GS TWIG Notes: This Week in Global Research - October 16, 2026

TWIG NOTES This Week in Global Research — Goldman Sachs

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macro issues we're watching

How to position in everything, everywhere, all at once

- While higher yields, fiscal concerns, AI-related capital competition and inflation uncertainty still argue for tactical caution on duration, the combination of higher carry, improved return asymmetry and lower expected inflation points to more normal strategic allocations to bonds writes Christian Mueller-Glissmann in "Giving credit to balance: bonds gradually moving from headwind to hedge." As for stocks, equity valuations have de-rated, despite robust earnings growth. We raise equities to Overweight on a 3-month basis, but also shift bonds to Overweight on a 12-month basis.

Staying focused on rates and the impact from the overhang

- The Fed moving from cutting rates to hiking, rising inflation risks as a result of the US-Iran War, receding labor stress, a better global growth outlook, and higher yields outside the US have all conspired to drive up Treasury yields this year writes Will Marshall in "The Factors Behind the Rise in US Yields." And Moody's Mark Zandi sees one-in-three odds of the economy going off the rails because of the move in rates we have already experienced, while others are less concerned, writes Allison Nathan in a fresh Top of Mind note, "Higher bond yields: how concerning?" Key to watch: whether the increasingly interconnected and leveraged AI investment boom can continue to withstand higher rates.
- Drilling down on the economic impact, Johan Allen estimates that the average developed market economy loses 0.6% of GDP within a year of a 100bp rise in rates as housing investment, consumer spending, and business investment decline, and the interest burden on government debt intensifies in "DM Growth Rules of Thumb for Higher Rates." As for Credit, Sara Grut seeks out higher yields while taking on limited duration risk in "When Higher Yields Become Less Supportive." Lean into USD over EUR and BBBs over AAs and As. See also "USA:

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Warsh Does Not Address October FOMC Meeting but Says "World Has Broadly Conformed to Our Expectations" Since Last Meeting," "USA: Core CPI Above Expectations; Estimating 0.32% for September Core PCE," and "Mortgage rates reach 7.4%: An affordability headwind, not a housing market breaker."

As goes AI, so goes growth?

- In China, almost $5tn of market cap has been created by AI-related public equities via price gains and IPOs in less than two years, writes Kinger Lau in "AI Changes The Game: China is coming." Lean into: Chinese AI export leaders; select domestic Chinese AI champions; and our refreshed China Select AI Portfolio.
- Separately, in the US, Jessica Rindels and David Mericle estimate that AI impulses are currently boosting core PCE by ~45bps in "The Impact of AI Demand on Inflation." How? AI demand is making hardware and software more expensive (although also more productive), and driving up the cost of power and some industrial metals. The good news: 45bp is not a huge spike, and we think we are near the peak AI inflation impulse.
- How are we going to finance all of this? Well, it's taking a lot of debt. Amanda Lynam highlights how USD project finance issuance has already tripled the total amount raised in 2025, as neoclouds and other hyperscalers tap the markets in "AI, Credit, and a Higher Cost of Capital." And while funding costs have risen for some issuers lately, they have not risen for all, and we see upside to next year's issuance. Focus on: careful underwriting.
- Finally, in the UK, it's not AI that's holding up growth, but rather a resilient consumer and corporate executive, global activity, and the weather combining to accelerate GDP growth this year, writes James Moberly in "UK: Will Growth Resilience Continue?" See also "UK: Large Economic Upside from Closer EU Relations."

the important issues our sector analysts are watching

Touch 'em all: Music, Banks, Real Estate & Animal Health

- **Music.** Stephen Laszczyk and Eric Sheridan raise our music industry growth forecast (+5.8% 2025-35E CAGR) driven by subscription pricing, improved ad-supported economics, and GenAI's impact across DSPs, labels, and rights holders in "Music in the Air: 10 Years on." Favor **SPOT**, **GOOGL**, **TME**, **SONY**, **LYV**, **HYBE**, and **NTES**.
- **Financials.** Kazim Andac highlights that higher-for-longer rates will not have a uniform impact on the four GCC systems, implying a dispersion exceeding any difference in credit quality, capital or efficiency embedded in valuation in "MENA Banks: The repricing ladder, not the franchise, decides who earns from higher interest rates." Separately, lean into select real estate in Singapore as the current rate hike cycle is shorter and shallower, underlying economic conditions are healthier, and real estate fundamentals remain sound, writes Xuan Tan in "A different rates cycle suggests sector correction overdone."
- **Animal Health.** Focus on company-specific growth and innovation across Animal Health amid increased competition and a post-COVID hangover, writes Matt

Dellatorre in "Initiate at Buy on **ELAN** and **IDXX**, Neutral on **ZTS**."

AI Corner: From AI inference to Data Centers

- **Memory.** Jim Schneider believes High-Bandwidth Flash (HBF) could solve AI inference memory constraint, potentially reaching a $40-$150B TAM by 2030E, while also lowering costs by ~30% in "High-performance NAND could help crumble the AI "memory wall"." Separately, Chao Wang expects the BT substrate (specialized micro-circuit boards used to mount/connect memory chips and processors to motherboards) TAM to expand at a 32% 2026-28E CAGR, with the industry supply/demand gap widening to 11%/14% in 2027/28E from 1% in 2026E in "BT substrates industry update: Structural changes in S/D conditions." Finally, in China, Giuni Lee believes it's still too early to gauge the impact of **CXMT**'s recently announced server-memory product based on '4F²' architecture in "Our take on CXMT's 4F2 announcement."
- **Chip Makers.** Both **ASML** and **TSMC** highlighted that AI demand is still outpacing supply, even as they work to expand capacity, write Alex Duval and Evelyn Yu in "**ASML**: Pricing step-up and favorable mix drive margin outlook" and "**TSMC**: AI demand outlook shows no signs of slowdown."
- **Data Centers.** In the US, Joe Ritchie leans into Applied HVAC as data center demand drives strong backlog growth, while increasing competition pressures Resi HVAC pricing in "HVAC Spotlight: **TT** up to Buy, **LII** and **CARR** down to Neutral." Separately, focus on capacity bottlenecks across the global data center value chain, including hard infrastructure challenges today; newer challenges like cooling, water, HVAC, and water; and emerging community and regulatory concerns, writes Xavier Zhang in "Data Centers: From Commitments to Capacity." Finally, Chris Boulus look for a 0.7GW shortfall in ANZ by 2030E as data center demand materially outpaces supply in "Initiating our ANZ Data Centre Supply-Demand model."

On the Road across the world

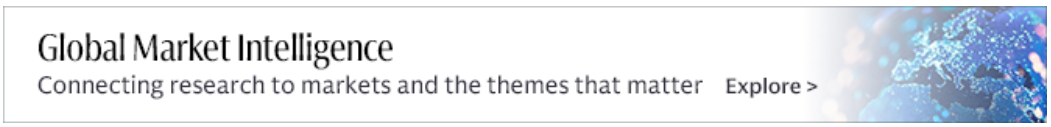
- Noah Poponak continues to prefer defense tech vs. legacy defense, as we see greater growth and margin expansion, driven by exposure to priority areas of spending and better ability to run commercial models, "Takeaways from AUSA 2026."
- Our Asia Energy Tour reinforced our confidence in a tight near-term global LNG S/D backdrop, but could weaken as supply growth outpaces demand growth later this decade writes John Mackay in "Asia Energy Tour: Takeaways on Global LNG."
- Corporates and experts at the 2026 China International Industrial Fair (CIIF) expect sustained or improving growth across factory automation (FA), robotics and supply-chain into 2027, writes Jacqueline Du in "2026 CIIF trip takeaways."
- Finally, Asad Haider and Salveen Richter preview key cancer data ahead of next week's ESMO conference in "**MRK**: Upcoming ESMO Conference to Feature Key Data," "**MRNA**: Framing the setup into ESMO," "**SMMT**: Phase 3 ivonescimab data in the spotlight at ESMO," and "Framing RAS debates heading into ESMO."

Nuts and bolts and things that go

- **Old & New Energy.** The cost of shipping crude has risen sharply this year, becoming a material component of the delivered oil, driving wide divergence around the globe, and a return to regional trading in a traditionally global market, write Michele Delle Vigna and Nikhil Bhandari in "Quantifying transportation costs by oil company" and "Asia Refining: Navigating the freight shock." Separately, while our battery supply-demand model suggests we might be approaching a cyclical bottom in batteries, we await more confirmation from capacity closures and stronger EV penetration writes Bhandari in "ESS helps, but we are not yet calling a cyclical bottom in batteries." Favor: **LG Chem**, **LGES**, and **CATL**.
- **Logistics**. Ronald Keung believes decelerating online consumption, converging volume and e-commerce GMV growth, and persistent overcapacity from pipeline sorting centers, will weigh on China's domestic logistics sector's profit growth in "Turning incrementally cautious on profit reset."
- **African Gold**. Following a period of portfolio rationalization, cost discipline and balance sheet repair, African gold miners are entering the current cycle with strong margins, low leverage and attractive free cash flow generation, writes Matt Greene in "More Than Just Gold: Initiating on African Gold Miners." Buy **AGA** and **EDV**.

Five single stocks in focus

- **ZETA.** Callie Valenti believes the US software maker should benefit from growing demand for data, legacy marketing-cloud replacement, and its partnership with PLTR in "Looking Past the Rally, Zeta's Data Advantage Widens: ZETA up to Buy."
- **Technip Energies.** Michele Della Vigna believes by accelerating gas supply diversification could drive ~€10bn of incremental backlog, revenue growth, and margin expansion at the the French oil services company in "Upgrade to Buy."
- **IWG.** Look for earnings, revenue, and margin growth at the world's largest flexible office provider as it shifts its portfolio towards higher-margin, capital-light agreements, writes Rebecca Parker in "Initiate at Buy."
- **GXO.** Patrick Creuset believes the #2 player in the fragmented, and growing, contract logistics (CL) market is well-positioned to benefit from datacenter logistics, warehouse automation, and robotics growth in "Up to Buy."
- **BCP.** Look for the Portuguese banks to deliver above-sector-average EPS and ROTE growth, driven by solid lending volume growth and reduced legal risk provisions related to CHF mortgages, writes Sofie Peterzens in "Upgrade to Buy."



webinars, conferences, podcasts & replays

Upcoming Webinars

- **October 19th @ 8 AM ET – A Discussion with GS' Consumer Specialist & Trader** with Kate McShane (GIR), Brooke Roach (GIR), Jon Keypour (GIR), Eric Mihelc (GBM) & Scott Feiler (GBM) | Click here to register
- **October 19th @ 10 AM ET – GOAL: Asset Allocation: Cross-Asset Views into Fall and Beyond** with Christian Mueller-Glissmann, Will Marshall & Ryan Hammond; moderated by Chris Hussey | Click here to register
- **October 19th @ 8:30 PM ET – Credit Strategy: AI, Credit and a Higher Cost of Capital** with Amanda Lynam (GIR); moderated by Dani Wojdyla (GBM) | Click here to register
- **October 20th @ 8:30 AM ET – Midterm Election Preview** with Alec Phillips, Ben Snider, Dom Wilson & Daan Struyven; moderated by Allison Nathan | Click here to register
- **October 20th @ 9 AM ET – Expert Call: UK Housing with Zoopla** with Richard Donnell, Executive Director at Zoopla; moderated by Rebecca Parker & Adam Berlin | Click here to register
- **October 20th@ 10 AM ET – Digital Ad Expert Webinar with SensorTower/Pathmatics: The Current State of Q3 Digital Advertising Trends** with Seema Sha, Senior Director of Research, SensorTower & Andrew Sprague, Head of Financial Services Vertical, SensorTower; moderated by Eric Sheridan & Alex Vegliante | Click here to register
- **October 20th @ 11 AM ET – Tracking the AI infrastructure buildout: taking the pulse of data center & semiconductor construction trends with Aterio** with Javier Reyes, Aterio Head of Data Center Data; Jordan Pin, Aterio Energy Analyst; Daud Shiraz, Aterio Data Center Analyst & Sergio Toro, Aterio Director; moderated by Adam Bubes, Joe Ritchie & Daniela Costa | Click here to register
- **October 21st @ 1 PM ET – GBM: Monthly US Equity Flow & Positioning Webinar** with John Flood (GBM), Vincent Lin (GBM) & Lou Miller (GBM); moderated by Stephanie Chou | Click here to register

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Recent Podcasts

- Research Unplugged: The State of Biopharma into YE26+ with Salveen Richter, Asad Haider, Rajan Sharma, Joseph Briggs, Ben Snider, Steve Pastrick & Chris Hussey
- On the Road with Goldman Sachs: Semis, Snacks & More Out West with Jim Schneider, Bonnie Herzog, Leah Jordan & Sarah Herr
- Research Unplugged: What to watch into 3Q and feedback from recent trips incl. Data Center World with Daniela Costa, Christian Hinderaker, Jeremy Elster & Sahar Islam

- Research Unplugged: El Nino: Commodity implications and what it means for Food names with Lina Thomas, Sam Darbyshire & Sahar Islam
- Research Unplugged: UK Budget: Macro to Micro with James Moberly, Michael Cahill, Sharon Bell, Simon Freycenet, Ben Caven-Roberts, Ajay Patel, Sam Burgess & Sahar Islam
- On the Road with Goldman Sachs - European Edition: What we learned on Spanish Telcos, Agentic AI and Satellite risk with Andrew Lee, Mollie Witcombe & Sahar Islam
- Inside the Model: Focus on Midstream with John Mackay & Chris Hussey
- Thesis in Charts: Geely Auto – Key growth driver shifting to overseas with ample room for expansion – Initiate at Buy with Tina Hou
- On the Road with Goldman Sachs: Big Box Retail in Texas & Physical AI in Connecticut with Kate McShane, Mark Delaney & Sarah Herr
- Research Unplugged: Behind-the-Meter Power Solutions for Data Centers: Gas Turbines, Fuel Cells & Reciprocating Engines with Michele Della Vigna, Joe Ritchie, Daniela Costa, Ajay Patel, Carly Davenport, Anastasia Shalaeva & Sahar Islam
- Research Unplugged: France 2027:Time to Re-engage? with Alexandre Stott, Simon Freycenet, Guillaume Jaisson & Sahar Islam
- Research Unplugged: Luxury Initiations: Brave New World with Erwan Rambourg & Sahar Islam
- Inside the Model: Focus on Industrials with Joe Ritchie & Steve Kron

Please visit the "Research Unplugged" page for all podcasts

Upcoming Conferences

- **October 19th: Healthcare Private Company Conference** | New York | Visit Conference Website
- **October 20-21st: Global Metals & Mining Conference** | London | Visit Conference Website
- **November 10th: 7th Annual Carbonomics Conference** | London | Visit Conference Website
- **November 24-25th: European AI and Semis Symposium** | London/Virtual | Visit Conference Website
- **November 30-December 3rd: 18th Annual Industrials & Autos Week** | London | Visit Conference Website
- **November 30-December 4th: Japan Conference 2026** | Tokyo | Visit Conference Website
- **December 1st: 17th Annual Aircraft Leasing Conference** | New York | Visit Conference Website
- **December 2-3rd: Industrials and Materials Conference** | New York | Visit Conference Website
- **December 7-9th: Financial Services Conference** | New York | Visit Conference

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Webinar Replays

- **Korea Trading & Strategy: Flows, Feedback and Positioning** with Timothy Moe (GIR), Chris Cha (GBM) & Fred Pripp (GBM); moderated by Michael Snaith (GIR) | Click here for replay
- **Expert Network Series: 2027 Enterprise IT Spending Outlook with Channel Expert** with Tom Ducatelli, Former SVP of Sales at SHI; moderated by Kat Murphy | Click here for replay
- **China Strategy: AI Changes the Game - China is Coming** with Kinger Lau, Si Fu & Kevin Wang; moderated by Michael Snaith | Click here for replay
- **ANZ Data Centers: The Digital Infrastructure Era - Sector Initiation** with Chris Boulus & Jamie Laskovski; moderated by Michael Snaith | Click here for replay
- **Cross Asset Strategy: Better asymmetry into Q3 earnings** with Christian Mueller-Glissmann (GIR); moderated by Dani Wojdyla (GBM) | Click here for replay
- **CPI First-Take** with Ronnie Walker (GIR) & Will Marshall (GIR); moderated by Gabe Tkach (GBM) | Click here to replay
- **Japan Industrials: Setup into CY3Q26 Results** with Yuichiro Isaya; moderated by Michael Snaith | Click here to replay
- **Investing in a Differentiated Asia** with Timothy Moe; moderated by Michael Snaith | Click here to replay
- **Global Shipbuilding: 2027 Outlook: Bullish on the Upcycle** with Herbert Lu & Norihiro Miyazaki; moderated by Michael Snaith | Click here to replay
- **Fireside chat with Head of Cybersecurity and Risk at Goldman Sachs: AI Agents adoption and Cybersecurity risk** with Leke Osinubi, Chief Digital Risk Officer for Engineering (CDRO) and Chief Information Security Officer (CISO) for GS Bank USA; moderated by Alberto Gandolfi; Mohammed Moawalla & Alexander Duval | Click here to replay
- **India Macro to Micro: RBI Tightening Cycle & Banks Earnings Outlook** with Santanu Sengupta & Sumeet Kariwala; moderated by Michael Snaith | Click here to replay
- **Sector Specialist Webinar: P.E.P. Talk – Pre-EPS Playbook** with Pete Callahan (GBM), Scott Feiler (GBM), Christian DeGrasse (GBM), Ryan Novak (GBM), Jon Chan (GBM), Peter Davis (GBM), Adam Wijaya (GBM) & Alexander Joseph (GBM); moderated by Daniel Dickerson (GBM) | Click here to replay
- **Global Lithium: Cautious on Supply-Demand Balance into 2027E** with Trina Chen, Joy Zhang & Hugo Nicolaci; moderated by Michael Snaith | Click here to replay
- **Global Debt Issuance: Trends, Forecasts and Ratings Implications** with Shamshad Ali; moderated by George Tong | Click here to replay
- **China AI Models: Z.AI upgrade, Monetization Path & Competition Landscape**

with Ronald Keung; moderated by Michael Snaith | Click here to replay

- **US Midterms: Expectations and Market Implications** with Alec Phillips (GIR) & Dominic Wilson (GIR); moderated by Faraz Munaim (GBM) | Click here to replay
- **Behind-the-Meter Power: Reassessing the Demand Outlook** with Michele Della Vigna & Nick Zheng; moderated by Michael Snaith | Click here to replay
- **Industrial/Logistics Panel – Private Real Estate Webinar Series 2026** with Scott Sealy, Jr., Chairman & CEO, Sealy & Company; Steven Stein, Partner, National Head of Leasing, Portfolio Manager, US Value Funds, EQT Partners; and Devin Barnwell, Managing Partner, Real Estate, Brookfield; moderated by Caitlin Burrows | Click here to replay
- **LMBA Precious Metal Conference Webcast** with Adam Gillard (GBM) & Lina Thomas (GIR) | Click here to replay
- **China Commodities: Field Trip Takeaways** with Trina Chen & Joy Zhang; moderated by Michael Snaith | Click here to replay
- **US Ag Chem Retail: Pricing & Volume Trends** with Greg Malcom, Executive Director, Client Success, Kynetec USA, Inc & Nathaniel Cohn, Founder, Data Mosaic Advisors LLC; moderated by Duffy Fischer | Click here to replay
- **Single Family Rental Panel – Private Real Estate Webinar Series 2026** with Chris Avallone, CFO, Amherst Residential; Dave Feldman, CEO, Progress Residential; and David Todd, Managing Partner, Real Estate Brookfield; moderated by Julien Blouin | Click here to replay
- **Brazil Elections First Round Takeaways** with Alberto Ramos (GIR), Carlos Loureiro (GBM) & Thiago Marinheiro (GBM); moderated Fabiano Ribeiro (GBM) | Click here to replay

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