

Dollar Index Retreats amid Mixed Economic Signals and Rate Hike Impact, USDINR Faces Resistance at 83 Mark with Limited Upside Potential



TAPISH PANDEY
Research Analyst

1. Dollar Index Pulls Back Below 102.5: Traders Await Influential Jobs Report Amid US Interest Rate Speculation.
2. Mixed Economic Indicators Impact Dollar: Jobless Claims Low, Factory Orders Surge, Services Growth Slows.
3. Dollar Gears Up for Third Consecutive Weekly Gain: Strengthened by Robust US Data and Rising Treasury Yields.
4. US Credit Rating Downgrade Bolsters Safe-Haven Dollar: Flight to Safety Amidst Fiscal Concerns.
5. GBP and EUR Strength Challenge Dollar Momentum: Bank of England's Rate Hike Adds to Currency Market Complexity.
6. USDINR Finds Support at 200-Day EMA, Navigates Resistance Zone: Striving to Break Multi-Month Hurdle Near 83.
7. Technical Outlook: RSI Suggests Limited Upside Potential: USDINR's Path Hindered by Overbought Signal.
8. RBI Intervention on the Radar: Potential Response to USDINR's Multi-Month Resistance Challenge.
9. Cautious Outlook: USDINR's Prospects Tied to 83 Mark Breakouts: Risk Management Emphasized with Stop-Loss Consideration.

The dollar index retreated below 102.5 for the second consecutive session as traders awaited a significant monthly jobs report that could influence US interest rate decisions. Mixed economic signals played a role, with jobless claims remaining near five-month lows and factory orders surging in June, while services sector growth slowed in July. Despite this uncertainty, the dollar looked set for its third straight week of gains, buoyed by strong US economic data and rising Treasury yields. A recent downgrade in the US credit rating added to the dollar's appeal as a safe-haven asset, particularly evident in its performance against risk-sensitive currencies like sterling and the Australian dollar. The Bank of England's recent rate hike decision also contributed to the dollar's dynamics, showcasing the intricate interplay of global currencies in response to major central bank policy shifts.

The Dollar-Rupee pair found a firm foothold around the 200-day Exponential Moving Average (EMA) at approximately 81.70 levels, initiating a robust upswing towards a resistance range spanning 82.90 to 83, a level not seen in several months. As of the latest data, the pair is currently trading within this resistance zone, striving to overcome it, a task it has been tackling over the past two days.

However, the recent momentum in the Dollar Index, which experienced a pause, combined with the noteworthy strength exhibited by the Pound and Euro following the Bank of England's rate hike decision, implies a potential weakening of the Dollar in the near future.

Taking a technical perspective, the 14-period Relative Strength Index (RSI) for the USDINR pair is positioned around 68, slightly below the overbought threshold. This suggests that the pair might have limited upside potential at this point. It's worth noting that the RSI could act as a limiting factor, possibly impeding the USDINR from breaching the 83 level easily.

Taking into account various factors including the recent pause in the dollar's upward rally, the notable strength observed in the Pound and Euro, the multi-month resistance faced by USDINR, the overbought indication from the RSI, and the anticipation of possible RBI intervention, it appears that the potential for further upside in USDINR is limited, particularly around the 83 level.

In the upcoming week, we could anticipate a period of consolidation or even a correction, especially if the currency experiences a pullback from its current major resistance. Should a correction occur, there's a likelihood of the pair aiming for a rebound towards its mean support area, situated around the 21-day Exponential Moving Average (EMA) at approximately 82.32 levels.

However, it's crucial to acknowledge that if circumstances shift and USDINR successfully breaches its significant resistance barrier at the 83 mark, this could trigger a sharp and immediate upward rally. To navigate these potential scenarios, it's advisable to exercise caution and implement a strategic approach. We recommend considering the placement of a stop-loss order above 83.15 levels to manage potential risks associated with sudden market movements.



E-mail: smc.care@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber, Pusa Road, New Delhi - 110005
Tel: +91-11-30111000 | www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402, 4th Floor, Graham Firth Steel Compound, Off Western Express Highway, Jay Coach Signal, Goregaon (East) Mumbai - 400063 | Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4, 5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000 | Fax: 033 6612 7004/033 4058 7004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor. SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/suspended by SEBI or any other regulatory authority for accessing/dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not have any material conflict of interest at the time of publication of this Report. SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report. The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views/opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't constitute to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.