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UPDATE

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US Equity Strategy | North America

Weekly Warm Up: End of Cycle = End of Bear Market

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With a mild US recession now the market's base case, we can see the end of the cyclical bear market that started 2 years ago. After briefly exceeding our 2550-2600 downside targets for the S&P 500, markets appear poised to carve out an important bottom that will take some time and re-testing.

Last week, we moved to our bear case, which assumes a mild US recession outcome. We also lowered our bear case EPS forecasts given the unforeseen double shock of the coronavirus and oil price war. While our prior *bear* case forecasts always assumed a mild US recession, earnings will likely be worse in this version given these two simultaneous shocks. Bottom line, our 2020e and 2021e S&P 500 EPS shifted last week to $147 and $166, down from our prior $154 and $178, respectively. This implies NTM forward EPS troughs near $156 leaving our *year end* bear/base/bull targets at 2750/3000/3250, which are all above current levels. As such, we think investors should begin legging into US stocks now as concerns continue to rise.

We believe the current correction is part of a cyclical bear market that began almost 2 year ago. The virus and oil price war are simply the final blows to an already exhausted US economic expansion destined for a recession based on many time-tested variables like the yield curve and defensive equity market leadership for the past 20 months. Most important for investors, this means a US recession should mark the end of the cyclical bear, not the beginning of one. It could also lead to a significant rotation of leadership that has reached extreme levels of relative performance.

A US recession with a global health crisis may be the combination that finally galvanizes the shift toward more aggressive fiscal policy. Such policy change has always been part of our longer-term secular bull market thesis--a cyclical bear followed by a cyclical bull driven by global reflation. Clearly this will take time to manifest itself in the real economy, which is currently engulfed in deflation. However, markets are forward looking and so we will be looking for early signs that the transition has started. Such a change would likely have significant portfolio implications should it manifest as we expect.

Estimates are falling, but prices are falling faster. Sell-side numbers are beginning to react to new economic realities as 2020 numbers have come down ~ 1.5% ($2.65) since the market peaked on Feb. 19. Our Morgan Stanley Business Conditions Index suggests revisions breadth will be materially weaker by month end. Falling prices and multiples have run well ahead of these downward revisions, which we expect to continue into the foreseeable future, suggesting near term downside support a few percent below current levels.

What to Focus on This Week

The End of the Cycle = End of the Cyclical Bear Market

In our Weekly Warm-Up last Monday we effectively moved to our bear case, which assumes a mild US recession outcome. We also lowered our bear case EPS forecasts given the double shock of the coronavirus and oil price war between Russia and Saudi. While our prior *bear* case forecasts always assumed a mild US recession, earnings will likely be worse given these two simultaneous shocks. **Bottom line, our 2020 and 2021 S&P 500 EPS shifted last week to $147 and $166, down from our prior $154 and $178, respectively. This implies NTM forward EPS troughs near $156 leaving our *year end* bear/base/bull targets unchanged 2750/3000/3250** (Exhibit 1). With markets in sharp decline Thursday morning, we published an intra-day note suggesting investors should begin to buy as US equity markets approached our downside targets of 2550-2600 on the S&P 500 (How much downside is left?). With a small breach of those levels Thursday night / Friday morning, we think an important low is being be carved out that may require some time and re-testing, although we think the price lows are likely in for many stocks and sectors.

Exhibit 1: *Year End* Bear/Base/Bull Earnings and Price Targets for the S&P 500 all show upside from here

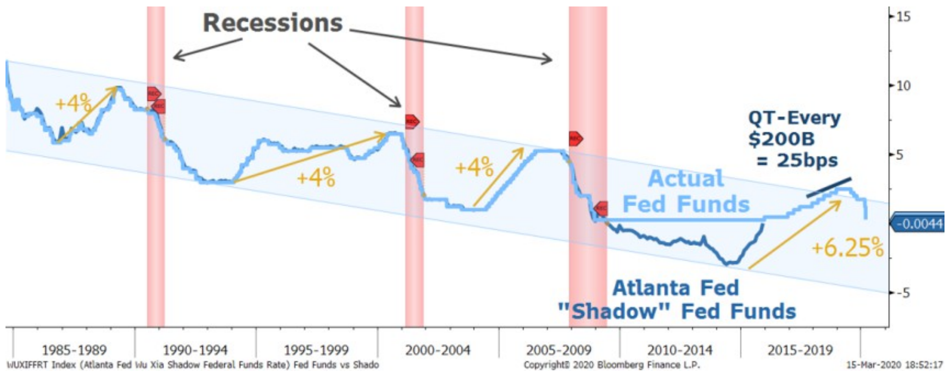
Index	Current Price	MS Forecast Dec-20 (% to Current)	MS Tgt Fwd P/E Dec-20	Current Fwd P/E	MS Top-Down Base Case EPS/Growth			Consensus Forecast EPS/Growth		
					2019	2020	2021	2019	2020	2021
Bull	2,711	3,250	18.0x	15.3x	$163	$171	$181	$163	$173	$194
		20%			*0.6%*	*5.0%*	*6.0%*	*0.6%*	*6.1%*	*11.9%*
Base	2,711	3,000	17.0x	15.3x	$163	$163	$178	$163	$173	$194
		11%			*0.6%*	*0.0%*	*9.0%*	*0.6%*	*6.1%*	*11.9%*
Bear	2,711	2,750	16.5x	15.3x	$163	$147	$166	$163	$173	$194
		1%			*0.6%*	*-10.0%*	*13.0%*	*0.6%*	*6.1%*	*11.9%*

Source: FactSet, Morgan Stanley Research.

Without re-hashing our entire thesis, **we believe the current correction is part of a bigger/longer cyclical bear market that began almost 2 years ago**. Furthermore, we have made the case that looking at the coronavirus in isolation is probably a mistake in the context of all of the other shocks that have hit the economy in the past few years and are still providing headwinds. More specifically, the ongoing earnings recession, tariffs and a Fed tightening cycle that works with a 2 year lag and arguably didn't end until the summer of 2019 when QT finally ended. **The virus directly affects the US consumer, the linchpin of the US economy. If that wasn't enough, the unforeseen oil price war between Russia and Saudi was probably the final blow for the US economic expansion given its direct impact on credit markets, making a mild US recession now our base case. Most important for investors, this means a US recession should mark the end of the cyclical bear, not the beginning of one.**

Perhaps the easiest way to put this into the proper context is to consider the length and magnitude of the Fed's tightening cycle, which began as far back as 2014 when it began to taper its quantitative easing (QE) program. That tightening accelerated in 2017 when the Fed raised interest rates and subsequently began reducing its balance sheet (quantitative *tightening*, or QT). This tightening played a primary role in the rolling bear market that began in 2018. **As illustrated in exhibit 1, the amount of tightening was almost unprecedented when looking at the historical cycles, arguing the Fed in fact "went the distance" as we argued at the time.** The reason we think this is important to acknowledge is that whenever the Fed "goes the distance" on a tightening cycle the die is cast for the next recession. The only question is timing and what will be the event that tips us over. It's pretty clear we now have those answers.

Exhibit 2: When the Fed Tightening Cycle Finished in 2018, the Dye was Cast for the Next Recession



Source: Bloomberg, Morgan Stanley Research

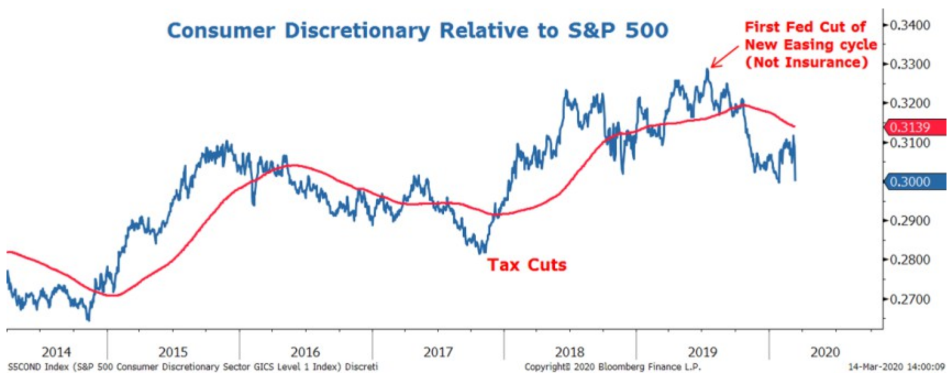
The markets seem to agree and that's why the correction has been so turbulent and almost unprecedented in its speed. **The coronavirus and oil price war seemed to come out of nowhere, but the table was set for what now looks likely to play out in the economy--a recession. This is not to say that these events aren't severe shocks on their own; however, understanding the context is important because it can be helpful in determining how much of this has already been discounted, support levels, and what assets may be first to bottom and recover.** As further evidence of our thesis, the yield curve has once again proven its efficacy for calling the end of the cycle. When the curve first inverted last year, it was dismissed by many as invalid due to extraordinary monetary policy and the impact of lower global rates. We disagreed and have used this as an important input to maintain our defensive sector and style recommendations even in the face of rising index prices that were always more about liquidity than better growth. For the record, recession has always followed between 3-12 months after the inversion bottoms (Exhibit 3). With the yield curve this cycle bottoming in August 2019, we are in the zone for a recession to begin. More important, when it begins to steepen sharply, typically recession is imminent--like now. Timing is always the question, not the outcome. Equity markets have understood this completely, with defensive sectors leading for the better part of 20 months with only *temporary* periods of underperformance. Growth stocks have also done well as many of the leading names are viewed as more defensive than historically (i.e. software and services, which now have more recurring revenue models). We think the durability of those models will now be challenged as recession actually occurs. Hence, we remain underweight Tech for now although there are some great businesses now on sale and should be bought.

Exhibit 3: The Yield Curve's Track Record Remains Perfect. It was never "different this time."

Source: Bloomberg, Morgan Stanley Research

Our other long standing underweight has been consumer discretionary for the same reason. This sector typically does very poorly as recession approaches. After a brief stay of execution from the tax cuts in 2018, **the sector has remained true to its historical form,** providing clear evidence we remained on the path toward recession last fall even as there were some signs the recession could be avoided with the Fed's insurance cuts. For us, this was another important variable that kept us defensively oriented even as we expected the S&P 500 to overshoot our bull case in early 2020 due to excessive liquidity from the Fed and other central banks.

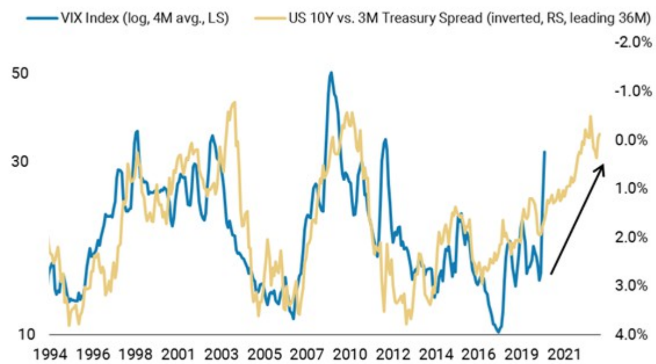
Exhibit 4: Consumer Discretionary Relative Performance Tells the Real story of the Past Year



Source:

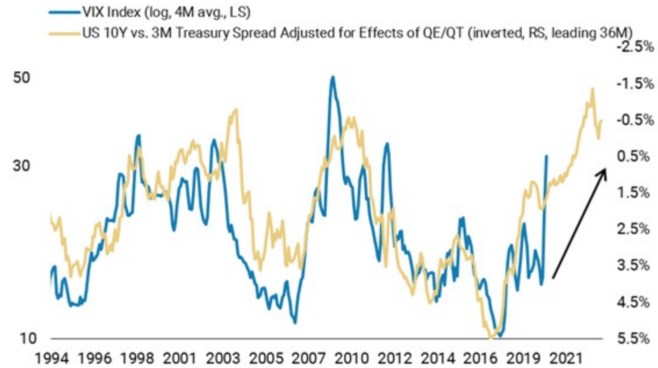
Finally, we show the updated relationship between the Yield curve and the VIX. Last fall, the relationship broke down as the Fed's actions served to depress volatility below where the yield curve suggested it should be. We argued at the time that this would allow Equity risk premiums to fall lower than they should and lead to an overshoot of equity markets beyond fair value. However, with fundamentals now overwhelming the Fed's actions, this relationship has quickly realigned and even gone a bit above on the other side. The bottom line here is that while volatility is likely to remain higher than normal for a while longer as we go through the recession and earnings estimates are adjusted, it's probably getting close to a peak on a short term basis with its 2nd highest reading in history last week (note the VIX in exhibits 5 an 6 is presented as a 4 month moving average).

Exhibit 5: Yield Curve Leads VIX by 3 Years



Source: Morgan Stanley Research as of March 11, 2019 (VIX) and February 29, 2020 (yield curve, which is pushed out 36 months)

Exhibit 6: Our "adjusted" Yield curve even better fit



Source: Morgan Stanley Research as of March 11, 2019 (VIX) and February 29, 2020 (yield curve, which is pushed out 36 months)

The point of laying this out again for readers is to make our case that the end of the economic cycle likely represents the end of the cyclical bear market, not the beginning as many might believe. Markets have been discounting this eventual outcome under the surface via sector/style leadership for the better part of 2 years. Rates markets, commodities and other economically sensitive assets have been doing the same. We think understanding this dynamic can help investors look through what is likely to be a very bad period of data as the coronavirus and oil price shock provide the final blows to what has been the longest economic expansion in history.

While we think last week's price action is representative of what typically happens at important bottoms, we also want to be sensitive to the very human risk the coronavirus brings and that will likely remain for a while. We acknowledge that the coronavirus outbreak can be a very disruptive and in some cases tragic crisis for individuals and communities. Nevertheless, as market strategists we have to be objective about how we see it in terms of the financial impact as we provide advice to our clients.

Exhibit 7: Objectively, This is as bad as it gets. Time to buy Stocks again, the bear market is ending

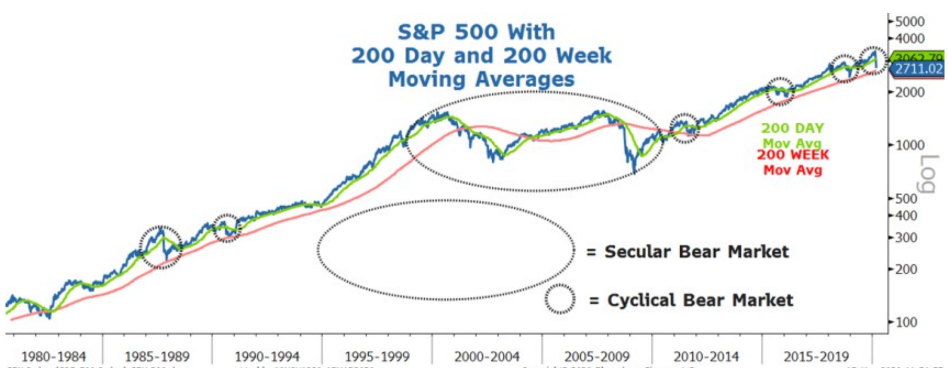
Source: Bloomberg,Morgan Stanley Research

The old saying tells us that "it's always darkest before the dawn," and events such as those we are experiencing now are exactly how important lows are made. A global pandemic is scary and a real threat to human lives and society in the short term and perhaps even longer term as we learn from this experience. When we called for a cyclical bear market in 2018, we always viewed this as a pause in our longer term more positive global reflation narrative which began in 2016. In fact, we always believed a US recession would be necessary to galvanize policy makers worldwide to move more toward fiscal from just monetary stimulus.

In the US specifically, citizens and investors alike should be prepared for significant deficits as politicians on both sides compete in an election year. While a health crisis can be frightening, it also provides a good reason for the two sides to finally work together in a bipartisan manner. It would be highly inadvisable for any congressional member to vote against whatever measures are necessary to keep Americans safe and healthy and protect US businesses from permanent damage.

The bottom line is that we think the cyclical bear market/consolidation of the past 2 years is in the process of ending, leaving the secular bull market intact. This bottoming process is likely to messy and volatile for a while and we cannot rule out new price lows for stocks or indices. However, we also think we have reached an area of attractive value for longer term investors to start legging in. The next leg of the secular bull market should be catalyzed by a more aggressive mix of fiscal spending alongside ongoing monetary support that will also increase in size. The Fed's actions last night illustrate the Fed is not hesitating at all to use its tools in full as we suggested it might last Thursday. We expect the Fed to do whatever it takes, which may include intervening in credit markets actively and financing larger budget deficits. This should ultimately lead to a more durable leg of global reflation. This suggests that once the overall market stabilizes, investors will likely need to reposition portfolios in a different way from what worked in the prior bull market and bonds likely will materially underperform stocks, another reversal of the past 2 years. We suspect it will be gradual at first and will take time but given how cheap assets levered to inflation have become, it's not too early to start adding exposure in some contrarian areas, in our view. We will be addressing these rotations more specifically in future notes.

Exhibit 8: Secular Bull Market intact after completion of two year consolidation/cyclical Bear Market



Source: Bloomberg, Morgan Stanley Research

Price Always Leads

Stock Prices Ahead of Revisions

Estimates have been falling, but not fast enough. Markets moving sharply lower, in part, reflect investors taking down earnings outlooks for 2020 to full blown recession levels. Outside of Energy and Discretionary, earnings revisions for CY20 numbers have not been materially more negative than seasonality. Price movements, however, have been another matter, with prices falling well in excess and ahead of earnings revisions, as they typically do.

Exhibit 9: Prices Have Led Earnings Revisions

	Annual Earnings Est Change Early Feb - Early March (ex 08/09)			
Sector, Industry Group	Median ∆ (04-20)	2020 ∆	2020 - Median	Price ∆ (2/1 - 3/13)
Communication Services	-0.7%	-1.9%	-1.2%	-13.8%
Media & Ent	-0.2%	-2.6%	-2.3%	-15.2%
Telecom	-0.6%	-0.4%	0.2%	-8.3%
Consumer Discretionary	0.3%	-3.6%	-3.9%	-18.0%
Autos	-0.7%	-7.2%	-6.4%	-28.4%
Consumer Durables	0.7%	-2.9%	-3.6%	-27.7%
Consumer Services	-0.2%	-7.6%	-7.4%	-27.9%
Retailing	0.1%	-1.3%	-1.4%	-12.7%
Energy	-0.1%	-21.8%	-21.6%	-40.5%
Financials	0.1%	-0.4%	-0.5%	-23.3%
Banks	0.5%	0.5%	0.1%	-27.8%
Diversified Financials	-0.1%	-1.5%	-1.4%	-18.5%
Insurance	0.4%	-0.7%	-1.0%	-23.7%
Health Care	0.1%	0.1%	0.0%	-8.7%
HC Equipment & Services	0.3%	0.2%	-0.1%	-11.4%
Pharma, Biotech, & Life Sciences	0.0%	0.0%	0.0%	-6.4%
Industrials	0.1%	-1.7%	-1.8%	-22.7%
Capital Goods	0.4%	-1.5%	-1.9%	-23.6%
Commercial & Professional Services	-1.0%	-1.5%	-0.5%	-16.1%
Transportation	0.1%	-2.1%	-2.3%	-22.5%
Materials	-0.7%	-4.1%	-3.4%	-19.7%
Real Estate	-2.1%	-1.3%	0.8%	-10.5%
Staples	-0.2%	-1.3%	-1.1%	-10.2%
Food & Staples Retailing	-0.5%	-0.2%	0.3%	-5.1%
Food Beverage & Tobacco	-0.2%	-2.0%	-1.9%	-13.3%
Household & Personal Products	0.0%	-0.3%	-0.3%	-8.0%
Tech	0.8%	-0.1%	-0.9%	-11.8%
Semis	2.2%	1.0%	-1.2%	-12.8%
Software & Services	0.0%	0.0%	0.0%	-10.9%
Tech Hardware	0.2%	-1.0%	-1.2%	-12.7%
Utilities	0.2%	-0.4%	-0.5%	-17.0%
S&P 500	**0.0%**	**-1.9%**	**-1.9%**	**-16.0%**

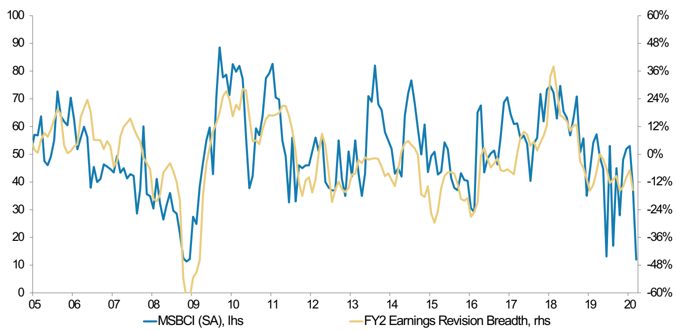
Source: FactSet, Morgan Stanley Research.

Ultimately we expect earnings estimates to match this price movement and fall sharply as companies and then analysts flow the impacts of a disrupted economy through their forecasts. Last week, our US Economics team released the latest edition of the Morgan Stanley Business Conditions Index - a diffusion index of Morgan Stanley analysts that tracks whether companies in their coverage see business conditions improving or deteriorating. The analysts surveyed almost universally mentioned disruptions related to the coronavirus as a driver of more negative views, presaging potential downside risks to upcoming business survey releases and the major indices in the survey fell to within a touch of their 2008/2009 lows. Within the underlying details of the composite index—credit conditions deteriorated sharply, the Advance Bookings Index moved to a low since November 2008 and the Business Conditions Expectations Index fell, all of which suggest further demand weakness ahead. On the upside, we were surprised to see gains in hiring, hiring plans, and capex plans this month.US Economics: Business Conditions: Near Record Lows (12 Mar 2020)

The MSBCI leads earnings revisions, which tend to track S&P price movement. The market has been very efficient in discounting lower earnings ahead. We watch this survey closely each month as it has historically been a good leading indicator for where earnings revisions on the S&P 500 are headed. The latest reading of 36 on the MSBCI Composite index suggests S&P 500 earnings revisions breadth likely end the month at around -28%, a number below the 2015/2016 lows (Exhibit 10). At about -15% through the end of last week, the revisions data is tracking in line with this projection. Revisions in turn have a close relationship with how the S&P trades on a y/y basis. As shown in Exhibit 11, the projected-28% on revisions breadth is roughly in line with the S&P's price movements. While earnings revisions are likely to remain weak over the coming weeks, we note that

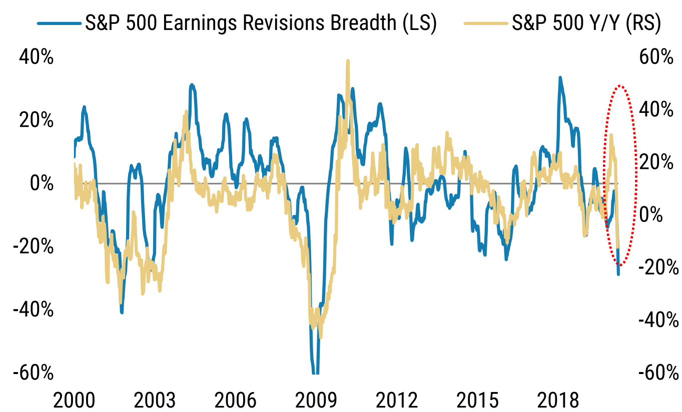
- the MSBCI is a diffusion index so tends to mean revert, indicating a high bar for incremental downside from here
- since the market was rising through this period a year ago, further y/y weakness means more limited downside from current levels

Exhibit 10: MSBCI Suggests Further Downward Earnings Revisions



Source: FactSet, Morgan Stanley Research.

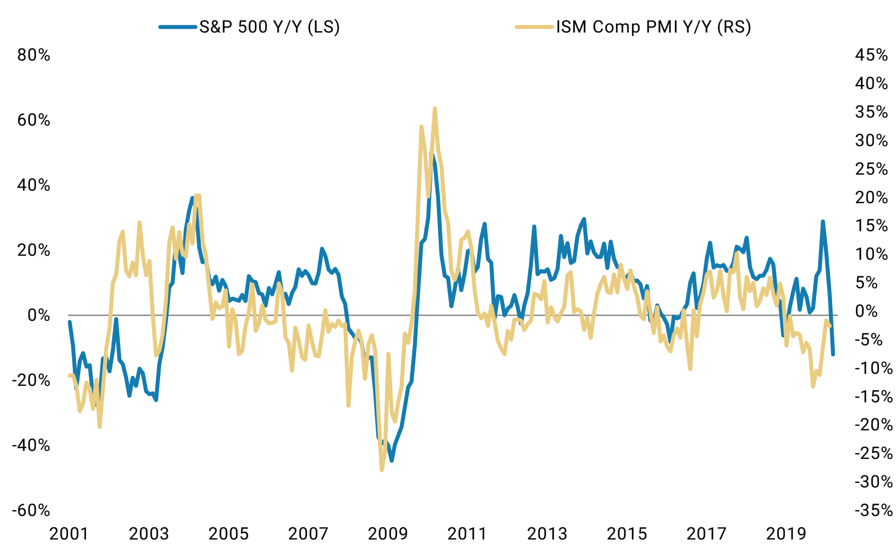
Exhibit 11: Market Has Been Pricing Downward Revisions



Source: FactSet, Morgan Stanley Research.

As with earnings revisions, we expect a material drop off in the economic data in the near future, but again think the market has been front footed in discounting the deterioration. Exhibit 13 shows the relationship between the S&P 500 and the ISM Manufacturing PMI, where S&P price moves suggest downside to the mid-40s for the March PMIs.

Exhibit 12: S&P Price Changes Suggest low to mid 40s PMIs which appears more than realistic



Source: Bloomberg, Morgan Stanley Research.

Fresh Money Buy List Updates

Each week, we will use a section of our Weekly Warm Up to provide brief updates on select stocks on our Fresh Money Buy List.

Exhibit 13: Fresh Money Buy List - Stats & Performance

Company Name	Ticker	MS Analyst Rating	Sector	Market Cap ($Bn)	Price	MS PT	% to MS PT	MS Analyst	Date Added	Total Return Since Inclusion	
										Absolute	Rel. to S&P
Amazon.com Inc	AMZN	Overweight	Consumer Discretionary	$916.0	$1,785.00	$2,400.00	34%	Nowak, Brian	2/10/2020	(14.2%)	4.2%
Walt Disney Co	DIS	Overweight	Communication Services	$186.3	$102.52	$170.00	66%	Swinburne, Benjamin	3/14/2018	1.6%	(0.4%)
Humana Inc	HUM	Overweight	Health Care	$42.4	$313.91	$460.00	47%	Goldwasser, Ricky	7/19/2018	0.1%	0.6%
Johnson & Johnson	JNJ	Overweight	Health Care	$358.0	$134.29	$170.00	27%	Lewis, David	2/3/2020	(9.2%)	6.5%
Coca-Cola Co.	KO	Overweight	Consumer Staples	$209.3	$48.47	$65.00	34%	Mohsenian, Dara	8/5/2019	(5.2%)	1.2%
MasterCard, Inc.	MA	Overweight	Information Technology	$273.5	$270.01	$294.00	9%	Faucette, James	3/2/2020	(7.0%)	1.2%
Microsoft	MSFT	Overweight	Information Technology	$1,220.0	$158.83	$200.00	26%	Weiss, Keith	3/14/2018	73.4%	71.4%
NextEra Energy Inc	NEE	Overweight	Utilities	$109.3	$221.56	$242.00	9%	Byrd, Stephen	3/14/2018	50.4%	48.4%
Procter & Gamble Co.	PG	Overweight	Consumer Staples	$300.0	$114.07	$134.00	17%	Mohsenian, Dara	3/18/2019	14.3%	16.3%
T-Mobile US, Inc.	TMUS	++	Communication Services	$73.7	$85.39	++	++	Flannery, Simon	3/14/2018	31.4%	29.4%
Current List Performance											
Average (Eq. Weight)				$368.8			30%			13.6%	17.9%
Median				$241.4			27%			0.9%	5.3%
% Positive Returns (Abs. / Rel.)										60%	90%
% Negative Returns (Abs. / Rel.)										40%	10%
Avg. Hold Period (Months)											14.0
All Time List Performance											
Average (Eq. Weight)										5.5%	5.8%
Median										(2.3%)	0.9%
% Positive Returns (Abs. / Rel.)										50%	55%
% Negative Returns (Abs. / Rel.)										50%	45%
Avg. Hold Period (Months)											11.6

++ Rating and other information has been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

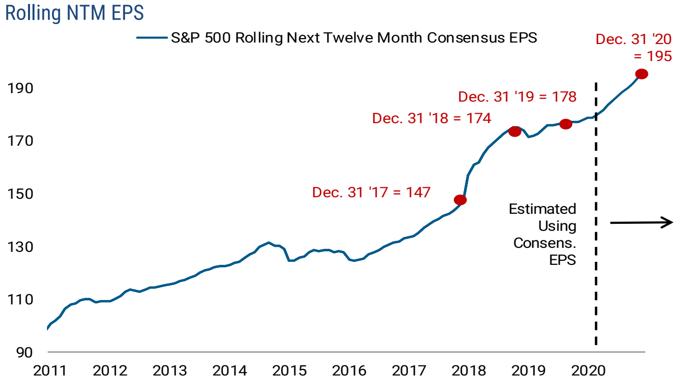
Performance returns shown above represent local currency total returns, including dividends and excluding brokerage commission. Returns are calculated using the closing price on the last trading day before the date shown in the "Date Added" column through close on the last trading day prior to publication of this report for stocks currently on the list and through close on the day of removal for stocks formerly on the list. These figures are not audited. Past performance is no guarantee of future results.

Source: Bloomberg, Morgan Stanley Research

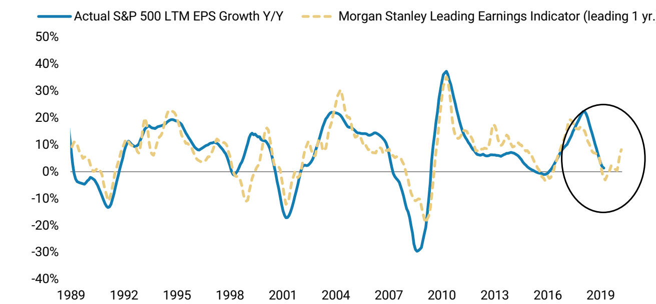
Weekly Charts to Watch

Exhibit 14: Four Charts to Focus On

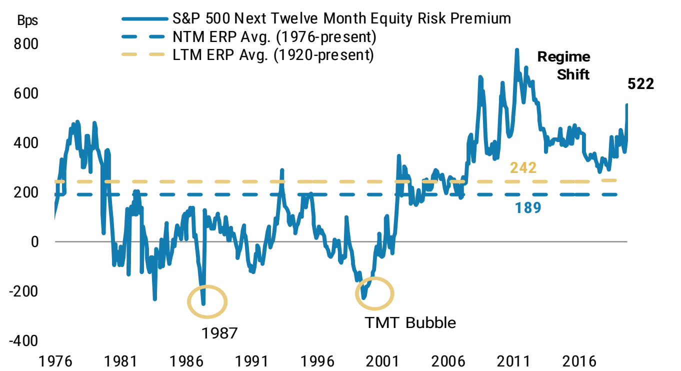
Rolling NTM EPS



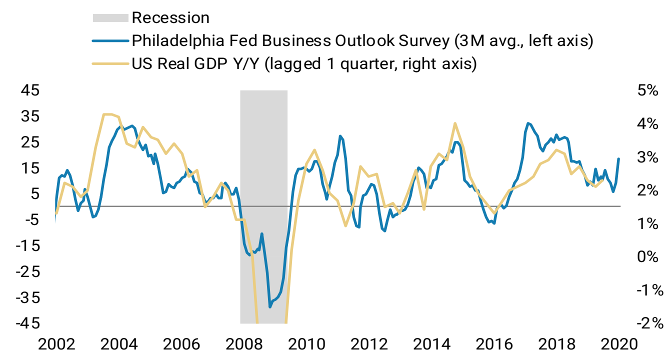
Morgan Stanley Leading Earnings Indicator



S&P 500 NTM Equity Risk Premium



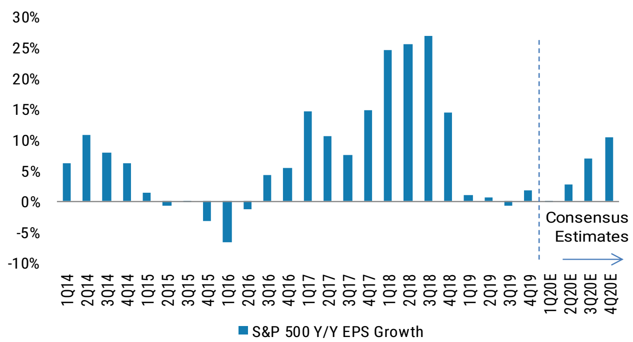
Phil. Fed Business Outlook Survey Leads Real GDP Growth



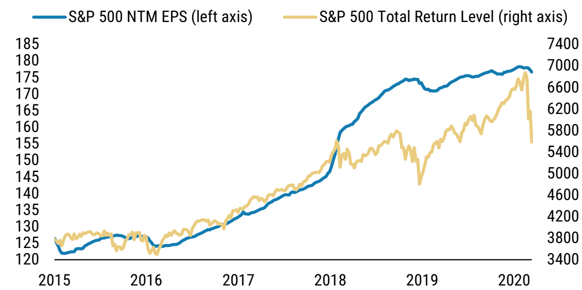
Source: FactSet, Bloomberg, Robert Shiller, Morgan Stanley Research. Top: As of Feb 29, 2020. Bottom Left: As of Mar 13, 2020. Bottom Right: As of Dec 31, 2019. MS Leading Earnings Indicator is a macro factor based earnings model that leads actual earnings growth by one year with a 0.7 12-month leading correlation. Note: S&P 500 fundamental data used post March 1993; Top 500 by market cap data used before 1993. LTM equity risk premium average is since 1920. ERP based on forward earnings yield and 10-year Treasury Yield.

Exhibit 15: US Earnings Snapshot

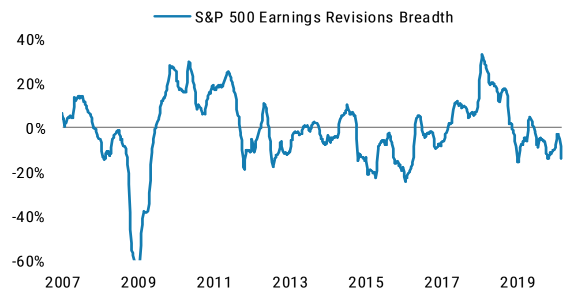
S&P 500 Y/Y EPS Growth



S&P 500 NTM EPS vs. Total Return Level



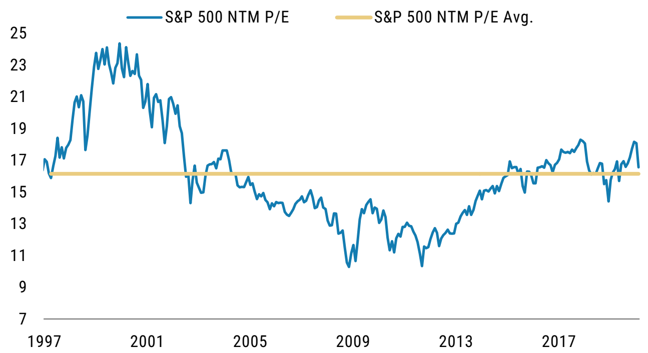
S&P 500 Earnings Revisions Breadth



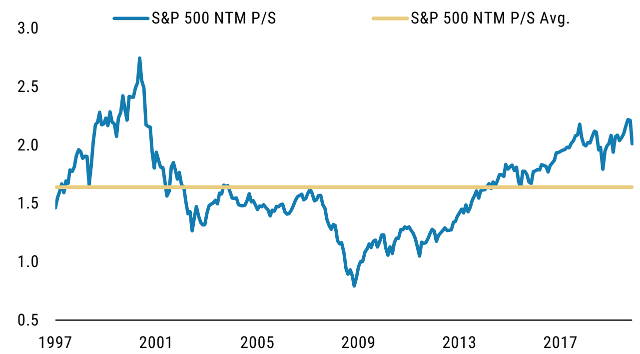
Source: Thomson Financial, FactSet, Morgan Stanley Research. As of Mar 12,, 2020.

Exhibit 16: US Equity Market Traditional Valuation Measures

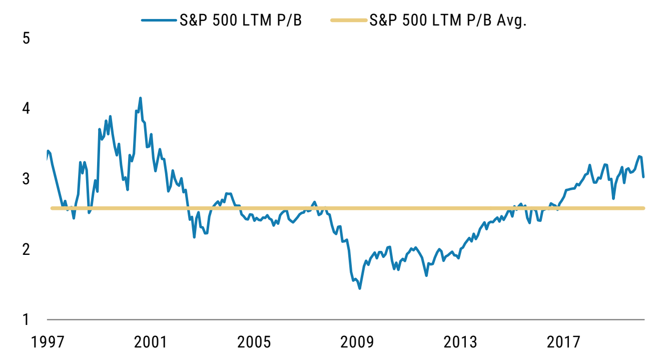
S&P 500 NTM P/E



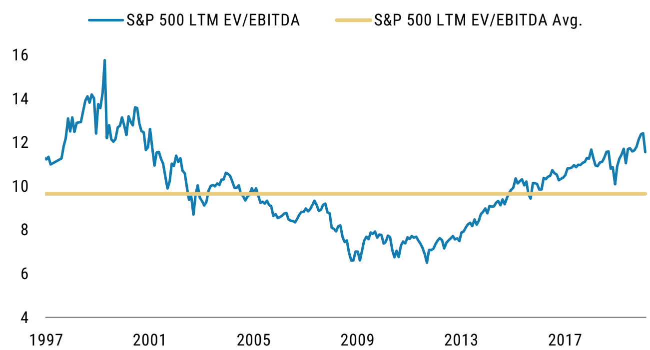
S&P 500 NTM P/S



S&P 500 NTM P/B



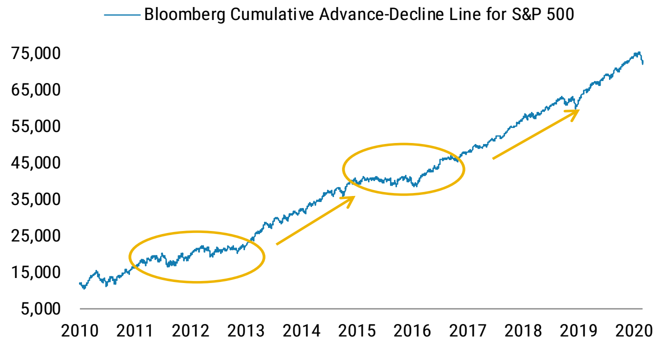
S&P 500 NTM EV/EBITDA



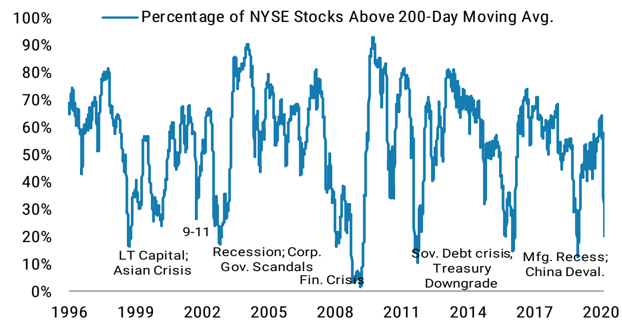
Source: FactSet, Morgan Stanley Research as of Feb 29, 2020. Monthly Data. Note: S&P 500 fundamental data used post March 1993; Top 500 by market cap data used before 1993.

Exhibit 17: US Equity Market Technicals and Financial Conditions

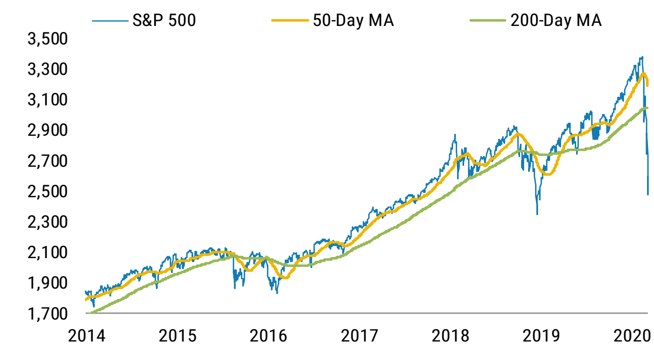
S&P 500 Cumulative Advance-Decline



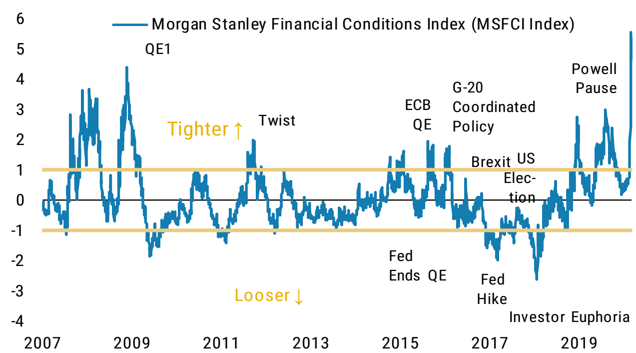
S&P 500 Percent Members Above 200-Day Moving Average



S&P 500 with Moving Averages

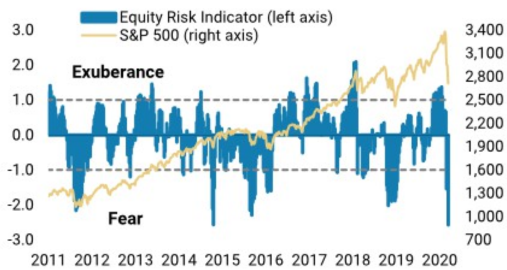


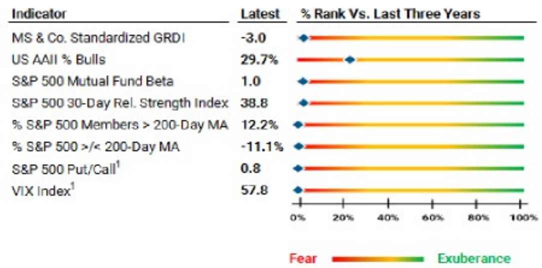
Morgan Stanley Financial Conditions Index

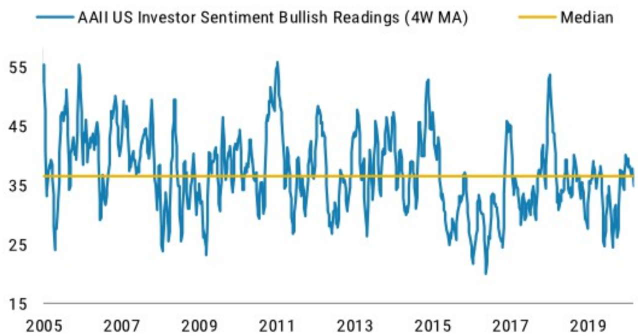


Source: Bloomberg, Morgan Stanley Research. All: As of Mar 12, 2020

Exhibit 18: US Equity Market Sentiment



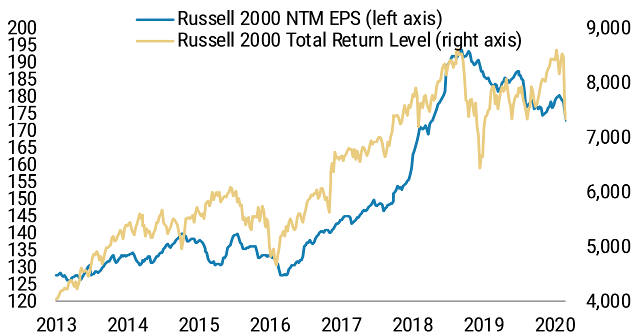




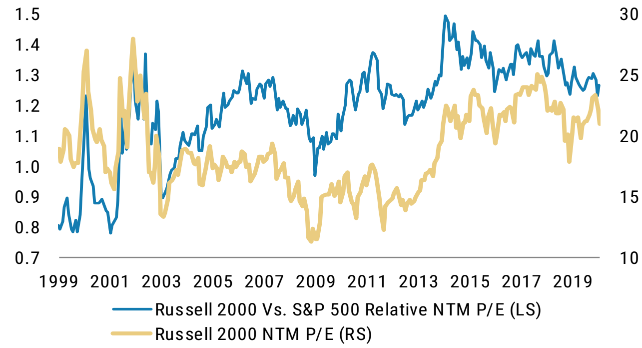
Source: Bloomberg, FactSet, Morgan Stanley Research. As of March 13, 2020.

Exhibit 19: US Small Cap Equities

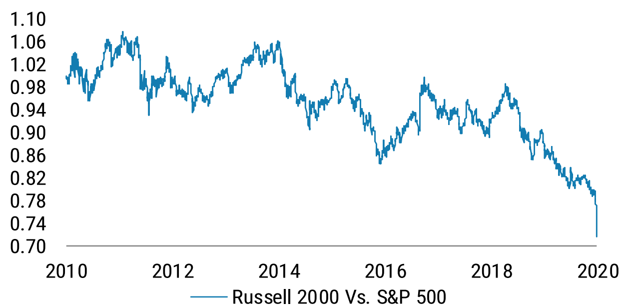
Russell 2000 NTM EPS vs. Total Return Level



Russell 2000 NTM P/E and Relative NTM P/E vs. S&P 500



Russell 2000 Relative Performance vs. S&P 500



Source: FactSet, Morgan Stanley Research. Top Right: As of Feb 29 2020. Top Left and Bottom: As of Mar 12, 2020

Exhibit 20: We Have a Price Target of $3000

Morgan Stanley S&P 500 Price Target: Year End 2020

Landscape	Earnings	Multiple	Price Target	Upside / Downside
Bull Case	$180	18.0x	3,250	19.9%
Base Case	$177	17.0x	3,000	10.7%
Bear Case	$166	16.5x	2,750	1.4%
Current S&P 500 Price as of:		3/14/2020	2,711	

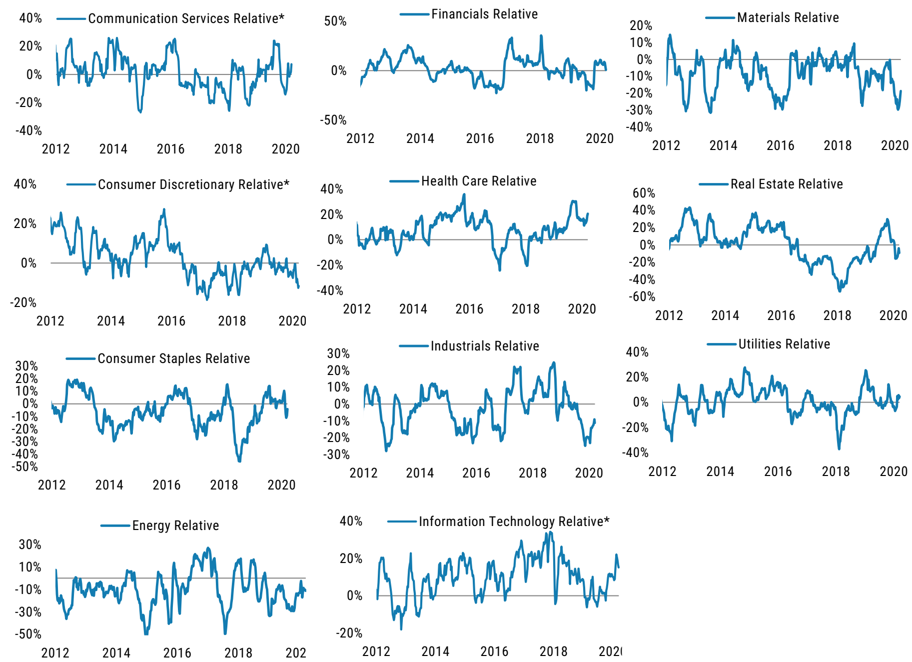
Source: Morgan Stanley Research.
Note: We apply a forward PE multiple to 2021 EPS estimates.

Exhibit 21: Sector Recommendations

Morgan Stanley Sector Recommendations			
Overweight	Consumer Staples	Financials	Utilities
Neutral	Comm Services	Energy	Health Care
	Industrials	Materials	Real Estate
Underweight	Discretionary	Technology	

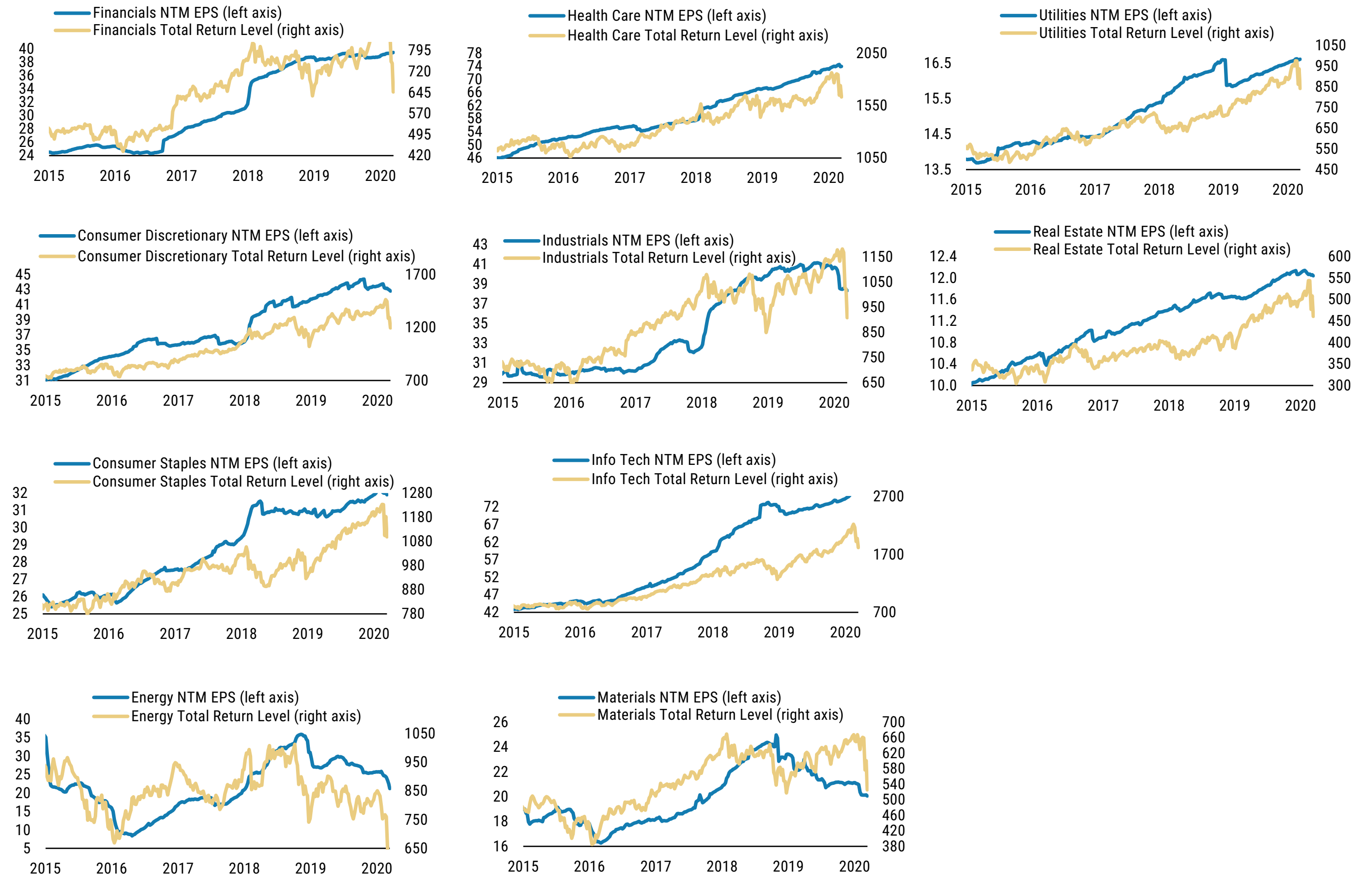
Source: Morgan Stanley Research

Exhibit 22: Earnings Revisions Breadth



Source: FactSet, Morgan Stanley Research. As of Mar 12, 2020. Sectors with * use current, fixed constituents.

Exhibit 23: US Sector NTM EPS vs. Total Return Level



Source: FactSet, Morgan Stanley Research as of Mar 13, 2020.

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STOCK RATING CATEGORY	COVERAGE UNIVERSE COUNT	COVERAGE UNIVERSE % OF TOTAL	INVESTMENT BANKING CLIENTS (IBC) COUNT	IBC % OF TOTAL IBC	IBC % OF RATING CATEGORY	OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC) COUNT	MISC % OF TOTAL OTHER MISC
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Equal-weight/Hold	**1457**	**45%**	**332**	**46%**	**23%**	**697**	**48%**
Not-Rated/Hold	**2**	**0%**	**1**	**0%**	**50%**	**2**	**0%**
Underweight/Sell	**572**	**18%**	**77**	**11%**	**13%**	**224**	**15%**
TOTAL	**3,225**		**721**			**1457**	

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