



DUKASCOPY
RESEARCH PRODUCTS

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Community Forecasts

SWFX Top 3 Currency Pairs

Last week GBP/USD regained the third place among the most traded currency pairs, as the EUR/JPY was traded in 11.33% cases across the board, whereas GBP/USD hit 18% volume. The trading volume of EUR/USD was more than 1% lower compared to a week before, while GBP/USD became more favorable for traders. The trading sentiment was moderately bullish on the most popular couple and retained its bearish trend in the other two pairs.

As concerns the forecasts on the closing prices for last Friday, our community members appeared to be better in estimating the minimum and maximum values for GBP/USD pair, while USD/JPY seemed to be the most unpredictable couple last week.

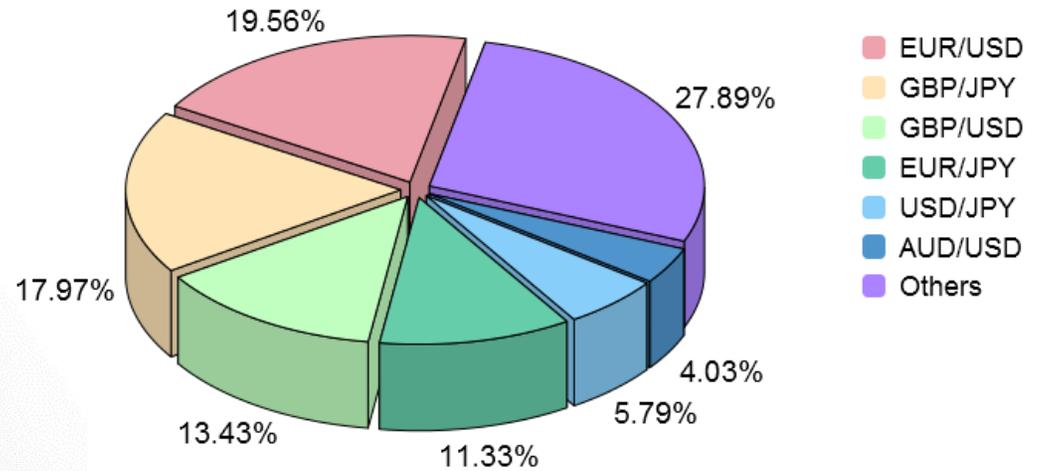
When considering the most important highlights for this week, important data releases are due on the U.S. and British economies, therefore we might expect some changes in trading preferences over the next days.

Dukascopy Research Team also wants to congratulate Trillionsfund, TheDarkMatter and LfxPro, who gained the first place in the last week's Dukascopy Trader Contest and wishes all the best in their future trading!

Other than that, we feel very proud with the last week's best forecast makers: DumbAsARock, Nicco and Carpe, who gave the most successful predictions. We also thank each and every one of you who is ready to challenge oneself and submit the forecasts!

Instrument	Buy	Sell
EUR/USD	53 %	47 %
GBP/JPY	49 %	51 %
GBP/USD	46 %	54 %

Instruments



Last Week's Top Traders

EUR/USD		GBP/JPY		GBP/USD	
Nickname	PNL	Nickname	PNL	Nickname	PNL
Trillionsfund	75210	TheDarkMatter	119543	LfxPro	104395
zumba	68260	jjy	118173	sarbaan	81755
vania1234	64560	florin_trader	88715	regoza	79101

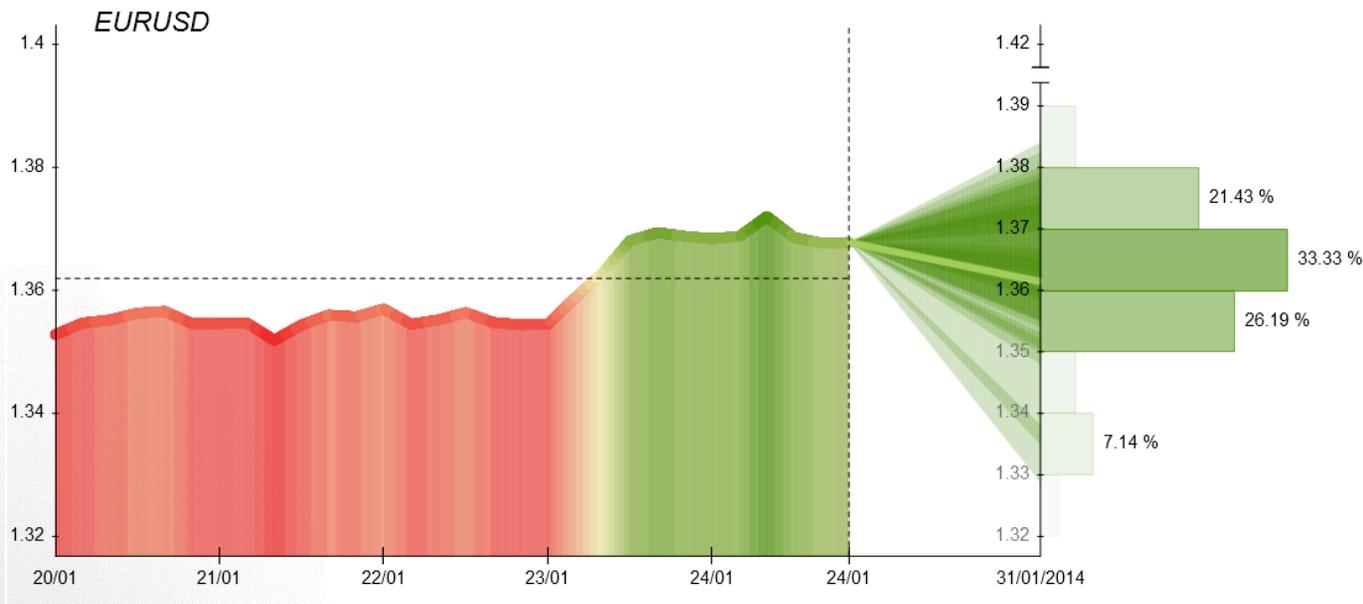
*PNL- Profit & Loss in USD



EUR/USD 1W Chart

According to the last week's consensus forecast the most traded currency pair was expected to hit 1.3552 on Friday, January 24. Traders were close with their forecasts; however, stronger-than-expected PMI report from Europe pushed the pair up to strong resistance at 1.37. It seems that the pair refuses to go any higher, and even turned lower to a weekly pivot and a daily S1 around 1.3645. Keeping in mind strong bearish market sentiment (63%) and a lack of fundamental data from Europe the pair can depreciate to 1.3625, while the next key level is located at 1.355 – weekly S1. Additionally, 60% of pending orders in a 100-pip range are placed to sell the pair, ready to provide additional support for bears in case of further depreciation.

Following an exciting week, is the pair set to continue gaining or staying at around current levels? After processing forecasts of 19 traders, who took part in Community Forecasts survey, it appeared that a downtrend is largely expected throughout this week. The pair might fall to 1.3614 by January 31, with an overwhelming majority of respondents sharing a bearish sentiment for the Euro versus the greenback. "Technically, the 1,37 line has not been surpassed, there is a retracement on the weekly and 4H chart, with the pair sliding towards the 1,3600, next stable psychological boundary. A lot of pressure on the Euro is expected," says jezz. From fundamental standpoint, kaled believes that "this week has big news for both regions. The Eurozone will keep showing good numbers as economists forecast. In the United States, news will not be brighten for markets."



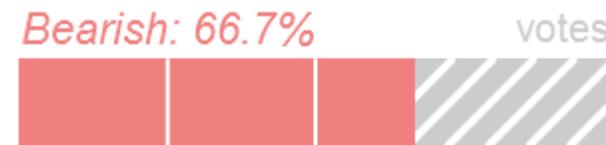
IGUMZFX on EURUSD

"EURUSD hit the Weekly Trendline This week and reacted to form a bullish pinbar on a daily time frame. From the above the pair is bullish till it hit the weekly Resistance line."



Shristov on EUR/USD

"I think that FED will do some tapering, or even of not I think that the market will speculate about this. The NFP for the last month was really weak, but we are talking about December - with all winter holidays I think it is normal. Thus, I think the US dollar to be the strongest currency in this pair, as there are still a lot of problems in Europe."

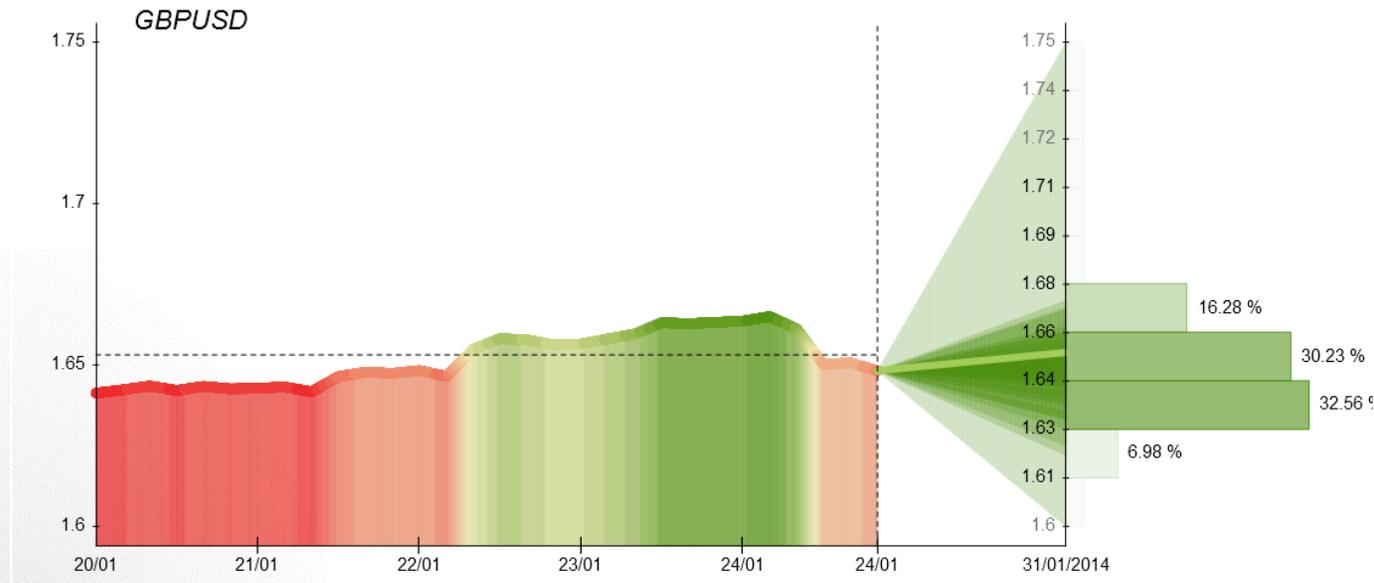




GBP/USD 1W Chart

A week earlier Dukascopy traders were very successful in predicting cable's movement, as closing prices was just 70 pips above the predicted level. The pair has been highly volatile last week, as in the first part of the trading week, the cable soared more than 270 pips, while on Friday it almost lost all of earlier gains. The pair has been trading in [channel up](#) pattern's boundaries since January 14, and it seems that pattern's lower boundary presents a significant challenge for bears to push the pair lower. At the moment of writing the pair was changing hands at 1.656, moving closer to a daily pivot following a release of the U.K. GDP. Taking into account strongly bearish market sentiment (70%) and no surprise from the GDP report, the pair is more likely to head to the south, putting pattern's support and weekly pivot at 1.6519 on the map.

However, traders see the Pound slightly strengthening versus its U.S. counterpart, moving to the 1.6538 mark by Friday, January 31. Although, shristov expects "this pair to consolidate for a while, as it was rising really fast for the last couple of days. In the long term I expect the Pound to go stronger, as there are a lot of good signals from the UK economy." Indeed, the U.K. economy has surprised economists to the upside and now is considered to be one of the fastest growing developed economies. Haynes6EU and Korol see that major driver this week might become Fed's further tapering of monetary stimulus by another \$10 billion. In case the U.S. central banks decides to wind down QE, Korol expects that the Pound will lose against the U.S. Dollar. Meanwhile langoi considers the most likely scenario, where short positions will be below 1.6555 with targets at 1.6445 and 1.6405 in extension.



Sonjatrader on GBP/USD

"The weekly charts shows a bullish triangle. The U.K. has further improvements in the labour market, a positive economic outlook and policy measures that keep mortgages rates lows and improvement of the ability of credit."

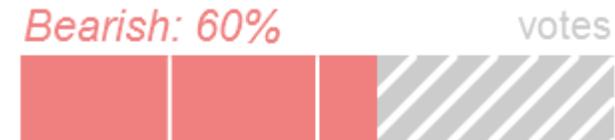


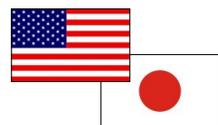
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Rafeta on GBP/USD

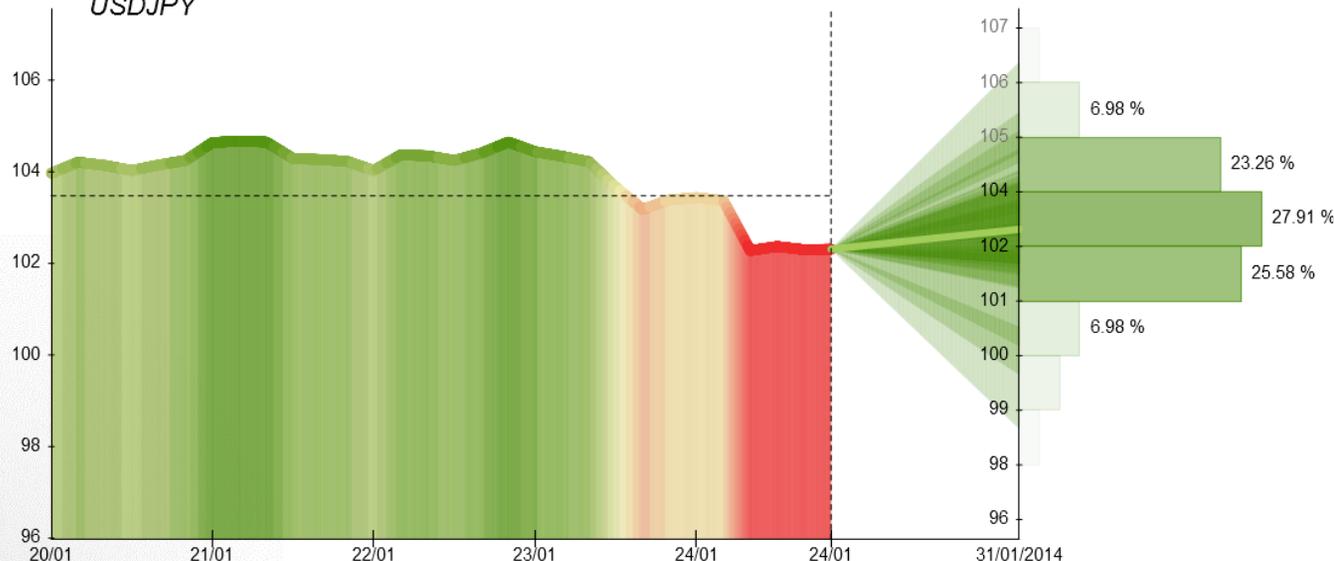
"I see the GBP/USD pair moving in a lateral range but a little downbound with a maximum around 1.66 and a minimum on 1.6332 where there are too much buying power on the short term."





USD/JPY 1W Chart

USDJPY



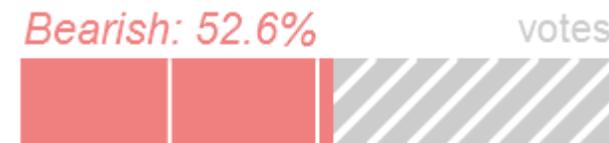
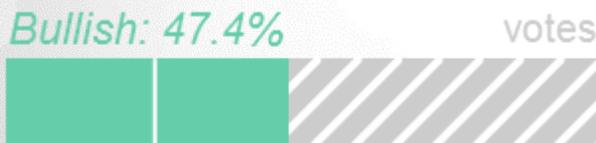
Jezz on USD/JPY

"Abenomics is showing some success, meaning that the Yen is losing. After last week's decline on the U.S. Dollar I would go for a comeback of it to recheck the 104,00 boundary. On the 4H chart I see a pattern that could support this idea, but it is more speculative and based on the fundamental knowledge. Still, if the price falls bellow 102,00 it is going down. So far, I see a comeback and attack on the higher price."



Rokasltu on USD/JPY

"USD/JPY rate is heading to new saturation level in the region of 97-98. I think it will slightly approach towards this level during coming week."



Japanese currency was poised to become this year's top loser; however, since January 1 the USD/JPY currency pair has lost almost 350 pips already. This week, ahead of the upcoming FOMC meeting, where policymakers are expected to announce more tapering, the Yen lost some of its value and the pair moved higher to a daily R1 at 103.14. Traders are expecting another rally and opening long position more often than short ones. The pair is likely to be driven by fundamental data from the United States, and the fact the greenback is bought in 61% of all cases across the board, is bolstering the case the pair can advance to 104 level. Despite the fact that the Japanese Yen is poised to be the worst performing currency this year, sonjatrader believes that for the first time in two decades Japan's currency becomes attractive to foreign investors. This is due to the fact that "2013 was a spectacular year for Japan. The Nikkei rose to its strongest level in six years, Japan did not experience one quarter of negative annualized GDP growth, inflation hit a five-year high of 1.1% while the jobless rate hit a six-year low of 3.8%. These improvements are a testament of the success of Abenomics, the Prime Minister's ambitious plan to bring Japan's economy back to life." Meanwhile, majority of traders are short on the pair despite the technical signals and expectations of further QE tapering, forecasting it to close the trading week at around 102.74. Nevertheless, Eco and AdamFx42 are among those, who share a bullish view on the pair. Eco argues that "A further fall is not expect. The top level of growth 104.15." According to AdamFx42 "101.95 is crucial support daily level for USD/JPY, and if it breaks, we go down to 100 and probably lower - so it all depends on this level holding. I believe it will and that buying will accelerate above 102.75 level."

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 20.01-24.01 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 DumbAsARock	1.3666	1.3676	0.001	 Nicco	1.6495	1.651	0.002	 carpe	102.5	103	0.506
 sankit	1.3625	1.37	0.004	 carpe	1.643	1.65	0.004	 Rafeta	102.2	103.4	0.775
 jezz	1.357	1.367	0.008	 juandata	1.6381	1.6464	0.007	 kamath	103.3	103.861	1.301

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

-  **AdamFx42**
-  **Angel4x**
-  **Eco**
-  **Haynes6EU**
-  **IGUMZFX**
-  **jezz**
-  **juandata**
-  **kaled**
-  **Korol**
-  **langoi**
-  **NTC526244**
-  **Olga**
-  **otawak**
-  **Rafeta**
-  **regoz**
-  **rokal**
-  **shristov**
-  **sonjatrader**
-  **wunderkill**



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

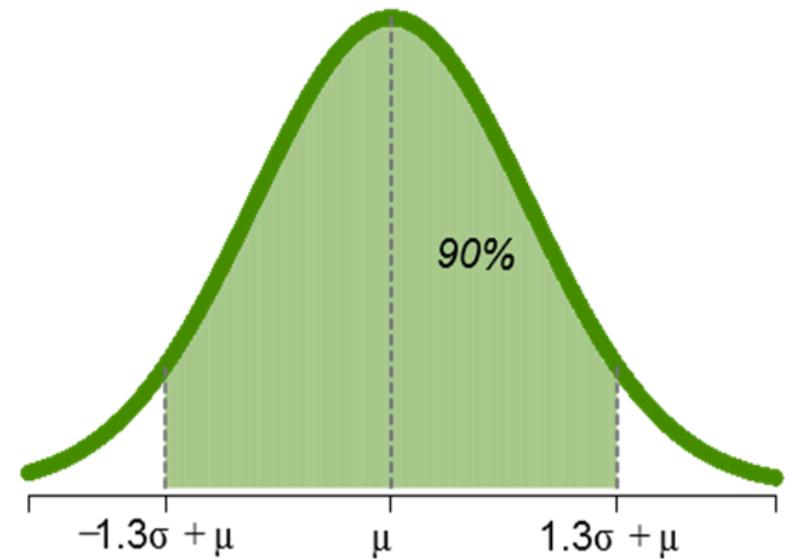
EXPLANATIONS

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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