

Currency Performance Report

As of 29 February 2024



Global indices delivered a positive performance, contrasting with local markets. In February, the MSCI All-Country World Equity Index was up 4.24% and the Nasdaq Composite Index was up 6.22%. Similarly, the Dow Jones Industrial Average was up 2.50%, while the S&P 500 Index increased by 5.34%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed -2.44% 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
Developed Markets						
Australian dollar	-1,00%	-4,56%	-3,40%	-5,51%	-1,73%	-3,12%
Euro	-0,12%	-2,09%	2,15%	-3,64%	-1,01%	-2,42%
British pound	-0,49%	-0,83%	5,01%	-3,23%	-0,98%	-2,78%
Japanese yen	-2,07%	-5,95%	-9,19%	-10,76%	-5,78%	-3,80%
Norwegian krone	-0,93%	-4,41%	-2,12%	-6,55%	-4,18%	-5,53%
Swiss franc	-2,63%	-4,85%	6,52%	0,89%	2,45%	-0,05%
Emerging Markets						
Argentine peso	-1,90%	-4,02%	-76,59%	-52,58%	-45,87%	-37,32%
Brazilian real	-0,38%	-2,40%	5,33%	4,04%	-5,48%	-7,27%
Chinese yuan	-0,28%	-1,25%	-3,55%	-3,43%	-1,41%	-1,56%
Mexican peso	0,96%	-0,56%	7,34%	6,94%	2,49%	-2,49%
Russian ruble	-1,24%	-0,86%	-17,75%	-6,45%	-6,28%	-8,86%
Turkish lira	-2,97%	-5,81%	-39,65%	-38,10%	-29,80%	-23,29%
South African rand	-2,77%	-4,81%	-4,46%	-7,72%	-6,01%	-5,63%

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

Swiss franc

The Swiss economy grew by 0.3% in the last quarter of 2023, exceeding market expectations and aligning with forecasts from the Swiss National Bank (SNB). This eased concerns about immediate rate cuts by the SNB, however, ongoing low inflation led a large part of the market to anticipate the central bank's first rate cut in March. In January, inflation in Switzerland fell to 1.3%, below market expectations and the SNB's upper target of 2% for the seventh consecutive month.

Euro

The euro showed strength against the US dollar, supported by the dollar's weakness and indications from Federal Reserve Chair Jerome Powell suggesting potential interest rate reductions by mid-year. The European Central Bank (ECB) maintained its record-high borrowing costs, citing progress in inflation control despite underlying price pressures and strong wage growth. The ECB revised its inflation expectations downward, forecasting a price growth of 2.3% for the year, decreasing to 1.9% in 2025. Although the possibility of rate cuts was not discussed at the recent ECB meeting, President Lagarde hinted at discussions about easing the bank's restrictive stance, emphasising the need for additional evidence before any decisions were made.



US dollar

The US dollar Index was up 0.85% in February. US Federal Reserve Chair, Jerome Powell, emphasised the importance of maintaining confidence in inflation reaching 2% before implementing rate cuts. Recent data revealed that February payroll figures surpassed expectations, along with an unexpected increase in unemployment and slower wage growth. Market speculation suggests a potential rate cut in June, with rates being held in the March and May Federal Reserve meetings.

Emerging market currency performance

Turkish lira

The Turkish lira continued to weaken as traders evaluated Turkey's economic outlook. Inflation accelerated for the fourth consecutive month to 67% in February, raising apprehension of additional depreciation following the local elections in March. However, the finance minister expressed confidence in the current policy measures and expected a decline in inflation over the next year. The Turkish central bank has raised rates significantly to curb inflationary pressures.

Mexican peso

The Mexican peso gained strength against the US dollar following speculation about a potential rate cut by the US Federal Reserve in June. Meanwhile, there is keen anticipation surrounding the Bank of Mexico's decision in March, especially after subdued inflation figures. The year-on-year inflation rate in February stood at 4.40%, slightly below the estimated 4.42%.

South African rand

In South Africa, the economy experienced marginal growth in the final quarter of 2023. However, headline inflation increased to 5.3% in January, up from the 5.1% recorded in December 2023, moving away from the South African Reserve Bank's target range. Governor Lesetja Kganyago reiterated that interest rates will only be reduced once inflation is brought under control and stabilised at the desired level, despite market predictions of a 100-basis points rate cut in 2024.

Outlook

US Federal Reserve Chair Jerome Powell hinted that interest rate reductions could be imminent if inflation remains manageable. Although he didn't specify the exact timing, market anticipation suggests the first cut might happen in June, with four subsequent decreases totalling a full percentage point by the close of 2024.

On the domestic front, the markets anticipate the Monetary Policy Committee (MPC) will lower interest rates by mid-year. The South African Reserve Bank's (SARB) projections indicate a brief and moderate cycle of rate cuts, aiming to bring the repo rate down from 8.25% to 7.3% by the end of 2025.

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

