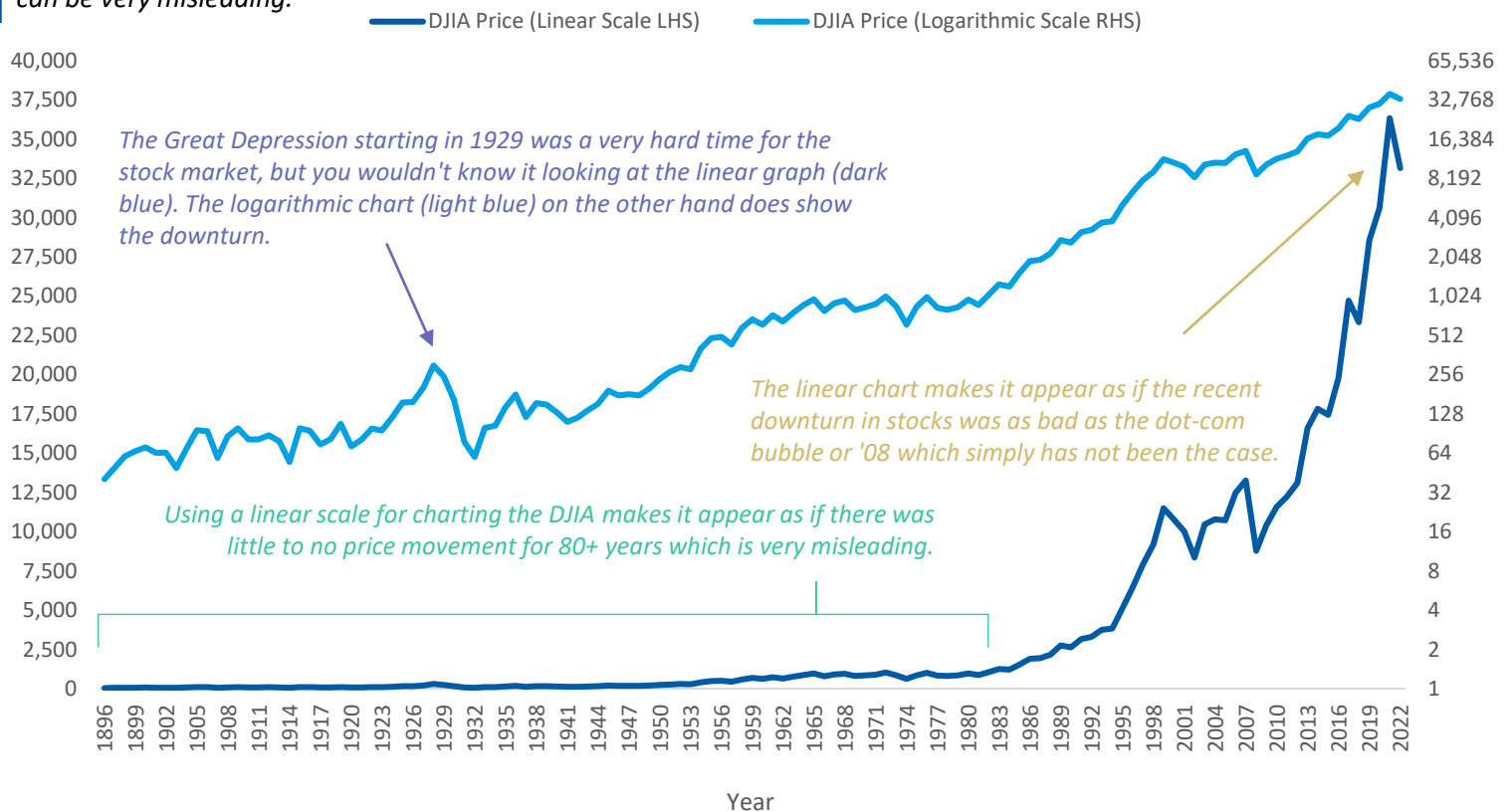


The Balog Group at Morgan Stanley

Charts of the Week – 05/22/2023

126 Years of the Dow Jones Industrial Average:

Despite the fact that both of these lines represent the exact same data set, they look dramatically different based on the Y-Axis used. When measuring something that grows in a compounding way over very long spans of time, a linear scaled chart can be very misleading.



Source: S&P Global



Anouchka Balog, CFP®
Financial Advisor



Rita Kikawa
Portfolio Associate



Christopher Mullery, CRPC®
Business Development Director



Steven Anderson, CFA® CFP®
Portfolio Management Assoc.

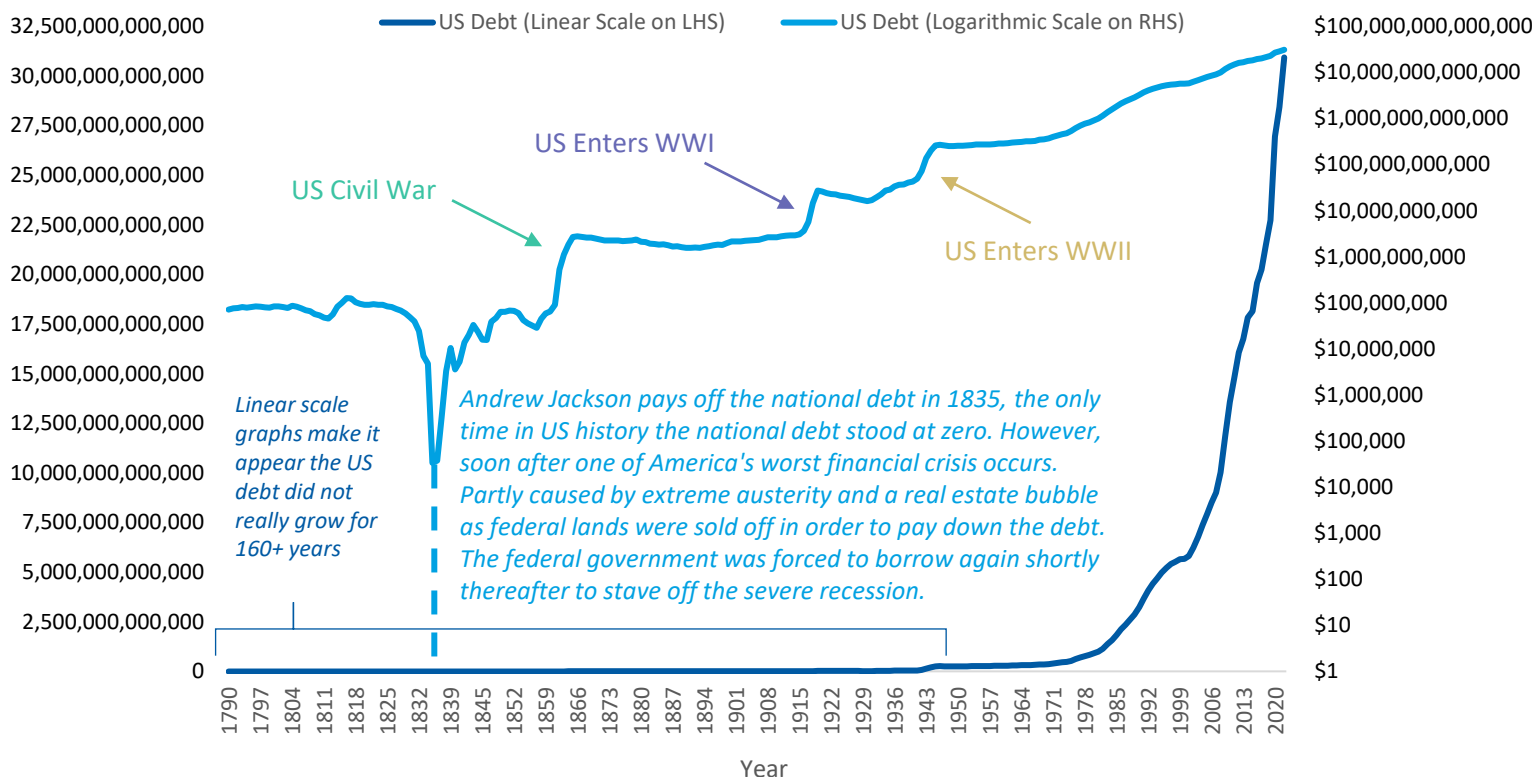
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The Balog Group at Morgan Stanley

Charts of the Week – 05/22/2023 [continued]

232 Years of United States Debt:

If we wanted to shock clients and strike fear, we would use a linear scale of the US Debt levels. However, as seen with the stock market, using a linear scale for a long-dated compounded data set can be very misleading. Logarithmic scales removes the impact of inflation, allowing us to see periods where abnormally high growth actually existed. In the last 10 years our debt has grown at an annualized rate of 6.8% which is higher than the 232 year annualized growth rate of 5.76%. But by looking at the dark blue line you'd think the growth in the last 10yrs would've been a lot higher. Surely this can still be an issue, we're not trying to belittle the debt problem, but we wanted to give another perspective as often times news outlets misrepresent data in order to over dramatize.



Source: US Treasury



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Business Development Director



Steven Anderson, CFA® CFP®
Portfolio Management Assoc.

Visit our website at: <https://advisor.morganstanley.com/the-balog-group>
Connect with Anouchka on LinkedIn: <https://www.linkedin.com/in/anouchka-m-balog>

Sources:

1. S&P Global
2. Treasury.gov

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Investment Advisor Representative; General Securities Representative; Managed Futures
NMLS#: 1282780
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28202 Cabot Road, Suite 500
Laguna Niguel, CA 92677
Direct: 949 365 5306

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