Executive Summary of the 86th Global Investment Advisory Committee (GIAC) Meeting

22nd September 2025

Current stance

Portfolios have done well across risk profiles, with balanced portfolios performing best and conservative also performing better. Growth portfolios lag somewhat due to exposure to mid-cap and small-cap.

Equity positioning is still marginally above neutral, and gold and silver allocations still contribute alpha, with silver continuing to outperform significantly post its recent addition in the portfolio. Fixed income duration has been reduced in favour of short term assets. Though international equities allocations are at nil, the committee is reassessing the investment opportunities emerging market space.

Key variables to monitor:

- Emerging market exposure: Considering options for diversified EM allocations beyond China.
- Mid-cap and small-cap dynamics: Focus on whether earnings recovery supports higher allocations.
- IPO calendar and liquidity: There is likely to be secondary market pressure amid heavy issuances.
- Festive season spending: An eye will be kept on short term demand trends into October-November.
- Precious metals outlook: The committee will keep an eye on silver's recent outperformance vs. gold's strategic role.
- Macro and policy path: Focus is maintained on the RBI's stance, earnings momentum, and credit growth.

What's changed since our last meeting:

US

The US economy is showing clearer signs of slowdown, with Fitch maintaining growth forecasts at 1.6% for 2025 and 2026, down sharply from 2.8% in 2024. Q2 GDP rose 0.8%, aided by lower imports, but underlying momentum remains weak as tariffs distort trade flows. The Federal Reserve lowered rates by 25 basis points to 4.1%, with the indication of two further cuts this year as labour market worries deepen. Inflation remains above target but slowing. On trade, US–India negotiations are ongoing with both governments wanting to fast-track negotiations on the back of a comprehensive bilateral accord against the backdrop of high tariff barriers.

The primary driver for US equities continues to be AI (Artificial Intelligence) that is propelling a small number of technology stocks to ever higher heights. The nine highest valued stocks in the U.S. are all technology stocks, each with over $1 trillion market valuations. Their combined valuations add up to $22.5 trillion ~39.6% of the S&P 500 index's value. All nine stocks have had their valuations lifted by hopes and expectations of massive success from AI.

However, on the flip side with US technology stocks at such high valuations, the committee cannot predict the timing of an oncoming bear market in technology. It is probably prudent to assume that such a scenario has already begun and only time will tell what its effects will be. Whenever the AI driven technology bubble eventually breaks there could be an enormous negative impact on the U.S. economy as has been seen earlier during the dotcom bubble in early 2000s followed by the credit bubble in the late 2000s. Meanwhile the committee is trying to determine on a periodic basis the areas that are likely to have both positive long term supply / demand / growth fundamentals that have not been adequately recognized by the market.

India

India's economy continues to display resilience, with the OECD revising its 2025 GDP growth forecast upward to 6.7% from 6.3%, supported by strong domestic demand, fiscal easing, and ongoing tax reforms. Real GDP expanded by 7.8% in Q1 FY2025-26, compared with 6.5% in the same quarter last year, underscoring robust momentum. Structural changes like the rollout of next generation GST and job initiatives like the PM Viksit Bharat Rozgar Yojana are likely to give an additional boost as the nation is moving towards its Viksit Bharat 2047 mission.

Inflationary pressures have abated considerably, with headline CPI at 1.55% in July, the lowest since 2017, due to declining food prices. With the Reserve Bank keeping policy rates at 5.5% and estimating FY2026 inflation at 3.1%, the setting is favourable for sustained monetary support. Though external headwinds like US tariffs pose risks, robust consumption and ample forex reserves underpin India's path to become the world's third largest economy by 2030.

Viewpoints

The committee observed the robust six month rebound in balanced and conservative portfolios, led by defensive exposures, gold and silver holdings, and short duration fixed income positions. While growth portfolios still trail, the committee adhered to the view that a cautious approach to mid-cap and small-cap exposures is still warranted until earnings clarity is restored.

On equities, members are strategically bullish over the next 4 - 6 weeks, citing festive season tailwinds, recent tax rate cuts, and mutual fund manager positive sentiment. A small 2.5% rise in equity allocation was suggested to seize near term opportunities. Nonetheless, the committee recognised risk from a crowded IPO pipeline, which will take away liquidity from secondary markets, and voted to review positioning after Diwali. We also feel, a more aggressive stance may be warranted by international investors coming into the new year given the big underperformance of Indian equities this calendar year and some passive rotation is due.

Discussion also highlighted on commodities as a source of alpha. Gold remains strategically significant, with silver outperforming sharply to justify allocations made recently. The panel discussed if some of the profits of Gold could be rotated into equities for tactical advantages.

Fixed income strategy will continue to be rooted in short duration funds with no duration risk and stable returns. Reallocation from longer bonds into Income Plus and Arbitrage funds has proven effective and will be continued.

Lastly, the committee discussed international positioning. Allocations are still at zero, but there was increasing conviction in adding emerging market exposure. This would diversify the portfolios and give them a tactical lever if domestic equities underperform.

Emerging markets (EM) have begun to attract inflows of capital as EM equities are outperforming the S&P 500 this year as valuations are compelling outside the U.S., and foreign companies are following the U.S. lead by instituting share buybacks and improving capital discipline. EM local currency bonds are also attracting inflows and have broken out to new highs.

Overall, though the committee continues to advocate a cautious outlook, but they are not averse towards looking at tactical opportunities in the short term. Hence, portfolios will be somewhat pro risk in the short term but would maintain defensive cushions in commodities and fixed income. The strategy is to grab short term alpha potential while remaining geared up for earnings risk and global uncertainties.

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President & Head
Institutional Securities

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President & Head
Nuvama Private

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- Kapil Gupta, Executive Director, Equity Research, Nuvama Institutional Equities
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