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US Policy Pulse

A History of General Election Performance, Part 2

This is the second part of a two-part report in which we discuss economic and market implications of presidential versus nonpresidential election years, including market outcomes in varying presidential and congressional scenarios. In this report, we focus on post-election asset class performance.

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Key Insights:

- Most US equities analyzed by size, performance style and sector reported their strongest returns under Democratic presidents and their weakest under Republican presidents.
- International equity performance at the country level varied by political party. Argentina and Peru were the strongest during Democratic administrations, while China and Brazil were strongest under Republican administrations, on average.
- Fixed income performance was mixed, with stronger gains, generally among lower-risk sectors, occurring under Republicans, on average.
- Commodity performance by political party was mixed, where agricultural commodities and gold performed best under Republicans, while oil and precious metals outperformed, on average, under Democratic administrations.

In Part 1 of this report, we found that investor fears related to US presidential election outcomes may often be misplaced due to individual policy bias (see "US Policy Pulse: A History of General Election Performance, Part 1"). While we acknowledged the occurrence of delayed policy implementation and coincident data, we found that conventional wisdom frequently does not align with market results when considering the combination of policy, business cycles and valuations. This dynamic is important to understand as we approach Election Day, and as uncertainties may arise when considering the best investment strategies to hedge different electoral outcomes.

Our base argument is that the business cycle is more important to market performance than the political party in the White House. That said, investors are likely to become concerned not only about broad market performance, but also with the strength of various asset classes under different public policy and regulatory regimes. While it is natural in some cases to assume that the personal or professional background of a president may be associated with specific asset class returns, investors are commonly mistaken.

For example, one could easily assume that oil would do best under President George W. Bush, a Republican (R), given his oil industry background. However, oil posted its strongest historical performance under his successor, President Barack Obama, a Democrat (D). What about mid-cap and small-cap stocks? Value or growth? The performance of high yield investments or international equities? This report seeks to provide clarity on which assets may benefit or suffer based on who wins the White House. While the past does not predict the future, it may serve as a guide.

Our analysis seeks to go beyond the well documented history of the S&P 500 Index's performance through past presidential terms. Rather, we focus on asset classes and indexes that are lesser known. The disparity in election-based performance between these cohorts is due to several factors, including the proportion of different asset classes relative to the overall market, and the greater reliance on equities in portfolios versus other investment assets. In addition, historical data is more limited when reviewing assets categorized by size, sector, style and region in comparison with the S&P 500, which goes back to 1929.

This report discusses assets across varying time horizons due to limited data availability, focusing on both average performance by political party and performance during discreet four-year presidential terms. We note that for the purposes of this report, performance during Joe Biden's presidential term will be calculated between his inauguration date on Jan. 20, 2021 and Feb. 5, 2024. In addition, we conduct a comprehensive analysis of non-S&P 500 equity performance by index, size, performance style, sector and region; we also analyze fixed income, real assets and commodities to provide a holistic assessment of risks and opportunities during election cycles.

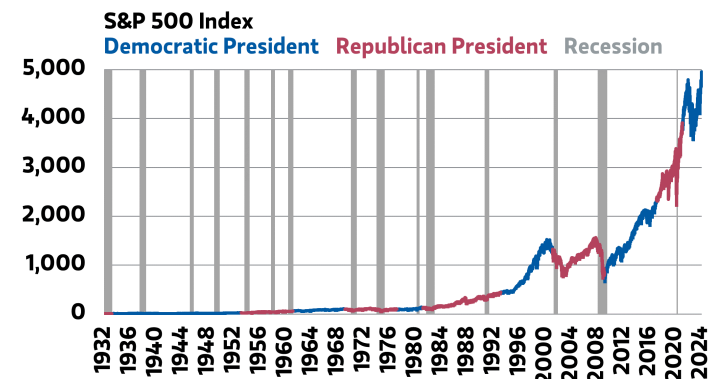
Major Equity Performance

The relevance of the S&P 500 to equity investing strategies makes the index critical when discussing election-cycle performance. Since 1929, the average return for the S&P 500 during a presidential term was 33%. As discussed in Part 1, market performance is more strongly correlated with the business cycle than with the party that holds the White House. Nevertheless, we found that the S&P 500 fared better under Democratic presidents, when accounting for all years since 1928 by political party in the Oval Office, outpacing

returns under Republicans by 6% on an average annual return basis. Furthermore, average four-year term performance for Democrats was 45.1%, as opposed to 17.8% under Republicans (see Exhibit 1). Other notable statistics that are also detailed in Exhibit 2 include:

- The S&P 500's worst presidential term performance, -77.1%, occurred under Herbert Hoover (R) from March 4, 1929 to March 4, 1933, at the beginning of the Great Depression.
- Unsurprisingly, the S&P 500's best performance, 205.5%, occurred during the first term of Hoover's successor, Franklin D. Roosevelt, March 4, 1933-Jan. 20, 1937. This period was dominated by the New Deal's fiscal stimulus measures.

Exhibit 1: S&P 500 Presidential Term Performance Stronger Under Democrats



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 6, 2024

Beyond US equities, we see mixed outcomes when comparing the average term performance by party and the greatest return by president. Notably, these two components do not always align. For example, the Nikkei 225 Index, which represents Japanese stocks, reported its best average term performance by party under Democratic administrations. However, the index had its best single-term performance under a Republican president, gaining 160.5% during Ronald Reagan's second term, Jan. 21, 1985-Jan. 20, 1989.

Homogenous results were also uncovered during this assessment. The Bloomberg US Aggregate Bond Index, which represents the investment grade fixed-rate taxable bond market, performed better under Republican presidents. Also doing better under the GOP were the Bloomberg Commodity Total Return Index and China's CSI 300 Index. When reviewing performance by individual presidential term, we found these assets also posted their strongest returns under Republican regimes.

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- The Bloomberg US Aggregate Bond Index did best under George H.W. Bush (R), with a gain of 55.3%, in part due to risk-off sentiment during the 1990-1991 recession. The average term gain by party was also strongest under the GOP, at 31.2%.
- Chinese stocks gained most during the second term of George W. Bush, Jan. 20, 2005-Jan. 20, 2009, with the average gain under all Republican terms at 87.5%.
- Commodities performed well under Richard Nixon's (R) second term, Jan. 20, 1973-Aug. 9, 1974, due in part to the implementation of agricultural subsidies and high inflation. Over the long term, the Bloomberg Commodity Index performed best under Republican presidents, 47.0% to the Democrats' 33.6%, on average

Faring well under the Democrats were Hong Kong's Hang Seng Index, the EURO STOXX 50 and the S&P Real Assets Index with average returns of 73.5%, 59.1% and 35.9%, respectively. When reviewing performance by individual presidential terms, we found these assets also posted their strongest returns under Democrats. For example:

- Hong Kong stocks did best under Jimmy Carter (D), Jan. 20, 1977-Jan. 20, 1981, gaining 259.8%.
- S&P Real Assets performed best under Obama's first term, Jan. 20, 2009-Jan. 21, 2013, up 91.6%.
- EURO STOXX 50 gained most, 139.3%, under Bill Clinton's (D) second term, from Jan. 20, 1997-Jan. 20, 2001.

Sectors and Styles

Consistent with the S&P 500, almost every size and style outperformed, on average, during Democratic presidential terms. When we look across these categories, as detailed in Exhibit 3, we observe a pronounced concentration of outperformance under Barack Obama (1) and underperformance attributed to George W. Bush (2). Several factors may have caused this phenomenon, with the global financial crisis of 2007-2009 during the second half of George W. Bush's second presidential term setting the stage. Notably, market performance began to rebound from the recession during Obama's first term, in which there were periods of low volatility and tight stock dispersion, which may have driven the uniform strength across sizes and styles.

We also observed that the Nasdaq Composite Index performed best, on average, under Democrats, although the index posted its strongest returns under Donald Trump, up 142.2%. This is due to several factors, including a relatively low interest rate environment and heavily concentrated positions in tech and large-cap stocks, as well as increased volatility, which led to wider dispersion and more opportunities for active managers.

Exhibit 2: Presidential and Party Performance Is Mixed for Major Asset Classes

Index	Average	Republican Term Average	Democratic Term Average	Average Difference	Best Term	Worst Term	Best Presidential Term	Worst Presidential Term
CSI 300 (Shanghai)	38.4%	87.5%	5.7%	81.8%	111.8%	-40.3%	George W. Bush (2)	Joe Biden
Bloomberg Commodity Total Return (TR)	40.3%	47.0%	33.6%	13.3%	204.6%	-37.2%	Richard Nixon (2)	Barack Obama (2)
Bloomberg US Aggregate	23.4%	31.2%	17.2%	13.9%	55.3%	-10.3%	George H.W. Bush	Joe Biden
Hang Seng (Hong Kong)	44.7%	23.1%	73.5%	50.3%	259.8%	-62.0%	Jimmy Carter	Richard Nixon (2)
EURO STOXX 50 (Europe)	29.0%	-8.7%	59.1%	67.8%	139.3%	-37.8%	Bill Clinton (2)	George W. Bush (1)
S&P Real Assets TR	33.1%	24.8%	35.9%	11.1%	91.6%	7.3%	Barack Obama (1)	Joe Biden
S&P 500	33.0%	17.8%	45.1%	27.3%	205.5%	-77.1%	Franklin D. Roosevelt (1)	Herbert Hoover
Nikkei 225 (Japan)	24.7%	22.2%	28.1%	6.0%	160.5%	-47.0%	Ronald Reagan (2)	George H.W. Bush

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Exhibit 3: US Equity Size and Style Performance Is Dominated by Democratic Presidential Terms

Index	Average	Republican Term Average	Democratic Term Average	Average Difference	Best Term	Worst Term	Best Presidential Term	Worst Presidential Term
S&P MidCap 400 Growth Total Return (TR)	47.2%	23.4%	70.9%	47.6%	146.8%	-19.4%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 Value TR	48.7%	23.5%	73.8%	50.3%	123.7%	-20.4%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 TR	57.9%	23.2%	78.7%	55.5%	134.9%	-19.7%	Barack Obama (1)	George W. Bush (2)
S&P 500 Equal Weight USD TR	57.7%	21.5%	79.5%	58.0%	144.2%	-28.3%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 Equal Weight TR	58.6%	25.8%	78.3%	52.5%	158.7%	-21.6%	Barack Obama (1)	George W. Bush (2)
S&P 500 TR	56.1%	30.9%	76.3%	45.3%	101.4%	-25.8%	Barack Obama (1)	George W. Bush (2)
S&P 500 Growth TR	52.6%	28.4%	70.7%	42.3%	122.4%	-22.1%	Donald Trump	George W. Bush (2)
S&P SmallCap 600 TR	48.6%	27.0%	70.2%	43.1%	127.6%	-23.1%	Barack Obama (1)	George W. Bush (2)
S&P SmallCap 600 Growth TR	50.4%	31.4%	64.5%	33.1%	135.3%	-22.2%	Barack Obama (1)	George W. Bush (2)
S&P SmallCap 600 Value USD TR	48.1%	22.0%	67.7%	45.7%	120.8%	-24.3%	Barack Obama (1)	George W. Bush (2)
S&P 500 Value TR	41.6%	5.3%	68.8%	63.5%	99.5%	-29.7%	Barack Obama (1)	George W. Bush (2)
S&P SmallCap 600 Equal Weight TR	44.8%	54.9%	39.8%	15.1%	71.4%	8.2%	Barack Obama (2)	Joe Biden
S&P 500	33.0%	17.8%	45.1%	27.3%	205.5%	-77.1%	Franklin D. Roosevelt (1)	Herbert Hoover
Nasdaq Composite	53.4%	29.5%	85.3%	55.8%	142.2%	-47.2%	Donald Trump	Richard Nixon (2)

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

All S&P Global Industry Classification Standard (GICS) sectors have performed better, on average, during Democratic presidential terms, with the majority performing best under Clinton (see Exhibit 4). This reflects the late '90s tech bubble and changes in securities law that dismantled key provisions of the Glass-Steagall Act of 1933, permitting the merger of commercial banks, brokerage firms and insurance companies.

However, unlike the average term-performance for style and size, there were greater losses for sector performance during Republican presidential terms. Financials, communication services and real estate lost 11.4%, 11.9% and 13.6%,

respectively. Financials reported the widest spread between averages due to the financial crisis in George W. Bush's second term. Ultimately, the ensuing recession was so severe that nearly every sector performed worst under his tenure.

The energy sector also experienced weakness during Republican administrations, which counters the pro-fossil-fuel agenda typically associated with the GOP. That said, energy has posted its highest gains under the Biden administration at 85.3%, likely resulting from geopolitical pressures that have supported US exports of natural gas, while OPEC+ oil supply cuts have increased the price per barrel.

Exhibit 4: US Equity Sector Performance Has Been Better Under Democratic Presidents

Index	Average	Republican Term Average	Democratic Term Average	Average Difference	Best Term	Worst Term	Best Presidential Term	Worst Presidential Term
S&P 500 Information Technology	88.5%	33.5%	121.5%	88.0%	194.0%	-46.2%	Bill Clinton (1)	George W. Bush (1)
S&P 500 Financials	44.4%	-11.4%	77.9%	89.4%	113.6%	-72.9%	Barack Obama (1)	George W. Bush (2)
S&P 500 Real Estate	31.6%	-13.6%	61.7%	75.4%	157.0%	-47.2%	Barack Obama (1)	George W. Bush (2)
S&P 500 Consumer Discretionary	52.7%	21.9%	71.1%	49.2%	159.1%	-43.0%	Barack Obama (1)	George W. Bush (2)
S&P 500 Health Care	50.0%	14.8%	71.2%	56.3%	104.1%	-13.8%	Bill Clinton (1)	George W. Bush (2)
S&P 500 Industrials	41.1%	1.4%	65.0%	63.5%	91.1%	-33.8%	Bill Clinton (1)	George W. Bush (2)
S&P 500 Consumer Staples	32.1%	11.1%	44.8%	33.7%	84.0%	-2.5%	Bill Clinton (1)	George W. Bush (2)
S&P 500 Energy	34.5%	4.6%	52.4%	47.7%	85.3%	-39.6%	Joe Biden	Donald Trump
S&P 500 Materials	30.9%	22.7%	35.8%	13.1%	92.8%	-27.0%	Barack Obama (1)	George W. Bush (2)
S&P 500 Communication Services	18.5%	-11.9%	36.8%	48.7%	70.3%	-47.5%	Bill Clinton (2)	George W. Bush (1)
S&P 500 Utilities	15.7%	2.9%	23.3%	20.4%	44.4%	-24.1%	Bill Clinton (2)	George W. Bush (1)

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Non-US Equities

International indexes tended to perform better on average under Democratic presidential terms (see Exhibit 5). However, the CSI 300 (Shanghai) and Ibovespa (Brazil) performed best, on average, during Republican administrations.

- Chinese stocks posted their strongest return during George W. Bush's second term, 111.8%. The worst performance has occurred during the Biden administration, down 40.3%, as China's post-pandemic reopening has disappointed and geopolitical tensions have weighed on investor sentiment there.
- While Brazilian stocks performed best, on average, during Republican administrations, the index had its best and worst performance under Democratic administrations.

Notably, there were also net average losses for non-US equities during Republican administrations, as seen by the EURO STOXX 50 and the CAC 40, a French stock market index. Over time, each index lost about 8%, on average, under Republicans, reflecting the interdependent relationship between the eurozone and French markets.

Other Assets Class Performance

Fixed Income

The performances of the Bloomberg fixed income indexes are split, with higher-risk segments performing better, on average, during Democratic presidential terms and lower-risk segments doing better, on average, during Republican

presidential terms. High yield bond performance tends to be more correlated with equities. Like equities, high yield performed worst in George W. Bush's second term and best in Obama's first term (see Exhibit 6). Performance was largely generated by the rebound from the global financial crisis that occurred early in Obama's first term.

- The Bloomberg Pan-European High Yield Index performed best, on average, under Democratic presidential terms, gaining 60.3%, with the strongest performance occurring during Obama's first term, increasing 149.2%.
- The Bloomberg Global High Yield Index reported 46.2%, on average, under Democrats and produced a 119.7% gain during the first term of the Obama presidency, while the Bloomberg US Corporate High Yield Index saw similar gains.

Lower-risk fixed income segments, mostly US investment grade, underperformed the riskier segments in the rebound after the global financial crisis. That said, the average performance of these categories was greater during Republican presidential terms. For example, US Government Credit and US Mortgage-Backed Securities performed best on average during Republican presidencies, at 31.9% and 31.0%, respectively. Both asset classes posted their strongest performance during George H.W. Bush's term, at 54.5% and 57.4%. Outperformance of less-risky assets may be attributed to numerous macroeconomic factors, including declining inflation and dovish monetary policy in the 1980s and 1990s, as well as a post-9/11 flight to quality safe-haven assets.

Exhibit 5: On Average, Most International Equities Did Better When There Was a Democrat in the White House

Index	Average	Republican Term Average	Democratic Term Average	Average Difference	Best Term	Worst Term	Best Presidential Term	Worst Presidential Term
CSI 300 (Shanghai)	38.4%	87.5%	5.7%	81.8%	111.8%	-40.3%	George W. Bush (2)	Joe Biden
S&P/BVL (Peru) Total Return (TR)	108.1%	106.8%	109.0%	2.2%	357.1%	-27.6%	Bill Clinton (1)	Barack Obama (2)
S&P Merval (Argentina) TR	408.5%	97.8%	594.9%	497.1%	2239.2%	-23.3%	Joe Biden	Bill Clinton (2)
Hang Seng (Hong Kong)	44.7%	23.1%	73.5%	50.3%	259.8%	-62.0%	Jimmy Carter	Richard Nixon (2)
S&P/BMV IPC (Mexico)	54.3%	50.5%	57.1%	6.5%	135.3%	-2.6%	Barack Obama (1)	Donald Trump
EURO STOXX 50 (Europe)	29.0%	-8.7%	59.1%	67.8%	139.3%	-37.8%	Bill Clinton (2)	George W. Bush (1)
S&P/TSX Composite (Canada)	33.7%	9.3%	58.2%	49.0%	125.9%	-7.9%	Jimmy Carter	George H.W. Bush
Ibovespa (Brazil)	54.1%	59.3%	50.2%	9.1%	123.7%	4.1%	Bill Clinton (2)	Barack Obama (2)
CAC 40 (France)	25.8%	-7.9%	52.8%	60.6%	143.0%	-34.3%	Bill Clinton (2)	George W. Bush (1)
DAX (Germany)	27.7%	14.4%	41.0%	26.6%	119.5%	-36.5%	Bill Clinton (2)	George W. Bush (1)
FTSE 100 (UK)	19.5%	7.7%	31.3%	23.6%	52.6%	-22.7%	Bill Clinton (1)	George W. Bush (1)
S&P/ASX 200 (Australia)	23.5%	9.2%	32.0%	22.8%	56.0%	-13.9%	Bill Clinton (1)	George W. Bush (2)
Nikkei 225 (Japan)	24.7%	22.2%	28.1%	6.0%	160.5%	-47.0%	Ronald Reagan (2)	George H.W. Bush

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Exhibit 6: Fixed Income Returns Split: High Yield Led Under Democrats and High Grade Under Republicans

		Republican	Democratic	Average	Best	Worst	Best	Worst
Index	Average	Term Average	Term Average	Difference	Term	Term	Presidential Term	Presidential Term
Bloomberg Pan-European High Yield	34.0%	7.7%	60.3%	52.6%	149.2%	-17.2%	Barack Obama (1)	George W. Bush (2)
Bloomberg Global High Yield	35.0%	23.7%	46.2%	22.4%	119.7%	-6.3%	Barack Obama (1)	George W. Bush (2)
Bloomberg US Corporate High Yield	33.6%	20.5%	46.8%	26.3%	113.1%	-8.2%	Barack Obama (1)	George W. Bush (2)
Bloomberg Emg. Mkt. USD Aggregate	32.5%	31.3%	33.4%	2.1%	90.4%	-9.5%	Barack Obama (1)	Joe Biden
Bloomberg US Corporate Investment Grade	27.4%	32.2%	23.6%	8.6%	56.5%	-9.9%	George H.W. Bush	Joe Biden
Bloomberg Pan-European Aggregate	13.4%	16.4%	10.3%	6.1%	29.6%	-15.8%	Barack Obama (1)	Joe Biden
Bloomberg European-Aggregate	13.8%	18.4%	9.3%	9.1%	30.8%	-14.8%	George W. Bush (1)	Joe Biden
Bloomberg Asian-Pacific Aggregate	9.6%	6.5%	12.7%	6.2%	13.5%	4.6%	Barack Obama (1)	George W. Bush (2)
Bloomberg US Government/Credit	23.8%	31.9%	17.2%	14.7%	54.5%	-10.6%	George H.W. Bush	Joe Biden
Bloomberg US Aggregate	23.4%	31.2%	17.2%	13.9%	55.3%	-10.3%	George H.W. Bush	Joe Biden
Bloomberg US Mortgage Backed Securities	22.7%	31.0%	16.1%	14.9%	57.4%	-9.8%	George H.W. Bush	Joe Biden
Bloomberg Global Aggregate Treasuries	13.6%	29.3%	-2.1%	31.4%	46.6%	-21.3%	George W. Bush (1)	Joe Biden
Bloomberg US Treasury US TIPS	19.6%	27.2%	12.0%	15.2%	45.1%	-3.6%	George W. Bush (1)	Joe Biden
Bloomberg Global Aggregate	14.8%	27.2%	2.5%	24.8%	43.4%	-17.1%	George W. Bush (1)	Joe Biden
Bloomberg US Treasury	16.6%	24.8%	10.4%	14.4%	34.1%	-11.4%	Bill Clinton (2)	Joe Biden
Bloomberg Global Aggregate Credit	18.8%	25.8%	11.8%	14.0%	47.0%	-13.1%	George W. Bush (1)	Joe Biden
Bloomberg US Universal	16.8%	23.2%	10.3%	12.9%	31.3%	-9.3%	Barack Obama (1)	Joe Biden
Bloomberg US Aggregate Govt.-Related	12.7%	22.1%	6.4%	15.7%	24.4%	-7.6%	George W. Bush (2)	Joe Biden

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Real Assets and Commodities

Real assets outperformed, on average, during Democratic presidential terms, with the exception of commodities, measured by the Bloomberg Commodity Total Return Index, gold miners (equities), measured by NYSE Arca Gold Miners Total Return Index, and real estate, measured by MSCI USA IMI Extended Real Estate Index (see Exhibit 7). All other measured real assets, including global real estate investment trusts (REITs), infrastructure and equity natural resources, performed better, on average, during Democratic presidential terms and presidents.

The strongest average performance (65.8%) in this category came from the Alerian MLP Total Return Index, which

represents companies that receive a majority of their cash flow from the transportation, storage and processing of energy commodities. When assessing performance by party, it gained 90.9% under the Democrats and did best during Obama's first term, gaining 195.6%. Positive price action during this period can be attributed to a boom in shale-oil production from advancements in fracking technology.

Notably, the strongest real asset returns for a single presidential term were during the second Nixon administration, Jan. 20, 1973-Aug. 9, 1974, when the Bloomberg Commodity Total Return Index gained 204.6%. In our view, the strong returns were largely driven by the enactment of significant federal agricultural subsidies.

Exhibit 7: Real Assets Except Gold Miners, Commodities and Real Estate Performed Best With Democrats

		Republican	Democratic	Average	Best	Worst	Best	Worst
Index	Average	Term Average	Term Average	Difference	Term	Term	Presidential Term	Presidential Term
NYSE Arca Gold Miners Total Return (TR)	17.6%	49.4%	-3.5%	52.9%	63.9%	-46.1%	Donald Trump	Barack Obama (2)
Bloomberg Commodity TR	40.3%	47.0%	33.6%	13.3%	204.6%	-37.2%	Richard Nixon (2)	Barack Obama (2)
FTSE NAREIT All Equity REITS TR	55.3%	32.3%	78.3%	46.0%	178.2%	-33.7%	Barack Obama (1)	George W. Bush (2)
Alerian MLP TR	65.8%	32.4%	90.9%	58.5%	195.6%	-30.5%	Barack Obama (1)	Donald Trump
FTSE EPRA NAREIT Global TR	46.1%	22.3%	54.1%	31.8%	144.2%	-1.8%	Barack Obama (1)	Joe Biden
FTSE EPRA NAREIT Developed	43.2%	15.7%	52.4%	36.7%	137.1%	-0.7%	Barack Obama (1)	Joe Biden
MSCI US REIT	40.7%	-0.5%	54.5%	54.9%	133.8%	-0.5%	Barack Obama (1)	Donald Trump
Dow Jones Brookfield Global Infrastructure TR	39.1%	12.0%	57.2%	45.3%	129.4%	4.4%	Barack Obama (1)	George W. Bush (2)
S&P Real Assets TR	33.1%	24.8%	35.9%	11.1%	91.6%	7.3%	Barack Obama (1)	Joe Biden
S&P North American Natural Resources Sector TR	30.2%	9.4%	45.8%	36.3%	86.0%	-16.6%	Barack Obama (1)	Donald Trump
MSCI USA IMI Extended Real Estate	29.2%	34.3%	26.7%	7.6%	36.3%	17.1%	Barack Obama (2)	Joe Biden

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Exhibit 8: Best and Worst Terms for Commodities Are Independent of Party in Control

Index	Average	Republican Term Average	Democratic Term Average	Average Difference	Best Term	Worst Term	Best Presidential Term	Worst Presidential Term
NYSE Arca Gold Miners Total Return (TR)	17.6%	49.4%	-3.5%	52.9%	63.9%	-46.1%	Donald Trump	Barack Obama (2)
S&P GSCI Nickel Spot	23.6%	58.7%	2.6%	56.2%	107.5%	-44.8%	George W. Bush (1)	Barack Obama (2)
Bloomberg Commodity TR	40.3%	47.0%	33.6%	13.3%	204.6%	-37.2%	Richard Nixon (2)	Barack Obama (2)
S&P GSCI Lead Official Close	24.6%	34.4%	17.3%	17.0%	97.6%	-32.5%	Barack Obama (1)	Bill Clinton (2)
S&P GSCI Gold Index Spot	22.0%	30.2%	12.2%	18.0%	101.7%	-46.8%	George W. Bush (2)	Ronald Reagan (1)
S&P GSCI Copper Spot	27.3%	32.2%	22.3%	9.8%	141.9%	-33.0%	Barack Obama (1)	George H.W. Bush
S&P GSCI Wheat Index Spot	14.7%	21.2%	6.1%	15.1%	86.6%	-45.9%	George W. Bush (2)	Barack Obama (2)
S&P GSCI Soybean Spot	12.4%	20.8%	1.1%	19.7%	89.6%	-36.9%	George W. Bush (2)	Bill Clinton (2)
S&P GSCI Cocoa Spot	14.5%	15.2%	13.7%	1.5%	78.4%	-34.2%	Joe Biden	Ronald Reagan (2)
S&P GSCI Silver Spot	41.9%	22.3%	68.0%	45.6%	253.0%	-59.5%	Jimmy Carter	Ronald Reagan (1)
Bloomberg Gold TR	44.2%	27.7%	60.8%	33.1%	308.1%	-48.0%	Jimmy Carter	Ronald Reagan (1)
S&P GSCI Sugar Official Close	36.8%	23.9%	54.0%	30.0%	218.0%	-84.5%	Richard Nixon (2)	Ronald Reagan (1)
NYMEX WTI Crude Oil Futures	20.4%	-0.1%	40.9%	41.0%	146.7%	-45.1%	Barack Obama (1)	Barack Obama (2)
S&P GSCI Natural Gas Spot	7.5%	-19.5%	27.7%	47.2%	154.9%	-27.1%	Bill Clinton (2)	George W. Bush (2)
S&P GSCI Heat Oil Spot	22.4%	6.0%	38.8%	32.9%	122.0%	-45.3%	Barack Obama (1)	Barack Obama (2)
S&P GSCI Zinc Index Spot	13.3%	5.7%	17.9%	12.3%	63.6%	-9.5%	Barack Obama (1)	Joe Biden
S&P GSCI Coffee Spot	12.2%	-0.2%	27.0%	27.2%	100.4%	-54.7%	Bill Clinton (1)	George H.W. Bush
S&P GSCI Corn Spot	17.9%	22.0%	12.4%	9.6%	123.0%	-49.2%	Richard Nixon (2)	Barack Obama (2)
S&P GSCI Aluminum	9.5%	-0.7%	15.7%	16.4%	46.6%	-24.9%	Barack Obama (1)	George W. Bush (2)
S&P GSCI Brent Crude	34.3%	23.9%	44.7%	20.8%	144.1%	-49.5%	Barack Obama (1)	Barack Obama (2)

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Broad commodities, as measured by the Bloomberg Commodity Total Return Index, did best, on average, under Republicans, while half of major commodity indexes did so (see Exhibit 8). However, several posted their best single-term performance under Democratic presidents, lead by gold, silver, natural gas, oil, copper and lead. Furthermore, several commodities (lead, gold, sugar, Brent and WTI crude oil, heat oil, zinc) had both their best and worst terms under the same political party.

Investment Conclusion

After a comprehensive analysis of assets by index, size, style, sector, region and fixed income, real assets and commodities, we have a clearer picture of which political parties and presidential terms may have had influence on various market segments. Democratic presidential terms on average

dominated overall market gains, compared with Republican presidential terms (Exhibit 9). We also saw the greatest differences in average performance in growth, financials, tech and some non-US equities. In most cases, when assets outperformed on average under Republicans, the amount was less when compared with Democratic outperformance, which may be attributed to GOP strength in fixed income.

Out of the 23 assets that had their best and worst performance under the same party, 6 were Republican and 17 were Democrat. When analyzing best and worst performance by discreet presidential terms, 4 assets measured their best and worst terms under the same president, with 3 of the 4 under Barack Obama. This is likely due to the recession and recovery cycle of the Great Recession, which coincided with both his first and second presidential terms.

US POLICY PULSE

Exhibit 9: Parties and Presidents Have Various Influences on Asset Performance During Presidential Terms

		Republican	Democratic	Average	Best	Worst	Best	Worst
Index	Average	Term Average	Term Average	Difference	Term	Term	Presidential Term	Presidential Term
S&P 500 Financials	44.4%	-11.4%	77.9%	89.4%	113.6%	-72.9%	Barack Obama (1)	George W. Bush (2)
S&P 500 Information Technology	88.5%	33.5%	121.5%	88.0%	194.0%	-46.2%	Bill Clinton (1)	George W. Bush (1)
S&P 500 Real Estate	31.6%	-13.6%	61.7%	75.4%	157.0%	-47.2%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 Growth Total Return (TR)	47.2%	23.4%	70.9%	47.6%	146.8%	-19.4%	Barack Obama (1)	George W. Bush (2)
S&P Merval (Argentina) TR	408.5%	97.8%	594.9%	497.1%	2239.2%	-23.3%	Joe Biden	Bill Clinton (2)
S&P SmallCap 600 TR	48.6%	27.0%	70.2%	43.1%	127.6%	-23.1%	Barack Obama (1)	George W. Bush (2)
MSCI US REIT	40.7%	-0.5%	54.5%	54.9%	133.8%	-0.5%	Barack Obama (1)	Donald Trump
S&P MidCap 400 Value TR	48.7%	23.5%	73.8%	50.3%	123.7%	-20.4%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 TR	57.9%	23.2%	78.7%	55.5%	134.9%	-19.7%	Barack Obama (1)	George W. Bush (2)
Bloomberg Pan-European High Yield	34.0%	7.7%	60.3%	52.6%	149.2%	-17.2%	Barack Obama (1)	George W. Bush (2)
S&P 500 Equal Weight USD TR	57.7%	21.5%	79.5%	58.0%	144.2%	-28.3%	Barack Obama (1)	George W. Bush (2)
FTSE NAREIT All Equity REITS TR	55.3%	32.3%	78.3%	46.0%	178.2%	-33.7%	Barack Obama (1)	George W. Bush (2)
S&P 500 Industrials	41.1%	1.4%	65.0%	63.5%	91.1%	-33.8%	Bill Clinton (1)	George W. Bush (2)
EURO STOXX 50	29.0%	-8.7%	59.1%	67.8%	139.3%	-37.8%	Bill Clinton (2)	George W. Bush (1)
S&P 500 Value TR	41.6%	5.3%	68.8%	63.5%	99.5%	-29.7%	Barack Obama (1)	George W. Bush (2)
S&P MidCap 400 Equal Weight TR	58.6%	25.8%	78.3%	52.5%	158.7%	-21.6%	Barack Obama (1)	George W. Bush (2)
Hang Seng	44.7%	23.1%	73.5%	50.3%	259.8%	-62.0%	Jimmy Carter	Richard Nixon (2)
S&P SmallCap 600 Value USD TR	48.1%	22.0%	67.7%	45.7%	120.8%	-24.3%	Barack Obama (1)	George W. Bush (2)
S&P 500 Health Care	50.0%	14.8%	71.2%	56.3%	104.1%	-13.8%	Bill Clinton (1)	George W. Bush (2)
FTSE EPRA NAREIT Developed	43.2%	15.7%	52.4%	36.7%	137.1%	-0.7%	Barack Obama (1)	Joe Biden
Nasdaq Composite	53.4%	29.5%	85.3%	55.8%	142.2%	-47.2%	Donald Trump	Richard Nixon (2)
S&P 500 Consumer Discretionary	52.7%	21.9%	71.1%	49.2%	159.1%	-43.0%	Barack Obama (1)	George W. Bush (2)
FTSE EPRA NAREIT Global TR	46.1%	22.3%	54.1%	31.8%	144.2%	-1.8%	Barack Obama (1)	Joe Biden
Dow Jones Brookfield Global Infrastructure TR	39.1%	12.0%	57.2%	45.3%	129.4%	4.4%	Barack Obama (1)	George W. Bush (2)
S&P SmallCap 600 Growth TR	50.4%	31.4%	64.5%	33.1%	135.3%	-22.2%	Barack Obama (1)	George W. Bush (2)
CAC 40 (France)	25.8%	-7.9%	52.8%	60.6%	143.0%	-34.3%	Bill Clinton (2)	George W. Bush (1)
S&P 500 Growth TR	52.6%	28.4%	70.7%	42.3%	122.4%	-22.1%	Donald Trump	George W. Bush (2)
S&P SmallCap 600 Equal Weight TR	44.8%	54.9%	39.8%	15.1%	71.4%	8.2%	Barack Obama (2)	Joe Biden
S&P 500 TR	56.1%	30.9%	76.3%	45.3%	101.4%	-25.8%	Barack Obama (1)	George W. Bush (2)
S&P GSCI Silver Spot	41.9%	22.3%	68.0%	45.6%	253.0%	-59.5%	Jimmy Carter	Ronald Reagan (1)
NYSE Arca Gold Miners TR	17.6%	49.4%	-3.5%	52.9%	63.9%	-46.1%	Donald Trump	Barack Obama (2)
S&P GSCI Nat Gas Spot	7.5%	-19.5%	27.7%	47.2%	154.9%	-27.1%	Bill Clinton (2)	George W. Bush (2)
Alerian MLP TR	65.8%	32.4%	90.9%	58.5%	195.6%	-30.5%	Barack Obama (1)	Donald Trump
S&P/TSX Composite (Canada)	33.7%	9.3%	58.2%	49.0%	125.9%	-7.9%	Jimmy Carter	George H.W. Bush
S&P 500 Communication Services	18.5%	-11.9%	36.8%	48.7%	70.3%	-47.5%	Bill Clinton (2)	George W. Bush (1)
Bloomberg US Corporate High Yield	33.6%	20.5%	46.8%	26.3%	113.1%	-8.2%	Barack Obama (1)	George W. Bush (2)
CSI 300 (Shanghai)	38.4%	87.5%	5.7%	81.8%	111.8%	-40.3%	George W. Bush (2)	Joe Biden
Bloomberg Global High Yield	35.0%	23.7%	46.2%	22.4%	119.7%	-6.3%	Barack Obama (1)	George W. Bush (2)
S&P 500 Energy	34.5%	4.6%	52.4%	47.7%	85.3%	-39.6%	Joe Biden	Donald Trump
S&P GSCI Nickel Spot	23.6%	58.7%	2.6%	56.2%	107.5%	-44.8%	George W. Bush (1)	Barack Obama (2)
Bloomberg Gold TR	44.2%	27.7%	60.8%	33.1%	308.1%	-48.0%	Jimmy Carter	Ronald Reagan (1)
S&P 500 Consumer Staples	32.1%	11.1%	44.8%	33.7%	84.0%	-2.5%	Bill Clinton (1)	George W. Bush (2)
S&P Real Assets TR	33.1%	24.8%	35.9%	11.1%	91.6%	7.3%	Barack Obama (1)	Joe Biden
FTSE 100 (UK)	19.5%	7.7%	31.3%	23.6%	52.6%	-22.7%	Bill Clinton (1)	George W. Bush (1)
S&P GSCI Sugar Official Close	36.8%	23.9%	54.0%	30.0%	218.0%	-84.5%	Richard Nixon (2)	Ronald Reagan (1)
S&P/ASX 200 (Australia)	23.5%	9.2%	32.0%	22.8%	56.0%	-13.9%	Bill Clinton (1)	George W. Bush (2)
NYMEX WTI Crude Oil Futures	20.4%	-0.1%	40.9%	41.0%	146.7%	-45.1%	Barack Obama (1)	Barack Obama (2)

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Exhibit 9: Parties and Presidents Have Various Influences on Asset Performance During Presidential Terms (cont'd)

	Republican		Democratic		Average	Best	Worst	Best	Worst
Index	Average	Term Average	Term Average	Term Average	Difference	Term	Term	Presidential Term	Presidential Term
S&P North American Natural Resources Sector TR	30.2%	9.4%	45.8%	36.3%	86.0%	-16.6%	Barack Obama (1)	Donald Trump	
S&P GSCI Heat Oil Spot	22.4%	6.0%	38.8%	32.9%	122.0%	-45.3%	Barack Obama (1)	Barack Obama (2)	
DAX (Germany)	27.7%	14.4%	41.0%	26.6%	119.5%	-36.5%	Bill Clinton (2)	George W. Bush (1)	
S&P/BVL (Peru) TR	108.1%	106.8%	109.0%	2.2%	357.1%	-27.6%	Bill Clinton (1)	Barack Obama (2)	
S&P 500 Utilities	15.7%	2.9%	23.3%	20.4%	44.4%	-24.1%	Bill Clinton (2)	George W. Bush (1)	
S&P 500	33.0%	17.8%	45.1%	27.3%	205.5%	-77.1%	Franklin D. Roosevelt (1)	Herbert Hoover	
S&P GSCI Cotton Spot	4.4%	-7.4%	16.2%	23.6%	67.8%	-27.8%	Barack Obama (1)	Ronald Reagan (1)	
S&P Dynamic Futures Official TR	9.1%	25.9%	-2.0%	27.9%	39.7%	-22.6%	George W. Bush (2)	Barack Obama (1)	
S&P GSCI Brent Crude	34.3%	23.9%	44.7%	20.8%	144.1%	-49.5%	Barack Obama (1)	Barack Obama (2)	
S&P 500 Materials	30.9%	22.7%	35.8%	13.1%	92.8%	-27.0%	Barack Obama (1)	George W. Bush (2)	
S&P/BMV IPC (Mexico)	54.3%	50.5%	57.1%	6.5%	135.3%	-2.6%	Barack Obama (1)	Donald Trump	
S&P GSCI Zinc Spot	13.3%	5.7%	17.9%	12.3%	63.6%	-9.5%	Barack Obama (1)	Joe Biden	
S&P GSCI Coffee Spot	12.2%	-0.2%	27.0%	27.2%	100.4%	-54.7%	Bill Clinton (1)	George H.W. Bush	
S&P GSCI Aluminum	9.5%	-0.7%	15.7%	16.4%	46.6%	-24.9%	Barack Obama (1)	George W. Bush (2)	
Bloomberg Global Aggregate Treasuries	13.6%	29.3%	-2.1%	31.4%	46.6%	-21.3%	George W. Bush (1)	Joe Biden	
S&P GSCI Gold Spot	22.0%	30.2%	12.2%	18.0%	101.7%	-46.8%	George W. Bush (2)	Ronald Reagan (1)	
S&P GSCI Cocoa Spot	14.5%	15.2%	13.7%	1.5%	78.4%	-34.2%	Joe Biden	Ronald Reagan (2)	
Bloomberg Emg. Mkt. USD Aggregate	32.5%	31.3%	33.4%	2.1%	90.4%	-9.5%	Barack Obama (1)	Joe Biden	
Ibovespa (Brazil)	54.1%	59.3%	50.2%	9.1%	123.7%	4.1%	Bill Clinton (2)	Barack Obama (2)	
MSCI USA IMI Extended Real Estate	29.2%	34.3%	26.7%	7.6%	36.3%	17.1%	Barack Obama (2)	Joe Biden	
S&P GSCI Soybean Spot	12.4%	20.8%	1.1%	19.7%	89.6%	-36.9%	George W. Bush (2)	Bill Clinton (2)	
Bloomberg Commodity TR	40.3%	47.0%	33.6%	13.3%	204.6%	-37.2%	Richard Nixon (2)	Barack Obama (2)	
S&P GSCI Lead	24.6%	34.4%	17.3%	17.0%	97.6%	-32.5%	Barack Obama (1)	Bill Clinton (2)	
Nikkei 225 (Japan)	24.7%	22.2%	28.1%	6.0%	160.5%	-47.0%	Ronald Reagan (2)	George H.W. Bush	
Bloomberg US Mortgage Backed Securities	22.7%	31.0%	16.1%	14.9%	57.4%	-9.8%	George H.W. Bush	Joe Biden	
S&P GSCI Wheat Spot	14.7%	21.2%	6.1%	15.1%	86.6%	-45.9%	George W. Bush (2)	Barack Obama (2)	
Bloomberg US Government/Credit	23.8%	31.9%	17.2%	14.7%	54.5%	-10.6%	George H.W. Bush	Joe Biden	
Bloomberg US Treasury	16.6%	24.8%	10.4%	14.4%	34.1%	-11.4%	Bill Clinton (2)	Joe Biden	
Bloomberg Pan-European Aggregate	13.4%	16.4%	10.3%	6.1%	29.6%	-15.8%	Barack Obama (1)	Joe Biden	
Bloomberg US Aggregate	23.4%	31.2%	17.2%	13.9%	55.3%	-10.3%	George H.W. Bush	Joe Biden	
Bloomberg US Treasury US TIPS	19.6%	27.2%	12.0%	15.2%	45.1%	-3.6%	George W. Bush (1)	Joe Biden	
Bloomberg Dollar Index Spot	2.2%	-1.1%	6.7%	7.8%	68.6%	-38.0%	Ronald Reagan (1)	Ronald Reagan (2)	
Bloomberg European-Aggregate	13.8%	18.4%	9.3%	9.1%	30.8%	-14.8%	George W. Bush (1)	Joe Biden	
Bloomberg US Universal	16.8%	23.2%	10.3%	12.9%	31.3%	-9.3%	Barack Obama (1)	Joe Biden	
S&P GSCI Copper Spot	27.3%	32.2%	22.3%	9.8%	141.9%	-33.0%	Barack Obama (1)	George H.W. Bush	
S&P GSCI Corn Spot	17.9%	22.0%	12.4%	9.6%	123.0%	-49.2%	Richard Nixon (2)	Barack Obama (2)	
Bloomberg Global Aggregate Credit	18.8%	25.8%	11.8%	14.0%	47.0%	-13.1%	George W. Bush (1)	Joe Biden	
Bloomberg US Corporate Investment Grade	27.4%	32.2%	23.6%	8.6%	56.5%	-9.9%	George H.W. Bush	Joe Biden	
Bloomberg Global Aggregate	14.8%	27.2%	2.5%	24.8%	43.4%	-17.1%	George W. Bush (1)	Joe Biden	
Bloomberg US Aggregate Govt.-Related	12.7%	22.1%	6.4%	15.7%	24.4%	-7.6%	George W. Bush (2)	Joe Biden	
Bloomberg Asian-Pacific Aggregate	9.6%	6.5%	12.7%	6.2%	13.5%	4.6%	Barack Obama (1)	George W. Bush (2)	
S&P Strategic Futures TR	13.0%	28.5%	2.6%	25.9%	47.1%	-11.0%	George W. Bush (2)	Barack Obama (1)	

Note: Red indicates Republican presidency and blue indicates Democratic presidency.

Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Feb. 5, 2024

Disclosure Section

Index Definitions:

NYMEX WTI CRUDE OIL FUTURES INDEX West Texas Intermediate (WTI) crude oil is a specific grade of crude oil and is the underlying commodity of the New York Mercantile Exchange's oil futures contract.

S&P GSCI ALUMINUM INDEX This component of the S&P GSCI Commodity Index is a benchmark for the investment performance in the aluminum market.

S&P GSCI BRENT CRUDE INDEX This is a benchmark for investment performance in the Brent crude oil market.

S&P GSCI COCOA SPOT INDEX This is a benchmark for investment performance in the cocoa commodities market.

S&P GSCI COFFEE SPOT INDEX This is a benchmark for investment performance in the coffee commodities market.

S&P GSCI COPPER SPOT INDEX This is a benchmark for investment performance in the copper commodities market.

S&P GSCI CORN SPOT INDEX This is a benchmark for investment performance in the corn commodities market.

S&P GSCI COTTON SPOT INDEX This is a benchmark for investment performance in the cotton commodities market.

S&P GSCI GOLD SPOT INDEX This index tracks the spot price of gold.

S&P GSCI HEAT OIL SPOT INDEX This is a benchmark for investment performance in the heating oil market.

S&P GSCI LEAD OFFICIAL CLOSE INDEX This index shows the official closing level as reported by S&P's Lead commodities index.

S&P GSCI NATURAL GAS SPOT INDEX This is a benchmark for investment performance in the natural gas market.

S&P GSCI NICKEL SPOT INDEX This is a benchmark for investment performance in the nickel commodity market.

S&P GSCI SILVER SPOT INDEX This is a benchmark for investment performance in the silver commodity market. This index utilizes spot pricing.

S&P GSCI SOYBEANS INDEX This is a benchmark for investment performance in the soybean commodity market.

S&P GSCI SUGAR INDEX This is a benchmark for investment performance in the sugar commodity market.

S&P GSCI UNLEADED GAS INDEX This is a benchmark for investment performance in the unleaded gasoline market.

S&P GSCI WHEAT SPOT INDEX This is a benchmark for investment performance in the wheat commodity market.

S&P GSCI ZINC SPOT INDEX This is a benchmark for investment performance in the zinc commodity market.

S&P Merval (ARGENTINA) This is the benchmark for the Buenos Aires Stock Exchange. It is a price-weighted index, calculated as the market value of a portfolio of stocks selected based on their market share.

S&P MIDCAP 400 This index is a benchmark index for mid-sized companies.

S&P MIDCAP 400 EQUAL-WEIGHT INDEX This is the equal-weighted version of the S&P MIDCAP 400.

S&P MIDCAP 400 GROWTH INDEX This index measures midcap growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum.

S&P MIDCAP 400 VALUE INDEX This index measures value stocks using three factors: the ratios of book value, earnings, and sales to price. It then divides complete market capitalization of each parent index into growth and value segments. This is the value segment.

S&P NORTH AMERICAN NATURAL RESOURCES SECTOR INDEX This is a benchmark that represents US securities that are classified under the GICS energy and materials sector excluding the chemicals industry and the steel sub-industry.

S&P REAL ASSETS This index is designed to measure global property, infrastructure, commodities and inflation-linked bonds using liquid and investable component indexes that track public equities, fixed income and futures.

S&P SMALLCAP 600 EQUAL WEIGHT INDEX This is the equal-weight version of the S&P SMALLCAP 600 Index.

S&P SMALLCAP 600 GROWTH USA This index measures growth stocks using three factors: sales growth, the ratio of earnings change to price, and momentum. It then takes only those components of the parent index that exhibit strong value characteristics and weights them by value growth score.

S&P SMALLCAP 600 VALUE USD INDEX This index is designed to track small-cap companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

S&P STRATEGIC FUTURES INDEX This reflects the long term price end of futures on physical commodities, interest rates and currencies while

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limiting volatility and offering transparent, rules-based exposure to momentum, both long and short.

Bloomberg US Aggregate This is a market-cap weighted bond market index representing intermediate term investment grade bonds traded in the United States.

Bloomberg US Aggregate Government Related This is a market-cap weighted bond market index representing intermediate term Government Related investment grade bonds traded in the United States.

US Corporate Investment Grade This index measures the investment grade, fixed-rate, taxable corporate bond market.

US Government/Credit This is a broad-based flagship benchmark of the non-securitized component of the US Aggregate Index.

US Mortgage Backed Securities: The index is composed of investment-grade mortgage-backed pass-through securities issued and/or guaranteed by U.S. government agencies.

US Treasury This index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

US Treasury US TIPS This is a subset and the largest component of the Global Inflation-Linked Bond Index.

US Universal This Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index and other indexes.

US Corporate High Yield This index measures the USD-denominated, high yield, fixed-rate corporate bond market.

For index, indicator and survey definitions referenced in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

Glossary

Volatility This is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

Risk Considerations

The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments (ESG)** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Disclosures

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