



20/01/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

January 13

01:00 - 18:30

- US Crude Oil Inventories and Federal Budget Balance
- Euro zone Industrial Production
- Australian Employment Change and Unemployment Rate

Turquoise Area

January 14

04:00 - 19:30

- MPC Official Bank Rate and Monetary Policy Summary
- Eurogroup Meetings
- ECB Monetary Policy Meeting Accounts
- US Unemployment Claims
- FOMC Member Bullard Speaks

Blue Area

January 15

01:00 - 17:00

- BOE Credit Conditions Survey
- ECOFIN Meetings
- US Retail Sales, PPI, Empire State Manufacturing Index, Industrial Production and Consumer Sentiment Index

Purple Area

January 18

06:00 - 13:00

- Chinese GDP, Industrial Production and Retail Sales

Orange Area

January 19

01:30 - 23:30

- UK CPI and RPI
- Swiss PPI
- German ZEW Economic Sentiment
- Euro zone Final CPI
- BOE Governor Carney Speaks
- New Zealand CPI

GBP Currency Index Change

0.04%

0.15%

-0.78%

0.18%

-0.6%

Max GBP Volatility Index

1.77

1.9

1.9

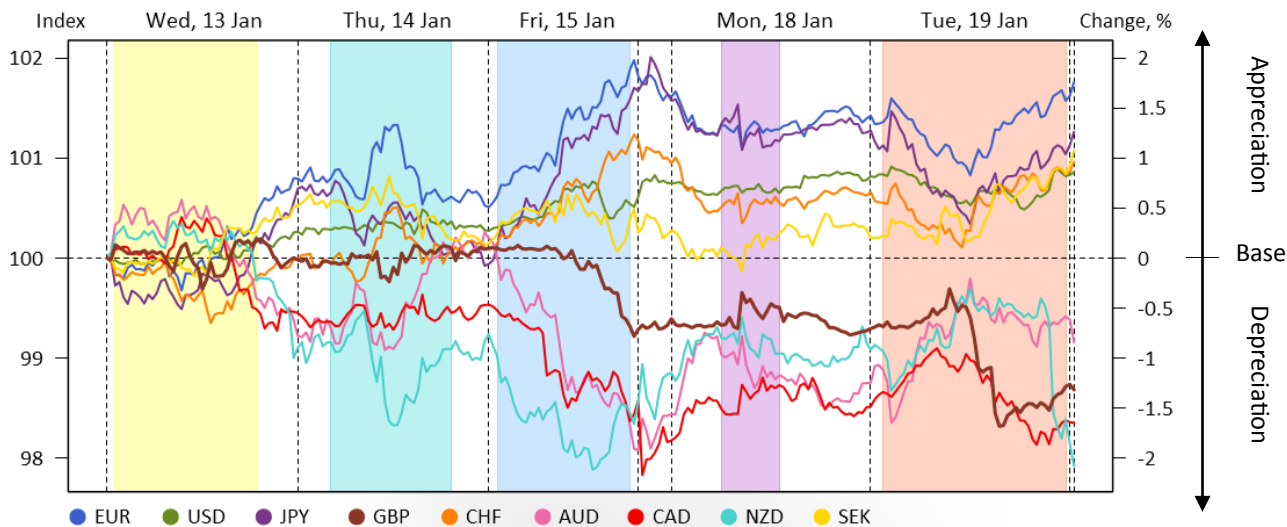
1.66

2.04



Relative Currency Strength

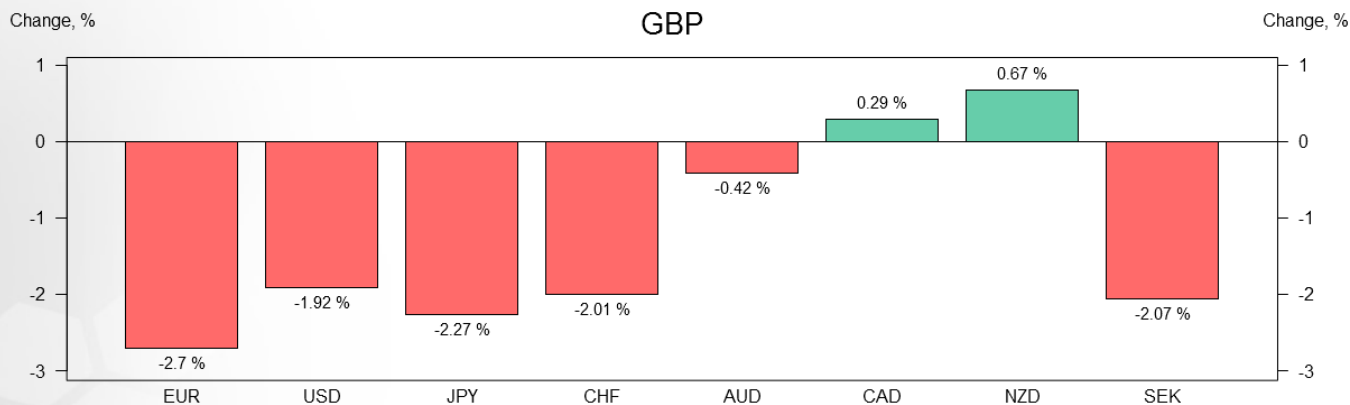
Currency Indexes



The market was again divided into two groups of weekly gainers and losers. As the equity market rout continued earlier during the last days of the previous week, we observed all risky currencies dropping down. Among them, Australian and Canadian dollars were traditionally following sliding oil prices that tested the area below \$28 per barrel. AUD and CAD were down by 0.84% and 1.65%, respectively. New Zealand Dollar could end the period on a more optimistic note, but tumbling dairy prices (main industry in New Zealand) sent this currency to the South by more than 2% on a five-day basis.

Meanwhile, safe havens in face of the Euro, Yen and Swiss Franc were moving confidently to the upside, with the gains ranging from 1% to 1.8%.

As for the Pound, it continued to slide down amid fears the Bank of England will be forced to eventually postpone its first rate increase. On top of that, markets are worried that slowing Chinese economy will derail recovery in the Euro zone, and Britain will not avoid a slowdown itself. On the positive side, inflation data from the second largest economy in Europe was encouraging on Tuesday, as CPI and core CPI rose to 0.2% and 1.4%, accordingly. But the Sterling ignored it to focus on Mark Carney's speech in London. BOE Governor noticed that low interest rates are here to stay for a long period of time.



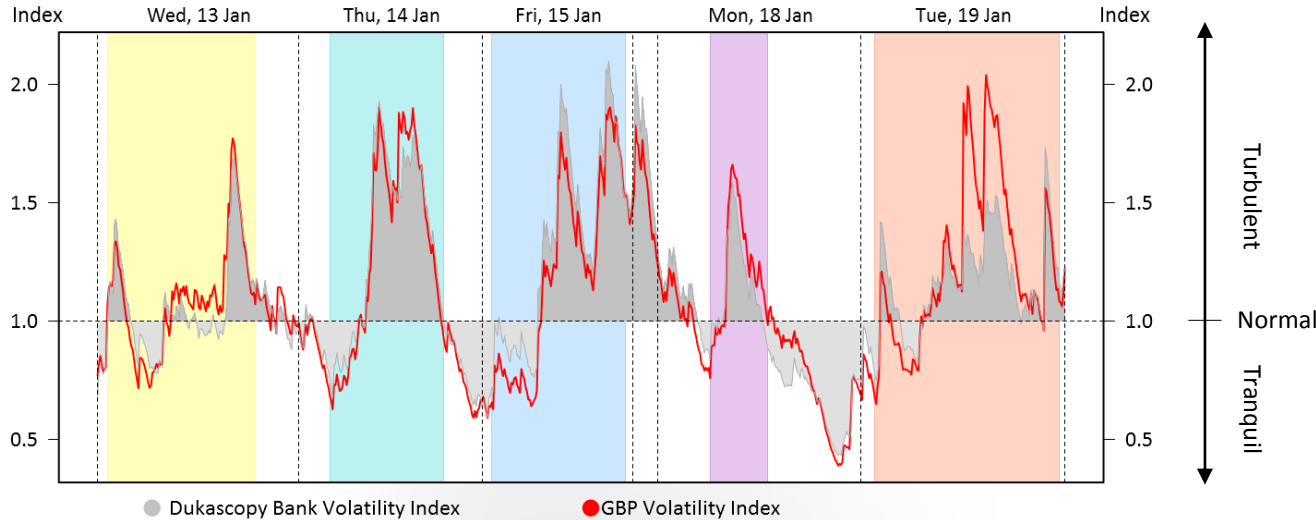
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.76%	0.86%	1.26%	-1.32%	0.96%	-0.84%	-1.65%	-2.08%	1.07%
20	2.15%	1.99%	5.32%	-3.16%	1.03%	-2.64%	-2.76%	-4.81%	1.89%
130	3.71%	3.61%	9.58%	-6.48%	-1.22%	-4.42%	-9.43%	-0.11%	4.59%
250	4.06%	10.76%	11.09%	3.72%	-4.07%	-8.48%	-11.48%	-11.19%	5.59%



Volatility

Volatility



Being that global stock and commodity markets remained largely turbulent throughout the whole period, their activity was transferred to the FX market as well. Therefore, elevated volatility held above 50% for the Pound and for the market, namely at 59% and 58%, respectively. Even though last Wednesday we were looking at the Canadian Dollar, it did not change the fact that the most volatile cross still includes the Japanese Yen for a second consecutive week. GBP/JPY was volatile in 68% of all time, with Pound/Aussie following at 62%. Mean Volatility Index has therefore surged up to 1.12 points, supporting the case of unstable market conditions during the period.

Wednesday of the previous week was a silent day in terms of fundamental data releases. At the same time, it did not hinder the Pound from registering a descent volatility level around 1.75 points. It was caused by the commodity market, which used to be active after US oil reserves report had been released. On Thursday, the Bank of England decided to keep interest rates flat, while Ian McCafferty dissented one more time. On Thursday of a new week, the GBP Volatility Index climbed up to its five-day highest mark of 2.04 points. As seen from the main chart for market turbulence, it was the sole UK-caused volatility on Tuesday. There were two major daily events including consumer price data in the first part of the day and BOE Carney's speech in the afternoon, which managed to move the Pound.

Elevated Volatility (% of the observed period)

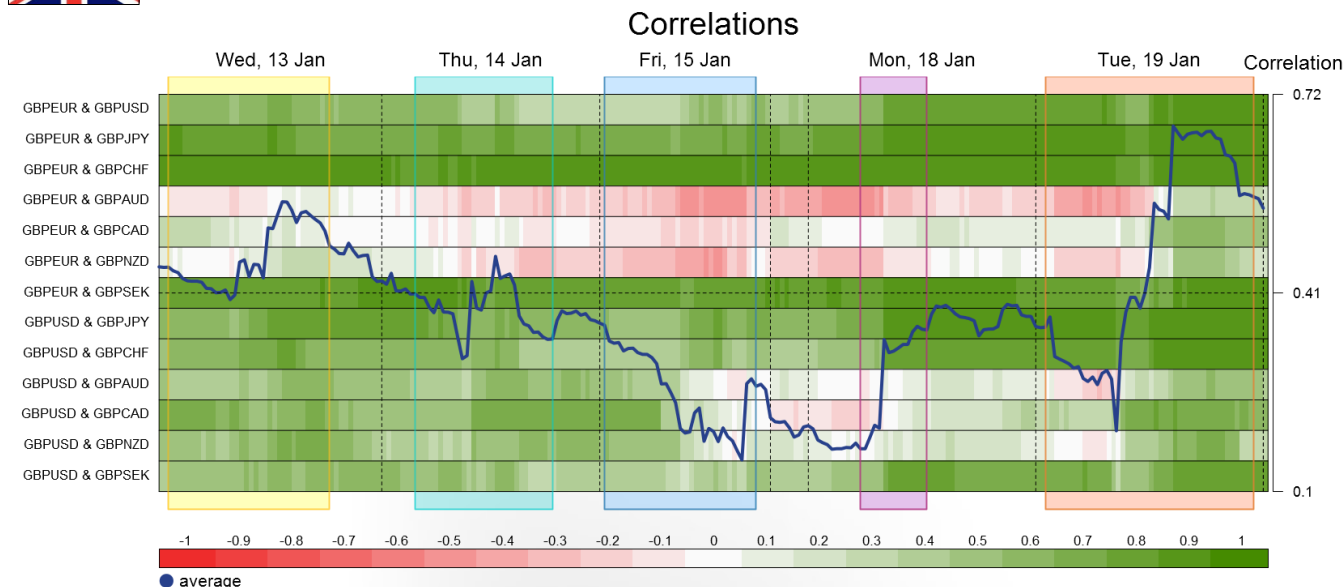
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	58	59	49	68	57	62	53	44	47

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.1	2.04	2.91	2.83	2.33	2.51	2.37	4.11	4.65	2.45
Min	0.43	0.39	0.36	0.36	0.26	0.27	0.35	0.38	0.39	0.44
Average	1.12	1.12	1.2	1.03	1.17	1.13	1.11	1.12	1.07	1.08



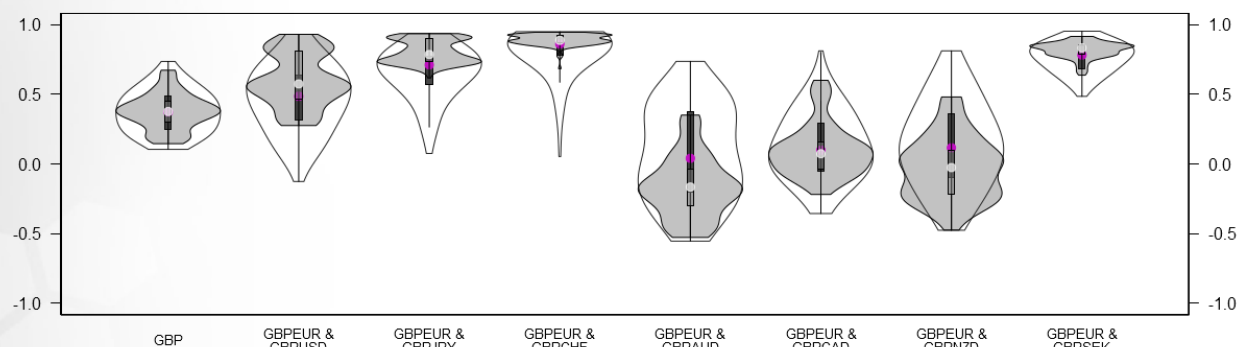
Currency Significance



Significance of the Sterling has just barely exceeded its medium and long-term averages during the five-day period ended January 19. In particular, we see that the main trigger for that was development that took place on Tuesday when the composite experienced a healthy increase. Mean correlation coefficient stood at 0.38 points last week, up only two basis points from an annual average of 0.36. Some specific currency pairs, especially those including commodity-related components, even posted negative period's correlations. They ranged from -0.16 points for EUR/GBP and GBP/AUD, to -0.03 points for EUR/GBP with GBP/NZD.

At least for a second week in a row Canadian, New Zealand and Australian dollars resisted the general trend of the whole market, as they were heavily turned down by oil price losses. Without high correlations on Tuesday, which also managed to push AUD, NZD and CAD components into green, we would see the composite trending down every single day last week. In the absence of influential statistics from the United Kingdom, the composite dipped as low as 0.15 points by Friday. However, on Monday the reading began to come back, by initially rebounding towards the weekly average of just below 0.40 points and then surging as high as 0.67 points by Tuesday 14:30 GMT. By delivering a fairly dovish speech to Queen Mary University in London, BOE head Mark Carney united the Sterling's crosses for losses and therefore pushed correlations to the upside.

Correlations (5 vs 20 days)



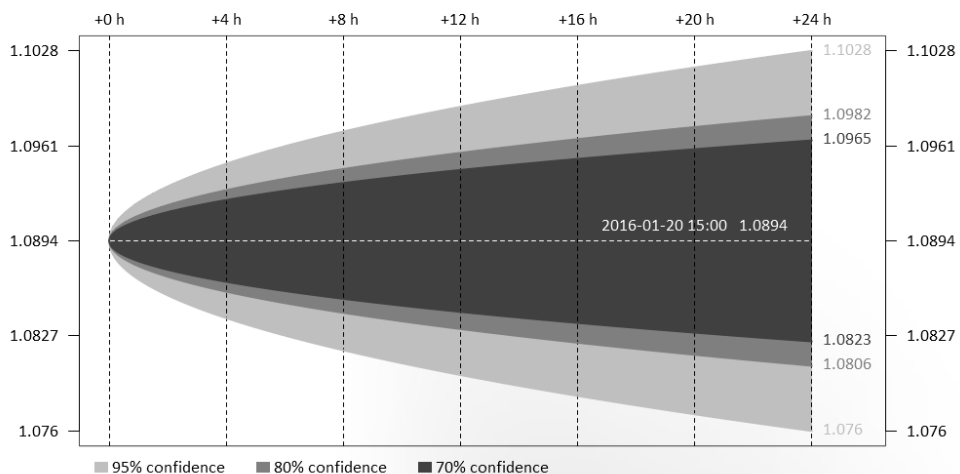
Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBP NZD	GBPSEK
5	0.38	0.6	0.81	0.89	-0.16	0.1	-0.03	0.82
20	0.37	0.47	0.66	0.81	0.06	0.12	0.13	0.77
130	0.37	0.3	0.54	0.73	0.19	0.22	0.23	0.72
250	0.36	0.19	0.39	0.65	0.28	0.26	0.31	0.71

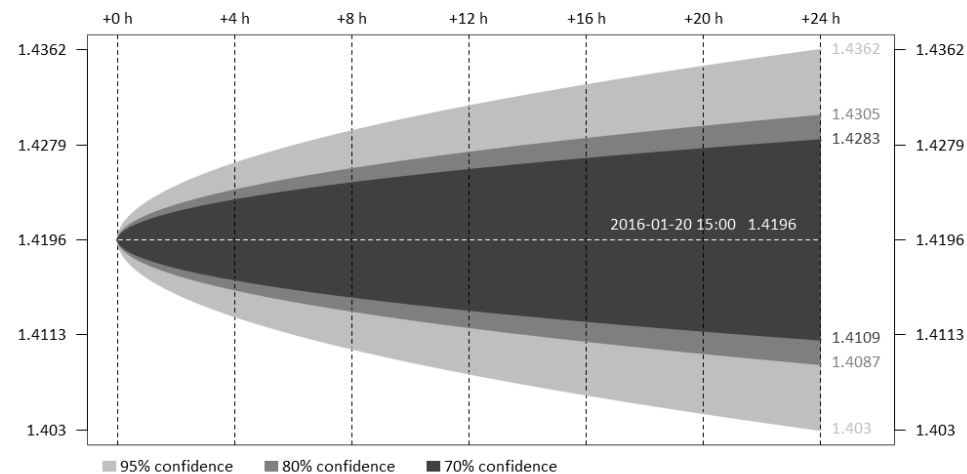
Confidence Intervals for Next 24 Hours

Wednesday, January 20, 2016
16:30 GMT

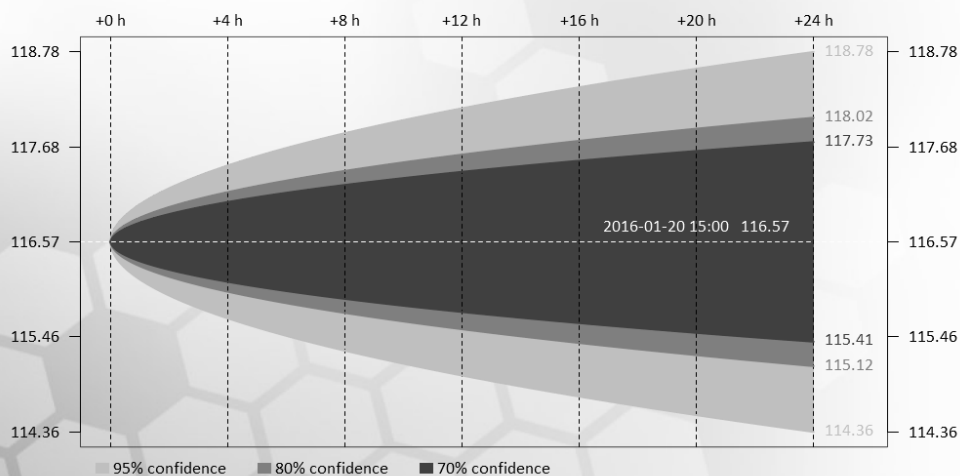
EURUSD Potential Rates



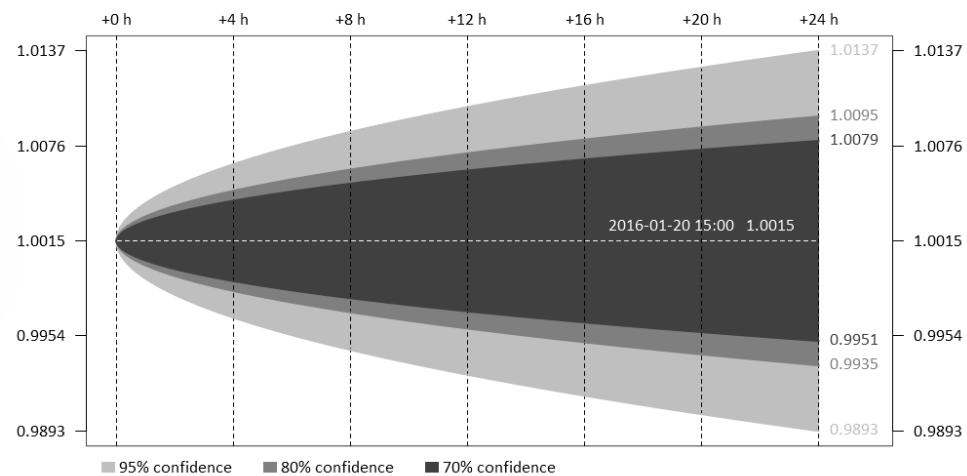
GBPUSD Potential Rates



USDJPY Potential Rates



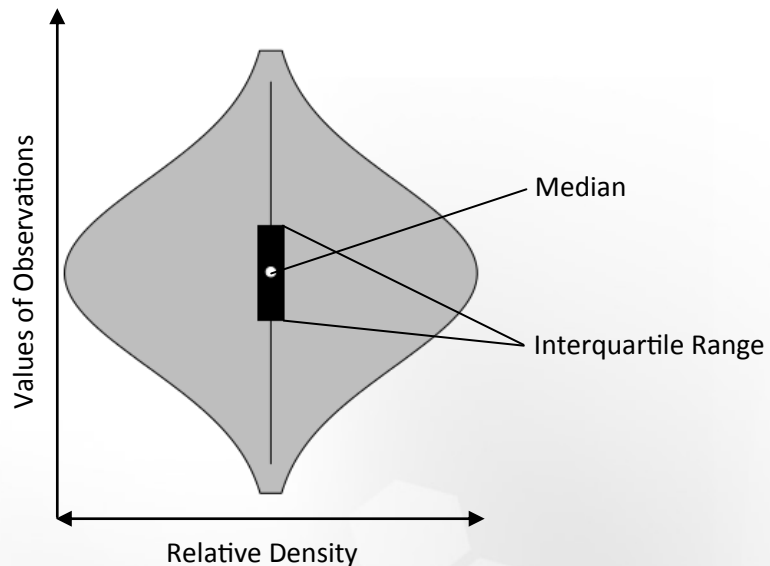
USDCHF Potential Rates



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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