

May 2025

# FX Market Structure Monthly

## CHANGES IN SPREAD AND VOLATILITY FOR MAJOR MARKET PAIRS

After the rise in volatility and widening spreads in the FX Market during April, traders were left wondering; would these conditions persist or give way to stability? Our data tells the story of a cool-off period in the FX Market, with an observed decline in median volatility and spread levels in May for the majority of G-10 FX currency pairs we monitor. May saw improved risk sentiment, with traders better positioned to navigate a calmer trading environment despite ongoing macro headlines. Unlike in April, when unexpected macro shocks triggered sharp, reactive movements in the FX Market. However, while spread and volatility levels eased last month, they remained elevated in comparison to historical levels; three and twelve months ago.

## READING THE RESULTS

On the intraday charts, the green line represents the average spread or volatility for the past 12 months, the black line represents the past three months, and the blue line represents the past month. On the daily charts, the green area represents the 95th percentile confidence interval for the spread and volatility.

## SPREADS

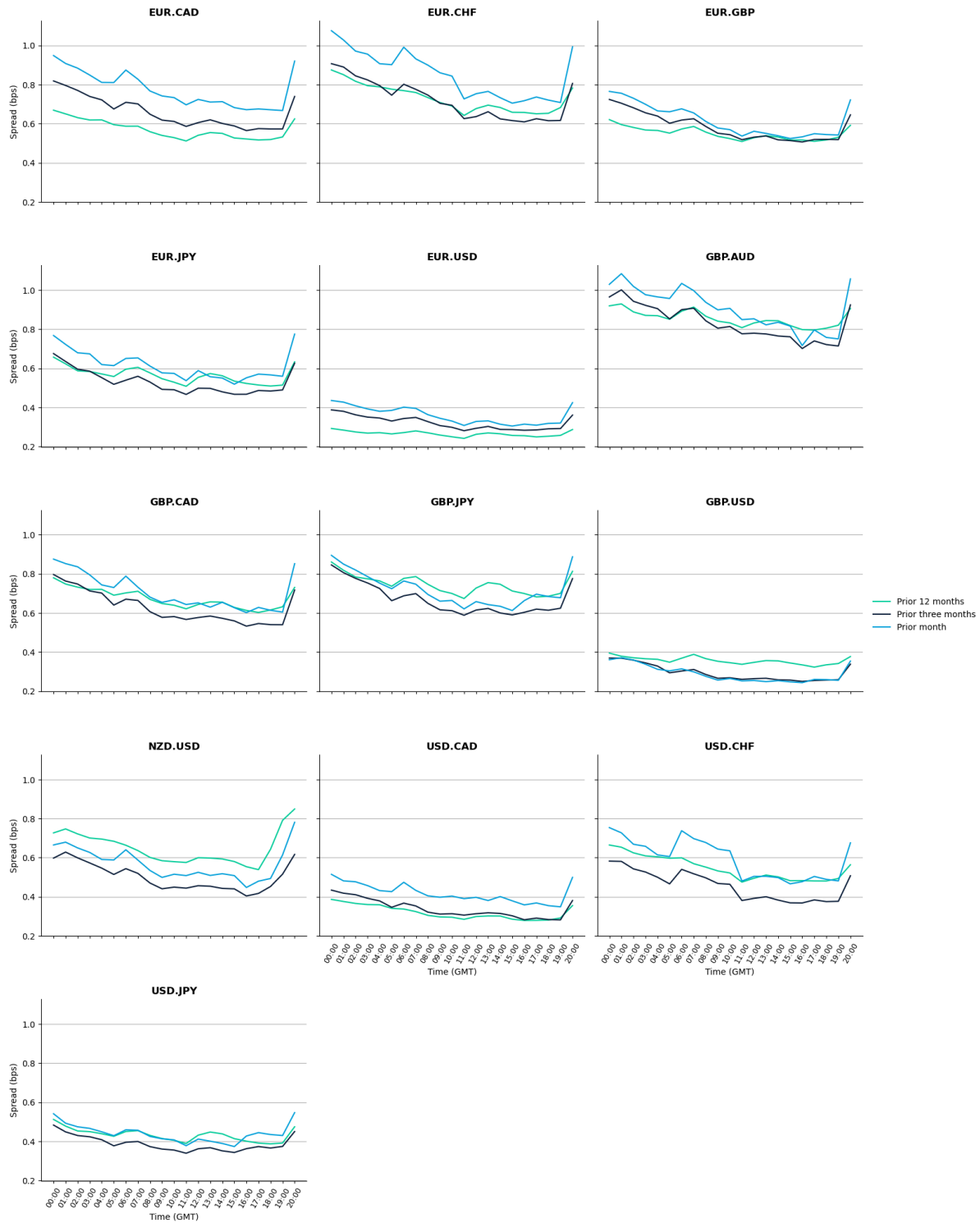
Median spreads tightened over this past month for 21 of the 23 G-10 FX currency pairs we monitor, reflecting a return to stability and improved liquidity in the FX Market. However, in comparison to three months ago, median spread levels remained higher in May for 18 of the 23 pairs and are higher for 15 pairs looking back 12 months suggesting that underlying uncertainty persisted last month. Has the FX Market fully normalized? Not yet. By analyzing the intraday charts of average hourly spread, our hypothesis is validated, spread levels last month remain slightly elevated compared to historical levels.

## G-10 Currency Pairs: Average Hourly Spread, 00:00-20:00 GMT

Comparison over the past month, three months, and year



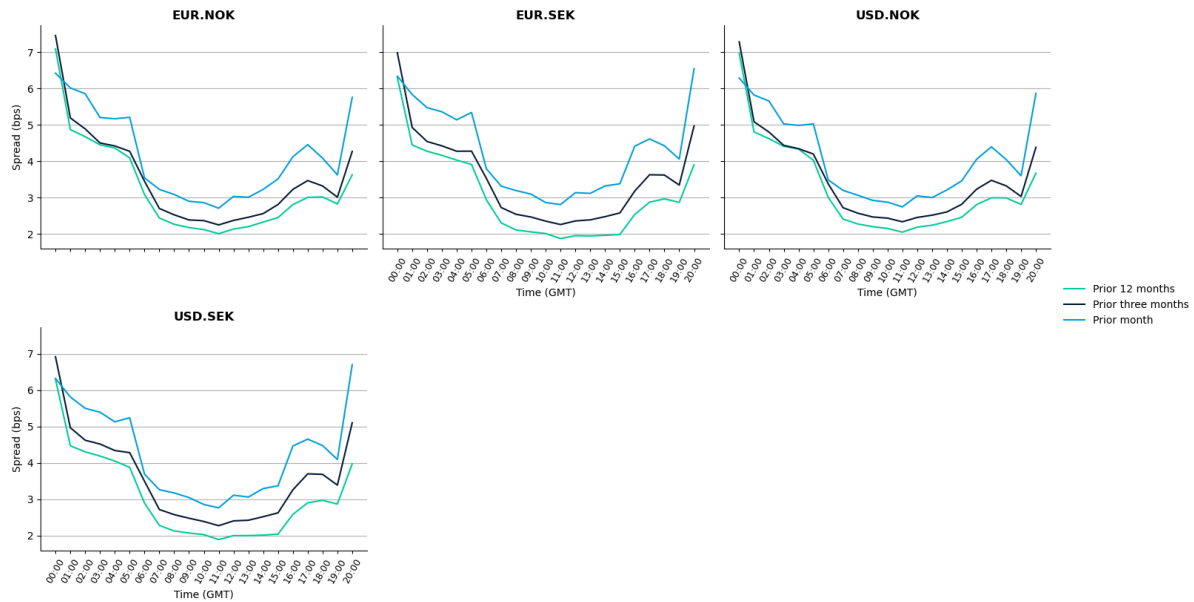
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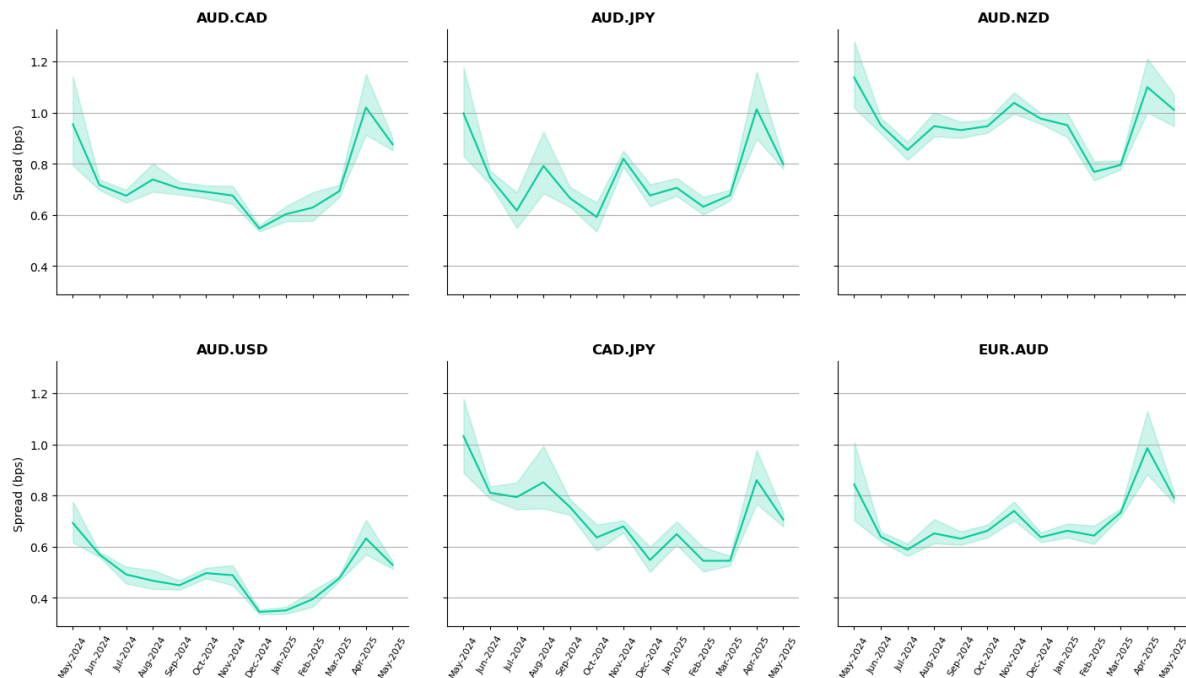
## Scandinavian G-10 Currencies: Average Hourly Spread, 00:00-20:00 GMT

Comparison over the past month, three months, and year



## G-10 Currencies: Average Daily Spread, 12:00-16:00 GMT

May 2024 – May 2025

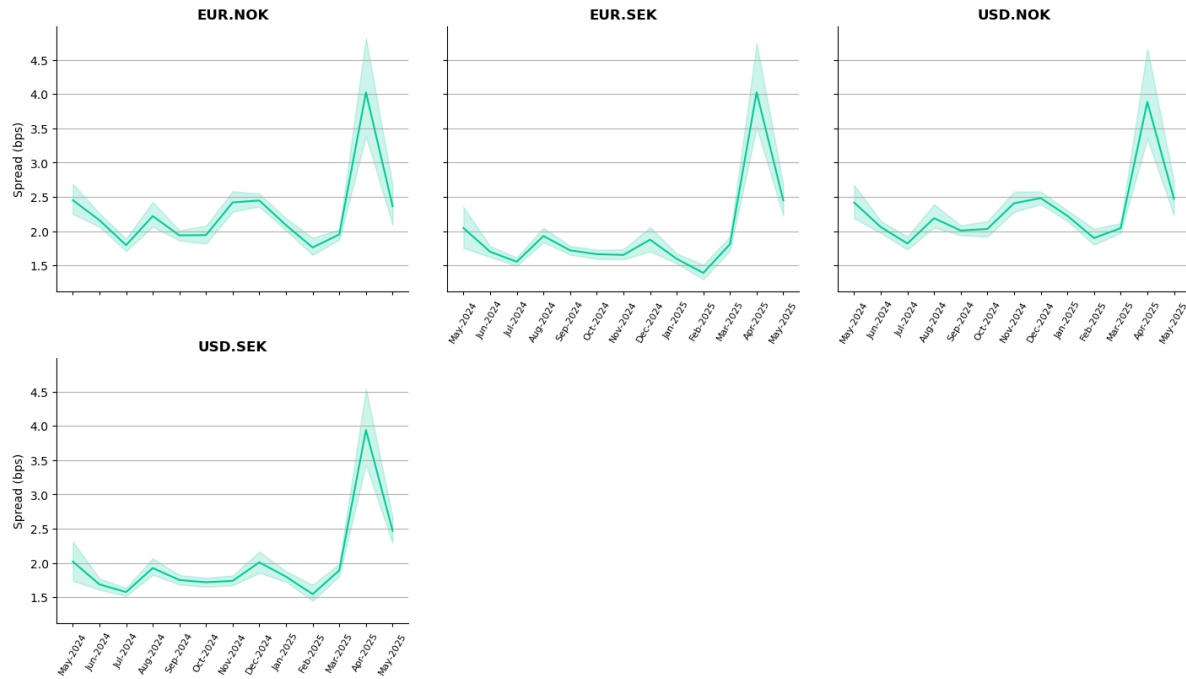




## Scandinavian G-10 Currencies: Average Daily Spread, 12:00-16:00 GMT May 2024 – May 2025



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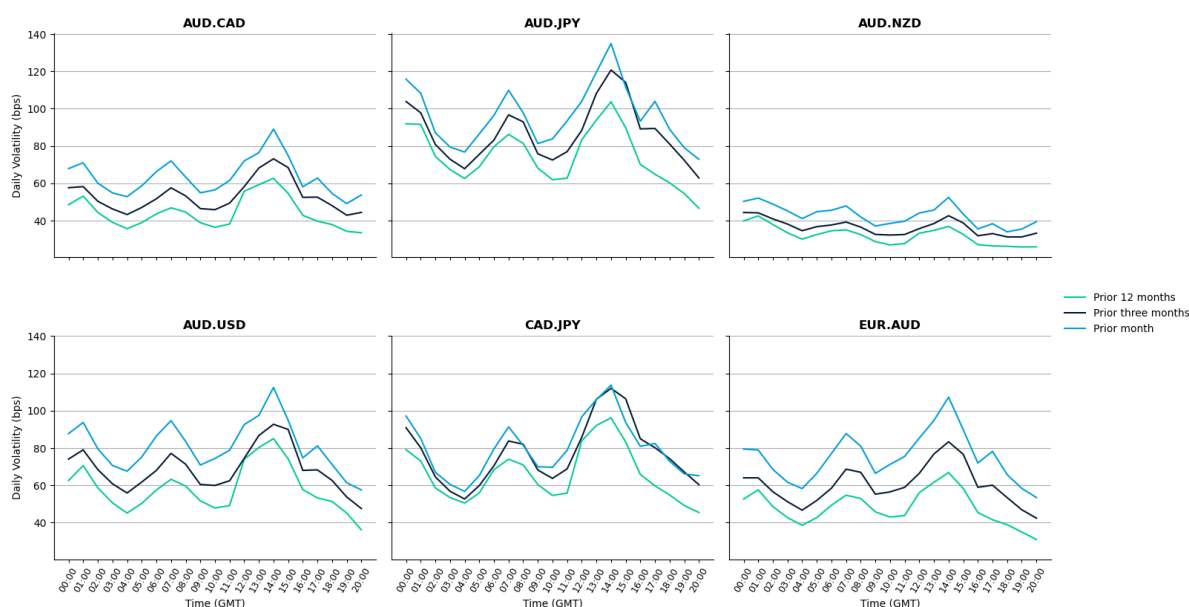
## VOLATILITY

Median volatility levels decreased over this past month for all G-10 FX currency pairs we monitor, signaling a calmer trading environment in the FX Market during May. However, in comparison to three months ago, median volatility levels remained higher in May for 14 of the 23 of the G-10 FX currency pairs we monitor and for 17 pairs looking back 12 months. These data points appear to support that, while there may have been reduced sensitivity in the FX market last month, the market remained sensitive to underlying macro risks.

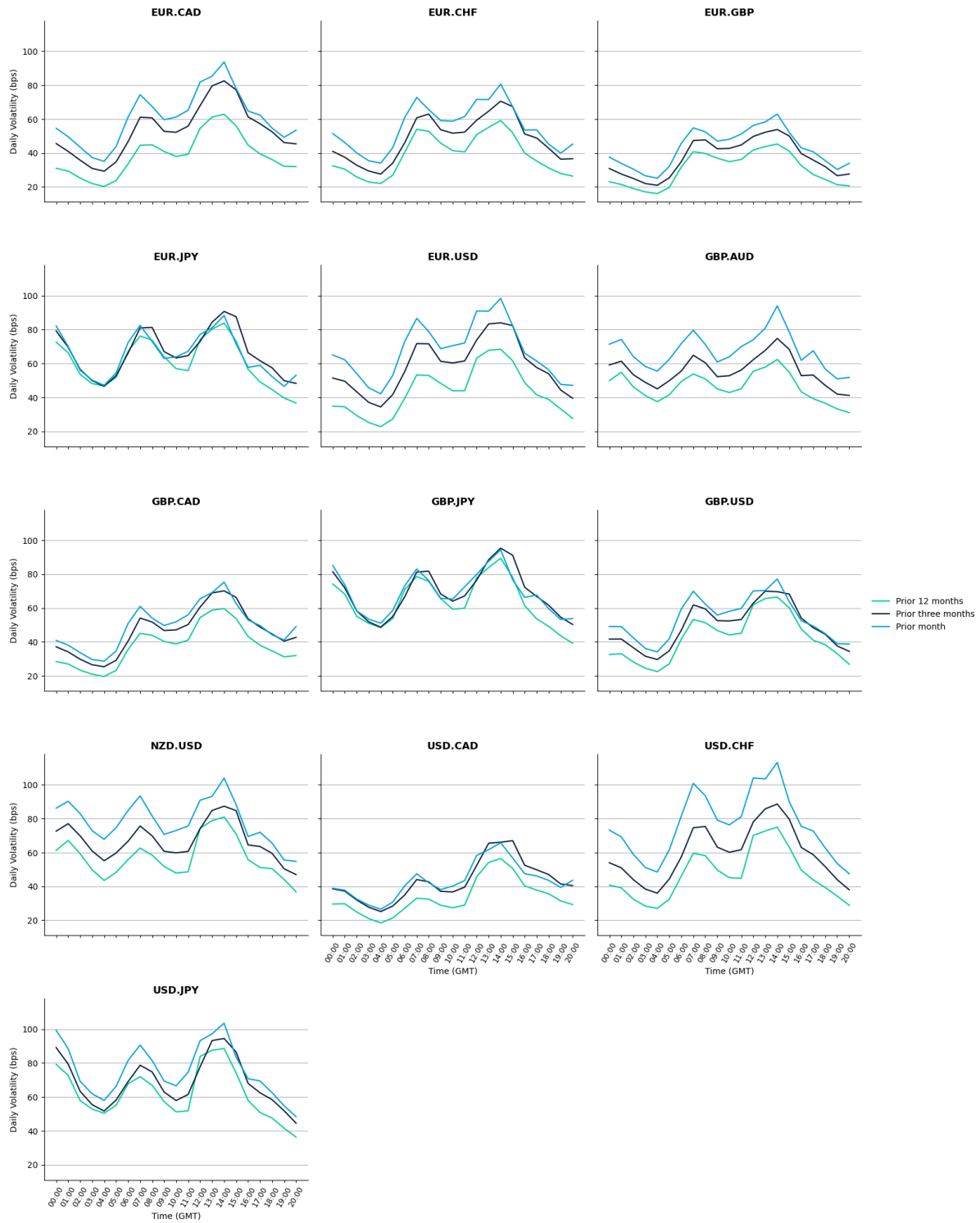
By observing the pre-WMR trading window, 12:00 – 16:00 GMT, we confirm that there was a decline in volatility in the FX market in May, following April's rise. By analyzing the intraday charts which look at average hourly volatility, volatility levels are generally higher throughout the trading day in May for all currency pairs compared to three and twelve months ago. Evidence also showed decreased volatility across the major exchanges throughout most of the trading day for May.

### G-10 Currencies: Average Hourly Volatility, 00:00-20:00 GMT

Comparison over the past month, three months, and year



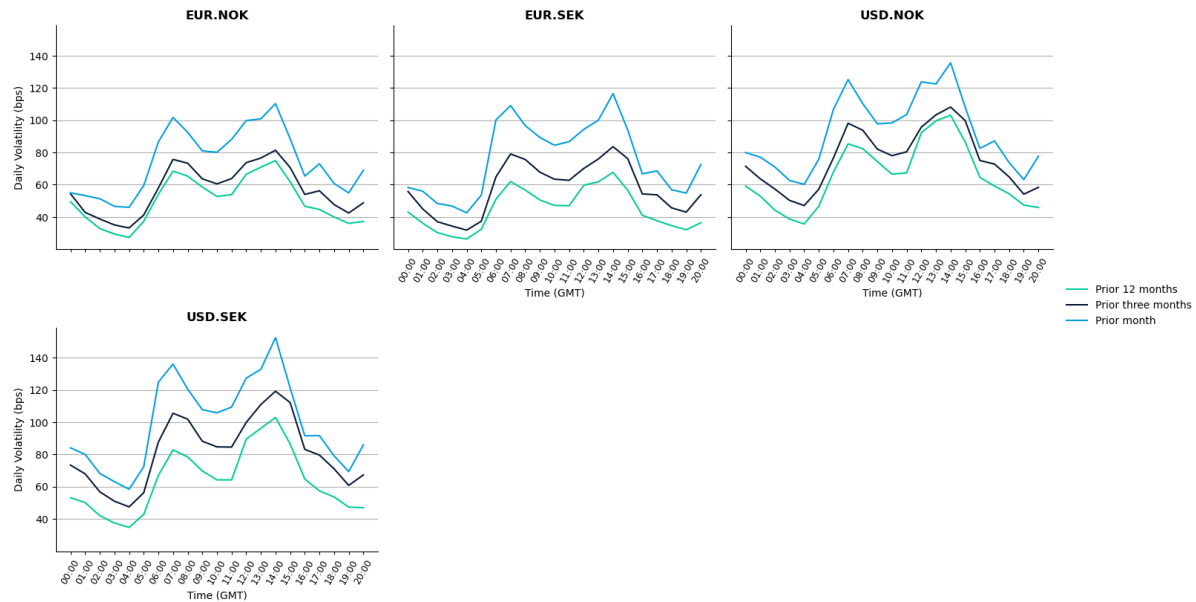
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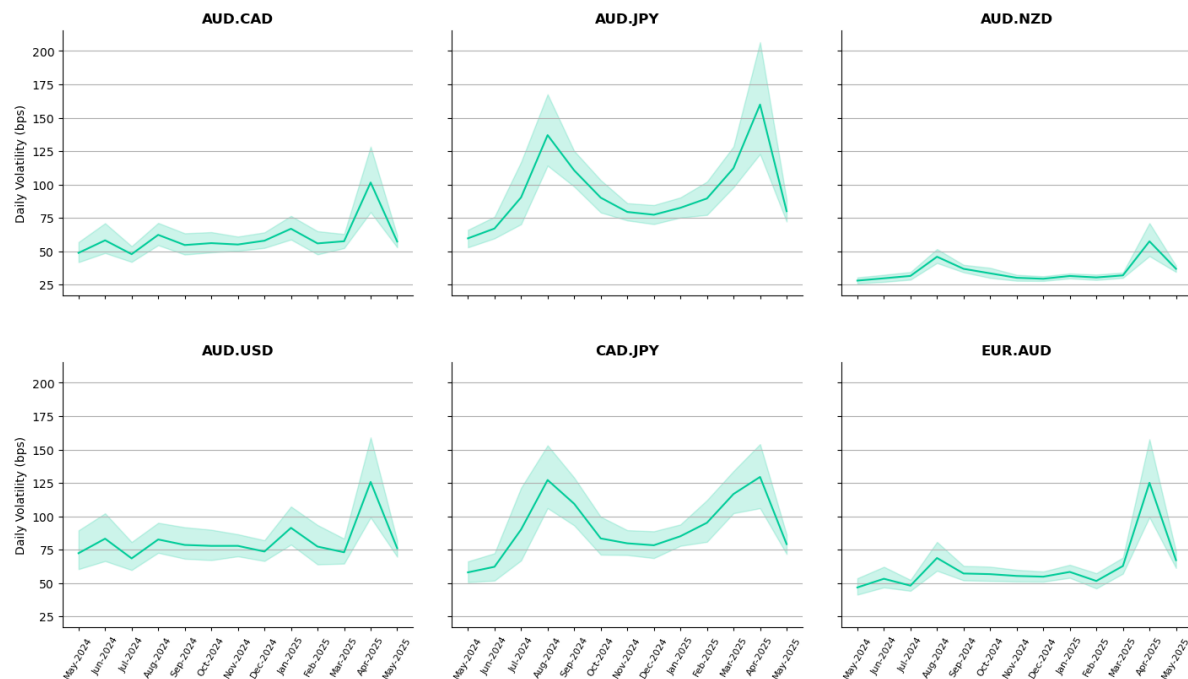
## Scandinavian G-10 Currencies: Average Hourly Volatility, 00:00-20:00 GMT

Comparison over the past month, three months and year



## G-10 Currencies: Average Daily Volatility, 12:00-16:00 GMT

May 2024 – May 2025



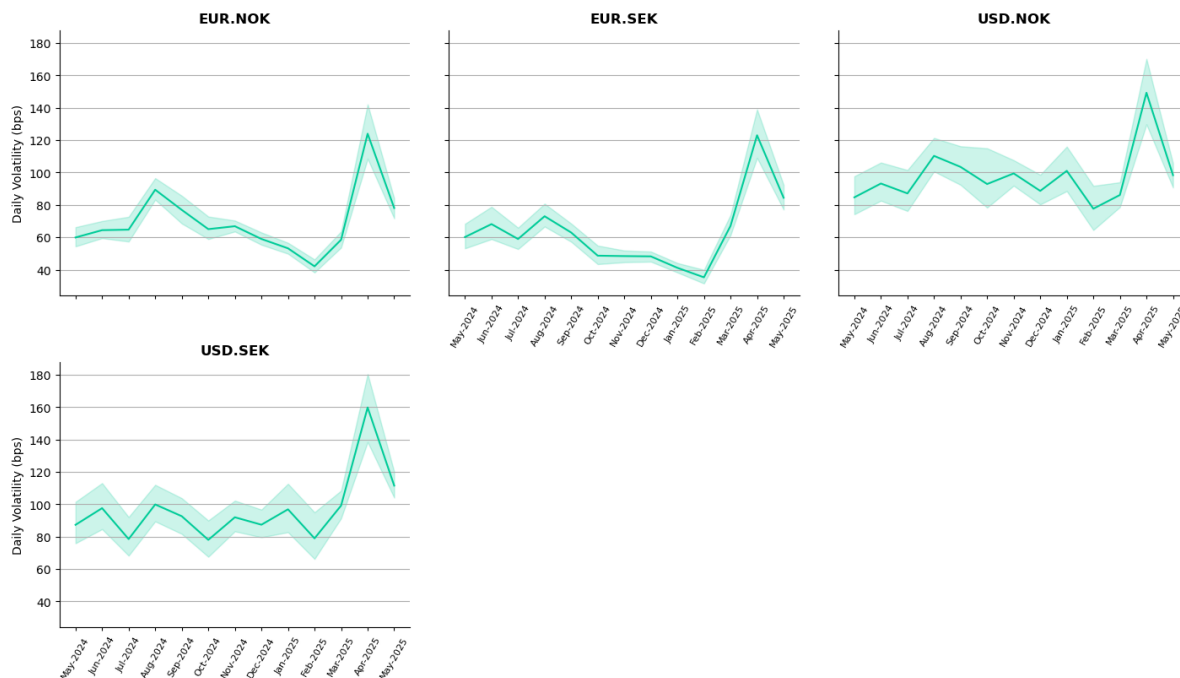




## Scandinavian G-10 Currencies: Average Daily Volatility, 12:00-16:00 GMT May 2024 – May 2025



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