



DUKASCOPY
RESEARCH PRODUCTS

18/03/2014



Community Forecasts

Daytrader21, one of the most active Community members, shares his outlook on Japanese Yen and gives his trading tips for beginners



In your opinion, what are the most volatile and predictable pairs at the moment?

It is hard to say whether there are some currency pairs more predictable than the others, but I believe that some pairs are more difficult to forecast mainly because of reduced liquidity and/or its “personality”. Each currency pair has its own “personality” and a tendency to exhibit particular patterns characteristic to its behavior. However, due to recent years’ changes in monetary policy of world major central banks, I see the Fed and BOJ diverging from each other, thus making USD/JPY uptrend to continue in the years to come. Most likely the U.S. central bank will stop easing and will continue with a gradual tapering of \$10 billion every FOMC meeting, while the BOJ will be engaged in more QE. I also see a huge potential for a big GBP/USD upside movement in the following years. Fundamentally speaking, the U.K. is set to grow faster than any other Western economy. This year the economic data have been very strong and supportive for the Pound thus far. The U.K.’s GDP has shown the fastest growth in three years and rose by 0.8% according to the latest figures.

What performance do you expect from the Japanese Yen versus its major counterparts in the short and longer term?

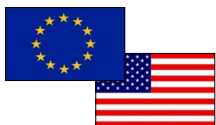
As I have already said previously, I am expecting the current weakness in the Japanese Yen to continue in the years ahead because of the divergence between the Fed and BOJ. However, in the short term, since it has gone too fast in a very short time period, we can see it staying in a wide range and taking a pause, but pressing to the upside. Only last year alone the Japanese Yen weakened 17%. I believe that taking a pause is healthy for the market in order to regain strength for the next big leg up in USD/JPY.

What advice would you give to those, who have just started FX trading?

My first advice for a novice trader is to invest real cash, track your trades and study your mistakes. That is the only way you can get real education in this business. My number-one rule is that you should develop a strategy with a risk to reward ratio greater than 1:2, this way you make sure your winners are far bigger than your losses. Another mistake I have seen beginners make is not cutting losses short. You have to be able to cut your losses short and let your winners run for long term survival in this business.

My first advice for a novice trader is to invest real cash, track your trades and study your mistakes.

-Daytrader21



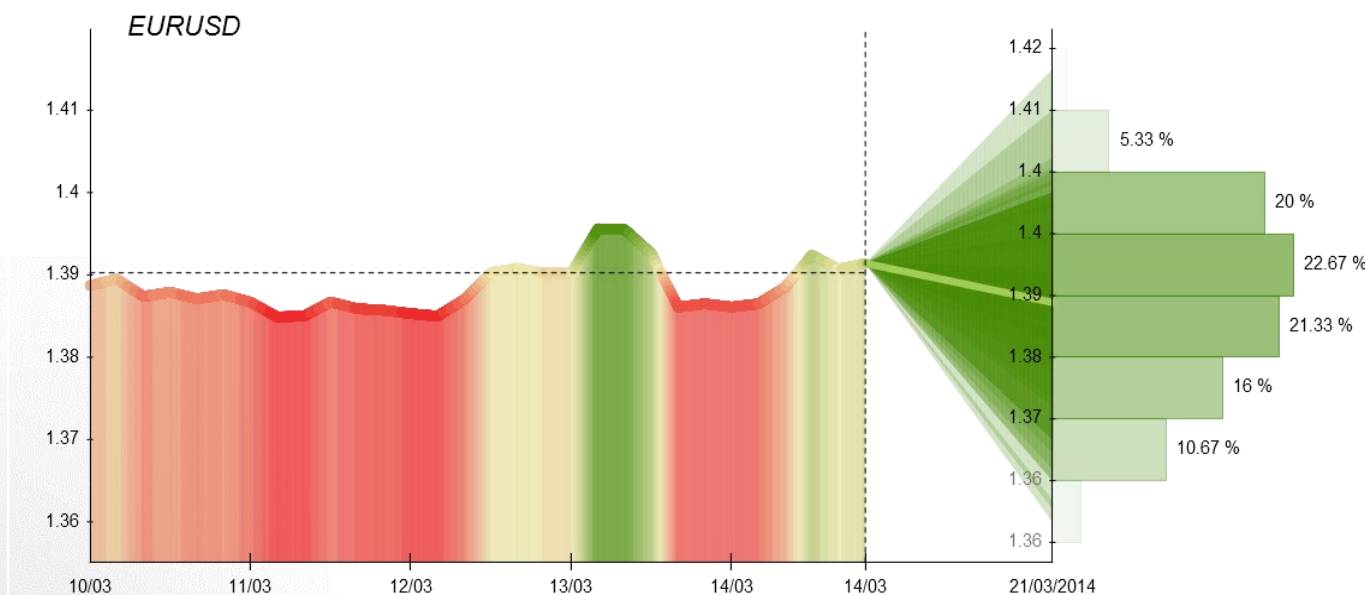
EUR/USD 1W Chart

Mario Draghi's comments were the main driver for the most traded currency pair last week, as after refreshing this year's high at 1.3967, the pair plunged back to last week's low at 1.3845. Despite being highly volatile, the pair is still trading in boundaries of a channel up pattern on a 4H chart and rising wedge on a daily chart. Nevertheless, the pair is trading close to the upper boundary of the rising wedge pattern that can be found at a weekly R1 at 1.3972. Despite a minor move to the north this week, the pair is fluctuating around a weekly pivot close to strong psychological at 1.39.

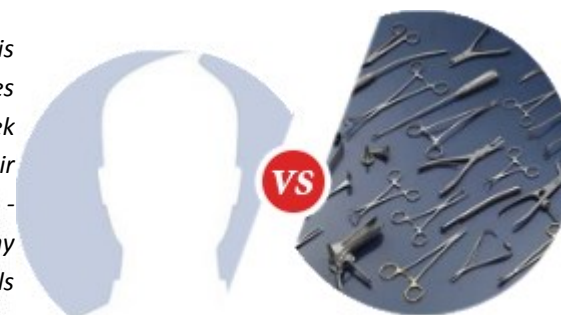
Despite the fact the EUR/USD currency pair has been trading in a strong uptrend since July, this week's outlook is bearish. Dukascopy Community members see the pair closing at 1.3866 this Friday, March 21. This level is just 20 pips below last week's average price and slightly below the weekly pivot, suggesting a close behind this level will indicate further correction or even a beginning of a new trend to the downside.

Despite the fact market sentiment is strongly bearish, with 69% of opened positions being short, and the single currency being sold in 64% of all cases across the board, technical indicators are sending 'buy' signals. At the same time, 54% of respondents are having bullish sentiment on the pair.

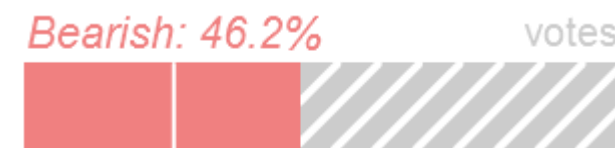
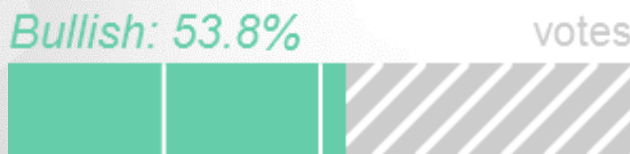
This week's highlight is the FOMC meeting, as during the first meeting under Janet Yellen, policymakers can shed light on the rate hikes. It is widely expected they will make another \$10 billion adjustment to its stimulus programme, however, any hints on the higher rates, will push the pair significantly lower. "Fundamentally, FOMC meeting is scheduled in which tapering is likely to be continued. Also, week is going to end with Fed's members' speeches, which is expected to boost positive sentiments for the U.S.," said Sankit.

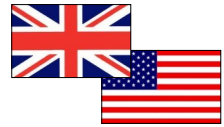


Quantum_trader on EURUSD
"Currently the pair EUR/ USD is temporarily experiencing difficulties recruiting bullish players. Inter-week support that will impact on the pair are as follows: S1 - 1.3813, S2 - 1.3791, S3 - 1.3739. From at any level there is a risk of reversal. Bulls set test - 1.4. Further growth will be limited. Alternative scenario extends below - 1.3739."



ImranMughal99 on EUR/USD
"The EURUSD has rallied strongly as visible in this daily chart (D1). We expect EURUSD to correct back down into its horizontal support zone, which is marked in blue. The current horizontal support zone is a very important one as it used to be a strong resistance zone and heavy trading around those levels should be expected."





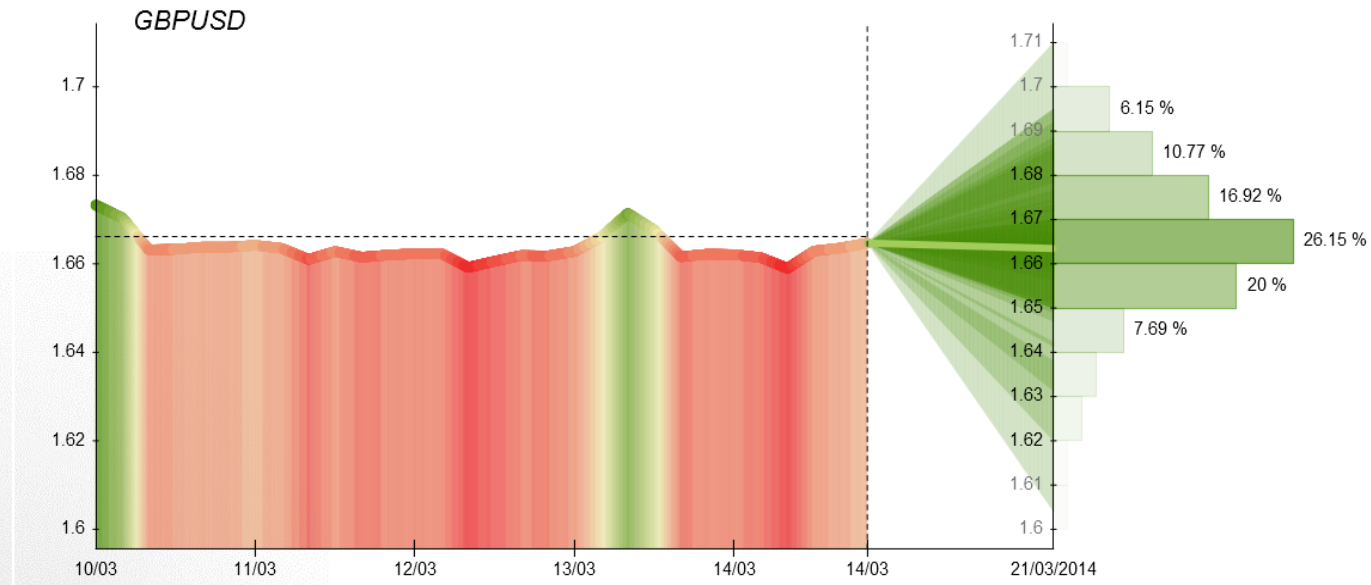
GBP/USD 1W Chart

A formation of the rectangle pattern on a 4H chart by the cable is a clear indication of the sideways movement. This type of patterns is usually formed as a trading range make a pause in the trend. At the moment of writing the pair was changing hands at 1.6612, just several pips above the 200-period SMA and pattern's support. Keeping in mind the pair's latest performance, the downside breakout is unlikely to happen, while the fact a symmetrical triangle on the 4H chart is moving to its apex, is bolstering the case the pair can be highly volatile this week. Moreover, trading volume is decreasing and a spike in volume will be considered as a confirmation for the breakout.

Traders believe the pair will continue moving sideways this week, as consensus forecast stands for 1.6634, just 3 pips below the daily pivot. Additionally, almost equal number of participants is having a bullish and bearish outlook on the pair. Market sentiment is slightly bearish, while technical indicators on a 4H chart are neutral.

Some of the traders consider the pair as an overbought already, seeing a period of a downside correction. "After a period of strong buying, the Pound passes for a moment of remediation that should boost the search for support and retractions near the price of 1.64," said trader BoonerFx. According to Dardar, even despite economic strengthening in the U.K., the pair will be fluctuating between 1.66 and 1.67 as a period of consolidation is needed.

An abundance of fundamental data both from the U.K. and the world's largest economy can add more liquidity into markets. Traders believe, statistics from both countries will push their domestic currencies higher, however, it will be interesting whether [FOMC meeting](#) will be able to outweigh British [unemployment](#) data.



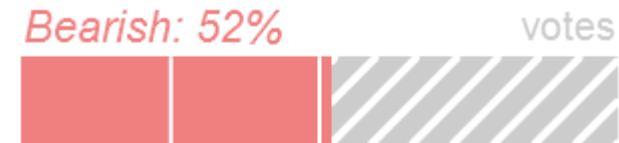
Amoniak on GBP/USD

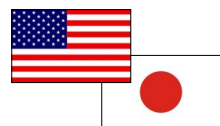
"Larger degree development is up. We have conviction to upside and mature Balance area ready to break."



Likerty GBP/USD

"Along with general US Dollar strength which seems to be appearing against all majors and gold this week, the Pound shouldn't be an exception. Despite being in strong long term bull trend, the Pound also have huge and long overdue potential for bearish correction, which 1,6040's as min target in mind."



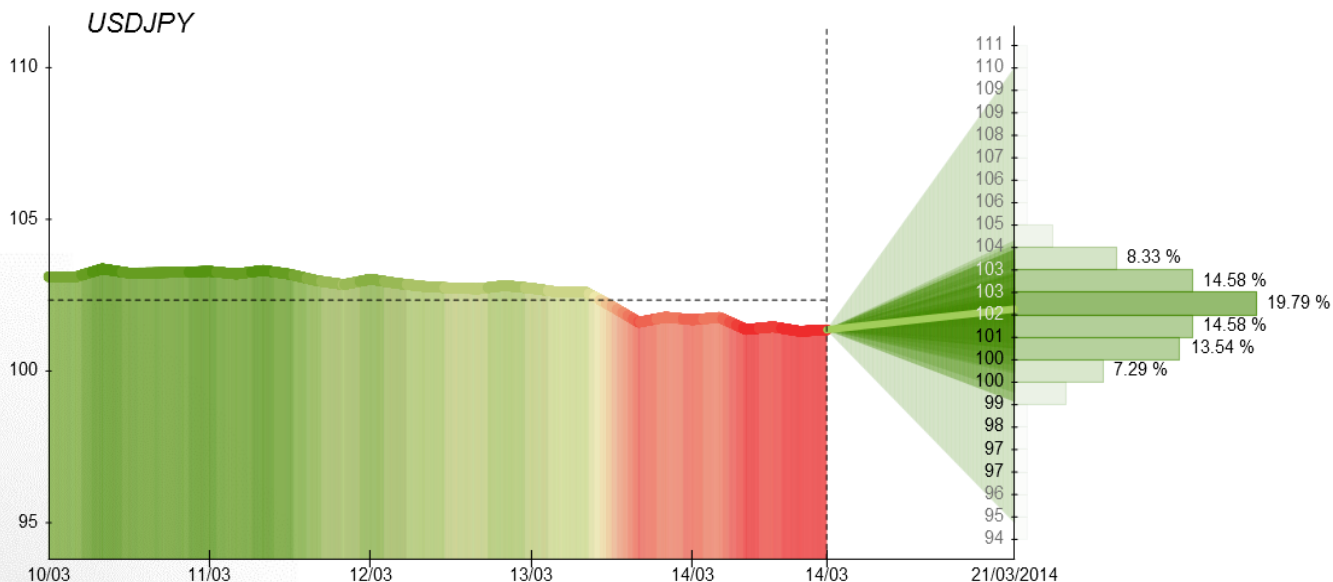


USD/JPY 1W Chart

Until the level of 101 is not breached, the outlook for USD/JPY is bullish. Moreover, just 100 pips lower there is a strong psychological level, which will most likely limit pair's depreciation in the nearest future. On a 4H chart the pair is still trading in boundaries of the descending triangle pattern even despite a throwback. A breakout is approaching, as both trend lines will converge on March 28.

With only 10 days left before the apex, Dukascopy Community members are suggesting the pair will appreciate during this week. The price will most likely hit 102.04 by this Friday, as 57.7% of members are having bullish outlook. Despite bullish outlook, this price is slightly below last week's average price of 102.58. While the outlook is bullish, with 74% of opened positions being long, some traders expect even a stronger upside movement. "MACD indicates that momentum is improving, but it remains in bearish territory. We expect the histogram as well as moving average to approach the centerline during the expected move higher. RSI is trading in extreme oversold territory and a breakout should initiate the rally," said ImranMughal99. He suggests the pair's lowest level will be at 103.5, while the most optimistic scenario stands at 104. In contrast, amid risk-on sentiment, investors are rushing to buy the Yen, pushing the pair lower. "Rumors of a war made the market look for the safe haven currencies, so the Yen is leading the market opposite the second currency safe haven seeking new considerable support below," said BonnerFX.

While the key event for the U.S. Dollar is the FOMC meeting, [Kuroda's speech](#), Japanese [trade balance](#) as well as foreign [investment](#) in Japan stocks will have a significant impact on the Japanese currency. According to Dukascopy members, all these events will push USD/JPY higher.



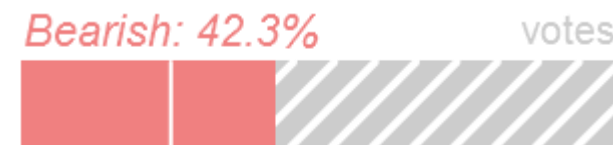
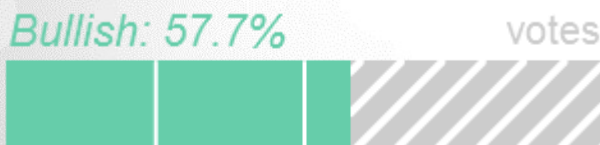
Sankit on USD/JPY

"Lack of high impact news from the Japanese Yen will break all barriers for the pairs to move north. My trading range for USD/JPY this week is 101.1 - 102.32."



Rokasltu on USD/JPY










"I think that after spike above 103 USD/JPY rate will restart its moving down towards saturation level in the area around 97-98. During the coming week approach to 100 level is possible."



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 10.03-14.03 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 smoothtrade	1.385	1.392	0.005	 Experimente1	1.6603	1.6688	0.004	 cocciolla	100.5	101.7	0.654
 Fxdealer	1.3841	1.391	0.005	 wiyonofx	1.664	1.673	0.006	 rokalstu	102	102.4	0.863
 vajaspanko	1.395	1.4	0.007	 Fxdealer	1.6565	1.6674	0.006	 mrxau	102.5	103.5	1.715

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

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	bonnerFx
	bruce
	christiangoni
	dardar
	generic
	geula4x
	giangi
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	Kubla
	Lexuski
	Likerty
	liova5
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	Relu21
	RobErt
	rokalstu
	sankit
	Sarbaan
	Sergey9
	Youri

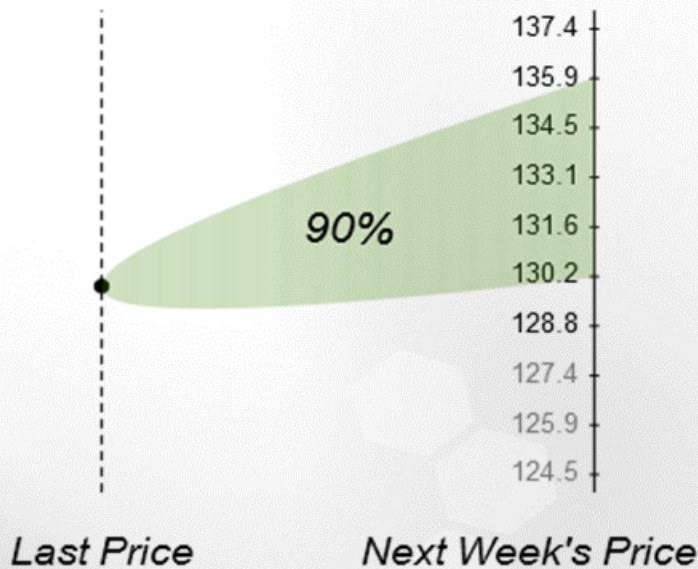


Fundamental Analysis Contest
Do you know how the price will react to the news? Submit your prediction for the price movement direction and win!

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.

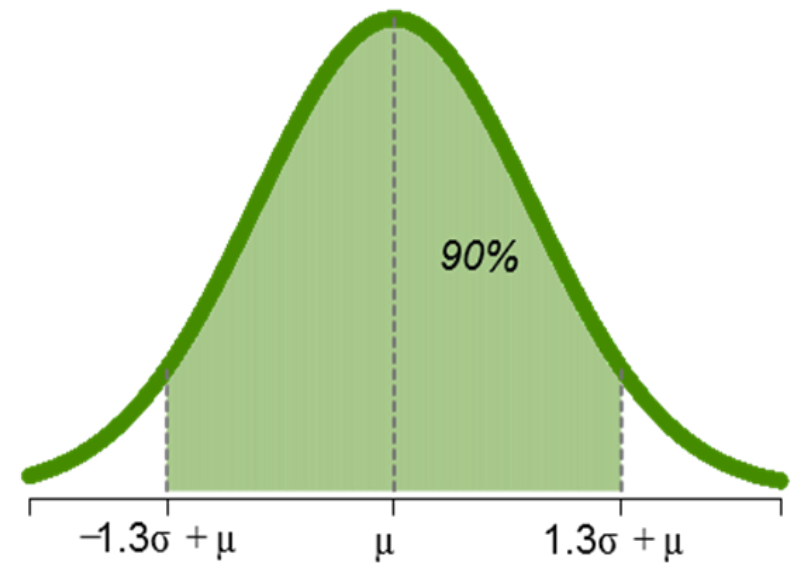
Under the assumption that currency pair logarithmic returns are normally distributed with mean μ and standard deviation σ as illustrated by the second graph, the respective probability density function can be used to find a 90% probability range for weekly returns. Obtained critical values can be then converted into the end points of the price range.



Graph 1: Confidence interval used for "Community Forecasts"

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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