



DUKASCOPY
RESEARCH PRODUCTS

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Community Forecasts

SWFX Top 3 Currency Pairs

Last week traders slightly changed their preferences from GBP/USD to EUR/JPY compared to a week earlier, as GBP/USD slipped back to fourth place in terms of trading volume. Furthermore, EUR/USD retained its leader position with a 2% higher volume than in the week ending January 10.

The overall sentiment on the three most popular currency pairs was rather bearish, as at least 51% of positions were set to go short for all couples.

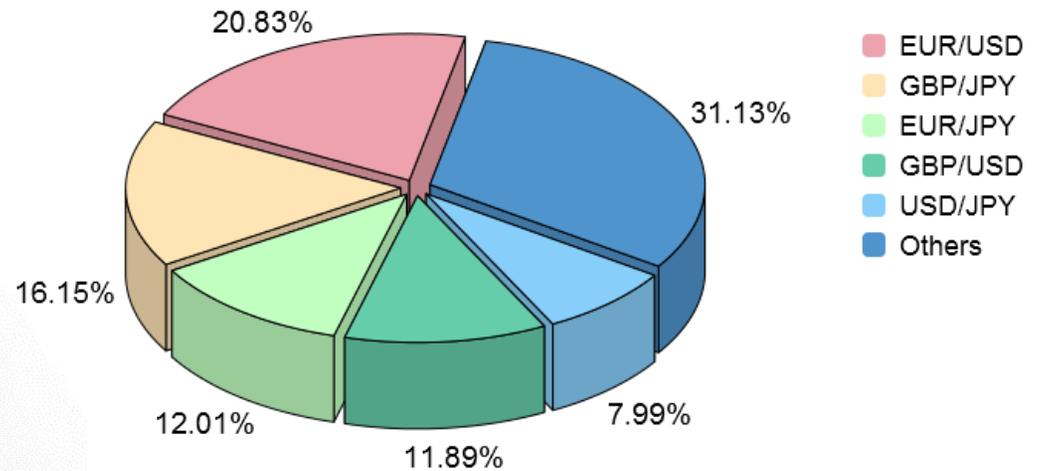
Many important economic data releases are due this week, such as BOJ Interest rate decision on Wednesday and German Manufacturing PMI on Thursday, thus we could expect changes in the trading sentiment in the next few days.

When reviewing the accuracy of last week's forecasts, it turned out that our Community members were more precise in predicting the closing price for GBP/USD and GBP/JPY currency pairs with 44% correct forecasts for both pairs. We also want to congratulate Youri, rokasltu and wrandomwraith that were the most successful forecast makers in the previous Community Forecasts release.

Apart from that, we are very glad for our Community members Bokata, krasimik and tutanhamon who showed a stunning performance in the last week's trading contest. Thanks everyone for bringing your great expertise to Dukascopy analytical products!

Instrument	Buy	Sell
EUR/USD	48 %	52 %
GBP/JPY	47 %	53 %
EUR/JPY	49 %	51 %

Instruments



Last Week's Top Traders

GBP/JPY		EUR/JPY		EUR/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
Bokata	156325	krasimik	132747	tutanhamon	106415
mrxau	136072	regoza	92730	lotiti	65218
Drift	101683	dardar	59366	NTC526244	43675

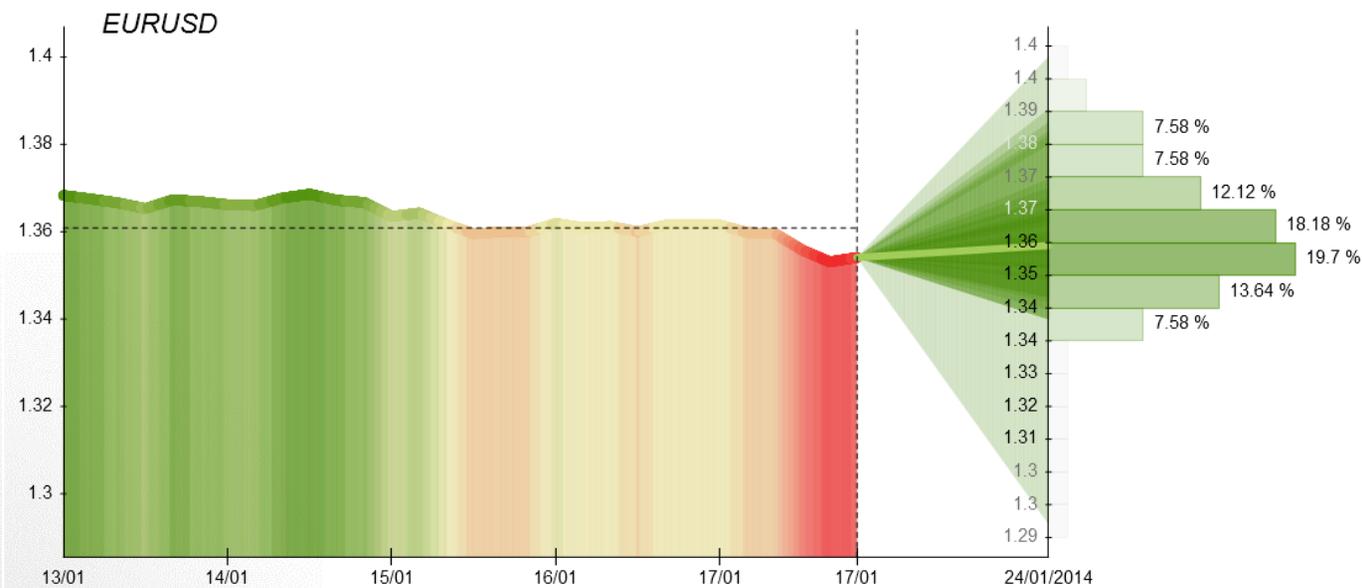
*PNL- Profit & Loss in USD



EUR/USD 1W Chart

During the last week EUR/USD remained under pressure even despite a lack of important fundamental data from Europe and mixed reports from the United States. After opening at 1.3678 on Sunday the pair was not able to breach the 200-period SMA on the 4H chart, and during the week the single currency plunged to 1.35 – the lowest level since November. While some of technical indicators are pointing at pair’s appreciation, Dukascopy aggregate technical indicator on a 1H, 4H and daily charts are sending ‘sell’ signals, while 58% of traders are holding short positions, and 58% of pending orders in a 100-pip range are placed to sell the pair, suggesting investors are expecting the pair to depreciate in the foreseeable future. In case bears push the pair below 1.35, the next key level is located around 1.34, just 100 pips lower.

While in the previous week Community members had expected the pair to reach 1.3552, with the actual price being 1.3527, this week traders see the pair to stay around the current levels, moving towards the 1.3568 mark by Friday, January 24. Nevertheless, some of respondents believes that the weekly target level could be around 1.3400-1.34500. Meanwhile, jezz and aton_dang expect this week a neutral mood on the market, with no clear direction, due to the anticipation for the G7 meeting, release French and German PMI data and existing home sales in the U.S. From the technical standpoint, VladimirTT says that “RSI (4H chart) is pointing down, and I think we have entered the realm of bears. Corrections should be good opportunity to enter short. We could see this week first try to approach 1.345 - 23.6% Fibo (from 01.07.12 to 01.12.13).”



Anatoli on EUR/USD

“EUR/USD is in a long term bull trend, currently at 1.3600 support level, which is expected to hold with targets up above into 1.4000 - 1.4100 area. If the price drops to 1.3500, EUR/USD may turn bearish in the midterm or trade in a higher range.”



Thescalper on EUR/USD

“With US unemployment rate at 6.7%, there are strong chances of Fed's taking a decision to bring in taper plan in place, ultimately reducing supply of dollar. The analysis is basis of dollar strength in coming months. The Dollar accumulation is clear strategy of SM. Some spikes can be seen in some session to push of weak holders.”

Bullish: 50%

votes



Bearish: 50%

votes

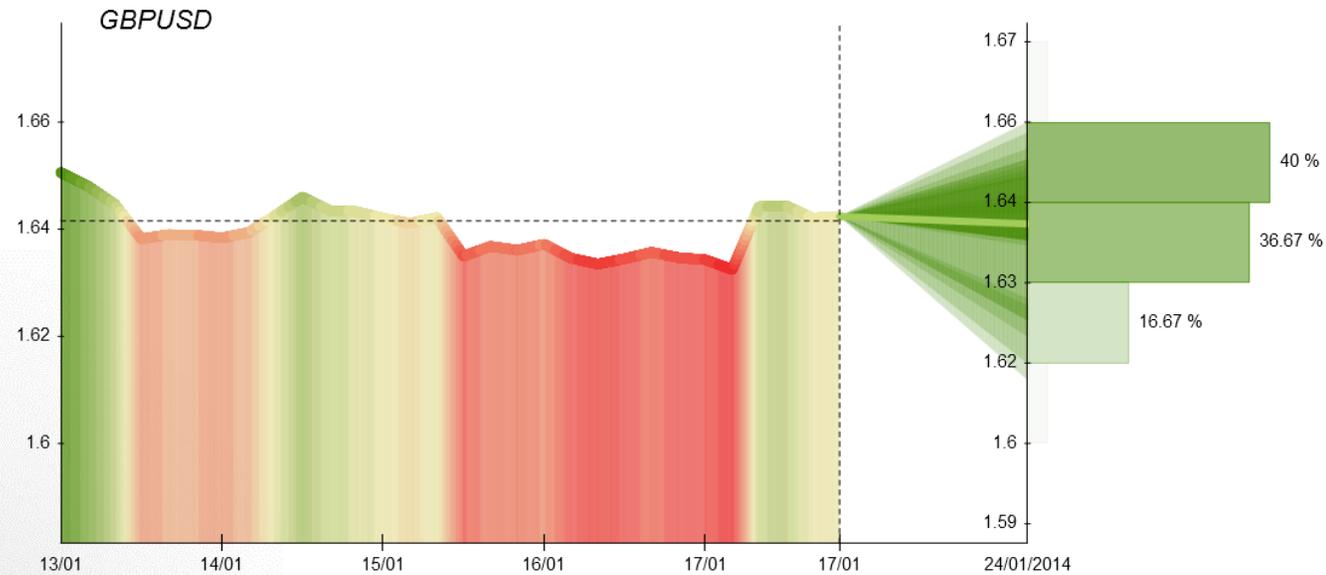




GBP/USD 1W Chart

On a weekly chart the cable has been trading in boundaries of an ascending triangle pattern since November 5. However, the pattern is moving to its apex as on April 21 both trend line will converge. Already now the pair is bounded in a 130-pip range, and taking into account the fact the pair has already performed a throwback, the outlook is bearish. As an alternative scenario, bulls can push the pair above 1.6568, putting Weekly R2 at 1.6611 on the map. Moreover, there is a descending triangle on a daily chart, which is also moving to its apex. Taking into account all previously said and the MPC meeting this week, GBP/USD can be highly attractive for traders in the upcoming days.

Despite the bearish outlook supported by technicals, a slight majority of traders see the bullish trend to emerge in the GBP/USD currency pair. The average forecast for Friday, January 24, stands at 1.641. Anton_dang sees the cable "in bullish mood after it hit support and it pushed the cable up. I expect a continuation of optimistic mood for the Sterling and I will not be surprised if this pair will close around resistance at 1.652-1.652". Sankit also supports this idea, by saying that "the Pound is truly an outperformer in recent past. I expect its performance to be continued against the weak Dollar this week as well". On the contrary, rokasltu believes that "It seems that the Pound started to descend. "Surprise" economy data looks exhausted, data is still good but not surprising anymore at the moment. Thus, downside is expected but not very sharp as presently the UK economy is in quite good condition."



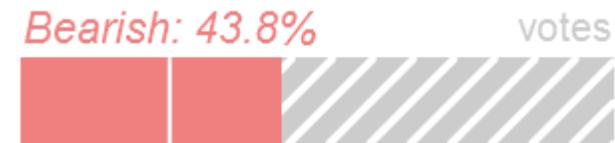
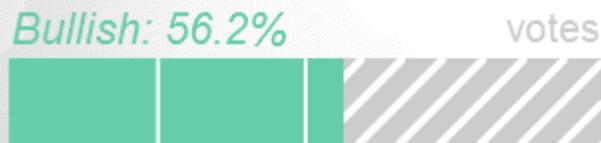
Nicco on GBP/USD

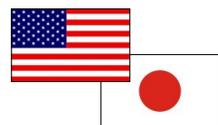
"Last week this pair had reversed direction movement losing less than 1 cent. There will be many news from UK this week, the unemployment rate is expected to edge lower to 7.3%, MPC official bank rate votes are expected to maintain the rate at 0.50%, nothing catastrophic. I think the pair will remain in a quasi steady state."



Jezz on GBP/USD

"The pair is on the bearish move since it hit the 1,66 mark. There have been some bad and some good news last week, but the overall sentiment is bearish. This week most of the key numbers are published on Wednesday. The pair has tested resistance line which is going down."

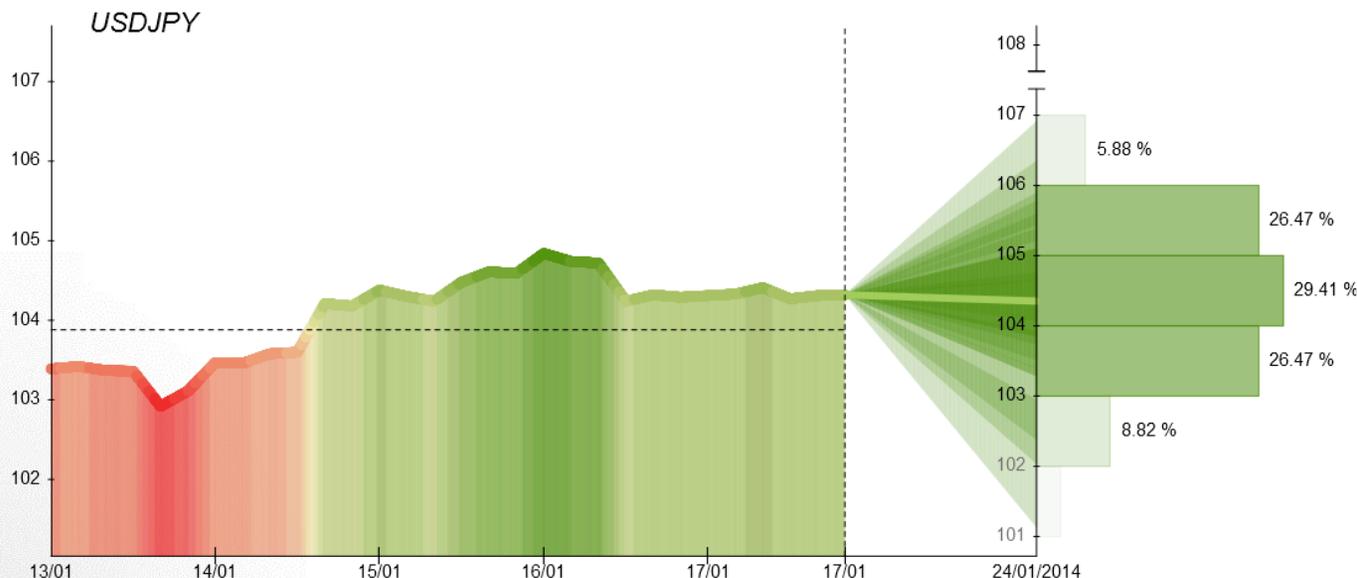




USD/JPY 1W Chart

It is not a surprise that USD/JPY is still moving in boundaries of a channel up pattern, which was formed in the middle of October. The key levels for long and short traders are located at 105.41 and 102.85 respectively. Despite pair's bearish movement during January's first week, the pair is still likely to appreciate, and the fact that on January 20 traders were not able to push the price below the 200-period SMA on the 4H chart, suggesting downside movement is losing momentum. Currently, traders are already selling the pair more often than opening long positions (59% bearish).

Thescalper sees USD/JPY as "a very complex pair to trade, as there are no distinct supply and demand zones formed on high time frame." Nevertheless, after processing all the findings, it appeared that Community Forecasts participants on average anticipate the pair to close at 104.24 on January 24, with the majority of respondents sharing the bullish outlook. "The USD/JPY is clearly in a bull trend with the most recent support traded at 103.00 aiming for 106.00 - 107.00 area," says Anatoli. However, there is also a contrary view, which is taken by such traders as rokasltu and Rafeta. The pair "go downwards, and I think it is only the beginning," according to Rafeta, while rokasltu elaborate further on this by saying "Despite sharp decrease after NFP release USD/JPY manage to regain almost everything after that decreased little again. I think that it was just temporary regaining of the Japanese Yen and during coming week the Yen will weaken further."



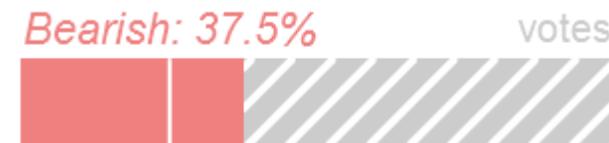
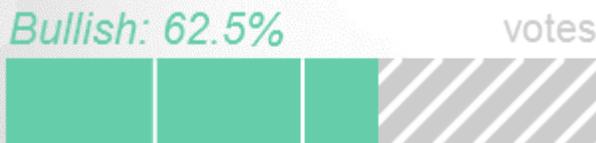
Juandata on USD/JPY

"USD/JPY is trying to reach 105.50 again, but it will have to breach weekly R1 at 105.15 before that. I think this level will be the down-trend resistance until a really strong demand boost the pair to new highs. That is why I see 105.15 as this week maximum and 103.99 as minimum. Closing price could be around 104.60."



Carpe on USD/JPY

"At H4 chart we can see a bearish trend starting from the highest point since August 2008: 105.500. I put next support target for the retested period (Friday, January 24) around 103.000."



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 13.01-17.01 Most Precise Forecasts

EUR/USD				GBP/USD				GBP/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 Yuri	1.352	1.363	0.006	 rokasltu	1.64	1.645	0.003	 randomwraith	169.5	171	1.325
 TrackNifty	1.3507	1.36484	0.008	 randomwraith	1.643	1.646	0.003	 Ctrader	170.45	173.14	1.419
 foxy65	1.34286	1.3512	0.008	 futures	1.635	1.64	0.006	 geula4x	169.7	172.5	1.421

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	alifari
	Anatoli
	anton_dang
	carpe
	Drift
	DumbAsARock
	jezz
	juandata
	kamath
	morepips
	Nicco
	Rafeta
	rokasltu
	sankit
	SenadNeradin
	thescalper
	VladimirTT



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

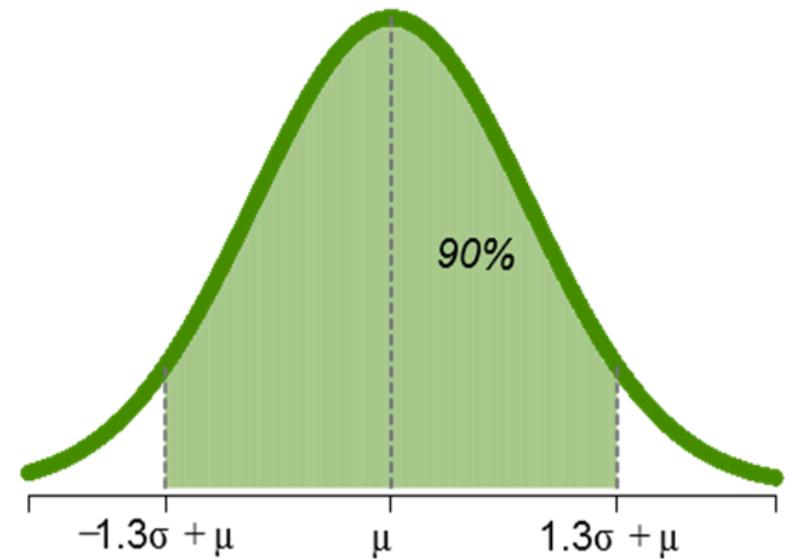
EXPLANATIONS

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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