

September 2026

It's back to school season and more importantly the start of football season. Go Pack Go and may the odds be in your Fantasy Team's favor!

This past month, market news was largely focused on inflation, the treasury market and US debt along with a continued focus on AI (Artificial Intelligence).

While August brought heatwaves across the country, we did see some cooling as it relates to inflation. The Labor Department reported that inflation was at 3.4% in July which was lower than June's 3.5%; core prices rose by 2.5% over the past 12 months which was also down from the 2.6% on a rolling 12-month basis in June.

During Fed Chair Kevin Warsh's first speech at Jackson Hole, he said, "while this summer's inflation readings were better than expected, they do not tell me that underlying trends have meaningfully improved." He then went on to hint that interest rates could move higher if more progress is not made on easing price pressures (source: CNBC). Currently, the bond market has priced in almost two Fed rate hikes over the next year, although we expect policy rates to remain on hold, because of easing inflation pressures and trend-like economic growth (source: Invesco). The unknowns on inflation continue to be the closure of the Strait of Hormuz and now the potential trade war with Canada.

Near the end of August, it was reported that the US national debt crossed \$40 Trillion. While concerning, the net interest is now back above 3% of GDP, like what we saw in the 1980's-1990's (source: First Trust). Since the last Federal Reserve meeting in July, interest rates have climbed to their highest levels since 2007 (source: WSJ). Treasury Secretary, Scott Bassent, said the Treasury will start buying around \$2b to \$4b long dated bonds in an effort to bring down long term interest rates. This could run contrary to the Federal Reserves' efforts to tame inflation (source: WSJ)

As mentioned in past newsletters, the biggest question for economists is will the spending for AI translate to revenue and if it doesn't, what happens next. We also saw this in recent comments from Kristalina Georgieva, the managing director of the International Monetary Fund as she noted the spreading gains from AI, saying the technology's rollout and its economic effects are still uncertain. She mentioned financial stability risks, alluding to what many investors and analysts see as a bubble in AI-related firms' soaring stocks and expanding borrowing (Source: WSJ). For now, AI continues to drive growth and dominate headlines.

We are now headed into my favorite time of the year, with lower humidity and cooler temperatures. As always if you need anything, don't hesitate to call the team.

James M. Koehler, Senior Vice President
Financial Advisor
Senior Portfolio Manager

NMLS# 1316586

303 Lippincott Drive, Suite 300, Marlton, NJ 08053 856-489-2474

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. **Past performance is no guarantee of future results.**

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

In this program the client pays a wrap fee to MSWM (the "MSWM Fee"), which covers MSWM investment advisory services, custody of securities (if we are the custodian), trade execution with or through MSWM, as well as compensation to any Financial Advisor. The Portfolio Management program fees are described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

The strategies and/or investments discussed in this material may not be appropriate for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

The companies identified within are shown for illustrative purposes only and should not be deemed a recommendation to purchase or sell the companies mentioned.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors or companies.

Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning or other legal matters.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC

CRC 5883036 8/2026