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THE WALL STREET JOURNAL.

Goldman Aims to Boost Efficiency With AI Tool --- The technology lets developers build more applications faster, CIO says

By Isabelle Bousquette
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Goldman Sachs will finish rolling out its first generative artificial intelligence tool -- for code generation -- to thousands of developers across the company by the end of the month.

Chief Information Officer Marco Argenti said the company's approach to generative AI involved centralizing all proprietary uses of the technology on an internal platform, and restricting them elsewhere. "It might have slowed us down initially, but then we definitely gained a lot of velocity afterwards," Argenti said.

"Taking this centralized approach obviously has pros and cons," he added. Argenti said he had to push back against those who wanted to move faster and contend with some frustration over the bank's decision to ban the use of Open-AI's ChatGPT within its walls, a step taken by other companies.

CIOs across industries, facing pressure from chief executives and corporate boards to leverage generative AI, are stuck between moving fast enough to achieve competitive gains, but not so fast they leave themselves vulnerable to dangerous hiccups. A number of efforts remain in the pilot or proof-of-concept phase, although ideation is gradually moving to more implementation this year, said Chirag Dekate, a vice president analyst at research firm Gartner.

Goldman's generative AI platform, known as the GSAI Platform, grew out of an existing machine-learning platform and is the single point of entry for all generative AI use at the company. Goldman's approach also included tapping partnerships with OpenAI-backer Microsoft to use GPT-3.5 and GPT-4 models and Google for its Gemini model. The platform also uses open source models including Meta Platforms' Llama. The ability to switch between models for different use cases is a key benefit of the approach, Argenti said.

Wall Street Journal owner News Corp has a content-licensing partnership with OpenAI.

Critically, the internal platform also allows Goldman to fine-tune the models with its own internal data in a safe way and that complies with regulations. Argenti said controls are embedded to ensure that models aren't serving up data to employees who shouldn't have access to it, for example.

Select Goldman employees can access the platform directly to interface with various models, and developers are using it to build custom applications on top of the models, such as a co-pilot assistant tool for investment bankers that searches a large body of public and proprietary documents to answer questions and extract analysis.

The other benefit of the platform is being able to build more applications faster, Argenti said. Developers don't have to start from scratch with every application -- a co-pilot for asset managers can lean heavily on the co-pilot for investment bankers and all the safety guardrails are already built-in from the beginning.

Argenti said the speed at which developers are building generative AI applications has shortened from months to weeks as a result. But at the same time, the company isn't rushing them into production.

"AI is a new thing," he said. "Safety and responsibility is absolutely our No. 1 priority."

The need to safeguard data, remain compliant with existing data regulations and prepare for any new AI regulations are key factors that help determine the speed with which financial services adopt AI, said Gartner's Dekate. Financial services is one of the most regulated ecosystems, he added.

Code generation is a common starting point for many entities because it is text-centric and provides clear, tangible efficiency gains, he said.

Goldman's generative AI coding assistant, Microsoft's GitHub Copilot, is the firm's most scaled-out use of AI so far. Argenti said it is giving developers about a 20% increase in efficiency. The company is also in earlier stages of rolling out an **AI** tool that translates documents into other languages and an application that summarizes proprietary research to provide insights to advisers.

Generative AI remains a relatively small part of the **technology** budget, Argenti said.

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Logistics Firms Look To Break IPO Logjam

By Paul Berger
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Transport-and-logistics operators are looking to break a logjam in public stock offerings, with bankers saying some companies are exploring listings following a fallow period marked by tight funding and weak freight demand.

"This year we've seen more IPO pitches in the transport space than the last few years combined," said Dan Howard, a managing director and head of North America transport at Goldman Sachs.

Bankers and logistics executives say the IPO pipeline is being primed by companies owned by founders, families and private-equity firms that put sale and public-listing plans on pause in recent years because of the roller-coaster freight cycle.

They say buyers weren't willing to pay a multiple on revenue that was inflated during the Covid pandemic, when logistics-sector earnings soared because of strong freight demand.

Owners more recently have been reluctant to sell because freight volumes and earnings have been in decline, deflating company valuations.

Refrigerated-warehousing company Lineage Logistics, which along with rival Americold Realty Trust is the one of the largest cold storage operators in North America in terms of capacity, is the biggest on the docket. Lineage could target a valuation of $30 billion or more in an IPO led by Morgan Stanley and Goldman Sachs later this year, according to people familiar with the process. At that valuation, the deal would make the Michigan-based company one of the biggest IPOs of the year.

Ohio-based tank truck transporter Kenan Advantage Group is exploring an IPO at a valuation of $3.5 billion, Bloomberg reported. A spokesman for Kenan's owners, Omers Private Equity, declined to comment.

Rachel Gerring, who advises on IPOs at consulting firm EY Americas, said there is pent-up demand, especially among private-equity-backed companies under pressure from investors to sell or list publicly.

"There is a pipeline of companies that potentially need to come to market," said Sanjay Arora, a partner at ATL Partners, a New York-based private-equity firm that specializes in transportation and logistics.

Logistics companies are exploring public listings amid a broader resurgence in IPOs following a slowdown in 2022 and 2023. This year has seen a parade of traditional listings, including digital-rewards company Ibotta, social-media platform Reddit and AI-focused Astera Labs.

Two logistics companies have listed so far this year in relatively small listings. An IPO of car carrier Proficient Auto Logistics in April, which raised $215 million, was a roll-up of five trucking companies rather than a traditional public listing. Last month's IPO of California-based warehousing and logistics service Armlogi Holding was a minnow, raising just $8 million.

The IPO-listings slowdown began after the Federal Reserve started raising interest rates in early 2022.

It coincided with a steep downturn in the freight industry that scuttled some logistics companies' plans to go public.

New York-based digital freight broker Transfix in 2022 abandoned plans to list via a merger with a special-purpose acquisition company that aimed to raise up to $375 million.

SPAC IPOs lost favor with investors after companies that went public via mergers with the blank-check companies struggled.

Transfix's own business ran up against dimming freight demand and pricing in the U.S., but it was able to raise a smaller sum via a private funding round. A larger rival, Seattle-based Convoy, that toyed with a potential IPO after being valued at $3.8 billion in 2022, went out of business last year.

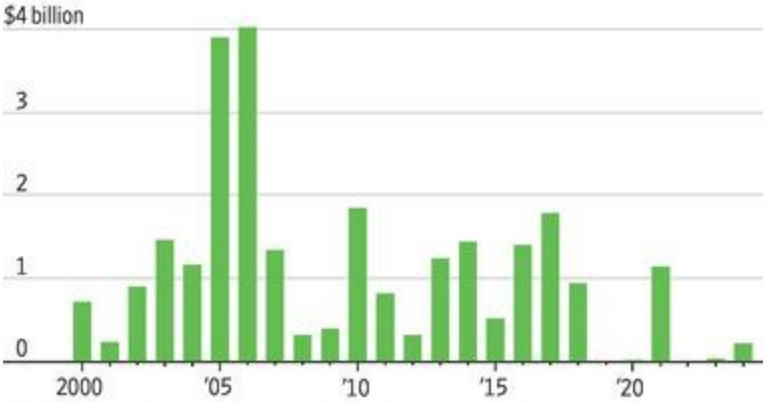
The U.S. logistics industry has been in the doldrums for about two years. Companies' hopes of a freight market rebound this year have faded as truckers and brokerages struggle amid weak rates.

Bankers and advisers say tech-focused logistics companies, such as freight forwarder Flexport, which last year said it was pushing back plans for public listing, don't make good IPO candidates in the current market, which is focused on companies that have a strong record and that can show profitability.

They say the best candidates are companies that have specializations that "have enabled them to outperform broader freight market trends," said Keith Prusek, global joint head of logistics and transportation investment banking at Jefferies.

Corrie Driebusch contributed to this article.

Total annual deal value for U.S. listed transportation-and-logistics company IPOs



Note: Excludes tech-focused companies and special-purpose acquisition company mergers.
Data as of May 2024.
Source: Dealogic

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Broad Base Powers Dow Rally

By Hannah Miao and Charley Grant
863 words
18 May 2024
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A1
English

The Dow Jones Industrial Average's ascent to a new milestone exemplifies the strength of the U.S. economy across industries.

The Dow closed above 40000 for the first time Friday, a day after eclipsing the mark on an intraday basis. Goldman Sachs, Microsoft, UnitedHealth Group and Caterpillar were the top contributors to its ascent from 30000. More than two-thirds of the Dow components have notched gains since it crossed that mark on Nov. 24, 2020.

"This movement isn't driven by one sector or one stock," said Gina Bolvin, president of Bolvin Wealth Management Group. "It's really a broad-based rally."

For the week, the blue-chip index rose 1.2%, or 491 points. The S&P 500 logged a weekly gain of 1.5%, while the Nasdaq Composite advanced 2.1%. Only the Nasdaq edged lower Friday, and all three indexes remain at or near their records reached this past week.

Renewed hopes that the Federal Reserve will cut interest rates later this year have sparked a rally in stock prices in May. All 11 sectors of the S&P 500 are up for the month, pushing the broad index to a gain of 5.3%.

Investors welcomed more signs this past week that the economy can cool gradually without any significant deterioration. A key measure of consumer-price inflation rose in April at its slowest pace since 2021, while April retail sales were unchanged from a month earlier.

"The market is very keyed in on this notion of a soft landing, and most data points we've received have been completely consistent with that," said Mike Medeiros, macro strategist at Wellington Management.

That optimism is reflected in stock and bond prices, and investors will need evidence contradicting those hopes for the rally to lose steam, he added.

A survey of fund managers found that 82% expect the Fed to cut interest rates in the second half of this year, strategists at Bank of America wrote in a research note this past week.

Among individual stocks, the week's reprisal of the meme-stock mania that characterized trading in 2021 left some investors nervous that risk-taking might be excessive. GameStop fell 20% on Friday after the company said it plans to sell additional shares. But Robinhood Markets stock rose 12% after analysts at Bank of America upgraded the brokerage, which focuses on individual investors.

"There's a lot of speculation out there, a lot of fast money looking to make a quick buck in a trade," said Eric Beiley, executive managing director at Steward Partners.

Unlike the S&P 500 and the Nasdaq Composite, the Dow is calculated by adding the prices of the 30 stocks and dividing by a factor that accounts for changes like stock splits. Companies with a higher share price have a greater effect on the Dow's direction, whereas the other two major indexes are weighted by market value.

That has sometimes led to the Dow's missing out on rallies driven by the biggest companies in the market, which are primarily tech firms. In 2020, the tech-heavy Nasdaq jumped 44% while the Dow gained about 7%.

Other times, the Dow's share-price weighting has been its advantage. During 2022's stock-market meltdown, the Dow's percentage decline was smaller than those of the S&P 500 and Nasdaq.

Microsoft's role as a leader in the Dow reflects the increasing importance of tech stocks to the index and the market as a whole. Excitement around generative artificial-intelligence **technology** has fueled a furious rally in shares of several megacap tech companies, leading the major indexes to record high after record high this year.

Shares of Microsoft have nearly doubled since the Dow's 30000 mark and are up 12% this year. Microsoft's stock is among the biggest beneficiaries of the AI frenzy and viewed by investors as part of the vanguard of widespread AI adoption.

The tech sector now has a roughly 19% weighting in the Dow, compared with less than 18% when the index hit 30000, according to Dow Jones Market Data.

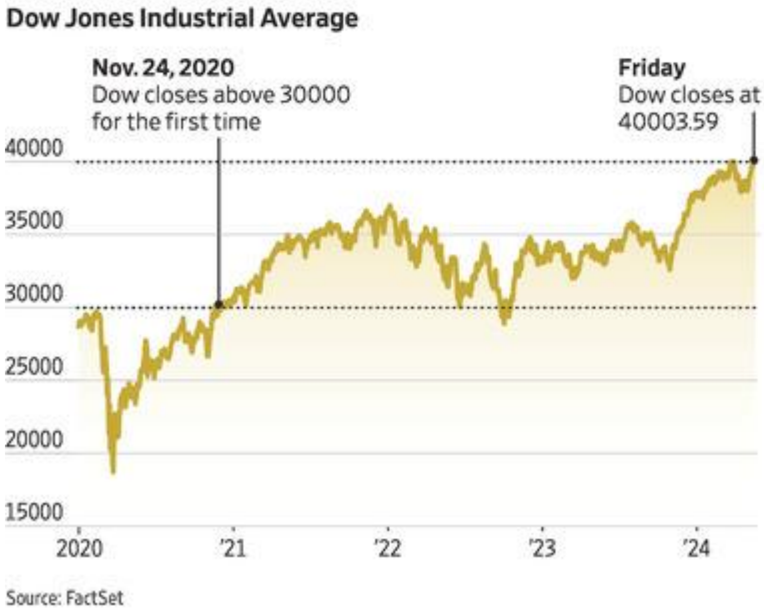
Goldman Sachs contributed more than 1,500 points during the Dow's march from 30000 to 40000. Shares of the Wall Street titan have roughly doubled since the Dow's last 10,000-point milestone and are up 21% this year, as the firm's investment-banking and trading divisions have boosted revenue.

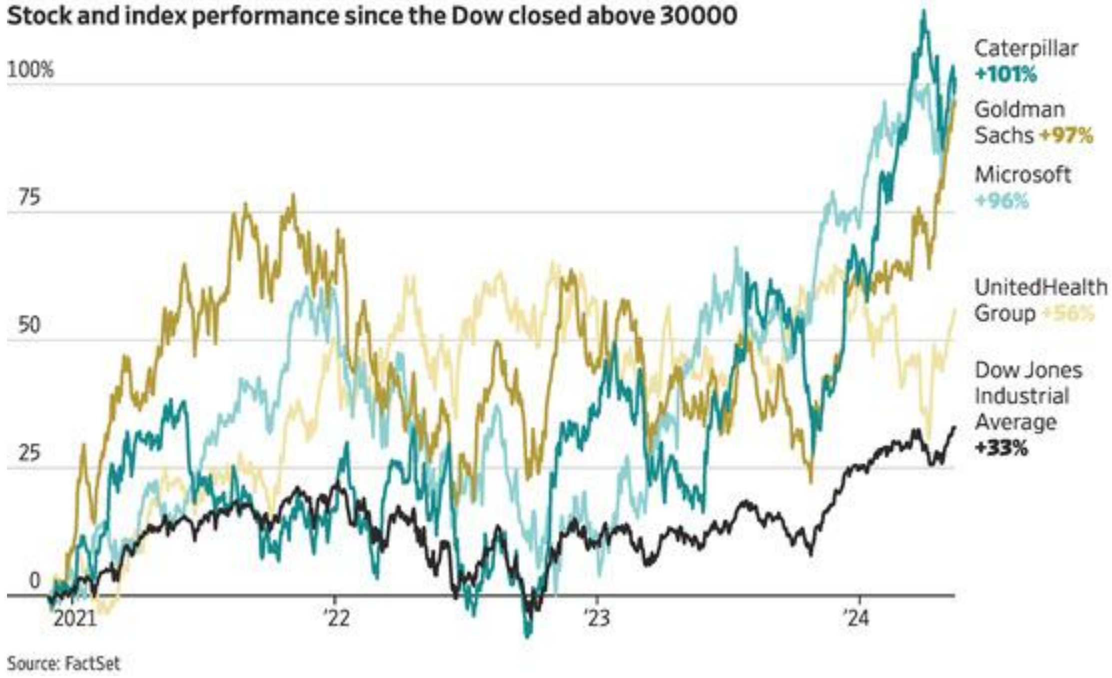
UnitedHealth Group is the most heavily weighted stock in the Dow. Shares are up more than 50% from the last Dow milestone, but down 0.3% in 2024.

Of the Dow components that declined since November 2020, 3M, Walt Disney, Nike and Boeing weighed on the index the most.

The Dow in February added Amazon.com to its elite club of 30 members. That brings one more big-tech stock into an index that has been more associated with banks and manufacturers.

"It's the evolution of our economy," said Amanda Agati, chief investment officer for PNC's Asset Management Group. "Adding Amazon is a reflection of the new world order."





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THE WALL STREET JOURNAL.

Goldman's Crypto Naysayer Isn't Tempted by Bitcoin Rally

By Gregory Zuckerman
739 words
3 April 2024
The Wall Street Journal
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B1
English

A crypto enthusiast approached Sharmin Mossavar-Rahmani a couple of years ago, asking why she was so negative about digital currencies.

Mossavar-Rahmani was accustomed to defending her stance. As the chief investment officer of Goldman Sachs Wealth Management for the past 23 years, she has guided thousands of wealth advisers, clients and traders and regularly appears on television.

This time, she was being questioned by a Goldman Sachs intern who said she owned cryptocurrencies. Mossavar-Rahmani dismissed investing in crypto as nothing more than a means of speculation.

"Have you thought about what it's worth?" Mossavar-Rahmani recalled asking in that summer of 2022. "Have you thought about at what point you'll get out?"

The intern didn't give much of an answer. She also didn't seem eager to sell her crypto.

So it goes for Mossavar-Rahmani, a high-profile market prognosticator who has gotten a lot right over the past few years. Since the 2008 global financial crisis, she has urged clients to stay fully invested in U.S. stocks and minimize their exposure to China and other emerging-market countries, advice that has made investors money amid the market's climb since that perilous period.

When it comes to crypto, Mossavar-Rahmani remains skeptical, even as bitcoin has soared 64% this year to nearly $70,000. Her position puts her at risk of costing Goldman clients potential gains while appearing out of step with markets. Wall Street giants including BlackRock and Fidelity have embraced bitcoin, launching funds in January that make it easy for everyday investors to invest in it.

Some financial advisers also have begun advising clients to include crypto in their portfolios.

Mossavar-Rahmani couldn't care less what the others do.

"We do not think it is an investment asset class," she said in an interview, comparing the recent crypto enthusiasm to the tulip mania of the 1600s. "We're not believers in crypto."

She says clients are well aware of her team's crypto criticisms and haven't asked about jumping in.

Mossavar-Rahmani's view is based on the fact that it is nearly impossible to accurately value cryptocurrencies, which don't produce earnings, cash flow or dividends.

"If you cannot assign a value, then how can you be bullish or bearish?" she asks, rhetorically.

In June 2021, Mossavar-Rahmani and her colleagues published a critique of crypto titled, "Digital Assets: Beauty is Not in the Eye of the Beholder." The 50-page piece argued that bitcoin is too volatile to be a reliable medium of exchange and that it is "unlikely that it will be used broadly."

The observations have held up -- but bitcoin's price has more than doubled since then.

Mossavar-Rahmani says she isn't feeling pressure to alter her views. In fact, she is as skeptical as ever on bitcoin, which she says "creates absolutely no value in any shape or form."

What's more, she says crypto bulls "all proclaim democratization of finance, yet the main decisions end up being driven by a few controlling people."

Plenty of people disagree with her conclusions. Matt Hougan, chief investment officer of crypto asset manager Bitwise, argues that just because an investment doesn't have cash flow doesn't mean it doesn't have value.

"Bitcoin had no cash flow 10 years ago and yet it's up 15,000%," Hougan says, adding that it has done well in periods of high and low inflation, as well as rising and falling interest rates. "The world is full of things that produce no cash flow but have value," he says, pointing to gold, art and collectibles.

Bitcoin also offers a service, Hougan says: "The ability to securely store wealth without relying on a centralized institution."

Mossavar-Rahmani and her colleagues acknowledge the potential benefits of converting assets like real estate into digital tokens, and say **central**-**bank digital currencies** could eventually be useful. Mossavar-Rahmani acknowledges that gold, too, doesn't produce earnings and is hard to value, yet has been historically popular as an investment and for jewelry. That isn't enough of a reason to own crypto, though, she says.

"At least you can hold onto physical gold and store it; you can't do that with crypto," she says. "And anyway, we don't encourage people to own gold."

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