Executive Summary of the 90th Global Investment Advisory Committee (GIAC) Meeting

2nd February 2026

Current stance

The committee noted that the past month has been very strong from a performance standpoint, primarily driven by gold and silver, which together contributed significant alpha in the year gone by. In line with the committee's approach to risk management and profit protection, profits were booked on half of the silver allocation towards the end of the previous month just before the recent correction. As a result, clients have benefited from realised gains, and even in a worst case scenario, the remaining silver exposure would continue to generate a meaningful profit.

The committee has decided to completely book profits and exit the tactical equity allocation that was taken into the emerging markets. This tactical call has played out well garnering more than 7% alpha against the US funds (from which funds were redeployed into the emerging markets space) from the period starting September'2025 till now. Post this change the overall equity allocations across the DPMS profiles of Conservative, Balanced and Growth have been fallen to 26.25%, 52.50% and 87.50% respectively.

The committee reiterated that the broader debasement theme remains intact, although near term volatility is expected. Any redeployment of profits booked from silver would be considered into gold at lower levels in dollar terms, should such opportunities emerge. Timing short term movements remains difficult, and therefore existing positions should continue to be held.

Key variables to monitor

- Gold and silver volatility: Recent correction in silver driven by repeated margin increases and changes in margin methodology; volatility expected to continue.
- Dollar and interest rate dynamics: Though the new Federal Reserve Governor chosen to replace the current incumbent has the reputation of being hawkish, but considering the significant debt rollover requirements for US may force the rates to be kept lower over time impacting the dollar.
- Global equity risk: US large cap technology stocks have delivered flat returns over the past six months, while high risk assets such as cryptocurrencies have seen sharp drawdowns which may continue to play out in the short term.
- Emerging market stress: Sharp declines have led by FII selling have been seen in markets such as Indonesia and Korea also potentially indicating rising volatility and spillover risks.
- India market breadth: While headline indices have held up, underlying stocks and broader indices especially small and midcaps (SMIDs) are down meaningfully primarily on account of continuing higher relative valuation despite the recent declines.
- Earnings outlook: Analysts are modelling a modest growth in top line driven by rising aggregate demand, however margins likely to remain compressed on the back of higher commodity prices leading to a lag in bottom line growth.
- Consumption trends: Have been seeing early signs of recovery in consumption driven sectors automobiles and FMCG but these have largely been supported by credit growth the committee would like to see a sustenance driven by demand strength.
- Currency impact: With INR continuing to be weak it could support import competing sectors such as chemicals and select commodity linked businesses. Conversely whether such low INR level would induce the FIIs to flock back to the Indian capital markets is to be watched.
- Policy and budget signals: Though the FY'27 union budget announcement was mostly status quo themes like Defence, infrastructure, and data centres remain areas of long term focus, although actual fiscal allocations in the current budget have been muted.

What's changed since our last meeting

US

US economic momentum gained traction in the third quarter of 2025 after a weak start to the year, with GDP growing at a fourth quarter pace of 4.3% annualized, picking up further from 3.8% in the prior quarter. Households continued to play the leading role in the growth through their consumption, as the willingness to spend increased for both types of goods and services. The federal government's spending also bounced back after its earlier decline, whereas the trade balance turned favorable as exports were higher than imports owing to the reduced uncertainty related to tariffs. On a yearly basis, the increase in output was slightly above 2.3%, reflecting stability. Against this backdrop, the US Federal Reserve held interest rates steady, emphasizing once again the central bank's independence.

India

The Consumer Price Index (CPI) or retail inflation in India rose slightly in December 2025, coming in at 1.33% against 0.71% in the previous month. However, food prices were still in deflation mode for the seventh consecutive month at -2.71%, even though the rate of decline slowed down compared to the last month. Domestic stock markets were affected after the Union Budget announcement as the lack of major reform measures and a surprise increase in taxes on equity derivative transactions led to a fall in investor confidence.

Viewpoints

During the meeting the committee reiterated that while the recent month has been favourable from a performance perspective, the broader environment remains volatile. The decision to partially exit silver was viewed as prudent and consistent with the objective of protecting alpha in uncertain markets.
Members expressed concern that global markets may still be underestimating downside risks. Weak performance across several asset classes, combined with sharp corrections in select emerging markets especially given recent developments in Asia, suggests that further volatility cannot be ruled out.

Domestically from an earnings perspective, the committee noted that while top line growth may show some improvement though profit recovery is likely to be delayed. Elevated margins over the past few years are now facing pressure from higher costs, rates, and tariffs. As a result, profit growth is expected to trail revenue growth. Post the FY'27 Budget announcement sectors like defence and infrastructure and themes linked to data centres and select government led projects could likely see some traction. However, members cautioned that policy announcements have not always translated into meaningful capital allocation, and this needs to be monitored closely.

Given the current level of volatility and the fact that the tactical international emerging market equity exposure to those of China, Brazil including India is profitable, the committee agreed to reduce emerging market exposure to nil. The resulting cash will be parked in money market funds and reviewed for redeployment after greater clarity emerges. Domestic equity allocations remain slightly overweight above neutral, with balanced portfolios holding approximately 52.5% exposure into Indian equity markets.

View on real assets like Silver and Gold and recent volatility

Late last month the GIAC took an out of turn decision to book partial profits (approximately half of the holding) out of Silver and park those proceeds in money market funds. With respect to recent volatility in Silver, it is best viewed through the lens of structural liquidity, not excess speculation. Paper market liquidity has thinned materially, limiting the market's ability to absorb shocks. In this environment, margin adjustments exert an outsized influence on price, forcing liquidation even in the absence of widespread speculative excess.

Margin shocks don't end bull markets, they reset them. This is one of the most important insights from studying the 2010-2011 rapid advance in silver. During this period, CME (Chicago Mercantil Exchange) margins rose 255% in about 16 months, with the largest cluster of hikes occurring near the peak in the silver price. Each hike forced liquidation, not because the fundamentals changed, but because leverage became untenable.

That culminated in the 2011 collapse, not because the bull market was false, but because positioning got ahead of market structure. The 2025-2026 data shows CME margins climbing from $11.5k to $25k. Then suddenly, spot-linked margin explodes into the $40k-$60k range as the silver price surged past $90, $100, $110. This can lead to forced selling because price drops feel irrational, and selling accelerates after the initial pullback, and correlation spikes across metals. This is textbook margin-induced liquidation. Paradoxically, this demand is colliding with structurally thin paper liquidity. The CME recently implemented a new margin structure which ties margin requirements more directly to contract value, meaning that when silver prices rise rapidly, required margin capital rises proportionally. This dynamic can force liquidation precisely when liquidity is already thin. Recent trading conditions suggest that executing even moderately large orders can require meaningful price concessions, reinforcing the disconnect between paper market depth and underlying physical demand.

View going forward

Given the current environment, the committee agreed that capital preservation remains the priority. The committee acknowledged that equity markets may not yet have reached peak bearishness and that there could be more pain in the short term. Fixed income yields could move higher; the committee continues to avoid duration strategies, primarily due to taxation considerations.

The meeting concluded with agreement to reconvene mid-month to reassess market conditions and revisit portfolio positioning as clarity improves.

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Institutional Securities

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