Morgan Stanley

The Camelback Wealth Management Group

Summer Newsletter 2026

Market Commentary From The Team

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Our view is that market leadership is beginning to broaden as we move beyond a mega-cap dominated return cycle. This is a more classic phase of a broadening market: investors become less willing to simply pay for growth narratives and return to focusing on free cash flow, margin expansion, and durable pricing power. The opportunity set is not shrinking; in many ways, it is becoming more attractive for stock selection. That said, the risk of near-term consolidation is rising as speculative enthusiasm remains visible in select high-profile growth areas, where valuation expectations can outpace what fundamentals can ultimately support.

Against that backdrop, we are focused on companies where AI is additive to the investment thesis, but not the entire thesis. The distinction matters. We want businesses that can use AI to improve productivity, margins, customer experience, or operating leverage, while still maintaining pricing power if the AI narrative cools. The next phase of AI investing should favor adopters with measurable benefits and pricing power — not just the early-cycle beneficiaries.

We are also paying close attention to energy and oil. The conflict in the Middle East has reintroduced inflation risk through the energy channel. A key portfolio question is whether oil remains a temporary shock or becomes a more persistent inflationary headwind that limits the Fed’s ability to ease — or raises the risk of additional tightening if inflation expectations become less anchored.

1. Broadening beyond mega-cap leadership
The market setup increasingly argues for selectivity. For much of the prior cycle, investors were rewarded for owning the largest platforms tied to AI-related growth and earnings resilience. While some of that leadership was supported by real earnings power, it also increased concentration risk.
The essence of the broadening call is not abandoning growth, but demanding that growth be supported by cash flow, margins, and competitive advantage. If earnings participation broadens, the opportunity set improves for active management, equal-weighted exposure, and a wider range of sectors and company sizes. If it does not, investors may be left with an index that still depends too heavily on a narrow group of expensive leaders.

2. AI as an advantage — not a stand-alone thesis
The AI opportunity remains real, but the market is becoming more discriminating. The better investment question is no longer “who mentions AI?” but “who can convert AI into measurable economic returns?”
Our preference is for companies where AI enhances an already durable business model. In practical terms, that means firms with pricing power, proprietary data, workflow ownership, customer stickiness, and the ability to convert productivity gains into margin expansion.

3.Speculation and valuation discipline
Periods of heightened enthusiasm can be healthy, but they can also mark a point where expectations start to outrun fundamentals. The lesson is not to avoid innovation; it is to maintain valuation discipline.
When revenue multiples, EBITDA multiples, and long-duration growth assumptions become extreme, the margin for error narrows. In a broadening cycle, we would rather own companies where fundamentals are improving now than companies where the valuation depends on a perfect long-term outcome.

4.Oil, conflict risk, and the Fed
Energy remains one of the clearest macro risks. The EIA has highlighted the Strait of Hormuz as a critical chokepoint, with flows in 2024 and early 2025 representing more than one-quarter of global seaborne oil trade and roughly one-fifth of global oil and petroleum-product consumption.
This matters because oil is not just an energy-sector issue; it feeds into inflation, consumer spending, corporate margins, and Fed policy. In our view, that keeps energy exposure relevant both offensively and defensively: offensively through companies with strong balance sheets, disciplined capital allocation, and free-cash-flow generation; defensively as a hedge against a longer inflation cycle that could keep rates higher for longer.

Bottom Line
Our focus is on broadening participation, disciplined valuation, and quality fundamentals. We want companies that can benefit from AI without depending entirely on the AI narrative, businesses that have pricing power regardless of the macro backdrop, and selective energy exposure that can help portfolios navigate a world where geopolitical conflict may keep inflation risk more persistent than the market would prefer.

On a Local Level
We continue to see evidence that M&A activity is broadening, with recent bank earnings providing a useful real-time read-through. Owners still have opportunities to monetize businesses, pursue strategic combinations, or partner with outside capital, but they are becoming more disciplined about who they partner with. That is appropriate. In a market where the cost of capital remains higher and exit timelines are more uncertain, manager selection, underwriting quality, operational expertise, and alignment matter more than simply accessing capital.

At the portfolio level, we continue to be thoughtful about reducing exposure to areas where the risk/reward has become less compelling, including portions of private credit and certain hedged strategies. This is not a blanket rejection of alternatives, but a recognition that private credit has grown quickly and competition for deals remains significant. In public markets, we are looking more broadly outside the U.S. for select opportunities while also paying closer attention to credit, where today’s yield environment is materially more attractive than what investors experienced in recent years.

Finally, we have strengthened our own team with the addition of Shannon Long, who has already been an excellent addition and further enhances our ability to serve clients with the depth, responsiveness, and judgment this environment requires.

Summer Picks From The Team

Escape Room - *Susie*

There are an assortment around town to try

Susie and her family went to North Valley Escape room a few weeks back.

Hiking - *Wendy*

Hiking Mt. Humphrey in Flagstaff

One of Wendy's favorite things to do year round.

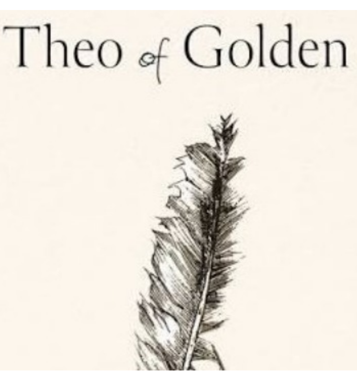
Golfing - *Dan*

Forest Highlands, AZ golf course

Dan got a hole in one at Sand Valley, AZ a couple weeks ago.

Reading - Brooke's Pick

Theo Of Golden By Allen Levi



A story of giving and receiving, of seeing and being seen, Theo of Golden is an unforgettable novel about the power of generosity, the importance of connection, and the quiet miracles that happen when we choose kindness and wonder.

Staycation Lindsay's Pick

JW Marriott Desert Ridge - Phoenix

Tons of activities for all ages, plus plenty of relaxation time when you need it. A fun reminder that you don’t always need a long trip to truly recharge.

Drinks - Alexa's Pick

Hugo Spritz

Ingredients:
Prosecco: 3 ounces (chilled sparkling wine)
Elderflower Liqueur: 2 ounces (ex: St-Germain)
Sub Club Soda w/ Ginger Beer: 1 ounce (chilled)
Fresh Mint: 8-10 leaves (plus extra for garnish)
Lime: 2 slices or a wedge (for garnish)
Ice: Plenty of cubes to fill the glass

Eats - Shannon's Pick

Tutti Santi - Phoenix Location

This restaurant is one of my favorites in town. Its nice, but not over the top and the food is incredible. BEST thing by far is the handmade ravioli.

To ensure the fastest possible turnaround on service-related requests, please utilize our new dedicated team email:
cbwmservice@morganstanley.com
This helps us respond promptly, even if a team member is out of office

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