Infinity
by Nuvama Private

Executive Summary of the 83rd Global Investment Advisory Committee (GIAC) Meeting

2nd June 2025

Current stance

The committee has reaffirmed its conservative stance in the face of geopolitical uncertainties and weakening global macro conditions. A key portfolio move was the full reduction in international equity exposure, with the corpus transferred to cash-equivalent products (arbitrage and money market funds) as a hedge. This adjustment is driven by fears of rising US-led tariff tensions and a possible correction in US equity markets. Domestic equities are still overweight, driven by large caps, though midcap exposure has been pared. The members urged waiting and watching for the next fortnight amid significant uncertainty regarding developments worldwide, ranging from ongoing war in Europe to uncertainty regarding peace talks.

Gold allocations stay constant at 4–6% in risk profiles. Although technically overbought, gold is still considered to be a solid geopolitical hedge, especially with solid central bank and ETF demand. On the fixed income side, the committee advises to be underweight debt and specifically underweight duration, given bond market optimism. Since the sovereign yield curve is fully priced, further gains look restricted. Focus is turning towards short-duration assets and certain AA/AA+ credit.

Key variables to monitor:

- US equity market trajectory: S&P 500 and Dow are expected to correct over the next month.
- Central bank rate expectations: The committee sees current market hopes for 75 bps rate cuts as unrealistic; more likely 25 bps, if at all.•
- Gold drivers: Sustained central bank and ETF demand, alongside geopolitical flare-ups, support gold's medium-term strength.
- India's macro resilience: India remains structurally sound, but with 50%+ corporate revenues globally linked, global slowdown remains a key risk.
- Fixed income outlook: Strong caution on duration risk, preference for short maturity instruments and high-credit-quality corporate names.
- Emerging market flows: Likely to benefit from capital rotation away from the US, though with a lag.
- Geopolitical tensions: Particularly with regard to the Ukraine conflict and potential broader NATO involvement, which could amplify risk-off sentiment.

What's changed since our last meeting:

US

The ADP report indicated that private-sector employment rose only by 37,000 in May—less than in April's 60,000 and below expectations. The weaker employment figures were a worry ahead of the official US Labour Department report later and suggested potential economic weakness. The traders responded by pricing in the probability of an upcoming Fed rate cut later in 2025, lowering Treasury yields. Donald Trump retaliated aggressively, urging Fed Chair Powell to cut rates now. Despite several rate reductions throughout 2024, the Fed has remained steadfast in 2025, holding out for data on the inflationary impact of new tariffs.

India

India's real economic growth is projected to be robust 6.5% in FY 2024–25, while nominal GDP growth is projected to be 9.8%, according to provisional estimates released by the NSO, MoSPI. In Q4 FY25 alone, real GDP grew 7.4% and nominal GDP grew 10.8%—showing strong momentum.

India's retail inflation eased to 3.16% in April 2025, down from 3.34% in March, marking its lowest level since July 2019 and staying below the RBI's 4% target for a third consecutive month. The April reading also missed market forecasts of 3.27%, further supporting the case for accommodative monetary policy. With inflation under control and growth prospects strong, the RBI can create greater elbow room to support economic growth with additional easing over the next few months.

Viewpoints

The committee collectively articulated concern regarding the global macro environment, influenced by increased geopolitical tension, provocative US trade policy, and tenuous investor sentiment. Members emphasised that although portfolio positions were previously taken, international equities now have disproportionate downside risk in light of escalating trade tensions and policy uncertainty in the US. Therefore, a 0% international allocation has been finalised, and the exposure shifted temporarily to low-volatility cash substitutes. Indian equities continue to be relatively better placed, aided by domestic fundamentals and early in-pricing of global risks. Large cap bias is being sustained, while mid- and small-cap allocations continue to be conservative. The current call on banking and financials has performed well and is being maintained.

The committee recognised the present rally as narrow and selective with wider market participation still absent. There is concern regarding the sustainability of bullishness because excessive availability in primary and secondary markets would limit gains. Members are poised to carry on with existing positions and are shying away from new equity commitment in the near term.

Gold remains a strategic anchor, benefiting from numerous tailwinds such as ongoing central bank buying, robust ETF inflows, and continued economic and political uncertainty.

Within fixed income, the sentiment is heavily tilted in favour of reducing duration. The committee members are of the view that markets have oversold deep rate cuts early, which are not probable in light of prevailing core inflation and growth levels. The sovereign curve appears to be over-discounted, and the preference is shifting towards AA/AA+ single-name credits and 1–3 year names with improved risk-reward.

Although India can benefit from structural changes in international capital flows and global supply chains, near-term risks are high. Defensiveness in portfolios should be continued, and the strategy should be reviewed for changes in allocations in the next 15 days based on data that comes in and geopolitical indicators.

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Shiv Sehgal
President & Head
Institutional Securities

Alok Saigal
President & Head
Nuvama Private

Other Committee members

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- Ajay Marwaha, Head, Nuvama Fixed Income Advisory
- Ajay Vora, Head, Equities, Nuvama Asset Management
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