

GS Global Equities Call

FICC and Equities | 18 March 2025 | 11:03AM UTC

GS Global Equities Call

**Matthew Kaplan**, CFA [Matthew.J.Kaplan@gs.com](mailto:Matthew.J.Kaplan@gs.com) | **Jon Hurvitz**,

CFA [Jonathan.Hurvitz@gs.com](mailto:Jonathan.Hurvitz@gs.com) | **Chloe Garber** [Chloe.Garber@gs.com](mailto:Chloe.Garber@gs.com)

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

**SPX futures -30bps // NDX -35bps // RTY -40bps // UST10yr unch @ 4.30% // WTI +1.3% @ \$68.50 // Bitcoin -1.3% @ \$82,860** as global equities trade in the green outside of US futures. **Europe continues to be well bid** w/ Germany o/p in anticipation of hopeful fiscal debt spending (Bundestag vote today on debt package which then moves to Bundesrat later this week.) while HK led Asia as tech o/p (BYD +4% after releasing a 5 minute battery charging system). **Crude is higher following increased Middle East tensions** as Israel launched series of airstrikes in Gaza after a two-month ceasefire/Hamas refused to release remaining hostages and US strikes against Houthis in Yemen. **Trump and Putin are scheduled** to speak at ~9am EST on Ukraine.

**Attention turns to NVDA GTC event today** with Jensen speaking at 1pm EST. Overnight we get the BoJ and then FOMC tomorrow...FTSE +35bps, CAC +40bps, DAX +1.1%, Nikkei +1.2%, Hang Seng +2.46%, Shanghai +11bps.

**Focus today:** Housing Starts (8:30am), Import/Export Prices (8:30am), Industrial Productions (9:15am), Trump signs executive orders (3:30pm).

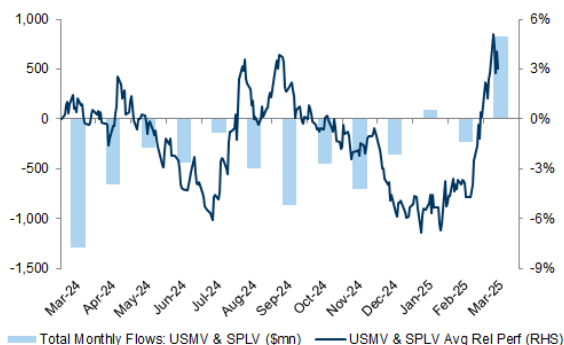
**\*\*WHAT WE'RE WATCHING:**

**\*US Idea Radar: Focus on Stocks that offer Stability & Visibility**

- As policy uncertainty (particularly around tariffs) weighs on market sentiment and growth expectations, **we focus investors on identifying stocks that offer not only low market-relative stock price volatility but also fundamental stability, as measured by defensible revenue streams with low variability, solid forward growth and financial returns profiles alongside still attractive valuations vs. history** (such as PEP, WM, TRV, SPGI and PCG).
- We also **highlight idiosyncratic stories that offer high topline growth, margin expansion and cash flow visibility with lower price volatility vs. sector peers** (these include LYV, SPOT, INTU and VRTX).
- **Out-of-Consensus Buy ratings such as BAX, LII, SFM.**
- Above-Consensus estimates: Stocks with upward revision potential (CNQ, NMRK, TEAM).**
- Sales & EPS Growth potential including DKNK, TW, ELF.**
- Value: Stocks at a discount to peers with estimate upside (BDC, CMC, CVE).**
- Income: Look for dividend growth and yield (BAC, SLB, XEL).**
- Sells: Earnings misses should lead to downside for LAZ, MMC, AOS.**

**Exhibit 1: Low/min vol ETFs have outperformed the SPX by 8% since mid-Feb and flows have inflected positive**

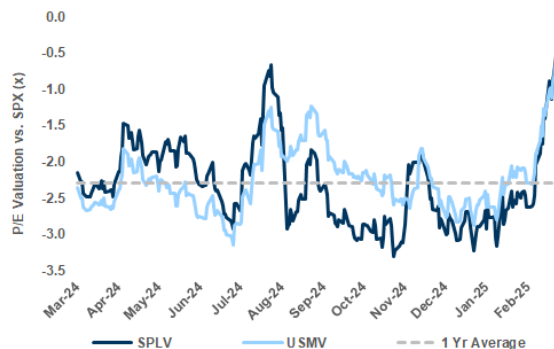
SPLV and USMV monthly flows and SPX relative performance



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

**Exhibit 2: Relative valuations of the low Vol ETFs are near 12m highs**

USMV, SPLV relative P/E vs. the S&P 500



Source: FactSet, Goldman Sachs Global Investment Research

### **\*Systematic Supply (H/t Brian Garrett)**

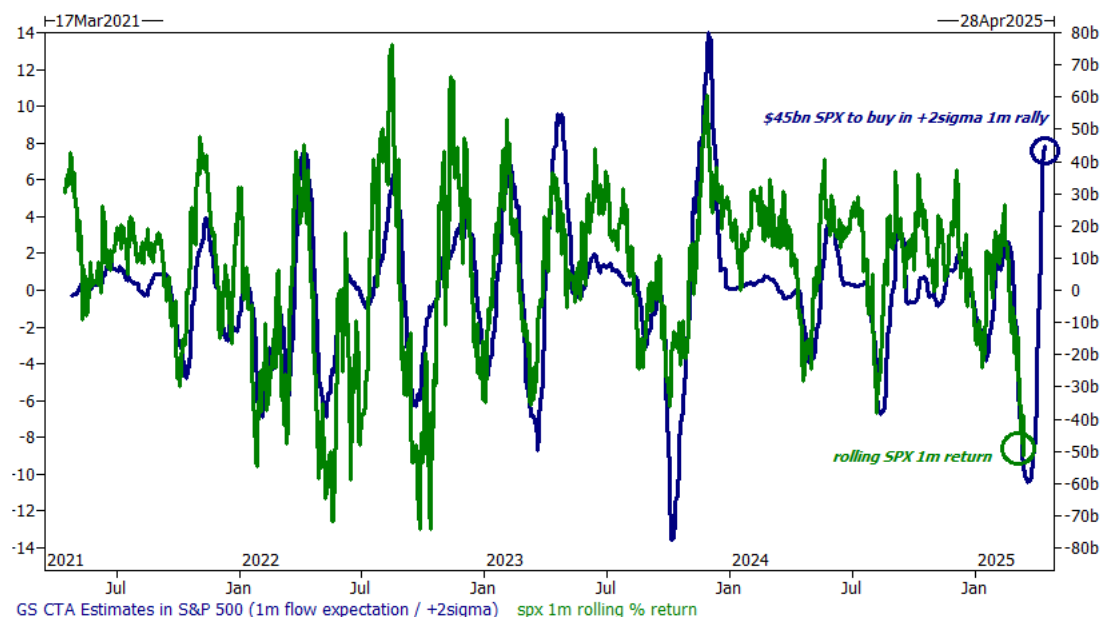
During times of market volatility, “what inning are we in” is a constant question on the desk ... the answer for most market participants is “it depends”. **Based on the work from the GS futures strat team one could argue that the systematic de-risk in US equity futures is at the top of the 9<sup>th</sup>, and the “systematic tail” now exists to the upside (\*past performance is not indicative of future returns\*)**

1/ over the next 1 month in a +2 standard deviation tape gs futures strats model that CTAs would need to **purchase over \$45bn of SPX equity risk (chart 1)**

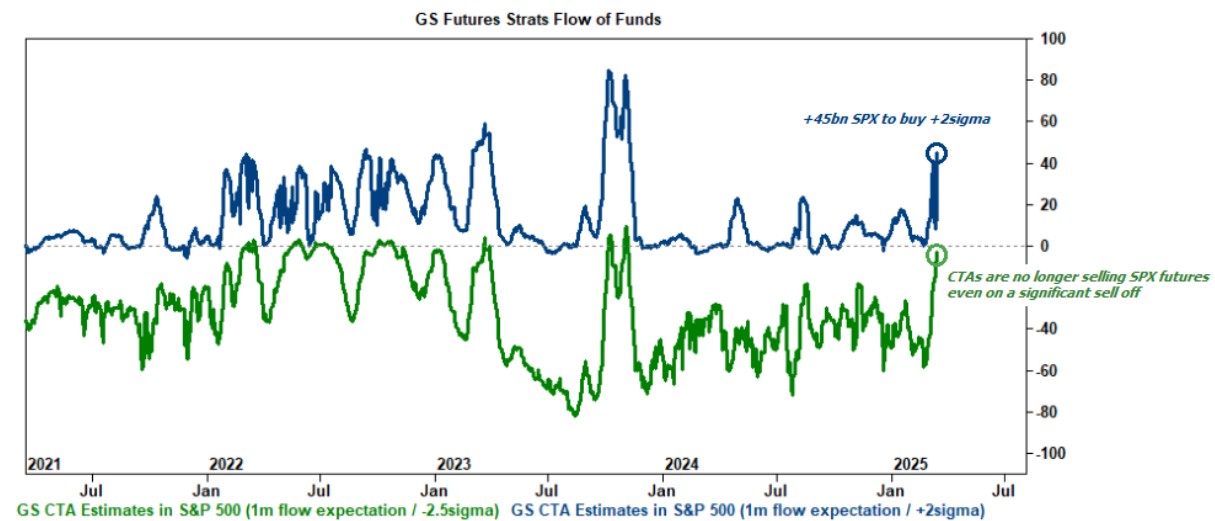
2/ this is the largest 1m forward demand we have seen since 2023 (13nov 23)

3/ this is the third largest 1m forward demand we has seen since covid

4/ even in a risk off tape, the CTA community has already derisked SPX so much, they there is almost zero incremental supply (chart 2)



source :: goldman sachs ficc and equities / past performance not indicative future returns / as of 16mar25

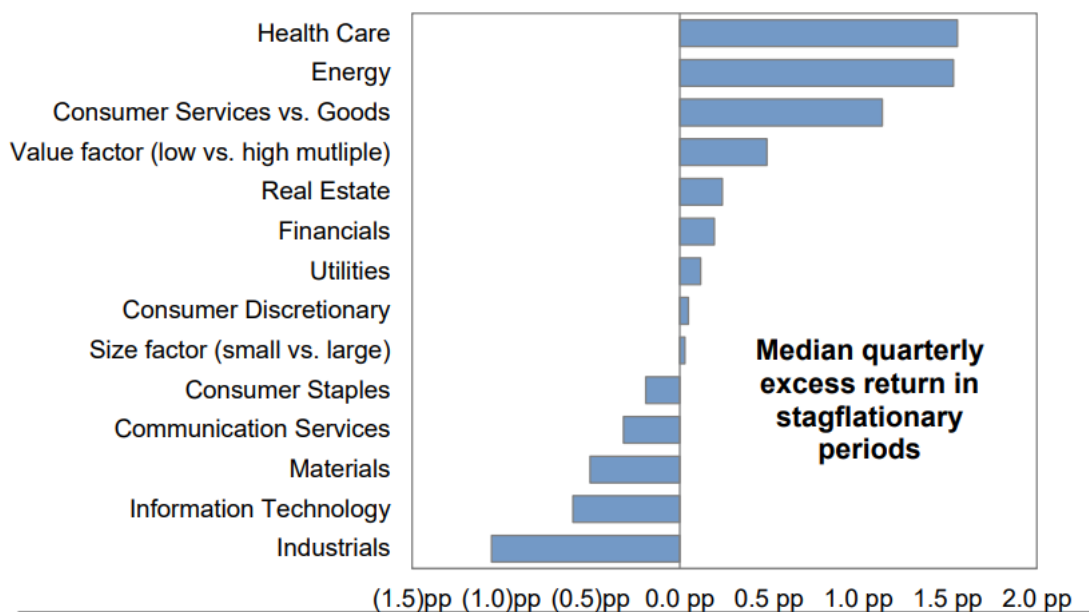


source :: goldman sachs ficc and equities / past performance not indicative future returns / as of 16mar25

**\*Stagflation Basket:** GS Stagflation L/S Pair (GSPUSTAG) is the best performing macro pair +17% YTD. Reminder on what works in a stagflation environment (h/t Shreeti Kapa)

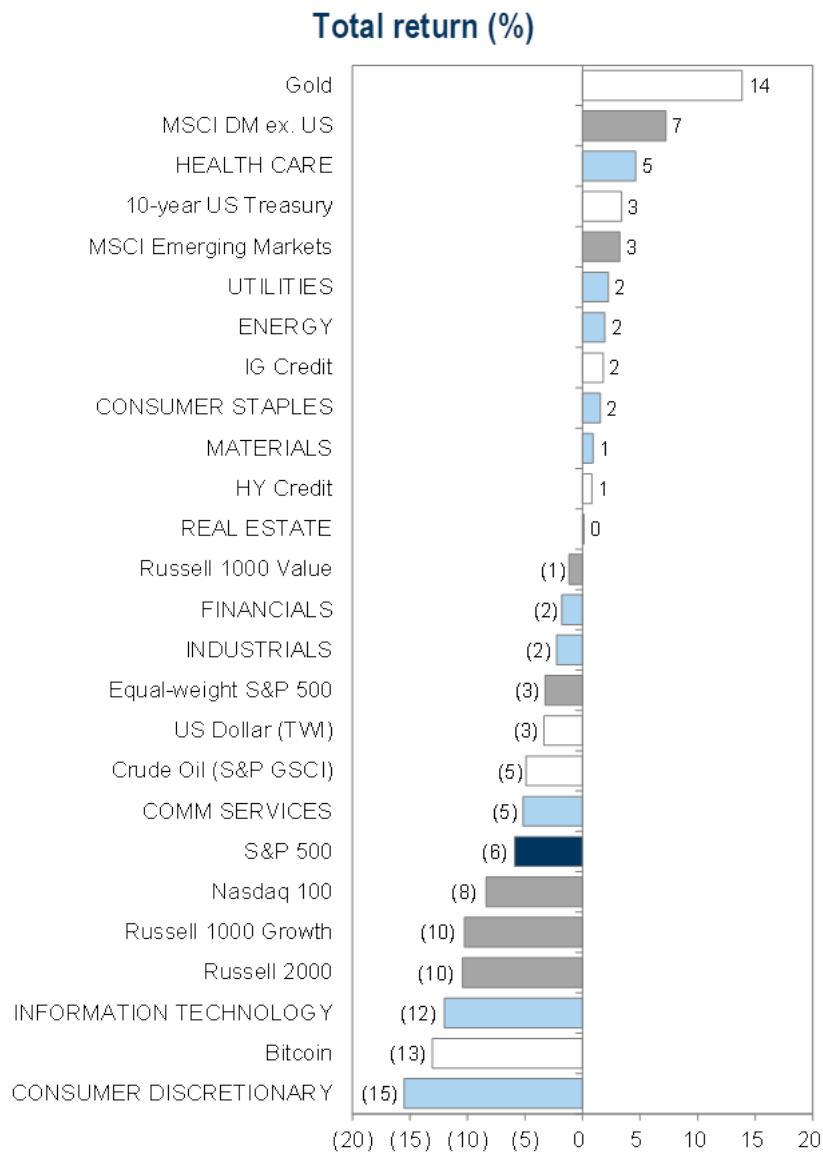
### Exhibit 3: Sector and factor returns in stagflationary environments

1960 – 2020; returns measured with 1-quarter lead relative to economic data; sector returns measured relative to the Russell 3000; factors are long/short pairs



Source: Kenneth R. French, Goldman Sachs Global Investment Research

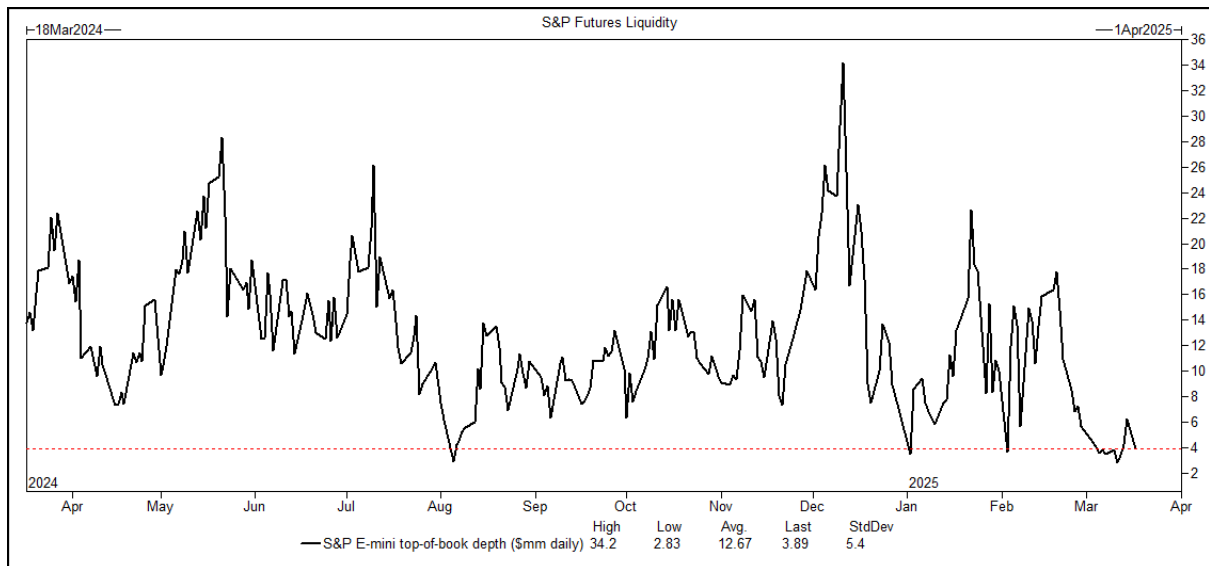
Source: GIR: 10/12/21. Past performance not indicative of future returns



Source: GIR. Ryan Hammond. 3/14/25. Past performance not indicative of future results

?

**\*S&P top of book remains near recent lows, averaging \$3.89mm yesterday (vs 1Y avg of \$12.67mm).**



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

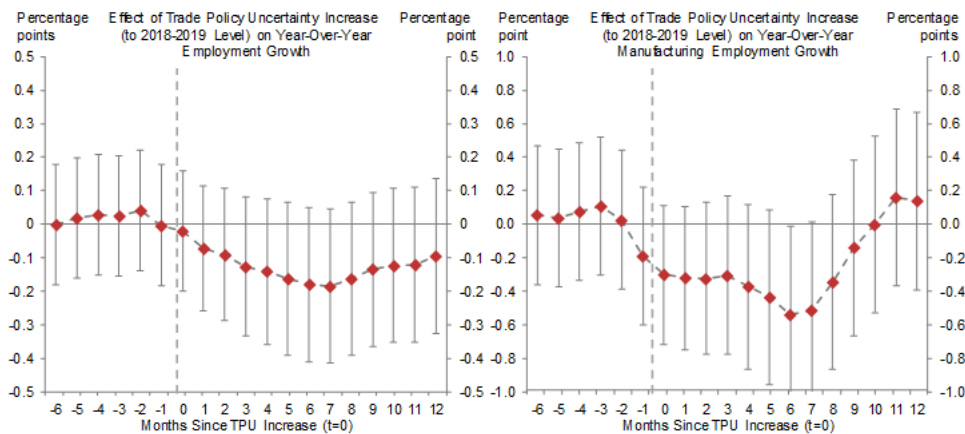
**\*Global Economics Comment: The Labor Market Effects of Trade Policy Uncertainty (Briggs/Peters)**

-A large body of research shows that **trade policy uncertainty lowers GDP by delaying investment**. Evidence of the effect of trade policy uncertainty on employment is more limited, however. **We estimate the relationship between trade policy uncertainty (TPU) and job growth in this *Global Economics Comment* and find modestly negative historical impacts.**

-Using a cross-country panel regression, we **estimate that a rise in TPU to 2018-2019 levels lowers year-over-year employment growth by 0.1-0.2pp in DMs, implying a roughly 20k/month drag on job growth in the US and the Euro area**. This drag is mostly driven by a slowdown in manufacturing employment, where we find a 0.5pp peak drag on year-over-year job growth.<sup>2</sup>

-Given that TPU measures have risen above 2018-2019 levels, **our estimates point to a modest drag on employment growth from trade policy uncertainty in 2025, consistent with our country team's economic forecasts**. Recent data generally support this pattern, as business survey indicators generally softened as uncertainty increased in February.

**Exhibit 2: Historically a Rise in TPU to 2018-2019 Levels Has Slowed Employment Growth in DMs by 0.1-0.2pp**

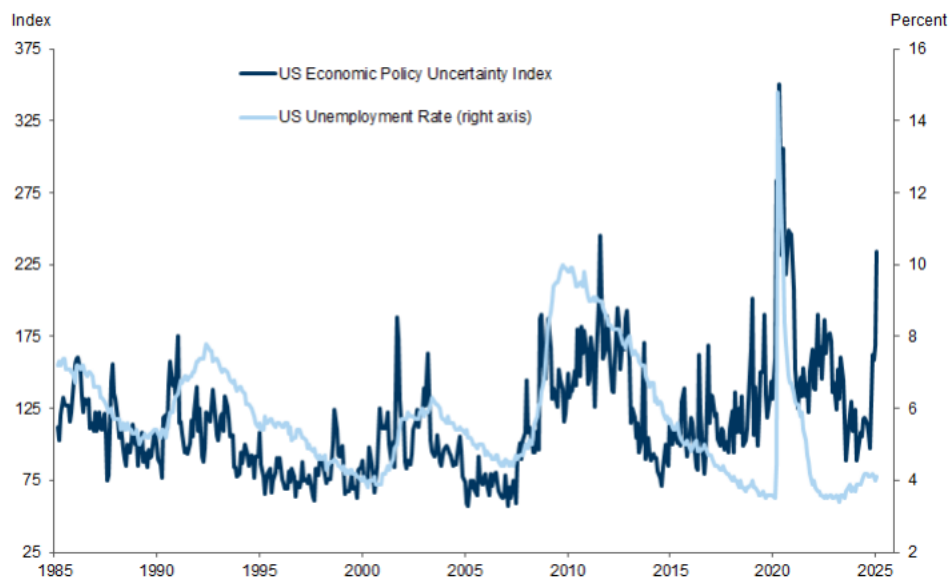


Error bands indicate 95% confidence intervals.

Source: Goldman Sachs Global Investment Research

**-Good chart from Callahan also highlighting the key debate in the mkt right now... does the dark blue line (policy uncertainty) catch down to the light blue line (unemployment rate) – e.g. ‘peak’ uncertainty ... or .. vis versa (the slower economic growth is not yet reflected in macro data)?**

**Exhibit 3: The key risk is that rising uncertainty presages more meaningful growth or jobs weakness**



Source: Haver Analytics, Goldman Sachs Global Investment Research

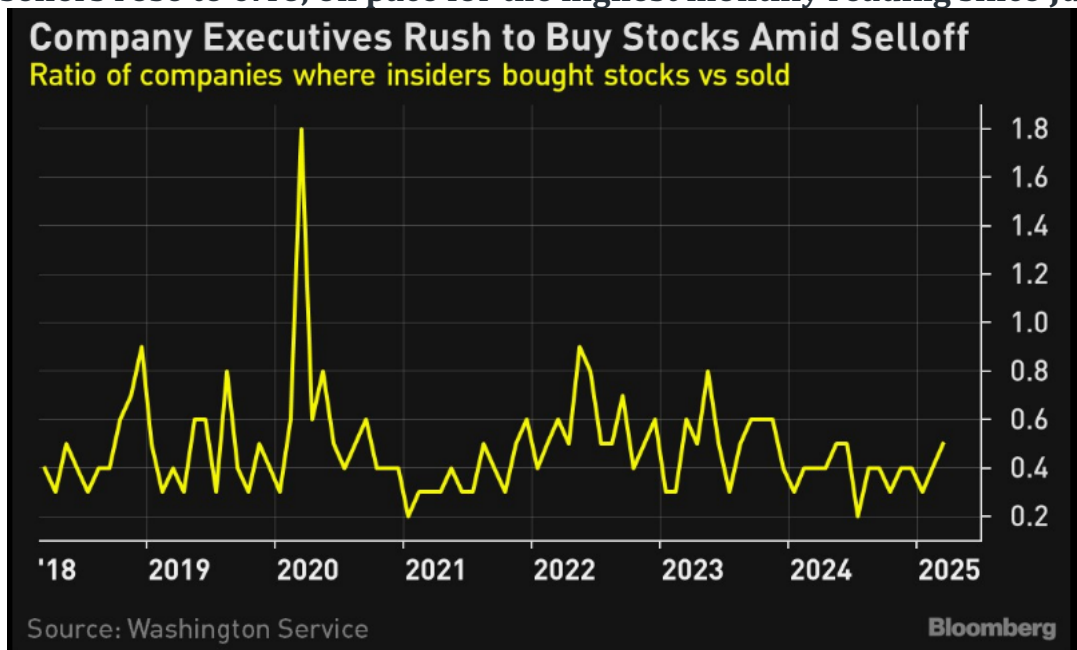
Source: GIR. [Link](#). Past performance is not indicative of future results. ⓘ

**\*\*STANDOUTS FROM YESTERDAY:**

**\*Flows:** Our floor was a 5 on a 1-10 scale in terms of overall activity levels. Our floor finished -195bps vs -78bps 30-day avg. LOs finished -\$2.7b net sellers, driven by broad supply across tech and to a lesser extent industrials and discretionary. HF's finished +\$1b net buyers driven by demand in tech,

industrials, financials, and REITs. Buybacks in day 1 of blackout period and this lasts until 4/25 (10b51s out there but discretion is limited, and our desk's activity typically drops by 30%). Quarter End Pension rebal will be all over the place but still \$29b of equities to buy (vs \$29b of bonds for sale).

**\*Chart of the day:** Corporate insiders are buying the dip, giving confidence to US stock bulls. A gauge of insider sentiment shows the ratio of buyers to sellers rose to 0.46, on pace for the highest monthly reading since June.



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

#### **\*\*SINGLES:**

?

#### **TMT:**

- **GDS:** GDS Holdings ADRs Raised to Buy at Jefferies; PT \$45

#### **Fins/REITs:**

- **XYZ:** Block Raised to Outperform at KBW; PT \$80
- **XP:** XP Inc. Rated New Outperform at Itau BBA; PT \$20

#### **Industrials/Mats:**

- **BWXT:** BWX Technologies Rated New Buy at President Capital Management
- **BE:** Bloom Energy Rated New Neutral at Mizuho Securities; PT \$28
- **SSW SJ:** Sibanye Stillwater ADRs Raised to Outperform at RBC; PT \$5.30



- **TPIC:** TPI Composites Cut to Underperform at Jefferies; PT 50 cents

### Consumer:

- **DUOL:** Duolingo Upgraded at Citizens Following Post-Earnings Selloff
- **HSAI:** Hesai Group ADRs Rated New Buy at China Merchants; PT \$25
- **LCID:** Lucid Shares Gain as Morgan Stanley Upgrades on AI Opportunity

### Healthcare:

- **TECH:** Bio-Techne Rated New Outperform at Evercore ISI; PT \$75
- **BPMC:** Blueprint Medicines Rated New Outperform at Wolfe; PT \$132
- **LENZ:** LENZ Therapeutics Inc Rated New Buy at TD Cowen; PT \$60
- **RGEN:** Repligen Rated New Inline at Evercore ISI; PT \$155
- **SANA:** Sana Biotech Raised to Market Outperform at Citizens; PT \$5
- **SYRE:** Spyre Therapeutics Inc Rated New Outperform at Wolfe; PT \$27
- **WST:** West Pharma Rated New Outperform at Evercore ISI; PT \$275

**\*\*EARNINGS:** n/a

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

#### Americas

Company Name	Ticker ⓘ	Rating (New)	Rating (Old)	Today's Note
Ralph Lauren Corp.	RL ↑	Buy	Neutral	<a href="#">Addressing recent concerns...</a>

#### Europe

None

#### Asia

Company Name	Ticker ⓘ	Rating (New)	Rating (Old)	Today's Note
Endeavour Group	EDV.AX ↓	Neutral	Buy	<a href="#">Lack of Retail...</a>

ⓘ

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