

GS Post Bell...07/08/2022

Global Markets | 8 July 2022 | 8:14PM UTC

SPX – 3899...-8bps today and +1.94% for the week...*

NDX – 12105...+14bps...+4.66% this week..*

WTI CRUDE – \$104.57...-3.45% on the week...* Investors remain concerned that restrictive US monetary policy could herald a recession. Still, physical signals remain robust, especially in the US, where the prompt timespread, which closely reflects the supply and demand balances at the country's biggest storage hub in Cushing, Oklahoma, surged to the highest level since March earlier in the week: BBG.

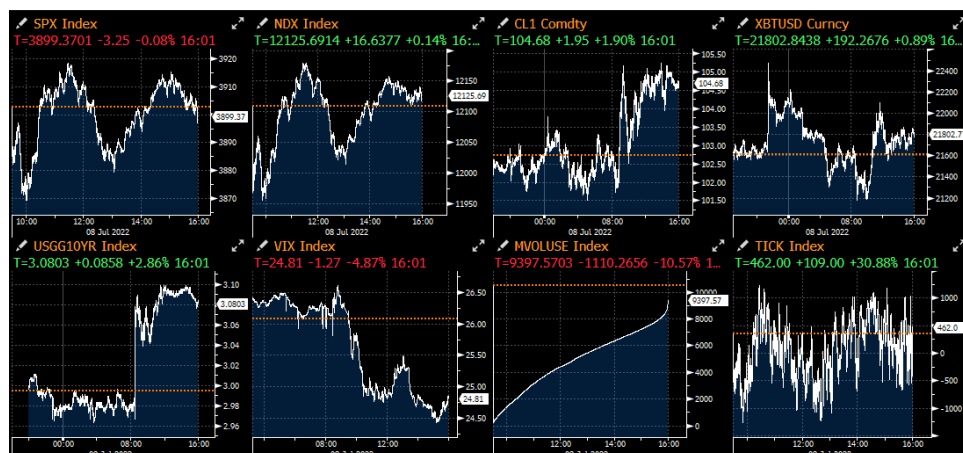
10 YR YIELDS – 3.0803...convincingly back through 3%...*

MOC – \$900mm for SALE...first sell imbalance of the week...*

VIX – 24.81...-4.87% today...-9.8% on the week...*

VOLUMES – 9.4B shares across all exchanges...SPX volumes were -31% vs. the 20dma...*

USA: Payroll Growth Remains Strong in June; Unemployment Rate Unchanged at 3.6%. BOTTOM LINE from GIR: Nonfarm payrolls rose 372k in June, above consensus of +265k. The details of the report were somewhat less positive, with a third month of downward revisions and of underperformance in household employment. The unemployment rate was unchanged at 3.6% as expected, though the underemployment rate fell sharply on fewer part-time workers. Average hourly earnings rose 0.3% month-on-month and 5.1% year-on-year—the latter slightly above expectations. Our composition-corrected wage tracker stands at +5.4% in Q2 (vs. +5.4% in Q1). Taken together, today's report indicates an overheated labor market that is only beginning to slow. We continue to expect a 75bp hike in the fed funds rate at the July meeting, followed by +50bps in September and +25bps each in November and December.
<https://marquee.gs.com/content/research/en/reports/2022/07/08/bbc346ae-cc41-4b33-bd0e-8b3480b4e6cd.html>



Quick Look...Best performers...

Ticker	%1D	%5D ↓	%1M
▶ Bitcoin Sensitive Equities	+1.19%	+10.19%	-16.38%
▶ High Beta 12M Losers	-0.73%	+9.74%	-1.35%
▶ Most Short Rolling	-0.72%	+9.74%	-3.05%
▶ Non Profitable Tech	-0.87%	+9.64%	+52%
▶ Expensive Software	-0.03%	+8.97%	-.08%
▶ Liquid Most Short	-0.89%	+8.49%	-6.44%
▶ Retail Net Bought since 2019	+0.67%	+8.39%	-3.94%
▶ Recent Liquid IPOs	-0.29%	+7.73%	-1.84%
▶ Renewables	+1.00%	+7.47%	-7.32%
▶ Secular Growth	-0.49%	+7.32%	-1.42%
▶ High Retail Sentiment	-0.50%	+7.29%	-4.14%

(Source: Bloomberg as of 07/08/22...Past performance is not indicative of future results)

The Worst...

Ticker	%1D	%5D ↓	%1M
▶ Sustainable Dividends	-0.37%	+78%	-4.92%
▶ Short Duration Equities	-0.07%	+72%	-12.13%
▶ Over-earning Cyclical	-0.16%	+55%	-13.50%
▶ China ADRs	-1.58%	+34%	+6.22%
▶ Expensive Defensives	-0.21%	+07%	-4.79%
▶ Rate Sensitive Financials	-0.44%	-.28%	-11.34%
▶ Go Outside	-1.34%	-.34%	-17.53%
▶ Bond Proxies	-0.51%	-.42%	-5.68%
▶ Re-opening	-0.60%	-.72%	-15.86%
▶ Early Cycle Reflation	-0.10%	-.72%	-18.01%
▶ High Beta 12M Winners	+0.19%	-1.52%	-16.69%
▶ Commodity Sensitive	-0.56%	-3.77%	-23.82%

(Source: Bloomberg as of 07/08/22...Past performance is not indicative of future results)

***DESK ACTIVITY**...Consistent chop higher throughout the week led by the under-loved pockets (growth) of the market as gross exposure continues to come in. It was risk off overnight following the assassination of former Prime Minister Abe weighing on Japanese equities, but steady throughout the European session, holding around unchanged and closing up ~50bps [SXXP +51bps]. Volumes were pretty dire throughout the session (SPX volumes were down 31% vs. the 20dma) with plenty of OOO bounce-backs. Following today's NFP print, there is still either not enough evidence to bring a change in the backdrop ([GIR](#) still expect a 75bps hike in July) or the market doesn't have faith in a more optimistic path and as a result we saw muted price action to finish flat on the day. The debate continues. CPI print coming up this week will be the main focus.

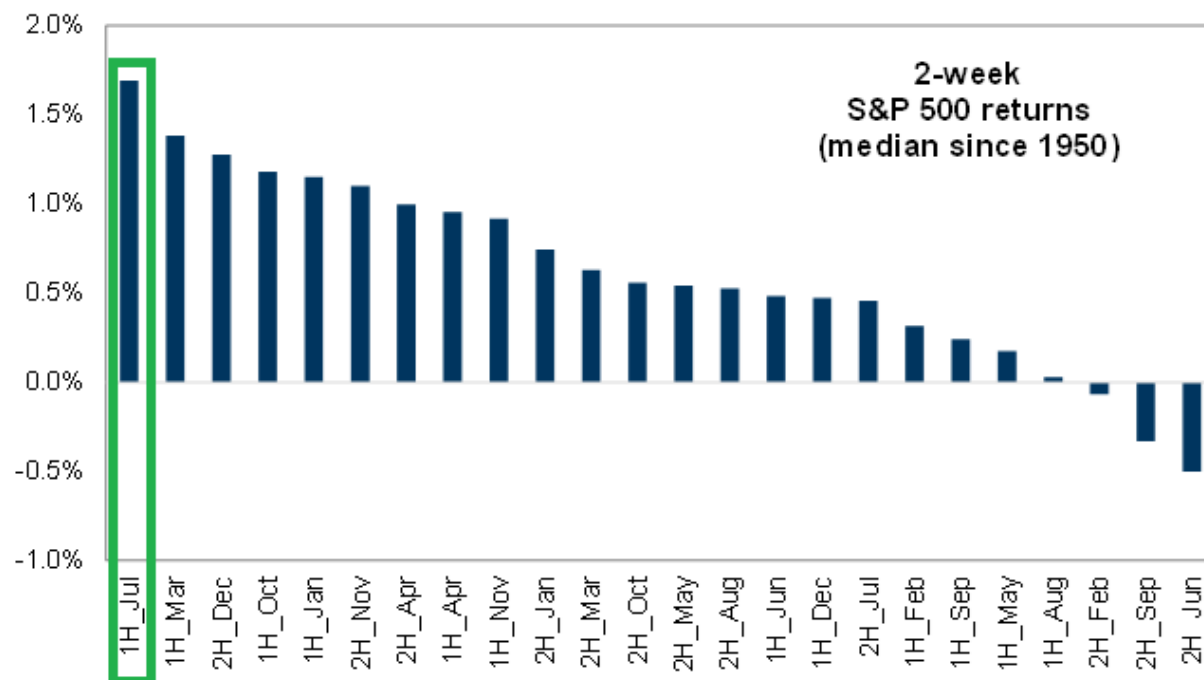
-We have CTA's that are to still to Buy...Latest estimates have 12B to buy over the next week in a flat tape.

-Fund Flows: Global Flows à US...European equities have logged 21 straight weeks of outflows and Emerging Mkts had the largest outflow in 2 months, while the US continues to see inflows. We are expecting this to continue as the TINA narrative continues to hold true.

-Buybacks: They are set to exit their blackout window on July 22nd, but would note they have been pretty active within their 10b5.1 plans. ***Ran 1x greater vs. 2021 FY ADTV this week.***

-Retail: Showing signs of life. Our Retail Most Bought Basket was +8.39 on the week. Bitcoin has rallied 16.33% off the lows. And AAPL, the retail magnet, has seen increased call volumes and is 7.55% to start the month.

-Seasonality also remains strong – July is one of the strongest month of year with an average SPX return of 2.5% on a 10 year look back, while the first two weeks being incredibly strong. We are currently +3 since the start of July.



Source: Goldman Sachs Investment Research Division, Cormac Connors, as of 7/1/22. Past performance is not indicative of future returns.

***DESK FLOWS**...LOs ended the week skewed better for sale 1.07x while HF finished better to buy 1.05x. TMT remained are most active sectors, followed by healthcare, and consumer services. In terms of factors we were skewed better for sale across value & momentum while growth was better to buy.

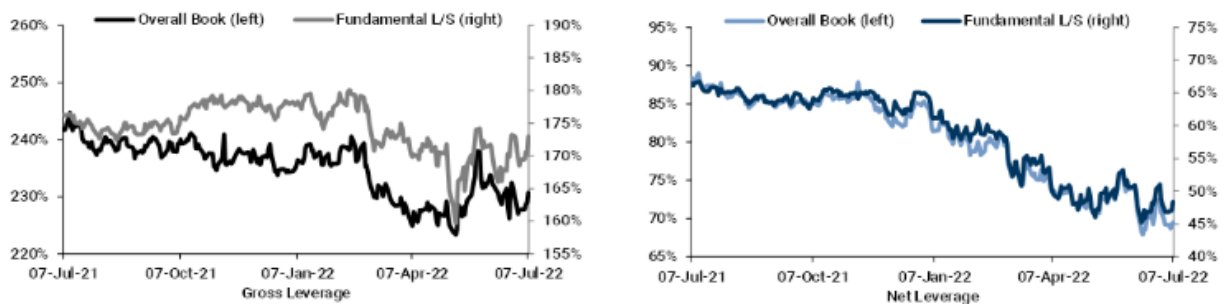
***ACROSS THE POND**...Heading into the weekend, the HT desk were largely balanced in skew. Client-wise, we saw LOs (60% of flow) axed 1.1x better to buy, whilst HFs (15% of flow) were 1.1x net for sale. Under the hood, it became evident that clients were net buyers of Tech (ongoing demand for Payments), Industrials and Real Estate. On the other hand, we saw net selling in Cons Staples, Healthcare (supply for Pharma) and Materials (selling Chems).

***GS PB UPDATE...Prime Services Weekly** – The GS Equity Fundamental L/S Performance Estimate rose +1.03% between 7/1 and 7/7 (vs MSCI World TR +2.22%), driven by beta gains.

<https://marquee.gs.com/content/markets/en/2022/07/08/8bf630d9-8a6a-446a-8605-74f60027d267.html>

-Gross leverage increased while Net leverage and L/S Ratio declined for the Overall Book. Fundamental L/S Gross and Net leverage rose on the week but both remain below their respective five-year averages.

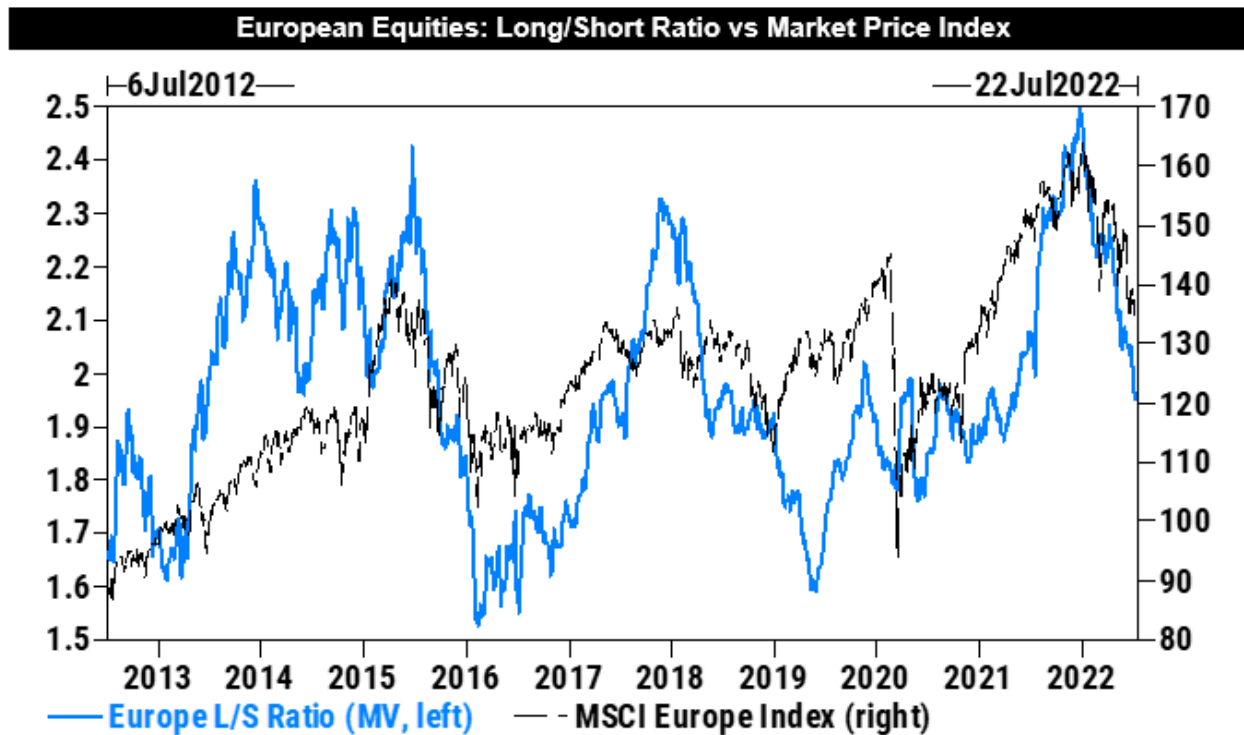
Leverage	Overall Book: Gross	Overall Book: Net	Overall Gross ex Options	Overall Net ex Options	Fundamental L/S: Gross	Fundamental L/S: Net
Current	250.8	68.3	230.7	69.5	173.0	48.4
Current 1-Yr %ile	25%	5%	26%	3%	31%	10%
Current 3-Yr %ile	57%	11%	34%	13%	53%	13%
Current 5-Yr %ile	74%	26%	50%	29%	41%	33%
T12M High	262.8	89.6	244.6	89.0	180.0	66.7
T12M Low	243.8	65.0	223.4	67.9	159.7	45.2
T12M Average	252.8	79.9	234.9	80.3	174.4	58.7



(Source: Goldman Sachs Global Markets data as of 07/08/2022. Past performance is not indicative of future results.)

-The Prime book was net sold for a second straight week, driven by long-and-short sales. While the book was heavily shorted Fri and Tues, managers unwound risk on Wed and Thurs ahead of the US NFP print. **US equities on the Prime book saw the largest 6-month \$ shorting activity in more than 9 years driven by Single Stocks.** That said, the pace of shorting slowed notably in the past three weeks, suggesting short sellers could be more mindful of potential counter-trend rallies into July.

-Hedge funds net sold European equities at the fastest pace in more than three months across Single Stocks and Macro Products.

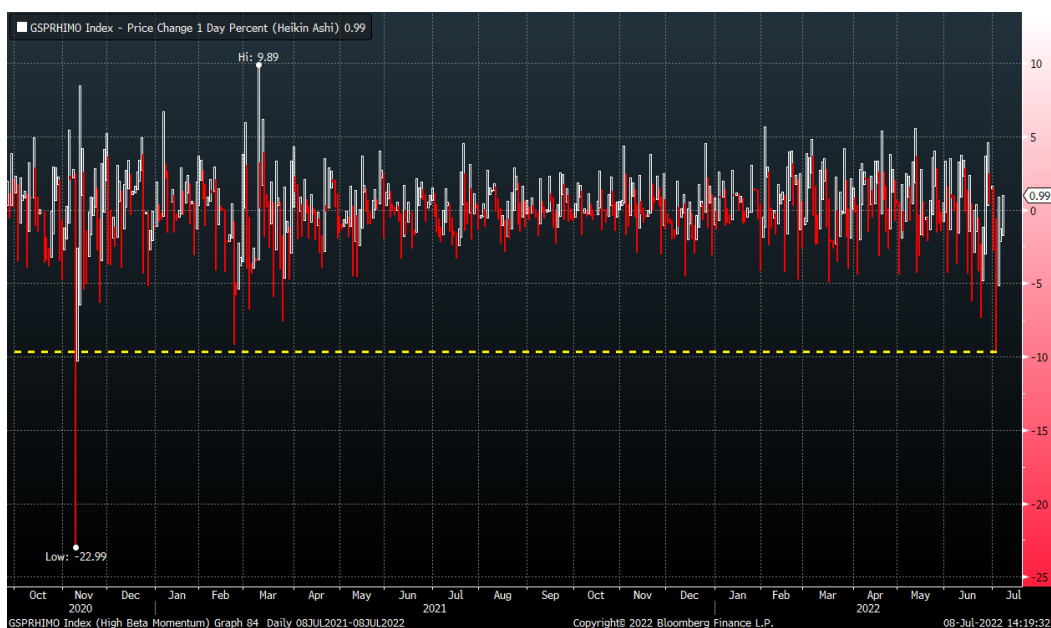


(Source: Goldman Sachs Global Markets data as of 07/08/2022. Past performance is not indicative of future results.)

***WHAT STANDS OUT...**

-MOMO NO MO (-)... Momentum Unwind Continues – GSPRHIMO – Another painful week - 9.3%...

July 5th (Tuesday) was the sharpest move lower in our Momentum Basket since Covid...



Bartlett ***breaks down the composition***: The constituents of the Long Momentum (12 mo winners) have increasingly skewed towards Energy/Materials, and constituents of the Short Momentum (12 mo losers) have increasingly skewed towards Software / Biotech.

Right now, our Long Mo basket (GSCBHMOM) = 27% Energy / 18% Materials.

Ticker	Name	Weight (%)#1
▶	Energy (21 members)	27.420469
▶	Materials (15 members)	18.102450
▶	Utilities (6 members)	9.134714
▶	Capital Goods (9 members)	8.195381
▶	Retailing (5 members)	6.322543
▶	Food, Beverage & Tobacco (5 members)	5.142613
▶	Health Care Equipment & Services (4 members)	4.943269
▶	Pharmaceuticals, Biotechnology & Life Sciences (8 members)	4.311510
▶	Transportation (4 members)	3.936147
▶	Semiconductors & Semiconductor Equipment (5 members)	3.241243
▶	Technology Hardware & Equipment (2 members)	2.046621
▶	Diversified Financials (1 member)	1.982595
▶	Insurance (1 member)	1.550090
▶	Consumer Services (2 members)	1.397461
▶	Food & Staples Retailing (2 members)	1.136824
▶	Software & Services (1 member)	0.658010
▶	Banks (1 member)	0.245111
▶	Telecommunication Services (1 member)	0.232950

(Source: GS GMD as of 07/06/22...Past performance is not indicative of future results)

On the flip side, our Short Mo basket (GSCBLMOM) is currently = 34% Software / 14% Biotech.

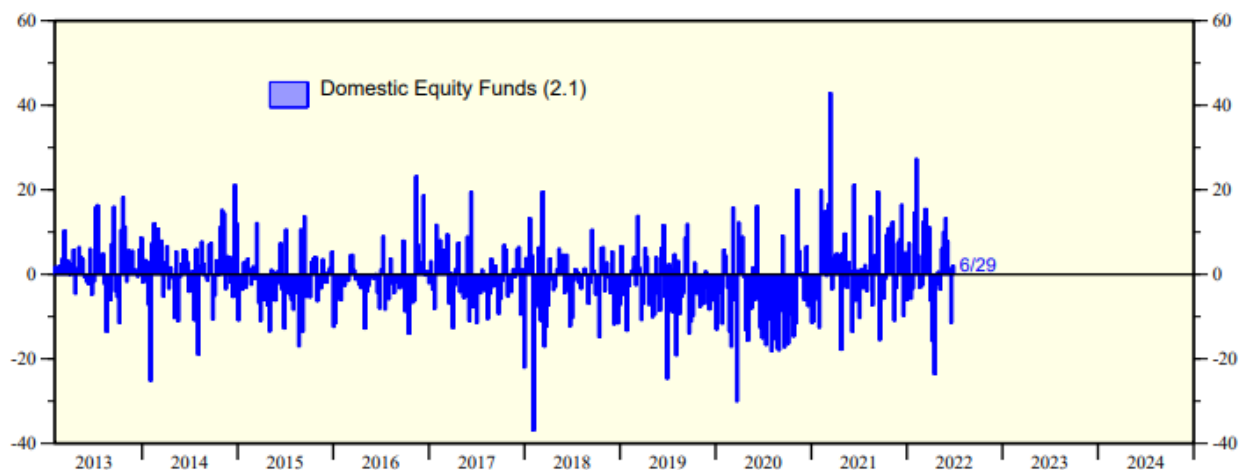
Ticker	Name	Weight (%)#1
▶	Software & Services (32 members)	33.601808
▶	Pharmaceuticals, Biotechnology & Life Sciences (23 members)	14.378921
▶	Retailing (11 members)	11.493793
▶	Media & Entertainment (8 members)	9.250278
▶	Energy (14 members)	8.386366
▶	Health Care Equipment & Services (9 members)	5.325208
▶	Real Estate (4 members)	3.511957
▶	Transportation (2 members)	2.211349
▶	Capital Goods (3 members)	2.202299
▶	Automobiles & Components (2 members)	2.137066
▶	Consumer Services (1 member)	1.954587
▶	Diversified Financials (1 member)	1.853986
▶	Materials (1 member)	1.231147
▶	Food, Beverage & Tobacco (1 member)	0.799307
▶	Commercial & Professional Services (3 members)	0.788826
▶	Technology Hardware & Equipment (2 members)	0.655947
▶	Consumer Durables & Apparel (1 member)	0.217155

(Source: GS GMD as of 07/06/22...Past performance is not indicative of future results)

...Why does all of this matter? Well this is causing some pain for investors and leading to continued degrossing which is showing up in our PB data. Coming into today, “Single Stocks saw de-grossing activity for a 3rd straight day. In cumulative \$ terms, the risk-unwind in Single Stocks from Tues-Thurs was the largest over any 3-day period since the end of May.” “The pace

of shorting slowed notably in the past three weeks, suggesting short sellers could be more mindful of potential counter-trend rallies into July.” This explains why we saw Non Profitable Tech ([GSXUNPTC](#)) / Most Rolling Short (GSCBMSAL) rally back ~+9% each despite the rebound in 10yy.

-FUND FLOWS (+)...Global Equity Outflows Continue (5.3B), but Net Inflows in the US are back (+2.1B)...TINA



Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research...Past performance is not indicative of future results)

<https://www.yardeni.com/pub/ecoindiciwk.pdf>

-SYSTEMATICS (+)...CTA Update – Remain a source of Demand...

...Over 1 week in a flat tape \$12B to BUY, \$35B to buy in an up big tape...

...Over the next month: \$36B to BUY, +\$142B to buy in an up big tape...

Expected Flows in Different Scenarios by Market (\$MM)								
Market	1 Week			1 Month			Simulated Realized	
	Flat	Up 2 STD	Down 2.5 STD	Flat	Up 2 STD	Down 2.5 STD	Last Week	Last Month
S&P 500 E-mini	2,436	6,187	-688	5,713	30,471	1,048	272	-3,641
TOPIX	2,423	6,547	-400	7,732	17,713	-3,142	301	-7,894
DAX 30	447	1,367	-142	1,296	5,782	1,291	-287	-5,572
DJ Euro Stoxx 50	444	2,003	-105	2,410	12,521	1,160	-221	-5,812
FTSE 100	1,220	4,379	-2,236	5,718	12,666	-1,714	66	-10,914
Nasdaq 100 E-mini	552	969	83	983	2,348	28	41	-262
Russell 2000 E-mini CME	349	1,030	-162	1,001	3,754	-49	-2	-524
TSE 60	560	1,264	12	982	8,377	798	-318	-3,095
Hang Seng	-3	668	-668	223	2,572	-2,714	224	1,594
SPI 200	311	1,507	-284	1,186	9,283	1,170	119	-5,817
CAC 40	309	1,198	-407	1,639	7,825	206	-81	-3,935
FTSE/JSE Africa Top 40	530	1,311	184	972	3,678	285	-278	-1,376
Hang Seng China Ent. Idx	-4	208	-213	-6	614	-1,439	228	917
Kospi 200	60	193	-108	493	1,372	402	136	-359
AEX	280	1,067	-79	944	3,681	231	190	-1,110
MSCIEM (NYL)	279	385	-81	493	1,755	221	-54	-570
IBEX 35	279	1,509	-81	945	4,106	14	-281	-3,388
S&P/MIB	68	175	-66	280	2,000	244	-84	-2,418
OMX Stockholm 30	281	849	138	720	4,159	440	5	-943
SMI	500	1,105	70	1,160	5,082	810	-2	-1,018
Thai stock exchange 50	708	1,001	-73	1,604	2,940	313	-250	-2,332
Totals	12,032	34,921	-5,306	36,487	142,699	-397	-275	-58,469

Source: Goldman Sachs Global Markets Strats Division, as of 07/08/22. Past performance figures are not a reliable indicator of future results."

Simulated results are for illustrative purposes only. "Simulated results are for illustrative purposes only. GS provides no assurance or

guarantee that the strategy will operate or would have operated in the past in a manner consistent with the above analysis. Thanks Brian Garret.

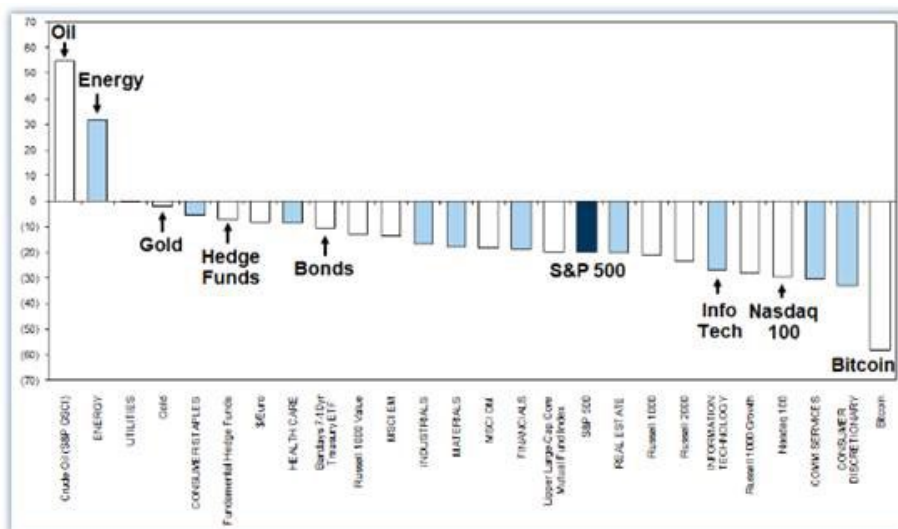
-RETAIL (+)...GME drama back on the forefront...+14% yday / down 5% today...AMC +20% over the last two sessions...

...Retail Most Bought Since 2019 (GSCBRFTS) +10.8% to start the month...



(Source: GS GMD as of 07/08/22...Past performance is not indicative of future results)

***WHAT'S WORKING / WHAT'S NOT**...What sectors, styles, and strategies are working in 2022? This was to start the week and has continued to revert...



Source: FactSet, MSCI, Lipper, HFR, Goldman Sachs Global Investment Research

***NOTES IN CASE YOU MISSED...** S&P 500 returns -20% as Fed remains hawkish and recession fears mount: “Our non-recessionary year-end forecast for the index is 4300 (+14%), while a recessionary scenario would see the index fall to 3150 (-17%). We forecast S&P 500 EPS will grow by 8% to \$226 in 2022 vs. the consensus estimate of \$229.”
<https://marquee.gs.com/content/research/en/reports/2022/07/05/9401e627-3409-45c8-8d50-899197e9648c.html>

- **2022E Sales Growth:** Fastest mega cap sales growth: AMD, BKNG, TSLA, COP, XOM
- **2022E Earnings Growth:** Fastest mega cap EPS growth: COP, CVX, BKNG, AMD, XOM
- **Largest S&P 500 stocks by equity cap:** AAPL, MSFT, GOOGL, AMZN, TSLA
- **Lowest Valuation S&P 500 stocks by P/E (NTM):** VTRS, APA, MOS, PHM, NRG
- **Lowest Valuation S&P 500 stocks by EV/EBITDA (LTM):** PARA, NRG, NUE, MRNA, MU
- **Best 2022 YTD performance:** OXY, VLO, HES, XOM, CTRA
- **Worst 2022 YTD performance:** NFLX, ETSY, ALGN, PYPL, BBWI

2022 YTD S&P 500 Return Attribution			
Sector	Weight at start of 2022	2022 return	Basis points of S&P 500 return
Energy	3 %	32 %	85 bp
Utilities	2	(1)	(1)
Cons. Staples	6	(6)	(33)
Materials	3	(18)	(46)
Real Estate	3	(20)	(55)
Health Care	13	(8)	(111)
Industrials	8	(17)	(131)
Financials	11	(19)	(200)
Comm Services	10	(30)	(306)
Cons. Discretionary	13	(33)	(412)
Info Tech	29	(27)	(785)
S&P 500	100 %	(20)%	(1996)bp

Source: FactSet, Goldman Sachs Global Investment Research

Have a great weekend... Mike