

# GIC Insights

Monthly Perspectives – February 2026



# Where We Are: Churn and Rotate

February 2026

**2026 is off to a choppy start with investors aggressively embracing the bull case narrative of “economic broadening” while exhibiting anxiety about the next phase of the generative AI capex boom. The result has been strong rotations in leadership under the surface of an S&P 500 index that is relatively rangebound:**

- YTD, the S&P 500 is trading up +2% toward all-time highs but only +1% higher than its October 2025 close. Meanwhile, the NASDAQ is flattish YTD and -3% off Oct.
- Change in sector leadership has favored the equal-weighted index over the cap-weighted index (outperforming +400 bp last four months); Mag. 7 has been weak.
- Small caps are materially outperforming large; value style is surpassing growth; cyclicals and economically sensitive stocks are besting defensives.
- Non-US and EM equities are outperforming the US.
- These rotations are not correlated to earnings surprises or revisions, which are positive, but rather seem concentrated among high momentum and heavily shorted names.
- We see the meltdown in software stocks linked to weak BDC and private credit issuer performance; there are opportunities, but risks remain.
- The dynamics in currencies and commodities are NOT singularly about US dollar debasement; we are bullish on gold, bearish on bitcoin, and cautious on silver.

**2026 should deliver roughly 10% upside for the S&P 500 based on the embedded strength of earnings, but the GIC is NOT as bullish as MS & Co.**

- Earnings expectations are already robust, up 14-15%, and embed significant productivity gains and operating margin expansion; this takes operating leverage to new all-time highs. Most of the gains come from the beleaguered “493.”
- We think stimulus impact of OBBBA on the consumer is overestimated versus overall sentiment; secular headwinds from credit build-up and residual “affordability.”
- We see enterprise-wide adoption of gen AI proceeding more slowly than many forecast.
- We think “fiscal dominance” will characterize the backdrop and that a weaker dollar, higher inflation, and a steeper yield curve, including a rise in long rates, are risks; interest rate sensitivity of the economy has changed; stealth QE and Fed balance sheet expansion are forms of easing.
- The implication is the need for diversification beyond the 60/40; equity valuation multiples stall out, and long rates face rising inflation and term premiums.
- The new Monroe Doctrine, other geo-politics (World Cup, Olympics, 250<sup>th</sup> anniversary of America, and mid-term elections) sustain market volatility.

**We don’t think that we are emerging from a recession; 2026 will not mark a broad-based economic re-acceleration. Consequently, we are cautious about the pure passive index trade and small-cap beta. Instead, we think selectivity will matter. Within the context of being 300 bp overweight US equities, we position GIC portfolios to be up in quality/larger capitalization.**

- Within US equities, we balance active/passive at 50/50; focused on quality and new leadership in financials, health care, and energy.
- Within global equities, we are overweight US, Japan, and EM.
- Fixed income is a source of funds and moving toward underweight by mid-year with a focus on owning the belly of the curve; warming to high yield vs. private credit.

**Bull markets are meant to be ridden NOT timed, but exuberance should be tempered; the GIC continues to recommend maximum portfolio diversification and risk management; focus on real assets including real estate and commodities, and infrastructure; we also favor hedge funds and are warming to 2026 new vintages in VC and growth private equity alongside select secondaries. In credit, focus on distressed and asset-backed. It’s a risk manager’s market, not a passive investor’s market.**

Source: Morgan Stanley Wealth Management Global Investment Office (GIO). 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. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

# What We Forecast: A Mid-Cycle Expansion

February 2026

2026E US GDP Growth		2026E US Inflation		Federal Funds Rate		Two-Year/10-Year US Treasury Yield	
<b>Real</b>	2.4%	<b>2.8-3.0%</b>		<b>3.1-3.3%</b> <i>July vs. October Consensus</i>		<b>2.60%/4.05%</b> <i>2s10s slope to 145 bp</i>	
<b>Nominal</b>	4.5%						
2026E Rest of World		2026E US Dollar		2026E/2027E S&P 500 Earnings		Price/Earnings Multiples	
<b>GDP</b>	3.3%	<b>1H</b>	-6%	<b>MS &amp; Co.</b>	\$317/\$356	<b>Current</b>	21.9x
		<b>2H</b>	+6%	<b>Consensus</b>	\$313/\$361	<b>Forecast</b>	22x
<b>Inflation</b>	1.9%	<i>US Dollar Index (DXY) @ 100</i>		<i>MS &amp; Co. 2026 Growth: 17% Consensus: 14%</i>		<b>Fair Value</b>	17.8x

**S&P 500 trades toward 7,500-7,800 MS & Co. base case annual target price.**

Source: Morgan Stanley Wealth Management GIO. Estimates are Morgan Stanley Wealth Management Global Investment Committee unless noted otherwise.

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# GIC Portfolio Positioning

February 2026

- **The GIC rebalanced portfolios to focus on large cap quality equities who will best weather slowing growth and sticky inflation in 2026**
  - Magnificent Seven relative valuations have materially improved.
  - Market action suggests quality is cheap.
  - Quality cash flows will matter in a re-leveraging cycle; We are style neutral
  - Large-cap over small-cap; indices deconcentrate
- **2026 is mid-late cycle year where stock selection favors returns to favoring bigger capex exposed players with pricing power**
  - **Potential total portfolio return to average ~10%.**
  - Earnings growth and positive revisions, NOT multiples, pace gains.
  - Fiscal policy produces wide dispersion between beneficiaries and disadvantaged.
  - Momentum factors give way to idiosyncratic exposures...max active stock selection.
  - Stock/bond correlations remain volatile/positive as regimes remain unstable; pursue maximum portfolio level diversification.
- **US Equities: Overweight**
  - **Market Weight** the Magnificent Seven
  - **Underweight** unprofitable tech and small caps
  - **Balance equal-weighted index to cap-weighted;** max active management at 50% of US equity mix; Mag 7 tax bill beneficiaries.
  - Prefer quality cyclicals; GARP: financials, energy, domestic industrials, healthcare, media
  - **Adding** mid-cap growth names, which appear insulated from tariffs.
- **Rest of World Equities: Slight Overweight**
  - Japan and India favored longer-term secular positions.
  - **Overweight** EM ex-China; **Market Weight** China; **LatAm highest conviction.**
  - Europe focus on global brands and secular growth themes in defense, construction engineering and infrastructure.
- **Fixed Income: Underweight; the GIC is reducing fixed income exposure, and targeting a neutral duration relative to the benchmark**
  - Prefer IG corporate and munis
  - Moving to Neutral duration
- **Real Assets: Overweight**
  - Gold and industrial commodities
  - Residential REITs
  - Energy Infrastructure and MLPs
  - **Underweight** silver and bitcoin
- **Hedge Funds: Overweight**
  - Equity Long/Short
  - Multi-Strategy; Absolute Return
  - **Underweight** Macro
- **Privates: Market Weight**
  - Prefer infrastructure and real assets
  - **Adding** to 2026 vintages of venture capital and growth equity
  - Equity secondaries
  - Private credit ABS and special situations only
  - **Underweight** PE buyout and direct lending

Source: Morgan Stanley Wealth Management GIO

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# Current Key Controversies

## 1. Market Valuations: It's "Show Me" Time on Earnings

- Overall index metrics are near historic extremes; S&P 500 index at ~22-23x forward earnings; Buffett indicator at historic high.
- But valuation extremes are concentrated among the top 10 names, which are historically more profitable and cash flow generative.
- The equal-weighted S&P 500 is relatively cheap in historical terms and could revalue if cyclical re-acceleration occurs.

## 2. Disinflationary Boom?

- Reacceleration, not recession risk is what is priced; market assumes another 50-75 bp of Fed cuts.
- Key is broadening of capex spending and recovery/stabilization of labor market (cyclical versus secular?); Six-month forward plans not encouraging.
- GIC sees GDP slowing in 1H2026, not re-accelerating; consumer still matters; manufacturing and housing lackluster.

## 3. Inflation Tamed?

- Readings are sticky and tariff risks remain as middle market corporate margins have absorbed price changes.
- 2026 brings renegotiation of USMCA: end of China Truce; India?
- Weaker US dollar is a headwind; monetary and fiscal stimulus could cause prices to run hot; Fed independence remains issue.
- Tug of war between lower oil prices, but higher electricity prices.

## 4. Fed Independence and Fiscal Dominance

- Warsh New Fed Chair in May may mean new policy framework.
- We see steeper curve and pressure on long duration multiples.
- Fed focus shifts from cutting rates to a shift in balance sheet strategy?; front-end Treasury bill issuance and duration shortening.

## 5. The K-Shaped Economy?

- Wealth effects may be swamping income effects, obscuring the true read of breadth of economic health.
- Monetary policy accommodation may exacerbate "bubbles."

## 6. AI Productivity Gains and Corporate Margins A Productivity Renaissance?

- Promises are big, but adoption is only 15-20%.
- Productivity gains not yet in evidence, concentrated among tech companies themselves.
- Scale and size are overwhelming drivers, leaving the "493" and small-mid behind.

## 7. Credit Cockroaches?

- Private credit is the epicenter of stress, defaults plus "liquidity management exercises" are approaching 5%.
- Fed easing may not be enough as floating rate borrowing costs are well above large cap competitors.

## 8. AI Bubble?

- Spending is accelerating and FCF growth of Mag. 7 has gone negative; GIC believes we are in the sixth inning for pricing potential.
- Ecosystem is increasingly using debt and interconnected vendor financing.
- GPUs versus TPUs.
- LLMs business models.
- Quality of earnings and depreciation schedules.

## 9. American Exceptionalism Everlasting?

- Valuation differentials extreme; growth advantages closing; debts/deficits become long run constraint.
- Rest of world outperforming by 1,000 bp in 2025.
- Geo-politics accelerating multi-polar world dynamics.

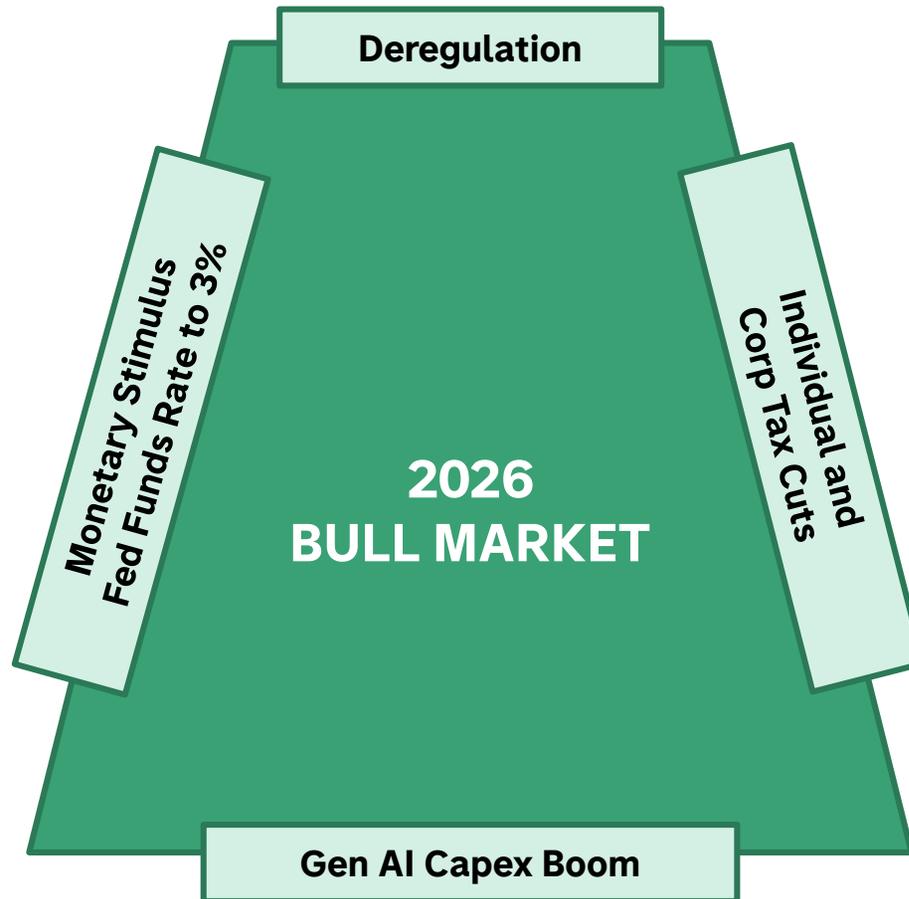
Source: Morgan Stanley Wealth Management GIO

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# The Bull Case in 2026 Is Formidable...But Scope for Upside Surprise Limited

## DRIVERS OF THE 2026 BULL MARKET

AS OF JANUARY 14, 2026



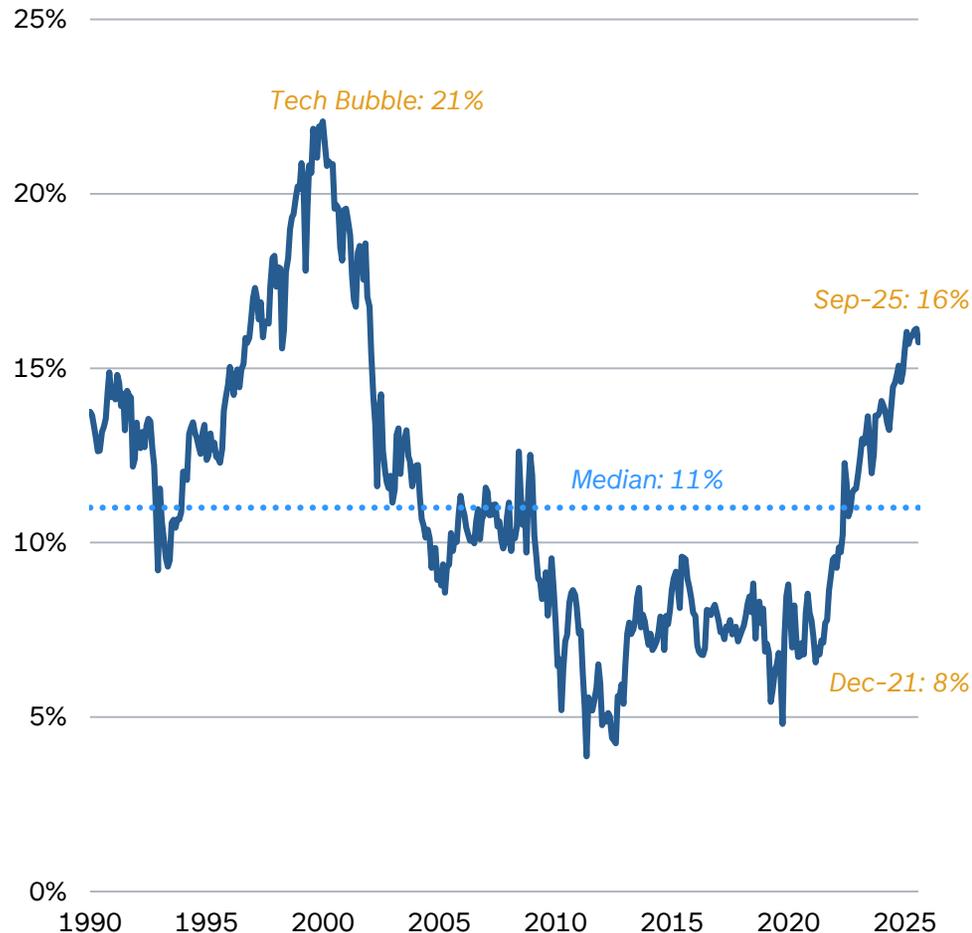
Source: Morgan Stanley Wealth Management GIO

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# Markets Are Priced for Sustained Superior Earnings Growth for a Fourth Year Running

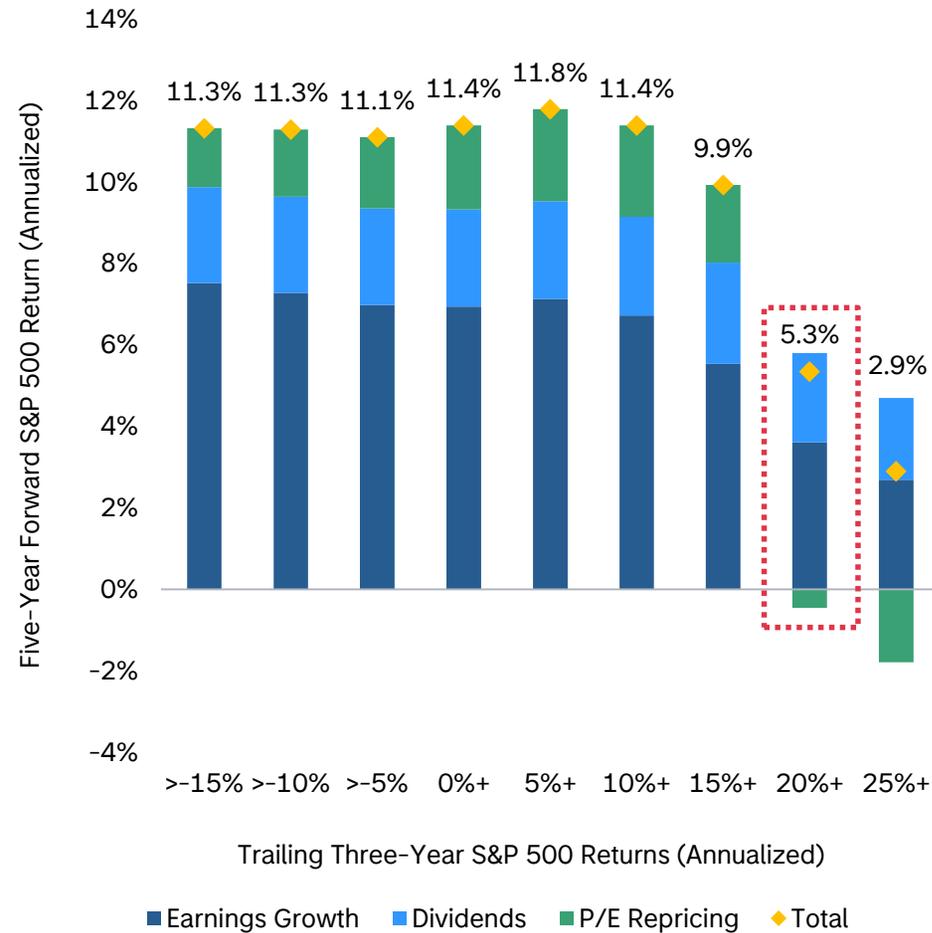
## S&P 500 MARKET-IMPLIED EPS GROWTH

AS OF DECEMBER 31, 2025



## S&P 500 TRAILING VS. FUTURE PERFORMANCE, 1983-2025

AS OF DECEMBER 31, 2025



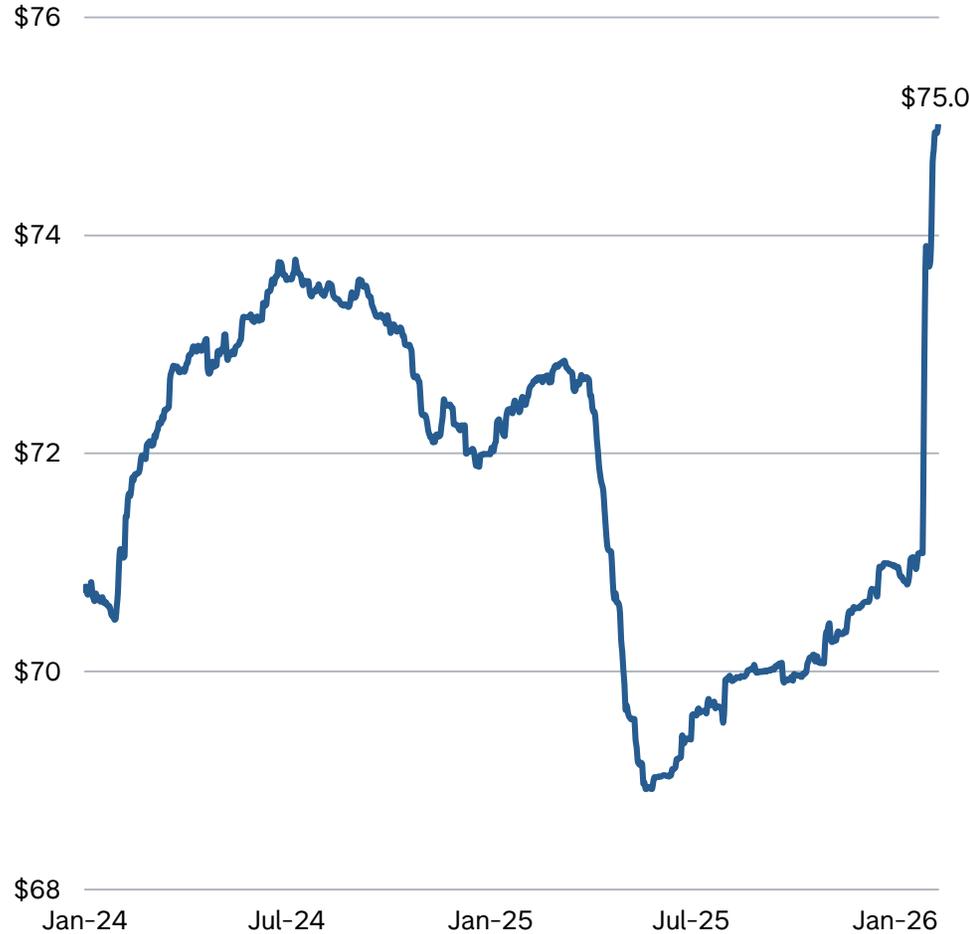
Source: Morgan Stanley Wealth Management GIO, KKR Global Macro & Asset Allocation Analysis. Market-implied EPS growth based on two-stage dividend discount model.

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# And Q4 Earnings Have Delivered But Stock Reactions Muted

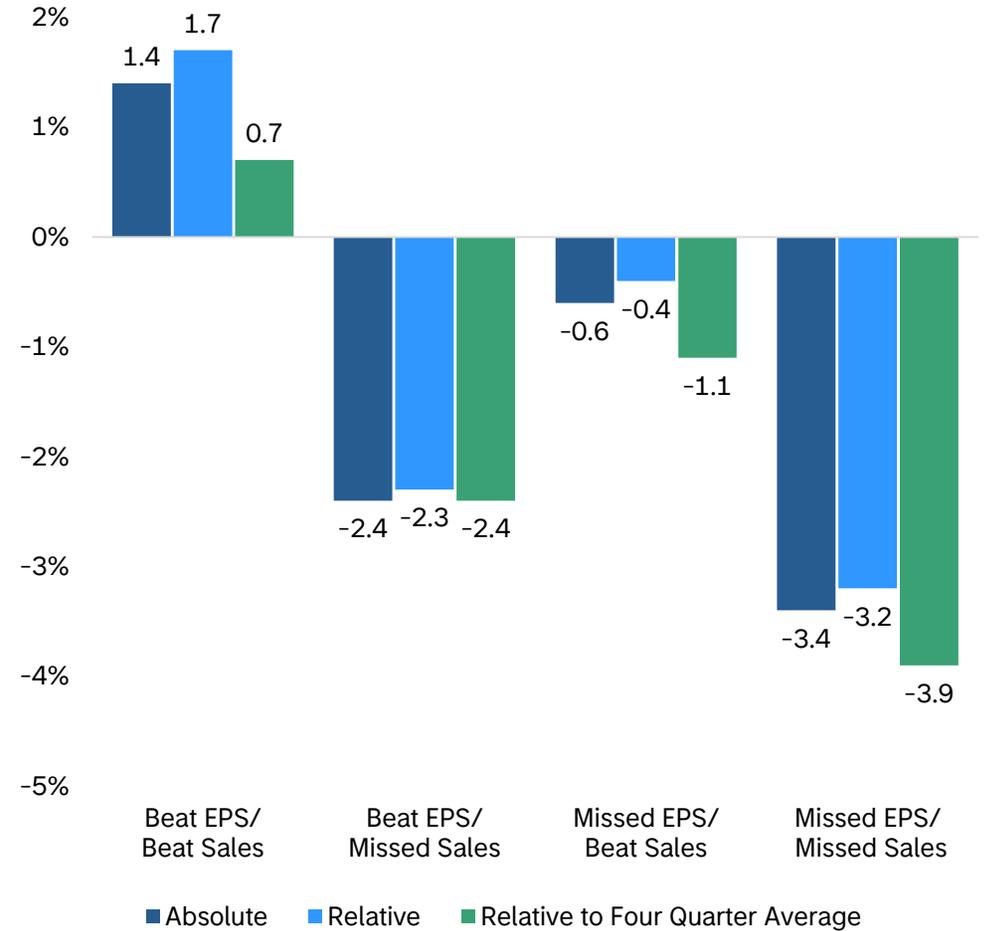
## 4Q2025 S&P 500 CONSENSUS EPS ESTIMATES

AS OF FEBRUARY 11, 2026



## 4Q2025 PRICE REACTION BY SALES/EPS BEATS

AS OF FEBRUARY 9, 2026



Source: Morgan Stanley Wealth Management GIO, Morgan Stanley & Co. Research, Bloomberg

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# US Equity Markets Are Rangebound as Sector Leadership Rotates

## S&P 500 INDEX

AS OF FEBRUARY 9, 2026



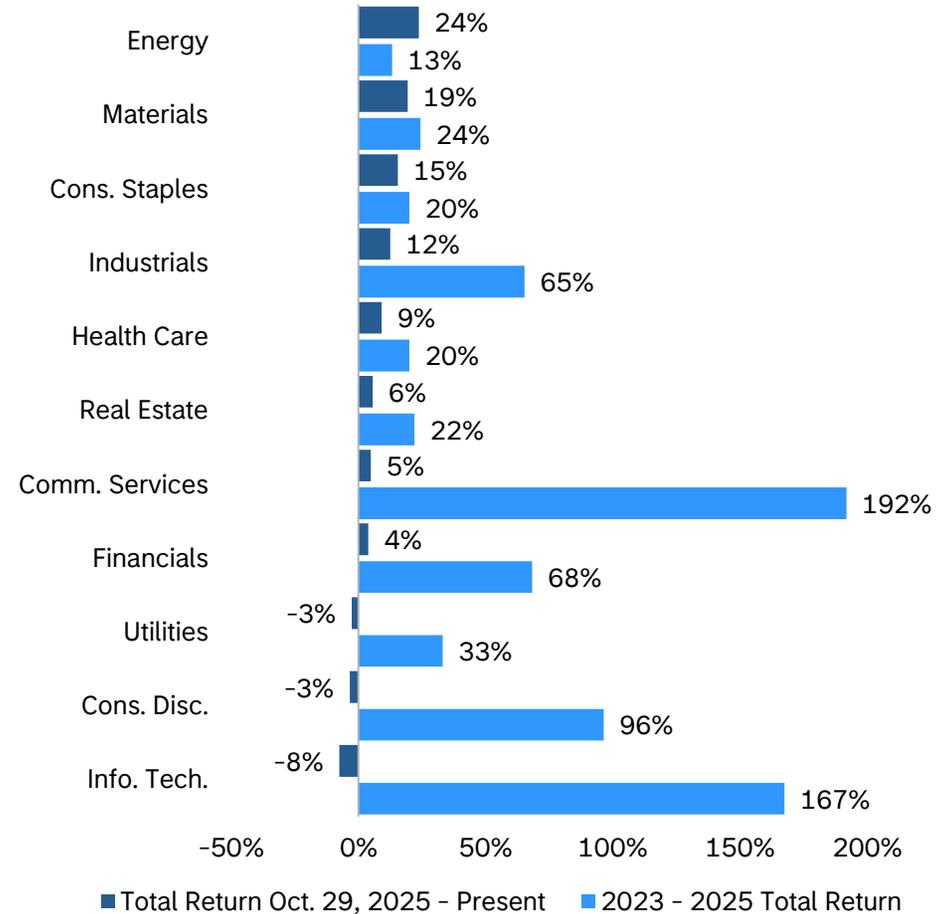
## NASDAQ COMPOSITE INDEX

AS OF FEBRUARY 9, 2026



## S&P 500 SECTORAL LEADERSHIP

AS OF FEBRUARY 9, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Good News Is Breadth Is Improving

**EQUAL-WEIGHTED TO CAP-WEIGHTED S&P 500 RATIO**

AS OF FEBRUARY 9, 2026



**SHARE OF S&P 500 MEMBERS ABOVE 50-DAY MOVING AVG.**

AS OF FEBRUARY 9, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Rotation Has Had a Low-Quality Bias; with Noteworthy Small-Cap Outperformance

## SMALL-CAP TO LARGE-CAP RATIO

AS OF FEBRUARY 9, 2026



## RUSSELL 1000 VALUE TO RUSSELL 1000 GROWTH RATIO

AS OF FEBRUARY 9, 2026



## QUALITY FACTOR TO MOMENTUM FACTOR RATIO

AS OF FEBRUARY 9, 2026



## YEAR-TO-DATE FACTOR PERFORMANCE

AS OF FEBRUARY 9, 2026

Morgan Stanley Factor Baskets	2026 (YTD) Performance
US Six-Month Momentum	28.56%
US Three-Month Momentum	25.40%
Value Pair	12.94%
US Momentum	8.72%
US Passive Factor	8.41%
US Leverage	7.51%
US Realized Volatility	1.48%
US Dividend Yield	-1.24%
US Beta	-3.47%
US Size	-6.12%
Quality Pair	-13.21%
Growth Pair	-15.70%

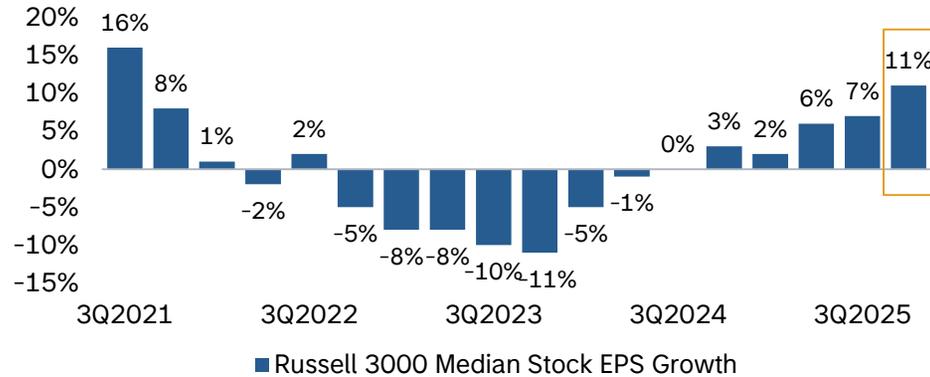
Source: Morgan Stanley Wealth Management GIO, Morgan Stanley Institutional Equities Division, Bloomberg

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# Rotation Seems Anchored in Deep Conviction in Earnings Acceleration...For Small Caps

## MEDIAN STOCK EARNINGS HAVE IMPROVED

AS OF FEBRUARY 9, 2026



## S&P 600 SMALL CAP EARNINGS REVISIONS IMPROVING

AS OF FEBRUARY 9, 2026



## BUT EARNINGS REVISIONS BREADTH REMAINS MODEST

AS OF FEBRUARY 5, 2026



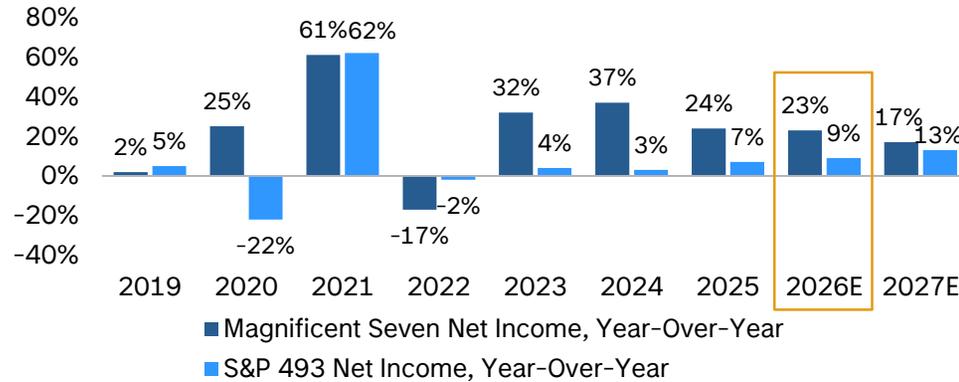
Source: Morgan Stanley Wealth Management GIO, Morgan Stanley & Co. Research. Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

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# And for the “493”; But Earnings Revisions Are Not Compelling

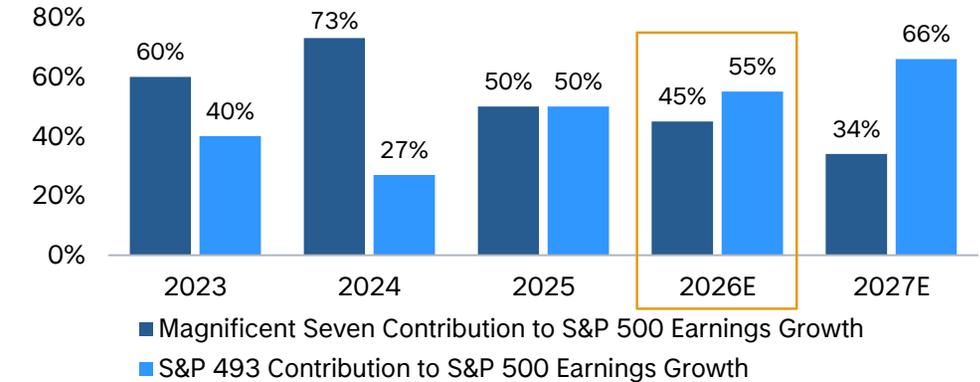
## THE “493” ARE EXPECTED TO ACCELERATE...

AS OF FEBRUARY 9, 2026



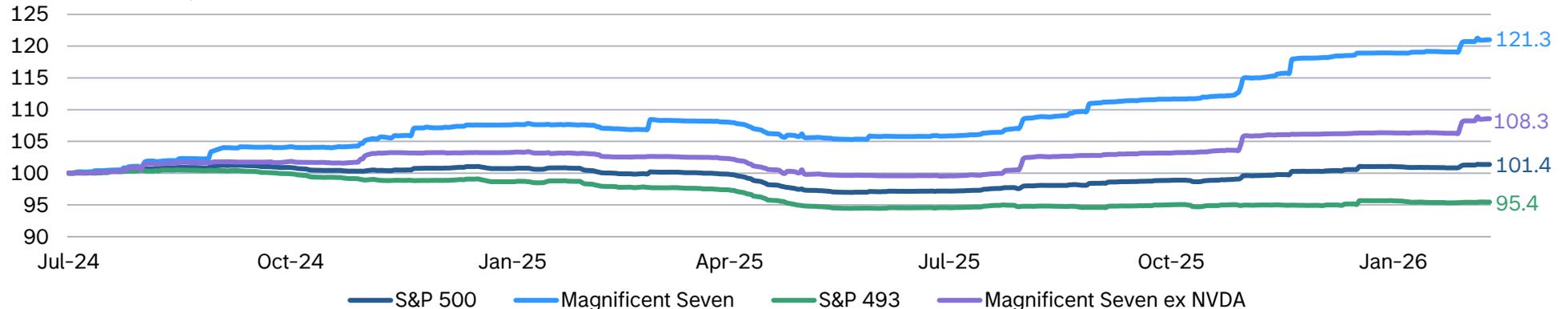
## ...AND DRIVE A LARGER SHARE OF INCREMENTAL GROWTH

AS OF FEBRUARY 9, 2026



## BUT REVISIONS HAVE BEEN RELATIVELY STAGNANT

AS OF FEBRUARY 9, 2026



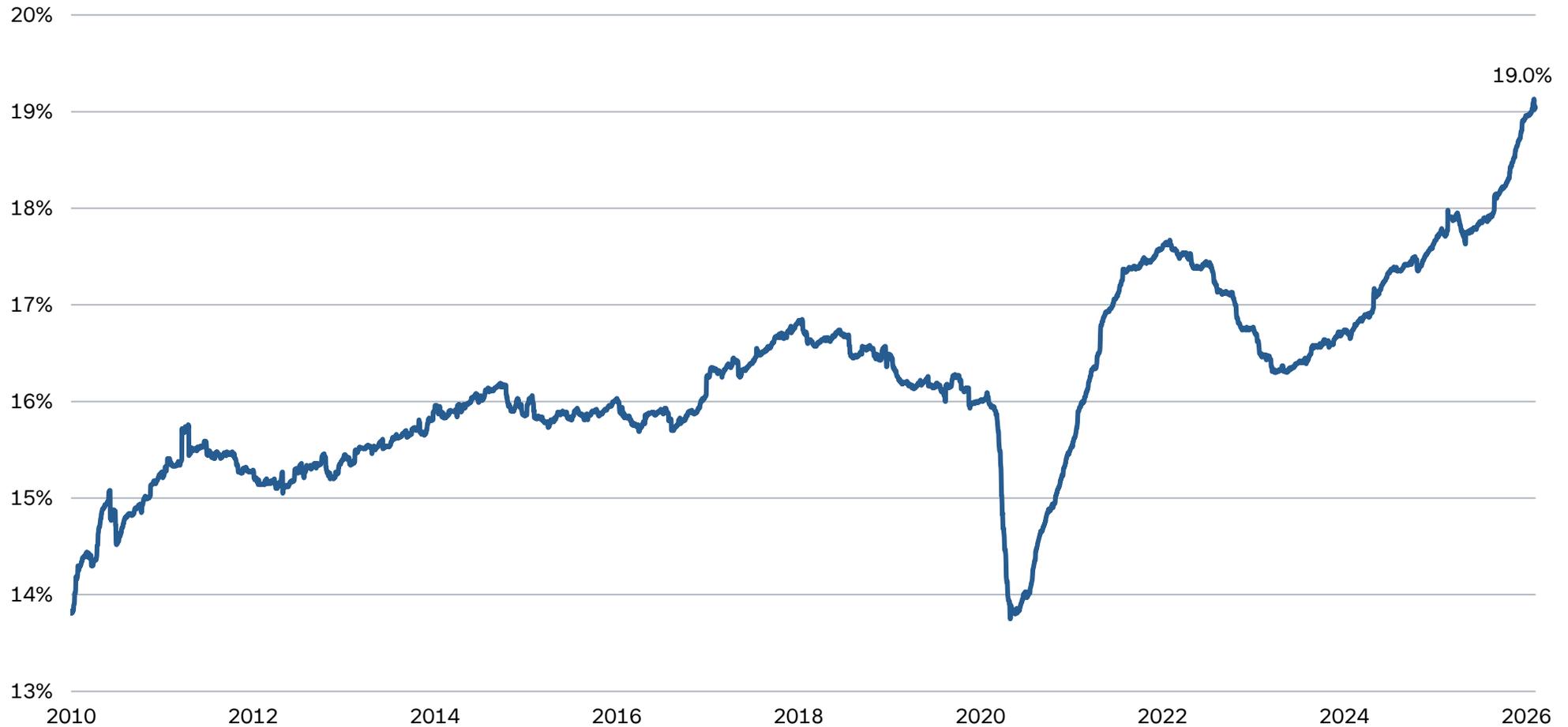
Source: Morgan Stanley Wealth Management GIO, Morgan Stanley & Co. Research, consensus estimates.

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# Expectations for Productivity Gains Are Substantial

## S&P 500 OPERATING MARGIN

AS OF FEBRUARY 9, 2026



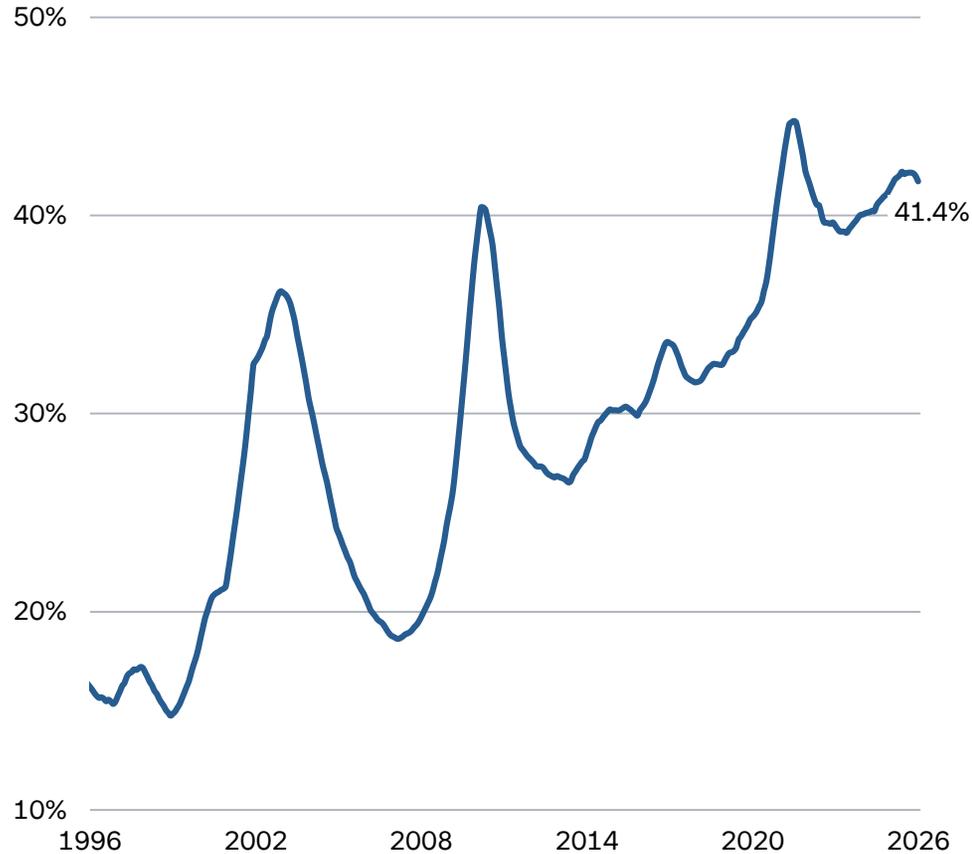
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Smaller Companies Are Stressed

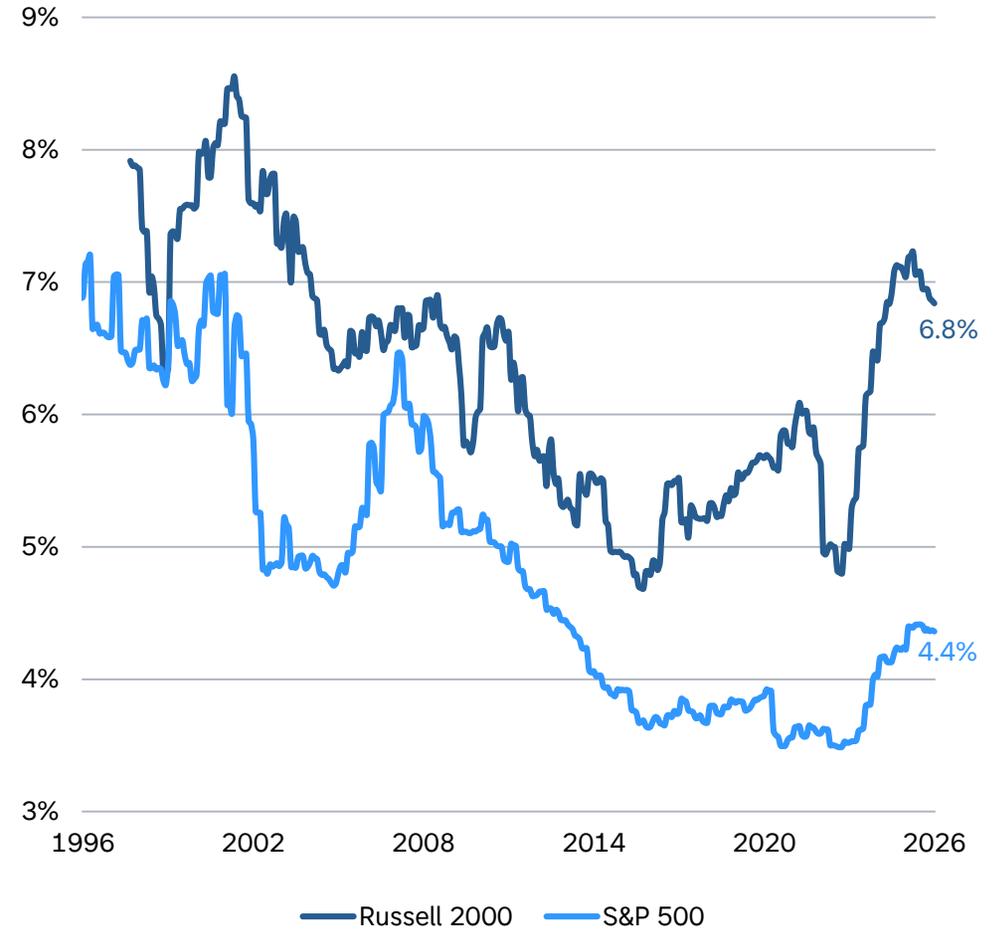
## RUSSELL 2000: SHARE OF UNPROFITABLE COMPANIES

AS OF JANUARY 31, 2026



## INTEREST EXPENSE AS A SHARE OF DEBT

AS OF JANUARY 30, 2026



Source: Morgan Stanley Wealth Management GIO, Strategas

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# Relative to the Bull Market Run, Magnificent Seven is Now Cheaper

## MAGNIFICENT SEVEN FORWARD P/E RATIO

AS OF FEBRUARY 9, 2026



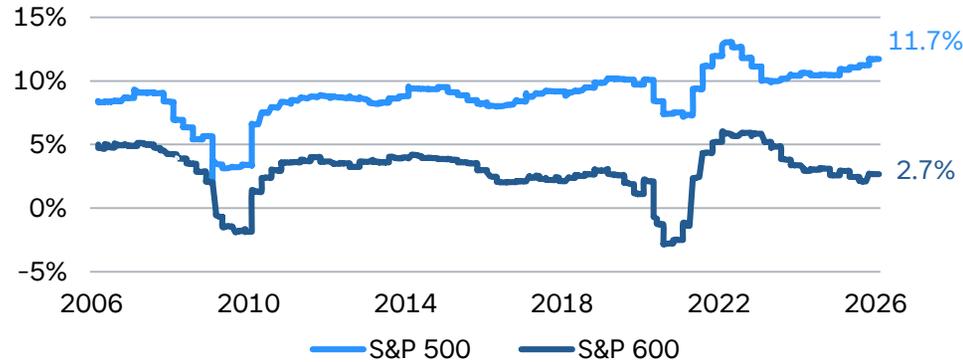
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# The Largest Companies Are Dominating Productivity Gains

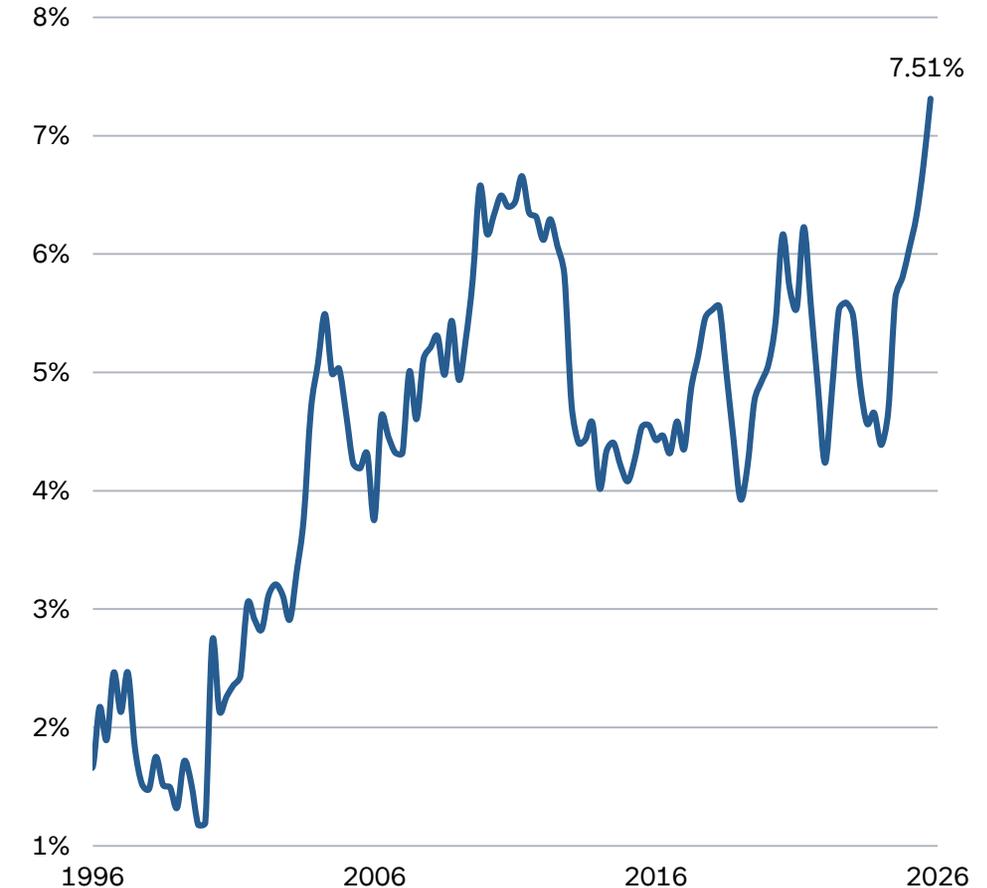
## PROFIT MARGINS OF THE S&P 500 VS. S&P 600

AS OF FEBRUARY 6, 2026



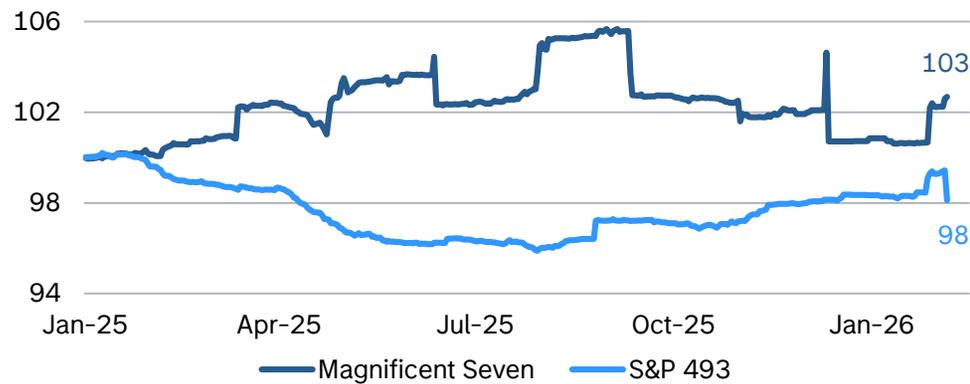
## RUSSELL 3000 SHARE OF UNPROFITABLE COMPANIES

AS OF JANUARY 31, 2026



## MARGIN GROWTH FORECASTS OF MAG. 7 VS. S&P 493

AS OF FEBRUARY 6, 2026 (JANUARY 1, 2025 = 100)



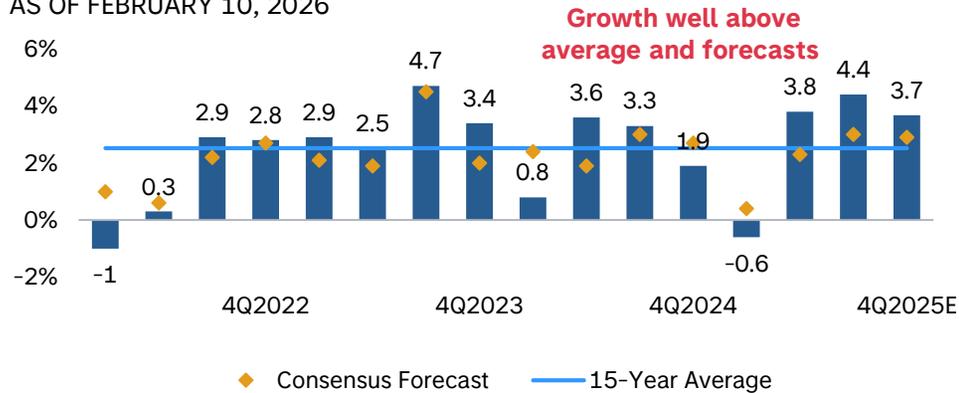
Source: Morgan Stanley Wealth Management GIO, Apollo Global Management, Bloomberg, Piper Sandler. Note: Zombie companies are defined as those having three consecutive years of interest coverage ratio < 1.

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# Good News: Recession Has Been Nowhere in Sight; GDP Growth Healthy

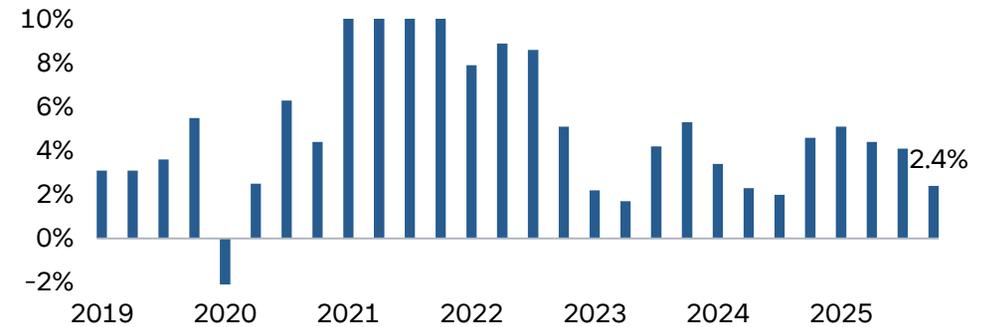
## QUARTERLY REAL GDP (ANNUALIZED)

AS OF FEBRUARY 10, 2026



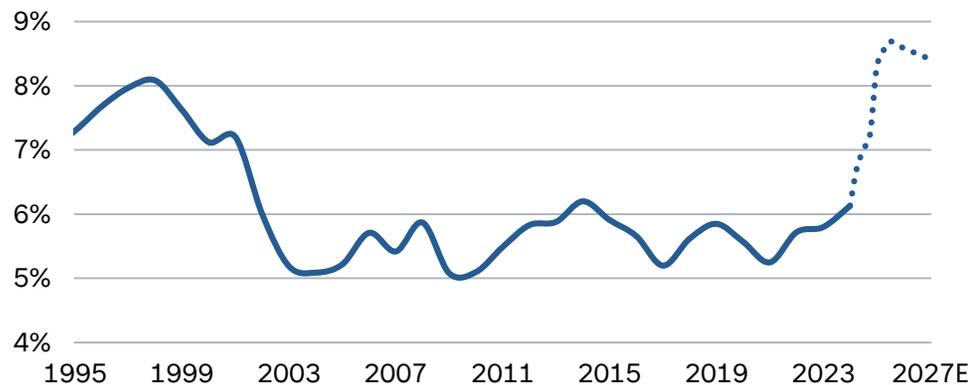
## US RETAIL SALES, YEAR-OVER-YEAR

AS OF FEBRUARY 10, 2026



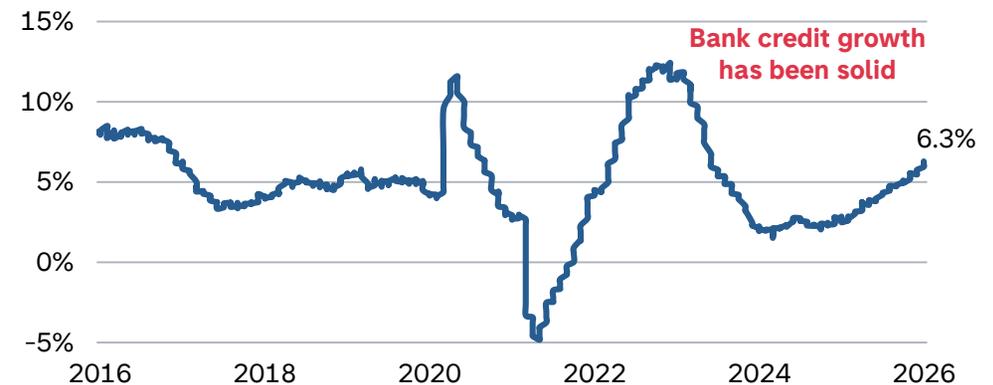
## S&P 500 CAPEX AS A SHARE OF SALES

AS OF FEBRUARY 10, 2026



## US BANK TOTAL LOANS, YEAR-OVER-YEAR

AS OF JANUARY 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg. 4Q2025 estimated GDP uses Atlanta GDPNow Forecast. Capex as a share of sales uses consensus estimates. Retail sales data truncated for COVID-era.

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# And Manufacturing May Be Showing Greenshoots

## ISM MANUFACTURING

AS OF JANUARY 31, 2026



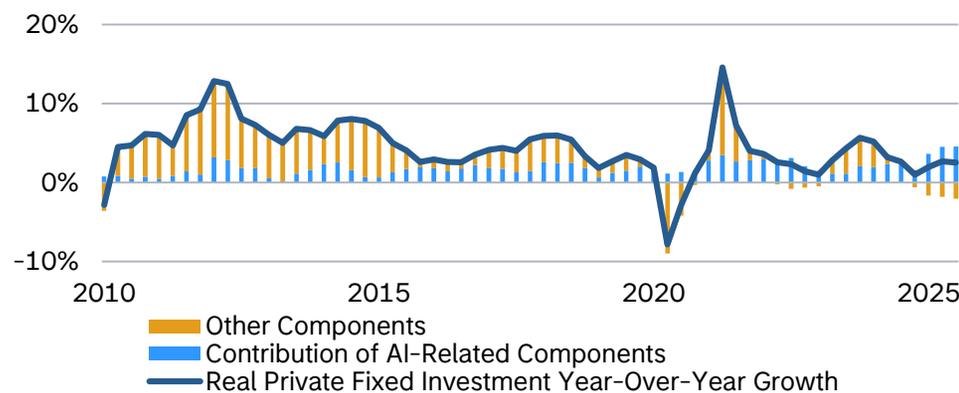
## US ROUNDTABLE CEO ECONOMIC CONDITIONS SURVEY

AS OF DECEMBER 31, 2025



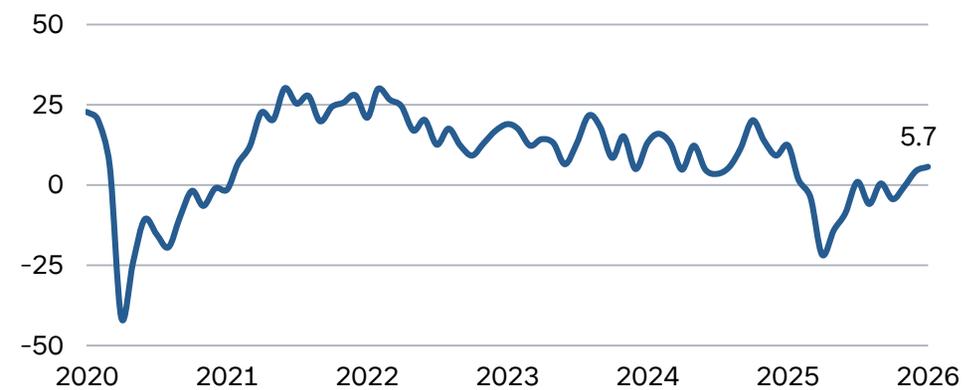
## CONTRIBUTIONS TO REAL PRIVATE FIXED INVESTMENT

AS OF JANUARY 31, 2026



## CEO INTENTIONS OF CAPEX IN SIX MONTHS

AS OF JANUARY 31, 2026



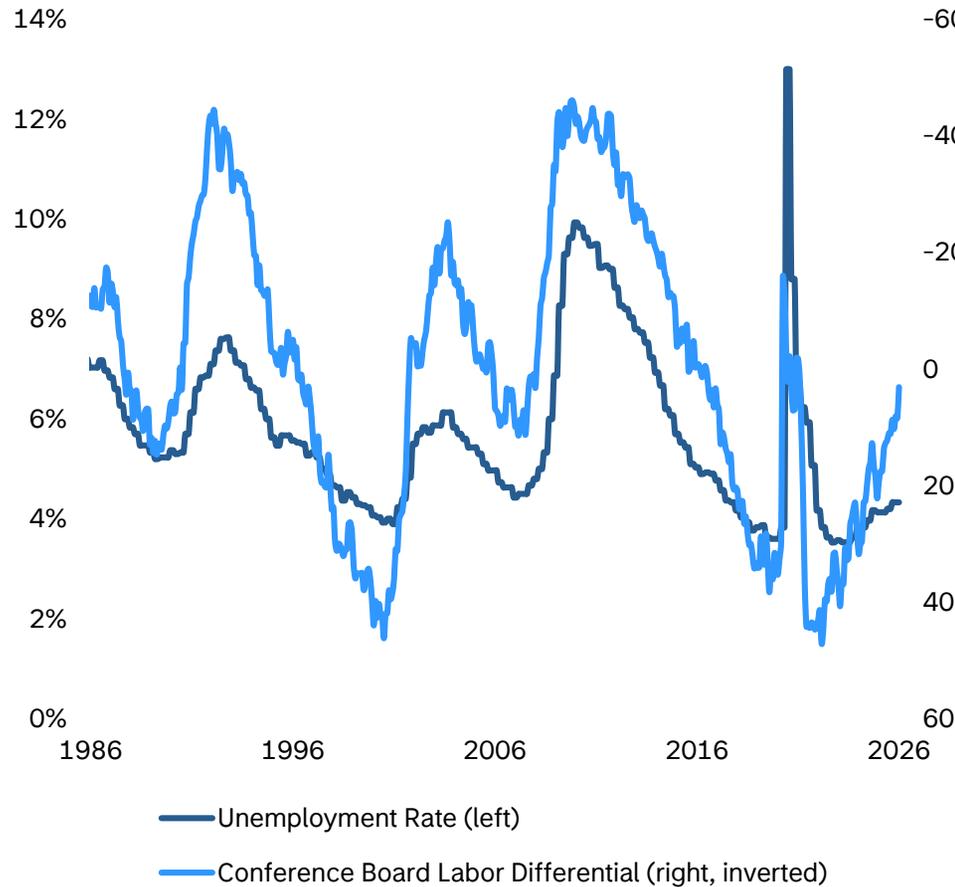
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Pantheon Macro

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# But Labor Market Looks Fragile; Gets Worse Before It Gets Better

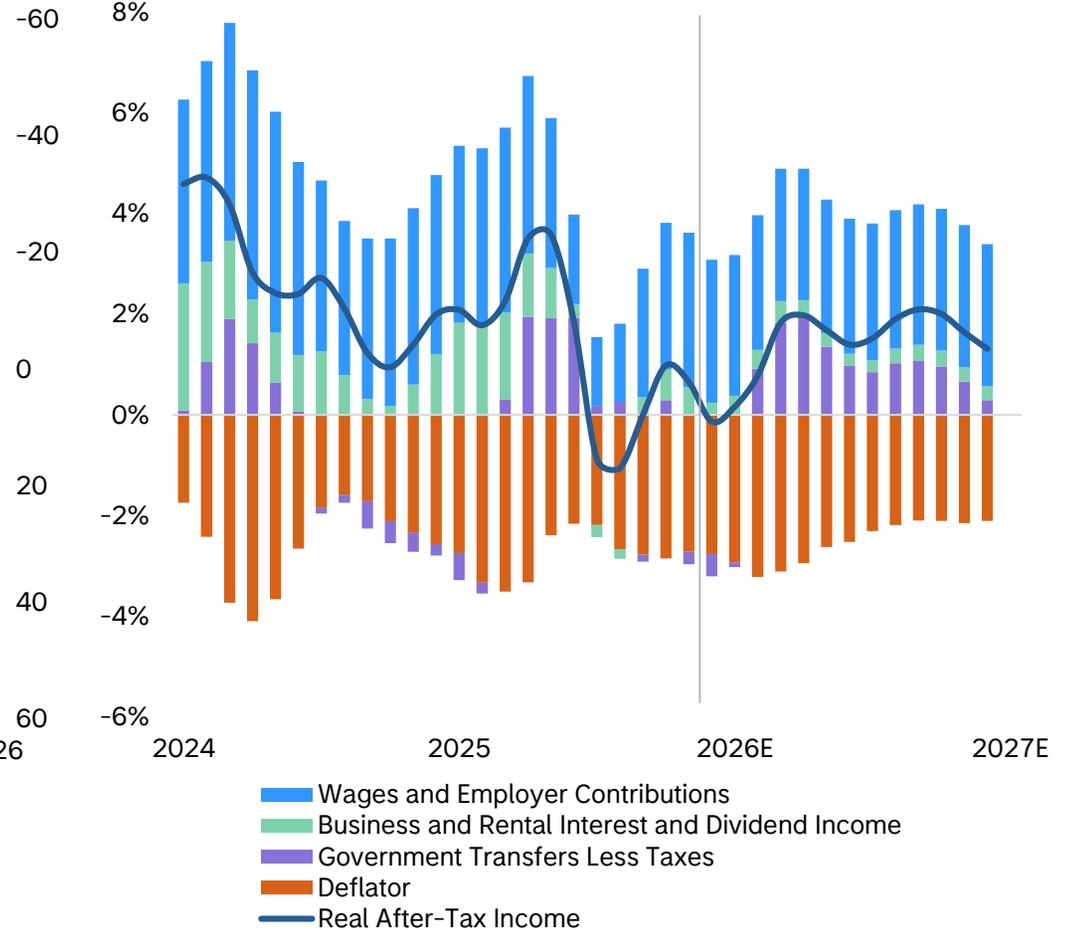
## UNEMPLOYMENT RATE VS. LABOR DIFFERENTIAL

AS OF JANUARY 31, 2026



## REAL AFTER-TAX INCOME, QUARTER OVER QUARTER (ANN.)

AS OF JANUARY 31, 2026



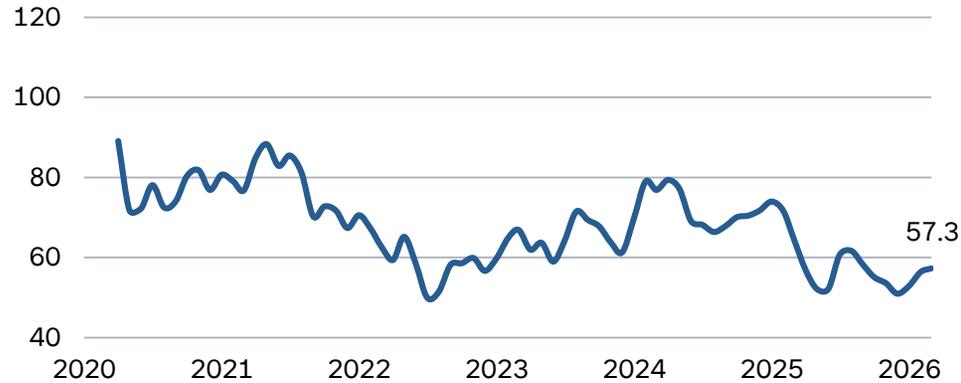
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Pantheon Macro. Consensus estimates are from Pantheon Macro.

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# Is the Consumer Really Resilient?

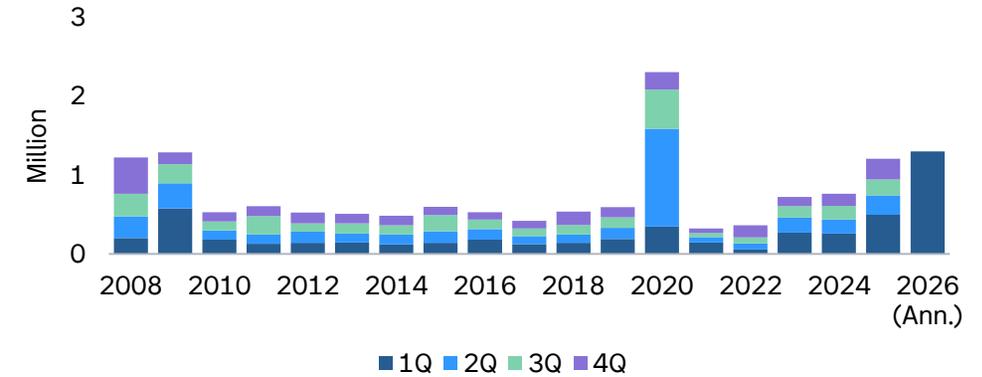
## UNIVERSITY OF MICHIGAN CONSUMER CONFIDENCE

AS OF FEBRUARY 6, 2026



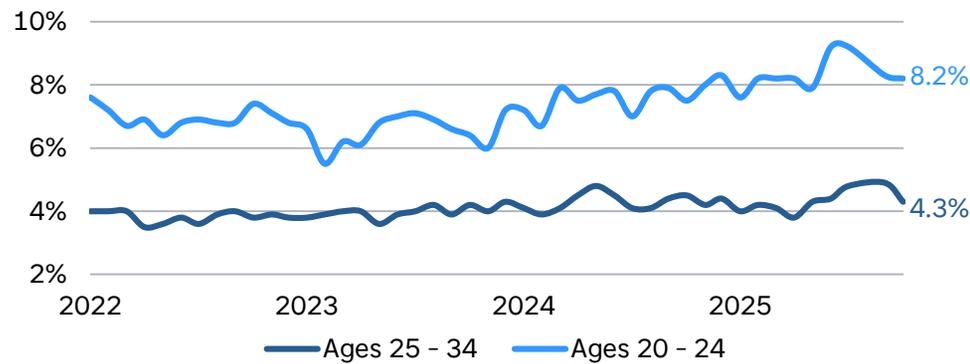
## CHALLENGER LAYOFFS

AS OF JANUARY 31, 2026



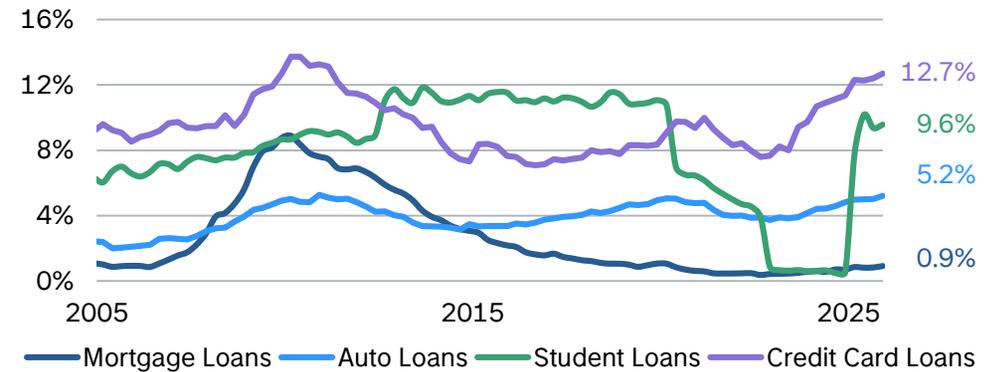
## YOUTH UNEMPLOYMENT RATE

AS OF DECEMBER 31, 2025



## OVER 90-DAY DELINQUENCY RATES

AS OF DECEMBER 31, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg, Pantheon Macro

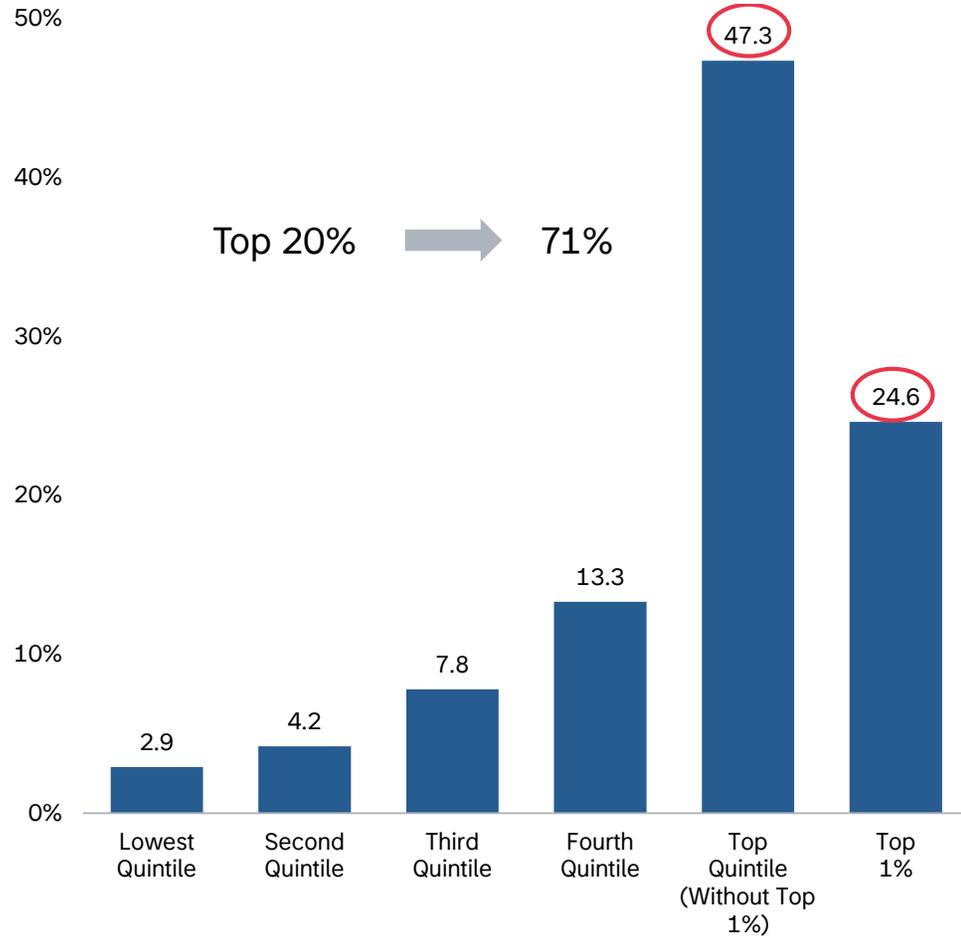
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# The K-Economy: Wealth Effects Now Larger Than Income Effects

## SHARE OF TOTAL NET WORTH BY INCOME COHORTS

AS OF JANUARY 31, 2026

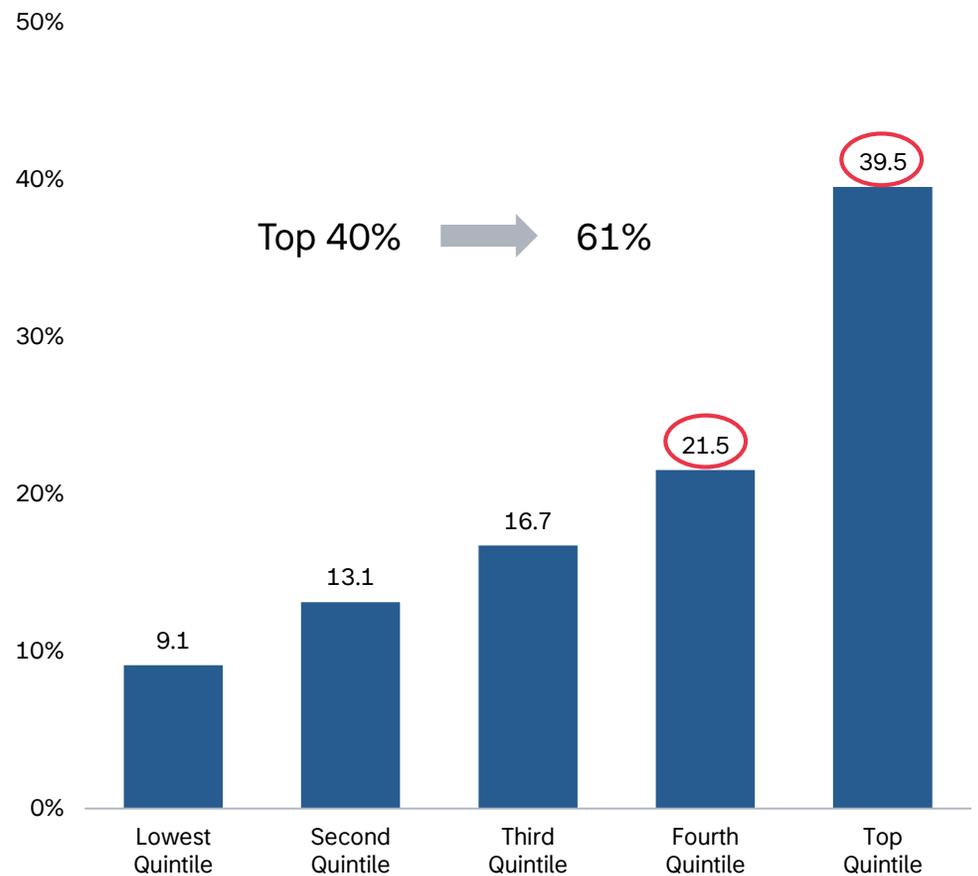
50%



## SHARE OF PCE BY INCOME COHORTS

AS OF JANUARY 31, 2026

50%



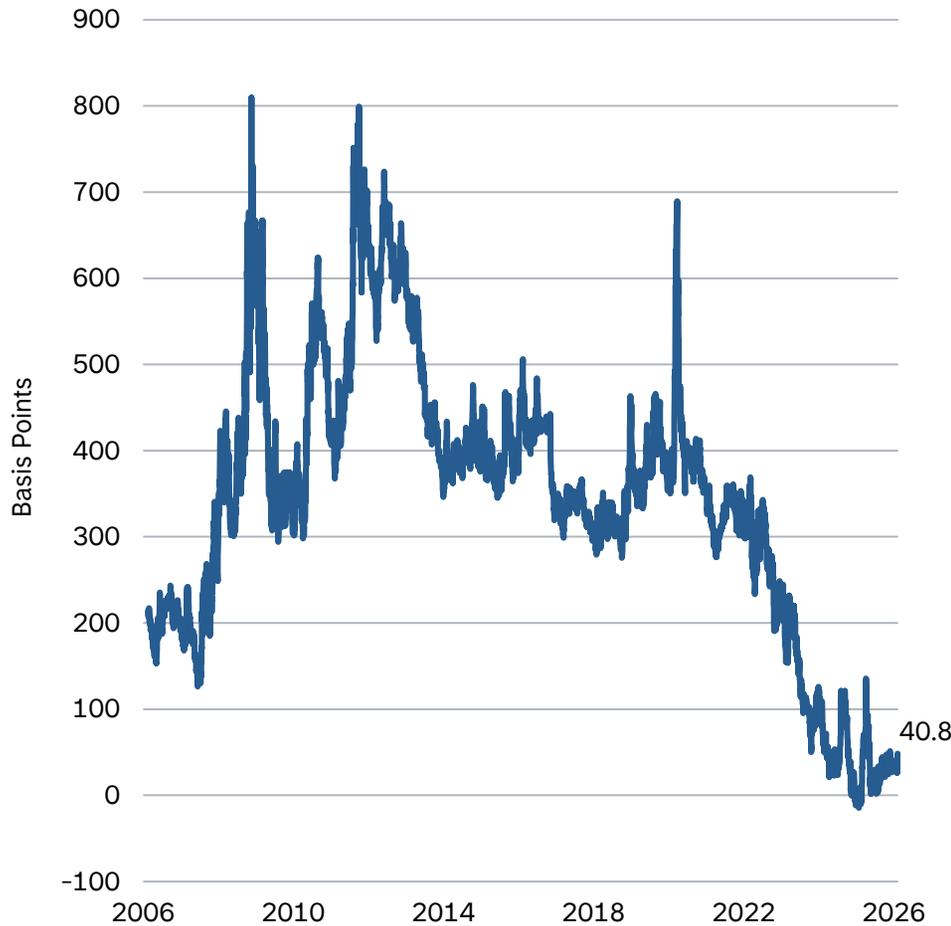
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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# Longer Run, Markets Appear Expensive Any Way You Look at It

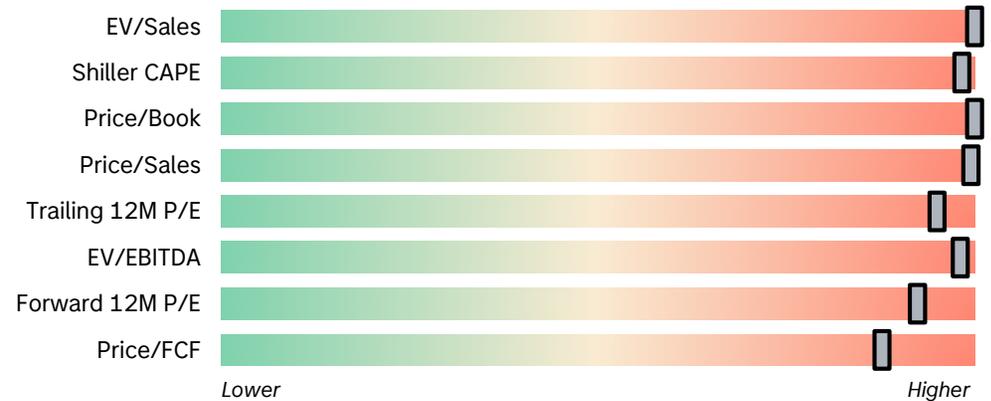
## EQUITY RISK PREMIUM

AS OF FEBRUARY 9, 2026



## S&P 500 VALUATION PERCENTILE RANKING

AS OF JANUARY 31, 2026



## BUFFETT INDICATOR: MARKET CAP TO GDP RATIO

AS OF FEBRUARY 9, 2026



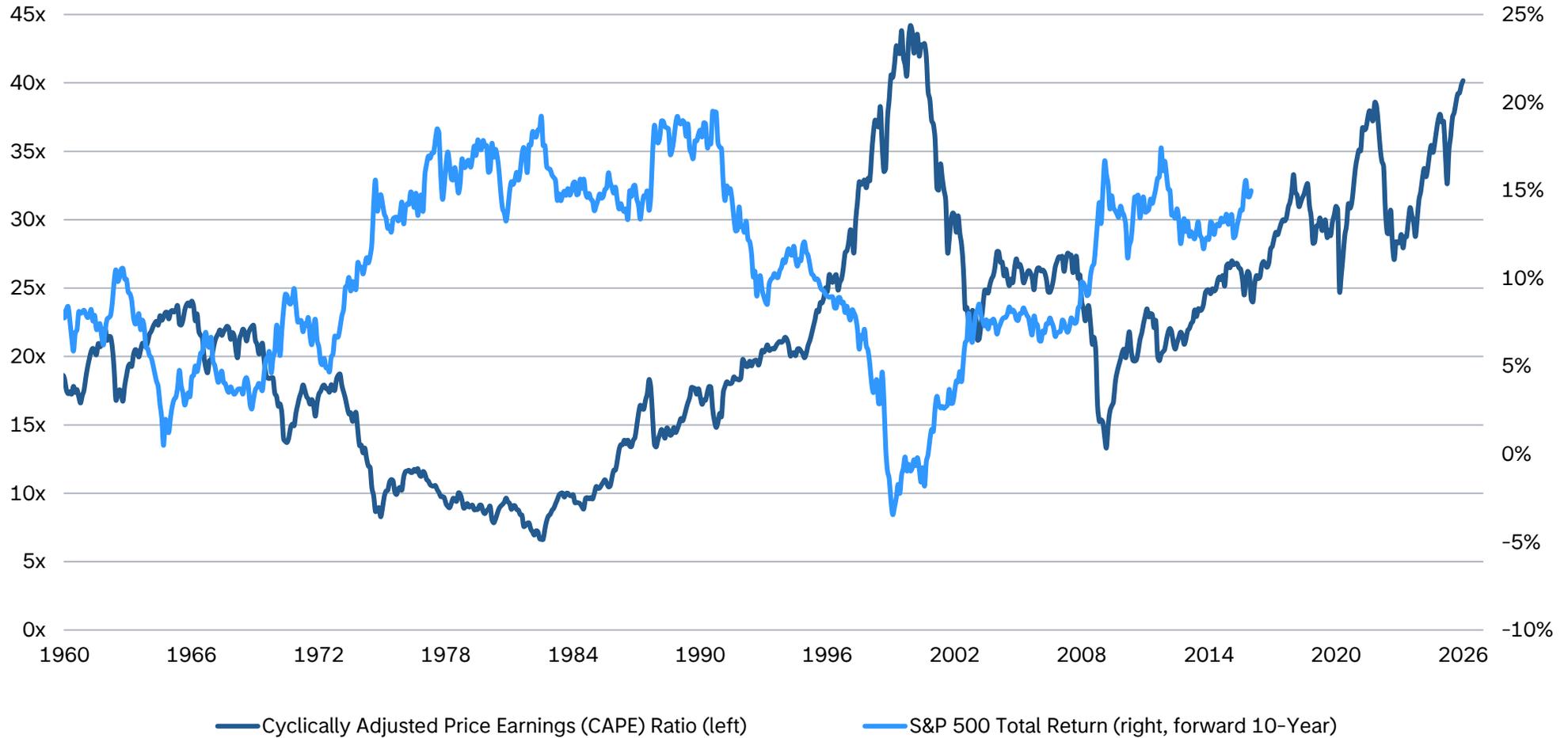
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Strategas. Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

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# We Continue to Monitor the Long-Term View

## US EQUITIES ARE PRICED FOR BELOW AVERAGE FORWARD RETURNS

AS OF JANUARY 31, 2026



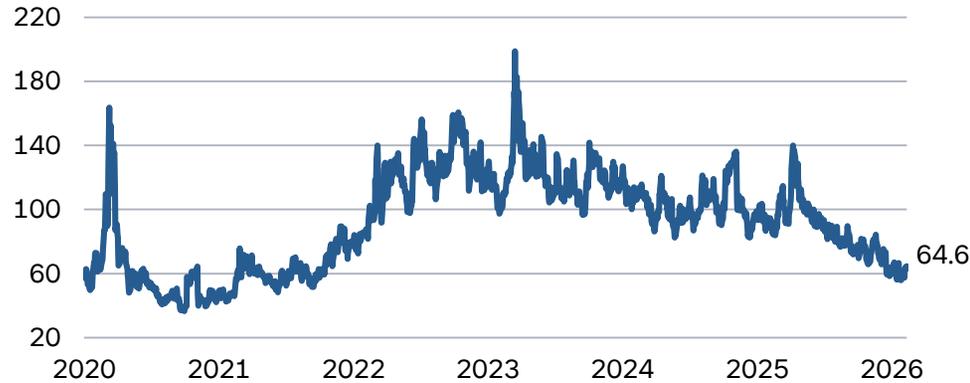
Source: Morgan Stanley Wealth Management GIO, Shiller Data

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# Bond Markets Have Been Relatively Complacent Despite Explosion in Issuance

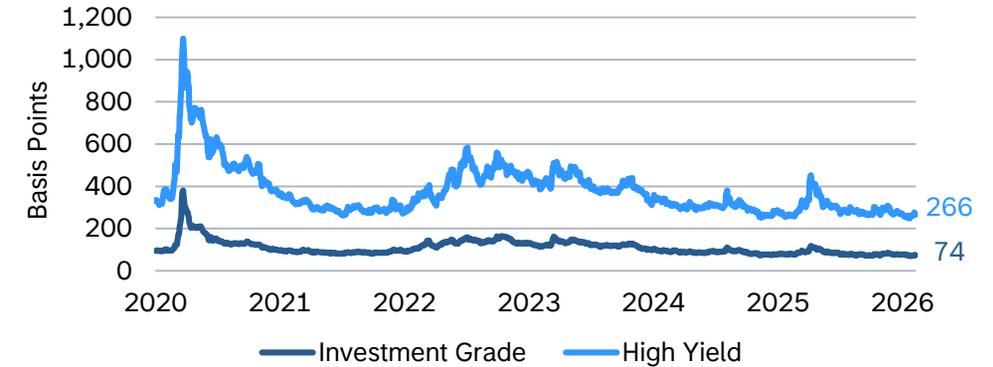
## MOVE INDEX

AS OF FEBRUARY 10, 2026



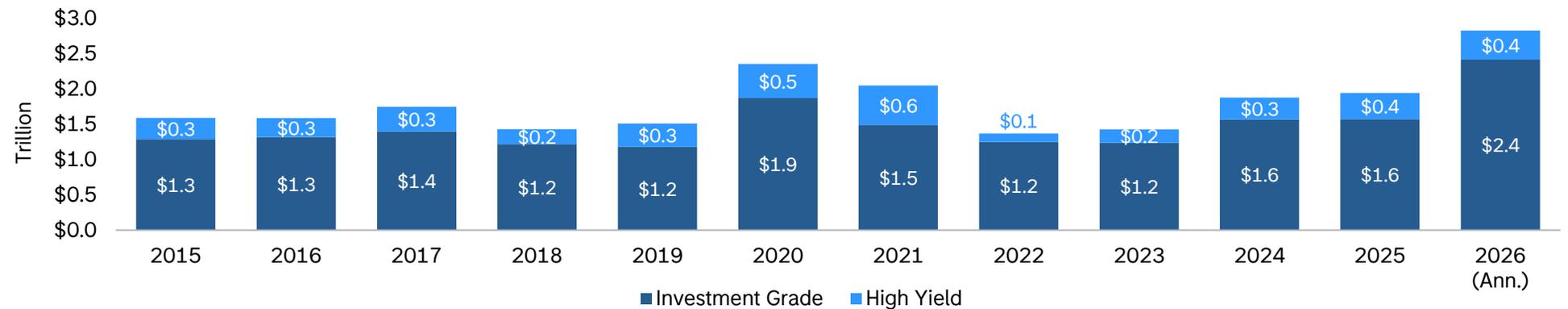
## OPTION-ADJUSTED CREDIT SPREADS

AS OF FEBRUARY 10, 2026



## INVESTMENT GRADE AND HIGH YIELD ISSUANCE

AS OF FEBRUARY 10, 2026



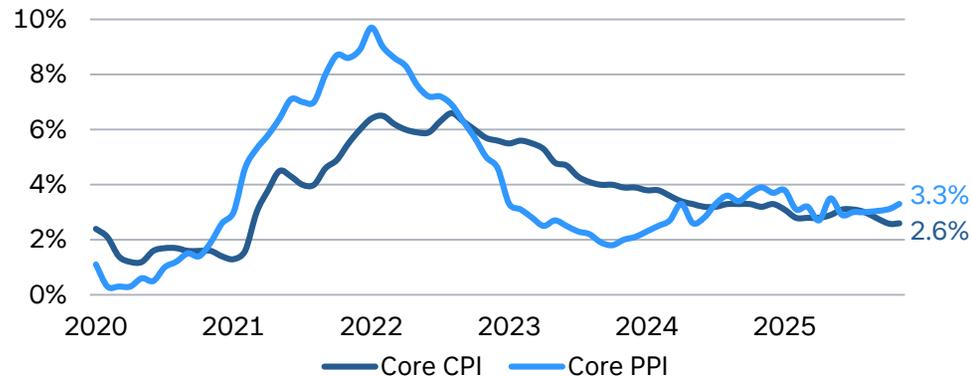
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Inflation Readings Remain Sticky

## US CORE PPI AND CPI YEAR-OVER-YEAR CHANGE

AS OF JANUARY 30, 2026



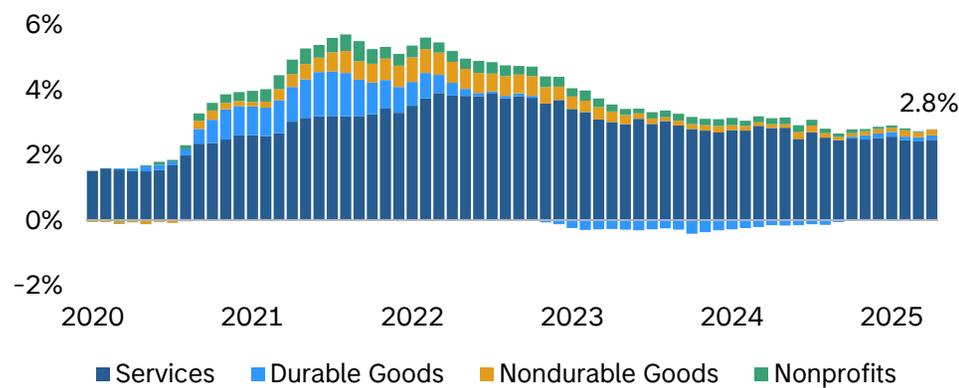
## NEW YORK FED ONE-YEAR INFLATION EXPECTATIONS

AS OF JANUARY 31, 2026



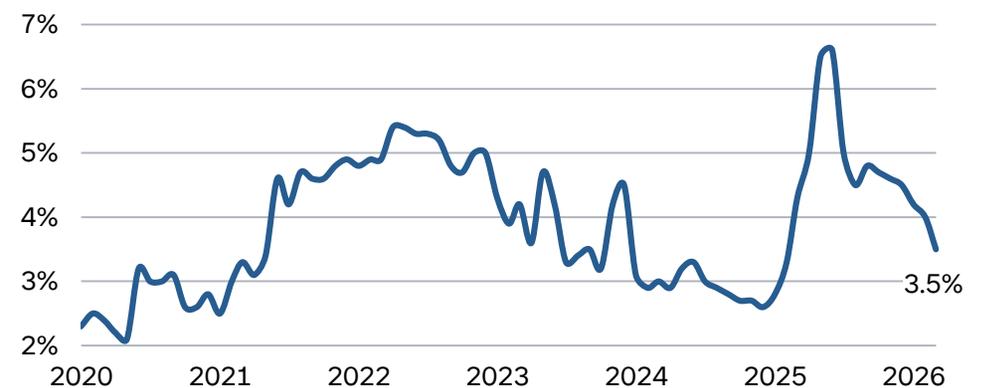
## CONTRIBUTIONS TO CORE PCE, YEAR-OVER-YEAR

AS OF JANUARY 22, 2026



## U. MICHIGAN ONE-YEAR INFLATION EXPECTATIONS

AS OF FEBRUARY 6, 2026



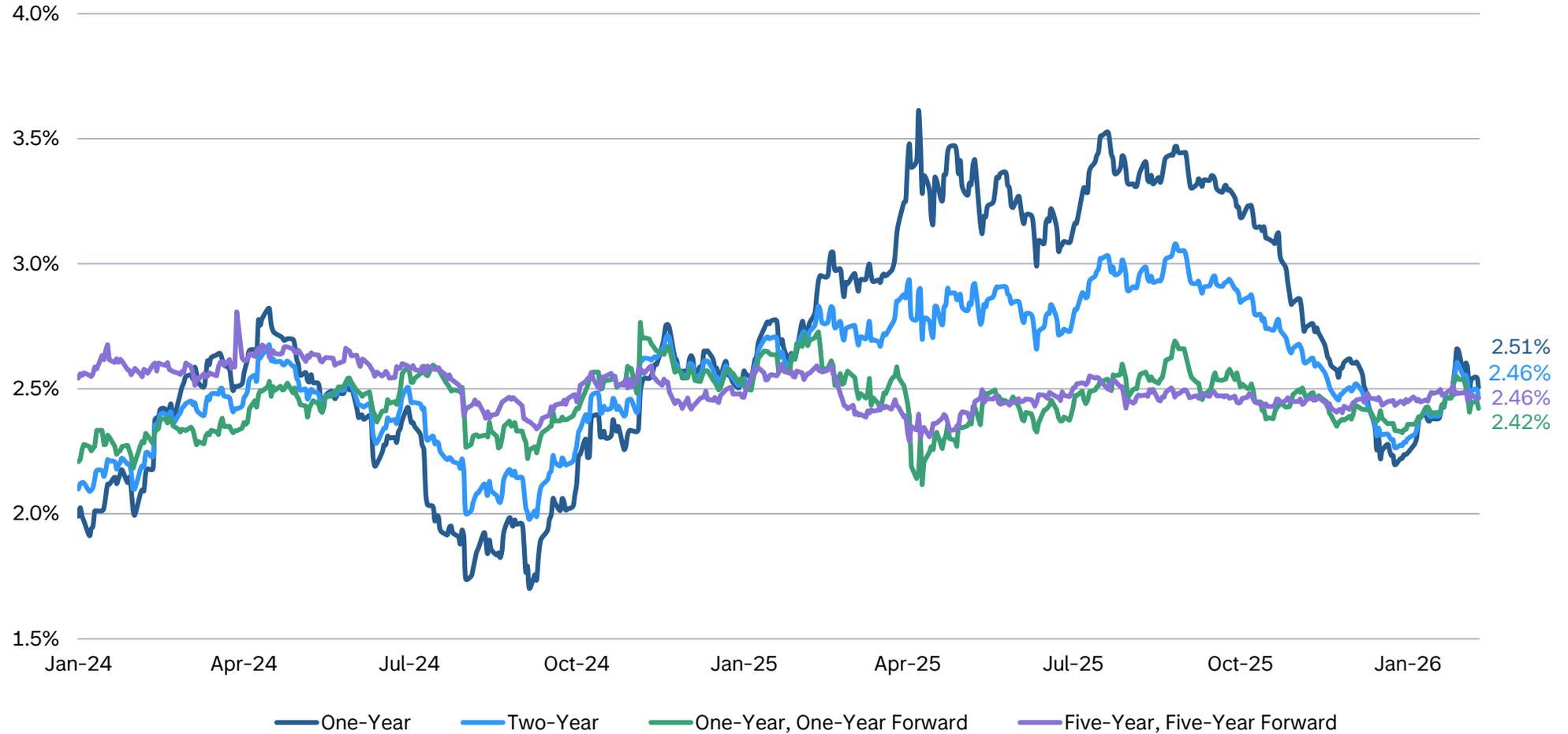
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Market Concerns on Inflation Risk Have Picked Up

## ZERO-COUPON INFLATION SWAP RATES

AS OF FEBRUARY 10, 2026



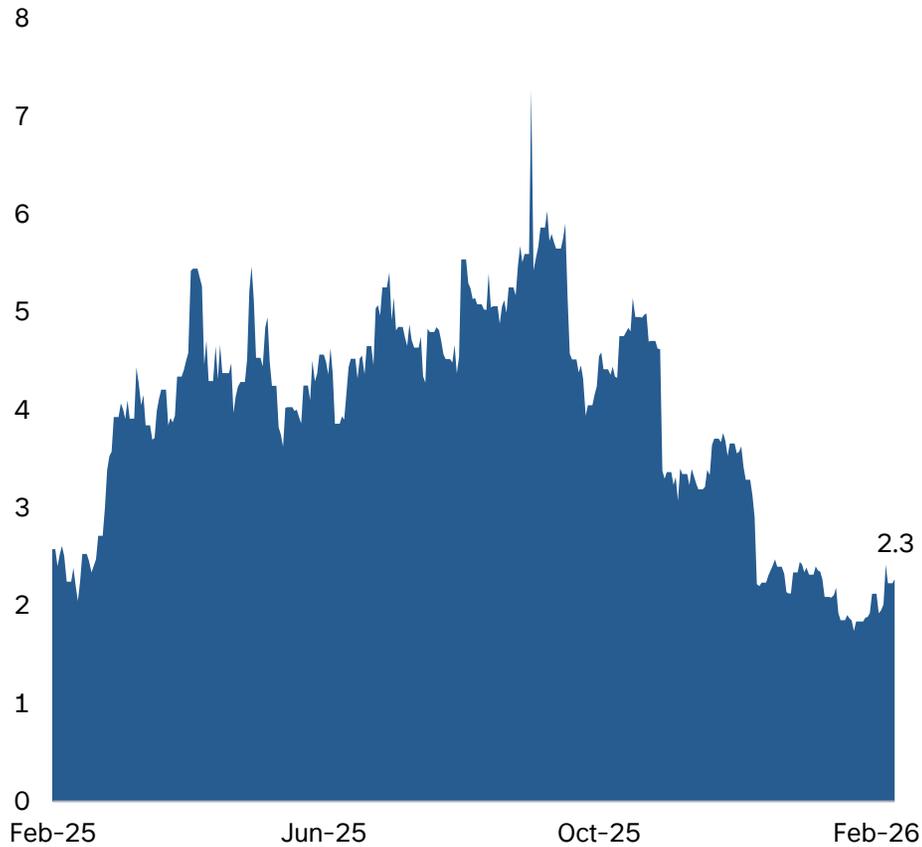
Source: Morgan Stanley Wealth Management GIO, Pantheon Macro

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# Another 50 bp of Rate Cuts Priced Through 2026

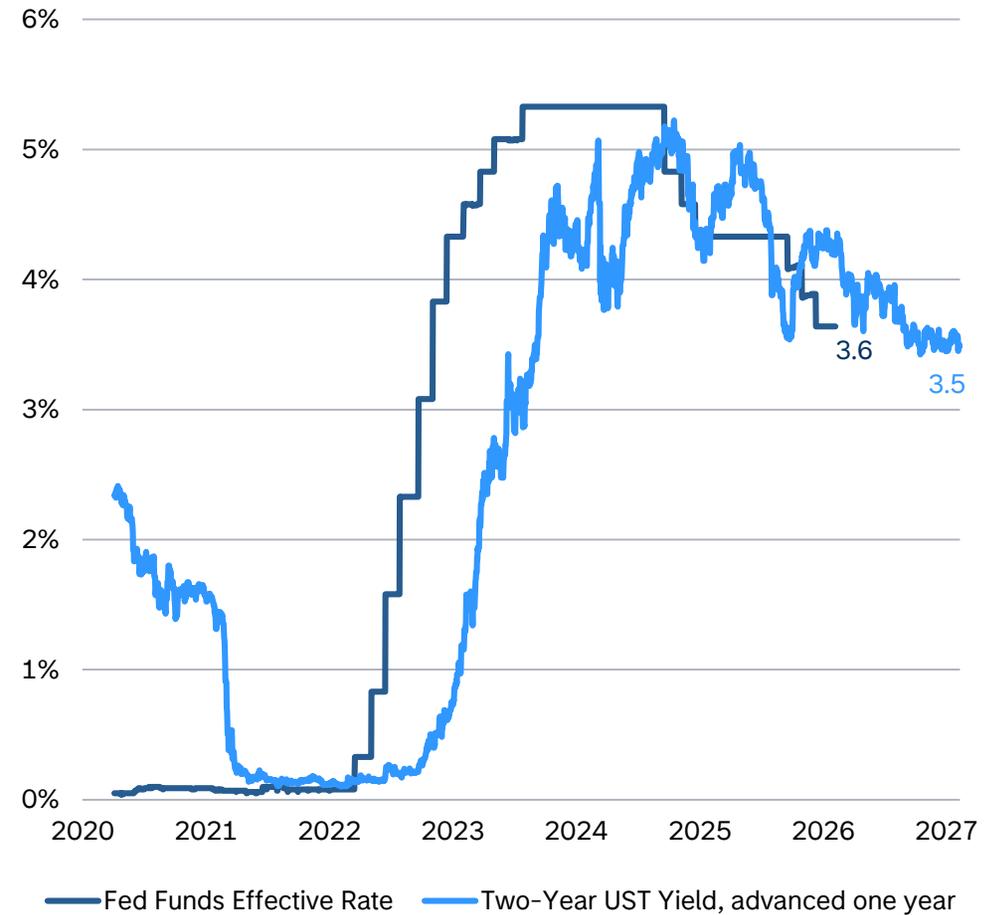
## 25-BP FED RATE CUTS PRICED THROUGH DEC. 2026

AS OF FEBRUARY 9, 2026



## FED FUNDS EFFECTIVE RATE VS. TWO-YEAR UST YIELD

AS OF FEBRUARY 9, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Financial Conditions Continue to Ease... and Curves Steepened

**GS FINANCIAL CONDITIONS INDEX VS. 10-YEAR UST YIELD**

AS OF FEBRUARY 10, 2026



— Goldman Sachs Financial Conditions Index (left)  
 — 10-Year US Treasury Yield (right)

**TWO-YEAR/10-YEAR US TREASURY YIELD SPREAD**

AS OF FEBRUARY 10, 2026



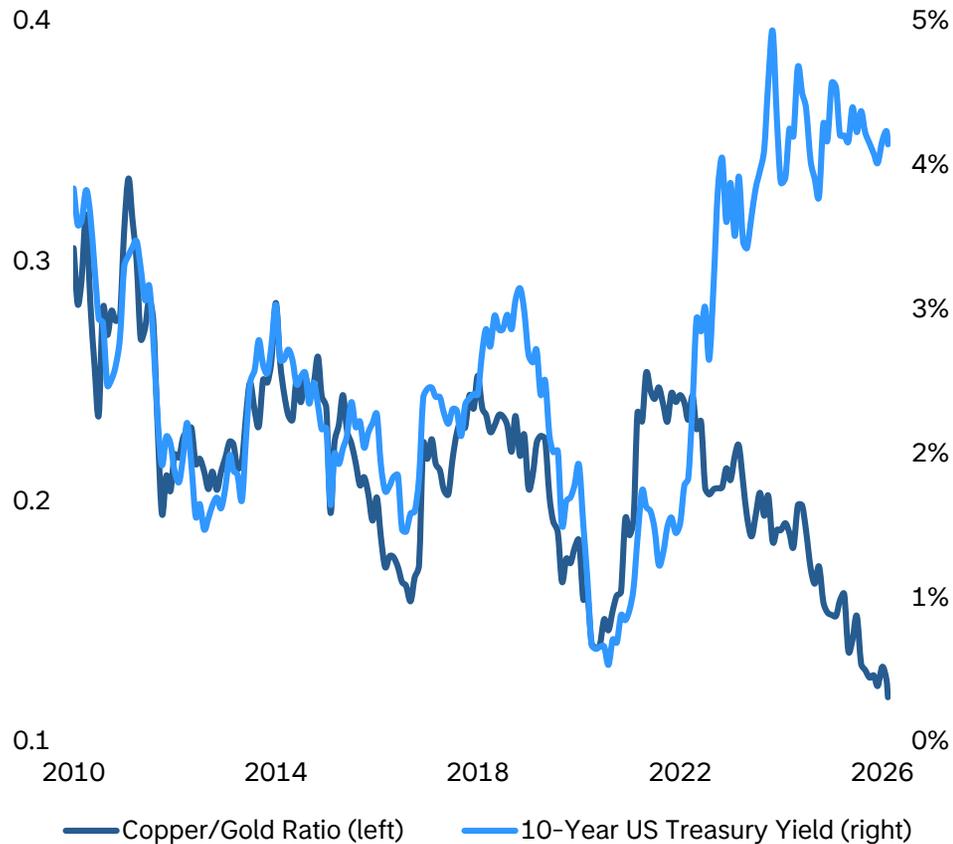
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# US Treasuries Are Signaling a Regime Change...

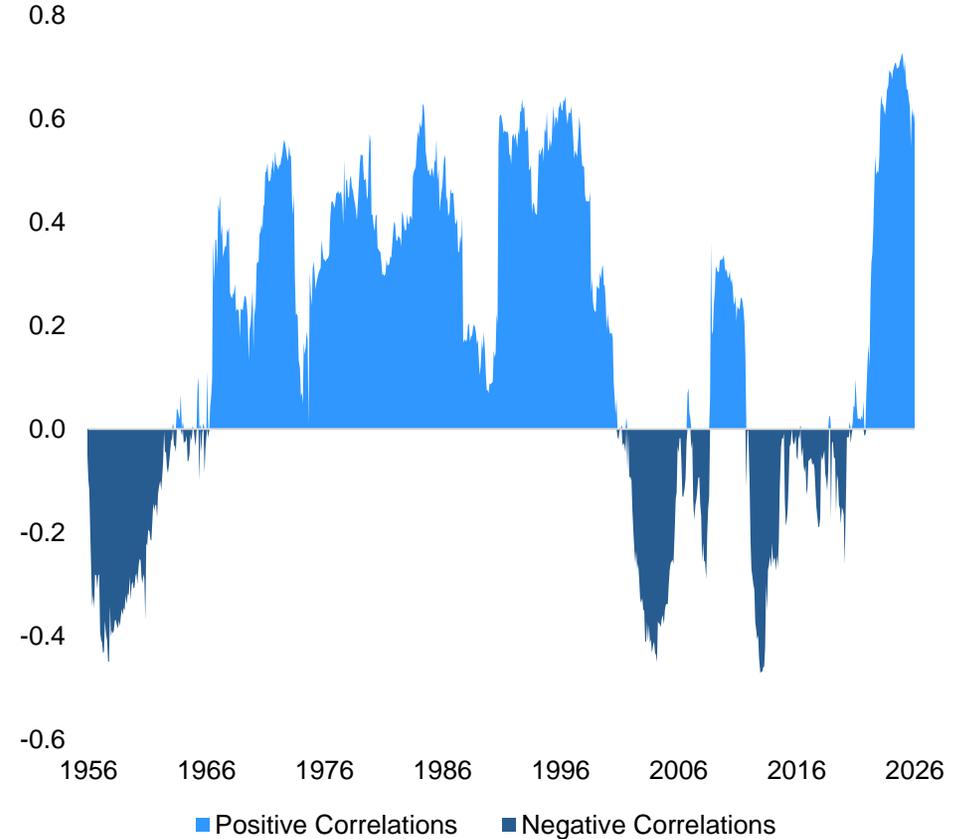
**COPPER/GOLD RATIO VS. 10-YEAR US TREASURY YIELD**

AS OF FEBRUARY 10, 2026



**ROLLING THREE-YEAR STOCK-BOND CORRELATIONS**

AS OF JANUARY 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Correlation 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.

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# Fiscal Dominance Is Here

Especially if Fed Independence Is Questioned

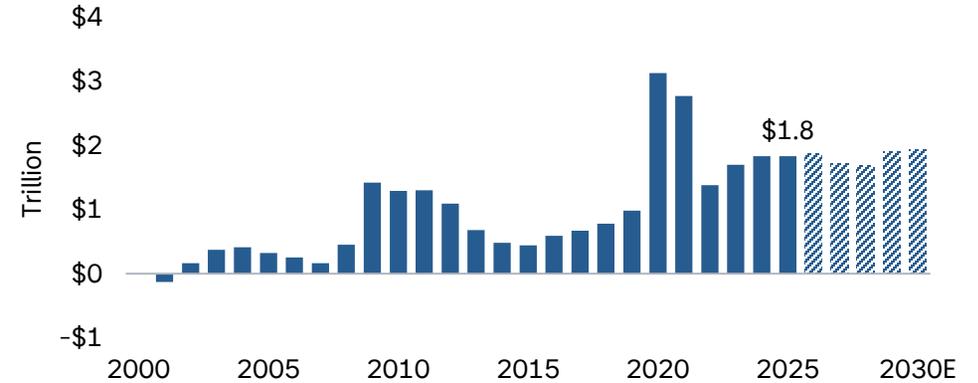
## FEDERAL BALANCE SHEET FORECAST

AS OF FEBRUARY 4, 2026



## US BUDGET DEFICIT PROJECTIONS

AS OF JANUARY 31, 2026



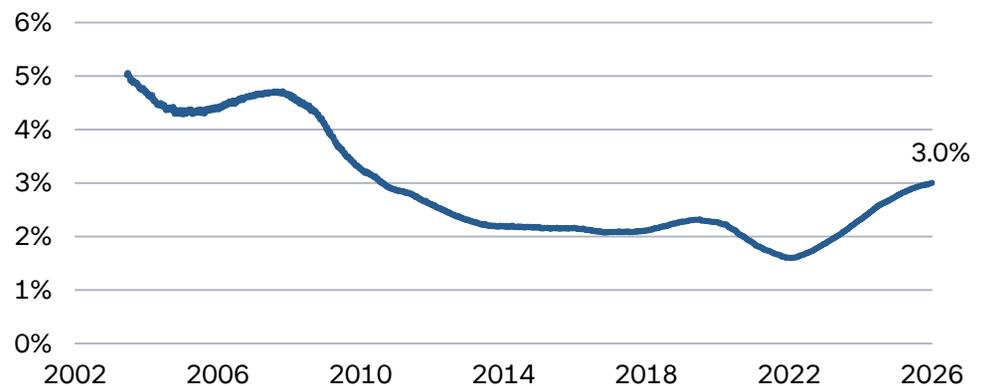
## US INTEREST OUTLAY AS A SHARE OF TAX REVENUE

AS OF DECEMBER 31, 2025



## US GOVERNMENT WEIGHTED AVERAGE COST OF DEBT

AS OF FEBRUARY 4, 2026



Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg, Congressional Budget Office (CBO), FRED. US Deficit estimates are from CBO. Federal Balance Sheet estimates are from the MS & Co. Research US Economics Team.

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# What Are Gold, Silver, and Bitcoin Telling Us?

## GOLD VS. BITCOIN

AS OF FEBRUARY 9, 2026



## GOLD TO SILVER RATIO

AS OF FEBRUARY 9, 2026



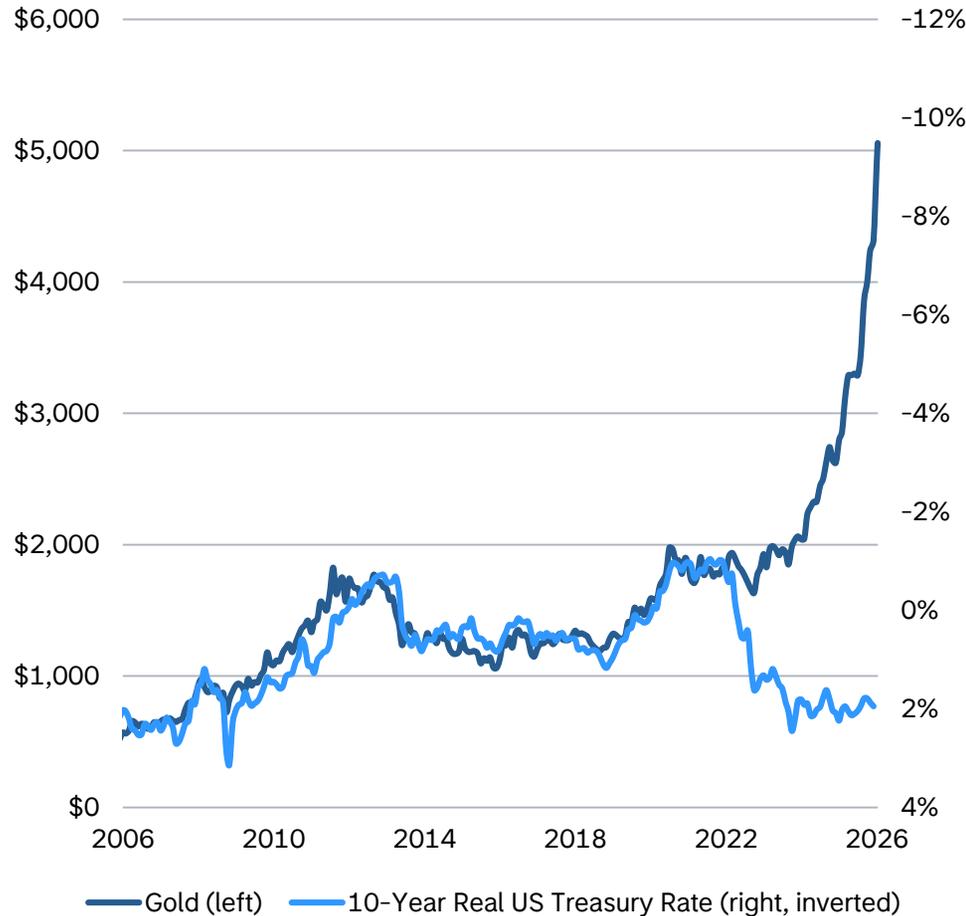
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# Gold Is in a Regime Change as Traditional Correlations Are Broken

**GOLD VS. 10-YEAR REAL US TREASURY RATE**

AS OF FEBRUARY 9, 2026



**GOLD VS. TWO-YEAR US INFLATION BREAKEVEN RATE**

AS OF FEBRUARY 9, 2026



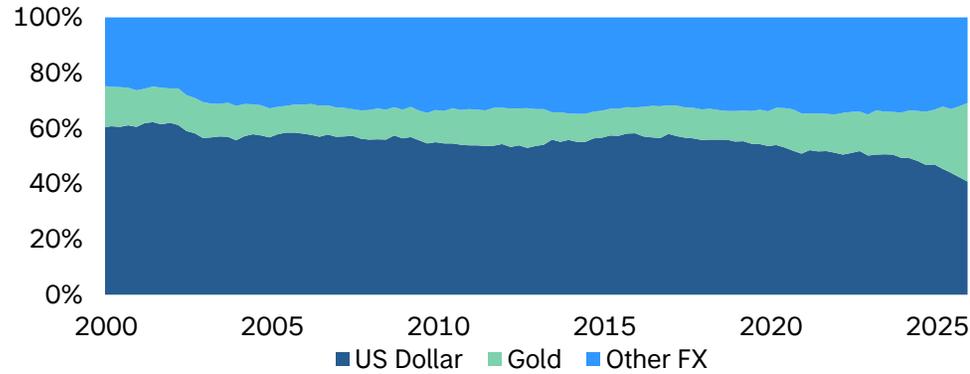
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Haver Analytics

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# Gold Experiencing Secular Growth and Better Stock Diversification

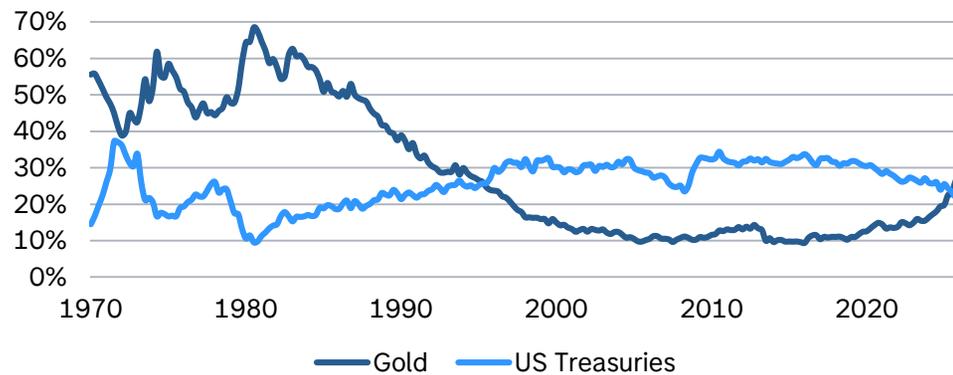
## SHARE OF GLOBAL CENTRAL BANK RESERVES

AS OF DECEMBER 31, 2025



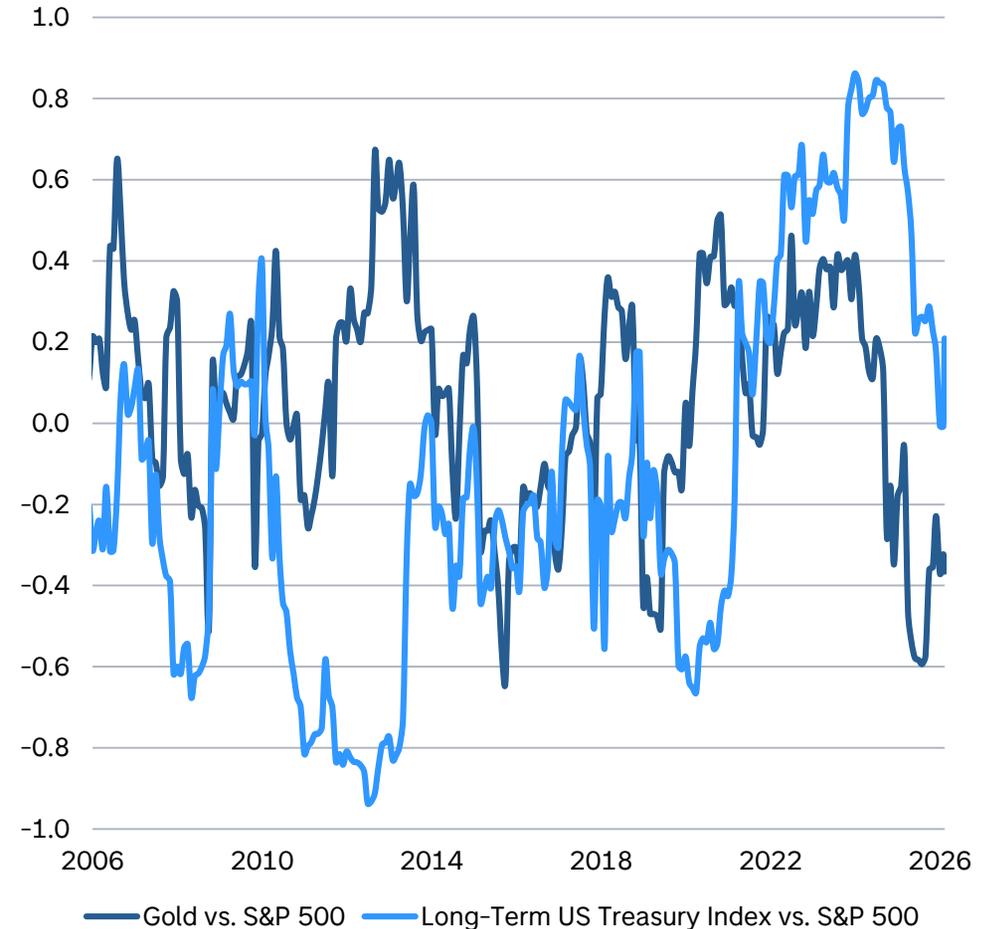
## MARKET VALUE SHARE OF GLOBAL CENTRAL BANK RESERVES

AS OF DECEMBER 31, 2025



## ONE-YEAR TRAILING RETURN MONTHLY CORRELATION

AS OF FEBRUARY 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg, Haver Analytics

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# Bitcoin Is Likely in a “Seasonal Winter”

## BITCOIN SPOT PRICE

AS OF FEBRUARY 10, 2026



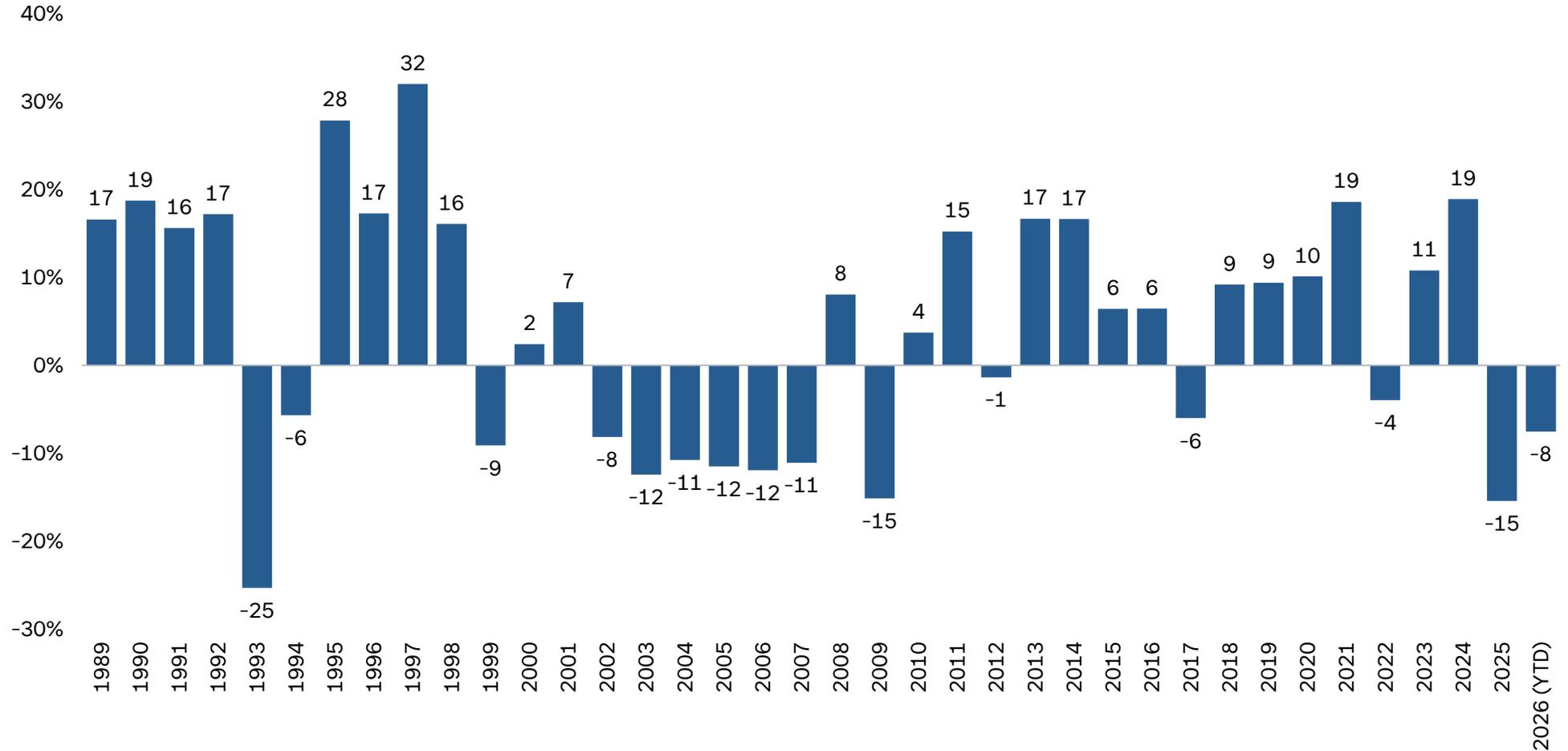
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# US Trailing Rest of World by Most Since 2009

## MSCI US YEARLY RETURN LESS MSCI ACWI EXCLUDING US YEARLY RETURNS

AS OF FEBRUARY 10, 2026



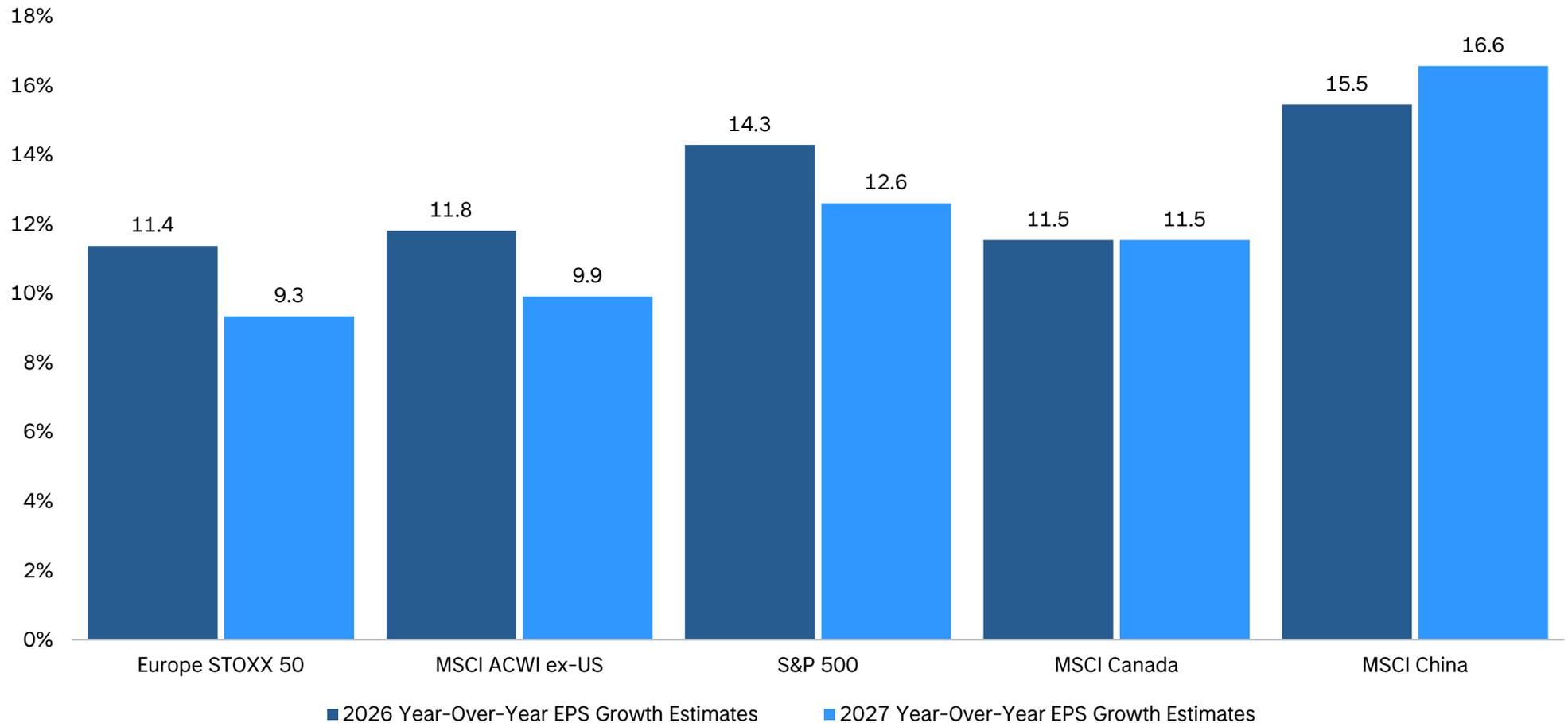
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# America's Growth Premium Is Narrowing

## AMERICA'S PROFIT GROWTH PREMIUM NARROWING

AS OF FEBRUARY 10, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet, consensus estimates

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# US Dollar Stable But RoW Outperformance Continues

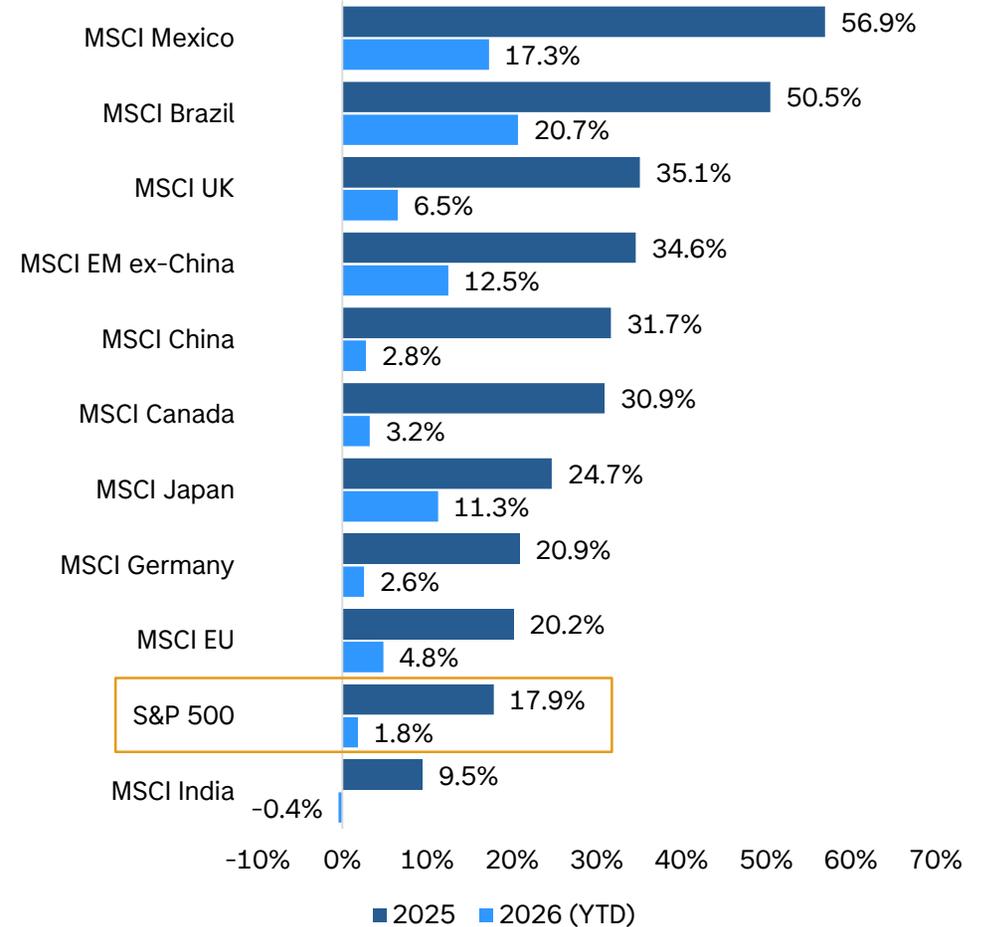
## US DOLLAR INDEX

AS OF FEBRUARY 9, 2026



## TOTAL RETURN BY REGION

AS OF FEBRUARY 9, 2026



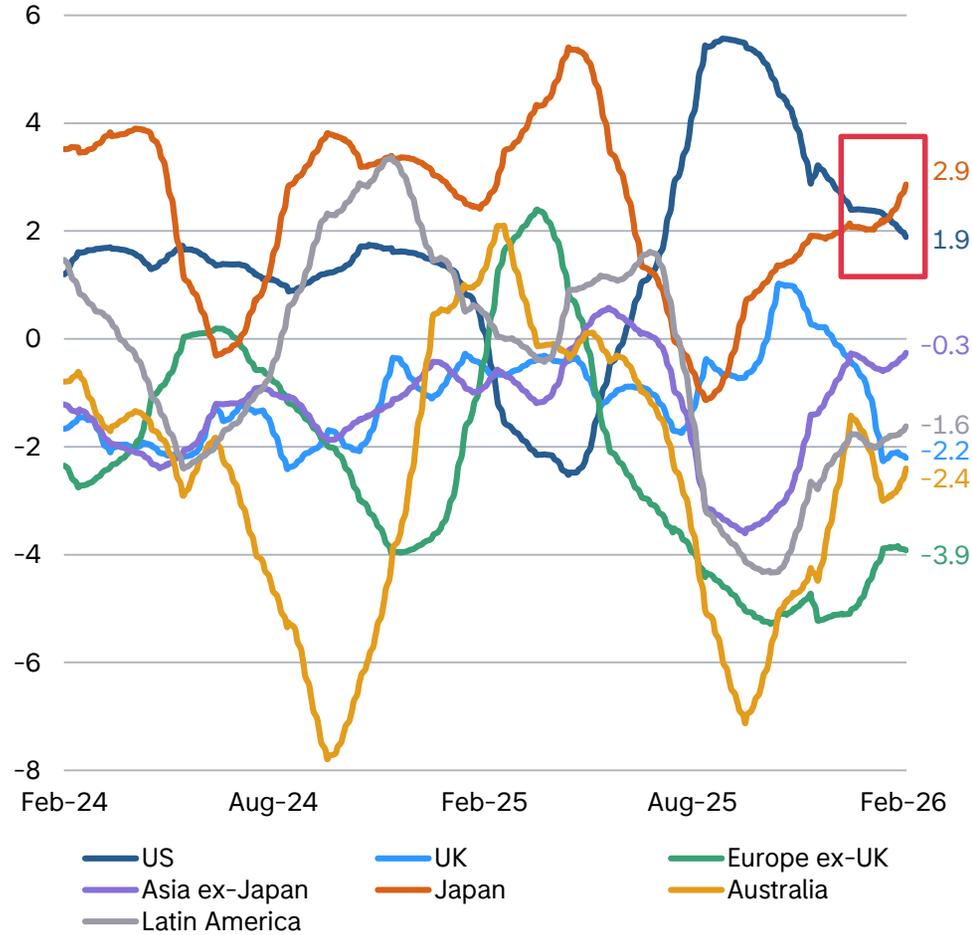
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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# RoW Is a Series of Attractive Stories

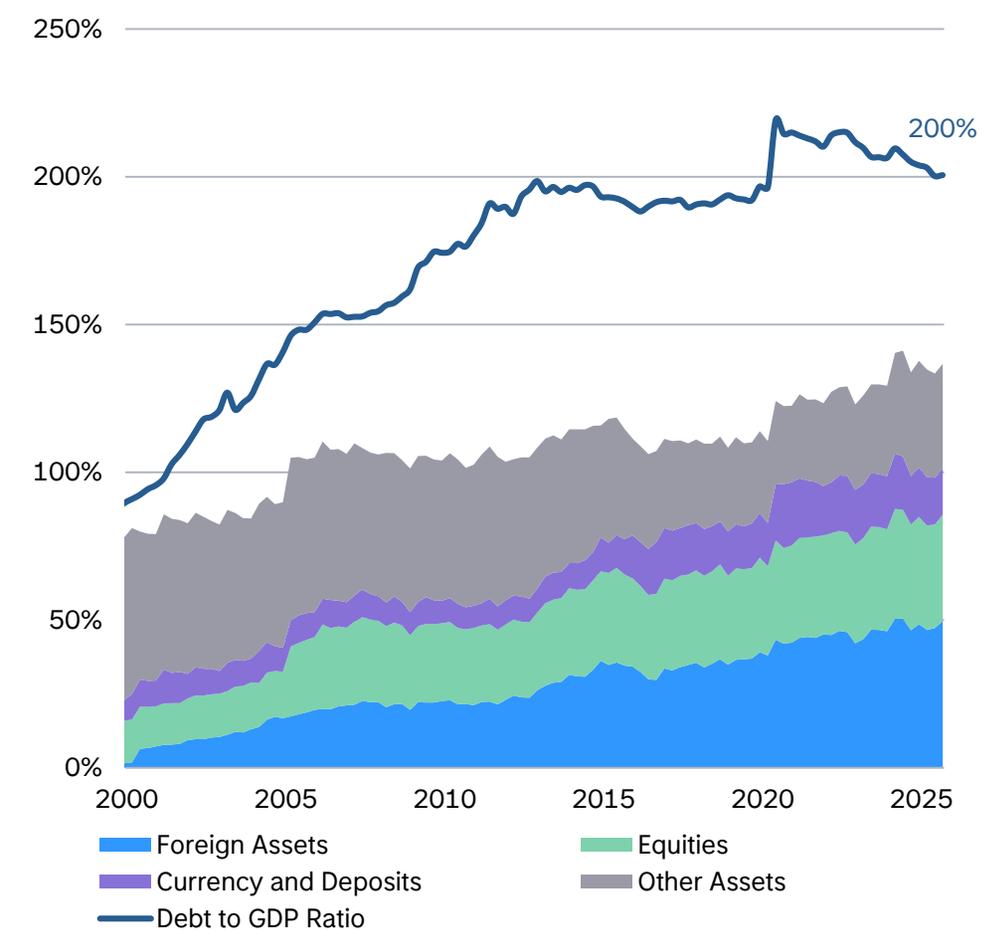
## RELATIVE EARNINGS MOMENTUM TO GLOBAL EQUITIES

AS OF FEBRUARY 10, 2026



## JAPAN GOVERNMENT ASSETS AS A SHARE OF GDP

AS OF DECEMBER 31, 2025



Source: Morgan Stanley Wealth Management GIO, Absolute Strategy Research, Bloomberg, Gavekal, Haver Analytics

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# Non-US Stocks Relatively Cheap; Fundamentals Good

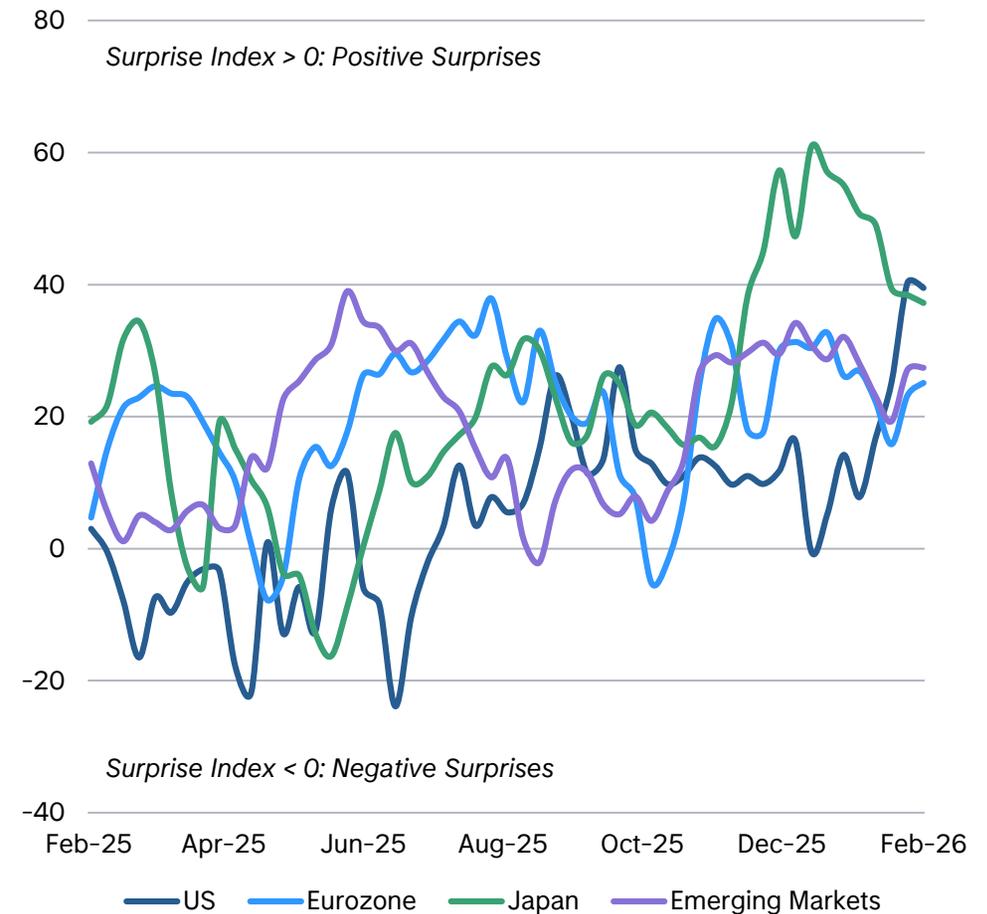
## GLOBAL EQUITY MARKET VALUATIONS AND EARNINGS

AS OF JANUARY 31, 2026

	MSCI Index	12-Month Forward P/E	12-Month Forward P/E Relative to:		Trailing Three-Yr.	12-Month Forward EPS	
		Current	History	MSCI ACWI	EPS Growth	Est. Growth	Revisions
<i>Developed Markets</i>	<b>US</b>	<b>22.1x</b>	1.3x	1.2x	6.6%	17.2%	0.7
	<b>Japan</b>	<b>19.0x</b>	1.2x	1.0x	11.5%	27.7%	4.7
	<b>Canada</b>	<b>17.4x</b>	1.2x	0.9x	0.9%	12.9%	1.8
	<b>UK</b>	<b>14.0x</b>	1.2x	0.7x	-7.3%	7.8%	2.9
	<b>Europe ex-UK</b>	<b>16.6x</b>	1.2x	0.9x	1.9%	11.7%	2.8
<i>Emerging Markets</i>	<b>China</b>	<b>12.2x</b>	1.1x	0.6x	6.1%	14.9%	-0.6
	<b>India</b>	<b>21.7x</b>	1.3x	1.1x	17.6%	21.5%	0.9
	<b>Taiwan</b>	<b>19.1x</b>	1.3x	1.0x	2.6%	21.7%	10.1
	<b>Korea</b>	<b>8.6x</b>	0.9x	0.5x	3.9%	28.3%	16.7
	<b>Latin America</b>	<b>11.9x</b>	1.0x	0.6x	-11.8%	13.2%	2.2

## CITI ECONOMIC SURPRISE INDEXES

AS OF FEBRUARY 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Global equity market valuation history is based on MSCI data since 2006. Revisions are changes in consensus estimates over the prior month.

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# Geo-Politics Are Creating Opportunities in EM

## Emerging Markets are likely to benefit from the positive combination of rising economic growth and falling inflation.

- China's global trade surplus continues to grow robustly, and they are exporting deflation. They have made up 100% of the volume lost to US trading and tariffs.
- EM is benefitting from stronger currencies, especially against the US dollar, which is flattering purchasing power.
- EM is benefitting from the materials and commodities boom.
- Cheaper oil is substantial positive for India and China.

## Tariffs are not likely to be a show-stopper in 2026.

- Supreme Court ruling will likely slow things as will mid-term election pressures.
- One-year China truce (after the elections).
- India probably emboldened by events.

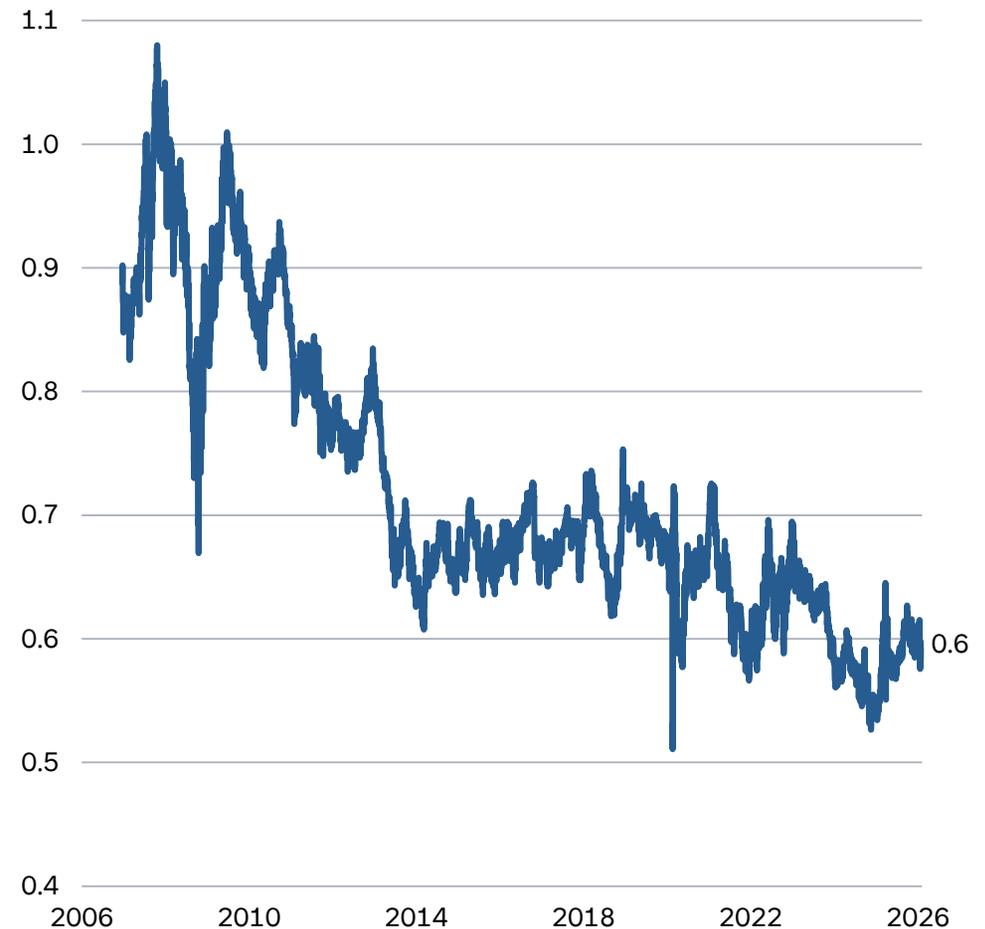
## EM will likely benefit from both China and US approaches to gen AI.

- China is open source and application specific; cheaper; lower power chips.
- US is energy intensive, with NVIDIA-centric architectures.

## The new Monroe Doctrine creates opportunities for US dollar investors in Latin America: China will likely fill other voids.

## EMERGING MARKETS FORWARD P/E RELATIVE TO S&P 500

AS OF FEBRUARY 10, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Risks Associated With Investing

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. **Please carefully consider the investment objectives, risks, charges and expenses of investment fund(s) before investing. The fund prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.** There is no assurance that investment funds will achieve their investment objectives. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Some funds also invest in foreign securities, which may involve currency risk. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Growth investing** does not guarantee a profit or eliminate risk. Growth stocks can trade at relatively high valuations which may increase risk compared with an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies deemed value stocks are able to turn around their business or successfully execute corrective strategies, and their stock prices may not rise as initially expected.

The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or value at maturity. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. Yields may change with economic conditions and should be considered alongside other factors when making investment decisions. Credit ratings are subject to change. **High yield bonds** carry additional risks, including increased risk of default and greater volatility due to lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes, though some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities (TIPS)** adjust coupon payments and underlying principal to compensate for inflation in line with the consumer price index (CPI). While the real rate of return is guaranteed, TIPS typically offer lower returns and may significantly underperform conventional U.S. Treasuries during periods of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The **Ultrashort-term fixed income** asset class consists of high-quality securities with very short maturities and is therefore still subject to the risks associated with debt securities such as credit and interest rate risk.

**Money Market Funds:** You could lose money in money market funds. Although government money market funds (defined as investing 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (defined as money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee doing so. The price of other money market funds will fluctuate, and when you sell shares they may be worth more or less than originally paid. Money market funds 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. A money market fund investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund and investors should not expect that the sponsor will provide financial support to the Fund at any time.

Investing in **Commodities:** Commodity prices may be affected by factors such as supply and demand, government policies, domestic or international political and economic events (including war or terrorism), changes in interest and exchange rates, trading activity in commodities and related contracts, pestilence, technological developments, weather, price volatility, and liquidity constraints. Physical precious metals are speculative, non-regulated products that may experience short- and long-term price volatility. Precious metals do not make interest or dividend payments and therefore may not be appropriate for investors who require current income. Precious metals must be stored, which may impose additional costs on investors.

**Master Limited Partnerships (MLPs):** Investments in MLPs are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity price fluctuations, supply

and demand imbalances, resource depletion and exploration risk. MLPs also carry interest rate risk and may underperform in rising interest rate environments. In addition, MLP funds accrue deferred income taxes on net operating gains and capital appreciation; as a result their after-tax performance could differ significantly from that of its underlying assets.

**Exchange Funds** are private placement vehicles that enable holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio. Investors may benefit from greater diversification.

**Alternative investments** are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They are appropriate only for eligible, long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They are often illiquid, may employ leverage, short-selling, or other speculative practices that increase volatility and risk of loss, and may require large minimum investments and initial lock-ups. Alternative investments may also involve complex tax structures, tax-inefficient investing, and delays in distributing important tax documents. Clients should consult their own tax and legal advisors, as Morgan Stanley Wealth Management does not provide tax or legal advice. They also typically carry higher fees and expenses than traditional investments, which can reduce overall returns.

**Sector investments**, due to their narrow focus, tend to be more volatile than broadly diversified investments. **Non-diversified portfolios:** Portfolios that hold a concentrated number of securities may experience greater overall declines when those securities lose value compared with more diversified portfolios. Portfolios that invest heavily in one or a few industry sectors are more vulnerable to price fluctuations than those diversified across a wider range of sectors.

**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 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 any 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.

**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. 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. 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.

For more information, please refer to additional Risks Associated With Investing here: [www.morganstanley.com/wealthbooks#risks-associated-with-investing](http://www.morganstanley.com/wealthbooks#risks-associated-with-investing).

#### Investment Advisory Programs

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. MSWM offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program. For more information, please see the Morgan Stanley Smith Barney LLC MSWM program disclosure brochure (the "Morgan Stanley ADV"). The Morgan Stanley ADV is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

**The Morgan Stanley Pathway Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios** that are discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or request from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Morgan Stanley Pathway Funds, visit the Funds' website at [www.morganstanley.com/wealth-investmentsolutions/cgcm](http://www.morganstanley.com/wealth-investmentsolutions/cgcm).

Generally, investment advisory accounts are subject to an **annual asset-based fee** (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a **Platform Fee** (which is subject to a Platform Fee offset) as described in the Morgan Stanley ADV. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. **Fees and expenses are charged directly to the pool of assets** the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the Morgan Stanley ADV.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's SMA programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instances, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported

on trade confirmations or account statements. Certain Sub-Managers have historically directed most, if not all, of their trades to outside firms. Information provided by Sub-Managers concerning trade execution away from Morgan Stanley is summarized at: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf). For more information on trading and costs, please refer to the **Morgan Stanley ADV** or contact your Financial Advisor / Private Wealth Advisor.

**GIMA Conflicts of Interest:** Our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by Global Investment Manager Analysis (GIMA) come from a variety of sources, including our MSWM Financial Advisors and their direct or indirect managers, and other business persons within MSWM or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, MSWM or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds or for which a portion of their clients' assets are already invested. Separately, certain strategies managed or sub-advised by us or our affiliates, including but not limited to MSIM and Eaton Vance Management ("EVM") and its investment affiliates, may be included in your account. See the conflicts of interest section in the applicable Morgan Stanley ADV brochure for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, MSWM, Morgan Stanley & Co. LLC ("MS & Co."), managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs.

MSWM, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all these companies from an account.

Morgan Stanley charges each fund family we offer a **mutual fund support fee**, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

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### Products and Services

**Annuities and insurance products** are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. Not all products and services discussed herein are available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. Since life and long-term care insurance are medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders. Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY.

**Lending products, including securities-based loans**, are offered by Morgan Stanley Smith Barney LLC (MSSB), Morgan Stanley Private Bank, National Association (MSPBNA), and Morgan Stanley Bank, N.A. (MSBNA), collectively referred to as "the Firm" as applicable. Borrowing against securities involves risk and may not be appropriate for all clients. Risks include maintenance calls, forced liquidation of securities, and potential tax consequences. The Firm reserves the right to change collateral requirements, decline funding requests, or call loans at any time. Products are distinct and subject to independent underwriting and approval. Rates, terms, and availability may vary.

**Residential mortgage loans and home equity lines of credit** are offered by MSPBNA, Member FDIC an Equal Housing Lender. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a MSSB or other brokerage account.** The pledged-asset feature allows eligible securities to be used as a substitute for a cash down payment. The pledged-asset feature allows eligible securities to be used as an alternative to a cash down payment. Clients must maintain collateral levels and may be subject to liquidation if requirements are not met. Interest-only and adjustable-rate mortgages (ARMs) carry specific risks, including payment increases and higher total interest costs. ARMs are based on the SOFR 30-Day Average. Relationship-based pricing is available based on eligible household assets held at the Firm.

**Cards and Cash Management:** Debit Cards offered through the Firm are issued by MSPBNA under license from Mastercard. American Express Cards offered through the Firm include the Platinum Card®, Blue Cash Preferred®, and the Morgan Stanley Credit Card. Eligibility requires an "Eligible Account" at the Firm. Cards are issued by American Express National Bank. Terms, conditions, and restrictions apply. The Greenlight App and Debit Card is provided by Greenlight Financial Technologies, not the Firm or any of its affiliates. The Morgan Stanley CashPlus is a brokerage account offered through MSSB. Conditions and restrictions apply. For more information, see the CashPlus Disclosure Statement.

**Deposit Products and FDIC:** Under the Bank Deposit Program, free credit balances held in an account(s) at Morgan Stanley Smith Barney LLC are automatically deposited into an interest-bearing deposit account(s) at FDIC-insured banks. Certain conditions must be met. For more information, view the Bank Deposit Program Disclosure Statement. The Savings and Preferred Savings Programs offer FDIC-insured deposit accounts at Morgan Stanley Private Bank, National Association, Member FDIC or Morgan Stanley Bank, N.A., Member FDIC. The Savings programs are not intended for clients who need to have frequent access to funds and those funds will not be automatically accessed to reduce a debit or margin loan in your brokerage account. Withdrawals are limited to 10 per calendar month, and excess withdrawals may incur fees. Promotional rates may be offered from time to time and are subject to change at any time.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking-related products and services.

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#### **Other General Disclosures**

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