



25/05/2016



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Market Research





Dominant Events of the Period

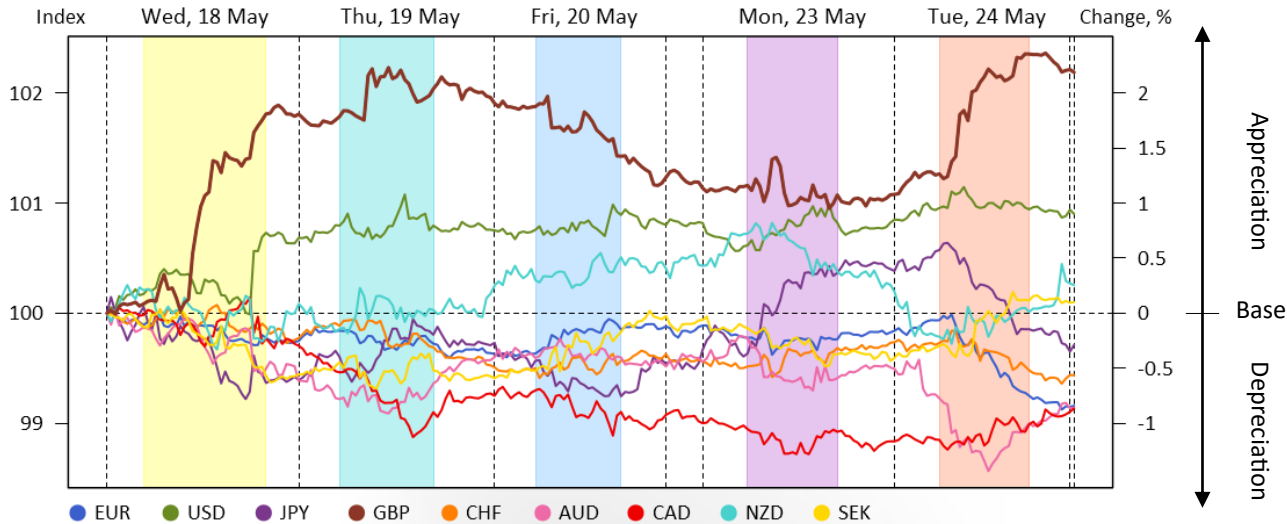
Yellow Area	Turquoise Area	Blue Area	Purple Area	Orange Area
May 18	May 19	May 20	May 23	May 24
05:00 - 20:00	05:00 - 16:30	05:00 - 15:00	05:30 - 16:30	05:00 - 19:00
<ul style="list-style-type: none"> UK Claimant Count Change, Unemployment Rate and Average Weekly Earnings Euro zone CPI FOMC Meeting Minutes 	<ul style="list-style-type: none"> UK Retail Sales Australian Employment Change and Unemployment Rate US Unemployment Claims FOMC Member Fischer Speaks 	<ul style="list-style-type: none"> G7 Meetings Canadian Retail Sales and CPI US Existing Home Sales 	<ul style="list-style-type: none"> French Manufacturing and Services PMI German Manufacturing and Services PMI FOMC Member Bullard Speaks 	<ul style="list-style-type: none"> UK Treasury Select Committee Hearing of Inflation Report RBA Governor Stevens Speaks German Final GDP and ZEW Economic Sentiment Swedish Unemployment Rate US New Home Sales

GBP Currency Index Change	1.72%	0.25%	-0.45%	-0.09%	1.09%
Max GBP Volatility Index	2.03	2.28	1.77	1.56	1.68



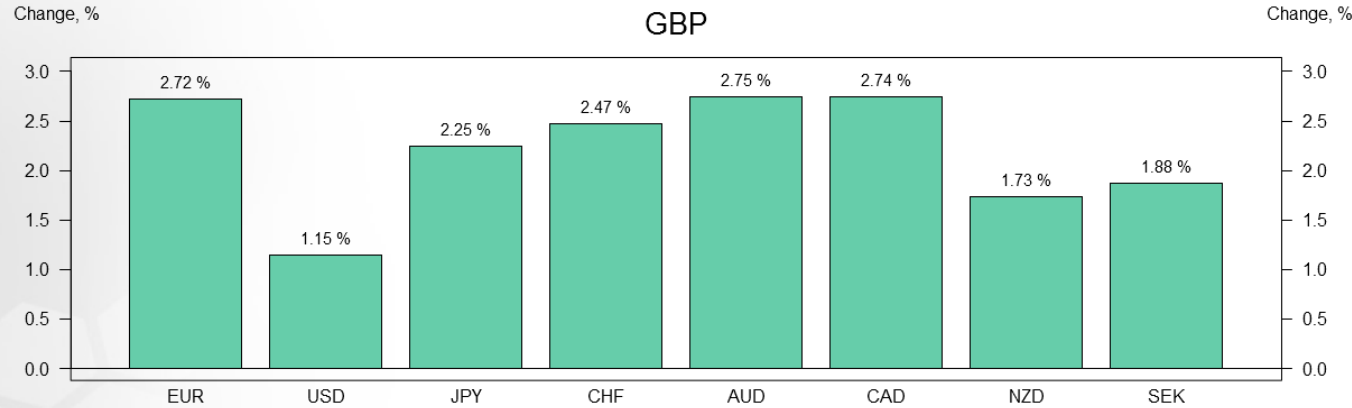
Relative Currency Strength

Currency Indexes



The Pound Sterling was the undoubted leader of the five-day period ended May 24. Even though some losses were in place, especially by the end of the last calendar week, the GBP Index continued to hover strongly above its G9 peers. Tuesday's spike has widened the advantage of the UK currency over the others and particularly the US Dollar, which came second in the race. The Buck soared on Wednesday, following the minutes of the Federal Reserve System, but stabilised later in the period to finish it with an increase of 0.9%. The Kiwi and Swedish Krona have also closed above the base line, at +0.25% and +0.10%, respectively.

GBP Index started its weekly trading on an uplifted note. By Thursday midday it has already been up by 2% on the basis of 36 hours. Despite positive British employment gauges posted on Wednesday, the Sterling attempted to regain the bearish mood; however, it failed after the newest Brexit opinion polls showed the "Remain" campaign will likely win the contest. The rally continued on May 19 after strong retail sales from the UK; however, the bears commenced a correction by Friday and eased the earlier advance. The key event in the beginning of a new week was a testimony of the BOE Governor Mark Carney and other MPC members before the Treasury Select Committee. With them supporting Britain staying in the EU, the GBP Index surged again to close the period with a 2.19% gain.



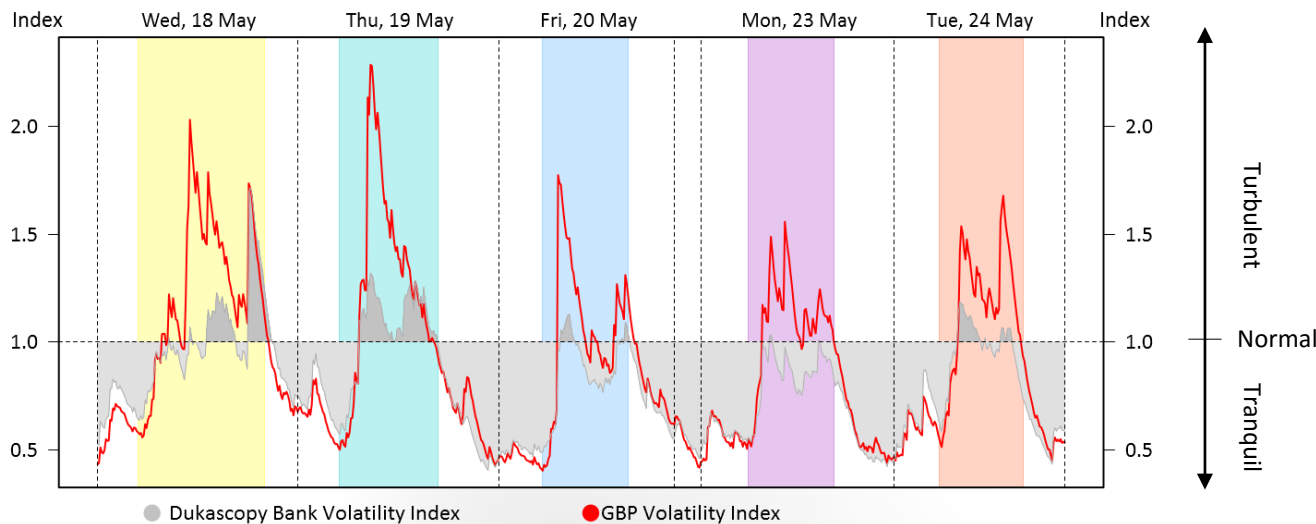
Currency Index Change

Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.84%	0.9%	-0.29%	2.19%	-0.56%	-0.86%	-0.86%	0.25%	0.1%
20	0.45%	2.03%	2.74%	2.47%	-0.15%	-4.74%	-2.46%	-0.11%	-0.53%
130	2.2%	-2.49%	8.83%	-6.16%	-0.04%	-3.91%	-1.23%	0.35%	2.12%
250	4.2%	2.58%	13.91%	-3.83%	-3.08%	-6.68%	-4.71%	-6.21%	3.85%



Volatility

Volatility



Considering the Pound's overall activity during the whole researched time period, its volatility was set to become unsurprisingly the highest among all major currencies. Turbulent trading was observed throughout each and every working day, which pushed the elevated volatility indicator to 38%, way above the market's average of only 22%. The Sterling crosses with the Euro and Swedish Krona turned to be the most unstable, as the upcoming UK referendum on the membership in the EU is considerably weighing on performance of Pound's mainland European peers. Adding to that, some European statistical events were dominant on May 18, May 23 and May 24.

The first surge in volatility of the UK currency took place on Wednesday when the country published latest employment and wage figures for April. The GBP Volatility Index surged to the period's second highest level of 2 points. Another Wednesday's event and activity were the Federal Reserve's publication of minutes of its April meeting, as they carried a more hawkish tone than anticipated. On Thursday, a boost of the UK retail sales set a stable ground for solid GDP growth in the second quarter, after they rebounded more than estimated in April, while March's data was revised upwards. The volatility peak touched the 2.28 mark. Meanwhile, with less than one full month left until the EU referendum, the Pound becomes increasingly sensitive on a day-to-day basis.

Elevated Volatility (% of the observed period)

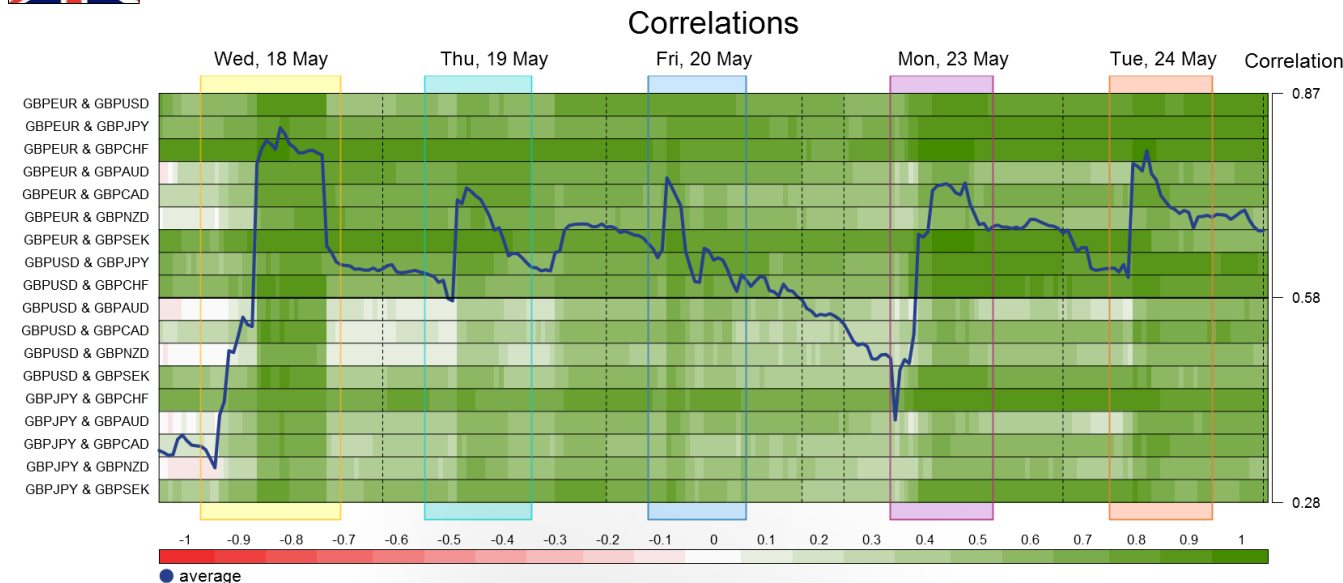
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
22	38	42	36	30	38	23	36	39	42

Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.72	2.28	2.63	2.66	2.25	2.56	2.02	2.71	2.7	2.28
Min	0.41	0.4	0.26	0.21	0.3	0.29	0.23	0.22	0.39	0.26
Average	0.8	0.9	1	0.86	0.85	0.97	0.79	0.91	0.97	0.92



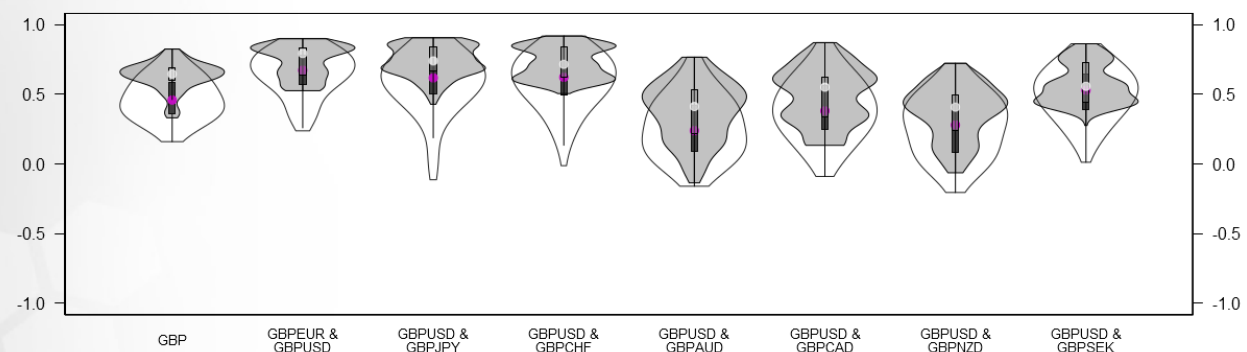
Currency Significance



The observed currency's average significance was extremely high from the historical perspective, given that correlations of various Pound's crosses averaged 0.63 points. This is way above the 0.47 points' marker showed as the previous month's average and even more significant than 6-month or annual means of 0.44 and 0.40, accordingly. The Sterling's pairs were surprisingly brought together in their weekly developments due to a broad range of unifying factors, which in turn resulted in quite shorts tails for the majority of components' distributions.

Prior to the fundamental data release on employment in Britain, the composite had posted weak results and the movements of different currency pairs diverged quite a lot. However, this data release pushed the composite to the level of 0.824 points, which was later set to become the period's highest significance. Even Thursday's retail sales were unable to overcome this gauge; nonetheless, they continued to underpin the Sterling's common response and movement in largely one similar direction. The weakness, in the wake of lack of British data, was clearly observed over Friday and in the early morning on Monday. However, the Pound is driven both by economic indicators and politics nowadays. The latter became a precise reason for another climb in the Pound's correlations later on May 23, with all crosses rallying on forecasts the UK will most likely vote to stay in the EU.

Correlations (5 vs 20 days)



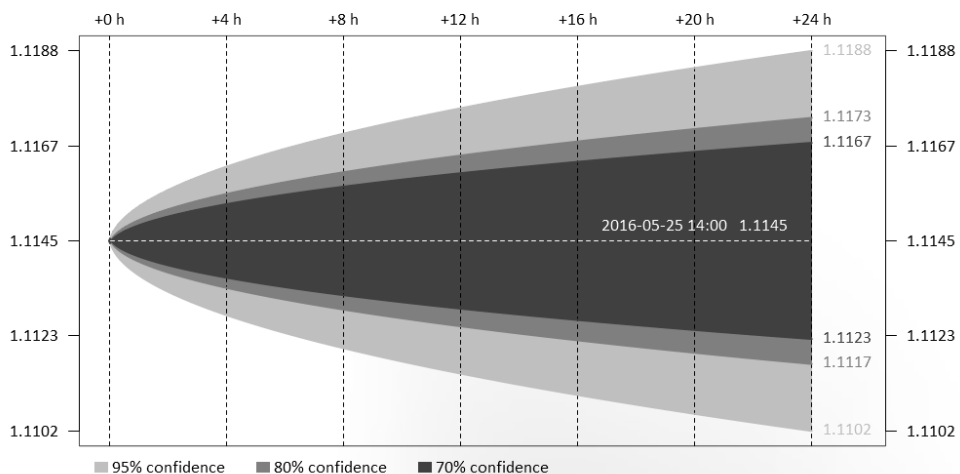
Mean Correlation Coefficient (with GBPUSD)

Days	GBP	GBPEUR	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.63	0.74	0.74	0.72	0.38	0.49	0.38	0.57
20	0.47	0.65	0.58	0.6	0.26	0.39	0.27	0.51
130	0.44	0.56	0.64	0.56	0.34	0.48	0.34	0.51
250	0.4	0.37	0.61	0.42	0.28	0.46	0.26	0.34

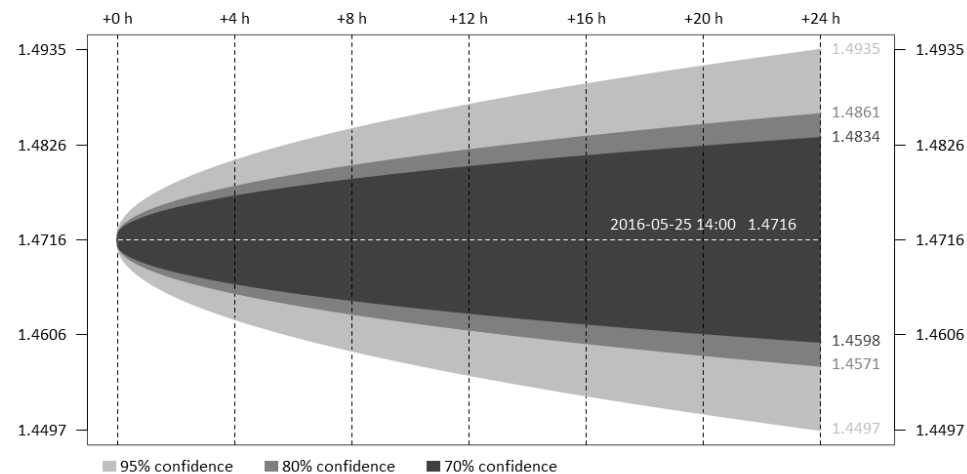
Confidence Intervals for Next 24 Hours

Wednesday, May 25, 2016
15:30 GMT

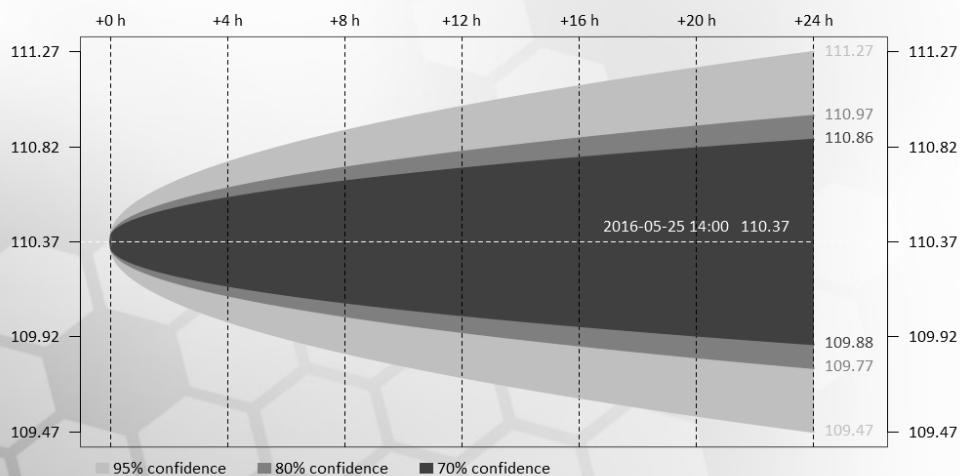
EURUSD Potential Rates



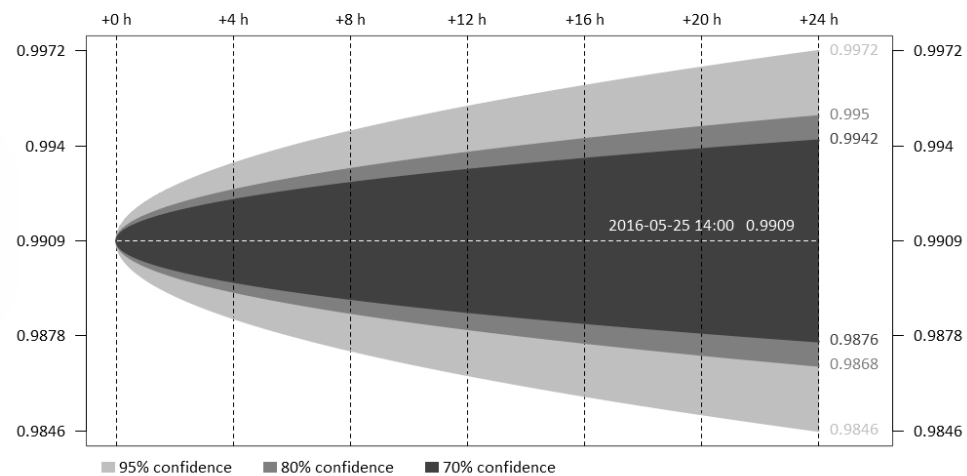
GBPUSD Potential Rates



USDJPY Potential Rates



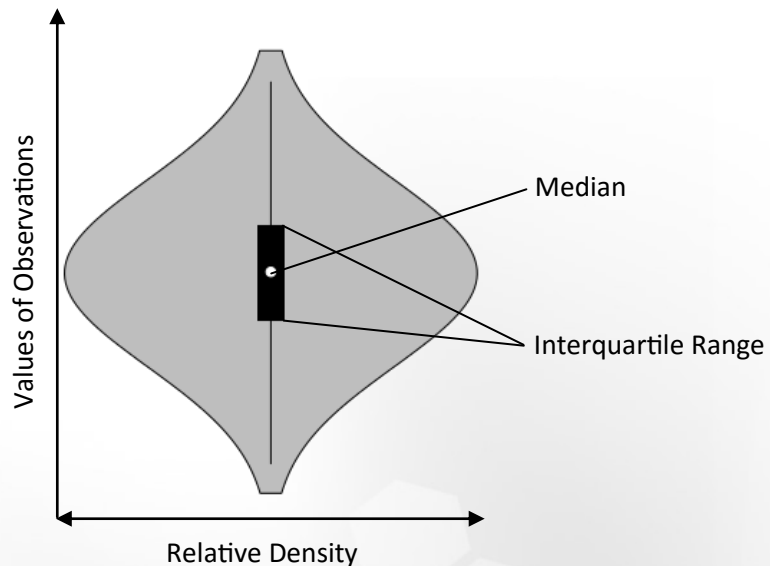
USDCHF Potential Rates



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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