Infinity by Nuvama Private

# Executive Summary of the 92nd Global Investment Advisory Committee (GIAC) Meeting

23rd April 2025

## Current stance

The committee continues to maintain a cautious investment stance amid evolving global macroeconomic challenges and geopolitical uncertainties. As of April 3rd, the entire international equity allocation—previously deployed in US markets—was fully exited, making the portfolio slightly underweight on equities relative to the neutral allocation. Despite a modest market rebound over the past month, the committee remains wary of sustaining equity positions given the larger risks at play. The committee has unanimously decided to allocate the liquid fundsto large cap equities in the domestic market.

Gold remains a key allocation and is currently fully overweight, having delivered a strong 19% return in the past three months compared to just 3% in the Nifty. Falling bond yields—down from 6.75% to 6% in the past month—have added to the case for gold, alongside concerns over a weakening US dollar, global capital outflows, and geopolitical tensions. Given its safe-haven status, gold is seen as an effective hedge in the present environment. A comprehensive review of all asset classes, including potential exposure to commodities and alternative investments, will be undertaken in the next meeting.

## Key variables to monitor:

- US macro adjustments: The interplay of US capital outflows, current account deficit trends, and dollar trajectory will remain in sharp focus.
- Gold and commodities: With gold nearing overbought territory, and commodities poised for a rally on any China stimulus, price action in these asset classes will be closely watched.
- US equities and monetary policy: Weakness in hard economic data may force the US Federal Reserve into rate cuts sooner than anticipated, possibly reviving US equity flows.
- FII flows into India: India's relative growth certainty and policy stability are expected to attract foreign flows, particularly as global investors seek safe and growing markets.
- Global leverage-deleverage balance: The asymmetry between forced deleveraging in the US and optional leveraging by creditor nations poses a systemic growth risk.

## What's changed since our last meeting:

US

The US economy is showing signs of slowing, prompting growing debate over interest rate policy. President Trump has once again criticised the Federal Reserve and urged an immediate rate cut, warning that without it, economic momentum could stall. He argued that with inflation pressures easing, there is little reason to keep rates elevated.

Meanwhile, Federal Reserve Chair Jerome Powell acknowledged that growth appears to have moderated in the first quarter, driven by softer consumer spending, weakening sentiment, and trade-related uncertainty. Households and businesses are reportedly feeling the weight of shifting tariff policies, which have impacted imports and business planning. Though Powell maintained that the economy remains fundamentally strong, he admitted that risks have intensified.

The Fed has kept its benchmark interest rate steady at 4.25%–4.5% since December, following earlier cuts. Inflation remains below the Fed's 2% target, but recent tariff measures could introduce temporary or even longer-lasting price pressures. Powell indicated that the Fed will continue to monitor the economic landscape, especially inflation expectations and employment trends, before making any policy changes. With uncertainty surrounding trade policies and their economic impact, the Fed is likely to remain cautious in its near-term approach to rate adjustments.

India

India's economic outlook faces mounting pressure from global uncertainties, particularly stemming from volatile US tariff policies. Finance Secretary Ajay Seth estimated a direct impact of 0.2 to 0.5 percentage points on GDP growth due to these trade measures, with additional strain expected through broader global slowdown effects. India is still projected to grow around 6.5% this fiscal, though global agencies have revised forecasts downward. The IMF and World Bank now expect growth at 6.2% and 6.3%, respectively, while the OECD and Fitch peg it at 6.4%. Despite the tariff-induced risks and sluggish consumer sentiment, India remains the fastest-growing major economy. However, continued uncertainty could hinder investment, consumer confidence, and policy response capacity. The Reserve Bank of India maintains a 6.5% growth projection, aligned with last fiscal's estimated performance.

# Viewpoints

The committee views the present global backdrop as deeply complex, marked by rising trade tensions, capital flight from US assets, and a broader macroeconomic adjustment underway. US equities are expected to remain under pressure with little optimism in the near term. The ongoing exodus of capital from the US is seen as a trigger for an eventual closing of the US current account deficit, which may place a floor under the dollar. However, this macroeconomic realignment is also reducing global liquidity, with US deleveraging not yet matched by corresponding leverage from major creditor nations like Germany or China. This imbalance, the committee believes, could further suppress global demand.

The scenario is further complicated by the potential for synchronised selling of US treasuries by major holders, raising concerns over balance of payments stability. With dollar debt burdens remaining high, gold has emerged as a preferred hedge, along with commodities that may rally once China announces expected stimulus measures. Despite a decline in the dollar, commodity markets have largely remained flat—indicating that investors are awaiting concrete growth signals before rotating into risk assets. The committee anticipates that any substantial fiscal response, particularly from China, could catalyse a broader commodities rally.

From a capital flow perspective, FIIs are expected to chase certainty in growth, making India an attractive destination. While global risks persist, India stands relatively well-positioned, bolstered by policy stability and visible economic momentum. Nonetheless, the committee remains aware that global volatility can impact domestic markets, especially given India's significant revenue linkages to external demand. In the interim, a 'wait-and-watch' strategy will be followed with no additional equity exposure being considered.

Moreover, the committee discussed the delicate political calculus in the US, where businesses may pressure the administration to reconsider tariff policies. Regardless of political leadership, persistent fiscal and current account deficits in the US remain structural challenges. The committee believes that if hard economic data deteriorates further, the Fed could respond swiftly with rate cuts—potentially reversing some of the ongoing risk aversion in US and global equity markets.

## Co-Chair Committee member

**Shiv Sehgal**
President & Head
Institutional Securities

**Alok Saigal**
President & Head
Nuvama Private

## Other Committee members

- Karan Paul, Fund Manager, Infinity, Nuvama Private
- Ajay Marwaha, Head, Nuvama Fixed Income Advisory
- Ajay Vora, Head, Equities, Nuvama 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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