

Spring Newsletter 2026

The Vista Group

at Morgan Stanley

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Welcome to the Spring edition of the team newsletter. Below you can find a market commentary written by the team, a team member highlight, and an exceptional recipe to try out before the weather gets too hot.

Warm Regards,

John, Mitch, Carlos, Cindy, and Eric

Market Commentary

The Fed and Stagflation

While the markets have been volatile, we're only about 7% from the all-time high on the S&P 500 index.¹ Yet the world and investors emotions are bearish?

Part of that I think is because of what this year is setting up to be. We have a war in the Middle East in which many are questioning the length of time it will take and the true impact on our world and economy. Please don't take that as my opinion on the war – it's always complicated, I am sticking to the facts to say, wars impact markets and we can and should expect this one to as well. But the real reason I think we're seeing continued volatility is because the war isn't the only thing going on this year.

The market is bracing for a change in Fed Chair, expected at the May 2026 meeting. Historically when a Fed Chair's term is over, they step down from the federal reserve board completely. However, everyone should know that when elected as Fed Chair, they are many times already a Fed Governor. So, when elected as Chair they technically have two terms to serve. Their Fed Chair term and their Fed Governor term. Fed Chair Powell's chair term is through May 2026; however, his Governor Term is through January 31, 2028.

The last time we had a Fed Chair stay on the Fed as governor was in 1948, Marriner Eccles. Ben Bernanke and Janet Yellen both stepped down from their governor role when their chair term ended.² Allan Greenspan happened to end his chair term at the same time his governor term was complete.

Why does this matter? This matters because we know the next Fed Chair is unlikely to agree completely with Fed Chair Powell and by staying on Powell will continue to have a vote and a say in policy. It's also important because if Fed Chair Powell were to step down, the bigger question would be who is replacing him. All of which could have impacts on interest rate policy, impacting markets along with it. Where we stand now is what the markets hate, the unknown.

After the Fed decisions we walk into summer and right into midterm elections. I have no prediction or commentary here except to say that it will impact the markets. Time will tell how, but more volatility could be the name of the game this year. . . . Get comfortable in the uncomfortable.

With turmoil and volatility being the norm in both our financial and geopolitical world being the norm these days, the "s" word has been thrown around a lot lately. Stagflation. It sounds like a negative word, doesn't it? I'm not saying stagflation is where we're headed, we can't predict the future, but we can be armed with the knowledge to help get through it calmly. And for me, that is the goal.

So, stagflation. The technical definition is a macroeconomic environment where inflation stays high while economic growth stalls and unemployment rises. This becomes a challenging combination because the policy tools to solve one problem can worsen the other.

Let's unpack that for a moment. In Econ 101 we learned when inflation is high, the policy tool to ease inflation is to raise interest rates. Borrowing becomes more expensive, effectively slowing investment and reducing demand therefore easing pricing pressures. It's counter intuitive, but if inflation is high you want to slow the economy to reduce the inflation occurring.

When unemployment is high, you want to lower interest rates. You want to reduce the cost, allowing and encouraging individuals to spend more. More spending coupled with lower rates leads to companies expanding and borrowing, which allows them to hire more people and therefore reduce unemployment.

So, stagflation, by definition, is a predicament. How do we get here? How does stagflation typically occur.

There are a few scenarios that could lead to stagflation but almost all of them will have to do with a negative supply shock and/or a wild price increase. Energy costs are a direct input to inflation, in a few different ways. Oil impacts inflation through energy costs, transportation costs, manufacturing inputs, agricultural costs... basically oil has inflation surrounded. With energy spikes, there is very little space for inflation not to increase.

Now, you may be reading this and realizing that inflation has nowhere to go but up. The truth is, we don't know yet. If the war continues, if oil tankers can't get through the Strait of Hormuz, then yes inflation is likely to tick up. But we just don't know.

Did you see the recent announcement that the United States will release over 170 million barrels of oil from the Strategic Petroleum Reserve?³ Now you understand why. A supply shock led to an oil price spike, and the only way to bring down prices is to increase supply. I don't want to get lost in the Iran details here, but I bring it up because, nothing about this situation is black and white. Given the response from Iran after the announcement and pressure on the Straight, oil is up with no significant decline in price forecasted.

Unlike a recession there is no hard and fast rule about stagflation and whether it's arrived or how long it stays. The three ingredients, as I mentioned are high inflation, weak or stagnant growth, and rising unemployment.

If we do see stagflation, one of the questions we get most often is "what does well in the stock market during periods of stagflation?" Energy is an obvious one, companies will benefit from higher revenue associated with commodity prices. Consumer staples are another. In periods of stagflation, stagnant growth provides a base for defensive stocks. Americans are typically still buying toilet paper and toothpaste during these times and sometimes they're buying more from these companies than they typically do, increasing revenue. Utilities are viewed as defensive, though they can be sensitive to interest rates (which is a whole other ball of wax given we have a new fed chair coming in, in May). Materials could also benefit, and we've seen some of this already.

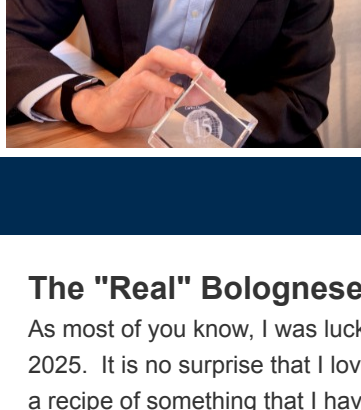
Consumer discretionary is likely the poster child for what doesn't do well in stagflation environments. Followed by technology and financials – given lower loan growth and opportunity for company expansion.

I think an obvious result of stagflation is volatility. Volatility in the market feels like a baseline given the War, a new Fed Chair, an election cycle.

I think we're at a very interesting moment. Nothing is clear cut. While yes, we may see rising unemployment and higher inflation we're also seeing companies and investors with record cash levels, which could lead to growth. We're seeing a fed changeover and generally a faster pace international stage. You don't need to have a clear crystal ball; you just need to be there. With facts, with information and with solutions should you need them.

Written by: John Rochester, Senior Vice President, Financial Advisor at Morgan Stanley

Team Member Highlight



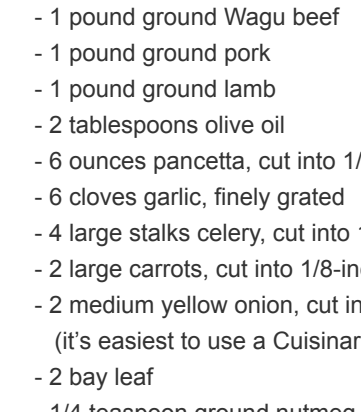
This month, we're proud to recognize a significant milestone for our colleague, Carlos Duque, who is celebrating 15 years at Morgan Stanley.

Over the past decade and a half, Carlos has built enduring relationships with many of you and has been a trusted resource for families, professionals, and business owners as they navigate important financial decisions. We're grateful for the confidence you place in our team and for the opportunity to continue serving you.

In The Kitchen

The "Real" Bolognese

As most of you know, I was lucky enough to spend an extended amount of time in Italy in the fall of 2025. It is no surprise that I love Italian food. One of my obsessions in my personal life is to "perfect" a recipe of something that I have experienced. One of my favorite plates in Italy is a traditional pasta Bolognese. One of the most crucial components of the dish is that it uses a flat pasta (pappardelle or tagliatelle) to sufficiently "hold" the sauce, and that the sauce itself is not a tomato based Ragù.



I know, I know, in America the belief is that a Bolognese is a heavily meat based tomato sauce. Well, it really isn't. Instead, its base is made from a classic combination of wine and milk. In addition, while traditionally made with ground veal, I have amended the recipe to incorporate other meats that in combination provide a similar flavor balance. I hope you enjoy this easy traditional version.

Ingredients:

- 1 pound ground Wagyu beef
- 1 pound ground pork
- 1 pound ground lamb
- 2 tablespoons olive oil
- 6 ounces pancetta, cut into 1/8-inch pieces
- 6 cloves garlic, finely grated
- 4 large stalks celery, cut into 1/8-inch pieces
- 2 large carrots, cut into 1/8-inch pieces
- 2 medium yellow onion, cut into 1/8-inch pieces
(it's easiest to use a Cuisinart to chop all the vegetables together)
- 2 bay leaf
- 1/4 teaspoon ground nutmeg + to taste
- Kosher salt and freshly ground black pepper
- 2/3 cup tomato paste
- 2 cups dry white wine
- 3 cups chicken stock
- 2 cups whole milk
- 1 large Parmesan rind (optional, but makes a difference)
- 1 or 2 pounds fresh tagliatelle or pappardelle, or dry rigatoni
- Grated Parmesan, for serving

Directions:

1. Heat the oil in a Dutch oven or large heavy pot over medium-high heat. Spread the ground meat in an even layer in the pot and cook undisturbed until lightly golden brown, 1 to 2 minutes. Toss and continue to cook, breaking up any clumps with the back of a spoon and scraping up any browned bits from the pot, until the meat is lightly browned on both sides, 1 to 2 minutes more. Transfer the browned meat with a slotted spoon to a bowl leaving the fat in the pot.
2. Cook the pancetta, stirring occasionally, until the fat has rendered and is golden brown on all sides, 4 to 6 minutes. Remove the pancetta from the pot and add it to the ground meat set aside.
3. Reduce the heat to medium. Add the garlic, celery, carrots, onions, bay leaf, nutmeg, 2 teaspoons salt and ½ teaspoon pepper and cook, stirring occasionally, until the vegetables are tender but not browned, 8 to 10 minutes.
4. Add the tomato paste and cook, stirring constantly, until very fragrant and brick red, about 6-8 minutes.
5. Stir in the wine, bring to a boil and cook until it reduces and thickens and no smell of alcohol remains, 6 to 8 minutes. Add the browned meat and stir in the stock, milk.
6. Bring to a boil, then reduce the heat to low. Add the Parmesan rind and simmer, stirring occasionally, until most of the liquid has evaporated away and the mixture resembles sloppy joes with a slightly orange tint of coloring, 2 to 2 1/2 hours. There shouldn't be any rapid bubbles while cooking. Instead, the sauce should release occasional small bubbles. If you have a small burner you should use it; the larger burners even at their lowest setting might cook the sauce too quickly. If the sauce reduces too quickly, add 1/2 cup of stock or water and continue cooking; repeat if necessary. The sauce needs the full 2 to 2 1/2 hour cook time to develop the flavors.
7. Bring a large pot of salted water to a boil over high heat. Cook the pasta. If using fresh pasta, cook about 3 minutes. If using dry, cook until very al dente, about 2 minutes less than the package directions.

*Note: At this point before serving, you can set aside as much of the sauce as you wish to save for later. It freezes really well, and I can usually get at least 3 or more meals out of it. Make sure to never freeze or store the pasta and the sauce together.

1. Reserve 1 cup of the pasta cooking liquid, then drain the pasta and transfer to the sauce.
2. Increase the heat to medium, bring the sauce to a simmer and cook, tossing the pasta constantly, until the pasta is al dente and the sauce is slightly thickened, adding pasta cooking liquid if necessary, about 2 minutes.

2. Transfer the pasta to a platter and top with grated Parmesan and chili flakes as desired.

Bon Appetit!

The Vista Group

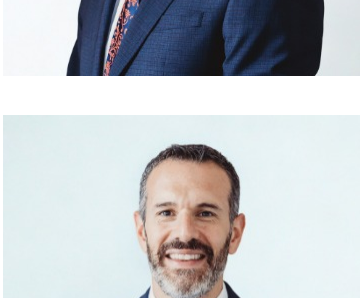
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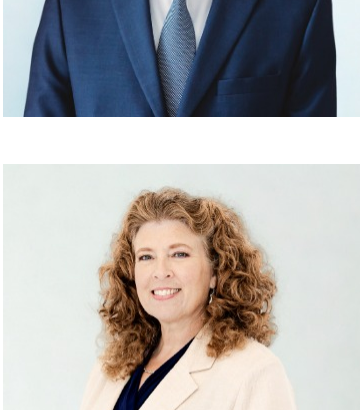
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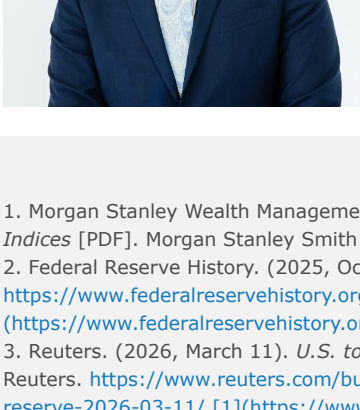
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