CURRENCY INSIGHT

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US Dollar Holds Steady amid Narrow Consolidation as Traders Digest Inflation Data

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1. US dollar exhibiting consolidating pattern around 102.5 Index.
2. US Dollar Holds Steady Amid Moderate Inflation
3. Labor market balance remains a concern.
4. Concerns over nation's banking sector impact market sentiment.
5. Geopolitical tensions rise due to US tech investment restrictions in China.
6. Dollar rupee on upward trajectory.
7. Recent consolidation phase between 82.70 and 82.90.
8. Breakout above 83.00 marks could trigger upward rally.
9. Anticipating consolidation within 82.50 to 83.00 ranges.
10. Buying opportunity with dip below 82.70, suggested stop loss at 82.50.

The US dollar has recently been exhibiting a consolidating pattern within a narrow range over the past few sessions, with the index hovering around 102.5. This comes as traders analyze the latest US headline inflation data for July, revealing a moderate increase that remains significantly above the Federal Reserve's target of 2%. Notably, the annual inflation rate in the US rose to 3.2% in the last month, up from June's 3%, although slightly below the forecasted 3.3%. Similarly, core inflation, excluding volatile components, experienced a marginal decline from 4.8% to 4.7%, which was also slightly below the anticipated 4.8%.

Mary Daly from the San Francisco Fed emphasized that the recent Consumer Price Index (CPI) figures don't mean the central bank can claim victory over inflation. The labor market still needs balance. Despite this, the dollar index seems set to mark a fourth straight week of gains, supported by robust US economic indicators. Concerns about the nation's banking sector and an uneven economic recovery have contributed to this trend. Geopolitical tensions have raised again due to US restrictions on certain technology investments in China.

The USD/INR exchange rate has been on an upward trajectory, finding support at the 200-day Exponential Moving Average (EMA) near the 81.68 level, and subsequently approaching a resistance zone spanning 82.90 to 83.00 levels. Recent sessions have witnessed a consolidation phase at elevated levels, roughly between 82.70 and 82.90, which is indicative of a potential support-resistance role in the upcoming sessions. Any breach of this consolidation range is likely to dictate the pair's next directional move.

Notably, a breakthrough above the 83.00 mark could trigger a robust upward rally, underscored by the consistent respect for a symmetrical triangle chart pattern's resistance trend line over the past 11 months. This trend line's significance as a resistance level is further reinforced. Conversely, a drop below 82.70 in the USD/INR pair could prompt a correction towards the 21-day EMA, situated near 82.50 levels.

Reviewing the trading dynamics, the USD/INR pair initially entered an Overbought zone at the beginning of the week. However, over the course of the week, the pair underwent a consolidation phase, resulting in a cooling off of the trading sentiment from Overbought to Neutral territory.

Considering critical factors such as the prevailing trend, the pair's strength, prominent resistance levels, and the prevailing trading sentiment, our outlook suggests a forthcoming consolidation phase within the 82.50 to 83.00 range for the USD/INR pair. Moreover, a potential dip below 82.70 presents an opportunity for buying, with a suggested stop loss below 82.50. This strategic move aims to capitalize on a potential rally towards the significant resistance level at 83.00.

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