

Executive Summary of the 84th Global Investment Advisory Committee (GIAC) Meeting

1st July 2025

Current stance

The committee has taken a guardedly optimistic view in the face of the beginning of the global rate cut cycle and enhanced systemic liquidity. India is poised to gain from this accommodative environment, even as the recent earnings season was significantly weak, particularly in banking and IT and the growth expectations for the forthcoming earnings season is also muted, although much of this is already discounted in terms of market valuations. Portfolios are thus still marginally overweight relative to neutral allocations, with the positioning adjusted in line with a defensive yet opportunistic view.

Duration in fixed income holdings has been shortened in favour of Income Plus Arbitrage plays. In commodities, gold remains a favoured option due to continued demand on account of increased geopolitical tensions and aided by consistent central bank buying. The committee is observing mid and small cap allocations with a watchful eye, expecting better performance, even as the recent weakness in the growth portfolios has been noted.

Key variables to monitor:

- Rate cut trajectory: Central banks worldwide are cutting rates, but the speed and sustainability are data-dependent.
- Indian earnings recovery: Q1 numbers have been weak in major sectors; H2 recovery will be the key.
- Mid and small cap performance: Recent underperformance likely to turn around but necessitates prudent allocation.
- Gold vs. silver dynamics: Gold is preferred on account of central bank accumulation, safe-haven buying, and geopolitical uncertainty even as silver demand depends on industrial needs and is sensitive to commodity dynamics emerging from China.
- Geopolitical issues: With the upcoming tariff deadline slated on July 9 and geopolitics in general being very fluid upcoming global events could take centre stage triggering volatility, especially for those plays wherein the underlying is industrial consumption and commodity prices.
- Central bank gold reserves: As gold remains a small component of most reserve baskets, build-up can persist and underpin prices.

What's changed since our last meeting:

US

US inflation edged higher in May 2025, the first to climb in four months, with the year-on-year pace advancing to 2.4% from 2.3% in April, below the forecasted 2.5%. Month-to-month, headline CPI increased 0.1%, slower than 0.2% in the prior month, led mainly by an increase of 0.3% in shelter expenses, with energy decreasing by 1%.

India

India's economic momentum is still picking pace, with the upward revisions in GDP data lending more weight to the domestic growth story. The GDP growth forecast for FY24 has been revised sharply from 8.2% to 9.2%, and the one for FY25 has been edged higher from 6.3% to 6.5%. Moreover, Consumer Price Index (CPI), based retail inflation softened to 2.82% in May, its lowest point since February 2019—providing more reassurance on the macroeconomic side.

Viewpoints

The committee unanimously recognised the significance of entering a global monetary easing phase, likely to continue over the next six months. Ample liquidity has already entered the system, and the resultant macro environment appears supportive for risk assets. However, members flagged that the Q1 earnings season in India has been a clear washout, with both banking and IT, the market’s heavyweight sectors, delivering underwhelming performance. Encouragingly, the prevailing view is that this weakness is already priced in, limiting the downside to a modest 2–3%.

Portfolio allocations have been managed proactively. Conservative portfolios are now at 26.25% (vs 25% neutral), balanced at 52.5% (vs 50%), and growth at 87.5% (vs 85%). This tactical overweight has yielded moderate gains. Mid and small cap exposures, which have weighed on growth portfolios, have been consciously pared. While these segments may see a rebound going forward, the committee is maintaining a measured approach, awaiting broader confirmation.

On the fixed income side, the prior call to exit duration and shift towards Income Plus Arbitrage Funds has proven prudent. With bond markets being swayed more by change in stance from accommodative to neutral from the RBI in the last monetary policy meeting and expecting a pause in rate cuts going forward, the current low-duration tilt remains advantageous. There is no change to this stance for now, with short-maturity, low-volatility strategies continuing to form the core of fixed income allocations.

In commodities, the committee reasserted its preference for gold over silver. Central bank purchases have remained strong, with China, Turkey, and Poland collectively buying around 50 tonnes in June alone. The World Gold Council’s recent survey suggests that central banks will continue to add to reserves in the coming 12 months. In contrast, silver’s industrial linkage—particularly its dependence on Chinese demand—makes it less appealing in the current context. Historically despite there being some specific periods hopes of silver outperforming, the gold-silver ratio remains continues to favour gold.

Geopolitical risks continue to provide a favourable backdrop for gold. Continuing tensions in the Middle East, uncertainty around US trade policy, especially with the July 9 tariff deadline looming, and pressure on the US Federal Reserve from President Trump to ease rates further, all contribute to risk premiums. Additionally, ETF inflows into gold remain robust, offering further support. The committee sees no convincing evidence of a slowdown in central bank gold accumulation, with gold still forming a small percentage of most nations’ reserves.

The committee’s stance is one of cautious optimism. Portfolios are positioned to benefit from global liquidity while mitigating downside through selective exposure and tactical underweights. The committee will continue to monitor earnings trends, rate actions, and geopolitical events closely.

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