Morgan Stanley CEO 'optimistic' on U.S. economy ahead of Trump return

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NEW YORK -- There is "good reason to be optimistic" for the U.S. economy next year, thanks partly to the prospect of deregulation under the "pro-growth" administration of Donald Trump, Morgan Stanley CEO Ted Pick told Nikkei.

Pick, who took over from longtime CEO James Gorman in January and is set to succeed him as chairman next month, said the group's relationship with Japanese partner Mitsubishi UFJ Financial Group will last "forever" even without Gorman, who had close personal ties with its former leadership.

Edited excerpts from the interview follow.

Q: With Trump set to return as U.S. president, what is your outlook for the U.S. economy from 2025 onward?

A: I think we have good reason to be optimistic about the state of the U.S. economy. There is continued growth, there is strength in corporate and consumer balance sheets. There is some, but not too much inflation. There is labor tightness that continues to bias wages higher. So in a sense, it is a quite strong balance, and now with the prospect of a pro-growth new administration, and potential for selective deregulation, or adjustments to regulation that also might well be conducive to further growth. So, it feels quite like the U.S. consumer and the U.S. corporate community confidence is high for good reason.

Q: Trump has said he plans to impose tariffs on goods from Mexico, Canada and China. What are your thoughts on the possibility of a trade war?

A: I think it's too early to say what the tariffs will look like -- if it will be the threat of tariffs, whether they will be escalating tariffs, whether they will be tariffs across selected industries or selected geographies. But while some have said that tariffs are not necessarily a good thing, others have argued that it is a policymaking, rhetorical tool. It's also a way to help engage the global community.

It's part of the political and economic arsenal, and already, the very early response from some of the trading partners indicates that people take the possibility of tariffs quite seriously, and that leads to constructive conversations and dialogue.

We can all see on the news that there are visits between various heads of state ongoing, and I always take that as a strong signal the dialogue is always so important.

Q: Stock prices have remained high even after the Federal Reserve's tightening cycle that began in 2022. Do you think that's sustainable?

A: I think it would be reasonable to believe that the stock market success might be more distributed, might be broader. The six, seven technology companies at the top of the S&P are roughly 30% of S&P value.

Industrial companies that engage in global trade and maybe U.S.-led manufacturing, hard infrastructure companies that basically are in the business of building out some of the infrastructure reform in this country, certain discretionary consumer companies where people can spend money, and then, importantly, the financial sector, where perhaps less regulation means that we can do more business -- banking business, wealth management business, some trading business -- all of those industries, health care as well, may actually perform very well. Our market strategist Mike Wilson believes that S&P can go up roughly 10% next year. I don't think that's unreasonable.

Q: What risks does the global economy face?

A: If the first risk is execution with the new U.S. administration, the second risk is geopolitical

risk.
There are risks to execution in a new administration. We have, as you know, a significant fiscal deficit on top of large overall debt, but I believe that the new administration is well aware of this. I think this gets taken into consideration in fiscal planning for 2025 and beyond that.
The problem becomes if the economy starts slowing down, and you still have a sense of inflation, so-called stagflation. I think the key here is for the Fed to go judiciously, prudently, slowly, so that they really are taking into account what they see in prices.
Q: What is your view of the Japanese economy?
A: I look at Japan after all the years since 1989 where we had no growth on zero-interest-rate policy. Now there is nominal GDP growth, and there exists the beginnings of a virtuous cycle between wages and prices.
I'm quite bullish on the early stages of what we would call "animal spirits" of economic reawakening in Japan.
Q: There are concerns that the ruling coalition losing its majority in the October general election will stall moves toward making Japan a major player in asset management.
A: [Previous Prime Minister Fumio Kishida] clearly deserves credit for awakening the possibility that asset managers and others could use the corporate reform focus as part of the transition to a new framework. And, I think, this is an important legacy that appears to be continued by [Prime Minister Shigeru] Ishiba-san.
Global investor interest is very high in terms of wanting to have an increased allocation to publicly traded Japanese companies, but there is also global client interest in Japanese companies
Q: In January, you took over from Gorman, who had been CEO for 14 years.
A: He transformed Morgan Stanley. He had a vision for Morgan Stanley to be the leading wealth manager in the U.S., to have an excellent asset management arm with it, but also to have a leading global investment bank. His crystallization, his definition of strategy is around the idea of raising, managing and allocating capital.
He then has us on a strategic path, which I now inherit, where we know what we do, and we know what we don't do. There are many interesting businesses, like credit cards, unsecured lending, principal investing. We don't really do that.
He also did something, I think, quite extraordinary as well. He came in as an outsider, and Morgan Stanley was quite suffering. Mr. Gorman has brought to Morgan Stanley a reclaiming, effectively awakening an appreciation for the Morgan Stanley culture of working hard, but also being humble, because we all are very aware and remember the dark days of 2008.
If acquisition opportunities come up, we will keep an eye out on them, but in the short term, I think the name of the game is to execute.
Q: What is your view of the environment surrounding your business?
A: We have leading market share in wealth management, but still, the actual market share is quite low because there's so much wealth management around the world, and even smaller in investment management, given the fragmentation of investment managers. There's no player that has sizable global share. That business will grow as a function of continued U.S. growth and global growth.
Global investment banking, for a number of years, some of it was quite slow in terms of growth. Not a lot of activity, lots of uncertainty, COVID, geopolitics. In the current improved environment, it's reasonable to think that we can actually also gain share, but also the amount of share available will grow, because there are large mergers and acquisitions that are happening now, and there are large IPOs and other offerings that are coming again if these economies continue to hold up.
Q: Will you focus on the longtime investment banking business, or on the wealth management and asset management businesses fostered by Gorman?
A: We will focus on both, and on having them work together more effectively. Through wealth

and investment management and through global investment banking coming together, in what we like to call the integrated firm. The businesses are meant to be distinct. You don't want bankers giving wealth advice. You don't want traders being in the business of investment management, but they are allowed to communicate to the extent that clients overlap.

You have a multibillionaire. That person is like an institution. That person has assets with us. We manage those assets of wealth management, but she also controls the company, so she needs mergers-and-acquisitions advice for whether she should buy another company -- different people giving advice, walls around them, but same firm delivery.

Q: Morgan Stanley has the highest price-earnings and price-to-book ratios in the industry. Are you satisfied with its stock market performance since you took over?

A: The answer is that one is never satisfied. We look at stock price return over many years, and if you grow your businesses carefully, durably, consistently, the stock price should take care of itself. We believe we have much more room to grow in our business and in the resulting stock price.

Q: Mitsubishi UFJ Financial Group, your partner in Japan, is focusing on wealth management.

A: Japan, now at above zero interest rates, is beginning a multiyear, multi-decade process of moving from savings to investment. We want to take some of the Morgan Stanley capabilities and partner with MUFG's amazing capabilities and distributions to find ways to help deliver solutions to clients in Japan, and then also for Japanese solutions to be offered to global clients.

Q: It's been over a year since the Alliance 2.0 with MUFG was announced in 2023. What is your evaluation of this partnership so far?

A: We brought the [two joint venture companies' institutional investor] research organizations together, and we had the [institutional] equity advisory business coming together, and then we are executing MUFG Bank's FX flow through Morgan Stanley platform, and that's just cash. Soon there'll be other products.

Our friends MUFG are currently integrating. They've been working to obtain full ownership of au Kabucom Securities.

That type of technology work in their wealth management business. That's very exciting. So, I think ways, over time, for us to be working closer together in the asset management space or in wealth management, will be very interesting.

Q: There have been concerns that Gorman's departure as CEO could weaken Morgan Stanley's relationship with MUFG, given the strong ties he had with late former MUFG President Katsunori Nagayasu and former Chairman Nobuyuki Hirano. Will the relationship continue?

A: Forever. Yes, forever. Our friends at MUFG, I think of them, at some level, as our saviors in 2008. That's a big word, so I don't say that lightly, but I also think of them as our partners and our friends. We are in this for the very long term, and part of my hope is that when I'm done and the next person comes in, the quality and the scope of the relationship will be even broader and deeper.

Remember that our friends at MUFG have two board seats, so we interact constantly.

[MUFG President Hironori] Kamezawa-san and I have met many times over the years. The trust is very, very high. Trust, as you know, is not built in one day or one year. That's true. The trust is built in 15 years.

The senior executives at Morgan Stanley go to Japan three times a year. I do sometimes even more. And that is, of course, an important way to build trust. We recently had our first Japan Summit, which was a big success. Next year, we will have our second summit, and we will also have our board meeting in Japan.

Q: What are your ambitions for your time as CEO?

A: My ambition is to preserve and protect the brand. That is my mission, to take this wonderful institution and to make sure we do first-class business in a first-class way, and to execute on the strategy that now is in front of us into a new cycle, and to do that on a global basis and where we care a lot. And the focus is very much on Japan.