

Executive Summary of the 75th Global Investment Advisory Committee (GIAC) Meeting

11th November 2024

Current stance

In its latest meeting, the committee decided to continue its conservative approach. Previously, it was unanimously decided that the portfolios would feature significantly reduced exposure to mid and small-cap equities as the committee adopted a neutral position across the board. This conservative decision reflects the ongoing market uncertainties and has paid off, with the portfolios continuing to generate alpha despite a challenging market environment. The current conservative stance has proven effective, and the committee has agreed to maintain this strategy until the results of the upcoming state elections are known by the end of November, when the same would be reevaluated.

Key variables to monitor:



State
elections



US economy post
Trump win



India earnings
reports

What's changed since our last meeting:

Global equity markets reached new record highs, spurred by Donald Trump's re-election victory. The US dollar saw its largest single-day gain in four years, driven by expectations of potential tariff increases and a rise in inflation, which could lead the Federal Reserve to slow the pace of interest rate cuts. The US economy is expected to remain a key driver of global growth through 2024 and 2025, supported by robust consumer spending. According to the IMF, the US is the only developed economy to receive upward growth revisions, with forecasts at 2.8% for 2024 and 2.2% for 2025.

Despite geopolitical and trade risks, including potential tariff escalations, resilience is expected in key markets like Brazil, India, and Southeast Asia. Meanwhile, India's October CPI inflation rose to 6.21%, exceeding the Reserve Bank of India's tolerance level, primarily due to increased food prices.

Viewpoints

The committee has maintained its stance of trimming down allocations in mid and small-cap equities, having moved to a neutral position in the previous month. Over the past three months, small-cap funds have shown resilience and outperformed, while mid-cap and Nifty indices have remained mostly flat. Despite falling markets, the portfolios continue to generate positive alpha, validating the committee's conservative positioning. As the upcoming elections approach, the committee expects continued market weakness, driven by a negative momentum and oversold conditions. Given the lack of market steam, the decision was made to refrain from deploying additional cash, opting instead to maintain a conservative allocation. The committee plans to reconvene post-election to re-evaluate the investment strategy based on the new market dynamics.

The recent festive season showed moderate performance, with an expectation of improved corporate earnings in the next quarter. However, the persistent selling by Foreign Institutional Investors (FIIs) has exerted pressure on the markets, despite continued domestic investment. Retail investments appear to have reached a peak, contributing to concerns about future inflows.

Rising inflation remains a potential challenge, as indicated by increasing treasury yields. The committee anticipates high volatility and a low-return environment following Trump's re-election. There has been a noticeable shift of capital towards Japan and the US, highlighting a flight to perceived safer assets. While the committee remains cautiously optimistic about gold, there is some nervousness about potential short-term fluctuations.

The committee's conservative strategy has proven effective in navigating the current market volatility. The focus remains on preserving capital and generating consistent alpha amid challenging conditions.

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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