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The rupee fell for a second consecutive session on Wednesday, posting its worst back-to-back falls in more than a month, as continued worries of an earlier-than-expected rate increase by the US Federal Reserve weighed on emerging-market assets.

Domestic shares also declined for a second consecutive day, retreating from record highs hit early this week, after a paper from the San Francisco Federal Reserve Bank argued that investors could be underestimating the speed at which the US central bank might raise interest rates.

Caution is expected to prevail ahead of consumer inflation data due on Friday, which comes before the Reserve Bank of India's policy review on September 30.

India is also due to report trade numbers at some point this week.

"With the correction being seen in the equity market, the rupee also weakened today," said Subramaniam Sharma, director at Greenback Forex.

"However, I don't think this is a change in trend. We will continue to see the rupee hold in a 60.20 to 61.80 range in the near-term."

The partially convertible rupee ended at 60.94/95 per dollar versus Tuesday's close of 60.60/61, after declining to as low as 61.04 earlier in the session, its weakest since August 14.

The rupee fell 1.1 per cent over Tuesday and Wednesday, marking its biggest two-day loss since declining 1 per cent from July 31 to August 1.

Still, broader losses were capped by dollar selling from exporters.

Any news on potential Fed hikes tends to have an impact on emerging markets given that the easy monetary stance from the US central bank has sparked big foreign inflows.

In India, overseas funds have bought a net \$32.50 billion worth of debt and shares so far this year.

In the offshore non-deliverable forwards, the one-month contract was at 61.36 while the three-month was at 61.94.

Swati Bhat in Mumbai

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