

SAS MARKET STRATEGY

# Market Pulse

## Macro Views

**Growth:** Middle East escalation may pose a modest risk to growth – particularly for energy importers. Still, we see healthy global growth in 2026 with fading tariff drag, strength in capex, and fiscal support all contributing factors. In the US, we anticipate an uptick in H1, driven by tax cuts, ongoing business investment, and a stabilizing job market. In Europe, we expect the positive economic surprises to persist, fueled by Germany's federal spending.

**Inflation:** US inflation continues to make progress as tariff effects fade. Combined with the impacts of easing shelter prices, subdued wage growth, and productivity effects from AI, we think core inflation may return to the low-2s by year-end. Euro area inflation is expected to stay near-target in the near-term, with normalizing wage growth as a stabilizing factor. Sustained higher energy prices would pose an upside risk.

**Monetary Policy:** We believe central banks would look through a supply shock if inflation expectations remain broadly anchored. If confirmed, we expect new Fed Chair Warsh to be on the dovish side of the policy debate as he views AI-driven productivity gains as disinflationary. In Japan, recent market volatility and legislative action may lead the BoJ to postpone a rate hike until July.

## Market Views

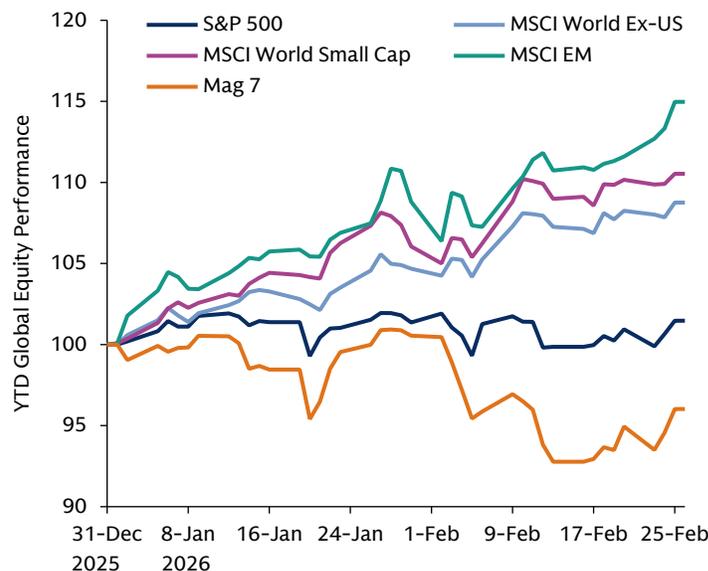
**AI:** In 2025, broad-based AI enthusiasm fueled a rally across the AI complex. This year, the AI trade has become increasingly idiosyncratic as investors navigate growing concerns about AI disruption and a surge in AI capex. Investors have rewarded companies that can deliver returns on AI investment as well as the infrastructure names that are directly benefiting from AI capex, while re-pricing future earnings that may be at risk of disruption.

**EM:** EM equities have extended their 2025 rally, surging 12% YTD. Unlike last year, when valuation expansion accounted for nearly half of the gains, this year's rally has almost entirely been driven by earnings. We expect resilient global growth, demand for AI-related hardware, and commodity upside to continue supporting EM earnings and equity returns, though geopolitics pose regional risks.

**Credit:** Investor concerns about private credit have resurfaced amid the software sell-off, intensifying after recent liquidity events. We do not see evidence of systemic issues in private credit, given that corporate fundamentals remain strong enough to service loans in the near-term and in the long-term we expect AI advances to reshape the software industry, rather than eliminate it.

Source: Goldman Sachs Asset Management, GIR, and MSCI. As of March 2, 2026. "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.**

Chart of the Month: Rotation Acceleration



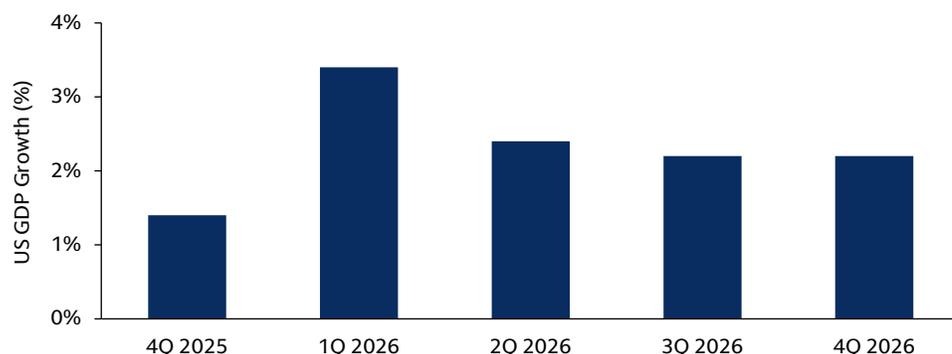
### Asset Class Forecasts

	Current	3m	12m	% Δ to 12m
<b>Equities</b>				
S&P 500 (\$)	6,879	7,200	7,600	10.5
STOXX Europe (€)	634	605	625	-1.4
MSCI Emerging Markets (\$)	1,611	1,570	1,680	4.3
TOPIX (¥)	3,939	4,200	4,300	9.2
<b>Rates</b>				
10-Year Treasury	4.0	4.2	4.2	28 bp
10-Year Bund	2.6	3.1	3.2	61 bp
10-Year JGB	2.1	2.0	2.0	-12 bp
<b>Currencies</b>				
Euro (€/\$)	1.18	1.18	1.25	5.7
Pound (£/\$)	1.35	1.33	1.36	1.0
Yen (\$/¥)	156	160	155	-0.7
<b>Real Assets</b>				
Brent Crude Oil (\$/bbl)	72.5	66	61	-15.8
London Gold (\$/troy oz)	5,254	4,805	5,445	3.6

## The Set Up for Global Small Caps

We believe small caps are set up for success in 2026 on the back of global cyclical strength, continued earnings recovery, and renewed capital market activity. Additionally, valuations continue to be attractive both on an absolute and relative basis. In the US, small caps trade at a ~25% discount to large caps (excluding unprofitable firms), near historic lows. Outside the US, international small caps, which typically trade at a premium, are now roughly on par. However, dispersion is wide, volatility high, and liquidity low, making selectivity key.

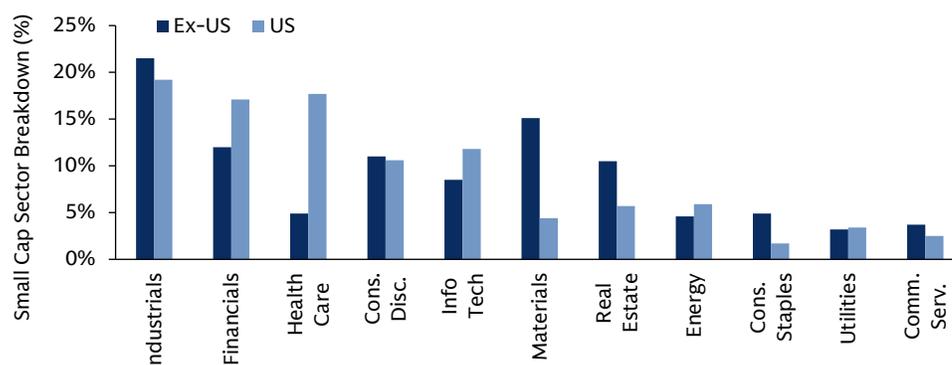
### Cyclical Acceleration



Source: GS GIR and Goldman Sachs Asset Management. As of February 27, 2026.

The macro outlook is supportive for further small-cap strength, particularly in the first half of the year. Growth acceleration has historically been a strong tailwind, driving faster earnings growth based on increased consumer spending, business investment, and normalizing interest rates. The US provides an important growth engine today – US small caps derive 80% of revenue domestically, versus 72% for large cap. US small caps also make up 60% of the global small cap universe.

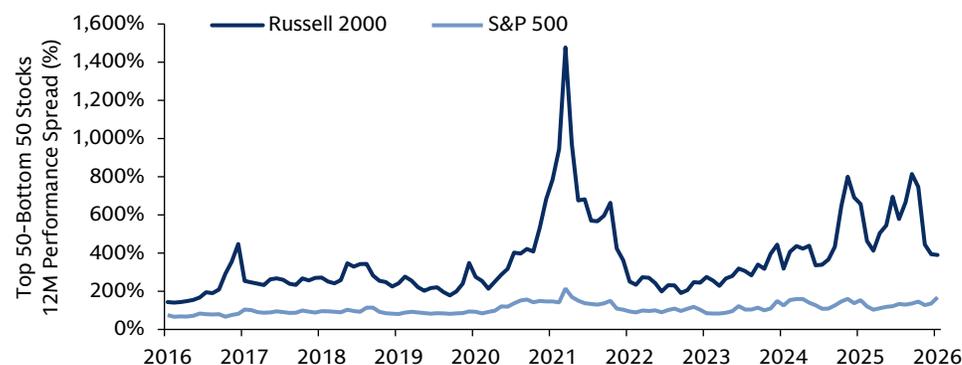
### Sector Set Up



Source: Bloomberg and Goldman Sachs Asset Management. As of January 31, 2026.

Because the small cap market is quite cyclical and value-oriented, it historically benefits from growth acceleration. However, today's universe is interesting because it also offers exposure to secular growth themes such as AI, defense and infrastructure, and consumer spending. While technology has seen recent volatility, select companies with clear catalysts and specialized offerings may prove resilient – including cloud infrastructure, proprietary data, and cybersecurity providers.

### Selectivity Matters More



Source: Bloomberg and Goldman Sachs Asset Management, As of January 31, 2026.

We believe that wide dispersion in the small cap market requires a more nuanced investment approach than chasing beta. In 2025, the average performance spread between the top and bottom 50 stocks was nearly 3x greater in the Russell 2000 versus the S&P 500. Near-term exuberance can drive episodic results, but we believe sustained performance comes from identifying durable earnings and effectively navigating market risks.

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## IMPORTANT INFORMATION

1. Chart of the Month: Source: Bloomberg and Goldman Sachs Asset Management. As of February 26, 2026. Chart shows the year-to-date performance indexed to 100 of the S&P 500, MSCI World Ex-US, MSCI Global Small Cap, MSCI Emerging Markets, and Bloomberg Magnificent 7 Total Return indices. **Past performance does not predict future returns and does not guarantee future results, which may vary.** For illustrative purposes only.
2. Asset Class Forecasts: Price targets of major asset classes are provided by Goldman Sachs Global Investment Research. Source: "From Geopolitics to AI: market risks and the HALO effect." As of March 2, 2026.

### Page 1 Definitions

AI refers to artificial intelligence

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

BoJ refers to Bank of Japan

Dovish policy refers to that in support of lower monetary policy rates

EM refers to emerging markets

FOMC refers to Federal Open Market Committee

GIR refers to Goldman Sachs Global Investment Research

Mag 7 refers to the Magnificent 7, the largest 7 stocks in the S&P 500: Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Meta Platforms, and Tesla

### Page 2 Notes

Top Section Notes: Chart shows the quarter-over-quarter (QoQ) annualized estimates for US GDP growth from Goldman Sachs Global Investment Research.

Middle Section Notes: Chart shows the sector composition of the MSCI World Ex-US Small Cap Index and the Russell 2000.

Bottom Section Notes: Chart shows the rolling 12-month performance differential between the top 50 stocks and bottom 50 stocks in the Russell 2000 and S&P 500. Beta refers to broad market exposure.

### 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 Emerging Markets Index** captures large and mid cap representation across 24 Emerging Markets (EM) countries.

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.

The **MSCI World Small Cap Index** captures small cap representation across 23 Developed Markets (DM) countries.

The **MSCI World ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries-excluding the United States. With 775 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The **Bloomberg Magnificent 7 Total Return Index** is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States: Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Meta Platforms, and Tesla.

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.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide an appropriate benchmark against which to evaluate the investment or broader market described herein.

### 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.

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.

Strategies with exposure to the commodities markets may be subject to 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.

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