

Rupee tumbles to 26-month low on US Fed rate hike fears : Jamal Mecklai on NDTV Profit

The Indian rupee touched a 26-month low against the US dollar on Friday, as overseas investors offload their holdings in the domestic equity and bond markets amid intensifying concerns over interest rate hike in the US.

The rupee ended at 66.77 against the dollar, hitting a level not seen since September 2013.

"If rupee closes at or below 66.80 per dollar, there could be another one rupee fall on account of technical reason," NDTV Profit quoted Jamal Mecklai, CEO of Mecklai Financial, as saying.

The domestic currency has been pressurised by recent positive US economic data, which reinforced the expectations over monetary tightening by the US Federal Reserve next month. A rate hike by the US central bank could trigger heavy fund outflows from emerging markets, including India.

Concerns over possible US Fed rate hike in December have led the foreign institutional investors (FIIs) to sell their stocks aggressively so far this month. Between 30 October to 24 November, FIIs sold \$962.08 million worth shares on the stock exchanges, Mint reported.

The rupee has depreciated by 5.5% so far this year, partly eroding the benefits from cheaper global crude oil prices. As India meets a significant part of its oil requirements from imports, the fluctuations in the exchange rate has denied some of gains from lower oil prices, which otherwise could have kept consumer prices under check.

The investors also remain cautious ahead of major economic data releases on Monday. The government will release gross domestic product (GDP) data for the September quarter and fiscal deficit data for the month of October.

While a Bloomberg poll estimates the country's GDP to have grown by 7.3%, any sign of slower growth could dampen the sentiment among FIIs, resulting in further outflows.

<http://www.ibtimes.co.in/rupee-falls-26-month-low-us-fed-rate-hike-fears-656835>