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Morgan Stanley



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 second quater.

	April	May	June	2Q 2026	YTD
DJIA	7.2%	2.9%	2.7%	13.4%	9.8%
S&P 500	10.5%	5.3%	(1.0)%	15.2%	10.2%
NASDAQ Composite	15.3%	8.4%	(2.8)%	21.4%	12.8%
Source: www.ajovista.com					

An astute long-term investor that I know recently reminded me of a simple answer to an investment question that was posed to John D. Rockefeller around 1900, asking for guidance about the future direction of some US publicly traded stocks. Mr. Rockefeller's response was "I think they will fluctuate."[i] And fluctuate they have. Just one example is that the average *annual* return of the S&P 500 from 1926-2025 was 10.4%, meanwhile that index was up 10.5% in April alone, after a negative first quarter performance.

I've written before about Zero Day to Expiration options (ODTE) causing volatility in the markets and now there is a relatively new short term trading mechanism, called "short-term equity trend forecasting." The online description of this says it's a "dual-task multi-layer perception model that blends 40 technical alpha signals with behavioral markets to predict short-term directional movements".[ii] That's a complicated way to

describe the current trend of short term investors trading leveraged exchange-traded funds (ETFs) and options tied to the levered ETFs that are meant to produce double or triple the daily moves of the underlying stocks in the ETFs.[iii] The most popular leveraged fund offerings are tied to indexes of technology and semiconductor stocks.[iv]

In addition to the current leveraged ETFs trend, investors have been trying to amplify their stock returns with margin loans. U.S. investors have increased their margin debt by 54% to a record $1.4 trillion in May from a year earlier.[v] Leverage is a double-edged sword. It can turbocharge gains when stocks go up and it can drastically accelerate losses when stocks go down. A recent example of this was on June 5, when a popular semiconductor fund that was 3x leveraged plunged 31% in a single day, roughly tripling its benchmark index's decline.[vi] I wonder what Mr. Rockefeller would think about the above investment strategies if he were alive today.

Artificial Intelligence (AI) continues to be in the news on a daily basis and most of the news stories now include the massive data center spending that's expected to be required of the technology companies to build out the AI infrastructure. As a recent International Monetary Fund (IMF) article detailed, "what makes the current AI wave unusual is its capital intensity. Training large language models and deploying generative systems requires vast computing power and physical infrastructure. AI is more like electricity than other recent innovations such as social media or digital commerce, which grew on preexisting networks."[vii]

Capital expenditures (capex) for new data centers to power AI is currently expected to be in the $7.6 trillion range through 2031[viii]. Due to the recent capex spending needs of the large tech companies, called the "hyperscalers," many of them have been issuing debt that is resulting in their financial models going from cash flow positive to the expectation that they will be cash flow negative for a period of time. The question is for how long. One research company's analysis, called the "capex payback test" finds that the AI ecosystem might not be fully end-user revenue backed until 2030.[ix] Given the current short-term focus of some investors 2030 seems like an eternity so the recent market volatility might be around for a while.

While technology and AI related stocks have garnered much attention over the last few years, there are stocks in other sectors of the market that have been overlooked due to their slower growth rates, that have good dividend yields and attractive valuations. As

ice hockey legend Wayne Gretzky said in a 1983 interview when discussing his success, his father repeatedly told him while he was learning the sport, “skate to where the puck is going to be, not where it has been.”

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

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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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[i] Quoteresearch.com, “I Believe the Market is Going to Fluctuate” Sept. 28, 2013.
[ii] ResearchGate.com
[iii] Wall Street Journal, “Debt Binge Drives Stocks into Risky Territory” June 29, 2026
[iv] Wall Street Journal, “Debt Binge Drives Stocks into Risky Territory” June 29, 2026
[v] Wall Street Journal, “Debt Binge Drives Stocks into Risky Territory” June 29, 2026
[vi] Wall Street Journal, June 29, 2026
[vii] Finance & Development Magazine, published by the IMF. “AL can lift global growth, but lasting productivity benefits depend on how fast we learn to measure, finance and govern it.” March 2026
[viii] MoneyWatch.com “Big Tech is spending trillions on AI. Investors now want proof it will pay off.” June 26, 2026
[ix] MoneyWatch.com “Big Tech is spending trillions on AI. Investors now want proof it will pay off.” June 26, 2026