Top Stories

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***Markets Right Now...**

Equity Indices	CHG	LAST
S&P Futures	-0.21%	7,676.50
Nasdaq 100 Futures	-0.15%	29,406.25
Russell 2000 Futures	-0.26%	2,908.70
VIX (point chg)	0.01	17.11
Europe (SX5E)	-0.16%	6,250.16
Germany (DAX)	-0.15%	25,403.23
UK (UKX)	-0.22%	10,674.38
China (SHCOMP)	-0.54%	3,864.28
HK (HSI)	-1.00%	24,667.24
Japan (NKY)	-0.01%	63,484.10
Bonds/Currencies	**CHG**	**LAST**
US 10yr (point chg)	0.019	5.01%
DXY	0.22%	99.61
EUR/USD	-0.12%	1.154
Bitcoin	-2.57%	77,054.44
Ethereum	-3.36%	2,483.97
Commods	**CHG**	**LAST**
Crude	1.44%	102.85
Brent	0.84%	106.57
Gold	-0.44%	4,280.76
Silver	-0.14%	63.14
Copper	-0.08%	632.50

***10 Things You Shouldn't Miss This AM...**

1) China's domestic economic indicators weakened further last month, piling pressure on policymakers to take more forceful measures to reinvigorate growth in the world's second-largest economy. Retail sales grew 0.4% year-on-year in August, data from the National Bureau of Statistics showed on Tuesday, down from 0.6% growth in July and falling short of a median forecast of 0.8% growth. FT

2) Japan is considering a new mid-term defense spending target of 3.5% of GDP in line with NATO and other US allies, a move that could send a shockwave through financial markets concerned about Prime Minister Sanae Takaichi's spending plans. BBG

3) Prime Minister Sanae Takaichi's cabinet approved a plan to temporarily reduce the consumption tax on food, moving closer to delivering on a key election pledge to ease the burden on households from the soaring cost of living. BBG

4) Ukraine on Mon said it would end energy attacks if Russia did the same, but Kyiv is skeptical Moscow will agree to a halt. CNBC

5) The Defense Department's inspector general released its first report on the war with Iran on Monday, saying the conflict has resulted in a shortfall of U.S. munitions and "bottlenecks" in supply chains as the Trump administration works to replenish weaponry. NBC

6) Saudi Arabia has increasingly found itself caught in the middle of the war between the United States and Iran. Now, the kingdom's leadership is assessing dwindling options on how to respond. NYT

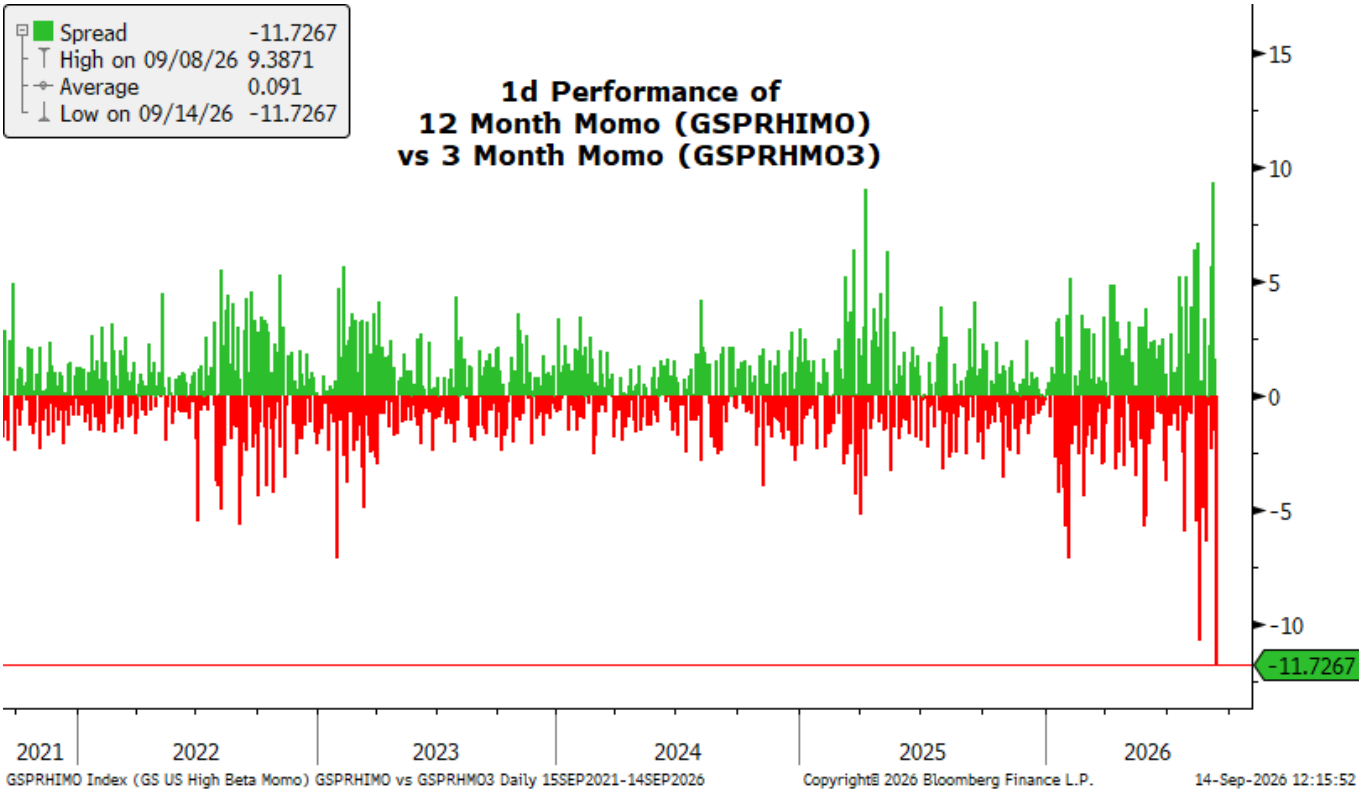
7) Industrial America is contending with a fresh wave of supply chain inflation as Donald Trump's Iran war pushes up energy costs, tariffs raise import prices and the AI boom strains supplies of crucial electronics. FT

8) There is another factor that could add Treasury bonds volatility into the mix: hedge funds, a growing force in this market. Hedge funds held about $2 trillion of Treasurys at the start of this year, more than double their holdings five years earlier, according to the Treasury Department's Office of Financial Research, which said hedge funds controlled a record 7% of the market. Data released by the Federal Reserve on Friday suggests that funds' Treasury holdings remain elevated. WSJ

9) Offering a grim assessment of Russia's relations with the West, President Vladimir Putin pointedly warned European governments not to deploy any troops, including peacekeeping forces, to Ukraine, saying it would mean "war." WaPo

10) The momentum regime shift we flagged in August is accelerating as performance of short-term winners has diverged from longer term winners at unprecedented levels. Yesterday 3m momentum (GSPRHMO3) was up 6% as 12m momentum (GSPRHIMO) was down 6.7%, the largest underperformance in 5 years. Positioning in the momentum factor has reset materially (41st percentile 1-year), though it remains elevated on a longer lookback (88th percentile 5-year). Longer term winners have struggled amidst the worst AI drawdown (GSPUARTI) since ChatGPT's launch (down nearly 45%

from the highs), while software – the max weight in the short leg of 12m Momentum – has rallied back. Together, these dynamics are reshaping the makeup of momentum (H/T Guillaume Soria)



***Noteworthy Economic Data that hit overnight…**

- China's economic data was mixed in Aug, with a shortfall in retail sales (+0.4% vs. the Street +0.8%) and fixed asset investment while industrial production was a touch ahead of plan (+5.2% vs. the Street +4.8%) (WSJ, FT)
- Germany's ZEW expectations index for Sept came in at 34.7, below the consensus at 40 (Bloomberg)
- UK jobs data for Jul was inline w/expectations, including an unemployment rate of 4.9%, although payrolled employees in Aug fell by more than anticipated (Bloomberg)

***Keep an eye on the following events today…**

ECO CALENDAR (All times ET):

- 8:30 am: United States Sep Empire Manufacturing, est. 15, prior 20.6

Main Rating Changes:

Upgrades:

- ADNT US: Adient Raised to Overweight at JPMorgan; PT $25
- LLY US: Eli Lilly Raised to Buy at Berenberg; PT $1,400
- ETSY US: Etsy Raised to Outperform at Oppenheimer; PT $90
- THRM US: Gentherm Raised to Overweight at JPMorgan; PT $48
- MIDD US: Middleby Raised to Overweight at JPMorgan; PT $147
- RMD US: ResMed Raised to Outperform at RBC; PT $262

Downgrades:

- APTV US: Aptiv Cut to Neutral at JPMorgan; PT $56
- ASND US: Ascendis Pharma Cut to Outperform at Raymond James
- BWIN US: Baldwin Insurance Cut to Market Perform at William Blair

- LEA US: Lear Cut to Neutral at JPMorgan; PT $150
- SRRK US: Scholar Rock Cut to Equal-Weight at Barclays; PT $58

Initiations:

- AIR US: AAR Rated New Neutral at Guggenheim
- ADM US: Archer-Daniels-Midland Rated New Buy at William O'Neil
- ADSK US: Autodesk Rated New Neutral at Cantor; PT $215
- BSY US: Bentley Systems Rated New Overweight at Cantor; PT $37
- BWXT US: BWX Technologies Rated New Buy at Guggenheim; PT $192
- CW US: Curtiss-Wright Rated New Buy at Guggenheim; PT $786
- DAVE US: Dave Rated New Overweight at JPMorgan; PT $480
- HEI US: Heico Rated New Neutral at Guggenheim
- HXL US: Hexcel Rated New Buy at Guggenheim; PT $120
- HWM US: Howmet Aerospace Rated New Buy at Guggenheim; PT $350
- PURR US: Hyperliquid Strategies Rated New Buy at Compass Point; PT $18
- IBP US: Installed Building Rated New Buy at Stifel; PT $240
- JAN US: Janus Living Rated New Buy at Jefferies; PT $36
- KRMN US: Karman Holdings Rated New Buy at Guggenheim; PT $63
- KTOS US: Kratos Rated New Buy at Guggenheim; PT $74
- LHX US: L3Harris Rated New Buy at Guggenheim; PT $365
- DRS US: Leonardo DRS Rated New Buy at Guggenheim; PT $51
- MRCY US: Mercury Systems Rated New Buy at Guggenheim; PT $115
- NOC US: Northrop Grumman Rated New Buy at Guggenheim; PT $612
- PM US: Philip Morris Reinstated Buy at William O'Neil
- PCOR US: Procore Technologies Rated New Overweight at Cantor; PT $65
- RBC US: RBC Bearings Rated New Buy at Guggenheim; PT $600
- RDW US: Redwire Rated New Neutral at Guggenheim
- RIVN US: Rivian Rated New Neutral at Citi; PT $18
- IOT US: Samsara Rated New Overweight at Cantor; PT $45
- SARO US: StandardAero Rated New Neutral at Guggenheim
- TDG US: TransDigm Rated New Neutral at Guggenheim
- VSEC US: VSE Rated New Neutral at Guggenheim
- WWD US: Woodward Rated New Buy at Guggenheim; PT $404
- YSS US: York Space Systems Rated New Neutral at Guggenheim

***Early GS Ratings Changes...**

Americas			
Company Name	**Ticker**	**Rating (New)**	**Rating (Old)**
None.			
Europe			
Company Name	**Ticker**	**Rating (New)**	**Rating (Old)**
None.			
Asia			
Company Name	**Ticker**	**Rating (New)**	**Rating (Old)**
Capricorn Metals Ltd.	CMM.AX ↑	Buy	Neutral
Greatland Resources Ltd.	GGP.AX ↑	Neutral	Sell

Sources: Bloomberg, TradeTheNews, Street Account, Reuters, WSJ, FT, GS Research as of today

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