



Morgan Stanley

10 Big Themes – Macro x Micro

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All information as at 6th January 2023

10 Big Themes

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1. **Margin Pressure** – Company earnings and margins are likely to come under pressure this year as pricing power declines and costs remain sticky – both the US and Europe look at risk from this theme top-down.
 2. **Inventory & Deflation** – Inventory has grown sharply while demand, especially demand for goods, is falling. Companies will need to decide how they want to handle excess inventory, and we believe many will turn to aggressive discounting.
 3. **China Reopening** – a V-shaped recovery in China growth is now likely given the sudden change in the prior Covid-zero policy. MS forecasts 5.4% GDP growth in 2023. We note >50 global stocks most exposed to China by revenue and another >50 specifically listed in Europe.
 4. **ESG Rate of Change** – We think ESG rate of change will be a critical focus for investors looking to identify companies that can generate alpha and ESG impact.
 5. **Earthshots** – Earthshots are radical technological decarbonisation accelerants or warming mitigants. CleanTech funding is the most resilient segment in venture, and breakthroughs are becoming more frequent. We think 6 key technologies and 40 equities are most exposed.
 6. **Downround IPOs & Cash Calls** - There are currently 1415 unicorns, but in the last 5 years only 715 EBITDA-positive companies have IPO'd at a valuation >\$1bn. This will be the year of the downround ... but also a year for opportunistic cross-over investors.
 7. **India's Decade** - India has the conditions in place for an economic boom fuelled by offshoring, investment in manufacturing, the energy transition, and the country's advanced digital infrastructure. This is an underappreciated, multi-year theme with gathering momentum.
 8. **Rise of Saudi** – Saudi Arabia is undergoing an unprecedented transformation with sweeping social and economic reforms, c\$1 trn in gigaproject commitments, and rapid demographic shifts. For global investors, Korean contractors and Luxury are our favoured plays.
 9. **Multi-Earner Era** – With the emergence of ChatGPT, the future of work is set to be further disrupted. We believe we are on a secular trajectory towards the workforce – and particularly Gen Z – earning multiplicatively. We see equities across 10 sub-themes as ways to play this.
 10. **Obesity x Social Media** – Investing in obesity medication is moving from a linear secular theme to an exponential one, with social media creating a feedback loop of education, word of mouth and heightened demand for weight-loss drugs. Novo and Eli Lilly best placed.

Cross Asset: Relative Performance

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Commodity 23.90%	US Venture 63.13%	Real Estate 37.96%	EM Equity 34%	Real Estate 42.12%	EM Equity 39.38%	Fixed Income 5.24%	EM Equity 78.51%	Small Cap Equity 26.85%	Fixed Income 7.84%	Real Estate 27.73%	US Venture 48.82%	US Venture 25.11%	US Venture 23.19%	Small Cap Equity 21.31%	US Venture 55.82%	US Venture 8.52%	US Venture 53.66%	US Venture 67.91%	US Venture 23.15%	Commodity 13.75%
Global Fixed 22.37%	EM Equity 55.82%	EM Equity 25.55%	Commodity 17.50%	EM Equity 32.17%	US Venture 27.37%	Global Fixed 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	US Venture 20.67%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	High Yield 17.13%	EM Equity 37.28%	Cash 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%	Large Cap Equity 28.71%	Cash -1.75%
Fixed Income 10.26%	Small Cap Equity 47.25%	DM ex-U.S. Equity 20.38%	Real Estate 15.35%	DM ex-U.S. Equity 25.17%	DM ex-U.S. Equity 12.44%	Cash 2.06%	US Venture 54.73%	EM Equity 18.88%	Global Fixed 4.36%	EM Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	Fixed Income 0.55%	Large Cap Equity 11.96%	DM ex-U.S. Equity 24.21%	Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%	Commodity 27.1%	High Yield -10.98%
Real Estate 2.82%	Real Estate 40.69%	Small Cap Equity 18.33%	DM ex-U.S. Equity 14.47%	Small Cap Equity 18.37%	Global Fixed 11.03%	High Yield -26.16%	Real Estate 37.13%	Commodity 16.70%	US Venture 2.39%	DM ex-U.S. Equity 16.41%	DM ex-U.S. Equity 21.02%	Fixed Income 5.97%	Cash 0.05%	Commodity 11.40%	Large Cap Equity 21.83%	High Yield -2.08%	DM ex-U.S. Equity 22.49%	EM Equity 18.31%	Real Estate 26.09%	DM ex-U.S. Equity -15.34%
Cash 1.78%	DM ex-U.S. Equity 39.42%	Global Fixed 12.54%	Large Cap Equity 4.91%	Large Cap Equity 15.79%	Commodity 11.10%	US Venture -32.6%	DM ex-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	EM Equity 11.19%	Small Cap Equity 14.65%	Global Fixed -2.15%	Real Estate 21.19%	Global Fixed 10.11%	Small Cap Equity 14.82%	Fixed Income -15.76%
High Yield -1.37%	High Yield 28.97%	US Venture 12.42%	Small Cap Equity 4.55%	High Yield 11.85%	Fixed Income 6.97%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash 0.10%	Large Cap Equity 16%	Real Estate 3.67%	High Yield 2.45%	DM ex-U.S. Equity -3.04%	Real Estate 4.06%	Global Fixed 10.51%	Large Cap Equity -4.38%	EM Equity 18.44%	DM ex-U.S. Equity 7.59%	DM ex-U.S. Equity 12.62%	Global Fixed -16.25%
EM Equity -6.16%	Large Cap Equity 28.68%	High Yield 11.13%	Cash 3.07%	US Venture 8.45%	Large Cap Equity 5.49%	Commodity -36.60%	Large Cap Equity 26.47%	US Venture 11.06%	Small Cap Equity -4.18%	High Yield 15.81%	Cash 0.07%	Cash 0.03%	Small Cap Equity -4.41%	DM ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	Fixed Income 7.51%	High Yield 5.28%	Large Cap Equity -19.44%
DM ex-U.S. Equity -15.80%	Commodity 22.70%	Large Cap Equity 10.88%	High Yield 2.74%	Global Fixed 8.16%	Cash 5%	Large Cap Equity -37%	Commodity 18.70%	DM ex-U.S. Equity 8.95%	Real Estate -6.46%	Fixed Income 4.21%	Fixed Income -2.02%	EM Equity - 2.19%	High Yield -4.47%	Fixed Income 2.65%	High Yield 7.5%	Small Cap Equity -11.01%	Fixed Income 8.72%	High Yield 7.11%	Cash 0.05%	EM Equity -20.56%
Small Cap Equity -20.48%	Global Fixed 19.36%	Commodity 7.60%	Fixed Income 2.43%	Cash 4.85%	High Yield 1.87%	DM ex-U.S. Equity -43.56%	Global Fixed 7.53%	Fixed Income 6.54%	DM ex-U.S. Equity -12.21%	Global Fixed 4.09%	EM Equity -2.6%	Global Fixed -3.09%	Global Fixed -6.02%	Global Fixed 1.49%	Fixed Income 3.54%	Commodity -13.0%	Commodity 5.40%	Cash 0.67%	Fixed Income -1.54%	Small Cap Equity -21.56%
Large Cap Equity -22.10%	Fixed Income 4.10%	Fixed Income 4.34%	US Venture -5.07%	Fixed Income 4.33%	Small Cap Equity -1.57%	Real Estate -48.21%	Fixed Income 5.93%	Global Fixed 4.95%	Commodity -13.40%	Cash 0.11%	Global Fixed -3.08%	DM ex-U.S. Equity -4.32%	EM Equity -14.92%	US Venture 0.36%	Cash 0.86%	DM ex-U.S. Equity -14.09%	Global Fixed 5.09%	Commodity -3.50%	EM Equity -2.54%	Real Estate -26.25%
US Venture -47.13%	Cash 1.15%	Cash 1.33%	Global Fixed - 8.65%	Commodity -2.70%	Real Estate -7.39%	EM Equity -53.33%	Cash 0.21%	Cash 0.13%	EM Equity -18.42%	Commodity -1.10%	Commodity -9.60%	Commodity -17.30%	Commodity -24.70%	Cash 0.33%	Commodity 0.70%	EM Equity -14.57%	Cash 2.28%	Real Estate -9.04%	Global Fixed -7.05%	US Venture -54.88%

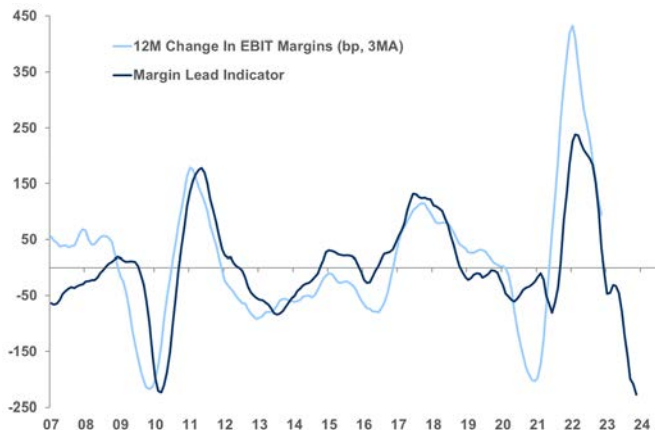
Sources: Bloomberg, Morgan Stanley Research

10 Big Themes For 2023

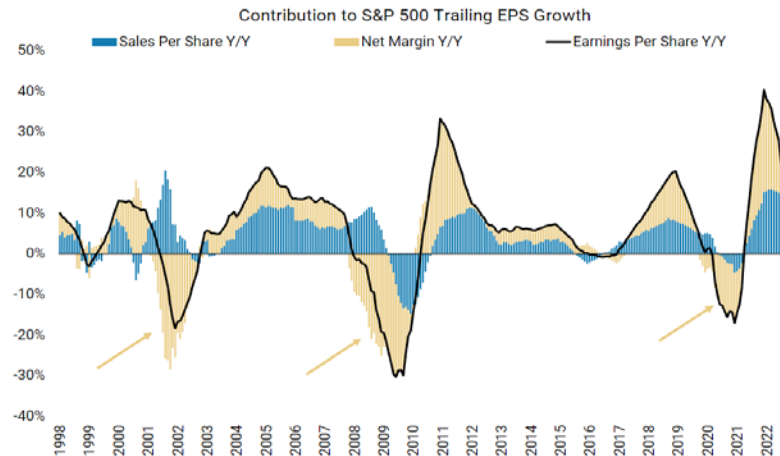
Theme 1: Margin Pressure (US)

Analysts: Michael Wilson, Michelle Weaver

We believe S&P 500 earnings will face significant pressure next year and enter an earnings recession. The reason is negative operating leverage—when cost growth exceeds sales growth, earnings growth takes a steep hit. This phenomenon may be even more acute this cycle given (1) stickier wage costs amid a still tight employment market/labor shortages in certain industries and (2) excess inventory that was acquired at higher price points amid supply shortages and is just now being discounted in end markets (i.e., flowing through the income statement). [See report here](#)



Sources: Factset, Bloomberg, Morgan Stanley Research



Sources: Factset, Morgan Stanley Research

Margin Pressure (Europe)

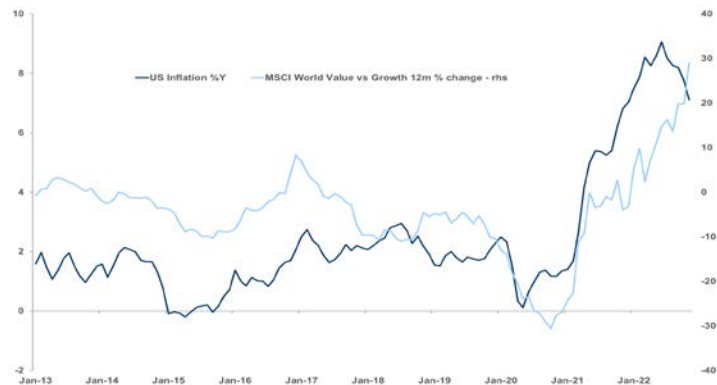
Analyst: Graham Secker

We assume European earnings will fall 10% next year as top line growth moderates and margins fall significantly. Our European margin lead indicator is pointing to over 200bps of margin contraction over the next 12m, comparable to that seen during the GFC. Higher wages, further cost inflation, slowing end demand and falling pricing power should all contribute to the negative operating leverage that we expect. [See report here](#)

Theme 2: From stagflation to disinflation (and recession?) ...

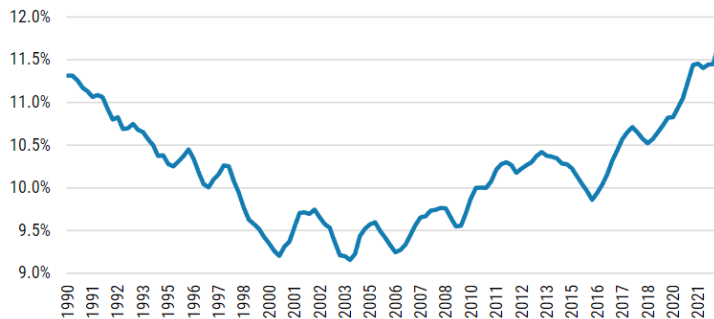
Analysts: Michael Wilson, Graham Secker

Inflation and higher rates have been the dominate driver of asset markets and sector performance trends in 2022. For 2023 we think the emphasis shifts to lower inflation and slower growth. Our US economists expect US inflation to fall materially over the coming quarters which should put downward pressure on bond yields and favour defensives and GARP stocks.



Sources: Factset, Morgan Stanley Research

Median Inventory/Sales (4 Quarter MA): Top 1000 Stocks ex REITs & Financials



Sources: Compustat, Morgan Stanley Research

... via Inventory Unwind

Analysts: Michael Wilson, Michelle Weaver

The problem with inventory is twofold - supply chains bottlenecks have cleared while demand, especially demand for goods, is slowing. Supply chains have stabilized for most industries and goods imports into the United States have surged higher on both a real and nominal basis. Inventory to Sales for the median US company has been on the rise since the Financial Crisis and is now at the highest level since 1990. We believe many companies will turn to aggressive discounting to solve their inventory problem. [See report here](#)

Theme 3: China/Asia re-opening

Analysts: Jonathan Garner, Daniel Blake, Graham Secker

Unlike Western economies that are likely to slow further during 2023, we see an improving outlook for China/Asia as policy restrictions ease and the region enjoys a re-opening upturn. In conjunction with the USD weakness that we expect, this backdrop should encourage increased investor interest and flow into Asia/EM/China assets, both fixed income and equities. We see >50 global stocks exposed to China (BBG ticker MSREGLCH Index) and >50 with exposure specifically listed in Europe (see appendix). A strong rally in this group is currently underway: [See report here for EM](#) and [here for Europe](#)



Sources: Thomson, Morgan Stanley Research



Sources Reuters, Morgan Stanley Research estimates

Theme 4: ESG Rate of Change Drives Alpha

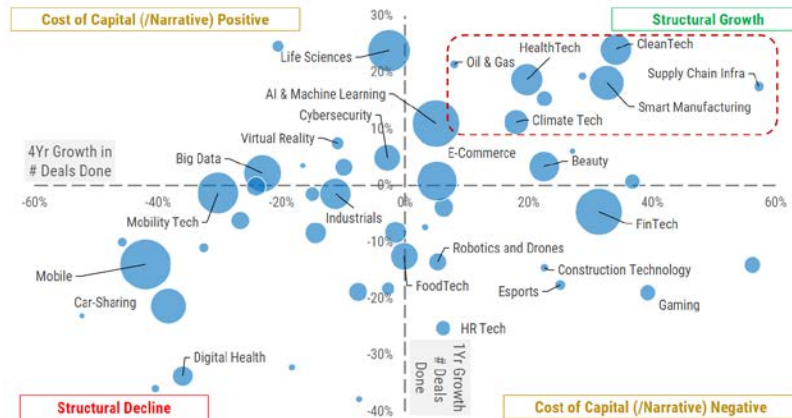
Analyst: Stephen Byrd

We think ESG rate of change will be a critical focus for investors looking to identify companies that can generate alpha and ESG impact. Of our global coverage, there are 90 stocks that our analysts believe will see significant improvement in at least one ESG metric, leading to a positive impact on financials and valuation. We believe our work is a better gauge of the likely future ESG rate of change of stocks than typical data services, which are often backward-looking and/or are not driven by in-depth, sector-specific analyses: [See report here](#)

Theme 5: Earthshots

Analysts: Edward Stanley, Stephen Byrd

Our analysts list [>50 companies](#) with embedded game-changing sustainability technology, from the cutting edge in Ginkgo Bioworks, Codexis and Oxford Nanopore, to the enablers in Siemens, Sunrun and Occidental. Moreover, this report demonstrates the sheer breadth and speed of innovation from c200 private companies funded with \$500bn of capital that are jostling to disrupt the lethargic decarbonisation status quo. [See report here](#)

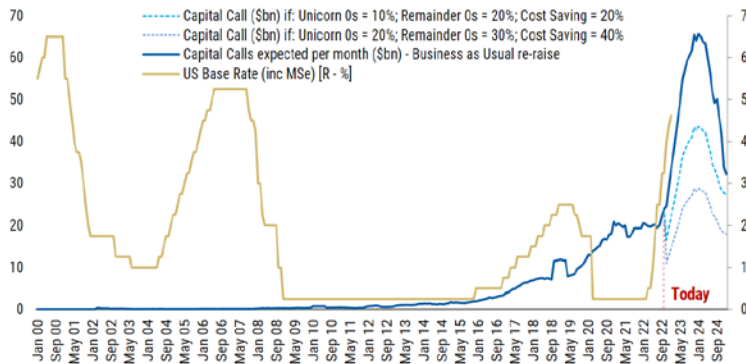


Sources: Pitchbook, Morgan Stanley Research

Theme 6: Downturn IPOs & Cash Calls

Analyst: Edward Stanley

We are in the upswing of unicorns needing to re-raise. In the absence of unicorn consolidation, expect money to flow out of public equities to support (or compensate for) private investments. Only 3% of 1420 companies IPO'd on a downturn over the past 15 years; yet over 50% continued to grow and IPO'd or were acquired at higher subsequent valuations. If downturn IPOs are to happen then it is most likely to occur mid-year 2023 for most newly minted unicorns. History suggests that the companies that raised at the peak of the 2021 upswing will raise at a downturn around 2Q23 and then could IPO on a subsequent up-round 9-12 months later. [See report here & here](#)



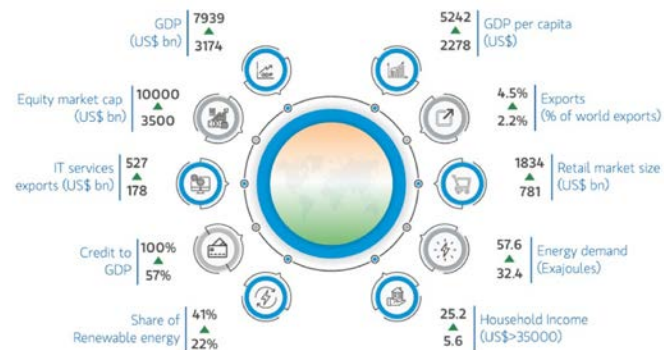
Sources: Pitchbook, Bloomberg, Morgan Stanley Research estimates. See full note above for detail behind the scenarios.

Theme 7: India's Decade

Analyst: *Ridham Desai*

India has the conditions in place for an economic boom fueled by offshoring, investment in manufacturing, the energy transition, and the country's advanced digital infrastructure. These drivers will make it the world's third-largest economy and stock market before the end of the decade. The New India will drive a fifth of global growth through the end of this decade, led by offshoring, investment in manufacturing, the energy transition, and digital differentiation. [See report here](#)

THE NEW INDIA WILL DRIVE A FIFTH OF GLOBAL GROWTH THROUGH THE END OF THIS DECADE



Sources Morgan Stanley Research estimates



Sources: Google Maps, Morgan Stanley Research

Theme 8: Saudi – Emerging at ‘Giga’ speed

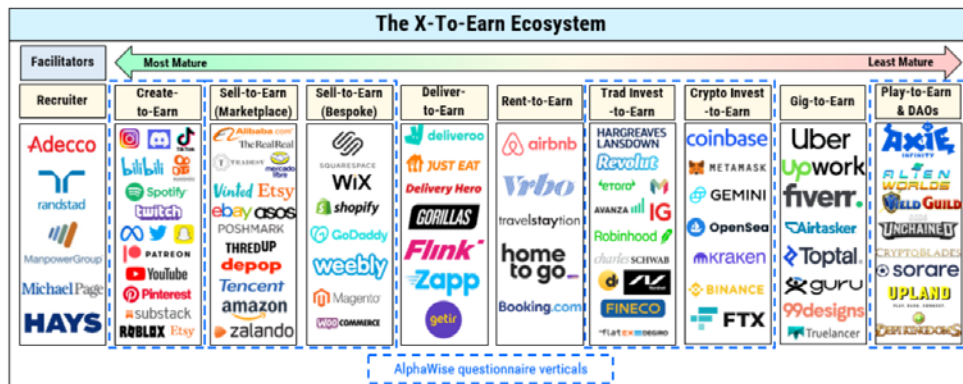
Analysts: *Marina Zavolock, Edward Stanley*

Saudi's extensive Vision 2030 economic and social reform program was launched in 2016 but gained significant momentum in 2022. Political will behind reforms is high, and the runway for continued momentum should extend into the next decade. We estimate giga, mega, and related project spending commitments to 2030 of c. \$900bn (versus an estimated \$50bn spent thus far). Korean and Indian contractors as well as Luxury look set to benefit. We see 20 global stocks with exposure to Vision 2030. [See report here](#)

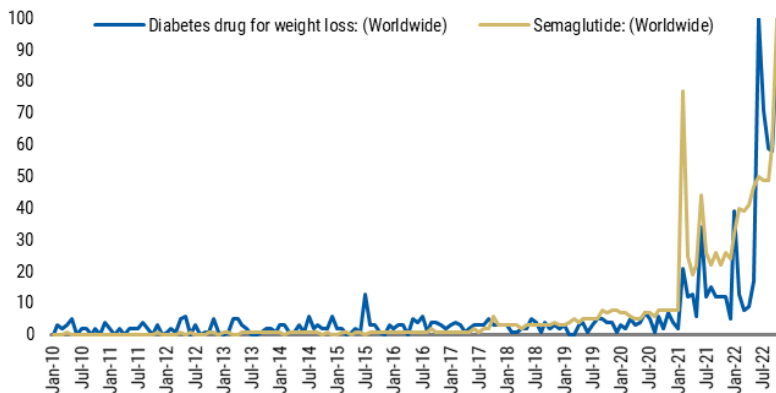
Theme 9: Multi-Earner Era

Analysts: Edward Stanley, Julian Richers

The emergence of ChatGPT and other generative AI tools is beginning to beg the question of how the future of work will look as these systems improve exponentially. Greater flexibility seems like the most likely outcome in the medium and long term. The necessity of pursuing multiple earning streams during the pandemic is now shifting to an opportunity. This is creating a large and growing class of workers whose marginal hour is better spent multi-earning than in low-paying traditional corporate roles. Gen Z is leading the paradigm shift. [See report here](#)



Sources Morgan Stanley Research



Sources: Google Trends, Morgan Stanley Research

Theme 10: Obesity x Social Media

Analysts: Mark Purcell, Edward Stanley

Wegovy (obesity), Ozempic (diabetes) and semaglutide (in both medicines) are seeing incredibly high YoY growth in the use of these hashtags in TikTok videos and comments. The result, we argue, is the potential for (1) knowledge of and thus (2) demand for drugs to spread exponentially rather than linearly in future. We believe global obesity sales could reach >\$50bn in 2030. This would lift obesity from a \$2.4bn category to a top-12 therapy area by global spending. Novo Nordisk and Eli Lilly best placed. [See report here](#)

Appendix – China Reopening Screen (European Stocks)

Company Name	Sector	Market Cap \$mn	Price	MS Rating	Upside to... (%)			Relative Performance vs MSCI Europe (%)			P/E		PBV		DY (%)		EPS Growth (%)		2022a sales exposure to China (%)
					Bear PT	Base PT	Bull PT	3M	6M	12M	2023	2024	2023	2024	2023	2024	2023	2024	
Prosus N.V. Class N	Consumer Discretionary	150,723	€ 68.86	OW / I	-48	28	92	14	0	3	22.3	16.2	1.9	1.7	0.2	0.3	63	38	64
Rio Tinto plc	Materials	87,612	£ 58.39	EW / I	-66	-2	122	6	13	32	10.4	11.0	2.1	1.9	6.1	6.0	-19	-6	57
Glencore plc	Materials	83,739	£ 5.44	OW / I	-54	30	148	0	19	60	6.6	8.3	1.7	1.5	8.9	8.8	-34	-20	43
Swatch Group Ltd. Bearer	Consumer Discretionary	8,552	SFr 277.30	OW / I	-47	-21	37	10	15	9	15.8	14.7	1.1	1.1	2.6	2.7	9	8	37
Compagnie Financière Richemont SA	Consumer Discretionary	70,824	SFr 127.30	OW / I	-34	8	37	19	19	2	19.1	17.6	3.4	3.1	2.1	2.3	6	8	35
NXP Semiconductors NV	Information Technology	40,179	\$ 155.05	EW / I	-20	12	52	-9	-1	-26	11.9	10.6	4.7	4.1	2.3	2.8	-9	12	35
Kone Oyj Class B	Industrials	23,660	€ 49.46	OW / C	-33	7	31	11	0	-12	26.5	23.8	8.8	8.3	3.6	3.8	20	11	31
Elkem ASA	Materials	2,243	NOK 35.22	OW / I	-15	42	116	-13	12	27	6.2	6.6	0.8	0.7	7.6	6.0	-60	-5	30
STMicroelectronics NV	Information Technology	32,227	€ 33.53	EW / A	-28	7	79	-8	8	-16	9.8	9.2	2.2	1.8	0.7	0.7	-8	7	28
Infineon Technologies AG	Information Technology	40,038	€ 29.05	EW / A	-35	12	93	13	22	-22	14.0	12.7	2.3	2.0	1.2	1.2	9	10	27
Anglo American plc	Materials	52,469	£ 32.67	OW / I	-72	-12	122	5	8	20	9.5	9.7	1.5	1.4	4.3	4.3	-15	-2	26
Remy Cointreau SA	Consumer Staples	8,713	€ 159.40	OW / I	-37	-9	25	-16	-11	-16	25.0	22.3	4.0	3.6	1.5	1.5	11	12	26
Prada S.p.A.	Consumer Discretionary	14,869	HKD 45.40	EW / I	-61	-3	40	11	-4	4	24.8	21.9	3.9	3.6	2.4	2.7	24	13	25
Financials	Financials	38,959	€ 11.71	OW / A	-22	17	51	19	7	2	12.1	10.9	2.0	1.8	1.4	1.5	15	11	25
Kering SA	Consumer Discretionary	64,054	€ 489.10	EW / I	-14	19	53	-4	-6	-24	14.6	13.4	3.5	3.0	3.2	3.4	5	9	24
Hermes International SCA	Consumer Discretionary	166,036	€ 1490.00	EW / I	-39	-6	28	9	31	7	44.4	39.4	11.1	9.2	0.8	0.9	11	13	24
TODS S.p.A.	Consumer Discretionary	1,077	€ 30.82	OW / I	-42	23	101	-34	-3	-32	26.5	19.2	1.0	0.9	1.4	1.3	110	38	23
Salvatore Ferragamo S.p.A.	Consumer Discretionary	2,986	€ 16.76	OW / I	-46	-13	43	4	7	-19	63.4	34.7	3.6	3.4	1.0	1.5	-39	83	23
adidas AG	Consumer Discretionary	25,057	€ 131.88	OW / I	-51	-13	59	-1	-27	-44	28.1	18.8	4.2	3.9	1.5	2.1	253	50	22
Knorr-Bremse AG	Industrials	8,994	€ 52.86	EW / C	-36	14	82	3	-10	-34	15.3	13.2	3.0	2.7	3.4	3.6	7	16	22
Renishaw plc	Information Technology	3,190	£ 36.50	-	-	-	-	-8	-7	-16	20.1	18.0	3.1	2.8	2.2	2.3	-2	12	22
Covestro AG	Materials	8,072	€ 39.58	OW / I	-29	14	107	16	14	-21	49.1	13.3	1.0	0.9	1.1	3.3	-65	270	21
Atlas Copco AB Class A	Industrials	40,176	SEK 126.22	OW / C	-33	-20	22	8	27	-12	24.1	23.2	6.9	6.0	1.9	1.9	8	4	21
Moncler SpA	Consumer Discretionary	14,560	HKD 50.40	EW / I	-33	1	39	6	17	-13	23.1	20.4	4.2	3.7	1.7	1.9	3	13	20
Intertek Group plc	Industrials	7,928	£ 40.91	EW / I	-24	9	39	0	-10	-20	18.0	16.9	5.0	4.4	2.8	3.0	10	7	20
SKF AB Class B	Industrials	6,640	SEK 164.45	OW / C	-31	-6	41	-4	1	-17	11.8	9.6	1.5	1.4	4.4	4.6	6	23	20
K+S AG	Materials	3,817	€ 18.90	EW / I	-44	7	85	-16	-19	38	3.8	8.2	0.5	0.5	5.3	3.4	-34	-54	20
ageas SA/NV	Financials	8,389	€ 41.89	EW / A	-25	12	30	-2	-7	0	7.2	6.7	0.8	0.7	7.6	8.2	8	20	20
Carlsberg AS Class B	Consumer Staples	14,372	DKK 936.20	EW / I	-28	1	28	-6	-4	-10	17.1	15.1	3.6	3.6	2.9	3.3	4	13	19
Airbus SE	Industrials	95,296	€ 114.54	-	-	-	-	15	12	9	18.7	14.4	5.8	4.5	1.9	2.5	24	30	19
L'Oréal S.A.	Consumer Staples	191,168	€ 338.40	EW / I	-34	3	27	-7	-4	-12	28.9	26.7	6.4	5.7	1.8	1.9	7	8	18
Bayernische Motoren Werke AG	Consumer Discretionary	54,539	€ 85.83	OW / I	-42	5	28	9	4	-6	6.1	6.1	0.6	0.6	5.4	5.7	-48	1	18
Autoliv Inc.	Consumer Discretionary	6,734	\$ 77.55	EW / I	-16	10	42	-2	0	-18	11.4	8.6	2.4	2.2	3.4	3.5	55	32	18
Burberry Group plc	Consumer Discretionary	9,422	£ 20.67	EW / I	-35	-8	16	0	18	26	17.3	16.0	4.6	4.0	2.8	3.1	5	8	18
AstraZeneca PLC	Health Care	214,630	£ 115.34	EW / I	-41	4	13	5	0	47	18.8	16.0	5.5	4.9	2.2	2.3	11	17	18
Antofagasta plc	Materials	18,490	£ 15.62	EW / I	-56	-17	66	24	30	29	26.1	24.7	2.4	2.3	1.8	2.0	21	6	17
Shell Plc	Energy	198,881	£ 23.67	OW / A	-17	23	46	-8	4	61	5.5	6.0	0.9	0.8	4.2	4.4	-5	-9	16
TotalEnergies SE	Energy	163,058	€ 58.98	EW / A	-22	10	22	6	10	45	5.2	6.3	1.1	1.0	4.9	5.1	-17	-18	16
Equinor ASA	Energy	105,550	NOK 333.80	OW / A	-53	2	32	-19	-6	57	5.6	6.5	1.9	1.6	6.8	5.5	-17	-14	16
BP p.l.c.	Energy	105,377	£ 4.83	OW / A	-14	25	47	-2	17	62	5.1	5.9	1.4	1.2	4.4	4.6	-25	-14	16
Repsol SA	Energy	21,591	€ 14.85	OW / A	-43	12	35	9	3	54	4.6	5.4	0.6	0.6	4.8	5.1	-25	-14	16
PUMA SE	Consumer Discretionary	9,036	€ 56.76	EW / I	-38	-12	71	7	-15	-41	21.9	16.2	3.2	2.9	1.5	2.0	8	35	16
Julius Baer Gruppe AG	Financials	12,610	SFr 55.34	EW / I	-46	12	64	13	18	0	10.0	9.2	1.7	1.6	5.2	5.5	12	8	16
Schneider Electric SE	Industrials	80,717	€ 133.90	EW / C	-29	1	26	3	12	-16	18.1	16.5	2.7	2.5	2.3	2.5	4	10	16
ABB Ltd.	Industrials	60,183	SFr 28.74	OW / C	-34	-5	26	6	6	-10	19.0	17.9	4.3	4.0	2.9	2.9	8	6	16
Schindler Holding AG Pref	Industrials	7,735	SFr 178.25	EW / C	-27	9	37	3	-5	-20	24.7	22.2	4.0	3.7	2.3	2.5	15	11	16
SGS SA	Industrials	17,462	SFr 2186.00	EW / I	-29	2	42	-8	-7	-21	23.1	21.3	13.4	11.8	3.6	3.7	8	8	16
Alkzo Nobel N.V.	Materials	11,802	€ 64.12	OW / I	-14	42	111	-5	-5	-27	15.9	12.1	2.1	1.9	3.3	3.5	39	31	16
Bureau Veritas SA	Industrials	11,779	€ 24.67	EW / I	-33	-3	35	-5	-7	-6	20.1	18.8	5.1	4.5	2.5	2.7	4	7	16
Arkema SA	Materials	6,985	€ 88.18	OW / I	-15	0	47	2	-4	-22	9.5	8.0	0.9	0.8	3.8	4.0	-40	19	16
Intercos S.p.A.	Consumer Staples	1,336	€ 13.15	OW / I	-43	6	52	13	-2	3	21.9	19.1	2.8	2.5	1.4	1.7	9	15	16

Median -34 6 42 3 1 -10 17.3 14.7 2.7 2.5 2.6 2.9 6.6 9.9 20

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1352	37%	278	42%	21%	593	38%
Equal-weight/Hold	1659	45%	309	46%	19%	735	47%
Not-Rated/Hold	3	0%	0	0%	0%	0	0%
Underweight/Sell	651	18%	82	12%	13%	224	14%
TOTAL	3,665		669			1552	

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.

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