* GS MORNING: 1) FX Trader Call Today, 2) FOMC Preview, 3) 2 Mins Read on Fed, ECB, BOJ, 4) RBNZ Recap and 5) USDCNH Trade Idea

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Highlights from GS Research, Sales and Trading: **1)** FX Trader Call Today, **2)** FOMC Preview, **3)** 2 Mins Read on Fed, ECB, BOJ, **4)** RBNZ Recap and **5)** USDCNH Trade Idea

1) FX Trader Call Today @ 2:00 PM LDN

Aim is to keep it short and punchy: Views from Strategy and Traders across G10 and EM. Topics = what is dominant flow/theme in your market? What is your favourite trade idea?

Alberto Ramos: Head of Latam Economic Research
Mike Cahill: Head of G10 FX Strategy
Praneet Shah: Global Head of FX Options Trading

Zoom Details:
Participant Link: https://goldmansachs.zoom.us/j/96365853746?pwd=UUh1NVFRRjhCeWZQWXE5aUlHblE3Zz09
Meeting ID: 963 6585 3746 | Passcode: 992479

This call is hosted by us each week in the same format. Please get in touch to get a recurring invite in your diary.

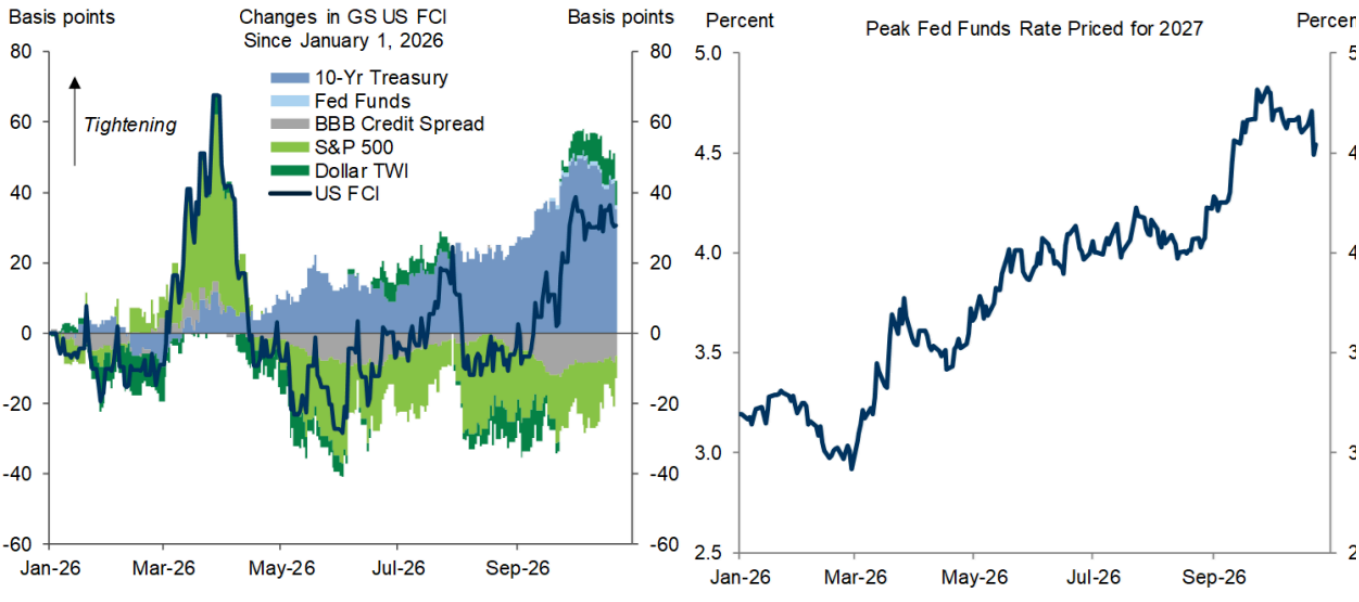
2) US ECON (MERICLE) – October FOMC Preview: Hiking at a Slower Pace – LINK

BOTTOM LINE: Comments from FOMC participants since their last meeting point to a compromise to raise the funds rate every other meeting. This means that the FOMC is set to skip raising rates at its October meeting but is likely to deliver a second hike in December. The Fed's hawkish pivot has contributed to a large increase in interest rates that has driven a moderate tightening since September in broad financial conditions, which before then had been little changed on net this year. But the tightening is only a bit more than is usually associated with one rate hike and much less than is usually associated with the four hikes the market has now priced, meaning that the FOMC is unlikely to see it as excessive or a replacement for hikes.

Communication: A key question for the October meeting this week is how the FOMC will modify the sentence in its statement that refers to the hike at the September meeting. We think it might adapt language from Vice Chair Jefferson's recent speech to say, "Any further adjustments to the target range for the federal funds rate to support a timelier return to the Committee's 2 percent goal will depend on trends in the data, the evolving outlook, and the balance of risks." We do not expect significant new information from the press conference. The seemingly strong support for hiking every other meeting means there is likely a high bar to deviate from that plan through the end of the year, which should limit the impact of Fed communication for now.

Risk of a March 2027 Hike: If the FOMC sticks to an every-other-meeting pace in 2027, it could consider hiking in March, by which point we will have five more months of inflation data. We do not expect a hike in March because we expect the inflation trend to improve as the effects of tariffs, the energy shock, and AI price pressures diminish. We also suspect that some FOMC participants share our views that the economy is not overheated and that the inflation overshoot caused by past supply shocks will largely have to be waited out, and they might prefer to limit the total size of the hiking cycle. If concerns about growth or employment emerged, that would likely bring hikes to an end too.

CHART 1: Financial Conditions Have Begun to Tighten More Meaningfully Since September, Though the Tightening Remains Limited Relative to the Hawkish Shift in Market Expectations for the Fed's Path



Source: Goldman Sachs Global Investment Research

3) ADAM CROOK – 2 Mins Read: How Could Major CB's Surprise This Week – LINK

Fed, ECB, BoJ ahead this week – how could they surprise the markets? Thoughts from around the floor summarised below – full piece here.

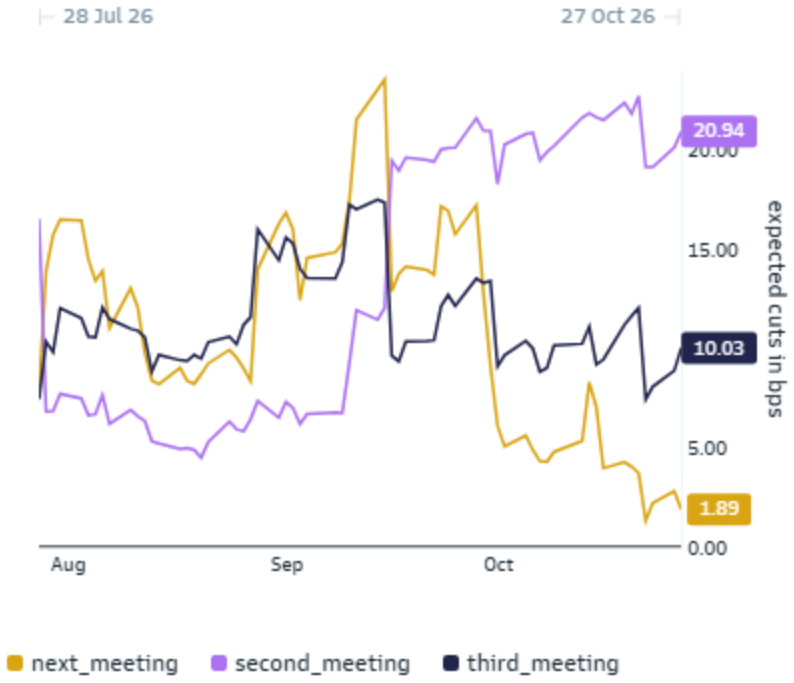
Fed: Warsh echoing Waller's "hikes don't need to come at consecutive meetings" plus a clear "no pre-set pace" message -> Likely keeps hike-premium priced into 2027. Clearest misstep risk is a repeat of July, when Warsh's most dovish answers came when explaining why the Fed wasn't hiking; therefore, a risk he focuses on the current

decision, rather than the path, and the market reads dovish. More airtime on inflation likely extends curve flattening + keep the front end selling off; more discussion on tighter financial conditions likely re-steepen the curve; with ~75bps priced through Q3 2027, a 15bp rally more likely than a selloff; in FX, AUDUSD likely moves most on a surprise hawkish Fed.

ECB: Statement not expected to mention sovereign spreads - Lagarde will likely call France a political problem rather than a monetary one; will probably add that the ECB has tools to contain contagion + keep policy transmission working. Bigger risk for EUR-FI/Bonds is a dismissive, or very hawkish, tone on French spreads that would leave markets feeling an ECB backstop is far away. Fewer hikes would be bearish for EUR + bullish for Bunds; focus on credit easing or transmission tools would be bullish for EUR + the periphery.

BOJ: Mildly dovish pause as base-case, underlying inflation converging toward 2%. Board members will likely cut FY26 core inflation forecast + raise FY27 on energy. In Rates, short covering largely concluded following the recent JGB rally, we expect a gradual post-meeting sell-off, leaving the medium-term expectation of a 2.00%+ terminal rate intact. BOJ will not push back against a December hike (~80% priced), mindful of the risk of USDJPY rising back above 160. However, with the market already priced for this outcome, and Western Core CPI running at 4% annualized over the last 3m, the market could have a higher-bar for what constitutes a hawkish meeting.

CHART 1: Pricing for the Next 3 Fed Meetings (bps)



Source: Marquee MarketView

4) RBNZ Recap

NZ ECON (BOAK): The RBNZ surprised expectations by keeping the OCR unchanged at 2.75% in October, following a 4-3 split vote of the Monetary Policy Committee (MPC). Ahead of the meeting, financial markets had priced in 24.4bp of tightening and 23 of 25 economists surveyed by Bloomberg expected a rate hike (including ourselves). The RBNZ framed the split vote as reflecting "how much weight (MPC members) placed on various risks

and the timing of the monetary policy response", with MPC members who voted for a hold reflecting on the two OCR hikes to date and wanting "further time to assess their effects and economic developments". RBNZ Governor Breman voted for a hold at today's meeting - even so, the Governor flagged nine times during the press conference that we are "likely to see further OCR increases" (i.e., plural) and noted the discussion at today's meeting meant that future tightening is "likely to maybe be a bit more than what we said in September" (when the RBNZ's OCR track was projected to reach a 2027 peak of 3.15%). Looking ahead, we continue to expect a 25bp at December's meeting to 3.00% and now expect a final 25bp hike in March to 3.25% - around the mid-point of our/RBNZ neutral rate estimates. Our forecast 3.25% peak in the OCR remains well below current pricing in financial markets (3.75% by August 2027). Full piece here.

G10 FX OPTIONS TRADING (CAO): We went into the meeting with an implied gap of ~50bps in NZDUSD and AUDNZD, and this dovish hold drove AUDNZD through the 1.26 level (1.6% higher low to high) and outperformed the implied gap by more than 3x. Market saw a round of AUDNZD topside demands from the past few sessions so with spot higher dealers will trade shorter. Market trades short gamma with AUDNZD o/n TK highest paid at 11v (5v higher to roll) and as spot settles down 1m trades 0.4v above roll. Franchise wise, we saw some interests in AUDNZD to roll their existing positions further and higher, and we saw fresh NZDUSD downside demands to own NZD downside over the election.

5) EM FX OPTIONS TRADING (SUNNY WANG) – USDCNH Trade Idea: Own the Underpriced Break Lower

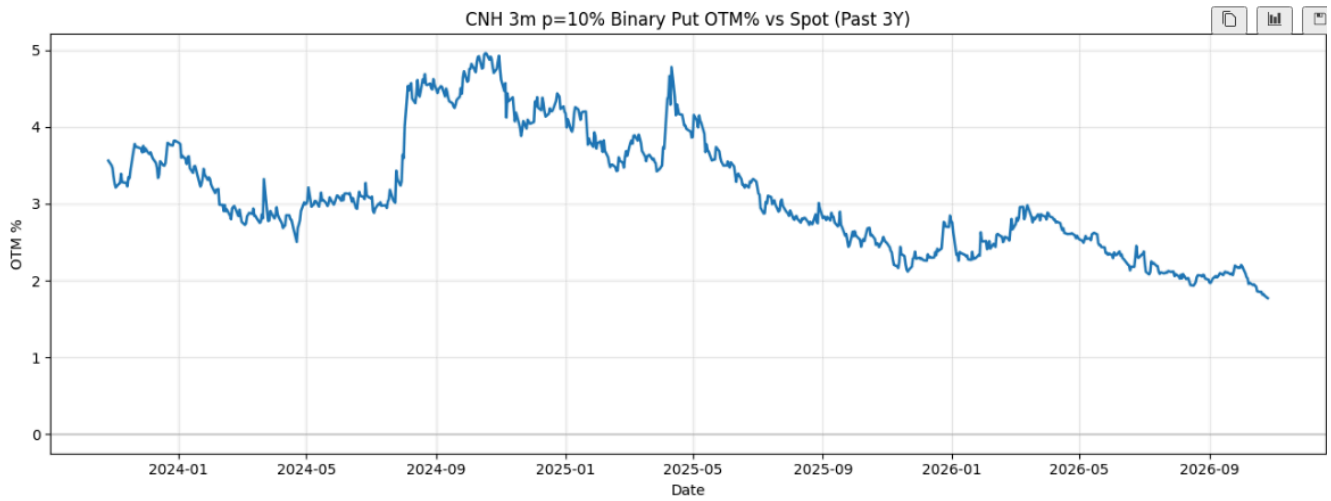
3mnth USDCNH 6.575 Digi Put
19.70% USD Offer
~5x Max Leverage
Fwd Ref: 6.6190
Max Loss: Premium Paid

CNH has shown notable resilience over the past month. USDCNH has continued to grind lower even as the DXY retained a firm footing through the first half of October and risk sentiment deteriorated amid an AI/tech led equity sell-off. That divergence matters – CNH is no longer relying solely on a weaker dollar or a risk-on backdrop to outperform.

The fixing trend is constructive, and CNH still appears under-valued on a medium-term basis. Trade dynamics and exporter conversion should become more supportive into year-end. We see a compelling opportunity to position for a further CNH strength going into year-end via buying 3mth 6.575 Digi puts, with a preference to leverage low vol to run short USDCNH delta.

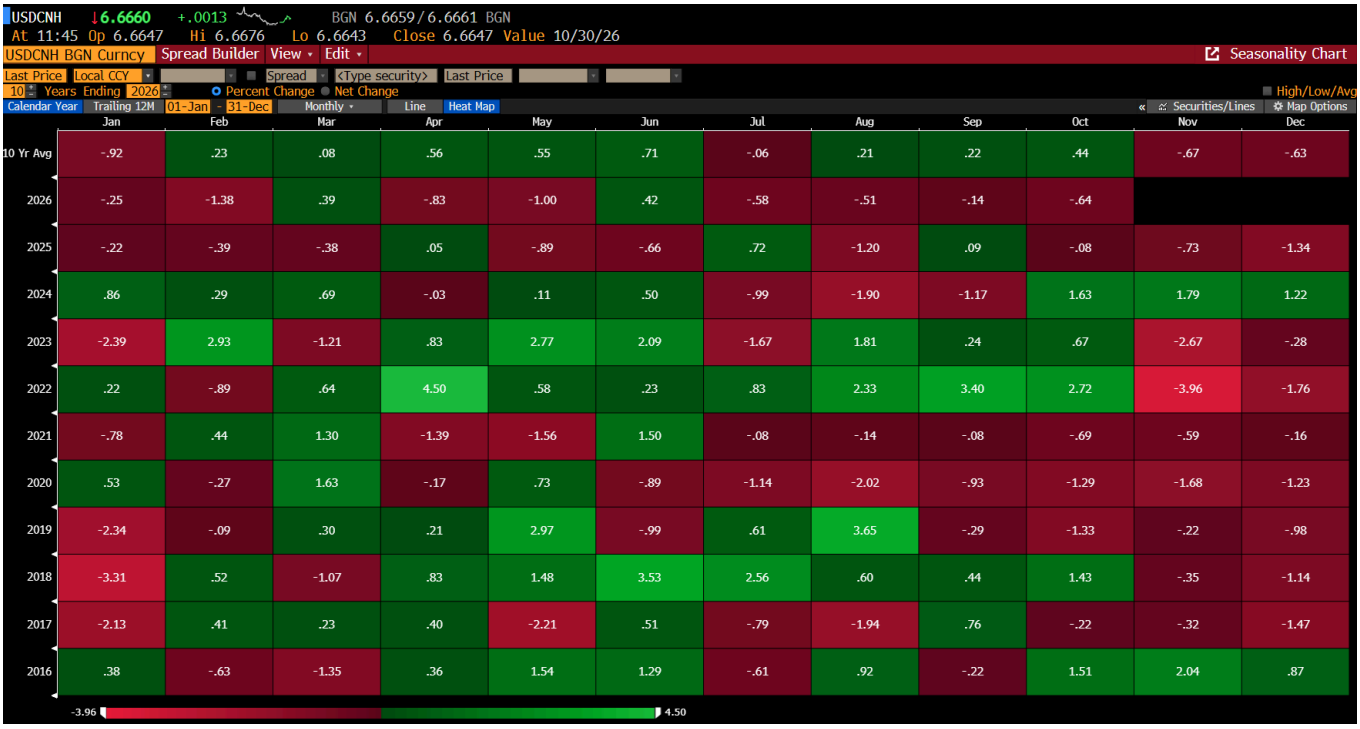
Vol is one-way down to a historical bottom 10% percentile, driven by corporate structured supply and low-vol environment. However, the option market is being too complacent about the forward path: 1m implied vol is 1.3, which implies straddle breakeven at 195pip. Yet over the past month, USDCNH spot has moved ~475pip lower and fixing moved ~234pip lower. The 3m 6.575 digi put price implies <20% probability of a ~300pip per month move lower over the next 3month horizon, which screens conservative given all the fundamental arguments mentioned above.

CHART 1: For a 10% Marking USDCNH Digi Put, Strike OTMness% vs Spot is at the Lows on a 3-Year Lookback



Source: GS FICC & Equities

CHART 2: USDCNH Spot Seasonality Over the Past 10 Years



Source: GS FICC & Equities

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