

Executive Summary of the 76th Global Investment Advisory Committee (GIAC) Meeting

26th November 2024

Current stance

In the latest review, the committee observed that market conditions have shown signs of stabilisation following a period of cautious positioning. While foreign investors have engaged in significant selling and the earnings season has been lacklustre, the domestic market appears to have found its floor at approximately 23,000 on the Nifty. Given this backdrop, the committee decided to adopt a more aggressive stance for December, increasing equity allocation from 50% to 60-55%. This reflects a positive short-term outlook supported by domestic investor resilience, anticipated government capex in the second half, and heightened consumption during the festive and wedding season.

The portfolio's prior conservative positioning proved effective, as it mitigated risks during a period of market uncertainty. Now, the committee sees an opportunity to capitalise on potential upside through increased exposure to mid and large-cap equities. A reassessment will be conducted at the end of December to determine whether this strategy should continue or revert to a more cautious approach in January, as early signs suggest January might be weaker.

Key variables to monitor:



Geopolitical
developments



Domestic consumption
trends during the festive
and wedding seasons



Government capex
execution in the
second half

What's changed since our last meeting:

Geopolitical tensions spiked as the Russia-Ukraine conflict intensified. The US decision to authorise the use of American arms against Russian territory coincided with reports of North Korean soldiers being deployed to Ukraine by Moscow. These developments, coupled with nuclear rhetoric from President Putin, rattled global markets, including India's, which were already underperforming. However, a lack of further escalation has since brought some stability.

On the domestic front, the BJP-led Mahayuti alliance achieved a resounding victory in the Maharashtra Assembly elections, securing 233 out of 288 seats. This landslide win, reminiscent of the state's political landscape in the 1980s, saw the BJP emerge as the largest party with 132 seats, while its allies, Shiv Sena and NCP, added 57 and 41 seats, respectively. In contrast, the opposition MVA managed only 50 seats. In Jharkhand, Chief Minister Hemant Soren's JMM-led alliance returned to power for a second consecutive term, securing 56 seats in the 81-member Assembly.

Viewpoints

The committee has shifted from a conservative allocation strategy to a moderately aggressive approach for December, driven by improving market fundamentals. Foreign Institutional Investors (FIIs) have been net sellers, but strong domestic investment has stabilised markets. With state elections concluded and no macroeconomic events anticipated, the near-term outlook is positive.

Mid-cap equities are expected to outperform in December, supported by consumption and government expenditure tailwinds. Despite earlier downgrades in corporate earnings for FY24, the potential for recovery in the next two quarters suggests upside potential. Consequently, the portfolio has increased equity exposure to 5560%, with a focus on sectors poised to benefit from capex and consumption.

Gold also remains a critical component of the strategy. Central bank buying and a potential weakening of the dollar bolster the bullish case for gold over the next 12 months. The portfolio has kept its allocated 5% to gold, reflecting its strategic role in mitigating risk and benefiting from potential price appreciation.

Fixed income remains a key part of the conservative allocation, with duration-focused bonds forming the majority of holdings in the balanced portfolio. This provides stability while allowing flexibility to respond to evolving market conditions.

The committee's shift to a more aggressive strategy aligns with the view that the market has likely bottomed. With supportive domestic factors and no imminent negative triggers, December offers a window to enhance returns. However, the strategy will be reviewed at the end of the month, with an eye on potential weakness in January. The committee remains vigilant and ready to adjust allocations based on emerging trends.



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
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