



DUKASCOPY
RESEARCH PRODUCTS

29/10/2013



Community Forecasts

SWFX Top 3 Currency Pairs

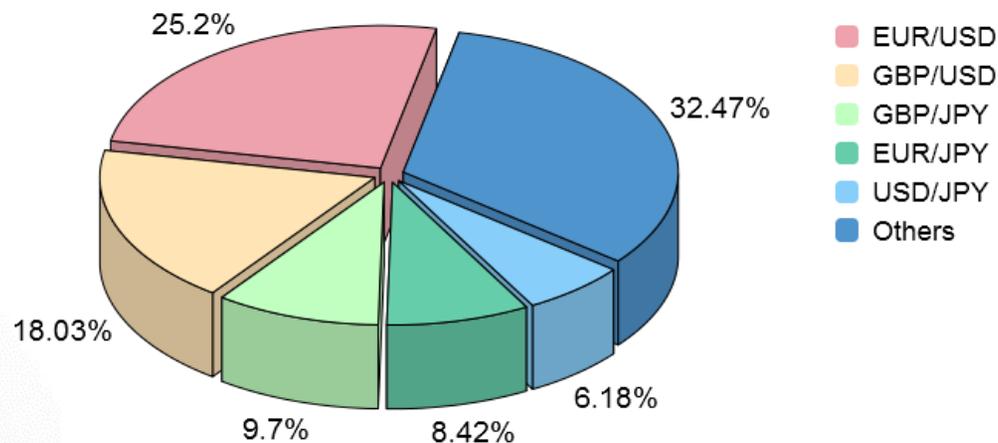
This week Dukascopy Research team and Community members are looking at EUR/USD and GBP/USD, which accounted for almost 33% and 25% of trading volume during the last five trading days, respectively, whereas GBP/JPY overtook EUR/JPY and became the third popular currency pair among traders.

As usual Dukascopy Research team contacted traders to find out their one-week outlook for the respective pairs. Participants were asked in what range they see a pair to close the week ended November 1, as well as share their sentiment—either bullish or bearish, and write a short comment supporting their view. Research team would like to express gratitude to all participants, without whom this research would not be possible; as well as to congratulate all last week’s top traders, who showed spectacular performance.

According to market sentiment it appeared that market participants are rather bearish on all currency pairs, particularly on the cable, which vast majority of traders (62%) prefer to sell. The most traded currency pair EUR/USD also enjoyed bearish sentiment, with 62% bears outweighing 40% of bulls.

Instrument	Buy	Sell
EUR/USD	40 %	60 %
GBP/USD	38 %	62 %
GBP/JPY	47 %	53 %

Instruments



Last Week's Top Traders

EUR/USD		GBP/USD		GBP/JPY	
Nickname	PNL	Nickname	PNL	Nickname	PNL
112233	60660	Gereltod	64964	plumbatarii	73737
bookie88dotcom	49805	ptcdirectory	51770	vancho	53889
NagarajaAdiga	42314	Ek0	49210	gctrad	45958

*PNL- Profit & Loss in USD



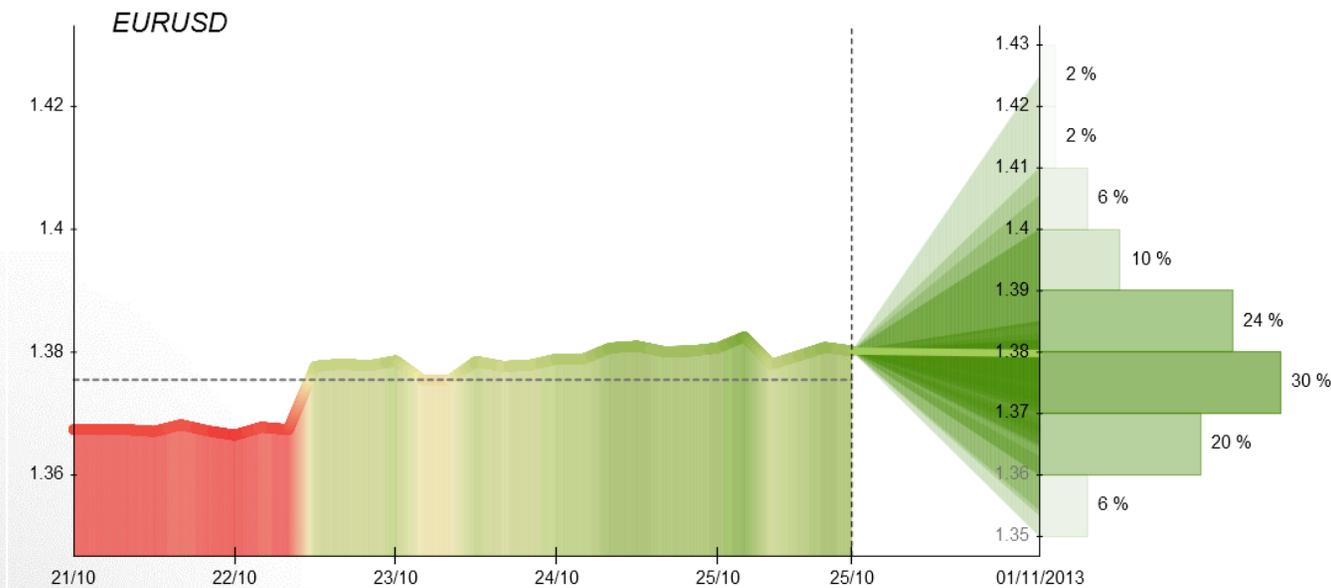
EUR/USD 1W Chart

There were plenty of economic events with high importance last week that all had significant impact on financial markets; however, markets were highly volatile on Tuesday and Wednesday, when U.S. statistical office unveiled highly anticipated jobless rate and payrolls, while a day later China's money rates shot up as the People's Bank of China withdrew cash from the financial system. EUR/USD surged almost 130 pips on Tuesday, while on Friday it hit the highest since November 2009.

Markets are currently focusing on a two-day Federal Reserve meeting, where Ben Bernanke may provide any dovish or hawkish comments, adding more volatility. However, taking into account latest government shutdown, the Fed is likely not to make any adjustments to its QE until March. "I think that movements during next week will not be big and EUR/USD rate will gradually go down," said Rokasltu. Despite strong bearish sentiment and bearish outlook (1.3798– consensus forecast), the pair is likely to stay above 1.371, which provides strong support for the pair.

Despite the fact many believe the pair is overbought already, a significant part of traders (40%) expect a continuation of the uptrend. "This materially alters the previously perceived view and could allow for a broader move towards 1.40 level," said Bruce.

Outlook for the pair is slightly bearish, and even though the average forecast goes for 1.3798, this is still higher than the last week's average price of 1.3755.



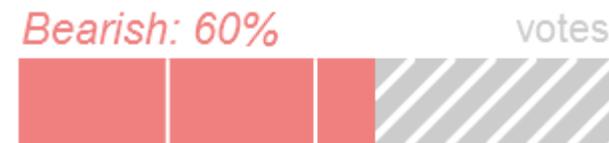
geula4x on EUR/USD

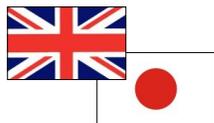
"EUR/USD broke above 1.3711, Feb. 1 high, after NFP came out surprisingly better than expected. I anticipate more upside momentum this week. Support lies around 1.3700 area, as this previous resistance is likely to hold as support on any pullback lower. Bulls are now ready to test 1.4000. This area was support between May and July 2011 and is the next psychological level."



drishti on EUR/USD

"Pair rose to a new high last week; however, momentum got lost and now consolidating in between 50 pips range. Initial bias is sideways for few days; nevertheless, trading below 1.38 level will exhaust uptrend and it would be seen as a reversal."





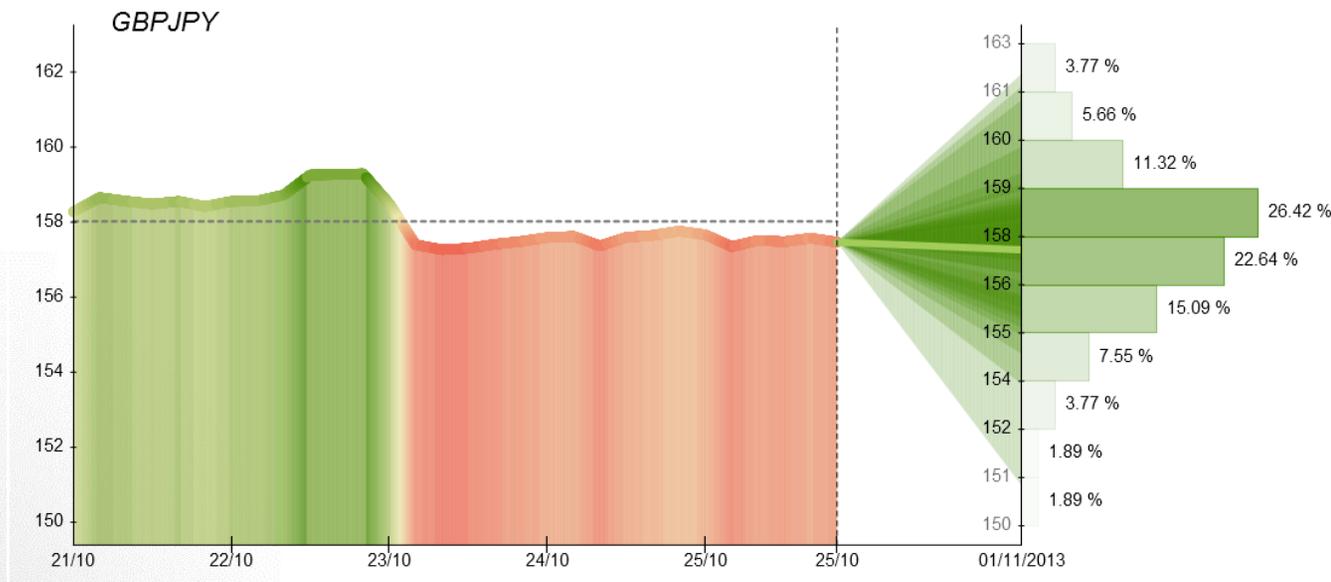
GBP/JPY 1W Chart

While EUR/USD is reaching important highs and is not trading in boundaries of any pattern, GBP/JPY is still fluctuating between support and resistance lines of a [channel up](#) pattern, formed on July 24. After reaching 159.53 on October 22, the pair plunged to 156.87, where it is currently trading. This level is represented by pattern's support, and in case this level and 156.63 are breached, the pair can dip even to 155.42.

At the moment of writing the pair was hovering around 157.44, just slightly above the average price, expected by Dukascopy traders by this Friday, November 1– 157.26. The pair is likely to remain rather calm, as market sentiment among respondents is distributed equally. Furthermore, just 56% of traders are holding short positions, the fact which also suggests low volatility.

“I think this pair is in consolidation. There is no strength to break the psychological 160 level so the bears are taking force. The down move is also very hard right now but I think it will try to reach 156 or even 155,” said Megajorko. The pair is currently bounded by a 200-bar SMA (4H chart) and pattern's support in a 60 pips range, hence a move above or below this level will make the pair more volatile.

From the fundamental prospective, BoJ meeting on October 31 is likely to shake the Yen, as policy makers may upgrade its growth outlook on the back of positive data. Meanwhile, on Friday, Markit is publishing U.K. [manufacturing data](#), which is expected to push the Pound higher.



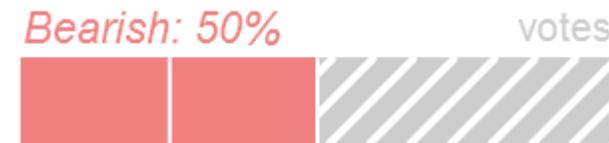
jezz on EUR/JPY

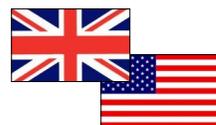
“The pair has recently reached its 4-year maximum, testing the 159 - 160 line. The price will test the 157.00 limit, but I believe there will be a slightly bullish trend next week. Overall, this is based more on personal view and technical analysis. However, I think we should watch for a reversal towards 155.00 point.”



SpecialFX on EUR/JPY

“After failing to break above the important 160 resistance for a few times since September, and more or less forming a triple top, I am bearish for this week. Main resistance will be Monday's high at 158.30 and support at 157.00 and then 156.65.”



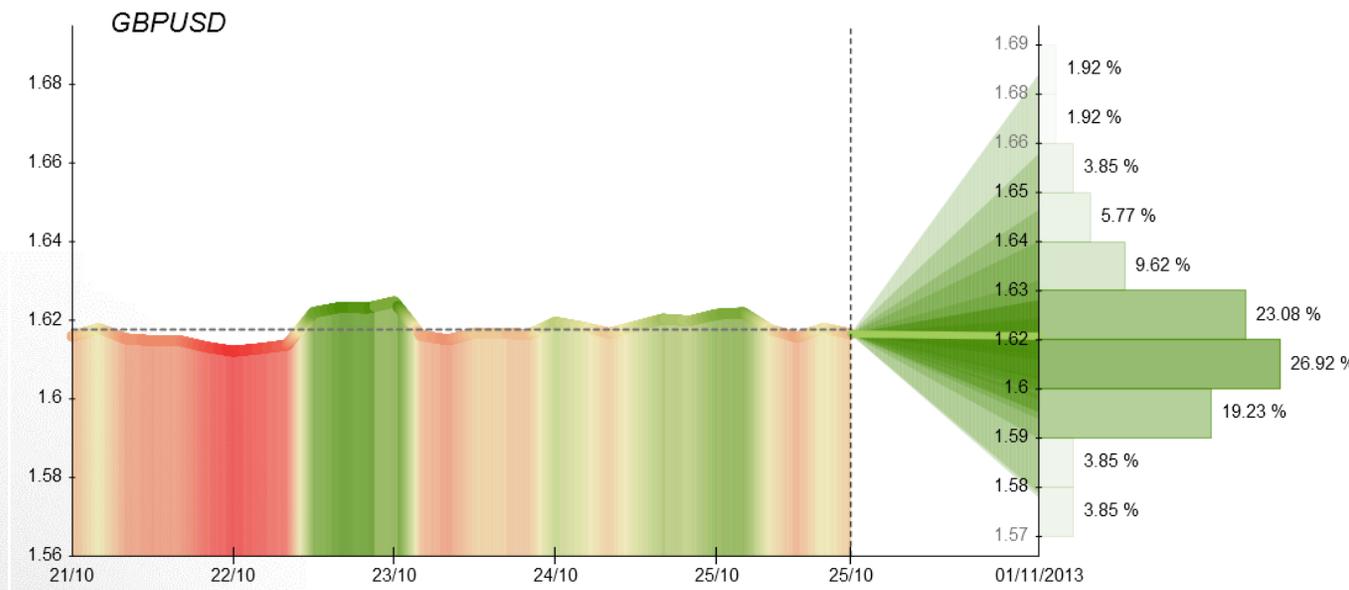


GBP/USD 1W Chart

Even though the last five trading days were marked with significant news for the foreign exchange market as a whole and for the Sterling in particular, the Great Britain Pound proved to be the most stable among all of the major currencies, as the cable closed the week at 1.6171, gaining just 0.01%. This week's highlight is Manufacturing PMI.

Vast majority of Community members (61.1%) see the cable to follow a downtrend throughout this week. According to rokasltu, "Despite the fact that surprise data for the Pound seems come to end, the Sterling is still quite strong. I think correction of the currency in majority of pairs will occur during next week. As concerns GBP/USD pair, I think the U.S. Dollar will hold during next week, thus the Pound correction will prevail." On the contrary, foewenpo believes that: "GBP/USD has been in consolidation and ranging for a week. Waiting for the investor confidence to test the top resistance and will try to break higher. If this 1.6250 is broken then further strong bullish will continue; otherwise this pair will be in a range between 1.6150 - 1.6250 and still no sign for a bearish sentiment for GBP/USD."

A range of 1.59-1.63 was mentioned by around 50% of forecasters as a possible trend, where the currency pair might close the five-day trading session, while average weekly forecast is estimated to be 1.6176.



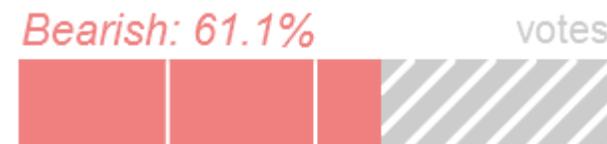
forexgrange on GBP/USD

"The pair presents a well defined uptrend situation. But, from long term to short term we have possible U-Turn to downtrend condition and indicators are mostly overbought. We keep the long positions as first scenario the objectives will be 1.6475- 1.6623 - 1.6742. Caution because the market price is reaching some important massive resistance on weekly and monthly chart. "



megajorko on GBP/USD

"We have reached the point of possible reversal in GBPUSD. For the last 4 years this pair is playing sideways (with a big amplitude), and I think this will continue if only a default in the USA happens, than it will be over. GBPUSD will try maybe to reach 1.63 but not more. Also the DXY is at its minimum so again reversal is more likely."



YOUR OPINION MATTERS

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Week's 21.1 - 25.1 Most Precise Forecasts

EUR/USD				EUR/JPY				GBP/USD			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 mimuspolyglottos	1.3775	1.383	0.003	 juandata	133.83	134.76	0.493	 juandata	1.6093	1.622	0.006
 keeong	1.3712	1.3835	0.007	 RedStaR	134	135	0.502	 Tommaso	1.624	1.628	0.01
 Haynes6EU	1.362	1.385	0.013	 drishti	133.5	135	0.779	 mimuspolyglottos	1.625	1.6285	0.01

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	bruce
	drishti
	foewenpo
	forexgrange
	FX_DLG
	Gereltod
	geula4x
	GreyEmin
	hender_11
	ilonalt
	jezz
	kudryaviy
	Maksim_Chelnokov
	megajorko
	ranniere
	rivan
	rokasltu
	SpecialFX
	TheDarkMatter
	zumba



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.

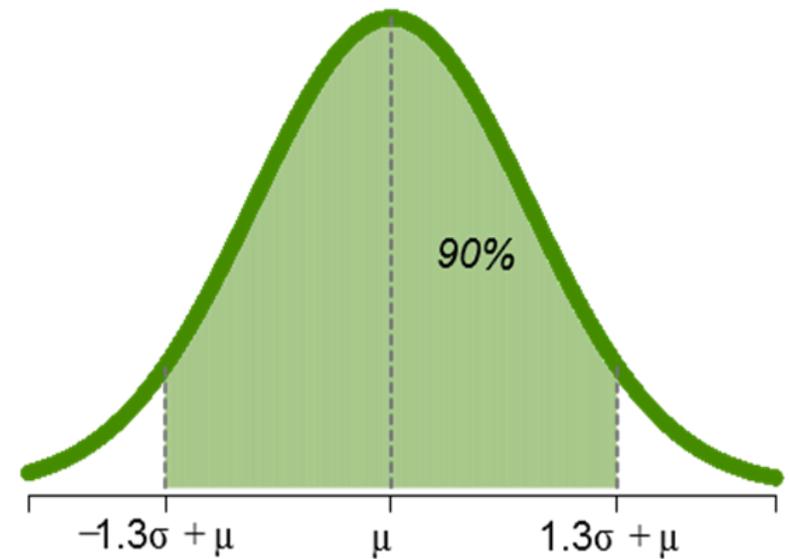
Under the assumption that currency pair logarithmic returns are normally distributed with mean μ and standard deviation σ as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values can be then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



Graph 1: Confidence interval used for "Community Forecasts"

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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