

## Currency Performance Report

As at 31 July 2024



Global indices experienced mixed returns during July, while local markets enjoyed another positive month. The MSCI All-Country World Equity Index was up 1.76%, whereas the Nasdaq Composite Index was down 0.73%. The Dow Jones Industrial Average was up 4.51%, while the S&P 500 Index increased by 1.22%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 3.92% 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	-2,69%	-4,74%	-3,43%	-4,05%	-1,06%	-3,53%
Euro	0,64%	-2,29%	-1,93%	-3,15%	-0,53%	-2,14%
British pound	0,69%	0,00%	-0,83%	-2,89%	0,93%	-2,78%
Japanese yen	7,45%	-5,76%	-4,94%	-9,84%	-6,19%	-3,69%
Norwegian krone	-2,71%	-7,53%	-7,60%	-7,01%	-4,16%	-5,41%
Swiss franc	2,88%	-3,66%	-0,19%	1,20%	2,62%	0,39%
<b>Emerging Markets</b>						
Argentine peso	-2,12%	-13,14%	-70,43%	-52,99%	-45,73%	-37,69%
Brazilian real	-1,16%	-14,24%	-16,51%	-2,70%	-7,59%	-8,75%
Chinese yuan	0,32%	-2,02%	-1,40%	-3,74%	-1,01%	-1,59%
Mexican peso	-2,51%	-9,83%	-11,03%	1,83%	0,35%	-3,46%
Russian ruble	0,29%	5,68%	7,13%	-5,07%	-5,74%	-8,37%
Turkish lira	-1,37%	-10,95%	-18,62%	-35,99%	-29,94%	-23,95%
South African rand	-0,54%	-0,01%	-2,37%	-7,30%	-4,74%	-5,21%

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

Norway's annual core inflation dropped more than anticipated to 3.6% in June 2024. Although this rate is still higher than the Norges Bank's comfort level, the Bank plans to keep rates at 4.50% until 2025. Nevertheless, markets anticipate a potential rate change in December this year.

### Japanese yen

The Bank of Japan stated that if economic activity and forecasts are met, it will continue to raise the policy rate and adjust monetary support. Markets anticipate two more rate hikes by the end of the fiscal year in March 2025, with the next increase expected in December.

### US dollar

The US dollar Index was down 1.67% in July. The US Federal Reserve kept interest rates unchanged at its July meeting but suggested a potential rate cut in September if inflation meets expectations. Markets expect a 25-basis point reduction at the next meeting, with a minimum of 70 basis points of total easing anticipated this year.



A sharper-than-expected decline in US job growth in July has raised concerns that the Federal Reserve may be too slow in lowering borrowing costs, increasing the risk of a recession.

## Emerging market currency performance

### Mexican peso

The Mexican peso weakened due to increasing signs of a slowing economy, leading to speculation that the Bank of Mexico (Banxico) might adopt a more dovish approach. While business confidence in Mexico remained steady in July, it suggested a moderation in economic activity after over three years of growth. Additionally, earlier data showed that Mexico's GDP grew by just 0.2% quarter-on-quarter in Q2, below expectations and raising concerns about a potential economic slowdown.

### Chinese yuan

Meanwhile, investors further evaluated China's economic outlook following a Politburo meeting. The meeting revealed that the remaining stimulus measures for the year will prioritise boosting consumer spending over infrastructure projects. The aim is to enhance domestic demand by increasing income and strengthening social welfare.

### South African rand

Central banks in several emerging markets started cutting interest rates ahead of the Federal Reserve and South African Reserve Bank (SARB), boosting the attractiveness of local assets and strengthening the rand. The SARB has taken a very cautious approach to inflation and interest rates. In its July meeting, the Monetary Policy Committee (MPC) decided to keep rates unchanged, with two out of six MPC members voting for a 25-basis point cut, as annual inflation decreased to 5.1% in June from 5.2% in May.

## Outlook

Federal Reserve Chair Jerome Powell indicated that a rate cut is possible at the next meeting in September, with July jobs data almost confirming the reduction. Given the latest US jobs figures, markets believe the Fed may need to act more aggressively than it would have if rate cuts had begun earlier.

Locally, the SARB is expected to cut rates by 25 basis points in September if inflation continues to decline. The bank anticipates inflation will decrease to 4.3% in the last quarter of 2024, with current economic conditions supporting a rate cut.

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