



GBP

24/02/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

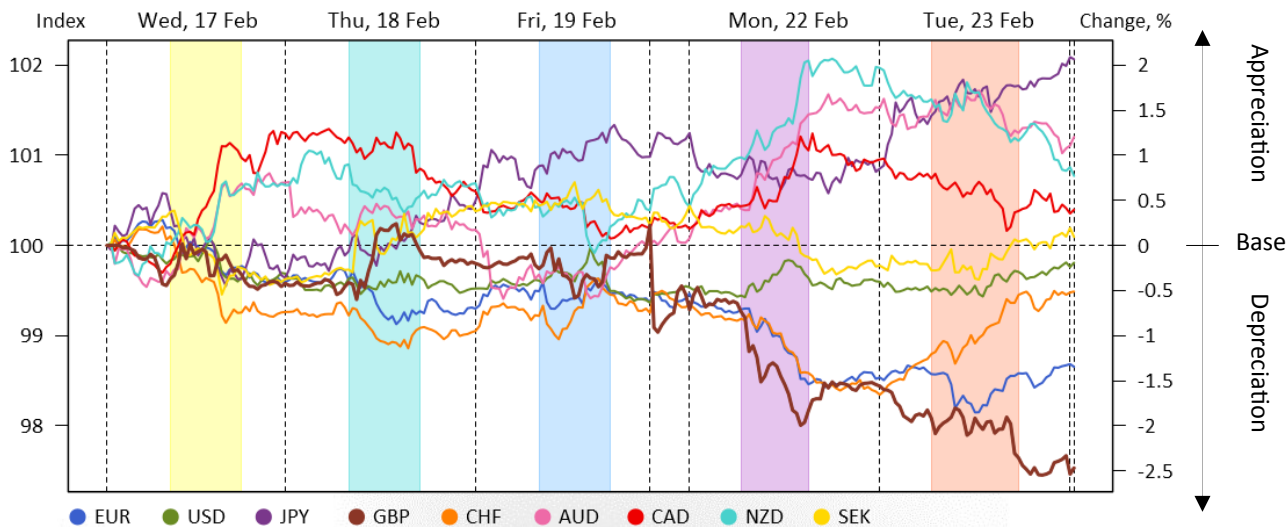
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
February 17	February 18	February 19	February 22	February 23
08:30 - 18:30	07:30 - 17:00	07:30 - 16:30	06:30 - 15:00	06:30 - 17:30
<ul style="list-style-type: none"> UK Claimant Count, ILO Unemployment Rate, Average Earnings Swiss ZEW Survey US Building Permits, Housing Starts, Industrial Production, Capacity Utilization 	<ul style="list-style-type: none"> European Council Meeting Swedish CPI ECB Monetary Policy Meeting Accounts US Jobless Claims, CB Leading Indicator, EIA Crude Oil Stocks Change 	<ul style="list-style-type: none"> European Council Meeting Swedish Unemployment Rate UK Retail Sales, Public Sector Net Borrowing US CPI Canadian CPI, BoC CPI 	<ul style="list-style-type: none"> Swiss Producer and Import Prices German, EMU Flash Markit PMI US Flash Markit Manufacturing PMI 	<ul style="list-style-type: none"> German GDP, IFO Survey BoE Governor Carney's Speech, UK Inflation Report Hearings SNB Chairman Jordan's Speech US Consumer Confidence

GBP Currency Index Change	0.04%	0.35%	0.12%	-1.1%	-0.44%
Max GBP Volatility Index	1.44	1.34	1.5	1.64	1.31



Relative Currency Strength

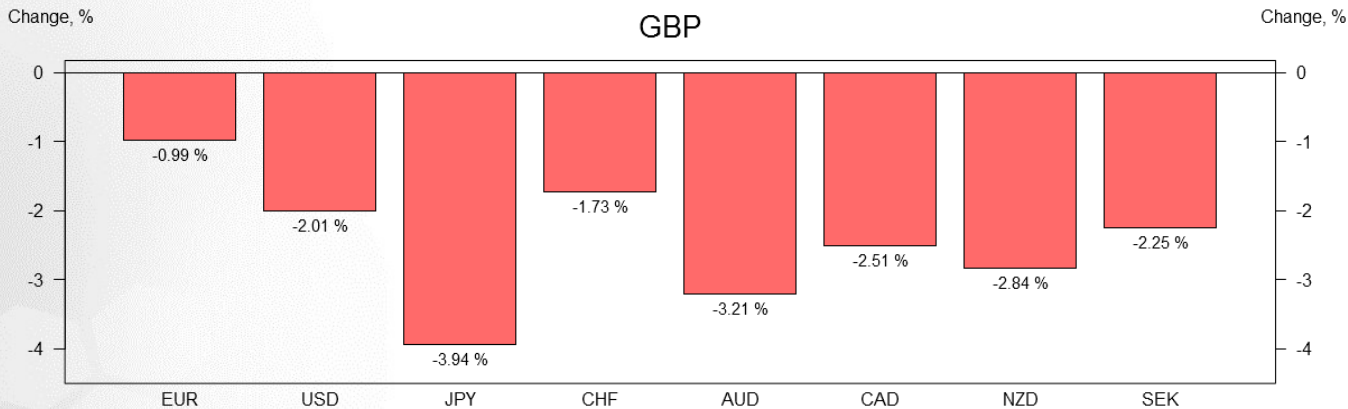
Currency Indexes



The past period was rather dynamic for the observed currencies, and the indexes posted a wide range of weekly changes. The highest mark was hit by the yen's gauge, which continued to undermine the BoJ hopes for an upturn in inflation and gained over 2% over the past five trading days, bringing its monthly growth above the 4% mark. Rivalling the Asian index were its commodity peers, guided by the oil prices and the recently sharpened divergence between the risky and safe-haven assets. Meanwhile, the Euro's and the franc's gauges were dominating on the other side of the baseline and posted the second and the third worst results, respectively. The latter, however,

managed to gain back around 1% of its base value after the SNB head's speech fuelled the demand for the currency on Tuesday, ending up with a modest weekly loss of 0.5%.

The GBP Index, in turn, spent the past two days in a downfall and posted the period's greatest decline of 2.5%. The measure lost around 1% at the Monday open after London Mayor expressed his support for "Brexit", and remained under pressure for the rest of the day, sliding down another 1%. On Tuesday, additional hit came from the BoE governor, who pointed out possibilities for further policy easing in his speech before the Treasury select committee. The GBP Index yielded another 0.5%, finishing the period 1% below its closest peer.

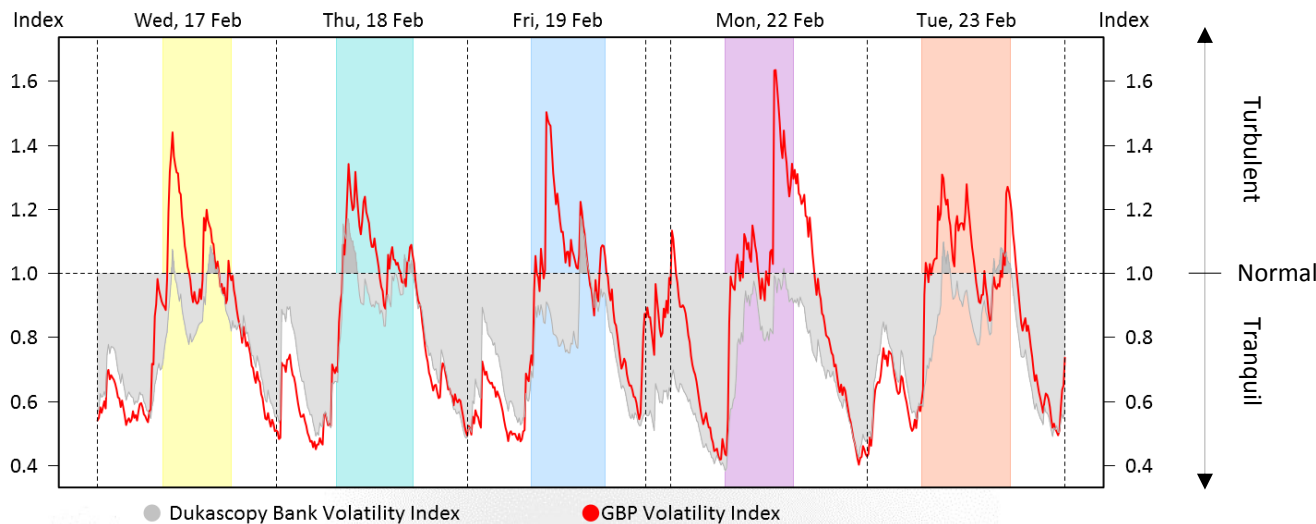


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-1.35%	-0.19%	2.07%	-2.47%	-0.51%	1.2%	0.4%	0.77%	0.09%
20	-0.22%	-1.7%	4.08%	-4.55%	0.99%	0.88%	0.61%	0.79%	-0.9%
130	-2.15%	1.77%	8.93%	-9.99%	-3.6%	2.91%	-2.49%	4.63%	1.1%
250	2.02%	5.23%	12.02%	-5.8%	0.47%	-3.84%	-5.22%	-9.11%	4.23%



Volatility

Volatility



The past week was extremely tranquil for almost all observed currencies. Thus elevated volatility portion of the market and currencies remained in 2%-14% range. The only exception was the British pound, which 30% of the observed period spent above the average historical turbulence level. However the peaks of the pound's volatility were not high. The Aussie and the Swedish krona, in turn, showed the most conspicuous spikes. The Australian employment data and the Swedish CPI reports pushed the indexes up, and they even exceeded the 2-points level.

During the whole period the pound was rather turbulent, notably exceeding the market's volatility. The UK unemployment rate and regular earnings reports on Wednesday managed the volatility index to surge to the 1.44 level. The Cameron's speech at the European Council summit made changes in the market sentiment and "Brexit" became the most troubling subject for the pound. Thus, on Thursday and Friday the GBP Volatility Index spiked to the 1.34 and 1.50 respectively. Moreover, the sharp downward movement of the pound index after the weekend pushed the volatility index up and it reached the 1.64 high on Monday. The UK inflation report on Friday, in turn, was not so resonant and the index spiked to 1.31 mark.

Elevated Volatility (% of the observed period)

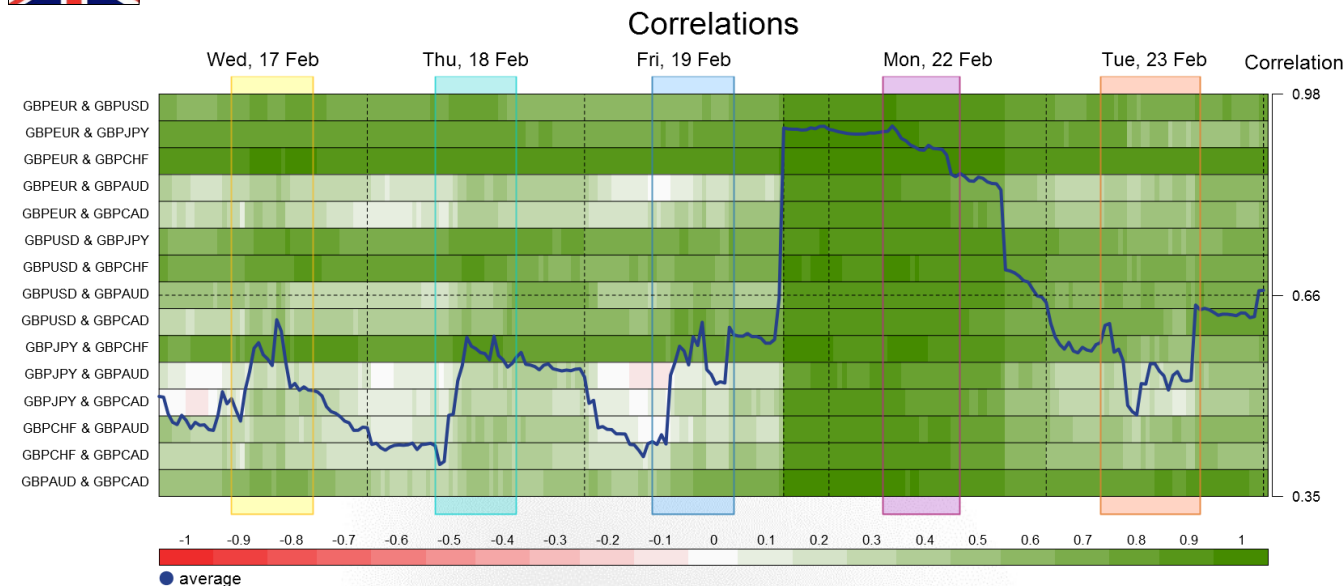
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
8	30	35	48	11	34	36	26	20	35

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.18	1.64	1.72	2.11	1.37	1.73	2.21	1.74	1.65	2.58
Min	0.38	0.4	0.32	0.27	0.29	0.23	0.38	0.28	0.44	0.31
Average	0.75	0.84	0.84	0.92	0.74	0.85	0.92	0.8	0.84	0.87



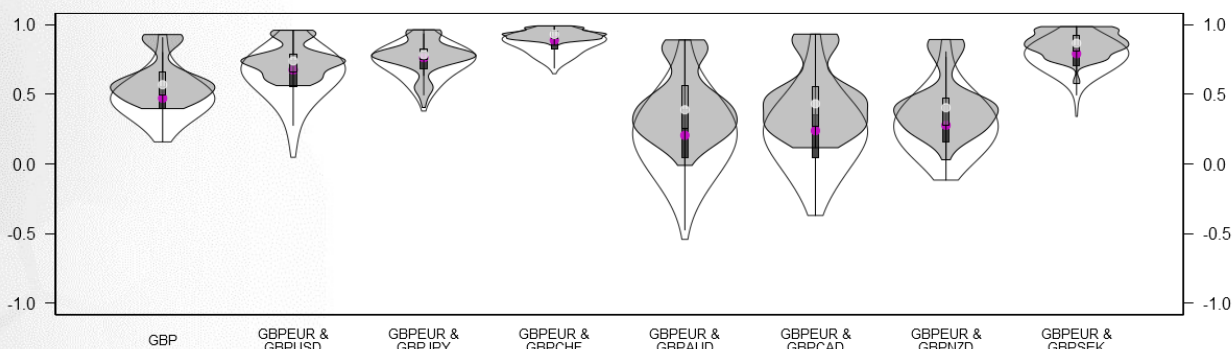
Currency Significance



The pound's significance measure was holding among the leaders during the observed period. As concerns about the possibility of "Brexit" came to the forefront with the Brussels summit, the bond between the pound's crosses notably strengthened and the correlation distributions shifted towards strong positive values. However, the pound was not an indisputable leader as the commodity currencies and the yen remained among the main market drivers, and the oil market movements continued to be one of the major economic issues.

Throughout the period the pound was strongly reacting to the domestic economic releases and other news related to the possibility of Britain leaving the EU. The first spike took the measure to the 0.6 mark and was observed on Wednesday, after mixed unemployment and earnings data came out. A day later, the EC Junker's confidence over a deal with Britain managed the pound to grow against its counterparts, strengthening the bonds between the GBP pairs and lifting the composite. A similar 0.6 points spike took place on Friday, but all those peaks faded against the background of early Monday upsurge. The new trading week opened with the pound's drop following the London Mayor's "Brexit" supporting comments. The composite reached the week's absolute high of 0.92 and finished the period on the relatively high mark of 0.67.

Correlations (5 vs 20 days)

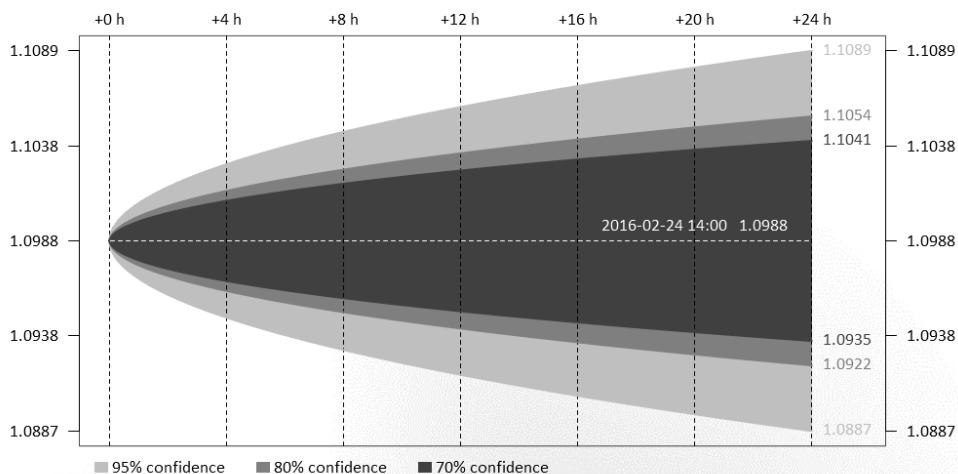


Mean Correlation Coefficient (with GBPEUR)

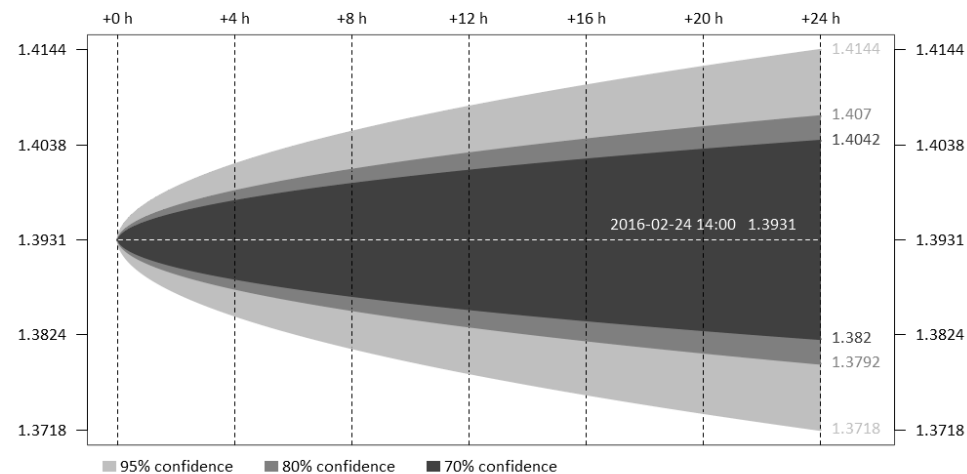
Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.61	0.75	0.78	0.93	0.42	0.46	0.44	0.86
20	0.48	0.64	0.74	0.87	0.21	0.23	0.29	0.78
130	0.38	0.38	0.58	0.77	0.16	0.2	0.21	0.73
250	0.38	0.23	0.44	0.7	0.26	0.26	0.3	0.72

Confidence Intervals for Next 24 Hours

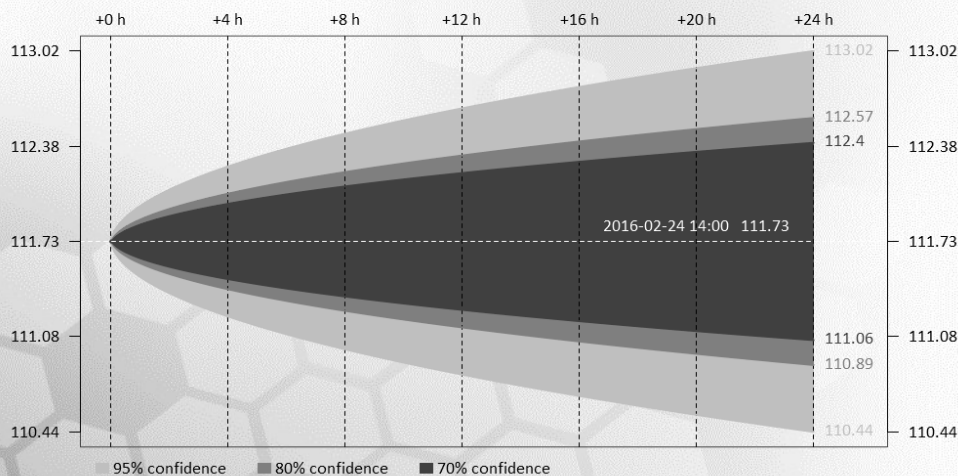
EURUSD Potential Rates



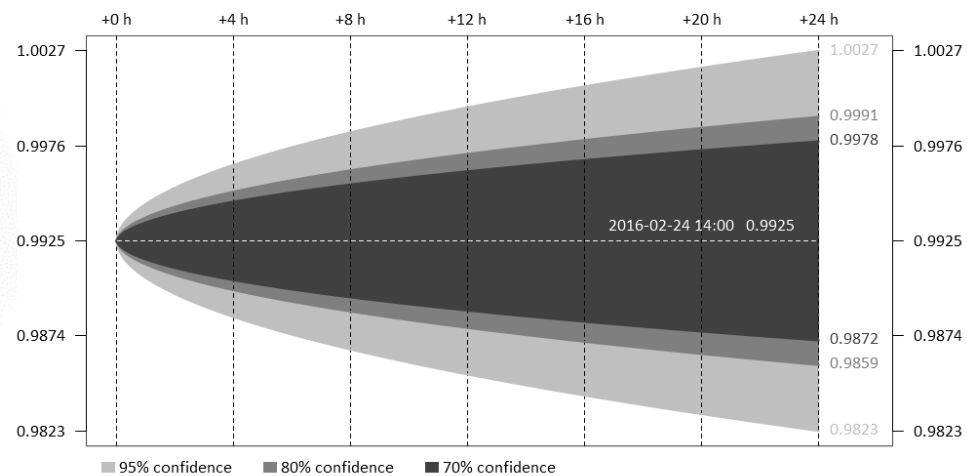
GBPUSD Potential Rates



USDJPY Potential Rates



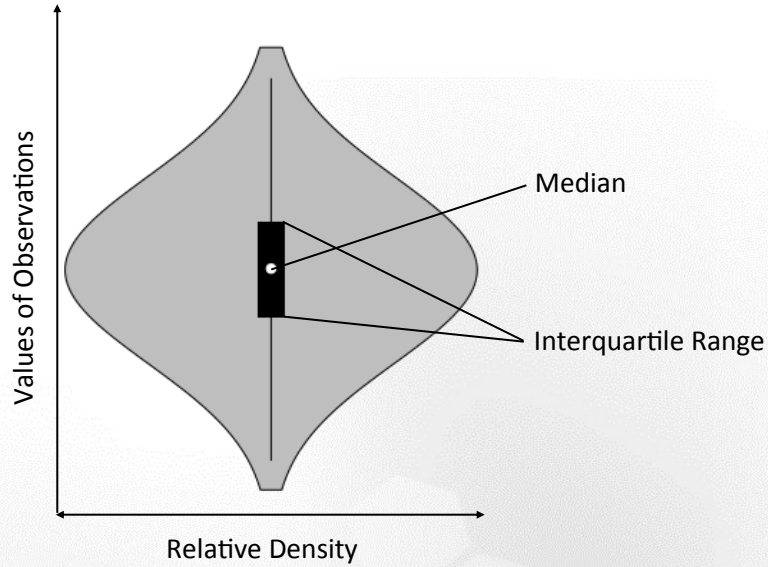
USDCHF Potential Rates



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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