

## Currency Performance Report

As at 31 July 2023



Following the momentum gained in June, market movements in July were good, with major indices providing positive returns. The MSCI All-Country World Equity Index increased by 3.55% and the Nasdaq Composite Index was up by 4.05% during July. The Dow Jones Industrial Average was up by 3.35% while the S&P 500 Index gained 3.11%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 3.98% 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	0,78%	-1,39%	-3,60%	-2,01%	-1,99%	-2,86%
euro	0,77%	2,73%	7,70%	-2,26%	-1,21%	-1,88%
British pound	1,03%	6,10%	5,52%	-0,63%	-0,44%	-1,68%
Japanese yen	1,43%	-7,85%	-6,26%	-9,38%	-4,69%	-3,67%
Norwegian krone	5,81%	-3,27%	-4,35%	-3,49%	-4,24%	-5,27%
Swiss franc	2,70%	6,03%	9,31%	1,55%	2,58%	0,61%
<b>Emerging Markets</b>						
Argentine peso	-6,74%	-35,79%	-52,31%	-35,95%	-36,95%	-32,37%
Brazilian real	2,01%	11,89%	9,56%	3,41%	-4,48%	-7,04%
Chinese yuan	1,52%	-3,43%	-5,58%	-0,79%	-0,94%	-1,52%
Mexican peso	2,30%	16,42%	21,88%	10,02%	2,20%	-2,69%
Russian ruble	-2,24%	-23,69%	-32,73%	-6,69%	-7,36%	-9,72%
Turkish lira	-3,29%	-30,62%	-33,45%	-36,27%	-28,84%	-23,15%
South African rand	5,47%	-4,74%	-6,84%	-1,58%	-5,75%	-5,76%

*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

### Euro

Eurozone headline inflation decreased in July, to 5.3% compared to the 5.5% recorded in June. The figures, however, remain significantly above the European Central Bank's 2% target. Positively, there were signs of improved economic activity in the second quarter of this year, ahead of market expectations. Despite the data, economists remain concerned about a looming recession.

### Norwegian krone

Markets expect the Norwegian Central Bank to continue increasing interest rates and go beyond the 4.25% signalled for August. Economists think the increase in rates is required to control Norway's highest inflation rate in years (6.4% in June) and support the krone.

### US dollar

The US dollar Index was down by 1.03% in July. US economic data once again showcased the resilience of the US economy, increasing the probability of further rate hikes by the Fed for 2023. The government's



decision to issue more debt at higher borrowing costs supported Fitch's downgrade of the US's credit rating, which added pressure on the dollar.

## Emerging market currency performance

### Argentine peso

The Argentine government announced a restructuring of loan repayments with the International Monetary Fund (IMF). However, markets think that the restructure is insignificant, and does not address the issues that Argentina is experiencing. Argentina President Alberto Fernández remains alerted to the sharp devaluation of the country's currency, but expectations are that his imminent successor will need to address the persistent dollar shortage.

### South African rand

The South African rand strengthened during June and July from the previous lows experienced in May. Regarding monetary policy, the South African Reserve Bank (SARB) held interest rates at a 14-year high of 8.25% in July, taking a pause after 10 consecutive rate increases, however, the SARB warned that the pause does not signal the end of the hiking cycle.

## Outlook

Markets are beginning to scrap their forecasts of a US recession amid growing optimism about the economic outlook. The change in recession expectations comes from the Federal Reserve Chair Jerome Powell's statement that the central bank's own economists no longer expect a recession in the US.

Markets view the decision by the SARB, to pause the hiking cycle may indicate that inflation has reached its peak and improved economic conditions can be expected going forward.

# 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

