



DUKASCOPY
RESEARCH PRODUCTS

27/11/2013



Community Forecasts

SWFX Top 3 Currency Pairs

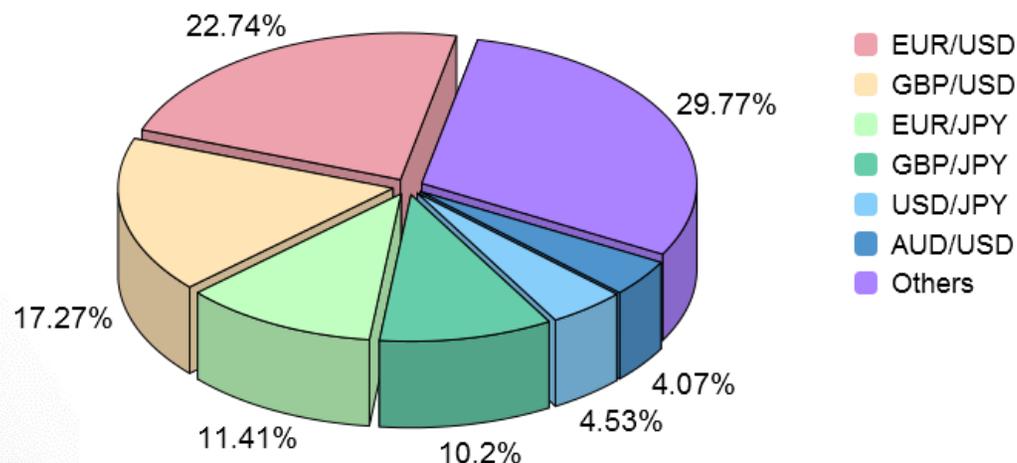
Three leading currency pairs on the FX market continue to enjoy popularity among Dukascopy traders, with trading volume of the pairs staying at almost unchanged levels from the previous period.

This week Dukascopy traders, who took part in the Community Forecasts survey, share a bearish outlook for all the currency pairs analyzed in this report. While EUR/USD and GBP/USD are expected to close the trading week slightly below the current level, falling to 1.3495 and 1.6090 on Friday, November 29, respectively, EUR/JPY is seen plummeting to 135.59. The previous week appeared to be rather volatile for all the pairs, this week, however, might also be exciting, as lots of key fundamental data are due for a publication.

Dukascopy Research Team would like to congratulate top-three traders, who accurately predicted future performance of XAU/USD, AUD/USD and CHF/USD last week, as well as the most successful traders, who gained the most profit trading EUR/USD, EUR/JPY and GBP/USD. Especially, we would like to distinguish kang_piko, who was successful trading all three currency pairs. Also, we would like to thank all 20 participants, who shared their outlook for the currency pairs and made this report possible.

Instrument	Buy	Sell
EUR/USD	43 %	57 %
GBP/USD	42 %	58 %
EUR/JPY	38 %	62 %

Instruments



Last Week's Top Traders

GBP/USD		EUR/JPY		EUR/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
Pandora	95193	kang_piko	141621	queent	72814
kang_piko	89034	levivas	86185	kang_piko	59650
Sheva	80757	rezmy	81795	112233	39390

*PNL- Profit & Loss in USD

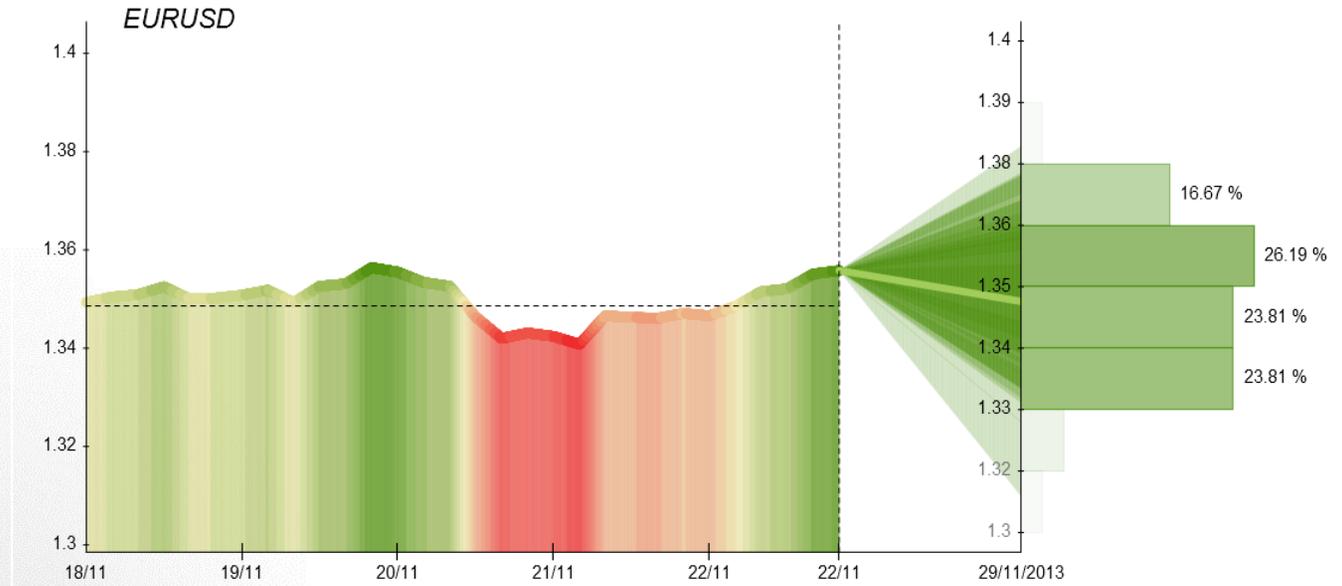


EUR/USD 1W Chart

Last week EUR/USD was highly volatile, fluctuating in a 178 pips range. Such a performance can be characterized as a period of consolidation, the pair has reached important levels that can be interpreted as signs for future performance. Since October 16 the pair has been trading in channel down pattern's boundaries; however, on November 19 bulls made first attempt to penetrate the resistance line, but 200-period SMA together with an uptrend line curbed bullish momentum. Nevertheless, on November 22 the pair breached 1.3538; however, further appreciation seems unlikely. At the moment of writing, 56% of traders were holding short positions, while slight majority (52%) of pending orders in a 100 pips range were placed to sell the pair.

Our forecast coincides with the one made by traders, who are also bearish on the pair. The majority of respondents expect EUR/USD to finish this week at 1.3495, almost matching last week's average price of 1.3496. One of the main reasons mentioned by traders is ECB interest rate decision, which is likely to weigh on single currency in the coming weeks or even months. "I think that as Euro began to drop few weeks ago, after ECB cut interest rates, this drop will continue during coming week," said ilonalt.

When looking at economic calendar, it can be suggested the pair will be highly volatile on Friday, as Eurostat will unveil region's [inflation](#) and unemployment data, and better-than-expected data can prevent single currency's further depreciation.



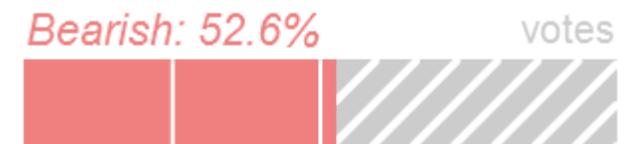
Geula4x on EUR/USD

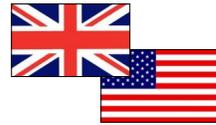
"EUR/USD daily chart looks bullish as price bounced off 1.3400 support. German IFO Business Climate came out strong on Friday, 109.3 vs. 107.9 expected. German Flash Services PMI came out 54.5, better than 53.1 expected. Also, the G6 deal with Iran regarding its nuclear facilities seems to have calmed the markets. All this suggests more bullish momentum in the EUR this week, as market is now ready to push higher."



Panzer on EUR/USD

"Although the Euro had already the second week in a row slightly strengthened against the U.S. Dollar, and still think we have a very strong pressure on the Euro in the coming week. The Euro is overvalued at these levels of prices, one should expect short-term correction to 1.3300 or lower."





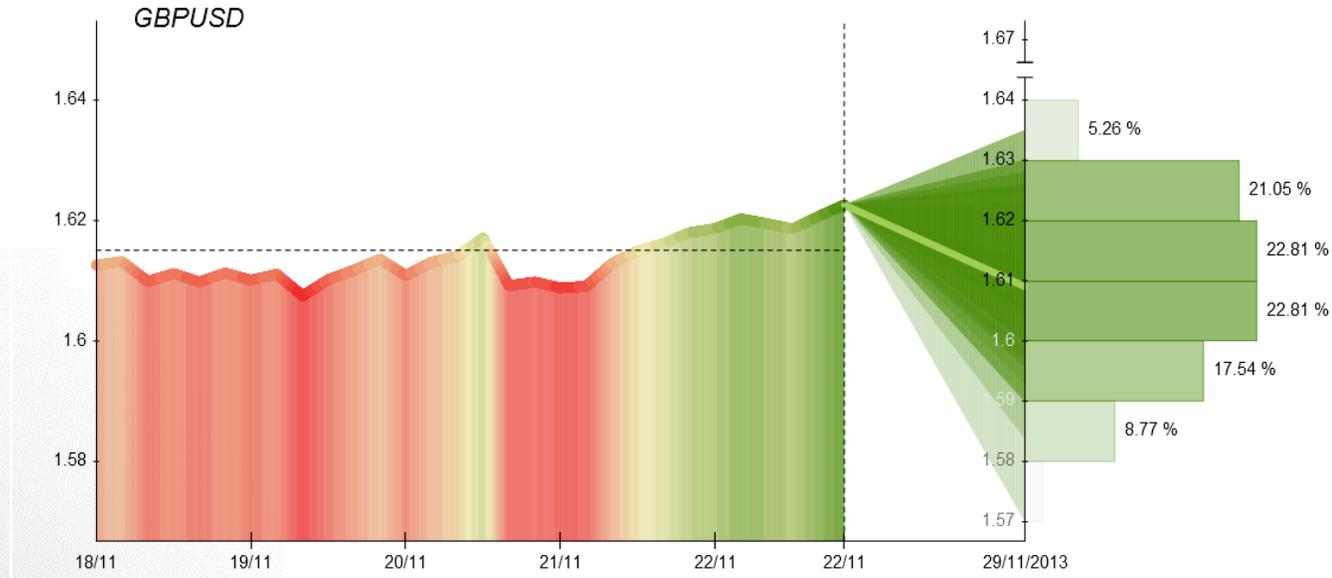
GBP/USD 1W Chart

The GBP/USD currency pair closed Friday's trading session at 1.6225, reaching the highest level in one month. For the week ended November 22, the couple advanced 0.69%. Among positive news, the Bank of England released minutes on Wednesday saying that various economic indicators show the British economy had sustained the recovery. However, the uncertainty about interest rates might weigh on traders sentiment.

This week the Pound wiped out its gains against the Greenback on Tuesday afternoon trade after the BoE's Governor said that the bank's unemployment target of 7% is a threshold rather than a trigger for increasing interest rates. At the moment of writing the couple was trading at 1.6152.

The Dukascopy community members are strongly bearish on the pair for the week ending November 29, as the average estimate suggests that the pair's closing price on Friday will be at 1.6090, well below the last week's average price of 1.6135. Among fundamentals, community members expect a bearish correction, in case U.K. data on the third quarter economic growth is below estimates. As concerns technicals, Juandata referred to a Rising Wedge pattern in 30M chart, which was just below the sideways channel, therefore, the trader saw the pair bouncing back from its resistance and aim towards 1.5870.

Ahead of this week, data release on the U.K. third quarter GDP data is due on Wednesday, and the [Fundamental Analysis Contest](#) suggests that traders see this event having a bullish impact on the pair. On Thursday, the BoE is to publish the financial stability report.



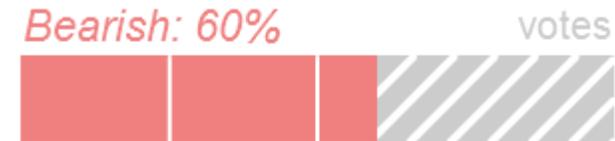
Mkubuxk on GBP/USD

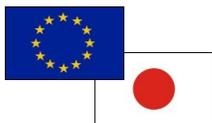
"The Pound is bullish because of a very strong quarter this year. We are around very fresh levels around 1.6250 and speculators should push the market above it to test how much fresh supply is accumulated there. In a time of around 2-3 weeks I would see breakout above the 2 year top. Buy everything around 1.6040-6150."



Gaurav Kumar on GBP/USD

"Considering last 100 days support line break through and also about to make triple top at around 1.62337, there are strong chances for the pair to be bearish. Keeping it safe with Fibonacci retracement level of 38.20% I would like to keep a min value of 1.6075 and maximum of 1.6000 considering last two week low point."





EUR/JPY 1W Chart

A rising [wedge pattern](#) was formed early November; however, EUR/JPY is not trading in pattern's boundaries anymore, as pattern's resistance was breached, and the pair is hovering around 137.40. Since November 17 the pair moved north 387 pips and it seems a move above 138 is not expected in a short term. This idea is supported by the fact that 60% of traders are short, while 71% of pending orders in 100 pips range are placed to sell the pair, ready to provide additional support for bears if needed. In the meantime, the Japanese Yen was the main loser last week, erasing 0.95% of its value.

The consensus forecast for this Friday, November 29 stands at 135.59, just slightly above the last week's median price of 135.54. Even though, 65% of traders are expecting further appreciation, some traders believe that 138 is a key resistance in the short-term and without strong bullish impetus it would limit pair's gains. "EUR/JPY is currently at a three year high, so a bearish trend or pullback could be expected. I am bearish this week so minimum could be around 135.64, and maximum at 130.34," according to Juandata.

From perspective of fundamental analysis a movement to the south can also be suggested, as the Japanese [inflation](#) and unemployment rate are likely to reflect positive trends in Japanese economy, sending the Yen higher.



Heimdall on EUR/JPY

"Everyone knows about last BOJ statement about their QE, but it is very difficult forecast where price can go. However, I think this Friday will be on the current value 137,30."



EmadJO on EUR/JPY

"In all the time this month has never seen the Yen bullish or even give any strong signs of appreciation. However, the BoJ policymakers want to see weak Yen. That makes you feel that they for sure want it always down. When the pair is bearish the impact comes from other currencies such as the Euro, while the upside movement is triggered by the Yen."



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 18.11-22.11 Most Precise Forecasts

XAU/USD				AUD/USD				USD/CHF			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 kmc_box	1257.81	1304.69	44.181	 wiyonofx	0.918	0.9225	0.003	 carpe	0.907	0.912	0.004
 sonjatrader	1282.9	1295.855	46.035	 Nacerdz	0.905	0.925	0.011	 geula4x	0.91	0.92	0.01
 Quotestock	1245	1310	46.818	 Quotestock	0.92	0.94	0.015	 Animator	0.91075	0.92127	0.011

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

-  **A15612P**
-  **Awais**
-  **bruce**
-  **DumbAsARock**
-  **EmadJO**
-  **fxeconomist**
-  **GauravKumar**
-  **geula4x**
-  **heimdall**
-  **Heruar**
-  **ilonalt**
-  **juandata**
-  **KingCobra**
-  **maris24**
-  **mkubuxk**
-  **mohands_moslim**
-  **Panzer**
-  **rokalstu**
-  **Scyther**
- **Ynz**



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.

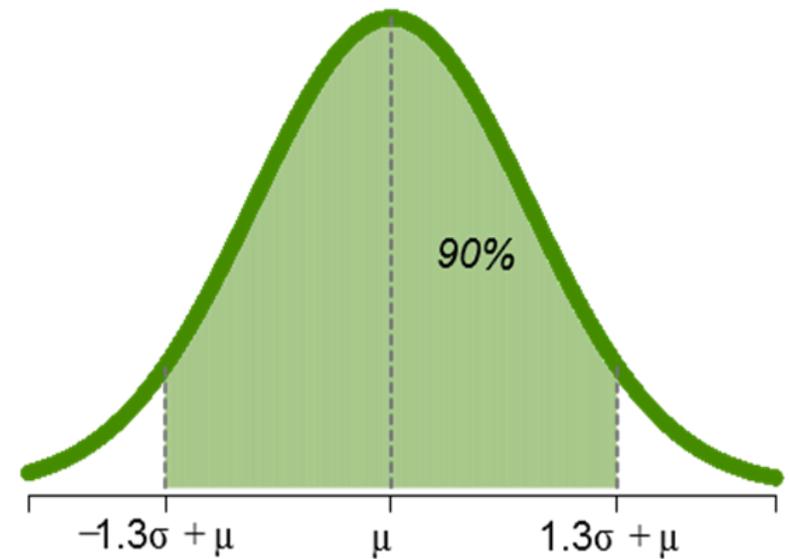
Under the assumption that currency pair logarithmic returns are normally distributed with mean μ and standard deviation σ as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values can be then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