WEALTH MANAGEMENT

GIC Insights

Monthly Perspectives – September 2026

Where We Are: Macro ***and*** Micro = Normalization

September 2026

August marked a stabilization of equity market rotation with the S&P 500 ending the month up roughly 3% as investors assumed renewed conviction in the AI trade and Tech leadership drew some interest. Specifically, very strong earnings from Mag-7 hyperscalers and processor manufacturers helped clarify that various paths to monetization were starting to take shape. An increasing understanding by investors that data center deployment is advancing along paths that ratify multiple hybrid architectures as enterprise adopters manage total per token cost revealed opportunities for open weight and frontier LLMs; application specific chips and GPUs. Alongside this development has been sustained market broadening supported by idiosyncratic themes. Health care outperformed on headline grabbing tech advances around biotech and cancer therapies. Financials found some bids around constructive regulatory developments and ongoing strength in capital markets activities, especially debt underwriting. And energy saw renewed engagement as oil prices reset indefinitely higher on the continuing uncertainty in Iran and the Strait of Hormuz.

- YTD through end of August, **the S&P 500 was up ~12.5% to 7,686 after hitting an all-time high mid-month at ~7,800.**
- **FY 2026 EPS growth is now expected to be close to 30% for the full year.** This is remarkable for a non-recessionary recovery. Since January, earnings estimates for 2026 FY have jumped by nearly 17% and 2027 forecasts are up another 19% to ~$350/sh and ~$405/sh, respectively. **The implication is the price to forward earnings ratio is down to 19.5x.**
- **What is most healthy is the return of RISK PREMIUMS. RESILIENCE OF THIS BULL HAS BEEN PROVEN THROUGH THREATS FROM OIL, RATES, POLICY UNCERTAINTY, THREATS OF HIKES. But all returns from here will likely be premised on earnings realization given extremely ambitious forecasts.**
- **Emerging issues are earnings and peaking growth rates. Second derivatives, which are apt to decline, matter for 2027.**
- **Since mid-August, breadth has deteriorated,** with the share of stocks above their 50 DMA falling from ~70% to 50%. This has meant that the relative outperformance of the equal-weighted S&P 500 index versus the cap-weighted benchmark saw some slowing momentum into month end.
- **But, stock-level dispersion and idiosyncratic risk remains very high and correlations are low**—favoring active stock selection strategies, especially hedge funds.

The biggest headwinds to stocks are macro policy risks:

- Developed market bond yields have surged to 20-year highs, especially for long duration borrowing. **Re-pricing of US Treasuries has left two-year yields near their YTD highs of 4.35%, the 10-year at close to 4.75%; and the 30-year roughly 10bps off 20-year highs of 5.25% has been at least three developments.**
- Critically, none of them really have to do with inflation fears—**as breakevens have been well behaved despite oil prices once again above $90/bbl; most of the action has been in rising real rates and widening term premiums.**
- **An explosion in global issuance**, especially in the investment grade bond market linked to AI-related financings (more than $210 billion for Tech), which alongside overall record industry issuance has seen hyperscaler and tech spreads widen by more than 50bps YTD. Such competition alongside global fiscal largesse—the US debt pushing through the $40 trillion milestone in the month—has commanded higher real rates and term premiums, **especially as investors consider US annual interest costs topping $1 trillion/year and annual deficits forecast to continue running at 5-6%/year through the end of the next decade.**
- **Sudden activism of US Treasury Secretary Bessent,** who on the last day of July pursued an unprecedented **$60 billion intervention into the yen currency markets,** and three weeks later announced intentions to increase buybacks of long duration bonds to "improve market efficiency." These actions suggested concern and uncertainty and while they may have reduced "short sellers" in the market, contributed to wider term premiums as investors began to appreciate that natural demand for duration from "price insensitive buyers" like the Fed and foreign central banks along with insurers and pension funds might be fading for the first time in a decade. **Potential USD has reawakened interest in gold and Bitcoin…both up over the month.**
- **Fed Chair Warsh's appearance at Jackson Hole,** where he was focused on convincing markets of his inflation-fighting bona fides, but whose hawkishness came with an increase in probabilities of a 25-bp rate hike by December to 100% and a much flatter yield curve. **Higher rates are unlikely to upend the AI capex binge but could exacerbate the K-shaped economy—hitting bank lending, small businesses dependent on variable rate financing, and of course, the housing market**.
- **The ongoing risks from tariffs, mid-term elections, and the US-Iran conflict cements our thematic thesis around RESOURCE NATIONALISM**.

The next 12 months could ultimately deliver roughly another 7%-10% upside potential for the S&P 500 based on the embedded strength of earnings to MS & Co.'s 12-month target of 8,300. Our watch words for 2026 portfolio construction and asset allocation are diversification, active risk management, preference for high- balance sheets and pricing power, and maximum selectivity and stock picking.

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.

What We Forecast: Mid-Cycle Expansion Matures

September 2026

2026E US GDP Growth	
Real	2.2%
Nominal	5.8%

2026E US CPI
3.4%

Federal Funds Rate
3.50%-3.75%

Two-Year/10-Year US Treasury Yield
3.75%/4.25% *2s10s slope to 50 bp*

2026E Global	
GDP	3.3%
Inflation	2.7%

2026E US Dollar	
1H	-1%
2H	+1%
US Dollar Index (DXY) @ 96	

2026E/2027E S&P 500 Earnings	
MS & Co.	$339/$380
Consensus	$361/$416
MS & Co. 2026 Growth: 23% *Consensus: 32%*	

Price/Earnings Multiples	
Current	19.5x
Forecast	20.5x
Fair Value	17.8x

S&P 500 trades toward 8,300 (MS & Co.'s base case annual target price)

Source: Morgan Stanley Wealth Management GIO.

Current Key Controversies

September 2026

1. US Real Rates and the New Fed Chair

- Two-year and 10-year real rates at multi-year highs reflect a re-pricing of the neutral policy rate informed in part by "run it hot" fiscal policy and AI/productivity driven growth step up; 30-year Treasuries at 20-year highs reflect global phenomenon around increasing capital demand
- New Fed Chair Warsh will make changes to policy response function, eliminating forward guidance and reducing balance sheet dependence introducing bond market volatility and term premiums; 10-year term premium at 15-year highs; normalization is healthy for curing K-shaped distortions
- 2% inflation target is secure for now and pricing of hikes is overdone**; we see rates lower by 25-40bps over the next six months versus 1.5 hikes currently priced**

2. AI Cycle evolution: We Are Officially Mid-Cycle Now

- Spending is accelerating even further and FCF growth of Mag-7 has gone negative; But markets starting to price unsustainability and **peak pricing for semis and "picks and shovels;" skepticism and revaluation is HEALTHY**
- Data center engineering is accelerating toward hybrid solutions; competition is intensifying; GPUs versus TPUs/ASICs favor hyperscalers with dominant cloud businesses
- LLMs business models dynamically reassessing monetization models; Chinese open source/open weight options are rapidly gaining share as TokenMaxxing morphs toward token cost management
- Ecosystem is increasingly using debt and interconnected vendor financing
- IPO "capacity" is a potential crowding factor

3. Market Broadening; Sector Rotation and Extreme Dispersion=ACTIVE MANAGEMENT

- Churn is curing over-valuation, over concentration, and excessive dependence on momentum; good for cyclicals and value factors; AI adopters potentially new leadership
- Retail participation, use of levered ETFs needs continued monitoring as risk factor
- Hedge fund and active manager paradise; Widest stock level dispersion in 30 years

4. The Consumer and K-Shaped Economy

- Low-end consumer is pressured by **sub 0% real income growth**
- **The savings rate appears sub-par at 3.0%;** Tax refunds to go to debt pay down and catch up on rising delinquencies in credit cards, student loans, auto, and mortgage
- **Labor market appears unstable**—slowing wage growth (3.2%); weak new job openings; falling participation rates
- Wealth effects may be swamping income effects

5. Corporate Margins: A Productivity Renaissance?

- Equity market performance has begun to deconcentrate, but contributions to S&P 500 earnings growth have not; **sector skews, pricing skews, and circular financing "other income" contributors are distorting earnings ""**
- 2027 consensus for the S&P 500 is for ~$405/sh in earnings; with earnings growth decelerating to ~15% from current 30% rate
- Beyond deceleration—expectations are ambitious with a disproportionate share of growth coming from operating leverage. Operating margins are expected to continue to record highs-close to 21.5% EBITs in 2026; 22% in 2027.
- Economically measured productivity has turned up but remains in the mid 2%/year range; much still depends on execution

6. Mideast Conflict, Inflation Dynamics...Only Supply Shocks?

- Iran conflict is once again a source of instability
- Core PCE 3.3%; Core CPI 2.6%; wages cool but import and AI demand linked prices; ISM Prices Paid indices are not easing...this could stay sticky
- **Oil spot has once again $90/bbl**; **December oil futures are at $85 up from $70;** SPRs are exhausted and China imports could resume
- Trump tariffs remain additional risk (Canada, Mexico, China)
- Money growth is robust, M2 >6%/yr; bank lending >8%/year

7. US Treasury Currency Market Intervention

- Coordinated yen/USD intervention aimed at strengthening yen key to market stability
- BoJ rate hikes and NOT intervention are most effective to strengthen yen
- Japanese investors are largest owner of US Treasuries ($1.1 trillion) by factor of 2x; Bessent needs to preserve their commitment
- Squeeze out carry trade speculators; preview BoJ hiking actions

8. ROW Catch-Up Trade

- American Exceptionalism trade has lagged for 18 months; see that continuing on relative upside economic surprises; China stabilizing and gaining in AI
- Stabilization of global oil prices positive especially for Europe and Asia; LatAm appears most insulated; we like Brazil, India, and Japan
- Multi-polar themes and Monroe Doctrine gamechangers
- Ceasefire in Iran may mean historic "loss" for America with new alliances and asymmetry of war a reality
- Major global inflection in multipolar dynamics; Implications for trade, Taiwan, super power warfare, NATO, OPEC, and RESOURCE NATIONALISM

Source: Morgan Stanley Wealth Management GIO

GIC Portfolio Positioning

September 2026

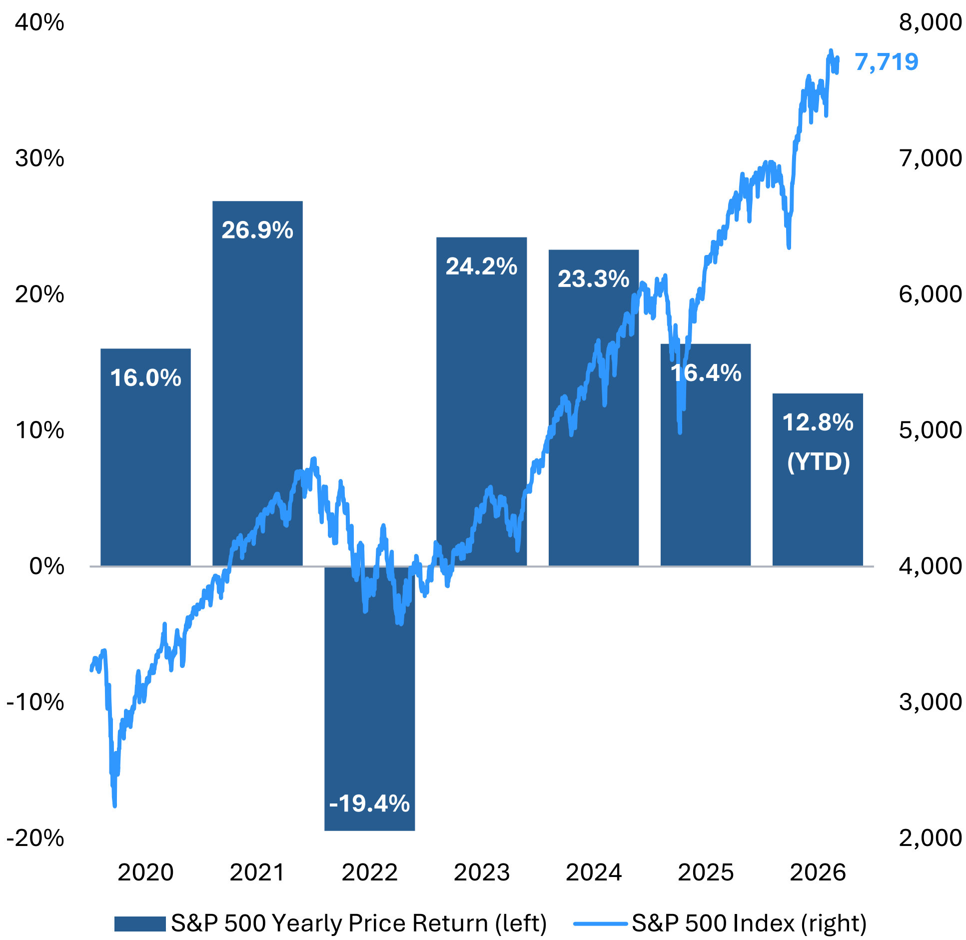
- **The GIC recommends exploiting extreme dispersion to focus on large-cap equities and non-US exposure that will best weather policy uncertainty, volatility, slowing, but non-recessionary growth, and sticky inflation in 2026.**
  - Magnificent Seven relative valuations have materially improved.
  - Market action suggests is cheap.
  - cash flows will matter in a re-leveraging cycle; we are style-neutral.
  - Large-cap over small-cap; indices deconcentrate.
- **2026 is a mid-to-late-cycle year where stock selection favors returns to larger, capex-exposed players with pricing power.**
  - **Potential total portfolio return to averages ~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...maximum 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; **Selling Semiconductors**
  - **Underweight** unprofitable tech and small caps.
  - **Balance equal-weighted index exposure with cap-weighted exposure;** max active management at 50% of US equity mix; Mag-7 selectivity.
  - Prefer cyclicals; GARP: financials, energy, domestic industrials, health care, media; we are cautious on consumer.
  - **Adding large cap value,** which benefit from broadening.
- **Rest of World Equities: Underweight**
  - **Overweight Japan**, Brazil and India favored longer-term secular positions.
  - **Slight Overweight** EM ex-China; **Market Weight** China; **LatAm highest conviction. Take profits in EM semiconductors.**
  - **Underweight** In Europe, focus on global brands and secular growth themes in defense, construction, engineering, and infrastructure.
- **Fixed Income: Slight Underweight; the GIC is adding fixed income exposure and targeting a neutral duration relative to the benchmark.**
  - Prefer rates and munis over corporate IG.
  - Adding to belly 2-7 years. Moving to neutral duration versus the benchmark.
- **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
  - Market Weight Macro
- **Privates: Market Weight**
  - Prefer infrastructure and real assets.
  - **Adding** to 2026 vintages of venture capital and growth equity.
  - **Adding** equity secondaries.
  - **Adding** private credit ABS and distressed/special situations only.
  - **Underweight** PE buyout and PC direct lending.

Source: Morgan Stanley Wealth Management GIO

Four-Year US Equity Bull Market Intact; But Relative Global Performance Lagging

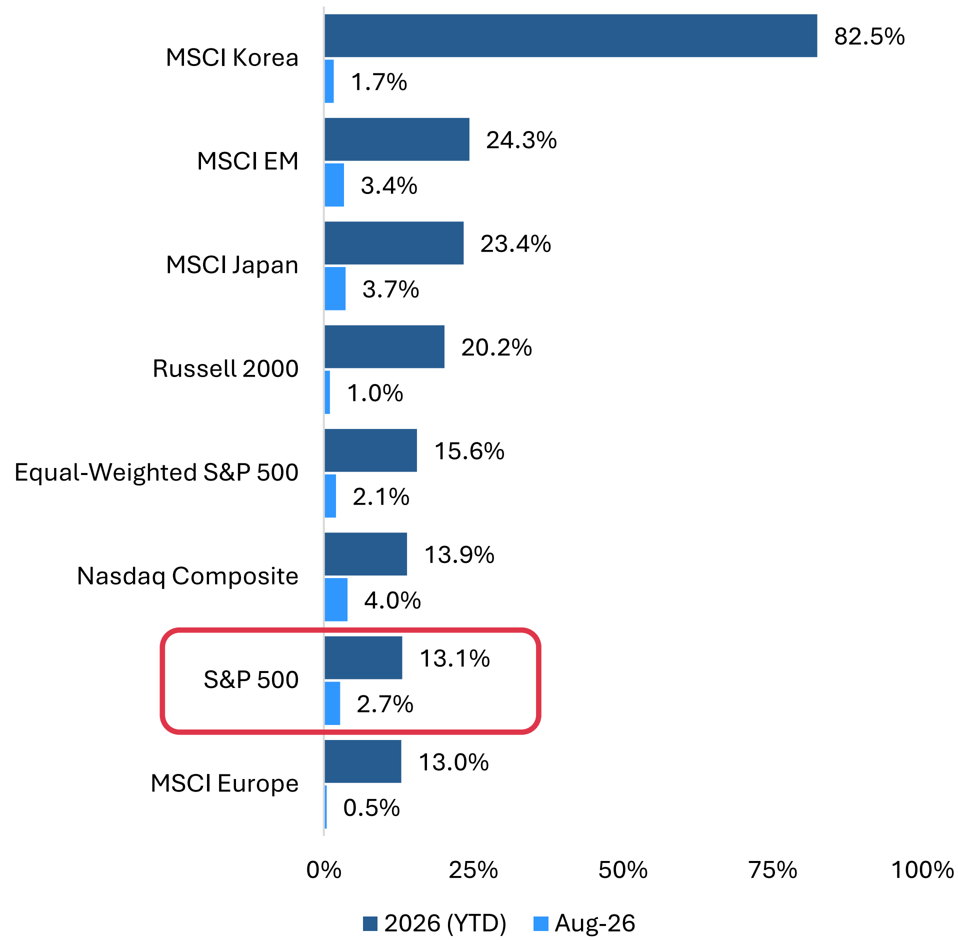
S&P 500 INDEX PRICE PERFORMANCE

AS OF SEPTEMBER 4, 2026



2026 YEAR-TO-DATE TOTAL RETURN

AS OF SEPTEMBER 4, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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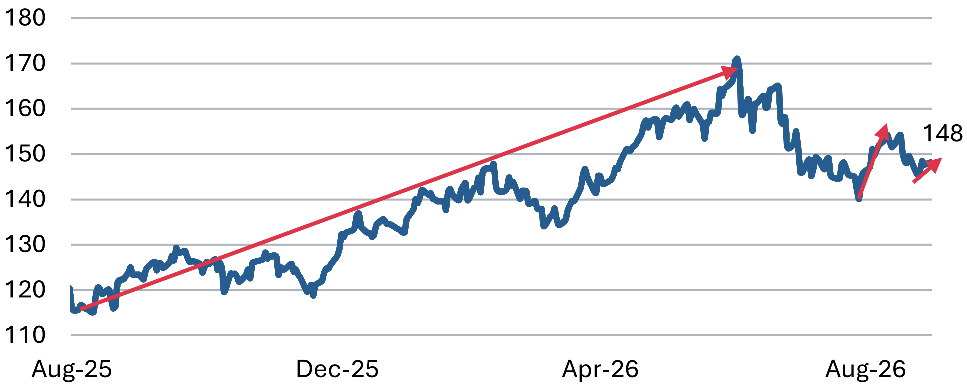
Rotational Dynamics Slowed in August

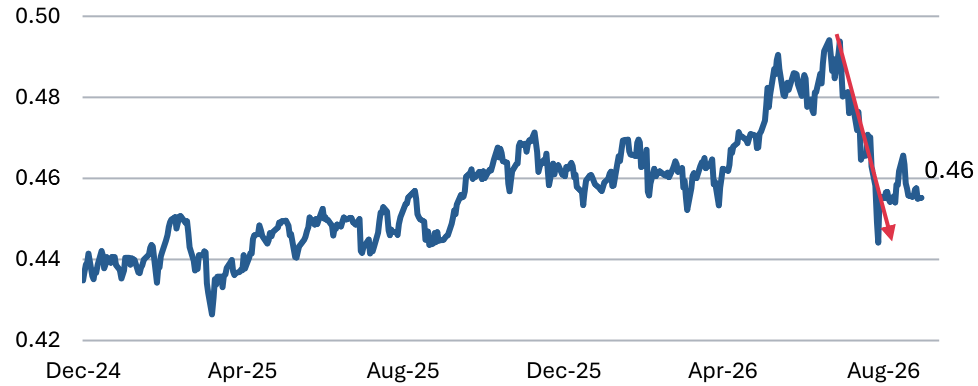
MORGAN STANLEY CYCLICALS RELATIVE TO DEFENSIVES

AS OF AUGUST 31, 2026



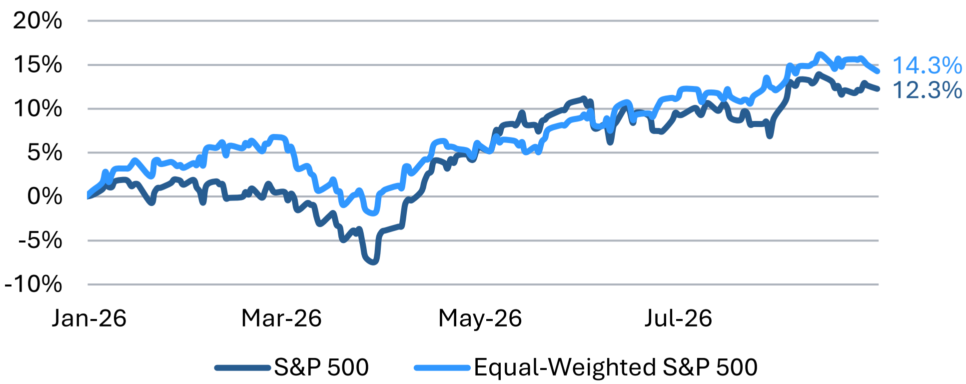
US MOMENTUM FACTOR RELATIVE TO VALUE FACTOR

AS OF AUGUST 31, 2026



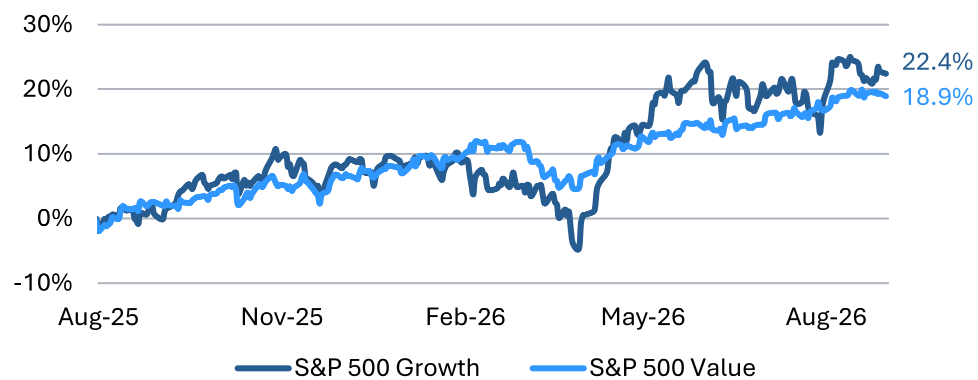
S&P 500 VS. EQUAL-WEIGHTED S&P 500

AS OF AUGUST 31, 2026 (DECEMBER 31, 2025 = 0)



US LARGE-CAP GROWTH VS VALUE

AS OF JULY 31, 2026 (JUNE 30, 2025 = 0)



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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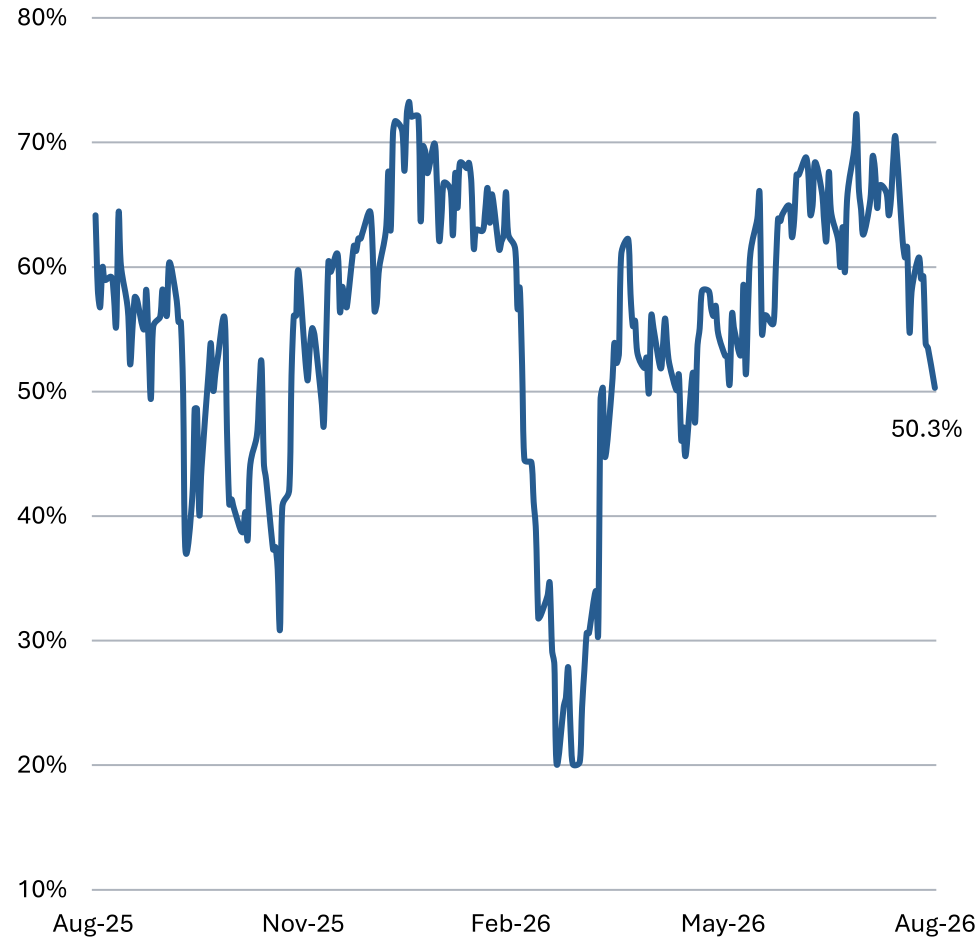
As Tech Re-Bid and Breadth Pulled Back

SECTOR AND INDUSTRY SELECT METRICS
AS OF AUGUST 31, 2026

	Total Return		12-Month Forward P/E Ratio		Current P/E Ratio Premium /Discount to 20-Year Avg.
Sector / Group	Aug-26	2026 (YTD)	Current	20-Year Avg.	
Information Technology	6.2%	22.9%	20.8x	18.9x	+10.0%
Communication Services	-1.2%	0.1%	16.9x	15.5x	+9.1%
Consumer Discretionary	0.0%	0.0%	22.3x	20.5x	+9.0%
Consumer Staples	-0.7%	9.6%	21.5x	18.1x	+18.4%
Energy	7.0%	44.2%	14.5x	24.6x	-41.1%
Financials	1.3%	6.2%	15.6x	13.1x	+19.0%
Health Care	4.9%	11.1%	18.9x	15.3x	+23.9%
Industrials	-2.6%	13.6%	23.8x	17.3x	+37.4%
Materials	6.0%	16.7%	18.0x	16.3x	+10.5%
Real Estate	-1.9%	12.2%	35.6x	39.3x	-9.6%
Utilities	-4.8%	0.3%	16.4x	16.1x	+1.6%
S&P 500	**2.7%**	**13.1%**	**19.4x**	**16.6x**	**+16.9%**
Magnificent Seven	4.4%	4.8%	23.1x	27.9x	-17.2%
Software Industry	13.6%	4.8%	26.7x	21.5x	+24.0%

SHARE OF S&P 500 STOCKS TRADING ABOVE 50-DAY MOVING AVG.
AS OF AUGUST 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

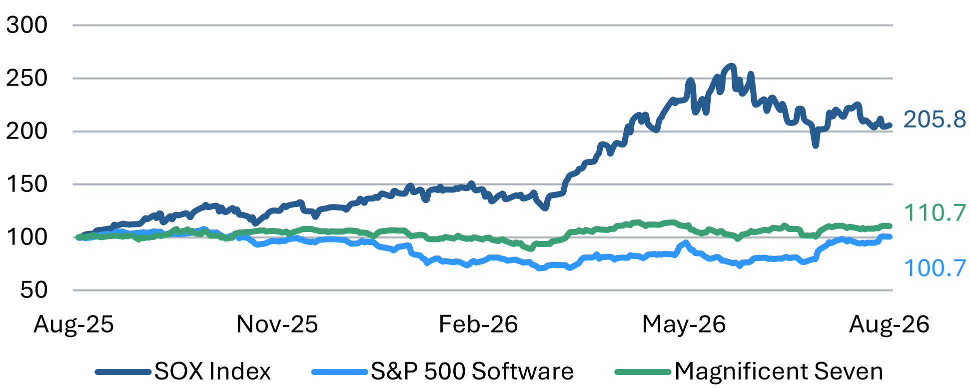
After Suffering Earlier in 2026, Software and Big Tech Continued a Multi-Month Rebound in August

S&P 500 SOFTWARE INDUSTRY INDEX

AS OF AUGUST 31, 2026

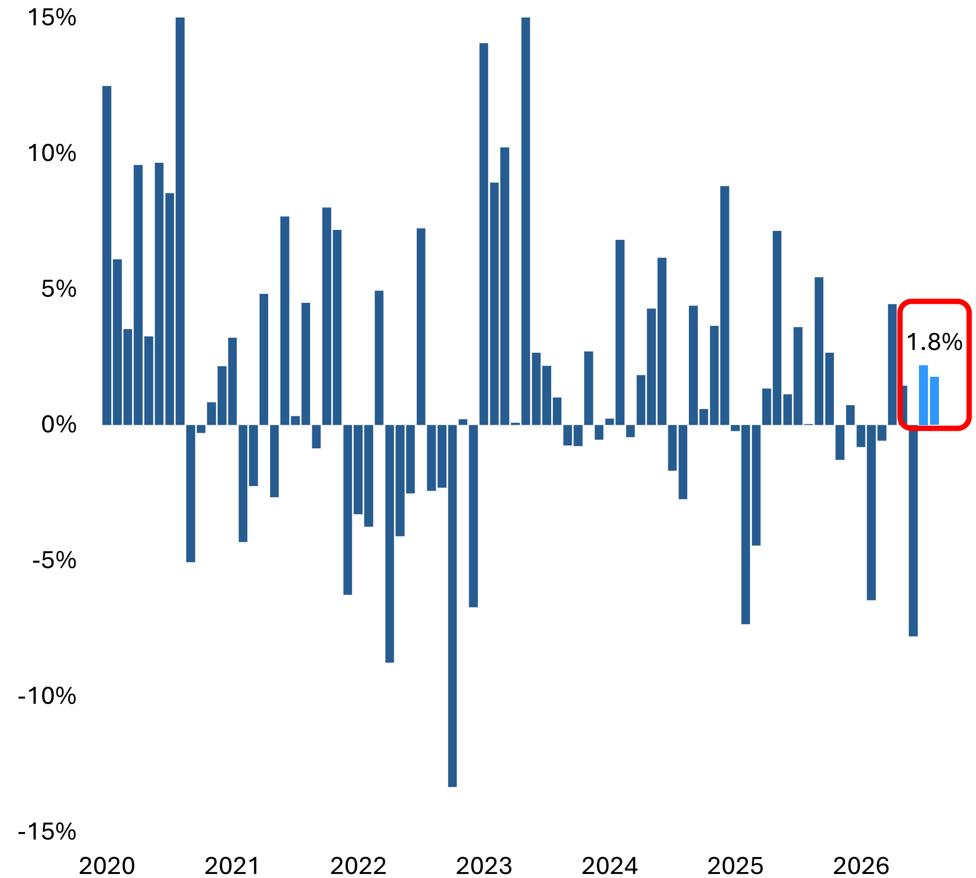
SEMICONDUCTORS VS. SOFTWARE VS. MAGNIFICENT SEVEN

AS OF AUGUST 31, 2026 (AUGUST 31, 2025 = 100)



MAGNIFICENT SEVEN MONTHLY OUTPERFORMANCE TO S&P 500

AS OF AUGUST 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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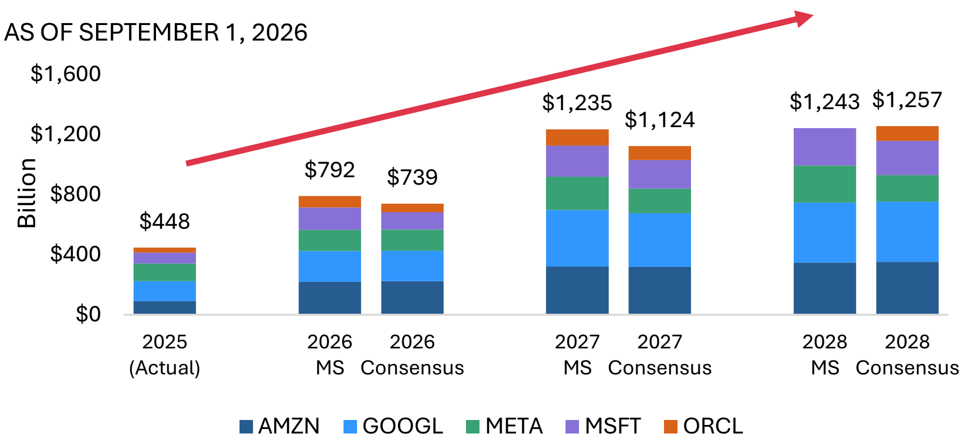
Within Tech, the Debate Around Capital Spending Is Intensifying

HYPERSCALER CAPEX ESTIMATES

AS OF SEPTEMBER 1, 2026

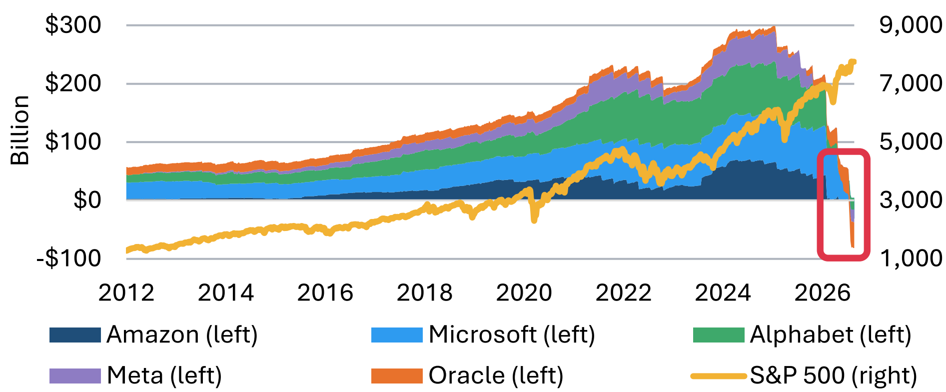


MS & CO. CAPEX-TO-SALES FACTOR PERFORMANCE

AS OF SEPTEMBER 1, 2026

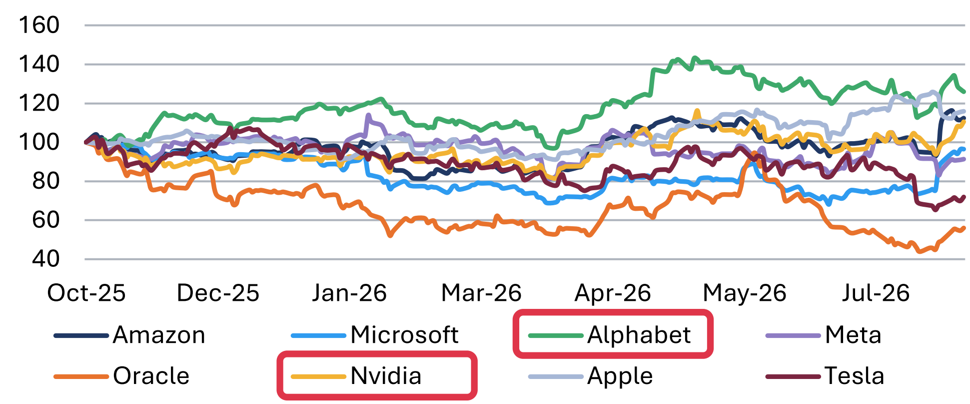
FREE-CASH-FLOW, FORWARD 12-MONTH CONSENSUS EST.

AS OF AUGUST 31, 2026



HYPERSCALER PERFORMANCE DISPERSION

AS OF AUGUST 31, 2026 (OCTOBER 31, 2025 = 100)



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

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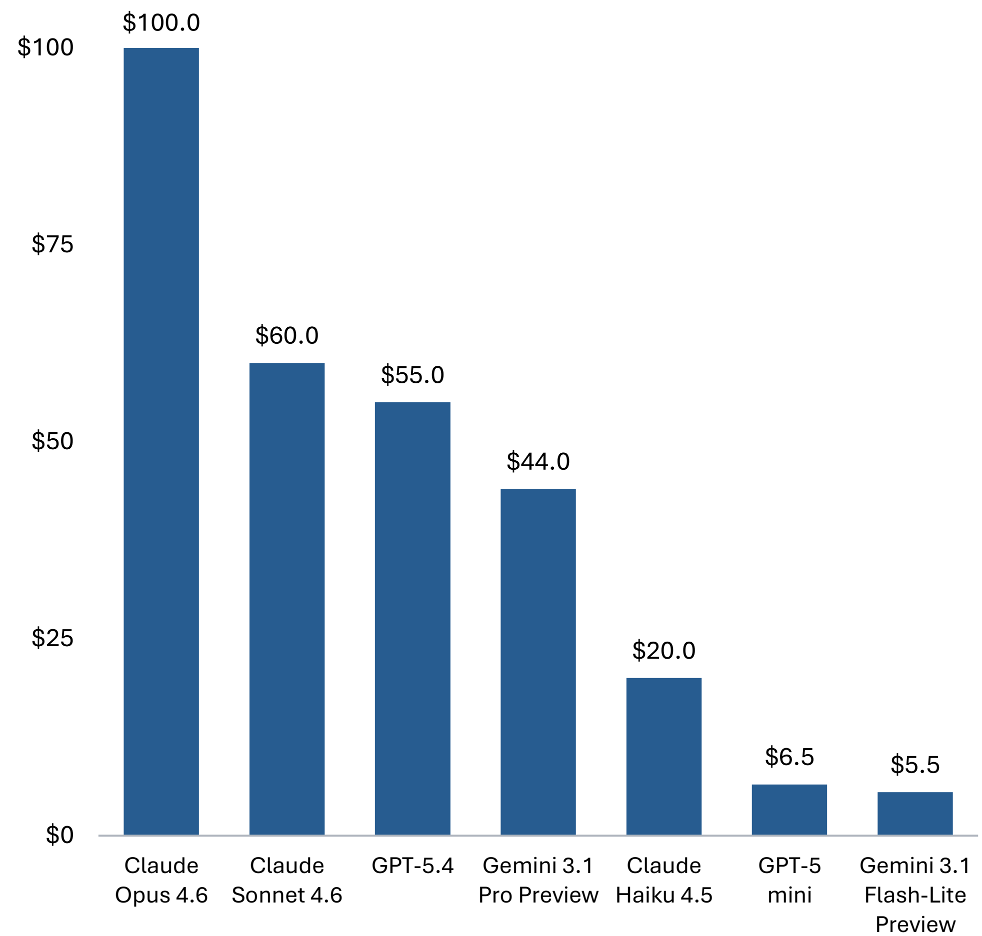
We Sense the AI Deployment Narrative Is Shifting, as Prices Tumble Amidst Expanding Umbrellas

SILICON DATA LLM TOKEN EXPENDITURE INDEX

AS OF AUGUST 31, 2026

COST PER 10M-INPUT + 2M-OUTPUT TOKEN WORKLOAD

AS OF AUGUST 31, 2026

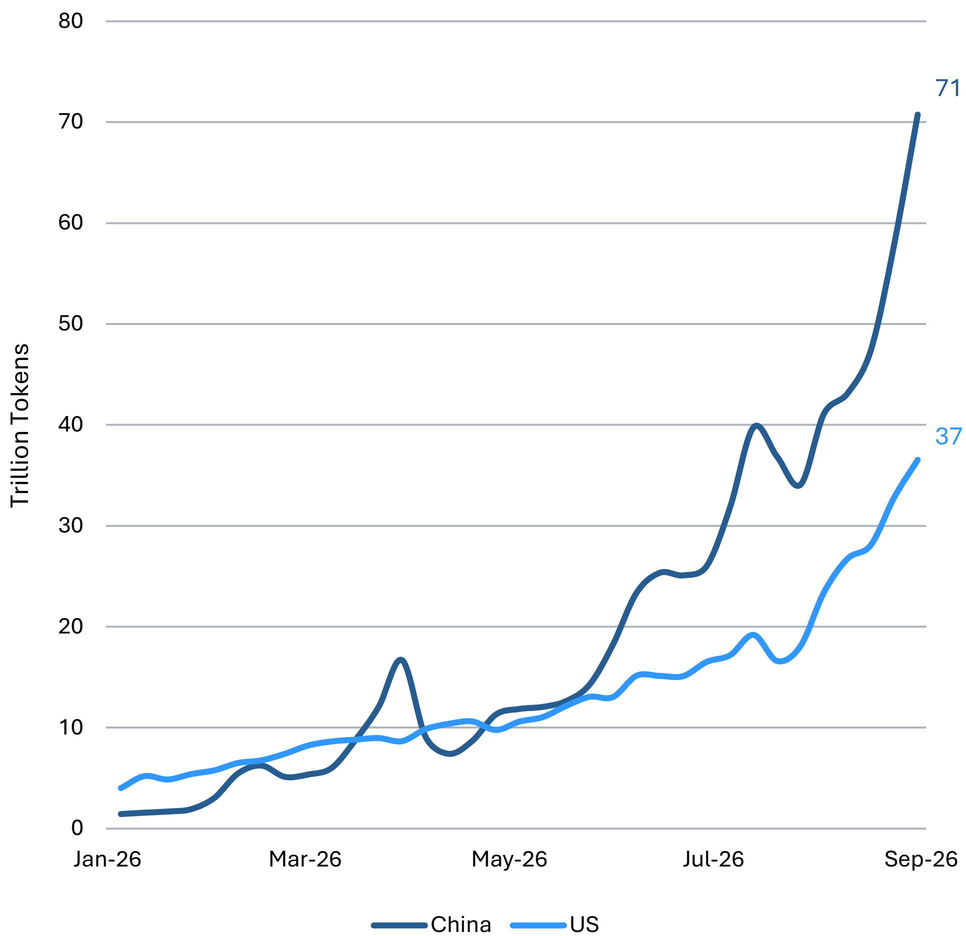


Source: Morgan Stanley Wealth Management GIO, Bloomberg, Empirical Research Partners, Silicon Data

With Adoption of Chinese Open-Source Models and Hybrid Rack Architectures Increasing

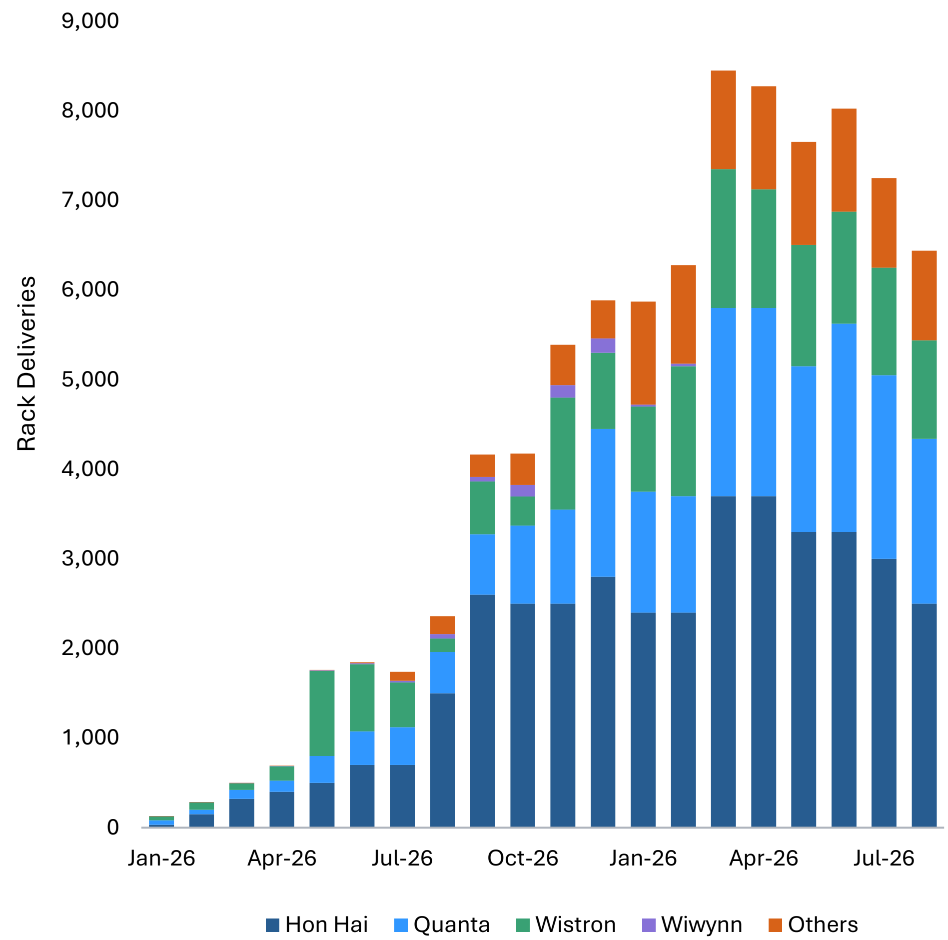
WEEKLY USAGE OF TOP NINE AI MODELS ON OPEN ROUTER

AS OF AUGUST 31, 2026



GB200/300 NVL72 RACK, MONTHLY OUTPUT

AS OF AUGUST 31, 2026



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

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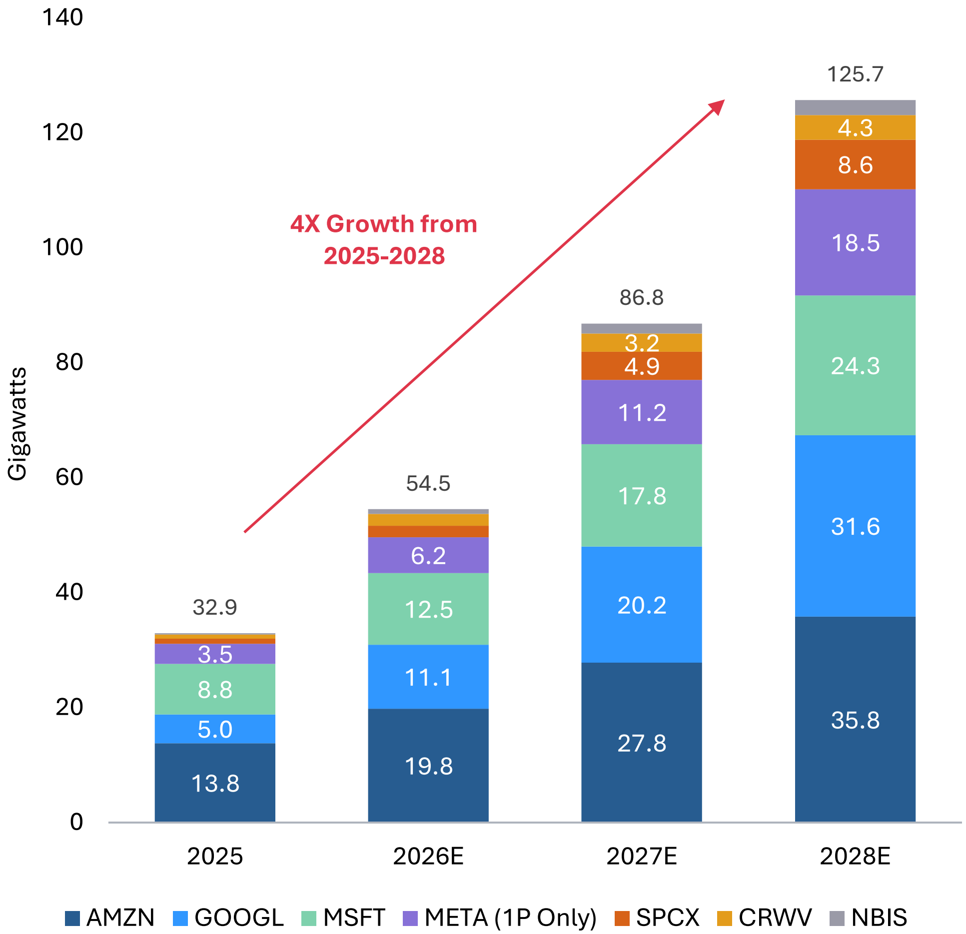
And ASICs Taking Share From GPUs

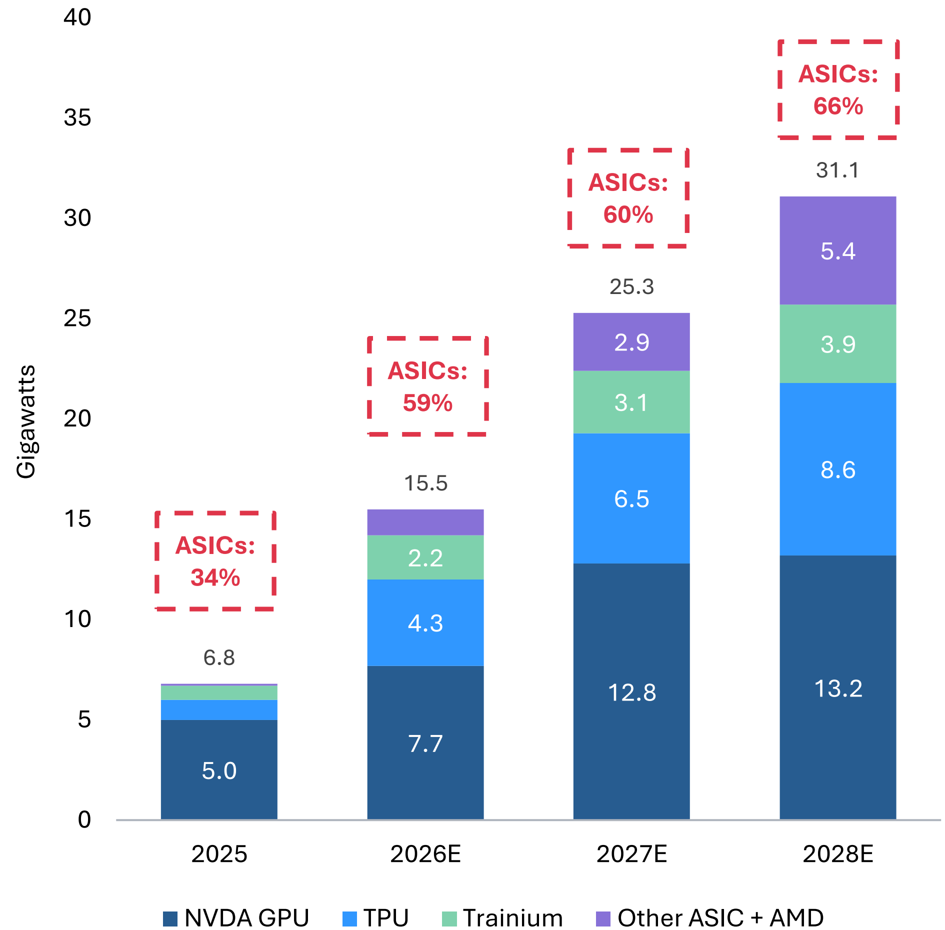
HYPERSCALER TOTAL CAPACITY

AS OF AUGUST 31, 2026



HYPERSCALER CAPACITY ADDITIONS BY CHIP TYPE

AS OF AUGUST 31, 2026

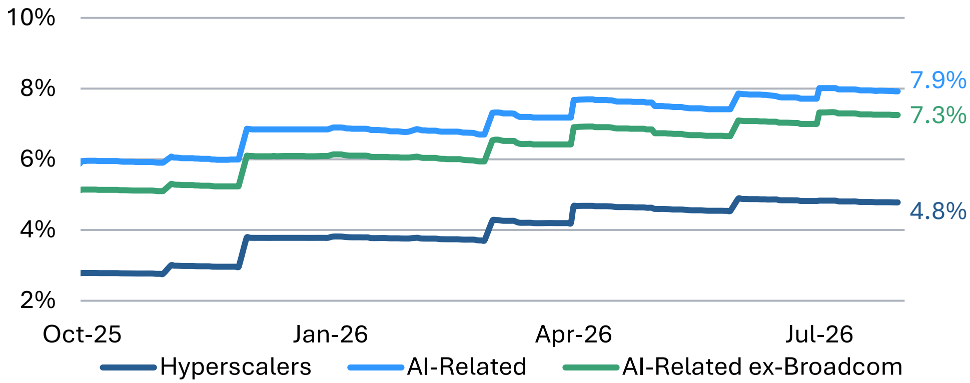


Source: Morgan Stanley Wealth Management GIO, MS & Co. Research estimates

Credit Spreads Stable Except in Tech, Where Issuance Has Ballooned

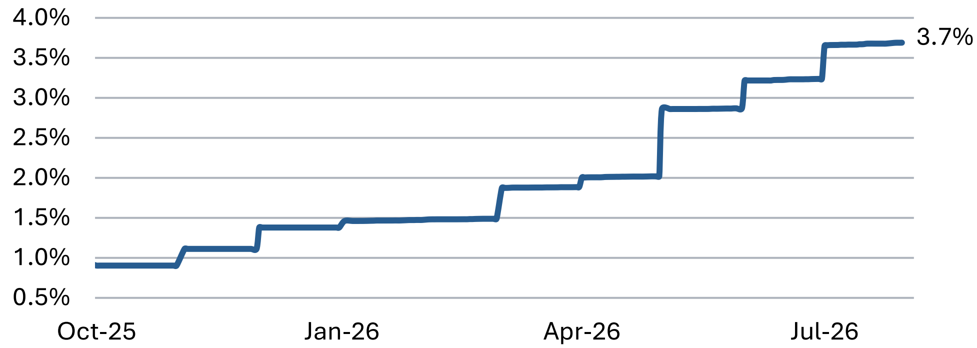
SHARE OF INVESTMENT GRADE CORPORATE CREDIT INDEX

AS OF AUGUST 31, 2026



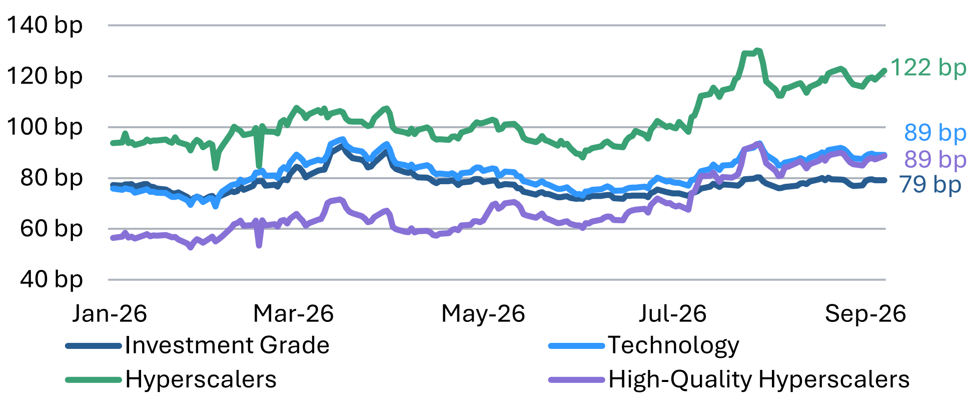
DATA CENTER DEBT AS A SHARE OF HY CORPORATE CREDIT INDEX

AS OF AUGUST 31, 2026



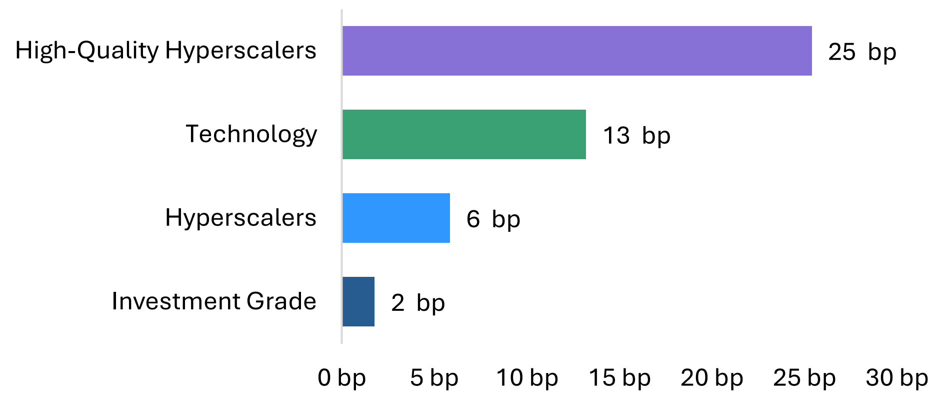
OPTION-ADJUSTED SPREAD (OAS)

AS OF SEPTEMBER 7, 2026



YEAR-TO-DATE CHANGE IN OPTION-ADJUSTED SPREAD (OAS)

AS OF SEPTEMBER 7, 2026



Source: Morgan Stanley Wealth Management GIO, MS & Co. Research. Option-adjusted spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

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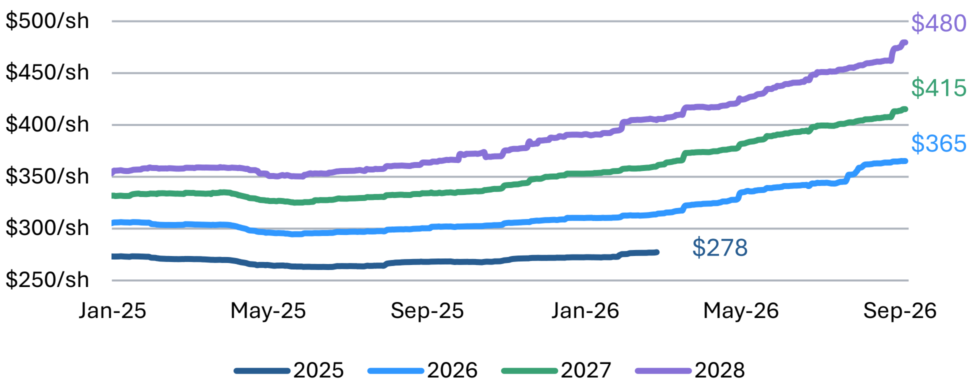
Earnings Revisions Remain Strong

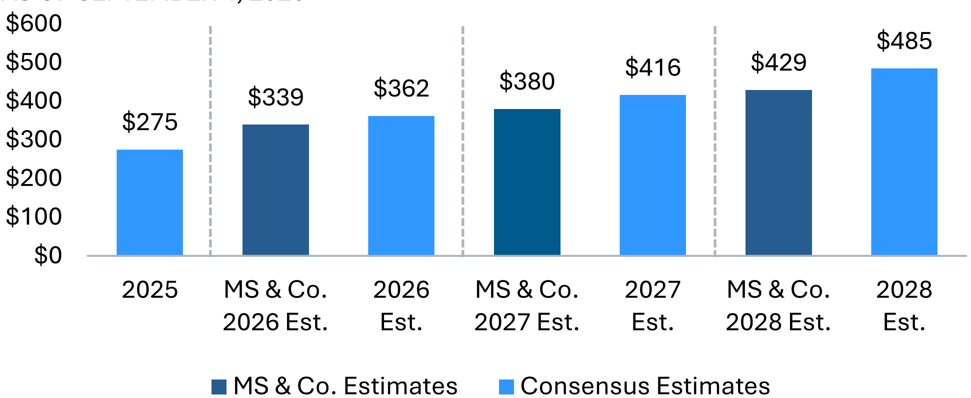
S&P 500 EARNINGS ESTIMATES

AS OF SEPTEMBER 4, 2026



S&P 500 EARNINGS ESTIMATES: MS & CO. VS. CONSENSUS

AS OF SEPTEMBER 4, 2026



S&P 500 EARNINGS REVISIONS BREADTH

AS OF SEPTEMBER 4, 2026

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

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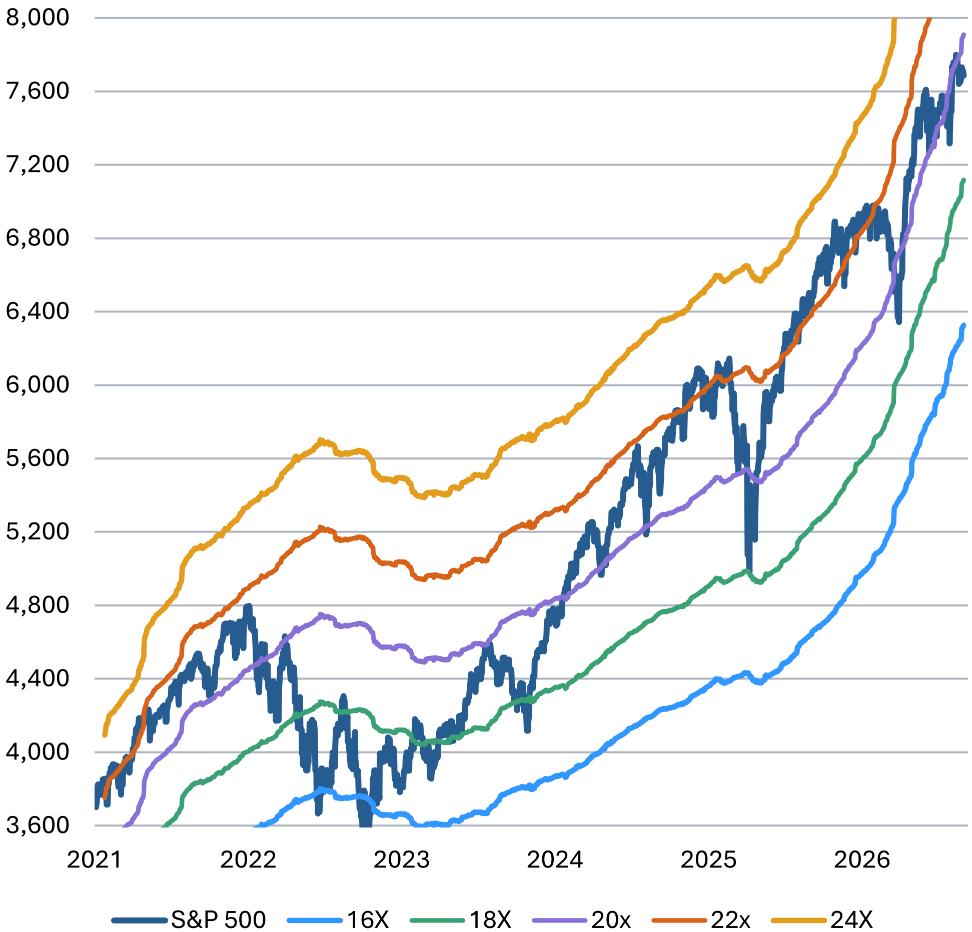
So Multiples Have Compressed by Two and a Half Turns

S&P 500 BY FORWARD P/E MULTIPLE

AS OF AUGUST 31, 2026



S&P 500 FORWARD 12-MONTH P/E RATIO

AS OF AUGUST 31, 2026

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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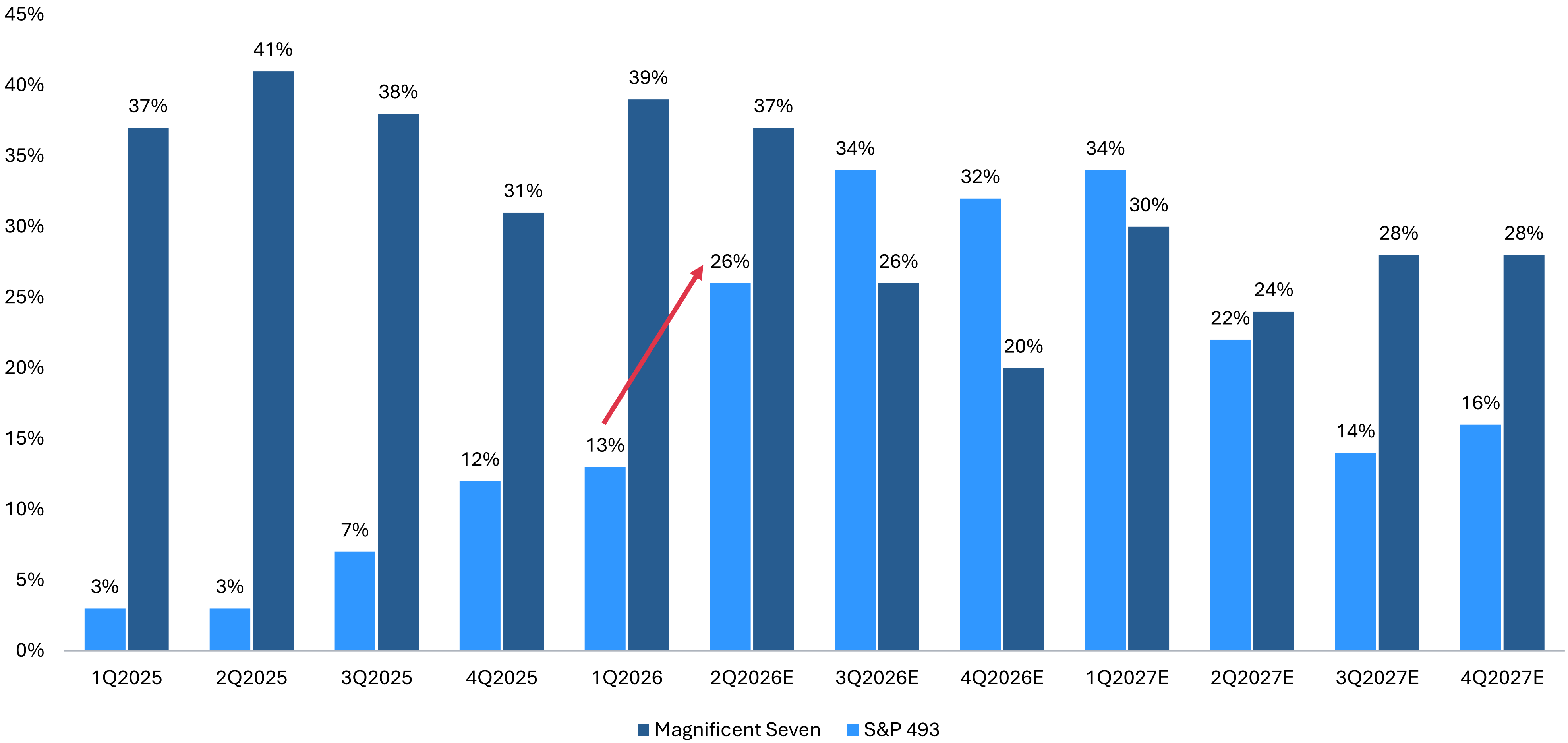
Near Term Depends on Broadening Thesis for “493” Profit Growth Reacceleration

MAGNIFICENT SEVEN AND S&P 493 EPS, YEAR-OVER-YEAR GROWTH

AS OF SEPTEMBER 8, 2026



Source: Morgan Stanley Wealth Management GIO, Strategas

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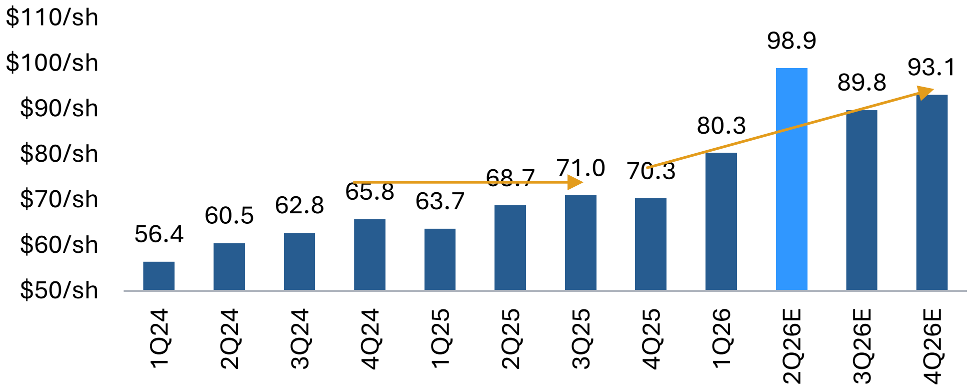
New Forecasts for 2026-2028 Suggest Growth 2x Normal, But Also Deceleration

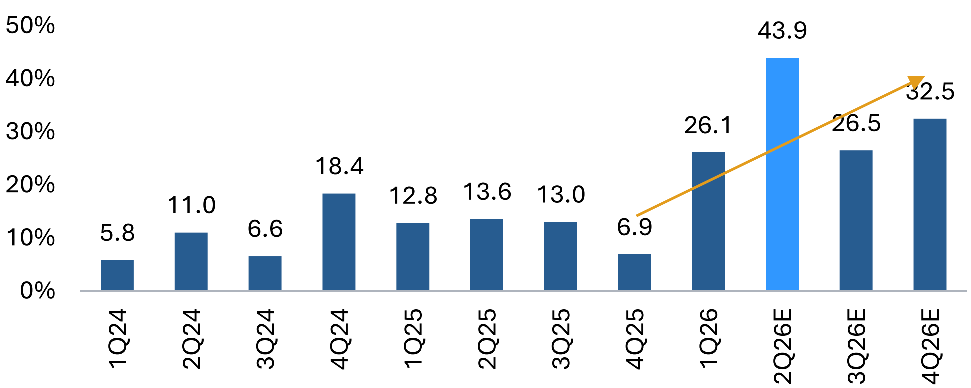
S&P 500 CONSENSUS EPS

AS OF SEPTEMBER 4, 2026



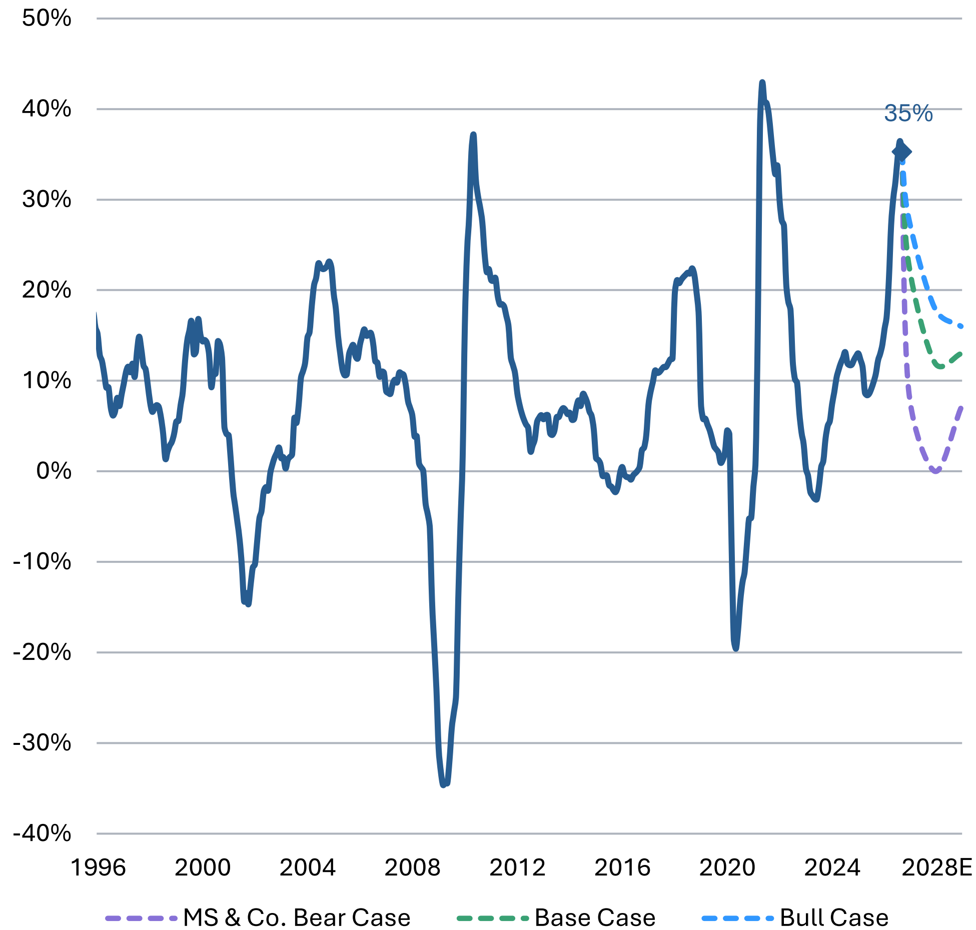
S&P 500 CONSENSUS EPS, YEAR-OVER-YEAR GROWTH

AS OF SEPTEMBER 4, 2026



S&P 500 FORWARD EPS, YEAR-OVER-YEAR

AS OF SEPTEMBER 4, 2026



Source: Morgan Stanley Wealth Management GIO, MS & 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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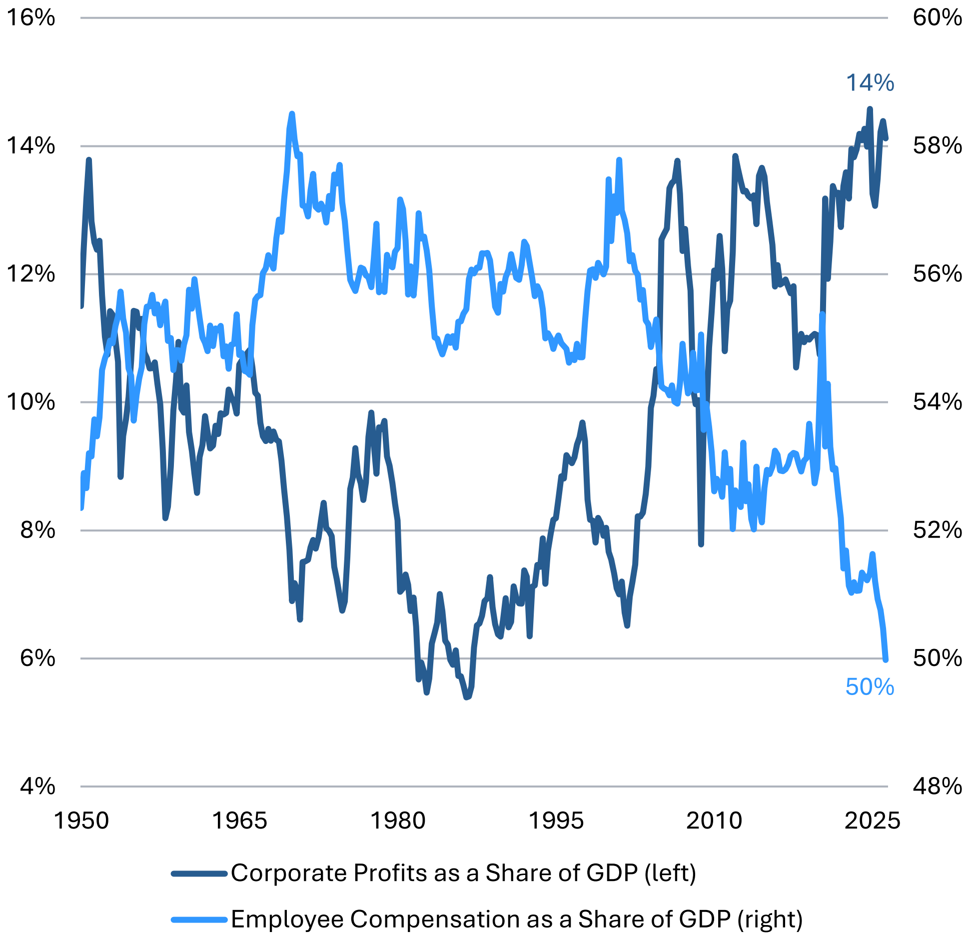
Expectations for Productivity Gains Are Substantial, Off a Record High Base

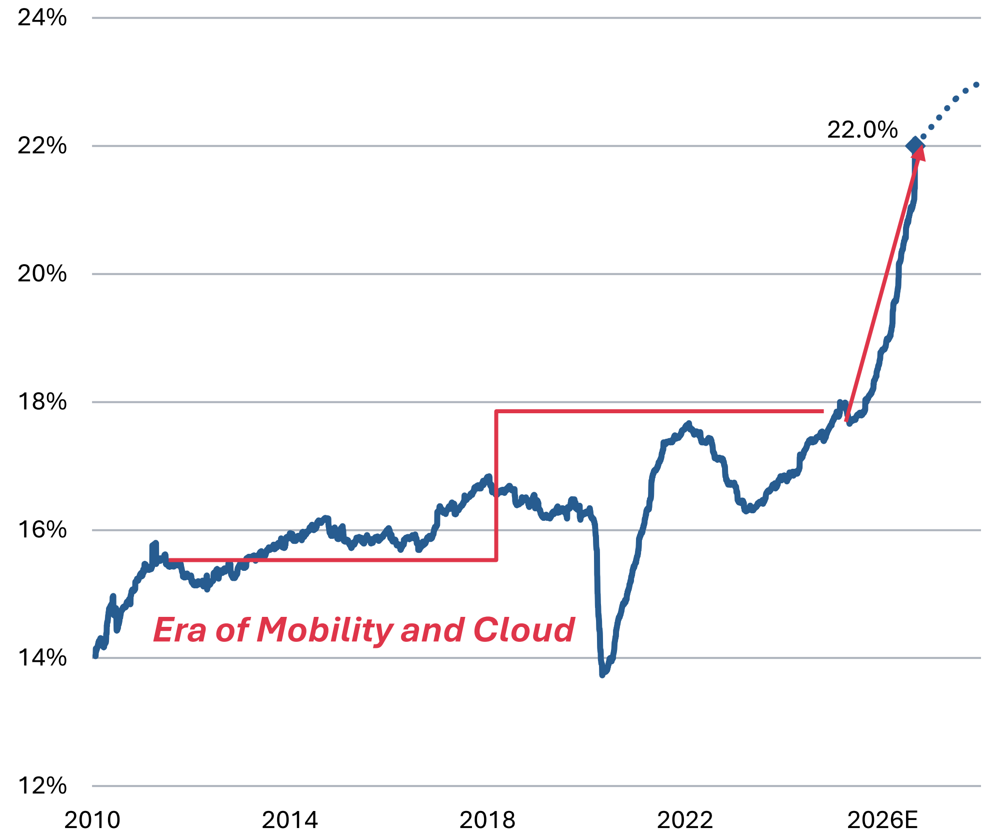
CORPORATE PROFITS VS. LABOR AS A SHARE OF GDP

AS OF AUGUST 31, 2026



S&P 500 12-MONTH FORWARD OPERATING MARGIN

AS OF SEPTEMBER 4, 2026

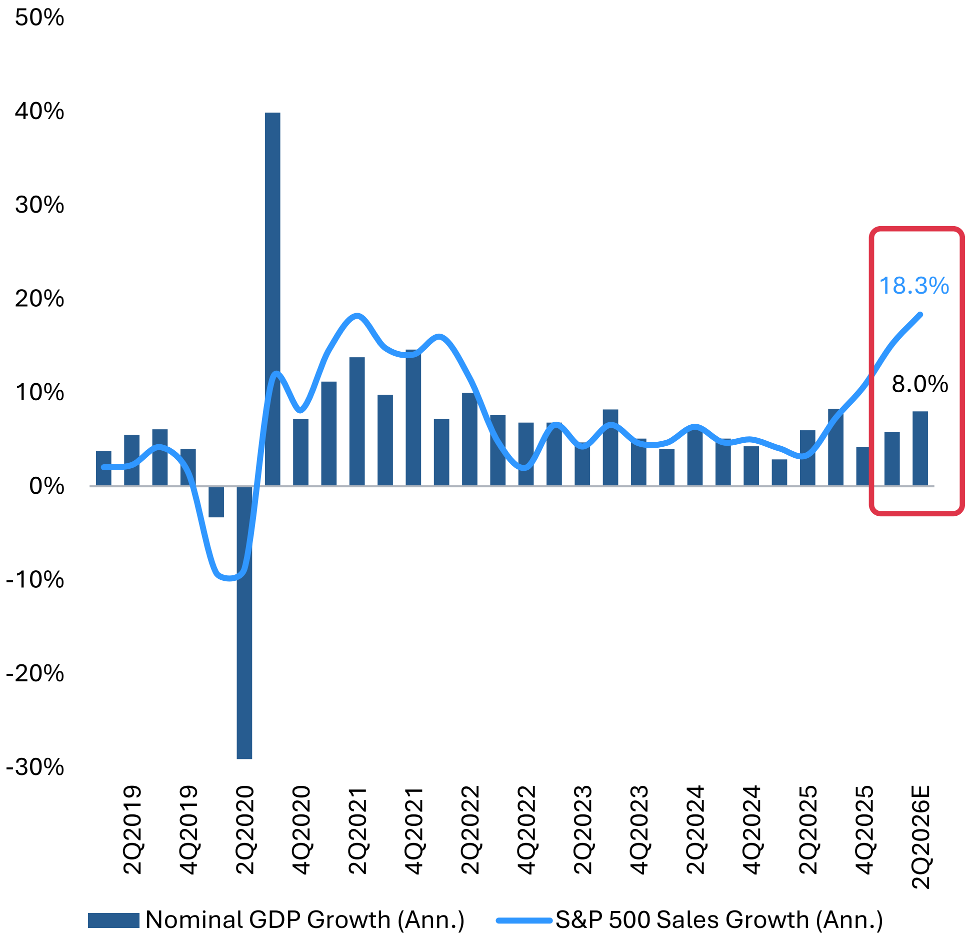


Source: Morgan Stanley Wealth Management GIO, Bloomberg

And Earnings "Quality" May Become a Topic

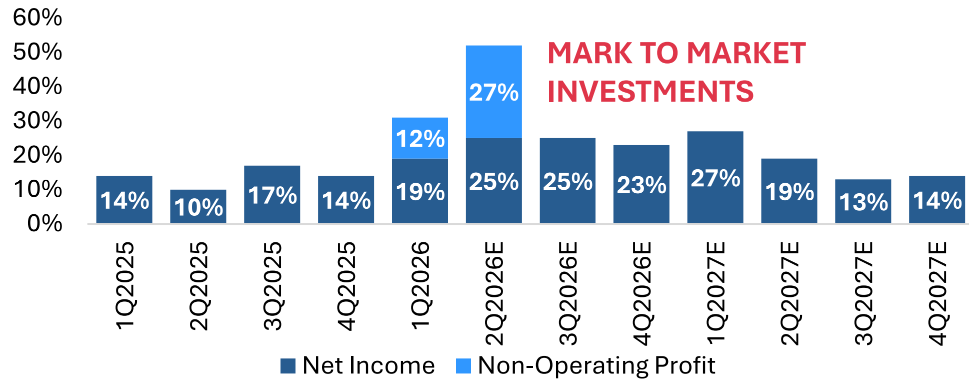
US NOMINAL GDP VS. S&P 500 SALES, QUARTERLY GROWTH (ANN.)

AS OF SEPTEMBER 4, 2026



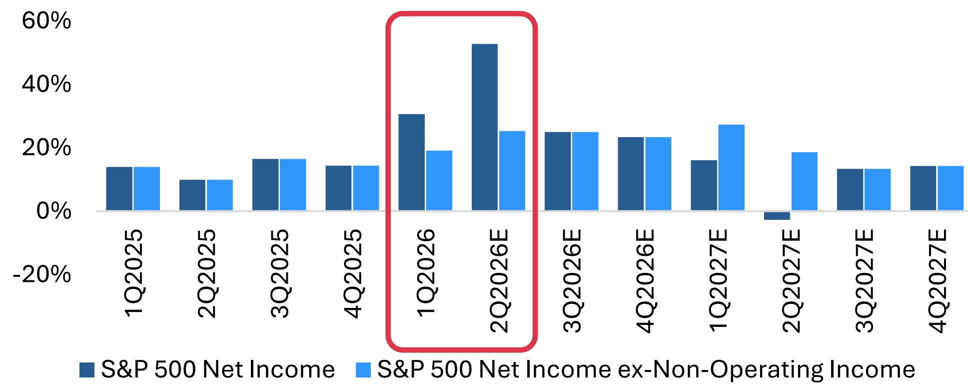
S&P 500 NET INCOME AND NON-OPERATING PROFIT

AS OF SEPTEMBER 4, 2026



NET INCOME VS. NON-OPERATING INCOME, YEAR-OVER-YEAR

AS OF SEPTEMBER 4, 2026

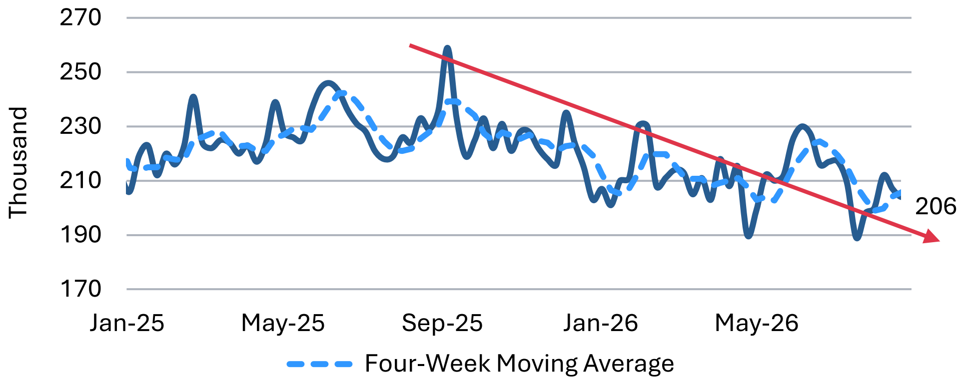


Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg. Consensus estimates.

Labor Market Is Presumed “Stable”

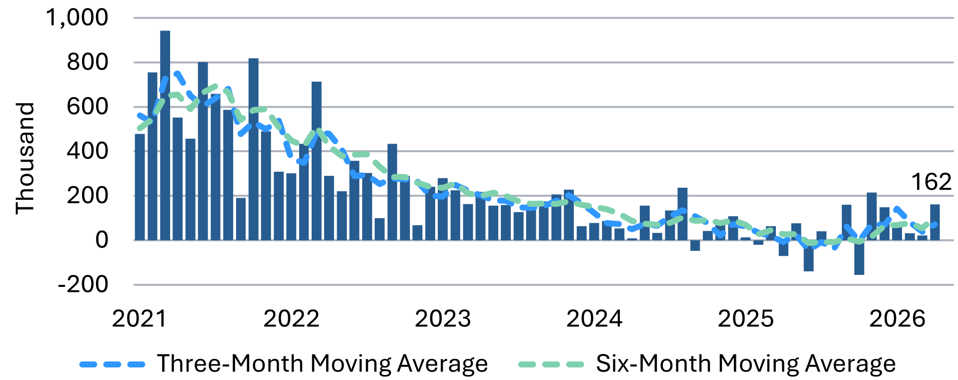
WEEKLY INITIAL JOBLESS CLAIMS

AS OF AUGUST 28, 2026



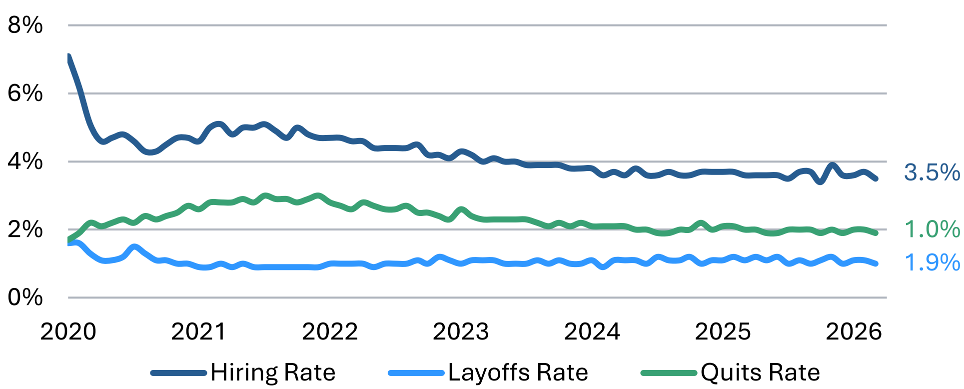
NONFARM PAYROLLS, MONTH-OVER-MONTH

AS OF AUGUST 31, 2026



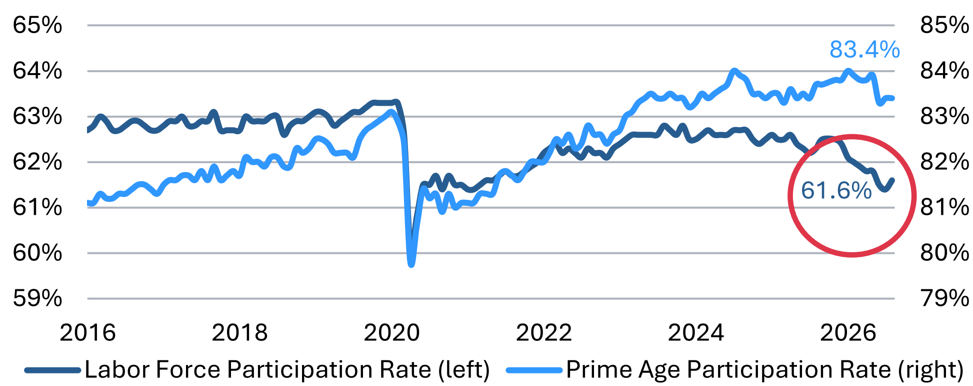
US JOLTS SURVEYS

AS OF SEPTEMBER 1, 2026



LABOR FORCE PARTICIPATION RATE

AS OF AUGUST 31, 2026

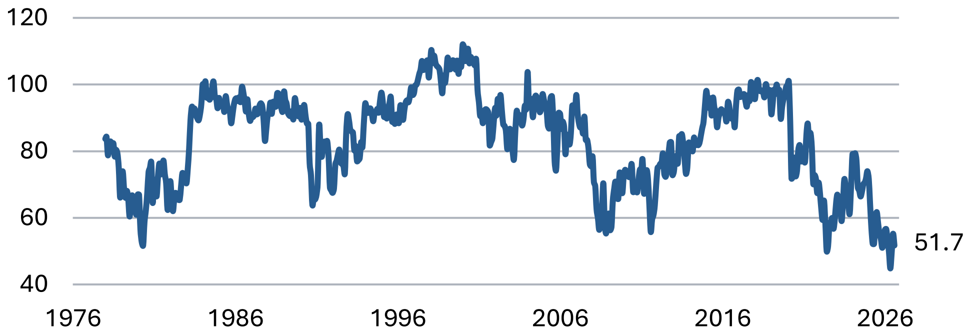


Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg

But the Consumer Seems Fragile

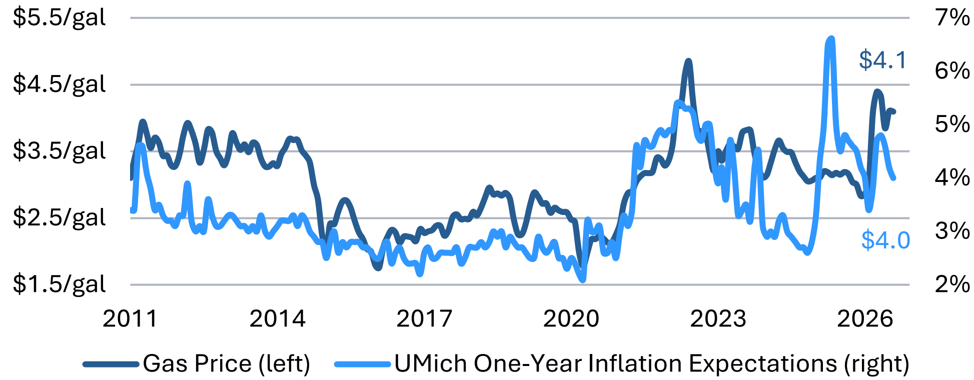
UMICH CONSUMER SENTIMENT HOVERING NEAR ALL-TIME LOWS

AS OF AUGUST 31, 2026



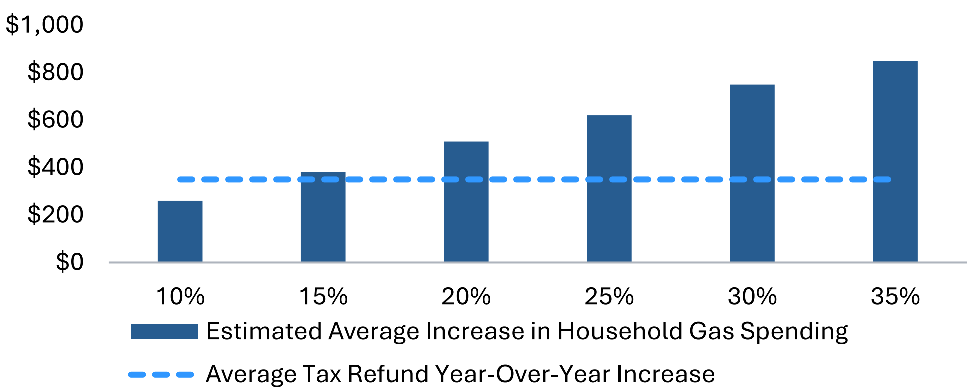
ONE-YEAR INFLATION EXPECTATIONS VS. RETAIL GAS PRICES

AS OF AUGUST 31, 2026



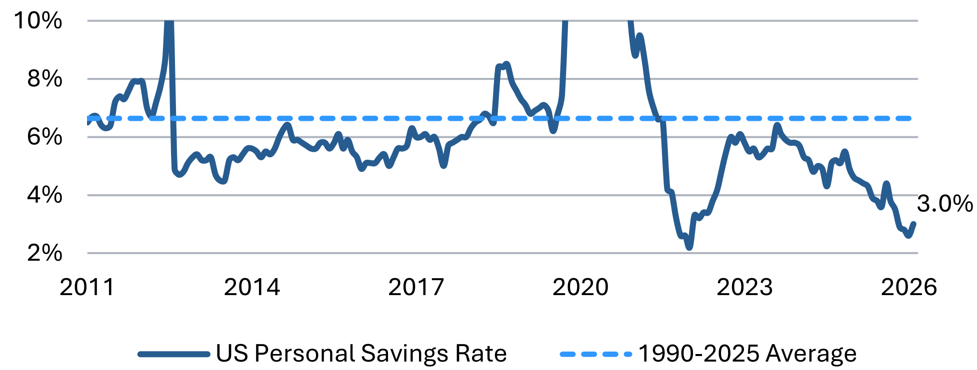
ESTIMATED IMPACT OF GAS PRICE ON HOUSEHOLD SPENDING

AS OF AUGUST 31, 2026



US PERSONAL SAVINGS RATE

AS OF AUGUST 26, 2026

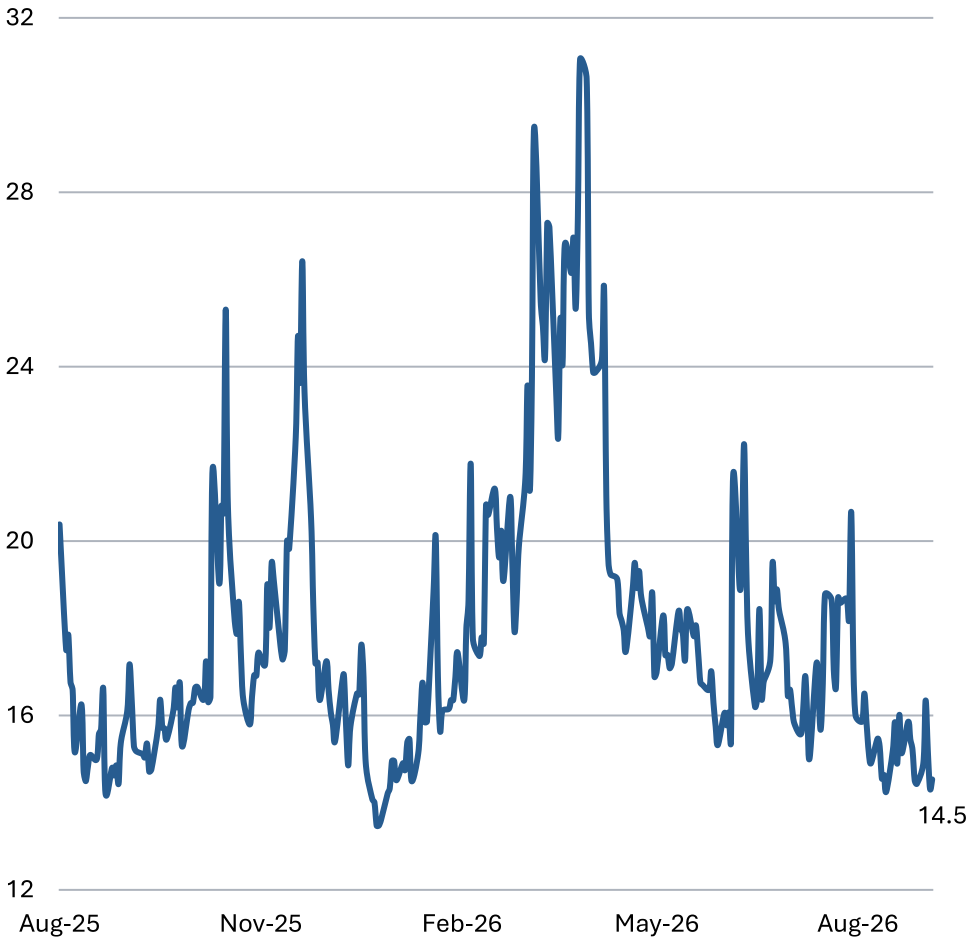


Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg. Note: Personal savings rate data truncated for COVID-period levels.

Equity Market Complacency Is High and "Insurance" Is Cheap

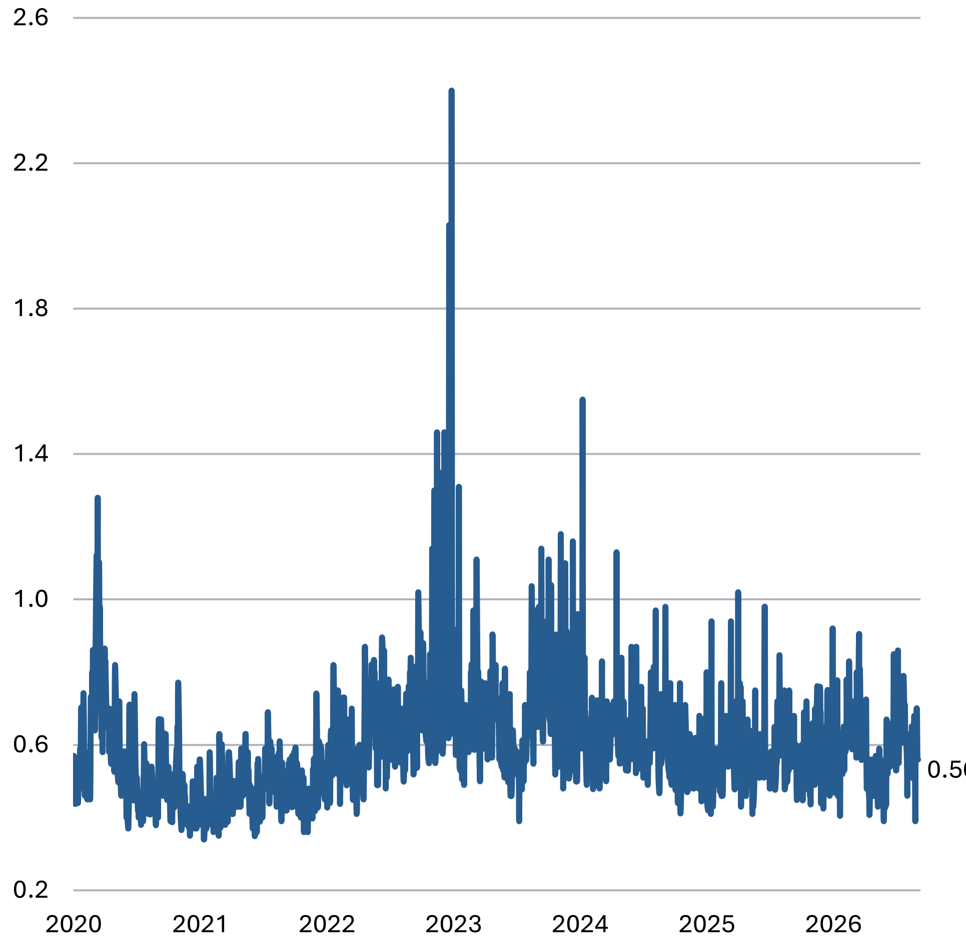
VIX INDEX

AS OF SEPTEMBER 4, 2026



CBOE PUT/CALL RATIO

AS OF SEPTEMBER 4, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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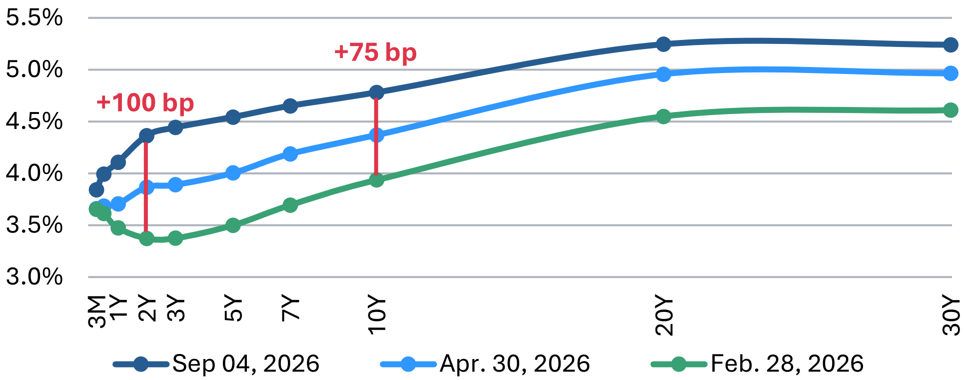
Global Rates Have Anchored Higher; Sovereign Bond Yields at Multi-Decade Highs

US TREASURY YIELD CURVE

AS OF SEPTEMBER 4, 2026

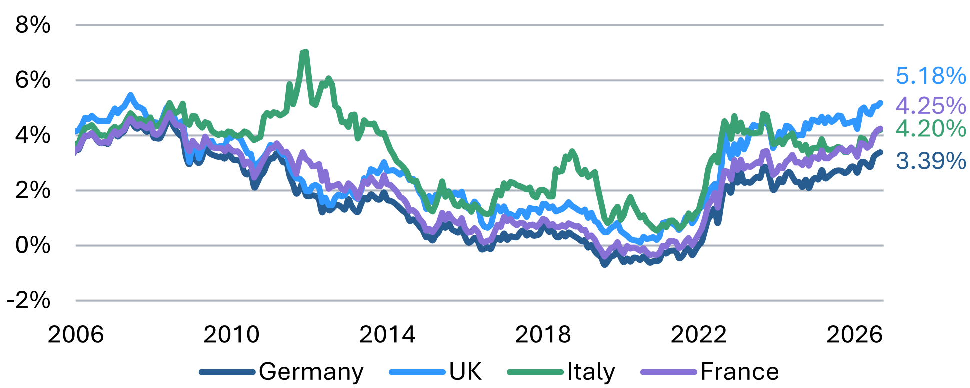


30-YEAR US TREASURY YIELD

AS OF SEPTEMBER 4, 2026

10-YEAR EURO ZONE SOVEREIGN BOND YIELDS

AS OF SEPTEMBER 4, 2026



10-YEAR JAPAN GOVERNMENT BOND YIELD

AS OF SEPTEMBER 4, 2026

Source: Morgan Stanley Wealth Management GIO, Bloomberg, Strategas

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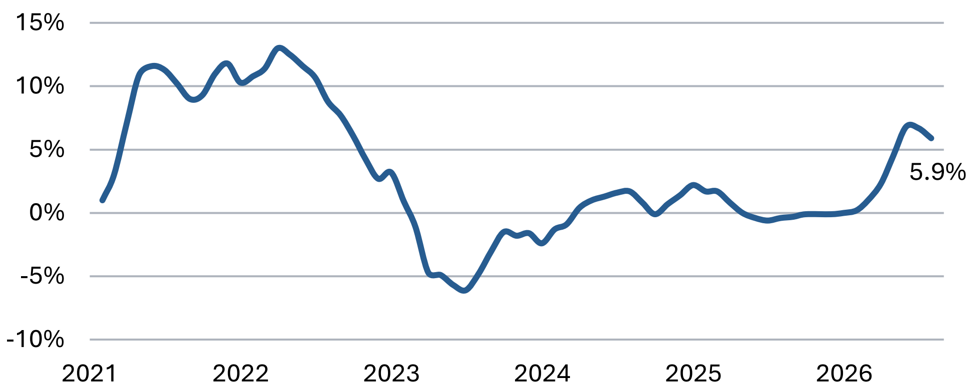
Inflation Trends Have Improved...

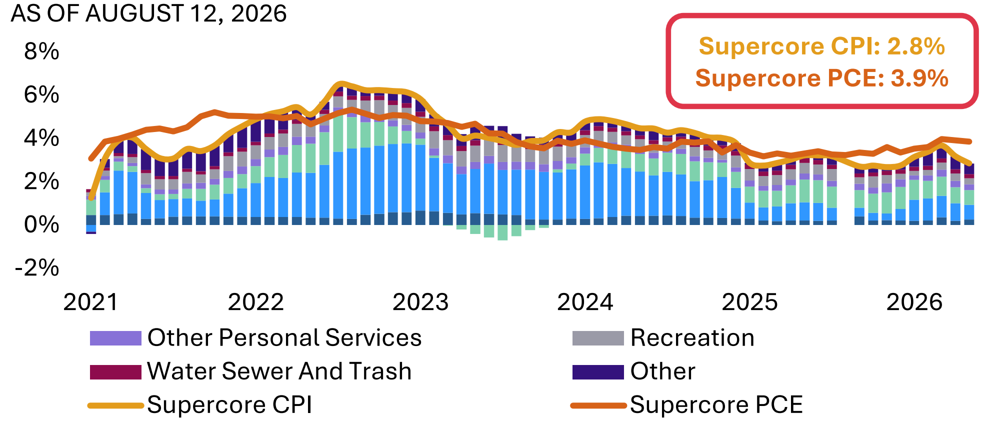
US IMPORT PRICE INDEX, YEAR-OVER-YEAR

AS OF AUGUST 18, 2026



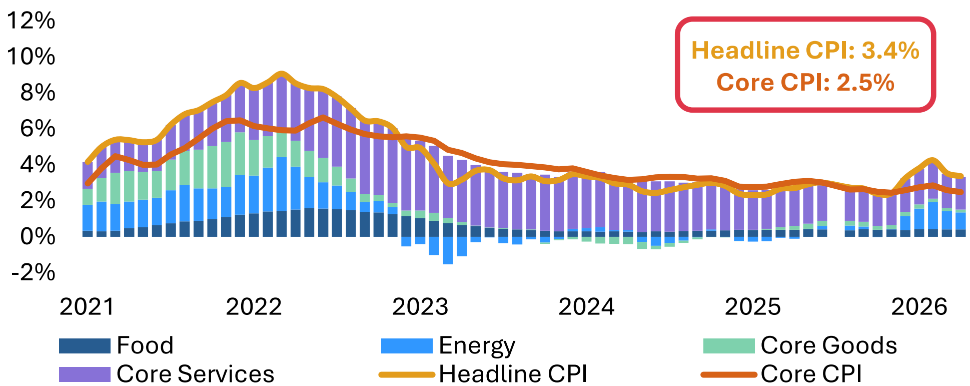
US SUPERCORE CPI, YEAR-OVER-YEAR

AS OF AUGUST 12, 2026



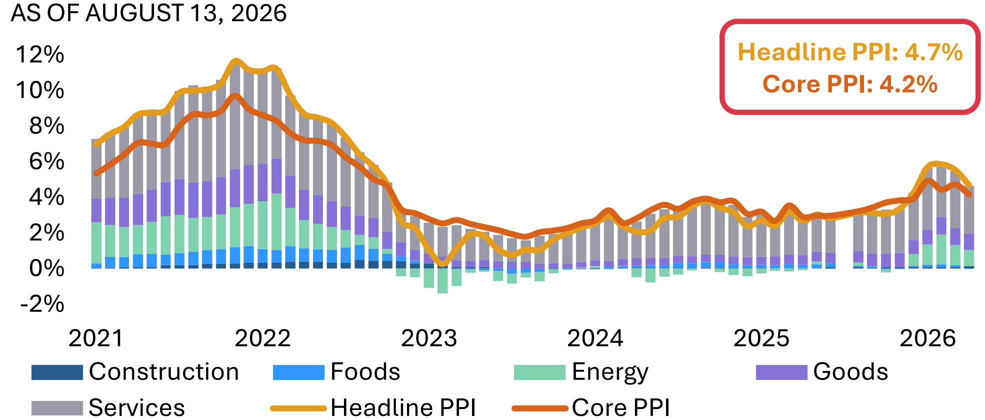
US CPI, YEAR-OVER-YEAR

AS OF AUGUST 12, 2026



US PPI, YEAR-OVER-YEAR

AS OF AUGUST 13, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

BUT Inflation Is Still Above Target; On Most of Warsh's "Metrics"

ATLANTA FED INFLATION DASHBOARD

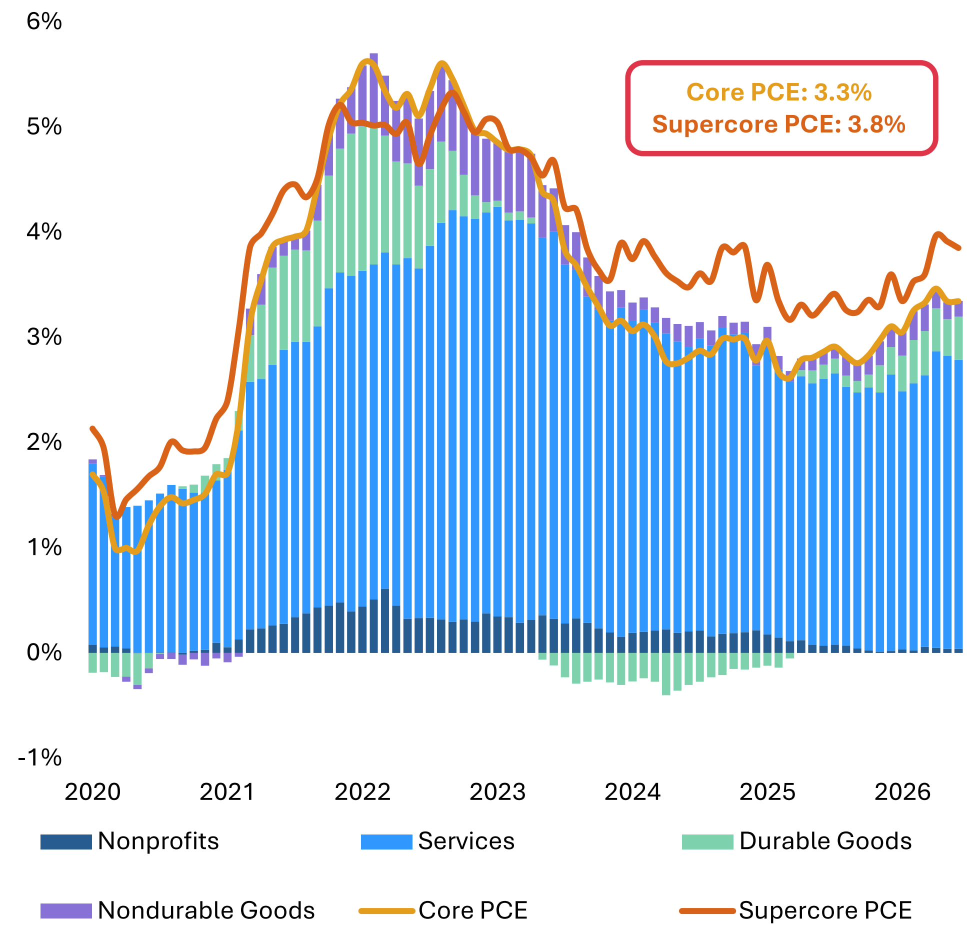
AS OF AUGUST 31, 2026

Inflation Measure	Jul-25 Year-Over-Year	Jul-26 Year-Over-Year	Target Based on 2% Core PCE
Core CPI	3.1%	2.5%	2.3%
Cleveland Fed Median CPI	3.7%	2.7%	2.6%
Cleveland Fed 16% Trimmed-Mean CPI	3.2%	2.6%	2.3%
Atlanta Fed Sticky CPI	3.4%	2.8%	2.5%
Core PCE	2.9%	3.3%	2.0%
Market-Based Core PCE	2.6%	3.0%	1.8%
Dallas Fed Trimmed-Mean PCE	2.7%	2.3%	2.1%
San Francisco Fed Cyclical Core PCE Inflation	3.7%	3.3%	2.6%
Cyclically Sensitive Inflation (Stock and Watson)	3.1%	3.4%	2.9%

More Than 0.50% Above Target
Between 0.25% and 0.50% Above Target
Within 0.25% of Target

US CORE PCE, YEAR-OVER-YEAR

AS OF AUGUST 26, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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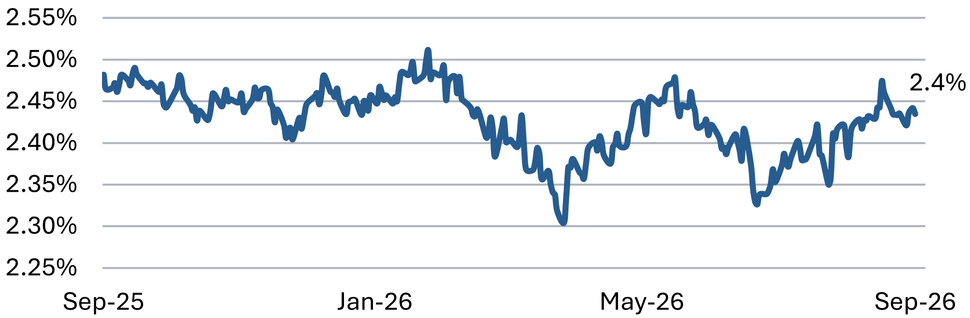
Despite Anchored Long-Run Breakevens, Fed Policy Anxiety Lingers; Oil Correlations Remain High

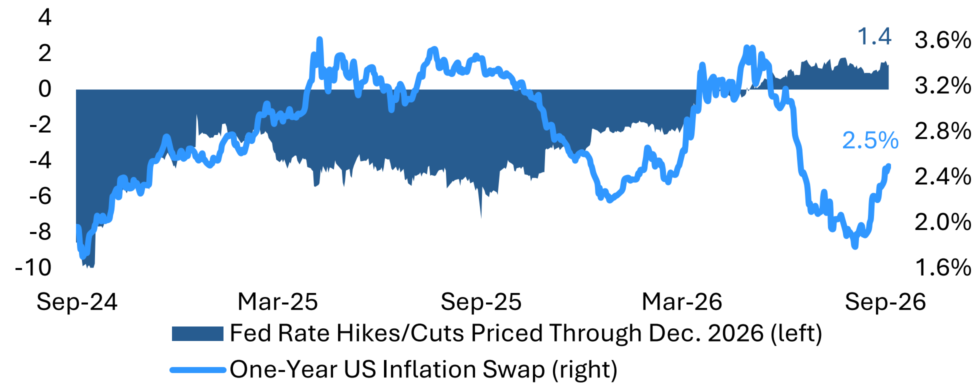
FIVE-YEAR, FIVE-YEAR US INFLATION BREAKEVEN RATE

AS OF SEPTEMBER 4, 2026



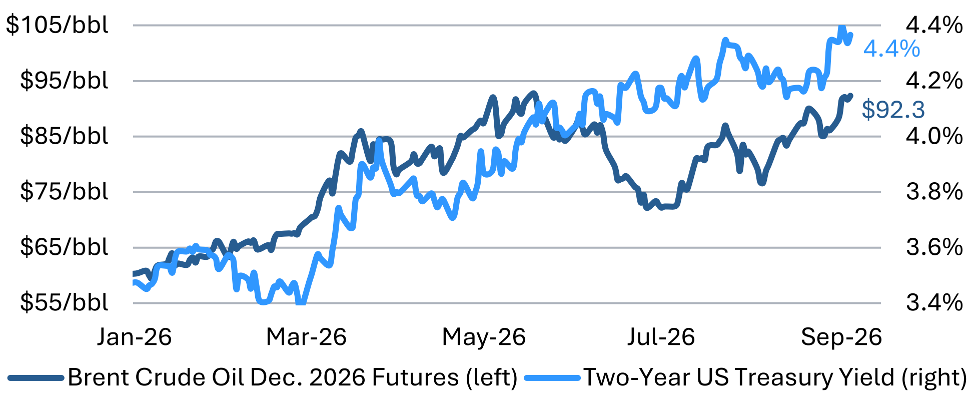
DEC. 2026 FED FUNDS FUTURES VS. ONE-YEAR INFLATION SWAPS

AS OF SEPTEMBER 4, 2026



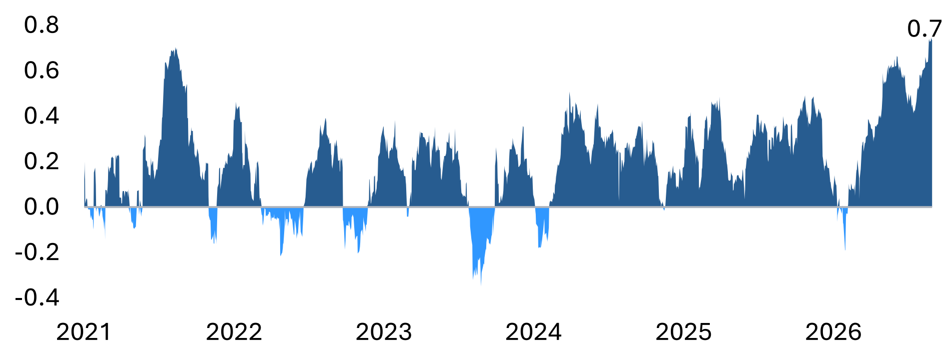
BRENT CRUDE OIL DEC. 2026 FUTURES VS. TWO-YEAR UST YIELD

AS OF SEPTEMBER 4, 2026



BRENT CRUDE OIL VS. 10-YEAR UST YIELD 40-DAY CORRELATION

AS OF SEPTEMBER 4, 2026

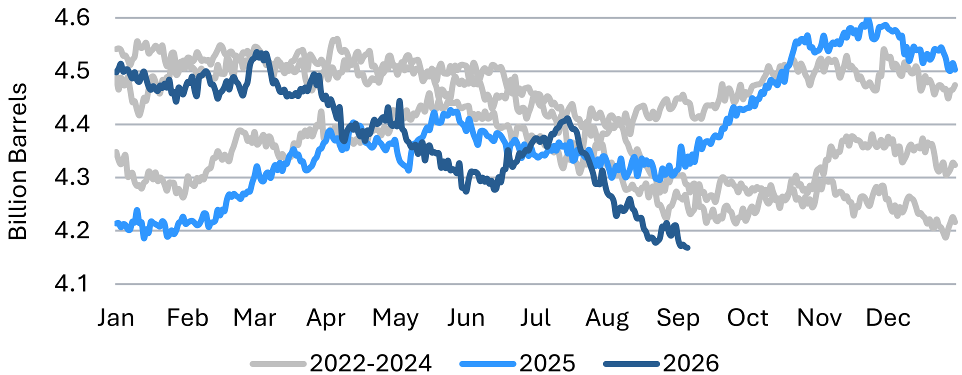


Source: Morgan Stanley Wealth Management GIO, Bloomberg

New MS & Co. Crude Oil Forecasts Suggest Stress Until Mid-2027

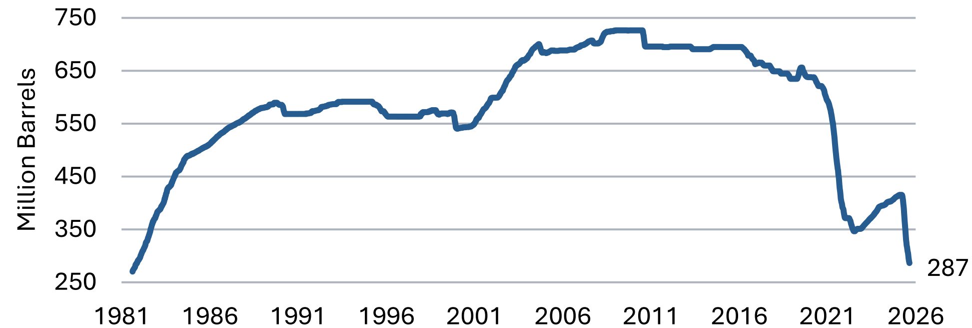
GLOBAL CRUDE OIL INVENTORIES OUTSIDE OF CHINA

AS OF SEPTEMBER 6, 2026



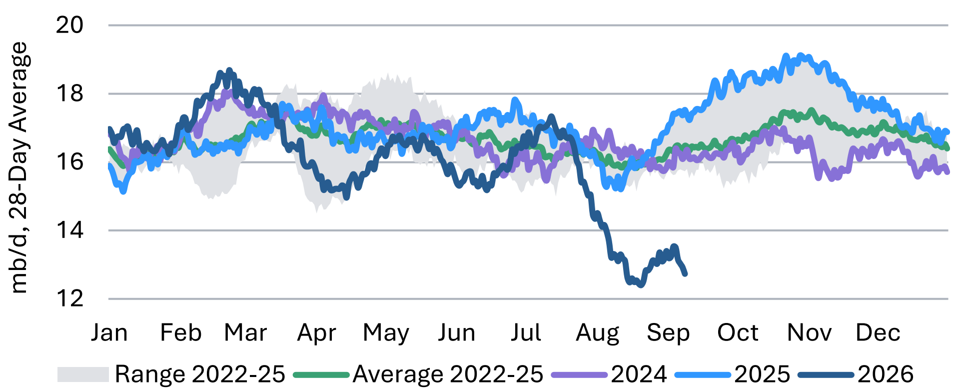
US STRATEGIC PETROLEUM RESERVE

AS OF AUGUST 28, 2026



SEABORNE/CONDENSATE EXPORTS (IRAN, RUSSIA, SAUDI ARABIA, US)

AS OF SEPTEMBER 6, 2026



MS & CO. RESEARCH DATED BRENT PRICE FORECASTS

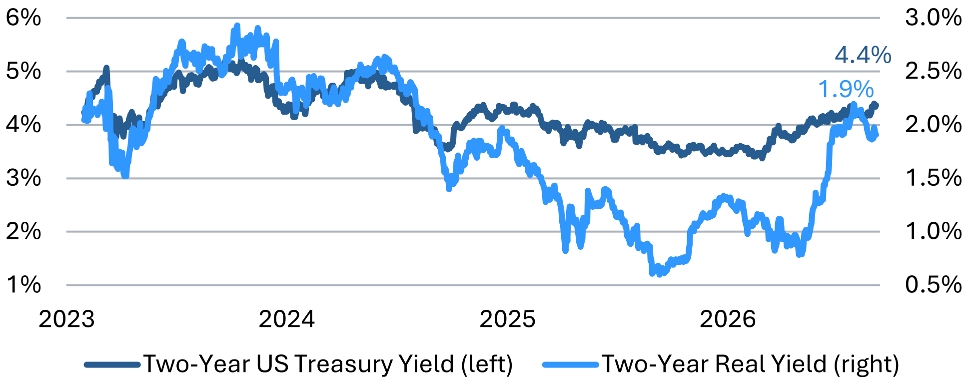
AS OF AUGUST 31, 2026

	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E
Current *($/bbl)*	$90	$100	$95	$90	$80	$75
Previous *($/bbl)*	$75	$75	$75	$75	$70	$70
Change *($/bbl)*	*$15*	*$25*	*$20*	*$15*	*$10*	*$5*

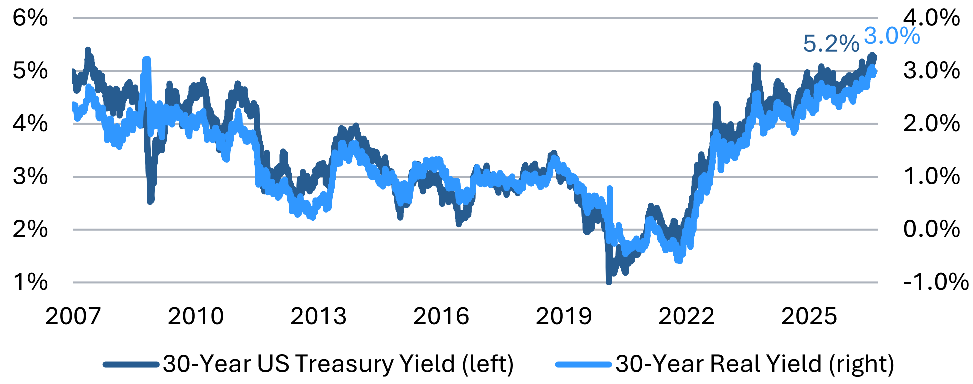
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg

A Lot of the Re-Pricing in Nominals Has Happened With REAL Rates and Term Premiums

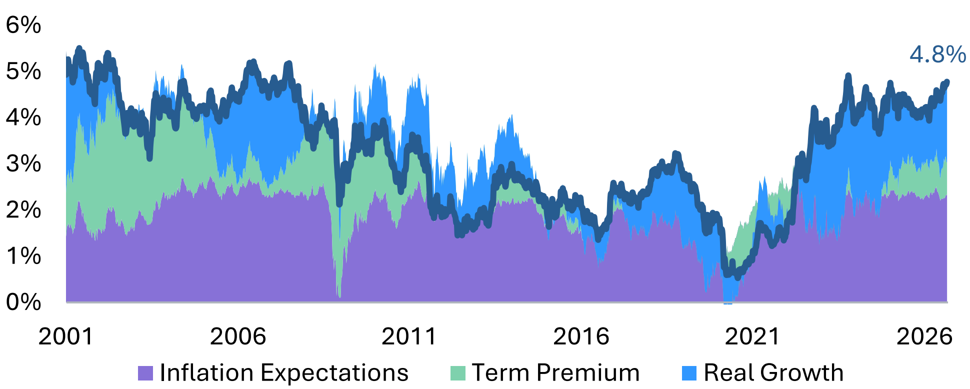
TWO-YEAR NOMINAL AND REAL US TREASURY YIELDS
AS OF SEPTEMBER 4, 2026



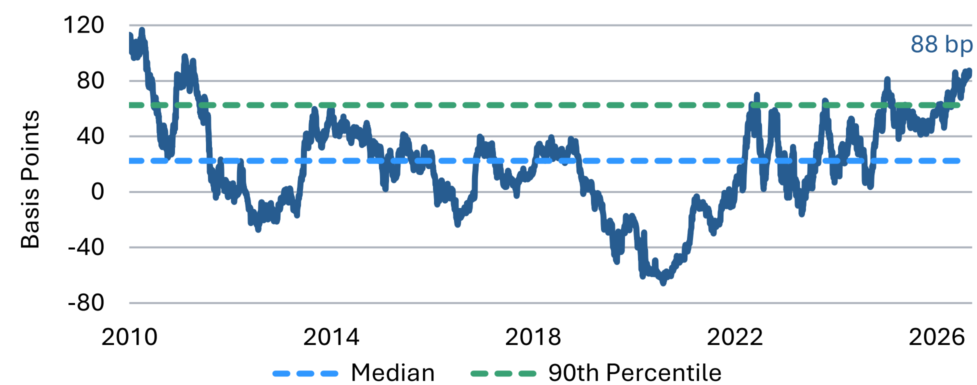
30-YEAR NOMINAL AND REAL US TREASURY YIELDS
AS OF SEPTEMBER 4, 2026



10-YEAR US TREASURY YIELD BY COMPONENT
AS OF SEPTEMBER 4, 2026



KIM AND WRIGHT MODEL 10-YEAR US TERM PREMIUM
AS OF SEPTEMBER 4, 2026

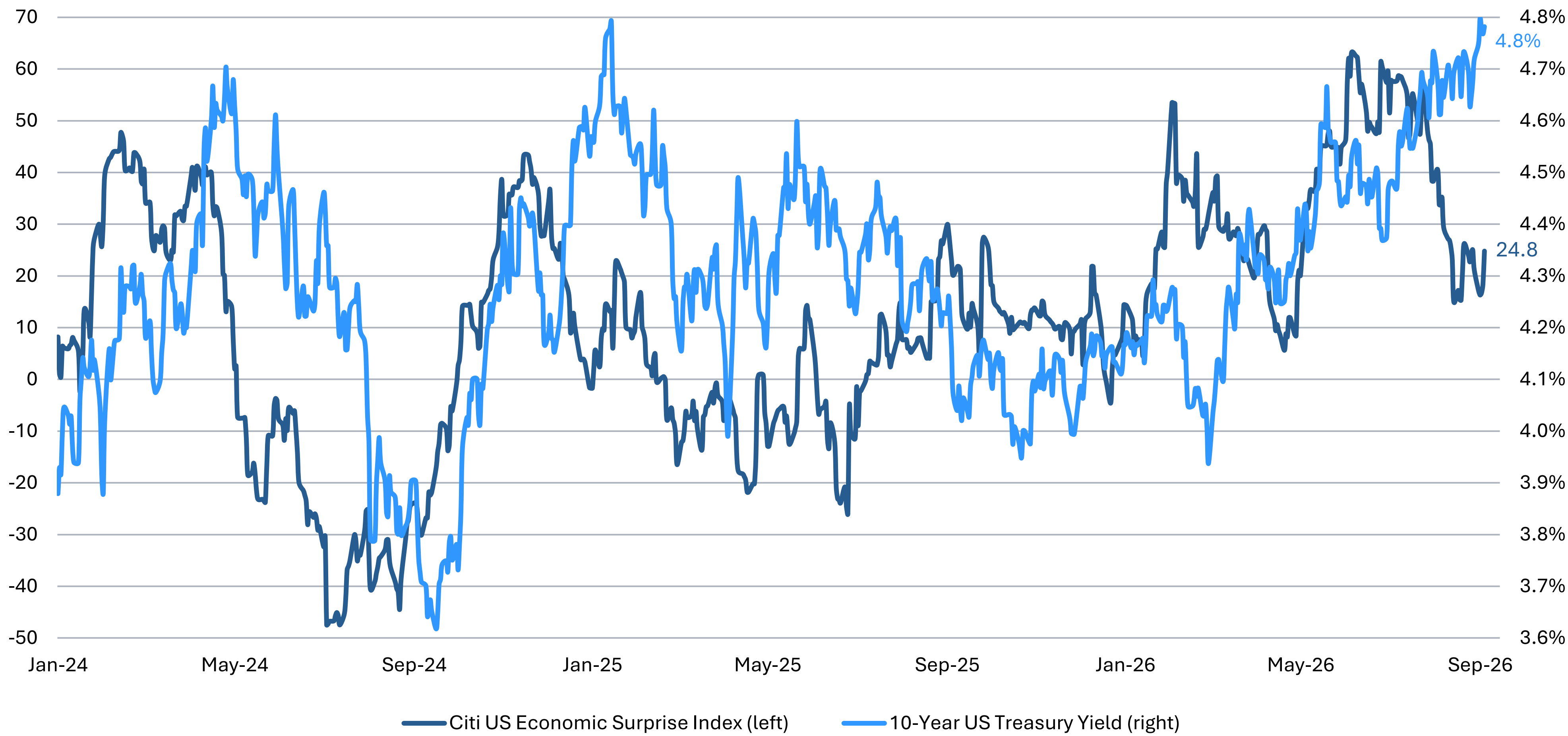


Source: Morgan Stanley Wealth Management GIO, Bloomberg. Term premium is the excess yield that investors require to commit to holding a long-term bond instead of a series of shorter-term bonds.

And the Re-Rating Has Been Impervious to a Rollover in Economic Surprises

10-YEAR US TREASURY YIELD VS. CITI ECONOMIC SURPRISE INDEX

AS OF SEPTEMBER 4, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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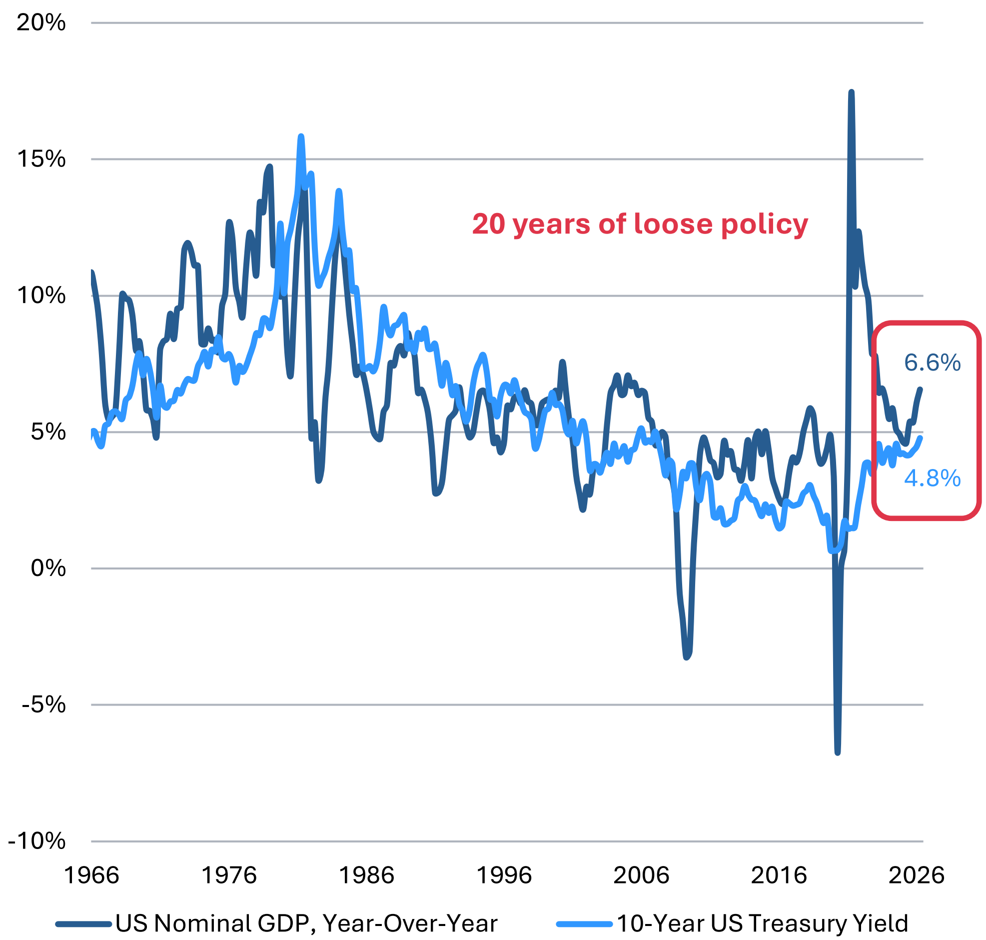
Bond Investors Understand the Fed Is NOT Tight

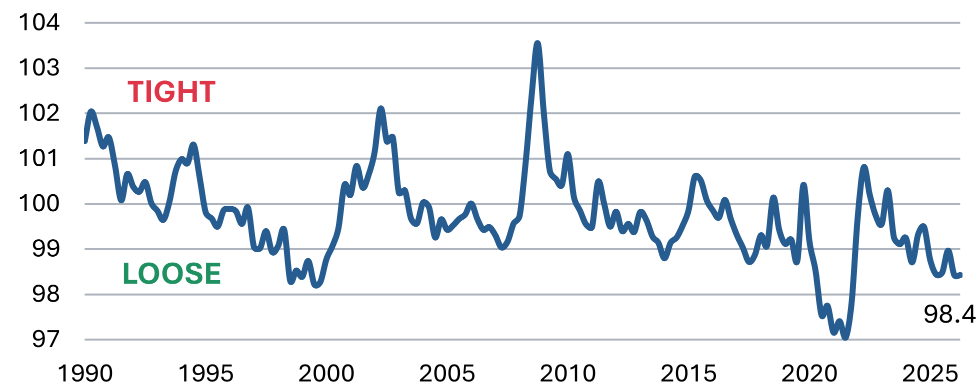
US NOMINAL GDP VS. 10-YEAR US TREASURY YIELD

AS OF SEPTEMBER 4, 2026



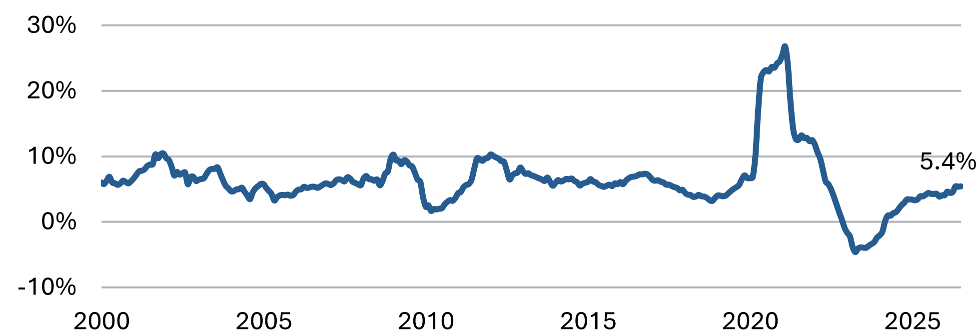
GOLDMAN SACHS FINANCIAL CONDITIONS INDEX

AS OF SEPTEMBER 4, 2026



US M2 MONEY SUPPLY, YEAR-OVER-YEAR

AS OF AUGUST 31, 2026

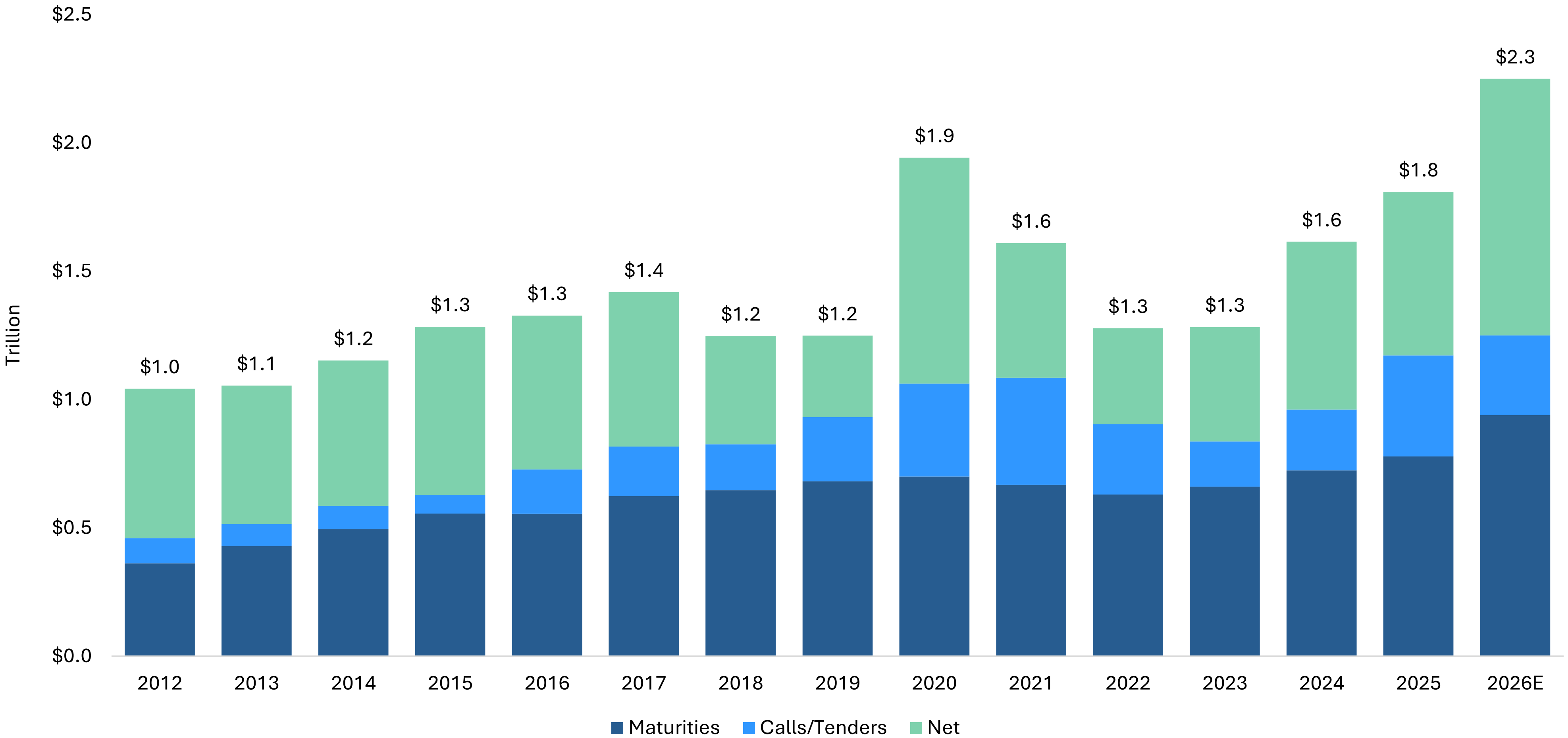


Source: Morgan Stanley Wealth Management GIO, Bloomberg

And Global Issuance Is Surging

INVESTMENT GRADE CREDIT ISSUANCE

AS OF AUGUST 31, 2026



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

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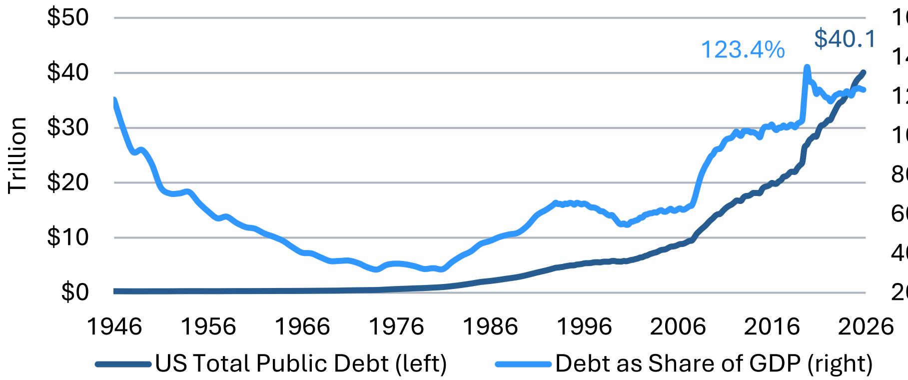
Bessent Activism Highlights Long-Run Constraints

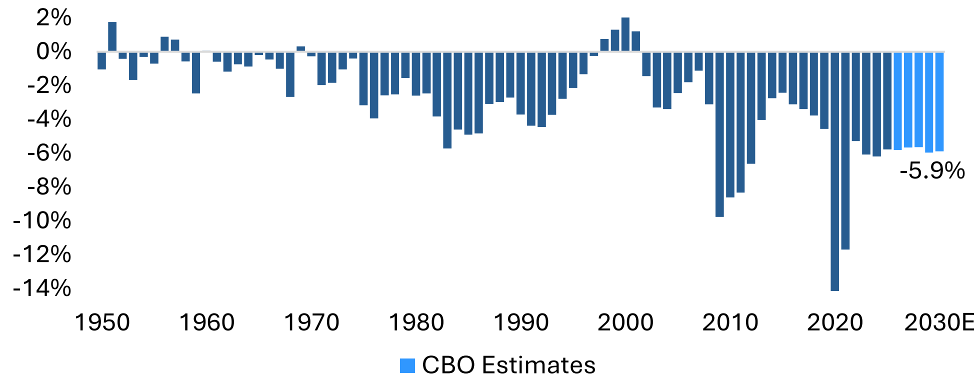
US TOTAL DEBT AS A SHARE OF US NOMINAL GDP

AS OF AUGUST 31, 2026



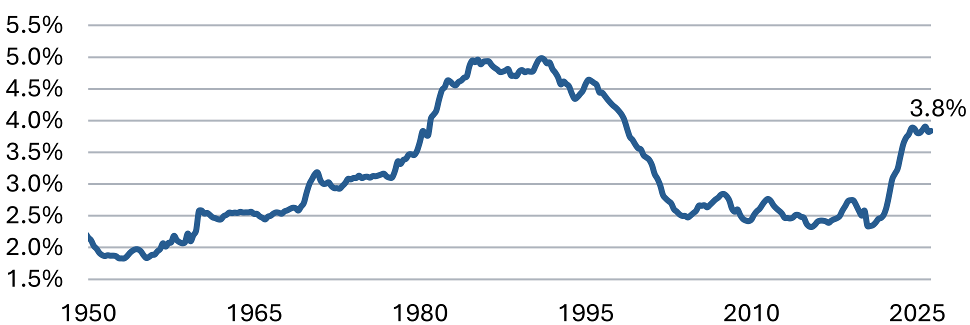
US ANNUAL BUDGET DEFICIT AS SHARE OF US NOMINAL GDP

AS OF AUGUST 31, 2026



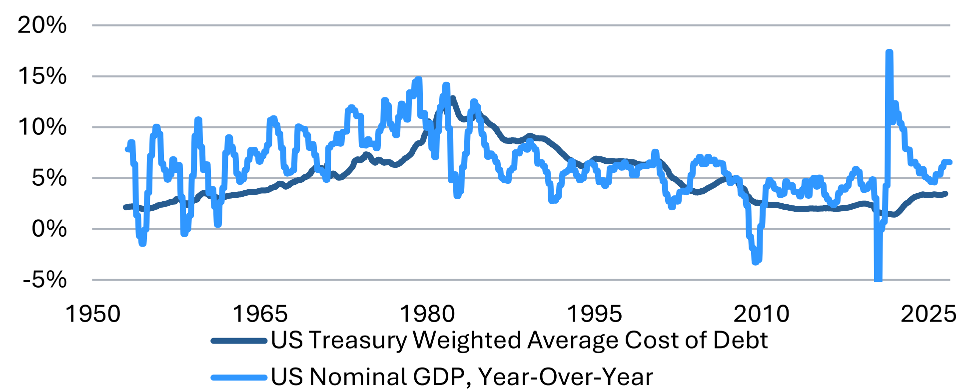
GOVERNMENT INTEREST COST AS A SHARE OF US NOMINAL GDP

AS OF AUGUST 31, 2026



US TREASURY WEIGHTED COST OF DEBT VS. US NOMINAL GDP

AS OF AUGUST 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg, Congressional Budget Office (CBO), FRED, US Department of the Treasury. CBO estimates.

Morgan Stanley

Resulting in Flatter Yield Curves

TWO-/10-YEAR US TREASURY YIELD CURVE

AS OF SEPTEMBER 4, 2026

TWO-/30-YEAR US TREASURY YIELD CURVE

AS OF SEPTEMBER 4, 2026

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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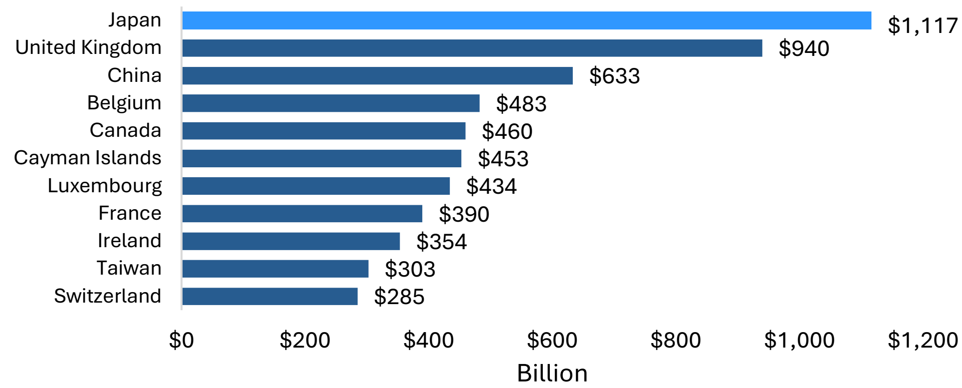
And US Market Vulnerabilities

US DOLLAR/JAPANESE YEN EXCHANGE RATE

AS OF SEPTEMBER 4, 2026

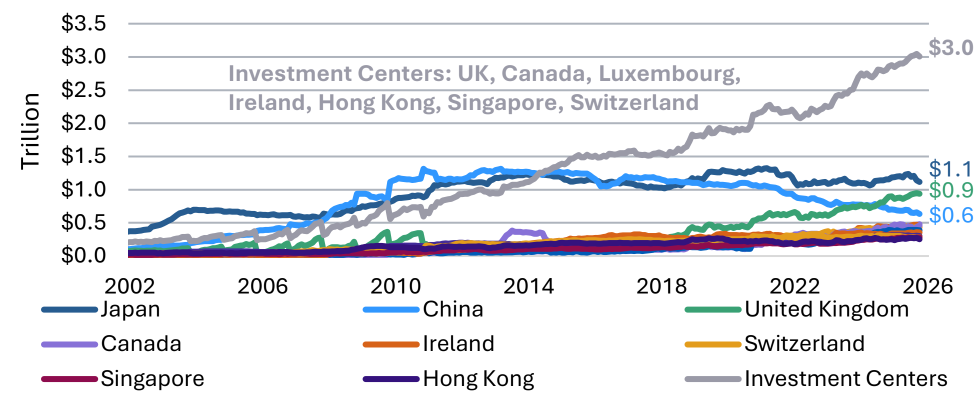
LARGEST FOREIGN OWNERS OF US TREASURIES

AS OF AUGUST 31, 2026



FOREIGN OWNERS OF US TREASURIES

AS OF AUGUST 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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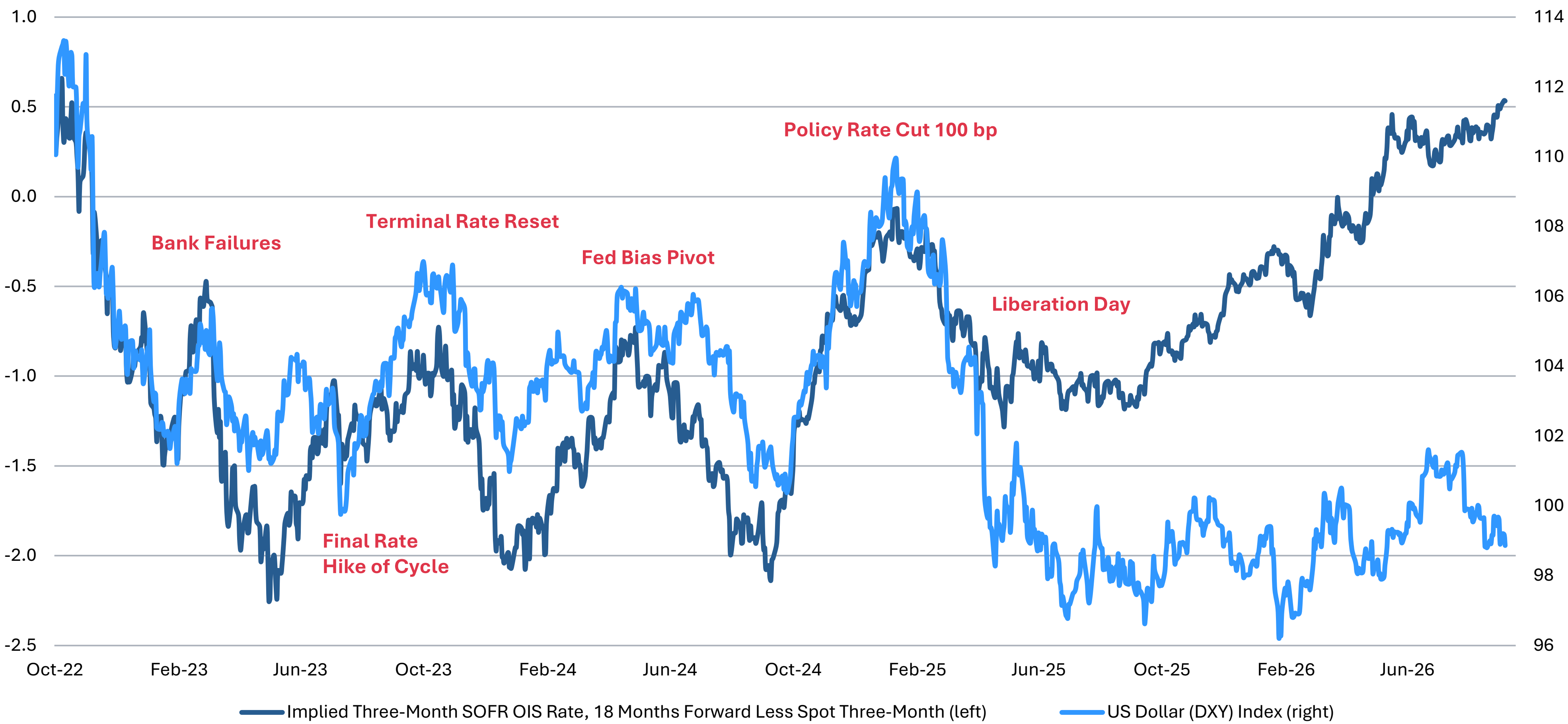
US Dollar Has Decoupled from Policy Rate Forecasts; Debasement Trade?

IMPLIED THREE-MONTH SOFR OIS RATE, 18 MONTHS FORWARD *LESS* SPOT THREE-MONTH VS. US DOLLAR INDEX

AS OF SEPTEMBER 7, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

Gold/Bitcoin Seem Driven by "Debasement" Trade?

GOLD VS. 10-YEAR REAL US TREASURY YIELD

AS OF SEPTEMBER 4, 2026

BITCOIN VS. US MOMENTUM FACTOR

AS OF SEPTEMBER 4, 2026

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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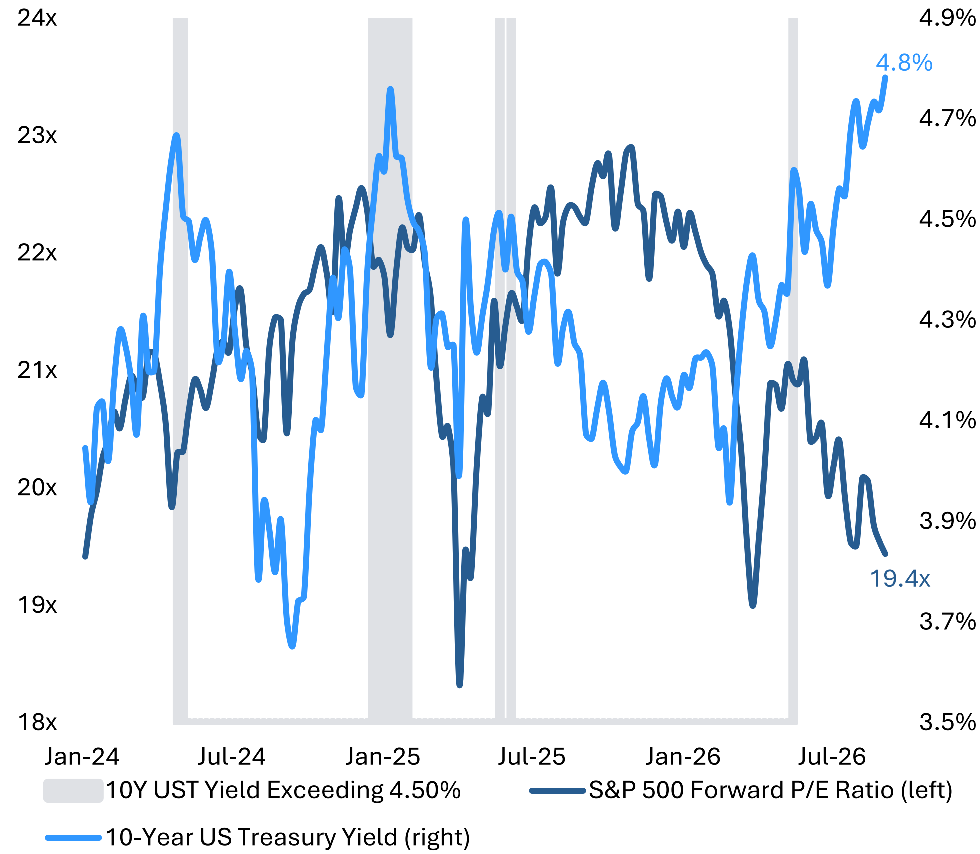
Stocks' Negative Correlation With Yields Complicates Portfolio Construction, Which Hinges on Earnings

1M CORRELATION BETWEEN S&P 500 AND 10-YEAR UST YIELD

AS OF SEPTEMBER 4, 2026

10-YEAR US TREASURY YIELD VS. S&P 500 FORWARD P/E RATIO

AS OF SEPTEMBER 4, 2026

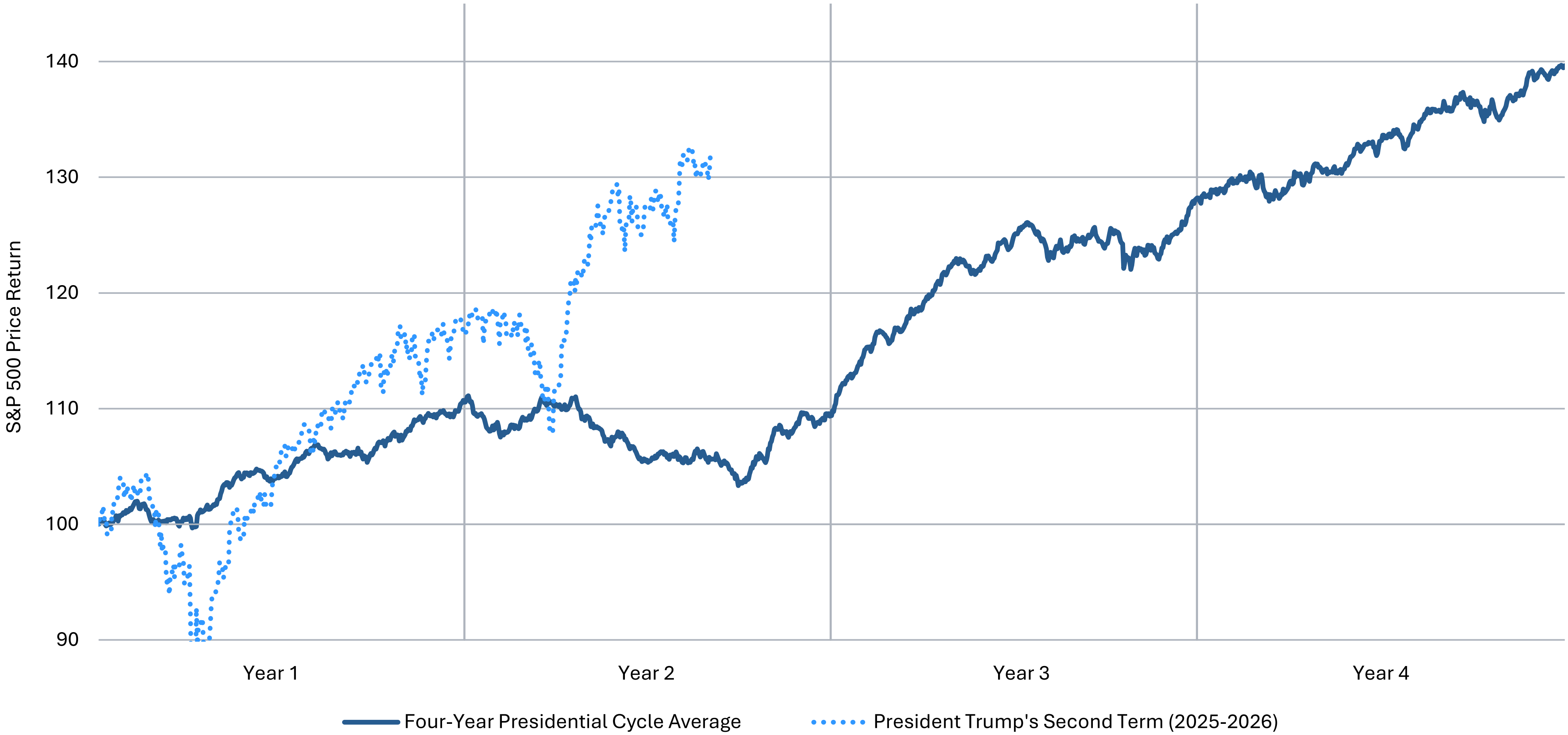


Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg. Correlation - this is a statistical measure of how two securities move in relation to each other. This measure is often converted into what is known as correlation coefficient, which ranges between -1 and +1. Perfect positive 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.

Seasonality and Political History Suggest a Grind

S&P 500 AVERAGE PRICE RETURN DURING FOUR-YEAR PRESIDENTIAL CYCLES

AS OF SEPTEMBER 4, 2026 (DECEMBER 31, 2025 = 100)



Source: Morgan Stanley Wealth Management GIO, Strategas

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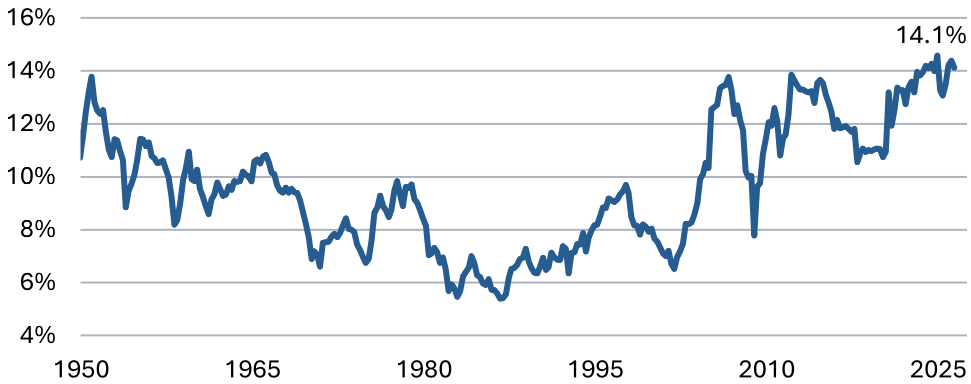
The Election Is Complicated by the K-Shaped Economy

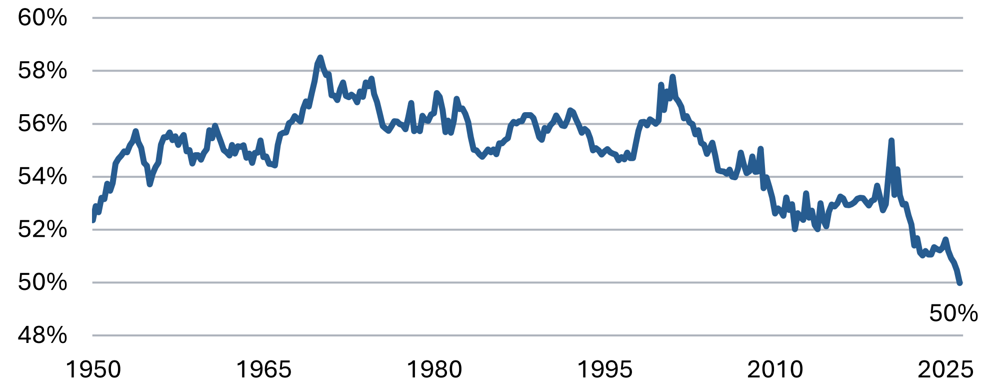
CORPORATE PROFITS AS A SHARE OF GDP

AS OF AUGUST 31, 2026



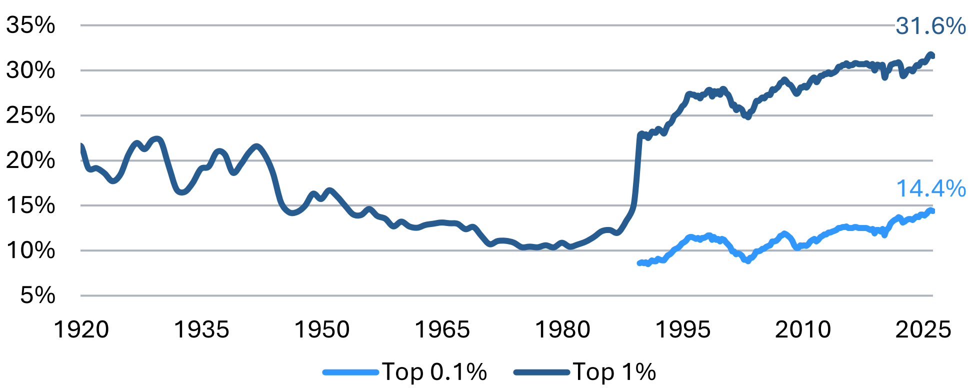
EMPLOYEE COMPENSATION AS A SHARE OF GDP

AS OF AUGUST 31, 2026



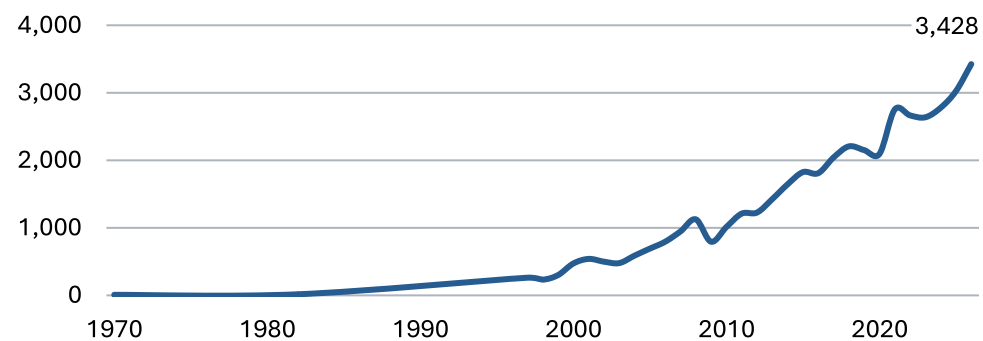
US SHARE OF WEALTH BY INCOME GROUP

AS OF AUGUST 31, 2026



WORLD TOTAL NUMBER OF BILLIONAIRES

AS OF AUGUST 31, 2026

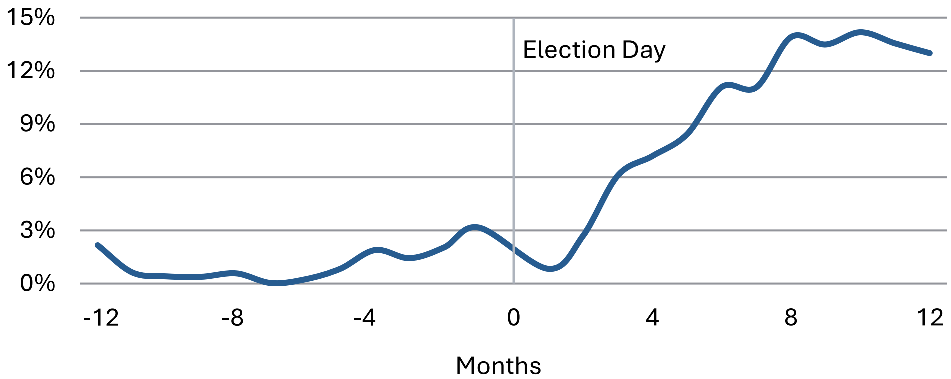


Source: Morgan Stanley Wealth Management GIO, Haver Analytics, Forbes, The Federal Reserve, World Ine Database

With Market Performance During Midterm Election Years Mixed

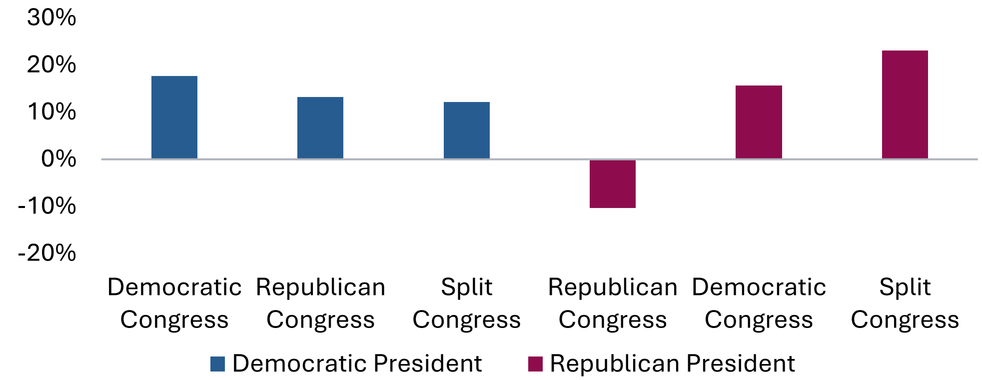
S&P 500 AVERAGE HISTORICAL RETURN AROUND ELECTION DAY

AS OF AUGUST 31, 2026



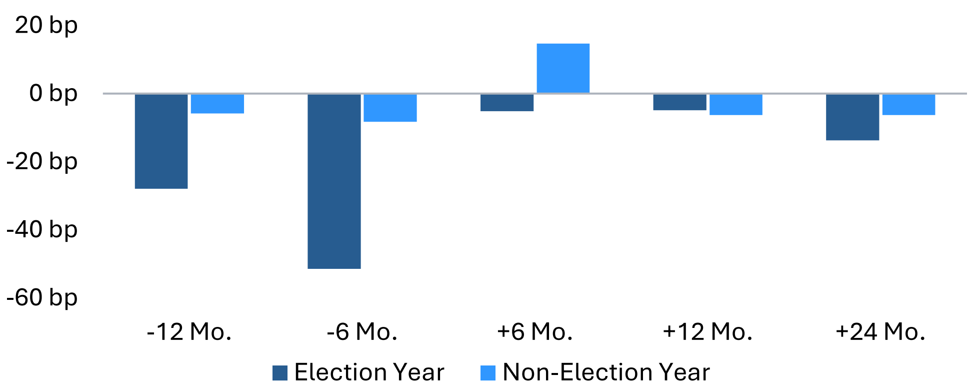
AVG. S&P 500 PERFORMANCE IN YEAR POST-MIDTERM ELECTION

AS OF AUGUST 31, 2026



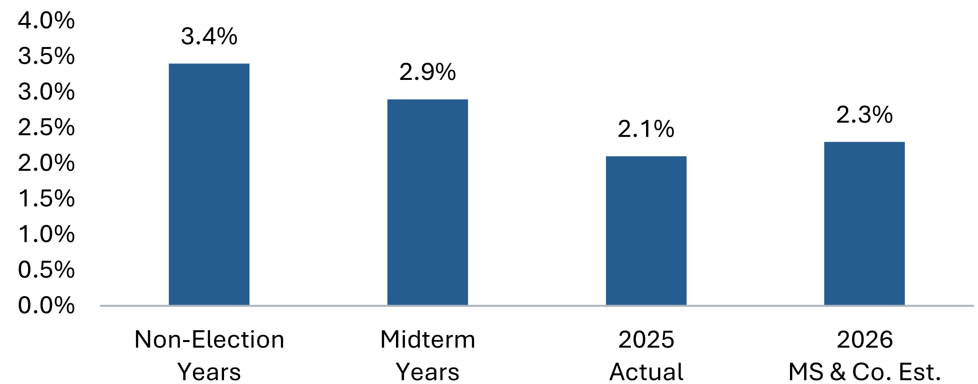
10Y UST YIELD, MEDIAN CHANGE AROUND MIDTERM ELECTIONS

AS OF AUGUST 31, 2026



US GDP, AVERAGE YEAR-OVER-YEAR GROWTH BY SCENARIO

AS OF AUGUST 31, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Investment Idea: Health Care

HEALTH CARE SECTOR PERFORMANCE RELATIVE TO S&P 500

AS OF SEPTEMBER 8, 2026

HEALTH CARE SECTOR P/E RATIO RELATIVE TO S&P 500

AS OF SEPTEMBER 8, 2026

Global banks/financials, health care, and energy refiners remain top alpha ideas.

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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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.

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