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# US Fed's tapering inclination may impact India's FPI inflows, says CARE Ratings

*The tapering is likely to affect India's foreign portfolio inflows, but it may not be immediate, according to CARE Ratings. However, some brokerages feel that India is in a far better place than 2013, and will be able to handle the blow.*

ETBFSI September 29, 2021, 08:19 IST



The [US Federal Reserve](#)'s indication of tapering asset purchases is likely to impact the flow of funds into Indian markets, but may not be immediate, CARE Ratings said in a report.

The tapering is likely to affect India's foreign portfolio inflows. Earlier when the Fed had announced tapering

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period.

During the taper tantrum of 2013, India's equity markets collapsed as foreign institutional investors pulled out money from stocks, and the rupee depreciated sharply. However, financial markets in India are at a much better place right now, owing to strong inflows from retail investors.

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According to DBS Research, India's financial markets are no longer a part of the fragile five pack of economies, so the impact will not be much.

[Also read: Taper warning signs flash to markets from India's central bank](#)

Based on the evolving economic conditions, the US Federal Reserve, in its latest monetary [policy](#) meeting, said that it could dial down asset purchases from November, and complete the process by mid-2022. The US central bank also signalled earlier than expected interest rate hikes.

According to an analysis by economists at UBS Group,



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remains less than previous hiking cycles, meaning that most central banks will remain supportive next year.

Markets have mostly reacted positively to the news, with interest rates expected to remain low and liquidity to continue in the near terms as economic recovery strengthens, CARE Ratings said.

The ratings agency does not expect the [Reserve Bank of India](#) to be immediately affected by the US Fed's comments.

While developed nation central banks are preparing to tap the brakes, many emerging markets are expected to opt for ultra-loose monetary policies for a while.

"The [RBI](#)'s monetary policy would continue to be driven by domestic considerations of economic growth. Towards this end, it would continue to maintain its accommodative monetary policy," the agency said.



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