AUGUST 2025

Goldman Sachs Asset Management

STRATEGIC ADVISORY SOLUTIONS

Market Pulse

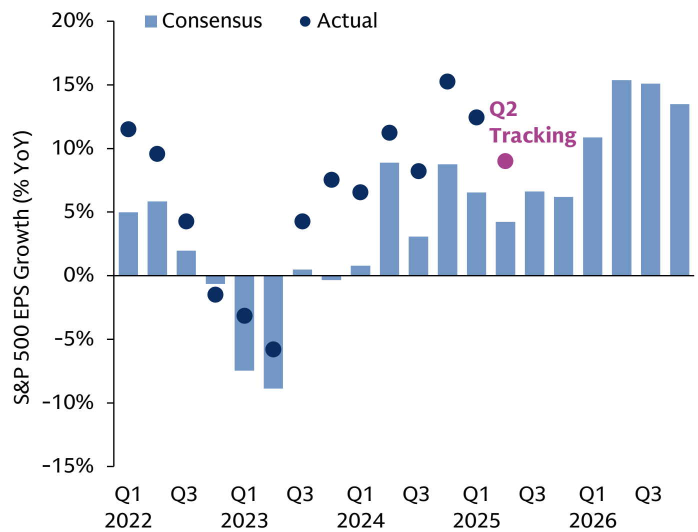
Macro Views

Growth: Trade policy continues to pose the greatest headwind to global growth in 2H 2025 as our research colleagues expect the US effective tariff rate will rise from 12% at the end of July to 17% by year-end. In the US, strong private sector balance sheets are weighed against stalling real consumption and slowing job creation. In Europe, we are cautiously optimistic due to the fiscal pickup in Germany and continued strength in Spain.

Inflation: US prices are beginning to show evidence (~20bp) of a tariff impact that we think will continue to firm in the coming months, even as underlying inflation trends back towards 2%. Meanwhile the tariff effect globally may reinforce disinflationary trends as lower demand and excess supply keep prices subdued.

Monetary Policy: As the Federal Reserve balances near-term labor market concerns with anticipated price increases, we think the FOMC will cut rates in September and resume the path of policy normalization to a terminal rate of 3.0-3.25% in 2026. The ECB may hold at 2% in September, while we expect the BoE will continue a quarterly easing pace through March 2026 – potentially further and faster than the market is pricing.

Chart of the Month: All Eyes on Earnings



Market Views

Equities: Coming into 2Q earnings season, consensus estimated S&P 500 EPS growth would decelerate to 4% YoY as tariff policy weighed on sales, margins, and investment spending. So far, US companies are on track to beat this low bar and we expect resilient earnings growth will continue to support equity prices. Globally, investors have looked through mixed reports ex-US and are focusing on the strong outlook for earnings growth in 2026.

Credit: Solid fundamentals continue to support income potential, particularly in securitized and high-yield (HY) sectors, though selectivity is key given tight spreads. Supportive market dynamics have also been a tailwind to HY as the market has shrunk due to rating upgrades and bond issuance migrating to private markets.

Currencies: We see continued dollar downside after the greenback came into the year roughly 20% overvalued, though the path forward may be more nuanced. Regional asset allocation may exert more gradual downward pressure on the dollar, while its position as the world's reserve currency still supports its status as a safe-haven asset during risk-off events originating outside the US.

Asset Class Forecasts

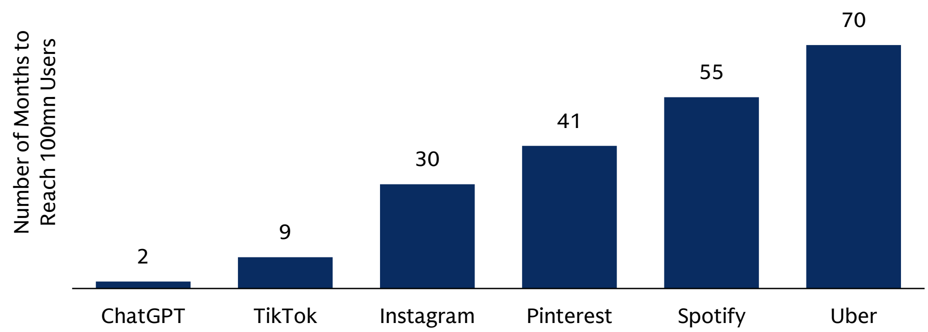
	Current	3m	12m	% Δ to 12m
Equities				
S&P 500 ($)	6,339	6,400	6,900	8.8
STOXX Europe (€)	546	550	570	4.4
MSCI Asia-Pacific Ex Japan ($)	654	660	700	7.1
TOPIX (¥)	2,943	3,050	3,200	8.7
Rates				
10-Year Treasury	4.4	4.2	4.2	-16 bp
10-Year Bund	2.7	2.9	3.1	42 bp
10-Year JGB	1.6	1.6	1.8	26 bp
Currencies				
Euro (€/$)	1.14	1.17	1.25	9.4
Pound (£/$)	1.32	1.38	1.44	8.9
Yen ($/¥)	151	142	135	-10.4
Real Assets				
Brent Crude Oil ($/bbl)	72.5	65	55	-24.2
London Gold ($/troy oz)	3,296	3,370	3,920	18.9

Source: Goldman Sachs Asset Management, GIR, and MSCI. As of August 1, 2025. "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 3 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 predict future returns and does not guarantee future results, which may vary.**

AI on the Rise

Artificial intelligence (AI) has the potential to be transformative to the economy, to markets, and to businesses. From a macro perspective, Goldman Sachs Global Investment Research sees AI boosting labor productivity by 15% over the next 10 years and adding $7 trillion to global GDP. Roughly two-thirds of US jobs could be complemented by AI, creating opportunities for up-skilling and more human-generated value creation. As AI evolves and expands, we see opportunities across market capitalizations and in both public and private investments. Still, we are cognizant that technological disruption can create winners and losers.

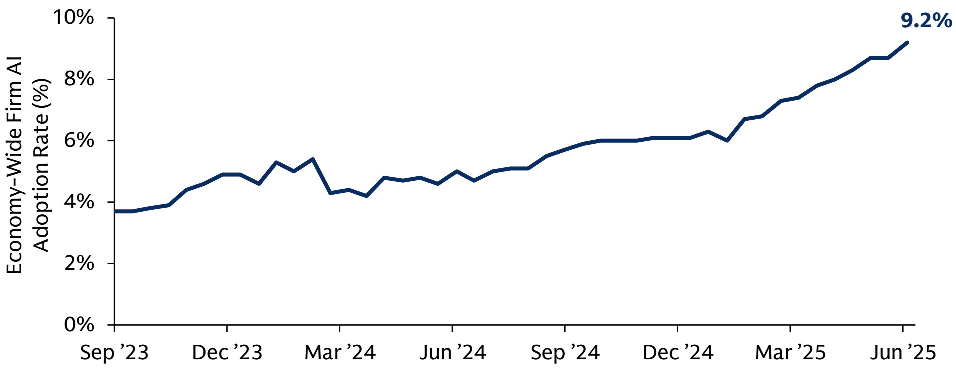
Rapid Consumer Adoption of Artificial Intelligence



Source: Yahoo Finance and Goldman Sachs Asset Management. As of June 30, 2025.

The technology adoption curve has gotten steeper in recent decades, and it took ChatGPT just two months to hit 100 million active users. Since then, several generative AI competitors have come to market. As the industry develops and disruption continues, we think there will be opportunities for multiple market leaders – particularly those that can differentiate on efficiency (price, power, compute) and expertise (sector, subject matter, etc.).

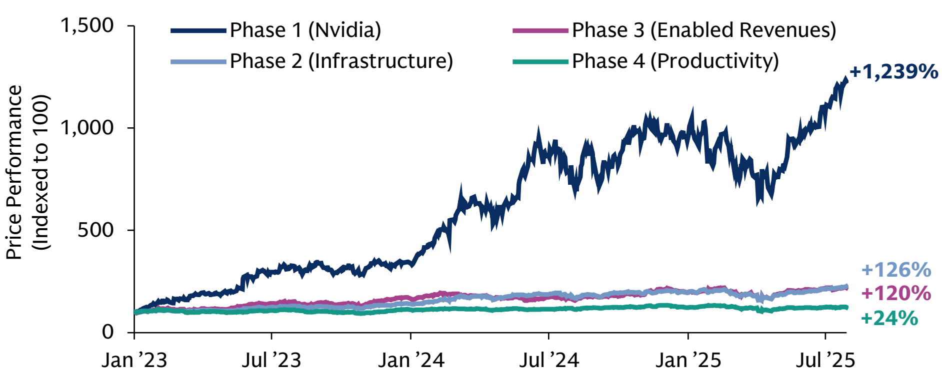
Corporate Adoption Still in Early Stages



Source: Census Bureau and Goldman Sachs Asset Management. As of June 30, 2025.

While consumer adoption has been rapid, corporate use of AI still has significant upside potential as technology advances. For example, agentic AI goes beyond chatbots to autonomous agents capable of performing complex tasks. We believe it has the potential to transform industries, from coding and finance to healthcare and manufacturing, by streamlining processes and boosting efficiency. At the same time, it offers new revenue streams for AI-exposed companies.

Phases of the AI Trade



Source: Goldman Sachs Global Investment Research and Asset Management. As of July 30, 2025.

As AI evolves, we expect the opportunity set to expand from the makers (Phase 1), to the infrastructure required to make it work, the companies that can use it to generate new revenue, and ultimately the broad market that stands to benefit from enhanced productivity. At an asset class level, we think infrastructure will be critical as data centers and power grids are built out to support mass adoption. Investors may also find beneficiaries in small caps deploying AI agents, as well as in the large cap hyperscalers.

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Important Information

1. Chart of the Month: GS Global Investment Research and GS Asset Management. As of July 22, 2025. Chart shows S&P 500 quarterly year over year (YoY) earnings per share (EPS) growth relative to consensus expectations. Past performance does not guarantee future results, which may vary. For illustrative purposes only. 'We' refers to Goldman Sachs Asset Management.
2. Asset Class Forecasts: Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "Trading the trade deal and earnings." As of August 1, 2025.

Page 1 Definitions

Bp refers to basis point, or 1/100th of a percent

FOMC refers to the Federal Open Market Committee, the Federal Reserve's rate-setting body

ECB refers to the European Central Bank

BoE refers to the Bank of England

EPS refers to earnings per share

YoY refers to year-over-year

Pp refers to percentage points

GIR refers to Goldman Sachs Global Investment Research

Page 2 Notes

Large cap refers to large capitalization stocks, typically with a market capitalization of $10 billion or more

Small cap refers to small capitalization stocks, typically with a market capitalization of $250 million to $2 billion

Top Section Notes: Chart shows the number of months it took popular apps to reach 100 million active users

Middle Section Notes: Chart shows the number of US firms reporting that they use artificial intelligence in their business

Bottom Section Notes: Chart shows the price performance of the four phases of AI adoption

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 in Europe.

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

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.

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

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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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