

INDIA & GLOBAL MARKETS

The Twelve People in Washington Who Can Move Your Rupee

How the US Fed's interest-rate decisions reach your portfolio and why you should stay calm

Let us introduce you to a committee of about a dozen people who sit around a large wooden table in Washington, several times a year, and decide something that seems to have nothing to do with you. They set the interest rate for the United States of America. And yet, when they finish their meeting and read out their decision, the rupee in your wallet, the shares in your portfolio, and even the gold in your locker can all shift a little. They are the US Federal Reserve “the Fed” and this September, they raised their rate by 25Bps. We want to explain, in the simplest possible way, why a decision made so far away lands so close to home. And then we want to persuade you to stop losing sleep over it.

First, what they did and why

The Fed's job is to keep prices stable in America. This year, a sharp rise in oil and global prices forced their hand, and on the 16th of September they nudged their interest rate up by a quarter of a percentage point. A small move but the *signal* mattered more than the size. It told the world that American interest rates are likely to stay higher for a while yet.

Now, here is the chain of events that carries this decision from a table in Washington to your doorstep in Delhi or Mumbai. Read it slowly, and it becomes obvious.

1. When American interest rates rise, keeping money in the United States becomes more rewarding and safer.
2. So some large foreign investors decide to bring their money home from riskier markets India among them.
3. To do that, they sell their Indian shares and buy US dollars. That selling pushes our stock market down a little, and the rush to buy dollars pushes the rupee down a little.
4. A weaker rupee, in turn, makes the oil and goods we import more expensive, which can quietly raise the cost of living at home.

That is the whole mechanism. A far-away decision, travelling down a chain of cause and effect, until it touches the price of things in your own life.

We have seen this film before

If this feels familiar, it should. We have lived through it twice in recent memory. Back in 2013, the Fed merely *hinted* that it would tighten, and money fled India so quickly that the rupee tumbled and we were embarrassingly branded one of the world's "fragile" economies. Then again in 2022 and 2023, the Fed raised rates aggressively, the rupee slid to record lows, and foreign investors sold our shares month after month.

But we want you to hold on to one deeply reassuring fact. India in 2026 is a far sturdier ship than the one that was tossed about in 2013. Our foreign exchange reserves stand at record levels. Our banks are healthier. Our economy keeps growing at a pace much of the world envies. When the rupee comes under pressure today, it is usually because of an outside storm expensive oil, a strong dollar and not because of any rot within. The difference between weakness *within* and pressure from *without* is everything, and it is the reason we can watch these episodes with concern but not with panic.

The temptation and the trap

Here is where we must be blunt, because it is the most important thing we will say. Every time this committee in Washington meets, our news channels turn it into a cliffhanger. Will they? Won't they? What did the chairman's eyebrow suggest? And in that theatre of suspense lies a trap, beautifully disguised. The temptation is to *act* to sell in fear before the meeting, or to jump in afterwards hoping to catch the move.

Please resist this with all your strength. The impact of any single Fed meeting is almost always short-lived, and this is the crucial bit most of it is already expected and "priced in" before the announcement is even made. By the time you have read the headline, formed an opinion, and picked up the phone, the moment has passed. Trying to trade around a Fed meeting is like trying to guess the exact minute the monsoon rain will stop so you can dash across the road dry. Even the professionals, with their screens and their models, get it wrong more often than they will admit.

What to do instead

So what should an investor of substance and patience do? Almost nothing and we mean that as the highest praise.

You should have a plan a sensible mix of investments matched to your goals, your time horizon, and your own tolerance for the market's mood swings. Once that plan is in place, a quarter-point move in Washington becomes exactly what it should be a piece of news to note and forget, not an alarm bell to obey. You do not need to track every meeting. You do not need to understand every dot on the Fed's projection chart. You need only to stay invested, stay diversified, and let time do the heavy lifting that frantic activity never can.

The dozen people in Washington will keep meeting. The news channels will keep breathless. And you, if you are wise, will keep calm — and keep compounding.

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