



GBP

15/07/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

July 8

04:30 - 16:30

- UK Annual Budget Release
- FOMC Meeting Minutes

Turquoise Area

July 9

01:30 - 15:00

- BoE Official Bank Rate
- Australian Employment Change
- Chinese CPI
- US Unemployment Claims

Blue Area

July 10

04:00 - 15:30

- Canadian Employment Change

Purple Area

July 13

05:30 - 13:00

- Euro Summit
- Eurogroup Meeting

Orange Area

July 14

04:30 - 18:30

- UK CPI
- German ZEW Economic Sentiment
- BoE Inflation Report Hearings
- US Retail Sales

GBP Currency Index Change

-1.09%

0.33%

0.81%

0.75%

0.72%

Max GBP Volatility Index

1.57

1.4

1.6

2.29

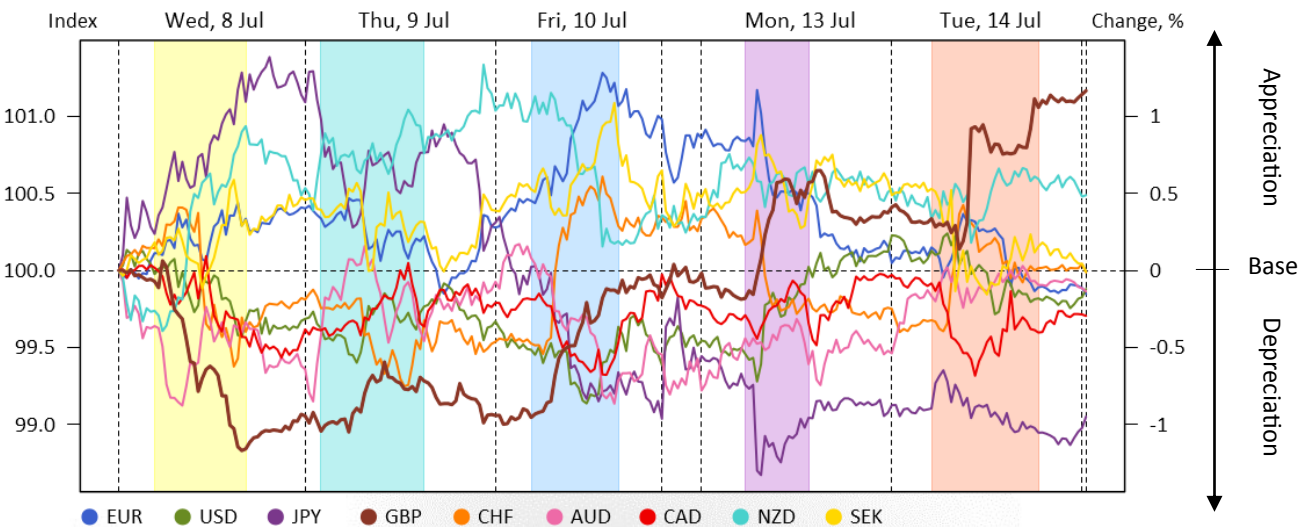
2.98



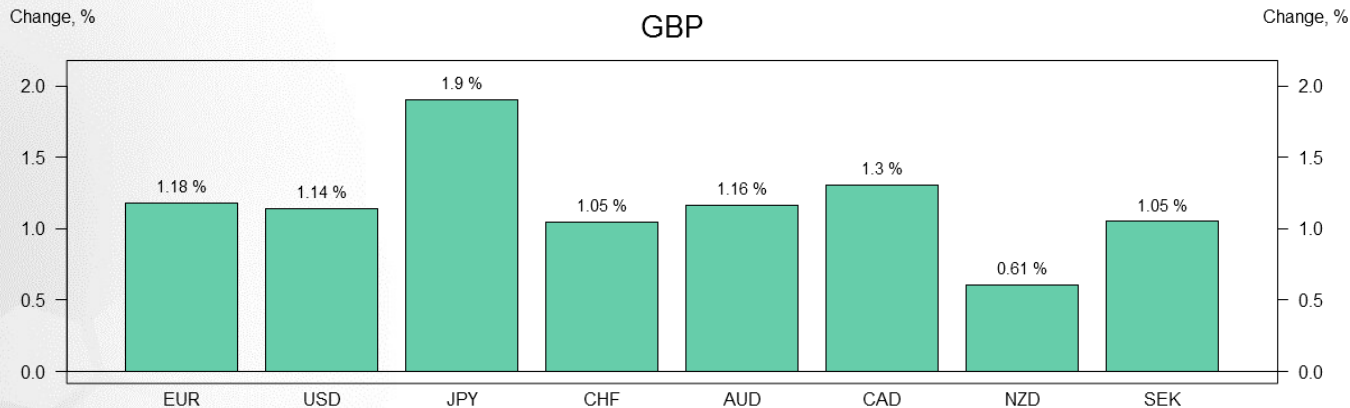
Relative Currency Strength

Currency Indexes

In the first three days of the period it seemed that the Sterling was going to establish itself as the loser of the week. However, the situation started to change dramatically on Friday and this currency registered a strong 2% increase in value in just three working days. As a result, by Tuesday it became the period's leader, while gains exceeded one percentage point versus all but one currency, Only EUR/NZD advanced 0.61%, while EUR/JPY and EUR/CAD rallied most by 1.9% and 1.3%, correspondingly. The completely opposite scenario was shown by the Japanese yen last week, which started trading as a leader, but erased all gains in five trading days.



On Wednesday the Sterling dropped considerably, as this currency's index posted a slump of more than one percentage point, following a release of the UK Emergency Budget 2015. This document was the first to be prepared by the Conservative Party alone, following their election win back in May. Meanwhile, some signs of the Pound's recovery appeared already on Thursday, but the GBP Index surpassed the baseline only by the end of the previous week. The major impetus was in turn created by comments from the Bank of England' Governor Mark Carney on Tuesday, when he hinted an earlier hike of the benchmark interest rate. All in all, the period was finished with a solid climb, which amounted to 1.17%.

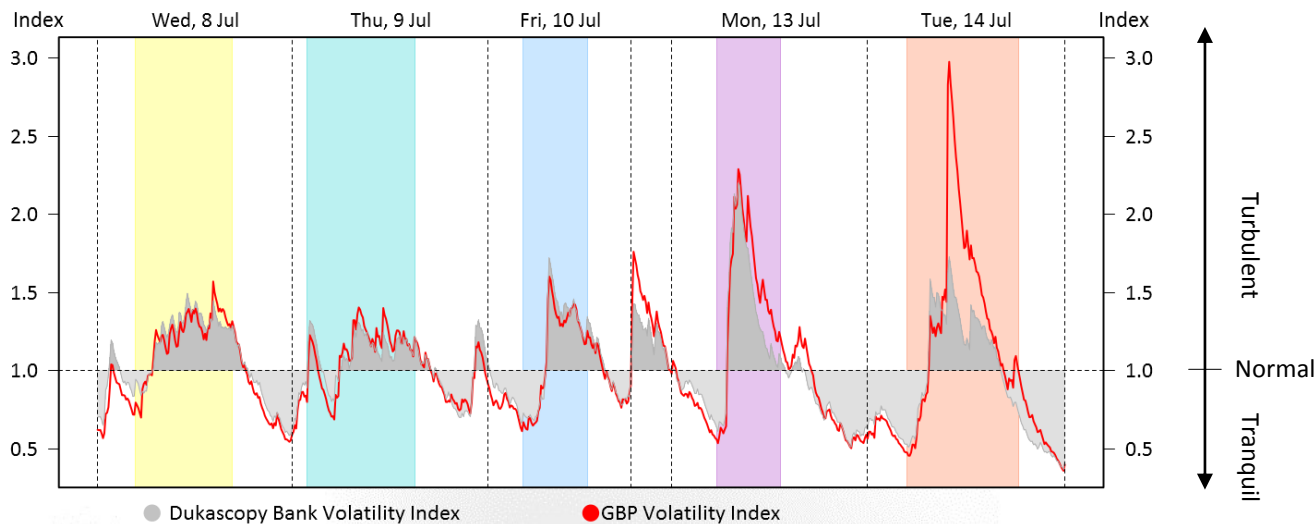


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.15%	-0.12%	-0.95%	1.17%	-0.01%	-0.14%	-0.3%	0.49%	-0.01%
20	-0.42%	2.04%	2.87%	2.2%	-0.07%	-1.67%	-1.38%	-2.02%	-2.31%
130	0.46%	6.04%	0.17%	10.2%	-2.67%	-4.77%	-0.33%	-11.14%	1.76%
250	-5.79%	18.27%	-3.54%	8.27%	11.66%	-7.95%	-1.19%	-12.59%	-7.18%



Volatility

Volatility



Turbulence of the British currency had a tendency to increase day by day during the previous five-day trading period. Moreover, everyday spikes in volatility have positively influenced the elevated volatility indicator as well, which fell slightly short of reaching the 50% mark. In addition, this time the market's average reading managed to match the Sterling's turbulence at 49% of all time. Among the components, GBP/JPY registered an uplifted volatility situation in 63% of all time during the observed period, as the Yen was preparing for this week's meeting of the Bank of Japan. Employment statistics from Australia has also left a footprint on the weekly performance of GBP/AUD, which was the second most volatile

currency pair of last week, as its Volatility Index was above the normal level during 57% of all time.

The Pound Sterling tends to show mild turbulence that does not exceed 1.5 points in the majority of the cases. However, nervous environment of recent weeks has been causing active changes on the market for all currencies, including the British one. A first jump of the GBP Volatility Index above the 2.0 mark took place on Monday, when Greece and its European creditors eventually reached a new bailout agreement. However, the weekly high of 2.98 points was hit on July 14, following the UK inflation data and subsequent comments from the Bank of England's Governor Mark Carney on future of interest rates in the country.

Elevated Volatility (% of the observed period)

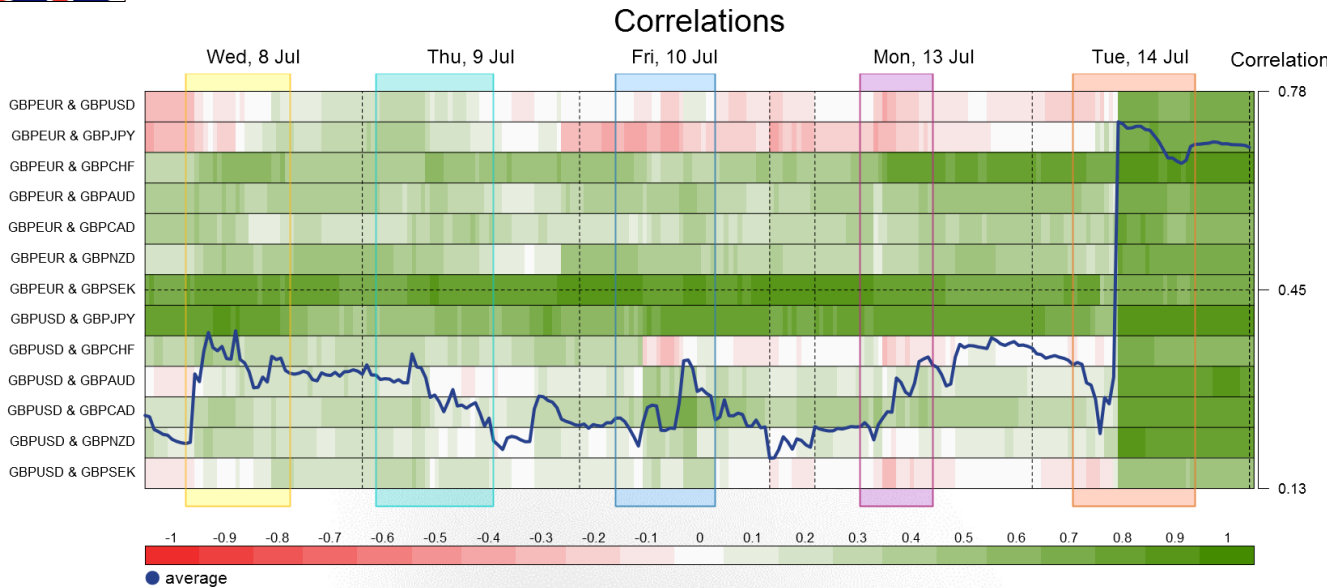
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	49	42	47	63	34	57	49	54	37

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.2	2.98	3.57	4.22	3.36	3.17	2.69	2.88	3.06	3.04
Min	0.37	0.36	0.29	0.33	0.34	0.25	0.27	0.34	0.46	0.3
Average	1.01	1.03	1	1.04	1.2	0.9	1.08	1.05	1.12	0.92



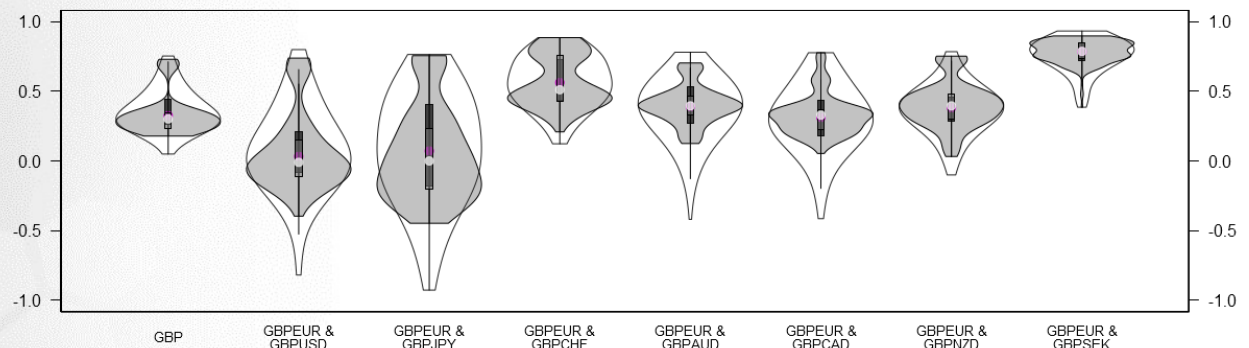
Currency Significance



Without mentioning Tuesday's correlations, it should be underlined that the Sterling's currency pairs failed to register any noticeable united movement during the period ended July 14. Significance of the Pound, calculated as an average correlation between different crosses of this currency, used to be unusually low and the mean correlation coefficient has only averaged 0.33 last week. This reading was below monthly, six-month and annual numbers of 0.36, 0.35 and 0.38 points, respectively, even despite a surge that happened on Tuesday. Therefore, violins used to have quite long tails, as many correlations were located confidently on the red side.

After starting the week as low as 0.25 points, the composite correlation coefficient showed completely no intentions to recover in any of the upcoming days. Fundamental data from Britain used to provide little help to provoke any common movement of the Sterling's currency pairs, while international statistics drove only some particular crosses. Average correlations of GBP/EUR with GBP/USD and GBP/JPY have been exceptionally low at just 0.06 and 0.05 points, accordingly. Nonetheless, the most important event of the week has surprisingly become the Inflation Hearings Report, which was followed by the speech of the BoE Governor Mark Carney. He noted that a rate hike may happen earlier than currently anticipated in 2016. As a result, significance of the Pound skyrocketed to its weekly high of 0.73 points.

Correlations (5 vs 20 days)

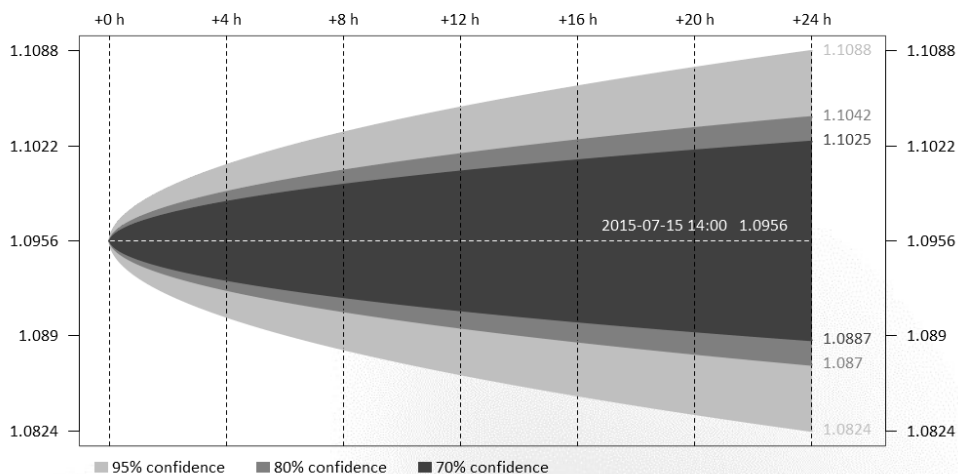


Mean Correlation Coefficient (with GBPEUR)

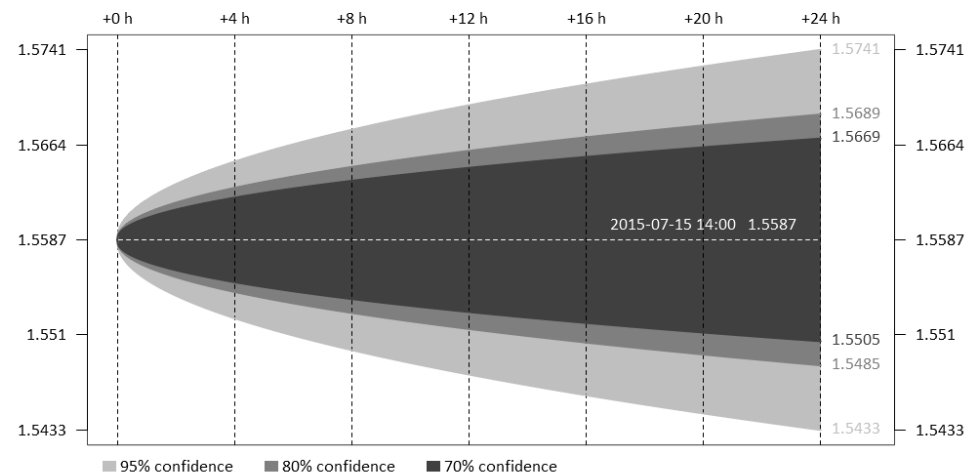
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.33	0.06	0.05	0.57	0.4	0.33	0.4	0.79
20	0.36	0.07	0.09	0.57	0.38	0.31	0.37	0.76
130	0.35	0.07	0.22	0.55	0.36	0.3	0.39	0.7
250	0.38	0.21	0.35	0.74	0.35	0.32	0.37	0.65

Confidence Intervals for Next 24 Hours

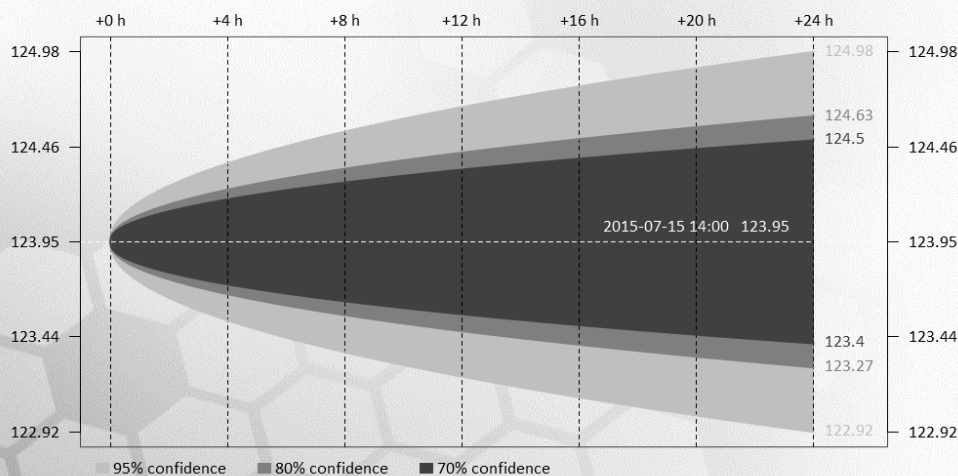
EURUSD Potential Rates



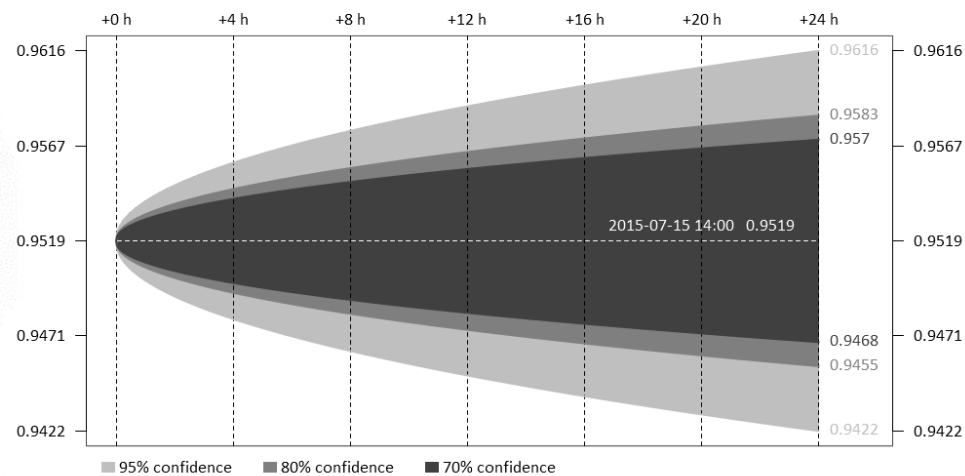
GBPUSD Potential Rates



USDJPY Potential Rates



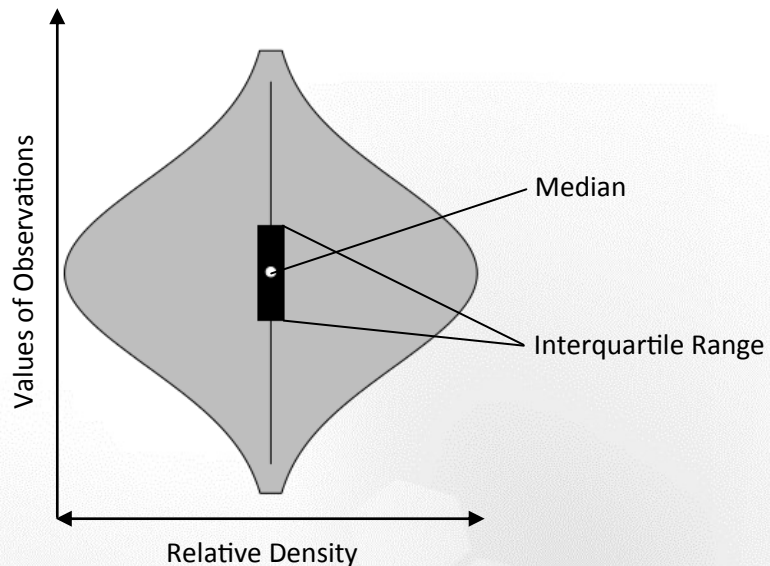
USDCHF Potential Rates



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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