



10/02/2016



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Market Research





Dominant Events of the Period

Yellow Area

February 3

06:00 - 20:30

- UK Services PMI
- US ADP Non-Farm Employment Change and ISM Non-Manufacturing PMI

Turquoise Area

February 4

04:30 - 18:30

- BOE Interest Rate Decision, MPC Meeting Minutes and Inflation Report
- BOE Governor Carney Speaks
- ECB President Draghi Speaks
- US Unemployment Claims

Blue Area

February 5

05:00 - 19:30

- Australian Retail Sales
- RBA Monetary Policy Statement
- US Non-Farm Employment Change, Unemployment Rate and Average Hourly Earnings
- Canadian Employment Change

Purple Area

February 8

05:00 - 17:30

- Canadian Building Permits and Housing Starts
- Japanese Current Account
- Australian NAB Business Confidence

Orange Area

February 9

06:00 - 20:00

- UK Trade Balance
- MPC Member Cunliffe Speaks
- US JOLTS Job Openings

GBP Currency Index Change

-0.27%

-0.52%

0.14%

-0.87%

-0.15%

Max GBP Volatility Index

1.77

2.15

1.43

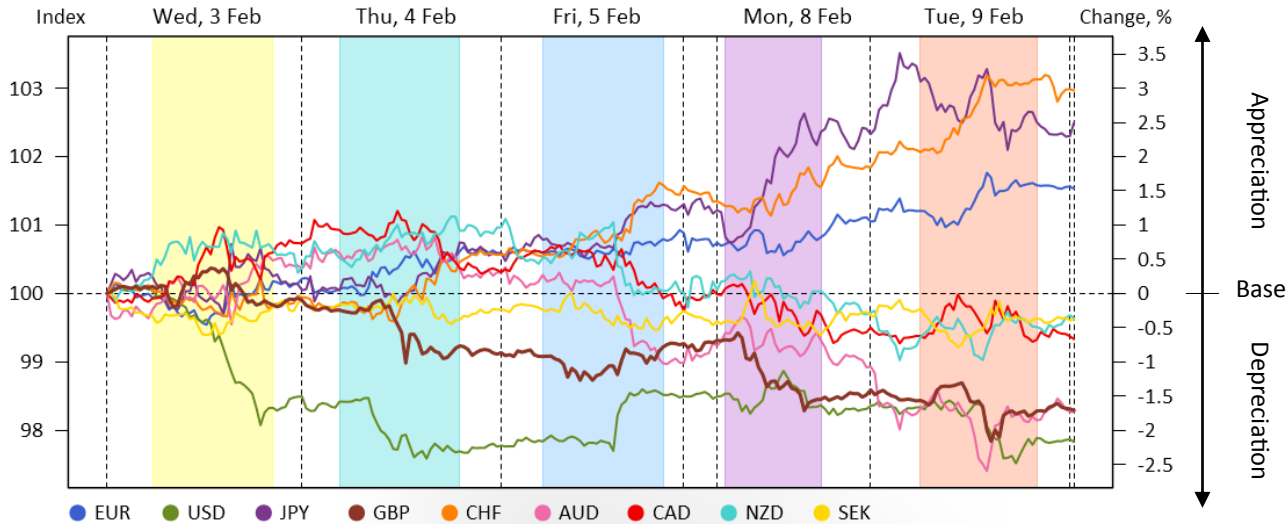
1.72

1.92



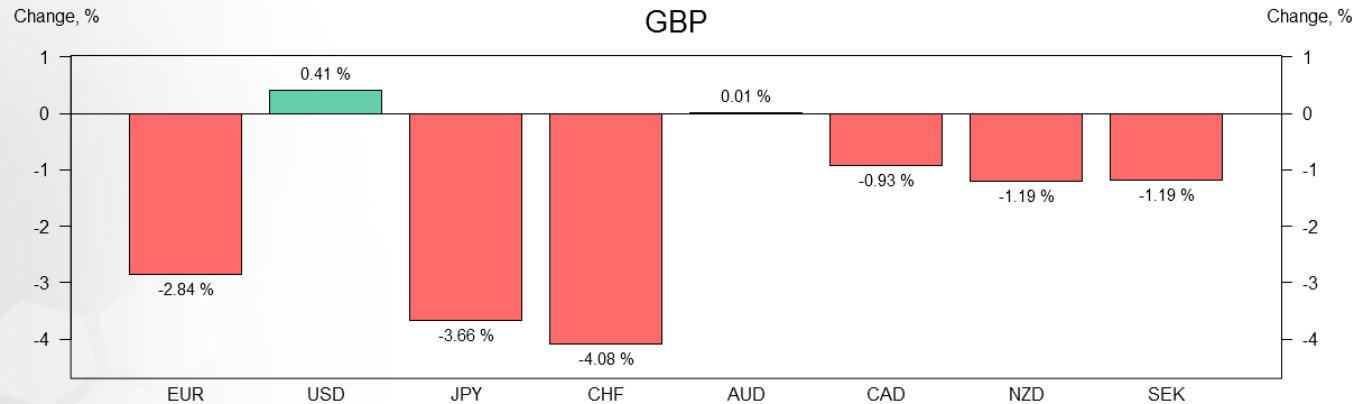
Relative Currency Strength

Currency Indexes



The Pound's fate was determined by the events surrounding the Bank of England on Thursday of the previous week. By turning increasingly dovish on interest rates, the BOE sent the national currency deeper into red and on Thursday-Friday it was the second-worst performing component across the board, just behind the US Dollar. Concerns over the Fed rate increases, namely the possibility of no hikes throughout 2016, pushed the Greenback down by 2.17% over the whole period, the most negative result among G9 currencies. Australian Dollar got the second place from the end, by losing 1.73% in five days through Tuesday.

Development of the UK currency has somewhat improved by week-end due to speculations the stable US jobs growth will not hammer both the world's largest economy and its main trading partners including Britain. Another wave of worries appeared on Monday when oil price resumed sliding down and stock markets tanked. Monday-Tuesday period has also seen a greater divergence between riskier currencies and classical safe-havens. The Euro, Yen and Franc have therefore been the only ones to appreciate last week. The 19-nation European currency fell under some pressure on Tuesday due to very weak German industrial production data, but it managed to finish the week with an advance of 1.53%. The Yen and Franc have in turn surged more than 2%.



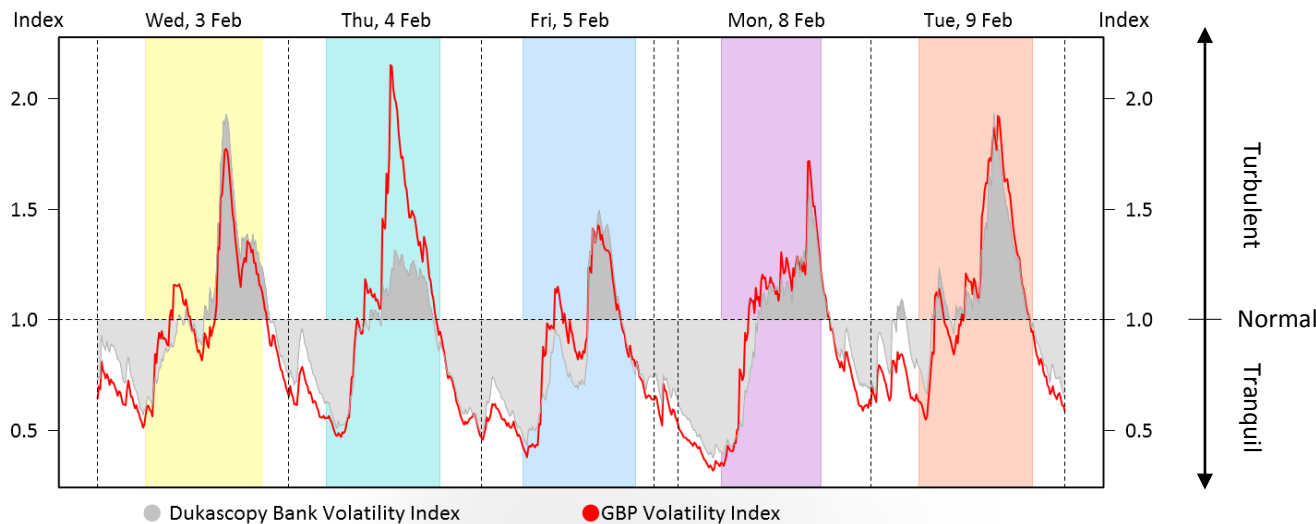
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	1.53%	-2.17%	2.5%	-1.71%	2.97%	-1.73%	-0.67%	-0.36%	-0.38%
20	2.33%	-1.88%	0.57%	-1.86%	1.36%	-0.76%	1.1%	-0.23%	-0.47%
130	2%	0.06%	9.46%	-7.75%	1.3%	-3.15%	-6.46%	2.2%	2.99%
250	4.51%	4.94%	8.45%	-0.82%	-0.82%	-6.15%	-7.09%	-7.27%	4.22%



Volatility

Volatility



Markets were increasingly turbulent over the whole five-day period, and there were separate reasons for literally every single day. The period's first part was especially busy with many statistical data releases from G8 countries. Economists were waiting for US employment and wage numbers to conclude the previous calendar week, in order to access the level of pressure on the country's labour market from global instability that has been in place since the first weeks of 2016. However, volatile time slots were equally being changed by a more tranquil development. Therefore, elevated volatility indicator has only reached 36% for the Sterling and 35% for the whole market.

Wednesday of the last week began with concerns about the US ADP employment report, which should have showed a drastic drop in terms of the number of new jobs created in January. However, the data came out better than forecasted, as it set the tone for Friday's official statistics from the Labour Department. The latter, however, upset markets with only 151,000 new jobs generated last month. Nonetheless, analysts were encouraged by rising wages and the unemployment rate at 4.9%. Another start of the week was Bank of England. It used to have a direct influence on the Pound when its volatility surged to 2.15 points on Thursday. The only hawk on the MPC Ian McCafferty abandoned his call for an immediate interest rate increase by 25 bps, thus bringing the MPC vote back to 0-0-9.

Elevated Volatility (% of the observed period)

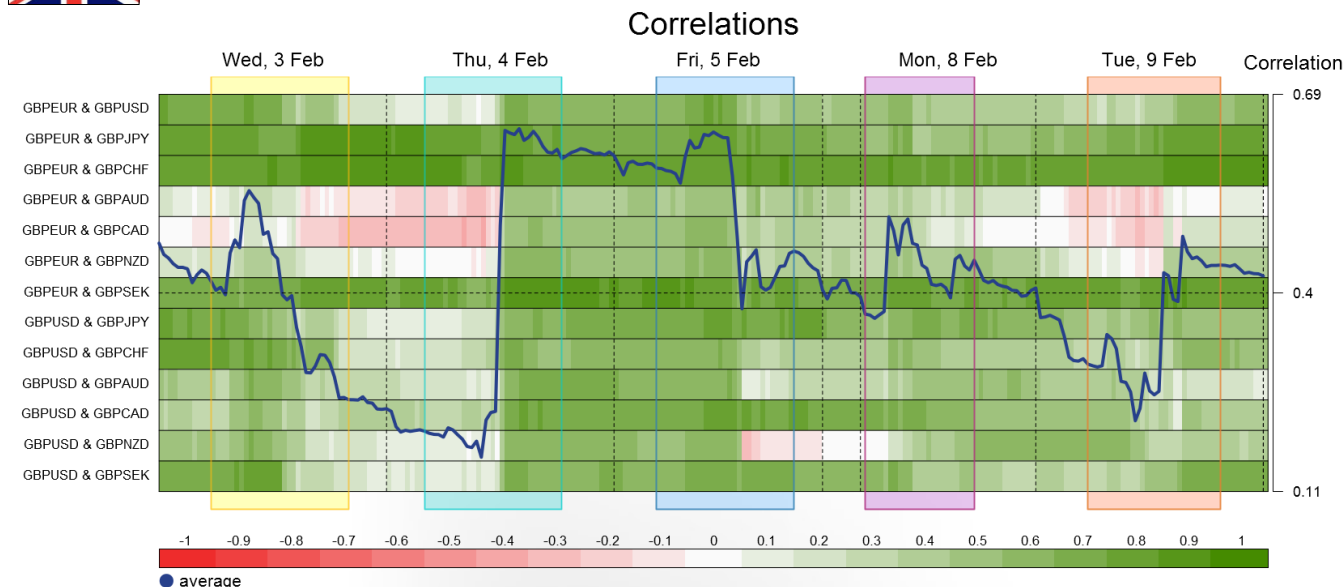
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
35	36	30	43	34	34	37	42	36	35

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.93	2.15	2.19	3.39	1.88	2.24	2.32	2.45	2.13	2.15
Min	0.37	0.32	0.28	0.28	0.31	0.26	0.34	0.24	0.27	0.27
Average	0.91	0.91	0.81	1	0.87	0.88	0.97	0.93	0.94	0.87



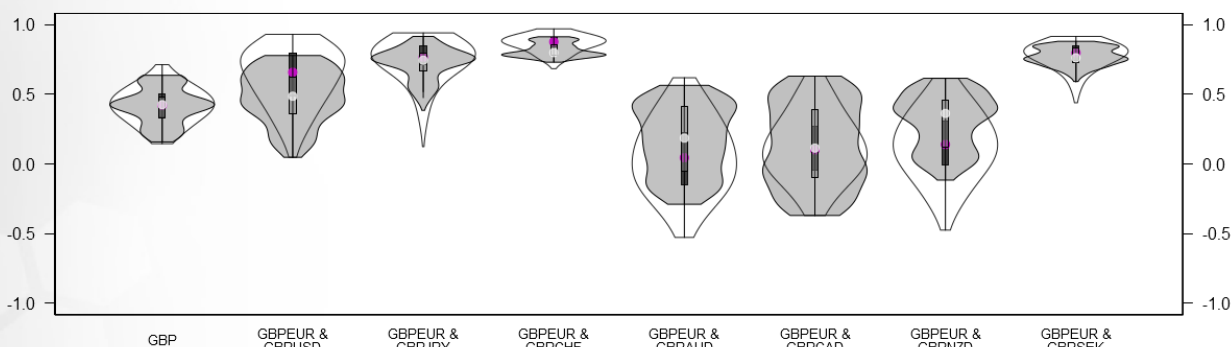
Currency Significance



Significance of the British currency for the previous trading week has broadly come in line with longer-term average readings. Average correlations held at 0.42 points, the same as a 20-day mean and slightly above 0.37 points posted by half-year and annual time frames. Traditionally, some correlations were weaker than others from time to time. However, they were helped by a number of components with absolutely green correlations. A good example is the interconnection between GBP/EUR and GBP/JPY (0.82 points), which truly mirrored everything that took place on the markets in the past 30 calendar days.

The reading for this component is greatly exceeding both half-year and 250 working-day averages of 0.68-0.75, meaning the current correlation between two safe-havens, the Euro and the Franc, is as strong as never before during the last year. Meanwhile, the composite correlation coefficient was clearly showing a plunge on Wednesday-Thursday. Then, all negative correlations were provided by the components with commodity-related currencies including the Aussie and Loonie. As oil prices maintain a negative and turbulent bias, they continue putting pressure on AUD, CAD and NZD and they move in a completely different direction from EUR, CHF and JPY. While in this case the power of the Pound seems to be quite limited, the Bank of England's event has used the best of its ability and raised the composite to the weekly high of 0.65 points.

Correlations (5 vs 20 days)



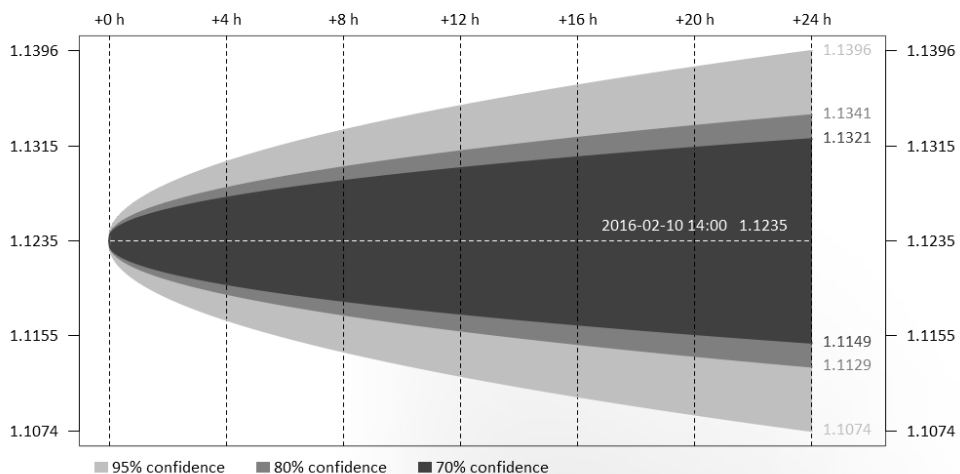
Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.42	0.48	0.72	0.82	0.17	0.13	0.3	0.77
20	0.42	0.62	0.75	0.87	0.05	0.12	0.14	0.78
130	0.37	0.34	0.57	0.75	0.15	0.18	0.19	0.73
250	0.37	0.22	0.42	0.68	0.27	0.26	0.3	0.72

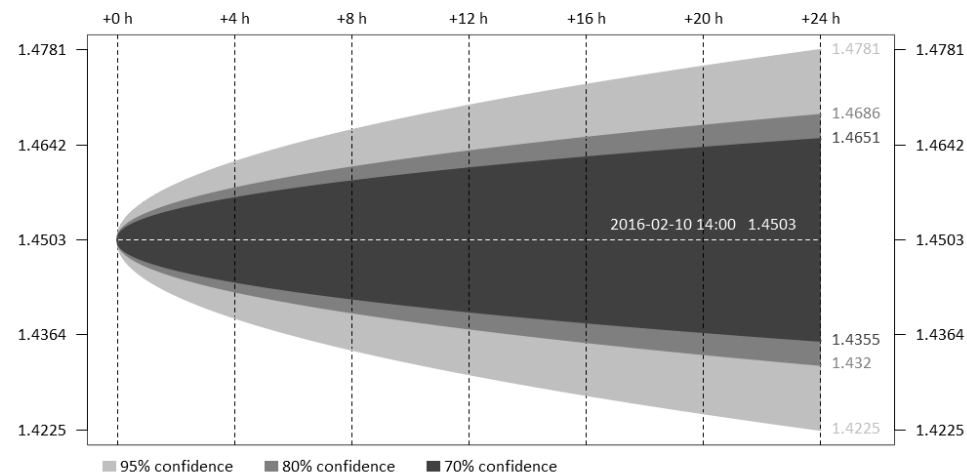
Confidence Intervals for Next 24 Hours

Wednesday, February 10, 2016
16:30 GMT

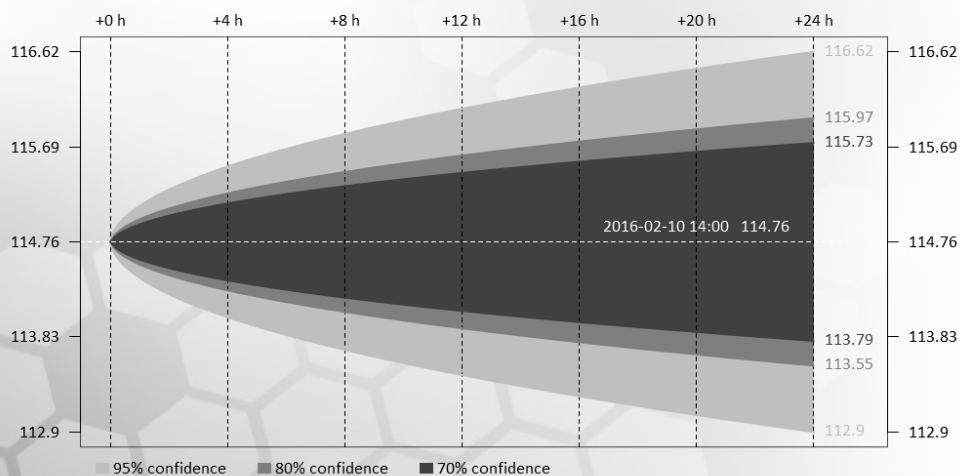
EURUSD Potential Rates



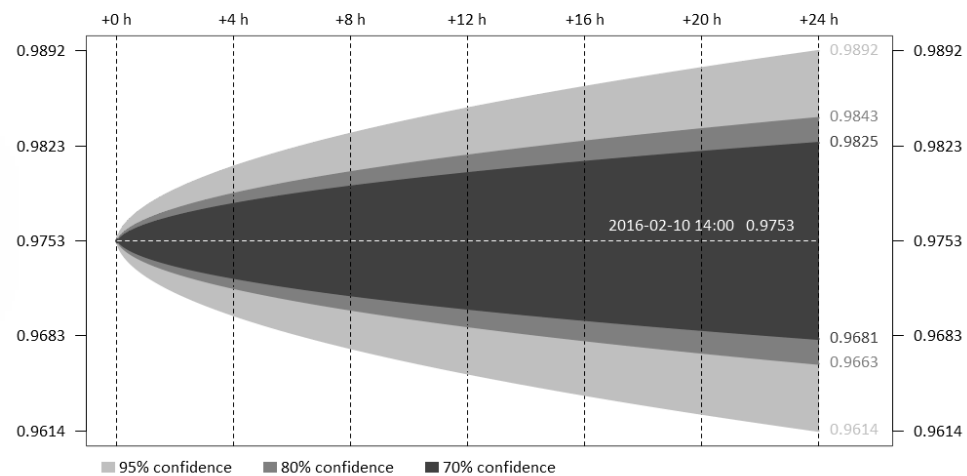
GBPUSD Potential Rates



USDJPY Potential Rates



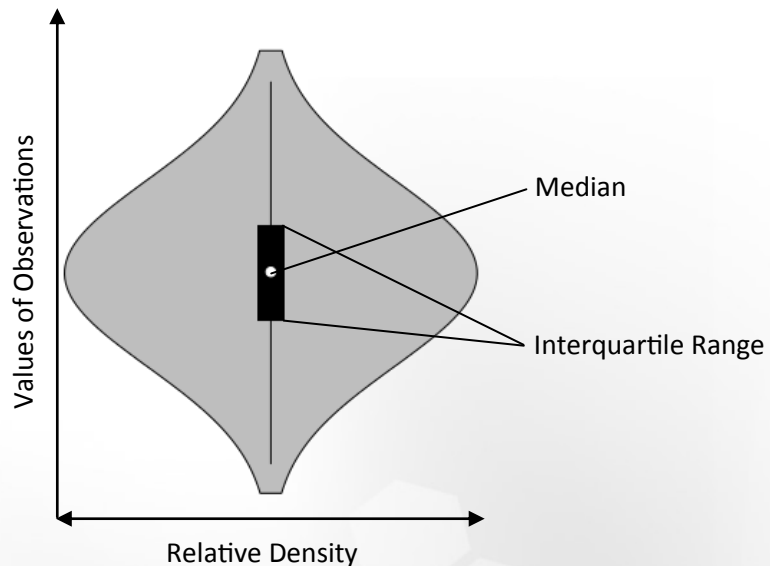
USDCHF Potential Rates



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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