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July 20, 2026 04:30 AM GMT

Quantitative Equity Research

AlphaSignals: Analyst Insight, Measurable Alpha

AlphaSignals package MS analysts' highest-conviction calls into a globally consistent research data layer. In earnings, the long-only AlphaSignals Earnings Cycle Strategy delivers a 1.49 post-cost Sharpe ratio and 1.23 information ratio, monetizing pre-event anticipation and post-event confirmation.

QUANTWISE

AlphaSignals package the highest-conviction parts of Morgan Stanley Research into a new dataset, which is a structured format for portal views, data feeds / APIs, and AI-enabled workflows. They extract the alpha call from narratives and make it easier to screen, compare, test, and embed in portfolio workflows.

How it works. AlphaSignals structure analyst judgment around market-moving events. In this report, we focus on two components of this new dataset: **(1) Earnings Previews** identify where analysts expect market surprise before results, while **(2) Reactions to Earnings** summarize whether results strengthen the thesis, beat consensus, or support positive forward EPS revisions. Across both, the pattern is intuitive: more positive analyst signals tended to outperform, while more negative signals tended to lag.

The strongest alpha sits in forward-looking previews. In our back-test, the AlphaSignals Earnings Cycle Strategy, combining Earnings Preview and Reaction to Earnings signals, delivered the strongest result: a 1.49 post-cost Sharpe ratio and 1.23 information ratio for the long leg. Earnings Previews alone also performed strongly, with a 1.35 post-cost Sharpe ratio. The long-short implementation was positive, with a 1.01 post-cost Sharpe ratio and 0.82 information ratio, but less compelling than long-only.

Signal quality matters. In this report, we leverage AI to develop an LLM-based KPI classification system that converts analyst-defined free-text KPIs into a consistent taxonomy and normalizes surprise direction where needed. This helps show where analyst judgment contains the most alpha: Preview signals are strongest in Guidance / Outlook, Profitability, and Financial Costs / Risk / Capital Allocation KPIs, while Reactions are most informative when they capture thesis impact or forward EPS revision potential.

Scaled globally and built for breadth. Morgan Stanley has produced 11,000+ Earnings Reaction AlphaSignals over the most recent four quarters, with 2,700–3,000 reaction signals per quarter globally. The annual target is 15,000–20,000 signals across ~3,800 global stocks, with Reactions already covering ~90% of our stock universe. Preview output has scaled from 46 in the initial 2024Q3 pilot to almost 1,600 in 2026Q1, with a target of 2,000 previews per quarter. Beyond earnings, the platform extends to Catalyst Previews and Catalyst Reactions, which cover analyst days, launches, regulatory changes, conferences, trial data, dividends, capital structure, and other off-cycle events.

AlphaSignals monetize analyst judgment around earnings

- **Headline number:** AlphaSignals Earnings Cycle Strategy long leg delivers a 1.49 post-cost Sharpe ratio and 1.23 information ratio.
- **Why it works:** Earnings Previews capture analyst anticipation before results; Reactions to Earnings confirm thesis impact, consensus beats, and forward EPS revision potential.
- **Signal insight:** Combining Previews and Reactions is strongest; in this report, LLM-based KPI classification helps show which analyst-defined KPI surprises are most economically meaningful.

QuantWise highlights research that incorporates a robust quantitative approach in our investment analysis.

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Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Past performance is no guarantee of future returns.

Exhibit 2: AlphaSignals Earnings Strategies back-test cumulative long-only post-cost performance key statistics

Long-only (post-cost)	Combined	Preview	Reaction
CAGR	22.7%	20.2%	1.6%
Sharpe	1.49	1.35	0.17
Hit Rate	75.9%	72.0%	51.6%
Info Ratio	1.23	1.32	-0.14

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since each strategy's launch: 25 Oct. 2023 for Earnings Reaction, and 3 Oct. 2024 for Earnings Preview and AlphaSignals Earnings Cycle. Past performance is no guarantee of future returns.

Morgan Stanley Research analyst teams generate measurable alpha around earnings. We back-test structured Earnings Preview and Reaction to Earnings signals and find that analyst assessments produce clear return dispersion across global equities. Positive signals consistently outperform negative signals, particularly when analysts identify upside KPI surprises, upward N12M EPS revision potential, thesis-strengthening earnings reactions, or consensus beats.

The strongest result was the AlphaSignals Earnings Cycle Strategy. By linking pre-earnings analyst anticipation with post-earnings confirmation, the AlphaSignals Earnings Cycle Strategy delivered the strongest performance. The long leg generated a 1.49 post-cost Sharpe ratio and 1.23 information ratio, outperforming the standalone Earnings Preview and Earnings Reaction strategies. The Earnings Preview Strategy delivered a 1.35 post-cost Sharpe ratio, while the Earnings Reaction Strategy delivered 0.17.

Preview signals are the larger alpha source. Earnings Previews identify opportunities before results are released, when the market has not yet fully priced the analyst's expected surprise. The most predictive Preview signals are tied to Guidance / Outlook, Profitability, and Financial Costs / Risk / Capital Allocation KPIs, while revenue-related KPIs are less powerful.

Reaction signals add confirmation and extend the holding window. Reaction to Earnings signals are most valuable when they confirm that results strengthen the investment thesis, beat consensus, or should drive positive forward EPS revisions. In the AlphaSignals Earnings Cycle Strategy, supportive post-earnings reactions extend positions initiated from Earnings Previews, creating a fuller earnings-cycle signal.

The results are robust across implementation choices. Performance remains resilient after transaction costs, beta hedging, implementation lags, factor controls, and the exclusion of small caps. The AlphaSignals Earnings Cycle Strategy also shows a low correlation with the earnings momentum factor, suggesting that AlphaSignals capture information beyond standard consensus earnings revisions.

While the back-test focuses on earnings, the same AlphaSignals framework also extends to Catalyst Previews and Catalyst Reactions, applying structured analyst judgment to a broader set of off-cycle events. Future work will test whether these structured catalyst signals also deliver measurable alpha.

Why this matters for investors: AlphaSignals is a new dataset that makes analyst judgments easier to test, compare, and integrate into investment processes. The back-test shows that structured analyst assessments are not just a better format for research delivery; they contain measurable alpha.

Please see Excerpts of AlphaSignals from published MS Research for examples.

The performance data provided is a hypothetical illustration of mathematical principles, it does not predict or project the performance of an investment or investment strategy. Past performance is no guarantee of future results.

We demonstrate how AlphaSignals can help different types of investors:

Investor type	Benefits from reading this research	How to use this research
Quant investors	Evidence that structured analyst assessments contain measurable alpha around earnings, with a clear signal-to-performance gradient across signal categories.	Use AlphaSignals as event-driven model features, including Preview KPI surprise, N12M EPS revision potential, thesis impact, and post-earnings confirmation.
Quantamental investors	A bridge between analyst judgment and systematic screening, helping prioritize where fundamental insight is most actionable.	Rank and screen stocks around earnings events; use the signal fields to triage analyst follow-up and portfolio actions.
Long-only institutions	A long-only implementation with the strongest headline result: the AlphaSignals Earnings Cycle Strategy long leg delivered a 1.49 post-cost Sharpe ratio and 1.23 information ratio.	Use positive Preview and Reaction signals to identify high-conviction additions, monitor holdings through earnings, and prioritize post-results review.
Hedge funds / event-driven investors	A framework for identifying earnings-related volatility before and after results, with Preview signals providing the larger alpha source.	Position ahead of earnings where Preview signals indicate upside KPI surprises or positive EPS revision potential; use Reactions to confirm or extend trades.
Options and volatility investors	A structured way to identify earnings events where analyst expectations may imply mispriced event risk, directional skew, or post-event follow-through.	Use the strength and direction of Preview signals to prioritize earnings events for volatility and options screening; use Reaction signals to reassess post-event exposure, follow-through risk, and potential unwind or extension decisions.
Fundamental managers	A faster way to consume and compare Morgan Stanley analyst judgment across sectors and regions without losing the underlying research context.	Use AlphaSignals as a structured starting point, then read the underlying reports and takeaways for thesis detail, risks, and second-order implications.
Platforms, data, and AI-enabled workflows	A machine-readable research layer that reduces ambiguity and captures a tested relationship between structured analyst signals and subsequent performance.	Ingest AlphaSignals through tables, feeds / APIs, dashboards, or AI tools; retrieve structured answers first and use report text for context.

The remainder of this publication is structured as follows. We provide an overview of Testing AlphaSignals: Earnings Preview and Reaction to Earnings in the next section. Then we walk the reader through the methodology of the AlphaSignals Earnings Cycle Strategy: Strongest Result. We then go through the two components of the new dataset, namely Earnings Preview: Primary Alpha Source and Reaction to Earnings: Confirmation Signal. Next, we perform a detailed Performance Discussion: Implementation, Signal Design, and Robustness. Last but not least, we provide a comprehensive overview of the AlphaSignals framework and thought process in the section AlphaSignals Primer — Product Design, New Dataset, Taxonomy, and Distribution. We close the report with the Conclusion.

Testing AlphaSignals: Earnings Preview and Reaction to Earnings

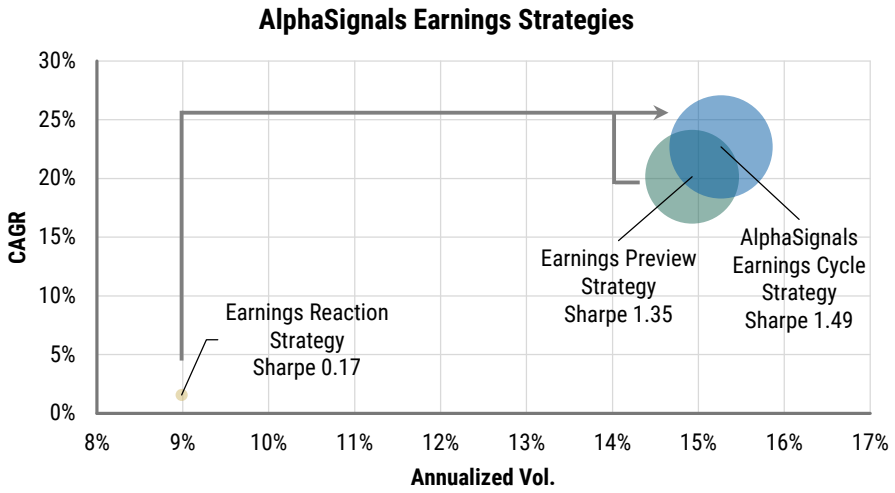
We test whether analyst teams generate measurable alpha around earnings. Structured Earnings Preview and Reaction to Earnings signals produce clear return dispersion across analyst assessment categories, and the strongest result comes from combining the two.

The AlphaSignals Earnings Cycle Strategy links the two key parts of the earnings cycle. Earnings Previews identify expected surprises before results are released. Reactions to Earnings confirm whether the result strengthens the thesis, beats consensus, or supports positive earnings revisions after the event. When both signals point in the same direction, the position is extended.

The AlphaSignals Earnings Cycle Strategy delivered the strongest performance in the back-test, with a **1.49 post-cost Sharpe ratio and 1.23 information ratio for the long leg**. This compares with a **1.35 Sharpe ratio** for the standalone Earnings Preview Strategy and a **0.17 Sharpe ratio** for the standalone Earnings Reaction Strategy.

The rest of this section explains where the alpha comes from and how robust it is across implementation choices, market segments, and factor controls.

Exhibit 1: AlphaSignals Earnings Strategies

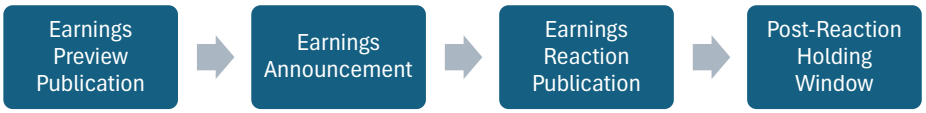


Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since each strategy's launch: 25 Oct. 2023 for Earnings Reaction, and 3 Oct. 2024 for Earnings Preview and AlphaSignals Earnings Cycle. The Sharpe ratio for the Earnings Reaction Strategy is close to zero if the back-test started from 3 Oct. 2024. Past performance is no guarantee of future returns. The 1-year Sharpe ratios for the Earnings Reaction, Earnings Preview and AlphaSignals Earnings Cycle strategies are 0.00, 1.50 and 2.00, respectively.

AlphaSignals Earnings Cycle Strategy: Strongest Result

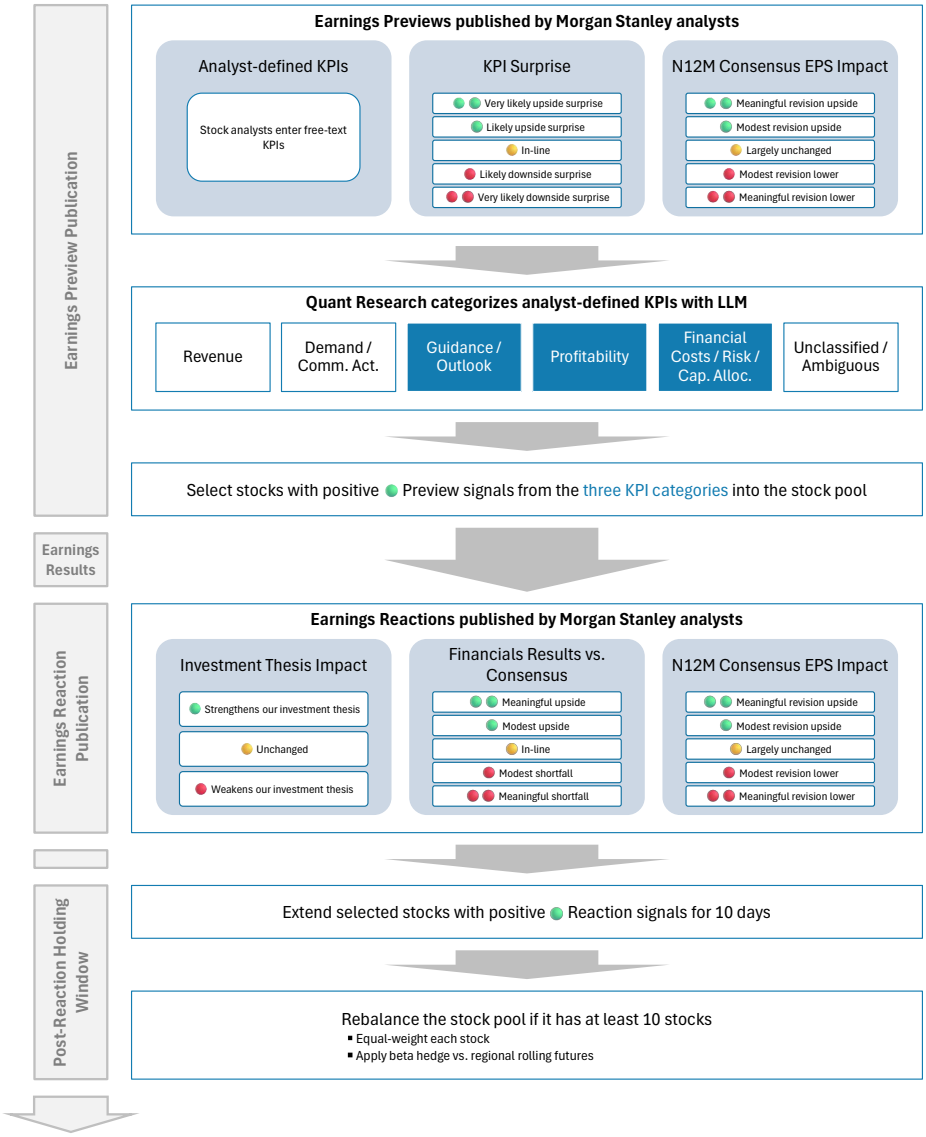
A typical cycle for a stock around earnings is shown in Exhibit 4. Accordingly, we combine the Earnings Preview and Earnings Reaction strategies into a single AlphaSignals Earnings Cycle Strategy, as illustrated in Exhibit 5.

Exhibit 2: Typical cycle for a stock around earnings



Source: Morgan Stanley Research

Exhibit 3: AlphaSignals Earnings Cycle Strategy – Long-only implementation



Source: Morgan Stanley Research. This illustrates the long-only implementation. Short-only implementation would refer to negative (shown in red dots) signals instead.

AlphaSignals Earnings Cycle Strategy

- Investment universe: All stocks with an Earnings Preview published
- Return measure: Total return in local currency
- Benchmark: MSCI ACWI IMI Equal-Weight
- Back-test period: 3 October 2024 to 29 May 2026
- Neutrality: Beta-neutral

Signal construction

Long Signal

- KPI types: (a) Guidance / Outlook, (b) Profitability, or (c) Financial Costs / Risk / Capital Allocation
- KPI surprise: Very likely upside surprise or likely upside surprise, or
- Next-12-month consensus EPS impact: Meaningful or moderate revision higher
- In all cases, KPI surprise does not have downside, and next-12-month consensus EPS impact does not have lower revision
- A stock is selected during the period from the day following the signal trigger to the day following the earnings announcement
- The selection is extended by 10 days if subsequent Earnings Reaction signals are also triggered. In such cases, the position resumes from the day following publication of the Earnings Reaction
    - Forward-looking:
        - Investment thesis impact: Strengthening, or
        - Next-12-month consensus EPS impact: Meaningful or moderate revision higher
        - In all cases, investment thesis impact is not weakening, and next-12-month consensus EPS impact does not have lower revision
    - Retrospective:
        - Financials results vs. consensus: Meaningful or modest upside

Short Signal

- KPI types: (a) Guidance / Outlook, (b) Profitability, or (c) Financial Costs / Risk / Capital Allocation
- KPI surprise: Very likely downside surprise or likely downside surprise, or
- Next-12-month consensus EPS impact: Meaningful or moderate revision lower
- In all cases, KPI surprise does not have upside, and next-12-month consensus EPS impact does not have higher revision
- A stock is selected during the period from the day following the signal trigger to the day following the earnings announcement

- The selection is extended by 10 days if subsequent Earnings Reaction signals are also triggered. In such cases, the position resumes from the day following publication of the Earnings Reaction
  - Forward-looking:
    - Investment thesis impact: Weakening, or
    - Next-12-month consensus EPS impact: Meaningful or moderate revision lower
    - In all cases, investment thesis impact is not strengthening, and next-12-month consensus EPS impact does not have higher revision
  - Retrospective:
    - Financials results vs. consensus: Meaningful or modest shortfall

Portfolio construction (for long and short respectively)

- Rebalance the portfolio when the selected stock pool changes, and when there are at least 10 selected stocks. In all cases, positions are closed once all selected stocks have passed their selection periods.
- Each stock carries an equal weighting.
- The portfolio stocks are categorized into four MSCI regions, namely North America, Europe, Japan, and Asia/EM, and we calculate weighted beta exposure to S&P 500, STOXX 50, Nikkei 225, and MSCI EM rolling futures, respectively, based on rolling 2-year weekly returns. Apply beta hedge by assigning negatives of the calculated betas as the weight of respective rolling futures.

Portfolio structures

- 'Long-only portfolio,' labelled as 'long' or 'long-only': Long equities + Short beta x Market rolling futures
- 'Short-only portfolio,' labelled as 'short' or 'short-only': Short equities + Long beta x Market rolling futures
- 'Long-short portfolio,' labelled as 'long-short': Long equities + Short equities + Short net beta (or long negative of net beta if net beta is negative) x Market rolling futures

Throughout this report, we apply these cost assumptions / calculations:

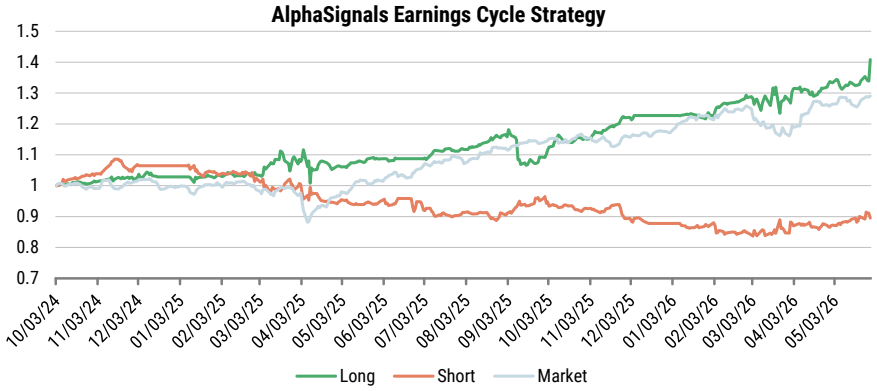
- 2bps transaction costs for North America, Europe and Japan, and 2-34bps for Asia/EM markets
- Long funding rate at +0.70% p.a. for North America, Europe and Japan, and +0.60–1.20% p.a. for Asia/EM markets
- Short funding rate at -0.10% p.a. for North America, Europe and Japan, and 0–2.50% p.a. for Asia/EM markets
- Reinvestment of dividends with 30–35% dividend withholding tax for North

America, 25% for Europe, 15.32% for Japan, 0–35% for Asia/EM markets
- Futures hedge at 1 bp of trading cost and 20 bps p.a. for margin and rolling costs
- Unless otherwise stated, the Sharpe ratio refers to CAGR / annualized volatility

Exhibit 6 shows the cumulative performance of the long and short legs, respectively, of the AlphaSignals Earnings Cycle strategy since the first day when trading signals became effective, and Exhibit 7 shows the key performance statistics. **The AlphaSignals Earnings Cycle Strategy performed better than either the standalone Earnings Preview or Earnings Reaction Strategy.** The long leg delivered a Sharpe ratio of 1.49 after transaction costs, while the short leg delivered a Sharpe ratio of -0.47. The two legs have a daily-return correlation of -0.55.

The AlphaSignals Earnings Cycle Strategy can be considered as an extended version of the Earnings Preview Strategy, with positions extended when supportive Earnings Reaction signals increase conviction. As such, it inherits the relative strength of the long leg performance over the short leg performance, as shown in the standalone Earnings Preview results below.

Exhibit 4: AlphaSignals Earnings Cycle Strategy back-test cumulative performance



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 5: AlphaSignals Earnings Cycle Strategy back-test performance key statistics

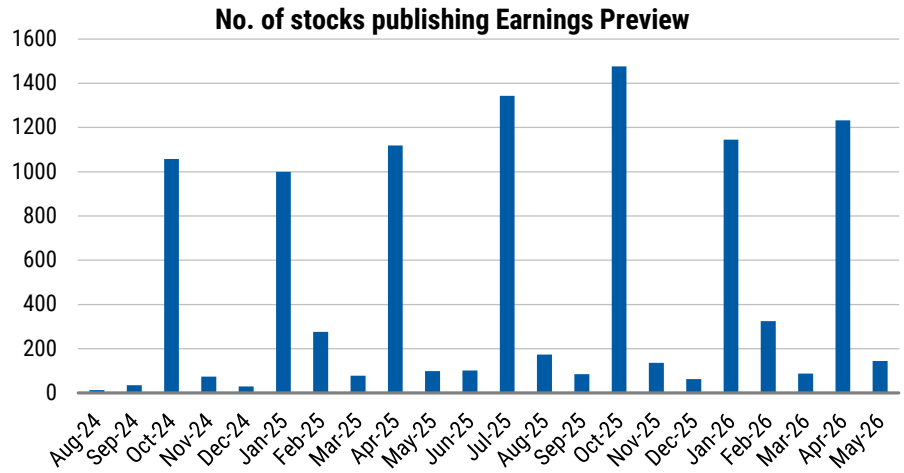
Combined	Pre-cost		Post-cost		
(since launch)	Long	Short	Long	Short	Market
CAGR	27.4%	-3.0%	22.7%	-6.4%	16.4%
Annualized Vol	15.3%	13.6%	15.3%	13.6%	10.1%
CAGR / Vol	1.79	-0.22	1.49	-0.47	1.64
Max DD	-9.7%	-19.6%	-9.8%	-23.0%	-13.9%
Max DD / Vol	-0.64	-1.44	-0.64	-1.69	-1.38
Calmar Ratio	2.81	-0.15	2.32	-0.28	1.19
Sortino Ratio	2.50	-0.32	2.05	-0.66	2.31
VaR (1%, Monthly)	-6.3%	-6.2%	-6.6%	-6.3%	-7.0%
CVaR (1%, Monthly)	-6.9%	-6.4%	-7.1%	-6.7%	-8.6%
Hit Rate (Monthly)	80.8%	39.1%	75.9%	34.3%	67.1%
Active CAGR (MKT)	23.2%	-1.9%	18.6%	-5.3%	
Information Ratio (MKT)	1.53	-0.14	1.23	-0.39	
Correlation (MKT)	0.14	-0.05	0.14	-0.05	
Beta (MKT)	0.21	-0.07	0.22	-0.07	
Downside Beta (MKT)	0.39	0.08	0.40	0.09	
Skewness	-1.44	0.62	-1.47	0.59	-0.92
Excess Kurtosis	17.29	6.88	17.48	6.75	7.64

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Market / MKT = MSCI ACWI IMI Equal-Weight

Earnings Preview: Primary Alpha Source

Exhibit 8 shows the number of stocks with Earnings Preview published since August 2024. The publication pattern follows reporting seasons, with seasonality throughout the calendar year. Earnings Preview publications are concentrated in January, April, July, and October. In the first quarter of 2026, Earnings Previews were published for almost 1,600 stocks.

Exhibit 6: Number of stocks publishing Earnings Preview



Source: Morgan Stanley Research. Data as of 31 May 2026.

In each Earnings Preview report, our stock analysts assess upcoming earnings across two dimensions, namely (a) surprise of the KPI defined by the stock analysts, and (b) impact on the consensus EPS in the next 12 months. We show the split of assessments across these two dimensions in Exhibit 9 and Exhibit 10 . In terms of KPI surprises, slightly more stocks were assessed as having upside KPI surprise than downside. In contrast, slightly more stocks were assessed as likely to receive downward revisions to consensus EPS over the next 12 months than upward revisions.

We group the KPIs into six main categories, namely (a) Revenue, (b) Demand / Commercial Activity, (c) Guidance / Outlook, (d) Profitability, (e) Financial Costs / Risk / Capital allocation, and (f) Unclassified / Ambiguous. The category framing is informed by the LLM-based classification process and consolidated into a stable taxonomy for testing. Only 15% of KPIs are unclassified or considered ambiguous. As shown in Exhibit 11 , Earnings Previews focus the most on profitability-type KPIs, followed by revenue-type ones.

LLM-based KPI classification and surprise-direction normalization

Free-text KPIs require structure. Earnings Preview KPIs are defined by stock analysts as free text, rather than selected from a drop-down menu. This preserves analyst flexibility but creates substantial variation in wording. Across the ~10,000 Earnings Preview observations published to date, we observed more than 4,200 unique analyst-defined KPIs. To make this usable for systematic testing, we apply a large language model to normalize, classify, and direction-adjust the KPI text.

Six categories create a common taxonomy. Each KPI is assigned to one of six consolidated categories: Revenue, Demand / Commercial Activity, Guidance / Outlook, Profitability, Financial Costs / Risk / Capital Allocation, or Unclassified / Ambiguous. A more granular classification layer is retained for auditability and future analysis, but the empirical tests in this report use the six consolidated categories to ensure stable sample sizes and consistent interpretation.

Sector context resolves ambiguity. Some KPIs are ambiguous on a standalone basis. For instance, Premium may refer to recognized insurance revenue or perceived risk; Yield may represent asset return, funding economics, or pricing power; and Load may indicate power demand, volume, or airline utilization. Abbreviations such as NIM, AUM, GRM, SSS, ARR, and CET1 also require sector context. The classification is therefore cross-sector consistent, sector-aware, conservative where ambiguous, and traceable to the original KPI text.

Business meaning matters more than keywords. The model classifies by business meaning rather than isolated words. The change or acceleration in a KPI may be more informative than the KPI level itself. Growth wording is treated as a modifier rather than a category: revenue growth is classified as Revenue, while cost reduction is classified as Financial Costs / Risk / Capital Allocation but assigned a favorable direction.

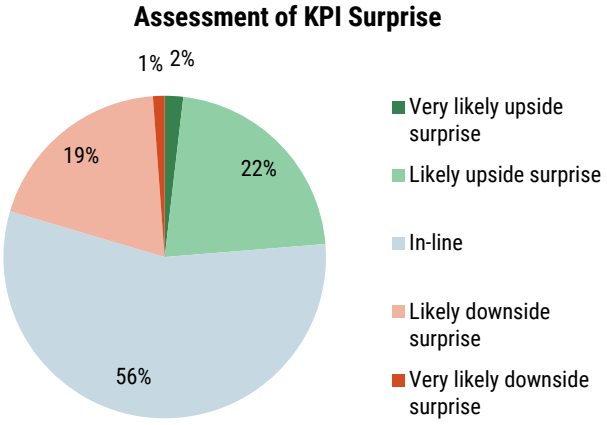
Surprise direction is normalized. Some KPIs are favorable when higher, such as revenue, margins, orders, cash flow, liquidity, capital ratios, dividends, buybacks, and raised guidance for positive metrics. Others are unfavorable when higher, such as costs, credit risk, leverage, inventory days, tax rate, combined ratio, loss ratio, churn, CAC, and raised guidance for negative metrics. Each KPI is assigned +1, -1, or Review Required. A +1 means an upside surprise is favorable; a -1 means it is unfavorable and should be reversed.

Ambiguous cases preserve analyst intent. KPIs marked Review Required are not mechanically reversed in subsequent analysis. Instead, they retain their analyst-assigned surprise direction unless sufficient economic clarity justifies reversal.

Composite KPIs are split only when meaningful. Composite KPI strings are decomposed only where each component is an independently interpretable economic metric. Product, segment, geography, brand, or channel lists sharing a common KPI subject are kept intact.

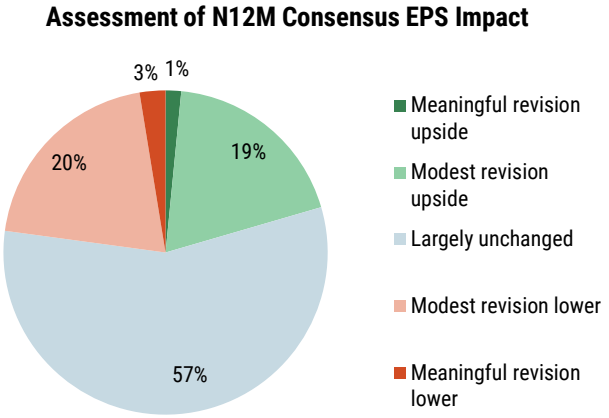
The result is systematic but flexible. This creates a consistent classification layer for testing whether analyst-defined KPI surprises contain systematic alpha, while preserving the flexibility and nuance of analyst-authored KPI text.

Exhibit 7: Split of stocks with a published Earnings Preview by assessment of KPI surprise – Slightly more stocks were assessed as having an upside KPI surprise than downside



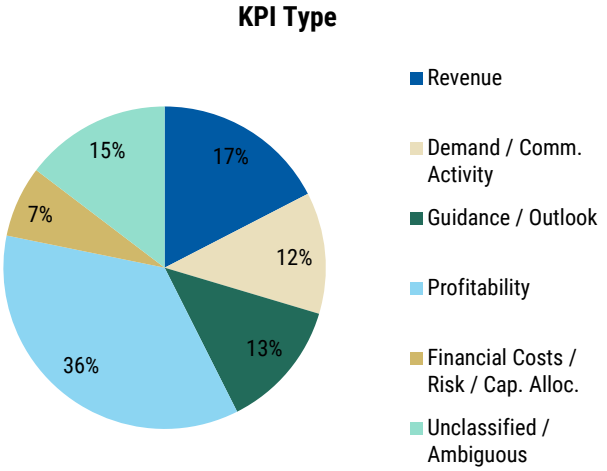
Source: Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 8: Split of stocks with a published Earnings Preview by assessment of next-12-month consensus EPS impact – Slightly more stocks were assessed as likely to receive downward revisions to consensus EPS than upward revisions



Source: Morgan Stanley Research. Data as of 31 May 2026.

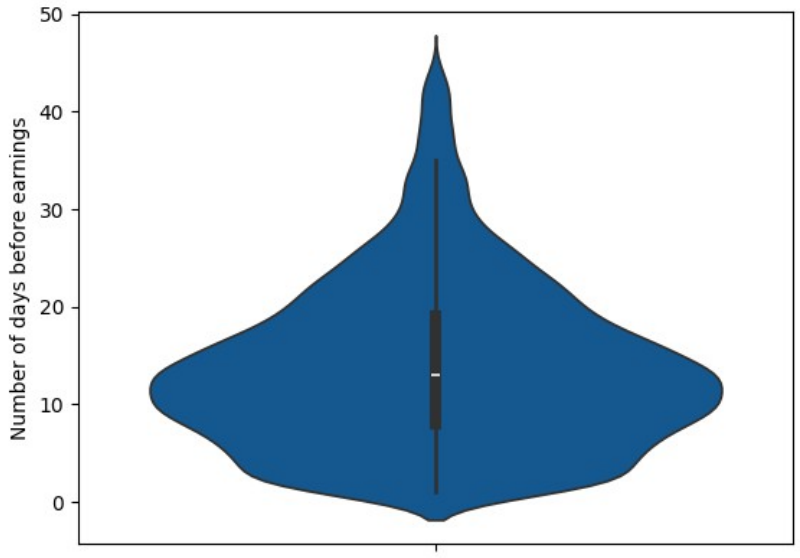
Exhibit 9: Split of stocks with a published Earnings Preview by KPI type – Earnings Previews focused the most on profitability-type KPIs, followed by revenue-type ones



Source: Morgan Stanley Research. Data as of 31 May 2026.

By definition, the Earnings Previews are published ahead of earnings. We count the number of days ahead of the earnings announcement when the Earnings Previews are published in Exhibit 12 . 47% of observations were published in 7–16 business days before earnings, with the highest publication frequency 13 business days before earnings.

Exhibit 10: Number of days Earnings Previews were published ahead of earnings – Most Earnings Preview observations were published within 2–3 weeks before earnings



Source: Morgan Stanley Research. Data as of 31 May 2026.

Next, in accordance with different assessments across the two dimensions, we perform a panel evaluation of relative returns for each stock group against MSCI ACWI IMI Equal-Weight on the day following the publication of Earnings Previews. Regarding the next-12-month consensus EPS impact, there is a monotonic relationship between the relative return and assessment cohorts (Exhibit 14). For KPI surprise, the relationship largely holds, with the exception that stocks with a 'very likely downside' KPI surprise delivered positive 1-day relative performance, although the result is not statistically significant (Exhibit 13).

Exhibit 11: Mean 1-day relative returns of stocks with a published Earnings Preview by assessment of KPI surprise – Stocks expecting very likely upside surprise gave the highest 1-day return relative to the market

KPI Surprise	Mean 1D rel. return	t-stat
Very likely upside surprise	0.59%***	2.63
Likely upside surprise	0.09%	1.63
In-line	0.05%*	1.75
Likely downside surprise	-0.03%	-0.57
Very likely downside surprise	0.50%	1.62

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

Exhibit 12: Mean 1-day relative returns of stocks with a published Earnings Preview by assessment of next-12-month consensus EPS impact – Stocks expected to receive positive revisions outperformed those with revisions downside

N12M Consensus EPS Impact	Mean 1D rel. return	t-stat
Meaningful revision upside	0.28%	1.13
Modest revision upside	0.12%*	1.92
Largely unchanged	0.07%**	2.29
Modest revision lower	-0.02%	-0.29
Meaningful revision lower	-0.08%	-0.41

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

We then extended the performance evaluation through the earnings announcement date. Overall, the monotonic relationship becomes much more prevalent, at the 0.05 or even 0.01 level of statistical significance in most cohorts. In particular, stocks with very likely downside KPI surprise delivered much more negative relative performance at 0.01 level of

statistical significance (Exhibit 15). This suggests that **meaningful alpha opportunities can materialize throughout the holding period ahead of the earnings announcements**, not just on the day after identification.

Exhibit 13: Cumulative relative returns of stocks with a published Earnings Preview by assessment of KPI surprise – Stocks with upside KPI surprise outperformed those with downside at statistical significance

KPI Surprise	Mean cum. rel. return	t-stat
Very likely upside surprise	2.81%***	2.98
Likely upside surprise	1.08%***	4.90
In-line	0.59%***	4.41
Likely downside surprise	0.34%	1.40
Very likely downside surprise	-3.10%***	-3.25

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

Exhibit 14: Cumulative relative returns of stocks with a published Earnings Preview by assessment of next-12-month consensus EPS impact – Stocks expected to receive positive revisions outperformed those with revisions downside at statistical significance

N12M Consensus EPS Impact	Mean cum. rel. return	t-stat
Meaningful revision upside	2.25%**	2.48
Modest revision upside	0.81%***	3.55
Largely unchanged	0.76%***	5.60
Modest revision lower	0.14%	0.64
Meaningful revision lower	0.24%	0.28

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

We carry out the same analysis regarding different types of KPIs in Exhibit 17 . There are relatively few observations with 'very likely upside' or 'very likely downside' surprises; these are therefore not shown in the analysis. We highlight several key takeaways:

- The monotonic relationship between surprise direction and relative return holds within each KPI type, with downside surprises in 'Guidance / Outlook' and 'Demand / Commercial Activity' KPIs as the exceptions.
- Upside surprises tend to show stronger statistical significance than downside surprises. We note that the sample sizes for upside and downside surprises are broadly comparable (see Exhibit 9 and Exhibit 10).
- For upside surprises, relative returns associated with top-line KPIs are not statistically significant. In contrast, upside surprises in KPIs related to (a) Guidance / Outlook, (b) Profitability, and (c) Financial Costs / Risk / Capital Allocation tend to be associated with positive relative returns at the 0.01 level of statistical significance.

Exhibit 15: Cumulative relative returns of stocks with a published Earnings Preview by KPI type – Stocks with upside surprise about guidance, profitability and financial costs tended to outperform the most

KPI Type \ Cumulative relative return	Likely upside surprise	In-line	Likely downside surprise
Revenue	0.42%	0.03%	-0.48%
Demand / Commercial Activity	0.29%	-0.09%	0.24%
Guidance / Outlook	2.76%***	0.58%*	1.49%**
Profitability	1.91%***	1.11%***	0.89%**
Financial Costs / Risk / Capital Allocation	1.69%***	0.83%*	0.21%
Unclassified / Ambiguous	0.50%	0.22%	-0.45%

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively. The 'Financial Costs / Risk / Capital Allocation' KPIs have been direction-adjusted.

Based on the analysis above, we formulate a trading strategy to monetize Earnings Preview signals:

Earnings Preview Strategy

- Investment universe: All stocks with an Earnings Preview published
- Return measure: Total return in local currency
- Benchmark: MSCI ACWI IMI Equal-Weight
- Back-test period: 3 October 2024 to 29 May 2026
- Neutrality: Beta-neutral

Signal construction

Long signal

- KPI types: (a) Guidance / Outlook, (b) Profitability, or (c) Financial Costs / Risk / Capital Allocation
- KPI surprise: Very likely upside surprise or likely upside surprise, or
- N12M consensus EPS impact: Meaningful or moderate revision higher
- In all cases, KPI surprise does not have downside, and next-12-month consensus EPS impact does not have lower revision

Short signal

- KPI types: (a) Guidance / Outlook, (b) Profitability, or (c) Financial Costs / Risk / Capital Allocation
- KPI surprise: Very likely downside surprise or likely downside surprise, or
- N12M consensus EPS impact: Meaningful or moderate revision lower
- In all cases, KPI surprise does not have upside, and next-12-month consensus EPS impact does not have higher revision

Portfolio construction (for long and short respectively)

- A stock is selected during the period from the day following the signal trigger to the day following the earnings announcement.
- Rebalance the portfolio when the selected stock pool changes, and when there are at least 10 selected stocks. In all cases, positions are closed once all selected stocks have passed their selection periods.
- Each stock carries an equal weighting.
- The portfolio stocks are categorized into four MSCI regions, namely North America, Europe, Japan, and Asia/EM, and we calculate weighted beta exposure to S&P 500, STOXX 50, Nikkei 225, and MSCI EM rolling futures, respectively, based on rolling 2-year weekly returns. Apply beta hedge by assigning negatives of the calculated betas as the weight of respective rolling futures.

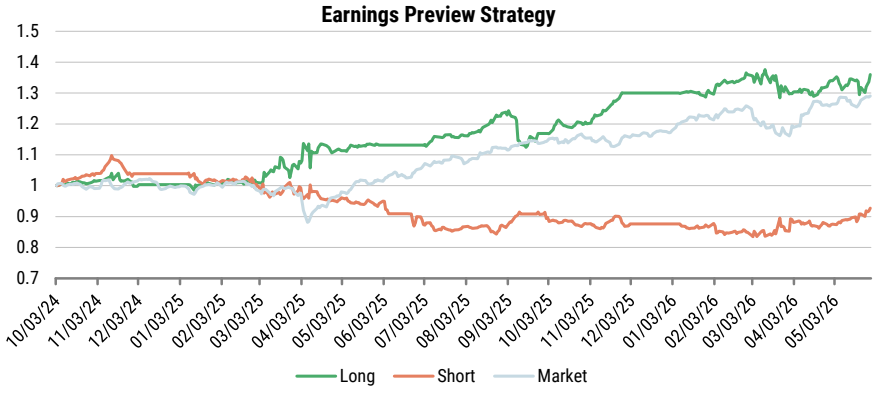
Portfolio structures

- 'Long-only portfolio,' labelled as 'long' or 'long-only': Long equities + Short beta x Market rolling futures
- 'Short-only portfolio,' labelled as 'short' or 'short-only': Short equities + Long beta x Market rolling futures
- 'Long-short portfolio,' labelled as 'long-short': Long equities + Short equities + Short net beta (or long negative of net beta if net beta is negative) x Market rolling futures

Exhibit 18 shows the cumulative performance of the long and short legs, respectively, of the Earnings Preview trading strategy since the first day when trading signals became effective, and Exhibit 19 shows the key performance statistics. **The Earnings Preview Strategy delivered notably stronger performance than the Earnings Reaction Strategy.** The long leg delivered a Sharpe ratio of 1.35 after transaction costs, while the short leg delivered a Sharpe ratio of -0.31. The two legs have a daily-return correlation of -0.47.

The long leg outperformed the market, while the short leg underperformed. That said, the long leg delivered much more resilient performance than the short leg, primarily driven by the stronger statistical significance of outperformance among stocks with upside KPI surprises than among those with downside KPI surprises (as shown in Exhibit 17).

Exhibit 16: Earnings Preview Strategy back-test cumulative performance



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 17: Earnings Preview Strategy back-test performance key statistics

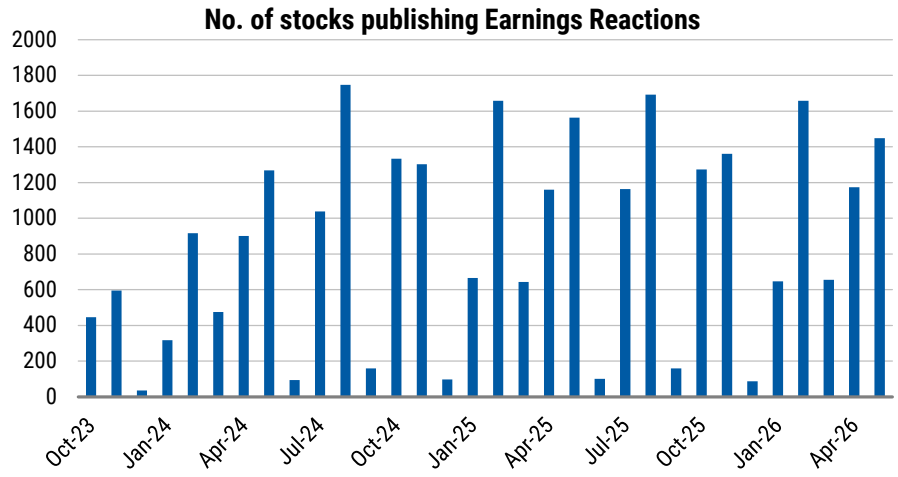
Earnings Preview	Pre-cost		Post-cost		
(since launch)	Long	Short	Long	Short	Market
CAGR	24.7%	-1.0%	20.2%	-4.4%	16.4%
Annualized Vol	15.0%	14.0%	14.9%	14.0%	10.1%
CAGR / Vol	1.64	-0.07	1.35	-0.31	1.64
Max DD	-9.5%	-21.0%	-9.5%	-23.9%	-13.9%
Max DD / Vol	-0.63	-1.50	-0.64	-1.71	-1.38
Calmar Ratio	2.59	-0.05	2.12	-0.18	1.19
Sortino Ratio	2.35	-0.10	1.90	-0.45	2.31
VaR (1%, Monthly)	-5.4%	-5.9%	-5.5%	-6.1%	-7.0%
CVaR (1%, Monthly)	-5.9%	-6.6%	-6.0%	-6.8%	-8.6%
Hit Rate (Monthly)	76.2%	39.4%	72.0%	35.4%	67.1%
Active CAGR (MKT)	24.3%	0.4%	19.8%	-3.0%	
Information Ratio (MKT)	1.62	0.03	1.32	-0.22	
Correlation (MKT)	0.01	-0.07	0.01	-0.06	
Beta (MKT)	0.02	-0.09	0.02	-0.09	
Downside Beta (MKT)	0.02	0.02	0.04	0.03	
Skewness	-0.94	0.90	-1.00	0.87	-0.92
Excess Kurtosis	15.53	9.01	15.57	8.81	7.64

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Market / MKT = MSCI ACWI IMI Equal-Weight

Reaction to Earnings: Confirmation Signal

Exhibit 20 shows the number of stocks with Earnings Reactions published since October 2023. As expected, the publication pattern follows reporting seasons, with seasonality throughout the calendar year. In the first quarter of 2026, Earnings Reactions were published for almost 3,000 stocks.

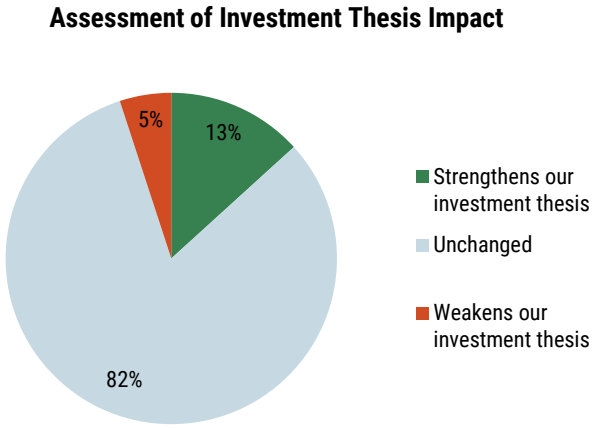
Exhibit 18: Number of stocks with a published Earnings Reaction



Source: Morgan Stanley Research. Data as of 31 May 2026.

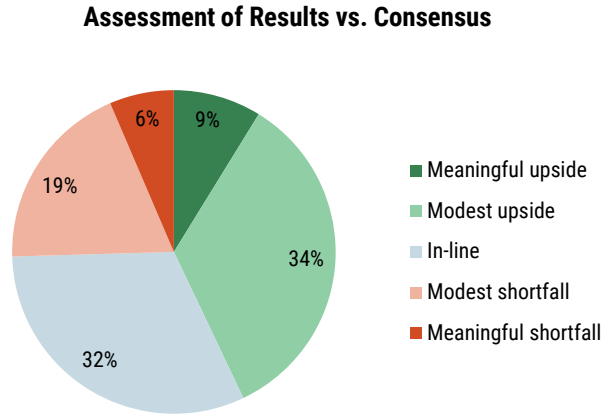
In each Earnings Reaction report, our stock analysts evaluate earnings across three dimensions, namely (a) impact on the stock's investment thesis, (b) comparison of results with consensus, and (c) impact on the consensus EPS in the next 12 months. We show the split of assessments in these three aspects in Exhibit 21 to Exhibit 23 . In terms of investment thesis impact, most stocks were assessed as unchanged following results. Comparing the results with consensus, more stocks were assessed as having upside versus consensus (43%) than shortfalls (25%). That said, the impact on the consensus next-12-month EPS tended to be viewed as more contained, with a similar split between stocks expected to see upward and downward revisions.

Exhibit 19: Split of stocks with a published Earnings Reaction by assessment of investment thesis impact – Analysts expected no change in investment thesis for majority of stocks



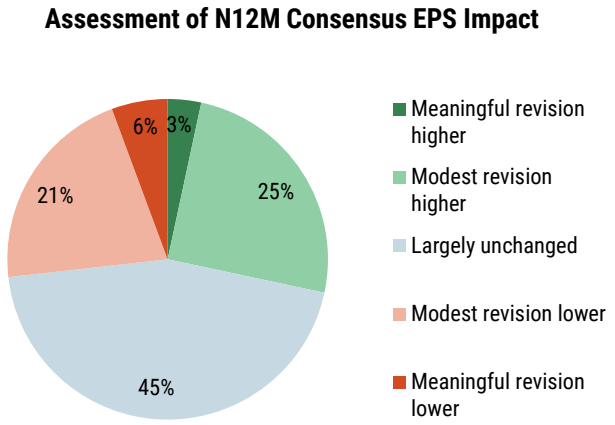
Source: Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 20: Split of stocks with a published Earnings Reaction by assessment of results vs. consensus – More stocks were assessed as beating consensus than missing



Source: Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 21: Split of stocks with a published Earnings Reaction by assessment of next-12-month consensus EPS impact – Stocks with upside and downside revisions expected had similar splits



Source: Morgan Stanley Research. Data as of 31 May 2026.

Next, in accordance with different assessments on the three aspects, we conducted a panel evaluation of relative returns for each stock group against the MSCI ACWI IMI Equal-Weight on the day following the publication of earnings reactions. We observed a **monotonic relationship between relative returns and assessment cohorts**. Stocks with results expected to strengthen the investment thesis gave the highest 1-day return relative to the market (Exhibit 24). Stocks with results that beat consensus outperformed those with results that missed consensus (Exhibit 25). Stocks expected to receive positive revisions outperformed those expected to face downward revisions (Exhibit 26). Notably, **all 1-day relative returns outside the middle cohort were statistically significant at the 0.01 level**.

Exhibit 22: Mean 1-day relative returns of stocks with a published Earnings Reaction by assessment of investment thesis impact – Stocks with results expected to strengthen the investment thesis gave the highest 1-day return relative to the market

Investment Thesis Impact	Mean 1D rel. ret.	t-stat
Strengthens our investment thesis	0.17%***	2.97
Unchanged	-0.02%	-0.74
Weakens our investment thesis	-0.46%***	-4.45

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

Exhibit 23: Mean 1-day relative returns of stocks with a published Earnings Reaction by assessment of results vs. consensus – Stocks with results beating consensus outperformed those with results missing consensus

Financial Results vs. Consensus	Mean 1D rel. ret.	t-stat
Meaningful upside	0.24%***	3.41
Modest upside	0.13%***	3.98
In-line	-0.01%	-0.18
Modest shortfall	-0.22%***	-5.17
Meaningful shortfall	-0.54%***	-6.44

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

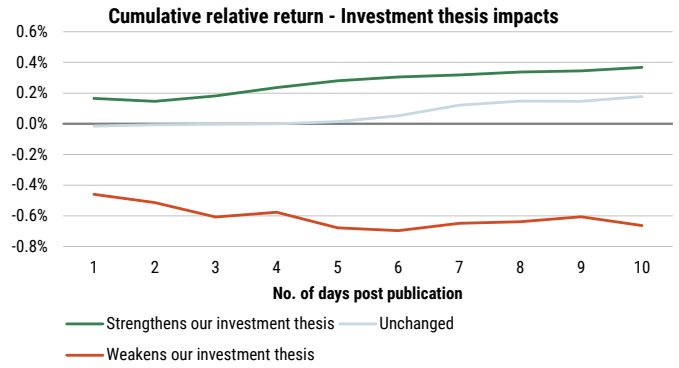
Exhibit 24: Mean 1-day relative returns of stocks with a published Earnings Reaction by assessment of next-12-month consensus EPS impact – Stocks expected to receive positive revisions outperformed those with expected downside revisions

N12M Consensus EPS Impact	Mean 1D rel. ret.	t-stat
Meaningful revision higher	0.53%***	3.76
Modest revision higher	0.19%***	5.04
Largely unchanged	0.02%	0.74
Modest revision lower	-0.26%***	-6.33
Meaningful revision lower	-0.59%***	-6.04

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1, respectively.

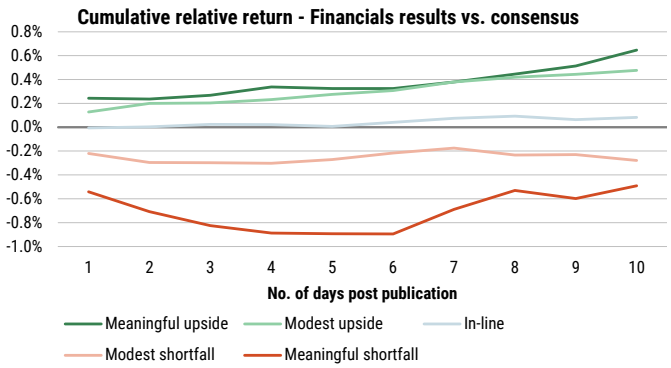
We further extended the performance evaluation up to 10 days following the Earnings Reaction publications in Exhibit 27 to Exhibit 29 . Overall, **the monotonic relationship holds throughout the performance horizon**. In particular, the cohort with the most positive assessment accumulated the strongest outperformance, although the cohort with the most negative assessment did not underperform in a symmetrical path. Of note, relative returns appeared most material on the first day and then built at a slower pace.

Exhibit 25: Cumulative relative returns of stocks with a published Earnings Reaction by assessment of investment thesis impact – Stocks with results expected to strengthen the investment thesis gave the highest return relative to the market consistently



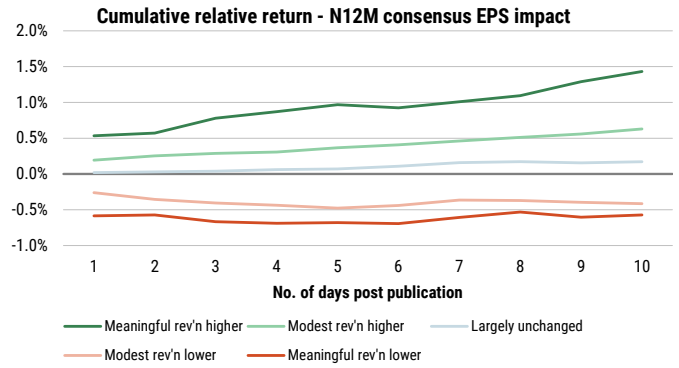
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 26: Cumulative relative returns of stocks with a published Earnings Reaction by assessment of results vs. consensus – Stocks with results beating the consensus maintained the outperformance over those with results missing the consensus



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 27: Cumulative relative returns of stocks with a published Earnings Reaction by assessment of next-12-month consensus EPS impact – Stocks expected to receive positive revisions outperformed those with downside revisions with growing spread



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Based on the analysis above, we formulate a trading strategy to monetize Earnings Reaction signals:

Earnings Reaction Strategy

- Investment universe: All stocks with an Earnings Reaction published
- Return measure: Total return in local currency
- Benchmark: MSCI ACWI IMI Equal-Weight
- Back-test period: 25 October 2023 to 29 May 2026
- Neutrality: Beta-neutral

Signal construction

Long signal

- Forward-looking:
  - Investment thesis impact: Strengthening, or
  - Next-12-month consensus EPS impact: Meaningful or moderate revision higher
  - In all cases, investment thesis impact is not weakening, and next-12-month consensus EPS impact does not have lower revision
- Retrospective:
  - Financials results vs. consensus: Meaningful or modest upside

Short signal

- Forward-looking:
  - Investment thesis impact: Weakening, or
  - Next-12-month consensus EPS impact: Meaningful or moderate revision lower
  - In all cases, investment thesis impact is not strengthening, and next-12-month consensus EPS impact does not have higher revision
- Retrospective:
  - Financials results vs. consensus: Meaningful or modest shortfall

Portfolio construction (for long and short respectively)

- A stock is selected for 10 trading days from the day following the signal trigger.
- The portfolio is rebalanced when the selected stock pool changes, and when there are at least 10 selected stocks. In all cases, positions are closed once all selected stocks have passed their selection periods.
- Each stock carries an equal weighting.
- The portfolio stocks are categorized into four MSCI regions, namely North America, Europe, Japan, and Asia/EM, and we calculate weighted beta exposure to S&P 500, STOXX 50, Nikkei 225, and MSCI EM rolling futures, respectively, based on rolling 2-year weekly returns. Apply beta hedge by assigning negatives of the calculated betas as the weight of respective rolling futures.

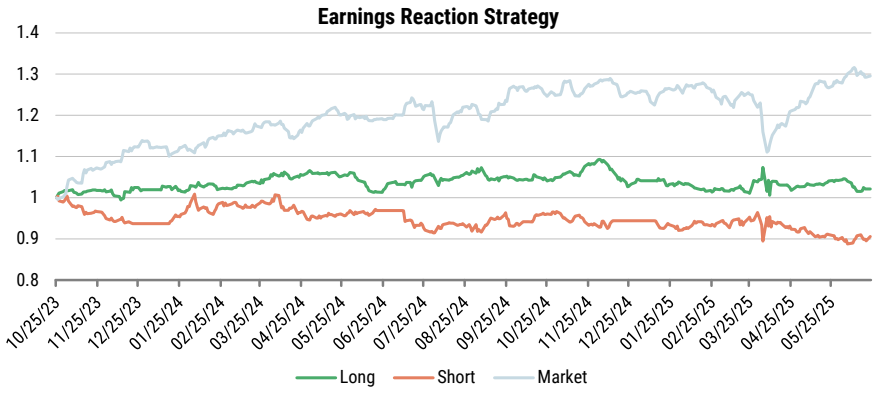
Portfolio structures

- 'Long-only portfolio,' labelled as 'long' or 'long-only': Long equities + Short beta x Market rolling futures
- 'Short-only portfolio,' labelled as 'short' or 'short-only': Short equities + Long beta x Market rolling futures
- 'Long-short portfolio,' labelled as 'long-short': Long equities + Short equities + Short net beta (or long negative of net beta if net beta is negative) x Market rolling futures

Exhibit 30 shows the cumulative performance of the long and short legs, respectively, of the Earnings Reaction trading strategy since the first day when trading signals became effective, and Exhibit 31 shows the key performance statistics. The long leg delivered a

Sharpe ratio of 0.17 after transaction costs, while the short leg delivered a Sharpe ratio of -0.50. The two legs have a daily-return correlation of -0.55.

Exhibit 28: Earnings Reaction Strategy back-test cumulative performance (post-cost)



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 29: Earnings Reaction Strategy back-test performance key statistics

Earnings Reaction	Pre-cost		Post-cost		
(since launch)	Long	Short	Long	Short	Market
CAGR	6.8%	-0.4%	1.6%	-5.4%	20.3%
Annualized Vol	9.0%	10.8%	9.0%	10.8%	10.1%
CAGR / Vol	0.75	-0.04	0.17	-0.50	2.02
Max DD	-6.8%	-10.2%	-10.5%	-18.6%	-13.9%
Max DD / Vol	-0.76	-0.94	-1.17	-1.72	-1.38
Calmar Ratio	1.00	-0.04	0.15	-0.29	1.47
Sortino Ratio	1.06	-0.05	0.24	-0.70	2.87
VaR (1%, Monthly)	-4.2%	-4.8%	-4.5%	-5.3%	-6.9%
CVaR (1%, Monthly)	-4.4%	-5.0%	-4.7%	-5.5%	-8.1%
Hit Rate (Monthly)	59.9%	50.1%	51.6%	43.7%	68.7%
Active CAGR (MKT)	3.8%	4.4%	-1.3%	-0.8%	
Information Ratio (MKT)	0.43	0.42	-0.14	-0.08	
Correlation (MKT)	0.17	-0.23	0.17	-0.23	
Beta (MKT)	0.15	-0.25	0.15	-0.25	
Downside Beta (MKT)	0.27	-0.23	0.27	-0.23	
Skewness	-1.05	0.64	-1.09	0.62	-1.07
Excess Kurtosis	17.16	14.17	17.37	14.09	8.35

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Market / MKT = MSCI ACWI IMI Equal-Weight

Performance Discussion: Implementation, Signal Design, and Robustness

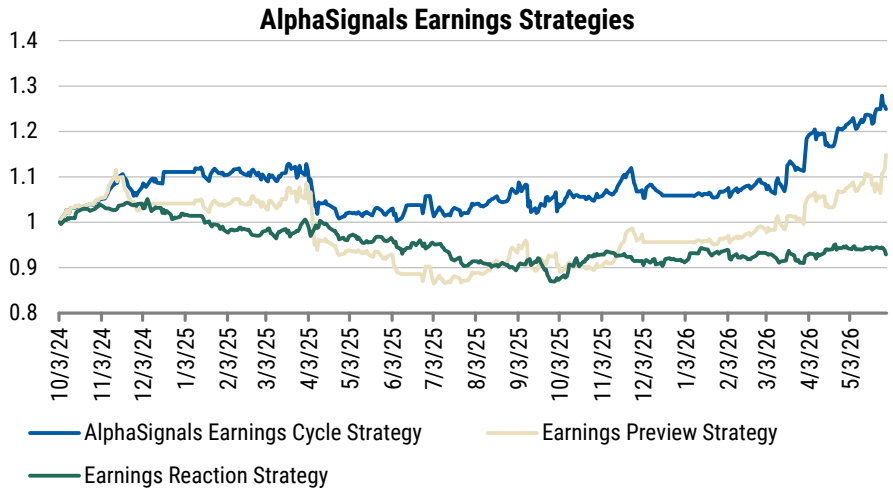
In this section, we examine how the AlphaSignals Earnings strategies behave in implementation. We focus primarily on the long-only AlphaSignals Earnings Cycle Strategy, which delivered the strongest headline result and is our recommended base-case implementation. We then assess the long-short alternative, portfolio breadth and turnover, signal-level drivers, exposure profile, and robustness across implementation assumptions, benchmarks, and regions.

This section addresses five practical investor questions: whether long-only is the right implementation; whether the strategy is sufficiently diversified and tradable; which signal fields drive performance; whether the alpha is distinct from common sector and factor exposures; and whether performance remains resilient under reasonable implementation and universe choices.

Base-case implementation

In the base case, we focus on the long-only AlphaSignals Earnings Cycle Strategy, as motivated by Exhibit 6 and Exhibit 7. The long leg delivered a 1.49 post-cost Sharpe ratio and 1.23 information ratio, materially stronger than the short leg. We also test long-short implementations for the AlphaSignals Earnings Cycle, Earnings Preview, and Earnings Reaction strategies. The AlphaSignals Earnings Cycle Strategy produced a positive long-short result (Exhibit 32), with a 1.01 post-cost Sharpe ratio and 0.82 information ratio (Exhibit 33), but this appears less compelling than the long-only implementation. The standalone Earnings Preview long-short implementation delivered a 0.52 post-cost Sharpe ratio, while the standalone Earnings Reaction long-short implementation delivered -0.46.

Exhibit 30: Strategy back-test cumulative long-short performance (post-cost)



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 31: Strategy back-test long-short performance key statistics

Long-short	Pre-cost			Post-cost		
(since launch)	Combined	Preview	Reaction	Combined	Preview	Reaction
CAGR	22.8%	16.7%	5.8%	14.2%	8.6%	-4.3%
Annualized Vol	14.1%	16.5%	9.4%	14.1%	16.6%	9.4%
CAGR / Vol	1.62	1.01	0.62	1.01	0.52	-0.46
Max DD	-9.9%	-18.9%	-10.3%	-11.2%	-22.5%	-20.6%
Max DD / Vol	-0.70	-1.14	-1.10	-0.79	-1.35	-2.20
Calmar Ratio	2.31	0.88	0.57	1.27	0.38	-0.21
Sortino Ratio	2.34	1.34	0.88	1.41	0.68	-0.62
VaR (1%, Monthly)	-7.4%	-11.1%	-3.7%	-8.2%	-12.0%	-4.8%
CVaR (1%, Monthly)	-8.3%	-12.1%	-4.7%	-9.1%	-12.9%	-5.8%
Hit Rate (Monthly)	70.8%	63.2%	55.3%	60.6%	55.3%	44.1%
Active CAGR (MKT)	20.1%	12.6%	8.0%	11.6%	4.7%	-2.4%
Information Ratio (MKT)	1.43	0.77	0.86	0.82	0.28	-0.25
Correlation (MKT)	0.10	0.14	-0.11	0.11	0.14	-0.12
Beta (MKT)	0.14	0.23	-0.11	0.15	0.24	-0.11
Downside Beta (MKT)	0.53	0.96	-0.01	0.56	0.99	-0.01
Skewness	-0.58	-2.49	-0.23	-0.64	-2.60	-0.25
Excess Kurtosis	5.81	27.84	1.51	5.96	29.22	1.50

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Portfolio breadth and turnover

The AlphaSignals Earnings Cycle Strategy is not driven by a small number of names. It has approximately 70–80 positions on average in each of the long and short legs, with variation through earnings reporting cycles (Exhibit 34). Average daily two-way turnover is 37% for the AlphaSignals Earnings Cycle Strategy, lower than 44% for Earnings Preview and 46% for Earnings Reaction (Exhibit 35). This is consistent with the design of the strategy: Earnings Preview positions begin before results, while supportive Earnings Reaction signals can extend the holding window after the earnings event.

Exhibit 32: Number of positions in the long and short legs of the trading strategies

	Earnings Preview		Earnings Reaction		Combined	
	Long	Short	Long	Short	Long	Short
Mean	67	79	111	80	72	80
S.D.	43	50	100	57	48	53
Min.	10	10	10	10	10	10
25%	31	34	32	34	31	32
Median	59	71	73	66	61	74
75%	102	119	164	117	110	125
Max.	168	201	401	273	183	205

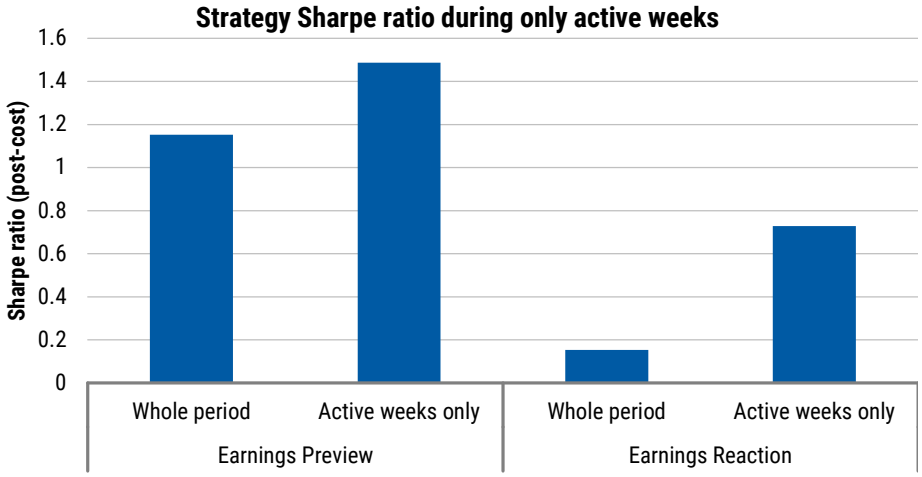
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 33: Average 2-way daily turnover of the long-only trading strategies

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Because Earnings Previews and Reactions are concentrated around reporting seasons, we also measure strategy performance during the active weeks, i.e., weeks with at least 200 publications. The Sharpe ratio during active weeks is notably stronger than the full-period result for both Earnings Preview and Earnings Reaction strategies (Exhibit 36).

Exhibit 34: Strategy Sharpe ratio during active weeks vs. full sample period



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Sharpe ratio here is calculated as annualized daily return divided by annualized volatility. Performance is measured since each strategy's launch: 25 Oct. 2023 for Earnings Reaction, and 3 Oct. 2024 for Earnings Preview.

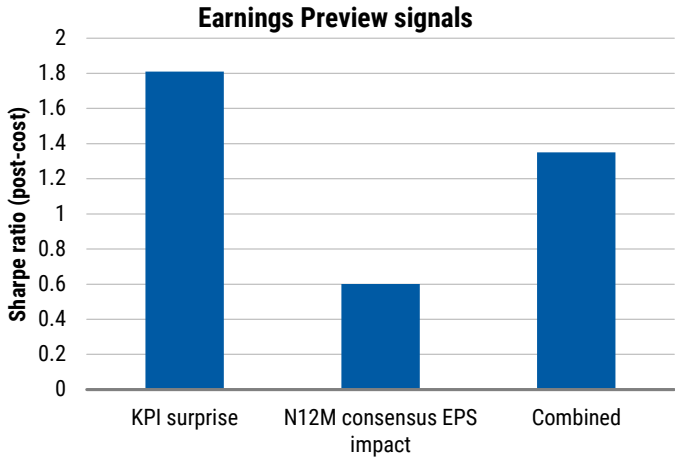
Signal construction

For Earnings Previews, two structured fields are available: KPI surprise and next-12-month consensus EPS impact. KPI surprise delivered the highest standalone Sharpe ratio during the back-test period (Exhibit 37), but it experienced a notable drawdown from early May 2026 (Exhibit 38). The combined Preview signal remained more resilient, mainly because it incorporates both near-term expected surprise and the more forward-looking EPS revision channel. This may become more important when investors shift focus from valuation expansion to earnings delivery.

For Reactions to Earnings, three structured fields are available: investment thesis impact, financial results versus consensus, and next-12-month consensus EPS impact. The N12M consensus EPS impact signal delivered the highest standalone Sharpe ratio (Exhibit 39), while the combined Reaction signal delivered a more balanced representation of post-event confirmation. This supports the design choice in the AlphaSignals Earnings Cycle Strategy: Previews identify the opportunity before earnings, while Reactions help confirm whether the thesis, consensus expectations, or reported results support extending the position.

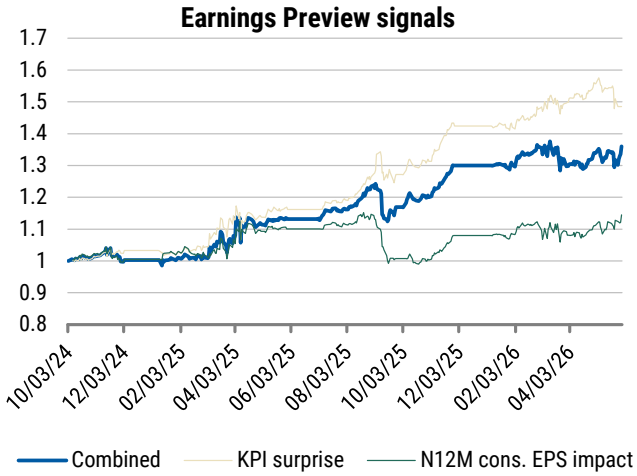
Overall, the combined Earnings Cycle Strategy is therefore not simply the strongest back-tested result; it is also the most economically intuitive implementation, combining pre-event anticipation with post-event confirmation.

Exhibit 35: Sharpe ratio (post-cost) of the individual and combined Earnings Preview signals



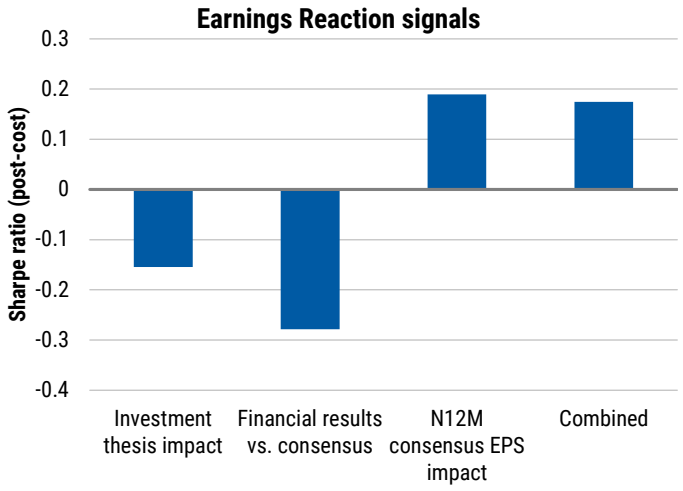
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since 3 October 2024.

Exhibit 36: Cumulative performance (post-cost) of the individual and combined Earnings Preview signals



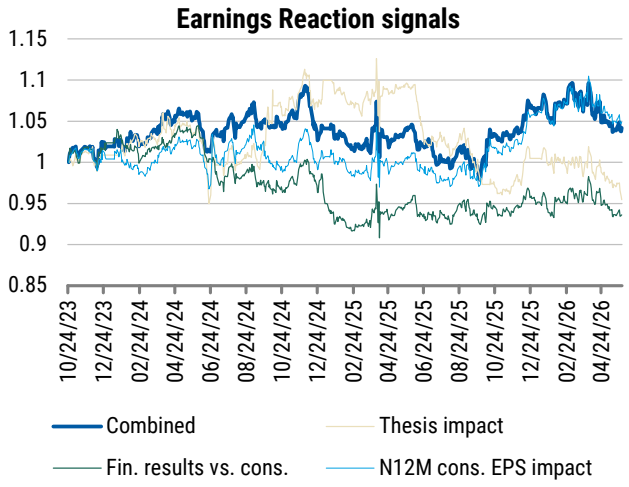
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Past performance is no guarantee of future returns.

Exhibit 37: Sharpe ratio (post-cost) of the individual and combined Earnings Reaction signals



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since 24 October 2023.

Exhibit 38: Cumulative performance (post-cost) of the individual and combined Earnings Reaction signals



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Past performance is no guarantee of future returns.

Exposure profile and factor distinctness

We next examine whether the strategy's performance can be explained by common exposures. The average sector distribution shows that the Earnings Preview and AlphaSignals Earnings Cycle strategies are net long IT and net short Real Estate, while all three strategies are net short Materials (Exhibit 41). Style regressions show positive exposure to Value, Momentum, Small Size, and Low Volatility, but the AlphaSignals Earnings Cycle and Preview strategies retain higher intercepts than the Reaction strategy, suggesting stronger alpha after accounting for market and factor effects (Exhibit 42).

The strategy also appears distinct from traditional earnings momentum. Rolling 63-day specific return correlations between the AlphaSignals Earnings Cycle Strategy and the earnings momentum factor have been close to zero, despite both being earnings-related (Exhibit 43). This suggests AlphaSignals capture analyst interpretation around event timing, KPI surprises, thesis impact, and forward revision potential, rather than simply replicating consensus EPS revision signals.

Exhibit 39: Sector distribution of long and short legs of the trading strategies

	Earnings Preview		Earnings Reaction		Combined	
	Long	Short	Long	Short	Long	Short
Energy	8%	7%	3%	2%	7%	6%
Materials	9%	16%	5%	10%	8%	16%
Industrials	15%	16%	12%	15%	13%	16%
Cons. Dscr.	12%	14%	17%	16%	12%	15%
Cons. Stpl.	7%	5%	6%	8%	7%	6%
Healthcare	6%	7%	7%	10%	6%	7%
Financials	16%	13%	18%	9%	17%	13%
IT	11%	6%	18%	17%	15%	8%
Comm. Svcs.	2%	1%	5%	4%	2%	1%
Utilities	7%	3%	2%	2%	6%	2%
Real Estate	3%	9%	5%	4%	4%	8%

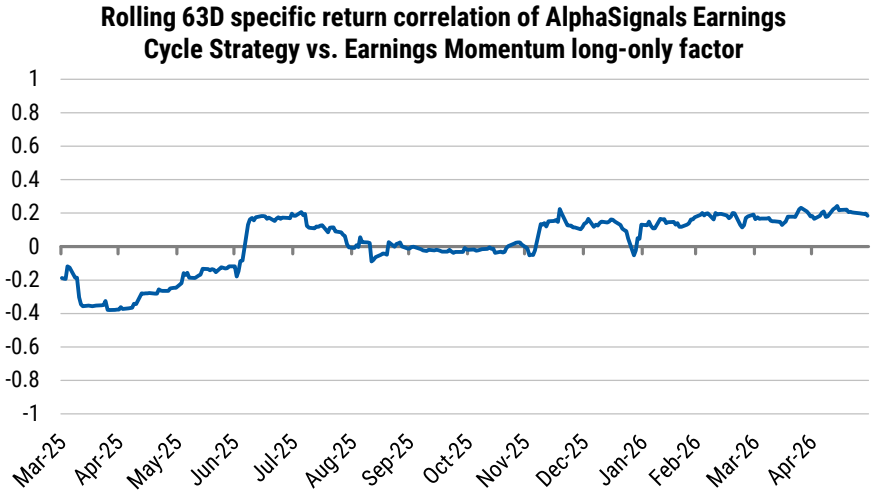
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 40: Style loadings of the long-only trading strategies

(long-only)	Combined		Preview	Reaction
	Coefficient	t-stat	Coef	Coef
Intercept	0.0006	1.45	0.0007*	0.0000
Market	0.3581***	3.50	0.0918	0.3518***
Comp. Value	0.2667***	2.61	0.1976*	0.0056
Comp. Quality	0.3703	1.57	0.2714	-0.0039
Comp. Momentum	0.4326***	4.44	0.3645***	0.1588**
Small Size	0.8788***	7.02	0.8782***	0.5768***
Low Volatility	0.2142**	2.44	0.1602*	0.2658***

Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. ***, **, and * represent statistical significance at 0.01, 0.05 and 0.1 respectively.

Exhibit 41: Rolling 63-day specific return (on long-only basis) correlation of the AlphaSignals Earnings Cycle Strategy vs. Earnings Momentum – Return correlations are close to zero, although both are driven by earnings.

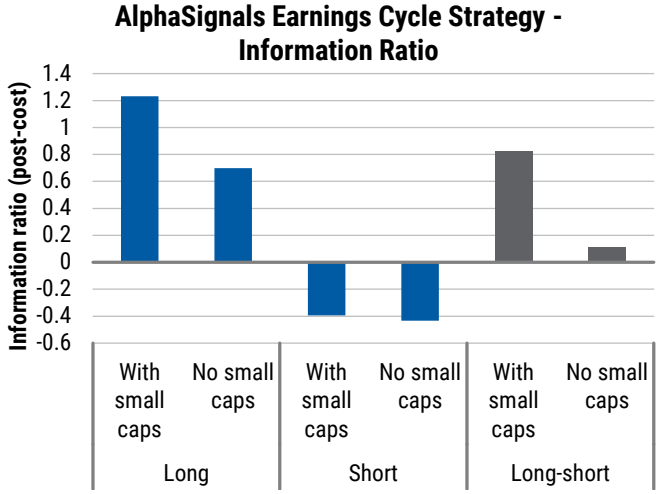


Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Implementation robustness

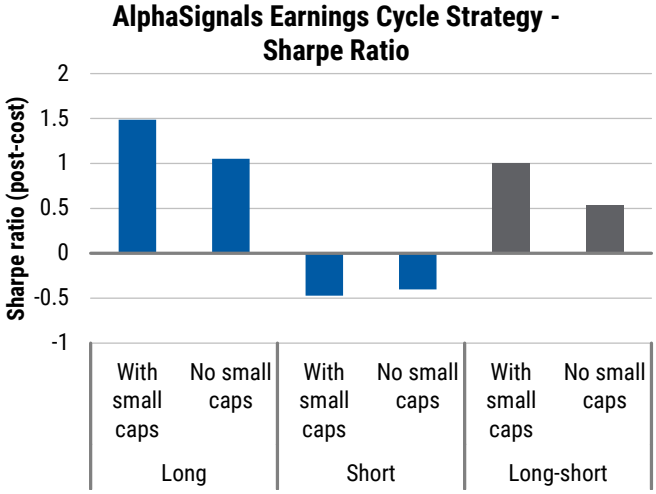
We test three implementation choices: universe breadth, execution lag, and return currency. First, excluding small caps (stocks outside MSCI standard universes) reduces the magnitude of the result but does not eliminate it: the AlphaSignals Earnings Cycle Strategy long leg still delivers a 0.7 information ratio and 1.1 post-cost Sharpe ratio without small caps, as shown in Exhibit 44 and Exhibit 45. Second, implementation lag matters most for Earnings Reaction signals, where information is incorporated quickly after results. Removing the one-day lag materially improves the Earnings Reaction result (Exhibit 46), while the Preview (Exhibit 47) and combined Earnings Cycle (Exhibit 48) strategies are less sensitive to this assumption. Third, local-currency and USD-based return results are similar (Exhibit 49 and Exhibit 50), suggesting that the core result is driven primarily by earnings-related signal content rather than FX effects.

Exhibit 42: Impact of small caps in the trading universe on the information ratio of the AlphaSignals Earnings Cycle Strategy



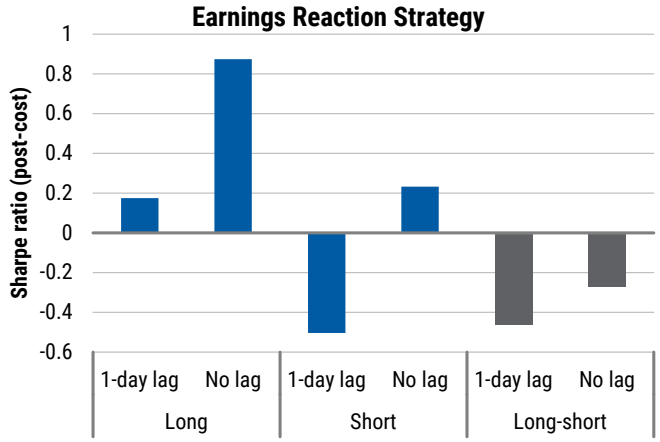
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 43: Impact of small caps in the trading universe on the Sharpe ratio of the AlphaSignals Earnings Cycle Strategy



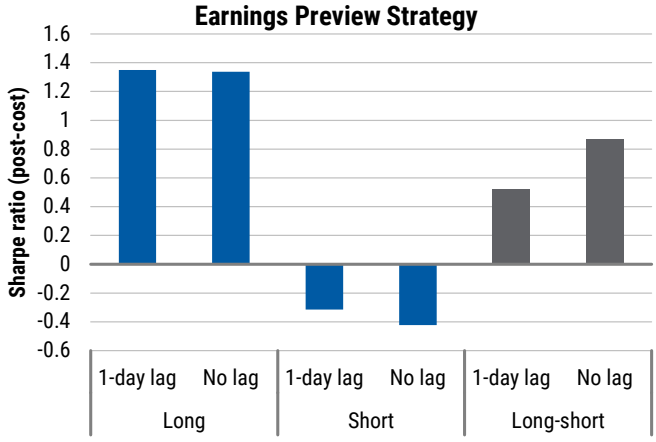
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 44: Impact of implementation lag on the Sharpe ratio of the Earnings Reaction Strategy



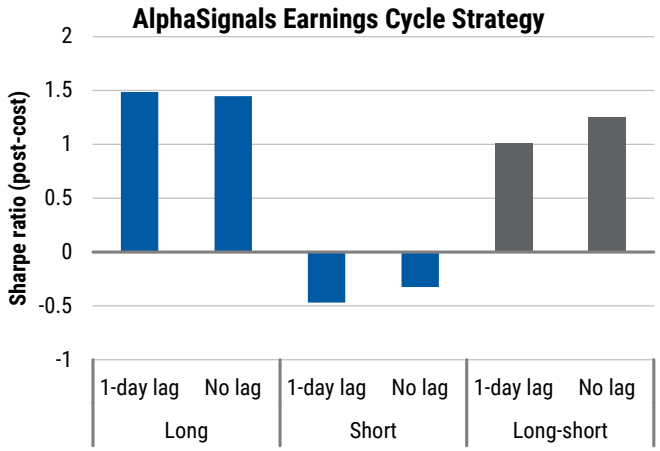
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since launch (25 Oct. 2023).

Exhibit 45: Impact of implementation lag on the Sharpe ratio of the Earnings Preview Strategy



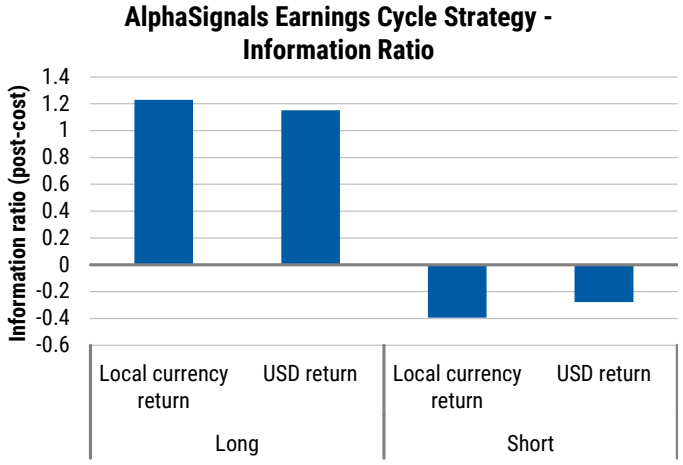
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since launch (3 Oct. 2024).

Exhibit 46: Impact of implementation lag on the Sharpe ratio of the AlphaSignals Earnings Cycle Strategy



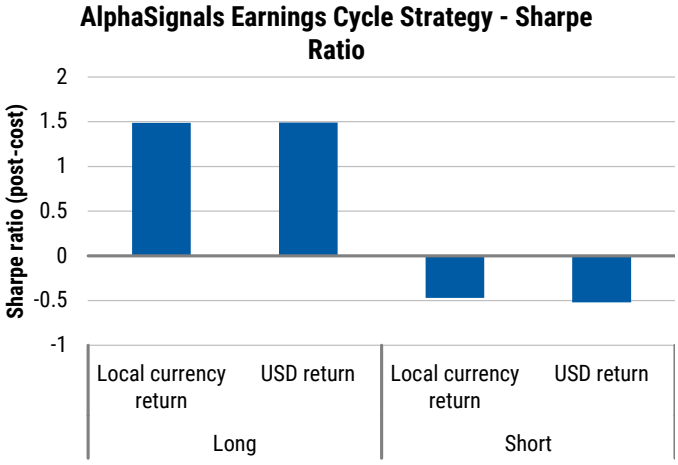
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since launch (3 Oct. 2024).

Exhibit 47: Information ratio of the AlphaSignals Earnings Cycle strategy implemented in local currencies vs. USD



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 48: Sharpe ratio of the AlphaSignals Earnings Cycle strategy implemented in local currencies vs. USD



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Benchmark and regional validation

The base case uses MSCI ACWI IMI Equal-Weight as the benchmark, which is the closest match for the stock universe and equal-weight implementation. We also compare the long-only strategies against MSCI ACWI and MSCI World. The AlphaSignals Earnings Cycle Strategy delivers information ratios of 2.00 versus MSCI ACWI and 2.14 versus MSCI World (Exhibit 51), though these are not directly comparable with the base-case equal-weight benchmark result.

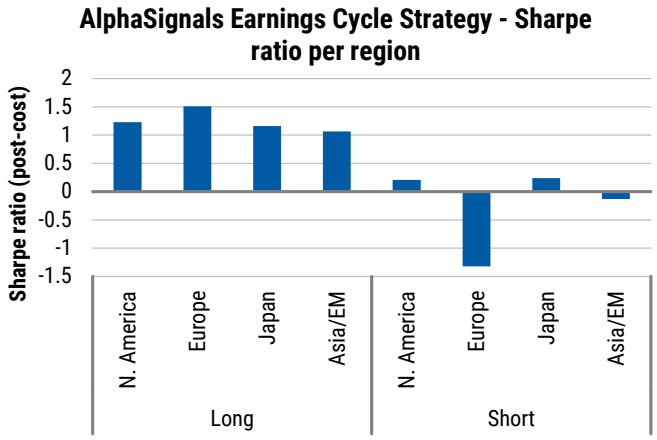
Regional tests provide an additional robustness check. The long leg of the AlphaSignals Earnings Cycle Strategy delivers post-cost Sharpe ratios of at least 1.1 in North America, Europe, Japan, and Asia/EM, with Europe delivering the highest Sharpe ratio (Exhibit 52). In terms of information ratio, Europe delivers the strongest performance, followed by North America (Exhibit 53).

Exhibit 49: Long-only strategy information ratio with reference to MSCI ACWI and MSCI World

Information ratio (post-cost)	vs. MSCI ACWI	vs. MSCI World
Earnings Preview Strategy	2.10	2.20
Earnings Reaction Strategy	0.55	0.65
AlphaSignals Earnings Cycle Strategy	2.00	2.14

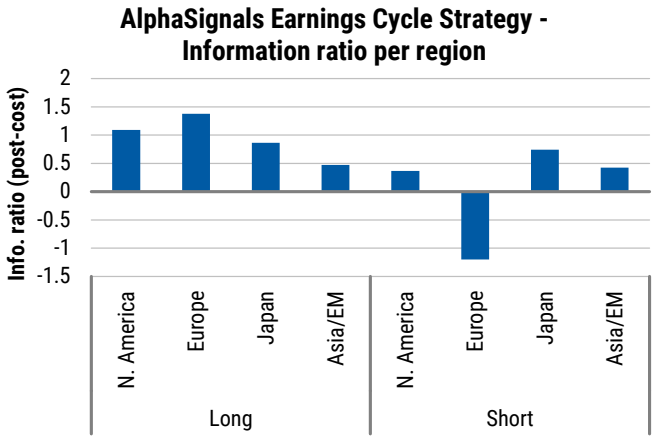
Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Performance is measured since launch (25 Oct. 2023 for the Earnings Reaction Strategy, and 3 Oct. 2024 for the Earnings Preview and AlphaSignals Earnings Cycle strategies)

Exhibit 50: AlphaSignals Earnings Cycle Strategy performance by region – Sharpe ratio (post-cost)



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026.

Exhibit 51: AlphaSignals Earnings Cycle Strategy performance by region – Information ratio (post-cost)



Source: FactSet, Datastream, Morgan Stanley Research. Data as of 31 May 2026. Benchmark: MSCI IMI Equal-Weight for the respective regions.

AlphaSignals Primer — Product Design, New Dataset, Taxonomy, and Distribution

Structured Research Data AlphaSignals represent an important step in the evolution of sell-side research. They transform analyst judgment into a product that is not only insightful, but also structured, scalable, and usable across the workflows that increasingly define modern investing.

Their value lies in more than format. AlphaSignals sharpen the focus of research around what matters most: expectation gaps, volatility events, revisions, and changes in thesis. They help clients distinguish between signal and noise, act earlier around key events, and integrate fundamental insight into quantitative and AI-enabled processes.

Previews are particularly powerful because they identify volatility before it is fully reflected in price. Reactions complement that value by translating complex outcomes into concise post-event interpretation. Together, they create a more complete event-driven research framework.

For Morgan Stanley Research, AlphaSignals are also part of a broader strategic direction. As research consumption becomes more digital, data-driven, and AI-enabled, the ability to package differentiated analyst judgment in structured form becomes a clear competitive advantage. The future of research will continue to involve narrative thought leadership, thematic work, and deep company analysis. But it will increasingly also require products that can move seamlessly across reports, platforms, APIs, and AI systems. AlphaSignals are designed for that future.

1. Defining Structured Research Data AlphaSignals

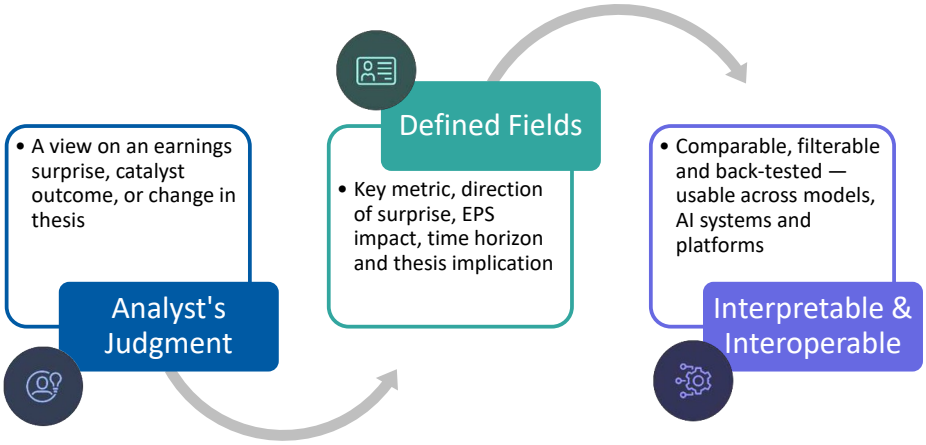
Structured Research Data AlphaSignals are standardized expressions of analyst insight designed for both human and machine consumption. They capture the essential elements of an analyst's view around a market-moving event in a form that can be compared, ranked, filtered, back-tested, and embedded into investment processes. Earlier in this report, we use Earnings Preview and Reaction to Earnings signals as an empirical case study to show that this structured research layer contains measurable alpha.

In practical terms, an AlphaSignal distills a research judgment into a structured format. Rather than relying solely on prose to explain a likely earnings surprise, a likely catalyst outcome, or a change in the investment thesis, the analyst records the relevant insight through a defined set of fields. These may include the key metric in focus, the expected direction of surprise, the likely impact on consensus earnings, the time horizon of the view, and the implications for the broader thesis.

This matters because modern investment workflows increasingly require research to be both interpretable and interoperable. Quantitative and quantamental clients need analyst views in forms that can be integrated into models and databases. AI systems require structured inputs that reduce ambiguity and improve explainability. Platform clients need content that can be displayed, filtered, and consumed programmatically. AlphaSignals meet these needs without abandoning what makes fundamental research valuable: the judgment, context, and domain expertise of the analyst.

In this sense, AlphaSignals are not a replacement for traditional research. They are a complementary layer that translates the most actionable part of research into a format that is faster to consume, easier to compare, and more effective in data-driven workflows.

Exhibit 54: Defining Structured Research Data AlphaSignals



Source: Morgan Stanley Research

2. Differentiation and Value Proposition

AlphaSignals are differentiated because they combine analyst expertise with the discipline of structured data. This is an important distinction in a market where many forms of information are increasingly available, but not all information is equally usable or equally differentiated.

Traditional research reports remain powerful tools for context, debate, and long-form analysis. However, they are often prose-heavy, variable in structure, and harder to ingest systematically. Even if AI tools can increasingly parse unstructured content, the process still involves interpretation and ambiguity. A free-text paragraph may contain a useful insight, but an AI model must infer the precise meaning, weight, and relevance of that statement. That creates room for inconsistency and ongoing tuning.

AlphaSignals reduce that ambiguity. They present the analyst's view explicitly through a defined taxonomy. Instead of inferring whether a quarter is likely to be better than consensus, the signal states whether the analyst expects a likely upside surprise, an in-line outcome, or a downside surprise. Instead of requiring interpretation of whether an event changes the medium-term outlook, the signal records whether the event strengthens, weakens, or leaves the thesis unchanged.

This creates several advantages:

First, AlphaSignals improve signal-to-noise. They force prioritization. Analysts must identify the key metric, the likely surprise, and the expected effect on consensus and thesis. This removes narrative clutter and surfaces what matters most for trading and portfolio decision-making.

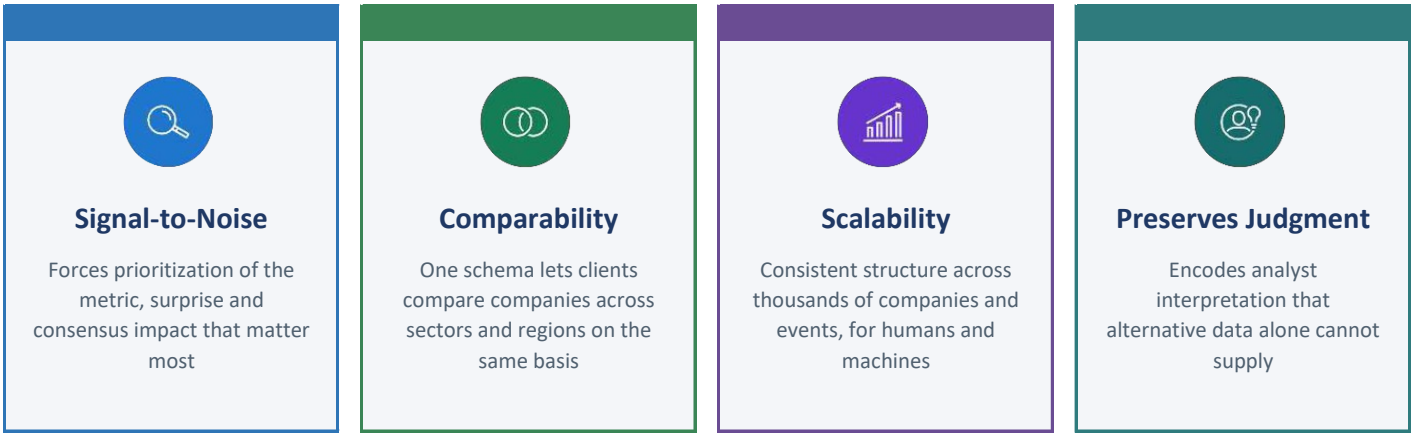
Second, AlphaSignals improve comparability. A common schema allows clients to compare a U.S. software company, a Korean auto manufacturer, and an Australian materials company on the same structural basis. That is difficult to achieve from PDFs alone.

Third, AlphaSignals improve scalability. A structured product can be delivered across thousands of companies and events in a way that is usable by both humans and machines. This matters for large clients who monitor broad universes and need consistent signal generation across sectors and geographies.

Fourth, AlphaSignals preserve the role of analyst judgment. Alternative data can indicate that something may be changing, but it does not necessarily explain what that change means for consensus, positioning, or the investment thesis. AlphaSignals bridge that gap by encoding human interpretation into structured form.

Client feedback has consistently reinforced these strengths. Clients value preview products because they help identify volatility events before they are fully priced. They value the consistent structure because it supports both discretionary and systematic use. They also increasingly expect the product to be available across multiple delivery formats, including report PDFs, collection pages, data feeds, and API-based workflows.

Exhibit 55: Four Sources of Value in Structured AlphaSignals



Source: Morgan Stanley Research

3. Core Design Principles

The design of AlphaSignals reflects a small number of core principles that make the product durable across multiple client use cases.

Standardization: Each signal is produced using a defined schema and controlled vocabulary. This ensures consistency across analysts, sectors, and regions. Standardization is essential for cross-sectional analysis, systematic screening, and historical performance evaluation.

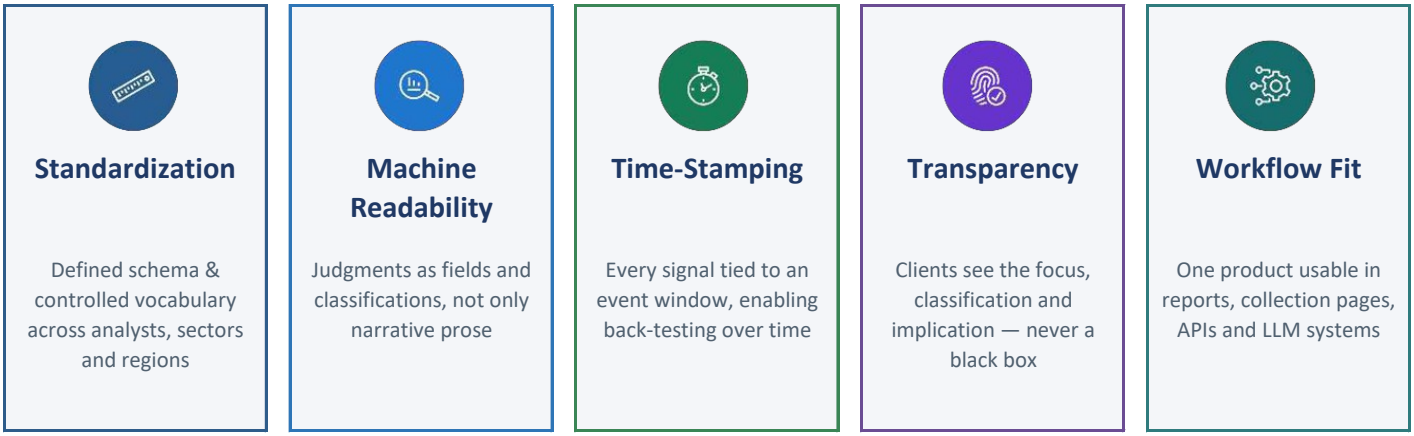
Machine Readability: AlphaSignals are built for direct ingestion into models and systems. The product is structured so that key judgments can be represented as fields, values, and classifications rather than only as narrative prose. This makes the content usable in databases, feature pipelines, dashboards, and AI applications.

Time-Stamping and Auditability: Each signal is associated with a clear event context and publication moment. This allows the product to be evaluated historically, back-tested around event windows, and assessed for predictive value, as demonstrated in the back-test of Earnings Preview and Reaction to Earnings signals earlier in this report. It also enables internal learning loops that improve quality over time.

Analytical Transparency: A good signal should be interpretable. AlphaSignals do not aim to function as opaque scores. They are designed so that clients can see what the analyst is focused on, how the event is classified, and what the expected implications are. This transparency is particularly important for AI and quantamental workflows.

Workflow Compatibility: AlphaSignals are designed for multiple forms of consumption. They can sit inside reports, be displayed in collection pages, be delivered through structured tables or APIs, and be used as inputs into LLM-based systems. This flexibility is increasingly important as client workflows become more integrated and modular.

Exhibit 56: Five Core Design Principles Behind AlphaSignals



Source: Morgan Stanley Research

4. AlphaSignal Types: Previews and Reactions

AlphaSignals are most naturally organized across two dimensions: timing and event type. Timing distinguishes between Previews and Reactions. Event type distinguishes between Earnings and other Catalysts.

Earnings Preview

An Earnings Preview is a pre-event signal that captures the analyst's expectations ahead of a company's results. It identifies the key metric or issue most likely to drive the stock reaction and classifies the expected surprise relative to consensus.

These signals tend to carry the highest alpha potential because they operate before the event is fully known by the market. A high-quality preview can identify not only whether a quarter may beat or miss, but also whether the event is likely to trigger revisions in forward estimates or change investor perception of the thesis. In practice, this is where analyst anticipation is most valuable.

Reaction to Earnings

A Reaction to Earnings is a post-event signal published shortly after results are released. Its role is not to recreate the full earnings note, but to provide a concise, structured interpretation of what happened. It records the magnitude and direction of the surprise, the implications for consensus, and whether the event strengthens or weakens the investment thesis.

These signals are particularly useful in the immediate post-event period, when clients need to interpret a large amount of information quickly and decide whether the event creates follow-through alpha, relative-value opportunities, or reasons to recalibrate portfolio exposures.

Catalyst Preview

A Catalyst Preview applies the same forward-looking logic to non-earnings events. These may include investor days, product launches, regulatory decisions, capital allocation announcements, trial data, policy developments, or major industry conferences. The purpose is to identify events that are likely to generate volatility or alter expectations, and to express the analyst's view on the likely outcome and its implications.

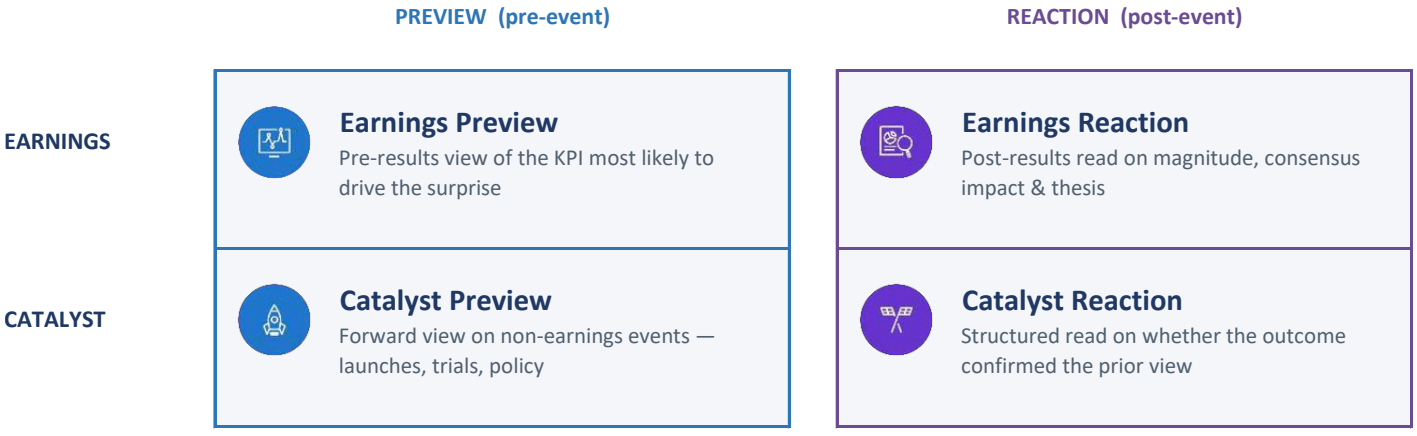
Catalyst Previews are especially valuable because some of the most important stock moves occur outside formal earnings cycles. A well-designed catalyst framework expands the reach of research into a broader event-driven opportunity set.

Catalyst Reaction

A Catalyst Reaction provides a structured interpretation after the event has occurred. It explains whether the outcome confirmed or contradicted the prior view, how it affects the thesis, and what the likely implications are for estimates, sentiment, or positioning.

As with Reactions to Earnings, the value lies in speed and clarity. Clients do not always need another long note immediately after an event; they need the bottom line, expressed in a way that can be used across both discretionary and systematic workflows.

Exhibit 57: AlphaSignal Types: Previews and Reactions



Source: Morgan Stanley Research

5. AlphaSignal Schema and Taxonomy

The schema underpinning AlphaSignals must be rigorous enough for machine use while remaining intuitive for research authors and clients. Below is a slightly condensed framework that balances detail and usability.

A. Metadata

Company / Ticker / Sector / Region: These fields identify the security and allow grouping, filtering, and regional comparison.

Analyst / Team: Identifies research ownership and supports accountability and consistency.

Event Date / Publication Timestamp: Defines when the event occurs and when the signal is published, enabling back-testing and event studies.

Signal Type: Classifies the record as Earnings Preview, Reaction to Earnings, Catalyst Preview, or Catalyst Reaction.

B. Signal Content

Focus KPI or Focus Issue: The single most important variable expected to drive stock reaction. Examples may include margins, unit volumes, pricing, bookings, trial outcomes, or policy details.

Expected or Realized Surprise: A standardized classification of whether the event is likely to be, or was, above expectations, in line, or below expectations.

Impact to Next-12-Month Consensus: Captures whether the event is likely to drive meaningful revision higher, modest revision higher, largely unchanged expectations, modest revision lower, or meaningful revision lower.

Impact to Investment Thesis: Used primarily in reactions. Indicates whether the event strengthens, weakens, or leaves unchanged the broader thesis.

C. Analytical Framing

Time Horizon: Defines whether the signal is primarily relevant on an immediate, short-term, or medium-term basis.

Volatility Framing: Captures whether the event is expected to be a meaningful volatility event. This is particularly important for event-driven and options-focused clients.

Key Drivers: Identifies whether the signal is driven primarily by fundamental, macro, thematic, policy, or company-specific factors.

Second-Order and Third-Order Effects: Provides concise interpretation of what the first-order event may imply for pricing, competition, margins, supply chain, industry structure, or adjacent names.

D. Additional Takeaways

In addition to the structured AlphaSignal fields, analysts provide **targeted, succinct takeaways** for both Previews and Reactions. These Takeaways are a critical complementary layer that captures **high-signal qualitative insight** which may not be fully expressed within fixed taxonomy fields. They typically summarize the core reasoning behind the signal, highlight second- and third-order implications, and provide concise context on drivers, risks, and cross-asset or cross-sector read-throughs.

From a workflow perspective, Takeaways are designed to be **precise, standardized in tone, and highly information-dense**, enabling efficient consumption by both human investors and AI systems. In particular, they enhance the effectiveness of **LLM-based workflows** by providing structured narrative context that improves interpretation, reduces ambiguity, and strengthens downstream signal quality. As a result, the combination of **structured AlphaSignals and targeted takeaways** delivers a more complete and robust representation of analyst insight, bridging the gap between rigid data fields and fully unstructured research commentary.

A rigorous taxonomy matters because it is what turns analyst observations into a repeatable data product. It allows the same insight to be consumed by a discretionary portfolio manager, a quantitative event model, and an AI assistant without changing the underlying substance of the research.

Exhibit 58: AlphaSignal Schema and Taxonomy

Metadata	Company, ticker, sector, region, analyst, event date, signal type
Signal Content	Focus KPI, expected/realized surprise, N12M consensus impact, thesis impact
Analytical Framing	Time horizon, volatility framing, key drivers, second/third-order effects
Additional Takeaways	Succinct qualitative reasoning that sharpens LLM interpretation

Source: Morgan Stanley Research

6. Illustrative Examples

The following examples are illustrative and show how the AlphaSignal framework can be applied consistently across different event types.

Earnings Preview: Hyundai Motor Company

Ahead of results, the analyst identifies auto margins as the key variable for the quarter. The expected classification is a likely downside surprise, with a modest revision lower to next 12-month consensus earnings. The signal reflects concern that margin pressure may be greater than the market expects, even if revenues remain broadly stable.

The value of this preview lies in anticipation. If the margin outcome is indeed weaker than consensus, the stock may react not only to the reported quarter but also to the implications for future profitability and market expectations.

Reaction to Earnings: Orica Ltd.

Following the results, the analyst records a meaningful upside versus consensus and indicates that the event strengthens the investment thesis. The expected effect is a meaningful revision higher to forward earnings expectations. The signal suggests that the positive outcome was not merely a one-quarter beat, but an event with implications for medium-term expectations.

This type of reaction is particularly useful for clients seeking efficient post-event interpretation. It distinguishes between a superficial beat and a result that changes the quality of the story.

Catalyst Preview: Samsung Electronics

Ahead of a major product launch and associated investor communication, the analyst flags the event as a high-importance catalyst. The likely outcome is classified as an upside surprise, with a modest revision higher to market expectations if product adoption, ecosystem engagement, or pricing mix exceed current assumptions.

This signal illustrates how Catalyst Previews can identify alpha opportunities outside earnings season. The market may be underestimating the strategic or commercial significance of the event, and the signal helps clients position ahead of that repricing.

Catalyst Reaction: Samsung Electronics

After the event, the analyst publishes a Catalyst Reaction indicating that the launch outcome was better than expected, that demand signals and ecosystem implications were supportive, and that the event reinforces the thesis. The structured reaction records the positive outcome succinctly and clarifies the likely implications for near-term expectations and broader strategic positioning.

This format allows clients to move quickly from event observation to portfolio action, while preserving the analyst's interpretation of what mattered most.

7. Integration into Quant, Quantamental, and AI Workflows

A central advantage of AlphaSignals is that they are designed not only to inform but also to integrate.

Quantitative Models: For quant clients, AlphaSignals can function as event features, forecast-revision indicators, or structured representations of analyst conviction. Because the product is time-stamped and standardized, it is suitable for event studies, signal ranking, alpha combination, and back-testing — the framework used in the empirical section earlier in this report. Previews are particularly useful because they allow models to position ahead of identified volatility events rather than only reacting after the fact.

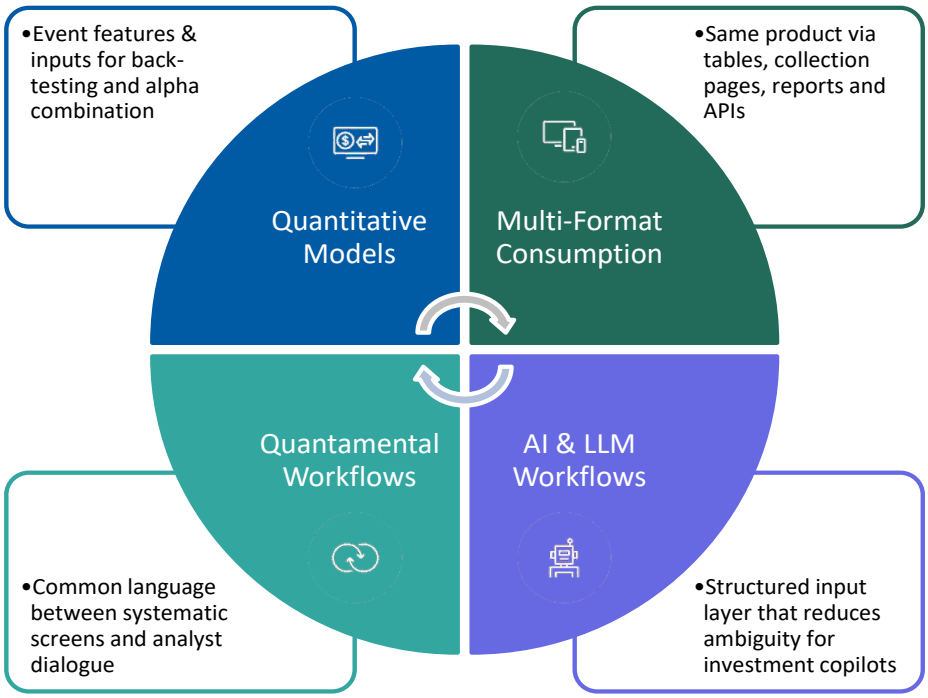
Quantamental Workflows: For quantamental clients, AlphaSignals serve as a bridge between systematic frameworks and analyst dialogue. They make it easier to screen a broad universe for the most important events, prioritize follow-up with analysts, and compare signals across sectors. They also create a common language between model-driven portfolios and fundamental research teams.

AI and LLM Workflows: For AI-enabled workflows, AlphaSignals offer a highly usable input layer. Structured fields reduce ambiguity, improve explainability, and make it easier for LLM-based systems to retrieve and present the analyst's core view accurately. Traditional report text remains valuable in this environment as contextual input, but structured AlphaSignals provide a more precise and controllable foundation for retrieval, summarization, and investment copilots.

Multi-Format Consumption: An important feature of the product is that it is consumable in multiple formats. Clients can use AlphaSignals through structured tables, platform collection pages, embedded report views, PDFs, and APIs. This matters because different client segments consume research differently. Some want a clean structured feed. Others prefer the signal embedded within a more traditional report format. Increasingly, clients want both.

This multi-format approach is a competitive advantage. It allows Morgan Stanley Research to serve discretionary, quantamental, quantitative, and AI-enabled workflows simultaneously, while preserving a single underlying analytical product.

Exhibit 59: Integration into Quant, Quantamental and AI Workflows



Source: Morgan Stanley Research

8. Product Expansion and Coexistence with Traditional Research

Although this primer focuses on Earnings Previews, Reactions to Earnings, Catalyst Previews, and Catalyst Reactions, the broader AlphaSignals framework can extend beyond these categories.

Over time, additional structured research products may sit within the AlphaSignals umbrella, including other event-driven, risk-reward, or framework-based signal sets. Some of these products may use adjacent taxonomies tailored to their specific use cases, but the governing principles remain the same: standardization, machine readability, transparency, and actionability.

Traditional research products also continue to matter. Research Tactical Ideas, actionable ideas, and longer thematic work remain important components of the research ecosystem. They serve different purposes and often provide broader context, deeper scenario analysis, or higher-conviction positioning arguments. The future is not a choice between structured and traditional research. It is the integration of both.

In this sense, AlphaSignals should be viewed as an additional layer of product capability. They improve the portability and scalability of analyst insight, while narrative research continues doing what it does best: provide depth, context, and strategic framing.

Exhibit 60: A Complementary Layer, Not a Replacement

Source: Morgan Stanley Research

Accessing AlphaSignals / Distribution

AlphaSignals are designed to be accessed through multiple channels depending on client workflow and use case.

Collection Pages: Curated collection pages provide a way to monitor AlphaSignals by product type, event type, sector, or region. These pages are particularly useful for clients seeking a portfolio or workflow view of upcoming and recent events.

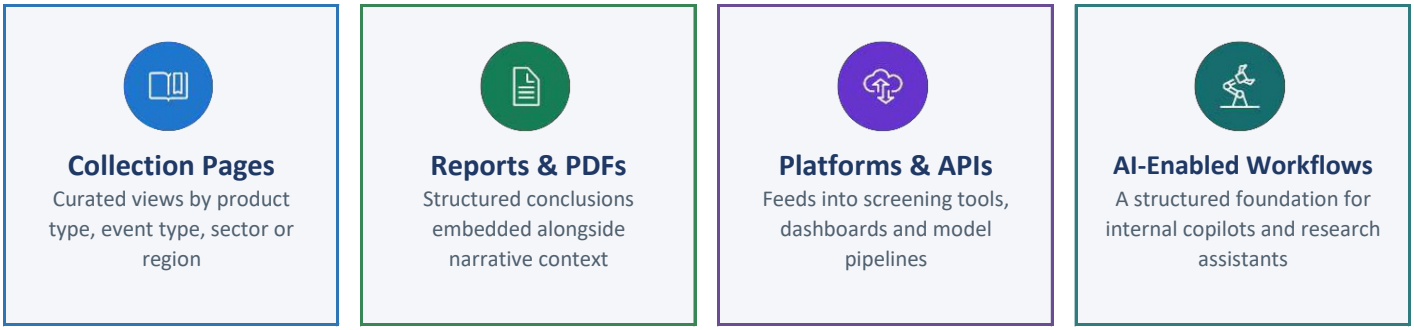
Research Reports and PDFs: AlphaSignals can be embedded within traditional report formats, allowing clients to consume structured conclusions alongside narrative context and supporting analysis.

Platforms and APIs: For more systematic workflows, AlphaSignals can be delivered through platforms and APIs, supporting integration into screening tools, internal dashboards, model pipelines, and AI applications.

AI-Enabled Workflows: As clients build internal copilots and research assistants, AlphaSignals provide a structured foundation that can be combined with report text and broader research content to improve accuracy, consistency, and interpretability.

In this way, AlphaSignals are not simply a new report format. They are a research distribution model designed for the next generation of client workflows.

Exhibit 61: Accessing AlphaSignals



Source: Morgan Stanley Research

Excerpts of AlphaSignals from published MS Research

Earnings Preview

Exhibit 62: Excerpt of Earnings Preview

Preview to earnings Collapse All

Company / Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Amorepacific (090430.KS) Overseas performance (sales in the US/EMEA and China earnings)	↑ Likely upside surprise	↑ Modest revision higher
BGF Retail (282330.KS) CVS earnings	— In-line	— Largely unchanged
CJ Cheil Jedang Corp (097950.KS) Food sales growth and Bio OPM	— In-line	— Largely unchanged
Coway (021240.KS) Total account growth for Korea and Malaysia	— In-line	— Largely unchanged
F&F (383220.KS) China sales; Consolidated OP	— In-line	— Largely unchanged

- We believe robust sales trend in Korea could lead to earnings increments YoY coupled with well-managed costs.
- COSRX sales growth could offer upside to the consensus expectation (10-15% YoY) given strong momentum of new products.
- AP's sell-in cycle could be slow for US/EMEA during 1Q26, but healthy sell-through trend and continued product/brand expansion could improve sales moentum in 2Q26.
- Release datea: April 28 or 29 (TBD).

- CVS SSSG could be ~2% YoY with limited store opening effect (1%).
- OPM could have slight expansion (MSe 10bp YoY).
- Release date: early May (TBD).

- Overall food sales could continue muted growth (MSe up 3% YoY) - domestic sales up 1% YoY vs. overseas sales up 5% YoY.
- Bio OPM could be improving QoQ with rising lysing price, but still very low at ~1% level.
- Release date: May 12 (TBD)

- Thanks to robust new account acquisition, domestic rental revenue could be stronger than our forecast (MSe up 4% YoY) despite slowing expiration cycle.
- Malaysia sales growth could maintained at >10% YoY on the back of new product penetration.
- Release date: May 8 (TBD)

- Domestic: We think growth could accelerate vs. 4Q25 for both MLB (MSe up low-teens% YoY) and Discovery (up LSD% YoY) thanks to improved apparel consumption trends.
- China: Growth could be ~10% YoY, better than initially guided (up ~7% YoY).
- With robust top-line performance, we think consolidated OP could be in line to consensus (W135bn).
- Release date: Late April or early May (TBD)

Source: Morgan Stanley Research. S. Korea Consumer: 1Q26 Preview (10 Apr 2026)

Reaction to Earnings

Exhibit 63: Excerpt of Reaction to Earnings

Source: Morgan Stanley Research. LPL Financial Holdings Inc.: Expense Discipline Supports Upside to Earnings (1 Aug 2025)

Catalyst Preview

Exhibit 64: Excerpt of Catalyst Preview

Catalyst event preview Collapse All

Company / Catalyst	Date	Importance	Surprise
Eli Lilly & Co.(LLY.N)			
Additional Ph3 Reta (GGG) data	2Q26	Neutral	— In-line

Takeaways:

- Following positive Ph3 data in obesity/OA of the knee in 4Q25 and T2D in 1Q26, we await additional pivotal data in obesity and cardiovascular outcomes from LLY's Retatrutide (Reta; GGG triple agonist)
- LLY plans to report data from TRIUMPH-3 (vs. placebo in obesity and CV disease) in 1H26

Johnson & Johnson(JNJ.N)			
Talvey MonumenTAL-3 data in 2L+ multiple myeloma	2Q26	Neutral	— In-line

Takeaways:

- We expect JNJ to report data from the Ph3 MonumenTAL-3 trial of Talvey (bispecific GPRC5D-directed CD3 T-cell engager) +Darzalex +/-Pomalyst vs. DPd in 2L+ MM in 2Q26 (PCD of Feb. '26)
- The primary endpoint is PFS
- Talvey has accelerated approval in 5L+ MM with prior lines including a proteasome inhibitor, IMiD and anti-CD38, and confirmatory trials (e.g. MonumenTAL-3) will support full approval/upstream use

Icotyde Ph3 ICONIC-ASCEND data	2Q26	Neutral	— In-line

Takeaways:

- Icotyde (Ico, oral IL-23i) recently approved in PsO; clean label (warnings in-line w/ class) and expected food effect – see our note
- JNJ/PTGX (not covered) plan first h2h vs. Stelara (inj. IL-12/23) in 2026 (PCD per ct.gov: 03/30/26)
- The goal is to show superiority in PsO on co-primary endpoints: delta from baseline in IGA 0/1 and PASI90.
- Ico showed superiority vs BMY's Sotyktu (oral TYK2i) in Ph3 ADV-1/2: IGA 0/1 (Wk16: 68/70% vs 50/54%); PASI90 (55/57% vs 30/34%)
- For ABBV (Skyrizi, injectable IL-23i), we still see injectables as more efficacious and expect Ico to expand the PsO market.

Icotyde Ph3 ICONIC-PSA1 data	2Q26	Neutral	— In-line

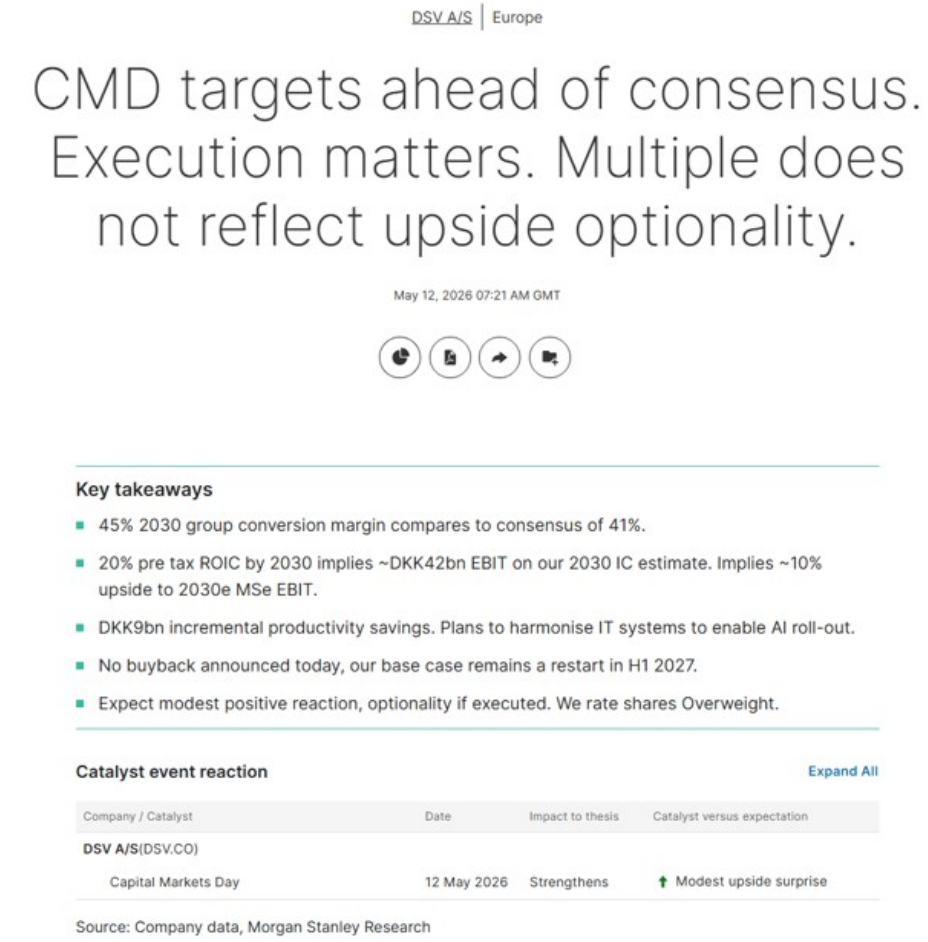
Takeaways:

- JNJ/PTGX (not covered) plan to present trial data in 2026 (PCD per ct.gov: 05/27/26)
- Trial evaluates Ico in biologic-naïve PsA pts, targeting earlier-line use within treatment paradigm
- Primary endpoint: ACR20 vs placebo at Wk16; PASI scores included as key secondary endpoints
- We expect trial to show superiority vs placebo, but we await for more detail on efficacy/safety; Ph3 ICONIC-PSA2 trial readout is likely 2027 event
- For Ico, we model 2035 sales of $5.3bn (PsO 80% POS; IBD 50%) vs. JNJ peak guide of $5bn+.

Source: Morgan Stanley Research. BioPharma: The Month Ahead – 2Q Catalysts (1 Jun 2026)

Catalyst Reaction

Exhibit 65: Excerpt of Catalyst Reaction



DSV A/S | Europe

CMD targets ahead of consensus. Execution matters. Multiple does not reflect upside optionality.

May 12, 2026 07:21 AM GMT

Key takeaways

- 45% 2030 group conversion margin compares to consensus of 41%.
- 20% pre tax ROIC by 2030 implies ~DKK42bn EBIT on our 2030 IC estimate. Implies ~10% upside to 2030e MSe EBIT.
- DKK9bn incremental productivity savings. Plans to harmonise IT systems to enable AI roll-out.
- No buyback announced today, our base case remains a restart in H1 2027.
- Expect modest positive reaction, optionality if executed. We rate shares Overweight.

Catalyst event reaction Expand All

Company / Catalyst	Date	Impact to thesis	Catalyst versus expectation
DSV A/S(DSV.CO)			
Capital Markets Day	12 May 2026	Strengthens	↑ Modest upside surprise

Source: Company data, Morgan Stanley Research

Source: Morgan Stanley Research. DSV A/S: CMD targets ahead of consensus. Execution matters. Multiple does not reflect upside optionality. (12 May 2026)

Conclusion

AlphaSignals turn analyst judgment into measurable earnings alpha. Our back-test shows clear return dispersion across structured analyst assessment categories, with positive signals consistently outperforming negative signals. The strongest result comes from combining pre-event anticipation with post-event confirmation: the AlphaSignals Earnings Cycle Strategy long leg delivers a 1.49 post-cost Sharpe ratio and 1.23 information ratio.

The results reinforce the central message of this report: the highest-alpha part of the framework sits in the forward-looking layer. Earnings Previews identify where analysts expect the market to be surprised before results are released, while Reactions to Earnings help confirm whether the event strengthens the thesis, beats consensus, or supports positive forward earnings revisions. Together, they create a more complete signal across the earnings cycle.

Importantly, this is not simply earnings momentum in another form. Performance remains resilient after transaction costs, beta hedging, implementation lags, factor controls, and the exclusion of small caps. Correlation with the earnings momentum factor is close to zero, suggesting that AlphaSignals capture distinct information from analyst interpretation of earnings events.

For clients, the message is straightforward: AlphaSignals make Morgan Stanley analyst conviction easier to screen, test, compare, and integrate into investment workflows. They provide a scalable way to identify where analyst teams see the highest-conviction earnings opportunities, and the back-test suggests those views can translate into differentiated alpha.

While the back-test in this report focuses on earnings, future work can test the alpha implications of Catalyst Previews and Catalyst Reactions in more detail.