



28/10/2015



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RESEARCH PRODUCTS



# Market Research



# Dominant Events of the Period

## Yellow Area

October 21

05:00 - 17:00

- UK Public Sector Net Borrowing
- Bank of Canada Overnight Rate and Rate Statement
- BOE Governor Carney Speaks

## Turquoise Area

October 22

01:30 - 18:30

- UK Retail Sales
- ECB Minimum Bid Rate and Press Conference
- Canadian Retail Sales
- US Unemployment Claims

## Blue Area

October 23

06:30 - 18:00

- French Flash Manufacturing PMI
- German Flash Manufacturing PMI
- Canadian CPI
- PBOC Interest Rate Decision

## Purple Area

October 27

05:30 - 18:00

- UK Prelim GDP
- US Core Durable Goods Orders and CB Consumer Confidence

GBP Currency Index Change

0.3%

0.37%

0.26%

-0.11%

Max GBP Volatility Index

1.07

1.93

1.81

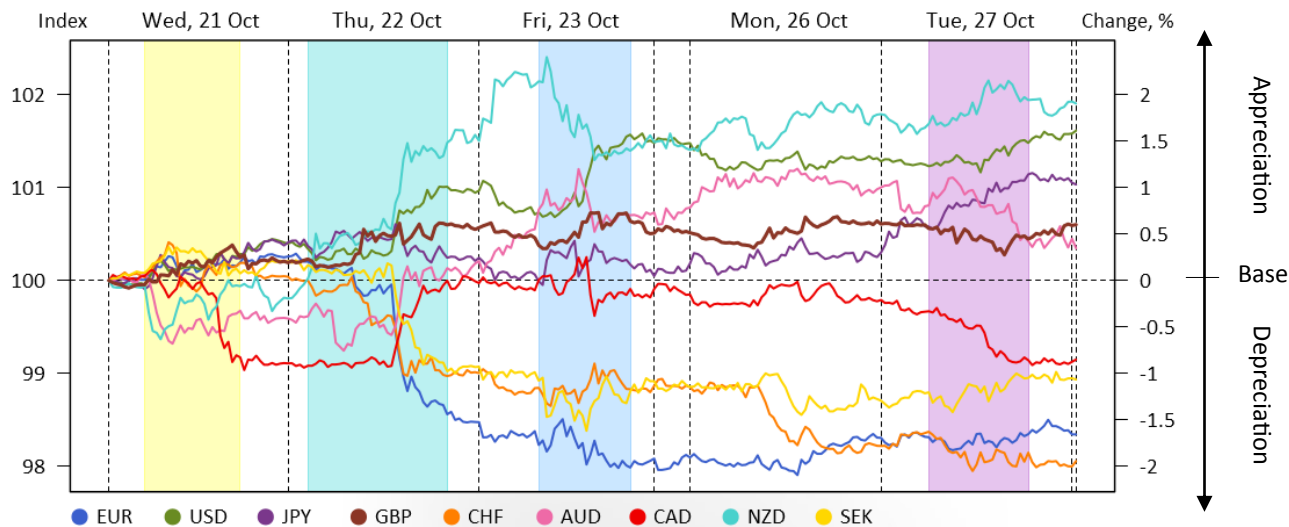
1.21



# Relative Currency Strength

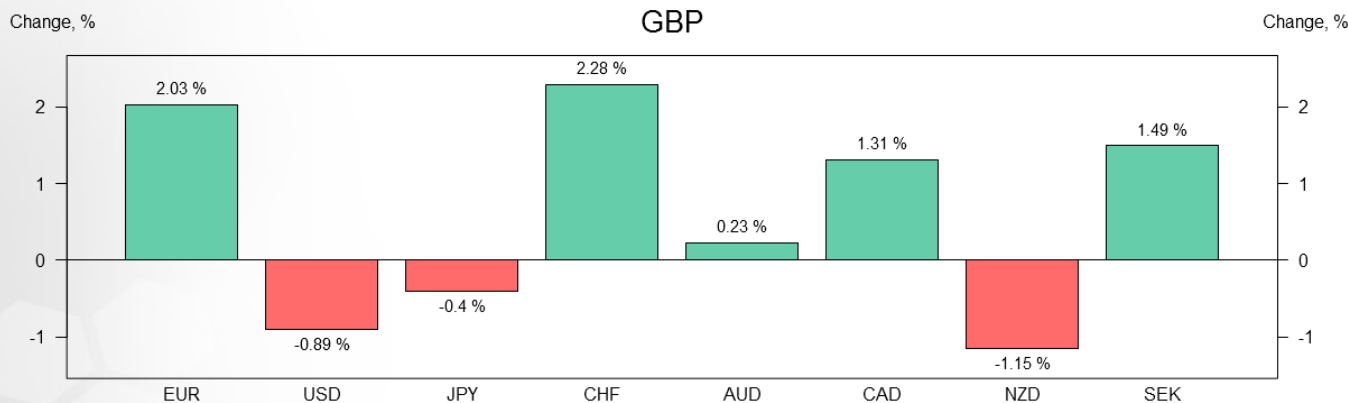
Wednesday, October 28, 2015  
16:30 GMT

## Currency Indexes



Initially it was rather hard to choose, whether this report should be focused on either the British Pound or the Canadian Dollar due to busy fundamental calendar from both countries during the observed period. However, the presence of high-importance UK GDP data this week shifted our decision towards the British currency. Even though it spent all the time above the base line, the weekly gain reached only six tenths of one per cent. The Kiwi rose the most by 1.9%, in anticipation of the RBNZ rate decision on Oct 28. US Dollar surged 1.6% on the back of weaker Euro, while the Yen was up by 1%.

The Sterling posted soft advance in the beginning of the period on Wednesday of the last week. The currency was underpinned by positive government debt data, which showed net borrowing falling down to 8.62 billion pounds in September, lower on both monthly and annual basis. Stronger expansion began taking place on Thursday when British retail sales posted a 1.9% climb for the month of September, outpacing average estimates more than sixfold. Positive sentiment was kept until the very last day of the period, when slightly disappointing UK Q3 GDP data tried to derail the Pound. At first this idea was thought to be quite successful, but a recovery pushed the GBP Index back above 100.5 points by the end of the period on Tuesday evening.



## Currency Index Change

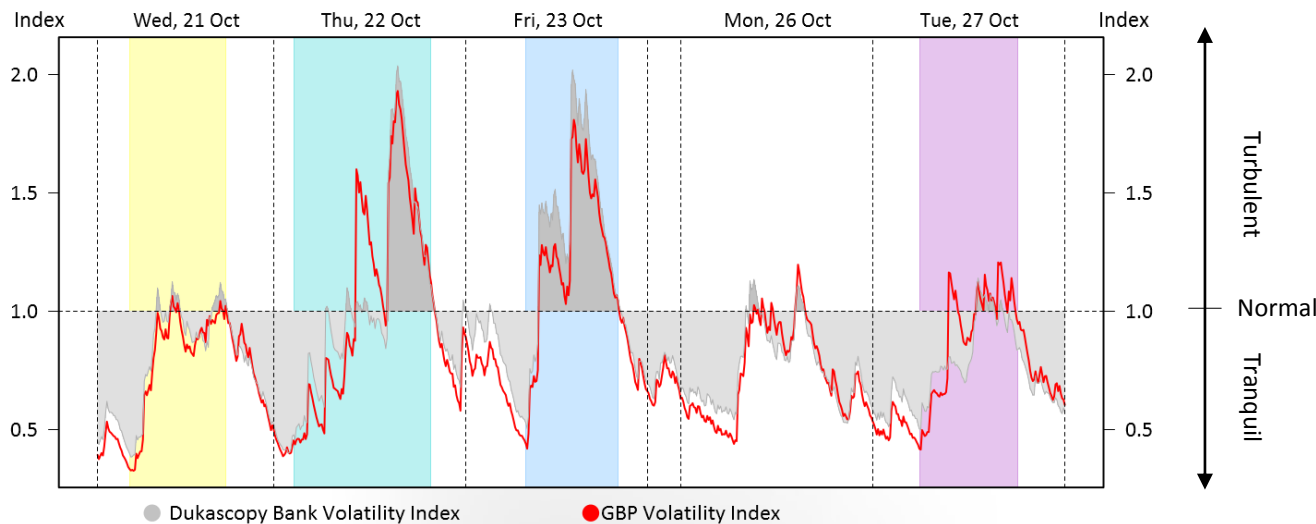
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.66%	1.61%	1.03%	0.6%	-1.94%	0.35%	-0.85%	1.9%	-1.07%
20	-2.8%	-0.59%	-1.23%	0.37%	-2.09%	2.41%	0.54%	6.86%	-2.2%
130	3.5%	4.78%	4.28%	4.7%	-1.07%	-5.82%	-5.49%	-7.71%	3.05%
250	-3.15%	12.7%	0.28%	6.87%	8.35%	-10.15%	-5.89%	-4.51%	-4.53%



# Volatility

Wednesday, October 28, 2015  
16:30 GMT

## Volatility



Among all fundamental releases from the United Kingdom, only retail sales seem to have had strong influence on volatility readings of the UK currency. Otherwise it was driven predominantly by important events from abroad as we certainly had a lot of them last week. Elevated volatility of both the market and the Sterling was equal at 24%, being that only Thursday and Friday were marked by somewhat uplifted turbulence, while during other days it has barely crossed the key mark of 1.00 point. The most volatile cross was GBP/CHF (32%), as the Franc was pricing in the possible Swiss National Bank's intervention in case it will be necessary in the medium term, to prevent the national currency's appreciation.

The first notable spike in turbulence was seen on Thursday at 8:30 GMT, in time the UK retail sales posted a substantial surge for September. Despite that, markets were paying the most of attention to the European Central Bank that day, and it was worth it. The ECB announced a high probability of action in December. Both a cut of deposit rate and expansion of QE are on the table. Then the Pound's volatility reached its weekly high of 1.93 points. Similar situation was observed on Friday when the People's Bank of China made a surprising decision to cut the benchmark rate from 4.60% to 4.35%, while cutting the reserve requirement ratio for banks in the wake of slowing economic growth. On that day volatility reached the 1.81 points' mark.

## Elevated Volatility (% of the observed period)

Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
24	24	25	22	23	32	28	31	30	27

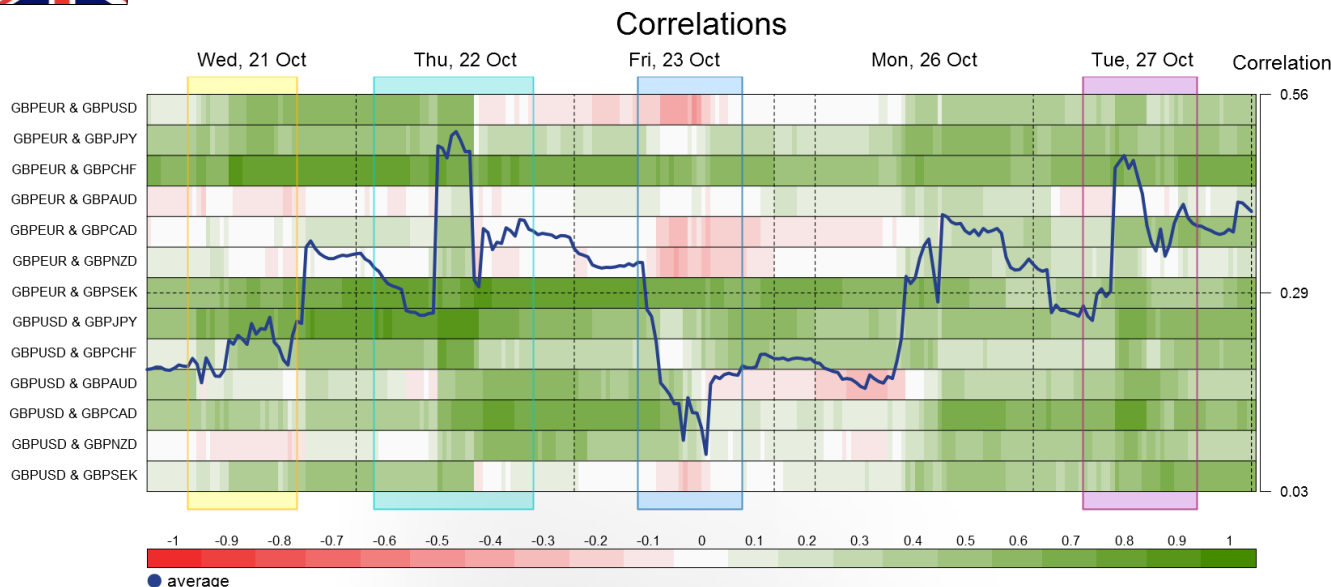
## Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.04	1.93	3.08	2.55	2.18	1.95	2.47	2.49	2.42	2.33
Min	0.39	0.33	0.21	0.18	0.33	0.21	0.35	0.24	0.38	0.21
Average	0.87	0.83	0.81	0.77	0.81	0.78	0.89	0.82	0.9	0.84





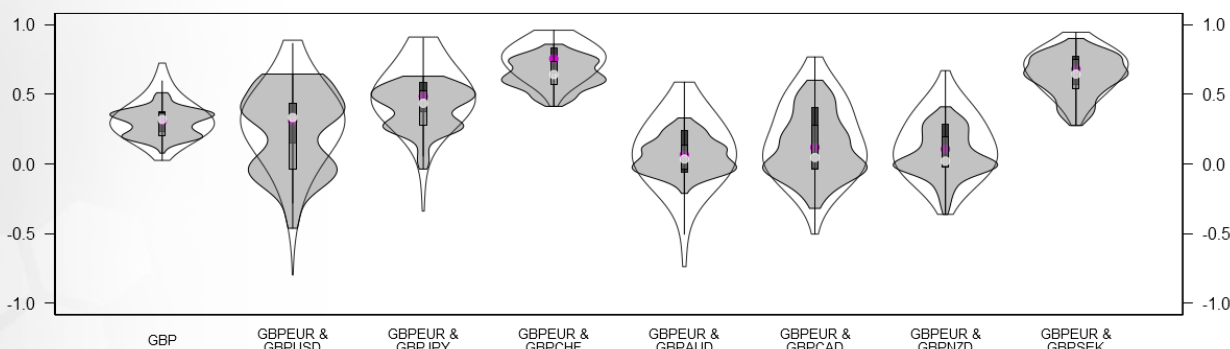
# Currency Significance



Correlations of the Sterling were following their own way of development during the researched time period, because they were partly dependent on events happening inside the UK, while also looking at the international picture. All in all, significance of the UK currency was hammered by unexpected or low-probability events, with Chinese Central Bank's rate decision and ECB's ultra-dovish language being among them. Some of components have therefore had super long tails, including the correlation between two Pound's majors with the Euro and US Dollar.

It should be pointed out that strong influence on the composite has been recently created by commodity currencies, which became over-dependent on the oil price changes. By having a look at the Correlations chart, the majority of red zones usually include the components with AUD, NZD and CAD. Apart from the highest weekly correlation of 0.51 points on Thursday (UK retail sales), it is much more interesting to note the period's low, which was hit on Friday at just 0.08 points. It was the ECB Press Conference, when even the most traded component (GBP/EUR & GBP/USD) was coloured deeply red in the chart. Markets had expected some soft QE stance, but not so strong direct hints of further easing in the nearest future. Thus, the Euro/Pound dropped significantly on the back of Draghi's comments. Nonetheless, the week was finished on an optimistic note at 0.40 points.

**Correlations (5 vs 20 days)**



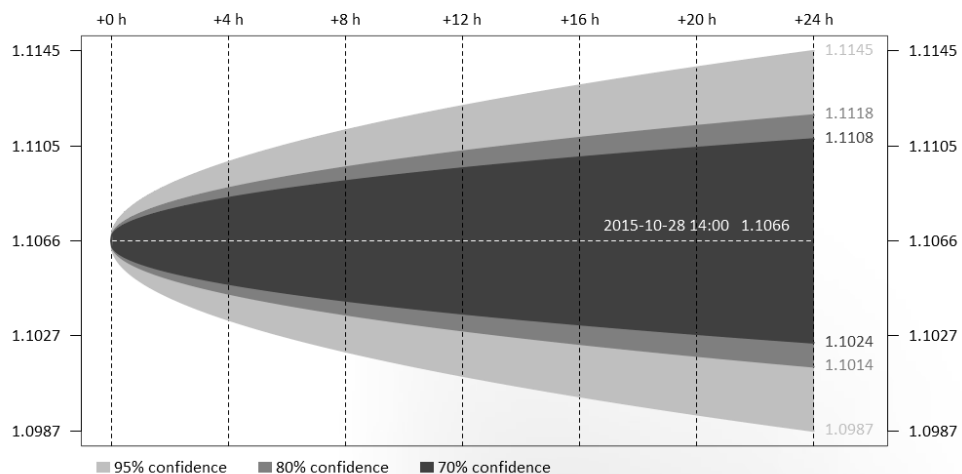
**Mean Correlation Coefficient (with GBPEUR)**

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.3	0.23	0.4	0.64	0.06	0.12	0.06	0.63
20	0.32	0.29	0.49	0.75	0.08	0.16	0.12	0.67
130	0.36	0.18	0.39	0.69	0.26	0.27	0.28	0.72
250	0.36	0.17	0.36	0.68	0.31	0.28	0.33	0.67

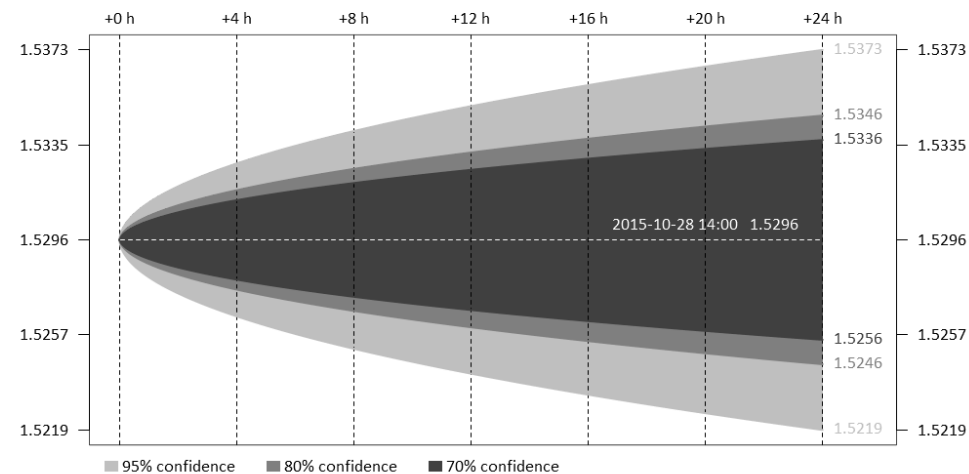
# Confidence Intervals for Next 24 Hours

Wednesday, October 28, 2015  
16:30 GMT

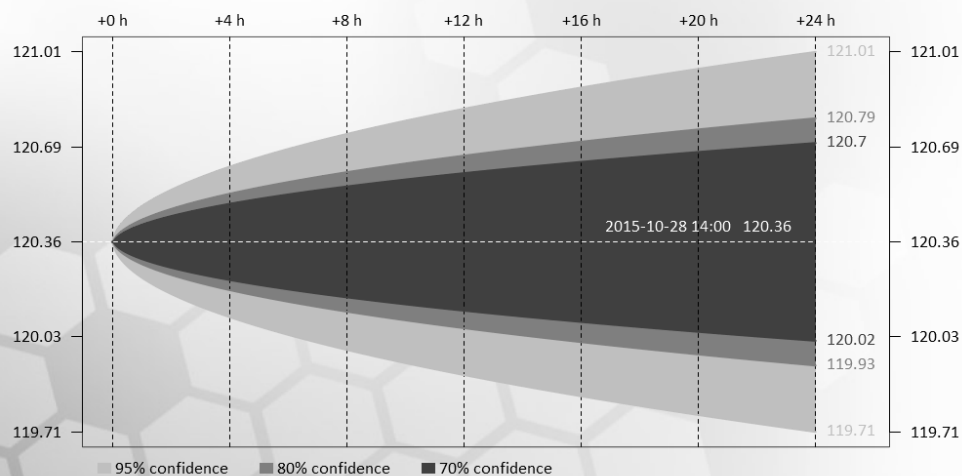
EURUSD Potential Rates



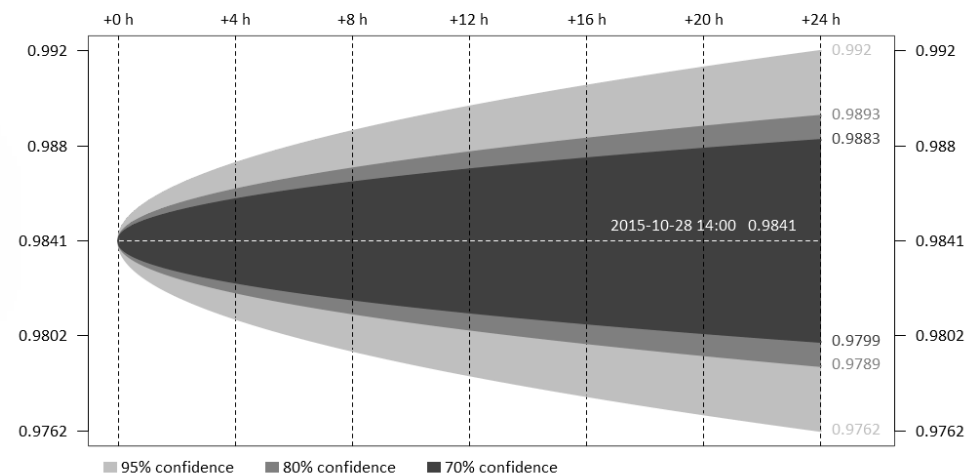
GBPUSD Potential Rates



USDJPY Potential Rates



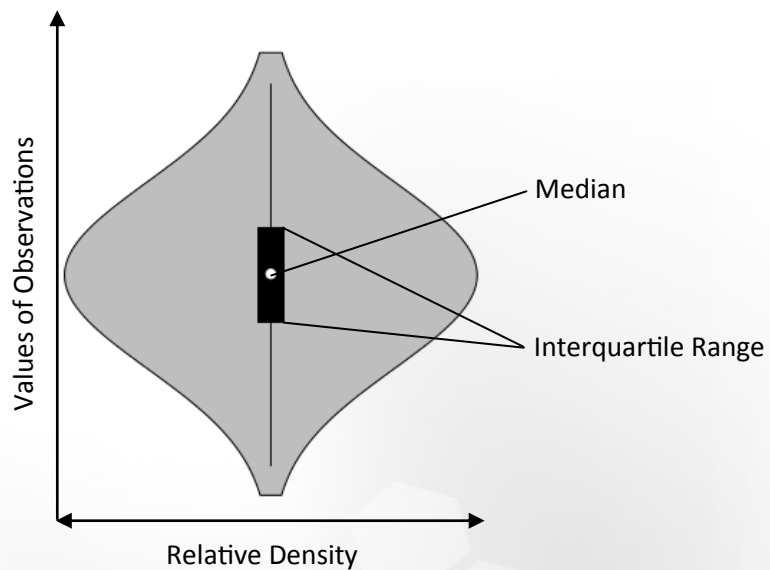
USDCHF Potential Rates



## 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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