



18/11/2015



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RESEARCH PRODUCTS



# Market Research





# Dominant Events of the Period

## Yellow Area

November 11

00:30 - 14:30

- UK Claimant Count Change, Average Hourly Earnings and Unemployment Rate
- BOE Governor Carney Speaks
- ECB President Draghi Speaks

## Turquoise Area

November 12

00:30 - 17:30

- Australian Employment Change and Unemployment Rate
- French CPI
- Euro zone Industrial Production
- US Unemployment Claims and Monthly Budget Statement
- Fed's Yellen Speaks

## Blue Area

November 13

07:00 - 17:30

- German GDP
- French GDP
- Euro zone GDP
- US Retail Sales and PPI
- Japanese Industrial Production

## Purple Area

November 16

06:00 - 13:30

- UK Rightmove HPI
- Euro zone CPI
- ECB President Draghi Speaks
- Canadian Manufacturing Sales

## Orange Area

November 17

05:00 - 16:30

- UK CPI and PPI
- RBA Meeting Minutes
- German ZEW Economic Sentiment
- US CPI and Industrial Production

GBP Currency Index Change

0.25%

-0.18%

0.23%

0.08%

0.34%

Max GBP Volatility Index

1.4

1.2

1.32

1.27

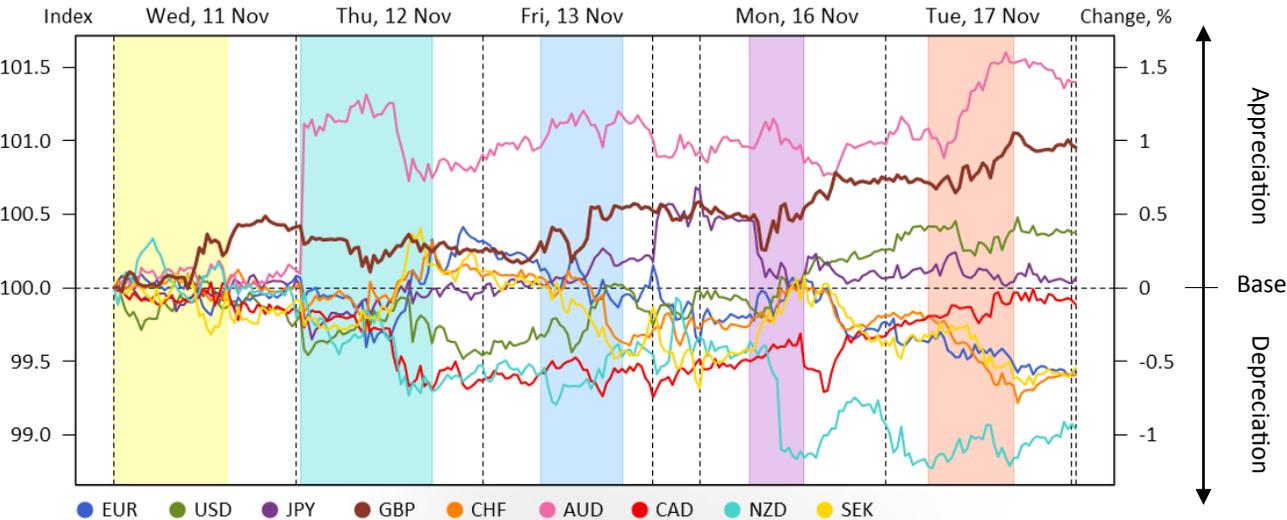
1.13



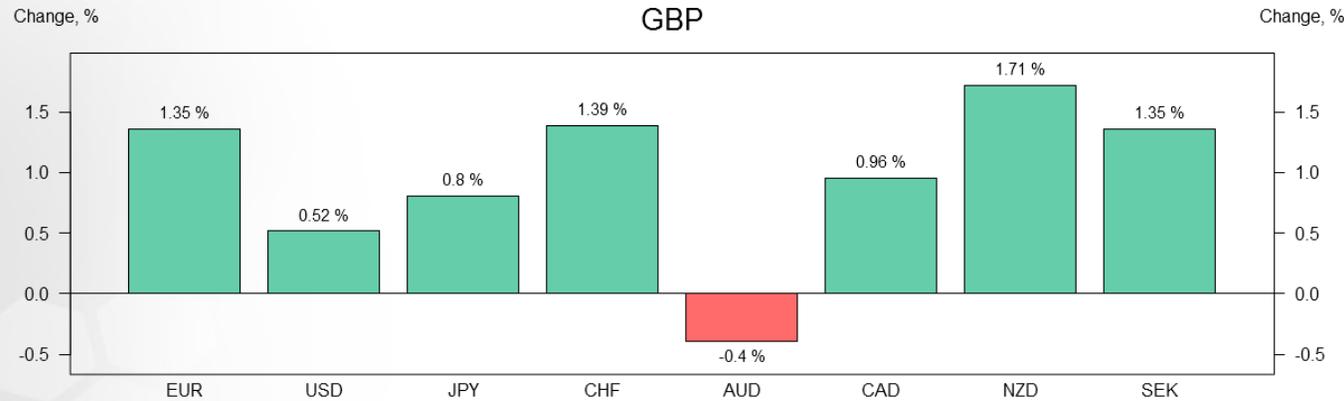
# Relative Currency Strength

## Currency Indexes

Australian Dollar and British Pound were two major competitors for leadership during the researched time period ended Tuesday of this week. Initially the UK currency was the best performing currency. At the same time, the Aussie's spike on November 12 made it clear that South Pacific currency will become the week's best performer. Overall, a weekly rise for AUD Index reached 1.4%, while GBP rallied by circa 1% over five trading days. Another commodity-linked currency, the Kiwi, was depressed by unchanged inflation expectations from the Reserve Bank of New Zealand, which tried to raise them by losing policy requirements. NZD Index was therefore down 1%.



British employment recovery gained steam during the first month of autumn. Joblessness continued to fall, down from 5.6% to 5.3% on a quarterly basis. There were 177,000 new jobs created in the three months through September, while the rate of participation surged to 73.7%, the highest level since 1971. On the back of this news the GBP Index climbed towards 100.5 points on November 11. After cooling down in the middle of the period, the positive trend resumed in the beginning of a new working week as markets were waiting for UK CPI data later on Tuesday. With no negative surprises, the annual core inflation has even increased to 1.1% in October, inching marginally higher towards the BOE goal of 2%. UK currency gained quite solid ground to close the period with a rise of 95 bps.

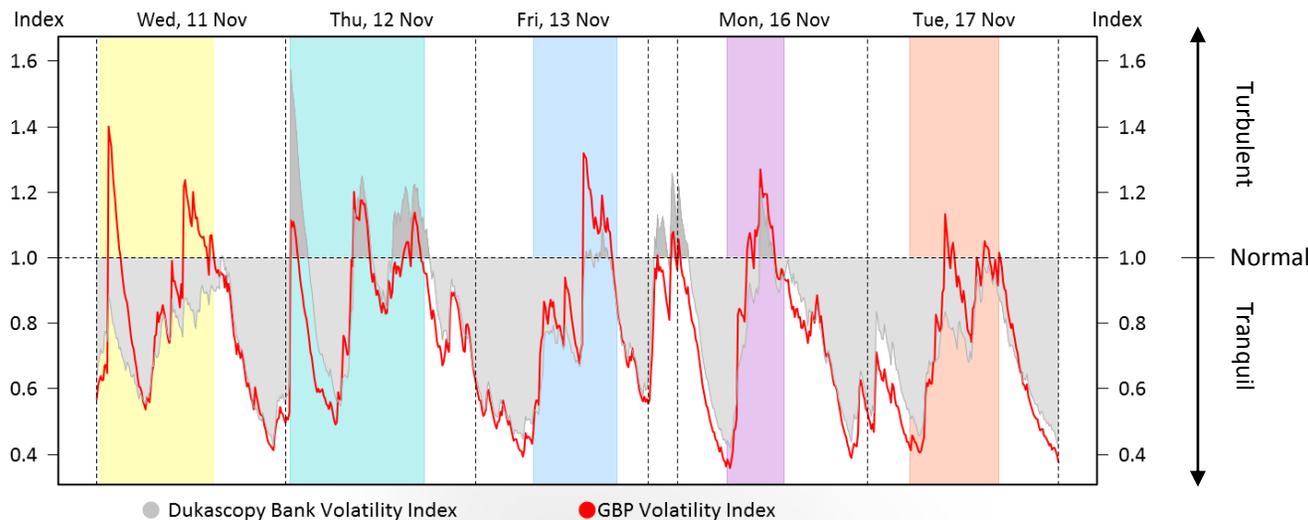


Days	EUR	USD	JPY	GBP	CHF	AUD	CAD	NZD	SEK
5	-0.56%	0.38%	0.07%	0.95%	-0.59%	1.4%	-0.11%	-0.96%	-0.55%
20	-3.7%	3.42%	0.47%	1.89%	-2.87%	2.41%	1.18%	-0.45%	-2.32%
130	2.07%	6.34%	4.47%	3.25%	-2.04%	-5.31%	-3.26%	-7.73%	1.41%
250	-4.9%	12.82%	6.55%	9.72%	7.12%	-9.98%	-5.75%	-9.97%	-5.6%



# Volatility

## Volatility



Volatility Index for the Sterling was ironically quite turbulent itself, judging by the picture drawn in the main chart. Some local spikes in volatility were immediately changing by huge dips down to 0.4-0.5 points, and we observed no stability during the whole time period from Nov 11 until Nov 17. As the Pound volatility spent most of its time below the historical average, it forced the reading of elevated volatility to decline to just 17%. However, even in this situation the GBP surpassed market average of just 14%. The least turbulent cross was GBP/NZD (9%), being that the Kiwi was gradually losing ground, while Pound used to rise steadily. Top volatility was posted by GBP/SEK at 26% last week.

Initial surge in the Volatility Index took place in the very first hours of the period. Markets were largely driven by Chinese retail and manufacturing data. Another Wednesday spike was undeniable caused by UK statistics on employment, joblessness and wages. Thursday jobs statistics from Australia used to have little influence on the Sterling and the AUD Volatility Index has barely exceeded the 1-point mark. GBP/USD currency pair was rightfully the second most turbulent throughout the period (after GBP/AUD). Its maximum volatility touched 2.30 points with help of US retail sales data on Friday. Last important jump in Sterling's volatility was seen on Monday. In fact it was the third largest weekly increase in turbulence. But these swings used to be driven by busy European and US trading sessions.

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

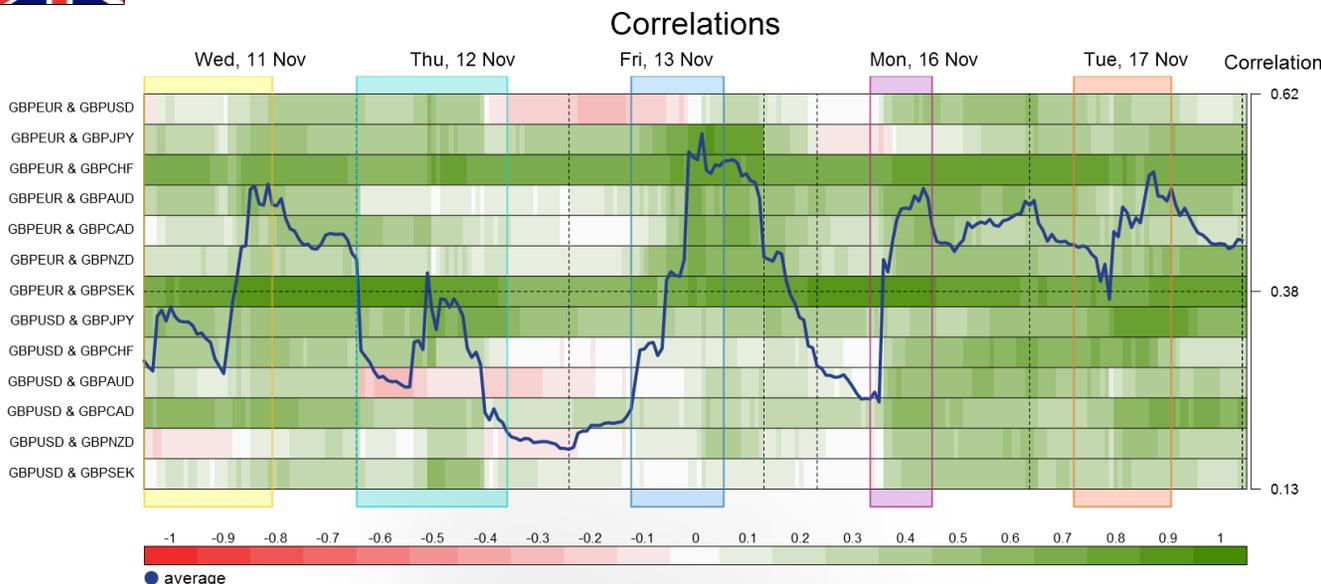
Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
	14	24	19	13	21	20	26	9	26

### Volatility Index (for the observed period)

	Market	GBP	EURGBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
Max	1.57	1.4	1.93	2.3	1.86	1.87	4.46	1.78	2.03	1.69
Min	0.42	0.36	0.27	0.25	0.25	0.24	0.31	0.26	0.29	0.3
Average	0.77	0.77	0.82	0.74	0.76	0.75	0.8	0.78	0.7	0.8



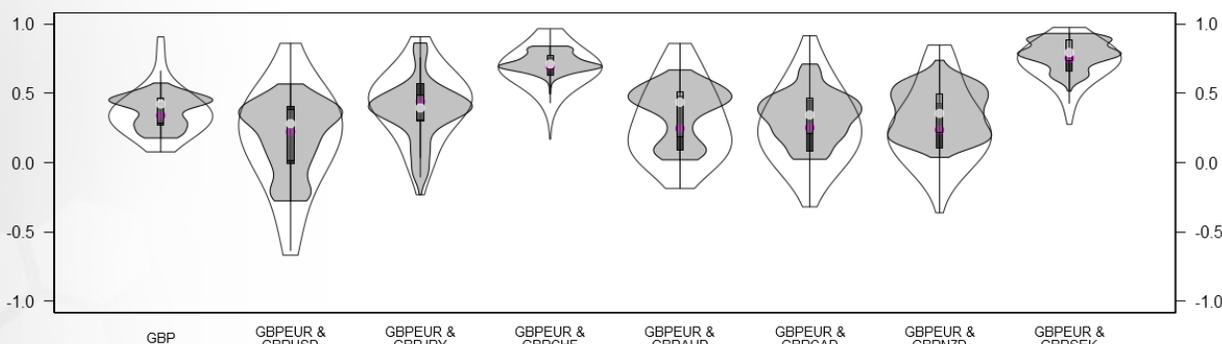
# Currency Significance



Significance of the Pound, measured as an average correlation between different pairs of this currency, has slightly exceeded the readings we observed earlier in our previous reports on the Sterling. Mean correlation coefficient reached 0.38 points and overshot 20, 130 (half-year) and 250-day (annual) averages of 0.36 points. Two least volatile and therefore well-correlated components were the ones of EUR/GBP with GBP/CHF (0.72 points) and GBP/SEK (0.79). At the same time, traditionally the least correlated component included the Cable as European and US session were pushing EUR/GBP and GBP/USD in different directions.

Owing to relatively low significance of the Sterling, the majority of the components failed to avoid their tails extending below zero. Only two most correlated components mentioned before managed to do that last week. After bottoming out at 0.17 points Thursday evening, the composite hit the period's high on Friday when US statistical authorities released the data on retail sales in October. The composite was boosted by the most important component, which escaped the red zone. US sales caused a decline of the Dollar against GBP and EUR. Another upturn took place on Monday, even though there was no material fundamental background from the UK and correlations were mostly influenced by foreign news and other currencies. Meantime, the period ended with the GBP correlation composite at 0.44 points, or somewhat above the period's average.

Correlations (5 vs 20 days)



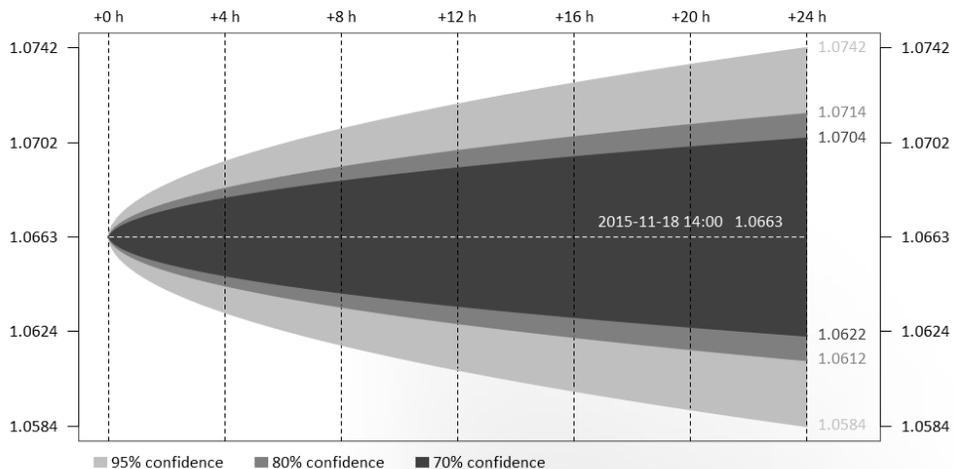
Mean Correlation Coefficient (with GBPEUR)

Days	GBP	GBPUSD	GBPJPY	GBPCHF	GBPAUD	GBPCAD	GBPNZD	GBPSEK
5	0.38	0.19	0.38	0.72	0.37	0.33	0.36	0.79
20	0.36	0.18	0.42	0.7	0.29	0.27	0.28	0.73
130	0.36	0.18	0.4	0.68	0.26	0.26	0.27	0.72
250	0.36	0.17	0.35	0.67	0.3	0.28	0.33	0.67

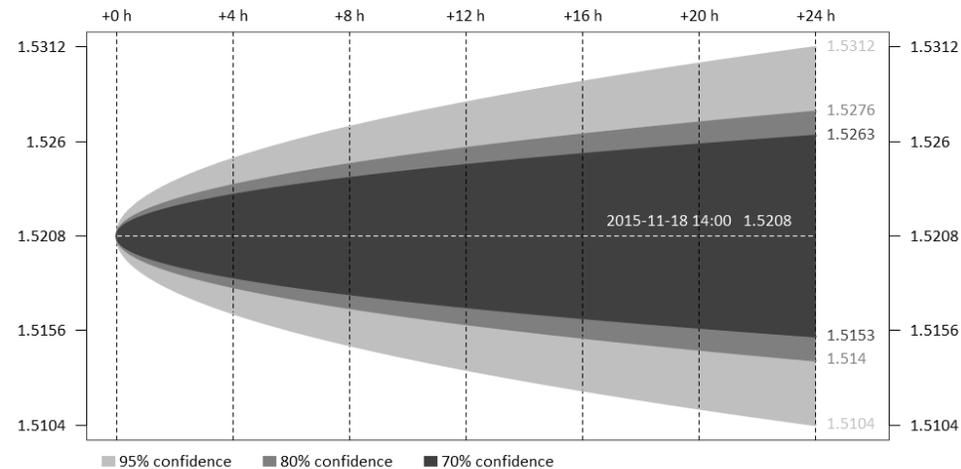
# Confidence Intervals for Next 24 Hours

Wednesday, November 18, 2015  
15:30 GMT

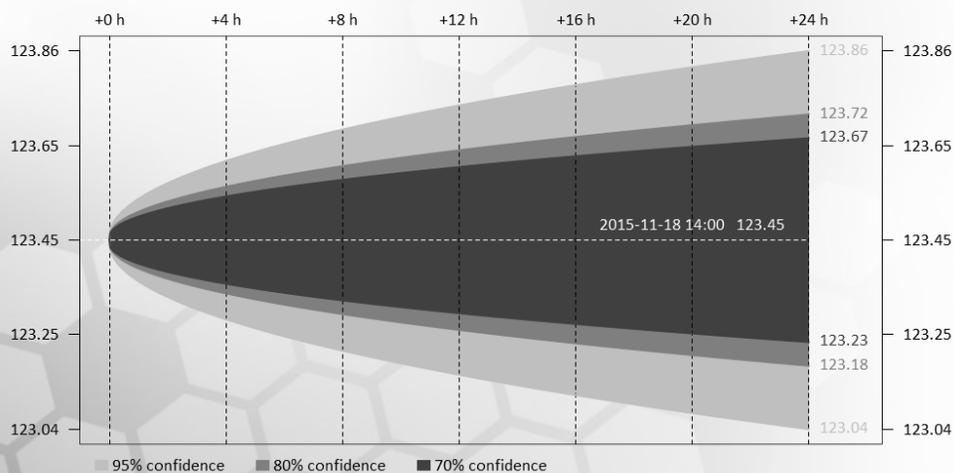
EURUSD Potential Rates



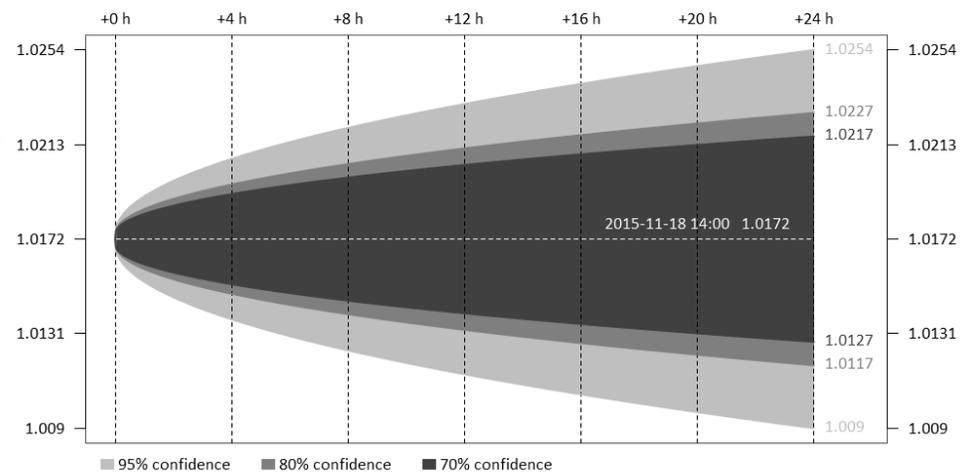
GBPUSD Potential Rates



USDJPY Potential Rates



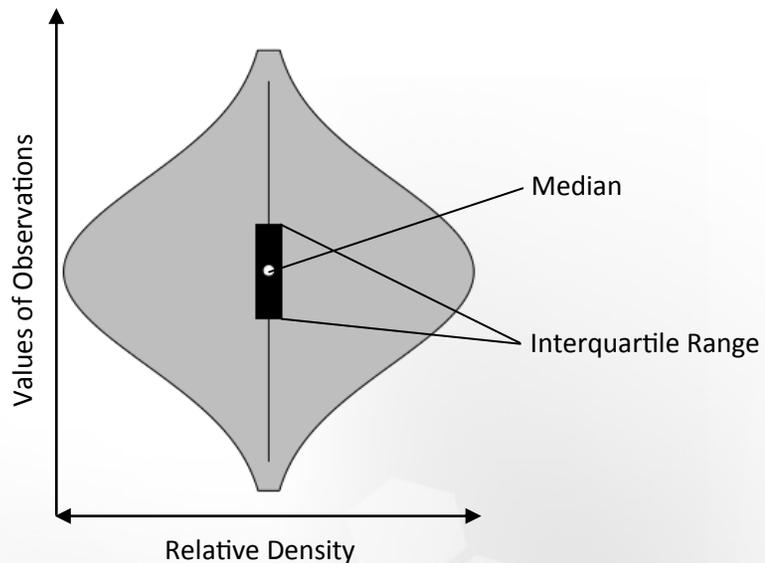
USDCHF Potential Rates



# 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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