MARKET PULSE

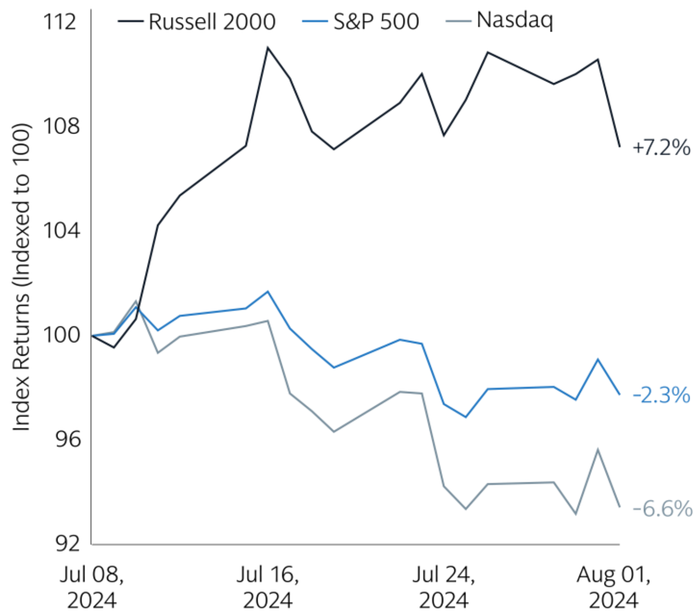
MACRO VIEWS

DM GROWTH: In the US, we remain keenly attuned to the next phase of labor rebalancing. July employment report was weak across the board with the unemployment rate rising 0.2pp to 4.3% raising concerns of a more meaningful deterioration ahead. That said, the current level of job openings and still healthy pace of final demand indicate still resilient labor dynamics reducing downside risk, in our view. In Europe, we remain cautiously optimistic about the economic recovery, with political gridlock in France and trade policy uncertainty in the Euro area more broadly serving as key risks.

MONETARY POLICY: The Bank of Japan (BoJ) surprised the market by hiking rates by 15bp to 0.25% in July. It also announced the reduction of its JGB purchases to about JPY 3tn in Q1 2026 as the Bank judged activity and prices had been developing in line with its outlook. In the US, the Fed left its policy rate unchanged while noting that a cut could be on the table in September. GIR now expects 3 consecutive 25bp rate cuts in September, November, and December.

GLOBAL ELECTIONS: By the end of 2024, more voters will have gone to the polls to express their sentiment on leadership and ideology than in any other calendar year on record. So far, mixed results have failed to provide any consistent ideological migration. What does appear clear are stinging rebukes of incumbents and highly binary nationalistic sentiment. Additionally, the US Democratic switch from Biden to Harris atop the ticket has reset prediction markets to very competitive pre-debate levels.

CHART OF THE MONTH[1]



MARKET VIEWS

VOLATILITY: Weaker US macro data and the BoJ's surprise hike led to a spike in volatility across markets with the VIX crossing above 50, the highest since the COVID-19 crisis in March 2020. While risk assets have been hit globally, Japanese equities have been hit especially hard, experiencing their largest daily decline in almost 4 decades with the TOPIX index falling by more than -12% on Monday 5th of August. The overall risk-off sentiment and the rapid Yen appreciation following the BoJ's rate hike have been two key contributors to the recent price action.

SMALL CAPS: Disinflation and cooling US labor demand should soon rationalize an interest rate cut from the Fed, in our view. As the market-priced probability for a September rate cut moved from 58% at the beginning of July to 100% in early August, the Russell 2000 outperformed the S&P 500 by 9.5pp. Absent a more meaningful weakening in labor data, the relief to smaller companies' debt burdens via lower rates should provide staying power to the recent small-cap rally, in our view.

RATES: Following the recent rally in global yields, we expect rate volatility to stabilize from here as further macro deterioration should remain limited. In the US, the curve may be set to steepen as both sides of the Fed's mandate have moved into better balance and a September cut now appears likely.

FX: The USD/JPY experienced a sharp move lower following the BoJ's rate hike and the increased odds of a Fed's rate cut in September. That said, we do not expect further major downside from here as markets become less concerned about US growth and rates stabilize near current levels.

ASSET CLASS FORECASTS[2]

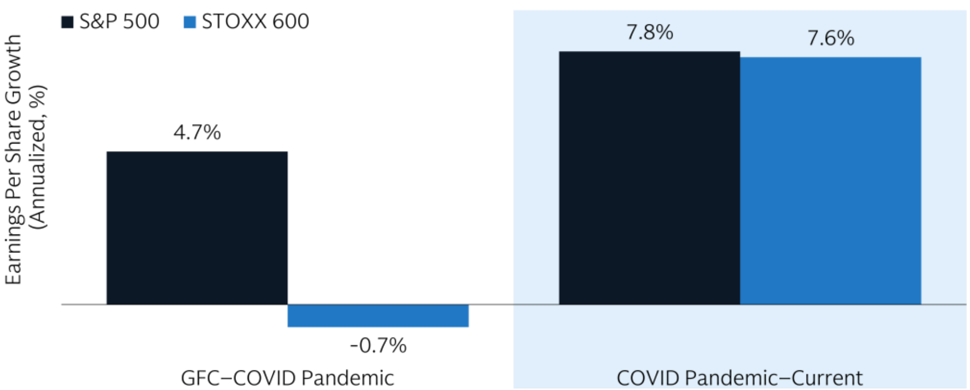
	Current	3m	12m	% Δ to 12m
EQUITIES				
S&P 500 ($)	5347	5400	5700	6.6
STOXX Europe (€)	498	510	540	8.5
MSCI Asia-Pacific Ex-Japan ($)	554	570	615	11.1
TOPIX (¥)	2538	2800	2900	14.3
RATES				
10-Year Treasury	3.8	4.3	4.2	39 bp
10-Year Bund	2.2	2.3	2.2	0 bp
10-Year JGB	0.9	1.2	1.6	71 bp
CURRENCIES				
Euro (€/$)	1.09	1.05	1.08	-1.0
Pound (£/$)	1.28	1.27	1.32	3.1
Yen ($/¥)	147	155	150	2.1
REAL ASSETS				
Brent Crude Oil ($/bbl)	76.8	86	81	5.5
London Gold ($/troy oz)	2414	2600	2700	11.9

Source: MSCI, GS Global Investment Research (GIR), and Goldman Sachs Asset Management. As of August 2024. "We/Our" 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 5 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.**

Turning Tides

Amid market volatility, global investors may want to focus on their strategic asset allocation and revisit their regional equity exposure. Investors often rationalize their underweight DM ex US equity positions by their underperformance relative to US counterparts for 11 of the last 15 calendar years. With that said, we don't believe past underperformance is a factor which governs future return prospects. Instead, fundamental drivers such as earnings, interest rates, and dividends are of higher consideration and when analyzing these factors. We find that the tides that have supported recent US dominance may be turning.

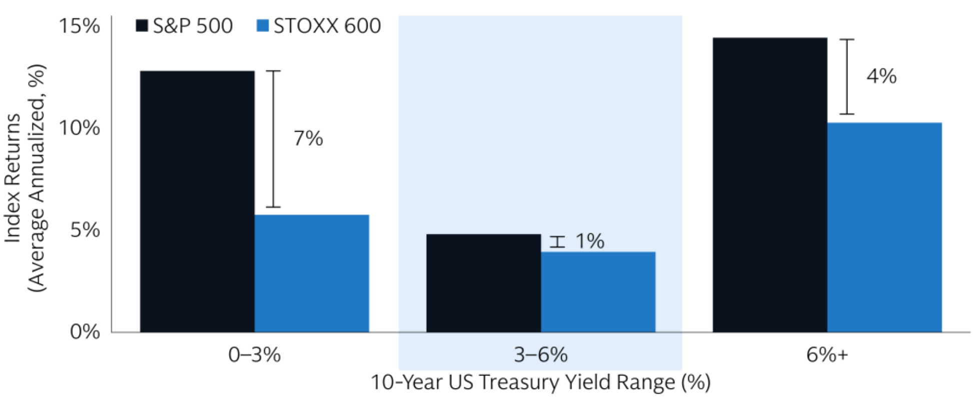
EARNINGS



Most fundamental to equity returns is earnings growth. The consistency of US outperformance in recent history may therefore not be a surprise. Between the Global Financial Crisis and the onset of the pandemic, S&P 500 corporations grew earnings by roughly 5% per annum, relative to STOXX 600 corporations which saw earnings contract by roughly –1% per annum. However, since March 2020, European companies have been far more competitive with US peers, growing earnings at roughly the same pace.

Source: Bloomberg and Goldman Sachs Asset Management.

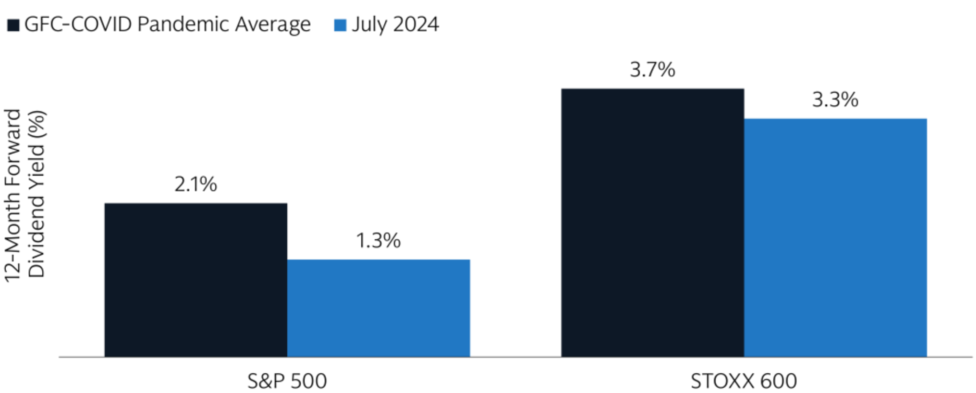
INTEREST RATES



Falling interest rates between 2008 and 2020 were a welcome development for US equities given their higher exposure to the technology sector relative to Europe. Since bottoming in 2020 however, the 10-year US Treasury yield has stabilized at a higher floor and will likely remain elevated regardless of near-term policy rate movements, in our view. During similar rate environments historically, European equities underperformed US counterparts by an average of just –1pp annualized, relative to –7pp in low-rate environments.

Source: Bloomberg and Goldman Sachs Asset Management.

DIVIDENDS



Dividends are another key driver of equity performance. European equities are historically known for their higher dividend yields – they offered a dividend yield of about 4% on average before the pandemic, which is almost twice as much as in the US. While the US has done more buybacks in the past, Europe has been catching-up recently while still distributing more dividends. We estimate that STOXX 600 now returns about 5% to investors, when accounting for buybacks, bringing the total shareholder yield close to an all-time high.

Source: Bloomberg and Goldman Sachs Asset Management.

"We/Our" refers to Goldman Sachs Asset Management. Top Section Notes: Source: Bloomberg and Goldman Sachs Asset Management. As of June 28, 2024. Middle Section Notes: Source: Bloomberg and Goldman Sachs Asset Management. As of June 28, 2024. Bottom Section notes: Source: Bloomberg and Goldman Sachs Asset Management. As of July 30, 2024. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There is no guarantee that objectives will be met. There can be no assurance that forecasts will be achieved. Please see additional disclosures at the end of this document. **Past performance does not guarantee future results, which may vary.**

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1. Chart Source: Bloomberg and Goldman Sachs Asset Management. As of August 1, 2024. **Past performance does not guarantee future results, which may vary.**
2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "Global equities lost 2%; Momentum underperformed" – August 5, 2024. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially.

Page 1 Definitions

DM refers to developed market

PBOC refers to the People's Bank of China

RMB refers to Renminbi

Pp refers to percentage points

Fed refers to the Federal Reserve

HY refers to High Yield

IG refers to Investment Grade

Page 2 Notes

Top Section Notes: GFC refers to Global Financial Crisis. The period between the Global Financial Crisis and COVID Pandemic references trailing twelve-month earnings growth between January 2008 and February. The period between the COVID Pandemic onward references trailing twelve-month earnings growth between February 2020 to June 2024.

Index Benchmarks

The **S&P 500 Index** is the Standard & Poor's 500 Composite Stock Prices Index of 500 stocks, an unmanaged index of common stock prices. The index figures do not reflect any deduction for fees, expenses or taxes. It is not possible to invest directly in an unmanaged index.

The **Nasdaq Composite Index** is a broad-based market index that includes more than 3700 stocks listed on the Nasdaq stock exchange.

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. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region.

The **Japan TOPIX Index** is a capitalization-weighted index of the largest companies and corporations that are found in the First Section of the Tokyo Stock Exchange.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **MSCI AC Asia ex Japan Index** captures large and mid cap representation across 2 of 3 DM countries (excluding Japan) and 8 EM countries in Asia.

Risk Considerations

Equity securities are more volatile than bonds and subject to greater risks. Foreign and emerging markets investments may be more volatile and less liquid than investments in US securities and are subject to the risks of currency fluctuations and adverse economic or political developments. Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. The currency market affords investors a substantial degree of leverage. This leverage presents the potential for substantial profits but also entails a high degree of risk including the risk that losses may be similarly substantial. Currency fluctuations will also affect the value of an investment.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, liquidity, interest rate, prepayment and extension risk. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. The value of securities with variable and floating interest rates are generally less sensitive to interest rate changes than securities with fixed interest rates. Variable and floating rate securities may decline in value if interest rates do not move as expected. Conversely, variable and floating rate securities will not generally rise in value if market interest rates decline. Credit risk is the risk that an issuer will default on payments of interest and principal. Credit risk is higher when investing in high yield bonds, also known as junk bonds. Prepayment risk is the risk that the issuer of a security may pay off principal more quickly than originally anticipated. Extension risk is the risk that the issuer of a security may pay off principal more slowly than originally anticipated. All fixed income investments may be worth less than their original cost upon redemption or maturity.

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When interest rates increase, fixed income securities will generally decline in value. Fluctuations in interest rates may also affect the yield and liquidity of fixed income securities.

Performance Data

Period	S&P500	STOXX600	Russell 2000	Nasdaq
Jun-2023 - Jun-2024	23%	11%	10%	30%
Jun-2022 - Jun-2023	18%	13%	12%	5%
Jun-2021 - Jun-2022	-12%	-10%	-25%	-8%
Jun-2020 - Jun-2021	39%	26%	62%	73%
Jun-2019 - Jun-2020	5%	-6%	-7%	7%

The currency perspective is local.

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