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Market Research





Dominant Events of the Period

Yellow Area

December 30

08:30 - 16:30

- Spanish Flash CPI
- Euro zone M3 Money Supply
- US Pending Home Sales and Crude Oil Inventories

Turquoise Area

December 31

10:00 - 20:00

- US Unemployment Claims and Chicago PMI
- Chinese Manufacturing PMI

Blue Area

January 4

00:30 - 16:00

- UK Manufacturing PMI and Net Lending to Individuals
- FOMC Members Fischer and Mester Speak
- Chinese Caixin Manufacturing PMI
- German Prelim CPI
- US ISM Manufacturing PMI

Purple Area

January 5

08:00 - 17:00

- UK Construction PMI
- Spanish Unemployment Change
- German Unemployment Change
- Euro zone Flash CPI
- New Zealand GDT Price Index

GBP Currency Index Change

0.28%

-0.3%

0.19%

0.12%

Max GBP Volatility Index

1.31

1.8

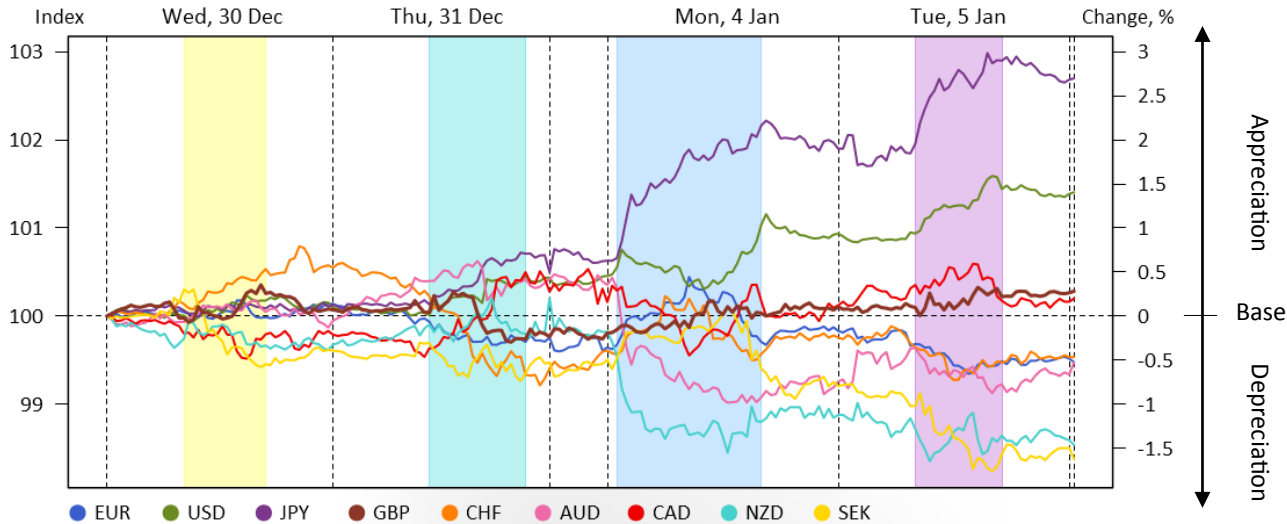
1.53

1.39



Relative Currency Strength

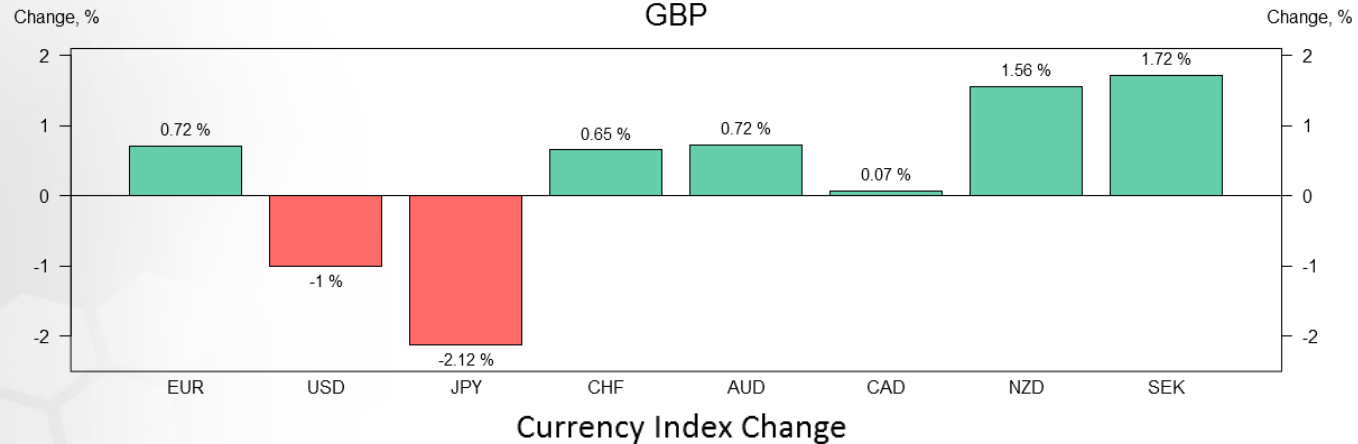
Currency Indexes



During the period, which included a long New Year holiday weekend, the Sterling was developing in a mixed environment. It, however, managed to end the five-day period on a positive note, while gaining around three tenths of one percent. The undoubted leader of the week was Japanese Yen, which appreciated by 2.7% with a considerable rally on Monday and Tuesday. The safe-haven currency benefited from the worst start of global equity trading since 1999, owing to worries that Chinese manufacturing sector is weak and will remain fragile in the foreseeable future. In the meantime, the gap between the US Dollar and UK Pound reached one

full percentage point, as the Greenback used to be another safe asset and notable gainer from weak performance of the stock market in Asia.

As for the Sterling, there was too little information, which could trigger any substantial movements for any currency before New Year, as there typically are no fundamentals published in anticipation of long weekends amid falling trading volume. Some development with a distinct positive slope began taking place on Monday, the first working day of 2016. Market seems to have paid no particular attention to UK production sector data, which posted a drop to 51.9 points for December PMI. However, a more pronounced bullish momentum was provided by construction sector activity data on Tuesday, which improved to 57.8 points.

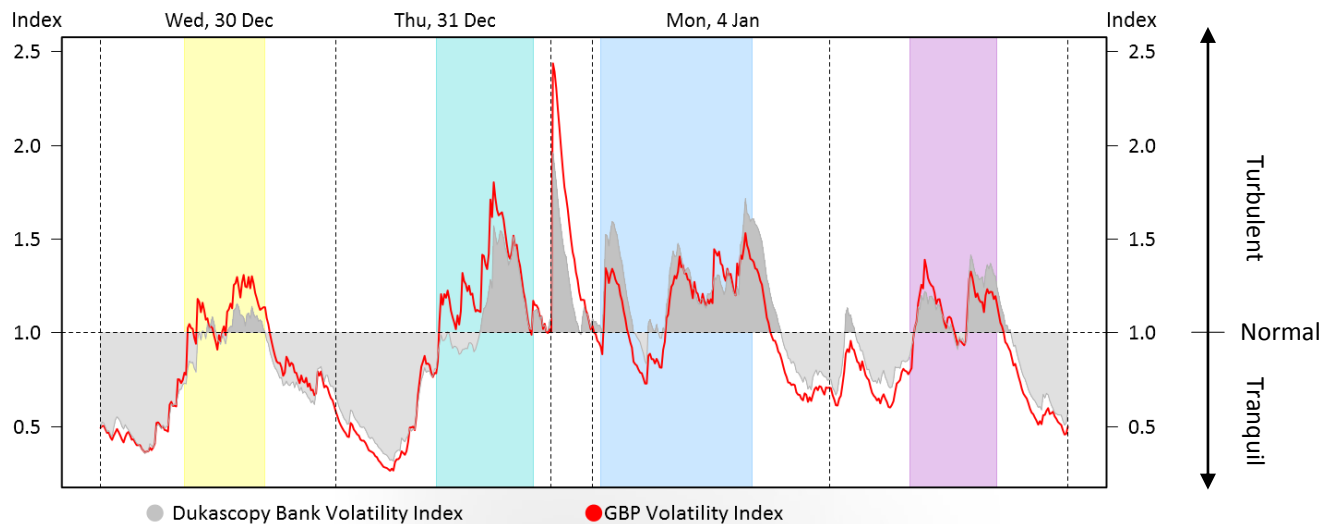


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.52%	1.4%	2.7%	0.28%	-0.46%	-0.53%	0.2%	-1.46%	-1.62%
20	-0.3%	0.6%	4.34%	-2.07%	-0.26%	-0.77%	-3.54%	1.83%	-0.11%
130	0.22%	3.21%	4.71%	-1.52%	-3.31%	-0.78%	-7.35%	3.14%	1.88%
250	-3.6%	8.22%	8.55%	3.83%	7.98%	-5.42%	-11.27%	-7.32%	-0.99%



Volatility

Volatility



Being unusual for such a short working week, GBP volatility was quite high during five trading days through January 5. Despite a questionable spike of turbulence in the evening on Thursday, which occurred mainly because of spot price differences at market closure time in the New Year's night, the aggregate volatility managed to show solid numbers throughout other days of the researched period. Elevated volatility of both the Sterling and whole market stood at 44%. The most volatile component was GBP/JPY, partly due to strong gains of the Yen on Monday and Tuesday. Meanwhile, commodity-linked currencies were resilient to oil price fluctuations last week, being that volatility of such crosses as GBP/AUD and

GBP/NZD used to be one of the smallest at only 33-36%.

Wednesday of the previous week was the most silent day of the period, as the GBP Volatility Index has only barely surpassed the 1.00 mark. This day brought us even less fundamental drivers than the last day of 2015. On January 31 the UK currency was driven by disappointing US statistics on labour market and some regional American data. Unemployment claims have unexpectedly surged to 287,000 and Chicago PMI crashed from 48.7 to 42.9 points. Nonetheless, the most volatile day of the week was Monday when a bunch of data from UK, US and Europe kept the Pound moving during almost all time of the day.

Elevated Volatility (% of the observed period)

Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	44	38	39	47	41	33	44	36	34

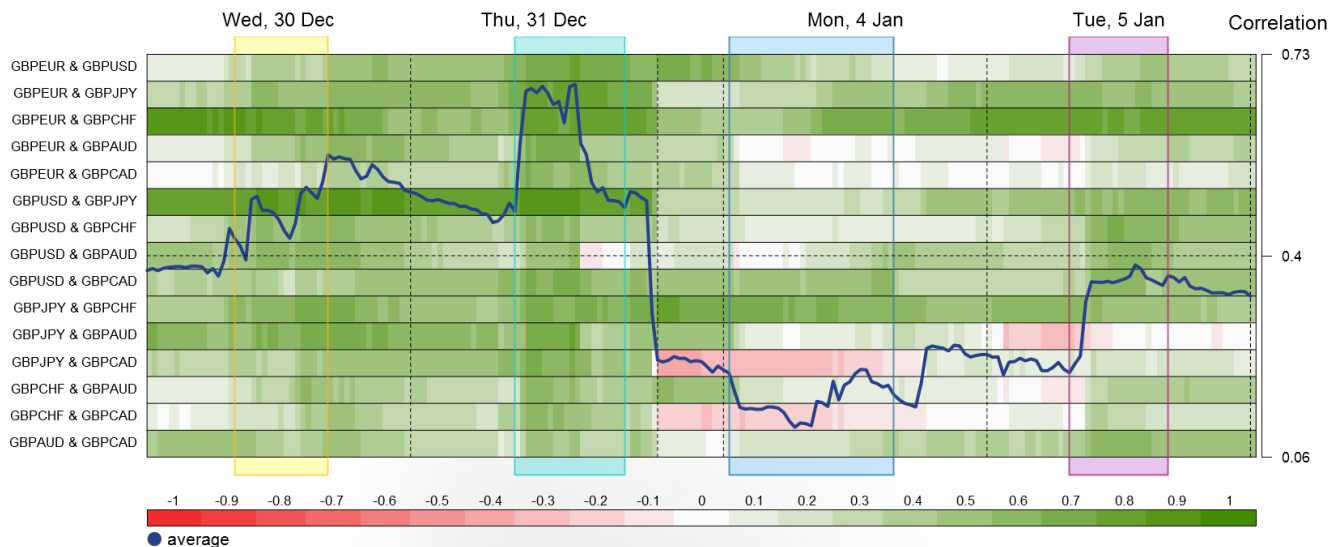
Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.96	2.44	2.24	2.12	4.58	2.57	2.18	3.18	5.5	2.22
Min	0.32	0.26	0.26	0.21	0.23	0.26	0.33	0.21	0.2	0.22
Average	0.94	0.93	0.93	0.88	1.04	0.93	0.88	0.97	0.97	0.87



Currency Significance

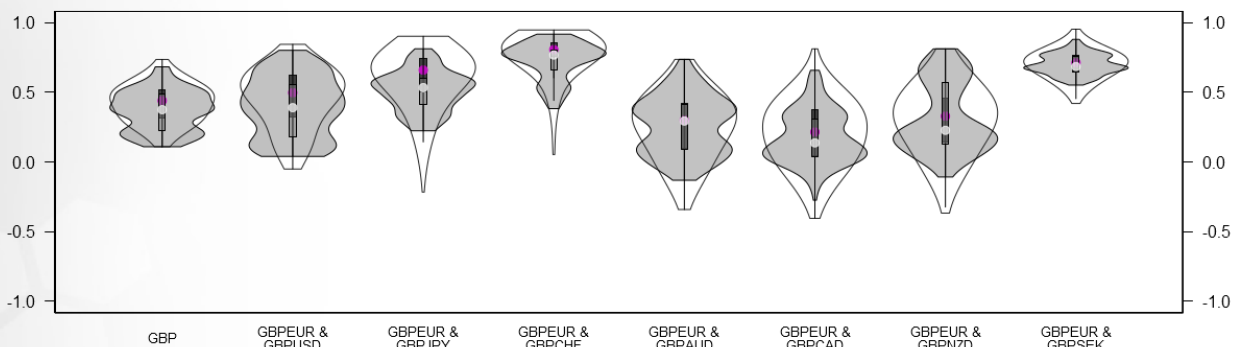
Correlations



Correlations of different currency pairs of the Pound, which altogether make up a significance gauge for the UK currency, can be easily divided into two periods—the days before and after New Year holidays. The lack of volatility was positively reflected in correlations on January 30-31. The opposite case was in place during the first days of this week. A stock market crash in China, unstable oil prices and a busy economic calendar in Europe and US provided the Sterling with more active movement, which was different for every single component and led to deteriorating unanimity.

The composite started the period at a descent level of 0.4 points, even though the majority of investors agree that the market is considered to be well-correlated when the indicator holds at least above 0.5. We had to wait only for 36 hours from the very beginning of the period, until the composite touched the weekly high near 0.70 points on Thursday. However, the greatest influence came from oil prices quite soon, and by Monday several components with the Canadian Dollar dipped substantially below zero and pushed the benchmark close to zero (weekly low was reached at 0.11 points). A rebound was awaited on Tuesday in time of the UK construction PMI data release. By growing well above estimates, the activity index managed to unite the Sterling. The week was finished around 0.33 points, and even unsatisfactory Euro zone CPI was unable to derail an improvement.

Correlations (5 vs 20 days)



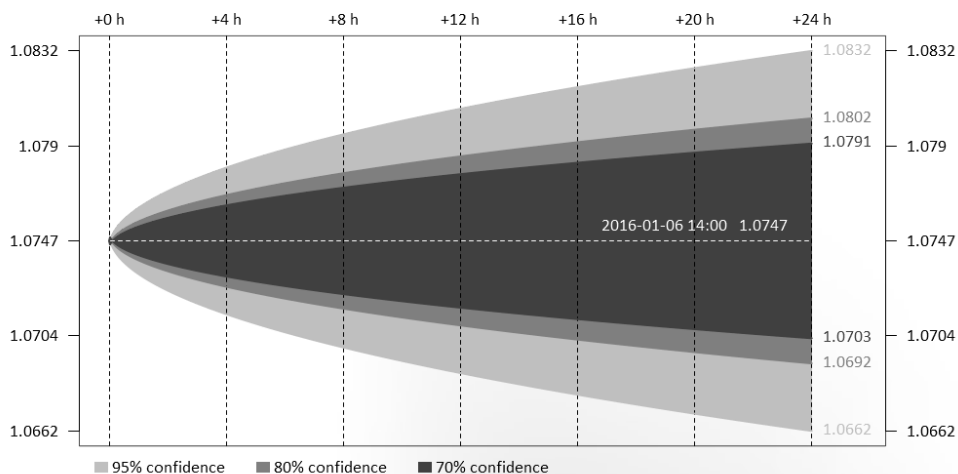
Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.37	0.39	0.51	0.72	0.26	0.18	0.32	0.7
20	0.42	0.45	0.6	0.77	0.25	0.2	0.3	0.7
130	0.37	0.28	0.51	0.72	0.24	0.25	0.27	0.72
250	0.36	0.18	0.37	0.64	0.29	0.27	0.33	0.7

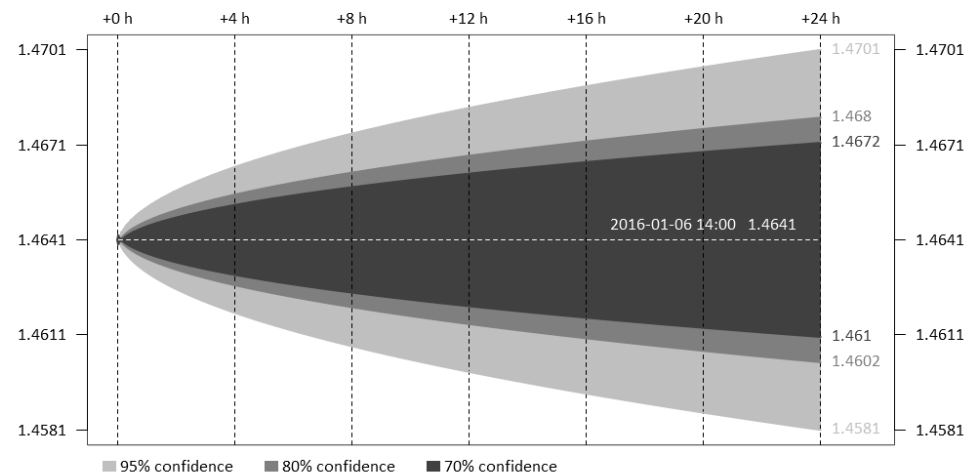
Confidence Intervals for Next 24 Hours

Wednesday, January 06, 2016
16:30 GMT

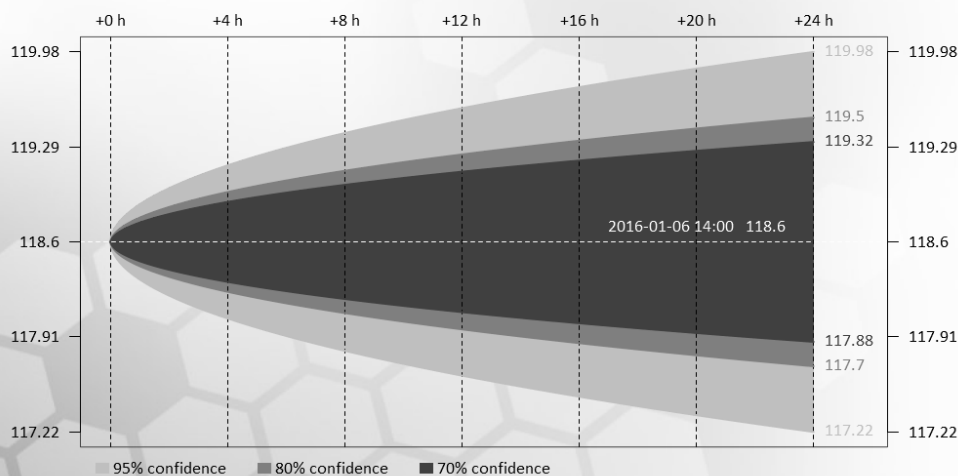
EURUSD Potential Rates



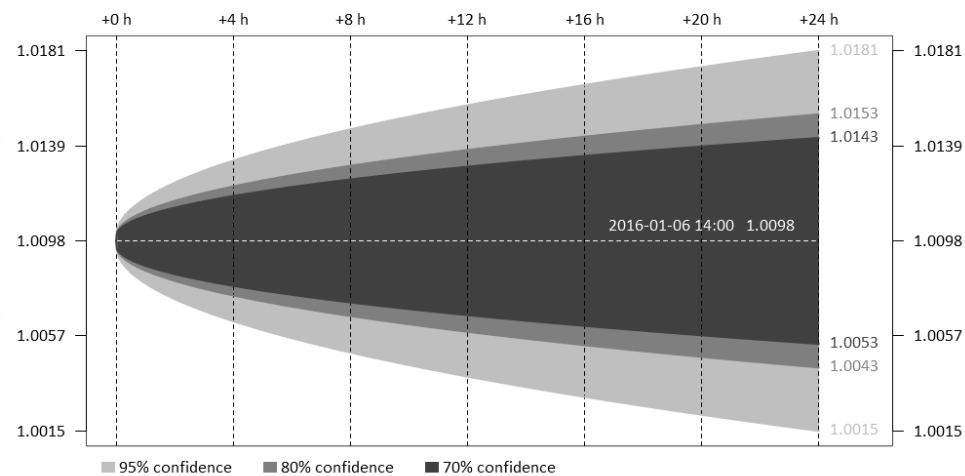
GBPUSD Potential Rates



USDJPY Potential Rates



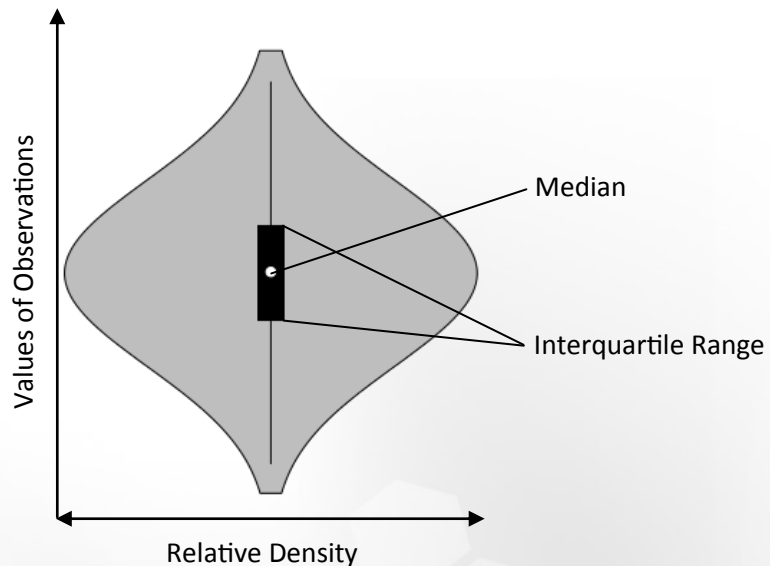
USDCHF Potential Rates



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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