

Currency Performance Report

As of 31 March 2023



Markets mainly trended upward during March with most major indices providing positive returns. The MSCI All-Country World Equity Index increased by 2.82%. The Nasdaq composite was up 6.69% during March. The Dow Jones Industrial Average and the S&P 500 also increased by 1.89% and 3.51% respectively.

Locally, the FTSE/JSE Shareholder Weighted All Share index closed 2.82% down.

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	-0,64%	-1,87%	-10,63%	2,91%	-2,73%	-4,34%
Euro	2,48%	1,28%	-2,05%	-0,57%	-2,53%	-1,66%
British Pound	2,60%	1,95%	-6,09%	-0,22%	-2,52%	-2,07%
Japanese Yen	2,57%	-1,27%	-8,38%	-6,79%	-4,36%	-3,37%
Norwegian Krone	-0,79%	-6,34%	-16,00%	-0,18%	-5,58%	-5,65%
Swiss Franc	2,98%	1,05%	0,85%	1,66%	0,84%	0,37%
Emerging Markets						
Argentine Peso	-5,66%	-15,43%	-46,88%	-32,49%	-37,38%	-30,99%
Brazilian Real	3,43%	4,40%	-5,49%	0,93%	-8,18%	-8,76%
Chinese Yuan	0,95%	0,43%	-7,69%	1,03%	-1,79%	-1,00%
Mexican Peso	1,62%	8,13%	10,19%	9,61%	0,17%	-3,73%
Russian Ruble	-3,39%	-9,92%	7,22%	0,36%	-5,94%	-8,74%
Turkish Lira	-1,52%	-2,56%	-23,51%	-29,87%	-27,08%	-21,03%
South African Rand	3,20%	-4,36%	-17,49%	0,14%	-7,81%	-6,34%

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

The Norges Bank increased its policy rate by 25 bps to 3% during March, taking interest rates to a new height since 2009. The bank states that a higher policy rate is required to curb inflation which is significantly above its target. The Norges Bank's view is that policy rates need to be at a higher level than previously projected to counter inflation and will consider an increase in the rate to 3.5% at the next meeting.

Swiss Franc

A decrease in reserves suggested the Swiss National Bank may have sold foreign currencies for francs as an intervention to help strengthen the currency and tackle inflation. March figures showcased a reduction in inflation to 2.9%, down from the 3.4% figure recorded during February and below the 3.2% expectations. In addition, the policy rate was reduced to 2.2%.

US Dollar

The dollar index was down 2.25% during March, due to weaker-than-expected US manufacturing data, showcasing a slowing economy. In addition, the unexpected cut in oil production and a possible increase in oil



prices could make the Fed's objective of reducing inflation more challenging, according to St Louis Fed Bank President James Bullard.

Emerging market currency performance

Argentine Peso

The central bank of Argentina increased interest rates by 300 bps to 78% during March, after a 550 bps rate hike in last September as annual inflation surged above 100%. Inflation continues to rise, despite the government's efforts to limit retail prices.

Brazilian Real

The Central Bank of Brazil made the decision to hold the policy rate at 13.75% at its March meeting, maintaining the rate since last September. Headline inflation has fallen sharply since 2022, however it remains above the Central Bank of Brazil's 3.25% inflation target for 2023.

South African Rand

The South African rand traded at seven-week highs after the South African Reserve Bank (SARB) increased the repo rate by 50 bps to 7.75%, the highest rate since May 2009. The increase was higher than expected, with the SARB referencing inflation risks as the basis. The SARB has now increased rates for the ninth time in a row, adding a total of 425 bps to the repo rate since it began tightening policy in November 2021.

Outlook

Markets are split on whether the US Federal Reserve will keep interest rates at its current level or increase rates by a further 25 basis points during May. Locally, there are views that the country could experience a technical recession due the contracting economy.

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