

weekly mash -

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Mark Wilson
Goldman Sachs International
FICC & Equities

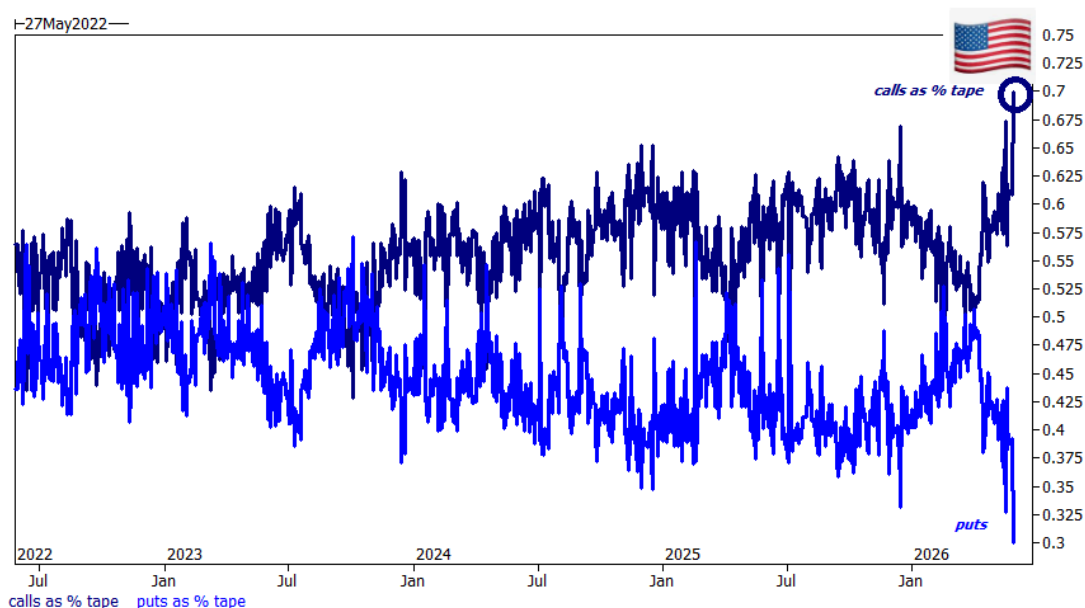
There's always good information value in where attention's directed; sometimes best recognised with hindsight – but its always there. In recent weeks (like many others I imagine) I've gone from checking Middle East headlines first thing each morning – to checking SK Hynix stock price first thing ..

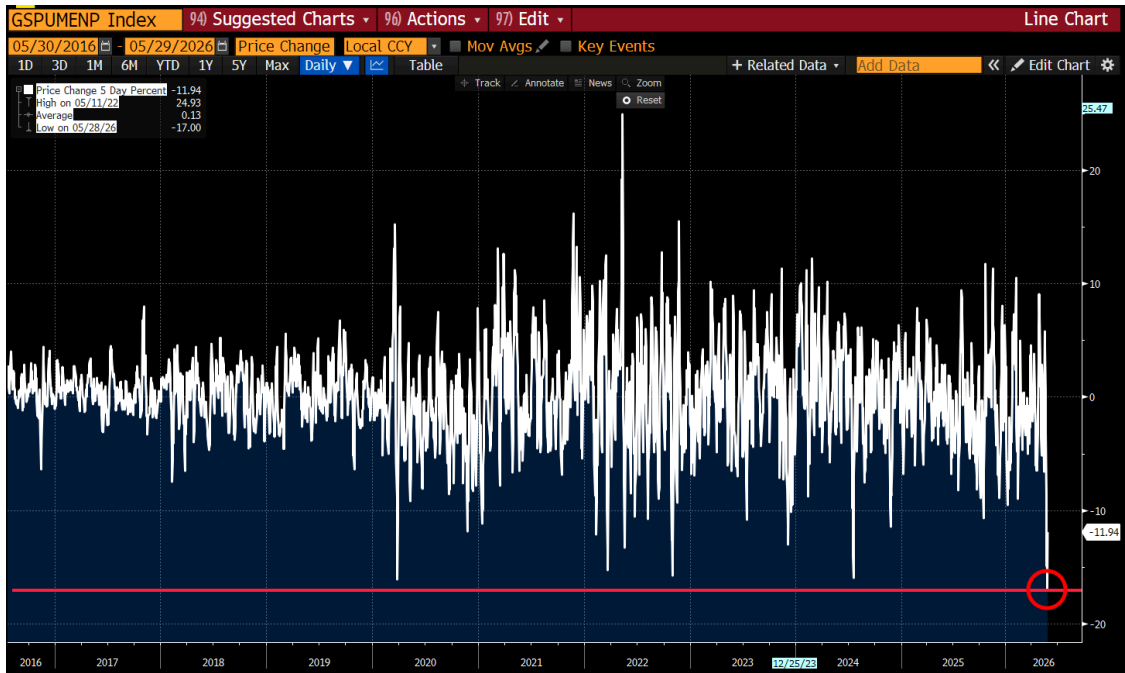
As discussed numerous times previously, since 2022 we've been in a rare period where equity markets are driving the macro – as opposed to vice versa. This has come to the fore again since late-February as the scale of the AI-build out has over-shadowed downside risks of the Middle-East conflict

As global attention has further narrowed in on capturing that AI-capex wave, 3 technicals of the market clearly stand out (and they come up in different guises in almost every client conversation) :

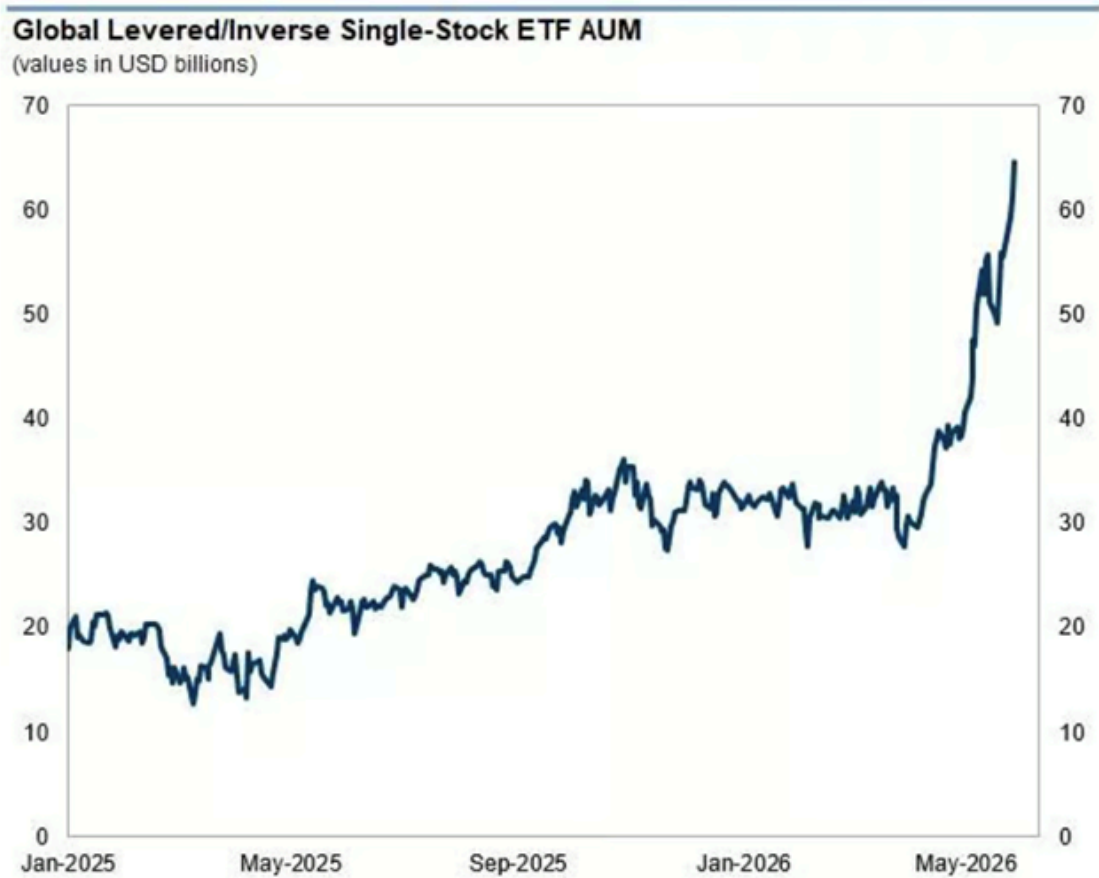
1) Right now, its all greed and not much fear :

- Chart 1 = US markets – calls vs puts
- Chart 2 = 5-day drawdown of Mega-Cap tech vs GS basket of unprofitable tech is as extreme as anything from even the 2021 go-go-days :





2) Judging by the sharp build of AUM in 2x(+) levered ETFs of single stocks (chart 1) & memory semis (chart 2), I'm not the only one checking Hynix share price very early in the morning :



Largest Levered Single-Stock ETFs by AUM

(values in USD billions)



3) Momentum is the current unstoppable force in Equity markets, but clients are well attuned to that and are positioned for and capitalising on the trend (exposure to 'momentum' within our global Prime book is at record all-time highs, 50% greater than the prior highs set in 2021) :

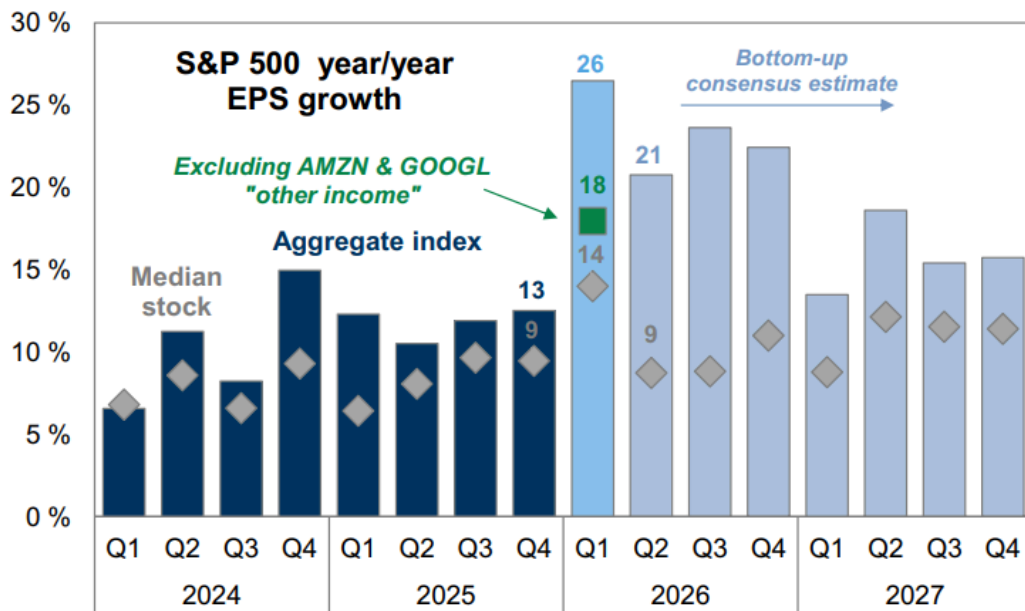
Global Prime Book - Momentum Exposure



With that as a starting point, and trying to avoid re-hashing well-covered ground, 8 quick points ::

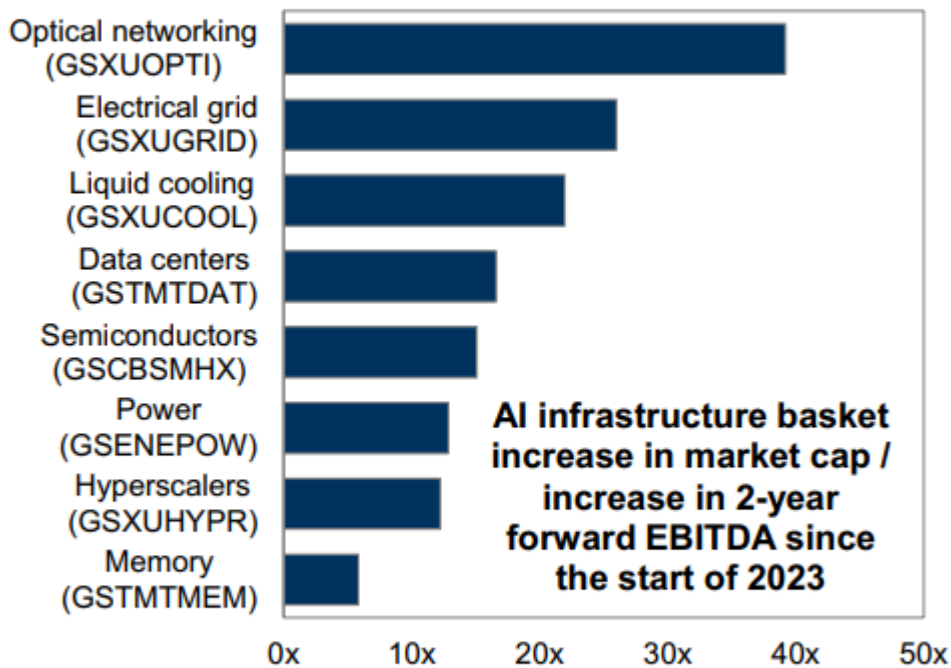
1) Earnings drive stock prices, and so far – in all but the most speculative corners of the market (in case you're interested, shown in 2nd chart below) - EPS is justifying stock moves. Our strategists have covered this well ([here](#)), but YTD the S&P's +10%, EPS estimates are +15\$, and the SPX P/E multiples contracted 4%. Amazingly, despite that huge Q1 EPS growth, we actually have earnings growth still accelerating for the next 2 quarters !

Exhibit 17: Earnings growth was exceptionally strong in Q1



Source: Compustat, FactSet, Goldman Sachs Global Investment Research

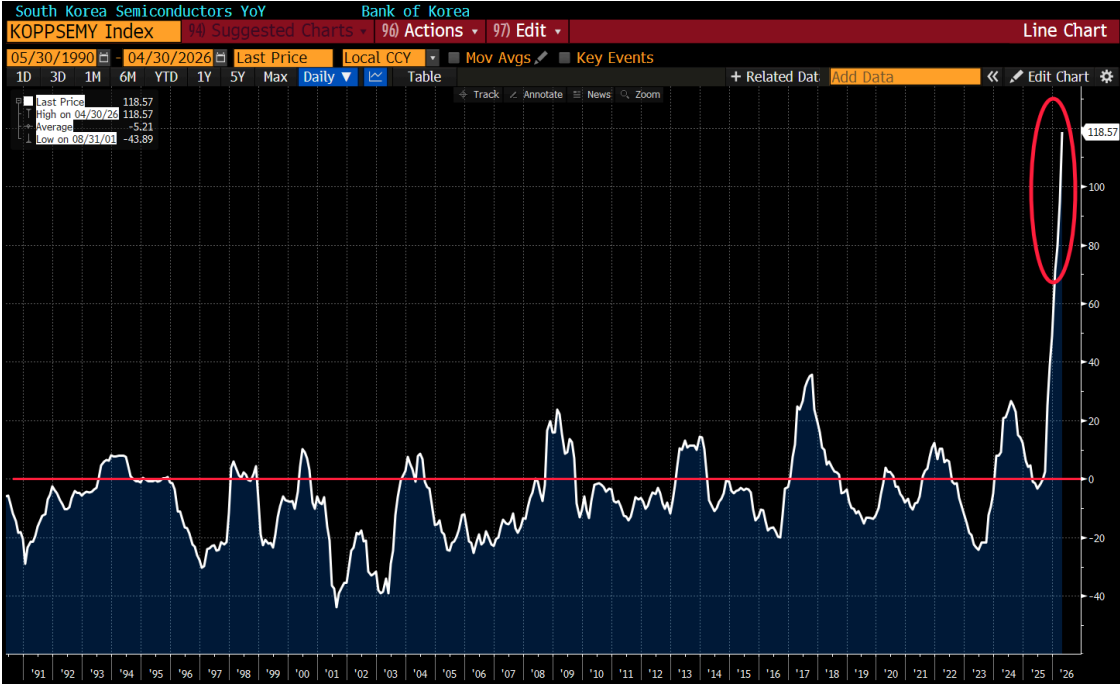
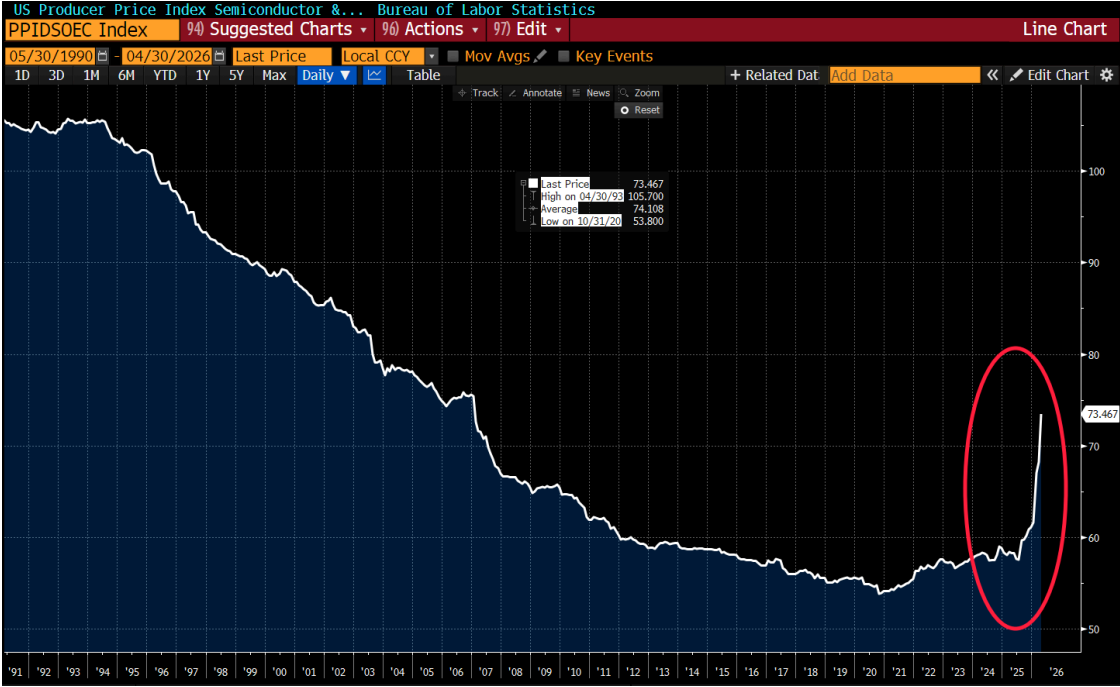
Exhibit 12: Incremental market cap vs. incremental earnings since the start of the AI boom



Baskets developed by GBM

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

2) As we all also know, stocks are a claim on nominal earnings, and much feared inflation is far from an outright negative for stocks per se. So, despite the attention that the scale of moves in semis & tech hardware has garnered, the underlying step change in nominal pricing of these products has been just as impressive. Since the mid-90s, US PPI index for semiconductors & other hardware has showed steadily deflation – until the last 12mths (chart 1); and while the YoY price change in South Korea semis has chopped around either side of zero for 30 years, its move in the last 9mths is even more staggering (chart 2) :



3) Despite the fundamental underpinnings to YTD asset performance, its worth flagging the counter point – which is that excluding AI infrastructure & the energy

sector S&P EPS estimates are flat YTD. Nevertheless, judging by price action & positioning – the market has been rational in trading the largest current theme in the market (AI infra) & investors are positioned as such. In addition, with upcoming index reconstitutions and new listing possibilities, there's little reason to expect imminent 'mean reversion' from this phenomena. As per our recent research work ::

- “US Weekly Kickstart – AI, Momentum, and the One Big Trade”
- “Hedge Fund Trend Monitor : All In on AI”
- “US Thematic Views : Potential impacts of the Russell reconstitution”

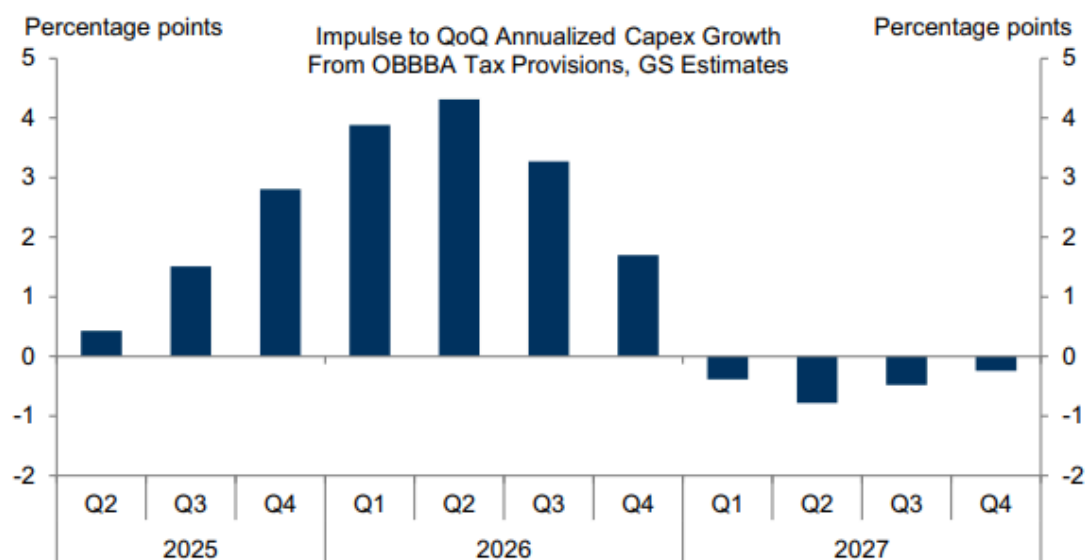
4) However, there are increasing reasons to think that the market can begin to trade more than just one theme :

1/ after much back and forth, judging by today's newsflow the MOU re ending the Iran war is all but done;

2/ Warsh is just about to complete his first week as the new Fed Chair; of the 6 last Fed Chairs back to 1970, Bernanke & Yellen had a 10% drawdown each in their first year, the other 4 suffered a 20-36% drawdown during their first year;

3/ the second derivative of EPS growth will slow from summer on, and the boost from the One Big Beautiful Bill will mean capex slows sharply from the summer on as well :

Exhibit 7: We Continue to Expect OBBBA to Boost Capex Growth by About 3pp in 2026



Source: Goldman Sachs Global Investment Research

5) In addition :

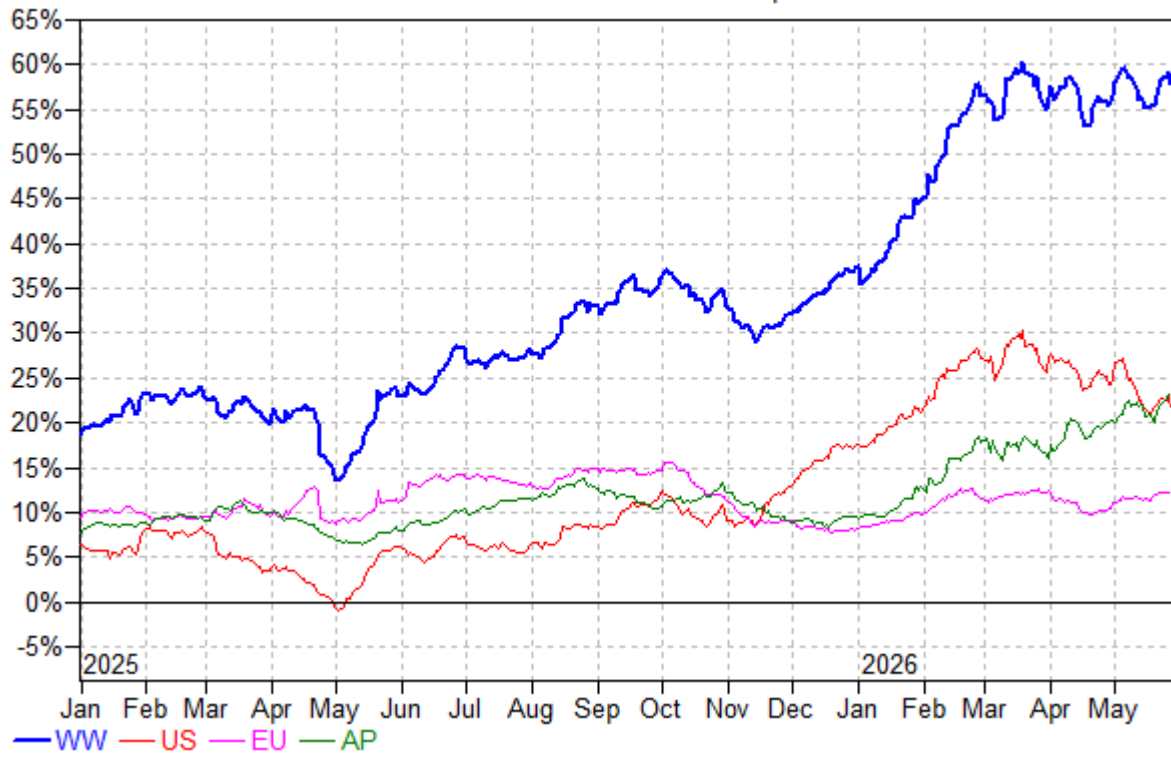
- M&A headlines are being somewhat over-shadowed by tech exuberance, but M&A in non-tech sectors is really picking up (ie Akzo Nobel, Delivery Hero, Caesars, AvalonBay, Recordati);
- And some of the most maligned areas of the market are just not as bad as feared : our latest consumer dashboard piece highlights we're still forecasting 1.3% real income growth this year, even post inflation pressures & job market uncertainty (DLTR & BBY post earnings moves of 15-20% this week illustrated how much bad news is in the price);

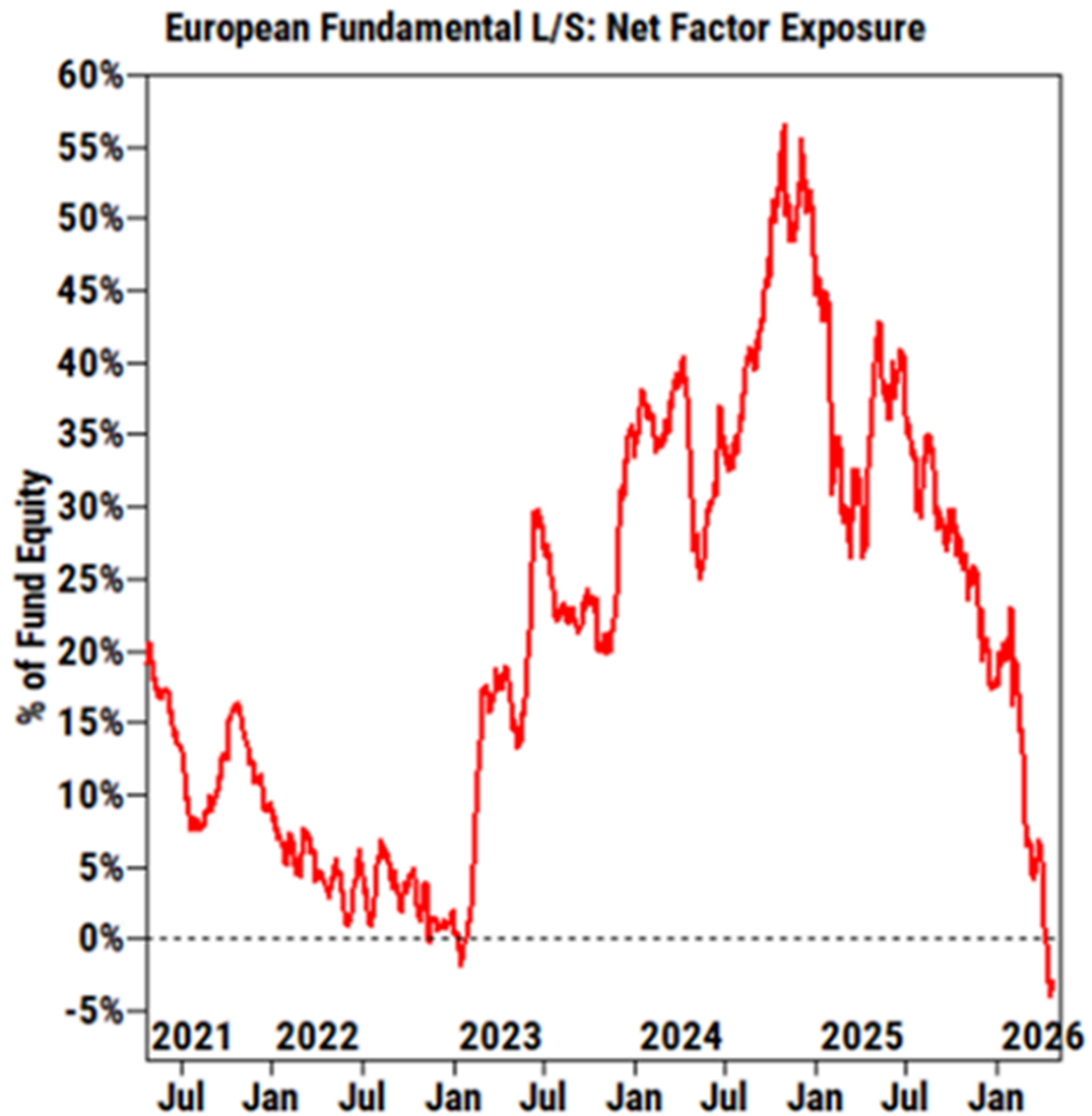
and similarly, many software names which have been victims of presumed AI-disruption threat, bounced back post Q1 numbers this week (SNOW< WDAY< NOW shown below) :



6) Perhaps most interestingly, digging into client positioning and Momentum again – Momentum exposure across our client Prime book is at the 100th %ile in Asia, is just coming off all-time highs in the US, now at 77th %ile; and Digging into MoMo, US & Asia is well sponsored ... but Europe is at 62nd %ile, with Fundamental Eq Funds actually negative (!) exposed to European momo ... :

Global Prime Book - Momentum Exposure

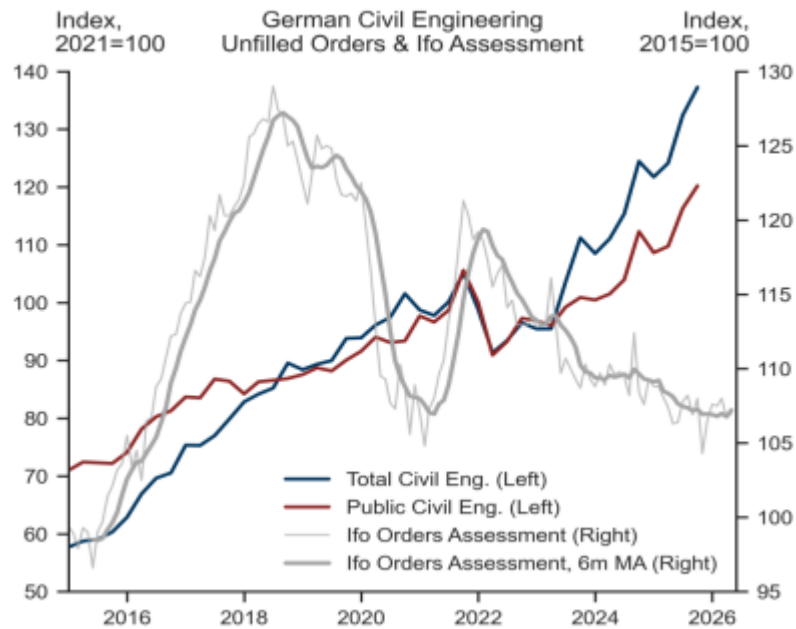
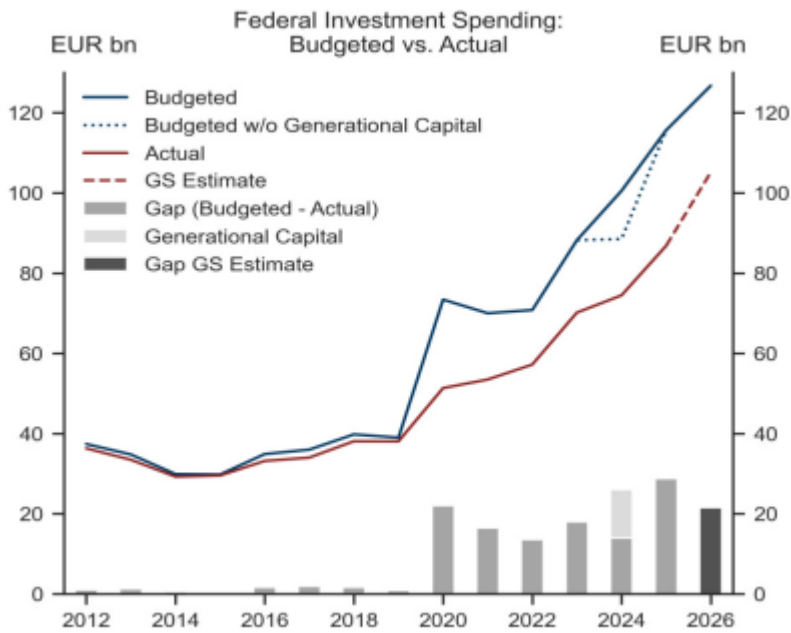


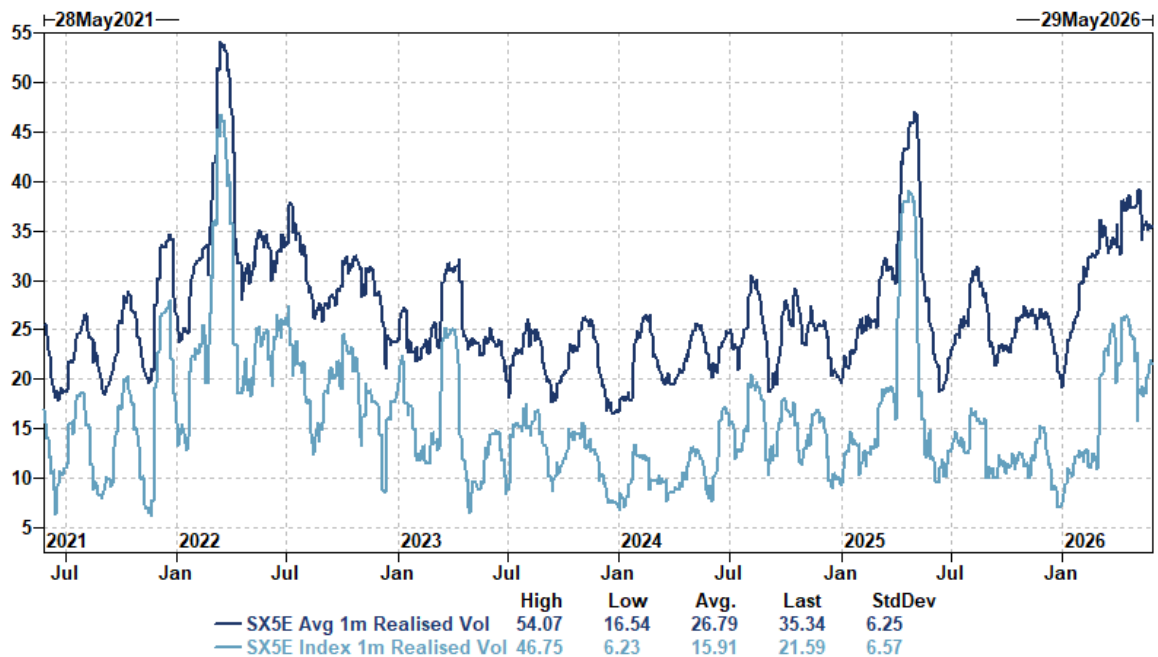
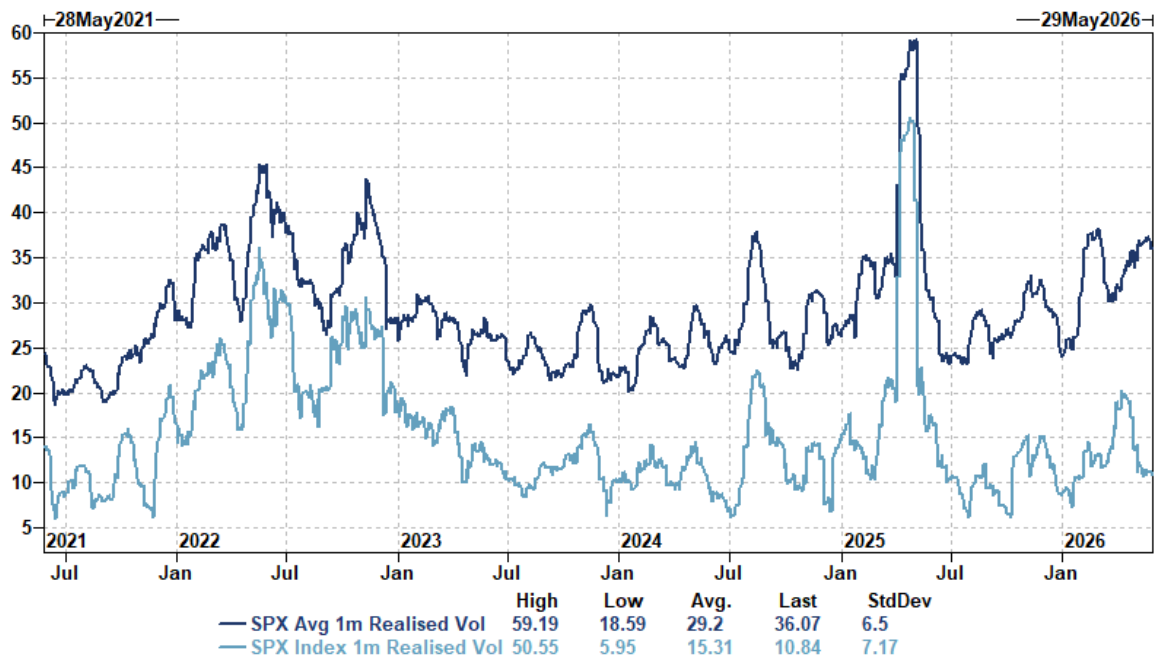


Medium-Term Momentum

Source: GS Prime Analytics, as of May 2026, past performance is not indicative of future returns.

7) And building on that Europe theme - Europe is arguably the biggest beneficiary of ending the Iran conflict (given lack of energy independence), the European specific cpax cycle is underappreciated but persists (see 1st 2 charts below on German fiscal spend, more here); and also - the single stock versus index vol regime has demonstrated a trend of much greater US dispersion (stock vol > 3.5x that of the index, vs just 50% higher in Europe), suggesting the opportunity to capitalise on stock specific stories on relaxation risk is much higher in Europe (1st chart US, 2nd is Europe) :





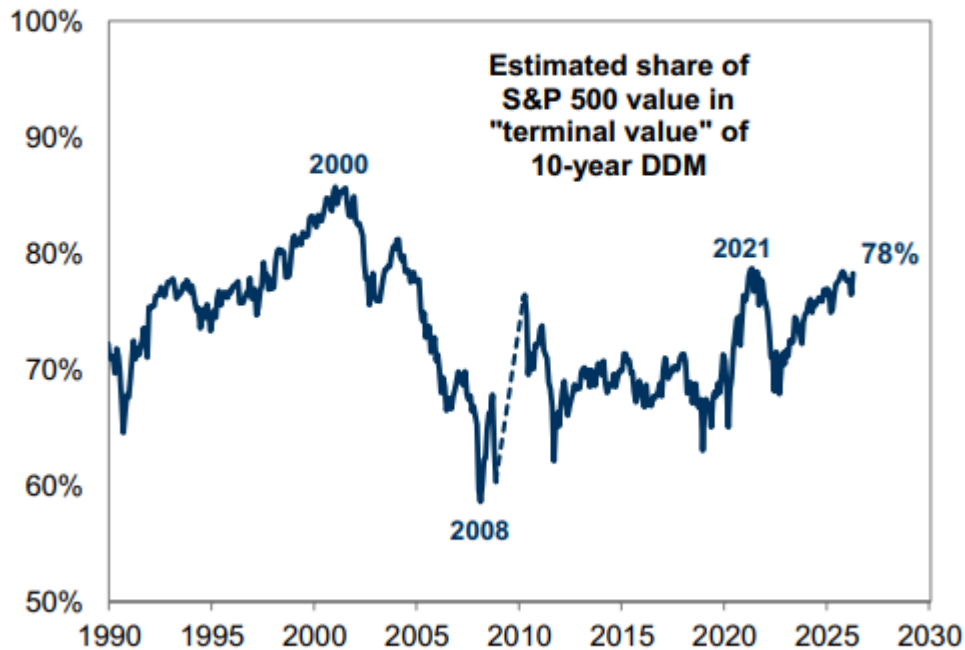
8) Two additional thoughts to ponder on the AI theme :

1/ China is now consuming more tokens than the US, and that was before this week's latest DeepSeek update. Does that matter? Is the AI 'space race' still a thing? Is token cost the ultimate determinant of model use? and if yes, what's next for the leading edge models?

2/ As per the chart below, our strategists estimate that "most" equity value is based on long-term future earnings; ie if you use a dividend discount model, that 10yr+ model will account for 78% of the value of the equity market. In a world where AI is supposedly threatening the "moat" of many many business, and the "terminal value"

of many many businesses comes into greater question – this observation seems like it may prove important. At some point. It also suggests that bad breadth may well be a feature (not a bug) of the new investment paradigm.

Exhibit 34: Most US equity value is based on long-term future earnings



Source: Goldman Sachs Global Investment Research

Have a good weekend. Mark

Goldman Sachs International
Plumtree Court, 25 Shoe Lane, London EC4A 4AU
Tel: +44 20 7051 1873
Email: mark.wilson@gs.com

Mark Wilson **Goldman Sachs**

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