# What's Top of Mind in Macro Research: Risks to softer US inflation, China policy efforts, equity/credit beta divergence

**Jenny Grimberg**
+1(212)934-0199 |
jenny.grimberg@gs.com
Goldman Sachs & Co. LLC

**Allison Nathan**
+1(212)357-7504 |
allison.nathan@gs.com
Goldman Sachs & Co. LLC

**Ashley Rhodes**
+1(212)934-4876 |
ashley.rhodes@gs.com
Goldman Sachs & Co. LLC

This week:

- **Softer US CPI… but Iran conflict poses risks**
- **China GDP miss and policy efforts**
- **Credit vs. equity beta divergence**

## Transcript

### Softer US CPI… but Iran conflict poses risks

US core and headline CPI fell 0.02% and 0.42% in June, well below expectations, reflecting broad-based declines across categories and a temporary reprieve in energy costs, though we note that structural AI demand continues to put upward pressure on software and accessories prices. While the softer-than-expected report has eased market expectations of a July Fed rate hike—tempering the impact of Governor Waller's recent hawkish comments—we think a more serious re-escalation of the US-Iran conflict that sees the recovery in Persian Gulf oil flows stall further could revive the key upside risk to inflation and once again raise the odds of rate hikes. Although an expansion of Middle East pipeline capacity should eventually temper oil prices, we estimate that a near-term spike to $100/bbl would boost US monthly core inflation by 3-4bp in coming months. But we believe the impact of yet another supply shock on monetary policy could be more significant than that figure implies, as it would add to the fear that further shocks may lie ahead and could unanchor inflation expectations.

We think US equities would struggle in the short term if the inflation data motivates the Fed to hike, consistent with the historical record. But we also find that equities tend to perform well during periods of innovation, such as the current AI boom. Accordingly, we think investors should remain invested while balancing innovation and inflation in their portfolios by selectively increasing real asset exposure, diversifying across regions and styles, utilizing options (like long-dated calls and put spread collars), and allocating to alternatives (like private markets and commodity trading advisors).




Investors should consider this report as only a single factor in making their investment decision. Fo
certification and other important disclosures, see the Disclosure Appendix, or go to
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**US equities have historically struggled at the start of Fed hiking cycles**
S&P 500 return around the start of Fed hiking cycles (seven episodes since 1988)




Source: Goldman Sachs Global Investment Research.

## What else is on our radar?

- We're focused on Chinese policymakers' efforts to boost growth through technological innovation, increased consumption, and broader policy easing following the larger-than-expected 2Q26 growth slowdown. On the technology front, we estimate that the "New Policy-Based Financial Instrument" to fund strategically important projects could boost the level of real GDP by around 0.5pp. However, on the consumption front, we think the recently approved "15th Five-Year Plan for Expanding Consumption" will provide an only limited near-term boost to consumption. And more broadly, while we expect policymakers to step up their easing rhetoric at the July Politburo meeting (taking place in late July) and quickly draw on remaining fiscal buffers, significant and broad-based stimulus appears less likely given that exports remain resilient and the 4.5-5.0% full-year growth target is still on track. All that said, policy support continues to underpin our preferred China equity investment themes, including our GS 15FYP Portfolio.
- We're also watching the relationship between equities and credit. We find that the equity/credit beta in the USD market has spiked in recent months to a new all-time high, which we think largely owes to a divergence in how the AI theme has manifested across the two markets. Indeed, while AI has generated significant upside convexity in the equity market, it has emerged as a technical headwind in the credit market as hyperscalers issue record amounts of debt to fund AI capex needs. Consequently, credit has displayed more resilience during risk-off episodes in equities, a dynamic which looks likely to persist.

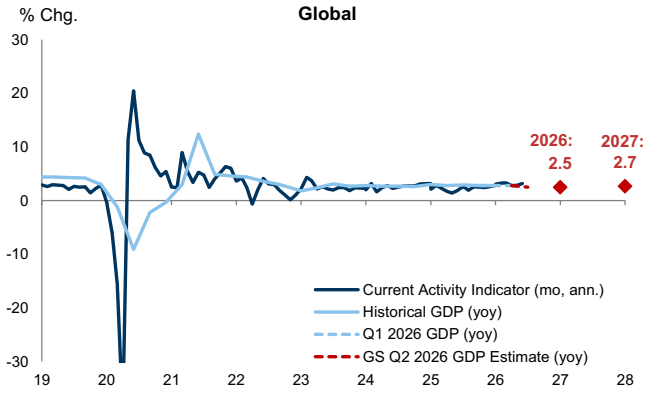
# Relevant research

**Softer US CPI… but Iran conflict poses risks:** Global Markets Daily (7/15/2026); Oil Analyst (7/14/2026); USA (7/14/2026); USA (7/13/2026); Oil Comment (7/12/2026); US Economics Analyst (7/12/2026); Global Strategy Paper (7/10/2026); US Weekly Kickstart (7/10/2026); Global Economics Comment (7/9/2026)

**What else is on our radar:** China (7/15/2026); China (7/14/2026); Global Markets Daily (7/14/2026); China Musings (7/13/2026); Asia in Focus (7/12/2026); China Strategy (11/18/2025)

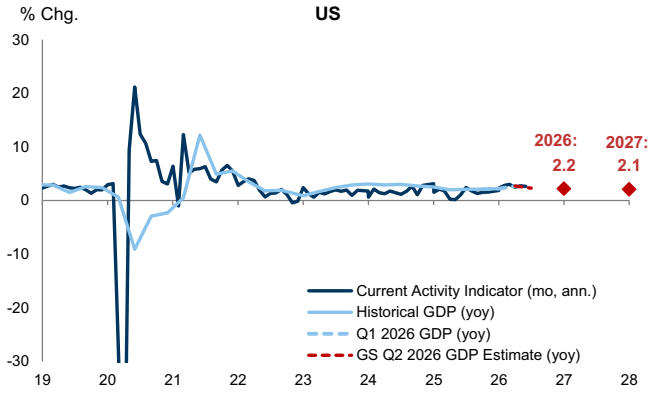
# Macro at a glance

### Global GDP vs. CAI




Source: Haver Analytics, Goldman Sachs Global Investment Research.

### US GDP vs. CAI



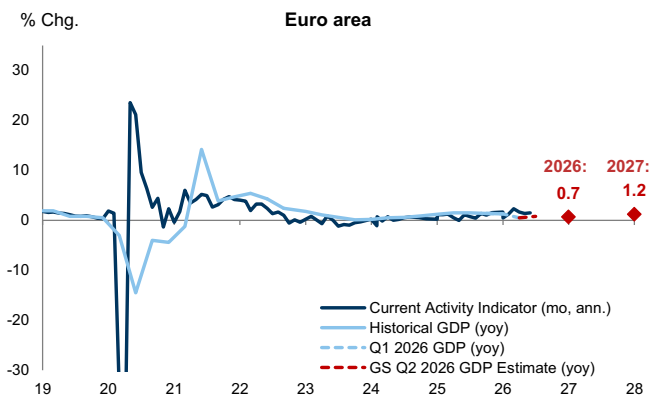

Source: Haver Analytics, Goldman Sachs Global Investment Research.

### China GDP vs. CAI




Source: Haver Analytics, Goldman Sachs Global Investment Research.

### Euro area GDP vs. CAI




Source: Haver Analytics, Goldman Sachs Global Investment Research.

### Key GS economic and market forecasts

| Economics | | | | | | | Markets | | | | | | | | | Equities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP growth (%) | 2026 | | | | 2027 | | Interest rates 10Yr (%) | Last | E2026 | E2027 | FX | Last | 3m | 12m | S&P 500 | E2026 | | E2027 | | Returns (%) | 12m | YTD | E2026 P/E | |
| | GS (Q4/Q4) | Cons. (Q4/Q4) | GS (CY) | Cons. (CY) | GS (CY) | Cons. (CY) | | | | | | | | | | GS | Cons. | GS | Cons. | | | | | |
| Global | 2.3 | -- | 2.5 | 2.5 | 2.7 | 2.6 | US | 4.58 | 4.40 | 4.25 | EUR/$ | 1.14 | 1.14 | 1.12 | Price | 8,000 | | | | S&P 500 | 9.7 | 10.5 | 22.9x | | |
| US | 2.0 | 2.0 | 2.2 | 2.1 | 2.1 | 2.1 | Germany | 3.07 | 3.00 | 3.00 | GBP/$ | 1.34 | 1.33 | 1.28 | EPS | $340 | $343 | $385 | $400 | MXAPJ | 26.5 | 18.2 | 13.2x | | |
| China | 4.6 | 4.5 | 4.6 | 4.6 | 4.7 | 4.4 | Japan | 2.71 | 2.50 | 2.25 | $/JPY | 162 | 162 | 165 | Growth | 24% | 25% | 13% | 16% | Topix | 8.9 | 18.5 | 19.3x | | |
| Euro area | 0.8 | 0.6 | 0.7 | 0.5 | 1.2 | 1.2 | UK | 4.82 | 4.50 | 4.35 | $/CNY | 6.75 | 6.80 | 6.50 | | | | | | STOXX 600 | 2.7 | 8.5 | 15.6x | | |
| Policy rates (%) | 2026 | | | | 2027 | | Commodities | Last | 3Q26 | 4Q26 | Credit (bp) | | Last | 3Q26 | 4Q26 | Consumer | 2026 | | 2027 | | Wage Tracker 2026 (%) | | | | |
| | GS | Mkt. | | | GS | Mkt. | | | | | | | | | | | CPI (%, yoy) | Unemp. Rate | CPI (%, yoy) | Unemp. Rate | Q1 | Q2 | Q3 | Q4 | |
| US | 3.63 | 3.94 | | | 3.13 | 3.96 | Nat Gas, NYMEX ($/mmBtu) | 2.90 | 3.50 | 3.50 | USD | IG | 78 | 85 | 82 | US | 3.2 | 4.4 | 2.3 | 4.3 | 3.5 | 3.3 | -- | -- | |
| Euro area | 2.50 | 2.60 | | | 2.00 | 2.65 | Nat Gas, TTF (EUR/MWh) | 52.95 | 42 | 40 | | HY | 268 | 305 | 295 | Euro area | 2.8 | 6.3 | 2.3 | 6.2 | -- | -- | -- | -- | |
| China | 1.40 | 1.38 | | | 1.30 | -- | Copper ($/mt) | 13,596 | 13,600 | 13,700 | EUR | IG | 89 | 91 | 88 | China | 1.0 | -- | 1.0 | -- | -- | -- | -- | -- | |
| Japan | 1.00 | 1.22 | | | 1.50 | 1.72 | Gold ($/troy oz) | 4,076 | 4,600 | 4,836 | | HY | 251 | 320 | 315 | | | | | | | | | | |

GS CAI is a measure of current growth. For more information on the methodology of the CAI please see "Technical Updates to Our Global CAIs," Global Economics Comment, September 1, 2025. Market pricing as of July 14, 2026.

Source: Bloomberg, Goldman Sachs Global Investment Research.

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