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## **Dollar's Gain is Euro's Pain!!!**

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## Euro Fundamental Update

- Euro fell sharply following broader strength in the dollar and weaker economic numbers from the Euro zone
- The currency fell to fresh two-decade lows after data showed euro zone business activity contracted for a second straight month in August
- Weakness in the currency was triggered after the war in Ukraine disturbed the outlook for the European economy
- Wholesale gas and electricity prices surged to all-time highs in Europe on fears of Russia throttling crucial energy supplies
- Surging natural gas prices have prompted investors to reassess how long inflation could stay high, and how hard it could hit the Eurozone economy
- Losses for the currency could be restricted after some policymakers at the ECB proposed stepping up the pace at which it raises rates to rein in inflation
- Officials at the central bank could consider a 0.75 percentage point rise at its meeting on September 8

# EURUSD Technical Update



- EURUSD has been trading negatively within a downward-sloping trend channel since February 2022 forming lower highs and lower lows. The pair has reversed sharply from channel resistance around 1.0350 and recently breached support near 1.0160 mark. The same is likely to act as immediate barrier and bias remains negative below it.
- The pair is likely to test channel support at 0.9760 level in the short term. Momentum indicator MACD is holding well below the 'Zero Line' and has crossed below the 'Signal Line' on the daily chart supporting the bearish view.

# Dollar Index Technical Update



- The dollar index has rebounded sharply from its decline towards channel support at 105 mark and has given a weekly close above resistance near 107.60 level. The index has been trending higher within an upward-sloping channel since February 2022 and looks headed towards channel resistance at 111.30 level. Short-term bias remains bullish above key support at 106.50 mark. Sustained upside move in the dollar index is likely to further extend the downside move for EURUSD due to their longer-term inverse correlation.
- **STRATEGY for EURUSD:** Sell at CMP 1.0010 and on rise towards 1.0090 targeting 0.9760. Short-term bias will turn positive only on breach above 1.0160 level on closing basis.

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