




MARKET PULSE

10 FOR 2024

- 1. GROWTH:** We continue to see limited recession risk in the coming year and expect several tailwinds to global growth, including strong real household income growth, a smaller drag from monetary and fiscal tightening, a recovery in manufacturing activity, and a more dovish approach from central banks.
- 2. INFLATION:** Inflation progress is in store for 2024 as labor markets rebalance and goods, services, and shelter price categories normalize further. In Europe, despite elevated wage growth, weakening consumer demand may reduce cost pass-through and therefore ease services price pressures. With that said, higher energy prices remain a key risk.
- 3. MONETARY POLICY:** Global inflation rates have continued to decline, and we now expect earlier and more aggressive interest rate cuts from several major DM central banks. Our colleagues in GIR expect 125 bps of rate cuts to be delivered by the Fed in 2024, beginning in March. The ECB and BoE should follow soon after, delivering a faster pace of cuts given even lower inflation and materially weaker growth, in our view.
- 4. ELECTIONS:** 2024 will feature 40 national elections, with more than 40% of the world's population and global GDP participating. This political landscape may introduce a fresh element of instability into a world already grappling with heightened geopolitical uncertainty.
- 5. DM EQUITIES:** As inflation has slowed and central banks have turned more dovish, interest rate relief may support higher valuations and stronger corporate profitability. Still, a bottom-up, micro focus seems appropriate as higher interest rates relative to last cycle may expose vulnerable companies across various sectors, capitalizations, and styles. We view Japan as unique as the BoJ may begin hiking in 2024, though we see this shift to macro normalcy as a tailwind for Japanese equities.
- 6. EM EQUITIES:** Two catalysts which may aid performance in 2024 are 1) policy easing by EM central banks and 2) China's ongoing recovery. China's recovery has been lackluster, but a focus by the PBoC to revive economic growth may boost consumption. Additionally, supply chain diversification may create opportunities in other parts of Asia and LatAm.
- 7. RATES:** We view sovereign bonds as attractive, despite our view that rates will settle lower than initially anticipated. We expect government bonds to provide strong total returns next year and favor extending duration as longer-dated fixed income has historically outperformed cash during central bank pauses.
- 8. CREDIT:** The credit outlook is relatively stable, in our view. A healthy private sector has supported issuer quality, while declining cash yields may increase the relative attractiveness of corporate credit. We find IG credit attractive and prefer up-in-quality positioning in high yield as we move past peak credit quality and financing costs increase.
- 9. CURRENCIES:** The US dollar has remained highly valued. While global economies entering a better balance may weigh on the dollar's valuation over time, stronger growth and higher yields in the US may raise the hurdle for a contending currency to emerge in the near-term.
- 10. COMMODITIES:** Barring any geopolitical catalysts, we expect the price of oil to remain rangebound throughout 2024. Strong demand on receding global recession fears and structural constraint from OPEC+ may offset weak activity data in China and higher supply in the US.

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

ASSET CLASS VIEWS¹

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

ASSET CLASS FORECASTS²

	Current	3m	12m	% Δ to 12m
S&P 500 (\$)	4719	4800	5100	8.1
STOXX Europe (€)	477	470	500	4.9
MSCI Asia-Pacific Ex-Japan (\$)	516	515	550	6.6
TOPIX (¥)	2332	2500	2650	13.6
10-Year Treasury	3.9	3.9	4.0	6 bp
10-Year Bund	2.0	2.1	2.0	-1 bp
10-Year JGB	0.7	0.7	0.9	20 bp
Euro (€/\$)	1.09	1.08	1.12	2.7
Pound (£/\$)	1.27	1.28	1.35	6.2
Yen (\$/¥)	142	145	140	-1.3
Brent Crude Oil (\$/bbl)	76.5	80	80	4.5
London Gold (\$/troy oz)	2035	2065	2175	6.9

2023: Year in Review

Calendar year 2023 exceeded consensus expectations across many economic and market measures. The risk of a global recession was top of mind for many investors throughout the majority of the year. Yet, major central banks concluded their respective hiking cycles as economies experienced strong disinflation, all while labor markets and global growth remained resilient. As 2023 comes to a close, we summarize what was an eventful past year before looking ahead to 2024.

2023

- January ● The US unemployment rate falls to 3.4%, its lowest level since May 1969
- February ● Joe Biden delivers his State of the Union address
- March ● Silicon Valley Bank becomes the largest bank to fail since the Global Financial Crisis
OpenAI launches GPT-4
- April ● India surpasses China as the world's most populous country
- May ● The Writers Guild of America begins its strike against major Hollywood studios
- June ● The US federal government avoids default by signing the Fiscal Responsibility Act
- July ● 'Barbenheimer' produces the fourth-highest grossing weekend in American cinema history, going on to generate over \$2bn in sales
- August ● Fitch downgrades the US credit rating from AAA to AA+
- September ● The United Auto Workers strike begins at each of the Big Three automakers
- October ● Kevin McCarthy is removed as Speaker of The House
- November ● Xi Jinping visits the US for the first time since 2017
- December ● Taylor Swift is named the 2023 Time Person of the Year

488 Days

Number of trading days since the last S&P 500 all-time high, the longest streak since the Global Financial Crisis

5.25–5.50%

The range of the Fed's policy rate reached in July, the highest level since 2001

2007

The last time the yield on the 10-Year US Treasury Note hit 5%

NVDA

Best performing S&P 500 stock of the year, returning 233% year-to-date

3.5%

Year-over-year US Core PCE reading in October, its lowest level in two years

Japan

The only major Developed Market country with negative real interest rates

\$1.7tn

Cumulative US deficit in FY2023

8.09%

The average rate of a US 30-year fixed rate mortgage in October, the highest level in over two decades

Source: Bloomberg, Business Insider, Bipartisan Policy Center, Time Magazine, United Nations Department of Economic and Social Affairs, National Public Radio, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of December 19, 2023. For illustrative purposes only. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. **Past performance does not predict future returns and does not guarantee future results, which may vary.**

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2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: “Global equities gained 2.6%; Cyclical outperformed” – 12/18/2023.

Page 1 Definitions

Dovish refers to relatively more accommodative monetary policy

GIR refers to Goldman Sachs Global Investment Research

ECB refers to the European Central Bank

BoE refers to the Bank of England

GDP refers to gross domestic product

DM refers to developed market

Fed refers to the Federal Reserve

Soft landing refers to declining inflation absent a recession

BoJ refers to the Bank of Japan

EM refers to emerging market

PBoC refers to the People's Bank of China

LatAm refers to Latin America

IG refers to investment grade

OPEC+ refers to The Organization of the Petroleum Exporting Countries and its allies

Page 2 Definitions

Barbenheimer refers to the cultural phenomenon surrounding the simultaneous theatrical release of two films, Warner Bros. Pictures' Barbie and Universal Pictures' Oppenheimer

Big Three automakers refers to the three largest car manufacturers in the United States: General Motors Company (GM), Stellantis (STLA), formerly known as Fiat Chrysler, and Ford Motor Company (F)

Fed refers to the Federal Reserve

US Core PCE refers to US Core Personal Consumption Expenditures Index, year-over-year

FY refers to fiscal year

Bn refers to billion

NVDA refers to Nvidia Corporation

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 **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 **MSCI AC Asia Pacific ex Japan Index** captures large and mid cap representation across 4 of 5 Developed Markets countries (excluding Japan) and 8 Emerging Markets countries* in the Asia Pacific region. With 1,309 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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.

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, call and extension risk.

International securities may be more volatile and less liquid and are subject to the risks of adverse economic or political developments. International securities are subject to greater risk of loss as a result of, but not limited to, the following: inadequate regulations, volatile securities markets, adverse exchange rates, and social, political, military, regulatory, economic or environmental developments, or natural disasters.

Emerging markets investments may be less liquid and are subject to greater risk than developed market investments as a result of, but not limited to, the following: inadequate regulations, volatile securities markets, adverse exchange rates, and social, political, military, regulatory, economic or environmental developments, or natural disasters.

Commodities greater volatility than investments in traditional securities. Investments in commodities may be affected by changes in overall market movements, changes in interest rates, or factors affecting a particular industry or commodity. Commodities are also subject to social, political, military, regulatory, economic, environmental or natural disaster risks.

The risk of foreign currency exchange rate fluctuations may cause the value of securities denominated in such foreign currency to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. These risks may be more pronounced for investments in securities of issuers located in, or otherwise economically tied to, emerging countries. If applicable, investment techniques used to attempt to reduce the risk of currency movements (hedging), may not be effective. Hedging also involves additional risks associated with derivatives.

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