What's Top of Mind in Macro Research: Favorable US inflation/weak labor market, further risk asset rebound, issuance surge

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This week:

- **US: favorable inflation but weaker labor market data**
- **Markets: further room to run**
- **Equity and debt issuance surge, AI crowding out, RMB bond internationalization**

Transcript

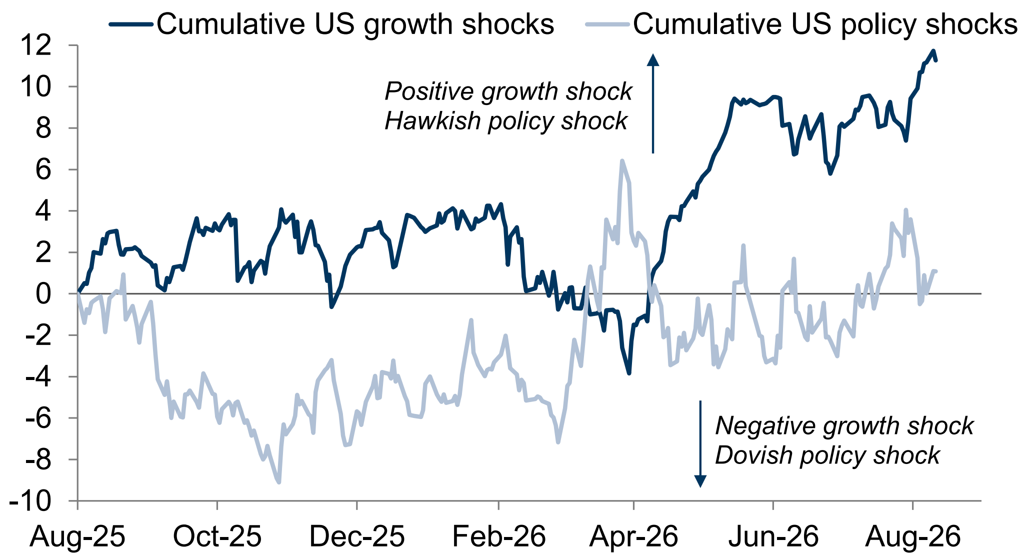
US: favorable inflation but weaker labor market data

July US core CPI printed roughly in line with expectations, while July payroll growth came in well below expectations, though we think the market's response to the weak labor market report suggests that the Fed policy ball still sits with inflation. We think most FOMC voters will view the July CPI print, as well as the PCE numbers we expect, as acceptable and would want to see the August inflation data before deciding whether to hike in September. Given our forecasts for relatively tame core CPI and PCE numbers next month (both around 0.2%) as well as methodological changes that we expect will modestly lower the year-over-year rate of core PCE inflation (by 0.2pp), we continue to expect the Fed to remain on hold in September and, ultimately, through year-end.

Markets: further room to run

We think the ongoing rebound in risk assets from late July lows has further room to run as the market continues to shift back toward our benign baseline views on the energy, rates, and AI fronts. Specifically, we expect energy prices to remain relatively rangebound barring any significant further developments in the Middle East conflict, the Fed to remain on hold, and the stellar Q2 earnings season to keep AI worries at bay. This backdrop should support further equity gains while still-contained macro volatility supports carry strategies. We see a further rise in long-end yields as the biggest near-term risk to this favorable setup while renewed geopolitical, inflation, or AI concerns could also fuel higher volatility. But with volatility currently low, we think options remain a viable way to protect long equity or long carry strategies.

Risk assets have rebounded from late July lows as growth worries have faded
Index, August 1, 2025=0



Source: Goldman Sachs Global Investment Research.

What else is on our radar?

- We're continuing to monitor the surge in equity and debt issuance, which we expect will rise further as AI financing needs grow. While we think equity capital will continue to play a role in funding the AI boom, we expect debt markets to provide most of the external capital, with the hyperscalers likely to fund an estimated 35% of capex with debt in 2027. Accordingly, USD IG issuance should remain dominated by large, technology-heavy deals with relatively long tenors. This, together with the sharp rise in jumbo deals and low share of acquisition-related financing, makes this time different from previous periods of active re-leveraging, in our view.
- We're also keeping a close eye on AI investment, which we estimate will total nearly $600bn in the US this year. While the rapid growth of AI spending has raised concerns that it is crowding out other activity, we find the crowding out effects are smaller than often thought. Specifically, we estimate just $50bn of incremental crowding out this year from the three key channels: the displacement of other technology investment, the displacement of non-data center construction, and upward pressure on borrowing costs for other businesses.
- Finally, we're watching the sharp recent rise in RMB-denominated bond issuance, which we think presents a historic opportunity for RMB bond internationalization, supported by relatively low RMB funding costs. That said, we believe durable internationalization will require continued economic strength and macro-financial stability, deeper onshore and offshore markets, broader investor access, effective hedging tools, and stronger global trade/financial linkages.

Relevant research

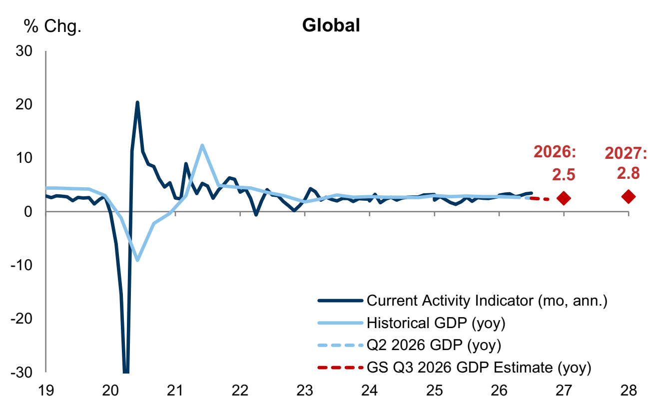
US: favorable inflation but weaker labor market data: USA (8/12/2026); US Daily (8/12/2026); Global Rates Trader (8/7/2026); USA (8/7/2026)

Markets: further room to run: Global Markets Daily (8/11/2026); Global Market Views (8/10/2026); Global Market Views (6/26/2026)

What else is on our radar: US Economics Analyst (8/10/2026); Asia Economics Analyst (8/9/2026); Credit Notes (8/9/2026); US Weekly Kickstart (8/7/2026); Credit Notes (7/27/2026); Top of Mind (7/22/2026)

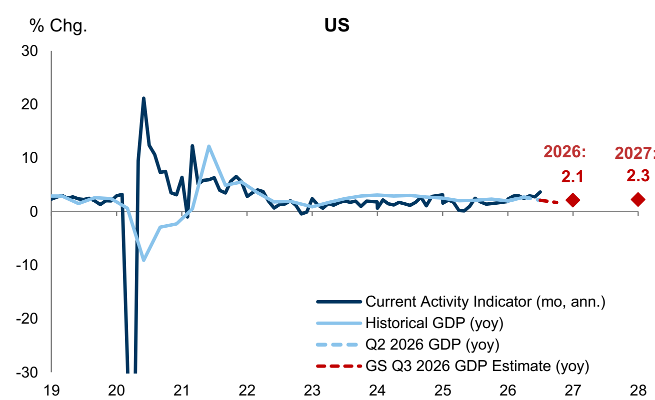
Macro at a glance

Global GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investment Research.

US GDP vs. CAI

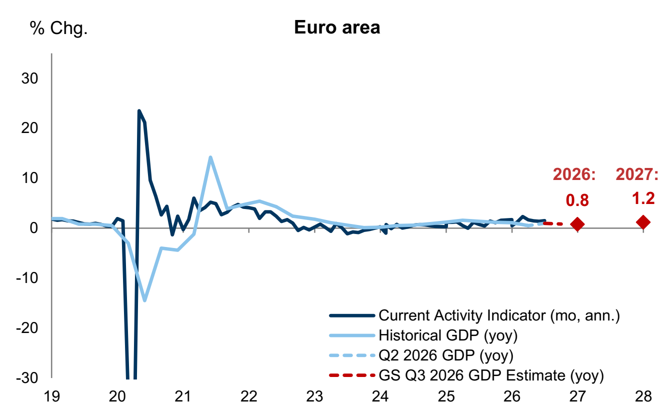


Source: Haver Analytics, Goldman Sachs Global Investment Research.

China GDP vs. CAI

Source: Haver Analytics, Goldman Sachs Global Investment Research.

Euro area GDP vs. CAI



Source: Haver Analytics, Goldman Sachs Global Investm

Key GS economic and market forecasts

Economics

GDP growth (%)	2026 GS (Q4/Q4)	2026 Cons. (Q4/Q4)	2026 GS (CY)	2026 Cons. (CY)	2027 GS (CY)	2027 Cons. (CY)
Global	2.4	--	2.5	2.5	2.8	2.6
US	2.1	2.0	2.1	2.2	2.3	2.1
China	4.6	4.6	4.6	4.6	4.7	4.4
Euro area	0.8	0.9	0.8	0.8	1.2	1.2

Policy rates (%)	2026 GS	2026 Mkt.	2027 GS	2027 Mkt.
US	3.63	3.94	3.13	4.01
Euro area	2.50	2.58	2.00	2.72
China	1.40	1.38	1.30	--
Japan	1.00	1.34	1.50	1.93

Markets

Interest rates 10Yr (%)	Last	E2026	E2027
US	4.70	4.40	4.25
Germany	3.15	3.00	3.00
Japan	2.81	2.50	2.25
UK	4.82	4.50	4.35

FX	Last	3m	12m
EUR/$	1.15	1.14	1.12
GBP/$	1.35	1.33	1.28
$/JPY	159	162	165
$/CNY	6.73	6.80	6.50

Commodities	Last	3Q26	4Q26
Crude Oil, Brent ($/bbl)	89	88	80
Nat Gas, NYMEX ($/mmBtu)	2.77	3.50	3.50
Nat Gas, TTF (EUR/MWh)	59.12	60	53
Copper ($/mt)	14,352	13,600	13,700
Gold ($/troy oz)	4,383	4,600	4,836

Credit (bp)		Last	3Q26	4Q26
USD	IG	78	85	82
	HY	267	305	295
EUR	IG	89	91	88
	HY	257	320	315

Equities

S&P 500	E2026 GS	E2026 Cons.	E2027 GS	E2027 Cons.
Price	8,000			
EPS	$340	$362	$385	$407
Growth	24%	32%	13%	12%

Returns (%)	12m	YTD	E2026 P/E
S&P 500	7.4	12.9	22.3x
MXAPJ	24.7	19.9	12.7x
Topix	9.7	20.3	19.7x
STOXX 600	-0.2	11.6	15.8x

Consumer	2026 CPI (%, yoy)	2026 Unemp. Rate	2027 CPI (%, yoy)	2027 Unemp. Rate
US	3.2	4.4	2.3	4.3
Euro area	2.9	6.3	2.4	6.2
China	1.0	--	1.0	--

Wage Tracker 2026 (%)	Q1	Q2	Q3	Q4
US	3.5	3.6	--	--
Euro area	--	--	--	--
China	--	--	--	--

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 August 11, 2026.

Source: Bloomberg, Goldman Sachs Global Investment Research.

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