



06/04/2016



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# Market Research





# Dominant Events of the Period

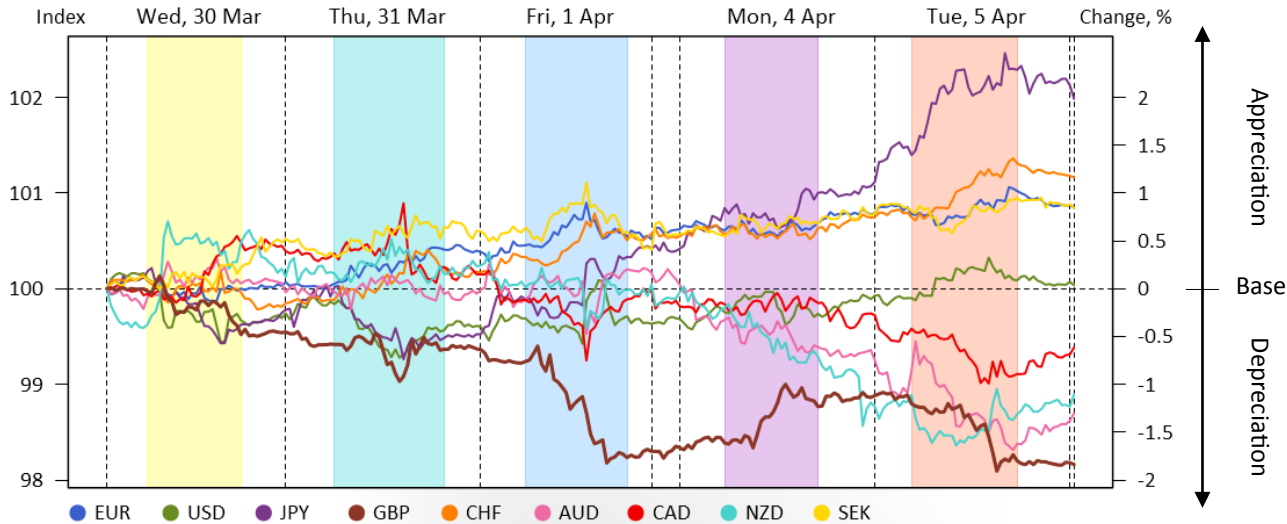
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
March 30	March 31	April 1	April 4	April 5
05:00 - 18:30	06:00 - 19:00	05:30 - 18:00	05:30 - 16:30	04:30 - 17:30
<ul style="list-style-type: none"> <li>US ADP Non-Farm Employment Change and Crude Oil Inventories</li> </ul>	<ul style="list-style-type: none"> <li>UK Final GDP and Current Account Balance</li> <li>BOE Governor Carney Speaks</li> <li>US Unemployment Claims</li> </ul>	<ul style="list-style-type: none"> <li>UK Manufacturing PMI</li> <li>Chinese Manufacturing PMI</li> <li>US Non-Farm Employment Change, Unemployment Rate, Average Hourly Earnings and ISM Manufacturing PMI</li> </ul>	<ul style="list-style-type: none"> <li>UK Construction PMI</li> <li>Australian Building Approvals and Retail Sales</li> </ul>	<ul style="list-style-type: none"> <li>UK Services PMI</li> <li>Australian Trade Balance</li> <li>RBA Interest Rate Decision</li> <li>US ISM Non-Manufacturing PMI</li> <li>New Zealand GDT Price Index</li> </ul>

GBP Currency Index Change	-0.45%	-0.05%	-1.01%	0.38%	-0.6%
Max GBP Volatility Index	1.29	1.8	1.98	1.26	1.47



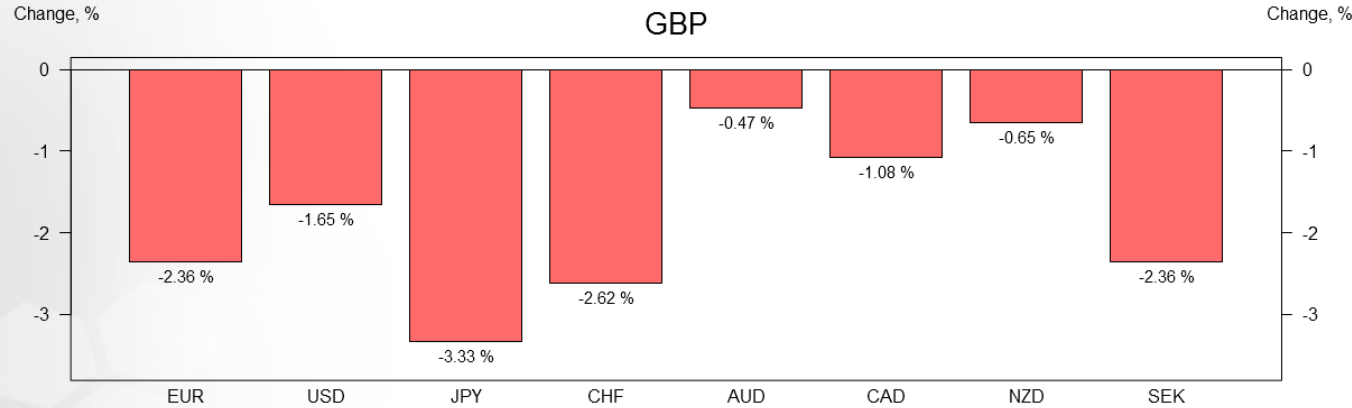
# Relative Currency Strength

Currency Indexes



For the first two days of the period the Pound was able to hold to moderate losses along with a number of its peers. However, by clearly indicating that the sell-off was not going to stop, this currency established itself as a clear outsider of the period ended April 5. Until Thursday the last place in overall rankings of currencies was shared with the Japanese Yen and US Dollar. However, the former commenced an unprecedented comeback by the second half of the period, spiked on the back of flight to safety and thereby finished the five-day long period with a gain of 2%. Another safe haven, the Swiss Franc, was placed second with a climb of 1.16%.

For the moment the observed currency is assumed to be driven by both pure economic and also some political factors, most importantly the approaching EU membership referendum due in June. On top of that, British economy is battling for growth in the wake of formidable weakness abroad and especially in mainland Europe and China. The heaviest disappointment was Friday when the Sterling fell by more than one full percentage point and the GBP Index came closer to the 98 mark. This was due to worse than forecasted activity advance in the UK's manufacturing industry, followed by more or less optimistic employment figures from the US. GBP posted the only positive change on Monday, but renewed Brexit concerns forced the bullish side to diminish, thus pushing the currency down again.



Currency Index Change

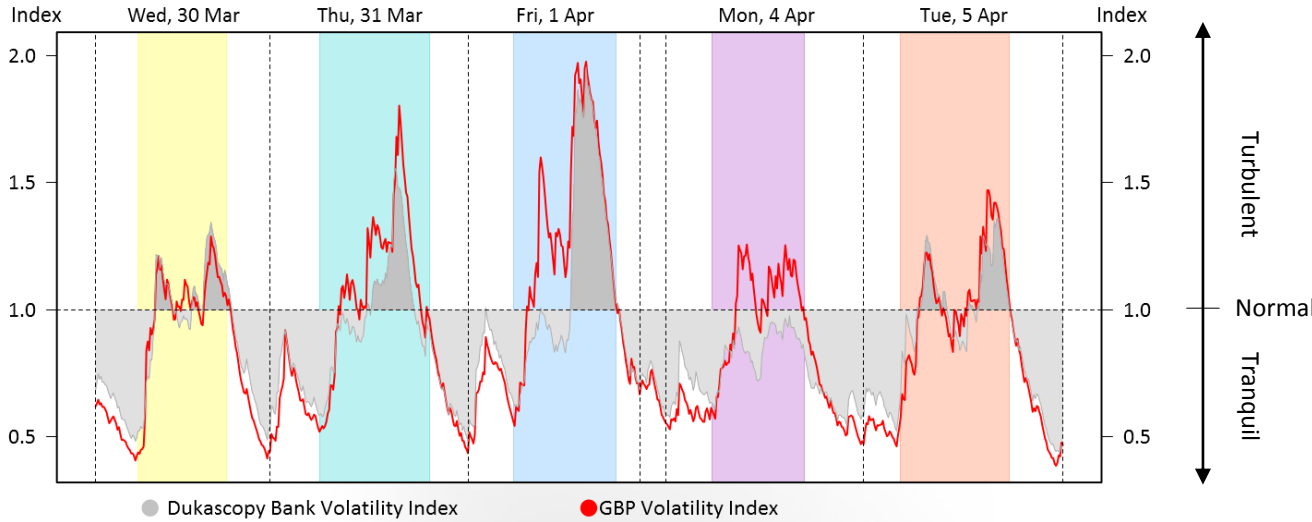
Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	0.85%	0.04%	1.99%	-1.84%	1.16%	-1.3%	-0.61%	-1.1%	0.84%
20	1.66%	-2.33%	-0.25%	-2.67%	2.45%	-0.62%	0.16%	-1.15%	2.6%
130	-0.09%	-1.32%	7.89%	-9.66%	-0.1%	4.07%	-2.33%	2.16%	0.2%
250	4.87%	0.94%	9.21%	-4.93%	0.46%	-0.46%	-4.83%	-11.68%	6.41%



# Volatility

Wednesday, April 06, 2016  
16:30 GMT

## Volatility



Researched currency was one of the most volatile components in the market, in case we take into account the performance of G9 most traded currencies across the board. Elevated volatility is clearly confirming this fact. It indicates that the Sterling stayed turbulent in 37% of all time during the period, namely when the GBP Volatility Index was placed above the 1.00 mark. Market as a whole, on the other hand, posted a reading of only 23%. It was quite difficult to distinguish any particular component that was fuelling this action, because literally all currency pairs of the Pound were bold and aggressive in terms of changes.

Many domestic and international events caused some enthusiasm for GBP trading against its peers last week. Wednesday was the most silent day, as the only major fundamental data release was about the ADP numbers for the US labour market. We observed much more activity in the following two days, helped by various UK and US events from the economic calendar. British economy rose by 0.6% in Q4 2015, as the growth was upwardly revised from 0.5%. Alongside, the current account deficit reached its high level ever in the three months through December. On the first day of April, the island nation's manufacturing PMI dropped to 51 points. However, the peak volatility of the period of 1.98 points was registered later the same day, in time of US NFP and other employment statistics.

### Elevated Volatility (% of the observed period)

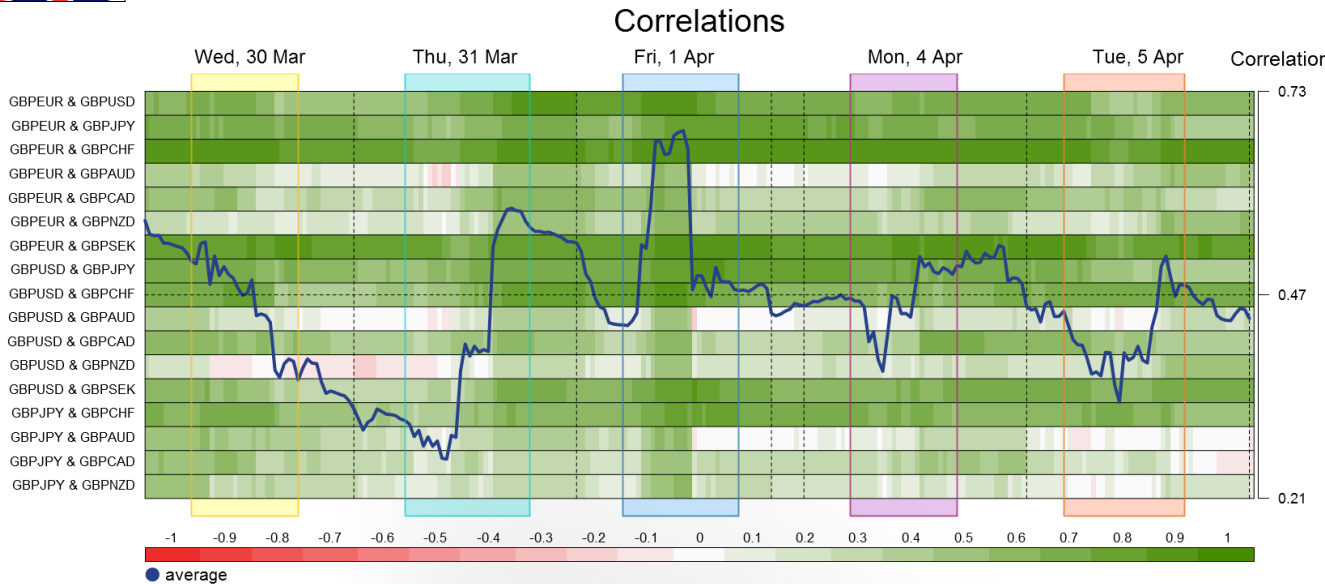
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
23	37	35	35	30	36	37	33	34	31

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.96	1.98	1.95	2.28	2.26	1.97	2.18	3.11	2.37	2.08
Min	0.44	0.38	0.25	0.24	0.32	0.24	0.31	0.3	0.41	0.29
Average	0.86	0.88	0.83	0.83	0.9	0.85	0.92	0.95	0.93	0.85



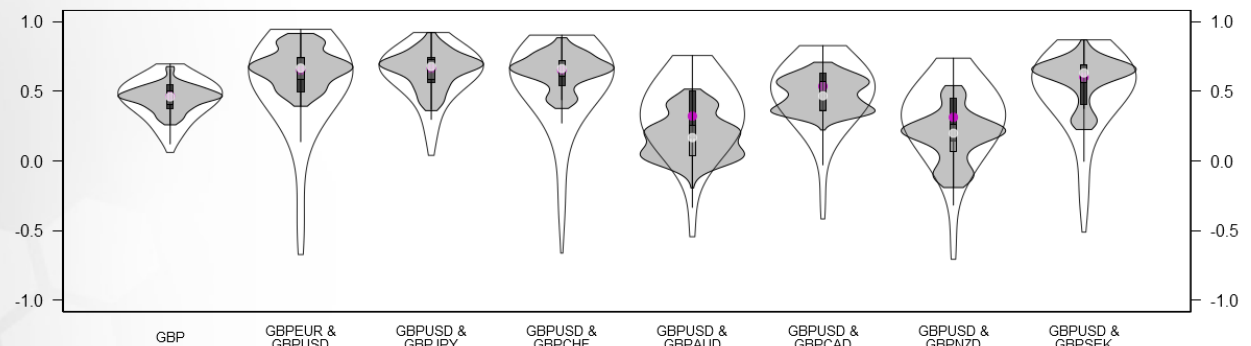
# Currency Significance



Although significance of the Sterling was in decline over Wednesday and first part of Thursday of the previous week, correlations of all crosses managed to recover substantially throughout the second part of the five-day researched period. The mean coefficient for all correlations was 0.45 points and equaled to the 20-day average reading. We saw quite a lot of divergence between different components that altogether create the composite blue line on the main chart. Some of them posted completely negative correlations, and this is reflected in the massively long distribution tails.

With absence of major fundamental economic data releases during the last two days of March, the composite slumped to the weekly low of 0.26 points by 10:00 GMT on Thursday. Commodity-dependent currencies took the stage to become very influential by this particular point of time. With US Dollar falling down against the Sterling and others, such currencies as the New Zealand Dollar fixed formidable gains in value due to the shift into riskier assets amid dovish stance of the Fed. In such a situation, the Pound significance fell momentarily. Nevertheless, a huge revival followed by Friday midday in the wake of previously mentioned US and UK data expectations. The composite peaked at 0.68 points in the pre-NFP rally, but somewhat waned afterwards. Still, presence of British construction and services sectors' statistics helped the composite to hold to gains on April 4-5.

Correlations (5 vs 20 days)



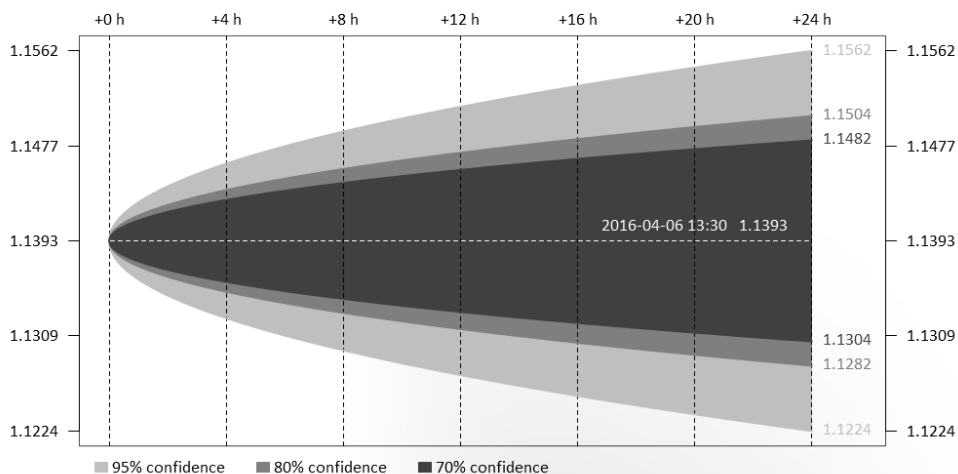
Mean Correlation Coefficient (with GBPUSD)

Days	GBP	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.45	0.67	0.66	0.65	0.17	0.48	0.17	0.59
20	0.45	0.56	0.63	0.57	0.32	0.48	0.27	0.51
130	0.41	0.45	0.63	0.48	0.33	0.48	0.3	0.44
250	0.39	0.29	0.62	0.36	0.28	0.47	0.25	0.29

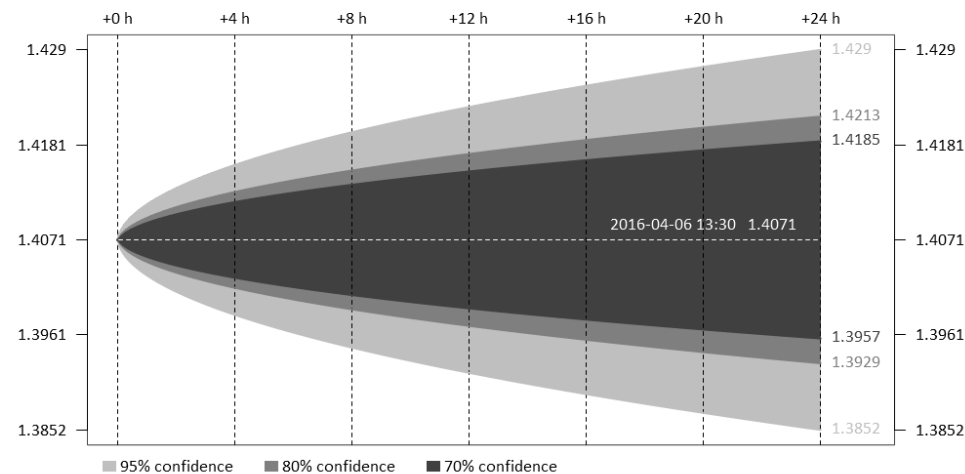
# Confidence Intervals for Next 24 Hours

Wednesday, April 06, 2016  
16:30 GMT

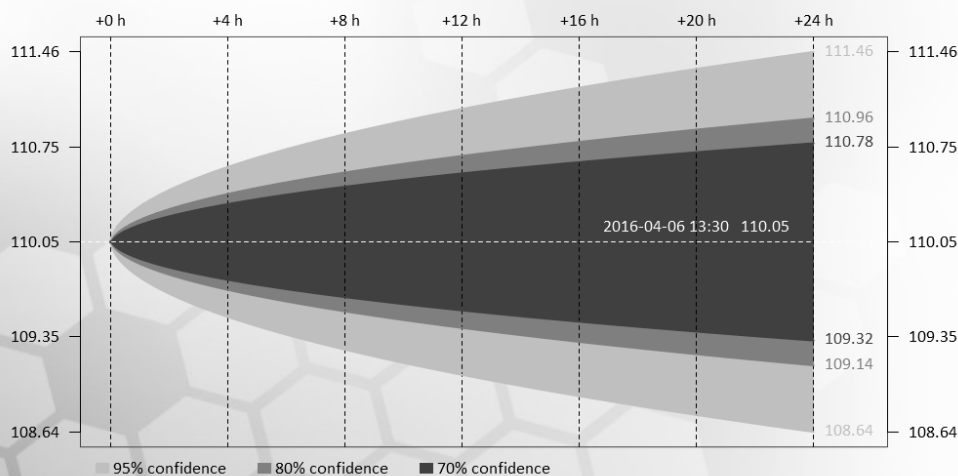
EURUSD Potential Rates



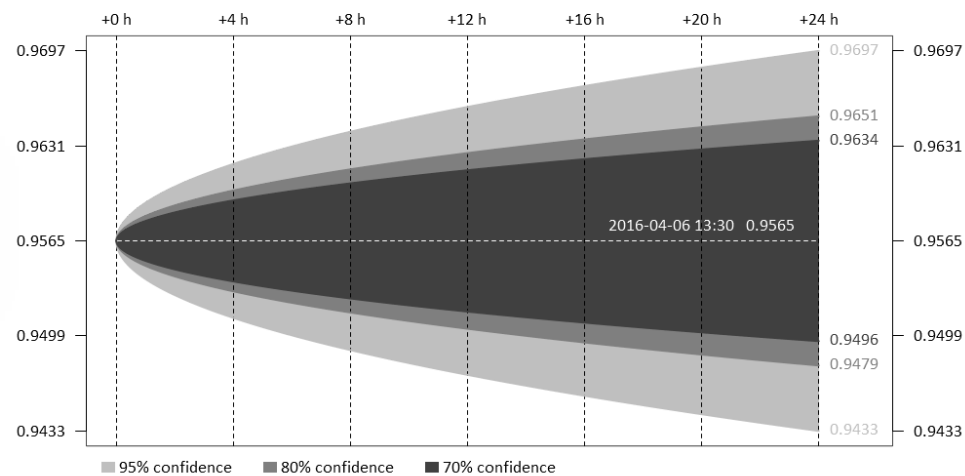
GBPUSD Potential Rates



USDJPY Potential Rates



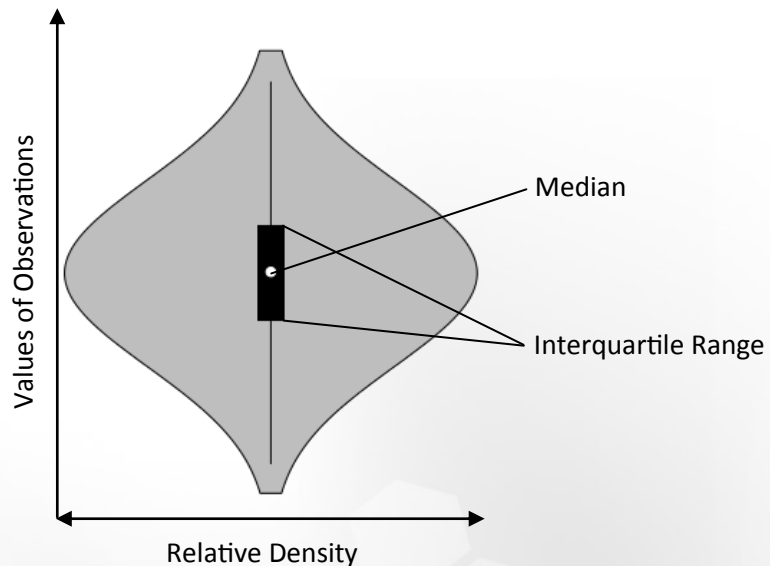
USDCHF Potential Rates



# 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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