



WEEKLY MAD INSIGHTS

CURRENCIES

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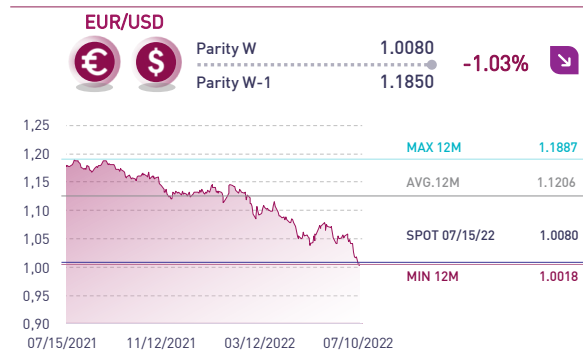
21 JULY
2022

Week from 07/11/2022 to 07/15/2022

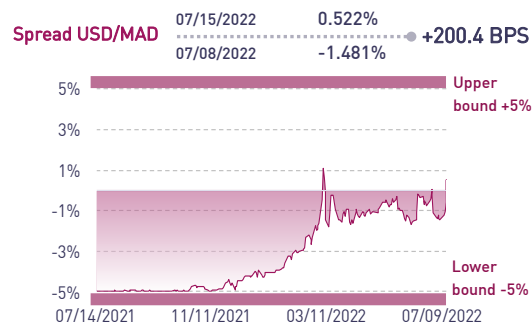
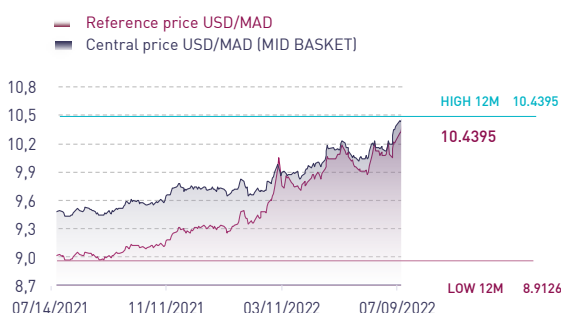
MAIN WEEKLY VARIATIONS

		+2.58%			+1.93%
USD/MAD		10.4395	CAD/MAD		7.9837
		+1.65%			+1.25%
EUR/MAD		10.4948	GBP/MAD		12.3570
		+0.41%			+2.23%
JPY/MAD		7.5218	CHF/MAD		10.6550

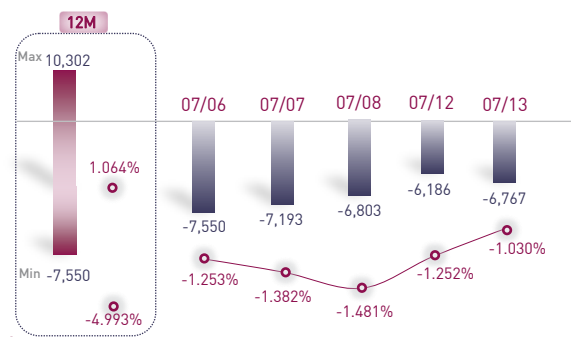
INTERNATIONAL HIGHLIGHTS



MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



Spread USD/MAD (Gap between Reference price Vs. Central price)
Bank foreign exchange position, in MAD Mn



VOLATILITY INDICATORS

	USDMAD	EURMAD	JPYMAD	CADMAD	GBPMAD	CHFMAD
1 MONTH	10.86%	9.72%	14.99%	10.66%	11.09%	14.67%
2 MONTHS	9.45%	8.28%	14.29%	8.92%	10.39%	14.09%
3 MONTHS	8.62%	7.33%	14.09%	8.69%	9.78%	12.61%

	USD/MAD	EUR/MAD
Basket ⁽¹⁾ effect	+0.55%	-0.38%
Market ⁽²⁾ effect	+2.03%	+2.03%

(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 ⁽³⁾ W	-6,900 MN
Banks Foreign Exchange position W-1	-6,995 MN

(3) Calculated over the period from 07/06/2022 to 07/13/2022

The single currency close to parity with the Dollar

The Euro fell sharply by -1.03% this week against the Dollar, from 1.185 to 1.0080, i.e. its lowest level since 2002. The ZEW economic sentiment index in Germany was very disappointing in July. It declined from -28.0 to -53.8, a larger drop than expected, i.e. -38.3. This decrease reflects fears related to Russian gas supply issues.

Meanwhile, US inflation settled at 9.1% in June against a forecast of 8.8%. A new record of more than 40 years which could encourage the Fed to consider a rate hike of 100 BPS against the 50-75 BPS initially planned.

Currency hedging transactions weigh on the Dirham

The Dollar appreciated strongly against the Dirham this week by +2.58% to 10.4395, driven by a double basket effect of +0.55% and a liquidity effect of +2.03%.

The liquidity effect was strongly unfavorable to the MAD. The sharp fall in the EUR/USD pair prompted several operators to hedge the foreign exchange risk by forward contracts. These currency hedging operations led to a significant drop in the liquidity of the Dirham, propelling liquidity spreads into positive territory at 0.5% against -1.5% a week earlier.

For its part, the foreign exchange position of banks remained stable this week around MAD -6.9 Bn on a weekly average.

High volatility in the foreign exchange market

Inflationary pressures and ECB monetary tightening in July reinforce the scenario of a recession in the Euro Zone, thus inducing high volatility in the EUR/USD.

Given the current levels of the MAD, we recommend that exporters in Dollars hedge their exchange rate risk on their international operations on very ST horizons.



WEEKLY MAD INSIGHTS

CURRENCIES

21 JULY
2022

Week from 07/11/2022 to 07/15/2022

EUR/USD OUTLOOK – BLOOMBERG

	SPOT	Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025	2026
MEDIAN		1.04	1.06	1.08	1.10	1.11	1.15	1.15	1.16
AVERAGE	1.0080	1.04	1.06	1.07	1.09	1.11	1.15	1.16	1.15
+HIGH	07/15/2022	1.11	1.15	1.16	1.17	1.20	1.21	1.25	1.16
+LOW		0.96	0.96	0.96	0.95	1.02	1.06	1.10	1.12
FORWARD		1.01	1.02	1.03	1.03	1.05	1.06	1.08	1.09

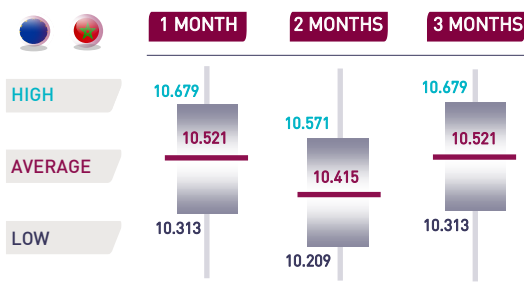
EUR/USD forecasts from international brokers were generally revised downward this week. In Q3-22, the pair would evolve at 1.04 against 1.05 the previous week. The pair would settle at 1.06 in Q4-22, then at 1.07 in Q1-23 against 1.08 initially. In Q2-23, this would change to 1.09. In 2023, the target is 1.11 against 1.12 the previous week before reaching 1.15 by 2024. In 2025, the target is 1.16 and in 2026, the forecast is unchanged at 1.15.

Inflation in June in the Euro Zone came out at a new record at 8.6%. The ECB is expected to carry out its first rate hike in 11 years in July in order to fight rising prices.

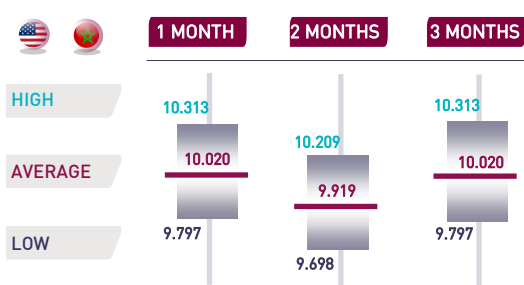
The Fed, for its part, has begun raising its key rate this year to 1.50% - 1.75% in June in order to fight inflation which reached 9.1% in June, a new peak of more than 40 years. The Fed now expects a rate hike of 100 BPS at the next FOMC meeting in July against an increase of 50-75 BPS initially planned.

The risk of recession in Europe and the divergences in the timing of monetary tightening by the Fed and the ECB continue to further favor the Dollar against the Euro.

REVIEW OF 1-MONTH, 2-MONTH AND 3-MONTH HORIZON FORECASTS



Based on EUR/USD Bloomberg forecast for Q3-22



Based on EUR/USD Bloomberg forecast for Q3-22

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

The MAD would appreciate against the USD over 1, 2 and 3 months, during the summer period of 2022.

Following the start of the "Marhaba" operation in June 2022, we anticipate significant export flows in the form of tourism receipts. Therefore, we forecast an improvement in liquidity conditions within the interbank foreign exchange market in the ST. Nevertheless, we remain vigilant with regard to the evolution of energy prices and their impact on Morocco's trade balance and foreign exchange reserves.

The target levels of the USD/MAD parity stand at 10.02; 9.92 and 10.02 at 1, 2 and 3 month horizons against a spot price of 10.44.

Against the Euro, the Dirham should depreciate within 1 month, appreciate within 2 months and depreciate within 3 months.

The target levels of the EUR/MAD parity stand at 10.52; 10.42 and 10.52 at 1, 2 and 3 month horizons against a spot price of 10.49.

MAD YTD PERFORMANCE DASHBOARD IN FRONT OF A REFERENCE BASKET

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 WEEK	+2.58%	+1.65%	+0.41%	+1.93%	+1.25%	+2.23%
1 MONTH	+3.26%	-0.99%	+0.06%	+2.02%	+0.94%	+5.21%
YTD 2022	+12.49%	-0.21%	-6.72%	+9.47%	-1.35%	+4.73%

Prices as of 07/15/2022



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APPENDICES

DATA AS OF JULY 18TH, 2022

APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025
FORECAST FORWARD	USD/JPY 139	135	132	129	127	123	120	115
		138	136	135	134	131	127	123
FORECAST FORWARD	USD/CAD 1.3	1.28	1.27	1.26	1.25	1.24	1.25	1.28
		1.3	1.3	1.3	1.3	1.3	1.31	1.31
FORECAST FORWARD	USD/CHF 0.98	0.97	0.96	0.95	0.95	0.95	0.93	0.93
		0.97	0.97	0.96	0.95	0.94	0.92	0.90
FORECAST FORWARD	GBP/USD 1.19	1.21	1.22	1.24	1.26	1.28	1.34	1.37
		1.19	1.19	1.19	1.19	1.20	1.20	1.21

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

	Date	Q3-2022	Q4-2022	Q1-2023	Q2-2023	2023
JPMorgan Chase	06/28/22	1.0000	1.01	1.02	1.03	--
Wells Fargo	06/28/22	1.0400	1.02	1	0.99	--
Commerzbank	06/24/22	1.0700	1.1	1.12	1.14	1.14
BNP Paribas	06/20/22	1.0900	1.12	1.14	1.16	1.2
Standard Chartered	06/06/22	1.0700	1.1	1.12	1.15	1.2
RBC Capital Markets	06/01/22	1.0300	1	1.02	1.04	1.09
DZ Bank	07/15/22	1.04	1.07	1.08	1.09	--
Swedbank	07/15/22	1	1.02	1.08	1.1	1.12
Danske Bank	07/14/22	0.98	0.96	0.96	0.95	--
Kshitij Consultancy Services	07/14/22	1.03	1.06	1.1	1.1	--
Rabobank	07/14/22	1.03	1.05	1.07	1.08	1.18
Monex USA Corp	07/13/22	1.05	1.06	1.06	1.07	--
Ebury	07/12/22	1.04	1.07	1.09	1.11	1.13
ING Financial Markets	07/12/22	1.05	1.08	1.1	1.12	1.15
Sumitomo Mitsui Trust Bank	07/12/22	1.05	1.09	1.1	1.1	--
Westpac Banking	07/12/22	1.05	1.09	1.11	1.13	1.15
Banco Bilbao Vizcaya Argentaria	07/11/22	1.03	1.02	1.02	1.05	1.09

In gray, the main brokers retained to calculate the EURUSD consensus for Q3-22
Prices as of 07/18/2022

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