



GBP

30/04/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events for the British Pound

Yellow Area

April 23

06:00 - 19:00

- Eurozone Flash Composite PMI
- MPC Votes
- Canada Core Retail Sales
- US Flash Manufacturing PMI
- US New Home Sales

Turquoise Area

April 24

08:00 - 18:00

- German Ifo Business Climate
- ECB President Draghi Speaks
- UK CBI Realized Sales
- US Core Durable Goods Orders
- US Unemployment Claims

Blue Area

April 25

08:00 - 10:00

- SNB Chairman Speaks
- UK Retail Sales
- UK Mortgage Approvals

Purple Area

April 28

00:00 - 16:00

- German Bubba Monthly Report
- US Pending Home Sales
- US 3-month and 6-month Bill Auctions

Orange Area

April 29

07:00 - 17:00

- Eurozone Money Supply
- UK Prelim GDP
- UK Index of Services
- UK 10-year Bond Auction
- US Composite HPI
- US Consumer Confidence

GBP Currency Index Range

0.39%

0.15%

0.03%

0.2%

0.33%

Average GBP/USD Volatility Index

1.33

1.13

1.01

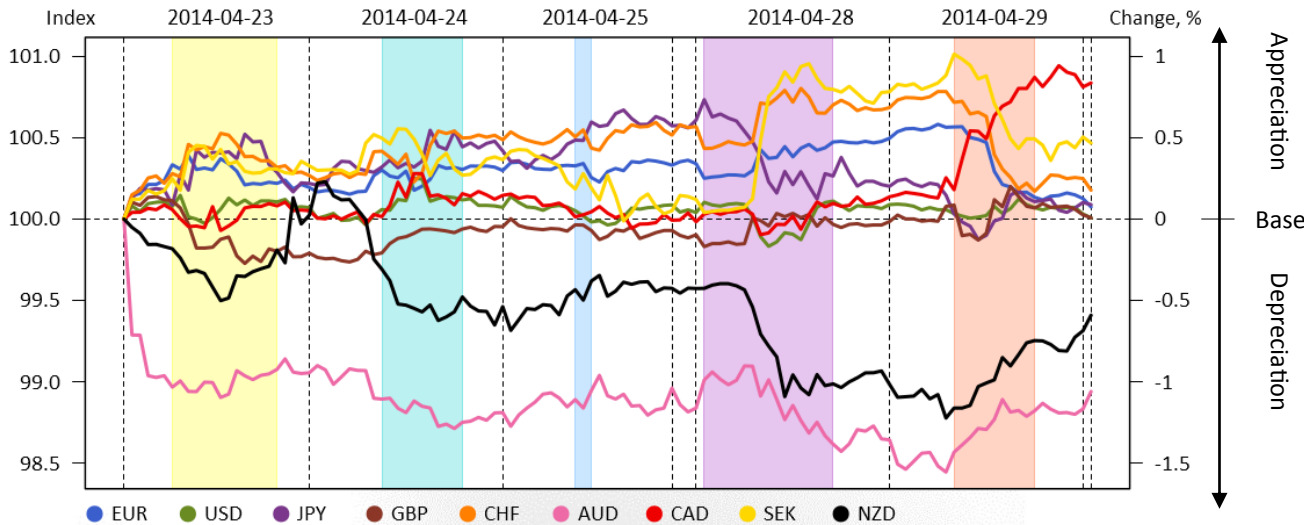
0.96

1.37



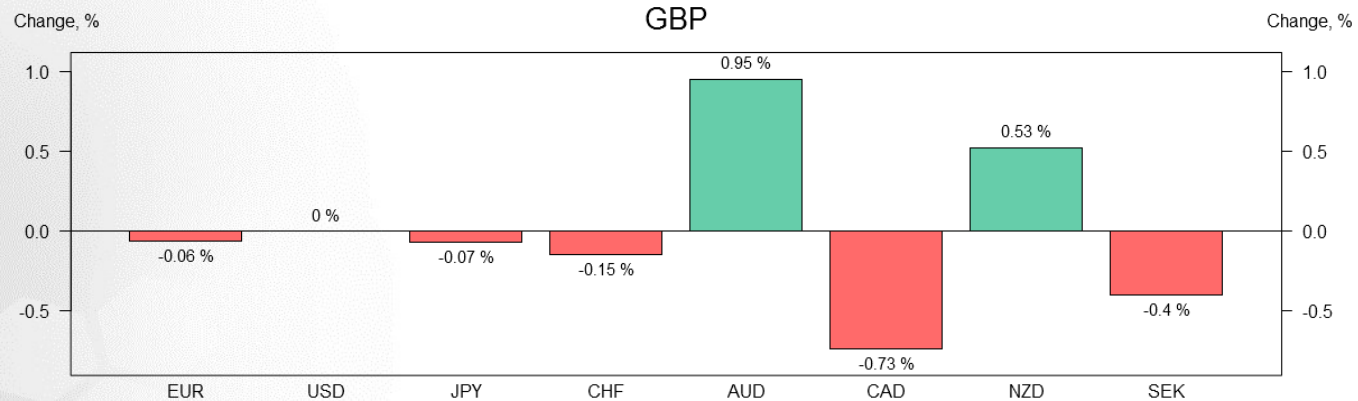
Relative Currency Strength

Currency Indices



The rally that has been seen on Aussie and kiwi are finally running out of steam, as both South Pacific currencies posted solid loses over the last five trading days. At the same time, major currencies like the Euro, greenback, Yen, Swiss Franc as well as the Sterling remained almost unchanged. The main gainer was Canadian Dollar, posting a 0.9% gain, despite Stephen Poloz comment's the rate-cut option is still alive. Earlier the currency was pushed higher by strong retail sales and optimistic data from the U.S., as durable goods orders surprised markets to the upside, meaning demand in Canada's largest trading partner is picking up.

The Sterling remained almost unchanged over the observed period even despite an abundance of important fundamental data from the U.K. On April 23 the GBP index remained in the negative territory, as BoE minutes showed policymakers are divided in their definitions of the "remaining slack". On Thursday and Friday, CBI realized sales as well as retail sales surprised markets to the upside, however, both reports were able to push the Sterling index only up to 99.95. The Pound was highly volatile after weaker-than-expected GDP figures this Tuesday. The economy accelerated in the first quarter of this year, as all key pillars, including manufacturing, construction and services sectors posted solid gains. Nevertheless, the figure fell short of analysts' expectations. It seems that markets got used to the upbeat readings from the U.K.



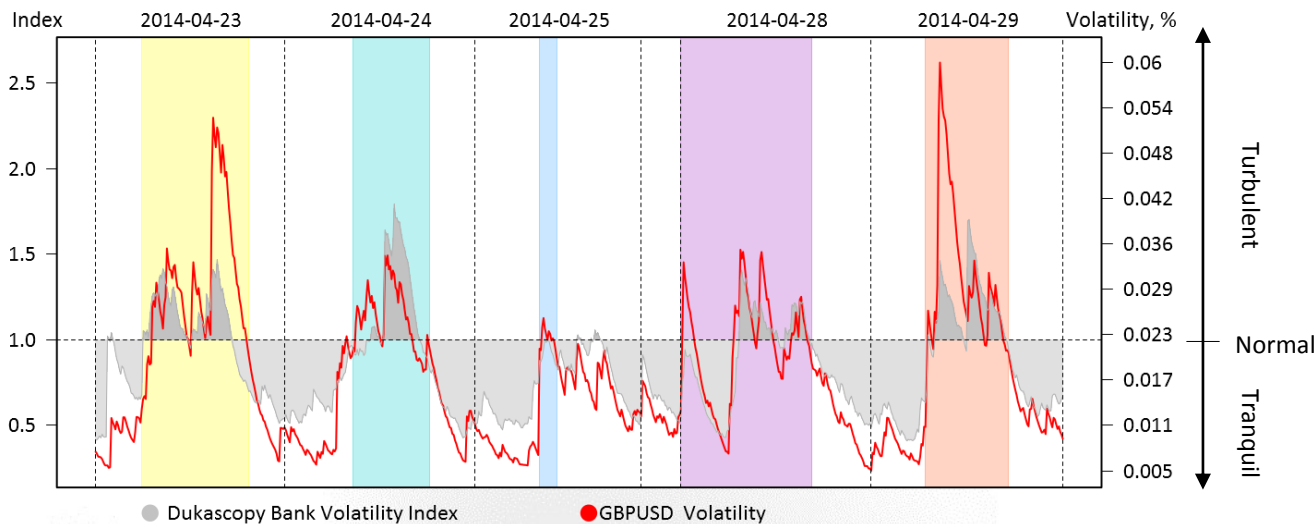
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	SEK	NZD
5	-0.06%	-0.07%	-0.04%	-0.09%	0.03%	-0.38%	0.9%	0.35%	-0.52%
20	-0.13%	-0.19%	1.3%	1.01%	-0.28%	0.44%	0.7%	-2.13%	-0.57%
130	1.02%	0.88%	-4.48%	5.38%	2.26%	-2.72%	-4.74%	-2.77%	4.63%
250	5.46%	-1.61%	-2.37%	9.09%	7.45%	-9.46%	-10.59%	-0.67%	2.72%



Volatility

Volatility



Despite only a 0.09% change over the period, the cable was highly volatile, with the elevated volatility observed in 30% of the time. It means that the GBP/USD pair was slightly more volatile than the market in general. Meanwhile, volatility confirms that investors are losing their interest in the Aussie and kiwi, with elevated volatility on AUD/USD and NZD/USD observed only in 12% and 20% respectively. The most volatile pair was USD/SEK, with Swedish krona weakening to the two-year low against the U.S. Dollar. The Krona turned lower amid concerns the central bank will cut interest rates at least once later this year, in order to dampen the excessively strong demand for the currency. At the same time, retail sales in Sweden disappointed markets.

As we already mentioned, the cable remained in the turbulent zone in 30% of the time. There were two spikes in volatility, both provoked by fundamental data by the U.K. On April 23, the release of the MPC votes resulted in an almost 0.5 jump in GBP/USD volatility index. At the same time, there was a high level of divergence with other currencies' volatility, as Dukascopy volatility index stood at 1.31. Until this Tuesday, the cable remained rather quiet, with volatility fluctuating in a tight range. A release of the weaker-than-expected GDP figures from the ONS was a huge catalyst for the Pound, as GBP/USD volatility soared to its highest level, touching 2.6. Later this week, Markit will unveil manufacturing and construction PMI, hence the volatility has a potential to move back into the turbulence zone after staying around 0.41 on Wednesday.

Elevated Volatility (% of the observed period)

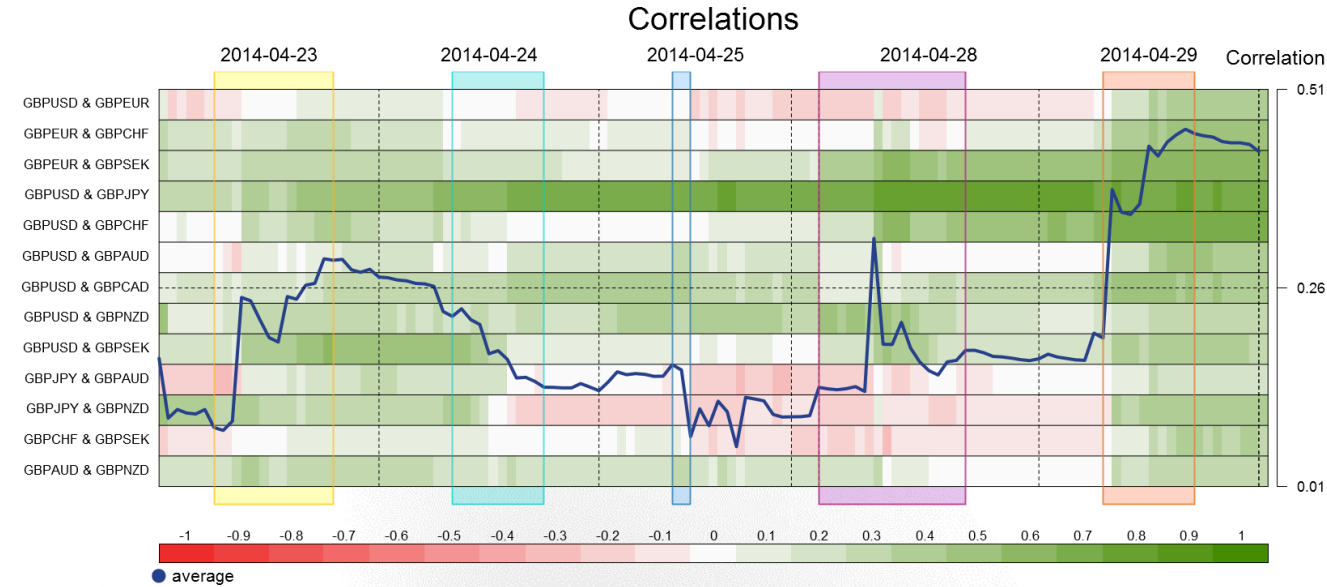
Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
29	35	22	30	12	21	36	32	34	33	38	20

Volatility Index (for the observed period)

	Market	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD	USDCHF	EURJPY	EURGBP	EURCHF	USDSEK	NZDUSD
Max	1.8	3.1	2.7	2.6	4.5	1.8	2.9	2.4	4.1	3.5	2.2	2
Min	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.4
Average	0.8	0.9	0.8	0.8	0.8	0.7	0.9	0.9	0.9	0.9	0.9	0.8



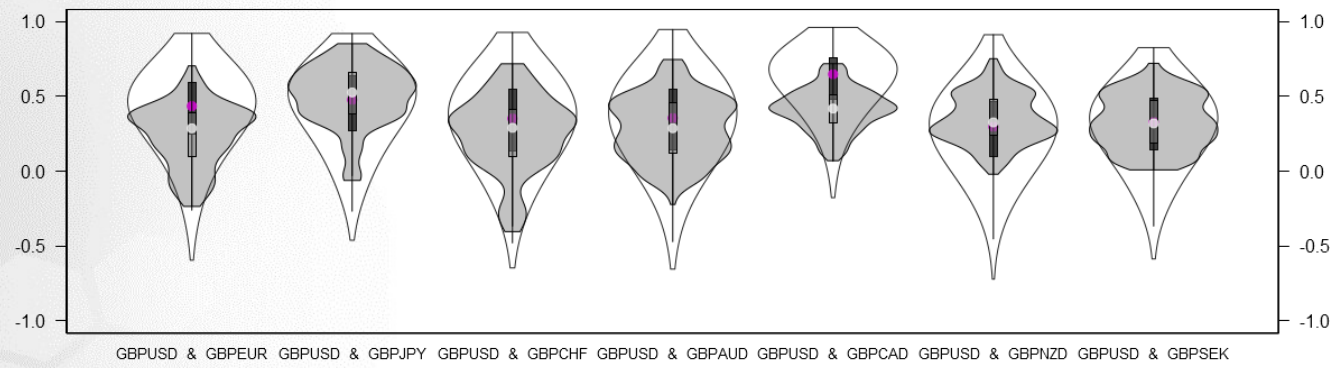
Currency Significance



It was not a surprise that due to a release of several important fundamental reports, which all had a direct impact on the central bank's assessment of the economy, the level of significance of the Sterling increased over the period. Minutes from the April's 9 meeting showed that domestic economy is building up steam; however, policymakers are divided about the assessment of the amount of slack in the economy and the medium-term economic outlook. The Sterling itself remained almost unchanged, while the average correlation coefficient jumped to 0.247. On Thursday, amid a lack of news releases, the coefficient turned lower and a release of CBI realized sales had no impact on the Sterling.

On April 28, the Confederation of British Industry published its survey of 675 British companies showing that growth expectations stood at the highest level since records began in 2003. Over the year growth will be underpinned by stronger business and consumer confidence as well as supportive monetary conditions. Market reaction was impressive, with the average correlation coefficient soaring to 0.32. Even though the reaction was short-lived, the currency received another major catalyst just a day later. The Sterling erased some of the earlier made gains, as the ONS said British GDP advanced 0.8% in the first quarter of this year, accelerating from 0.7% three months earlier. Markets were expecting a 0.9% growth, with some even calling for a 1.0% expansion. The correlation coefficient rocketed to the highest level over the period.

Correlations (20 vs 130 days)

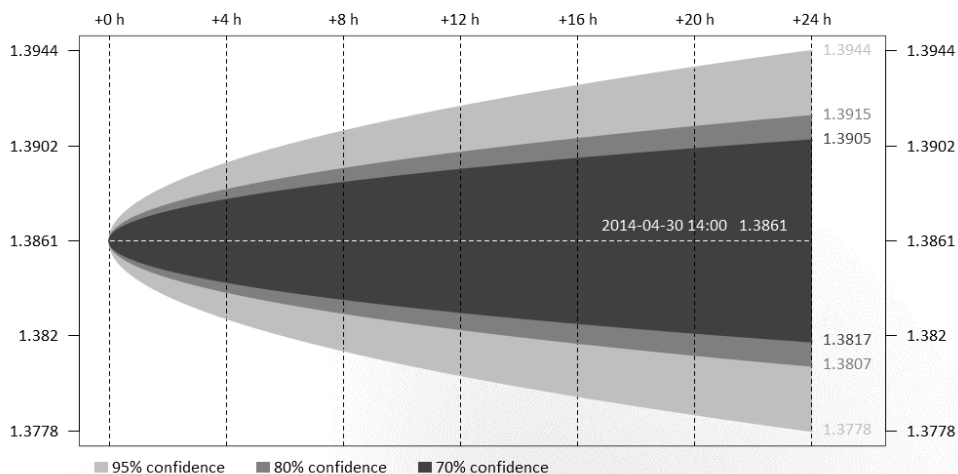


Mean Correlation Coefficient (with GBPUSD)

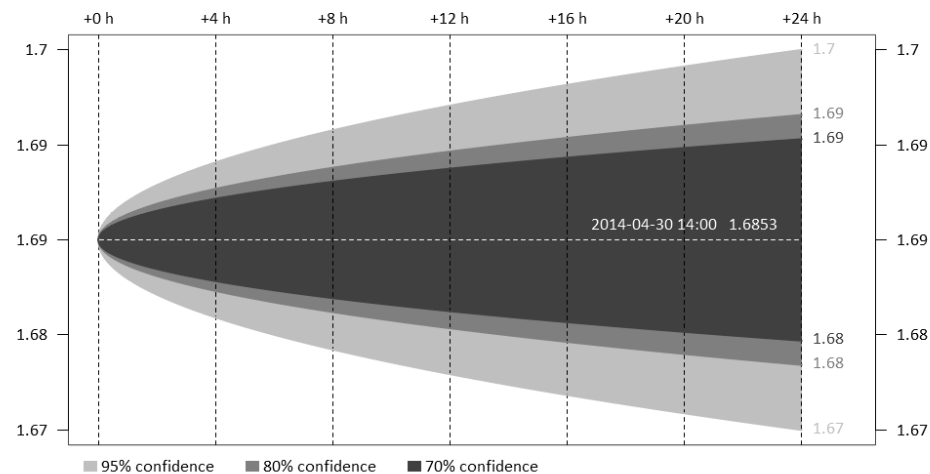
Days	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	-0.01	0.66	0.29	0.14	0.31	0.28	0.27
20	0.24	0.5	0.25	0.29	0.41	0.35	0.32
130	0.42	0.55	0.38	0.34	0.57	0.32	0.37
250	0.42	0.42	0.3	0.25	0.57	0.22	0.3

Confidence Intervals for Next 24 Hours

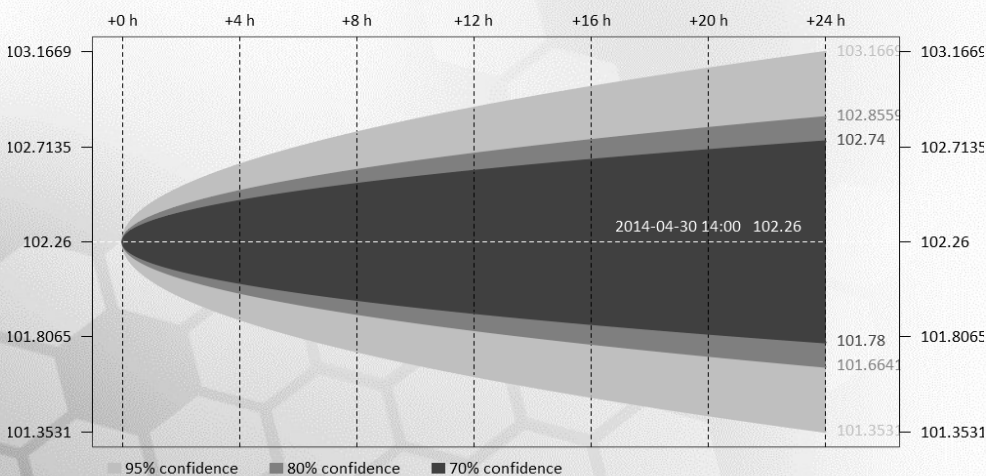
EURUSD Potential Rates



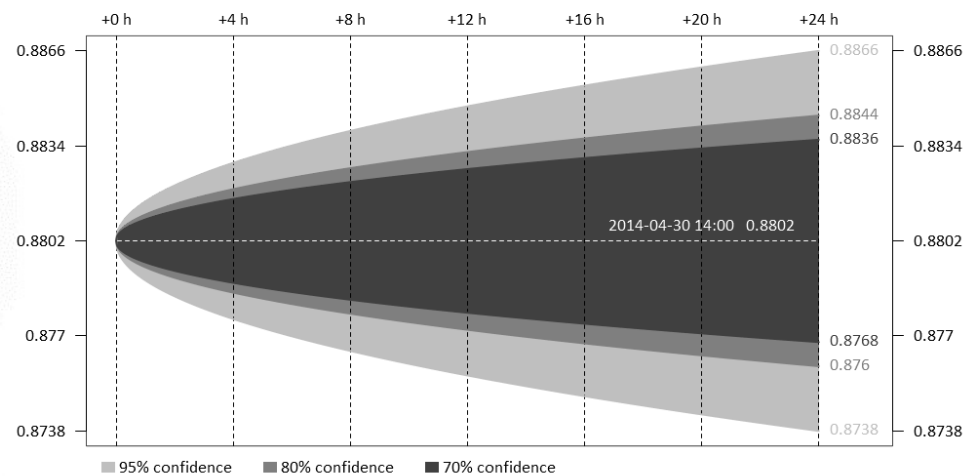
GBPUSD Potential Rates



USDJPY Potential Rates



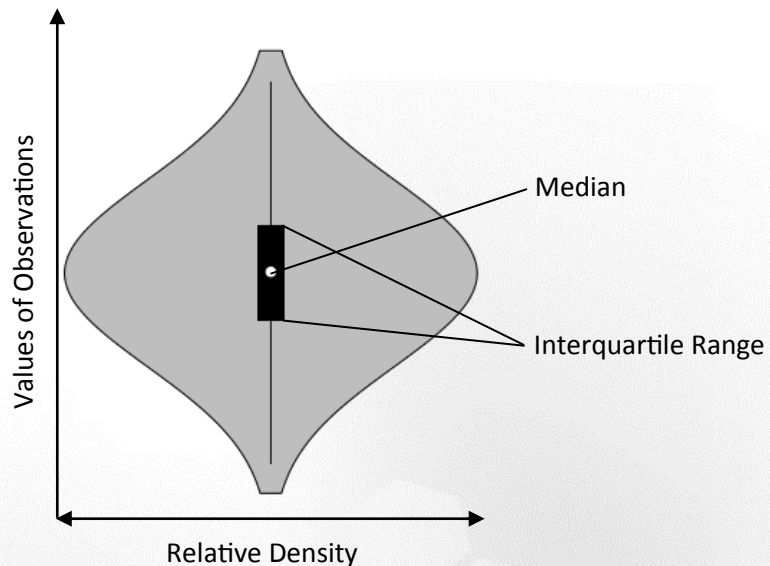
USDCHF Potential Rates



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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