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 an increased willingness of central banks to deliver insurance cuts if growth slows.

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: Central banks will likely take a cautious approach as attention shifts from inflation to economic growth risk. Our colleagues in GIR expect the ECB to start cutting interest rates in 2Q2024, but possibly sooner should activity deteriorate. In contrast, stronger growth in the US may warrant a policy pause until 4Q2024. In Japan, we see scope for an exit from negative interest rates in 1H2024.

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 macro sentiment has improved this year, a soft landing appears to have been reflected in equity prices across developed markets. A bottom-up, micro focus seems appropriate as higher-for-longer rates may expose vulnerable companies across various sectors, capitalizations, and styles. Japan is unique in that 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, in part due to the recent rise in real yields. 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.

ASSET CLASS VIEWS[1]

Less Favorable | More Favorable

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

ASSET CLASS FORECASTS[2]

	Current	3m	12m	% Δ to 12m
S&P 500 ($)	4595	4500	4700	2.3
STOXX Europe (€)	466	450	480	3.0
MSCI Asia-Pacific Ex-Japan ($)	503	515	550	9.4
TOPIX (¥)	2383	2500	2650	11.2
10-Year Treasury	4.2	4.8	4.6	35 bp
10-Year Bund	2.4	2.6	2.3	-8 bp
10-Year JGB	0.7	1.1	1.3	60 bp
Euro (€/$)	1.09	1.04	1.10	1.1
Pound (£/$)	1.27	1.18	1.25	-1.4
Yen ($/¥)	147	155	150	2.0
Brent Crude Oil ($/bbl)	78.9	86	94	19.2
London Gold ($/troy oz)	2056	2050	2050	-0.3

Source: GS Global Investment Research (GIR) and Goldman Sachs Asset Management. As of November 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.**

Ms. Perception

The state of the global economy is dependent on the lens in which one views it through, with bulls and bears alike pointing to separate sides of the same coin in support of their respective positions. Through a balanced assessment of these mixed signals, we expect at-trend growth in 2024. With that said, this relative optimism may be well-reflected in some markets, highlighting the importance of enhanced risk awareness and portfolio balance as economies find their way to a state of normalcy.

GROWTH

A HIGHLY ANTICIPATED NON-EVENT: In late 2022, several forecasters considered a recession a foregone conclusion. Today, the consensus probability of a US recession in the next twelve months is roughly 50%, versus GIR's probability of just 15%[1].

LEI DOWN: The Conference Board Leading Economic Index (LEI) has now declined for 19 consecutive months for the third time in history. The last two times that such a streak occurred, the US economy had already been in a recession for at least 11 months[2].

LABOR OF LOVE: The US unemployment rate has been below 4.0% for 21 straight months, the longest streak in 50+ years and third longest streak ever[3].

CONSUMER

SHOPPING SPREE: US consumers spent $12.7bn and $9.8bn online on Amazon Prime Day and Black Friday, respectively, both all-time highs[4].

EXTRA CREDIT: Credit card spending has also increased measurably. Outstanding US credit card balances total $1.08tn, the highest level on record. Since 4Q2021 alone, credit card balances have increased by $223bn[5].

MISS AMERICANA: Taylor Swift's Eras Tour has been the most lucrative concert run in American history. Estimates indicate that Swifties have spent nearly $6bn on tickets, travel, hotels, food, and outfits, higher than the annual GDP of 46 countries[6].

EQUITIES

WAITING GAME: AI tailwinds have not been enough to help the S&P 500 surpass its January 2022 high. The index is currently in its fifth longest streak since 1950 with no ATH[7].

JUST CONCENTRATE: The S&P 500 is more concentrated now than it ever has been. The top ten companies in the S&P 500 by market cap make up ~33% of the index, versus 25% prior to the dot-com bubble and 20% on average over the past 35 years[8].

SOMETHING FOR EVERYONE: Heading into 2023, the range of strategists' highest and lowest S&P 500 year-end price targets was ~33.0%, its widest since 2009. Today, the same range for year-end 2024 is only 6.6%[9].

FIXED INCOME

INTERESTING: The weighted average interest rate for S&P 500 nonfinancial firms is the lowest it has been since the 1960s and is projected to be below 4% through year-end 2024[10].

UNYIELDING INVERSION: The spread between the 10-Year and 3-Month US Treasury yields bottomed at –189 bps in June 2023, its deepest inversion on record. Additionally, at 250 trading days, this is the longest streak with a negative 10y3m spread on record[11].

FOURTH TIME'S A CHARM: The 10-Year US Treasury note is on pace to finish with negative total returns for the third-consecutive year, an unprecedented streak[2].

Source: Goldman Sachs Asset Management. As of November 2023. [1]Wall Street Journal, [2]Conference Board, [3]FRED, [4]Digital360Commerce, [5]LendingTree, [6]Washington Post, [7,8,9,10]Bloomberg, [11]FRED. "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. **Past performance does not guarantee future results, which may vary.**

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1. Asset Class Outlook for equities, credits, sovereigns, real assets, and currencies are informed by Goldman Sachs Asset Management, Goldman Sachs Global Investment Research, and Goldman Sachs Investment Strategy Group views. The views expressed herein are as of November 2023 and subject to change in the future. “Shorter Term” view refers to less than 6 months. “Longer Term” view refers to 1–5 years. Individual portfolio management teams for Goldman Sachs Asset Management may have views and opinions and/or make investment decisions that, in certain instances, may not always be consistent with the views and opinions expressed herein.
2. Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: “Global equities gained 0.8%; China underperformed” – 12/04/2023.

Page 1 Definitions

Insurance cuts refer to central bank interest rate cuts in protection against a possible downturn in economic growth

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

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

Bull refers to one who expects relatively strong economic growth

Bear refers to one who expects relatively weak economic growth

At-trend growth refers to realized GDP growth at the same pace as the estimated potential growth rate of a given economy

GIR refers to Goldman Sachs Global Investment Research

The Conference Board Leading Economic Index attempts to provide an early indication of significant turning points in the business cycle

GDP refers to gross domestic product

AI refers to artificial intelligence

ATH refers to all-time high

Bps refers to basis points

10y3m spread refers to the difference between the yields of the 10-Year Treasury Note and 3-Month Treasury Bill

Glossary

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.

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