

Global Investment Office | January 21, 2026

# AlphaCurrents Macro

## A Look Back and a Leap Forward

2025 rewarded scarcity with policy support. 2026 will likely reward investors who move one layer deeper—into energy and infrastructure—while maintaining exposure to housing and longevity as long-term anchors.

Rank	Theme	Core 2026 Intuition
1	Multipolar World	Policy-backed demand, visible cash flows and shock-driven upside as security, defense and reindustrialization become structural.
2	AI & Tech Diffusion	Secular growth remains intact, but value accrues where scarce infrastructure—not models—limits scale.
3	Future of Energy	The hidden choke point behind AI, defense and reshoring; reliability and capacity trump transition narratives.
4	Housing	Structural certainty with durable cash flows, but slower price discovery and incremental upside.
5	Longevity	Long-duration opportunity, selective and best expressed through housing, services and financials.

Source: Morgan Stanley Wealth Management Global Investment Office

This ranking reflects where conviction is strengthening most as we enter 2026, not where long-term opportunity disappears. Themes at or near the top benefit from policy-backed demand and binding constraints that can translate into near- and medium-term cash-flow visibility. Themes lower in the ranking remain essential portfolio building blocks, but their return profiles are more gradual and execution-dependent. **See Exhibit 1 to view our *AlphaCurrents* thematic pillars as outlined in our Framework for Thematic Investing.**

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## Conviction Rising

- **Multipolar World:** Defense, security, aerospace, cyber and industrial resilience where government spending drives multiyear demand.
- **AI & Tech Diffusion:** Focus beyond software—prioritize data centers, power grids, semiconductors and deployment infrastructure.
- **Future of Energy:** Treat energy as infrastructure scarcity, not a commodity trade; reliability and capacity matter most.

## Maintain and Monitor

- **Housing:** Stay invested in rental ecosystems, single-family rentals, repair/remodel and select materials with pricing power. Potential for conviction to increase if care capacity or reimbursement structures meaningfully improve.
- **Longevity:** Maintain exposure through senior housing, aging-in-place services and wealth/retirement platforms. Potential for conviction to increase if policy or financing materially eases supply-side constraints.

### Exhibit 1: AlphaCurrents Thematic Pillars

 <p><b>TECH INNOVATION</b></p> <ul style="list-style-type: none"> <li>• Artificial intelligence/robots</li> <li>• Autonomous vehicles</li> <li>• Digital assets</li> <li>• Data centers</li> <li>• Cloud computing</li> </ul>	 <p><b>DEMOGRAPHICS AND SOCIETY</b></p> <ul style="list-style-type: none"> <li>• Labor/human capital</li> <li>• Urbanization</li> <li>• Wealth transfer/distribution</li> <li>• Generational shifts</li> <li>• Global immigration</li> <li>• Global consumer</li> </ul>	 <p><b>HOUSING</b></p> <ul style="list-style-type: none"> <li>• Supply factors</li> <li>• Demand drivers</li> <li>• Affordability</li> <li>• State and local revenues</li> </ul>
 <p><b>HEALTH CARE INNOVATION</b></p> <ul style="list-style-type: none"> <li>• Longevity</li> <li>• Biotechnology</li> <li>• Telemedicine</li> <li>• Genomics</li> </ul>	 <p><b>SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Renewable energy</li> <li>• Water conservation</li> <li>• Electric vehicles</li> <li>• Infrastructure</li> </ul>	 <p><b>GLOBAL SHIFTS</b></p> <ul style="list-style-type: none"> <li>• Reindustrialization</li> <li>• Deglobalization</li> <li>• Supply chains</li> <li>• Defense and cybersecurity</li> </ul>

Note: See our Framework for Thematic Investing.  
Source: Morgan Stanley Wealth Management Global Investment Office

## Thematic Outlook

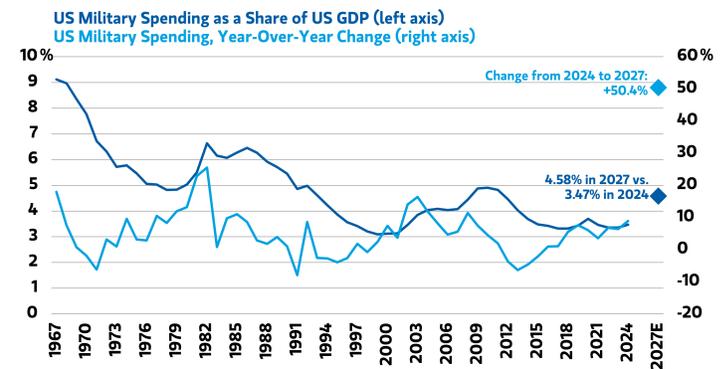
2025 delivered a clear message for thematic investing: **Markets rewarded what was constrained today, not what might scale tomorrow.** Across the year, AlphaCurrents' core themes converged on a single, powerful overarching concept—strategic scarcity in compute, power, water, capacity and security. Assets tied to government-backed demand and real-world bottlenecks consistently outperformed those relying on long-duration “pure innovation” alone. In this

AlphaCurrents Macro, we revisit our 2025 investment themes to assess what worked, what changed and—most importantly—where conviction is strengthening as we move into 2026. Thematic investing is not about chasing the next quarter’s headlines; it is about positioning ahead of structural shifts that redefine economies over the next decade. While our conviction across all themes remains intact, the balance of evidence is clear: Some themes have accelerated faster than expected. **Investors who recognize where scarcity is becoming policy-backed—and act accordingly—are better positioned for what comes next.**

**Winner: Multipolar World.** The clearest 2025 “proof-of-concept” was **Defense**. The global order is fragmenting. Rising geopolitical tension, reshoring and renewed defense spending turned multipolarity into a durable source of demand rather than a short-term shock. Governments are committing capital for years, not quarters, supporting defense, aerospace, cybersecurity and critical infrastructure. **For investors, the takeaway is clear: Lean into areas where national security, energy security and supply-chain resilience are driving sustained, policy-backed spending.** See our report titled “*The New Arms Race: How AI and Technology Are Redefining Global Defense.*”

In this vein, President Trump recently proposed a significant increase in US military spending to \$1.5 trillion for fiscal year 2027. This increase would raise military spending as a share of GDP to 4.58% in 2027 and represent an approximately 50% increase from 2024 (see Exhibit 2). The unprecedented rise reflects an intensifying geopolitical landscape led by great power competition, which we expect to continue as the US seeks to assert its economic and military influence across the Western Hemisphere, the Middle East and the Indo-Pacific.

### Exhibit 2: US Military Expenditure Is Expected to Grow Drastically

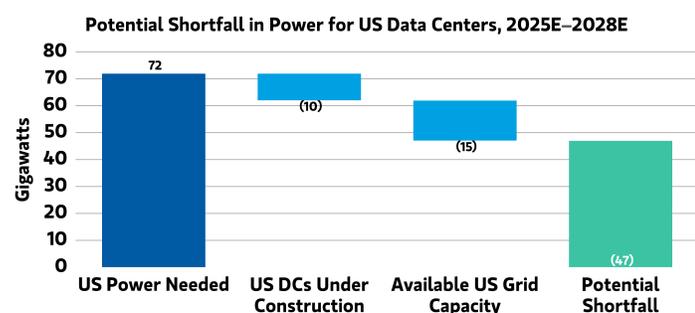


Note: 2027 datapoints are projections; fiscal year military expenditure data used as proxy for calendar years.  
Source: World Bank, SIPRI, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Jan. 13, 2026

**Strong runner-up: AI & Tech Diffusion (where artificial intelligence is running into real-world limits). AI remains one of the most important investment themes—but the next phase is driven by constraints, not breakthroughs.** As private investment surges and global competition intensifies, the limiting factor for AI is no longer innovation (i.e., software)—it’s infrastructure. Shortages in power, grid capacity, water and physical infrastructure are determining where value accrues. **Investors should lean into the enablers of AI—energy, grids, data centers and critical materials—because that’s where scarcity is being priced today.** See our October 22, 2025 report: "*Leading AI: The Race Between the US and China.*"

**Third, and rising fast: Future of Energy.** Energy cuts across our Global Shifts, Sustainability and Tech Innovation pillars. It didn’t always show up as a stand-alone “winner” in 2025 performance—but it underpinned the winners. Power constraints surfaced everywhere: AI data centers, reshoring, defense manufacturing, water systems and climate resilience. This is classic *second-order alpha*. In 2025, energy became a capacity and reliability story. Demand is rising structurally while supply expansion remains slow, regulated and capital-intensive. Energy scarcity increasingly behaves like infrastructure scarcity, not a cyclical commodity trade. **Conviction has risen in 2026:** AI, reshoring and electrification create a nonnegotiable demand floor; policy may oscillate, but electrons still have to flow; the market is still underpricing duration of the imbalance, as opposed to its existence.

**Exhibit 3: A Meaningful Gap Exists Between Power Demand and Capacity**



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 5, 2025

Current Morgan Stanley & Co. Research estimates suggest that surging demand for data centers is driving a step change in US power needs, with a projected 72 gigawatts required between 2025 and 2028. That total far outpaces available grid access and construction, and it leaves a shortfall of about 47 gigawatts before considering creative time-to-power solutions that do not rely on typical grid interconnection (see

Exhibit 3). We expect a range of power sources to combine to meet this demand, across utilities, renewables, natural gas and nuclear technologies, as well as a repurposing of crypto mining sites.

**Fourth, with high certainty, but slower velocity: Housing.** Housing’s fundamentals are extremely strong, but price discovery is slower, and returns are more incremental. The theme is constrained not by demand uncertainty, but by policy, labor and interest rate friction. 2025 proved that housing shortages are structural, not cyclical. Rentership, single-family rentals and senior housing continued to gain share. **Our conviction is steady—not accelerating—in 2026:** Cash flows are durable, but potential upside is capped in the near term. The theme rewards patience and income more than momentum, as housing is less reflexive to shocks than energy or geopolitics. We think housing is a “stay invested” theme, not a “lean harder now” theme. It belongs solidly in portfolios, but it doesn’t demand a conviction upgrade the way energy does. See our report published on July 16, 2025: "*Housing in the Next Decade.*"

**Fifth, powerful, but still maturing: Longevity,** which sits in our Demographics and Society theme. Longevity is the longest-duration theme in our framework. Its payoff is real, but it’s spread across time, sectors and behaviors—making it harder for markets to fully price quickly. 2025 proved aging is no longer theoretical, as spending, housing and care patterns are already shifting. Wealth concentration among older cohorts is enormous, and senior housing and aging-in-place technologies are gaining traction. **Conviction is selective in 2026:** The theme lacks a single forcing function like geopolitics or power scarcity. Returns depend more on execution and adoption than policy shock—it works best when paired with housing and financials, not as a stand-alone play. Longevity is a strategic allocation, not a tactical overweight. It’s essential for long-term positioning, but it’s not where urgency is highest right now. See our report titled "*Age of Aging: Opportunities in Longevity and Generational Shifts.*"

Key Risks To Watch

**Multipolar World**

- **Policy fatigue or coordination risk:** If geopolitical tensions ease faster than expected—or fiscal constraints delay execution—defense spending could shift in timing, even if long-term commitments remain intact.

**AI & Tech Diffusion**

- **Infrastructure bottlenecks become binding:** Delays in power, grid and data center buildouts could slow AI deployment, pushing monetization further out than markets currently expect.

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### Future of Energy

- **Execution and regulatory risk:** Permitting delays, cost overruns or policy reversals could slow supply expansion and create uneven outcomes across regions and technologies.

### Housing

- **Affordability shock:** Persistently high rates, restrictive zoning or insurance disruptions could further limit mobility and dampen transaction activity beyond current expectations.

### Longevity

- **Capacity and reimbursement constraints:** Labor shortages, affordability pressures and policy uncertainty could limit how quickly demand for aging-related services translates into earnings growth.

### In a Nutshell

2025 rewarded scarcity with policy support. 2026 will likely reward investors who move one layer deeper—into energy and infrastructure—while maintaining exposure to housing and longevity as long-term anchors.

### Disclosure Section

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For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

#### Glossary

**Artificial Intelligence (AI)** A field of study that seeks to train computers to process large amounts of unstructured information in a manner similar to human intelligence, capable of performing tasks such as learning and problem solving.

#### 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 economies. 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.

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