Goldman Sachs Outlooks

Ben Snider, Goldman Sachs Research

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Ben Snider: The most important dynamics in the US equity market this year are going to be the health of the US economy, the path of the Federal Reserve, and what happens with AI investment and adoption. And this year we're expecting 12% earnings growth which should power a 12% return for the market. This year, the tariff impact is moving into the rearview window, we expect the labor market to stabilize, and tax refunds as a result of last year's fiscal legislation should be hitting bank accounts. All of that is very supportive for consumer stocks. There's no doubt there are risks. Valuations today are clearly elevated relative to history, and that's one of the biggest concerns among investors in our client conversations. When valuations are high, it suggests a small surprise can have a really large negative consequence. We saw that a bit in early 2025 when the market was forced to second guess its earnings outlook for the year, and consequently, the S&P declined quite sharply. This year with valuations high we expect earnings will continue to drive the market, but it does leave open the possibility of another negative surprise. That said, in our base case outlook, we have solid economic growth, continued help from the Federal Reserve, and again, that corporate profit growth that we think will power the fourth consecutive year of double-digit returns for the US equity market.

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