US Flows // Themes: Mkts/Fed | Geopolitics/Energy | Breadth/Rotation | Performance/Positioning | Single Stocks | Risk Views | Week Ahead

26 October 2026 | 7:02 PM China Standard Time



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FICC & Equities

Mkts/Fed – US equities logged another fragmented week dominated by intraday dispersion as **S&P was lower the week -0.47%** (closing below its 50DMA for a 2nd straight week), Nasdaq -0.71% while Small Caps R2K surged +2.00%. Fixed income served as the primary haven asset as **Treasuries bull-flattened** with 2YR -5bps to 4.69%, 10-year -9bps to 5.00% (falling 17 bp on Thursday alone). **DXY** was flat. **Gold** -4.1%, down for second straight week. **WTI** rally continued +4.3% (3rd consecutive weekly gains). Yields pullback took place while Fed remained in official blackout ahead **October FOMC meeting on Wed** as the key macro event for this week with focus mostly on Chair Wash presser (more below) as the pause is mostly priced in (~90% probability of a hold in rate futures mkts).

Geopolitics/Energy – Crude broke out to multi-month highs as physical supply threats and infrastructure strikes overshadowed diplomatic manoeuvres. **Brent** (December) was +6.24% to settle at $116.72 (trading above $117 Friday, its highest print since April 29) . Geopolitical risk premium higher following Houthi missile and drone strikes directly targeting Saudi energy installations while the US State Department ordered non-essential staff out of Saudi. Latest Kpler data showed **transit flows through the Strait of Hormuz running at 11.6m b/d** (~68% of pre-war baseline) but longer-term resolutions still stalling over the weekend the Iranian envoy backchannel overtures offering to reopen. Physical cost pressures are compounding across corporate supply chains with **XLE +1.6% last week to a fresh record high** (see relative YTD perf vs SPX in chart below).

Breadth/Rotation – The tape executed a pronounced **defensive and small-cap rotation at the expense of mega-cap/Tech**. **RSP outperformed SPX by ~160bps**, while small-cap cyclicals (RUT +2.00%). S&P sector performance reflected flight to safety with re-allocation into real-economy assets and cash flow defensives: **Energy** (+1.55%), **Healthcare** (+1.45%), **Real Estate** (+0.85%) led the tape vs **Communication Services** (-6.22%) and **Industrials** (-1.87%) were the primary drags. Tech was under-pressure again last week closing -0.25%, with SMH -2.33% and SOX -3.21%. Here GS Prime team (more below) noted **Global Tech re largest 2-week net selling on record** (-3.3 SDs), driven by heavy long sales. SPX b showed some improvements but remain near multi-decades low as the median SP trades ~13% below its 52-week highs vs SPX ~2.% (chart below).



Performance/ Positioning - GS PB data (more below) confirmed **accelerating de-grossing and more performance drawdown** across institutional L/S investors (-1.28% vs. MSCI World TR -0.76% driven by -0.98% beta and -0.30% alpha) as short-side hedges failed during the rotation. This is consistent with GS US Strategy **highlighting HF VIP long/short pair (GSTHVIPP) dropped -4% on Thursday** (worst a single-day drawdown in the past 10yrs outside of DeepSeek in January 2025 and the March 2020 pandemic period – chart below). De-risking pushed **Fundamental L/S Net leverage down 1.7 percentage points to 47.0%** (a fresh 1-year low and registering close to 5-year lows) while Gross leverage rose 0.8 percentage points to 211.7% (63rd percentile 1-year). This is in a context of **Global equities net sold for a 3rd straight week** (-0.6 SDs 1-year), with long liquidations outpacing short covers 3.4 to 1. Energy was net sold at its fastest pace in five months (via both long and short sales). Finally, GS Sentiment Indicator also consistent with light positioning as it remained negative for a 7th consecutive week at -0.2 SD (chart below).

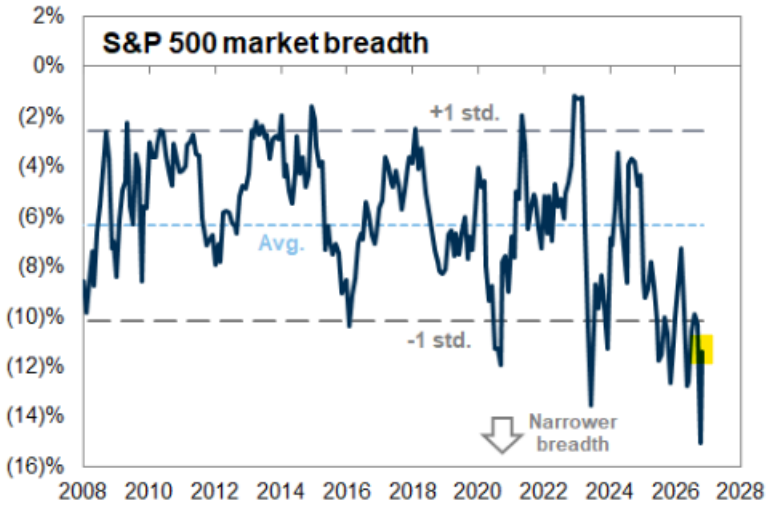
Single Stocks – For single stocks investors, last week saw a mix of Earnings releases, capital structure shifts, and M&A contributing to the volatility in the tape. A few highlights included: **Tesla** +4.9% beat on robust free cash flow and FSD take-rates, though upside was aided by lower capital expenditures; **Western Digital** (+3.5%) beat and raised, citing supply constraints and visibility extending into 2030–31; **Texas Instruments** (+2.9%) beat and raised on cyclical industrial inflections; **Salesforce** (+3.3%) announced an agreement to acquire Braze (+56.4%) in a $5.6B transaction; **Instacart** (+13.3%) climbed on reports it is exploring a sale; **Skyryse** (SKYD +12.5%) rallied on a reported $1B investment from Elon Musk; **Procter & Gamble** (+1.0%) delivered an organic growth beat; **General Electric** (-8.9%) fell despite an earnings beat as aerospace margins failed to satisfy elevated multiple expectations; **Netflix** (-6.6%) declined on soft Q4 revenue guidance and ad-tier deceleration; **Bloom Energy** (-12.7%) fell despite a beat-and-raise on valuation friction; **United Airlines** (+1.9%) saw strong passenger yields overshadowed by an aggressive fuel-driven reset to Q4 guidance; **Moderna** (-8.2%) dropped after premature Phase 3 cancer vaccine trial data leaked.

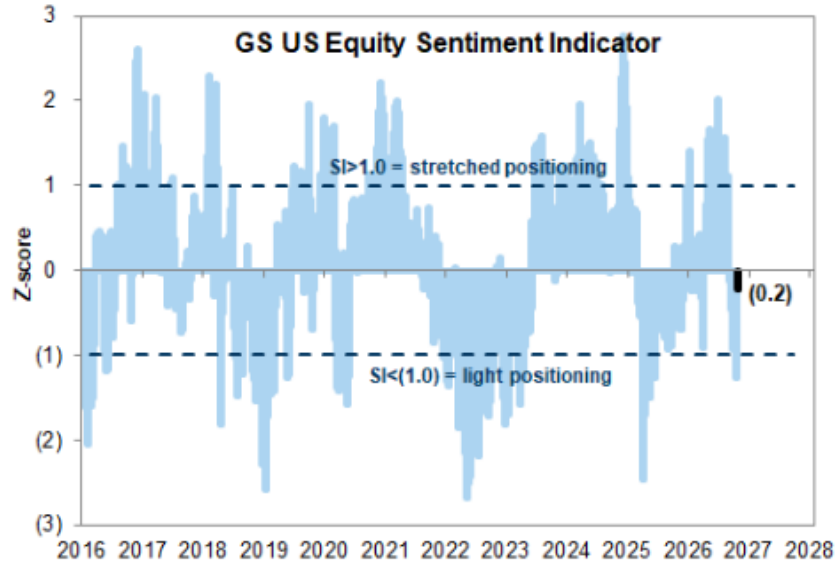
Risk Views – latest comment on **positioning asymmetry, energy tails, and the broader risk landscape** from GS Trading colleague **Rich Privo** worth a flag this morning: “Hard to have high conviction and I think most I speak to are playing defense. Gross feels tricky, performance bleeding across strategies and political events next week make taking a big swing difficult. Energy remains critical. Still confused by a policy that effectively telegraphed escalation and allowed markets to pre-price an energy shock. Perhaps the strategy is maximum military pressure ahead of a last minute grand bargain (talks ongoing today). Positioning, sentiment and performance all severely constrained…. shorts squeezing, nothing working. Usually darkest before the dawn and arguably it probably wouldn’t take much to stabilize risk, but we’re lacking a catalyst. Hyperscaler guidance and the Fed are obvious opportunities, although risks appear two sided on both. Watching credit"

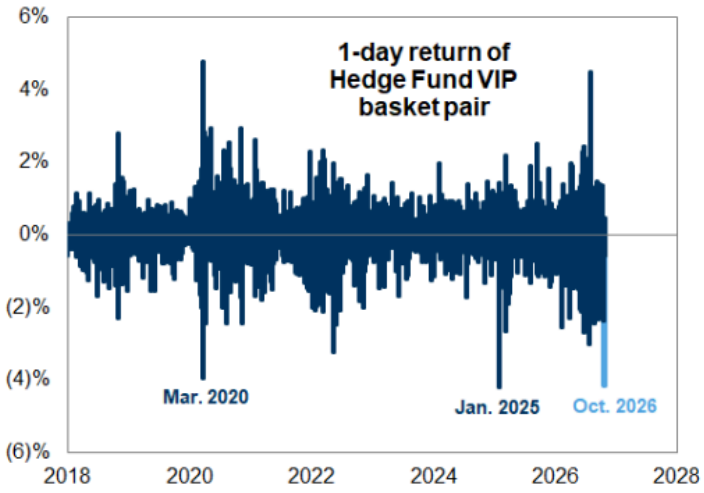
Week Ahead – Busy week ahead on both macro and micro calendars. In the macro space, the key focus will be on FOMC meeting on Wednesday while the macro release docket includes Durable Goods Orders on Tuesday (8:30 AM ET, GS +3.0% vs. +1.9% consensus; core capital goods orders GS +0.6%) and on Advance Q3 GDP (8:30 AM ET, GS +3.3% annualized vs. +3.2% consensus) and Core PCE Price Index (GS +0.34% MoM / +3.11% YoY; headline +0.51% MoM / +3.64% YoY), and Initial Jobless Claims (GS 205k) on Thursday. In the single stocks instead, very

busy Earnings docket as we are now entering the **busiest week for SPX earnings with >30% of Index mkt cap due to report** (including key mega-caps). Here are a few focus prints to look out for on Monday: **VZ**; Tuesday: **BA, KO, RCL, UPS, HOOD, STX, TER, V**; Wednesday: **CHRW, ODFL, WING GOOGL, CVNA, CMG, EBAY, FDX, F, MGM, MSFT, NOW, TMUS**; Thursday: **CARR, CAT, DHI, LLY, HSY, MA, NBIS, NCLH, XPO, AMZN, COIN, INTC, MDLZ, MNST, RDDT, SNDK, SBUX;** Friday: **ABBV, CVX, CL, GD** (sources: GS, Bloomberg, StreetAccount).









Source: Goldman Sachs Global Investment Research

Key Takeaways below from GS Research, Trading Floor/Execution, Prime & beyond:

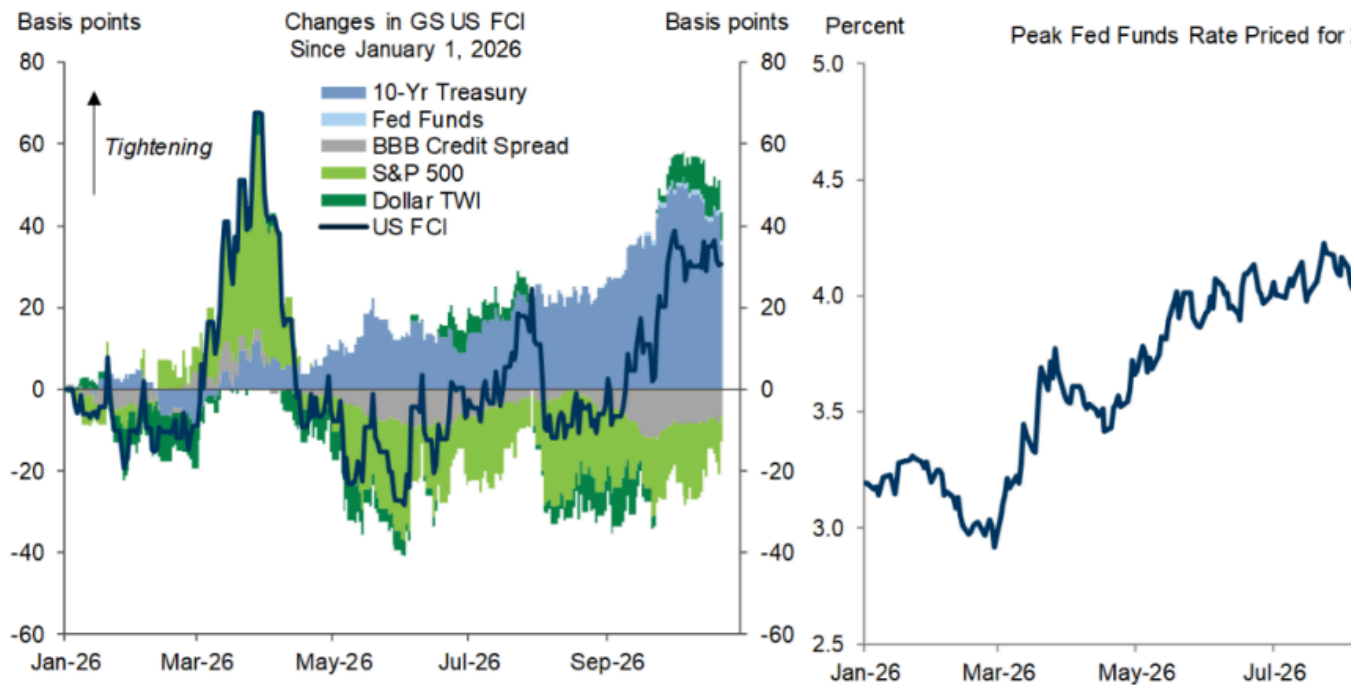
Fed Preview – David Mericle expects the Fed to hold this week, with the Fed focusing on a slower hiking cadence rather than the end of tightening**, followed by a final 25bp hike in December.** March is the key risk if inflation stays sticky, but **the base case is that fading tariff, energy and AI price pressures allow the Fed to stop despite markets pricing a materially more hawkish path.**

- **David's base case is for the FOMC to leave rates unchanged this week after September's hike, reflecting an emerging compromise to move at an every-other-meeting pace rather than hike consecutively**. That points to a second and final 25bp hike in December. The recent hawkish pivot has already tightened financial conditions, but only by around 30bp, which he estimates is just slightly more than the typical impact of one 25bp hike and far less than would normally accompany the four hikes markets have priced. As a result, the Fed is unlikely to view the tightening in financial conditions as either excessive or a substitute for further policy action.

- **The key question is how the FOMC replaces September's language around that month's hike. David thinks policymakers may stress that "further adjustments" depend on trends in the data, the outlook and balance of risks, implicitly signalling they want more evidence before each move.** Meanwhile, there is a high bar to deviating from the every-other-meeting plan through year-end, limiting the scope for Chair Warsh to move markets materially at the press conference. His decision not to flag the slower hiking pace in September also suggests he may prefer other FOMC participants to communicate future changes in direction.

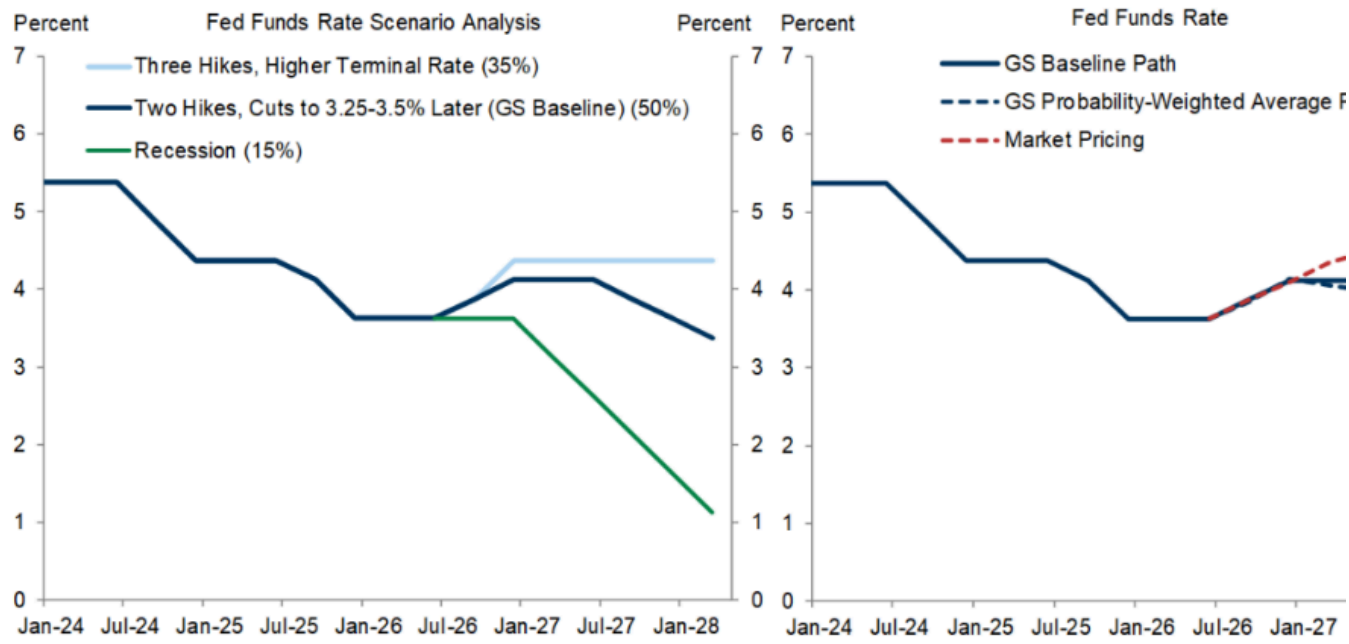
- **By the March 2027 meeting the Fed will have five additional months of inflation data, and David expects inflation to improve sufficiently to avoid another hike. Tariffs, the energy shock and the mismeasured component of AI-related price pressures together explain the entire 1.1pp current core PCE overshoot above the 2% target.** Tariff passthrough should fade, while AI-driven inflation is expected to peak around end-2026 and fall sharply during 2027. However, higher oil prices have already added roughly 0.3pp to core PCE, with the potential for another 0.1-0.15pp under David's baseline and more if oil follows the higher futures curve.

Exhibit 1: Financial Conditions Have Begun to Tighten More Meaningfully Since September, Though the Tightening Remains Limited Rela
Market Expectations for the Fed's Path



Source: Goldman Sachs Global Investment Research

Exhibit 7: Our Baseline and Probability-Weighted Fed Forecasts Are Less Hawkish Than Market Pricing, Both Because We Expect Only Two Hik Expect Cuts Further Down the Road



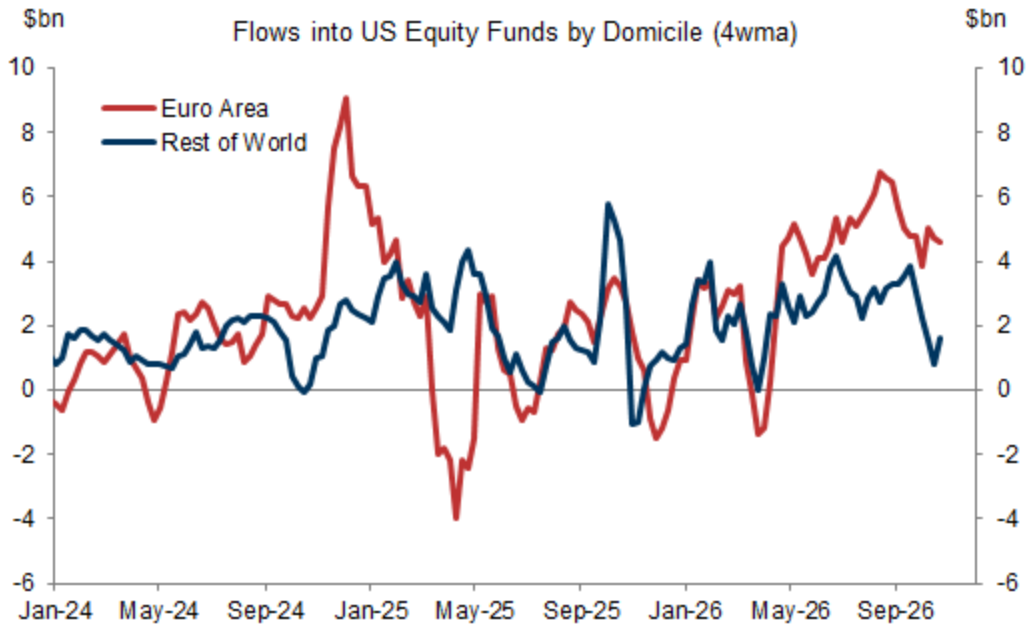
Source: Goldman Sachs Global Investment Research

Fund Flows – GS weekly analysis into mutual funds/related investment products showed **positive net inflows into equities** (+$56bn vs +$65bn in the previous week) and **firm demand for bonds**, with **money market fund assets increasing** by +$29bn.

- **Equity:** Global equity funds saw net inflows in the week ending October 21 (+$56bn vs +$65bn in the previous week). DM saw continued strength in net inflows driven by US and Japan funds. EM also saw meaningful net inflows driven by continued inflows in Mainland China, Taiwan, and Korea funds, with Taiwan and Korea funds in particular having seen outsized inflows over the past several weeks. At the sector level, technology funds saw the largest net inflows despite recent AI-driven volatility in the equity market while consumer goods funds saw the largest net outflows.

- **Fixed Income:** Flows into global **fixed income** funds remained largely well-supported. Short- and long-duration bond funds and inflation-protected bond funds saw inflows in the week ending October 21. In EM, hard-currency bond funds saw continued net outflows while local-currency bond funds saw net inflows.

- **MMFS: Money market** fund assets increased by $29bn.



Hedge Funds/Prime – GS PB weekly analysis showed Fundamental L/S Performance Estimate fell -1.28% between 10/16 and 10/22 (vs MSCI World TR -0.76%), driven by beta of -0.98% and alpha of -0.30% on the back of short side losses. The GS Equity Systematic L/S Performance Estimate fell -1.26% during the same period, driven by alpha of -1.63% on the back of short side losses, partially offset by beta of +0.38% Overall book Gross leverage +0.6 pts to 312.3% (79th percentile 1-year) and Net leverage -0.9 pts to 71.8% (3rd percentile 1-year). **Global equities were net sold for a 3rd straight week (-0.6 SDs 1-year) as de-grossing activity continued to accelerate, driven by long sales outpacing short covers (3.4 to 1). Global Info Tech stocks saw the largest 2-week % net selling (Oct 5th – Oct 16th) on our record, while Mag 7 net exposure has risen to a new record high.**

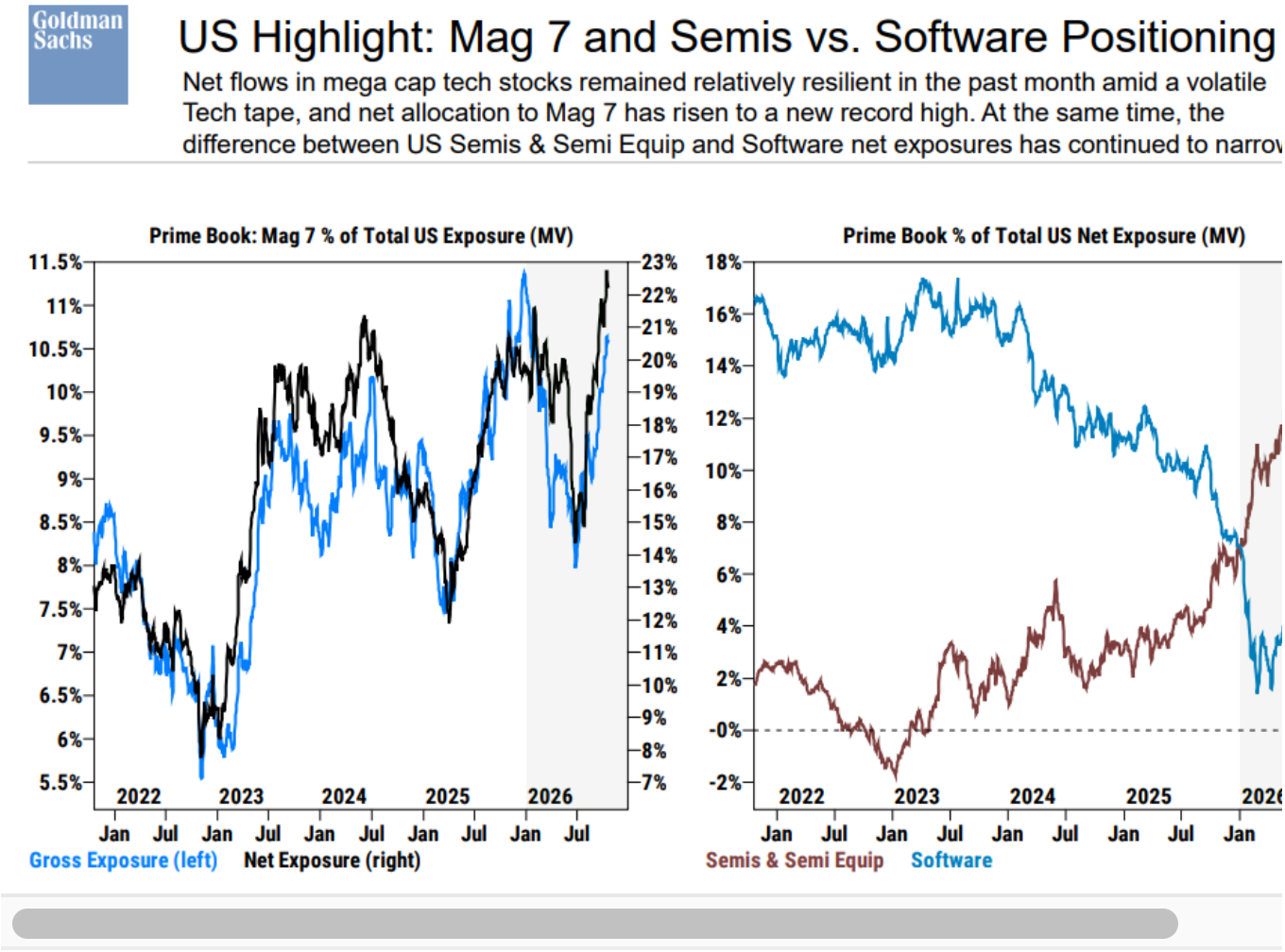
- **Performance**: The GS Equity Fundamental L/S Performance Estimate fell -1.28% between 10/16 and 10/22 (vs MSCI World TR -0.76%), driven by beta of -0.98% and alpha of -0.30% on the back of short side losses. The GS Equity Systematic L/S Performance Estimate fell -1.26% during the same period, driven by alpha of -1.63% on the back of short side losses, partially offset by beta of +0.38%

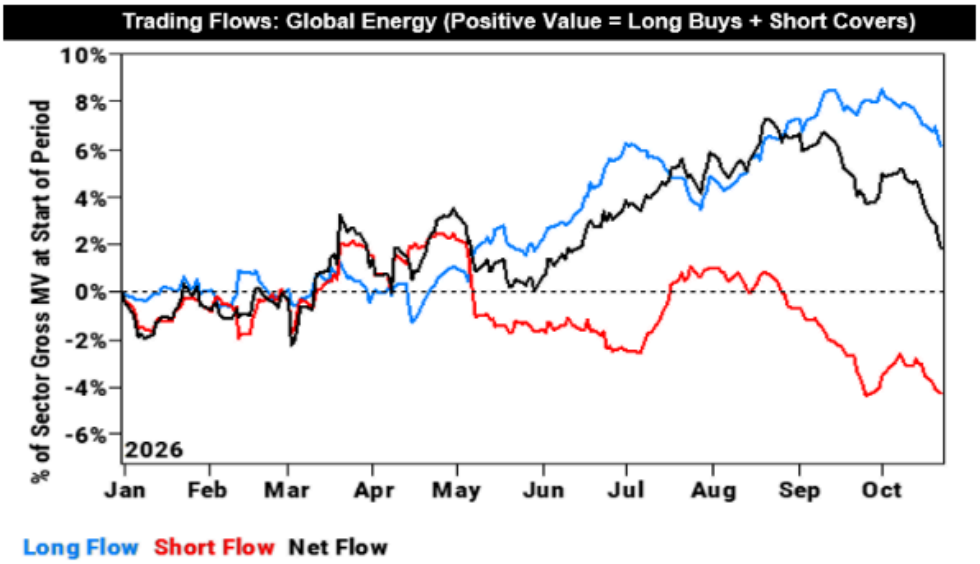
- **Leverage**: Overall book Gross leverage +0.6 pts to 312.3% (79th percentile 1-year) and Net leverage -0.9 pts to 71.8% (3rd percentile 1-year). Overall book L/S ratio -0.7% to 1.597 (3rd percentile 1-year). Fundamental L/S Gross leverage +0.8 pts to 211.7% (63rd percentile 1-year) and Net leverage -1.7 pts to 47.0% (1-year low). Beta Adjusted Fundamental L/S Gross leverage -1.9 pts to 226.5% (25th percentile 1-year) and Beta Adjusted Net leverage -3.5 pts to 60.4% (1-year low).

- **Flows**: Global equities were net sold for a 3rd straight week (-0.6 SDs 1-year) as de-grossing activity continued to accelerate, driven by long sales outpacing short covers (3.4 to 1). Regional flows were split, as North America and EM Asia were net sold, while DM Asia and Europe were net bought. Single Stocks were net sold for a 6th straight week, driven by long sales, while Macro Products were net bought for the first time in 3 weeks, driven by long buys. 7 of 11 global sectors were net sold, led in $ terms by TMT sectors (Info Tech + Comm Svcs) and Energy, while Staples, Real Estate, and Cons Disc were the most net bought

- **TMT Largest Net Selling Since Sept 2024:** Last week Thursday, Info Tech saw long selling alongside short additions. Overall largest net selling since September 2024. Every industry was net sold led by Semi & Semi Eqps. which was also the most de-grossed. Primarily de-grossed by Fundamental L/S community but also by multis and quants. Semi & Semi Eqps. Allocations have now dropped to levels seen earlier in the year. Global Info Tech stocks saw the largest 2-week % net selling (Oct 5th – Oct 16th) on our record (10+ years, -3.3 SDs), driven by long-and-short sales. Net allocation to Global AI stocks (GSXGGLAI) now sits in the 38th percentile while aggregate long/short ratio across the group is in the 6th percentile vs. the past year. Mag 7 net exposure has risen to a new record high, while the difference between US Semis and Software net exposures has continued to narrow.

- **Energy Net Sold at Fastest Pace in 5 Months:** HFs net sold global Energy at the fastest pace in over 5 months, driven by short and long sales (1.4 to 1). Regional flows were split, as North America (short + long sales) and Europe (long sales) were net sold, while Asia saw relatively little net activity. On a subsector level globally, selling in Oil, Gas & Consumable Fuels outpaced modest buying in Energy Equipment & Services. The Prime book is now over-weight Energy vs. the MSCI World Index by +0.5%, which ranks in the 89th percentile vs. the past year and in the 69th percentile vs. the past five years. Gross/Net allocations to Energy (as a % of the global Prime book) now stand at 4.9%/4.8%, which rank in the 90th/95th percentiles vs. the past year and in the 39th/55th percentiles vs. the past five years.





Retail Investors – Ben Snider and team note that household demand is becoming increasingly important for the US equity outlook as hedge funds derisk and equity supply rises**, with retail trading cooling but broader household buying remaining very strong ($840bn in H1);** the key swing factors from here are the labour market, rates and wealth, with the team expecting demand to remain solid into 2027 despite near-term macro risks.

- **Ben Snider notes that a sharp hedge fund derisking last week and an ongoing increase in equity supply underscore the importance of household demand for US equities**. Hedge fund gross leverage fell sharply last week but remains above the 90th percentile vs. the past 5 years. While very recent increases in retail trading activity and leveraged ETF flows have signaled an ongoing "buy the dip" mentality, retail trading volumes in US equities have declined by 20% since the summer and 45% since late 2025. Likewise, after surging in mid-2025, their Speculative Trading Indicator has turned lower in recent months.

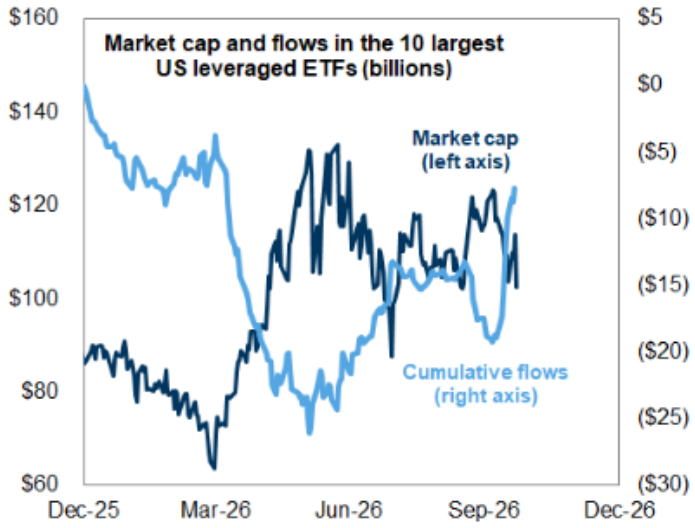
- **Weak consumer sentiment and elevated energy prices likely explain most of the reduction in retail trading activity. In addition to leveraged ETFs, equity options and prediction markets have become fast-growing alternatives for retail traders.** Monthly prediction market volumes have grown to $78 billion in September from $5 billion a year ago. However, this increase remains small relative to retail equity volumes, and the decline in trading activity appears broadly consistent with the recent downturns in consumer sentiment and personal saving rates alongside rising energy prices.

- Despite a decline in retail trading, broader household demand for US equities has been extremely strong this year. **Households directly own 42% of the US equity market and control the majority including indirect ownership via investment funds. The top 10% of households by wealth own 87% of total household equity assets. Federal Reserve data suggest that households bought $840 billion of US equities in H1 2026, more than offsetting a decline in net equity demand from US corporates.** Higher-frequency mutual fund and ETF flows show continued strong demand in recent months.

- Going forward, **the trajectory of the labour market and interest rates will be key determinants of household equity demand, which in turn will help determine the near- and long-term path of US equities. Household equity demand is sensitive to employment, wealth, and the competition from yields on cash and bonds**. The team's baseline forecasts suggest household demand will remain solid in

2027, although recent macro volatility is a reminder of the risks around those forecasts. Looking further ahead, a secular shift in retirement asset allocation is a tailwind for equity demand, while interest rates and AI-related disruption are key sources of uncertainty.

Exhibit 3: Leveraged equity ETFs have experienced large inflows during recent market volatility
ETFs include TQQQ, SOXL, QLD, SSO, SPXL, TECL, UPRO, MUU, TSLL, and NVDL



Source: EPFR, Goldman Sachs Global Investment Research

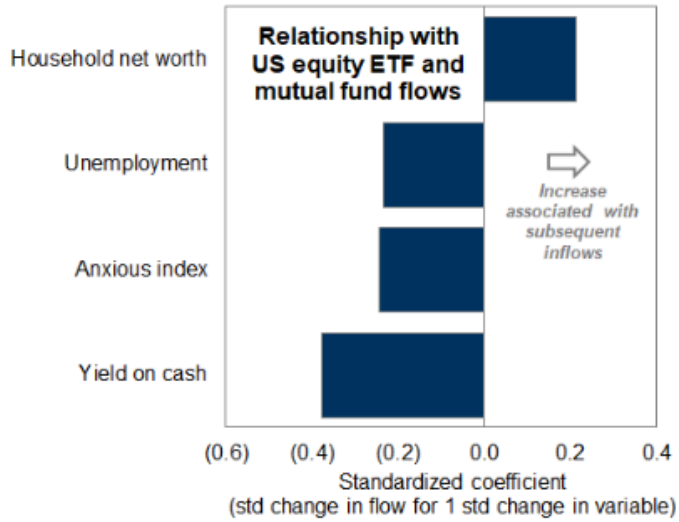
Exhibit 5: Retail trading activity has declined alongside consumer sentiment
1-month rolling averages



Source: Morning Consult, Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

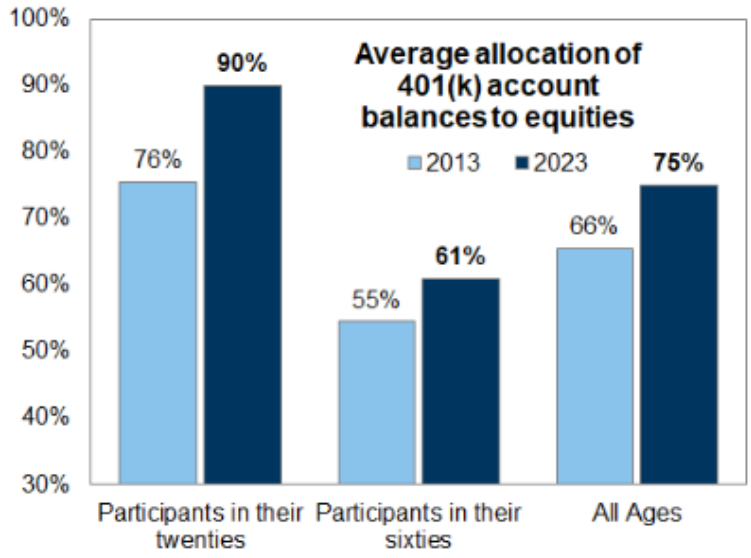
Exhibit 12: Relationship of macro drivers with equity mutual fund and ETF flows

analysis reflects quarterly data from 2000-2019 and is based on lagged input variables



Source: Goldman Sachs Global Investment Research

Exhibit 17: Allocation of 401(k)'s to equities has increased



Source: ICI, Goldman Sachs Global Investment Research

Mag7 Earnings Previews – Mega-cap AI remains the key focus this week**, with Eric Sheridan noting that AMZN is supported by resilient eCommerce/share gains despite agentic-commerce concerns, GOOGL facing nearer-term Search/agent positioning questions but potential catalysts across Cloud and Gemini, and Gabriela Borges noting that MSFT is offering the cleanest AI setup with Azure upside, broadening Copilot monetisation and improving long-term economics from 1P silicon.**

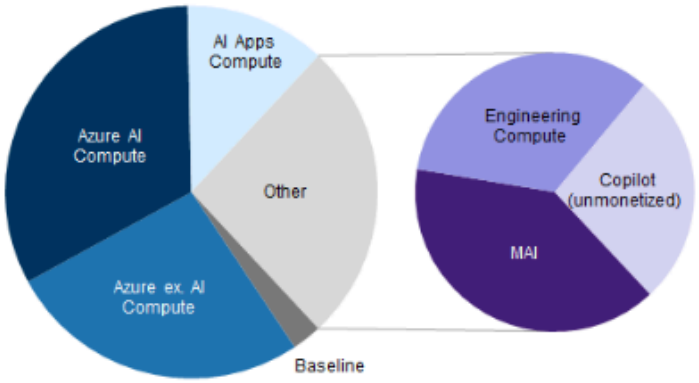
- **AMZN:** Into the print, **the team note the Consumer backdrop looks resilient, with eCommerce demand stable and spending increasingly shifting toward essentials, value, convenience and faster delivery,**

which plays directly into Amazon's strengths. Higher-income consumers also remain healthy, supporting the broader spending environment. AI is the key debate, but near-term risk looks overstated: AI-referred traffic is still small but fast-growing, and the team argues fears around the demise of marketplace advertising are exaggerated. Amazon is deliberately keeping engagement within its own ecosystem, helping preserve the customer relationship, first-party data and transaction economics as shopping becomes more AI-mediated.

- **GOOGL: Eric and team see the stock as centred around two investor debates (over two distinct durations) – where most positively-biased investors remain focused on Alphabet's integrated tech stack, with recent Google Cloud commentary providing evidence of that scaled potential.** Over a shorter duration, however, investor concerns have increasingly centered on Search revenue growth, the absence to-date of a formal consumer agent launch (to combat Muse), and the company's positioning (in terms of search) should consumer behavior migrate toward agentic interfaces. Against this backdrop, they would highlight that we see Alphabet's AI strategy as broad-based anchored around frontier model development, Google Cloud (with the segment in a position to produce outsized revenue reacceleration with strong profits), and consumer applications (where we see an eventual consumer agent launch, possibly aligned with Gemini 4 ahead of the holiday season) – which together represent possible catalysts that could help shift the near-term narrative more constructively.

- **MSFT: For 1QFY, Gabriela and team see a reasonable upside case where Microsoft reports Azure growth of 46-47% cc (vs. 44-45% cc guidance) and guides to ~46-47% cc growth for 2QFY. Beyond Azure, they look for further evidence that monetization is broadening through Copilot, agents, consumption-based workloads, and E7; and we see potential for M365 Commercial Cloud growth of ~17-18% cc in 1QFY as usage scales (vs. 17% cc guidance).** The Maia 300 announcement on 10/12 adds another lever to the economics discussion. With Maia 200 now in production and Maia 300 expected in 2027, greater 1P silicon footprint and chip diversification should support better gross margin over time. They think Microsoft is the best positioned name in our Software coverage (also on CL) to benefit from compounding AI product cycles.

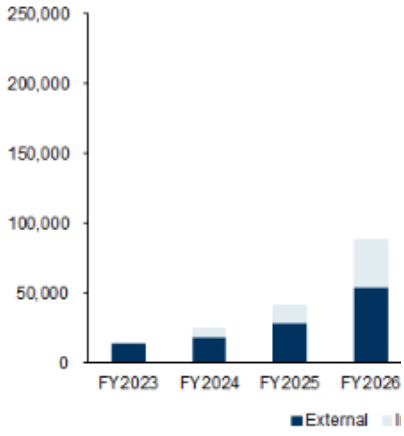
Exhibit 1: We estimate FY26 compute capex by use case to inform our Azure estimates



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Our estimate of external

External (3rd party) vs. Internal (1st part



$ in mns

Source: Company data, Goldman Sachs Global

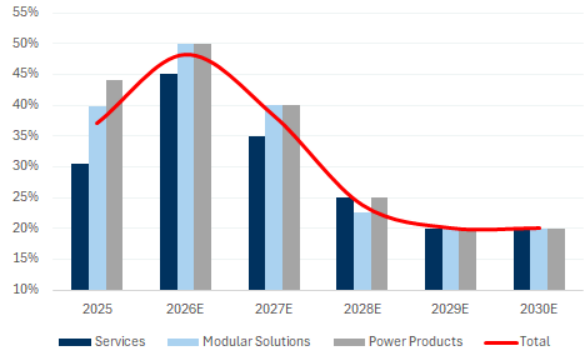
Single Stock Initiation – Joe Ritchie and team initiate on our recently IPO'd Accelevation Holdings (ACCV) with a Buy rating and $22 PT, implying ~78% upside. Accelevation is a niche supplier of modular data centre infrastructure focused on the 'white space' inside data halls**, and he sees it as a key beneficiary of accelerating AI infrastructure spend, with a differentiated modular offering, growing share gains and significant margin expansion potential.**

- **ACCV designs, manufactures and installs mission-critical data centre infrastructure including modular platforms, power distribution equipment, cooling solutions and installation services**. Its vertically integrated "Design-Manufacture-Install" model helps hyperscalers deploy capacity faster while reducing complexity and labour requirements.

- **Joe forecasts ACCV to be the fastest-growing company in coverage, with ~75% revenue CAGR and ~77% EBITDA CAGR through 2028, supported by a $1.1bn backlog, growing exposure to AI data centres and market share gains**. Early engagement with at least three major hyperscalers creates sticky customer relationships, while factory-built modular solutions can reduce installation times by up to 84% and support 500bps+ EBITDA margin expansion through 2030.

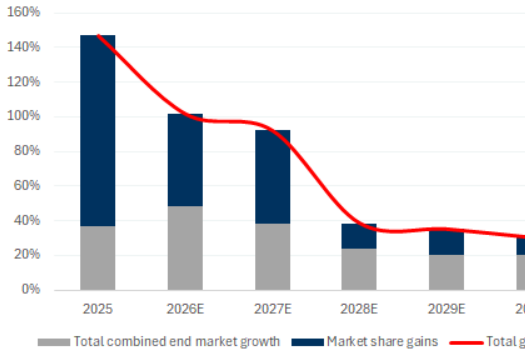
- **The biggest potential risks we see are a slowdown in hyperscalers/AI data center spending, customer concentration (the top two customers accounted for ~60% of 2025 revenue), and execution risk as the company scales manufacturing capacity and project delivery at a rapid pace. Competition from larger players such as Vertiv, Eaton, Schneider and nVent is also a consideration.**

Exhibit 9: ACCV is entirely geared towards the data center build out which we forecast to remain strong through 2030
Data center market growth forecasts by offerings (% chg yoy)



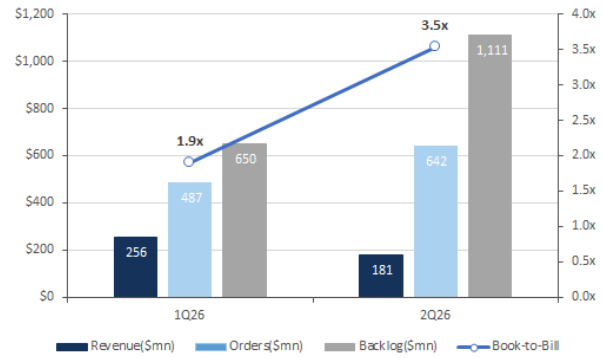
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: We expect organic growth to be driven by r and continued share gains
ACCV organic revenue growth build (% chg yoy)



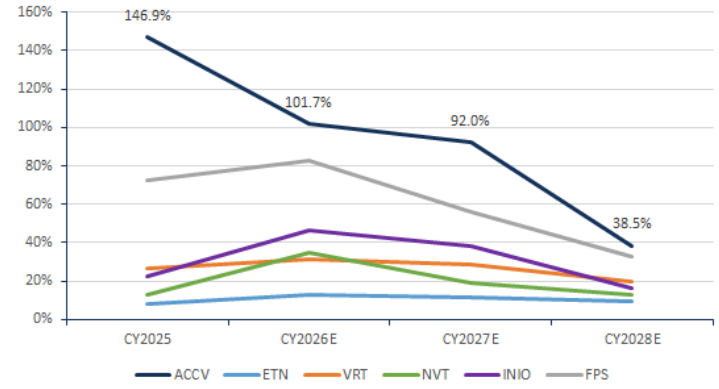
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Backlog provides strong near-term visibility
ACCV revenue, orders, backlog ($mn) and Book-to-Bill



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: ACCV's growth advantage persists through CY2028E, well ahead of public-company peers
ACCV organic growth vs peers



Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Webcasts/Events – 2x Replays worth flagging this week & 1 upcoming webinar…

- **REPLAY: GS Weekend Macro Call: Credit Volatility, Asia Investor Pulse, Midterms, US Rates, AI & Tech: Jason Brauth:** Global Co-Head of FICC**; Kevin Sneader:** President of Goldman Sachs Asia Pacific Ex-Japan