Views and Research

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1-Views from the Floor Zoom - Markets and Politics Post Fed: Today 11am EST

Following this week's FOMC decision, our senior traders and chief US political economist will discuss risk views across rates, commodities, equities, as well as unpack the evolving geopolitical and political landscape ahead of US Midterm elections.

Speakers:
* Anshul Sehgal, global co-head of FICC
* Tony Kim, co-head of EMEA and Asia Commodities Trading
* Rich Privorotsky, head of EMEA Flow Intermediation and head of European One Delta Trading
* Jerome Dortmans, co-head of Global Oil and Products Trading
* Alec Phillips, chief US political economist in the US Economics Group within Global Investment Research

https://goldmansachs.zoom.us/webinar/register/WN_X15fvr52Su-szhJdsSTh0w#/registration

2-US Daily: September FOMC Recap: Hawkish Dots Show Two-Hike Baseline; Adding an October Hike

- The FOMC raised the funds rate by 25bp to 3.75-4% today. While the hike was widely expected, the meeting was more hawkish than we expected in a few ways. First, a 16-2 majority projected at least one more hike this year, and there were no dissenting votes against today's hike. Second, the median funds rate projection remained quite elevated through 2029, and the median neutral rate dot rose from 3.06% to 3.25%. Third, Chairman Warsh described the hike as having "removed a dose of accommodation" three times.
- We now expect the FOMC to deliver a second 25bp hike in October, a change from our previous expectation that September would be the only hike. We think October is the most likely time for the next move because it is most natural to deliver hikes that the FOMC presented today as supporting "a timelier return" to the 2% target at consecutive meetings. We have kept our forecast for the terminal rate unchanged at 3.25-3.5% by adding to the September and December 2027 rate cuts we already expected a third 25bp cut in March 2028.
- Additional hikes are possible but not our base case. One reason is that our forecast for core PCE inflation remains below the median FOMC participant's forecast at 3.2% (vs. 3.4% for the FOMC) in 2026 Q4/Q4 and 2.2% (vs. 2.5% for the FOMC) in 2027 Q4/Q4. Some of the gap for 2026 could come

from a reluctance on the part of some FOMC participants to pencil in a downward revision from methodological revisions that will be implemented later this month, which we estimate will be worth -0.2pp on the year-over-year rate, until the impact is clear.

https://marquee.gs.com/s/content/articles/create?draftId=52571d7f-f0d6-4217-8ff3-1d1c954387fc

3-BoJ Preview

JAPAN ECON (OTA): We maintain our forecast that the next BOJ policy rate hike will be on September 18, by 25bp to 1.25%. The yen, which we consider as one factor influencing the timing of rate hikes, has recently been strengthening. However, given that this yen appreciation is likely at least in part the result of the market pricing in further rate hikes, holding off on a rate hike could lead to renewed yen depreciation. Therefore, we think this yen appreciation will not deter the Bank of Japan (BOJ) from hiking. Financial markets are beginning to price in the possibility of an acceleration in hiking, such as consecutive rate hikes in September and October. However, we think this 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. Currently, various statistics do not show any signals indicating overshooting inflation. We therefore still expect a subsequent rate hike in January 2027, with another (to 1.75%) in July 2027. Full piece here.

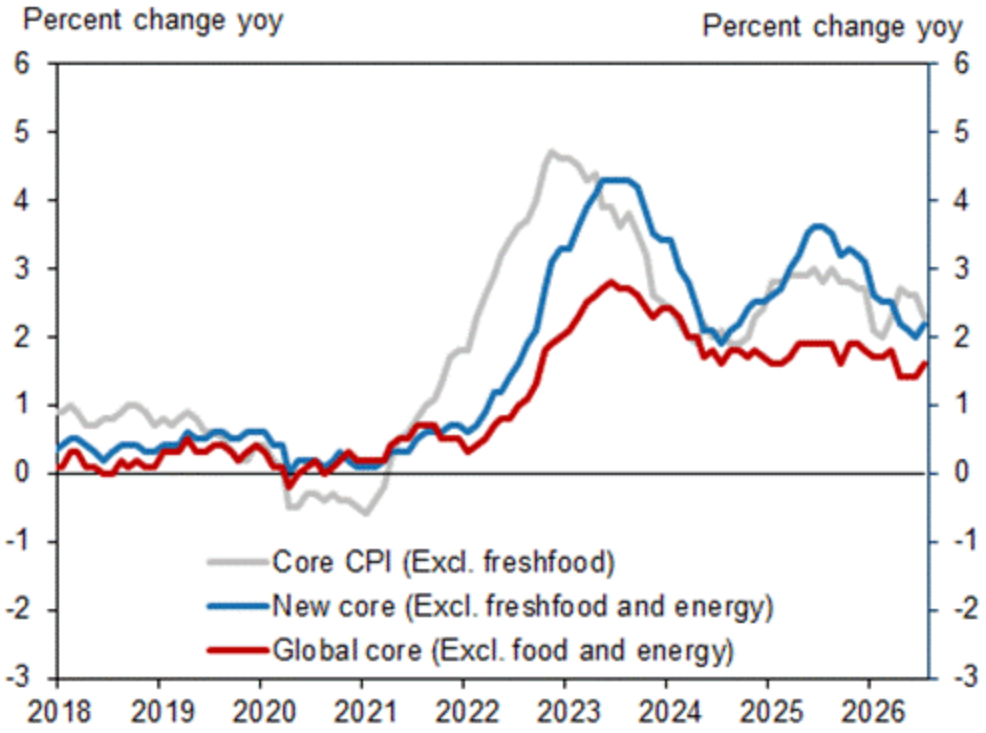
RATES STRATEGY (COLE): The BOJ is expected to hike this week, continuing the normalization process and effectively shifting toward a quarterly hiking cadence. However, the hurdle for moving to consecutive-meeting hikes remains high. Such a shift would require evidence that inflation risks are materially overshooting the BOJ's 2% objective. JPY weakness alone is sufficient to justify this week's move but not a sustained acceleration in tightening. Under-delivering relative to current pricing would risk renewed currency weakness, making USDJPY a key market variable around the meeting. The preferred view remains that the next BOJ hike occurs in December or January, rather than through consecutive-meeting tightening. Japan differs from the US and Europe in that policy is still not close to restrictive territory. The bar for Governor Ueda to signal a transition toward genuinely restrictive policy is extremely high. Unless inflation begins materially overshooting BOJ forecasts, further hawkish acceleration is unlikely.

IRP SALES (RANGWANI): With 3 x 25bps priced by April, including tomorrow's 25bps, and some risk of a back-to-back move (Nov at 7bps), it’s worth thinking about how BoJ could meet, exceed or miss expectations. Our bias is that with 1y1y rates at 2.2% pricing is quite full, perhaps reflecting recent Bessent commentary rather than BOJ shifts in thinking or domestic fundamentals. On hawkish side: dissents from either Takata or Tamura for 50bps would be meaningful. We have no outlook report but if Ueda shifted to talking about risks of underlying inflation overshooting 2% (in contrast to last outlook report that showed reaching in later half of projection period). On dovish side: looking out for any dissents from the newly appointed Takaichi governors (Kurita and Shizume). Or commentary from Ueda that need time to assess how the hike just delivered will impact the inflation outlook.

STIR TRADING (MAWER-DAVIES): We have seen broadly better paying of the front-end today. After the hawkish Fed, people think the BOJ will need to do even more. Positioning wise, we think it is slightly paid in BOJ dates and received 1y1y and 2y1y as a lot of people have sympathy with the view that terminal pricing is stretched, but don't have the appetite to fade.

G10 VOL TRADING (ALEXIS): All focus here on the BoJ tomorrow where we have 90bps of an implied gap in USDJPY. After a hawkish FOMC we feel risks here are very much skewed to the topside with 2 BoJ hikes priced into year end and JPY rates pricing the fastest rate of hikes across G10 curves. This asymmetry has been reflected in the flow we've seen with fast money looking to own topside gamma which looks cheap vs the ATM vol, as the market still holds significant intervention premium in the RR.

CHART 1: Inflation Rate Excluding Food and Energy Remains Flat Below 2%



4-GOAL Post: The name is bond — rethinking duration in balanced portfolios

- Global bond yields have risen sharply YTD, driven by stronger nominal growth, lingering inflation, fiscal concerns and increased competition for capital from AI. This follows the large bond sell-off in 2022. As a result, the past 5 years have been among the worst periods for bond investors in a century, although yields have only returned to long-run historical averages rather than exceptionally high levels.
- Are bonds becoming more attractive again for multi-asset portfolios? The optimal bond weight in a balanced portfolio will be conditioned by (1) relative return, (2) relative risk, (3) diversification

benefits and (4) the return on cash. Higher yields improve carry and prospective buy-and-hold returns; they also provide a larger cushion against further yield increases and thus lower risk.

- However, the return relative to equities will be driven mostly by equities, especially in the near term. And more inflation volatility, fiscal risks and less negative equity/bond correlations suggest that duration may provide less reliable protection than before the COVID-19 crisis. Finally, while bond term premia have picked up, they remain relatively low in a long-run context, lowering the incentive to increase duration.
- We see a case for a return to more 'normal' strategic bond allocations but the tactical case for adding long-dated bonds is mixed. In the very near term energy prices and central bank policy will likely drive both bonds and equities – rates relief would support both but continued increases in yields could weigh more on equities. However, over the next few months, resilient earnings growth should continue to support risk-adjusted returns for equities vs. bonds. That said, over longer horizons, higher starting yields should lift optimal bond allocations from the unusually low levels of the past five years towards historical norms.
- There is unlikely to be an immediate return to the simple 60/40 portfolio template. Investors should favour the parts of the curve with the best carry vs. convexity – with relatively low rates volatility, selective option overlays can help. We also like bond-like equities to improve diversification with a growing number of stocks with a negative beta. On the flip side, equity-like bonds such as convertibles look more attractive to improve asymmetry.

https://marquee.gs.com/content/research/en/reports/2026/09/17/d6fab24e-3c1f-4956-b22f-9dfc96aaccff.html

5-Brazil Copom: 25bp Selic Cut to 13.75%; Repeats Agnostic Forward Guidance (Ramos)

The Copom delivered another 25bp rate cut, driving the Selic to 13.75% (unanimous decision in line with GS and consensus). The policy statement remained short and broadly neutral. The Copom now sees evidence of a gradual deceleration of economic activity (rather than signs in the previous meeting), particularly among cyclical sectors, but overall activity is still judged at a “resilient level” and the labor market continues to be characterized as “hot”. The balance of risks for inflation did not change, with both upside and downside risks still characterized as higher than usual, “with upside bias”. The Copom closely monitors the de-anchoring of inflation expectations at longer horizons inasmuch as that impacts price formation and increases the cost of disinflation. No explicit Forward Guidance: the Copom reaffirmed “serenity and caution in the conduction of monetary policy” in the current environment marked by a significant increase in uncertainty, unanchored inflation, and heightened risks around its baseline scenario, and it will mo evolution of the macro baseline in order to preserve “an adequate monet restriction to assure the convergence of inflation to the target”. The Cop again that given “the dynamics of the risks associated to the evolution of magnitude of the calibration cycle will be set in light of new information



aiming to ensure that inflation converges to the target. The conditional inflation forecasts did not change in a significant way: headline inflation forecasted at 3.9% by 4Q27 (vs 3.8% in Aug), and unchanged at 3.2% for 1Q28, but among freely-determined prices inflation is forecast at 4.1% (+20bp)/3.2% (+10bp) for 4Q27/1Q28. We expect Nov to be a live meeting for a follow-up Selic cut but at this juncture we see limited near-term policy room for additional significant accommodation given the above-target conditional inflation forecasts across the entire relevant horizon. We will look to assess our Selic trajectory following the release of the minutes next week.

https://marquee.gs.com/content/research/en/reports/2026/09/16/93e3330f-b122-490f-8d82-49da8e746145.html