

## US Equity Strategy

January 9, 2026

### Strategy Data Pack – January 2026

#### Key Points:

- We think consensus is still underestimating the collective impact of a series of bullish catalysts from de-regulation to operating leverage to accommodative monetary & fiscal policy. The surprise for '26 could be that we see multiple expansion for the median stock in addition to strong earnings.
- **Key Tailwinds for 2026:**
  - **Earnings:** Positive leverage and pricing power drive strong EPS growth.
  - **De-Regulation:** eSLR changes unlock bank capital; lending standards ease.
  - **Monetary Policy/Rates:** Fed cuts rates; 10-year yield seen at 3.75%.
  - **AI Adoption:** Rising AI benefits expected to boost margins in 2026.
  - **ISM Cycle Inflection:** Lower rates and earnings breadth signal ISM acceleration.
  - **Consumer Discretionary Goods Demand:** Shift to goods; strong household balance sheets support demand.
  - **Lower Dollar and Oil:** Weak dollar aids earnings; low oil boosts consumers.
  - **Valuation Should Remain Supported:** EPS growth and policy support P/E expansion trends.
- **Risks to our View:** Liquidity tightening, AI capex concerns, and geopolitical uncertainty from U.S. Venezuela intervention and China's response.

#### Michael Wilson

*Chief US Equity Strategist & CIO of Morgan Stanley*

M.Wilson@morganstanley.com

+1 212 761-2532

#### Andrew Pauker

*Equity Strategist*

Andrew.Pauker@morganstanley.com

+1 212 761-1328

#### Michelle M. Weaver, CFA

*US Thematic Strategist*

Michelle.M.Weaver@morganstanley.com

+1 212 296- 5254

#### Diane Ding, Ph.D.

*Quantitative Strategist*

Qian.Ding@morganstanley.com

+1 212 761-6758

#### Nicholas J. Lentini, CFA

*Equity Strategist*

Nick.Lentini@morganstanley.com

+1 212 761-5863

Morgan Stanley does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section located at the end of this report.**

## In Case You Missed It – Last Month's Publications

---

### Weekly Warm Ups

- [US Equity Strategy: Weekly Warm-up: Synergistic Drivers Facilitate the Rolling Recovery \(5 Jan 2026\)](#)
- [US Equity Strategy: Weekly Warm-up: Fed Actions Support Our "Run It Hot" Thesis, but Are They Enough? \(15 Dec 2025\)](#)
- [US Equity Strategy: Weekly Warm-up: Discretionary Goods and Small Caps Showing Relative Strength \(8 Dec 2025\)](#)

### Special Reports

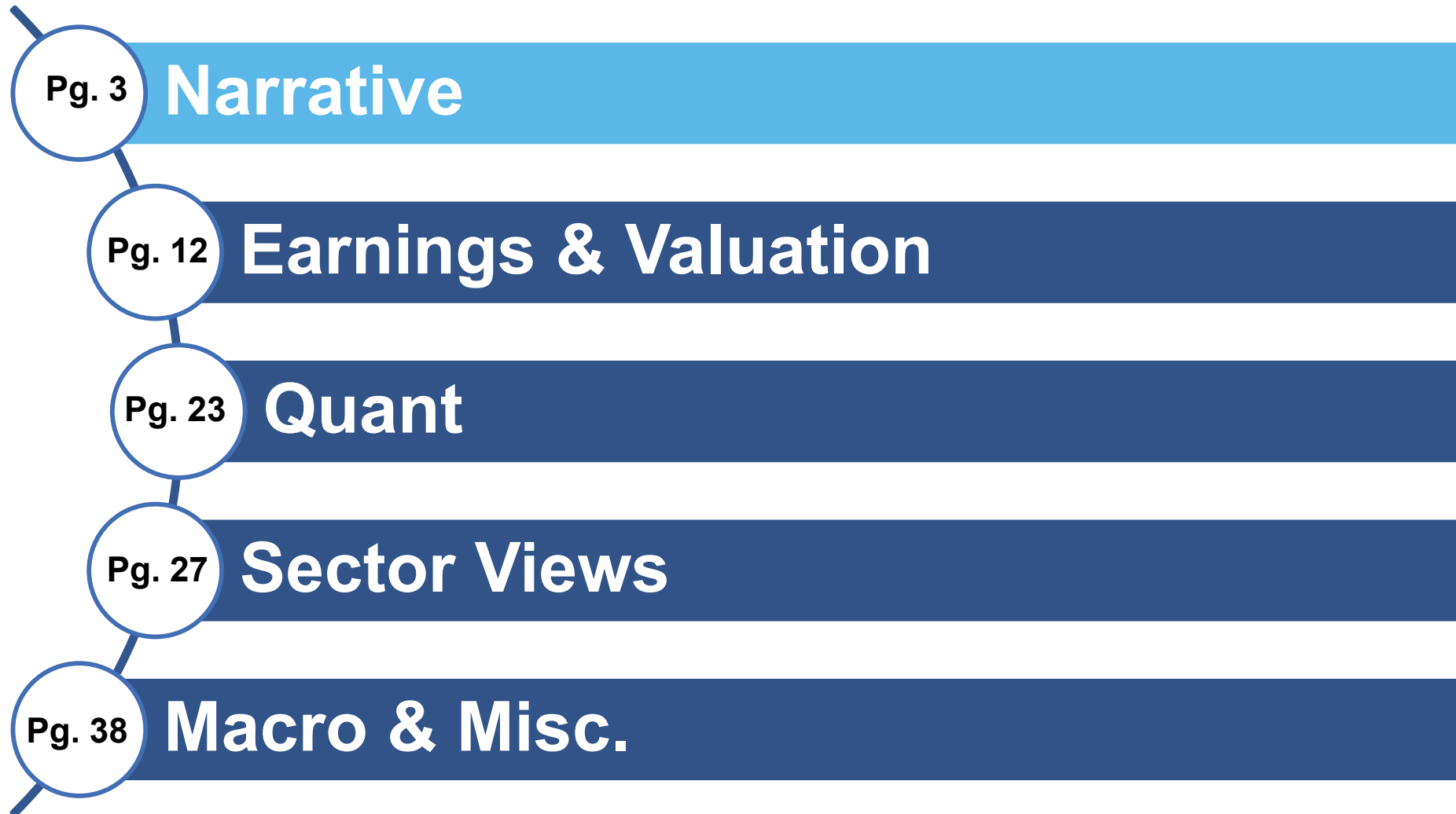
- [Sunday Start | What's Next in Global Macro: Asking the Right Questions \(21 Dec 2025\)](#)
- [Thematic Alpha x US Public Policy: How Are Companies Mitigating Tariff Impacts? What We Learned From 3Q Earnings \(17 Dec 2025\)](#)
- [Thematic Alpha & Consumer: Consumer & Retail Conference Wrap Up: Thematic Takeaways and Answers to Key Questions \(8 Dec 2025\)](#)
- [Thematic Alpha: Are Data Centers Really Driving Consumer Electricity Bills Higher? \(5 Dec 2025\)](#)
- [US Equity Strategy: What Are Companies Saying? \(1 Dec 2025\)](#)
- [US Equity Strategy: 2026 US Equities Outlook: The Rolling Recovery Is Here \(17 Nov 2025\)](#)

### Podcasts & Videos

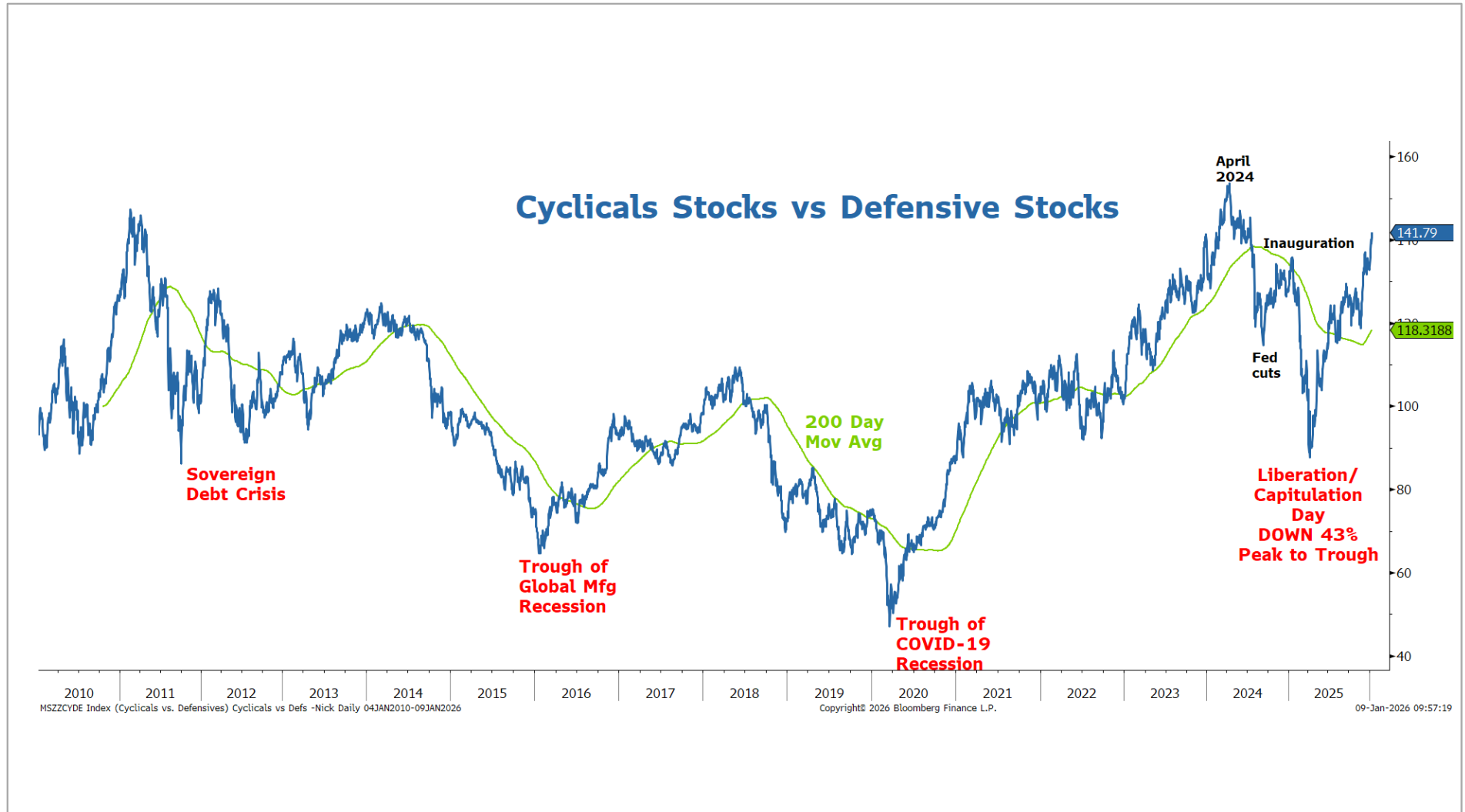
- [Podcast | Equities Unplugged with Michael Wilson and Andrew Pauker: 'Run It Hot' Trade Ideas Remain Out of Consensus | Ep. 55 \(22 Dec 2025\)](#)
- [Podcast | The Thematic Edge: How Our 4 Key Themes Have Played Out in 2025 | Ep. 18, Part 2 \(19 Dec 2025\)](#)
- [Podcast | The Thematic Edge: How Our 4 Key Themes Have Played Out in 2025 | Ep. 18, Part 1 \(19 Dec 2025\)](#)
- [Podcast | Thoughts on the Market: Why Market Stability Matters to the Fed \(15 Dec 2025\)](#)
- [Podcast | Thoughts on the Market: Stocks in 2026: What's Next for Retail Investors \(8 Dec 2025\)](#)
- [Podcast | Thoughts on the Market: AI Rewrites the Retail Playbook \(7 Dec 2025\)](#)
- [Podcast | Thoughts on the Market: Trends and Challenges for Consumers in 2026 \(4 Dec 2025\)](#)

## Outline

---

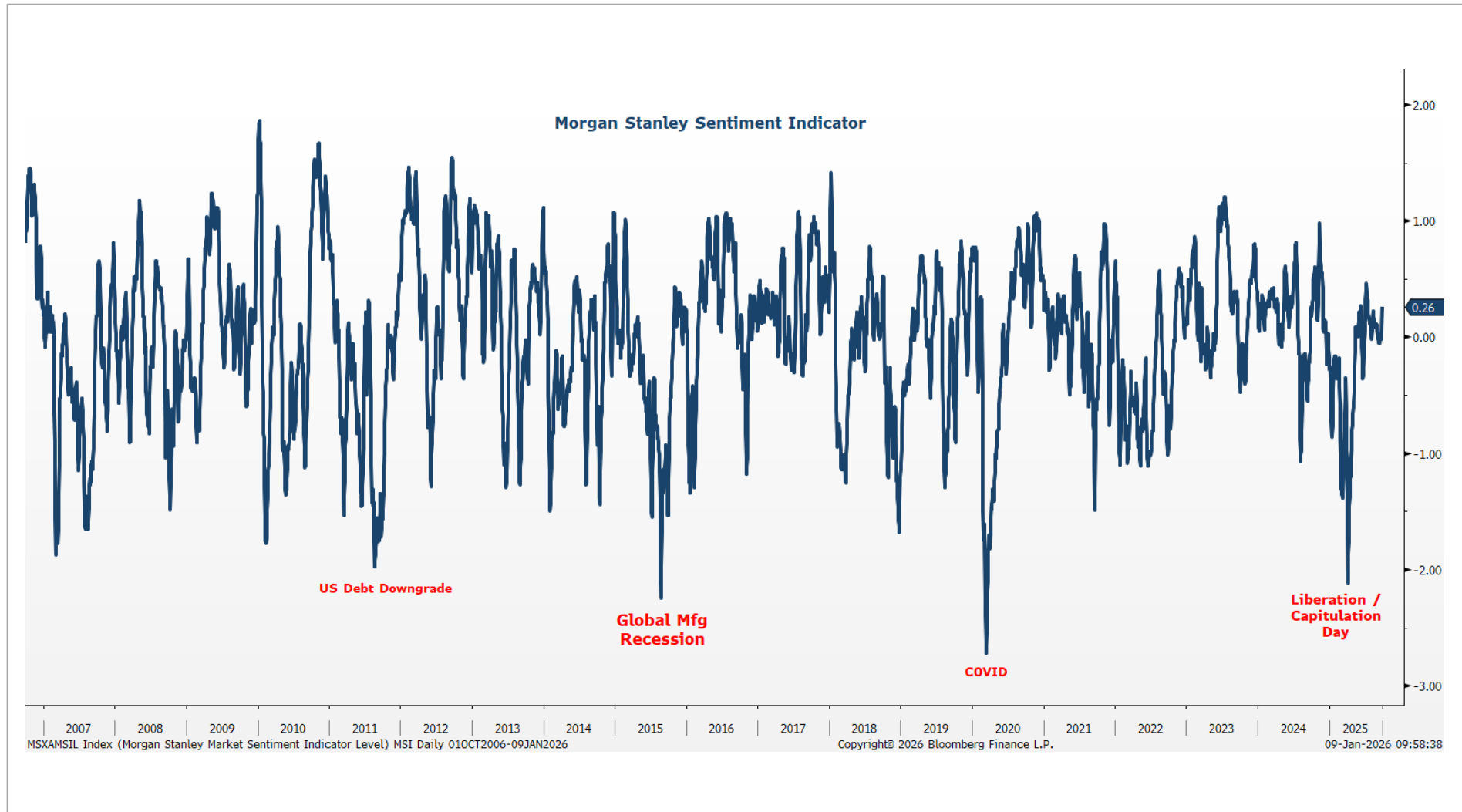


**The Correction in Economically-Sensitive Stocks Began a Year Ago...**



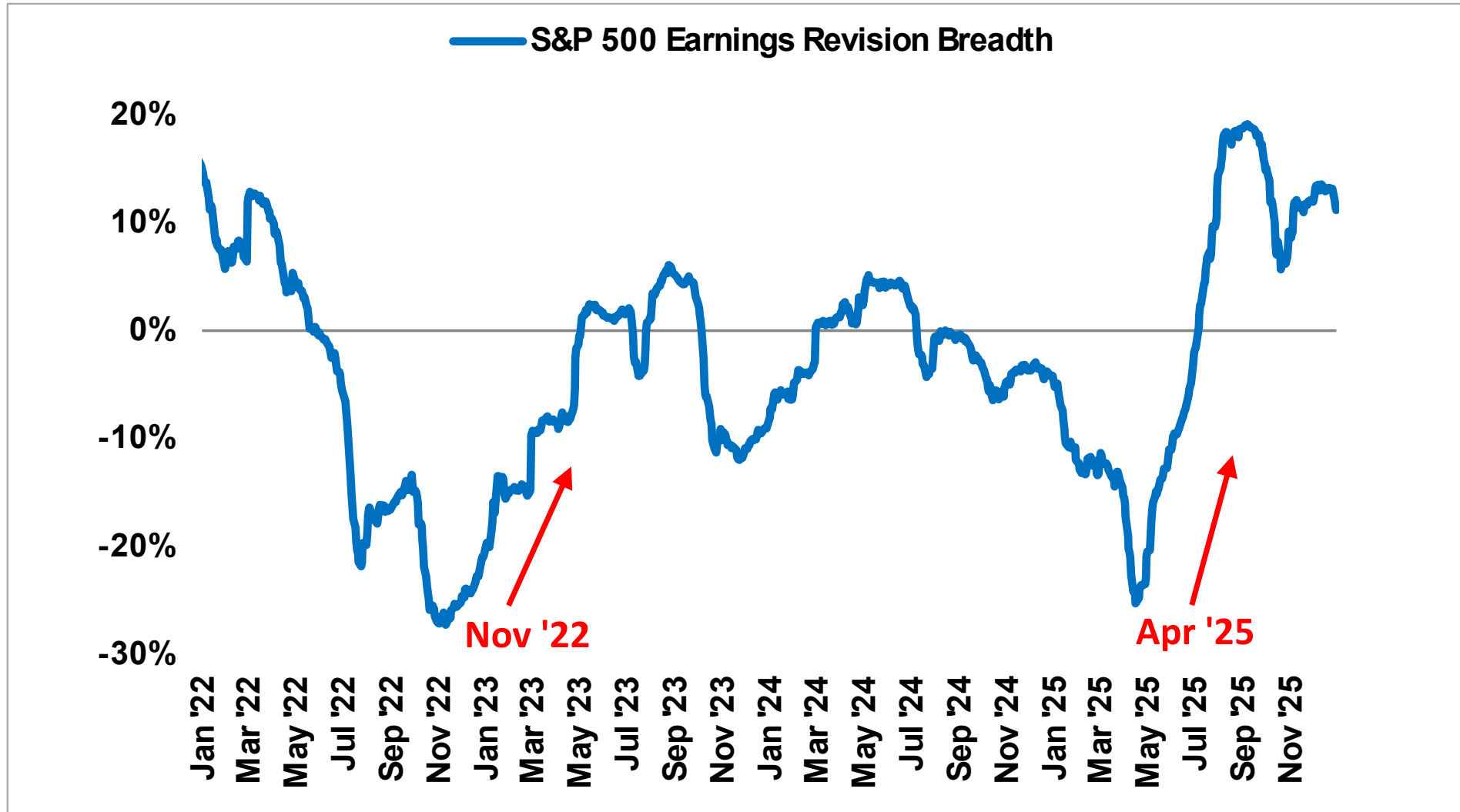
Source: Bloomberg, Morgan Stanley Research. As of Dec 31, 2025

## ...Turning 'Liberation Day' into 'Capitulation Day'



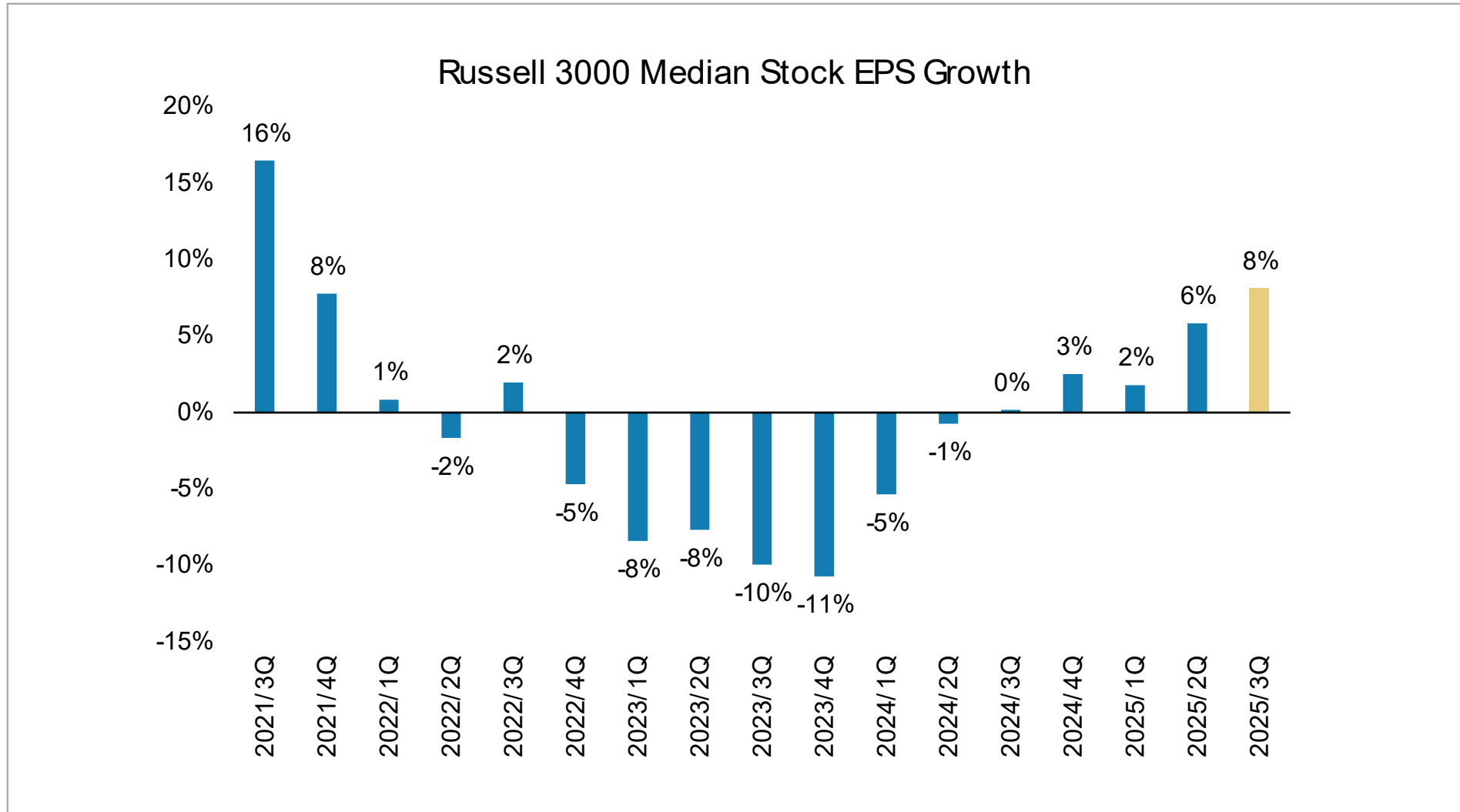
Source: Bloomberg, Morgan Stanley Research. As of Dec 31, 2025

## The Low Also Coincided with a V-Bottom in Earnings Revisions Breadth



Source: Bloomberg, Morgan Stanley Research. As of Dec 31, 2025

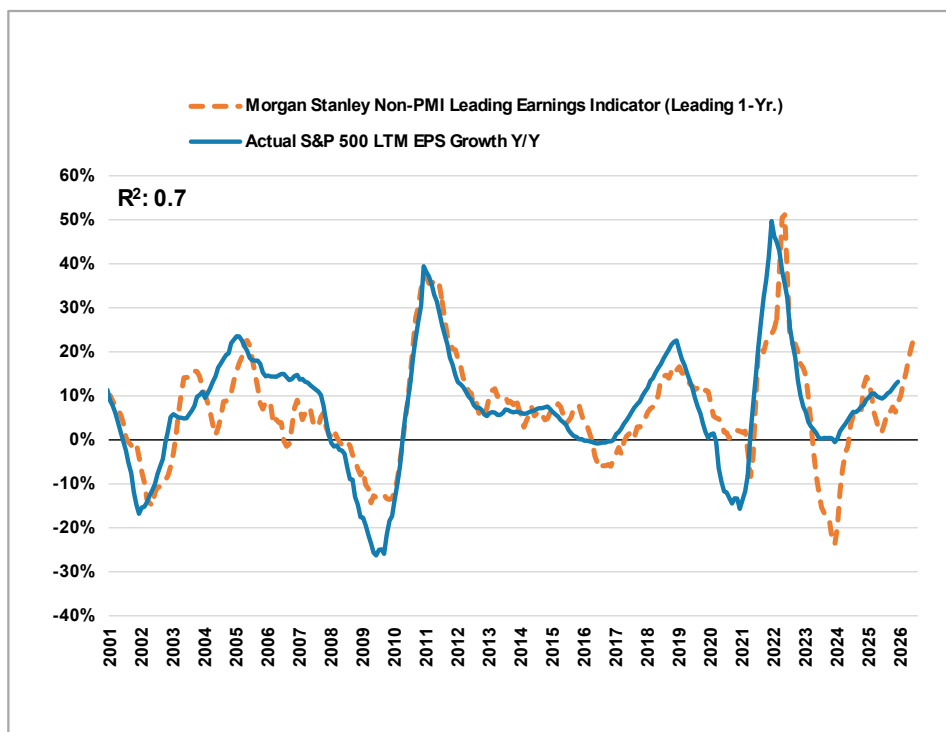
**The Median Stock is Now Recovering and Seeing the Strongest Growth in 4 Years**



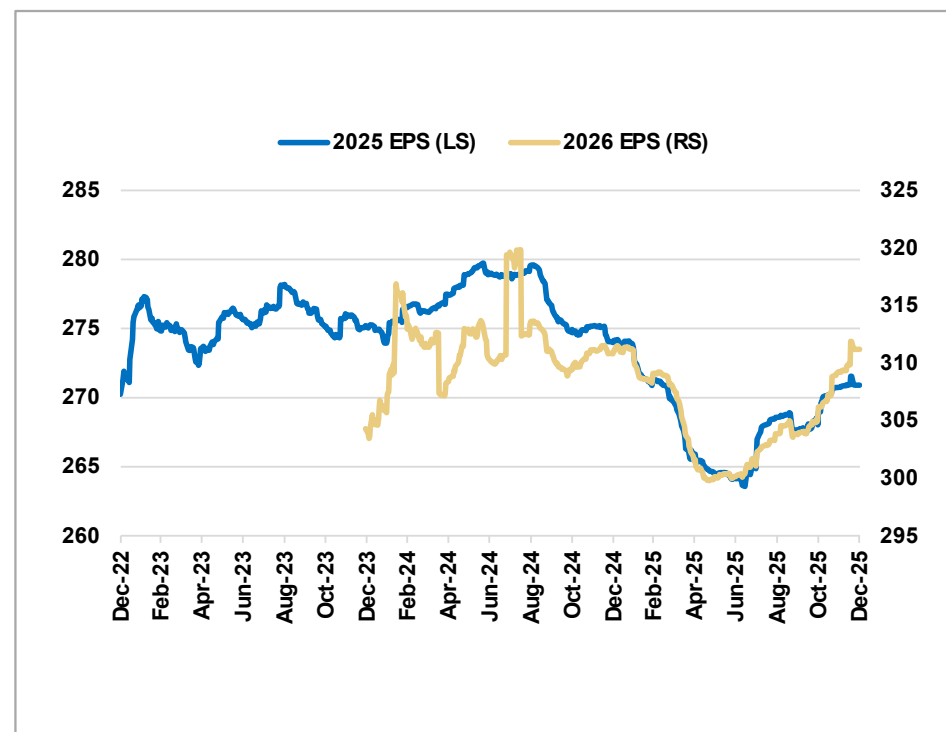
Source: Bloomberg, Morgan Stanley Research. As of Dec 31, 2025

## Our Leading Earnings Model Has Turned Constructive

### Morgan Stanley Non-PMI Leading Earnings Indicator



### Consensus EPS Estimates

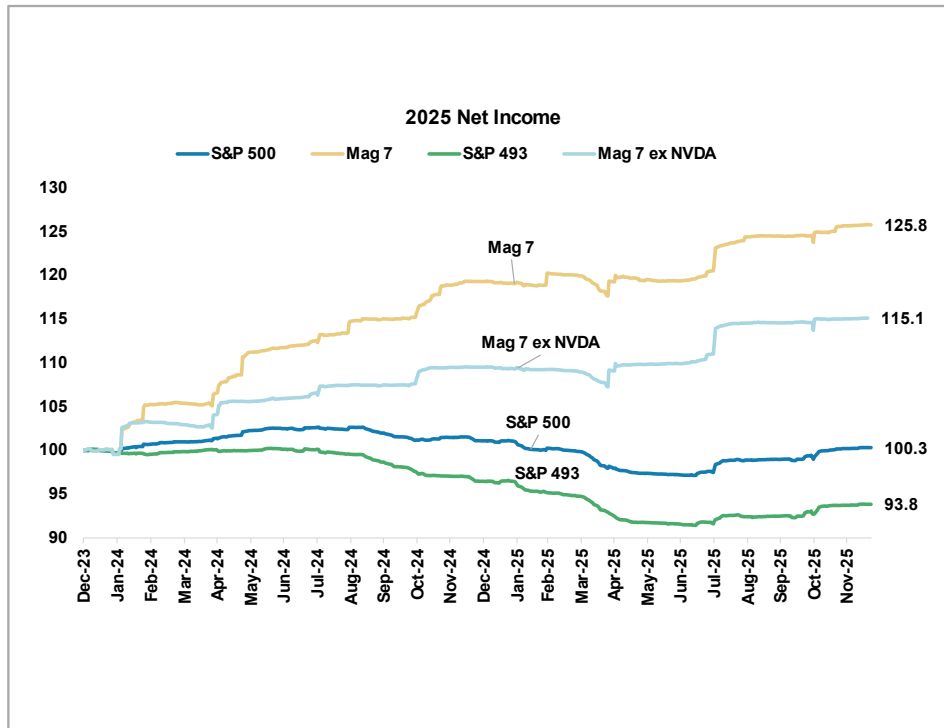


Source: FactSet, Bloomberg, Morgan Stanley Research. Left as of Oct 31, 2025. Government data has delayed further updates. Actual S&P 500 LTM EPS as of 12/31/25. Right as of Dec 31, 2025.

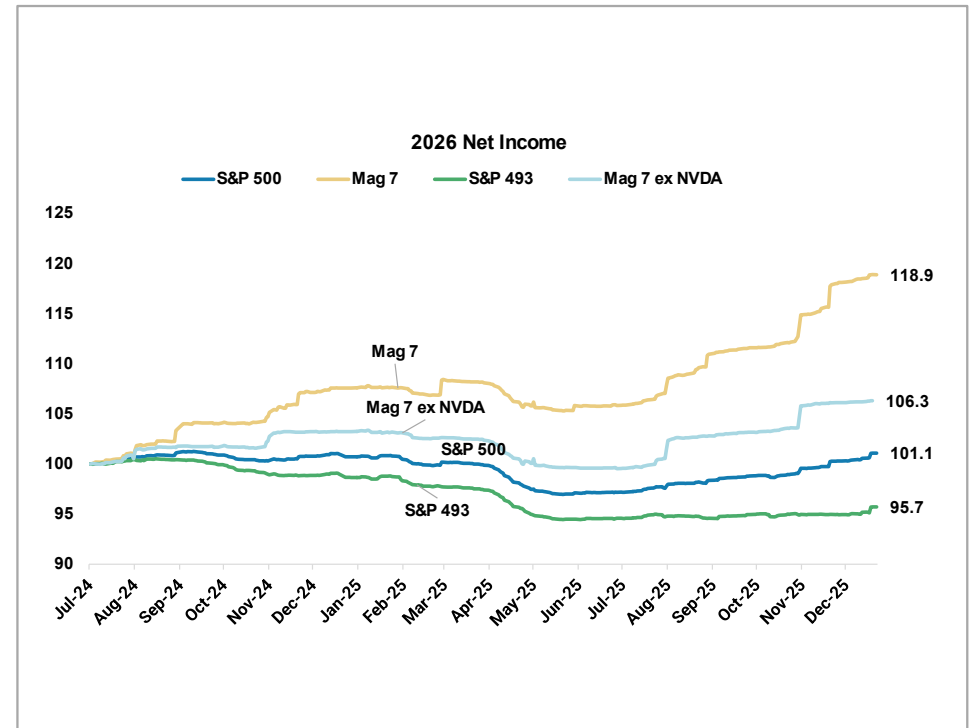
Note: The non-PMI LEI is a top down macro indicator that was built to triangulate our earnings forecasts using alternative sources. Inputs include Phil Fed economic activity, Creighton U. business confidence, Chicago Fed supplier deliveries, Atlanta Fed wage tracker (inverse signal), NFIB small bus. most important problem inflation (inverse signal), and Brave-Butters-Kelley cycle component of monthly GDP. Weightings are fixed over time.

## Earnings Revisions Are Starting to Revise Higher

2025 Revisions Favor the Mag 7

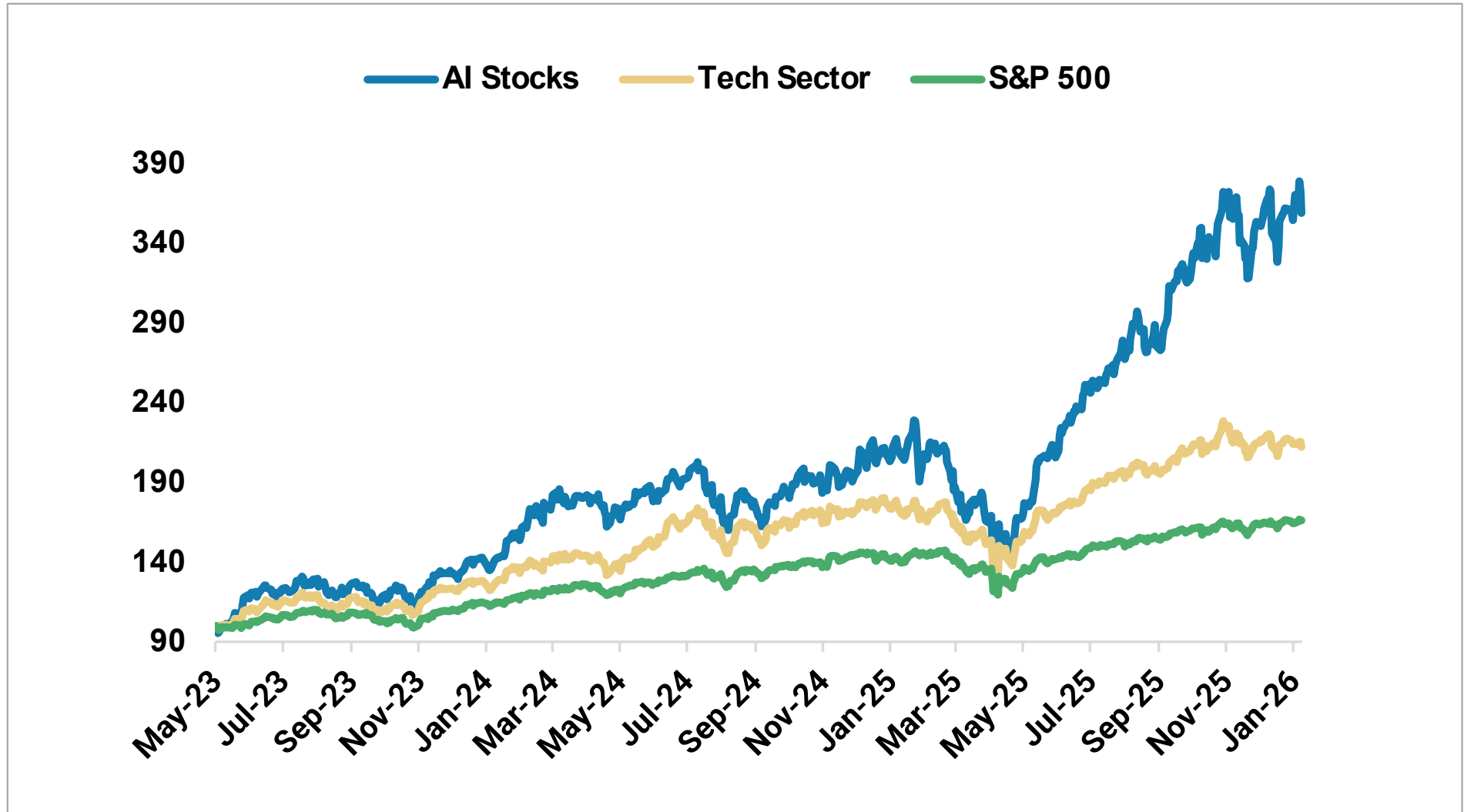


We are Watching 2026 Estimates for the S&P 493



Source: FactSet, Bloomberg, Morgan Stanley Research. As of Dec 31, 2025.

## AI-Related Stocks Remain a Key Market Driver



Source: Bloomberg, Morgan Stanley Research. As of 12/31/2025.

## Year Ahead Price Targets and Sector Preferences

### Our S&P 500 EPS Targets

	Current Price	MS Next 12M Price Target	MS Next 12M Price Target % to Current	Current P/E	MS Next 12M P/E Target	MS Top Down EPS Estimates			Bottom Up Consensus EPS Estimates			
						2025	2026	2027	2025	2026	2027	
<b>Bear</b>												
<i>Growth</i>	6,846	5,600	-18%	22.0x	20.0x	\$268	\$281	\$280	\$271	\$311	\$357	
						-1%	5%	0%	0%	15%	15%	
<b>Base</b>												
<i>Growth</i>	6,846	7,800	14%	22.0x	22.0x	\$272	\$317	\$356	\$271	\$311	\$357	
						0%	17%	12%	0%	15%	15%	
<b>Bull</b>												
<i>Growth</i>	6,846	9,000	31%	22.0x	23.0x	\$274	\$338	\$393	\$271	\$311	\$357	
						1%	23%	16%	0%	15%	15%	

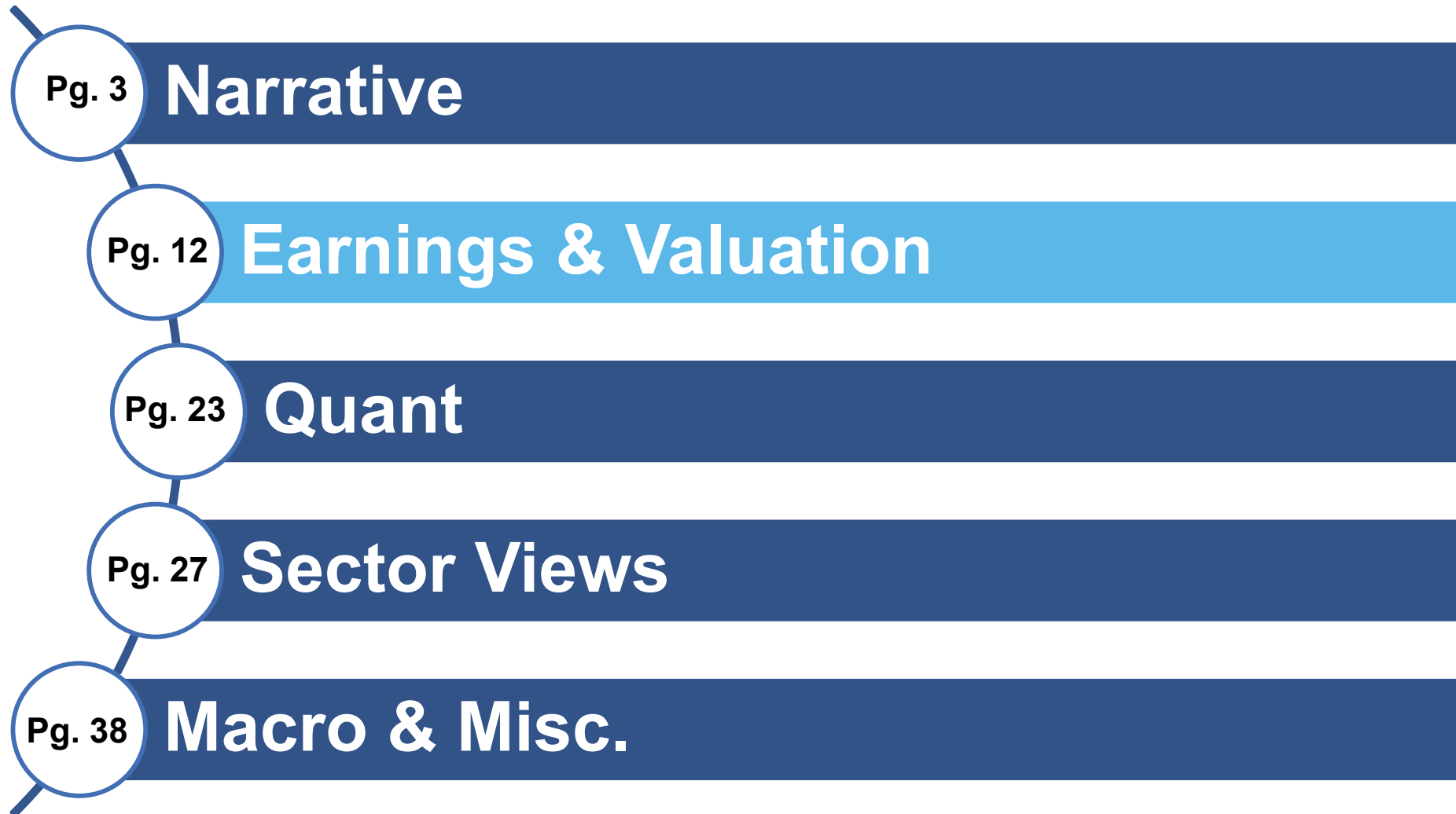
As of: 12/31/2025

### Our Sector Recommendations

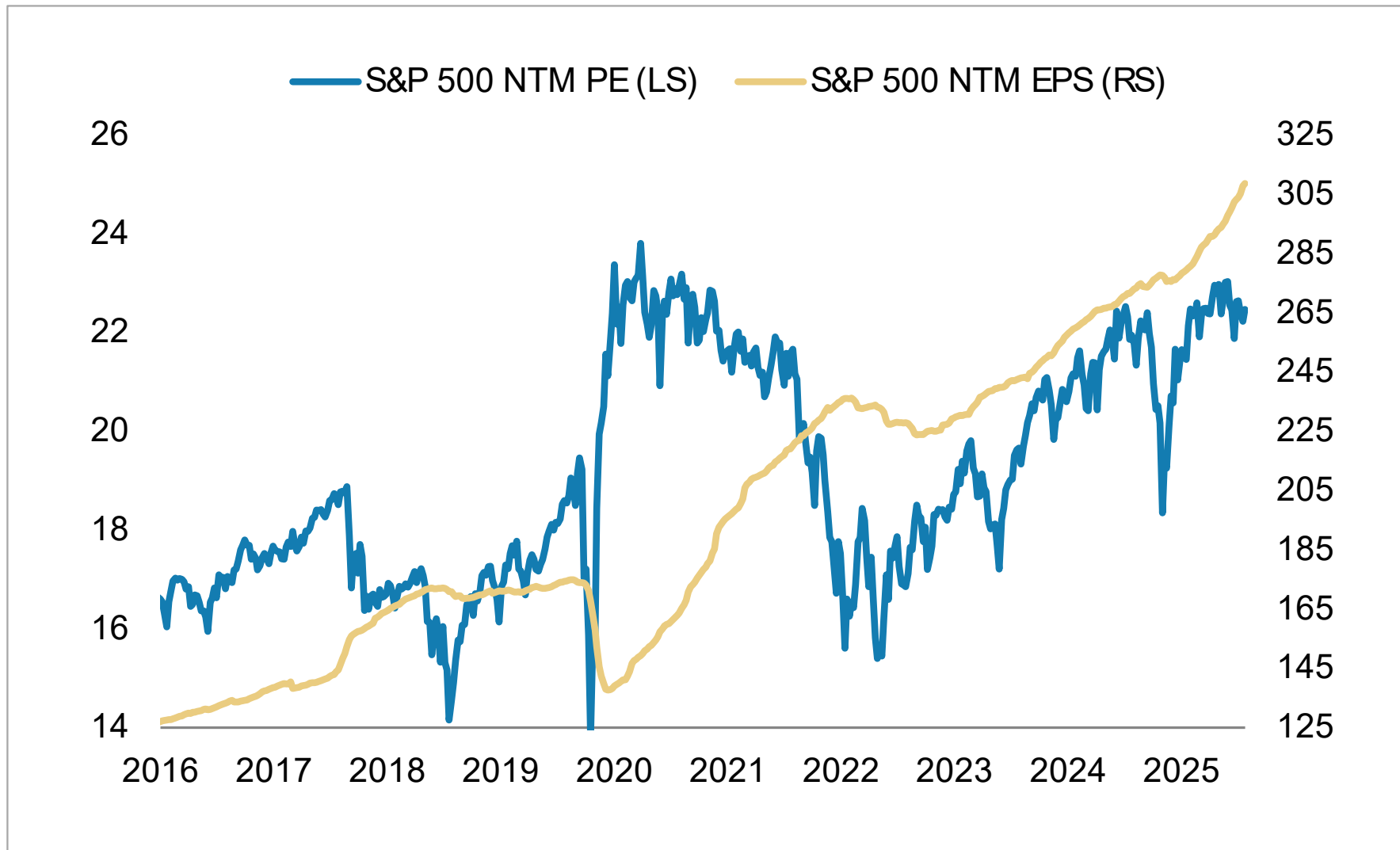
Morgan Stanley Sector Recommendations			
<b>Overweight</b>	Financials	Industrials	Health Care
	Consumer Discretionary Goods		
<b>Equal Weight</b>	Tech	Comm. Services	Utilities
	Materials	Energy	Consumer Services
<b>Underweight</b>	Staples	Real Estate	

## Outline

---



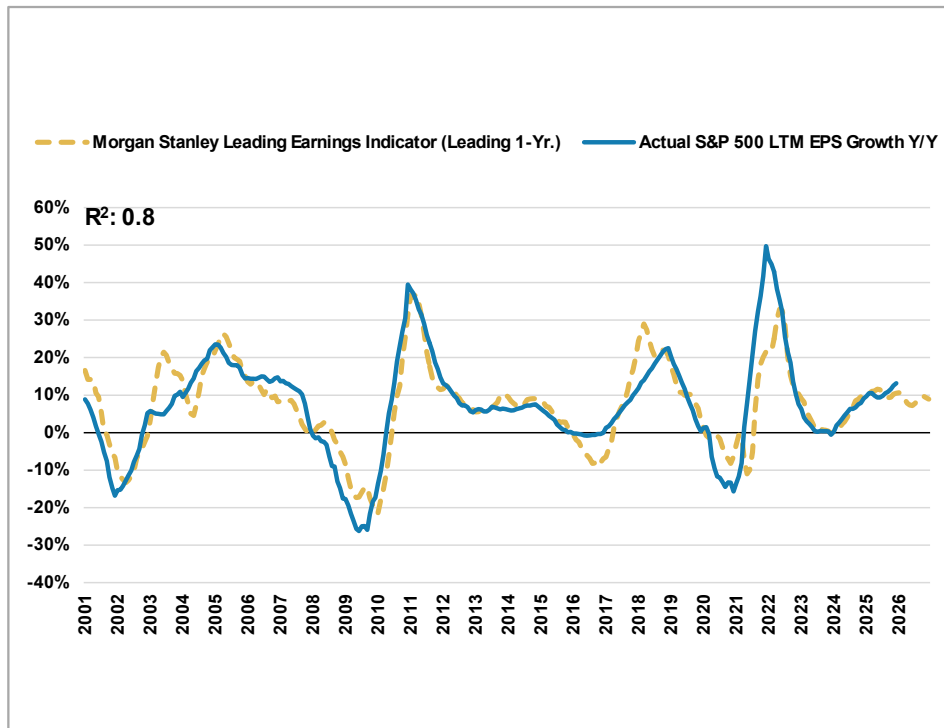
**Valuation is Rich but EPS Climbs Higher**



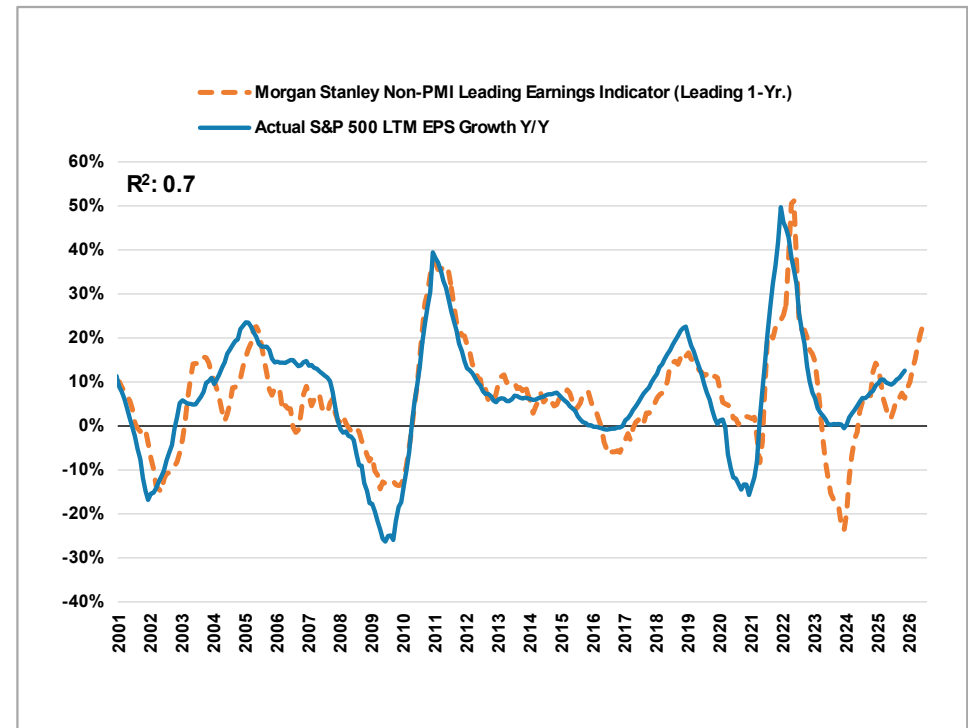
Source: FactSet, Morgan Stanley Research as of Dec 31, 2025.

## Morgan Stanley Earnings Models

### Morgan Stanley Leading Earnings Indicator



### Morgan Stanley Non-PMI Leading Earnings Indicator

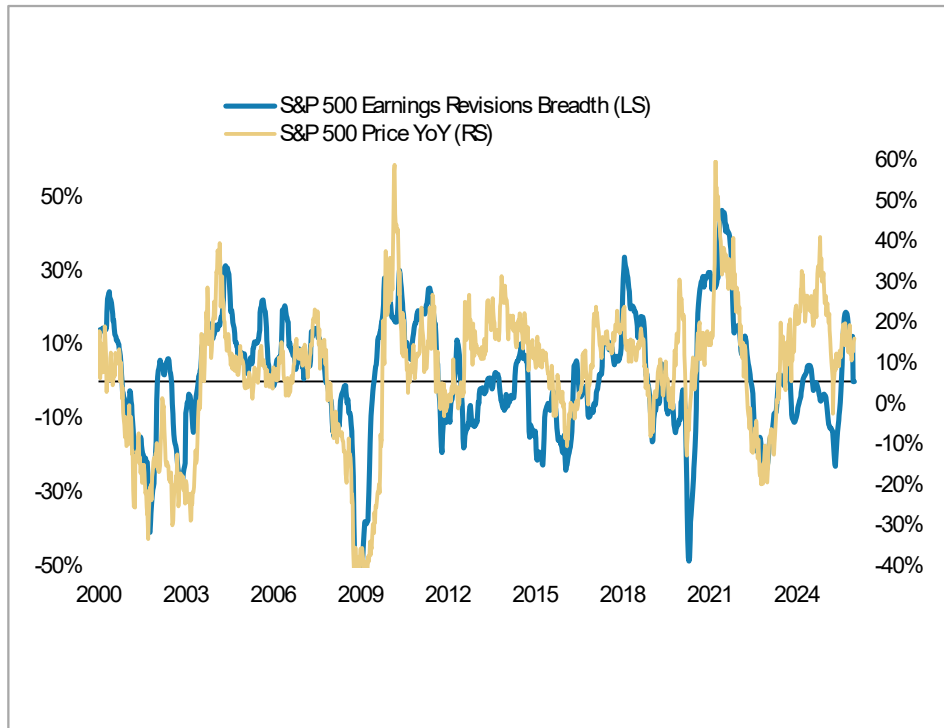


Source: Bloomberg, FactSet, Haver, Morgan Stanley Research. Left LEI as of Dec 31, 2025. Right Non-PMI LEI as of Oct 31, 2025 (inputs are lagged by 1-2 months). Government data has delayed the latest updates. Actual S&P 500 LTM EPS as of 12/31/25.

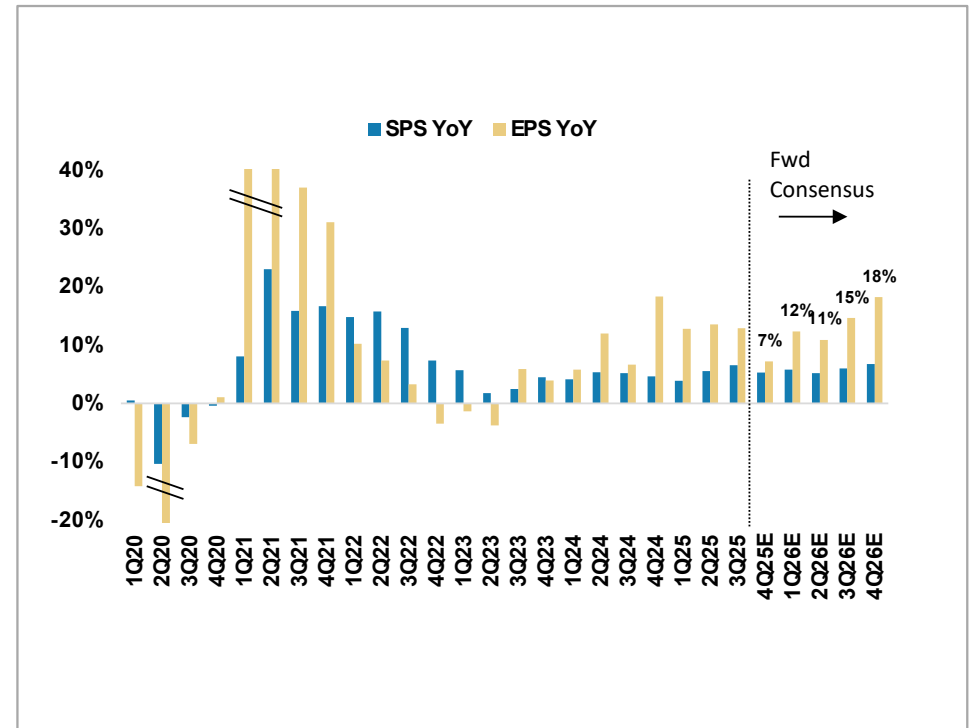
Note: The LEI is a top down macro indicator consisting of the Inventory/Sales ratio, ISM Manufacturing PMI, ISM Manufacturing Employment PMI, Consumer Confidence and credit spreads. The non-PMI LEI is a top down macro indicator that was built to triangulate our earnings forecasts using alternative sources. Inputs include Phil Fed economic activity, Creighton U. business confidence, Chicago Fed supplier deliveries, Atlanta Fed wage tracker (inverse signal), NFIB small bus. most important problem inflation (inverse signal), and Brave-Butters-Kelley cycle component of monthly GDP. Weightings are fixed over time.

## Consensus is Pricing Strong Earnings into 2026

### Strong Earnings Revisions Have Led the Index Higher



### Consensus Quarterly Earnings



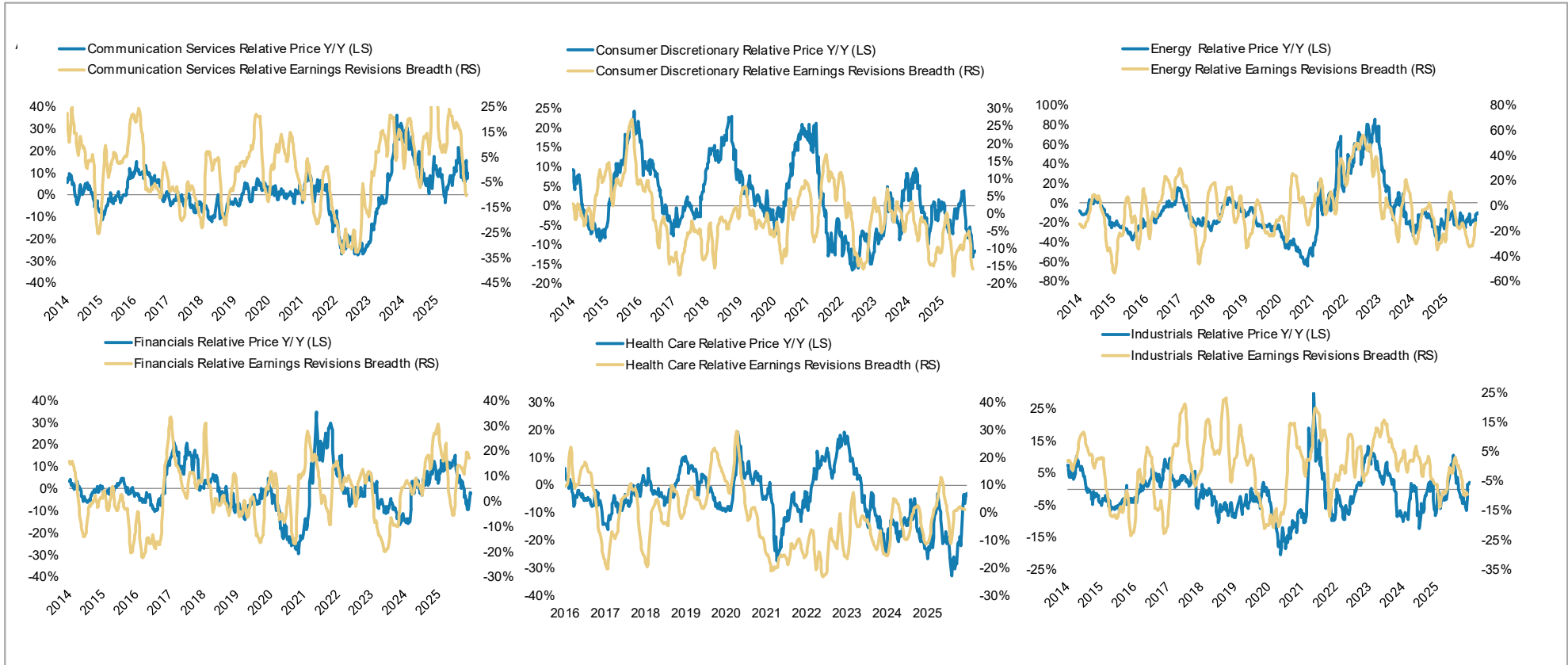
Source: FactSet, Bloomberg, Morgan Stanley Research as of Dec. 31, 2025.

## Earnings Revisions by Size and Sector – 2026 Estimates

% Change to 2026 Earnings Estimates Over the Last 12 Months & Year to Date

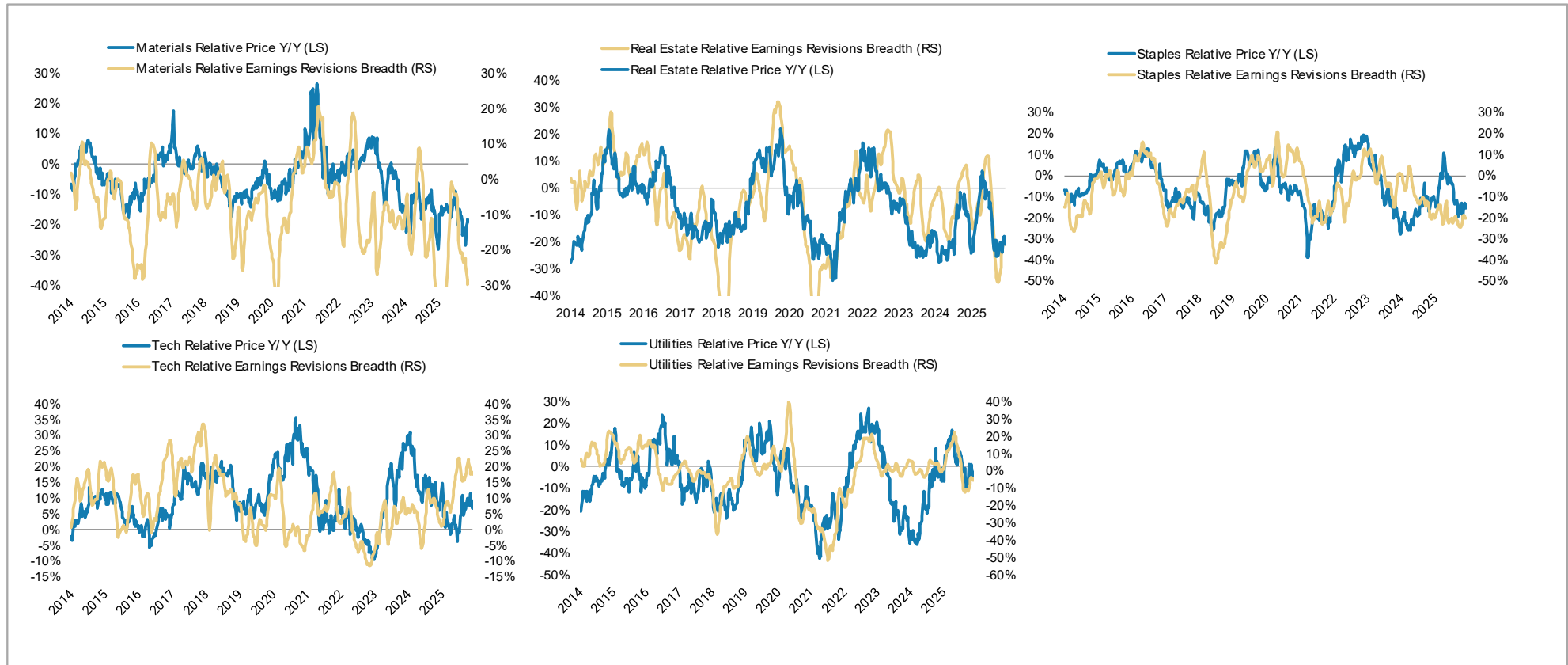
Large Caps - S&P 500			Mid Caps - MID			Small Caps - SML		
Sector	LTM	YTD	Sector	LTM	YTD	Sector	LTM	YTD
Comm	3%	3%	Comm	0%	0%	Comm	37%	37%
Discretionary	-8%	-8%	Discretionary	-14%	-14%	Discretionary	-21%	-21%
Energy	-24%	-24%	Energy	-21%	-21%	Energy	-48%	-48%
Financials	2%	2%	Financials	3%	3%	Financials	3%	3%
Health Care	-7%	-7%	Health Care	-12%	-12%	Health Care	-10%	-10%
Industrials	-7%	-7%	Industrials	-8%	-8%	Industrials	-5%	-5%
Materials	-8%	-8%	Materials	-19%	-19%	Materials	3%	3%
Real Estate	-5%	-5%	Real Estate	-2%	-2%	Real Estate	-4%	-4%
Staples	-7%	-7%	Staples	1%	1%	Staples	-17%	-17%
Tech	14%	14%	Tech	-11%	-11%	Tech	-4%	-4%
Utilities	1%	1%	Utilities	-1%	-1%	Utilities	5%	5%
S&P 500	0%	0%	S&P 400	-9%	-9%	S&P 600	-9%	-9%

## S&P 500 Sector Level Earnings Revisions Breadth – Pt. 1



Source: FactSet, Morgan Stanley Research as of Dec. 31, 2025.

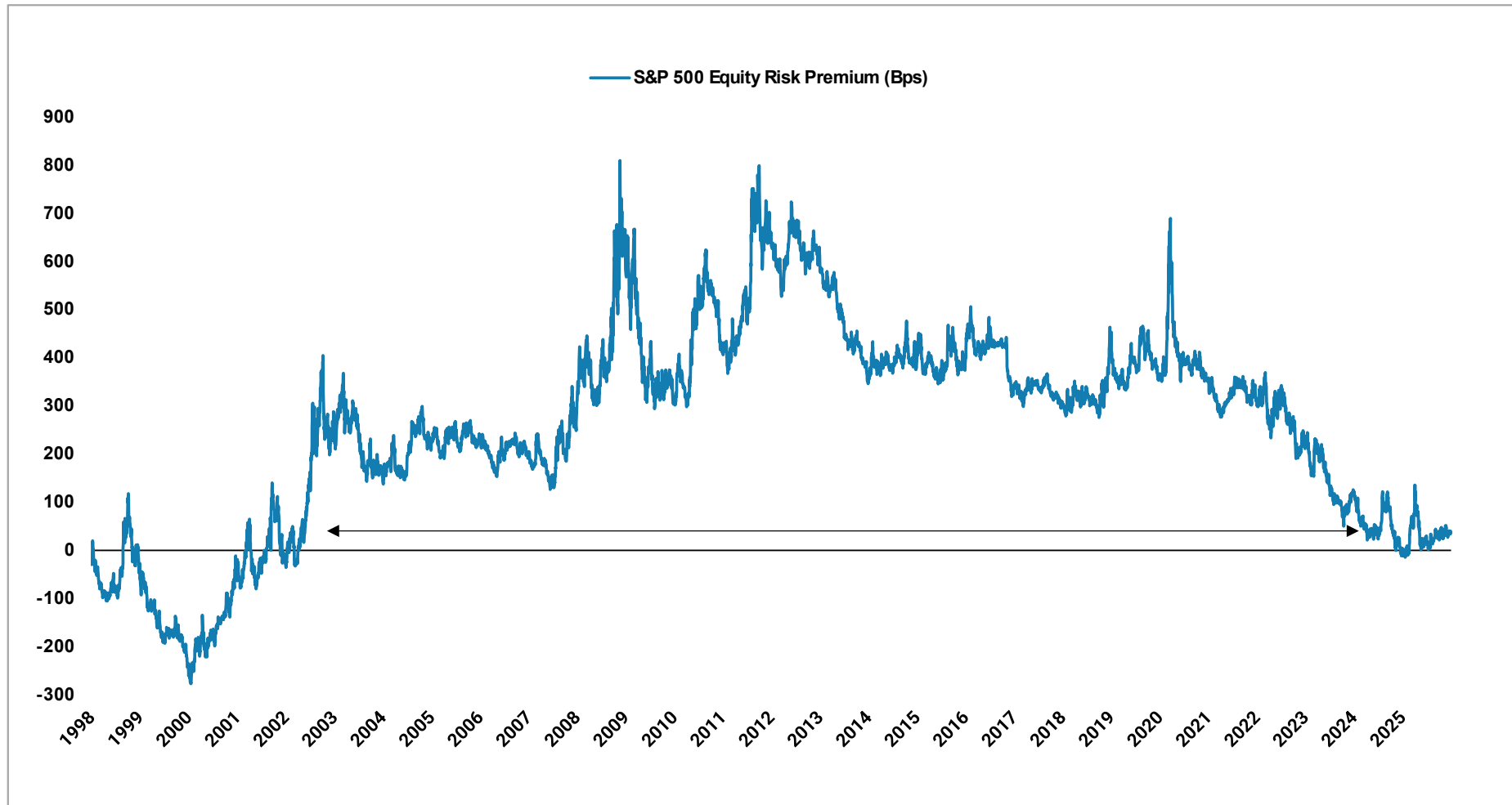
## S&P 500 Sector Level Earnings Revisions Breadth – Pt. 2



Source: FactSet, Morgan Stanley Research as of Dec. 31, 2025.

## US Equity Risk Premium Remains Historically Low

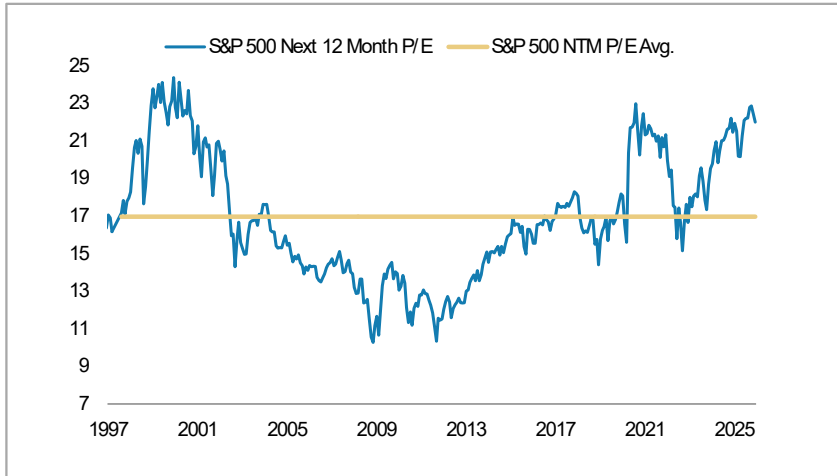
S&P 500 Next Twelve Month Equity Risk Premium



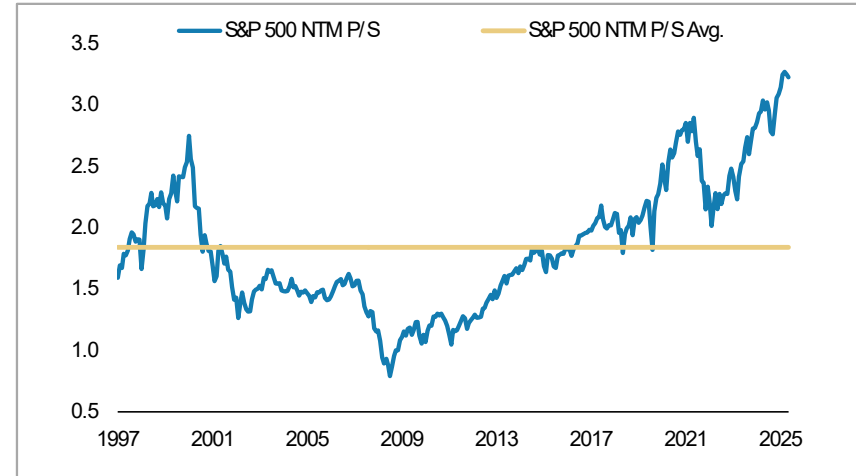
Source: FactSet, Bloomberg, Morgan Stanley Research as of Dec. 31, 2025.  
Note: ERP based on forward earnings yield and 10-year Treasury Yield.

## US Equity Market Traditional Valuation Measures

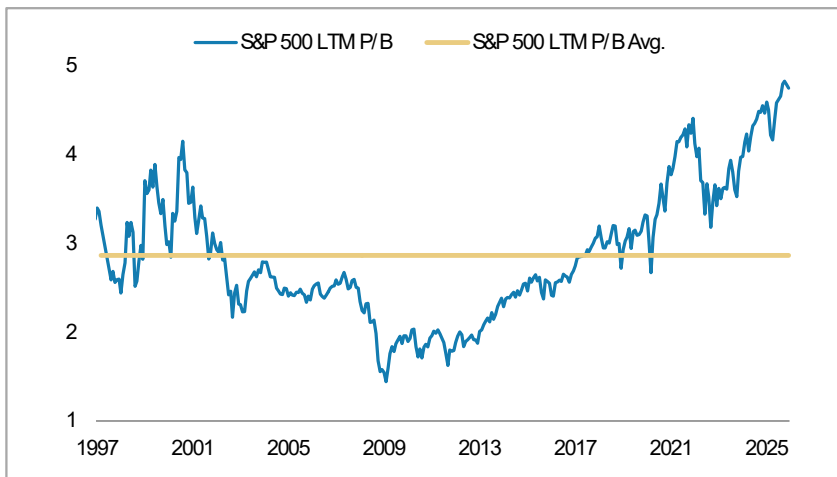
**S&P 500 NTM P/E**



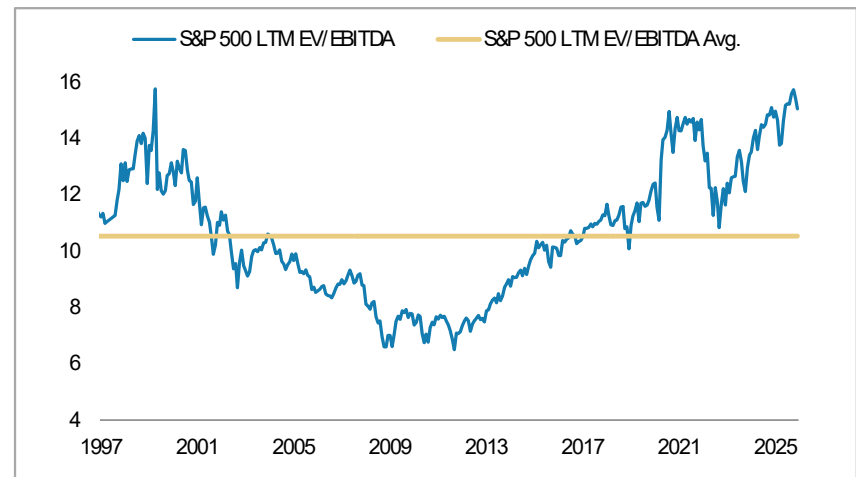
**S&P 500 NTM P/S**



**S&P 500 NTM P/B**



**S&P 500 NTM EV/EBITDA**



Source: FactSet, Morgan Stanley Research as of Dec. 31, 2025.

## Valuation by Size and Sector – Current FWD P/E vs 4 Yr. Median

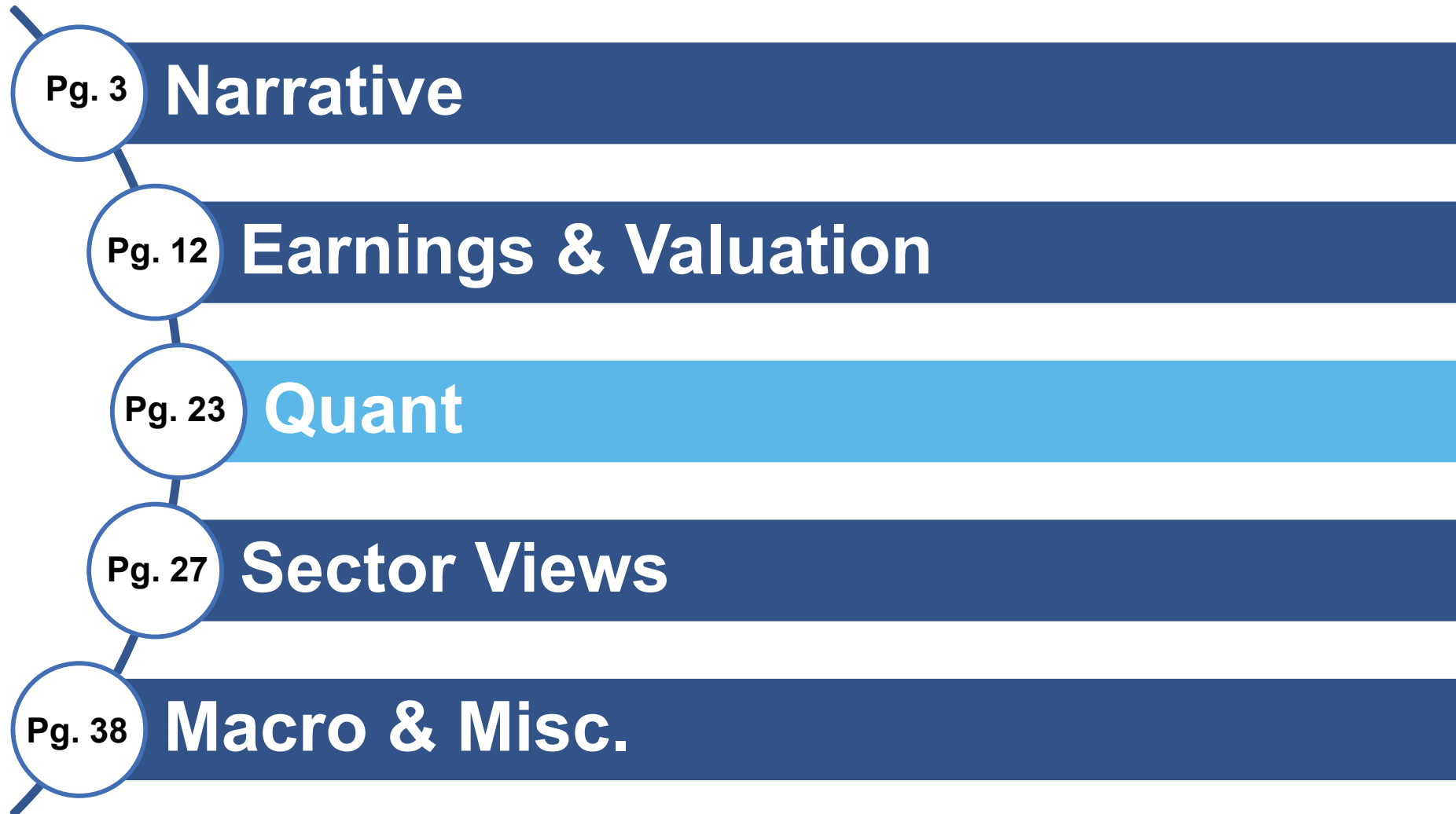
Large Caps - S&P 500				Mid Caps - MID				Small Caps - SML			
Sector	Fwd PE	Median	Delta	Sector	Fwd PE	Median	Delta	Sector	Fwd PE	Median	Delta
Comm	22.2	20.6	8%	Comm	28.8	21.0	37%	Comm	24.5	15.9	54%
Discretionary	28.8	31.4	-8%	Discretionary	14.9	13.0	14%	Discretionary	13.3	9.5	40%
Energy	15.8	11.0	43%	Energy	12.4	12.6	-2%	Energy	15.5	7.5	107%
Financials	16.4	14.8	10%	Financials	10.2	11.4	-11%	Financials	10.2	12.8	-20%
Health Care	18.3	17.2	6%	Health Care	20.5	25.5	-20%	Health Care	22.0	34.0	-35%
Industrials	23.9	20.7	15%	Industrials	19.4	19.6	-1%	Industrials	18.1	16.7	9%
Materials	19.0	17.0	11%	Materials	16.0	9.1	75%	Materials	12.5	14.5	-14%
Real Estate	17.1	24.5	-30%	Real Estate	13.4	18.0	-25%	Real Estate	11.6	15.2	-24%
Staples	20.8	21.9	-5%	Staples	16.0	17.4	-8%	Staples	14.3	20.6	-31%
Tech	26.7	28.2	-5%	Tech	23.4	21.8	7%	Tech	21.6	20.4	6%
Utilities	17.9	20.8	-14%	Utilities	16.6	17.5	-6%	Utilities	17.7	26.0	-32%
S&P 500	22.0	21.3	3%	S&P 500	15.8	15.8	0%	S&P 500	14.8	14.9	0%

## Valuation by Size and Sector – Current FWD P/Sales vs 4 Yr. Median

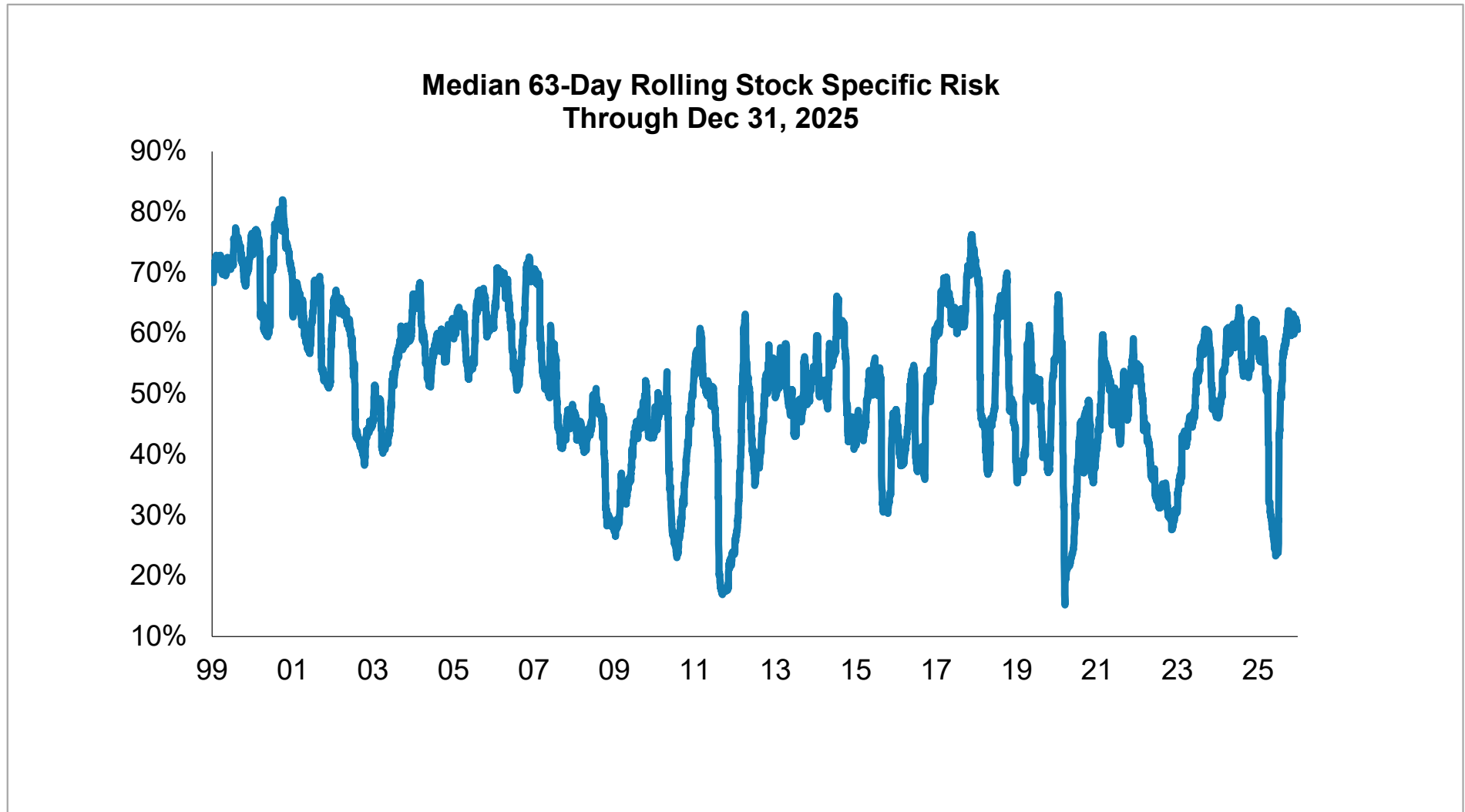
Large Caps - S&P 500				Mid Caps - MID				Small Caps - SML			
Sector	Fwd PS	Median	Delta	Sector	Fwd PS	Median	Delta	Sector	Fwd PS	Median	Delta
Comm	4.6	3.2	42%	Comm	2.2	1.9	17%	Comm	1.1	0.8	33%
Discretionary	2.8	2.1	30%	Discretionary	0.8	0.8	-1%	Discretionary	0.6	0.6	-1%
Energy	1.4	1.2	9%	Energy	1.1	1.0	11%	Energy	0.6	0.5	25%
Financials	3.4	2.8	25%	Financials	1.8	1.8	3%	Financials	2.0	2.0	-2%
Health Care	1.5	1.6	-9%	Health Care	2.6	2.3	17%	Health Care	1.8	1.4	23%
Industrials	2.7	2.1	29%	Industrials	1.5	1.2	19%	Industrials	1.0	0.9	11%
Materials	2.1	2.0	5%	Materials	1.2	1.0	17%	Materials	0.9	0.9	8%
Real Estate	5.9	6.2	-5%	Real Estate	3.6	3.6	-1%	Real Estate	2.8	2.5	15%
Staples	1.5	1.5	1%	Staples	0.5	0.6	-15%	Staples	0.4	0.4	-5%
Tech	8.1	6.8	19%	Tech	1.8	1.3	34%	Tech	1.7	1.4	21%
Utilities	2.7	2.6	5%	Utilities	2.4	1.8	33%	Utilities	2.0	2.6	-23%
S&P 500	3.2	2.6	23%	S&P 500	1.4	1.3	11%	S&P 500	1.1	1.0	13%

## Outline

---

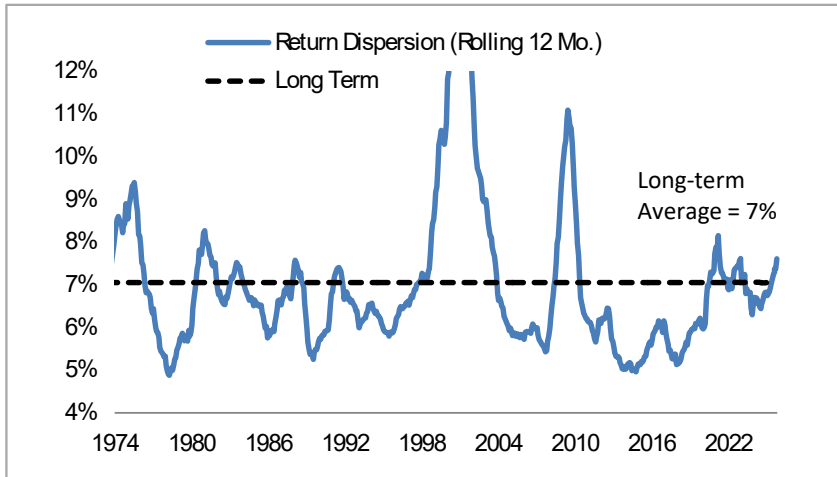


## Stock Specific Risk Fell Sharply Post Liberation Day and Has Since Rebounded

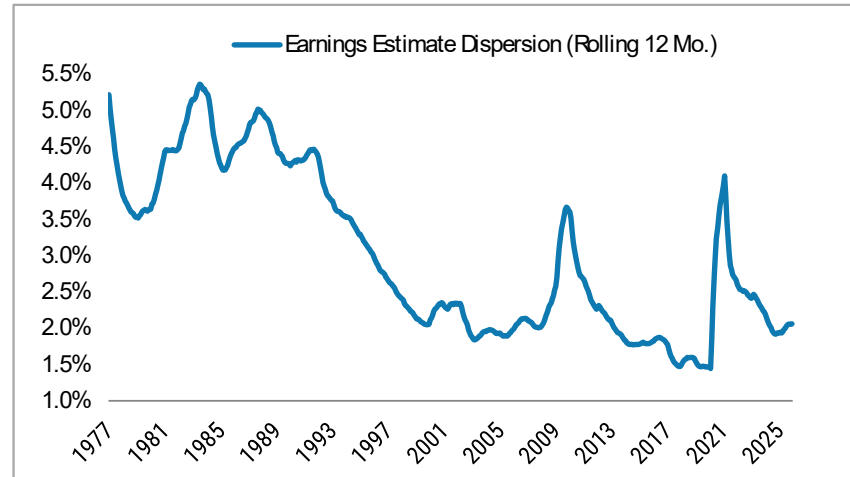


## Valuation Dispersion is Low While Return and Earnings Dispersion are Moving Higher

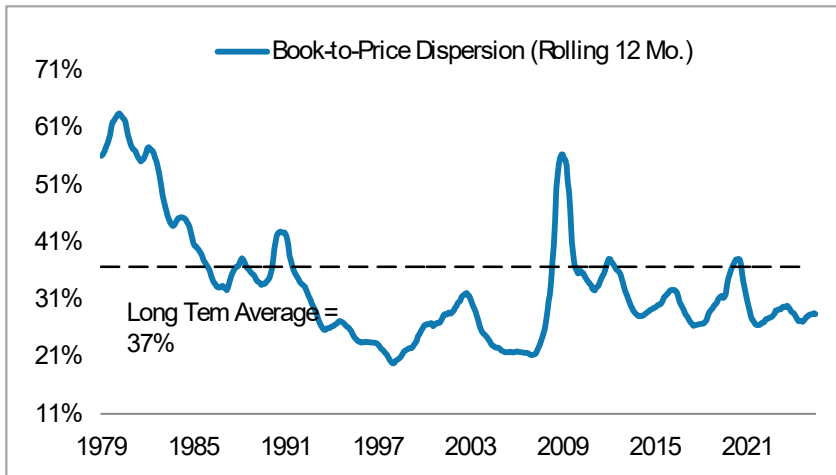
Return Dispersion Has Risen in 2025



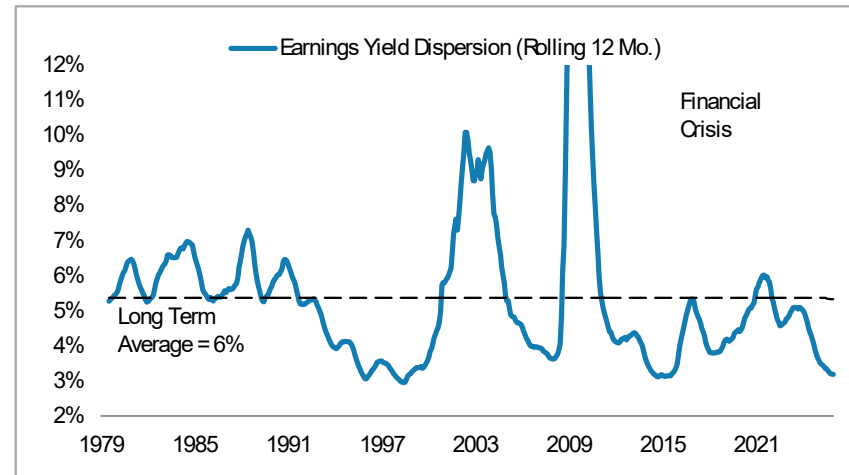
Estimate Dispersion Has Also Ticked Higher in 2025



Book-to-Price Dispersion Below Median



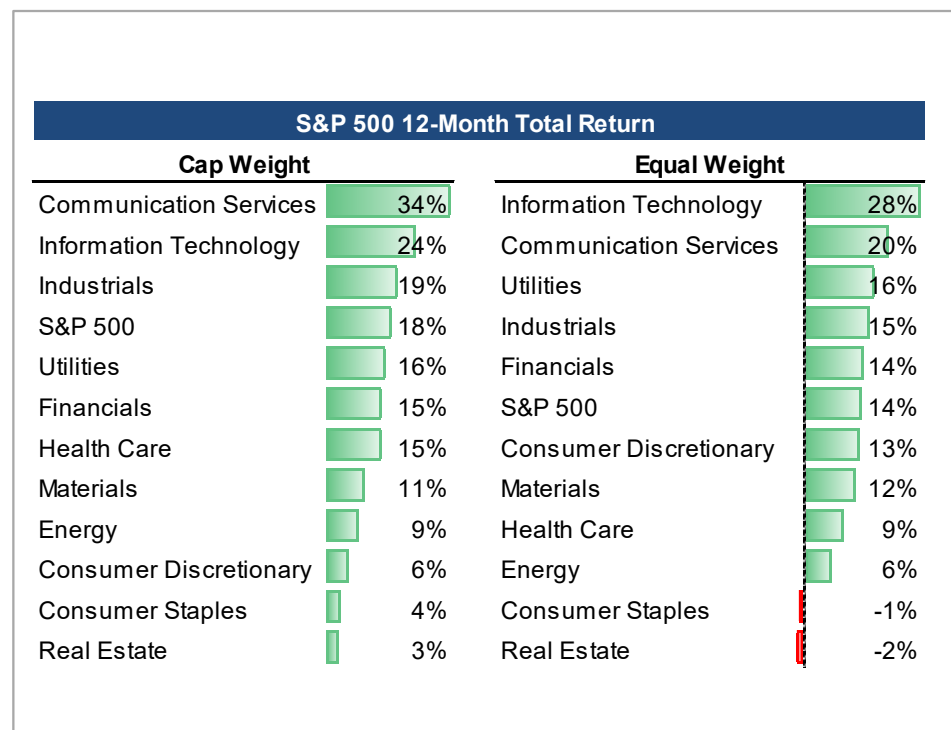
Earnings Yield Dispersion Falling as Valuations Rise



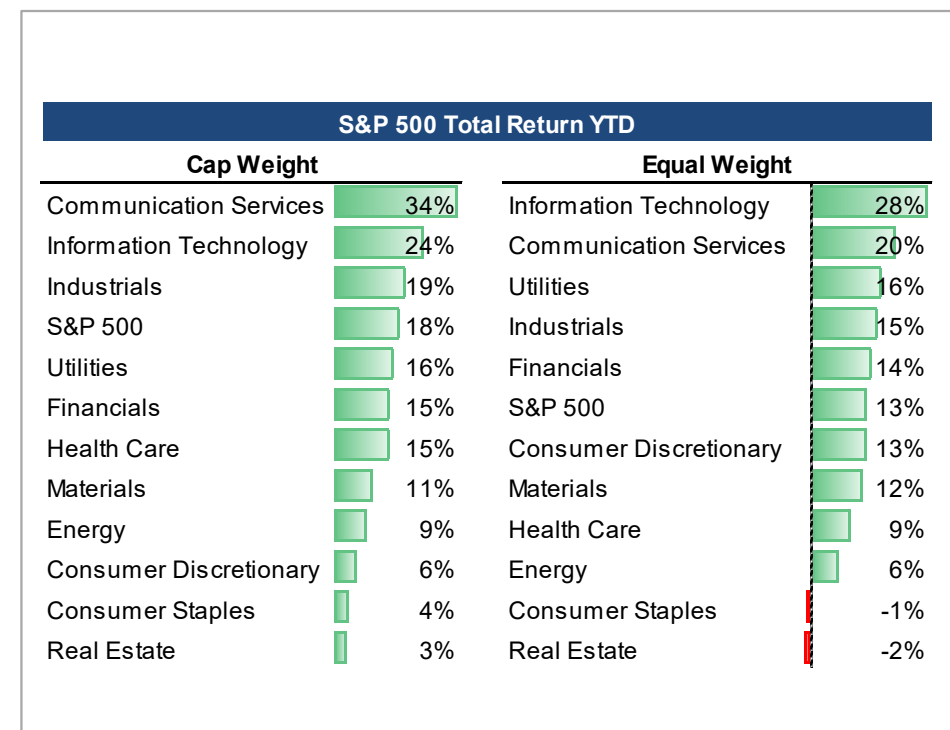
Source: Compustat, Morgan Stanley Quantitative Equity Research Team, Top 500 Stocks. Standard Deviation used. All charts as of Dec. 31, 2025.

## Market Cap and Equal Weighted Indexes Show Differing Pictures

### Cap Weight vs Equal Weight 12-Month Total Return



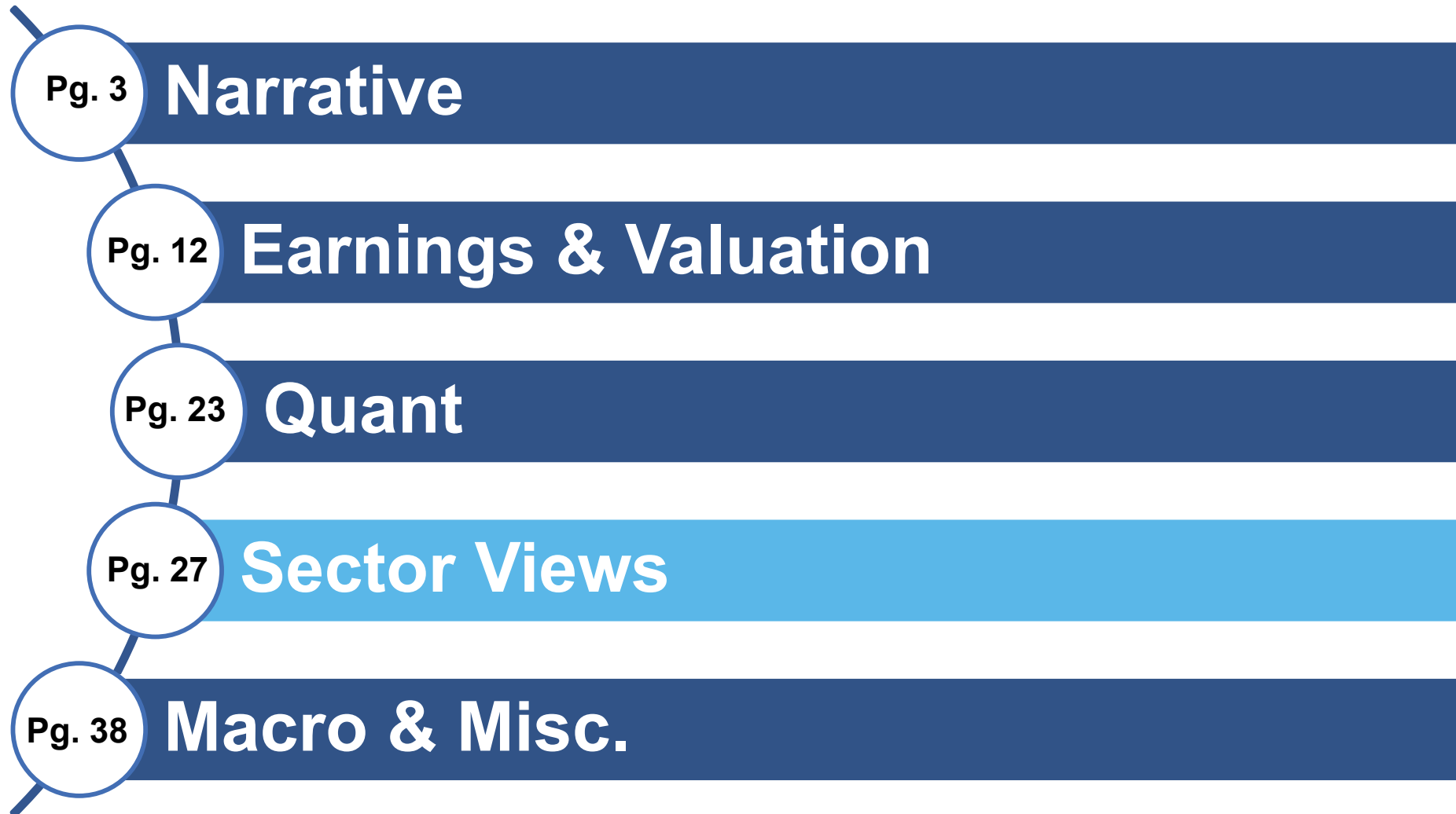
### Cap Weight vs Equal Weight Performance YTD



Source: Bloomberg, FactSet, Morgan Stanley Research; As of Dec. 31, 2025.

## Outline

---



## Our Sector Recommendations

---

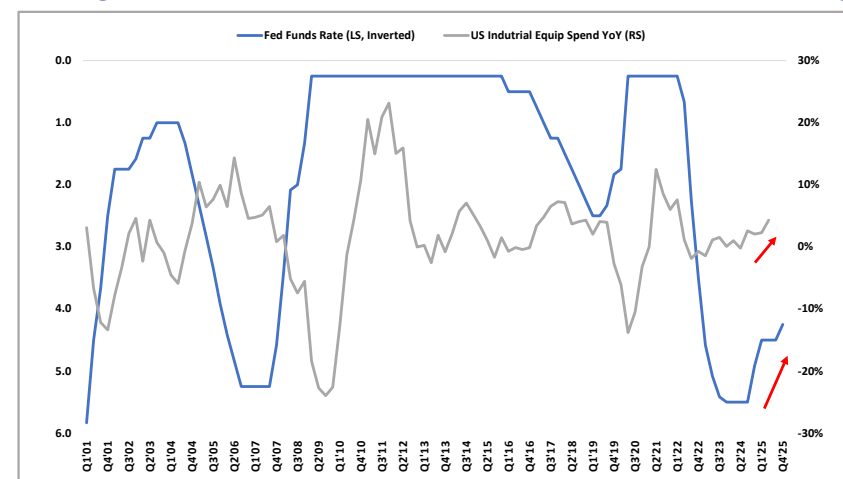
### Our Sector Recommendations

Morgan Stanley Sector Recommendations			
Overweight	Financials	Industrials	Health Care
	Consumer Discretionary Goods		
Equal Weight	Tech	Comm. Services	Utilities
	Materials	Energy	Consumer Services
Underweight	Staples	Real Estate	

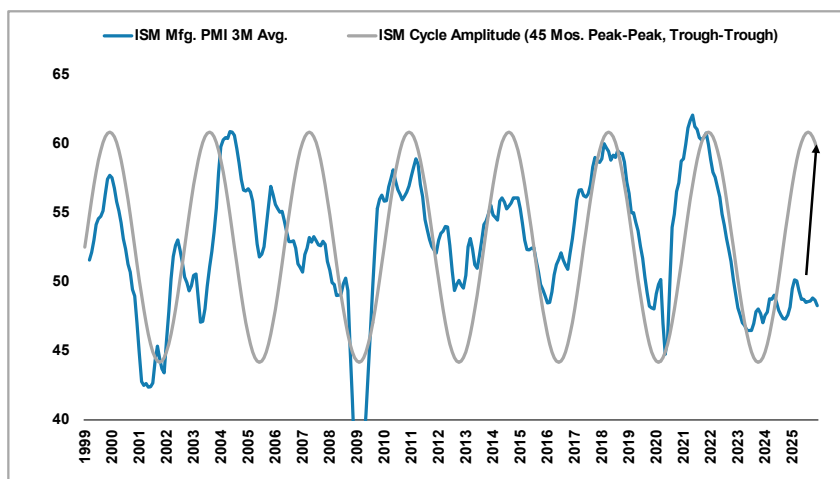
## Overweight: Industrials

- We are overweight Industrials into 2026 as we anticipate market broadening on the back of stronger top-line growth and positive operating leverage.
- Industrials are the main beneficiary of the emerging US capex cycle and the space benefits from the current administration's focus on the domestic infrastructure buildout.
- Industrials are beneficiaries during a Fed cutting cycle. Lower rates should unlock longer-cycle projects, spur M&A, and give confidence to management teams on the economic outlook. We are already seeing signs of a pickup in industrial investment.
- Bonus depreciation and domestic manufacturing tax credits remain as tailwinds for increasing FCF

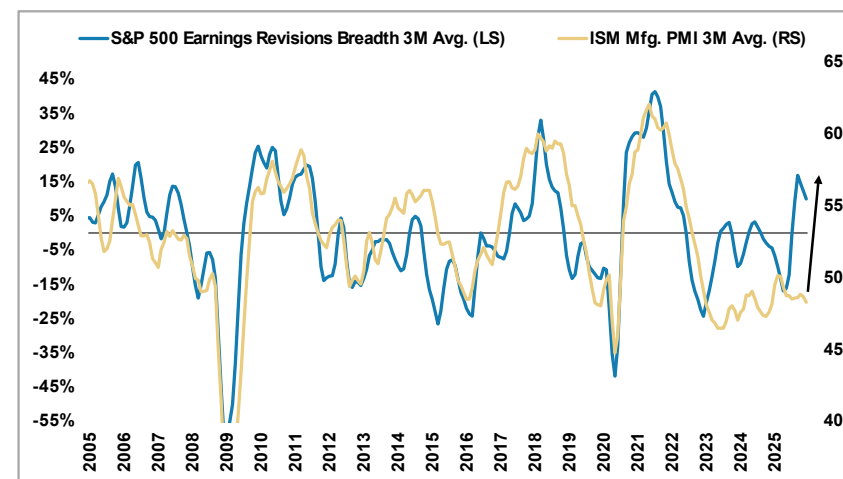
### Falling Fed Funds Rates Have Kick-Started Capex Spending



### We Expect to See a Pick-up in PMIs in 2025



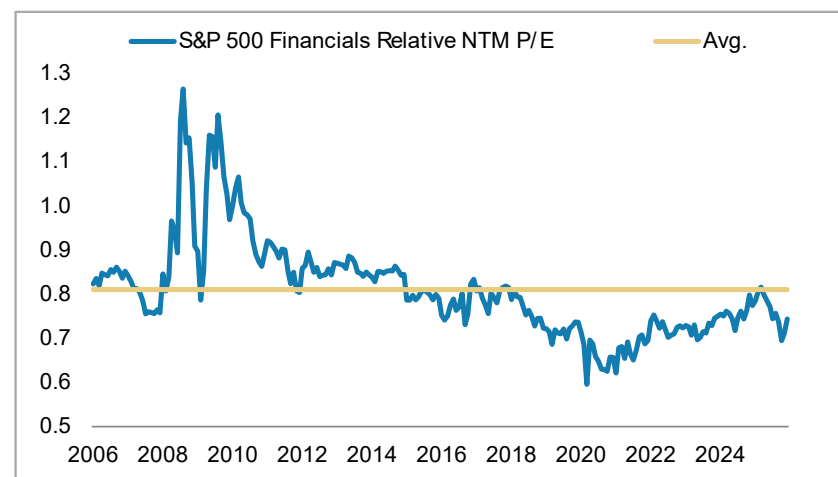
### Earnings Revisions Also Suggest PMI Upside



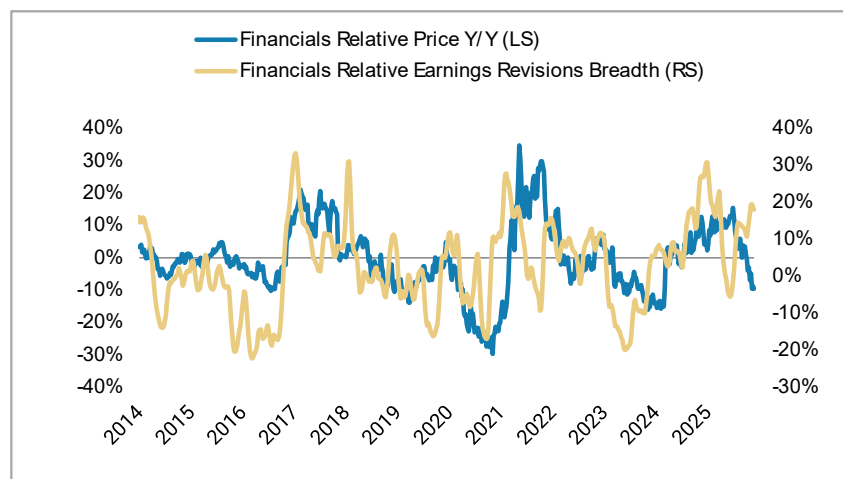
## Overweight: Financials

- A steepening yield curve with lower short-end rates is an ideal backdrop for mid-cap Banks.
- Lower short-end rates drive lower deposit costs, while fixed rate asset repricing and loan growth drive more NII and NIM upside.
- Lower rates are also credit positive, with several credit metrics already stabilizing.
- All in, we expect y/y EPS growth of 10% in 2026 / 14% in 2027 for the group.
- Despite these positives, the group is cheap. Mid-cap banks have underperformed the largest banks by 30% YTD, with their 3x P/E discount near its widest in 10 years.

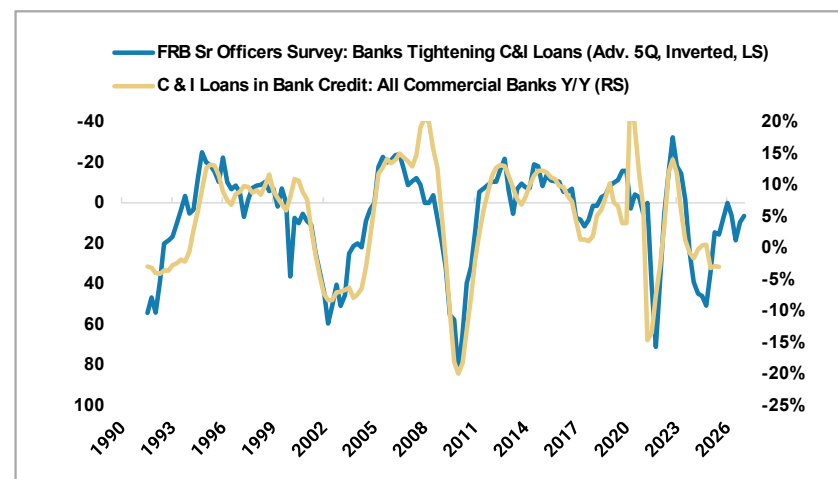
### Relative Valuation are Below Historical Averages



### Earnings Revisions Breadth is Healthy within Financials



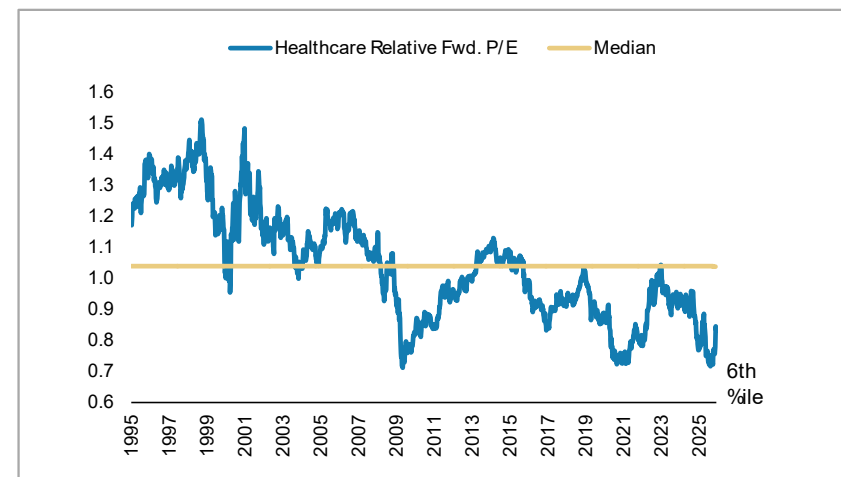
### Senior Loan Officer Survey Points to C&I Loan Growth in 2026



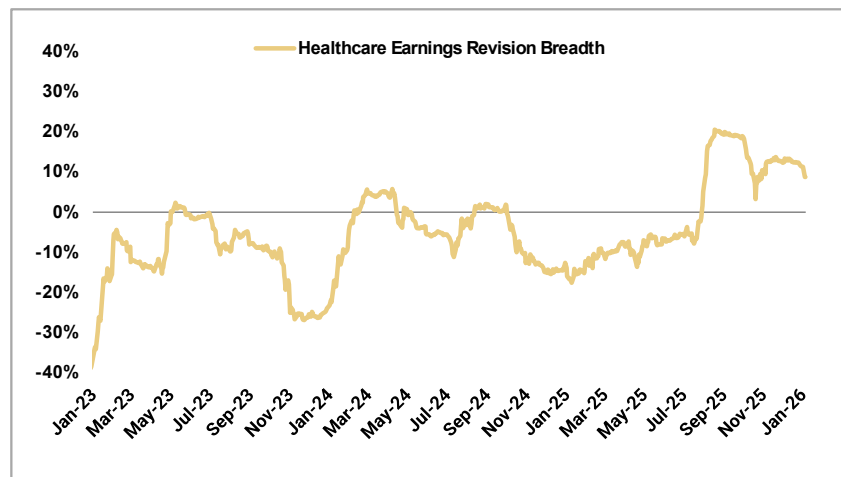
## Overweight: Healthcare

- Healthcare benefits from rate cuts into 2026, supportive earnings momentum, undemanding valuations, lessening policy overhangs and M&A tailwinds.
- Biotech, in particular, tends to see strong relative performance 6–12 months post the first Fed cut, though the sector overall sees relative outperformance.
- Policy overhangs have reduced which is increasingly reflected in prices (clearer CMS pricing guidance, on-time PDUFAs, and tariff/MFN dynamics). This has brought generalists back into the Healthcare trade from our conversations.
- M&A tailwinds are building as large-cap balance sheets can accommodate deals

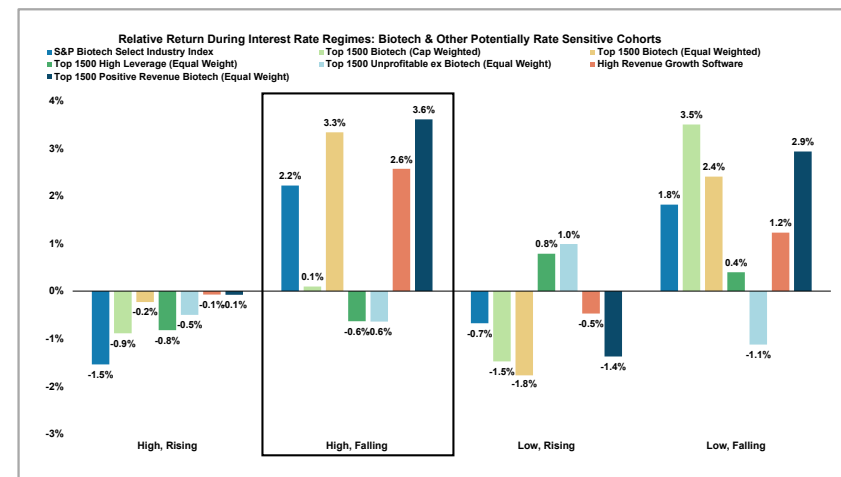
### Healthcare Valuations are in the Bottom Decile Historically



### Healthcare Earnings Revision Breadth Reflecting Higher



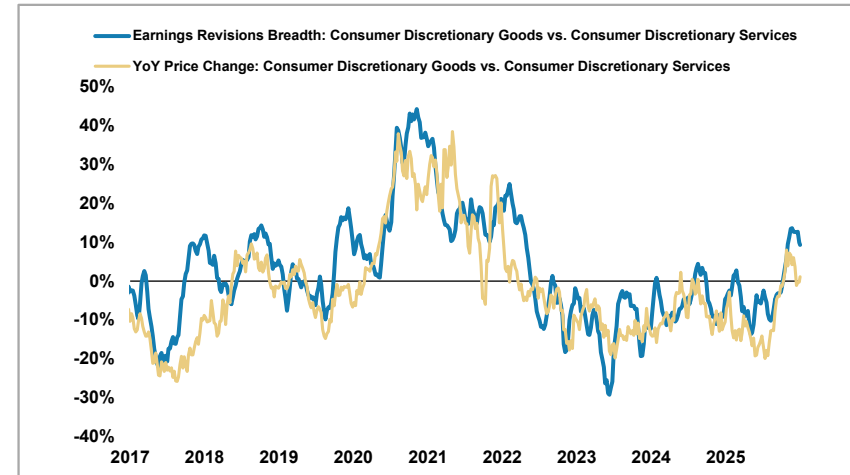
### Biotech Tends to Perform Well During Fed Cutting Regimes



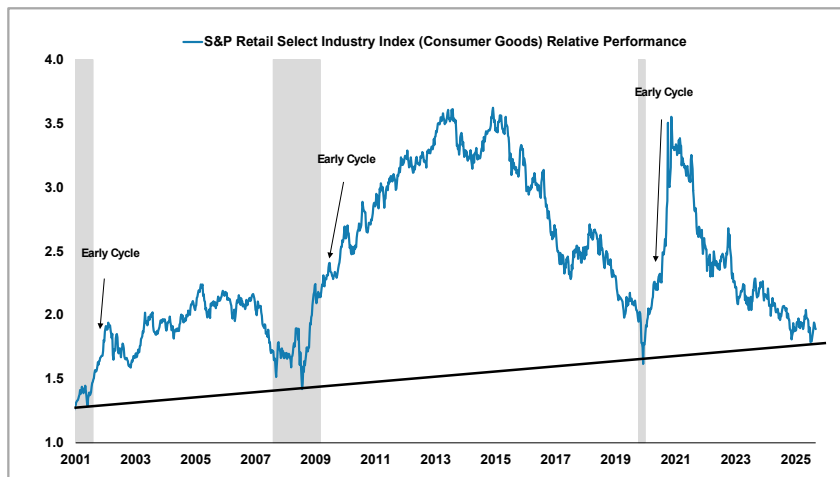
## Overweight: Consumer Discretionary Goods

- We believe we are in an early cycle backdrop and Discretionary Goods tend to outperform during this phase.
- Rebounding relative earnings revisions which points to upside in relative performance.
- Stabilizing pricing for Goods, while pricing for Services moderates.
- Early signs that wallet share shift (in units) is moving toward Goods from Services.
- More insulation from wage pressures that Services could face amid a tighter labor pool.
- Declining interesting rates both at the front-end and back-end of the yield curve

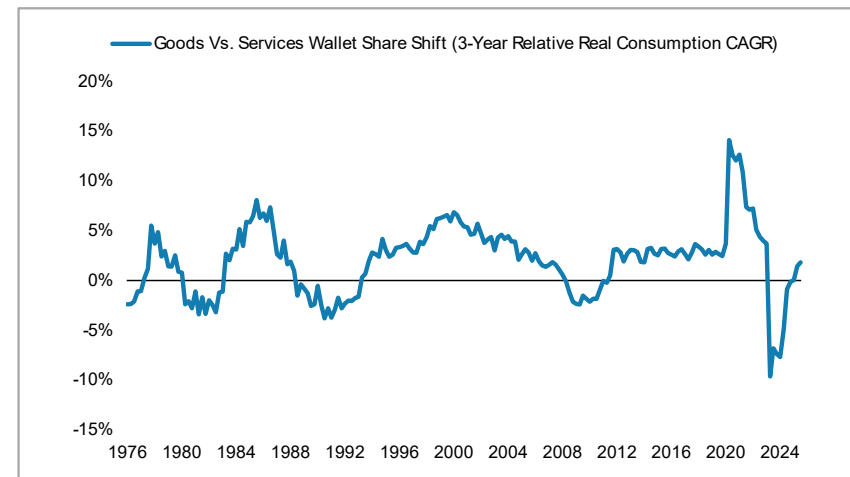
### Relative Earnings Revisions Breadth Inflecting Higher



### Relative Performance of Goods vs Services at LT Support



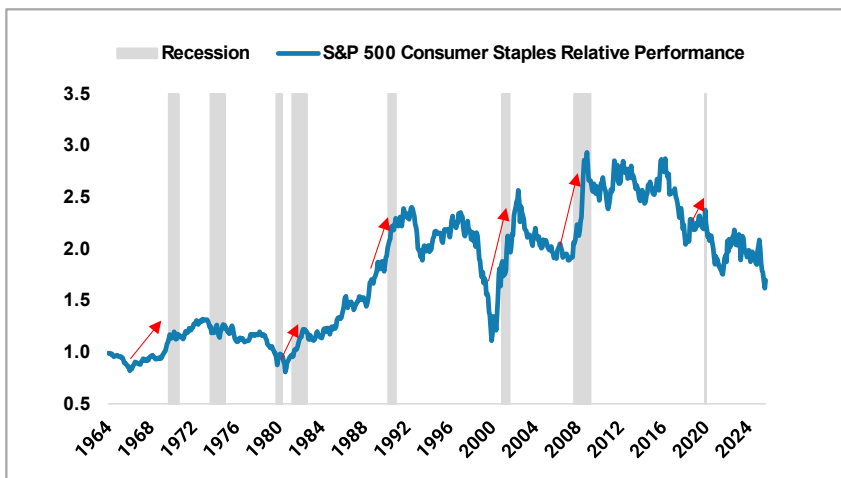
### Wallet Share Shift (in units) Heading Back Towards Goods



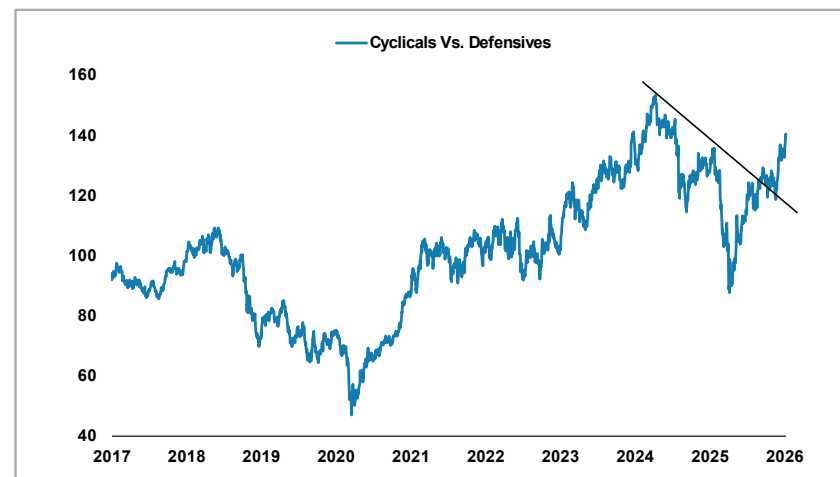
## Underweight: Consumer Staples & Real Estate

- We are underweight Consumer Staples and Real Estate on the back of our view that the rolling recession ended on Liberation Day and that we have begun a new rolling recovery. These sectors are likely to lag on a relative basis, in our view.
- We have a preference for Cyclical over Defensive into 2026 as we believe strong operating leverage will drive market broadening.
- Consumer Staples face headwinds from tariffs, commodity costs, low immigration, and a weakening low-income consumer. Utilities are highly bifurcated between AI-plays and more traditional energy providers.

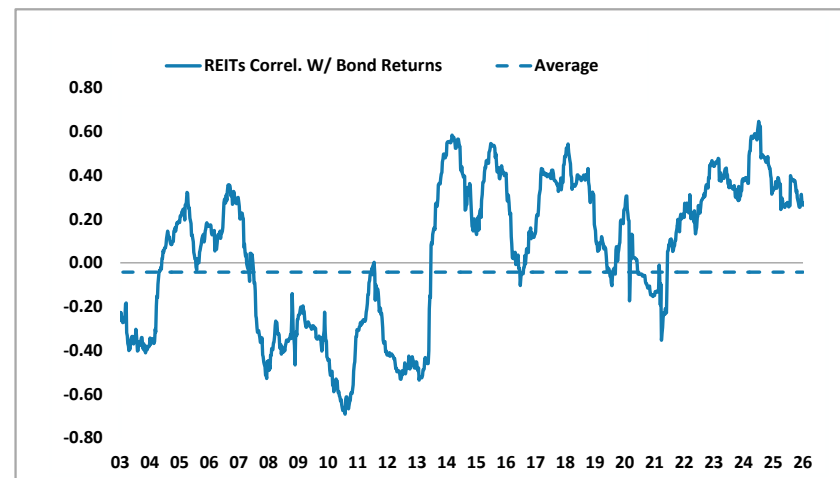
### We Believe the US is in a New Early Cycle Environment and Staples Tend to Outperform in Late Cycle



### Cyclical/Defensive Ratio is Signaling an Improving Backdrop



### Real Estate Has Held a High Correlation with Rate Moves in Recent Years

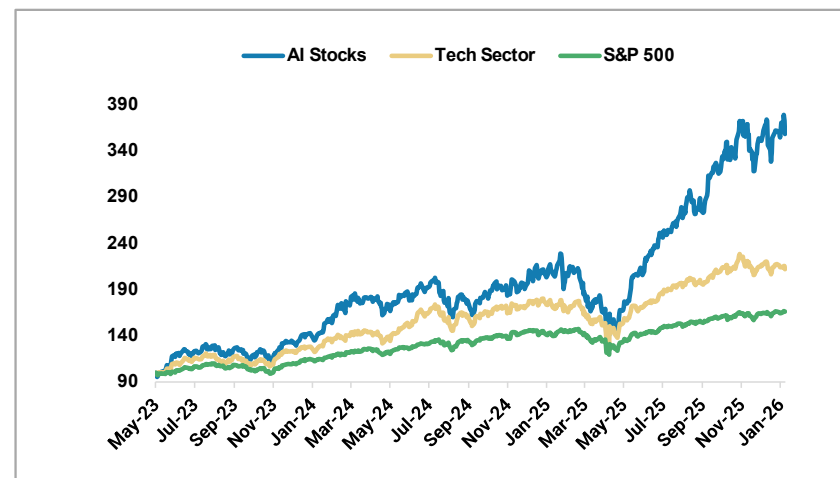


Source: Morgan Stanley Research. As of: Dec. 31, 2025.

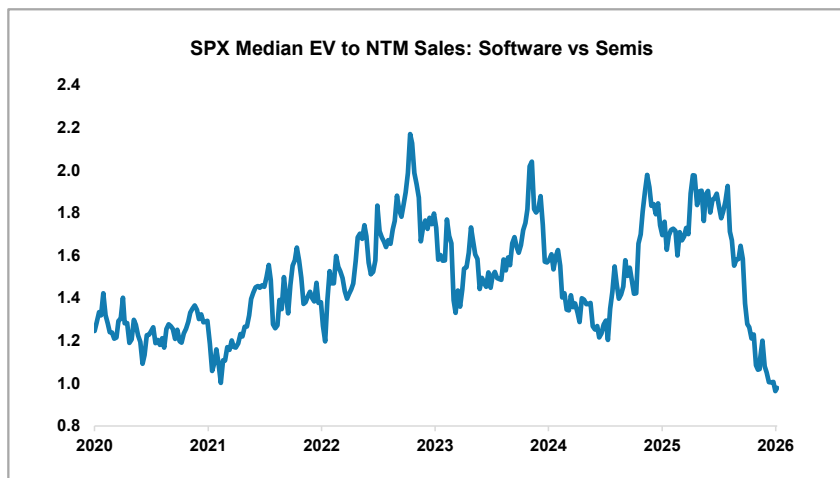
## Equal Weight: Technology

- We are watching Tech performance closely and a potential catchup trade between equal weighted Software versus equal weighted Semis. Earnings Revisions Breadth is key to watch.
- Our CIO survey data is expecting a pickup in Tech spending in 2026 across all pockets.
- We believe AI has the potential to drive higher labor productivity as this new technology is diffused across the economy. We are starting to see early signs of productivity gains from AI as the theme transitions from an upfront investment cost to a rapid acceleration in company implementation.

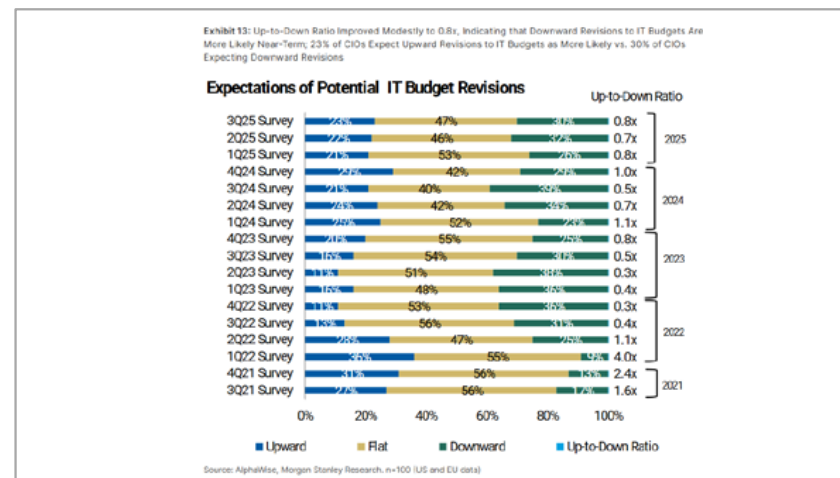
### AI-Related Stocks Have Pushed to New Highs



### Relative Valuations Have Compressed to 2021 Levels



### Tech Budgets May See Near-Term Headwinds



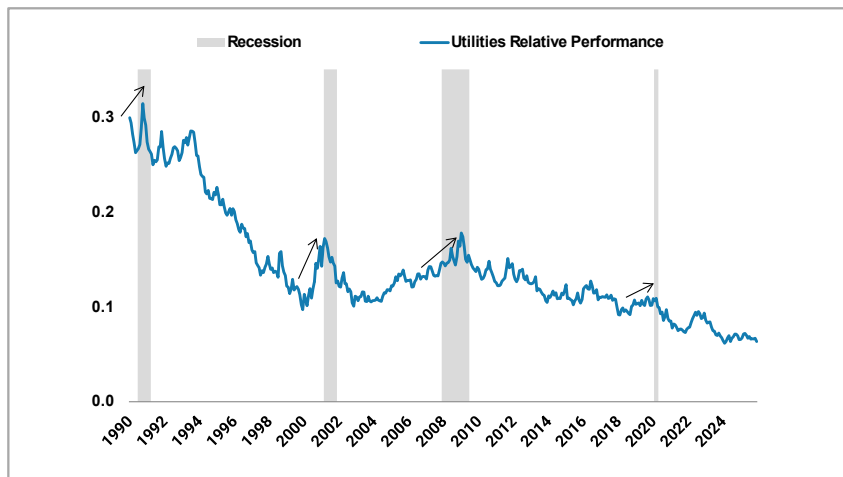
Source: Bloomberg, Factset, Morgan Stanley Research. Top right chart as of Jan. 8, 2025, Bottom right chart as of: Oct. 9, 2025. See [link](#) for full report.

## Equal Weights

### Utilities

- We moved Utilities from overweight to equal-weight in mid-May as we reduced defensive exposure.
- Utilities are beneficiaries of the GenAI theme and can benefit from increased interest and focus on Energy capacity.
- Reliable energy sources are increasingly important and the post Covid era has sparked traditional capex spending. Utilities with exposure to both traditional and clean energy ventures are set to benefit and reinvestment could provide further support for the sector.

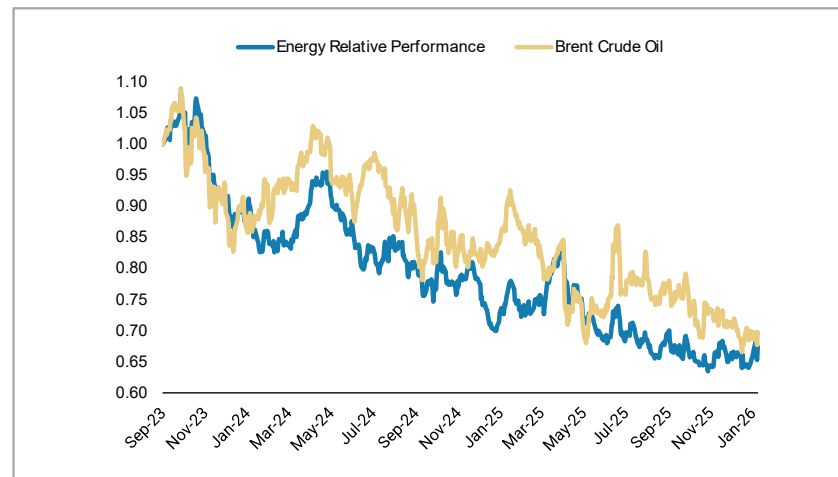
Utilities are a Late Cycle Outperformer



### Energy

- Energy relative performance is once again trading with crude and reflects relatively cheap oil prices. Geopolitical tensions remain high amid policy uncertainty and could disrupt oil supply, raising oil prices.
- We like oil for both fundamental upside and as a geopolitical hedge.
- FCF margin for the space remains well above its historical average, net debt to EBITDA remains below its long-term run rate and HF net exposure appears under-owned.

Energy Stocks Trade Cheap to the Price of Oil

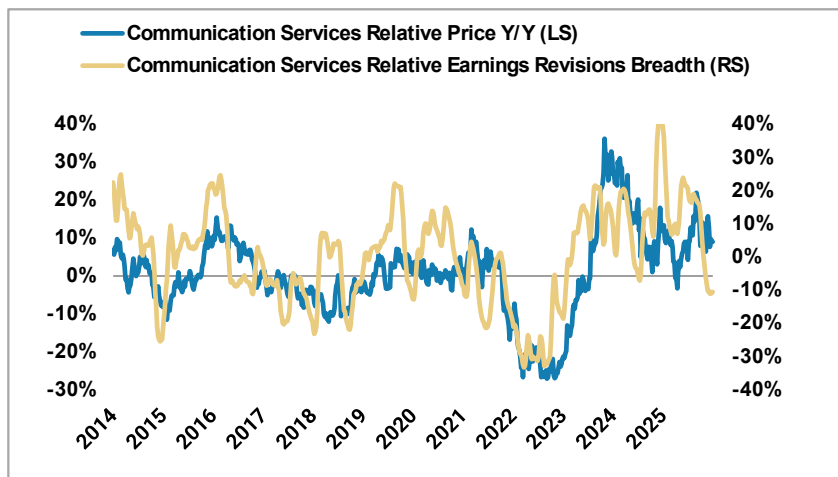


## Equal Weights

### Communication Services

- Technology spend and media advertising are both cyclical metrics and winners may be idiosyncratic ahead.
- A few names take up a large share of the sector and continue to crowd out smaller, incumbent names.
- Cap-weighted Comm. Services has performed well given the high concentration in megacap stocks. We are watching the equal weighted performance as broader sign.

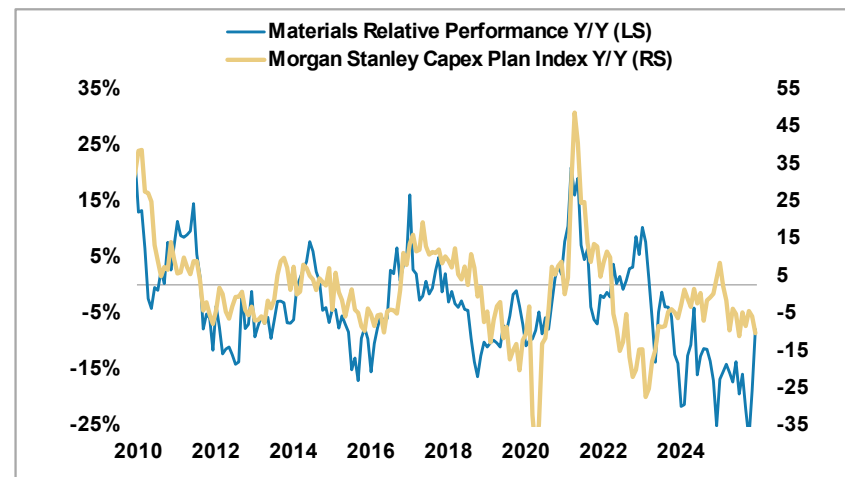
**Communication Services Revisions Breadth Rebounding**



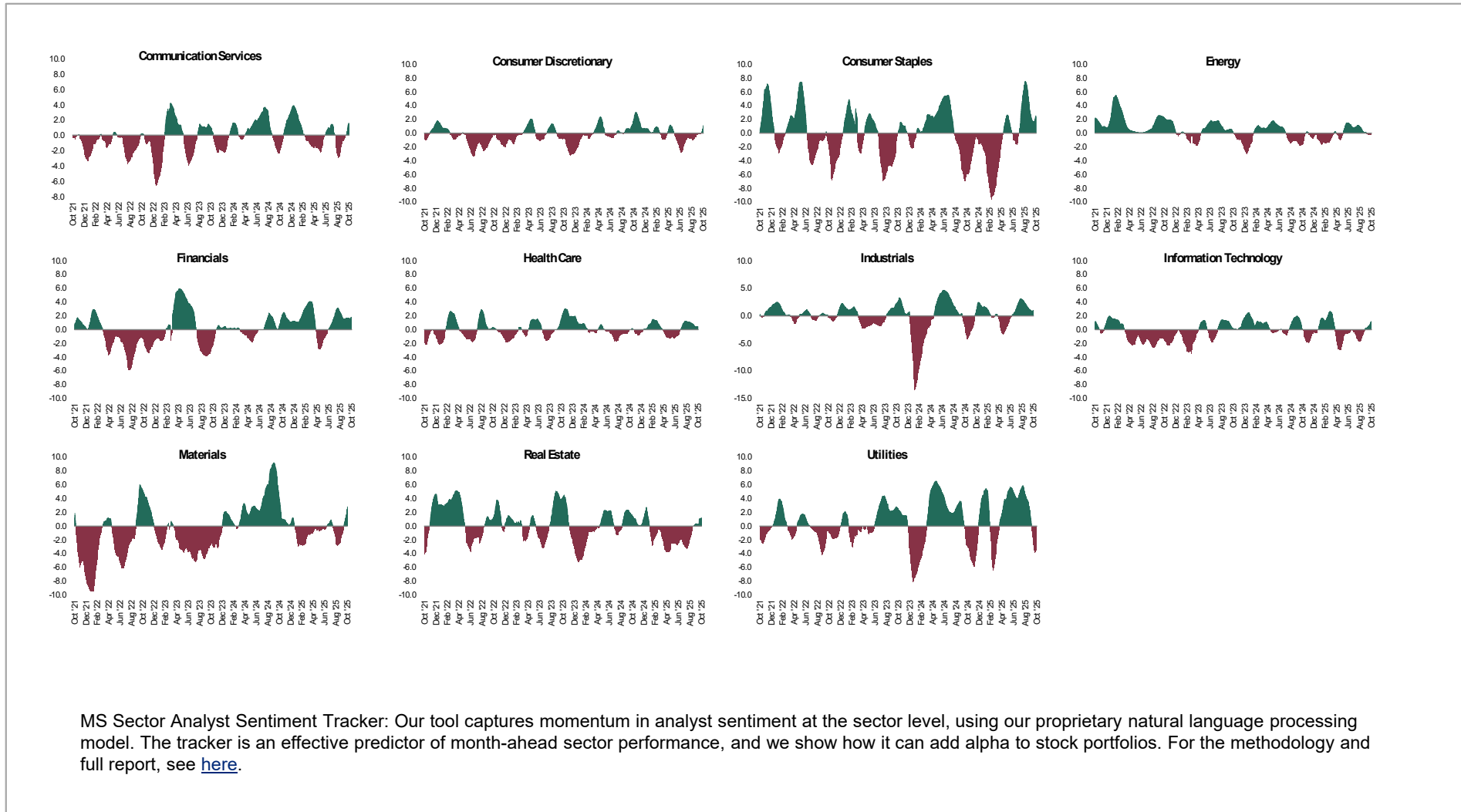
### Materials

- Materials are a cyclical sector but are highly sensitive to global growth. The sector is highly dependent on commodity pricing which may not recover in-line with the expected US recovery.
- Increased capex remains a catalyst for materials and the sector could benefit from the start of a new capex cycle.

**Rising Capex is Historically Positive for Materials but GenAI is Causing a Shift in the Type of Capex Spend**

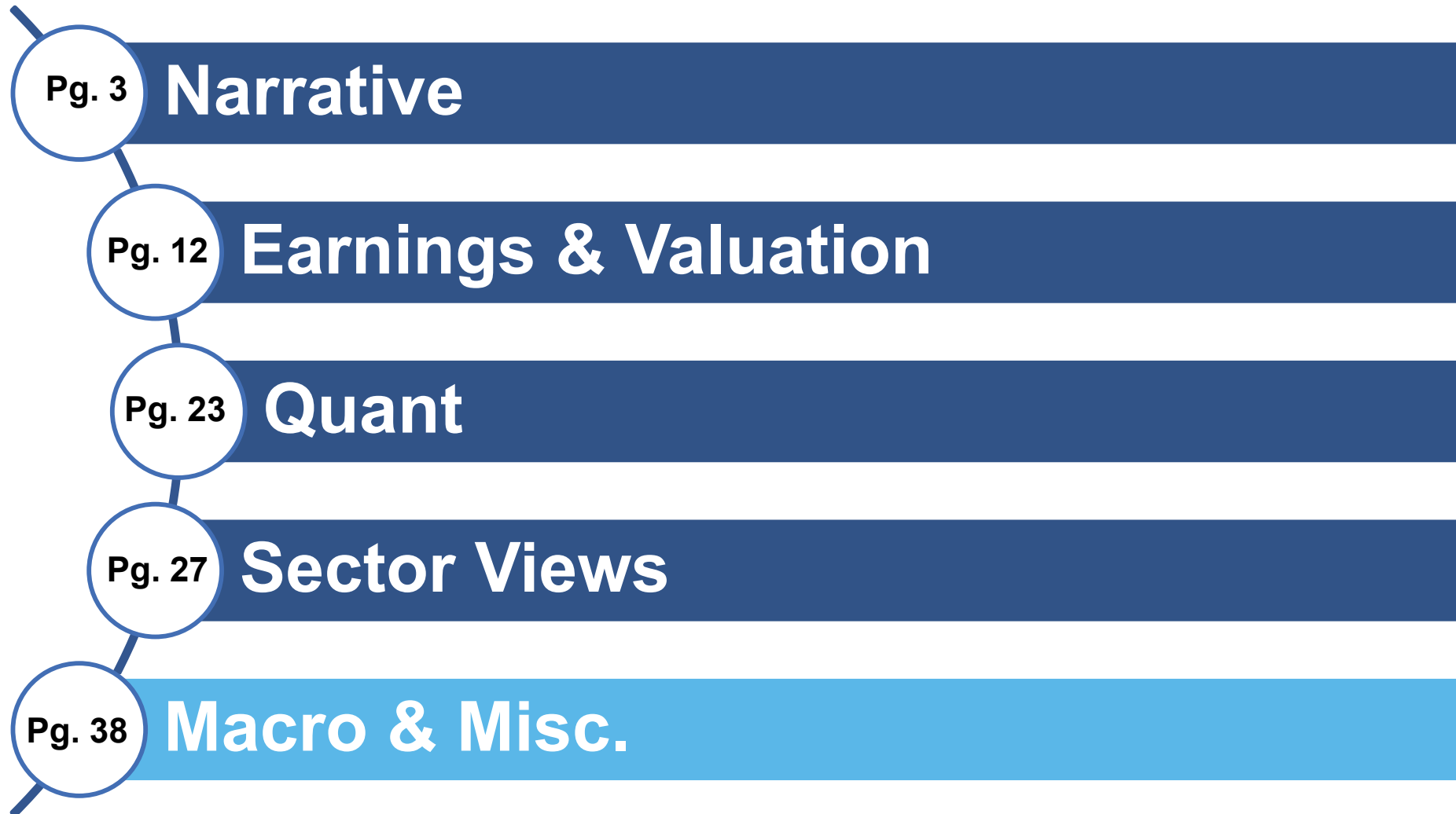


## Morgan Stanley Sector Analyst Sentiment Tracker

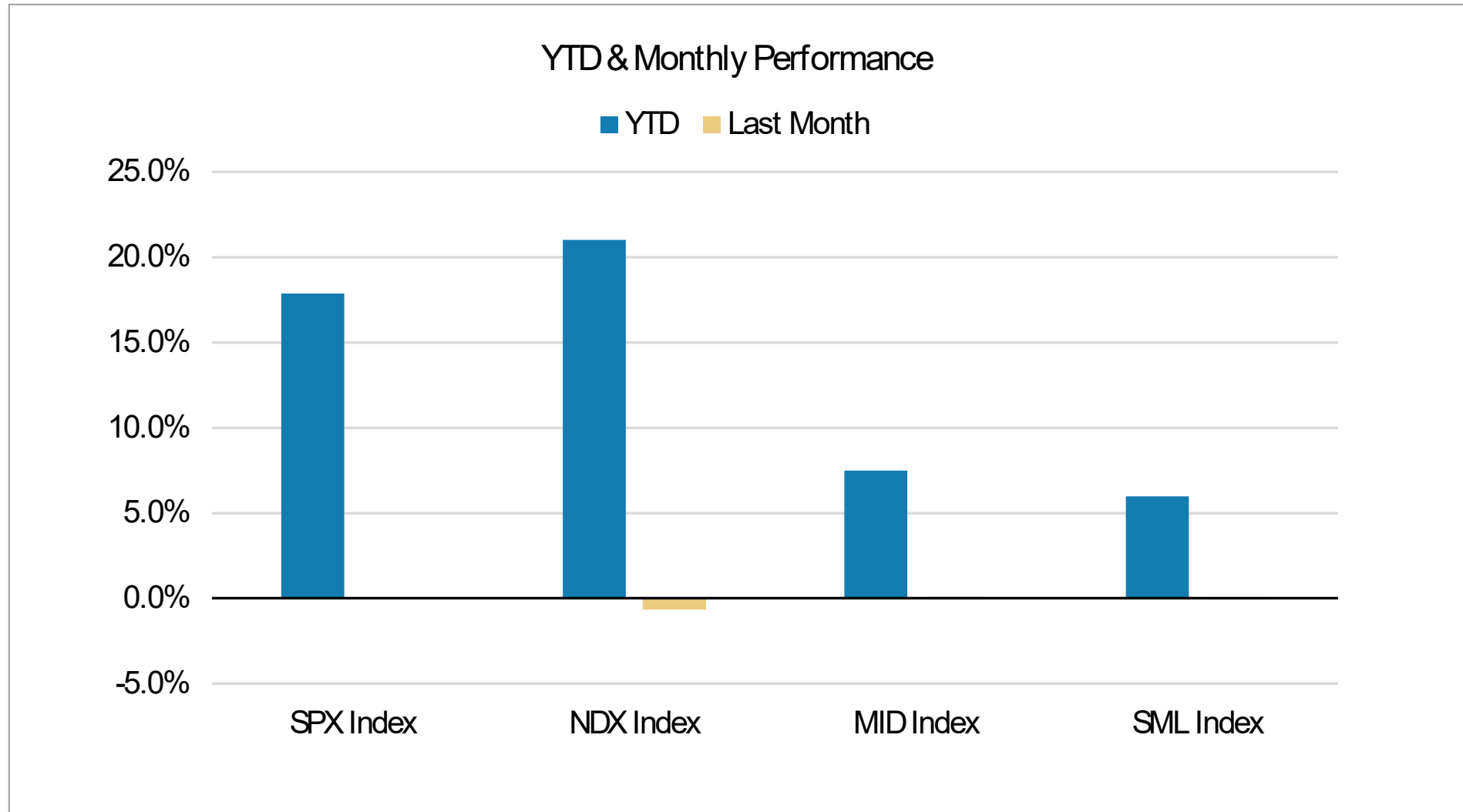


## Outline

---



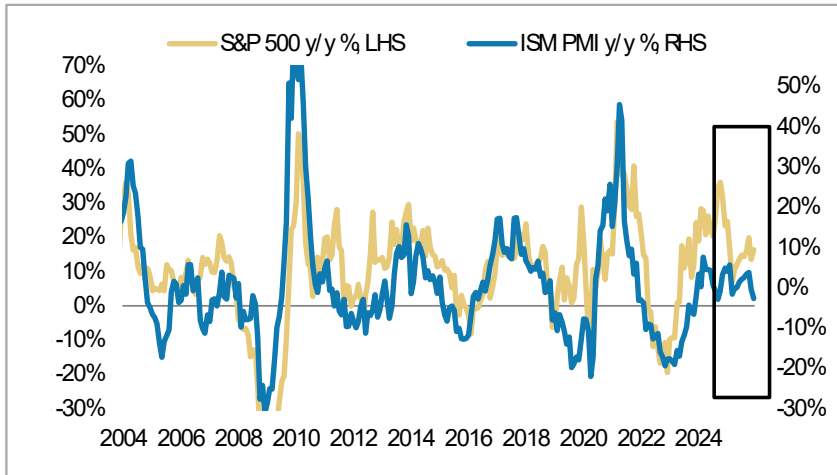
## Equities Near Flat in December but Cap Off a Very Strong Year for Large Caps



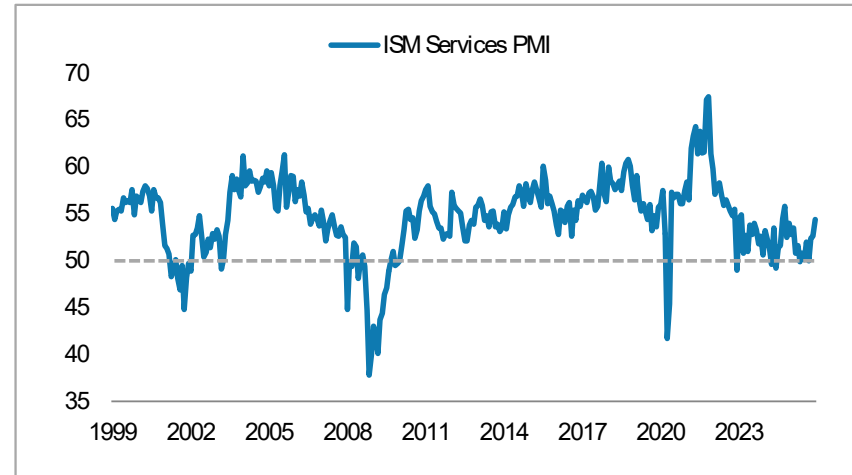
Source: Bloomberg, Morgan Stanley Research; As of Dec. 31, 2025.

## US PMI Snapshot

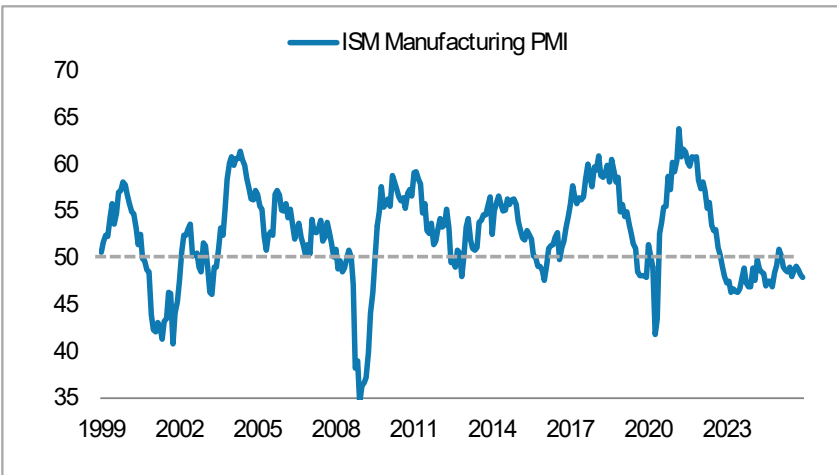
PMI vs S&P 500



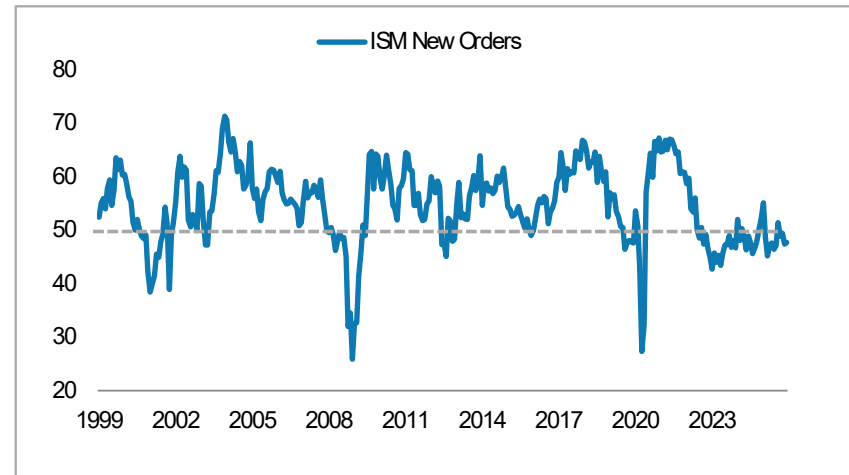
ISM Services PMI



ISM Manufacturing PMI



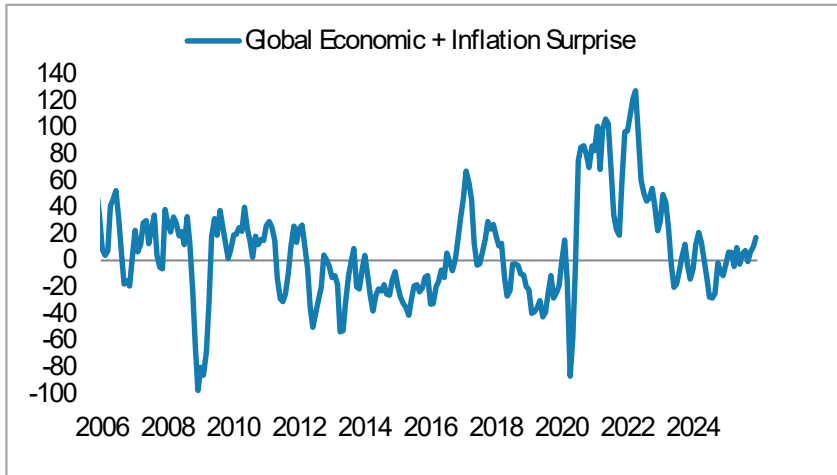
ISM Manufacturing PMI – New Orders



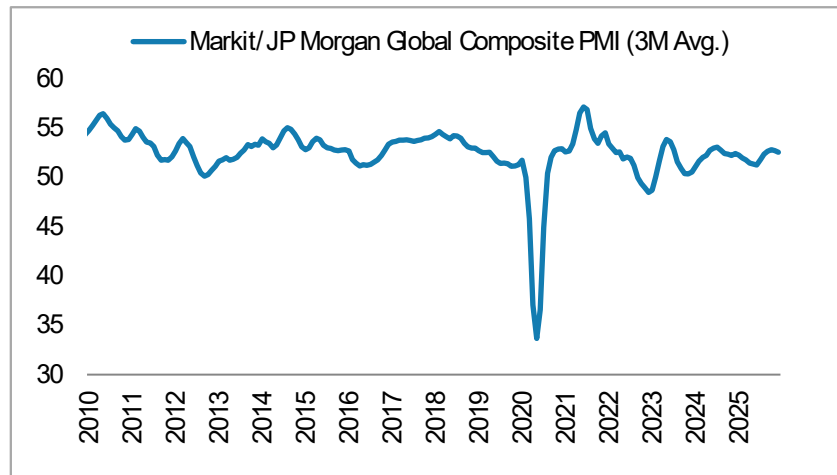
Source: Bloomberg, Morgan Stanley Research; As of Dec. 31, 2025

## Global Macro Backdrop

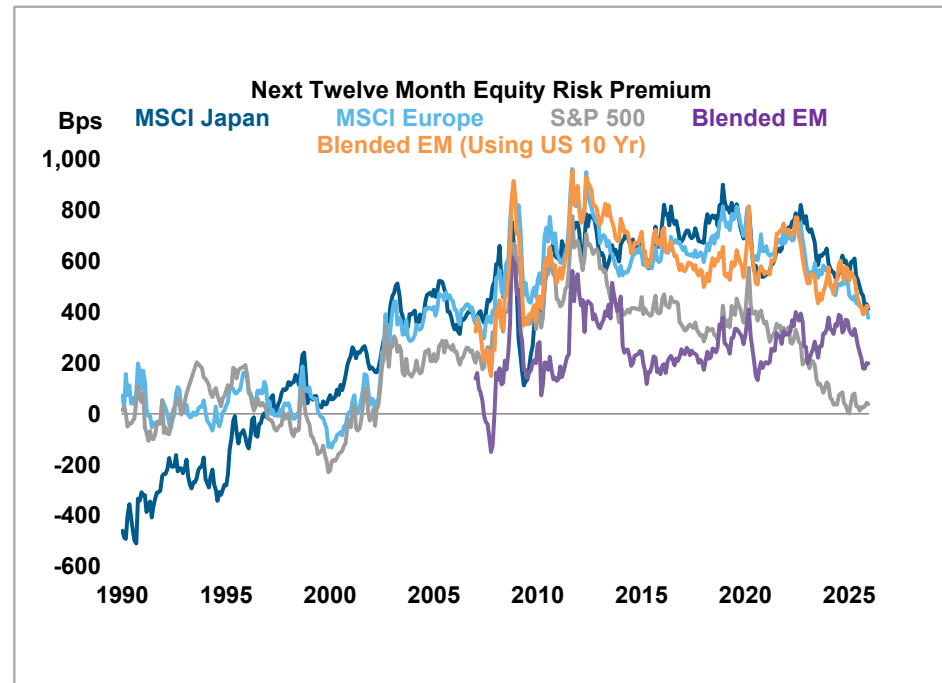
**G10 Economic Surprises + Inflation Near Neutral**



**Global Composite PMI's Are Back to Modest Expansion**



**Global Equity Risk Premiums**

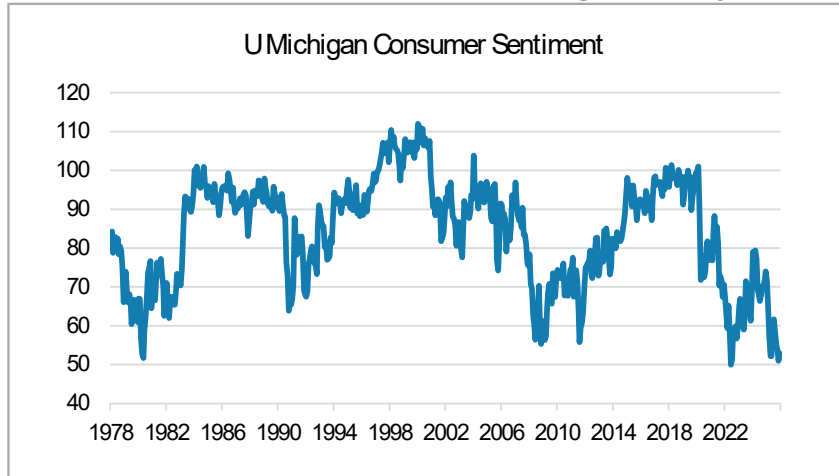


Source: Citi (economic surprise), Bloomberg, Haver Analytics, Morgan Stanley Research. Left as of Dec. 31, 2025. Right as of Dec. 31, 2025.

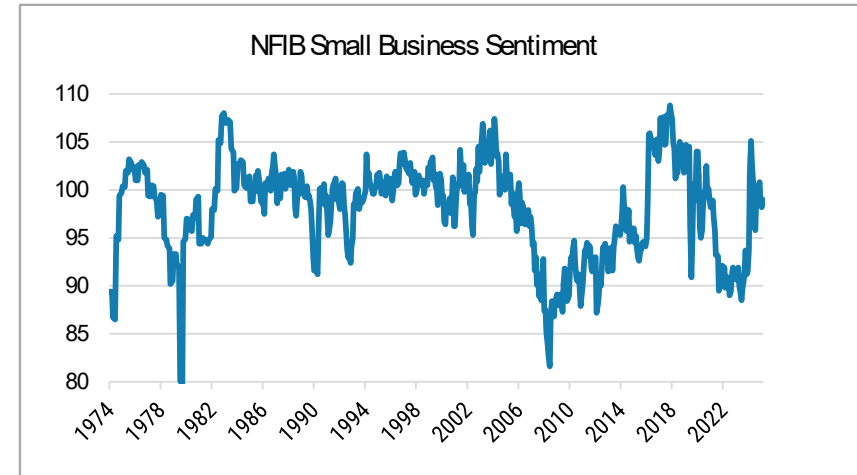
Note: Blended EM ERP is average ERP of India, China, Brazil, Korea

## Sentiment Snapshot

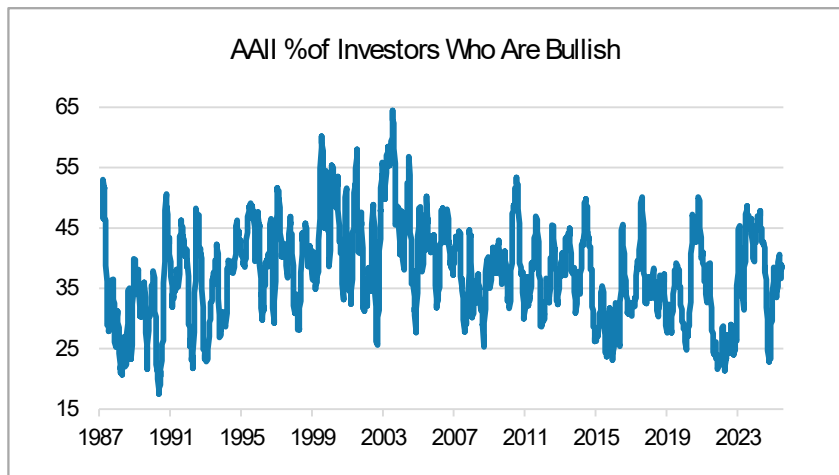
**US Consumer Sentiment: Univ. of Michigan Survey**



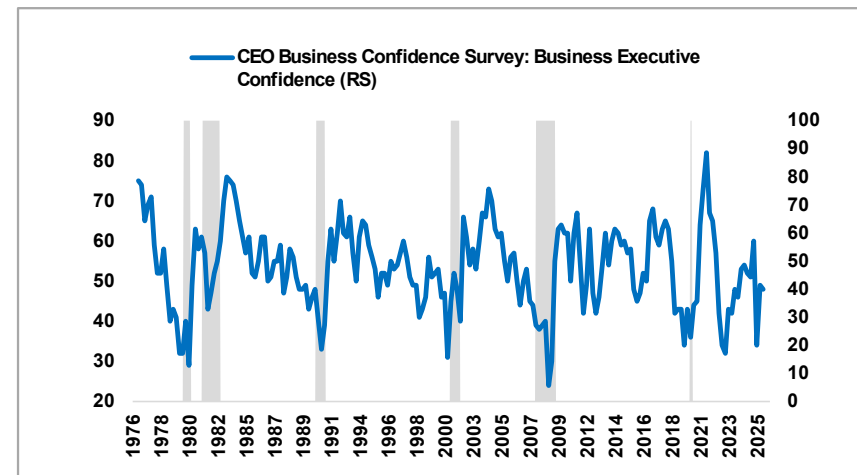
**Small Business Sentiment: NFIB Survey**



**Investor Sentiment: AAI Bull's Survey**



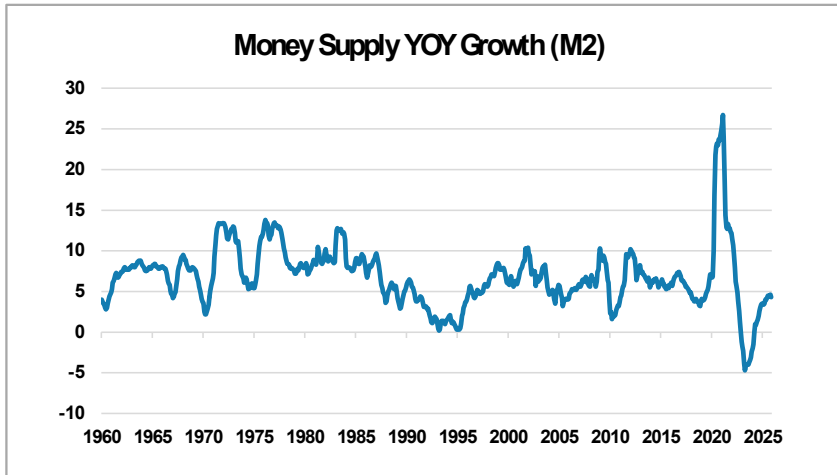
**Corporate Sentiment: CEO Business Confidence Survey**



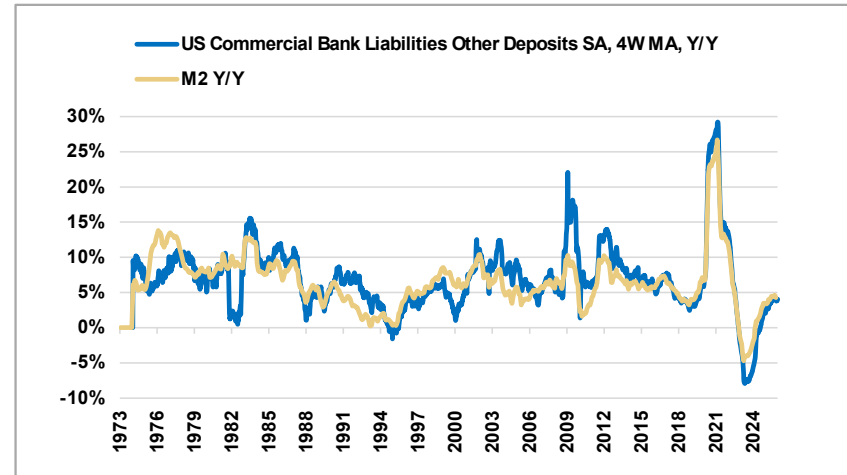
Source: Bloomberg, Morgan Stanley Research; Top: L: As of Dec 31, 2025. R: As of Nov. 30, 2025. Bottom L: As of: Jan. 1, 2026. Bottom R: Quarterly as of Dec. 31, 2025

## Liquidity is Recovering in 2025

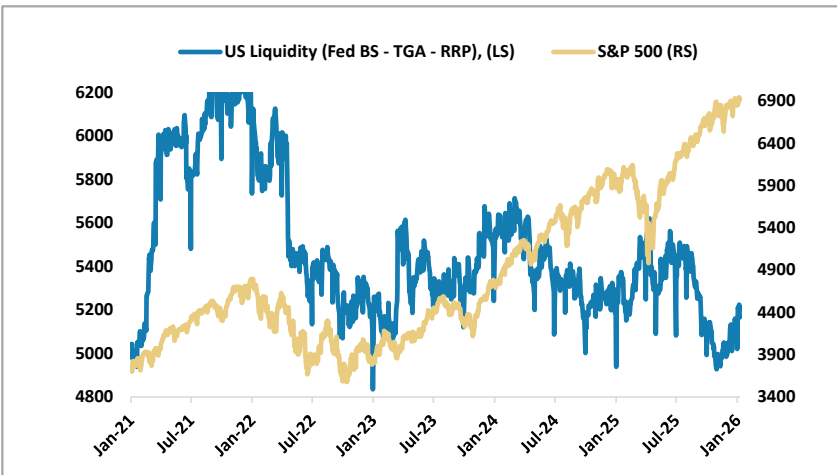
M2 Money Supply



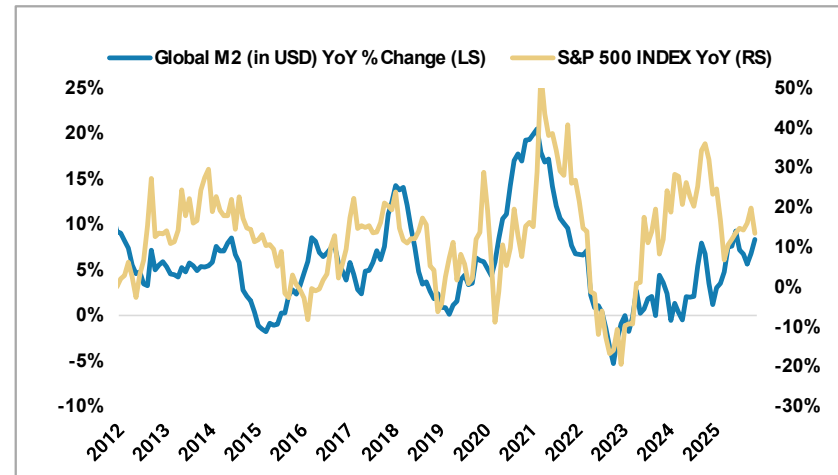
M2 vs Commercial Bank Liabilities: Other Deposits



US Liquidity vs S&P 500



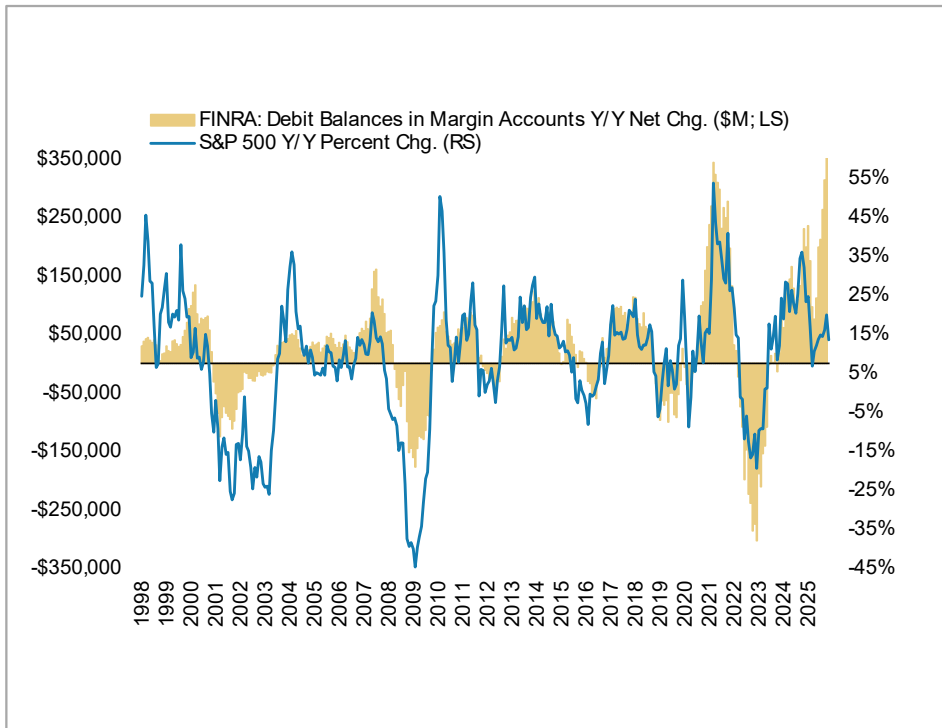
Global M2 vs S&P 500



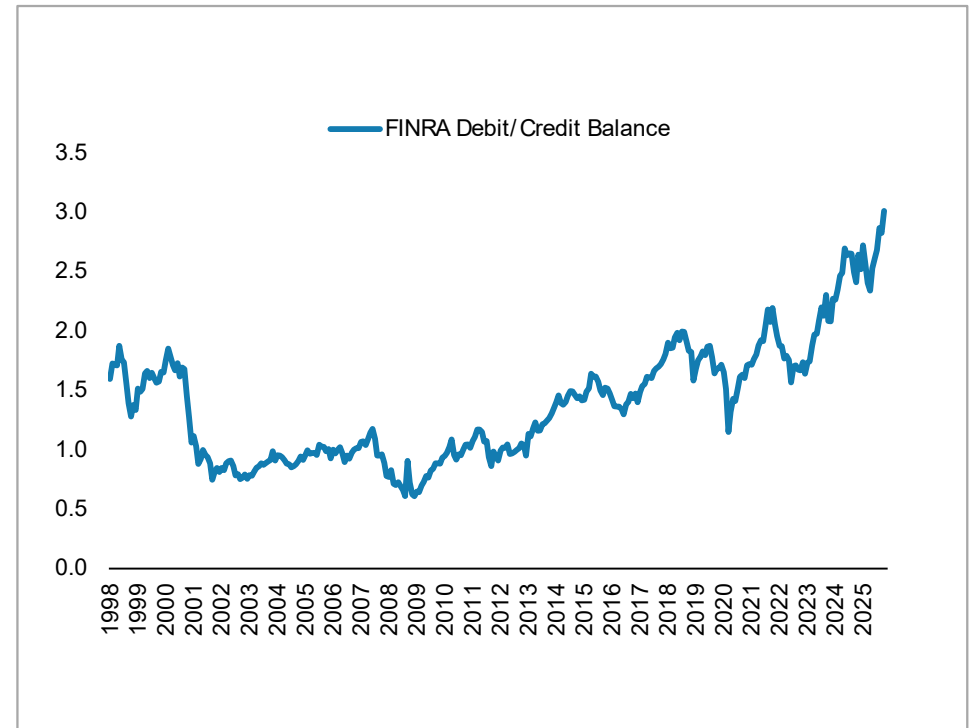
Source: Bloomberg, Morgan Stanley Research; As of Dec. 31, 2025

## Investor Leverage Snapshot

### FINRA Margin Debt



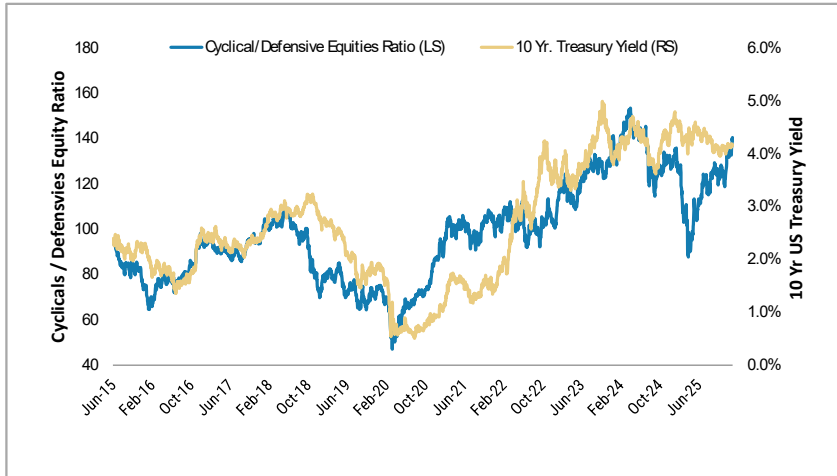
### FINRA Debit/Credit Balance



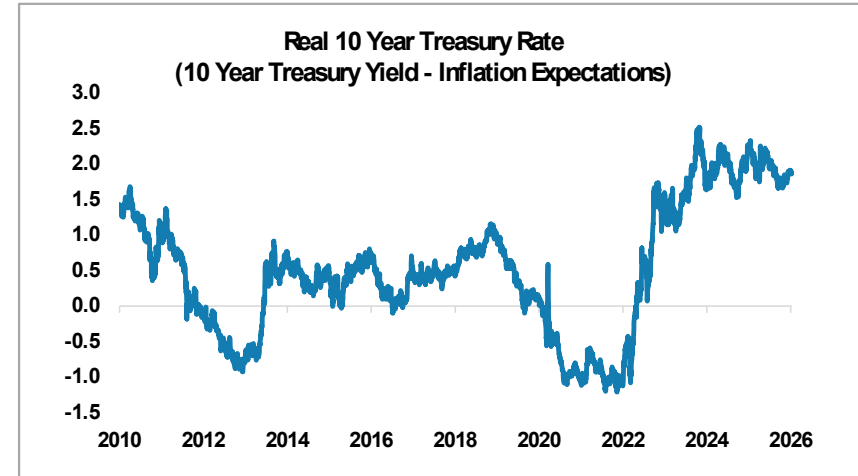
Source: Bloomberg, FactSet, Haver, Morgan Stanley Research; FINRA data As of Nov. 30, 2025 (data lag). S&P data as of Dec. 31, 2025.

## US Rates Snapshot

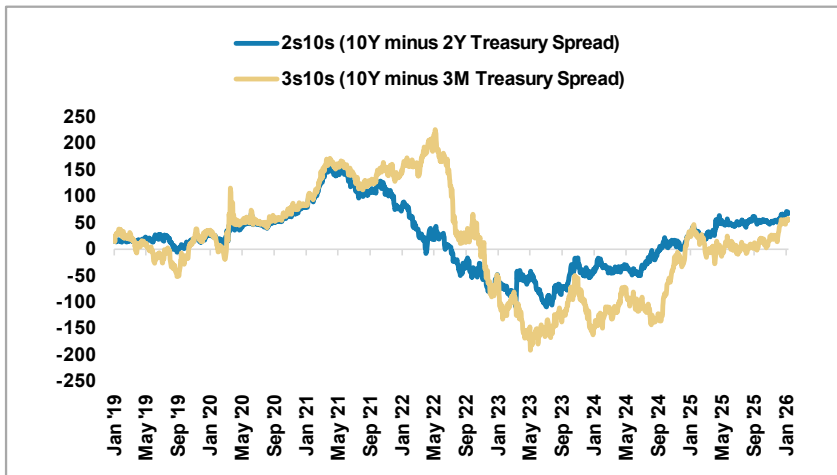
Cyclical/Defensive Performance Is Correlated to Rates



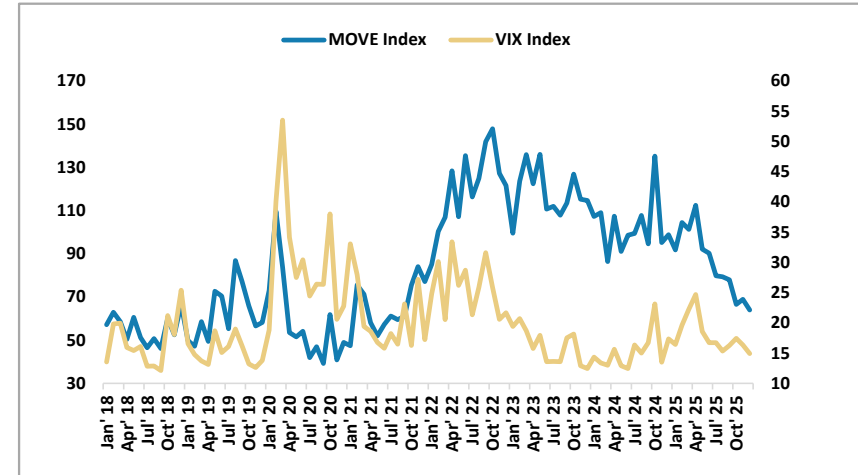
Real Rates Are Elevated



The Curve is Uninverted and Gradually Steepening



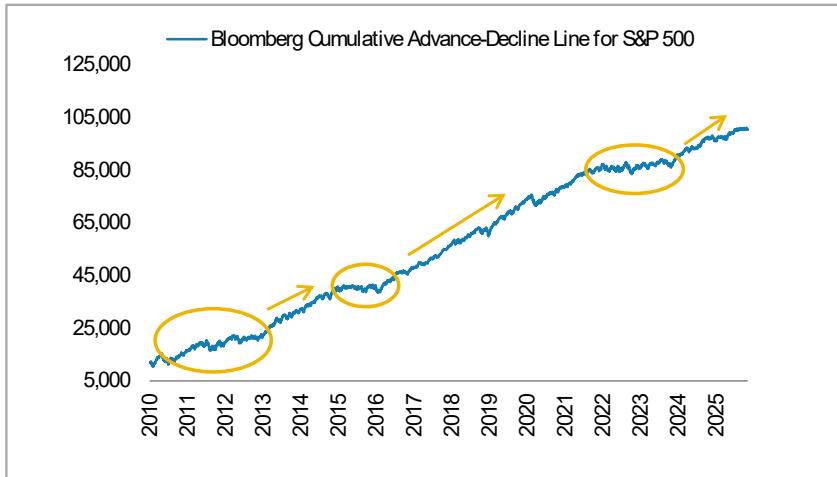
Rate Volatility is Falling



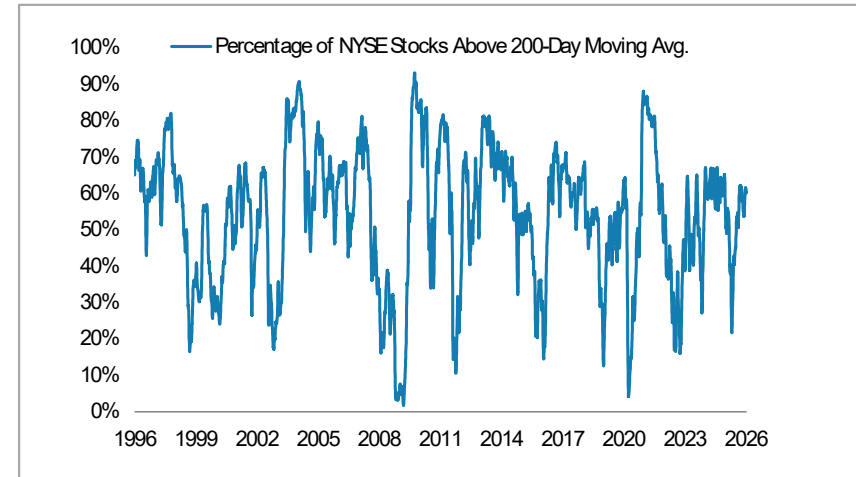
Source: Bloomberg, Morgan Stanley Research. All as of Dec. 31, 2025.

## US Equity Market Technicals and Financial Conditions

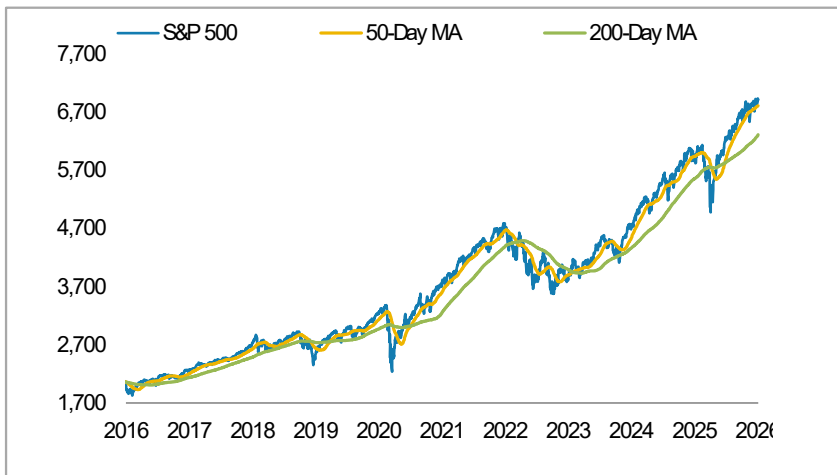
**S&P 500 Cumulative Advance Decline**



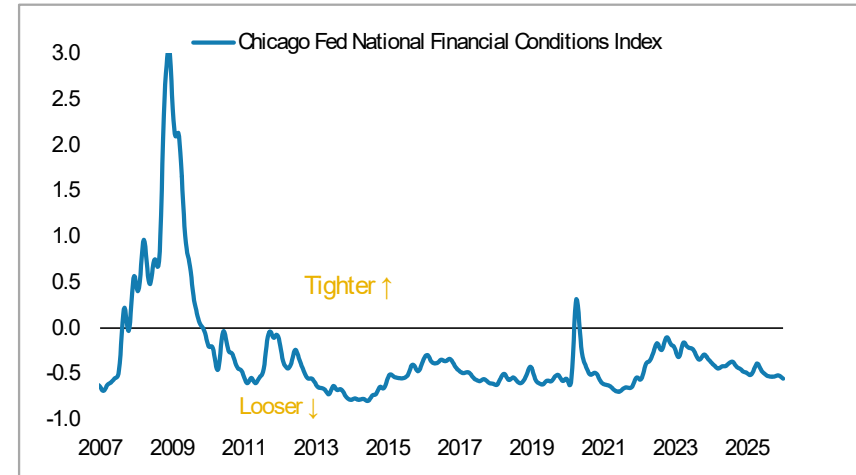
**S&P 500 Percent Members Above 200-Day Moving Average**



**S&P 500 with Moving Averages**



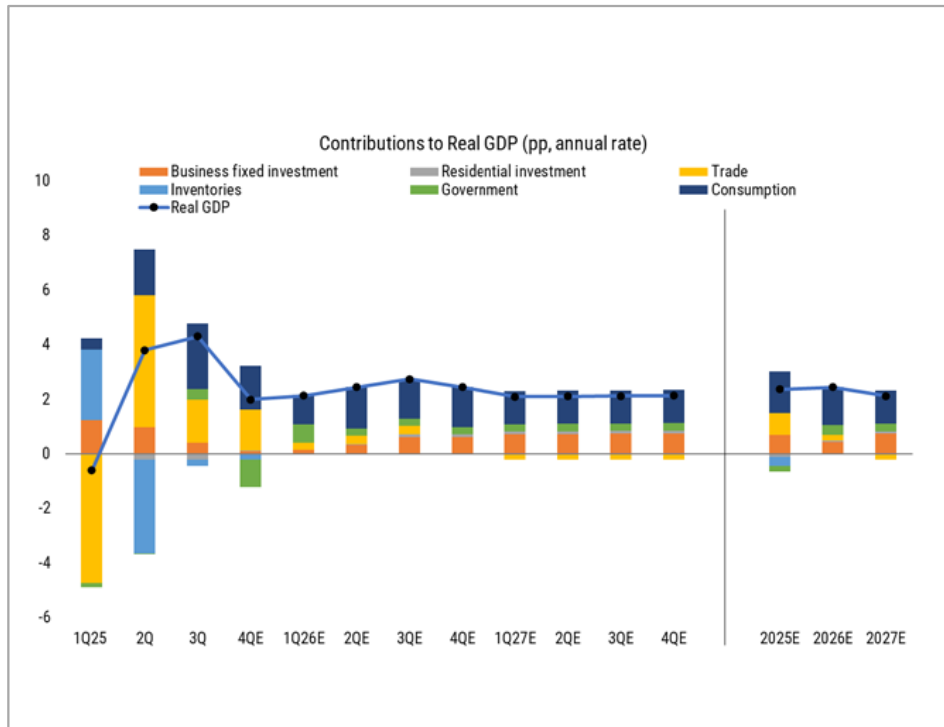
**Chicago Fed National Financial Conditions Index**



Source: Bloomberg, Morgan Stanley Research. All as of Dec. 31, 2025.

## Cross-Asset Outlook

### US GDP Forecast



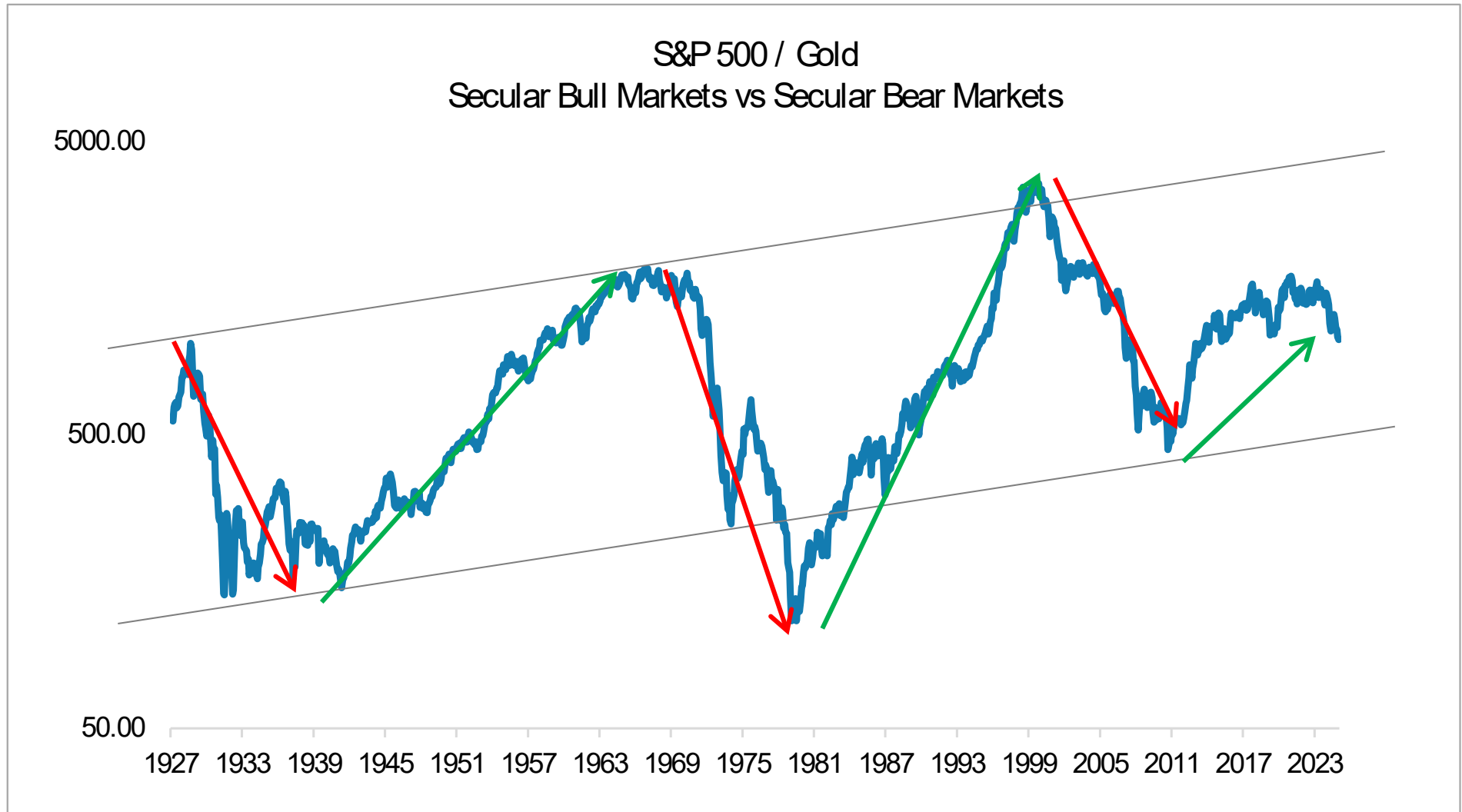
### Morgan Stanley Cross-Asset Forecasts

Exhibit 1: Morgan Stanley forecasts

	As of Jan 02, 2026	Q4 2026 Forecast			Q4 2026 Return Forecast			Volatility	Base Case Return/Risk
		Bear	Base	Bull	Bear	Base	Bull		
<b>Equities</b>									
S&P 500	6,858	5,600	7,800	9,000	-17.2%	14.9%	32.4%	18%	0.81
MSCI Europe	2,377	1,920	2,430	2,700	-16.3%	5.2%	16.5%	15%	0.34
Topix	3,409	2,440	3,600	4,250	-26.3%	7.7%	26.8%	19%	0.41
MSCI EM	1,429	960	1,400	1,800	-30.5%	0.2%	28.2%	16%	0.01
<b>FX</b>									
JPY*	157	163	147	125	-7.1%	3.9%	22.7%	9%	0.42
EUR	1.17	1.05	1.16	1.36	-11.8%	-2.5%	14.6%	7%	-0.33
GBP	1.35	1.21	1.29	1.45	-9.9%	-4.0%	7.9%	9%	-0.42
AUD	0.67	0.61	0.67	0.75	-8.3%	0.6%	12.6%	10%	0.06
INR*	90.2	92.0	88.4	86.0	0.9%	4.5%	7.2%	5%	0.96
ZAR*	16.5	18.7	17.8	16.4	-8.9%	-4.5%	3.5%	15%	-0.29
BRL*	5.42	6.20	5.20	4.75	-4.0%	12.9%	22.7%	15%	0.83
MXN*	17.9	21.0	18.2	17.5	-10.8%	2.6%	6.2%	13%	0.21
<b>Rates (% percent)</b>									
UST 10yr	4.19	5.15	4.05	2.65	-2.3%	6.4%	18.0%	7%	0.96
DBR 10yr	2.90	2.90	2.45	2.05	3.5%	7.4%	10.8%	6%	1.30
UKT 10yr	4.54	4.65	3.90	3.25	4.5%	10.3%	15.6%	7%	1.56
JGB 10yr	2.06	2.30	1.65	1.05	0.7%	6.3%	11.8%	3%	2.50
<b>Credit (bps)</b>									
US IG	78	140	95	70	-3.5%	-0.4%	1.3%	3%	-0.14
US HY	268	450	300	250	-3.4%	1.2%	2.9%	6%	0.21
EUR IG	78	150	90	60	-2.4%	0.2%	1.6%	2%	0.13
EUR HY	262	450	280	225	-4.5%	1.2%	3.1%	5%	0.26
EM \$ Sov	252	400	260	225	-7.4%	2.0%	4.3%	7%	0.28
<b>Sec. Products (bps)</b>									
US Agency MBS	23	50	25	15	-1.4%	0.1%	0.7%	2%	0.04
US CMBS AAA	78	110	75	60	-2.4%	1.1%	2.6%	2%	0.67
US CMBS BBB-	455	750	475	390	-24.7%	2.5%	11.0%	4%	0.71
<b>Commodities</b>									
Brent	61	50	60	120	-17.1%	-0.6%	98.9%	38%	-0.01
Copper	12,508	9,400	11,500	13,800	-23.8%	-6.8%	11.9%	21%	-0.32
Gold	4,353	4,080	4,800	5,760	-9.0%	7.0%	28.4%	15%	0.47

Source: Bloomberg, MSCI, Morgan Stanley Research forecasts; Note: Returns are total returns, except for credit, where we forecast excess returns versus government bonds. Commodity returns are calculated relative to futures to account for carry. Volatility is 10y realized vol. All currency returns are shown as XXXUSD return. \*Currency forecasts shown for USDXXX.

## S&P 500 Adjusted for Inflation – We Are in a Secular Bull Market



Source: Bloomberg, Morgan Stanley Equity Research; As of: Dec 31, 2025.

## Disclosures

---

### Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and/or Morgan Stanley Canada Limited. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., Morgan Stanley Canada Limited and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Diane Ding, Ph.D.; Nicholas Lentini, CFA; Andrew B Pauker; Michelle M. Weaver, CFA; Michael J Wilson.

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflictolicies](http://www.morganstanley.com/institutional/research/conflictolicies). A Portuguese version of the policy can be found at [www.morganstanley.com.br](http://www.morganstanley.com.br)

### Important Regulatory Disclosures on Subject Companies

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

## Disclosures

### Global Stock Ratings Distribution

(as of December 31, 2025)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)		OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)		
	COUNT	% OF TOTAL	COUNT	% OF TOTAL	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
	Overweight/Buy	1519	41%	415	48%	27%	674
Equal-weight/Hold	1583	43%	362	42%	23%	720	45%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	564	15%	87	10%	15%	216	13%
TOTAL	3,670		865			1611	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

### Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months. Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months. Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months. Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months. Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

## Disclosures

---

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at [www.morganstanley.com/online/researchdisclosures](http://www.morganstanley.com/online/researchdisclosures). For Morgan Stanley specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures).

Each Morgan Stanley research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the research report on behalf of Morgan Stanley. This could create a conflict of interest.

### Other Important Disclosures

Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

## Disclosures

---

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy ([http://www.morganstanley.com/privacy\\_pledge.html](http://www.morganstanley.com/privacy_pledge.html)).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

## Disclosures

---

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Bank Asia Limited; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Bank Asia Limited, Singapore Branch (Registration number T14FC0118J); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited having Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at Altimus, Level 39 & 40, Pandurang Budhkar Marg, Worli, Mumbai 400018, India; Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: tejarshi.hardas@morganstanley.com; Grievance officer details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com. Morgan Stanley India Company Private Limited (MSICPL) may use AI tools in providing research services. All recommendations contained herein are made by the duly qualified research analysts; in Canada by Morgan Stanley Canada Limited; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., authorised and regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, disseminates in the UK research that it has prepared, and research which has been prepared by any of its affiliates, only to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) may otherwise lawfully be communicated or caused to be communicated. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

## Disclosures

---

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA) or by Morgan Stanley & Co. International plc (ADGM Branch), regulated by the Financial Services Regulatory Authority Abu Dhabi (the FSRA), and is directed at Professional Clients only, as defined by the DFSA or the FSRA, respectively. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria of a Professional Client. A distribution of the different MS Research ratings or recommendations, in percentage terms for Investments in each sector covered, is available upon request from your sales representative.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

The issuers and/or fixed income products recommended or discussed in certain fixed income research reports may not be continuously followed. Accordingly, investors should regard those fixed income research reports as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or individual fixed income products.

Morgan Stanley may hold, from time to time, material financial and commercial interests regarding the company subject to the Research report.

Registration granted by SEBI and certification from the National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

© 2026 Morgan Stanley

**The Americas**

1585 Broadway  
New York, NY 10036-8293  
United States  
+1 212 761 4000

**Europe**

20 Bank Street, Canary Wharf  
London E14 4AD  
United Kingdom  
+44 (0)20 7425 8000

**Japan**

1-9-7 Otemachi, Chiyoda-ku  
Tokyo 100-8104  
Japan  
+81 (0) 3 6836 5000

**Asia/Pacific**

1 Austin Road West  
Kowloon  
Hong Kong  
+852 2848 5200