CONNECTING THE DOTS

# Rates volatility, AI investment vs. discipline and Oil capex plus key research

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**Rates volatility.** Rate dynamics have dominated conversations, including on equities, with yields on the 30-year UST above 5% and moves up globally. Meanwhile, as Peter Oppenheimer reminds us in 'Momentum risks yielding to bonds', the correlation of equities to bond yields has turned negative as equities make new highs, leaving us at risk of a speed bump if oil disruption continues into the 2H. Peter does remain optimistic about opportunities to add alpha, and for the first time in many years sees emerging pockets of value in the growth space and emerging pockets of growth in the value parts of the market, which is an interesting backdrop for stock-pickers. Many tried and tested patterns are no longer working (e.g., Defensive sectors no longer acting so), and a big part of that is AI and its associated spend.

**AI – the need to invest vs. discipline.**

- **Europe needs to invest in Data Centers.** We attended two conferences this week where Data Centers and AI were very much in focus: our European Utilities and Clean Energy Conference hosted by Alberto Gandolfi and Ajay Patel, and our EMEA Infrastructure Conference. What was clear is the need for investment in Data Centers in Europe for security of supply, and thus investment in power and the grid, which remain key bottlenecks, in line with Alberto's detailed work on these topics. This is supportive for electrification-exposed names in Utilities like Enel and Naturgy (both on the Conviction List), as well as Siemens Energy for behind the meter solutions (in addition to Ceres Power, on the CL). We discuss these themes with Alberto and Ajay on our corporate access focused On the Road with Goldman Sachs podcast, along with AI beneficiary Infineon, which Alex Duval visited at its HQ last week. **Listen here.**
- **How AI is used continues to be debated, especially the pace of token growth and whether we see indiscriminate use or a more disciplined approach.** It is worth revisiting James Covello's piece last month, where he talks about the unsustainability of most enterprises losing money implementing AI as is the case today. You can listen to a replay of a call with James and Jan Hatzius on Economics discussing the job impact from this week here, which has some great charts.

**Oil capex & TGS.** European & US Oils Q&A mentions of 'seismic, exploration, discovery, acreage' on earnings calls have already started to inflect sharply. The first place you typically see spend come through is seismic, and Michele della Vigna points us to his Buy on TGS, where he expects sales to pick up in the 2H. TGS now also owns vessels post its acquisition of PGS as part of a broader consolidation. There is a pricing upcycle story here, especially as we have seen active vessels decline by c.70% (c.60 vessels in 2013 to c.17-30 today, with no newbuilds since 2017 and an ageing fleet).

## GS Research from the week

***We filter this week's research through the merchandising lens to highlight actionable ideas and pull out some themes / key messages which we think are important - click into the reports for more!***

**Conferences, Management Meetings and Roadshows**

**European Utilities Conference:** The electricity infrastructure deficit, and rising industrial opportunities - Alberto Gandolfi emphasises the scope for stronger pricing in renewables, electrification and data centers, reading positive for CL names Enel and Naturgy (longer list of beneficiaries in note). **Alberto discusses conference takeaways further on a new episode of On the Road with GS, including Alex Duval on Infineon takeaways; listen here.**

**Ferrovial SE (FER.MC):** Feedback from roadshow; Buy **-** Patrick Creuset notes the reoccurring themes of the meetings were long-term traffic and pricing dynamics (continues to believe consensus underestimates potential of the 407), new projects and Ferrovial Construction.

**Compass Group (CPG.L):** Feedback from roadshow with CFO; Buy **-** Ben Andrews highlights strong commercial momentum (illustrated by the significant University of Kentucky win), with confidence in sustaining 4-5% net new business growth over the mid-term.

**The Magnum Ice Cream Co. (MICCT.AS):** Feedback from the road: cocoa, cabinets, and Turkiye; Sell **-** Sam Darbyshire highlights TMICC has announced a series of mitigating actions to offset high energy costs, and cabinet economics are attractive. *See M&A section for more on private equity reports.*

**AI**

**Replay on AI: economics of corporate spending and US economy and labour market implications** with Jan Hatzius, Jim Covello and Sharmin Mossavar-Rahmani, listen here. **See also**: Jim's AI piece from last month on AI spend vs Benefit.

**Nvidia Corp. (NVDA):** Strong guidance plus improved capital allocation; see CapEx sustainability driving a clearer path to outperformance; Buy – This has positive read for European AI enablers, with takeaways beyond the headlines including renting prices for H100/A100 GPUs are up 20%/15% YTD, on track to start shipments of Vera Rubin in H2, and Vera CPUs provide access to a new TAM of $200bn associated with CPU demand. **Buy**: ASML, ASMI, BESI, IFX and NBIS (more on capacity expansion here). **Alex Duval is hosting some of these names on his European Hardware Field Trip next week;** see details in our recent Equities Week Ahead.

**Alphabet Inc. (GOOGL):** Takeaways from Recent Events (Google I/O, Marketing Live, YouTube Brandcast & Android Show): Alphabet's Agentic AI-Driven Future On Display **-** Eric Sheridan highlights Gemini 3.5 Flash which could change AI-powered search unit economics to the positive over time.

**Samsung Electronics (005930.KS):** Asia Communacopia + Technology — Key Takeaways: Positive outlook on memory intact; Buy

**US Economics :** Concentration, Profits, and the Competitive Landscape Ahead of AI Disruption **-** Pierfrancesco Mei finds AI has the potential both to intensify competition by eroding the advantages of today's dominant incumbents and to reduce it by enabling the most successful AI adopters to pull far ahead. The report has interesting charts on concentration in industries and the fact that rising concentration has accounted for c.1/3 of the increase in profit margins since 2000.

**US Strategy:** AI, Momentum, and the One Big Trade **-** Ben Snider notes the narrow rally has compressed US equity market breadth to one of its tightest levels in recent decades. **See also: Mutual Fundamentals:** Funds widen tilt to Semis over Software – Ryan Hammond flags that excluding the mega-caps, the average large-cap mutual fund lifted their Semis overweight by 25 bp to +49 bp. Six of the 20 most popular mutual fund increases were constituents of the GS AI Data Centers basket (GSTMTDAT).

**Global Economics Comment:** EM Technology Adoption Cycles and Implications for Artificial Intelligence

**Rates Volatility**

**Global Strategy Views:** Momentum risks yielding to bonds **-** Peter Oppenheimer sees growing risks yielding to bonds if growth and inflation mix deteriorates, but remains optimistic on the opportunity to add alpha. For the first time in many years, he sees emerging pockets of value in the Growth space and emerging pockets of growth in the Value parts of the market.

**GOAL Kickstart:** The name is bond (again) - rising bond yields weigh on portfolios **-** Andrea Ferrario highlights rising bond yields weigh on portfolios, and the 2m correlation between US equities and 10Y UST has turned the most negative since the 1990s. See also: **GOAL Risk Keeper:** Hedging Bullish Sentiment — Collaring opportunities across equity markets

**Global Rates:** US Treasury Valuations and Requirements for a Yield Reversal

Two credit notes from Amanda Lynam:

- **Global Credit Trader:** Rates (still) in the driver's seat – Higher yields globally are a headwind to full-year 2026 total returns and Amanda views the drivers of the rates move to be more important than the direction for credit spread performance and investor risk appetite.
- **Global Markets Daily:** Quantifying the 'Yield-Based' Bid in Corpora Resilience (tightness) of corporate credit spreads is directly related demand from 'yield-based' buyers such as pensions and insurers. As insurers and pensions held a collective $6.4 trillion of corporate bor

**Energy Security & Supply Chain Disruption**

**Oil Tracker:** Visible Stock Draws Accelerate on Lower Exports; Weakening China Imports and Demand **-** Yulia Zhestkova Grigsby highlights preliminary estimates jet fuel imports into Europe are now down by 60% from their 2025 averages. If jet fuel costs remain at current levels, **Ryanair's** FY27 unit costs rise MSD percentage.

**Oil Comment:** Solving for Diesel and Gasoline Shortages

**Natural Gas Comment: China's** Destocking Through April Suggests Higher LNG Imports Ahead of The Winter

**Norsk Hydro (NHY.OL):** Asymmetric upside to downstream tightness and rising premiums. Buy (on Conviction List) **-** Matt Greene highlights a deeper Aluminium supply shock than originally thought, and that the LME price understates tightness, particularly for downstream VAP, which Norsk is more exposed to.

**TGS ASA (TGS.OL):** On the cusp of a major exploration upcycle; Buy **-** Michele Della Vigna measures exploration related mentions on earnings calls, which have inflected, and believes TGS is uniquely positioned to play the new oil capex upcycle, as well as structurally improving seismic pricing (post significant consolidation).

**Powering Up Europe:** Datacenters in the UK and Europe at a turning point – *See data points in Utilities Conference note above.*

**Merlin Properties Socimi SA (MRL.MC):** Data centers on-track with some realisation in upside optionality, legacy portfolio resilient; reiterate Buy

**VAT Group (VACN.S):** Key takeaways from VAT meeting; Buy **-** Following supply chain disruptions in March, Daniela Costa highlights VAT are confident in their ability to pass through pricing given their customers are facing the same raw materials inflation. However, for **NKT**, Middle East-led inflation (aluminium and plastics) could drive temporary headwinds in the near term, especially in Distribution.

**UK Views:** The Squeeze Returns - Jari Stehn now allows for slightly stronger passthrough into core goods prices given further signs of increased supply chain pressures and sees the peak in core inflation at 3.1% in Q4 (vs 2.9% before).

**Ratings Changes & Initiations**

Two ratings changes from Patrick Creuset:

- **Flughafen Zurich (FHZN.S):** Up to Buy - 20% correction from highs with risks reflected, including worse fee regulation. Patrick is slightly ahead of consensus on EPS/DPS, seeing the strongest traffic trends in the broader coverage group, with higher jet fuel reserves.
- **Eiffage (FOUG.PA):** Down to Neutral **-** Challenging macro backdrop in France, lower toll traffic and construction estimates.

**Lanxess AG (LXSG.DE):** Down to Sell **-** Georgina Fraser highlights the improving US manufacturing cycle has been overtaken by Middle East disruptions and Lanxess doesn't benefit from pricing as this is offset by feedstock and energy costs, as well as leverage significantly above sector peers.

*See Sector Updates below for **Ageas reinstatement at Neutral**.*

## Sector Updates

**Healthcare:** Sector check in: monitoring sector valuation, earnings execution and innovation momentum - Rajan Sharma and James Quigley highlight the sector is trading on a 10% discount to the market and is still cheap vs the historical premium but overall rerating is difficult given the LOE cliff. They therefore believe selectivity is key, highlighting Buy ideas: Bayer and Argenx (on CL), and AZN.

**Insurance:** Dutch Life has further to run; reinstate on Ageas at Neutral **-** Andrew Baker notes outperformance is helped by strong capital generation and returns, Buy NN and ASR for defensive plays with AI opportunity.

## Tracking the Data

**Retail:** Channel Matters: Exploring the potential impact of TikTok Shop on European Retail one year since launch **-** Richard Edwards notes TikTok Shop is expected to scale but is still nascent in EU, and products that do well (e.g., cleaning products) have limited overlap with established brands. Buy Zalando (CL) and Next. Richard also notes On maintains its outperformance in sportswear; in apparel, Chinese Aggregator growth slows markedly in Europe.

**Luxury Goods:** Macro Tracker: April datapoints for China mixed but continue to expect modest sequential improvement **-** Adrien Duverger notes mixed China trends (leather handbag imports, which have the highest correlation with sector underlying growth, were +25% in April, but this could be post CNY inventory build) and expects sequential improvement.

**Gaming:** What the latest state data tells us about US gaming **-** Ben Andrews highlights in online sports there are somewhat improved handle growth trends and neutral-to-favourable sports results in early April data.

**Europe Food:** EU Nielsen: Lindt volumes decline; chocolate private label pricing turns negative

**Europe Beverages:** CCH and Carlsberg outperform a subdued soft drinks market in April / Europe Nielsen: Heineken outperforms soft beer volumes in April

**Europe Tissue:** Prices continued to ease in April; incontinence market trends remain strong

**Europe Multi-Industry:** What US and EU PPI tell us about Multi-Industry **-** Daniela Costa notes Capital Goods PPI is accelerating at a faster rate than the historical relationship with the raw material moves. Daniela also highlights the improvement in leasing and financing momentum in Industrial Equipment, which reads well for her sector in general.

**United Kingdom Insurance:** Property & Casualty: UK Motor: Pricing continues to move higher in April per ONS

## Reiterate Buy

**Anheuser-Busch InBev (ABI.BR):** Investment case compelling beyond the World Cup boost; Reiterate Buy (on Conviction List)

**Siemens AG (SIEGn.DE):** Post 2Q26 update; reiterate Buy - Daniela Costa is 7% ahead of consensus EBITDA for FY27E, and 3Q could be another catalyst with the potential for OSG guide to be moved to top end.

**ISS (ISS.CO):** Reiterating Buy after DTAG contract overhang resolved, and framing the Bull case from here ; Buy - Ben Andrews notes the focus is back on larger, recurring returns with the CMD on 14th September as a catalyst.

**Banca Monte dei Paschi di Siena (BMPS.MI):** Capital flexibility remains core to our thesis; Reiterate Buy

**Birkenstock (BIRK):** Accelerated share buyback signals management confidence; remain Buy

**Reiterate Sell**

**Hennes & Mauritz (HMb.ST):** Updating estimates to incorporate more muted 2Q26 topline growth and elevated activations; TP to SKr150; Sell

**Earnings & CMDs**

***Financials***

**Chris Hallam attended two CMDs in Hong Kong:**

- **HSBC (HSBA.L/0005.HK):** Key takeaways from Investor Event; Buy (on Conviction List) **–** Asia remains a growth engine, clear scope in wealth management to drive growth and scale capabilities and AI is driving productivity gains. Initial investor feedback was neutral, but Chris continues to view HSBC as a global liquidity engine.
- **Standard Chartered (STAN.L/2888.HK):** Investor Event First Look: Inline 2028 RoTE targets; Buy **–** STAN provided ROTE targets, and while they don't imply immediate upgrades, the 2030 target of c.18% is ambitious; however, cost-to-income guide is slightly more cautious.

**ICG Plc (ICGIN.L):** 2H26 First Take: Strong FRE beat & greater focus on per share metrics more important than CLO-related NIR miss, Buy

**EQT AB (EQTAB.ST):** Key takeaways from 2026 Value Creation Day; Buy

**Unite Group (UTG.L):** AGM trading update: 79% of beds booked for AY 2026/27, guidance reaffirmed; Buy

**Big Yellow (BYG.L):** FY25/26 results: Weaker occupancy drives modest EPS cuts, maintain Sell

**Great Portland Estates (GPEG.L):** FY26 results: EPS 8% above consensus, FY27 guidance introduced; Neutral

***BSTL***

**Ryanair (RYA.I):** FY26 slightly ahead, FY27 guidance elements significantly below expectations; Neutral

**easyJet (EZJ.L)**: H1 results in line with guidance, H2 outlook slightly worse; Neutral

**Experian (EXPN.L):** FY26: Results inline; FY27 guide for 6-8% organic + c.50bp margin expansion; new $1bn buyback; Buy

**Buzzi (BZU.MI):** 1Q'26 results: Inline print, managing against 2026 headwinds; Neutral

**Rockwool (ROCKb.CO):** 1Q'26 Result: Inline 2026 setup, scope for re-rating into capacity ramp; reiterate Buy

***Commodities & Industrials***

**HelleniQ Energy (HEPr.AT):** Volumes, refining and petrochemical recovery support earnings upgrade; Buy

**Solaria (SLRS.MC):** Q1 2026: solid progression, even adjusting for one offs; Buy

**NIBE Industrier AB (NIBEb.ST):** 1Q26 First Take: An in-line quarter / Lowering 2026 margins; remain Sell

**Smiths Group (SMIN.L):** 3Q-FY26 Trading Update: FY26 profit guide unchanged despite lowered OSG outlook, Not Rated

**Addtech AB (ADDTb.ST):** Weaker Organic Sales more than offset by strong margins; Buy

***Consumer***

**Marks & Spencer (MKS.L):** Focus back on normalised trading and profitability; Buy

**Walmart Inc. (WMT):** Solid top-line growth and share gains continue; Reiterate Buy

***TMT***

**Nvidia Corp. (NVDA):** Strong guidance plus improved capital allocation; we see CapEx sustainability driving a clearer path to outperformance, Buy

**BT Group (BT.L):** Results small beat, guidance broadly in-line; we argue material upside to guidance and consensus remains, Buy (on Conviction List)

***Healthcare***

**ConvaTec Plc (CTEC.L):** YTD growth trending slightly below H1 26 expectations but FY 26 guidance reiterated, Buy

**Previews**

**Barry Callebaut (BARN.S):** Strategy update on 2 June; limited risk to earnings; Buy

**Events including M&A**

**Refreshing our European M&A basket (GSTRACQN) and LBO candidates**

**The Magnum Ice Cream Co. (MICCT.AS):** Addressing media reports of private equity interest; Sell

**UBS Group (UBSG.S):** Press reports discuss potential easing of Swiss capital proposal for foreign subsidiaries; Neutral

**Standard Chartered (STAN.L/2888.HK):** CFO transition formalised

**Rentokil Initial Plc (RTO.L):** Appointment of North America CEO; Neutral

**United Kingdom Banks:** First Look at Review of the Ring-Fencing Regime

**Springer Nature AG (SPGG.DE):** First PE share placing since IPO likely positive catalyst; reiterate Buy

**Syensqo (SYENS.BR):** Strategic review of Performance & Care sets the stage for Materials value unlock; Buy

**Novo Nordisk (NOVOb.CO):** Phase 3 retatrutide data sets the bar for zenagamtide and UBT251; Neutral

**GSK Plc (GSK.L):** Detailed bepirovirsen data at EASL: 15%-20% functional cure rate likely to support utilization; commercial opportunity the key debate; Neutral

**Galderma (GALD.S):** Ipsen's corabotase data broadly competitive; attention turns to translatability in a larger Phase 3; Buy

**EDP Renovaveis SA (EDPR.LS):** Brazilian disposal signals positive strategic shift; Neutral

**Macro & Strategy**

**Europe:** Testing Times **-** Jari Stehn notes a growth slowdown ahead following a disappointing 0.1% in Q1, expecting similarly slow growth in Q2-Q4, with risks skewed towards stagnation (or even contraction) if energy prices remain higher than anticipated.

**Dividend Swap Monitor:** European dividends supported by earnings season and short duration

**Europe:** Rockets and Feathers: Asymmetric Passthrough from Energy Shocks

**Europe:** 1Q26 Earnings Tracker: Late season update **-** Sharon Bell notes earnings season is 75% done; beats remain positive but concentrated in financials and commodities. She also notes cap goods are showing strong order momentum, and more generally, misses are being penalised and beats are only marginally rewarded.

**UK:** Policy uncertainty, Bond markets & UK equities (Part 2)

**Germany**: Federal Spending Picked Up Notably in April

**Other Global**

**Americas Technology:** Software: Revisiting Moats V: When does a Bounce turn into a Rally?

**Americas Technology:** Internet: Q1'26 EPS Review: Where to from Here? Recapping Takeaways & Debates; Focus Stocks Going Forward

**Americas Pipelines and MLPs:** Key Takeaways from EIC: Significant Growth in Gas Demand and Permian Gas Supply

**Broadcom - 1Q Preview:** Expect strong guidance; Buy (on CL)

**Alibaba Group (BABA)**: Key highlights from Chairman & CEO Letter/Alibaba Cloud Summit; Seizing the AI agentic opportunity

**Clean Energy**: An SST 101; Assessing the growing opportunity and competitive landscape for solid-state transformers in AIDC

**GS SUSTAIN:** EU Taxonomy Monitor: Green Revenue Crosses €1 Trillion and CapEx Reaches €350 bn - A helpful lens into Resilience Investment

**Global Healthcare:** Pharmaceuticals: Analysing immunology prescribing dynamics

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