

Currency Performance Report

As at 30 June 2023



Markets trended upward during the month of June, with major indices providing positive returns. The MSCI All-Country World Equity Index increased by 5.64% and the Nasdaq Composite Index was up by 6.59% during June. The Dow Jones Industrial Average was up 4.54% while the S&P 500 Index gained 6.47%.

Locally, the FTSE/JSE Shareholder Weighted All-Share Index closed 3.75% 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	2,49%	-2,15%	-3,42%	-1,15%	-2,07%	-3,11%
euro	2,07%	1,94%	4,08%	-0,95%	-1,36%	-1,74%
British pound	2,13%	5,02%	4,35%	0,82%	-0,77%	-1,78%
Japanese yen	-3,45%	-9,15%	-5,95%	-9,23%	-5,17%	-3,69%
Norwegian krone	3,43%	-8,58%	-8,16%	-3,52%	-5,34%	-5,53%
Swiss franc	1,70%	3,25%	6,66%	1,90%	2,05%	0,54%
Emerging Markets						
Argentine peso	-6,71%	-31,15%	-51,22%	-35,03%	-35,37%	-32,05%
Brazilian real	4,95%	9,69%	9,07%	4,30%	-4,26%	-7,41%
Chinese yuan	-1,94%	-4,88%	-7,63%	-0,86%	-1,80%	-1,65%
Mexican peso	3,32%	13,79%	17,39%	10,35%	3,08%	-2,75%
Russian ruble	-9,43%	-21,94%	-42,55%	-7,37%	-6,87%	-9,55%
Turkish lira	-20,31%	-28,26%	-35,92%	-35,93%	-29,34%	-22,92%
South African rand	4,77%	-9,68%	-13,57%	-2,73%	-6,12%	-6,24%

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

The yen weakened following comments from the Bank of Japan's Governor, stating that there was still some way to go in achieving the 2% inflation target. Inflation in Japan picked up during June, remaining above the central bank's target rate for the 13th month. Policymakers are now reconsidering the ultra-easy monetary policy approach.

Norwegian krone

The Norges Bank increased rates by 50bps to 3.75% in June, above market expectations of a 25bps increase. The increase takes rates to its highest level since 2008 with the central bank indicating possible further increases in August. Governor Ida Wolden Bache mentioned that if rates are not raised, prices and wages could continue to increase.

US dollar

The US Dollar Index was down 1.36% in June as traders awaited the Federal Reserve policy meeting minutes, for indications on the direction of interest rates. Markets expect the central bank to implement a further 25bps



rate hike as Fed Chair Jerome Powell stated that rate increases are likely in an effort to bring inflation to the 2% target.

Emerging market currency performance

Turkish lira

The Turkish lira experienced losses due to the central bank's change to a more orthodox monetary policy approach and the end of the central bank's use of reserves to support the currency. In June, the central bank of Turkey raised interest rates by 650bps to 15%, below market expectations of 21%.

Brazilian real

The Brazilian real was supported by interest rate hikes and an optimistic growth outlook. The inflation rate in Brazil fell to 3.94% in May, below market forecasts, the lowest since October 2020. It was the third consecutive month that Brazil recorded an inflation rate below the central bank's upper target of 4.75%. The Brazilian economy has displayed notable resilience, demonstrated by the country's GDP growth.

South African rand

The South African rand was supported by reduced load-shedding stages and President Ramaphosa's more neutral position on the Russia-Ukraine war. The South African Reserve Bank's Governor Lesetja Kganyago stated that he deems the rand to be "undervalued" and thinks that policy would need to remain tight for longer than previously markets expected.

Outlook

The Federal Reserve policy meeting minutes highlighted that the majority of members of the central bank supported further rate hikes over the coming months, mentioning stubborn inflation and an overheated labour market as the reasons. This has created expectations for an increase at the Fed's next meeting.

South African Reserve Bank's Governor Lesetja Kganyago indicated that inflation is expected to decline to within the central bank's target range of 3% to 6% by the third quarter of 2023, earlier than previously forecasted.

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