* GS MORNING: 1) Fed Call Change, 2) GCEM Macro Symposium, 3) Connecting you to GS, 4) Equities Update and 5) Week Ahead Previews

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Highlights from GS Research, Sales and Trading: **1)** Fed Call Change, **2)** GCEM Macro Symposium, **3)** Connecting you to GS, **4)** Equities Update and **5)** Week Ahead Previews

1) US ECONOMICS (MERICLE) – *A Hike Without a Signal?* – LINK

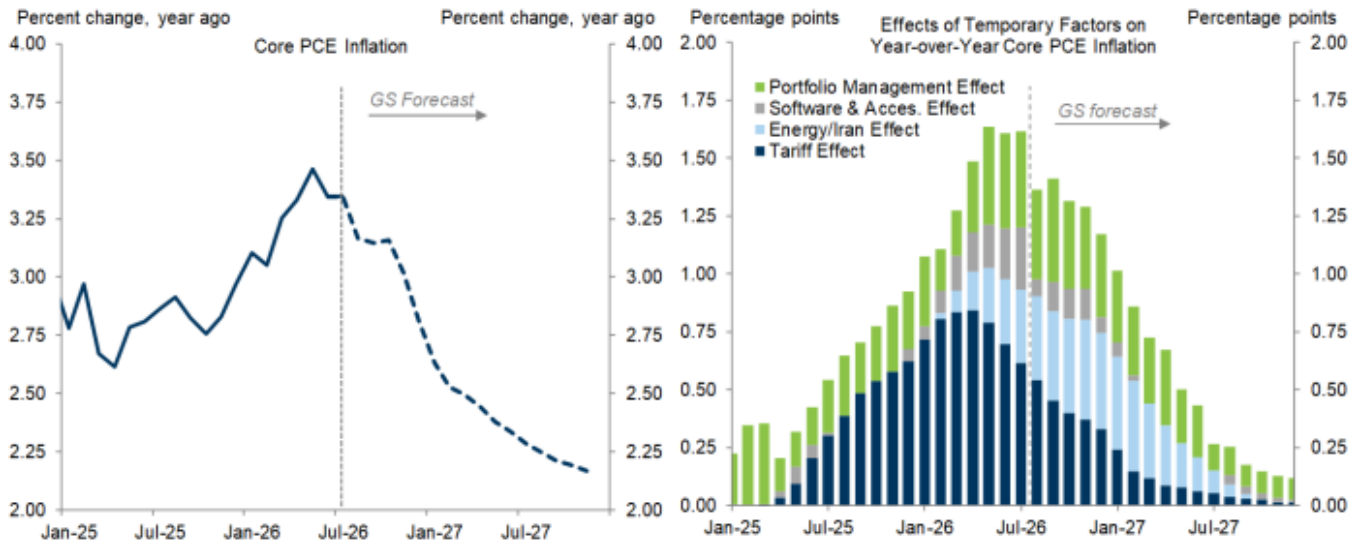
BOTTOM LINE: We added a 25bp rate hike at this week's September FOMC meeting to our forecast last Friday following the August CPI report. The report had little impact on our inflation view but pushed market pricing of a hike to nearly 90%, high enough that the FOMC will likely want to avoid the market reaction that would likely follow from remaining on hold. We continue to expect two cuts in 2027 but now expect them in September and December (vs. June and December previously). We have also raised our forecast for the terminal rate to 3.25-3.5% (vs. 3-3.25% previously). We do not see a strong economic case for raising the funds rate – we think all of the overshoot of 2% can be attributed to one-time factors whose impact is likely to fade, that the improvement in core PCE inflation to a roughly 2.5% pace over the last three months is an early sign of this, that high inflation looks broad-based mainly because of tariff effects, that inflation expectations are not at immediate risk of unanchoring, and that the economy is not overheated.

Statement: We expect the FOMC to make only the minimum necessary change to its statement, noting that it is hiking to return inflation to 2% but avoiding guidance on the path forward or the criteria for further hikes. We expect Governor Waller to dissent because the latest inflation numbers have been below the threshold for a hold he set in a recent appearance. We suspect the FOMC will want to nudge the market away from pricing an October hike too confidently but will not do it in the statement – instead, Chairman Warsh could say in his press conference that the FOMC will "carefully assess" incoming data or want to see upcoming inflation reports (plural).

Dot Plot: The key question is whether the median dot will show one hike or two in 2026. We expect a 10-8 majority to show one hike because some participants might be ambivalent about the first hike and want to avoid pushing market expectations any higher. But we see a risk of a majority for two hikes participants than we expect see a hike this week as a normal response to higher oil prices and AI d accounting for the risk that the FOMC could deliver two or three hikes instead of our expectation probability-weighted forecast for the fed funds rate through the end of next year is considerably l market pricing.

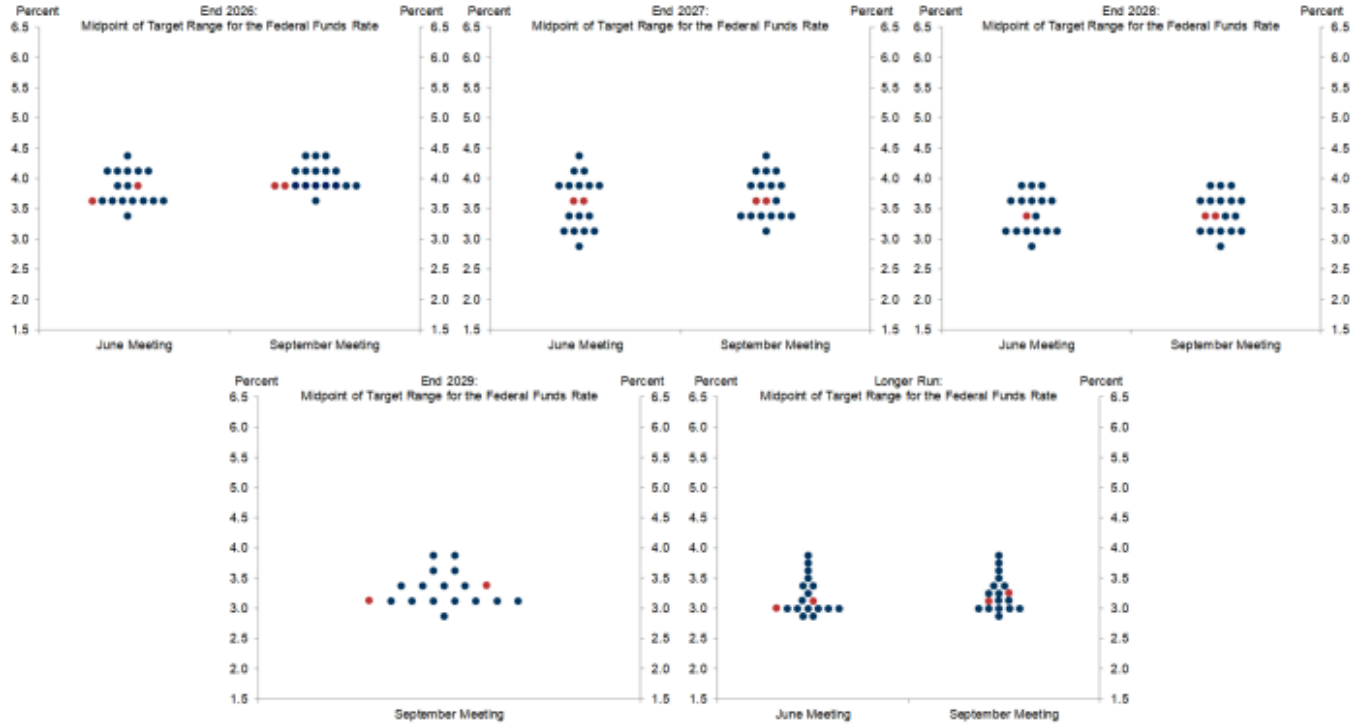


CHART 1: We Do Not See a Strong Economic Case for Hiking Because We Continue to Think That All of the Overshoot of the 2% Target Can Be Attributed to Fading One-Time Factors



Source: Goldman Sachs Global Investment Research

CHART 2: We Expect a 10-8 Majority of Participants to Show One Hike in 2026

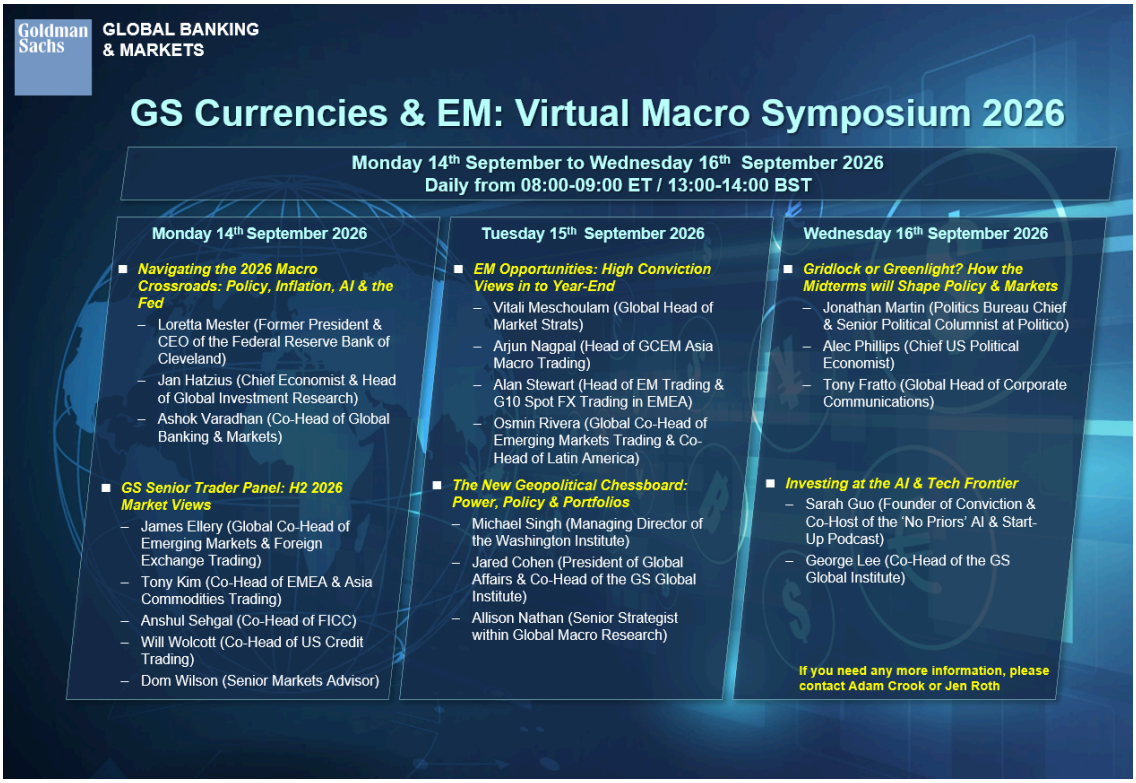


Source: Goldman Sachs Global Investment Research

2) *GS* Currencies & EM Virtual Macro Symposium

Starting Today: Two sessions per day commencing at 8am EST / 1pm BST, each lasting approx 30 mins (one hour per day). Please register via the link below to generate a calendar invite as a placeholder.

Registration Link: https://goldmansachs.brandlive.com/GCEM-Symposium-September-2026
Password (Case Sensitive): GCEM2026



Source: Goldman Sachs FICC & Equities

3) ADAM CROOK – Connecting you to GS: Thoughts from The Floor – LINK

Key Questions: 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?

Focusing in on Oil, see below summarised views from GS senior thought leaders.

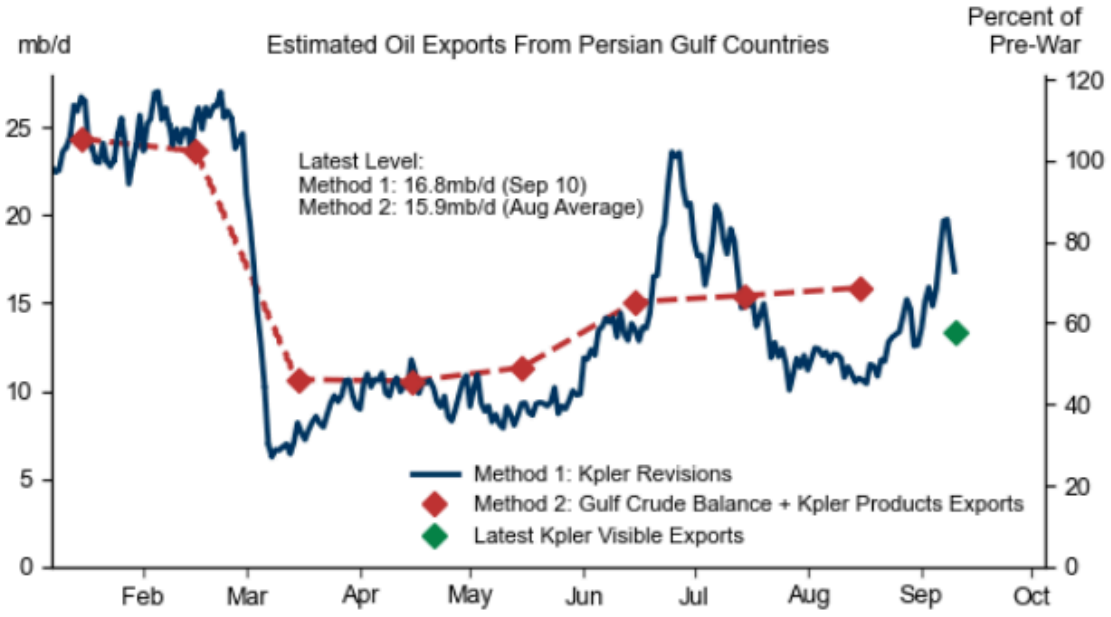
Daan Struyven (Co-Head of Global Commodities Strategy): While estimated Mideast exports have not declined in recent weeks, downside risks to exports have grown significantly. We estimate that every sustained 10% reduction in Mideast exports boosts our crude fair value estimate by around $20 with actual 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, or around 2/3 of pre-war levels with a 6-7mb/d hit vs. pre-war levels.
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. The potential pickup in crude imports might reflect potential: i) Desire to rebuild product inventories; ii) Moderate increase in refined-product exports. Why China's crude imports

are likely to remain price-sensitive and stay well below 2025 levels: i) Weak and price-sensitive gasoline and diesel road transportation demand is likely to remain price-sensitive given significant switching opportunities; ii) While crude destocking might slow/end, 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.

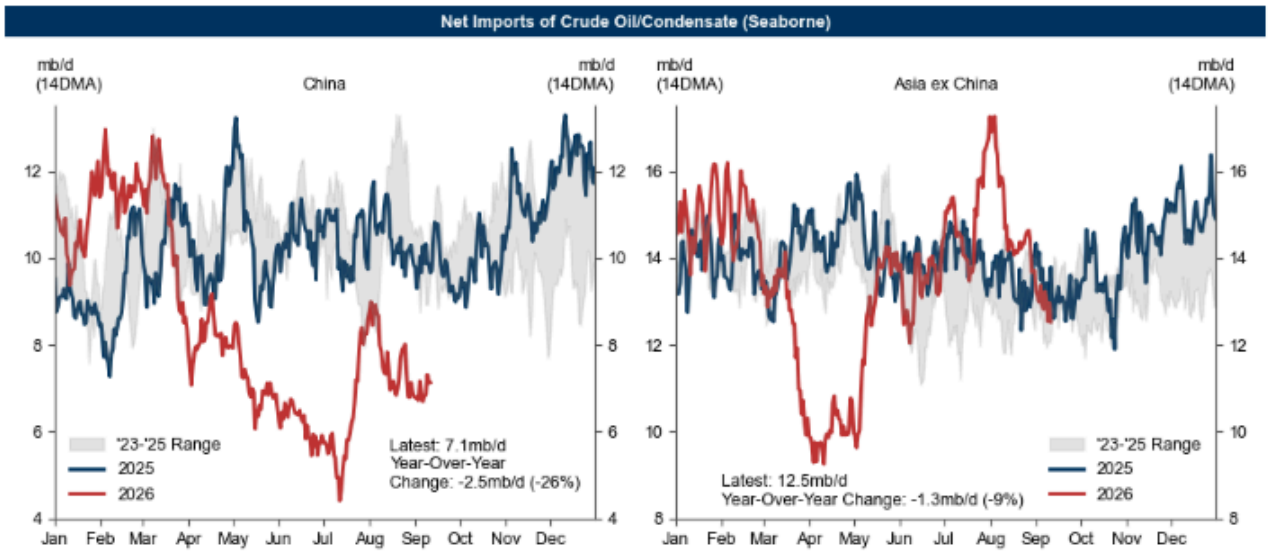
Jerome Dortmans (Co-Head of Global Oil and Products Trading): The strength in refining margins, the low state of global product inventories, are bringing the right tail back into the conversation. With the situation in ME once again very unstable (Trump's comments on war ending after mid-term), continuing 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.

CHART 1: Estimated Gulf Flows



Source: GIR

CHART 2: Seasonal Crude Net Imports – China vs Rest of World



Source: GIR

4) EQUITIES SALES (COPPERSMITH) – *Equities Update* – LINK

BOTTOM LINE: The AI debate sharpened this weekend with Dario pushing for a slower pace of frontier-model development, coming just as investors had leaned back into the trade – GS PB shows HFs bought US TMT in 10 of the last 11 sessions (led by Semis & Semi Equip), with the 2-week pace of long buying in the 97th %ile of the last 5 years. This adds to the factor-vs-index vol story: 200d vol on GS TMT Momentum Winners vs Losers is ~76 vs just ~13 for SPX, meaning tech price action has been ~6x more violent than index vol. We entered the weekend with continued dispersion, rebuilt Tech longs, and much less broad-index fear priced (GS Panic Index -3pts Friday, 3rd-largest 1d decline in 3 years), heightening focus on AI and Iran headlines. Net/net: near-term AI risk is elevated for newly rebuilt Tech longs, but the underlying AI cycle still looks exceptionally strong, broader positioning is already cautious, and the market has priced a lot of hawkishness – near-term vol makes sense, but a break in the bigger AI story still does not.

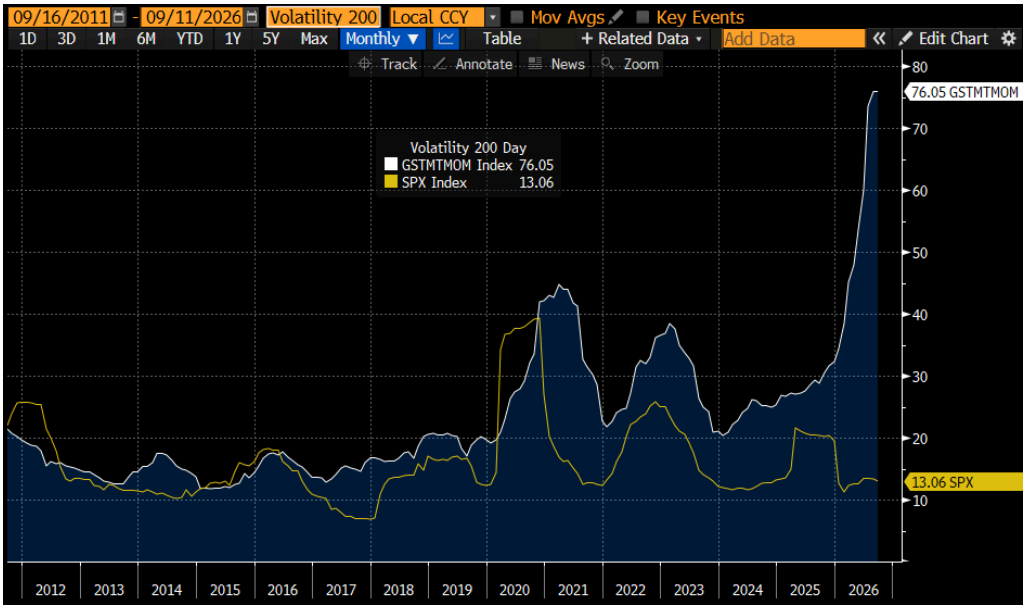
AI Fundamentals Still Strong: Messaging from the GS Tech Conference was exceptionally strong. Jensen reiterated $3-4tn of AI infrastructure spend by 2030, with demand continuing to outstrip supply and bottlenecks increasingly around power, land and datacenter capacity rather than compute demand. SemiCap backlogs remain elevated, 8–10 new fabs expected next year, and DRAM is the biggest WFE growth driver in '27. Memory/Storage commentary equally constructive, with tightness expected for another 12–18 months. Client concern is that AI is progressing too quickly, not that demand or capability is disappointing.

Bank Linkage: GS Research estimates AI has driven ~40% of YoY growth in large-bank equities revenues. AI infra stocks account for ~40% of US equity turnover and ~72% of the YoY increase in turnover, and ~77% of the YoY increase in US equity market cap. AI-related activity has driven ~50–55% of the growth in M&A/ECM/DCM this year, with AI-related IB fees +310% YoY vs only +7% outside AI. ~$3.3tn of hyperscaler capex over 2026–28 could create ~$1.3tn of debt financing over 2027–29.

Rates & Energy Risk: Iran remains hard to handicap, oil is an inflation risk, and the 10-year is pushing toward 5%. The S&P forward multiple has compressed from ~22x at the start of the year to ~19x today. A 2-sigma move in the 10-year today is roughly +50bp in a month or +30bp in two weeks – the type of rates shock equities historically

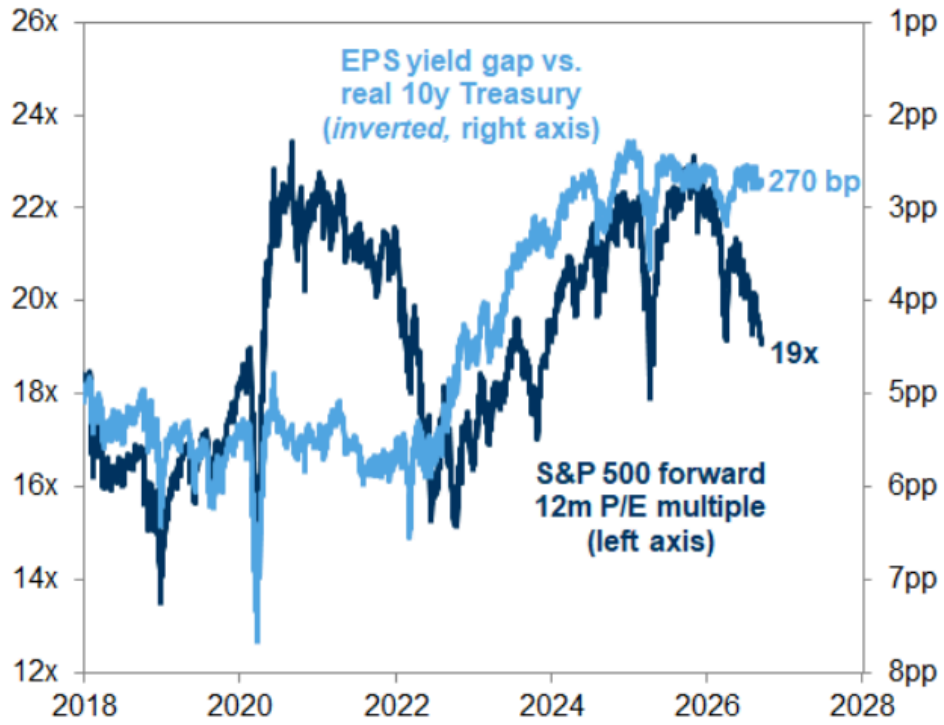
struggle to digest. Encouragingly, GIR now expects a 25bp hike next week largely because the market has forced the Fed's hand – if it looks more like one-and-done than the start of a new hiking cycle, stocks should digest it fine.

CHART 1: 200d Vol on GS TMT Momentum Winners vs Losers Compared to SPX – Tech Price Action ~6x More Violent than Index Volatility



Source: Goldman Sachs FICC and Equities, Bloomberg

CHART 2: S&P 500 P/E has Contracted YTD but the Yield Gap with Treasuries has Remained Steady



Source: *Goldman Sachs* Global Investment Research

5) Week Ahead Previews

UK Employment (Tuesday): GS -5k, consensus -10k, last -13k. Source

Bessent Testimony to Congress (Tuesday): Treasury Secretary Scott Bessent is expected to appear before the House Financial Services Committee for annual testimony on the international financial system. Source

FOMC (Wednesday): The FOMC is likely to raise the funds rate to 3.75-4.00%. Although the August CPI report had little impact on our inflation view, it pushed market pricing of a hike to nearly 90%, high enough that the FOMC will likely want to avoid the market reaction that would likely follow from remaining on hold. We continue to expect two cuts in 2027 but now expect them in September and December (vs. June and December previously) and have raised our forecast for the terminal rate to 3.25-3.5% (vs. 3-3.25% previously). Source

UK CPI (Wednesday): CPI data for August will likely show headline inflation rising to 3.1%, three tenths above the BoE's estimate. Energy inflation is set to increase notably further on the back of higher road and liquid fuel prices, while food inflation is also likely to tick up slightly. We expect core inflation to remain at 2.6%, with a slight firming of core goods and rising airfares offsetting a decline in underlying services inflation. Source

COPOM (Wednesday): We expect another 25bp Selic rate cut to 13.75%, with uncommitted, open-ended (data-dependent) guidance which would leave the door open for an eventual follow-up cut at the late Oct meeting. However, we do not rule out more hawkish signaling pointing to either a potential pause or limited scope for further easing, in particular if the FOMC raises rates. Source

BOE (Thursday): We expect the MPC to hold Bank Rate at 3.75%. A 6-3 vote looks most likely, though there is some risk of a 5-4 split. Looking ahead, we significantly increase our inflation forecasts given higher energy prices and now see headline CPI peaking at 3.9% in 2027Q1. We now think that the MPC will likely hike Bank Rate to 4% in November. Source

Japan CPI (Friday): We expect the August national new core CPI (excludes fresh food and energy) to remain unchanged from July at +1.9% yoy. While we expect to see higher prices in certain goods reflecting the weaker yen, higher memory chip prices and naphtha prices, these are likely to be offset by declining rice price. We expect the August national core CPI to come in at +1.8% yoy (July: +1.8%). Source

BOJ (Friday): We expect the BOJ to raise its policy rate by 25bp to 1.25%. We think an acceleration in hiking, as markets partially expect, is unlikely, unless inflation overshoots (i.e., the BOJ falls behind the curve) and it becomes necessary to quickly raise the policy rate to a level well above the neutral rate. Source