



DUKASCOPY
RESEARCH PRODUCTS

12/11/2013



Community Forecasts

SWFX Top 3 Currency Pairs

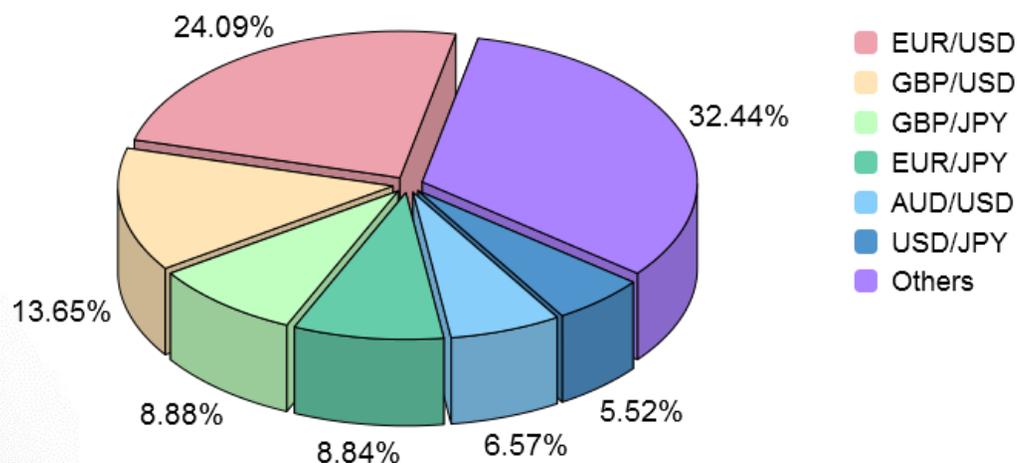
Throughout the previous five-trading days trading volume of the EUR/USD currency pair increased by as much as 2% and GBP/JPY overtook EUR/JPY, while popularity of GBP/USD fell by 2%. Unlike the last week, when the market sentiment send a vivid “sell” signal, this week traders remain in “wait-and-see” mode as bulls slightly outweigh bears with regards to the 17-nation currency and the Pound versus the Yen, while 54% of traders are bearish on the cable.

The U.S. Dollar enjoyed the second strong week on the back of better-than-expected data. Will it continue strengthening or stay at current levels? Inflation and labour market data in the U.K., Fed’s Chairman Ben Bernanke speech, U.S. trade balance and jobless claims are the major highlights of this week.

The most accurate forecasts last week were provided by Lordy_zita, who successfully predicted price movement of both EUR/JPY and GBP/USD, while jipper gave the most precise outlook for EUR/USD. Dukascopy Research team would also like to express admiration of last week’s top traders: limko, Boris and TheDarMatter.

Instrument	Buy	Sell
EUR/USD	51 %	49 %
GBP/USD	46 %	54 %
GBP/JPY	51 %	49 %

Instruments



Last Week's Top Traders

EUR/USD		GBP/USD		GBP/JPY	
Nickname	PNL	Nickname	PNL	Nickname	PNL
limko	73070	Boris	58605	TheDarkMatter	48166
MrSami	64490	HammodUk	54003	issamfx	46565
forexlion	64148	honzidek	53834	dragon1	46201

*PNL- Profit & Loss in USD

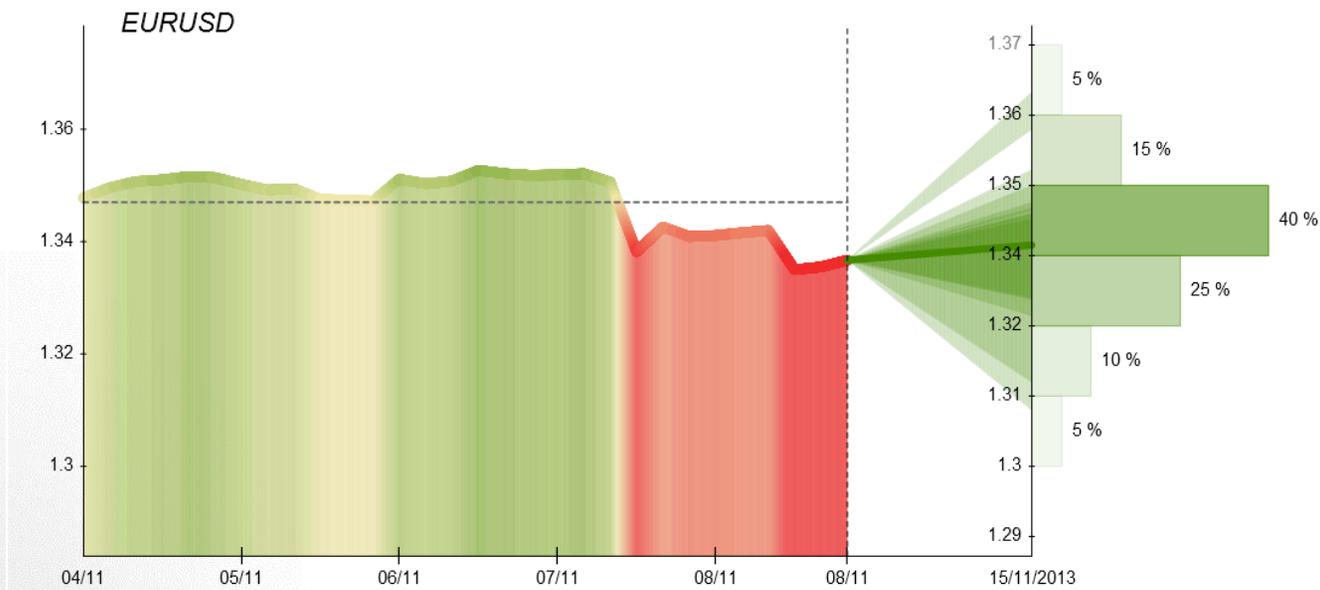


EUR/USD 1W Chart

The most traded currency pair posted the second weekly loss during the last five trading days, as after ECB's [surprise decision](#) to cut the interest rate, the single currency plunged to 1.3295 against the greenback. Nevertheless, the pair seems rather stable now, and from current level (1.34) it can either dip further below the recent one or recover back to 1.35. Meanwhile, we could see a period of consolidation, as investors remain in a "wait-and-see" mode, as the proportion of long and short position is almost equal. Technical indicators, however, are pointing at weakening bearish momentum.

During the last week the average price, at which EUR/USD was traded, stood at 1.347. This week, however, traders do not see a significant upward or downward movement, as the consensus forecast stands for 1.339. Meanwhile, just a slight majority of respondents are bearish on the pair, reinforcing a view market participants are hoping for a pause before another rally to any direction.

While a period of consolidation seems probable, a set of crucial reports on Thursday and Friday can add some liquidity into financial markets. As always the pair would be driven by data from the Eurozone and the U.S. From Europe we can emphasize region's GDP, that is likely to show a 0.2% quarterly expansion, hence, EUR/USD may [head to the south](#). While the greenback seems overbought already, better-than-expected trade data, [manufacturing](#) and [industrial production](#) may boost demand for the greenback even further.



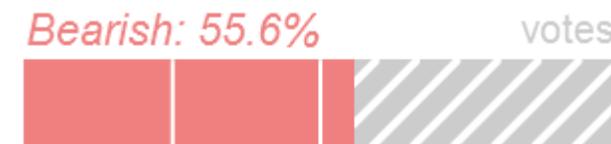
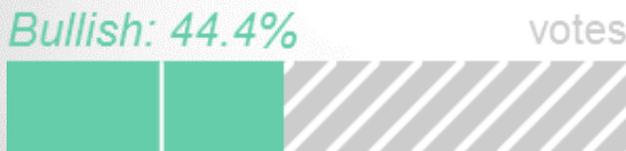
Gereltod on EUR/USD

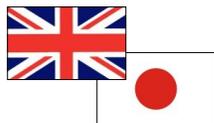
"In my opinion, the pair had plunged more than 500 pips in last two weeks, and now its making recovery and I am speculate that the pair is bullish (recovery in short term) until 15th of November, and bearish from then on."



Jezz on EUR/USD

"EUR is 'recovering' from the last week's fall after the cut of interest rates. Having in mind all the news coming crossed with some elementary analysis of the chart, I expect a short rebound towards 1.35 point."



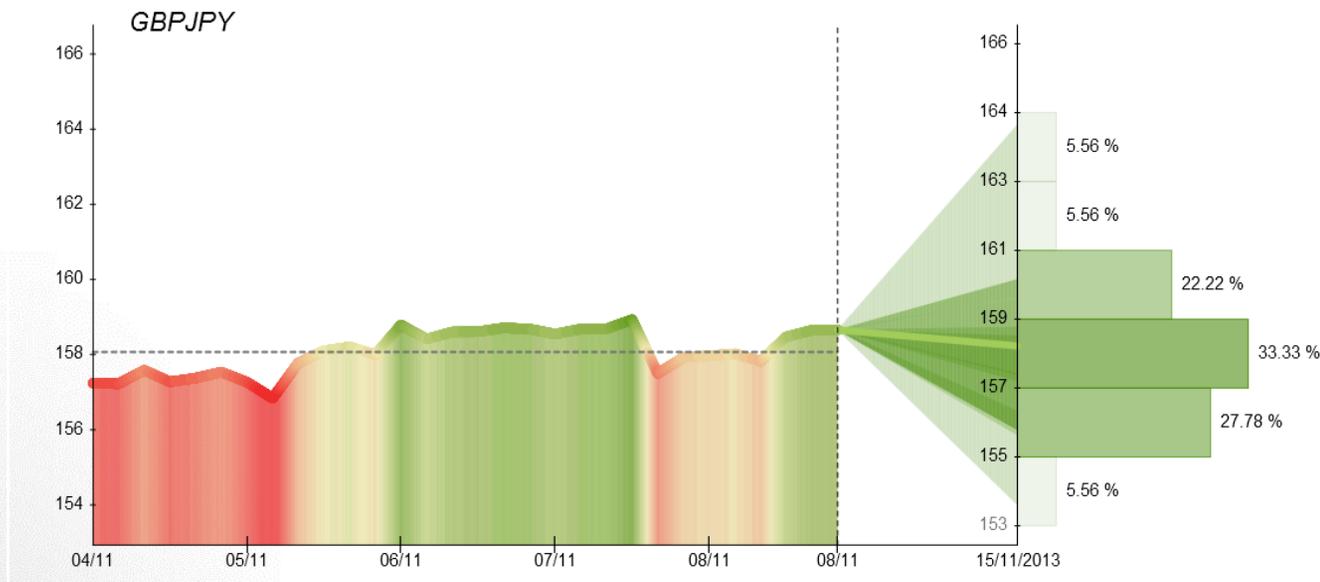


GBP/JPY 1W Chart

In contrast with EUR/USD, the GBP/JPY pair has been strongly bullish last week and almost reached a strong resistance level at 159.53. From the perspective of technical analysis, the pair is highly attractive for investors, as it is trading in boundaries of a [double top](#) pattern on 4H and 1D chart, while on a hourly chart traders can find a triangle pattern. While technical indicators do not give a clear “buy” or “sell” signal, traders are hoping for another rally to the south, as 65% of positions are short. Furthermore, the majority of pending orders (58%) in a 100 pips range are also placed to sell the pair, providing additional bearish support.

While technicals are pointing at pair’s depreciation, Dukascopy Community members are having the same view on the pair, as even despite the fact the number of bullish and bearish traders is equal, the average forecast for Friday, November 15 goes for 158.22. Though, this level is slightly higher than the last week’s average of 158.07.

According to the fundamental analysis, the pair is likely to appreciate, as even despite trader’s neutral attitude to the U.K. [retail sales](#) report, [Japan GDP](#) data may shake the pair, and push it higher, as according to the median forecast the economic growth is likely to slow in the third quarter, adding more pressure on Shinzo Abe to revive growth in the world’s third largest economy.



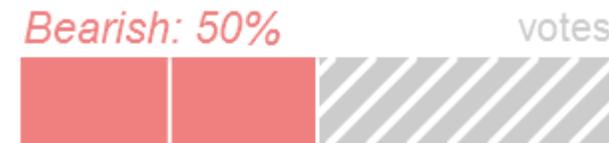
AdrianWS on GBP/JPY

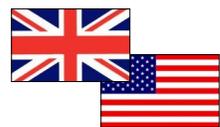
“Now the ECB are out of the way, US fundamentals will be the key driver of the market, even though there is no USD component, the JPY will be more sensitive to taper related flows and as such USDJPY has potential to rise more so than the equivalent GBPUSD fall. However Data remains strong and as such JPY could be quite weak.”



Juandata on GBP/JPY

“This week we have relevant U.K data so the pair will be driven by fundamentals, if we have a really good IPC and a positive unemployment report, GBP/JPY could breach the triangle pattern to the upside (daily chart), on the other hand, price could fall until monthly Pivot point at 157.47. I am bearish this week so I forecast the second scenario and a close around 157.75.”

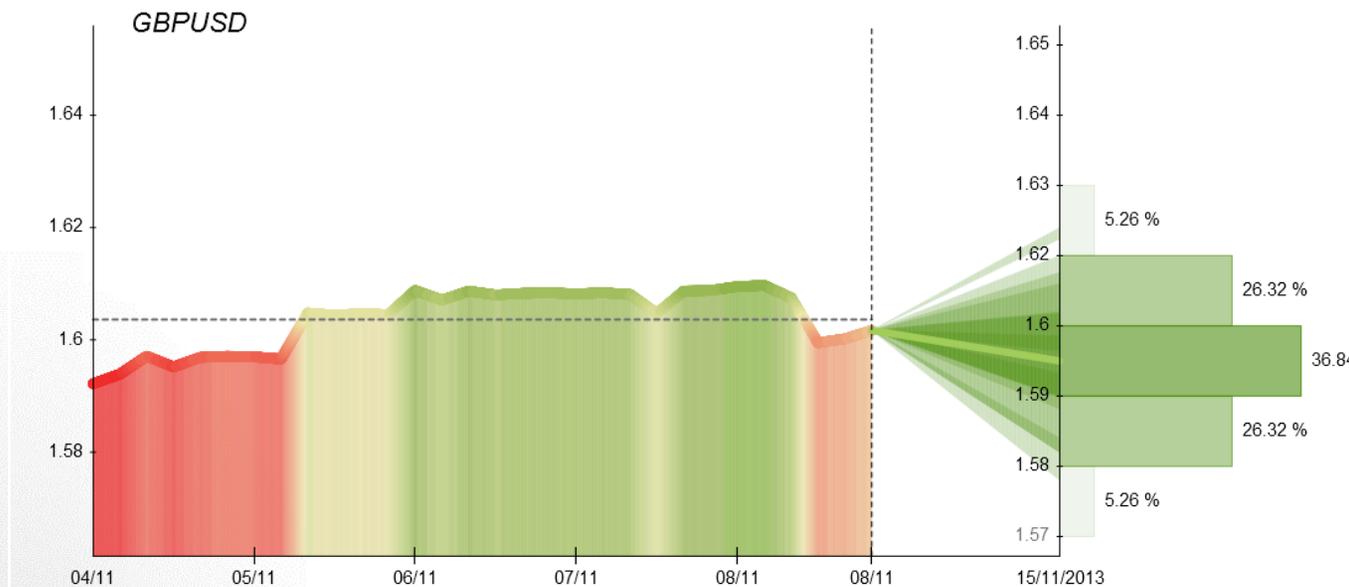




GBP/USD 1W Chart

After hitting a key support level at 1.59 on November 3, the cable soared to 1.6119; however, later and until now the pair has resumed its movement to the south. Furthermore, after weak inflation data from the U.K., the pair hit 1.5854, and penetrated 1.59 once again. It means that the rectangle pattern, that was formed on August 28, is breached, and traders could expect lower prices. The next target for the short traders could be Weekly S2 at 1.5794.

This week Dukascopy Community members are bearish on the pair, with the overwhelming majority of traders (78%) expecting the cable to follow the downtrend. While the Pound closed the previous week at 1.600, it is predicted to weaken further and touch 1.5962 on Friday, November 15, according to the average Community forecast. Juandata believes that "again fundamental data will play a key role on this pair." This week key events include [claimant count change](#), CPI and [retail sales](#) in the U.K., while on the other side of the Atlantic the Fed's Chairman Ben Bernanke speaks on Wednesday, U.S. trade balance and unemployment claims data are due on Thursday. According to AdrianWS, "UK macro is strong, but US is arguably stronger (at least the last few weeks) and as such the GBP is vulnerable. 1.5900 is a very key level with many stop/reverse orders on a break here. This could result in a fast move to 1.5750 if we see any sign of UK weakness. To the upside, the USD will remain bid and as such 1.61 would be strong supply for the GBP."



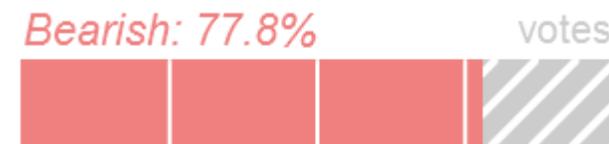
berny on GBP/USD

"I expect that the Pound will perform pretty much like the common currency this week."



Bruce on GBP/USD

"The consolidation process of GBP/USD will continue in this week. There is not much sign that it will break this pattern in the coming days. Thus, this week may close at around 1.600."



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 4.11-8.11 Most Precise Forecasts

EUR/USD				EUR/JPY				GBP/USD			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 jipper	1.3323	1.3417	0.005	 Lordyzita	132.2	132.6	0.201	 Lordyzita	1.5973	1.5998	0.003
 rokasltu	1.34	1.3433	0.005	 TheAnalyst	132	133.6	0.886	 juandata	1.589	1.6	0.009
 Raido	1.32169	1.33104	0.011	 wiyonofx	132.8	133.7	0.944	 jipper	1.589	1.605	0.009

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	AdrianWS
	aslamhammad
	bernny
	bruce
	Gereltod
	jezz
	juandata
	mohands_moslim
	rokasltu

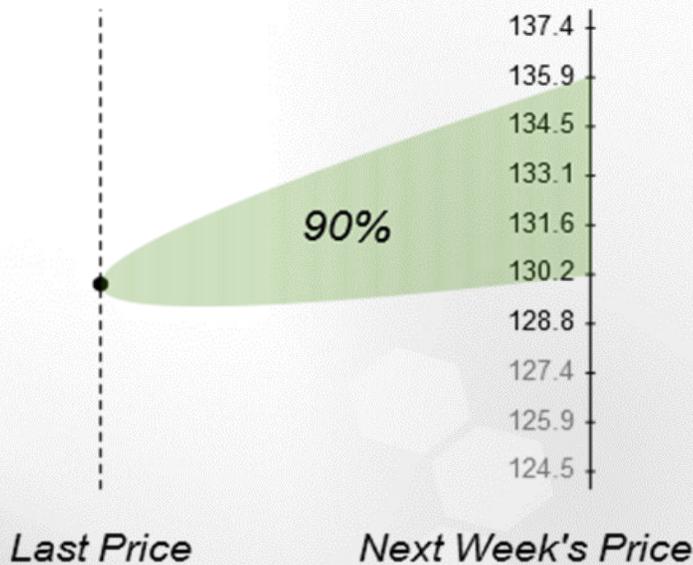


Fundamental Analysis Contest
Do you know how the price will react to the news? Submit your prediction for the price movement direction and win!

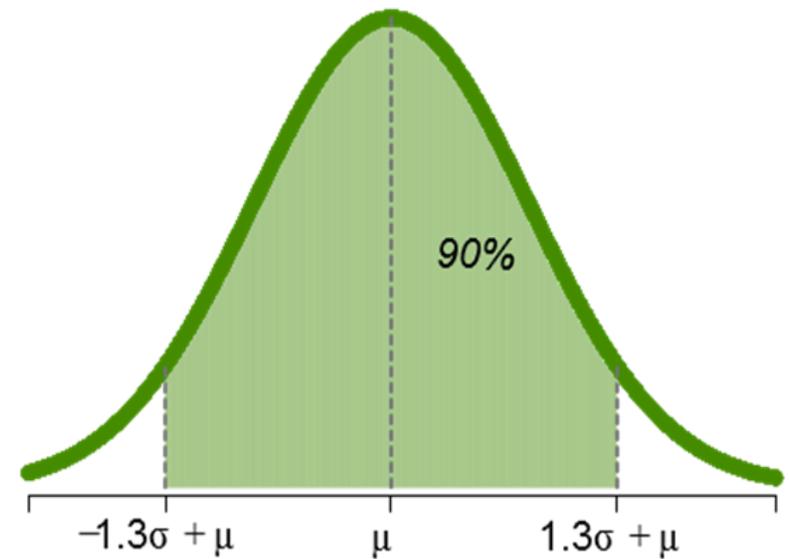
EXPLANATIONS

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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