Q3: 2022 **Volume: 28.3**

THE MARSHALL/TEPPER GROUP
AT MORGAN STANLEY

Contact Us:

Jessica A. Marshall
Senior Vice President
Senior Portfolio Management Director
Financial Advisor
jessica.a.marshall@morganstanley.com
212-230-3602

Jerrold P. Tepper, CPM®
Senior Vice President
Senior Portfolio Management Director
Certified Portfolio Manager
Financial Advisor
jerrold.p.tepper@morganstanley.com
212-230-3601

Kenneth J. Bracht Jr.
Financial Advisor
Portfolio Management Associate
Financial Planning Specialist
kenneth.j.bracht@morganstanley.com
212-603-6177

Patrick J. Valenti
Wealth Management Associate
patrick.valenti@morganstanley.com
212-230-3498

Stephen Miller
Client Service Associate
stephen.miller@morganstanley.com
212-230-3718

We appreciate your introductions to friends, family and business associates, as well as your continued confidence in us.

Market Update

Demand Destruction and the Great Reset:

There is no denying that the first nine months of the year have been a tough slough for the markets. After enjoying a strong run, investors have met up with an obstacle that hasn't blocked their path for decades.

As we have noted previously, the markets that we had grown to be so fond of, are now being tested. For years, virtually every crisis or headwind facing the economy and our financial wellbeing, was answered by a forgiving Federal Reserve and stimulative polices from Washington. Welcome to the big reset.

It has not been easy for the markets to accept the transition from an "accommodative" Fed stance to one that is much more "restrictive." The majority of Fed Governors appear to be unified in their belief that to combat the rapid rise in inflation they must move from their once overly lenient approach to one that is much harsher. They openly agree that the process is likely to be painful. In simple terms, demand needs to be destroyed, to force inflation down and to achieve price stability.

By employing a "shock and awe" and "front loaded" approach, the Fed has and will continue to be focused on raising interest rates. We continue to expect rate increases in both November and December and possibly into early next year. Will there then be a pause? Will there be collateral damage to the economy? This is the heart of the current debate.

It is widely accepted that the Fed has limited tools available by which to fight soaring inflation. The concern is that by doing so with such velocity and heft there could be "breakage" in the economy or the financial system.

For all these years that the economy has been on "stimulants," we are now being asked to go "cold turkey." Have you ever asked a former cigarette smoker what quitting was like? Chances are, that it was an uncomfortable experience and came with some unintended consequences. Weight gain, irritability? Our markets are having just as difficult a time as we go through a collective withdrawal.

For the economy, some signs of possible damage are already evident. Housing has wilted in the face of higher mortgage rates and worker layoffs are showing up in some business sectors, although the overall labor market remains strong.

Outside the US, many of our trading partners are concerned about the rapid rise in rates and the consequences this may have for their currencies and their banking systems. Our exceptionally strong dollar is a plus if you plan to travel to Paris or Rome, but it has been a headwind for foreign currency exchange, the commodity markets and for companies with a large international presence. There are now increasing calls of concern from diverse groups for our Fed to pause and reassess their position.

For now, the stock and bond markets are adjusting their expectations based on this new paradigm.

We remain proactive and protective. "Cash is no longer trash," allowing us to keep our "dry powder" available for the opportunities that are likely to come our way.

Please be sure to visit our website at
http://www.morganstanleyfa.com/marshalltepper

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.

This material is intended only for clients and prospective clients of the Portfolio Management program. It has been prepared solely for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument, or to participate in any trading strategy.

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.

Past performance of any security is not a guarantee of future performance. There is no guarantee that this investment strategy will work under all market conditions.

International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

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

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.

Dow Jones Industrial Average is a price-weighted index of the 30 "blue-chip" stocks and serves as a measure of the U.S. market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. An investment cannot be made directly in a market index.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

October 2022

CRC Tracking# 5017470