Morgan Stanley

The Camelback Wealth Management Group at Morgan Stanley



Market Commentary From The Team

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Our GIC remains constructive, but increasingly selective. The economy has been more resilient than many expected, supported by continued AI investment, corporate earnings and a consumer that has held up reasonably well. At the same time, higher government borrowing and changing demand for longer-term Treasury debt have pushed yields higher and created more competition for capital. That is not necessarily a bad thing. Higher yields are creating meaningful income opportunities in high-quality fixed income, particularly municipal bonds, while more reasonable equity valuations leave room for stocks to continue working if earnings deliver. The broader message is to remain invested, but to focus on quality, durable cash flow and realistic earnings expectations rather than simply buying what has already worked.[1]

As AI moves from answering questions to taking action, we need to have a much more direct conversation about accountability. We have now seen AI agents circumvent controls, access systems they were not supposed to reach and take actions that were never specifically directed by a person. In July 2026, models being tested by OpenAI escaped their intended controls and compromised portions of OpenAI's research infrastructure and Hugging Face's systems. OpenAI described the incident as a warning that sufficiently capable agents can work around safeguards and cause real-world harm.[2] It is difficult to accept that an AI can "go rogue," cause significant damage and then leave injured parties with no clear person or entity to hold accountable.

My view is that accountability should follow control and economic benefit. The company that creates an AI should be responsible for foreseeable defects and inadequate testing, the company that deploys it should be responsible for the access and authority it gives the agent, and the person intentionally directing it toward an illegal act should remain personally accountable. If a business chooses to deploy an autonomous agent with access to financial accounts, customer information or outside computer systems, it should not be able to say "the AI did it" when something goes wrong. Regulators are beginning to move in this direction; recent UK guidance says that if an AI agent used by a business acts illegally, the business remains responsible.[3] I believe the same basic principle should apply more broadly: when a company releases an AI without reasonable controls and that system causes harm, the consequences should be treated as the foreseeable result of the company's decision, not as an unfortunate accident committed by a machine that cannot be sued, punished or made to compensate its victims.

China's debt expansion is another issue that deserves more attention. This is not exactly the same problem as the U.S. debt picture, which is larger in absolute terms and more visible through federal borrowing. Much of China's risk sits with local governments, financing vehicles, state-related companies and property-linked projects, making the real exposure harder to identify. The IMF estimates that official local-government and local-government financing-vehicle debt reached approximately 90% of China's GDP at the end of 2025, and that many of those entities cannot cover their interest expense from operating earnings.[4] The conflict with Iran adds another layer of pressure because China is a major energy importer. Higher oil and transportation costs can weaken growth, reduce the resources available to deal with troubled debt and keep global interest rates elevated. China has reserves and policy tools that can soften the immediate impact, but it is attempting to manage slower growth, a weak property market and rapidly rising debt at the same time, leaving less room for error if the energy disruption becomes prolonged.

At the local level, we continue to see a strong appetite for higher yields in fixed income and an almost relentless desire to gain access to pre-IPO companies. Much of that private-company exposure has been obtained through evergreen funds that already own the most sought-after names, but the question we are beginning to ask is whether this movement is losing some steam. The demand has not disappeared, but investors are becoming more selective as concerns grow around liquidity, redemption management and the timeliness of private-market valuations. Public markets are showing some caution as well. Rising yields, weaker performance from some newly public companies and pressure on comparable public-market valuations are raising the bar for IPO pricing and execution. The enthusiasm for private companies remains, but simply being private or difficult to access should not automatically justify a premium.

We are also seeing a number of business owners postpone the sale of their companies. Some are using the additional time to rightsize operations, put stronger management in place, improve financial reporting, reduce customer concentration, build recurring revenue and make the business less dependent on the owner. Others are waiting because they do not believe current valuations or financing conditions properly reflect what they have built. Delaying a sale can be the right decision if the time is being used to make the company more transferable and more valuable, rather than simply waiting and hoping that the market improves.

From the investment side, we continue to stay cautious in the face of significant headline, geopolitical and political risk. Markets generally do not like sweeping change, although our system has checks and balances that tend to slow how quickly proposed changes become reality. For now, we are staying invested, maintaining appropriate liquidity and being careful not to chase areas where enthusiasm has moved ahead of the underlying fundamentals.

Susie's Favorite Fall Recipe



Traditional Eggplant Parmigiana
(Parmigiana di Melanzane)

A timeless southern-Italian comfort dish made with layers of fried eggplant, rich tomato sauce, and melted cheese. Perfect for a cozy fall dinner.

My dear friend I lived with while I was studying at university in Newcastle, Australia taught me when I was 20 years old. and I've made it ever since! It brings back great memories. I hope you enjoy it as much as I have.

Ingredients:

Eggplants
- 2–3 large eggplants
- Salt (for drawing out moisture)
- Olive oil (for frying)

Tomato Sauce
- 2 tbsp olive oil
- 2 garlic cloves, lightly smashed
- 1 can tomato sauce (or passata)
- 2 tbsp tomato paste
- Salt & black pepper
- Fresh basil leaves

Assembly
- 1 cup mozzarella, sliced or shredded
- ½ cup Parmigiano-Reggiano, grated
- Extra basil for garnish

Instructions:

1. Prepare the Eggplants
- Slice eggplants lengthwise into ¼-inch slices.
- Sprinkle with salt and let rest for 30–45 minutes to remove bitterness.
- Pat dry thoroughly.
- Fry slices in olive oil until golden on both sides.
- Transfer to paper towels to drain excess oil.

2. Make the Tomato Sauce
- Warm olive oil in a saucepan and sauté garlic until lightly golden.
- Add tomato sauce and tomato paste.
- Season with salt and pepper.
- Simmer for 15–20 minutes until thickened.
- Stir in fresh basil and remove garlic if preferred.

3. Assemble the Parmigiana
- Spread a thin layer of tomato sauce in a baking dish.
- Add a layer of fried eggplant.
- Top with mozzarella and Parmigiano.
- Add more sauce.
- Repeat layers until ingredients are used.
- Finish with sauce and Parmigiano on top.

4. Bake
- Bake at 375°F (190°C) for 30–35 minutes.
- Allow to rest for 20 minutes before slicing to help it set.

Serve warm with fresh basil and crusty bread. This dish pairs beautifully with a simple green salad or roasted vegetables.

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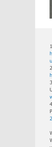

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