

## Currency Performance Report

As at 31 December 2023



In 2023, markets closed positively, with major indices extending their growth. The MSCI All-Country World Equity Index was up 4.91% and the Nasdaq Composite Index was up 5.62% during December. The Dow Jones Industrial Average was up 4.93% while the S&P 500 Index increased by 4.53%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 2.00% 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
<b>Developed Markets</b>						
Australian dollar	3,12%	-0,04%	-0,04%	-3,99%	-0,69%	-2,66%
Euro	1,37%	3,10%	3,10%	-3,32%	-0,77%	-2,17%
British pound	0,84%	5,22%	5,22%	-2,36%	-0,04%	-2,59%
Japanese yen	5,05%	-7,05%	-7,05%	-9,89%	-4,93%	-2,88%
Norwegian krone	6,66%	-3,34%	-3,34%	-5,41%	-3,14%	-5,00%
Swiss franc	3,99%	9,85%	9,85%	1,71%	3,13%	0,60%
<b>Emerging Markets</b>						
Argentine peso	-55,41%	-78,14%	-78,14%	-52,97%	-45,85%	-38,25%
Brazilian real	1,41%	8,94%	8,94%	2,29%	-4,37%	-6,95%
Chinese yuan	0,54%	-2,82%	-2,82%	-2,76%	-0,63%	-1,58%
Mexican peso	2,50%	14,86%	14,86%	5,47%	2,99%	-2,59%
Russian ruble	-1,00%	-22,64%	-22,64%	-6,27%	-5,02%	-9,61%
Turkish lira	-2,00%	-36,60%	-36,60%	-36,98%	-29,08%	-23,05%
South African rand	3,12%	-6,99%	-6,99%	-7,22%	-4,71%	-5,40%

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 Bank of England seems poised to implement a minimum 125 basis points reduction in interest rates this year, with the initial decrease expected at the Monetary Policy Committee meeting on 9 May 2024. This shift towards a more dovish stance follows a notable decline in inflation. Current projections from UK banks suggest that inflation will reach 3% by the end of the first half, while others have forecasted that it will align with the BoE's target of 2% over the same period. The sharp decline in British inflation in November marked its lowest rate in over two years.

### Norwegian krone

The annual consumer inflation rate in Norway remained steady at 4.8% in December 2023, maintaining its peak for three months and aligned with market expectations. The krone strengthened after Norges Bank unexpectedly raised interest rates by 25bps to 4.5%. Norges Bank Governor, Ida Wolden Bache, stated that the increase in rates was required as inflation remained too high.



## **US dollar**

The US Dollar Index was down 2.05% in December. The US dollar weakened as robust consumer inflation figures, surpassing expectations, were countered by an unexpected decrease in producer inflation numbers. The data revealed an increase in the inflation rate to 3.4%, exceeding the projected 3.2%, with monthly inflation rising by 0.3%, surpassing the anticipated 0.2%. Despite this, markets continue to factor in an almost 80% probability of the Federal Reserve initiating easing measures in March.

## **Emerging market currency performance**

### **Argentine peso**

In December, Argentina experienced a substantial surge in its monthly inflation rate, reaching 25.5%, a notable increase from the previous month's 12.8%, but below market expectations of a 28% rise. The newly appointed government in Argentina declared its intention to devalue the national currency by over 50% against the US dollar. The move is a crucial component of the "economic shock therapy" according to President Javier Milei, deemed a necessary step to address the nation's most severe crisis in decades. Economic Minister, Luis Caputo, has also announced significant reductions in public spending, citing the struggle against soaring inflation, with prices having surged by approximately 150% in the past year.

### **South African rand**

On the domestic front, the South African Reserve Bank's (SARB) Monetary Policy Committee has emphasised the importance of consistently maintaining inflation around a yearly average of 4.5% before considering any rate cuts. South Africa saw a decrease in its annual inflation rate to 5.5% in November 2023, down from the five-month high of 5.9% in October, bringing it within the SARB's targeted range of 3%-6%. The expected sustained decline in inflation, closely monitored by the SARB, is anticipated to materialise in the second half of 2024, potentially leading to a reduction in interest rates. The Rand strength during December was attributed to offshore developments much more than local factors.

## **Outlook**

The Federal Reserve officials concluded that interest rate cuts are likely in 2024. While the timing remained uncertain, the Federal Open Market Committee agreed to maintain the benchmark rate between 5.25% and 5.5%, with members projecting three quarter-percentage point cuts by the year's end.

Economists predict a slowdown in inflation in South Africa this year, due to global factors suppressing price growth, coupled with reduced domestic consumer spending. Projections indicate a decrease to 5.0% in the current year and a further reduction to 4.5% by 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

