



**GBP**

12/08/2015



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# Dominant Events of the Period

## Yellow Area

August 5

04:30 - 16:30

- UK Services PMI
- US ADP Non-Farm Employment Change, ISM Non-Manufacturing PMI and Trade Balance
- Canadian Trade Balance

## Turquoise Area

August 6

04:00 - 18:00

- UK Manufacturing Production
- BoE Inflation Report, Interest Rate Decision and MPC Meeting Minutes
- Australian Employment Change
- US Unemployment Claims

## Blue Area

August 7

04:30 - 18:30

- RBA Monetary Policy Statement
- BoJ Monetary Policy Statement
- US Non-Farm Payrolls and Unemployment Rate
- Canadian Employment Change

## Purple Area

August 11

00:30 - 18:30

- German ZEW Economic Sentiment
- US Labour Costs and Productivity

GBP Currency Index Change

0.56%	-0.69%	-0.37%	0.49%
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Max GBP Volatility Index

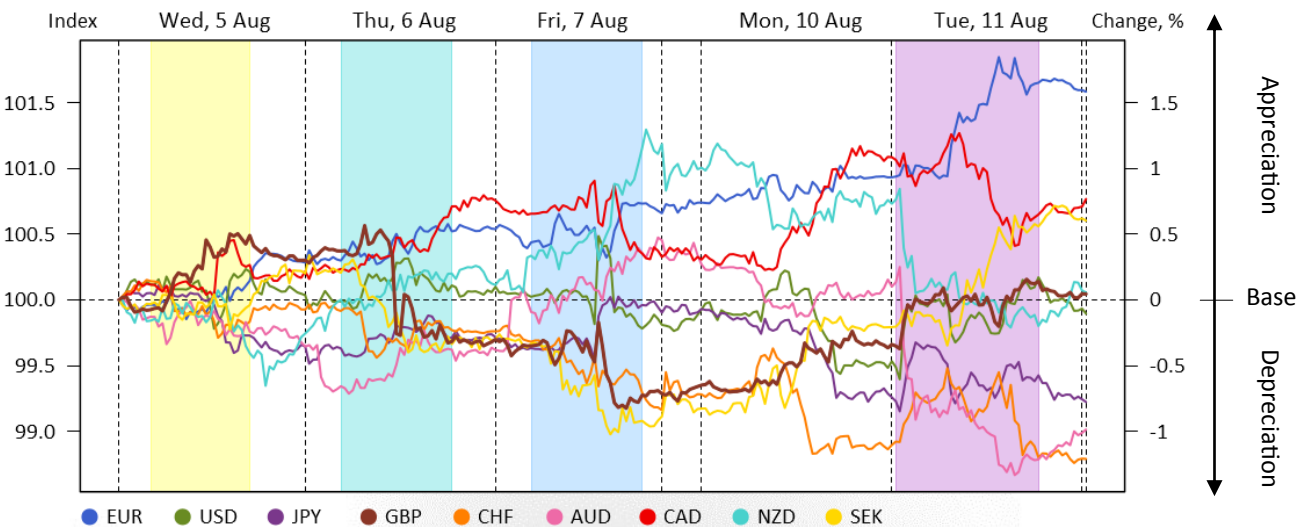
1.28	3.87	2	1.37
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# Relative Currency Strength

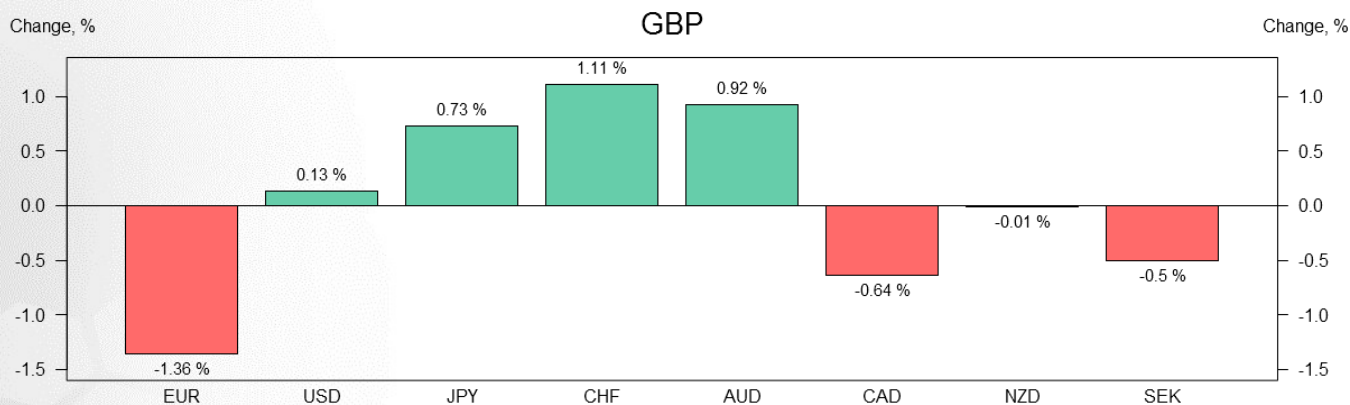
Currency Indexes

There were three distinct categories of currencies in terms of development showed during the observed time period. The first one included three bullish performers — the Euro, Canadian Dollar and Swedish Krona. All of them surged more than 0.5% last week, with the common European currency rallying as much as 1.58% in five days, helped by Tuesday impetus provided by a reached agreement between Greece and the institutions. The second group collected three other currencies, which dropped more than 0.7% - the Yen, Aussie and Swiss Franc. In the meantime, the third group had components, which showed a weekly growth of around zero percent.



The Kiwi and Sterling added 0.06% and 0.04%, respectively, while the Greenback was down 0.11%.

For the British currency, last five trading days were mixed in terms of performance. It gained value on Wednesday and in the early morning of Thursday, while awaiting the bunch of data from the Bank of England. However, more dovish stance among Monetary Policy Committee's members has immediately sent the GBP Index below the base level of 100 points. The minimum was hit on Friday at 99.17 points. A recovery that took place on Monday and Tuesday managed to erase losses. Gains in turn were also limited, which led to a weekly GBP increase of just 0.04%.

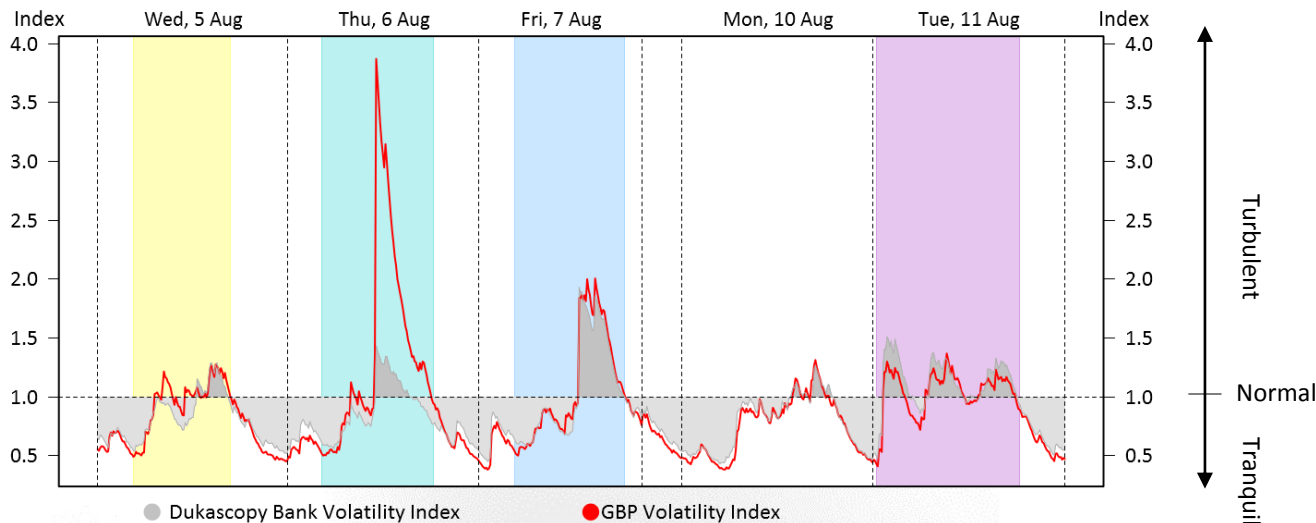


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.58%	-0.11%	-0.78%	0.04%	-1.21%	-0.99%	0.77%	0.06%	0.6%
20	2.09%	1.47%	0.42%	1.26%	-2.81%	-0.43%	-1.25%	-0.66%	0.02%
130	1.31%	4.37%	-1.09%	6.06%	-1.84%	-1.89%	-0.25%	-9.46%	2.17%
250	-3.43%	18.16%	-4.51%	9.85%	8.58%	-8.24%	-2.15%	-10.48%	-7.79%



# Volatility

## Volatility



Elevated volatility of the Pound Sterling has broadly matched readings of many preceding weeks, as it stayed marginally above the market mean at 31% versus 26%. Currency pairs that used to be turbulent the most were GBP/CHF and GBP/CAD, whose elevated volatility jumped as high as 40%. The Canadian Dollar, in particular, was substantially influenced by a several important data releases, which covered construction industry and labour market. Apart from the Sterling, which definitely had some volatility to show last week, the Australian Dollar was one of the most nervous currencies as well, as its Volatility Index exceeded the readings of

other currencies for three times, when employment data, RBA monetary policy statement and NAB business confidence were published on Thursday, Friday and Tuesday, correspondingly.

Speaking specifically about the Pound's turbulence throughout the reported period, it is literally worth mentioning only the Super Thursday, when the GBP Volatility Index climbed to the weekly high of 3.87 points. The Bank of England has announced both its interest rate decision and the MPC vote altogether for the first time ever. The latter, however, disappointed markets, as only one member of the MPC voted in favour of hiking rates. Average forecasts have in turn called for two members to vote this way.

### Elevated Volatility (% of the observed period)

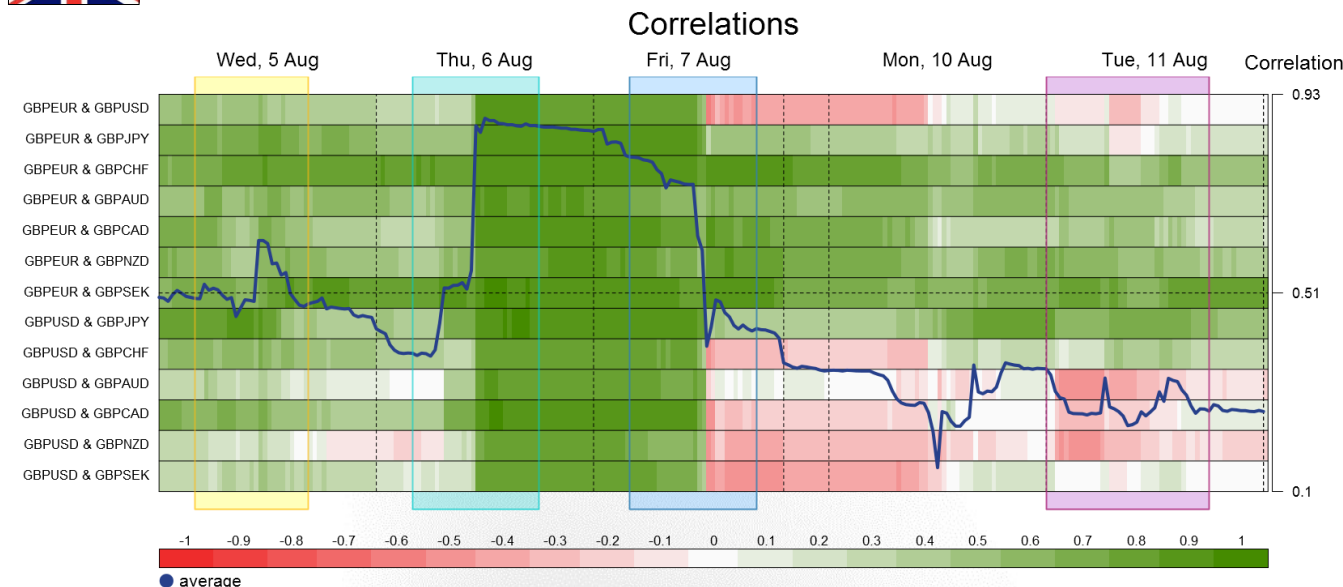
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
26	31	35	35	34	40	24	40	17	34

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.93	3.87	4.17	4.73	5	4.09	3.48	4.65	2.62	3.47
Min	0.43	0.38	0.28	0.22	0.27	0.25	0.32	0.32	0.27	0.24
Average	0.86	0.89	0.89	0.91	0.93	0.93	0.87	0.98	0.81	0.89



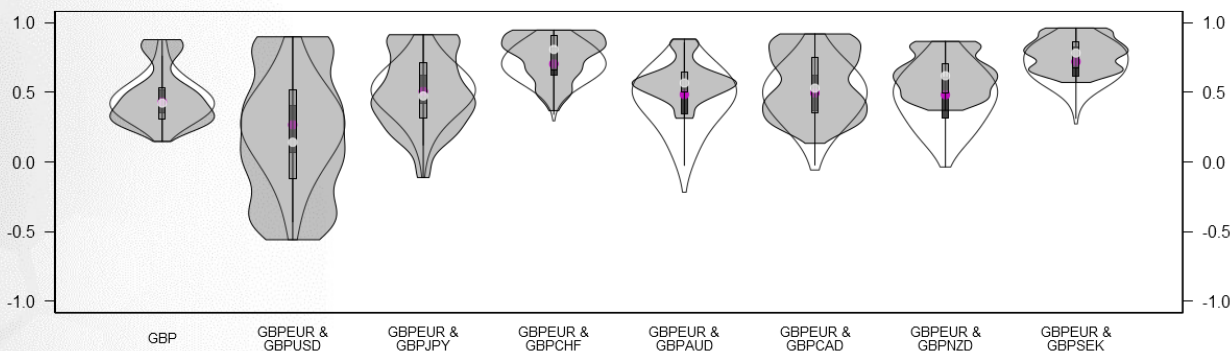
# Currency Significance



While we have observed three different categories among currencies in terms of their weekly performance, the Pound has individually posted two clear periods of contrasting correlation trends. All in all, it seems that the composite, which is calculated as an average correlation between different crosses, succeeded in touching the whole spectrum of correlation values, up from just 0.15 points to 0.88 points. As a result, distributions prolonged their tails below zero. Meanwhile, the Sterling's mean correlation coefficient picked up to 0.47 points last week, higher than all monthly, six-month and yearly averages.

The composite began the trading period at a relatively neutral level of 0.50 points on Wednesday, which was just one basis point below the historical mean. The GBP market was actively preparing for the Bank of England's Super Thursday and therefore showed somewhat united development in the first 36 hours of the period. The data release itself, which took place at 8:30 GMT on Thursday, pushed the UK currency substantially lower in the vast majority of cases. This situation raised the composite up to its weekly high of 0.88 points. However, US non-farm payrolls' statistics darkened situation for predominantly green correlations of GBP crosses. Many Greenback pairs decided to develop in their own way, thus sending some of the components into the red area. Hence, the composite finished the period at a low mark of just 0.26 points.

## Correlations (5 vs 20 days)

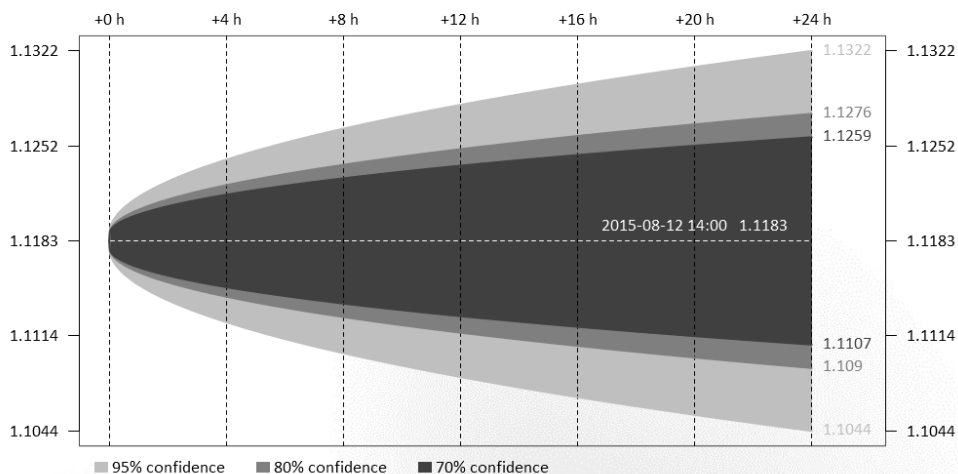


## Mean Correlation Coefficient (with GBPEUR)

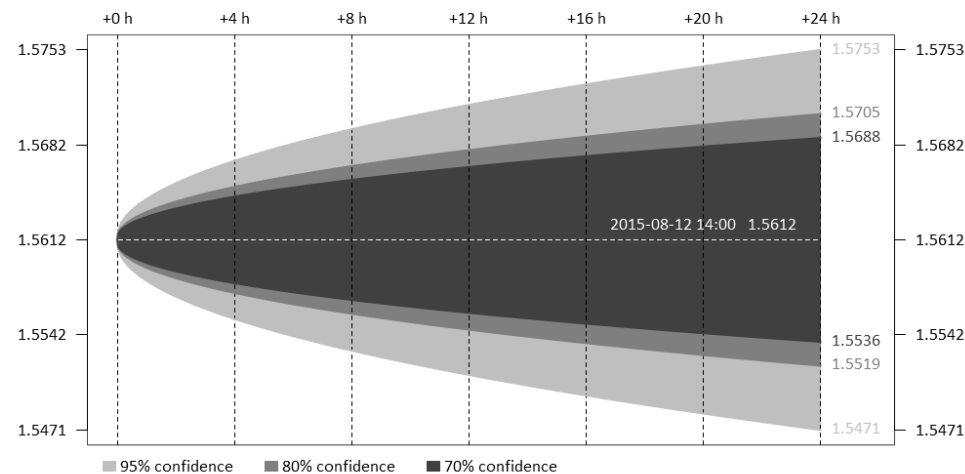
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.47	0.2	0.51	0.76	0.58	0.57	0.62	0.78
20	0.45	0.25	0.51	0.71	0.46	0.49	0.47	0.72
130	0.38	0.09	0.27	0.62	0.38	0.33	0.4	0.71
250	0.38	0.19	0.35	0.73	0.37	0.33	0.39	0.67

# Confidence Intervals for Next 24 Hours

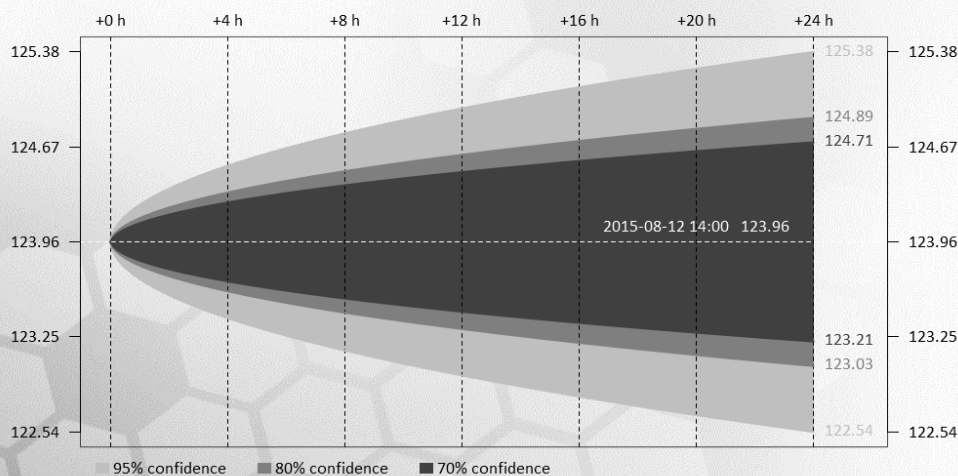
EURUSD Potential Rates



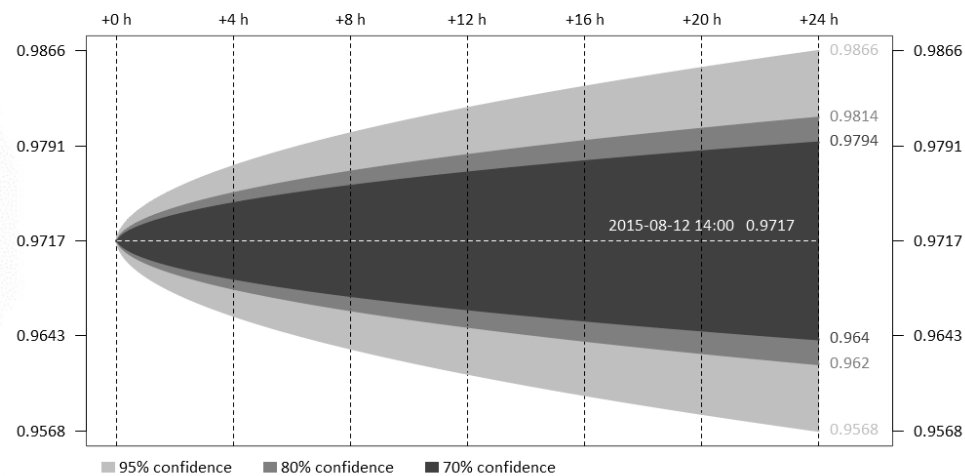
GBPUSD Potential Rates



USDJPY Potential Rates



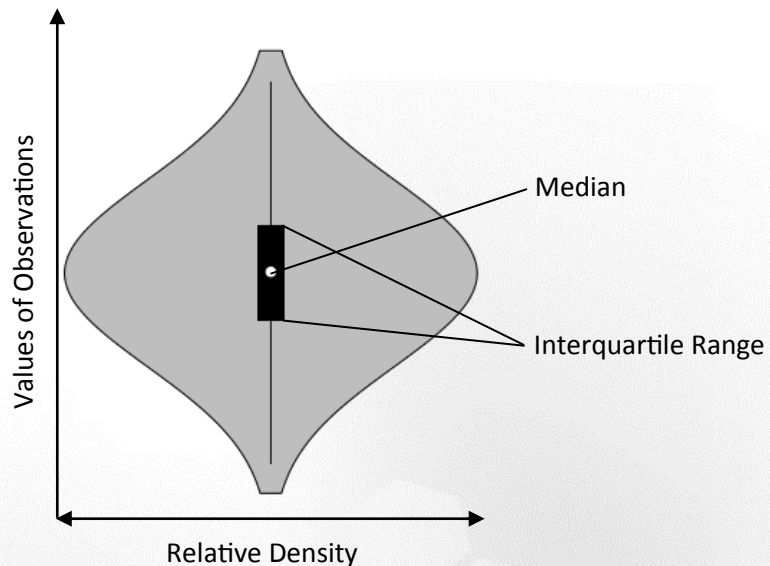
USDCHF Potential Rates



# 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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