

Dollar Index Retreats amid Economic Concerns, USDINR Displays Resilience in Range



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The dollar index, which had surged by more than 5 points in the past six weeks, faced significant resistance around the 104.35-104.40 range, signaling an overbought condition. This week, it experienced a noteworthy correction, snapping a six-week winning streak. This correction was primarily triggered by indications of a potential slowdown in the US economy, leading to heightened speculation that the Federal Reserve might halt its ongoing policy tightening measures.

Market sentiment also turned cautious as investors eagerly awaited the release of a pivotal US monthly jobs report, expected to shed light on the labor market's performance and offer insights into the broader economic landscape. Additionally, recent data disclosed that US core PCE prices registered a modest 0.2% growth in July, aligning with market forecasts and mirroring the pace seen in June.

Earlier economic reports revised down the US Q2 GDP growth, and private businesses in the US hired the fewest number of workers in five months during August. Presently, the dollar index has shifted from its overbought territory to a more neutral stance. However, the overall trend remains bullish, contingent on its

ability to maintain levels above its critical moving averages, with substantial support identified around the 103 level. On the upside, resistance is notable around the 106.00 mark.

The future trajectory of the dollar index will significantly hinge on its capacity to sustain levels above the crucial 103 support. A break below this support could potentially result in a transition from a bullish trend to a sideways one.

Regarding the USDINR pair, it has been consolidating within the range of 82.50 to 83.00 over the past few trading sessions. Importantly, it has managed to stay above its major moving averages, suggesting a mild bullish bias for the pair. The trading environment is currently neutral, indicating room for potential momentum. Considering the overall bullish trend in both the dollar index and USDINR, along with the recent correction, the pair's price movement appears poised for confirmation in the current scenario.

For the time being, our expectation is for the USDINR to remain within the range of 82.50 to 83.00. Any dips towards the support zone could be leveraged for positive momentum, potentially pushing the pair above the 83.00 mark in the upcoming trading sessions.



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