



23/03/2016



**DUKASCOPY**  
RESEARCH PRODUCTS



# Market Research





# Dominant Events of the Period

## Yellow Area

March 16

04:30 - 22:30

- *UK Claimant Count Change and Unemployment Rate*
- *UK Annual Budget Release*
- *Fed Interest Rate Decisions and Press Conference*
- *US CPI and Building Permits*

## Turquoise Area

March 17

03:00 - 17:30

- *BOE Interest Rate Decision*
- *SNB Interest Rate Decision*
- *UK Philadelphia Fed Manufacturing Index and Unemployment Claims*

## Blue Area

March 22

04:00 - 16:30

- *UK CPI, PPI, RPI and Public Sector Net Borrowing*
- *German IFO Business Climate and ZEW Economic Sentiment*
- *FOMC Members Evans and Harker Speak*

GBP Currency Index Change

-0.25%

0.65%

-1.08%

Max GBP Volatility Index

1.96

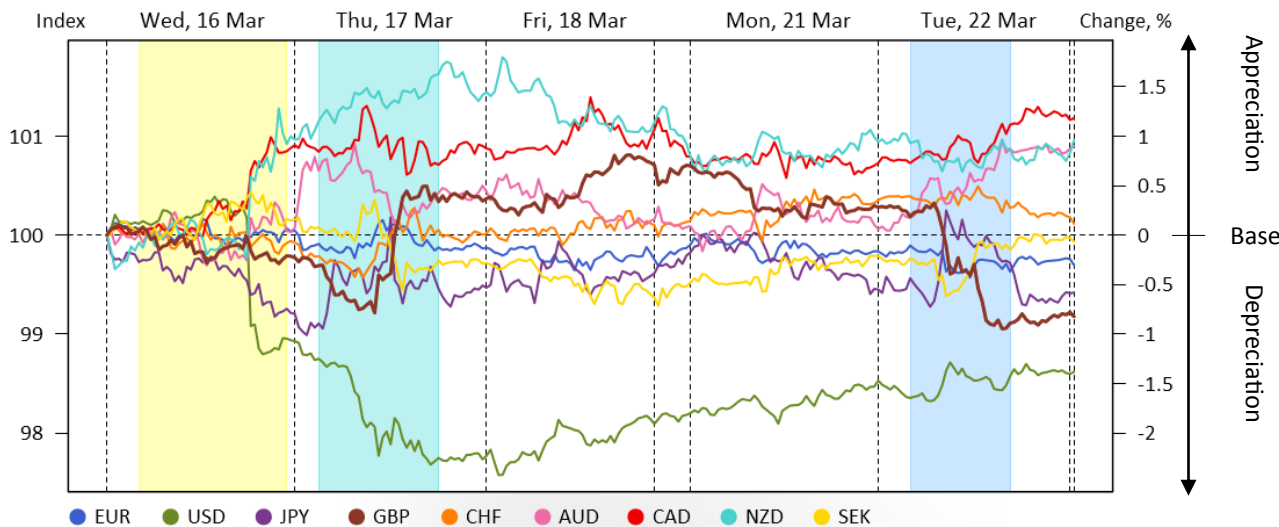
2.38

1.58



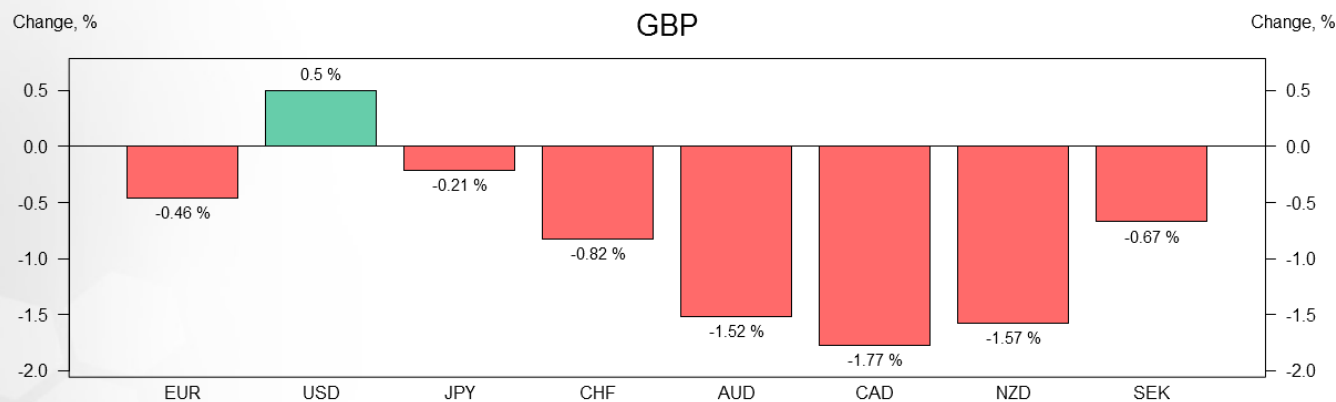
# Relative Currency Strength

Currency Indexes



Somewhat mixed performance was recorded by the British currency last period, which started on March 16 and ended on Tuesday of this week. News from the Bank of England on Thursday managed to push the currency above the baseline, while unexpected attacks in Brussels made the British currency the worst performer on Tuesday. Markets are worried that instability in mainland Europe is going to boost the “Leave” campaign’s support to get the UK out of the EU after the referendum on June 23. At its weekly peak on Friday, GBP was posting the third best return, just behind the Kiwi and Canadian Dollar.

At the same time, Tuesday events resulted in a sharp loss below the baseline for the GBP Index. It has therefore finished trading as the second-worst performer behind the US Dollar. As for the Greenback itself, it slumped on Wednesday after the dovish meeting of the Fed. A selloff extended on Thursday, while the next three days were unable to completely erase the slump. USD Index was down by 1.38% in five working days, compared to -0.82% for the Pound. Meanwhile, the Japanese Yen booked a periodical loss for the first time in many weeks. Although it attempted to rebound on Tuesday, given its safe-haven nature in times of any uncertainty, throughout the second part of yesterday the bears repeatedly overtook the lead and closed the JPY Index at 99.42 points.



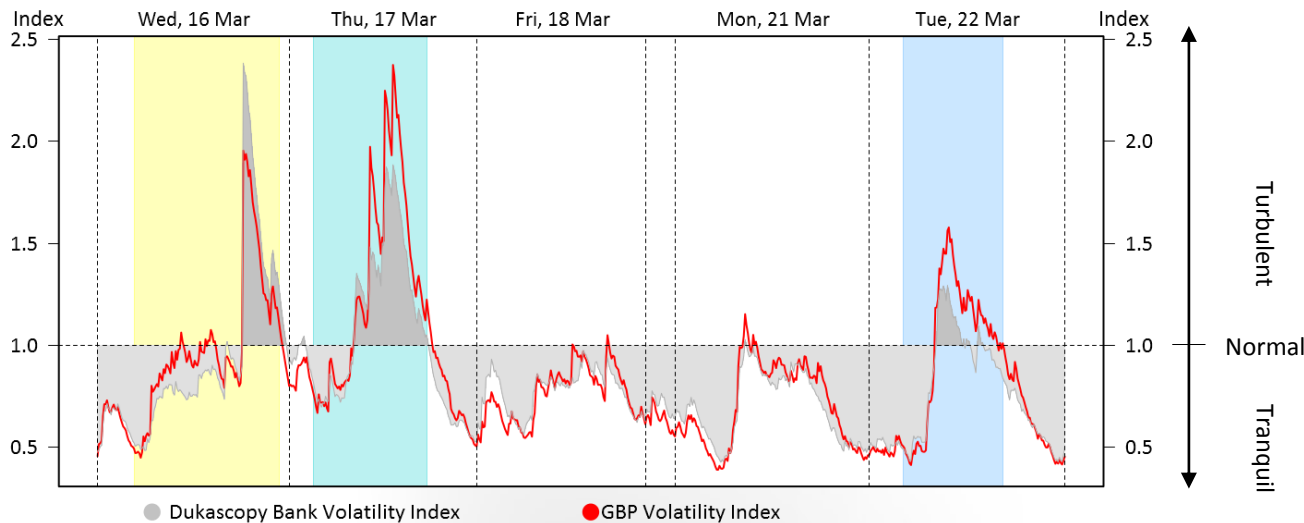
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.3%	-1.38%	-0.58%	-0.82%	0.11%	0.9%	1.18%	0.96%	-0.06%
20	-0.57%	-2.85%	-3.07%	-0.37%	-0.79%	4.14%	3.72%	-0.4%	1.12%
130	-1.9%	-2.3%	5.19%	-9.81%	-2.21%	7.05%	-0.36%	7.03%	-0.15%
250	4.92%	0.84%	8.32%	-4.71%	1.32%	-1.56%	-3.25%	-11.99%	6.15%



# Volatility

## Volatility



We have decided to mark three distinct time slots with volatility much above historically normal levels. In two of three cases the turbulence was fuelled by mainly domestic issues, while on Wednesday the Federal Reserve used to be the determiner of all market changes. Owing to Tuesday's Brussels events, the elevated volatility of the Pound rose to 22%, compared to only 17% for the whole market. It proclaims that the GBP Volatility Index stood above the 1.00 threshold for a bit more than one fifth of all time during the March 16-22 period. On the back of the Fed's monetary policy decisions and Dollar's plunge, the GBP/USD cross was the most volatile and posted the elevated volatility figure of 35%.

Greenback's turbulence exceeded 4.00 points on Wednesday. Despite that, other currencies denied to completely follow their American counterpart. Separately, both the Euro (read MR product from March 18) and Sterling posted the volatility below two points, with the Dukascopy Bank Volatility Index spiking gradually higher to 2.38 points. As for Thursday, the Bank of England abstained from adding more bearish tone to the statement and left the key interest rate flat at 50 bps. GBP Volatility, at its peak, anecdotally surged exactly to the same 2.38 points and matched the Dukascopy Bank Volatility Index's high from the prior day. Meantime, Brussels attacks activated more Brexit rumours. Instead of the Euro, the most volatile currency actually became the Pound and its volatility climbed above 1.5 points.

Elevated Volatility (% of the observed period)

Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
17	22	20	35	32	24	27	29	14	30

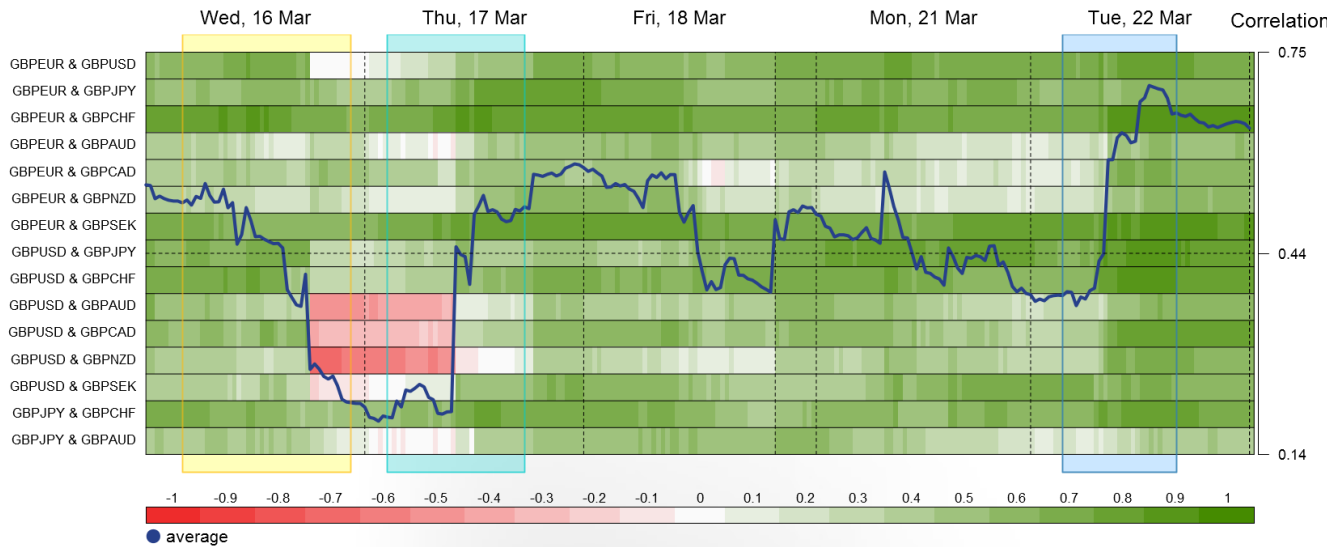
Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	2.38	2.38	2.48	4.51	3.85	2.51	2.1	2.3	3.27	3.15
Min	0.43	0.39	0.28	0.27	0.38	0.26	0.4	0.23	0.29	0.29
Average	0.83	0.85	0.79	0.95	0.95	0.81	0.87	0.82	0.78	0.89



# Currency Significance

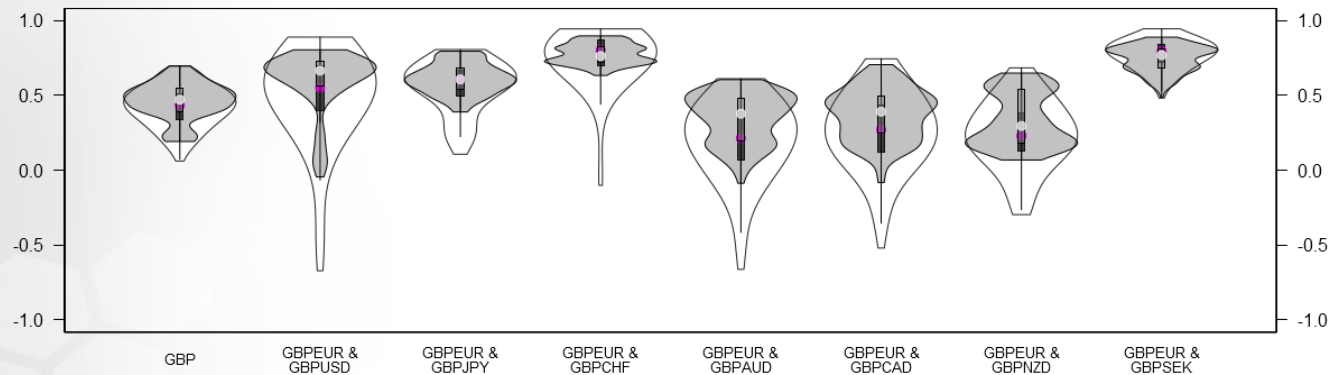
## Correlations



Significance of the Pound, calculated as an average correlation between various crosses of this currency, was quite high during the period ended March 22. This is evidenced by the mean correlation coefficient, which, at 0.46 points, has more than enough outperformed the monthly average of 0.42 points and 130/250-day averages of 0.40 and 0.39 points, accordingly. As for the reasons that have pushed up significance of the Pound, the primary one seems to be a busy economic calendar, both locally and abroad. Major events are normally uniting different currency pairs and they start moving in a similar direction.

First and foremost, it is essential to look at deeply red correlations registered by some separate components on Wednesday evening and Thursday morning. Following dovish statement released by the US Federal Reserve, oil prices have jumped substantially and moved commodity-linked (AUD, NZD, CAD) currencies to the upside. Along with the tumbling Buck, such correlations as GBP/USD & GBP/NZD became heavily negative. After a circa 12-hour period of the “Fed shock”, the composite started to rebound in the run up to the next monetary policy event held by the Bank of England and then consolidated somewhat around 0.50 points. Meanwhile, the period’s high was hit on Tuesday, when all crosses of the Pound dropped and thereby accelerated the composite’s surge to 0.70 points by 13:00 GMT.

## Correlations (5 vs 20 days)



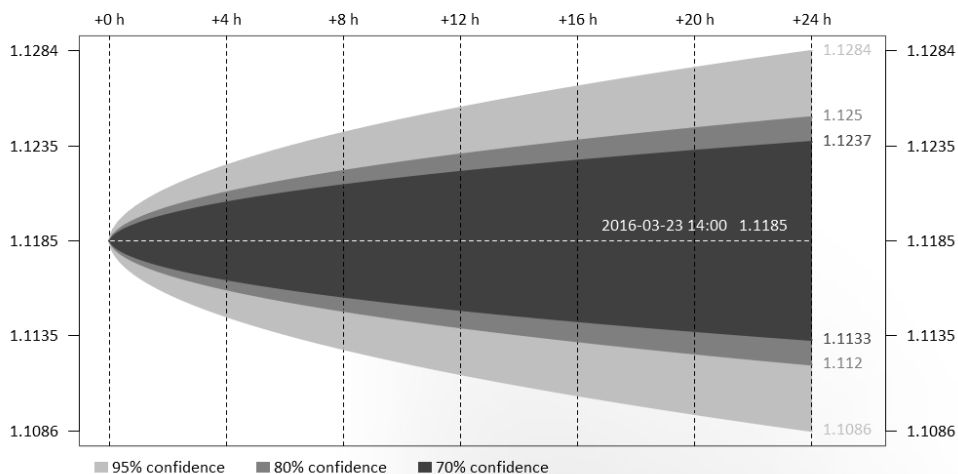
## Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.46	0.59	0.61	0.78	0.35	0.37	0.34	0.74
20	0.42	0.5	0.56	0.75	0.2	0.26	0.23	0.78
130	0.4	0.42	0.59	0.78	0.18	0.21	0.23	0.74
250	0.39	0.27	0.46	0.72	0.25	0.25	0.29	0.73

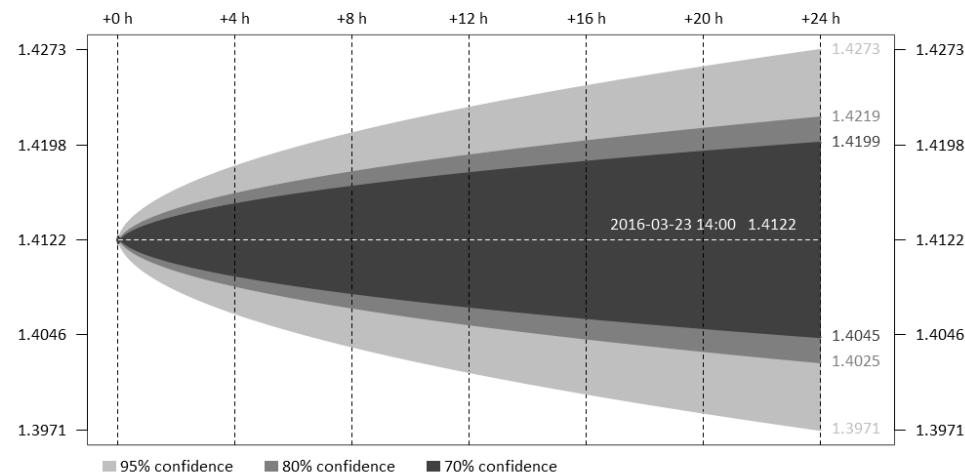
# Confidence Intervals for Next 24 Hours

Wednesday, March 23, 2016  
16:30 GMT

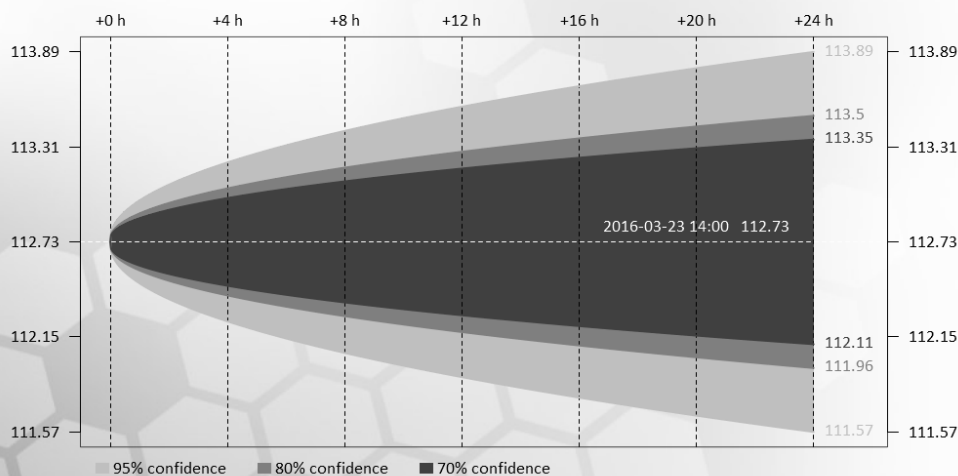
EURUSD Potential Rates



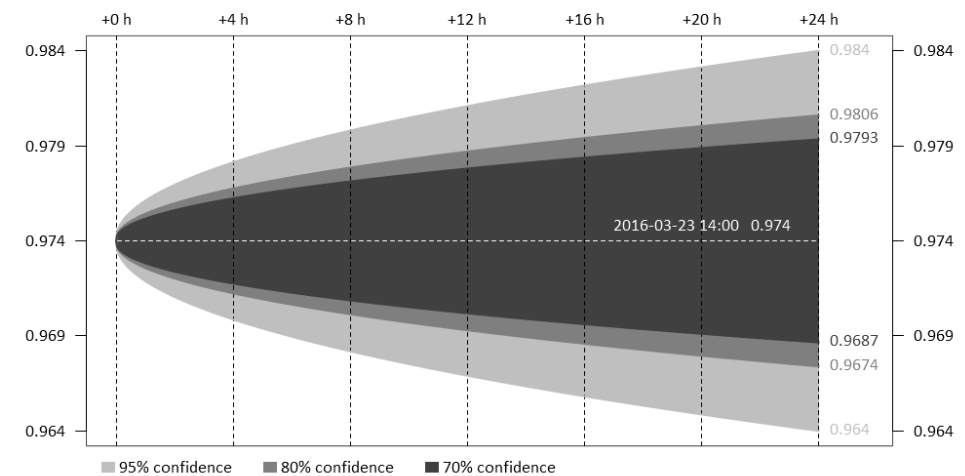
GBPUSD Potential Rates



USDJPY Potential Rates



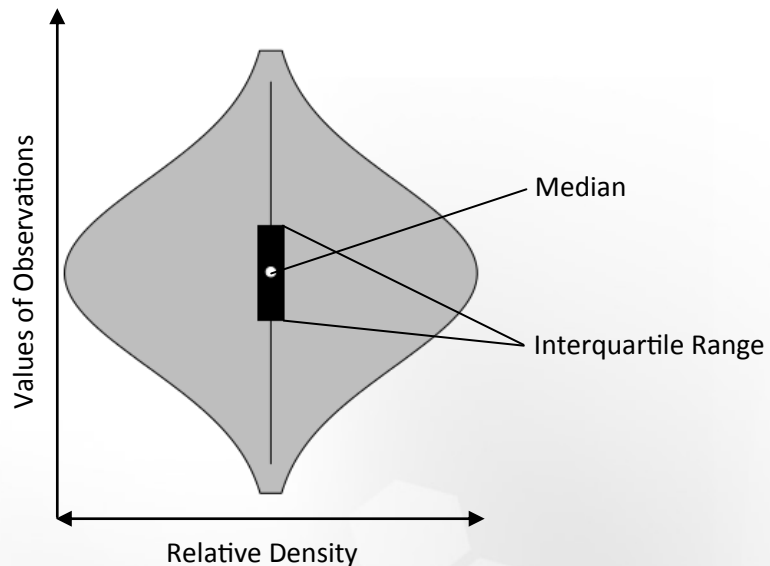
USDCHF Potential Rates



# 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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