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RESEARCH PRODUCTS

21/06/2016



Community Forecasts

Tuesday, June 21, 2016
15:30 GMT

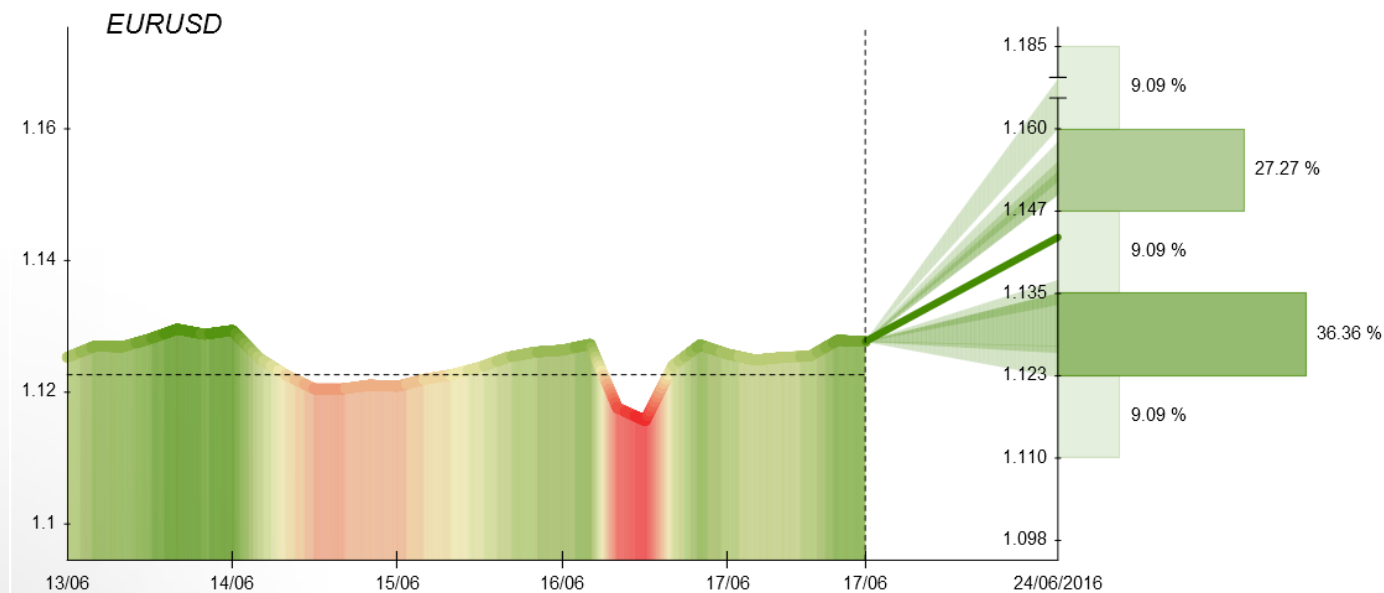


EUR/USD 1W Chart

The EUR/USD has been heading in mixed environment mostly due to the economic announcements. The final estimate of the single European region inflation in May showed that consumer prices plunged 0.1% on a yearly pace in May, having slowed its pace of decrease after April's steep drop of 0.2%. Meanwhile, this was the second consecutive decline in prices. In the mean time, the negative interest rate within the Euro zone region has failed to preserve hopes of inflation, despite President Mario Draghi statements that he and other senior bank officials are convinced that the measures are working.

Community members do not expect any surprises from the currency pair this week, as according to the Dukascopy survey the Euro might end the week at 1.13, slightly changed from the last week's close price. The majority of those polled (75%) share a bullish outlook for the single currency. Jignesh is among those, who advocate positive outlook, saying that "High volatility in the previous week had EUR/USD bulls questioning their bias as the pair nearly broke a daily rising channel extending back to early December, as well as the respected 200 period daily moving average. A hold of support, as well as a sharp reversal has renewed confidence in bulls, and this week continuation is expected as the US Dollar continues it's broader bearish decline." In contrast, Pisakjanos expect that pair could take as bullish directions as well as bearish".

This week the pair will be driven by a bunch of important news both from the Eurozone and US. Moreover, Yellen's testimony before Congress as well as the UK's referendum will be the main drivers for the pair.



rokasltu on EUR/USD

"In my opinion currency rates this week will depend on Brexit outcome. I think that probability of UK staying in EU is relatively high thus, in my opinion the EUR/USD will go upwards by few hundred pips".



Khimitau on EUR/USD

"The pair is running on a range interval 1,11060 - 1,141790 in the last 30 days with the EMA(20) on average in that interval. In the last days a Bearish movement has emerged and I expect a pull back to the EMA(20) around 1,2700".

Bullish: 75%

votes

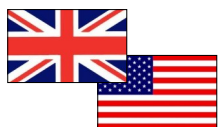


Bearish: 25%

votes



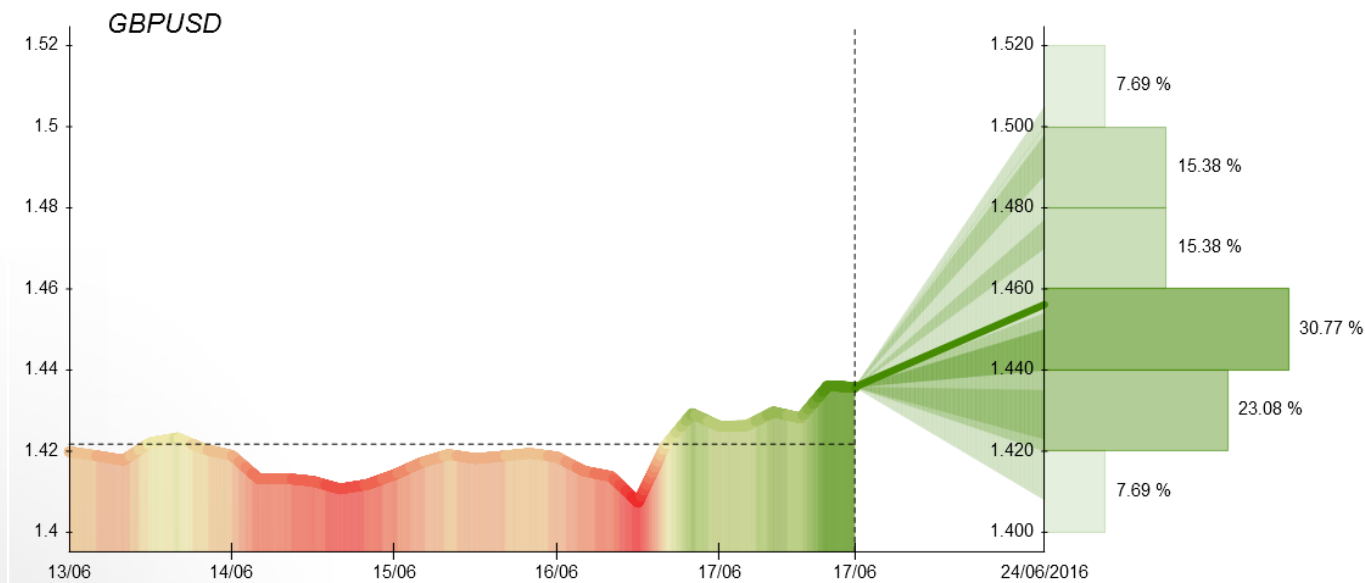
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GBP/USD 1W Chart

The GBP/USD had been falling sharply for some time since the Bank of England issued a fresh warning that uncertainty about the EU referendum this week threatens knocking Britain's economic growth. The officials again reiterated that Brexit could lead to inflation, which would increase largely on the back of a dramatic deprecation of the British currency, while the economic growth and labour market would suffer a blow from falling investments. BoE officials remained unanimous on the policy stance as an elevated level of volatility continues to undermine the recent macro data. Policy makers kept the benchmark interest rate at its record low of 0.5%. However, the British Pound retreated from the lowest level in more than several years. The pair advanced as much as 2.5% to 1.44 late Friday, up from lows of 1.42 touched on Thursday. This Thursday will be a very important day for the UK and Europe, with most of the volatility likely to be on the GBP pairs and English stocks, as Britons go to vote.

"The financial market will be driven by the EU referendum this week, with expectation of a UK departure from the EU priced in at a very low probability based on the equity markets. Bookmakers have not at any point favored an exit, and while poll numbers have aided media in the creation of dramatic headlines, they serve little purpose. A relief rally in the pair will likely be capped at the psychological 1.5000 handle as dictated by the implied range set out by the options market" Jignesh says. All in all, Community members, that took part in the survey last week, expect the pair to end this week at **1.46**, with number of bears (25%) versus bulls (75%).



megajorko on GBP/USD

"Everyone is expecting the Brexit referendum this week so anything can happen to the cable including decline to 1.35 and total rocket jump to 1.60".



Pisakjanos on GBP/USD

"The Brexit referendum is approaching, thus everything will become clear on Thursday."

Bullish: 75%

votes

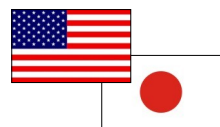


Bearish: 25%

votes



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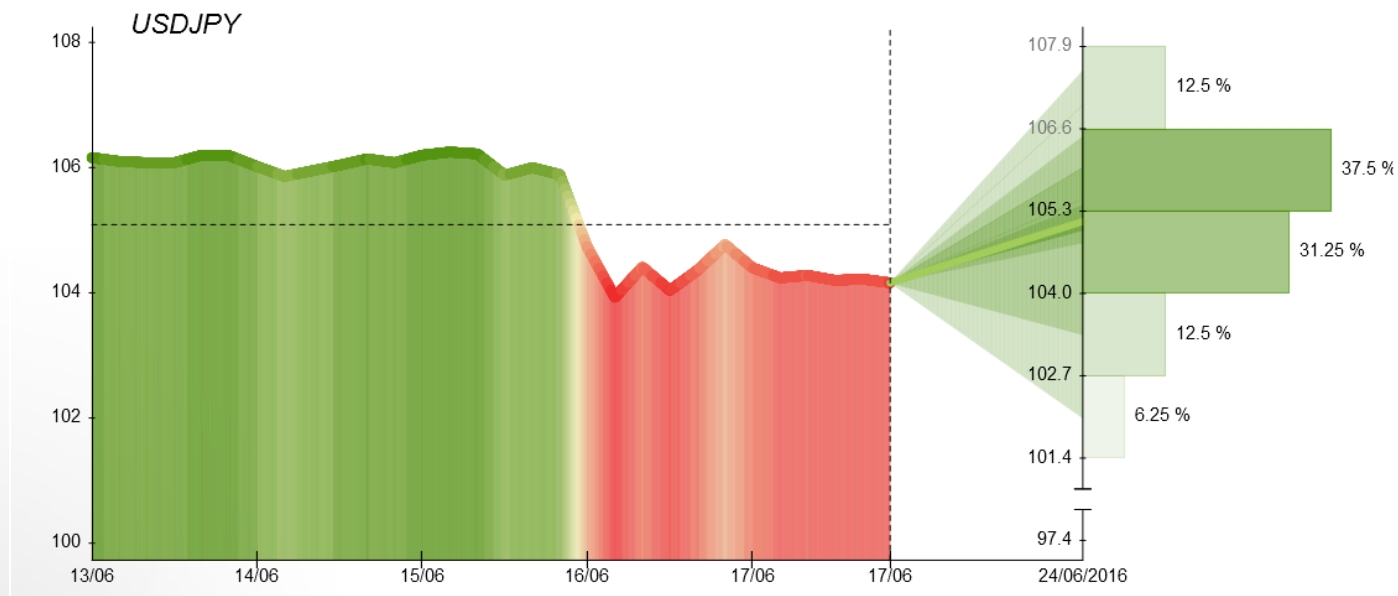


USD/JPY 1W Chart

The US Dollar strengthened versus the Japanese Yen at the beginning of the week. However, in the middle of the week, the situation has changed. The Bank of Japan decided to keep interest rates and QQE settings unchanged in line with expectations, but economists still see room for further easing in coming months amid sluggish global growth and anemic inflation. BoJ's Governor Haruhiko Kuroda and his colleagues continue to gauge the economic effect of their unpopular negative-rate policy ahead of an election next month. While the central bank maintained its upbeat view of the world's third biggest economy, it revised downwards its outlook for consumer inflation to say prices were likely to decline slightly year-on-year or hover around flat for the time being. The USD/JPY fell to 104 late Friday from 106 on Monday, ending the week with a 1.5% loss.

This week, in contrast, the pair is seen to appreciate as it depicted on the chart, with a number of bulls significantly outweighing bears. USD/JPY is forecasted to reach the **105.3** level by Friday, June 24. One of Community members, who expected the pair to appreciate in the coming days, was Jignesh, who said "The biggest take-away from the BOJ meeting in the prior week was that their hands were tied in implementing further easing measures on the fear their efforts would be wiped out in the event a UK exit from the EU materializes. With expectations that we will see a non-event on June 23rd, the USD/JPY stands to gain, both from the perspective of increased risk appetite as well as speculation of the BOJ easing, possibly even ahead of their July meeting."

The key economic events to watch this week include Janet Yellen press conference on Wednesday as well as Brexit referendum.



megajorko on USD/JPY

"Although we are in a strong bearish channel so I suppose there must be some correction this week".



bokafx on USD/JPY

"I suppose that price will be between monthly S2 and last two week low".

Bullish: 75%

votes



Bearish: 25%










votes



YOUR OPINION MATTERS

*If you are also willing to take part in creation of Community Forecasts product,
please write us to research@dukascopy.com*


Week's 13.06-17.06 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 PisakJanos	1.125	1.131	0.003	 cyrus323	1.435	1.44	0.003	 Trendmaster	104.3	105	0.602
 Nacerdz	1.124	1.1337	0.005	 Eco	1.429	1.4335	0.005	 yousseff	103	104	0.828
 rokasltu	1.13	1.135	0.005	 Tach	1.44	1.447	0.008	 rokasltu	105	105.5	1.118

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	bokafx
	Jignesh
	Khimitau
	megajorko
	OneGoodTrade
	Pisakjanos
	rokasltu
	thekrash

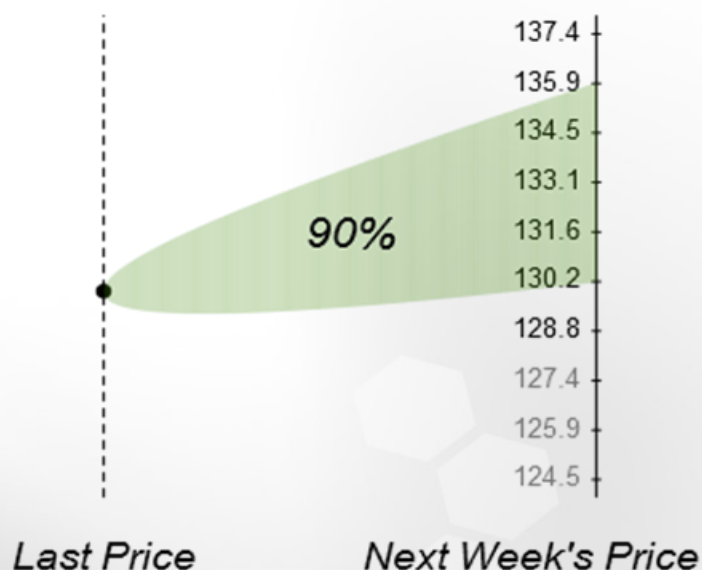


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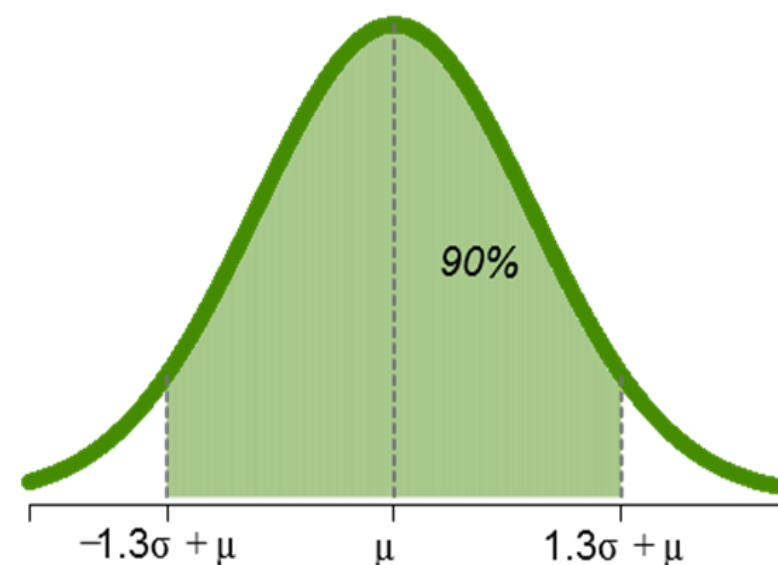
EXPLANATIONS

The right-hand scale of the first graph depicts the range of values that the next week's exchange rate can take with a 90% probability. The construction of this range is based on statistical notions.

Under the assumption that currency pair logarithmic returns are normally distributed with mean μ and standard deviation σ as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values can be then converted into the end points of the price range.



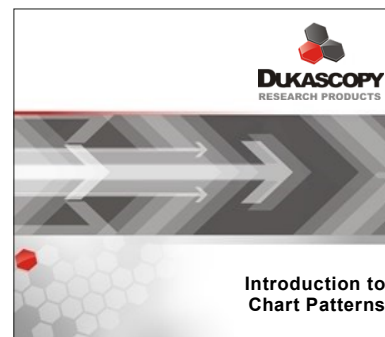
Graph 1: Confidence interval used for "Community Forecasts"



Graph 2: Probability Density Function for a Normal Distribution

For convenience, the price range is divided into four inner intervals, marked by black labels. Two outer intervals denote values that are greater or less than critical, and therefore fall out of the 90% probability range.

Grey labels, if any, show additional intervals that are introduced if the basic range does not cover all forecasts.



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