moneywise. be wise.

CURRENCY INSIGHT

Friday
August 4, 2023

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 breeching 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

moneywise. be wise.

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, Goreagon (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