

② The US federal reserve interest rate hike has spill over effect on IVO?

The US Federal Reserve is the Central Bank of [USA]. The rise in interest rate by Federal Reserve could shape the macroeconomic outlook and influences the monetary policies of other emerging economies.

Foreign Institutional Investors (FII) in the <sup>period</sup> ~~term~~ of low interest rate in USA ~~will~~ would borrow money from banks at lower interest rate and invest <sup>govt bonds of</sup> money in the emerging economy countries like India where inflation is always high compared to developed countries which ~~and~~ provides high interest rates thereby benefitting the investors by earning more.

Impact of Higher interest rates of Federal reserve in India:-

① Bond yield increases, ~~there which~~ due to shortage of dollars in Global market.

~~② As strengthening of foreign currency viz-a-viz Indian currency which could lead to flow back of money to respective countries which invested in India~~

② ~~How~~ Make India less attractive towards carry currency trade due to outflow of money from the Indian market.

③ strengthening of foreign currency decreases the Indian currency's specie value which leads to cost-push inflation by importing commodities (eg) Crude oil, Electronic devices.   
 becomes costlier

④ Spur more gains for foreign dollar against Indian specie thus widening Trade deficit.

Conclusion - It is visible that federal reserve monetary policy has spill over effect on the emerging economies (IND) so that, to evade from this situation Ind

govt should manage ~~to~~ ~~res~~ and  
develop strategies to protect its economy  
from external changes by keeping its  
economy stable.