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RESEARCH PRODUCTS

18/12/2013

Community Forecasts
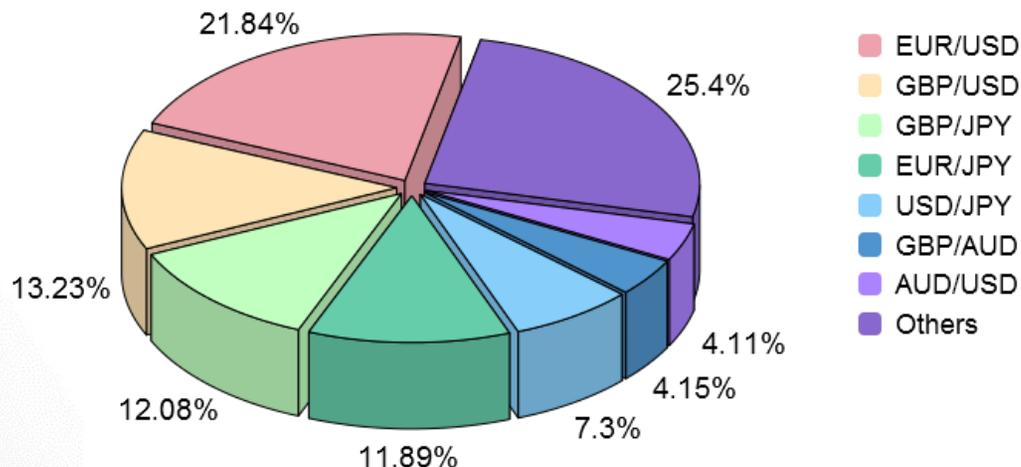
SWFX Top 3 Currency Pairs

This week Dukascopy Research Team decided to challenge the Community members by asking their forecasts on more exotic currency pairs: USD/JPY, GBP/AUD and AUD/USD. However, the three couples were among the top eight most traded instruments according to the percentage of total trading volume that were 7.3%, 4.15% and 4.11%, respectively. The overall sentiment on the last week's most traded pairs was slightly bearish, as traders set short positions on the couples in at least 58% of all cases. Trader sentiment appeared to be the most bearish on GBP/USD that traded down 0.26% to end the week at 1.6296.

Looking back at the last week's forecasts on the three most popular currency pairs, we must admit that the Community members did a great job, as at least 52% of predictions matched the actual trading values (52% for EUR/USD, 56% for GBP/USD and 58% for GBP/JPY). We want to congratulate the most precise forecast makers: Eco, Iwan21and sunguyenth.

We also want to express our great gratitude to everyone that put one's efforts and submitted forecasts, as this product can be created only thanks to our invaluable Community Members. In the meantime, congratulations to the last week's most successful traders in trading EUR/USD, GBP/USD and GBP/JPY.

Instruments

EUR/USD	21.84%
GBP/USD	
GBP/JPY	
EUR/JPY	
USD/JPY	
GBP/AUD	
AUD/USD	
Others	25.4%

21.84%
25.4%
13.23%
12.08%
11.89%
7.3%
4.15%
4.11%

Instrument	Buy	Sell
EUR/USD	39 %	61 %
GBP/USD	38 %	62 %
GBP/JPY	42 %	58 %

Last Week's Top Traders

| EUR/USD		GBP/USD		GBP/JPY	
Nickname	PNL	Nickname	PNL	Nickname	PNL
Traveler	86340	Mary970	59928	Conductor	188810
constantin	63260	Forexgain	42715	forastero	106974
r3loAded	48435	amaunator	36532	Drift	89421

*PNL- Profit & Loss in USD
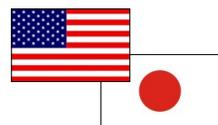
USD/JPY 1W Chart

Since the beginning of November the greenback has been steadily appreciating against the Japanese Yen. Moreover, the pair has managed to form a 151-bar long channel up pattern on a 4H chart, and another, 134-bar long on a 1H chart. In both cases the pair is trading around strong support level, represented by a pattern's support on a 4H chart, and approaching a 200-hour SMA on a 1H. While technical indicators are not univocal, market sentiment is strongly bullish, as 58% of traders are holding long positions, meaning the pair has a great potential to bounce back from the current level. The key level in a short-term is located at 104, where long traders could abut against the recent high and a weekly R1.

According to the prediction of Community Forecasts participants, who are in a majority bullish on USD/JPY, the pair is expected to rise from the current levels towards 103.35 by Friday, December 20. However, the rally might be limited and after reaching lower bound of the 103 level, the pair might drop. This view is supported by a number of traders, with David saying that "USD/JPY may see a drop from 103 level and range in between 100.00 and 103.00". Meanwhile, rokasltu believes that "this pair will go up during long-run, but concerning the coming week I think some correction will take place." A lot will depend on a widely anticipated FOMC meeting that ends Wednesday, December 18. Another key event is the BoJ monetary policy statement December 20. Any bold statement from these two central banks may create a turbulence in the currency pair.

USDJPY

|	
6.15 %	
10.77 %	
15.38 %	
18.46 %	
13.85 %	
15.38 %	
7.69 %	
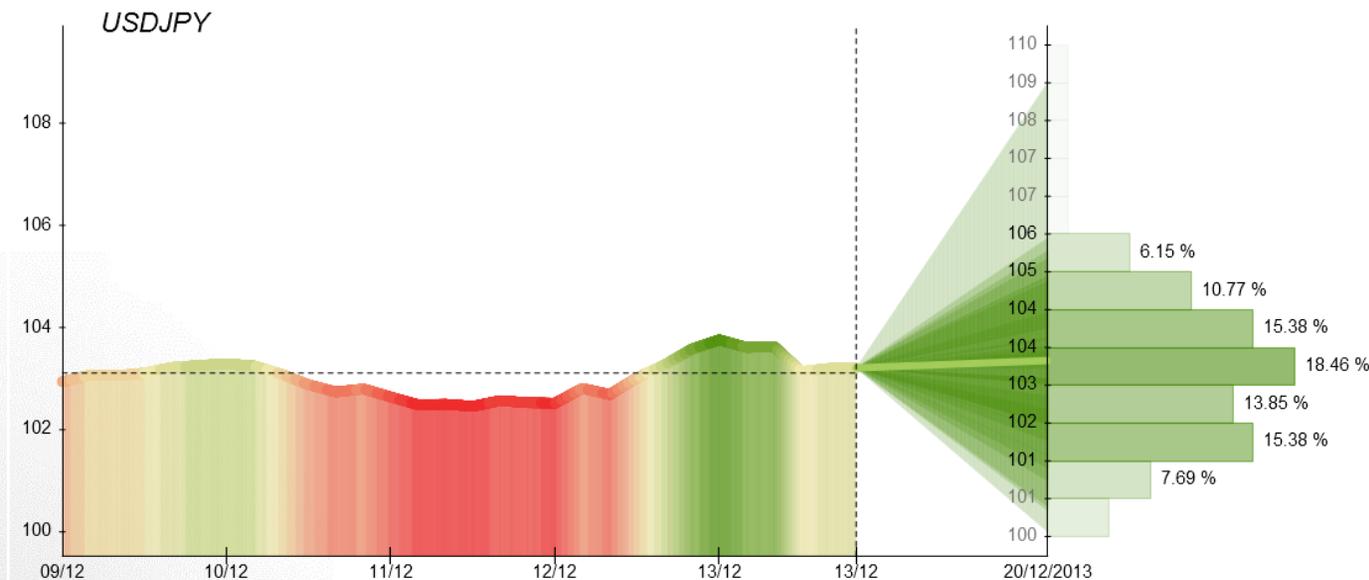
Sankit on USD/JPY
"First two weeks of the current month, pair had a neutral approach. Yen gained much on Friday and bounced back from its 5 year's lows, but current economic conditions are signing towards its further weakening."

Fieryhavoc on USD/JPY
"I think USD/JPY will reach at least 103 Level by end of this week, and possibly return to 101 Level by end of next Fri (20Dec)."

Bullish: 57.1% votes
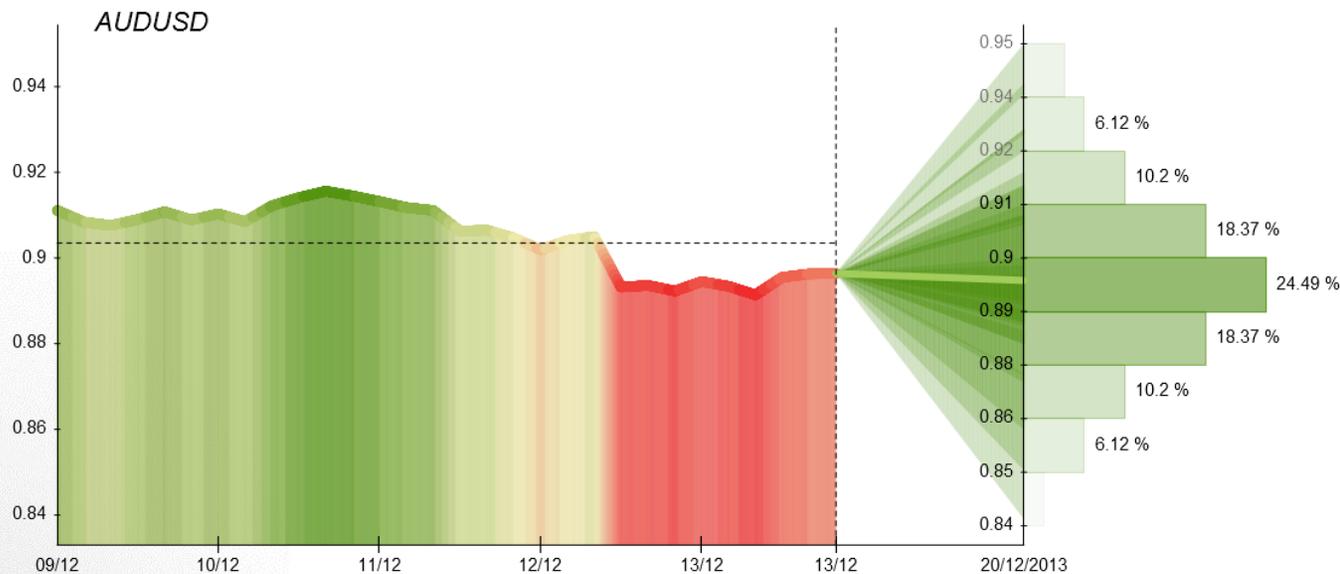
Bearish: 42.9% votes
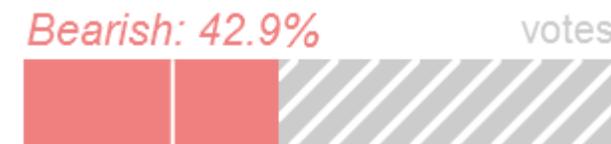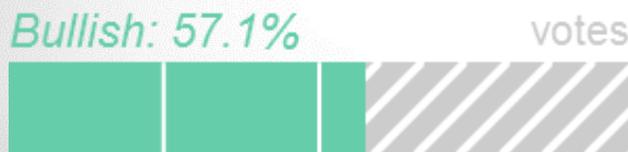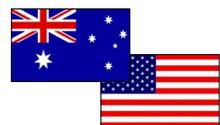
AUD/USD 1W Chart

The Australian Dollar is still considered as an overvalued by the Reserve Bank of Australia, even despite almost a 17% depreciation this year so far. Last week, the AUD/USD was strongly bearish as well, falling 258 pips and hit a strong support level at 0.89 on December 13 that was previously reached late August. Meanwhile, the pair is likely to rebound this week, as 74% of opened positions are long, while 54% of pending orders in a 100-pip range are placed to buy the pair, meaning in case of a movement to the north, the pair will receive additional support. The next strong resistance is located at 0.90, which is not just a strong psychological level, but a weekly pivot as well.

The Australian Dollar has been under heavy pressure, as Glenn Stevens, the RBA Governor, tries to talk down the Aussie, as it is "uncomfortably high". Traders expect that the downtrend, which was particularly massive last week, when AUD/USD lost about 150 points and dropped below the 0.90 level, will continue. Consequently, the pair is heading towards 0.85 U.S. cents, the level that is seen natural by the RBA. The average forecast for AUD/USD for December 20 stands at 0.8947. "Probably AUDUSD found support near 0.8890 and price will balance between 0.8890 and 0.9140 before main move (up or down)", zbych says. David believes that "AUD/USD having a hard time breaking 89.00 as there is strong technical support there. Short term bulls may come in and push the price higher around the 89.00 level." Meanwhile sankit thinks that in case the Fed refrains from tapering QE, the pair will bounce back.

AUDUSD chart: values 0.84 to 0.95 over 09/12 to 20/12/2013. Distribution percentages: 6.12%, 10.2%, 18.37%, 24.49%, 18.37%, 10.2%, 6.12%.

Mandalafxbz on AUD/USD
"The Aussie Dollar is sitting on a 6-month level of support with a 1H cross going up and approaching a 4hr CCI 0 line cross. Stochastic daily is in a oversold position and poised for a reversal to the upside."

Anatoli on AUD/USD
"AUD/USD is in a downtrend from 0.9750 with a long term target at 0.8450, in the short term the pair should reach August 30th low at 0.8900, which should act as support as their is no other major support level in sight. There is a chance that the 0.8900 - 0.8850 support zone could reverse the bearish trend."

**Bullish: 45%** votes

Bearish: 55% votes
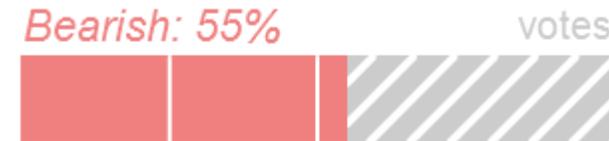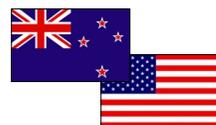
NZD/USD 1W Chart

The NZD/USD currency pair has been one of the most often sold pairs last week, as during the last five trading days traders have been selling the pair in more than 60% of the time. At the moment of writing, 73% of traders were holding short positions, while the proportion of long and short pending orders across the board is almost equal, meaning the long-term outlook is unclear. Nonetheless, the pair is trading around the 200-hour and 200-day SMA, which both are likely to provide substantial support. In addition to that, the pair has been moving in a channel up pattern's boundaries since the beginning of December.

With the overwhelming majority of bears, who account for 73.7%, it is expected that NZD/USD will also fall by the end on the week. According to the medium forecasts, the pair might fetch 0.8231 U.S. cents, with 44% of respondents mentioning 0.81-0.83 as a possible trading range for the kiwi. According to Bruce, "NZD/USD would still continue to consolidate in the range with bearish outlook this week in my opinion. There is not many fundamental changes of NZD; however, the focus is on the Fed meeting this week. So this pair will follow the U.S. Dollar movement, and may close at 0.810 area." "Last week pair found support and bounced back from 50 SMA. Potential news like tapering can break this level and seek under lying support at 25 SMA," sankit says. Along with the Fed's decision, the key events for the South Pacific currency include GDP data and current account.
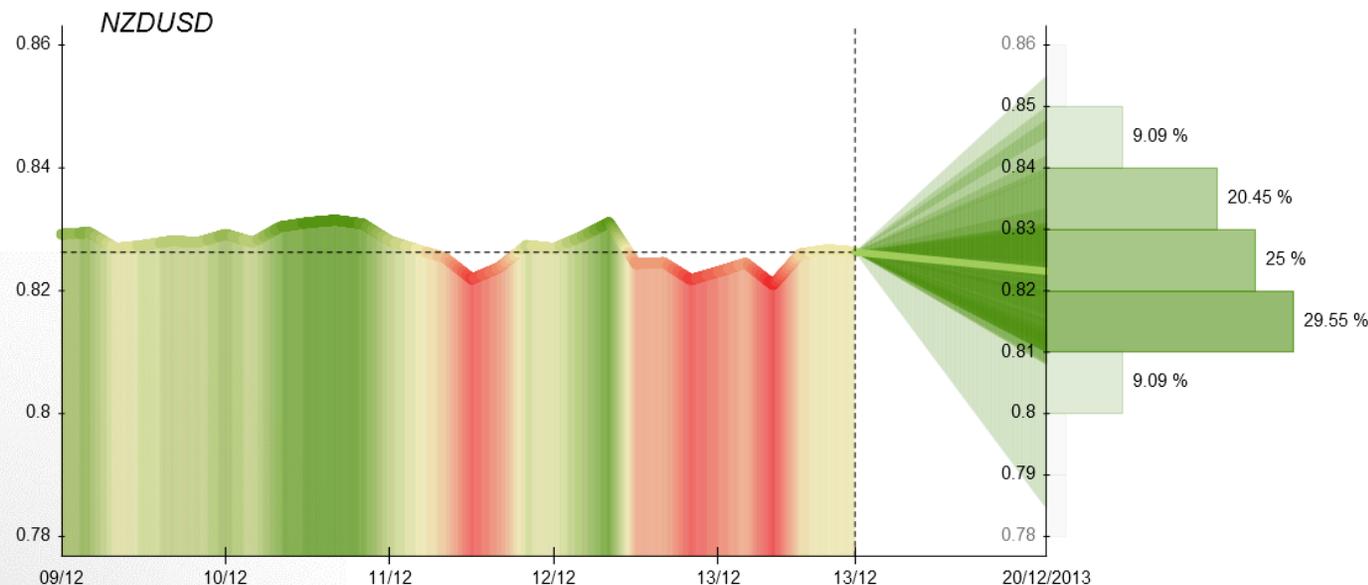
NZDUSD

Zbych on NZD/USD
"On Friday we see a bullish candle and support near 0.8170 is strong; but on the other hand, resistance near 0.8330 is look strong too."

Juandata on NZD/USD
Since November 29th the pair has been making higher highs and higher lows, being supported by SMA 100 days and 0.81493, but 0.8334 seems to be a strong resistance zone that is why if this week we have poor data from EE.UU this will be the limit. If data are positive, I do not think it will affect too much this pair since NZD appears to be strong. Minimum could be 0.8205 and maximum 0.8334.

Bullish: 26.3%   votes

Bearish: 73.7%   votes
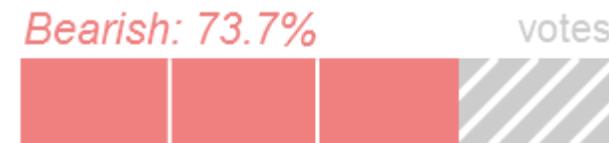
YOUR OPINION MATTERS

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

Week's 9.12-13.12 Most Precise Forecasts

| EUR/USD				GBP/USD				GBP/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
Eco	1.3755	1.3786	0.003	Iwan21	1.624	1.638	0.007	sunguyenth	168	169	0.558
Manadalfxbz	1.37	1.37	0.004	Zoli21	1.635	1.64	0.008	Zoli21	168.6	169.4	0.847
Pipfarmer	1.37	1.38	0.005	sunguyenth	1.635	1.64	0.008	rokasltu	167.1	167.5	0.974

*RMSD = Root-mean-square deviation

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.
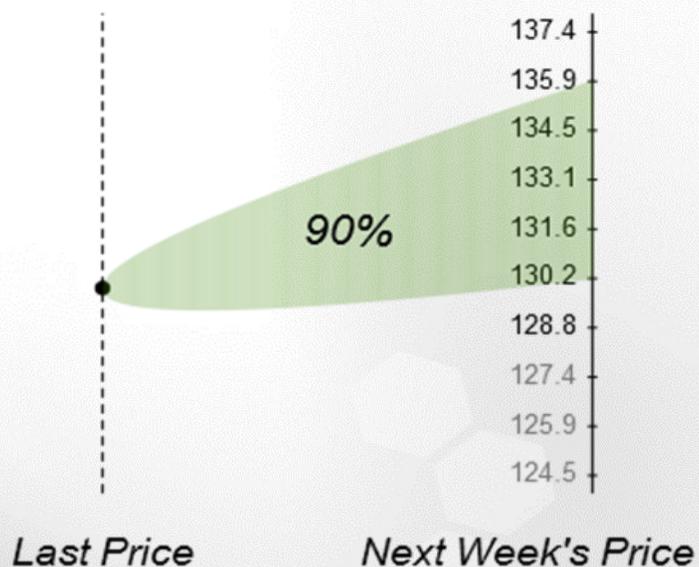
Graph 1: Confidence interval used for "Community Forecasts"
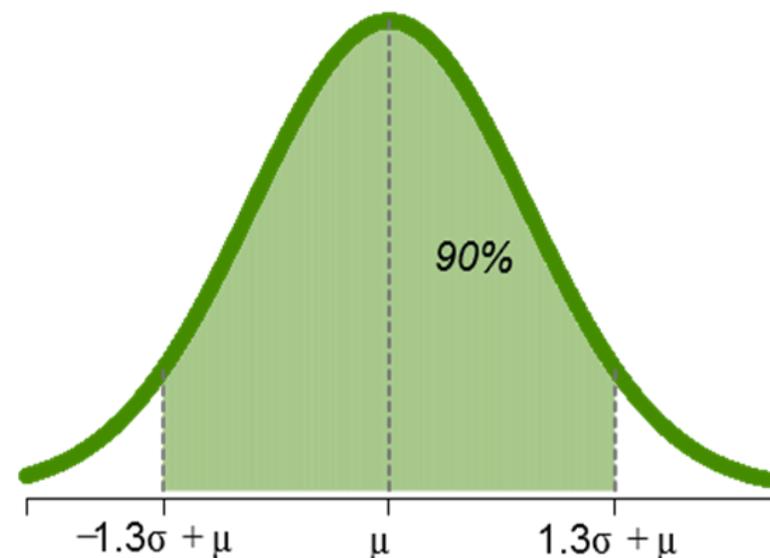
Graph 2: Probability Density Function for a Normal Distribution

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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