



DUKASCOPY
RESEARCH PRODUCTS

04/02/2014



Community Forecasts

SpecialFX, full-time trader and one of the most loyal and active Dukascopy Community members, shares secrets of his trading strategy

” *It is just an arrogant mindset that a single person can predict what the whole market will do.*



Total Contests: 3

Total Revenue: 10 800 \$

Biggest Single Win: 2 500 \$

Full profile: [link](#)

When did you start trading and what was your motivation?

I started trading stocks about 13-14 years ago as ever since I was a kid I was interested in the financial markets and I followed up with stock markets. When I started having some money saved, I thought it was a good idea to apply it in the stock market because I was convinced it was the best way to make it grow faster. I remained with the stock markets for few years, then I started studying and analyzing the futures market with commodities like gold, oil, silver and copper etc. About 7 years ago I tried forex for the first time and I have been trading it since then and I am a full-time trader for four years now. It took me about 2-3 years to finally develop a strategy that would work very well in the currency market, because it is very different from the stock market and that could make it possible to trade full time.

What currency pairs do you usually trade and what is the reasoning behind your choice?

I trade all Dukascopy pairs with only few exceptions, such as currencies that are pegged or highly correlated to another currency, like the Hong Kong Dollar and Danish Krona. I also do not trade some currencies that may not develop trends. Basically, what I expect from a currency pair is good liquidity and trends. The reason why I trade all of those pairs at the same time is because I have a long-term strategy that allows me to follow a bunch of different charts and currency pairs without wasting too much time. Another motive is that diversification allows to lower risk while keeping the profit potential intact. By spreading the risk through many currency pairs ensure that I face overall risk that is much lower than if I traded only two or three pairs. I obviously trade only small amounts in each currency pair.

What is the basic principle behind your strategy?

The basic principle of my strategy is following trends and reacting to what the market is doing without trying to predict anything, because there are millions of variables that shape and define the market's actions. It is just an arrogant mindset that a single person can predict what the whole market will do. Thus, there are basically two things to do in forex trading – either follow a trend or counter trend by doing the opposite move when a trend is going to end, which will unlikely work in the long term. After reading and investigating a lot and seeing what the professionals do, it is clear to me that there is the trend component in the market, which is more visible in a longer time frame. The shorter the timeframe is the less visible and obvious the trend becomes. I follow trends in long term frames, by using weekly and daily charts, and I do not do any kind of intra-day trading because price becomes a noisy mess of random movements and has no edge at all, and trading without an edge means you will end up losing money no matter how good your money management is. I just follow a trend, as soon as it develops I enter and then I put a trailing stop loss. I do not have a fixed take profit order because that way you are just limiting yourself to the profit potential and as the saying goes - ride your winners and cut your losses short. And if you have a fixed take profit, you do not really ride your winners - you are just limiting your profit potential.

Tuesday, February 04, 2014
16:30 GMT

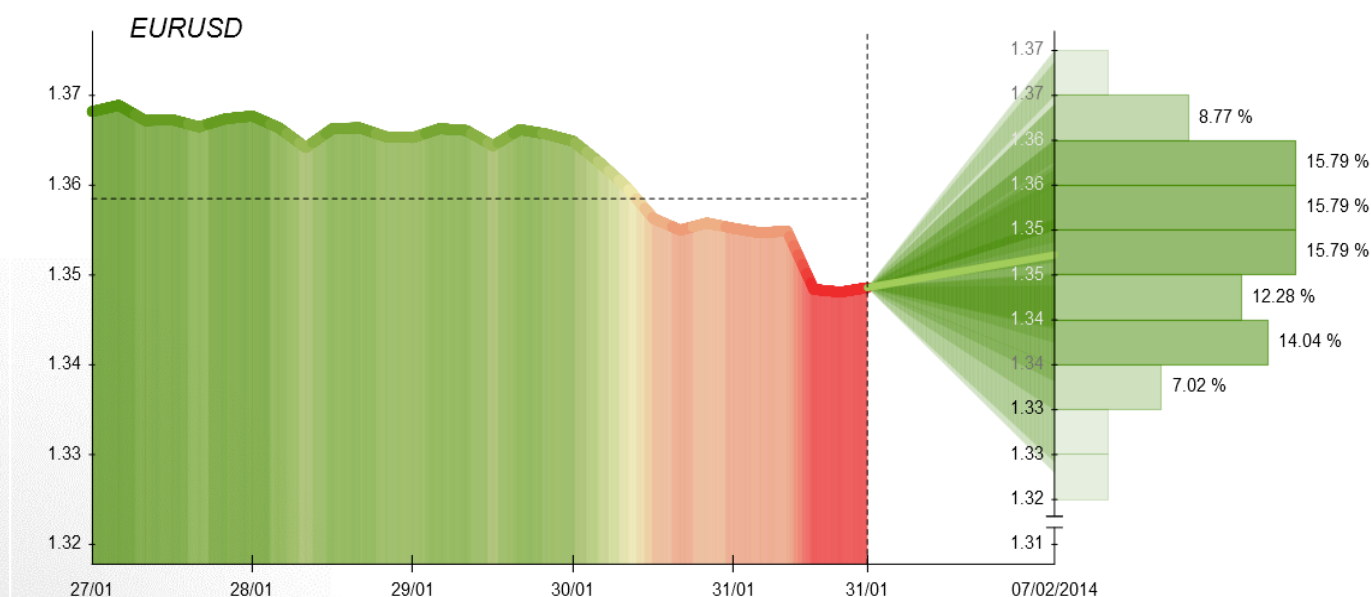


EUR/USD 1W Chart

Following last week's 237-pip downside rally, the most traded currency pair bounced back from 1.3477 and this week has advanced more than 60 pips already, trying to reach a daily R1 at 1.3546. Though, it is unlikely to happen. A slight majority of Dukascopy Community members are expecting the pair to depreciate this week, while almost 55% of traders are holding short positions. What is more important, is the fact the consensus forecast for this week stands at **1.3522**, compared with the last week's average price of 1.3595.

From the perspective of technical analysis, the pair is projected to be highly volatile soon, taking into account that an ascending triangle pattern formed on May 2011 is moving to its apex. Though, its quality and magnitude are far away from 100%, it still represents a great opportunity for traders. It is important to mention that ascending triangle are performing a downside breakout in 77% of the time, bolstering the case of pair's movement to the south. At the same time, on a monthly chart traders can find a 282-bar long channel up, and the current market price of 1.3516 is almost a middle of the trading range. "There is an interesting channel down pattern emerging in EUR/USD since December 30. Despite trend lines have not been tested many times, I think fundamental data will support a new down-trend, with 1.34 and 1.33 as target levels," said Juandata.

The most important fundamental events that can affect pair's movement are ECB interest rate decision on Thursday and American unemployment rate a day later.



TradingwithEA on EURUSD

"EURUSD will continue moving in range in H4 and D1 chart next week. But I think it will be slightly bullish. 1.35148 is big support and 1.37372 is a strong resistance. It is hard to break the support next week. I think it will retrace to 50%- 100% range of 1.35148-1.37372."



Manadalfxbz on EUR/USD

"The EUR/USD has fallen from its 4 week high at 138.98 and has held at the 61% Fib level at 134.75, however the weekly chart has given a strong sell signal with a double zero line CCI cross moving down. It is a short term Bearish forecast."

Bullish: 41.2%

votes

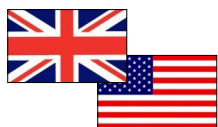


Bearish: 58.8%

votes



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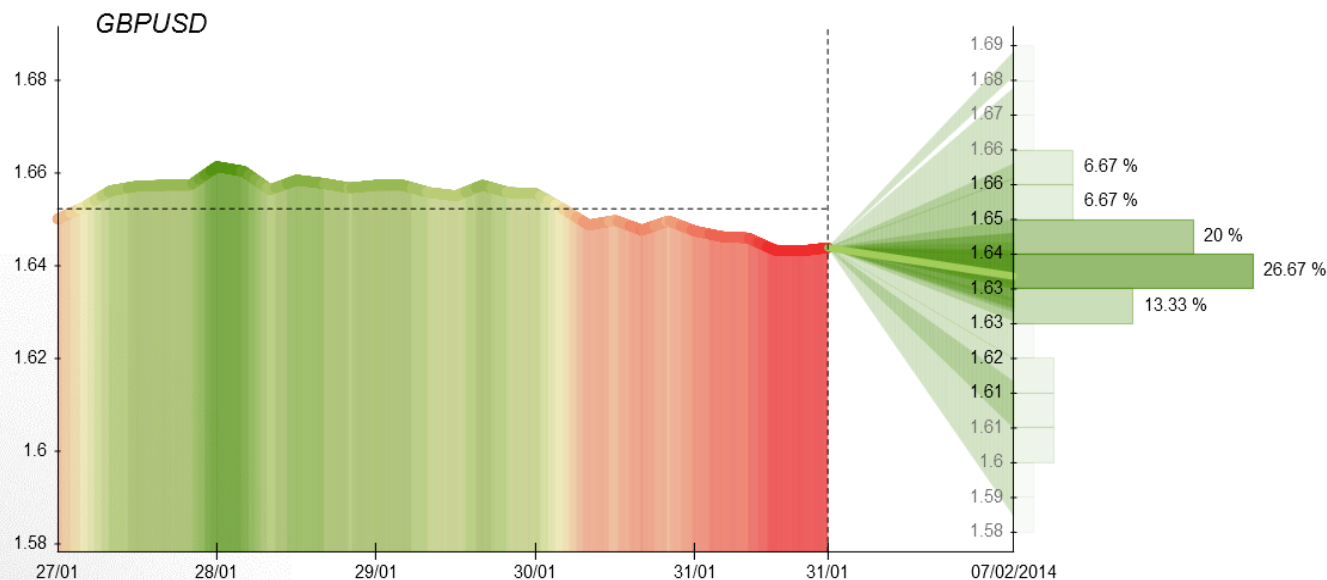


GBP/USD 1W Chart

During the last week the cable was one of the most bearish pairs along with EUR/USD, as the pair lost more than 200 pips. During this week's first two days, however, it was not able to recover and moved lower, posting another 178-pip rally to hit a daily S1 at 1.6253. On Tuesday, the pair managed to recover some of its earlier losses, as U.K. construction PMI surprised markets to the upside, and the pair moved closer to a daily PP at 1.6347.

Despite positive fundamental data, the pair is still likely to decline, as 64.7% of Dukascopy Community members are bearish on the pair, with the pair forecasted to hit **1.6377** by this Friday, February 7. One remarkable fact about the pair, is market sentiment. On Monday it was 61% bearish, while a day later it became 55% bearish. It is hard to explain this radical shift in the mood, however, keeping in mind the possibility of U.S. default on Friday, traders may become less willing to invest in the greenback. At the same time, there is almost equal number of long and short pending orders in a 100-pip range, suggesting the pair can be driven mostly by fundamental news this week.

The key event is the gathering of the U.K. central bank of Thursday. While policymakers are not expected to make any adjustments to the monetary policy, Mark Carney can provide some hawkish comments, shedding some light on the future moves. At the same time, the U.S. non-farm payrolls are expected to increase over the previous month, and in case of a stronger-than-expected data, it will rather interesting to monitor pair's movement, trying to guess which report will have a stronger impact on financial markets.



Juandata on GBP/USD

"GBP/USD has been falling after the pair topped out at 1.66658 on January 24, but I do not see the same bearish bias as in EUR/USD since GBP is currently stronger than EUR. I think that 1.6309 could be the minimum and a rebound will follow next, but it is hard to forecast if this will happen this week or later. So, I am slightly bullish with maximum around 1.6432 and minimum around 1.63229. This week close could be near 1.6403."



Docdow on GBP/USD

"The cable has been trading in a weekly Down trend for 5 weeks and i do not see it any changes in the trend in the foreseeable future."

Bullish: 35.3%

votes

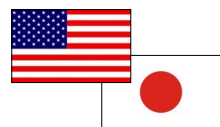


Bearish: 64.7%

votes



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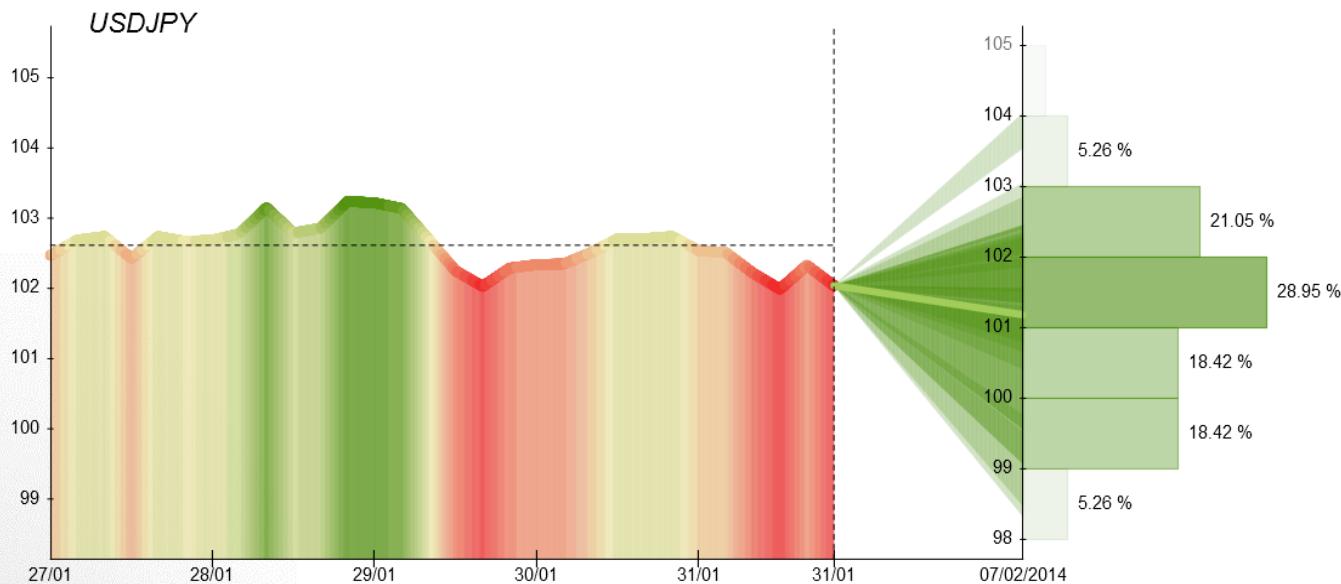
USD/JPY 1W Chart

The USD/JPY pair was projected to become one of the most bullish pair this week, taking into account economic strengthening in the U.S., and Japanese central bank's obsession with a weaker Yen. Nonetheless, during the first month of the year the pair has lost more than 470 pips. Moreover, the pair is currently just 130 pips above the important psychological level of 100.

According to the Dukascopy Community members, the pair will rebound this week, expecting it to reach **101.62** by this Friday. In contrast, only 29% of respondents are having a bullish outlook. Meantime, 75% of all Dukascopy traders were holding long positions, while slight majority of pending orders in a 100-pip range were placed to buy the pair, meaning a move to 100 threshold is unlikely to happen this week.

Some of the traders, however, are having a slightly different opinion, with Rokasltu saying "USD/JPY rate will continuously descent till new saturation level somewhere in the region of 97-98 in the foreseeable future and during next week it will approach 101 level."

While we have mentioned all the crucial economic reports from the United States, Japanese fundamentals can also add some turbulence into market. Hence, consumer [confidence index](#) is expected to have a positive impact on USD/JPY. Even though a week earlier only 13% of Community members managed to predict pair's movement, this time they can be more successful, keeping in mind "buy" signals from technical indicators, the vicinity of 100 level and a bunch of fundamental data that all can send the pair higher this week.



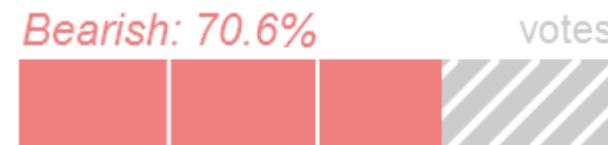
Jezz on USD/JPY

"Abenomics has been on track and continue to weaken the Yen. Its well on its way to its target of 2% inflation. the Yen is the only prominent currency that hasn't strengthen against USD after the disappointing Jan NFP."



Nagendra on USD/JPY










"Looking at market technicals, it's clear that there is a bearish channel formed for the pair. Current resistance levels can be found at 102.774, 103.514 and 104.274, with 103.514 acting as hard resistance. Support levels can be found at 101.804, 101.253 and 100.027, with major support found at 101.253. However, the bearish channel will act as dynamic support and resistance."



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 27.01-31.01 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 shristov	1.348	1.352	0.002	 NTC526244	1.64	1.642	0.003	 regoza	102	102	0.04
 NTC526244	1.35	1.352	0.003	 jezz	1.637	1.645	0.005	 NTC526244	102	102.2	0.117
 Eco	1.355	1.3601	0.009	 Eco	1.643	1.653	0.006	 wunderkill	102	102.4	0.256

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	al_dcdemo
	DEMO2Vpxsk
	Docdow
	Eco
	edelweiss
	Experimenter1
	juandata
	Manadalfxbz
	metajohn
	mrlfx
	nagendra
	RobinSam
	rokasltu
	snookerboy
	TradingwithEA
	wunderkill



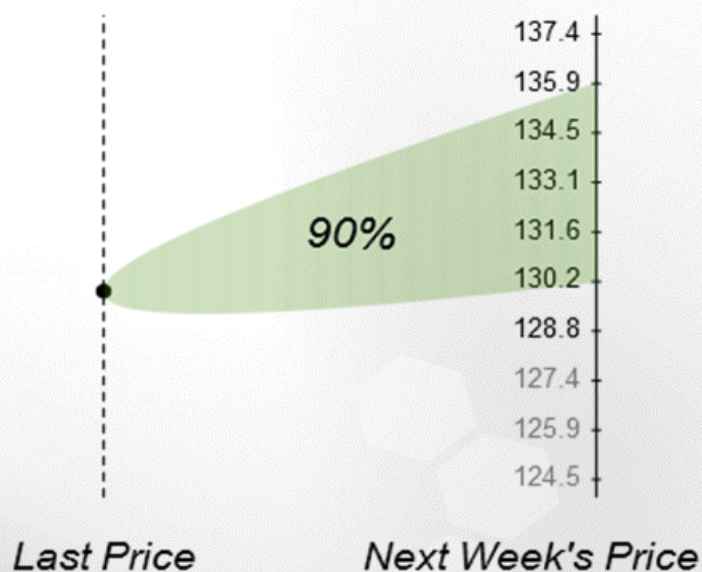
Fundamental Analysis Contest

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

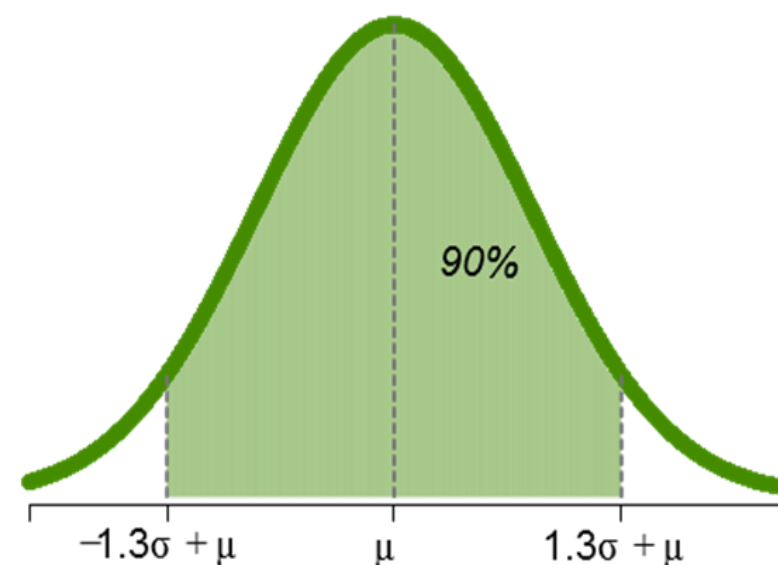
EXPLANATIONS

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.



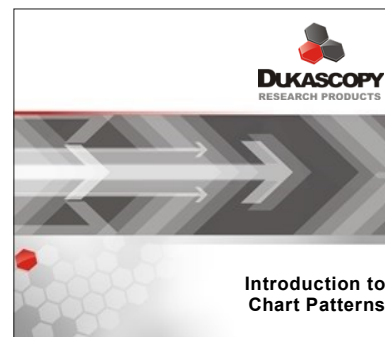
Graph 1: Confidence interval used for "Community Forecasts"



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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