

TOP of MIND

AMERICAS FIRST



The Trump Administration kicked off 2026 with a new, more forceful foreign policy, driven by the so-called "Donroe Doctrine". So, what could "America First" evolving to "Americas First" mean for economies, assets, and geopolitical risk? Trump's former Special Envoy for Latin America, Mauricio Claver-Carone, and Johns Hopkins SAIS' Hal Brands discuss the motives behind the Donroe Doctrine and agree it portends more action in the Western Hemisphere. GS' Alberto Ramos then explores the implications for regional economies, and GS' Neil Mehta and Daan Struyven dig into the implications for the asset at the center of recent events: oil. But with perhaps the most profound implication being the rise in geopolitical risk, we ask the Centre for Liberal Strategies' Ivan Krastev what's ahead for US-Europe relations

(a rocky period, but not a divorce) and GS' Christian Mueller-Glissmann how to protect portfolios (diversify, don't time), with GS' Kamakshya Trivedi also seeing value in a surprisingly resilient corner of the market: EM assets.

“

The prospect of a fundamental shift in US policy is more real now than at any point in the last 70 years.

- Hal Brands

President Trump has long believed that the US can't be the preeminent global power if it's not the preeminent regional power.

- Mauricio Claver-Carone

The [US-Europe] relationship looks to be headed for a rocky period, but not a divorce.

- Ivan Krastev

WHAT'S INSIDE

INTERVIEWS WITH:

Hal Brands, Professor, Johns Hopkins School of Advanced International Studies, Senior Fellow, AEI

Mauricio Claver-Carone, Managing Partner, LARA Fund, Former US Special Envoy for Latin America and Senior Director for Western Hemisphere Affairs at the NSC in the Trump Administration

Ivan Krastev, Chair, Centre for Liberal Strategies in Sofia

VENEZUELA: WHAT'S NEXT?

Alberto Ramos, GS LatAm Economics Research

Q&A ON IMPLICATIONS FOR VENEZUELAN OIL

Neil Mehta, GS Natural Resources Equity Research, and Daan Struyven, GS Commodities Research

WHEN GEOPOLITICS MEETS PORTFOLIOS

Christian Mueller-Glissmann, GS Asset Allocation Research

EM ASSETS: CONTINUED RESILIENCE

Kamakshya Trivedi, GS FX and EM Research

Q&A ON DEFENSE SECTOR GEOPOLITICAL RISK

Noah Poponak and Sam Burgess, GS Equity Research

...AND MORE

”

Allison Nathan | allison.nathan@gs.com

Jenny Grimberg | jenny.grimberg@gs.com

Ashley Rhodes | ashley.rhodes@gs.com

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S. This report is intended for distribution to GS institutional clients only.

The Goldman Sachs Group, Inc.

Macro news and views

We provide a brief snapshot on the most important economies for the global markets

US

Latest GS proprietary datapoints/major changes in views

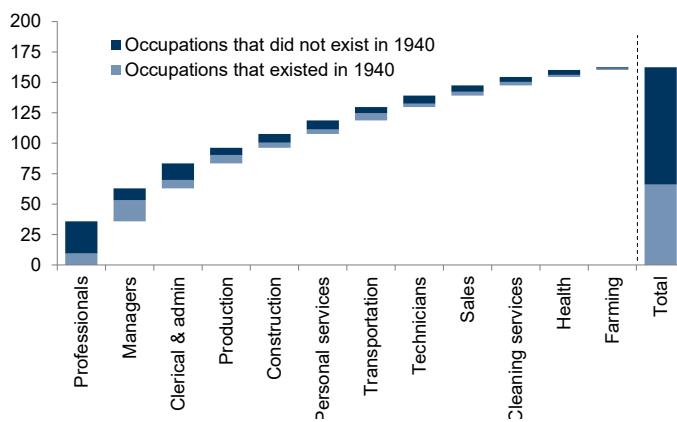
- We now expect two 25bp cuts in Jun and Sept (vs. Mar and Jun previously) to a terminal rate range of 3.3-3.25%.
- We recently lowered our 12m US recession probability to 20% (vs. 30%) partly owing to early signs of labor market stabilization.

Datapoints/trends we're focused on

- US growth; we expect somewhat stronger growth of 2.5% in 2026 (Q4/Q4) as the tariff drag gives way to a fiscal boost.
- US government shutdown, the odds of which have spiked.
- DoJ investigation into Fed Chair Powell, which we don't expect to impact Fed policy for now, but we find that a less independent Fed would put upward pressure on inflation.
- AI job apocalypse concerns, which we think are overblown.

Technological change: a key driver of job growth

Employment by new and pre-existing occupations, millions



Source: Goldman Sachs GfR.

Japan

Latest GS proprietary datapoints/major changes in views

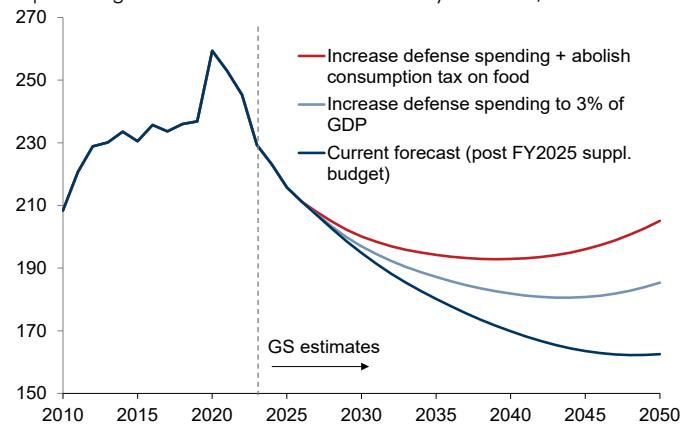
- No major changes in views.

Datapoints/trends we're focused on

- Japanese growth; we expect still-steady growth of 0.8% in 2026 (yo-y) led by domestic demand, but see external demand slowing slightly amid higher Japan-China tensions.
- BoJ policy; we expect the BoJ to hike at a semiannual pace, with the next hike in July, to a policy rate of 1.5% by mid-2027, though the timing of the next hike is uncertain.
- Japanese fiscal fears, which have risen on the back of the looming Lower House election (February 8), with all political parties advocating for a consumption tax reduction.

Japan: a potential undermining of fiscal health ahead

Japanese government debt-to-GDP ratio by scenario, % of GDP



Source: Ministry of Finance, Cabinet Office, Goldman Sachs GfR.

Europe

Latest GS proprietary datapoints/major changes in views

- No major changes in views.

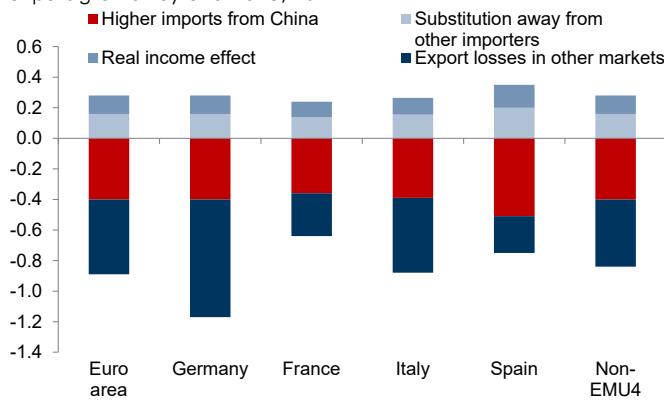
Datapoints/trends we're focused on

- EA growth; we expect real GDP growth of 1.2% in 2026 (yo-y) reflecting real income gains and a fading fiscal drag but growing headwinds from increased competition with China.
- UK economy, for which we expect another mixed year in 2026 characterized by trend-like growth and a further rise in unemployment but much lower inflation and more BoE cuts.
- Trade policy; we see only limited downside to European growth and limited upside to inflation if the US-EU trade deal implementation remains stalled.

Europe: a meaningful drag from China Shock 2.0

Estimated country-level real GDP impact of higher Chinese

export growth by end-2029, %



Source: Haver Analytics, Goldman Sachs GfR.

Emerging Markets (EM)

Latest GS proprietary datapoints/major changes in views

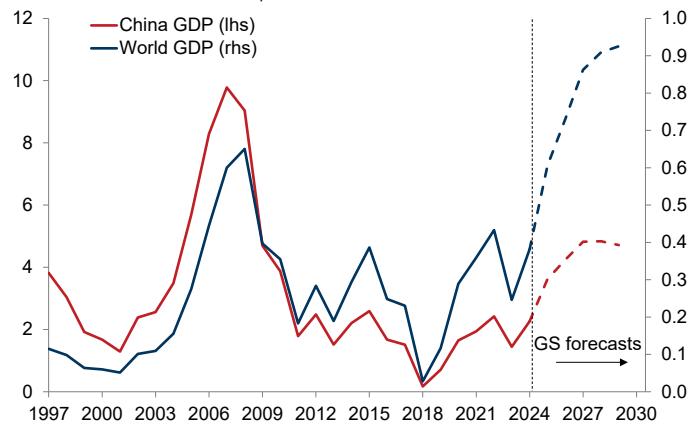
- No major changes in views.

Datapoints/trends we're focused on

- China's current account surplus, which we expect to rise further over the next several years to almost 1% of global GDP, the biggest of any country in recorded history, owing to China's manufacturing strength and weak domestic demand.
- China policy easing; we expect more easing this year, including two 10bp rate cuts, which should support our above-consensus growth and inflation forecasts.
- EM policy normalization, which we expect to continue amid further inflation normalization, including in Brazil and CEMEA.

China current account surplus: rising to record levels

China current account surplus as a share of GDP, %



Source: IMF, Haver Analytics, Goldman Sachs GfR.

Americas First

The Trump Administration kicked off 2026 with a new, more forceful foreign policy, driven by the so-called “Donroe Doctrine”—a corollary to the Monroe Doctrine that aims to expand US influence and control in the Western Hemisphere (see pg. 8). What the evolution of “America First” to “Americas First”—and potentially beyond—means for economies, assets, and geopolitical risk more broadly is Top of Mind.

We first turn to Mauricio Claver-Carone, President Trump’s former Special Envoy for Latin America and Senior Director for Western Hemisphere Affairs at the NSC, and Johns Hopkins School of Advanced International Studies’ Hal Brands for more insight into the Donroe Doctrine and the Trump Administration’s potential next moves.

Claver-Carone explains that the Donroe Doctrine reflects Trump’s long-held belief that “the US can’t be the preeminent global power if it’s not the preeminent regional power” (see pg. 9). This belief is driving Trump to reassert US dominance in Latin America with the overarching goal of strengthening US security—namely, national security and, importantly, energy security, which Claver-Carone says are closely linked. He sees no contradiction between this and Trump’s “America First” policy, arguing that “Americas First” is its natural extension.

Brands, for his part, sees two motivating factors behind the Donroe Doctrine, which he characterizes as “a reversion to an earlier style of statecraft”: the US’ desire to consolidate its position in the Western Hemisphere amid a new era of great power rivalry, and Trump’s desire to increase America’s control of hemispheric resources (think oil and territory).

But Claver-Carone and Brands agree: the Donroe Doctrine portends more action in the Western Hemisphere ahead. Claver-Carone expects the Trump Administration to continue pursuing “practical partnerships” with Latin American countries. And Brands underscores the importance of the Greenland issue (see pg. 14), suggesting that it likely won’t be easily resolved, though he also argues that “we shouldn’t view the Donroe Doctrine as a constraint on action elsewhere” (e.g. Iran).

So, what could this all mean for regional economies? Alberto Ramos, GS Head of LatAm Economics Research, doesn’t expect major economic spillovers from the developments in Venezuela to the rest of Latin America given their minimal linkages owing to Venezuela’s strikingly prolonged and deep depression and hyperinflation. He sees similarly limited political implications as voters in several Latin American countries (Peru, Brazil, and Colombia) are set to head to the polls later this year.

And what about exposed assets? Ramos recounts the many uncertainties facing Venezuela’s defaulted bonds amid potential debt restructuring. Neil Mehta, GS Head of North American Natural Resources Equity Research, and Daan Struyven, Co-head of Global Commodities Research, then dig into the global

asset at the center of the recent developments—oil. Struyven expects the Administration’s plan to revitalize Venezuela’s beleaguered oil sector to result in a modest increase in Venezuelan oil production and a modestly negative impact on oil prices over the next several years, with more significant oil price impacts over the longer run as production ramps up further (see pg. 11 for a map of Venezuelan oil assets).

But the most profound and potentially lasting implication of the recent developments is the rise in geopolitical risk (see pg. 18). We speak with the Centre for Liberal Strategies’ Ivan Krastev about the future of the US-Europe relationship, which he describes as at a “turning point but not a breaking point” given Europe’s security, economic, and technological dependence on the US as well as American political realities that may constrain US policy. But he expects a rocky period in the relationship ahead given that trust has been broken, not just because of Greenland, but also because of US actions vis-à-vis Ukraine and the US’ broader treatment of Europe.

And Brands sees even broader geopolitical implications, arguing that US designs on Greenland may test the global territorial status quo that has prevailed post WWII. He warns that the US deciding to play a fundamentally different role in the world than it has in the past 70 years could lead to significant changes in everything from nuclear proliferation, to the security of seaborne transit and democracy, to Dollar dominance.

So, what does this elevated geopolitical risk environment mean for global investors? Christian Mueller-Glissmann, GS Head of Asset Allocation Research, offers guidance on how to protect portfolios against this risk. He argues that rather than trying to time geopolitical shocks, investors’ first line of defense should be diversification. He sees value in several diversification strategies: turning to bonds and other safe havens like the Swiss Franc, increasing allocations to assets that could benefit from geopolitical shocks (like gold and the defense sector, which GS defense analysts Noah Poponak and Sam Burgess believe has not yet fully priced in elevated geopolitical risk), limiting direct and indirect exposures, and hedging with options.

Kamakshya Trivedi, GS Chief FX & EM Strategist, also sees value in a surprisingly resilient corner of the market: EM assets, which have held up despite elevated geopolitical risk, which typically weighs on EM relative performance. He expects this resilience to continue this year, with EM assets’ role as diversifiers further increasing their value proposition. In this context, Trivedi believes frontier assets are also worth a look.

Allison Nathan, Editor

Email: allison.nathan@goldmansachs.com
 Tel: 212-357-7504
 Goldman Sachs & Co. LLC



Interview with Hal Brands

Hal Brands is Henry A. Kissinger Distinguished Professor of Global Affairs at the Johns Hopkins School of Advanced International Studies and Senior Fellow at the American Enterprise Institute. Below, he discusses the US' renewed assertiveness in the Western Hemisphere, which he argues could have major repercussions for the global order.

The views stated herein are those of the interviewee and do not necessarily reflect those of Goldman Sachs.



Allison Nathan: In 2024, you argued that a second Trump presidency would feature a "revitalized Monroe Doctrine". What factors are motivating the US' more forceful posture in the Western Hemisphere?

Hal Brands: I see two motivating factors—one structural, one personal. The structural factor is the US' historic pattern of attempting to consolidate its position in the Western Hemisphere when the rest of the world is falling apart. During both World Wars and the Cold War, the US worked hard to try to ensure its dominance in the Western Hemisphere. So, it's not surprising that the US is now doing the same as the world enters a new era of great power rivalry.

The personal factor revolves around President Trump's long-held interest in renewing the Monroe Doctrine to increase the US' control of hemispheric resources, like oil, and territory, specifically from Panama, Canada, and Greenland. The President is also intensely focused on tangible threats to American sovereignty and security rooted in hemispheric issues like drug trafficking and migration. Putting all this together, it's not surprising that this Administration has focused on reconsolidating US primacy in the Western Hemisphere.

What is a bit more surprising is how energetic the Administration has been in doing so. The Venezuela intervention has received substantial attention, but it's just the capstone of a much bigger and broader campaign that has featured diplomatic pressure on Colombia and Panama, economic support to allies like the Milei government in Argentina, partnerships with El Salvador's Bukele government and other ideological fellow travelers, lethal strikes on drug boats, and an array of other military, diplomatic, and economic initiatives. In many ways, this has been the centerpiece of Trump's foreign policy so far.

Allison Nathan: So, it's right to think that oil was a key motivation for the Venezuela actions?

Hal Brands: Resource control is undoubtedly at the forefront of the President's calculus. He has long associated it with national power, often remarking that the primary mistake in the American invasion of Iraq was not "taking the oil". In describing US aims in Venezuela since the intervention, Trump has said very little about democracy and good governance, and even relatively little about drug trafficking. He talks a lot about the US exerting greater control over the disposition and sale of Venezuelan oil and the desire for greater openness of the Venezuelan oil industry to the US oil majors. Others in the Administration may value different things in this Trump Corollary to the Monroe Doctrine, but for Trump himself, the

primary issues are essentially about economic gain and a neo-mercantilist approach to international economics.

Allison Nathan: Is that what differentiates the "Donroe Doctrine" from the Monroe Doctrine?

Hal Brands: The Monroe Doctrine's meaning has evolved over time. It was initially about preventing the reimposition of colonial control by European powers. During the 20th century, it became about keeping fascist and communist regimes out of the hemisphere. In some ways, the "Donroe Doctrine" is a throwback—it is a reversion to an earlier style of statecraft that is much less apologetic about the desire to control the resources of weaker countries and much more willing to talk about outright territorial acquisition and other ideas that went out of style with the end of the age of imperialism. It's sometimes said that Trump is trying to revive a 19th century style of foreign policy. I agree that he would likely feel quite at home if he were presiding over some of the US' interventions in Latin America in the late 19th and early 20th centuries. Indeed, the tactics he has used in Venezuela—overthrowing a government and exerting control of the country's trade revenues—aren't that different from what the US did in places like the Dominican Republic well over a century ago.

Allison Nathan: With that context, why do you think the Administration chose to leave the rest of the Maduro regime in place?

Hal Brands: Trump is seeking maximum leverage and gain with minimum long-term investment of resources and political capital. He burst onto the domestic political scene 10 years ago by arguing that the US had made terrible mistakes by undertaking nation-building missions in Afghanistan and Iraq. And flying Maria Corina Machado or Edmundo Gonzalez into Caracas in the hours after Maduro's apprehension probably would have incited a lot of instability by putting them in conflict with the remnants of the Maduro regime. So, the mechanism Trump has settled on is a 21st century version of gunboat diplomacy, where the US will work through the existing authorities while threatening them with punishment if they don't do the Administration's bidding.

Allison Nathan: What do these developments mean for other countries in the region, many of which are slated to hold elections this year?

Hal Brands: They serve notice to any vulnerable anti-American regimes playing strategic footsie with China and Russia that they will likely face greater US pressure. Cuba might be the best example. That said, I'm skeptical that the US would undertake a large-scale military intervention in Cuba because a collapse of that regime might produce a flood of refugees headed for the US. More broadly, countries from Colombia to Mexico will likely feel pressure to act with greater urgency on

issues related to narcotrafficking, which we're already seeing evidence of in the discussions the US and Mexico appear to be having about a potential role for the US military in going after cartels operating in Mexico, as well as some of Trump's comments about Colombia.

The domestic political implications of these shifts will vary given the array of political cultures and levels of susceptibility to US interests throughout the region. In Brazil, the political culture to some degree has long been interwoven with resistance to US influence in Latin America, even in periods when conservative military governments in Brazil worked very closely with the US. So, I wouldn't be shocked if US efforts backfire to some degree in the next Brazilian election. But it could go the other way there and/or in other countries, where the US either has more influence or where a homegrown swing to the right or in the direction of neo-populist politics occurs.

Allison Nathan: What lessons do you think China and Russia are taking from the recent US actions, and how are they shifting their calculus in the region?

Hal Brands: Beijing and Moscow have run up hard against the reality of US hard power in the Western Hemisphere. Whether it's the US Navy and Coast Guard seizing shadow fleet tankers, the US forcibly deposing Maduro, or the Pentagon shooting up drug boats in the Caribbean, neither China nor Russia can do much to contest the application of American military power in the Western Hemisphere. That said, China's influence in the region in particular is multifaceted and deeply embedded in everything from trade relationships to the diffusion of technology to physical and digital infrastructure, all of which will persist to some degree.

It's important to note that China's influence is not simply imposed on Latin American countries, but a response to their needs. Big gaps in physical and digital infrastructure exist in the region, which China is well-placed to address. So, Beijing will play the long game and continue to attempt to win influence in the region through economic, political, and, in some cases, low profile security relationships that will focus more on internal security than traditional military functions. If anything, the recent developments likely mark the start of an even more intense phase of competition for influence in the region.

Allison Nathan: How does Greenland fit into Trump's plan, and what might that suggest about his next steps there?

Hal Brands: Greenland is both a hemispheric and global issue. It's a hemispheric issue in the sense that the Trump Administration views consolidating US control of Greenland as part of the larger effort to revive the Monroe Doctrine. And they can point to historic examples of the US increasing its influence in Greenland as part of a strategy of hemispheric defense, as President Roosevelt did in the run-up to US entry into WWII.

It's also a global issue, for two reasons. First, Greenland powerfully affects the fate of NATO and the transatlantic community; it's hard to overstate the degree of outright alarm that Canada and many European countries feel about US designs on the territory. Second, Greenland is the best test of whether the US will seek changes to the global territorial status quo. That's an explosive issue because China and Russia are attempting to do much the same thing in the South China

Sea/Himalayas and Ukraine, respectively. So, a world in which the US also aims to redraw borders through coercion or even force is a world in which the three most powerful countries are all violently or coercively disrupting the territorial status quo. That's something we haven't seen since the 1930s and could be deeply corrosive to the post-1945 global order.

Allison Nathan: So, recent US actions have helped further the ambitions of China and Russia in some respects?

Hal Brands: Both countries were undoubtedly unhappy to see Maduro go, especially at the hands of ruthlessly efficient US military power. But recent developments aren't entirely bad news for Beijing and Moscow. A world in which international law and norms matter less, and great powers are free to do as they like, especially in their own backyards, is a world in which Chinese and Russian leaders would feel comfortable. In fact, that's exactly the world they aim to bring about. And if an intensification of US military activity in the Western Hemisphere pulls resources away from other regions, as was the case when Trump redeployed an aircraft carrier covering the Middle East and Europe from the Mediterranean to the Caribbean, that's even better news for them.

Allison Nathan: How does Iran fit in here?

Hal Brands: Iran is a key reason why we should be skeptical of the idea that the world is rapidly transitioning into a spheres of influence arrangement. Trump wants an American sphere of influence in the Western Hemisphere, but he also likes to maintain unhindered freedom of action globally when he views it as advantageous to him. This was clear in the recently-released national security strategy. This Administration has also conducted two major military interventions in the Middle East and threatened others. We shouldn't view the Monroe Doctrine as a constraint on action elsewhere.

Allison Nathan: Amid all this, what geopolitical risks should companies and investors be most focused on?

Hal Brands: The mega risk is the potential for the US to decide to play a fundamentally different role in the world. We have lived for so long in the post-1945 international order in which US power was wielded to secure strong prohibitions on forcible conquest, freedom of navigation to support and propel the global economy, and protection of human rights and the spread of democracy, that it's difficult to conceive of a world without that leadership. Such a world would likely see more countries pursuing nuclear weapons, greater disorder on the high seas that would impact global trade and finance, a challenge to Dollar dominance, and a global retreat of democratic values.

30 years ago, I would have said there was little chance of such a shift. 15 years ago, I would have said signs of retrenchment-minded inclinations in the US foreign policy debate had grown. We now have a US president who often expresses a desire for fundamental change in US foreign policy and the way the US engages in the global economy, even if the policies don't always match the rhetoric. So, the prospect of a fundamental shift in US policy is more real now than at any point in the last 70 years. The stakes are high, and the choices the US makes in the coming years will not only determine its own role on the world stage, but also the trajectory of the international order.

Interview with Mauricio Claver-Carone

Mauricio Claver-Carone is Managing Partner of the Latin America Real Assets Opportunity Fund. He served as US Special Envoy for Latin America and Senior Director for Western Hemisphere Affairs at the National Security Council in the Trump Administration. Below, he argues that President Trump views US dominance in the Western Hemisphere as essential for global preeminence, and that "Americas First" is a natural extension of "America First".

The views stated herein are those of the interviewee and do not necessarily reflect those of Goldman Sachs.



Jenny Grimberg: You played a key role in foreign policy in the Western Hemisphere during both Trump Administrations. What's behind President Trump's focus on the region, and do you sense a shift in that focus from his first term?

Mauricio Claver-Carone: President Trump has long believed that the US can't be the preeminent global power if it's not the preeminent regional power. That is the "Monroe Doctrine". And contrary to widespread perception, this reflects the President's own thinking, not his advisors' influence. President Trump is a developer from New York—he thinks in terms of building neighborhoods. He has traveled throughout the region and knows it well. And he believes that no region in the world impacts Americans' daily lives more than Latin America and the Caribbean from a security, economic, and social perspective.

I've seen firsthand many times how focused the President has been on this, and on the US' waning influence and positioning in the region over the last two decades, especially vis-à-vis China. During periods of conflict in Afghanistan and Syria in his first term, President Trump would incredulously remark on how eagerly and easily the US sent troops to those countries yet was too scared to have any type of presence in its own hemisphere. And I remember at one point during the intensifying crisis that gripped Venezuela in 2019, the President being disturbed to learn that the US Navy had no ships in the vicinity of the Caribbean because they were all deployed to the Persian Gulf, South Asia, and the Mediterranean.

That said, given his team was distracted by the Middle East and Asia at the time, President Trump's first term was largely about facilitating a pivot from China in the region. The Administration focused on setting frameworks to, mostly through soft power, execute this pivot, which led to the creation of the America Crece Initiative to catalyze private sector investment in energy and infrastructure projects across Latin America and the Caribbean.

The second term, by contrast, is about the implementation of President Trump's vision for the region. He made that vision extraordinarily clear during his second inauguration as he harked back to President McKinley and the golden era of American influence, projected not only through policy—the Monroe Doctrine and, later, the Roosevelt Corollary to it—but also through brick-and-mortar initiatives like the Panama Canal. And this time around, his team is aligned with that vision. Secretary of State and National Security Advisor Marco Rubio understands and cares about the region and President Trump's vision for it. Deputy Chief of Staff for Policy and Homeland

Security Advisor Stephen Miller is also focused on the region owing to his holistic approach on immigration and his view that immigration would be less of a problem for the US if Latin American countries were thriving. And, in contrast to the secretary of defense in the first Administration, who didn't believe that the Department of Defense should be involved in counternarcotics, Secretary of Defense Pete Hegseth is very involved.

Jenny Grimberg: What does the President hope to achieve by reasserting US influence in Latin America?

Mauricio Claver-Carone: The Trump Administration's actions in Latin America—from the Venezuela operation to the relationship it created with Mexico to the historic support it lent Argentina during its economic crisis last year—are based first and foremost on US security. This runs the gamut from national security in terms of halting narcotic and migrant flows and reducing terrorism risk to energy security. The Achilles heel of Latin America and the Caribbean in particular is energy. Fidel Castro always understood that, which is why he helped install Hugo Chavez and viewed Venezuela as his golden crown. And Caribbean countries' pressing need for energy led to the formation of PetroCaribe, an initiative launched by Chavez to supply Venezuelan oil to these countries on favorable financial terms, which allowed Venezuela to essentially control the Caribbean for many years.

Energy security is closely intertwined with national security, as high energy costs have been a key driver of migration throughout Central America. So, energy security is incredibly important, which is consistent with President Trump's desire to increase oil production in the Western Hemisphere. The US is an energy powerhouse in its own right, and many Latin American countries could be too with proper management. US influence can play a crucial role here. Guyana currently produces more oil than Venezuela, largely because the Guyanese government has worked hand-in-hand with US companies to develop the right policies from the get-go and leave behind the nationalist ideological strains that were embedded into the psyche of the regional population during the 20th century revolutions.

Jenny Grimberg: Does expanding US influence in Latin America conflict with the "America First" pillar of President Trump's Make America Great Again (MAGA) platform?

Mauricio Claver-Carone: Not at all. "Americas First" is the natural extension of America First as President Trump works to counter the notion of every DC think tank expert that the 21st century would be the Chinese century. The President was adamant during his inauguration that it would instead be

another American century, and potentially the greatest American century. And contrary to what many believe, the President's Latin America strategy is not about boots on the ground or nation-building. It is about practical partnerships between nations as the US shifts from a policy of non-interventionism—which served neither the local population nor the US well by leading to the rise of Chavez and China—to non-imperial expansionism, a term coined to explain the strategy of deepening US influence in the region through partnerships.

These are not political partnerships—the US is currently working with the right-leaning governments of Argentina, El Salvador, Costa Rica, and Chile as well as the left-leaning governments of Mexico and Venezuela—but practical, business-oriented relationships that benefit not only the US but also these countries, whose populations desire security and economic opportunities. The best example of that is Argentina. Many people, including myself, worried that the Trump Administration's financial support ahead of last year's midterm elections could spark a backlash against President Milei's Conservative party given that strains of Peronism still exist in Argentina. But the election results showed that most of the party's support came from the poor, who are fed up with ideologies that neither pay the bills nor put food on the table. So, the region has undergone a dynamic social shift.

Jenny Grimberg: How does the Trump Administration's decision to depose Maduro fit into that?

Mauricio Claver-Carone: Let me first clarify that the Administration didn't "depose" Maduro. This was a law enforcement operation with military support to capture an individual indicted for narcoterrorism in the US. Now, this was a particularly complicated operation because Maduro was de facto running a nation-state with a military, which showed the world that nobody is outside of US reach and sent a message of US influence, ability, and capability. But the operation also underscored the Trump Administration's preference for partnership. President Trump gave Maduro plenty of opportunities to work together; he expressly rejected every offer, which led the Administration to execute a carefully thought-out operation to capture him. That sends an important message: when President Trump offers you a deal or an opportunity, you take it.

The Trump Administration's subsequent actions in Venezuela are also a testament to its partnership preference. The US undoubtedly had the capabilities for a broader operation, but assessed that the other people in Venezuela controlling the institutions of power would want to work with the US. And so far, that assessment has proven right. In the days following the operation, the US reached a deal to purchase 30-50 million barrels of Venezuelan oil and several million barrels moved shortly after. Venezuela is also increasingly and consistently releasing political prisoners. And the US is working with the Venezuelan authorities to put the country on a path toward becoming a more stable and secure presence in the region with an open, participative process. Much remains uncertain, but I'm optimistic.

Jenny Grimberg: The million-dollar question is what President Trump will do next in Latin America and the broader Western Hemisphere. What's your view?

Mauricio Claver-Carone: Further efforts at forming and consolidating partnerships with countries in the region are likely. Upcoming elections in Brazil and Colombia will be important. Conservative candidates recently won Honduras' and Chile's presidential elections, and if right-wing candidates also prevail in Colombia and Brazil, it would result in a historic ideological consolidation for the region. But again, this isn't about ideology but whether the new leaders will choose the US first and foremost as their partner. That would give the US a historic opportunity to modernize its business relationships and commercial partnerships across Latin America.

That could start with Mexico and the upcoming USMCA renegotiation, which seems to be the path the President is heading down. But President Trump's intense focus on trade is reactive. He feels that the trade deals of the 1990s/early 2000s were all flawed, forcing him to focus on fixing them. As those issues resolve, the focus of US partnerships with regional allies could shift to making deals that ensure a US strategic presence in critical sectors like energy and infrastructure. The hope is that by the end of President Trump's term, nobody will ever again talk about China's expanding influence in the region, because it will be unquestionably clear that the US is the partner of choice for Latin America and the Caribbean.

Jenny Grimberg: As an investor in the region, what advice do you have for investors attempting to navigate Latin America's evolving geopolitical landscape?

Mauricio Claver-Carone: Investors looking to monetize the "Dorroe Doctrine trade" by focusing more on Latin America should look beyond the big-ticket deals in Mexico and Brazil, which have often been walloped by currency issues, to smaller countries. The deals are smaller, but the returns are bigger as a percentage, and these countries are among the region's fastest-growing economies, offering great opportunities for investors. The secret sauce is local partners.

I would also advise against relying on multilateral development banks. As a former president of the Inter-American Development Bank, I've seen firsthand that these institutions aren't focused on finding or creating the best deals. Investors should instead focus on US domestic finance institutions like the International Development Finance Corporation (IDFC), which partners with the private sector to mobilize capital for strategic investments around the world and recently secured a six-year reauthorization, to gain exposure to long-term deals in strategic sectors.

I also see significant short and medium-term investment opportunities in the energy and infrastructure space. The timing is right for these investments because the US government is focused on and geopolitically invested in Latin America and wants to encourage private investment in the region, and that focus isn't going away given President Trump's "Americas First" philosophy.

The Monroe Doctrine through the years

INVOKING THE MONROE DOCTRINE

The Monroe Doctrine, first articulated by President James Monroe in 1823, declared that European powers should not interfere in the affairs of the newly independent nations of the Americas, a stance motivated by concerns over potential European re-colonization. Since its inception, US presidents have frequently invoked the Doctrine to justify various foreign policy actions across the Western Hemisphere.

1902-1904 Roosevelt Corollary: In 1902, a fleet of British, German, and Italian gunboats set up a blockade of Venezuela's ports after the nation defaulted on its debts to European lenders. President Theodore Roosevelt, as part of his foreign policy to "speak softly, but carry a big stick," issued a corollary to the Monroe Doctrine that gave the US "international police power" over the Western Hemisphere, justifying US intervention in Latin American affairs to prevent European influence. Roosevelt used this to justify US intervention in Venezuela, as well as Panama in 1903 and Cuba in 1904.



1823 Origin of the Monroe Doctrine: In an address to Congress, President James Monroe declared that the Western Hemisphere was off-limits to European colonization and, in return, promised US non-interference in Europe in what became known as the Monroe Doctrine.

1865 support for Mexico against France: In 1864, France installed an Austrian Habsburg prince as the Emperor of Mexico, which the Lincoln Administration saw as a violation of the Monroe Doctrine. In 1865, the US exerted diplomatic and military pressure to help Mexican President Benito Juárez lead a successful revolt against the Emperor.

1895 Cleveland and the Venezuela boundary dispute: The Cleveland Administration intervened on Venezuela's behalf in the country's boundary dispute with British-controlled Guyana (now Guyana) after gold was found in the contested region, asserting that the US had the right to intervene in the dispute based on the Monroe Doctrine.

1962 JFK and the Cuban Missile Crisis: President Kennedy invoked the Monroe Doctrine during a televised address in October 1962, announcing the discovery that the Soviet Union was secretly installing offensive nuclear missile sites in Cuba. Kennedy ordered a naval blockade around the island, characterizing the Soviet action as a direct challenge to the long-standing principle of preventing hostile foreign powers from establishing military bases in the Western Hemisphere.

1989 capture of Manuel Noriega in Panama: President George H.W. Bush deployed US troops to Panama to arrest and extradite Manuel Noriega on drug trafficking and money laundering charges. The US cited the Monroe Doctrine to justify the invasion, claiming that Noriega's regime threatened US citizens living in Panama as well as the security of the Panama Canal.

1915 US intervention in Haiti: Following the assassination of the Haitian President, President Woodrow Wilson dispatched US Marines to Haiti with the goal of restoring order and maintaining political and economic stability in the Caribbean. The US maintained control over Haiti until 1934.

2026 Trump Corollary and the Monroe Doctrine:

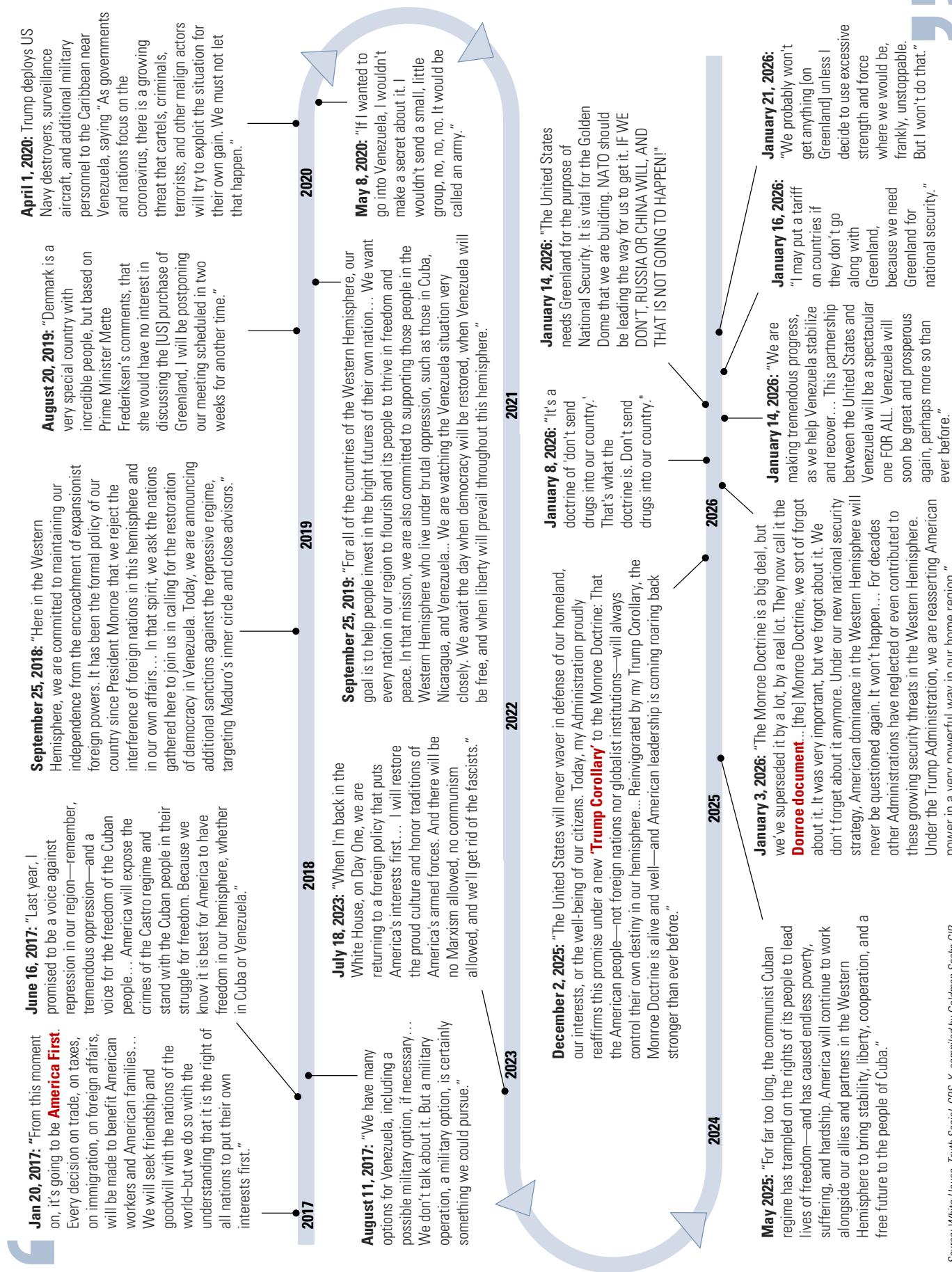
President Trump laid out a Trump Corollary to the Monroe Doctrine that aims to restore US preeminence in the Western Hemisphere. Referring to it as the "Monroe Doctrine," Trump used it as justification for the arrest and extradition of Venezuelan leader Nicolás Maduro on drug trafficking charges.

1954 US-backed coup in Guatemala: The US intervened in Guatemala in a CIA-backed coup to overthrow President Jacobo Árbenz amid fears that his government was being influenced by communist groups.

2018 Trump 1.0 revitalization: During his first term, President Trump invoked the Monroe Doctrine in relation to US policy toward Venezuela and other nations in the Western Hemisphere, reaffirming his "enduring commitment" to the Doctrine.

1983 Reagan and the invasion of Grenada: The US launched an operation in Grenada to oust its Marxist government after the execution of leader Maurice Bishop. President Reagan invoked the Monroe Doctrine in order to safeguard American lives in Grenada and extinguish communist influences. Reagan called the invasion of Grenada the first successful "rollback" of communist influence since the onset of the Cold War.

The Donroe Doctrine, in Trump's words



Venezuela: what's next?

Alberto Ramos explores what developments in Venezuela could mean for the country's economy and the broader LatAm region

Following the US operation in Venezuela, the situation on the ground remains very fluid and the outlook complex and uncertain. The Trump Administration is now working with the remnants of the Maduro regime to stabilize the Venezuelan economy, focusing first and foremost on the battered oil sector, and eventually hold open elections.

An economic collapse of historic proportions

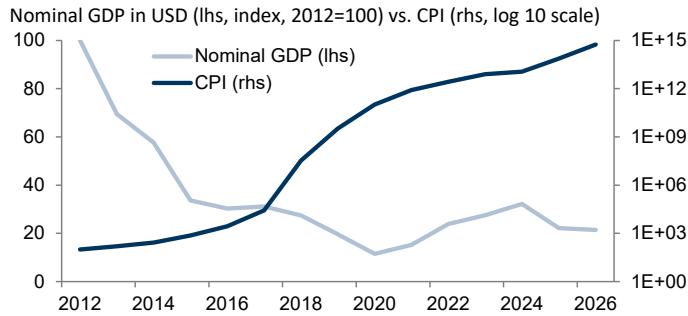
Venezuela has been trapped in a seemingly never-ending economic depression and hyperinflationary spiral. Large macro and financial imbalances have spawned an economic collapse of historic proportions. In fact, Venezuela has experienced one of the worst peacetime economic downfalls in modern history, with real GDP contracting far more than in the US during the Great Depression (-28%), Spain during the Spanish Civil War (-28%), and the 2009 Greece crisis (-27%). Per the IMF, in Dollar terms, Venezuelan GDP has shrunk by ~80% since 2012, with seven consecutive years of negative real GDP growth over 2014-2020 for an astonishing cumulative decline of 74.3%.

Quite telling and illustrative of the major economic collapse of the last 20 years is the dramatic shift within Venezuela's oil sector—the country's key source of foreign exchange. Oil production fell from 2.7mb/d in 2015 to 0.93mb/d in 2025, resulting in an oil-export hard-currency crunch that imposed a severe and debilitating constraint on imports. As a result, Venezuela's economy has contracted to ~\$80bn today, roughly the size of Uruguay and less than a quarter the size of Chile.

Hyperbolic inflation immiserizes

Annual inflation over the decade leading up to 2025 was an astronomical 14,544% on average—reflecting years of hyperinflation (inflation was ~130,000% in 2018). Over the same period, Venezuela's currency (the Bolivar) lost ~98% of its value. The economic hardship has helped generate a mass exodus of people over the last 16 years. According to the UNHCR, nearly 8mn people fled the country, close to a quarter of the population and one of the world's largest displacements, with most settling in nearby countries, particularly Colombia.

Venezuela has experienced hyperinflation and depression



Likely limited economic and financial spillovers...

It therefore comes as no surprise that the economic and financial linkages between Venezuela and the rest of LatAm have become minor. Accordingly, we do not anticipate major economic spillovers from the situation in Venezuela to the rest

of LatAm. However, if the situation on the ground were to deteriorate into widespread lawlessness and violence, we could see renewed migration flows, likely affecting neighboring countries first and foremost. Beyond migration, the situation in Venezuela could indirectly impact the region through their impact on key commodity prices, particularly oil and gold.

...and political implications

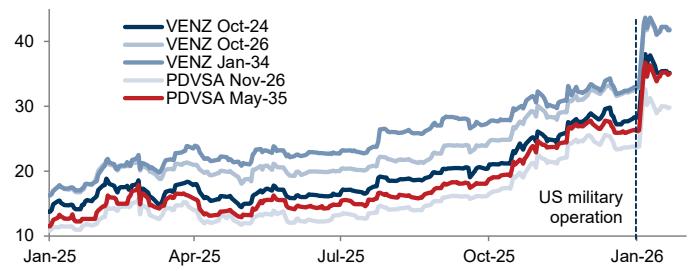
The political implications for the rest of LatAm also seem limited. The reactions of regional governments were mixed and clearly divided along political/ideological lines, but even those critical of the situation were cautious and contained in their responses. However, US actions in Venezuela could stress its relationship with Mexico, Colombia, and Brazil, especially if the US expands its focus to the regime in Cuba and/or conducts military strikes on drug cartels inside Mexico or Colombia. At this juncture, we do not expect the ongoing developments in Venezuela to impact upcoming elections in Brazil (general election in October), Colombia (congressional elections in March, presidential in May), or Peru (general elections in April).

Debt restructuring key to watch from here

Venezuela defaulted on international bonds in late 2017 due to the compounding effects of the deep economic crisis and sanctions. Defaulted debt is estimated at north of \$150bn, including around \$60bn (face value) in defaulted bonds (sovereign and state oil company PDVSA), other PDVSA obligations (e.g., suppliers' debt), bilateral loans (e.g., with China, Russia), and multilateral debt, with significant unpaid interest as well as legal claims from expropriation cases compounding the total since the 2017 default.

Venezuela bond prices rallied following the US military operation

Venezuela and PDVSA bond price, bp



Venezuela bond prices rallied in 4Q25 on expectations that rising US pressure and military buildup would eventually lead to regime change. And the initial market reaction to the January 3 US airstrikes was positive. Indeed, defaulted Venezuelan bond prices rallied 8-9pts (including PDVSA) on January 5 on expectations of a brighter outlook for Venezuela's economy and oil sector as well as the potential for debt restructuring.

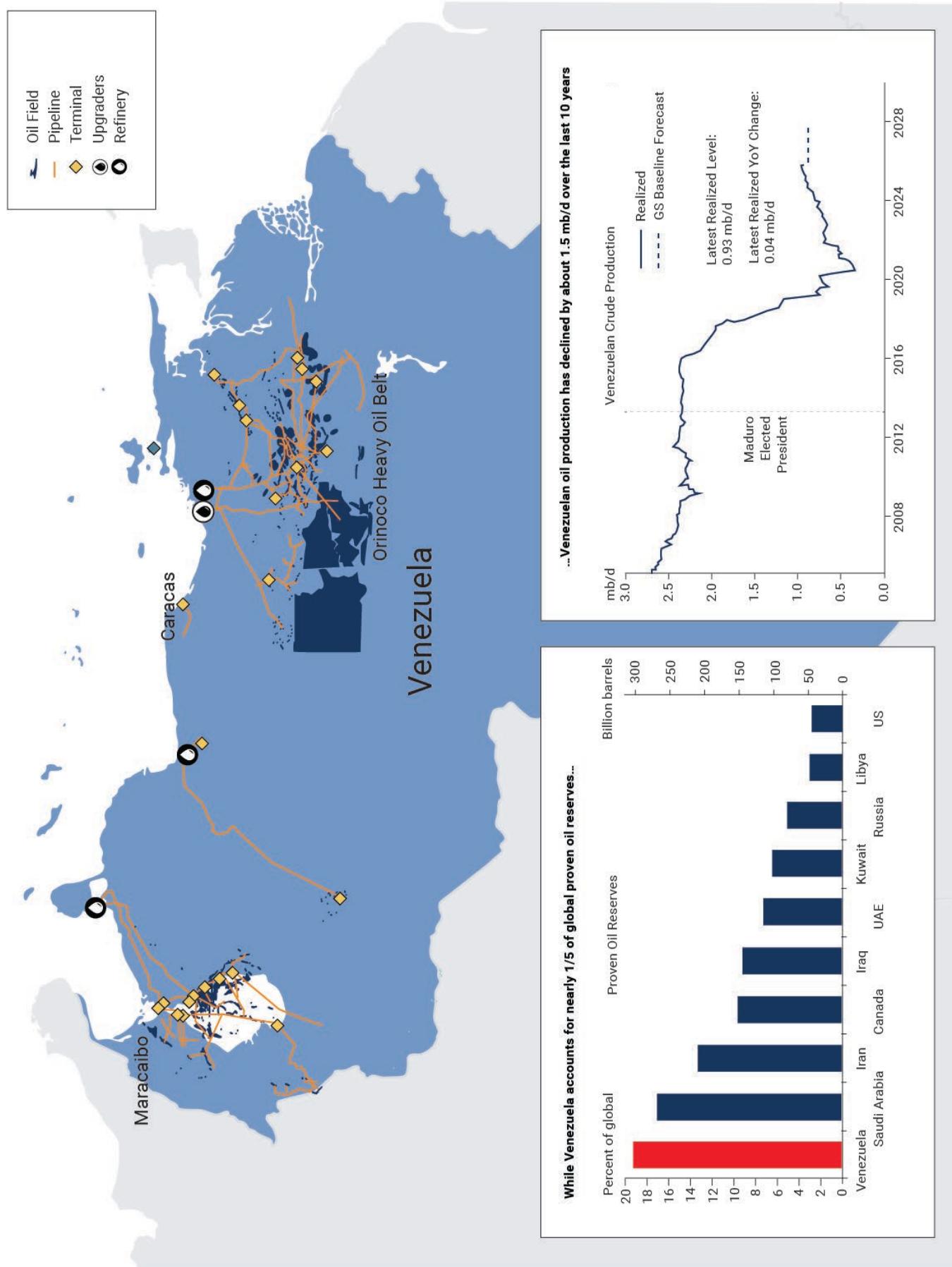
However, bond prices have since given back some of these gains due to the complex and still highly uncertain economic and political picture, the perception that debt restructuring may not be a near-term priority, President Trump's executive order protecting Venezuelan oil revenue held in US Treasury accounts, and bond valuations commensurate with lower-bound recovery levels. The market debate has now shifted to "what type of restructuring" and when and with whom creditors will eventually be negotiating.

Alberto Ramos, Head of LatAm Economics Research

Email: alberto.ramos@goldmansachs.com
Tel: 212-357-5768

Goldman Sachs & Co. LLC

Venezuela oil infrastructure, mapped out



*We use OPEC data on proven crude oil reserves as of 2024 for all the countries above except Canada, where we use Energy Institute proven reserves estimates as of 2020 (latest available).
 Sources: OPEC, Energy Institute, secondary sources, S&P Global Energy, Goldman Sachs GIR.
 Special thanks to GS Commodities Research team for charts.

Q&A on implications for Venezuelan oil

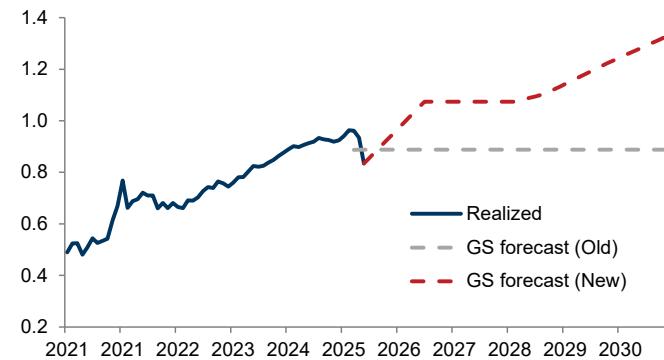
Neil Mehta and Daan Struyven answer key questions about the implications of US plans to revitalize Venezuela's oil sector¹

Q: What's the size of the opportunity for the oil industry of the US' plan to revitalize Venezuela's oil sector?

A: Venezuela accounts for roughly one-fifth of the world's proven oil reserves², yet its production is constrained at ~800-900kb/d, which is less than ~1% of global output. The Trump Administration has called for ~\$100bn of investment into the country over the next decade to rebuild infrastructure and bring production back to peak levels of ~3mb/d. We believe gains of a few hundred thousand barrels per day are achievable in the near term. Specifically, we expect Venezuelan crude production to rise by 0.2mb/d over the next 12m (from 0.8-0.9mb/d in Dec 2025) as an anticipated easing of sanctions and modest investment in existing assets help ease some operational bottlenecks. We expect production to rise by an additional 0.2mb/d by 2030 (to 1.3mb/d). But a complete restoration of the country's output to ~3mb/d would likely extend into the next decade and require significant capital investment. Some estimates suggest an initial ~\$5-10bn of capital investment over the next 2-3 years could yield an additional ~500kb/d in Venezuela, but the subsequent ~1mb/d would require an estimated ~\$70-80bn. Upstream production expansions would also require a reactivation of damaged upgraders that process heavy crude, extension of pipeline infrastructure, investments in the power grid, and continued political stability.

We expect a modest increase in Venezuelan crude supply

Venezuelan crude supply, mb/d

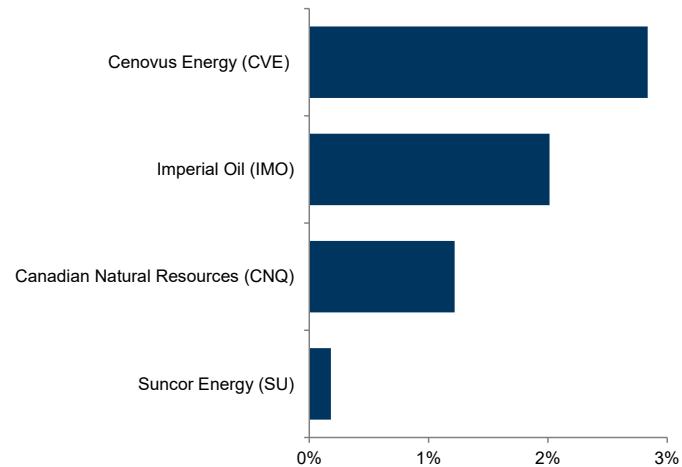


Source: Secondary sources, Goldman Sachs GIR.

Q: What types of companies could be harmed by the revitalization of the Venezuelan oil industry?

A: On a relative basis, Canadian oil companies could be negatively impacted by higher oil production from Venezuela. In particular, Venezuelan barrels could displace Canadian heavy crude on the Gulf Coast and result in wider WTI-WCS differentials, which would reduce realized prices for Canadian producers.

Venezuelan barrels could displace Canadian heavy crude on the Gulf Coast and result in wider WTI-WCS differentials
Estimated annual cash flow sensitivity to \$1/b WCS price change, %



Source: Goldman Sachs GIR.

Q: How have US oil companies responded to these potential opportunities/risks so far?

A: Among the US Majors, Chevron is doubling its liftings from the country immediately and raising its production by 50% (or ~100kb/d) over the next 18-24 months. By contrast, ConocoPhillips and Exxon remain focused on recovering previous debt following the nationalization of their assets. Exxon has also publicly discussed its view that Venezuela is difficult to invest in without significant changes to the legal and commercial environment. Among oilfield services companies, SLB has discussed its ability to scale quickly as needed in the country, as it currently has operations on the ground. Halliburton and Weatherford have also commented on their ability and interest in allocating resources to Venezuela if activity and production ramp up.

Q: How much of the upside/downside of these developments is already priced into stocks?

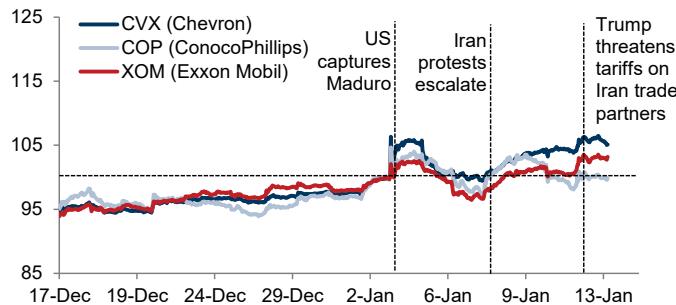
A: Energy equities reacted sharply on the back of the initial Venezuela headlines, including the stocks of US majors, US refiners, international service companies, and Canadian oil producers. While we believe the latest developments are now largely reflected in the equities, we continue to highlight strong fundamentals across the energy complex.

¹ The research views in this section are those of the analysts who cover the relevant areas. Equity research views are expressed by Neil Mehta, an Equity Research Analyst covering Americas Integrated Oil & Refiners. Commodities views are expressed by Daan Struyven, a Macro Research Analyst covering global commodities.

² According to OPEC data.

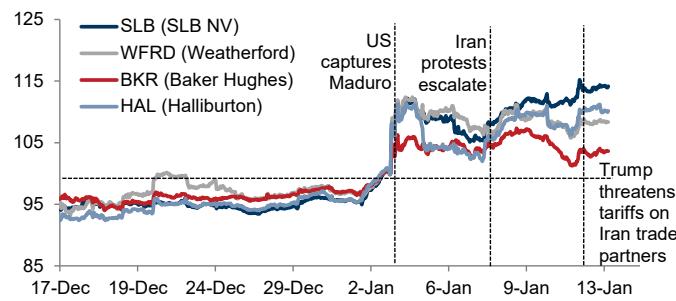
Energy equities reacted sharply on the back of the initial Venezuela headlines, including across US Majors...

Stocks of US Majors, index, Jan 2 close=100



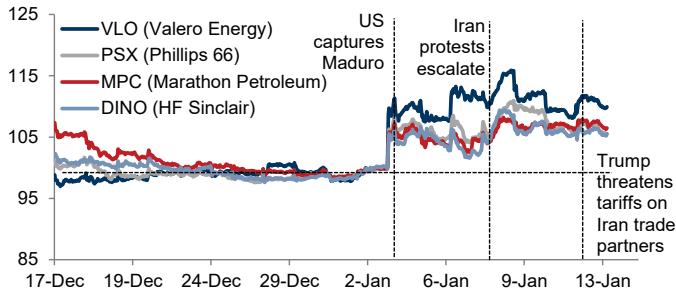
...international services...

Stocks of international services, index, Jan 2 close=100



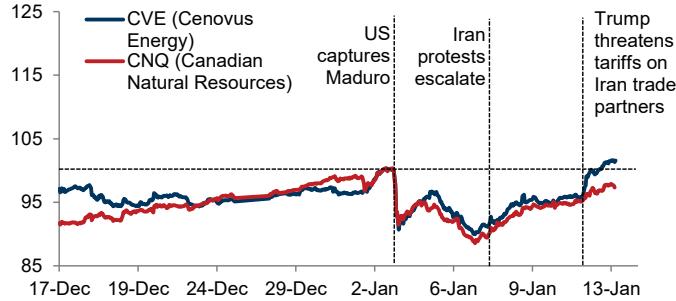
...US Gulf Coast refineries...

Stocks of US Gulf Coast refineries, index, Jan 2 close=100



...and Canadian producers

Stocks of Canadian producers, index, Jan 2 close=100



Source: Bloomberg, Goldman Sachs GIR.

Q: What, if anything, are investors underappreciating about the potential impacts of the Venezuela developments for US oil companies?

A: Given the state of Venezuela's energy infrastructure—which has deteriorated amid underinvestment—investors may be underestimating the challenges associated with sustainably ramping Venezuelan volumes. We also believe the scale of investment required to increase their Venezuelan presence as well as the political and legal risks of doing so could deter companies from making significant new capital commitments in the country, which is a major reason we expect an only modest increase in Venezuela's production by 2030.

Q: What are you watching most closely ahead to gauge how this could all play out for the US oil industry?

A: Despite the recent developments in Venezuela, the outlook for the US oil industry should remain largely unchanged from our base case scenario, with three primary forces continuing to drive the industry's trajectory. First, after rising from 5-6mb/d in early 2000s to 14mb/d of crude today, the industry is now entering a period of slowing growth and maturity. Accordingly, US producers will likely focus on harvesting cash flow domestically, investing in international exploration, and driving consolidation through M&A.

Second, the larger companies have structural advantages of scale and the ability to execute an international development plan. That leaves the US majors, as well as international services companies, well-positioned for growth. Third, we believe that refiners are structurally well-positioned on a multi-year basis as crack spreads are likely to remain above historical averages and global oil demand is expected to outpace new capacity additions between now and 2030.

Q: What could the Venezuela developments mean for oil prices?

A: We estimate that the 0.2mb/d increase in Venezuelan oil production we expect over the next 12m will have a \$1 impact on Brent/WTI prices this year (baseline forecast of \$56/\$52/bbl average 2026 prices vs. \$57/\$53/bbl in a scenario of flat production). But the impact on long-run oil prices will likely be more significant. We estimate that the cumulative 0.4mb/d increase in Venezuelan production we expect by 2030 will have a \$2 impact on long-term oil prices. This, together with higher expected US and Russian production, led us to lower our long-run Brent/WTI price forecasts to \$75/\$71/bbl earlier this month (2030-35, from \$80/\$76/bbl). We estimate that a larger recovery in Venezuelan production to 2mb/d by 2030 would pose \$3 of downside to these revised forecasts.

Neil Mehta, Head of North American Natural Resources Equity Research

Email: neil.mehta@gs.com
Tel: 212-357-4042

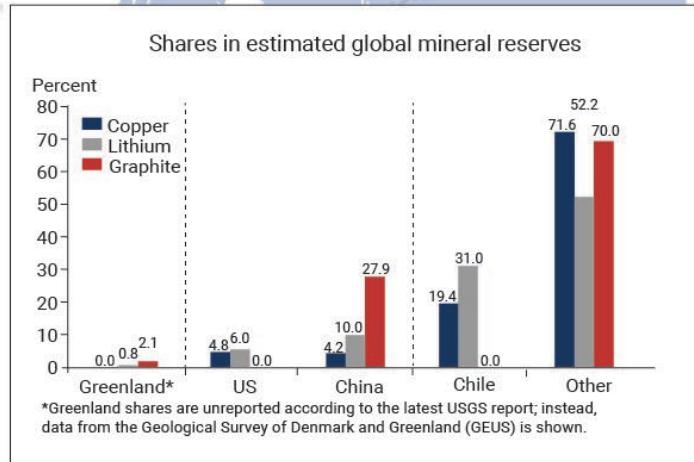
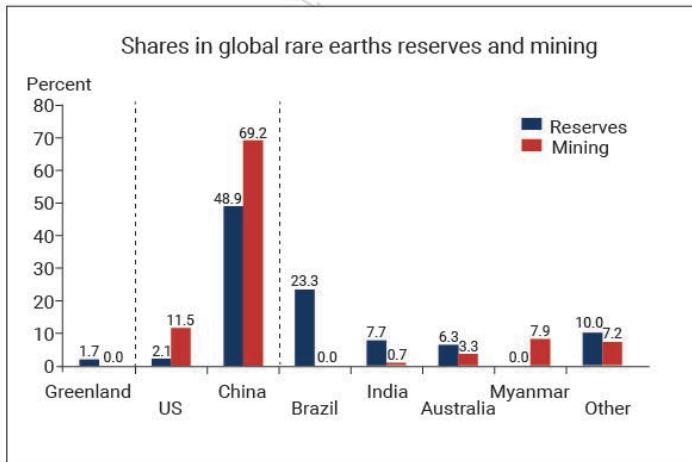
Goldman Sachs & Co. LLC

Daan Struyven, Co-head of Global Commodities Research

Email: daan.struyven@gs.com
Tel: 212-357-4172

Goldman Sachs & Co. LLC

Greenland's strategic value, mapped out



Source: Bloomberg, USGS, GEUS, Goldman Sachs GIR.
Special thanks to GS Commodities Research team for charts.

Interview with Ivan Krastev

Ivan Krastev is Chair of the Centre for Liberal Strategies in Sofia, Bulgaria. Below, he argues that US-Europe relations have reached a turning point, but not a breaking point.

The views stated herein are those of the interviewee and do not necessarily reflect those of Goldman Sachs.



Allison Nathan: Do the Greenland developments mark a turning point in US-Europe relations?

Ivan Krastev: They mark a turning point but not a breaking point because alliances don't exist on paper, but in the minds of the public and policymakers. And the Greenland story, combined with the Trump

Administration's recently-released national security strategy and Venezuela actions, have substantially shifted how Europe views transatlantic relations. I was part of a recent European Council on Foreign Relations group that conducted global polling revealing that only 16% of Europeans see the US as an ally, while 20% view it as a rival, with most others seeing it as only a necessary partner. This marks a big shift from the past.

The Greenland issue has been especially difficult for Europeans to digest because the Danes are ready to cooperate with the US on almost anything it wanted from a security and even economic perspective. And the Danish government is one of the most pro-Atlantic governments in the European Union. So, Europeans are shockingly no longer sure about three things: one, the extent to which the Trump Administration believes that its relationships with Russia and Europe would be more difficult in NATO's absence; two, that one of the objectives of US trade policies is not the European Union's destruction; and, three, that the EU would be able to count on the US in times of major crisis, which was a key part of the magic of NATO.

Allison Nathan: So, why isn't this a breaking point?

Ivan Krastev: First of all, it's one thing to understand that your marriage is not working in the same way as before, but it's completely different to imagine what divorced life would look like. Europe is too dependent on the US not only for its security, but also technologically and economically, to prefer the divorced life today. And the stakes are too high to find out what such a life would look like, with the very survival of the European project on the line. Remember that the European Union was largely an American project. In the moment of crisis, Americans played a critical role in securing European unity.

Second, some Europeans believe that Trump's actions don't reflect the consensus among American society or the elite, and point to the walking back of the potential use of military force in Greenland as evidence of the constraints Trump faces. So, Europeans believe that when they stand against Trump on this issue, they are not standing against America. Third, while Trump has strong allies within some European countries on issues like immigration, they have not sided with him on Greenland because no European leader can convince their voters that the US getting its way in Greenland is in Europe's best interest. It's noteworthy that the European Parliament stalled ratification of the US-EU trade deal, and all MPs, from the mainstream parties to the nationalistic right, applauded the decision to stand behind Denmark and Greenland.

Now, this is largely about territory for both sides. But while Trump views land from the lens of a real estate manager, European countries, especially small ones, view land as a critically important part of their national sovereignty, and the idea that small countries don't matter is not good news for anyone in Europe. So, European leaders agree that caving on Greenland would be disastrous for Europe and its credibility. In that light, this issue has strengthened European unity. And Europe's weakness paradoxically means that it cannot *not* retaliate when it comes to this red line, because its weakness would be exposed. My sense is that Trump initially miscalculated on this point but now seems to understand it.

Allison Nathan: How could US-Europe relations evolve?

Ivan Krastev: The relationship looks to be headed for a rocky period, but not a divorce. For Europe, while there is much talk about finding new allies, aligning with others won't be a quick or easy process. The European Parliament essentially blocking the EU-Mercosur trade deal shows that too many competing interests exist among EU countries. And I'm skeptical that Europe and China will suddenly have a smoother relationship just because the US-Europe marriage has hit hard times. Instead, Europe will be focused on showing the US that Europe matters, not only because it can be helpful to the US, but also because it can be harmful. One action Europe can take to show that it is strong and serious about consolidating its economic power is making major progress on capital market integration.

Europe will also look inward in terms of focusing on building up its defenses, but here too it will encounter difficulties. Europe is struggling against time, and the blame doesn't lie with Trump. 15 years ago, then US Secretary of Defense Robert Gates warned Europe that the US would not pay for Europe's defense if it wasn't willing to increase its defense budgets, which Europeans chose to ignore, and now time is not on its side. But Europe's biggest problem is that budgets don't fight wars—people do. And Europe culturally is not prepared for the more hostile world it now finds itself in. That said, some European countries are taking their defense more seriously, and I expect closer cooperation among those countries, especially those closest to the Ukrainian crisis, as well as Germany and France in its capacity as the only European nuclear power. The Greenland issue has also brought the UK closer to the EU on defense, which will be critically important in bolstering European defense capabilities.

For the US, midterm elections loom large, which I suspect will continue to serve as a constraint on the Administration's actions. So, both the US and Europe will likely look for ways to de-escalate tensions and compromise, as has already begun. But the trust between the US and Europe has been broken, not just because of Greenland but also because of Ukraine in terms of US policy related to the conflict, and the broader US treatment of Europe. So, I don't expect the relationship to go back to the way it was even if, as we've discussed, the current moment doesn't prove to be a breaking point.

When geopolitics meets portfolios

Christian Mueller-Glissmann discusses how to navigate and hedge against geopolitical risk

Geopolitical risk has returned to the forefront following the recent developments around Venezuela, Iran, and Greenland, and is likely to remain there for some time as the US continues to reshape its geopolitical and economic relationships with the world. This has raised questions about how investors can protect themselves from geopolitical shocks, which can have material impacts on global growth, inflation, and sentiment, especially as the linkages between economies and markets have become increasingly complex. Rather than try to time geopolitical shocks, which can be difficult, we think robust portfolio construction and diversification should be investors' first line of defense.

Geopolitical shocks: rhyming, but seldom repeating

While geopolitical shocks are a key risk for portfolios, they tend to differ every time and are particularly difficult to position for as the timing and potential economic and market impacts are hard to anticipate. Geopolitical tensions can also linger for a long time before they escalate. To further complicate matters, geopolitical shocks often start out as local shocks but can extend globally and have lasting knock-on effects.

The broader macro backdrop also affects how markets react to geopolitical shocks. We find an imperfect relationship between the news-based Geopolitical Risk Index and equity volatility, with an increase in geopolitical tensions often leading to higher—but not extreme—volatility. Geopolitical risks alone have seldom pushed the VIX above 40. But the combination of such risks and an already-weak macro backdrop has often sent volatility sharply higher. A more resilient US economy and a Fed able to buffer negative growth shocks may help markets digest geopolitical shocks better today, though low volatility, elevated equity valuations, and bullish investor sentiment to start the year increase the risk of a volatility spike.

The individual asset impacts of geopolitical shocks can also vary. Historically, large geopolitical shocks like the Middle East wars have driven oil prices sharply higher, often resulting in a worsening global growth/inflation mix. By contrast, oil prices have remained in a downtrend amid the recent geopolitical developments due to excess supply, with the Dollar also weakening as investors have become more concerned about US assets.

Finally, the inherent unpredictability of geopolitical events, including the possibility of a reversal of the shock, creates material market timing risk. Equities on average have recovered and risen after geopolitical shocks. In some cases, uncertainty can decline rapidly as more information becomes available or a policy pivot occurs, which can drive sharp equity recoveries, as happened around "Liberation Day" last April, which showcased the difficulty of timing equity moves.

Protecting portfolios: diversify, don't time

Given these challenges, investors' first line of defense against geopolitical shocks should be robust portfolio construction and diversification. In a balanced multi-asset portfolio, bonds can provide a buffer for risky assets against unanticipated growth

shocks. However, bonds become a less effective hedge if the geopolitical shock increases inflation risk. US policy uncertainty and global fiscal risks have also weighed on bonds, with recent concerns about potential fiscal expansion in Japan increasing the upward pressure on long-dated bond yields globally. Long-dated bonds may provide a smaller buffer for risky assets going forward if fiscal risks persist.

Investors can also turn to other global safe haven assets like the Swiss Franc, which has become a more effective "risk-off" hedge vs. the Euro in periods of rising geopolitical risk. But it's important to keep in mind that while safe haven assets tend to outperform during risk-off episodes, they usually have lower returns through the cycle. So, as with bonds, investors need to consider the tradeoffs between risk reduction and returns.

Increased allocations to assets that could benefit from an escalating shock can also buffer geopolitical risk. Commodities like oil and gold have often been useful diversifiers in periods of geopolitical uncertainty, though their hedge value can vary depending on the drivers (if there are oil supply disruptions, for example) and again they tend to have relatively low risk-adjusted returns over longer horizons. That said, gold and precious metals more broadly have recently helped buffer both geopolitical and fiscal risks, with higher central bank demand further boosting their risk-adjusted returns. Defense stocks are another potential beneficiary of geopolitical shocks (see pg. 20).

Investors can also manage geopolitical risk by avoiding or reducing direct and indirect exposures. This could include avoiding the country/region facing elevated geopolitical risk or large energy consumers (in the event of sharply higher oil prices) as well as reducing indirect exposure from trade linkages. With global investor portfolios currently dominated by US assets due to their large weights in equity and bond benchmarks, investors could also increase home bias in portfolios to reduce FX risk, though the potential impacts of large shifts out of US assets on portfolio returns and risk should be carefully considered.

Finally, the fact that geopolitical shocks can reverse quickly suggests that options can be a valuable hedge. Hedging tail risk with options can undoubtedly be expensive, making prolonged exposure to risk management strategies that protect portfolios systematically unfeasible. That said, realized and implied volatility has been very low coming into the year, increasing the value of tactical portfolio overlay hedges.

So, for investors looking for ways to protect their portfolios from geopolitical shocks, the message is: diversify, don't time. Specifically, we recommend more regional, sector, and style diversification relative to global benchmarks and like safe assets such as gold and selectively hedging Dollar risk. With the volatility reset, we also like shorter-dated rates receivers as a hedge for major growth shocks, credit payer spreads/VIX call spreads to hedge corrections, and longer-dated calls to maintain overweight equity allocations despite the potential for more geopolitical shocks.

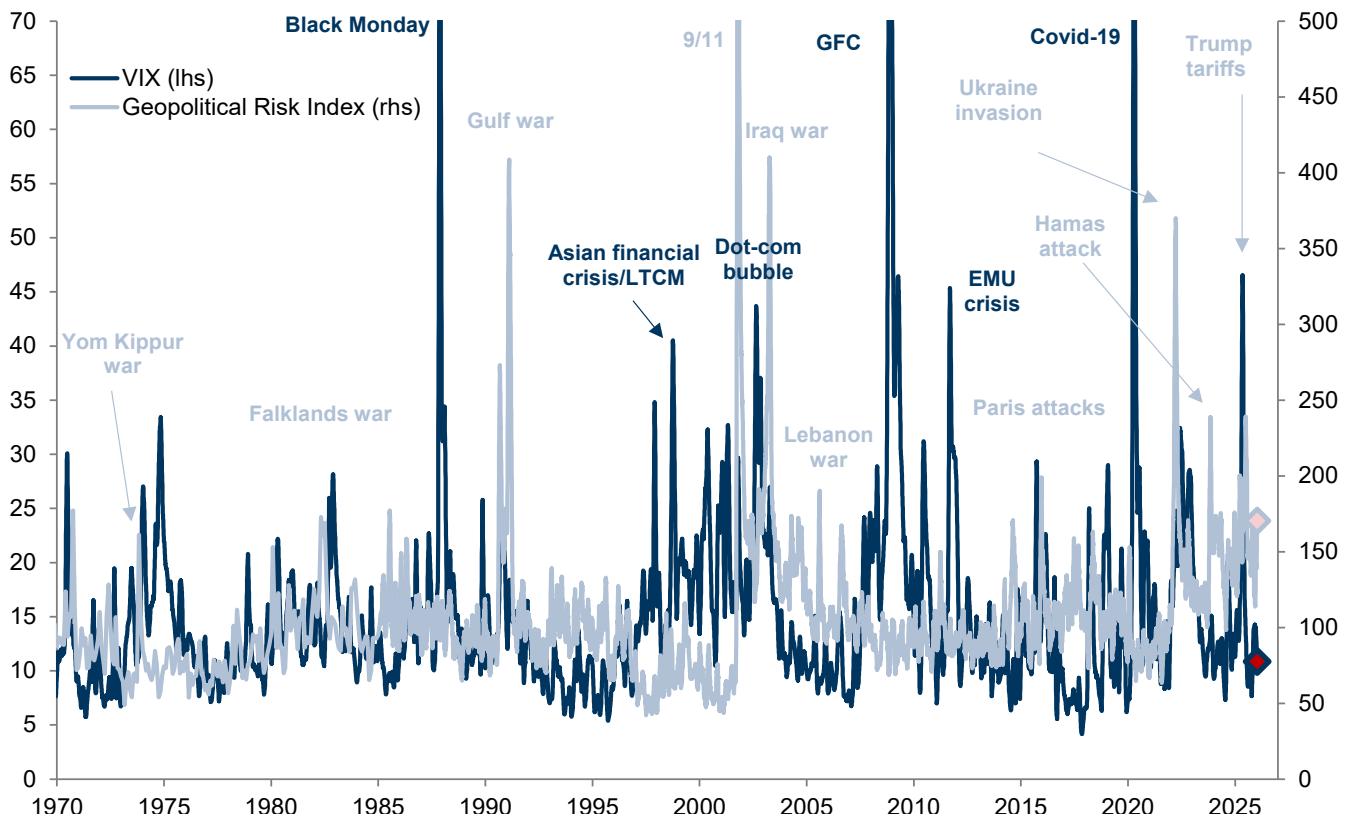
Christian Mueller-Glissmann, Head of Asset Allocation Research

Email: christian.mueller-glissmann@goldmansachs.com
Tel: 44-20-7774-1714

Goldman Sachs International

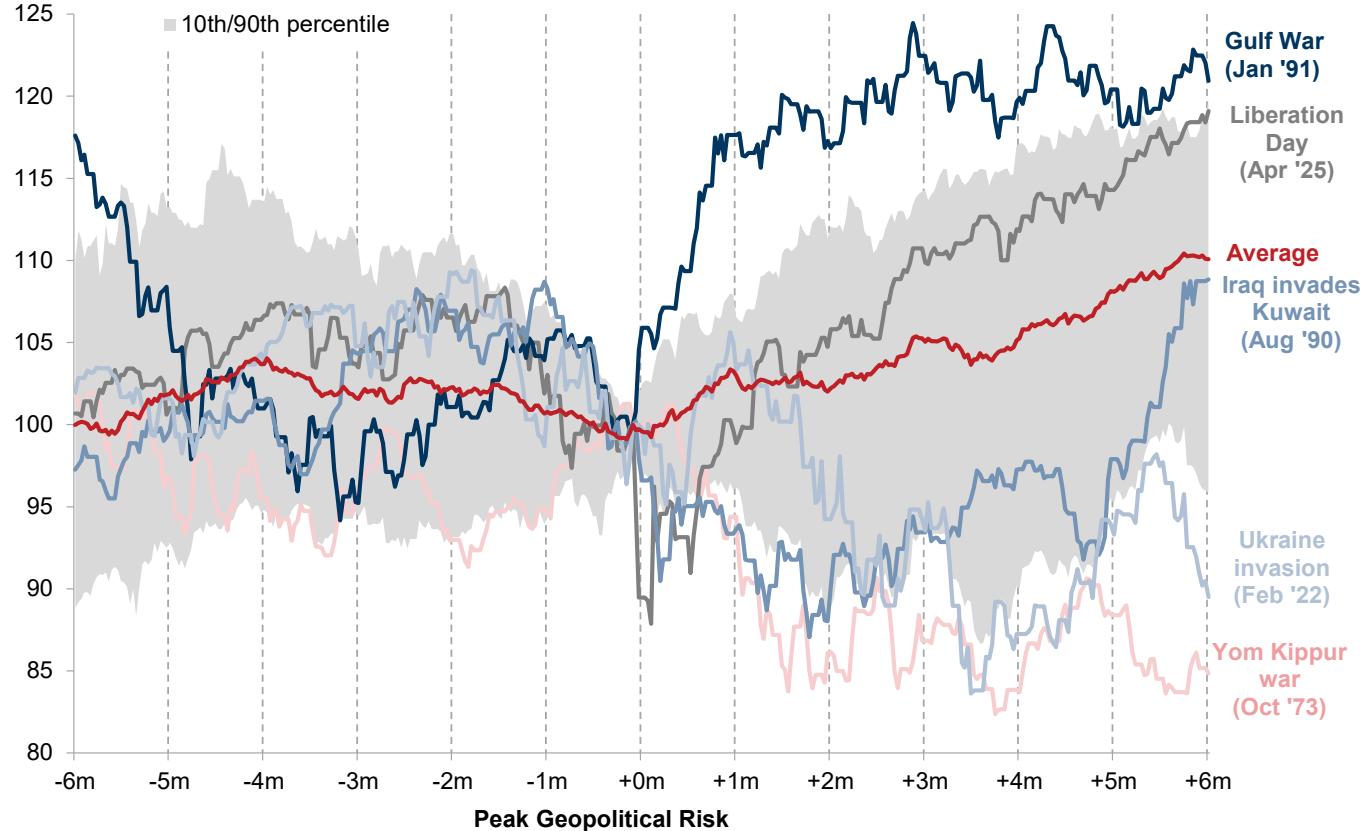
The relationship between geopolitical risk and equity volatility is mixed

VIX Index (lhs) vs. Geopolitical Risk Index (rhs), 1-month average



Timing equities around geopolitical shocks has been very difficult

Equity response to geopolitical shocks since 1970 (15 geopolitical shocks included)



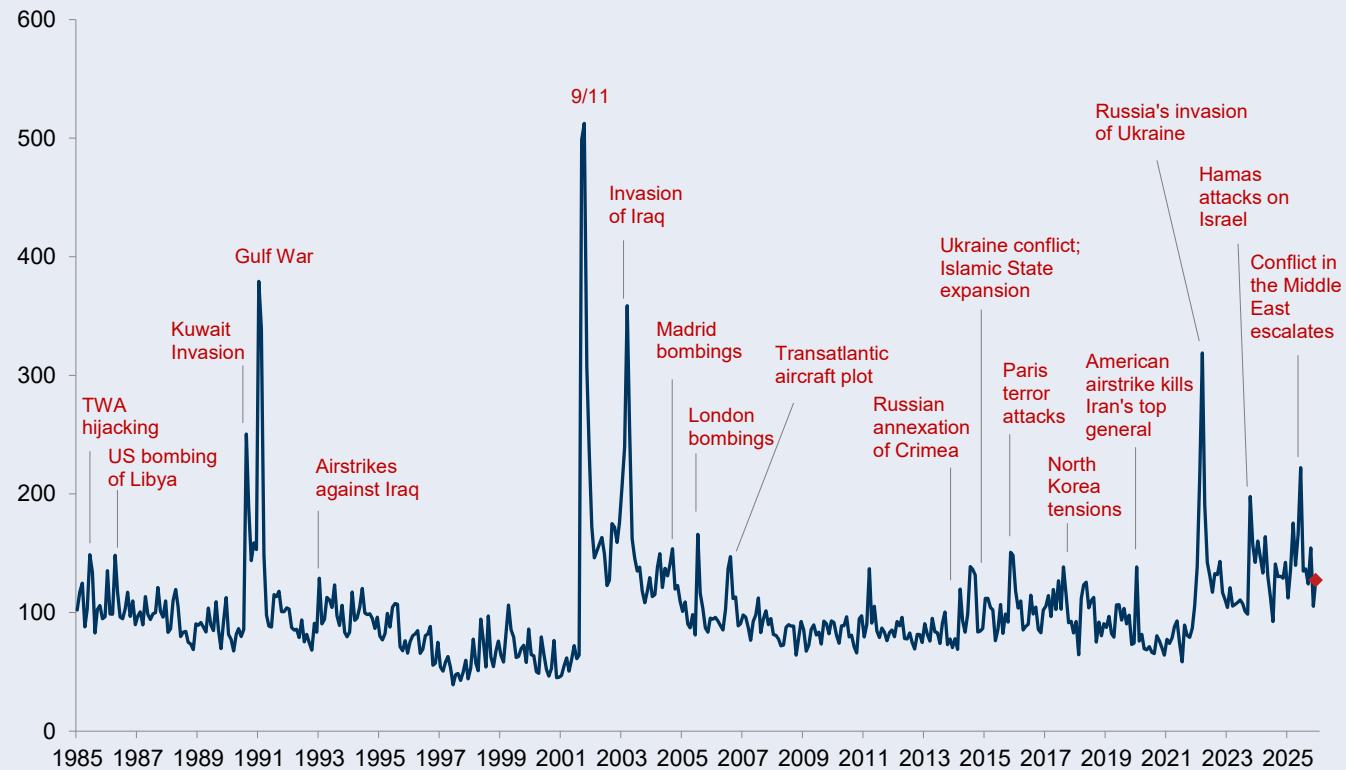
Source: Datastream, Bloomberg, Dario Caldara and Matteo Iacoviello, Goldman Sachs GIR.

Geopolitical risk through the years

Geopolitical tensions, which take many different forms, are difficult to measure. One proxy for assessing the geopolitical environment is the news-based Geopolitical Risk Index developed by economists from the Federal Reserve Board.

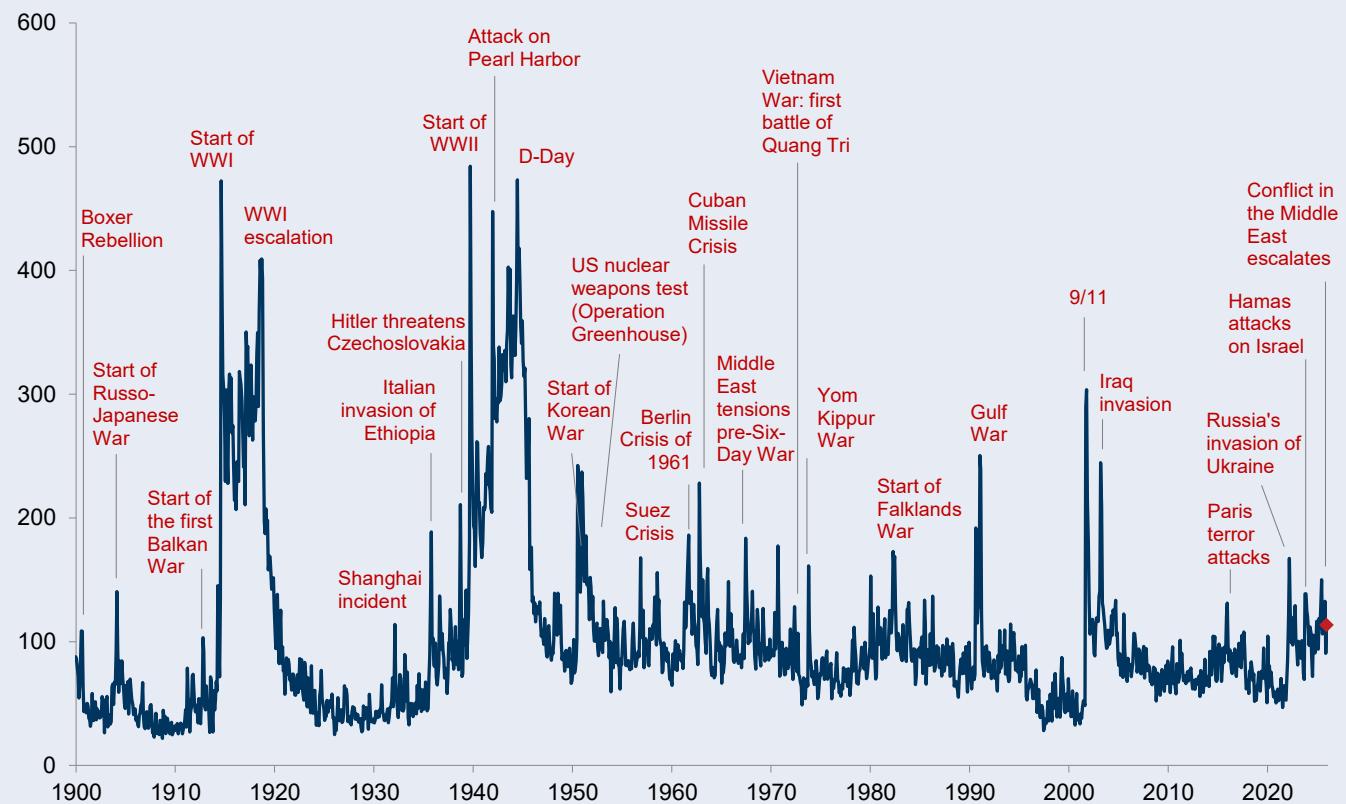
1985-Present

Geopolitical Risk Index, 1900-2019=100



1900-Present

Geopolitical Risk Index, 1985-2019=100



Note: The index from 1985 on counts the number of articles in 11 US, UK, and Canadian newspapers mentioning phrases related to geopolitical tensions. The index from 1900 on performs the same analysis using the archives of three newspapers: the New York Times, the Wall Street Journal, and the Financial Times. The choice of newspapers for both indices implies a measure of geopolitical risk as covered by the Anglo-Saxon press. See [here](#) for more information.

Source: [Dario Caldara and Matteo Iacoviello](#), Federal Reserve Board, Goldman Sachs GIR.

EM assets: continued resilience

Kamakshya Trivedi discusses the outlook for EM assets amid elevated geopolitical risk

Geopolitical risks have dominated headlines in 2026, from developments in Venezuela and Iran to Greenland. Despite that, EM equities have started the year strong and have comfortably outpaced DM equity markets, EM currencies are among the top performers year-to-date, and EM rates and spreads have held on. We think this is indicative of the resilient upside that we expect out of EM this year. Indeed, despite heightened geopolitical risks and several upcoming elections, our global macro outlook of sturdy growth, low inflation, and further Fed cuts is a friendly one for EM assets, even if less intensely so than in 2025. Better local EM fundamentals and still-low global investor allocations should also support returns in 2026.

Limited spillovers from Venezuela

Venezuelan developments—while highly pertinent from a geopolitical standpoint—have had limited spillovers in part because of limited exposure in EM investor portfolios. Political shifts can create significant volatility in local markets—as seen in Argentina last year and the political ructions in Türkiye before that—but their relatively small share of aggregate EM portfolios typically limits any impact. Equally, the improvement in EM fundamentals in recent years—solid growth, further inflation normalization, and scope for rate cuts as well as contained fiscal and current account positions—has helped insulate the broader EM complex from political and geopolitical shocks.

A positive returns story for EM assets

We continue to expect positive returns for EM assets this year amid a friendly global macro backdrop. In particular, we expect EM equities to outperform DM equities again, though we look for more moderate returns of ~15% (vs. last year's record 30% gains) driven primarily by solid earnings growth (19%/12% in 2026/2027) spread across the EM geographies. In EM FX, after the year of carry in 2025, we think that cyclical exposure—via both equity and commodity price linkages—will be as important as carry levels in 2026 for relative spot returns. This includes ZAR, CLP, and KRW, which have high betas to cyclical pricing and to the appreciation we expect in the CNY anchor and remain among the more undervalued currencies vs. USD. In EM fixed income, the scope for deeper cutting cycles in EM high-yielders (like Hungary and Brazil) should provide the best opportunities in local rates. We remain defensive on EM sovereign credit, with total returns likely to be largely a function of yield given our expectation of a modest widening in very tight spreads.

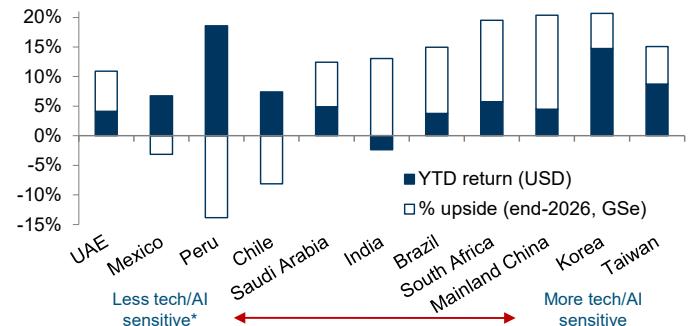
EM assets as diversifiers

EM assets can also provide an attractive opportunity for investors given their role as diversifiers. In particular, EM assets can help balance AI exposure amid growing investor concerns about valuations. For example, within EM, while we continue to favor the tech-sensitive equity markets of Korea, Taiwan (strong semiconductor earnings), and Mainland China (AI-driven growth and external market share gains), we prefer rotating some portfolio weight into the more domestic-oriented equity markets of South Africa (where a cyclical growth recovery and easing rates should help laggard domestic sectors catch up to the miners), India (with its mass-consumption revival), and

Brazil (where rate cuts should drive further gains).

EM has seen a broad-based rally this year

Returns, %, USD



*MSCI weight in tech/hardware, semis, internet, software, media/entertainment.
Source: FactSet, Goldman Sachs GIR.

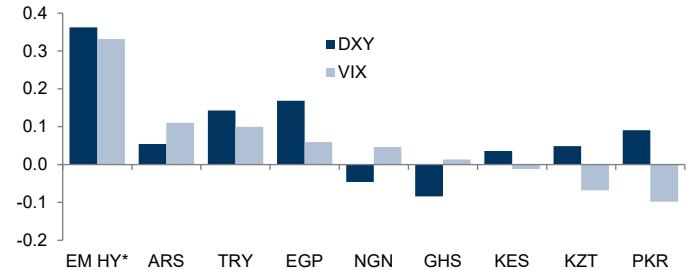
Uncorrelated risks and returns on the EM Frontier

Frontier markets also provide a source of returns that are relatively uncorrelated to the broader macro backdrop (although they come with their own risks, as Venezuela shows). Amid renewed geopolitical risks and the potential for higher volatility this year, we think that Frontier currencies continue to represent an attractive investment proposition in a more range-bound Dollar environment owing to elevated carry levels together with low correlation to Dollar strength and global macro volatility relative to other EM counterparts.

In particular, given still-healthy GSDEER model valuations and our economists' constructive external outlook, we favor carry longs in CEEMEA, including EGP, NGN, and KES, where risks are skewed toward appreciation given historically high FX reserves. Specifically, a still-cautious central bank in Egypt, which could keep real rates elevated for longer than we previously expected, led us to recently extend the target on our short USD/EGP trade recommendation (opened last July). And in Türkiye, we expect TRY monthly total returns to remain around 1-1.5% as a slight reduction in carry is offset by a decline in the pace of nominal depreciation amid slowing year-on-year inflation. The main risk to this constructive view is elevated positioning in still-relatively illiquid FX markets that could reverse sharply on a negative shock. Finally, we expect ARS to weaken along wider FX flotation bands given Argentine policymakers' objective to rapidly accumulate international reserves this year from critically low levels.

Frontier currencies are less correlated with USD and global vol

Last six-month correlation of 12m forwards



Note: We take log changes of all series before computing correlations.

*Median of BRL, COP, MXN, and ZAR.

Source: Goldman Sachs GIR.

Kamakshya Trivedi, Chief FX & EM Strategist

Email: kamakshya.trivedi@goldmansachs.com

Goldman Sachs International

Tel: 44-20-7051-4005

Q&A on defense sector geopolitical risk

We ask our equity analysts about the potential implications of elevated geopolitical risk for the defense sector.

US Defense

Noah Poponak, GS Equity Research

Q: Is the upside for defense stocks on the back of elevated geopolitical risk already fully priced in?

A: A lot of upside is priced in some stocks, but it is not fully priced across the sector. The US Defense sector has outperformed year-to-date on the back of geopolitical developments and statements from the White House regarding potentially much higher defense budgets. The Administration currently appears to want to further grow the US defense budget, but efforts are also underway to shift more financial and technology development risk onto the industrial base, creating a somewhat mixed picture for defense firms' financials. Product category prioritizations are also driving different growth profiles across verticals and individual companies in the sector. And with the US defense budget already at an all-time high and questions remaining about the appropriate level of US government spending, the annual level of defense spending will continue to be debated notwithstanding the clear focus on national security. Valuations at the sector level are on average above their historical midpoint but below their highs, with enough dispersion at the company level to still find value.

Q: Where does value remain in the sector?

A: We see value in stocks leveraged to product and vertical prioritizations that have growth and margin upside potential (rather than facing more financial risk as the Administration and Pentagon seek to shift more of the investment burden onto firms) and trade at relatively attractive valuations. We also see value in select Defense Tech companies.

Q: What key catalysts are you watching to realize the upside?

A: The White House recently discussed the possibility of a much higher US defense budget. The government typically makes its official budget request for the next fiscal year in the spring, which then goes through the congressional armed services committees through the summer, and should be finalized by the fall. Where that budget ultimately lands will go a long way toward informing future growth. We're also watching the moving pieces under the hood to continue to understand the verticals and products in higher demand. New Administration frameworks have been incrementally informing major changes in the Pentagon's defense procurement process, capital requirements, and risk sharing processes. And Defense budgets have been rising in other places, especially Europe, which will impact defense companies in those regions as well as US companies given that other countries procure military technologies from the US.

European Defense

Sam Burgess, GS Equity Research

Q: Is the upside for defense stocks on the back of elevated geopolitical risk already fully priced in?

A: No. While geopolitical tensions, alongside an increasingly fractious NATO alliance, have driven a sharp re-rating in European defense equities—with the GS EU Defense basket (GSSBDEFE) up over 20% year-to-date—we still see value in the sector. On growth-adjusted metrics, European defense valuations remain materially cheaper than US peers, with the discount currently at one of the highest points over the past three years. As a result, we would push back on the idea of a European defense bubble—the sector has clearly re-rated, but valuations are not uniformly stretched.

Q: What key catalysts are you watching to realize the upside?

A: As global geopolitical developments continue to emerge, we are watching for catalysts that reinforce defense spending as a necessary "insurance" outlay rather than a discretionary budget item for European policymakers. We are also keeping an eye on European defense budgets as well as disbursements from the ~€150bn European Security Action for Europe (SAFE) fund, a financial instrument providing loans to EU member states for defense procurement, which should drive meaningful orders for European primes. And we will be monitoring European primes' ability to expand capacity and meet demand in the new environment of increased military spending.

Summary of our key forecasts

GS GIR: Macro at a glance

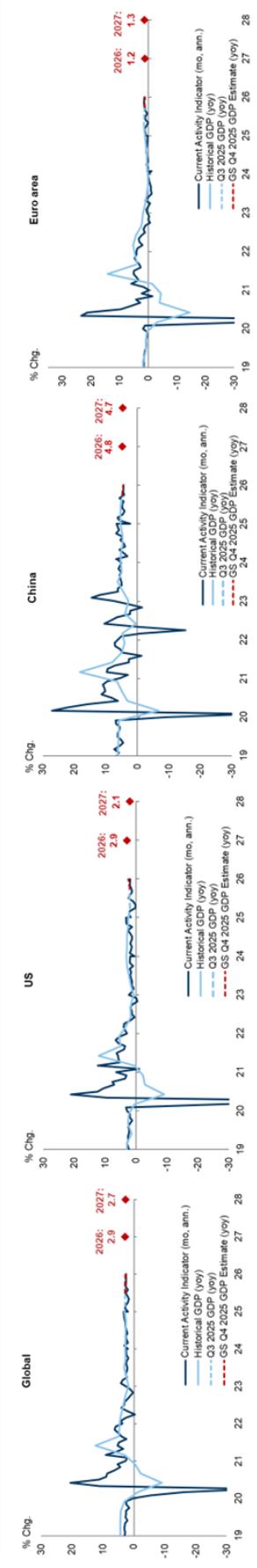
Watching

- **Globally**, we expect sturdy and above-consensus real GDP growth of 2.9% yoy in 2026 amid fading headwinds from US tariffs and rising real income growth. We expect global core inflation to decline to 2.1% by the end of 2026 as the tariff-driven boost fades and shelter and wage inflation fall further.
- **In the US**, we expect real GDP growth to rise to an above-consensus 2.5% on a Q4/Q4 basis in 2026 as tax cuts provide a tailwind to disposable incomes and financial conditions ease, but uncertainty around trade policy presents a potential risk. We expect core PCE inflation to decline to 2.1% yoy by the end of 2026 as tariff pass-through fades while underlying wage and shelter inflation trends improve. We expect the unemployment rate to end 2026 at 4.5%.
- **We expect the Fed** to deliver two 25bp cuts this year in June and September for a terminal rate range of 3-3.25%.
- **In the Euro area**, we expect real GDP growth of 1.2% yoy in 2026 reflecting real income gains and a fading fiscal policy drag but growing headwinds from more intense export competition with China. We expect core inflation to decline to 1.8% by end-2026 amid lower energy prices, a stronger Euro, and the potential for a negative inflation effect from Chinese trade rerouting.
- **We expect the ECB** to remain on hold for the foreseeable future given our and the ECB's forecast of better growth ahead and target-consistent inflation over the medium term.
- **In China**, we expect above-consensus real GDP growth of 4.8% yoy in 2026 given resilient export growth, continued government policy easing, and a decreasing drag from the ongoing property market downturn, although sluggish domestic demand should remain a headwind. On the inflation front, China's inflation process will likely remain gradual, but CPI/PPI inflation should rise to 0.6%/-0.7% yoy this year owing to government policy efforts and a low base.

- **WATCH US POLICY, GEOPOLITICAL DEVELOPMENTS, AND FISCAL DYNAMICS.** Uncertainty about US policy remains elevated, especially around Greenland, tariffs, and a possible US government shutdown. Geopolitical developments more broadly pose risks worth watching, especially as the situation in Venezuela develops, tension in the Middle East continues, a potential Russia-Ukraine peace deal remains uncertain, and US-China relations remain fragile. And fiscal pressures—including in the US, UK, France, and Japan—remain important to watch.

Goldman Sachs Global Investment Research.

Growth



Forecasts

Economics	Markets										Equities						Returns (%)		12m		YTD		E2026 P/E									
	2026		2027		Interest rates		Last		E2026		E2027		FX		Last		3m		12m		S&P 500		STOXX 600		Wage Tracker 2025 (%)							
GDP growth (%)	GS (Q4/Q4)	Cons. (Q4/Q4)	GS (CY)	Cons. (CY)	Interest rates	10Yr (%)	Last	E2026	E2027	FX	Last	3m	12m	S&P 500	GS	Cons.	GS	Cons.	GS	Cons.	GS	Cons.	STOXX 600	2.7	2.8	Wage Tracker 2025 (%)	2027					
Global	2.9	-	2.9	2.6	2.7	2.6	US	4.24	4.20	4.25	EUR/\$	1.18	1.18	1.25	Price	7,600								S&P 500	9.9	1.0	22.6x					
US	2.5	2.1	2.9	2.0	2.1	2.3	Germany	2.66	3.25	3.00	GBP/\$	1.36	1.33	1.36	EPS	\$305	\$311	\$336	\$356	\$366	\$376	\$386	\$396	MXAP.J	12.0	5.7	15.2x					
China	4.7	4.7	4.8	4.9	4.7	4.5	Japan	2.26	2.00	2.00	JPY/Y	158	157	152	Growth	12%	15%	10%	15%	17%	18%	19%	Tokix	7.4	6.5	18.1x						
Euro area	1.4	1.4	1.2	1.4	1.3	1.2	UK	4.42	4.00	4.00	SCNY	6.94	6.95	6.85	Credit									STOXX 600	2.7	2.8	15.4x					
Policy rates (%)	2026		2027		Commodities		Last		2026		2027		Consumer		2026		2027		CPI		Unemp. Rate		Q1		Q2		Q3		Q4			
US																																
Euro area	3.13	3.23	3.13	3.33	Nat Gas, NYMEX (\$/mmBtu)	5.28	3.75	4.00	USD	IG	72	85	90	US	2.4	4.5	1.9	4.5	4.1	4.1	3.9	3.7	3.4									
China	2.00	1.93	2.00	2.20	Nat Gas, TTF (EUR/MWh)	39.47	38	30	HY	256	295	315	Euro area	1.8	6.4	1.8	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Japan	1.00	1.22	1.10	--	Copper (\$mt)	13,049	12,665	10,870	EUR	IG	85	95	99	China	0.6	-	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
			1.50	1.60	Gold (\$troy oz)	4,946	4,805	5,445	HY	257	298	315																				

Source: Bloomberg. Goldman Sachs Global Investment Research. For important disclosures, see the Disclosure Appendix. For more information on the methodology of the CAI, please see "Technical Updates to Our Global CAIs," Global Economics Comment, Sep. 01, 2025. Note: GS CAI is a measure of current growth. For more information on the methodology of the CAI, please see "Technical Updates to Our Global CAIs," Global Economics Comment, Sep. 01, 2025.

Market pricing as of January 23, 2026

Glossary of GS proprietary indices

Current Activity Indicator (CAI)

GS CAIs measure the growth signal in a broad range of weekly and monthly indicators, offering an alternative to Gross Domestic Product (GDP). GDP is an imperfect guide to current activity: In most countries, it is only available quarterly and is released with a substantial delay, and its initial estimates are often heavily revised. GDP also ignores important measures of real activity, such as employment and the purchasing managers' indexes (PMIs). All of these problems reduce the effectiveness of GDP for investment and policy decisions. Our CAIs aim to address GDP's shortcomings and provide a timelier read on the pace of growth.

For more, see our [CAI page](#) and [Global Economics Comment: Technical Updates to Our Global CAIs](#).

Dynamic Equilibrium Exchange Rates (DEER)

The GSDEER framework establishes an equilibrium (or "fair") value of the real exchange rate based on relative productivity and terms-of-trade differentials.

For more, see our [GSDEER page](#), [Global Economics Paper No. 227: Finding Fair Value in EM FX](#), 26 January 2016, and [Global Markets Analyst: A Look at Valuation Across G10 FX](#), 29 June 2017.

Financial Conditions Index (FCI)

GS FCIs gauge the "looseness" or "tightness" of financial conditions across the world's major economies, incorporating variables that directly affect spending on domestically produced goods and services. FCIs can provide valuable information about the economic growth outlook and the direct and indirect effects of monetary policy on real economic activity.

FCIs for the G10 economies are calculated as a weighted average of a policy rate, a long-term risk-free bond yield, a corporate credit spread, an equity price variable, and a trade-weighted exchange rate; the Euro area FCI also includes a sovereign credit spread. The weights mirror the effects of the financial variables on real GDP growth in our models over a one-year horizon. FCIs for emerging markets are calculated as a weighted average of a short-term interest rate, a long-term swap rate, a CDS spread, an equity price variable, a trade-weighted exchange rate, and—in economies with large foreign-currency-denominated debt stocks—a debt-weighted exchange rate index.

For more, see our [FCI page](#), [Global Economics Analyst: Our New G10 Financial Conditions Indices](#), 20 April 2017, and [Global Economics Analyst: Tracking EM Financial Conditions – Our New FCIs](#), 6 October 2017.

Goldman Sachs Analyst Index (GSAI)

The US GSAI is based on a monthly survey of GS equity analysts to obtain their assessments of business conditions in the industries they follow. The results provide timely "bottom-up" information about US economic activity to supplement and cross-check our analysis of "top-down" data. Based on analysts' responses, we create a diffusion index for economic activity comparable to the ISM's indexes for activity in the manufacturing and nonmanufacturing sectors.

Macro-Data Assessment Platform (MAP)

GS MAP scores facilitate rapid interpretation of new data releases for economic indicators worldwide. MAP summarizes the importance of a specific data release (i.e., its historical correlation with GDP) and the degree of surprise relative to the consensus forecast. The sign on the degree of surprise characterizes underperformance with a negative number and outperformance with a positive number. Each of these two components is ranked on a scale from 0 to 5, with the MAP score being the product of the two, i.e., from -25 to +25. For example, a MAP score of +20 (5;+4) would indicate that the data has a very high correlation to GDP (5) and that it came out well above consensus expectations (+4), for a total MAP value of +20.

Top of Mind archive: click to access

 <p>Special Issue 2025: 4 themes in charts December 15, 2025</p>	 <p>Issue 129 Gen AI: too much spend, too little benefit? June 25, 2024</p>
 <p>Issue 144 The US-China tech race December 4, 2025</p>	 <p>Issue 128 Central bank divergence room to run? May 21, 2024</p>
 <p>Issue 143 AI: in a bubble? October 22, 2025</p>	 <p>Issue 127 Weighing the GLP-1 market April 12, 2024</p>
 <p>Issue 142 Data (un)reliability September 11, 2025</p>	 <p>Issue 126 Global transit & trade: in rough waters March 12, 2024</p>
 <p>Issue 141 Stablecoin summer August 19, 2025</p>	 <p>Issue 125 2024: The year of elections February 1, 2024</p>
 <p>Issue 140 US fiscal worries: Is this time different? June 12, 2025</p>	 <p>Issue 124 Middle East risks December 5, 2023</p>
 <p>Issue 139 Fed independence: how concerning? May 15, 2025</p>	 <p>Issue 123 US outperformance: at a turning point? October 30, 2023</p>
 <p>Issue 138 Tariff-induced recession risk April 17, 2025</p>	 <p>Issue 122 Commercial real estate risks October 9, 2023</p>
 <p>Issue 137 Europe's shifting security landscape March 13, 2025</p>	 <p>Issue 121 Corporate credit concerns August 10, 2023</p>
 <p>Issue 136 Trump tariffs: mostly talk, or big action? February 26, 2025</p>	 <p>Issue 120 Generative AI: hype, or truly transformative? July 5, 2023</p>
 <p>Issue 135 High bond yields: here to stay? February 5, 2025</p>	 <p>Issue 119 Daunting debt limit dynamics May 22, 2023</p>
 <p>Special Issue 2024: 4 themes in charts December 18, 2024</p>	 <p>Issue 118 US-China: more decoupling ahead? May 1, 2023</p>
 <p>Issue 134 Will China's policy stimulus be enough? December 11, 2024</p>	 <p>Issue 117 All about bank(panic)s April 3, 2023</p>
 <p>Issue 133 Market concentration: how big a worry? November 25, 2024</p>	 <p>Issue 116 (Japanese) Bonds, Bonds, Bonds February 23, 2023</p>
 <p>Issue 132 Post-election economic policies October 21, 2024</p>	 <p>Issue 115 The Bigger Worry: Growth or Inflation? January 27, 2023</p>
 <p>Issue 131 Is the Fed behind the curve? September 3, 2024</p>	 <p>Special Issue 2022: 3 themes in charts December 15, 2022</p>
 <p>Issue 130 How investable is Europe? August 1, 2024</p>	 <p>Issue 114 The Winter of Crypto's Discontents December 9, 2022</p>

Source of photos: www.gettyimages.com.

Disclosure Appendix

Reg AC

We, Allison Nathan, Jenny Grimberg, Ashley Rhodes, Christian Mueller-Glissmann, CFA, Alberto Ramos, Daan Struyven and Kamakshya Trivedi, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

We, Neil Mehta, Noah Poponak, CFA and Sam Burgess, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Rating and pricing information

AeroVironment Inc. (Buy, \$307.75), BAE Systems (Buy, 2,027p), Beta Technologies (Buy, \$25.15), CACI International Inc. (Buy, \$662.19), Canadian Natural Resources Ltd. (Buy, \$36.14), Cenovus Energy Inc. (Buy, \$18.77), Chevron Corp. (Buy, \$166.72), ConocoPhillips (Buy, \$98.35), Huntington Ingalls Industries Inc. (Buy, \$418.58), Imperial Oil Ltd. (Sell, C\$138.55), Kratos (Buy, \$110.39), L3Harris Technologies Inc. (Buy, \$354.73), Leonardo DRS (Buy, \$40.99), Lockheed Martin Corp. (Sell, \$590.82), Northrop Grumman Corp. (Neutral, \$672.95), Rheinmetall (Buy, €1,830.00), SLB (Buy, \$49.15), Suncor Energy Inc. (Buy, \$50.87), TechnipFMC Plc (Buy, \$54.26) and Valero Energy Corp. (Buy, \$187.09).

GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our universe of rated stocks) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

Option Specific Disclosures

Price target methodology: Please refer to the analyst's previously published research for methodology and risks associated with equity price targets.

Pricing Disclosure: Option prices and volatility levels in this note are indicative only, and are based on our estimates of recent mid-market levels(unless otherwise noted). All prices and levels exclude transaction costs unless otherwise stated.

General Options Risks – The risks below and any other options risks mentioned in this research report pertain both to specific derivative trade recommendations mentioned and to discussion of general opportunities and advantages of derivative strategies. Unless otherwise noted, options strategies mentioned in this report may be a combination of the strategies below and therefore carry with them the risks of those strategies.

Buying Options - Investors who buy call (put) options risk loss of the entire premium paid if the underlying security finishes below (above) the strike price at expiration. Investors who buy call or put spreads also risk a maximum loss of the premium paid. The maximum gain on a long call or put spread is the difference between the strike prices, less the premium paid.

Selling Options - Investors who sell calls on securities they do not own risk unlimited loss of the security price less the strike price. Investors who sell covered calls (sell calls while owning the underlying security) risk having to deliver the underlying security or pay the difference between the security price and the strike price, depending on whether the option is settled by physical delivery or cash-settled. Investors who sell puts risk loss of the strike price less the premium received for selling the put. Investors who sell put or call spreads risk a maximum loss of the difference between the strikes less the premium received, while their maximum gain is the premium received.

For options settled by physical delivery, the above risks assume the options buyer or seller, buys or sells the resulting securities at the settlement price on expiry.

Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	61%	46%

As of January 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,055 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage universe and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

Regulatory disclosures

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. Goldman Sachs trades or may trade as a principal in debt securities (or in related derivatives) of issuers discussed in this report.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy generally prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director or advisor of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman Sachs & Co. LLC and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with a subject company, public appearances and trading in securities covered by the analysts.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** Goldman Sachs Australia Pty Ltd and its affiliates are not authorised deposit-taking institutions (as that term is defined in the Banking Act 1959 (Cth)) in Australia and do not provide banking services, nor carry on a banking business, in Australia. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act, unless otherwise agreed by Goldman Sachs. In producing research reports, members of Global Investment Research of Goldman Sachs Australia may attend site visits and other meetings hosted by the companies and other entities which are the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Goldman Sachs Australia considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting. To the extent that the contents of this document contains any financial product advice, it is general advice only and has been prepared by Goldman Sachs without taking into account a client's objectives, financial situation or needs. A client should, before acting on any such advice, consider the appropriateness of the advice having regard to the client's own objectives, financial situation and needs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests and a copy of Goldman Sachs' Australian Sell-Side Research Independence Policy Statement are available

at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Brazil:** Disclosure information in relation to CVM Resolution n. 20 is available at <https://www.gs.com/worldwide/brazil/area/gir/index.html>. Where applicable, the Brazil-registered analyst primarily responsible for the content of this research report, as defined in Article 20 of CVM Resolution n. 20, is the first author named at the beginning of this report, unless indicated otherwise at the end of the text. **Canada:** This information is being provided to you for information purposes only and is not, and under no circumstances should be construed as, an advertisement, offering or solicitation by Goldman Sachs & Co. LLC for purchasers of securities in Canada to trade in any Canadian security. Goldman Sachs & Co. LLC is not registered as a dealer in any jurisdiction in Canada under applicable Canadian securities laws and generally is not permitted to trade in Canadian securities and may be prohibited from selling certain securities and products in certain jurisdictions in Canada. If you wish to trade in any Canadian securities or other products in Canada please contact Goldman Sachs Canada Inc., an affiliate of The Goldman Sachs Group Inc., or another registered Canadian dealer. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited, Research Analyst - SEBI Registration Number INH000001493, 10th Floor, Ascent-Worli, Sudam Kalu Ahire Marg, Worli, Mumbai-400 025, India, Corporate Identity Number U74140MH2006FTC160634, Phone +91 22 6616 9000, Fax +91 22 6616 9001. Goldman Sachs may beneficially own 1% or more of the securities (as such term is defined in clause 2 (h) the Indian Securities Contracts (Regulation) Act, 1956) of the subject company or companies referred to in this research report. Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Goldman Sachs (India) Securities Private Limited compliance officer and investor grievance contact details can be found at: <https://www.goldmansachs.com/worldwide/india/documents/Grievance-Redressal-and-Escalation-Matrix.pdf>, and a copy of the annual audit compliance report can be found at this link: <https://publishing.gs.com/content/site/india-annual-compliance-report.html>. **Japan:** See below. **Korea:** This research, and any access to it, is intended only for "professional investors" within the meaning of the Financial Services and Capital Markets Act, unless otherwise agreed by Goldman Sachs. Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **New Zealand:** Goldman Sachs New Zealand Limited and its affiliates are neither "registered banks" nor "deposit takers" (as defined in the Reserve Bank of New Zealand Act 1989) in New Zealand. This research, and any access to it, is intended for "wholesale clients" (as defined in the Financial Advisers Act 2008) unless otherwise agreed by Goldman Sachs. A copy of certain Goldman Sachs Australia and New Zealand disclosure of interests is available at: <https://www.goldmansachs.com/disclosures/australia-new-zealand/index.html>. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in the Russian legislation, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian legislation on appraisal activity. Research reports do not constitute a personalized investment recommendation as defined in Russian laws and regulations, are not addressed to a specific client, and are prepared without analyzing the financial circumstances, investment profiles or risk profiles of clients. Goldman Sachs assumes no responsibility for any investment decisions that may be taken by a client or any other person based on this research report. **Singapore:** Goldman Sachs (Singapore) Pte. (Company Number: 198602165W), which is regulated by the Monetary Authority of Singapore, accepts legal responsibility for this research, and should be contacted with respect to any matters arising from, or in connection with, this research. **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Conduct Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union and United Kingdom: Disclosure information in relation to Article 6 (2) of the European Commission Delegated Regulation (EU) (2016/958) supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council (including as that Delegated Regulation is implemented into United Kingdom domestic law and regulation following the United Kingdom's departure from the European Union and the European Economic Area) with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest is available at <https://www.gs.com/disclosures/europeanpolicy.html> which states the European Policy for Managing Conflicts of Interest in Connection with Investment Research.

Japan: Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer registered with the Kanto Financial Bureau under registration number Kinsho 69, and a member of Japan Securities Dealers Association, Financial Futures Association of Japan Type II Financial Instruments Firms Association, The Investment Trusts Association, Japan, and Japan Investment Advisers Association. Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

Ratings, coverage universe and related definitions

Buy (B), Neutral (N), Sell (S) Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's total return potential relative to its coverage universe. Any stock not assigned as a Buy or a Sell on an Investment List with an active rating (i.e., a stock that is not Rating Suspended, Not Rated, Early-Stage Biotech, Coverage Suspended or Not Covered), is deemed Neutral. Each region manages Regional Conviction Lists, which are selected from Buy rated stocks on the respective region's Investment Lists and represent investment recommendations focused on the size of the total return potential and/or the likelihood of the realization of the return across their respective areas of coverage. The addition or removal of stocks from such Conviction Lists are managed by the Investment Review Committee or other designated committee in each respective region and do not represent a change in the analysts' investment rating for such stocks.

Total return potential represents the upside or downside differential between the current share price and the price target, including all paid or anticipated dividends, expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The total return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

Coverage Universe: A list of all stocks in each coverage universe is available by primary analyst, stock and coverage universe at <https://www.gs.com/research/hedge.html>.

Not Rated (NR). The investment rating, target price and earnings estimates (where relevant) are removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or in a strategic transaction involving this company, when there are legal, regulatory or policy constraints due to Goldman Sachs' involvement in a transaction, and in certain other circumstances. **Early-Stage Biotech (ES).** An investment rating and a target price are not assigned pursuant to Goldman Sachs policy when this company neither has a drug, treatment or medical device that has passed a Phase II clinical trial nor a license to distribute a post-Phase II drug, treatment or medical device. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company.

Global product; distributing entities

Goldman Sachs Global Investment Research produces and distributes research products for clients of Goldman Sachs on a global basis. Analysts based in Goldman Sachs offices around the world produce research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy. This research is disseminated in Australia by Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897); in Brazil by Goldman Sachs do Brasil Corretora de Títulos e Valores Mobiliários S.A.; Public Communication Channel Goldman Sachs Brazil: 0800 727 5764 and / or contatogoldmanbrasil@gs.com. Available Weekdays (except holidays), from 9am to 6pm. Canal de Comunicação com o Públíco Goldman Sachs Brasil: 0800 727 5764 e/ou contatogoldmanbrasil@gs.com. Horário de funcionamento: segunda-feira à sexta-feira (exceto feriados), das 9h às 18h; in Canada by Goldman Sachs & Co. LLC; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs New Zealand Limited; in Russia by OOO Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman Sachs & Co. LLC. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom.

Goldman Sachs International ("GSI"), authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA, has approved this research in connection with its distribution in the United Kingdom.

European Economic Area: Goldman Sachs Bank Europe SE ("GSBE") is a credit institution incorporated in Germany and, within the Single Supervisory Mechanism, subject to direct prudential supervision by the European Central Bank and in other respects supervised by German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and Deutsche Bundesbank and disseminates research within the European Economic Area.

General disclosures

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by Global Investment Research. Goldman Sachs & Co. LLC, the United States broker dealer, is a member of SIPC (<https://www.sipc.org>).

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset

management area, principal trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

The analysts named in this report may have from time to time discussed with our clients, including Goldman Sachs salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analyst's published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analyst's fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage universe as described herein.

We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research, unless otherwise prohibited by regulation or Goldman Sachs policy.

The views attributed to third party presenters at Goldman Sachs arranged conferences, including individuals from other parts of Goldman Sachs, do not necessarily reflect those of Global Investment Research and are not an official view of Goldman Sachs.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options and futures disclosure documents which are available from Goldman Sachs sales representatives or at <https://www.theocc.com/about/publications/character-risks.jsp> and https://www.goldmansachs.com/disclosures/cftc_fcm_disclosures. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

Differing Levels of Service provided by Global Investment Research: The level and types of services provided to you by Goldman Sachs Global Investment Research may vary as compared to that provided to internal and other external clients of GS, depending on various factors including your individual preferences as to the frequency and manner of receiving communication, your risk profile and investment focus and perspective (e.g., marketwide, sector specific, long term, short term), the size and scope of your overall client relationship with GS, and legal and regulatory constraints. As an example, certain clients may request to receive notifications when research on specific securities is published, and certain clients may request that specific data underlying analysts' fundamental analysis available on our internal client websites be delivered to them electronically through data feeds or otherwise. No change to an analyst's fundamental research views (e.g., ratings, price targets, or material changes to earnings estimates for equity securities), will be communicated to any client prior to inclusion of such information in a research report broadly disseminated through electronic publication to our internal client websites or through other means, as necessary, to all clients who are entitled to receive such reports.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Goldman Sachs responsible for the redistribution of our research by third party aggregators. For research, models or other data related to one or more securities, markets or asset classes (including related services) that may be available to you, please contact your GS representative or go to <https://research.gs.com>.

Disclosure information is also available at <https://www.gs.com/research/hedge.html> or from Research Compliance, 200 West Street, New York, NY 10282.

© 2026 Goldman Sachs.

You are permitted to store, display, analyze, modify, reformat, and print the information made available to you via this service only for your own use. You may not resell or reverse engineer this information to calculate or develop any index for disclosure and/or marketing or create any other derivative works or commercial product(s), data or offering(s) without the express written consent of Goldman Sachs. You are not permitted to publish, transmit, or otherwise reproduce this information, in whole or in part, in any format to any third party without the express written consent of Goldman Sachs. This foregoing restriction includes, without limitation, using, extracting, downloading or retrieving this information, in whole or in part, to train or finetune a machine learning or artificial intelligence system, or to provide or reproduce this information, in whole or in part, as a prompt or input to any such system.