

Global Investment Committee | April 2026

On the Markets

The Fog of War

The first quarter is ending on an unexpected note, with the S&P 500 Index down 4.6% for the year to date and off 6.8% from its all-time high. International stocks have similarly disappointed, reversing what previously appeared to be an ongoing rest-of-world resurgence. While range-bound markets churned violently for most of the past five months—as investors lost sight of the multipronged bull case and shifted to hand-wringing over GenAI spending, software company disruption and private credit—they have essentially been driven by a single narrative since March: the US-Israel attack on Iran and the closure of the Strait of Hormuz.

As roughly one-fifth to one-third of all traded oil, natural gas, agricultural fertilizer and helium—used in semiconductor manufacturing—pass through the strait, global oil recently surged past \$105 per barrel, taking US gasoline above \$4 per gallon. Secondary impacts have been significant but reasonably slow-moving, as investors hope with every press conference and social media post for news of peace and an opening of trade. While market chaos has been avoided, profound repricings have undermined the 2026 bull case that once seemed nearly unanimous. First has been the impact on inflation expectations. After falling in almost a straight line from midsummer 2025 through year-end, two-year inflation swaps are priced at 2.85%. Meanwhile, markets have gone from pricing as many as 2.5 Fed rate cuts by December to virtually none. Beyond inflation and rates, investors are considering potential growth-slowdown scenarios, such as "stagflation" or actual recession if higher energy prices crowd out other consumption, with lower GDP forecasts and higher unemployment fostering earnings downgrades. Each week that goes by and every military strike on production facilities extend the potential negative economic impact beyond any ceasefire, to say nothing of the longer-run implications of a radically realigned geopolitical map, which could impact risk premiums.

The bottom line is that while hostilities may end at any moment, we don't think investors should assume that January's bull case will be quickly resurrected. Much has happened, and outcomes are less certain amid performance dispersion. This argues for building portfolios that are maximally diversified by asset class and geography to hedge against uncertain growth and inflation, while managing idiosyncratic risk at the sector and company level to exploit opportunities. ■

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GLOBAL MACRO

The Big Flip

Andrew Sheets, Global Head of Fixed Income Research, Morgan Stanley & Co. International plc+

The NCAA basketball tournament (“March Madness”) is one of my favorite sporting events. With 64 teams in single elimination, it makes for some wonderful chaos.

As a sport, college basketball seems uniquely affected by “momentum.” A team that looks unstoppable over one stretch suddenly forgets how to shoot over the next. Momentum often shifts during a game, creating real tension as things swing back and forth.

Which brings us to markets.

January and February saw strong, overlapping signals that the global economy was in a healthy place, boosted by cheap energy, stimulative policy and robust tech investment. Oil prices were falling as metals, transports, cyclicals and financial stocks rallied. Europe, Asia and emerging markets—all more sensitive to global growth—outperformed. Inflation moderated. Central banks were planning to cut rates. The yield curve bull-steepened and the US dollar weakened. The January US jobs report was good. Every shot was going in.

In an instant, the Iran conflict and the risk of an oil shock reversed the narrative. Oil rose while metals, transports, cyclicals and financials fell. European and Asian equities dropped sharply, given their reliance on imported energy. The dollar strengthened, as investors sought “safe-havens,” inflation expectations rose and curves bear-flattened as interest rate expectations shifted rapidly.

And as yet another shot bricked off the iron, US data showed negative job growth and higher core inflation. The momentum has swung hard.

This “big flip” extends beyond performance to fundamental macro mechanics.

The first is in central banks, where recent weeks have seen the Federal Reserve, Bank of England and European Central Bank (ECB) all shift and sound more concerned about inflation. This reversal was especially striking for the ECB, which used modelling heavily informed by the 2022–2023 energy shock in its projections. The market has been pricing around 85 basis points of ECB hikes by year-end.

2022–2023 is a recent example of a severe energy shock. But it involved other, different dynamics (COVID stimulus, disrupted supply chains, a very tight labor market and a big spending shift from goods to services). Meanwhile, investors are aware of previous instances of oil-driven inflation prompting rate hikes despite growth risks (July 2008 and April/July 2011). Neither ended well for risky assets.

The prospect of higher energy prices and tighter monetary policy works against European assets, especially with the Fed more likely to stay on hold or move to lower rates if conditions worsen. We prefer US over Europe in both equities and credit.

A second mechanism, linked to the first, pertains to this shock challenging strong market “technical.” For example, year-to-date credit flows have been strong, and the conventional view, which we have shared, is that higher yields would support even more credit demand.

But 2022 showed that these flows can weaken and reverse if central banks turn more hawkish and yield curves flatten. Those risks are rising, especially in Europe.

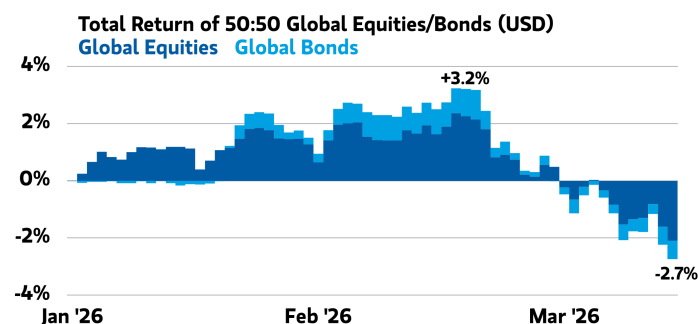
Then there’s the fact that oil-producing countries are also important investors, across a range of asset classes. If oil flows slow, that source of funds may slow with it. Our US rates strategists explored this theme for the US Treasury market in their March 20 report, [“The Other Side of Demand Destruction: Fiscal Stimulus?”](#)

If the Iran conflict ends and oil shipments resume through the Strait of Hormuz, momentum could swing back again, and we note that strong underlying fundamentals should make this business cycle unusually resilient. (For a full set of our views across reopening scenarios, please see the March 24 report, [“Energy Shocks in the Economy & Markets II.”](#)) But until hostilities cease, the speed and scale of this flip have sapped performance and left investors in a difficult position.

Coupled with the difficulty of diversification, where stocks, bonds and gold have all moved together (see chart), the path of least resistance may be to reduce risk and increase liquidity. In that environment, conditions can remain volatile before they improve. At least there’s basketball on. ■

This article was excerpted from the March 29 Morgan Stanley & Co. Research report, “The Big Flip.” For a copy of the full report, please contact your Financial Advisor.

Global Equity and Bond Performance Has Reversed, Together, Since the Conflict



Source: Bloomberg, MSCI, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 29, 2026

US ECONOMICS

How Will Oil Disruption Affect Consumer Spending?

Arunima Sinha, Global Economist, Morgan Stanley & Co. LLC

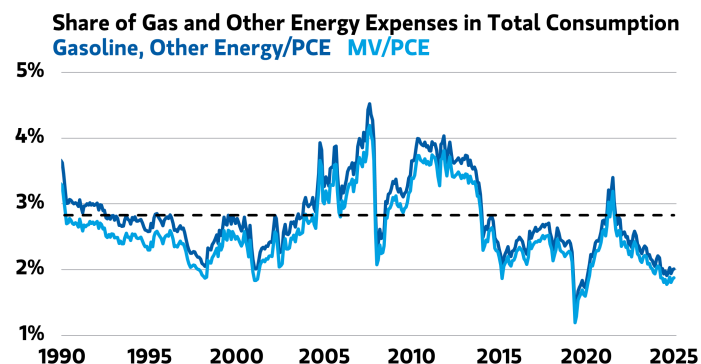
The recent oil price shock arrives at a time when household energy spending as a share of total consumption remains below historical norms, offering some initial cushion to real consumption. However, the macroeconomic implications of an oil supply shock extend well beyond higher gasoline prices.

Our estimates, based on an empirical model of the US data, suggest that transitory oil shocks have limited impact on real personal consumption expenditures (PCE), while persistent shocks can meaningfully depress durable goods consumption. Importantly, the burden of adjustment is not evenly distributed: Household cohorts differ in exposure and sensitivity, with younger, liquidity-constrained and vehicle-reliant groups likely to retrench spending more sharply.

While electricity prices are unlikely to be directly affected due to the US generation mix, the broader consumption path will depend on the persistence of the shock, its influence on inflation expectations and the policy response.

DROP IN ENERGY SPENDING. The share of household spending at the aggregate level devoted to gasoline and other energy goods has fallen steadily since its recent peak during the 2022 energy shock (see chart). Over the past year, the share has been meaningfully below its longer-run average. The normalization from the post-pandemic surge has reduced the effective “tax” energy imposed on consumers’ budgets.

The Share of Gasoline and Other Energy Products in Spending Is Below the Long-Term Average



Source: BEA, Haver Analytics, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 1, 2025

Historically, the share of energy in overall consumption tends to spike during price shocks and then mean-revert as prices ease and consumers adjust behavior; in the case of a transitory shock to oil prices, we could see the same pattern.

The fact that energy spending remains below trend suggests households have regained some purchasing power, helping to buffer real consumption against other cost pressures and reducing the risk that energy acts as a persistent drag on demand going forward. A persistent shock, however, could lead to a sizeable drag on different aspects of consumer spending as we show below.

WHY OIL SUPPLY SHOCKS ARE DIFFERENT. Oil prices can rise because supply falls, global demand strengthens or oil-specific demand/risk premiums move. The macro implications differ across drivers, so identification in the data matters.

A negative oil-supply news shock affects US consumption through several channels.

The tax-like hit to real purchasing power: Higher gasoline and energy costs reduce households’ discretionary income, crowding out nonenergy consumption. Much research has emphasized that a central macro mechanism for energy price shocks is reduced spending on nonenergy goods and services, rather than energy spending itself being the entire story.

Durable goods amplification (autos and other big-ticket items): Oil price increases raise the operating cost of energy-using durables, such as vehicles. Households respond by postponing purchases, changing the composition of purchases or reducing usage. This mechanism helps explain why durable spending often reacts more sharply than services.

Broader cost pass-through and second-round effects: Oil is embedded in transportation, logistics and production inputs, which can push up prices beyond gasoline. When nominal income does not fully keep pace, real consumption weakens more broadly.

Uncertainty and precautionary saving: Supply shocks are frequently associated with geopolitical or policy uncertainty. Elevated uncertainty tends to raise precautionary saving and delay discretionary spending, and this broadens the impact beyond the most energy-intensive categories.

Policy and financial conditions: If oil-driven inflation pressures influence the reaction function of policymakers and affect financial conditions, credit-sensitive components of consumption, especially durables, can weaken further.

So an oil-price supply shock is not just “higher gas prices.” It can propagate into consumption via durables purchases deferral, uncertainty and broader financial conditions, which is consistent with persistent responses in spending data. But it takes a persistent shock for these channels to bite.

TRANSITORY VERSUS PERSISTENT SHOCKS. We consider two types of shock to quantify the effects to real consumer spending: a transitory shock, in which oil prices rise by 10% at the end of the month and then dissipate over the year; and for a larger and longer-lasting shock, oil prices rising by 50%

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by the end of the quarter, plateauing at that level for about two quarters and then declining.

In the case of transitory oil shocks, the effect on real consumer spending is very small. Because prices soon reverse, households adjust only marginally. Our model suggests that a short-lived 10% increase in oil prices would have a negligible impact on real PCE. In such a scenario, consumers might dip into savings or short-term credit to smooth spending through the price spike, anticipating relief in gas prices before making major changes to consumption. Businesses, too, may absorb temporary energy cost increases in profit margins rather than immediately hiking their product prices.

The first chart below shows the cumulative response of real PCE and its major components to a 10% oil-supply news shock. The key message is a negligible decline in real consumption, with the drag concentrated in goods, especially durables. The cumulative decline in durable goods spending is around 10 basis points after six months, and that is almost entirely reversed after 12 months.

In the case of a persistent shock to oil prices, the cumulative effect on real spending is larger and occurs with lags. The transmission channel is goods, with a cumulative decline in real goods spending of approximately 90 basis points 12 months after the initial shock (see second chart below).

However, these empirical estimates do not account for the policy response. For example, the Federal Reserve could respond with greater easing in the face of a larger, more persistent shock, and this would lessen the effects of the shock on real economic activity.

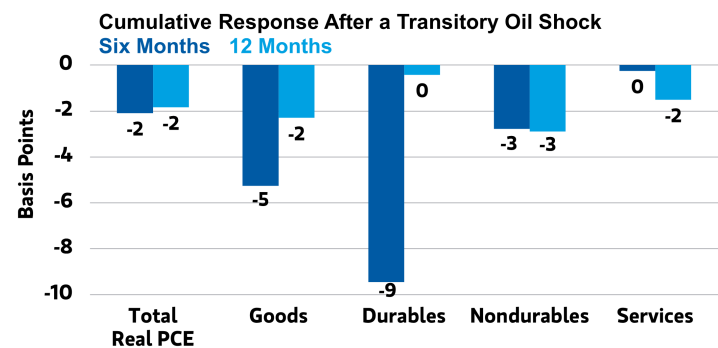
CONSUMER EXPECTATIONS. The transmission of oil shocks into household expectations would occur largely through the movement in gasoline prices. In general, consumer sentiment has been trending low: The February 2026 University of Michigan Index of Consumer Sentiment was 56.6, far below historical norms and about 13% lower than in February 2025. The University of Michigan survey focuses on household personal finances, and high inflation over the past two years has eroded real incomes, leaving households more sensitive to any additional price pressures.

Gasoline plays an outsized role in shaping how consumers view inflation because fuel prices are highly visible and frequently paid. When gas prices climb, surveys show a jump in both short-term inflation expectations and in the share of households reporting worsening personal financial situations due to “high prices.” This is particularly true in the University of Michigan Consumer Sentiment survey, which has many questions on inflation and affordability. However, whether fear of worsening personal finances translates into more cautious spending behavior is debatable.

Inflation expectations are important in determining household spending, especially on purchases that can be postponed. Empirically, gasoline prices and the University of Michigan’s year-ahead inflation expectations have often moved together, but the relationship is not stable across different periods. A recent analysis highlights that while the correlation strengthened over time, it broke sharply in 2025, when gasoline prices fell but inflation expectations rose due to tariff-related price concerns. This illustrates that the gasoline expectations channel can be overridden by other inflation pressures, depending on the sample. And so the pass-through and persistence of the oil price shock on inflation expectations is unlikely to be one for one. We do note that both the current oil disruption and the imposition of tariffs act as supply-side consumption taxes for households and are similar in this respect. ■

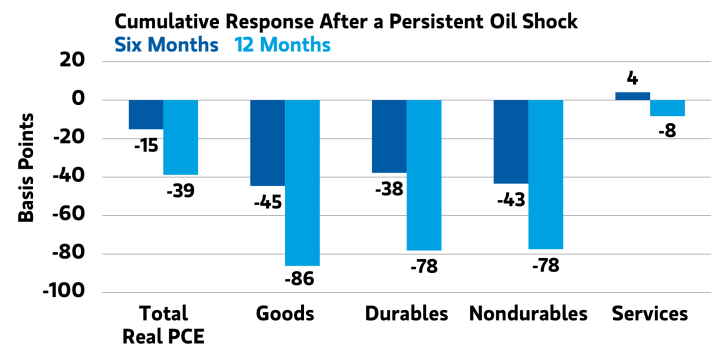
This article was excerpted from the March 11 Morgan Stanley & Co. Research report, “How Will the Oil Disruption Matter for Consumer Spending?” For a copy of the full report, please contact your Financial Advisor.

A Transitory 10% Shock Has Negligible Effects on Real Spending



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 11, 2026

A Persistent Shock Has Larger, More Lagged Effects on Real Spending



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 11, 2026

ARTIFICIAL INTELLIGENCE

Is the AI Transformation a Crisis?

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Artificial intelligence (AI) is reshaping the economic landscape in ways that are both dramatic and deeply misunderstood. Recent public debates have highlighted a central tension: Will AI destroy work and displace whole industries, or will it transform them?

A widely circulated scenario from Citrini Research in late February, “The 2028 Global Intelligence Crisis,” imagined a 2028 world where AI adoption has driven unemployment above 10% and made software companies obsolete, in turn triggering a market crash. This narrative may have resonated—and helped drive the US equity market down more than 1% in a single day—because it taps into a familiar, basic fear: that machines will replace humans.

Lost in the transmission of the Citrini article to the market, however, was the authors’ stated purpose: Model a scenario that is “relatively unexplored” and provide some left-tail risks to consider. We agree that the evolution of AI merits modeling many different scenarios. A near-term doom scenario, however, overlooks both economic history and emerging data, in our view. Here, we discuss AI’s potential effects on the labor market and the software sector based on current research and data—constructing a scenario that we believe is closer to a base case.

LUMP OF LABOR FALLACY. In our view, the core analytical mistake in the scenario presented by Citrini is the “lump of labor” fallacy—the assumption that there is a fixed quantity of work in an economy. From mechanized agriculture to the diffusion of computing, innovation has consistently reallocated labor rather than eliminated it. Labor economist David Autor’s research on past periods of innovation finds that task composition changed, industries rose and fell, but aggregate employment ultimately expanded alongside productivity.

Modern task-based research reinforces this distinction. Economists Daron Acemoglu and Pascual Restrepo’s 2020 report, “Robots and Jobs: Evidence from US Labor Markets,” describes automation as operating through two opposing forces: a displacement effect, where machines substitute for specific human tasks, and a productivity effect, where efficiency gains lower costs, raise real incomes and stimulate demand for new labor elsewhere in the economy. Whether employment ultimately falls depends on the balance between these forces. Historically, productivity gains have offset displacement over time.

The current data suggests that AI’s impact on labor remains modest and even slightly positive. Census Business Trends

data shows that only about 17.5% of US establishments report using AI for any business function today. Even where AI tools have been successfully deployed—management consulting, call centers, document preparation and some software functions—the total drag on job growth across affected industries amounts to roughly 5,000–10,000 jobs per month, small relative to the size of the overall labor market, according to economist Joseph Briggs.

Indeed, the Brookings Institution estimates that only around 4% of the US workforce could be directly exposed to AI displacement today. At the same time, AI is generating offsetting demand. For example, AI-infrastructure-related construction, including data-center electrical, HVAC and utility construction, has added more than 216,000 jobs in the broader construction sector since 2022, while demand for workers with AI-related skills has increased by roughly 250,000 positions, based on job postings referencing AI capabilities.

LABOR MARKET DYNAMISM. In discussions on the impact of AI, one feature of the US economy is often overlooked: its extraordinary labor market dynamism. The US labor market generates more than 30 million gross job gains each year under normal conditions. That churn reflects creative destruction. Research by David Autor and coauthors shows that roughly 60% of workers today are employed in occupations that did not exist in 1940, meaning that the majority of job growth in the long run reflects entirely new categories of work.

Looking ahead, a reasonable baseline assumes that AI will automate a meaningful share of work tasks while raising productivity across the economy. Tyna Eloundou, a research engineer with OpenAI, and coauthors suggest that roughly 80% of workers could see at least 10% of their tasks affected by AI, while about 19% of workers may have at least half of their tasks affected, implying that AI will primarily reshape tasks rather than eliminate entire occupations. Meanwhile, productivity estimates from academic studies and industry research point to meaningful macroeconomic gains. Economic models suggest that generative AI could lift overall labor productivity growth by roughly 0.7 percentage points annually over the coming decades, with cumulative effects building over time, according to McKinsey Global Institute.

Applying historical relationships between productivity shocks and labor market adjustment suggests that automation of this magnitude would lead to gradual reallocation rather than large-scale unemployment. Historically, Acemoglu–Restrepo find a one-percentage-point increase in productivity driven by technological innovation temporarily raises unemployment by roughly 0.3–0.4 percentage points, as workers transition across tasks and industries. Under a gradual adoption path, this implies moderate labor displacement over time rather than a sudden collapse in employment.

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NOT A FRICTIONLESS TRANSITION. As task composition shifts, some groups will face greater disruption than others. Recent work adapting the Acemoglu–Restrepo framework to AI suggests that it may not produce large wage declines for most workers because tasks exposed to AI are more evenly distributed across demographic groups than those affected by earlier automation waves. Nevertheless, the technology is unlikely to reduce inequality. Estimates suggest real earnings for certain groups—particularly less educated, US-born white women—may decline modestly even as productivity rises. More broadly, AI could also widen the gap between capital and labor income. As Acemoglu and Restrepo have shown, large productivity gains can raise company profits, but it is possible that a greater portion may accrue to business owners than to workers.

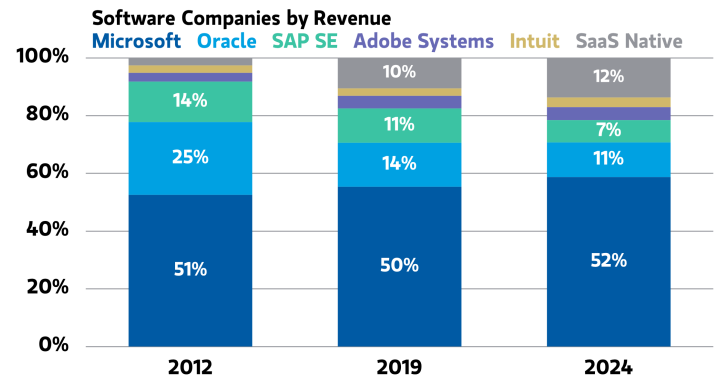
SOFTWARE: NOT SO SIMPLE. AI will affect many companies, but we think assuming that all software will be written or driven by AI is too simplistic. In fact, it echoes assumptions in the past that the industry could not adapt its business model to a changing environment—assumptions that have proved incorrect. Nevertheless, the collapse of the software sector is not only posited as a left-tail risk in the Citrini Research piece but has also been a fear in the equity market for several months, with the S&P 500 Software & Services Index down 33% from its peak in late October.

At the heart of the current argument is the belief that software-as-a-service (SaaS) firms will not be able to adjust from “seat-based” revenues—fixed subscription fees per user—to consumption- or usage-based revenue. This is similar to the assumption in 2012–2015 that on-premises software companies would not be able to transition to SaaS/cloud, as on-premises software margins were considered too attractive to justify the long and expensive change.

It is true that many companies, such as Oracle, couldn’t make the switch and their revenues stagnated. However, many did, including Microsoft and Adobe, and many new companies emerged like Salesforce, ServiceNow and Workday. There was a transition period, but by 2019, about five years into cloud usage, margins for SaaS had increased to the point that investors began to like these companies and consider them the new industry staples (see first chart).

As an example of companies that made the transition to the SaaS/cloud business model, Microsoft’s Partner Business Planning (PBP) division, which includes Office and other collaboration and content application software, saw operating margins drop initially in fiscal year 2016, when the company first started reporting cloud revenues. At that point, two-thirds of its application software revenues were on premises. However, by 2022, that share had fallen to less than one-tenth. The transition cost for Microsoft amounted to about 10 percentage points of margins from peak to trough (see second chart).

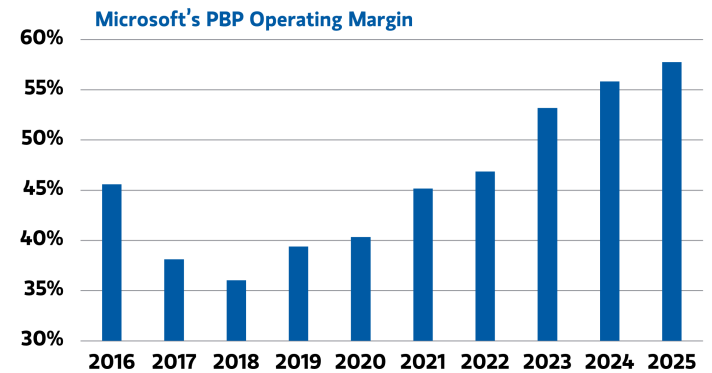
Software Companies: Adapting to SaaS/Cloud Environment



Note: SaaS native refers to Salesforce, ServiceNow, Workday and Palo Alto Networks.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Dec. 31, 2024

Microsoft’s Partner Business Planning: A Successful Transition



Source: Company financials, Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of June 30, 2024

MORE NUANCES. Another consideration in assessing whether and how software companies will adapt is how difficult it is for large enterprises to change software vendors that are embedded into their workflows. Oracle is the poster child for this: The company initially failed to convert customers’ on-premise licenses to the cloud and saw practically no revenue growth from 2012–2020; however, it remained a top software vendor during this time, generating more than \$35 billion in annual revenues.

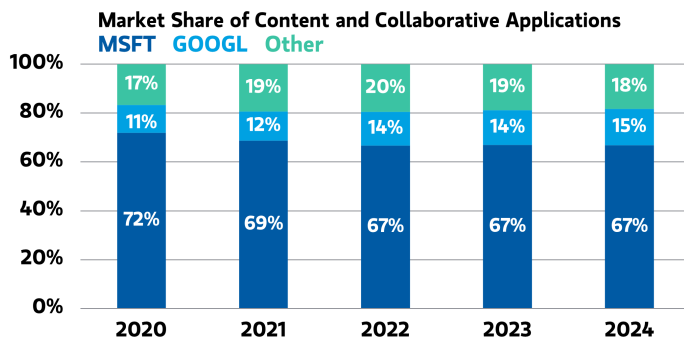
The continued success of Microsoft Office versus Google Workspace (formerly Google Suite) has been another case in point. Even though Google Workspace costs less and is often free for consumers, it could not break into the large corporate market—making much more headway with small businesses and individuals. Its revenues nearly tripled from 2020 to 2024, but its market share only increased by four percentage points to 15% (see following chart). Microsoft

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Office, even though not typically considered operationally critical, continued to garner the lion's share of new spending.

Both examples suggest that enterprise technology transitions are more complex and take longer than most expect.

Microsoft Office Versus Google Workspace: Transitions Can Be Long and Complex



Source: Bloomberg, IDS, Morgan Stanley Wealth Management Global Investment Office as of Dec. 31, 2024

THE REAL ISSUES. The question is not whether AI will change the labor market or the software industry. Change is already happening. The more important questions, in our view, are whether the productivity dividend will be broadly shared and whether enterprise software companies will be able to profitably incorporate AI applications into their product suites. If the past is any guide, transformation rather than collapse is the more likely outcome for both. ■

CREDIT

Risks in Private Credit: Significant, but Not Systemic

Vishwanath Tirupattur, Chief Fixed Income Strategist and Director of Quantitative Research, Morgan Stanley & Co. LLC

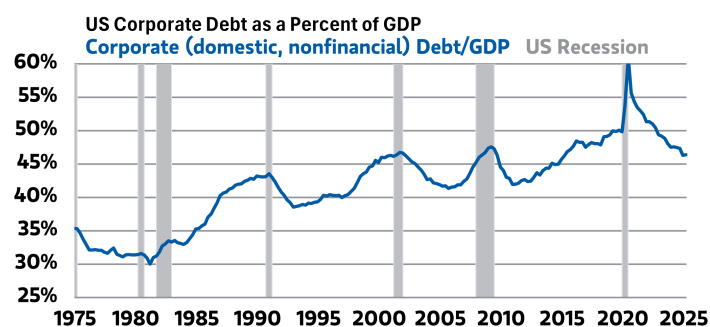
Vishwas Patkar, Head of US Corporate Credit Strategy, Morgan Stanley & Co. LLC

Anxiety around private credit is building. The sell-off in public business development companies, or BDCs, has continued, alongside a clear pickup in redemptions across private BDCs and semiliquid private credit funds. Redemption gates, which cap investors' withdrawals over a set time period, are being tested, and familiar fault lines—software exposure foremost among them—are under increasing scrutiny.

The market's unease is understandable: After years of outsized inflows and unusually smooth returns, private credit is now being stress-tested in real time. While the credit risks that are emerging need to be taken seriously, it is critical to distinguish credit risk from systemic risk. Today's dynamics look far more like a pricing and sentiment reset than the beginning of a disorderly credit unwind with broad systemic consequences.

CHANGE IN LENDERS, NOT LEVERAGE. The first question in assessing systemic risk is straightforward: Has leverage in the system increased? The short answer is no. Historically, a sustained rise in aggregate corporate debt relative to GDP has been a reliable signal of mounting systemic stress. By that metric, the evidence is not compelling. The overall scale of below-investment-grade lending relative to the economy remains contained. Even after accounting for the growth of private credit, total noninvestment grade corporate lending as a share of GDP is broadly unchanged from a decade ago. In fact, aggregate corporate-debt-to-GDP ratios have declined in recent years (see chart). These trends suggest that the stock of riskier corporate borrowing has not expanded to levels consistent with broad-based systemic vulnerability.

Nonfinancial Corporate Debt Relative to GDP Has Declined Consistently Since 2020



Note: Nonfinancial corporate debt only. Source: Board of Governors of the Federal Reserve System, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 15, 2026

What has changed is who intermediates credit. As banks reduced balance sheet exposure to meet tighter regulations after the Great Financial Crisis (GFC), nonbank lenders stepped in to finance similar borrower segments. More recently, growth in private credit has come largely at the expense of bank lending and public credit markets, where issuance was choppy amid the inflation shock, rapid rate hikes and sustained outflows in 2022–2023. At the same time, growth in high yield bonds and leveraged loans has been notably tepid. This substitution matters: The rise of private credit reflects a structural shift in credit intermediation, not a surge in aggregate leverage.

ARE BANKS VULNERABLE? A related concern is whether stresses in private credit can meaningfully transmit back to the banking system. Again, the comparison with prior credit cycles is instructive. Private credit is nonbank lending, by definition, and the dominant vehicles—BDCs and private credit funds—operate with explicit constraints on leverage. Most BDCs have a debt-to-equity ratio at or below two times. Leverage in private credit funds is typically modest and tightly managed. Banks do provide financing to private credit lenders, but this is back leverage, not direct credit exposure, and is structured with substantial hedges, including conservative advance rates, senior positioning and strong collateral and covenant packages. This contrasts sharply with the pre-GFC period, when banks' own leverage was a multiple of today's level and they warehoused highly leveraged credit risk directly on balance sheet.

Today, bank exposure to private credit is indirect, senior and well buffered—materially reducing the scope for private credit stress to metastasize into a broader banking or systemic event.

THE PURPOSE OF GATES. Another source of systemic concern is the risk of forced asset sales. Here, the recent activation of redemption gates at some private credit managers has clearly added to investor agita. But gating is not a sign of structural failure; rather, it is the structure working as designed—a feature, not a bug. These vehicles were built to prevent fire sales of inherently illiquid loans during periods of stress. As redemption requests have risen, gates are being tested, and in some cases shut, not because portfolios are unraveling, but because managers are choosing to shield remaining investors rather than liquidate assets at unfavorable prices. That trade-off matters; gating limits stress within the vehicle and spreads it over time, sharply reducing the risk of disorderly price cascades or spillovers into broader credit markets.

The same logic applies elsewhere in the private credit ecosystem. Private credit collateralized loan obligations (CLOs) have structural mechanisms that redirect cash flows within the liability stack during periods of stress, limiting the need for asset sales. Insurance companies may face

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policyholder withdrawals but are insulated by surrender penalties, liquidity facilities and allocations to more liquid assets, well before they would be forced to sell illiquid Level 3 exposures. Together, these design features argue against forced selling as a meaningful source of systemic risk.

CREDIT VERSUS SYSTEMIC RISK. To be clear, we are not private credit Pollyannas. The credit risks are real and material, and we have highlighted them in our research. Private credit borrowers tend to be smaller, with leverage and coverage metrics closer to the weaker end of the credit spectrum relative to public markets. Private credit is also meaningfully exposed to software, where disruption risk from AI is nontrivial as we have discussed at length (see our Feb. 9, 2026 report, “Mapping Software Exposure in Leveraged Credit”).

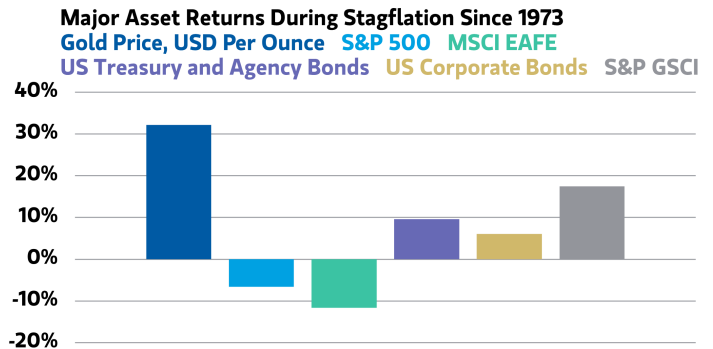
But acknowledging credit risk is not the same as signaling systemic risk. Our view is that while the asset class is facing a genuine credit cycle—one that will produce winners and losers—the evidence does not indicate that these stresses are building into a broader, systemwide threat. Credit risks in private credit are significant; systemic risk concerns, in our view, are overstated. ■

This article was excerpted from the March 16 Morgan Stanley & Co. Research report, “Risks in Private Credit: Significant, but Not Systemic.” For a copy of the full report, please contact your Financial Advisor.

Short Takes

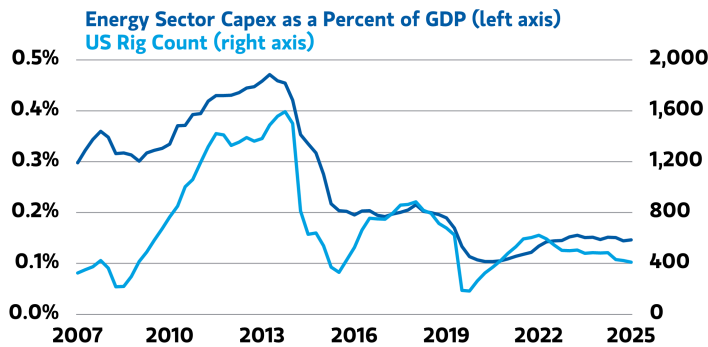
Stagflation Could Be a Potential Positive for Gold

Gold has plunged since the Iran war began, registering a 10.5% single-week decline in mid-March. As a highly liquid asset, investors often sell gold to raise funds during market shocks. The potential for higher inflation from oil shocks also usually drives up interest rates, making interest-bearing assets more attractive. With Brent crude still above \$100 per barrel, concern is now rising over slowing global growth combined with inflation, or stagflation. As noted by MS & Co.'s commodities strategists, gold has historically performed well during stagflation, supported by higher risks and lower real rates. MS & Co. analysts are watching how stagflation risks and the path of rates affect the behavior of gold's biggest buyers, including ETFs. —*Tyler Witt*



Note: Annualized average adjusted return (AAAR) since Q1 1973, as of Q2 2021. Source: Bloomberg, World Gold Council, Morgan Stanley Wealth Management Global Investment Office as of March 31, 2026

Oil: Higher for Longer?

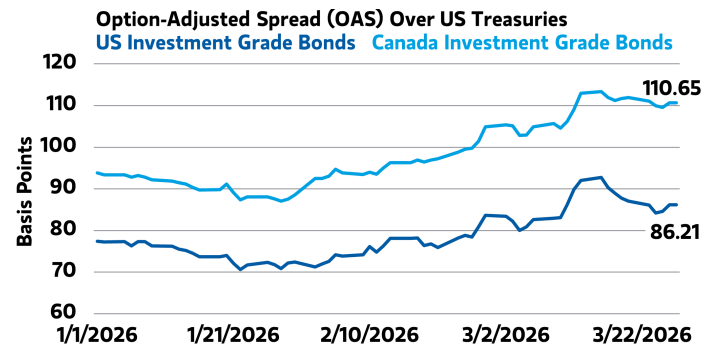


Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of March 24, 2026

War in the Middle East has driven oil prices toward highs last seen in 2022. Historically, geopolitical price spikes have tended to be short-lived, as supply and demand quickly normalize prices after the shock. This time, however, a combination of slowing well productivity in the US, declining producer capex and lower inventories among countries in the Organization for Co-operation and Development (OECD) could create an environment where price increases are stickier. In particular, US energy company capex discipline may result in a more fragile demand response to higher commodity prices. This could drive commodity inflation structurally higher, supporting our preference for real assets as a portfolio hedge, diversifier and source of income. —*Kevin Demers, CFA*

USMCA Uncertainty Weighs on Canada

With more than 75% of exports headed to the US, Canada has much at stake as the United States Mexico Canada Agreement (USMCA) comes up for renewal in July. The US has escalated the renewal into a "renegotiation," and the resulting trade uncertainty for Canada has been weighing on growth, business sentiment and markets. A successful deal could lift that weight: When the USMCA was announced in 2018, Canadian equities rose 4% to 5% over the subsequent 12 months. Reduced trade uncertainty would likely support appreciation in the Canadian dollar versus the US dollar and have a stabilizing effect on Canadian bonds; a return of "risk-on" sentiment could benefit credit the most, with spreads potentially tightening versus government bonds—and US peers. —*Lenoy Dujon*



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of March 27, 2026

EMERGING MARKETS

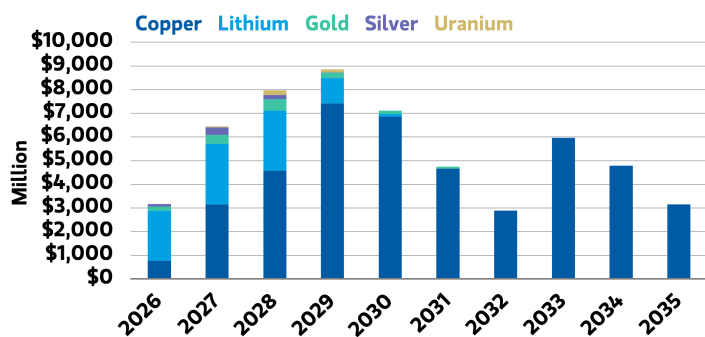
Malbec & Minerals: Is Argentina the Next Mining Frontier?

Carlos De Alba, Equity Analyst, Morgan Stanley & Co. LLC
 Fernando D. Sedano, Chief LatAm Ex-Brazil Economist, Morgan Stanley C.T.V.M. S.A.+

Argentina’s shift to more investment-friendly policy over the past two years is creating a distinct opportunity for the country—in the mining industry. Supply-chain management and sourcing of critical minerals have become crucial for corporations and governments alike. Meanwhile, Argentina is rapidly transitioning from a high-risk, policy-constrained mining jurisdiction to a competitive destination for large-scale mining capital deployment.

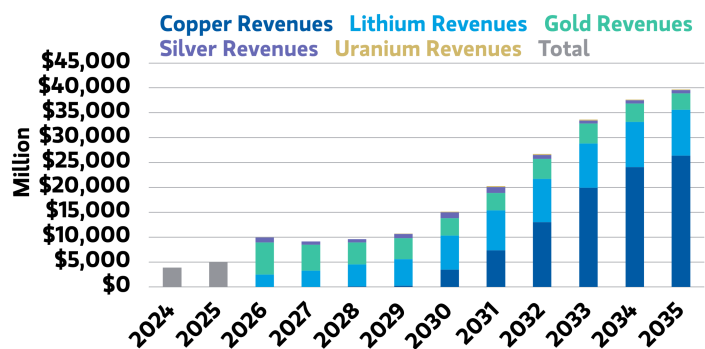
The major mining projects we identify in Argentina could bring more than \$50 billion in investment capex (see first chart) and push export revenues from mining to approximately \$40 billion by 2035—versus roughly \$5 billion in 2025 (see second chart).

Mining Projects in Argentina Could Attract More Than \$50 Billion in Investment Capex



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Feb. 26, 2026

Mining Export Revenues Could Grow to \$40 Billion



Source: Company disclosures, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Feb. 26, 2026

STARTING WITH POLICY. Since assuming office in 2023, President Javier Milei has taken many deregulatory actions. Importantly, his administration passed the Large Investments Incentive Regime (RIGI), which provides 30-year tax stability agreements at competitive rates to attract major investment projects, such as mining, to the country.

Over a 30-year mine life, the savings under RIGI can be in excess of 10% per year compared with both Argentina’s prior framework and those in other established mining jurisdictions like Chile and Peru. Over a long-life project, this can improve net present values by billions of dollars, depending on the project’s scale. We think this could be sufficient to attract marginal investment dollars away from more established mining jurisdictions.

The benefits of the new tax regime are already beginning to unfold. Lithium is the first beneficiary, given its shorter development cycle and modular scalability. In fact, of the eight operational lithium mines in the country, six started operations in 2023 or later. We have identified another 14 lithium projects that have moved beyond the exploration phase and estimate they could drive more than \$8 billion in capital investment. They could also increase annual lithium carbonate equivalent production to more than 500 kilotonnes, or around 15 times 2022 levels.

COPPER: THE BIG OPPORTUNITY. Early successes in lithium are opening the door for long-dated copper projects, which could provide potentially transformational upside for producers. Argentina is essentially a nonfactor in copper production today, but this seems to be changing rapidly, with many projects adhering to RIGI and advancing through various stages of engineering.

While copper may be on a delayed timeline compared with lithium—we estimate no meaningful copper production until 2030—the opportunity in copper is significantly larger, in our view. In total, the eight copper projects that have moved past the exploration phase could drive around \$44 billion in capital investment and increase copper production to about 1.2 million tonnes per year (about 2.2 million tonnes per year on a copper equivalent basis accounting for by products). That would equate to roughly \$26 billion in export revenues from copper mines by 2035—more than five times Argentina’s 2025 exports for all metallic minerals.

MINING AND MACRO. Mining has become key to our constructive macro narrative for Argentina. As the mining projects approved in the RIGI start their construction phase, the sector will create much needed jobs, which could offset the job losses associated with the sizable decline in public works in the past two years. In addition, for a country with recurrent balance-of-payment challenges, foreign direct investment (FDI) inflows will be welcome, even if net foreign exchange inflows would be roughly half of those, as projects

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require imported machinery and equipment. All else equal, mining will support external accounts and the currency.

What are the risks to our view? A downturn in commodity prices could stall mine development plans and delay capital investments. Also, political uncertainty around 2027 elections could affect expectations regarding policy continuity and the reform trajectory.

ARGENTINA IN CONTEXT. Argentina's policy shift toward the mining sector is a prime example of investment-friendly policy that could push Latin America into our bull case scenario. We believe that there is a high and rising probability that the region as a whole is entering a multiyear bull market, led by a shift toward an investment cycle in the shadow of the global AI capex cycle.

In the particular case of Argentina, the shift has already started. The political shift, along with ongoing fiscal and economic reforms, marks the most significant transformation seen in Latin America in nearly 30 years. On the back of this, we think Argentina could be a key market into 2027–2028 as we get closer to presidential elections, which in turn could support the current administration as well as the country's entry into MSCI indexes.

This year is key for other important reforms. Proposed changes to the labor code are aimed at making formal hiring less onerous. Pending tax reform would simplify a highly

complex and distorted system, lowering the effective burden on firms and improving the environment for investment and FDI. Overall, Argentina's reform process is similar to what Chile went through to become the mining powerhouse it is today.

REDUCING CREDIT RISK. The substantial upside potential in metals is a pillar of Argentina's external flows outlook and, by extension, its external creditworthiness. This is particularly important given that the country's external bonds continue to price in very high credit risk, reflecting the government's current reliance on financial inflows amid sizable upcoming external debt amortizations.

Against this backdrop, we think announced and realized copper investment flows are a clear positive, especially as they complement near-term improvements stemming from the country's new energy balance after years of deficits. We therefore recommend that investors remain constructive on Argentina's US dollar bonds, positioning for a supportive commodity outlook, closer political alignment with the US and a broadly favorable external environment for emerging market sovereign credit. ■

This article was excerpted from the Feb. 26 Morgan Stanley & Co. Research report, "Malbec & Minerals: Is Argentina the Next Mining Frontier?" For a copy of the full report, please contact your Financial Advisor.

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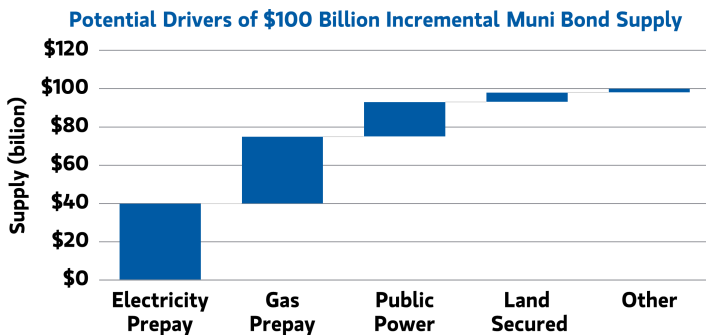
MUNICIPAL BONDS

Munis: Powering the AI Race

Mark T. Schmidt, CFA, Strategist, Morgan Stanley & Co. LLC

Amid a \$2 trillion artificial intelligence (AI) capex boom, we can hardly expect the \$4 trillion municipal bond market to just sit on the sidelines and watch. From both the direct and indirect effects of AI spending, we think some \$100 billion of incremental municipal supply looks possible over the coming years (see chart).

Potential Drivers of \$100 Billion Incremental Muni Bond Supply



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 16, 2026

Data centers are transforming the grid, and municipal utilities are only now catching up. As recently as last year, we heard public power executives strike a skeptical note about future load growth. But now, the largest muni utilities forecast that they could onboard nearly 20 gigawatts (GW) of data center capacity. If there was ever a moment that would encourage public power utilities to build new plants, this is it.

AI's thirst for energy also means rising power prices, and this creates a new sense of urgency for utilities and industrial customers to do something to lower the cost of power. Here, the muni market has a unique solution: Natural gas and electricity prepay bonds let municipalities lock in price discounts on years of prepaid energy deliveries. Expect to see more deals for electricity and more industrial customers sign up to lock in discounts on natural gas.

Data centers could be among the industrial customers of the gas prepay deals given the rapid development of gas plants dedicated to serving new data center projects exclusively. The energy prepay market was already growing before AI-related demand took center stage. Now, the push of rising power prices and the pull of greater industrial demand from AI load mean that a doubling of the energy prepay market to \$200 billion is a matter of when, not if.

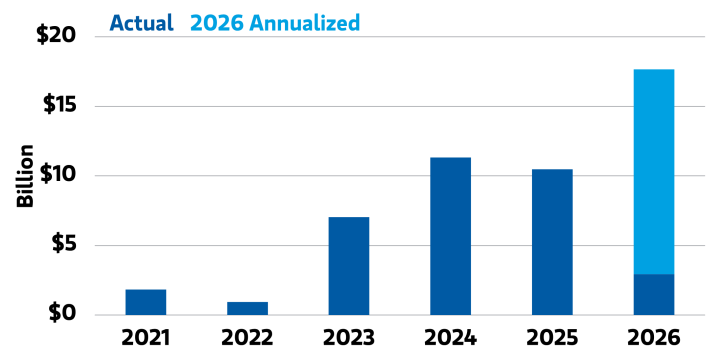
Beyond power and prepay, we think the chances are rising that AI capex pops up in other corners of the muni market.

For example, universities could partner on data center operation and research. Development districts could issue PILOT (payment in lieu of taxes) bonds for water and other infrastructure. And even spaceport bonds—an entirely new category created by the One Big Beautiful Bill Act (OBBBA)—could play a role.

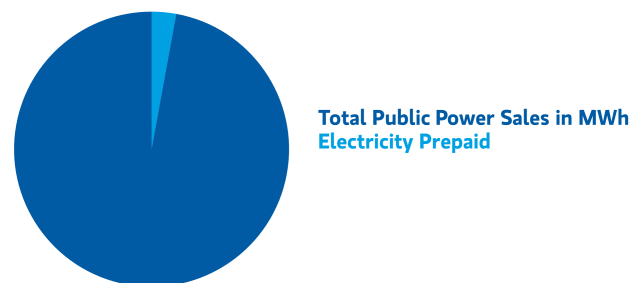
In general, investors can expect more supply, more spread and modestly higher idiosyncratic credit risk.

POTENTIAL IN THE ENERGY PREPAY MARKET. Energy prepay bonds let municipal utilities lock in a discount on their natural gas or electricity purchases. While investors often ask if the market is saturated, we think that there is plenty of room to run (see charts). If the share of prepaid electricity increases to match that of prepaid gas, the total energy prepay market could rise another \$150 billion–\$200 billion over the next three to five years from about \$130 billion today. We don't expect electricity to get that big, but this underscores the growth potential. Although not all of this would be a direct consequence of AI spurring a rise in power prices or power demand, over the medium term, it may become difficult to clearly separate the two.

Prepaid Electricity Deal Volume Is Growing ...



... And Still Strikes Us as an Untapped Market



Source: APPA, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 16, 2026

RISE IN REMARKETING RISK. As growth in gas prepay deals continues, large industrial and commercial customers will need to buy gas from municipal utilities. Margins for industrial

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users tend to be low and energy consumption high. Hence, there are meaningful incentives for municipal utilities to become project participants and sign up industrial off-takers for prepaid volumes. Customer concentration does introduce the risk that gas cannot be remarketed if a project participant's volume needs decline, and such an event would usually result in the early termination of the deal.

PUBLIC POWER: MORE GENERATION? For much of the past decade, owning generation has been out of favor among public power agencies. But that is changing. The best hedge for volatile and rising power prices is to own your own power at the source. We think public policy will gradually accommodate a new-found desire to lower electricity costs, and at present, public power is the best way to do that; public power rates are on average about 15% less than investor-owned utility rates. Right now, we see \$20 billion of incremental public power capex: one half coming from planned nameplate, or maximum, capacity of about 9 GW and the other from a portion of the 15 GW in postponed municipal power generation capex coming back online.

These estimates, if anything, strike us as conservative. Our AI-driven review of public power capital plans likewise suggests more upside to capital spending.

SPACEPORT BONDS AND DATA CENTERS. If spaceport bonds get off the ground—and that is still a big “if”—we think data center capex could play a role. The OBBBA allows for spaceports, essentially the sites where spacecraft are tested and launched, to be financed with tax-exempt muni bonds, much like airports are. The law provides several key carve-outs that could open the door to industrial

applications—including data centers. Specifically, the law permits bonds to finance manufacturing facilities on premises and projects for “flight control operations.” Crucially, spaceports do not need to be open to the general public in order to receive tax-exempt bond financing.

As it pertains to data center demand, we see three potential connections.

- States with designated spaceports overlap with markets witnessing the fastest growth in data centers.
- Turbine designs from aerospace companies increasingly finance data centers.
- Space companies join forces with AI companies.

UNIVERSITIES AND THE DATA RACE. As technology firms partner with universities for data center development, we are reminded of the long-standing, successful partnerships between universities and biotech companies. Amid concerns over reduced federal grant funding, such public-private research partnerships for data center development could encourage more university capex in the next three to 10 years. The reality of needing more power, not less, could spur capex to improve energy efficiency and upgrade energy infrastructure. Such energy-as-a-service deals could be a template for future capex and could add \$2 billion–\$5 billion in muni supply. ■

This article was excerpted from the March 16 Morgan Stanley & Co. Research report, “Munis: Powering the AI Race.” For a copy of the full report, please contact your Financial Advisor.

EXECUTIVE PERSPECTIVES

Executive Perspectives: Coca-Cola: Building Iconic Brands for Every Generation

The following is an excerpt from Morgan Stanley & Co.'s "Exceptional Leaders/Exceptional Ideas" series. The [video conversation with Coca-Cola CEO James Quincey](#) was posted on Feb. 2.

From its pharmacy beginnings in 1886, Coca-Cola has become one of the world's most iconic brands. After taking on the role of CEO in 2017, James Quincey guided the company through a transformation to refocus Coke as a "total beverage company," flatten the corporate structure and encourage the organization to take risks. Before he stepped down and became executive chairman at the end of March, he met with Morgan Stanley & Co.'s Dara Mohsenian, US beverage and household products analyst, at Coke's headquarters in Atlanta, where they discussed his approach to building the business—and the brand.

DM: Coke has 30 separate billion-dollar brands. What's the secret to creating billion-dollar brands in your mind?

James Quincey (JQ): You need to have an almost messianic belief in an idea: the brand, what it does and what problem it solves for the consumer. If you don't have that, you'll never go through all the hard things that are ahead in building a brand.

How do you manage the tension between believing in something and being adaptable to the feedback from the consumer? Coca-Cola today is not the first formula we tried. John Pemberton, who invented Coke, used to go down to the port of Savannah and buy different spices and ingredients and mix them together. So, there was an iterative process of coming up not just with the brand, but with product that typifies it. It's not all science; there's definitely some art to it and listening to the consumer.

DM: At the consumer level, how do you conceptualize what can work in a big way?

JQ: In the end, you're trying to solve a problem for the consumer. They may not know they have the problem. How do they solve the problem of all the people coming through the doors trying to buy beverages? That led to the advent of the fountain machine and the vending machine. It's about starting with the consumer and understanding what the consumer is really interested in.

DM: Let's go back to 1996 when you joined Coca-Cola as an organization.

JQ: Coca-Cola was iconography for the American dream, or the dream of freedom. So, of course, it was embedded in my mind. I can remember playing squash with my dad and drinking a Coke afterwards; I think everyone has an integration of the brand into their life. It was clearly a brand that I loved, then there was this moment of serendipity, and I joined the company.

DM: Tell us about your leadership style and how it's evolved over time.

JQ: There's been a natural process of learning, growing and maturing. You learn from your own experiences and from seeing leaders you admire, and frankly, leaders you don't admire. You start off very focused on getting stuff done, and then the job gets more conceptual as you get to the top of the organization. But it's really been a steady process of learning and growing, which in the end requires you to be open to getting feedback and incorporating new ideas and new ways of doing things.

DM: Coke is truly a global beverage company. How does that impact the way you manage and lead the company?

JQ: First, I think this talks to the possibilities at Coke: You can go almost anywhere in the world and have different management experiences. And it also talks to the "localness" of the business. Running Argentina is very different from running Mexico, which is different from running Europe. Each of these businesses in each of these locations has something unique about it. I was the Argentina country manager during the crisis in 2001–2002.

DM: What was that like?

JQ: I arrived in the country when it was one of the most expensive places in the world. A few years later when I left, it was one of the cheapest.

You learn that everything can change overnight in some places. That puts a premium on agility, the willingness to reconsider everything from first principles, and having a very broad view of the organization. Because all variables can come into play at any time, you need to be much more holistic, much quicker and much more willing to change things on a dime. Also, the results can be much better on the way up and much worse on the way down.

When you go to Europe, that generally is not true; not all variables are in play at the same time. The difference between good and bad is a much smaller margin of error. But of course, that takes the intensity of the competition in those few variables at play to a much higher level.

I think being able to learn from each of those different experiences creates a much better platform to then try and run the global company.

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DM: Can you highlight the emerging markets opportunity you see over time?

JQ: As we're talking about beverages, let's think of two bottles. The first is the developed economies, which are about 20% of the world's population. In that bottle, people are paying for about 75% of what they drink each day. So commercial beverages largely fill the bottle in the developed economies.

Of course, that's made up of alcohol, nonalcoholic drinks, coffee, tea, etc. Our share is in the low teens—a relatively low share of the total money in commercial beverages. So we have lots of opportunities to continue to gain share in the developed economies.

The other bottle represents largely the emerging markets—that's 80% of the world's population. And there, people are paying for only two and a half out of 10 drinks that they consume. Our share is in the high single digits.

So, the most important feature of the global beverage industry is that it's yet to be created: It is the empty emerging market bottle. As the industry leader, we can help it grow, and we think we can gain share in both the developed and the emerging markets as we do.

DM: When you became Coke's CEO, you refocused the company from primarily soft drinks to a "total beverage company." Can you talk about the genesis of that thinking and how the company has evolved?

JQ: People had realized we needed to be a broader beverage company before and had tried to break out. But the company culture was very much about Coke first, second and third. In that situation, it's very difficult to galvanize people around a new idea. Everything gets relitigated.

The insight, in a way, and the action was to resell the idea of a total beverage company in a compelling way and bring a cultural change strategy that allowed the idea to prosper and thrive within the evolved company.

DM: Culture has been a huge focus for you at Coke. One of the seminal moments was when you showed up for your first analyst day in jeans.

JQ: The jeans moment was leveraging the simple idea that everything communicates. It was a way to say "things are going to be different" in a hierarchical, very formal organization.

It was also reinforcing the idea that we've got to be different. It's a large organization, and the culture had become inward-looking. We very much had to push the idea of a growth mindset, and everything we did communicated or reinforced that strategy.

The simple mechanism I used to give people was, every time you do something that is coherent with what you said you wanted, you score a point. And every time you do something that's not coherent with what you said you wanted, you get minus 10. If you can't get into positive numbers, you've got zero chance of changing the culture.

DM: How do you ensure the organization is positioned for success after your tenure?

JQ: Actually, it starts on day one. It's one of those weird experiences in being a CEO: You immediately begin the conversation of how to replace yourself. All through my tenure, the board and I have been stewarding all the talent through the organization.

Think of it as a huge funnel, if you like, giving people opportunities to grow, promoting the ones with the best and the most long-term potential, and constantly looking for a stream of successes. It's been an ongoing process—you can't start the day before; it has to be an enduring and ongoing piece of the management development program.

DM: How do you think you'll be remembered as Coke's CEO?

JQ: I hope there's a degree of fondness and success and respect, but at the end, the important thing is that recent history should not be marshaled in service of the future.

In that sense, I hope they forget me—not because they didn't like me, or they didn't think what I did was good. But because the future is so full of growth, has so many opportunities and they're so successful that they're looking forward and not looking at the recent past. ■

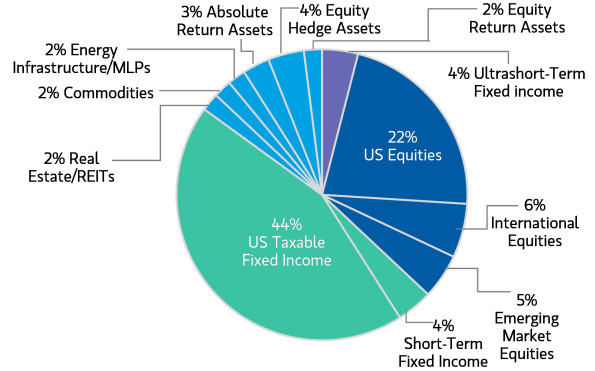
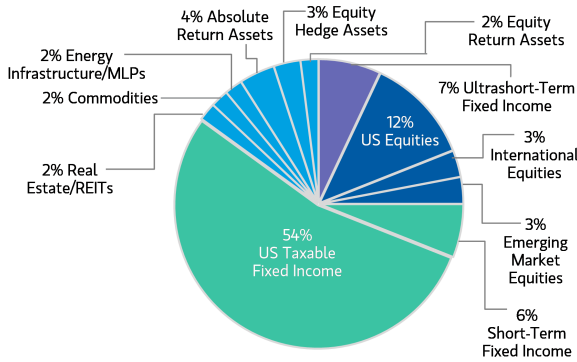
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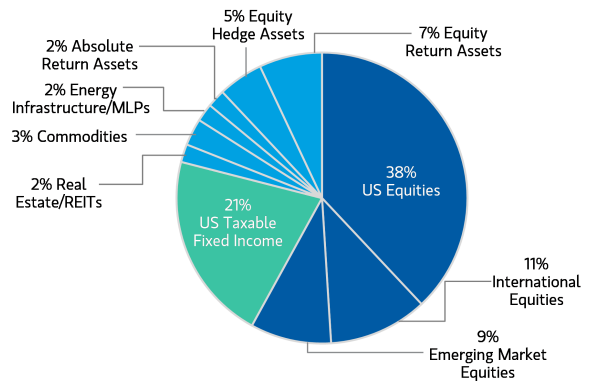
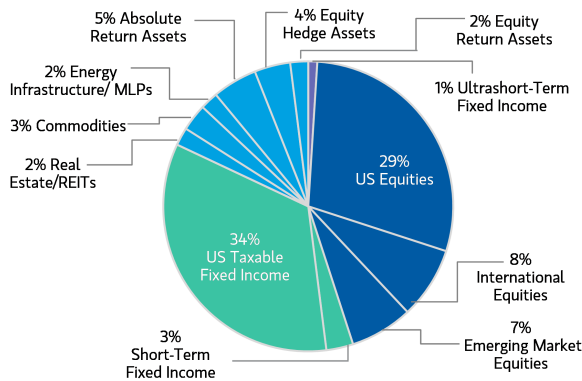
Global Investment Committee Tactical Asset Allocation

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.

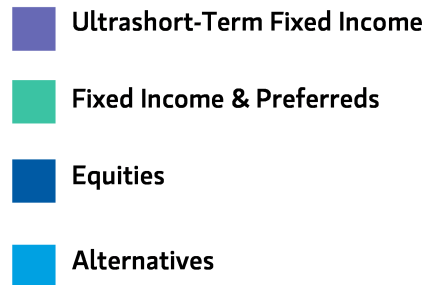
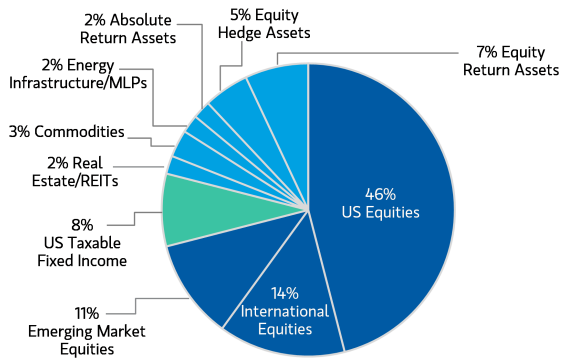
Wealth Conservation **Income**



Balanced Growth **Market Growth**



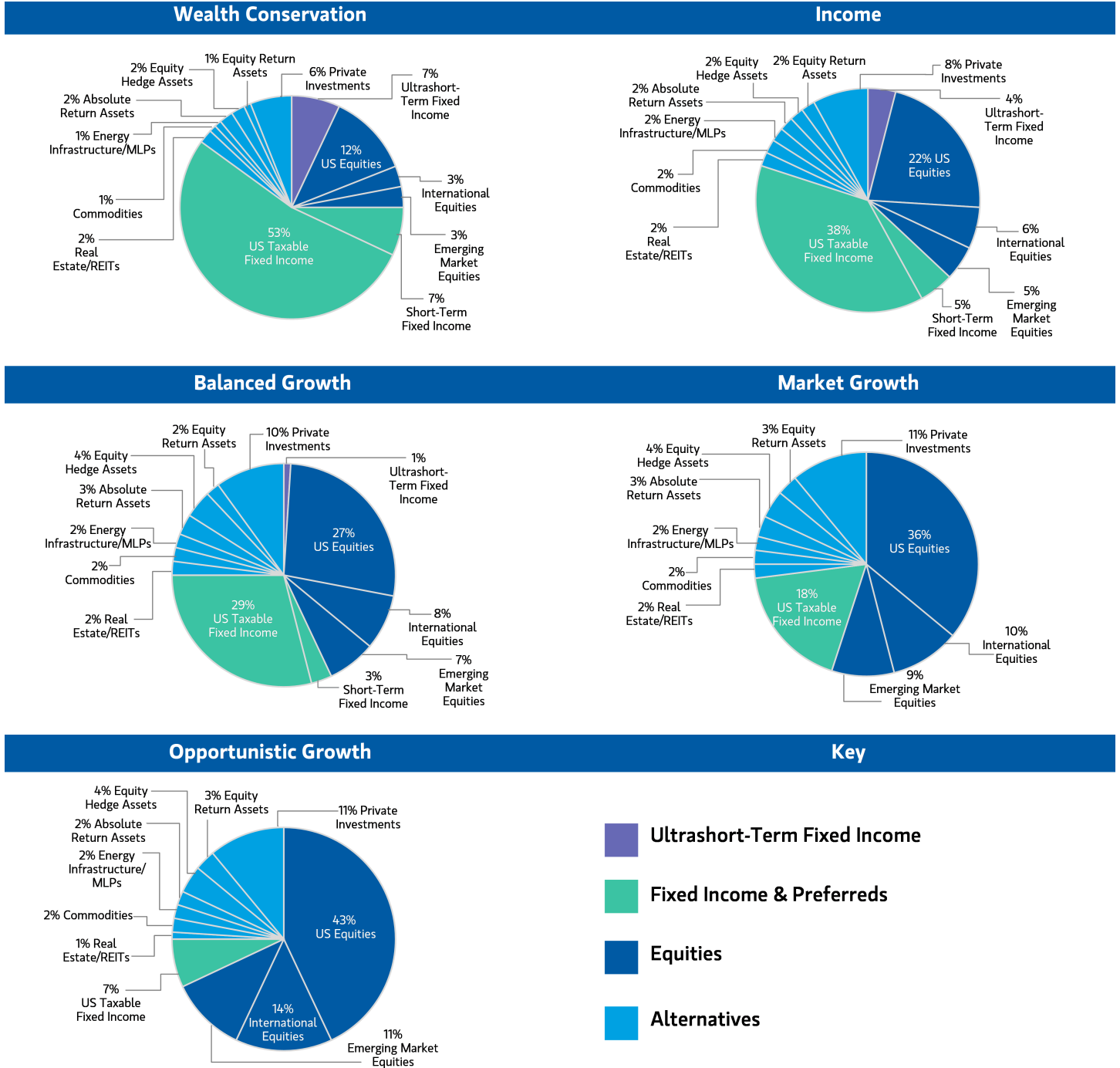
Opportunistic Growth **Key**



Source: Morgan Stanley Wealth Management GIC as of March 31, 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 March 31, 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 GIC as of March 31, 2026

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Disclosure Section

Important Information

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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>

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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 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.

Term premium is the excess yield that investors require to commit to holding a long-term bond instead of a series of shorter-term bonds.

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.

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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.

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

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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.

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

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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 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.

Derivative instruments. Options, futures contracts, options on futures contracts, forward contracts, swaps and structured products are examples of derivative instruments. Risks of derivative instruments include imperfect correlation between the value of the instruments and the underlying assets; risks of default by the other party to certain transactions; risks that the transactions may result in losses that partially or

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completely offset gains in portfolio positions; and risks that the transactions may not be liquid. Please see the fund's prospectus for additional information.

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.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in Digital Asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in any product or fund investing or trading in Digital Assets.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Smith Barney LLC retains the right to change representative indices at any time.

Hyperlinks

This material may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm has not reviewed the linked site. Equally, except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of Morgan Stanley Wealth Management) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the material or the website of the firm shall be at your own risk and we shall have no liability arising out of, or in connection with, any such referenced website.

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