** Connecting You to GS.. Thoughts from the Floor...

15 August 2026 | 4:35 AM China Standard Time



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Themes resonating with global clients at the moment and GS views/thinking on the topics. Reach out if there are comments, opinions and/or ideas you want to discuss with the people below.

1) Connecting you to GS: *Where are we left on the Fed path after the last payrolls + CPI, do we think Jackson Hole will give us any lean? JPY Intervention – Are there big policy shifts ahead, what would it take + why are views more divided now than before? China 2:00 Shock - Are trading partners starting to focus on CNH under-valuation? Brazil - What is current state of the polls + how do we expect Brazilian assets to perform on the different presidential outcomes? Gold - What has driven the break-out + do we expect the this to be the start of a trend higher?*

2) Trades we Like: Best Global GCEM Ideas through Labor Day: *For the last Weekend Mail of the Summer, some of the trade ideas we like the most from around the Global Currencies & Emerging Markets desks…*

- CEEMEA: Harvesting Carry in Egypt 6mnth T-Bills, Short EURHUF + Short EURZAR *-> Little on the calendar for the remainder of August; over a month until the Sep FOMC, with the risk of a hike looking less likely; FX vol constrained; positioning notably purged in recent weeks; we see a decent window to harvest carry from longs in EGP, ZAR and HUF. HUF enjoys stable vol, stable fundamentals, a reasonable NBH reaction function + a government committed to joining the EUR-process; EGP benefits from attractive nominal carry (~25% before tax), positive real rates (~10%) + is further along the adjustment process; USDZAR sustained a close sub 16.20 last week for the first time ->* ***i) Buy 6mnth Egypt T-Bills at 25.20% Yield. Ii) Buy 3mnth EURHUF 360 vs 355 (KI 350) vs 350 KI Put Fly for 28.5bps*** *(Max ~10 leverage);* ***iii) Buy 6wk (24-Sep) Dual Binary EURUSD < ATMS vs USDZAR < 16.00 for 8.5% USD*** *(~11.75x leverage).*

- ***Asia: Front-End INR Curve Steepener*** *-> RBI unanimously voted to keep rates unchanged at 5.25% at its August meeting, retaining a neutral stance. We think the bar for further rate hikes has increased, but rates market are currently pricing ~83bp of cumulative hikes + a ~40% probability of a hike in October. We do not expect a hike in October unless oil prices move significantly higher. Front-end to be anchored by liquidity from FCNR inflows vs back-end yields supported by strong credit growth in India, oil risk premium, and still-elevated core rates = Steeper NDOIS Curve ->* ***Pay z6 - 1s5s INR NDOIS at 34bp*** *(Target 54bp, stop-loss 24bp, carry 12.4bp over 3 months).*

h/t Arjun Nagpal + Sun Lu

- ***Latam: Long Belly Coltes (30s + 31s) in Colombia + Short USDBRL via Seagulls ->*** *Colombian Coltes* are *a positive-carry long, benefiting from a shift to easier monetary policy, room for capital appreciation + light positioning. In Brazil, there is now 7% gap priced into the election; BRL has been one of the worst performing currencies over the last 3 months despite broad USD weakness + the EM HY FX / Carry complex trading well. We think there could be asymmetric risk-reward in starting to engage in USDBRL shorts via Seagull structure that sell topside ->* ***i) Buy Coltes 30s (Feb 27 2030's COL17CT04142) at 12.25%*** *(Target 11.25%, stop 12.75%);* ***ii) Buy 6m 5.20/4.90 USDBRL put spread vs sell 6m 5.75 USDBRL call in 1x1x1 Ratio + receive 30bp USD****.*

h/t Casey Laflamme + Matt Traina

- ***FX / Equity: US Equities Higher vs USD Higher Hybrids ->*** *Solid economic fundamentals, a return of asset outperformance + lingering ToT effects (on EUR, CHF, JPY etc) are likely to support the USD, at least against lower yielders. On the equity side, earnings growth remains remarkably solid, some of the most acute pressure in the AI space reflected distressed unwinds of leveraged positions, recession risk is low, growth robust + inflation potentially improving enough to keep the Fed from hiking -> Buy US Equities Higher vs USD higher Implied Corr at negative corr for a return of US asset outperformance ->* ***i) Buy 18-Dec Dual Digital SPX > 5% OTMS vs USDCHF > ATMS for 12% USD*** *(Max ~8x Leverage****); ii) Buy 18-Dec Dual Digital SPX > 5% OTMS vs EURUSD < 1% OTMS for 9% USD*** *(Max ~11x Leverage);* ***iii) Buy 18-Dec Dual Digital SPX > 5% OTMS vs GBPUSD < 1% OTMS for 11% USD*** *(Max ~9x Leverage).*

h/t Matt Atherton

Max loss = Premium paid for ZAR, HUF + Hybrid trades; notional of Bonds bought in EGP + Coltes trades; unlimited in BRL + INR trades.

Thoughts welcome – Adam

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1) Connecting you to GS:

- ***Fed: Where are we left on the Fed path after last payrolls and CPI + do we think Jackson Hole will give us any lean?***

  David Mericle (Chief US Economist)*: "The bottom line is that we've now had* ***two months of the better inflation news that the FOMC wanted to see****. Core CPI inflation came in at 22bp in July, and we think core PCE will come in at 20bp, 11bp of which would come from the impact of the stock market on portfolio management prices, which we and Fed officials* ***tend to discount****. For the August round, we forecast that core CPI and PCE will print around 0.2% and that the methodological changes will lower year-over-year core PCE inflation by 0.2pp.*

*I **feel good that we are on track for our forecast that the FOMC will stay on hold in September**. But I'm not sure it's realistic to signal that at Jackson Hole because the FOMC has been divided and we have another round of CPI and PPI before the September meeting that many participants will likely want to see. Barring a major surprise, I do think most voters will feel strongly that **staying on hold is the right mov**e, but it might be needlessly divisive to imply the decision has already been made. In his July press conference, Warsh said he might talk about either near-term monetary policy or bigger picture issues at Jackson Hole, and the latter might be the easier option."*

***Mike Mitchell (Head of US Treasury Trading)**: "This week's data **gave the FOMC some additional breathing room**. It didn't quite sound an all clear for the September meeting though, as we have to **survive another month of inflation data** in early September, just ahead of that policy meeting.*

*Indeed, while the July NFP print was soft, **the labor market is not the focus of policy makers**, and so attention was squarely focused this week on the CPI and PPI prints – both which came in at levels which are consistent with roughly 0.2 core PCE, **likely good enough to keep the committee on hold for now**. But the **bar to hike remains low**, and if we get an August PCE mapping in early September which implies something closer to 0.3, that will **likely still be enough for the Fed to hike**. Our expectation is that we will get another 0.2, and therefore the Fed will stay on hold, but the **margin for error is not that high**.*

*This is of course the problem with duration longs in the front end – **you need to keep getting good inflation news**, and that news comes incrementally in small pieces, and so the rally is grinding in nature, while a **selloff can be more swift** in the event of a turn worse in the inflation outlook. I think there is **good value in belly duration**, but in the near term, rallies are likely to face a speed limit. Jackson Hole I think is **unlikely to provide any real guidance** as to the near-term path of Fed policy. Warsh has been resolute in his stance against forward guidance, and anyway without the next round of inflation data in hand the Committee probably **doesn't yet have agreement** on the appropriate policy decision in September."*

***Mike Cahill (Head of FX Strategy)**: "A hike is very much alive but **we are right in the grey zone** where it is a **call on voter preferences** rather than a clear case from the data. 22bps on core CPI, and likely something in that same neighborhood for PCE, is a step down but **still not in line with the target**. And it's possible the Committee will be anxious about the length of time away from target, the shifting drivers that have contributed to that, and the potential negative market reaction if they do not back up words with actions.*

*Warsh said he was undecided on whether to give a 'more traditional set-up' speech in Jackson Hole. I think the probability of that has **probably risen a bit** given the feedback on his last press conference, where he already tried to frame his reaction function more in response to earlier criticism. But ultimately I think the **lean from Jackson Hole** will come from the **number of sideline interviews**, which is often the case. A number of Fed speakers said going into the July meeting they could support a hike if inflation doesn't cool sufficiently. As we described in last year's preview, **usually 4 or 5 Fed speakers give a few interviews***

***throughout the conference**. That should help put the picture together in a year with an unusually divided Committee."*

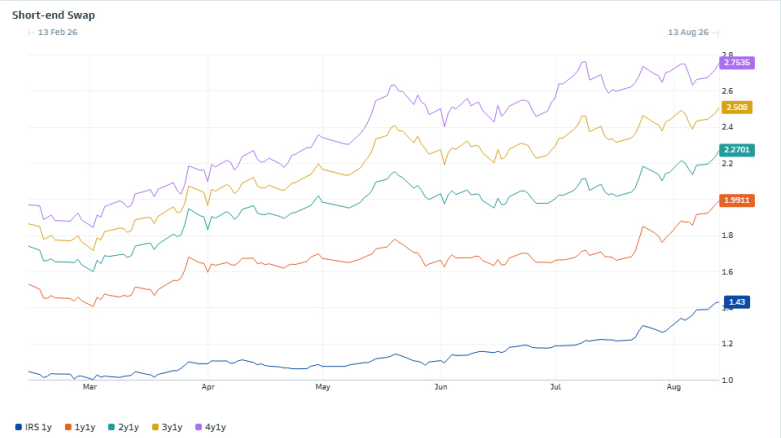
***Joseph Briggs (Managing Director, Global Economics) paraphrased from the GS Weekend Macro Call**…. It's difficult to have confidence around how Warsh will use the Jackson Hole platform, and in some ways I suspect that we can say **more about what he probably won't do….** The topic of the conference is financial innovation, implications for payments, and policy – given that this is an area that he hasn't commented on extensively in the past, I suspect he **won't engage in depth on this topic**…. second, given that he's been pretty adamant that he does not want to provide forward guidance around the path of the policy rate, I think it's **pretty unlikely that he sends a signal** on exactly what the Fed is going to do in September or October…. third, given that the task forces are just getting set up, he probably will find it a **little bit too early** to preview any conclusions…*

*… I think Warsh will probably want to reaffirm the commitment to price stability, as he did at the June FOMC press conference…. even if it's too soon to preview the conclusions of the task force, I suspect that he will probably want to **use the platform to elaborate on the broader reform agenda** that he is trying to deliver at the Fed… he might also use the platform **to clean up some of the comments from the July FOMC meeting**, which the market was confused by, particularly around how he's looking at market pricing as a signal for appropriate Fed policy… I think that the outlook for Warsh's Jackson Hole speech is clearly a little bit more uncertain, and the topics that he could talk about are a little bit more wide ranging, than what we would have expected under, say, Chair Powell last year…*

- ***Japan: JPY Intervention – Are there big policy shifts ahead, what would it take + why are views more divided now than before?***

Sung Mo Koo (Tokyo FICC Strats)**: "**Aggressive Rate Hike Pricing** -> Mainly led by aggressive paying from foreign accounts, the **JPY yield curve has priced in a highly hawkish trajectory for the BoJ**, with **one full hike priced in by October** and nearly two full hikes priced in by January 2027. The BoJ's July Summary of Opinions delivered an explicit warning that the pace of rate hikes **could exceed market expectations** to prevent an inflation overshoot – though this specific comment likely originated from a hawkish board member. While there was another headline earlier this week on the government being supportive of faster BoJ rate hike, whether the trajectory is sustainable **remains a point of division among market participants**. In particular, whether the historically rich levels priced into the front end – such as 1.99% for 1y1y– are justifiable remains debatable. (**Chart below).

Richer Front-end Swaps



Source: Marquee PlotTool Pro as of 13 Aug 2026, past performance is not indicative of future returns

***Mixed Political Signals** -> Was the joint intervention an **establishment of a framework for policy coordination** or **just an extension of MOF FX intervention as a time-buying strategy?** Would the cabinet reshuffle in the upcoming month **escalate fiscal concern or not?** Does this week's headline indicate any **change in the government's stance** or was it nothing but an echo to what's already priced in?*

*Takaichi needs to **carefully weigh** between risking fiscal concern and inflationary pressure and her commitment to reflationary policies. Even if the BoJ hikes rate in Sep/Oct, there is immense uncertainty to how much pressure US will continue to exert and **how much further rate hikes Takaichi is willing to condone** – all a reason which makes the desk believes the market may be overpricing the rate hike cycle.*

*Declining popularity of Takaichi adds another layer of complexity, as market participants begin to **consider the tail scenario** of change in Administration. There exists robust justification for tightening with underlying inflation (adjusted for government subsidies) running at 2.7% YoY, but what really changed from a month ago remains questionable.*

***FX & Geopolitical Factors** -> FX remains sticky around the 159 level despite the joint intervention as well as aggressive rate-hike pricing, and failure to deliver rate hikes put yen at **risk of further depreciation.** Concurrently, geopolitical tensions in the Middle East continue to act as a stagflationary shock factor. While surging crude oil prices push up headline CPI and pressure the BoJ to tighten against cost-push inflation, they also act as a **tax on domestic consumption.** Tightening too aggressively in response to an external supply-side shock risks choking off Japan's fragile, domestic-demand-led economic recovery. While both factors currently point toward a continued rate-hike cycle, the low predictability of FX and commodities makes it **difficult to justify a dramatic shift** toward a faster-and-higher rate-hike cycle in the longer-run."*

***Isabella Rosenberg (Europe Rates Strategy)**: "The bar for a policy shift that arrests the continued rise in belly and long-end JGB yields and JPY weakness is **very high**. At the BoJ's recent pace of hikes and terminal rate, we see a **good case to remain bearish JGBs and JPY**.*

The big debate is whether Yen intervention means the BOJ is more or less likely to pursue sustainably tighter policy, beyond just an earlier hike. We are of the view that while the risk of a hike before January is high—the BoJ could hike as soon as September or October—the ***government's policies more likely reinforce the gradual tightening cycle****. It's clear that that the government's intervention and emphasis on encouraging domestic private purchases of JGBs via GPIF/NISA indicate that it is more attuned to risks in the bond market. However, the combination of these measures suggest a* ***preference for restraining yields without resorting to tighter monetary or fiscal policy****—especially by reducing USD/JPY upside, which Governor Ueda has framed as one of the key inflation risks.*

While we see risks that the BoJ hikes this year, it will be ***difficult for the BoJ to out-hawk the market at current pricing****. Ultimately, it will be difficult to sustainably reduce JGB risk premium unless the BoJ follows through on a faster, more aggressive hiking cycle and signals a higher terminal/neutral rate. Otherwise, successful intervention* ***simply reinforces the more gradual tightening approach****."*

Karen Fishman (Senior FX Strategist)*: "Not in our baseline, but the* ***probability has gone up****. Views are* ***more divided now*** *than before mainly because of the actions and reported policy considerations that we've seen from the Japanese administration over the past 6 weeks and the potential for the factors that have been weighing on JPY (and JGBs) to change—alongside remaining skepticism. We've been of the view for a long time that the domestic policy mix and broader macro backdrop (low recession risk, relatively rangebound rate differentials that still favor the US****) should continue weighing on the Yen****, and our baseline forecasts are still consistent with that.*

But I've personally been struck by the ***combination of policy levers that Japan appears to be considering*** *and pulling to bolster its currency and bonds, outside of fiscal tightening. We've seen coordinated intervention (and potential for additional rounds by Japan with less of a capacity constraint via the FIMA facility), reports of a potentially faster pace of BoJ hikes (with September now over 75% priced), and reports of the government looking to* ***encourage Japanese investors to shift back towards domestic assets*** *after reallocating towards foreign assets over the past decade.*

It feels right to be skeptical that the BoJ can be sufficiently hawkish relative to pricing to push the Yen much stronger; despite the repricing for September, USD/JPY has still reversed about half of its initial decline post-intervention. And ***return prospects are still more attractive abroad*** *(and the Fed path is still uncertain), likely limiting the scope for any imminent reallocation. There are also so far* ***no signs of rotation in the official data.***

But if the Bank of Japan does deliver on faster hikes (even with fewer degrees of freedom than desired), then that should buy a bit more time until other conditions change—e.g., emerging growth concerns or signs of shifting portfolio flows. Additional rounds of intervention can also keep JPY from hitting fresh multi-decade lows. But rate differentials would ***likely need to narrow more meaningfully****, or domestic investors would at*

least need to show a new preference for domestic assets, for JPY to begin gradually reversing its undervaluation. So the conditions are not yet there, but the ***odds of a shift in trend over time have risen*** *and make me less inclined to lean back in to JPY shorts right here."*

- ***China 2:00 Shock: Are trading partners starting to focus on CNH under-valuation?***

Sun Lu (Senior North Asia Strat)*: "In recent months, many European leaders mentioned* ***RMB's undervaluation has contributed to Europe's record trade deficit with China,*** *and urged talks on this issue. Historically, Europe usually leaned against usage of blanket tariff on China, due to the economic dependence. Thus we think the two sides* ***may prefer to engage in talks*** *on currency, instead of severe tariff escalation. Since start of the year, Chinese leaders also repeatedly argued China don't seek trade surplus and desire balanced trade.* ***Thus we think a policy-driven gradual RMB appreciation against main trading parters such as US and EU is likely to continue in the medium term.*** *A stronger RMB also plays into China's RMB internationalization ambition.*

Although CFETS is at 102, REER remains at low levels vs history



Source: Marquee MarketView

Although RMB already appreciated on a trade-weighted basis over the past year (CFETS index +7%yoy), this has ***not translated into deterioration of trade competitions****. Low inflation/cost of production domestically helped to anchor REER around historical low areas (we are only back to early 2025 level). Chinese export continues to grow fast (23%yoy for July). Thus Chinese authorities* ***may continue to tolerate further RMB appreciation from here****, to limit trade tension and to boost confidence in RMB asset.*

CNY midpoint fixing appreciation has slowed of late -> CNY spot trades below fixing by ~400pips



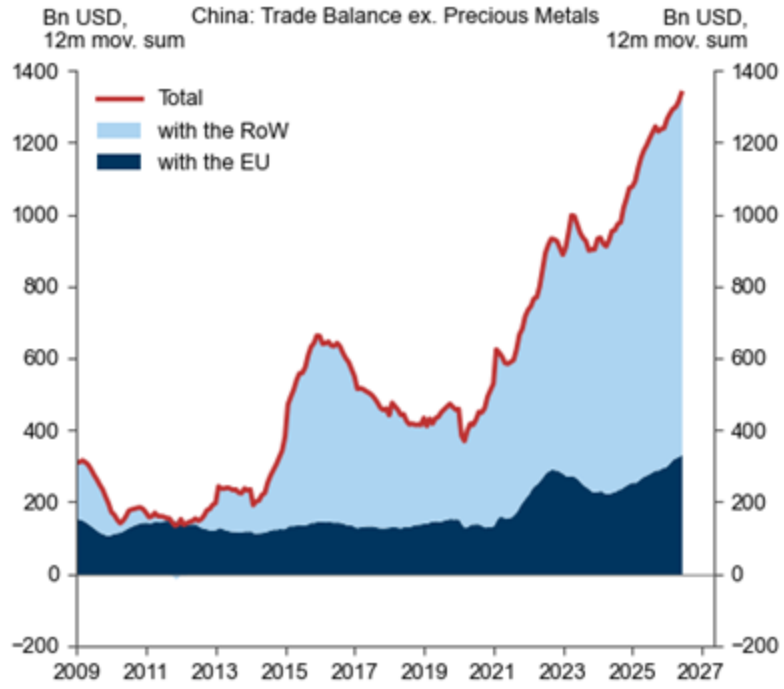
Source: GBM

Meanwhile, in the very near term, we observed slowdown of CNY fixing appreciation, likely in reaction to recent trade friction with the US. Onshore USDCNY spot already trades ~400pips below fixing. Without faster fixing appreciation, it may be ***difficult for CNY to rally more****. One-month CNY fixing appreciation was 100pips, below carry of 143pips. Thus* ***we think CNH can serve as a near-term funder given the attractive carry. However, we expect fixing appreciation to regain speed eventually, with Xi-Trump meeting scheduled for Sep 24th as a catalyst."***

Jari Stehn (Chief European Economist)*: "Chinese exports to Europe have* ***continued to surge****, up 18% in H1 of this year versus 2025. The pressure is* ***most visible in manufactured goods****, where China's cost advantage reflects lower labour and energy costs, subsidies, and currency undervaluation.*

China Trade Balance ex Precious Metals

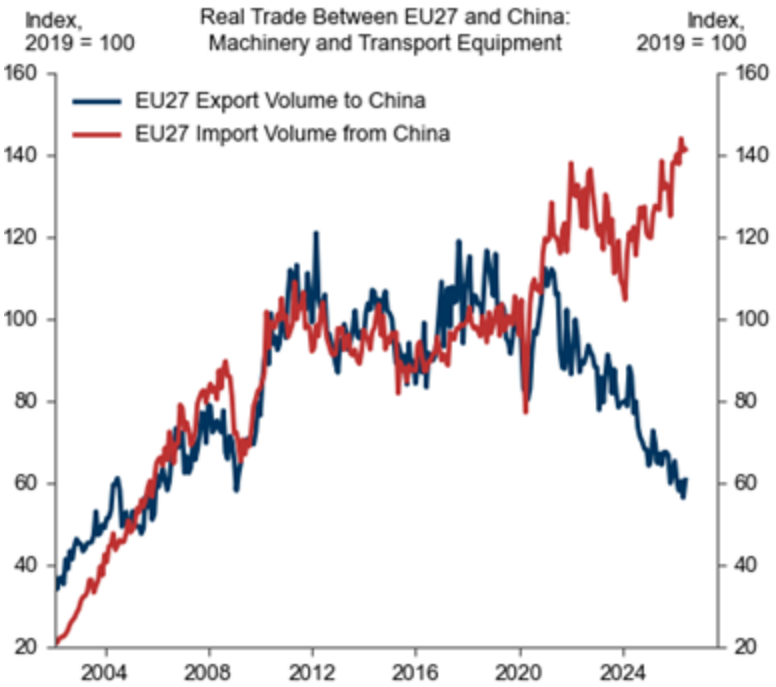




Source: GIR

*Europe is **growing increasingly concerned** and the EU Council mandated the Commission to propose an appropriate response, marking a **shift in European trade policy.***

Real Trade between EU27 + China: Machinery + Transport Equipment

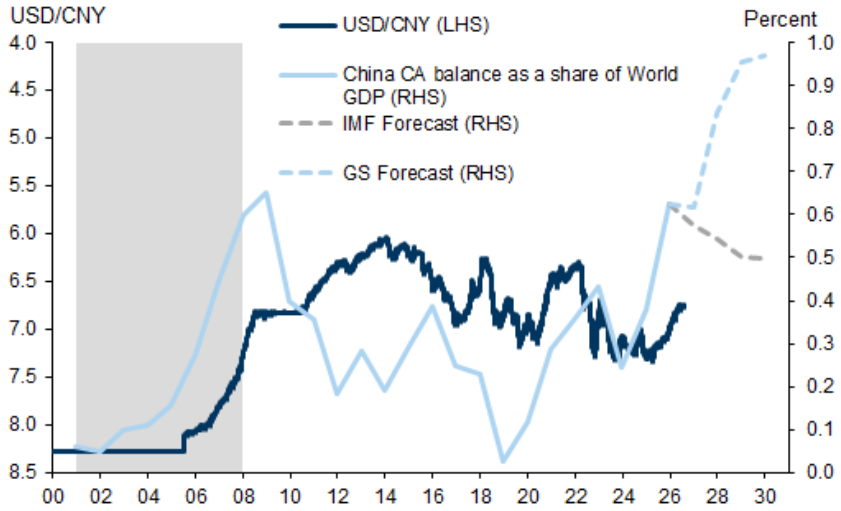


Source: GIR

Action is likely to focus first on sectors where the evidence of trade diversion is strongest—including steel, plug-in hybrid EVs, machinery, wind-turbine components, and basic chemicals. While a blanket tariff is ***unlikely given China's leverage*** *(including in rare earths), we expect the* ***EU to move to a more assertive*** *(but still targeted) trade policy towards China (here).*

Kamakshya Trivedi (Chief FX and EM Strategist) & Hui Shan (Chief China Economist) from their latest note: *"Data in the first half of 2026 continued to paint a picture of a* ***bifurcated Chinese economy****—with weak domestic demand and strong exports. China's trade surplus expanded to a record $125bn in June—$1.5tn at an annual rate—even as property investment continued to decelerate and retail sales remained stagnant. This has led to a renewed debate over whether policies to support demand or nominal currency appreciation are the right response. In our view, this is a false dichotomy. The current situation has two facets that require two complementary policy responses.*

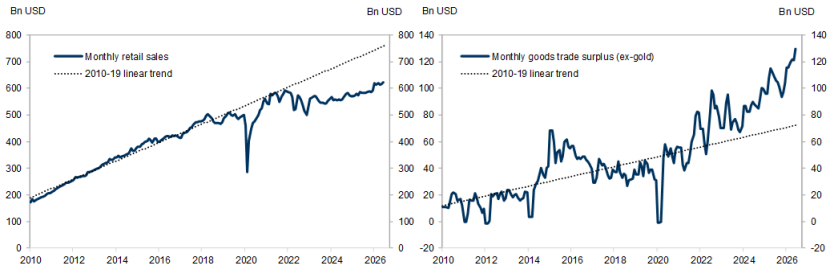
We expect China's current account surplus as a share of world GDP to rise to unprecedented levels over the next few years



Source: Goldman Sachs FICC and Equities, IMF, Goldman Sachs Global Investment Research

As we have argued previously, ***China's nominal exchange rate is significantly undervalued—around 20% at a minimum****—on our GSDEER and GSFEER metrics. Together with its strong manufacturing competitiveness, this undervaluation—especially in the post-pandemic period—has helped produce a* ***significant*** *trade and current account surplus above a sustainable "norm." A gradual exchange-rate appreciation should help facilitate a return to external balance and mitigate protectionist pressures from the rest of the world. On the other hand, weak domestic demand, which deteriorated sequentially in Q2****, raises the risk that growth falls below target or potential****. A fiscal boost that supports near-term growth, alongside structural changes that gradually lift consumption's share of GDP growth—consistent with the goal laid out in the 15th Five-Year Plan—should move the economy closer to internal balance.*

China's retail sales have remained persistently below the pre-Covid trend, while China's trade surplus has been above-trend and rising



Source: Haver Analytics, Goldman Sachs Global Investment Research

*That policy combination—expansionary domestic policy and currency appreciation—is **unlikely to be enough to address all global imbalances**, but it should help move China's own economy toward a better balance and provide a more robust basis for achieving its medium-term growth targets. AS long as trading relations with major economies remain on a stable footing, we expect policymakers to allow a gradual move stronger in the CNY versus major currencies"*

- ***Brazil: What is current state of the polls - How do we expect Brazil assets to perform on the different presidential outcomes?***

***Rafael Fonseca (Latam IRP Trading) on Brazil Rates**: "Recent surveys suggest the **race has become more competitive**, with Lula maintaining a lead but facing a gradual narrowing of margins in several second-round scenarios vs Flavio Bolsonaro. At the same time, **Flávio appears to be consolidating support** within the opposition electorate. Given that the election is now less than 60 days away, elections will just grow in importance as a market driver.*

***Polling Averages**:*

***- Second-Round Runoff:** While the race remains highly polarized, Lula leads Flávio Bolsonaro in a potential second-round matchup by 3~5% depending on the poll.*
*- **Undecided & Blank/Null Votes** account for almost 15% of respondents in a potential Lula vs. Flávio runoff.*

*In terms of market move, we expect a decent asymmetry: A materially larger positive market reaction in case of right-wing vote than a negative reaction in case Lula gets re-elected, especially because it is **still unknown what type of fiscal policy a new Lula govt would implement**. Below is our estimated outcomes (based on a survey we participated in last week):*

Scenario	Probability	EOY Selic (%)	10y DI Move (bps)	USDBRL move (%)
Bull case: right-wing win + orthodox fiscal	40%	12.75	-250	-4%
Lula wins + moderate fiscal discipline	15%	13.50	-50	-2%
Base case: Lula wins, muddle-through fiscal	35%	13.50	30	0%
Lula wins + expansionary fiscal policy	10%	13.75	200	3%

Source: GBM

In general locals hold a more bearish view on Lula's potential re-election than foreigners. However, significant doubt remains about ***what a new Lula administration would actually look like****. Some argue he would not want to jeopardize his legacy, and would therefore use the first two years of his term to deliver some* ***mild fiscal adjustment.*** *Others believe that, because this would be his last mandate, he would* ***push an even more populist and fiscally expansionist agenda****. That's an uncertainty that will only be resolved after the election outcome.*

The message that apparently Lula's administration is trying to signal the market through the media is that ***some mild fiscal adjustment is on the table,*** *for example tightening the rules of the current fiscal framework, by reducing the real spending growth ceiling from 2.5% to 1.5%. However, few people expect a major fiscal adjustment under Lula.* ***Such a move would be a big surprise.*** *Even among the more optimist foreigners, the view is that a 4th Lula mandate would be "more of the same", a continuous expansion of the debt/GDB, but managed carefully enough by Lula to avoid a chaotic, out-of-control spiral."*

Antonio Lellis (Managing Director, Latam Equities) on Brazilian Equities*: "A* ***binary event with a skewed pay-off****. With the election under 60 days away, Brazilian equities are trading as event risk rather than a fundamentals story. The real debate isn't "Lula vs. opposition" — it's* ***what a fourth Lula term looks like****. Locals are more bearish on re-election than foreigners, yet even the constructive foreign view is essentially "more of the same": Debt/GDP grinding higher, managed carefully enough to avoid a disorderly spiral.*

Where the asymmetry is largest. *Two pockets stand out. Leveraged domestic cyclicals: With real rates above 8%, balance-sheet stress and bankruptcies have become a structural theme, making this the* ***highest-beta expression of any rates rally*** *— a 250bp bull move in the 10y DI* ***repairs both discount rates and interest coverage****. State-owned enterprises (Banco do Brasil, Petrobras) carry an even wider distribution, since a right-wing Administration would likely revive a privatization and governance-reform agenda, compressing the SOE discount — while a Lula win* ***leaves that discount broadly intact*** *rather than materially widening it."*

Lucas Baladi Chohfi (BRL FX Trading) on BRL FX*: "I think the scenario for elections and fiscal story is* ***exactly the same today*** *as of 1 month, 3months, 6 months or one year ago. Currency already moved between 3-4% across multiple RVs in the last days on* ***unwarranted elections fears****. We had Carry EM performing, benign CPI number and still BRL is trading like a funder currency, while many locals just keep*

overtrading and arguing that currency needs more premium. If we had the same scenario of global set up a couple months ago, ***USDBRL would be flirting with 5.00 given the carry profile****.*

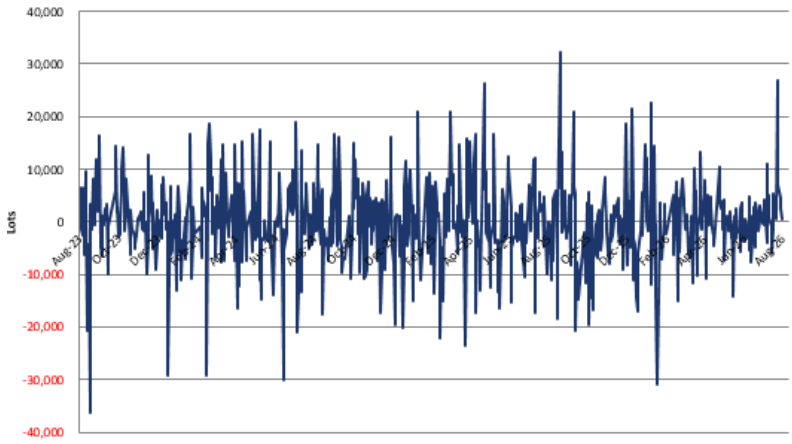
The main issue is that given everyone keeps worried about headline risk, everyone chases both directions here. On the technical side I think we failed to break 100DMA at 5.0850, which has favored the bears in this whole narrative but if we start to not see further momentum on bearish BRL, we should retrace back to it."

- ***Gold: What's driven the break-out + do we expect the this to be the start of a trend higher?***

Adam Gillard (MD, Commodity Sales)*: "We think the catalyst of gold's break-out was a combination of:*

-) ***PBOC dip buying*** *- largest single month official accumulation since Oct23*
-) ***Turkey bidding back reserves*** *they liquidated during the initial Iranian escalation*
-) ***A surge in "regular" Chinese imports****, which triggered significant spec buying on Shanghai (2nd largest open interest increase in 3 years)…..*

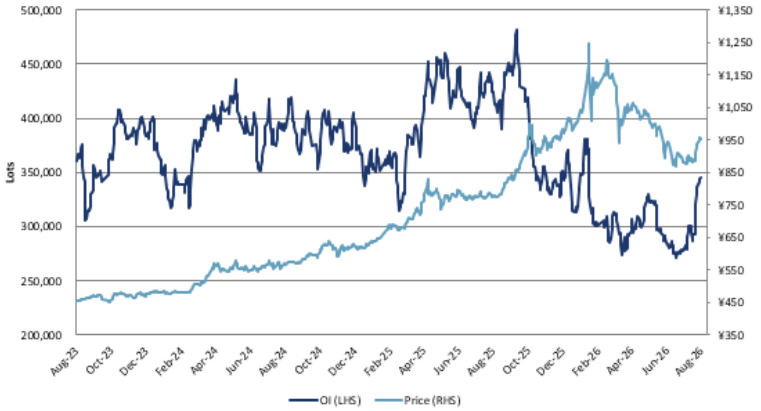
GOLD: SHFE Positioning Change



Source: GBM

…… as our macro franchise appear more comfortable that we've seen the ***highs in real rates*** *(is it absolute level or delta that matters?).*

GOLD: SHFE Open Interest



Source: GBM

Although (reported) PBOC buying is noteworthy, the ***salient point for us is the growth in Chinese "regular" (non-monetary) imports*** *given the magnitude vs (reported) global Reserve Manager activity; CB buying decreased by* ***62 MT*** ***sequentially during H1*** *whilst* ***Chinese imports increased by 390 MT****.*

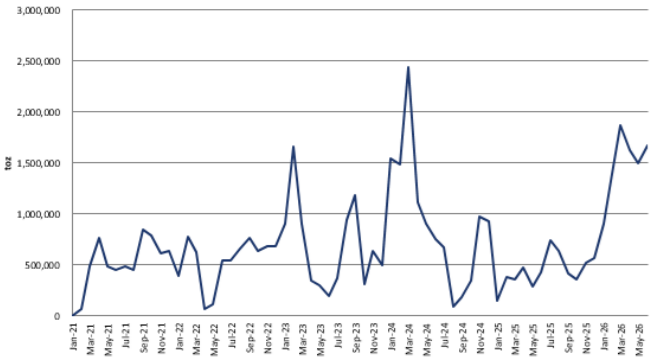
GOLD: Turkey Swap Adjusted Reserves



Source: GBM

Is this the start of a trend higher ? We think yes because the ***core drivers of the medium term bull thesis are still largely in place****: Reserve Managers (exc Turkey and Russia) sold very little during the war and are adding above $4k/oz, whilst* ***China retail continue to pull from the LBMA*** *(gold is a flow commodity, imho), as the US fiscal has likely deteriorated h/h – all of which was true a fortnight ago, but the Chinese spec acted as a catalyst which stopped in* ***ex-China macros who now appear comfortable holding ~4/10 length,*** *as CTAs continue to cover."*

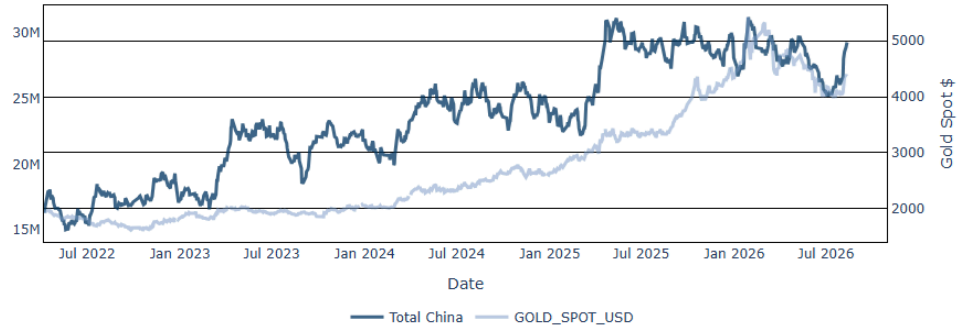
GOLD: Chinese Imports



Source: GBM

***Ankush Gupta (Precious Metals Vol Trading)**: "We can see clear evidence of the **move being China-led and the OI increasing on Asian exchanges on this rally** (**Chart below**). Major Asian exchanges have quickly gone single digit percentile participation to mid-50th percentile.*

Gold: Total China Positioning



Source: GBM

*This has triggered **nicely-carrying short positions to cover back** – external models we study have been covering at high speed, leading to somewhat straight-line price action. Western discretionary positioning is also going up, as people get back in the trade, and we have seen **continued participation in directional structures** from our client base. None of the position-markers are elevated yet, but we feel that price action has gone through the initial coiled spring price action and there is more 2-way risk from here. 4500 would be a key resistance and a move towards that level would test the market and **potentially induce some profit-taking**.*

*On the vol surface, the **Charts Below** clearly show that this move has **not led to much of a repricing in ATM vol** but rather most of the repricing has come into risk reversal.*

3mnth Gold Vol



Source: GBM

If one still wants to participate higher but agrees with the above premise that the scale of the move would be slower from here and a lot more 2-way, then ***call spreads and Digital KO type structures*** *start to look attractive given this repricing in skew."*

3mnth Gold Risk Reversals



Source: GBM

2) Trades we Like: Best Global GCEM Ideas through Labor Day....

i) CEMEA: Harvesting Carry in Egypt 6mnth T-Bills, Short EURHUF + Short EURZAR....

-> Buy 6mnth Egypt T-Bills

25.20% Yield

54.19 6m NDF ref

Max loss = Notional

-> Buy 3mnth EURHUF 360 vs 355 (KI 350) vs 350 KI Put Fly

28.5bps

Max ~10 leverage

Compares to the vanilla 360 Put at 85bp

Long a 360 Put all the way to 350, when KI'd to a vanilla KI Put Fly with max 5x leverage at that stage

Max loss = Notional

-> Buy 6wk (24-Sep) Dual Binary

EURUSD < ATMS

USDZAR < 16.00

8.5% USD

~11.75x leverage

Individs 45% + 38%, reg 16.16125

Max loss = Notional

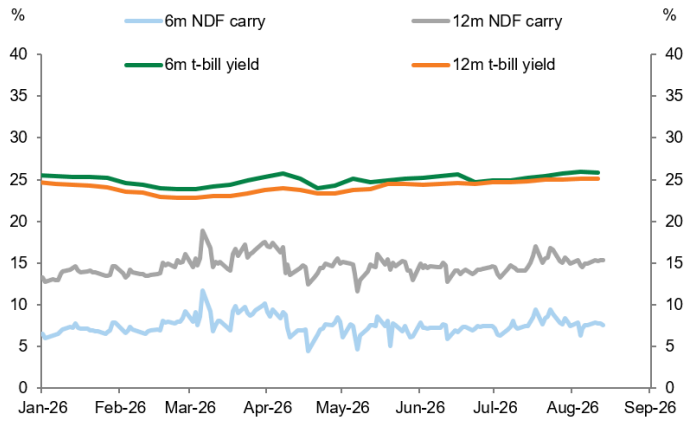
Alan Stewart (Head of EMEA EM + EMFX Trading): *"With little on the calendar for the remainder of August, over a month until the Sep FOMC with the risk of a hike looking less likely, with FX vol so constrained, and the technical picture both within the funders and within the longs having been notably purged in recent weeks, we see a* ***decent window to harvest some carry from longs in EGP, ZAR and HUF****against a basket of EUR, JPY and CHF. EURUSD appears stuck in a 1.14/16 range and energy prices plus European drought should both act as a drag on any topside breakout. BOJ intervention has played out and appears less of a risk from current levels and in the absence of notably weak US data but also this far out from the September BOJ meeting. On the long side, USDEGP appears toppy at the 50.50 level, USDZAR sustained a close sub 16.20 last week for the first time since early March and EURHUF appears exhausted at 365 and poised to resume a move back below 360."*

Vitali Meschoulam (Global Head of Market Strats): *"The* ***carry trade is reasonable*** *following this week's CPI, but the reality is that vol is also bottoming out here. Oil is no longer exploding, the market has already repriced the Fed scare, positioning is arguably cleaner, earnings are largely behind us, and the next major CBs are weeks away.* ***All of this supports carry****, but duration (both nominal and real) remains challenged, which may keep a floor under volatility.*

*-> **EGP**: Egypt still offers a decent return profile -> Attractive nominal carry (~25% before tax); positive real rates (~10%); further along the adjustment process now -> So being long 6m T-Bills still pays for inflation/policy risk (and not just devaluation risk as may have been the case several months ago).*
*-> **HUF**: There is also a **case to harvest carry by shorting EURHUF**, but this depends more distinctly on getting the conflict/oil call right. But stable vol, stable fundamentals, a reasonable NBH reaction function are likely to*

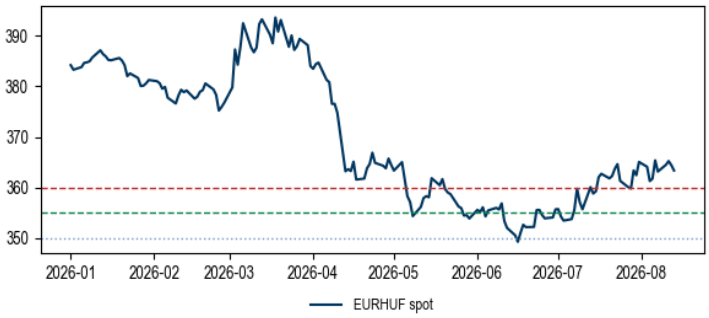
continue to anchor the trade, especially given the belief that the government remains committed to joining the EUR-process. This is ***more about harvesting carry now****."*

EGP 6mnth T-bills has even higher carry profile than USDEGP



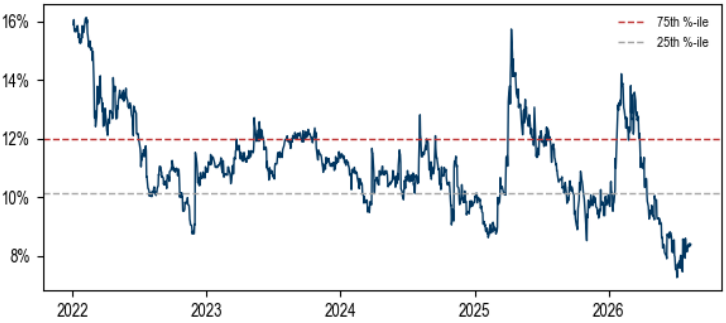
Source: Bloomberg, Haver Analytics, Goldman Sachs Global Investment Research

EURHUF KI Put Fly Strikes / Barriers



Source: GS FX MarketStrats

Premium of a 2mnth Dual Binary EURUSD < ATMS vs USDZAR < 1.5% OTMS -> Cheapest level in last 5yrs



Source: GS FX MarketStrats

ii) Asia: Front-End INR Curve Steepener…

h/t Arjun Nagpal + Sun Lu

Pay z6-1s5s INR NDOIS

34bp

Target 54bp, stop-loss at 24bp

Carry = 12.4bp in 3 months

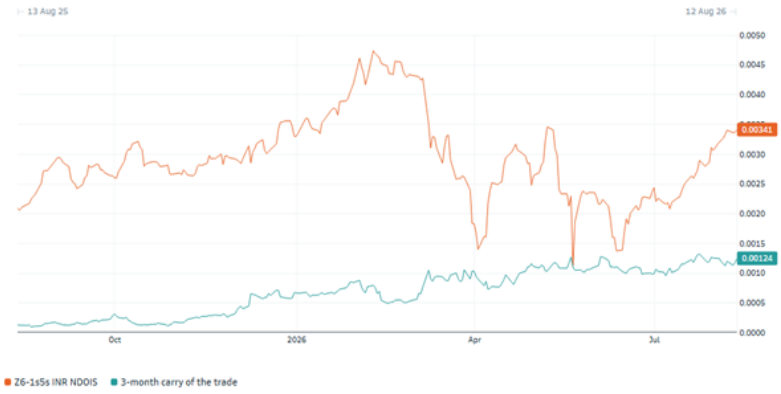
Max loss = unlimited

***Arjun Nagpal (Head of GCEM Asia Macro Trading) + Sun Lu (Senior North Asia Strat)**: "The RBI MPC **unanimously voted to keep the policy rate unchanged at 5.25%** at its August meeting, while retaining the neutral stance. We think the overall tone was **more dovish** than market expectations, with GIR pushing the start of the hiking cycle from November to December.*

*Meanwhile, inflows under the FCNR(B) scheme have remained strong, with total FCNR flows reaching US$37bn, of which US$28bn are estimated to be fresh inflows. This helps RBI to defend FX pressure in the near term, **limiting the need to tighten liquidity or hike rates**. We think the **bar for further rate hikes has increased**, particularly as the RBI does not yet see higher oil prices being passed through meaningfully to inflation. The rates market is currently pricing around 83bp of cumulative hikes, with **roughly a 40% probability of a hike at the October meeting**. Given the high bar for the RBI to hike, we **do not expect a hike in October** unless oil prices move significantly higher.*

*We like the NDOIS steepener trade, as we expect the **front-end to be anchored by liquidity** from FCNR inflows, while the **back-end yield** supported by strong credit growth in India, oil risk premium, and still-elevated core rates. We note 5y INR NDOIS has fallen close to the low end of range since March, making it an **attractive level to pay** vs our front-end receive view. Risk to the trade is bull-flattening if oil/global yields decline materially. But with INR **1s5s is only 12bp off the YTD low**, we think any bull-flattening from could be **cushioned by the strong carry** of 12.4bp in 3 months."*

Pay Z6 1s5s NDOIS



Source: GBM

iii) Latam: Long Belly Coltes (30s + 31s) in Colombia + Short USDBRL via Seagulls…

h/t Casey Laflamme + Matt Traina

-> Colombia -> Long Belly Coltes…

Coltes 30s of Feb 27 2030's COL17CT04142

Entry 12.25%

Target 11.25%, Stop Loss 12.75%

Max risk/loss is unlimited.

***Casey Laflamme (Head of Americas EM Sales)**: "The desk continues to recommend Coltes 30s and Coltes 31s, a **positive carry long**, benefiting from a shift to easier monetary policy, with room for capital appreciation. BanRep's surprise hold in late July has been supportive for both bonds and swaps, though we see more value in Coltes at this stage. **Positioning remained light through the elections**, with heavy focus on fiscal concerns. This has been a positive technical."*

Local TES Indic Yields

27s	12.099	12.030	3.3
28s	12.234	12.122	-9.2
29s	12.010	11.931	-8.8
30fs	**12.000**	**11.969**	**-10.1**
30s	12.006	11.952	-6.1
31s	11.981	11.910	-1.5
32s	12.009	11.880	2.6
33s	11.926	11.863	-4.2
34s	12.000	11.820	1.2
35s	11.918	11.850	-5.2
36s	11.870	11.752	-1.8
40s	11.893	11.856	-4.4
42s	11.810	11.753	-2.7
46s	11.770	11.720	-0.9

Coltes 30s + 31s Yield Levels



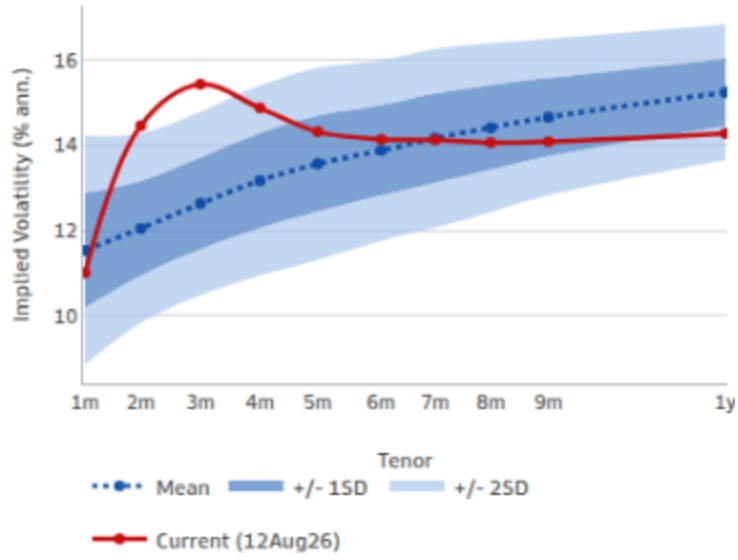
Source: GBM

-> Brazil: Short USDBRL in Seagull Format…

Buy 6m 5.20/4.90 USDBRL put spread
Sell 6m 5.75 USDBRL call
1x1x1 Ratio
Receive 30bp USD
Spot 5.19, 6m fwd 5.3950
Maxx loss = Unlimited

Matt Traina (Head of North Americas Institutional Sales + Global Head of FX Asset Manager Coverage)*: "With **7% gap priced into the election** (3.5% each for Round 1 and Round 2), BRL being one of the worst performing currencies over the last 3 months despite broad USD weakness and other parts of the EM HY FX / carry complex trading really well, a lot of negativity from the local market participants (which is reflected in levels and positioning), while we may see some hedging demand as we get into September, **from these levels there seems to be a lot of asymmetry to start to leg into USDBRL downside/selling USDBRL high strike vol**.*

How does the USDBRL vol term compare to history (ATMF, -1y lookback)?



Source: GBM

3mnth Currency Performance



Source: GBM

iv) FX / Equity: US Equities Higher vs USD Higher…

h/t Matt Atherton

Over the medium-term, solid economic fundamentals, a return of asset outperformance, and lingering ToT effects (on EUR, CHF, JPY etc(will support USD, at least against lower yielders. We like the risk reward of cheapening relatively expensive US equity topside by combining with USD up legs -> ***Buy US Equities Higher vs USD higher Implied Corr at negative correlations for a return of US asset outperformance****.*

18-Dec Dual Digital
SPX > 5% OTMS
USDCHF > ATMS
12% USD Offer
Max ~8x Leverage

Individuals: 37%, 36%
Implied correlation: -20%

18-Dec Dual Digital
SPX > 5% OTMS
EURUSD < 1% OTMS
9% USD Offer
Max ~11x Leverage
Individuals: 37%, 30%
Implied correlation: +30%

18-Dec Dual Digital
SPX > 5% OTMS
GBPUSD < 1% OTMS
11% USD Offer
Max ~9x Leverage
Individuals: 37%, 36%
Implied correlation: +30%

Dom Wilson (Senior Macro Advisor): *"Earnings growth, both inside the AI complex and outside it, remains* ***remarkably solid****. Some of the most acute pressure in the AI space reflected* ***distressed unwinds of leveraged positions*** *as much as it did tangible concerns. Recession risk is low, growth is set to be sturdy, and inflation should improve enough to keep the Fed at bay – this* ***macro picture implies equities should be able to push higher*** *while contained macro volatility should support carry strategies."*

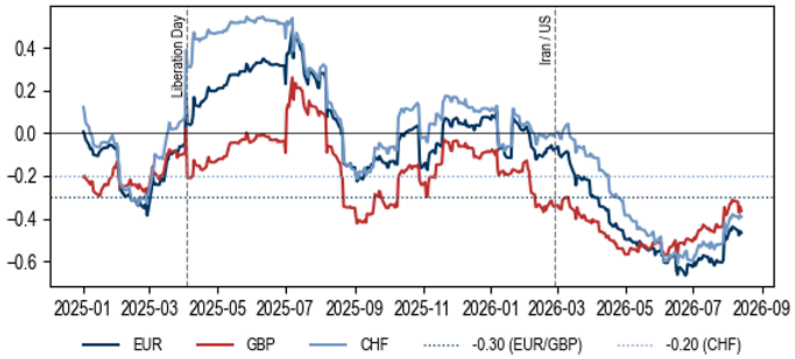
Lee Coppersmith (Managing Director, Equity Derivatives Sales): *"We are seeing more interest in non-AI trades: Over the past three months, the S&P 500 ex-AI Index (SPXXAI) has returned ~8.4% on just 11 vol vs. Broad US AI exposure (GSTMTAIP) being flat with nearly 4x more volatility.* ***GS Vol Panic Index has collapsed from 7.9 in late July to below 1*** *– its lowest level since June 2024. In less than two weeks, the market has moved from elevated anxiety to effectively no panic at all. The options market is now sending a clear message:* ***Investors are scrambling to rebuild upside exposure*** *with record call buying going through, reflected by SPX put/call skew experiencing the largest two-day decline in almost a decade last week."*

John Flood (Head of Americas Equities Execution Services): *"Investor anxiety on geopolitics, higher rates, and the sustainability of the AI boom has continued to provide a wall of worry for the market to climb higher –* ***S&P 500 8k here we come****. We do indeed expect 2026 will be a record year of equity issuance in $ terms, however, supply relative to the size of the equity market will remain low. We estimate equity supply in 2026 equates to* ***roughly 1% of Russell 3000 market cap in total****, similar to average annual issuance from 2015-2019. Although equity issuance has increased this year, buybacks have been more resilient than many investors*

appreciate. S&P 500 buyback growth is tracking at +11% YoY in Q2 with total US buyback authorizations running at a record $989 billion YTD."

Tony Pasquariello (Global Head of Hedge Fund Coverage): *"While the market will need to do some work post-Labor Day -- one part supply, one part seasonals -- both the fundamental backdrop and the technicals* ***support a broader continuation of the bull trend****. Yes, the trading community leans net long, but after some very meaningful risk transfer in July, the* ***boat is considerably better balanced today*** *than it was coming out of Q2. For the past seven quarters, S&P earnings growth has been* ***unbelievably strong****. In fact, Q1 and Q2 averaged a show-stopping +25% YoY (ex-privates)."*

3M Rolling Correlation: SPX vs USDEUR / USDGBP / USDCHF



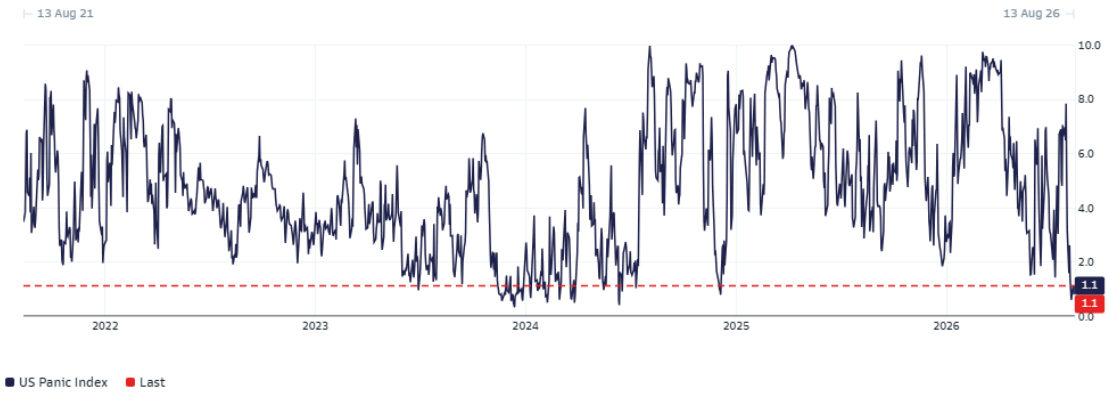
Source: GS FX MarketStrats

S&P 500 Price Target of 8000 by Year-End

	Goldman Sachs forecast	Bottom-up analyst consensus	Top-down strategist consensus
S&P 500 EPS			
2025	**$275**	$275	$275
Y/Y growth	***12 %***	*12 %*	*12 %*
2026	**$340**	$362	$334
Y/Y growth	***24 %***	*32 %*	*21 %*
2027	**$385**	$406	$386
Y/Y growth	***13 %***	*12 %*	*16 %*
S&P 500 P/E			
Current on NTM EPS	**21x**	20x	21x
S&P 500 price target			
YE 2026	**8000**	NA	7975
Return to target	***4 %***		*3 %*
12-month	**8300**	8900	NA
Return to target	***7 %***	*16 %*	

Source: GIR

….. GS Vol Panic Index at its Lowest Level Since June 2024



Source: Marquee MarketView

Thoughts welcome

Adam

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