Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

Global Investment Office | May 15, 2024

US Policy Pulse

2024 General Election Series

Monica Guerra
Investment Strategist
Monica.Guerra@morganstanley.com

Daniel Kohen
Associate
Daniel.Kohen@morganstanley.com

The 2024 general election series consists of monthly reports examining the relationship between financial markets, the economy and electoral outcomes. Please note this series will be published in addition to our flagship *US Policy Pulse* reports.

New in This Edition

- President Biden faces two key risks: Sticker inflation and slowing growth weigh on consumers, while some domestic social unrest on US Middle East policy may impact his favorability. However, former president Trump faces a conviction risk, and some voters may withdraw support if he is convicted before the election.
- Trump's court cases have reduced his fundraising and campaigning presence while Biden maintains a strong funding and cash advantage.
- Biden's historically high disapproval rating remains above Trump's at this point in his term, while Trump continues to lead polling in all swing states.
- Congress passed a $95 billion supplemental funding bill for Ukraine, Israel and Taiwan. Biden has announced greater import tariffs on a number of Chinese industrial and clean energy goods.
- Two Senate Democrats and an independent who caucuses with the Democrats have announced retirements. Since two of those seats are in battleground states, we see the potential to flip control to the Republicans, while redistricting in the House of Representatives may switch control to the Democrats.
- Consumer sentiment declined significantly in May to a six-month low and remains below the election-year average, which by historical standards, now indicates a Republican presidential victory. Sentiment among independents fell by more than either party and remains anchored to Republican sentiment.
- Our analysis of industries that may benefit from a Democratic or Republican win indicates that the stock market may be positioning for a GOP victory.

The 2024 General Election

The 2024 election is just months away and will have significant investor implications. The next president will play an important role in developing tax and trade policy, addressing budget deficits and the debt ceiling and navigating geopolitical unrest. Given the highly consequential nature of this election, we leverage financial market and economic data to guide investors and identify risks and opportunities as they develop. While this report focuses on current performance, we encourage investors to refer to our [History of General Election Performance Part 1] and [Part 2] reports for our comprehensive and historical election views.

What's New in Policy

The extent to which President Biden and former president Trump can frame this election to their advantage is critical. Trump aims to cast the election as a referendum on Biden's term in office, while Biden seeks to frame it as a choice between him and Trump. However, Biden faces two risks: economic uncertainty and foreign policy. Stickier inflation and slowing growth complicate Federal Reserve policy this year and hint at a weaker overall economic picture, weighing on households. The economy is historically a top indicator for reelection chances. Second, domestic social unrest from the Middle East war has impacted Biden's favorability, especially if younger and more left-leaning voters, who make up much of his base, abstain from voting.

That said, a risk remains for Trump too: criminal conviction. Just some voter withdrawal due to a criminal conviction may sway the election in Biden's favor. Even absent a conviction before Election Day, Trump's court cases have reduced his presence on the campaign trail and hurt his fundraising efforts, where Biden has a $40 million cash advantage and can deploy more resources to swing states.

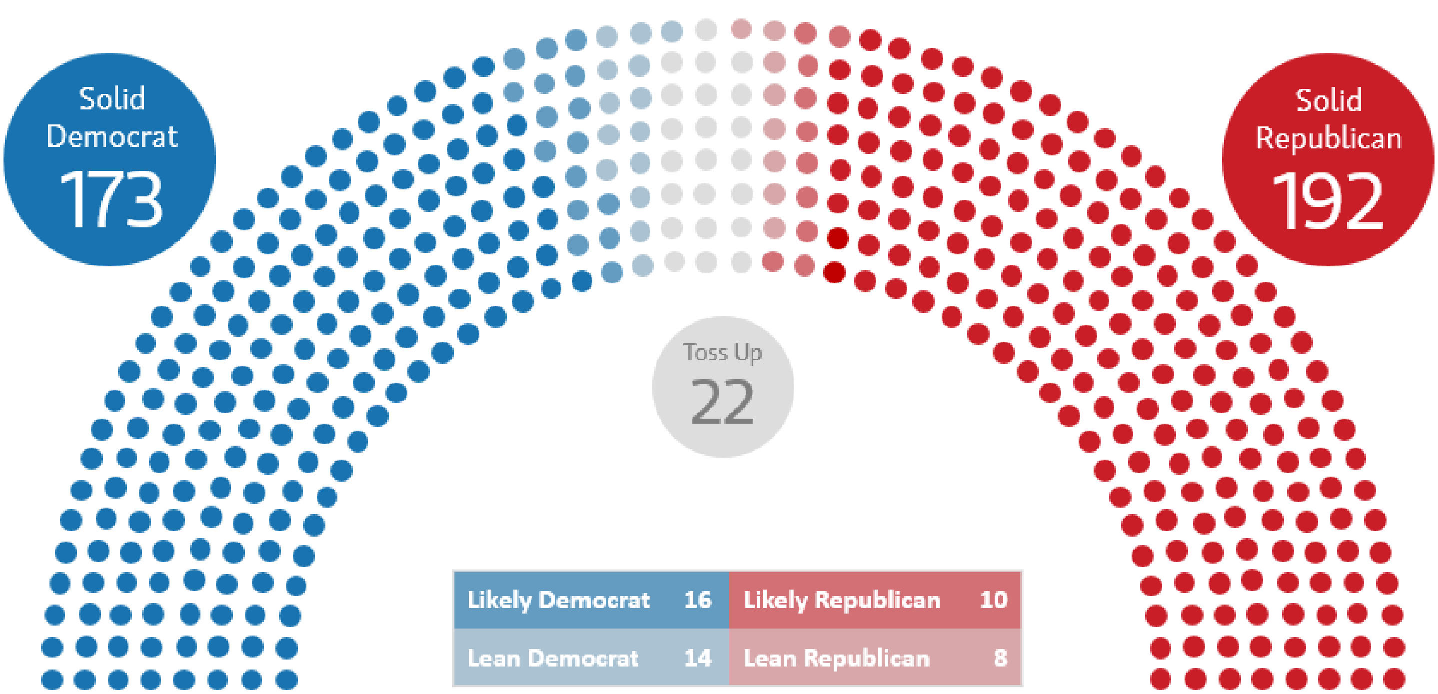
Congress successfully passed a $95 billion supplemental military funding bill for Ukraine, Israel and Taiwan in April. Meanwhile, Biden aims to increase import tariffs on steel, aluminum and various clean energy goods from China. Ahead of the election, he has also cancelled a total of $160 billion, or 10% of total outstanding student debt, via multiple batches of loan forgiveness, which may help attract more voters.

The House of Representatives

Republicans currently maintain a narrow 217-213 majority over Democrats in the House of Representatives, with four GOP and one Democratic seat vacant, allowing for just one Republican to defect before tipping control to the Democrats. The balance of power is subject to change further, as every two years all 435 House seats are up for election. Its ultimate composition is dependent on several factors, including candidate electability, voting trends shifts due to redistricting and the combination of retirements and legislators seeking other public offices. As of this writing, 45 House members (20 Republicans and 25 Democrats) are leaving their seats either due to retirements or in pursuit of other office.

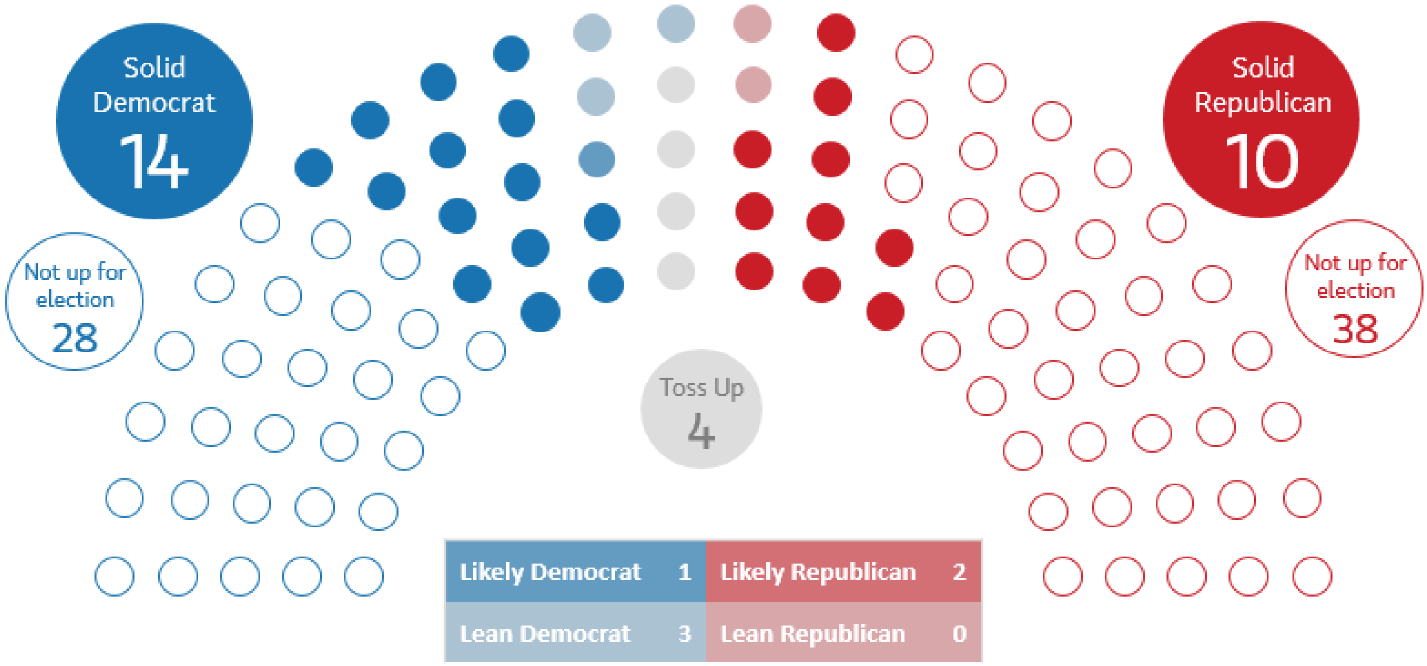
While both parties see opportunity in certain races, we anticipate the House is likely to fall under Democratic control, primarily due to advantages from recent congressional redistricting. Furthermore, the Cook Political Report (CPR) projects that 173 seats are solidly Democrat—not considered competitive—while 30 seats are likely or lean Democrat. It projects 192 solidly Republican races, with 18 likely or lean Republican races (see Exhibit 1). Importantly, CPR also considers 22 races "toss ups," adding considerable competition to the fight to control the House.

Exhibit 1: House Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Exhibit 2: Senate Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

The Senate

In the Senate, Republicans maintain 49 seats, while Democrats and independents who caucus with them give Democrats a slim 51-49 majority. Unlike the House, where all seats are up for election every two years, Senate terms are six years so only one-third of seats are up every two years. Of those seats up this year, CPR now rates 14 solid Democrat, 10 solid Republican, four likely or lean Democrat and two likely or lean Republican. Four seats are now considered "toss ups" (see Exhibit 2). We believe this breakdown puts the Democratic majority in the Senate at risk: specifically, the retirement of Sen. Joe Manchin (D-WV) opens a seat in a state where Trump won 69% of the vote in 2020. The retirement of Sen. Kyrsten Sinema (I-AZ) opens another seat in a state which Biden won by a narrow 10,000 votes in 2020. Lastly, the retirement of Michigan Democrat Debbie Stabenow sets up a potential flip in another swing state.

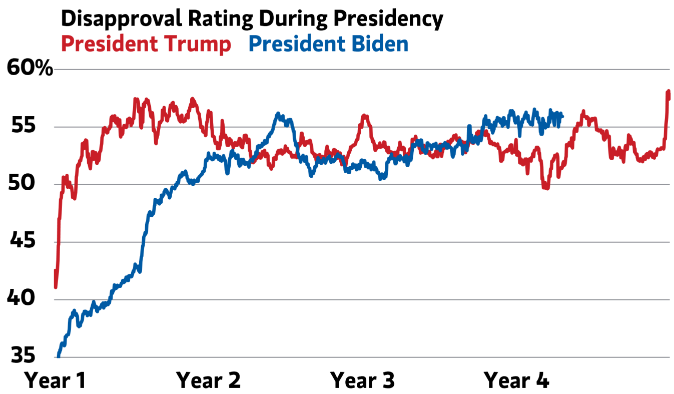
The Presidency

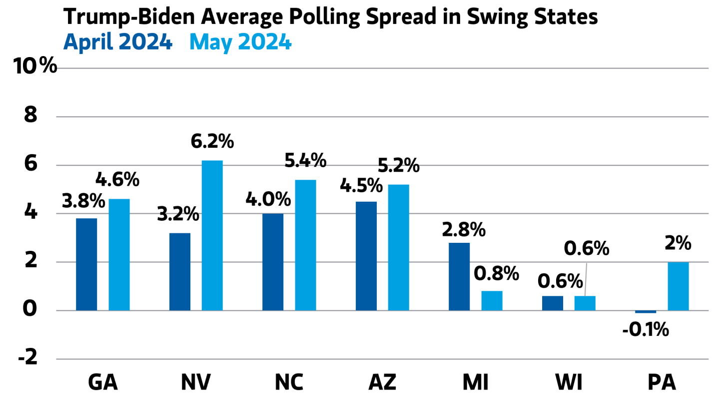
Biden's historically high disapproval rating of 56% exceeds former President Trump's 51% at this point in his term (see Exhibit 3, left). Concerns remain among voters about the president's age and health, as well as his handling of other issues such as the economy and foreign policy. Inflation has fallen but is stickier than expected and many voters still view high costs of living as their top concern. Escalating Ukraine and Middle East conflicts, as well as immigration issues and social unrest, further pressure his favorability.

In contrast, according to RealClearPolitics polling averages, Trump currently leads Biden in all seven swing states, each of which were decided by less than three percentage points in 2020. Trump has shaken off Biden's State of the Union bump and increased or maintained his lead in six of the seven swing states since last month, though he has lost ground in Michigan, a highly competitive state (see Exhibit 3, right).

However, Biden has a $55 million cumulative fundraising lead, and $40 million cash-on-hand lead, according to Federal Election Commission filings. Though fundraising does not ensure victory, the pace of donations positions Biden to expand campaign and advertising operations in swing states prior to the election. As the longest US presidential election campaign kicks off, both candidates will focus their rhetoric on painting starkly different pictures of America, especially on economics and foreign policy.

Exhibit 3: President Biden Remains Unpopular Among Voters, While Trump Extends His Lead in Swing States

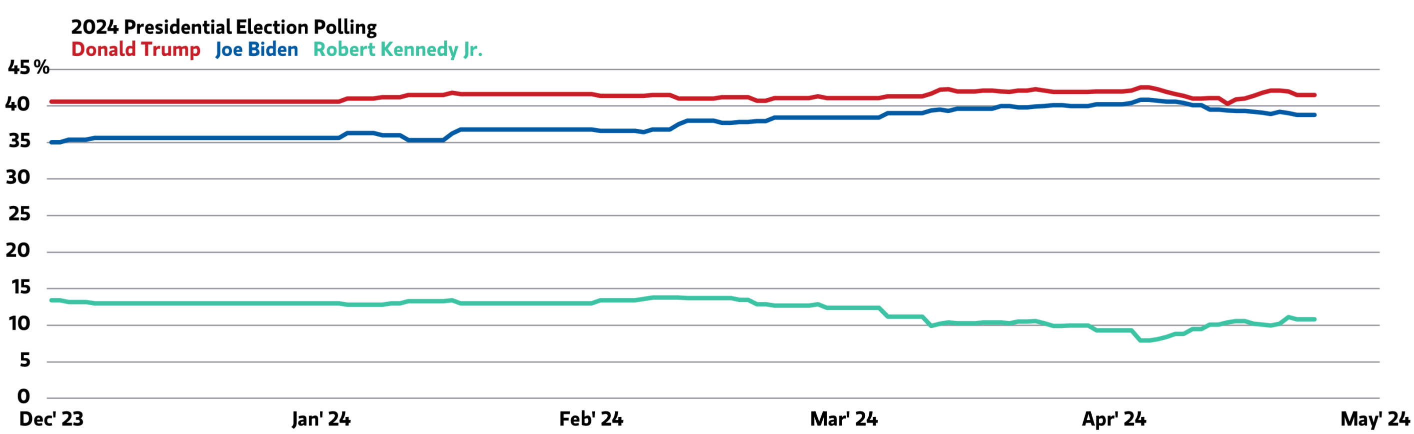




Source: 538, RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Polling for Trump, Biden and Robert Kennedy Jr., the leading independent, shows notable disparities as well. In average polling, Trump leads Biden by three points, while Kennedy polls at almost 11%, up from 8% in mid-April (see Exhibit 4). Though winning the presidency outright may be difficult, the historically high disapproval of the two major party candidates provides an opening for a challenger who offers an alternative to the established parties (see Exhibit 4). As in 2016 and 2020, where just a football stadium's worth of votes decided the outcome, Kennedy's polling is crucial to watch in 2024, as his relatively strong polling can divert votes away from major-party candidates, especially in battleground states. Throughout their campaigns, both Trump and Biden will not only seek to retain their votes against Kennedy but will also need to pull voters away from Kennedy as long as his polling numbers remain high. As a result, we expect sustained rhetoric from both established candidates against Kennedy for the remainder of his campaign.

Exhibit 4: Third Party Candidates Could Impact Major Party Candidate Polling in the Near Term



Source: RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Macroeconomics, Markets and the Election

Macroeconomic Indicators

While not the only determinant, presidential outcomes are correlated with voter sentiment on the economy, namely GDP in the months prior to an election. According to the Center for the Study of Democratic Institutions, a 5% increase in GDP results in a corresponding 6% gain in incumbent vote share. As such, slower annualized first quarter GDP of 1.6% has corresponded to a 2% drop in Biden's approval rating this year.

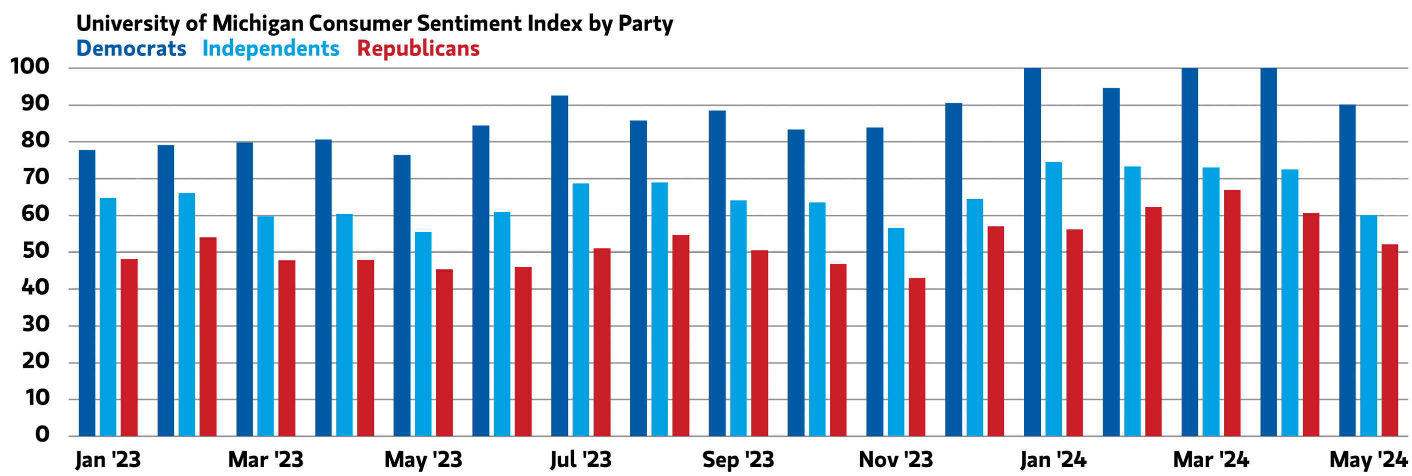
Beyond GDP, voters' perceived wealth is often connected to inflation and the "economic pinch." For example, Morgan Stanley & Co. Research's latest AlphaWise survey shows inflation and the economy to be the top concern for 61% of consumers. As geopolitical risks weigh, average US gasoline prices are up over 10% this year and almost 50% since Biden took office. Wage growth is slowing and unemployment is on an uptrend, while stickier than expected inflation may lead to higher for longer Fed policy and risks overtightening. Taken together, much of Biden's reelection chances hinge on a patchwork of geopolitical, inflationary and economic outcomes, and the extent of drag on consumer confidence.

The University of Michigan Consumer Sentiment Index (MCSI), a proxy for consumer confidence, fell 10 points to a six month low of 67.4 on a preliminary basis in May, from 77.2 in April. The index remains below its pre-pandemic level and its historical election year average of 85.0, indicating hesitancy about the economic outlook amid election uncertainty. In fact, consumer sentiment was only this low in May of an election year five other times, three of which resulted in the unseating of the incumbent and another time resulting in a party change, given it was an open election.

Analyzing sentiment by political party, we unsurprisingly see high readings among Democratics and low readings among Republicans today, which is historically consistent depending on the party in office. For Democrats and Republicans, sentiment fell 11 points and eight points respectively, in May, but fell 12 points for independents. Aside from this larger deterioration, consumer sentiment among independents is anchored closer to readings among Republicans, rather than Democrats, perhaps pointing to the direction in which independents may lean come Election Day (see Exhibit 5).

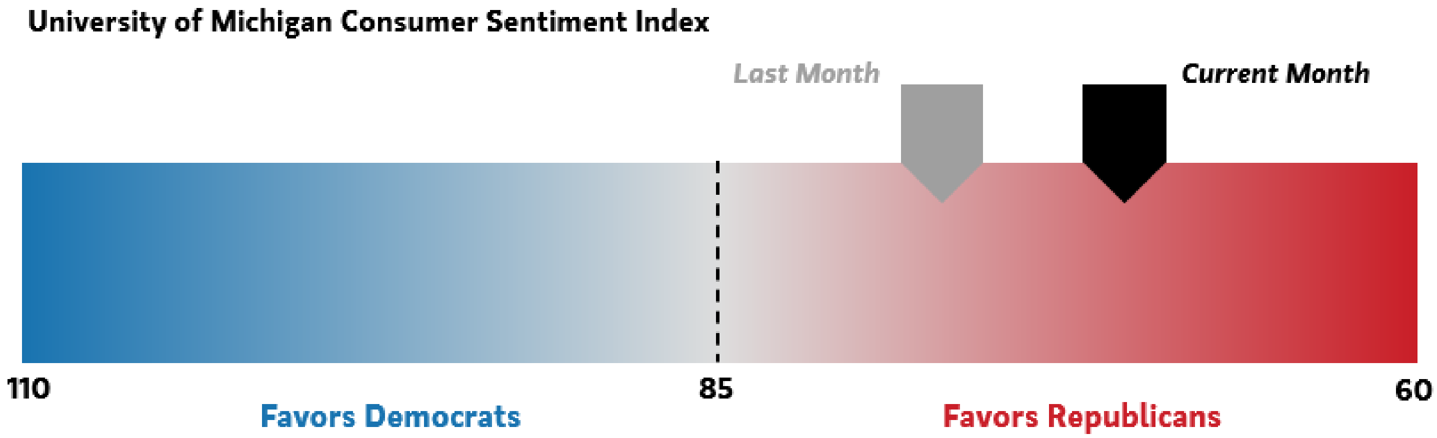
Overall, the index has a positive correlation of 0.5 with incumbent presidential wins and losses, with the index at 92, on average, when the incumbent party wins and at 80, on average, when the incumbent party loses. While the MCSI continues to point to a Republican win we emphasize that it is but one of many possible leading indicators of election results and we encourage investors to consider economic conditions holistically (see Exhibit 6).

Exhibit 5: Consumer Sentiment Among Independents Remains Anchored Closer to Republicans Rather Than Democrats



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Exhibit 6: Consumer Sentiment Fell Significantly and Still Favors Republicans



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Market Indicators

On average, the S&P 500 rises in election years. As investors seek to position their equity portfolios ahead of the election, we find that overall, the market tends to outperform in the second half over the first half of election years relative to nonelection years as confirmation of party nominees dispels some uncertainty. When analyzing market performance by sector, patterns emerge that may serve as opportunities for investors around elections since political outcomes and policy platforms can impact an industry's regulation and profitability. For example, if investors anticipate a Republican win, utilities, energy, financials and industrials may track the strong performance of those sectors in election years when Republicans won. Conversely, information technology and consumer discretionary performed best when a Democrat was the eventual winner (see Exhibit 7). We believe that investment opportunities in certain sectors and industries may arise as Election Day approaches.

For example, although Congress has passed a $95 billion supplemental defense bill, US election uncertainty still hangs over the industry. As such, the S&P 500 relative to the defense sector has closely tracked Biden's reelection chances. When his chances have improved, defense has underperformed the broader market while defense has outperformed when his odds have fallen (see Exhibit 8). Although this follows the traditional assumption that Republican presidents are more supportive of defense sentiment, this view may be challenged in 2024, as Trump and many GOP members appear less receptive to Ukraine funding and favor an end to the war, which may negatively impact defense sentiment in the near term.

Exhibit 7: Sector Returns By Democrat and Republican Election-Year Wins

Republican Win Average Performance in Election Year

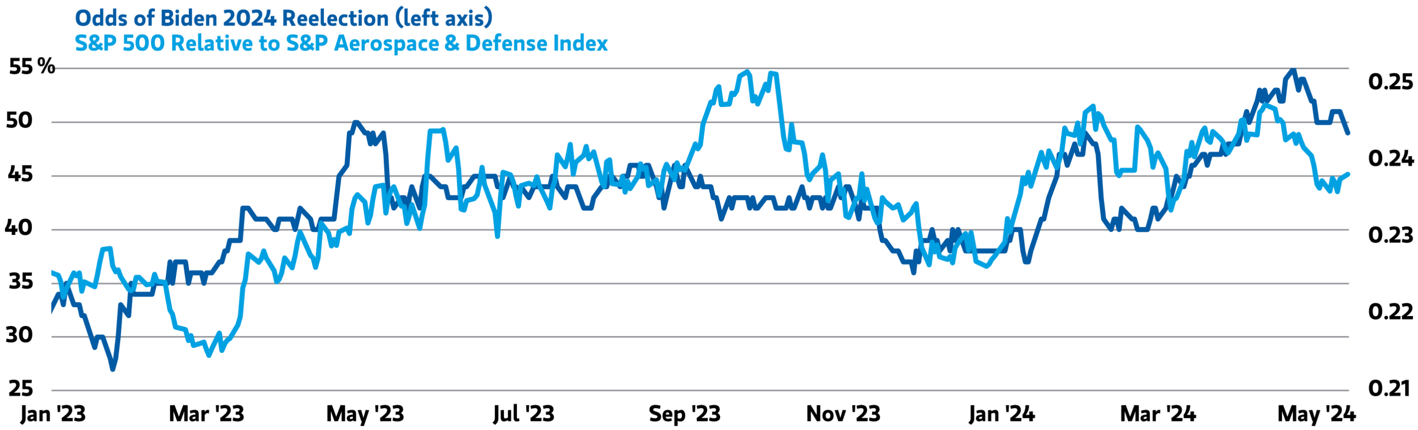
	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	2.8%	1.4%	0.1%	-0.1%	1.3%	9.5%
Information Technology	-8.9%	4.4%	-3.3%	-3.8%	-6.4%	12.0%
Health Care	10.5%	-2.3%	10.4%	-1.9%	3.7%	5.0%
Energy	21.9%	3.2%	6.7%	6.7%	3.8%	11.7%
Consumer Discretionary	-1.4%	-0.6%	-3.5%	-1.4%	3.5%	2.4%
Consumer Staples	7.7%	-2.5%	5.7%	-2.5%	8.5%	8.4%
Communication Services	-2.0%	5.8%	-3.4%	-4.1%	-2.8%	18.6%
Utilities	27.8%	8.3%	2.8%	10.3%	4.5%	12.2%
Real Estate	10.9%	5.6%	-0.4%	0.9%	4.8%	-5.6%
Materials	2.4%	-4.0%	-3.4%	-0.7%	11.2%	7.1%
Financials	17.3%	0.2%	-1.6%	9.0%	9.8%	10.5%
Industrials	12.2%	0.5%	2.5%	3.9%	5.1%	9.7%

Democratic Win Average Performance in Election Year

	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	3.2%	-3.3%	3.7%	2.0%	0.0%	9.5%
Information Technology	11.1%	0.7%	6.5%	2.4%	-1.0%	12.0%
Health Care	0.6%	-5.3%	2.2%	2.8%	0.3%	5.0%
Energy	-10.3%	-12.1%	10.6%	-5.8%	1.0%	11.7%
Consumer Discretionary	9.4%	0.5%	5.0%	4.2%	-0.7%	2.4%
Consumer Staples	4.7%	-2.6%	2.4%	5.3%	-0.4%	8.4%
Communication Services	2.0%	-8.7%	7.2%	-0.8%	4.4%	18.6%
Utilities	-7.4%	-7.9%	4.5%	-3.0%	-0.9%	12.2%
Real Estate	-11.3%	-2.9%	3.1%	0.8%	-12.0%	-5.6%
Materials	0.8%	-0.4%	4.1%	-1.1%	-1.7%	7.1%
Financials	6.1%	-3.6%	-1.9%	3.8%	3.3%	10.5%
Industrials	1.9%	-2.8%	0.7%	2.3%	1.3%	9.7%

Note: Percentages indicate sector performance for each election-year quarter or other period, ending on Dec. 31 of that election year.
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

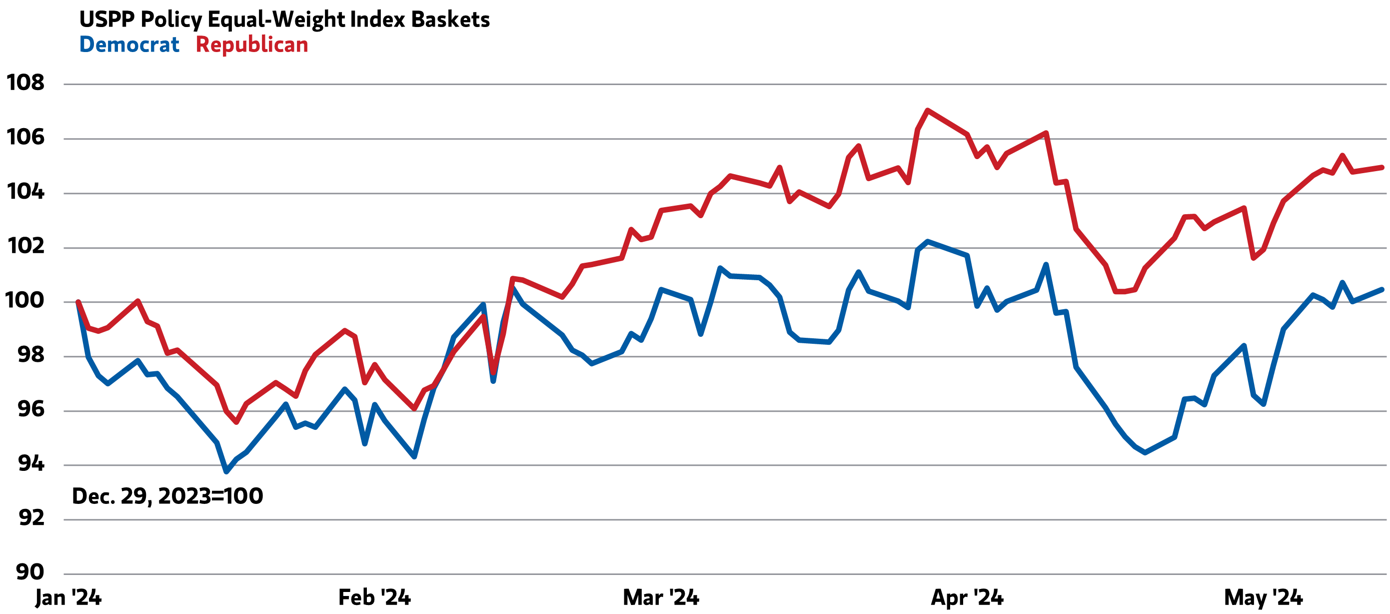
Exhibit 8: Defense Has Closely Tracked Biden's Reelection Odds



Source: Bloomberg, PredictIt.org, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

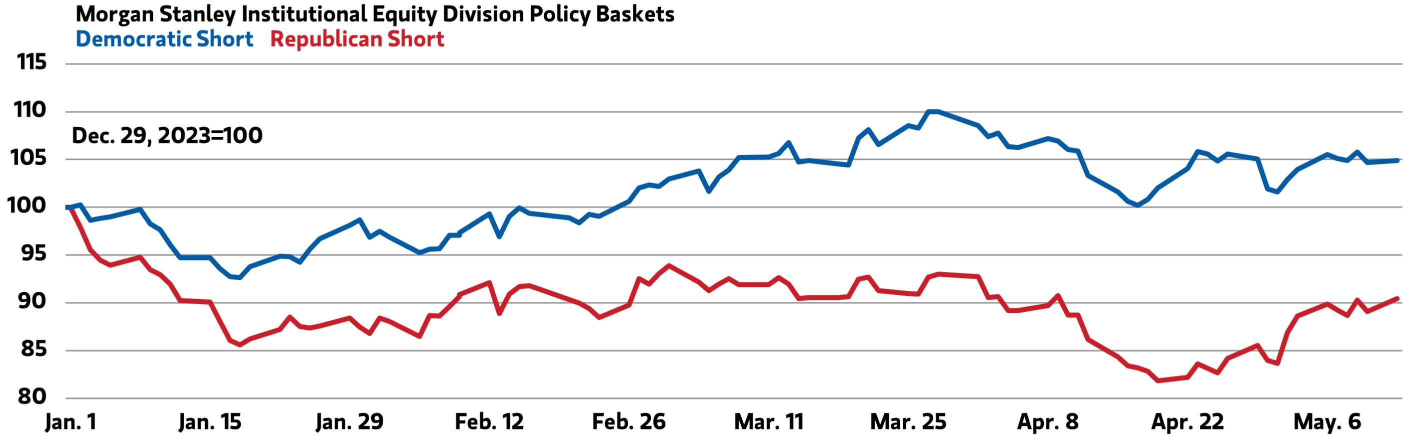
We developed two political party equal-weight baskets, each tracking 12 sector and industry exchange-traded funds (ETFs) positioned to benefit from either a Democrat or Republican victory. For example, sectors and industries that we expect to benefit from Democratic policymaking include clean energy, including electric vehicles (EVs) and solar; managed care; infrastructure; defense; and technology, including cybersecurity and semiconductors. Areas that may benefit most from a Republican win include traditional energy, master limited partnerships, utilities, materials, real estate, block-chain technology, banks, pharma and biotechnology. The Republican basket has outperformed the Democratic basket by over 4.5% this year, potentially indicating market positioning for a Republican win (see Exhibit 9).

Exhibit 9: Republican Equal-Weight Basket Has Outperformed the Democratic Basket



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Exhibit 10: Investors May Be Avoiding Stocks Vulnerable to a Trump Win



Source: Bloomberg, Morgan Stanley Institutional Equity Division, Morgan Stanley Wealth Management Global Investment Office as of May 13, 2024

Analyzing election-related market performance from a different angle, we considered two baskets of stocks from Morgan Stanley's Institutional Equity Division: a Democratic short basket, which contains stocks that may be disadvantaged should a Democrat win the White House, and a Republican short basket containing stocks that may perform poorly from a Republican win (see Exhibit 10). The Republican short basket, which continued its year-to-date relative underperformance to more than 15%, indicates that investors could already be hedging against a Trump victory by selling stocks that would be negatively affected. In other words, the market may be bracing for changes to the status quo, mostly impacting companies with exposure to higher tariffs, less support for EVs or potential repeal of parts of the Inflation Reduction Act.

Investment Conclusion

A highly consequential and uncertain election is just months away, with implications for the future of federal debts and deficits, tax and trade policy, national security, health care and more. At this early stage, both parties have their presumptive nominees, setting up the first presidential election rematch since 1956. The trajectory of the economy and inflation, as well as social unrest due to foreign policy pose a risk to the Biden campaign, while Trump's legal complications have kept him away from the campaign trail. In Washington, Congress has successfully passed a supplemental military aid bill amid the escalating geopolitical tensions, while the Biden administration has pursued initiatives relating to trade, sanctions and student loans.

Consumer sentiment data has deteriorated significantly, and remains below election year averages, while sentiment among independents has fallen even further, anchoring closer to Republican sentiment than Democrat. This continues to suggest a Republican win. Analyzing market returns in election years, we find that opportunities may emerge in energy, utilities, financials and industrials if investors anticipate a Republican win, and in information technology and consumer discretionary if investors expect a Democratic win. Finally, when assessing performance of the USPP Policy Equal-Weight Index Baskets and the Morgan Stanley Institutional Equity Division Policy Baskets, we see the stock market positioning for a GOP win.

Disclosure Section

Important note regarding economic sanctions. *This report may reference jurisdiction(s) or person(s) that are the subject of sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Kingdom, the European Union and/or by other countries and multi-national bodies. Any references in this report to jurisdictions, persons (individuals or entities), debt or equity instruments, or projects that may be covered by such sanctions are strictly incidental to general coverage of the relevant economic sector as germane to its overall financial outlook, and should not be read as recommending or advising as to any investment activities in relation to such jurisdictions, persons, instruments, or projects. Users of this report are solely responsible for ensuring that their investment activities are carried out in compliance with applicable sanctions.*

Index Definitions

For index, indicator and survey definitions referenced in this report please visit the following:

https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

Glossary

Risk Considerations

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs¸ along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

Investing in foreign markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. **Investing in currency i**nvolves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with **emerging markets and frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs carry interest rate risk and may underperform in a rising interest rate environment.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Environmental, Social and Governance ("ESG") investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Disclosures

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States. This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Past performance is not necessarily a guide to future performance.

The author(s) (if any authors are noted) principally responsible for the preparation of this material receive compensation based upon various factors, including quality and accuracy of their work, firm revenues (including trading and capital markets revenues), client feedback and competitive factors. Morgan Stanley Wealth Management is involved in many businesses that may relate to companies, securities or instruments mentioned in this material.

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security/instrument, or to participate in any trading strategy. Any such offer would be made only after a prospective investor had completed its own independent investigation of the securities, instruments or transactions, and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the accuracy or completeness of this material. Morgan Stanley Wealth Management has no obligation to provide updated information on the securities/instruments mentioned herein.

The summary at the beginning of the report may have been generated with the assistance of artificial intelligence (AI).

The securities/instruments discussed in this material may not be appropriate for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Wealth Management recommends that investors independently evaluate specific investments and strategies, and encourages investors to seek the advice of a financial advisor. The value of and income from 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 and other issuers or other factors. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley Wealth Management does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein.

This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment. This information is not intended to, and should not, form a primary basis for any investment decisions that you may make. Morgan Stanley Wealth Management is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended or under section 4975 of the Internal Revenue Code of 1986 as amended in providing this material except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol.

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

This material may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm has not reviewed the linked site. Equally, except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of Morgan Stanley Wealth Management) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the material or the website of the firm shall be at your own risk and we shall have no liability arising out of, or in connection with, any such referenced website.

By providing links to third-party websites or online publication(s) or article(s), Morgan Stanley Smith Barney LLC ("Morgan Stanley") is not implying an affiliation, sponsorship, endorsement, approval, investigation, verification with the third parties or that any monitoring is being done by Morgan Stanley of any information contained within the articles or websites. Morgan Stanley is not responsible for the information contained on the third-party websites or your use of or inability to use such site. Nor do we guarantee their accuracy and completeness. The terms, conditions, and privacy policy of any third-party website may be different from those applicable to your use of any Morgan Stanley website. The information and data provided by the third-party websites or publications are as of the date when they were written and subject to change without notice.

This material is disseminated in Australia to "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).

Morgan Stanley Wealth Management is not incorporated under the People's Republic of China ("PRC") law and the material in relation to this report is conducted outside the PRC. This report will be distributed only upon request of a specific recipient. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors must have the relevant qualifications to invest in such securities and must be responsible for obtaining all relevant approvals, licenses, verifications and or registrations from PRC's relevant governmental authorities.

If your financial adviser is based in Australia, Switzerland or the United Kingdom, then please be aware that this report is being distributed by the Morgan Stanley entity where your financial adviser is located, as follows: Australia: Morgan Stanley Wealth Management Australia Pty Ltd (ABN 19 009 145 555, AFSL No. 240813); Switzerland: Morgan Stanley (Switzerland) AG regulated by the Swiss Financial Market Supervisory Authority; or United Kingdom: Morgan Stanley Private Wealth Management Ltd, authorized and regulated by the Financial Conduct Authority, approves for the purposes of section 21 of the Financial Services and Markets Act 2000 this material for distribution in the United Kingdom.

Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the “Municipal Advisor Rule”) and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

RSI1715721526979 05/2024