

Executive Summary of the 78th Global Investment Advisory Committee (GIAC) Meeting

4th February 2025

Current stance

The committee has decided on maintaining its slightly overweight equity allocation while continuing to monitor market conditions closely. Despite underperformance in balanced and growth portfolios over the past month, the committee believes that the recent market correction has largely played out. Volatility remains a key concern, but the committee sees no immediate need to adjust equity exposure, as reducing allocation now could lead to missed opportunities if a rebound occurs.

The focus remains on reducing mid-cap exposure in the coming months following its strong performance. The overall strategy is to stay agile, assessing market conditions as they evolve. While the US Federal Reserve's rate cuts are expected to be delayed, the Reserve Bank of India (RBI) is likely to lower rates sooner, which could support market sentiment. The committee expects a short-term rally, potentially leading to a shift back to a neutral stance if markets reach key resistance levels.

For now, the equity allocation remains unchanged, with a reassessment planned by mid-February. Foreign investor sentiment is anticipated to improve, with potential inflows returning towards the end of the quarter.

Key variables to monitor:

- **US Interest Rate Policy:** While the RBI is expected to cut rates, the US Federal Reserve's rate cuts may be delayed, impacting global liquidity and risk sentiment.
- **Market Oversold Levels:** The committee believes that current market conditions present an opportunity for a potential rally, particularly if foreign institutional investors (FIIs) return.
- **Mid-Cap Exposure:** Given the strong run-up in mid-caps, the committee will evaluate whether to trim positions following any meaningful rally.
- **Gold Performance:** Gold continues to perform well, reaching all-time highs. A short-term correction is expected post-tariff adjustments, which could provide a buying opportunity

What's changed since our last meeting:

In India, Finance Minister Nirmala Sitharaman presented the Union Budget 2025–26, offering significant tax relief to the salaried middle class. Individuals earning INR 24 lakh annually can save INR 1.10 lakh in taxes, while those earning INR 12 lakh will be tax-free under the new regime. A new Income Tax Bill replacing the 1961 Act will be introduced. The budget allocated INR 50.65 lakh crore, a 7.4% increase from the previous fiscal. PM Modi praised it as a "people's budget" fostering growth and savings.

The Economic Survey projected FY26 GDP growth at 6.3–6.8%, with inflation under control and rural demand expected to rise. India's real GDP is estimated to grow at 6.4% in FY25, with industrial and services sectors showing strong performance. FDI inflows rose 17.9% YoY to USD 55.6 billion in FY25. The survey emphasised deregulation and large-scale infrastructure investment to drive long-term growth.

Globally, the US economy grew 2.3% in Q4 amid weak business spending, with inflation at 2.5%. The Fed maintained interest rates at 4.25%–4.50%, while the ECB cut rates by 25 basis points, with further easing expected. The dollar weakened against major currencies, and markets anticipate more ECB rate cuts in 2025.

Further, President Trump imposed tariffs on Chinese imports, prompting retaliatory measures. He has also threatened tariffs on Canada, Mexico, and the EU but paused actions for negotiations. The tariffs aim to protect US industries but could escalate trade tensions.

Viewpoints

The committee maintains a cautiously optimistic outlook despite recent market volatility, balancing near-term uncertainties with longer-term opportunities. While the market is expected to remain range-bound in the immediate future, inflows from foreign institutional investors are anticipated to turn positive by the end of the quarter, providing a crucial stabilising force. This shift in sentiment is contingent on external factors such as US fiscal policy decisions and global geopolitical risks. If these factors stabilise, the Indian market stands to gain significantly, reinforcing investor confidence and supporting sustainable growth.

The committee's portfolio allocations remain largely unchanged, reflecting a steady approach amid evolving macroeconomic conditions. Gold holdings continue to serve as a hedge against volatility, with allocations set at 4% for conservative portfolios, 5% for balanced portfolios, and 6% for investment portfolios. This measured stance ensures resilience while allowing for tactical shifts as needed. Should the market experience a significant rally in the coming months, the committee plans to reallocate mid-cap exposure, optimising portfolio returns while maintaining risk-adjusted balance.

The Union Budget's neutral stance is interpreted as a net positive for market sentiment, as it alleviates downside risks without introducing disruptive measures. This clarity fosters stability, allowing investors to assess market dynamics with greater confidence.

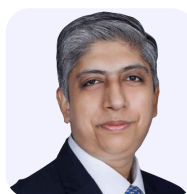
Moving forward, the committee will closely monitor key global economic indicators and fiscal policy shifts that could influence market trends. A strategic portfolio review is scheduled for mid-February, with potential adjustments to equity allocations. These will be contingent on the strength and sustainability of the anticipated market rally, ensuring a proactive yet disciplined investment approach.

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Shiv Sehgal

President & Head
Institutional Securities



Alok Saigal

President & Head
Nuvama Private

Other Committee members

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