

Dollar Index Shows Resilience on Fed's Inflation Focus, USDINR Consolidates Amidst Record Highs



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1. The dollar index is on track for its fifth consecutive week of gains.
2. Federal Reserve meeting minutes revealed policymakers' focus on inflation risks and potential policy tightening.
3. Recent data indicates a decrease in new U.S. unemployment benefit claims, signalling a tight labour market.
4. A potential pause or reversal is suggested due to overbought conditions around 103.50.

5. USDINR has witnessed significant gains, consolidating within a range of 83.00 to 83.20.
6. Bearish divergence in RSI indicates the possibility of correction or consolidation in USDINR.
7. USDINR Nears Key Levels: Support at 82.70 Aligned with 21-Day EMA, Resistance at All-Time High of 83.30.
8. Optimistic Dollar Sentiment Spurs 'Buy on Dip' Approach with Support at 82.70 for Potential Upside.

The dollar index is on track to mark its fifth consecutive week of advancement, a trend fueled by the minutes of the Federal Reserve's July meeting. These minutes revealed that policymakers emphasized the lingering upside risks to inflation, hinting at the possibility of further tightening of monetary policy. However, some participants within the Fed also highlighted the potential economic hazards of excessively raising rates, underscoring the significance of forthcoming data in determining future rate decisions.

Recent data also indicated a decline in the number of new unemployment benefit claims filed by Americans, which suggests ongoing tightness in the labour market. Analysing the charts, the dollar index has been in an upward trajectory since finding support around 99.22 in mid-July. It reached a peak of 103.50, a level that could be considered overbought following an impressive rally of more than 4.5 dollars. This surge prompted a pause in the upward momentum as the dollar index encountered resistance near 103.50. This resistance, coupled with the overbought condition, increases the likelihood of a potential reversal. Should the dollar witness a reversal or enter a phase of range-bound consolidation from these levels, a move towards the mean level of the 21-day exponential moving average (EMA), currently situated at approximately 102.36, could be anticipated.

While the overall trend remains robust, an expected range for the dollar index lies between 102.30 and 103.70 levels. Similarly, tracking the upward trajectory of the dollar index, the Dollar Rupee (USDINR) pair has undergone a noteworthy ascent from its support level at 81.70 to its recent peak around 83.20. Over the past three trading sessions, USDINR has been consolidating within the range of 83.00 to 83.20. A breakout from the longstanding resistance at 83 marks signifies the pair's strength, and it is currently trading above this level.

Analysing the momentum oscillator, the 14-period Relative Strength Index (RSI) hovers around 67-68, just slightly below the overbought threshold. This suggests a limited potential for further upside momentum at this juncture. Notably, RSI has also formed a bearish divergence, underscoring the possibility of an impending correction or consolidation phase in the pair's movement.

Presently, USDINR finds support near 82.70, which coincides with the mean level for the pair, as evidenced by the 21-day EMA positioned around the same level. On the higher end, resistance is notable around its all-time high of 83.30. Taking into consideration the setup of both the dollar index and USDINR, expectations lean towards a consolidation phase in the USDINR pair. Despite this, the overall bullish trends in both the dollar index and USDINR, coupled with prevailing market sentiment in favor of the dollar, make the prospect of buying on any dip below the 83 mark appealing. A prudent strategy would involve setting a stop-loss below the support zone of 82.70, aiming for the record high levels.



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