

## Currency Performance Report

As at 31 October 2023



October saw a continued decline in major indices, marking the third consecutive month of negative returns. During October, the MSCI All-Country World Equity Index was down 2.90% and the Nasdaq Composite Index was down 2.76%. The Dow Jones Industrial Average was down 1.26% while the S&P 500 Index reduced by 2.10%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 2.96% 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
<b>Developed Markets</b>						
Australian dollar	-1,52%	-7,00%	-0,98%	-3,39%	-2,17%	-3,92%
Euro	0,05%	-1,17%	7,00%	-3,16%	-1,33%	-2,47%
British pound	-0,38%	0,45%	5,96%	-2,08%	-0,98%	-2,74%
Japanese yen	-1,53%	-13,56%	-1,95%	-11,64%	-5,73%	-4,24%
Norwegian krone	-4,36%	-12,30%	-7,04%	-5,14%	-5,46%	-6,12%
Swiss franc	0,49%	1,54%	9,96%	0,23%	2,07%	-0,04%
<b>Emerging Markets</b>						
Argentine peso	0,01%	-49,50%	-55,17%	-39,29%	-36,58%	-33,51%
Brazilian real	-0,06%	4,99%	2,86%	4,49%	-5,86%	-7,78%
Chinese yuan	-0,20%	-5,72%	-0,20%	-2,93%	-0,95%	-1,81%
Mexican peso	-3,55%	7,97%	9,74%	5,49%	2,43%	-3,21%
Russian ruble	4,89%	-25,16%	-34,18%	-5,22%	-6,74%	-10,13%
Turkish lira	-3,18%	-33,98%	-34,32%	-33,45%	-27,72%	-23,29%
South African rand	1,46%	-8,79%	-1,89%	-4,49%	-4,52%	-5,99%

*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

On 2 November, the Norges Bank held its key policy rate at 4.25%, in line with market expectations. The rate is likely to increase in December as krone depreciation continues to contribute to sustaining inflation. However, according to Governor Ida Wolden Bache, if there are indications that inflation continues to decline, the policy rate may be held once again. In September, inflation in Norway dropped to 3.3%, but the krone depreciated to lows previously seen in 2020.

### Swiss franc

Due to intervention from the Swiss National Bank (SNB), the Swiss franc strengthened, selling a large amount of foreign exchange to support the franc as well as limit the impact of import inflation. Data from the SNB indicated that foreign exchange reserves decreased to lows previously seen over five years ago. Regarding monetary policy, persistently low inflation supported expectations that the SNB will hold its current policy rate.

### US dollar



In October, the US Dollar Index was up 0.41%. Investors continued to assess the outlook for Federal Reserve monetary policy, with markets torn on whether US interest rates have reached its peak. Federal Reserve Governor Michelle Bowman highlighted the possibility of further rate hikes considering the strength of the US economy, while Minneapolis Federal Reserve President Neel Kashkari stated that it would be premature to declare victory over inflation.

## Emerging market currency performance

### Mexican peso

The Mexican central bank held interest rates at their current record high of 11.25%. Despite inflation decreasing during October, the 3% target inflation is not expected to be achieved until 2025. According to projections, inflation risks remain on the upside. The Mexican central bank still has scope to maintain its tight monetary policy, with the Mexican economy proving resilient. Mexico's quarter three GDP grew by 3.3%, exceeding estimates, while the unemployment rate fell to 2.9%.

### Russian ruble

In October, the Russian ruble appreciated, supported by an increased supply of foreign currency. This followed President Putin's introduction of mandatory foreign exchange sales to 43 exporting companies and imposed capital controls on Western companies willing to sell their assets in the country. In addition, high borrowing costs and elevated oil prices contributed to the ruble's partial recovery. Overall, the ruble remains around 30% down since the beginning of the year.

### South African rand

In October, the South African rand strengthened. This is due to the US Federal Reserve deciding to maintain interest rates for a second time and Chair Jerome Powell indicating that another hike this year is unlikely. South African Reserve Bank Governor Lesetja Kganyago once again highlighted that the central bank's battle against inflation continues as headline inflation increased to 5.4% in September. In addition, he mentioned that deteriorating public finances could lead to higher rates.

## Outlook

On 1 November, the US Federal Reserve held interest rates and the indication is that the wait for rate cuts will be longer than previously expected as a more restrictive, higher-for-longer approach is signalled.

Locally, markets expect to see its first interest rate cut in July 2024. South African Reserve Bank Governor Lesetja Kganyago stated there is no doubt that the SARB will bring inflation down despite having to balance the goal of price stability against a backdrop of persistently disappointing growth.

# call us

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