



DUKASCOPY
RESEARCH PRODUCTS

22/10/2013



Community Forecasts

SWFX Top 3 Currency Pairs

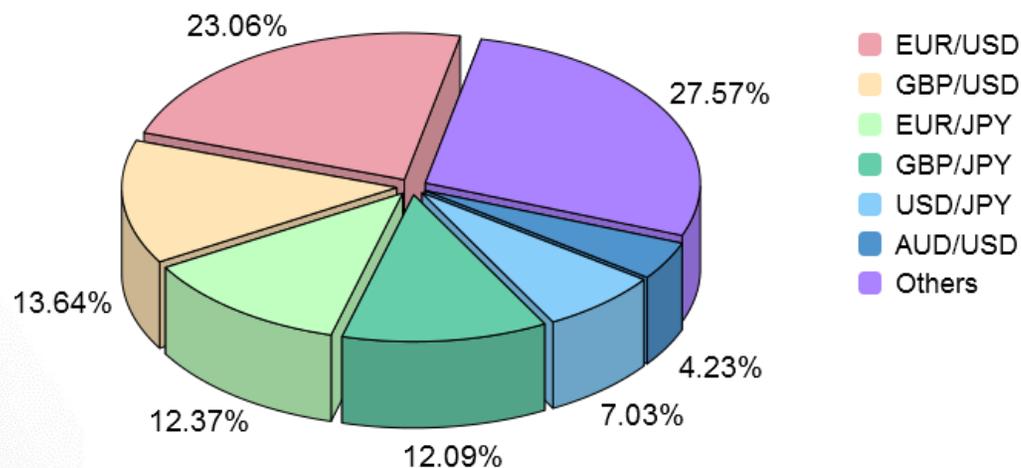
First and foremost, Dukascopy Research Team wants to express its great gratitude to all community members, who took part in developing this analytical product by giving their forecasts. We also want to congratulate those traders that showed the brightest performance in the last week's [Trader Contest](#), especially **issamfx**, **Skif** and **P22498**!

Last week (14-18.10) the most popular currency pairs appeared to be EUR/USD, GBP/USD and EUR/JPY, therefore, we chose to analyze exactly these three couples and asked traders to provide us with their predictions on the pairs' closing prices for Friday, October 25. Dukascopy Community members were asked to not only give the minimum and maximum values for the pairs, but also comment on their predictions to give us a broader insight in their weekly outlook.

The trading sentiment was rather neutral for the three currency pairs, as buys and sells were almost equally distributed, suggesting that our traders do not expect any major moves in the pairs. However, sentiment for the EUR/USD and EUR/JPY couples shows that the Euro is expected to slightly lose ground versus its peers.

Instrument	Buy	Sell
EUR/USD	49 %	51 %
GBP/USD	50 %	50 %
EUR/JPY	47 %	53 %

Instruments



Last Week's Top Traders

GBP/USD		EUR/JPY		EUR/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
issamfx	94385	Skif	96054	P22498	64865
northernwave	83417	mucha89	91042	constantin	51782
keeong	65095	Redstar	90279	fujisan	49214

*PNL- Profit & Loss in USD



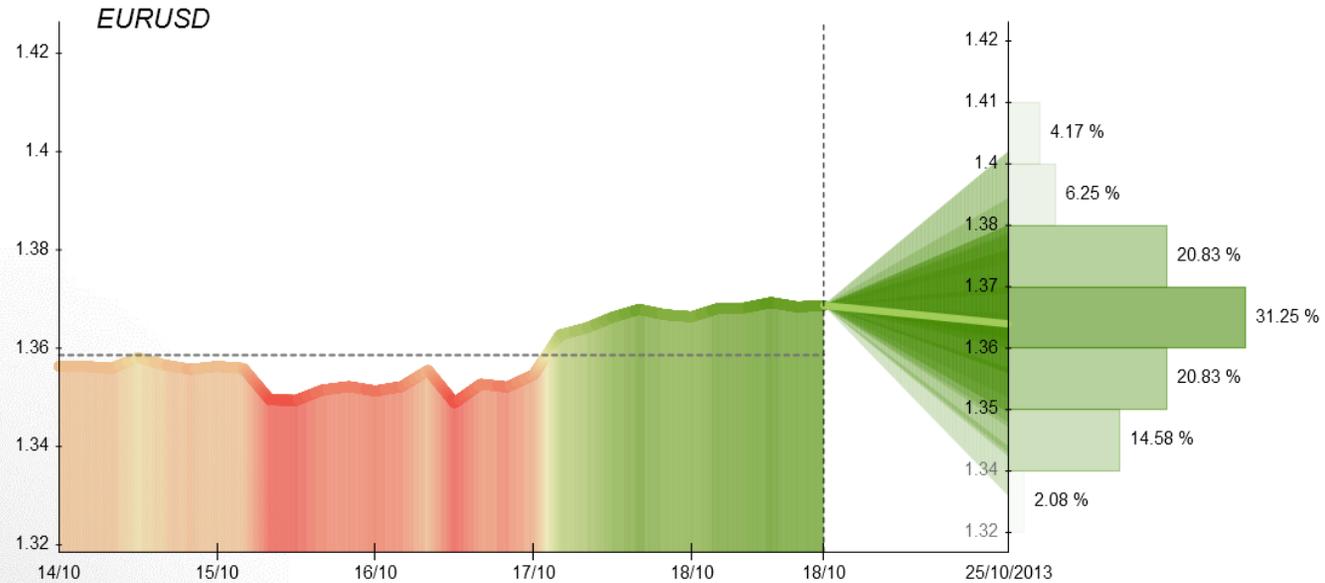
EUR/USD 1W Chart

After hitting 1.3703 on October 18, EUR/USD has began a period of consolidation and since than it has been fluctuating in a 50 pips range. At the moment of writing the pair was trading at 1.367, highly above the last week's average price of 1.358.

The pair was strongly bullish last week, and amid concerns over a budget deal in the United States, the single currency advanced 230 pips. However, many traders and analysts believe the pair is overbought already and a retracement is needed before resuming the rally. This fact is supported by almost equal distribution of bullish and bearish votes among traders. Meanwhile, 61% of all opened positions are short, while single currency is sold in 59% of all cases. The median forecast for this Friday, October 25, stands at 1.3649.

From the technical perspective the pair is facing a very strong resistance line at recent high, while this level is also represented by a resistance line of a [rising wedge](#) pattern. Meanwhile, technical indicators also support the idea the pair will consolidate for some time and after breaching 1.37 it could head towards 1.40. From the downside, bears are facing two strong support levels at 1.3653 (Daily S1; Bollinger Band) and 1.3619 (Weekly Pivot, Daily S3). However, according to Bruce, the pair may deep even lower during the week: "I expect some retracement and consolidation to take place for EUR/USD, and it may close at the 1.355 level this week."

Additionally, [jobless claims](#), [news home sales](#) and [durable goods orders](#) reports could provide some additional volatility.



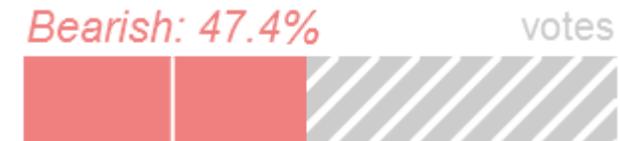
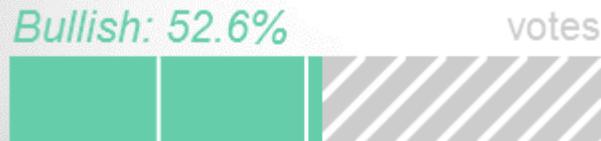
Drishti on EUR/USD

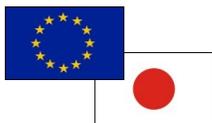
"Pair has risen to its 1.37 week high price and can be seen as strong resistance at 1.3710. However, initial bias is still on upside and break of 1.3710 will have larger bullish impact on pair. Before that, we'd remain cautious on reversal from current level."



Panzer on EUR/USD

"We have a rising trend line, if violations of the trend lines we can expect further weakening of the euro in the short term. But still we have good sign for the further strengthening of the Euro medium Term."

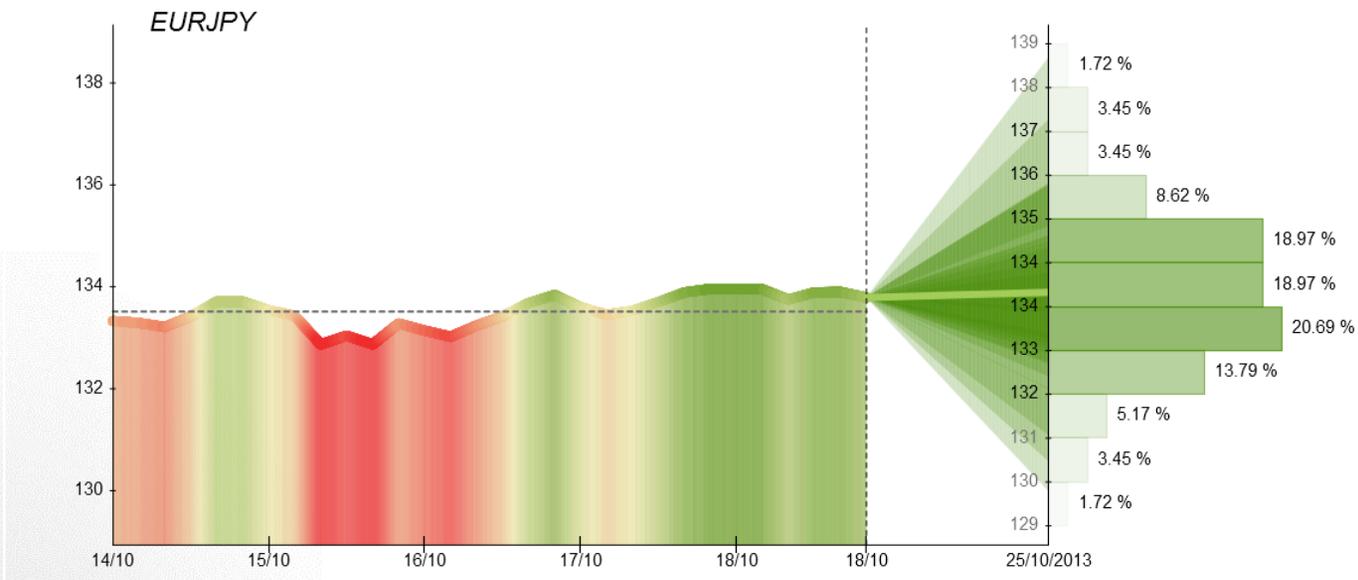




EUR/JPY 1W Chart

The EUR/JPY cross was performing relatively calmly, without any dramatic spikes or dips, gaining as much as 0.55% last week and closing at 134.014 at the end of five-day trading session. The pair continued to climb as the week begins, since traders look for more risk assets and data from the Eurozone has been fairly quiet for the last few weeks, reinforcing the view that the Euro bloc is under control. Community members expect the uptrend to continue throughout the week, with 61.1% of participants expressing bullish sentiment. According to drishti, "Pair rebounded from its trend-line last week and further rise to 134.94 is expected this week and possibly above. Until price does not fall below 132.10, it is likely to be in uptrend." Market participants could attribute this uptrend movement to a couple of drivers including the recent economic data that weighed heavily on the Yen. Japan reported a [trade deficit](#) for the 15th straight month. Moreover, a closely watched Japan's [CPI](#) is due to be released this Thursday, while it is expected that the Euro might find a solid boost from the fundamentals ahead of this week, as, Eurozone PMI and [German Ifo Business Climate](#) are going to be published this week. The cross is seen to close the five-day trading session at 133.89.

EUR/JPY was trading in a [rising wedge pattern](#) since the beginning of October. The pattern has been broken; however, due to the fact the Euro seems to be overbought, we might suggest the pair may deep into pattern's boundaries once again and we will see a period consolidation around the current levels.



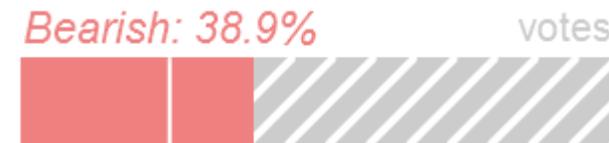
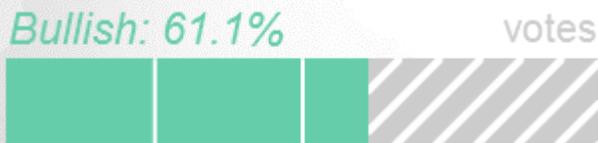
Dragon1 on EUR/JPY

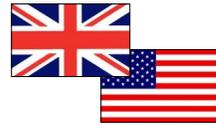
"Since the breakout to the new high about a month ago, it has experienced a successful pullback test, and bounced off from the daily 50 moving average. Currently it is completing a bull flag, readying itself for the target of 135 which should be achieved in the next few days."



Bruce on EUR/JPY

"For EUR/JPY, I still think the diminishing momentum and consolidation will go on. A little retracement will drag the pair to a little lower area, as there seems to be so many resistances ahead."



 **GBP/USD 1W Chart**

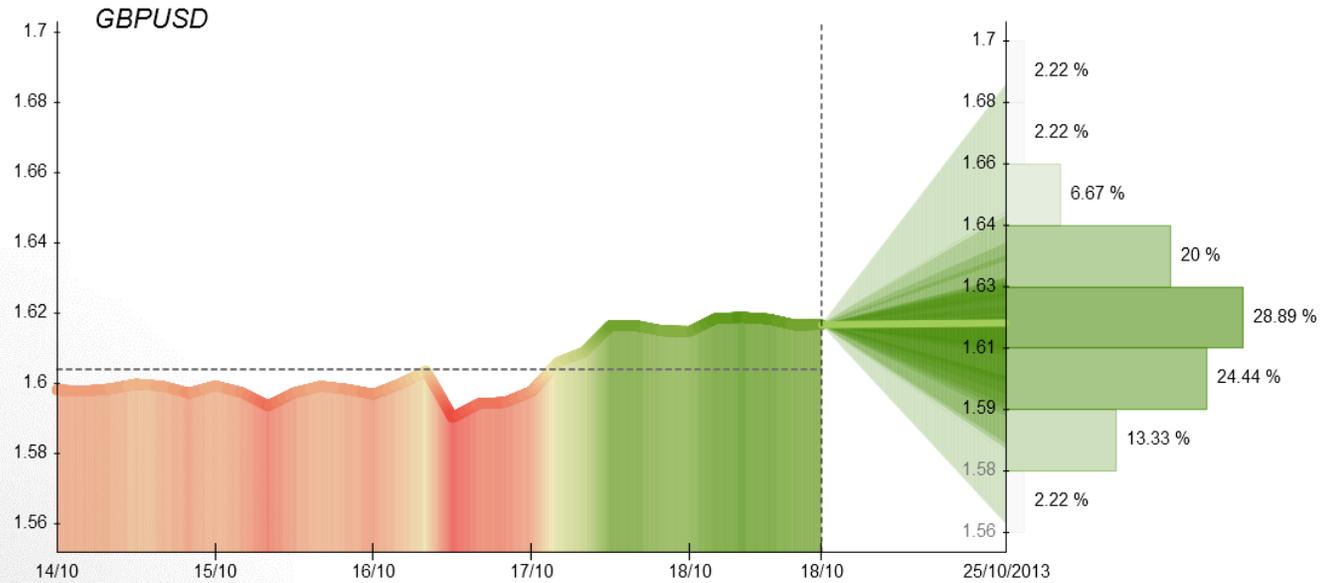
Last week the Pound mostly strengthened against the Dollar on rising optimism that the Fed would postpone tapering stimulus programme in spite of the U.S. government partial shutdown. The GBP/USD currency pair added 1.2% over the week and closed at 1.6165 on Friday after hitting 1.6224 earlier in the session.

According to our weekly survey, Dukascopy Community members are rather bullish (61.1%), expecting the pair to trade up from its current level and reach 1.61719 on Friday, October 25. The traders' predictions on the couple's closing price for this week were well above the last week's average price of 1.6039. The market analysts also share a bullish view on the pair, saying GBP/USD will retain its bull trend and reach new highs at October 1, January and even April (2011) levels.

At the moment of writing, technical indicators on mid-term pointed at the pair's depreciation, whereas five out of eight indicators (MACD, ADX, AROON, Alligator and SAR) on long-term suggested the pair's appreciation.

When looking at fundamentals, "Panzer" referred to possible deal in raising the U.S. debt ceiling that would imply a short-term decline in the GBP/USD currency pair, while traders who favour technical analysis used such indicators as SMA 100 on the 4H chart, as well as support and resistance levels.

Among important fundamental news, [Fundamental Analysis](#) participants see [BoE Minutes](#) to be released on Wednesday at 8:30 GMT and [British GDP data](#) due on Friday both having a bullish impact on the currency pair.



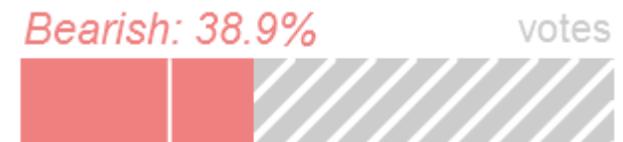
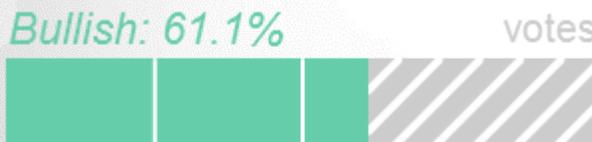
Skif on GBP/USD

"The level of 1.60 is a significant level of balance for the market for already more than 4 years. The couple could not take down the level of 1.60. This is a very strong bullish signal."



Bruce on GBP/USD

"Forming some kind of top pattern of GBP/USD is possible in the short-term. Still, there is no good reason for GBP/USD to go even higher as I think. So some hesitation for this pair may still continue while GBP/USD may move in the 1.59-1.63 comfortable area."



YOUR OPINION MATTERS

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

Week's 14.1 - 18.1 Most Precise Forecasts

EUR/USD				EUR/JPY				GBP/USD			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 Awais	1.366	1.37	0.002	 forexresearcher1955	133.638	133.77	0.108	 Eco	1.6132	1.6132	0.004
 Eco	1.3684	1.3719	0.002	 al_dcdemo	133	134	0.578	 webmaster33	1.625	1.63	0.011
 webmaster33	1.37	1.38	0.008	 Eco	132.51	133.9	0.908	 keeong	1.6	1.6042	0.015

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

-  **bruce**
-  **cocciolla**
-  **Contantin**
-  **dragon1**
-  **drishti**
-  **geula4x**
-  **Haynes6EU**
-  **HelgaPehkel**
-  **ilonalt**
-  **juandata**
-  **keeong**
-  **LinuxFX**
-  **luctinu**
-  **mimuspolyglottos**
-  **Panzer**
-  **Redstar**
-  **sharpense**
-  **Skif**
-  **Tommaso**
-  **vancho**



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

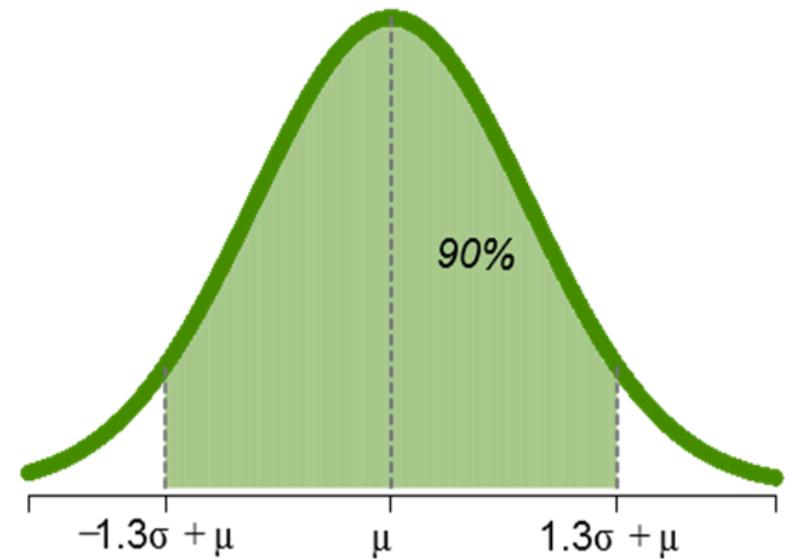
EXPLANATIONS

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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