Real World Case Study #1

A perfect example is EUR/GBP in 2006. The euro broke out of its traditional [range-trading](https://www.investopedia.com/terms/r/rangeboundtrading.asp) mode to accelerate against the British pound. With consumer prices above the European Central Bank's 2% target, the ECB was clearly looking to raise rates a few more times. The Bank of England, on the other hand, had inflation slightly below its own target and its economy was just beginning to show signs of recovery, preventing it from making any changes to interest rates. In fact, throughout the first three months of 2006, the BoE was leaning more toward lowering interest rates than raising them. This led to a 200-pip rally in EUR/GBP, which is pretty big for a currency pair that rarely moves.  
  
