



# Economic Framing

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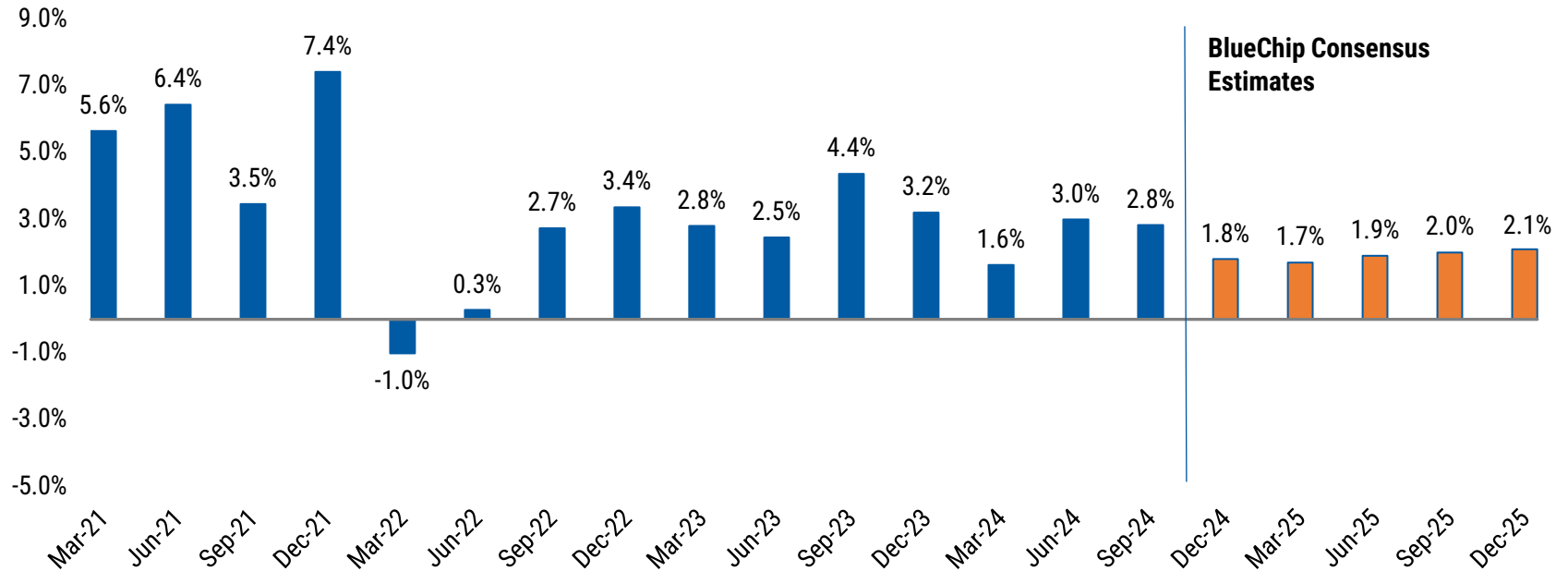
**November 2024**

**For important disclosures, refer to the Disclosures Section.**

# Growth Has Been Resilient

Economic activity on track to grow by 2.7% 4Q/4Q this year and 2.0% in 2025.

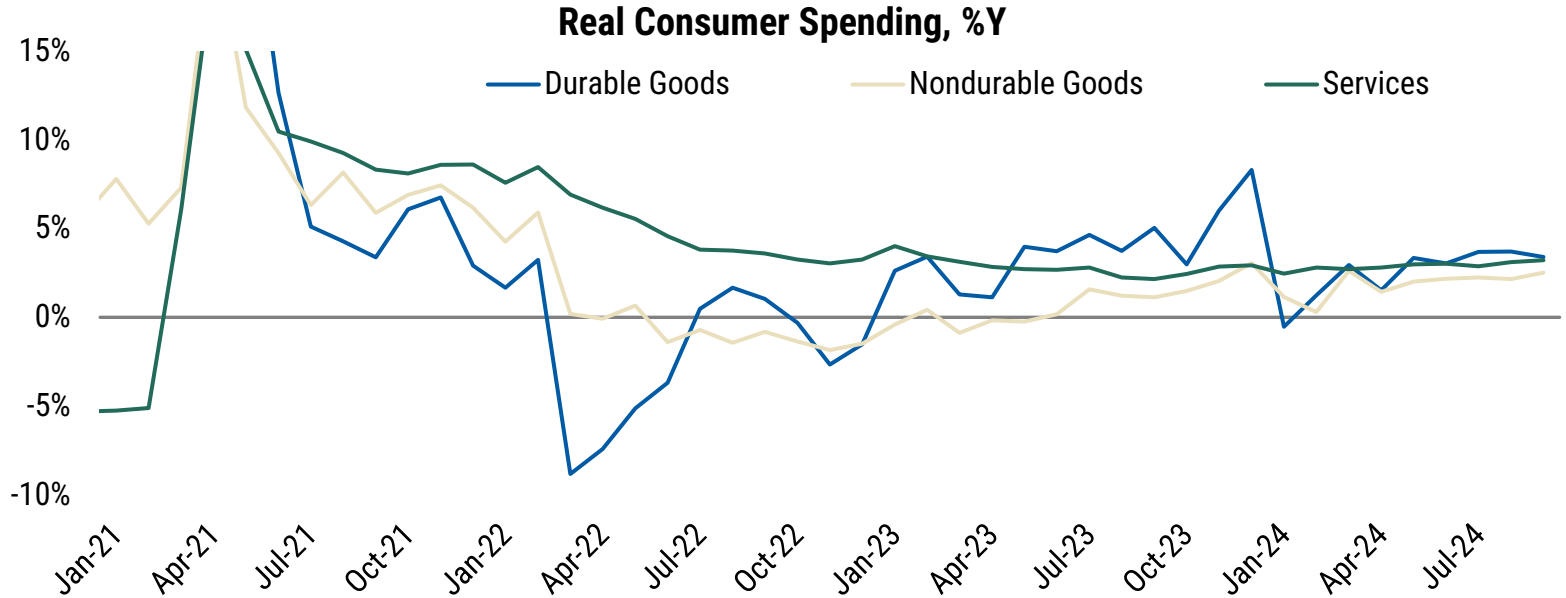
Real GDP (Q/Q Annualized Growth)



Source: BlueChip, Bureau of Economic Analysis, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Consumption Is the Backbone of Economy

Services spending has stabilized at a healthy pace, with continued strength in discretionary. Goods have started to rebound off lower interest rates.

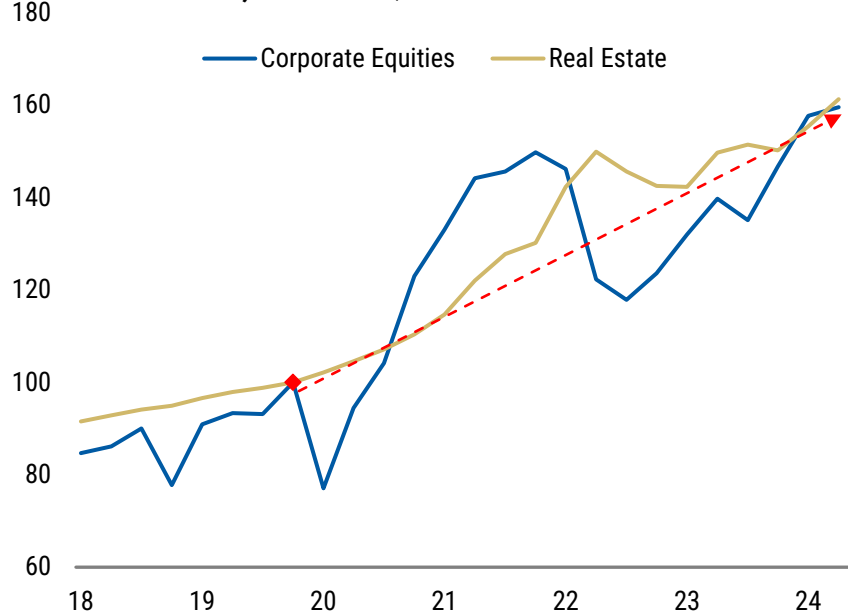


Source: Bureau of Economic Analysis, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

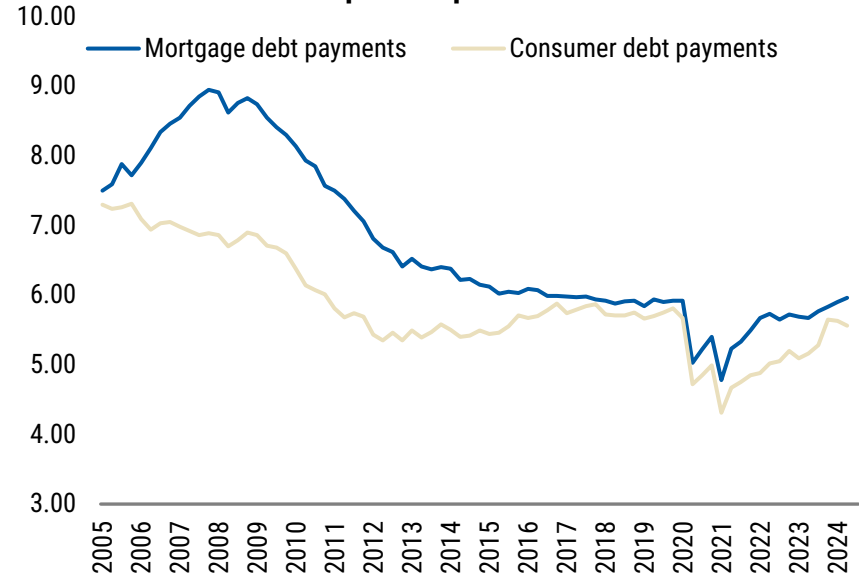
# Household Balance Sheets

Wealth gains across financial and real estate have been unprecedented, leading to spending impulse among savers and homeowners.

Household Wealth, Indexed 4Q19=100



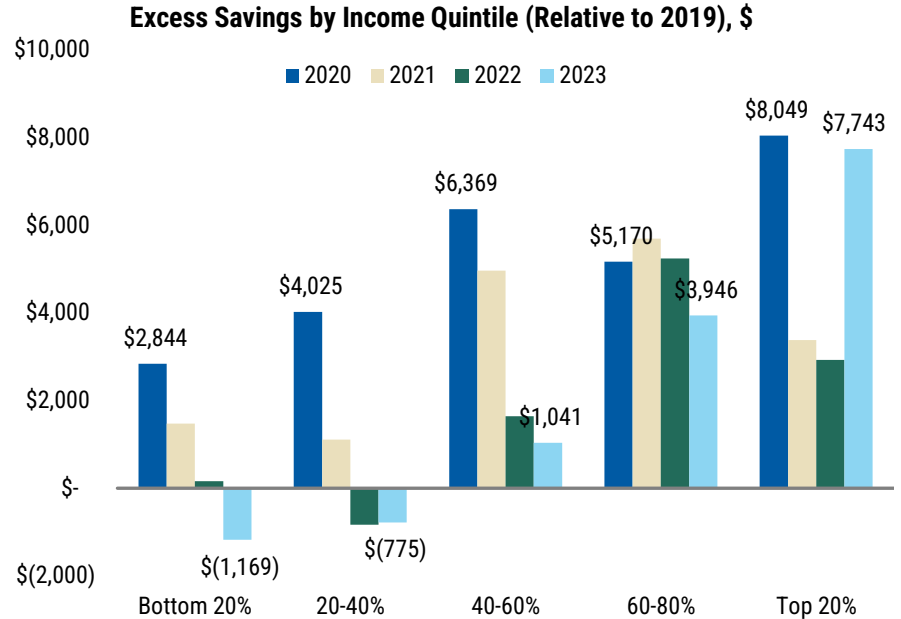
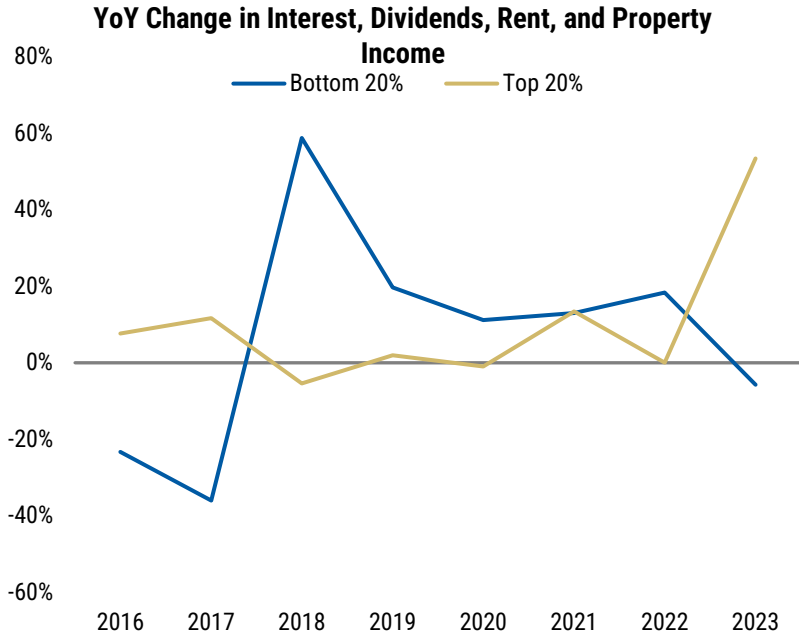
Share of disposable personal income



Source: Bureau of Economic Analysis, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# The Bifurcation

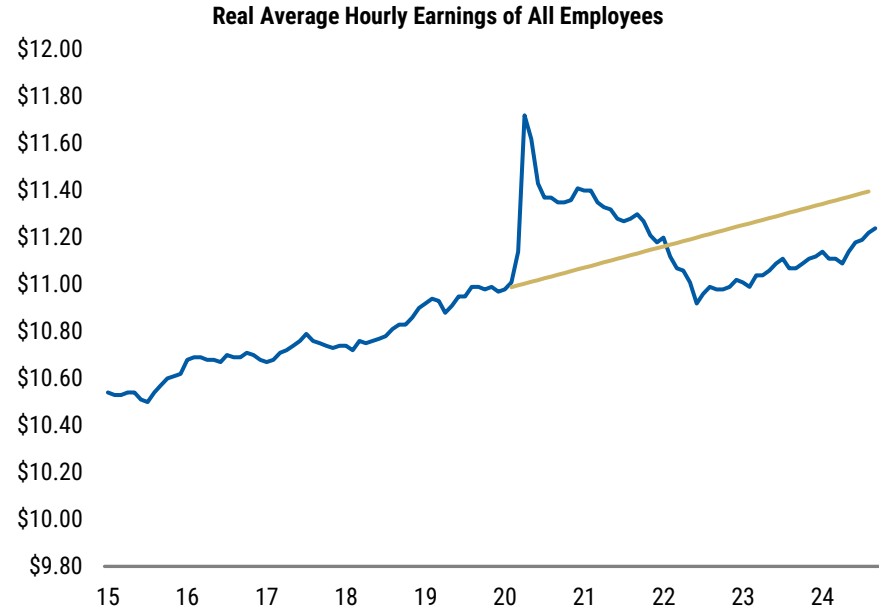
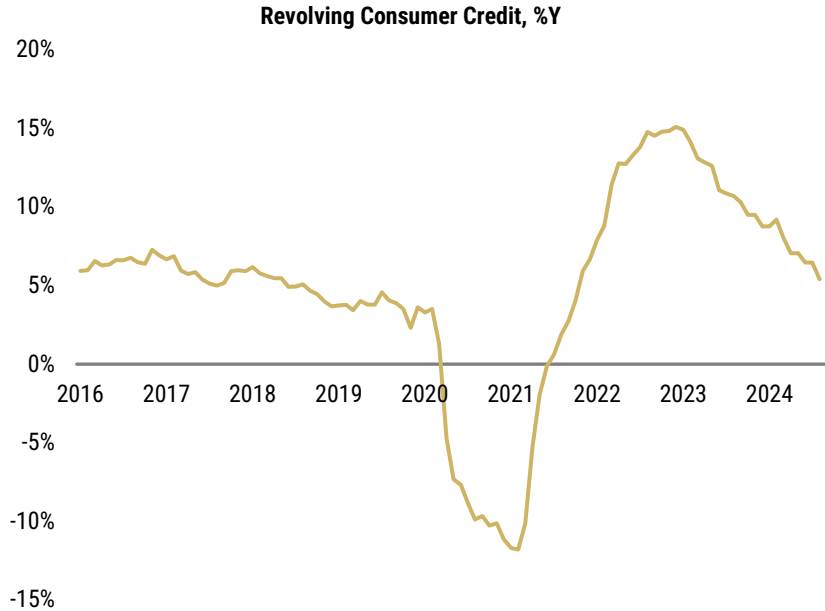
Higher-income households have been main beneficiaries of lofty asset prices and fixed rates debt.



Source: Bureau of Economic Analysis, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Credit Availability and Inflation Pinching Buying Power

For lower-income households, elevated price levels and tight lending standards continue to strain spending ability, but conditions are improving.

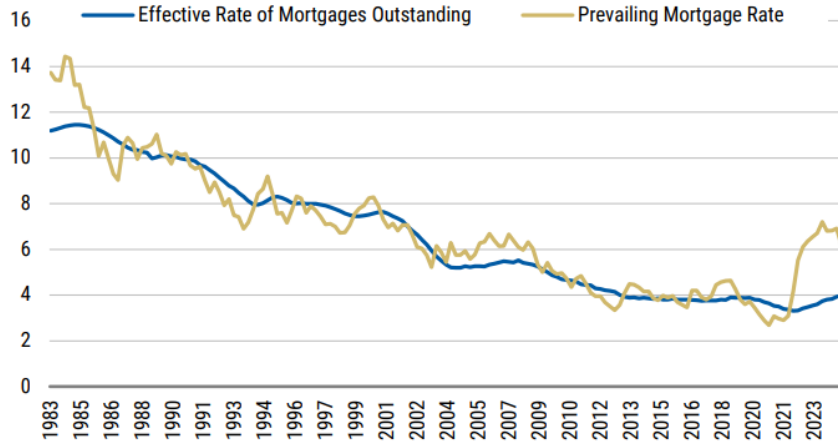


Source: Federal Reserve Board, Bureau of Labor Statistics, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

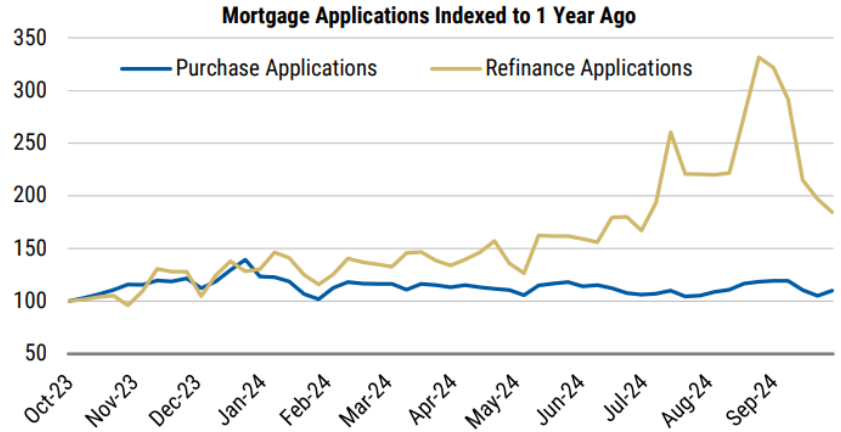
# Housing Will Determine Cycle

Rate insensitivity on the way up may mean insensitivity on the way down. Affordability remains challenged, dampening housing recovery.

## Affordability has improved, but is still challenged



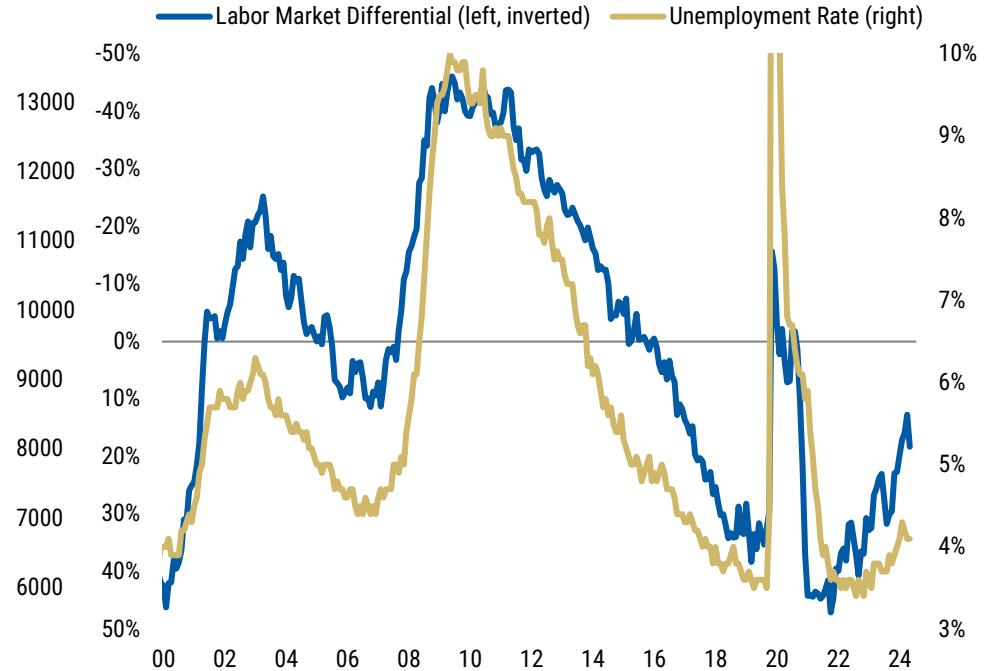
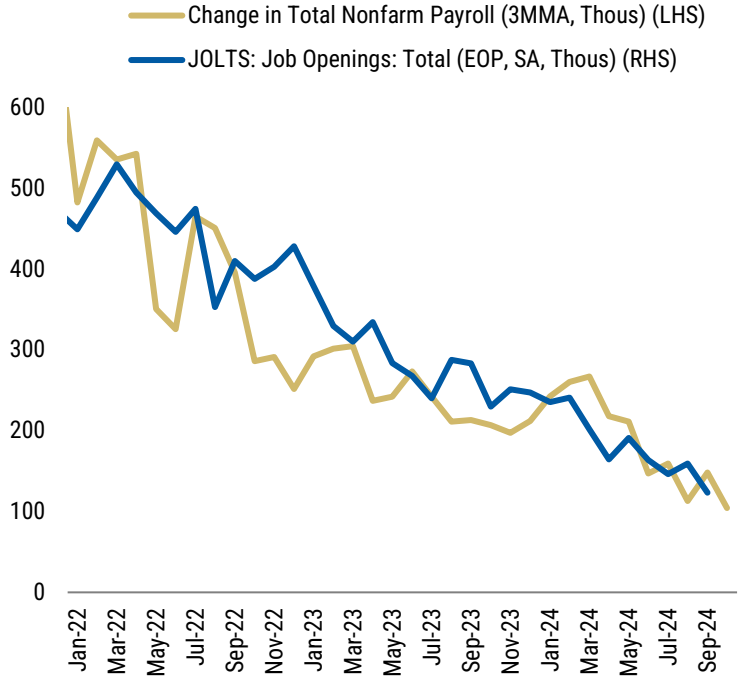
## Effective mortgage rate is 200bp below prevailing rate



Source: NAR, Freddie Mac, US Census Bureau, BLS, Morgan Stanley Wealth Management GIO. Data as November 8, 2024.

# Labor Market Is Decelerating

Demand for labor has cooled and consumers know it.

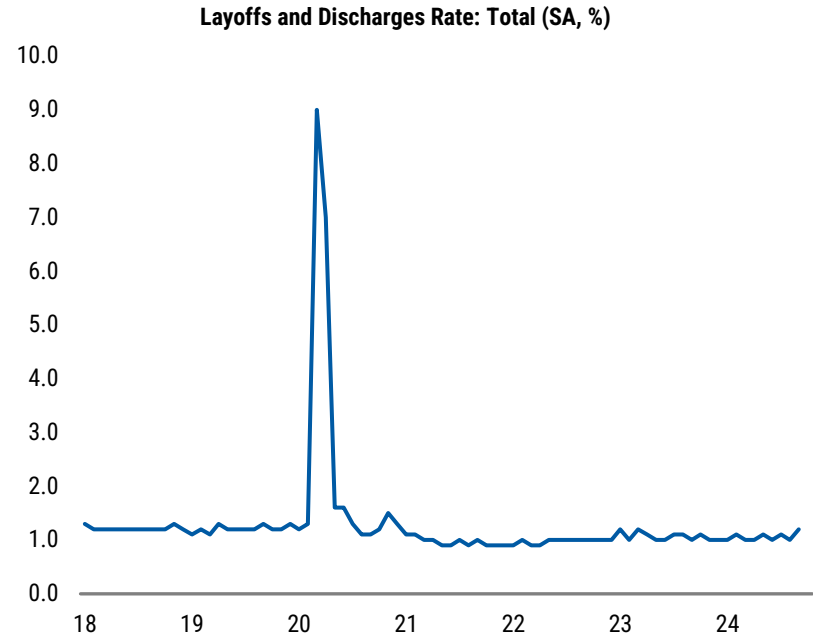
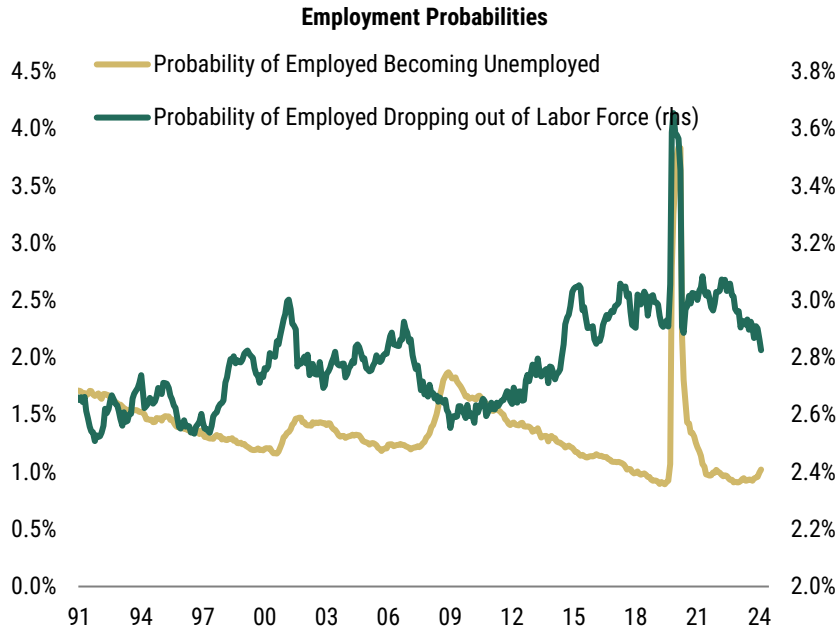


Source: BLS, Conference Board, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.



# Hiring Has Slowed, but Layoffs Remain Low

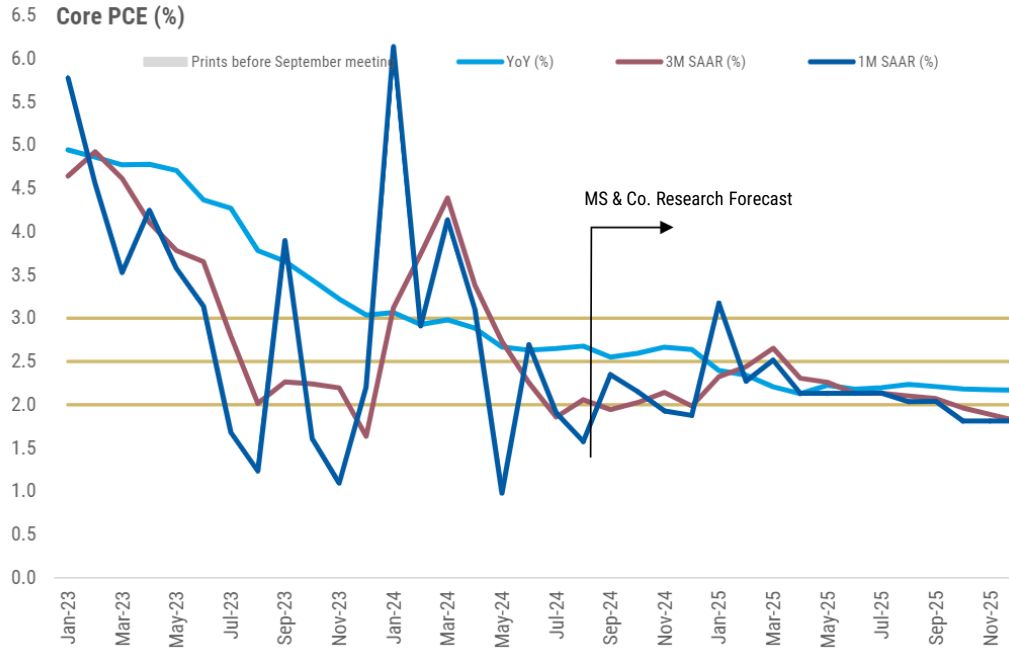
Layoffs remain subdued and workers are staying in the labor market.



Source: BLS, BEA, DOL, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Inflation on Track to Reach 2%

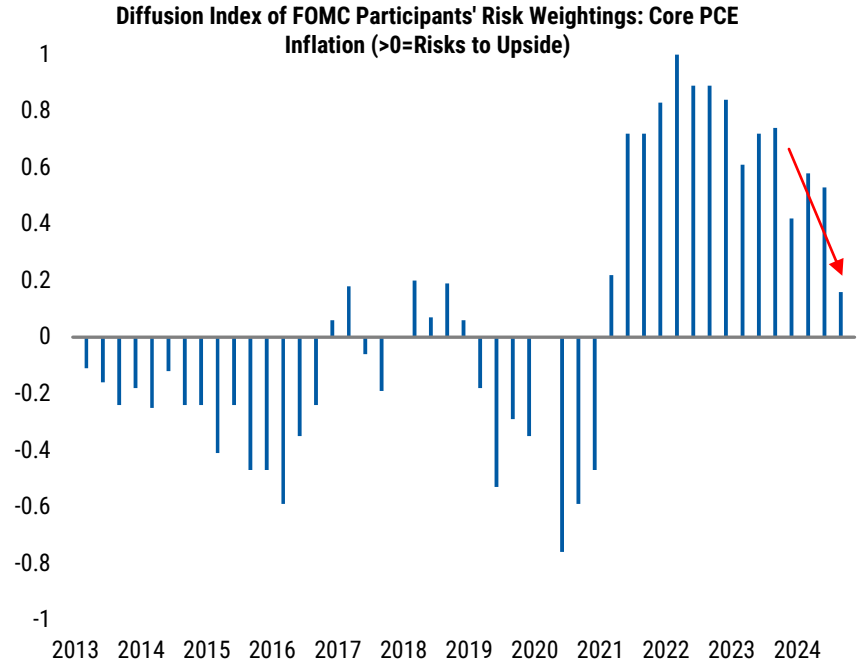
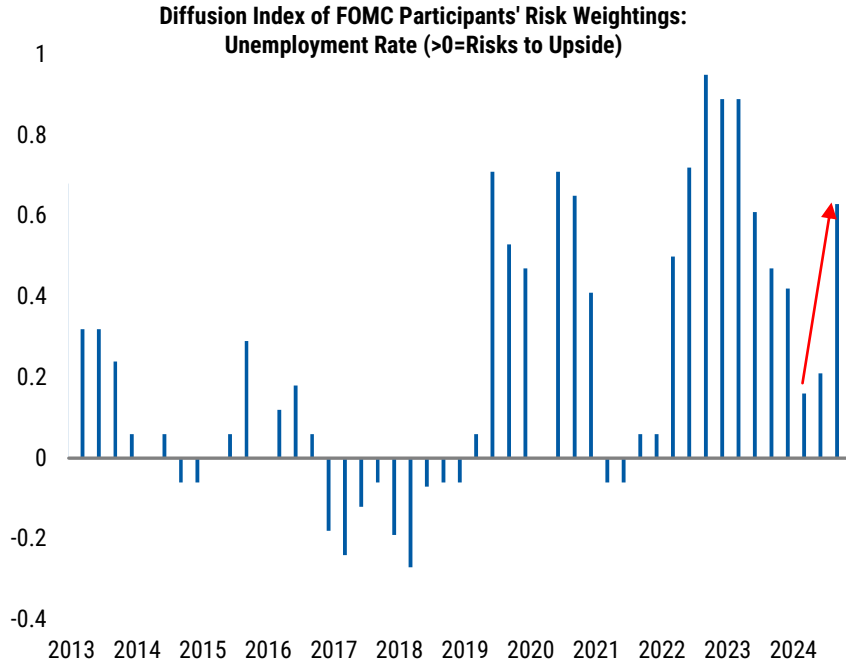
Goods remain deflationary, while services disinflationary. Monthly pace consistent with reaching 2% goal. Weaker inflation prints could justify larger cuts.



Source: BLS, BEA, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Fed Views: Change in Risks

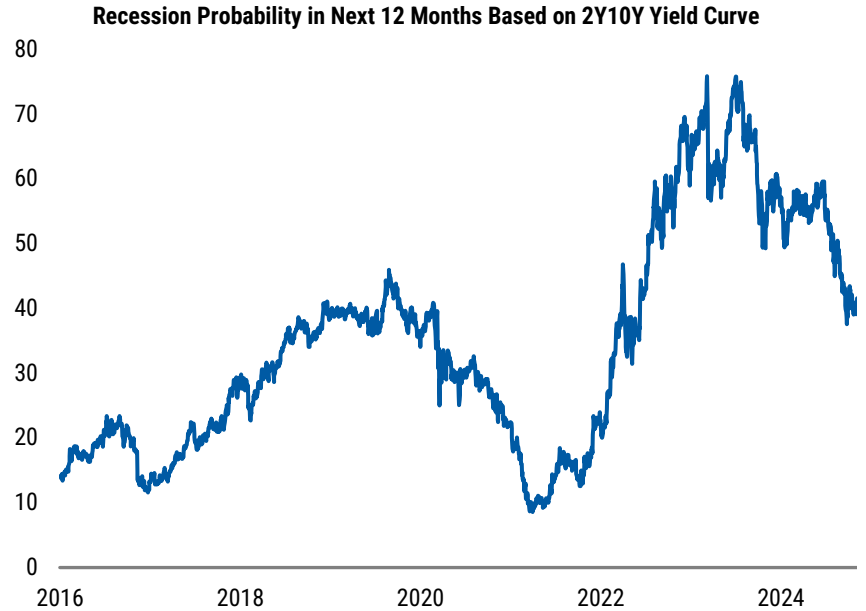
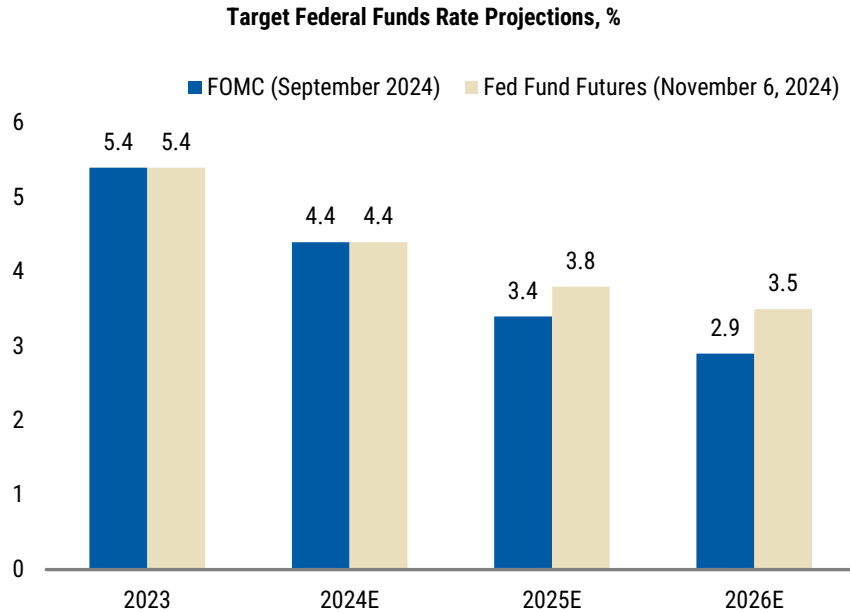
Risks to inflation have moderated significantly while labor market risks are rising.



Source: Federal Reserve Board, Morgan Stanley Wealth Management GIO. Data as of September 18, 2024.

# Divergence in Market Expectations

Markets are pricing in steeper cuts this year and next. Pivot toward rate cuts has increased odds of a soft landing.



Source: Federal Reserve Board projections, Bloomberg, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Trump Trade

## 1. Tariffs

## 2. Immigration

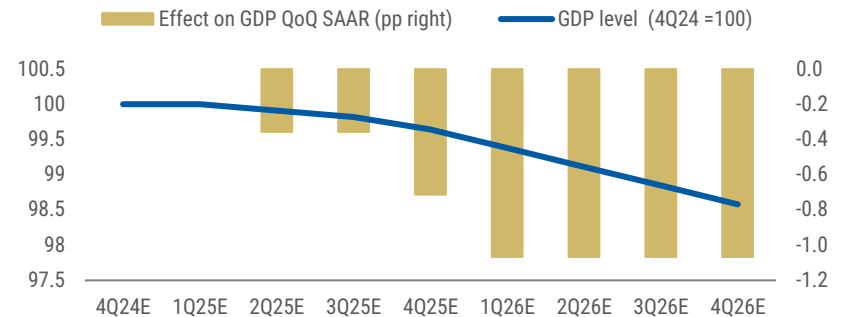
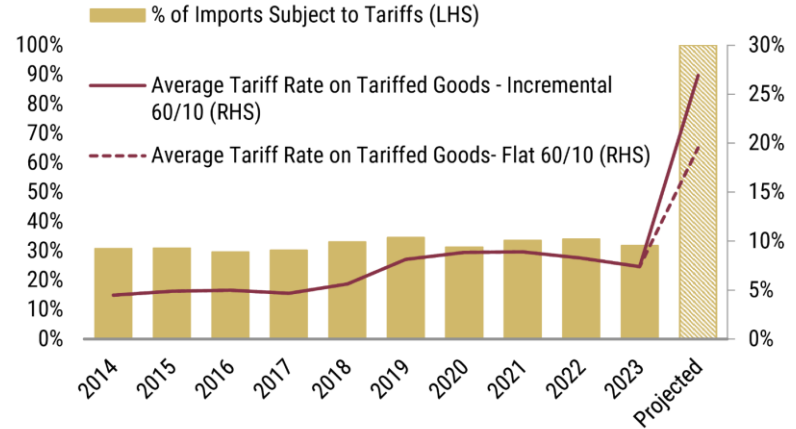
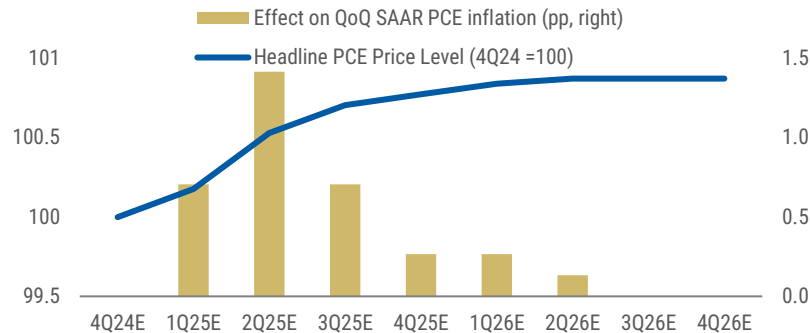
## 3. Taxes

## 4. Market Implications

# Tariffs

Tariffs in line with Republican proposals would boost inflation but hurt growth more than is widely expected.

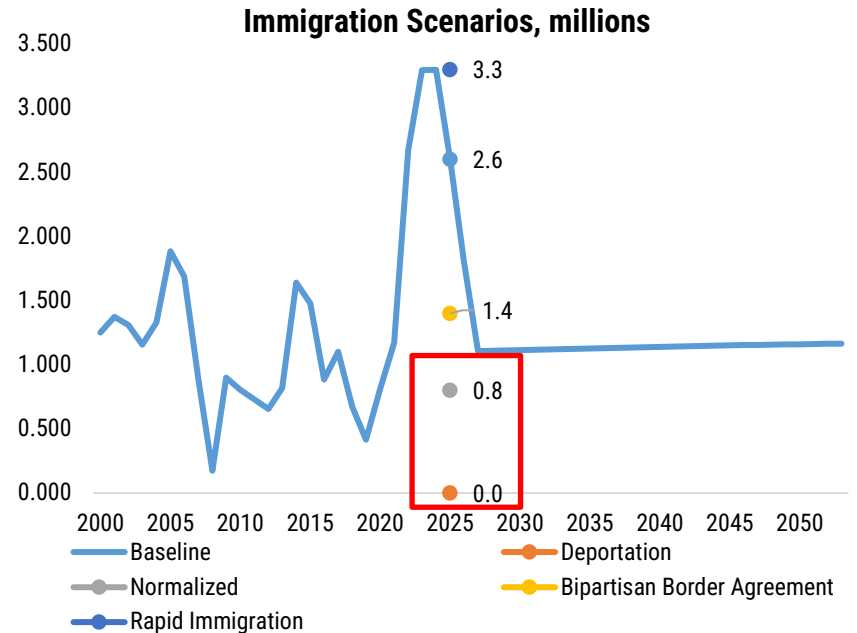
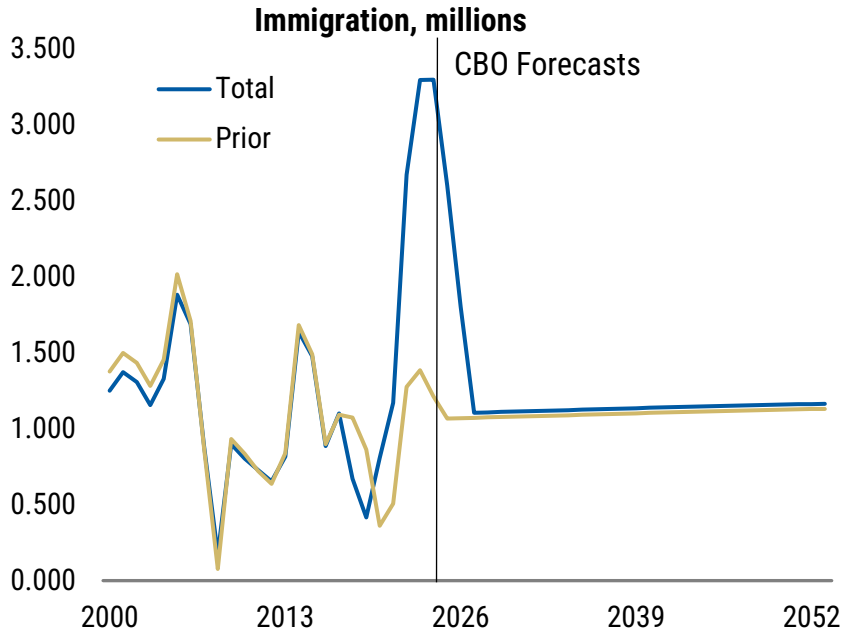
With incremental 60% tariffs on China and 10% tariffs on the ROW imports, the most impacted sectors would be electronics and computer equipment, furniture, apparel and metal products, where tariff rates could rise to over 30%. This tariff impact does not account for potential exclusions, which are highly uncertain, and further retaliation by other countries.



Source: Morgan Stanley & Co. Research estimates, Morgan Stanley Wealth Management GIO. Data as of November 8, 2024.

# Immigration

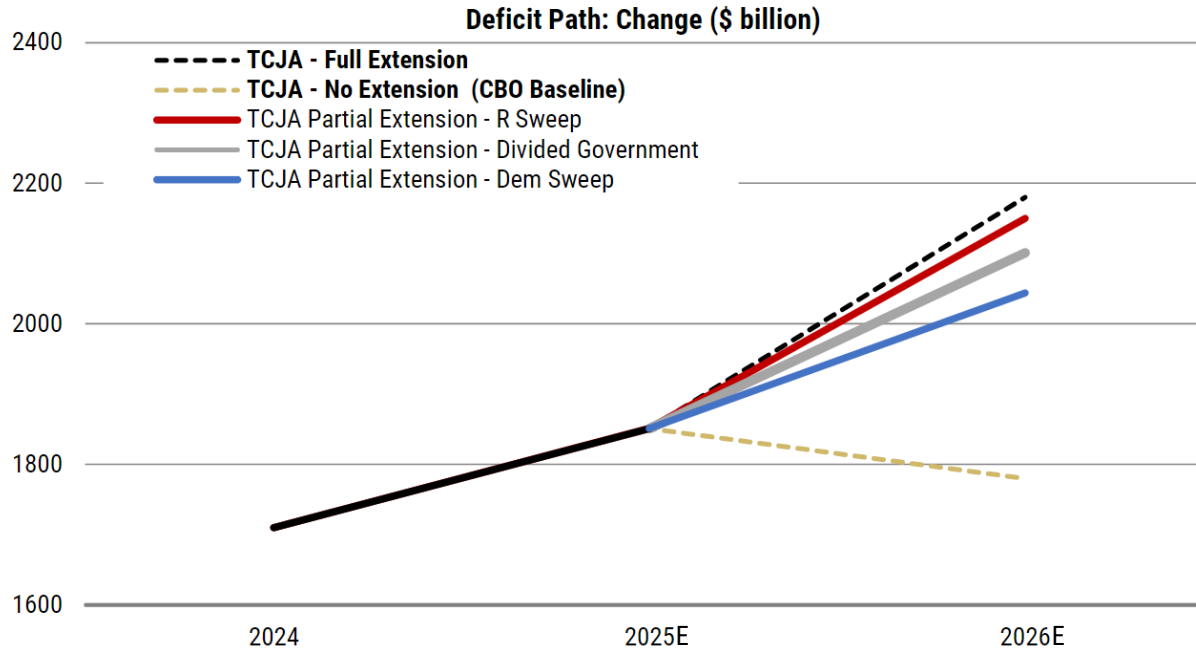
Changes in immigration can affect both aggregate supply and demand, as large negative net immigration can lead to weaker consumption spending, a smaller labor force, and may drive down investment spending. Supply effect of immigration has been powerful in the past year, expanding labor supply and contributing to disinflation.



Source: CBO, BLS, Morgan Stanley Wealth Management GIO. Data as of August 7, 2024.

# Taxes & Deficit

The largest direct impact to the deficit over the next 10 years will be tied to tax policy. Republican sweep will push for a full extension of the TCJA, including keeping corporate tax rate at 21% and extending child tax credits and key business provisions.

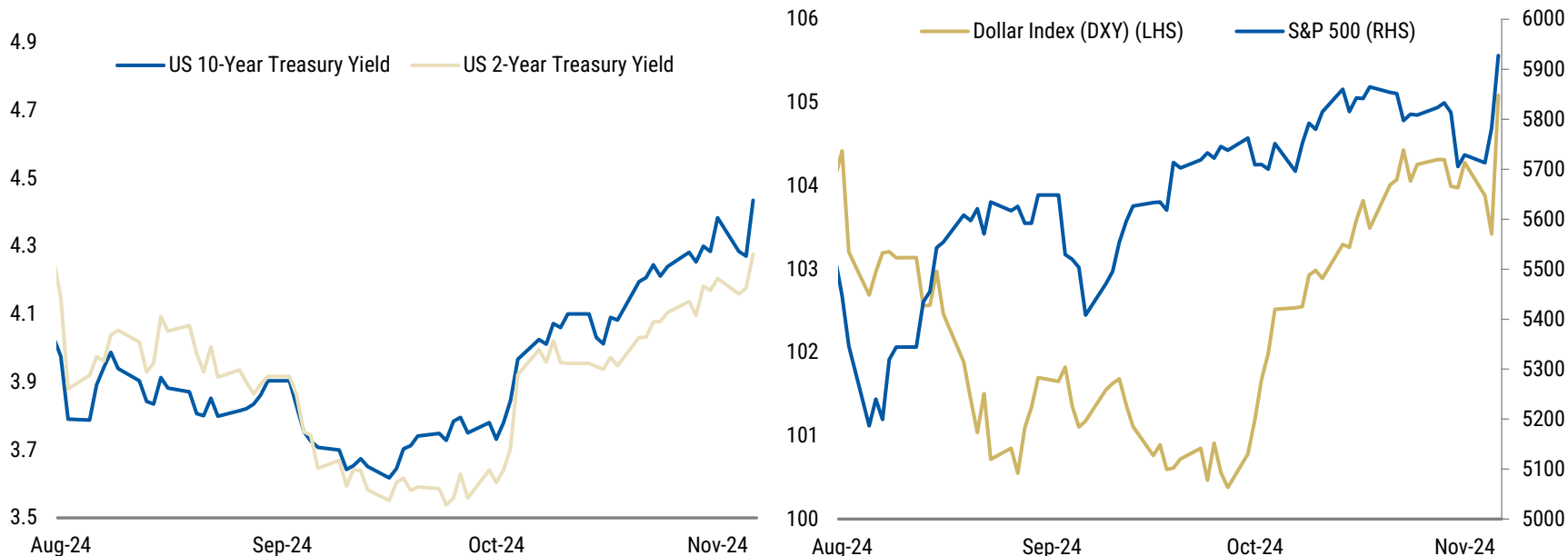


Source: Morgan Stanley & Co. Research estimates, Morgan Stanley Wealth Management GIO. Data as of June 14, 2024.



# Market Moves

Wider deficit and inflationary policies move yields higher. Higher interest rates and weaker global growth strengthen the dollar. Equities rise off deregulation and tax cut prospects.



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Data as of November 8, 2024.

## Disclosures

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