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RESEARCH PRODUCTS

23/07/2013

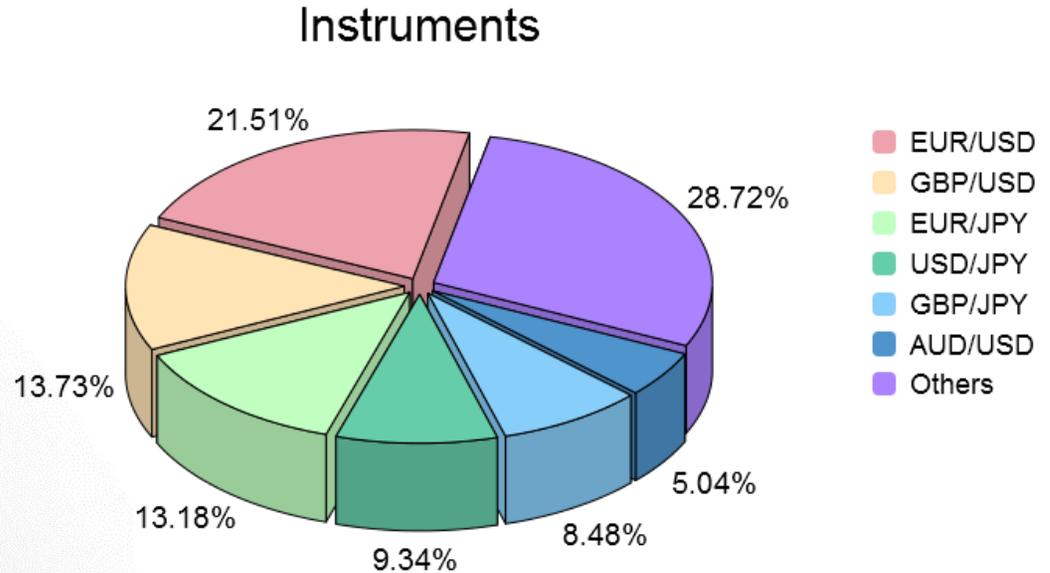


Community Forecasts

SWFX Top 3 Currency Pairs

The most popular currency couples last week were EUR/USD, GBP/USD and EUR/JPY, contributing almost 64% to the total trading volume. The Dukascopy Research Team surveyed the community members, who achieved outstanding results by trading the above-stated currency pairs. The traders provided their forecasts and comments for the upcoming week (22.07-26.07).

Sentiment on EUR/USD is mixed as a half of the market participants are bullish on the currency pair, while another half of the traders is holding short position. The situation of EUR/JPY also lacks clarity as almost a half of the traders (49%) are bullish on the pair. At the same time, bullish side of GBP/USD has 59% positions and the bearish side has 41% positions.



Instrument	Buy	Sell
EUR/USD	50 %	50 %
EUR/JPY	49 %	51 %
GBP/USD	59 %	41 %

Congratulation to the last week's most participants of the Dukascopy Trader Contest! The top-performing traders of the most traded currency pairs were riyaz22, FxMidaso and Dasak2010, gaining \$115,777, \$201,345 and \$182,118, respectively.

Last Week's Top Traders

EUR/JPY		EUR/USD		GBP/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
riyaz22	115777	FxMidaso	201345	Dasak2010	182118
konci69	109249	Arelay	166288	ForexSecrets	141045
rezmy	106214	ovidiu_gnt	149245	ahmach1	123264

*PNL- Profit & Loss in USD



EUR/USD 1W Chart

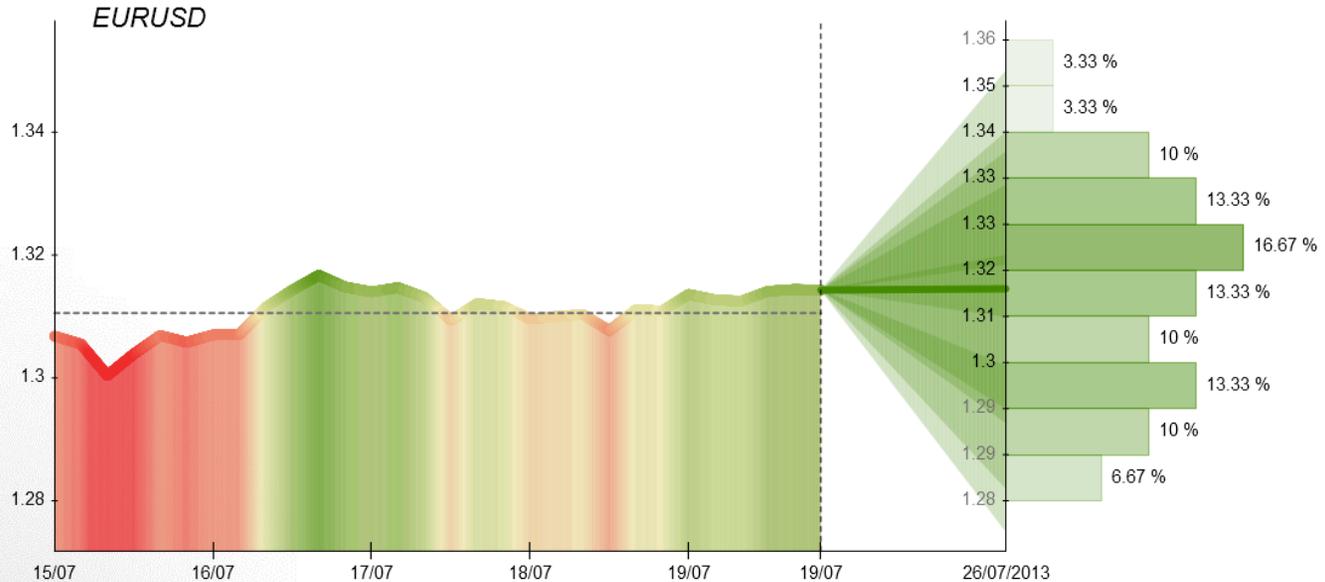
It was not a surprise that EUR/USD was among most traded currency pairs during the last week, and it contributed 21.52% to the whole trading volume. After collecting views and forecasts from our most successful traders, we have constructed a chart designed to predict EUR/USD movement for this week.

On Friday, July 19, the pair closed at 1.3146 and according to our traders, the pair is not going to be highly volatile during this week. The majority of respondents are expecting EUR/USD to close at 1.3145 on July 26. At the same time, 16.67% of all traders see some appreciation of the pair, saying it should inch higher and hover around 1.33.

On the other hand, several traders are suggesting the pair is overbought already, due to its recent movement to 1.32, therefore, a corrective move to 1.30-1.29 may be an alternative scenario as well.

Taking into account equal number of long and short positions, as well as sideways movement since July 10, we might suggest the pair is facing a strong resistance level around 1.32, therefore without any strong economic data from Europe, or any negative headlines from the U.S., the pair is likely to stay around the same level for some time.

In addition to low volatility, there are just a few of economic releases this week, which are likely to have some impact on pair's movement.



Marius24 on EUR/USD:

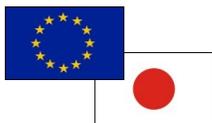


"As regards EUR/USD all traders' expectations for a further fall in this currency pair have been hit hard by Federal Reserve Chairman Ben Bernanke with his latest dovish comments about monetary policy and his massive quantitative easing programme. Last two months he sounded very hawkish and an imminent slowdown in the pace of bond-buying purchases was on the table, even encouraged by better than expected Non-Farm Payroll, but something else has changed his mind. He just wants to encourage people and businesses borrowing and spending more until the U.S. economy will no longer need this stimulus. As opposed to U.S., Europe takes no action to diminish its huge unemployment level (12.2%) and there are no signs of a possible take off into a bright recovery."

Fullmoon on EUR/USD:



"Technically we are overbought now after the sharp move from 1.2750 to 1.3200 between the July 9th and 11th. I see the forming of a double top near 1.3200 and a corrective move to the 50-61.8% Fibonacci area at 1.2900 next week. After completion of that correction I wait for another move up to 1.3400."



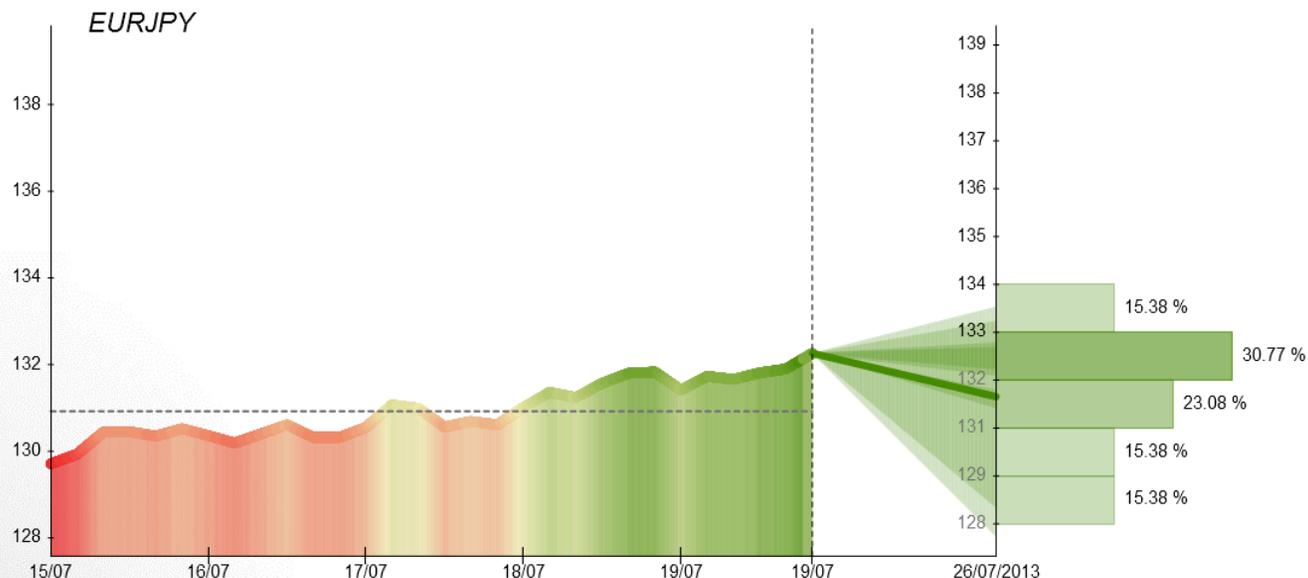
EUR/JPY 1W Chart

A chart describing a possible movement of another popular current couple— EUR/JPY was constructed based on traders' forecasts. As always, market players named the minimum and maximum range for the week, as well as cited the pair's main drivers and mentioned the kind of analysis they used.

The chart shows that our best-performers on EUR/JPY are bearish on the pair, and expect a slight depreciation of the single currency against the Japanese Yen. The pair is likely to reach 131.257 this Friday, down from 132.30 closing price on July 19. At the moment of writing, the pair has already lost some ground and was changing hands below 132 level.

Despite a clear projection made by traders, more than 30% of all respondents are seeing no volatility at all, mentioning an area of 132-133 as possible trading range.

It is a bit unexpected that no traders mentioned technical levels or used technical analysis to trade EUR/JPY. There was an equal number of people, who used fundamental analysis as well as made their projections based on personal view. Several traders mentioned Ben Bernanke's speech as one of the main drivers. In case of a weaker U.S. Dollar, investors will start buying the Japanese Yen, considering it as a safe-heaven, pushing the pair lower. However, this is considered only as a slight retracement, taking into account a recent drop in the Yen's value. In a longer term, the appreciation of the shared currency against the Japanese Yen is still anticipated.



Biosiska on EUR/JPY:

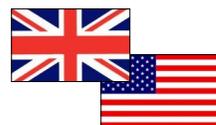


"If USD will weaken after Bernanke's speech JPY will growth because - its a "safe currency" but it will be a short period of time. I guess Bernanke won't say anything about finishing Qe3. But traders knew that. so they will wait EU statistic and make a decision. Also I don't see news about BOJ on next week."

Alifari on EUR/JPY:



"Based on my technical analysis, I am expecting continuation of bullish momentum on this pair in coming week until price hits 4 hour supply zone at 133.25, where sellers would be interested to take this pair down to 131.35 and thereafter expecting range bound price action as recent news event suggest lot of uncertainty and no clear direction in terms of central bank policies."



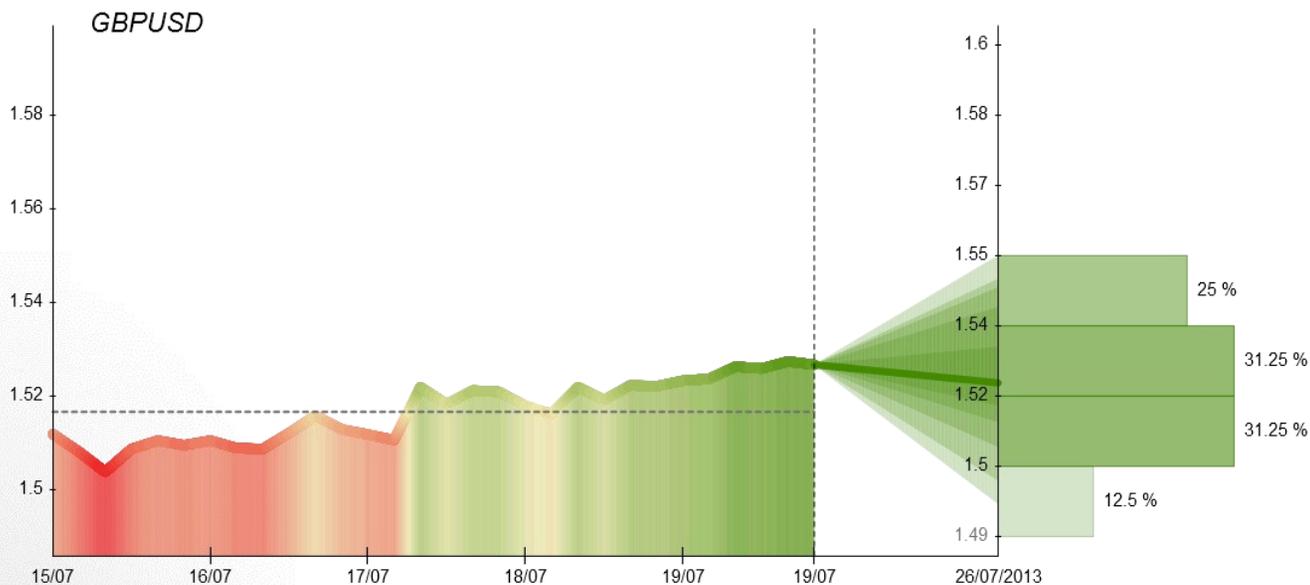
GBP/USD 1W Chart

The last but not least pair is GBP/USD. It was also among top three most traded currency pairs during the July's second week. Therefore, we have asked our traders to express their opinion of pair's possible movement during this week.

As well as on EUR/JPY, traders' attitude towards GBP/USD is bearish. A level of 1.5228 was named as the most possible target for this Friday, as equal percentage (31.25%) of all traders mentioned 1.50-1.52 and 1.52-1.54 as a possible trading range.

The pair is likely to be driven by technical levels, as traders mentioned several key levels. A point around 1.5227 was called a key support level, after breaking which the pair has a potential to drop around 150 pips. From the upside, the pair is facing strong resistance levels at 1.552 and 1.5750.

From fundamental perspective, we can mention several important releases this week. Thursday will define pair's movement, as the Office for National Statistics is going to unveil second quarter's growth data, which is expected to show that British economy accelerated further and expanded 0.6% in middle of a year. At the same time, as usual on Thursday, the U.S. Department of Labor will publish weekly unemployment claims data, which is always adding some turbulence to markets. In addition to that, analysts are expecting a figure of 339 thousands, 5,000 higher than a week earlier.



Nuonrg on GBP/USD:



"Easy said I am looking for a repeat of the pattern that happened in March this year. Exactly between 5 and 20 March. Trend was also down and then boost up, got in chop, made a burst up before dropping back down and holding a bit shy new uptrend. Week of Monday 22, starts at 1.5305 to drop back to 1.51450 at the end of the week Friday 26. But initiating a new uptrend till the end of the year."

Dasak2010 on GBP/USD:



"On 07 July, the GBPUSD has reached the minimum of 1.5093. And looking on the 1 hour chart, see your high and thus forming four points in the decisive LTA in: 1.5162 soon after the LTA rings again in 1.51903 and 1.52096 to date. Now the pair is currently 1.52261 05:00 am July 19."

"Apparently he is going to key market that will point 1.5227. This point that if it is broken the pair will undergo a correction of approximately 150 pips, this correction according to the Fibonacci 50%. After this break, I believe the minimum for the next week will be a maximum of 1.5092 and 1.5432. Maximum value is achieved only after a sharp decline, and there occurs a third attempt to break the top 1,552."

Week's 15.07-19.07 Most Precise Forecasts

USD/CHF				AUD/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
piter44	0.9485	0.9625	0.016	xtrader360	0.912	0.918	0.004	Daytrader21	97.5	101.2	2.261
Flashtrade	0.9375	0.9635	0.016	DocDow	0.894	0.9105	0.017	Flashtrade	97.5	101.5	2.307
Daytrader21	0.94	0.965	0.017	Daytrader21	0.905	0.94	0.018	DocDow	96.86	100.9	2.686

*RMSD = Root-mean-square deviation

YOUR OPINION MATTERS

Dukascopy thanks all the participants!

	ovidiu_gnt	EUR/USD
	up4life	EUR/USD
	xtrader360	EUR/USD
	marius 24	EUR/USD
	see928	EUR/USD
	fullmoon	EUR/USD
	peteros007	EUR/JPY
	forastero	EUR/JPY
	Biosiska	EUR/JPY
	alifari	EUR/JPY
	Zorro145	EUR/JPY
	nuongr	GBP/USD
	ovidiu_gnt	GBP/USD
	Dasak2010	GBP/USD
	polone	GBP/USD



The most successful forecast makers will be offered to join the Research Team in the Dukascopy Daily Webinars!



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.

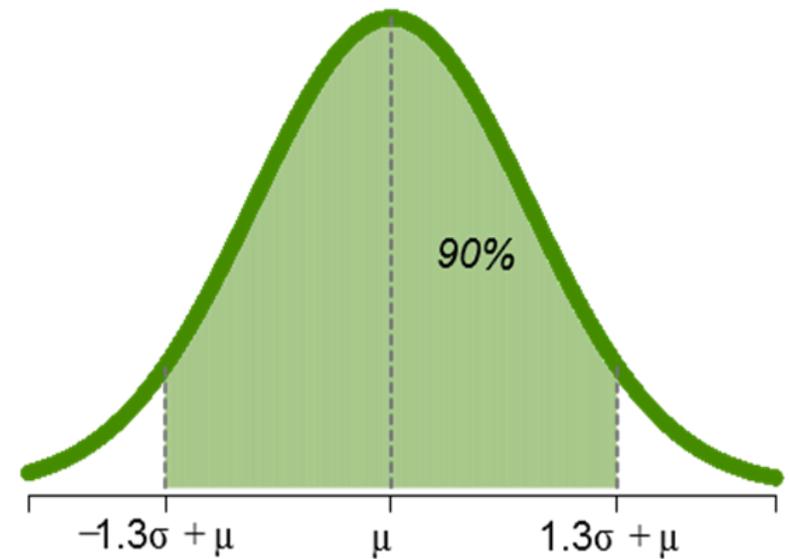
Under the assumption that currency pair logarithmic returns are normally distributed with mean μ and standard deviation σ as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values can be then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



Graph 1: Confidence interval used for "Community Forecasts"

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.



Graph 2: Probability Density Function for a Normal Distribution



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