

Executive Summary of the 69th Global Investment Advisory Committee (GIAC) Meeting

3rd April 2024

Current stance

During its most recent meeting, the committee reached a unanimous decision to maintain the present approach regarding investments in equities, debt, and gold. This decision comes as there are no clear signals to act upon ahead of the imminent Lok Sabha elections commencing later this month. Additionally, the committee anticipates an interest rate reduction by the RBI within the next six months, potentially causing a decline in yields on debt instruments. Consequently, there is a consensus to seize the opportunity to secure yields at their current elevated levels. As of this meeting, the allocation to equities remains slightly overweight, reflecting the prevailing market optimism. Further, all three risk profiles – conservative, balanced, and growth, have outperformed their respective benchmarks in the previous fiscal year, underscoring the strength of the current investment strategy.

Key variables to monitor:



Lok Sabha
elections



RBI rate
movement



Equity and gold
performance

What's changed since our last meeting:

According to the US Labour Department, American employers significantly exceeded expectations in their hiring efforts in March while maintaining a steady increase in wages. The robust jobs data is prompting investors to re-evaluate the likelihood of the Federal Reserve implementing three rate cuts in 2024.

At its first meeting in the new financial year, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) opted to maintain the repo rate at 6.50%. Governor Shaktikanta Das, leading the RBI's MPC, disclosed the committee's decision to uphold the existing rates after a vote, with a 5:1 majority in favour of the decision. Das also reiterated that the policy stance remains consistent with a 'withdrawal of accommodation'. The decision is in line with the domestic headline retail inflation rate released earlier in March, which indicated that inflation, at 5.09%, is still beyond the MPC's target of 4%. Separately, gold prices have indicated a strong upward trend, with the precious metal hitting its all-time high and rising to INR 71,700 per 10 grams as of last close.

Viewpoints

The committee has indicated a cautious yet optimistic approach towards investment strategies. With an overweight allocation in equity, particularly amidst market optimism, the committee remains confident in the potential for robust returns. Additionally, maintaining a neutral stance on mid and small caps suggest a balanced risk management strategy, aligning with the flavour in the market, with participants depicting concern about the froth in these asset categories. Across all risk profiles, including conservative, balanced, and growth, the portfolio has witnessed a steady growth in alpha since October, indicating resilience amidst market fluctuations. This strength, coupled with the strong performance of gold and REITs, underscores the committee's confidence in its current portfolio stance.

Further, the portfolio's reduced international allocation towards world index, over the past year, coupled with a focus on duration bonds and target maturity plans in anticipation of an interest rate fall, demonstrates a proactive approach to capitalise on emerging opportunities. The committee noted that, in FY24, the performance of mid-cap PSU banks and large-cap entities like Bajaj Finance remained robust, in a comparatively lacklustre year for the banking and financial services industry. Despite tempered expectations for earnings upgrades in the near term, the committee remains optimistic about potential inflows from FIs in the event of a BJP majority victory. Moreover, expectations for rupee appreciation based on the BJP's strong exchange and export policies are further reinforcing the committee's positive outlook for the future.



Co-Chair Committee member



Shiv Sehgal
President & Head
Institutional Securities



Alok Saigal
President & Head
Nuvama Private

Other Committee members

- ▶ Amit Rajawat, Fund Manager, Infinity, Nuvama Private
- ▶ Ajay Marwaha, Head, Nuvama Fixed Income Advisory
- ▶ Ajay Vora, Head, Equities, Nuvama Asset Management
- ▶ Dhawal Dalal, CIO, Fixed Income, Edelweiss Asset Management
- ▶ Kapil Gupta, Executive Director, Equity Research, Nuvama Institutional Equities
- ▶ Onkarpreet Singh Jutla, Chief Product Officer, Nuvama Private
- ▶ Keyur Ajmera, Chief Risk Officer, Nuvama Group

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