

## USD/INR Pair Holds Steady amidst Dollar Index Uptrend and Consolidation Phase



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1. USD/INR pair in a consolidation phase between 83.00 and 83.40.
2. Awaiting directional cues from the Dollar Index.
3. Short-term potential for fresh record highs if the pair dips near 83.00.
4. Market monitoring ongoing inflation data and Federal Reserve's stance.
5. US Dollar Index maintains strong uptrend since mid-July.
6. Corrects from recent high above 107, finding support near 105.30.
7. Inflation data keeps Fed committed to higher interest rates.
8. Dollar Index remains above the key 200-day Exponential Moving Average.

The Dollar Index has steadily ascended since mid-July, commencing from levels around 99.20. Recently reaching above 107, it encountered a correction, retracing to around 105.50, finding support near 105.30, buoyed by hotter-than-expected US consumer inflation data, bolstering the expectation of sustained higher interest rates. The US annual inflation rate held steady at 3.7%, slightly exceeding the market consensus of 3.6%, with the monthly rate easing less than expected at 0.4%.

Furthermore, the recent release of minutes from the Federal Reserve's latest meeting indicates the central bank's intent to maintain restrictive borrowing costs for an extended period to rein in inflation to its 2% target. However, the Fed also acknowledged uncertainties in the economy, oil prices, and financial markets, calling for a cautious approach to determine additional policy tightening.

The USD/INR pair has charted a compelling consolidation pattern after touching the 83.00 mark in recent weeks. 83.00 has emerged as a robust support zone, with most weekly sessions staying above this level. The overall trend is distinctly bullish, with growing anticipation of a possible medium to long-term target of 84.00.

In the near term, USD/INR has maintained a narrow trading range following its recent record high of 83.4075 in near-month futures. This range typically fluctuates within a 20-25 paisa band. Presently, USD/INR is expected to continue its sideways movement for several sessions, oscillating between 83.00 and the record high of 83.40.

This range serves as a resilient support and resistance zone, with a breakout in either direction providing critical insights into the pair's future trajectory. As long as USD/INR remains within this range, a sideways trend is anticipated in the short term.

It's crucial to note that the overall trend for USD/INR is bullish, paralleling the Dollar Index's uptrend. If USD/INR manages to break above 83.40, it may trigger a substantial upward rally.

The current trading setup appears favorable, with the 14-period RSI hovering around the 55-56 range, signifying a neutral trading territory. Considering this, an upward rally beyond 83.40 levels might not immediately necessitate RBI intervention to manage market volatility.



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