Morgan Stanley

November 2, 2026 08:42 AM GMT

Cross-Asset Playbook – November 2026

Engage, With Caution

Oil Leads Rates, But Earnings Carry Stocks

Higher Brent prices, along with fiscal concerns in Europe, have dragged yields higher. However, we think good macro growth, strong earnings from AI capex, and our expanded US cycle framework signaling "Mature Advance", means we stay constructive on risk assets into year end, even if it might be a bumpy ride.

AI Supply Tests Fixed Income, Does Not Break It

Hyperscaler and neocloud capex keeps rising, but we see the recent tech-related credit spread widening – and a pickup in IG and HY credit vol – as a matter of issuance technicals and not a reflection of where AI capex can go or credit spillover.

Strategy – Steady As She Goes

We stay OW global stocks and UW core fixed income via corporate credit into year end. With AI concerns rising in both, we stay selective: quality earnings and AI adopters in equities, IG over HY in credit. USTs have worked as a safe haven in recent years, so we hold our allocation despite rates volatility.

Multi-Asset Allocation Recommendations

Asset	Allocation	OW/UW	vs Bnch	vs Last
EQUITIES		+5%		
US		+3%		+1%
Europe		+1%		
Japan		+1%		+1%
EM		+0%		
CORE FIXED INC.		-3%		
Govt Bonds		+3%		-1%
Agency MBS		+0%		
IG Corporate		-6%		+1%
OTHER FIXED INC.		-2%		
US HY Corp		-1%		+1%
EM $ Sov		-2%		
EM Local		+0%		
US Lev Loans		-1%		
CLO AAA		+2%		
COMMODITIES		+0%		
CASH		+0%		-8%

Source: Morgan Stanley Research; Note: 'vs Last' refers to allocations published 27-Mar-26. Data as of October 30, 2026 unless mentioned otherwise.

MORGAN STANLEY RESEARCH
Global

Morgan Stanley & Co. LLC
Serena Tang
Strategist
serena.tang@morganstanley.com
+1 212 761 3380

Morgan Stanley India Company Private Limited+
Soham Sen
Strategist
soham.sen1@morganstanley.com
+91 22 6880-1207

Morgan Stanley & Co. International plc+
Erika Singh-Cundy
Strategist
erika.singh-cundy@morganstanley.com
+44 (0)207 425 0960

Morgan Stanley & Co. International plc+
Yimin Huang
Strategist
yimin.huang@morganstanley.com
+44 (0)207 677 2870

Sign up here: *If you didn't receive this directly, but would like to, please click here.*

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research 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.

+– Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Morgan Stanley Asset Allocation

		Strategic Allocation	Regional/ Asset Tilt	Key Asset Views	Key Forecasts (2Q 27)		
EQUITIES	OW		Asset / Allocation US Equities European Equities Japanese Equities EM Equities	**Region:** DM > EM, US top pick **US Sector:** Consumer Disc. Goods, Industrials **US Factor:** Quality	S&P 500	8,300	↑
					MSCI Europe	2,840	↑
					TOPIX	4,300	↑
					MSCI EM	1,800	↑
CORE FI	UW		USTs EGBs Agency MBS US IG Corp EUR IG Corp	**Gov Bonds:** We see DM yields below market-implied forwards **MBS:** Tactically long the basis	UST 10yr	4.85%	↓
					DBR 10yr	3.30%	↓
					Agency MBS	20bp	↓
					US IG Credit	90bp	↑
					EUR IG Credit	80bp	↓
OTHER FI	EW		US HY Corp EM $ Sov EM Local US Lev Loans CLO AAA	**US Lev Loans:** Prefer BB loans for attractive, higher quality carry **CLO:** Prefer AAA	US HY Credit	275bp	↓
					EM Sovs	200bp	↑
					US Loans	440bp	↓
					US CLO AAA	120bp	↓
COMMODS	EW		Brent Gold Copper Cash	**Metals**: Gold remains our top commodity pick	Brent	95	↓
					Copper	14,000	↓
					Gold	5,000	↑

Source: Morgan Stanley Research forecasts

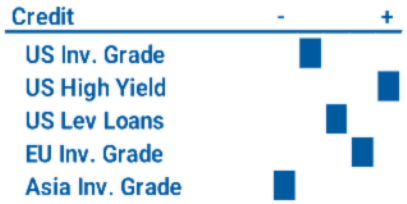
Key Takeaways



Cross-Asset Strategy – Constructive But Expect Near-Term Risks Volatility: Central banks have turned more hawkish on elevated energy prices, but positive global growth, robust earnings, and the AI capex cycle still support risk assets. Credit spreads have widened, but it's been a case of bifurcation by quality, not broad funding stress. Geopolitical risks will bring bouts of volatility, but this is a risk-adjusted returns problem, not a total returns issue. We are **OW global equities, UW core fixed income, EW cash, and commodities.**



Equities – US leads the pack: The AI capex cycle should continue to support earnings growth and, with it, global equity returns – particularly in the US and EM. That said, favorable bull-bear skew and strong earnings *resiliency* make the US our top pick. **S&P 500 at 8,300 by 2Q27, MSCI Europe at 2,840 by 2Q27.**



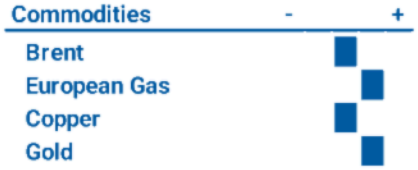
Corporate credit – AI capex drives the story: Credit sits at the crossroads of strong fundamentals/robust demand and accelerating supply. We think the magnitude of supply is large enough to take IG wider by year-end, while HY moves sideways but outperforms on excess and total returns. **US IG at 90 bp, US HY 275 bp, EUR IG at 80 bp by 2Q27.**



Government bonds – We see DM yields below forwards by end 2027: In the US, we stay neutral on duration and curve. In the Euro area, we hold duration longs in intermediates and see EGB spreads wider. We favour the belly in Japan, while fiscal concerns pressure the long-end. **We expect UST 10Y at 4.85%, 10y Bund at 3.30%, 10y JGBs at 3.05%, and 10y gilts at 4.80% by 2Q27.**

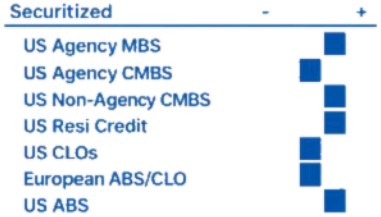


FX – Neutral USD with a bullish skew: We forecast USD strength into 2027 on USD-RoW rate widening and robust US growth. We see risk of a policy-driven increase in USD-negative risk premium. We are bullish AUD and CHF within G10 and bearish GBP and JPY. **EUR/USD at 1.10 and USD/JPY at 162 in 2Q27.**



Source: Morgan Stanley Research

Commodities – Freight supports energy; prefer gold: Brent supported by record freight costs and longer-lasting supply disruption expectations. Gold is supported by central bank and ETF demand. Neutral on copper with slower US stockpiling. **Brent at US$95/bbl by 2Q27, gold at $5000/oz.**



Securitized products – up in quality: Deregulation and technical support are tailwinds, but higher rates and higher rates vol now pose risk. We turned long Agency MBS basis given how much spreads have widened. **We like going up in quality in general - like CLO AAAs and Non-QM AAAs.**

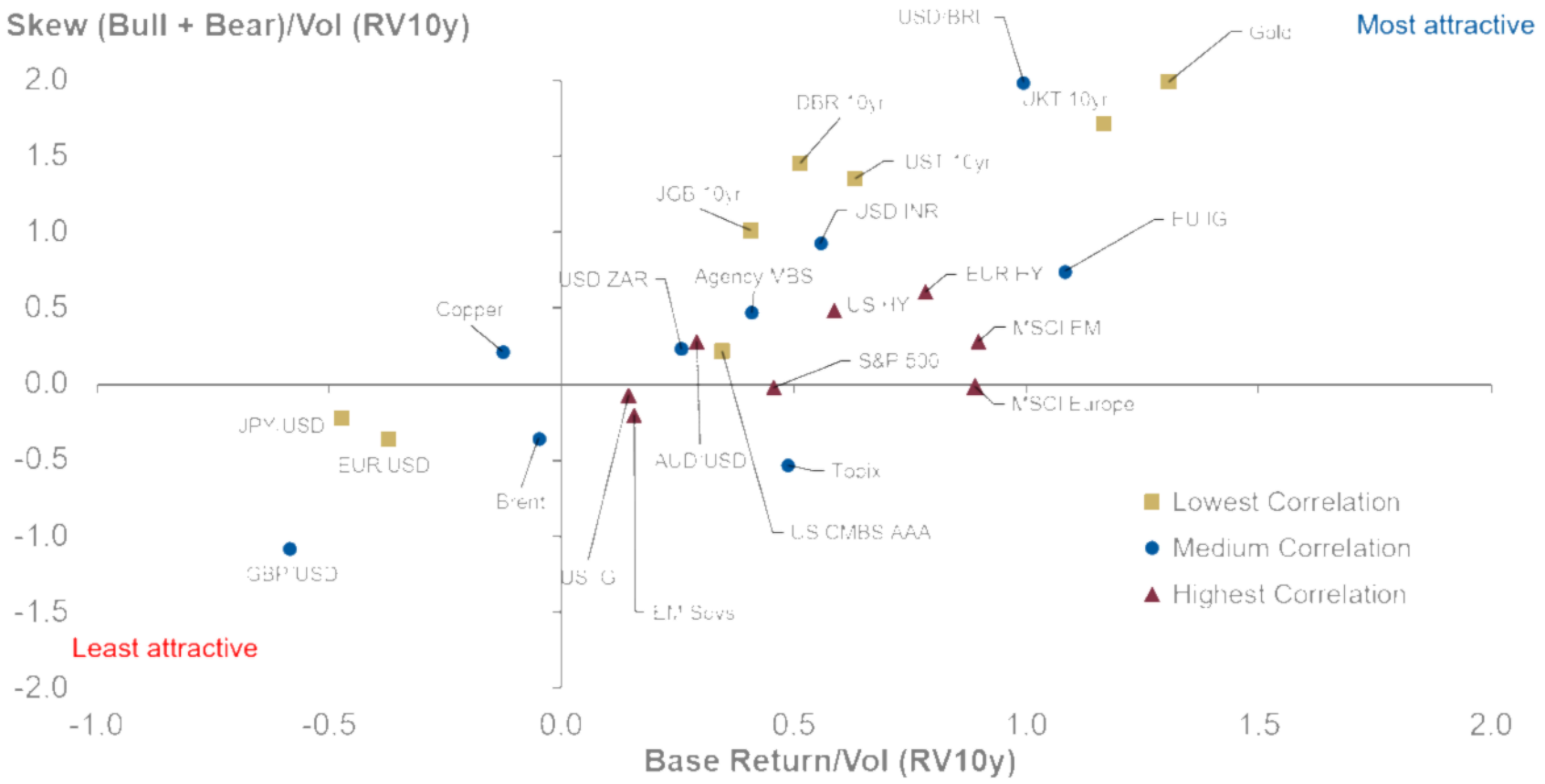
We wish to acknowledge Arvind Annamalai Balasubramanian's contributions to the cross-asset team's work.

Morgan Stanley Bull/Base/Bear Forecasts

	As of Oct 29, 2026	Q2 2027 Forecast			Q2 2027 Return Forecast			Volatility	Base Case Return/Risk
		Bear	Base	Bull	Bear	Base	Bull		
Equities						Total Returns			
S&P 500	7,720	5,900	**8,300**	9,400	-22.8%	**8.2%**	22.5%	18%	0.46
MSCI Europe	2,565	1,880	**2,840**	3,140	-24.7%	**12.8%**	24.5%	14%	0.89
Topix	4,003	2,600	**4,300**	4,900	-33.6%	**8.9%**	23.9%	18%	0.49
MSCI EM	1,593	1,100	**1,800**	2,100	-29.1%	**14.9%**	33.7%	17%	0.90
FX						Total Returns			
JPY*	158	170	**162**	145	-8.9%	**-4.1%**	6.9%	9%	-0.47
EUR	1.12	1.00	**1.10**	1.23	-11.6%	**-2.6%**	9.0%	7%	-0.37
GBP	1.34	1.15	**1.27**	1.40	-13.9%	**-5.0%**	4.8%	8%	-0.59
AUD	0.70	0.66	**0.72**	0.76	-5.8%	**2.8%**	8.5%	10%	0.29
INR*	95.3	100.0	**95.0**	92.0	-1.9%	**2.9%**	6.7%	5%	0.56
ZAR*	16.6	18.7	**16.3**	15.0	-9.3%	**3.7%**	12.6%	14%	0.26
BRL*	5.38	5.40	**4.90**	4.40	4.9%	**15.1%**	27.6%	15%	0.99
MXN*	18.9	19.5	**17.2**	16.5	-1.6%	**11.2%**	15.9%	12%	0.92
Rates (% percent)						Total Returns			
UST 10yr	4.94	5.20	**4.85**	4.40	1.4%	**4.2%**	7.5%	7%	0.63
DBR 10yr	3.35	3.35	**3.30**	2.95	2.7%	**3.0%**	6.0%	6%	0.51
UKT 10yr	5.29	5.35	**4.80**	4.75	3.5%	**7.8%**	8.0%	7%	1.17
JGB 10yr	2.84	3.40	**3.05**	2.60	-1.8%	**1.2%**	4.7%	3%	0.41
Credit (bps)						Excess Returns			
US IG	87	125	**90**	70	-1.9%	**0.4%**	1.7%	3%	0.14
US HY	323	425	**275**	230	-2.3%	**2.8%**	4.6%	5%	0.59
EUR IG	103	150	**80**	60	-1.5%	**1.7%**	2.6%	2%	1.08
EUR HY	363	500	**300**	225	-3.8%	**3.7%**	6.7%	5%	0.78
EM $ Sov	206	340	**200**	150	-7.5%	**1.8%**	5.1%	12%	0.16
Sec. Products (bps)						Excess Returns			
US Agency MBS	34	40	**20**	15	-0.1%	**1.1%**	1.4%	3%	0.41
US CMBS AAA	84	110	**75**	60	-2.0%	**1.5%**	2.9%	4%	0.35
US CMBS BBB-	575	750	**470**	390	-13.5%	**14.2%**	22.2%	9%	1.61
Commodities						Total Returns			
Brent	115	60	**95**	120	-38.1%	**-1.9%**	23.9%	40%	-0.05
Copper	14,579	11,905	**14,000**	17,505	-17.2%	**-2.6%**	21.7%	21%	-0.13
Gold	4,026	3,750	**5,000**	6,750	-9.2%	**21.0%**	63.4%	16%	1.31

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

Morgan Stanley Risk-Reward



Source: Bloomberg, MSCI, Morgan Stanley Research forecasts; Note: 'Expected returns' based on Morgan Stanley strategy 2Q27 forecasts. Correlation is 10y relative to global equities (MSCI ACWI). 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. All currency returns are shown as XXXUSD return. Volatility is 10y realized vol.

Our Allocation Framework

	(A) Top-Down Expected Returns			(B) Bottom-Up	(C) Framework Forecast	(D) Framework R/R	MS Cross-Asset			
Asset	LTCMA	Cycle Drag/ Boost	Cycle-Adj. Rtn	MSe	Rtn Less Cash	Rtn/Vol	Alloc	OW/UW	vs Bench.	vs Last
EQUITIES								**+5%**	**5**	**+5%**
US Eqty			7.7%	8.2%	3.8%	**0.2**	33%	+3%		+1%
European Eqty			11.9%	12.8%	9.6%	**0.8**	11%	+1%		+1%
Japan Eqty			17.1%	8.9%	10.4%	**0.8**	6%	+1%		+1%
EM Eqty			-3.6%	14.9%	1.5%	**0.1**	10%	+0%		+2%
CORE FIXED INC.								**-3%**	**-3**	**+0%**
GOVT BONDS							19%	+3%		-1%
USTs			4.9%	3.5%	0.0%	**0.0**	12%	+2%		-2%
EGBs			3.9%	3.0%	0.7%	**0.1**	7%	+1%		+1%
SECURITIZED							5%	+0%		
Agency MBS			4.4%	3.5%	-0.3%	**-0.1**	5%	+0%		
IG CORPORATE							1%	-6%		+1%
US IG Corp			4.1%	3.8%	-0.2%	**0.0**	0%	-5%		
EUR IG Corp			3.4%	0.0%	-1.1%	**-0.2**	1%	-1%		+1%
OTHER FIXED INC.								**-2%**	**-2**	**+3%**
US HY Corp			3.2%	2.9%	-1.1%	**-0.2**	1%	-1%		+1%
EM $ Sov			3.3%	3.8%	-0.6%	**-0.2**	0%	-2%		
EM Local			~	5.9%	1.7%	**0.4**	4%	+0%		+2%
US Lev Loans			~	2.6%	-1.6%	**-0.3**	0%	-1%		
CLO AAA			~	3.5%	-0.7%	**-0.4**	3%	+2%		
COMMODITIES								**+0%**	**0**	**+0%**
Brent			~	-1.9%	-6.1%	**-0.2**	2%	+0%		
Gold			~	21.0%	16.8%	**1.1**	1%	+0%		
Copper			~	-2.6%	-6.8%	**-0.3**	1%	+0%		
CASH								**+0%**	**0**	**-8%**
Cash			~	4.2%	0.0%		3%	+0%		-8%

We recommend an OW in stocks, UW in core fixed income, EW in other fixed income, EW in commodities, and EW in cash.

OW equities (+5%): Raise DM equities on strong AI-driven earnings. US is at an OW (favorable bull-bear skew, more resilient to geopolitical downside). Keep Europe EW (energy exposure, geopolitical risk) and Japan EW (structural story intact). EM remains least preferred given weak macro/micro narrative, geopolitics, and concentration risks; however, we are bullish on selective markets like South Korea.

UW core fixed income (-3%): We remain slightly OW in govvies despite tepid expected returns, as the asset still serve as a safe haven. Maintain large UW US IG (AI supply pressure), but near-term risks suggest HY should start to underperform vs IG.

EW other fixed income (-2%): We continue to like CLO AAA (attractive carry, expected curve steepening).

EW commodities (0%): Remain neutral; energy outlook uncertain and gold still constructive, but with less upside.

Source: Morgan Stanley Research forecasts. Note: Returns are total returns. Volatility is 10y realized vol. 'vs Last' refers to allocations published 27-Mar-26.

Key Changes in Views

European Equity Strategy

- We edge up our MSCI Europe target to 2,840 as stronger EPS growth more than offsets a lower, late-cycle target multiple.

MSCI Europe		2Q27	
	Spot	New	Old
Index target	2,519	2,840	*2,810*
EPS growth 2026e		21.1%	*12.5%*
EPS growth 2027e		9.3%	*5.9%*

Global Credit Strategy

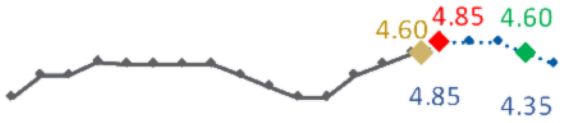
- For much of this year we have preferred HY over IG given the heavy supply in IG. But, with the rate move higher, we prefer an up-in-quality bias and like HY vs. IG decompression.

Commodities Strategy

- Gold is our top commodity pick. We raise our 2Q27 targets from $4900/oz to $5000/oz. Strong physical demand establishes support with scope for upside if macro conditions ease or oil prices moderate.

Central Bank Policy Path

- BoC: After October's hike to 2.50%, we expect a December pause and a final hike in January 2027 to 2.75%
- RBA: We now expect a 25bp hike in November to 4.85% followed by a hold.

Economy	Current Policy Rate (Change at Last Meeting)	Expected Move in Next Meeting	End of Quarter Policy Rate Forecast (1Q23 to 4Q27E)	Next Expected Change in Policy Rate
Canada	2.50% (+25 bps)	Hold		+25 bp
Australia	4.60% (+25 bps)	+25 bp		+25 bp

In Case You Missed It

KEY CROSS-ASSET STRATEGY REPORTS FROM THE PAST TWO MONTHS

PERIODICALS



Cross-Asset Dispatches: Expanding Our Market Cycle Framework (29 Oct 2026)
Cross-Asset Dispatches: Global Fixed Income Supply Tracker (27 Oct 2026)
Cross-Asset Dispatches: Gold: Same Haven, Different Storm (26 Oct 2026)
Cross-Asset Brief: MSI Turns Positive (8 Oct 2026)

GLOBAL MACRO FORUMS



After the Ballots: What the Midterms Mean for Markets (26 Oct 2026)
Sticky Inflation and Market Implications (19 Oct 2026)
Policy Status Quo, Energy Shock: What Midterms and Oil Mean For Macro and Markets (5 Oct 2026)

CROSS-ASSET PODCASTS



Cross-Asset Conversations: Gold: Same Haven, Different Storm (30 Oct 2026)
Cross-Asset Conversations: Mapping AI Capex Across the Supply Chain (23 Oct 2026)
Cross-Asset Conversations: Why We Now See More Upside for USD (12 Oct 2026)
Cross-Asset Conversations: Rate Sensitivity and the US Equity Market (25 Sep 2026)

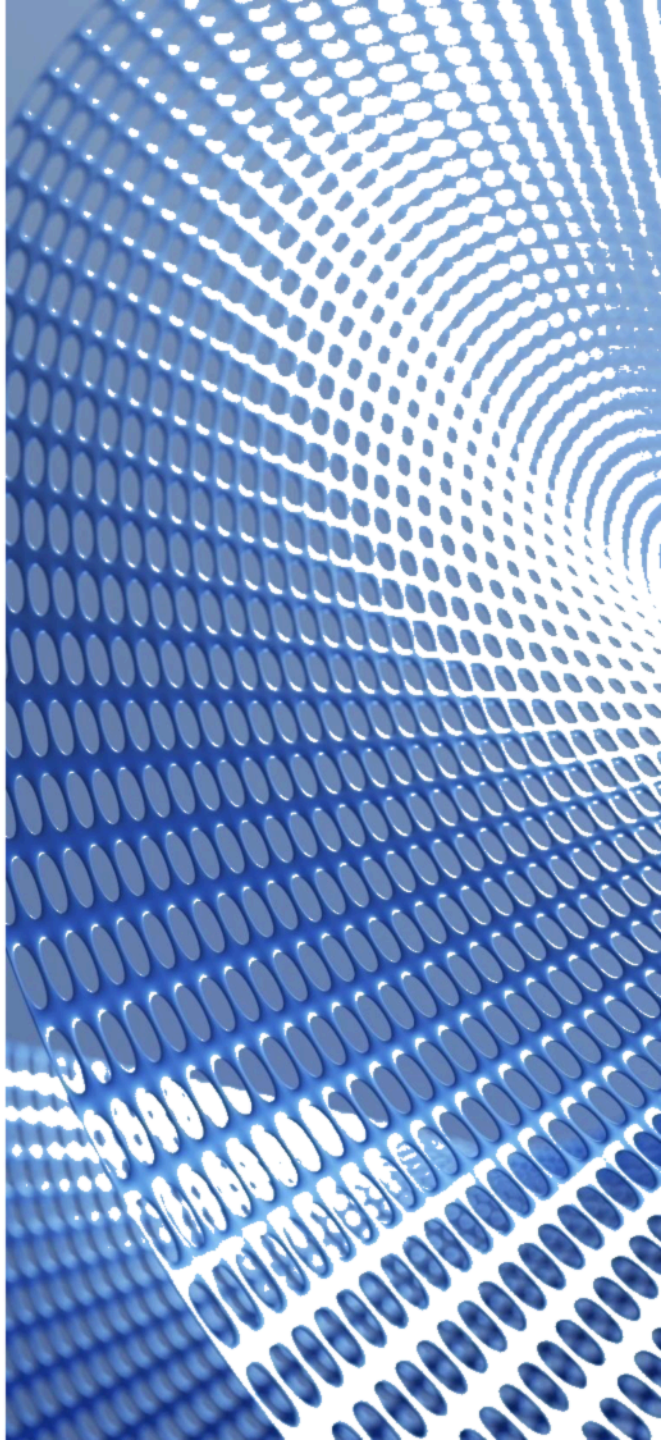
DATA PACKS & UPDATES



Global Cross-Asset Strategy: Morgan Stanley Research: Key Forecasts (27 Oct 2026)
Cross-Asset Spotlight: Rising Oil, Rising Spreads (26 Oct 2026)
Cross-Asset Strategy: Global In the Flow – September Recap (1 Oct 2026)

Morgan Stanley

Cross-Asset Themes



Uncertain Times or Early Signs?

We remain constructive on equities on a strategic basis. This is *despite* Brent having stayed above $100/bbl for the past month, fiscal sustainability concerns coming to the fore, and growing fears around AI-related debt supply and credit deterioration. While higher oil means more hawkish central banks, we are less worried as DM growth remains good-enough. Rising yields can weigh on risk assets, but there's little sign of spillovers so far. More importantly, in our view, the AI thematic remains intact – the rise in tech-related credit spreads is a matter of issuance technicals, *not* a reflection of where AI capex can go or credit contagion.

Valuations – Not As Rich As Before

Equity multiples have derated meaningfully as macro uncertainties linger, though strong earnings growth, particularly in EM, has done much of the work. Issuance technicals surrounding the AI thematic continue to impact credit spreads, while HY faces widening pressure as higher rates start to bite the lower-quality cohorts.

Technicals – Bond fund inflows continue unabated, while concentration of equity inflows in AI theme presents risks

Record inflows into both gov bonds and IG suggests resilient demand despite recent . AI-related IG issuance remains elevated but more "programmatic" issuance should aid absorption. Equity flows remain concentrated in AI-linked markets; strong inflows into Brazil and France reflect more idiosyncratic stories.

Fundamentals – Better than expected

Macro and micro fundamentals have weathered the energy shock surprisingly well with growth in many major markets surprising to the upside. The hyperscaler capex cycle is structural and will continue to support a benign backdrop, in our view.

Volatility and Correlations – Credit vol has now seen a big step up

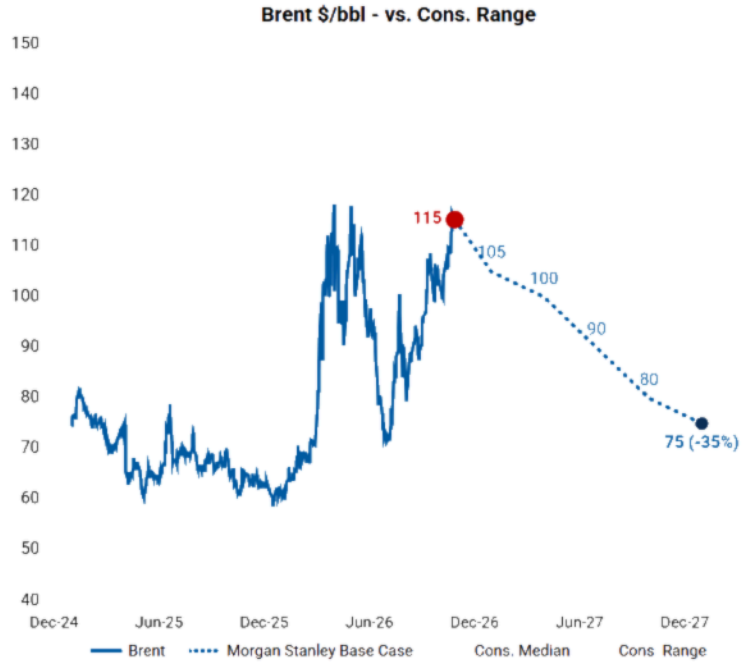
Rates vol is close to 1Y highs and credit vol has now stepped up sharply, while equity vol is (relatively) much less elevated. The correlations in cross-asset vol has come down from a month ago, although IG and HY vol has gone the other way, a phenomenon unlikely to change with concerns over debt issuance and credit quality dominate markets.

Brent Is Still (Partly) Driving Yields

With oil above $100/bbl in October and second-order inflation effects starting to bite, UST yields increasingly track Brent. That link should hold while the Iran conflict remains a top market concern.

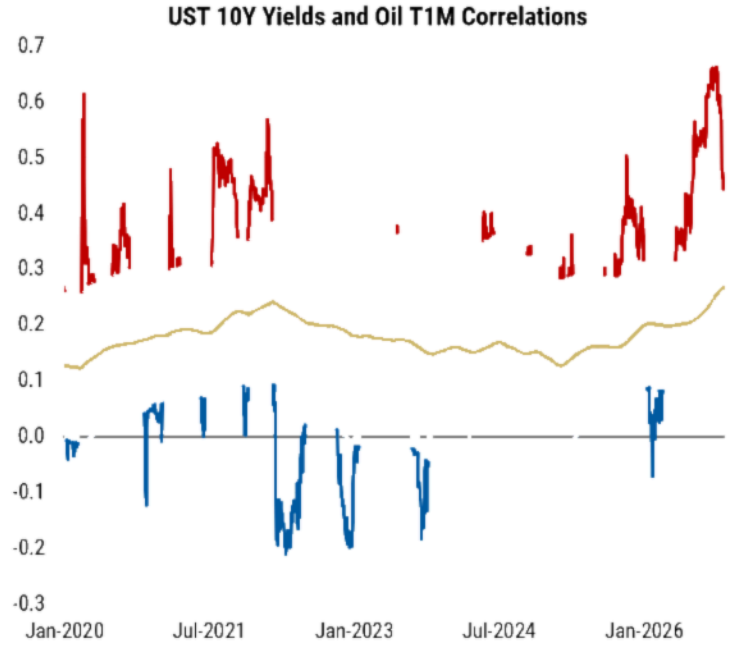
OUR OIL STRATEGISTS – AND THE MARKET – SEE BRENT REMAINING ELEVATED FOR LONGER

Disruptions and geopolitical risks persist, driving a wide spread of expectations for oil prices



...WHICH IS A CHALLENGE FOR YIELDS, WHICH HAVE INCREASINGLY MOVED IN LOCKSTEP WITH OIL

Correlations between bond yields and oil has dropped in recent weeks, but still significantly above what's typical



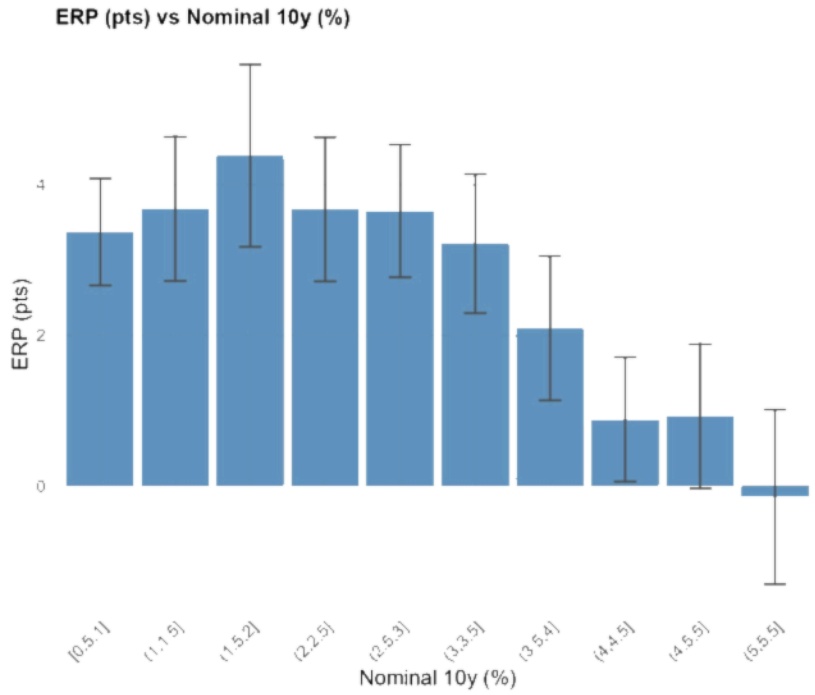
Source: Bloomberg, Morgan Stanley Research forecasts; Note: Correlations calculated on daily changes on total returns. Light red and light blue show +/-1.5SD. Yellow shows 3Y moving average.

But Equities Can Withstand Higher Rates

Equity risk premiums can stay compressed and multiples higher if rates are driven by growth expectations and/or inflation expectations.

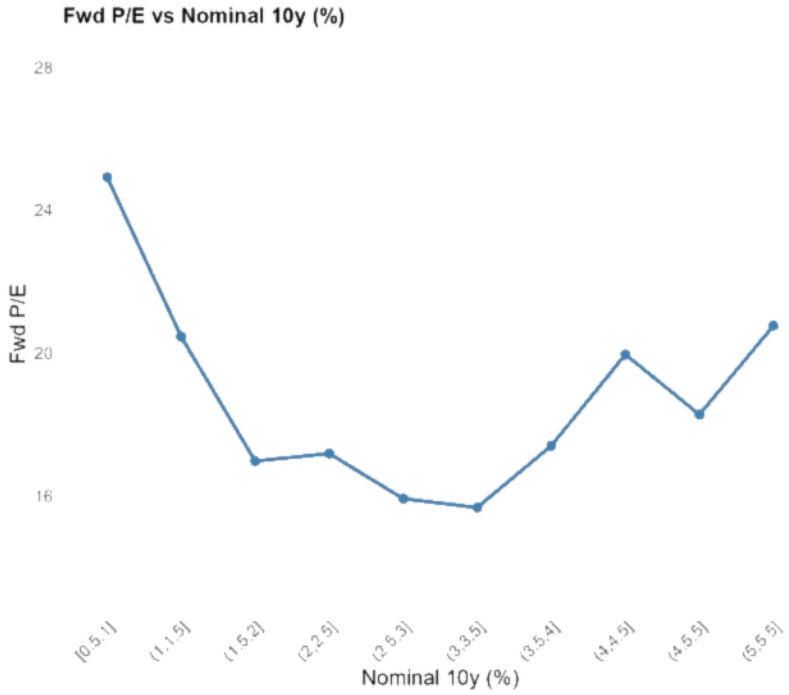
ERP CAN STAY COMPRESSED AMID HIGHER RATES

Higher nominal yields tend to coincide with compressed equity risk premiums in the US...



ELEVATED NOMINAL YIELDS MAP TO HIGHER MULTIPLES

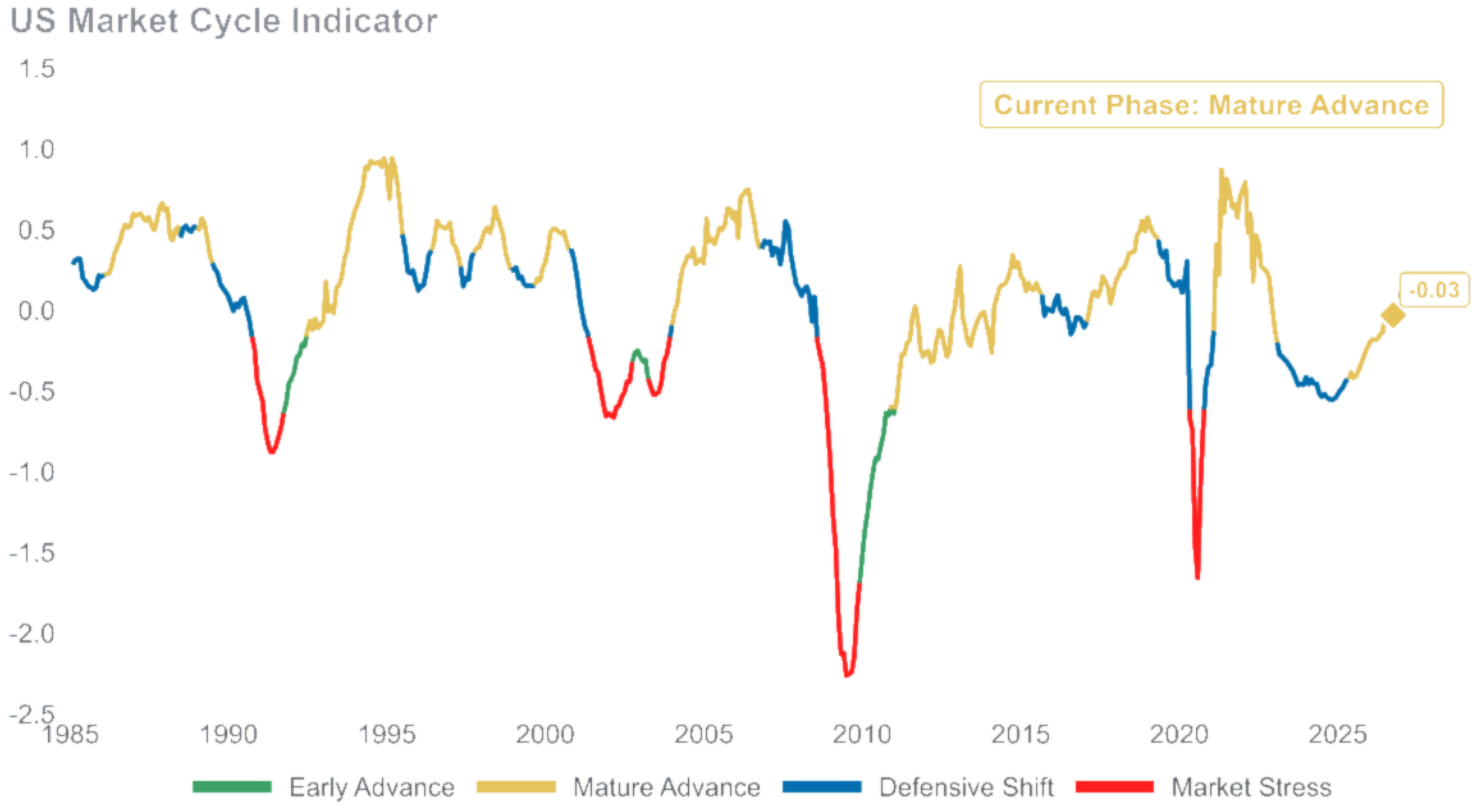
... and if we focus on the last two decades, higher nominal rates also map to higher multiples



Source: Bloomberg, Morgan Stanley Research; Note: Equity risk premium is defined here as S&P 500 earnings yield – UST 10Y nominal yield. Fwd P/E figures are for the S&P 500. We show monthly data since 2001. Error bars/bands show +/- 1 SD within each bucket.

And The Market Cycle Is on Solid Footing

Our expanded US market cycle framework is currently signalling Mature Advance; this phase is triggered when the metrics underpinning the model are above trend and showing broad-based improvement.



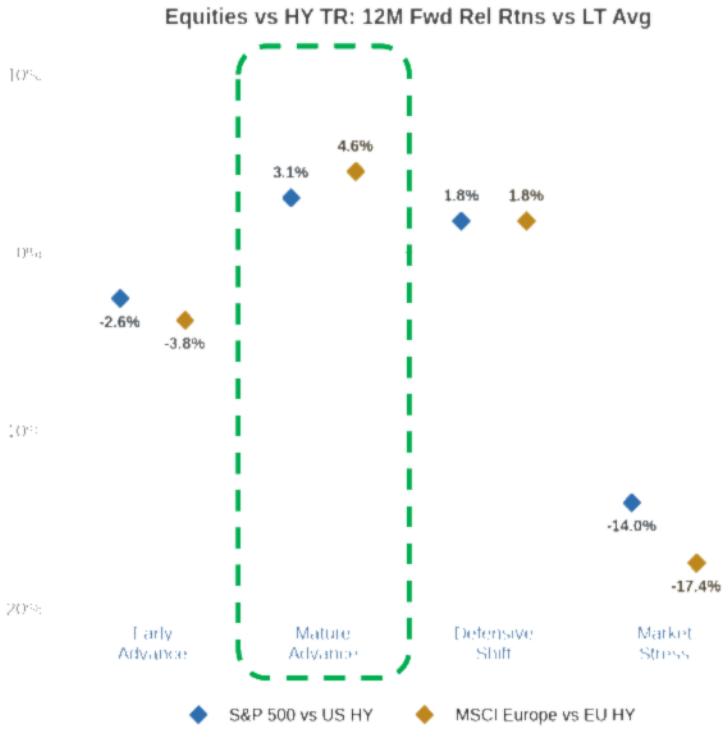
Source: Haver Analytics, LSEG, Morgan Stanley Research; Note: See Cross-Asset Dispatches: Expanding Our Market Cycle Framework (29 Oct 2026) for more details on our US market cycle framework.

This Cycle Phase Favors Equities Over Bonds

Historically, Mature Advance has favored equities over fixed income – stocks outperform HY credit by the widest margin of any of the cycle phases, while their lead over government bonds is also wider than usual.

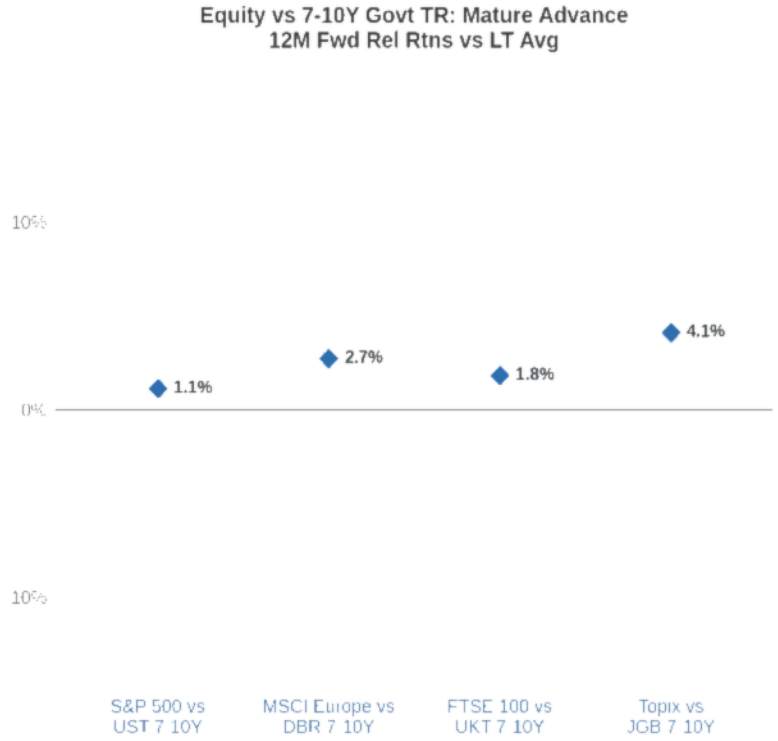
EQUITIES BEAT HY CREDIT DURING THIS CYCLE PHASE

Mature Advance is the strongest phase for stock vs HY credit outperformance…



EQUITIES ALSO OUTPERFORM GOVERNMENT BONDS

… while equities outperform gov bonds by more than usual in this phase, particularly in Japan



Source: Bloomberg, Morgan Stanley Research; Note: Returns given in local currency and calculated since 1985, or whenever data starts, if later. Blue bars indicate interquartile range.

That Said, It All Comes Down to EPS Growth...

Although higher rates and rate volatility can—and to some extent have—pressure equity multiples, earnings growth has been, and will likely remain, the primary driver of performance.

MORGAN STANLEY RESEARCH EQUITY FORECASTS

Index	Current Price	Jun 2027 Base Case Index Target (% Upside)	Prior Target Dec 2026 (% Upside)	MS Top-Down EPS YoY %			Consensus EPS Forecast YoY %			MS Base Case N12M P/E Jun 2027	Current Consensus N12M P/E	10 Year Avg. Consensus N12M P/E
				2026	2027	2028	2026	2027	2028			
S&P 500	7,720	**8,300**	7,800	**339**	**380**	**429**	**364**	**424**	**497**	20.5	18.9	19.2
		8%	*1%*	*23%*	*12%*	*13%*	*32%*	*16%*	*17%*			
MSCI Europe	2,565	**2,840**	2,430	**167**	**182**	**195**	**184**	**199**	**219**	15.0	14.0	14.2
		11%	*-5%*	*21%*	*9%*	*7%*	*21%*	*8%*	*10%*			
TOPIX	4,003	**4,300**	4,250	**216**	**235**	**263**	**245**	**274**	**305**	17.5	14.9	14.2
		7%	*6%*	*9%*	*9%*	*12%*	*20%*	*12%*	*11%*			
MSCI EM	1,593	**1,800**	1,700	**145**	**172**	**174**	**150**	**192**	**217**	10.4		
		13%	*7%*	*62%*	*18%*	*1%*	*79%*	*28%*	*13%*			

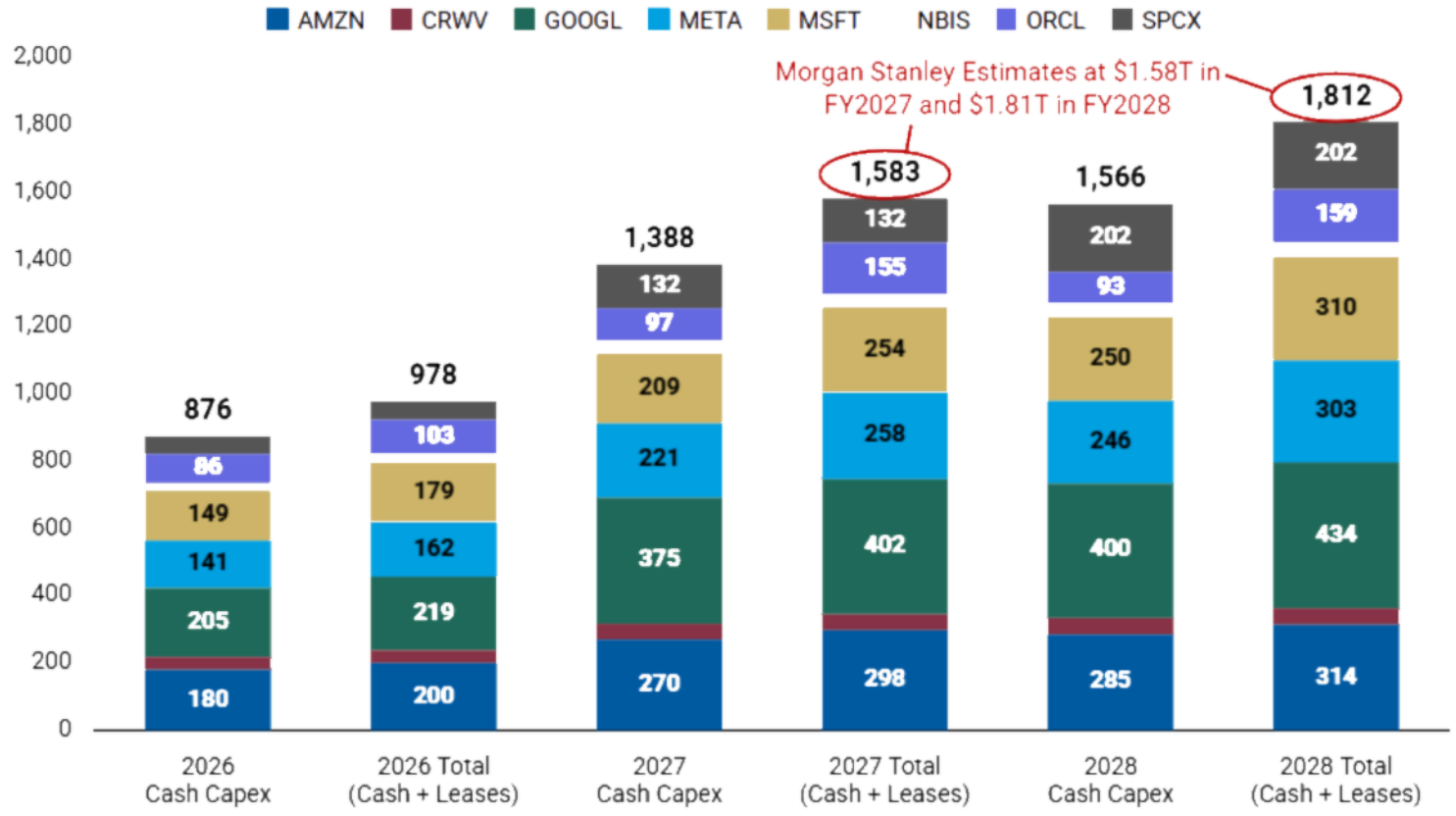
Source: Bloomberg, FactSet, LSEG, Morgan Stanley Research



...And the AI Thematic Staying Intact

We see hyperscaler and neocloud capex continue to grow over the next two years, supporting the constructive earnings story that's been a tailwind to stocks, in particular US stocks.

AI HYPERSCALER AND NEOCLOUD CAPEX – MSE

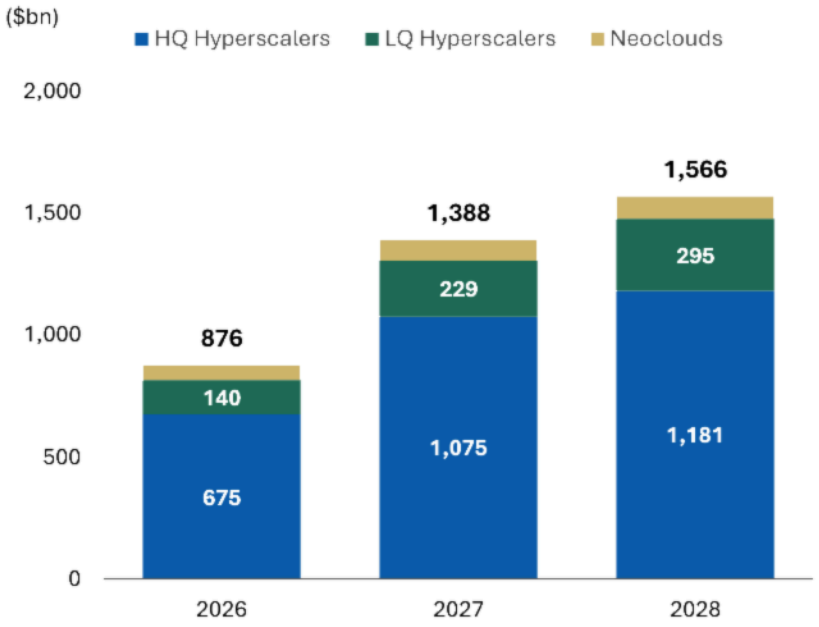


Source: Morgan Stanley Research estimates

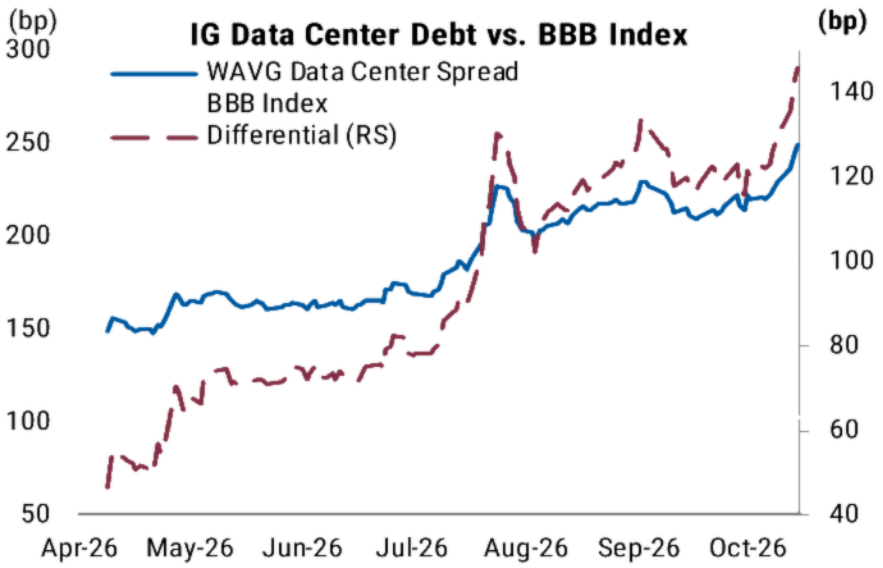
AI Financing: Bifurcation, Not Broad Stress

Capex is heavily concentrated among HQ hyperscalers, which remain relatively insulated from rates. Spreads on lower-rated names, DC construction bonds and neoclouds should remain volatile, with ROI and evolving financing structures key through 2027.

HQ HYPERSCALERS ARE LESS SENSITIVE TO HIGHER RATES AND ACCOUNT FOR >75% OF 2027/28 AI CAPEX



RATE-SENSITIVE PARTS OF THE AI ECOSYSTEM HAVE ALSO UNDERPERFORMED



Source: Bloomberg, Morgan Stanley Research Estimates. Note: LS chart shows aggregated capex estimates across companies based on MS Equity Research

How Much Issuance Do We Expect?

Global fixed income gross supply stands at ~10.6trn YTD* and we expect another $4.2 trillion before year-end, mostly from DM governments ($2.3trn) and IG corporates ($900bn).

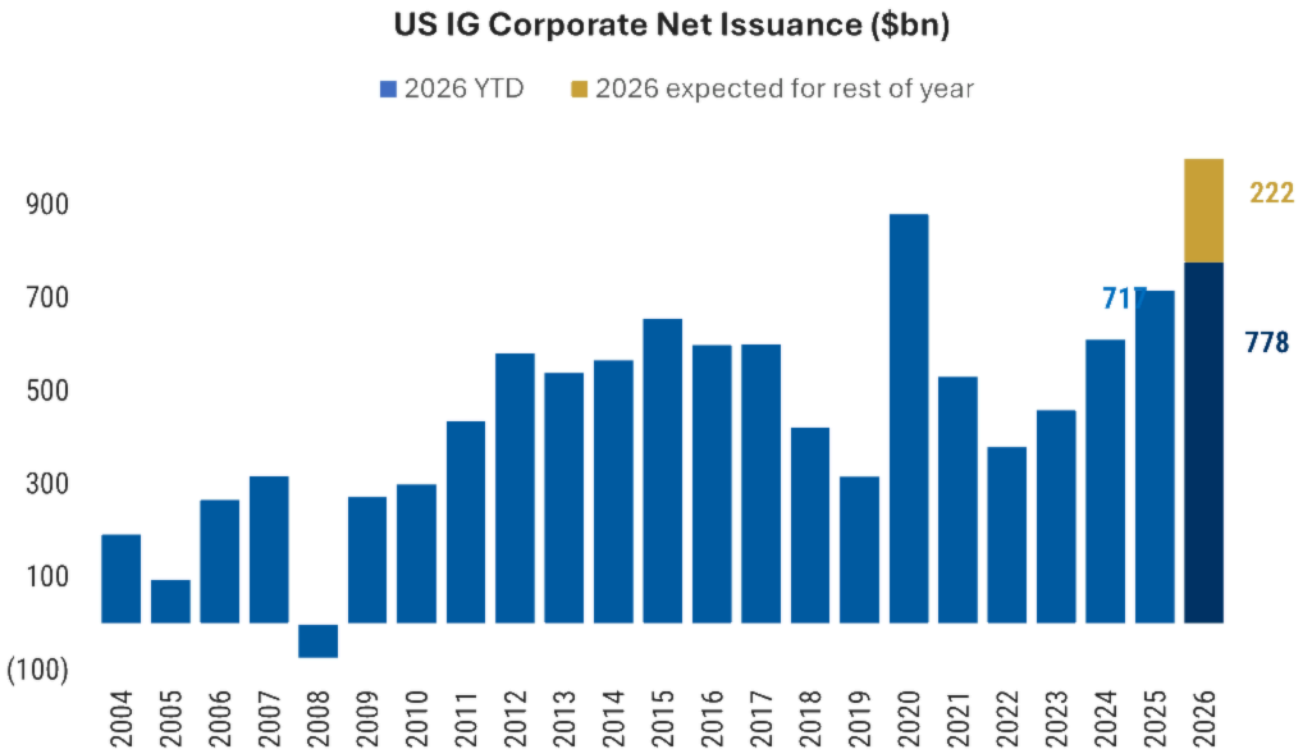
MORGAN STANLEY ISSUANCE FORECASTS

	2026 YTD		2026e		2025		2024		2023		2026e/2025 YoY	
USD bn	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total	**10,098**	**3,074**	**14,744**	**4,517**	**13,888**	**4,560**	**12,486**	**4,145**	**10,196**	**3,056**	**6%**	**-1%**
G7 Govt	**5,020**	**1,647**	**7,282**	**2,566**	**7,255**	**2,876**	**6,765**	**2,788**	**5,916**	**2,045**	**0%**	**-11%**
USTs	2694	1179	4,051	1,432	4,046	1,803	3,979	1,828	3,064	1,133	0%	-21%
EGBs	1295	789	1,704	685	1,614	666	1,355	503	1,367	515	6%	3%
UKTs	244	43	348	170	440	191	349	228	281	153	-21%	-11%
JGBs	565	57	837	126	829	100	846	159	1,007	220	1%	26%
CAN	62	52	220	94	222	92	164	53	136	(5)	-1%	2%
ACGB	9	9	106	50	79	6	48	0	43	19	35%	686%
NZGB	149	-482	14	10	26	17	25	17	19	9	-45%	-43%
DM IG Corporate Credit	**2,228**	**960**	**3,121**	**1,256**	**2,655**	**1,001**	**2,313**	**826**	**1,895**	**613**	**18%**	**25%**
US	1631	778	2,250	1,000	1,810	721	1,619	611	1,283	460	24%	39%
Europe	597	182	871	256	846	280	694	215	612	153	3%	-9%
DM HY Corporate Credit	**318**	**3**	**440**	**~**	**450**	**27**	**383**	**30**	**223**	**(8)**	**-2%**	**~**
US	211	~	440	~	327	~	282	~	176	~	34%	~
Europe	107	3	~	~	123	27	101	30	46	(8)	~	~
APAC Credit	**210**	**-32**	**323**	**40**	**265**	**(12)**	**226**	**(54)**	**215**	**(15)**	**22%**	**~**
Securitized Products	**1,654**	**360**	**2,657**	**451**	**2,404**	**486**	**2,101**	**442**	**1,647**	**338**	**11%**	**-7%**
US Agency Mortgages	829	96	1,500	175	1,264	160	1,119	212	1,000	235	19%	9%
Non-Agency RMBS	151	58	220	30	208	70	153	49	75	8	6%	-57%
US CMBS	120	30	175	15	155	6	113	4	46	(12)	13%	150%
US ABS	309	74	359	62	386	78	354	68	304	19	-7%	-21%
US BSL CLO	87	43	155	70	166	67	164	34			-7%	4%
US PC CLO	25	-	45	-	43	29	39	27	116	65	5%	~
EU CLO/ABS	133	59	203	99	182	76	159	48	106	23	11%	31%
EM Sovereign Credit	**214**	**136**	**296**	**204**	**268**	**183**	**191**	**113**	**135**	**68**	**10%**	**12%**
Municipal	**455**	**~**	**625**	**~**	**590**	**~**	**508**	**~**	**380**	**~**	**6%**	**~**

Source: Bloomberg, Bond Buyer, Bond Radar, Concept ABS, Dealogic, eMBS, Greenstreet Advisors, ICE, Intex, national central banks, national Treasuries, PitchBook | LCD, Morgan Stanley Research forecasts; Note: Data originally in non-USD currencies are converted USD. For EUR HY we show senior non-financial issuance. *YTD data as of August for G7 Govt, US and Europe corporate credit, and securitized excluding non-agency RMBS. Non-agency RMBS as of July. APAC credit, EM sovereign credit and municipals as of September. For more, see Cross-Asset Dispatches: Global Fixed Income Supply Tracker (21 Sep 2026)

We See Record Issuance for US IG Corp

We think AI–related issuance from high-quality hyperscalers should remain relatively insulated from higher funding costs. But more "programmatic" issuance, and a shift towards shorter duration assets like chips should make AI-related high-quality supply easier to digest.



Source: Bloomberg, Dealogic, Morgan Stanley Research forecasts; Note: *YTD data as of August for G7 Govt, US corporate credit. For more, see Cross-Asset Dispatches: Global Fixed Income Supply Tracker (21 Sep 2026)

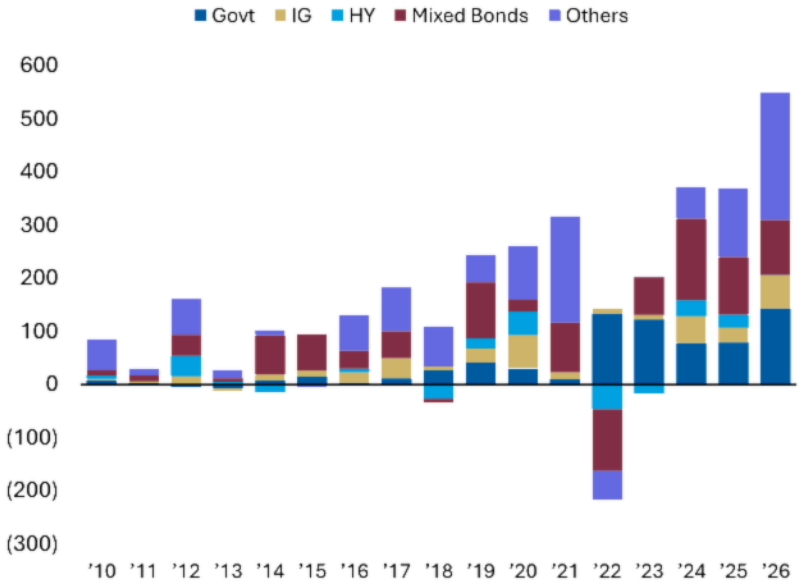
US Bond Funds on a Record Pace

US bond funds have seen **78** straight weeks of inflows, despite the of fixed income. EUR Agg flows is now growing faster than US Agg flows, a function of higher EGB yields on the back of France

RECORD YTD INFLOWS; GOVT AND IG AT RECORDS TOO

US bond funds have seen US$548.6bn of inflow YTD as all-in yields climbed higher and higher...

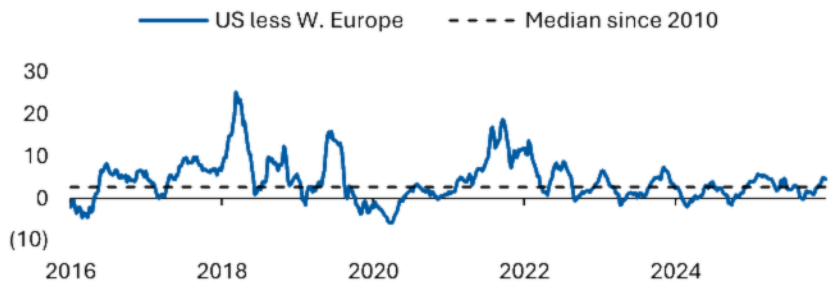
US Bond Fund Flows, YTD to Week 42 (US$bn)



US AHEAD OF EUROPE IN GOVT...

...but inflows to EUR Agg-type funds now growing versus inflows to USD Agg-type funds

Govt Funds: US less W. Europe, 13W Flow (pp)



IG Funds: US less W. Europe, 13W Flow (pp)



Source: EPFR, Haver Analytics, Morgan Stanley Research; Note: Data to 21 Oct 2026. YTD = first 42 weekly flows of each year, ranked since 2010. Govt/IG = sum of 3 tenors; Mixed Bonds = Total Return + Unassigned Duration; Others = US bond total less the four (incl. Muni). Spread = US less W. Europe 13-week flow, % of AUM (pp), W. Europe in US$. The EPFR data and charts displayed here must not be extracted and republished (whether internally or externally). Such use will violate the terms of Morgan Stanley's contract with EPFR, which only covers named users.

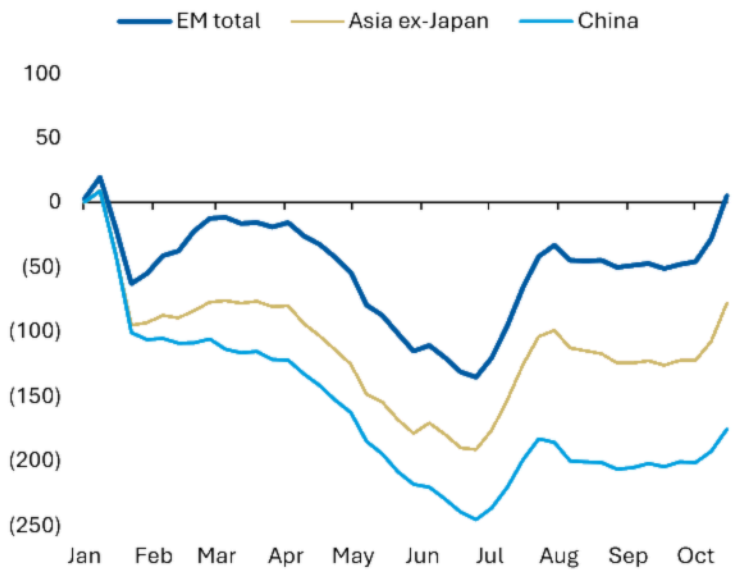
Equity Flows – Still All About AI

EM equity funds took in US$33.5bn in the week to 21-Oct, the 2nd-largest weekly inflow since 2010. In the past month, the usual suspects (Korea, Taiwan) have seen continued momentum in inflows on the AI thematic.

EM YTD FLOWS BACK ABOVE ZERO

Unlike in prior years when flows into Chinese equities drove EM fund flows, demand for Asia equities continues to be for South Korea and Taiwan

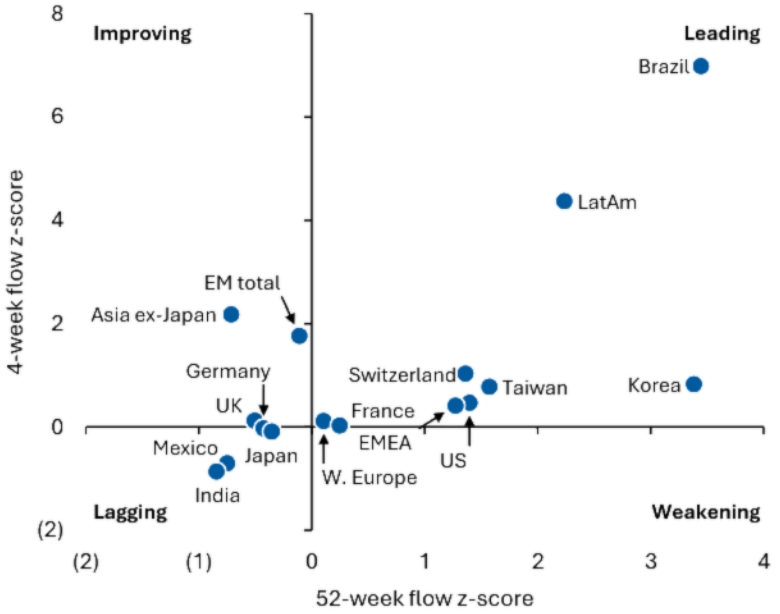
EM Equity Fund Flows, 2026 YTD (US$bn)



FLOWS MOMENTUM IN AI AND IDIOSYNCRATIC STORIES

Away from AI exposure (represented by the US, Korea, Taiwan), there's also been a focus on idiosyncratic stories in Brazilian and French stocks

Flow Momentum: 4W vs 52W Flow z-Scores



Source: EPFR, Haver Analytics, Morgan Stanley Research; Note: Data until 21 Oct 2026. Z-score = rolling 4- or 52-week flow as % of AUM vs own weekly history since 2010. EM AUM implied from EPFR flow and flow-as-% series. China = flow only. Brazil record checked since 2000. The EPFR data and charts displayed here must not be extracted and republished (whether internally or externally). Such use will violate the terms of Morgan Stanley's contract with EPFR, which only covers named users.

Implied Vol on the Move

Vol has risen sharply over the past 3M, concentrated in fixed income as rates continue to fluctuate with oil prices and AI-related concerns increasingly influence corporate credit. European equity vol also bears watching...

FIXED INCOME VOL CLOSE TO 1Y HIGHS...

... but equity vol, including European equities vol, are much less elevated

		Δ, index points			Percentile	
Asset class	Level	1M	3M	1Y	1Y	5Y
US equities	17	+1 ▲	-4 ▼	0 –	47	4
Euro equities	19	+1 ▲	0 –	+2 ▲	59	5
US rates	95	-12 ▼	+20 ▲	+29 ▲	87	3
FX vol	7	0 –	+1 ▲	0 –	44	1
US IG credit	35	+2 ▲	0 –	+2 ▲	76	5
US HY credit	181	+13 ▲	+8 ▲	+13 ▲	74	4

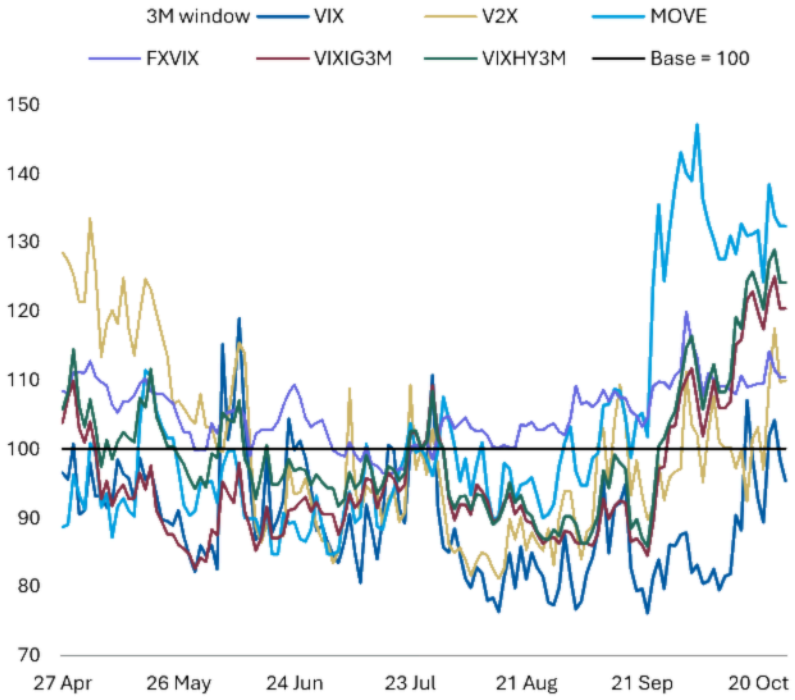
IG AND HY VOL CORRELATIONS HAVE RISEN

22-day correlation to 28 Oct; arrow = change vs 28 Sep

	VIX	V2X	MOVE	FXVIX	IG	HY
VIX	1.00	0.09 ▼▼▼	0.31 ▼▼	0.18 ▲	0.65 ▼	0.67 ▼
V2X		1.00	0.34 ▼▼	0.72 ▲▲▲	0.36 ▼▼	0.39 ▼▼
MOVE			1.00	0.40 ▲▲	0.29 ▼▼▼	0.31 ▼▼▼
FXVIX				1.00	0.34 ▲	0.42 ▼
IG					1.00	0.97 ▲
HY						1.00

CREDIT VOL HAS SEEN IN A BIG STEP UP...

As has European equities vol which have jumped on concerns over French political uncertainties



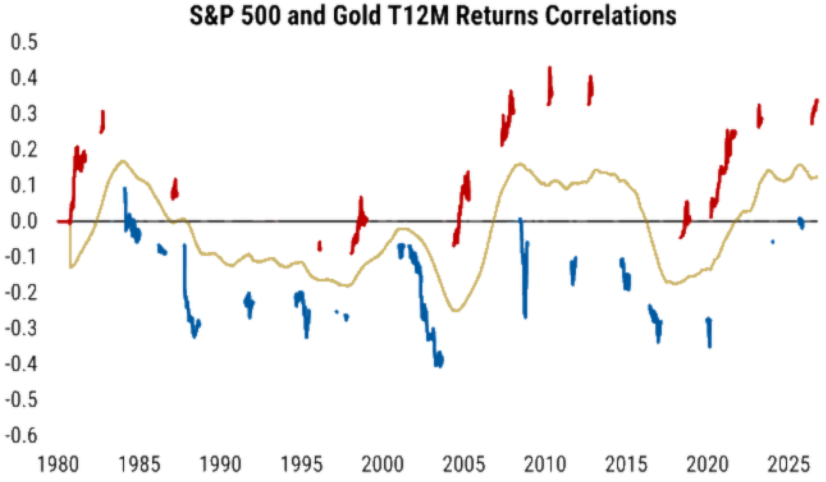
Source: Bloomberg, Morgan Stanley Research. Note: Data to 27 Oct 2026; MOVE, FXVIX, VIXIG3M and VIXHY3M unchanged vs 26 Oct (stale). Δ = level today minus level at the nearest trading day on or before 1M, 3M and 1Y ago in index points. Percentile = share of the trailing 1Y or 5Y window at or below today. Correlation of daily level changes, 22 observations to 26 Oct (last date all six changed; holidays kept); arrow = change vs 22-day correlation to 25 Sep (– unchanged). IG = VIXIG3M, HY = VIXHY3M.

Gold's Correlations With Stocks and Bonds

Gold's correlation with equities has become less favorable, rising over the past decade, while its correlations with *government bonds* have been falling over the past 2-3 years

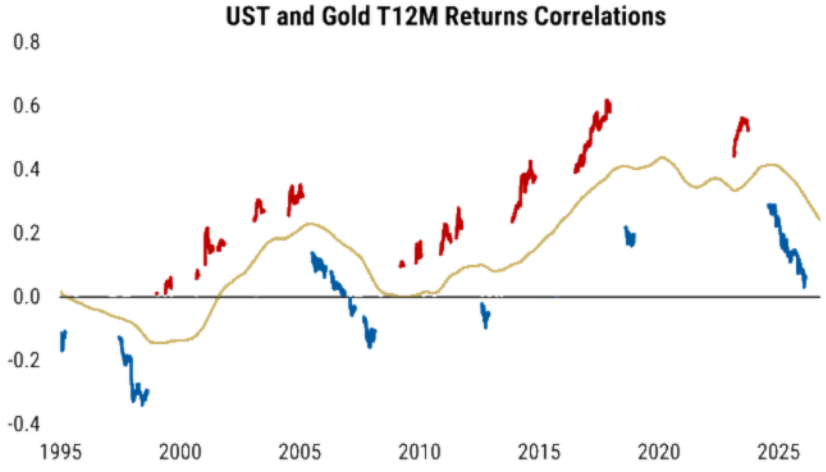
GOLD AND STOCKS HAVE NOT BEEN NEGATIVELY CORRELATED FOR A WHILE...

Stock-gold correlations have become *less* stable and *less* negative than most investors may have assumed



...AND GOLD'S RELATIONSHIP WITH BONDS HAS ALSO BEEN SHIFTING

UST-gold correlations have trended lower since the pandemic, returning to levels closer to those seen in the mid-2000s



Source: Bloomberg, Morgan Stanley Research; Note: Correlations calculated on daily changes on total returns. Light red and light blue show +/-1.5SD. Yellow shows 3Y moving average.
See Cross-Asset Dispatches: Gold: Same Haven, Different Storm (26 Oct 2026) for more.

Gold – Same Haven, Different Storm

Gold hasn't diversified equity risk since 2020, but it has helped cushion the impact of the largest bond sell-offs, a characteristic that could become increasingly valuable as fiscal and inflation concerns rise. Gold's haven role appears to have shifted from equity risk to bond risk.

WHAT DIVERSIFIERS WHAT? GOLD NOW HEDGES BONDS, NOT EQUITIES

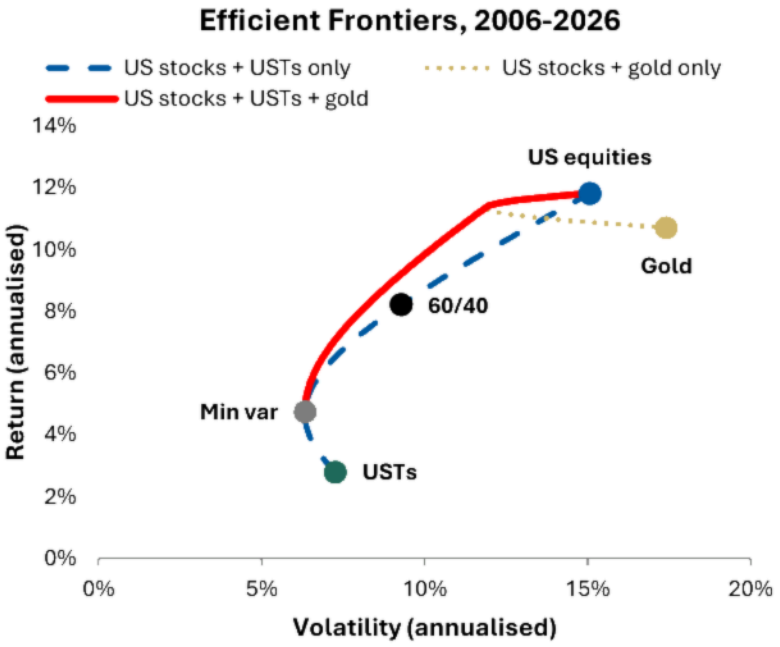
SH = safe haven

Candidate vs risk asset	1998–2019	2020–present
Gold vs S&P 500 full period	Hedge (good enough)	Positively correlated; no hedge
Gold vs S&P 500 extreme sell-offs	Strong SH (weekly)	Amplifies drawdowns
USTs vs S&P 500 daily	Good diversifier	Strong hedge & SH
USTs vs S&P 500 weekly drawdowns	Weak SH (high vol, worst 10%)	Stronger SH (few obs.)
USTs vs S&P 500 high equity vol	Partial offset (monthly)	No longer a consistent hedge
Gold vs USTs worst UST sell-offs	SH (monthly)	SH (weekly, few obs.)

Strong hedge/SH | Weak / partial | Not a hedge | Amplifies risk

ADDING GOLD TO TRADITIONAL PORTFOLIO BOOSTS RISK-ADJUSTED RETURNS OVER THE LAST DECADE

Efficient frontier shifted upwards

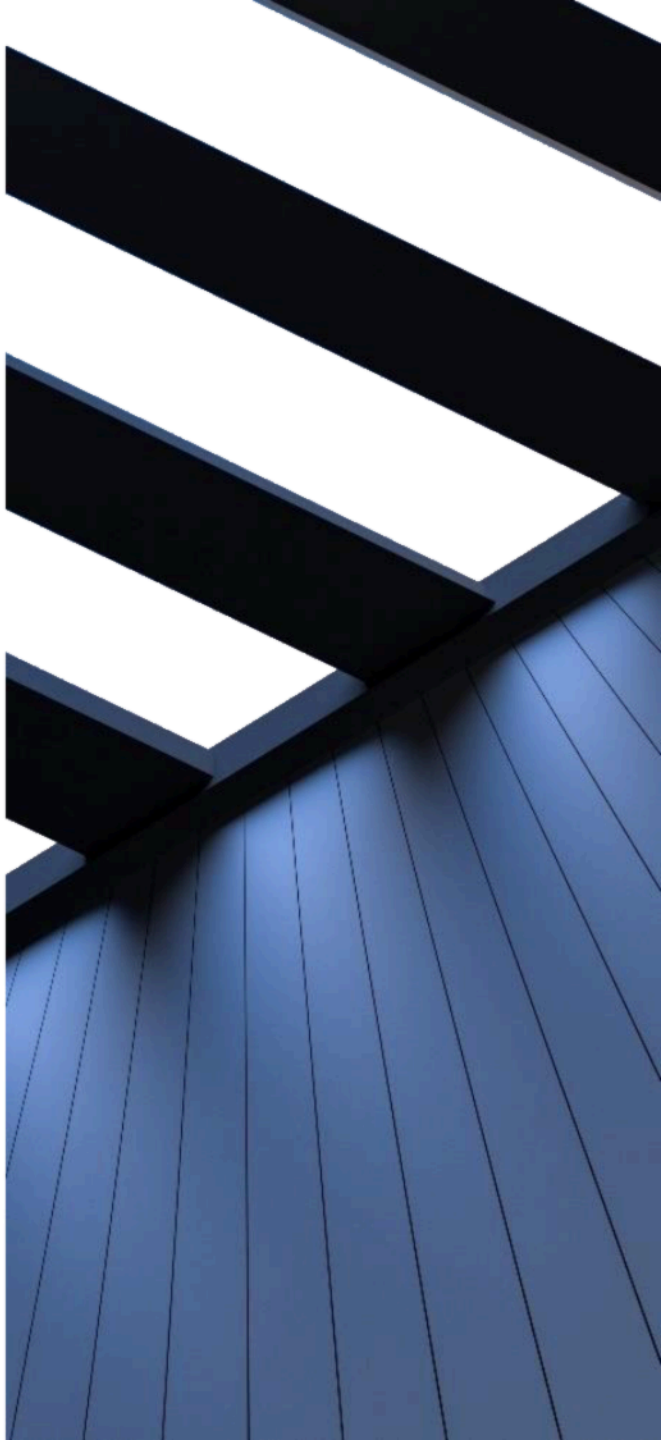


Source: Bloomberg, Morgan Stanley Research
See Cross-Asset Dispatches: Gold: Same Haven, Different Storm (26 Oct 2026) for more.

Morgan Stanley

Macro Outlook

US growth is solid but not overheating. Oil keeps inflation sticky across the US, Europe and Japan, pushing many DM central banks to tighten further. Meanwhile, China faces a different challenge, with growth at the low end of the target range and import-led inflation that may not signal sustainable reflation.

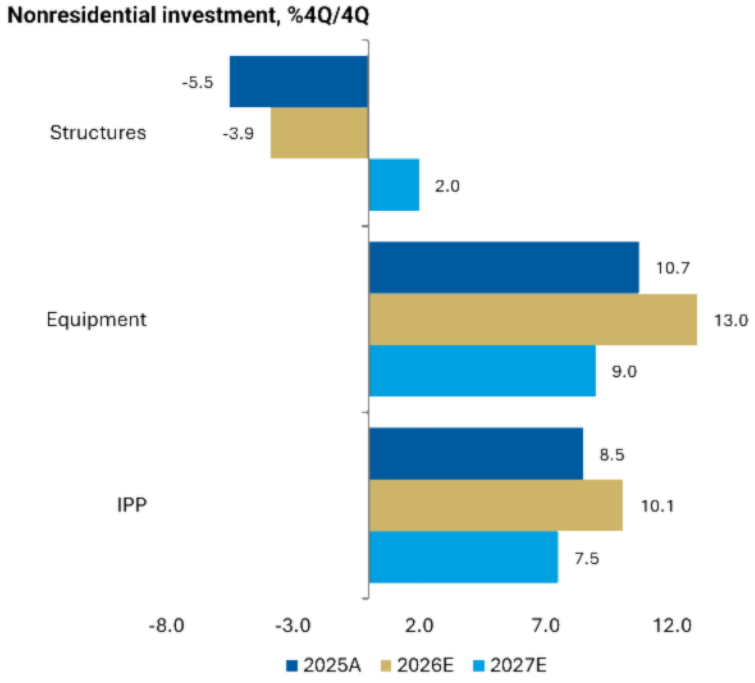


US – AI Capex Continues to Steer Growth

US to see continued solid – but not overheating – growth and sticky inflation in 2027, as the AI capex cycle continues and higher energy prices persist, leading the way for more Fed hikes over the next six months.

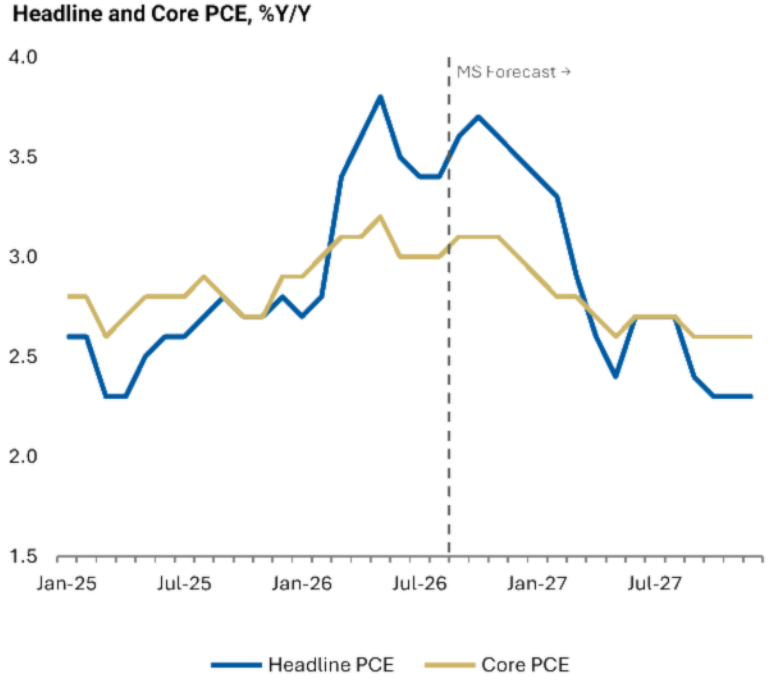
NON-RESI INVESTMENT GROWTH *RISES* IN 2026

We see equipment and IPP investment growth stepping up in 2026, despite concerns about the end of the AI capex cycle



INFLATION TO STAY STICKY IN 2027

Energy shocks and tariff pass-through are keeping core inflation elevated, preventing it from reaching the Fed's 2% target



Source: Census Bureau, BEA, Morgan Stanley Research forecasts
See US Economics Weekly: Durables spending defies inflation headwinds (23 Oct 2026) and U.S. Data Pulse: September Durable Orders: Business Investment Remains on Firm Footing (27 Oct 2026) for more.

2027 US Economic Scenarios

MS assigns 45% to its baseline scenario of oil-related risk and sticky inflation, with animal spirits (30%) representing the main upside case and recession (10%) the main downside scenario.

	Animal Spirits Demand Shock (30%)	Rapid Disinflation (10%)	Baseline: Oil Risk / Sticky Inflation (45%)	AI Productivity + Labor Displ. (5%)	Recession (10%)
GDP growth	**3.0%** in '27, **0.5–1.0pp** faster than baseline. Elevated wealth supports consumption and keeps business spending elevated.	**2.6%** (4Q/4Q) '27. High oil prices act as a tax on consumption near-term, though with a rebound in mid-to-late '27.	**2.3%** (4Q/4Q) '27. Oil near **$100/bbl** in 4Q and 1Q weighs on growth near-term; private final domestic demand decelerates slightly vs '26.	Steady, rising to **2.0%** '27. Strong business spending offset by weaker labor markets and low consumer confidence as labor displacement mounts.	Mild recession, two quarters of negative GDP mid-'27; real GDP up only **0.1%** (4Q/4Q). Oil rises to **$140–160/bbl**; supply shortages and demand destruction.
Labor markets	Stronger demand tightens labor markets. Unemployment falls to **3.9%** in '26 and **3.5%** in '27.	Payrolls **~60k/mo**. Soft demand and less immigration (lower breakeven hiring) leave unemployment **~4.2%**, unchanged vs '26.	The 'curious balance' continues. Payrolls **~50k/mo**; soft demand and less immigration leave unemployment **4.3%** '26 and **4.4%** '27.	Prolonged period of net-zero job creation; separation rate edges up but widespread layoffs avoided. Unemployment **4.8%** '27, **0.5pp** above baseline.	Payrolls fall an average **~30k/mo** beginning 2Q27. Unemployment rises to **5.5%** next year.
Inflation (headline PCE)	Demand-side pressures push headline PCE to **3.8%** '26 and **2.8%** '27. Core firms through Q1'27, prompting Fed hikes that later slow inflation.	Headline **3.4%** 4Q'26, decelerating to **2.0%** '27. Energy is a headline story with no important second-round effects on core.	Two more years above target. Headline **3.7%** 4Q'26, core to **3.2%** on tariff and AI demand; both decelerate to **2.4%/2.7%** '27 as the oil shock fades.	Headline already peaked **3.7%** (2Q'26) and ends the year **3.6%**. Productivity gains speed disinflation back to the **2.0%** target in '27.	Headline surges to **5.1%** y/y in 4Q'26, then decelerates to **1.1%** '27 on weaker demand.
Federal Reserve	Hikes to counter inflation: **+150bp** to **5.00–5.25%**, more than reversing the 75bp of pre-emptive cuts made to support the labor market.	One more hike in December, but pressures abate and the Fed need not tighten further; two cuts in 2H27 to a terminal **3.5–3.75%**.	Sticky inflation drives two more 25bp hikes (Dec'26, Mar'27) to **4.25–4.5%**, then a pause for the remainder of '27.	Hikes Dec & Mar, but rising unemployment leads to **75bp** of cuts in 2H27 to a terminal **3.5–3.75%**.	Hikes Dec & Mar as oil rises, then shifts to cuts: **200bp** from mid-'27 to a terminal **2.25–2.5%**. No QE.
Fiscal policy	Higher fiscal multipliers lift the growth contribution; with stronger growth, deficits decline.	OBBBA fiscal impulse neutralized by higher gasoline prices. Midterm elections bring divided government and gridlock; deficit **~6.0% of GDP**.	Higher gas prices more than offset OBBBA growth effects. Midterm elections bring gridlock and large deficits at **~6.3% of GDP**.	Similar to baseline. Softer labor market means slightly less revenue and more automatic stabilizers. Deficit **6.3% of GDP** in '26 and '27.	Deficits rise further as receipts decelerate and stabilizers boost transfers; defense spending picks up. Deficit **6.9%** '26 and **6.7%** '27.

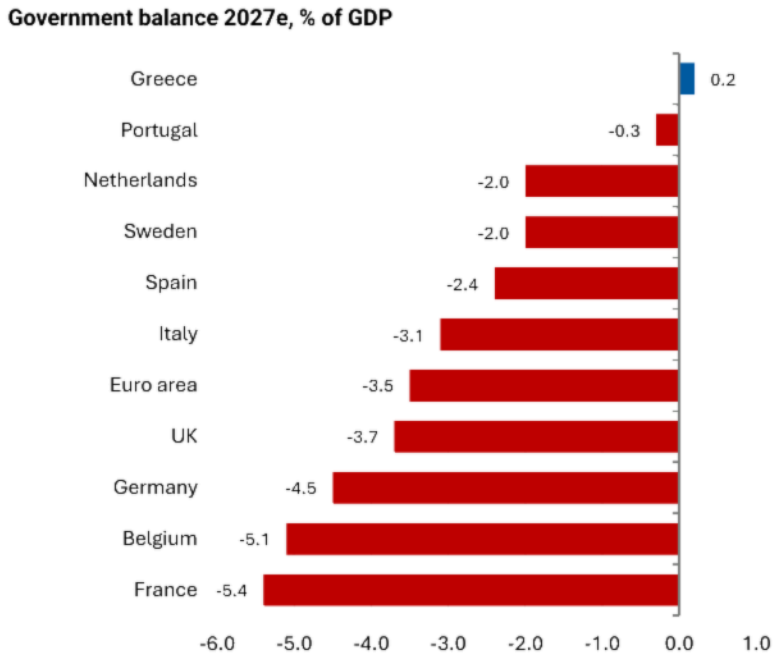
Source: Morgan Stanley Research forecasts
See US Economics Weekly: Goodbye disinflation, hello oil risk premium (18 Sep 2026) for more.

Europe – Growing, and Growing Wide Deficits

EA growth to hold near 1%, while oil lifts headline to above *4%* in 2027. The specter of fiscal stress remains, but our European rates and economics team don't see TPI triggered until OAT-Bund spreads are ~200bp.

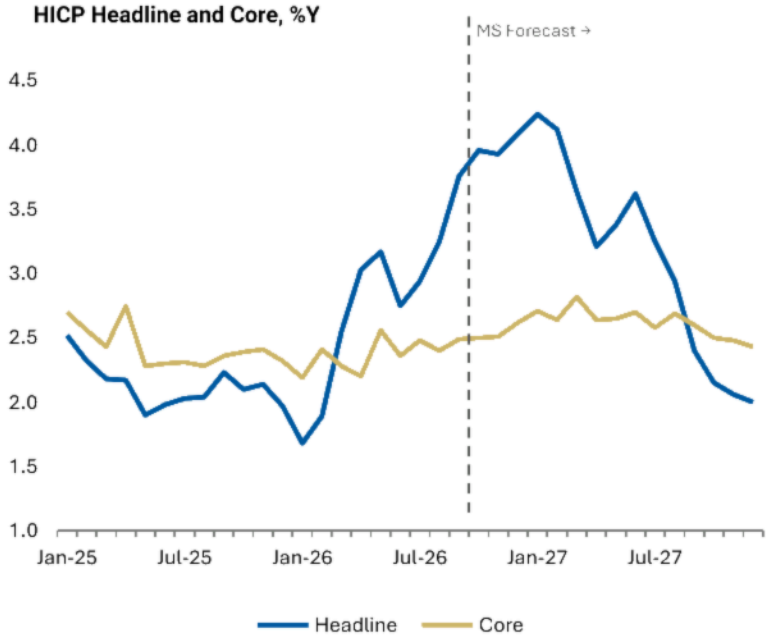
EA DEFICIT TO WIDEN TO 3.5% GDP IN 2027

France, Belgium, and Germany to run the largest deficit; French government debt/ GDP to reach 122% in 2027



ENERGY TO CONTINUE TO DRIVE INFLATION IN 1Q27

Energy as a component within HICP to fall from 11% %Y to ~8%, but still significant



Source: Eurostat, national sources, Morgan Stanley Research estimates

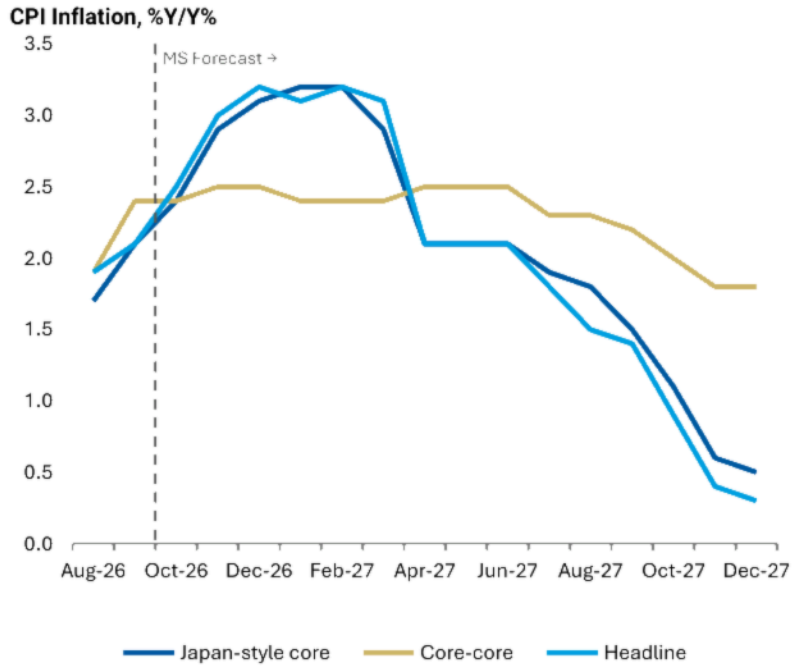
See European Economics Weekly: OAT To Watch: France's Next Macro Signposts (23 Oct 2026), Euro Inflation Watch: Energy, Still the Main Driver (2 Oct 2026); European Economics Weekly: OAT To Watch: France's Next Macro Signposts (23 Oct 2026) for more.

Japan – Dealing with Shocks

Higher oil prices should lift inflation to a peak in 1Q27, leading the BoJ to assess underlying inflation at 3%. While this would weigh on income and domestic demand, AI-related demand and exports should more than offset the impact.

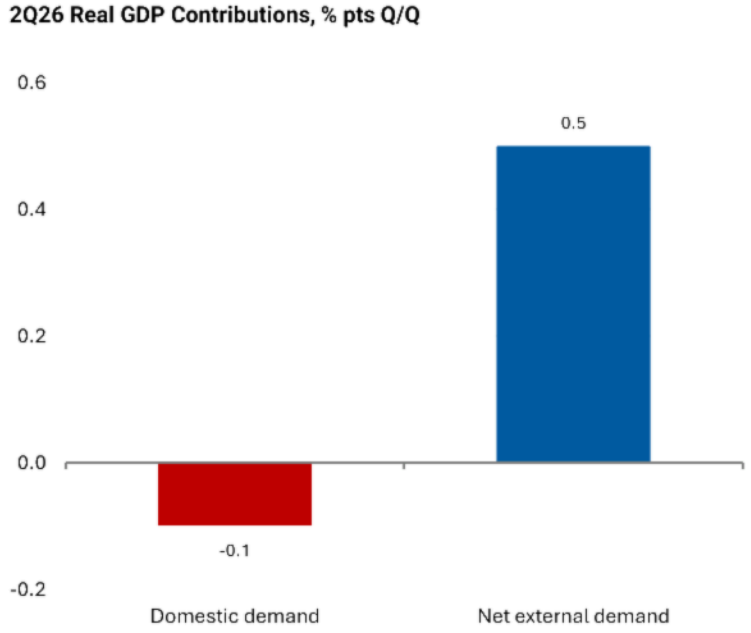
CPI INFLATION TO RISE INTO 1Q27 ON OIL SHOCK

That said, the cumulative effect of BoJ hikes will bring Japan-style core to below 1% by late 2027



AI DEMAND OFFSETS THE OIL SHOCK

In 2Q26, net external demand added 0.5pp to GDP while domestic demand subtracted 0.1pp



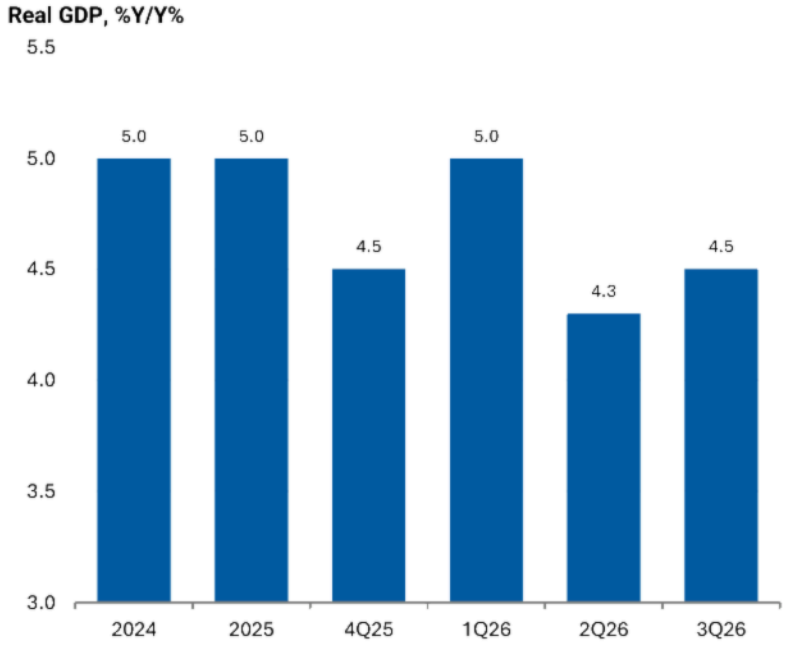
Source: Ministry of Internal Affairs and Communications, Morgan Stanley Research forecasts
See Japan Economics: Heading Toward 3%: Sept 2026 Nationwide CPI (with Updated Forecast Table) (23 Oct 2026) and Japan Economics: CPI Forecast Table Update (Before September Nationwide CPI) (19 Oct 2026) for more.

China – Reflation, But Not On Growth

GDP growth should remain at the lower end of the target range despite stronger exports, as domestic demand remains tepid. While inflation has increased, this appears to reflect higher energy and import costs rather than sustainable reflation.

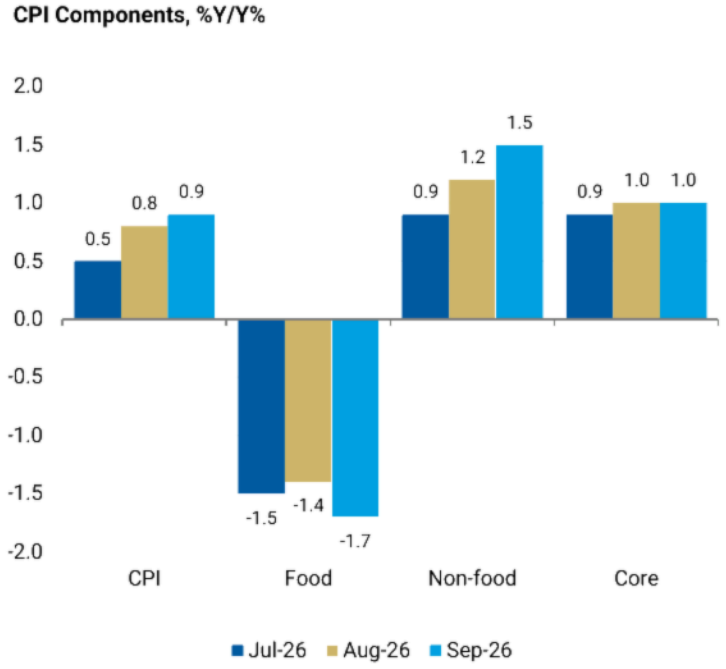
GROWTH TO REMAIN CLOSE TO/ BELOW TARGET

This is despite stronger exports and fiscal cushioning – if not stimulating – the economy through targeted infrastructure spending and credit channels



IMPORTED INFLATION IS A PRICE-LEVEL SHOCK

Reflation is driven by oil pass-through and chipflation, suggesting GDP deflator gains will likely also fade in 2027



Source: NBS, CEIC, Morgan Stanley Research

See China Economics: Back-on-Target Growth Caps Policy Upside (19 Oct 2026) and China Economics: The Reflation Mirage: Imported Inflation Intensifies (14 Oct 2026) for more.

DM Central Banks – More Tightening To Come

DM central banks may hike further, but less than markets imply, as they increasingly balance domestic inflation against growth considerations amidst tighter financial conditions.

CENTRAL BANK MONITOR

Fed (4.25 – 4.50% terminal)

- We expect hikes in December 2026 and March 2027, fewer than the market
- Persistent core inflation creates upside risk to the policy path, but a more pronounced slowdown in housing, employment or conventional investment could reduce the need for further tightening

ECB (2.5% by Q427)

- We expect another hike in December 2026, followed by a prolonged hold and shallow easing till December 2027
- Stronger growth gives the ECB room to address inflation risks, but higher energy costs also weaken real incomes
- We see limited justification for France-specific intervention absent broader market dysfunction. However, a further sharp increase in sovereign yields could prompt the ECB to pause QT

BOJ (1.75% by Q427)

- We now expect the BoJ to hike in December and March 2027, followed by a hold through 2027
- Stronger corporate activity inflation expectations justify continued normalization. But higher rates and weaker real incomes should constrain further tightening beyond March

BOE (4.25% by 4Q27)

- We now expect the BoE to hike in November 2026 and February 2027
- Hikes seen more as risk management against persistent external inflation. Labor-market stabilization has not eliminated slack, and stronger productivity provides an additional offset to inflation pressure

EXPECTATIONS FOR FED, ECB, BOJ, AND BOE POLICY RATES

Economy	Current Policy Rate (Last Change)	Next Meeting Date	End of Quarter Policy Rate Forecast (23Q1 to 27Q4)
US	3.875% (No Change)	9-Dec-2026	5.375 4.375 3.625 3.875 4.125 4.125 4.375
Euro Area	2.50% (No Change)	17-Dec-2026	4.00 3.00 2.00 2.50 2.75 2.75 2.50
Japan	1.25% (No Change)	18-Dec-2026	-0.10 0.25 0.75 1.25 1.50 1.50 1.75
UK	3.75% (No Change)	5-Nov-2026	5.25 4.75 3.75 3.75 4.00 4.00 4.25

2023 2024 2025 2026E 2027E

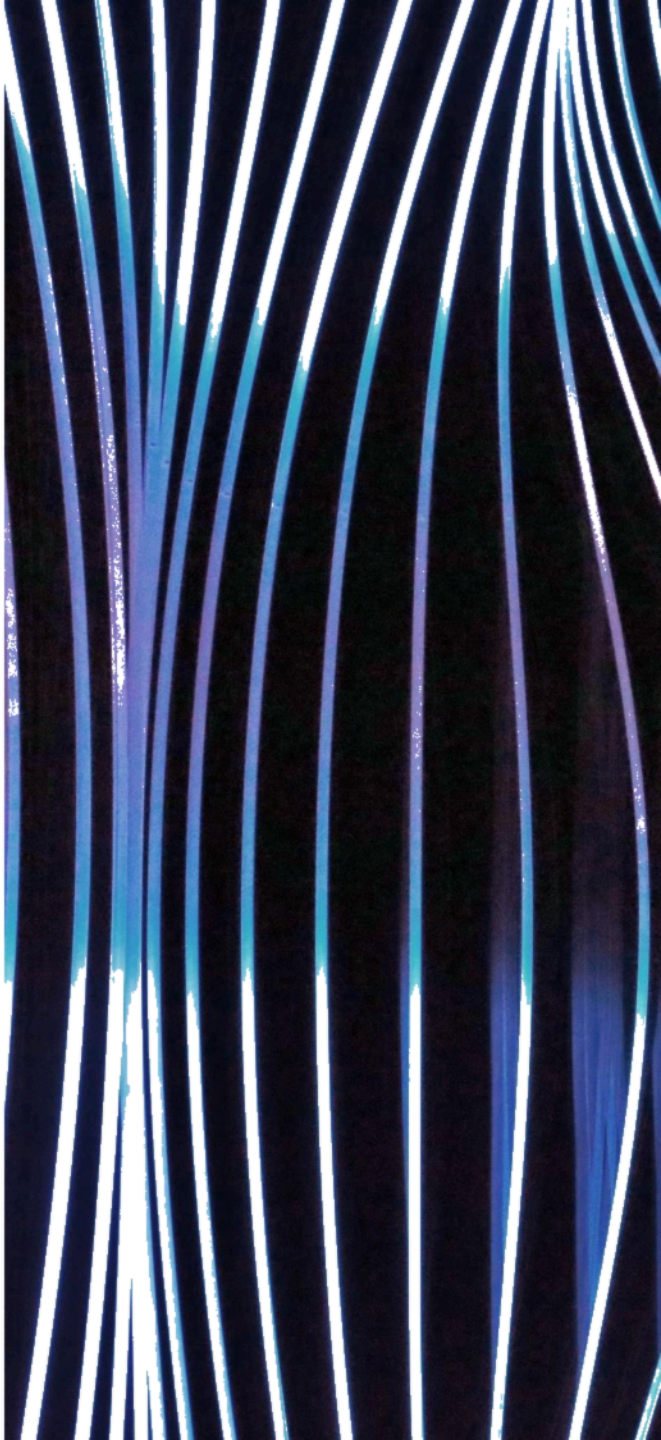
Blue marker indicates current rate. Green and Red markers indicate quarters with next projected cut and hike respectively.

Source: Federal Reserve, European Central Bank, Bank of Japan, Bank of England, Morgan Stanley Research forecasts (E)

Morgan Stanley

Key Debates

- How much of US earnings growth will be driven by AI?
- Why are Brent prices still elevated even as Gulf crude exports recover?
- What would prompt ECB intervention in the EGB market?
- Can gold remain resilient as its safe-haven role evolves?
- Did the October FOMC change our outlook for rates?

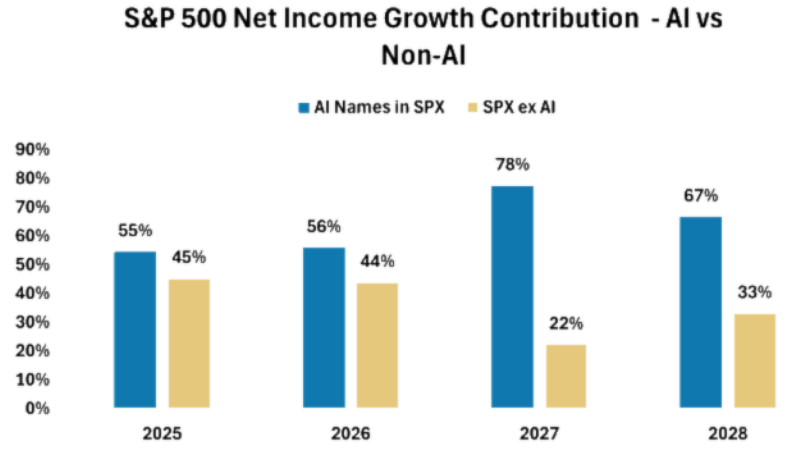


How Much of US Earnings Growth will be Driven by AI?

AI enablers and adopters are expected to drive the majority (~78%) of SPX earnings growth in 2027. This should help drive 25% earnings growth for AI-related names, versus only 4% for the rest of the index.

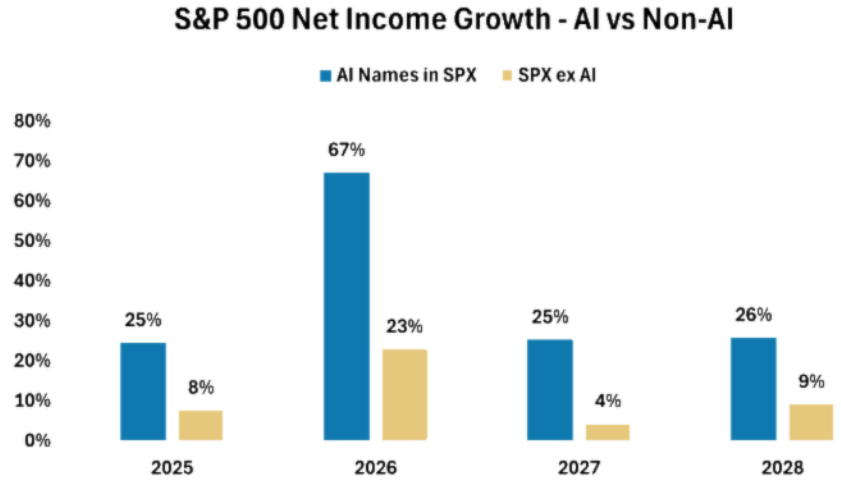
AI-RELATED NAMES TO DRIVE BULK OF US EARNINGS

AI-related names are expected to account for 78% of 2027 S&P 500 earnings growth...



EARNINGS GROWTH FOR AI-RELATED NAMES OUTPACING NON-AI

...which translates to 25% earnings growth in 2027 for the AI-related names, vs. 4% for the rest of the index



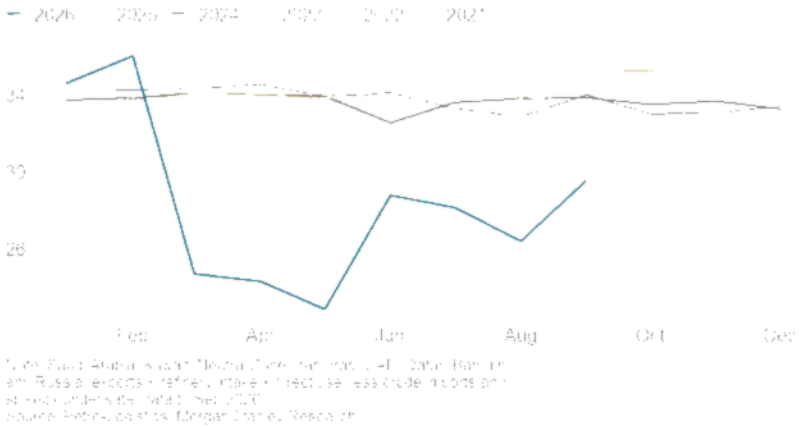
Source: FactSet, Morgan Stanley Research
See US Equity Strategy & GVAT: Following AI's $1.6 trillion Money Trail: Mapping the Revenue Generated by the Capex Boom (15 Oct 2026) for more.

Why is Brent Elevated as Gulf Crude Exports Recover?

Recovering exports don't necessarily indicate that oil markets have fully normalized, as freight costs for Brent remain exceptionally high. Total crude supply is still impaired, while geopolitical risks continue to support prices.

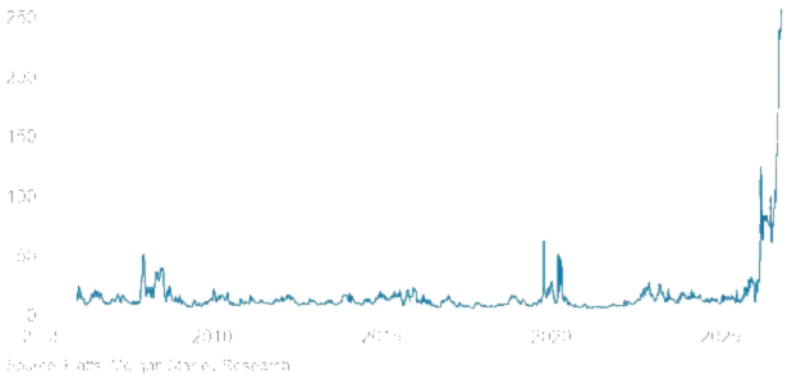
OVERALL CRUDE SUPPLY HAS NOT FULLY RECOVERED
Total crude supply is still down 5-6 mb/d year-on-year

Crude oil supply - MEG7 + Russia
Supply to the market, 7 Hormuz-affected producers + Russia (mb/d)



FREIGHT COSTS REMAIN EXCEPTIONALLY HIGH
Freights rates have increased far outside their historical ranges

VLCC freight: Arab Gulf to China
Dirty tanker rate, 270kt, daily ($/mt)



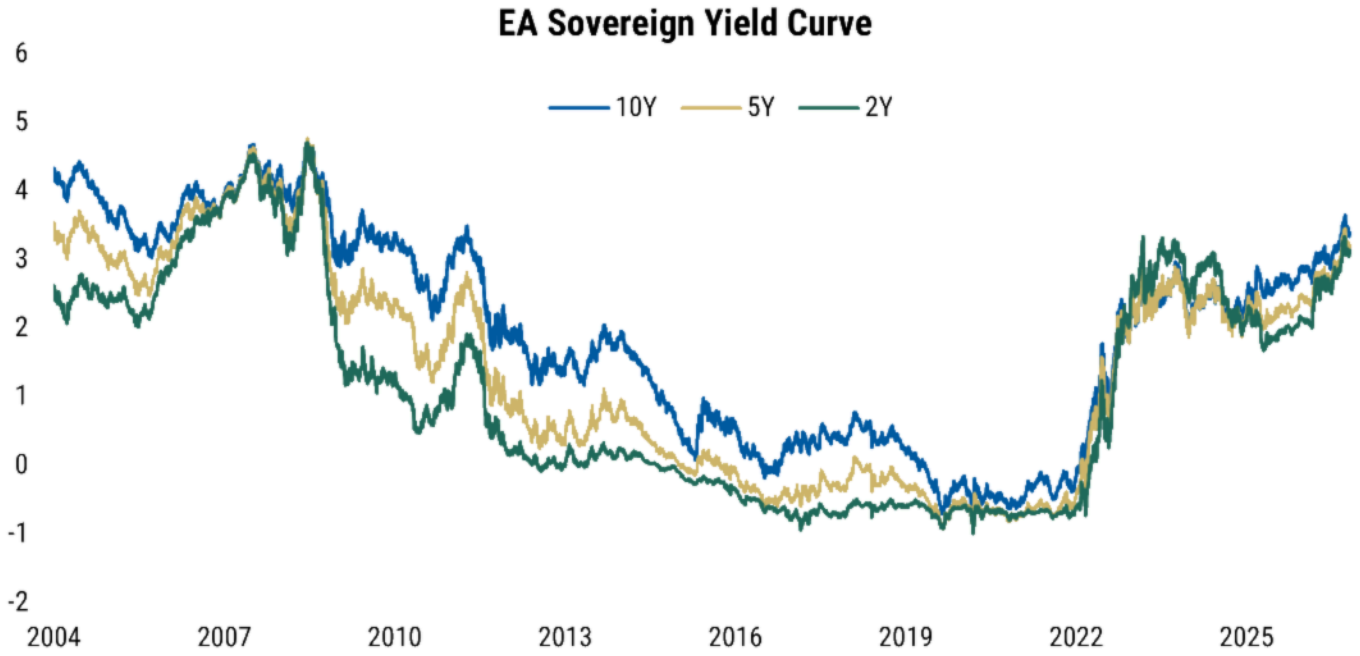
Source: Bloomberg, Morgan Stanley Research
See The Oil Manual: Exceptional Shipping Cost and Its Impact on Brent Prices (13 Oct 2026) for more.

What Would Prompt ECB Intervention in EGBs?

We think the ECB is still very far from considering intervening with the Transmission Protection Instrument (TPI) until they see a much widening in spreads and clear signs of stress in funding markets and broad spillover.

IF THE ECB FINDS THAT YIELDS HAVE INCREASED BY TOO MUCH TOO QUICKLY, IT COULD OPT FOR A TEMPORARY PAUSE IN QT

EA sovereign yield curve has significantly ticked up in the last two weeks.



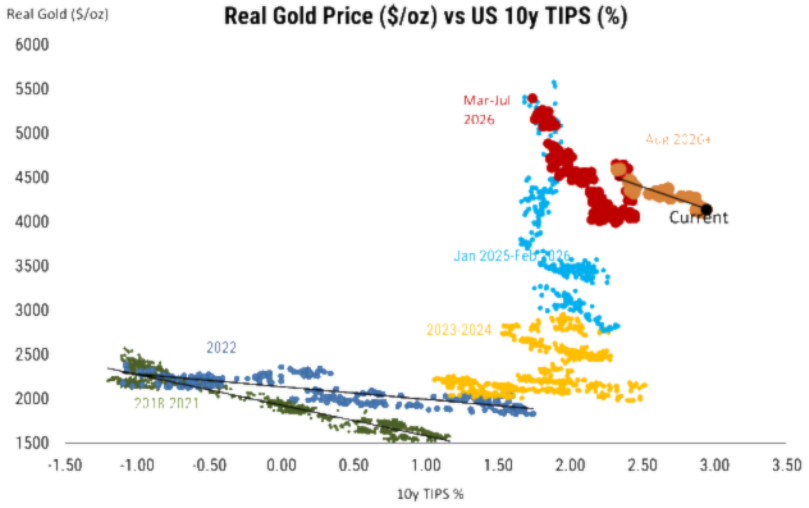
Source: Morgan Stanley Research
See: France Economics, ECB and Strategy: Tell me what's your stance? EA Sovereign Yields, France and the ECB (9 Oct 2026) for more.

Can Gold Stay Resilient as its Safe-haven Role Evolves?

Yes, strong structural demand is making gold less dependent on a supportive rates backdrop. Gold can also serve as a ballast against bond risks, as investor concerns about fiscal and sovereign-bond stress rise.

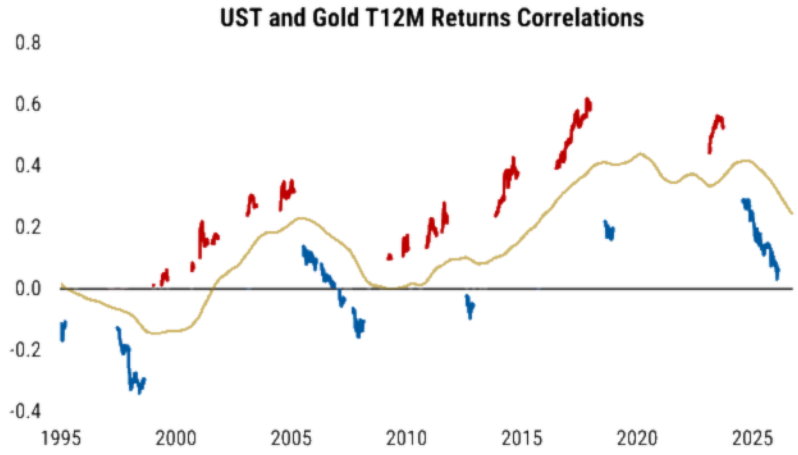
GOLD HAS HELD UP MUCH BETTER THAN EXPECTED

While US 10-year yields rose to their highest level since the early 2000s, gold has fallen only 10% from its August high



GOLD'S CORRELATION WITH TREASURIES HAS FALLEN

Increasing its potential value as a diversifier of government bond risk



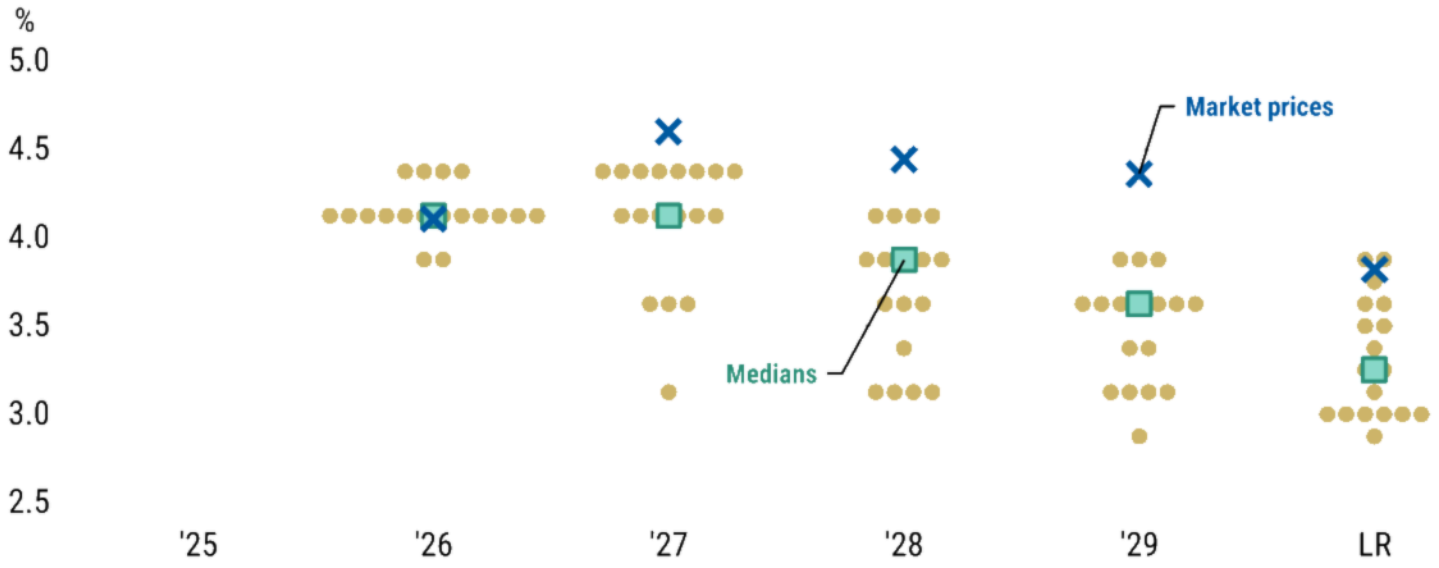
Source: Bloomberg, World Gold Council, Morgan Stanley Research estimates.
See Cross-Asset Dispatches: Gold: Same Haven, Different Storm (26 Oct 2026) for more.

Did the October FOMC Change our Rates Outlook?

No, we continue to see two more 25bp hikes in December 2026 and March 2027. We also continue to expect fewer rate hikes than the market is pricing, and we view the Fed's guidance as consistent with that outlook.

THE POSITIVE TERM PREMIUM IN THE MARKET PRICE FOR FED POLICY MAKES IT CLEAR THAT INVESTORS SEE RISKS SKEWED TO THE HAWKISH SIDE

FOMC participants' assessments of appropriate monetary policy: midpoint of the target range or target level for the federal funds rate: September 2026, medians and market pricing



Source: Bloomberg, Federal Reserve, Morgan Stanley Research
See US Economics and Fixed Income Strategy: October FOMC Reaction: Tightening without urgency (29 Oct 2026) for more.

Morgan Stanley

Asset Class Views



Global Equities

Prefer US equities over RoW on earnings resiliency; favor quality and selective AI exposure

US equities

- Quality should continue to lead as the mid-cycle transition is digested. Focus on asset-light, service-oriented names.

European equities

- We raise our target on stronger earnings. Rotational moves under the index surface offers attractive risk-reward for rebounds in Semis, Cap Goods, and Banks.

Japanese equities

- Earnings growth should offset rate-driven P/E compression. Favor large-cap cyclical value and low-leverage growth that doesn't rely on AI data center capex.

EM equities

- High real yields, a strong USD, and elevated oil prices are headwinds; stay cautious and await a better entry point in 2H November.

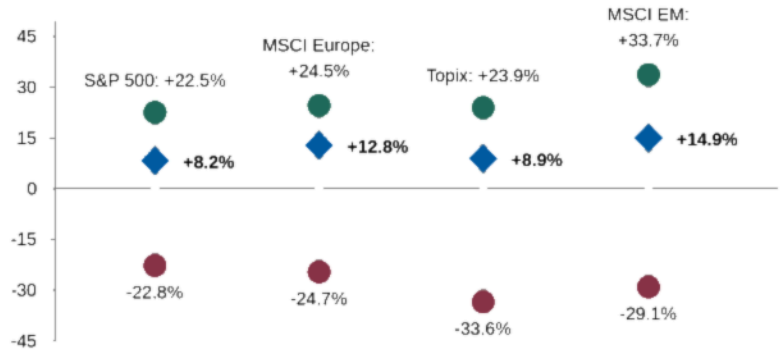
MORGAN STANLEY RESEARCH FORECASTS

2Q27 targets

Index	MS Jun 2027 PT	Current P/E	MS Jun 2027 P/E	MS Top Down EPS YoY% 2026e	MS Top Down EPS YoY% 2027e
S&P 500	8,300	18.8x	20.5x	339 *+23%*	380 *+12%*
MSCI Europe	2,840	14.1x	15.0x	167 *+21%*	182 *+9%*
Topix	4,300	14.9x	17.5x	216 *+9%*	235 *+9%*
MSCI EM	1,800	8.8x	10.4x	145 *+63%*	172 *+19%*

WIDEST BULL-BEAR RANGES IN EM AND JAPAN

2Q27 expected total return (%): bull, base (diamond), bear



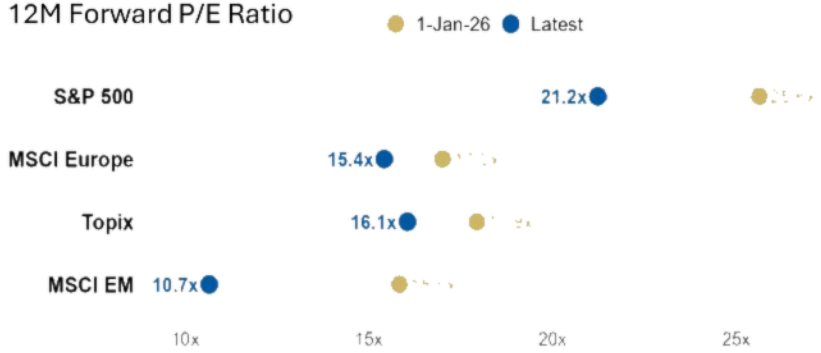
Source: Bloomberg, LSEG, Morgan Stanley Research forecasts

Global Equities

Multiples have derated, partly reflecting exceptional earnings growth: rising consensus EPS estimates continue to support equities at the index level, while US breadth is also rebounding materially.

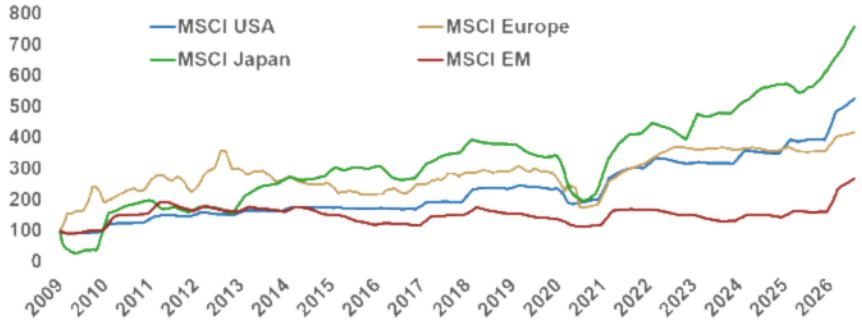
MULTIPLES HAVE DERATED, PARTICULARLY IN THE US AND EM...

12M Forward P/E Ratio



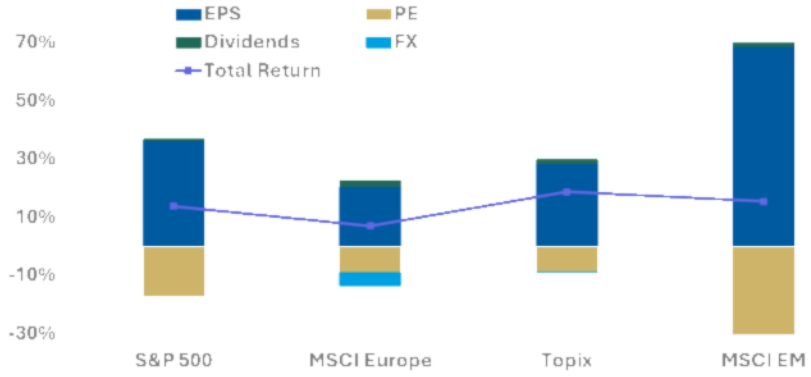
... WHICH IS PARTIALLY A FUNCTION OF EXCEPTIONAL EARNINGS GROWTH

12M Forward EPS



EARNINGS HAVE SUPPORTED INDEX-LEVEL RETURNS

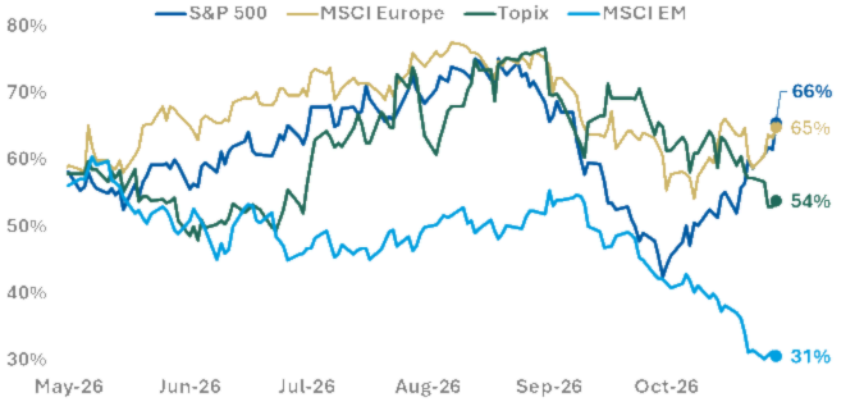
YTD Total Returns (USD)



Source: Bloomberg, Morgan Stanley Research

BREADTH HAS REBOUNDED IN THE US AND EUROPE

Percent of members above the 200D moving average



Global Equities

Our regional equity sector and style preferences

US

SECTOR OW

Financials, Industrials, Consumer Discretionary Goods

SECTOR UW

Consumer Staples, Real Estate

STYLE PREFERENCE

1) Quality, with a focus on earnings
2) AI adopters with pricing power
3) Strong earnings revisions

EUROPE

SECTOR OW

Semis, Banks, M&M, Cap Goods, Aerospace

SECTOR UW

Luxury, Software, Autos, Medtech, Paper & Packaging

STYLE PREFERENCE

1) Top v bottom fundamental momentum e.g. earnings revision, idiosyncratic momentum
2) Cyclical rebound - AI, Banks, CapGoods
3) Leading AI adopters

JAPAN

SECTOR OW

Const & Materials, Raw Materials & Chem, Machinery, IT Services & Others

SECTOR UW

Foods, Pharma, Transportation & Logistics

STYLE PREFERENCE

1) Low leverage, high growth; reduce AI/data center concentration
2) Non-AI domestic services that benefit from lower yen rates
3) Large-cap cyclical value; Takaichi strategic themes

EM

SECTOR OW

Semis/Memory, Tech Hardware, Industrials/Cap Goods, Materials (Copper & Gold), Energy

SECTOR UW

Autos, Consumer & IT Services/E-commerce, Financials (ex-OW markets), Downstream industries

STYLE PREFERENCE

1) Capex > Consumer; Goods > Services
2) AI supply chain: hold core enablers, broaden to adopters
3) Energy security

Global Macro – Rates

We see DM yields below forwards in 2027 as central bank pricing remains hawkish relative to our baseline

USTs

- We stay neutral on duration and curve. We see yields below forwards by end-2027, as Fed pricing remains hawkish relative to our baseline

Euro area

- We hold duration longs in intermediates and keep a bias for wider EGB spreads, although we don't expect a policy response from the ECB yet, and don't see TPI deployed on the rapid rise in OAT-Bunds spreads yet

JGBs

- We favor the JGB belly as growth concerns intensify; super-longs likely to remain pressured on fiscal concerns

UKTs

- We remain long 5y real yields as BoE pricing looks too hawkish relative to our baseline. The budget's supply numbers provide a supportive backdrop for gilt valuations

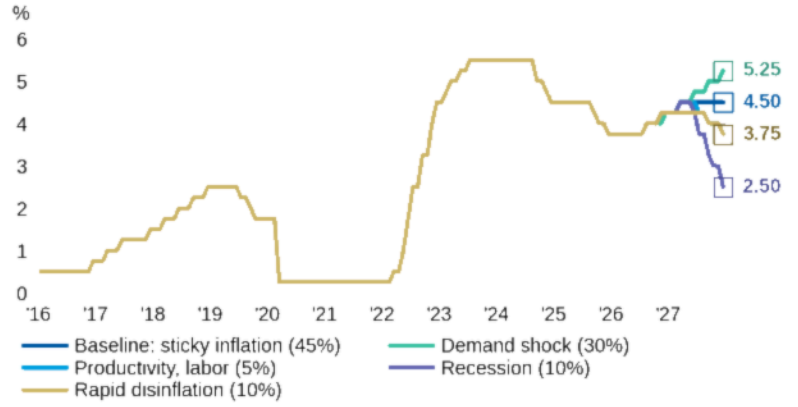
MORGAN STANLEY RESEARCH FORECASTS

2Q27 targets

		Yield Forecast (%)			Expected Total Return		
	Current	Bear	Base	Bull	Bear	Base	Bull
UST 2yr	4.60	5.40	4.80	4.10	1.9%	2.8%	3.9%
UST 10yr	4.94	5.20	4.85	4.40	1.4%	4.2%	7.5%
DBR 2yr	3.07	3.00	2.90	2.65	2.2%	2.4%	2.7%
DBR 10yr	3.35	3.35	3.30	2.95	2.7%	3.0%	6.0%
JGB 2yr	1.90	2.55	2.00	1.65	0.5%	1.3%	1.8%
JGB 10yr	2.84	3.40	3.05	2.60	-1.8%	1.2%	4.7%

WE SEE 10Y YIELDS END BELOW FORWARDS BY 2027

Our bull and bear cases skew risks towards lower yields



Source: Bloomberg, Morgan Stanley Research forecasts

Global Macro – FX

We see USD strength persisting over the next 12M, and are bullish AUD and CHF, bearish GBP and JPY.

USD (DXY @ 104 in 2Q27)

- Persistent inflation and resilient growth leaves scope for further policy tightening; upside risks to US-RoW rate differentials drive USD strength

EUR (EUR/USD @ 1.10 in 2Q27)

- Political and fiscal concerns should weigh on the EUR. A potential downward repricing of ECB expectations could be the next catalyst for further weakness

JPY (USD/JPY @ 162 in 2Q27)

- With limited scope for the BoJ to deliver a hawkish surprise relative to market pricing, we expect fundamental upside pressure on USD/JPY to remain intact

GBP (GBP/USD @ 1.27 in 2Q27)

- We retain GBP/USD shorts as elevated BoE pricing and a more constructive US cyclical outlook favour downside

MORGAN STANLEY RESEARCH FORECASTS

2Q27 targets

		Forecast			Expected Total Return		
	Current	Bear	Base	Bull	Bear	Base	Bull
USD/JPY	158	170	162	145	-8.9%	-4.1%	6.9%
EUR/USD	1.1	1.00	1.10	1.23	-11.6%	-2.6%	9.0%
GBP/USD	1.3	1.15	1.27	1.40	-13.9%	-5.0%	4.8%
USD/ZAR	16.6	18.7	16.3	15.0	-9.3%	3.7%	12.6%
USD/BRL	5.4	5.4	4.9	4.4	4.9%	15.1%	27.6%
USD/MXN	18.9	19.5	17.2	16.5	-1.6%	11.2%	15.9%

EUR BACK TO A FUNDER

Real Yield differentials continue to move against the EUR's favor



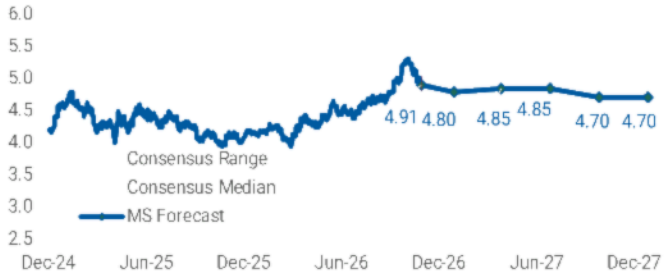
Source: Bloomberg, Morgan Stanley Research. Note: All currency returns are shown as XXXUSD return.

Global Macro

We are below the consensus median on EURUSD and treasuries over the next 12M

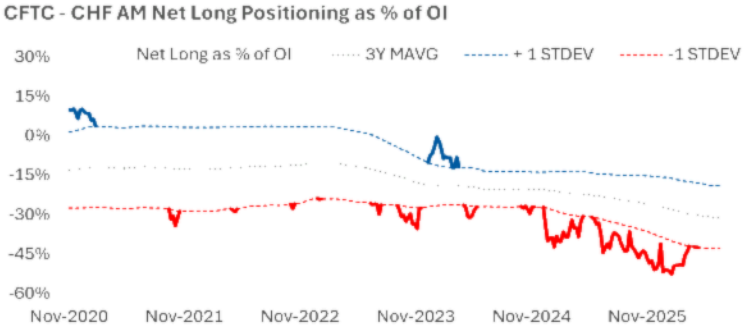
OUR UST 10Y FORECASTS ARE NEAR CONSENSUS

UST 10Y yields MS forecast path vs consensus range



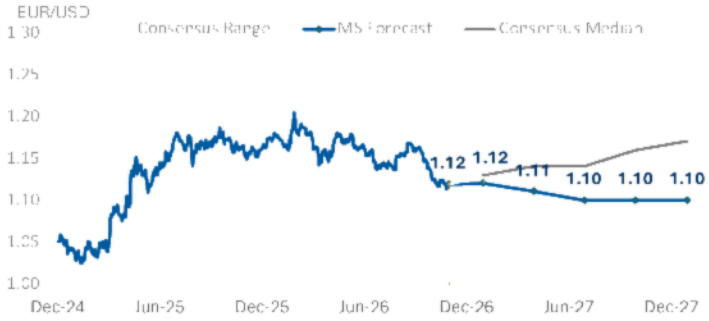
ASSET MANAGER NET POSITIONING IN CHF AT 2Y HIGH

... but remains net short on aggregate



OUR EURUSD FORECASTS SIT BELOW CONSENSUS

EURUSD MS forecast path vs. consensus range



HEDGE FUNDS ARE BULLISH UST 2Y VS 5Y RANGE...

... but remain net short on aggregate



Source: Bloomberg, CFTC, Haver Analytics, Morgan Stanley Research forecasts

EM Fixed Income

Fundamentals are sturdier than in past risk-off episodes, but outperformance in EM sovereign credit vs US credit now leaves little valuation cushion.

EM FX

- Our expectations for the Fed, USTs, and USD imply stronger headwinds for EM FX
- That said, a stronger USD need not end the carry trade; FX volatility is the key variable.
- Short 3m USD/TRY forward, short USD/TWD

EM local rates

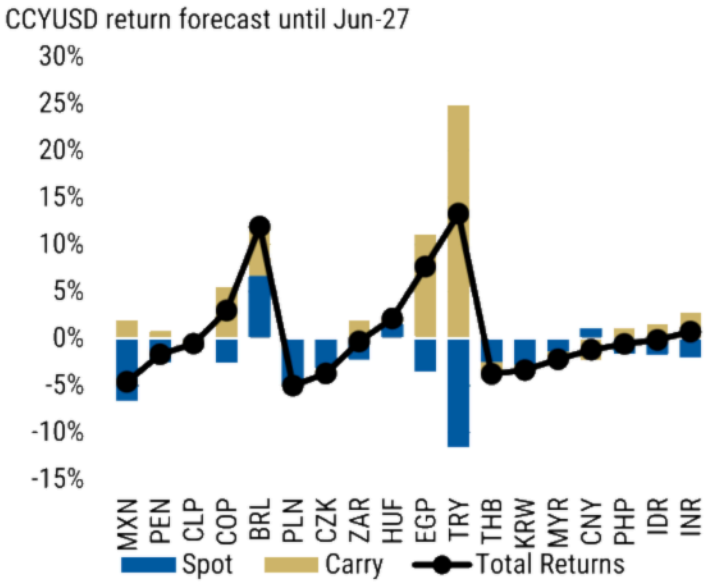
- With EM local-currency bond flows running far ahead of returns, we expect inflows to dry up rather than returns to catch up.
- We expect EM index yields to fall as USTs recover by year-end, though EM-UST differentials should widen
- Pay PLN 5y5y vs receive HUF 5y5y, SA 1y1y-2y2y steepeners, TIIE 1y1y vs 5y5y flatteners, long 6m EGP T-bills

EM sovereign credit

- EM credit has proven resilient to UST sell-off, and we expect only modest further widening to our 200bp year-end base case

CHANGES IN OUR FX FORECASTS NOW SUGGEST TOTAL RETURNS VS USED ARE FLAT-LINING

Frontier and LatAm carry to outperform



Source: Bloomberg, Morgan Stanley Research forecasts
See Global EM Strategy: What Now For EM? (29 Sep 2026) for more.

Global Corporate Credit

Prefer up-in-quality as higher rates bite lower-rated credit; AI dispersion persists, but hyperscaler supply stays rate-insensitive.

US IG corporate credit (90bp in 2Q27)

- Hyperscaler issuance should stay relatively insensitive to higher funding costs. More 'programmatic' issuance should make absorption more manageable.
- As higher rates pressure lower-quality borrowers, we prefer an up-in-quality bias.

US leveraged finance (HY at 275bp in 2Q27)

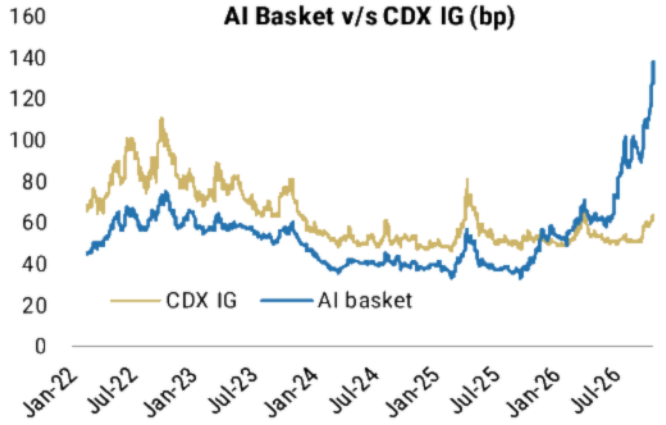
- CCCs have repriced sharply, and a further rise in rates could cause a spillover into parts of single-Bs
- B- and CCC names have relatively more front-loaded maturities, alongside higher leverage and weaker ICRs than their ratings imply.

European corporate credit (IG at 80bp in 2Q27)

- We expect further decompression as lower-rated issuers are more vulnerable to higher rates.

		Spread Forecast (bp)			Expected Excess Returns		
	Current	Bull	Base	Bear	Bull	Base	Bear
US IG Corp	80	70	90	125	1.2%	0.0%	-2.3%
US HY Corp	311	230	275	425	4.5%	2.7%	-2.6%
US Lev Loans	472	390	440	575	7.5%	6.3%	2.9%
EUR IG Corp	90	60	80	150	2.0%	1.1%	-1.9%
EUR HY Corp	305	225	300	500	4.1%	1.5%	-4.9%

CDS AI BASKET IS NOW TRADING ~75BP WIDER TO CDX IG



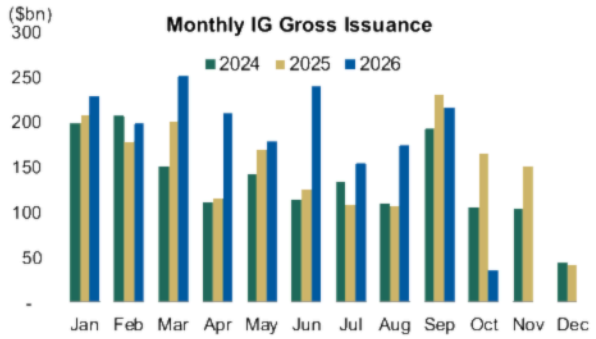
Source: Bloomberg, Morgan Stanley Research forecasts

Global Corporate Credit

Corporate credit sits at the crossroads of strong fundamentals and robust demand vs. surging issuance.

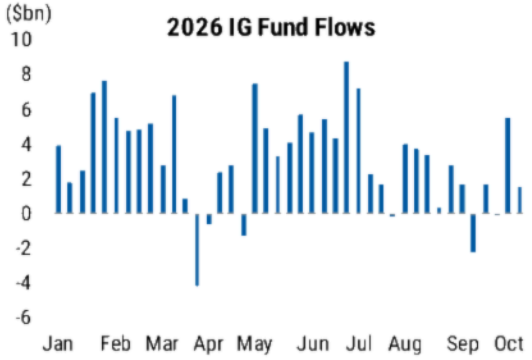
US IG SUPPLY COOLED IN SEPT AFTER RECORD SUMMER

September 2026 gross -7% vs September 2025 levels



FLOWS HAVE HELD UP SO FAR: WHILE MUTUAL FUNDS HAVE SEEN OUTFLOWS, ETFS HAVE COMPENSATED

US IG fund flows remain supported



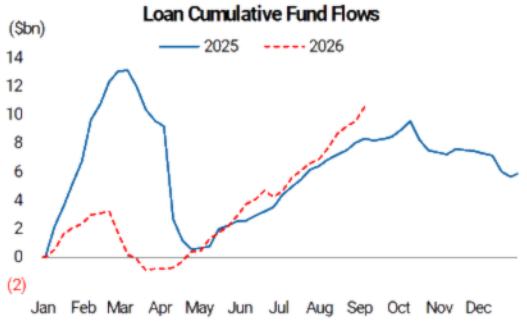
HYPERSCALERS LEVERAGE METRICS IN LINE WITH TECH

Hyperscaler metrics more in line with broader Tech, but with double the cash-to-debt

Select Metrics by Sector 2Q26				
Sector	Gross Leverage	Net Leverage	Cash/ Debt	Median Rating
Communication Services	1.7x	0.5x	64%	BBB+
Consumer	2.3x	1.7x	21%	BBB
Energy	1.7x	1.2x	16%	BBB
Health Care	2.6x	2.2x	22%	BBB+
Information Technology	***1.7x***	***0.8x***	***52%***	***BBB***
Hyperscalers	***1.3x***	***0.4x***	***132%***	***AA-***
Materials	2.3x	1.9x	15%	BBB
Utilities	5.8x	5.6x	1%	BBB
Non-Fin IG	**2.2x**	**1.7x**	**19%**	**BBB**

HIGHER-FOR-LONGER RATES SUPPORT LOAN DEMAND

Loan funds have seen their largest inflows since January



Source: Bloomberg, Factset, Lipper, Dealogic, Morgan Stanley Research. See US Credit Strategy Chartbook: US Credit Strategy Chartbook (2 Oct 2026) and US Credit Strategy: Investment Grade Corporate Credit Dashboard – Passing the Macro Test (16 Oct 2026) for more; Note: Issuance data as of October 9, 2026, fund flows data as of October 14, 2026.

Global Securitized Credit

Stay long MBS basis via Ginnies and specs, CLO AAAs remains preferred, and data center ABS screens attractive after record wides.

Agency MBS

- Stay long basis via Ginnies (G2 6.0s/6.5s) and conventional 6.5 specs: valuations are compelling and we expect technical support to improve into next year
- Ginnie OAS near 40bp has been rare outside distressed markets; once rates stabilise, Ginnies could lead the basis tighter

ABS

- Data center ABS has printed record or multi-year wides (AAA 200, A 325, BBB 375) on technicals and supply fatigue, not the AI thematic. Spreads may drift wider, but we see value, particularly in shorter-duration deals; amortizing structures, incl. GPU-backed ABS, should draw demand

CLO

- CLO AAAs remain our preference: ~5.3% yield, low duration and a yield-based buyer base (CLO ETF inflows of $3.2bn in September; Solvency II supportive in Europe). We expect loan defaults of 5.5% by mid-2027, concentrated in software, and a steeper credit curve; stay cautious on BBs

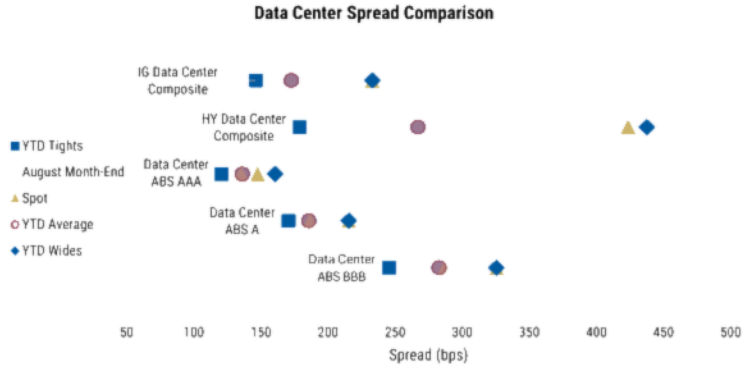
MORGAN STANLEY RESEARCH FORECASTS

2Q27 targets (bp)

	Spread Forecast		
	Bull	Base	Bear
Agency MBS	15	20	40
Prime Auto AAA (A3) Primary	15	25	55
CMBS AAA Secondary	60	75	110
US CLO AAA Primary	108	120	175
UK Prime Senior	40	48	65

DATA CENTER SPREAD COMPRESSION

Data center spreads have widened out in the ABS market, but the volatility has been more contained than in the secured credit markets.



Source: Bloomberg, Morgan Stanley Research forecasts; Note: Chart data as of Oct 22, 2026.
See ns Services: Global Data Centers: New constraints (inflation, financing), but capacity growth still compelling (26 Oct 2026) for more.

Commodities

Energy remains supported by supply and freight constraints; prefer gold in metals.

Brent

- We raise our 4Q26 Brent forecasts to $105/bbl despite recovering Gulf exports given record high freight costs. With disruptions increasingly priced as longer-lasting and upcoming refinery maintenance delaying normalization, we also raise our 2Q27 forecast to $95/bbl.

Copper

- We see modest upside to COMEX Copper, while remaining more neutral on LME Copper given its recent catch-up. China buying on dips and supply disruptions support prices.

Gold

- Gold remains our top commodity pick, and we target $5,000/oz by 2Q27. Strong physical demand establishes support, with scope for upside if macro conditions ease or oil prices moderate.

Natural Gas

- We raise our winter TTF forecast to €90/MWh. In our bull case, TTF could reach €135/MWh on some combination of a prolonged Qatar outage, colder weather, or other LNG disruptions.

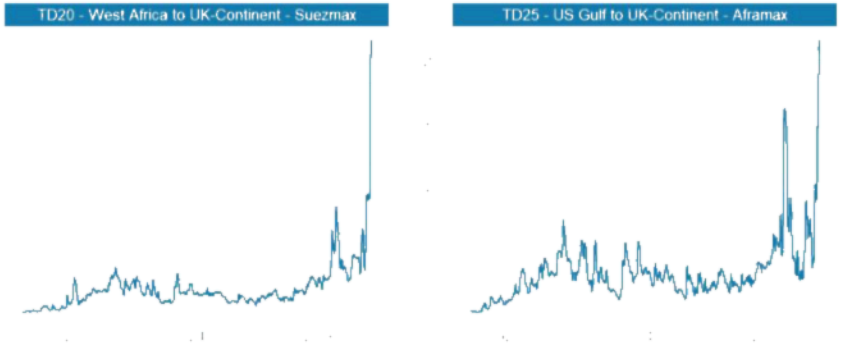
MORGAN STANLEY RESEARCH FORECASTS

2Q27 targets

		Target			Expected Return		
	Current	Bear	Base	Bull	Bear	Base	Bull
Brent	115	60	95	120	-38.7%	-2.9%	22.7%
Gold	4,067	3,750	5,000	6,750	-9.7%	20.4%	62.5%
LME Copper	14,682	11,905	14,000	17,505	-17.9%	-3.5%	20.7%

CRUDE OIL SHIPPING

Freight rates have reached record highs across all vessel classes and all key routes



Source: Bloomberg, Baltic Exchange, Morgan Stanley Research forecasts; Note: Commodity returns are calculated relative to futures to account for carry.
See The Oil Manual: Exceptional Shipping Cost and Its Impact on Brent Prices (13 Oct 2026) for more.

Commodities

Supply constraints remain supportive across energy and metals; structural demand keeps gold resilient.

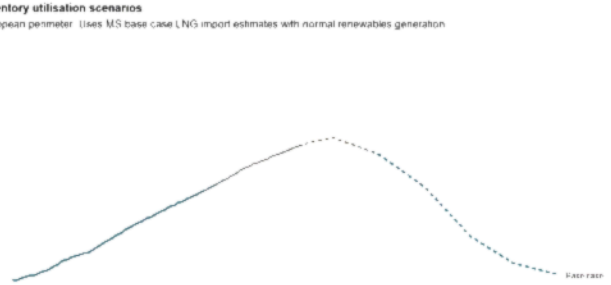
OIL MARKETS PRICE A LONGER-LASTING DISRUPTION

12th-month Brent has risen to ~$88/bbl



EUROPEAN GAS STORAGE REMAINS WEATHER-SENSITIVE

a normal or cold winter leave inventories sharply lower by spring.



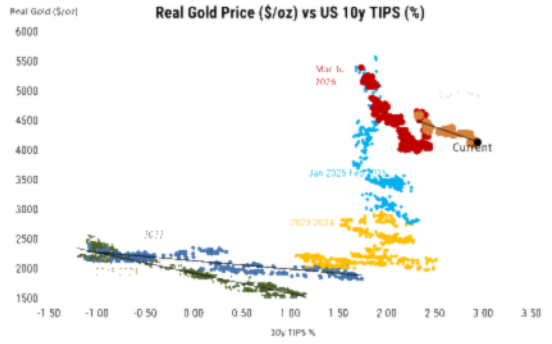
CHINA COPPER INVENTORIES REMAIN TIGHT

Resilient Chinese demand continues to provide support.



GOLD CONTINUES TO OUTPERFORM ITS MACRO BACKDROP

Gold remains above $4,000/oz even though its earlier relationship with real yields would imply prices below $3,000/oz.



Source: Bloomberg, Gas Infrastructure Europe, Morgan Stanley Research

See metal&ROCK: LME Week 2026: Key Takeaways (23 Oct 2026), The Oil Manual - Chartbook: Pricing a Longer Lasting Disruption (27 Oct 2026) for more.

Morgan Stanley

Top Trades



Long AI Adopters

Investment theme: AI diffusion

RATIONALE(S)

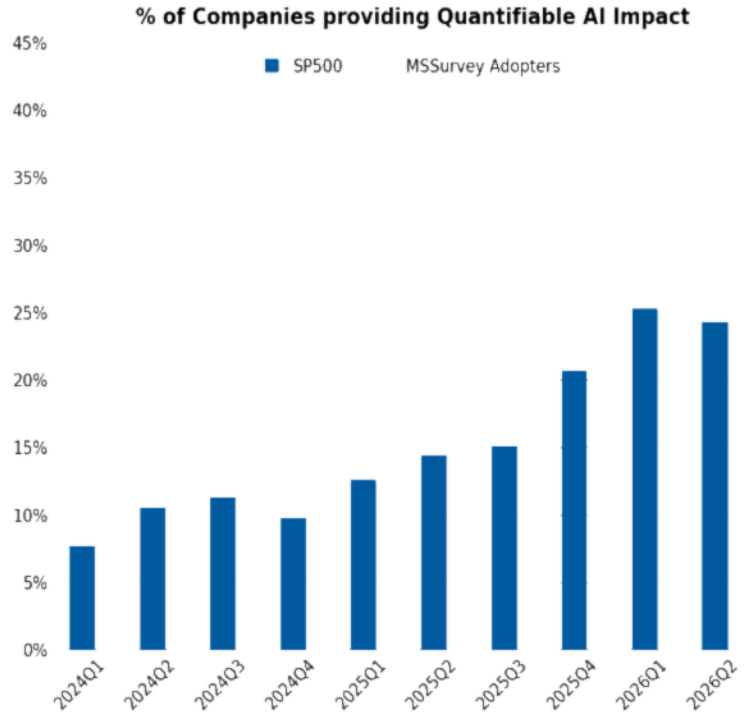
- AI adoption benefits are not fully reflected in margin estimates beyond this year– we expect AI-driven productivity gains to prove more durable in 2027 and 2028.
- 25% of S&P 500 companies have cited quantifiable benefits from AI, up from 14% in 2025; we expect this number to continue to grow.

RISK(S)

- Policy pressures and/or safety concerns hamper the AI infrastructure buildout, thereby slowing adoption.

MOMENTUM AROUND AI ADOPTION BUILDING

The number of companies reporting measurable benefits from AI adoption continues to climb



Source: AlphaWise, Morgan Stanley Research; Note: Companies mentioning multiple quantifiable benefits from AI are only counted once in this chart.
See Podcast | The Thematic Edge: Mapping AI's Rate of Change: From Buildout to Broadening (15 Oct 2026) for more.

Short EURAUD

Investment theme: Funding High Carry

RATIONALE(S)

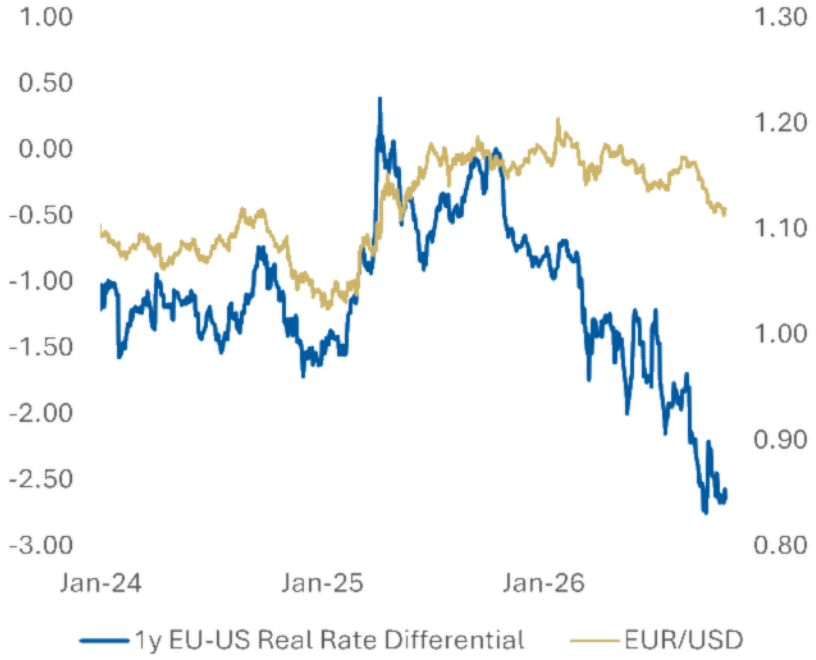
- **AUD**:
  - Elevated and stable industrial metals prices represent an AUD tailwind into year-end
  - As the RBA focuses narrowly on persistent price pressures, we see room for front end rates to rise, boosting AUD
- **EUR:**
  - EUR should remain an attractive funding currency as rate differentials relative to USD widen
  - EUR-negative risk premium should rise further as investors focus on upcoming elections and fiscal concerns

RISK(S)

- A higher-than-expected ECB policy rate as inflation accelerates in the euro area would be bullish EUR
- Less hawkish RBA communication would weigh on AUD

EUR BACK TO A FUNDER

Real yield differentials continue to move against the EUR's favour



Source: Bloomberg, Morgan Stanley Research. For more, see G10 FX Strategy: Our Latest Views (23 Oct 2026)

SFRZ6Z7 Flatteners

Investment theme: Repricing Trough Rate

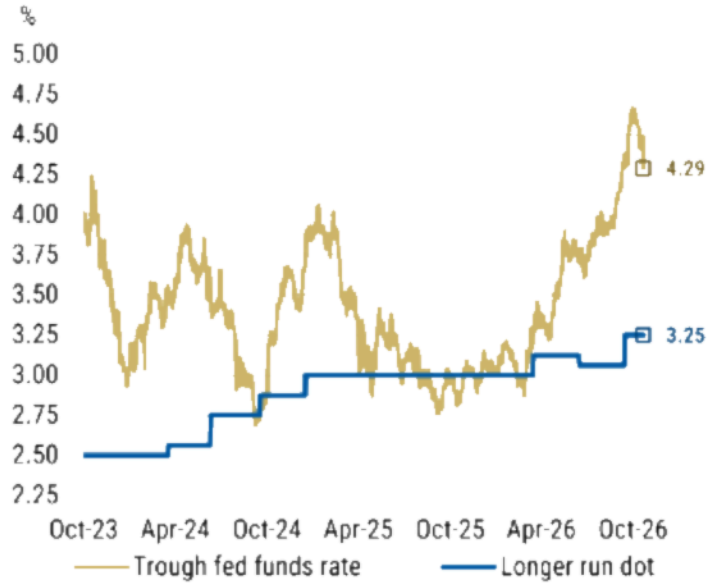
RATIONALE(S)

- The Fed's focus on inflation trends leaves scope for further tightening, as inflation has not improved since summer
- Further tightening could weigh on risky assets and growth expectations, leading investors to price a lower eventual policy-rate trough, flattening the Z6Z7 curve
- Markets price too little peak-to-trough easing, with the implied trough well above the Fed's longer-run dot

RISK(S)

- Stronger-than-expected economic activity or a higher perceived neutral rate could keep late-2027 policy expectations elevated, limiting SFRZ6Z7 flattening.

As markets reassess growth implications of restrictive policy, implied policy-rate trough should reprice lower



Source: Bloomberg, Morgan Stanley Research
See US Rates Strategy: Re-enter SFRZ6Z7 Flatteners into October FOMC (23 Oct 2026) for more.

XO vs Main Decompression

Investment theme: Cautious on lower-rated credit given energy price risks

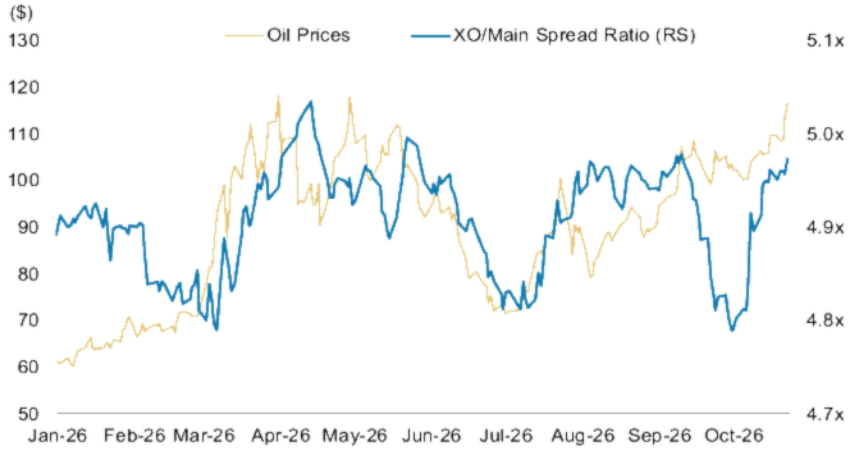
RATIONALE(S)

- Renewed uncertainty in the Middle East and rising commodity prices could weigh on European growth and lead to a more hawkish ECB reaction.
- Lower-rated issuers are more vulnerable to higher rates as these names have relatively more front-loaded maturities, higher leverage and weaker ICRs than their ratings imply.
- Meanwhile, EU IG issuers are better insulated given their resilient fundamentals and more globally diversified revenues.

RISK(S)

- Sharp reversal in commodity prices, which leaves XO exposed to outperformance vs Main

XO has room to decompress further as oil prices have gone back up over the past month



Source: Bloomberg, Morgan Stanley Research
See Global Credit Strategy: What We're Watching (26 October 2026) for more.

Long CLO AAAs

Investment theme: Preferred way to own high-quality floating-rate carry

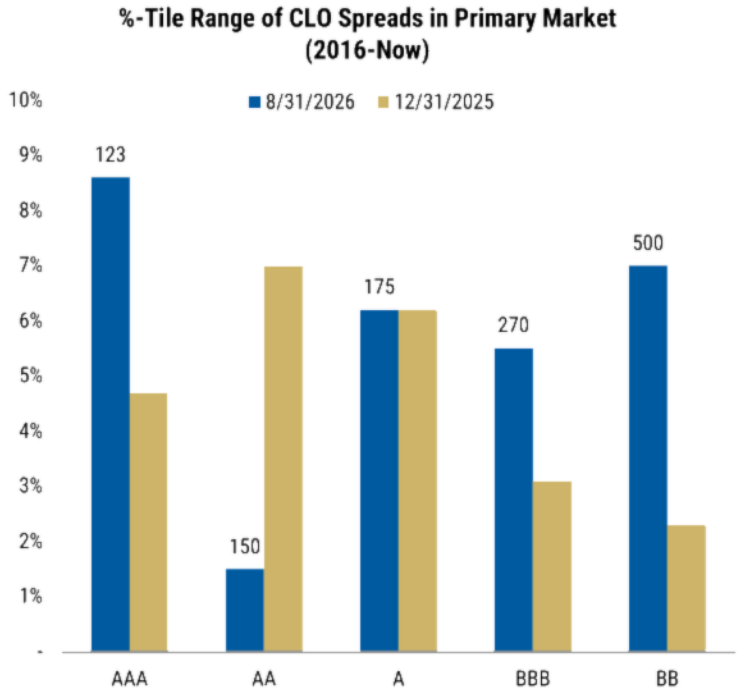
RATIONALE(S)

- Lower supply is a tailwind: BSL CLO new issue stands at ~$74bn YTD as of August, against annual totals of ~$164bn in 2024 and ~$166bn in 2025.
- Strong insurance bid and continued CLO ETF inflows amid elevated rate expectations should continue to support demand for senior CLO tranches

RISK(S)

- Broader-than-expected widening in US IG could pull senior CLO spreads wider, given relevant correlation in the past.
- More consequential if the move reflected more than heavy issuance: genuine fundamental deterioration, broad turn in credit sentiment, or waning confidence in the data-center and AI investment story.

CLO AAA remain least rich part of an otherwise historically tight CLO capital stack



Source: Bloomberg, Markit, Pitchbook | LCD, Morgan Stanley Research
See Securitized Credit: US Securitized Credit Strategy: More Pictures, Fewer Words (17 Sep 2026) for more.

Morgan Stanley

Cross-Asset Analytics

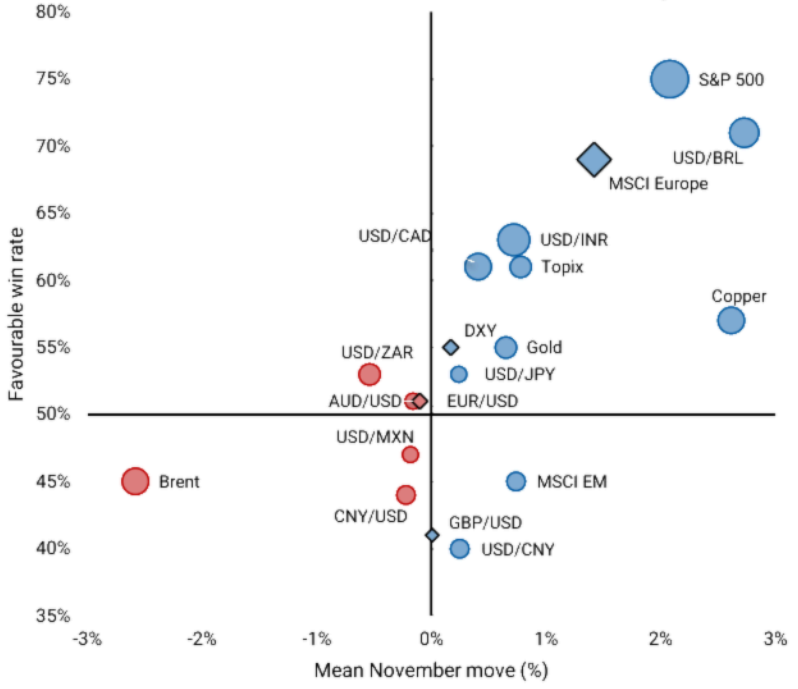


November Seasonality Favors Equities

November seasonality tends to favor DM equities and government bonds, particularly at the long end. Combined with historically favorable mid-term seasonality for equities, this supports our OW stance on risk into year-end.

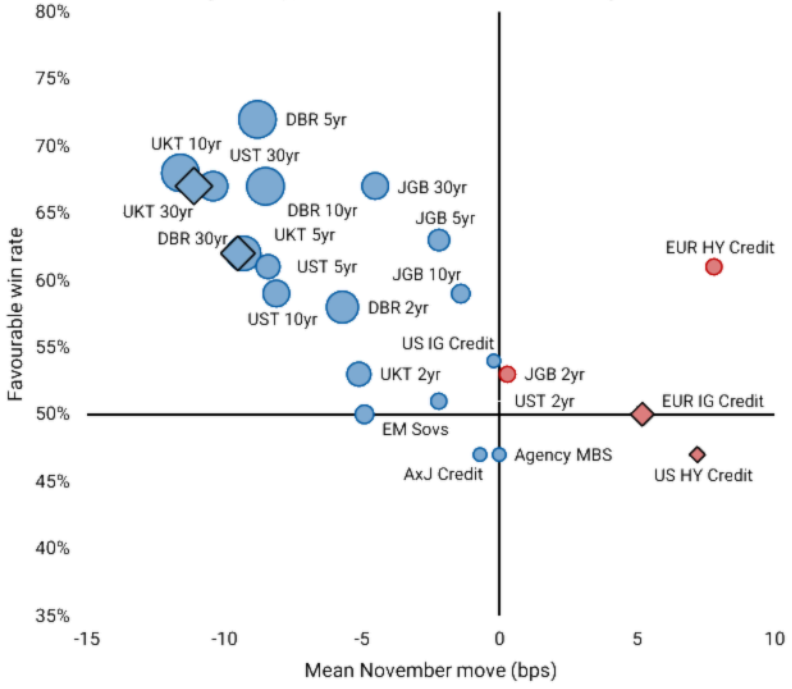
NOVEMBER SEASONALITY FAVORS EQUITIES

The S&P 500 rose in 75% of Novembers and MSCI Europe in 69%; USD/BRL and USD/INR also rise consistently



LONG-END YIELDS TEND TO FALL

8 of 16 sovereign yields move consistently, led by UKT 30yr (lower in 67% of years); credit shows no clear pattern



Seasonality

Series	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Win rate	t-stat
Equities (%)														
S&P 500											2.08%		75%	**3.53**
MSCI Europe*											1.42%		69%	**2.55**
Topix											0.78%		61%	1.10
MSCI EM											0.74%		45%	0.76
Commodities (%)														
Brent											-2.58%		45%	-1.63
Gold											0.65%		55%	0.84
Copper											2.62%		57%	1.65
FX (%)														
EUR/USD*											-0.10%		51%	-0.24
USD/JPY											0.24%		53%	0.44
GBP/USD*											0.01%		41%	0.03
AUD/USD											-0.16%		51%	-0.30
USD/CAD											0.41%		61%	1.61
USD/CNY											0.25%		40%	0.82
CNY/USD											-0.22%		44%	-0.75
USD/MXN											-0.18%		47%	-0.25
USD/INR											0.72%		63%	**2.26**
USD/BRL											2.73%		71%	**2.05**
USD/ZAR											-0.54%		53%	-1.06
DXY*											0.17%		55%	0.43

Series	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Win rate	t-stat
Credit (bps)														
US IG Credit											-0.2		54%	-0.07
US HY Credit*											7.2		47%	0.47
EUR IG Credit*											5.2		50%	1.26
EUR HY Credit											7.8		61%	0.38
EM Sovs											-4.9		50%	-0.58
Agency MBS											-0.0		47%	-0.00
AxJ Credit											-0.7		47%	-0.14
Rates (bps)														
UST 2yr											-2.2		51%	-0.32
UST 5yr											-8.4		61%	-1.36
UST 10yr											-8.1		59%	-1.63
UST 30yr											-10.4		67%	**-2.16**
DBR 2yr											-5.7		58%	**-2.18**
DBR 5yr											-8.8		72%	**-3.31**
DBR 10yr											-8.5		67%	**-2.86**
DBR 30yr*											-9.5		62%	**-2.76**
UKT 2yr											-5.1		53%	-1.25
UKT 5yr											-9.3		62%	**-2.52**
UKT 10yr											-11.6		68%	**-3.10**
UKT 30yr*											-11.1		67%	**-3.50**
JGB 2yr											0.3		53%	0.19
JGB 5yr											-2.2		63%	-1.16
JGB 10yr											-1.4		59%	-0.65
JGB 30yr											-4.5		67%	-1.54

CFTC Positioning

Asset	Asset Managers				Dealers				Lev Funds				Other			
	%OI	ZSc	Range	Signal	%OI	ZSc	Range	Signal	%OI	ZSc	Range	Signal	%OI	ZSc	Range	Signal
EQUITIES																
S&P 500	32%	0.8			-23%	-0.7			-12%	-0.4			-0%	0.3		
Russell 2000	6%	0.2			5%	-0.1			-11%	-0.0			2%	-1.1		
NASDAQ 100	25%	0.9			-30%	-1.6			0%	1.6			1%	0.1		
MSCI EAFE	54%	0.8			-54%	-0.9			-2%	-0.4			0%	-1.2		Constructive
Nikkei	26%	0.3			4%	-0.1			2%	-0.4			-1%	-0.6		
MSCI EM	48%	1.2		Cautious	-50%	-1.0			2%	0.3			2%	-0.8		
SECTORS																
S&P Consumer Staples	-10%	-0.2			9%	0.3			-1%	-0.5			0%	-0.2		
S&P Energy	69%	1.5			-74%	-1.0		Cautious	-4%	-0.8			0%	-0.1		
S&P Financials	31%	0.7			-27%	-0.3			-5%	-0.4			0%	-0.2		
S&P Health Care	44%	0.1			-64%	-0.4			9%	0.8			0%	-0.4		
S&P Industrial	50%	1.1			-60%	-1.4			7%	1.2			0%	-0.1		
S&P Materials	-31%				24%				8%				0%			
S&P Tech	44%				-67%				6%				0%			
S&P Utilities	30%	-0.0			-35%	0.1			0%	-0.0			0%	-0.2		

Source: Bloomberg, Morgan Stanley Research. Note: "Cautious" and "Constructive" based on whether forward 3M returns is significantly above or below average at positioning extremes.

CFTC Positioning

Asset	Asset Managers			Dealers			Lev Funds			Other		
	%OI	ZSc	Signal	%OI	ZSc	Signal	%OI	ZSc	Signal	%OI	ZSc	Signal
BONDS												
US Treasury Bonds	19%	-1.8		-7%	0.6		-9%	2.3		-4%	-2.8	Constructive
UST 2Y	37%	0.1		-10%	-1.6		-27%	0.2		0%	-0.3	
UST 5Y	41%	0.5		-11%	-0.9		-30%	0.1		0%	-1.4	
UST 10Y	40%	1.5	Constructive	-8%	-1.8	Constructive	-30%	-0.6		-2%	-0.9	
FX												
US Dollar Index	34%	0.4		-40%	-0.5		6%	0.5		-4%	-0.8	
EUR	20%	-2.2	Constructive	-14%	2.3	Constructive	-9%	-2.2	Constructive	0%	-1.1	Constructive
GBP	-48%	-2.0		43%	1.5		11%	0.1		0%	0.6	
JPY	19%	1.4		-24%	-1.1		-6%	1.0		10%	0.2	
AUD	-37%	-1.1		18%	-0.1		14%	1.6	Constructive	1%	-0.4	
CAD	-2%	0.7		25%	0.0		-23%	-1.0		2%	-1.0	
CHF	-17%	0.9		38%	-0.3		-11%	-0.7		0%	-0.1	
NZD	-37%	-0.4		50%	0.7		-15%	-0.9		3%	1.2	
BRL	35%	0.1		-45%	-0.3		13%	0.7		8%	-0.1	
MXN	-9%	-2.4	Constructive	5%	1.7	Constructive	23%	0.8		-20%	-0.1	
COMMODITIES												
BCOM	55%	1.5	Constructive	-60%	-2.3	Constructive	4%	0.9		0%	-0.3	
Crude	4%	-0.8		-24%	-1.8	Cautious				4%	-0.5	
Gold	20%	0.5		-40%	-2.2					16%	1.1	Cautious
Copper	14%	0.5		4%	-1.2	Constructive				3%	1.6	

Source: Bloomberg, Morgan Stanley Research. Note: "Cautious" and "Constructive" based on whether forward 3M returns is significantly above or below average at positioning extremes.

FX-Hedged Yields

FX-Hedged Yields (FHY) For Across Markets

		USD Investor				EUR Investor				JPY Investor			
Index	Local Yield	FHY	1M Chg	LT Avg	Last ZSc	FHY	1M Chg	LT Avg	Last ZSc	FHY	1M Chg	LT Avg	Last ZSc
DM EQUITIES													
S&P 500	1.1%	1.1%	0	1.8%		-0.5%	2	1.0%		-1.8%	13	-0.6%	
Eurostoxx	2.8%	4.3%	6	4.4%		2.8%	8	3.5%		1.4%	19	2.2%	
TOPIX	2.1%	5.1%	-12	5.0%		3.5%	-10	3.2%		2.1%	2	1.8%	
FTSE 100	3.2%	3.0%	-31	3.6%		1.5%	-29	2.7%		0.1%	-17	1.4%	
EM EQUITIES													
India	1.5%	-2.7%	-86	-2.9%		-4.2%	-82	-3.8%		-5.5%	-70	-4.9%	
Mexico	3.4%	0.9%	-4	-2.4%		-0.6%	-2	-3.3%		-2.0%	9	-2.2%	
Brazil	6.2%	-0.0%	-1	0.4%		-0.0%	0	0.4%		-0.0%	0	-0.0%	
South Africa	4.3%	1.6%	-6	-2.1%		0.1%	-4	-3.0%		-1.3%	7	-2.2%	
Korea	1.7%	2.9%	53	1.8%		1.4%	55	0.9%		-0.0%	65	-1.0%	
GOVT BONDS													
UST 10yr	4.9%	4.9%	-30	3.3%		3.4%	-27	2.1%		2.0%	-15	0.9%	
JGB 10yr	2.8%	5.8%	-39	5.8%		4.3%	-36	1.9%		2.8%	-24	0.9%	
DBR 10yr	3.4%	4.9%	-30	3.3%		3.4%	-27	2.4%		2.0%	-15	0.8%	
BTP 10yr	4.5%	6.1%	-14	4.5%		4.5%	-12	3.6%		3.1%	0	2.0%	
EM LOCAL													
Brazil 10yr	15.1%	6.6%	11	4.4%		5.0%	13	2.9%		3.6%	24	2.6%	
Mexico 10yr	9.3%	6.7%	-2	2.6%		5.1%	1	1.2%		3.7%	12	2.9%	
South Africa 10yr	8.2%	5.3%	-44	3.2%		3.8%	-41	2.3%		2.3%	-29	2.0%	
Korea 10yr	4.1%	5.3%	-9	3.8%		3.7%	-7	2.9%		2.3%	5	2.0%	
CREDIT													
US IG	5.8%	5.8%	-20	4.6%		4.2%	-18	3.1%		2.8%	-6	2.1%	
EUR IG	4.2%	5.8%	-12	4.1%		4.2%	-9	3.2%		2.8%	2	1.6%	
US HY	8.2%	8.2%	-9	8.2%		6.6%	-7	6.0%		5.1%	5	5.6%	
EUR HY	7.6%	9.2%	43	9.1%		7.6%	45	8.1%		6.1%	56	6.5%	
US MBS	5.6%	5.6%	-35	4.1%		4.0%	-32	2.7%		2.6%	-20	1.6%	

Note:

Data as of Thu 29 October 2026

Average and Z-scores based on history going back to 2000. We use a 12m FX forward as a hedge, which could be rolled every quarter.

Source: Bloomberg, Morgan Stanley Research

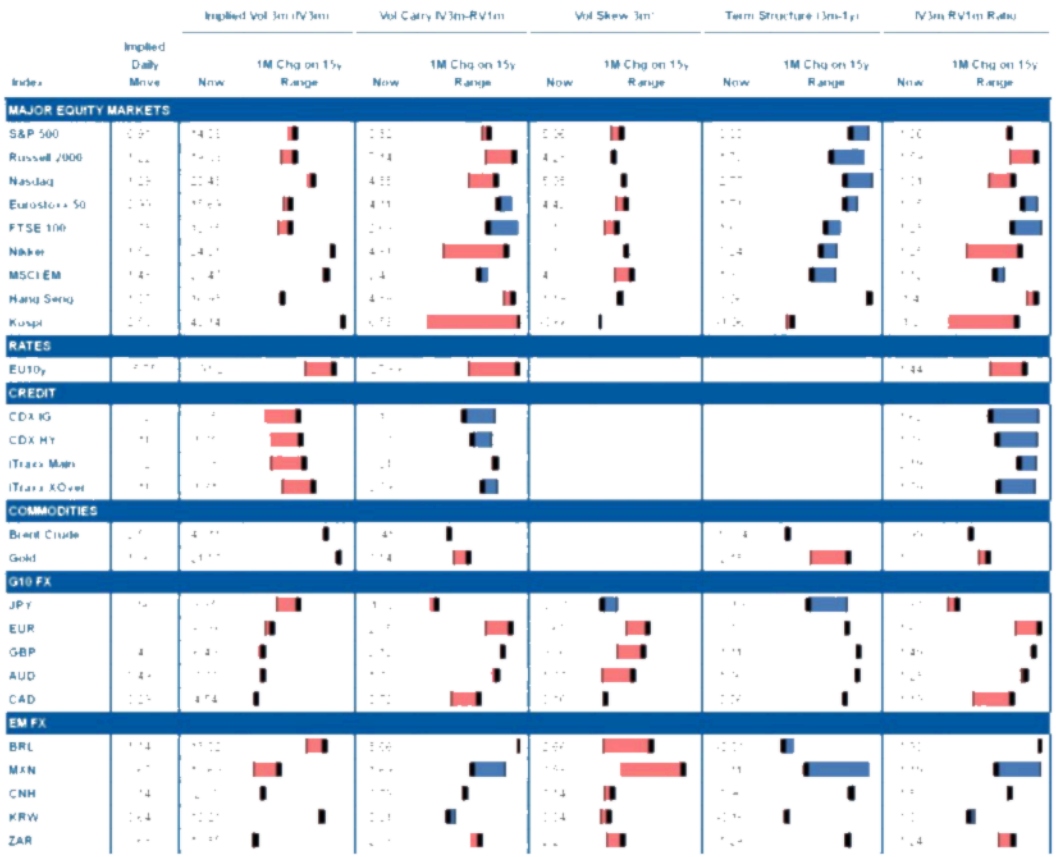
Source: Bloomberg, Morgan Stanley Research. Note: 1) Average and Z-scores based on history going back to 2000. 2) FHY (FX hedged yield) is the 12-month carry earned by the local investor in the foreign asset. 3) We use a 12m FX forward as a hedge. See Cross-Asset Dispatches: A Field Guide to FX-Hedged Yields (29 Apr 2018) for more on FX-Hedged yields.

Equity Valuations by Region and Sectors

			Forward		Trailing				Composite Value	
Index	Level	1yr Range	Fwd P/E	20y Z-Score	P/B	20y Z-Score	Div Yield	20y Z-Score	vs ACWI	20y Z-Score
MSCI ACWI	1,119		15.8		3.7		1.6		~	
S&P 500	7,624		18.6		5.6		1.1		134%	
MSCI Europe	2,519		15.2		2.4		3.0		NA%	
FTSE 100	10,690		11.8		2.3		3.2		69%	
TOPIX	3,966		15.2		1.8		2.1		72%	
Hang Seng	23,093		9.6		1.2		3.2		47%	
MSCI Australia	1,753		18.1		2.7		3.5		94%	
MSCI EM	1,578		9.1		2.2		2.2		58%	
Brazil	2,157		9.3		2.1		4.7		58%	
China	68		9.6		1.3		2.6		48%	
India	2,713		18.1		3.0		1.4		98%	
Korea	2,015		4.2		1.8		1.0		38%	
US Growth	18,290		24.4		12.5		0.4		246%	
US Value	4,935		16.1		3.7		1.8		101%	
EU Growth	224		18.4		4.1		1.8		114%	
EU Value	188		11.7		1.8		3.9		62%	
US Large Cap	5,251		19.5		6.2		1.1		146%	
US Small Cap	1,682		16.1		2.0		1.6		79%	

Source: Bloomberg, Datastream, Morgan Stanley Research. Note: Data as of October 23, 2026. The Composite Value vs ACWI is an average of forward P/E and P/B of the index against ACWI. It shows where the index is trading at compared to ACWI. MSCI ACWI and MSCI EM countries are denoted in USD, the rest are in local currency. For 20-year Z-score, in cases without 20 years of historical data we show as much history as possible.

Cross-Asset Volatility Monitor



Source: Bloomberg, Morgan Stanley Research. Note: Components of the scorecard: A) 3m implied vol; for credit indices, we use the corresponding CBOE 3 month volatility index and 1M change is shown on 10Y range B) Vol carry: Defined as the difference between 3 month implied vol and 1 month realized vol. C) Vol skew (3m): 1) Defined as OTM put - OTM call; 2) Defined as 25 delta skew for equities, commodities and FX; 3) Defined as +50/-50bp skew for US rates and -25/+25bp skew for EU rates; 4) Defined as 80/130 skew for credit. D) Term structure: Defined as the difference between 1 year and 3 month implied vol. Blue shaded area shows a fall in volatility metric while red shaded area shows a rise in the volatility metric. Black dot represents the current value, black vertical bar represents data point 1m ago.

Our Multi-Asset Benchmark

		Hedged Returns				Unhedged Returns			
Asset	Wght	T1W	T1M	T3M	T12M	T1W	T1M	T3M	T12M
BENCHMARK	~	0.8%	1.0%	3.2%	12.3%	0.6%	0.3%	0.3%	11.4%
EQUITIES									
US Equities	30%	1.3%	1.3%	4.3%	16.9%	1.3%	1.3%	4.3%	16.9%
European Equities	10%	1.1%	0.3%	-0.6%	15.9%	0.5%	-0.6%	-3.6%	10.7%
Japan Equities	5%	0.2%	-0.3%	3.8%	24.4%	-0.7%	-1.9%	-0.9%	12.6%
EM Equities	10%	3.9%	-3.7%	5.3%	18.4%	3.9%	-3.7%	5.3%	18.4%
CORE FIXED INCOME									
USTs	10%	-0.5%	1.4%	-0.7%	-1.2%	-0.5%	1.4%	-0.7%	-1.2%
EGBs	6%	0.2%	0.8%	-1.8%	-1.4%	-0.4%	-1.2%	-5.3%	-6.8%
Agency MBS	5%	-0.3%	2.0%	-1.3%	-0.6%	-0.3%	2.0%	-1.3%	-0.6%
US IG	5%	-0.3%	1.6%	-0.9%	-1.4%	-0.3%	1.6%	-0.9%	-1.4%
EUR IG	2%	-0.2%	0.7%	-0.8%	0.5%	-0.8%	-1.2%	-4.4%	-5.0%
OTHER FIXED INCOME									
US HY	2%	0.9%	0.7%	-0.8%	2.0%	0.9%	0.7%	-0.8%	2.0%
EM $ Sov	2%	-0.4%	0.5%	0.1%	1.0%	-1.4%	-0.3%	-1.0%	2.1%
EM Local	4%	-0.4%	0.5%	0.1%	1.0%	-1.4%	-0.3%	-1.0%	2.1%
US Lev Loans	1%	0.4%	-0.3%	0.5%	2.1%	0.4%	-0.3%	0.5%	2.1%
CLO AAA	1%	-0.3%	-1.5%	-1.4%	-0.8%	-0.3%	-1.5%	-1.4%	-0.8%
COMMODITIES									
Brent	2%	2.0%	18.8%	46.0%	158.5%	2.0%	18.8%	46.0%	158.5%
Gold	1%	-0.6%	-3.2%	-3.5%	-6.0%	-0.6%	-3.2%	-3.5%	-6.0%
Copper	1%	3.3%	0.3%	1.7%	23.0%	3.3%	0.3%	1.7%	23.0%
CASH									
CASH	3%	0.1%	0.4%	0.9%	3.7%	0.1%	0.4%	0.9%	3.7%

Source: Bloomberg, Morgan Stanley Research. Note: For our benchmark, assets except EM will be viewed on a total return, FX-hedged (if not a USD market). See Cross-Asset Portfolio Strategy: Introducing Our Multi-Asset Optimal Portfolio (MSMAP) (20 Jan 2023) for more.

Open Trades

Direction	Instrument	Trade	Entry Date	Price
Long	MSXXAIAD Index	Long AI Adopters	30-Sep-26	154
Short	EURAUD Curncy	Short EURAUD	21-Aug-26	1.64
Short	SFRZ6 Comdty	SFRZ6Z7 Flatteners	30-Sep-26	4.32
Long	SFRZ7 Comdty	SFRZ6Z7 Flatteners	30-Sep-26	4.85
Long	ITRXEXE Index	XO vs Main Decompression	21-Aug-26	250
Short	ITRXEBE Index	XO vs Main Decompression	21-Aug-26	51
Long	PCLOAAAT Index	Long CLO AAAs	30-Sep-26	N/A

Source: Morgan Stanley Research

Closed Trades

Direction	Instrument	Trade	Entry Date	Entry Price	Close Price
Long	IBOXHYSE Index	Long CDS HY 15-22% vs. XO 10-20%	30-Sep-26	337	Long
Short	ITRXEXE Index	Long CDS HY 15-22% vs. XO 10-20%	30-Sep-26	301	Short

Source: Morgan Stanley Research

Valuation Methodology and Risks

Idea	Current Levels	Rationale	Risk
XO vs. Main Decompression (1:4.5x)	**iTraxx Main: 52bp; iTraxx XO: 248bp**	Renewed uncertainty in the Middle East and higher commodity prices could weigh on European growth, disproportionately impacting European HY issuers. With the XO/Main spread ratio compressed to its YTD low, we see an attractive opportunity to position for XO/Main decompression.	The risk to the trade is a sharp reversal in commodity prices, leaving XO exposed to further outperformance versus Main.

Trade	Date	Entry Level	Target	Stop	Rationale	Risks
1y1y vs 5y5y TIIE Flattener	18-Sep-26	139	100	165	We see scope for further TIIE flattening as the curve remains one of the steepest in EM ex-Peru and has lagged the ongoing flattening in USTs. While inflation remains broadly well behaved, upside data surprises have begun to pick up and long-term inflation expectations have started to drift higher, suggesting hike premia should persist. However, we think any additional repricing is more likely to occur in the intermediate sector rather than further out the curve. As for the long end, the main domestic risk to this view would be fiscal concerns driving underperformance. While fiscal risks remain non-negligible, we think the 2027 budget's realistic assumptions and modest consolidation efforts reduce the likelihood of additional rating-agency pressure, limiting the scope for a meaningful cheapening of long-end rates	Meaningful retracing of FOMC pricing or a steepening of US Treasury curve
Long 6-month EGP T-Bills (FX-Unhedged)	26-Jun-26	89.6	100	86	We initiate bullish bias towards EGP-denominated assets as we see the macroeconomic backdrop remaining supportive. We prefer to express our view via T-Bills given the significant pick-up offered relative to FX-implied yields. Potential for a further normalisation in ME and low oil prices should provide support for the external balances and the currency	Risk-off sentiment leading to concentrated outflows
SA 1y1y-2y2y steepener	10-Jun-26	3	50	10	We maintain 1y1y-2y2y steepeners, as we see scope for additional risk premium to be priced into the curve through global rates, politics and fiscal uncertainty. We remain neutral on USD/ZAR, which continues to trade largely off global factors	SARB hikes more than expected with no fiscal risks
HUF 5Y5Y vs PLN 5Y5Y	15-May-26	0.00	-100	-40	We favour paying PLN 5y5y versus receiving HUF 5y5y, as persistent fiscal risks and election-related premia should keep pressure on the Polish long end, while Hungary continues to benefit from risk-premium compression and an improving policy backdrop	Positioning unwind in Hungary and fiscal consolidation in Poland
Short USD/TWD	14-Aug-26	32.2	31.5	32.6	We see attractive risk/reward in selling USD/TWD as Taiwan dividend outflows have finished, foreign investor flows in Taiwan equities are improving, and Taiwan exporters may also increase FX conversion, particularly with corporate tax payments due in September. Valuations are also attractive, with TWD NEER below its 3-year average	Oil prices spiking higher and a further correction in AI stocks
Short 3m USD/TRY forward	13-Aug-26	51.51	50.23	52.00	With the CBT keeping real rates high, the economic programme remaining solid and middle east developments becoming less significant for market participants, we continue to like the carry trade in Turkey	The CBT cutting rates faster than market expectations

Source: Morgan Stanley Research

History of Recommendations and Stances

HUF 5y5y rec vs PLN 5y5y payer

Instrument	Identifier	Maturity	Trade	Entry Date	Entry Level	Exit Date	Exit Level	Target/ Objective	Stop/Re-assess	Size of Trade or Unit/Notional
[illegible]	S0325FS 5Y5Y BLC Currncy	NA	HUF 5y5y rec vs PLN 5y5y payer	15-May-2026	0			-50	20	10
[illegible]	PZFS0525 Currncy		HUF 5y5y rec vs PLN 5y5y payer	15-May-2026	0			-50	20	10

Short 3m USD/TRY

Instrument	Identifier	Maturity	Trade	Entry Date	Entry Level	Exit Date	Exit Level	Target/ Objective	Stop/Re-assess	Size of Trade or Unit/Notional
USD TRY		3M	Short USD/TRY 3month	20-May-2025	42.66	20-Aug-2025	40.89	39.50	44.0	
USD TRY		3M	Short 3m USD/TRY FX Forward	24-Sep-2025	44.75	26-Dec-2025	42.8475	43.20	45.5	10
USD TRY		3M	Short 3m USD/TRY FX Forward	15-Jan-2026	46.17	16-Apr-2026		44.9	47.2	10
USD TRY		3M	Short 3m USD/TRY	22-Apr-2026	48.7			46.84	47.7	10

Source: Morgan Stanley Research

History of Recommendations and Stances

Like Turkey Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like Turkey Hard Currency Bonds	15-May-2026	
Like Nigeria Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like Nigeria Hard Currency Bonds	20-Jan-2026	
Like Ivory Coast Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like Ivory Coast Hard Currency Bonds	03 Sep 2024	12 Aug 2025
Like Ivory Coast Hard Currency Bonds	21-Nov-2025	
Like Argentina Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like Argentina Hard Currency Bonds	02-Sep-2025	08-Sep-2025
Like Argentina Hard Currency Bonds	16-Nov-2025	
Like Ecuador Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like Ecuador Hard Currency Bonds	16-Nov-2025	
Like South Africa Hard Currency Bonds		
Trade	Entry Date	Exit Date
Like South Africa Hard Currency Bonds	12-Aug-2025	

Source: Morgan Stanley Research

Definition of Terms

Buy/Long: The analyst expects the total or excess return (depending on the nature of the recommendation) of the instrument or issuer that is the subject of the investment recommendation to be positive over the relevant time period.

Sell/Short: The analyst expects the total or excess return (depending on the nature of the recommendation) of the instrument or issuer that is the subject of the investment recommendation to be negative over the relevant time period.

Selling protection or Buying Risk: The analyst expects that the price of protection against the event occurring will decrease over the relevant time period.

Buying protection or Selling Risk: The analyst expects the price of protection against the event occurring will increase over the relevant time period.

Pay: The analyst expects that over the specified time period the variable rate underlying the swap agreement that is the subject of the investment recommendation will increase.

Receive: The analyst expects that over the specified time period the variable rate underlying the swap agreement that is the subject of the investment recommendation will decrease.

Like: Based on current market conditions as of the date of this report the analyst expects that the relevant securities of the issuer that is subject of the recommendation will perform favorably over the relevant time period as compared to the overall market of comparable securities by other issuers. This is not intended to be, nor should it be interpreted as a formal fundamental rating of the issuer or its .

Dislike: Based on current market conditions as of the date of this report the analyst expects that the relevant securities of the issuer that is subject of the recommendation will perform unfavorably over the relevant time period as compared to the overall market of comparable securities by other issuers. This is not intended to be, nor should it be interpreted as a formal fundamental rating of the issuer or its .

Unless otherwise specified, the time frame for recommendations included in the Morgan Stanley Fixed Income Research reports is 6 - 12 months and the price of financial instruments mentioned in the recommendation is as at the date and time of publication of the recommendation.

When more than one issuer or instrument is included in a recommendation, analyst expects one part of the trade to outperform the other trade or combination of other trades included in the recommendation on a relative basis.

For important disclosures related to the proportion of all investment recommendations over the past 12 months that fit each of the categories defined above, and the proportion of issuers corresponding to each of those categories to which Morgan Stanley has supplied material services, please see the Morgan Stanley disclosure at https://ny.matrix.ms.com/eqr/article/webapp/b83487c0-2db9-11f1-b3c0-bb95a716ade2?ch=rp&sch=sr&sr=1

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley & Co. LLC and/or Morgan Stanley C.T.V.M. S.A. and/or Morgan Stanley México, Casa de Bolsa, S.A. de C.V. and/or Morgan Stanley & Co. International plc and/or Morgan Stanley Europe S.E. and/or RMB Morgan Stanley Proprietary Limited and/or Morgan Stanley MUFG Securities Co., Ltd. and/or Morgan Stanley Capital Group Japan Co., Ltd. and/or Morgan Stanley Asia Limited and/or 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/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or 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), and/or 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), and/or Morgan Stanley India Company Private Limited having Corporate Identification No (CIN) 15305, 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 which accepts the responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research, and their affiliates (collectively, "Morgan Stanley"). 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.

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/eqr/disclosures/webapp/generalresearch, 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: Yimin Huang; Soham Sen; Erika J Singh-Cundy; Serena W Tang.

Disclosure Section (Cont.)

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/ . A Portuguese version of the policy can be found at www.morganstanley.com.br

Important Regulatory Disclosures on Subject Companies

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, Turkey. Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Turkey. In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Argentina, Turkey. Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, Argentina, Turkey. Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, Turkey.

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.

Disclosure Section (Cont.)

Global Stock Ratings Distribution

(as of October 31, 2026)

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.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	**1575**	**43%**	**460**	**49%**	**29%**	**742**	**44%**
Equal-weight/Hold	**1537**	**42%**	**393**	**42%**	**26%**	**720**	**43%**
Not-Rated/Hold	**2**	**0%**	**1**	**0%**	**50%**	**1**	**0%**
Underweight/Sell	**570**	**15%**	**92**	**10%**	**16%**	**218**	**13%**
Total	**3,684**		**946**			**1681**	

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.

Disclosure Section (Cont.)

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index or 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.

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 any material conflict of interest that can reasonably be expected to have influenced Morgan Stanley Smith Barney LLC's choice of a third-party research provider or the subject company of a h report, are available on the Morgan Stanley Wealth Management disclosure website at www.morganstanley.com/online/ res. For Morgan Stanley specific disclosures, you may refer to https://www.morganstanley.com/eqr/disclosures/webapp/generalre

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.

Disclosure Section (Cont.)

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.

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), 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). Please use the provided link to review the Terms and Conditions and Most Important Terms and Conditions for Morgan Stanley India Company Private Limited (https://www.morganstanley.com/assets/pdfs/about-us-global-offices/india/Terms and conditions.pdf) and the following link to review the audit report (https://ny.matrix.ms.com/eqr/research/webapp/researchdocs/MSICPL_Morgan_Stanley_Research_Audit_Report.pdf).

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.

Disclosure Section (Cont.)

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.

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.

Disclosure Section (Cont.)

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 Comision 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) 15305, 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 Germany and the European Economic Area where required by Morgan Stanley Europe S.E., authorised and regulated by Bundesanstalt fuer tungsaufsicht (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. Morgan Stanley Research is disseminated in Canada by Morgan Stanley Canada Limited and Morgan Stanley Wealth Management Canada Inc., members of the Canadian Investment Regulatory Organization (CIRO). 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.

Disclosure Section (Cont.)

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.

References to any prediction market or event contract do not constitute an offer, solicitation, recommendation, or endorsement to participate in any such market or contract. Morgan Stanley Research may not be distributed or made available in any jurisdiction where such distribution would be unlawful or otherwise prohibited by applicable law. BR11C22026

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

©2026 Morgan Stanley