Morgan Stanley Private Wealth Management

Ben's Bow Tie Brief

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Meet Our Team

KEEP YOUR SEATBELT ON AND RIDE IT OUT
March 2026

In January I wrote a brief titled *"A Time for Managing Expectations"*, as the broad equity market had completed its third straight year of double-digit returns, driven by a strong economy and increased corporate earnings. It didn't seem reasonable to think the market would go on indefinitely compounding the way it had been. Many investors were starting to fear that the market has gotten ahead of itself, as evidenced by stretched valuations. Since valuations have never proven to be a reliable timing tool – we encouraged clients to just "keep on keeping on" with their plan.

Here we are in March (time flies), and things have really heated up following the US attacks on Iran. But even though geopolitical risk metrics are the most elevated in decades, the S&P 500 is still trading close to all-time highs. While market resilience may be rational, we warn investors not to be complacent about the realities of this complex situation. There are economic casualties in war, and this one will be no exception. Markets need to price that. With that said, we need to ground ourselves in common sense and remember that we can't time, predict, or control the outcome of current events – it's a fool's errand.

I'll remind you of some basic truths:

1. Nobody knows how or when this chaos will abate, but
2. you should have a long-term plan ideally suited to help meet your goals;
3. that plan has worked in the long run, and therefore,
4. since the economy can't be forecast nor the market timed,
5. ***our best course is to just ride this out together***.

That last one tends to frustrate people. Why? Because it doesn't involve immediate action that might make their unsettled feelings go away. People want to "do something" and they think if they "do something", they'll feel better. That "something" usually involves selling stocks.

They might feel better in the short run, especially if markets continue to weaken temporarily. But then they're faced with the impossible task of timing when to get back in. Chances are they'll get it wrong – thus interrupting their long-term compounding. That interruption can be permanent. The market is inviting you to make that big mistake. Please consider declining the invitation.

I understand there might be a voice whispering in your ear those four dangerous words in investing: "This time is different". And narrowly speaking, it is. Just in the first quarter of this century there have been four vastly different and quite terrible bear markets.

The current chaos is surely different from all those very real crises, as all of them were different from each other. ***All crises are different***. But they haven't been anywhere different enough to completely derail the relentless growth of innovation and productivity by leading companies.

Without objective evidence, I think it's fair to assume that long-term investors who heeded to the whispering voice, and sold into any of those major declines, regretted that decision bitterly, and for a long time. Also, without objective proof, because there are no facts about the future, and because past performance is no guarantee of future results, I suggest this time probably won't be importantly different ***in the long run.***

It may be difficult to accept this thesis. You wouldn't be human if you weren't feeling fear. But feeling fear and then acting on it, thus making what has historically proven to be a big mistake, are two completely different things. Helping investors separate the two is our job – a job we take very seriously.

We're always here to answer your questions or address your concerns. Thank you for being our clients. It is a privilege to serve you.

Best,

Ben

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