

US Weekly Kickstart

Elevated borrow costs weighed on S&P 500 profitability in 1H as impact of higher yields began to take hold

S&P 500 return on equity (ROE) (ex-Financials) has fallen by 69 bp this year to 23.4% but still ranks at the 97th percentile since 1975. Increased interest expense was the primary headwind to aggregate ROE and was also a headwind across every sector this year despite historically being a tailwind for profitability. We expect S&P 500 ex-Financials ROE will stabilize in 2024 as decelerating input cost growth and price inflation support EBIT margins. The key risk for profitability in the new [‘higher for longer’ rate environment](#) will be higher interest expenses and lower leverage. We highlight a screen of stocks which are less vulnerable to rising rates and rebalance our ROE growth basket (GSTHGROE) in this report (Exhibit 6).

Performance

The S&P 500 was down 0.7% this week. Energy was the best-performing sector (+3.5%) while Utilities was the worst-performing sector (-7.2%). We expect the S&P 500 will end 2023 at 4500 (+4.7%).

S&P 500 earnings and valuation

	Goldman Sachs Portfolio Strategy		Consensus Bottom-Up	
	2023E	2024E	2023E	2024E
EPS	\$224	\$237	\$223	\$247
Growth	1 %	5 %	1 %	11 %
P/E	NTM	2023E	NTM	2023E
	18.4x	18.2x	18.1x	19.3x

Source: I/B/E/S, FirstCall, Goldman Sachs Investment Research

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Conversations we are having with clients: Higher borrow costs challenge S&P 500 profitability

S&P 500 profitability (ex-Financials) has continued its decline this year from its peak in 2Q 2022. S&P 500 ex-Financials trailing four-quarter return on equity (ROE) equals 23.4%, 69 bp lower than at year-end 2022 and 176 bp below its peak in 2Q 2022 (Exhibit 1). Including Financials, S&P 500 ROE ticked up to 20.8% in 2Q. However, the upswing in Financials ROE was disproportionally driven by a large rebound in Berkshire Hathaway investment income. Excluding BRK, the path of overall S&P 500 ROE more closely resembles the trajectory of S&P 500 ex-Financials ROE.

Increased interest expense has been the largest drag on S&P 500 ex-Financials ROE this year. We utilize a five-factor DuPont decomposition to analyze the drivers of ROE change. Of the 69 bp of contraction in ROE, 31 bp of compression stemmed from higher interest expense. Interest expense also dragged down ROE across every sector this year with Financials experiencing the largest drag (-159 bp) and Energy the smallest (-5 bp). Reduced leverage, lower asset turnover, and a contraction in EBIT margins also weighed on S&P 500 ex-Financials ROE, contributing -42 bp total.

Despite falling in aggregate, ROE has risen in 6 of 11 sectors this year. Consumer Discretionary has grown ROE by 718 bp this year, more than any other sector and driven by 683 bp of EBIT margin expansion. Conversely, Energy experienced the largest decline (570 bp) driven by lower asset turnover. Despite declines in ROE over the past year, 9 of 11 sectors' levels of ROE remain above their respective historical averages, while Utilities and Real Estate are below average.

Most sectors trade near the valuation implied by their expected ROE. Notable exceptions include Info Tech, Consumer Discretionary, and Energy (Exhibit 3). Consumer Discretionary and Info Tech currently trade slightly above the P/B multiple implied by their expected profitability, in part due to the outsized influence of five of the largest stocks (AAPL, AMZN, MSFT, NVDA, TSLA) which account for 57% of the combined Info Tech and Consumer Discretionary market cap and which have been beneficiaries of recent investor optimism surrounding Artificial Intelligence (AI).

In contrast, Energy trades below the P/B valuation implied by its level of expected profitability. If Brent oil prices rise to our commodities strategists' 12-month target of \$100, 19% above current 12-month ahead Brent futures prices, the sector would return +4% based on the relationship between the sector and oil prices.

Looking forward, we expect S&P 500 ex-Financials ROE will stabilize in 2024 but the likelihood of substantial expansion remains low. EBIT margins will likely be constrained as the economy remains on track for a soft-landing. EBIT margins generally track the balance between input cost growth and price inflation, which should stabilize as both wage inflation and price inflation continue to decelerate. Furthermore, near trend GDP growth will mean subdued revenue growth, placing a constraint on meaningful EBIT margin expansion via operating leverage. [Our EBIT margin model](#) incorporates these macro drivers and points to roughly flat EBIT margins in 2024.

In the new 'higher for longer' rates environment, the key risk for S&P 500 ROE will be higher interest expenses and lower leverage. Our rates strategists [recently raised](#) their forecast for the nominal 10Y UST and now expect rates to end 2023 at 4.3% and then rise to 4.6% in 1H 2024 before receding back to 4.3% at the end of 2024. Although the long-maturity, fixed-rate debt structures of S&P 500 companies generally insulate them from higher rates, borrow costs for S&P 500 companies have ticked up on a year/year basis by the largest amount in nearly two decades (Exhibit 4). If rates continue to rise or stay higher for longer, increased borrow costs would disincentivize companies to take on greater amounts of leverage.

A scenario in which interest expense and leverage persistently weigh on ROE would be a departure from the historical trend. The decades-long decline in rates has allowed companies to reduce their interest expense and utilize greater leverage to boost ROE. Since 1975, falling interest expense and greater leverage have contributed 18.5 pp of the overall 8.8 pp increase in S&P 500 ROE, while lower taxes have contributed 8.9 pp, higher EBIT margins contributed 5.9 pp, and lower asset turnover contributed -24.5 pp during the same period. A [recent Fed paper](#) similarly found that lower interest expenses and corporate tax rates explain more than 40% of the real growth in corporate profits from 1989 to 2019. [Our own analysis](#) of the long-term drivers of profitability found that declining cost of goods sold (COGS) has driven the remainder of the profit margin increases not driven by taxes or rates.

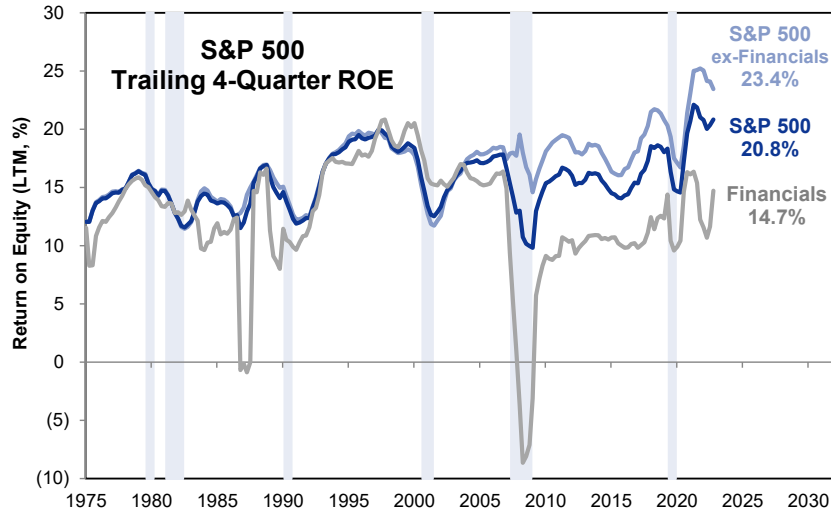
Artificial intelligence currently represents the most likely potential long-term catalyst for much higher profitability. Although the ROE for S&P 500 companies sits in the 97th percentile vs. history, [our analysis suggests](#) an AI-driven increase in revenues and productivity could lift the trajectory of S&P 500 annual average EPS growth over the next 20 years by 50 bp to 5.4%. While there is significant uncertainty around the timing of AI's impact, several companies have already [begun to discuss](#) ways in which AI will be able to enhance productivity and reduce costs. We recently [introduced](#) a basket of stocks with the largest potential EPS boost from AI adoption.

Despite outperformance this year, ROE growth stocks may struggle amid concerns over higher rates and a reacceleration in inflation due to oil prices. The performance of our ROE growth basket (GSTHGROE) relative to the equal-weight S&P 500 is positively correlated with our long/short Growth factor which has underperformed over the past month and which [we have previously shown](#) struggles when rates and inflation expectations rise. Instead, we expect investors will reward stocks which are less vulnerable to rising rates and which offer [stability amid greater macro uncertainty](#). We highlight a screen of S&P 500 stocks with low leverage, high interest coverage, and low EBITDA growth variability relative to the index (Exhibit 5).

We rebalance our ROE growth basket (GSTHGROE) in this report. The basket is sector-neutral to the S&P 500 and contains the 50 stocks (including 25 new constituents) with the highest consensus expected ROE growth during the next 12 months. The median basket constituent is expected to grow its ROE by 12% and 2024 EPS by 25% vs. 0% and 10% for the median S&P 500 stock (Exhibit 6).

Charts we are watching: Index & sector level profitability weighed down by borrow costs in 1H

Exhibit 1: S&P 500 ex-Financials LTM ROE has fallen by 69 bp this year as of 2Q 2023



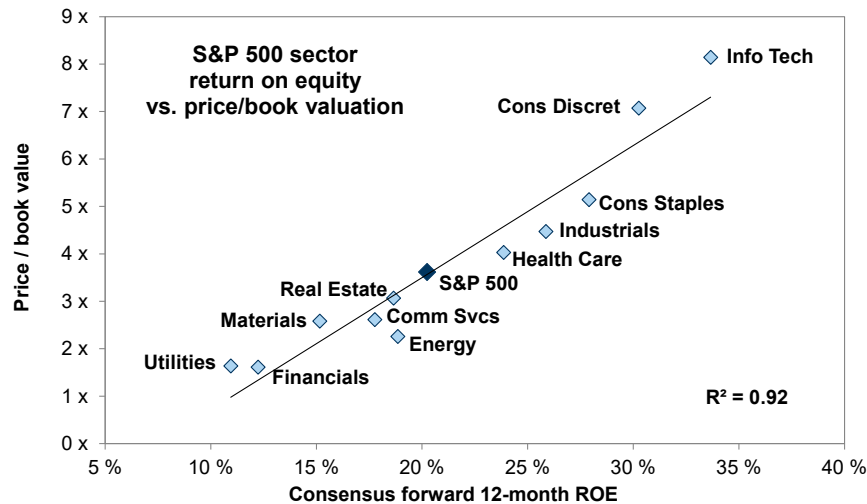
Source: Compustat, Goldman Sachs Global Investment Research

Exhibit 2: Higher interest expense was a drag on ROE across all sectors as of 2Q 2023

		Attribution to 2023 YTD ROE change					Current ROE	
	ROE change	EBIT					Current	percentile
Sector	YTD	margin	Turnover	Interest	Leverage	Tax	ROE	vs. history
Discretionary	718 bp	683 bp	61 bp	(59) bp	(25) bp	58 bp	30 %	96 %
Financials	404	278	315	(159)	(11)	(20)	15	62
Industrials	199	186	91	(34)	(72)	28	28	96
Comm. Svcs.	55	31	46	(18)	(1)	(3)	18	77
Staples	39	32	36	(32)	34	(31)	28	77
Utilities	35	145	(8)	(93)	9	(17)	11	23
Real Estate	(77)	(23)	(13)	(33)	(16)	7	9	31
Health Care	(206)	(187)	(10)	(33)	18	6	23	72
Info Tech	(276)	(108)	(127)	(23)	(51)	33	32	91
Materials	(306)	(178)	(102)	(32)	(16)	22	16	64
Energy	(570)	(70)	(327)	(5)	(103)	(65)	26	95
S&P 500	81 bp	107 bp	81 bp	(72) bp	(32) bp	(3) bp	21 %	98 %
S&P 500 ex. Financials	(69)	(6)	(18)	(31)	(18)	4	23	97

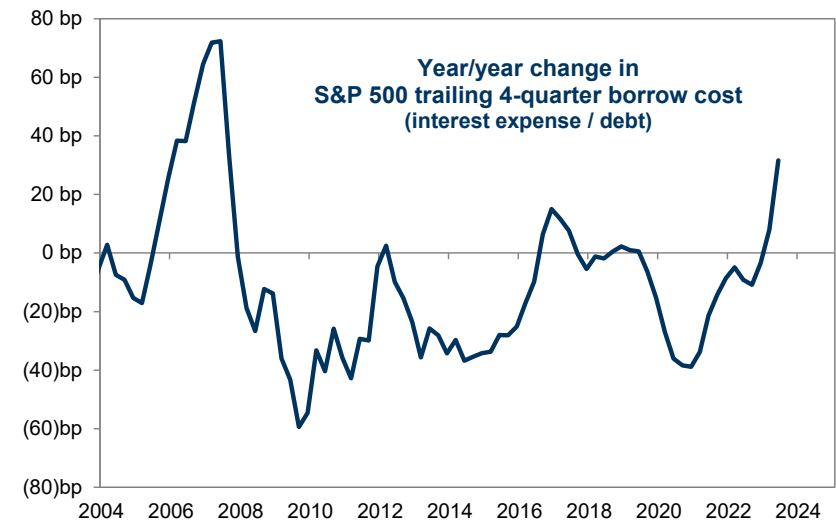
Source: Compustat, Goldman Sachs Global Investment Research

Exhibit 3: Most sectors are valued in line with expected near-term profitability as of September 28, 2023



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 4: Borrow costs for S&P 500 companies have ticked up over the past year as of 2Q 2023



Source: Compustat, Goldman Sachs Global Investment Research

Screen of stable S&P 500 stocks with low vulnerability to higher borrow costs

Exhibit 5: S&P 500 stocks with low leverage, high interest coverage, and low EBITDA growth variability

as of September 28, 2023; stocks with net debt to EBITDA below 1x, EBIT to interest expense in top quartile among S&P 500 stocks, and with EBITDA growth variability in bottom quartile

Name	Ticker	Sector	Mkt cap (\$ bn)	YTD return	NTM P/E	3 month 2024E EPS revision	Net leverage	Interest coverage	10-year EBITDA growth variability
Cisco Systems, Inc.	CSCO	Information Technology	\$218	16 %	13 x	0 %	(1.0)x	36 x	10 pp
Costco Wholesale Corporation	COST	Consumer Staples	252	25	36	1	(0.6)	51	9
Paychex, Inc.	PAYX	Industrials	42	4	24	2	(0.3)	55	9
Cadence Design Systems, Inc.	CDNS	Information Technology	64	46	41	1	(0.2)	33	15
Cognizant Technology Solutions Corporation	CTSH	Information Technology	34	20	15	(0)	(0.2)	89	12
Visa Inc.	V	Financials	472	12	24	1	(0.0)	35	12
Fastenal Company	FAST	Industrials	32	20	27	(1)	0.2	94	6
Automatic Data Processing, Inc.	ADP	Industrials	100	4	26	1	0.3	18	10
Snap-on Incorporated	SNA	Industrials	14	15	14	2	0.3	25	14
BlackRock, Inc.	BLK	Financials	96	(7)	16	0	0.4	25	12
Cardinal Health, Inc.	CAH	Health Care	22	16	13	2	0.4	18	15
Jack Henry & Associates, Inc.	JKHY	Financials	11	(13)	30	(6)	0.5	32	8
Johnson & Johnson	JNJ	Health Care	378	(9)	15	(1)	0.5	16	11
CME Group Inc.	CME	Financials	73	22	22	3	0.5	20	15
J.B. Hunt Transport Services, Inc.	JBHT	Industrials	19	8	21	(6)	0.6	22	14
Mastercard Incorporated	MA	Financials	376	15	29	(0)	0.6	26	14
Rollins, Inc.	ROL	Industrials	19	4	40	(0)	0.7	82	8
IDEXX Laboratories, Inc.	IDXX	Health Care	36	7	40	0	0.9	20	14
McKesson Corporation	MCK	Health Care	60	18	15	2	0.9	18	12
AMETEK, Inc.	AME	Industrials	34	7	23	2	0.9	19	10
Amphenol Corporation	APH	Information Technology	50	11	27	1	0.9	18	12
Screen median			\$50	12 %	24 x	1 %	0.4 x	25 x	12 pp
S&P 500 median			30	3	17	0	2.1	8	28

Note: Negative net leverage indicates a company with excess cash and cash equivalents on its balance sheet.

Source: FactSet, Goldman Sachs Global Investment Research.

Constituents of our ROE Growth basket (GSTHGROE)

Exhibit 6: Constituents of GSTHGROE

as of September 28, 2023; **bold** indicates a new basket constituent

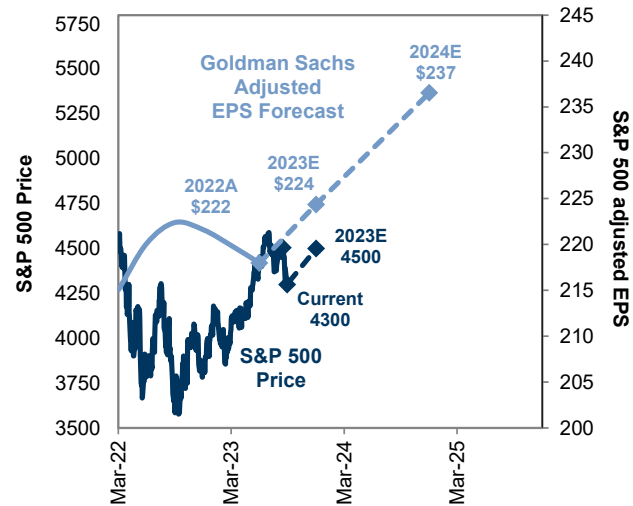
Company Name	Ticker	YTD Total Return	Price to Book	ROE LTM	2024E EPS growth	Consensus Forward ROE	ROE Growth
COMMUNICATION SERVICES							
News Corp.	NWSA	11 %	1.4x	4 %	66 %	5 %	30 %
Paramount Global	PARA	(23)	0.4	2	170	3	28
Walt Disney	DIS	(8)	1.5	7	32	8	21
Netflix Inc.	NFLX	28	7.8	22	30	23	7
Charter Communications	CHTR	31	7.0	41	20	42	4
Sector Median		4 %	3.1x	21 %	18 %	19 %	1 %
CONSUMER DISCRETIONARY							
Amazon.com Inc.	AMZN	50 %	8.6x	9 %	43 %	13 %	46 %
NIKE Inc.	NKE	(23)	7.6	38	21	46	19
Aptiv PLC	APTIV	6	3.2	13	32	15	18
Hasbro Inc.	HAS	11	3.3	22	25	25	11
Expedia Group Inc.	EXPE	17	6.9	54	22	58	9
Sector Median		11 %	3.3x	27 %	10 %	26 %	(3)%
CONSUMER STAPLES							
Kenvue Inc.	KVUE	NM	2.3x	18 %	0 %	20 %	11 %
Target Corp.	TGT	(25)	4.4	27	22	29	11
Campbell Soup	CPB	(26)	3.4	25	9	28	10
Sector Median		(11)%	3.9x	21 %	8 %	22 %	(0)%
ENERGY							
EQT Corp.	EQT	21 %	1.3x	6 %	106 %	8 %	43 %
Baker Hughes	BKR	26	2.5	10	33	13	34
Sector Median		9 %	2.5x	22 %	17 %	19 %	(7)%
FINANCIALS							
Progressive Corp.	PGR	8 %	5.3x	15 %	56 %	19 %	27 %
Travelers Companies	TRV	(9)	1.8	12	40	14	18
Cincinnati Financial	CINF	3	1.6	7	22	8	15
S&P Global Inc.	SPGI	11	3.3	11	15	12	14
Blackstone Inc.	BX	50	10.4	42	40	48	13
American Intl Group	AIG	(1)	1.1	11	16	12	11
Morgan Stanley	MS	(1)	1.5	11	25	12	11
Sector Median		(4)%	1.7x	14 %	11 %	14 %	(1)%
MATERIALS							
Newmont Corp.	NEM	(19)%	1.5x	8 %	34 %	10 %	26 %
Sector Median		5 %	2.5x	18 %	13 %	18 %	(1)%

Company Name	Ticker	YTD Total Return	Price to Book	ROE LTM	2024E EPS growth	Consensus Forward ROE	ROE Growth
HEALTH CARE							
Merck & Co. Inc.	MRK	(4)%	6.0x	23 %	178 %	34 %	45 %
Insulet Corp.	PODD	(44)	23.3	12	36	15	23
Incyte Corp.	INCY	(27)	3.0	12	31	14	11
DexCom Inc.	DXCM	(16)	17.9	18	31	20	10
DENTSPLY SIRONA	XRAY	8	2.0	12	16	13	9
Baxter Intl	BAX	(25)	3.3	16	19	17	8
Becton, Dickinson	BDX	4	3.0	14	13	15	7
Sector Median		(7)%	3.7x	17 %	10 %	16 %	(5)%
INDUSTRIALS							
Ceridian HCM Holding	CDAY	6 %	4.9x	8 %	31 %	10 %	33 %
Southwest Airlines	LUV	(17)	1.5	9	43	11	28
General Dynamics	GD	(9)	3.2	16	18	19	18
FedEx Corp.	FDX	56	2.6	15	17	17	11
Sector Median		7 %	4.9x	25 %	11 %	24 %	(3)%
INFORMATION TECHNOLOGY							
Advanced Micro Devices	AMD	59 %	3.0x	9 %	49 %	11 %	25 %
Teradyne Inc.	TER	14	6.4	21	62	25	21
Salesforce Inc.	CRM	53	3.4	12	17	13	15
Corning Inc.	GLW	(3)	2.2	14	26	16	14
Juniper Networks	JNPR	(11)	2.0	16	6	16	5
Qorvo Inc.	QRVO	5	2.3	14	75	15	5
Roper Technologies	ROP	13	3.3	10	9	11	4
TE Connectivity	TEL	9	3.5	18	12	19	3
Synopsys Inc.	SNPS	44	12.2	27	13	28	2
SolarEdge Technologies	SEDG	(54)	3.3	19	17	20	2
Broadcom Inc.	AVGO	52	15.2	75	9	76	1
PTC Inc.	PTC	18	6.8	19	22	19	1
Tyler Technologies	TYL	21	6.2	11	14	12	1
Gen Digital Inc.	GEN	(15)	6.0	50	14	49	(1)
Sector Median		14 %	6.1x	24 %	11 %	24 %	(6)%
REAL ESTATE							
Alexandria Real Estate Equities	ARE	(30)%	0.9x	2 %	43 %	3 %	31 %
Sector Median		(4)%	2.1x	8 %	1 %	7 %	(1)%
UTILITIES							
NRG Energy Inc.	NRG	24 %	2.5x	27 %	44 %	32 %	19 %
Sector Median		(13)%	1.8x	10 %	7 %	10 %	2 %
ROE Basket Median		6 %	3.3x	14 %	25 %	16 %	12 %
S&P 500 Median		0	3.1	18	10	18	0

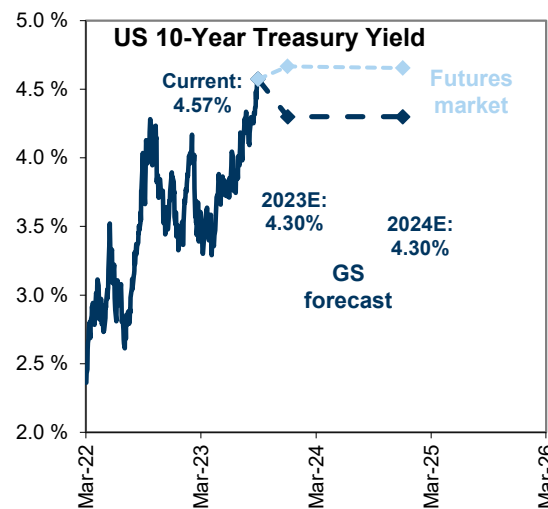
Source: FactSet, Goldman Sachs Global Investment Research.

Markets and Money Flow

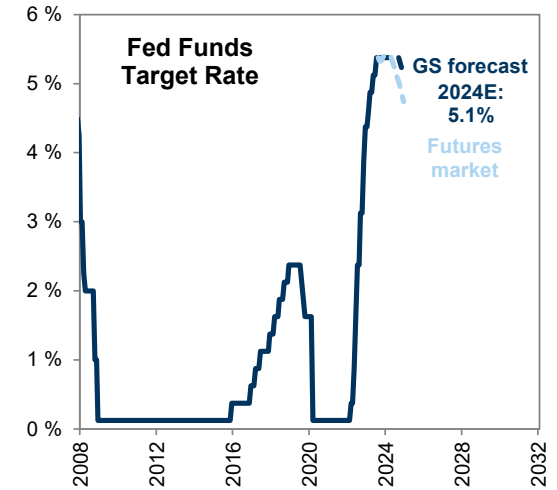
S&P 500 level and EPS



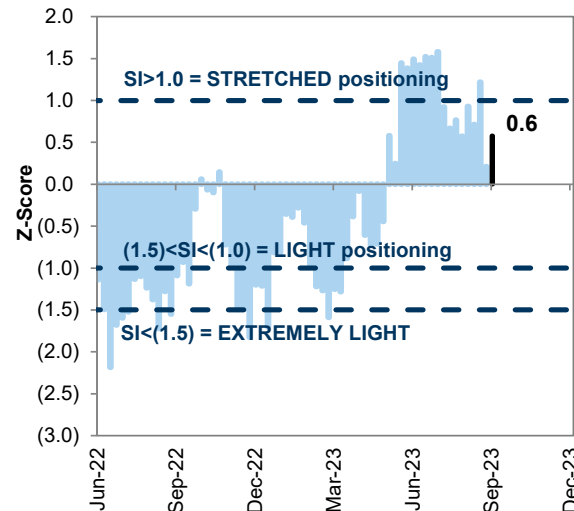
10-yr. Treasury Yields



Fed Funds Target Rate



Sentiment Indicator



Note: Sentiment Indicator measures stock positioning across retail, institutional, and foreign investors versus the past 12 months. Readings below -1.0 or above +1.0 indicate extreme positions that are significant in predicting future returns.

10-yr Real Treasury Yields

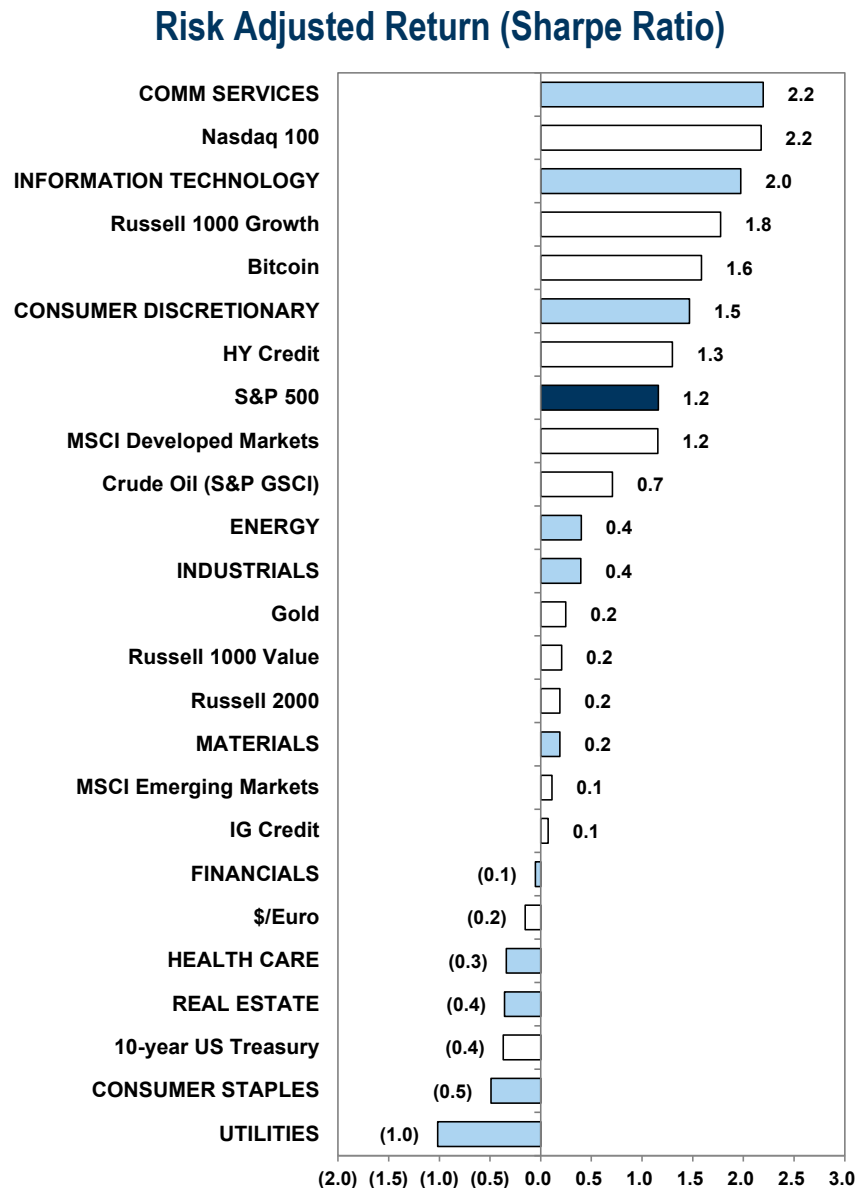
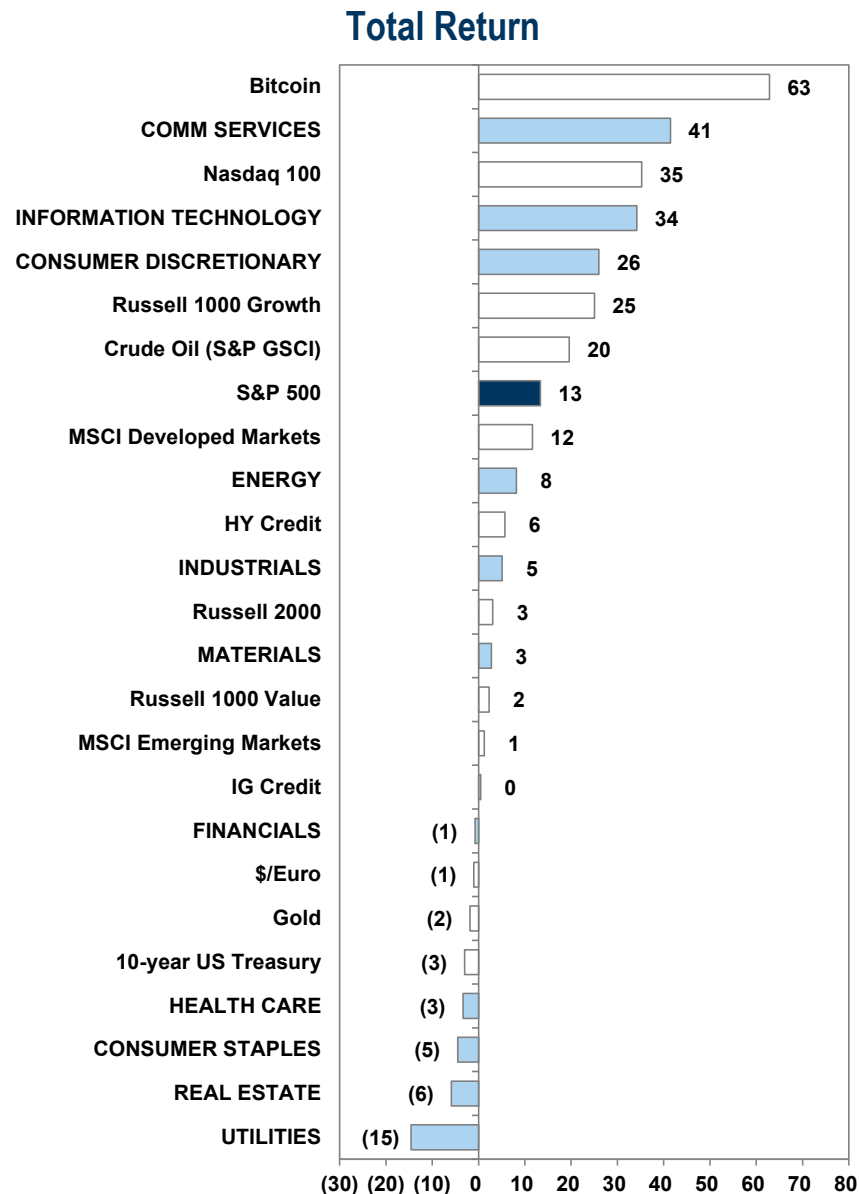


Volatility



Source: Haver, EPFR, FactSet, CFTC, and Goldman Sachs Global Investment Research.

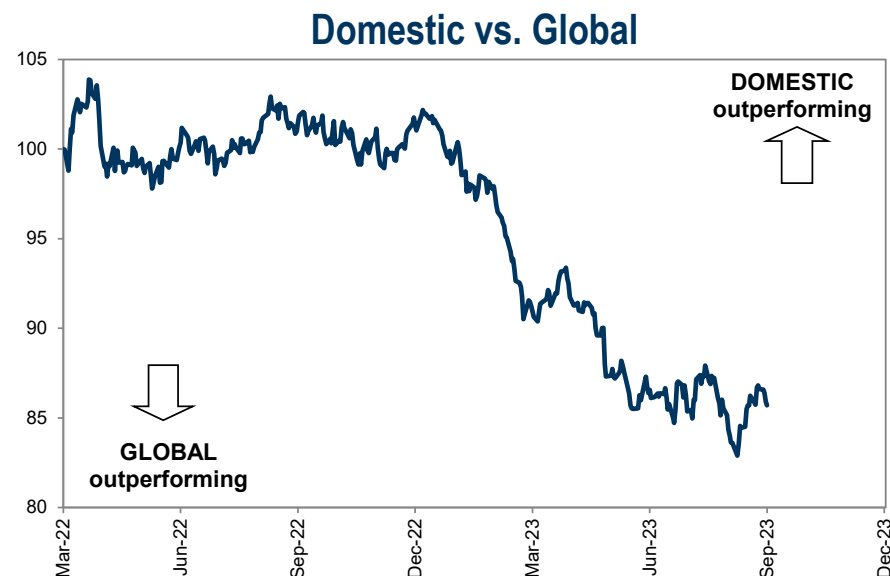
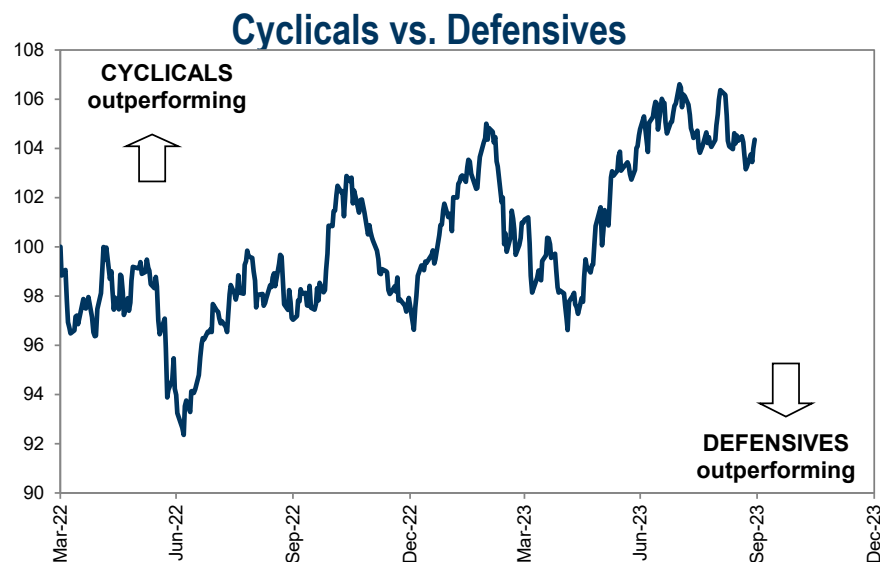
Market Performance: YTD absolute and risk-adjusted returns



Note: Crude Oil (S&P GSCI) return represents S&P GSCI Crude Oil Index total return. Spot change equals 8% YTD.

Source: Haver, FactSet, and Goldman Sachs Global Investment Research.

Sector Baskets Performance

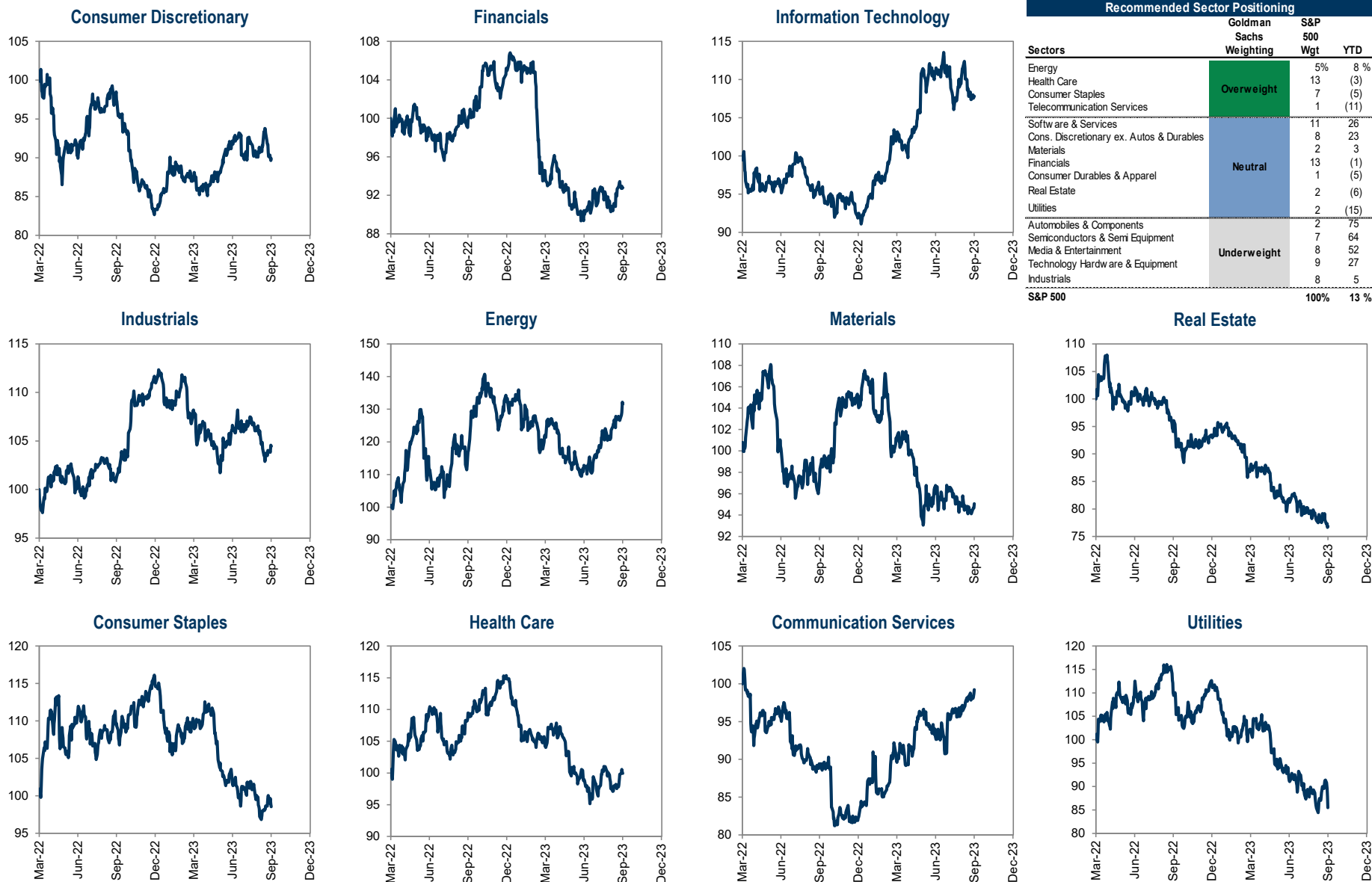


Performance and fundamentals of our sector baskets

Basket	Bloomberg Ticker <GSSBXXXX>	# of Stocks	% of S&P 500 Cap	Beta	Non-US Sales	Earnings Growth		Sales Growth		NTM P/E	LTM P/B	Div Yield	Total Return				
						2023E	2024E	2023E	2024E				1 Wk	1 Mo	3 Mo	LTM	YTD
Cyclicals	CYCL	291	55 %	1.1	35%	1 %	12 %	(2)%	5 %	17.5x	3.9x	1.5 %	(0.1)%	(3)%	(1)%	22 %	17 %
Defensives	DEFS	209	45	0.9	23	(0)	13	4	5	19.0	4.5	1.7	(1.4)	(3)	(2)	13	9
Global	GLBL	274	66 %	1.1	45%	(4)%	14 %	(1)%	5 %	19.3x	5.7x	1.4 %	(0.3)%	(3)%	(1)%	24 %	19 %
Domestic	DOMS	226	34	0.9	15	8	10	5	5	16.2	2.8	2.0	(1.6)	(3)	(2)	5	2
Global Cyclicals	GCYC	173	34 %	1.2	45%	(7)%	13 %	(3)%	5 %	18.7x	5.4x	1.4 %	0.6 %	(3)%	(2)%	26 %	24 %
Global Defensives	GDEF	101	32	1.0	45	(0)	15	2	6	20.0	6.0	1.4	(1.2)	(3)	(1)	22	16
Domestic Cyclicals	DCYC	118	21	1.0	21	12	11	3	6	15.8	2.7	1.7	(1.6)	(3)	(1)	16	5
Domestic Defensives	DDEF	108	13	0.8	10	1	8	6	5	17.0	2.9	2.6	(1.7)	(2)	(4)	(2)	(2)
Services-providing	SERV	287	55 %	1.1	20%	13 %	11 %	6 %	6 %	17.8x	3.6x	1.6 %	(1.3)%	(3)%	(1)%	16 %	13 %
Goods-producing	GOOD	213	45	1.0	42	(12)	13	(4)	4	18.5	5.2	1.7	(0.1)	(3)	(2)	18	13
S&P 500		500	100 %	1.0	29%	1 %	11 %	3 %	4 %	18.1x	4.2x	1.6 %	(0.7)%	(3)%	(1)%	18 %	13 %

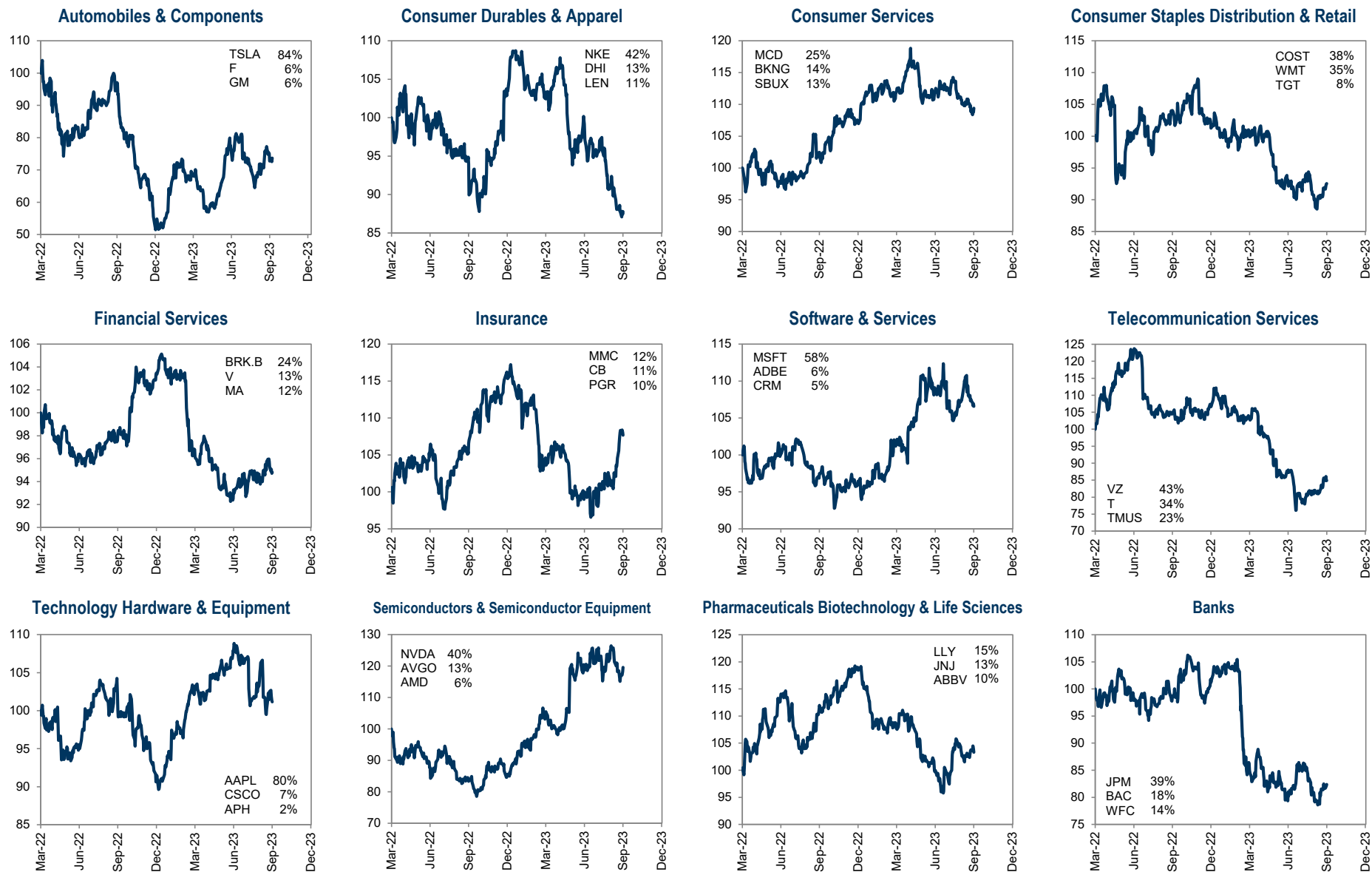
Source: FactSet and Goldman Sachs Global Investment Research.

Sectors – Relative Performance vs. S&P 500



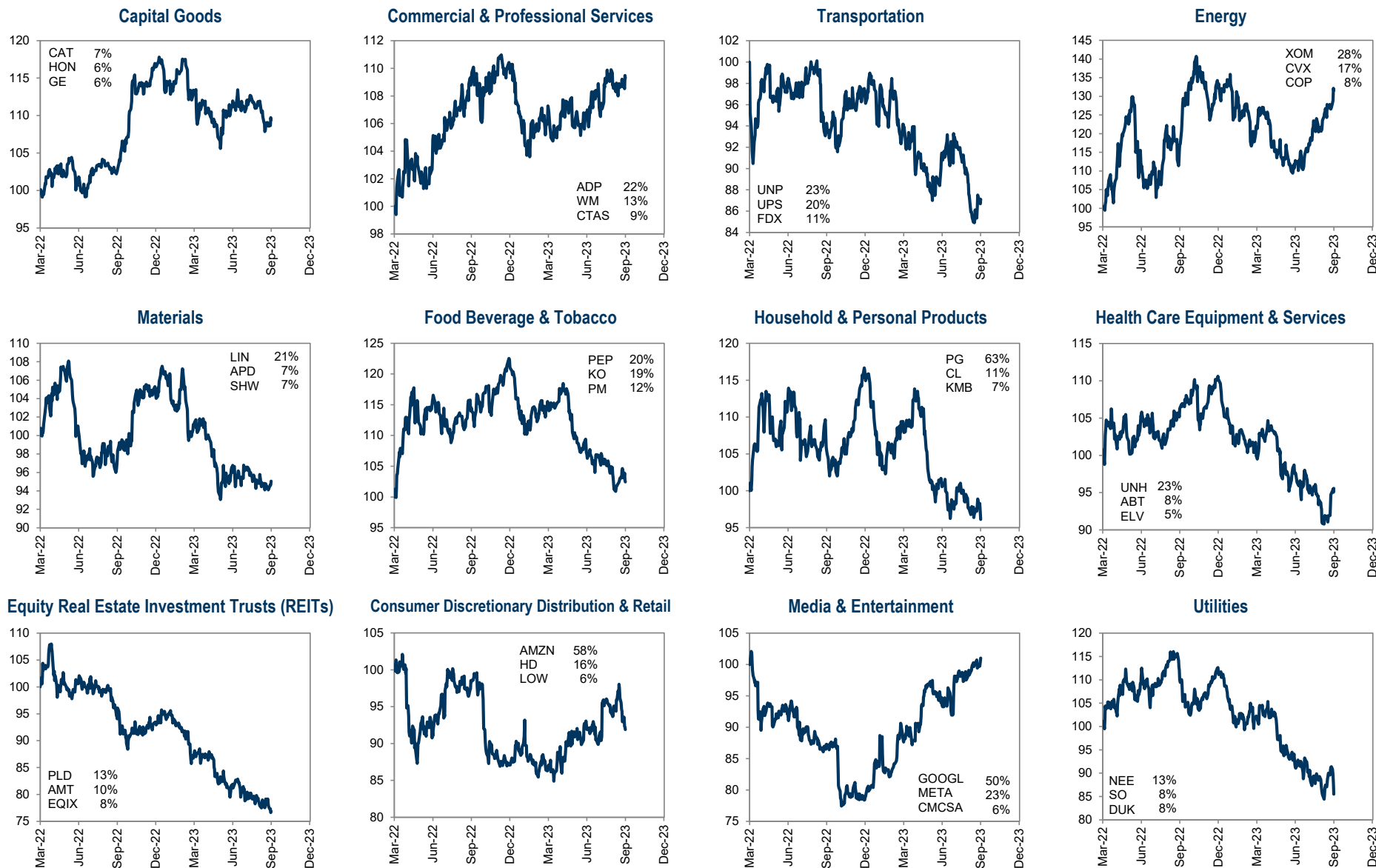
Source: FactSet and Goldman Sachs Global Investment Research.

Industry Groups – Relative Performance vs. S&P 500 and 3 largest stocks



Source: FactSet, compiled by Goldman Sachs Global Investment Research.

Industry Groups – Relative Performance vs. S&P 500 and 3 largest stocks (continued)



Source: FactSet, compiled by Goldman Sachs Global Investment Research.

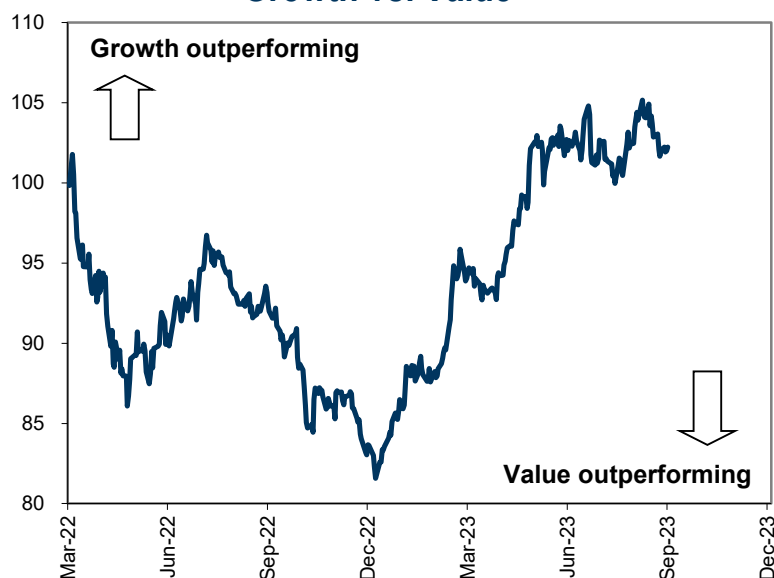
S&P 500 Sector and Industry Group Performance

		Weight	1 Week	1 Month	3 Months	Last 12 Months	YTD		
S&P 500		100 %	(0.7)%	(2.9)%	(1)%	18 %	13 %		
S E C T O R	Energy	5 %	3.5 %	5.7 %	16 %	31 %	8 %	Top quartile	
	Communication Services	9	0.6	0.3	4	34	41	Bottom quartile	
	Materials	2	0.3	(2.8)	(2)	16	3		
	Industrials	8	(0.2)	(4.7)	(3)	21	5		
	Information Technology	27	(0.2)	(4.1)	(4)	34	34		
	Health Care	13	(0.5)	(2.6)	(0)	7	(3)		
	Financials	13	(1.4)	(1.6)	2	10	(1)		
	Consumer Discretionary	11	(1.7)	(3.4)	(4)	7	26		
	Consumer Staples	7	(2.2)	(4.1)	(5)	4	(5)		
	Real Estate	2	(2.5)	(6.7)	(8)	(4)	(6)		
	Utilities	2	(7.2)	(6.8)	(8)	(13)	(15)		
								Region	Cycle
I N D U S T R Y G R O U P	Energy	5 %	3.5 %	5.7 %	16 %	31 %	8 %	Global	Cyclicals
	Semiconductors & Semiconductor Equipment	7	3.3	(4.7)	(1)	75	64	Global	Cyclicals
	Media & Entertainment	8	0.9	0.2	5	40	52	Global	Defensives
	Materials	2	0.3	(2.8)	(2)	16	3	Global	Cyclicals
	Health Care Equipment & Services	6	0.2	(1.0)	(3)	6	(3)	Domestic	Defensives
	Capital Goods	6	0.1	(4.7)	(3)	25	4	Global	Cyclicals
	Consumer Staples Distribution & Retail	2	0.0	(1.1)	(2)	4	3	Domestic	Defensives
	Commercial & Professional Services	1	(0.1)	(3.0)	1	16	12	Domestic	Cyclicals
	Consumer Services	2	(0.1)	(4.2)	(3)	26	15	Global	Cyclicals
	Consumer Durables & Apparel	1	(0.8)	(6.5)	(13)	10	(5)	Global	Cyclicals
	Banks	3	(1.0)	(1.7)	2	(1)	(9)	Domestic	Cyclicals
	Insurance	2	(1.0)	3.1	8	19	4	Domestic	Cyclicals
	Pharmaceuticals Biotechnology & Life Sciences	8	(1.1)	(3.7)	2	7	(3)	Global	Defensives
	Transportation	2	(1.2)	(5.8)	(6)	11	3	Domestic	Cyclicals
	Technology Hardware & Equipment	9	(1.4)	(4.8)	(8)	16	27	Global	Cyclicals
	Software & Services	11	(1.5)	(3.2)	(4)	31	26	Global	Defensives
	Telecommunication Services	1	(1.7)	1.3	(5)	(6)	(11)	Domestic	Defensives
	Financial Services	8	(1.7)	(2.9)	1	15	3	Domestic	Cyclicals
	Consumer Discretionary Distribution & Retail	5	(1.9)	(5.1)	(2)	10	22	Domestic	Cyclicals
	Equity Real Estate Investment Trusts (REITs)	2	(2.5)	(6.7)	(8)	(4)	(6)	Domestic	Defensives
	Food Beverage & Tobacco	3	(2.8)	(5.0)	(6)	3	(7)	Global	Defensives
	Automobiles & Components	2	(2.8)	3.0	(5)	(11)	75	Global	Cyclicals
	Household & Personal Products	2	(3.5)	(5.8)	(6)	5	(7)	Global	Defensives
	Utilities	2	(7.2)	(6.8)	(8)	(13)	(15)	Domestic	Defensives

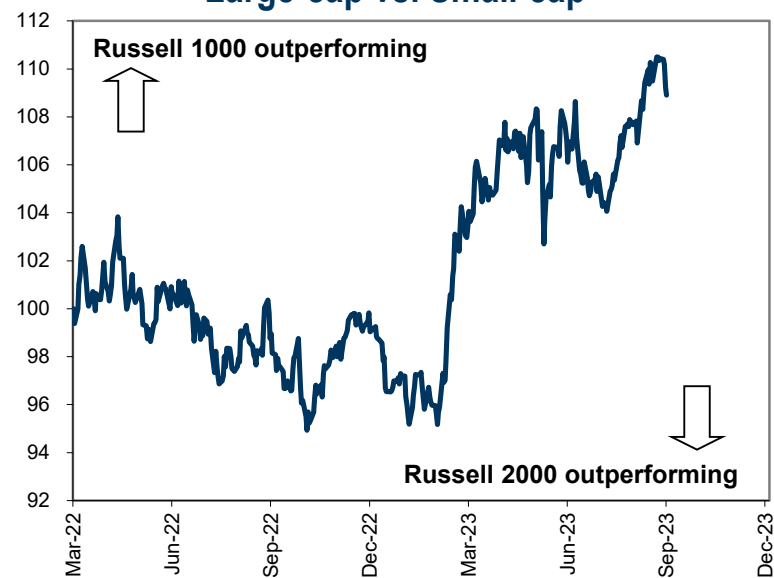
Source: FactSet and Goldman Sachs Global Investment Research.

Style and Size

Growth vs. Value



Large-cap vs. Small-cap



Sectors: Russell 1000 Growth vs. Value

Russell Sector	1-Week (% Return)			YTD (% Return)		
	Growth	Value	Δ (bps)	Growth	Value	Δ (bps)
Utilities	(3)	(7)	422	(2)	(14)	1,132
Health Care	0	(1)	147	5	(9)	1,344
Financials	(1)	(1)	44	12	0	1,248
Energy	4	3	28	(4)	8	(1,280)
Technology	0	0	17	43	42	102
Materials	0	0	(6)	8	2	574
Consumer Staples	(3)	(3)	(39)	(5)	(7)	212
Industrials	(1)	0	(85)	7	6	74
Cons Discretionary	(1)	(1)	(90)	30	4	2,621
Index	(0)	(1)	55	25	2	2,274

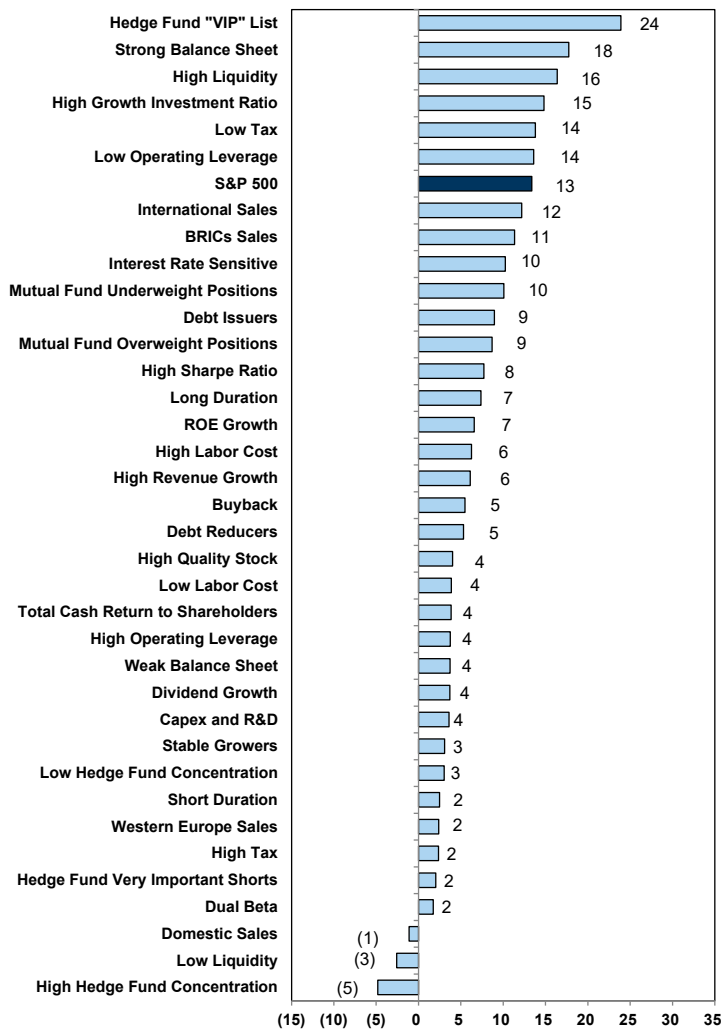
Sectors: Russell 1000 vs. Russell 2000

Russell Sector	1-Week (% Return)			YTD (% Return)		
	R1000	R2000	Δ (bps)	R1000	R2000	Δ (bps)
Health Care	(0)	(0)	(45)	(3)	(6)	308
Materials	0	1	(80)	3	2	84
Consumer Staples	(3)	(2)	(100)	(6)	1	(657)
Energy	4	5	(110)	6	17	(1,089)
Financials	(1)	0	(124)	2	(9)	1,078
Industrials	(0)	1	(162)	6	15	(819)
Cons Discretionary	(1)	1	(172)	20	9	1,119
Technology	0	2	(189)	43	12	3,112
Utilities	(7)	(4)	(229)	(13)	(13)	19
Index	(1)	1	(131)	13	3	1,022

Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets are available on GS Marquee platform

YTD Performance



	Ticker	Total Return			P/E	EV/Sales	'23 EPS
		1 wk	1 mo	YTD	NTM	NTM	growth
Macroeconomic	Dual Beta	GSTHBETA	0.7 %	(5)%	2 %	15x	2.7x (21.9)%
	Interest Rate Sensitive	GSTHUSTY	(0.7)	(2)	10	12	1.7 2.6
	High Tax	GSTHHTAX	(1.2)	(3)	2	15	1.9 4.2
	Low Tax	GSTHLTAX	0.2	(3)	14	17	3.8 3.7
	High Labor Cost	GSTHHLAB	(0.5)	(3)	6	18	2.8 5.0
	Low Labor Cost	GSTHLLAB	(1.0)	(3)	4	14	2.1 (1.8)
Geographic Sales	Domestic Sales	GSTHAINT	(1.2)%	(3)%	(1)%	14x	1.9x (3.4)%
	International Sales	GSTHINTL	0.4	(3)	12	19	3.5 0.2
	BRICs Sales	GSTHBRIC	0.3	(3)	11	16	3.6 (5.6)
	Western Europe Sales	GSTHWEUR	0.3	(3)	2	15	2.8 (0.8)
Fundamental	High Revenue Growth	GSTHREVG	(0.6)%	(5)%	6 %	19x	3.6x 18.4 %
	High Operating Leverage	GSTHOPHI	0.3	(3)	4	16	1.9 8.2
	Low Operating Leverage	GSTHOPLO	0.9	(3)	14	20	4.7 2.2
	Stable Growers	GSTHSTGR	(0.2)	(3)	3	20	3.6 8.3
	ROE Growth	GSTHGROE	(0.6)	(3)	7	19	3.0 17.0
	High Quality Stock	GSTHQUAL	(0.1)	(3)	4	22	4.2 5.8
	Long Duration	GSTHLDUR	1.8	(4)	7	30	4.9 21.1
	Short Duration	GSTHSDUR	(0.2)	(4)	2	9	1.4 (19.7)
	Strong Balance Sheet	GSTHSBAL	0.9	(3)	18	26	4.9 5.7
Uses of Cash	Weak Balance Sheet	GSTHWBAL	(1.0)	(5)	4	12	2.2 4.2
	Capex and R&D	GSTHCAPX	(0.8)%	(4)%	4 %	12x	2.2x (5.0)%
	Total Cash Return to Shareholders	GSTHCASH	(0.6)	(3)	4	13	1.9 (4.4)
	Buyback	GSTHREPO	(0.7)	(4)	5	13	1.8 (4.4)
	Dividend Growth	GSTHDIVG	(0.4)	(3)	4	11	2.8 (3.7)
	High Growth Investment Ratio	GSTHHGIR	0.4	(3)	15	17	3.5 16.8
	Debt Issuers	GSTHDISS	0.0	(3)	9	15	3.0 (0.8)
Risk & Liquidity	Debt Reducers	GSTHDRED	(0.5)	(3)	5	13	2.1 (0.6)
	High Sharpe Ratio	GSTHSHRP	(1.2)%	(5)%	8 %	13x	2.2x 3.4 %
	High Liquidity	GSTHHLIQ	(0.5)	(2)	16	19	3.5 7.1
Hedge Funds & Mutual Funds	Low Liquidity	GSTHLLIQ	(0.2)	(7)	(3)	17	3.3 (1.4)
	Hedge Fund "VIP" List	GSTHHVIP	0.3 %	(2)%	24 %	21x	4.6x 12.7 %
	Hedge Fund Very Important Shorts	GSTHVISP	(0.2)	(3)	2	16	3.0 (1.6)
	High Hedge Fund Concentration	GSTHHFHI	(0.9)	(5)	(5)	11	2.4 (9.5)
	Low Hedge Fund Concentration	GSTHHFSL	(0.7)	(3)	3	22	4.6 3.1
	Mutual Fund Overweight Positions	GSTHMFOW	(0.2)	(2)	9	14	3.4 8.4
	Mutual Fund Underweight Positions	GSTHMFUW	(1.3)	(3)	10	21	4.4 5.1
S&P 500 Median						17	2.8 3.8

For details and constituents of our baskets see [Anatomy of our US Portfolio Strategy Thematic and Sector Baskets](#), March 8, 2023

Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets – Relative performance vs. S&P 500

Macroeconomics

Dual Beta



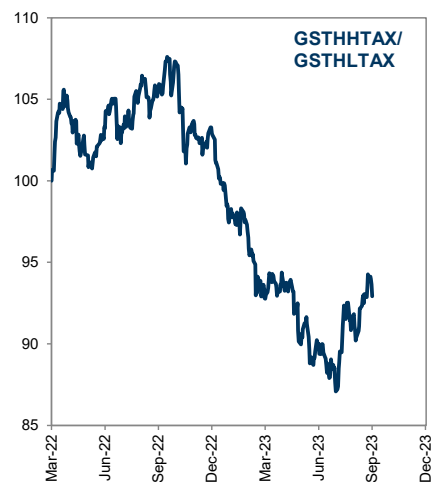
Interest Rate Sensitive



Low vs. High Labor Cost



High vs. Low Tax Rate



Geographic Sales

US Sales



International Sales



BRICs Sales



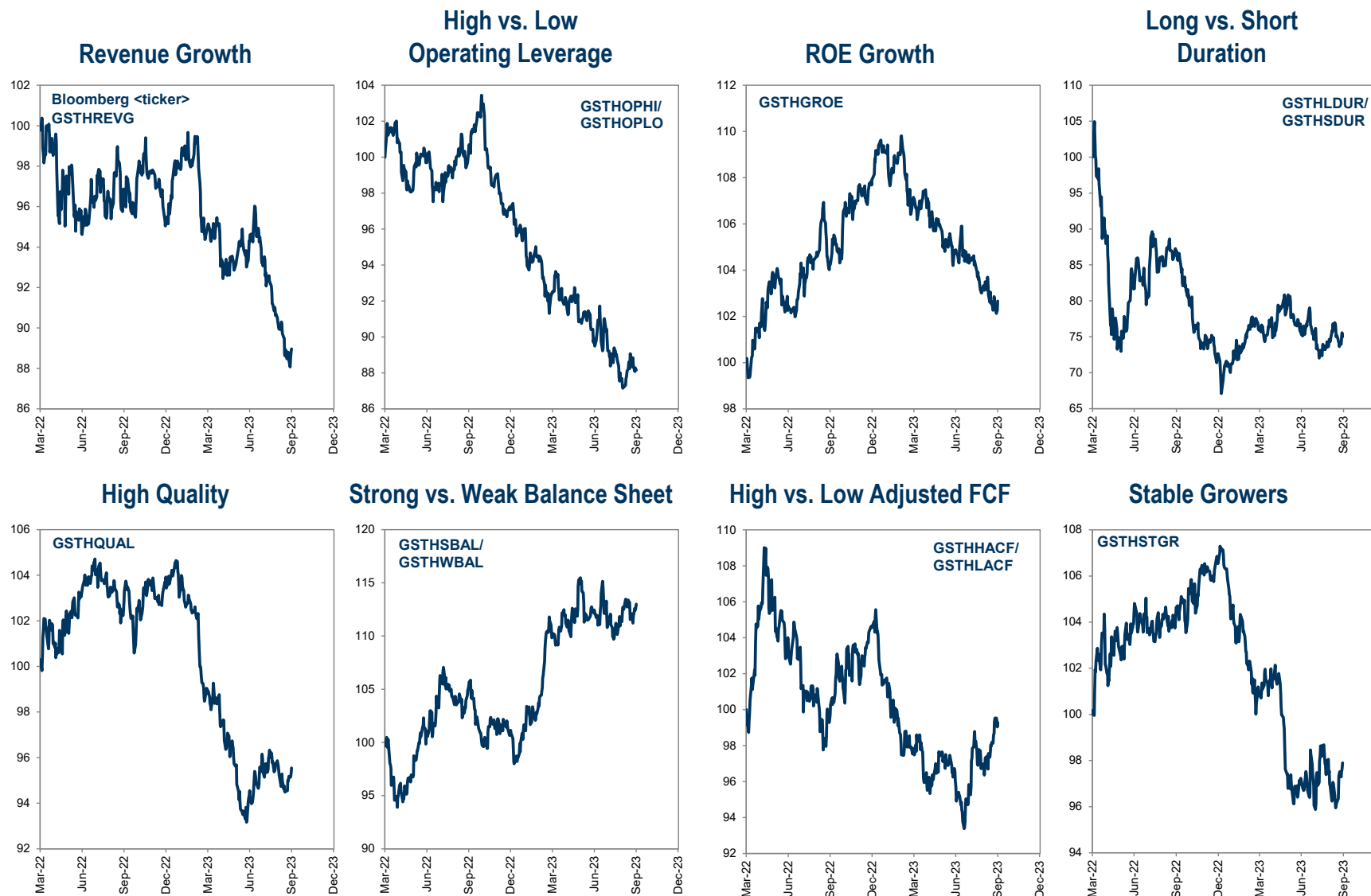
Western Europe Sales



Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

Fundamentals



Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

Uses of Cash

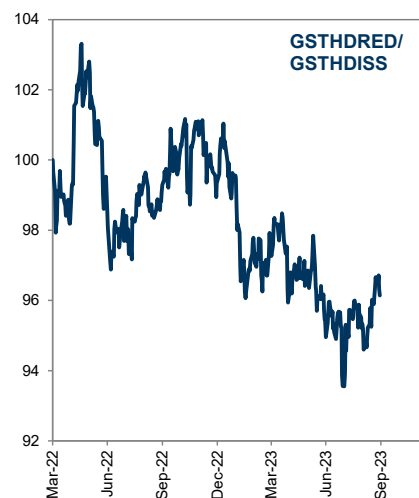
Capex and R&D



High Growth Investment Ratio



Debt Reducers vs. Issuers



Risk & Liquidity

High Sharpe Ratio



Total Cash Return



Buybacks



Dividend Growth



Low vs. High Liquidity



Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

Hedge Fund Ownership

Hedge Fund VIP



Short Positions



High Concentration



Low Concentration



Mutual Fund Ownership

Overweight Positions



Underweight Positions



Source: FactSet and Goldman Sachs Global Investment Research.

S&P 500 Earnings, Sales and Revisions

GS Top-Down EPS & Consensus Bottom-Up EPS

	2022A	Adjusted EPS				Adjusted EPS			
		GS Top-Down		Consensus Bottom-Up		GS Top-Down		Consensus Bottom-Up	
		Contribution	EPS growth	Contribution	EPS growth	Contribution	EPS growth	Contribution	EPS growth
		2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Information Technology	\$42	\$43	\$47	2 %	10 %	\$43	\$51	3 %	17 %
Financials	37	38	40	4	5	39	42	7	7
Health Care	37	35	37	(6)	6	33	35	(11)	8
Communication Services	18	21	22	14	6	21	24	13	18
Industrials	17	19	19	9	2	19	21	10	13
Consumer Discretionary	14	15	16	10	6	18	20	26	14
Consumer Staples	13	15	15	12	3	14	16	7	9
Materials	7	7	7	(2)	(0)	6	6	(19)	7
Utilities	6	6	7	5	7	7	7	11	4
Real Estate	6	6	6	(3)	3	6	7	1	8
S&P 500 ex-Energy	198	205	217	4	6	206	230	4	12
Energy	24	19	20	(19)	0	17	18	(29)	3
S&P 500 EPS	\$222	\$224	\$237	1 %	5 %	\$223	\$247	1 %	11 %

Earnings & Sales Revisions (Consensus)

	EPS REVISIONS				SALES REVISIONS			
	1 month		3 month		1 month		3 month	
	23E	24E	23E	24E	23E	24E	23E	24E
Energy	2.3 %	3.8 %	(0.8)%	2.7 %	0.1 %	0.4 %	(3.0)%	(1.8)%
Consumer Discretionary	0.2	0.1	8.6	5.2	(0.3)	(0.4)	1.0	0.7
Financials	0.1	(0.3)	0.4	(0.9)	NM	NM	NM	NM
Materials	0.1	(0.1)	(3.3)	(3.1)	(0.1)	(0.3)	(3.3)	(2.3)
Information Technology	0.0	(0.1)	2.5	3.0	0.1	0.0	0.5	0.9
S&P 500	(0.1)	(0.0)	0.6	1.0	(0.1)	(0.2)	(0.0)	0.1
S&P 500 ex. Energy	(0.3)	(0.3)	0.7	0.9	(0.1)	(0.2)	0.3	0.4
Utilities	(0.5)	(0.2)	(0.9)	(0.1)	NM	NM	NM	NM
Real Estate	(0.6)	(0.8)	2.8	(2.4)	NM	NM	NM	NM
Health Care	(0.7)	(0.6)	(4.9)	(1.4)	(0.4)	(0.5)	0.4	0.3
Communication Services	(0.7)	0.0	3.4	4.1	(0.0)	(0.0)	0.6	1.0
Industrials	(0.9)	(0.7)	0.1	(0.3)	0.1	0.3	0.5	0.8
Consumer Staples	(1.1)	(0.5)	(0.5)	(0.8)	(0.0)	(0.3)	(0.1)	(0.4)

Earnings Growth (consensus bottom-up)

	2023 Earnings Per Share Growth				Annual	
	1QA	2QE	3QE	4QE	2023E	2024E
Consumer Discretionary	23 %	33 %	21 %	27 %	26 %	14 %
Communication Services	(16)	6	29	44	13	18
Utilities	(20)	7	22	52	11	4
Industrials	20	13	5	6	10	13
Financials	4	8	10	8	7	7
Consumer Staples	2	11	4	9	7	9
S&P 500 ex. Energy	(5)	4	5	13	4	12
Information Technology	(10)	4	5	14	3	17
Real Estate	7	3	(6)	(1)	1	8
S&P 500	(3)	(3)	(0)	9	1	11
Health Care	(16)	(14)	(12)	1	(11)	8
Materials	(21)	(24)	(17)	(9)	(19)	7
Energy	17	(51)	(38)	(23)	(29)	3

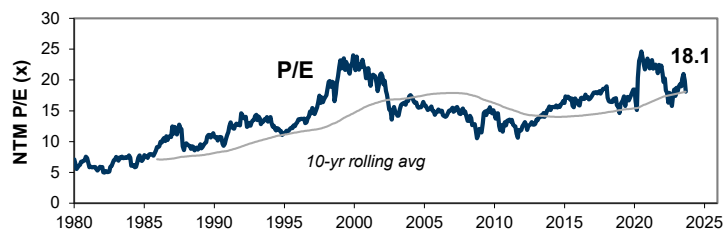
Sales Growth (consensus bottom-up)

	2023E Sales Per Share Growth				Annual	
	1QA	2QE	3QE	4QE	2023E	2024E
Consumer Staples	11 %	8 %	9 %	9 %	9 %	4 %
Consumer Discretionary	9	10	6	5	7	7
Health Care	6	7	6	6	6	5
S&P 500 ex. Energy	5	5	4	5	5	5
Industrials	8	4	1	2	4	2
S&P 500	4	1	2	4	3	4
Communication Services	(1)	2	3	3	2	6
Information Technology	(2)	(1)	1	6	1	9
Materials	(3)	(8)	(5)	(3)	(5)	(8)
Energy	(3)	(28)	(18)	(6)	(14)	2

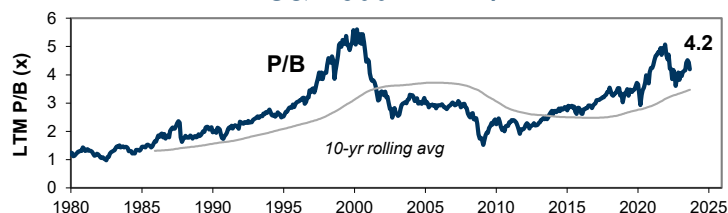
Source: FirstCall, I/B/E/S, FactSet, and Goldman Sachs Global Investment Research.

Valuation: Absolute and Relative

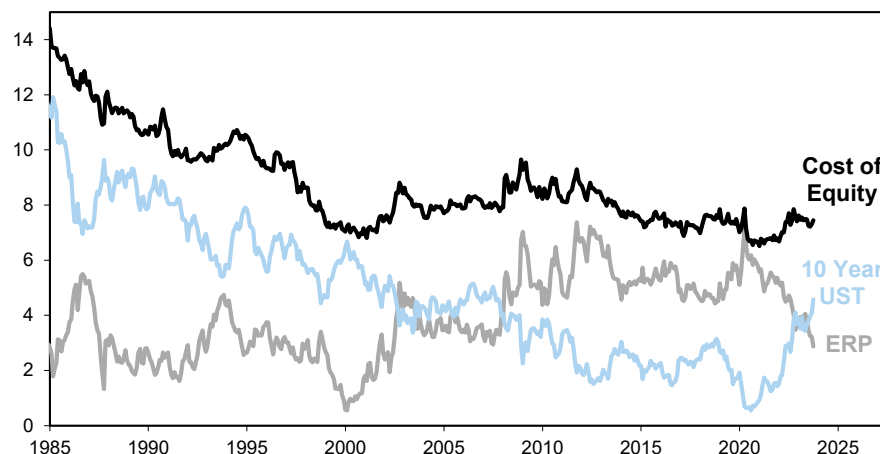
S&P 500 NTM P/E



S&P 500 LTM P/B



S&P 500 Cost of Equity = ERP + 10-yr UST



We estimate the equity risk premium (ERP) using our DDM framework to model expected future cash flows.

We solve for the cost of equity that implies the market is at 'fair value' and then deduct the 10-year US treasury.

Current aggregate valuation metrics - absolute

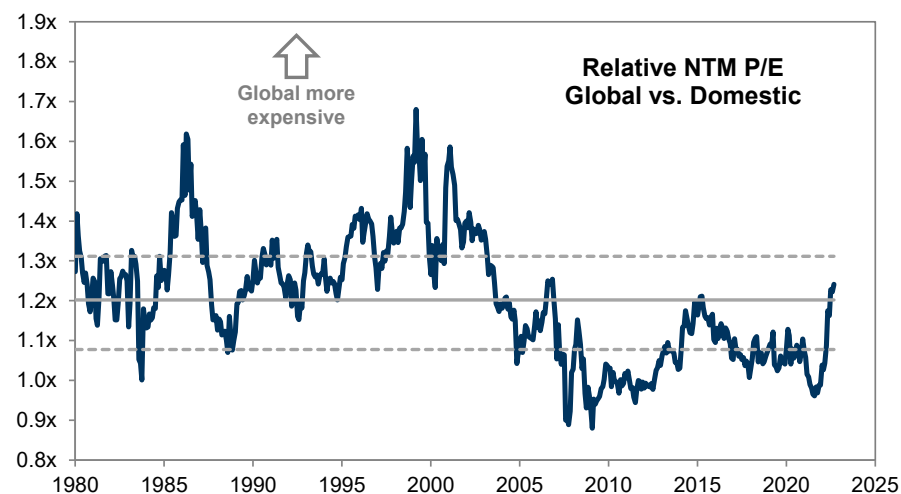
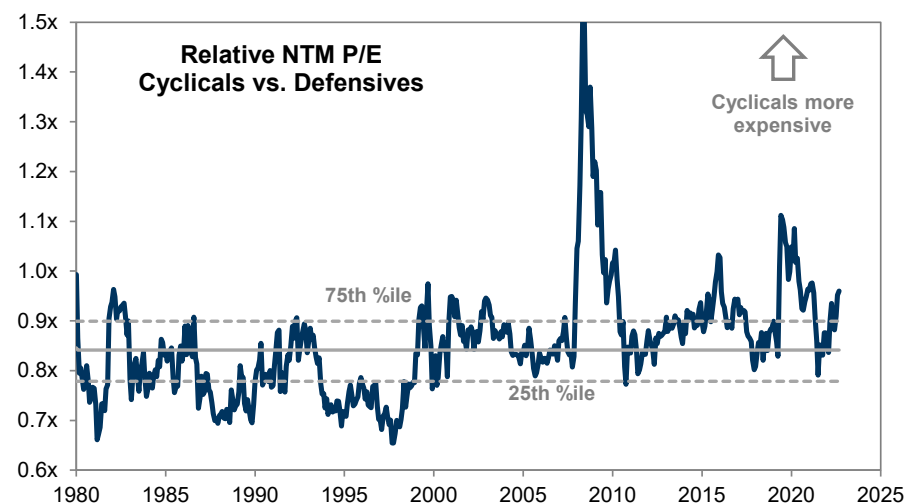
	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	NTM P/E
S&P 500	2.6x	13.1x	4.2x	3.9 %	1.3x	18.1x
Energy	1.4	5.7	2.5	9.4	2.5	12.0
Financials	NM	NM	1.8	NM	1.1	13.2
Real Estate	NM	NM	2.8	NM	1.7	14.8
Utilities	NM	11.2	1.8	(7.5)	2.2	14.9
Comm Services	3.4	9.9	3.5	5.0	0.8	16.4
Health Care	1.8	13.0	4.6	5.5	2.1	16.8
Materials	2.2	10.1	2.8	4.2	2.1	17.0
Industrials	2.3	12.5	5.2	4.1	1.4	17.3
Cons Staples	1.5	13.5	5.7	4.0	2.3	18.4
Cons Discr	2.4	15.7	9.2	2.7	2.3	23.2
Info Tech	6.8	21.1	10.2	3.1	1.3	24.2

Current relative valuation vs. historical average (Z-score)

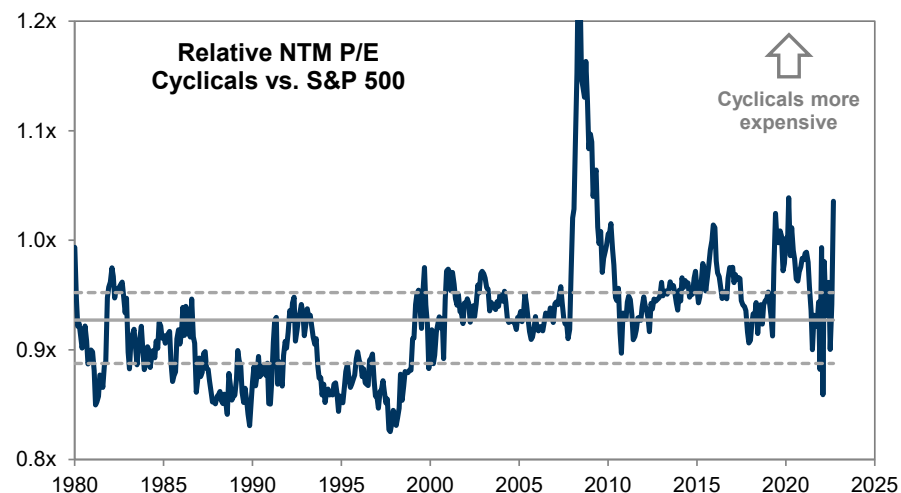
	10-year						30-year	
	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	P/E	Median Z-Score	Median Z-Score
S&P 500	0.7	0.1	1.1	0.9	(0.3)	0.0	0.4	0.7
Real Estate	NM	NM	(2.5)	NM	(0.3)	(2.3)	(2.3)	(0.9)
Comm Services	(1.6)	(1.8)	(1.3)	(1.5)	(1.9)	(1.9)	(1.7)	(1.3)
Financials	NM	NM	(1.0)	NM	(0.6)	(1.8)	(1.0)	(0.9)
Energy	(0.8)	(1.0)	0.4	(1.5)	0.3	(0.7)	(0.8)	(1.1)
Utilities	NM	(0.7)	(2.4)	3.7	(1.0)	(0.1)	(0.7)	(0.1)
Materials	(1.5)	(1.0)	(1.1)	(0.3)	1.7	(0.2)	(0.7)	(0.5)
Industrials	(1.2)	(0.6)	(1.2)	(0.6)	(0.3)	(0.4)	(0.6)	0.2
Health Care	(1.3)	(0.3)	(1.5)	(0.9)	1.8	0.1	(0.6)	(0.9)
Cons Staples	(1.2)	(0.3)	(1.3)	0.3	(0.4)	(0.8)	(0.6)	(0.8)
Cons Discr	(0.3)	(0.1)	0.2	0.0	3.9	(0.3)	(0.0)	0.9
Info Tech	2.1	2.7	1.1	1.6	(0.3)	2.0	1.8	1.3

Source: FactSet, I/B/E/S, FirstCall, and Goldman Sachs Global Investment Research.

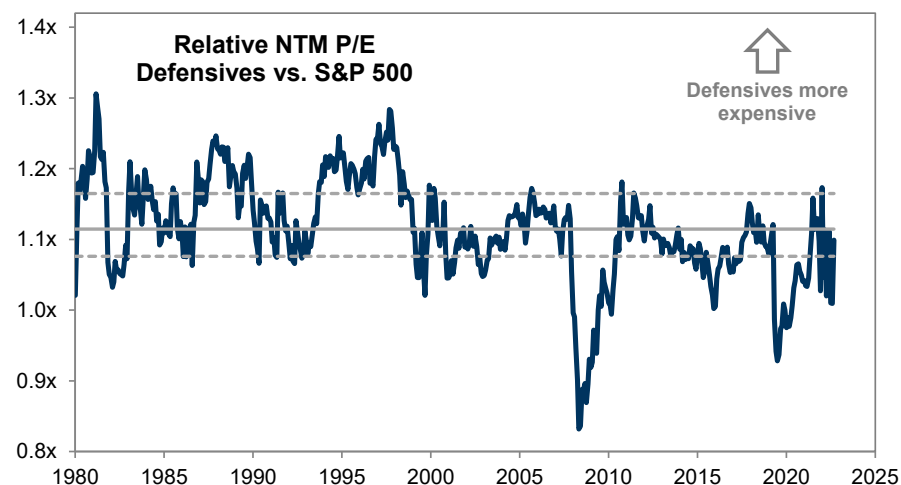
Valuation: Sector baskets



Cyclicals vs. S&P 500

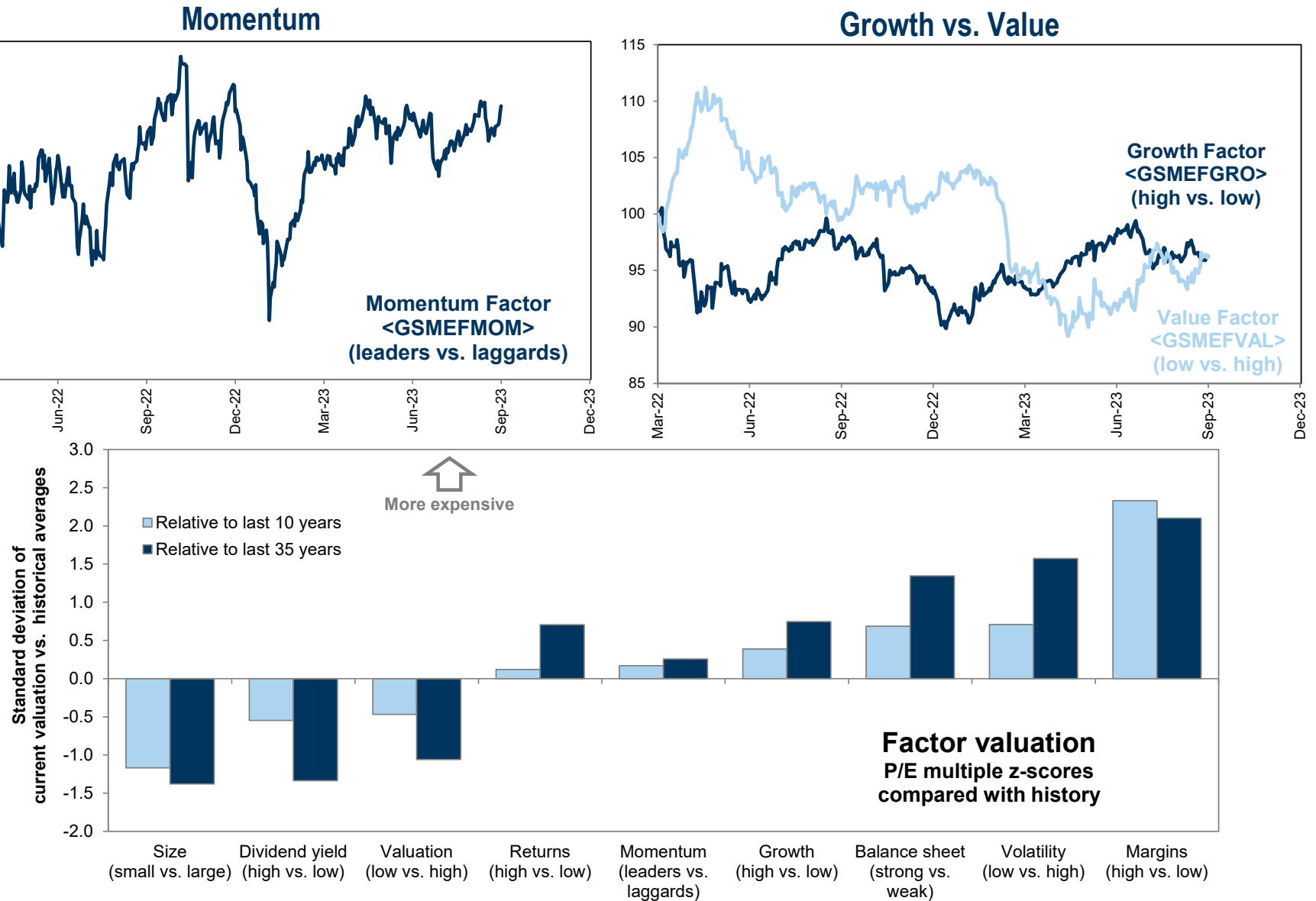


Defensives vs. S&P 500



Source: Compustat, FactSet, I/B/E/S, and Goldman Sachs Global Investment Research.

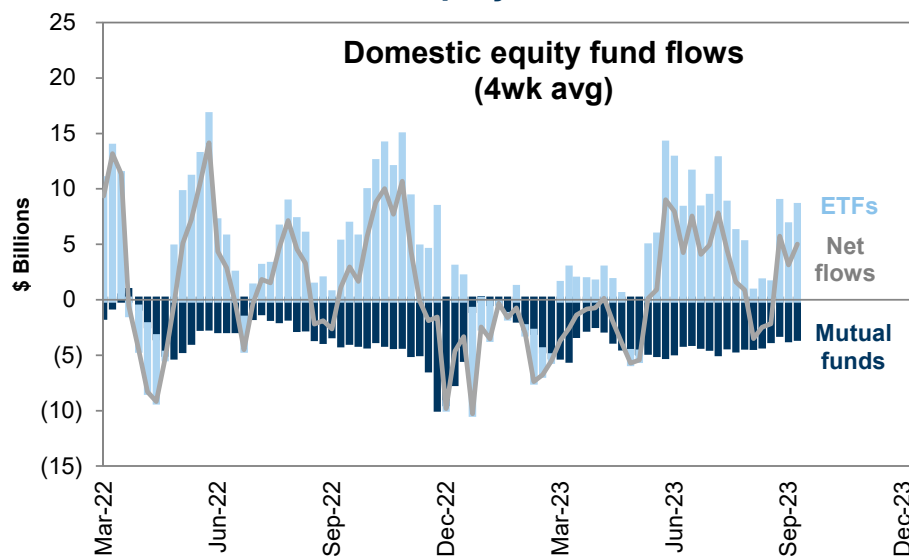
Factors: Performance and Valuation



Source: Compustat, FactSet, I/B/E/S, and Goldman Sachs Global Investment Research.

Fund Flows, Fund Performance, and Short Interest

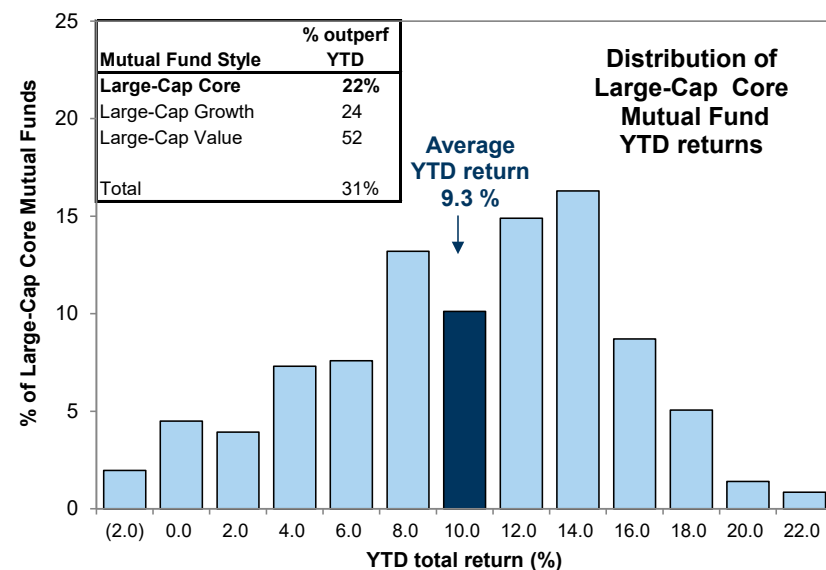
Domestic equity fund flows



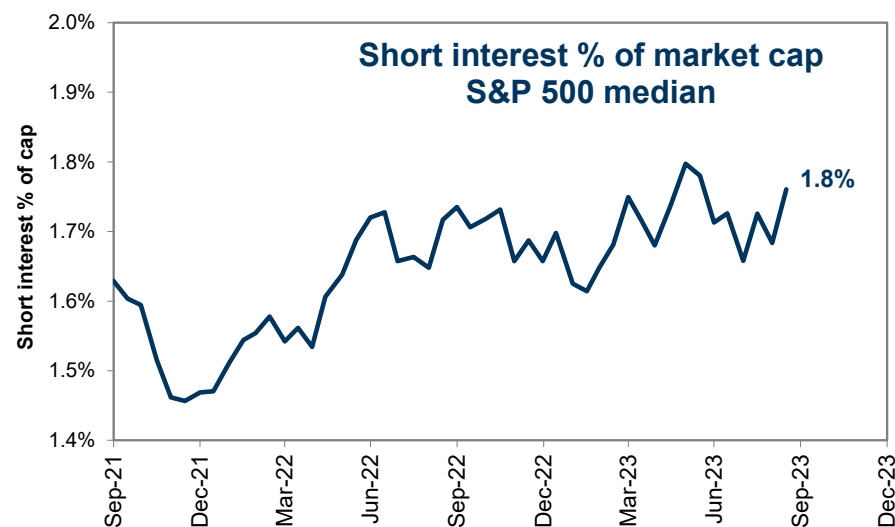
Weekly fund flows

(\$ billions)	EPFR Mutual Fund Flows			EPFR ETF Fund Flows		
	Total Assets	4-Wk Avg Flows	Total Flows YTD	Total Assets	4-Wk Avg Flows	Total Flows YTD
All Equity	8,446	(6.5)	(225.8)	7,748	12.1	335.7
U.S. Equity	3,604	(3.4)	(138.9)	4,873	8.4	142.7
Equity Income	640	(0.9)	(19.4)	487	1.0	21.1
Int'l Equity	4,277	(2.6)	(79.5)	2,229	3.0	151.7
Global	566	(0.5)	(7.5)	647	0.7	41.3
ESG/SRI	1,061	(0.2)	(0.7)	351	0.4	18.5
All Bonds	4,680	(1.3)	17.9	1,905	3.3	221.8
All Taxable Bond	3,926	(0.9)	2.7	1,267	(0.1)	85.4
Gov't Treasury	389	0.5	22.8	529	3.1	130.3
Municipal Bond	365	(0.9)	(7.6)	109	0.2	6.1
ESG/SRI	443	0.0	11.0	88	0.3	13.3
Money Market	7,931	20.0	1,003.2	71	0.0	8.5

Mutual Fund Performance



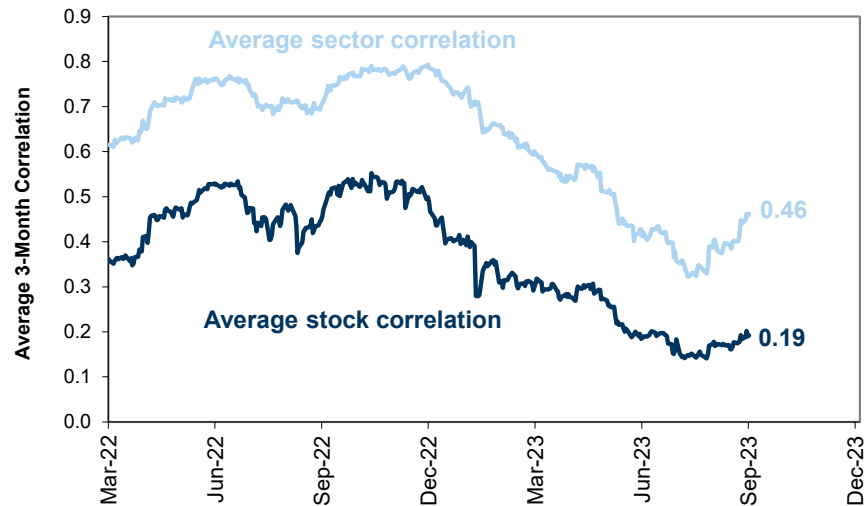
Short Interest



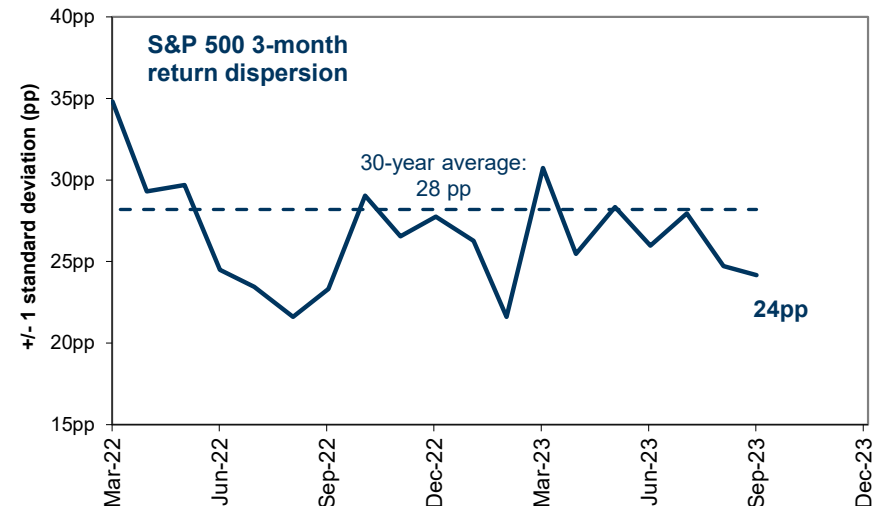
Source: FactSet, EPFR, and Goldman Sachs Global Investment Research.

Correlation, Breadth and Dispersion

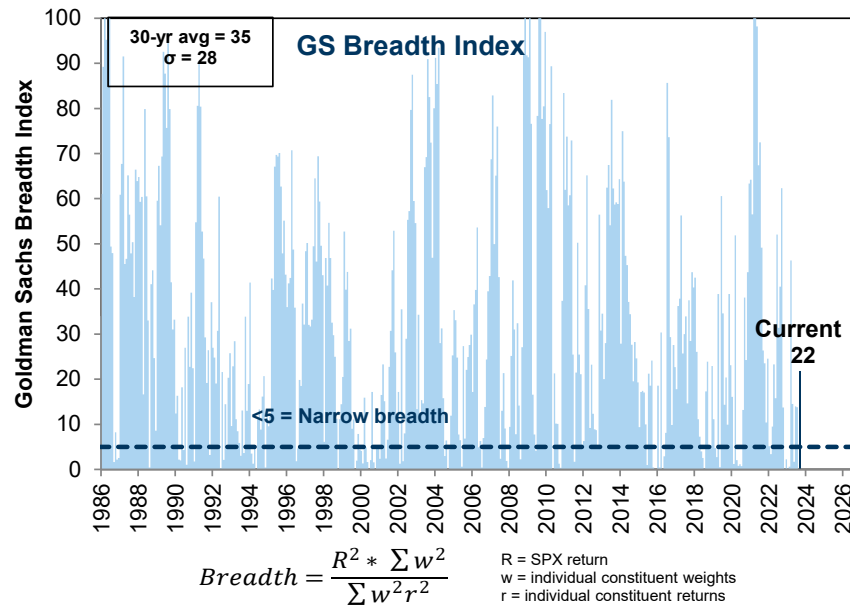
Sector and Stock Correlation



S&P 500 3-month Return Dispersion



Goldman Sachs Breadth Index (GSBI)

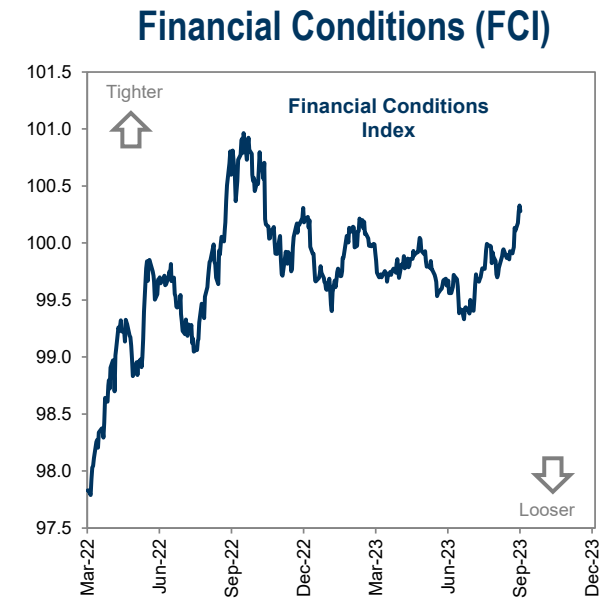
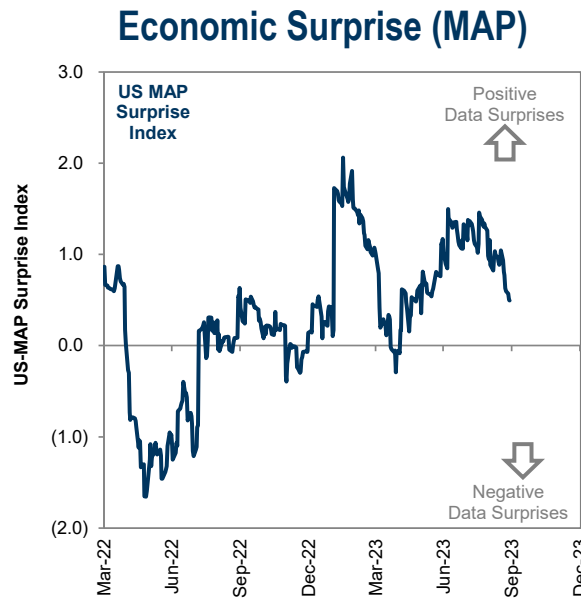
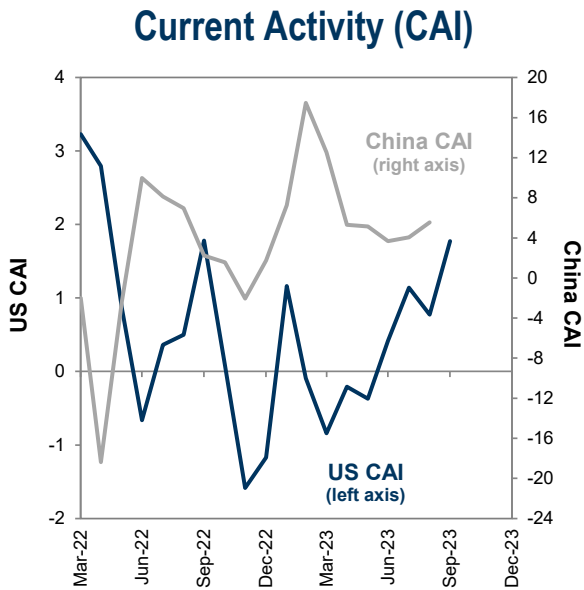
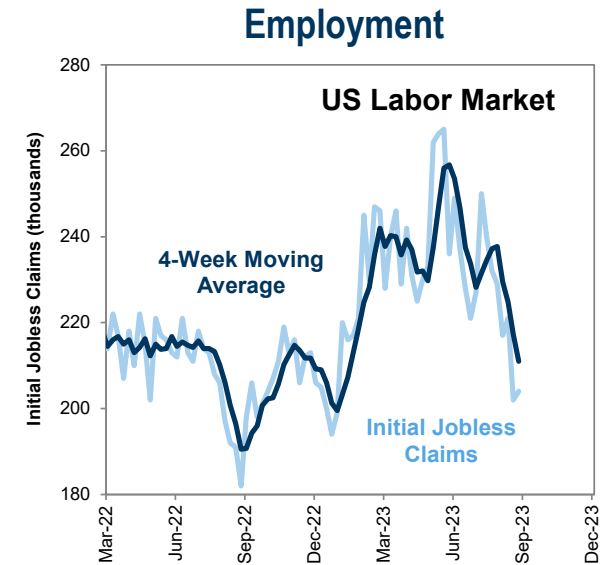
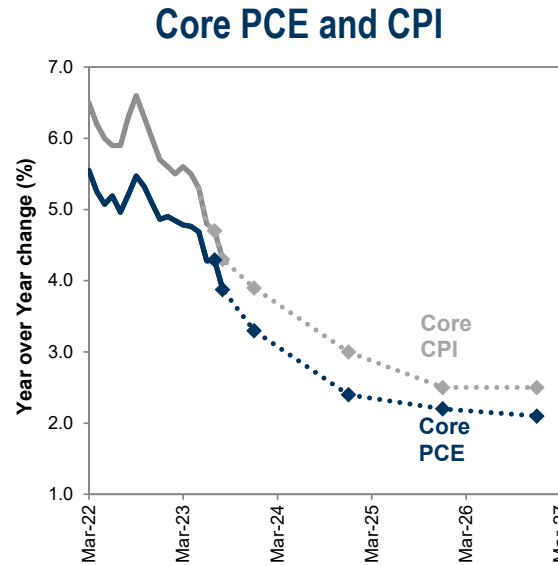
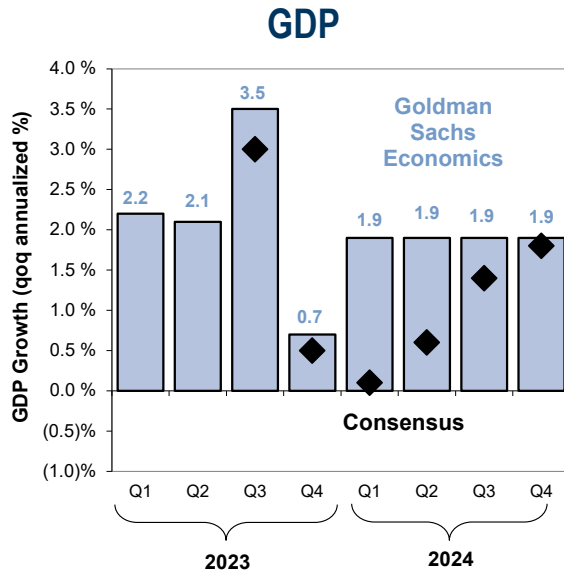


Return Dispersion

	+/- 1 Standard Deviation					
	1-Month Returns			3-Month Returns		
	Current Sep 28	30-Year Average	Historical %ile	Current Sep 28	30-Year Average	Historical %ile
S&P 500	11 pp	16 pp	10 %	24 pp	28 pp	40 %
Materials	14 pp	14 pp	58 %	27 pp	25 pp	76 %
Consumer Staples	14	13	70	22	22	68
Health Care	12	15	28	25	26	57
Utilities	9	10	57	16	17	56
Industrials	9	13	14	22	23	56
Communication Services	12	16	39	25	27	53
Real Estate	8	9	57	14	15	53
Financials	10	13	42	19	22	53
Energy	9	14	17	19	25	29
Information Technology	10	19	4	23	34	16
Consumer Discretionary	11	17	4	20	29	5

Source: FactSet and Goldman Sachs Global Investment Research.

Economics



Our Current Activity Indicator (CAI) measures the growth signal in major high-frequency activity indicators for the US economy, expressed in GDP-equivalent units.

Source: FactSet and Goldman Sachs Global Investment Research.

Goldman Sachs Global Macro Forecasts

Goldman Sachs Global Macro Forecasts

	units	Current	3m	6m	12m	Change to Target
Equities						
MXAPJ	level	487	505	530	555	14 %
TOPIX	level	2346	2500	2500	2650	13
S&P 500	level	4300	4500	4600	4700	9
STOXX Europe 600	level	449	465	470	480	7
Ten Year Rates						
Japan	%	0.8	0.8	0.9	0.9	15 bp
US	%	4.6	4.3	4.6	4.5	(7)
Euro Area (Germany)	%	3.0	2.8	2.6	2.3	(72)
Corporate Bonds						
Investment grade	bp	119	118	118	NA	(1)bp
High yield	bp	398	355	355	NA	(43)
Currencies						
Euro / US Dollar	EUR/\$	1.06	1.07	1.10	1.12	6 %
Sterling / US Dollar	£/\$	1.22	1.18	1.20	1.25	3
US Dollar / Yen	\$/¥	149	150	155	150	0
Commodities						
LME Copper	\$/mt	8112	9250	9500	10000	23 %
COMEX Gold	\$/troy oz	1879	2050	2050	2050	9
Brent Crude Oil	\$/bbl	93	93	96	100	7
WTI Crude Oil	\$/bbl	90	88	91	95	6
NYMEX Nat. Gas	\$/mmBtu	3	3	3	3	(3)
ICE TTF Nat. Gas	\$/mmBtu	40	16	14	15	(64)

	EPS Forecast			EPS Growth		NTM P/E		Div Yield
	2022	2023	2024	2023	2024	Current	YE 2023	
MXAPJ	\$ 37	\$ 36	\$ 43	(2)%	16 %	11.9 x	13.0 x	3.0 %
TOPIX	¥ 144	¥ 161	¥ 174	12	8	13.7	15.2	2.4
S&P 500	\$ 222	\$ 224	\$ 237	1	5	18.4	19.0	1.7
STOXX Europe 600	€ 35	€ 36	€ 37	0	5	12.2	12.9	3.8

Source: FactSet and Goldman Sachs Global Investment Research.

Goldman Sachs US Economics Forecasts

	Share of GDP	% Annual Change			
		2022	2023E	2024E	2025E
OUTPUT AND SPENDING					
Real GDP	100%	2.1%	2.2%	1.8%	1.9%
Consumer Spending	69	2.7	2.4	1.8	1.9
Total Fixed Investment	18	(0.2)	(0.4)	3.5	3.6
Business Fixed Investment	15	3.9	3.1	3.5	3.7
Structures	3	(6.6)	7.3	2.2	2.8
Equipment	6	4.3	0.0	4.6	3.4
IP Products	6	8.8	4.1	3.2	4.5
Residential Investment	3	(10.6)	(10.7)	3.6	3.2
Federal Government Spending	7	(2.5)	3.0	0.2	
State and Local Government	10	0.7	2.9	0.5	0.9
Net Exports (Bil.)	(4)	(1,357)	(1,223)	(1,281)	(1,315)
HOUSING MARKET					
Housing Starts (000s)		1,551	1,424	1,539	1,539
New Home Sales (000s)		637	694	713	716
Existing Home Sales (000s)		5,081	4,360	4,750	4,995
Case-Shiller Home Prices (%)		7.4	1.3	1.7	2.4
INFLATION					
Core CPI		5.7	3.9	3.0	2.5
Core PCE		4.6	3.3	2.4	2.2
LABOR MARKET					
Unemployment Rate		3.5	3.7	3.6	3.6
U6 Underemployment Rate		6.5	6.9	6.9	6.9
Payrolls (000s)		479	246	124	96
GOVERNMENT FINANCE					
Federal Budget (FY, Bil.)		(1375)	(1700)	(1650)	(1800)
Federal debt-to-GDP ratio (FY, %)		97	96	98	100
FINANCIAL INDICATORS					
Fed Funds Rate		4.4	5.4	5.1	4.1
10-year Treasury Rate		3.9	4.3	4.3	4.3

Real GDP

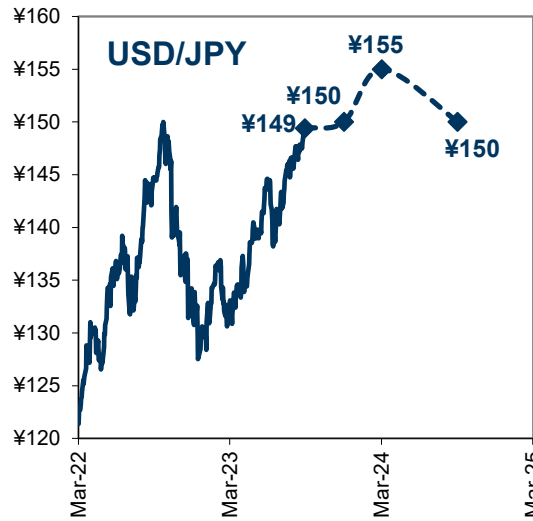
	2022A	2023A	2024E	2025E
China	3.2 %	5.4 %	4.5 %	4.0 %
World	3.0	2.6	2.5	2.7
USA	2.1	2.2	1.8	1.9
Australia	3.7	2.0	1.8	2.4
Spain	5.8	2.4	1.5	2.0
Russia	(1.4)	2.0	1.5	1.2
Japan	1.0	2.0	1.4	1.4
Brazil	3.0	3.0	1.4	2.4
France	2.5	0.9	1.3	1.5
Euro Area	3.4	0.5	1.1	1.7
Germany	1.9	(0.3)	1.0	1.7
Italy	3.8	0.7	0.9	1.5
UK	4.1	0.3	0.6	1.2

Goldman Sachs Global Macro Forecasts

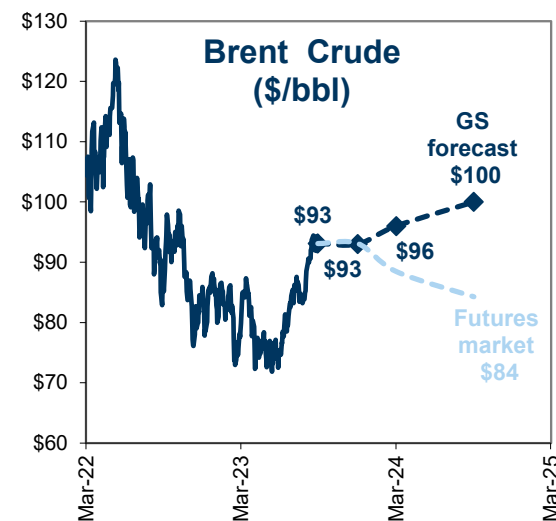
EURO



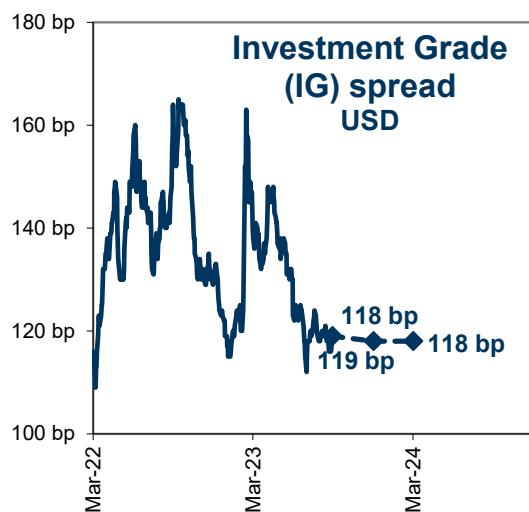
YEN



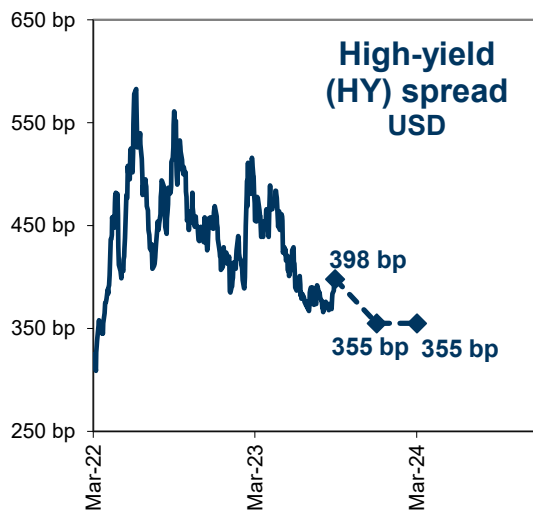
OIL



Investment Grade (IG) spread



High-Yield (HY) spread



Global Equity Market performance

Market	Price Return (%) US Dollar				Local Currency
	1-Wk	1-Mo	3-Mo	YTD	
Mexico (Bolsa)	(3)%	(8)%	(6)%	18 %	6 %
Spain (IBEX 35)	(2)	(3)	(4)	13	15
U.S. (S&P 500)	(1)	(3)	(2)	12	12
Brazil (Bovespa)	(3)	(4)	(5)	10	5
Japan (TOPIX)	(3)	0	(1)	10	24
Germany (Dax)	(2)	(5)	(7)	9	10
France (CAC 40)	(2)	(5)	(5)	9	10
Europe (DJ Stoxx 600)	(2)	(4)	(5)	4	6
UK (FTSE 100)	(2)	1	(2)	3	2
Korea (KOSPI)	(3)	(5)	(7)	3	10
Australia (ASX 200)	(1)	(2)	(5)	(6)	(0)
China (MSCI China)	(1)	(4)	(6)	(11)	(11)
Average	(2)%	(4)%	(5)%	6 %	7 %

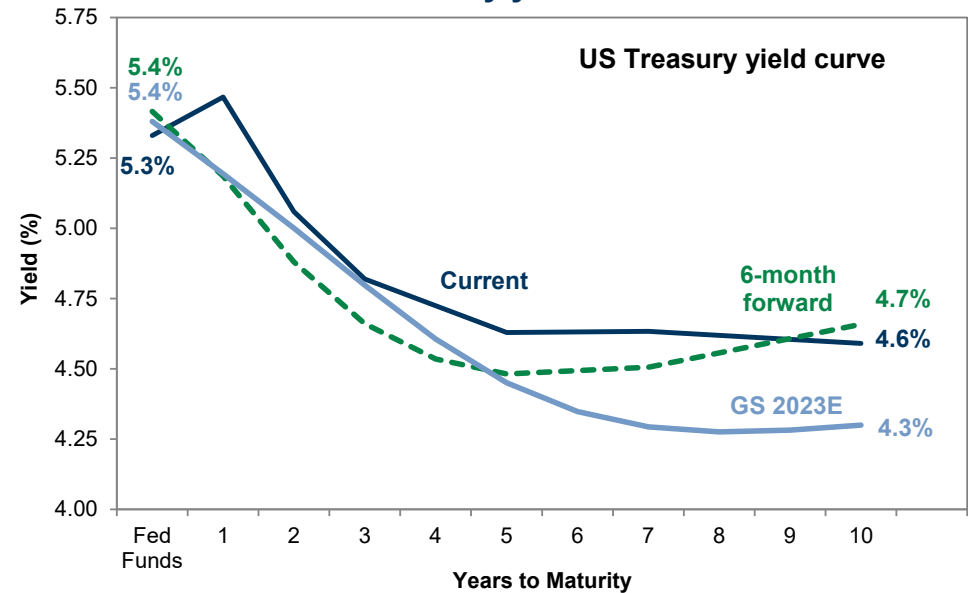
Source: FactSet and Goldman Sachs Global Investment Research.

Politics and policies

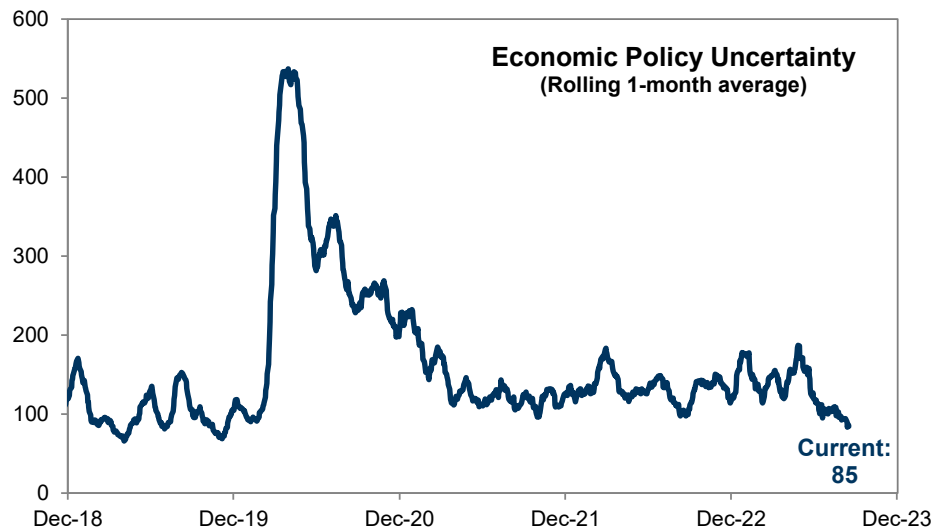
Market-implied change in fed funds rate



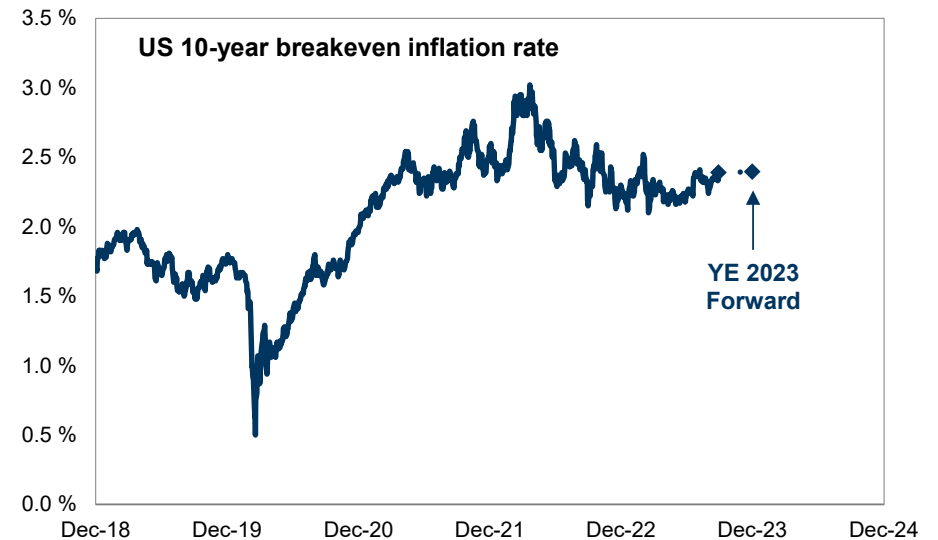
US Treasury yield curve



Economic Policy Uncertainty



Breakeven inflation



Source: FactSet, PolicyUncertainty.com, Federal Reserve Bank, Haver Analytics, and Goldman Sachs Global Investment Research.

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Reg AC

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