

MOROCCAN TREASURY : A NEW RECORD FUNDRAISING IN A CRUCIAL CONTEXT

After an issue of € 1.0 Bn last September, the Moroccan Treasury succeeded this month the largest foreign currency fundraising in its history, equivalent to \$ 3.0 Bn. Thus, Morocco is joining the club of countries which made record issuances in 2020, such as Egypt with \$ 5.0 Bn.

Benefiting from an oversubscription rate of 4.0x, this new dollar-denominated Eurobond issue was divided into 3 tranches with more attractive spread levels than those observed during the last issue. In more details:

- The 1st one of \$ 750 Mn over a 7 year maturity and associated with a 175 BPS spread ;
- The 2nd one of \$ 1.0 Bn over a 12 year maturity and associated with a 200 BPS spread ;
- Finally, the 3rd one of \$ 1.25 Bn over a 30 year maturity and associated with a 4.0% interest rate.

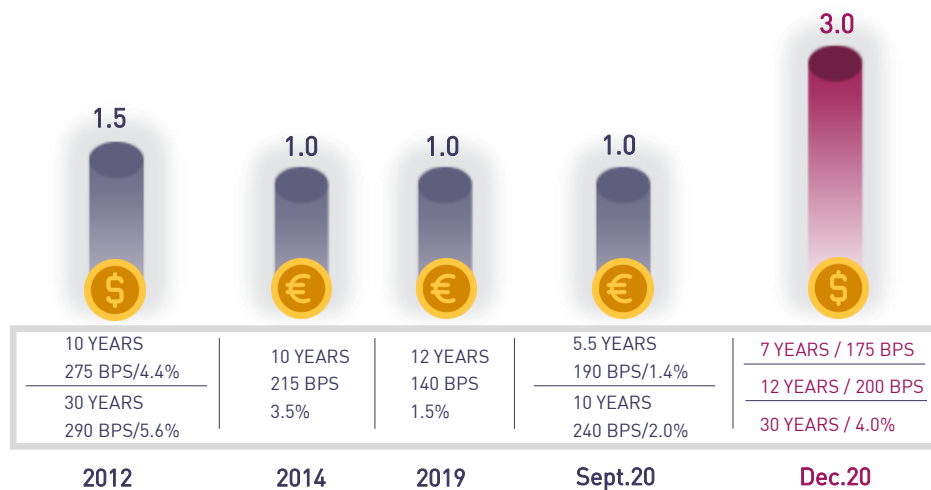
Lamyae Oudghiri

Manager
+212 529 03 68 18
l.oudghiri@attijari.ma

Taha Jaidi

Head of Strategy
+212 529 03 68 23
t.jaidi@attijari.ma

MOROCCAN TREASURY : INTERNATIONAL FUNDRAISINGS DURING THE 2012-2020 PERIOD (AMOUNT IN Bn)



Our analysis of this historical fundraising, particularly within the current context, highlights three key points :

- (1) Morocco continues to benefit from the confidence of international lenders with a Demand reaching \$ 13 Bn combined with advantageous financing conditions. This achievement is reassuring in a context marked by the rise in investors' risk aversion towards debt in general;
- (2) The Treasury's appeal to the domestic market is expected to ease significantly, thus allowing to dispel the upward pressure on the yield curve observed in recent weeks. In fact, this historical fundraising of \$ 3.0 Bn will allow the Moroccan Treasury to exceed its target foreign financing of MAD 60.0 Bn expected initially;
- (3) Foreign currency reserves would exceed MAD 310 Bn at the end of 2020E, a record level for the Kingdom. Unlike the September issue (€ 1.0 Bn) which was used to repay an equivalent loan during the same month, this new fundraising will strengthen the country's foreign reserve position and therefore, reduce liquidity pressures on the money market.

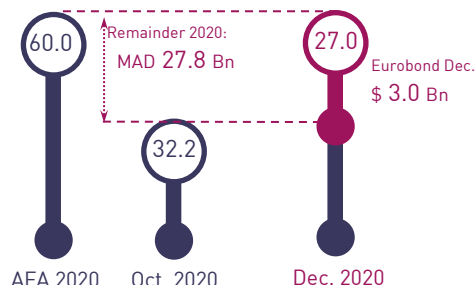
EXPERT OPINION

This historical fundraising will allow, on the one hand, a noticeable reduction of the Treasury financing cost on the domestic market and, on the other hand, a visible improvement in the liquidity conditions of the money market. Taking into account this new context, the scenario of a cut in Moroccan central bank's key rate in December 2020 becomes less likely [Cf. Budget Focus octobre 2020].

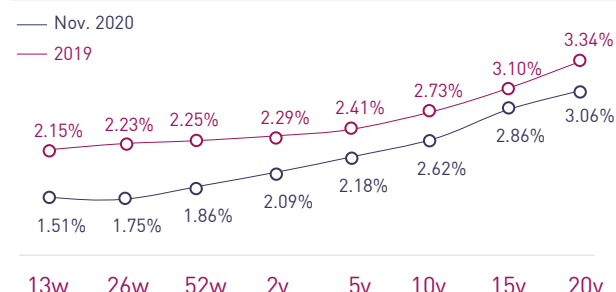
A LARGE-SCALE OPERATION ALLOWING TO DISCARD RISING PRESSURES ON RATES

With this new issue of around MAD 27.0 Bn, the Treasury would largely finance its needs by the end of the year. In fact, this operation constitutes a comfortable mattress to start the 2021 year without much pressure. In more detail, the upper limit for external financing is set by the AFA 20 at MAD 60.0 Bn, while the remainder at the end of October stands at MAD 27.8 Bn. In the end, we forecast a reversal of the recent upward trend in interest rates induced by the Treasury's massive appeal to the domestic market during the pre-Eurobond period. Remember that in November only, the Treasury raised MAD 23.0 Bn against an announced requirement of MAD 15.3 Bn.

TREASURY : EXTERNAL FINANCING (MAD BN)



MOROCCO : BOND RATES PRIMARY CURVE

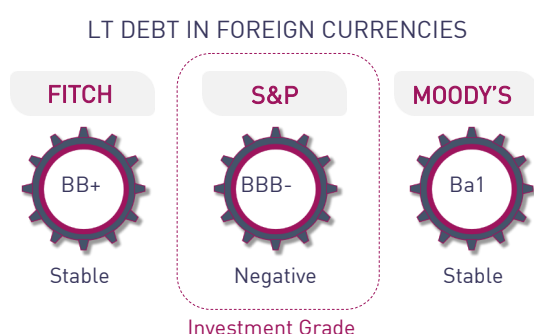


A POSITIVE SIGNAL REGARDING THE FOREIGN FINANCING CAPACITY OF THE MOROCCAN TREASURY

Despite the downgrade of Morocco's sovereign rating by Fitch in October 2020, the Kingdom benefited from favorable terms in relation to the issue currency. Thus, we note :

- (1) A risk premium lower than that of the last September release. As an indication, the 12-year maturity spread is set at 200 BPS for the dollar-denominated Eurobond, equivalent to 40 BPS below the one operated in Euro. However, taking into account a positive yield spread of more than 150 BPS between European and US bonds during 2020, interest rates would naturally be higher for this recent dollar issuance ;
- (2) The average spread of this latest release is around 240 BPS. A level below the average risk premium required by investors for emerging countries, i.e. over 330 BPS.

MOROCCO : MAIN AGENCIES' RATINGS



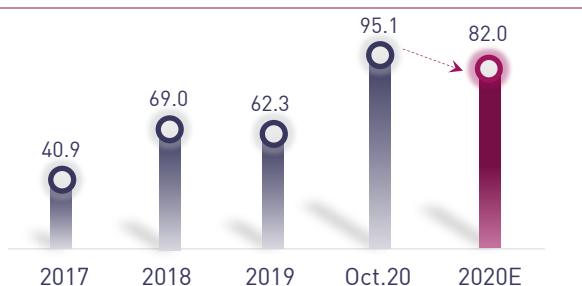
EMERGING COUNTRIES : DEBT SPREAD⁽¹⁾



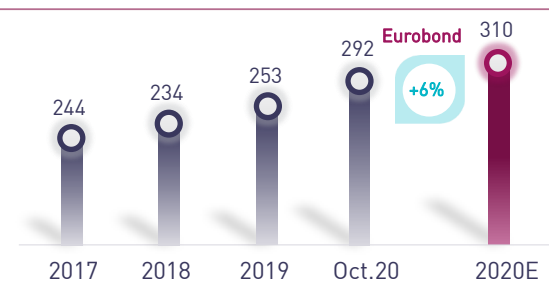
A DOUBLE POSITIVE IMPACT, ON PUBLIC FINANCES AND FOREIGN CURRENCY RESERVES

The benefits from this fundraising go beyond pressure relief on public finances. Unlike the issue made in September, this Eurobond would allow a marked improvement in the Morocco's foreign exchange reserves. These would exceed MAD 310 Bn in 2020E taking into account the PLL drawdown of a similar amount last April. In the end, Morocco improves its resilience to possible additional exogenous shocks on its balance of payments.

MOROCCO : BANK LIQUIDITY DEFICIT (MAD BN)



MOROCCO : OFFICIAL FOREIGN RESERVE (MAD BN)



(1) EMBI benchmark index - Spread between the yield of USD sovereign bonds and that of emerging countries

Sources : Bloomberg, Bank Al-Maghrib, AGR Computations & Estimates

ATTIJARI GLOBAL RESEARCH

HEAD OF STRATEGY

Taha Jaidi
+212 5 29 03 68 23
t.jaidi@attijari.ma
Casablanca

MANAGER

Lamyae Oudghiri
+212 5 29 03 68 18
l.oudghiri@attijari.ma
Casablanca

SENIOR ASSOCIATE

Mahat Zerhouni
+212 5 29 03 68 16
m.zerhouni@attijari.ma
Casablanca

ASSOCIATE

Omar Cherkaoui
+212 5 22 49 14 82
o.cherkaoui@attijari.ma
Casablanca

CHIEF ECONOMIST

Abdelaziz Lahlou
+212 5 29 03 68 37
ab.lahlou@attijari.ma
Casablanca

MANAGER

Maria Iraqi
+212 5 29 03 68 01
m.iraqui@attijari.ma
Casablanca

ASSOCIATE

Meryeme Hadi
+212 5 22 49 14 82
m.hadi@attijari.ma
Casablanca

INVESTOR RELATIONS ANALYST

Nisrine Jamali
+212 5 22 49 14 82
n.jamali@attijari.ma
Casablanca

SENIOR ANALYST

Inès Khouaja
+216 31 34 13 10
khouaja.ines@attijaribourse.com.tn
Tunis

FINANCIAL ANALYST

Josiane Ouakam
+237 233 43 14 46
j.ouakam@attijarisecurities.com
Douala

FINANCIAL ANALYST

Jean-Jacques Birba
+225 20 21 98 26
jean-jacques.birba@sib.ci
Abidjan

Equity

BROKERAGE - MOROCCO

Abdellah Alaoui
+212 5 29 03 68 27
a.alaoui@attijari.ma

Rachid Zakaria
+212 5 29 03 68 48
r.zakaria@attijari.ma

Anis Hares
+212 5 29 03 68 34
a.hares@attijari.ma

Kaoutar Sbiyaa
+212 5 29 03 68 21
k.sbiyaa@attijari.ma

Alae Yahya
+212 5 29 03 68 15
a.yahya@attijari.ma

ONLINE TRADING - MOROCCO

Nawfal Drari
+212 5 22 49 59 57
n.drari@wafabourse.com

Sofia Mohcine
+212 5 22 49 59 52
s.mohcine@wafabourse.com

WAEMU - CÔTE D'IVOIRE

Mohamed Lemridi
+225 07 80 68 68
mohamed.lemridi@sib.ci

BROKERAGE - TUNISIA

Abdelkader Trad
+216 71 10 89 00
trad.@attijaribank.com.tn

CEMAC - CAMEROUN

Yves Ntchoumou
+237 2 33 43 14 46
n.ntchoumou@attijarisecurities.com

Bonds / Forex / Commodities

MOROCCO

Mehdi Mabkhout
+212 5 22 42 87 22
m.mabkhout@attijariwafa.com

Mohammed Hassoun Filali
+212 5 22 42 87 09
m.hassounfilali@attijariwafa.com

Btissam Dakkouni
+212 5 22 42 87 74
b.dakkouni@attijariwafa.com

Dalal Tahoune
+212 5 22 42 87 07
d.tahoune@attijariwafa.com

EGYPT

Ahmed Darwich
+202 27 97 04 80
ahmed.darwich@barclays.com

TUNISIA

Abdelkader Trad
+216 71 80 29 22
trad.abdelkader@attijaribank.com.tn

MIDDLE EAST - DUBAÏ

Serge Bahaderian
+971 0 43 77 03 00
sbahaderian@attijari-me.com

WAEMU - CÔTE D'IVOIRE

Abid Halim
+225 20 20 01 55
abid.halim@sib.ci

CEMAC - GABON

Youssef Hansali
+241 01 77 72 42
youssef.hansali@ugb-banque.com

DISCLAIMER

RISKS

Investment in Securities is a risky operation. This document is intended for informed investors. The value and yield of an investment can be influenced by several factors both economic and technical. Previous performances of the different assets classes do not constitute a guarantee for subsequent achievements. Furthermore, forecast of future achievements may be based on assumptions that could not be realized.

LIABILITY LIMITS

The investor acknowledges that these opinions constitute an element of decision support. He assumes full responsibility for his investment choices. Attijari Global Research can't be considered responsible for his investment choices. This document can be considered as an official confirmation of a transaction addressed to a person or entity and no guarantee can be made that this transaction will be concluded on the basis of the terms and conditions contained in this document or on the basis of other conditions. Attijari Global Research has neither verified nor conducted an independent analysis of the information contained in this document. Therefore, Attijari Global Research doesn't make any statement or guarantee and makes no commitment to this document's readers, in any way whatsoever regarding the relevance, accuracy or completeness of the information contained therein. In any case, readers should collect the internal and external opinions they deem necessary, including from lawyers, tax specialists, accountants, financial advisers, or any other experts, to verify the adequacy of the transactions which are presented to them. The final decision is the sole responsibility of the investor. Attijari Global Research can not be held responsible for financial losses or any decision made on the basis of the information contained in its presentations.

INFORMATION SOURCE

Our publications are based on public information. Attijari Global Research strives for the reliability of the information provided. However, it is unable to guarantee its veracity or completeness. The opinions provided are expressed only by the analysts writers. This document and all attachments are based on public information and may in no circumstances be used or considered as a commitment from Attijari Global Research.

CHANGE OF OPINION

The expressed recommendations reflect an opinion consisting of available and public elements during the preparation period of the said note. The views, opinions and other information expressed in this document are indicative and may be modified or removed at any time without prior notice.

INDEPENDENCE OF OPINION

Attijari Global Research preserves full independence regarding the opinions and recommendations issued. As a result, the investment decisions of Attijariwafa bank Group subsidiaries may conflict with the recommendations and / or strategies published in the Research notes.

REMUNERATION AND BUSINESS STREAM

Financial analysts responsible for the preparation of this report receive remunerations based on various factors, among which the quality of the research and the relevance of the topics discussed. Attijariwafa bank Group maintains a business stream with the companies covered in the publications of Attijari Global Research.

ADEQUACY OF OBJECTIVES

The various publications of Attijari Global Research are prepared excluding the individual financial circumstances and objectives of persons who receive them. The instruments and discussed strategies may not be appropriate for the different investor profiles. For this reason, making an investment decision solely on these opinions may not lead to the intended objectives.

OWNERSHIP AND DIFFUSION

This document is the property of Attijari Global Research. It may not be duplicated or copied partially or fully without the written consent of the management of Attijari Global Research. This document can be distributed only by Attijari Global Research or one of Attijariwafa bank Group's subsidiaries.

SUPERVISORY AUTHORITIES

Attijari Global Research is subject to the supervision of the regulatory authorities for the various countries of presence. These include AMMC in Morocco, CMF in Tunisia, CREPMF in WAEMU, COSUMAF in CEMAC and CMA in Egypt. Any person accepting to receive this document is bound by the terms above.

