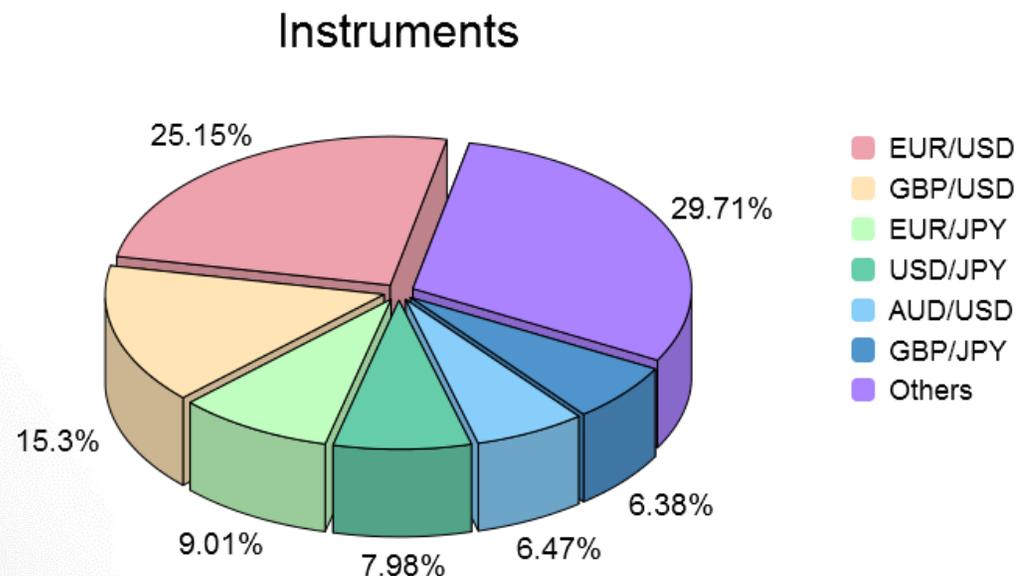30/07/2013

DUKASCOPY
RESEARCH PRODUCTS

Community Forecasts

SWFX Top 3 Currency Pairs

During the previous five trading days the most popular currency pairs among Dukascopy Community members were EUR/USD, GBP/USD and EUR/JPY, unchanged from a week earlier. The currency pairs contributed 49.46% to the total trading volume compared with almost 64% for the week ending July 19, indicating an increasing interest in other currencies. While trading volume of EUR/USD rose to 25.15% from 21.51% from a week earlier, popularity of EUR/JPY decreased by 4%.

Sentiment on EUR/USD and GBP/USD shows that the market is undecided, with bulls slightly outweighing bears. According to the Community member gubarev, "there is growing interest to short Euro due to overall positive US data and rumors that Ben Bernanke will tapper QE."

In contrast, overwhelming majority holds short positions on EUR/JPY, adding to speculation that the Euro might fall versus the Japanese Yen, according to the community members.

Instruments

EUR/USD	25.15%	
GBP/USD	29.71%	
EUR/JPY	15.3%	
USD/JPY	9.01%	
AUD/USD	7.98%	
GBP/JPY	6.47%	
Others	6.38%	

Instrument	Buy	Sell
EUR/USD	51 %	49 %
GBP/USD	52 %	48 %
EUR/JPY	38 %	62 %

Congratulation to the last week's most successful participants of the Dukascopy Trader Contest! GNOSIS77 showed an exceptional performance, successfully trading both GBP/USD and EUR/USD and gaining $160,045 and $126,635, respectively.

Last Week's Top Traders

| GBP/USD		EUR/JPY		EUR/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
GNOSIS77	160045	konci69	93958	GNOSIS77	126635
DJchaton	109085	Meteorpip	60570	ahmach1	87095
gubarev	77826	Greygoose	55167	SersH	69461

*PNL- Profit & Loss in USD

EUR/USD 1W Chart

Throughout the week ended July 26, the EUR/USD currency pair was largely trading below its average price of 1.32236 for the past five trading days. However, at the end of the week the Euro strengthened versus the greenback and closed at 1.32856.

According to traders' forecasts, a downward trend is expected this week, with an average close price at 1.3161 on Friday, August 2. Traders see 1.28-1.34 as a possible trading range throughout this week, while the majority of respondents (41.38%) indicate 1.31-1.33 band for the currency pair.

As the potential drivers, which might shape future performance of EUR/USD, were mentioned actions of the world's central banks. Particularly the Fed is going to be the major factor, as it has been moving in a different direction compared to the ECB and BoE. It is widely expected that the U.S. central bank will start tapering its monetary policy measures at the end of this year and completely withdraw them by the middle of 2014.

Plethora of important economic data is due to be published this week such as U.S. Advance GDP, ISM Manufacturing PMI, unemployment rate in the Eurozone, the FOMC statement and the Euro Minimum Bid Rate. Nevertheless, the ECB is expected to leave its key interest rate unchanged at a record low of 0.5%, as ECB President pledged to keep rates exceptionally low for an extended period of time to bolster the Eurozone's economy. In addition to that, the FOMC is unlikely to introduce any policy changes or provide any big hints.
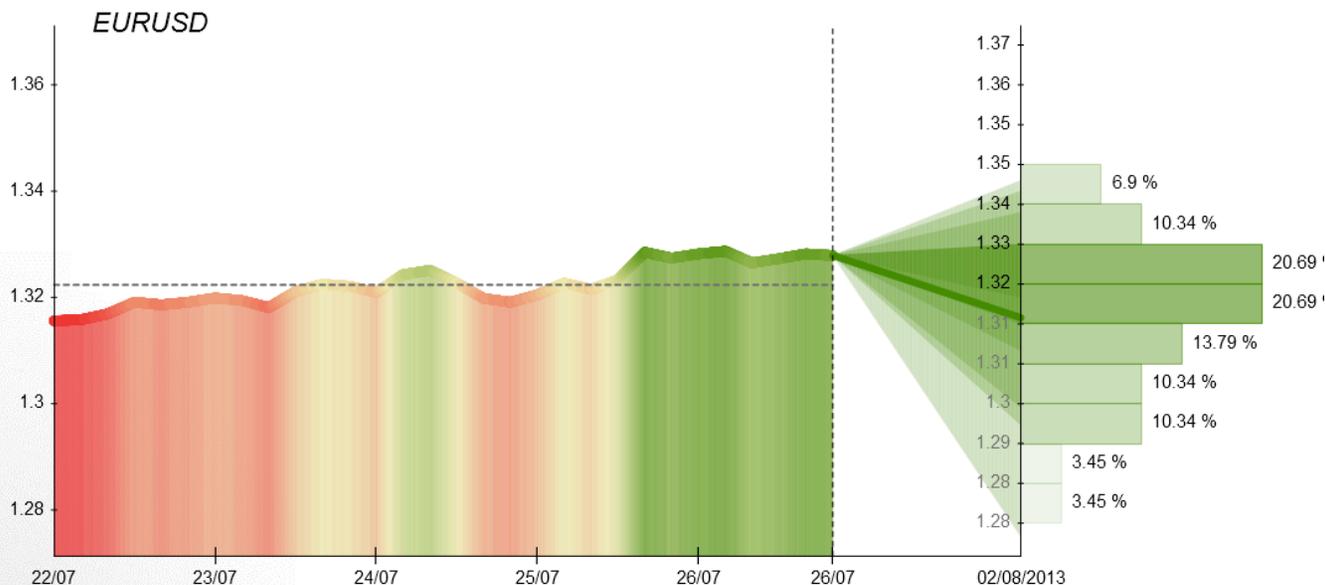
EURUSD

Dieselfx on EUR/USD:

"The EUR/USD still struggling in a big range between 1.3420 and 1.2750, and with no clean break from one of this levels the best choice will be for intraday positions. With the Fed going in a different direction (slowing its asset purchases) compared to the other central banks (BoJ, ECB and Bank of England), it should make things quite interesting for the next months. For the week ahead i'm more inclined for a short position from the top of the range 1.3420 - 1.33 area, for a Tp1 at ~ 1.3060 and in a near future (August, low liquidity) a final Tp2 at 1.2850 - 1.28 zone."

Ovidiu_gnt on EUR/USD:

"Currently underway is the latest wave of an irregular flat correction type. In this moment wave-b it exceeded the wave-a with 138,2% , which means that the wave-c of irregular flat correction, will not retrace completely the wave-b. The minimum will be 1,2993. Because wave-c is possible to last longer than 5 days, the maximum will be 1,3300."
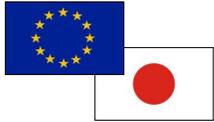
EUR/JPY 1W Chart

A chart describing a possible movement of another popular currency pair– EUR/JPY was constructed based on traders' forecasts. As always, market players named the minimum and maximum value for the week, as well as provided us with their comments with a sound reasoning behind their forecasts.

The graph representing traders opinion on the pair's outlook indicates that our best performers are rather bearish on the currency couple. According to forecasts the single currency will slightly depreciate versus the Yen. Almost 59% of community members put the pair's closing price in the range of 129-131 yen in the end of this trading week, close to the last Friday's 130.483. The lowest minimum value for the pair was seen to be 128 yen. Meanwhile, around 52% of traders are bullish on the pair with the highest prediction being at 138.15 yen. At the moment of writing, the pair was trading close to the average observation at 130.061. In addition, higher volatility in comparison with the last week can be seen, as the range width has doubled.

Most of the community members, referred to technicals when making their forecasts on the EUR/JPY pair. However, some of the traders used a combination of two methods: either technical indicators and their personal view.

EURJPY

11.76 %
11.76 %
29.41
29.41
17.65 %
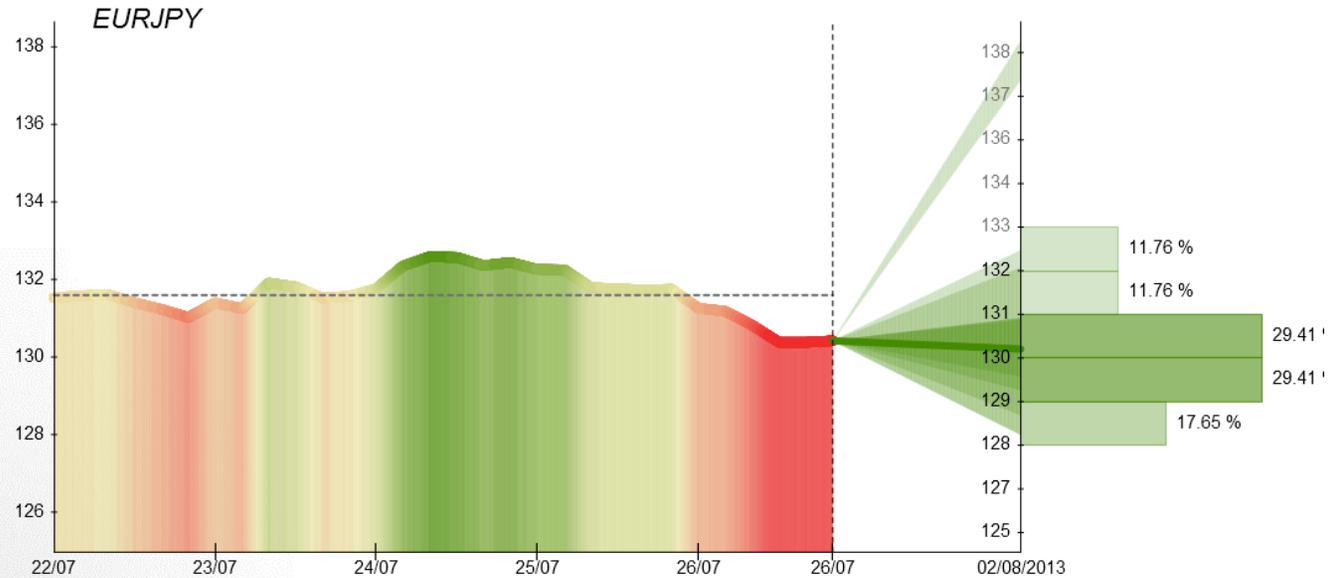
SpecialFX on EUR/JPY

"I don't believe the traders can ever be profitable by trying to guess the future. Having said that, and considering that this pair has failed to breach the resistance at the 132.75 area, I expect choppy and trendless price movement this week, staying within a channel with the bottom at the important 128 resistance, and the top at 132.75. To be more precise I'd say the top price will be 132 (psychological and price action resistance there), while the 128.60 support should prevent the price from falling further."

Victor on EUR/JPY:

"After forming double bottom around 118 this pair has long been on the upward swing. Test of 132.5 has been failed (on close basis) and is now on downward swing. My strong predicament is that it will test the 125 bottom by end of August. For now, in the coming week it's range would be 128-131. A touch down at 128 seems possible but will close the week around 129 levels."
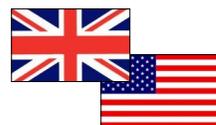
GBP/USD 1W Chart

15.3% of all trading activities were related to GBP/USD currency pair that was the third most popular currency pair throughout the last week. We have surveyed our community members to know their opinion on where the pair will head until this Friday.

Community members are rather bearish on the pair's weekly outlook, since they predict the pair to close in the range 1.53-1.54. A level of 1.5327 was named as the most possible target for Friday, close to the current trading price that is at 1.5279. However, nearly half of the respondents were bullish on the pair with the highest prediction being at 1.558 and the lowest minimum value was 1.515.

The pair is likely to be driven by technical indicators, as traders referred to stochastic indicators and several other key levels, such as Supply Demand levels . Some of them also used both fundamentals and technicals in giving their forecasts.

As concerns fundamentals, several traders see the Fed's decision on quantitative easing as having a high impact on the currency pair, as well as BoE's decision on the official Bank Rate, yet no changes there are foreseen. Among other fundamentals, data release on Manufacturing PMI due on Thursday might have a positive impact on the couple, as an increase to 52.8 is expected. Furthermore, Construction PMI data release is scheduled for Friday and is expected to show improved outlook for the British economy.
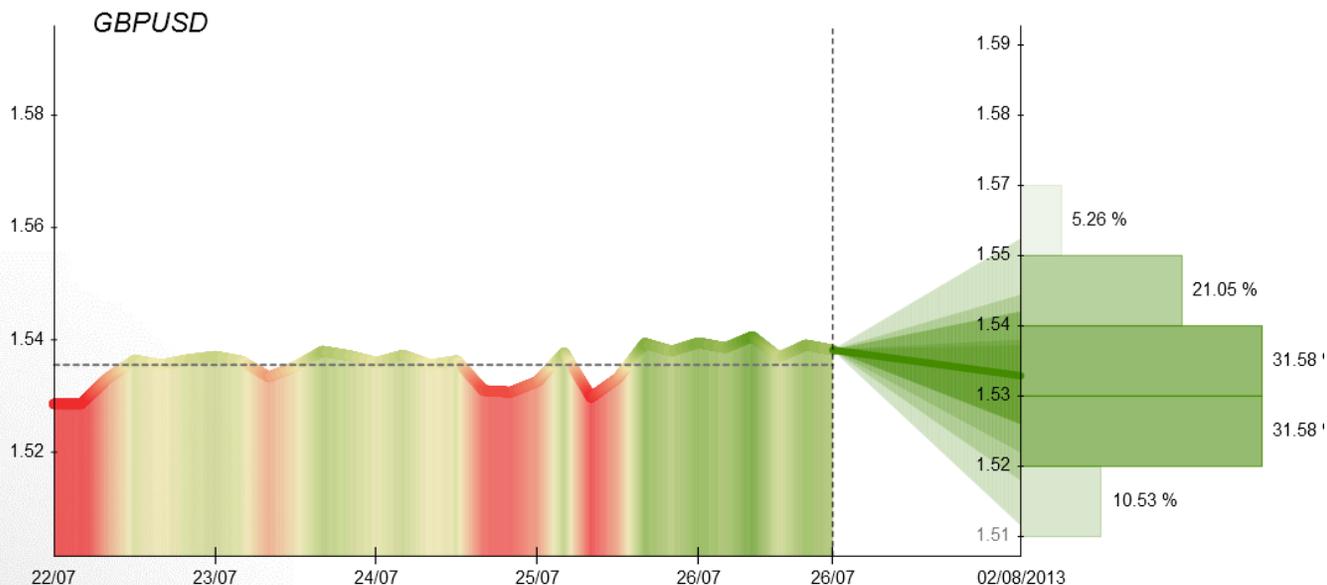
GreyEmin on GBP/USD:

"GBPUSD has a good trend for up direction. Expected range 1.5250-1.5580. Fundamental expectation: Think that BoE should not bring some surprise, and no rate change, In case of bad economic data, GBP can hold expected range. Personal view: In my opinion central banks still have same rhetoric, data will be blended, it can provide some correction. Anyway end of the week show us if trend will continue or reverse."

thescalper on GBP/USD:

"The current movement is suggesting a bullish week to continue. Technical strength comes at a level of 1.5270 and weakness at 1.5388 a break of supply level will open up bullish momentum through 1.54800 level. A break in support 1.5252 will open up levels towards 1.5100. Fundamentally GDP of 1.4% YoY also indicates strength. My view is GBP/USD should touch 1.54800. NFP of 2nd August can create a highly volatility without direction which will further affect smooth rhythmic movement of this pair"

Week's 22.07-26.07 Most Precise Forecasts

EUR/USD				EUR/JPY				GBP/USD			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
xtrader360	1.3185	1.3368	0.009	alifari	131	132.5	1.527	nuonrg	1.5145	1.5305	0.018
marius24	1.31	1.34	0.015	peteros007	128.032	131.413	1.829	Dasak2010	1.5092	1.5432	0.021
ovidiu_gnt	1.2927	1.35	0.029	Biosiska	131.9	133	2.103	likerty	1.502	1.545	0.026

*RMSD = Root-mean-square deviation

YOUR OPINION MATTERS

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

Dukascopy thanks all the participants!

|	Nickname	Pair
	Erka_shildeg	EUR/USD
	Dieselfx	EUR/USD
	ovidiu_gnt	EUR/USD
	gubarev	EUR/USD
	habiemile	EUR/USD
	biosiska	EUR/USD
	scramble	EUR/JPY
	SpecialFX	EUR/JPY
	Victor	EUR/JPY
	agddivisas	EUR/JPY
	biosiska	EUR/JPY
?	geula4x	GBP/USD
	GreyEmin	GBP/USD
	VietNamDong	GBP/USD
	alltrade	GBP/USD
	DumbAsArock	GBP/USD
	thescalper	GBP/USD
	biosiska	GBP/USD
?	geula4x	GBP/USD

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"
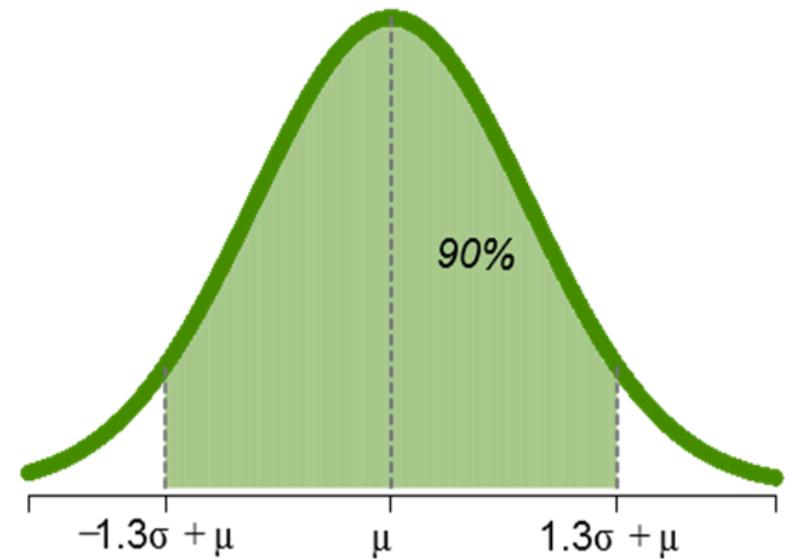
Graph 2: Probability Density Function for a Normal Distribution

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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