Infinity by Nuvama Private

Executive Summary of the 85th Global Investment Advisory Committee (GIAC) Meeting

29th July 2025

Current stance

The committee remains cautiously positioned despite the positive alpha generated across portfolios over the past three months. On a year-to-date basis, performance recovery has been on an uptick, particularly in conservative and balanced portfolios, which have outperformed benchmarks due to their defensive nature and higher allocation to large-cap equities. Growth portfolios, however, continue to lag on a year-to-date basis, largely owing to the mid and small cap exposure.

Equity allocations remain marginally above neutral, 26.25% for conservative, 52.5% for balanced, and 87.5% for growth portfolios while international allocations have been maintained at zero. Gold exposure is steady, complemented by the initiation of a measured position in silver to capitalise on potential medium-term outperformance. Mid and small cap allocations remain slightly underweight.

The committee expects near-term global market volatility, with August and September historically being the most turbulent months. US market breadth is seen as narrow despite headline index highs, and the outlook for the next 4–5 weeks remains cautious. In fixed income, the preference for short-duration strategies persists, given subdued earnings growth expectations, single-digit GDP expansion indicators, and the potential of further rate cuts by the RBI over the medium term. Commodities positioning remains constructive, particularly for gold and silver, amid evolving macroeconomic and policy developments.

Key variables to monitor:

- US market breadth and volatility: Narrow participation in S&P 500 gains; August–September seasonality suggests elevated volatility risk.
- US trade deficit and dollar trajectory: Impact on capital flows, yields, and risk sentiment; possible shift from capital to trade flow anchoring.
- Indian macro indicators: Nominal GDP, credit growth, tax collections, export momentum, and corporate earnings all trending in single digits.
- RBI rate cut path: Potential for further easing not yet fully priced into markets.
- Gold vs. silver dynamics: Near-term silver outperformance possible; investment demand supported by ETF flows and possible US policy changes.
- Geopolitical and trade policy developments: US tariffs, Trump's policy stance, and China's infrastructure push may influence commodity prices and industrial demand.

What's changed since our last meeting:

US

Recent US economic data points to a firmer footing than anticipated. Retail sales for June rose by 0.6%, reversing the previous month's decline and significantly surpassing market expectations of a modest 0.1% gain. This rebound, coupled with a drop in initial jobless claims to a three-month low, underscores steady labour market conditions and suggests underlying resilience in consumer spending. The combination strengthens the case for the Federal Reserve to maintain its current policy stance while assessing the inflationary implications of recent import tariffs, despite political pressure from President Trump to accelerate rate cuts.

India

On the trade front, the US has announced a 25% tariff on Indian imports, along with a probable penalty linked to India's continued procurement of Russian oil and defence equipment. This marks a dramatic reversal from recent optimism over a potential trade agreement. The US measures, set to take effect from 1st August, come amid stalled negotiations over a bilateral trade agreement which could lead to heightened volatility.

Viewpoints

The committee's discussion highlighted the disconnect in global markets. While US indices such as the S&P 500, NASDAQ, and Dow have been hitting new highs, market participation remains narrow with less than 15% of S&P constituents being at record highs, suggesting vulnerability beneath the surface. The committee noted that August and September have historically been the most volatile months for global equities, often preceding October's larger market moves. This, coupled with the likelihood of shallow breadth persisting, underpins the decision to maintain a defensive bias despite recent gains.

International equities remain at zero allocation for now. US macro indicators point to potential headwinds: elevated interest rates, high tariffs, and a weakening dollar eroding US consumer purchasing power. A narrowing US trade deficit trajectory could stabilise the dollar accompanied by falling bond yields, signalling a possible rotation into treasuries. However, bond markets have yet to price in such a shift.

Domestically, Indian macroeconomic readings remain lacklustre. Key indicators nominal GDP, credit growth, tax revenues, exports, and corporate profit growth are in single digits. Structural issues around household income and employment persist, while credit costs are starting to rise. Corporate balance sheets remain healthy, but earnings growth expectations for FY26 have moderated sharply, with the risk of continued single-digit profit growth. The committee expects the RBI will eventually be forced into deeper rate cuts, though this is not yet reflected in market expectations.

In fixed income, the strategy of favouring short-duration, low-volatility instruments, including Income Plus Arbitrage funds, remains intact. With equities facing valuation headwinds and subdued earnings, fixed income could offer more attractive risk-adjusted returns over the next 12 months.

In commodities, gold retains strategic importance. While central bank buying slowed in the most recent month, China notably increased its gold reserves share. ETF inflows in India have been strong, indicating sustained investment demand. Silver is now viewed as a tactical opportunity, with allocations initiated at modest levels. Key drivers include potential US policy changes enabling retirement funds to invest in commodities, as well as China's planned infrastructure push, which could boost industrial demand. The committee sees scope for silver to outperform gold in the medium term. Overall, the committee advocated a cautious stance. Portfolios are designed to participate in selective market opportunities while retaining defensive buffers. Equity positioning remains near-neutral, commodity exposure is diversified between gold and silver, and fixed income continues to anchor stability. The committee will watch global trade dynamics, domestic earnings trends, and central bank actions closely, ready to adjust positioning as visibility improves.

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