

Currency Performance Report

As of 30 April 2023



Markets once again trended upward during April with major indices providing positive returns. The MSCI All-Country World Equity Index increased by 1.27%. The Nasdaq composite was up 0.04% during April. The Dow Jones Industrial Average and the S&P 500 also increased by 2.48% and 1.46% respectively.

Locally, the FTSE/JSE Shareholder Weighted All Share index closed 2.67% up.

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	-1,02%	-2,87%	-6,31%	0,55%	-2,55%	-4,39%
Euro	1,68%	2,98%	4,54%	0,20%	-1,81%	-1,76%
British Pound	1,85%	3,83%	-0,09%	-0,08%	-1,82%	-2,10%
Japanese Yen	-2,56%	-3,79%	-4,73%	-7,69%	-4,31%	-3,30%
Norwegian Krone	-1,60%	-7,84%	-11,88%	-1,23%	-5,49%	-5,93%
Swiss Franc	2,32%	3,39%	8,87%	2,59%	2,08%	0,39%
Emerging Markets						
Argentine Peso	-6,14%	-20,62%	-48,20%	-33,06%	-37,92%	-31,33%
Brazilian Real	1,54%	6,01%	-0,28%	3,24%	-6,80%	-8,72%
Chinese Yuan	-0,63%	-0,20%	-4,38%	0,72%	-1,73%	-1,14%
Mexican Peso	0,17%	8,31%	13,52%	10,36%	0,80%	-3,86%
Russian Ruble	-3,31%	-12,90%	-11,58%	-2,50%	-4,74%	-9,04%
Turkish Lira	-1,39%	-3,91%	-23,69%	-28,91%	-26,89%	-21,21%
South African Rand	-2,67%	-6,92%	-13,47%	0,47%	-7,35%	-6,87%

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 left interest rates unchanged at their April meeting and continued the relaxed monetary policy approach. The bank indicated that rates would be maintained at the current lower levels. The appointment of Kazuo Ueda as the central bank governor however, created expectations that there could potentially be an adjustment to the banks policy.

Swiss Franc

The Swiss franc strengthened during April due to positive statements made by the Swiss National Bank (SNB), which restored confidence in the Swiss financial system. Policymakers indicated that there is a need for tighter monetary policy, with markets now expecting a 50bps interest rate hike during June. The country's inflation remained significantly below the rest of Europe however, the SNB President highlighted various risks which support further rate increases.

US Dollar



The dollar index was down 0.76% during April. Markets are expecting the Federal Reserve to end its aggressive tightening cycle soon and start cutting interest rates by the end of 2023. The expectations are due to growing concern of a US recession. At the previous Fed meeting, an expected 25bps interest rate increase was implemented and there was no indication whether further rate increases would be required. Furthermore, the 12-month inflation outlook for the US declined from 4.7% during March to 4.4% during April.

Emerging market currency performance

Argentine Peso

The central bank of Argentina raised interest rates by 1000bps to 91% on 27th April, taking rates to its highest recorded level. The bank's objective remains to save the currency as annual inflation increased rapidly to levels above 100%, the highest levels experienced in two decades.

Brazilian Real

The Brazil central bank kept interest rates at 13.75% as widely expected, despite pressure coming from government. Markets were surprised by the resolve of the bank to maintain the high level or even resume the tightening cycle until inflation is reduced. The central bank's inflation projections have risen to 5.8% for 2023 and to 3.6% for 2024.

South African Rand

The South African Reserve Bank is expected to continue the interest-rate hiking cycle, with markets pricing in an increase at the next committee meeting after headline inflation surprised markets and accelerated for a second consecutive month to 7.1% during March. The Monetary Policy Committee has frequently emphasized the importance and their objective of reducing inflation to its target range of 3% to 6%.

Outlook

The Fed Chair Jerome Powell stated that the committee was not currently supporting rate cuts based on their inflation outlook however there could be a pause its tightening cycle in June which would be dependent on the most recent economic data available during June.

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