



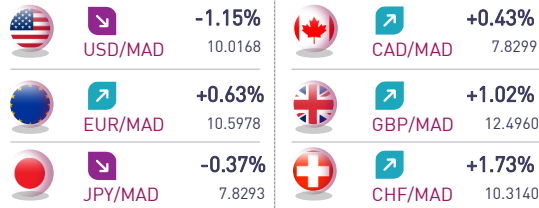
# WEEKLY MAD INSIGHTS

## CURRENCIES

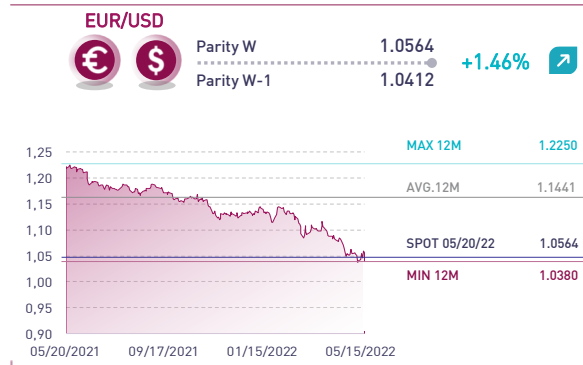
27 | MAY  
2022

Week from 05/16/2022 to 05/20/2022

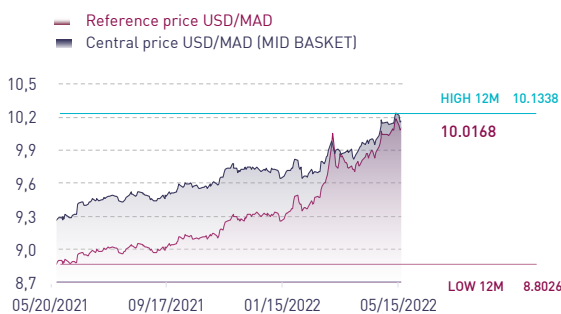
### MAIN WEEKLY VARIATIONS



### INTERNATIONAL HIGHLIGHTS



### MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



	USD/MAD	EUR/MAD
Basket <sup>(1)</sup> effect	-1.06%	+0.72%
Market <sup>(2)</sup> effect	-0.09%	-0.09%

(1) Impact of the variation of the EUR/USD parity  
(2) Impact of the variation in the liquidity spread (Supply / Demand)

Banks Foreign Exchange position <sup>(3)</sup> W	<b>-2,176 MN</b>
Banks Foreign Exchange position W-1	<b>-1,947 MN</b>

(3) Calculated over the period from 05/12/2022 to 05/18/2022

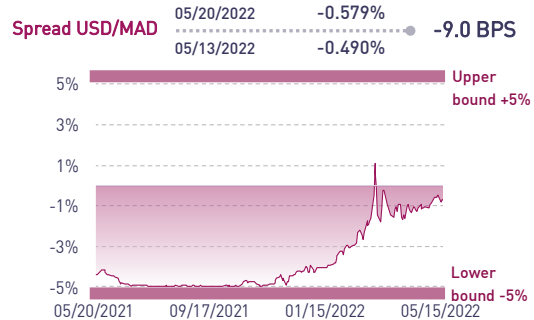
#### ECB: Towards monetary policy tightening

The euro appreciated this week against the dollar by +1.46%, rising from 1.0412 to 1.0564.

According to the ECB minutes, released last Thursday, several members support the end of net asset purchases under the APP program starting Q3.

The objective is to cope with speeding inflation. Under these conditions, the ECB would begin a cycle of raising its key rates starting July.

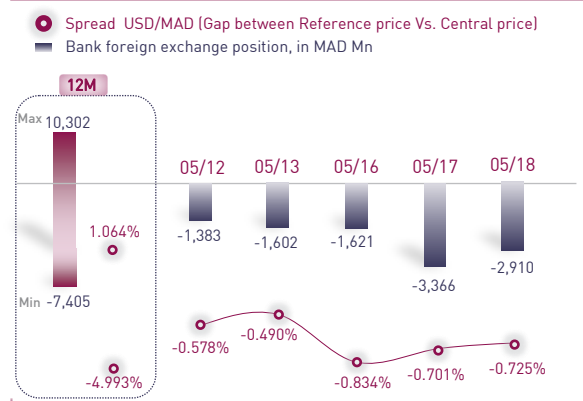
Inflation in the Eurozone stood at 7.4% in April after reaching a record level of 7.5% in March. This inflation level supports the ECB's decision to tighten monetary policy.



#### MAD rises against the USD thanks to the basket effect

The rise of the single currency has supported the appreciation of the MAD against the dollar as the market effect was insignificant. The USD/MAD parity depreciated this week to 10.02, ie a weekly drop of -1.15% against the dirham this week. This is due to a double negative effect for the MAD: a basket effect of -1.06% and a market effect of -0.09%.

Liquidity conditions on the interbank foreign exchange market remained quasi-stable with MAD liquidity spreads at -0.6% against -0.5% a week earlier. This slight improvement is due to relatively larger export flows than import flows.



### VOLATILITY INDICATORS

	USDMAD	EURMAD	JPYMAD	CADMAD	GBPMAD	CHFMAD
1 MONTH	7.34%	4.84%	13.97%	8.27%	9.84%	13.37%
2 MONTHS	6.62%	6.37%	13.93%	7.15%	8.39%	10.98%
3 MONTHS	9.67%	9.19%	15.30%	10.59%	10.40%	11.95%

#### MAD should hold up with the summer season

Volatility remains significant on the foreign exchange market given the strong risk aversion linked to the geopolitical context and the monetary policy decisions of the Fed and the ECB.

Given market and liquidity conditions, we recommend that dollar exporters implement hedging strategies at ST.

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# WEEKLY MAD INSIGHTS

## CURRENCIES

27 | MAY  
2022

Week from 05/16/2022 to 05/20/2022

### EUR/USD OUTLOOK – BLOOMBERG

	SPOT	Q2-22	Q3-22	Q4-22	Q1-23	2023	2024	2025	2026
<b>MEDIAN</b>		1.06	1.08	1.10	1.12	1.15	1.17	1.20	1.20
<b>AVERAGE</b>	1.0564	1.06	1.07	1.09	1.10	1.15	1.18	1.21	1.19
<b>+HIGH</b>	05/20/2022	1.10	1.13	1.17	1.20	1.23	1.24	1.27	1.21
<b>+LOW</b>		1.01	1.00	1.00	1.00	1.09	1.15	1.16	1.16
<b>FORWARD</b>		1.07	1.07	1.08	1.09	1.11	1.13	1.14	1.16

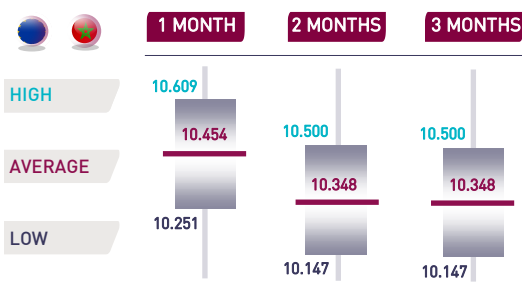
EUR/USD forecasts from international brokers have been stable this week. In Q2-22, the pair would move to 1.06. The pair would settle at 1.07 in Q3-22 and then at 1.09 in Q4-22. In Q1-23, this would change to 1.10. In 2023, the target is 1.15 before reaching 1.18 in 2024, 1.21 in 2025 and 1.19 in 2026.

The single currency is penalized on the ST by the situation in Ukraine and its impact on global economic growth. Following the release of the last monetary policy meeting minutes, the ECB gave strong signals in favor of raising interest rates starting from July to deal with inflation. The latter stood at 7.4% in the Euro zone during April.

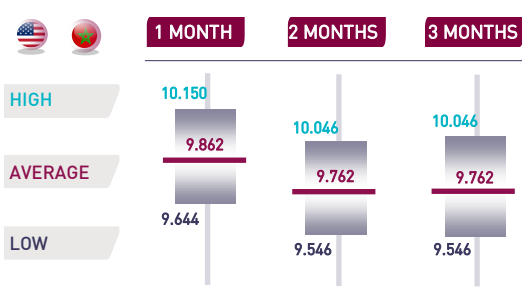
The Fed, for its part, should continue to tighten its monetary policy with 2 hikes of 50 PBS during the next two FOMC meetings in mid-June and at the end of July. This tightening of monetary policy by the Fed is supported by US inflation of 8.3% in April, at 40-year highs.

The fragility of growth in Europe and the divergences in the timetable for the normalization of monetary policies between the Fed and the ECB further favor the dollar against the Euro on the ST.

### DOWNWARD REVIEW OF OUR 1-MONTH, 2-MONTH AND 3-MONTH HORIZON FORECASTS



Based on EUR/USD Bloomberg forecast for Q2-22



Based on EUR/USD Bloomberg forecast for Q2-22

Given the EUR/USD forecast and liquidity spreads in the FX market, we have revised downward our USD/MAD forecast for the next 3 months.

The MAD would appreciate against the USD over a horizon of 1, 2 and 3 months, i.e. during the summer period.

Indeed, we anticipate an improvement in the foreign exchange position during this period. Following the easing of sanitary restrictions, we should see an increase in foreign exchange receipts thanks to the Travel receipts and workers' remittances. These should support more favorable liquidity conditions on the interbank foreign exchange market and strengthen the dirham until August, in particular thanks to the "Marhaba" operation.

The target levels of the USD/MAD parity stand at 9.86; 9.76 and 9.76 over 1, 2 and 3 month horizons against a spot price of 10.02.

Against the Euro, the Dirham should depreciate over the same horizons. The target levels of the EUR/MAD parity stand at 10.45; 10.35 and 10.35 at 1, 2 and 3 month horizons against a spot price of 10.60.

### MAD YTD PERFORMANCE DASHBOARD IN FRONT OF A REFERENCE BASKET

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
<b>1 WEEK</b>	-1.15%	+0.63%	-0.37%	+0.43%	+1.02%	+1.73%
<b>1 MONTH</b>	+2.09%	-0.26%	+2.06%	+0.05%	-2.43%	-0.47%
<b>YTD 2022</b>	+7.94%	+0.77%	-2.91%	+7.36%	-0.24%	+1.38%

Prices as of 05/20/2022



# APPENDICES

DATA AS OF MAY 24<sup>TH</sup>, 2022

## APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q2-22	Q3-22	Q4-22	Q1-23	2023	2024	2025
<b>FORECAST</b>	USD/JPY	129	129	128	126	120	116	113
<b>FORWARD</b>	128	128	127	126	125	121	118	114
<b>FORECAST</b>	USD/CAD	1.28	1.26	1.26	1.25	1.24	1.25	1.29
<b>FORWARD</b>	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28
<b>FORECAST</b>	USD/CHF	0.98	0.98	0.97	0.96	0.95	0.91	0.91
<b>FORWARD</b>	0.97	0.96	0.96	0.95	0.94	0.92	0.90	0.88
<b>FORECAST</b>	GBP/USD	1.25	1.26	1.28	1.30	1.35	1.35	1.41
<b>FORWARD</b>	1.26	1.26	1.26	1.26	1.26	1.27	1.28	1.29

## APPENDIX 2 : MAIN BROKERS FORECASTS FOR THE EUR/USD PARITY

	Date	Q2-2022	Q3-2022	Q4-2022	Q1-2023	2023
Rabobank	05/23/22	1.03	1.04	1.06	1.09	1.18
Swedbank	05/23/22	1.05	1.07	1.08	1.1	1.15
Skandinaviska Enskilda Banken	05/18/22	1.04	1.02	1.07	1.09	1.15
ABN Amro	05/17/22	1.07	1.06	1.05	1.06	1.1
Standard Chartered	05/17/22	1.04	1.07	1.1	1.12	1.2
Westpac Banking	05/17/22	1.05	1.07	1.09	1.11	1.15
Ebury	05/16/22	1.06	1.09	1.12	1.14	1.18
Nomura Bank International	05/12/22	1.08	1.1	1.14	--	1.2
Morgan Stanley	05/11/22	1.06	1.03	1.05	1.07	1.11
Argentex LLP	05/10/22	1.06	1.09	1.1	1.12	1.15
NAB/BNZ	05/10/22	1.06	1.02	1.01	1.02	1.1
Capital Economics	05/06/22	1.04	1.02	1	1.03	1.1
Commerzbank	05/06/22	1.1	1.13	1.16	1.15	1.12
Investec	05/05/22	1.06	1.08	1.1	1.12	1.15
RBC Capital Markets	05/05/22	1.06	1.03	1	1.02	1.09
Landesbank Baden-Wuerttemberg	05/04/22	1.03	1.06	1.08	1.09	1.12
Alpha Bank	05/03/22	1.05	1.1	1.12	1.13	1.14

Prices as of 05/24/2022

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