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

12 September 2026 | 8:37 PM China Standard Time



Adam Crook
Goldman Sachs International
FICC & Equities

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: *Japan: Is there a plausible trigger for a repatriation and how can we tell if it is happening? Oil @ $100: Is the right-side of the distribution still capped by shadow-flows and China price-sensitivity? Brazil Election: What is latest on polling, client flows and plausible outcomes? GS Communacopia Conference: What are the high level take-aways for macro investors? Around the desks: What popular positions would be vulnerable to a move in oil to $125?*

2) Trades we Like: 'I am the House Now' - How to get Long-JPY -> *We have seen a material shift in sentiment toward the JPY in recent weeks: The 'buy-the-dip' approach to USDJPY has dissipated, among both international investors + local clients, and our franchise is becoming more attuned to the potential for a structural move stronger in the JPY, driven by: i) Potential for near-term re-allocation towards domestic bonds; ii) Expectations that the BOJ are finally recognizing inflation risks; iii) Potential for peak of the US rates cycle; iv) Potential for major local life-insurers to crystallise losses in foreign bonds in to fiscal half-year end.*

i) Buy 6mnth Downside in USDJPY + EURJPY: *Cleanest expression of the JPY stronger-trade -> i)* ***Buy 6m 140 USDJPY Digi Put for 11.15% USD*** *(Max leverage ~9x);* ***ii) Buy 6m 164.5 EURJPY Digi Put for 11.00 % EUR*** *(Max leverage ~9x).*
ii) JPY Stronger through FX Correlation*: USDJPY Lower, USD Stronger vs EUR + AUD ->* ***i) Buy 11 Dec Dual Binary EURUSD < ATMS vs USDJPY < 150 for 8% USD*** *(Max 12.5x leverage);* ***ii) Buy 11 Dec Dual Binary AUDUSD < 0.7000 vs USDJPY < 150 for 6% USD*** *(Max leverage ~16.5x).*
iii) USDJPY lower, JGB Yields Lower, NKY Higher*: Attractive for a world where Japanese investors shift away from unhedged foreign assets + back to domestic assets ->* ***Buy a 11-Dec26 Tri-Binary 20Y TONAR < ATMF vs USDJPY < 150 vs Nikkei up 8% for 5.5% USD*** *(Max leverage ~18x)*
iv) EURJPY Lower vs NKY / SPX Higher*: Constructive Equity backdrop vs idiosyncratic JPY strength -> i) Buy Mar-2027 Expiry Dual Binary NKY > 70,000 vs EURJPY < 98% for 10% USD (Max 10x leverage); ii) Buy Mar-2027 Expiry Dual Binary SPX > 8,100 vs EURJPY < 95% for 10% USD (Max 10x leverage) -> Selling Equity/USDJPY Corr at +25% and +10% respectively.*

Max loss = Premium spent

Thoughts welcome – Adam

---

1) Connecting you to GS:

- ***Japan: Is there a plausible trigger for a repatriation and how can we tell if it is happening?***

  Karen Fishman + Lexi Kanter (FX Strategy): "*It's important to make a* ***distinction between reallocation and repatriation****, because we think even increased buying of domestic assets relative to foreign assets* ***would be meaningful*** *(without the need to sell any foreign assets). Under our baseline forecasts (i.e., still relatively wide rate differentials and constructive risk sentiment), the most plausible trigger for a notable reallocation would be a* ***deliberate policy push****, consistent with the Administration's reported focus on encouraging GPIF and other domestic investors to boost domestic investment. But a downgrade to the US or global growth outlook* ***could prompt repatriation****—a bigger tailwind for the Yen—as relative return prospects shift rapidly in favor of safe haven assets and* ***lead Japanese investors to bring some capital back home****.*

  The first signs of any shift in foreign asset portfolio flows should be visible in ***Japan's monthly International Transactions in Securities (ITS)*** *report, the timeliest source of investor-level demand. It is particularly useful for gauging potential FX implications, since the data allow us to narrow in on the flows of* ***mostly unhedged investors****—i.e., "trust accounts," which includes* ***GPIF, and "investment trust management companies****," which includes the majority of retail.*

  The data as of August show ***no evidence of rotation away*** *from foreign assets (in fact, trust accounts notably increased their foreign bond purchases last month), suggesting that it's still mostly speculation at this point. That said, domestic asset flows* ***only become visible in the official data*** *in the more-lagged,* ***quarterly Flow of Funds (FOF) report****, and the first step of any reallocation may simply be greater buying of more domestic assets rather than fewer purchases or outright selling of foreign assets. So that could mean that some of the initial transition is* ***less observable in "real-time****."*

  In any case, it's likely to be a ***slower-moving process that occurs over months****, not weeks. That, combined with a backdrop of higher energy prices and the risk of more Fed hikes than we currently expect, leaves us less inclined to be tactically short USD/JPY—despite the price action on Friday—and instead* ***more inclined to pair JPY longs against other low-yielding, energy-importing funders (e.g., EUR, CHF).*** *But we see* ***clearer asymmetry in USD/JPY downside over a longer horizon****, due to the higher probability that faster BoJ hikes and reallocation flows eventually materialize, making it a more attractive portfolio hedge after years of a less compelling backdrop."*

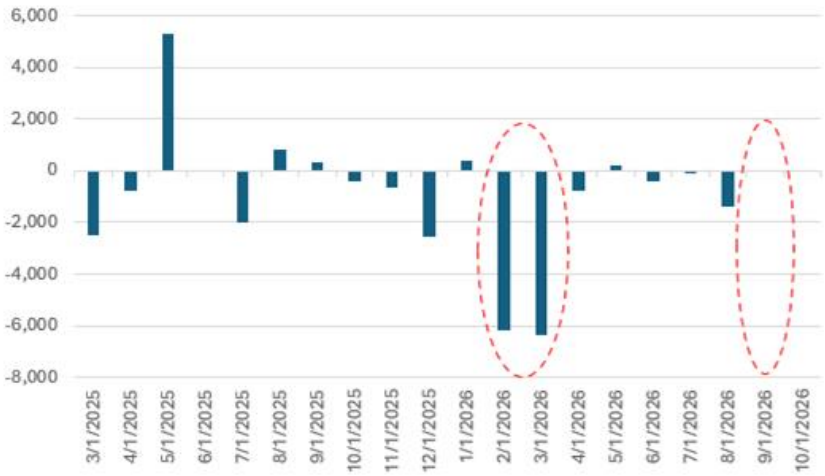
Yusuke Ochi + Sung Mo Koo (Tokyo FICC Strats): *"While market expectations for a GPIF reallocation are rising, we stand by our previous view that a* ***material change in the investment environment is required to warrant a shift*** *since GPIF's denial of the speculation sparked by Finance Minister Katayama. Although FX volatility is slightly elevated, there is little evidence to suggest this trend will persist in the long run; furthermore****, elevated foreign bond yields make it difficult to justify repatriation*** *from a relative value perspective.*

We continue to view domestic yields as the primary metric, with the ***10y JGB yield at 3.5%*** *serving as the* ***critical threshold****. Meanwhile, trust banks' net purchase of ¥2.3 trillion in foreign bonds in August provides little indication that any stealth reallocation has begun.*

You can follow the monthly JP Investors Foreign Bond Flow for more details on Japanese investors' activities.

In addition, major life insurers have been ***reducing portions of their substantial equity holdings*** *as part of risk-budget adjustments, while sales of other assets to realize losses and offset the resulting gains have also been observed. Through the end of the previous fiscal year, such loss realization was largely conducted through sales of Japanese government and other yen-denominated bonds. More recently, however, as the stock of yen bonds carrying unrealized losses that can be crystallized has declined, the* ***focus of loss realization appears to be shifting toward foreign bonds****. If these foreign-bond sales are accompanied by flows converting the proceeds back into yen, they* ***could create additional yen-appreciation pressure*** *– Worth noting we* ***may see similar selling flow this month for fiscal half year end****, similar to what we saw last Feb -> March for Fiscal YE selling (****Chart below****).*

Foreign Bond Monthly Net Purchase Amount by Lifers (Unit: JPY 100mm)



Source: MOF, GS TKO Strats as of 11Sep26

George Cole (Head of European Rates Strategy): *"Among the menu of options available to policymakers, the* ***combination of faster rate hikes and asset repatriation*** *could potentially make a meaningful difference to stabilise the Yen and long-end JGBs. The market has already priced a faster hiking cycle, although there* ***is still further room to reprice structurally higher 5y rates volatility*** *over time. Higher 2y rates is now flattening the curve, as volatility migrates from the long-end to the front. However,* ***we still expect 10y JPY yields to remain around current levels*** *as the higher rate path offsets any term premium compression.*

We ***do not expect repatriation to make a major difference to the level of JGB yields****, even as it may contribute to JPY strength. Part of the reason is that the JGB market is already* ***heavily domestically owned****, with foreigners owning only around 13% of the JGB market. In addition, the economic case for repatriation is that higher JGB yields now offer competition to other major bond markets. If this yield then falls, irrespective of domestic macro and inflation conditions, it* ***may make JGBs less attractive for other domestic holders,*** *such as households where yield remains a key determinant of demand.*

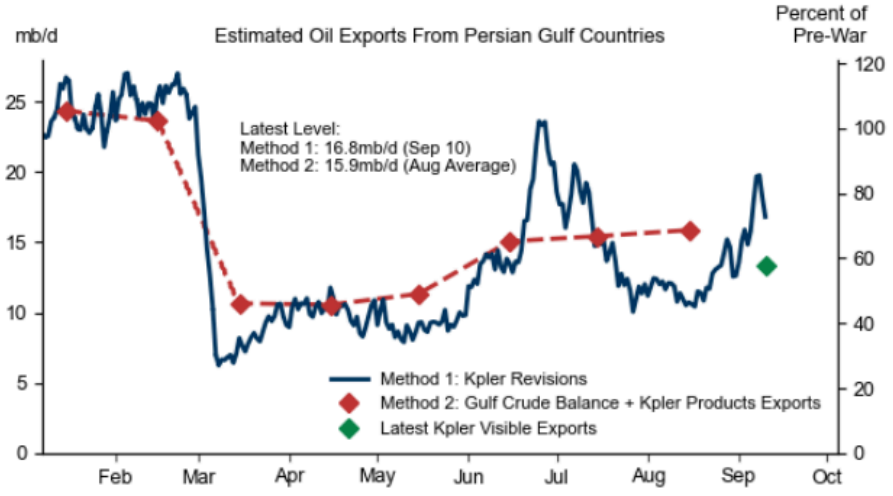
Of course, GPIF has the potential to increase its share of JGB ownership, even within its existing rules, but here we'd expect this to have only a ***modest impact on swap spreads rather than yield levels****. A larger policy shift towards a structurally higher JGB share could be more meaningful, and could potentially crowd in other domestic pools of capital. In this instance, we would expect the* ***signalling value to dominate the actual flows on the impact on yields****. But overall, we see this flows as second order to the macro inputs needed to stabilise forward yields:Ttighter monetary and/or fiscal policy, and stabilisation in forward inflation expectations."*

- ***Oil @ 100: Is the right-side of the distribution still capped by shadow flows and China price sensitivity?***

Daan Stuyven (Co-Head of Global Commodities Strategy): *"While estimated Mideast exports—the single most important variable for oil prices—have* ***not*** *declined in recent weeks,* ***downside risks to exports*** *have grown significantly. We estimate that every sustained 10% reduction in Mideast exports* ***boosts our crude fair value estimate by around $20*** *with actual prices potentially rising more in the short term with the risk premium.*

Our estimate of oil (=crude+ products) exports from the Gulf has ***remained around 16mbd*** *(****Chart below****) or around 2/3 of pre-war levels with a 6-7mb/d hit vs. pre-war levels.*

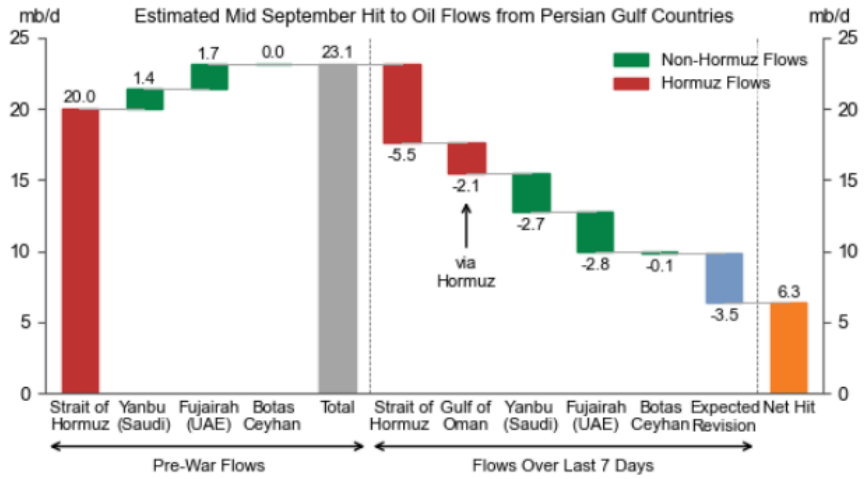
Estimated Gulf Flows (Corrected using two Methods) as of 11th Sep



Source: GIR

*This around 16mb/d estimate includes our estimate of 3-4mb/d of dark flows (**Chart below**, blue bar) based on the pattern of recent upward revisions.*

Hit to PG Flows Decomposition (as of 11th Sep)



Source: GIR

***Downside risks to exports have grown significantly** with Houthi progress further threatening flows via Yanbu and the Red Sea—which have recently averaged just under 3mb/d (**Chart above**, green bar), strikes on Saudi energy facilities and the East-West pipeline, and tankers attacks.*

Potential risk events to watch:

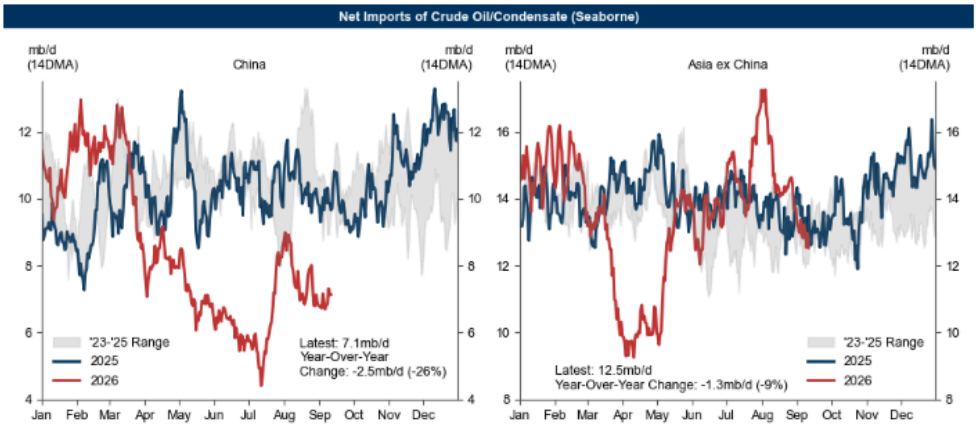
***i) Does Iran effectively expand its restricted zone** beyond Hormuz to the Gulf of Oman and beyond?*

***ii)** Do Iran, Oman and GCC states make progress on a framework for flows?*

***iii)** News on length of closure of East-West pipeline?*

*China crude imports might increase in coming weeks, but are **likely to remain price-sensitive** and thus remain below 2025 levels if crude prices stay high. Recent price action—including stronger physical prices and Chinese and Mideastern crude differentials—and press reporting suggest that **China crude imports might increase** in coming weeks from their recent 7mb/d or (down 2.5mb/d YoY) level (**Chart below**)*

Seasonal Crude Net Imports – China vs Rest of World



Source: GIR

The potential pickup in crude imports might reflect potential: i) Desire to rebuild product inventories, which have declined somewhat; ii) Moderate increase in refined-product exports, supported by very high product export margins and 0.4mb/d of room within this year's product exports quota.

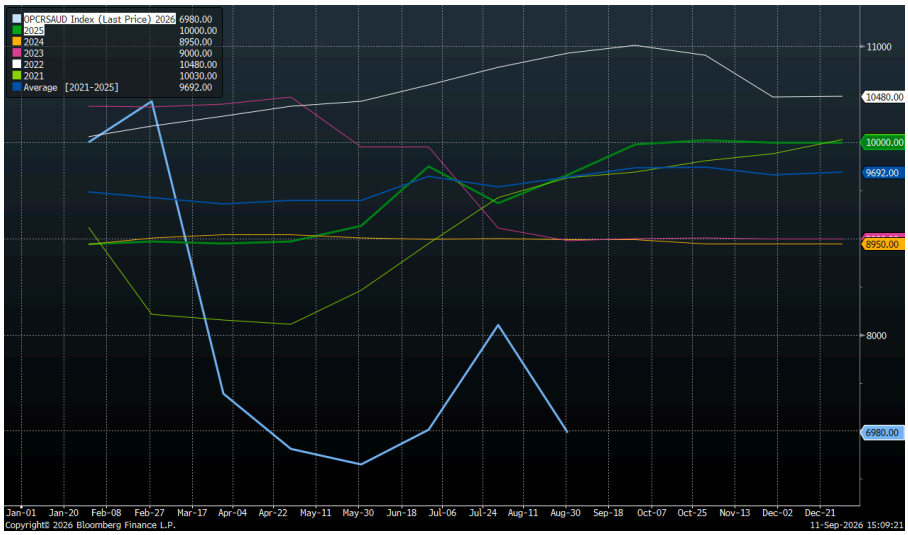
*Two key reasons why China's crude imports are **likely to remain price-sensitive** and stay well below 2025 levels if prices remain elevated:*
***i) Weak and price-sensitive gasoline and diesel road transportation demand**—a key driver of weak crude imports—is likely to remain price-sensitive given significant switching opportunities (e.g. electric vehicles, public transport)*
*ii) While crude destocking might slow/end (perhaps if policymakers revise up their assumption for the duration of the supply disruption), **current prices are likely too high to incentivize boosting crude stocks**, which remain quite high by historical standards."*

***Yufeng Cao (Head of Asia Commodities Trading)**: "I think we in **different regime now**, with **China ramping up crude buying aggressively** to raise runs and replenish domestic product stocks and further production curtail in middle east due to red sea shut ins – **key chart below of Saudi official production**, **lowest since 1990**.*

Also, since tanker for tanker retaliation policy, frequency of ship attacks has increased significantly and tanker rates roofing with worry about lack of tanker to ship oil. Instead of capped by lower china demand

*year on year and higher shadow flow, i think it's now rather **supported by higher china demand quarter on quarter and lower red sea flow** -> **$90-120 Brent in my mind**."*

Saudi Official Oil Production (By Year)



Source: GMD

***Jerome Dortmans (co-head of Global Oil and Products Trading): "**The strength in refining margins, the low state of global product inventories, are **bringing the right tail back into the conversation**. With the situation in ME once again very unstable (Trump's comments on war ending after mid-term), continuing attacks on Russian oil assets, and a return to increased crude buying from China, are giving a **very strong fundamental backdrop** comparable to the beginning of the conflict in some parts of the oil complex.*

*If we add the Red Sea dynamic, the situation is heated enough to assess a risk that **shadow flows will start to taper off** (attacks on tankers and naval assets) and to China curtailing enough being **insufficient to calm the price action**."*

- ***Brazil into Election: what is latest on polling, client flows and plausible outcomes?***

***Alberto Ramos (Head of Latam Economics)**: "General elections are scheduled for Oct 4, with recent polling indicating that the presidential race is likely to be **decided in a runoff on Oct 25**. The incumbent, President Lula (PT) is seeking an unprecedented fourth term.*

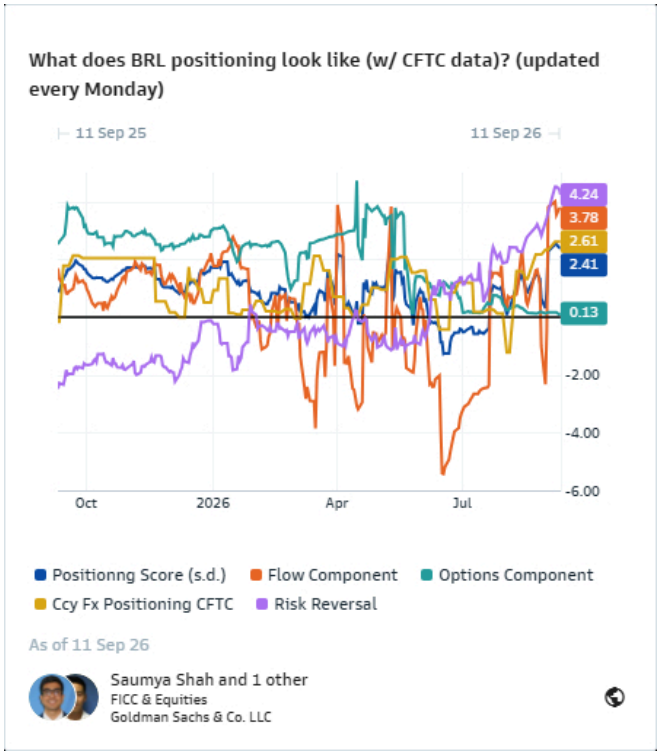
*Polls point to a highly **competitive race** between Lula and Senator Flávio Bolsonaro (PL, son of former President Jair Bolsonaro). The opposition candidate managed to close a 3-4pt gap to President Lula and the **race now a virtual toss-up**. Prediction markets flipped and currently assign the early-favorite **Lula just a 43% chance of victory (down from 62% in late July)**, versus 54% for Senator Bolsonaro (up from 23% in late July).*

*Both leading candidates have high disapproval rates, but it is **highly unlikely that any other candidate can break the current deeply entrenched polarization**. Investors remain focused on Brazil's fiscal vulnerabilities, but neither candidate has yet offered a clear and detailed fiscal strategy for the next presidential term. Market sentiment and flows have been supported by the **possibility of a policy regime shift** (fiscal policy in particular) in case of a victory by the opposition candidate, but the local political dynamics remain very fluid given a number of brewing corruption scandals."*

***Lucas Baladi Chohfi + Marcelo Issa (BRL FX Trading)**: "Speculative bullish positioning is building and pushing to the threshold where it **risks ignoring the whole global story**, all against outflows from corps. Even though I do think we might have a **positive outcome for the Brazilian economy**, the path towards the elections will be bumpy, as will be the global macro backdrop, and there is a risk that positioning has shifted too fast.*

*We continue to position **with a long gamma approach**, 5.08 continues to be a very decent support on the downside so around that level we like to reduce our delta."*

BRL Positioning Score



Source: Marquee MarketView

***Rafael Fonseca (Brazil IRP Trading)**: "A continuation of a **positive momentum for the right-wing candidate Flavio Bolsonaro**, now ahead of Lula in Polymarket for the 1st time (53% x 45%), has triggered a **decent outperformance of local assets**.*

*In rates, our bias remains toward receiving the front end of the curve, up to Jan29. We believe there is room for up to **200 bps of additional cuts** in this cycle, which would still leave the Selic rate at a restrictive level. However, this view is strictly conditional on a neutral—rather than expansionary—fiscal policy path post-election, with **Flavio being the candidate that the market would see delivering this**, at least in the immediate aftermath of the election . Given that the fiscal outlook remains the primary unresolved variable, the **post-election landscape remains highly binary**, and we advise maintaining more tactical approach.*

What's priced in the rates curve now:
- 25bps for next week BCB
- 14bps for November CB decision
-7bps December

What's priced in DI curve relative to current Selic of 14.00% up to (based on FRA curve from Jul27 onwards):

		Selic
Oct26	-25bps	13.75%
Jan27	-46bps	13.54%
Jan28	-28bps	13.72%
Jan29	+25bps	14.25%
Jan30	+36bps	14.36%
Jan31	+32bps	14.32%
Jan35	+26bps	14.26%

- ***GS Communacopia Conference: What are the high level take-aways for macro investors?***

Pete Callahan (US Equity TMT Sales): "*While you wouldn't know it looking at the tape – the NDX closed down ~60 bps on the week as Rates continue to keep risk appetite on a leash – companies at the Communacopia + Technology Conference in San Francisco struck a **decidedly upbeat tone around demand trends and the health of the AI ecosystem**. Consistent commentary from cloud infra players (neoclouds + public clouds) and supply chain players (Semis + HW) pointed to **demand for AI Services continuing to outstrip supply**. On this point, companies like AVGO + QCOM highlighted a strong AI spending environment with tight supply (more constrained on datacenter land / power / shell than on upstream components) contributing to extended lead times - with customers providing **extended visibility over the next two years and beyond**. The strong AI demand impulse putting upward pressure on today's Tech stack was also evident at the networking layer -- where CSCO noted that Agentic AI is driving **a 5x increase in network bandwidth consumption**, catalyzing a durable networking demand cycle across all of Cisco's customer segments (hyperscale, neocloud, and enterprise).*

*In terms of investor sentiment - investor convos throughout the week continued to be underscored by a **healthy tension about fully "re-committing" to the AI infra trade – "bottoms up" datapoints remain***

very constructive *(supply/demand remains tight, token demand is robust and product innovation is arguably inflecting) .. which .. is juxtaposed against lingering "top down" debates – an output of Summer volatility, macro uncertainty (Rates, geopolitical), policy uncertainty (midterms) and, perhaps more simply, the 'law of large numbers' …*

Away from the AI / Hardware story, a few other themes stood out:
1) Consumer demand trends remain stable *with Visa and MA noting stable trends from July into August – a sentiment broadly echoed by travel players (UBER, BKNG, etc).*
2) AI is driving both cost efficiency and faster product velocity*, per comments from players like CHYM, XYZ, ABNB and more.*
3) Software remains mixed; *while there is a clear focus on Security in the current era of AI (NVDA/Jensen said; "the fact of the matter is cybersecurity will likely be the next major use case of AI"), there also continues to be a number of framings (read: work in progress) from SaaS companies re: strategy, monetization and adoption KPIs around their AI offerings (think: FIG, KVYO, HUBS types).*

Chart in Focus: after months of consolidation, Tech (NDX) looks poised for a move – just not clear the direction .. ?"



Source: GMD

Sean Johnstone (TMT Sector Specialist): "*Themes from the Comunnicopia Conference:*

-> AI has moved from model hype to monetisation. *The debate is now about infrastructure scale, power, ROI and enterprise adoption, with agent-led workflows emerging as the next software platform and cybersecurity positioned as a major beneficiary.*
-> Demand across the AI stack remains strong, *but supply is the constraint. Semis, memory and networking remain tight, while the key bottlenecks are power, data-centre capacity and execution rather than end demand.*
-> Investors still need proof that AI capex converts into durable earnings. *Bottom-up indicators remain constructive, but the central question is whether spending can translate into sustainable revenue, margins*

and cash flow as the market scales.

***-> Enterprise buyers increasingly want model-agnostic platforms** that optimise cost, performance and security while avoiding vendor lock-in.*

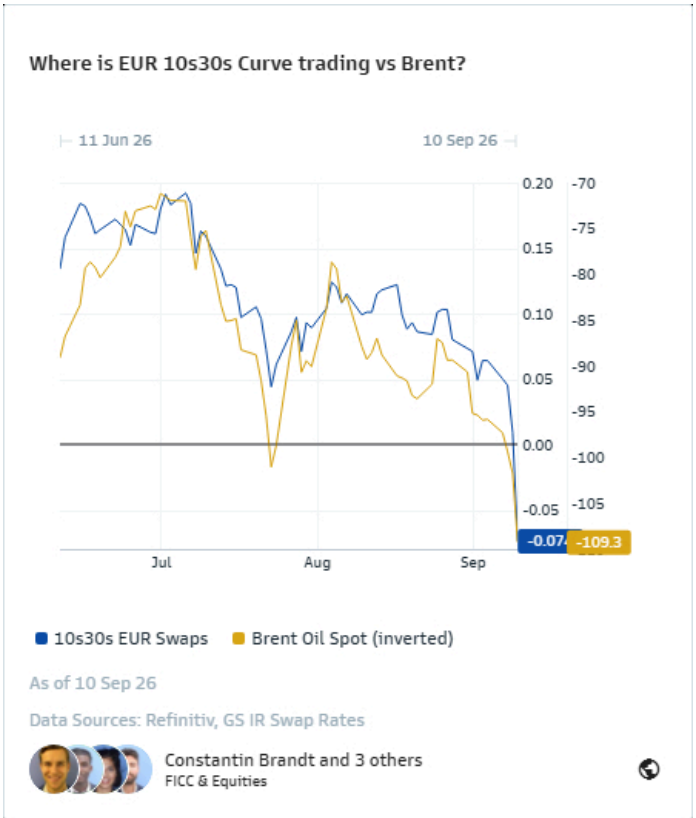
***-> Agents are emerging as the next platform layer**, driving demand across software, data and infrastructure.*

***-> Security is becoming the core control layer for AI**, with a broad consensus that identity, governance, data protection and runtime security will be critical for agentic workflows.*

*Overall, the message is that **AI adoption is broadening across the stack**, from semis and networking through enterprise software, payments and personal agents."*

- ***Around the desks: What popular positions would be vulnerable to a move in oil to $125?***

***Jan Scheffel (Head of EMEA STIR Trading) on Euro Rates: "**Many of the popular rates positions have already been challenged with the move higher in oil through $100 and in TTF through 80. This was then **compounded by the more hawkish message from the ECB on Thursday**. Most notably, **10s30s Euro curve has flattened 15bps over the last week**, with 10bps coming on the ECB date. Similarly, **longs in front end UK have been stopped out** as the market has changed its assessment on the BOE reaction function and now sees a **November hike as the base case**.*



Source: Marquee MarketView

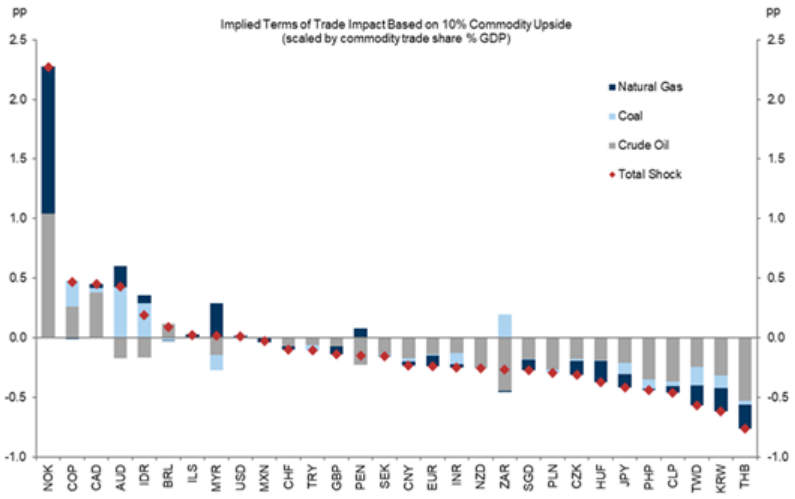
It is clear that central banks are getting ***more concerned with the persistence of high energy prices*** *and what this could mean for inflation leading into the winter months. If energy prices do stay elevated or rise further from here, then the* ***case for sequential hikes from the ECB into the winter is quite strong****, as the ECB will want to get rates restrictive prior to wage negotiations starting in spring. Similarly, the BOE will struggle to be able to look through the inflation spike much longer, especially given the fact that the* ***real economic data has been holding up much better*** *(see GDP published on Friday).*

Saying all this, the market is now pricing this as the modal outcome, with 16bps priced for the November ECB meeting and 20 for the Nov MPC (25bps cumulatively). As such, the ***hawkish tail in the very near meetings now seems to be overpriced*** *and too little weight is put on potential energy price relief. We like being received* ***Nov ECB at 16 priced*** *and see fair value closer to 12.5. Similarly, we think that being* ***received Nov meeting at 20*** *(or 25bps cumulatively including the September meeting) looks attractive. We think that a September hike is unlikely and whilst November is now the base case for a hike, 80% chance seems too high to us."*

Mike Mitchell (Head of US Equities) paraphrased from the GS Weekend Macro Call on US Rates… *Clearly the* ***recent move higher in oil has not helped the Fed****… If oil prices go up more, that will be* ***bad for the bond market****, especially for the front end… I think it* ***lowers the bar for the Fed to hike****… I think higher oil prices are part of the reason for the Fed to raise rates next week, and they also bear-flatten the curve more broadly.. . But I also think there's a* ***limit to the bond market impact****… Raising rates in response to moves in oil doesn't really solve the problem…. I think it can nudge the Fed toward a hike or two that it was contemplating anyway, but raising rates doesn't create more oil… It does relatively little to solve the inflation pressures in that environment…*

Teresa Alves (EM Strategy) on EMFX: "*In EM FX****, energy-importers would be the most negatively affected*** *(chart below shows the implied terms of trade impact). Within those, I would split the more popular and vulnerable positions in three groups:*

Implied Terms of Trade Based on 10% Commodity Upside



Source: GIR

(1) The HUF convergence trade *where positioning is still elevated and beta to oil/natural gas is high –* ***we estimated that 10% on oil is worth around 0.7% on EUR/HUF****.*
*(**2) Other EM oil-importer carry longs** such as ZAR (where carry-to-vol is low) or INR,*
(3) Frontier oil-importer carry longs*, especially EGP that continues to trade with a high beta to oil and TRY, where external balances continue to gradually deteriorate.*

Across these groups, we have recommended adding resilience to energy prices by ***picking appropriate funders*** *(for example we like expressing HUF longs through short PLN/HUF, and have also been recommending long INR/IDR) or by combining* ***exposures*** *(so in Frontier FX, we also recommend pairing oil-importers like TRY and EGP with oil-exporting currencies such as NGN and KZT).”*

Rich Provorotsky (Head of European Cash Equity Trading) paraphrased from the GS Weekend Macro Call on EMEA Equities… *For European equities,* ***gas is becoming a very material concern****…. And if we don't see a resolution in the coming weeks, it's going to be increasingly more dire as we head towards the Winter… Obviously, within the equity market, there's kind of broad resilience everywhere.. But that's largely driven by the things that I think are still in the slipstream of the massive spending... If you look at most consumer stocks,* ***they really haven't been trading well.***

… *But my view is* ***people have taken down gross****, they've taken down net, at least from the week prior… Prime said fundamentals were in the 22nd percentile selling gross and the 15th on net, and* ***I think that's a pretty positive setup...*** *If we get any kind of resolution of some of these macro concerns…. Again, kind of glass half full… Maybe some of these rate concerns are behind us… So we're just really looki*
progress on the energy side*….*

Vitali Meschoulam (Head of Global Market Strats) on Emerging Markets: “*At the inters*
fundamental impact + current positioning*, several trades flash as being quite vulnerable:*

人在草木间

High vulnerability:

i) Egypt: *A higher oil bill worsens Egypt's external and fiscal balances just as foreign ownership has become crowded (or at least concentrated), increasing the risk of outflows if disinflation stalls.*

ii) TRY carry (esp if CBRT resumes easing): *The trade relies on exceptionally high real rates and policy credibility; increasing expectations that the CBRT may consider easing (going forward) into an oil-driven inflation shock would likely trigger a* ***repricing of expected depreciation and real returns.*** *Positioning is now* ***higher than it has been all year****.*

iii) Long KRW: *Higher oil worsens terms of trade and current-account dynamics, while KRW has become an increasingly* ***popular expression*** *of Asia/AI optimism and a weaker USD.*

Medium vulnerability *(ownership less overextended):*

iv) INR duration: *India is one of the largest oil importers in EM, so a sustained oil shock* ***worsens inflation and delays any easing cycle****. Though the market has been less keen on local bonds of late, index inclusion and structural inflows over the last 18 months probably still leave the market (IGBs and/or supras)* ***susceptible to outflows****.*

v) THB longs: *THB has been a common expression of the weaker-USD / Asia recovery theme.*

vi) HUF longs: *Clearly EUR accession overwhelms the potential oil shock, but any wavering from the government on committing to a clear accession timeline would be* ***greatly exacerbated by a renewed oil/gas shock****."*

2) Trades we Like: 'I am the House Now' -> How to get Long-JPY…

We have seen a material shift in sentiment toward the JPY in recent weeks*: The 'buy-the-dip' approach to USDJPY has dissipated, among* ***both*** *international investors + local clients, and our franchise is becoming more attuned to the potential for a structural move stronger in the JPY, driven by:*

i) Potential for near-term re-allocation towards domestic bonds *-> By the GPIF and other local asset managers, fuelled by the Japanese Govt persistently touting domestic investment, press leaks + an unusual meeting of GPIF Governors in August.*

ii) Expectations that BOJ are finally recognizing inflation risks -> *Hiking rates towards neutral, or even positive, real interest rates -> If the BOJ stabilises the long-end + inflation risk-premium, then bonds offer a strong investment proposal.*

iii) Potential for peak of the US rates cycle *-> with 90bp+ priced to Terminal.*

iv) Potential for major local life-insurers to crystallise losses in foreign bonds for fiscal half-year end -> Similar to what we saw last Feb -> March for Fiscal YE selling

Looking to get Long-JPY?

i) Buy 6mnth Downside in USDJPY + EURJPY -> *Cleanest expression of the JPY stronger-trade….*

Buy 6m (11Mar27) 140 USDJPY Digi Put

11.15% USD

Max Leverage ~9x

153.50 Spot Ref.

Max Loss = Prem Paid

Buy 6m (11Mar27) 164.5 EURJPY Digi Put

11.00 % EUR

Max Leverage ~9x

178.23 Spot Ref.

Max Loss = Prem Paid

ii) JPY Stronger through FX Correlation -> *USDJPY Lower, USD Stronger vs EUR + AUD….*

Buy 11 Dec Dual Binary

EURUSD < ATMS

USDJPY < 150

8% USD

Max 12.5x leverage

Individuals 46% + 29%

Max Loss = Prem Paid

Buy 11 Dec Dual Binary

AUDUSD < 0.7000

USDJPY < 150

6% Offer

Max 15x leverage

Individuals 26% + 29%

Max Loss = Prem Paid

iii) USDJPY lower, JGB Yields Lower, NKY Higher -> *Attractive for a world where Japanese investors shift away from unhedged foreign assets + back to domestic assets…*

11Dec26

20Y TONAR < ATMF

USDJPY < 150

Nikkei up 8%

Costs 5.5% USD

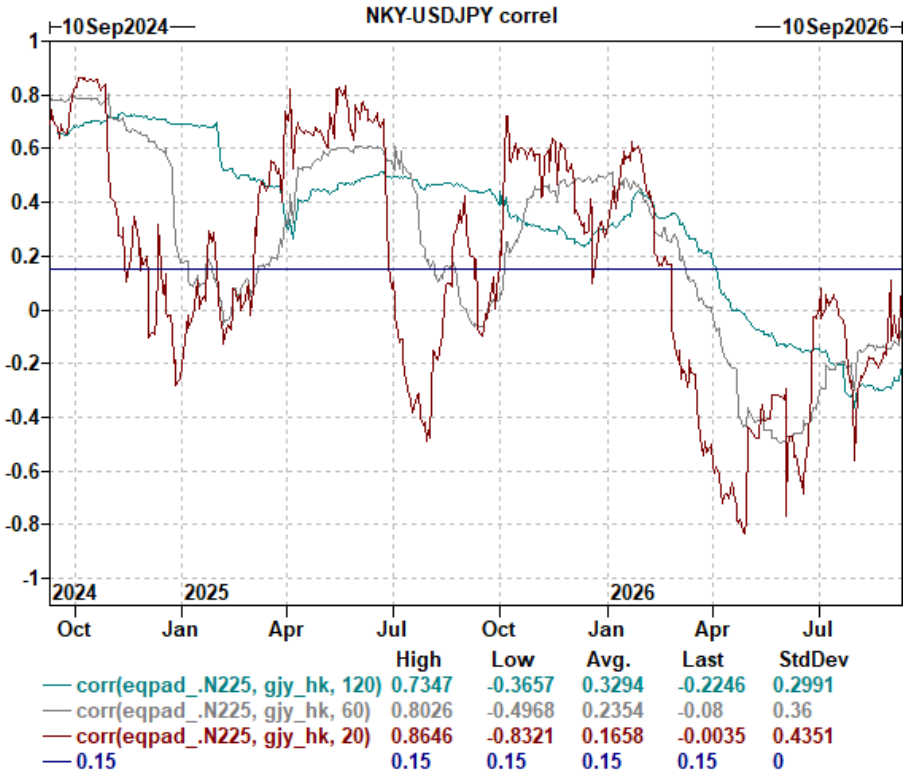
Ref 153.65

Leg prices: 55% 20yTona / 31% USDJPY / 28% NKY

Corrs Used: NKY USDJPY +15, NKY TONA 0, TONA USDJPY +30

Max Loss = Prem Paid

Selling NKY-USDJPY Corr at +15



Source: GS FICC and Equities

iv) EURJPY Lower vs NKY / SPX Higher -> *Constructive Equity backdrop vs idiosyncratic JPY strength…*

Mar-2027 Expiry Dual Binary

NKY > 70,000

EURJPY < 98%

10% USD

Max 10x leverage

Max Loss = Prem Paid

Refs: 64,010f NKYU6

Individs: 32.5% NKY / 36% EURJPY

Sell Implied Corr at +25

Mar-2027 Expiry Dual Binary

SPX > 8,100

EURJPY < 95%

10% USD

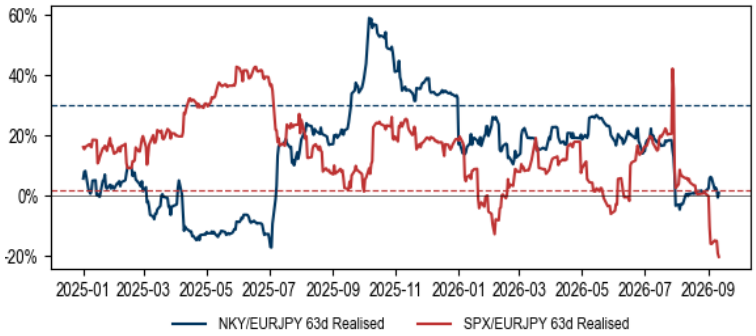
~10x leverage

Max Loss = Prem Paid

Ref: 7,650f ESU6

Individs: 42% SPX / 20% EURJPY individs

3mnth Realised -> NKY, SPX, EURJPY



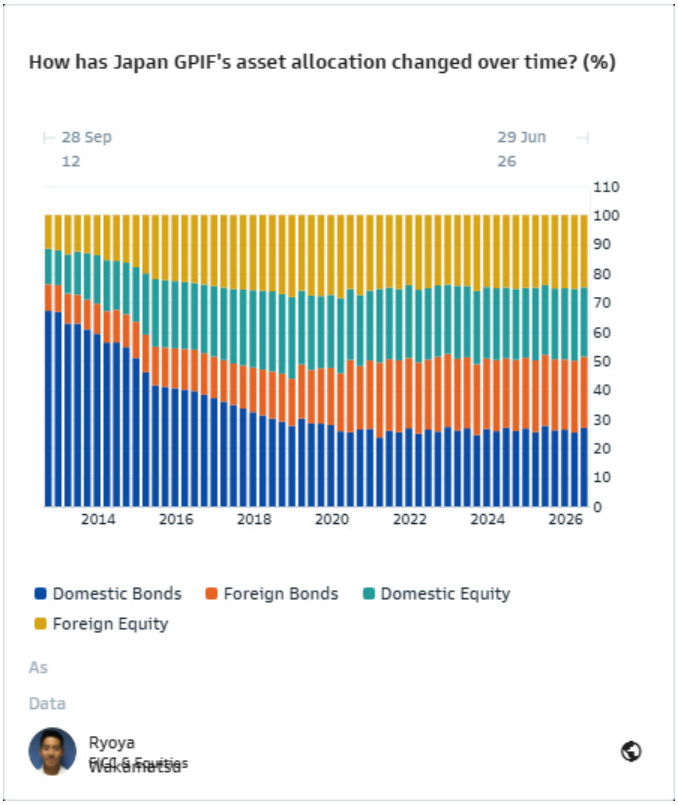
Source: GSFX MarketStrats

GS Thought-leader Views:

Praneet Shah (Global Head of FX Options Trading): *"USDJPY has experienced a sharp downward move driven by a hawkish BoJ, with nearly two hikes priced into year-end, speculation of a $100 billion Government Pension Investment Fund (GPIF) domestic reallocation, and systematic CTA stop-losses triggered below the 200-day moving average of 158.45. Client flows reflected* ***intense demand from hedge funds for short-dated downside options*** *(152/148 strikes) and leveraged structures like RKOs and EKOs, alongside a shift toward* ***longer-dated 6m-1y puts.***

We like JPY stronger because July intervention helped stabilise FX, ***BOJ/GPIF flows can turn local perceptions on JPY into a more structural shift****, and higher vol with narrower rate differentials makes* ***JPY-funded carry tough to hold*** *so persistent JPY selling may subside. In the context of the July-August 2024 move from 162 to 142 and subsequent stabilisation at 148 on a similar retail/CTA stop-out setup, we think 152.50/153.00 could act as a base with 155.00 eventual resistance, targeting an end-October move to 148.00, and if this really is repatriation flow encouraging sustained retail and life insurance flow, a* ***larger medium-term move into 140.00 could be on the cards****."*

Japan GPIF Asset Allocation Breakdown



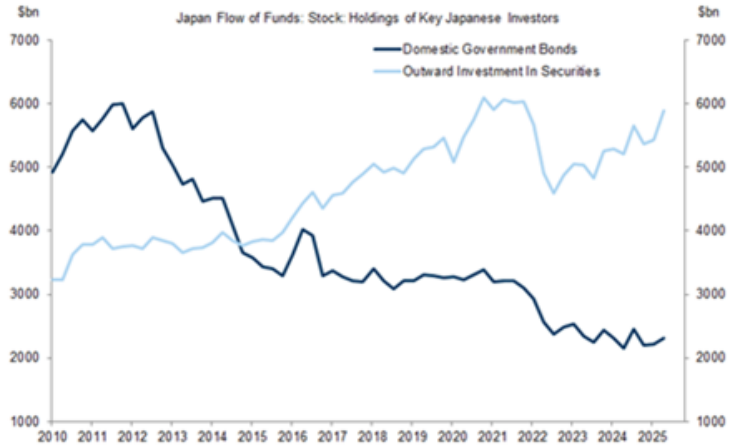
Source: Marquee MarketView

Sun Lu (EM Strategy): "*GPIF had 67% allocation in domestic fixed income in 2012, and this was brought down to 25% in 2020, as they gradually shift towards 25:25:25:25 asset allocation mix. The average rate of decline of domestic fixed income allocation percentage was 6% during those years (some years the decline was close to 10%). Given GPIF's US$2tn AUM, a* ***5% increase in domestic fixed income allocation translates into US$100bn USDJPY selling****. This is ~50% of Japan's annual CA surplus of ~US$210bn. Net flow of CA-FA is US$35bn in 2025; a US$100bn USDJPY selling from GPIF will change the total flow picture a lot.*

If such asset allocation change happens, it could also trigger ***unwinds of JPY funded carry trades among RM and corp sector****, forming a structural JPY strengthening trend. On bond market, US$100bn is also very large compared to net JGB issuance in current fiscal year of US$190bn."*

Japanese Investors now Hold a Much Larger Stock of Foreign Assets Than Before

Exhibit 3: Japanese investors now hold a much larger stock of foreign assets than before



Source: GS FICC and Equities

Masaaki Shinotsuka (JPY Spot Trading): *"Masu (BoJ board member) said the BoJ will* ***continue to raise its benchmark interest rate*** *to ensure that the price trend doesn't exceed 2%. He also said that, amid still-accommodative financial conditions, there is a risk that if inflation accelerates, the BOJ could be forced to raise rates rapidly. He added that bringing the policy rate firmly into the estimated range of the neutral rate — a level that neither stimulates nor restrains the economy — would allow the* ***BOJ to respond flexibly in either direction****. In that context, he said that further rate hikes are necessary to complete the process of monetary policy normalization. Full press release here."*

Thoughts welcome

Adam

Notice to Investors in Korea: Marquee is made available in Korea by Goldman Sachs (Asia) L.L.C. Seoul Branch.

The information contained in this document does not constitute, and is not intended to constitute, a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law no. 2 of 2015), ESCA Board of Directors' Decision no. (9/r.m.) of 2016, ESCA Chairman Decision no 3/r.m. of 2017 concerning promoting and introducing regulations or otherwise under the laws of the United Arab Emirates. Accordingly, the interests in the securities may not be offered to the public in the UAE (including the Dubai International Financial Centre and the Abu Dhabi Global Market). This document has not been approved by, or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities in the United Arab Emirates. If you do not understand the contents of this document, you should consult with a financial advisor. This document is provided to the recipient only and should not be provided to or relied on by any other person.

© 2026 Goldman Sachs. All rights reserved.