



Global Investment Committee | February 2026

On the Markets

New Year, New Tune

When contemplating this bull market's fourth year during the fading days of December, the most striking thing to consider was the near-unanimity among macro strategists and stock analysts that 2026 would be another great year for US equities. After all, the policy levers were all set toward more stimulus—via rate cuts and renewed Federal Reserve balance sheet growth; One Big Beautiful Bill Act incentives and transfers; the promise of regulatory reform; and continued exuberance for the GenAI infrastructure buildout.

With that, most targets for the S&P 500 Index were marked between 7,500 and 7,800. The consensus was that markets would broaden to include cyclicals and small-caps and that earnings growth would accelerate to more than 15% in 2026. While elements of this thesis have been operative, January had its surprises. First has been continued underperformance of the Magnificent Seven stocks. Anxiety has intensified as investors have begun to worry about circular financing arrangements, capital needs and surging commodity prices. While multiple expansion has been less of a return driver and the earnings-revision focus has sharpened, the rally has also been an especially low-quality one, favoring the least profitable and highest-beta names. With most stocks priced for perfection, earnings misses have been severely punished. January also brought a deluge of geopolitical headlines—from Venezuela to Greenland to Davos—that roiled currency and commodity markets. To wit, gold and silver sustained rallies to all-time highs, only to undergo a momentous unwind, while US Treasury market volatility remained near a four-year low and the 10-year yield stayed anchored in a tight trading range, reflecting very little change in uncertainty metrics. Meanwhile, the US dollar continued to weaken, while bitcoin struggled. An apparent pivot from the White House generated a final set of surprises, as midterm-election politics heated up and populist proposals around residential housing, credit card rates, defense-contractor stock buybacks and Medicare reimbursement limits hinted at selective business headwinds.

Based on the first 30 days of 2026, we conclude that this may be a far more challenging year than envisioned given the flood of stimulus. There are reasons to stay constructive, but success demands vigilance, diversification, risk management and patience. Once again, the great Wall Street truism is borne out: When everyone believes something is going to happen, something else inevitably does. ■

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US POLICY

Affordability in Focus

Ariana Salvatore, Equity Strategist, Morgan Stanley & Co. LLC

Why the focus on affordability? As we highlighted late last year, President Trump's approval rating has declined steadily in recent months, mirrored by a decline in the generic congressional ballot for Republicans. Hence, with the US midterm elections less than a year away, we have flagged the potential for lawmakers to turn toward measures focused on affordability and lean into more populist policies, as illustrated by the overlap between some of President Trump's recent proposals and those of the progressive left (see Policy Proposals table).

Procedure is critical when it comes to policy enactment. Many of the proposals that the Trump administration introduces cannot be enacted without Congressional approval, and in some cases are not permissible under the partisan budget reconciliation process. That doesn't mean these policies are "dead on arrival" in Congress, however. Given the focus on affordability from down-ballot Republicans and punctuated by last November's off-cycle elections, which similarly were decided on this theme, we see scope for a second reconciliation bill to emerge ahead of the midterms.

Of course, as we've noted, legislating gets more challenging, even on a partisan basis, as elections inch closer, and Congress has a number of competing policy items on the agenda. Furthermore, due to recent retirements, Republicans hold the House of Representatives by an extremely slim margin (218 to 213), effectively giving any one lawmaker veto power and requiring firm consensus among the caucus on any potential legislation.

FIVE Pillars. We isolate five pillars of affordability that we expect the president and lawmakers in Congress to continue to focus on: 1) housing; 2) consumer credit; 3) energy; 4) health care; and 5) trade policy. We think the most feasible for executive authority alone is trade policy.

The policies proposed thus far are likely not the end of the list. In fact, over the coming weeks and months, we expect to hear more, with the president likely pulling from previous campaign pledges, bipartisan initiatives in Congress and/or progressive policies advocated for by Democratic party members. In short, everything is on the table.

CONSUMERS FEELING STRETCHED. Is affordability really a key economic issue, and could these policies solve it? Despite a deceleration in inflation from the peaks of 2022, price levels are significantly higher than they were a few years ago and before the pandemic. Prices as a whole are up 22% since the fourth quarter of 2019. Certain categories like housing

and groceries are up significantly more, resulting in even higher levels of realized inflation for some cohorts. While wage growth has outpaced the overall price increase over that period, higher price levels have resulted in consumers feeling stretched, which shows in sentiment data.

Affordability improvements can take time and are typically achieved by continued rates of target inflation and sustained income growth. Changes in policy leading to a meaningfully lower effective tariff rate would ease nonlabor costs for firms and limit further pass-through into prices. Faster inflation deceleration would further support real income growth, helping affordability. Other feasible policies with respect to consumer credit, health care, energy and housing could meaningfully affect certain cohorts, but GDP and inflation impacts from these changes, at least in isolation, would likely be limited. We are also concerned that some proposals, such as a cap on credit card rates, could materially limit the availability of credit and adversely affect spending.

Key market impacts vary depending on the extent of the policy change:

Housing proposals will likely continue to receive attention from investors, with further proposals recently introduced. In our view, economic impacts are limited barring a substantial decline in the mortgage rate, and our housing strategists see programs discussed so far pushing sales marginally higher while having little impact on our home price expectations. The tightening in agency mortgages should support other high-quality assets, in particular AAA-rated securitized credits.

Consumer-focused policies could translate to a benefit for consumer asset backed security (ABS) performance, as affordability policies generally—and particularly those that are unlikely to result in restricted access to credit—should be a tailwind for a consumer that has struggled with rising delinquencies and defaults in the post-COVID era. However, specific proposals like caps on credit card annual percentage rates (APRs) would almost certainly result in restrictions to credit access and push stretched consumers to higher-cost financings, such as buy now, pay later (BNPL) or payday loans. We believe that negative consequence would likely outweigh marginal benefits of lower rates to consumers carrying a balance.

Health care policy, in the form of a potential extension of, or even a partial compromise on, enhanced Affordable Care Act (ACA) subsidies could serve as a critical growth catalyst for Health Insurance Exchange participants in 2026 and beyond. We estimate that the expiration of ACA subsidies will result in about a \$20 billion hit to disposable personal income in 2026.

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Trade policy is the easiest lever for the president to deploy unilaterally and likely comes with the clearest impact on consumer prices. If tariff rates decline, we would expect somewhat lower inflation and higher growth, which could support further rate cuts. This would help improve affordability, but timing and magnitude are important.

A **lighter-touch approach to tariffs** would be another tailwind to what our strategists see as a rolling recovery driven by

synergistic factors, resulting in a constructive environment with certain pockets of opportunity, including housing and consumer discretionary. ■

This article was excerpted from the Jan. 21 Morgan Stanley & Co. Research report, "Affordability in Focus." For a copy of the full report, please contact your Financial Advisor.

Policy Proposals to Address Affordability

	Policy Description	Authority	Subjective Assessment of Plausibility
		Mostly Congress	
Consumer	Expanding "No tax on tips/overtime/social security"	Congress; feasible via reconciliation	<i>Moderate:</i> GOP theoretically supports expansion from OBBBA, but difficult to justify revenue loss to fiscal hawks in Senate
	Restore/expand Child Tax Credit (up to \$3,600 or \$6,000)	Congress; feasible via reconciliation	<i>Moderate:</i> Democrats support, Republicans oppose but could be pressured if Trump weighs in heavily enough
	Childcare cost caps/large childcare subsidy expansion	Congress; feasible via reconciliation	<i>Low/Moderate:</i> Political opposition from GOP and expensive
	Expand Earned Income Tax Credit (EITC)	Congress; feasible via reconciliation	<i>Moderate:</i> Democrats support, Republicans opposed but could be pressured if Trump weighs in heavily enough
	Credit Card Competition Act (routing choice/network competition)	Congress (likely not permissible under reconciliation since it's a regulatory market structure change)	<i>Low/Moderate:</i> Bipartisan interest but has stalled in the past; would need a vehicle to ride on and bipartisan support given difficulties with reconciliation
	FTC authority to police price gouging nationally	Congress	<i>Low/Moderate:</i> This type of regulatory expansion would need to be approved by Congress, but the FTC could just start being more aggressive in its cases; Republicans typically oppose this
	Student debt or medical debt cancellation (statutory)	Congress	<i>Low:</i> Unclear if permissible under reconciliation; rhetorically strong GOP opposition
	Pause payments on student loans and/or delay wage garnishment	Executive and eventually Congress if no emergency declaration	<i>Low/Moderate:</i> Political opposition from GOP and opposite Trump administration actions
	Limit on credit card APRs at 10% (statutory cap), similar policy for auto loans	Congress (likely not permissible under reconciliation given incidental budget impact)	<i>Low:</i> Due to industry opposition and reconciliation process; Majority Leader Thune opposed on Jan. 13
Health Care	Direct stimulus checks and/or direct homebuyer assistance	Congress; feasible via reconciliation	<i>Low:</i> Republicans rhetorically oppose
	ACA premium subsidy extension	Congress; feasible via reconciliation but most likely bipartisan if it happens	<i>Moderate (if narrowed):</i> Lawmakers currently working toward agreement, but would likely need Trump to push for a larger-scale extension; tailored version of this policy is more feasible
	Replace ACA subsidies with HSAs/fixed credits	Congress; feasible via reconciliation	<i>Moderate:</i> GOP split on this issue, but in general more supportive of directing money to individuals vs. insurance companies (though this is a more populist vein)
	PBM reform with direct federal savings (rebates, fees)	Congress; feasible via reconciliation	<i>Moderate:</i> One of the most realistic health care avenues but depends on the version that's drafted (usually PBM reform is rhetorically popular but gets severely watered down)
	Lower prescription drug costs (insulin cap and drug pricing)	Congress; executive orders toward this end have faced legal challenges and difficult to enforce	<i>Moderate/Low:</i> Congressional efforts face procedural resistance, but bipartisan in theory. Trump administration has pursued informally via agreements with large drugmakers
	Medicare for All/other mostly government-led health care programs	Congress; feasible via reconciliation	<i>Extremely low:</i> In particular if Republicans remain in control, but even Democrats don't have consensus on this policy

Policy Proposals to Address Affordability (continued)

Policy Description		Authority	Subjective Assessment of Plausibility
Mostly Congress			
Housing	Allow 529/401(k) withdrawals for down payments without tax penalties	Congress; feasible via reconciliation	<i>Moderate:</i> Plausible if a reconciliation vehicle exists
	Expand Low-Income Housing Tax Credit (LIHTC)	Congress; feasible via reconciliation	<i>Moderate:</i> Died in Congress before but could come back
	Housing deregulation (zoning, permitting)	Congress	<i>Moderate:</i> Died in Congress before but could come back
	Capital gains tax relief on primary home sales	Congress; feasible via reconciliation	<i>Moderate:</i> GOP support (enough to be included in Republican Study Committee document), but revenue loss could mean Senate Republican hawks push back
	Construction of 3 million housing units; tax incentives for builders	Congress; feasible via reconciliation	<i>Low/Moderate:</i> Political opposition from GOP and expensive
	Expand tax incentives for affordable rental housing	Congress; feasible via reconciliation	<i>Low/Moderate:</i> Bipartisan support theoretically exists, but major expansion would see resistance from GOP
	Large federal housing supply spending package (American Housing and Economic Mobility Act)	Congress; feasible via reconciliation	<i>Low:</i> Many Republicans don't support this policy given that it is a massive federal investment to build affordable housing
	Federal down-payment assistance (new subsidy)	Congress; feasible via reconciliation	<i>Low:</i> Political opposition from GOP
	Nationwide ban on institutional homebuyers	Congress (not permissible under reconciliation)	<i>Low:</i> Procedurally difficult to enact
	Rent increase caps via tax penalties	Congress; unclear on reconciliation	<i>Low:</i> Procedural question; GOP opposition; industry pushback
Energy	Permitting reform/acceleration	Congress	<i>Moderate:</i> Always on the table in Congress given bipartisan support, but political limitations impede substantial permitting reform
	Expanded federal oil/gas leasing and development	Congress	<i>Moderate:</i> Legislative calendar and other priorities likely come first; legislative energy bills with drilling expansion often face Democratic opposition and environmental pushback; unclear if permissible through reconciliation
Mostly Executive			
Housing	Allow GSEs (Fannie/Freddie) to buy more mortgages/expand MBS purchases	Executive (FHFA/GSE authority)	<i>High:</i> Within FHFA discretion; impact depends on rates/markets, not law
	Use federal land/buildings for housing	Executive (GSA, HUD)	<i>Moderate:</i> Would take time and unclear impact
	Mortgage assumability expansion for GSE-backed loans	Executive (FHFA guidance)	<i>Low/Moderate:</i> Possible on a going-forward basis, but retroactive enactment would face potential legal challenges
	Expand Earned Income Tax Credit (EITC) mortgage portability (limited pilots via GSEs)	Executive (pilot) / Congress (mandate)	<i>Low/Moderate:</i> Full portability would require statute or face legal challenges
	50-year mortgage pilots (GSE/FHA)	Executive (agency pilots)	<i>Low:</i> Agencies can pilot, but investor and market skepticism limits scale
Consumer	Aggressive Consumer Financial Protection Bureau (CFPB) enforcement posture	Executive	<i>Moderate/High:</i> Could be done immediately but not clear how impactful this would be on prices; plus would be a reversal of administration's stance on CFPB
	Pressure banks for voluntary low-APR products	Executive (informal)	<i>Low/Moderate:</i> Depending on how much pressure is applied/where leverage is used elsewhere
Energy	Energy permitting acceleration (via Bureau of Land Management/Department of Interior)	Executive	<i>High:</i> Already underway; unclear translation to oil prices
	Expanded federal oil and gas leasing schedules	Executive	<i>High:</i> Under authority of DOI
Health Care	Drug price transparency rules (hospital/insurer)	Executive	<i>High:</i> Under authority of the administration
Trade	Reduce existing tariff levels	Executive	<i>Moderate:</i> Depends on outcome of SCOTUS case

Source: Republican Study Committee, congressional and campaign websites, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 21, 2026

US EQUITIES

The Stars Are Aligning for Small- and Mid-Cap Biotech

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After a strong fourth quarter for biotech stocks, we think US small- and mid-cap (SMID) biotech companies are poised to outperform in 2026 thanks to a confluence of positive developments. In addition to a supportive environment overall, a large number of commercial companies, which are actively selling their approved products, are transitioning from capital consumers to producers; many clinical-stage companies, which are testing new products, remain reasonably valued; and the large-cap biopharmaceutical sector faces a looming patent cliff.

FAVORABLE ENVIRONMENT. Macroeconomic tailwinds bode well for SMID biotechs in 2026. Lower rates, improving regulatory clarity and rising interest in mergers and acquisitions (M&A) are aligning to create the favorable backdrop.

First, falling interest rates—with two Federal Reserve rate cuts currently expected this year—should boost biotech broadly as a long-duration sector, driving higher risk appetite and easier financing conditions. SMID biotech is a particularly rate-sensitive bucket: Easing policy typically improves valuations and reprices M&A and IPO optionality (see charts), though a slower-than-hoped-for or choppy cutting cycle argues for staying selective, cash aware and catalyst driven.

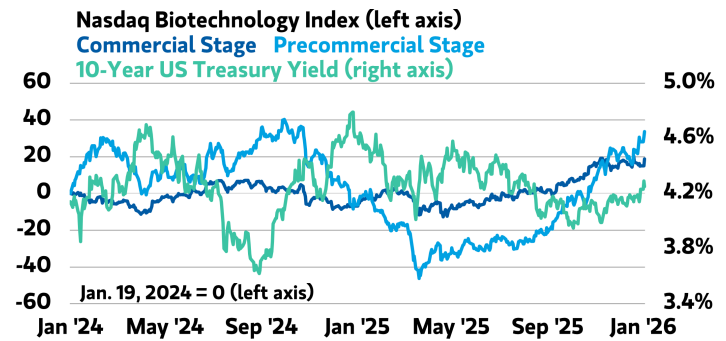
SMID biotech tends to move inversely with interest rates; when policy rates and US Treasury yields fall, company discount rates compress and probability-weighted net present values (NPVs) rise. The most pronounced effects are typically better index performance, richer trading multiples and a narrowing illiquidity premium as risk budgets reopen.

At the same time, regulatory policy headwinds are also easing. The concerns over changes at the Food and Drug Administration (FDA) in early 2025, notably staff reductions, appear to have been overstated. Based on our discussions with biotech company managements, staff changes at the FDA did not materially affect drug development timing, review teams were stable and engagements with agency staff were smooth, constructive and in line with patient-centric goals. Also, in a background development, the rise of competition from China biotech appears to be affecting the Trump administration's stance toward streamlining the drug approval process. Meanwhile, drug pricing rules from the Centers for Medicare & Medicaid Services have become clearer, which has removed an overhang that had dampened sentiment.

Finally, large pharma's loss of exclusivity as patents expire on some \$150 billion in products by 2030 is already spurring

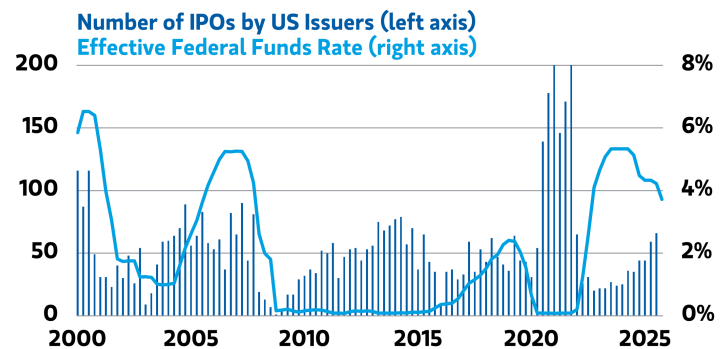
increased M&A activity, as cash-rich pharma companies seek pipeline assets. Overall, SMID biotech valuations remain historically low, positioning the group for outperformance as generalist investors rotate back in during a likely "rates down, biotech up" cycle.

Commercial Stage Biotech Versus Precommercial and the 10-Year US Treasury Yield



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 21, 2026

Number of IPOs Versus Effective Fed Funds Rate



Note: Number of IPOs truncated for post-COVID era.

Source: MS & Co. Research, Bloomberg, Securities and Exchange Commission, Morgan Stanley Wealth Management Global Investment Office as of Dec. 31, 2025

THE SMID-TO-BIG THEME. After a tough few years, many SMID biotechs are now trading at attractive valuations. Yet, many are also transitioning from the cash-burning SMID group to the profitable realm of bigger biotech companies. Notably, 31 of the 86 SMID biotechs we cover have evolved into capital producers, and their aggregate net cash is forecast to grow from about \$23 billion in 2025 to roughly \$132 billion by 2030.

This financial strength can fuel pipeline expansion and, in our view, justifies higher valuations over the long term.

2026 CATALYSTS. We would also highlight that select clinical-stage SMID companies are on the cusp of their first product launches, with underappreciated pipelines and solid balance sheets. Many other SMID biotechs will hit different

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critical milestones in 2026—from first product approvals to pivotal trial results—that should also create potential value inflection points.

Each of these events represents a potential catalyst for stock performance. Given the generally low expectations priced into SMID biotech stocks currently, successful outcomes could prompt significant reratings, while even the anticipation of these milestones may draw in investors ahead of time.

INVESTMENT IMPLICATIONS. In summary, the stars appear aligned for US SMID biotech in 2026. Macro tailwinds and big pharma's hunger for growth assets set the stage for a resurgence in the sector.

Within this context, we think that investors should focus on high-quality SMID companies with upcoming catalysts, as these events could unlock significant value. With valuations

still attractive and multiple catalyst-rich stories unfolding, we see 2026 as a year when select SMID biotechs can materially outperform, potentially graduating some small players into the middle and big leagues by year-end.

Investors looking for actionable ideas in this space should position ahead of the key 2026 catalysts, in our view, while the overall favorable biotech backdrop can add confidence to an overweight stance on the sector. ■

This article was excerpted from the Jan. 8 Morgan Stanley & Co. Research report, "2026 SMID Cap Biotech Outlook: The Stars Are Indeed Aligning." For a copy of the full report, please contact your Financial Advisor.

LATIN AMERICA

The Case for a “Latin American Spring”

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Latin America is facing a trifecta of change: the rapidly emerging multipolar world, global monetary policy and regional elections. Out of this change, we see a potential path—which is our bull case—for Latin America to break with past patterns and take a forward-looking approach that would increase investment and potentially transform the region into a true engine of global growth. Our Latin America economists, strategists and sector analysts have collaborated in a detailed analysis of how such a bullish scenario—a “Latin American Spring”—could play out.

CURRENT CONTEXT. As the Trump administration transforms the role of the US on the global stage, Latin America is playing a key part, from US military action in Venezuela and tariffs on Mexico and Brazil to the announced currency swap between the US and Argentina ahead of elections there and the ongoing US-Mexico-Canada Agreement (USMCA) negotiations. The US is back to asserting its power in Latin America, and it is providing a new set of incentives. On top of that, globalization dividends are gone, and resistance to growth has intensified. This appears to play into a policy shift occurring across Latin America—including Argentina, Chile and Mexico—away from left-of-center politics and toward the center or right.

Just as this imperative becomes clearer, we see signs of a shift toward fiscal responsibility across the region. At the same time, interest rates may be peaking globally ahead of a decline in 2026. All these changes provide a favorable setup for us to look beyond our base case and explore a bull case for Latin America, one driven by investment and a new capex cycle. AI, the driver of the \$3 trillion global capex cycle, would no doubt play a big part, but we think correcting broad underinvestment across multiple sectors would be key.

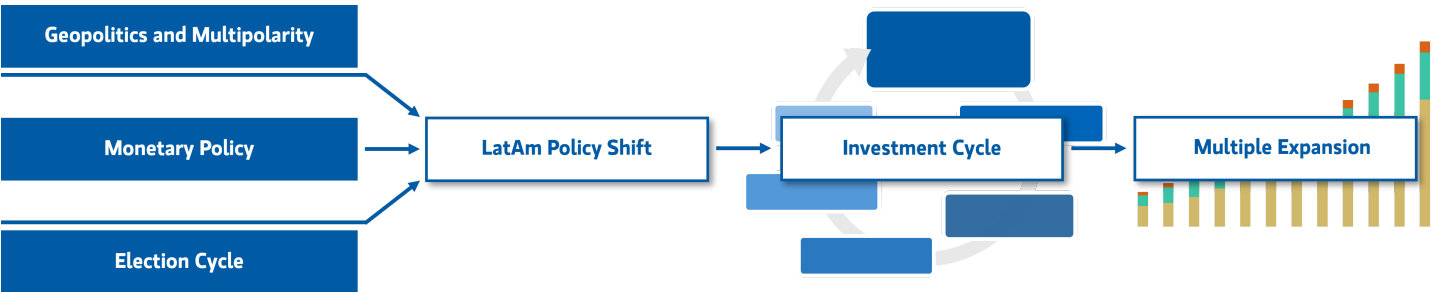
A POSSIBLE TURNING POINT. A policy shift across the Americas could be a turning point for Latin America. The larger context here is an increasingly multipolar world and the growth of AI and robotics (see the Aug. 5, 2025, Morgan Stanley & Co. Research report, “Mexican Robotnomics”). Latin America is not at the center of global change, but this change is central to Latin America—visible in Mexican “nearshoring” and the upcoming presidential election in Brazil, where polarization is emerging between the Global South and the US via tariffs, sanctions and threats. We believe Latin American countries and markets can position for this change with a shift toward investment (see chart).

Our analysis shows that capital markets could play a material role in such a rebalancing toward investment. The region now has far deeper capital markets than in the past, and every capital market is set to outgrow its underlying economy thanks to structural reforms. Prior peaks of capital issuance have been 2%–4% of GDP, while equity as a share of total assets is at or near an all-time low in almost all Latin American countries. Rebalancing to prior averages implies more capital than the region’s equity markets could absorb.

A NEW GENERATION. It is not a given that policymakers will play their hand well. Much adjustment, rebalancing and rethinking could be required. We are also concerned that capital markets are becoming more US centric, and local regulation appears to be mired in the past.

Yet, a new generation of policymakers could make the shift toward investment growth. Recent election outcomes in the Americas have so far moved toward fiscal discipline. More progress will be key in the elections coming up in Colombia, Peru and Brazil over the next year. In a multipolar world, with arguably fewer globalization dividends, each country must shoulder increasing responsibility for its growth model. Thus, rising global resistance could be a blessing in disguise for those choosing to reform, similar to what one might argue about Europe, where rising defense spending could be a catalyst for reforms.

The Pathway to a Latin American Spring



Source: Morgan Stanley & Co Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 14, 2026

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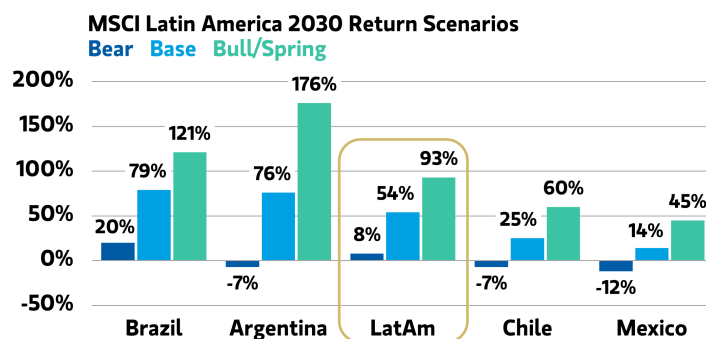
While each country in Latin America has its own narrative, common threads emerge: 1) Debt-to-GDP ratios are at historical highs; 2) price/earnings (P/E) multiples are close to historical lows; and 3) investment growth is essential to develop a new investment narrative. By country, Chile appears to be turning the corner, Brazil is running out of fiscal road, Mexico must exit its investment limbo to restart its reshoring and nearshoring investment narrative, and Argentina needs an investment cycle as the cornerstone of any sustainable investment narrative.

THE POTENTIAL UPSIDE. Our current base case is for a more neutral outcome as Latin America struggles with its legacy of fiscal rigidity, relatively high interest rates and a policy environment that, while improved in some areas, remains insufficiently bold to unlock a new era of growth. Getting on the path to a Latin American Spring would require political will, policy execution and a willingness to break with the past. But if the region can deliver, we believe the upside could be substantial: a Latin America that is not just a supplier of commodities and labor, but a dynamic, investment-driven engine of global growth.

Specifically, we think the MSCI Latin America Index could rerate from a forward P/E of 11 times to roughly 14 times by 2030, under our bull scenario. Local capital markets would outgrow their underlying economies in every country with an earnings per share compound annual growth rate (EPS CAGR) of 10% in US dollar terms from 2026 to 2035, a dramatic increase of 5.4 times in domestic equities from 2024 to 2035 and larger global flows. Higher investment typically leads to

growth with less inflationary pressure, which would enable expansion with lower interest rates—reducing risk and enhancing sustainability. These would be the key ingredients for equity multiple expansion. This could be a conservative estimate, but it would pave the way for a gain of roughly 90% over five years (see chart), given the underlying EPS growth in our bull case. ■

Our Spring Scenario Sees 90%-Plus Upside to the MSCI Latin America Index by 2030



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 14, 2026

This article was excerpted from the Jan. 14 Morgan Stanley & Co. Research report, "LatAm Spring: Imagine LatAm's Bull Case in a Multipolar World." For a copy of the full report, please contact your Financial Advisor.

COMMODITIES

Gold Gaining as a Share of Reserves

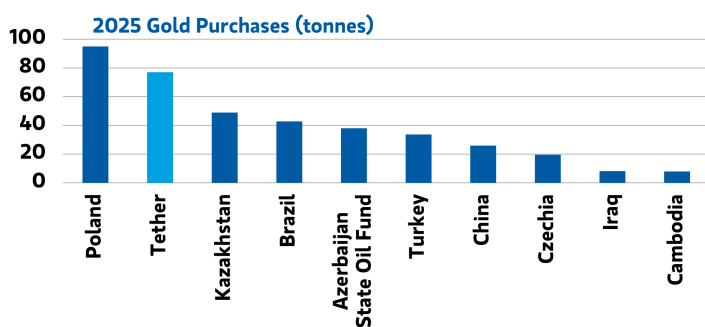
Amy Gower, CFA, Commodities Strategist, Morgan Stanley & Co.
International plc+

Based on data from the World Gold Council and US Treasury holdings, foreign central banks now hold more gold, at around \$4 trillion, than US Treasuries, at \$3.9 trillion, for the first time since 1996, according to mining.com. This has been partially driven by rising gold purchases, but also by gold's price appreciation.

STRUCTURAL SHIFT. The start of the Russia-Ukraine conflict appears to have triggered a structural shift in central bank buying, with the gold purchase rate doubling to more than 1,000 metric tonnes per year. Purchases have remained strong since then, albeit with some signs of a slowdown in 2025 amid higher prices. Collectively, central banks hold approximately 36,500 tonnes, or around 17% of all the gold that has ever been mined. As a share of reserves, gold holdings vary widely, averaging 25.9% but with some central banks, such as those of the US, France, Germany and Italy, holding more than 75%, while India holds 17% and China 8.3%.

The World Gold Council's annual survey of central banks suggests they expect gold buying to continue, with 43% of respondents expecting their gold reserves to rise over the next 12 months and none predicting a decline. Gold's performance during crises, portfolio diversification and inflation hedging were cited as reasons. While it is unusual for central banks to release a holdings target, Poland is an outlier, as it discussed a target of about 30% in August 2025; more recently, the country's central bank suggested it could aim to raise reserves from 550 tonnes to 700 tonnes. Poland was the largest buyer of gold in 2025 (see chart).

Poland Was the Biggest Purchaser of Gold in 2025



Source: World Gold Council, Tether, Morgan Stanley & Co. Research; data most recently available as of Jan. 28, 2026

UNREPORTED BUYING. The World Gold Council reports quarterly gold purchases from "central banks and other official institutions," while also providing a monthly

breakdown based on International Monetary Fund (IMF)-reported gold buying by country. However, the gap between these metrics has been growing, making it harder to reconcile gold purchases by specific country. If we add in the implied extra buying, gold accounts for an even higher share of total reserves.

Gold repatriation has also been a focus. While 64% of survey participants store their gold at the Bank of England, 59% maintained some domestic storage, up from 41% in 2024. For example, India now holds 65% of its gold reserves domestically, up from around 40% in 2021, while Poland repatriated over 100 tonnes in 2019. China has also been offering to store gold for other countries, with Cambodia one of the first to take it up on this.

STABLECOIN GROWTH. Providers of stablecoins also supported gold buying in 2025. The world's largest stablecoin issuer, Tether, recently reported that gold holdings underpinning its USDT reached \$12.9 billion in September—equivalent to around 104 tonnes of physical gold and up from 82 tonnes in June. Another 12 tonnes back its gold token, implying that if Tether were ranked among central bank additions, it would be the second-largest buyer following Poland.

In our view, stablecoins should be less of a contributor going forward, however, as we see a number of challenges potentially impeding the pace at which they may add to gold demand. S&P Global Ratings recently lowered its rating for Tether from "constrained" to "weak," given increased exposure to high-risk assets, with corporate bonds, precious metals, bitcoin, secured loans and other investments accounting for 24% of its reserves, according to Bloomberg.

On top of that, the new GENIUS Act does not list gold as a reserve asset to back stablecoin, suggesting that other providers may be reluctant to buy gold if their coins will not be GENIUS-compliant. Tether is planning to launch a GENIUS-compliant stablecoin (USAT) that will not hold gold, while Circle, the second-largest stablecoin issuer, only holds cash and cash-equivalent assets.

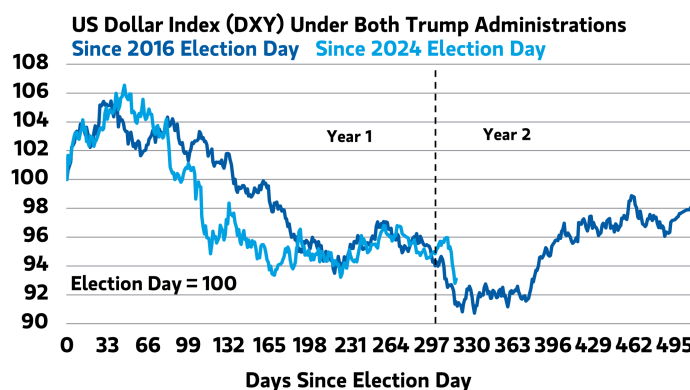
BULL CASE IN PLAY. Gold has surpassed our second half 2026 price forecast of \$4,750 per ounce, but we think the rally can continue and highlight our bull case of \$5,700. Scope for more rate cuts, continued demand for real assets and structural trends supporting central bank buying all have the potential to drive prices higher. ■

This article was excerpted from the Jan. 21 Morgan Stanley & Co. Research report, "USD's Biggest Challenger Remains Gold." For a copy of the full report, please contact your Financial Advisor.

Short Takes

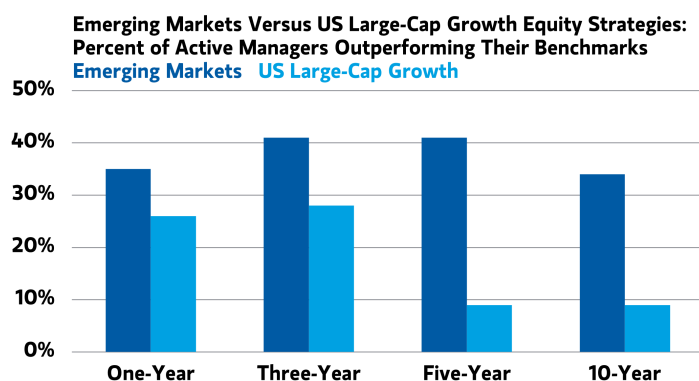
Developments in Davos

Buzzwords like “rupture” and “sell America” circulated at the World Economic Forum at Davos last month, with tensions high in NATO over US interests in Greenland. Despite the talk, US assets are not out of favor so far, with overall strong equity market performance, contained bond yields and low volatility. However, many investors appear to be broadening exposure globally as the confluence of US policies and macroeconomic tailwinds creates opportunities in European defense, Asian technology, emerging market financials, critical minerals, precious metals and Latin American assets. Although the US dollar has weakened, it has mostly been tracking its path during President Trump’s first term when the predominant concerns were also policy uncertainty, tariffs and US fiscal sustainability. —*Monica Guerra and Daniel Kohen*



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Jan. 28, 2026

Active Management More Advantageous for Emerging Markets



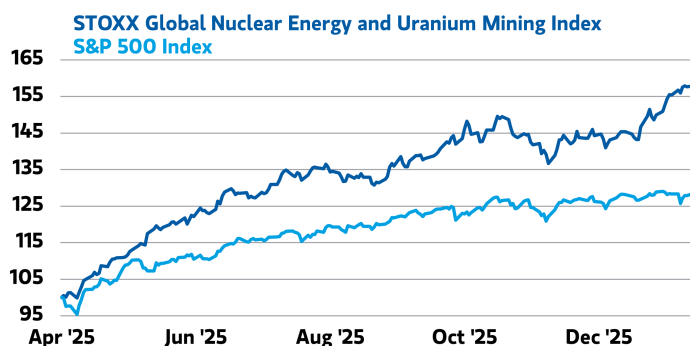
Note: Performance is net of fees.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Jan. 16, 2026

Compared with several other regions, emerging markets stand out as fertile ground for active management. Over the past five years, roughly 40% of active emerging market equity managers have outperformed their benchmarks versus fewer than 10% in US large-cap growth strategies and 21% in international large-cap blend. The advantage is even more pronounced in fixed income, with 73% of active emerging market bond strategies exceeding benchmark returns. Why? In general, emerging markets are less efficient than developed markets, which creates greater potential for generating above-benchmark returns through active security selection. In addition, average pairwise correlations within emerging markets have been declining for some time, and greater return dispersion enhances the ability of skilled managers to generate alpha. —*Alfredo Pinel, CAIA and Sonny Mendez*

Nuclear Energy Stocks Start the Year Strong

With energy demand from the AI data center boom outpacing supply, stocks across the global nuclear energy value chain have surged in recent years. After a pullback in November due to concerns over valuations, long project timelines and volatile uranium prices, the STOXX Global Nuclear Energy & Uranium Mining Index resumed its climb and gained 11.6% in January. Morgan Stanley & Co. Research’s energy and utilities analysts see further tailwinds in 2026, with capacity likely to get a boost from the reactivation of conventional nuclear reactors and the extension of operating lives, particularly in the US and Japan. The team also sees upside in the nuclear fuel supply chain, as spot buying of uranium remains robust with supply constrained. —*Joe Logan, CFA*



Source: FactSet, Morgan Stanley Wealth Management Global Investment Office as of Jan. 30, 2026

US CREDIT

US Credit: From Scarcity to Scale

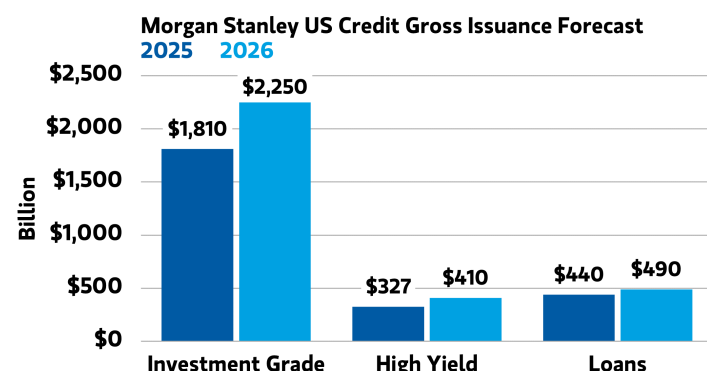
Vishwas Patkar, Head of US Corporate Credit Strategy, Morgan Stanley & Co. LLC

Supply in credit markets looks set to increase sharply, driven by multiple policy tailwinds, rising mergers and acquisitions (M&A) activity and an accelerating capex cycle. Here, we discuss Morgan Stanley & Co. Research's 2026 supply outlook and highlight market trends—including AI-related debt issuance.

SETTING RECORDS. In US corporate credit, we expect issuance to surge. Our baseline gross issuance expectation for investment grade debt is \$2.25 trillion, amounting to an increase of 24% year over year. This would also mark an all-time high, exceeding the previous record of \$1.95 trillion in 2020.

In leveraged finance, we expect a more measured increase, with high yield bond issuance getting to \$410 billion, up 25% from last year, and \$490 billion in loans ex-repricing for an increase of 11% (see chart).

Most Pronounced Rise in Credit Issuance Expected in Investment Grade



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 9, 2026

2025 marked the start of ballooning maturities, driven by COVID-era issuance. Though investment grade companies have managed the maturities without difficulty, data from Bloomberg indicates that 2026 will be another year of \$900 billion or so in maturities, with the number continuing to grow until 2028 when it is set to peak at \$1.1 trillion. Though we forecast historical highs for both gross and net debt issuance in investment grade, the growth in net issuance will likely place the annual growth rate in the 10% range.

AI spending, along with the associated capex around powering data centers, is a significant driver of the increased issuance in our forecasts—but not the only one. Dealmaking also looks set to continue accelerating as market confidence in

corporate boardrooms is high, reinforced by a trifecta of monetary, fiscal and regulatory easing. We expect announced M&A volume to increase by 25% year over year in 2026.

STRONG START. Issuance is off to a very strong start already in 2026, and importantly, markets have digested it very well. Investment grade credit spreads have remained low and subscription levels healthy, at 3.9 times.

In our view, this comes down to a few factors. The uptick in supply was well advertised: Conversations we had with investors on the 2026 outlook were dominated by the primary issuance calendar. As a result, we think there was ample liquidity to buy this supply going into the new year. Credit funds have had strong inflows to start the year as well, with short- and intermediate-term investment grade funds in particular seeing new highs.

Further, the recent announcement that government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac would buy \$200 billion in mortgage bonds is another technical support near term. While these purchases directly benefit mortgage-backed securities, the credit sector could also see downstream effects through money manager reallocation. In particular, we think front-end and intermediate tenor, high-quality and bank credits are well set up as alternatives for any capacity created by GSE purchases.

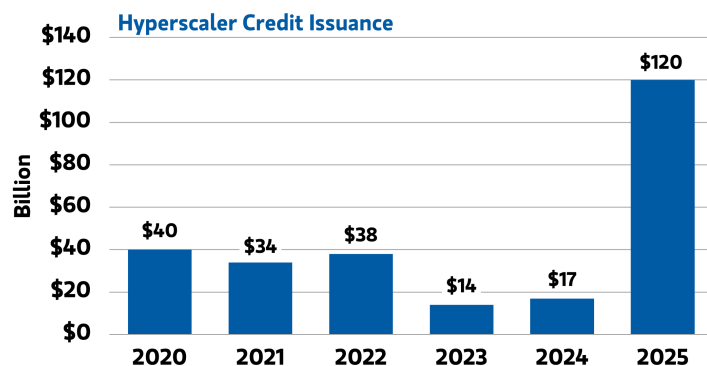
INVESTMENT IMPLICATIONS OF MORE SUPPLY. MS & Co.'s view remains that elevated supply and rising corporate aggression will drive spreads modestly wider by year-end. But we think the move might be a gradual one rather than a sharp repricing wider, with the technical and fundamental environments still very healthy.

Another month or two of elevated supply, we suspect, would underscore the idea of issuance being high over a period of time rather than for short windows. As a result, we think spreads will drift wider, driven not by broad-based selling but by more "price sensitivity" around a large and growing new issuance environment.

AI-RELATED ISSUANCE? The most asked question right now is, how much debt will come from the hyperscalers and AI-related companies?

Let's start with 2025 issuance numbers for the hyperscalers—and by that, we are referring to five investment grade US companies: Amazon, Google, Meta, Microsoft and Oracle. Last year, four of them raised \$93 billion in the public "vanilla" market. If we add off-balance-sheet deals, that number is around \$120 billion (see chart), the highest debt issuance in history for these companies—even though Microsoft did not issue last year. As a reminder, only Oracle is BBB rated while the other four are very high quality, with credit ratings of AA and above.

Hyperscaler Issuance Ballooned in 2025



Note: Includes debt issued by AMZN, GOOGL, META, MSFT, ORCL.
Source: Morgan Stanley & Co. Research, Dealogic, Morgan Stanley Wealth Management Global Investment Office as of Jan. 9, 2026

Outside of these hyperscalers, we are looking at semiconductor-related names, including Broadcom and Nvidia. In 2025, they issued about \$45 billion, a sizeable jump and in line with the peaks of 2020 and 2021. Together, hyperscaler and semiconductor issuance was approximately \$165 billion in 2025.

MS & Co.'s technology, media and telecommunications (TMT) credit analysts have estimated the issuance needs for Oracle. Currently, balance sheet debt for the company exceeds \$100 billion and could reach \$165 billion by 2028. For the other four major hyperscalers, we use capex estimates from MS & Co.'s equity analysts as a starting point. All four companies have quantitatively and qualitatively raised their current-year capex targets. More importantly, three of the four have indicated plans to grow or accelerate capex spending into 2026; current forecasts call for a 33% increase, with risks skewed to bigger mark-ups.

The key question is how these highly rated, cash-rich companies choose to finance their infrastructure investments. While they could easily fund buildouts through cash flows from operations or balances, recent trends suggest that public debt issuance will remain a viable avenue, while they also explore more innovative financing structures.

We looked at various iterations based on the proportion of capex funded through existing cash and whether overall spending trends may be higher or lower than current expectations. Total capex needs over the next two years alone are over \$1 trillion, although some of this is in the form of financial leases and not cash capex. Any way we look at it, financing needs are likely in the hundreds of billions of dollars in the coming years, even if we use a conservative assumption around how much is funded through internal cash flows.

Ultimately, it's hard to know precisely how much noncash financing will be needed. Analysis performed by MS & Co. Research in July 2025 suggested that over the next three years, credit markets will fill in about 50% of the total gap, but that is using a top-down framework for capex rather than a bottom-up one. Another unknown is how much "out year" capex gets funded in 2026.

With markets wide open, one could certainly make the argument for front-loading much of this funding. But considering the \$120 billion of supply in 2025, on top of the quick ramp in capex expected this year, we think for 2026, \$250–\$300 billion might be a reasonable estimate for overall issuance from hyperscalers directly and in corporate JV format.

For semiconductors, we think issuance should also increase to keep pace with capex growth. The remaining balance of AI-related issuance comes from other AI-related tech companies that are not part of the hyperscaler and semiconductor universe but are large companies that may want to increase issuance to fund investments into AI. Here, funding could increase given lower funding costs; companies that opportunistically issued in 2020 and 2021 but have not done so since, like several overseas issuers, may also look to the US dollar market with lower rates.

Finally, one other subcategory to note is tech names that are not as directly tied to the AI theme. We pencil in some additional issuance from this cohort as well.

With the caveat that so many moving parts can shift, overall we estimate \$400 billion of total 2026 AI and AI-related issuance, with a clear majority coming from hyperscalers.

AI AND LEVERAGED DEBT. While a meaningful portion of AI-related funding has come from high-quality hyperscalers, AI-related deals have emerged in leveraged finance as well. In 2025, we track around \$15 billion of high yield bonds and leveraged loans raised for AI, with several crypto mining companies repurposing into data centers. We estimate AI-related supply for this year at roughly \$20 billion, albeit with a wide band of uncertainty. ■

This article was excerpted from the Jan. 9 Morgan Stanley & Co. Research report, "US Credit 2026 Supply Outlook: From Scarcity to Scale." For a copy of the full report, please contact your Financial Advisor.

ARTIFICIAL INTELLIGENCE

Agentic Shoppers Are Coming

Nathan Feather, Equity Analyst, Morgan Stanley & Co. LLC

Brian Nowak, CFA, Equity Analyst, Morgan Stanley & Co. LLC

It has been three years since the release of ChatGPT, and GenAI-related investment and innovation continue to ramp up. For perspective, we expect cumulative data center capex from the leading six players to reach about \$1.7 trillion between 2025 and 2027. This investment is already leading to improved machine learning and a multitude of new GenAI-enabled products that are driving early, but budding sources of consumer and enterprise utility and productivity. We believe agentic commerce—in effect, personal digital interactive shoppers—is set to be the next substantial GenAI-enabled application.

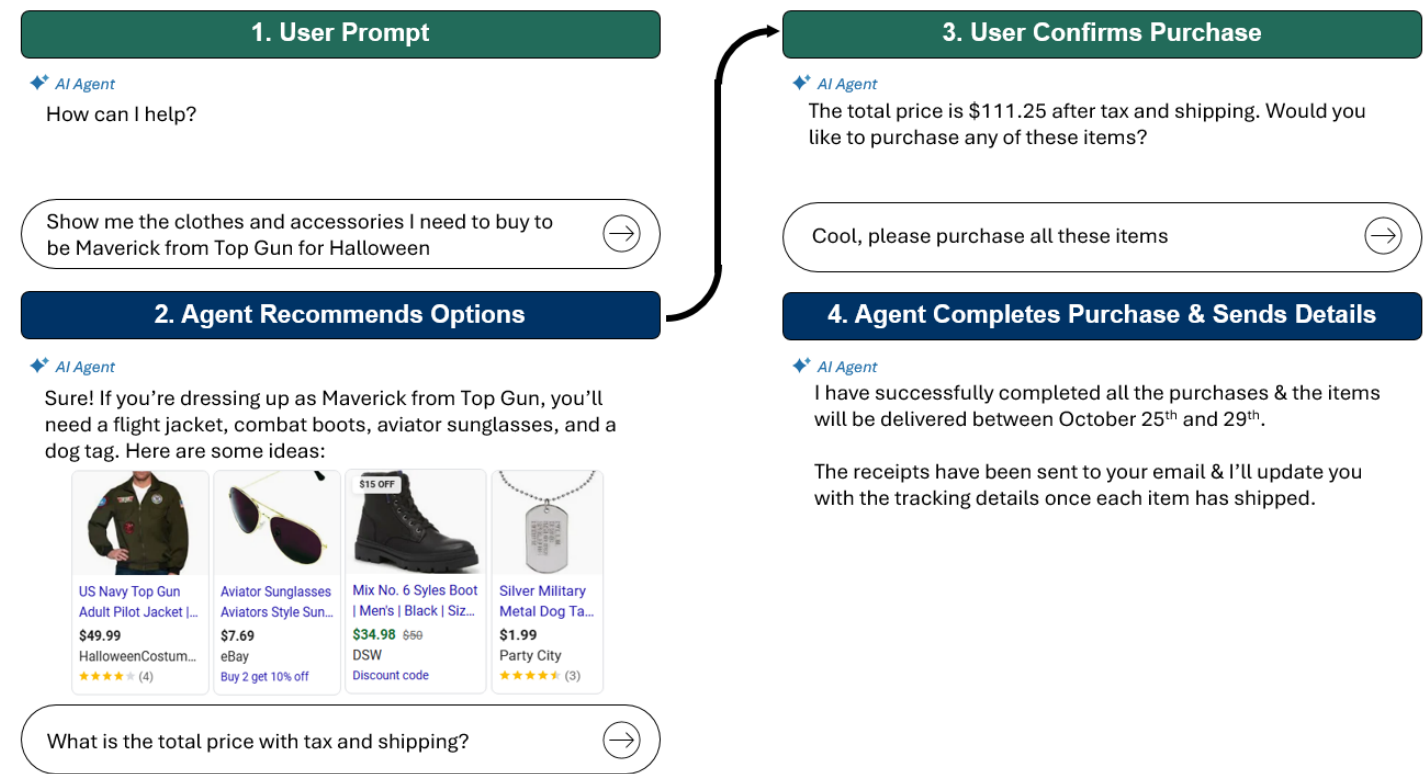
EMERGING OFFERINGS. Early agentic shopping offerings are starting to emerge from leading platforms like Alphabet and OpenAI, and retailers like Amazon and Walmart. We see the consumer “e-commerce funnel”—search platforms, social media, and retailer websites and apps—evolving to be more conversational, personalized and interactive, with a personal shopping agent that is always on. Your personal digital shopping agent will search for difficult-to-find items; offer

suggestions on pairing items; compare prices in real time and on a continuous basis; and automate recurring purchases like groceries. All told, these abilities should increase the consumer value and utility of e-commerce.

Here’s how agentic shopping might work (see first chart). The customer tells an AI agent what they want. In this case, the items are clothes and accessories to dress as Maverick, the Naval fighter pilot in the film “Top Gun.” Scouring the internet, the agent finds a fighter jacket, aviator sunglasses, boots and even a dog tag. The agent will give a price with tax and shipping costs and ask the customer if they want to make the purchase. The customer doesn’t have to enter orders at each vendor as the AI agent will do that, send receipts and update the customer with tracking details once each item is shipped.

ROUTINE TASKS. Agentic AI could also simplify regular purchases, such as groceries (see second chart). The AI agent can show the customer’s regular weekly order and make suggestions like a new cheese dip to go with the regular purchase of tortilla chips. The agent could also locate coupons for discounts on products in the customer’s basket. The customer might add or remove some items, request a delivery time and authorize the purchase.

Shopping Agents Will Offer Improved Research and Discovery Across Multiple Sites With Context and Personalization



Source: Google, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Nov. 17, 2025

Some Agentic Capabilities Will Likely Be Revolutionary ... Like Recurring Grocery Shoppers

1. Agent Prompts User for Purchases Based on History

AI Agent

Good morning, Brian! Happy Saturday. I have your weekly grocery order shown below with 17 items.

I found a new queso cheese dip that goes well with your favorite tortilla chips and a 10% coupon for your Eggo waffles.

Nowak Weekly Groceries

Original 10 oz

Tostitos

Homestyle 10 ct

Eggo

Salsa Con Queso 15 oz

Tostitos

Goya Coconut Milk

52oz

Center-Cut

Promoted agent potential

2. User Interacts with Agent about Items/List

AI Agent

Thanks! I'll try the queso dip.

Please also add an extra case of Topo Chico Lime and one 32-roll pack of Charmin toilet paper and remove the apples and coconut milk.

Can we get delivery by 9am tomorrow morning?

3. Agent Adjusts Order and Confirms Delivery

AI Agent

I added and removed the items above.

I can confirm delivery through between 7am and 9am tomorrow morning.

The total price of this order is \$212.

4. User Confirms Checkout Detail

AI Agent

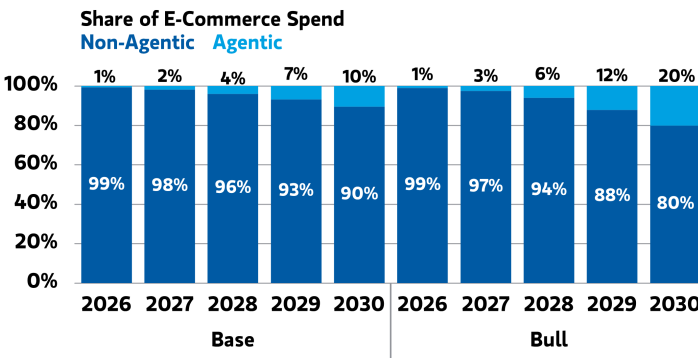
Great please place the order

Source: Instacart, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Nov. 17, 2025

We see agentic commerce bringing multiple new sources of utility to consumers. Besides personalizing digital shopping and automating recurring purchases, agentic shopping can learn about a customer’s tastes and preferences to proactively make product suggestions, discover hard-to-find products and automatically track and compare product prices and availability.

GROWING MARKET SHARE. We think higher-utility offerings will lead to further digitization of consumers' wallets; our bottom-up user adoption and retail category-level agentic commerce model show how agentic could add \$50 billion to \$115 billion to US e-commerce spending by 2030. We benchmark our adoption curves versus e-commerce in the 1990s and mobile e-commerce in the 2010s, with agentic reaching 10% e-commerce share in our base case and 20% in our bull case by 2030 (see third chart). ■

We Expect Agentic to Rise Steadily as a Share of E-Commerce Spend



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Nov. 17, 2025

This article was excerpted from the Nov. 17 Morgan Stanley & Co. Research report, “Agentic Shoppers Are Coming... Who Could Win or Lose?” For a copy of the full report, please contact your Financial Advisor.

Q&A

Is US Policy Driving an Industrial Renaissance?

The changes in US policy that led to elevated uncertainty—and market volatility—in 2025 are meant to usher in a new era of growth for US manufacturing. Morgan Stanley & Co. Research US multi-industry analyst Chris Snyder made an early, contrarian call that tariffs would in fact benefit US industrials, and currently, he sees encouraging developments. On Jan. 12, he discussed the industrial landscape and his outlook with Morgan Stanley Wealth Management investment strategist Kevin Demers. Below is an edited version of their conversation.

Kevin Demers (KD): Last year was remarkable for the equity markets in many ways. How would you characterize it for US industrial companies?

Chris Snyder (CS): Overall, I consider it a constructive year. Many US policy changes were positive for the future of the industrial economy, including tariffs and the One Big Beautiful Bill Act. And although we did not see a great deal of growth in the sector last year, I expect better cyclical tailwinds in 2026.

On the manufacturing, or production, side, when tariffs hit, we saw a big wave of inventory building, particularly in products from international markets. This became a headwind for production rates in the second half of 2025. Now, however, that inventory buildup is clearing: Wholesale inventories, which peaked at 7% in the second quarter, are currently up just 2% in real terms, which is in line with economic growth.

The capex, or investment, side is really what stands to benefit from new policies, in my view. We started to see this at the end of last year, but it has been moving slowly due to uncertainties around policy and the cost of construction. For example, if you need equipment from China to build a new factory, you need to know whether the tariff will be 30%, 50% or 70% in order to figure out the return on investment (ROI). As people have a better sense of the math, many big capital projects now sitting on the sidelines may start to unlock.

KD: Your view that tariffs are actually a positive for US industrial companies was an out-of-consensus call last April. Can you dive a little deeper into that and your current thinking?

CS: Two factors led to that call. We believed that tariffs would drive investment into the US and that many industrials would be able to raise prices on customers because of tariffs.

On the first point, one of my core beliefs is that companies need to serve the US market; it accounts for 30% of global

consumption—equal to that of the EU (European Union) and China combined. So, even if the cost of serving the US market goes up, companies can't afford to turn away.

Since tariffs have raised the cost of importing, companies are responding by shifting production to the US. As a result, we expect more incremental investment flow. In fact, we're already seeing it: US industrial machinery orders before Liberation Day on April 2 were negative, and currently, they are up 40%–50% year over year. We think the rise in orders signals that companies are trying to get more out of their existing US assets by investing in automation, productivity and other efficiencies. New, greenfield factories should follow.

On pricing power, many US-domiciled industrial companies produce primarily in the US and Mexico, whereas some of their main competitors are producing in Asia or Europe and then importing their products. So, the manufacturers in the US gain a competitive tailwind from tariffs, both geopolitically in the eyes of the administration and economically through a lower relative cost to serve.

KD: What impact are you seeing on industrials from the acceleration in data center capex over the past year? What stage of the data center buildout do you think we're in?

CS: I would say we're still in the early innings of the buildout, and the market seems to generally agree. The bigger debate may be, what's the trajectory? For example, will we have a fourth-inning stretch? The capex numbers have increased so significantly that there is some concern over digesting it all.

From a high level, rising AI data center capex fits into my view that the world is becoming more capital intensive. It also emphasizes the theme of increasing ROI through efficiency. Labor and energy costs are up 35% since 2019, so the ability to reduce either is a big value-add today. AI data center investment aims to do both—by replacing high labor costs with lower electricity costs. Nowhere else in the world would benefit from this as much as the US, where the cost of labor is highest and the cost of electricity is relatively low. And that is a structural tailwind for US manufacturing.

Industrials sell much of the equipment that goes into data centers, specifically for power and cooling. On top of that, they ultimately service the equipment they sell. While spending on equipment goes up and down with capex, the service revenue tends to be more stable because it's related to the installed equipment base, not incremental orders.

Over the long term, there are some risks. As the hyperscalers become more efficient and figure out how to do more with less, they will generally need less power and cooling equipment. Another, more nuanced concern is that as data centers absorb available resources, they may weigh down other areas of the economy.

ON THE MARKETS

KD: Despite the strength in industrials last year, many macro indicators suggested that real-time production activity remained subdued. When does the pendulum swing from the long-cycle capex focus toward shorter-cycle manufacturing activity?

CS: I think the shift is underway. First, as the inventory buildup clears, production rates should ramp higher. Second and more importantly, we're starting to see the incremental unit of production shift out of the international market and into the US, which signals reshoring. And that to me is a more durable driver of industrial activity than consumer spending.

Consumer spending has outgrown US manufacturing production by 200 to 300 basis points consistently for the past 25 years—basically since China entered the World Trade Organization in 2000. That delta is a function of outsourcing. If you continue to outsource every year, you produce less than you consume, creating a deficit.

However, over the past six months, the delta between consumer spending and manufacturing production has narrowed very rapidly. That tells me that the US is increasingly serving domestic demand with domestic production. That is very bullish, in my view, because it means the US is taking back share of global production, and that is a strong, secular driver.

It is also a change from past cycles. In a typical industrial cycle, consumers spend more, production rates go higher, utilization of factories or other fixed assets rises and then capex increases to add more capacity. Now, with the drivers likely to be data centers, utilities and reshoring, capex can increase without the consumer leading.

KD: You have a thesis that US industrial production growth can run 300 basis points above real GDP growth. Does this new cycle support that?

CS: If you look back, the US industrial economy used to grow by that amount, but for the past two decades, it has fallen short. We think that is starting to change.

Although production rates are still slow, the channel has cleared, and positive effects from reshoring are coming through. We think that the industrial economy can get to 6% growth in the second half of 2026 into 2027—roughly in line with real GDP plus 3%. What's more important is that once it gets there, it should stay there, in our view, because the drivers are more durable and less cyclical than consumer spending.

KD: If industrial growth rises and stays there, does that mean higher equity valuations for industrials structurally?

CS: There are two things that drive the multiple of a stock: how fast earnings grow and how durable that earnings stream is. If we are entering a period when the industrial economy can outgrow GDP by 300 basis points, that would likely support valuations. At the same time, the macro backdrop should also support organic growth and profitability. Both drivers of the multiple—earnings growth and durability—would benefit.

KD: China has been the incremental producer globally for years. What will happen there?

CS: In my view, international markets are the loser on US reshoring, and China is at the top of the list. China's manufacturing fixed investment is now negative for the first time this century, aside from a brief period during COVID.

Overcapacity has generally been a problem for international manufacturing, and because of that, it struggles to attract capex. Now, the world's biggest importer—the US takes in about \$3.3 trillion in goods annually, which is almost one-quarter of what the rest of the world produces—is pulling back due to tariffs and reshoring. You can already see the effect in producer price indexes; North America pricing was up in 2025, while pricing in every other region in the world was down. That tells you companies outside the region have had to lower prices to compete in the US market.

If you own a factory in Malaysia and one in the US, and your Malaysia factory is lowering prices while your US factory is raising them, you're going to put your next factory in the US for better returns. So, I think the international markets, led by China, are at risk of deterioration in 2026 and beyond.

KD: Finally, where do you see attractive opportunities for multi-industry companies?

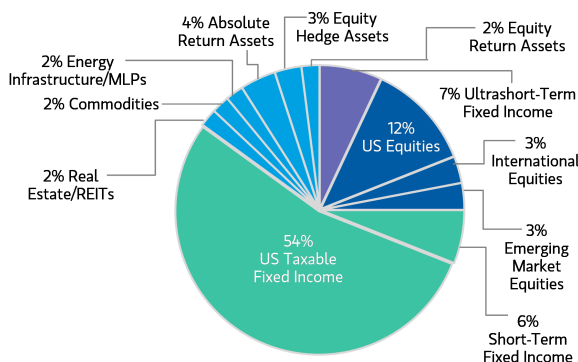
CS: I think US factory automation is likely to be one of the biggest beneficiaries of reshoring. With US labor costs high, companies will look to automate whenever possible. Also, it's the first mover: Automation can be purchased without a new factory being built.

I'd also point to distribution. Although distributors might not benefit from higher capex, they can benefit from ongoing industrial activity. Once a factory is up and running, it has to be serviced. These companies also screen well on other quality metrics; they generally benefit from recurring revenue streams, have high exposure to the US and tend to be regional, with limited international exposure. ■

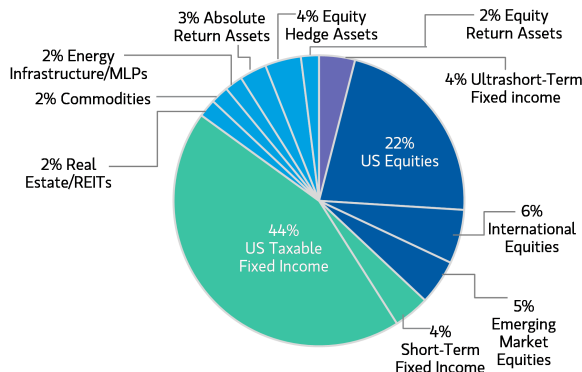
Global Investment Committee Tactical Asset Allocation

The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets, real assets and hedged strategies. They are based on an increasing scale of risk (expected volatility) and expected return.

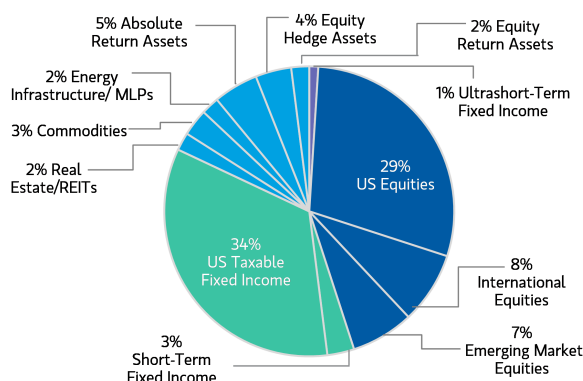
Wealth Conservation



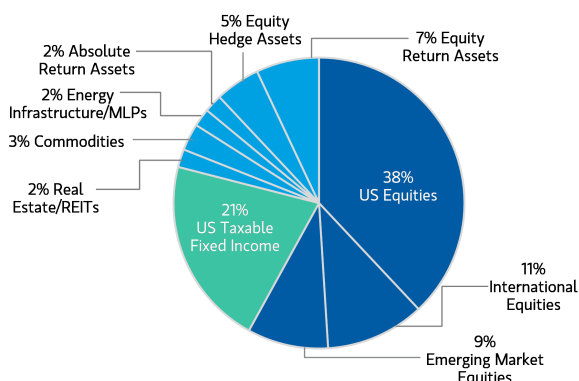
Income



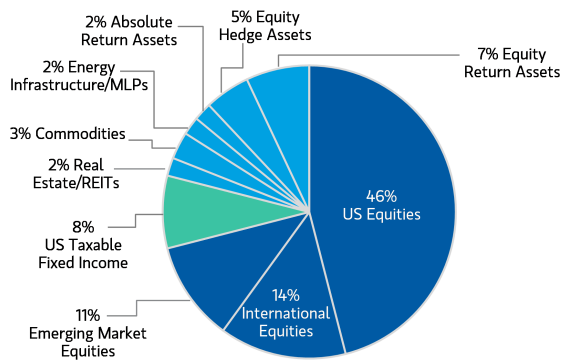
Balanced Growth



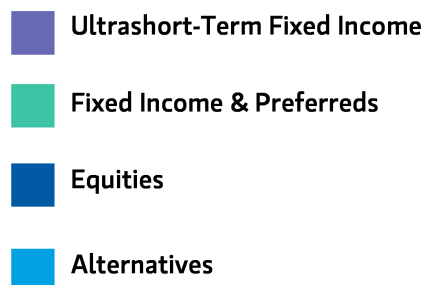
Market Growth



Opportunistic Growth



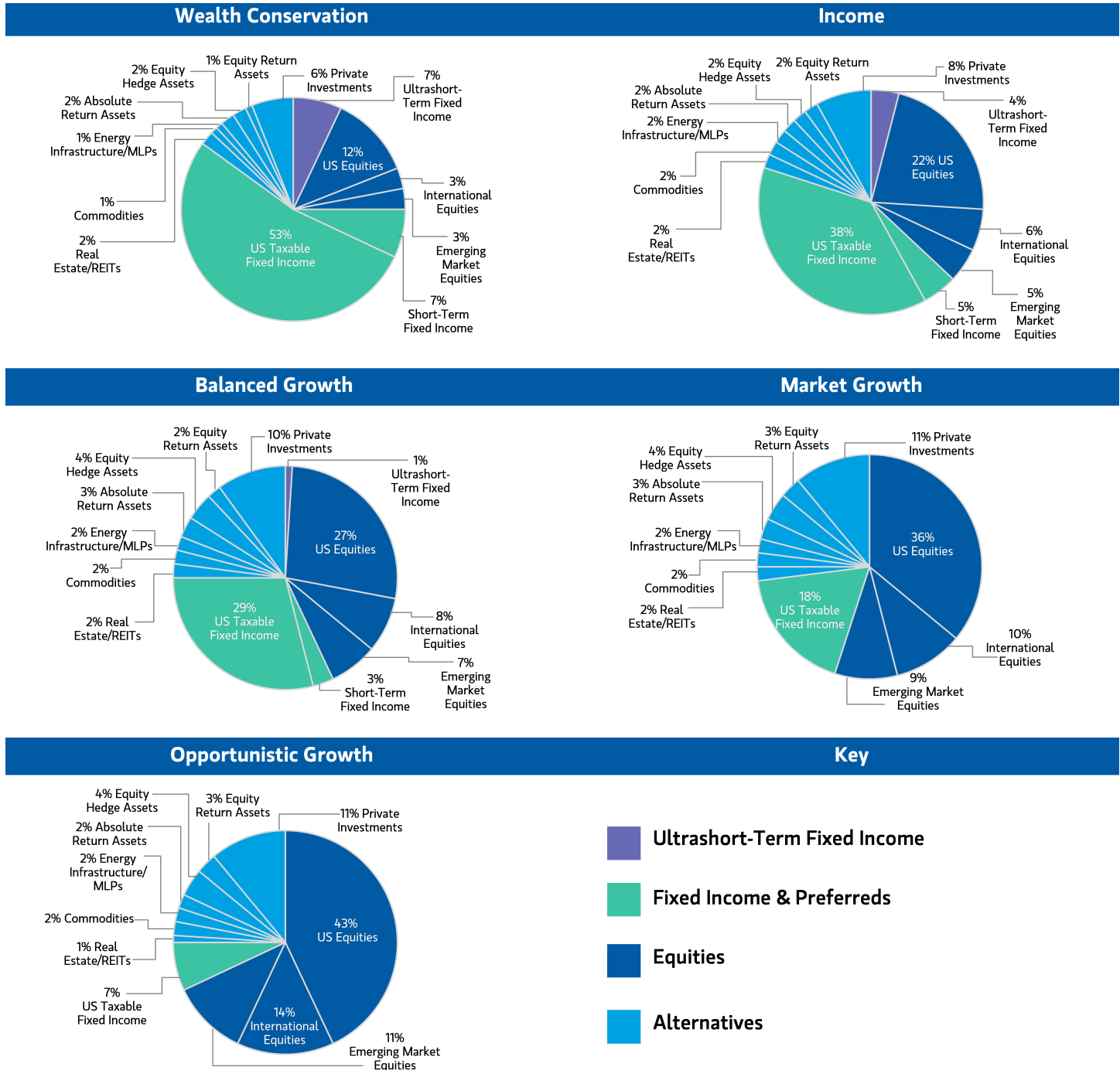
Key



Source: Morgan Stanley Wealth Management GIC as of Feb. 2, 2026

ON THE MARKETS

The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets and alternative investments, including privates, and are recommended for investors with over \$10 million in investable assets. They are based on an increasing scale of risk (expected volatility) and expected return.



Source: Morgan Stanley Wealth Management GIC as of Feb. 2, 2026

Tactical Asset Allocation Reasoning

Global Equities		Weight Relative to Model Benchmark
US	Overweight	The disinflation boom thesis catalyzed by the GenAI capex buildout, along with aggressive monetary, fiscal and regulatory stimulus, is now very much consensus. Forecasts are ambitious and embed an expectation for cyclical broadening that takes S&P "493" earnings growth from 6%–8% in 2025 to 14%–16% in 2026. In a market that is already expensive, concentrated and complacent, this suggests the aperture for upside surprise is narrow, and markets are apt to be quite brittle in the face of exogenous shock. With midterm-election-related policy already hitting a fever pitch, potential for these undiscounted events to occur is going up. Thus, while we are bullish (with an S&P 500 Index target at 7,500 to 7,800), we prefer stock picking to simply owning the cap-weighted index. Favor financials, health care and select industrials and energy.
International Equities (Developed Markets)	Underweight	Recent outperformance has been catalyzed as responses to the "America First" agenda have driven fiscal stimulus and China's record export push has been cooling rest-of-world (ROW) inflation. This is creating ROW opportunities that may simultaneously enjoy monetary, fiscal and currency-related stimulus. The outlook is improving in Japan as corporate restructuring occurs alongside a reflationary surge three decades in the making.
Emerging Markets	Overweight	The US-China trade conflict, now in a one-year truce, has created opportunities. China exports are booming and delivering helpful goods deflation to the ROW, where central banks are responding with rate cuts. Surging industrial commodity prices alongside falling energy prices are a perfect brew for emerging markets, especially as forces continue to bias the US dollar weaker, helping dollar-denominated debt servicing. The "new Monroe Doctrine" creates additional opportunities not only for pro-business political stability in Latin America but for direct investment. For Asia, strategic realignment opportunities continue to surface as the US turns away. India remains a recommended secular growth long.
Global Fixed Income		Weight Relative to Model Benchmark
US Investment Grade	Underweight	The Fed easing cycle, including some assumptions around the loss of Fed independence in 2026, has been baked into the US Treasury yield curve, with another two 25-basis-point rate cuts discounted. Stealth QE in the form of reserve management purchases of T-bills by the Fed and MBS QE by Fannie Mae and Freddie Mac are easing financial conditions materially, putting pressure on the long end of the curve as inflationary pressures build. A final note of caution is our forecast for a surge in IG corporate issuance, which we see on the back of increasing capex and rising M&A deal activity. As a result, we are continuing to reduce short-duration exposure and moving toward the "belly of the curve" to capture decent coupons with lower price volatility. We see the long end continuing to be plagued by structural imbalances that show up as widening term premiums, with the two-year/30-year portion of the curve remaining in a steepening pattern.
Opportunistic Fixed Income	Market-Weight	High Yield is competing effectively with better liquidity, transparency and credit quality than private credit. In ROW and emerging market debt, yields are decent, central banks have begun to cut rates and there is room for spread tightening as economic growth improves. Currency impact is a tailwind for US dollar investors.
Alternative Investments		Weight Relative to Model Benchmark
Real Assets	Overweight	We expect higher stock-bond correlations, which place a premium on the diversification benefits of investing in real assets. Nevertheless, with real interest rates positive and services inflation remaining quite sticky, we would need to be selective in adding to this asset class broadly. We are focused on industrial metals, energy infrastructure and interesting opportunities aimed at solving the residential housing shortage.
Hedged Strategies	Overweight	We recently added to equity hedged positions, noting the pickup in idiosyncratic risk, falling borrowing costs and rising stock level dispersion. The current environment appears constructive for hedge fund managers, who are frequently good stock pickers and can use leverage and risk management to potentially amplify returns. We prefer very active and fundamental strategies, especially high-quality, low-beta, low-volatility and absolute return/market neutral hedge funds.

Note: Opportunistic Fixed Income includes Inflation-Linked Securities, High Yield Fixed Income, International Fixed Income and Emerging Market Fixed Income. The GIC asset allocation models' benchmarks do not include exposure to Opportunistic Fixed Income. Real Assets includes Real Estate/REITs, Commodities and Energy Infrastructure/MLPs. Hedged Strategies include Absolute Return Assets, Equity Hedge Assets and Equity Return Assets.

Source: Morgan Stanley Wealth Management GLC as of Feb. 2, 2026

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Disclosure Section

Important Information

The Global Investment Committee (GIC) is a group of seasoned investment professionals from Morgan Stanley & Co. and Morgan Stanley Wealth Management who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend asset allocation model weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

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For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

Additional Definitions

NASDAQ BIOTECHNOLOGY INDEX This index is designed to measure the performance of a set of Nasdaq-listed biotechnology and pharmaceutical companies.

STOXX GLOBAL NUCLEAR ENERGY AND URANIUM MINING INDEX This index looks to select companies involved in nuclear power generation, uranium mining and fuel manufacturing, as well as companies providing supporting products and services.

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Glossary

Alpha is the excess return of an investment relative to the return of a benchmark index.

Artificial Intelligence (AI) A field of study that seeks to train computers to process large amounts of unstructured information in a manner similar to human intelligence, capable of performing tasks such as learning and problem solving.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Correlation This is a statistical measure of how two securities move in relation to each other. This measure is often converted into what is known as correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random. A correlation

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greater than 0.8 is generally described as strong, whereas a correlation less than 0.5 is generally described as weak.

Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Price to forward earnings calculates the price-to-earnings ratio that uses projected future earnings.

Real Gross Domestic Product (GDP) is the GDP of the country measured at current market prices and adjusted for inflation or deflation.

Volatility This is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

Hedged Strategy Definitions

Absolute return: This type of investing describes a category of investment strategies and mutual funds that seek to earn a positive return over time—regardless of whether markets are going up, down, or sideways—and to do so with less volatility than stocks.

Equity Hedge is a hedge fund investment strategy with a typical goal of providing equity-like returns while limiting the impact of downside market movements and volatility on an investor's portfolio. Managers utilize long and short positions, primarily in equity and equity-related instruments, to achieve this goal.

Risk Considerations

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance.

Alternative Investments

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; and Risks associated with the operations, personnel, and processes of the manager. Further, opinions regarding Alternative Investments expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management.

Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank.

It is important to note that only eligible investors can invest in alternative investment funds and that in order for an FA/PWA to engage a prospective investor in general discussions about Alternative Investments and specifically with regards to Private Funds, the prospective investor will need to be pre-qualified through the Reg D system.

Managed futures investments are speculative, involve a high degree of risk, use significant leverage, have limited liquidity and/or may be generally illiquid, may incur substantial charges, may subject investors to conflicts of interest, and are usually appropriate only for the risk capital portion of an investor's portfolio. Before investing in any partnership and in order to make an informed decision, investors should read the applicable prospectus and/or offering documents carefully for additional information, including charges, expenses, and risks. Managed futures investments are not intended to replace equities or fixed income securities but rather may act as a complement to these asset categories in a diversified portfolio.

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Hedge funds may involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns.

Private Real Estate: Risks of private real estate include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs, along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of an exchange-traded fund or mutual fund before investing. The prospectus contains this and other important information about the mutual fund. To obtain a prospectus, contact your Financial Advisor or visit the mutual fund company's website. Please read the prospectus carefully before investing.

An investment in a **money market fund (MMF)** is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs carry interest rate risk and may underperform in a rising interest rate environment.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with **emerging markets** and **frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

Investing in currency involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on municipal bonds is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

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Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Although they are backed by the full faith and credit of the U.S. Government as to timely payment of principal and interest, **Treasury Bills** are subject to interest rate and inflation risk, as well as the opportunity risk of other more potentially lucrative investment opportunities.

Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. Yields and average lives are estimated based on prepayment assumptions and are subject to change based on actual prepayment of the mortgages in the underlying pools. The level of predictability of an MBS/CMO's average life, and its market price, depends on the type of MBS/CMO class purchased and interest rate movements. In general, as interest rates fall, prepayment speeds are likely to increase, thus shortening the MBS/CMO's average life and likely causing its market price to rise. Conversely, as interest rates rise, prepayment speeds are likely to decrease, thus lengthening average life and likely causing the MBS/CMO's market price to fall. Some MBS/CMOs may have "original issue discount" (OID). OID occurs if the MBS/CMO's original issue price is below its stated redemption price at maturity, and results in "imputed interest" that must be reported annually for tax purposes, resulting in a tax liability even though interest was not received. Investors are urged to consult their tax advisors for more information.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond.

The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price.

Some \$25 or \$1000 par **preferred securities** are **QDI (Qualified Dividend Income)** eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long-term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum of \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable

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capacity will be aggregated for the purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository. For more information visit the FDIC website at www.fdic.gov.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Stocks of medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

Companies paying **dividends** can reduce or cut payouts at any time.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an IA-supported tool or service made available by the Firm for your use is subject to such limitations, including but not limited to inaccuracy, incompleteness, or embedded bias. You should always verify the results of any AI-generated output.

Environmental, Social and Governance ("ESG") investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Virtual Currency Products (Cryptocurrencies)

Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment.
- Certain Digital Asset funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of Digital Assets, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the Digital Asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such Digital Asset funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.
- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.
- Certain Digital Assets are not intended to function as currencies but are intended to have other use cases. These other Digital Assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such Digital Assets. Buyers, sellers and users of such Digital Assets should thoroughly familiarize themselves with such risks and considerations before transacting in such Digital Assets.
- The value of Digital Assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of such Digital Assets. Any such developments may make such Digital Assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.
- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of Digital Assets are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Digital Assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

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- Over the past several years, certain Digital Asset exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Digital Assets if the fund or product relies on an impacted exchange and may also materially decrease the price of Digital Assets, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.
- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset.
- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, a Digital Asset's blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a "fork" in the Digital Asset blockchain could materially decrease the price of such Digital Asset.
- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.
- Platforms that buy and sell Digital Assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of Digital Assets.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to Digital Assets held in digital wallets by their providers or by regulators.
- Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.
- Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in Digital Assets relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of Digital Assets, before transacting in such assets.
- The exchange rate of virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of certain Digital Assets versus the USD has in the past dropped more than 50% in a single day. Other Digital Assets may be affected by such volatility as well.
- Digital Asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a Digital Asset as payment will continue to do so in the future.
- The regulatory framework of Digital Assets is evolving, and in some cases is uncertain, and Digital Assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
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