

# PromiseLand



## Introduction to PromiseLand's Currency Forecasts

Caleb Ong Jun Yi

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## 1 Introduction

Currency forecasting is the process of predicting future trends and levels of currencies. Such forecasts can aid in setting short-term active investment decisions. For instance, when investing in foreign markets, clients can decide if they would like to take on the currency exposures of such markets, or to hedge away the currency risk.

Our approach to currency forecasting is based on technical analysis and advanced statistical modelling. Currencies are subject to high levels of trading; market participants are likely to have already utilised external data to establish their positions. Accordingly, we believe that such information would already been factored into exchange rates. The nature of currency price data is such that they have a tendency to exhibit price patterns that are repeatable and recognisable.

Clients can use the expected currency forecasts to aid in their short-term investment decision making process.

## 2 Methodology

The latest, cutting-edge data analytics and forecasting tools are employed. Advanced time series modelling are employed in the currency forecasting models. Past and current values are analysed to identify any relationships that can explain future currency movements. Once the models are finalized, one step ahead, short term forecasts of one month are made. When new currency data is released, it is incorporated into the models. The models are then updated for the next round of forecasts.



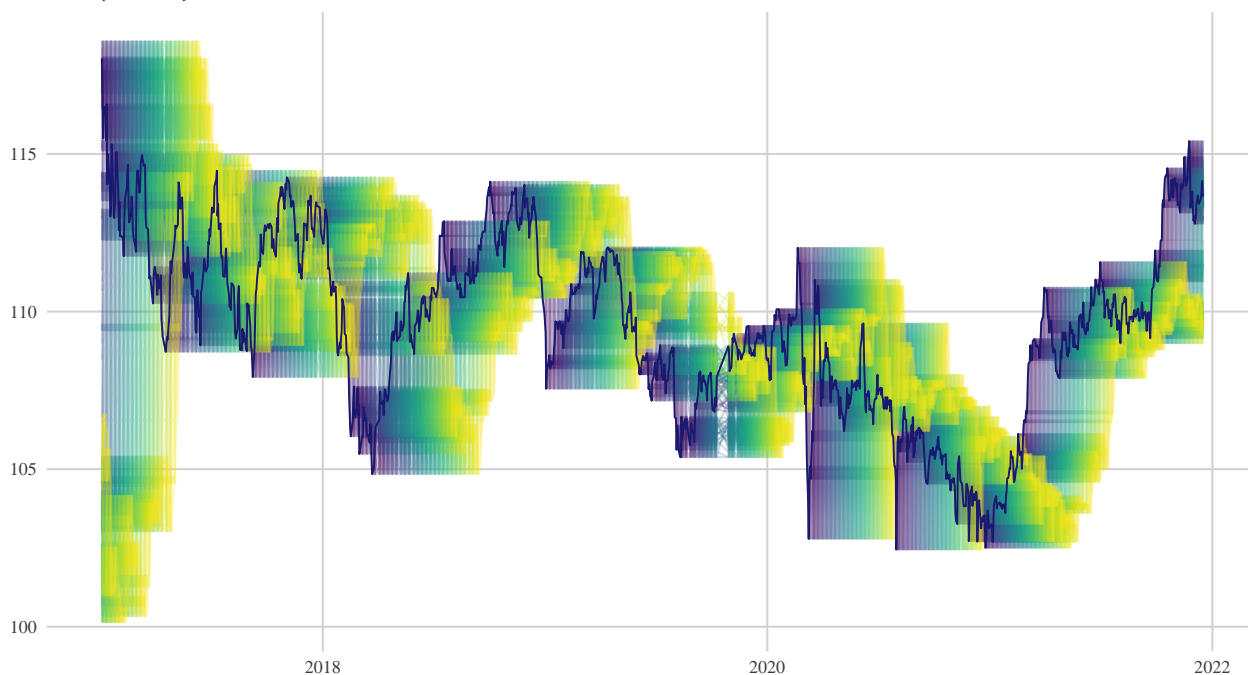
### 3 Illustrative Example

The data of the USDJPY currency pair is used to illustrate some of the analyses that are conducted.

Extensive statistical modelling is conducted on past price data to identify factors that could contribute to future price levels and trends. For instance, we incorporate a considerable amount of lagged values to determine the effect of past values on future expected price levels. We also incorporate rolling averages of price levels and volatility into the analysis.

#### Price Patterns for USDJPY

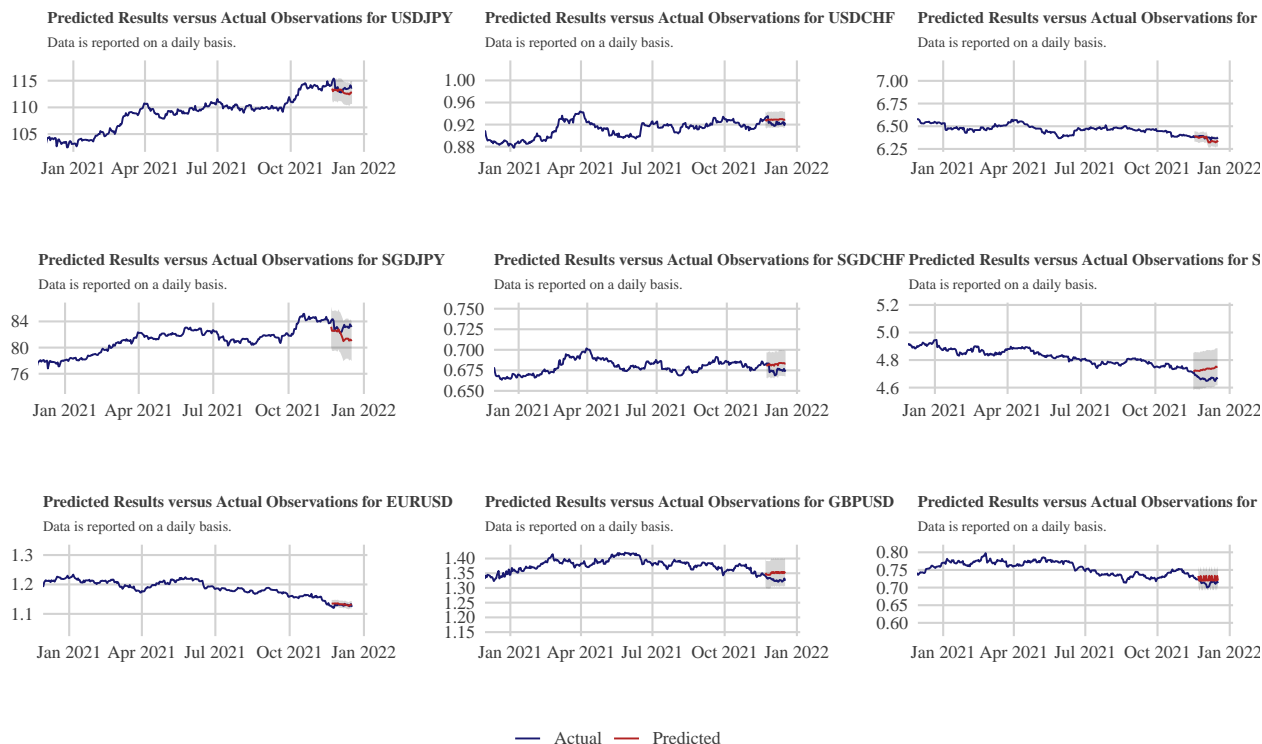
Data is reported on daily basis.





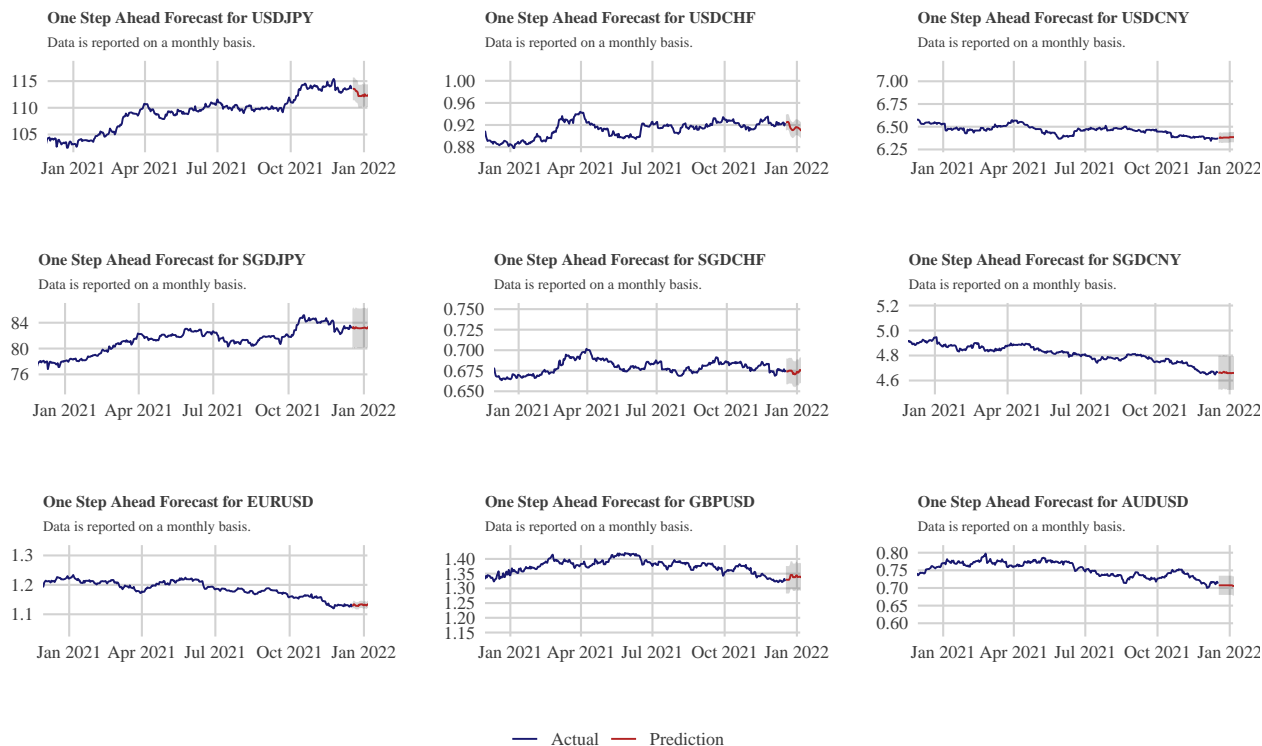
After extensive time series analysis are conducted on all currency pairs, the expected daily returns of all sectors at prior particular points in time are then predicted.

The predicted expected returns of all sectors are then compared to the actual returns to assess the effectiveness of the models. Models with the best ability to generalize predictions across all currency pairs are then selected.





Once the optimal models are selected, a one month ahead forecast is made.



Given that forecasts are made a month into the future, the models are updated for the next round of forecasts by incorporating the latest currency data on a monthly basis, or when requested.



## 4 Risks

The models incorporate only all available information up to the time the forecast is made, which include the latest currency data. The occurrence of unexpected market events in the periods since then can affect future currency rates. As with all financial models, they provide only a generalization of what an outcome is expected to be.

## 5 Ending Notes

Clients are reminded to diligently monitor their holdings. Please contact your financial advisor for the latest currency forecasts, or if you have any questions. Alternatively, you may contact us at +65 6505 4100, or email us at [enquiries@promiseland.com.sg](mailto:enquiries@promiseland.com.sg).