



27/04/2016



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Market Research





Dominant Events of the Period

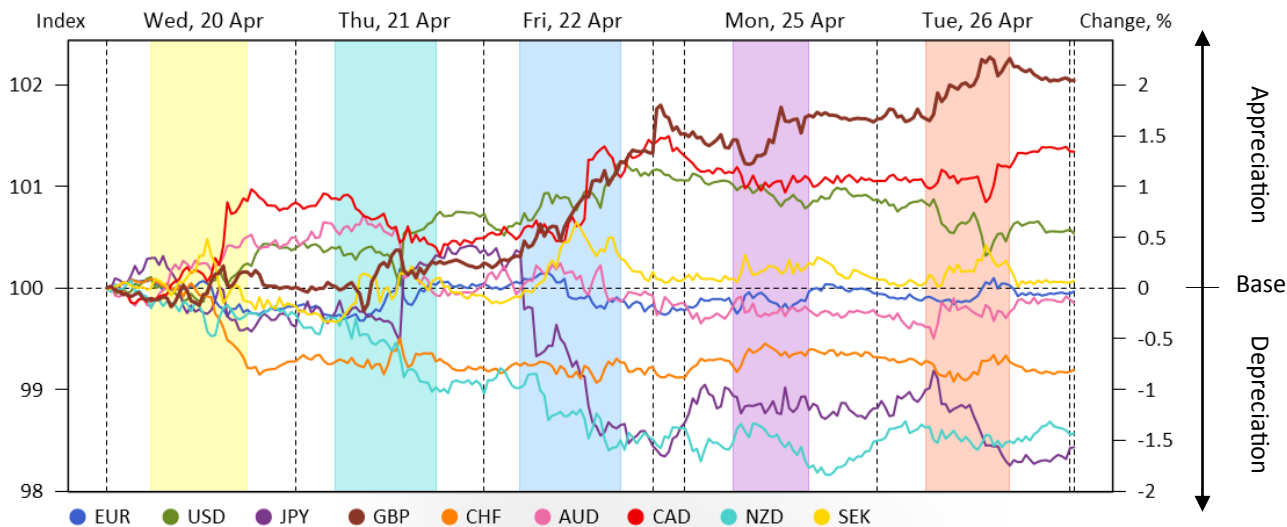
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
April 20	April 21	April 22	April 25	April 26
06:00 - 17:30	05:00 - 17:30	04:30 - 17:00	05:30 - 15:00	06:00 - 16:00
<ul style="list-style-type: none"> UK Claimant Count Change, Average Hourly Earnings and Unemployment Rate ECB President Draghi Speaks Canadian Wholesale Sales US Existing Home Sales 	<ul style="list-style-type: none"> UK Retail Sales and Public Sector Net Borrowing ECB Interest Rate Decision and Press Conference BOE Governor Carney Speaks US Philadelphia Fed Manufacturing Index and Unemployment Claims 	<ul style="list-style-type: none"> Euro zone Manufacturing and Services PMI Canadian Retail Sales and CPI 	<ul style="list-style-type: none"> German IFO Business Climate US New Home Sales 	<ul style="list-style-type: none"> US Durable Goods Orders and CB Consumer Confidence BOC Governor Poloz Speaks

GBP Currency Index Change	0.26%	0.23%	0.94%	0.24%	0.59%
Max GBP Volatility Index	1.61	1.6	1.47	1.22	1.33



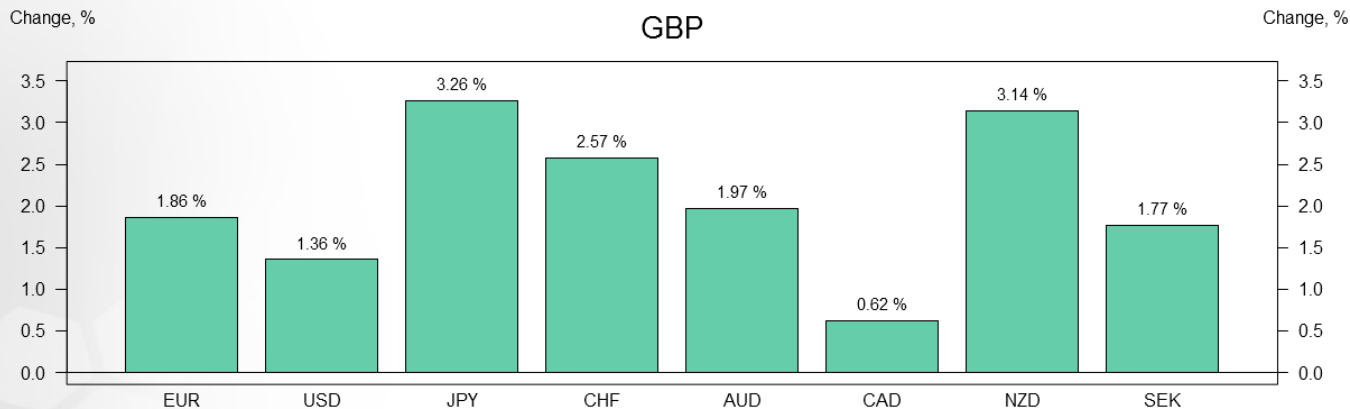
Relative Currency Strength

Currency Indexes



With fairly improving expectations on the issue of the upcoming EU referendum in Britain, the largely politics-driven Sterling has been able to extend a rebound to another five-day period ended April 26. Along with Canadian Dollar, US Dollar and Swedish Krona the Pound hovered above the base line and finished the week with growth. On the other hand, the Yen continued to depreciate amid higher risk-on sentiment and rumours the Bank of Japan is ready to offer loans to commercial banks with a negative rate of interest. Now JPY is up by only 0.17% month-on-month, following a massive 1.57% drop it has posted over the observed period.

Wednesday was the quietest day of the previous week, despite important news published that day by the Office for National Statistics, which revealed an increase in claims for unemployment benefits and slowing wage gains in the UK. We saw much severe activity by the end of the last calendar week, after US President Barack Obama expressed his support to the UK remaining in the EU. The Pound rose momentarily and became the best performer by the end of Friday. The rally was maintained over Monday and Tuesday when the GBP Index surged further amid recovering appetite with respect to risk. Over the whole period this currency has been up by more than 2% and broke away from its nearest rival, the Canadian Dollar, by precisely 0.62%.



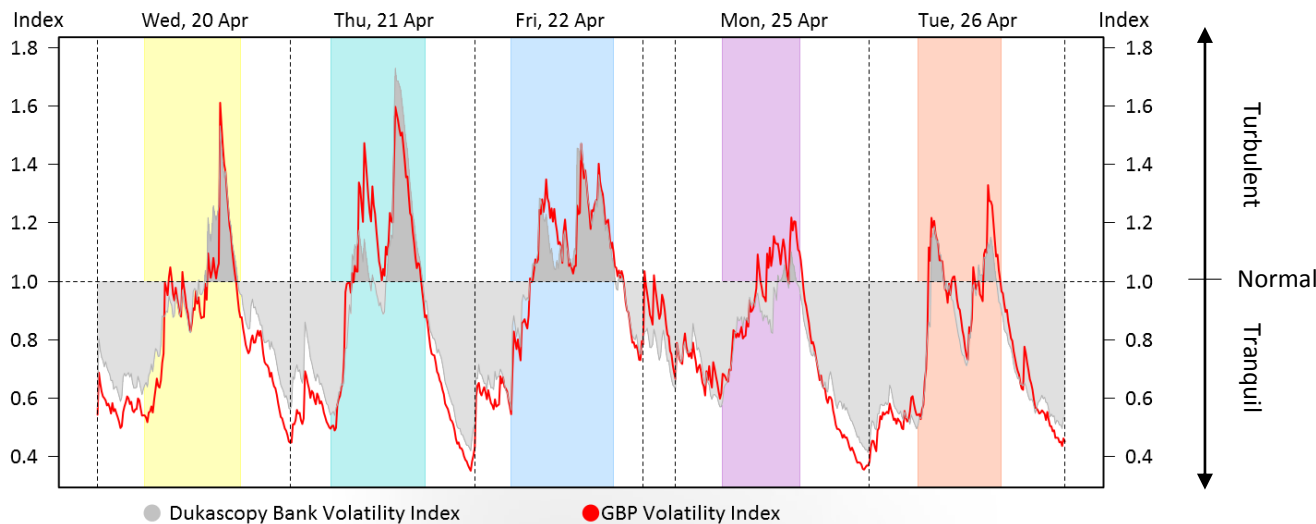
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.03%	0.54%	-1.57%	2.04%	-0.81%	-0.15%	1.34%	-1.43%	0.07%
20	-0.93%	-1.08%	0.17%	0.48%	-1.87%	0.65%	3.17%	-0.37%	0.04%
130	-0.7%	-3.18%	5.52%	-8.37%	-2.05%	6.58%	2.31%	-0.62%	1.42%
250	4.85%	0.53%	8.01%	-4.04%	-1.84%	-0.74%	-3.51%	-10.65%	7.4%



Volatility

Volatility



In line with past experience, the topmost market volatility was registered over the first part of the researched period, given that week-ends are normally bringing many events in the economic calendar. Pound's attractiveness rose substantially after encouraging political remarks made by officials that, as analysts are projecting, may curb the probability of Brexit. GBP was more turbulent than the market overall, with Sterling's elevated volatility standing at 29% versus market's 24%. GBP/SEK was the most unstable cross owing to Swedish Krona's own behaviour in the wake of speculations that Sveriges Riksbank may cut interest rates further, if necessary.

The Sterling's sharpest increase in volatility took place on the very first day of the week, on Wednesday, when the only dissenter on Bank of England's MPC committee Ian McCafferty said his current vote to stay on hold in terms of interest rates may become short-lived. This news pushed the GBP Volatility Index up to its peak of 1.61 points. Broadly similar increase in turbulence was in place on April 21, firstly after some mixed UK economic data on retail sales and public borrowing and secondly during the press conference of ECB head Mario Draghi. On Friday the volatility was as high as 1.47 points, particularly owing to an inflow of European PMI and Canadian CPI statistics, as well as due to Barack Obama's visit to Britain and earlier remarks on UK-EU relationship.

Elevated Volatility (% of the observed period)

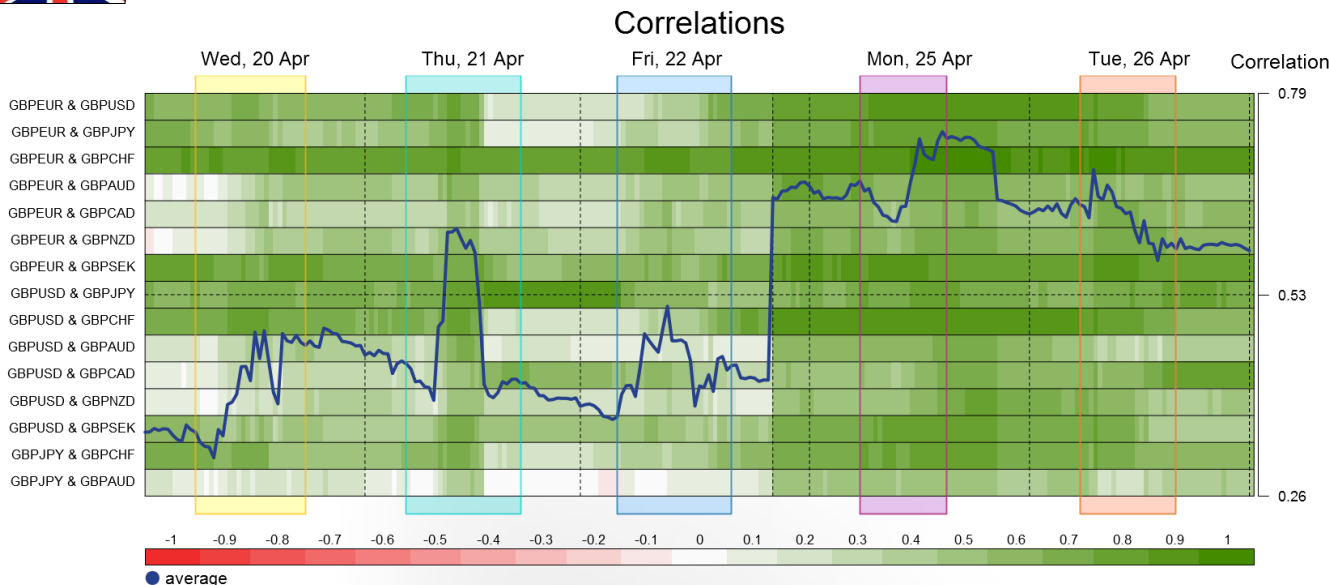
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
24	29	28	27	23	31	22	28	28	36

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.73	1.61	2.43	1.79	2.04	2.23	1.63	2.99	2.03	2.2
Min	0.41	0.35	0.27	0.23	0.31	0.27	0.25	0.28	0.35	0.27
Average	0.83	0.82	0.81	0.76	0.84	0.82	0.79	0.81	0.86	0.85



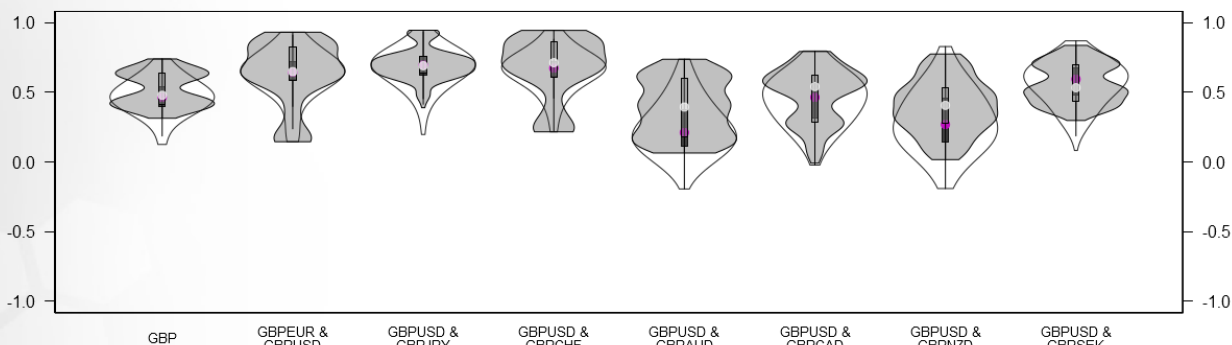
Currency Significance



Significance of the observed currency can be divided into two parts. From Wednesday until Friday we saw much weaker correlations among various currency pairs, which include the Pound, than over Monday-Tuesday of the new week. Such conditions helped the average GBP correlation coefficient to soar up to 0.52 points and outweigh the 20-day mean of 0.47, 130-day mean of 0.43 and annual average of only 0.40 points. Hardly any component has ever slipped below zero, even though correlations of close to zero were widespread.

The composite, presented as a blue line on the main chart, started the period at a remarkably low mark of just 0.347 points. Later in the day it dropped to 0.313 points, but started to recover along with incoming fundamentals throughout the day. A climb occurred on Thursday when the composite reached the 0.61 level on the back of UK retail and public finances statistics; however, this activity of the market tended to wane later. New week delivered a surprising unanimity in terms of movements of different currency pairs of the Pound, and it was immediately reflected in the composite that skyrocketed to more than 0.73 points at the maximum point. This currency has definitely not lacked direction, provided with impetus in face of softer US Dollar, which awaits the Fed decision on April 27, and falling UK Brexit bets.

Correlations (5 vs 20 days)



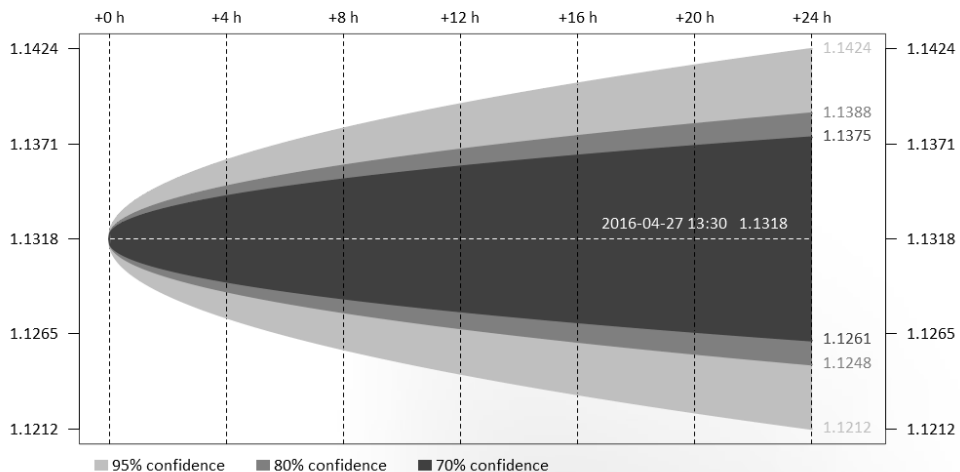
Mean Correlation Coefficient (with GBPUSD)

Days	GBP	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.52	0.63	0.7	0.67	0.38	0.49	0.4	0.56
20	0.47	0.63	0.68	0.66	0.24	0.44	0.29	0.57
130	0.43	0.49	0.63	0.51	0.33	0.48	0.31	0.47
250	0.4	0.32	0.62	0.39	0.28	0.47	0.26	0.32

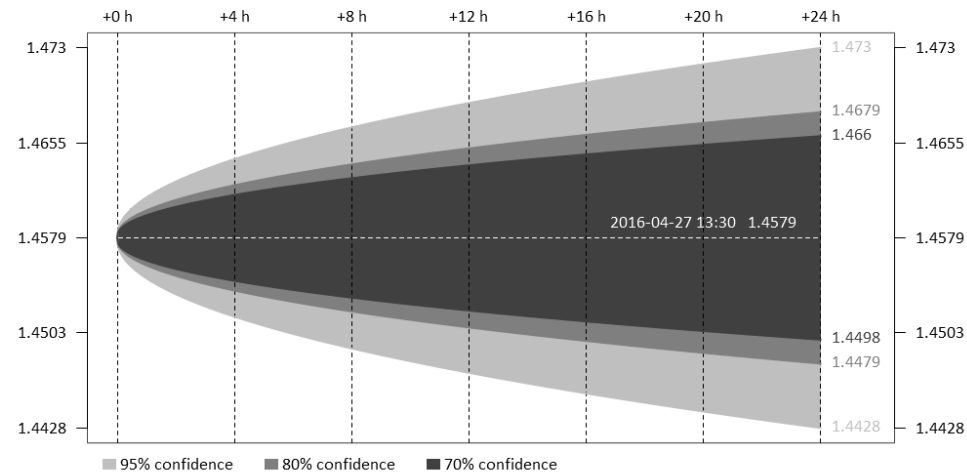
Confidence Intervals for Next 24 Hours

Wednesday, April 27, 2016
16:30 GMT

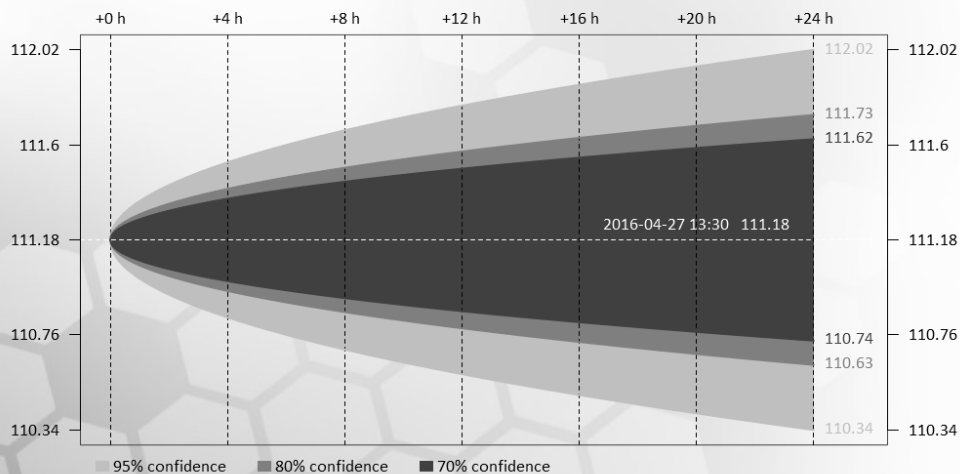
EURUSD Potential Rates



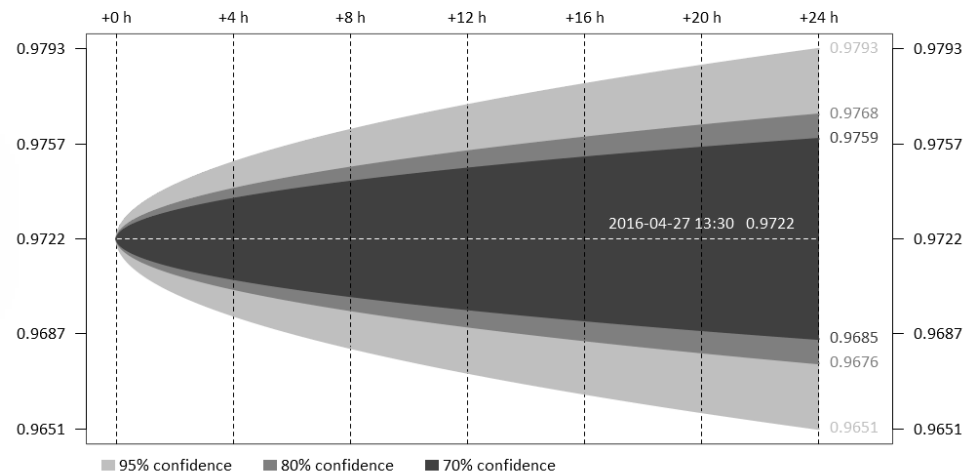
GBPUSD Potential Rates



USDJPY Potential Rates



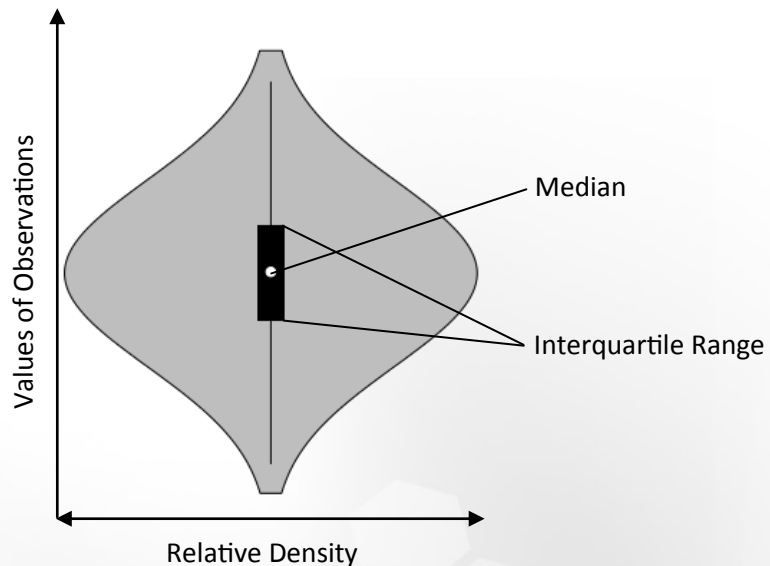
USDCHF Potential Rates



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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