



**DUKASCOPY**  
RESEARCH PRODUCTS

14/01/2014



# Community Forecasts

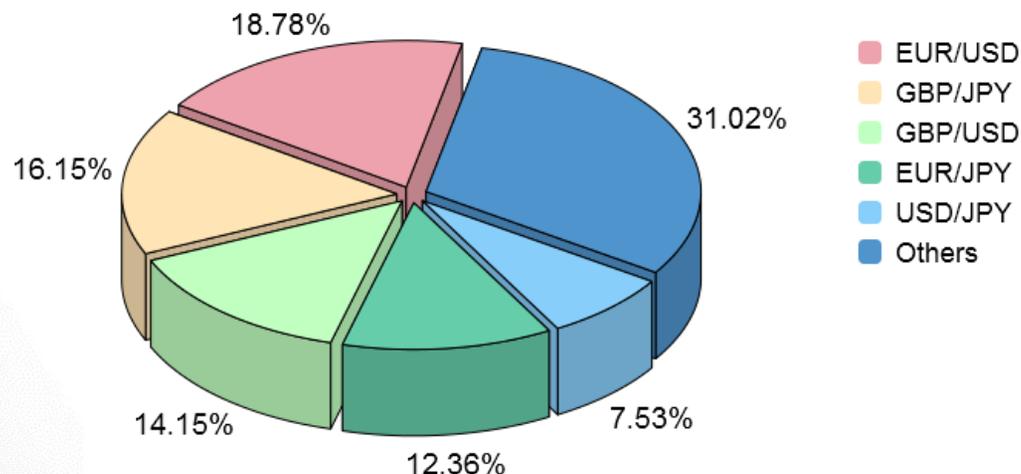
## SWFX Top 3 Currency Pairs

This is the first weekly Community Forecast this year, and unlike the last report of 2013, this time the top three chart comprises of mostly Pound-crosses, namely GBP/JPY and GBP/USD. The trading volume of the most popular currencies in the week ended January 10, slightly declined, as EUR/USD lost more than 3% of its allure. As Christmas and New Year holidays came to the end with no major events happening during that period of time, this week is full of important economic data, which will definitely shape currencies' performance. Among the most influential events are the speech by the BoE Governor Mark Carney and the Fed Chairman Ben Bernanke, beige Book, data on inflation in the Eurozone and U.S., etc.

As to performance of traders, who participated in the last Community Forecasts of 2013, they appeared to be more precise in analyzing EUR/JPY, with 50% of correct forecasts, while EUR/USD and GBP/JPY saw around 46% projections that were in line with the actual prices. We would like to thank all the participants, as they bring a great value to this research report. Particularly we would like to express our admiration with cetomi, marius1 and Daytrader21, who proved to be the most precise forecasters. Also, during the previous week, exceptional performance was shown by Foxy65, mongoliawolf and iktorn.

Instrument	Buy	Sell
EUR/USD	53 %	47 %
GBP/JPY	50 %	50 %
GBP/USD	52 %	48 %

## Instruments



## Last Week's Top Traders

EUR/USD		GBP/JPY		GBP/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
<b>Foxy65</b>	71690	<b>mongoliawolf</b>	166555	<b>iktorn</b>	79040
<b>GauravKumar</b>	32265	<b>Bimlesh</b>	134188	<b>CASPI</b>	41885
<b>Atka</b>	29225	<b>Schaolin</b>	128660	<b>futures</b>	28824

\*PNL- Profit & Loss in USD

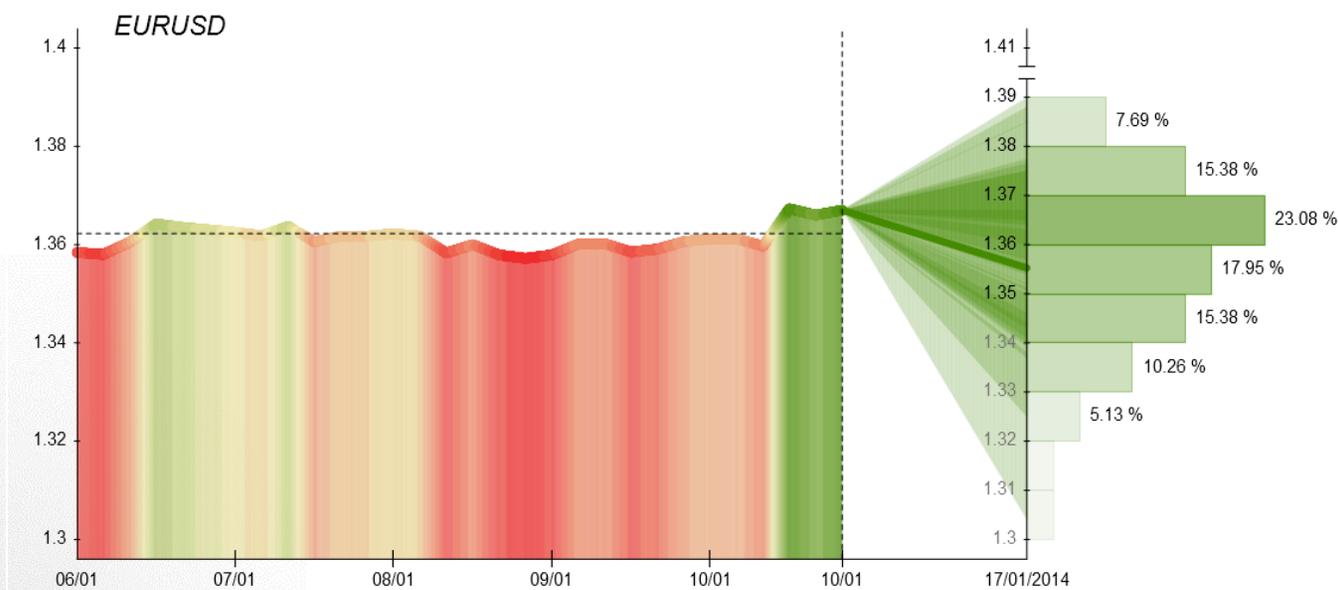


## EUR/USD 1W Chart

The most traded currency pair was strongly influenced by fundamental data from Europe and United States last week. On Friday the pair soared almost 115 pips following disappointing labour report from America. On Monday the pair once again tried to reach a recent high and a weekly R2 at 1.3686; however, bulls were not strong enough. Moreover, 58% of traders are holding short positions, while almost 54% of pending orders in a 100-pip range are placed to sell the pair, therefore, the short term outlook is bearish. In a longer term, however, a move to the north is expected, as pair is not trading in boundaries of a descending triangle anymore, as the pair penetrated pattern's resistance on January 9.

It seems that Dukascopy Community members are sharing the same idea, suggesting the Euro will lose ground against the greenback this week, expecting the pair to close at 1.3552 on Friday, January 17. This level is lower compared to the last week's average price of 1.3611. While aggregate technical indicators are speaking in favour of EUR/USD weakening, some traders also received "sell" signals from technicals. "MACD divergence announces possible downgrade EUR / USD weekly pivots to position the objective min at 1.34286 and max at 1.35120," said foxy65.

From the perspective of fundamental analysis, the pair is more likely to be volatile on Thursday, as a drop in inflation and worse-than-expected jobless claims may force Bernanke to provide some dovish comments. However, he is most likely to strip out the recent labour reports, and say the economy is on the right track.



### Rokasltu on EUR/USD

"After disappointing NFP result EUR/USD rate went up but not so impressive as it could be. I think during coming week USD will weaken and EUR strengthen as during some previous important disappointing news from US, EUR/USD rate had risen around few hundred pips."



### Ctrader on EUR/USD

"EUR/USD it's still under the mid term uptrend line. Last week EUR has hold the bottom 1,3570 area and rallied last Friday to 1,3670 area, because of this, next week we can see a continuation to the mid term up trend line which will be the resistance area 1,3750, after that the price can be rejected to the downside direction with the support area 1,3570."

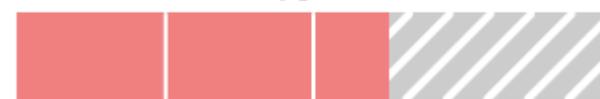
**Bullish: 37.5%**

votes



**Bearish: 62.5%**

votes

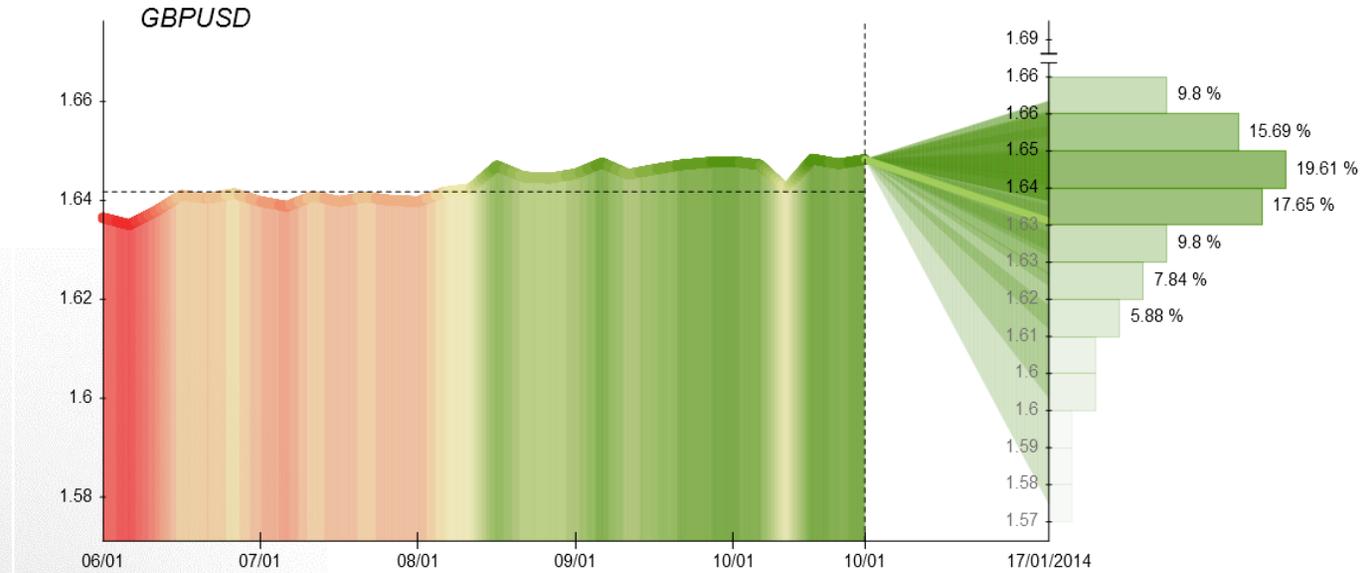




## GBP/USD 1W Chart

Despite a bunch of optimistic data from the U.K. and America's inability to create jobs in December, traders still refuse to be bullish on cable, with just 46% of opened position being long. However, in a longer period, pair is likely to appreciate, as 58% of pending orders in a 100-pip range are placed to buy the Sterling against the U.S. Dollar. While market sentiment is not clearly marked, the pair has been highly volatile during the last couple of days. Until Friday the cable has been steadily appreciating and touched 1.6480, moving back in boundaries of a rising wedge pattern. On Monday, the pair plunged below the 200-period (4H) SMA and was changing hands slightly below Weekly S1, which is located at 1.6383.

Currently the Sterling is considered to be one of the most attractive currencies among investors, given sound economic performance of the U.K. compared to other developed countries. However, futures thinks that positive fundamentals have already been priced in. On the contrary, juandata says that "GBP/USD showed last week that it has a lot of potential to continue raising since fundamentals are inclined in favour of U.K economy and support at 1.6319 is a pretty strong demand area". Nevertheless, majority of respondents expect the Pound to weaken versus the U.S. Dollar by the end of the trading week. Thus, the average forecast for the cable stand at 1.6358, which is almost 100 pips below the price at the time of writing. Rokasltu believes that the Sterling is quite strong already, which might derail economic recovery. Hence, the upside potential is rather limited.



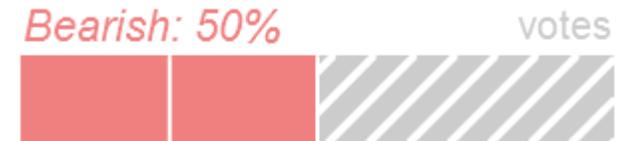
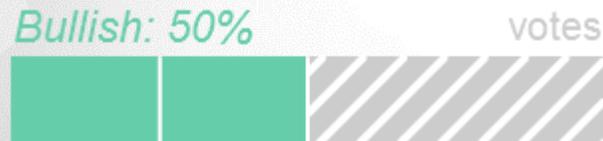
### Tommaso on EUR/JPY

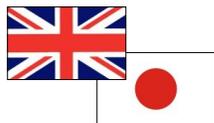
"Next week there will be various important releases about British economic data; both US dollar and British pound are appreciating, but the second seems having a faster pace."



### SpecialFX on EUR/JPY

"I expect a short term bearish reversal into next Friday 17/1/14. A break and target of long term highs above 1.6600 will materialise over the coming months. Short term resistance is being tested and should hold but support at 1,650 is strong and will attract strong buying. The pound is still weak against the Euro and this will distort and make for volatile trade against the dollar for the foreseeable future with an upward bias."

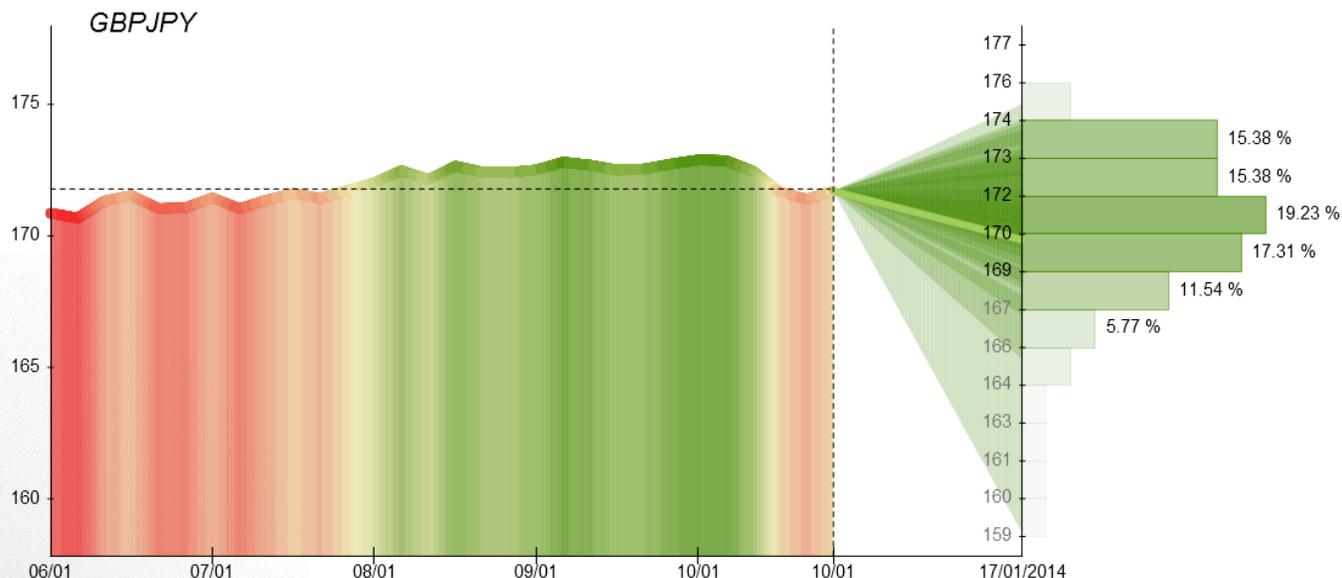




## GBP/JPY 1W Chart

GBP/JPY has formed a [rising wedge](#) pattern on October 22 and after touching both trend lines 4 times, the uptrend movement began to wane and during the whole last week bears made several attempts to penetrate the lower boundary. Only on Friday they were strong enough and pushed the pair below 172.38, and so far it has lost more than 380 pips. What is more important, the pair was able to close below a strong support at 170.206, reflecting the strength of bearish sentiment. The depreciation, however, is expected to be short-lived, as more than 63% of pending orders in a 100-pip range are placed to buy the pair.

The vast majority of traders, who took part in the Community Forecasts, see the pair moving downwards and reaching 169.8488 on Friday, January 17. Geula4x comment supports the view, as he believes that "GBP/JPY seems to be in bearish momentum on the daily chart. Last week we saw some weak GBP news releases, for example: Manufacturing Production came out 0% on Friday, worse than 0.4% expected; Services PMI came out 58.8 on Monday, missing the forecast of 60.4. On the other hand, there has not been any important JPY news last week. Therefore, I expect bears to continue pressing GBP/JPY this coming week as well." Rokasltu also shares this view. By saying that "think during coming week the Yen will recover a little. Taking into account that the Pound is quite strong and will not strengthen further and rather weaken a little. In my opinion during coming week I see GBP/JPY rate going down."



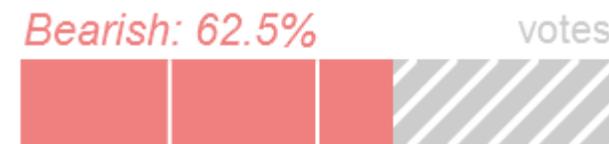
### Erebaque on GBP/JPY

"In the daily chart the uptrend from 116.80 is still in progress and there is no sign of reversal yet. In short-term shows a technical correction, a temporary downturn, but almost all the indicators indicates a strong buy."



### Juandata on GBP/JPY

"Profit taking has sent the pair towards the key area around 170.74, and at the moment it is being breached, so is a good idea to pay attention to price action before taking a trade decision. I think the JPY is going to be strong this week since a lot of people could continue to buy the currency (it has been raising a lot during last months). I do not expect this retracement to last long or to send the pair too low. Minimum could be around 168.56 and maximum around 171.72."



# YOUR OPINION MATTERS

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

Week's 6.01-10.01 Most Precise Forecasts

EUR/USD				EUR/JPY				GBP/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
<b>cetomi</b>	1.362	1.37	0.004	<b>marius1</b>	142.32	142.37	0.051	<b>Daytrader21</b>	170.5	172	0.876
<b>marius1</b>	1.37	1.375	0.006	<b>rivo25</b>	142.81	142.81	0.42	<b>mandalafxzbz</b>	171	173	1.043
<b>ninjaproger</b>	1.35878	1.37034	0.006	<b>Daytrader21</b>	141.5	142.5	0.634	<b>rivo25</b>	170.05	174.73	2.439

\*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

- artyomfm**
- Ctrader**
- DjKarman**
- erebaque**
- foxy65**
- futures**
- geula4x**
- juandata**
- keeong**
- martinjm**
- randomwraith**
- ReubensRubels**
- rokasltu**
- Tommaso**
- TrackNifty**
- Yuri**

**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.

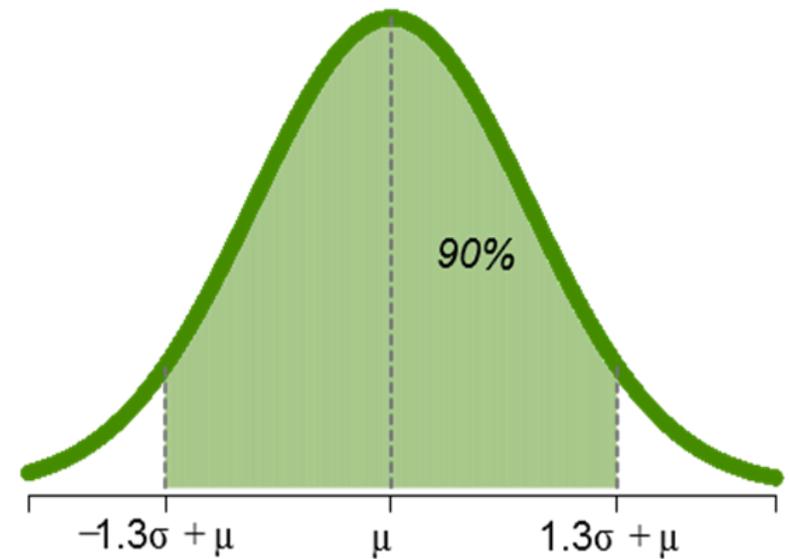
Under the assumption that currency pair logarithmic returns are normally distributed with mean  $\mu$  and standard deviation  $\sigma$  as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values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