



DUKASCOPY
RESEARCH PRODUCTS

11/12/2013



Community Forecasts

SWFX Top 3 Currency Pairs

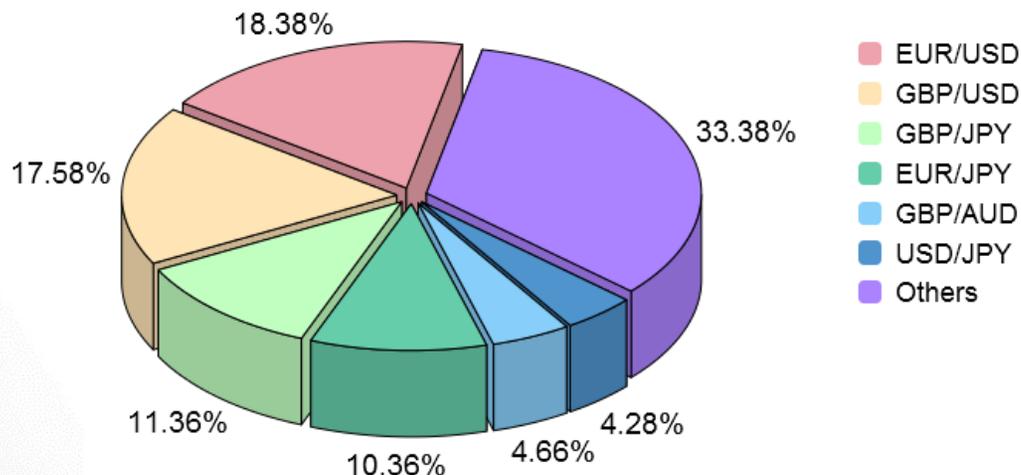
There was a substantial decline in trading volume of top-three instruments last week. EUR/USD and GBP/USD trading activity fell as much as 5% and 2%, respectively, while EUR/JPY dropped 2%, surrendering the third place to GBP/JPY. Moreover, another interesting fact is that the GBP/AUD cross appeared in the top-five list, with trading volume being 4.28%. With regards to traders' sentiment throughout the previous 5-trading days, number of open "sell" positions outweighed "buy" positions.

Analyzing Community member forecasts and the real price, it appeared that participants' outlook for GBP/USD was in line with the actual close price, as they expected the Cable to reach 1.6338 on Friday, December 6, while the pair ended the previous week at 1.6326. In contrast, our traders appeared to share slightly bearish expectations as for EUR/USD and EUR/JPY, predicting the pairs to fetch 1.351 and 138.75, respectively, while in fact the couples rose to 1.3706 and 141.36.

Dukascopy Research team would like to congratulate top-three accurate forecasters; as well as thank all the participants for their invaluable input, which makes this analytical product possible.

Instrument	Buy	Sell
EUR/USD	46 %	54 %
GBP/USD	39 %	61 %
GBP/JPY	46 %	54 %

Instruments



Last Week's Top Traders

EUR/USD		GBP/USD		GBP/JPY	
Nickname	PNL	Nickname	PNL	Nickname	PNL
queenlt	71282	mohands_moslim	79207	maxja	96293
Nicco	40735	clau	64896	DumbAsARock	81749
Infamouss	33178	matesh77	59570	clau	61471

*PNL- Profit & Loss in USD

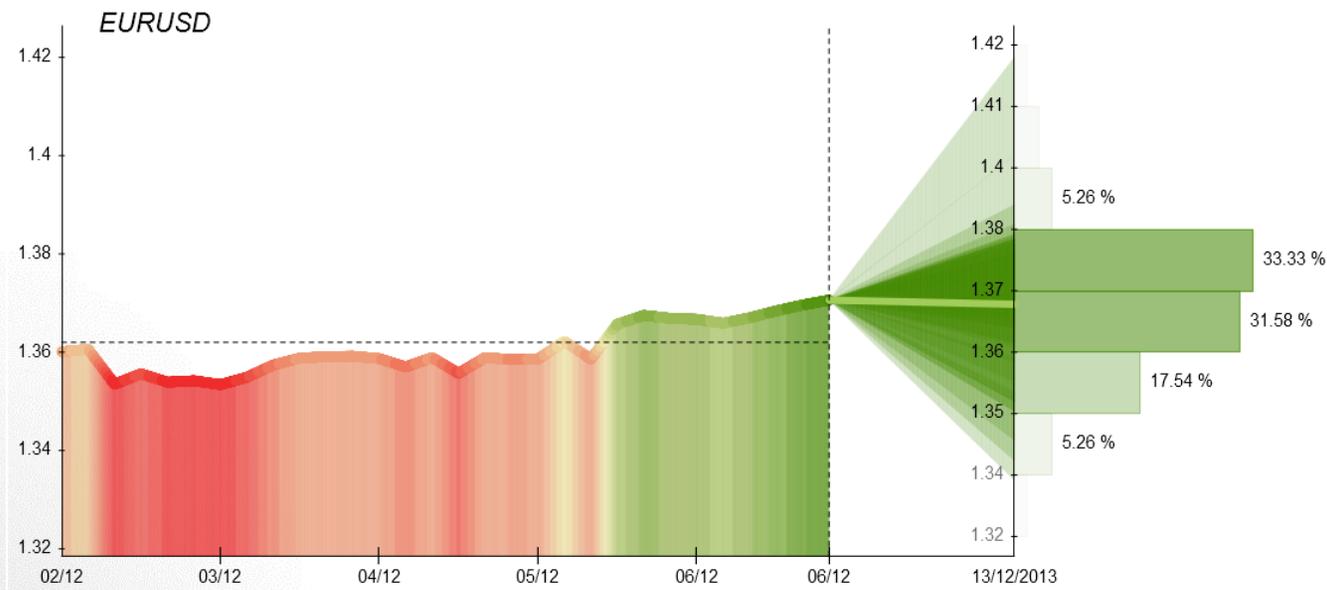


EUR/USD 1W Chart

The single currency climbed to the highest level in five weeks against the Dollar on Friday, as the ECB president Mario Draghi pledged to maintain an accommodative monetary policy as long as it is needed and maintained the benchmark interest rate at 0.25%. The minutes of the ECB press conference shrugged off a report which showed that American economy hired more than estimated new workers. The EUR/USD closed Friday's trading session at 1.3705, marking a 1.2% rally on week ending December 6.

The Euro initially dropped but then kept rising against the Greenback on Monday to finish the day 0.15% higher at 1.3725. With the Euro seen bullish, the most likely scenario is further appreciation of the currency. The resistance could be seen at 1.39, whereas the support level can be found at 1.37. At the moment of writing, the Swiss forex sentiment showed that 59% of all orders were short on the pair, meaning traders might expect the pair to become overbought. In case the pair goes down, bears are likely to get additional support from the pending orders, as in a 50-pip range 58% of them are set to go short.

However, that goes into contrast with our community members, since 67% of them are bullish on the pair. The average estimate for December 13 suggests that the pair will close at 1.3697 which means the pair's outlook is still bearish. Among important events that might influence the pair's movement this week, Dukascopy community members see Eurozone's [Industrial Production](#) having a rather neutral impact on the pair.



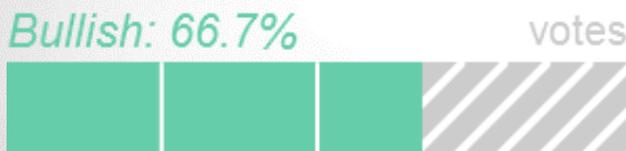
Iwan21 on EUR/USD

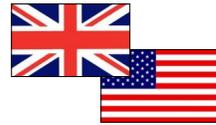
"On this week is more probable the continuation of the ascending tendency. Namely on the news was on Thursday assembled good long position, on the news there was on Friday the test of the zone of the collection of this position, with the subsequent bull result on large volume, which tells us about the removal of the large part of the proposal from the market."



AdamFx42 on EUR/USD

"Eur/Usd has hit a target of major fib resistance, and daily resistance at 1.368 and will retrace. Target of the retracement is 1.3380 on daily chart, and fib extension, and gartly triple sell-pattern. This level of support should hold the pair. and I predict the pair will be underway to this level at the end of the week, and below 1.35".



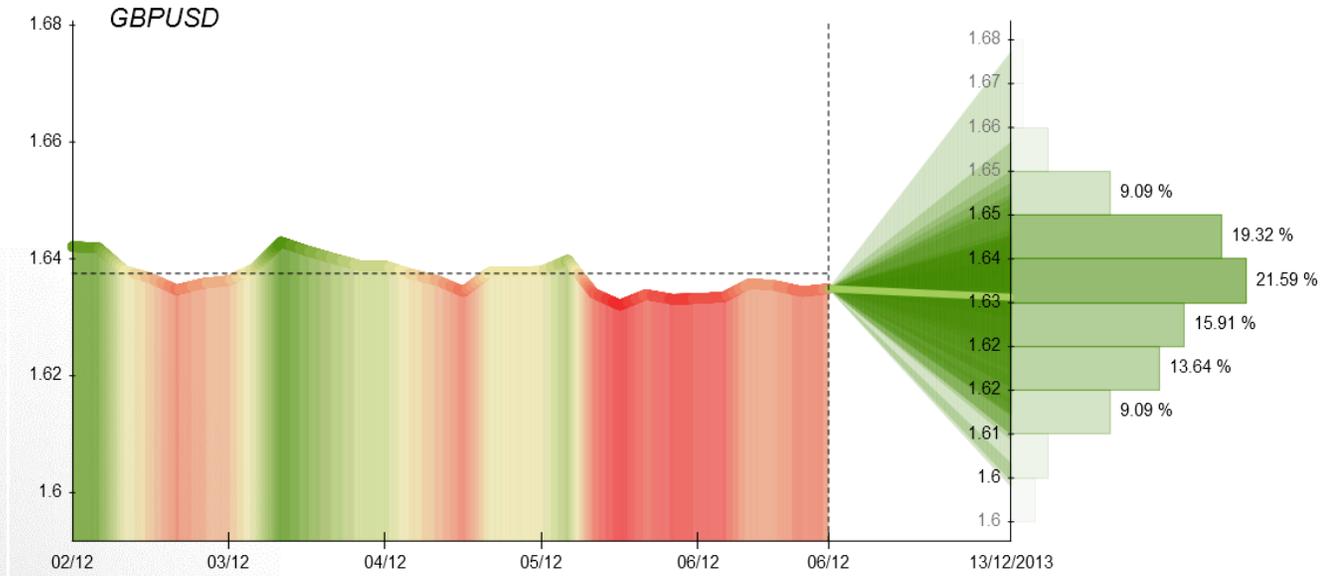


GBP/USD 1W Chart

The Pound has been one of the biggest gainers during the second half of the year, with the Cable trading above 1.64. The currency is mostly driven by solid fundamental data from the U.K., and taking into account the fact that cable is moving to an apex point of an ascending triangle that was formed in August 2007, is suggesting more volatility will come. The pair penetrated pattern's support on January 21. However, last week the pair moved back in pattern's boundaries, and is approaching a strong resistance at 1.6573. Despite a strong rally, technical indicators on different time frames are not pointing out that the market is overheated. Meanwhile, traders are in different opinion as 72.77% of them are holding short positions on the pair. The Pound itself is sold in 73.90% of cases across the board, while greenback is bought in 59.95% of the time.

The consensus forecast for this Friday stands at 1.6334, just slightly below the last week's average of 1.6369. Moreover, almost equal number of respondents is having bullish and bearish outlook on the pair. Despite the unclear trend, some traders expect greenback to strengthen this week. "My opinion is that the U.S. Dollar will gain in value as a result of recent positive data on the U.S. economy," said JOF, supporting the case the pair will go down. At the same time, trader rokasltu expressed his view, saying the pair "will decrease gradually during coming week".

Fundamental data is also speaking in favour of stronger buck, as retail sales, and producer prices are likely to improve.



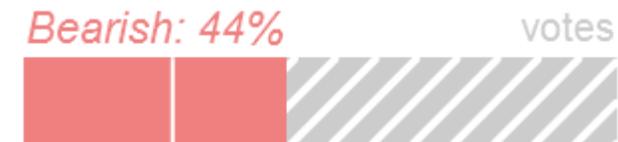
TheDarkMatter on GBP/USD

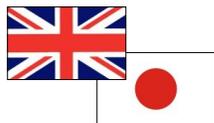
"GBP/USD after last week high of 1.6442 and the break of 1.6380 resistance which has larger bullish implication. Price actions from 1.6442 are corrective looking and support the case of another rise. Initial bias is neutral this week first. In case of deeper pull back, we'd expect strong support 1.6077 to bring resumption".



TheAnalyst on GBP/USD

"The pair seems to be on its way to a small correction before trying for the almost already reached Fibonacci level at 1.6483 with the next stop at 1.6600. We expect the correction to be at the 20 SMA and not bigger, although such a move would change the chart outlook and may point to a bigger correction moving forward".



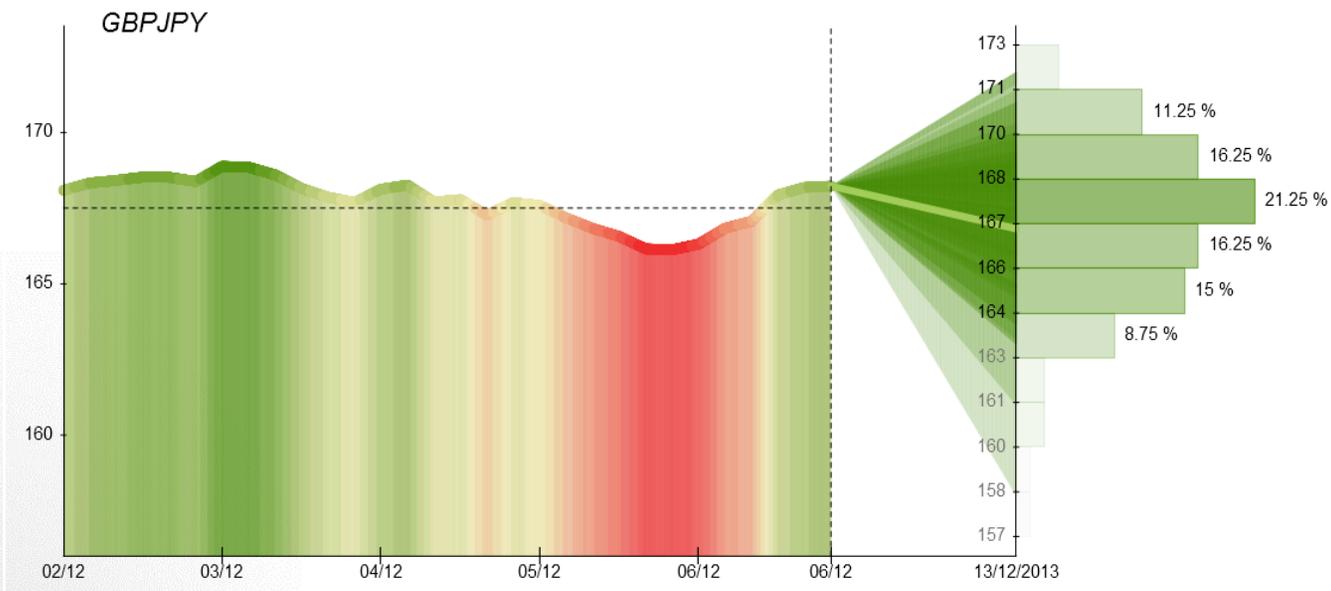


GBP/JPY 1W Chart

GBP/JPY has been strongly bullish in November, rising more than 1100 pips. However, this month the pair has entered a period of consolidation and has been trading in a 330-pip range since the beginning of December. At the moment of writing bulls were making an attempt to penetrate the recent high at 169.150, though it is unlikely to happen, as 73.20% of traders are short on the pair, suggesting the pair will bounce back from the current level in a short-term. In a longer-term a continuation of the uptrend can be anticipated, as 71.11% of pending orders is placed to buy the pair, suggesting they are ready to provide support for bulls in case of further appreciation. The key levels in the nearest future for bears and bulls are located at 167.87 and 169.77, respectively.

Dukascopy Community members, however are expecting the pair to drop to 166.82 on Friday, December 13. While sentiment among traders is not clearly marked, the consensus forecast is significantly lower than the last week's average price of 167.74. While some traders can express their doubts about this forecast, a move above recent high is unlikely. "I don't think GBP/JPY will break the 170 level, it may start the consolidation process above the 164 level. and it may close at 166.1", said trader Bruce.

Amid a lack of fundamental data from Japan and Britain, the pair is expected to be driven by technicals, hence a movement to the south seems probable.



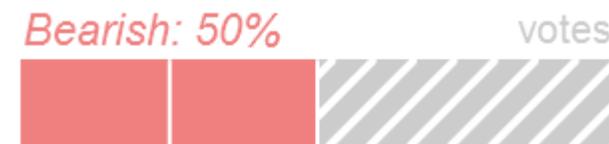
Geula4x on EUR/JPY

"GBP/JPY seems on a bullish momentum in the daily chart. Bulls seem now ready to test 169.13, December 3 high, and move upwards. BOE maintained the current fiscal policy, leaving interest rates at 0.50%. I expect the overall end-of-year market rally to help GBP/USD move slightly higher this week".



Mandalafxbz on EUR/JPY

"The Weekly chart has formed a clear spinning top and failure to advance. We have seen 19 weeks of advancement from this pair with gains of 1000 pips. We should see 1 to 2 weeks of profit taking and a sell off to 23% & 32% fib levels before finding support on the 50 line moving average on the daily chart, before further advancement".



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 2.12-6.12 Most Precise Forecasts

EUR/USD				GBP/USD				EUR/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 fxhaze	1.369	1.372	0.002	 mag	1.63496	1.6389	0.003	 rokasltu	141.1	141.5	0.336
 angelushumy1	1.37	1.375	0.003	 rudsof29	1.637	1.6392	0.003	 fxdiler	140.16	141.3	0.644
 floge	1.365	1.37	0.004	 awais	1.6371	1.64	0.004	 tow	141.31	141.93	0.666

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

-  **AdamFx42**
-  **agrawal4443**
-  **bruce**
-  **clau**
-  **Eco**
-  **forexgrange**
-  **geula4x**
-  **hunlion**
-  **iwan21**
-  **JOF**
-  **juandata**
-  **lekad**
-  **Manadalfxbz**
-  **mandalfxbz1**
-  **matesh77**
-  **mohands_moslim**
-  **Panzer**
-  **Pipfarmer**
-  **rokasltu**
-  **stiscarg**
-  **sunguyenth**
-  **TheAnalyst**
-  **TheDarkMatter**
-  **valone**
-  **zibi**
-  **Zoli21**



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

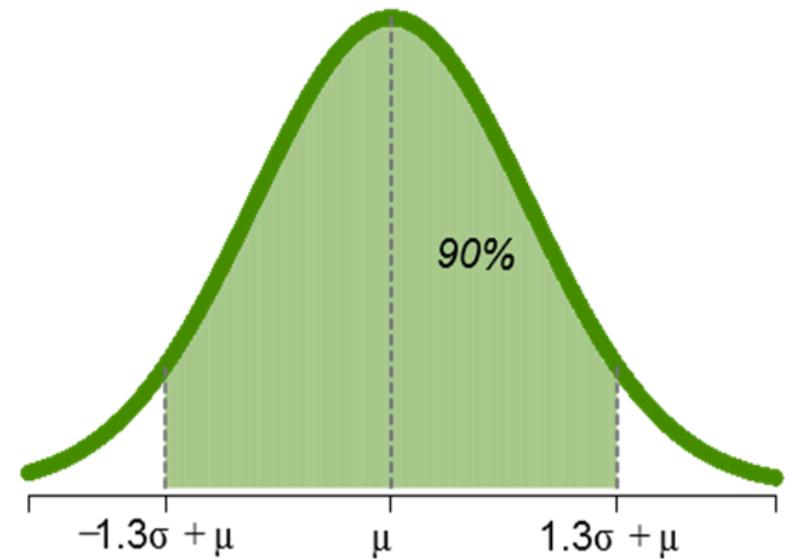
EXPLANATIONS

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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