

Currency Performance Report

As of 31 March 2024



Global indices continued their positive performance in March, with local markets also ending the month on a high note. In March, the MSCI All-Country World Equity Index was up 3.21% and the Nasdaq Composite Index was up 1.85%. Similarly, the Dow Jones Industrial Average was up 2.21% while the S&P 500 Index increased by 3.22%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 3.23% higher.

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	0,34%	-4,24%	-2,45%	-4,97%	-1,67%	-3,45%
Euro	-0,12%	-2,20%	-0,44%	-2,74%	-0,77%	-2,41%
British pound	0,00%	-0,83%	2,35%	-2,89%	-0,63%	-2,74%
Japanese yen	-0,88%	-6,77%	-12,24%	-9,89%	-6,03%	-3,75%
Norwegian krone	-1,97%	-6,29%	-3,29%	-7,54%	-4,43%	-5,74%
Swiss franc	-1,91%	-6,67%	1,46%	1,52%	2,00%	-0,19%
Emerging Markets						
Argentine peso	-1,69%	-5,64%	-75,61%	-52,47%	-44,94%	-37,33%
Brazilian real	-0,87%	-3,25%	0,95%	3,94%	-4,79%	-7,61%
Chinese yuan	-0,45%	-1,70%	-4,88%	-3,19%	-1,45%	-1,48%
Mexican peso	3,13%	2,56%	8,95%	7,30%	3,28%	-2,33%
Russian ruble	-1,44%	-2,29%	-16,09%	-6,46%	-6,63%	-9,25%
Turkish lira	-3,52%	-9,13%	-40,87%	-36,66%	-29,74%	-23,80%
South African rand	1,50%	-3,38%	-6,03%	-7,93%	-5,19%	-5,69%

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

Norwegian krone

In March, the Norges Bank opted to maintain its key interest rate at 4.5%, in line with market expectations. The bank has indicated that rates will remain steady until the second half of the year, after which, gradual decreases are expected. It acknowledged that its monetary policy has had a tightening effect, with the Norwegian economy experiencing sluggish growth. Despite a decrease, inflation remains above the target. High wage growth and the depreciation of the krone in 2023, continue to keep inflation elevated. However, projections now suggest that inflation will slow down faster than earlier predictions, with expectations that it could approach 2% by the end of 2027.

Australian dollar

In March, the Reserve Bank of Australia (RBA) maintained its cash rate at a 12-year high of 4.35% for the third consecutive meeting. However, the RBA rescinded previous warnings that there could be further rate hikes, conveying confidence that inflation would continue its easing trend. This fuels expectations that rate cuts could commence later in the year.



US dollar

In March, the US dollar Index was up 0.33%. Federal Reserve officials raised uncertainty on the potential timing of interest rate cuts. Neel Kashkari, President of the Minneapolis Fed, suggested that if inflation remains sticky, rate cuts may not be necessary this year. Fed Chair, Jerome Powell, echoed this sentiment stating that the central bank requires more evidence of a sustained reduction in inflation toward the 2% target before considering rate reductions. Despite this, markets continue to anticipate easing measures from the Fed this year. Investors are now focused on the US job data and forthcoming inflation indicators, which could influence the Fed's decisions in May and June.

Emerging market currency performance

Turkish lira

President Tayyip Erdoğan's Justice and Development Party (AKP) faced a significant setback in local elections, losing key cities like Istanbul and Ankara. This raised concerns about a potential departure from recent conservative economic policies towards a more expansionary fiscal stance. However, Erdoğan accepted the defeat with assurances that efforts to curb inflation would yield results this year. In March, Turkey's annual inflation rate increased to 68.5%, marking a new high since November 2022, lower than market expectations of 69.1%.

Mexican peso

The Mexican peso remained stable, with Mexico's record-high interest rates making it favourable for the carry trade strategy. Despite a recent rate cut by Mexico's central bank, the gradual nature of the reduction is not expected to significantly weaken the peso, given that Mexico maintains the highest real interest rates in Latin America at 11%. Furthermore, President Manuel López Obrador's commitment to strict fiscal measures has bolstered the peso's stability.

Additionally, factors such as record remittances from the US, robust economic growth, and increased investments from factories aiming for proximity to the US are contributing to the strength of the peso.

South African rand

The South African rand remained stable, benefitting from a weaker US dollar, prompted by recent data indicating a surprise slowdown in services growth and muted price increases. Domestically, the South African Reserve Bank (SARB) opted to maintain interest rates at 8.25%, citing persistent inflationary pressures. Recent figures revealed that the country's inflation rate reached 5.6% in February, nearing the upper threshold of the target range of 3-6%.



Outlook

Market participants continued to evaluate the trajectory of interest rates, with most Federal Reserve policymakers still anticipating three rate cuts within the year. The Federal Reserve has revised its 2024 growth and core inflation forecasts upwards and reduced its anticipation of rate cuts over the longer term. However, there are now also traders who are no longer pricing in three quarter-point cuts in 2024.

Locally, markets now expect interest rates to be lowered in the second half of the year. The SARB's Quarterly Projection Model indicates a 50 basis point cut by the end of 2024. Furthermore, the central bank cautioned that inflation is anticipated to reach the midpoint of its target by mid-2025, later than previously anticipated.

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