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The Harbor Park Wealth Management Group At Morgan Stanley

An indepth insight and comprehensive analysis of market insights on significant developments and trends that unfolded in the third quarter.

	Jul	Aug	Sept	3Q 2025	YTD 2025
DJIA	0.2%	3.4%	2.0%	5.7%	10.5%
S&P 500	2.2%	2.0%	3.7%	8.1%	14.8%
NASDAQ Composite	3.7%	1.6%	5.6%	11.2%	17.4%
Source: www.ajovista.com					

While all of the above indices had a strong third quarter, the tech heavy NASDAQ Composite had a stellar three months on continued Artificial Intelligence (AI) excitement, and it seemed as if a day did not go by without a tech company mentioning that they were increasing their AI investment spending.

The Magnificent Seven stocks alone have ramped up their capital expenditures over the last year to approximately \$20 billion, equivalent to their aggregate market capitalizations at the end of June this yearⁱ. While this level of spending was more than the companies' free cash flow over that period, investor enthusiasm pushed the Mag 7 aggregate market capitalization as a percentage of the S&P 500's total market cap to a record of 35% in August and it stayed there through the end of the third quarter.

While there has been a lot of recent enthusiasm surrounding Artificial Intelligence, the groundwork for it started decades ago. In 1950, Alan Turing, a mathematician and computer scientist, published an article called "Computer Machinery and Intelligence" which proposed a test of machine intelligence.ⁱⁱ

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Then in 1956, John McCarthy, a computer and cognitive scientist, along with Turing and several other scientists coined the term “Artificial Intelligence” in a proposal they wrote for a Dartmouth conference that started AI as a field.ⁱⁱⁱ

Since then, AI has ebbed and flowed based on advances in computing power coupled with human intelligence. The two most recent iterations of AI are Traditional vs Generative. Traditional AI performs specific tasks by analyzing data, identifying patterns, and making predictions, and it is designed to follow a set of rules and inputs. Generative AI takes it a step further by learning those patterns and using them to generate text, music, code, and images.

The possibilities of Generative AI have been the main trigger for the recent AI enthusiasm and the significant increase in capital expenditures by the tech companies involved. However, the Generative AI technologies so far appear relatively undistinguished^{iv}, so it would not be surprising if the massive spending on it results in a price war in the not-too-distant future among the tech companies that supply it.

As I’m writing this, the United States is in its first day of the Federal government shutdown and the stock market is taking it in stride. Since 1995 there have been five prior shutdowns, ranging in length from 2-34 days and the S&P 500 was up, on average, 3% during those shutdowns.^v

While the stock market is, as of now, looking past the current shutdown, it is causing havoc on Federal workers, with many now furloughed, and there is rhetoric about massive layoffs being imminent. Meanwhile, essential workers, such as air traffic controllers, are required to work without pay during the shutdown. Perhaps a future iteration of AI could help the US government learn how to operate on a balanced budget to avoid future shutdowns.

We will be posting a quarterly market update to our website on an ongoing basis, after the end of each calendar quarter. Please contact us with any comments and/or questions. We welcome your feedback.

For more information [Click Here to Visit Our Team Website](#)

Author



Nancy Dennin, CFA®

Consulting Group Analyst

The Harbor Park Group

Morgan Stanley Wealth Management

1201 Wills Street, Suite 700 | Baltimore, MD 21231

Toll Free 800-837-5833

Nancy is a Certified Financial Analyst for the Harbor Park Group. She started her career at Legg Mason (LM) in July 1982 as a secretary in the Accounting Department, shortly after graduating Cum Laude from Towson State University with a BS in Finance. Within six weeks she was promoted to a Staff Accountant and was involved in preparing the financial statements for Legg Mason's IPO in 1983. In 1985 she transitioned to the Funds Management division of LM, being hired by Ernie Kiehne to be a Securities Analyst for the group of mutual funds that he and Bill Miller were managing. In the 1990s she became the co-manager, then the sole manager of the Total Return Trust, a growth and income fund, and in 2000 became the assistant manager of the Value Trust, LM's flagship fund.

Nancy received her CFA in 1988 and her MBA from Loyola College at night, graduating as a member of the Beta Gamma Sigma honor society in 1989. She also received The Baltimore Association of Financial Planners Award upon her graduation from Towson State. She was the President of the Baltimore Security Analysts Society in 1996-1997. She currently volunteers as an InvestWrite Judge, grading student essays for the SIFMA Foundation and previously volunteered for the Maryland Special Olympics during and after college. In the early 2000s she served as a member of the Board of Directors for Chesapeake Academy, the elementary school her children attended.

Nancy and Mike were married in 1991 and had five sons within 3 ½ years – one born in 1994, one in 1996 and triplets in 1998! Nancy's desire to spend the majority of her time raising her children led her to transition to Mike's investment team, where she has worked part time since 2005.

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For index, indicator and survey definitions referenced in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

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ⁱ Morgan Stanley Global Investment Committee, "Topics in Portfolio Construction," September 16, 2025

ⁱⁱ Tableau.com, "What is the History of Artificial Intelligence (AI)"?

ⁱⁱⁱ www.Wikipedia.com

^{iv} Morgan Stanley Global Investment Committee, "Topics in Portfolio Construction," September 16, 2025

^v Morgan Stanley Global Investment Committee, "Do Government Shutdowns Matter?", March 12, 2025