



18/05/2016



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RESEARCH PRODUCTS



Market Research





Dominant Events of the Period

Yellow Area

May 11

05:00 - 16:00

- UK Manufacturing Production and NIESR GDP Estimate
- US Monthly Budget Statement

Turquoise Area

May 12

04:30 - 17:30

- Bank of England Interest Rate Decision, Inflation Report and Press Conference
- BOJ Governor Kuroda Speaks
- FOMC Members Mester and George Speak

Blue Area

May 13

03:30 - 16:30

- MPC Members Haldane and Weale Speak
- German GDP and CPI
- Euro zone GDP
- US Retail Sales, PPI and Consumer Sentiment
- FOMC Member Williams Speaks

Purple Area

May 17

00:30 - 15:30

- UK CPI
- Japanese Industrial Production
- US CPI, Housing Starts, Building Permits and Industrial Production
- FOMC Members Lockhart and Williams Speak

GBP Currency Index Change

-0.26%

0.24%

-0.03%

-0.07%

Max GBP Volatility Index

0.99

1.49

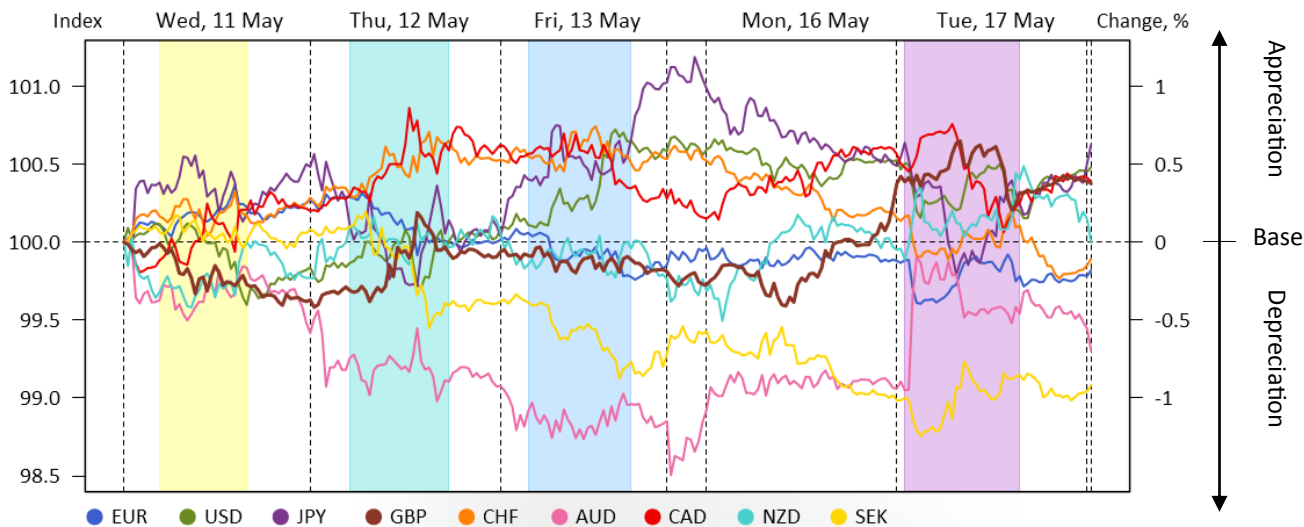
1.24

1.24



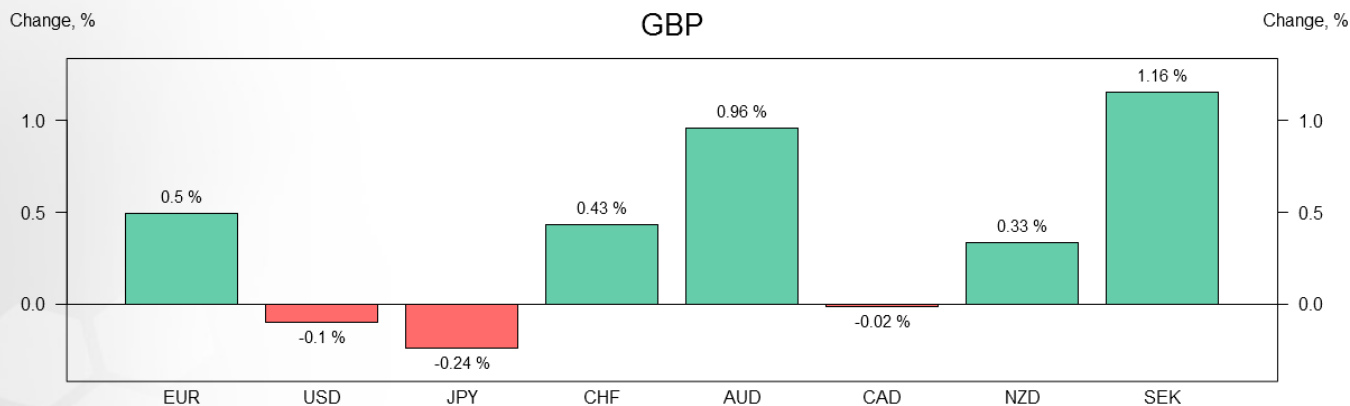
Relative Currency Strength

Currency Indexes



Although the Pound Sterling Index was moving below the base line over the vast part of the period ended May 17, by the last day of it this currency managed to regain quite enough strength to close with an increase of 0.38%. Generally, movements and volatility of the market were boring and low, which contributed to relatively small changes of all components during the past five working days. The highest rise, posted by the Japanese Yen, amounted to only 0.62%, while the biggest loser of the period, the Swedish Krona, failed to even surpass the one percentage point mark.

The week started on a bearish note for the Pound, which decelerated by about 0.4% over the first trading day. The reason behind was poor data on industrial and manufacturing production in March, which stressed major issues with this sector of the country's economy. On Thursday the Bank of England released its fresh Quarterly Inflation Report, which brought more positive implications for the markets than they had expected. Governor Mark Carney has also sounded quite hawkish, even despite mentioning Brexit risks. The GBP Index has advanced above zero for a short period of time, but bounced back by the end of the day. While Friday and Monday sessions were calm, on May 17 the UK inflation was set to fall back to 0.3% in April on an annualized basis, but it still boosted GBP.



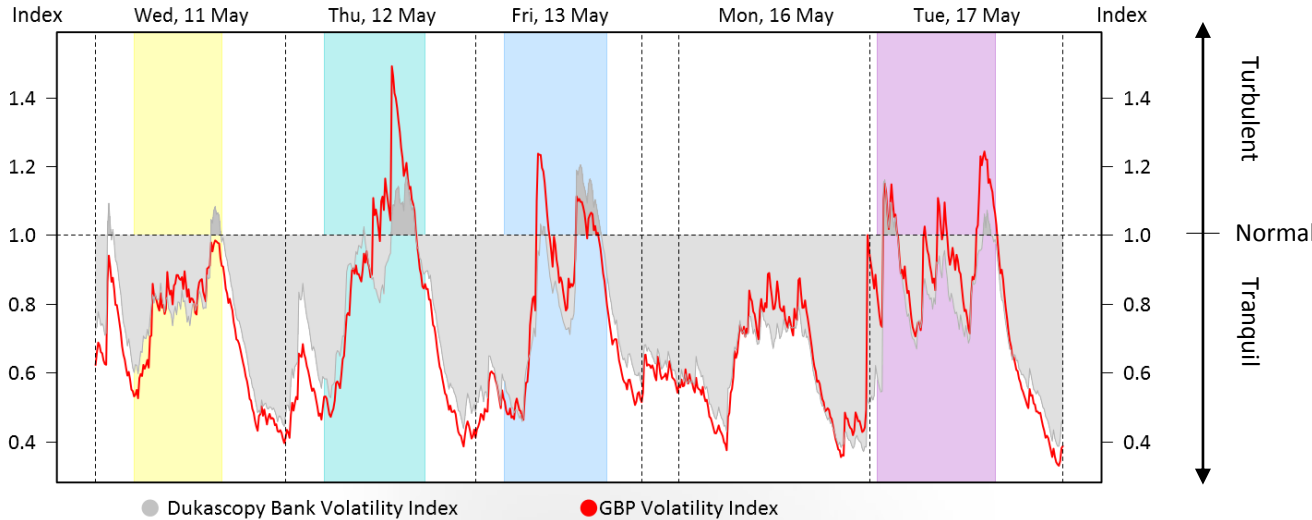
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.18%	0.48%	0.62%	0.38%	-0.11%	-0.7%	0.39%	0%	-0.92%
20	1.34%	1.75%	1.6%	2.72%	-0.33%	-5.25%	0.12%	-1.66%	-0.44%
130	2.54%	-3.75%	9.41%	-9.38%	-0.28%	-1.02%	-0.73%	1.16%	2.27%
250	2.93%	4.15%	14.5%	-5.4%	-3.41%	-6.22%	-3.85%	-6.15%	3.47%



Volatility

Volatility



While the Sterling's highest weekly turbulence has been observed back on Thursday of the previous week in time of the BOE monetary policy report, the market has been the most volatile a day later. This is when the US published a bunch of data that covered retail sales and producer prices in April, as well as the University of Michigan's consumer confidence index for May. Overall, the market was tranquil and the elevated volatility stood at only 10%; however, the Pound volatility rose to 13%. Several components posted much sharper than average readings of turbulence. EUR/GBP approached 24% amid large presence of EU data over the period.

In addition to that, US statistics underpinned the Cable where the elevated volatility surged to 29%.

Despite Wednesday's UK data, the British currency refrained from becoming too active over that day, as the GBP Volatility Index failed to overcome the benchmark 1.00 points marker. The peak, however, was hit the next day amid the Bank of England's meeting. Busy economic calendar throughout the Super Thursday included new economic growth and inflation projections, joined by Mark Carney's press conference in the aftermath of the announcement. Turbulence has also soared on Friday and Tuesday, firstly after the batch of statistical figures from Germany and the Euro zone (GDP) and, secondly, after the UK and US inflation fundamentals.

Elevated Volatility (% of the observed period)

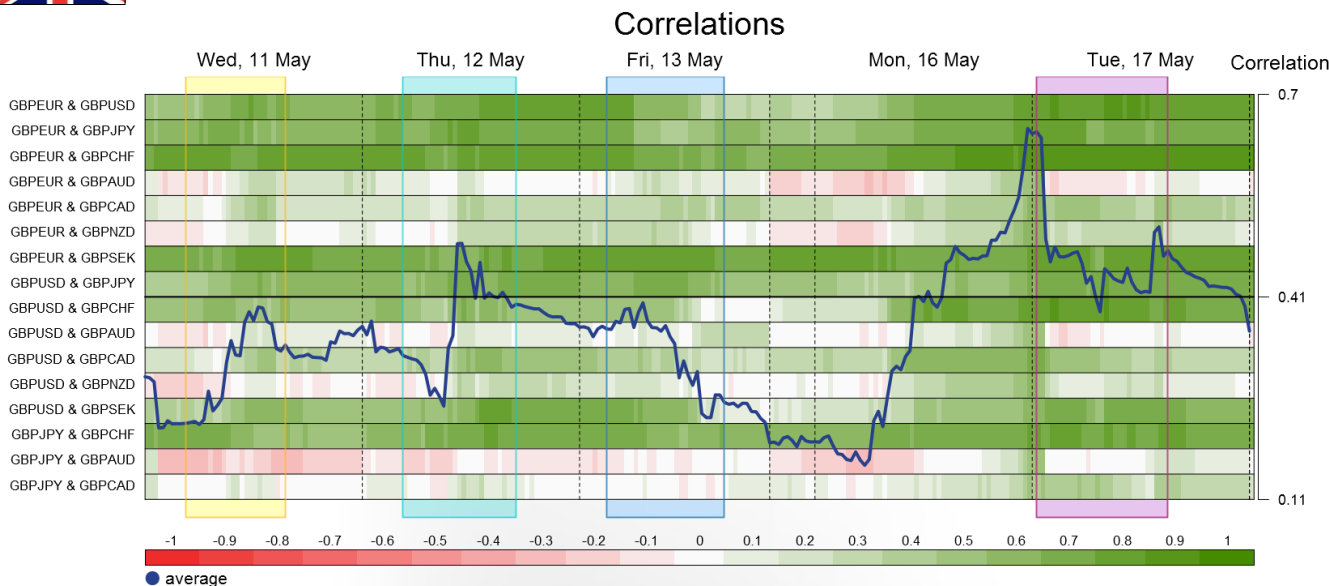
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	10	24	29	5	25	9	27	6	19

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.2	1.49	2.22	2.1	1.26	1.95	2.84	1.96	1.69	1.89
Min	0.37	0.33	0.26	0.21	0.26	0.32	0.22	0.24	0.27	0.27
Average	0.72	0.72	0.77	0.77	0.64	0.8	0.69	0.79	0.67	0.75



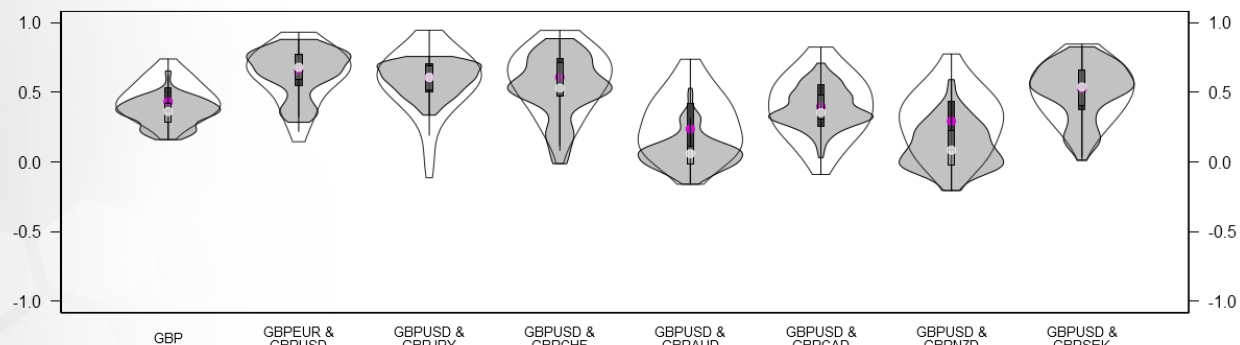
Currency Significance



Significance of the researched currency fell much below the multi-month average reading over the defined five-day period. Even domestic British data failed to provide the national currency with broadly needed common impetus in order to raise the level of unanimity across the board. The mean correlation coefficient averaged only 0.36 points from Wednesday till Tuesday, down from the monthly mean of 0.44 points. Commodity currencies shaped one of the least correlated components, with GBP/USD & GBP/AUD's average indicator standing at only 0.07 points.

On top of that, red correlations were not a surprise just across the board. Probably the most negative correlation was showed by the Pound's component that included both the Japanese Yen on the one side and the Australian Dollar on the other side. While the former appreciated amid cautious expectations about the Bank of Japan's policy and growing risk appetite on the markets, the Aussie was down amid forecasts that the Reserve Bank of Australia will be forced to cut interest rates once again in order to combat low consumer price growth. This specific component held the composite off the weekly highs, even during the BOE policy event on Thursday when it climbed to only 0.48 points. However, stability returned back in the beginning of the new calendar week, with the empty economic calendar providing the main explanation for that. The period's high reached 0.653 points.

Correlations (5 vs 20 days)



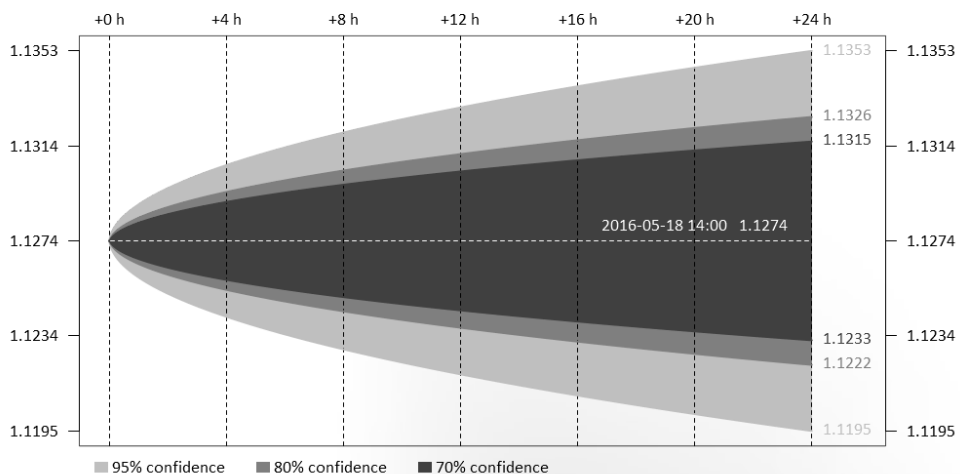
Mean Correlation Coefficient (with GBPUSD)

Days	GBP	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.36	0.65	0.59	0.53	0.07	0.39	0.11	0.51
20	0.44	0.63	0.58	0.58	0.25	0.39	0.28	0.5
130	0.43	0.54	0.64	0.54	0.34	0.48	0.33	0.5
250	0.4	0.35	0.61	0.41	0.28	0.46	0.26	0.34

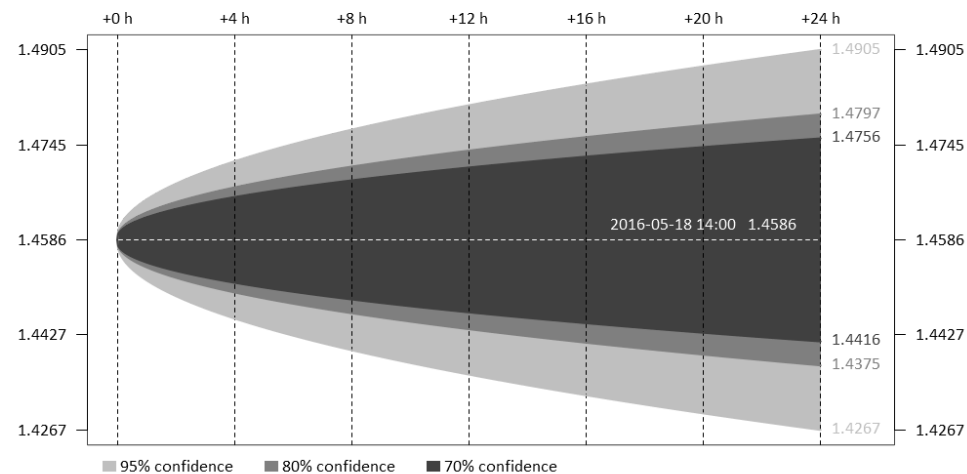
Confidence Intervals for Next 24 Hours

Wednesday, May 18, 2016
15:30 GMT

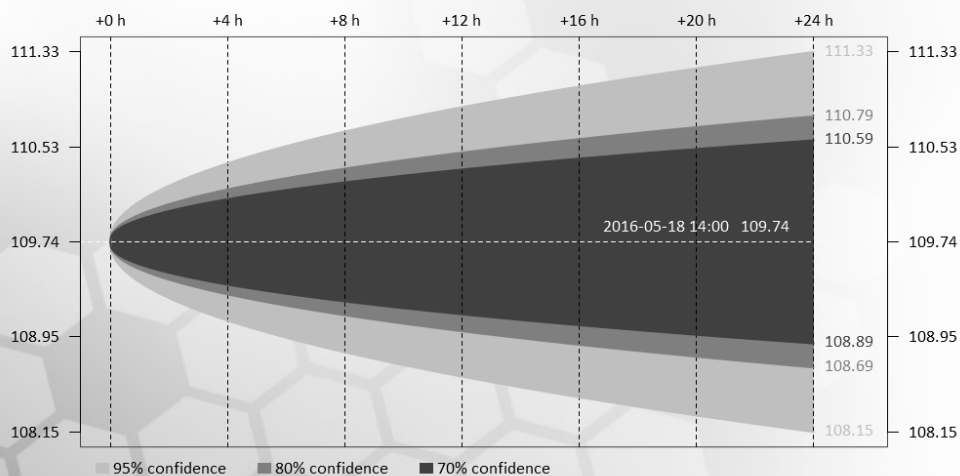
EURUSD Potential Rates



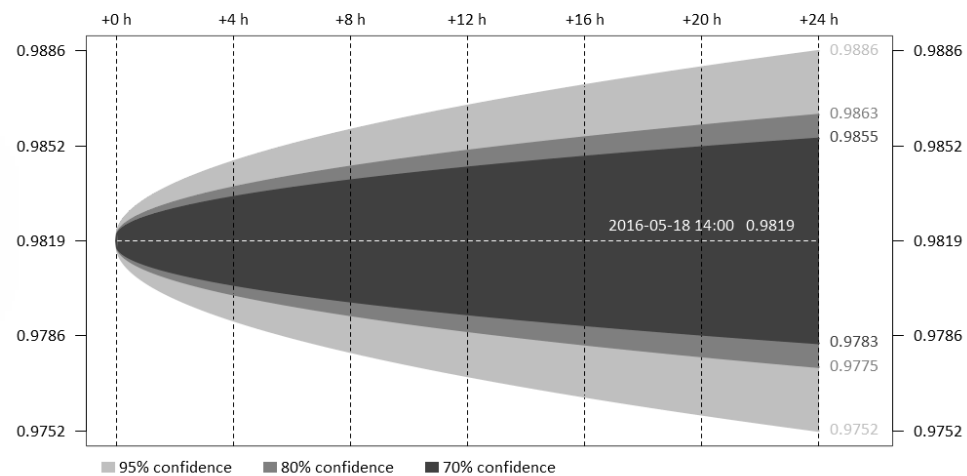
GBPUSD Potential Rates



USDJPY Potential Rates



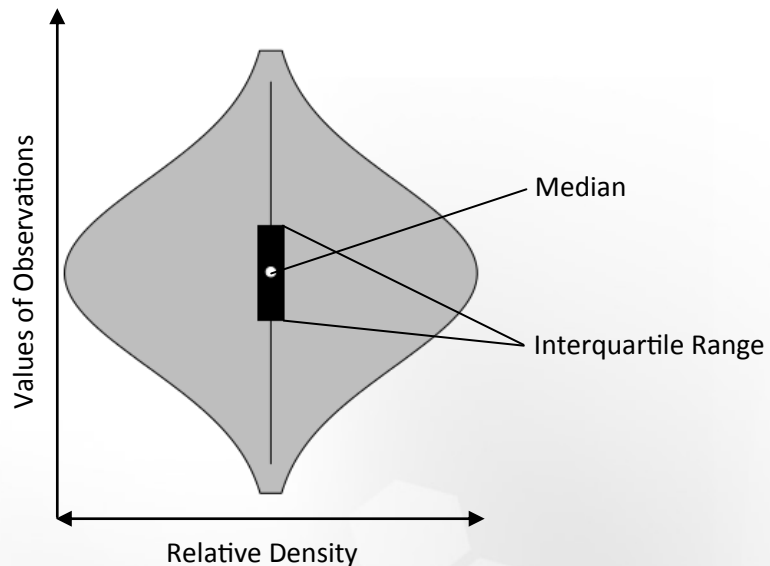
USDCHF Potential Rates



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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