:

- Fundamental Analysis
- Technical Analysis
- Press Review
- Market Research
- Expert Commentary
- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
- Commodity Overview
- Economic Research
- Quarterly Report
- Aggregate Technical Indicator

Additional information:

- Dukascopy Group Home Page
- Market News & Research
- FXSpider
- Live Webinars
- Dukascopy TV
- Daily Pivot Point Levels
- Economic Calendar
- Daily Highs/Lows
- SWFX Sentiment Index
- Movers & Shakers FX
- Forex Calculators
- Currency Converter
- Currency Index
- CoT Charts

Social networks:



Disclaimer

Everything in this article, including opinions and figures, is provided for informational purposes only and may not be interpreted as financial advice or solicitation of products. Dukascopy group assume no responsibility for the completeness or the accuracy of any data contained in this article. Financial figures indicated in this article have not been verified by the Dukascopy group. Views, opinions and analyses are those of the author of the article, and are not endorsed by the Dukascopy group.

Dukascopy group waive any and all warranties, express or implied, regarding, but without limitation to, warranties of the merchantability or the fitness for a particular purpose, with respect to all information in this article. Dukascopy group shall under no circumstances be responsible for any direct, indirect, consequential, contingent or any other damages sustained in connection with the use of this article.