



**GBP**

03/06/2015



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# Dominant Events of the Period

Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
May 27	May 28	May 29	June 1	June 2
04:00 - 17:30	00:00 - 19:30	02:30 - 19:00	04:30 - 17:00	03:00 - 18:30
<ul style="list-style-type: none"> <li><u>Bank of Canada Interest Rate Decision</u></li> <li><u>German Gfk Consumer Survey</u></li> <li><u>Japanese Retail Sales</u></li> </ul>	<ul style="list-style-type: none"> <li><u>UK Second-Estimate GDP</u></li> <li><u>US Unemployment Claims and Pending Home Sales</u></li> <li><u>Japanese Unemployment Rate</u></li> </ul>	<ul style="list-style-type: none"> <li><u>US Preliminary GDP</u></li> <li><u>Canadian GDP</u></li> </ul>	<ul style="list-style-type: none"> <li><u>UK Manufacturing PMI</u></li> <li><u>German Manufacturing PMI</u></li> <li><u>US Manufacturing PMI</u></li> <li><u>US Personal Spending</u></li> </ul>	<ul style="list-style-type: none"> <li><u>UK Construction PMI, Mortgage Approvals</u></li> <li><u>German Unemployment Change</u></li> <li><u>Euro zone CPI</u></li> <li><u>US Factory Orders</u></li> </ul>

GBP Currency Index Change

-0.15%	-0.15%	-0.05%	-0.24%	-0.28%
1.21	1.26	1.56	1.18	1.29

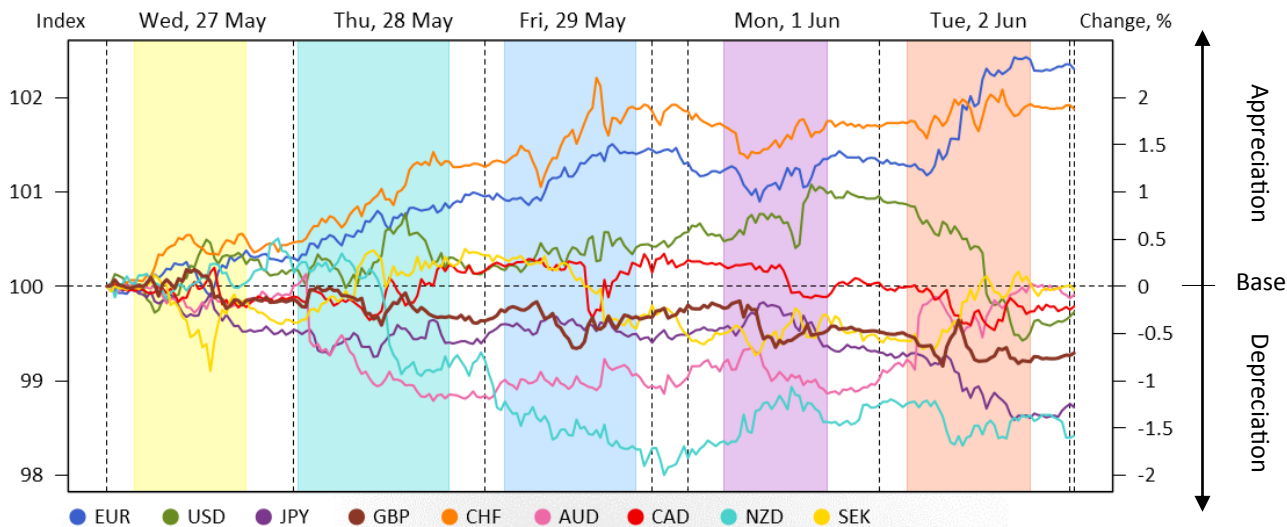
Max GBP Volatility Index





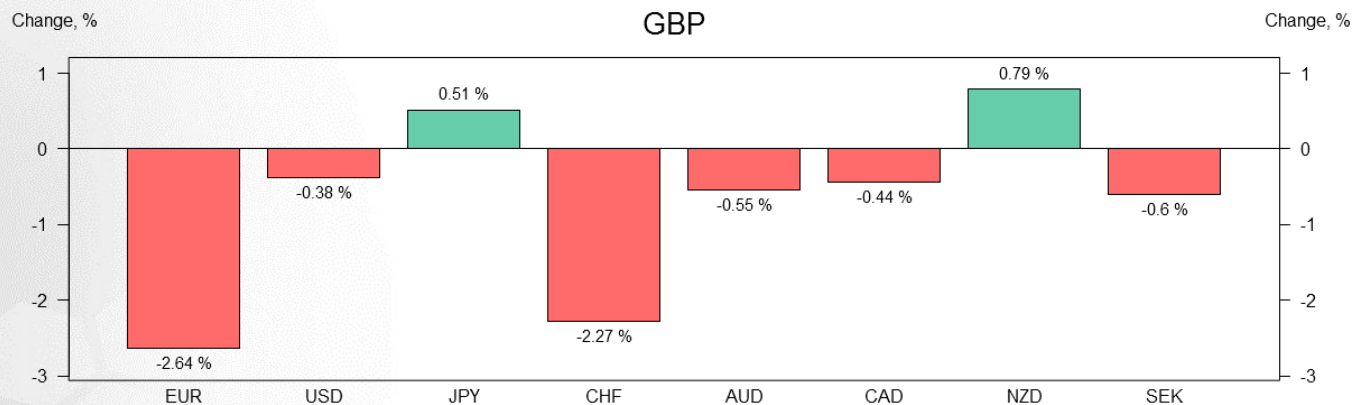
# Relative Currency Strength

Currency Indexes



The period was important in terms of a number of market movers, as every day of the May 28—June 2 week used to deliver important fundamental data both from the UK and different countries around the world. However, the British currency managed to spend the last week's time without major spikes or drops, while gradually declining on aggregate during all days of the period. Two currency pairs of the Sterling succeeded in posting an advance, namely GBP/JPY and GBP/NZD, as they gained 0.51% and 0.79%, respectively. On the other hand, the single European currency rallied against the Pound

by 2.64% during the previous week, helped by considerably better than expected Euro zone inflation statistics on Tuesday and a general positive sentiment on the Euro since the middle of May's last week. Looking at the Sterling, this currency decided to choose a bearish way of development on Thursday, when it consolidated below the baseline. Worse than forecasted second-estimate GDP number and manufacturing PMI data from the UK had a negative impact on performance of the British currency. GDP Index reached its weekly low at 99.3 points on Tuesday. The currency attempted to recover after optimistic UK construction PMI numbers; however, all efforts were negated by bears and they closed the week with a 0.71% slump for the Pound.



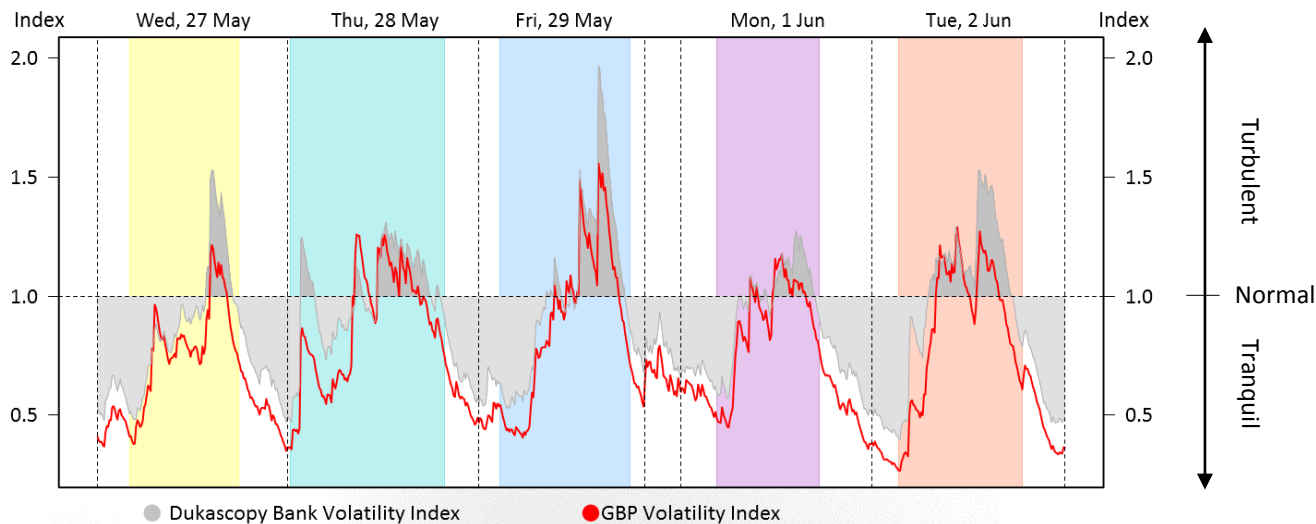
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	2.3%	-0.27%	-1.28%	-0.71%	1.88%	-0.09%	-0.21%	-1.59%	-0.04%
20	1.19%	1.88%	-1.98%	3.2%	0.79%	-1.08%	-1.34%	-3.18%	0.04%
130	-5.52%	5.57%	1.76%	3.68%	10.89%	-3.02%	-3.57%	-3.11%	-7.43%
250	-7.15%	15.3%	-6.38%	5.39%	10.93%	-4.42%	0.65%	-3.36%	-10.97%



# Volatility

## Volatility



Even though the Sterling was nominally twice more volatile during reporting period, compared with one week before, this currency remained broadly tranquil in terms of reactions on important events that happened from Wednesday of last week till Tuesday of this week. The Pound's elevated volatility indicator stayed at just 23%, up from 11% on week-to-week basis. However, it was somewhat lower than 31% registered by the market, on aggregate. Among currency crosses, GBP/SEK was the most turbulent one, as its elevated volatility hit the 27% mark. From another side of the coin, GBP/NZD was the most silent during the period at just 16%.

It seems that the Sterling failed to be influenced by domestic news from the UK, as they had a muted impact on this currency during the observed time period. A first increase of the volatility indicator above the historical average took place on Wednesday, when the Bank of Canada made its key interest rate decision. On Thursday the UK Pound traded in more volatile environment, helped by economic growth data, which disappointed markets with no upside revision. However, a jump of the core turbulence index to its weekly high at 1.56 points was caused by US Preliminary GDP statistics, when the first quarter's economic growth was revised significantly downwards to show an annual decline of 0.7%.

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

Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
31	23	17	23	25	23	25	21	16	27

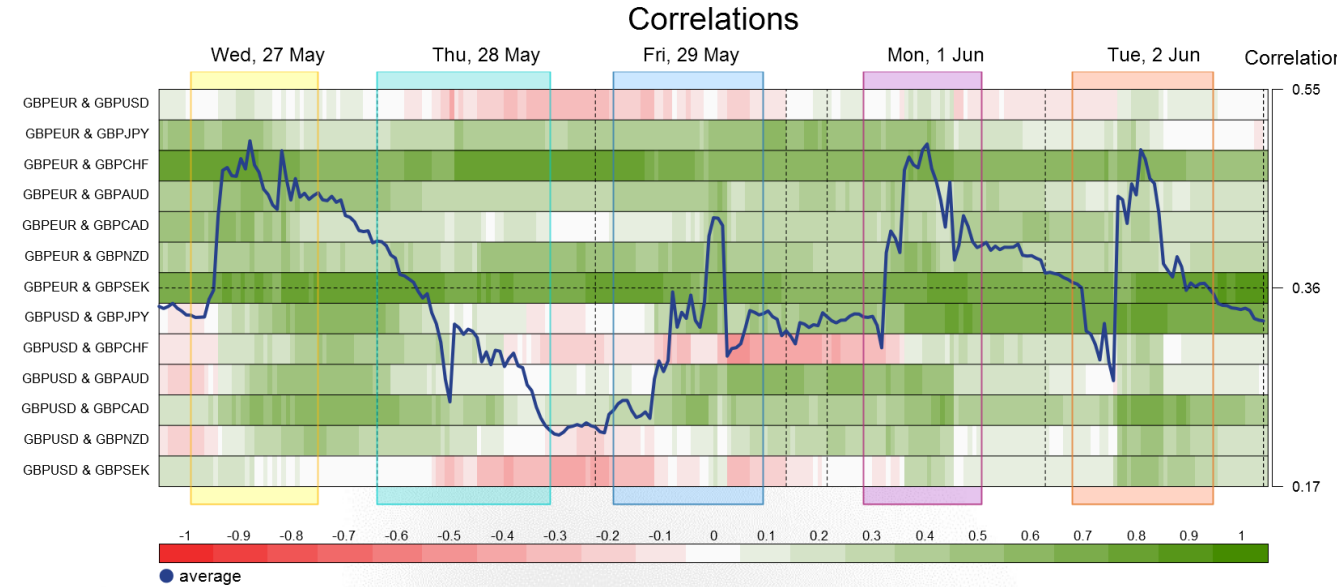
### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.97	1.56	1.78	1.72	1.64	3.32	3.13	3.7	1.81	1.59
Min	0.4	0.27	0.17	0.19	0.25	0.17	0.29	0.22	0.26	0.18
Average	0.88	0.75	0.68	0.72	0.76	0.75	0.82	0.74	0.76	0.75





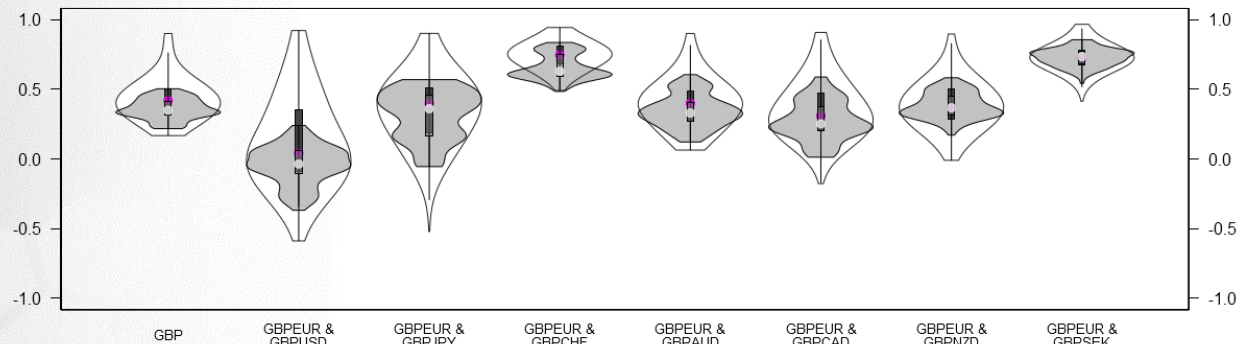
# Currency Significance



Correlations of the Sterling showed no distinct tendency last week, and components were moving in different directions, depending on events that affected any particular currency pair. The composite, however, had an average reading of 0.36 points, broadly in line with historical averages and fully matching the 6-month mean. The distributions of the components have also had quite long tails in the majority of all cases, underlying the fact of generally low correlations. All in all, GBP/CHF and GBP/EUR, along with GBP/EUR and GBP/SEK have historically demonstrated one of the highest correlations of 0.66 and 0.73 points, accordingly.

While staying above the historical average correlation reading on Wednesday, Monday and Tuesday, the composite touched its weekly low at 0.22 points on Thursday, when a clear divergence between several components could be observed. This day marked a fall below zero for a number of crosses. The list included a correlation between GBP/USD & GBP/CHF, which unexpectedly plummeted to the red zone and remained there until the first day of June. Currency pairs of the Sterling were undoubtedly united on Monday and Tuesday, when two PMI data releases gave the Pound a chance to develop in a unified manner. Despite that, the composite's weekly high has barely exceeded 0.50 points. This mixed situation in turn let the composite to have both weekly opening and closing levels just below the 0.36 mark.

Correlations (5 vs 20 days)

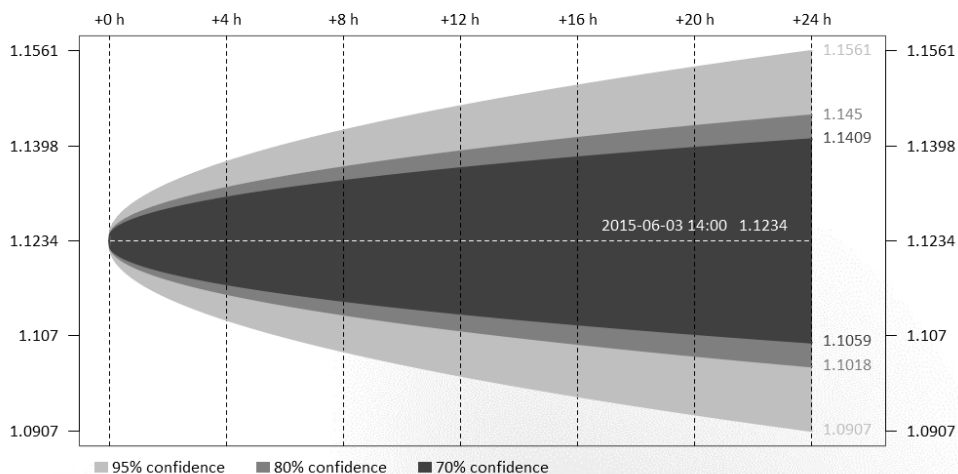


Mean Correlation Coefficient (with GBPEUR)

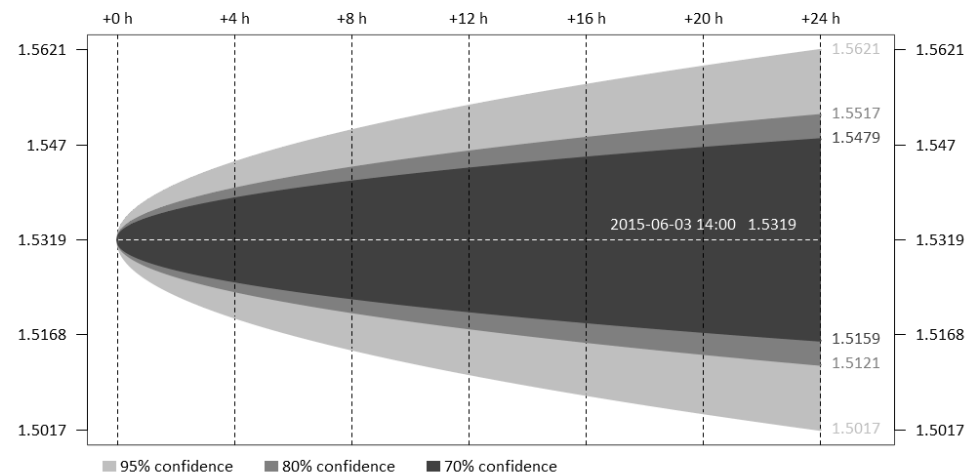
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.36	-0.04	0.31	0.66	0.34	0.27	0.38	0.73
20	0.43	0.12	0.36	0.75	0.4	0.35	0.39	0.73
130	0.36	0.13	0.31	0.63	0.36	0.3	0.39	0.64
250	0.39	0.26	0.39	0.78	0.36	0.34	0.38	0.63

# Confidence Intervals for Next 24 Hours

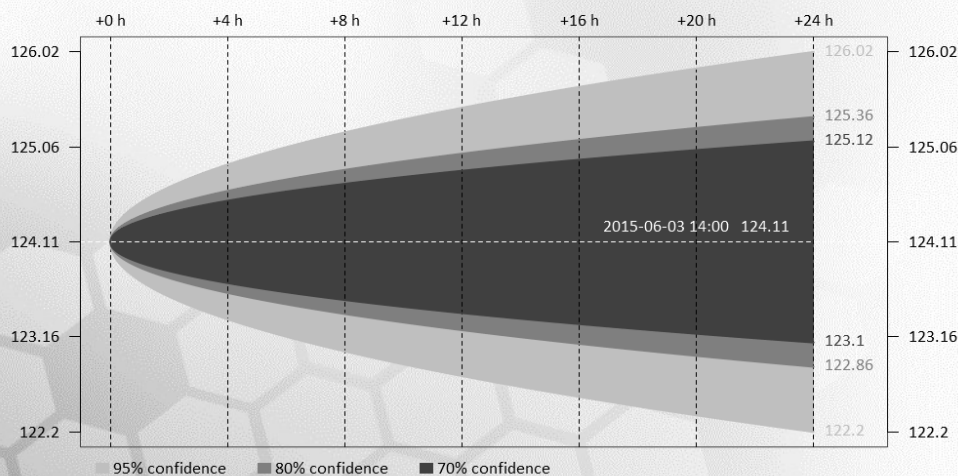
EURUSD Potential Rates



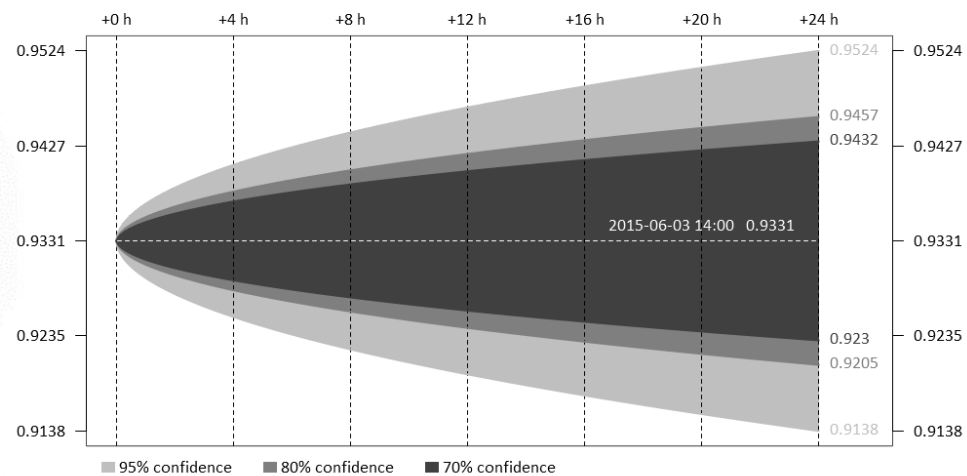
GBPUSD Potential Rates



USDJPY Potential Rates



USDCHF Potential Rates

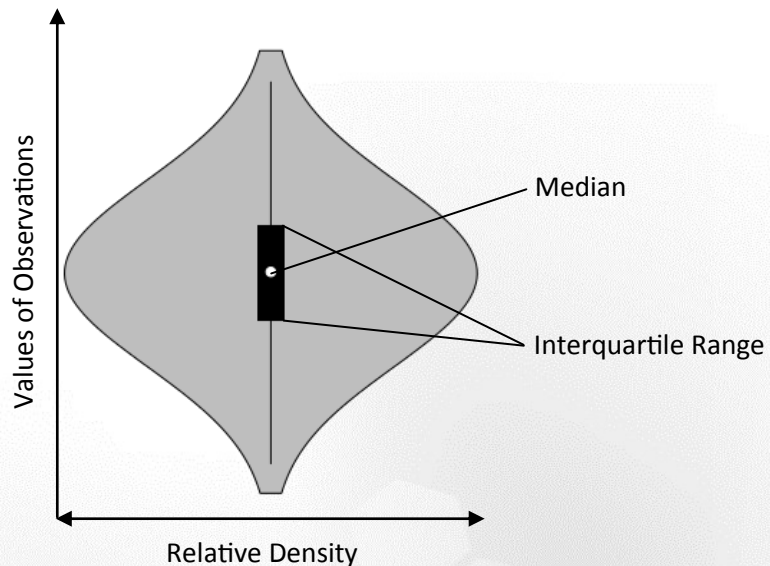




# EXPLANATIONS

## 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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