



GBP

20/05/2015



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Market Research





Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
May 13	May 14	May 15	May 18	May 19
04:00 - 17:30	05:00 - 16:00	04:30 - 15:00	05:30 - 14:30	01:30 - 15:00
<ul style="list-style-type: none"> ■ <u>UK Claimant Count Change and Unemployment Rate</u> ■ <u>BoE Quarterly Inflation Report</u> ■ <u>French GDP</u> ■ <u>German GDP</u> ■ <u>Euro zone GDP</u> ■ <u>US Retail Sales</u> 	<ul style="list-style-type: none"> ■ <u>Bank of Canada Review</u> ■ <u>ECB President Draghi's Speech</u> ■ <u>US Unemployment Claims</u> 	<ul style="list-style-type: none"> ■ <u>US Industrial Production and Reuters/Michigan Consumer Sentiment Index</u> 	<ul style="list-style-type: none"> ■ <u>Japanese Industrial Production</u> 	<ul style="list-style-type: none"> ■ <u>UK CPI</u> ■ <u>Euro zone Trade Balance and Final CPI</u> ■ <u>German ZEW Economic Sentiment</u> ■ <u>US Housing Starts</u>

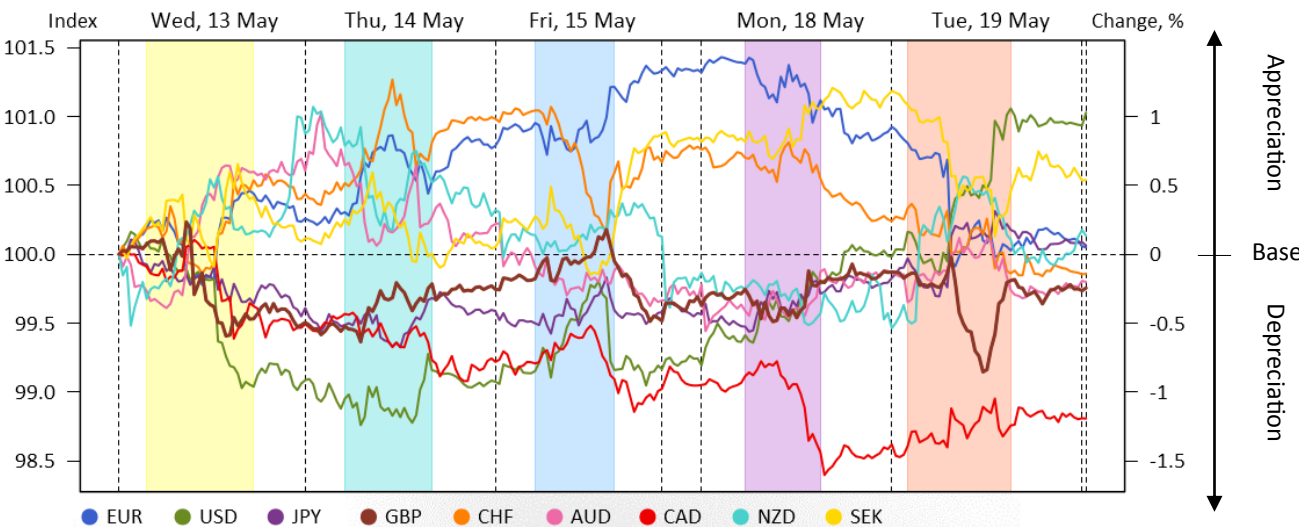
GBP Currency Index Change	-0.54%	0.31%	0.13%	0.06%	-0.04%
Max GBP Volatility Index	1.86	1.16	1.17	1.26	1.94



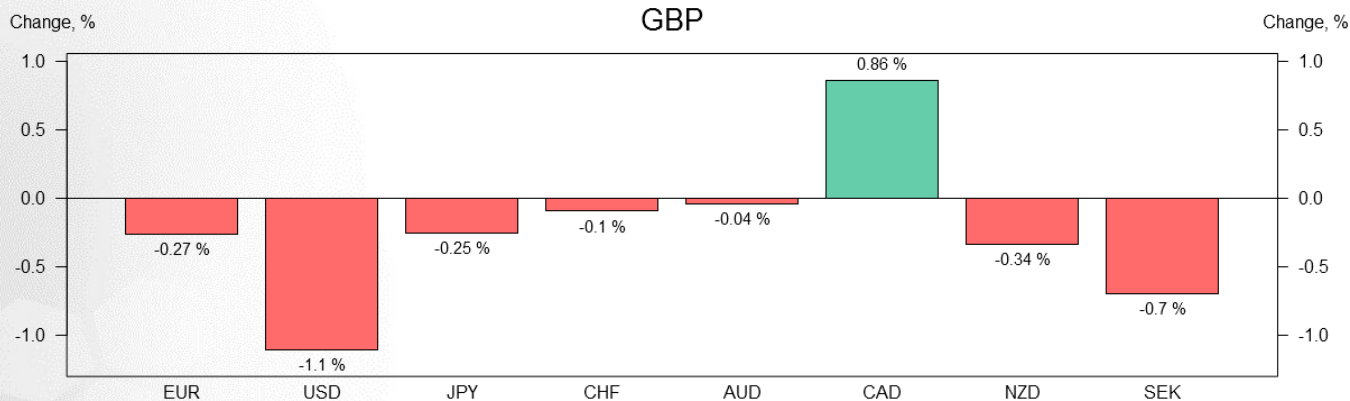
Relative Currency Strength

Currency Indexes

After exceptionally bullish May 6-12 week for the British currency, during the most recently observed period we have seen some downward correction in its value. Excluding two short-term hikes on Wednesday and Friday, the Sterling traded below the baseline for the rest of the time in course of the week. Among other majors, only the Canadian Dollar traded in a more negative trend, against which the Pound gained 0.86%. On the contrary, the strongest drop was registered by GBP/USD and GBP/SEK pairs, which amounted to 1.1% and 0.7%, respectively. Despite that, the monthly change in the Pound's value still remains positive at healthy 3%.



On Wednesday of the previous week, the British currency developed in the mixed environment, by trying to price in the controversial data on labour market performance. The total number of jobless claims decreased in April, but the change was narrower than estimated by economists. However, wages showed a rise in pace of growth, as they added 1.9% in three months through March. Nevertheless, the bearish tendency of the Sterling appeared already by the end of the first day, and this currency was mainly driven by foreign news until Tuesday. A slump towards 99 points for the GBP Index was caused by British inflation that fell below zero for the first time in 55 years. After a slight rebound, the currency ended the weekly period with an overall 0.24% loss in value.



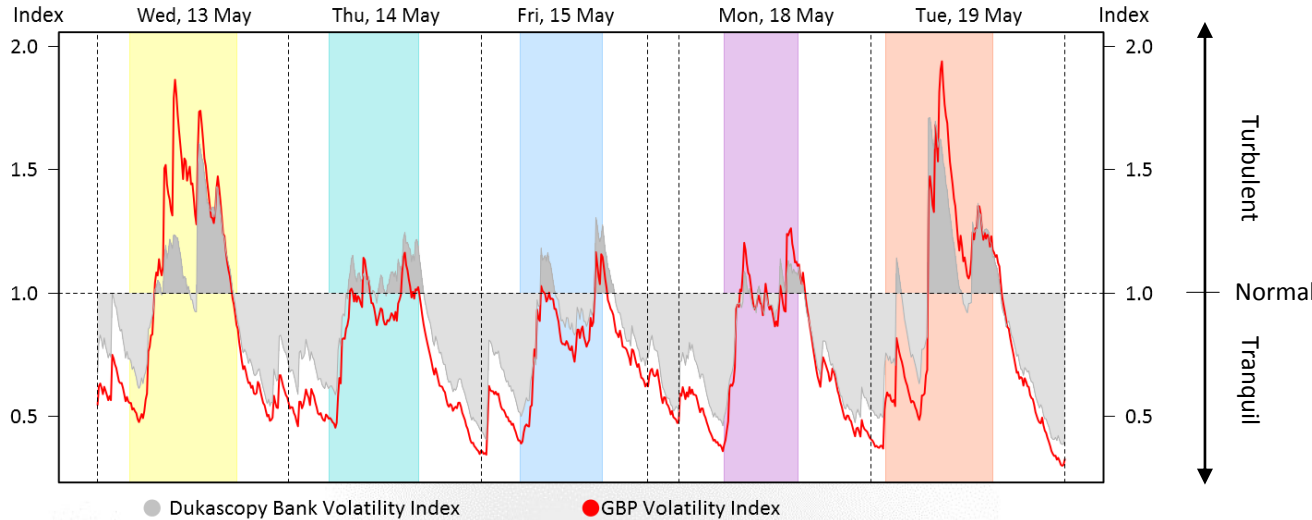
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.05%	1.03%	0.06%	-0.24%	-0.14%	-0.2%	-1.19%	0.13%	0.54%
20	3.26%	-0.88%	-2.21%	3%	0.75%	1.04%	-0.97%	-6.13%	3.22%
130	-7.33%	5.7%	3.15%	5.32%	8.43%	-3.95%	-2.44%	-1.45%	-8.05%
250	-8.51%	14.94%	-4.69%	5.78%	9.28%	-3.58%	1.64%	-3.08%	-11.73%



Volatility

Volatility



UK General Election provided Pound with considerable impetus during the second working week of May, when elevated volatility levels surged past 50%. However, last week the indicator returned back to stay at its historical comfort zone, especially considering lack of fundamental news. The elevated volatility decreased to just 24%, falling even below the market average of 29%. Among currency pairs, the GBP/USD cross used to be the most tranquil with just 21% portion of elevated volatility. Meanwhile, the average turbulence of the Sterling stayed at just 0.79 points, therefore confirming the case of below-the-mean volatilities during the May 13-19 period.

The main volatility chart shows two distinct points of time, when turbulence of the UK currency has substantially exceeded the normal level of 1.0, which is also considered as the historical mean. British statistical authorities published the labour market data on Wednesday, as well as inflation numbers on Tuesday of this week. Turbulence jumped noticeably, but fell just marginally short of 2 points at its peak, by reaching 1.94. Market participants have strongly reacted to worse than expected claimant count change statistics and inflation reading of -0.1%. Meanwhile, the remaining time slots of the period failed to surprise markets with any pronounced gains in volatility, which stayed around 0.5-1 on Thursday-Monday.

Elevated Volatility (% of the observed period)

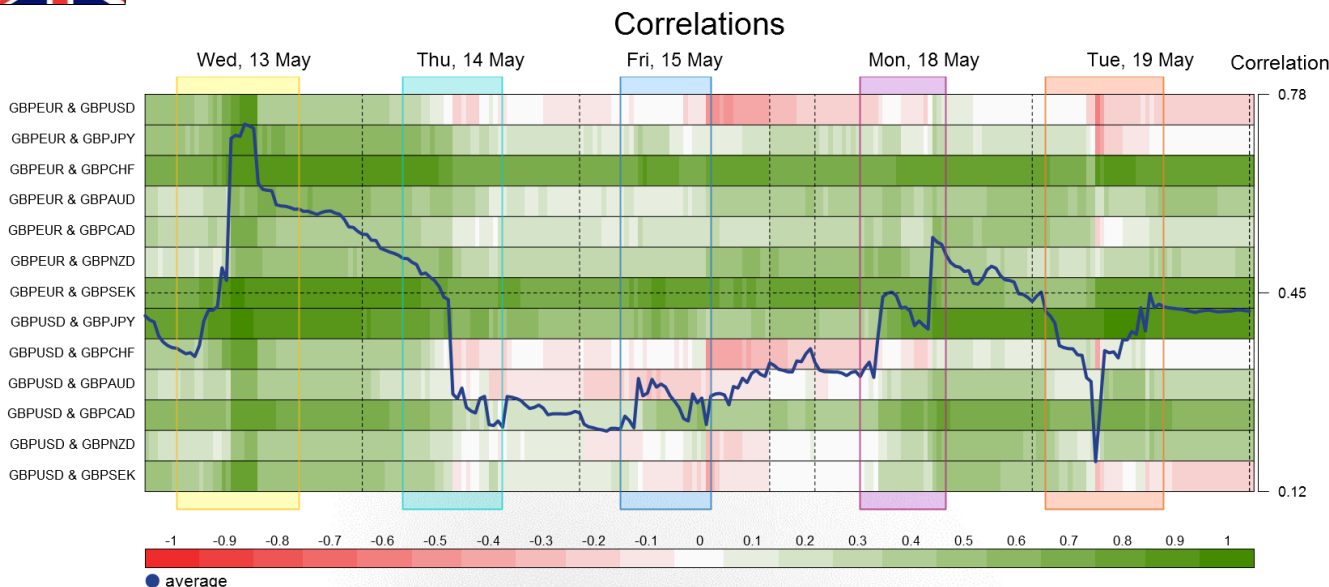
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	29	24	29	21	23	28	30	26	33

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.71	1.94	3.15	2.42	1.94	2.99	1.8	2.24	2.62	2.1
Min	0.39	0.3	0.22	0.18	0.27	0.19	0.33	0.21	0.31	0.21
Average	0.85	0.79	0.79	0.69	0.72	0.77	0.85	0.78	0.91	0.79



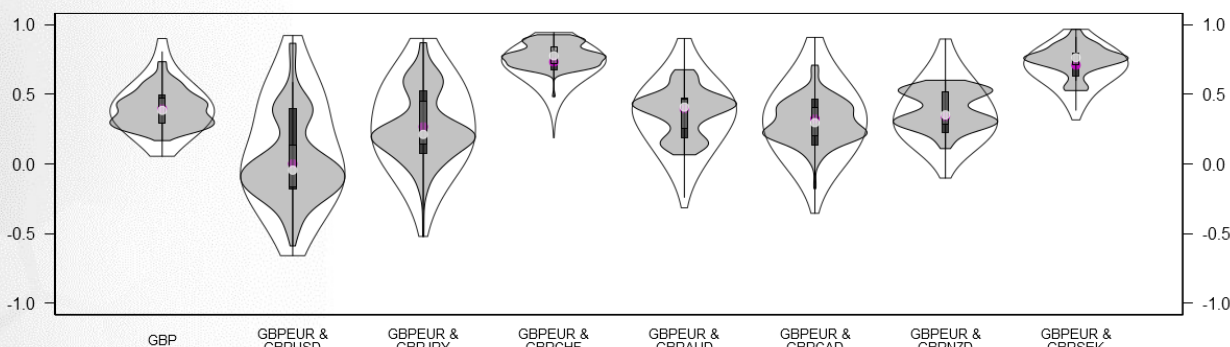
Currency Significance



The period was silent in terms of influential fundamental releases on the Pound, in particular, which later resulted in small correlations. The distributions of the components have also had quite long tails in the majority of all cases, except GBP/EUR crosses with GBP/SEK and EUR/CHF. The composite itself, which measures the significance of the Pound on the market, stayed at 0.39 points, broadly matching 20, 130 and 250-day averages. Meanwhile, GBP/CHF and GBP/EUR, along with GBP/EUR and GBP/SEK have historically demonstrated one of the highest correlations of 0.78 and 0.75 points on average, accordingly.

Opposite to the previous week's trend, this time the composite showed high correlations in the beginning of the period, while declining moderately towards the end of it. The highest correlation between all GBP currency pairs was registered on Wednesday at 0.73 points, in time of the data release on UK claimant count change and unemployment. However, the positive sentiment has been immediately lost the next day, when a fall below zero for some components provided the benchmark with one of the lowest weekly values of just 0.23 points. However, even lower significance of 0.17 points was hit on Tuesday, when the majority of Pound's crosses failed to find the common ground to react in the similar way to considerably worse than estimated statistics on consumer prices in the United Kingdom.

Correlations (5 vs 20 days)

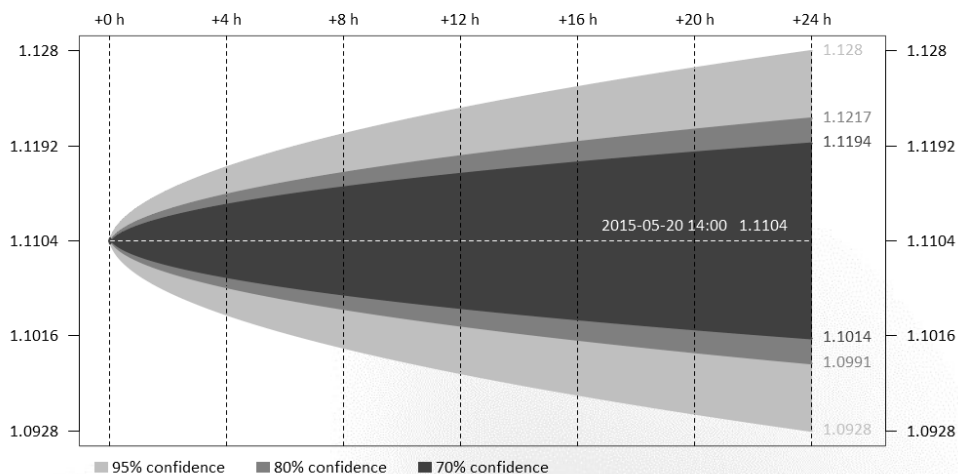


Mean Correlation Coefficient (with GBPEUR)

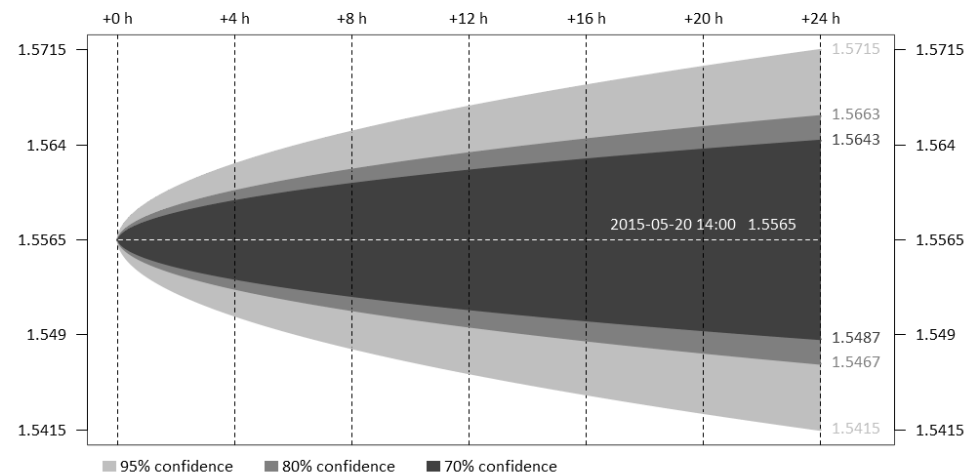
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.39	0.02	0.27	0.78	0.38	0.3	0.39	0.75
20	0.4	0.08	0.28	0.73	0.35	0.32	0.37	0.7
130	0.35	0.16	0.31	0.65	0.34	0.3	0.38	0.63
250	0.39	0.28	0.4	0.78	0.36	0.35	0.38	0.62

Confidence Intervals for Next 24 Hours

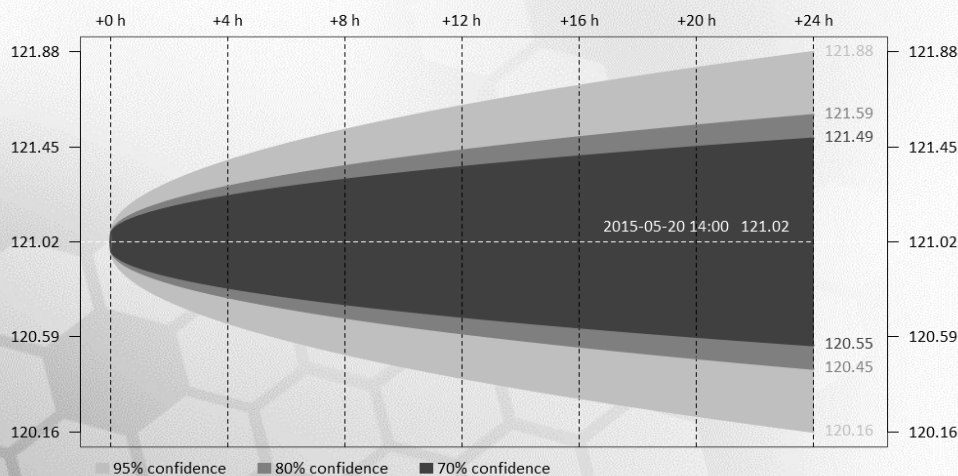
EURUSD Potential Rates



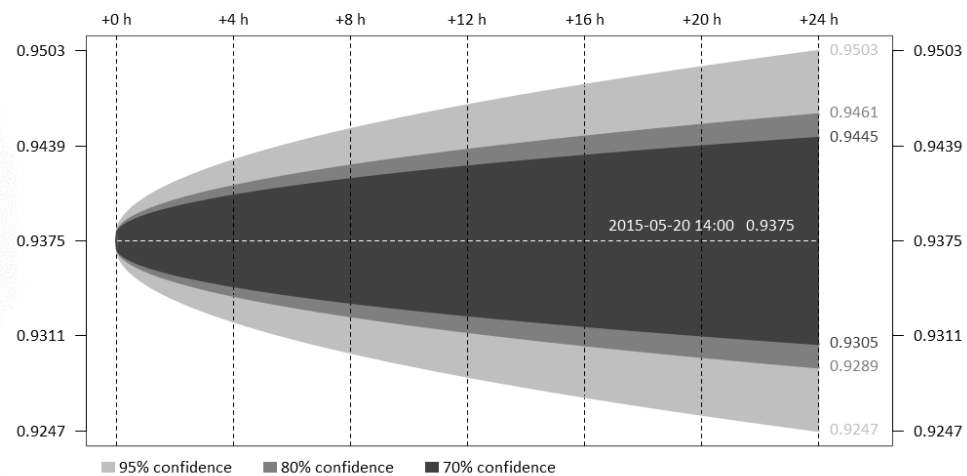
GBPUSD Potential Rates



USDJPY Potential Rates



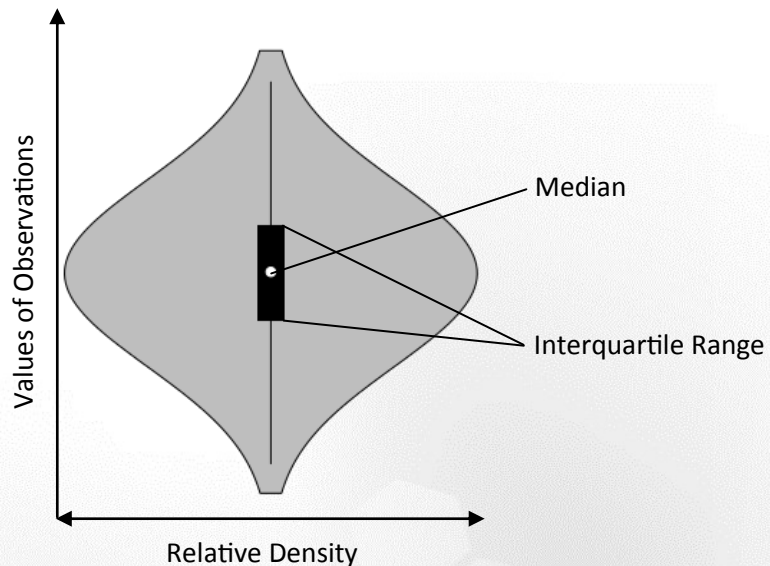
USDCHF Potential Rates



EXPLANATIONS

Violin Plot

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



Methodologies

Volatility Index

Confidence Interval



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