

GS Global Equities Call

FICC and Equities | 19 March 2025 | 11:04AM UTC

GS Global Equities Call

Matthew Kaplan, CFA Matthew.J.Kaplan@gs.com | **Jon Hurvitz**,

CFA Jonathan.Hurvitz@gs.com | **Chloe Garber** Chloe.Garber@gs.com

Here's what we're focused on this morning: 

SPX futures +25bps // NDX +30bps // RTY +30bps // UST10yr unch @ 4.285% // Bitcoin +1.8% @ \$83,550 // WTI -30bps @ \$66.70 as global equities chop around ahead of FOMC this afternoon. Mkt feels rudderless despite the underpinnings for a short-term rally - we still need something fundamental to get the spark going (CTA's now well short/turning buyers, sentiment extremely poor, US pensions estimated \$32bn of eq to buy for qrt end). FOMC main event today with GS Econ expecting Fed to reiterate that they are on the sidelines until policy becomes less volatile and the outlook becomes clearer...**FTSE -5bps/DAX -25bps/CAC +40bps/Shanghai -10bps/Hang Seng +12bps/Nikkei -25bps**

Overnight news:

Ukraine/Russia: Putin denied a 30-day ceasefire/stated pausing attacks on energy sites would be a good start only to have both sides reportedly strike infrastructure tgts within a few hours.

BoJ: held rates steady (expected), no fwd guidance given, highlighted grow above potential via strengthening income-spending cycle but trade policies/global uncertainties exist.

Turkish Lira: sank meaningfully as authorities detained Istanbul mayor Imamoglu on corruption charges (most prominent rival to Erdogan).

Oil Executives/Trump: The chief executives of more than a dozen oil companies will meet with Trump today.




Pre-mkt EPS: SIG, GDS, GIS, OLLI, WSM // **Post-mkt:** FIVE, YY.



Focus today: MBA Mortgage Applications (7am), FOMC (2pm).

Pension Update: US Pensions are modeled to **BUY \$32bn of US equities for quarter-end**. \$32bn to buy ranks in the 92nd percentile amongst all buy and sell estimates in absolute dollar value over the past three years and in the 93rd percentile going back to Jan 2000.



Pre-mkt movers:  VG +6.9% Trump to Approve LNG Exports From Venture Global's CP2 Project, SLA +3.7% secured CA approval to begin carrying passengers (step towards ride-hailing services), NBIS +2.6% Nebius to Offer NVIDIA Blackwell Ultra-Powered Instances, ADSK +0.6% Reuters reported Starboard Value planning to launch proxy fight, GILD -2.9% reports yday on HIV

funding cuts, HQY -14% 4Q earnings missed estimates and the 2026 forecast for operational profit disappointed

****WHAT WE'RE WATCHING:**

***FOMC Preview:** Into FOMC today, we think the Fed will likely reiterate that they are not in a hurry to deliver further interest rate cuts and intend to remain on the sidelines until policy changes under the new administration become less volatile and uncertain and the outlook becomes clearer. ([GIR](#))

-We expect the FOMC's median economic projections to show a 0.3pp upward revision to 2025 core PCE inflation to 2.8% and a 0.3pp downgrade to 2025 GDP growth to 1.8%, mainly reflecting the tariff news. We have revised our own forecasts by more than this (0.5pp in both cases), but FOMC participants are likely to adjust a bit more cautiously until tariff policy becomes clearer. **Suspect that the Fed leadership would nevertheless prefer for the median 2025 dot to continue to show two cuts this year to avoid adding to recent market turbulence,** even if this might be somewhat awkward to explain as a modal forecast. We also expect the 2026 and 2027 median dots to remain unchanged, implying a path of 3.875% / 3.375% / 3.125% over 2025 / 2026 / 2027, though with higher means each year than last time. The longer-run or neutral rate projection might continue to creep higher from 3% to 3.125%.

-Further ahead, we see two possible paths to cuts. Normalization cuts back toward neutral are still possible if tariffs fall short of our expectations and inflation ends up lower. But the more plausible path if our tariff assumptions prove right is 2019-style "insurance cuts." Market currently pricing in its first cut in July, with a total of 2.3 cuts priced in through YE.

***[Marshall](#): Attractive Options into March FOMC**

-Options imply a +/-1.1% move in S&P 500 for the 19-Mar FOMC meeting; this compares to an average of +/-0.8% move priced into SPX ahead of the last 4 FOMC meetings.

-On average, the S&P 500 has moved +/-1.1% during the last 4 FOMC meetings with realized moves coming higher than expectations in 2 out of the last 4 events; we note that the December FOMC saw an outsized move (+/-2.9%) relative to unusually low expectations (+/-0.6%).

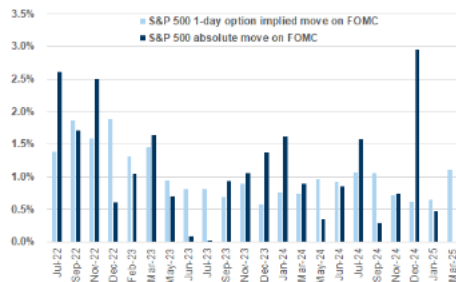
-We recommend buying options to position for FOMC-day volatility. SPX options are pricing a +/-1.1% move for FOMC day, in-line with the average realized move seen during the last 4 FOMC events. Beyond index, we identify 20 stocks and 20 ETFs that made outsized moves on FOMC announcements over the past two years; the list of stocks is skewed toward Health Care and Tech sectors while the list of ETFs also highlights large FOMC-day moves from US Banks, Credit and Emerging markets.

- US Regional banks stand out: We observe that the US banking ETFs (KBE, KRE) have seen unusually large moves on FOMC-day since 2022. These stocks are largely back to their pre-election levels and their underperformance has led

to these ETFs lagging their normal relationship with macro assets. We note the 20% discount currently (Exhibit 3) for the KRE ahead of FOMC.

Exhibit 1: 1-day options implied move for this FOMC is largely in-line with realized moves during the past 4 FOMC events

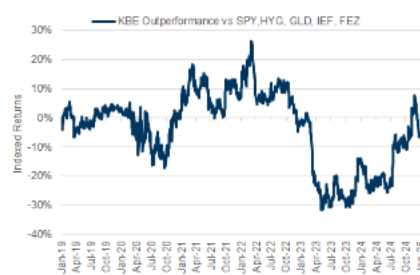
S&P 500 realized moves vs. 1-day options implied moves on FOMC dates



Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

Exhibit 2: US financials stocks have roughly returned to their pre-election levels in recent days resulting in the KBE ETF lagging its normal relationship with macro assets...

KBE Outperformance vs SPY, HYG, GLD, IEF, FEZ



Source: Goldman Sachs Global Investment Research, Bloomberg

***Technicals:** Check in

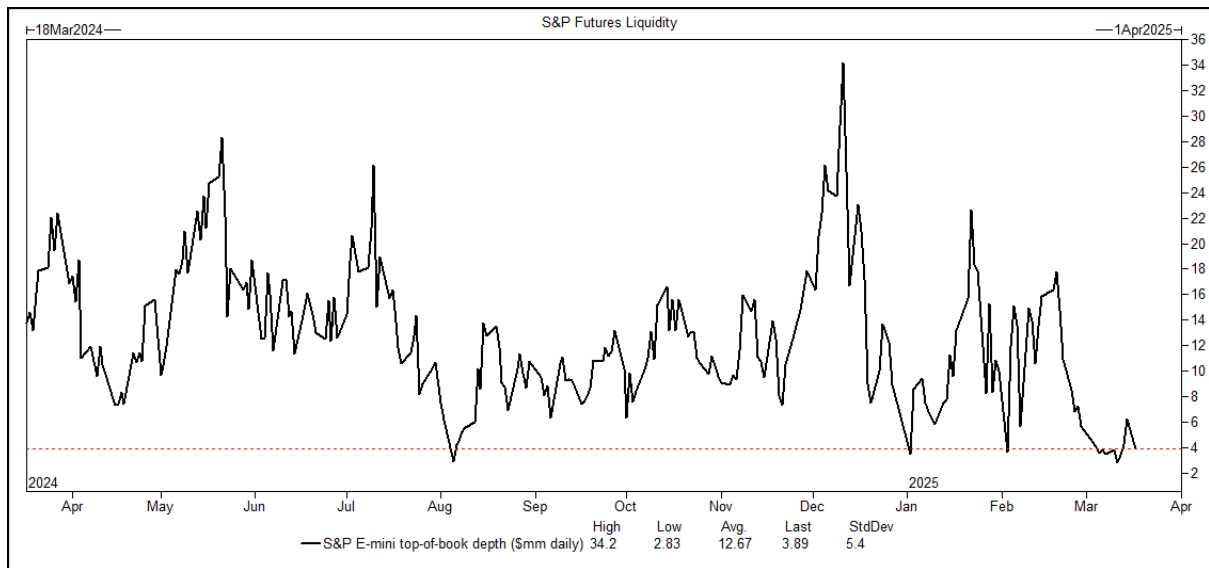
-Looking at market technicals, **poor liquidity has been in focus** with S&P top of book remaining near recent lows, averaging \$3.89mm Monday (vs 1Y avg of \$12.67mm).

-S&P **buybacks are now in their blackout period**, with ~45% of S&P 500 co's in their closed window (typically, our desk sees flows decrease by ~30% during blackout).

-**Pensions remain modelled buyers into quarter end**, with ~\$26bn in US equities to buy (89th percentile amongst all buy and sell estimates in absolute dollar value over the past three years // 89th percentile going back to Jan 2000). ⁷

-**CTAs have net sold ~\$17bn in S&P over the last week** (-\$54bn over the last month) and are now buyers in all modelled scenarios. Notably, in a big up tape watching incremental DEMAND (+\$58bn in S&P) which is the largest 1m forward demand we have seen since 2023 & 2nd largest 1m forward we've seen since Covid.

S&P Top of Book



Source: GS GBM as of 3/18/25. Past performance is not indicative of future results.

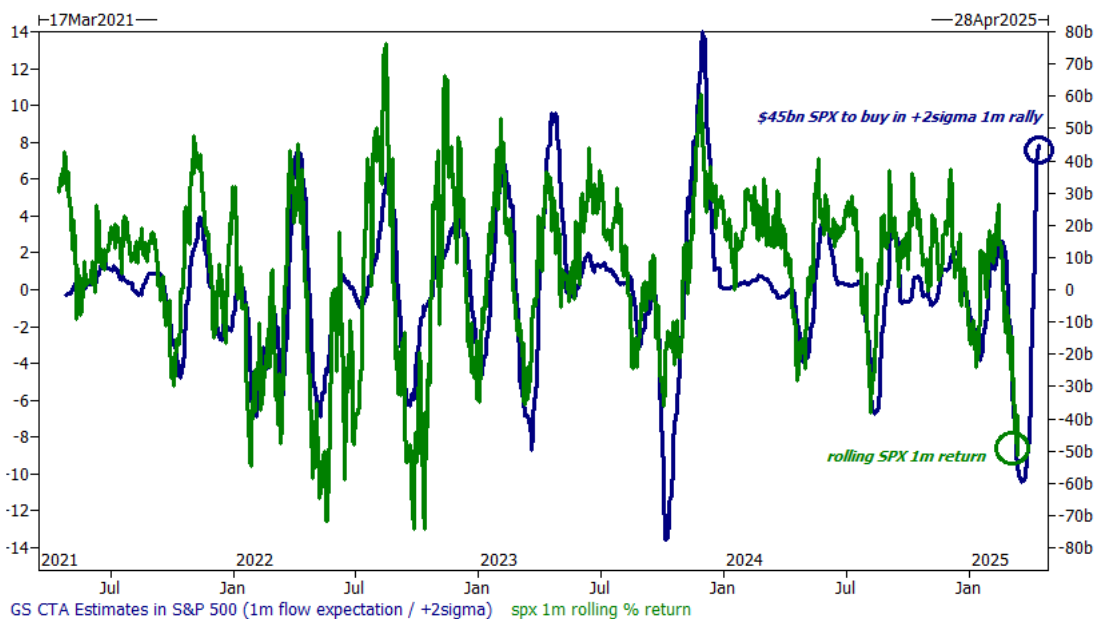
Buyback Blackouts



Source: GS FICC and Equities, Bloomberg, Birinyi Associates. As of 03/14/25. Past performance is not indicative of future results.

?

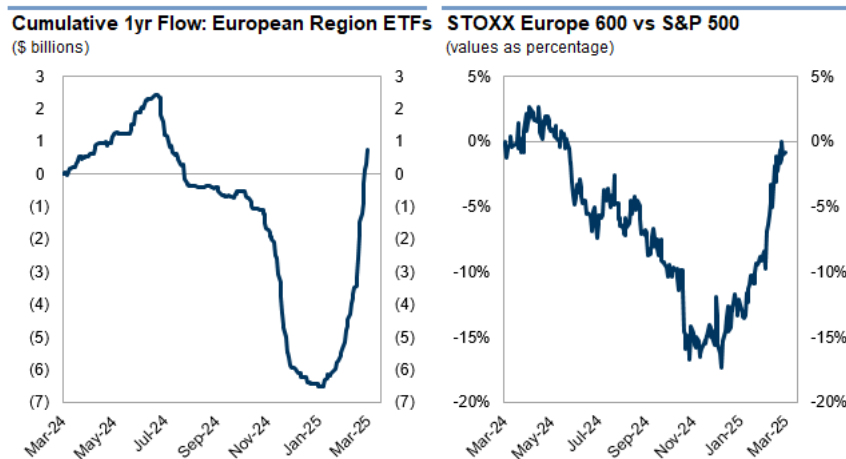
CTAs



source :: goldman sachs ficc and equities / past performance not indicative future returns / as of 16mar25. h/t Brian Garrett

***ROW Demand:** Amidst the re-rating of US exceptionalism, clients have been reinvesting in select pockets of international equities. Across client types, the desk has been seeing demand in developed market portfolios (**VEA, SPDW, IDEV**). Much of the imbedded demand lies within Europe which has experienced a stark pivot in activity versus 2024. The shift in the demand picture seems to be a function of “FOMO” within the institutional community – given the strength of US equity performance over the past year, institutional investors have been systemically underweight global equities. With the recent run up in European equities, the feedback cycle of momentum has fueled recent reinvestment and performance. (h/t Chris Lucas)

Two powerful charts below: 1) 1yr cumulative European ETF flows and 2) the rebound in SXXP performance vs SPX over the past year.



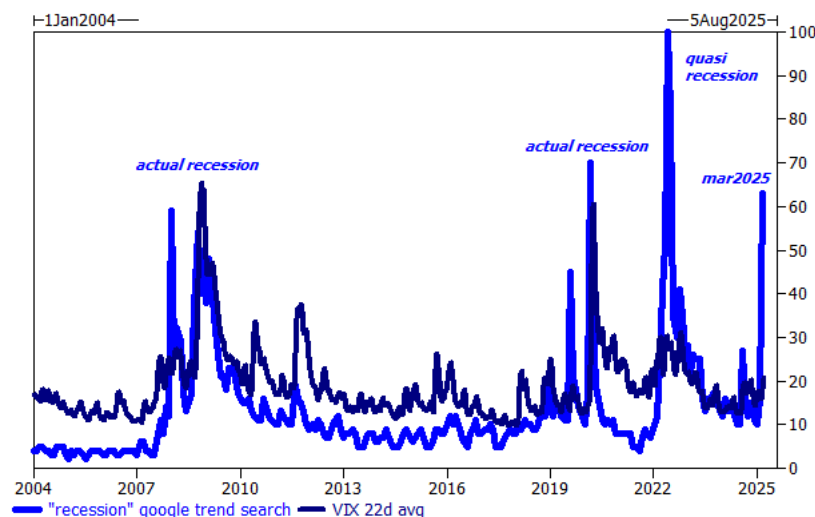
Source: Bloomberg, Goldman Sachs Global Banking & Markets of March 17, 2025. Past performance is not indicative of future results.

?

****STANDOUTS FROM YESTERDAY:**

?

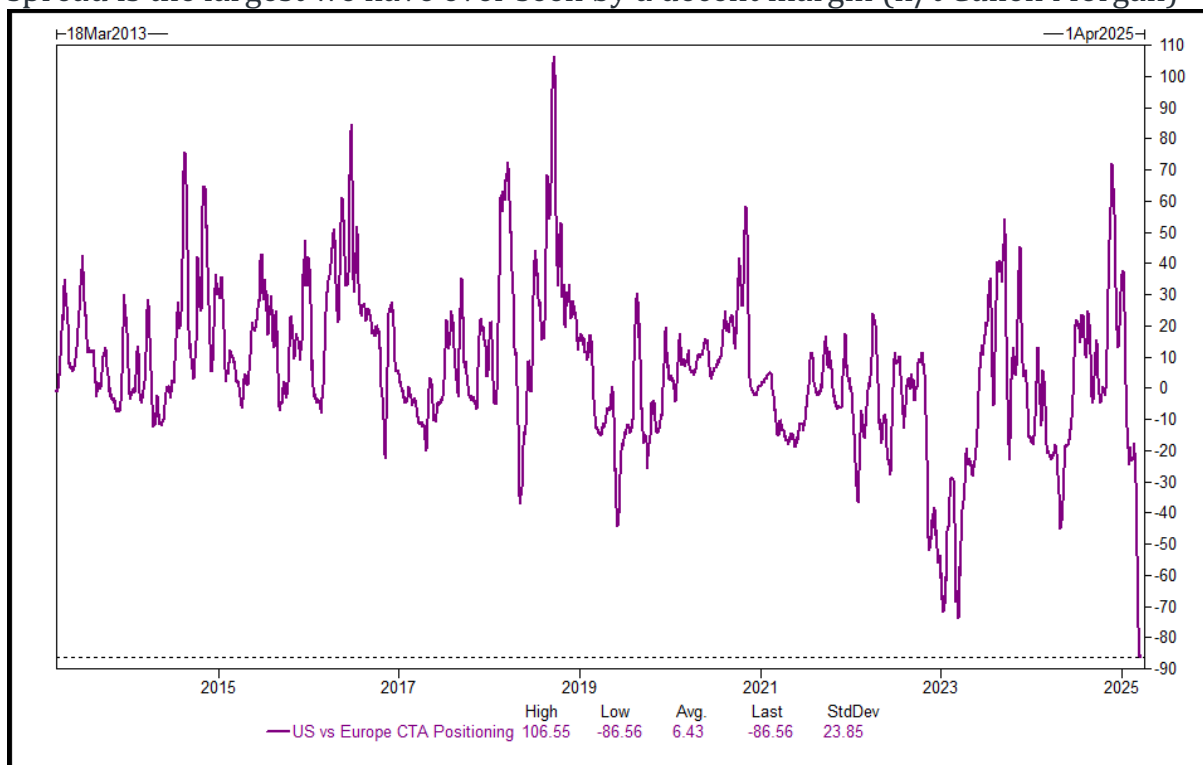
***SPX – Risk off Continues:** Risk off in SPX (reminder we’re -8% from highest levels in history) is bringing out record “recession” google searches. (H/t Brian Garret)



Source: GS GBM as of 3/18/25. Past performance is not indicative of future results. [?](#)

***Flows:** Our floor was a 5 on a 1-10 scale in terms of overall activity levels. Our floor finished -325bps vs -104bps 30 day avg. LOs finished -\$2b net sellers driven by supply in supercap tech, industrials, and macro products. HFs finished were balanced, finished slight (-\$300m) net sellers driven by supply in macro products and discretionary.

***Chart of the day:** How dramatic has the rotation out of US into EU has been? CTAs are short -\$34bn of US equities vs long \$52bn of European equities ... that spread is the largest we have ever seen by a decent margin (h/t Cullen Morgan)



Source: GS GBM as of 3/18/25. Past performance is not indicative of future results.

****SINGLES:**

TMT:

- **TEAM:** Atlassian Rated New Equal-Weight at Stephens; PT \$255
- **BRZE:** Braze Rated New Overweight at Stephens; PT \$43
- **CNK:** Cinemark Rated New Buy at Texas Capital; PT \$31
- **HUBS:** HubSpot Rated New Overweight at Stephens; PT \$769
- **HUT CN:** Hut 8 Corp Rated New Buy at Clear Street
- **IMAX:** Imax Rated New Buy at Texas Capital; PT \$36
- **LYV:** Live Nation Raised to Buy at CFRA; PT \$135
- **KVYO:** Klaviyo Rated New Overweight at Stephens; PT \$43
- **MCS:** Marcus Corp Rated New Buy at Texas Capital; PT \$27
- **META:** Meta Raised to Buy at Punto Casa de Bolsa; PT \$754.29
- **NCMI:** National CineMedia Rated New Buy at Texas Capital; PT \$7.50
- **OS:** OneStream Rated New Overweight at Stephens; PT \$27
- **ORCL:** Oracle Rated New Equal-Weight at Stephens; PT \$167
- **CRM:** Salesforce Inc Rated New Equal-Weight at Stephens; PT \$311
- **WK:** Workiva Rated New Overweight at Stephens; PT \$111

Fins/REITs:

- **AFRM:** Affirm Holdings Raised to Buy at Compass Point; PT \$64
- **HOOD:** Robinhood Rated New Buy at Compass Point; PT \$61
- **TIGR:** Up Fintech Holding ADRs Raised to Neutral at Citi; PT \$9.50

Industrials/Mats:

- **MLM:** Martin Marietta Cut to Neutral at JPMorgan; PT \$560
- **MOS:** Mosaic Raised to Overweight at Barclays; PT \$33
- ☐ **RTX:** RTX Corp Raised to Outperform at Baird; PT \$160
- **VMC:** Vulcan Materials Raised to Overweight at JPMorgan; PT \$285

Energy/Utes:

- ☐ **GLNG:** Golar LNG Raised to Buy at Fearnley; PT \$42
- **MEG CN:** MEG Energy Cut to Hold at Desjardins; PT C\$26.50
- **NVA CN:** NuVista Energy Cut to Hold at Desjardins; PT C\$16.25
- **PNE CN:** Pine Cliff Energy Cut to Hold at Desjardins
- **TVE CN:** Tamarack Valley Energy Cut to Hold at Desjardins; PT C\$5.25
- **TOU CN:** Tourmaline Oil Cut to Hold at Desjardins; PT C\$74
- **VET CN:** Vermilion Energy Cut to Hold at Desjardins; PT C\$14

Consumer:

- **CPG LN:** Compass Slides; BNPP Double Downgrades on Client Retention Data
- **ETSY:** Etsy Rated New Neutral at JPMorgan; PT \$50
- **MELI:** MercadoLibre Rated New Buy at XP Inestimentos; PT \$2,500
- **NKE:** Nike Rated New Hold at China Renaissance; PT \$65.20
- **XPEV:** XPeng ADRs Cut to Hold at Daiwa; PT \$24

Healthcare:

- **BIVI:** BioVie Rated New Buy at Brookline Capital; PT \$6

****EARNINGS: PRE: GIS, SIG, BOLD, OLLI// POST: FIVE**

****GS RATING AND CONVICTION LIST CHANGES:**

Americas

Company Name	Ticker	Rating (New)	Rating (Old)	Today's Note
Somnigroup International Inc.	SGI	Neutral	NR	Benefit of Strategic...

Europe

None

Asia

None

Source: Trade the News, Street Account, Bloomberg, GIR, GS GMD

?