NOVEMBER 2023

MARKET PULSE

MACRO VIEWS

FISCAL POLICY: With the election of Mike Johnson (R-LA) as House Speaker, a government shutdown may be avoided this year. With that said, the temporary extension of spending authority that looks increasingly likely by the Nov. 17 deadline will not resolve underlying policy disagreements, in our view. Uncertainty around government spending may pose downside risk to growth in coming quarters. Unlike in the US, deteriorating fiscal outlooks in many Euro area countries are being met with policy support at both the country and EU level.

HOUSING: The sharpest decline in home prices is likely behind us, but elevated mortgage rates may weigh on the market throughout 2024. Current borrowers have little incentive to move homes as nearly 99% of them have outstanding mortgages lower than market rates. As such, GIR expects weak existing home sales and modest home price growth of 1.3% in 2024 as rates weigh on affordability, but supply remains tight.

CONSUMER: Continued job gains and positive wage growth in the US could lead to real income growth of 3% and 4% in 2023 and 2024, respectively. As a result, we expect consumer resilience despite subdued sentiment. In the Euro area, consumer spending may pick up as delayed wage negotiations aid a recovery in real income growth.

CORPORATES: Higher interest rates have introduced concerns for corporate expenses, but we do not expect a major uptick in defaults. Many companies who capitalized on low rates over the last decade have also earned positive net interest income, reinforcing IG credit strength.

MARKET VIEWS

US RATES: US Treasury yields have reached their highest levels since 2007 on strong growth momentum and elevated government bond issuance. Much of the increase in supply may still be ahead of us, but we expect that yields are likely nearing their peak. History shows that following a short-term 100 bp rise in the 10-Year US Treasury yield, a retracement of ~40 bps follows in the subsequent 3 months. Moreover, we expect yields to edge lower in coming months on the back of weaker 4Q growth and tighter financial conditions.

OIL: The ongoing conflict in the Middle East has placed upward pressure on oil prices, more than offsetting any price softening caused by high levels of US oil production. GIR accordingly maintains their 12-month Brent forecast at $100/bbl, but risks skew to the upside if an escalation in the Middle East leads to a reduction in Iranian supply.

EARNINGS: Aggregate S&P 500 earnings have surpassed consensus expectations thus far. In 2024, excitement in the AI space and supportive fiscal policy may encourage S&P 500 firms to prioritize growth investments over returning cash to shareholders. Although investor focus has narrowed in on signs of balance sheet strength such as cash balances and dividend payments, these growth investments may potentially provide longer-term payoffs.

CHINA EQUITIES: Three sectors of the Chinese economy have emerged as new sources of growth: battery, EVs, and renewable energy. However, we expect real GDP in China to slow due to downturns in the property and real estate sectors and weakening consumption. With macro conditions posing a significant challenge for Chinese equities, exposure to secular growth trends and strong company fundamentals is key.

ASSET CLASS OUTLOOK[1]

Less Favorable — More Favorable

EQUITIES	Shorter Term	Longer Term
US Equities		
European Equities		
Japanese Equities		
Emerging Market (EM) Equities		
RATES		
US Government Fixed Income		
DM Government Fixed Income		
EM Debt Local		
Municipal Bonds		
CREDIT		
US Investment Grade		
US High Yield		
Euro Area Corporates		
Asia High Yield		
EM Debt Hard		
REAL ASSETS		
Oil		
Copper		
Gold		
Global Real Estate		
CURRENCIES		
US Dollar		
Euro		
British Pound		
Japanese Yen		
Chinese Renminbi		

ASSET CLASS FORECASTS[2]

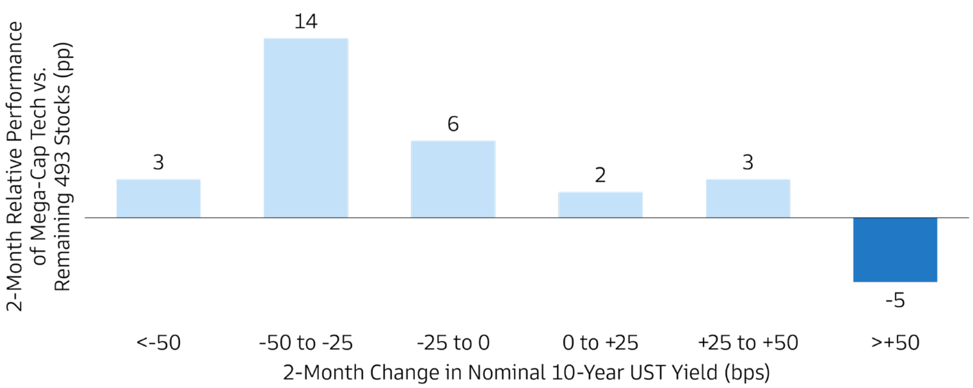
	Current	3m	12m	% ∆ to 12m
S&P 500 ($)	4117	4500	4700	14.2
STOXX Europe (€)	430	465	480	11.7
MSCI Asia-Pacific Ex-Japan ($)	475	505	555	16.7
TOPIX (¥)	2255	2500	2650	17.5
10-Year Treasury	4.8	4.4	4.4	-39 bp
10-Year Bund	2.8	2.7	2.3	-59 bp
10-Year JGB	0.9	0.8	0.9	2 bp
Euro (€/$)	1.06	1.07	1.12	5.7
Pound (£/$)	1.22	1.18	1.25	3.0
Yen ($/¥)	150	150	150	0.3
Brent Crude Oil ($/bbl)	90.5	93	100	10.5
London Gold ($/troy oz)	1982	2050	2050	3.4

Source: GS Global Investment Research (GIR) and Goldman Sachs Asset Management. As of October 2023. "We" refers to Goldman Sachs Asset Management. The Macro and Market Views expressed may differ from those of GIR and other divisions of Goldman Sachs and its affiliates. See page 4 for additional disclosures. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There can be no assurance that the forecasts will be achieved. **Past performance does not guarantee future results, which may vary.**

Nearing the Finish Line

Rising interest rates since August have served as a key input to the selloff in longer-duration stocks, and as a result, US large-cap equity indices. Although painful for many, recent repricing may have temporarily resolved one challenge plaguing the S&P 500 this year: extended valuations alongside higher rates. While still far from cheap, more reasonable valuations in mega-cap tech and a favorable technical backdrop suggest US large-cap equities may still experience upside through year-end.

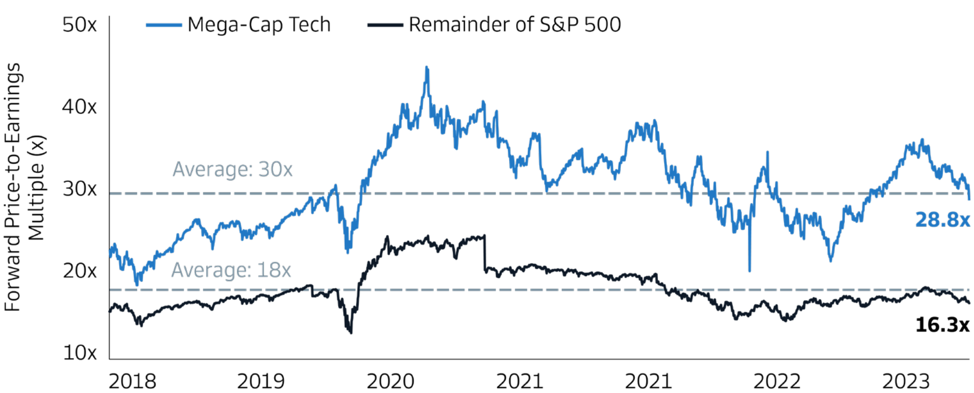
DIGESTING HIGHER RATES



The rapid rise in the 10-Year UST yield in recent months has been a key driver of mega-cap underperformance, in our view. While these stocks tend to absorb modest rate increases well, they have lagged the rest of the S&P 500 when outsized movements occur over a short period of time. With that said, we believe the bond market selloff is mostly behind us and intermediate rates should settle lower in the year ahead, potentially removing a key headwind to the index's most influential stocks.

Source: GS GIR and Goldman Sachs Asset Management.

SEARCHING FOR AN ENTRY



What's bad for the goose may be bad for the gander. In a concentrated market, the same can be said for the index's largest stocks and its remaining constituents. Though, pain today may represent opportunity tomorrow. As mega-cap tech P/E multiples have fallen below five-year averages, so too has that of the index. For investors seeking core exposure in US large-cap equities, valuations today may be less of an impediment than they have been for the majority of the year.

Source: Bloomberg and Goldman Sachs Asset Management.

FINISHING STRONG

	S&P 500 Performance Trend		
	Jan–Jul (%)	Aug–Sep (%)	Oct–Dec (%)
1961	14.89%	-0.95%	7.16%
1975	29.45%	-4.68%	8.75%
1985	14.16%	-5.22%	14.16%
1986	11.76%	-1.53%	3.67%
1988	10.09%	-0.11%	2.34%
1998	15.48%	-8.58%	1.57%
2023	19.52%	-6.31%	–

Historical periods of S&P 500 total returns greater than 10% from January through July followed by a drawdown from August through September have yielded strong fourth quarter returns. Specifically, the index has provided fourth quarter returns of 6.3%, on average, while delivering positive performance in every instance. The recent rate surge may have delayed this rally, but history suggests a strong close to the year may still be achieved.

Source: Bloomberg and Goldman Sachs Asset Management.

"We" refers to Goldman Sachs Asset Management. Mega-cap tech companies refer to AAPL, MSFT, AMZN, GOOGL, NVDA, TSLA, and META. Top Section Notes: Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of October 1, 2023. UST yields refers to US Treasury yields. Middle Section Notes: Source: Bloomberg and Goldman Sachs Asset Management. As of October 26, 2023. P/E multiples refer to forward 12-month price-to-earnings multiples. Bottom Section notes: Source: Bloomberg and Goldman Sachs Asset Management. As of October 12, 2023. **Past performance does not guarantee future results, which may vary.**

Important Information

1. Asset Class Outlook for equities, credits, sovereigns, real assets, and currencies are informed by Goldman Sachs Asset Management, Goldman Sachs Global Investment Research, and Goldman Sachs Investment Strategy Group views. The views expressed herein are as of October 2023 and subject to change in the future. "Shorter Term" view refers to less than 6 months. "Longer Term" view refers to 1–5 years. Individual portfolio management teams for Goldman Sachs Asset Management may have views and opinions and/or make investment decisions that, in certain instances, may not always be consistent with the views and opinions expressed herein.
2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "Global equities lost 2.0%; China outperformed" – 10/30/2023.

Page 1 Definitions

R refers to republican

LA refers to Louisiana

GDP refers to gross domestic product

EU refers to the European Union

GIR refers to Goldman Sachs Global Investment Research

IG refers to investment grade

Bp refers to basis point

Bbl refers to barrel

AI refers to artificial intelligence

EVs refers to electric vehicles

Page 2 Definitions

Longer-duration stocks refer to equity securities with cash flows further into the future

Top Section Notes: Analysis covers January 2017 through June 2023. Chart shows 2-month performance of AAPL, MSFT, AMZN, GOOGL, NVDA, TSLA, and META relative to the remaining 493 S&P 500 stocks over 2-month periods in which the 10-Year US Treasury yield changes to varying degrees. Pp refers to percentage points. **Past performance does not guarantee future results which may vary.**

Middle Section Notes: Chart shows price-to-earnings ratios on a forward 12-month basis of two groups of S&P 500 stocks. Forward price-to-earnings ratios measure the price of a basket of securities relative to consensus earnings expectations of that basket 12 months into the future. The first group consists of AAPL, MSFT, AMZN, GOOGL, NVDA, TSLA, and META. The second group consists of the remaining 493 stocks in the S&P 500.

Bottom Section Notes: Chart shows fourth quarter S&P 500 performance in all calendar years since 1/1/1950 in which index returns were greater than 10% from January through July and negative from August through September. These regimes are highlighted to correspond with the monthly performance trend of the S&P 500 thus far in 2023. Drawdown refers to negative total returns over the specified period. **Past performance does not guarantee future results, which may vary.**

Glossary

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index.

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

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Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, call and extension risk.

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