



GBP

17/06/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

June 10

00:00 - 23:30

- UK Manufacturing Production
- UK NIESR GDP Estimate
- US Federal Budget Balance
- RBNZ Official Cash Rate

Turquoise Area

June 11

00:30 - 16:30

- Australian Employment Change and Unemployment Rate
- Chinese Industrial Production
- US Retail Sales

Blue Area

June 12

03:00 - 17:30

- Japanese Tertiary Industry Activity
- US PPI and Prelim Michigan/Reuters Consumer Sentiment

Purple Area

June 16

05:00 - 15:30

- UK CPI
- European Court of Justice Ruling on ECB's OMT
- German ZEW Economic Sentiment
- US Building Permits

GBP Currency Index Change

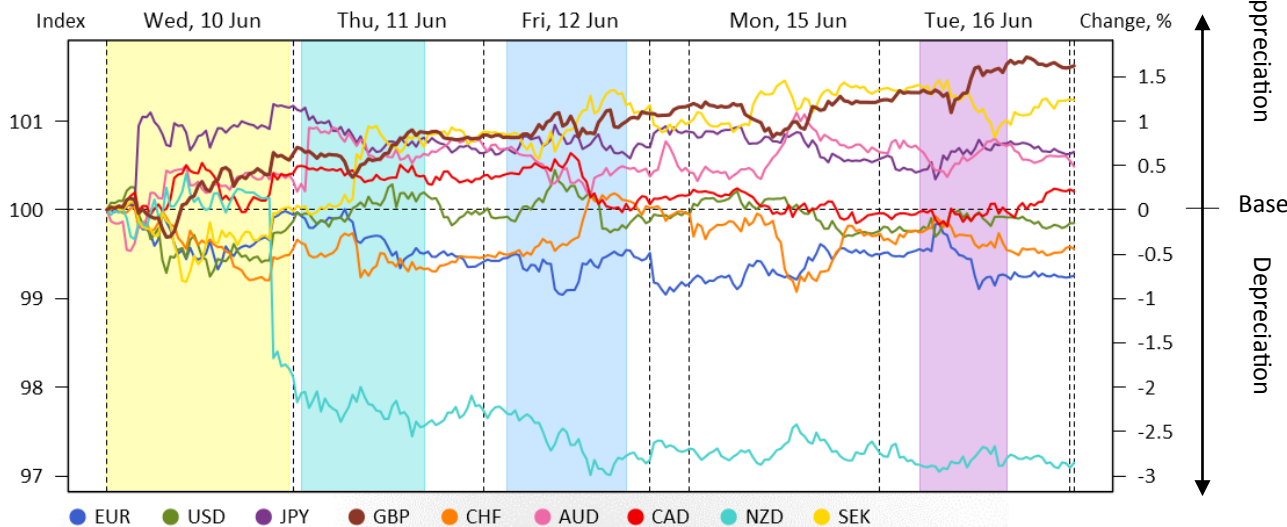
0.56%	0.19%	0.18%	0.32%
2.28	1.45	1.39	1.25

Max GBP Volatility Index



Relative Currency Strength

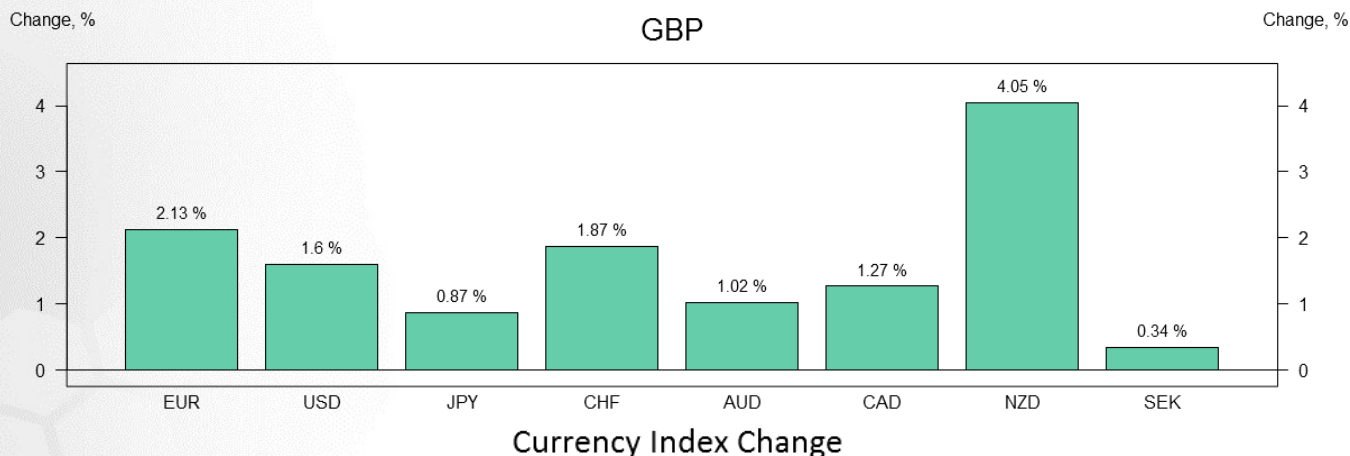
Currency Indexes



The previous trading week was undeniably positive for the UK currency. The positive trend, which has already been established on Wednesday, continued throughout the next five working days. As a result, the Pound registered the fastest increase in value among all major currencies on the market. From another side of the coin, the biggest loser of the week used to be the New Zealand Dollar, which deteriorated by 2.85% amid the unexpected decision of the Reserve Bank of New Zealand to cut the benchmark interest rate by 25 basis points to 3.25%. Therefore, the Sterling managed to accumulate a 4.05% weekly gain versus this currency, while GBP/EUR and GBP/USD followed

with a jump of 2.13% and 1.6%, respectively. Meanwhile, the Euro showed a negative tendency amid rising tensions between Greece and its creditors, while there is still no agreement between them as the June 30 deadline approaches.

Mentioning the Pound's development during the period, it should be noted that the currency made no strong spikes or drops, while posting a moderate but constant increase in value, which resulted in a 1.62% weekly rally. The currency was supported by local fundamentals, including a climb in industrial production, positive NIESR GDP estimate for the three months through May, as well as a rebound of inflation, up from -0.1% in April to 0.1% last month, as the UK escaped its first deflation since 1960.

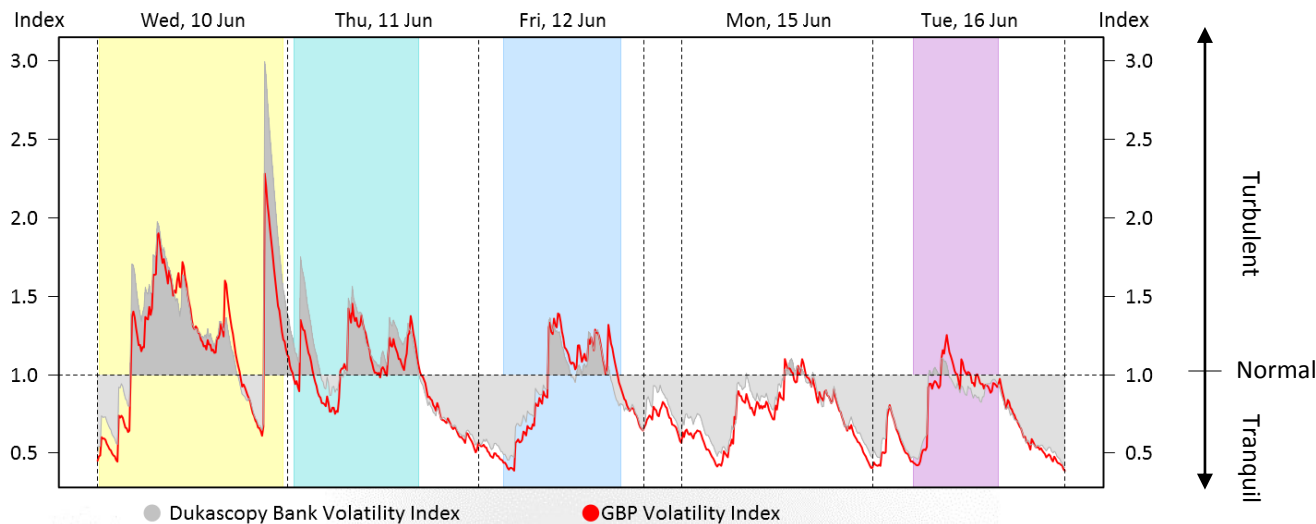


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.74%	-0.15%	0.65%	1.62%	-0.44%	0.49%	0.21%	-2.85%	1.24%
20	2.07%	0.47%	-1.82%	1.56%	1.17%	-1.71%	-0.04%	-5.27%	3.57%
130	-6.16%	4.33%	-0.89%	4.68%	8.93%	-1.32%	-1.17%	-6.84%	-2.64%
250	-5.69%	15.61%	-5.98%	6.38%	11.24%	-6.18%	1.5%	-8.74%	-8.12%



Volatility

Volatility



Both GBP and market volatility readings stayed on high levels in the beginning of the June 10-16 period, while showing no excessive turbulence towards the end of the week, especially on Monday and Tuesday. At the same time, elevated volatility of both the Sterling and the market average was at satisfactory levels of 35%, widely matching the same readings of many preceding weeks. Among the GBP components, GBP/JPY was the most changeable last week, as its elevated volatility reached 45%. On the other hand, usually quiet and placid EUR/GBP cross was volatile in just 25% of all time, the same as the GBP/SEK currency pair.

The Sterling itself was increasingly buoyant on Wednesday, the first day of the reported period. Manufacturing production data from the United Kingdom pushed the volatility indicator of the domestic currency as high as 1.90 points, even despite mixed statistics, which showed better than expected industrial production, but worse than forecasted manufacturing output in April. However, the highest turbulence of 2.28 points was hit in the evening the same day, in time of the surprising RBNZ rate decision. The following days have barely registered any sort of uplifted volatility of the GBP, while the market has even failed to show a proper reaction on the CPI data on Tuesday. Therefore, the volatility slipped as low as 0.46 points at the very end of the period.

Elevated Volatility (% of the observed period)

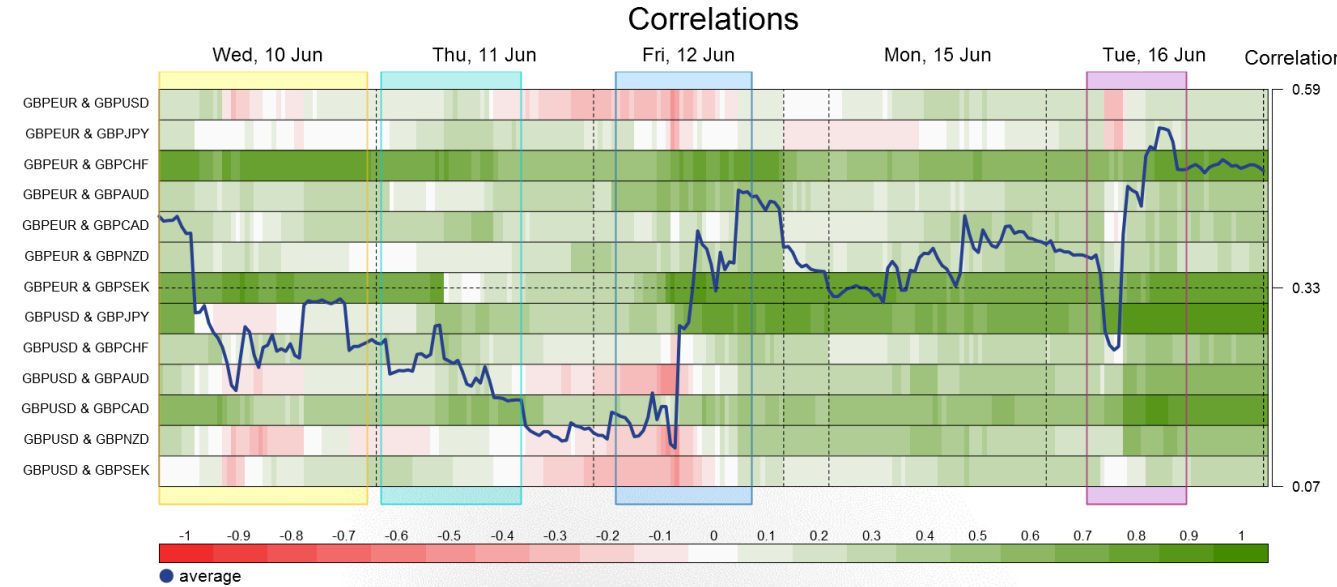
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
35	35	25	30	45	31	28	28	35	25

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.99	2.28	2.37	2.02	4.67	2.04	3.98	1.79	11.87	2.68
Min	0.41	0.39	0.24	0.27	0.33	0.27	0.35	0.22	0.36	0.21
Average	0.94	0.89	0.8	0.84	1.07	0.81	0.92	0.8	1.14	0.79



Currency Significance

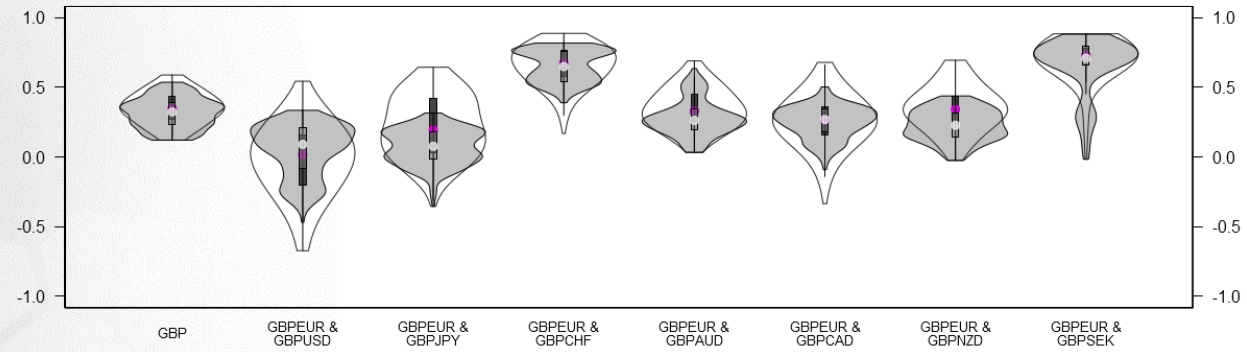


Significance level of the GBP, calculated as an average correlation between different crosses of this currency, showed no stability during the observed time period. The periods with high correlations were regularly changed by the time slots with extremely low interrelationship between various currency pairs of the Pound Sterling. The latter fact drove the mean correlation coefficient (0.31) slightly to the downside and below the historical average of 0.33, as well as the half-year and annual averages. Meanwhile, a steep divergence between the development of GBP/EUR and GBP/USD crosses led to dynamic correlations

between these currency pairs. Therefore, the violin for this component showed one of the longest tails on the market last week.

Looking at the GBP composite, it began the period above the historical mean, but has almost immediately lost the ground and firstly fell below the mentioned mean of 0.33, while slipping to the weekly low of just 0.12 on Friday. This day was marked by the negative correlations between GBP/USD and many other GBP crosses, including GBP/SEK, GBP/NZD and GBP/AUD. In the meantime, unlike the volatility and currency strength, it seems that UK CPI has only had the major influence on significance of the Pound, which surged to its weekly peak of 0.54 on Tuesday, and the composite denied to plunge any more until the end of the day.

Correlations (5 vs 20 days)

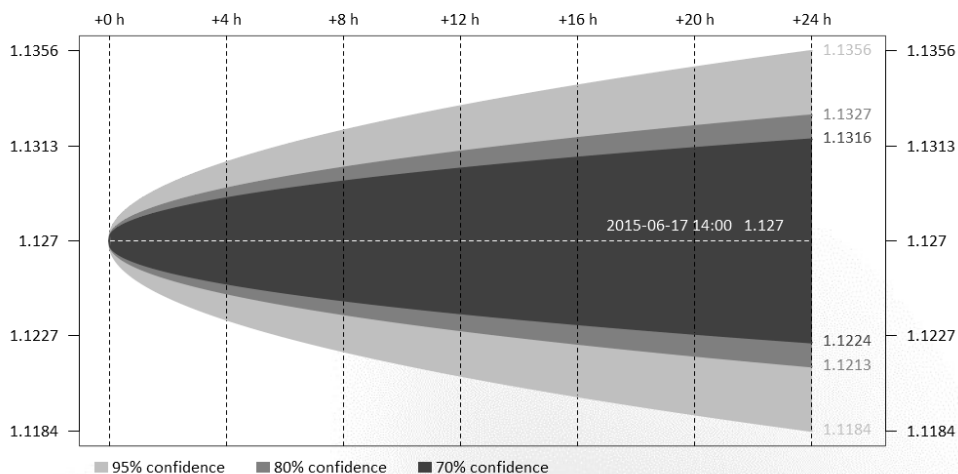


Mean Correlation Coefficient (with GBPEUR)

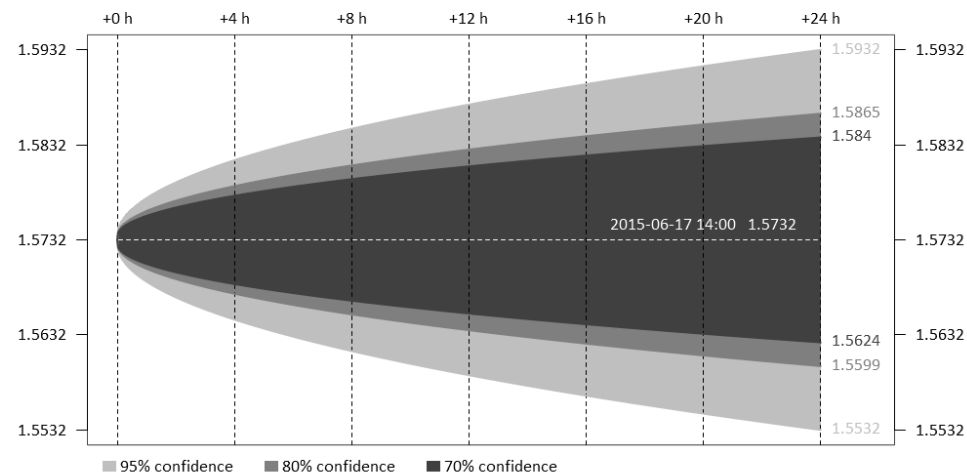
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.31	0.05	0.07	0.65	0.28	0.25	0.23	0.65
20	0.35	-0.02	0.22	0.66	0.34	0.26	0.35	0.71
130	0.35	0.11	0.28	0.61	0.36	0.29	0.39	0.65
250	0.38	0.24	0.38	0.77	0.36	0.33	0.38	0.63

Confidence Intervals for Next 24 Hours

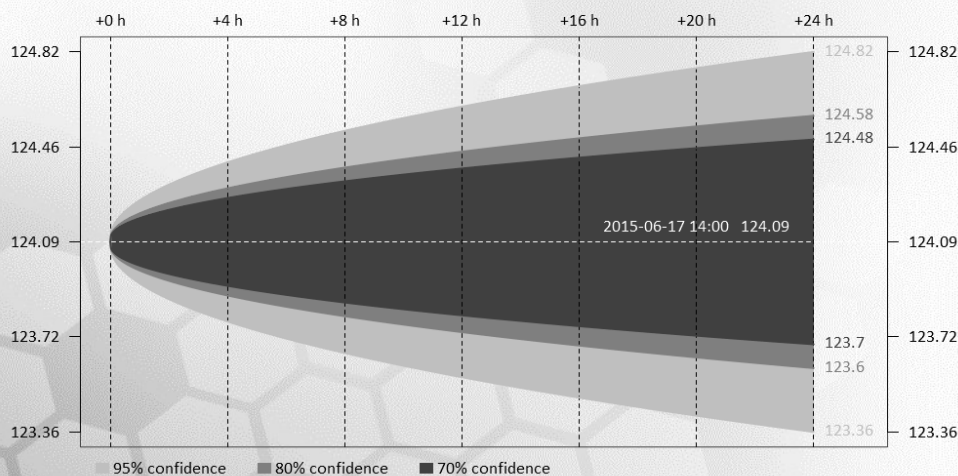
EURUSD Potential Rates



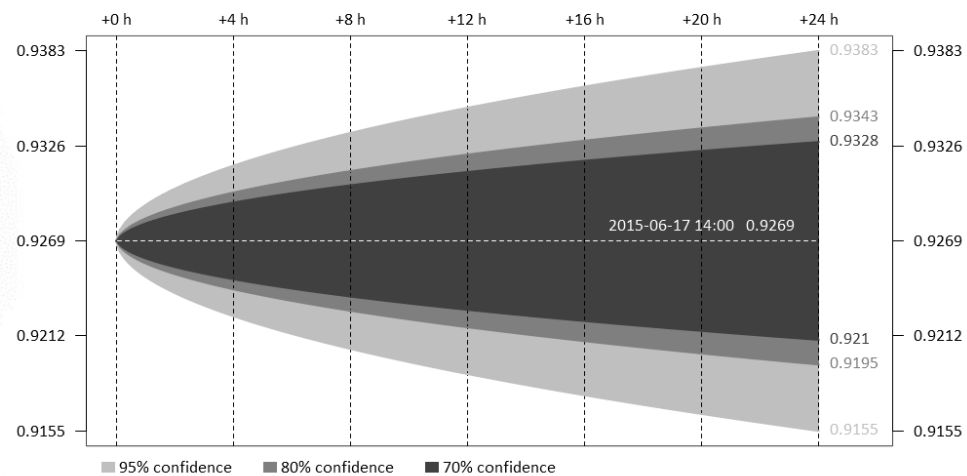
GBPUSD Potential Rates



USDJPY Potential Rates



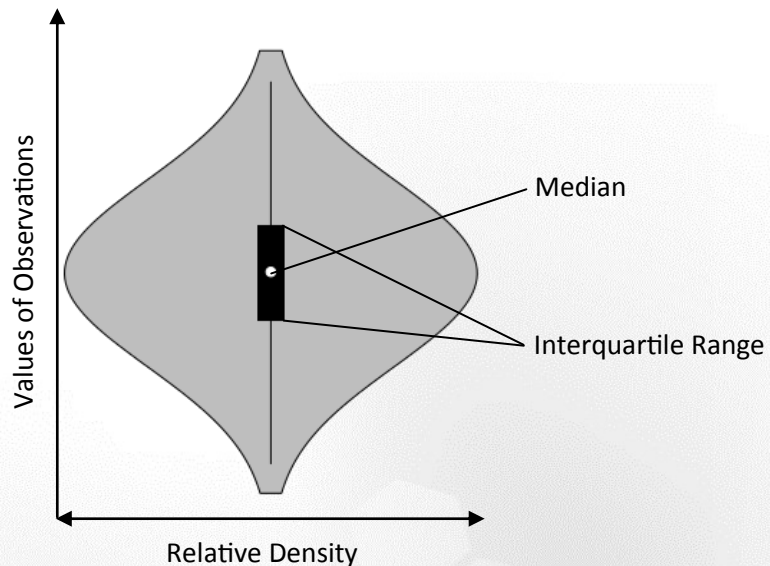
USDCHF Potential Rates



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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