



GBP

08/07/2015



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Market Research





Dominant Events of the Period

Yellow Area

July 1

05:00 - 17:00

- UK Manufacturing PMI
- US ADP Non-Farm Employment Change and ISM Manufacturing PMI
- Euro group Meeting

Turquoise Area

July 2

05:00 - 17:00

- UK Construction PMI
- US Non-Farm Employment Change and Unemployment Rate
- Australian Trade Balance

Blue Area

July 3-6

06:00 - 10:30

- UK Services PMI
- Australian Retail Sales
- Greek Bailout Vote
- US ISM Non-Manufacturing PMI

Purple Area

July 7

04:00 - 23:00

- UK Manufacturing Production
- RBA Cash Rate Decision
- Euro group Meeting
- Euro Emergency Summit
- US Trade Balance

GBP Currency Index Change

0.05%

-0.01%

0.03%

-0.64%

Max GBP Volatility Index

1.76

1.97

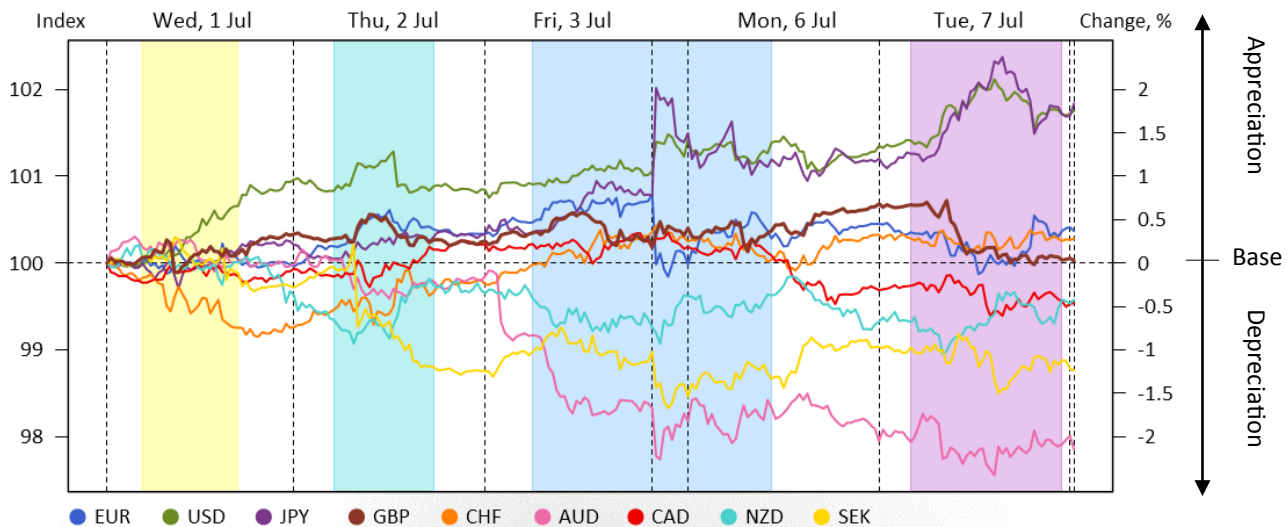
1.77

1.47



Relative Currency Strength

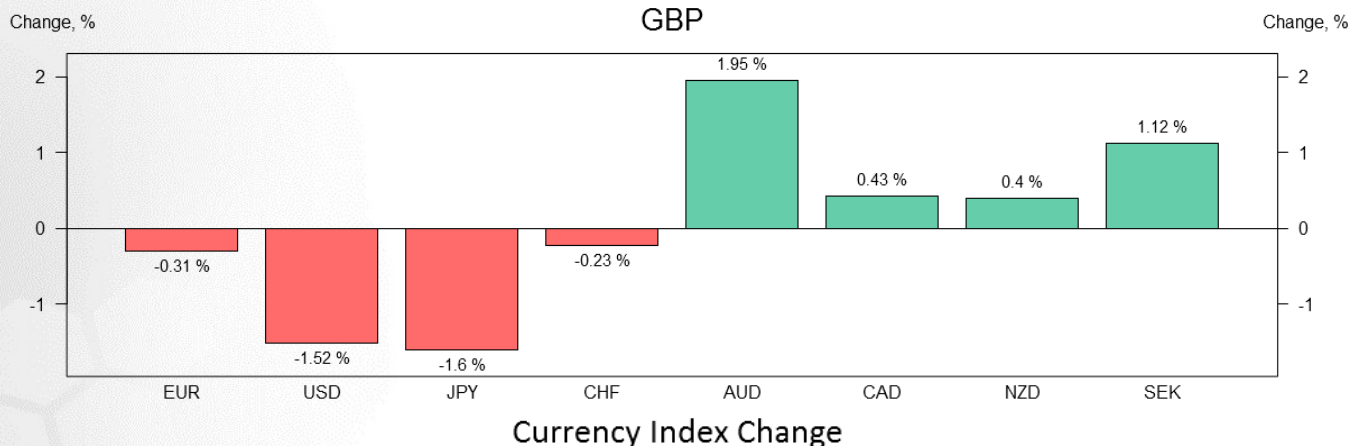
Currency Indexes



Despite many important events from the UK alone that could potentially have a substantial influence on performance of the British Pound last week, this currency rejected to move far away from the baseline and traded only in a moderate bullish trend throughout the period. The GBP Index showed no major spikes or falls, except some weakness on Tuesday, which drove the currency indicator back down to 100 points. As a result, the week was ended with an increase in value of just 0.03%. The Sterling was showing a clear upward and downward tendency against the same number of other currencies. The highest surge was posted against the Australian

Dollar, which was depressed by weak retail numbers released Friday. On the other hand, the safe-haven nature of the US Dollar and Japanese Yen forced these two currencies to climb 1.52% and 1.6% versus the Pound, respectively, and the main reason for this development was the ongoing Greek crisis.

Meanwhile, UK fundamentals have mostly been positive contributors to the markets during the first week of July, which helped the GDP Index to reach at least the 100.5 mark. However, unexpectedly falling UK manufacturing production provided the currency with the bearish impetus, which has immediately eroded all gains that were accumulated in the preceding four days.

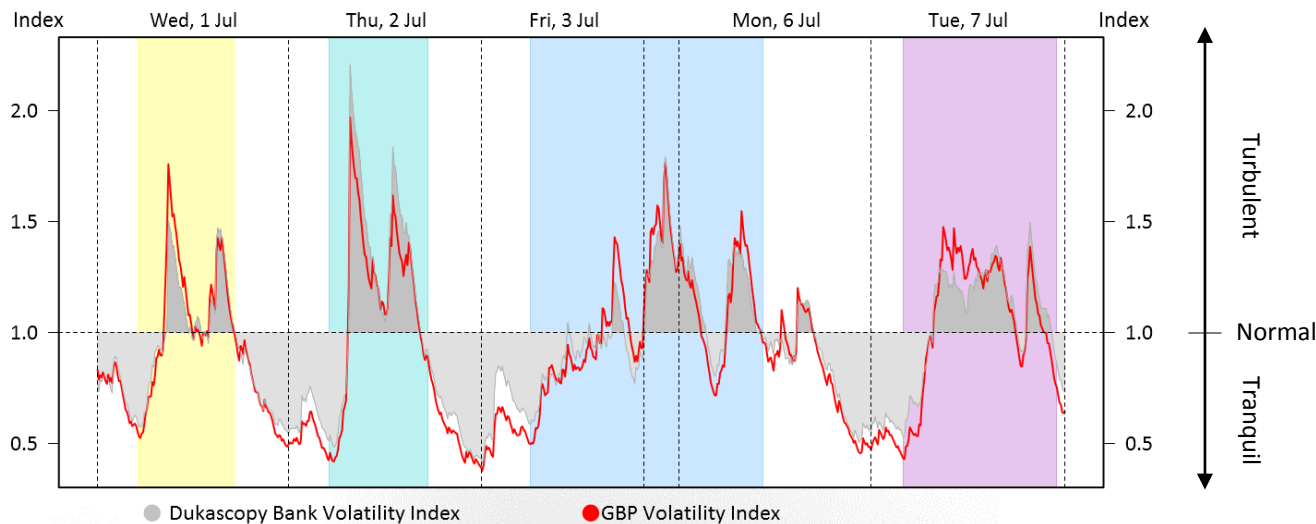


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.37%	1.75%	1.84%	0.03%	0.28%	-2.15%	-0.46%	-0.42%	-1.24%
20	-0.55%	2.69%	3.61%	3.01%	0.38%	-1.95%	-1.1%	-6.29%	-0.8%
130	-3.23%	4.28%	2.06%	7.53%	13.05%	-5.38%	-3.35%	-13.23%	-2.1%
250	-5.68%	18.25%	-2.57%	6.6%	11.68%	-7.73%	-1.44%	-12.45%	-6.65%



Volatility

Volatility



Volatility reading of the Sterling was undeniably more active than the currency's general development index. There were clear periods of uplifted turbulence on the market, caused by important data publications all across the world including Britain. Moreover, one of the leading roles in volatility was played by the Greece, as the referendum on Sunday and the consequent rejection of creditors' proposals forced many currencies to react strongly in the beginning of Asian trading on Monday. In the meantime, the elevated volatility of the Sterling has perfectly matched the same average indicator for the market at 38%.

GBP/AUD currency pair was the most turbulent last week, as its volatility reading stayed above 1.00 in 47% of all time during the July 1-7 period. This cross has in turn enjoyed the rich fundamental calendar last week both from the UK and Australia.

At the same time, the Pound's average volatility has seen its first hike on Wednesday, when US ADP employment data was released. The similar situation was observed on Thursday, when the US Labour Department's payrolls statistics was published after the UK Construction PMI, pushing the volatility reading to its weekly maximum of 1.97 points. The Greek events have also had a meaningful effect on the markets, when both Sterling's and market turbulence hit 1.75 points.

Elevated Volatility (% of the observed period)

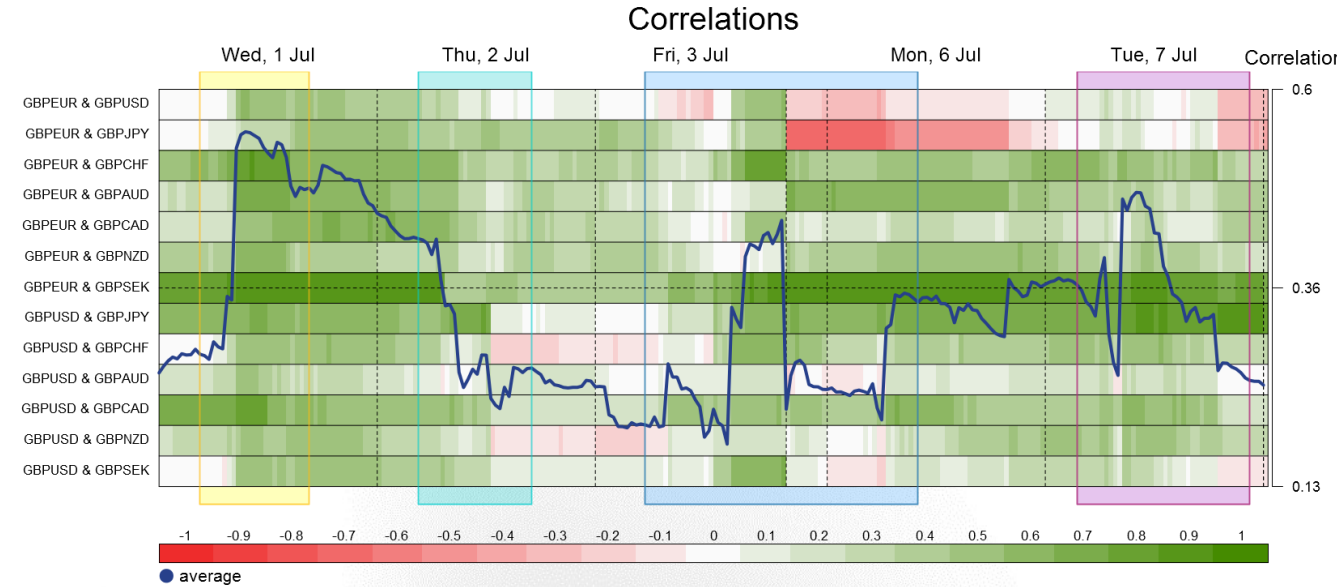
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	38	34	28	33	35	47	28	36	44

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.2	1.97	2.69	2.65	3.38	2.96	2.63	2.24	2.19	7.84
Min	0.41	0.38	0.21	0.22	0.19	0.26	0.42	0.21	0.42	0.27
Average	0.95	0.92	0.85	0.81	0.9	0.88	1.05	0.81	0.94	1.05



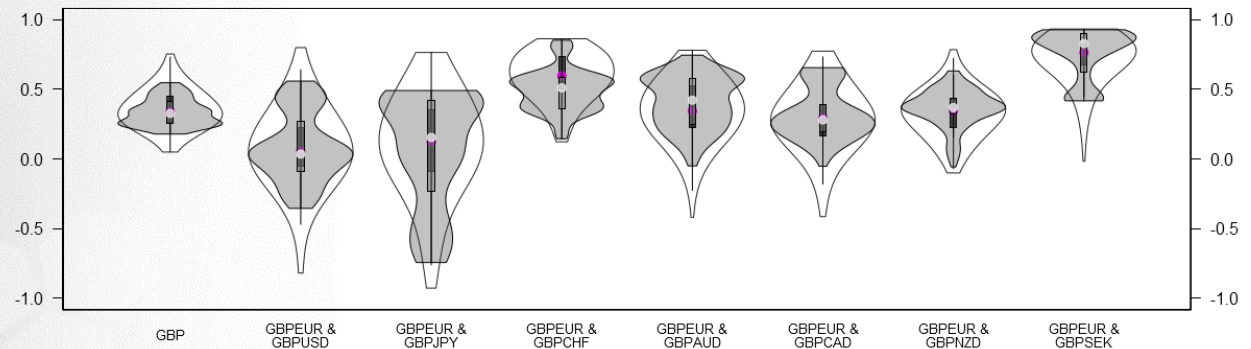
Currency Significance



Significance level of the GBP, calculated as an average correlation between different crosses of this currency, showed no stability during the observed time period. At the same time, the composite has mostly reflected important episodes of the working week and remained quite silent for the rest of the time. Meanwhile, the average significance coefficient of 0.33 stayed somewhat below the historical average of 0.36. Moreover, correlations were also slightly weaker than 20, 130 and 250-day averages. Among components, the majority of them have at least once fallen below zero, which resulted in fairly long tails of violins.

The first boost to the correlations was provided by the UK Manufacturing PMI and US ADP payrolls on Wednesday, when no components slipped into the red and remained rather optimistic. This time the composite has already reached its weekly high on the first day of the week at 0.55 points. However, the lack of united dynamics on Thursday and Friday drove the composite down to its weekly low of just 0.18 points. Meanwhile, it is worth underlining a strongly negative correlation between GBP/EUR and GBP/JPY on Monday. As the Greeks voted decisively “No” to the proposals of the institutions, the Yen acted as a safe-haven currency and drove GBP/JPY significantly downwards, therefore creating a gap with all currency pairs of the Euro, which tended to depreciate amid the mentioned important event.

Correlations (5 vs 20 days)

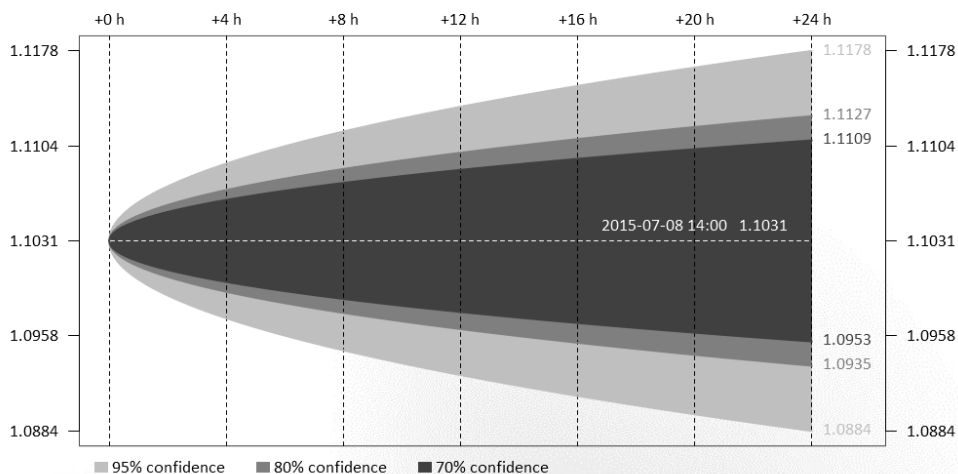


Mean Correlation Coefficient (with GBPEUR)

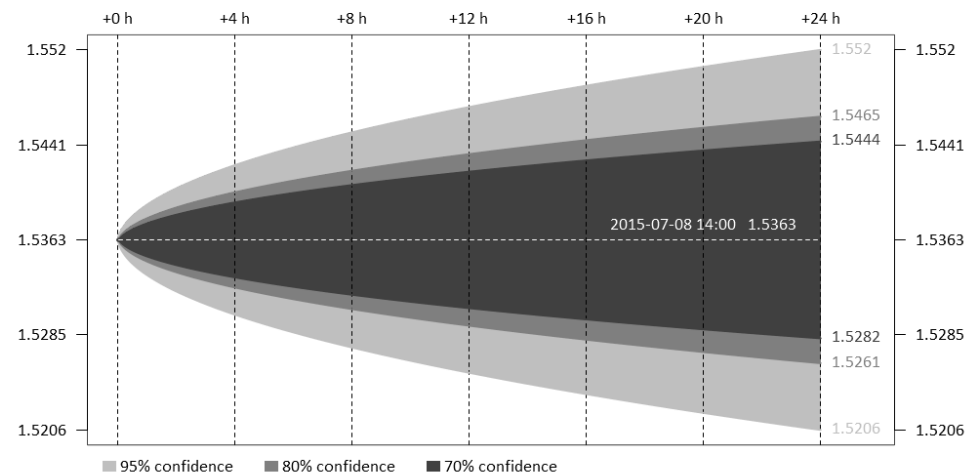
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.33	0.08	0.06	0.49	0.41	0.32	0.36	0.75
20	0.36	0.07	0.1	0.59	0.34	0.29	0.32	0.73
130	0.35	0.08	0.23	0.56	0.35	0.29	0.38	0.69
250	0.38	0.22	0.36	0.75	0.35	0.33	0.37	0.65

Confidence Intervals for Next 24 Hours

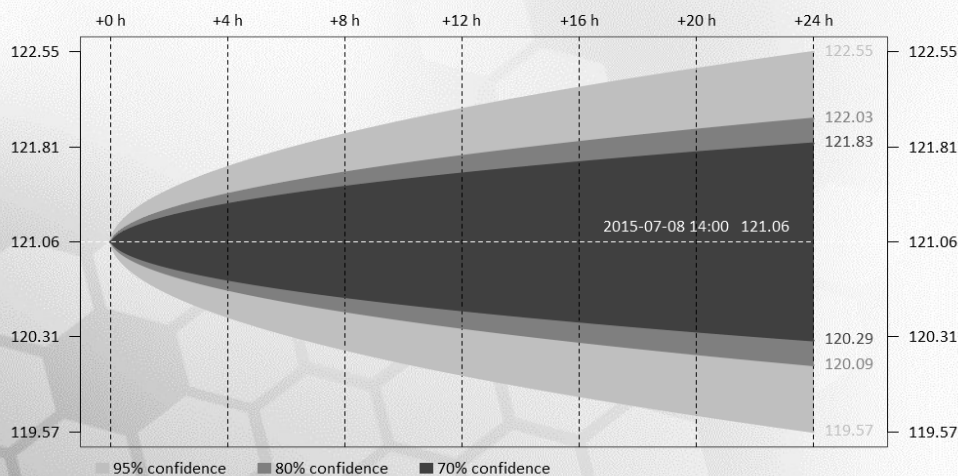
EURUSD Potential Rates



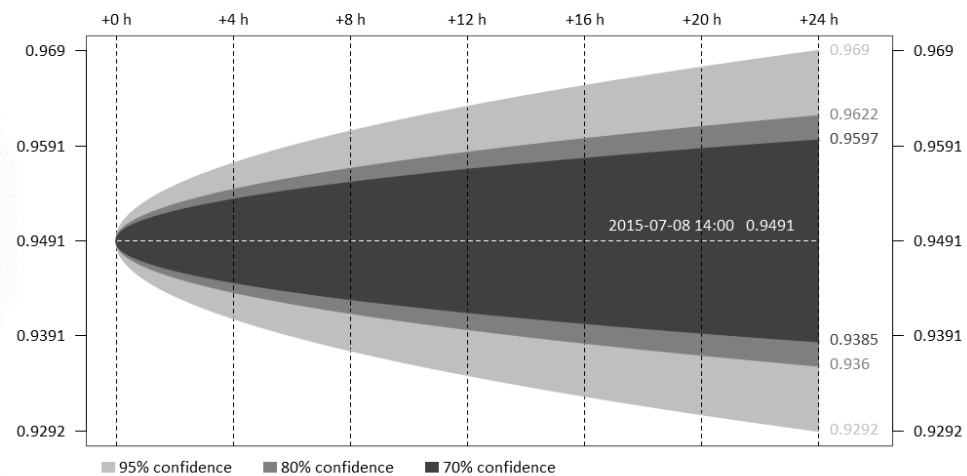
GBPUSD Potential Rates



USDJPY Potential Rates



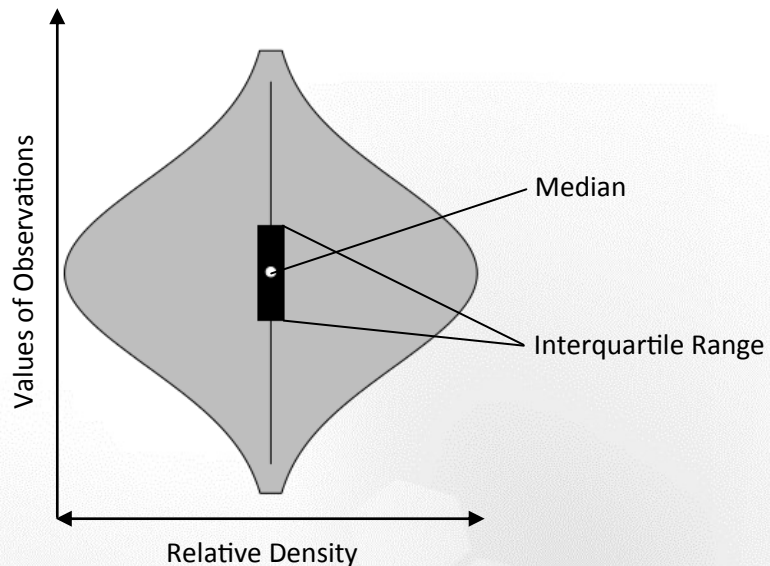
USDCHF Potential Rates



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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