

The Atlantic Legacy Group at Morgan Stanley

Monthly Market Viewpoint – October 2025

A summary of our view of the market at the given moment

Capital Market Indices

S&P 500

- **Year to Date – ↑15.6**
- **Month to Date – ↑0.7**
As of: October 09, 2025
Source: Morgan Stanley's Capital Market Indices, October 10, 2025

Bloomberg Aggregate Bond Index

- **Year to Date – ↑6.2%**
- **Month to Date – ↑0.1%**
As of: October 09, 2025
Source: Morgan Stanley's Capital Market Indices, October 10, 2025

MSCI EAFE

- **Year to Date – ↑26.9%**
- **Month to Date – ↑0.9%**
As of: October 09, 2025
Source: Morgan Stanley's Capital Market Indices, October 10, 2025

Morgan Stanley Mid-Year Target

2026 S&P 500 – 6,500
Source: GIC Weekly, October 06, 2025

Economic Concerns

1. Unemployment
2. Inflation
3. Interest Rates

Economic Indicators

1. U.S. Unemployment Rate
2. Consumer Price Index (CPI)
3. Consumer Confidence

Our Approach to Navigating this Environment

** All references to “we” and “our” reflect the opinions of Carl Pierson, and Christopher Russi of The Atlantic Legacy Group**

Q4 Already?

We have turned the corner into the last quarter of the year. For some it may be hard to believe we are already here, but when looking at just some of the headlines of the year (“Liberation Day” and tariffs, Artificial Intelligence, The Big Beautiful Bill, Russia/Ukraine, U.S. missile strike on IRAN, Charlie Kirk assassination, and most recently the U.S. Federal Reserve) it may be hard to believe we still have three more

months. Despite these events however, one element has been surprisingly consistent and that's the U.S. stock market.

Yes we did have the knee-jerk reaction to the tariff announcement in April which saw a close to 20% correction, but the strength of the economy prevailed and the event was used more as an opportunity. As of the close of September, the Standard & Poor's *S&P 500 Index* closed up over 14% (Morgan Stanley Wealth Management GIO, *Capital Market Indices*, Sept. 30, 2025). The "noise" of news headlines have not distracted investors away from the recent trends that have propelled equities to all-time highs. Spending on Artificial Intelligence applications, hardware and facilities have benefitted several economic sectors and projections have this spending well into 2026. The U.S. Federal Reserve, concerned with weakening employment conditions, have not only started easing rates lower but hinted at more rate cuts to come well into 2026. Additionally, the U.S. Consumer just keeps on spending as Personal Spending reported for August came in stronger than expected (tradingeconomics.com).

So go all-in, nothing but stock in portfolios right? Not so fast. One of the key metrics our team uses when buying and selling securities and determining the proper mix of stocks and bonds in client portfolios is valuation. Valuation as measured by price to earnings. Right now, on a forward looking basis the S&P 500 is trading at a price earnings ratio close to 23 (JPMorgan Asset Management, Weekly Market Recap, October 6th, 2023). The average price to earnings ratio over the past 20 years has been 16 (*FactSet*). Without going into too much detail on this ratio, 23 is much higher than 16 and can be interpreted as the market is very "rich." We do not like buying securities when the market is rich, we like buying when the market is cheap, so imagine our angst.

Given the current circumstances, we will again state we remain cautiously optimistic. We recommend keeping stocks in portfolios despite the lofty levels. Just be sure to monitor the economic indicators for sign of weakness. You never want to be the last guest at the party.

Disclosures

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

The securities/instruments discussed in this material may not be appropriate for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Wealth Management recommends that investors independently evaluate specific investments and strategies and encourages investors to seek the advice of a financial advisor.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility, or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

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

International investing may not be appropriate for every advisor. There may be additional risk associated with international investing involving foreign, economic, political, monetary and/or legal factors.

Asset allocation and diversification does not guarantee a profit or protect against a loss.

Investors should be willing and able to assume the risks of equity investing. The value of a client's portfolio changes daily and can be affected by changes in interest rates, general market conditions and other political, social, and economic developments, as well as specific matters relating to the companies in which securities the portfolio holds. All fixed income securities are subject to market risk and interest rate risk. If fixed income securities are sold in the secondary market prior to maturity, an investor may experience a gain or loss depending on the level of interest rates, market conditions and the credit quality of the issuer.

This report contains forward looking statements and there can be no guarantees they will come to pass. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by Morgan Stanley as to accuracy or completeness. There is no guarantee that the investments mentioned will be in each client's portfolio.

Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice.

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

Past performance of any security is not a guarantee of future performance. There is no guarantee that this investment strategy will work under all market conditions.

Holdings are subject to change daily, so any securities discussed in this profile may or may not be included in your account if you invest in this investment strategy. Do not assume that any holdings mentioned were, or will be, profitable.

The performance, holdings, sector weightings, portfolio traits and other data for an actual account may differ from that in this material due to various factors including the size of an account, cash flows within an account, and restrictions on an account.

Top holdings, sector allocation, portfolio statistics and credit quality are based on the recommended portfolio for new investors as of the date specified. Holdings lists indicate the largest security holdings by allocation weight as of the specified date. Other data in this material is believed to be accurate as of the date this material was prepared unless stated otherwise. Data in this material may be calculated by Morgan Stanley or by third party providers licensed by the Financial Advisors or Morgan Stanley.

Material in this presentation has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness, or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and are not liable for any damages relating to this data.

Morgan Stanley Wealth Management has no obligation to notify you when information in this presentation changes.

* Please note that this URL is not to a Morgan Stanley Smith Barney LLC website. It was created, operated and maintained by a different entity. Morgan Stanley Smith Barney LLC is not implying an affiliation, sponsorship, endorsement with/of the third party or that any monitoring is being done by Morgan Stanley of any information contained within the linked site; nor do we guarantee its accuracy or completeness. Morgan Stanley is not responsible for the information contained on the third party web site or the use of or inability to use such site.

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC.
4893908 10/2025