



DUKASCOPY
RESEARCH PRODUCTS

15/04/2014



Community Forecasts

Metal_Mind, one of the most active Community members, on his trading strategy and US Dollar outlook



Losing because of a trading decision is part of the game, but losing as a result of technical issues is unacceptable.

-Metal_Mind

What is the basic principle behind your strategy?

My trading strategy revolves behind the idea of price action. I study price action and trade accordingly taking into consideration all the developments in the market. I use both technical and fundamental analysis. I use technical analysis, which helps me find the best set ups and discover trading opportunities, and also take a very close attention to fundamentals in order to have a very clear picture of where the price action is heading and which are the forces driving it. My strategy is simple and flexible but money management plays a big role in my trading decisions. Finding best trades in terms of risk/reward ratio and reducing trading costs are also key elements of my strategy.

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

There are three pairs that caught my attention lately in terms of predictability and these are EUR/GBP, CAD/CHF and USD/CHF. In all three pairs we will find nice clean trends. In terms of volatility I see the Japanese Yen crosses as a definite leader.

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

I expect the Euro and the Pound to gain ground in the period to come against the U.S. Dollar, while the Yen and Swiss Franc, from my point of view, would lose some of steam they had until now. The SNB is ready for an intervention, which will surely boost the Dollar. Also, the Yen may lose value as the BOJ might add more stimulus as the government embarks on the first sales tax rise in 17 years. My bias is neutral for the greenback.

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

In terms of advice, there would be many to give, but I will try to resume to the most important the market taught me. The forex market is complex and you as a beginner have all the odds against you. To start trading without having a full trading plan covering all things that could go wrong with a trade and how you may approach to each situation is called suicide trading. Be prepared for anything that could go against you. Have back up in case your computer broke, in case your internet falls or the trading platform freezes. Losing because of a trading decision is part of the game, but losing as a result of technical issues is unacceptable.

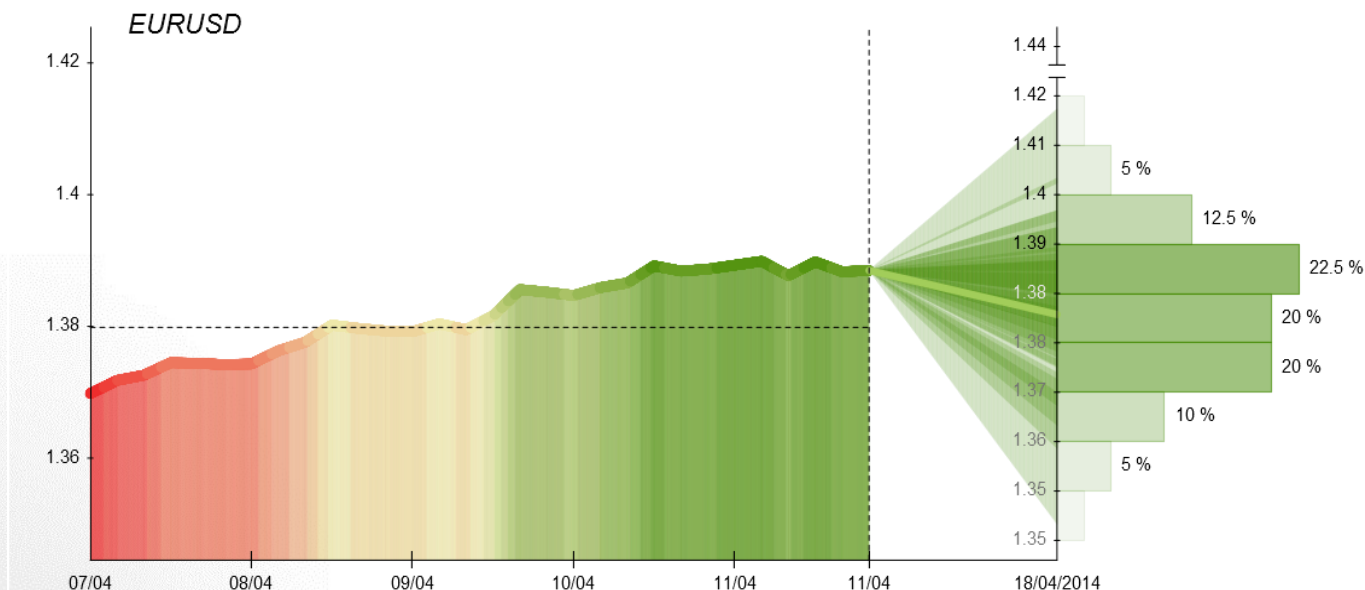
Tuesday, April 15, 2014
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EUR/USD 1W Chart

Last week's main highlight was the FOMC minutes that provided a significant bearish bias to the U.S. Dollar. In the anticipation of the minutes traders began pricing in potential dovish comments from Janet Yellen, while soon after the release the most traded currency pair rocketed to 1.3857, while the highest point at 1.3905 was hit on Friday. However, later, positive PPI and consumer sentiment from the U.S. pushed the pair lower, while Mario Draghi's speech in Washington DC provoked a massive sell-off of the Euro. We have predicted that soon the ECB will start talking down the single currency, however, Draghi's words were most decisive since his pledge to "do whatever it takes" to save the Euro.

Dukascopy Community members believe the pair will continue moving lower this week, with the consensus forecast standing at 1.3818—almost at the same level that was recorded at the time of writing. The pair struggles to go below the weekly and daily pivot at 1.3816, however, a move below it will clear the way for 1.3727. Despite the fact equal number of traders is having bullish and bearish view, vast majority of them mentioned fundamentals from the Eurozone as the main catalyst for the pair. "Last week EUR/USD again approached towards 1.40 mark but faced strong resistance just above 1.39. I think that during this week fundamentals will prevail and hints from ECB about non-conventional measures including QE will weight on EUR," said Rokasltu. More than 65% of traders are holding short positions, while pending orders are placed to sell the pair. In contrast, some traders, including Drishti, claimed there is a strong support at 1.3673, which will limit pair's depreciation and as long as it holds, the outlook is bullish. Keeping in mind Draghi's comments, and signals from technical analysis, this week's outlook is bearish.



Bushidoleaf on EUR/USD

Currently, EUR/USD is trading above 22days SMA. Parabolic and Stochastic also indicate bullish momentum. This indicates prices are likely to re-test previous resistance of 1.39667 level. However, prices have already breach 2 Fibo levels, it would be logical to expect some form of retracement early on in the week before prices continues its bullish run.



Juandata on EUR/USD

"This week there will be a lot of attention on Germany ZEW survey, so an optimistic view (above 46) will be more than enough to provide a support on 1.3816/1.3794. If we have a pessimistic view, the pair could head towards 1.3738."

Bullish: 50%

votes

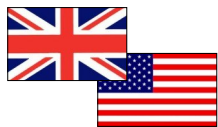


Bearish: 50%

votes



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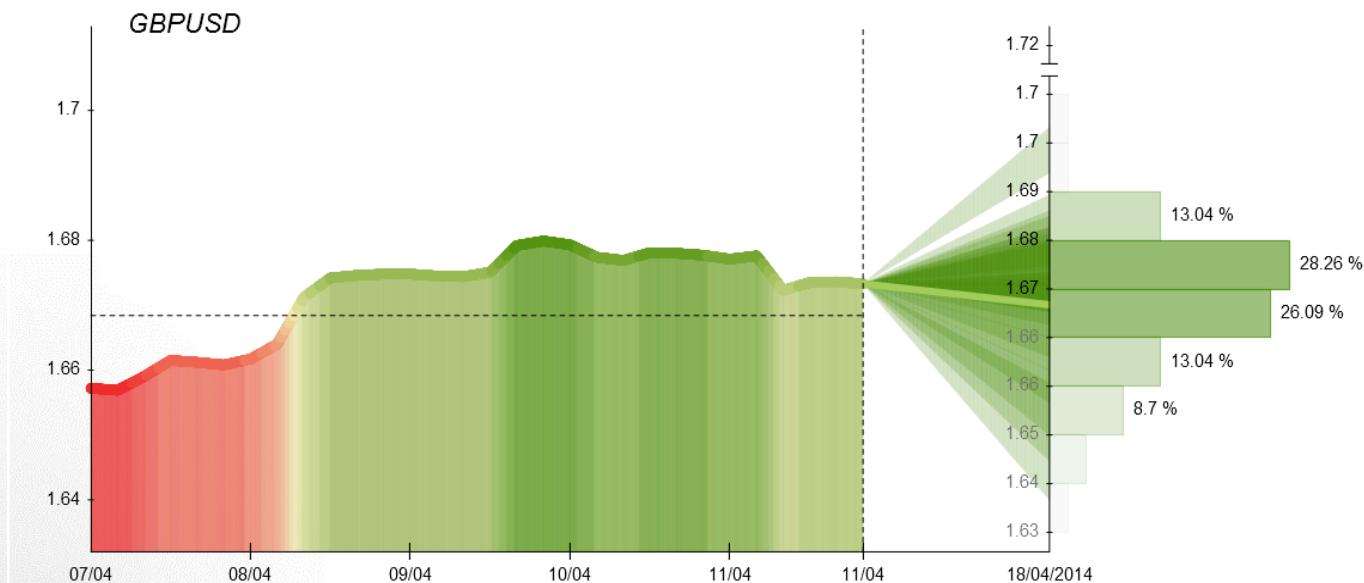


GBP/USD 1W Chart

The same as the EUR/USD pair, the cable posted solid gains last week, appreciating 255 pips over the period. After peaking at 1.6821– the highest since February 17, the pair began moving downwards. This week will be full of important economic data from both sides, meaning the pair will be highly volatile in the coming days. On Tuesday the pair penetrated weekly pivot at 1.6705, breaking through the important psychological level.

A slight majority of respondents claim the pair will depreciate over the period, while the pair is expected to finish the week at 1.6700, just 16 pips lower from the last week's average price. However, keeping in mind the fact the pair was already trading lower at the moment of writing, bears can try to break daily S2 and S3 at 1.6675 and 1.6654, respectively. Moreover, market sentiment is strongly bearish (58%), while attitude towards the Sterling is bearish as well, with the currency being sold in 56% of all case across the board. In contrast, investors are buying the Dollar in 65% of the time.

While traders believe in the bearish scenario, fundamentals and aggregate technical indicators are pointing at pairs further appreciation. Indicators on a daily and monthly charts are sending 'buy' signals. Regarding the fundamental analysis, strong employment figures from the U.K. on Wednesday will reinforce speculations that the Bank of England will start raising rates sooner-than-expected, meaning the Sterling will receive a strong bullish bias. "We are getting towards the weekly drop-base-drop supply level since October 2008, the next week might be bullish gathering long orders for the institutions to sell against once we reach their key levels," said Lupyyyyy. Therefore, we should not exclude bullish scenario as well, and keep in mind the potential retest of the recent high at 1.6821.



Cocciolla on GBP/USD

"The economic data of England, are very encouraging and leave room for a consideration of GBP demand on the positive side, so I think that investors will not leave unnoticed this data."



ImranMughal99 on GBP/USD

"The GBPUSD has rallied as visible in this daily chart (W1). This currency pair has formed a bullish price channel, but is currently trading at the top of its formation and due for a correction. I expect GBP/USD to top out and correct back down to its support zone, which is marked by the light blue box in the above chart."

Bullish: 44.4%

votes

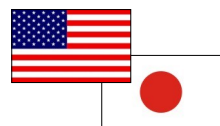


Bearish: 55.6%

votes



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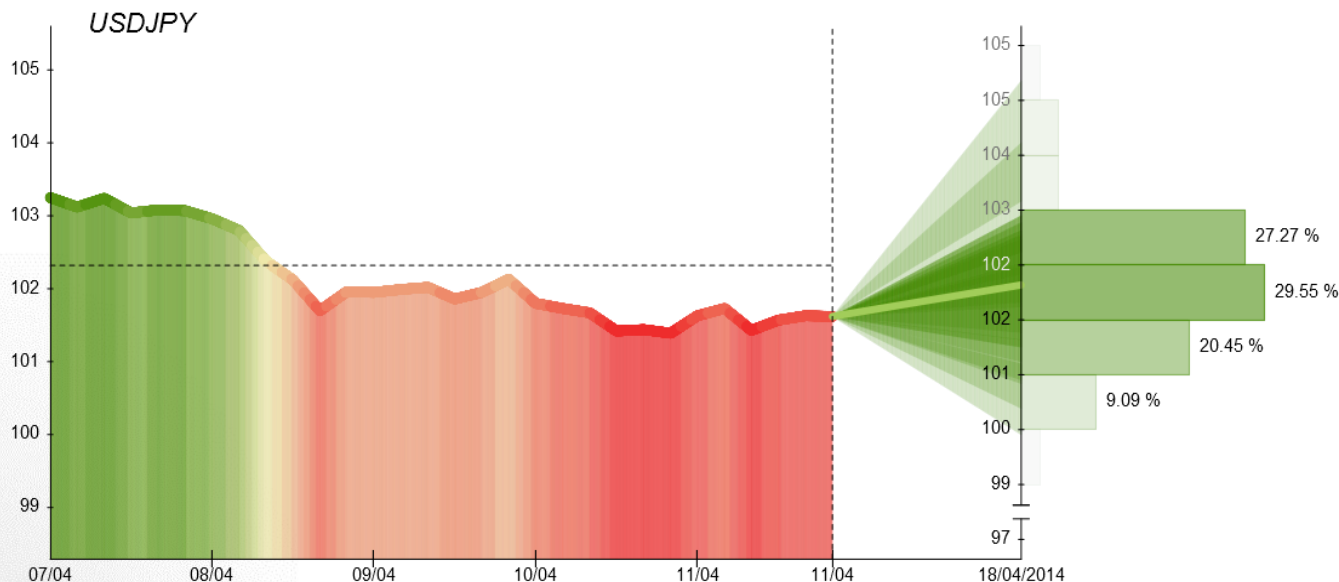
USD/JPY 1W Chart

Last week almost 93% of Dukascopy community members were expecting the USD/JPY to perform a solid rally over the week, however, confident comments from the Bank of Japan and dovish Fed pushed the pair back to 101.32. This level represents a strong support for bears, and without any strong bearish bias the pair will not be able to move any lower and head towards 100-mark.

This time, traders are still bullish on the pair, though, the percentage of those, who expect an appreciation, declined to 72%. Nonetheless, the price is forecasted to end this week at 102.05, just slightly above the weekly pivot. At the same time, almost 75% of all opened positions are long. On the other hand, the percentage of buy orders plummeted from 73% down to 63%. Moreover, technical indicators are mixed, as technicals on a weekly chart are pointing to the south, while monthly indicators are supporting greenback's appreciation versus the Yen.

Traders are also not univocal in their forecasts, as Juandata suggested "In hourly chart USD/JPY is drawing higher highs and higher lows on Stochastic. MACD also support an upside movement, so if people react positive on Chinese GDP, the pair could aim towards 102.80, but I will not trigger a buy position until Stochastic is above 50 and until USD and Chinese data are released." On the contrary, geulax4 sees a strong downside trend.

Kuroda's and Yellen's speeches, as well as consumer confidence from Japan and manufacturing from the world's largest economy will be the main catalysts for the pair. The outlook is unclear, however, long traders should focus on 102.03, while short traders will have to try to reach a recent low and a 200-day SMA at 101.30.



Khalidamassi on USD/JPY

"USD/JPY in the lowest price from 5 months, so it probably continue push down and hit the 99 area but I think it may consolidates in its lows and then go up again."



Jignesh on USD/JPY

"I anticipate the pair to go up early in the week on Dollar strength, but with the extreme bearish momentum, the 102.50 area can see sellers driving the price down to retest lows at 100.70 - Further development on the current situation in Ukraine can influence some erratic price moves in this pair and we could possibly see high volatility this week."

Bullish: 72.2%

votes



Bearish: 27.8%










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 7.04-11.04 Most Precise Forecasts

EUR/USD				GBP/USD				USD/JPY			
Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD	Nickname	Min	Max	RMSD
 aslamhammad	1.3815	1.3822	0.007	 aslamhammad	1.6639	1.6724	0.007	 Drishti	101	102	0.514
 tamison	1.379	1.389	0.007	 jmdv	1.66	1.675	0.009	 venimirp	101.192	103.778	1.556
 jmdv	1.36963	1.381	0.014	 tamison	1.678	1.69	0.012	 jmdv	102.8	104.1	1.942

*RMSD = Root-mean-square deviation

Dukascopy thanks all the participants!

	AceBerlin
	aslamhammad
	bushidoleaf
	cocciaola
	drishti
	geula4x
	ImranMughal99
	ivan2006
	Jignesh
	juandata
	khalidamassi
	Loughney81
	Lupyyyyyy
	Minhas
	Pokrajac
	rokalstu
	sankit
	victoraguiar

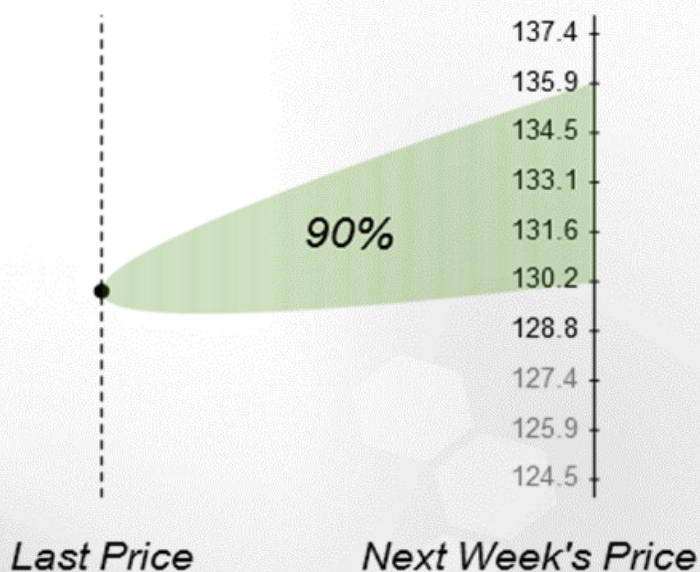


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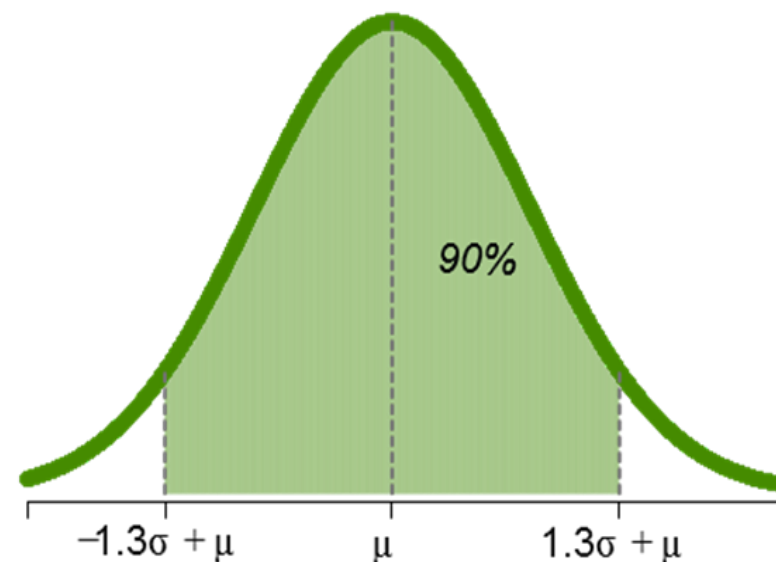
EXPLANATIONS

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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