

## US Weekly Kickstart

# Assessing the balance of risks following the 5% S&P 500 sell-off

- The S&P 500 sold off by 5% during the past week, driven by both an unwind of elevated positioning and economic growth concerns. Within the equity market, Cyclical have lagged Defensives by 9% and our Momentum factor has declined by 7%.
- Our Sentiment Indicator stands at -0.4, substantially below the highs in late November but above levels that have historically signaled tactical upside as a result of depressed positioning. As a result, we believe an improvement in the US economic growth outlook will be required to fully reverse the recent equity market rotations. Next Friday's jobs report will be a key test. Policy signals that boost the growth outlook could also lift the market, but uncertainty remains high.
- We revise our 2025 EPS growth forecast from 11% to 9% and maintain our 2026 growth forecast of 7%. The levels of our 2025 and 2026 EPS estimates remain unchanged at \$268 and \$288 following better-than-expected 2024 EPS growth but softer-than-expected economic data in 2025. The consensus bottom-up 2025 EPS estimate has been lowered by 1% since the start of the year but is now roughly in line with our top-down estimate. Elevated policy uncertainty creates risks in both directions around our forecast.
- Looking further ahead, we maintain our year-end S&P 500 price target of 6500 (+9% from today). The equity market's pricing of the economic growth outlook is now in the ballpark of our economists' baseline economic growth forecasts, and the S&P 500 P/E of 21.5x is in line with our year-end S&P 500 P/E multiple forecast. We continue to expect equity returns will be more modest than last year and match the trajectory of earnings growth.
- We continue to recommend investors own Health Care, which offers a defensive tilt and trades at historically low valuations despite outperforming the market by 7 pp YTD.

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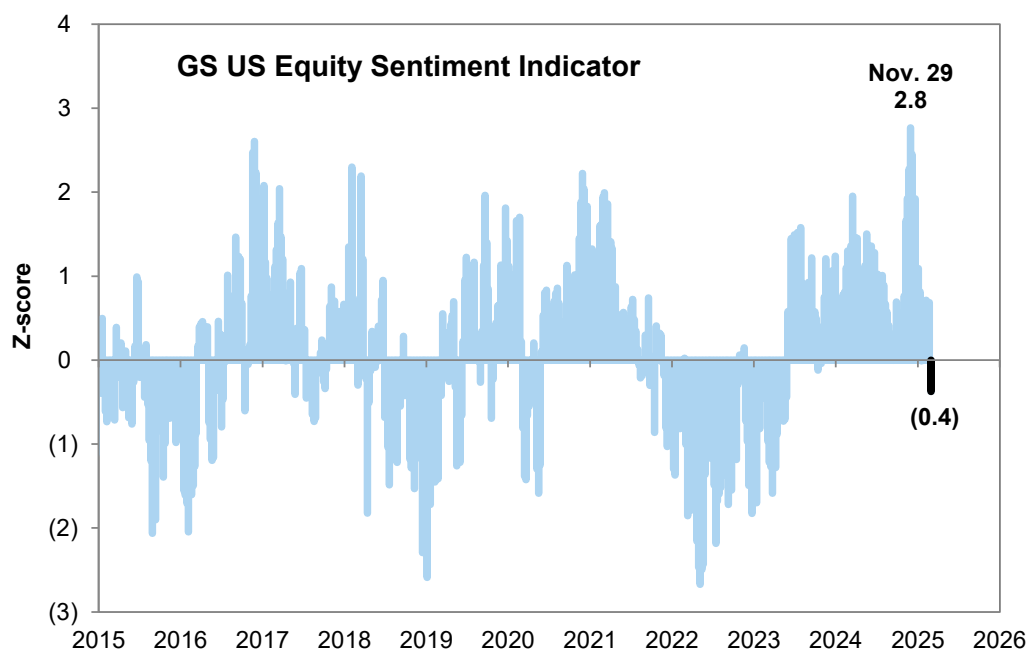
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## Conversations we are having with clients: The 5% S&P 500 drawdown

**The S&P 500 sold off by 5% during the past week, eliminating the market's YTD gains.** The equal-weight S&P 500 has returned 3% YTD. In our conversations, clients have asked about the reasons for the drawdown, which catalysts would cause the market to rebound, and the balance of risks along the path forward.

**From a flows perspective, an unwind in positioning and popular trades has contributed to the market volatility.** Our Sentiment Indicator, which combines 9 different measures of US equity positioning, has declined from +2.8 standard deviations in late November to +0.7 last week and -0.4 this week. The main drivers this week were declines in mutual fund and hedge fund length. Despite the large decline, however, the Sentiment Indicator remains above "trough" levels experienced during past equity market corrections, signaling that positioning is not yet depressed enough to argue for tactical upside without a clear catalyst.

**Exhibit 1: Our Sentiment Indicator has declined to -0.4**



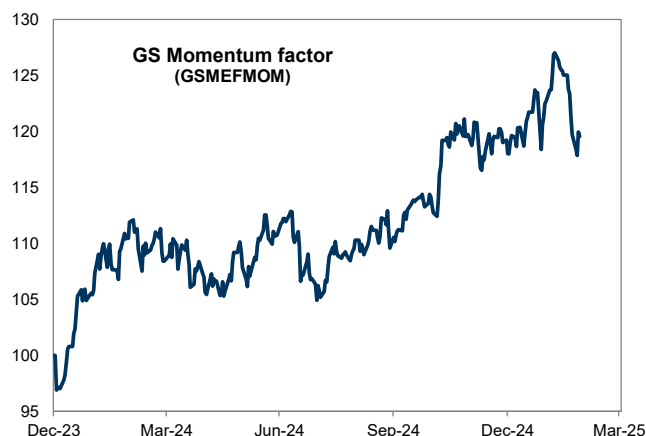
Source: Goldman Sachs Global Investment Research

**The positioning unwind has led to a 5% sell-off in our long/short Momentum factor (GSMEFMOM) during the past week.** The 5-day drawdown ranks as a 3rd percentile return relative to the past 10 years. At the moment, our Momentum factor is heavily tilted towards Financials and away from Consumer Staples and Health Care.

**The reversal has been especially painful for retail-exposed pockets of the equity market.** Measures of retail trading activity have declined in recent weeks. Since the market peak on February 19, Bitcoin has declined by 12%, the Retail Sentiment basket (GSXUMEME) has dropped by 17%, and the non-profitable Tech basket (GSXUNPTC) has declined by 14%. The upcoming tax season risks extending the recent stretch of

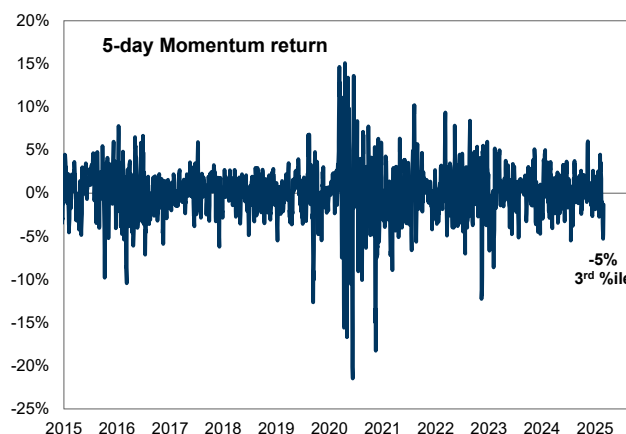
Momentum weakness, as investors sometimes sell shares in order to pay tax bills. During the past 20 years, our Momentum factor has posted its worst returns on average in April.

**Exhibit 2: Performance of our Momentum factor**



Source: Goldman Sachs Global Investment Research

**Exhibit 3: Our Momentum factor has sold off sharply**

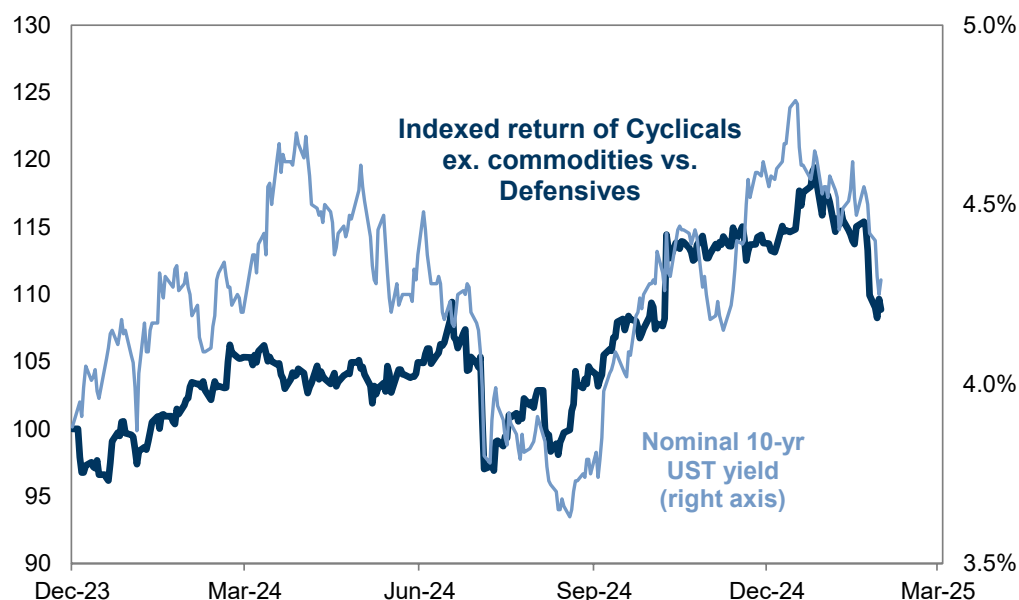


Source: Goldman Sachs Global Investment Research

**From a macroeconomic perspective, a downgrade in equity investors' growth expectations has also contributed to the sell-off.** Following Election Day, the US equity market sharply upgraded its economic growth expectations, with Cyclical assets outperforming Defensive assets. However, growth concerns have mounted given weakness in recent US economic data, including retail sales, consumer sentiment, and housing activity, as well as concerns about potential headwinds from elevated policy uncertainty. Since late January, Cyclical assets have lagged Defensive assets by 9 pp and the pair is now back in line with pre-Election Day levels. The nominal 10-year US Treasury yield has declined by 36 bp at the same time. The equity market now appears to be pricing forward real GDP growth of roughly 2.5%-3%, closer to our economists' forecast of around 2% growth in 2025.

**Exhibit 4: Cyclical have sharply underperformed Defensives in recent weeks**

ticker: GSPUCYDE



Source: Goldman Sachs Global Investment Research

**In the near term, we believe an improvement in the US economic growth outlook will be required to fully reverse the recent equity market weakness.** During the 9 instances since 2021 where our Momentum factor has sold off by 5% or more in a 1-week period, subsequent S&P 500 returns were typically dependent on whether the market's pricing of economic growth improved or deteriorated. We expect growth data will again be key for the path of US equities and next Friday's jobs report will represent a major test. Consensus expects non-farm payroll growth of 160,000. A weaker-than-expected print would add to recent investor growth concerns, driving further index weakness and Cyclical underperformance. In contrast, stronger-than-expected job growth would help ease investor fears and reverse the recent unwinds. Alternatively, the equity market would benefit from policy signals that boost the growth outlook, but uncertainty remains high.

**Exhibit 5: Previous sharp 1-week Momentum drawdowns**

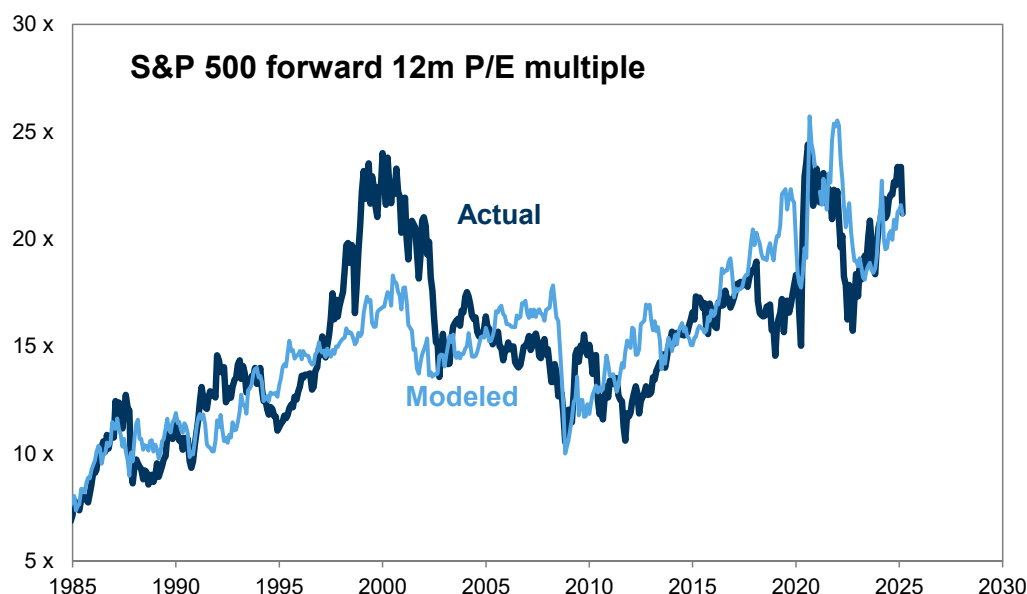
1-week declines in GSMEFMOM of 5%+, first observation in month to avoid overlapping episodes

Date	1-week return			Forward 1-week return		
	Momentum leaders vs. laggards (GSMEFMOM)	S&P 500	Cyclicals vs. Defensives (GSPUCYDE)	Momentum leaders vs. laggards (GSMEFMOM)	S&P 500	Cyclicals vs. Defensives (GSPUCYDE)
Feb-21	(6.8)%	(1.5)%	3.7 %	0.4 %	0.7 %	3.2 %
Apr-21	(5.1)	(0.2)	(4.4)	6.4	1.3	3.7
Jul-21	(6.6)	(2.9)	(4.5)	4.9	3.8	2.4
Aug-21	(5.6)	(1.2)	(4.7)	4.9	1.5	3.0
Jun-22	(5.2)	6.7	(1.1)	4.7	(2.2)	(3.5)
Nov-22	(7.9)	6.4	3.8	(0.4)	(0.2)	0.0
Jan-23	(6.4)	0.6	2.8	(3.1)	3.0	3.5
Jul-23	(5.1)	0.7	(1.4)	1.1	0.8	2.5
Jul-24	(5.4)	(0.8)	0.5	0.7	(2.9)	(2.3)
Feb-25	(5.3)	(2.1)	(5.2)	NA	NA	NA
<b>Median</b>	<b>(5.5)%</b>	<b>(0.5)%</b>	<b>(1.3)%</b>	<b>1.1 %</b>	<b>0.8 %</b>	<b>2.5 %</b>
<b>Average</b>	<b>(5.9)%</b>	<b>0.6 %</b>	<b>(1.0)%</b>	<b>2.2 %</b>	<b>0.6 %</b>	<b>1.4 %</b>

Source: Goldman Sachs Global Investment Research

**Looking further ahead, we maintain our year-end S&P 500 price target of 6500**

**(+9%).** The market appears to be pricing a macroeconomic outlook roughly in line with our baseline forecasts. Similarly, the S&P 500 P/E of 21.5x is in line with our year-end S&P 500 P/E multiple forecast. We continue to expect ongoing earnings growth will determine the trajectory of US equity returns.

**Exhibit 6: The S&P 500 P/E multiple is roughly in line with macro-implied fair value**

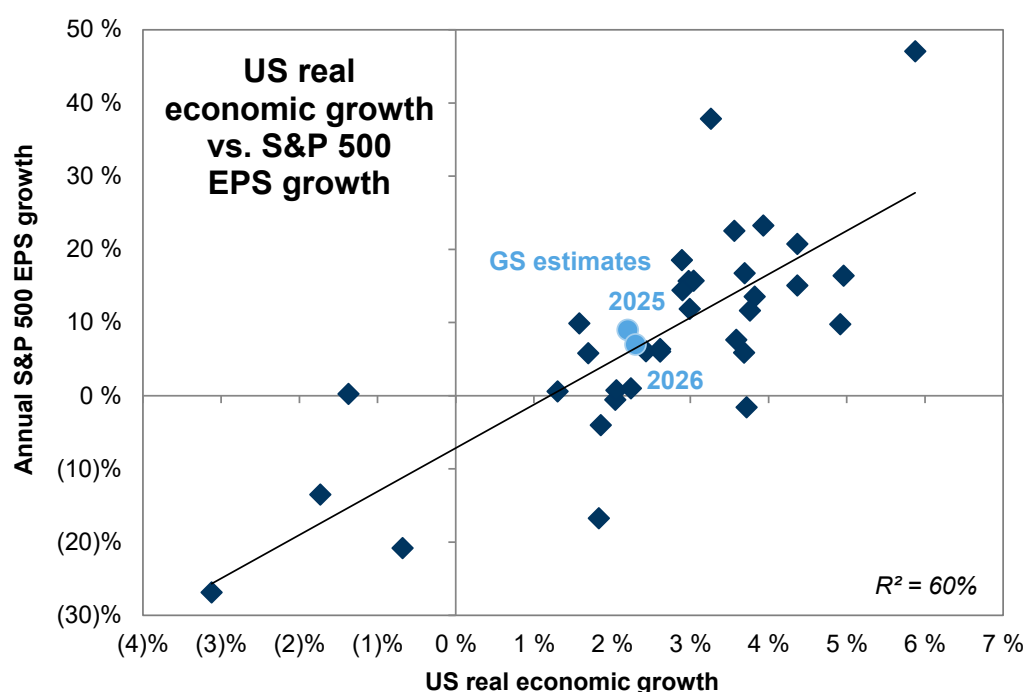
Source: FactSet, Goldman Sachs Global Investment Research

**We trim our 2025 EPS growth forecast from 11% to 9% and maintain our 2026 forecast of 7%. The levels of our 2025 and 2026 EPS estimates remain unchanged at \$268 and \$288.** Our revision reflects the fact that EPS growth in 2024 was stronger than expected but economic data in 2025 have been softer than expected. S&P 500

EPS grew by 10% in 2024 to \$246, surpassing our estimate of 8% growth. All else equal, the 2024 EPS beat and our 2025 EPS growth forecast would have implied higher levels of earnings in 2025 and 2026. However, economic data in 2025 have been slightly weaker and the tariff outlook slightly more hawkish than we expected.

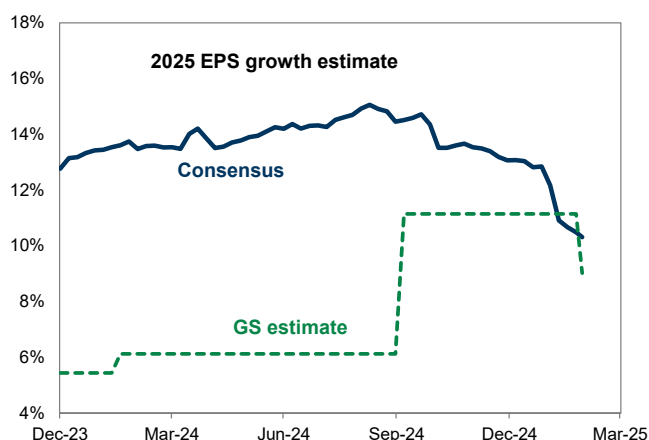
**Real GDP growth of roughly 2% in 2025 and 2026 should drive continued earnings growth, albeit growth that is no longer accelerating.** Our economists' 1Q real US GDP growth tracker has declined from 2.6% at the start of February to just 1.4% today. Economic policy uncertainty, especially related to tariffs, has increased sharply since Election Day, and this uncertainty has fed into various business and consumer surveys. The combination of policy uncertainty and recent economic data surprises create risks in both directions around our forecasts.

**Exhibit 7: Economic growth is the primary driver of S&P 500 EPS growth**  
annual data since 1990

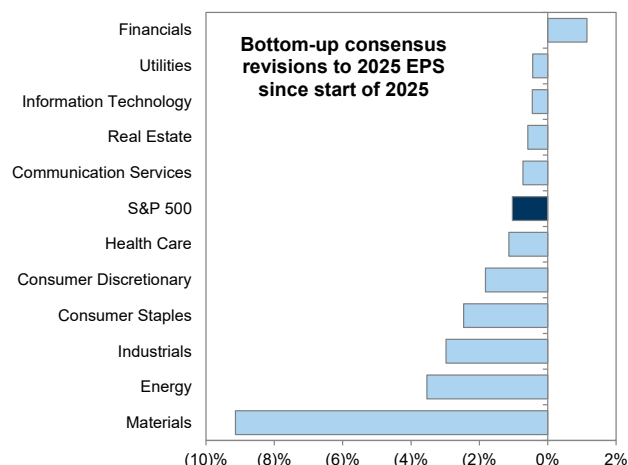


Source: Goldman Sachs Global Investment Research

**Consensus 2025 EPS growth expectations have declined but are now roughly in line with our top-down estimates.** While 4Q earnings season delivered strong trailing results, the outlook for forward earnings has weakened. Consensus bottom-up 2025 EPS growth expectations had been roughly stable during 2024 but have been lowered to 10% today from 13% at the start of the year. The downgrade has been driven primarily by weaker margin expectations (roughly 80% of the YTD revision in 2025 EPS ex-Financials and Utilities) rather than sales (20% of total). Negative EPS growth revisions have been heavily concentrated in cyclical sectors, including Materials, Energy, and Industrials. Our estimates are below consensus in 2026, driven primarily by more conservative margin assumptions.

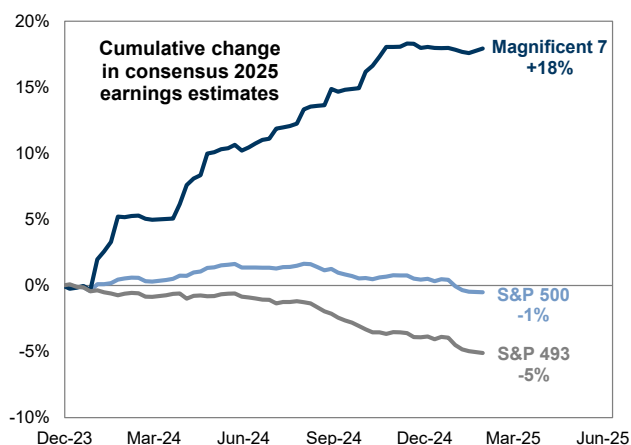
**Exhibit 8: Consensus 2025 EPS growth estimates have come down recently**

Source: FactSet, Goldman Sachs Global Investment Research

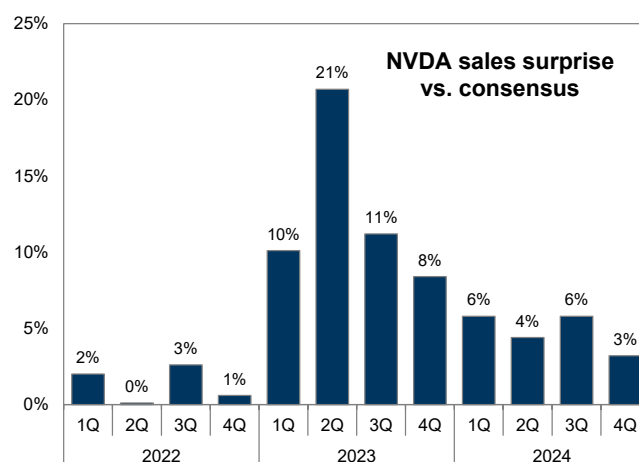
**Exhibit 9: Cyclical sectors have had the most negative EPS revisions**

Source: FactSet, Goldman Sachs Global Investment Research

**EPS revisions for the Magnificent 7 technology stocks, a key source of support for aggregate EPS estimates in 2024, have also stalled.** Consensus 2025 EPS estimates have risen by 18% since the start of last year, compared with a 5% decrease for the S&P 493. But Magnificent 7 estimates have been unchanged since November. During the 4Q earnings season, the aggregate Magnificent 7 sales and EPS surprises equaled 0% and 7%, respectively. Continuing this pattern, this past week NVDA registered its smallest revenue beat relative to consensus expectations since late 2022, before the release of ChatGPT.

**Exhibit 10: Positive Magnificent 7 EPS revisions have stalled**

Source: FactSet, Goldman Sachs Global Investment Research

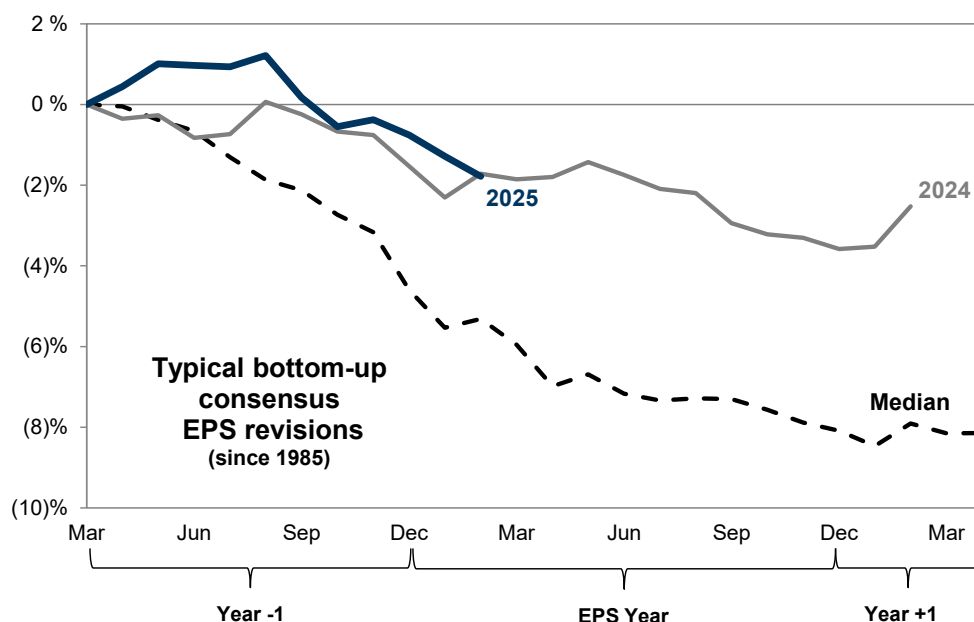
**Exhibit 11: The magnitude of NVDA sales surprises has diminished**

Source: FactSet, Goldman Sachs Global Investment Research

**By themselves, recent negative EPS revisions are not a particularly bearish signal because analysts typically revise estimates lower throughout the course of the year.** The aggregation of analyst EPS estimates is almost always too optimistic initially. Bottom-up consensus EPS estimates have been reduced by an average of -4% each year since 1985. On net, consensus 2025 EPS revisions have still been less negative than the historical pattern, and earnings revision breadth ([Exhibit 32](#)) has recently

improved after dipping to the lowest level in two years.

**Exhibit 12: Path of consensus EPS estimates**



Source: FactSet, Goldman Sachs Global Investment Research

**Within the equity market, we continue to recommend investors own the Health Care sector, which offers investors a defensive tilt at low valuations.** Health Care has outperformed the S&P 500 by 7 pp YTD (+7% vs. 0%) but the median stock still trades at an 18% P/E discount to the S&P 500, nearly the largest valuation discount in recent decades.

**Exhibit 13: Absolute and relative sector valuations**

Median S&P 500 stock			
	Absolute NTM P/E	Premium/ (Discount) to S&P 500	20-year %ile rank
Consumer Staples	17 x	(13)%	0 %
Health Care	16	(16)	0
Media & Entertainment	18	(8)	6
Financials	13	(30)	22
Energy	15	(23)	29
Telecommunication Services	13	(33)	30
Materials	18	(5)	31
Technology Hardware & Equipment	18	(6)	54
Semiconductors & Semiconductor Equipment	20	6	59
Utilities	19	(2)	61
Software & Services	28	48	67
Consumer Discretionary	20	4	69
Industrials	21	10	86

Source: Goldman Sachs Global Investment Research

**Exhibit 14** contains a screen of 41 Health Care stocks that have outperformed the median S&P 500 stock since the February 19th S&P 500 peak. The median stock in the lists trades at a 20% P/E discount to the median S&P 500 stock (15x vs. 19x).



**Exhibit 14: S&P 500 Health Care stocks that have outperformed the median S&P 500 stock since the Feb. 19 peak**

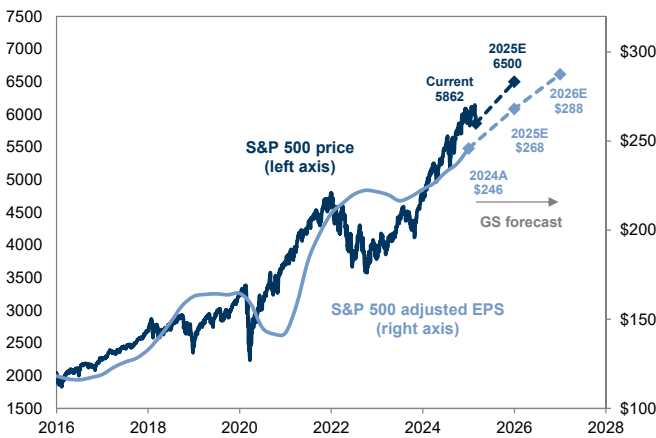
Ticker	Name	Subindustry	2024 return	Return since Feb. 19	NTM P/E	Consensus 2025 growth	
						EPS	Sales
BAX	Baxter Intl	Health Care Equipment	(22)%	14 %	14 x	(9)%	(20)%
SOLV	Solventum Corp.	Health Care Supplies	NM	13	15	(17)	0
WST	West Pharmaceutical Svc.	Life Sciences Tools & Services	(7)	10	35	(10)	(0)
BMJ	Bristol-Myers Squibb	Pharmaceuticals	16	7	9	492	(6)
MRK	Merck & Co. Inc.	Pharmaceuticals	(6)	6	10	18	2
ZTS	Zoetis Inc.	Pharmaceuticals	(17)	5	26	3	1
LLY	Eli Lilly & Co.	Pharmaceuticals	33	4	38	78	32
INCY	Incyte Corp.	Biotechnology	10	4	13	339	10
MDT	Medtronic Plc	Health Care Equipment	0	4	16	8	4
GILD	Gilead Sciences	Biotechnology	19	4	14	72	(0)
COO	Cooper Companies	Health Care Supplies	(3)	4	22	8	6
AMGN	Amgen Inc.	Biotechnology	(7)	4	15	4	5
ABBV	AbbVie Inc.	Biotechnology	19	4	16	21	6
JNJ	Johnson & Johnson	Pharmaceuticals	(5)	4	15	6	1
MCK	McKesson Corp.	Health Care Distributors	24	3	17	25	13
ABT	Abbott Laboratories	Health Care Equipment	5	3	26	10	6
REGN	Regeneron Pharmaceuticals	Biotechnology	(19)	3	16	(6)	3
BIIB	Biogen Inc.	Biotechnology	(41)	2	9	(4)	(5)
MOH	Molina Healthcare	Managed Health Care	(19)	2	11	8	8
CI	Cigna Group	Health Care Services	(6)	2	10	9	2
COR	Cencora Inc.	Health Care Distributors	10	1	16	10	8
UHS	Universal Health Svc.	Health Care Facilities	18	1	10	13	6
CNC	Centene Corp.	Managed Health Care	(18)	1	8	1	5
PFE	Pfizer Inc.	Pharmaceuticals	(2)	1	9	(5)	(1)
ZBH	Zimmer Biomet Holdings	Health Care Equipment	(12)	1	13	3	3
VRTX	Vertex Pharmaceuticals	Biotechnology	(1)	1	26	NM	9
CAH	Cardinal Health	Health Care Distributors	19	1	15	9	5
DHR	Danaher Corp.	Life Sciences Tools & Services	(0)	0	27	2	1
ELV	Elevance Health	Managed Health Care	(21)	0	11	4	10
LH	Labcorp Holdings	Health Care Services	2	0	15	10	7
HCA	HCA Healthcare Inc.	Health Care Facilities	12	0	13	13	6
SYK	Stryker Corp.	Health Care Equipment	21	0	29	11	8
CRL	Charles River Laboratories Intl	Life Sciences Tools & Services	(22)	(0)	18	(9)	(5)
DGX	Quest Diagnostics	Health Care Services	12	(0)	18	8	9
STE	STERIS plc	Health Care Equipment	(6)	(0)	23	8	6
WAT	Waters Corp.	Life Sciences Tools & Services	13	(1)	29	8	4
RMD	ResMed Inc.	Health Care Equipment	34	(1)	23	12	7
TMO	Thermo Fisher Scientific	Life Sciences Tools & Services	(2)	(1)	23	7	2
BDX	Becton, Dickinson	Health Care Equipment	(5)	(1)	15	4	7
HUM	Humana Inc.	Managed Health Care	(44)	(2)	16	1	7
HOLX	Hologic Inc.	Health Care Equipment	1	(2)	15	5	2
<b>List median</b>			(1)%	1 %	15 x	8 %	5 %
<b>S&amp;P 500 median</b>			12	(2)	19	7	4

Source: FactSet, Goldman Sachs Global Investment Research

# S&P 500 earnings and return forecasts

Pricing as of February 27, 2025, unless otherwise noted.

Exhibit 15: Goldman Sachs top-down S&P 500 forecasts



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 16: Goldman Sachs and consensus forecasts for S&P 500 earnings and returns

	Goldman Sachs forecast	Bottom-up analyst consensus	Top-down strategist consensus
<strong>S&amp;P 500 EPS</strong>			
2024	\$246	\$246	\$246
Y/Y growth	10 %	10 %	10 %
2025	\$268	\$270	\$271
Y/Y growth	9 %	10 %	10 %
2026	\$288	\$309	\$294
Y/Y growth	7 %	14 %	9 %
<strong>S&amp;P 500 P/E</strong>			
Current on NTM EPS	22x	21x	21x
<strong>S&amp;P 500 price target</strong>			
YE 2025	6500	NA	6600
Return to target	11 %		13 %
12-month	6500	6850	NA
Return to target	11 %	17 %	

Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

## Biggest stock movers this week

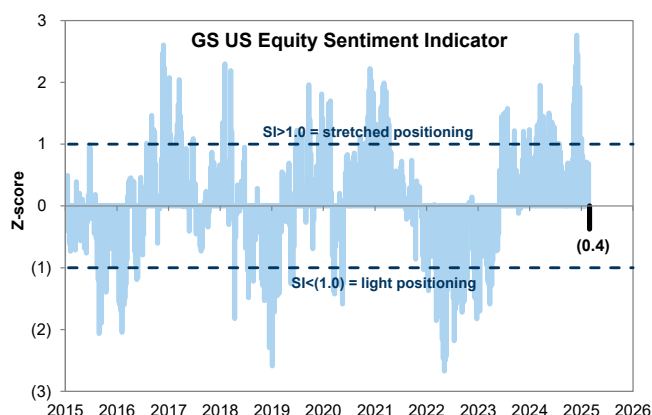
**Exhibit 17: S&P 500 stocks with the largest moves this week**  
as of February 28, 2025

Company	Ticker	Industry group	This week	Total return			Market cap (bn)	Consensus	Fwd 12m
				3m	6m	12m		2025 EPS growth	
Top 10 returns this week									
Erie Indemnity	ERIE	Insurance	12 %	(7)%	(17)%	5 %	\$19	18	NM
Fair Isaac Corp.	FICO	Software & Services	11	(22)	7	44	45	24	62
West Pharmaceutical Svc.	WST	Pharma Biotech & Life Sciences	10	(31)	(26)	(38)	16	(10)	38
AES Corp.	AES	Utilities	9	(19)	(39)	(28)	7	6	6
Cincinnati Financial	CINF	Insurance	9	(9)	9	31	23	(32)	28
Solventum Corp.	SOLV	Health Care Equipment & Svcs	9	15	38	NM	14	(17)	15
Intuit Inc.	INTU	Software & Services	9	(5)	(4)	(10)	168	15	30
American Intl Group	AIG	Insurance	8	4	8	13	47	14	13
RTX Corp.	RTX	Capital Goods	8	9	10	48	174	7	22
Travelers Companies	TRV	Insurance	8	(4)	15	17	58	(16)	14
Bottom 10 returns this week									
Super Micro Computer	SMCI	Tech Hardware & Equipment	(26)%	22 %	(22)%	(50)%	\$25	30 %	14x
Teleflex Inc.	TFX	Health Care Equipment & Svcs	(24)	(28)	(42)	(38)	6	8	9
NetApp Inc.	NTAP	Tech Hardware & Equipment	(20)	(3)	(10)	38	24	7	13
Viartis Inc.	VTRS	Pharma Biotech & Life Sciences	(18)	(28)	(18)	(25)	11	(5)	4
Sempra	SRE	Utilities	(18)	(23)	(11)	4	47	3	15
Palantir Technologies	PLTR	Software & Services	(16)	28	175	246	199	37	151
Tesla Inc.	TSLA	Automobiles & Components	(13)	(15)	35	41	907	14	104
ON Semiconductor	ON	Semiconductors & Semi Equip	(13)	(33)	(38)	(38)	20	(35)	19
Moderna Inc.	MRNA	Pharma Biotech & Life Sciences	(13)	(28)	(61)	(68)	12	NM	NM
Dell Technologies	DELL	Tech Hardware & Equipment	(13)	(13)	(3)	20	76	15	11
Median S&P 500 stock			1 %	(4)%	2 %	12 %	\$36	7 %	19x
S&P 500 Index			(1)	(2)	5	17	52,095	10	21

Source: FactSet, Goldman Sachs Global Investment Research

## Sentiment and flows

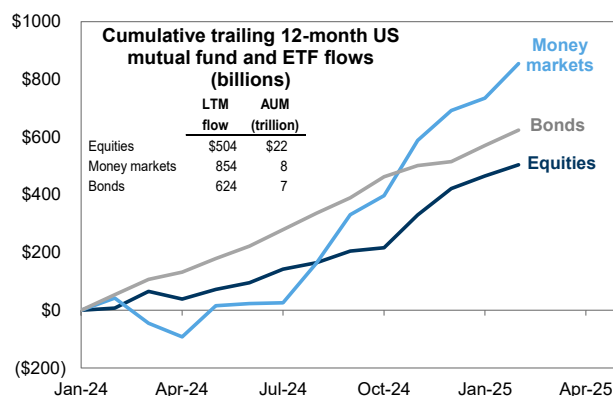
**Exhibit 18: GS US Equity Sentiment Indicator of investor positioning**



The Sentiment Indicator combines 9 measures of positioning across institutional, retail, and foreign investors and has historically been a statistically significant signal for near-term S&P 500 returns.

Source: Goldman Sachs Global Investment Research

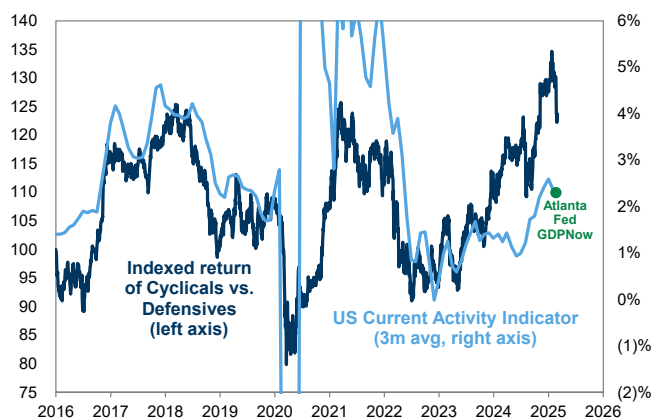
**Exhibit 19: Recent mutual fund and ETF flows**



Source: EPFR, Goldman Sachs Global Investment Research

## Economic growth

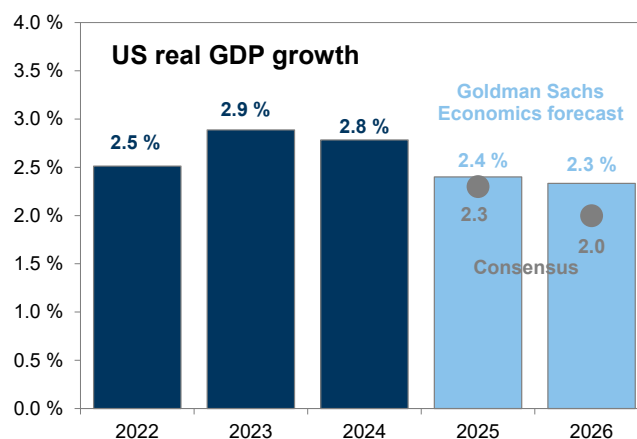
**Exhibit 20: US equity market internal pricing of economic growth**



Cyclicals basket excludes commodity sectors; ticker: GSPUCYDE Index

Source: Atlanta Fed, Goldman Sachs Global Investment Research

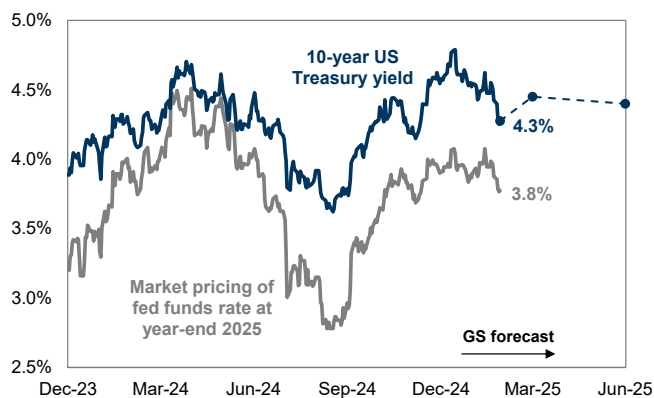
**Exhibit 21: Goldman Sachs and consensus forecasts for US real GDP growth**



Source: Bloomberg, Goldman Sachs Global Investment Research

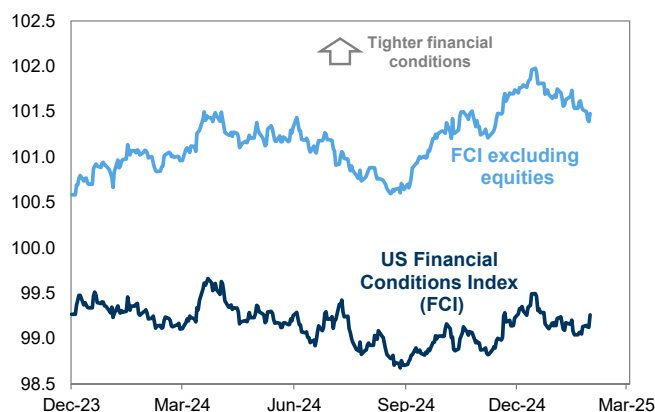
## Interest rates and financial conditions

**Exhibit 22: Market pricing of near-term and long-term interest rate outlook**



Source: Goldman Sachs Global Investment Research

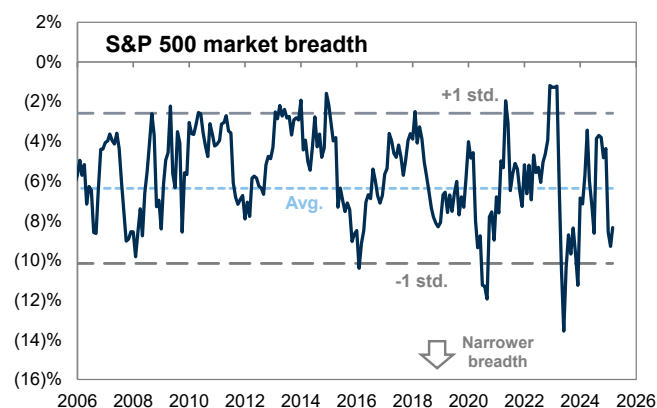
**Exhibit 23: Goldman Sachs Financial Conditions Index**



Source: Goldman Sachs Global Investment Research

## Market breadth and concentration

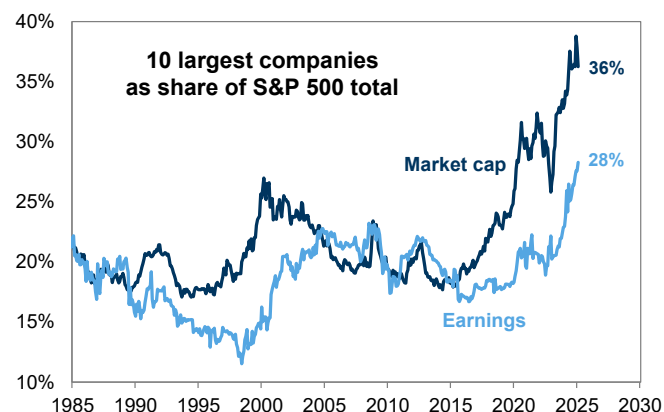
**Exhibit 24: S&P 500 52-week market breadth**



Market breadth calculated as the difference between the distance of the aggregate S&P 500 Index from its 52-week high and the distance of the median S&P 500 constituent from its 52-week high. When the aggregate index is much closer to its 52-week high than is the median stock, market breadth is narrow.

Source: Goldman Sachs Global Investment Research

**Exhibit 25: Concentration of S&P 500 market cap and earnings in the 10 largest index constituents**



Earnings reflect consensus forward 12-month estimates.

Source: Compustat, IBES, FactSet, Goldman Sachs Global Investment Research

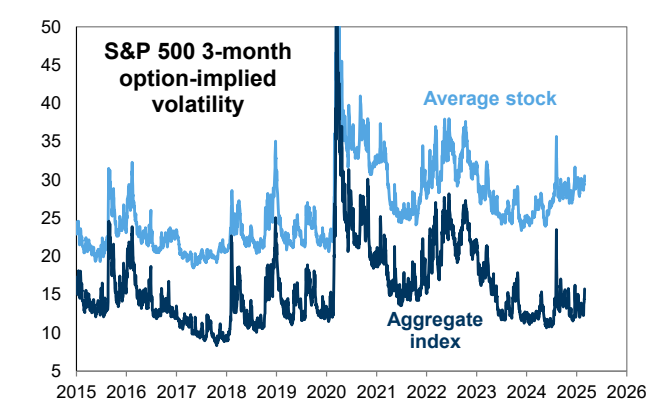
## Correlation and volatility

**Exhibit 26: S&P 500 realized average stock correlation**



Source: Goldman Sachs Global Investment Research

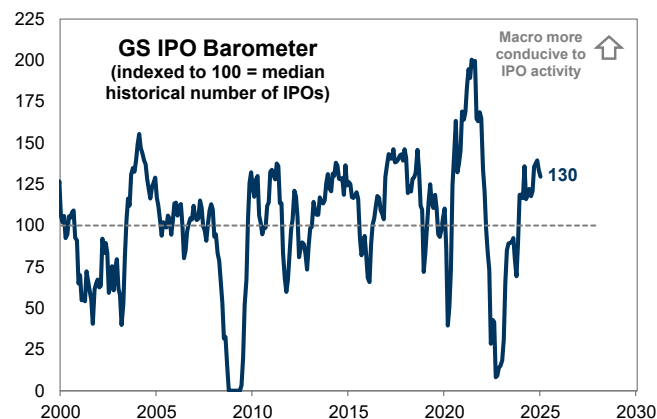
**Exhibit 27: S&P 500 implied volatility**



Source: Goldman Sachs Global Investment Research

## IPO Barometer and mutual fund performance

Exhibit 28: Goldman Sachs IPO Barometer



The Goldman Sachs IPO Barometer combines five indicators that gauge the conduciveness of the macro environment to IPO activity.

Source: Goldman Sachs Global Investment Research

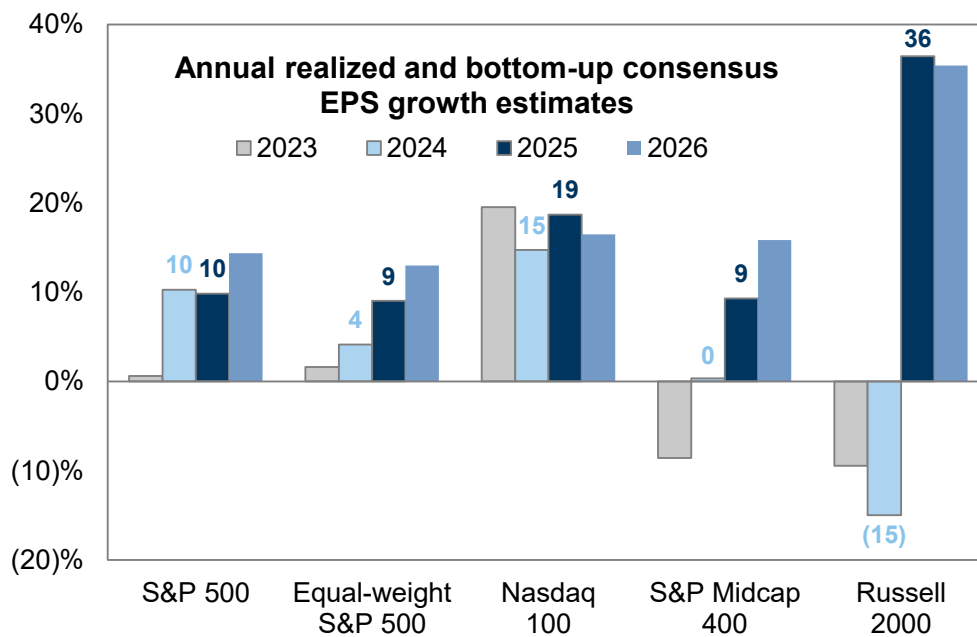
Exhibit 29: US equity mutual fund returns relative to benchmarks

Mutual fund style	Average	% outperforming
	YTD return	benchmarks YTD
Large-cap core	1%	59%
Large-cap growth	-2	77
Large-cap value	3	39
<b>Large-cap total</b>	<b>1%</b>	<b>58%</b>
Small-cap core	-3%	62%

Source: FactSet, Goldman Sachs Global Investment Research

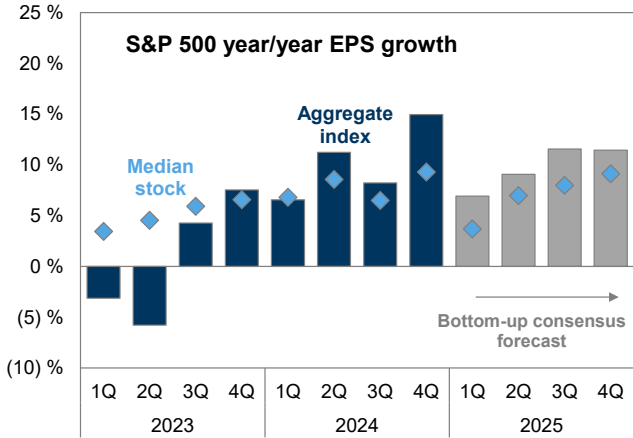
## Earnings growth

Exhibit 30: Realized and consensus EPS growth for select US equity indices



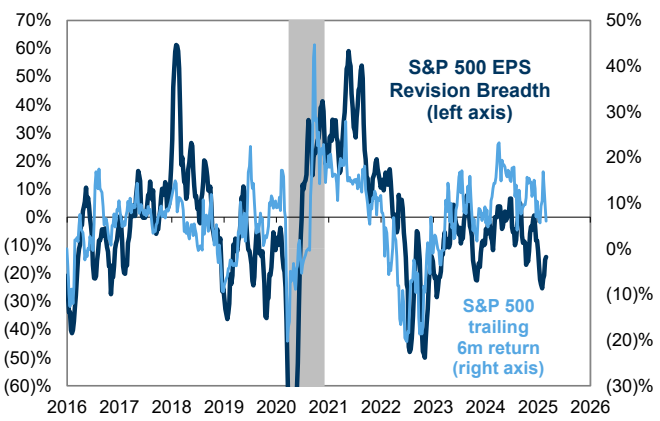
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 31: Realized and consensus year/year S&P 500 EPS growth



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 32: S&P 500 FY2 earnings revision breadth

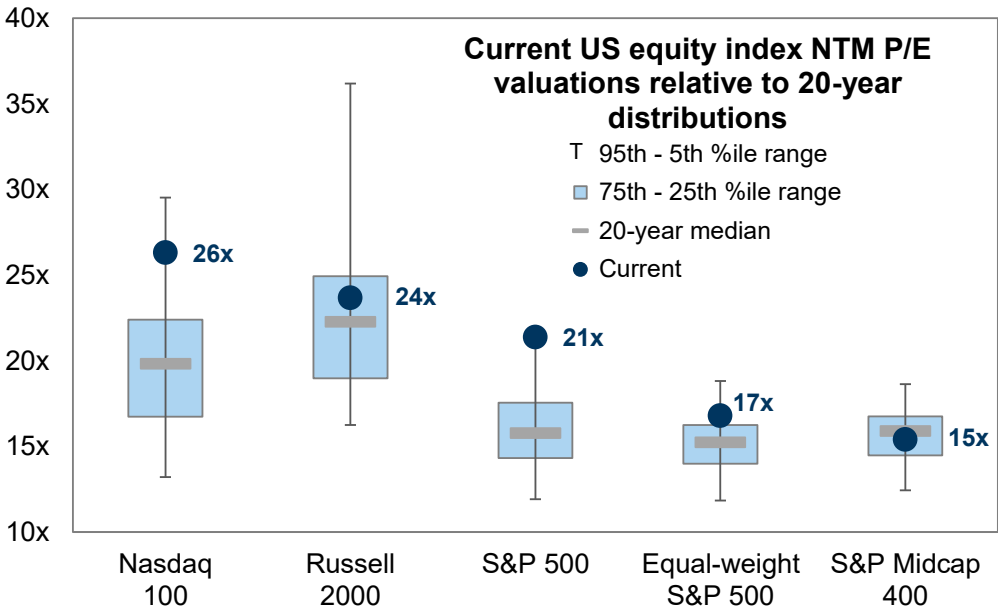


Revision breadth calculated as  $(\# \text{ of companies with positive EPS revisions}) / (\# \text{ of companies with negative revisions}) / (\text{total } \# \text{ of companies})$ . Revisions reflect FY2 EPS estimate changes during a rolling 1-month window.

Source: FactSet, Goldman Sachs Global Investment Research

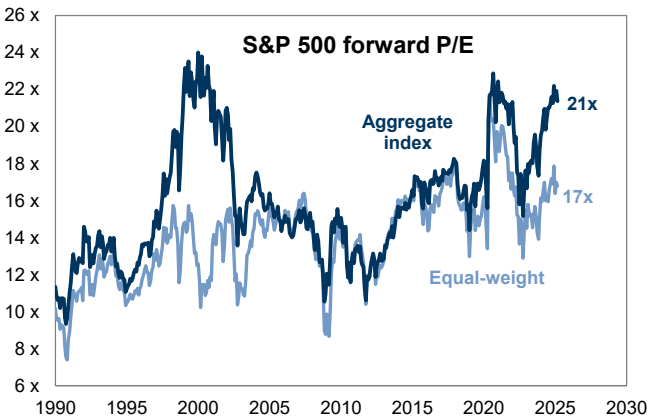
# Valuations

Exhibit 33: US equity index P/E valuations vs. history



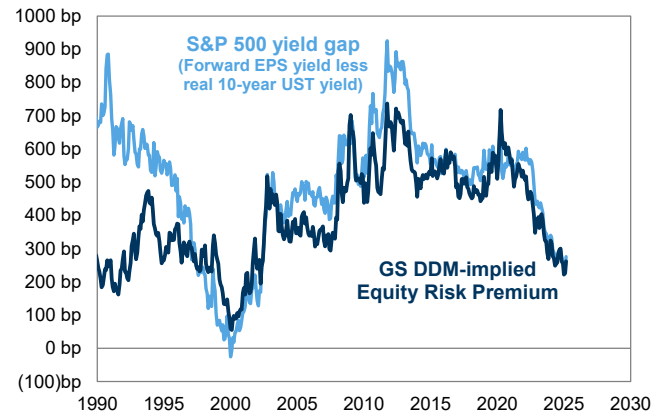
Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research

Exhibit 34: S&P 500 consensus forward 12-month P/E



Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research

Exhibit 35: S&P 500 valuation relative to US Treasury yields

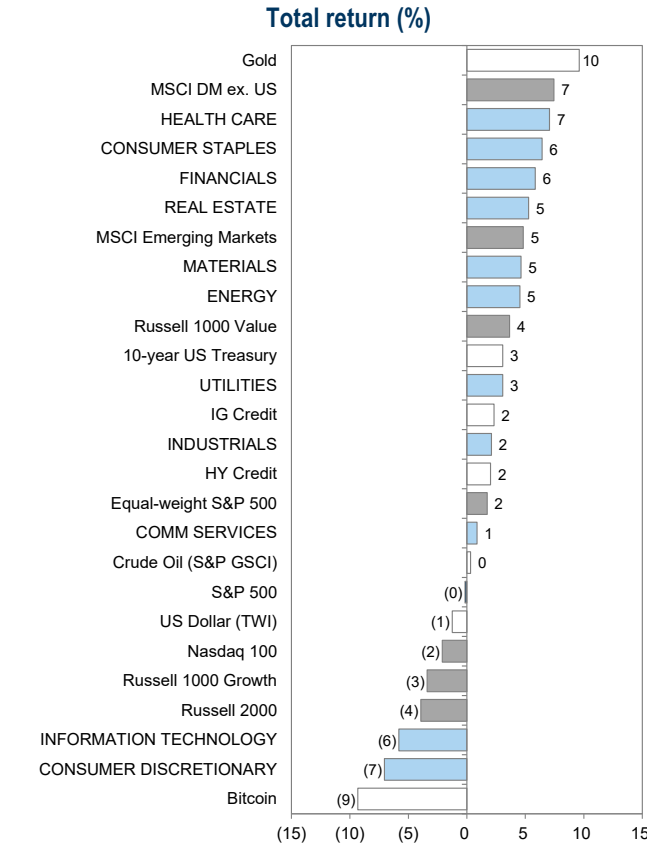


Equity risk premium calculated by solving for the discount rate that equates the fair value of our multi-stage S&P 500 dividend discount model to the current market price and subtracting the 10-year US Treasury yield.

Source: Goldman Sachs Global Investment Research

# YTD absolute and risk-adjusted returns

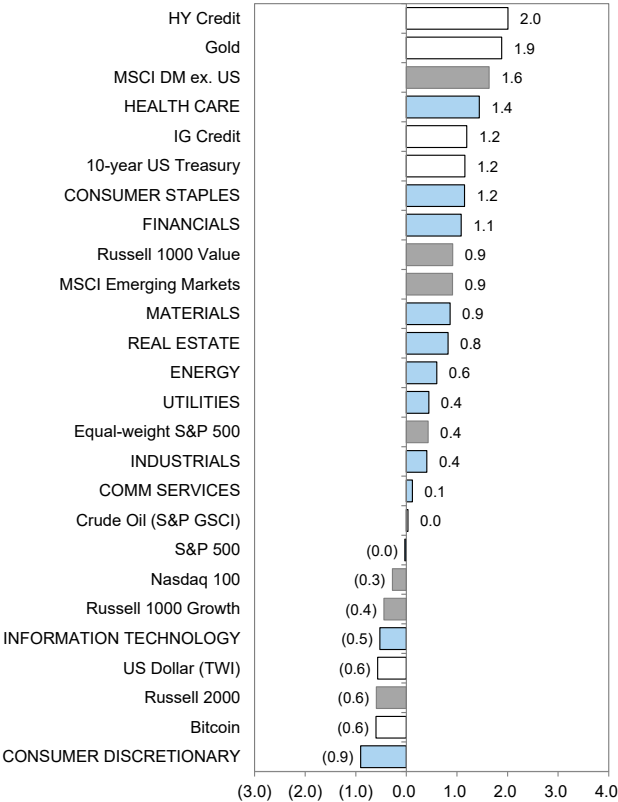
Exhibit 36: YTD asset returns and return/volatility ratios



Crude oil represents S&P GSCI Crude Oil Index.

Source: FactSet, Haver Analytics, Goldman Sachs Global Investment Research

Risk-adjusted return (Return/realized volatility)





## Sector returns, earnings, and valuations

Exhibit 37: Sector and industry group returns

			Top quartile						
			Bottom quartile						
S&P 500			Index weight	1 Week	1 Month	3 Months	Last 12 Mo	YTD	GS
			100 %	(4.2)%	(2)%	(2)%	17 %	(0)%	allocation
S E C T O R	Consumer Staples	6 %	0.9 %	3 %	2 %	18 %	6 %	OW	
	Real Estate	2	0.8	2	(4)	16	5		
	Health Care	11	0.0	(0)	1	2	7	OW	
	Financials	14	(0.5)	(1)	0	29	6	OW	
	Materials	2	(1.9)	(1)	(6)	3	5		
	Industrials	8	(2.4)	(3)	(6)	14	2	OW	
	Utilities	2	(2.8)	0	(5)	30	3		
	Energy	3	(3.3)	(1)	(5)	8	5		
	Communication Services	9	(5.6)	(4)	5	28	1		
	Consumer Discretionary	10	(6.5)	(10)	(4)	17	(7)	OW	
Information Technology	31	(7.9)	(2)	(4)	17	(6)			
I N D U S T R Y  G R O U P	Insurance	2 %	3.4 %	4 %	(1)%	24 %	8 %	OW	
	Household & Personal Products	1	2.7	1	(3)	8	3		
	Pharma Biotech & Life Sciences	6	1.7	3	4	2	8		
	Telecommunication Services	1	1.6	11	8	44	16		
	Food Beverage & Tobacco	3	1.6	6	2	13	7		
	Real Estate Investment Trusts (REITs)	2	0.8	2	(4)	16	5		
	Financial Services	9	(0.5)	(0)	1	27	5		
	Commercial & Professional Svcs	1	(0.7)	1	(3)	16	5		
	Consumer Staples Retail	2	(0.9)	1	5	31	7		
	Consumer Durables & Apparel	1	(0.9)	(5)	(7)	(7)	(2)		
	Consumer Services	2	(1.4)	4	1	18	4		
	Materials	2	(1.9)	(1)	(6)	3	5		
	Health Care Equipment & Services	5	(2.2)	(4)	(3)	2	6		
	Capital Goods	6	(2.3)	(4)	(6)	18	1		
	Banks	4	(2.6)	(4)	(1)	39	6		
	Utilities	2	(2.8)	0	(5)	30	3		
	Energy	3	(3.3)	(1)	(5)	8	5		
	Technology Hardware & Equipment	9	(3.9)	3	1	28	(4)		
	Transportation	1	(4.1)	(5)	(6)	(3)	4		
	Consumer Discretionary Retail	6	(4.5)	(9)	(1)	16	(3)		
	Software & Services	11	(5.9)	(7)	(6)	3	(4)		
	Media & Entertainment	8	(6.4)	(6)	5	26	(1)		
	Semiconductors & Semi Equipment	10	(13.1)	(0)	(5)	26	(9)		
	Automobiles & Components	2	(18.5)	(27)	(15)	34	(28)		

Source: FactSet, Goldman Sachs Global Investment Research

**Exhibit 38: Earnings contributions and growth by S&P 500 sector**

Sector	GS top-down					Consensus bottom-up			
	Contribution			EPS growth		Contribution		EPS growth	
	2024	2025	2026	2025	2026	2025	2026	2025	2026
Info Tech	\$55	<b>\$64</b>	\$72	<b>16 %</b>	12 %	\$66	\$78	19 %	18 %
Financials	46	<b>49</b>	52	<b>6</b>	6	49	55	5	13
Health Care	30	<b>34</b>	37	<b>14</b>	8	35	39	17	10
Comm Services	26	<b>28</b>	31	<b>10</b>	9	28	32	10	14
Cons Discretionary	22	<b>22</b>	24	<b>4</b>	7	22	26	4	16
Industrials	19	<b>21</b>	21	<b>7</b>	3	21	25	9	16
Consumer Staples	15	<b>15</b>	16	<b>2</b>	4	15	16	1	8
Energy	13	<b>13</b>	13	<b>1</b>	0	13	16	0	21
Utilities	8	<b>8</b>	8	<b>6</b>	5	8	9	4	9
Real Estate	6	<b>7</b>	7	<b>3</b>	4	7	7	4	11
Materials	5	<b>5</b>	5	<b>4</b>	2	6	6	7	15
<b>S&amp;P 500</b>	<b>\$246</b>	<b>\$268</b>	<b>\$288</b>	<b>9 %</b>	<b>7 %</b>	<b>\$270</b>	<b>\$309</b>	<b>10 %</b>	<b>14 %</b>

Source: FactSet, Goldman Sachs Global Investment Research

**Exhibit 39: S&P 500 sector P/E valuations relative to history**

	Consensus forward 12-month P/E valuation				
	Current P/E	Absolute P/E		P/E vs. S&P 500	
		%ile rank vs. history		%ile rank vs. history	
		10-year	30-year	10-year	30-year
Information Technology	<b>26x</b>	82%	75%	76%	51%
Consumer Discretionary	<b>26</b>	62	87	34	73
Consumer Staples	<b>22</b>	97	90	37	21
Industrials	<b>22</b>	83	94	85	87
<b>S&amp;P 500</b>	<b>21</b>	<b>76</b>	<b>86</b>		
Materials	<b>20</b>	87	91	53	35
Communication Services	<b>19</b>	59	60	15	5
Real Estate	<b>18</b>	42	63	16	23
Health Care	<b>18</b>	78	68	23	12
Utilities	<b>18</b>	70	90	57	63
Financials	<b>17</b>	82	91	40	40
Energy	<b>14</b>	37	56	38	19

Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research

# Thematic baskets

## Exhibit 40: Recent performance of select Goldman Sachs Research baskets

basket returns expressed relative to the equal-weight S&P 500 except for long/short basket pairs as noted

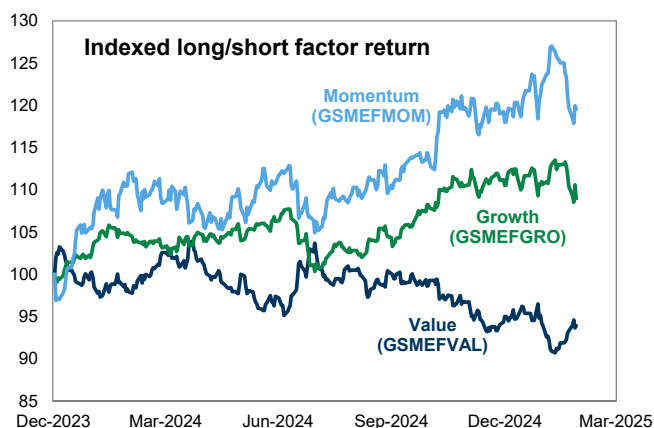
			Top quartile			
			Bottom quartile			
Basket / Index		Ticker (GSTH_____)	1 Wk	Total returns		
			3 Mo	12 Mo	YTD	
Macro-economic	S&P 500	SPX	(4.2)%	(2)%	17 %	(0)%
	Equal-weight S&P 500	SPW	(2.3)	(4)	12	2
	High vs. Low Tax Rate	HTAX / LTAX	1.1 %	1 %	3 %	3 %
	Low vs. High Labor Cost	LLAB / HLAB	(0.7)	(1)	(3)	(2)
	Interest Rate Sensitive	USTY	(2.8)	0	1	(2)
	Dual Beta	BETA	(5.3)	(4)	(8)	(5)
Geographic sales	US Sales	AINT	0.4 %	0 %	(3)%	2 %
	EM Sales	INTL	(2.5)	4	(3)	0
	Western Europe Sales	WEUR	(2.8)	0	(6)	(2)
	International Sales	BRIC	(3.2)	2	(3)	(1)
Fundamental	Stable Growers	STGR	1.1 %	2 %	1 %	2 %
	Strong vs. Weak Balance Sheet	SBAL / WBAL	(0.3)	(3)	(9)	(4)
	High Quality	QUAL	(0.4)	2	(1)	1
	High vs. Low Operating Leverage	OPHI / OPLO	(1.2)	(0)	(0)	(2)
	ROE Growth	GROE	(2.3)	1	(3)	(2)
	Long vs. Short Duration	LDUR / SDUR	(5.2)	(1)	1	3
Uses of cash	Debt Reducers vs. Issuers	DRED / DISS	0.3 %	(1)%	(9)%	(3)%
	Buybacks	REPO	(0.5)	0	(0)	0
	Dividend Growth	DIVG	(0.6)	3	6	4
	Total Cash Return	CASH	(0.9)	4	8	3
	Capex and R&D	CAPX	(2.8)	(1)	(3)	(3)
	High Growth Investment	HGIR	(3.7)	(2)	(6)	(5)
Ownership, risk & liquidity	Mutual Fund Over- vs. Underweights	MFOV / MFUW	2.3 %	(5)%	(6)%	(2)%
	Low vs. High Liquidity	LLIQ / HLIQ	(0.4)	(12)	(21)	(8)
	High Sharpe Ratio	SHRP	(2.3)	(1)	6	(1)
	Hedge Fund VIP	HVIP	(4.2)	5	10	1
Equity research	Oil Input Cost	GSRHOILX	(0.2)%	(6)%	(7)%	(4)%
	Gov't Exposure	GSRHGOVT	(1.8)	1	4	(0)
	M&A Candidates	GSRHACQN	(3.6)	(8)	(27)	(7)
	SMB Exposure	GSRHSMBX	(5.4)	(4)	(5)	(6)

Basket returns and constituents can be accessed via GS Marquee or Bloomberg using the indicated tickers.

Source: Goldman Sachs Global Investment Research

## Factors

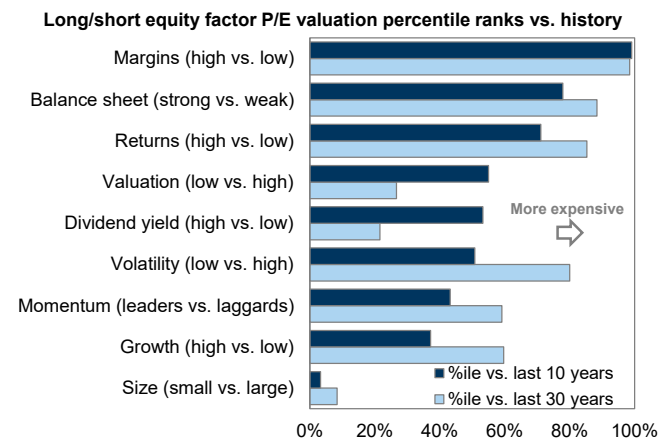
**Exhibit 41: Indexed return of select equity factors**



Factor performance and constituents can be viewed on GS Marquee or Bloomberg using the tickers indicated on the chart.

Source: Goldman Sachs Global Investment Research

**Exhibit 42: Equity factor valuations relative to history**



Source: Goldman Sachs Global Investment Research

## Goldman Sachs global macro research cross-asset forecasts

**Exhibit 43: Goldman Sachs macro research asset forecasts**

### Goldman Sachs Global Macro Forecasts

	units	Current	3m	6m	12m	Change to 12m target
<b>Equities</b>						
TOPIX	level	2736	3000	3000	3100	13 %
<b>S&amp;P 500</b>	<b>level</b>	<b>5862</b>	<b>6100</b>	<b>6300</b>	<b>6500</b>	<b>11</b>
MXAPJ	level	591	610	620	640	8
STOXX Europe 600	level	557	560	570	580	4
<b>10-year rates</b>						
Japan	%	1.4	1.4	1.5	1.7	30 bp
US	%	4.3	4.4	4.4	4.4	13
Euro Area (Germany)	%	2.4	2.0	1.9	2.0	(48)
<b>Corporate bonds</b>						
High yield	bp	275	285	290	300	25 bp
Investment grade	bp	85	82	83	85	0
<b>Currencies</b>						
US dollar / Yen	\$/¥	150	160	161	162	8 %
Sterling / US dollar	£/\$	1.26	1.23	1.22	1.20	(5)
Euro / US dollar	EUR/\$	1.04	1.00	0.97	0.97	(7)
<b>Commodities</b>						
LME copper	\$/mt	9416	9600	10000	10700	14 %
COMEX gold	\$/troy oz	2896	2930	3000	3160	9
NYMEX nat. gas	\$/mmBtu	4	3.50	3.60	4.15	5
Brent crude oil	\$/bbl	74	80	79	76	3

Source: FactSet, Goldman Sachs Global Investment Research

# Disclosure Appendix

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We, David J. Kostin, Ben Snider, Ryan Hammond, Jenny Ma, Daniel Chavez and Kartik Jayachandran, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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