

Currency Performance Report

As of 30 April 2024



Global indices struggled in April 2024 compared to previous months, however, local markets ended on a positive note. The MSCI All-Country World Equity Index was down 3.71% and the Nasdaq Composite Index was down 4.38%. Similarly, the Dow Jones Industrial Average was down 4.92% while the S&P 500 Index decreased by 4.08%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 2.95% 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	-0,74%	-4,95%	-2,18%	-5,68%	-1,68%	-3,54%
Euro	-1,17%	-3,35%	-3,23%	-3,90%	-0,99%	-2,59%
British pound	-1,06%	-1,89%	-0,57%	-3,31%	-0,85%	-2,96%
Japanese yen	-4,11%	-10,61%	-13,64%	-11,53%	-6,72%	-4,25%
Norwegian krone	-2,59%	-8,72%	-4,26%	-9,19%	-4,92%	-6,05%
Swiss franc	-1,93%	-8,46%	-2,74%	-0,22%	2,08%	-0,43%
Emerging Markets						
Argentine peso	-2,25%	-7,76%	-74,60%	-52,58%	-44,95%	-37,48%
Brazilian real	-3,43%	-6,57%	-3,98%	1,54%	-5,46%	-8,09%
Chinese yuan	-0,27%	-1,97%	-4,55%	-3,66%	-1,44%	-1,45%
Mexican peso	-3,53%	-1,06%	4,93%	5,68%	2,03%	-2,67%
Russian ruble	-0,62%	-2,89%	-13,76%	-6,85%	-7,03%	-9,15%
Turkish lira	0,07%	-9,06%	-40,00%	-36,57%	-28,72%	-23,90%
South African rand	0,88%	-2,52%	-2,60%	-8,23%	-5,28%	-5,62%

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

Japan's Finance Minister Shunichi Suzuki reiterated their readiness to address volatility in foreign exchange markets. The Bank of Japan (BOJ) Governor Kazuo Ueda noted that it would assess the yen's impact on inflation to guide policy decisions. BOJ data indicated an expenditure of nearly \$60 billion to support the currency. However, analysts argued that such interventions would only provide temporary relief due to significant interest rate differentials between Japan and the US.

Australian dollar

The Reserve Bank of Australia (RBA) held the cash rate at 4.35%, in line with market expectations. However, the RBA did not deliver the anticipated hawkish message. This marks the fourth consecutive time that the central bank has maintained rates since the last increase in November 2023. Australia's inflation rate decreased to 3.6% in the first quarter of 2024 from 4.1% in the previous quarter. This marks the fifth consecutive quarter of slowing inflation but still surpassing forecasts of 3.4%.



US dollar

The US dollar Index was up 1.75% in April. Neel Kashkari, President of the Minneapolis Fed, stated that he anticipates the Fed will maintain its current stance for a prolonged period until there is evidence of disinflation, while also leaving open the possibility of a rate hike if inflation accelerated. Despite this, markets are still expecting interest rate cuts this year, fuelled by recent weaker-than-anticipated US employment data and dovish signals from other Fed officials.

Emerging market currency performance

Mexican peso

Markets expect the Bank of Mexico (Banxico) to maintain its rates at 11% on 9 May 2024, following a reduction in March. However, new data could spark discussions among governing council members regarding the necessity for policy adjustments. The Mexican economy expanded by 0.2% quarter-on-quarter in Q1 of 2024, accelerating from 0.1% in Q4 2023 and surpassing market expectations of flat growth. Concurrently, business confidence remains near its highest level in 11 years while the inflation rate continues to be above 4%.

South African rand

Expectations for interest rate cuts in South Africa have shifted significantly in this quarter of 2024. Initially, markets anticipated multiple rate cuts early in the year, but there are now hopes for just one rate cut before the end of the year. Many economists and analysts have dismissed the possibility of any interest rate cuts this year, delaying the start of a downward cycle until 2025.

Regarding concerns about election uncertainty, SARB Governor Lesetja Kganyago noted that this is a global phenomenon, with many countries holding elections. He emphasised that this uncertainty would impact various markets, including foreign exchange, bonds and equities.

Outlook

There have been increasing signs that the Fed might consider two interest rate cuts this year. Recent data showed a deceleration in US employment growth in April 2024, alongside an unforeseen uptick in the unemployment rate. Federal Reserve Chair Jerome Powell dismissed the possibility of raising interest rates.

Locally, it's expected that the SARB will keep interest rates at their current elevated levels for an extended period, given the ongoing risks to the inflation forecast. The SARB's latest Monetary Policy Review indicated a likelihood of monetary policy remaining unchanged for 2024. Analysts expect the central bank may postpone any interest rate reductions especially with national elections approaching, aiming to mitigate potential currency instability amidst increased political uncertainty.

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