

US Weekly Kickstart

The third cut is the deepest: Slicing 2020 S&P 500 EPS forecast to \$110, a 33% decline from last year

Business activity continues to deteriorate at a rapid rate. In 2008, financial excesses affected the rest of the economy. In 2020, the collapse in the real economy has driven financial markets into turmoil. As social distancing has confined many citizens to their homes, corporate sales have plunged, creating liquidity crises for many firms. S&P 500 has plummeted 32% in 30 days. We cut our S&P 500 EPS estimate for the third time in a month and now expect a decline of 33% to \$110. On a quarterly basis, year/year EPS growth will equal -15%, -123%, -21%, and +27%. In a “V”-shaped recovery scenario, S&P 500 EPS will grow by 55% to \$170 in 2021, and the index will end 2020 at 3000 (30% above the current level).

Performance

The S&P 500 was down 15% this week. Consumer Staples was the best-performing sector (-5%) while Energy was the worst-performing sector (-20%). We expect the S&P 500 will end 2020 at 3000 (+30%).

S&P 500 earnings and valuation

	Goldman Sachs Portfolio Strategy		Consensus Bottom-Up	
	2020E	2021E	2020E	2021E
EPS	\$110	\$170	\$168	\$190
Growth	(33)%	55 %	2 %	13 %
	NTM	2020E	NTM	2020E
P/E	19.6x	14.2x	14.3x	14.3x

Source: I/B/E/S, FirstCall, Goldman Sachs Investment Research

US Portfolio Strategy recommendations

- Buy S&P 500 / Sell 10-year Treasury: -38.3% YTD
- Buy Dividend Growth stocks vs. S&P 500: -10.6%
- Buy Low Labor Costs stocks vs. S&P 500: -6.8%

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David J. Kostin

(212) 902-6781 | david.kostin@gs.com
Goldman Sachs & Co. LLC

Ben Snider

(212) 357-1744 | ben.snider@gs.com
Goldman Sachs & Co. LLC

Arjun Menon, CFA

(212) 902-9693 | arjun.menon@gs.com
Goldman Sachs & Co. LLC

Ryan Hammond

(212) 902-5625 | ryan.hammond@gs.com
Goldman Sachs & Co. LLC

Cole Hunter, CFA

(212) 357-9860 | cole.p.hunter@gs.com
Goldman Sachs & Co. LLC

Nicholas Mulford

(212) 357-6308 | nicholas.mulford@gs.com
Goldman Sachs & Co. LLC

Jamie Yang

(212) 357-5913 | jamie.yang@gs.com
Goldman Sachs & Co. LLC

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Conversations we are having with clients: Third cut is the deepest: EPS will fall by 33% to \$110

It is incredible how much can change in one month. On February 19th, the S&P 500 reached an all-time high of 3386, Senator Bernie Sanders was the front-runner to win the 2020 Democratic nomination, and investors were evaluating the extent to which the novel coronavirus would create supply chain disruptions. One month and one day later, the S&P 500 sits 32% lower, former Vice President Joe Biden has a large delegate lead, and people around the world are now isolated in their homes.

Each day contains a month's worth of market news. Global monetary and fiscal policymakers have taken dramatic steps to arrest the economic devastation that is disrupting civilian life and business activity. Volatility has soared. In March, the typical *daily* move in the S&P 500 index has been 5%. US federal, state, and local governments have taken increasingly drastic measures to "flatten the curve" of new coronavirus cases. The list of travel restrictions grows almost hourly. California, home to 1 in 8 Americans, mandates people "stay-at-home." NYC closed schools and restaurants and 100% of the non-essential workforce must stay at home.

Government measures taken to slow the viral spread have impaired near-term sales and earnings for many firms. As a result of the social distancing taking place across the US, many retailers have reduced store hours (WMT, TGT, and HD) or closed physical stores altogether (M, JWN, and KSS). Airlines have cut routes in response to low passenger demand and hotel occupancies stand at record lows.

We now forecast S&P 500 EPS of \$110 in 2020, a decline of 33% from 2019. On a quarterly basis, this reflects year/year growth of -15%, -123%, -21% and +27% (Exhibit 1). We have cut our 2020 earnings forecast three times in 30 days (-37% in total) as the magnitude of the economic slowdown has become increasingly apparent. Our economists have incorporated similar expectations into [their revised](#) annual average US GDP growth forecast of -4% in 2020, including -24% annualized growth in 2Q. At the sector level, we expect large declines in Energy, Consumer Discretionary (e.g., Cruises, Hotels, Restaurants), and Industrials (e.g., Airlines). On the other hand, stockpiling may partially insulate Consumer Staples EPS.

The key question now is "V" or "U" or "L"? Early in the correction, investors were focused on quantifying the downside risk to near-term earnings, but were confident that EPS growth and share prices would recover later in 2020. As the virus spread and its economic impact intensified, they have been forced to grapple with whether the sharp decline in near-term activity will be followed by an equally sharp recovery ("V"), last multiple quarters before improving ("U"), or create lasting economic damage that reduces the outlook for earnings in 2021 and beyond ("L").

Policymakers have responded in force with startling speed. The Fed has slashed the policy rate effectively to zero and taken steps to boost credit availability, such as reintroducing the Commercial Paper Funding Facility (CPFF) backstopping corporate borrowing for terms out to 90 days. Our economists expect Congress and the Trump administration will continue to enact legislation that provides a fiscal boost of \$1 trillion (5% of GDP) or greater. **If all goes according to plan, S&P 500 EPS will leap by 55% to \$170 in 2021, and the index will end 2020 at 3000 (30% above the current level).** Earnings and investor sentiment will be recovering later in

2020. Using the Fed Model, applying a Treasury yield of 1% and a yield gap of 465 bp, suggests a P/E multiple of 18x on 2021 EPS and a year-end 2020 level of 3000.

In the near-term, we expect the S&P 500 will fall towards a low of 2000. The stock market is a leading indicator of business trends, and corporate activity continues to deteriorate with no signs yet of a bottom. The first quarter has not even ended and companies have yet to release 1Q results but equities have already collapsed by 32% in one month. The speed of business erosion is unprecedented.

Understandably, many firms have withdrawn previously issued guidance. More will pre-announce in coming days. Revenues have dropped precipitously and firms face cash shortfalls. Ford (F) announced this week it will suspend its dividend. Other firms will likely follow its lead. More than 65% of S&P 500 market cap will report 1Q results during a concentrated 2-week period that is more than one month away (April 20-May 1). For most corporations, business was strong in January and the first half of February, weakened only towards the end February (coincident with the market peak), and plummeted in March. The outlook for 2Q remains dire for many industries and most firms will probably refrain from providing guidance for 2Q.

The difference between a "V" and "U" in the stock market will depend on three developments: (1) whether the virus can be contained quickly, an answer difficult even for epidemiologists; (2) whether companies, both large and small, have access to enough capital and liquidity to last the 90 to 180 days most investors expect (hope) will encompass the worst part of the crisis; and (3) whether fiscal stimulus will act quickly enough to stabilize the economic and earnings outlooks. One possibility is that business activity cannot normalize by late 2020 because the viral spread is worse than expected or has a hiatus and recurs in the fall. In addition, if short-term shutdowns lead to business defaults, closures, and permanent layoffs, the damage to corporate earnings growth could persist well after the virus is contained.

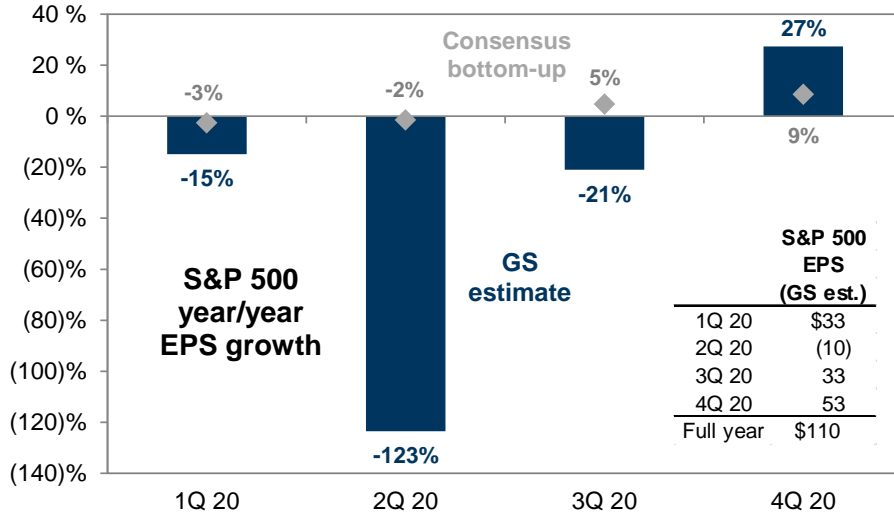
Thin liquidity across asset markets has exacerbated price swings as investors try to assess the path of growth. Our equity illiquidity ratio, which measures the impact of trading volumes on share prices, [shows](#) the liquidity shock has now surpassed the December 2018 experience and is approaching 2008 levels. This trend is consistent with cycle-high bid-ask spreads and cycle-low top of book depth.

Illiquidity likely contributed to the sharp underperformance of popular hedge fund and mutual fund stocks this week as investors reduced risk. We have previously highlighted that investor positioning remained unusually elevated relative to levels at the bottom of other major S&P 500 corrections. This week, however, those positions declined. From Monday to Wednesday, our Hedge Fund VIP basket (GSTHHVIP) lagged our basket of large shorts (GSTHVISP) by 850 bp (-17% vs. -8%), more than any 3-day period in the nearly 20 years of the baskets' history. Mutual Fund Overweights (GSTHMFOW) also lagged Underweights (GSTHMFUW). However, both groups of popular stocks recovered extremely sharply, posting their best-ever days of outperformance on Thursday. Our Sentiment Indicator shows that equity positioning has plunged in recent weeks, but additional selling is likely until positioning matches lows reached at the bottom of prior corrections (see Exhibit 4).

Charts we are watching: Earnings, Valuation, Prices, and Positioning

Exhibit 1: We expect a sharp decline in 2Q S&P 500 EPS

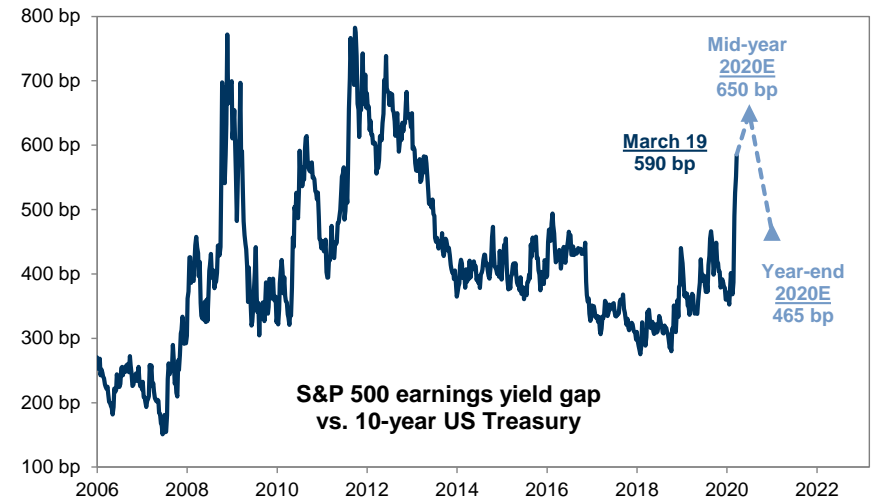
as of March 19, 2020



Source: Goldman Sachs Global Investment Research

Exhibit 2: We expect the yield gap to narrow by year-end

as of March 19, 2020; assuming 10-yr UST yield of 0.5% at mid-year, 1% at year-end



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 3: Sensitivity of our 2020 S&P 500 price targets to the yield gap

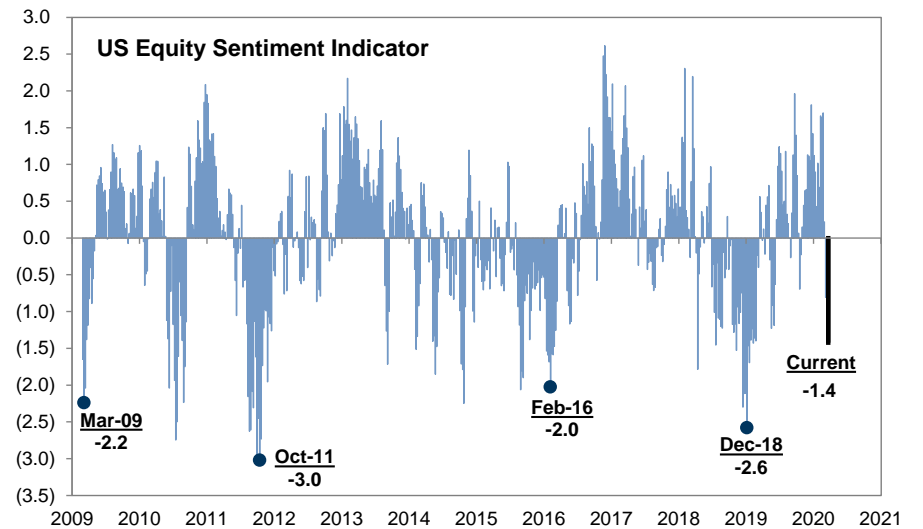
gray indicates baseline forecasts, assuming 10-yr UST yield of 0.5% at trough, 1% at year-end

Yield gap	Mid-year Trough		Year-end	
	S&P 500	Change from peak	S&P 500	Change from trough
800 bp	1,650	(51)%	1,900	(5)%
700	1,875	(45)	2,125	6
650	2,000	(41)	2,275	14
600	2,150	(37)	2,425	21
500	2,550	(25)	2,825	41
465	2,725	(20)	3,000	50
400	3,100	(8)	3,400	70

Source: Goldman Sachs Global Investment Research

Exhibit 4: Our Sentiment Indicator remained at -1.4 this week

as of March 19, 2020



Source: Goldman Sachs Global Investment Research

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Performance of Hedge Fund VIPs and Very Important Short Positions

Exhibit 5: Constituents of our GSTHHVIP and GSTHVISP baskets

as of March 19, 2020; holdings as of December 31, 2019

Hedge Fund VIPs (GSTHHVIP)						Very Important Short Positions (GSTHVISP)					
Company	Ticker	YTD return	Company	Ticker	YTD return	Company	Ticker	YTD return	Company	Ticker	YTD return
Eldorado Resorts Inc	ERI	(87)%	Bristol-Myers Squibb Co.	BMJ	(23)%	Simon Property Group, Inc.	SPG	(62)%	Target Corp.	TGT	(21)%
Boeing Co.	BA	(70)	Berkshire Hathaway Inc.	BRK.B	(23)	Chevron Corp.	CVX	(52)	Cisco Systems, Inc.	CSCO	(21)
Carvana Co.	CVNA	(67)	Comcast Corp.	CMCSA	(20)	Exxon Mobil Corp.	XOM	(50)	Texas Instruments Inc.	TXN	(20)
Delta Air Lines, Inc.	DAL	(63)	Charter Communications, Inc.	CHTR	(19)	Welltower, Inc.	WELL	(49)	Southern Co.	SO	(19)
Citigroup Inc.	C	(50)	Visa Inc.	V	(19)	Wells Fargo & Co.	WFC	(47)	AT&T Inc.	T	(19)
Nexstar Media Group, Inc.	NXST	(47)	Alphabet Inc.	GOOGL	(17)	CarMax, Inc.	KMX	(45)	Danaher Corp.	DHR	(19)
TransDigm Group Inc.	TDG	(45)	Apple Inc.	AAPL	(16)	Lowe's Companies, Inc.	LOW	(41)	Lockheed Martin Corp.	LMT	(19)
Booking Holdings Inc.	BKNG	(42)	Twilio, Inc.	TWLO	(16)	Healthpeak Properties, Inc.	PEAK	(41)	AbbVie, Inc.	ABBV	(19)
NXP Semiconductors NV	NXPI	(40)	Centene Corp.	CNC	(15)	Broadcom Inc.	AVGO	(38)	Becton, Dickinson and Co.	BDX	(18)
Bank of America Corp	BAC	(39)	Alibaba Group Holding Ltd. (ADR)	BABA	(15)	Charles Schwab Corp.	SCHW	(33)	Amgen Inc.	AMGN	(17)
JPMorgan Chase & Co.	JPM	(38)	salesforce.com, inc.	CRM	(14)	Medtronic Plc	MDT	(30)	Duke Energy Corp.	DUK	(17)
SS&C Technologies Holdings, Inc.	SSNC	(38)	PayPal Holdings Inc	PYPL	(13)	Prologis, Inc.	PLD	(28)	Oracle Corp.	ORCL	(15)
Walt Disney Co.	DIS	(34)	Microsoft Corp.	MSFT	(9)	QUALCOMM Inc.	QCOM	(26)	NextEra Energy, Inc.	NEE	(14)
Micron Technology, Inc.	MU	(33)	Interxion Holding N.V.	INXN	(8)	CVS Health Corp.	CVS	(25)	Abbott Laboratories	ABT	(14)
Uber Technologies, Inc.	UBER	(31)	Adobe Inc.	ADBE	(7)	UnitedHealth Group Inc.	UNH	(25)	PepsiCo, Inc.	PEP	(14)
GoDaddy, Inc.	GDDY	(30)	Tiffany & Co.	TIF	(5)	International Business Machines Corp.	IBM	(24)	Advanced Micro Devices, Inc.	AMD	(13)
KKR & Co. Inc.	KKR	(29)	WABCO Holdings Inc.	WBC	(4)	Illinois Tool Works Inc.	ITW	(24)	Johnson & Johnson	JNJ	(12)
Global Payments Inc.	GPN	(28)	ServiceNow, Inc.	NOW	(2)	Waters Corp.	WAT	(24)	Verizon Communications Inc.	VZ	(12)
Cigna Corp.	CI	(28)	Sea Ltd. (Singapore, ADR)	SE	(1)	McDonald's Corp.	MCD	(24)	Procter & Gamble Co.	PG	(11)
PG&E Corp.	PCG	(27)	Zayo Group Holdings, Inc.	ZAYO	1	Coca-Cola Co.	KO	(24)	NVIDIA Corp.	NVDA	(9)
Fiserv, Inc.	FISV	(27)	Amazon.com, Inc.	AMZN	2	Intel Corp.	INTC	(23)	Walmart Inc.	WMT	1
Home Depot, Inc.	HD	(26)	Tesla Inc	TSLA	2	CME Group Inc.	CME	(22)	Eli Lilly and Co.	LLY	2
Facebook, Inc.	FB	(25)	Netflix, Inc.	NFLX	3	Merck & Co., Inc.	MRK	(22)	Costco Wholesale Corp.	COST	4
Fidelity National Information Services, Inc.	FIS	(24)	JD.com, Inc. (ADR)	JD	6	Pfizer Inc.	PFE	(22)	Gilead Sciences, Inc.	GILD	22
Mastercard Inc.	MA	(24)	RingCentral, Inc.	RNG	9	3M Co.	MMM	(21)	Clorox Co.	CLX	26

Source: FactSet, Goldman Sachs Global Investment Research.

Performance of Mutual Fund Overweights and Underweights

Exhibit 6: Constituents of our GSTHMFOW and GSTHMFUW baskets

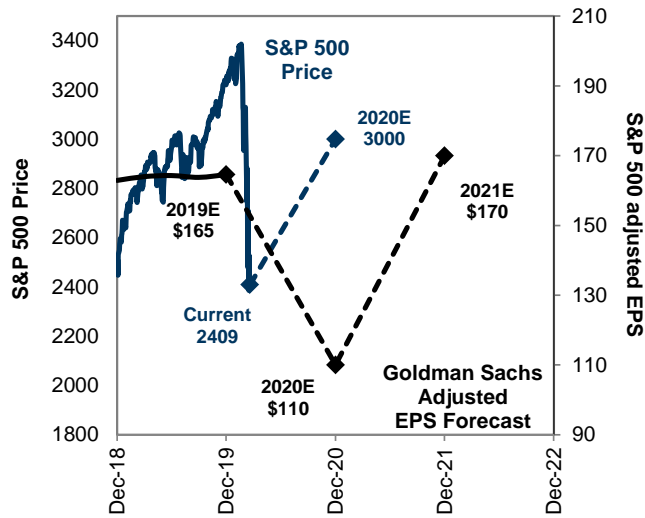
as of March 19, 2020; holdings as of December 31, 2019

Mutual Fund Overweights (GSTHMFOW)						Mutual Fund Underweights (GSTHMFUW)					
Company	Ticker	YTD return	Company	Ticker	YTD return	Company	Ticker	YTD return	Company	Ticker	YTD return
Marathon Petroleum Corp.	MPC	(72)%	TJX Companies Inc	TJX	(32)%	Boeing Co.	BA	(70)%	Intel Corp.	INTC	(23)%
Discover Financial Services	DFS	(66)	Crown Holdings, Inc.	CCK	(31)	Simon Property Group, Inc.	SPG	(62)	Philip Morris International Inc.	PM	(22)
Delta Air Lines, Inc.	DAL	(63)	Medtronic Plc	MDT	(30)	Chevron Corp.	CVX	(52)	Pfizer Inc.	PFE	(22)
Valero Energy Corp.	VLO	(60)	Marvell Technology Group Ltd.	MRVL	(29)	Ford Motor Co.	F	(51)	3M Co.	MMM	(21)
American International Group, Inc.	AIG	(59)	Exelon Corp.	EXC	(28)	Exxon Mobil Corp.	XOM	(50)	Cisco Systems, Inc.	CSCO	(21)
Capital One Financial Corp.	COF	(55)	UnitedHealth Group Inc.	UNH	(25)	Welltower, Inc.	WELL	(49)	Southern Co.	SO	(19)
General Motors Co.	GM	(51)	Fidelity National Information Services, Inc.	FIS	(24)	United Technologies Corp.	UTX	(44)	AT&T Inc.	T	(19)
Citigroup Inc.	C	(50)	Mastercard Inc.	MA	(24)	Broadcom Inc.	AVGO	(38)	AbbVie, Inc.	ABBV	(19)
Stanley Black & Decker, Inc.	SWK	(49)	Sherwin-Williams Co.	SHW	(24)	JPMorgan Chase & Co.	JPM	(38)	Amgen Inc.	AMGN	(17)
MetLife, Inc.	MET	(47)	Bristol-Myers Squibb Co.	BMY	(23)	Walt Disney Co.	DIS	(34)	Duke Energy Corp.	DUK	(17)
Exact Sciences Corp.	EXAS	(46)	Alexion Pharmaceuticals, Inc.	ALXN	(23)	Realty Income Corp.	O	(34)	Apple Inc.	AAPL	(16)
U.S. Bancorp	USB	(44)	Zoetis, Inc.	ZTS	(23)	Micron Technology, Inc.	MU	(33)	NextEra Energy, Inc.	NEE	(14)
Burlington Stores, Inc.	BURL	(43)	Target Corp.	TGT	(21)	Starbucks Corp.	SBUX	(30)	Abbott Laboratories	ABT	(14)
TE Connectivity Ltd.	TEL	(43)	Intercontinental Exchange, Inc.	ICE	(20)	Caterpillar Inc.	CAT	(30)	PepsiCo, Inc.	PEP	(14)
Booking Holdings Inc.	BKNG	(42)	Comcast Corp.	CMCSA	(20)	Prologis, Inc.	PLD	(28)	Johnson & Johnson	JNJ	(12)
PNC Financial Services Group, Inc.	PNC	(42)	Visa Inc.	V	(19)	Linde plc	LIN	(27)	Procter & Gamble Co.	PG	(11)
Lowe's Companies, Inc.	LOW	(41)	Intuit Inc.	INTU	(17)	Home Depot, Inc.	HD	(26)	Allergan plc	AGN	(10)
Zimmer Biomet Holdings, Inc.	ZBH	(40)	Alphabet Inc.	GOOGL	(17)	Facebook, Inc.	FB	(25)	NVIDIA Corp.	NVDA	(9)
Bank of America Corp	BAC	(39)	Electronic Arts Inc.	EA	(16)	Equity Residential	EQR	(25)	Microsoft Corp.	MSFT	(9)
Morgan Stanley	MS	(39)	salesforce.com, inc.	CRM	(14)	Accenture Plc	ACN	(24)	Crown Castle International Corp	CCI	(7)
Chubb Limited	CB	(36)	PayPal Holdings Inc	PYPL	(13)	International Business Machines Corp.	IBM	(24)	Walmart Inc.	WMT	1
CBRE Group, Inc.	CBRE	(36)	Adobe Inc.	ADBE	(7)	McDonald's Corp.	MCD	(24)	Amazon.com, Inc.	AMZN	2
Discovery, Inc.	DISCA	(35)	Progressive Corp.	PGR	(4)	Coca-Cola Co.	KO	(24)	Eli Lilly and Co.	LLY	2
Charles Schwab Corp.	SCHW	(33)	ServiceNow, Inc.	NOW	(2)	CSX Corp.	CSX	(24)	Netflix, Inc.	NFLX	3
General Dynamics Corp.	GD	(33)	Vertex Pharmaceuticals Inc.	VRTX	(1)	Berkshire Hathaway Inc.	BRK.B	(23)	Costco Wholesale Corp.	COST	4

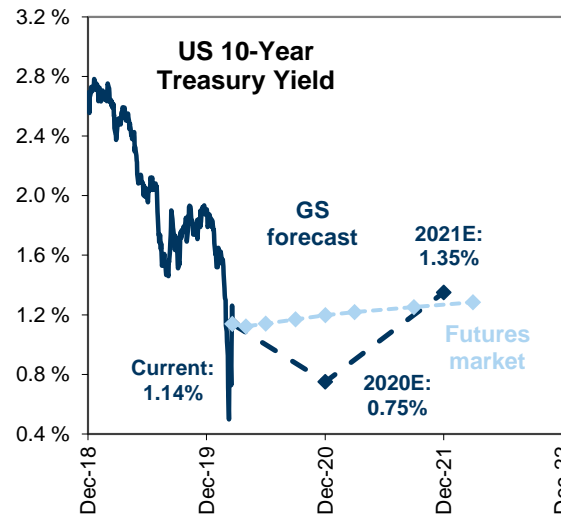
Source: FactSet, Goldman Sachs Global Investment Research.

Markets and Money Flow

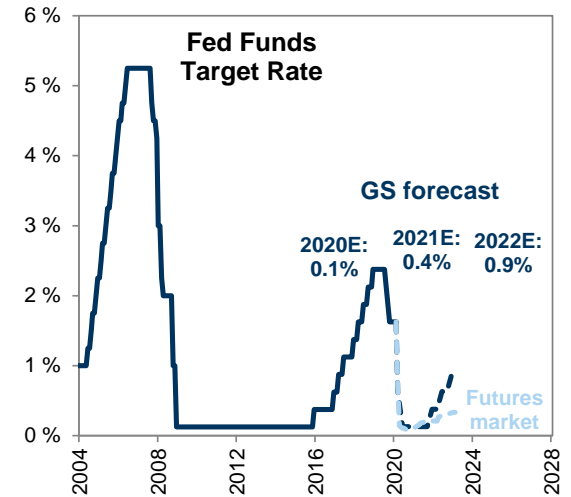
S&P 500 level and EPS



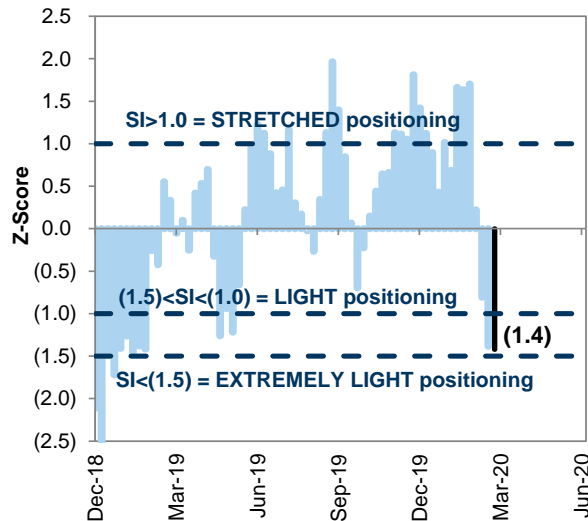
10-yr. Treasury Yields



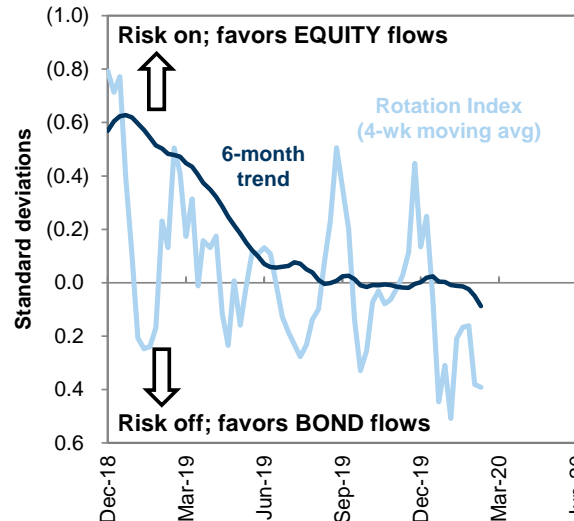
Fed Funds Target Rate



Sentiment Indicator



Rotation Index



Volatility



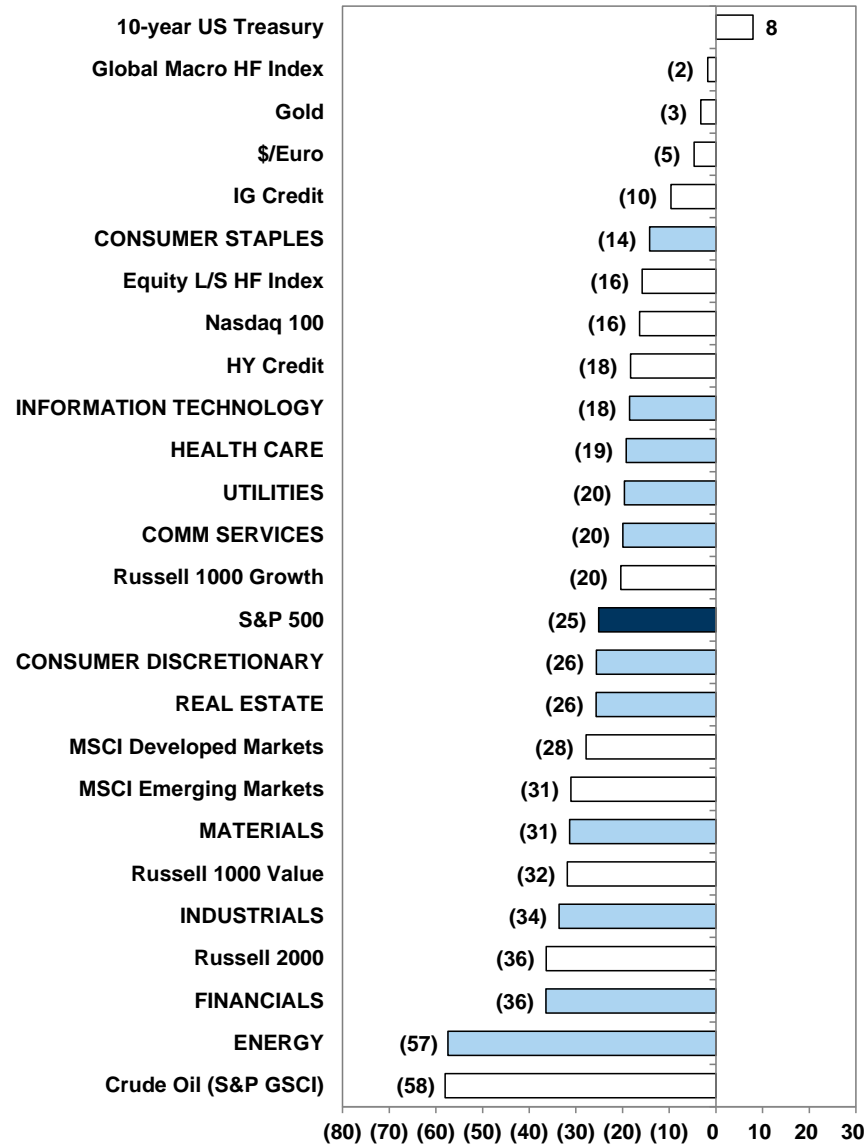
Note: Sentiment Indicator measures stock positioning across retail, institutional, and foreign investors versus the past 12 months. Readings below -1.0 or above +1.0 indicate extreme positions that are significant in predicting future returns.

Note: Rotation Index plots the first principal component of weekly reallocation activity across equity and debt mutual fund and ETF categories as a measure of retail risk appetite.

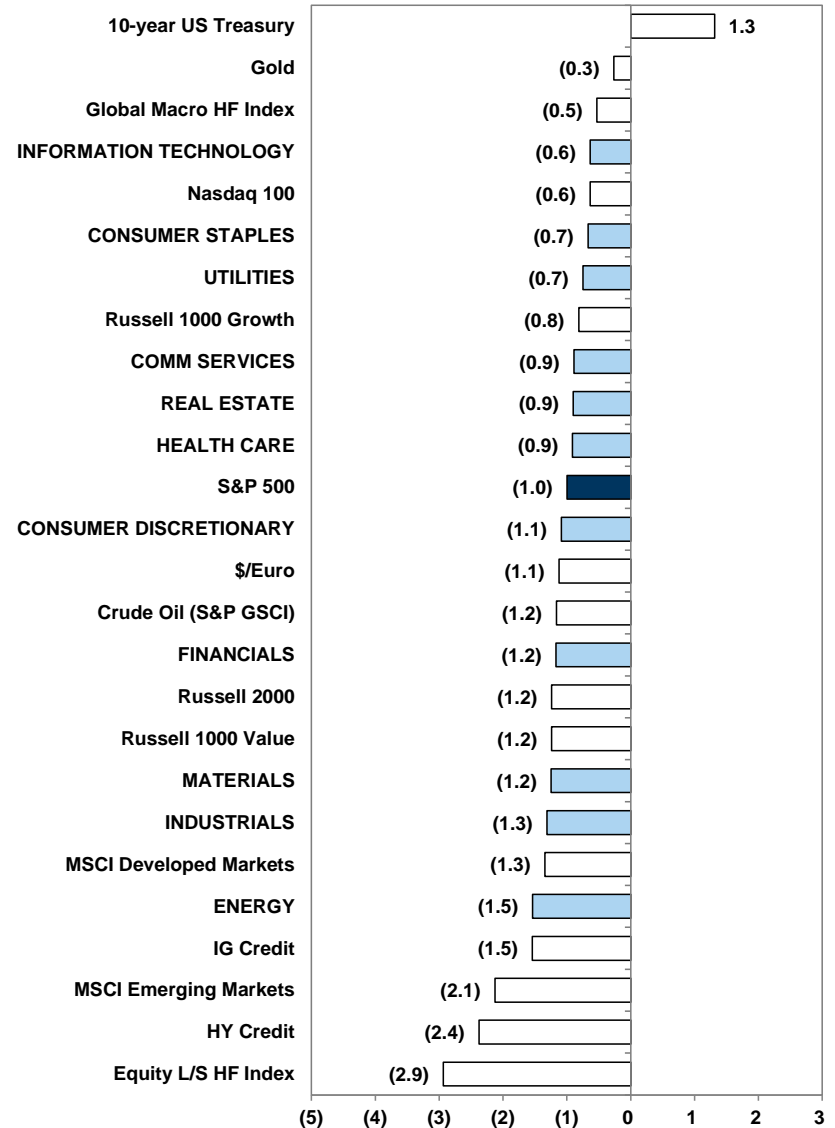
Source: Haver, EPFR, FactSet, CFTC, and Goldman Sachs Global Investment Research.

Market Performance: 2020 YTD absolute and risk-adjusted returns

Total Return



Risk Adjusted Return (Sharpe Ratio)



Note: Crude Oil (S&P GSCI) return represents S&P GSCI Crude Oil Index total return. Spot change equals (57)% YTD.

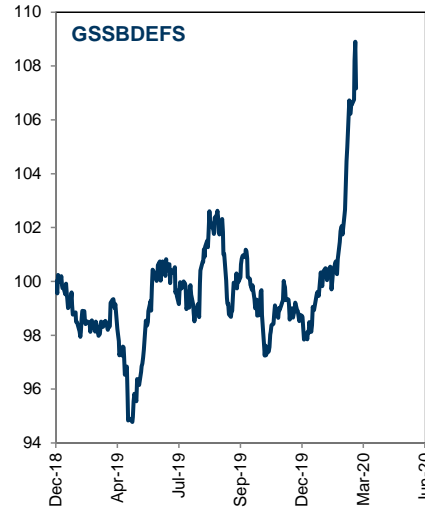
Source: Haver, FactSet, and Goldman Sachs Global Investment Research.

Sector Baskets – Performance Relative to S&P 500

Cyclicals



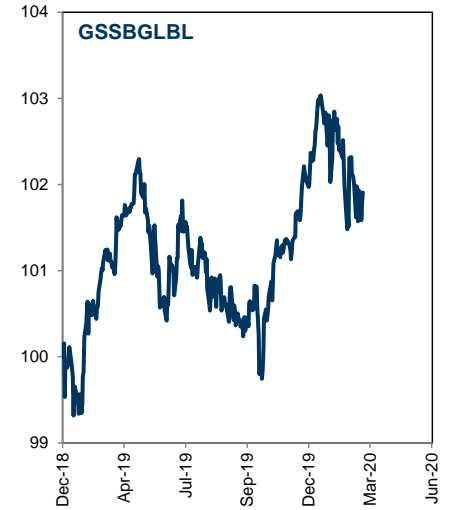
Defensives



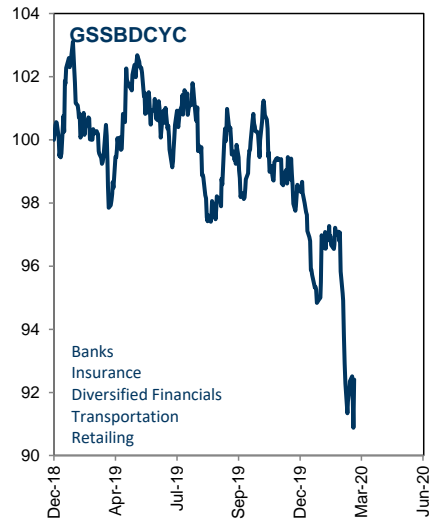
Domestic



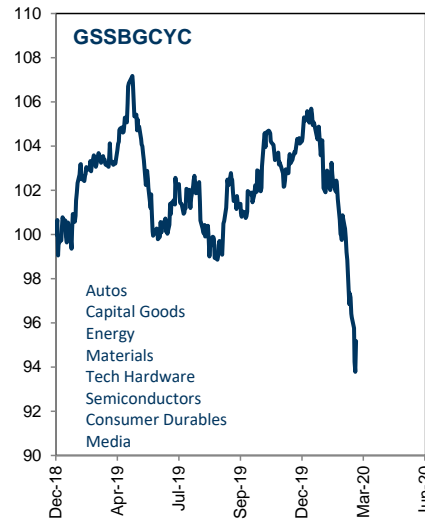
Global



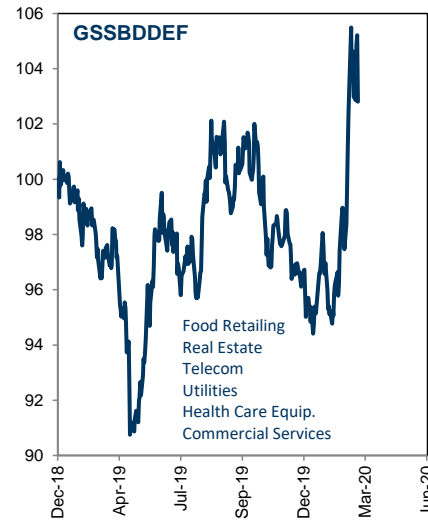
Domestic Cyclicals



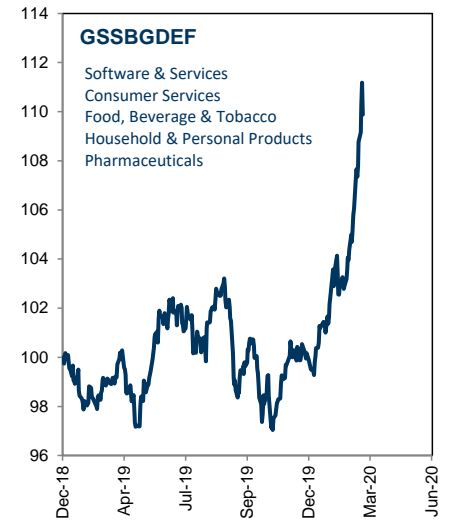
Global Cyclicals



Domestic Defensives



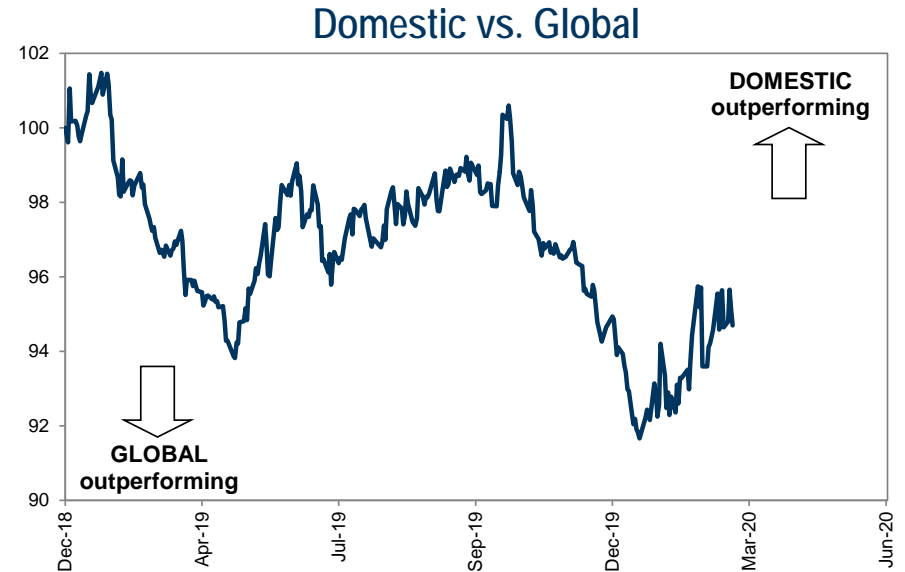
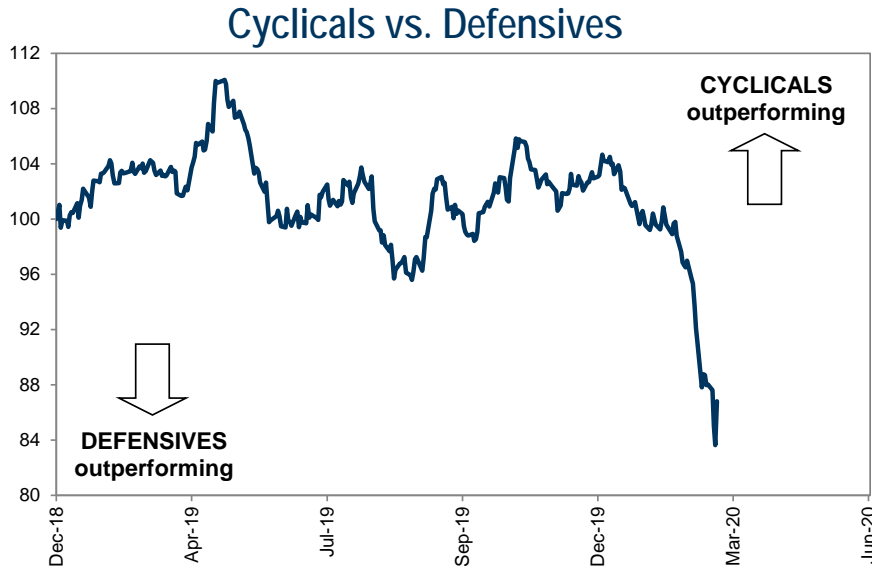
Global Defensives



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Source: FactSet and Goldman Sachs Global Investment Research.

Sector Baskets Performance



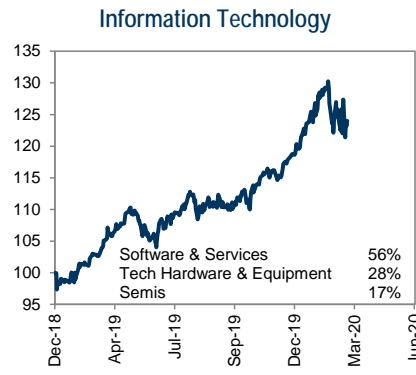
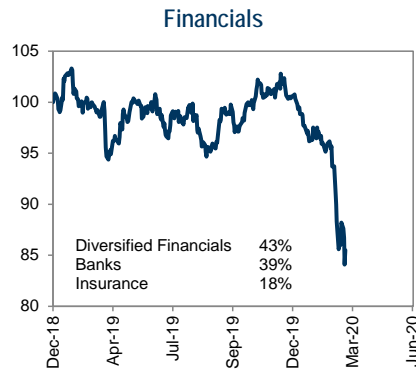
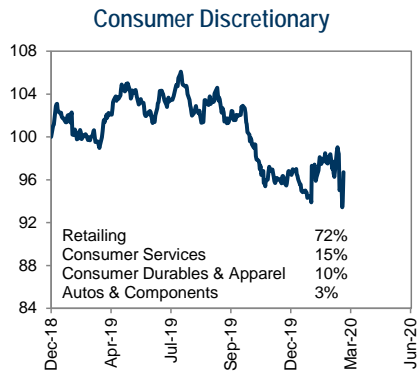
Performance and fundamentals of our sector baskets

Basket	Bloomberg Ticker <GSSBXXXX>	# of Stocks	% of S&P 500 Cap	Beta	Non-US Sales	Earnings Growth		Sales Growth		NTM P/E	LTM P/B	Div Yield	Total Return				
						2020E	2021E	2020E	2021E				1 Wk	1 Mo	3 Mo	LTM	YTD
Defensives	DEFS	215	49 %	0.8	23%	6 %	10 %	6 %	5 %	15.8x	4.0x	2.5 %	(2.1)%	(24)%	(18)%	(6)%	(19)%
Cyclicals	CYCL	285	51	1.2	35	1	14	1	7	13.1	2.1	2.5	(3.6)	(33)	(30)	(20)	(31)
Global	GLBL	279	62 %	1.1	46%	4 %	14 %	2 %	6 %	15.4x	3.6x	2.4 %	(2.5)%	(29)%	(24)%	(12)%	(25)%
Domestic	DOMS	221	38	0.9	16	3	10	5	6	12.8	1.9	2.7	(3.5)	(29)	(25)	(15)	(26)
Global Defensives	GDEF	101	31 %	0.9	45%	7 %	11 %	6 %	6 %	16.7x	6.2x	2.3 %	(0.7)%	(23)%	(17)%	(4)%	(17)%
Domestic Defensives	DDEF	114	18	0.7	13	6	8	6	5	14.5	2.6	3.0	(4.4)	(24)	(20)	(8)	(21)
Domestic Cyclicals	DCYC	107	20	1.0	19	1	11	3	9	11.5	1.6	2.5	(2.7)	(33)	(30)	(20)	(30)
Global Cyclicals	GCYC	178	32	1.2	47	1	17	0	6	14.3	2.5	2.6	(4.2)	(33)	(30)	(20)	(31)
Services-providing	SERV	259	57 %	1.0	20%	4 %	12 %	6 %	7 %	14.3x	2.6x	2.1 %	(2.3)%	(29)%	(24)%	NM	(24)%
Goods-producing	GOOD	240	43	1.0	45	3	13	0	5	14.2	2.9	3.1	(3.5)	(28)	(25)	NM	(26)
S&P 500		500	100 %	1.0	30%	2 %	13 %	4 %	6 %	14.3x	2.7x	2.5 %	(2.8)%	(29)%	(24)%	(13)%	(25)%

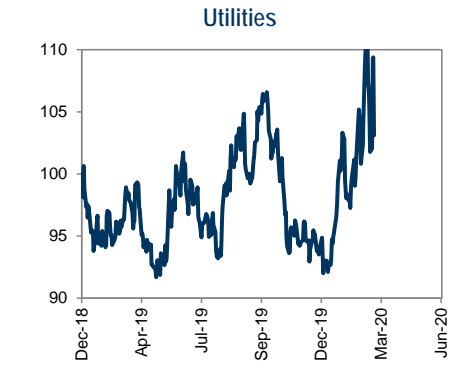
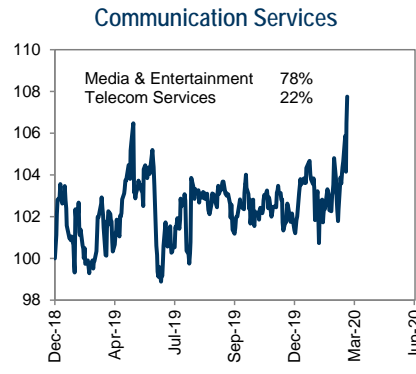
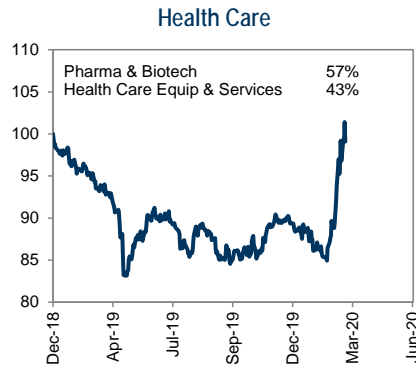
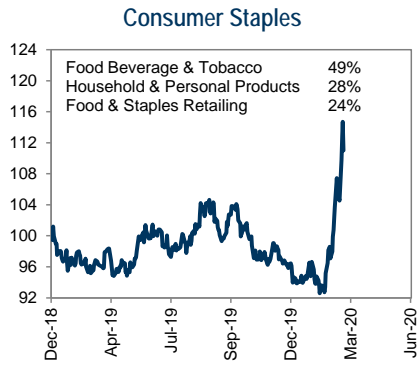
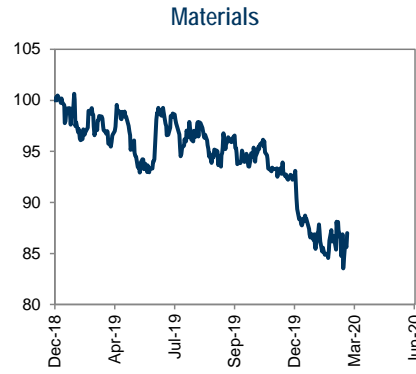
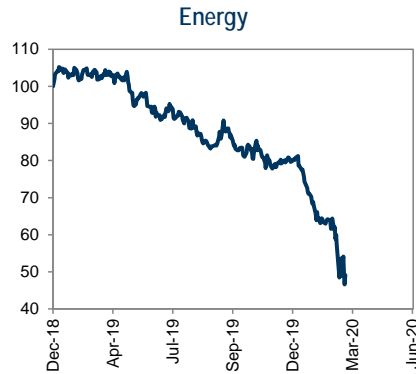
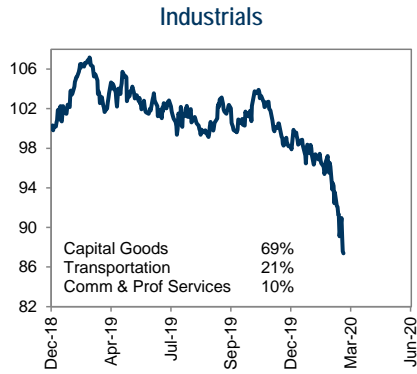
Source: FactSet and Goldman Sachs Global Investment Research.

Sectors – Relative Performance vs. S&P 500

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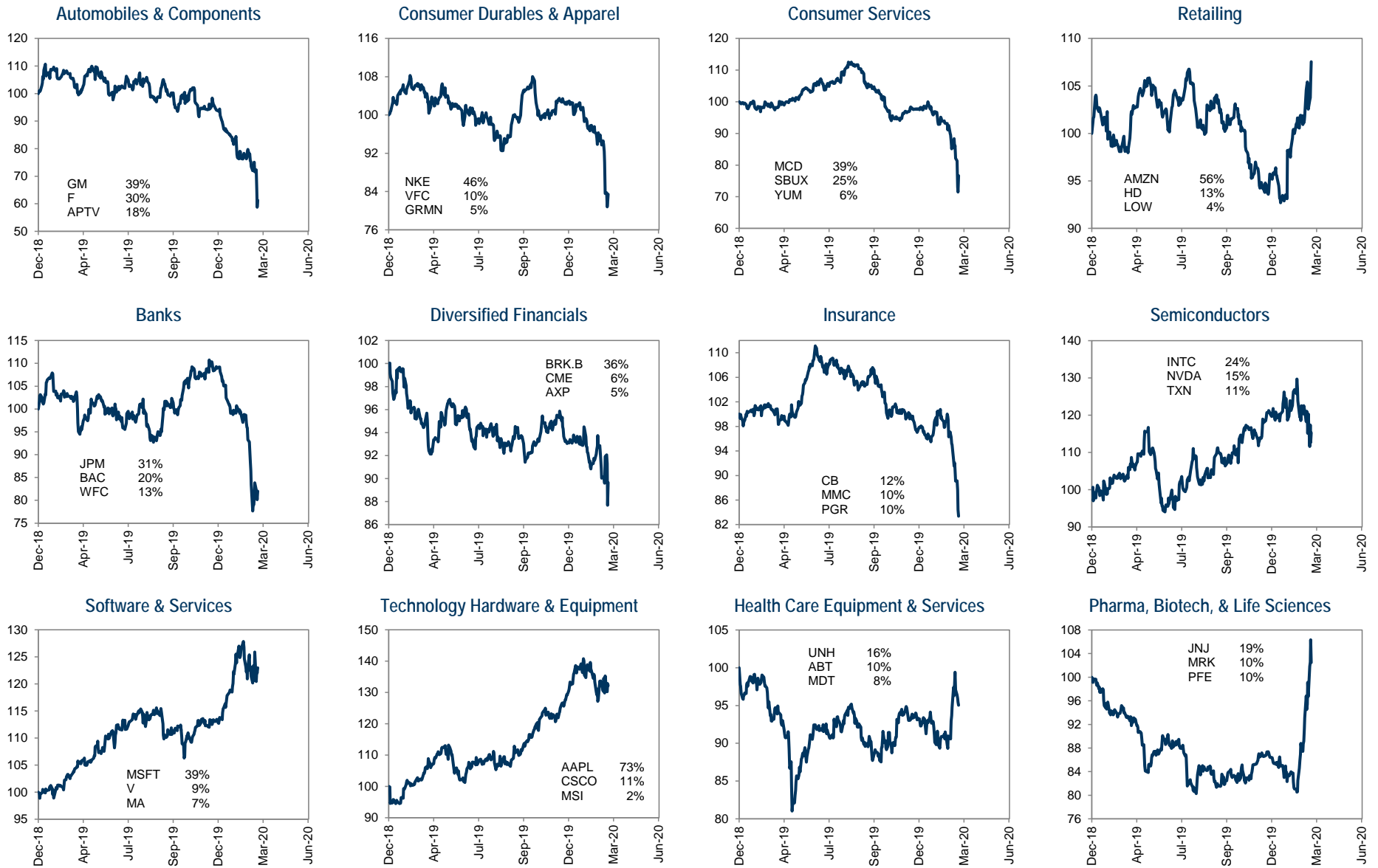


Recommended Sector Positioning			
Sectors	Goldman Sachs Weighting	S&P 500 Wgt	YTD
Info Tech	Overweight	25%	(18)%
Real Estate	Overweight	3	(26)
Utilities	Neutral	4	(20)
Comm Services		11	(20)
Materials		2	(31)
Industrials	Underweight	8	(34)
Consumer Staples		8	(14)
Health Care		15	(19)
Consumer Discr	Underweight	10	(26)
Financials		11	(36)
Energy		2	(57)
S&P 500		100%	(25)%



Source: FactSet and Goldman Sachs Global Investment Research.

Industry Groups – Relative Performance vs. S&P 500 and 3 largest stocks

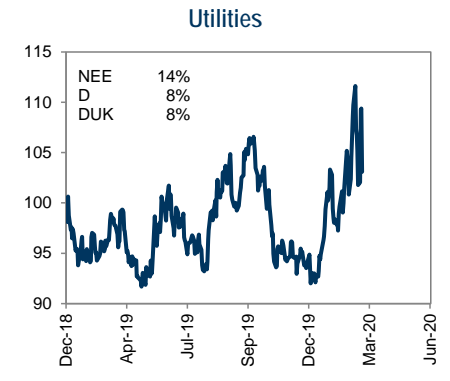
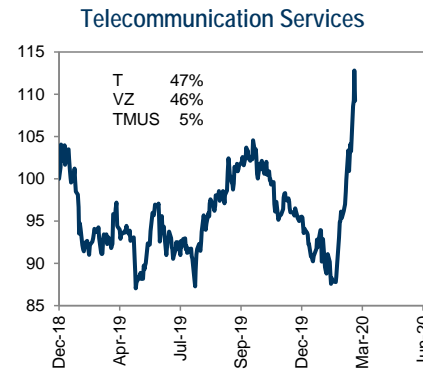
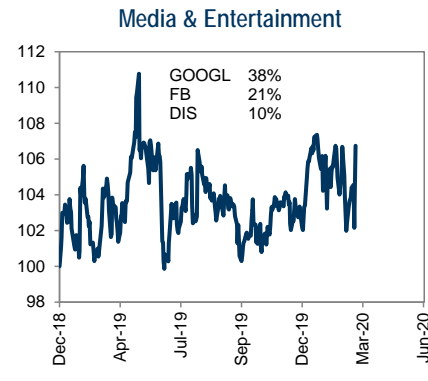
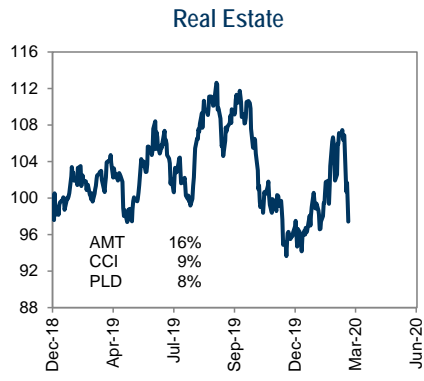
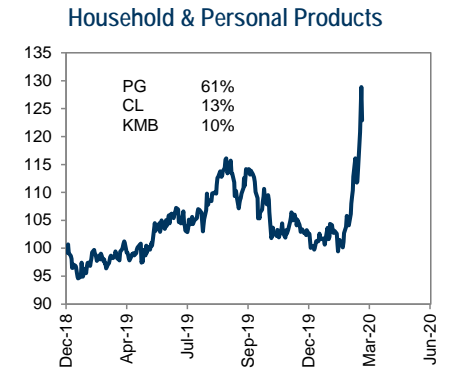
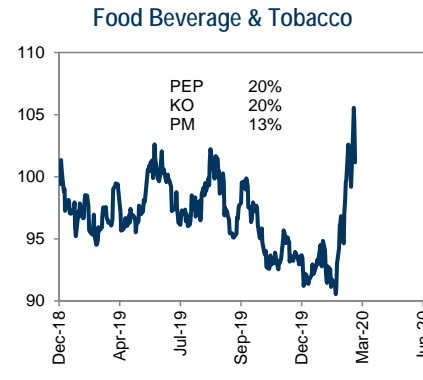
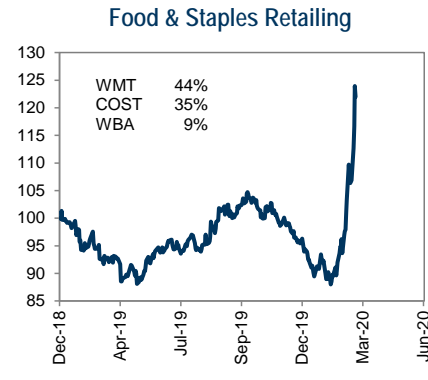
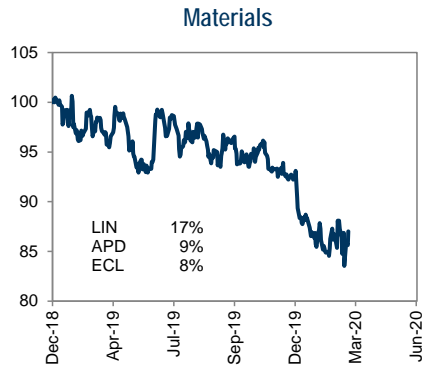
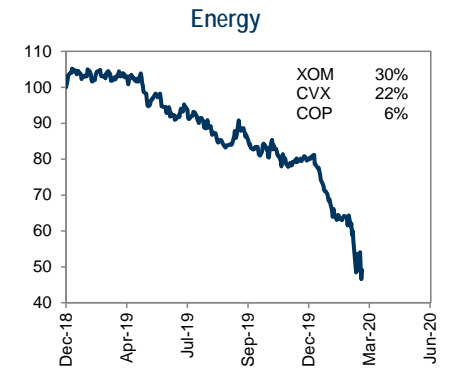
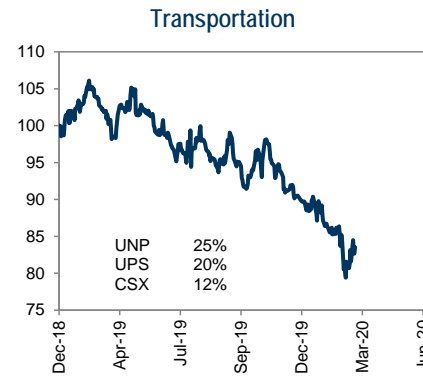
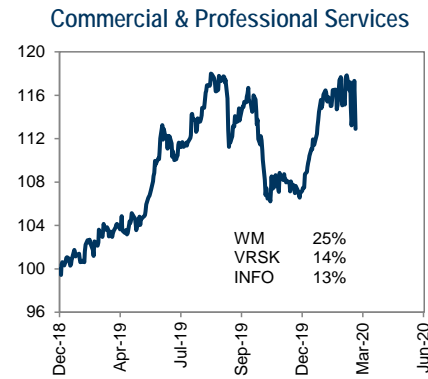
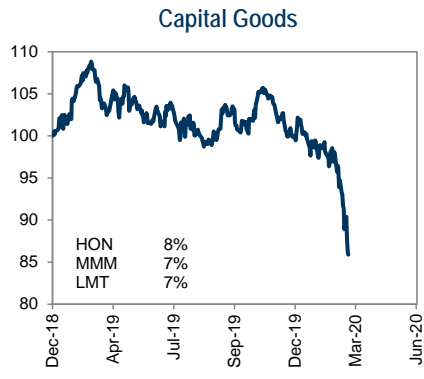


Source: FactSet, compiled by Goldman Sachs Global Investment Research.

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Industry Groups – Relative Performance vs. S&P 500 and 3 largest stocks (continued)

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Source: FactSet, compiled by Goldman Sachs Global Investment Research.

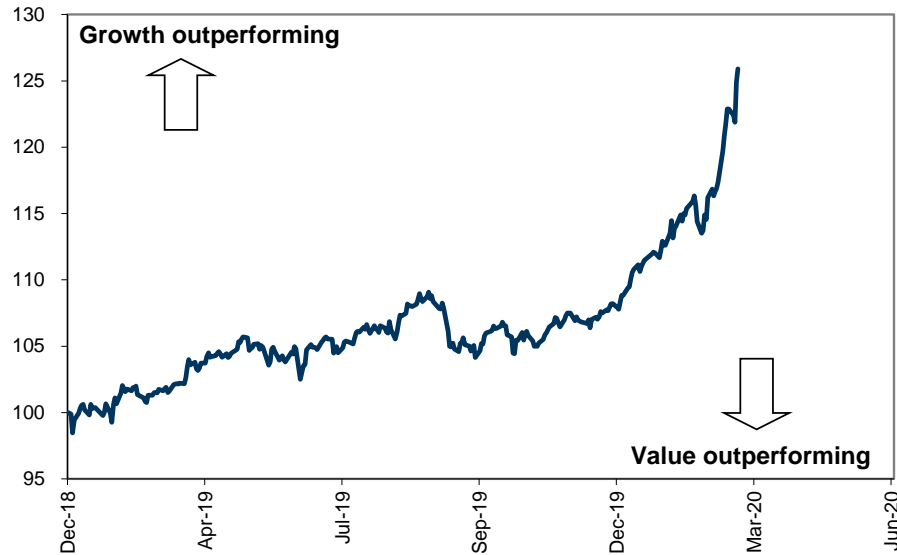
S&P 500 Sector and Industry Group Performance

S&P 500		Weight	1 Week	1 Month	3 Months	Last 12 Months	YTD		
		100 %	(2.8)%	(28.7)%	(24)%	(13)%	(25)%		
S E C T O R	Consumer Staples	8 %	3.0 %	(16.3)%	(14)%	0 %	(14)%	Top quartile	
	Communication Services	11	0.5	(24.8)	(20)	(7)	(20)	Bottom quartile	
	Information Technology	25	(0.7)	(27.3)	(17)	3	(18)		
	Health Care	15	(2.9)	(20.9)	(19)	(9)	(19)		
	Materials	2	(3.1)	(30.3)	(30)	(22)	(31)		
	Financials	11	(3.9)	(37.2)	(36)	(25)	(36)		
	Consumer Discretionary	10	(4.6)	(30.1)	(25)	(17)	(26)		
	Utilities	4	(4.7)	(26.0)	(19)	(7)	(20)		
	Industrials	8	(7.3)	(35.7)	(33)	(26)	(34)		
	Real Estate	3	(11.3)	(30.3)	(24)	(16)	(26)		
Energy	2	(13.3)	(53.2)	(57)	(59)	(57)	Region	Cycle	
I N D U S T R Y G R O U P	Food & Staples Retailing	2 %	11.6 %	(5.7)%	(5)%	13 %	(5)%	Domestic	Defensives
	Household & Personal Products	2	7.2	(12.2)	(9)	9	(9)	Global	Defensives
	Telecommunication Services	2	2.2	(14.5)	(15)	2	(15)	Domestic	Defensives
	Pharmaceuticals Biotechnology & Life Sciences	9	0.5	(14.9)	(14)	(5)	(14)	Global	Defensives
	Media & Entertainment	9	0.0	(27.3)	(22)	(9)	(21)	Global	Cyclicals
	Technology Hardware & Equipment	7	(0.4)	(24.9)	(17)	10	(20)	Global	Cyclicals
	Software & Services	14	(0.4)	(26.8)	(15)	3	(16)	Global	Defensives
	Retailing	7	(0.5)	(23.8)	(15)	(7)	(16)	Domestic	Cyclicals
	Banks	4	(1.2)	(40.8)	(42)	(31)	(43)	Domestic	Cyclicals
	Semiconductors & Semiconductor Equipment	4	(2.3)	(32.2)	(24)	(6)	(25)	Global	Cyclicals
	Food Beverage & Tobacco	4	(2.7)	(22.6)	(20)	(9)	(20)	Global	Defensives
	Transportation	2	(2.9)	(33.6)	(32)	(27)	(32)	Domestic	Cyclicals
	Diversified Financials	5	(3.1)	(32.2)	(29)	(19)	(29)	Domestic	Cyclicals
	Materials	2	(3.1)	(30.3)	(30)	(22)	(31)	Global	Cyclicals
	Commercial & Professional Services	1	(4.2)	(27.9)	(19)	(5)	(20)	Domestic	Defensives
	Utilities	4	(4.7)	(26.0)	(19)	(7)	(20)	Domestic	Defensives
	Health Care Equipment & Services	7	(7.2)	(27.7)	(24)	(14)	(25)	Domestic	Defensives
	Capital Goods	6	(9.0)	(37.3)	(35)	(28)	(36)	Global	Cyclicals
	Consumer Durables & Apparel	1	(10.4)	(39.1)	(39)	(30)	(39)	Global	Cyclicals
	Insurance	2	(11.3)	(39.8)	(37)	(28)	(37)	Domestic	Cyclicals
Real Estate	3	(11.3)	(30.3)	(24)	(16)	(26)	Domestic	Defensives	
Energy	2	(13.3)	(53.2)	(57)	(59)	(57)	Global	Cyclicals	
Consumer Services	1	(14.2)	(43.2)	(41)	(33)	(42)	Global	Defensives	
Automobiles & Components	0	(21.8)	(48.0)	(53)	(49)	(52)	Global	Cyclicals	

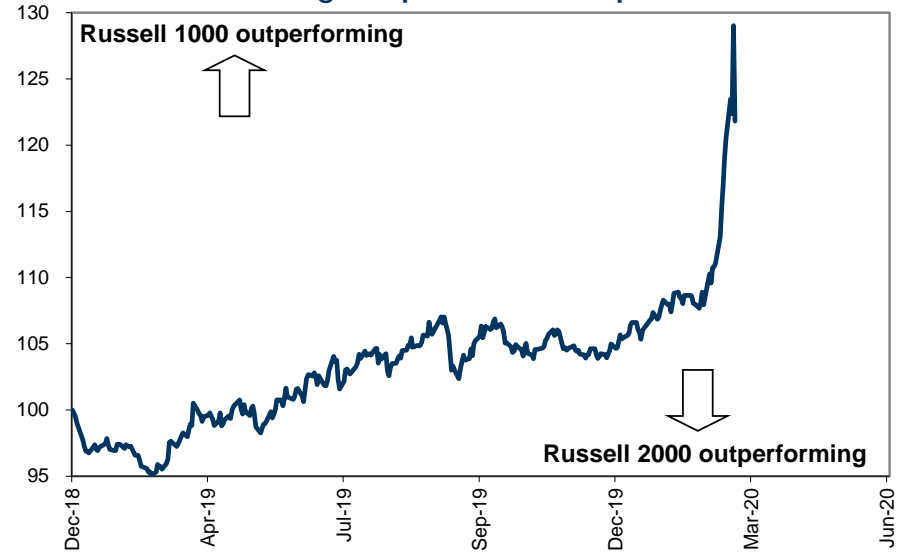
Source: FactSet and Goldman Sachs Global Investment Research.

Style and Size

Growth vs. Value



Large-cap vs. Small-cap



Sectors: Russell 1000 Growth vs. Value

Russell Sector	Weight (%)		1-Week (% Return)			YTD (% Return)		
	Growth	Value	Growth	Value	Δ (bps)	Growth	Value	Δ (bps)
Utilities	0	13	4	(2)	559	(2)	(18)	1,582
Energy	0	5	(9)	(14)	465	(57)	(58)	97
Technology	41	7	1	(3)	405	(17)	(27)	983
Cons Discretionary	18	11	(2)	(6)	387	(19)	(33)	1,423
Industrials	9	8	(6)	(8)	256	(31)	(37)	525
Financials	12	27	(8)	(7)	(23)	(23)	(38)	1,509
Health Care	15	15	(5)	(2)	(279)	(20)	(18)	(197)
Materials	2	4	(7)	(4)	(304)	(24)	(36)	1,170
Consumer Staples	4	11	(2)	3	(460)	(20)	(17)	(273)
Index	100	100	(2)	(5)	233	(20)	(32)	1,145

Sectors: Russell 1000 vs. Russell 2000

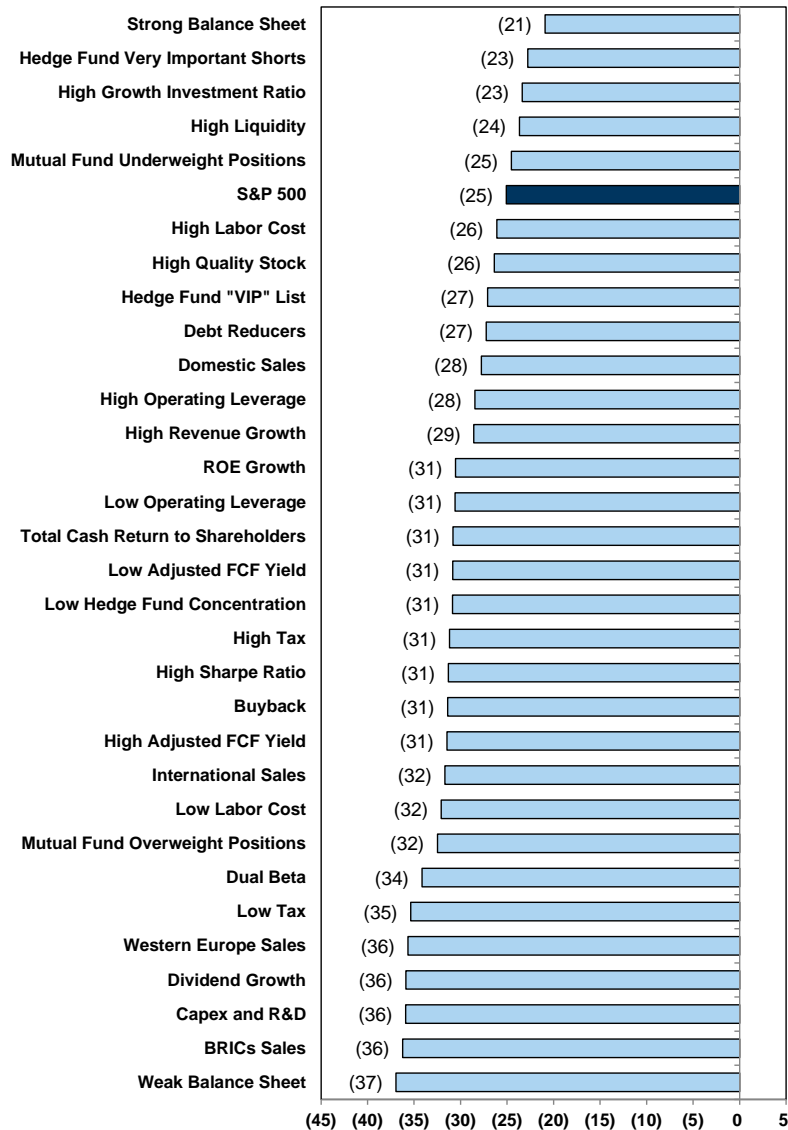
Russell Sector	Weight (%)		1-Week (% Return)			YTD (% Return)		
	R1000	R2000	R1000	R2000	Δ (bps)	R1000	R2000	Δ (bps)
Cons Discretionary	15	10	(3)	(16)	1,274	(24)	(48)	2,397
Technology	26	14	0	(4)	378	(18)	(31)	1,289
Health Care	15	20	(3)	(4)	81	(19)	(28)	887
Financials	19	25	(7)	(8)	13	(33)	(38)	499
Materials	3	6	(5)	(4)	(50)	(32)	(40)	796
Industrials	9	13	(7)	(6)	(141)	(34)	(39)	475
Consumer Staples	7	3	1	6	(440)	(18)	(28)	1,049
Utilities	6	6	(2)	5	(740)	(18)	(14)	(410)
Energy	2	2	(13)	1	(1,404)	(58)	(59)	68
Index	100	100	(4)	(6)	213	(26)	(36)	1,041

Source: FactSet and Goldman Sachs Global Investment Research.

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YTD Performance



	Ticker	Total Return			P/E	P/B	Div	
		1 wk	1 mo	YTD	NTM	LTM	Yield	
Macroeconomic	Dual Beta	GSTHBETA	(2.5)%	(35)%	(34)%	12x	1.8x	2.3 %
	Interest Rate Sensitive	GSTHUSTY	(4.2)	(39)	(40)	8	1.4	4.1
	High Tax	GSTHHTAX	(5.3)	(33)	(31)	13	3.3	2.2
	Low Tax	GSTHLTAX	(6.0)	(37)	(35)	13	2.5	2.8
	High Labor Cost	GSTHHLAB	(4.0)	(29)	(26)	15	3.5	1.5
	Low Labor Cost	GSTHLLAB	(7.1)	(34)	(32)	10	2.4	2.4
Geographic Sales	Domestic Sales	GSTHAINT	(3.6)%	(29)%	(28)%	13x	2.6x	2.2 %
	International Sales	GSTHINTL	(6.5)	(33)	(32)	14	2.7	2.2
	BRICs Sales	GSTHBRIC	(5.2)	(37)	(36)	15	2.7	2.6
	Western Europe Sales	GSTHWEUR	(6.6)	(36)	(36)	11	1.8	1.1
Fundamental	High Revenue Growth	GSTHREVG	(4.3)%	(33)%	(29)%	22x	4.7x	0.7 %
	High Operating Leverage	GSTHOPHI	(1.5)	(31)	(28)	15	2.7	1.2
	Low Operating Leverage	GSTHOPLO	(5.5)	(33)	(31)	13	3.9	2.2
	ROE Growth	GSTHGROE	(5.5)	(33)	(31)	13	2.0	2.5
	High Quality Stock	GSTHQUAL	(5.5)	(30)	(26)	19	4.5	1.1
	High Adjusted FCF Yield	GSTHHACF	(3.4)	(31)	(31)	8	2.1	4.4
	Low Adjusted FCF Yield	GSTHLACF	(7.6)	(35)	(31)	18	3.5	0.7
	Strong Balance Sheet	GSTHSBAL	(2.5)	(26)	(21)	24	6.9	0.4
	Weak Balance Sheet	GSTHWBAL	(6.7)	(39)	(37)	9	1.0	3.2
Uses of Cash	Capex and R&D	GSTHCAPX	(6.0)%	(36)%	(36)%	9x	1.3x	3.8 %
	Total Cash Return to Shareholders	GSTHCASH	(2.6)	(31)	(31)	9	2.7	4.7
	Buyback	GSTHREPO	(3.9)	(32)	(31)	11	2.7	3.7
	Dividend Growth	GSTHDIVG	(4.5)	(35)	(36)	9	1.8	5.1
	High Growth Investment Ratio	GSTHHGIR	(1.6)	(27)	(23)	15	4.2	2.2
	Debt Issuers	GSTHDISS	(7.5)	(38)	(37)	11	2.2	2.6
Risk & Liquidity	Debt Reducers	GSTHDRED	(3.5)	(30)	(27)	11	1.7	3.0
	High Sharpe Ratio	GSTHSHRP	(5.2)%	(35)%	(31)%	12x	2.2x	2.0 %
	High Liquidity	GSTHLLIQ	(2.6)	(30)	(24)	18	4.9	2.7
Hedge Funds & Mutual Funds	Low Liquidity	GSTHLLIQ	(11.1)	(43)	(43)			
	Hedge Fund "VIP" List	GSTHHVIP	(6.1)%	(34)%	(27)%	17x	3.9x	0.0 %
	Hedge Fund Very Important Shorts	GSTHVISP	(1.2)	(24)	(23)	14	4.5	3.2
	High Hedge Fund Concentration	GSTHHFHI	(15.1)	(46)	(47)	8	1.5	1.0
	Low Hedge Fund Concentration	GSTHHFSL	(0.2)	(33)	(31)	13	1.5	3.7
	Mutual Fund Overweight Positions	GSTHMFOV	(8.0)	(36)	(32)	11	2.3	2.1
Mutual Fund Underweight Positions	GSTHMFUW	(3.3)	(28)	(25)	16	3.7	3.4	
S&P 500 Average					15	5.3	3.6	
S&P 500 Median					13	2.4	2.7	

For details and constituents of our baskets see [Anatomy of our US Portfolio Strategy Thematic and Sector Baskets](#), February 5, 2020.

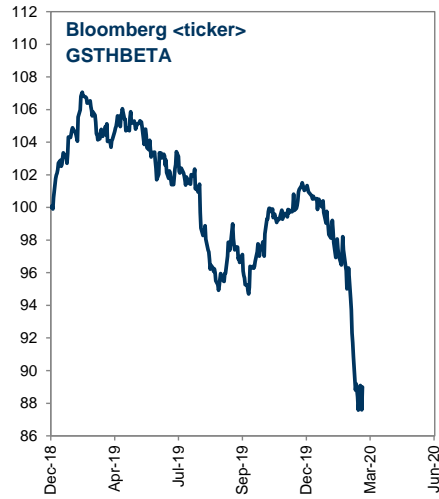
Source: FactSet and Goldman Sachs Global Investment Research.

US Portfolio Strategy Baskets – Relative performance vs. S&P 500

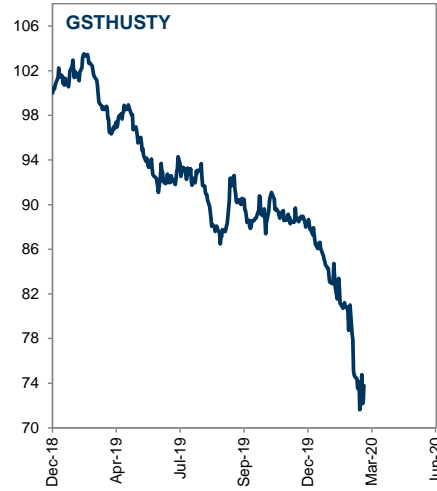
Macroeconomics

Geographic Sales

Dual Beta



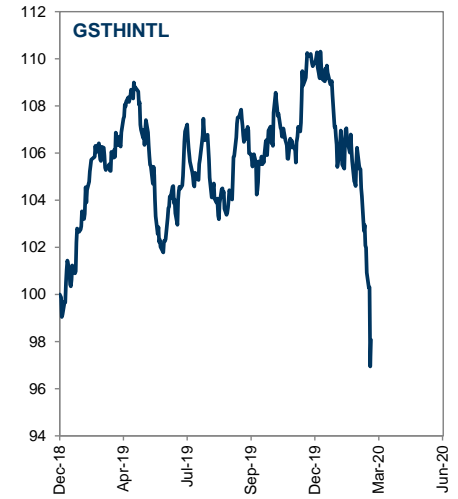
Interest Rate Sensitive



US Sales



International Sales



High vs. Low Labor Cost



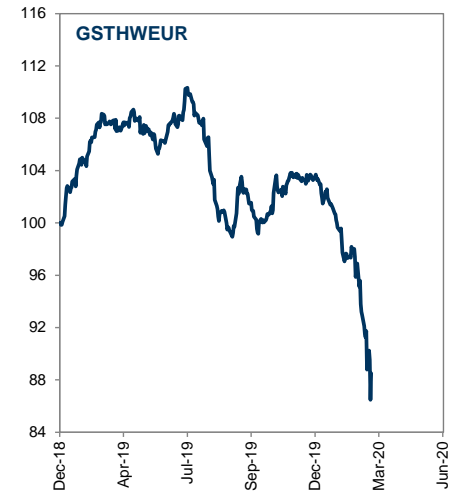
High vs. Low Tax Rate



BRICs Sales



Western Europe Sales



Source: FactSet and Goldman Sachs Global Investment Research.

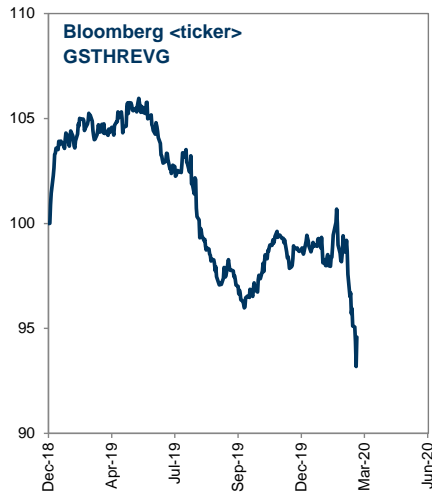
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US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

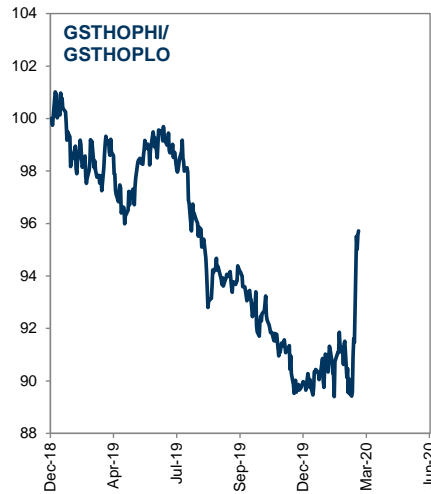
Fundamentals

Risk & Liquidity

Revenue Growth



High vs. Low Operating Leverage



ROE Growth



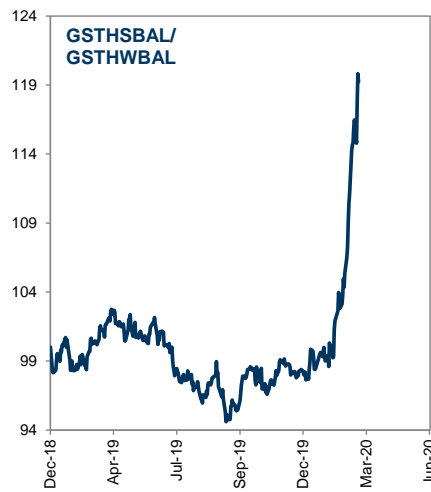
High Sharpe Ratio



High Quality



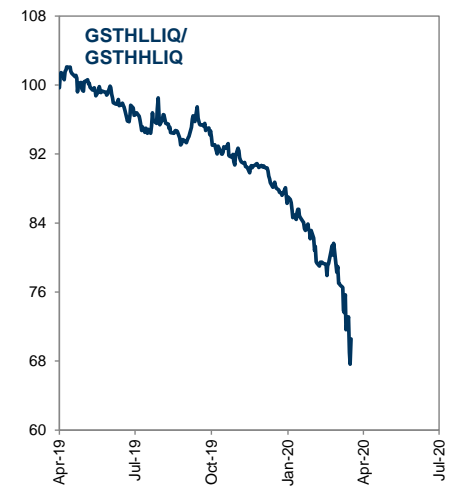
Strong vs. Weak Balance Sheet



High vs. Low Adjusted FCF



Low vs. High Liquidity



Source: FactSet and Goldman Sachs Global Investment Research.

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US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

Uses of Cash

Capex and R&D



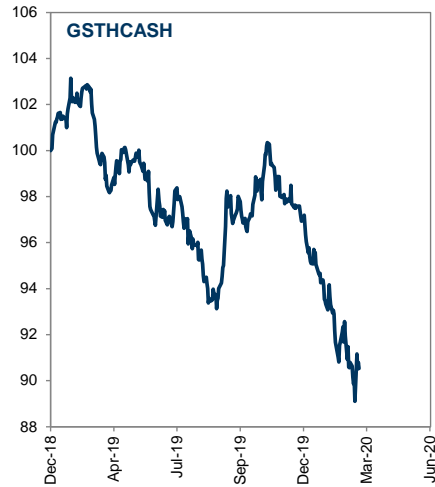
High Growth Investment Ratio



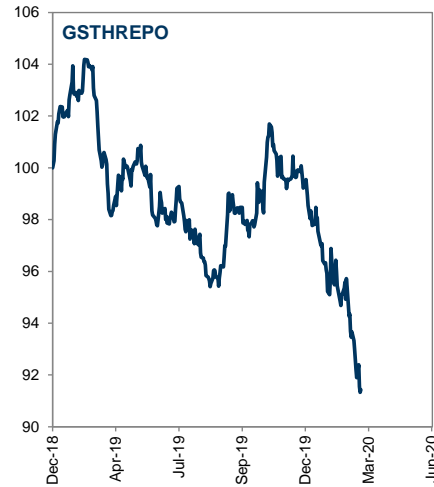
Debt Reducers vs. Issuers



Total Cash Return



Buybacks



Dividend Growth



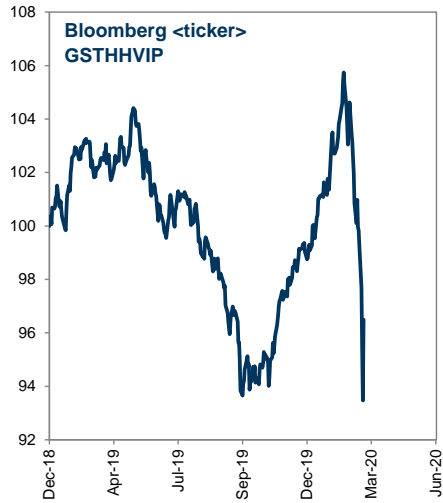
Source: FactSet and Goldman Sachs Global Investment Research.

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US Portfolio Strategy Baskets – Relative performance vs. S&P 500 (continued)

Hedge Fund Ownership

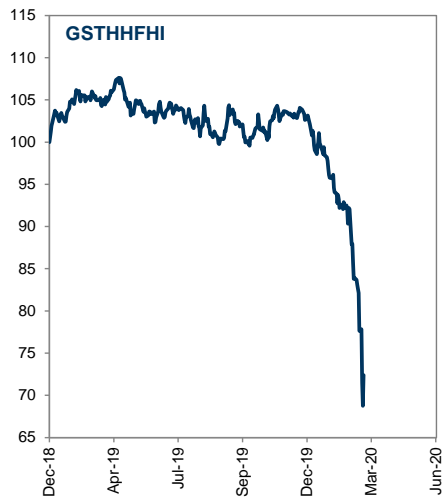
Hedge Fund VIP



Short Positions



High Concentration



Low Concentration

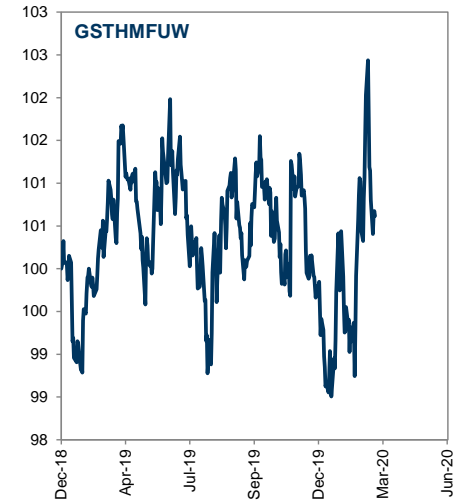


Mutual Fund Ownership

Overweight Positions



Underweight Positions



Source: FactSet and Goldman Sachs Global Investment Research.

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S&P 500 Earnings, Sales and Revisions

Consensus Bottom-Up

	2018A	Adjusted EPS			
		Contribution		EPS growth	
		2019E	2020E	2019E	2020E
Real Estate	\$4	\$4	\$5	7 %	13 %
Utilities	5	5	5	6	5
Health Care	25	27	28	7	6
Consumer Staples	11	11	11	3	4
Communication Services	16	17	17	9	2
Information Technology	32	32	34	(0)	8
Financials	29	30	30	5	(0)
Industrials	16	15	15	(4)	(2)
Consumer Discretionary	13	13	13	0	2
Materials	5	4	4	(14)	5
S&P 500 ex-Energy	154	158	164	3	4
Energy	9	6	5	(29)	(28)
S&P 500 EPS	\$163	\$165	\$168	1 %	2 %

Earnings & Sales Revisions (Consensus)

	EPS REVISIONS				SALES REVISIONS			
	1 month		3 month		1 month		3 month	
	20E	21E	20E	21E	20E	21E	20E	21E
Health Care	(0.1)%	(0.1)%	(0.0)%	(0.2)%	(0.0)%	0.0 %	2.1 %	2.1 %
Utilities	(0.2)	(0.2)	(0.2)	(0.5)	NM	NM	NM	NM
Real Estate	(0.2)	0.6	(3.5)	(2.2)	NM	NM	NM	NM
Consumer Staples	(0.7)	(0.7)	(1.1)	(1.1)	(0.2)	(0.3)	(0.3)	(0.3)
Information Technology	(1.3)	(0.7)	1.1	2.0	(1.1)	(0.8)	(0.0)	0.7
Communication Services	(1.7)	(0.9)	(2.3)	(1.2)	(0.5)	(0.4)	(0.5)	(0.3)
S&P 500 ex. Energy	(2.2)	(1.5)	(2.6)	(1.6)	(1.0)	(0.7)	(0.9)	(0.3)
Financials	(2.3)	(2.9)	(0.8)	(2.6)	NM	NM	NM	NM
S&P 500	(3.6)	(2.5)	(4.2)	(2.9)	(2.0)	(1.4)	(1.9)	(1.2)
Materials	(4.8)	(3.9)	(9.9)	(8.5)	(1.4)	(1.4)	(3.2)	(3.4)
Consumer Discretionary	(6.0)	(3.3)	(7.2)	(4.1)	(1.6)	(0.8)	(1.9)	(1.1)
Industrials	(6.9)	(3.6)	(13.4)	(6.5)	(3.0)	(2.0)	(5.4)	(3.2)
Energy	(34.3)	(24.1)	(38.6)	(30.1)	(10.8)	(7.6)	(11.1)	(9.1)

Earnings Growth (consensus bottom-up)

	2020 Earnings Per Share Growth				Annual	
	1QE	2QE	3QE	4QE	2020E	2021E
Real Estate	12 %	15 %	13 %	13 %	13 %	6 %
Information Technology	4	7	10	10	8	15
Health Care	1	3	7	12	6	10
Utilities	4	8	3	8	5	5
Materials	5	(1)	7	11	5	16
Consumer Staples	(0)	4	6	7	4	7
S&P 500 ex. Energy	(2)	1	6	9	4	13
S&P 500	(3)	(2)	5	9	2	13
Communication Services	(2)	(2)	10	2	2	13
Consumer Discretionary	(14)	(6)	8	18	2	19
Financials	(3)	(5)	2	6	(0)	8
Industrials	(18)	(3)	(3)	15	(2)	21
Energy	(18)	(46)	(25)	(18)	(28)	31

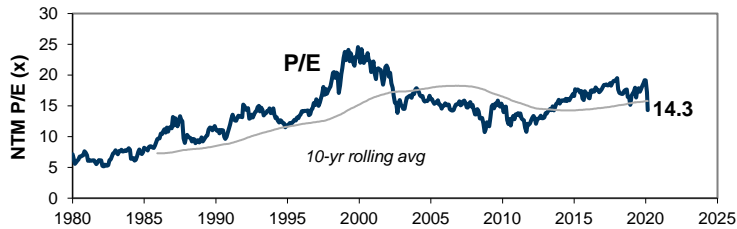
Sales Growth (consensus bottom-up)

	2020E Sales Per Share Growth				Annual	
	1QE	2QE	3QE	4QE	2020E	2021E
Communication Services	14 %	13 %	14 %	7 %	12 %	7 %
Information Technology	9	8	8	7	8	8
Health Care	5	5	6	7	6	6
Consumer Staples	6	6	6	4	5	3
S&P 500 ex. Energy	5	4	6	6	5	6
S&P 500	4	2	5	5	4	6
Consumer Discretionary	2	2	5	6	4	7
Materials	1	(3)	1	2	0	4
Industrials	(4)	(5)	0	3	(2)	7
Energy	(2)	(13)	(4)	(3)	(6)	5

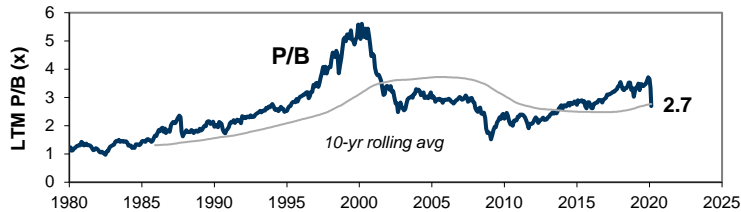
Source: FirstCall, I/B/E/S, FactSet, and Goldman Sachs Global Investment Research.

Valuation: Absolute and Relative

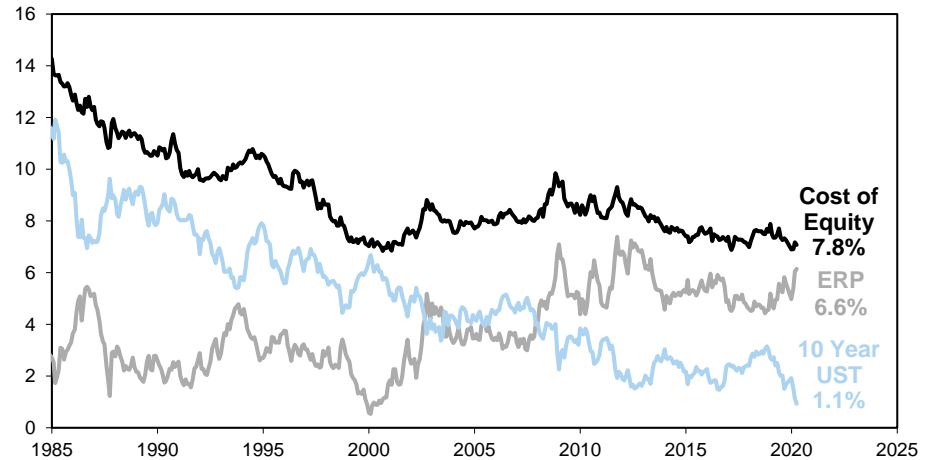
S&P 500 NTM P/E



S&P 500 LTM P/B



S&P 500 Cost of Equity = ERP + 10-yr UST



We estimate the equity risk premium (ERP) using our DDM framework to model expected future cash flows.

We solve for the cost of equity that implies the market is at 'fair value' and then deduct the 10-year US treasury.

Current aggregate valuation metrics - absolute

	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	NTM P/E
S&P 500	2.0x	10.3x	2.7x	5.4 %	1.3x	14.3x
Financials	NM	NM	1.0	NM	1.2	8.7
Energy	0.8	4.6	0.7	8.5	2.1	12.7
Industrials	1.6	9.1	3.3	6.0	1.6	13.0
Health Care	1.7	11.5	3.7	6.5	1.4	13.0
Materials	1.8	8.8	1.6	5.4	1.0	14.0
Real Estate	NM	NM	2.9	NM	1.9	14.8
Comm Services	2.9	8.2	2.7	6.0	1.5	15.2
Utilities	NM	10.5	1.9	(2.4)	3.3	15.9
Cons Staples	1.6	12.4	5.2	4.9	2.7	17.5
Info Tech	4.2	13.0	6.6	5.5	1.3	17.6
Cons Discr	1.7	11.4	6.0	4.9	1.0	18.2

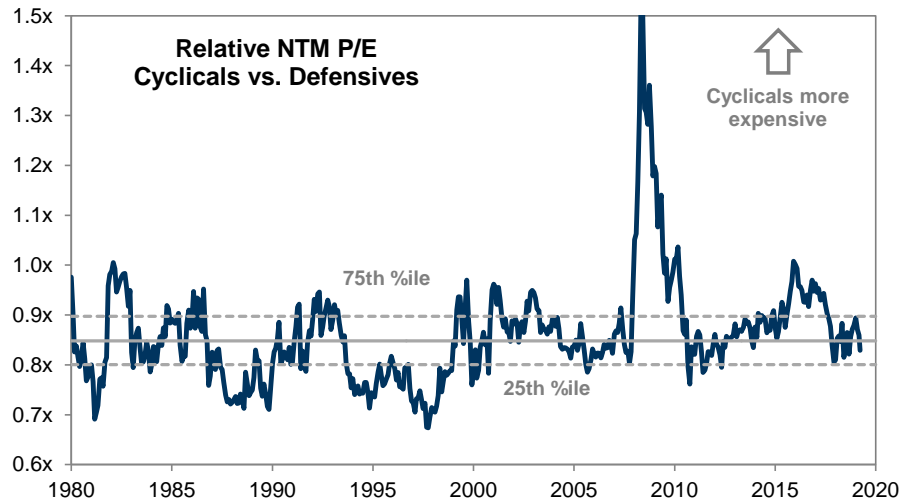
Current relative valuation vs. historical average (Z-score)

	10-year						30-year
	EV/ Sales	EV/ EBITDA	Price/ Book	FCF Yield	PEG Ratio	P/E	Median Z-Score
S&P 500	0.4	(0.1)	(0.2)	(0.5)	0.0	(0.7)	(0.1)
Financials	NM	NM	(2.8)	NM	(0.0)	(2.3)	(2.3)
Materials	(2.3)	(1.9)	(2.5)	(1.2)	(2.4)	(1.8)	(2.1)
Energy	(2.9)	(1.1)	(2.7)	(3.4)	0.5	(0.5)	(1.9)
Industrials	(2.0)	(1.1)	(0.9)	(0.8)	1.1	(1.3)	(1.0)
Comm Services	(0.7)	(1.5)	(1.0)	0.3	1.0	(1.1)	(0.9)
Real Estate	NM	NM	1.8	NM	(1.4)	(0.7)	(0.7)
Health Care	(0.6)	0.7	1.0	0.2	(0.6)	(0.4)	(0.1)
Cons Discr	(0.7)	0.0	1.8	0.1	(0.3)	1.5	0.1
Utilities	NM	0.9	0.8	3.9	(0.7)	1.0	0.9
Cons Staples	0.6	1.0	1.7	1.0	0.7	2.0	1.0
Info Tech	2.5	2.5	3.2	1.9	0.2	3.2	2.5

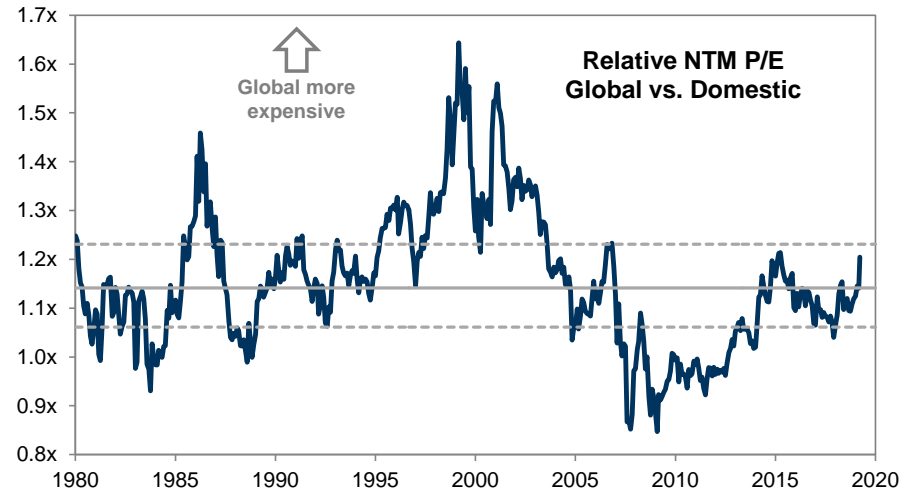
Source: FactSet, I/B/E/S, FirstCall, and Goldman Sachs Global Investment Research.

Valuation: Sector baskets

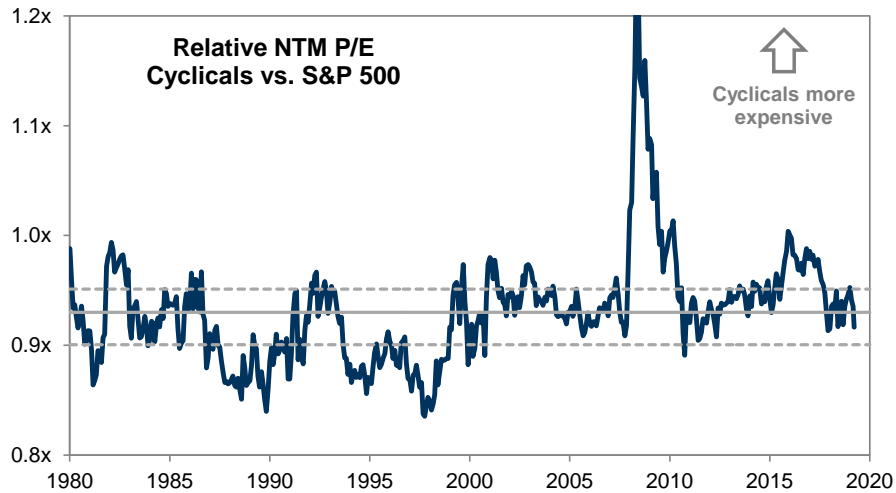
Valuation of Cyclical vs. Defensives



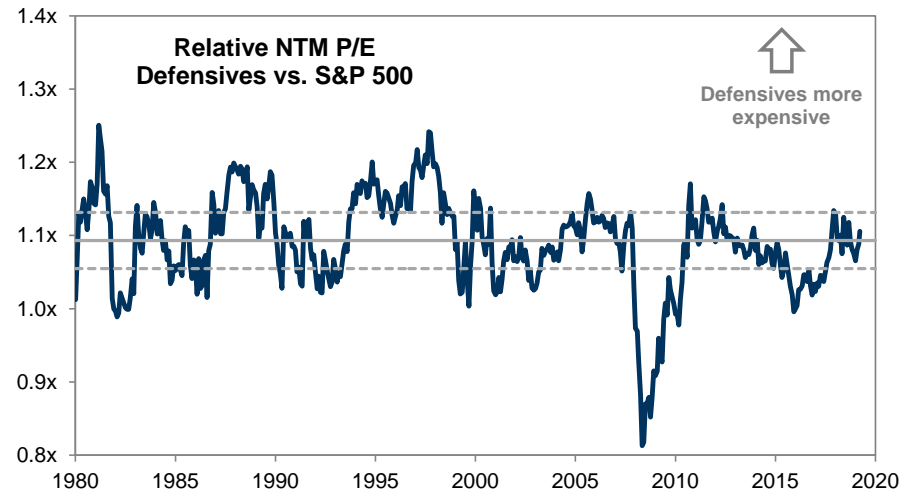
Global vs. Domestic



Cyclicals vs. S&P 500



Defensives vs. S&P 500

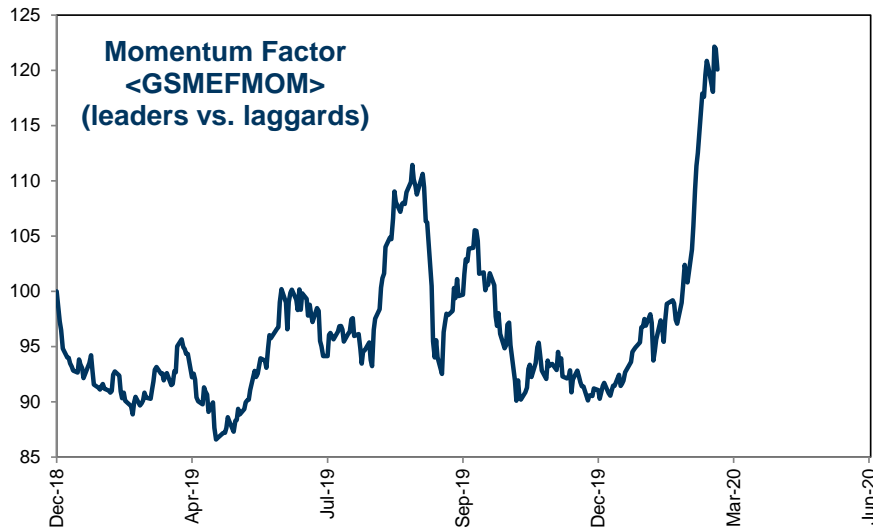


Source: Compustat, FactSet, I/B/E/S, and Goldman Sachs Global Investment Research.

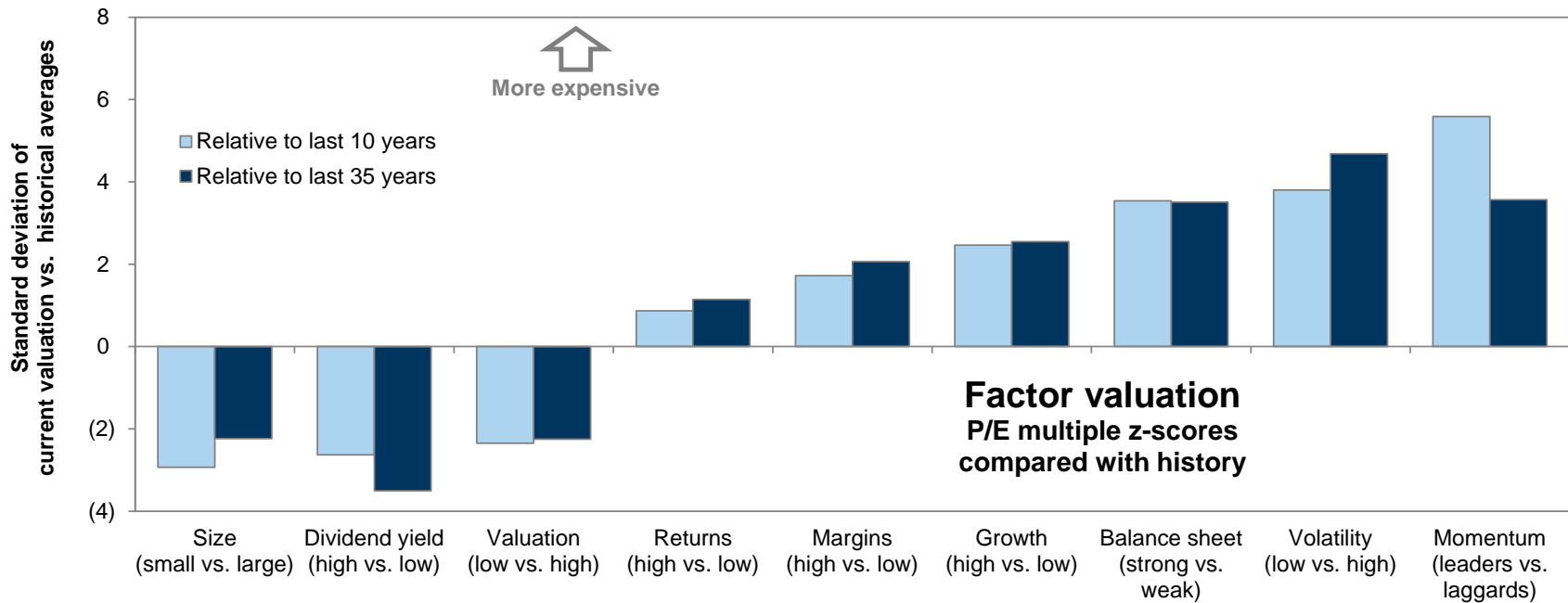
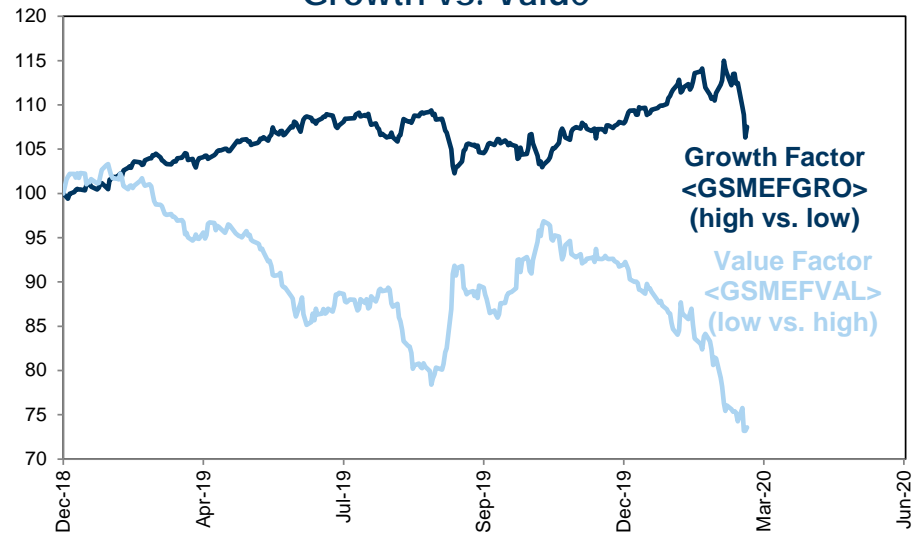
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Factors: Performance and Valuation

Momentum



Growth vs. Value

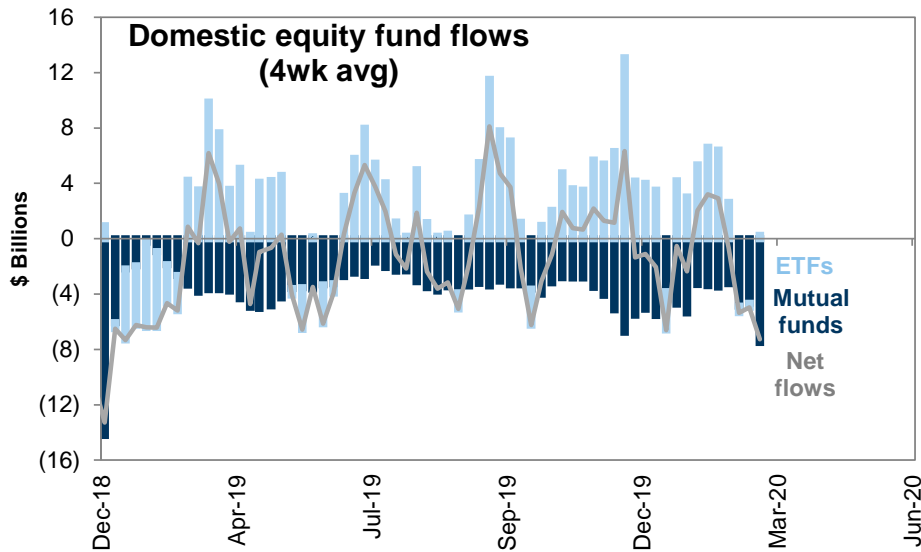


Source: Compustat, FactSet, I/B/E/S, and Goldman Sachs Global Investment Research.

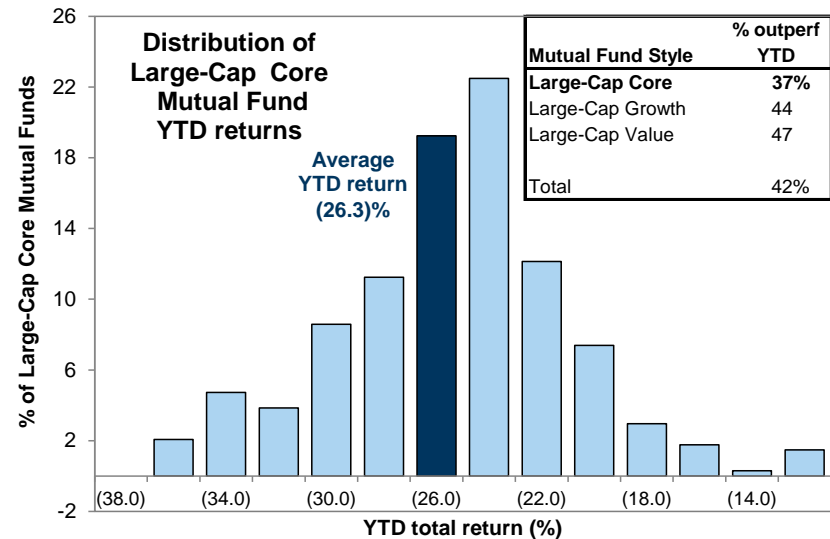
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Fund Flows, Fund Performance, and Short Interest

Domestic equity fund flows



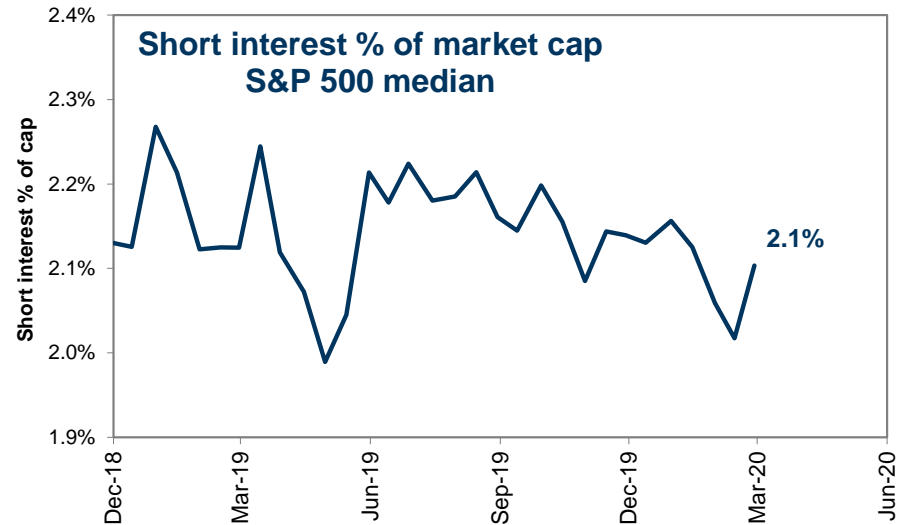
Mutual Fund Performance



Weekly fund flows

(\$ billions)	EPFR Mutual Fund Flows			EPFR ETF Fund Flows		
	Total Assets	4-Wk Avg Flows	Total Flows YTD	Total Assets	4-Wk Avg Flows	Total Flows YTD
All Equity	5,362	(18.1)	(89.3)	3,502	1.1	81.9
Real Estate	263	(0.3)	1.2	72	0.1	0.7
Global	390	(0.9)	(6.1)	299	0.2	13.9
Equity Income	447	(1.2)	(9.8)	222	0.6	7.2
Int'l Equity	2,718	(9.7)	(20.2)	1,128	0.7	24.7
U.S. Equity	2,253	(7.5)	(62.9)	2,075	0.2	43.3
All Bonds	4,450	(27.3)	(19.0)	1,115	(6.3)	21.0
Gov't Treasury	313	1.1	5.2	272	5.5	29.1
Municipal Bond	440	(2.5)	(0.6)	49	(0.3)	1.7
All Taxable Bond	3,696	(25.9)	(23.6)	794	(11.6)	(9.8)
Money Market	5,156	71.9	377.3	34	1.3	6.2

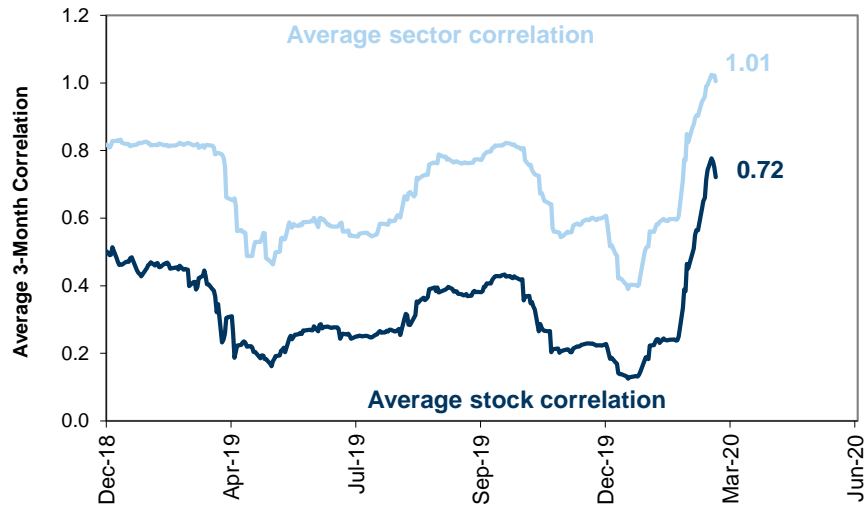
Short Interest



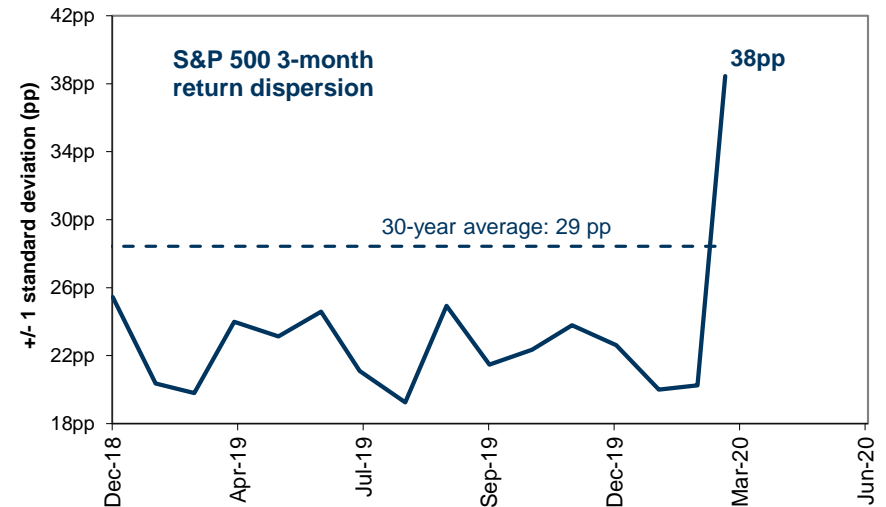
Source: FactSet, EPFR, and Goldman Sachs Global Investment Research.

Correlation, Breadth and Dispersion

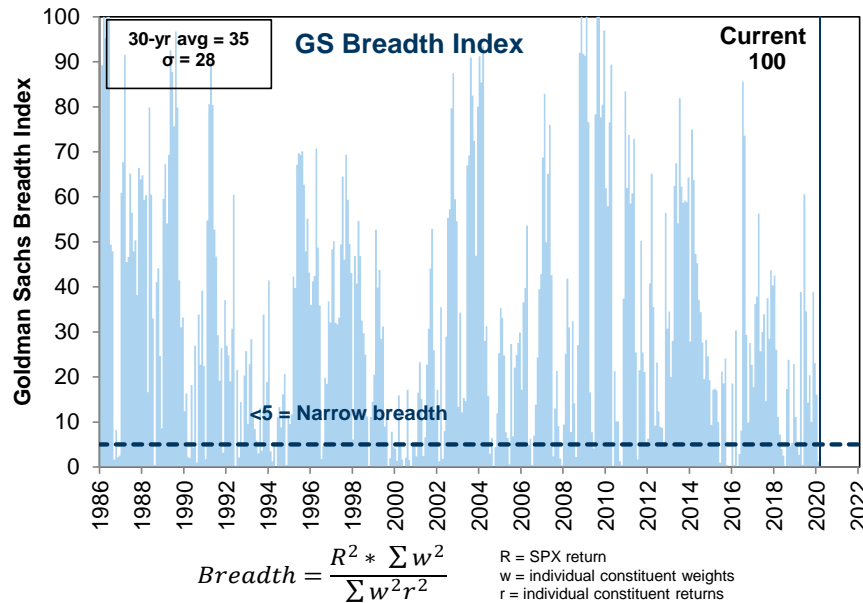
Sector and Stock Correlation



S&P 500 3-month Return Dispersion



Goldman Sachs Breadth Index (GSBI)

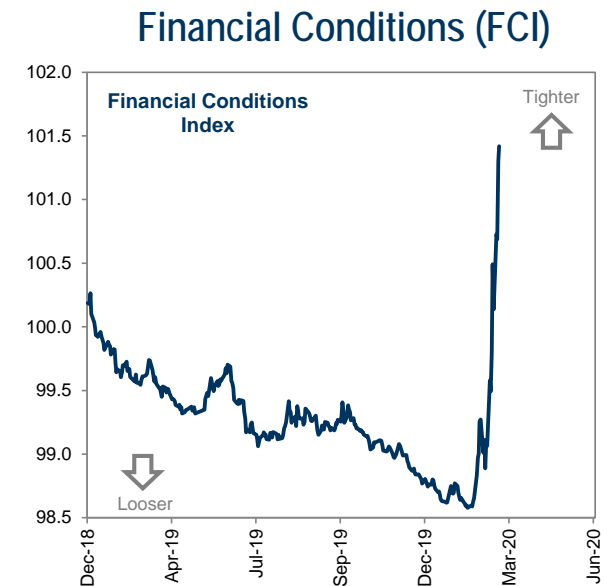
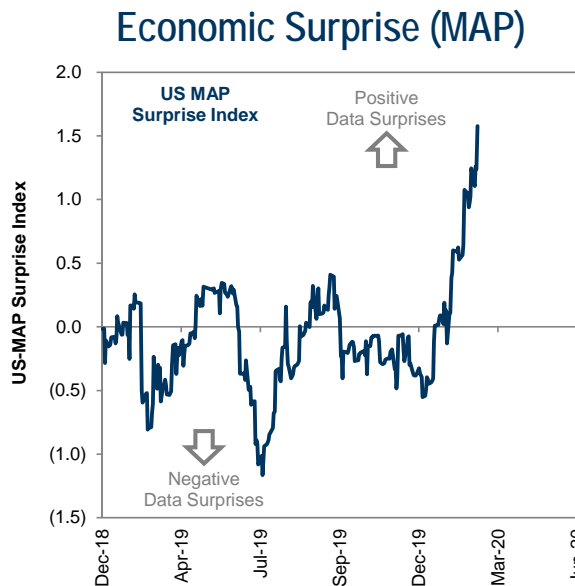
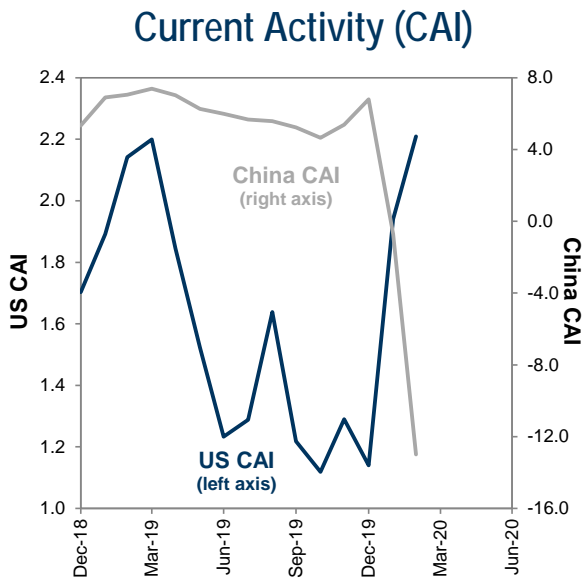
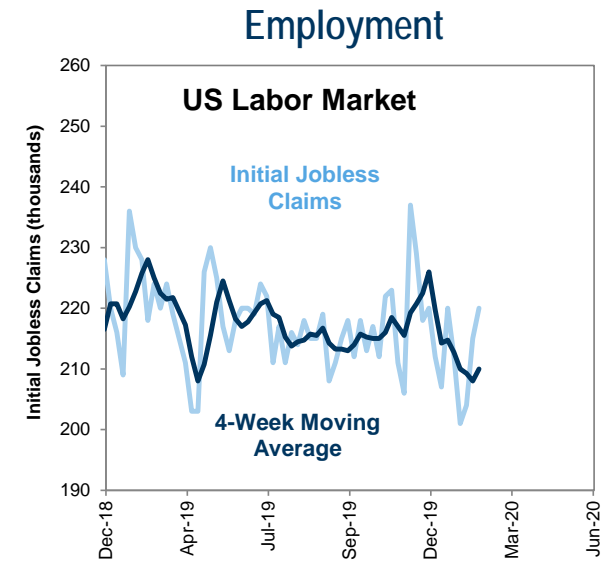
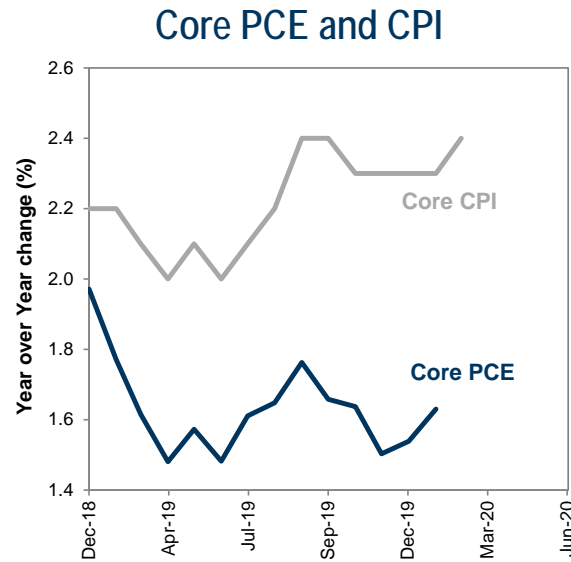
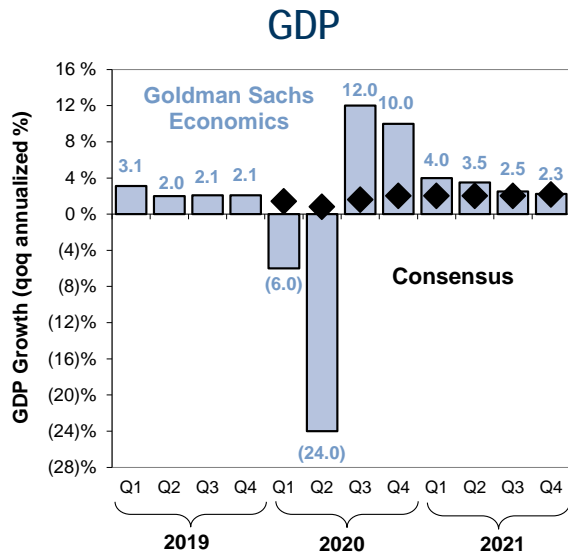


Return Dispersion

	+/- 1 Standard Deviation					
	1-Month Returns			3-Month Returns		
	Current Mar 19	30-Year Average	Historical %ile	Current Mar 19	30-Year Average	Historical %ile
S&P 500	33 pp	17 pp	98 %	38 pp	28 pp	86 %
Consumer Staples	35 pp	13 pp	100 %	39 pp	22 pp	99 %
Real Estate	29	9	98	36	15	96
Utilities	21	10	95	27	18	90
Industrials	28	14	98	31	23	89
Materials	22	15	92	33	25	88
Consumer Discretionary	33	17	98	36	29	86
Energy	35	14	100	32	24	85
Financials	24	13	93	29	22	83
Communication Services	29	15	95	33	26	82
Health Care	26	15	96	29	25	76
Information Technology	23	20	73	30	35	48

Source: FactSet and Goldman Sachs Global Investment Research.

Economics



Our Current Activity Indicator (CAI) measures the growth signal in major high-frequency activity indicators for the US economy, expressed in GDP-equivalent units.

Source: FactSet and Goldman Sachs Global Investment Research.

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Goldman Sachs Global Macro Forecasts

Goldman Sachs Global Macro Forecasts

	units	Current	3m	6m	12m	Change to Target
Equities						
MXAPJ	level	392	440	470	510	30 %
S&P 500	level	2409	2000	2500	3100	29
STOXX Europe 600	level	288	300	340	370	29
TOPIX	level	1283	1300	1400	1600	25
Ten Year Rates						
Japan	%	0.1	(0.3)	(0.2)	(0.1)	(18)bp
US	%	1.1	0.4	0.6	0.9	(24)
Euro Area (Germany)	%	(0.2)	(0.9)	(0.9)	(0.7)	(47)
Corporate Bonds						
High yield	bp	982	725	715	475	(52)%
Investment grade	bp	335	190	185	135	(60)
Currencies						
Sterling / US Dollar	£/\$	1.17	1.26	1.28	1.34	15 %
Euro / US Dollar	EUR/\$	1.07	1.08	1.10	1.15	7
US Dollar / Yen	\$/¥	110	102	105	105	(5)
Commodities						
NYMEX Nat. Gas	\$/mmBtu	1.65	1.50	1.75	3.00	81 %
Brent Crude Oil	\$/bbl	28	20	30	45	58
WTI Crude Oil	\$/bbl	27	20	28	41	53
LME Copper	\$/mt	4685	4900	5600	6000	28
COMEX Gold	\$/troy oz	1479	1600	1650	1800	22

	EPS Forecast			EPS Growth		NTM P/E		Div Yield
	2019	2020	2021	2020	2021	Current	YE 2020	
MXAPJ	\$ 35	\$ 35	\$ 39	1 %	12 %	10.9 x	13.0 x	3.8 %
S&P 500	\$ 165	\$ 110	\$ 170	(33)	55	19.6	17.6	2.6
STOXX Europe 600	€ 25	€ 20	€ 23	(23)	16	14.3	16.3	5.0
TOPIX	¥ 101	¥ 98	¥ 113	(3)	15	12.6	14.1	3.2

Goldman Sachs US Economics Forecasts

	Share of GDP	% Annual Change			
		2019	2020E	2021E	2022E
OUTPUT AND SPENDING					
Real GDP	100%	2.3%	(3.8)%	3.6%	2.3%
Consumer Spending	70	2.6	0.2	2.6	2.5
Total Fixed Investment	18	1.3	(1.7)	3.7	3.7
Business Fixed Investment	14	2.1	(2.9)	3.5	3.8
Structures	3	(4.3)	(9.6)	2.4	2.4
Equipment	7	1.3	(4.1)	2.6	3.4
IP Products	5	7.6	4.6	6.1	4.9
Residential Investment	3	(1.5)	2.4	4.4	3.1
Federal Government Spending	7	3.5	4.3	2.6	0.1
State and Local Government	11	1.6	3.2	3.0	1.2
Net Exports (Bil.)	(5)	(954)	(878)	(971)	(1,005)
HOUSING MARKET					
Housing Starts (000s)		1,300	1,334	1,348	1,367
New Home Sales (000s)		682	701	707	717
Existing Home Sales (000s)		5,330	5,452	5,504	5,556
Case-Shiller Home Prices (%)		3.3	3.0	2.2	2.1
INFLATION					
Core CPI		2.2	2.2	2.3	2.4
Core PCE		1.6	1.7	1.9	2.1
LABOR MARKET					
Unemployment Rate		3.7	3.9	3.6	3.5
U6 Underemployment Rate		7.2	6.9	6.5	6.2
Payrolls (000s)		173	115	151	121
GOVERNMENT FINANCE					
Federal Budget (FY, Bil.)		(984)	(1,025)	(1,050)	(1,200)
Federal debt-to-GDP ratio (FY, %)		79	80	82	83
FINANCIAL INDICATORS					
Fed Funds Rate		1.6	0.1	0.4	0.9
10-year Treasury Rate		1.9	0.8	1.4	1.8

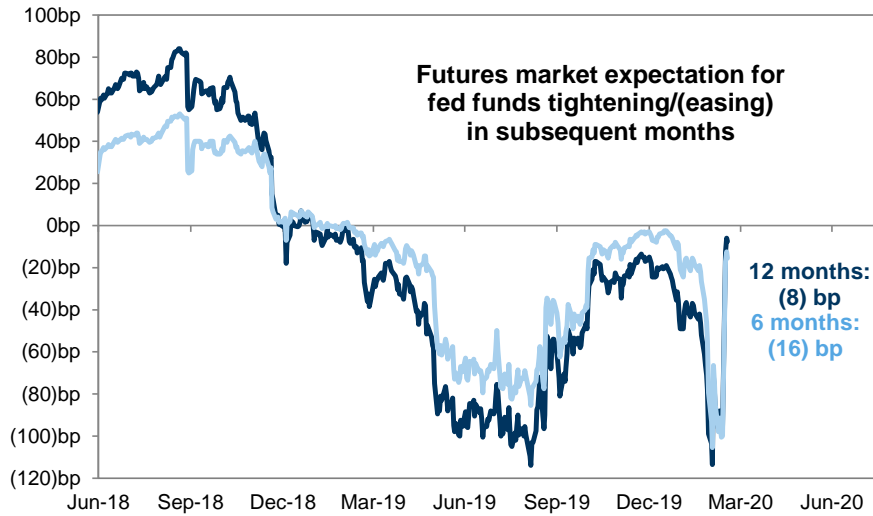
Real GDP

	2019E	2020E	2021E	2022E
China	6.1 %	3.0 %	8.5 %	5.0 %
World	3.1	0.9	5.0	3.6
France	1.3	0.4	1.8	1.5
Russia	1.3	(0.5)	4.5	3.1
Brazil	1.1	(0.9)	2.3	2.8
UK	1.4	(1.1)	3.8	3.1
Spain	2.0	(1.3)	4.3	1.8
Euro Area	1.2	(1.7)	3.5	1.5
Germany	0.6	(1.9)	3.6	1.5
Japan	0.7	(2.1)	1.1	0.9
Italy	0.2	(3.4)	3.5	0.9
USA	2.3	(3.8)	3.6	2.3
Australia	1.8	(6.0)	9.8	3.5

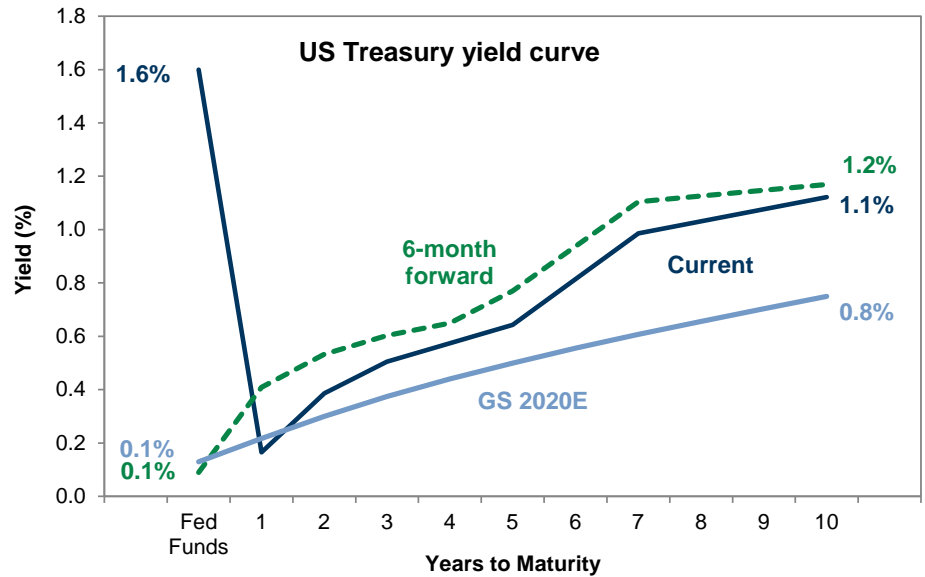
Source: FactSet and Goldman Sachs Global Investment Research.

Politics and policies

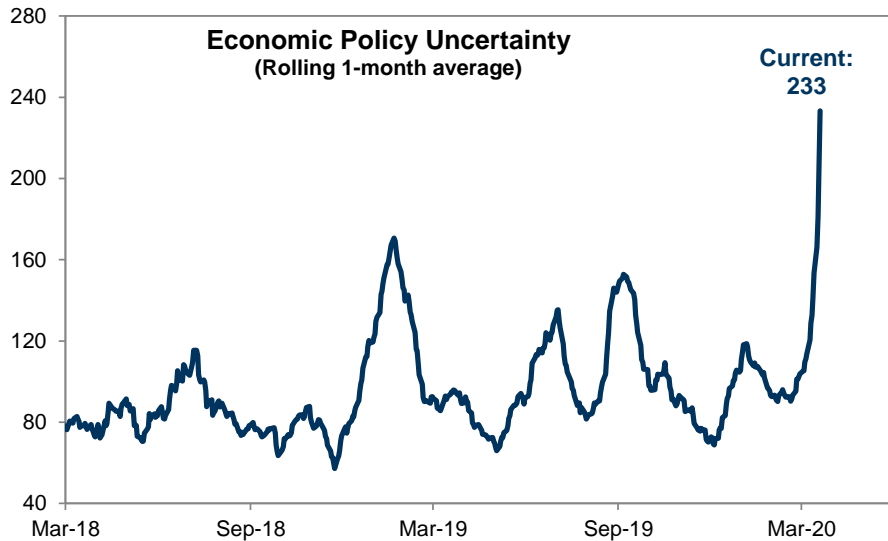
Market-implied change in fed funds rate



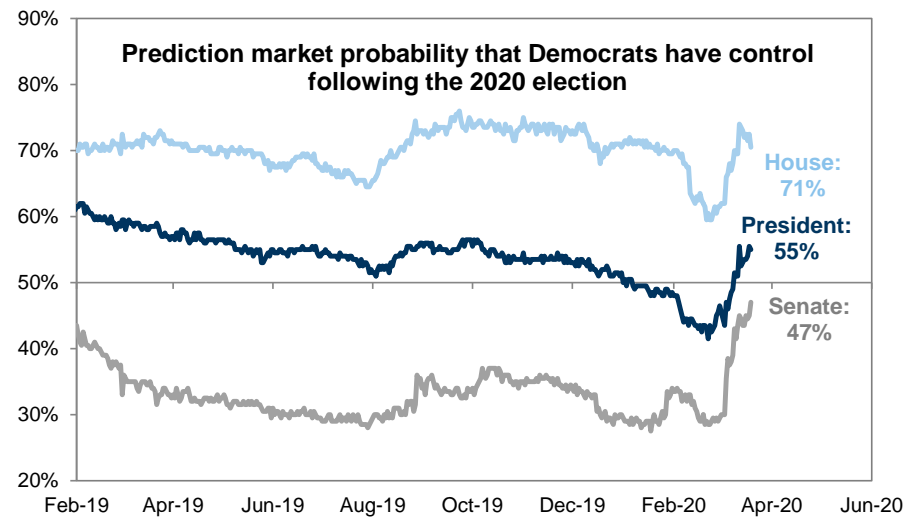
US Treasury yield curve



Economic Policy Uncertainty



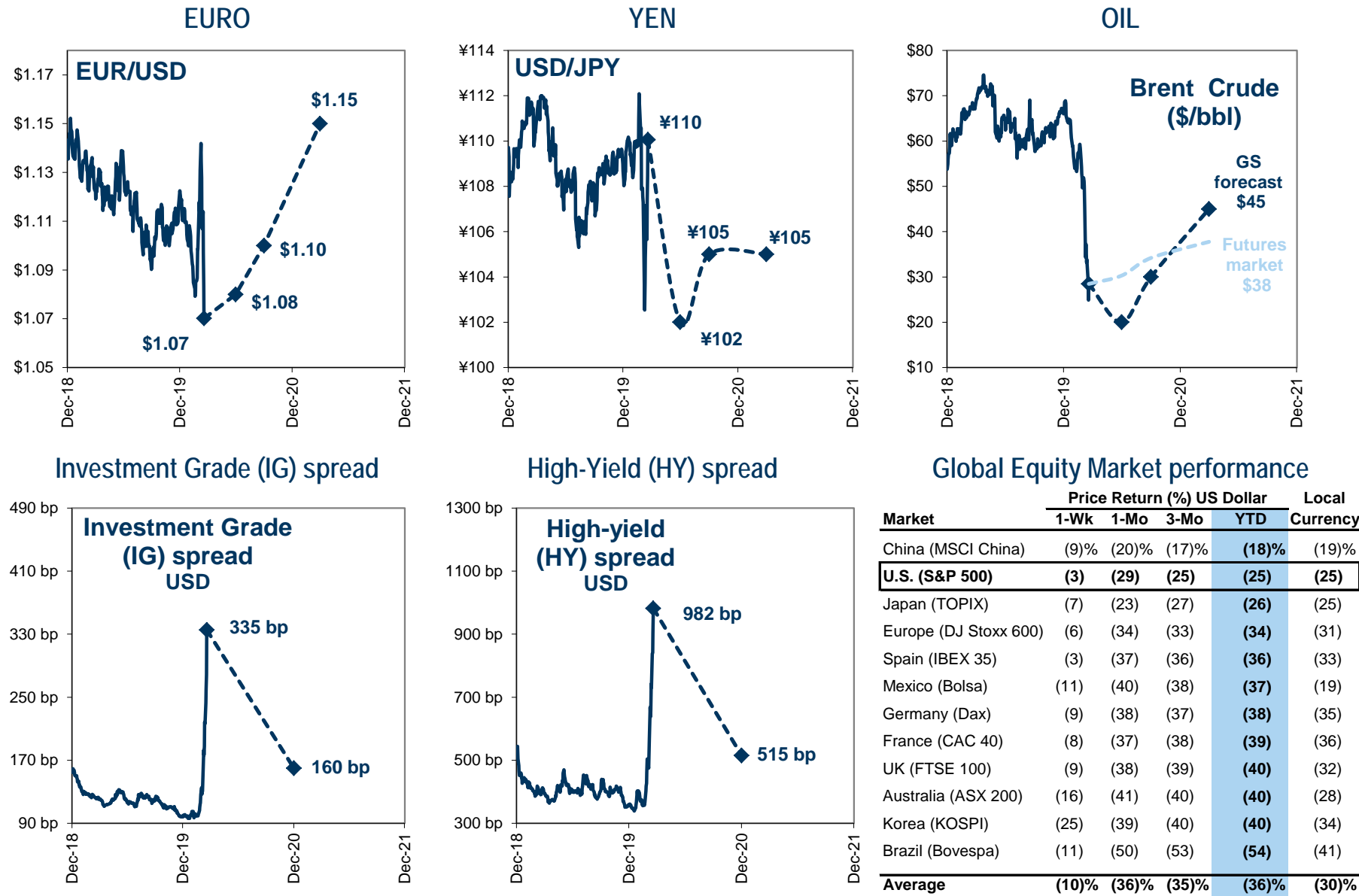
2020 US Election Odds



Source: FactSet, Predictit.org, PolicyUncertainty.com, Federal Reserve Bank, Haver Analytics, and Goldman Sachs Global Investment Research.

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Goldman Sachs Global Macro Forecasts



Source: FactSet and Goldman Sachs Global Investment Research.

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Disclosure Appendix

Reg AC

We, David J. Kostin, Ben Snider, Arjun Menon, CFA, Ryan Hammond, Cole Hunter, CFA, Nicholas Mulford, and Jamie Yang, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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