

Executive Summary of the 71th Global Investment Advisory Committee (GIAC) Meeting

14th June 2024

Current stance

The committee discussed the substantial alpha delivered by the growth portfolio, in the past financial year, highlighting the robust nature of India's bull market. During its June meeting, the committee arrived at a consensus on raising the equity allocation to 60%, from 55%, with an additional 2.5% each being allocated to large caps, and mid and small caps. The decision was based on the strong optimism in the market and the fact that the committee is bullish on the potential inherent in the domestic equity landscape. The committee is also positive on gold, given the upward movement in the safe haven commodity.

Key variables to monitor:



FII/FPI
flows



Domestic and
international equity



US Fed rate
movement

What's changed since our last meeting:

Prime Minister Narendra Modi secured a third term in office on June 4, but the BJP was required to rely on coalition partners, having fallen 32 seats short of the 272 needed for a majority in the Lok Sabha. The National Democratic Alliance (NDA), led by the BJP, won a total of 286 seats, while the opposition INDIA bloc, spearheaded by Congress, secured 231 seats. Congress improved its performance, winning 99 seats compared to 52 in 2019, while the BJP obtained 240 seats.

The Reserve Bank of India's Monetary Policy Committee (MPC) opted to maintain the repo rate at 6.5%, marking the eighth consecutive time it has done so. Additionally, the MPC decided to persist with its 'withdrawal of accommodation' stance. The RBI has revised its GDP growth forecast for FY25, increasing it from 7% to 7.2%, while keeping the inflation forecast steady at 4.5%.

Separately, following a two-day Federal Open Market Committee (FOMC) meeting, the US Federal Reserve announced it would keep the benchmark interest rates steady at 5.25 to 5.50% for the seventh consecutive meeting, aligning with Wall Street expectations. In May, US consumer prices remained unchanged from April, reducing the annual inflation rate to 3.3% from 3.4%. The core consumer price index (CPI), which excludes food and energy, increased by 3.4% year-over-year, marking the slowest growth rate in over three years.

Viewpoints

India is in an investment sweet spot at present and over the next three to five years, if investment and wealth managers are not capitalising on the country's positive momentum, they will be missing out on significant opportunities. The committee is particularly optimistic about large-cap stocks. The latter half of this year promises to be highly favourable, especially as the Federal Reserve is unlikely to cut rates before September, ensuring India remains a favourable flow market.

However, it is to be noted that post-12 months, returns may become more concentrated, so strategic equity allocation is necessary. With the elections behind us, it is time to increase equity allocations and capitalise on the ongoing rally, which shows no signs of derailing. Additionally, the committee is extremely bullish on gold, expecting robust returns over the next six months. Considering these factors, the committee is also keen on a well-balanced allocation to select equity mutual funds, which could further enhance portfolio performance.



Co-Chair Committee member



Shiv Sehgal

President & Head
Institutional Securities



Alok Saigal

President & Head
Nuvama Private

Other Committee members

- Amit Rajawat, Fund Manager, Infinity, Nuvama Private
- Ajay Marwaha, Head, Nuvama Fixed Income Advisory
- Ajay Vora, Head, Equities, Nuvama Asset Management
- Dhawal Dalal, CIO, Fixed Income, Edelweiss Asset Management
- Kapil Gupta, Executive Director, Equity Research, Nuvama Institutional Equities
- Onkarpreet Singh Jutla, Chief Product Officer, Nuvama Private
- Keyur Ajmera, Chief Risk Officer, Nuvama Group

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