

## Currency Performance Report

As at 31 January 2024



Markets remained relatively stable at the start of 2024, largely lacking significant movements. In January, the MSCI All-Country World Equity Index was up 1.20% and the Nasdaq Composite Index was up 1.04%. Similarly, the Dow Jones Industrial Average was up 1.31% while the S&P 500 Index increased by 1.68%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed -2.93% 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               | -3,60%  | -3,60%       | -6,95%  | -4,84%  | -2,03%  | -2,84%   |
| Euro                            | -1,97%  | -1,97%       | -0,40%  | -3,72%  | -1,12%  | -2,18%   |
| British pound                   | -0,34%  | -0,34%       | 2,98%   | -2,52%  | -0,65%  | -2,55%   |
| Japanese yen                    | -3,96%  | -3,96%       | -11,43% | -10,66% | -5,81%  | -3,58%   |
| Norwegian krone                 | -3,51%  | -3,51%       | -5,00%  | -6,44%  | -4,30%  | -5,01%   |
| Swiss franc                     | -2,28%  | -2,28%       | 6,39%   | 1,17%   | 2,92%   | 0,51%    |
| <b>Emerging Markets</b>         |         |              |         |         |         |          |
| Argentine peso                  | -2,16%  | -2,16%       | -77,37% | -52,73% | -46,18% | -37,09%  |
| Brazilian real                  | -2,03%  | -2,03%       | 2,43%   | 3,32%   | -5,95%  | -6,94%   |
| Chinese yuan                    | -0,97%  | -0,97%       | -5,77%  | -3,58%  | -1,34%  | -1,66%   |
| Mexican peso                    | -1,50%  | -1,50%       | 9,34%   | 6,01%   | 2,11%   | -2,50%   |
| Russian ruble                   | 0,38%   | 0,38%        | -22,44% | -5,59%  | -6,19%  | -8,97%   |
| Turkish lira                    | -2,92%  | -2,92%       | -38,07% | -37,79% | -29,83% | -22,88%  |
| South African rand              | -2,10%  | -2,10%       | -6,83%  | -6,72%  | -6,62%  | -5,05%   |

*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

### Japanese yen

The Bank of Japan's Deputy Governor, Shinichi Uchida, stated that the central bank is unlikely to make substantial increases in the interest rate. However, the deputy governor acknowledged that the likelihood of reaching the banks' 2% price stability target is increasing as the price-wage inflation cycle strengthens. In December, Japan's core inflation rate increased by 2.3%, marking the lowest reading since June 2022, however, it remained above the Bank of Japan's 2% target for the 21st consecutive month.

### British pound

Investors revised their expectations regarding interest rate cuts in the UK following cautious comments from officials. Despite discussions about potential rate cuts later this year, UK policymakers decided to keep interest rates at their highest level in almost 16 years. The Bank of England's Deputy Governor, Sarah Breeden, suggested that the focus should be on how long interest rates would remain at current levels, indicating that rate cuts might not happen as quickly as anticipated by the markets. Chief Economist, Huw Pill, also indicated that the first cut is still some way off.



## **US dollar**

The US dollar Index was up 1.87% in January. Recent data suggests that the Federal Reserve is not ready to reduce interest rates. The number of new people filing for unemployment benefits decreased to 218 000, surpassing market expectations. Additionally, the number of people receiving benefits reduced to 1 871 000. Boston's Federal Reserve Bank President, Susan Collins, mentioned that the current policy is in a strong position and suggested that it may be suitable to begin lowering rates later this year.

## **Emerging market currency performance**

### **Turkish lira**

The new governor of the Central Bank of the Republic of Turkey, Fatih Karahan, mentioned that monetary policy may be tightened if inflation continues to increase. However, he stated that at current levels, there was no need for an additional interest rate hike. The central bank expects inflation to slow down to 36% by the end of 2024, further reducing to 14% in 2025 and 9% in 2026. Inflation went up to 64.86% in January 2024, the highest since November 2022. Investors are optimistic about the new governor, expecting him to continue or even strengthen current policies.

### **Russian ruble**

The Russian ruble came under pressure due to the loss of the advantageous end-of-month tax period, coupled with comments from the head of the country's central bank suggesting that monetary policy could potentially ease in the second half of 2024. Additionally, conflicting opinions between the Central Bank of Russia and the government regarding the effectiveness of currency controls added uncertainty. However, interventions in the foreign exchange market and decreased demand for the yuan and US dollar, due to seasonal factors, helped prevent further depreciation of the ruble.

### **South African rand**

The South African rand weakened in the first month of 2024. This was primarily attributed to the strength of the US dollar, supported by the robustness of the US economy and comments from Federal Reserve officials indicating a firm stance on monetary policy. Locally, the South African Reserve Bank's (SARB) Monetary Policy Committee, as anticipated, maintained interest rates at their highest levels since 2008 on 25 January 2024. This suggests that there are no immediate plans to cut rates until headline inflation falls to the midpoint of the target range.

## **Outlook**

Market expectations have changed, with economists suggesting that there is only around a 20% chance that the US Federal Reserve will cut rates in March, a significant reduction from the two-thirds chance previously predicted.



There have been predictions from economists that the SARB may cut interest rates by a total of 100 basis points by the end of this year.

# call us

## Investments

55 Willie van Schoor Ave, Bellville 7530 | Private Bag x8,  
Tygervalley 7536, South Africa

**T** +27 (0) 21 950 2500 **F** +27 (0) 21 950 2555

