



INVESTMENT STRATEGY

Global Investment Office | April 22, 2026

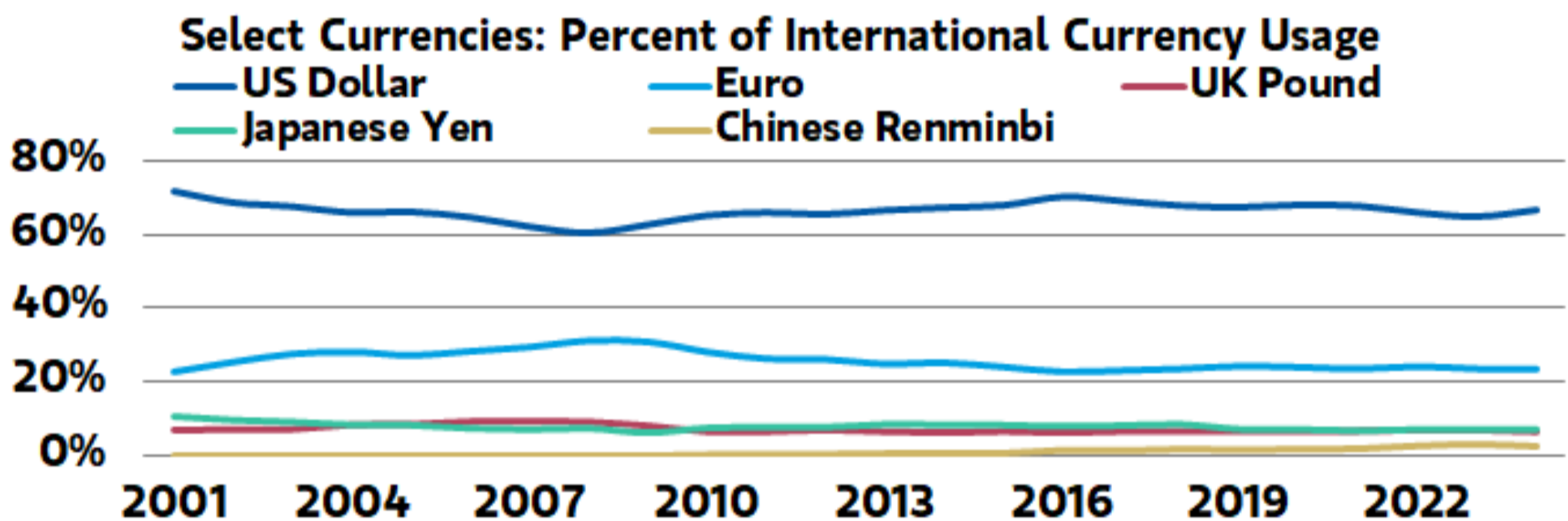
Global Insights

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De-Dollarization: Myth or Reality?

In this edition we explore whether investors’ de-dollarization concerns signal structural change or cyclical noise. We assess the US dollar’s global role, draw parallels to the UK pound’s loss of reserve status and consider portfolio implications in multipolarizing world.

- The US dollar remains the dominant global currency, with stable and outsized usage across foreign exchange (FX) reserves, FX transactions, trade and international debt markets. While its share of reserves has gradually declined in favor of gold, gains by competitors like the euro, yen and renminbi remain limited. The US’s deteriorating fiscal position could undermine the “safe haven” appeal of US Treasury bonds. Rather than rapid de-dollarization, however, we anticipate a marginal erosion of the currency’s super-dominant position.
- The UK’s post-1920s debt surge highlights how fiscal deterioration can erode reserve currency status. However, we do not find signs of a UK pound-like collapse in confidence in the US dollar, which still dominates global funding markets. Recent dollar weakness reflects US policy and economic uncertainty, not a durable shift from dollar leadership, which remains supported by US corporate dynamism and the depth and liquidity of its capital markets.
- Global diversification has become more attractive amid a modest softening in US technology equity market leadership and falling US equity correlations with non-US counterparts. Commodities are regaining appeal as hedges against trade fragmentation and inflation. A rise in FX dispersion could further enhance diversification, as multipolarization increases variation in economic performance.



Source: Morgan Stanley Wealth Management Global Investment Office (GIO), Federal Reserve as of Dec. 31, 2024

DISCLOSURE

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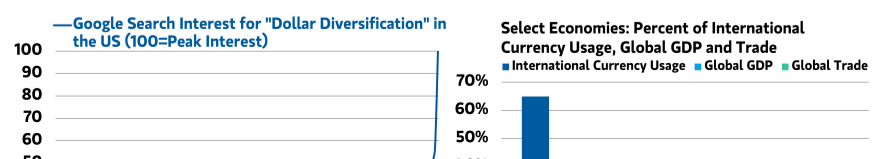
For important information, disclosures and qualifications, refer to the [Disclosure Section](#)

MACRO

Outside of Gold, No Challenger to the US Dollar Has Emerged

The US dollar remains the world’s dominant currency.

The Federal Reserve’s broad measure of international

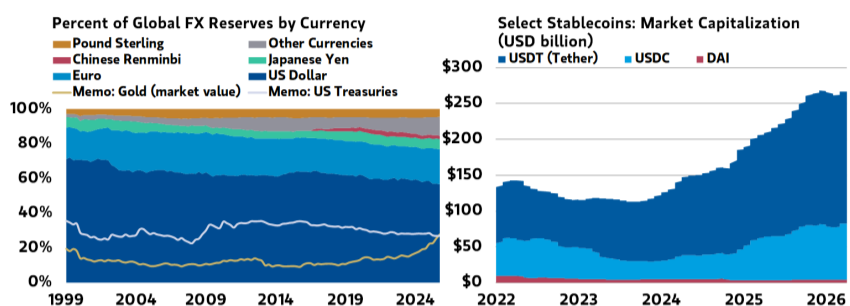


high and stable, between 60% and 70% over the past 25 years. By comparison, the euro's share is about 24%, while the Japanese yen and the Chinese renminbi show no upward momentum from very low levels. The dollar's usage remains significantly overrepresented relative to the US share of global GDP and trade, underscoring its continued global dominance. Still, worries around "dollar diversification" have risen since October, along with some concerns about the US tech sector—a longstanding attractor of foreign capital—driven by heavy hyperscaler capex and the potential for AI disruption in the software sector.

The dollar's share of FX reserves has eroded slowly.

The dollar's share of global FX reserves stood at 56% at the end of 2025, down seven percentage points from its 2016 peak. Gains in competing currencies have been modest: the euro at 1.3 percentage points, yen at 1.8, and renminbi at 1.0. The UK pound's share has remained unchanged, and other currencies collectively gained around 4 percentage points. Gold has experienced a more notable shift: Its share of FX reserves has risen by roughly 20 percentage points to about

27%, driven by central bank buying and a surge in price. Despite the dollar's erosion in reserve share, the trade-weighted dollar has strengthened 5% over that period, gaining up to 15% by early 2025. The dollar remains dominant across global usage: About 60% of foreign currency debt issuance is dollar-denominated, up 20 percentage points since the Great Financial Crisis (GFC), while the euro's share has fallen from 35% to 26%. The dollar accounts for 96% of export invoicing and 47% of international payments, up from 32% in 2010. It also underpins the nascent but already large \$250 billion-plus stablecoin market, reinforcing demand for dollars and short-term US Treasuries outside of the traditional financial system.



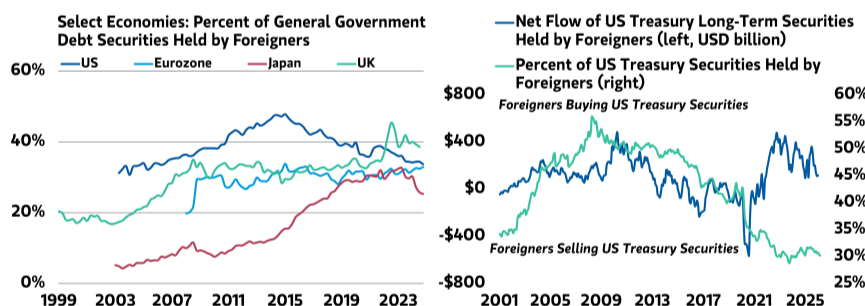
Note: We show the shares reported in the International Monetary Fund Currency Composition of Official Foreign Exchange Reserve database (IMF COFER). The IMF excludes reserves without currency composition, as well as gold reserves. The shares for gold and US Treasuries are based on global FX reserves plus gold reserves.

Source: Morgan Stanley Wealth Management GIO, Haver Analytics, Bloomberg as of April 17, 2026

Deteriorating US fiscal conditions create a "slow burn" risk for dollar dominance.

While evidence still supports the dollar's reserve status, a potential vulnerability centers on deteriorating US fiscal dynamics. The share of US government debt held by foreigners has fallen to 34% from a peak of 48% in 2014; that level is now approximately equal to the eurozone's.

Importantly, foreign demand has not collapsed—recent foreign purchases of Treasuries have appeared solid—but has been outpaced by a surge in issuance following COVID-related fiscal expansion. As a result, domestic investors have absorbed more supply. Unlike reserve managers, these investors are more price-sensitive, requiring higher yields to hold additional debt. This shift in the marginal buyer has contributed to rising term premiums and increased borrowing costs, compounding fiscal pressures. Over time, this dynamic may reduce the relative attractiveness of US Treasuries and, at the margin, erode one of the structural pillars underpinning the dollar's global status.



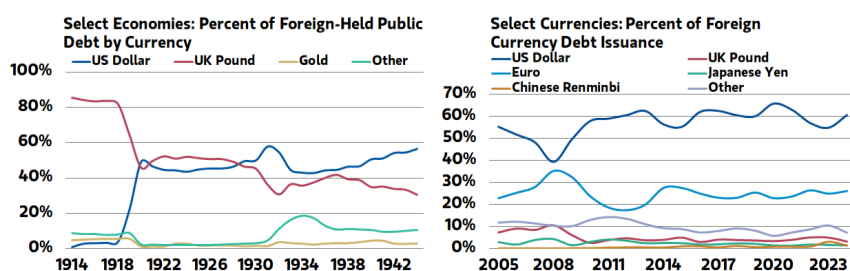
Source: Morgan Stanley Wealth Management GIO, Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the US Dollar—2025 Edition," FEDS Notes, July 18, 2025

MACRO

What the UK Pound's Decline Reveals About the Dollar's Future

We find no UK pound-like loss in confidence in the dollar.

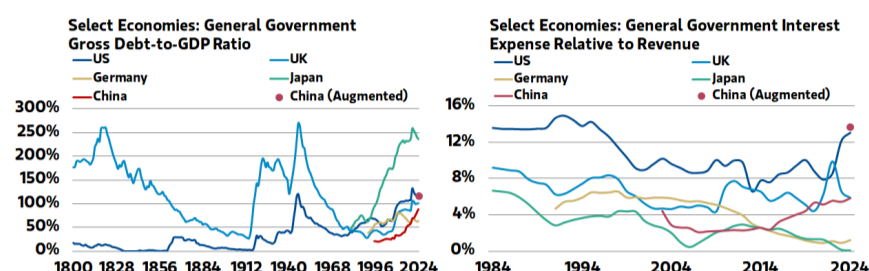
The first signs of the dollar overtaking the UK pound as the global reserve currency began after World War I, when war-related fiscal strains and economic deterioration curtailed



45% in 1920, while the US dollar's share rose from 4% to 49%. Over the next two decades, the two currencies held similar places before the dollar pulled decisively ahead in the late 1930s. Recent evidence shows continued confidence in the dollar, with no scaling by alternative funding currencies. While its share of foreign currency debt issuance declined ahead of the GFC—mirrored by gains in the euro—it rebounded strongly thereafter as crisis responses restored trust in the US financial system. At the end of 2024, the dollar accounted for roughly 60% of foreign currency debt issuance, underscoring its persistent dominance in global funding markets.

The UK's post-war debt surge offers a cautionary tale for the current US fiscal path.

The UK's surge in its debt-to-GDP ratio post-world wars—from 27% in 1914 to a peak of 264% in 1947—helped drive the pound's loss of reserve status. This heavy burden slowed growth and undermined confidence, with the UK's GDP per capita expanding just 0.8% annually versus 1.3% in the US, boosting the dollar's appeal. Since 2000, the US debt-to-GDP ratio has risen by nearly 70 percentage points, largely tracking other developed markets and China. When accounting for the latter's local government financing vehicles (LGFV), China's debt-to-GDP ratio appears roughly 30 percentage points higher than official figures and comparable to that of the US. The US government's interest expense is currently around 13% of revenue, matching China's LGFV-adjusted level and suggesting potential growth and confidence pressures. By contrast, the debt burden looks lighter for other developed economies, largely stemming from low interest rates amid stagnant growth.



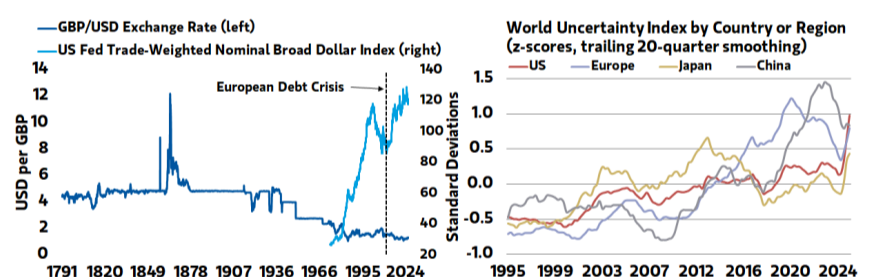
Note: We include local government financing vehicle (LGFV) debt under the "China (Augmented)" category. The "China" category includes only two-thirds of the LGFV total in the left-hand chart and excludes LGFV debt in the right-hand chart.

Source: Morgan Stanley Wealth Management GIO, IMF as of Feb. 13, 2026

Recent dollar weakness reflects rising uncertainty, not necessarily a sustained loss in confidence.

Between 1919 and 1949, the UK pound suffered repeated confidence shocks, with depreciations of over 30% against the dollar. These episodes—driven by wartime imbalances and the eventual abandonment of the gold standard—

heightened UK economic uncertainty and shifted preference toward the dollar given the increasing strength and credibility of US institutions. Even so, inertia in reserve management meant the dollar's share in global FX reserve currency only surpassed that of sterling in 1954. Currently, the US is facing its own bout of uncertainty, stemming from a deteriorating fiscal outlook and the introduction of higher tariffs, which have weighed on the currency. This follows a period where it benefited from its "safe haven" role amid rising global uncertainty, including the European debt crisis and China's growth slowdown. The dollar was supported by the depth and liquidity of US Treasury markets, strong institutional credibility and the economy's relative resilience. It is premature to call a turning point in US dollar dominance, rather episodic currency volatility appears more likely.



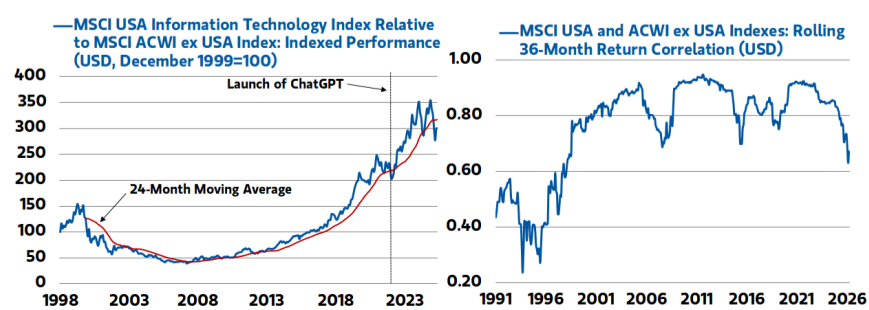
Source: Morgan Stanley Wealth Management GIO, Bank for International Settlements, Bloomberg as of April 17, 2026; Hites Ahir, Nicholas Bloom and David Furceri (2022), "The World Uncertainty Index," NBER Working Paper No. 29763

MACRO

Positioning for a Potentially Dollar-Dominant, Multipolar Regime

As "US exceptionalism" comes under scrutiny, global diversification has regained its relevance.

Since the GFC, strong free cash flow generation in US technology stocks has attracted substantial foreign capital inflows, helping to support both US equities and the dollar

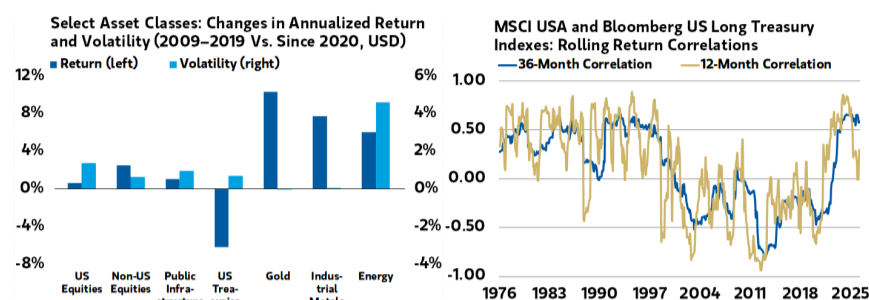


Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

longstanding free cash flow generation, and that potential disruption could challenge existing software business models, which account for roughly 15% of the overall US tech sector’s market capitalization. At the same time, correlations between US and non-US equities have retraced to levels last seen in the late 1990s, enhancing the appeal of international diversification.

Commodities have become more attractive in an increasingly multipolar world.

Commodities and regional diversification offer hedges against deglobalization, as strategic resources could potentially be repriced. In the post-COVID period, commodities like gold and industrial metals have delivered meaningfully stronger returns than in the post-GFC era, with no increase in volatility. By contrast, higher volatility has accompanied the modest improvement in US equity returns, while non-US equities have shown the opposite pattern. Public infrastructure—reflecting regional policy-driven fiscal expansion, capital localization and persistent inflation—has exhibited stronger risk-adjusted returns than US equities. Meanwhile, Treasuries have seen a notable deterioration in their risk-return profile, as elevated inflation uncertainty has pushed stock-bond correlations higher, weakening their diversification benefits and enhancing the role of gold. Overall, this regime shift has increased the portfolio appeal of real assets and non-US equities relative to the pre-COVID period.



Note: We used the MSCI USA, MSCI ACWI ex USA, MSCI ACWI Infrastructure, Bloomberg US Long Treasury, S&P GSCI Gold Spot, S&P GSCI Industrial Metals Spot and S&P GSCI Energy Spot indexes.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

Currency dispersion has room to rise, enhancing diversification benefits.

In the post-COVID period, return dispersion in US dollar terms has risen across global equities, based on the MSCI ACWI Index, in contrast to the post-GFC years. This broader range of outcomes expands opportunities for investors to outperform, reinforcing the case for active management.

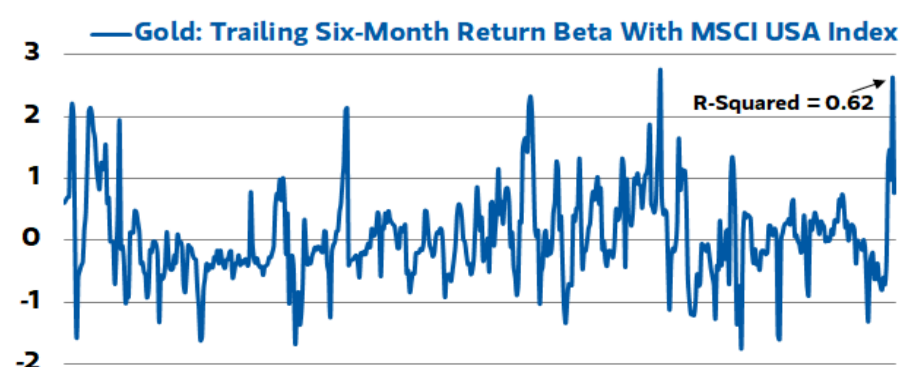
Most of the dispersion reflects differences in earnings streams, while foreign exchange has played a limited role, as dispersion among dollar currency pairs remains subdued. Instead, diverging local fundamentals—policy responses, growth paths and sector mix—are driving performance differentials. This dynamic supports the view that the dollar-centric system remains firmly anchored, with US monetary policy a key force. Consequently, when the dollar weakens, other currencies tend to appreciate in tandem—with a mirror-image move when it strengthens. A more multipolar system would likely involve not just dollar depreciation, but also greater divergence across moves in currencies, increasing potential alpha opportunities.



Note: We compute dispersion across 25 US dollar currency pairs, truncating the highest and lowest observations to cut out extremes and reduce volatility.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

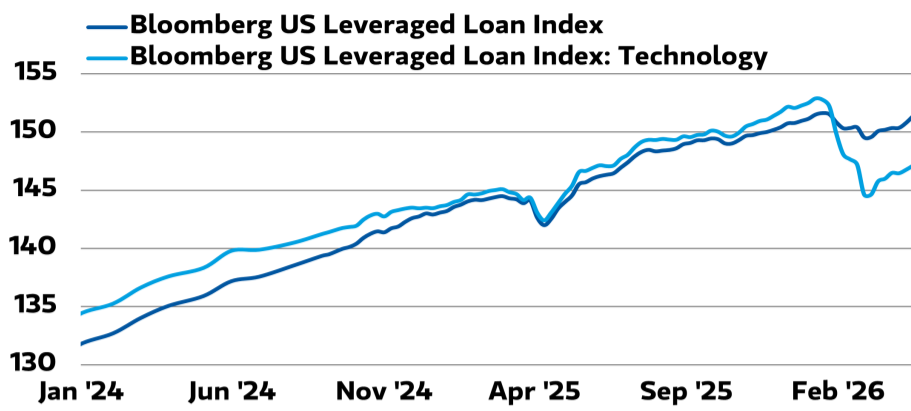
CHARTS YOU CAN'T MISS

Gold: In March, gold’s beta with equities spiked to a level last seen in the “taper tantrum” ...

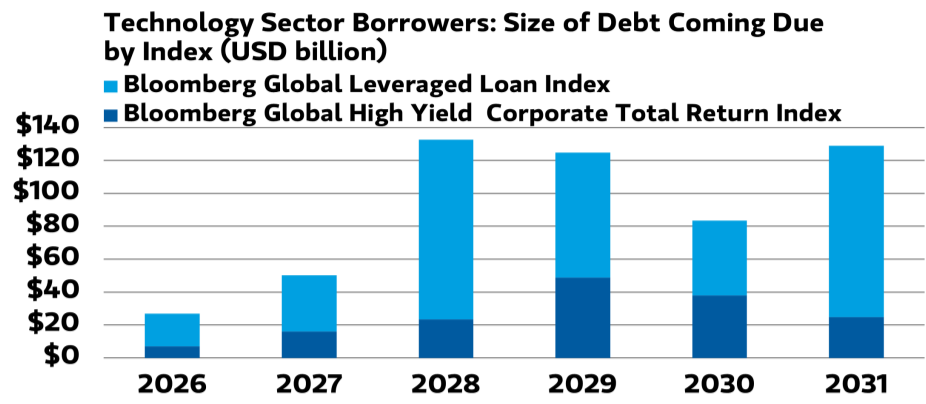


... as gold ETF retail inflows had accelerated heading into 2026.



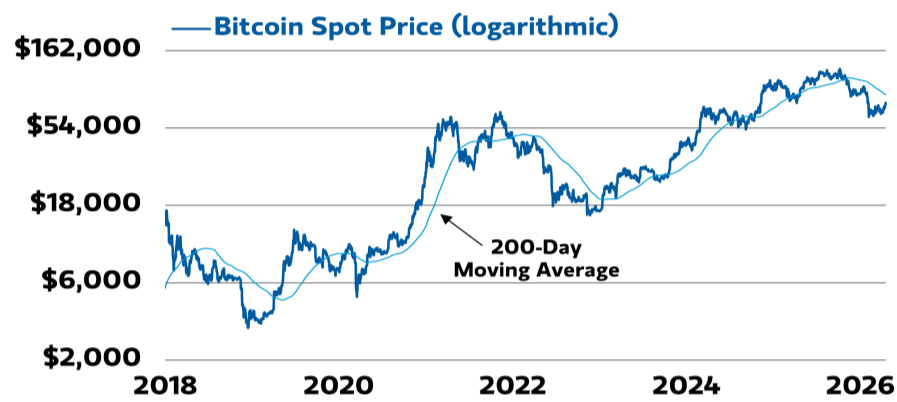


Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026



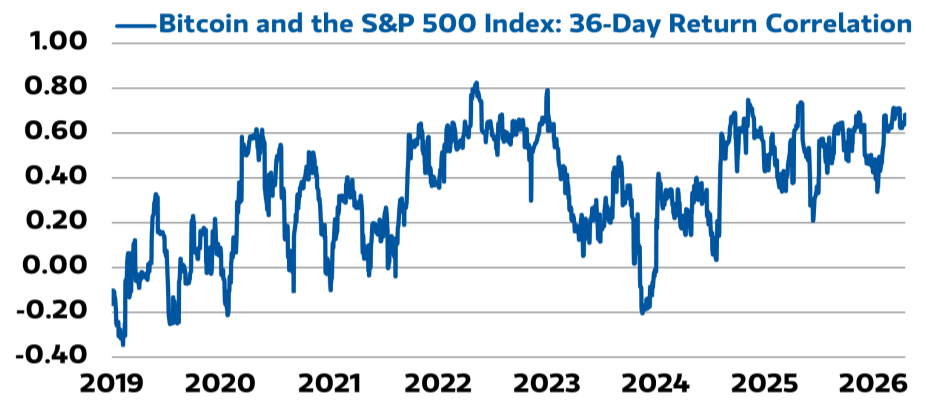
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

Bitcoin: After a nearly 50% drawdown, Bitcoin is closing in on its moving average ...



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

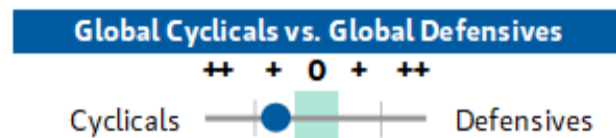
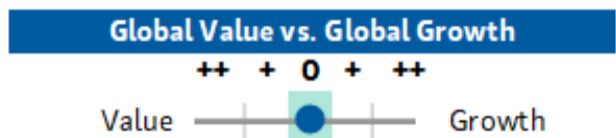
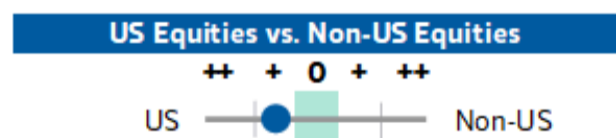
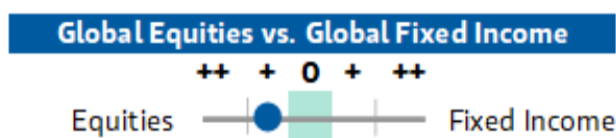
... and remains highly correlated to US equity performance.



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

GLOBAL PORTFOLIO STRATEGY

- US equities hold an edge over global peers, given stronger earnings growth and higher free-cash-flow margins. Japanese and emerging market equities represent attractive sources of diversification.
- Rising term premiums are helping to drive global yield curve steepening. The risk of tariff-sourced inflation could potentially weigh on bond markets despite a slowing but still resilient US job market.
- Gold remains an attractive hedge against fiscal largesse, geopolitics and US dollar debasement. Industrial metals like copper stand to benefit from the data center build-out despite persistent Chinese macro weakness.
- The US dollar will likely weaken in the first half of 2026 and recover in the second half, leaving it unchanged from the current level. The Japanese yen has runway to appreciate, given that Japan's deflationary period is likely ending. Meanwhile, the euro could see modest upside from any fiscally induced cyclical growth in Europe.



Asset	Rating	Rationale
Equities		
US	++	We recommend quality cash-flow ideas in growth and value universes, and midcap growth stocks. 2026 profit forecasts suggest material acceleration in earnings growth. A potential rise in long-term interest rates, driven by debt and deficits, could be the biggest constraint. Rich valuations amid high policy uncertainty point to investor complacency.
Europe	+	Underweighting European equities looks sensible, given declining domestic demand, tariff risks from the Trump administration and a weakening China. Should European and Chinese stimulus prove effective, a reinvigoration of global cyclical growth could benefit European equities.
Japan	++	Japanese equities merit an overweight, given what we expect to be a multiyear revaluation, driven by stronger economic growth from fiscal expenditure that could boost pricing power, corporate efforts to increase return on investment and shareholder-friendly policies. A strengthening yen from a low base would help boost US dollar-based returns.
Emerging Asia	+	Indian equities are favored as monetary easing and a capital spending recovery lift multiples. Chinese equities merit a market weight, with efforts to stimulate likely stabilizing the economy but potentially insufficient to spur deflation. The US-China trade conflict is a wild card.
Latin America	+	The region could benefit from higher commodity prices and a "new Monroe Doctrine," which could lead to pro-business outcomes and capex. Brazilian equities could benefit from an easing in real yields from

Energy | Oil prices face downside pressure from a soft supply-demand balance, given continued growth in non-OPEC supply and OPEC production entering 2026 at an elevated level. Energy infrastructure and MLPs look attractive. **Crude Oil**

Industrial Metals | Despite persistent weakness of China's macro conditions, secular demand from electrification and GenAI data center build-out could support prices of industrial metals like copper, amid supply shortages. **Copper**

Precious Metals | Central bank buying and demand to protect against inflation should support gold, as should demand related to collateralization of digitized assets. We also like gold as a hedge against geopolitical risks and fiscal deficits. **Gold**

Fixed Income

Core vs. Opportunistic | ++ + 0 + ++
Core —●— Opportunistic

Duration (Bloomberg US Aggregate = 5.92) | ++ + 0 + ++
Lower —●— Higher

Credit Quality (0 = BBB Avg.) | ++ + 0 + ++
Higher —●— Lower

See our Fixed Income Insights weekly publication for our most recent perspectives.

Note: 12-month investment horizon. ++ most attractive, + moderately attractive, 0 neutral, - moderately unattractive, -- most unattractive.

Source: Morgan Stanley Wealth Management GIO as of April 17, 2026

MACRO

GLOBAL ECONOMIC GROWTH

MANUFACTURING PURCHASING MANAGER INDICES (PMI)													REAL GDP GROWTH (%)			
	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	COUNTRY	QoQ	YoY	
DEVELOPED MARKETS	US	50.2	52.0	52.9	49.8	53.0	52.0	52.5	52.2	51.8	52.4	51.6	52.3	US	0.5	2.0
	Japan	48.7	49.4	50.1	49.0	49.7	48.5	48.2	48.7	50.0	51.5	53.0	51.6	Japan	0.3	0.4
	Canada	45.3	46.1	45.6	46.1	48.3	47.7	49.6	48.4	48.6	50.4	51.0	50.0	Canada	-0.6	0.6
	UK	45.4	46.4	47.7	48.0	47.0	46.2	49.7	50.2	50.6	51.8	51.7	51.0	UK	0.1	1.0
	France	48.7	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7	51.2	50.1	50.0	France	0.2	1.2
	Germany	48.4	48.3	49.0	49.1	49.8	49.5	49.6	48.2	47.0	49.1	50.9	52.2	Germany	0.3	0.4
EMERGING MARKETS	China	50.4	48.3	50.4	49.5	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.8	China	1.3	5.0
	India	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	India	1.8	7.8
	Taiwan	47.8	48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9	51.7	55.2	53.3	Taiwan	8.2	12.7
	Korea	47.5	47.7	48.7	48.0	48.3	50.7	49.4	49.4	50.1	51.2	51.1	52.6	Korea	-0.2	1.6
	Brazil	50.3	49.4	48.3	48.2	47.7	46.5	48.2	48.8	47.6	47.0	47.3	49.0	Brazil	0.1	1.8
	Mexico	44.8	46.7	46.3	49.1	50.2	49.6	49.5	47.3	46.1	46.3	47.1	48.9	Mexico	0.9	1.8

Note: PMI readings above 50 indicate expansion; while readings below 50 suggest contraction.

Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

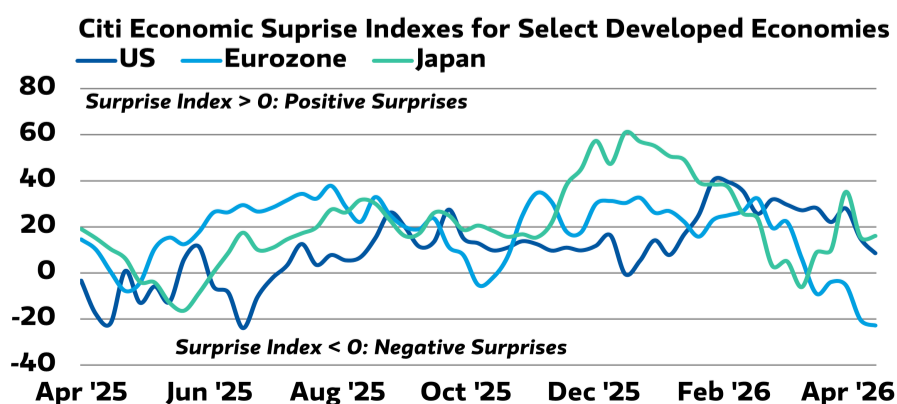
INFLATION, INTEREST RATES, UNEMPLOYMENT AND FX

	YOY INFLATION (%)		10-YR GOVT. BOND YIELD (%)		UNEMPLOYMENT RATE (%)		USD EXCHANGE RATE			CENTRAL BANK	
	COUNTRY	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YOY (%)	POLICY PHASE	
DEVELOPED MARKETS	US	3.3	2.4	4.3	4.4	4.3	4.2			Holding	
	Japan	1.4	2.9	2.4	1.3	2.6	2.4	JPY	158.96	11.4	Tightening
	Canada	2.4	2.3	3.4	3.1	6.7	6.8	CAD	1.36	-1.4	Holding
	UK	3.0	2.8	4.8	4.6	5.2	4.4	GBP	0.74	1.0	Tightening
	France	1.7	0.8	3.6	3.2	7.7	7.1	EUR	0.85	2.2	Tightening
	Germany	2.7	2.2	3.0	2.5	6.3	6.3				Tightening
EMERGING MARKETS	China	1.0	-0.1	1.8	1.7	4.0	4.2	CNY	6.82	-7.0	Holding
	India	3.4	3.6	6.9	6.4	7.7	7.1	INR	93.12	8.6	Tightening
	Taiwan	1.2	2.3	1.5	1.6	3.3	3.4	TWD	31.48	-3.1	Holding
	Korea	2.2	2.1	3.7	2.6	2.7	2.8	KRW	1471	3.5	Tightening
	Brazil	4.1	5.5	13.6	14.6	5.8	6.8	BRL	4.97	-16.9	Easing
	Mexico	4.6	3.8	8.9	9.5	2.6	2.5	MXN	17.31	-14.0	Holding

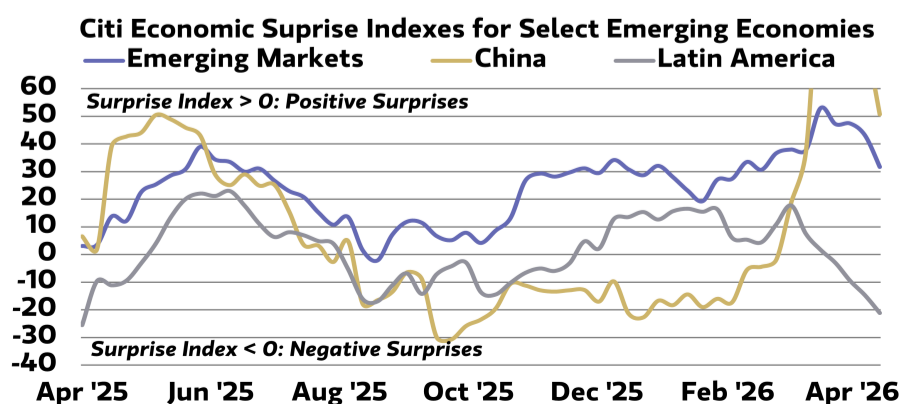
Note: Central bank policy phase is based on the market's forward six-month implied change in policy rate.

Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

ECONOMIC SURPRISE INDEXES



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

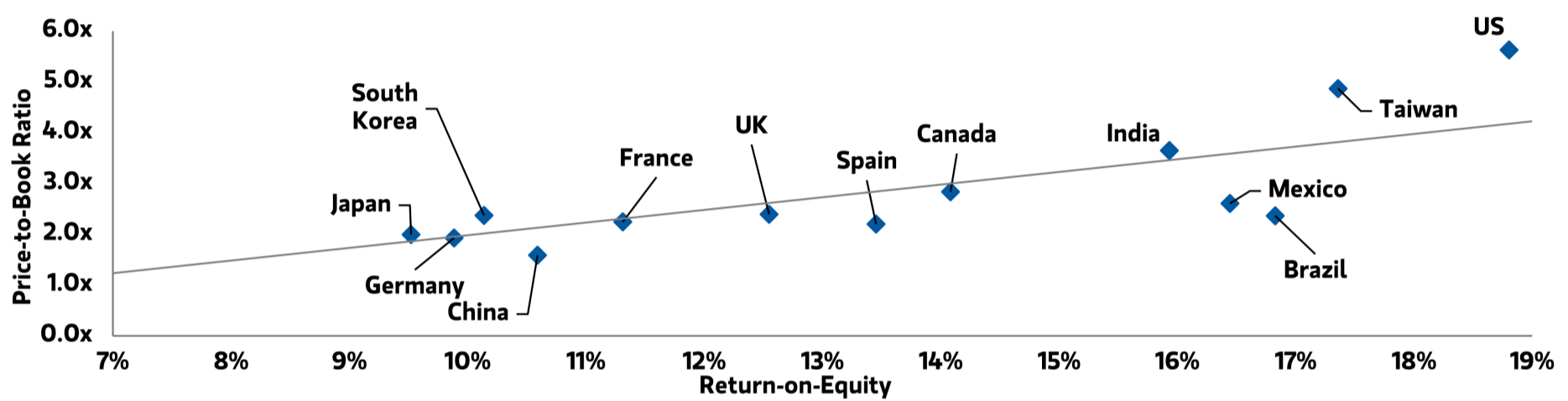


Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

	12-MONTH FORWARD P/E	12-MONTH FORWARD P/E RELATIVE TO:		TRAILING 3-YEAR	12-MONTH FORWARD EPS		
	MSCI INDEX	CURRENT (x)	HISTORY (x)	MSCI ACWI (x)	EPS GROWTH (%)	EST. GROWTH (%)	REVISIONS
DEVELOPED MARKETS	USA	21.1	1.3	1.2	7.5	15.4	0.8
	Japan	17.7	1.1	1.0	14.0	10.0	0.9
	Canada	16.7	1.2	0.9	1.5	6.6	3.2
	UK	13.4	1.1	0.7	-5.2	-0.4	3.9
	Europe ex UK	16.2	1.2	0.9	2.4	7.9	1.1
EMERGING MARKETS	China	11.6	1.0	0.6	4.2	11.5	6.7
	India	20.4	1.2	1.1	15.9	22.4	0.4
	Taiwan	19.5	1.4	1.1	7.4	23.7	6.9
	Korea	6.8	0.7	0.4	9.5	32.3	23.4
	Latin America	10.8	0.9	0.6	-11.2	-3.6	-9.3

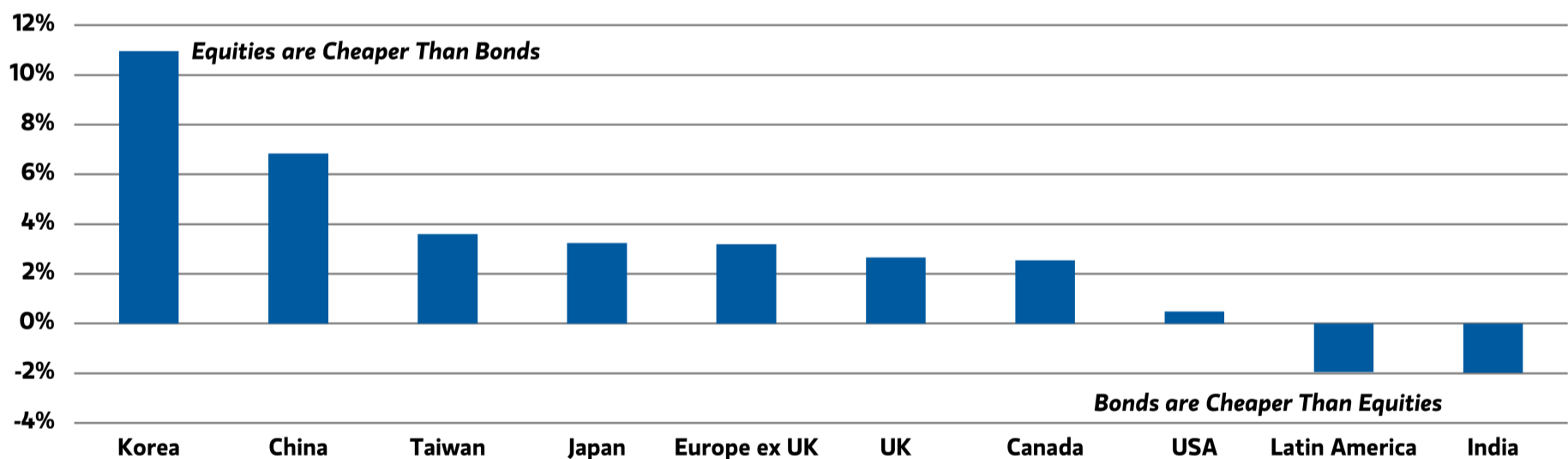
Note: History is based on MSCI data since 2006. Revisions are changes in consensus estimates over the prior month.
 Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

GLOBAL PRICE-TO-BOOK RATIOS AND ROE



Note: Based on MSCI indexes.
 Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

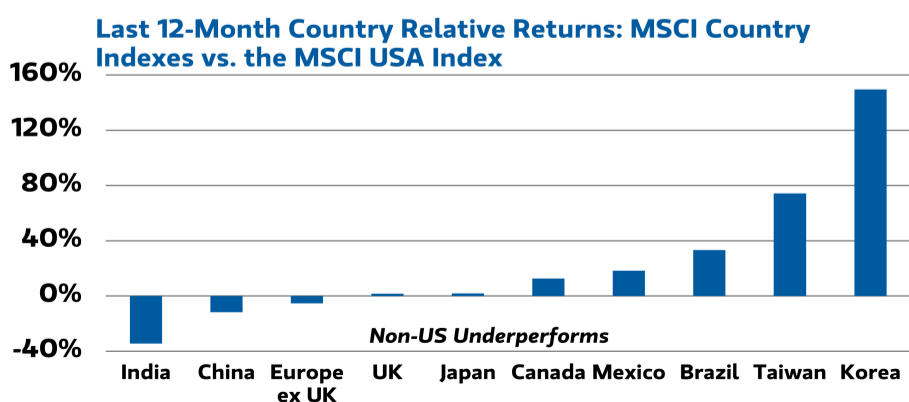
GLOBAL EQUITY RISK PREMIUMS



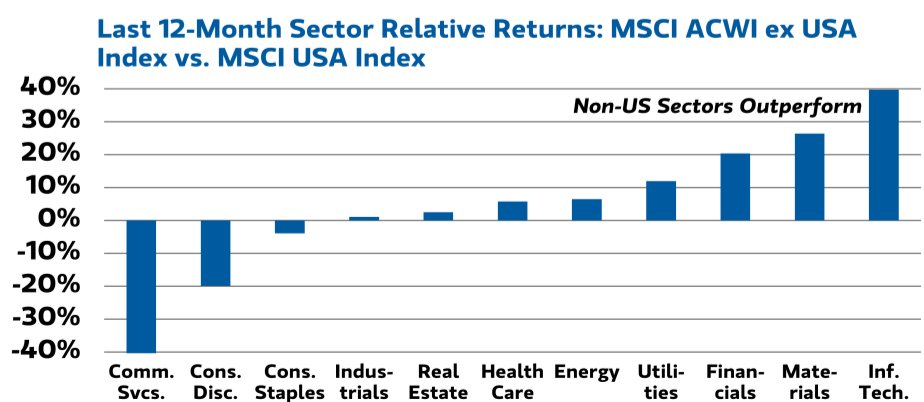
Note: Equity risk premium is the forward 12-month earnings yield less the 10-year govt. bond yield.
 Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

ASSET CLASS PERFORMANCE

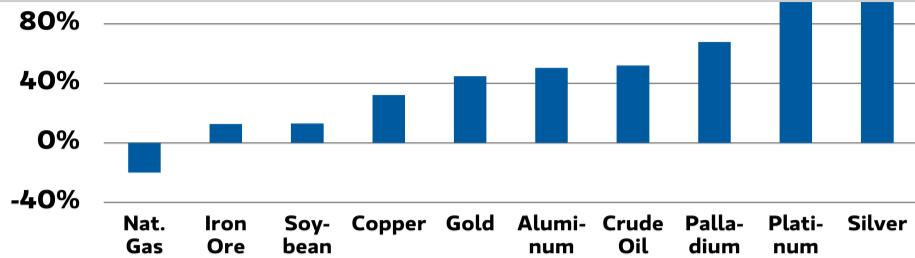
EQUITIES



Note: Total returns on a US dollar basis based on MSCI indexes.
 Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

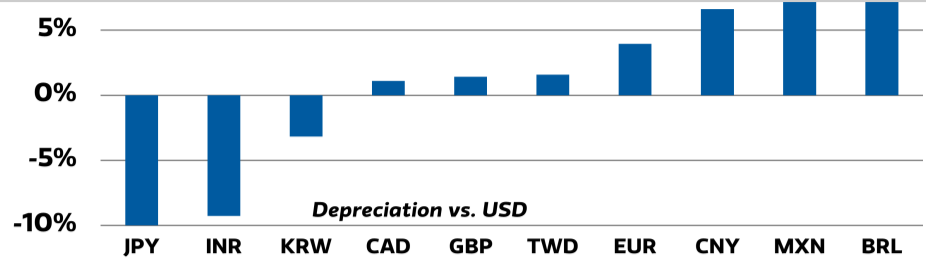


Note: Total returns on a US dollar basis.
 Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026



Note: US dollar returns.

Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026



Note: BRL=Brazilian Real, MXN=Mexican Peso, KRW=Korean Won, INR=Indian Rupee, CAD=Canadian Dollar, JPY=Japanese Yen, TWD=Taiwanese Dollar, EUR=Euro, CNY=Chinese Yuan, GBP=British Pound.

Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

GLOBAL GOVERNMENT BONDS

	COUNTRY	12-MONTH TOTAL	YIELDS		SPREADS TO US YIELDS (BP)	
		RETURNS (%)	CURRENT (%)	12-MONTH CHANGE (BP)	CURRENT	12-MONTH CHANGE
DEVELOPED MARKETS	US	5.3	4.3	-16		
	Japan	-16.1	2.4	111	-185	127
	Canada	3.1	3.4	30	-81	46
	UK	5.3	4.8	27	58	42
	France	4.5	3.6	37	-64	53
	Germany	2.7	3.0	51	-127	66
EMERGING MARKETS	China	0.8	1.8	10	-249	25
	India	3.3	6.9	52	264	68
	Taiwan	0.0	1.5	-11	-273	5
	Korea	-7.9	3.7	107	-57	123
	Brazil	36.6	13.6	-101	930	-85
	Mexico	29.6	8.9	-62	461	-46

Note: Total US dollar returns are for 7-10 year duration govt.; local currency returns used for Brazil and India.

Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 17, 2026

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