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RESEARCH PRODUCTS

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Community Forecasts

Daytrader21, one of the most active Community members, shares his trading experience, basic principle behind his strategy and preferred currency pairs



It came as no surprise that I enjoyed this “game” as I have a strong math background and playing with numbers was very exciting for me.

-Daytrader21

When did you start trading and what was your motivation?

I have started to trade since late 2008 after I read in the mainstream news about the U.S. subprime mortgage crisis. After a little investigation, I learnt about Forex Exchange market, and also about all variety of instruments that can be traded. Until that point I had no idea that there are so many derivative instruments you can trade, and I was under the impression you can trade only the stock market and you need quite a lot of money in order to play this “game”. I began to learn about the leverage concept and I fell in love with the market right from the start because now I could trade without a need to have millions of dollars in order to be able to make some decent profits.

It came as no surprise that I enjoyed this “game” as I have a strong math background and playing with numbers was very exciting for me. Thus, aside from the possibility to make a lot of money, trading was like a three dimensional puzzle, where each day you add a new piece of the puzzle, and throw out old pieces that does not fit in, which was fascinating.

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

Besides trading the major currency pairs like EUR/USD, GBP/USD, AUD/USD and USD/JPY, I also trade quite a few crosses as well, especially the Yen crosses like GBP/JPY and EUR/JPY. The reason why I like trading the Yen crosses is because they are very volatile. Despite the general believe that volatility is very dangerous for your trading, I like very volatile pairs as they offer great trading opportunity, but at the same time the risk increase and I try to overcome this issue by timing the market very close.

What is the basic principle behind your strategy?

I use both technical and fundamental analysis in my strategy. I use the Fundamental analysis for the general direction of the market and I use technical analysis to time the market and establish my stop loss and take profit levels. However, I can still trade just on the technicals or fundamental alone, when I see some opportunities. There is nothing set in stone and I try to be very flexible when I am approaching the market.

Tuesday, March 11, 2014
16:30 GMT

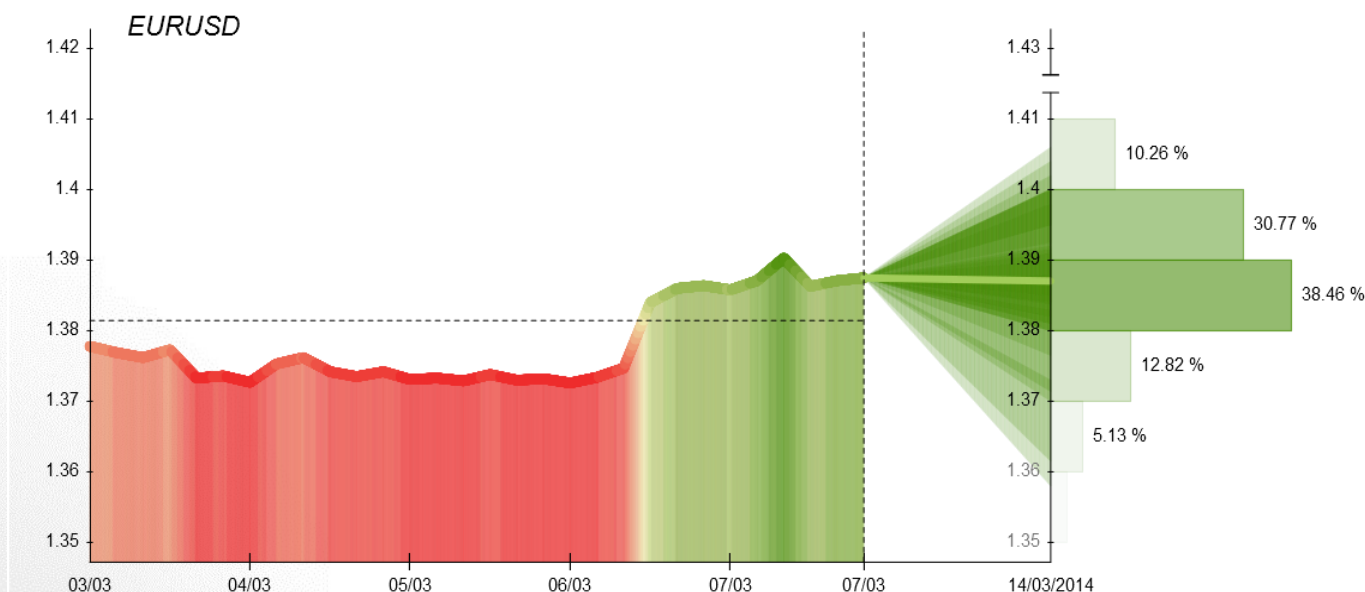


EUR/USD 1W Chart

On the back of optimistic comments from the European Central Bank and improved outlook for the 18-nation's bloc, the single currency skydived to a weekly R2 at 1.3915, the highest since November 2011. During the second half of the week the pair performed a 190-pip rally and therefore, it was not a surprise that this week the pair is moving downwards. However, most likely, it is just a correction before another sharp move to the north.

According to Dukascopy Community members, the most traded currency pair will hit 1.3870 this Friday, March 14. Though this level is slightly below the recent high, it is 90 pips higher than the last week's average price. Moreover, a slight majority of respondents are having bullish view on the pair, while 60% of all pending orders are placed to buy the single currency versus the greenback. While the pair has been moving upwards since July, in a shorter-term we can expect a sideways movement or a correction back to 1.37. This idea is supported by the fact 68% of opened positions are short, while 52% of orders in a 100-pip range are placed to sell the Euro against the buck. "Trend seems to be bullish and pointing towards a bullish break but if you look at volume bars you will notice that previous bullish candles bars were not backed with commensurate increase in activity. I believe that price may hesitate at first test of resistance this week and close below closing price this week," said trader Tinktank.

From the perspective of fundamental analysis, the pair will most likely to lose some ground in the first half of the week, amid a lack of economic data releases. On Thursday and Friday, however, the U.S. [retail sales](#), unemployment claims, [producer prices](#) and consumer sentiment will all shed some light on the further possible moves by the Federal Reserve.



Alifari on EURUSD

"For the last couple of months the EUSUSD has generally steadied and established a trading range roughly between 1.35 and the recent resistance level at 1.39. Expecting price to remain within this range for next couple of weeks."



Hema on EUR/USD

"Although NFP was better than forecast; the slight increase in unemployment rate from 6.6% to 6.7% had it's weight too. But Ukrainian tensions can hit the Euro hard if renewed again. EUR/USD is facing a strong resistance between 1.3915-1.3940 and is supported by a strong support at range 1.3820-1.3850."

Bullish: 52.6%

votes

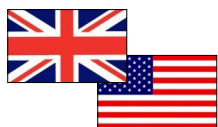


Bearish: 47.4%

votes



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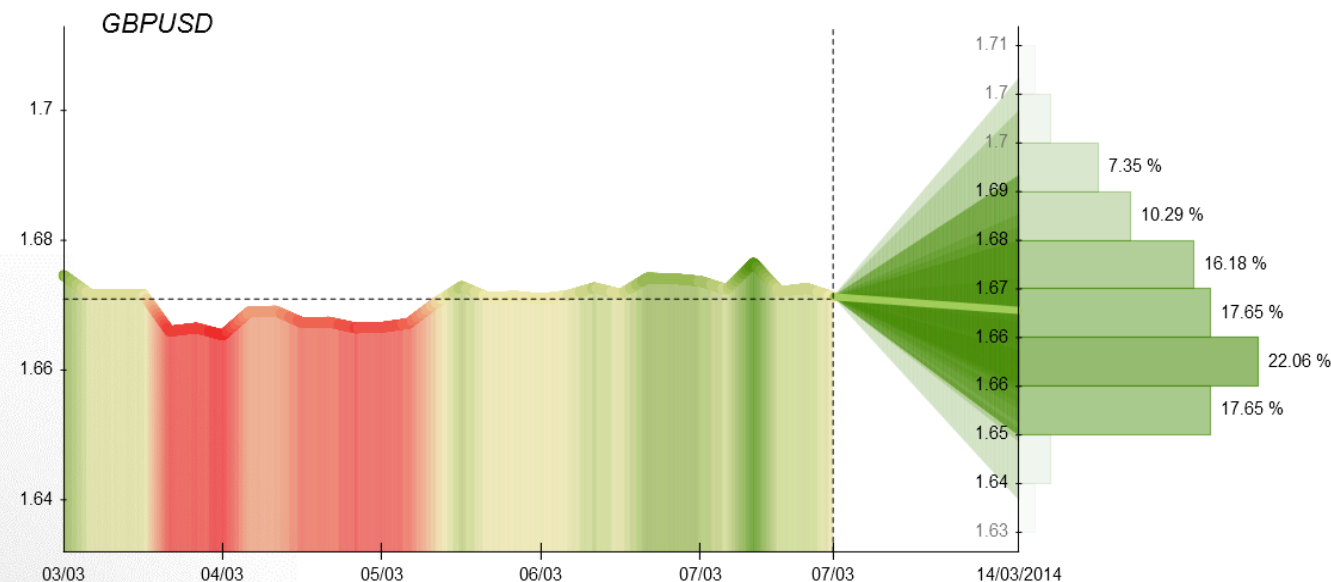
GBP/USD 1W Chart

Similarly as the EUR/USD pair, the cable has been climbing higher since July 2013. While the most traded currency pair seems to be forming a sideways movement, the cable has been bounded by a weekly R1 and weekly S2 since February 17. At the moment of writing the pair was changing hands at 1.6636, just 55 pips above the weekly S2 and a 200-period SMA on the 4H chart.

Our respondents, however, do not believe the important support level will be breached this week, as the cable is projected to stop at 1.6691 on Friday, therefore, the sideways movement is projected to persist. Nonetheless, 54% of opened positions are short, while 65% of voters believe the pair will depreciate, hence, we should not exclude a possible movement even lower. Some of the traders have already claimed for a steeper decline this week. "We have a bearish divergence on the Daily and weekly chart. The cable is expected to decline until the next major February support line 1.6565," said FX Dealer.

Since November 12 the pair has been trading in boundaries of the channel up pattern, that is 84-day long already. The pair is trading almost in the middle of the trading range, and the outlook is unclear. Additionally, technical indicators on a daily and weekly charts are neutral and do not give a clear indication, whether the pair will move higher or depreciate.

While severe weather conditions dragged on the world's largest economy in the last several months, Friday's payroll data diminished some of the earlier concerns. In case some of the U.S. fundamental data surprises markets to the upside, the greenback will receive a strong bullish bias, hence, the pair can ease back to 1.6593-1.6574. As an alternative scenario, we suggest a movement to a weekly pivot at 1.6719.



Daytrader21 on GBP/USD

"Long term I am bullish on Cable as both technical and fundamentals suggest that we are set for a major upside movement, but in the near term I am expecting more consolidation which is typical for the cable."



Tinktank GBP/USD

"The pair is currently trading near critical resistance of an ascending triangle pattern seen on monthly chart. Although last week's candle has not closed, it is already trading below its opening price at 1.6735. This bearish reversal pattern indicates failure to breach resistance at first attempt and may cause price to fall below former resistance at 1.6620 this week."

Bullish: 35%

votes

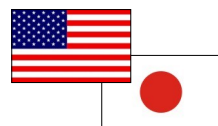


Bearish: 65%

votes



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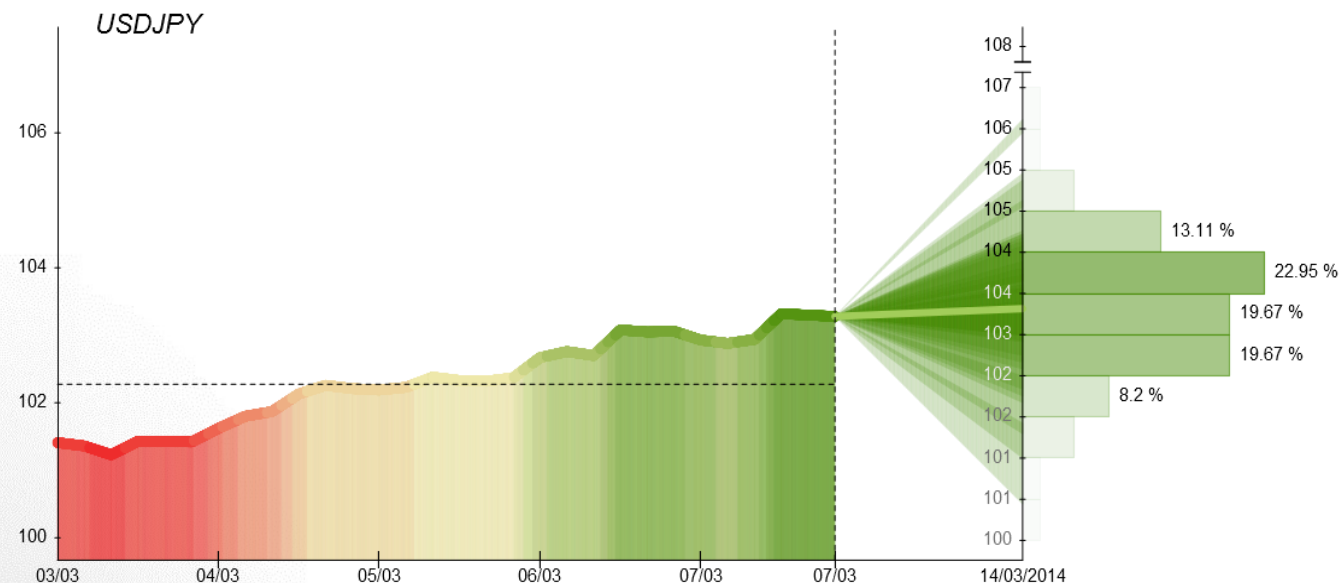


USD/JPY 1W Chart

The greenback is expected to regain some of the early made losses this week, as according to Dukascopy Community members it will appreciate against the Euro, Sterling and Japanese Yen this week. While the single currency has performed a solid rally against the U.S. Dollar last week, American currency managed to soar 250 pips against the Yen, as comments about Japanese pension fund provoked a massive sell-off of the Japanese currency. The pair has penetrated the resistance line of the descending triangle on the 4H chart and is no longer trading in boundaries of a triangle pattern on a daily chart. The penetration of the 102.27 on March 5 was accompanied by a huge spike in trading volume, suggesting it is a breakout and a throwback is unlikely to happen.

Dukascopy Community members also believe the pair will appreciate this week, as practically all respondents are having bullish view on the pair, while consensus forecast stands for 103.39, just slightly below the recent high at 103.76. Before inching to this level, the pair will have to break weekly R1 and R2 at 103.46 and 103.67 respectively.

According to traders, both technical and fundamental analysis are speaking in favour of the pair's appreciation. "Next top I think is 106.5 before bigger move down will happen, but this forecast is also a pullback and run up, cause USD will not give up just yet against the Yen," said Nuonrg. At the same time, Daytrader21 believes that "the Fed and BOJ are diverging from each other, thus making USD/JPY uptrend to continue in the years to come. Most likely Fed will stop easing and will continue with a gradual taper of \$10B/meeting and BOJ will engage in more QE." While the outlook is bullish, Thursday's and Friday's fundamental data from the United States will have a strong influence on pair's performance.



Khalidamassi on USD/JPY

"USD/JPY finally broke the 103 area for two constructive days, this positive sign but I think that 104 will work as strong resistance this week which means that it may push the pair to 102 area."



Rokasltu on USD/JPY

"I think that last week advance above 103 mark will not be sustainable and pair will descend during coming week."

Bullish: 84.2%

votes



Bearish: 15.8%










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 3.03-7.03 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 Experimenter1	1.382	1.3937	0.006	 Experimenter1	1.6764	1.6782	0.006	 Jignesh	103	103.6	0.301
 Jignesh	1.395	1.4	0.01	 tdurai84	1.675	1.68	0.007	 carpe	102.6	103.2	0.484
 Catfish	1.37327	1.39244	0.011	 vytoksas	1.66	1.67	0.008	 vytoksas	103.2	104	0.512

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	alifari
	cocciolla
	Daytrader21
	diamondlife76
	Ebog
	Experimenter1
	fxdealer
	hema
	juandata
	khalidamassi
	mrxau
	nespter
	nuonrg
	RichieCurrency
	rokasltu
	smoothtrade
	Tinktank
	vajaspanko
	wiyonofx



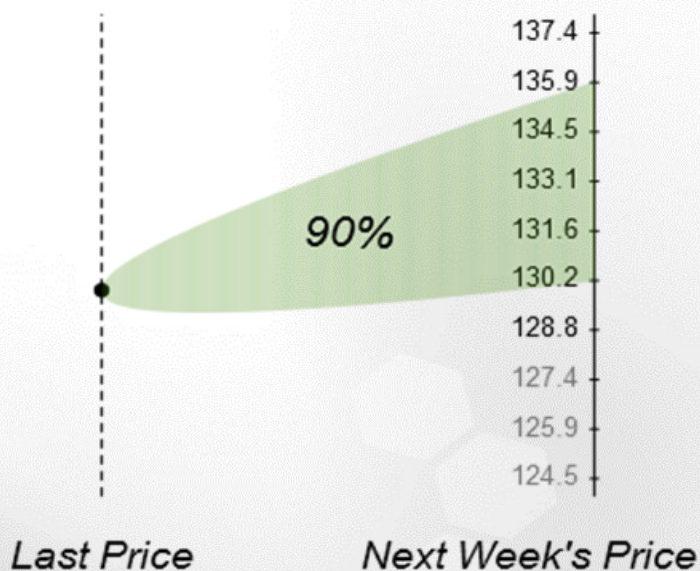
Fundamental Analysis Contest

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

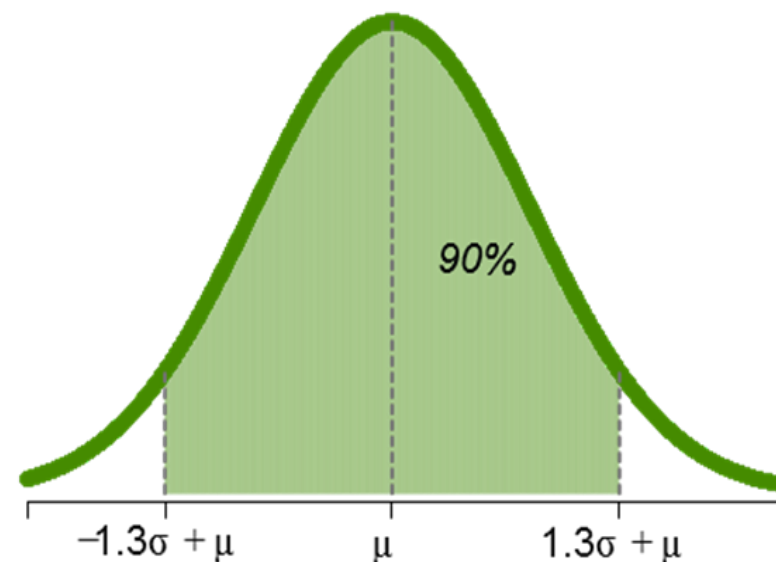
EXPLANATIONS

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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