



**GBP**

27/05/2015



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# Dominant Events of the Period

## Yellow Area

May 20

03:30 - 19:30

- BoE Meeting Minutes
- ECB Non-Monetary Policy Meeting

## Turquoise Area

May 21

01:30 - 14:30

- UK Retail Sales
- German Manufacturing and Services PMI
- Euro zone's Manufacturing and Services PMI
- Chinese HSBC Manufacturing PMI
- US Manufacturing PMI

## Blue Area

May 22

04:30 - 18:00

- UK Public Sector Net Borrowing
- German Final GDP
- German IFO Business Climate
- US CPI
- Canadian CPI

## Purple Area

May 26

04:30 - 16:00

- US Durable Goods Orders
- US Services PMI
- US New Home Sales

GBP Currency Index Change

0.34%

0.67%

-0.38%

0.32%

Max GBP Volatility Index

1.59

1.39

1.65

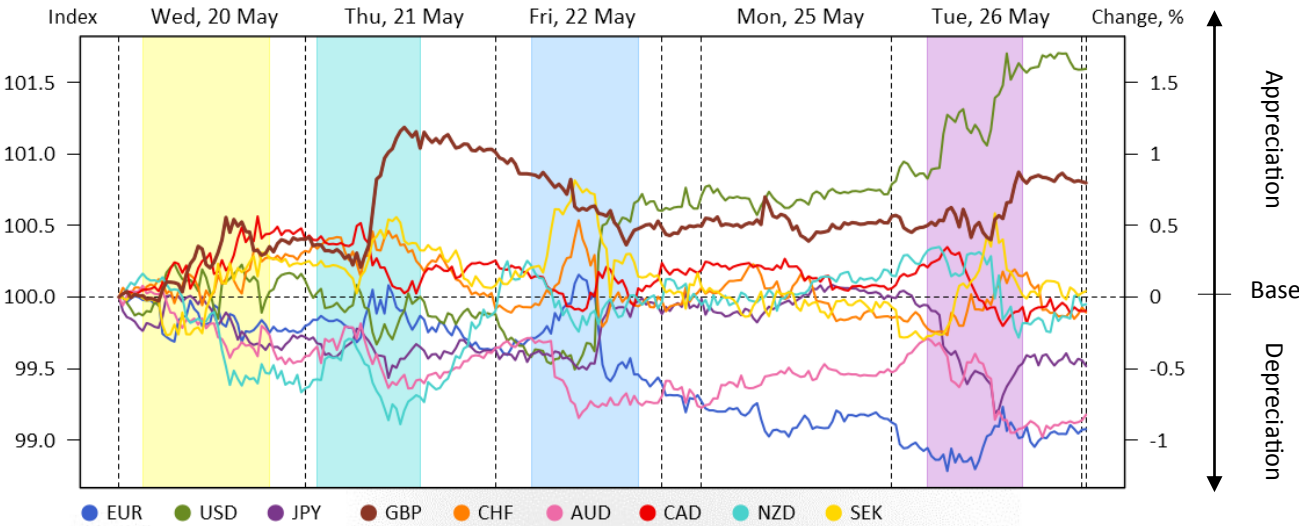
1.06



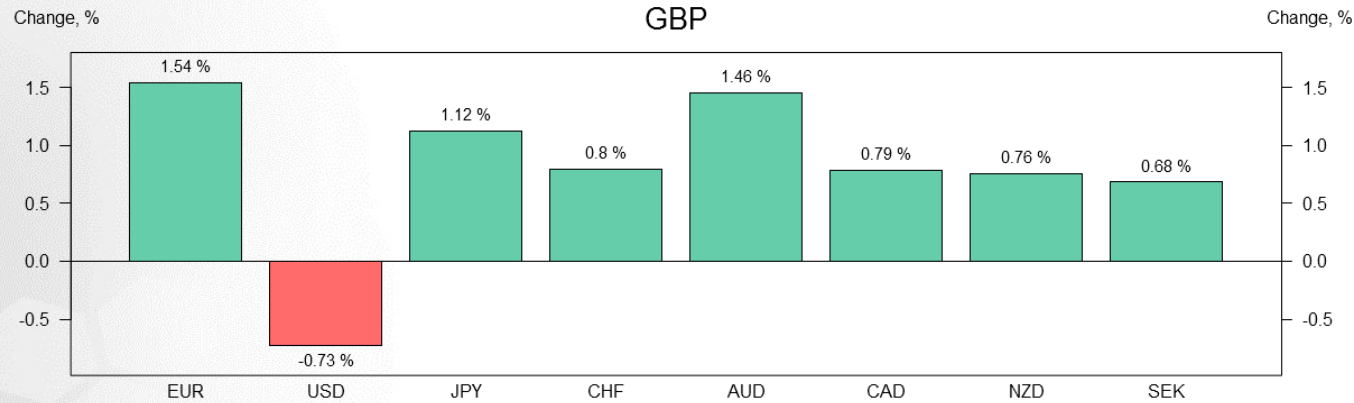
# Relative Currency Strength

Currency Indexes

Giving leadership to the American Dollar, the British currency traded in the green zone for most of the time during the period from last Wednesday until Tuesday of this week. As a result, the only decline of the Sterling was posted against the Greenback. On the other hand, the common European currency used to be the major under-performer during the previous week (-0.92%); therefore, the Pound managed to gain 1.54% against the Euro. EUR/AUD cross followed shortly with a weekly advance of 1.46%. Meanwhile, the Pound remains the third best yearly performer (+6.05%), after the Buck and Swiss Franc, which gained 16.2% and 9.14%, respectively.



On May 20, the UK currency began trading to the upside already in the beginning of the day, while awaiting the minutes of the Bank of England's last monetary policy meeting. Even though they revealed to surprising data and the stance remained dovish in terms of MPC members' vote distribution, the Pound denied to lose value and surged to 100.5 points. The strongest bullish impetus was, however, provided by the British retail sales data on Thursday, where a 1.2% monthly climb let the GDP Index to jump above 101 points. However, the positive performance was gradually partially erased in course of the rest of the period. Despite that, the Sterling managed to register a healthy 0.8% increase in value for the period ended May 26.

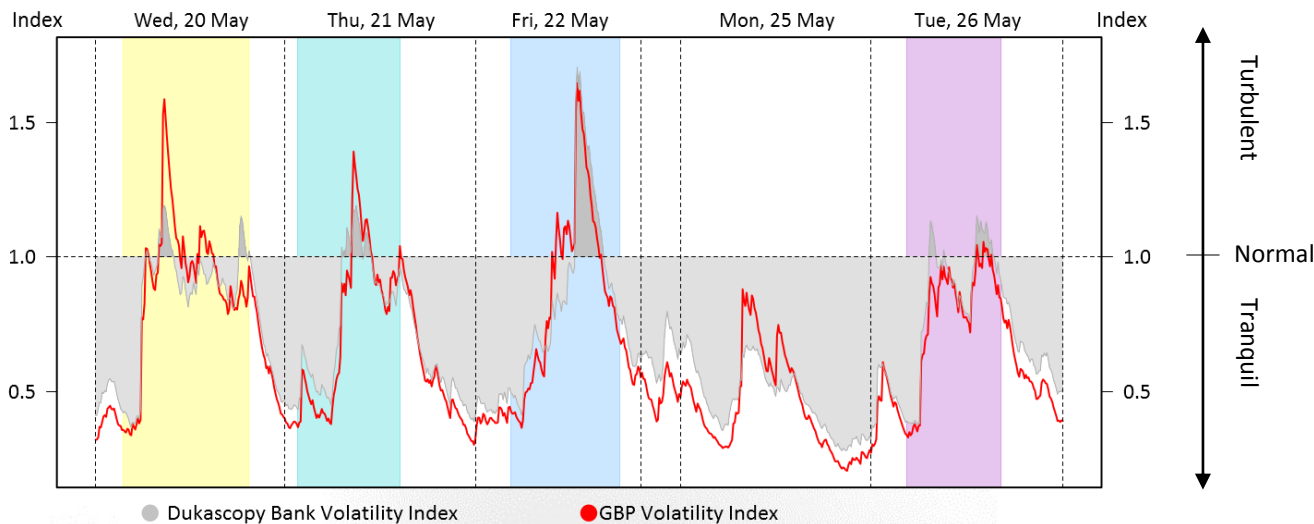


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.92%	1.59%	-0.48%	0.8%	-0.11%	-0.82%	-0.1%	-0.05%	0.04%
20	1.03%	1.9%	-1.46%	2.09%	2.19%	-1.3%	-1.5%	-4.66%	1.58%
130	-7.98%	6.6%	2.45%	4.79%	8.8%	-3.15%	-3.39%	-1.23%	-7.72%
250	-9.31%	16.2%	-4.92%	6.05%	9.14%	-3.88%	0.92%	-2.62%	-11.58%



# Volatility

## Volatility



As can be seen from the main volatility chart, turbulence of the British Pound stayed on exceptionally low levels during the period, compared with many preceding weeks. The longest part of the week was spent below the historical average levels. The portion of elevated GBP volatility at 12% was substantially below that of the previous week at 33%. On the relative basis, the highest elevated volatility indicator was posted by GBP/USD and GBP/SEK crosses, as they used to be increasingly volatile in 17% of all time. On the other hand, GBP/NZD registered the lowest volatility among all major currency pairs of the Sterling at just 6%.

Despite being abnormally tranquil, the British currency succeeded in showing three time spans with high turbulence. Two of them were mainly caused by UK internal data. On Wednesday, the MPC's vote distribution provided the volatility indicator with a significant spike, when it surged as high as 1.6 points. A day later, the retail sales data raised the turbulence index up to 1.3 points. On the other hand, the Friday's climb to the weekly maximum of 1.7 points was provoked by better than forecasted CPI data from the US. The same day, UK public sector net borrowing has only had a minor impact on the Sterling, even though UK public finances showed a noticeable improvement in April, as budget deficit fell from 9 billion pounds to 6.03 billion pounds on year-to-year basis.

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

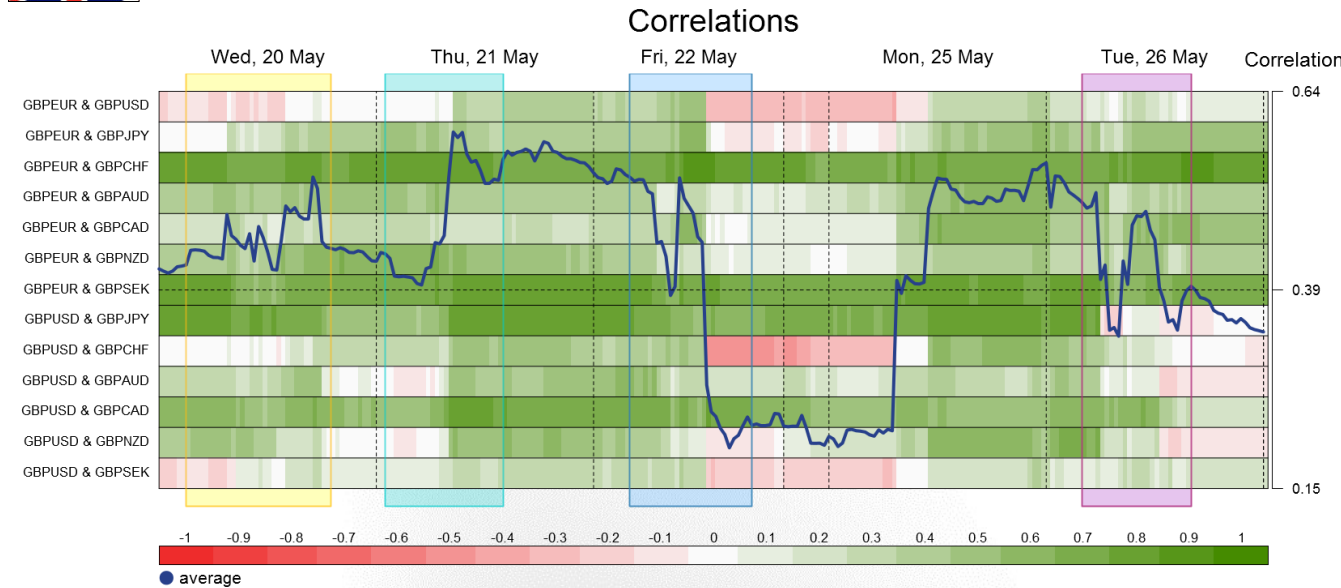
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	11	16	17	11	13	12	16	6	17

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max		1.7	1.65	1.79	2.66	1.89	2.02	1.82	1.76	1.44
Min		0.28	0.2	0.19	0.1	0.16	0.2	0.18	0.19	0.13
Average		0.68	0.65	0.67	0.66	0.65	0.65	0.65	0.64	0.6



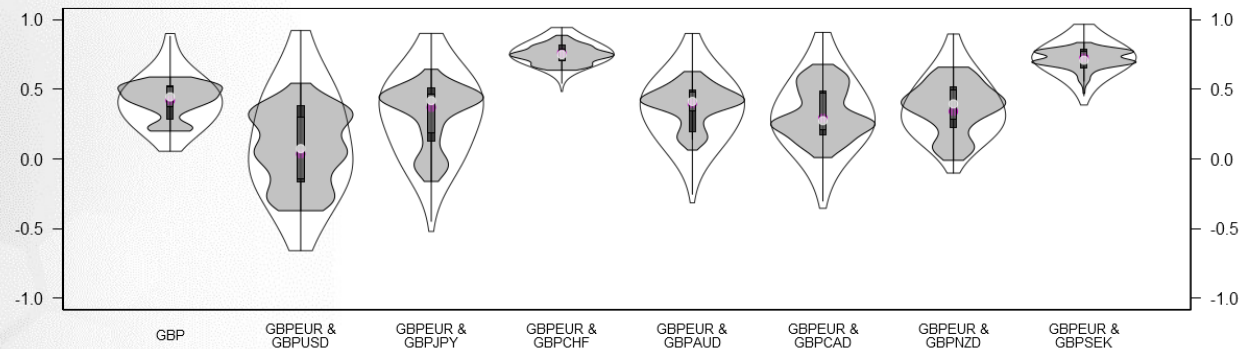
# Currency Significance



Significance of the GBP, calculated as an average correlation between different crosses of this currency, stayed slightly above the historical average levels during the reported trading period. It can be observed that the composite developed in many ways on a positive side from the historical mean of 0.39. It is additionally proved by the mean correlation coefficient settling at 0.43 points, higher than both 6-month and annual readings. As usually, the closest correlation were showed by the GBP/EUR cross with GBP/SEK and GBP/CHF currency pairs at 0.72 and 0.75 points, correspondingly.

The composite opened the previous trading week above the average historical level at 0.42 points and remained strong until Friday. In the meantime, the period's highest correlation coefficient for the composite was hit on Thursday, underlying little divergence between different GBP crosses in time of the data release on British retail sales. However, surprising inflation numbers from the US used to have a strong downward influence on significance of the Sterling, as several components slumped considerably below zero and provided the composite with its lowest value of the week at just 0.20 points. Nevertheless, a rebound appeared to follow shortly, and on Monday the Pound's mean correlations returned towards the historical average, where they remained until the end of the period.

## Correlations (5 vs 20 days)

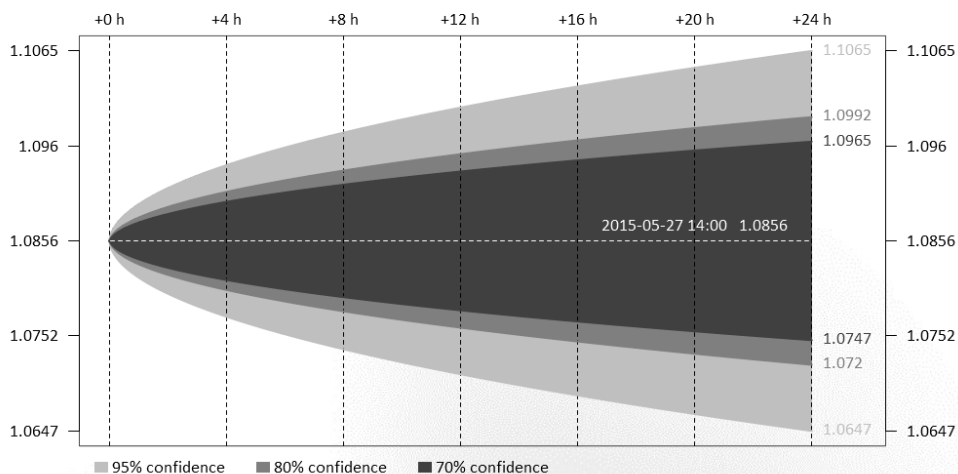


## Mean Correlation Coefficient (with GBPEUR)

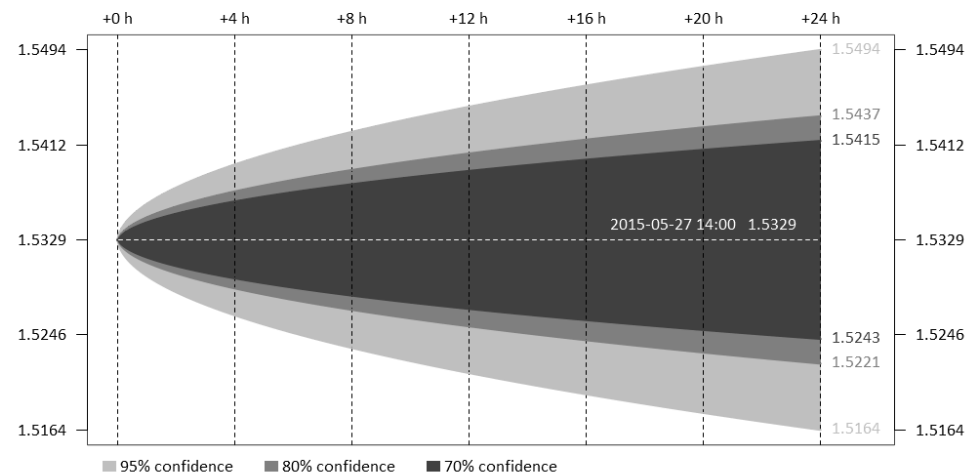
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.43	0.08	0.32	0.75	0.39	0.33	0.37	0.72
20	0.42	0.1	0.32	0.76	0.37	0.32	0.37	0.72
130	0.36	0.15	0.31	0.65	0.35	0.3	0.39	0.63
250	0.39	0.27	0.39	0.78	0.36	0.34	0.38	0.63

# Confidence Intervals for Next 24 Hours

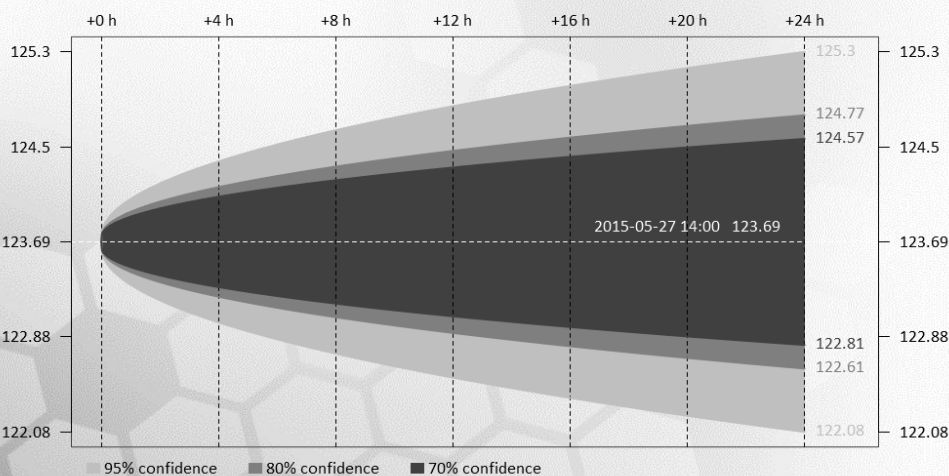
EURUSD Potential Rates



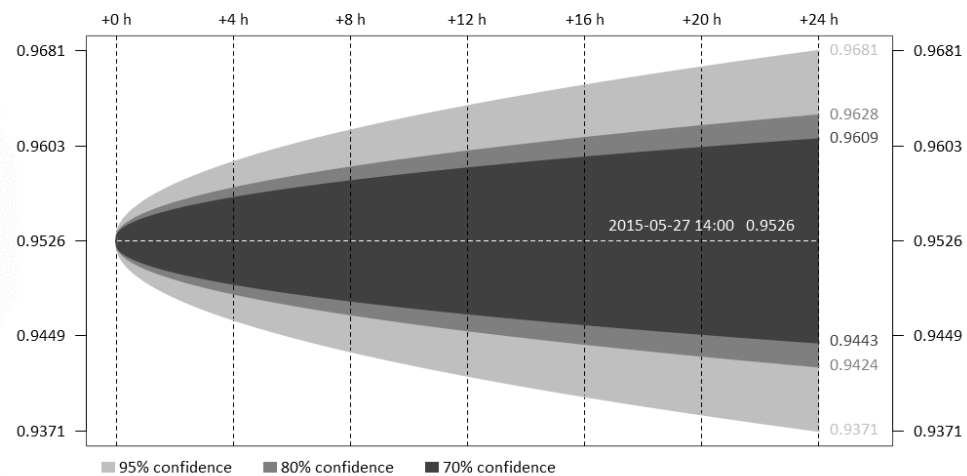
GBPUSD Potential Rates



USDJPY Potential Rates



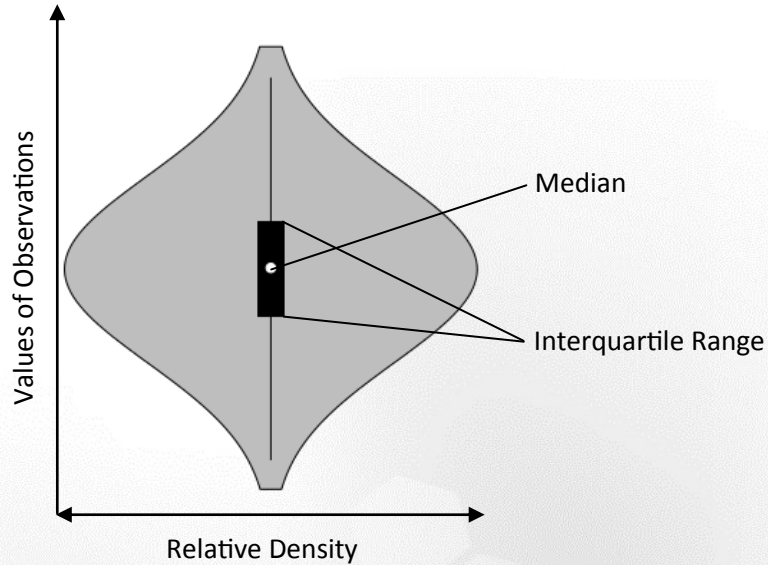
USDCHF Potential Rates



# 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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