

## Currency Performance Report

As at 30 September 2023



In September, major indices extended their decline, marking the second consecutive month of negative returns. The MSCI All-Country World Equity Index was down 4.31% and the Nasdaq Composite Index was down 5.77%. The Dow Jones Industrial Average was down 3.42% while the S&P 500 Index reduced by 4.77%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 2.05% lower.

**Table 1: Currency returns vs US dollar**

Currency Performance (USD Base)	1 Month	Year to Date	1 Year	3 Years	5 Years	10 Years
<b>Developed Markets</b>						
Australian dollar	-0,76%	-5,56%	0,46%	-3,51%	-2,30%	-3,63%
Euro	-2,50%	-1,23%	7,87%	-3,38%	-1,85%	-2,43%
British pound	-3,76%	0,83%	9,29%	-1,90%	-1,31%	-2,79%
Japanese yen	-2,56%	-12,21%	-3,08%	-10,95%	-5,31%	-4,10%
Norwegian krone	-0,48%	-8,30%	1,86%	-4,41%	-5,27%	-5,58%
Swiss franc	-3,48%	1,04%	7,86%	0,21%	1,43%	-0,11%
<b>Emerging Markets</b>						
Argentine peso	-0,01%	-49,50%	-57,91%	-39,85%	-34,78%	-33,65%
Brazilian real	-1,54%	5,05%	7,51%	3,70%	-4,25%	-7,87%
Chinese yuan	-0,59%	-5,53%	-2,57%	-2,39%	-1,21%	-1,75%
Mexican peso	-2,13%	11,94%	15,77%	8,30%	1,47%	-2,80%
Russian ruble	-1,98%	-28,65%	-40,34%	-7,46%	-7,72%	-10,48%
Turkish lira	-2,61%	-31,81%	-32,50%	-34,46%	-26,06%	-22,96%
South African rand	-0,24%	-10,10%	-4,07%	-4,00%	-5,64%	-6,15%

Cumulative returns are shown for periods less than one year. Returns for periods greater than one year have been annualised.

Source: Sanlam Investments

## Developed market currency performance

### British pound

The International Monetary Fund has reduced the United Kingdom's GDP forecast for 2024 from 1.0% to 0.6%. This highlights the need for the Bank of England to keep interest rates at a higher level to control the high inflation.

### Norwegian krone

In their September 2023 meeting, the Norges Bank increased their policy rate by 25bps to 4.25%, marking the 13th rate increase since the central bank began the tightening cycle in September 2021. The central bank hinted at the possibility of another rate hike later in the year, despite annual inflation decreasing to 3.3% in September from 4.8% in August.

### US dollar

The US Dollar Index was up 2.51% in September, driven by the confidence that the US economy could better endure higher interest rates compared to other economies. The US Federal Reserve kept interest rates



unchanged while the Federal Reserve Vice Chair, Philip Jefferson, cautioned that the central bank must proceed carefully considering the recent increase in treasury yields.

## Emerging market currency performance

### Turkish lira

Despite the central bank's decision to raise interest rates by 500bps to 30% at its September meeting, the Turkish lira continued to weaken. The annual inflation rate in Turkey increased for the third consecutive month to 61.5% during September, up from 58.9% in August. Markets expect that interest rates will reach 35% by the year end.

### Argentine peso

To reduce annual inflation rates exceeding 100% and to stabilise the weakening peso, the central bank of Argentina held its key Leliq interest rate at 118%. This year has seen a 43% increase in the rates, as Argentina battles with consistent hyperinflation, further complicated by IMF bailout agreements requiring positive real interest rates.

### South African rand

The South African Reserve Bank (SARB) held interest rates steady at 8.25% during its September 2023 meeting. However, it highlighted that the inflation outlook remains a concern, signalling the increasing probability of an additional interest rate hike this year. The SARB Governor, Lesetja Kganyago, stated that the risks to the inflation outlook include oil and food prices, as well as a depreciating currency. He emphasised that South Africa's already underwhelming economic prospects are further reduced by the worsening condition of the country's fiscal situation.

## Outlook

The US Federal Reserve signalled the potential necessity for further rate hikes and a reduced likelihood of rate cuts than previously indicated, for next year.

Locally, headline inflation is expected to sustainably revert to the mid-point of the target range in 2025. Inflation forecasts were revised by the SARB, with inflation for 2023 now projected to average 5.9%, down from 6.0%.

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