



DUKASCOPY
RESEARCH PRODUCTS

17/09/2013



Community Forecasts

SWFX Top 3 Currency Pairs

This week the number of forecasts received from Dukascopy community members hit a new record high, therefore Dukascopy Research Team wants to express its great gratitude to every trader that contributed to this analytic product.

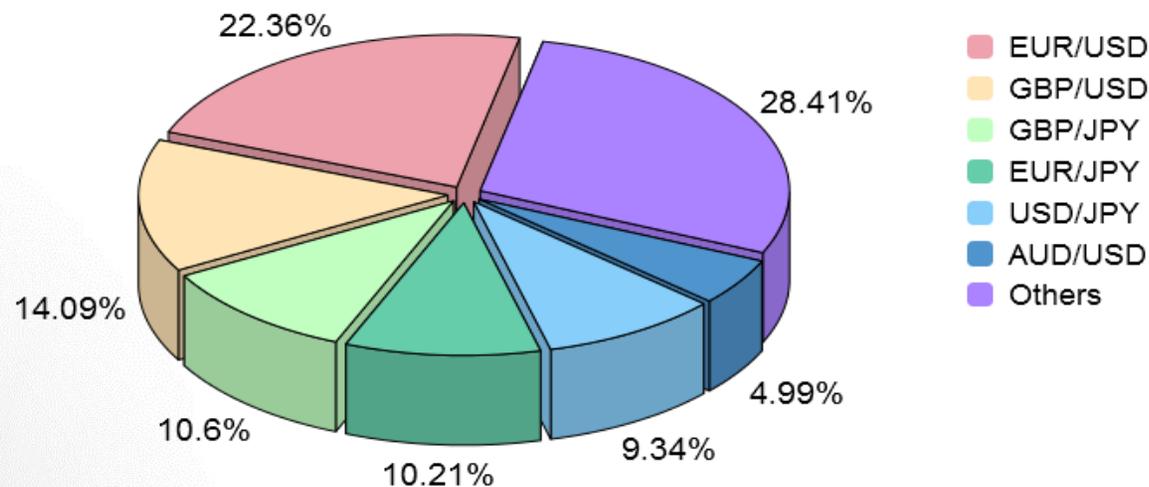
For the time period from September 9 till September 13, following currency pairs turned out to be the most popular ones: EUR/USD, GBP/USD and GBP/JPY. As usually, traders were asked to share their predictions on the pairs' closing prices for Friday, September 20.

Sentiment on all three most traded currency pairs appeared to be slightly bearish last week, as 56% of traders opened short positions on GBP/USD couple and GBP/JPY, suggesting traders are expecting GBP to loose ground against its major peers. At the same time, traders were less bearish on the EUR/USD pair, as 51% of all orders were placed to sell the couple.

| Instrument | Buy | Sell |
|------------|------|------|
| EUR/USD | 49 % | 51 % |
| GBP/USD | 44 % | 56 % |
| GBP/JPY | 44 % | 56 % |

In the meantime, Dukascopy Research Team congratulates last week's most successful Trader Contest Participants, especially trader **112233**, **AlexTrader** and **sw20**! We wish you all the best in your future trading!

Instruments



Last Week's Top Traders

| EUR/USD | | GBP/USD | | GBP/JPY | |
|-----------------|-------|-------------------|-------|------------------|--------|
| Nickname | PNL | Nickname | PNL | Nickname | PNL |
| 112233 | 93680 | AlexTrader | 64485 | sw20 | 119292 |
| tdurai84 | 48326 | limko | 33405 | truongftu | 79585 |
| wessed | 48310 | Ila | 31864 | Tom | 74276 |

*PNL- Profit & Loss in USD



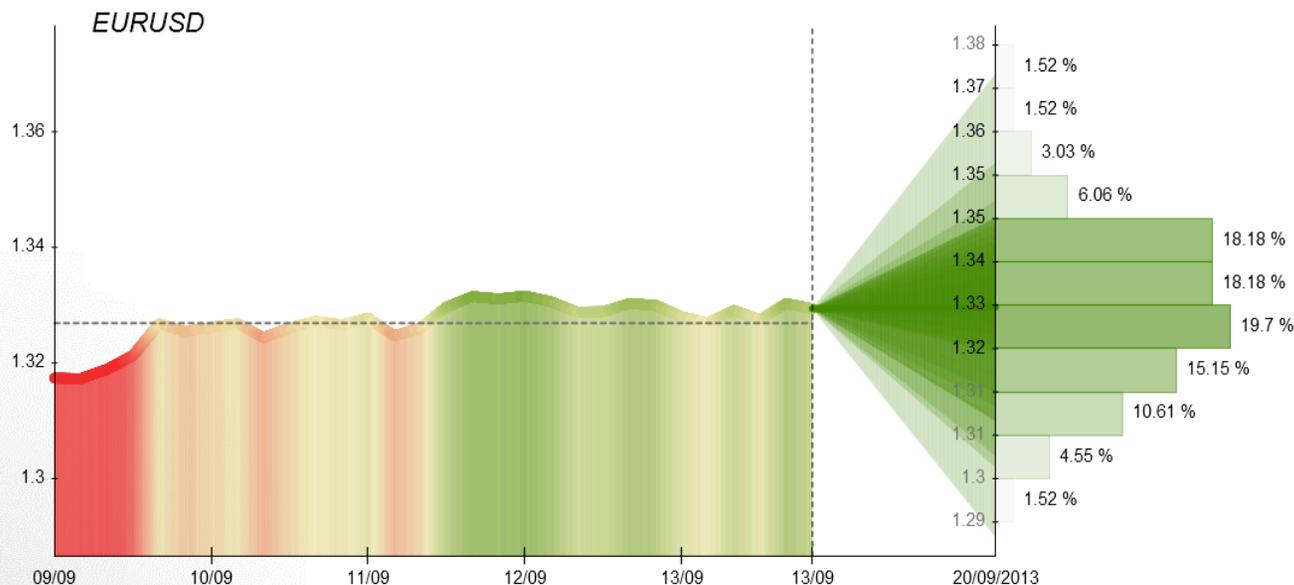
EUR/USD 1W Chart

The United States Dollar was traded lower against its major peers last week as market participants are adjusting their positions just ahead of the key Federal Reserve policy meeting. Since September 6, when the pair touched a low of 1.3104 on, the most traded currency pair has gained almost 2% and at the moment of writing the pair was traded at 1.3350.

According to Dukascopy traders the uptrend will persist this week, however, they do not expect the pair to be highly volatile, as the median forecast for this Friday stands at 1.3282. The price is slightly higher from the last week's closing price, however it is about 80 pips below the current market price.

Even though the majority of traders are expecting the pair to hover around 1.33, several traders are strongly bearish on the pair. And it was not a surprise as practically all respondents mentioned FOMC two-day meeting as the most crucial event for the future pair's development. Trader "Maksim_Chelnokov" expressed his view, by saying "QE3 volume will be reduced by 10-15 billion a month, and it will be a reason for the growth of the dollar against all currencies." The [latest polls](#) are supporting the case of an announcement of QE tapering, while some banks already said tapering is likely to be equally divided between mortgage-backed securities and treasuries.

In case the pair will go down, short traders can expect the pair to stop around 1.3294 first of all, as this level is represented by a support line of a channel up pattern, formed on a hourly chart.



AdamFx42 on EUR/USD



"Market shows 'Hanging Man' candle on daily chart, and this signals retracement, also the MACD has turned to the bearish side. On the hourly chart we see a double top, and the target of that bearish signal is around 1.3190 and this coincides with 50% retracement of the latest move up, so I believe that the Euro/Usd will hit that target in the coming week: High: 1.325 Low: 1.318."

Juandata on EUR/USD



"FOMC projections and Fed's statement are going to be crucial in order to support QE, and as market anticipates tapering (69% Reuters poll), there will be a strong movement. I think EUR/USD could fall from current levels to 1.3222, but if something extraordinary happens on Wednesday, the price could reach again August high 1.345."



GBP/USD 1W Chart

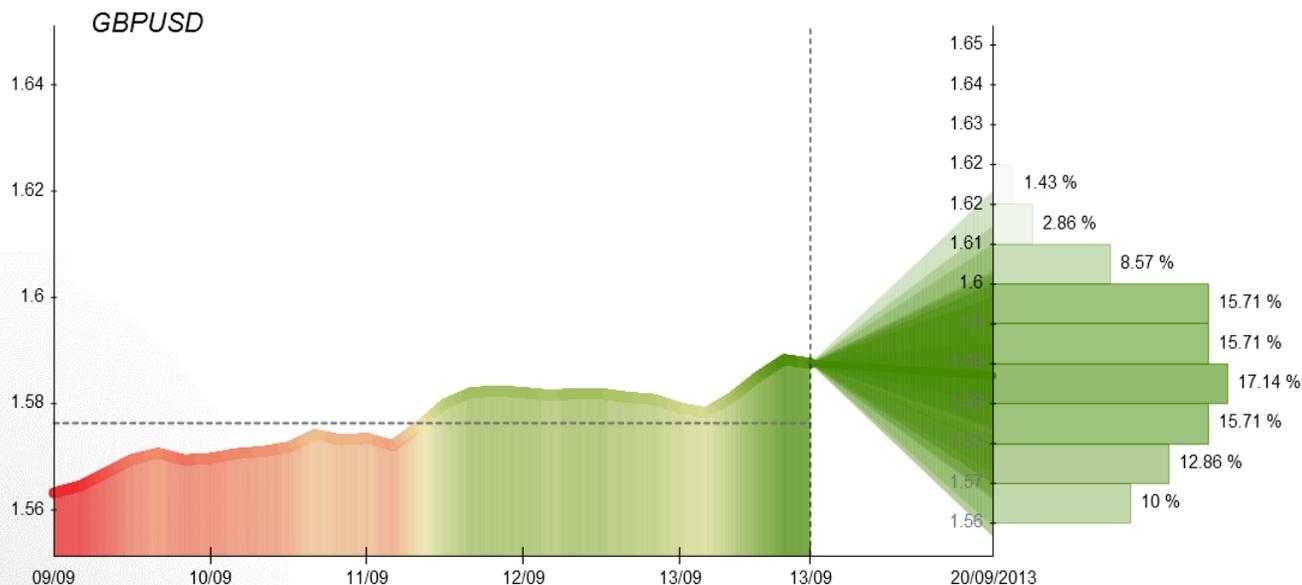
The Sterling hit the highest level in eight months against the Greenback last Friday at 1.5883 after a report showed that British construction output climbed significantly in July, fueling optimism over the U.K.'s economic outlook. The pair traded at 1.57633 on average last week.

This week the GBP/USD retained its accelerated uptrend and reached a new relative high at 1.59 level on September 16, yet easing back on Tuesday, as data showed consumer inflation in the U.K. was 2.7% in August compared to 2.8% in July. In addition, market professionals recently suggested exiting long positions, since the couple's bulls were showing weak positions.

At the moment of writing the pair was trading at 1.5902. Traders were mostly bearish on the pair, as the median forecast shows that the couple's average closing price on Friday would be 1.5827. Around 50% predict GBP/USD to close even below that level.

60% of all predictions on the pair were based purely on technical analysis, while 27% used fundamentals or combined them with technicals when analyzing the pair's movements.

According to Fundamental Analysis Contest, traders expect BOE's meeting minutes, also containing the interest rate vote, having a bullish impact on the pair, while 31% of voters still expect the Pound to go down after the minutes release. Traders seem to be fairly uncertain about the retail sales data effect on the couple, however, 53% see this event sending down the Sterling.



Delta_gamma on GBP/USD

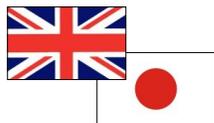


"From a fundamental point of view: Due to the improving economy and the expectation of the MPC voting to leave rates unchanged, I expect GBP/USD to reach 1.600-1.6100 but due to being largely overbought and a possible strong USD I don't think the rally will carry much steam this week."

Bruce on the GBP/USD:



"In the big picture, Sterling has been appreciating against other major currencies for two months and the GBP index just walked out the low territory which the GBP had been creeping for nearly two years. With the fundamentals approving in UK, GBPUSD continues its upward movement from 1.481 and the rise extends to as high as 1.599 as the momentum just accelerated this morning. Support would be located at the upward trend line on daily chart, as long as the trend line support holds, where the first support level would near 1.580. The uptrend could be expected to continue, and next target would be at 1.620 area."



GBP/JPY 1W Chart

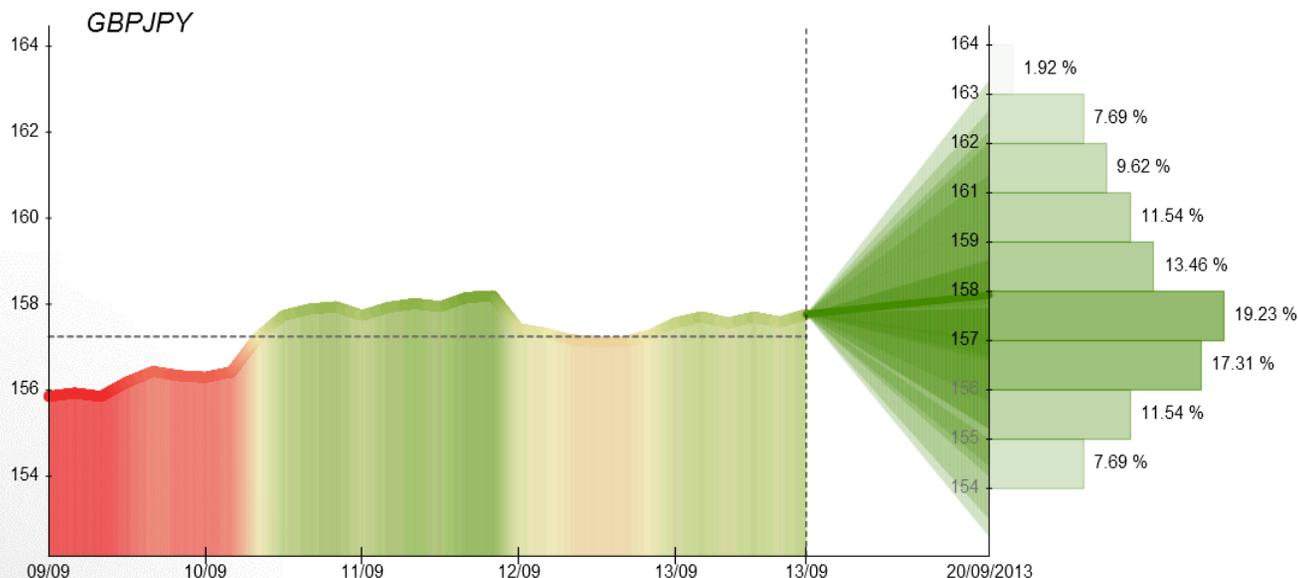
While the greenback is likely to regain some strength in the coming days supported by a Fed's Chairman announcement, the Japanese Yen is expected to continue depreciating against its major peers. During the last week GBP/JPY was traded around 157.24 and closed the week at 157.70, however bullish trend is likely to persist.

This idea is supported by the average forecast, made by Dukascopy traders, who claimed the pair should reach 157.80 by Friday, September 20.

Even though in the week ended September 13, only 56% were holding short positions, currently traders are selling the pair in 71% of the time. Moreover, the fact that GBP is sold in 75% of all cases in raising concerns bulls will be able to push the pair significantly higher.

Moreover, the pair is approaching the highest level since 2009, indicating that around 159 the pair will face some significant problems. Based on the technical analysis the pair is likely to move in 159 direction, however, later we could expect a retracement back to 156. According to trader "Fusion", major support lines are placed at Sept 10, Highs from May 2013 and after reaching SMA 150 the pair is expected to bounce back.

The latest performance of GBP can found in the last week's [market research](#), while speaking about the upcoming events, 66% of traders are expecting BoJ's Governor Kuroda's comments to provide a bullish impetus to the Japanese Yen, while 71% of traders are suggesting U.K. Public sector net borrowing data will push the GBP lower.



rokasltu on GBP/JPY:



"Pair is on the highs last seen many years ago. I think some rest is needed in order to climb further therefore I do not expect that 160 will be broken next week and predict that pair will get lower for some time."

Fusion on GBP/JPY:



"GBPJPY One week out look to Sept 18 close over 160. The current up trend will continue with correction happening at the moment reaching around 156.3 This is based on fibonacci retracement 50%, Support from Sept 10, Highs from May 2013 and a bounce off SMA 150. The huge 2009 psychological highs are there on Friday. The relative currency strength differences have narrowed down to pretty much zero by then... min_max range 160.01 - 163.2 (close 162.0)"

YOUR OPINION MATTERS

THE MOST SUCCESSFUL FORECAST MAKERS WILL BE OFFERED TO JOIN THE RESEARCH TEAM IN THE DUKASCOPY DAILY WEBINARS!

Week's 2.09 - 6.09 Most Precise Forecasts

| EUR/USD | | | | USD/CHF | | | | AUD/USD | | | |
|---|--------|-------|-------|--|-------|--------|-------|---|--------|-------|-------|
| Nickname | Min | Max | RMSD | Nickname | Min | Max | RMSD | Nickname | Min | Max | RMSD |
|  nuonrg | 1.3 | 1.325 | 0.014 |  ImranMughal99 | 0.936 | 0.9432 | 0.004 |  AdamFx42 | 0.9 | 0.92 | 0.013 |
|  ImranMughal99 | 1.3145 | 1.339 | 0.015 |  Daytrader | 0.928 | 0.945 | 0.009 |  NassauPrecepts | 0.8935 | 0.905 | 0.02 |
|  marius24 | 1.31 | 1.34 | 0.017 |  nuonrg | 0.93 | 0.9485 | 0.009 |  geula4x | 0.885 | 0.905 | 0.026 |

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

| | |
|---|-------------------------|
|  | Zorro145 |
|  | Fusion |
|  | rokasltu |
|  | Maksim_Chelnokov |
|  | webmaster33 |
|  | delta_gamma |
|  | GreyEmin |
|  | ivanbgd |
|  | sibinps |
|  | geula4x |
|  | Bruce |
|  | agddivisas |
|  | mimuspolyglottos |
|  | thescalper |
|  | christiangoni |
|  | Heynes6EU |
|  | prectical |
|  | mcquak |
| | AdamFX42 |
| | forexgrange |

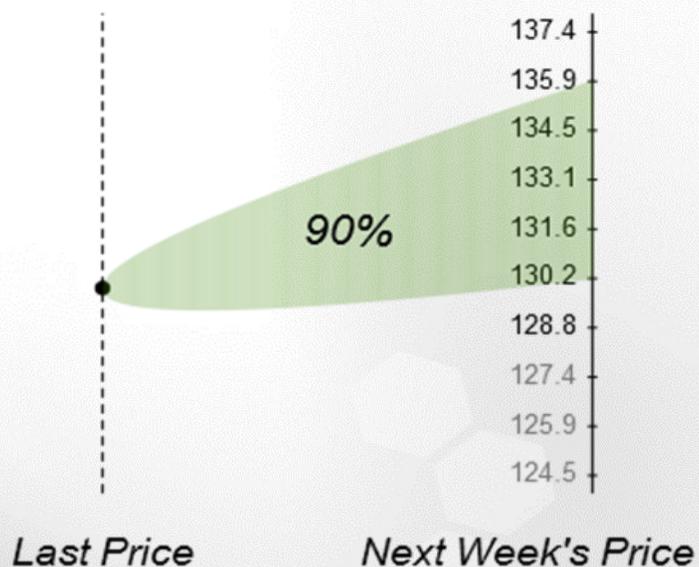


Fundamental Analysis Contest
Do you know how the price will react to the news? Submit your prediction for the price movement direction and win!

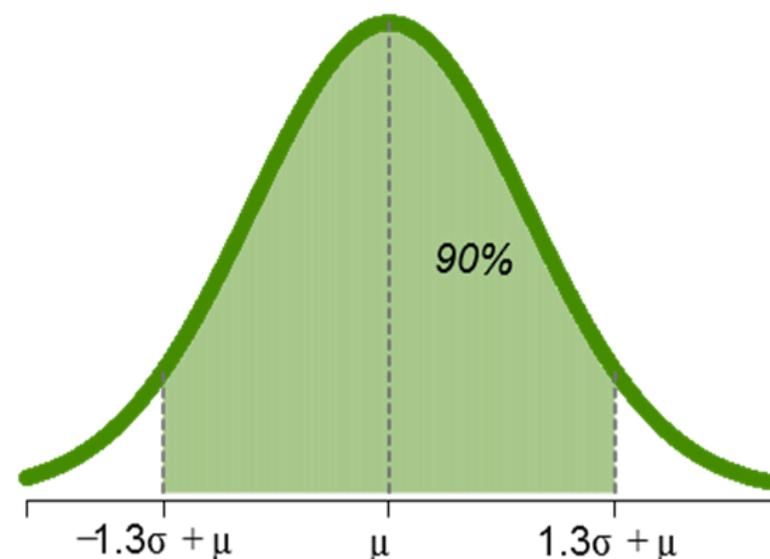
EXPLANATIONS

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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