



16/12/2015



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

December 9

08:00 - 22:30

- Chinese CPI
- Swiss Unemployment Rate
- German Trade Balance
- RBNZ Interest Rate Decision

Turquoise Area

December 10

00:30 - 20:00

- UK Trade balance
- BOE Interest Rate Decision
- Australian Employment Change and Unemployment Rate
- BOE Governor Carney Speaks
- SNB Libor Rate and Press Conference

Blue Area

December 11

08:00 - 21:00

- German CPI
- Chinese Foreign Direct Investment
- ECB Targeted LTRO
- US Retail Sales, PPI and Consumer Sentiment Index

Purple Area

December 14

08:30 - 21:00

- Japanese Industrial Production
- ECB President Draghi Speaks

Orange Area

December 15

08:00 - 20:00

- UK CPI and PPI
- RBA Meeting Minutes
- German ZEW Economic Sentiment
- US CPI
- Canadian Manufacturing Sales
- New Zealand GDT Price Index

GBP Currency Index Change

0.23%

0.28%

0.51%

-0.39%

-0.05%

Max GBP Volatility Index

1.86

2.09

1.94

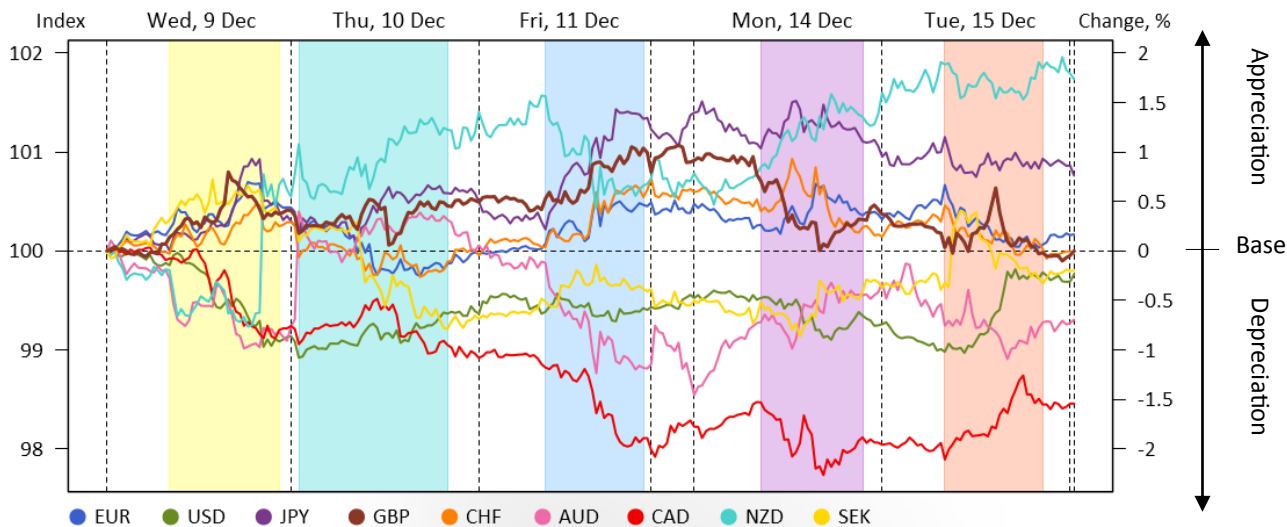
2.12

1.87



Relative Currency Strength

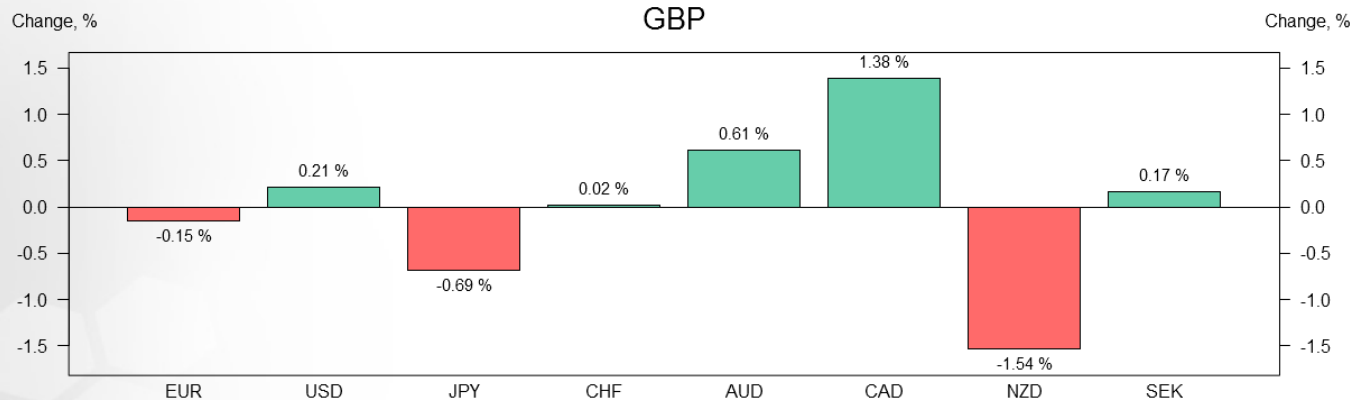
Currency Indexes



The Pound traded generally above the main baseline for the most of the period ended December 15. At the same time, some weakness provided by bearish market participants at the end of the five-day period resulted in a decline of the GBP Index. Thus, it used to finish the week with literally no change in value. Similar to the UK currency, the Swiss Franc finished the week with a loss of only one basis point. The biggest losers were CAD and AUD, as they failed to cope with declining oil prices. Another commodity currency, the Kiwi, was surprisingly the best weekly performer, which rallied by 1.74% in five days. Despite the Reserve Bank of New Zealand

delivering a so-called “hawkish cut” to the key interest rate, economists see an improvement in terms of NZ fundamentals, which should further underpin the local currency in the nearest future.

As for the Sterling, it decided to trade upwards from the very first day of the period. We had two days with breaking news from Britain, namely on Thursday and Tuesday. The Bank of England voted 8-1 in favour of keeping the key rate flat, but many investors remember dovish comments expressed by Governor Mark Carney in November. It used to have an overall negative impact on the Pound last Thursday. On Tuesday, however, data showed UK inflation returning above zero last month. Initial bullishness was negated by expectations the Fed is going to raise interest rates on December 16.



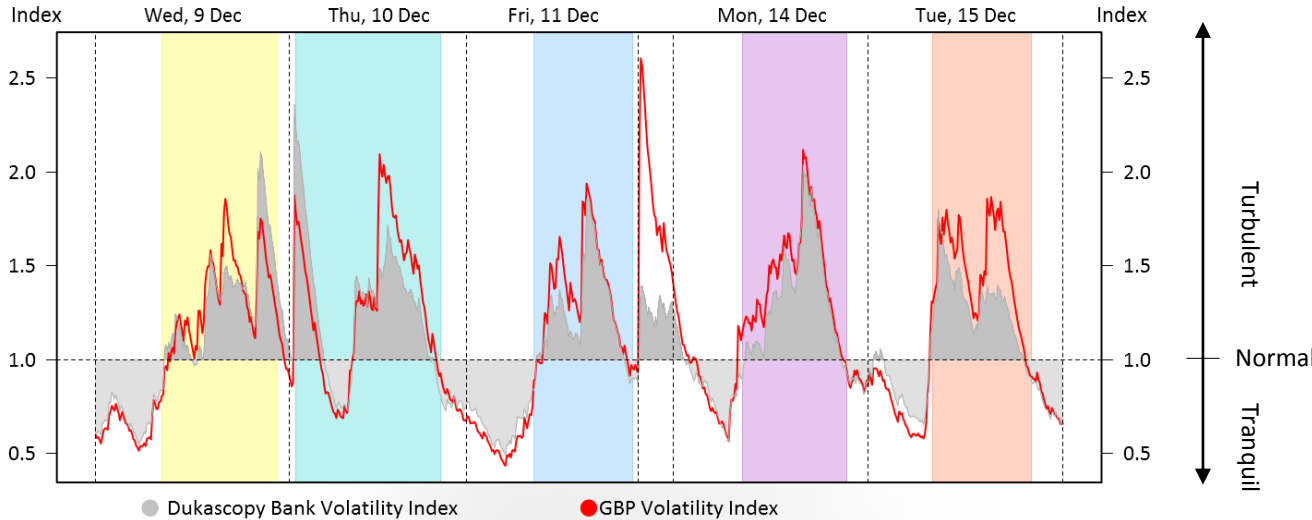
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.17%	-0.24%	0.76%	0%	-0.01%	-0.69%	-1.54%	1.74%	-0.2%
20	1.67%	-1.11%	0.17%	-2.37%	1.38%	0.26%	-4.94%	3.97%	1.55%
130	0.88%	5.11%	6.36%	-0.76%	-2.69%	-3.6%	-7.87%	2.72%	0.08%
250	-4.98%	9.69%	5.76%	5.22%	6.58%	-5.32%	-8.88%	-5.61%	-2.46%



Volatility

Volatility



During all days of the researched period except Monday (December 14) we have got a number of important fundamentals from different countries. In particular, the week was busy for central bank events, with the Bank of England, RBNZ and the Swiss National Bank all releasing their monetary policy decisions. Joined by other statistics across the board, the Pound became highly volatile in course of the period. Elevated volatility reading reached 58% and matched the market average. The most volatile cross was GBP/JPY, which was turbulent in 77% of all time. The Yen was the second-best performing currency last week, as investors attempted to keep their funds in safe assets in the run up to the Fed rate decision.

Surprisingly, but the strongest push to volatility of the Pound Sterling was provided by data from China published during the extended trading in the night between Friday and Saturday. The reason was important, in order to pay attention: data on industrial production showed a surge of 6.2% in November on an annual basis, while overshooting a 5.7% average forecast. Volatility was unusually high on Monday, even though this day was special due to lack of any fundamentals from any country. Most probably, the market has just been becoming more turbulent due to the upcoming Fed interest rate decision, the most influential event of a new week. The weekly high for GBP Volatility Index touched 2.6 points, while an absolute maximum was posted by the GBP/AUD cross at 7.08 points.

Elevated Volatility (% of the observed period)

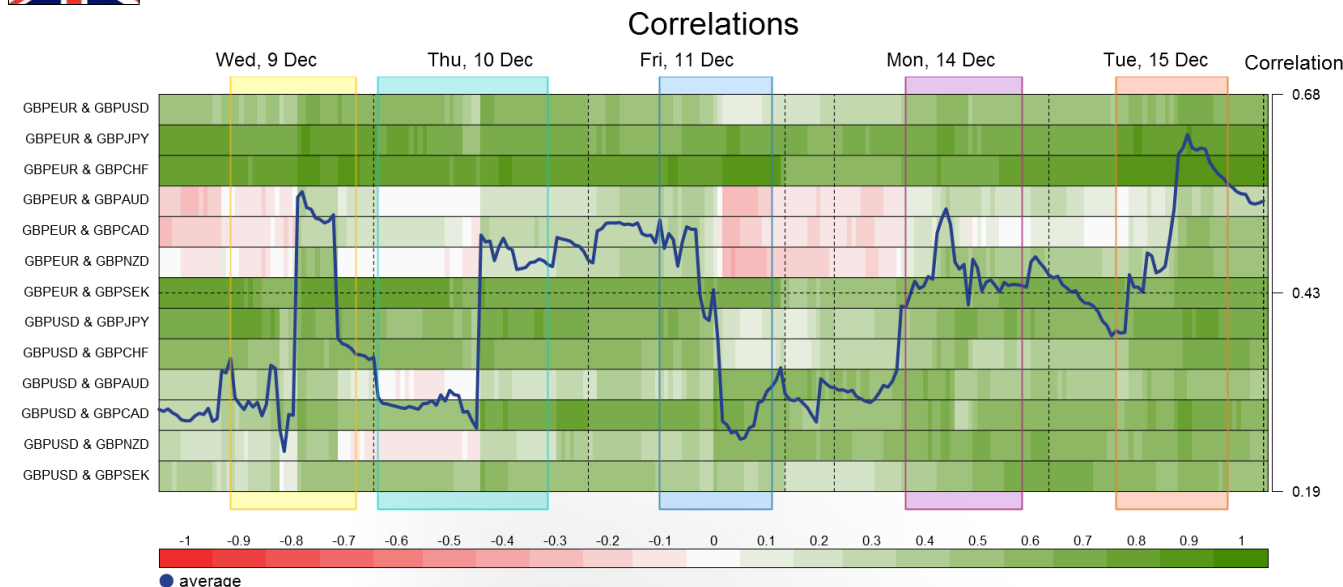
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
58	58	36	51	77	51	74	54	68	51

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.36	2.6	1.76	2.63	2.82	3.19	7.08	2.76	4.69	6.09
Min	0.5	0.44	0.27	0.34	0.47	0.23	0.51	0.26	0.41	0.3
Average	1.11	1.16	0.87	1.05	1.39	1.05	1.4	1.1	1.3	1.14



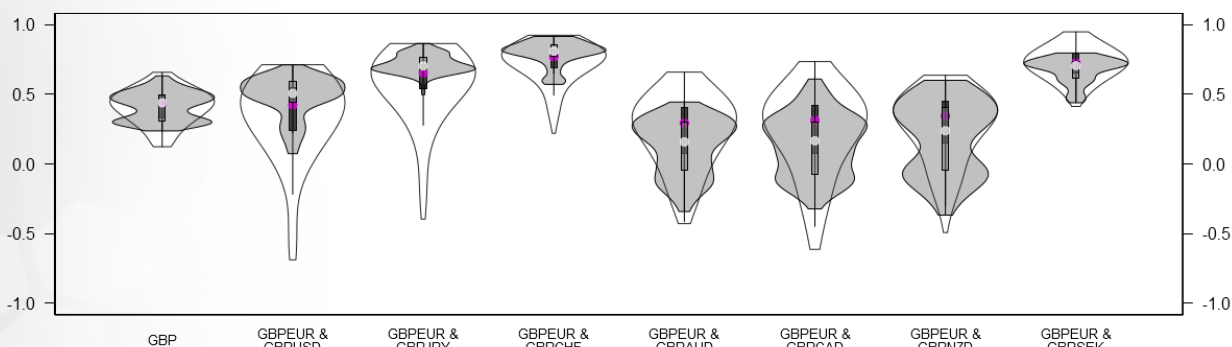
Currency Significance



Correlations among different currency pairs of the Sterling were generally trending higher during the observed period ended December 15. While last week was full of important events, it used to drive different GBP crosses in various directions. At the same time, silent Monday and pre-Fed Tuesday provided the UK currency with higher significance when the composite reached weekly highs. Some interesting components to mention included all commodity-linked currencies. The oil price rout, which was taking place throughout the whole period, was in parallel pushing NZD, CAD and AUD down. These components registered extended tails and mean correlation coefficients of only 0.12-0.18.

In the beginning of the period, the composite was placed near weekly lows of 0.27 points, owing to red correlations posted by AUD, NZD and CAD. The Kiwi's component, however, showed a correlation of closer to zero, as the oil price effect on this currency was softened by the RBNZ decision to cut interest rates by 25 basis points. Pound's significance was especially encouraging during Thursday and Tuesday when some British data came out. Specifically, UK consumer prices rose by 0.1% in November, after falling by the same amount in the preceding month. Core CPI has in turn gone up to 1.2%. On Tuesday an additional bullish momentum for the composite was created by inflation statistics from the world's most powerful economy. In the meantime, after hitting 0.62 points in the afternoon, GBP significance has somewhat cooled down to close the week at the 0.55 mark.

Correlations (5 vs 20 days)



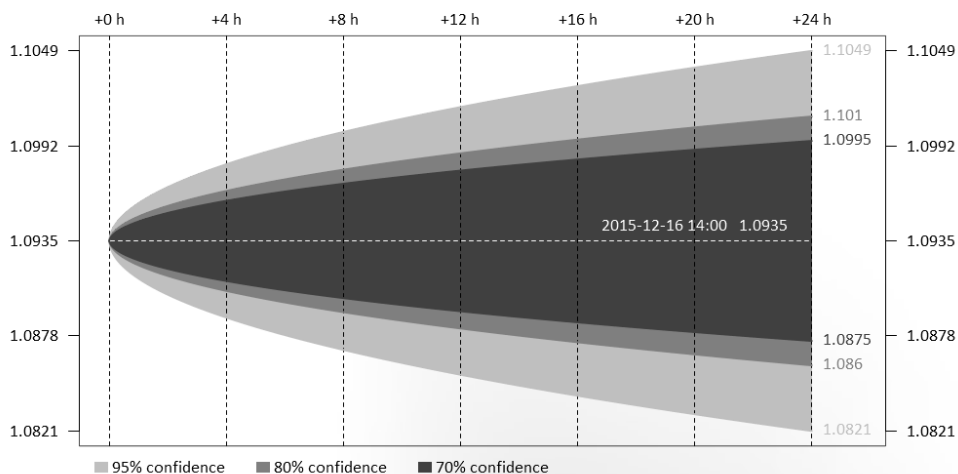
Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.41	0.48	0.72	0.8	0.12	0.14	0.18	0.67
20	0.41	0.35	0.58	0.73	0.23	0.23	0.27	0.72
130	0.37	0.23	0.46	0.69	0.24	0.25	0.27	0.72
250	0.36	0.17	0.37	0.65	0.3	0.28	0.33	0.68

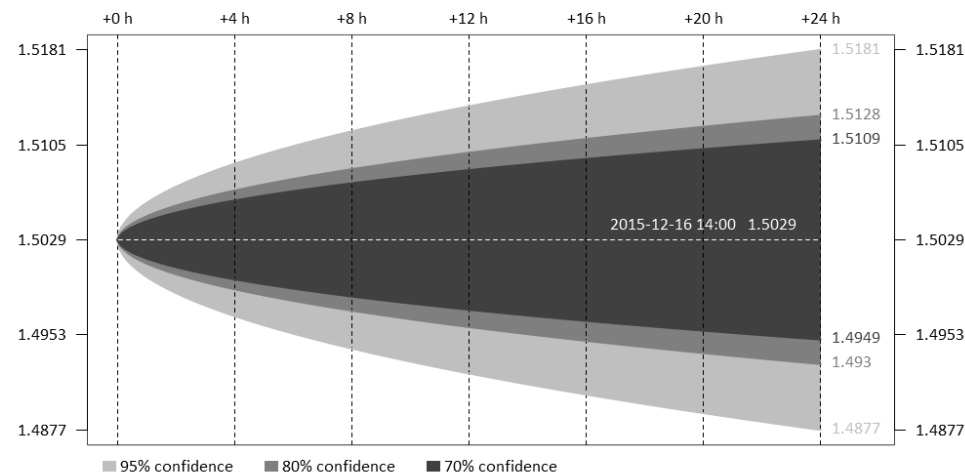
Confidence Intervals for Next 24 Hours

Wednesday, December 16, 2015
16:30 GMT

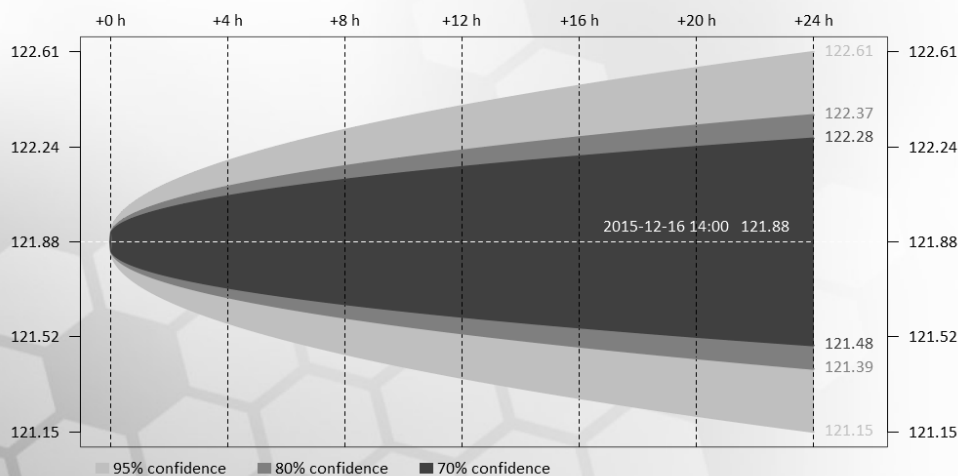
EURUSD Potential Rates



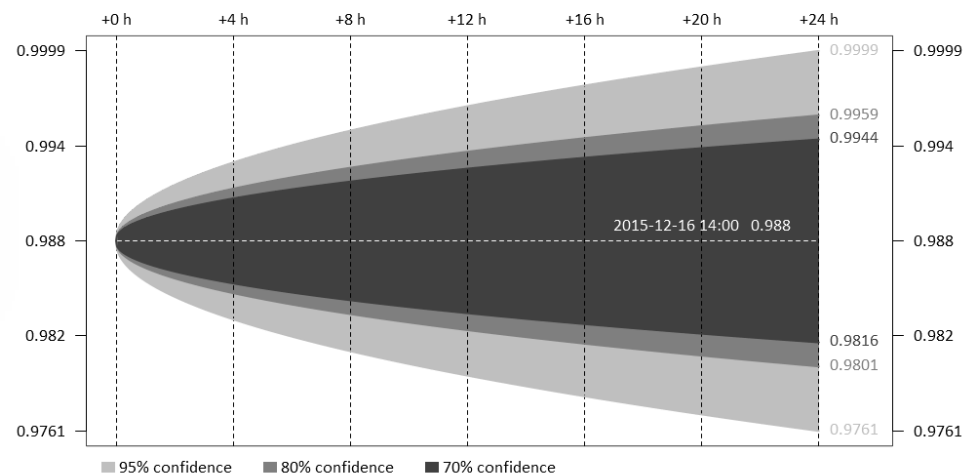
GBPUSD Potential Rates



USDJPY Potential Rates



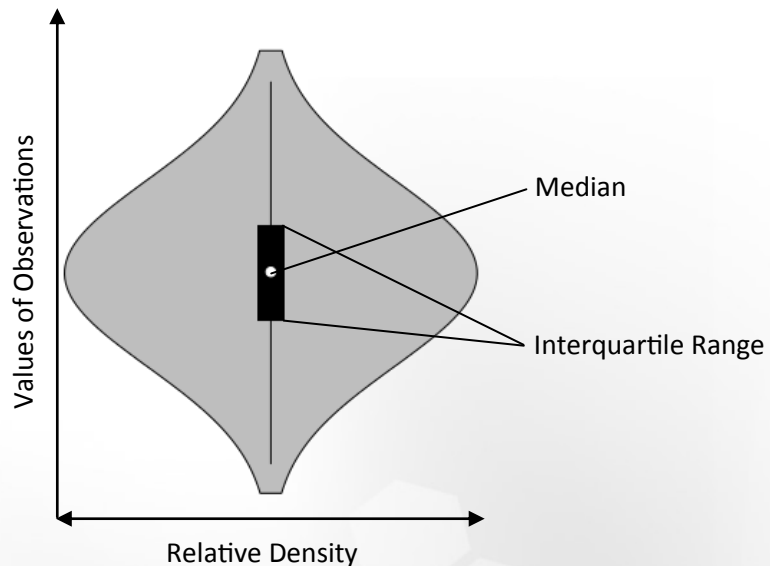
USDCHF Potential Rates



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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