



DUKASCOPY
RESEARCH PRODUCTS

05/11/2013



Community Forecasts

SWFX Top 3 Currency Pairs

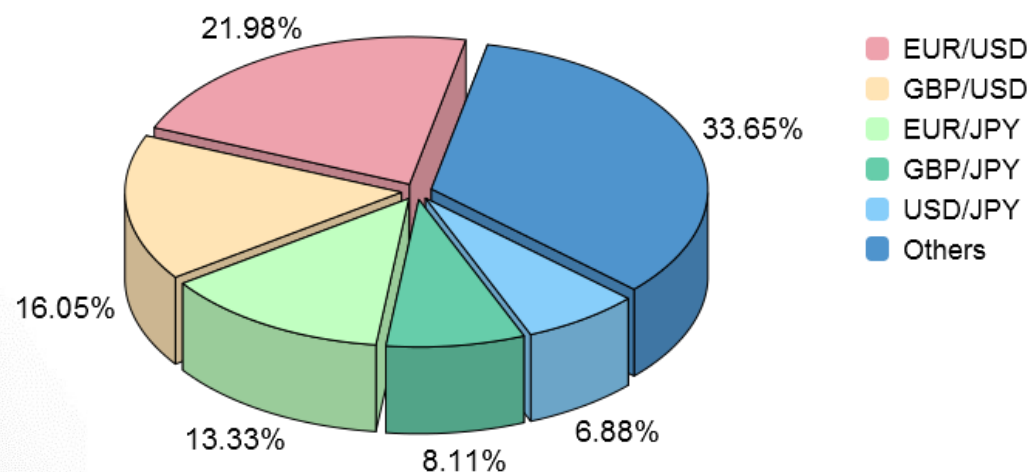
Compared to the previous week, the trading volume of EUR/USD and GBP/USD declined somewhat, while the EUR/JPY pair's popularity among traders increased by almost 5%. However, just like last week market sentiment sends "sell" signal for all the pairs, particularly for EUR/USD, as the Eurozone common currency continues falling from its multi-year peak of 1.38 to three-week low as investors eye ECB policy announcement on Thursday, 7 November, given the weakness in recent economic data coming out from Eurozone, particularly the low inflation rate.

During the previous week 19 Dukascopy Community Members were asked to provide their one-week outlook for three most traded currency pairs for Friday, November 8, as well as their sentiment—either bullish or bearish. On the basis of given price predictions, charts were constructed, depicting the average close price for a currency pair as well a percentage of people expecting a particular price range.

Last week the most precise projections were provided by ilonalt, jezz and kudryaviy. Dukascopy Research team congratulates the most accurate forecasters as well as last week's top traders. Additionally, we would like to express our gratitude to all participants of Community Forecasts!

Instrument	Buy	Sell
EUR/USD	37 %	63 %
GBP/USD	39 %	61 %
EUR/JPY	48 %	52 %

Instruments

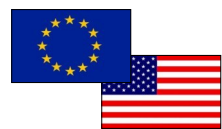


Last Week's Top Traders

GBP/USD		EUR/JPY		EUR/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
Arelay	87337	LfxPro	75712	MGLtamiraa	79575
Atka	48310	mcquak	46920	Arelay	73915
Tertulian	47445	mrlfx	39612	rocco5567	63090

*PNL- Profit & Loss in USD

Tuesday, November 05, 2013
16:30 GMT



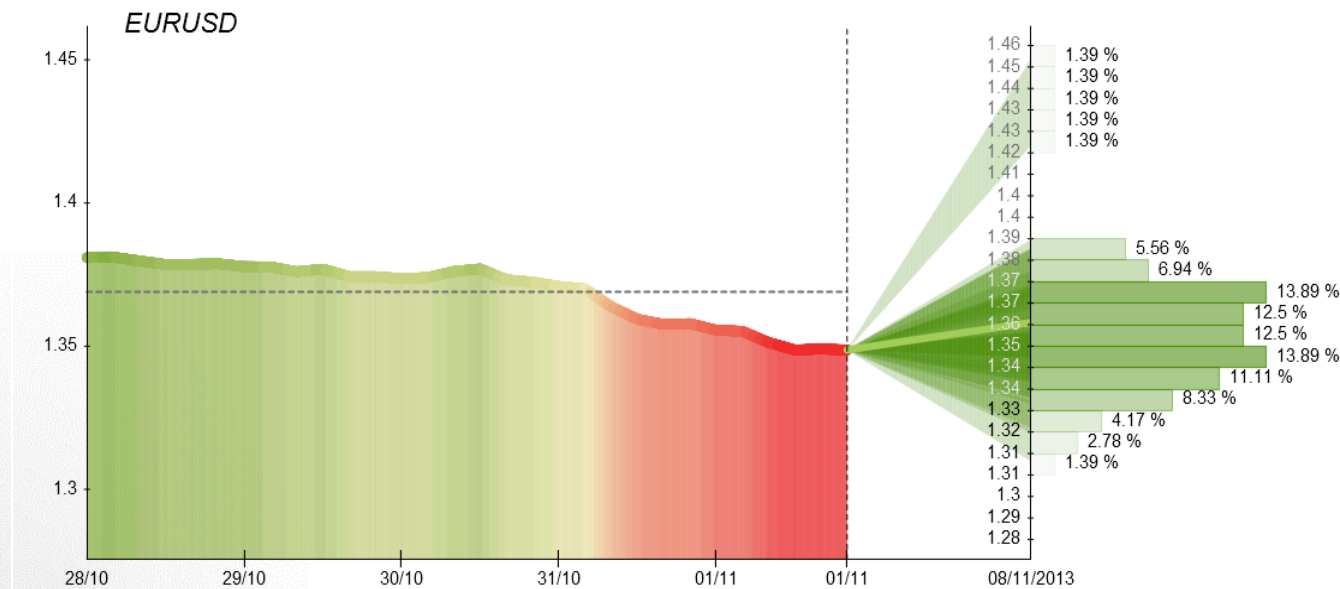
EUR/USD 1W Chart

After hitting fresh multi-year highs the week before, the common currency came under significant pressure following lackluster inflation data and a record high unemployment result. The Euro lost 2.3 percent versus the U.S. Dollar last week as a report showed the Eurozone's annual inflation rate unexpectedly declined to 0.7 percent in October, the least since November 2009. The EUR/USD currency pair closed at 1.3492, compared to 1.3479, the lowest level recorded last week.

This week EUR/USD is expected to rebound from the current level and reach 1.3582 by the end of the week, according to the average traders' forecast. Market participants eye ECB press conference this Thursday as a rate decision will be announced. As rokasltu wrote: "In my opinion the Euro will be weighted on perception that ECB could cut interest rates. If it will not happen perception will stay that it could occur in the next meeting". According to [Fundamental Analysis Contest](#), traders appeared to be divided as to whether the ECB will cut interest rate or stay pat; however, 53% believe that it will have a bearish impact on the pair.

Moreover, the Euro appears to be overpriced right now, thus hurting European exporters, garong says. Therefore, France might urge the European Central Bank to lower Euro rates. Bruce supposes that: "...with the high euro price and low euro area growth rate, the depreciation of euro which has been going on since last week is expected somehow."

In the long-term, the Euro is projected to moving below 1.30 during 2014, according to jipper; thus, over the last quarter of 2013, the pair is seen to approach this level.



Boogs_7702 on EUR/USD

"Last week EUR/USD took a major hit to the downside and this week with the ECB rate decision on Thursday (which is more than likely to remain 0.500%) more downside seems minimal. We need to see profit taking and another catalyst."



Geula4x on EUR/USD

"EUR/USD has moved significantly lower last week. Euro zone news came out very weak, including a rise in unemployment (12.2%) and much lower CPI (0.7%). The US FOMC statement didn't help either. I expect the bearish momentum to continue this week."

Bullish: 50%

votes

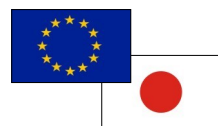


Bearish: 50%

votes



Tuesday, November 05, 2013
16:30 GMT



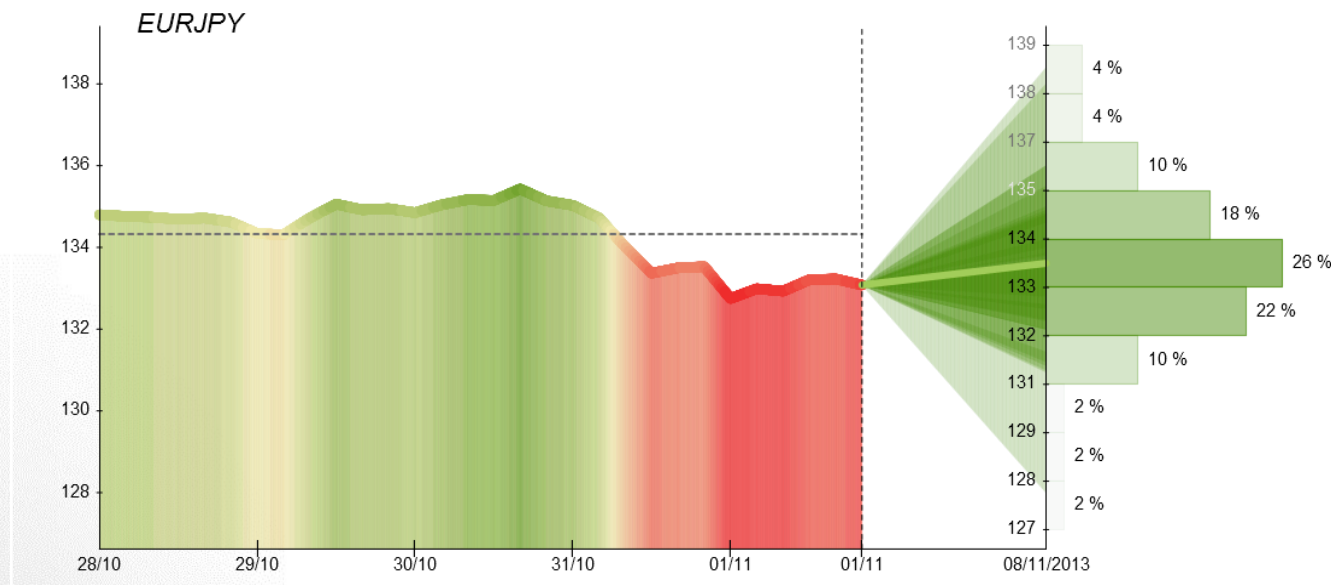
EUR/JPY 1W Chart

Though EUR/JPY has also been strongly bearish since October 27, and lost more than 270 pips, the pair is still moving in boundaries of a rising wedge pattern, which is usually formed in upward trends. Despite strong support at 132.75, a dip below this level would put 130.89 on the map.

Following a strong movement to the south last week, traders believe the pair would be able to recover during the next couple of days, as the median forecast for Friday, November 8, stands at 133.61. However, this is still significantly lower than the last week's average price of 134.33.

It seems that this week market would be dominated by fundamental data all over the world, as policy makers are gathering to assess previous adjustments and, perhaps, made new shifts in monetary policy. Despite a strong bullish signal from our traders, market sentiment remains not clearly marked. Hence, 55% of opened positions were long, while just 41.1% of respondents are supporting the case for appreciation.

Moreover, there is a bunch of crucial events later this week, which would directly affect the Euro and the Yen. While [BoJ meeting](#) is not expected to provide any surprises or bold statements, except for Kuroda's pledge to achieve a 2% inflation as planned, dovish or hawkish comments from the [ECB President Mario Draghi](#), are likely to add some liquidity into markets. The ECB is expected not to make any adjustments to its interest rate; however, Draghi could announce [other measures](#) to stimulate the economy.



Sheva on EUR/JPY

"The long-term (monthly) outlook for the Euro- bullish, and with the Euro being all right (so said M. Draghi), the Yen also begins to strengthen, it is possible to expect the upward movement after a small correction."



Drishti on EUR/JPY

"Pair rose to 135.50 level resistance last week but failed to break resistance and declined sharply. However, pair stayed at its trend-line and support of 132.50. Initial bias is downside and it is possible that pair will break its trend-line, because two times pair rose to 135 level but could not break through, so it is an early sign of reversal of uptrend."

Bullish: 41.2%

votes

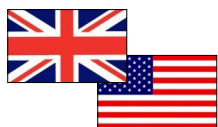


Bearish: 58.8%

votes



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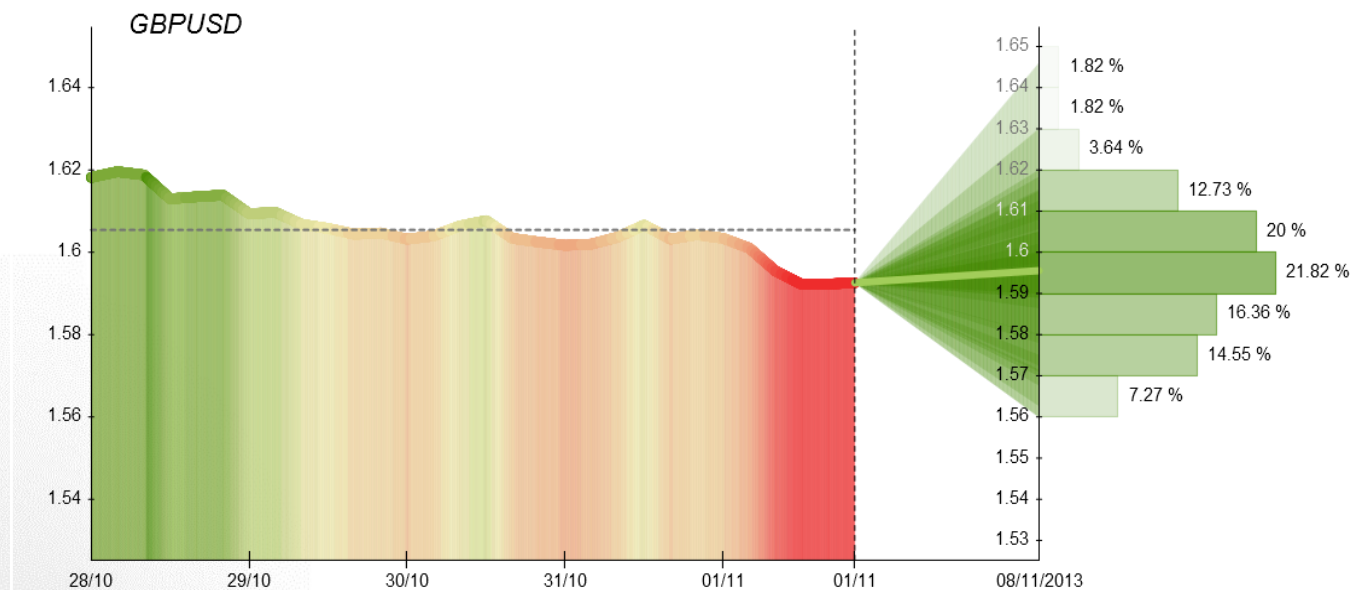


GBP/USD 1W Chart

The British Pound was one of the most stable currencies during the last five trading days, advancing 0.20% against other currencies, while the greenback has lost only 0.11%. Nevertheless the cable performed bearishly and after opening at 1.6169, the pair hit 1.5903 on Monday, November 4. This is the level just 9 pips above the strong support at 1.5895, represented by [double top](#) pattern's support line.

Despite the fact that 61% of respondents are bearish on the pair, the consensus forecast for this Friday goes for 1.5955, slightly below the last week's average price of 1.6054. "I expect some more bearish momentum this week. Next support lies around 1.5700. This area capped price from going higher between August 20 and 21. Resistance is around 1.6050, as this area held price lower recently, between October 30 and November 1," said trader geula4x. While 1.57 is a medium-term key support, in a shorter term, bears should focus on 1.5894.

From the fundamental perspective, there are two crucial reports that would affect cable's movement. This is the [BoE meeting](#), where Mark Carney may shed some light on his widely-discussed forward guidance, and clarify when and how the central bank would act in case the economy accelerates further. Meanwhile, U.S. GDP report is expected to come weaker-than-expected, due to the 16-day long government shutdown and political disputes.



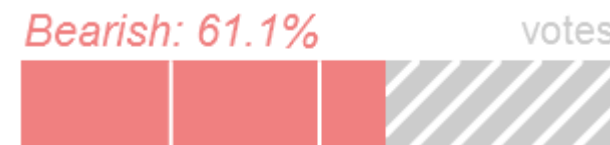
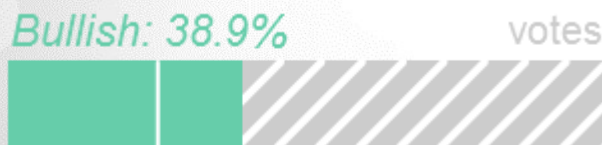
Lordy_zita on GBP/USD

"This currency called "Cable" has pulled back on the moving average line of Bollinger bands in the daily chart. We will see a test of the previous resistance at 1.5973. If this level is broken, price will likely reach the next target at 1.5998 before the psychological round number of 1.6000."



Juandata on GBP/USD




"GBP/USD is likely to continue channeling down since it has formed a double top pattern. I do not think that the bearish breakout could happen before November 8th, but I see the pair trailing toward 1.589, maximum should be 1.60."



YOUR OPINION MATTERS

*If you are also willing to take part in creation of Community Forecasts product,
please write us to research@dukascopy.com*

Week's 28.1-1.11 Most Precise Forecasts

EUR/USD				GBP/JPY				GBP/USD			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 ilonalt	1.36	1.363	0.013	 jezz	156.65	158.2	0.826	 kudryaviy	1.5966	1.6001	0.006
 rivan	1.35	1.37	0.015	 SpecialFX	156.65	158.3	0.89	 rokasltu	1.5969	1.6021	0.007
 ranniere	1.3534	1.3696	0.015	 Maksim_CheInokov	157.2	158.4	0.892	 ranniere	1.5949	1.6055	0.009

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	Bobby
	Boogs_7702
	bruce
	drishti
	garong
	geula4x
	jipper
	juandata
	Lordy_zita
	mrlfx
	pipscity
	Raido
	rokasltu
	Sheva
	TheAnalyst
	Vitava
	vtechdir
	wiyonofx
	Zig



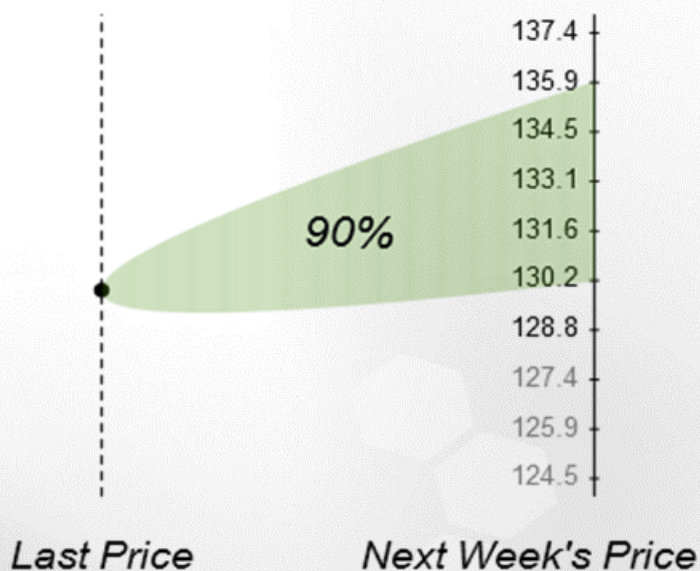
Fundamental Analysis Contest

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

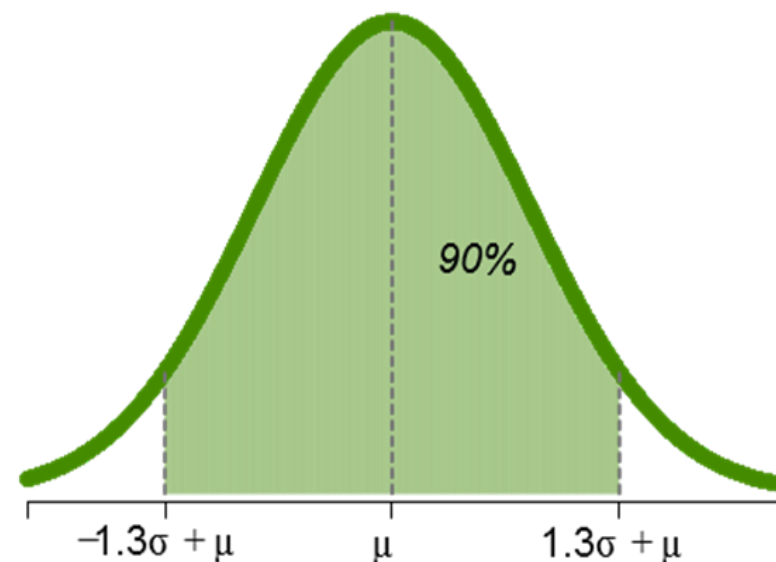
EXPLANATIONS

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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