



**DUKASCOPY**  
RESEARCH PRODUCTS

16/07/2013



# Community Forecasts

## Most Precise Forecasts

We are happy to announce traders who made the most precise forecasts for the weeks ended July 5 and July 12.

In the week ended July 5, the top-performers in GBP/USD were **Mark80**, **likerty** and **nuonrg**, while in EUR/USD the most precise were **Veksel**, **nuonrg** and **Skif**. Meanwhile, **Spyros**, **Arturs10** and **Scramble** were the most successful predicting EUR/JPY moves.

Last week (8.07-12.07), the most precise predicting EUR/USD rate were **P22498**, **AdamFx42** and **mbarbuska**. Meanwhile, forecasts of **polone**, **hhalilov** and **nuonrg** on GBP/JPY were the closest to the actual pair's performance. As concerns EUR/JPY, **Rafeta**, **hhalilov** and **Sintano** were the most precise.

We also would like to thank all traders who participated in the survey for insightful comments and forecasts.

Week's 1.07-5.07 Most Precise Forecasts

GBP/USD				EUR/USD				EUR/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
<b>Mark80</b>	1.513	1.523	0.029	<b>Veksel</b>	1.27	1.29	0.011	<b>Spyros</b>	128.5	130.2	0.994
<b>likerty</b>	1.5005	1.5476	0.042	<b>nuonrg</b>	1.277	1.3	0.013	<b>Arturs10</b>	128.5	131.4	1.452
<b>nuonrg</b>	1.516	1.5425	0.042	<b>Skif</b>	1.296	1.3011	0.016	<b>Scramble</b>	128.3	131.4	1.55

\*RMSD = Root-mean-square deviation

Week's 8.07-12.07 Most Precise Forecasts

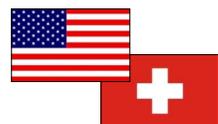
EUR/USD				GBP/JPY				EUR/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
<b>P22498</b>	1.2966	1.3138	0.009	<b>polone</b>	149.5	151.3	0.992	<b>Rafeta</b>	129.79	132.38	1.932
<b>AdamFx42</b>	1.31	1.32	0.009	<b>hhalilov</b>	148	149.2	1.507	<b>hhalilov</b>	126.5	127.8	2.584
<b>mbarbuska</b>	1.303	1.32	0.01	<b>nuonrg</b>	147.5	150.6	1.809	<b>Sintano</b>	131.4	133.3	2.861

\*RMSD = Root-mean-square deviation

Growing popularity of AUD/USD, USD/CHF and USD/JPY inspired the Dukascopy Research team to ask traders to provide forecasts and comments on the above-mentioned instruments for this week (15.07-19.07).

Sentiment on all three currency couples is bullish. Traders are the most bullish on AUD/USD and USD/JPY, with 73% of market players holding long positions in the pairs. In the meantime, investors seem to be less optimistic about USD/CHF as 36% of all orders are placed to sell and 64% of all orders are placed to buy.

Instrument	Buy	Sell
AUD/USD	73 %	27 %
USD/CHF	64 %	36 %
USD/JPY	73 %	27 %



## USD/CHF 1W Chart

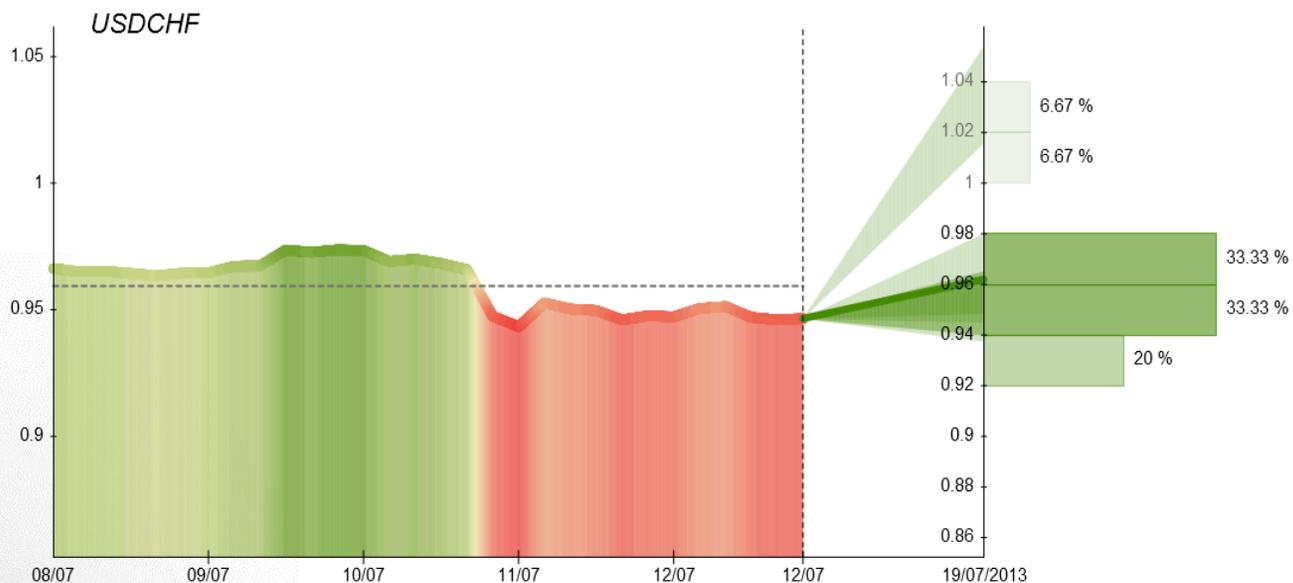
One of three currency pairs, which was taken this week was USD/CHF, as it was always among top 10 mostly traded currency pairs. We have asked our traders to predict the pair's future movement, and after collecting all replies, a chart, designed to predict a Friday's July 19, closing price, was constructed.

The respondents were not so univocal, as some traders were either rather neutral, expecting practically no volatility, or very bullish on the pair. Hence, some traders are expecting a penetration of parity level, citing 1.054 as a possible target level.

However, the rest of forecasts were more or less similar, and the majority of traders named 0.962 as the most expected closing price. The USD/CHF is widely expected to fluctuate between 0.94 and 0.96 over the week, therefore a trading range of 200 pips can be very profitable for trade.

As always, practically all respondents' comments were based purely on technical analysis, however, non of them named particular support or resistance level.

At the same time, SNB's decision to impose a cap on Franc versus the single currency was named as a reason why the pair is stuck between 0.9 and 1.0. According to the latest SNB announcements, they have no plans in removing the ceiling, as appreciation of the Swiss Franc can weigh on economic recovery. In the beginning of July, the SNB's President Jordan pledged to continue making market interventions if necessary to prevent deflation and avoid falling into a recession.



### ilonalt on USD/CHF:

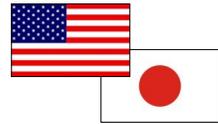


"USD/CHF is stuck in relatively tight range 0.9 to 1.0 (with few weeks exception) after SNB introduced EUR/CHF floor back in September 2011. Currently there is no indications that this range could be broken in foreseeable future."

### Piter44 on USD/CHF:



"In my opinion pair USD/CHF during next week will move in a channel between 0.9485 and 0.9625. I expect firstly move towards 0.9485 where support should be held and then up move to 0.96-0.9625."



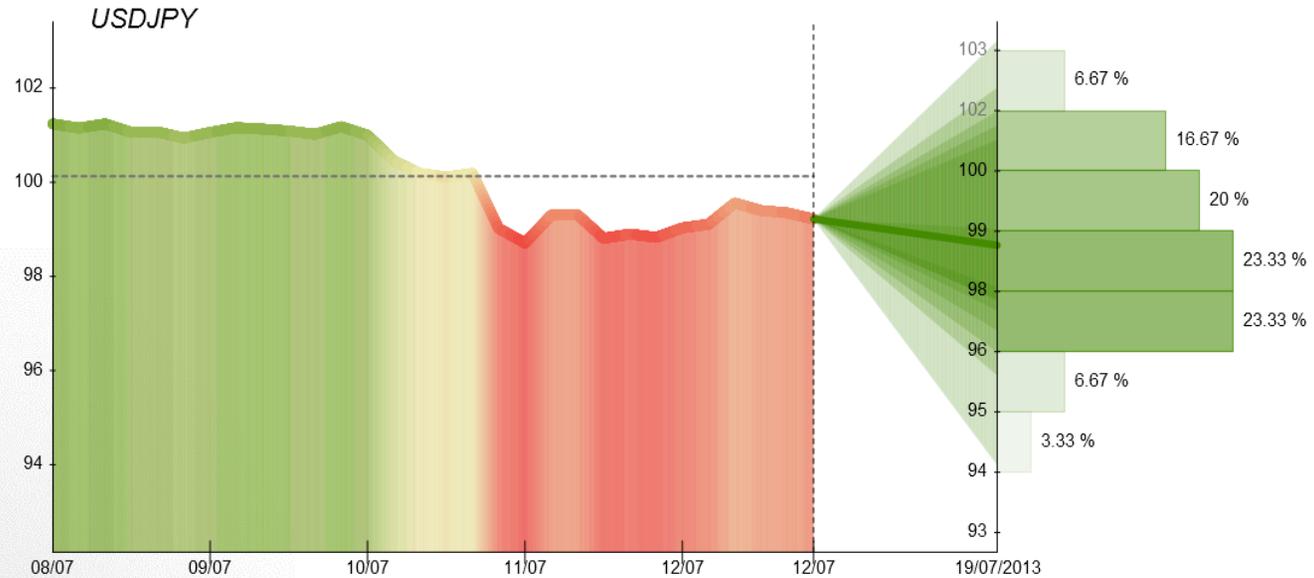
## USD/JPY 1W Chart

A week earlier, traders expected USD/JPY to lose some ground and reach 129.39 on July 12. In reality, the pair closed at 129.65, so we might admit that forecasts were very clear and precise. That's why this week's projections for USD/JPY can be taken seriously. According to our traders, the Japanese Yen is still likely to strengthen against its major peers this week, including the U.S. Dollar, pushing USD/JPY lower to 98.66.

At the same time, traders are seeing this pair as a very volatile one, as 83.33% of all respondents are expecting a movement between 96 and 102, while almost a half of all traders voted for a wider range of 300 pips between 96 and 99.

Even despite clear target level made with a high probability, announcement from Japanese and U.S. policy makers can add turbulence into markets, making the pair highly volatile, though unpredictable. While Bank of Japan policy meeting is scheduled on Tuesday, two days later is scheduled Fed's Chairman Ben Bernanke's testimony.

A week earlier, Bernanke tried to calm markets, by saying the central bank will likely maintain the pace of asset purchases for the foreseeable future, even as about half of 19 policy makers insisted on halting \$85 billion bond purchases by the year end, while others wanted to see a stable improvement in the labour market before any policy retreat.



### Zevik on USD/JPY:

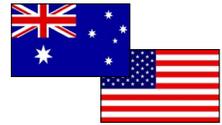


*"My prediction for USD/JPY for the week 08/07/-12/07 is the following. The pair is in corrective mode after strong uptrend since Aug 26, 2012. I'm expecting second leg down starting @ 102-101.6 to 91.3, AB=CD. The lower might be at support level 96.40."*

### Sintano on USD/JPY:



*"With strong volatility in the current week in currency prices and the coming week including important releases from China and US, we might see some sharp movements on USDJPY. An expected negative release from China will bear the USD/JPY to an expected level of 97.4. However, the releases from USD can reverse the bearish trend and move USD/JPY back to the levels of 100-101."*



## AUD/USD 1W Chart

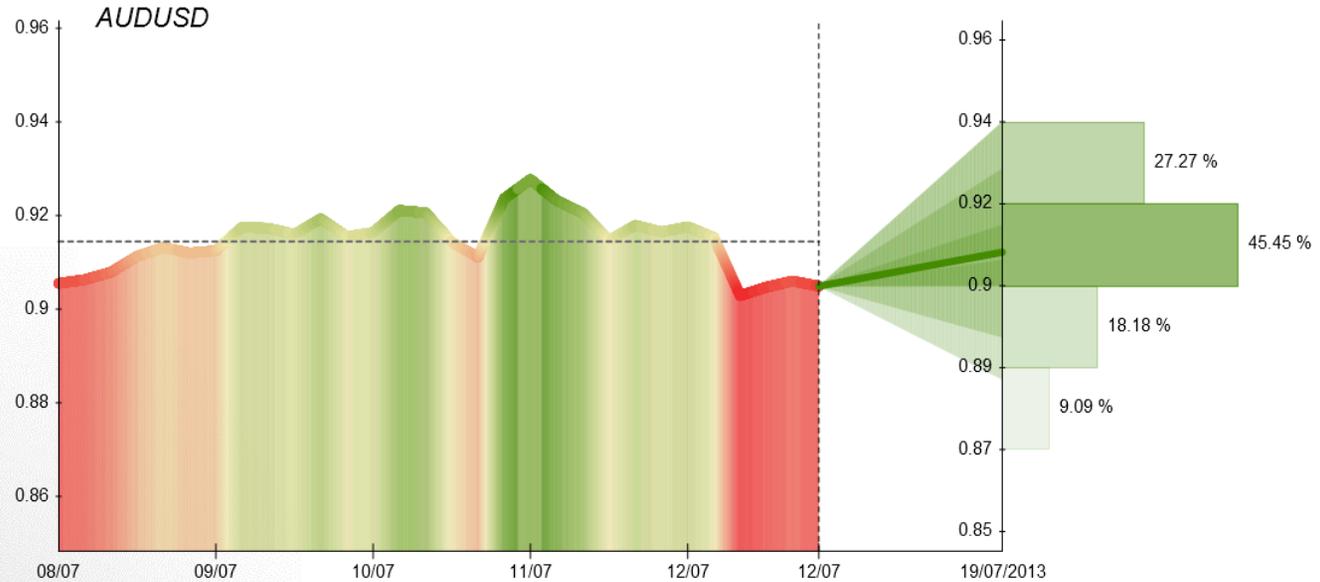
The third currency pair chosen for this week was AUD/USD, which was usually 7th in the list of most traded currency couples.

The outlook for this pair is bullish, as the majority of respondents are expecting the appreciation of the pair during this week. Moreover, 73% of all opened positions are long, also adding to signs that the pair will head to the north.

The consensus level among the traders were 0.9177, as almost a half (45.45%) of all respondents voted for the range between 0.90 and 0.92, meaning the pair should gain around 1.3% during the week.

Even though the short-term forecast was bullish, several traders are expecting the Australian Dollar to depreciate versus its U.S. counterpart in a longer period, due to weak economic data from China— Australia biggest trading partner. The world's second largest economy reported a fall in year-on-year gross domestic product growth from 7.7% in the first quarter down to 7.5% in the second. At the same time, speculations of tapering the Fed's quantitative easing programme are high, meaning a stronger greenback.

Taking into account all previously said, the short-term outlook is bullish, as the market sentiment is strongly bullish, while in a longer time frame the depreciation of the pair is expected.



### thebestof216 on AUD/USD:



*"China is Australia's biggest trading partner mainly due to China's strong demand for iron ore, coal and liquefied natural gas. So that traders should pay close attention to this key release, economic China affect the direction of AUD/USD. In the Jul 01 release, the PMI China index fell below the 50-point line, to 48.2 points. China's economic expansion probably slowed, it make AUD weak. I expect bearish on AUD/USD for a long time."*

### Xtrader360 on AUD/USD:



*"We have two scenarios for the pair AUD/USD. The first one is AUD/USD in down channel but we have some correction and we can use it and enter long position from two points buy from retest .9120 (buy limit 0.9120 \_ tp 0.9318 \_ sl 0.90134). The second scenario is long after breaking 0.9188 with 4h candle above 0.9180(tp0.9318\_ sl 0.9030)"*

**Last week's best comment:** China is Australia's biggest trading partner mainly due to China's strong demand for iron ore, coal and liquefied natural gas. So that traders should pay close attention to this key release, economic China affect the direction of AUD/USD. In the Jul 01 release, the PMI China index fell below the 50-point line, to 48.2 points. China's economic expansion probably slowed, it make AUD weak. I expect bearish on AUD/USD for a long time

Dukascopy Bank SA expresses its great gratitude to the community member "Thebestof216 ", the owner of the most remarkable forecast.

# YOUR OPINION MATTERS

Dukascopy thanks all the participants!		
	ilonalt	USD/CHF
	Daytrader21	USD/CHF
	DocDow	USD/CHF
	gelau4x	USD/CHF
	piler44	USD/CHF
	Flashtrade	USD/CHF
	Sintano	USD/JPY
	zevik	USD/JPY
	ImranMughal99	USD/JPY
	Daytrader21	USD/JPY
	DocDow	USD/JPY
	xtrader360	USD/JPY
	gelau4x	USD/JPY
	Flashtrade	USD/JPY
	Daytrader21	AUD/USD
	xtrader360	AUD/USD
	thebestof216	AUD/USD
	DocDow	AUD/USD
	gelau4x	AUD/USD
	Flashtrade	AUD/USD



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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  $\mu$  and standard deviation  $\sigma$  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.



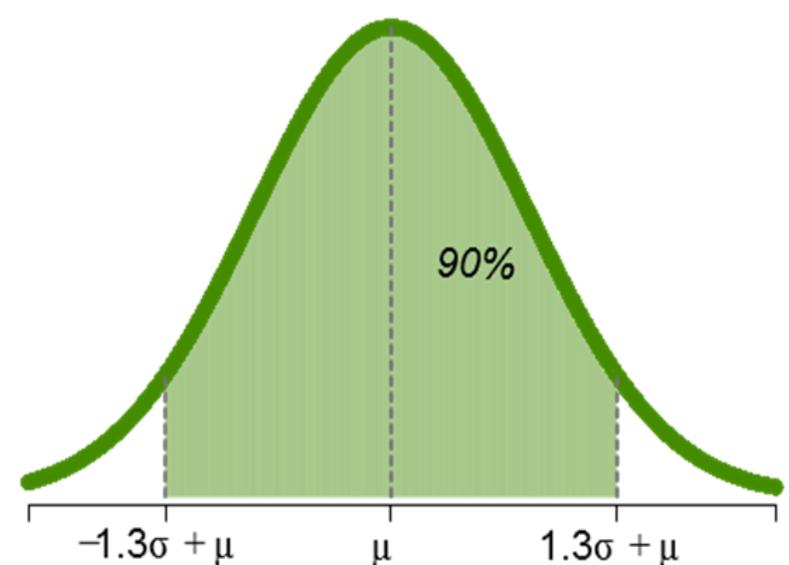
Graph 1: Confidence interval used for "Community Forecasts"

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.

A forecast error is measured by the **Root-Mean-Square Deviation**:

$$RMSD = \sqrt{\frac{1}{2}((min - actual)^2 + (max - actual)^2)}$$

Here *actual* is the closing price for the forecasted day, but *min* and *max* are the endpoints of the forecast interval.



Graph 2: Probability Density Function for a Normal Distribution



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