



GBP

15/10/2014



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

October 8

07:00 - 22:00

- UK Halifax HPI
- FOMC Meeting Minutes

Turquoise Area

October 9

11:00 - 19:00

- Bank of England's MPC meeting
- US Unemployment Claims

Blue Area

October 10

07:00 - 18:30

- UK Trade Balance
- Canadian Unemployment Rate

Purple Area

October 14

04:30 - 16:30

- UK Consumer Price Index
- German ZEW Economic Sentiment
- Eurozone Industrial Production

GBP Currency Index Range

0.17%

0.12%

0.27%

0.64%

Max GBP Volatility Index

1.36

1.32

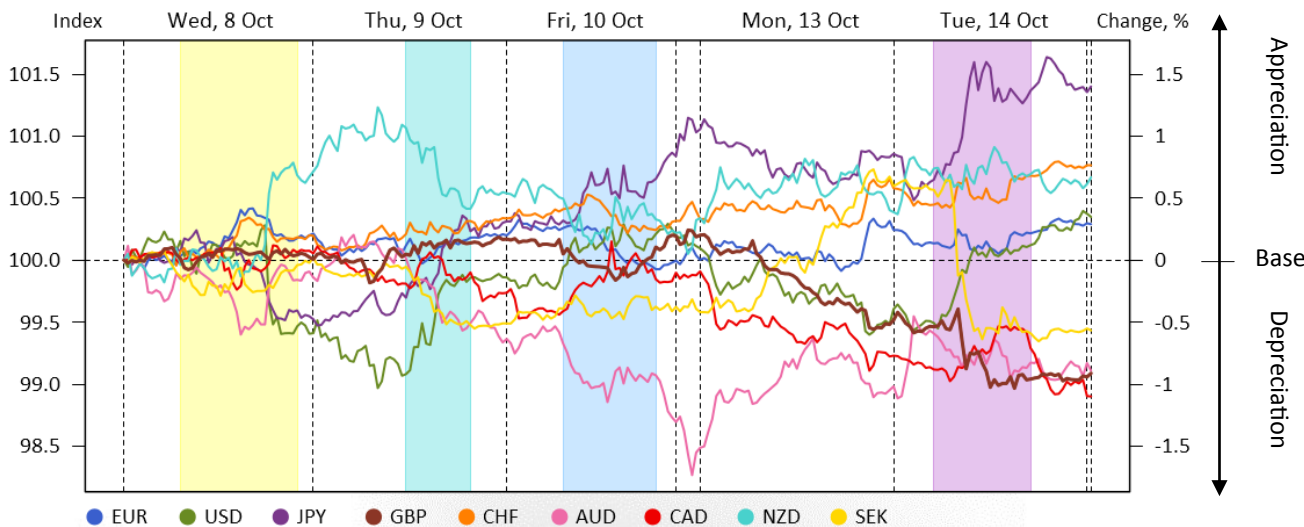
1.25

2.5



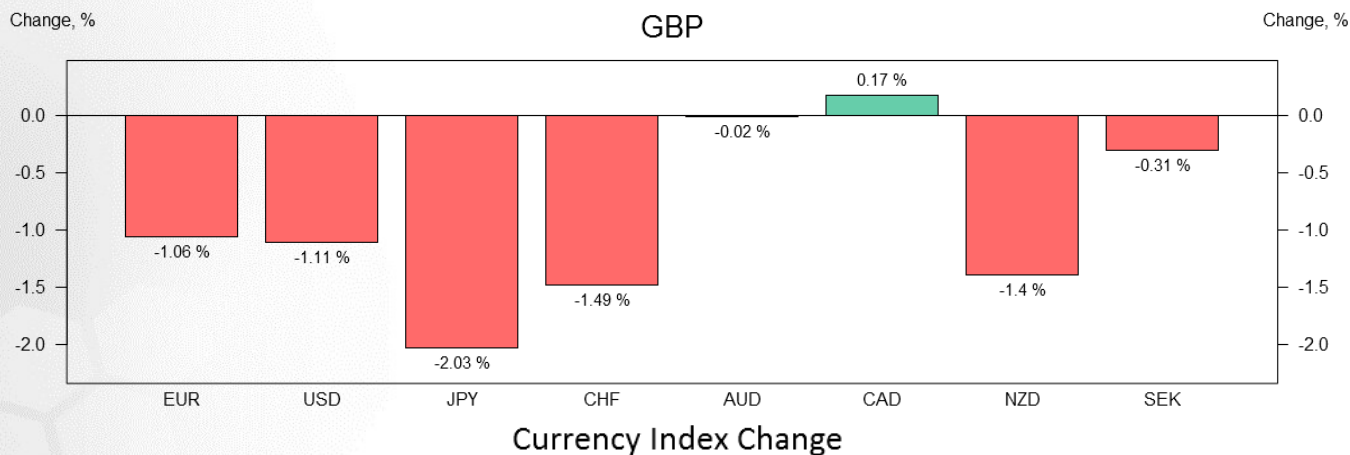
Relative Currency Strength

Currency Indices



The Pound's performance throughout the past five trading days changed from time to time, as after the unexpected decline of October 14 CPI data, the base value for the currency plunged and the GBP Index fell below the baseline, even though it traded above it for the most of the period. The index posted a 0.91% weekly drop, subsequently limiting its four-week gain to minor 0.04%. Among other currencies only the Canadian Dollar showed worse development during the past week, as it declined 1.1%. On the other hand, the Japanese Yen, Swiss Franc and New Zealand Dollar advanced 1.4%, 0.76% and 0.67% in five trading days and reported the fastest weekly gain.

The most influential British news of the period was the consumer price index data, reported on Tuesday. In the beginning of that day the GBP Index was already around 0.4% below the main baseline. However, the September's drop in inflation to 1.2% pushed the British currency index down to 0.9%, where it closed the period of five trading days. Moreover, important event of the Bank of England was held back on October 9, when the Monetary Policy Committee had its scheduled meeting. Despite the final decision to hold the main interest rate unchanged, the impact on the Pound was very insignificant. On Friday the UK trade balance data pushed the GBP Index a bit lower, while on Monday there was no fundamental news in Britain at all.

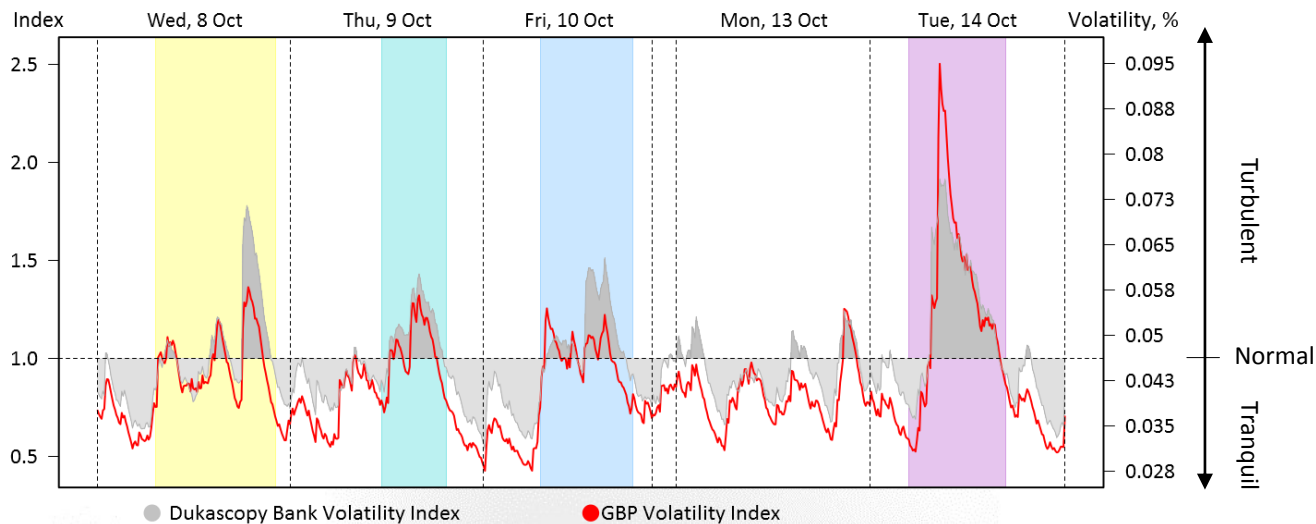


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.29%	0.35%	1.4%	-0.91%	0.76%	-0.89%	-1.1%	0.67%	-0.57%
20	-0.18%	2.43%	2.69%	0.04%	-0.03%	-2.2%	-0.87%	-2.31%	0.5%
130	-2.79%	7.11%	1.17%	1.34%	-1.97%	-0.87%	4.12%	-3.68%	-4.01%
250	-0.73%	7.09%	-2.46%	6.58%	1.86%	-3.06%	-3%	-0.48%	-5.8%



Volatility

Volatility



The period was quiet in terms of volatility, as the GBP elevated volatility index was below the market average levels. GBP/AUD was the only Pound's cross with the portion of elevated volatility greater than market's average of 35%, and with that posted the greatest elevated volatility index value of 40%. Meanwhile, unlike in the previous analyses, volatility of the GBP/NZD currency pair was not only much below the market average, but also the smallest among currency pairs included in the report.

The fuelled decline of the pound due to inflation report was well observed in the currency's turbulence, causing the GBP Volatility Index to jump considerably on Tuesday and advance far above the market average level. The currency's maximum volatility index stood at 2.5 points versus market's 1.91. However, the average volatility during the period of five trading days was smaller than average among all currencies. Except Tuesday, the rest of the period was marked by reduced volatility for the Pound, as market reacted in a rather neutral way on other fundamental news both from Britain and the rest of the world.

Elevated Volatility (% of the observed period)

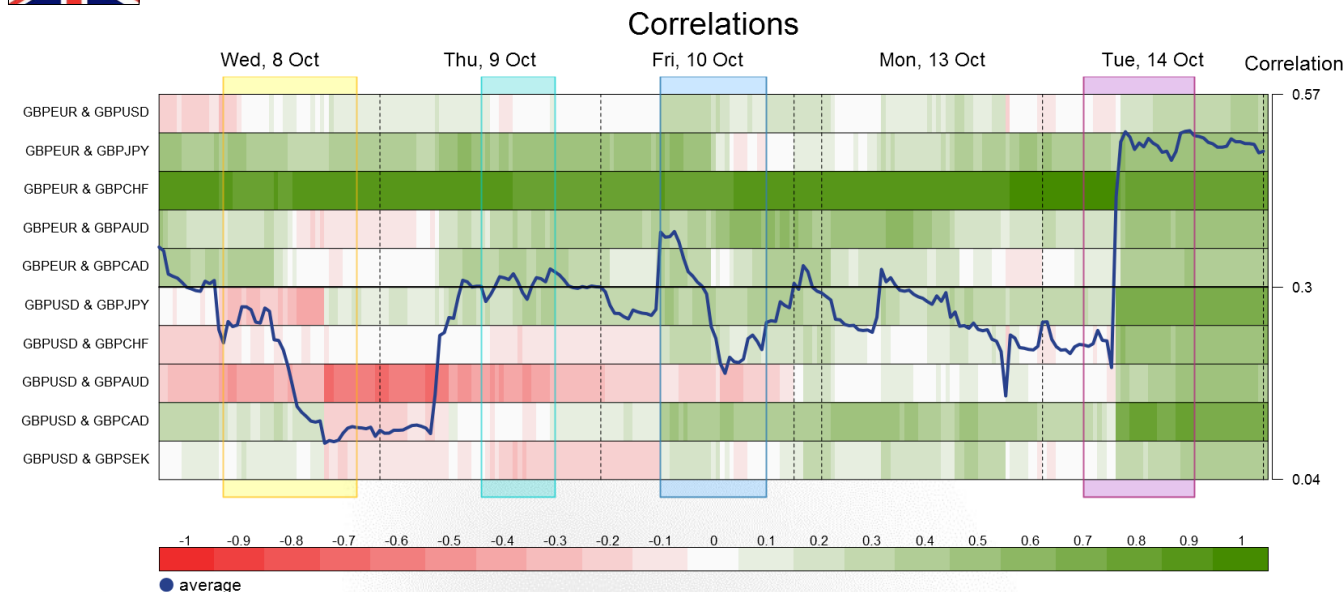
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
35	23	25	27	23	32	40	26	17	27

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.91	2.5	3.49	3.09	2.65	2.8	2.04	2	1.7	4.45
Min	0.54	0.43	0.26	0.35	0.42	0.24	0.48	0.33	0.36	0.26
Average	0.97	0.86	0.85	0.87	0.88	0.86	0.98	0.81	0.8	0.86



Currency Significance

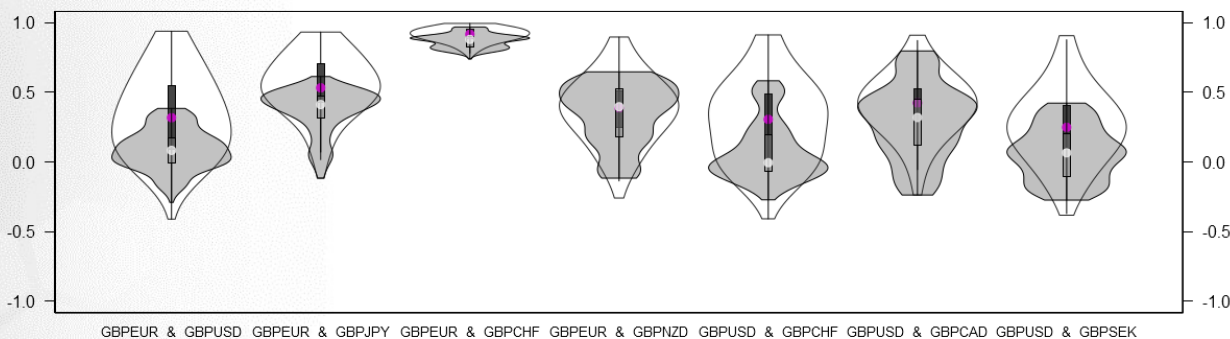


Except some local changes to the upside and downside, the significance of the British Pound, calculated as an average correlation between different GBP crosses, stayed around the level of 0.30 during the reporting period. At the same time, on Wednesday and Tuesday the currency's significance experienced some notable changes, while they were caused by some components dipping to weekly value of just above zero. However, lack of important news from Britain forced the average correlation to stay around the same level for the vast part of the period.

The gauge reached its maximal value of 0.53 in the end of the period, especially influenced by GBP/CAD pair's correlations with other currency crosses following the release of inflation statistics. The minimum value of the GBP significance, in turn, dropped to 0.10 back on Wednesday when the FOMC Minutes made the Greenback a market driver.

The measure stabilized in the middle of the period as Bank of England's meeting turned out to be insignificant driver for the currency against the background of US unemployment claims release, which drove the mean coefficient closer to its average level of the whole period.

Correlations (5 vs 20 days)

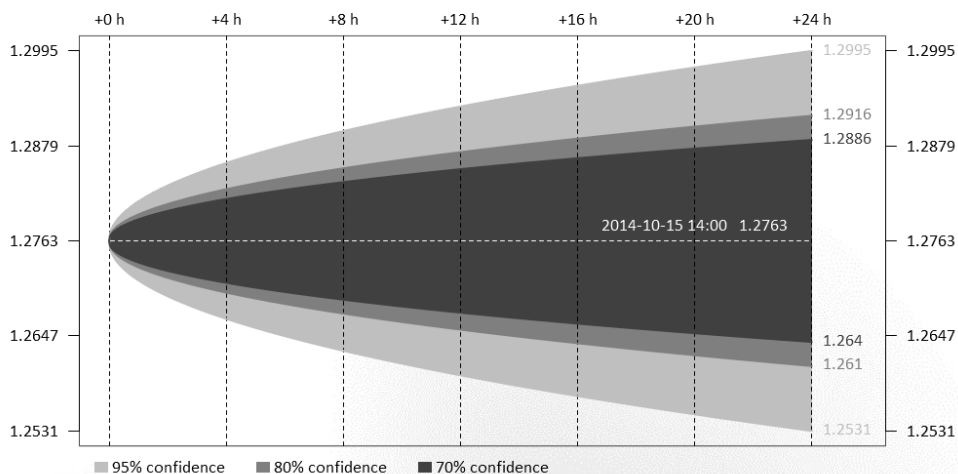


Mean Correlation Coefficient (with GBPEUR)

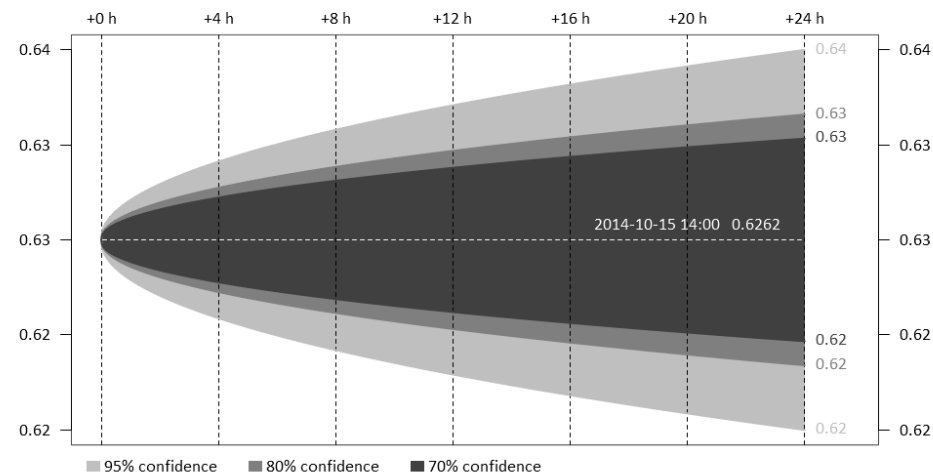
Days	GBPUSD	GBPJPY	GBPCHF	GBPNZD	GBPCHF	GBPCAD	GBPSEK
5	0.09	0.37	0.87	0.34	0.08	0.29	0.06
20	0.33	0.54	0.91	0.38	0.28	0.4	0.25
130	0.43	0.45	0.9	0.34	0.39	0.53	0.3
250	0.46	0.42	0.87	0.33	0.39	0.57	0.31

Confidence Intervals for Next 24 Hours

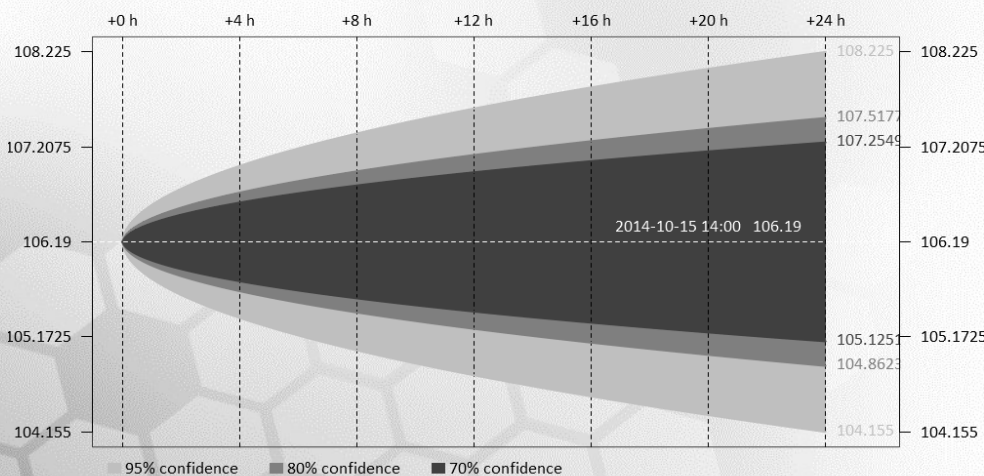
EURUSD Potential Rates



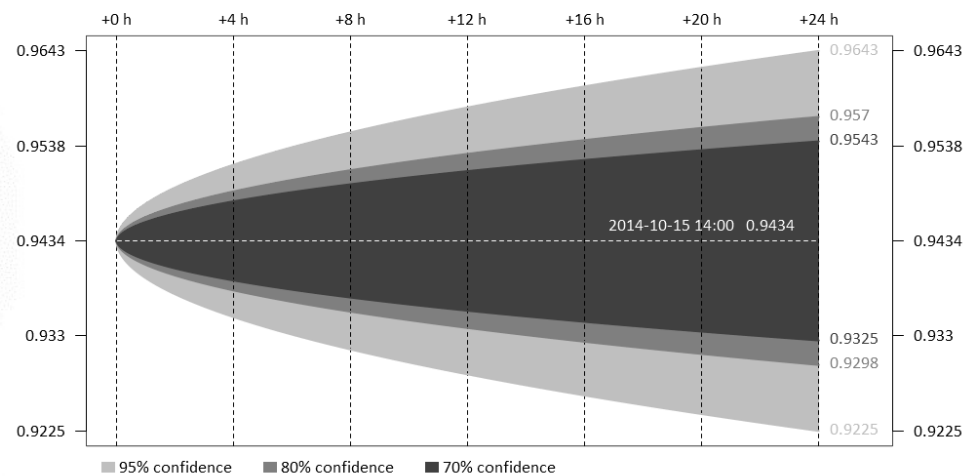
GBPUSD Potential Rates



USDJPY Potential Rates



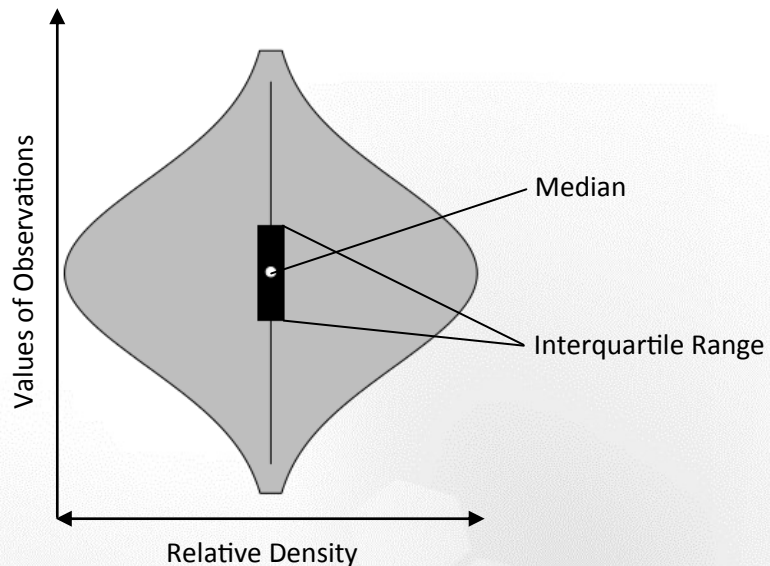
USDCHF Potential Rates



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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