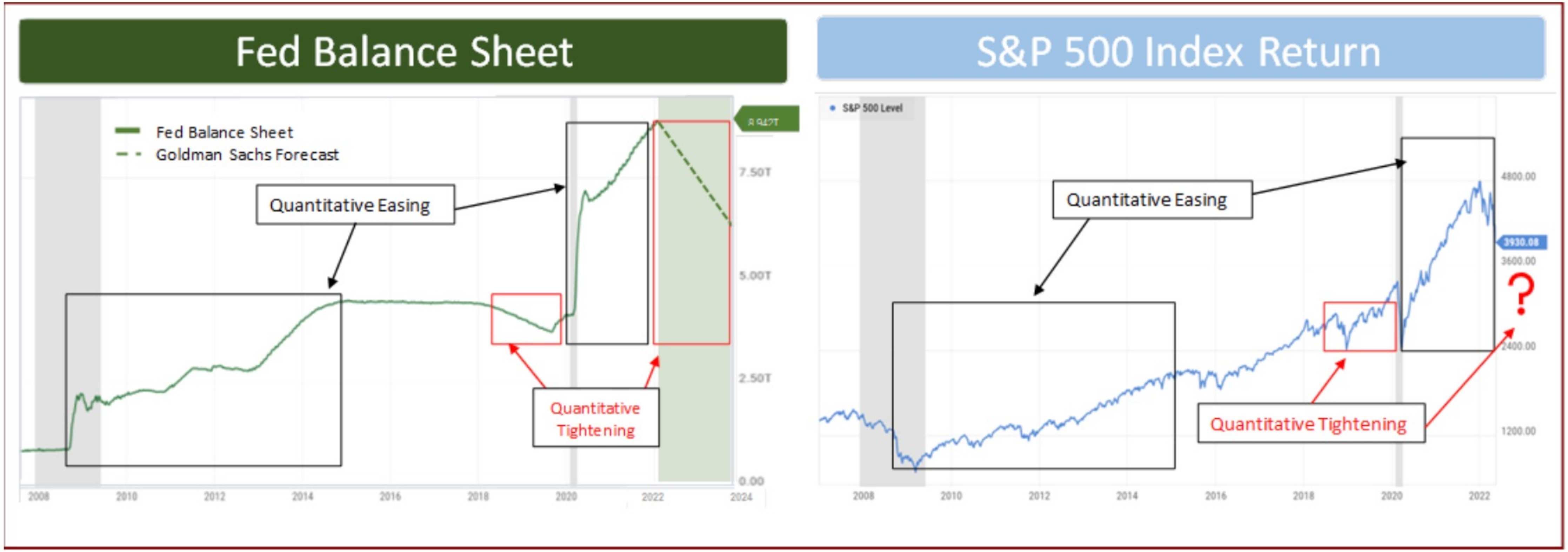
June 2022

On the left hand side, we have the balances for the Federal Reserve's Balance Sheet since the Financial Crisis in 2008. On the right, we show the corresponding period of returns for the S&P. When the Federal Reserve has been 'printing money' – balance sheet is on the rise – it has generally been very favorable for the stock market. When the Feds begin to take the punchbowl away, we see periods of volatility. The Federal Reserve tends to raise rates when the economy has recovered and it becomes necessary to put the brakes on growth for fear of triggering uncomfortably high levels of inflation, such as we are experiencing now. The higher rates tend to slow investment by companies and speculation by investors, having the effect of taming price increases. Having never seen an increase in their balance sheet the magnitude of what we experienced in 2020 in response to the pandemic, it will be important to see how markets react as they now begin this process once again.



Source: Left Side- Federal Reserve Economic Data, Goldman Sachs Global Investment Research, and Goldman Sachs Asset Management. As of March 31,2022, Right Side: Ycharts, S&P 500 Index Return 1/1/2007 – thru 5/12/22

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