



WEEKLY MAD INSIGHTS

CURRENCIES

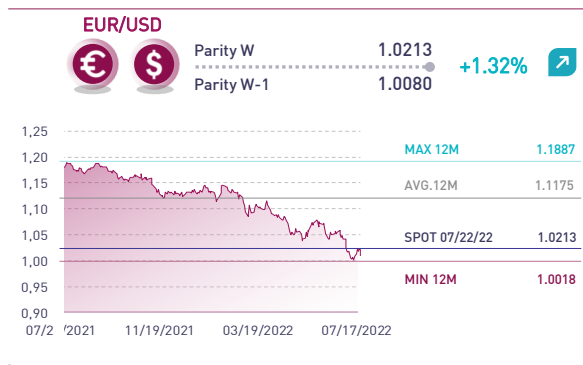
29 JULY 2022

Week from 07/18/2022 to 07/22/2022

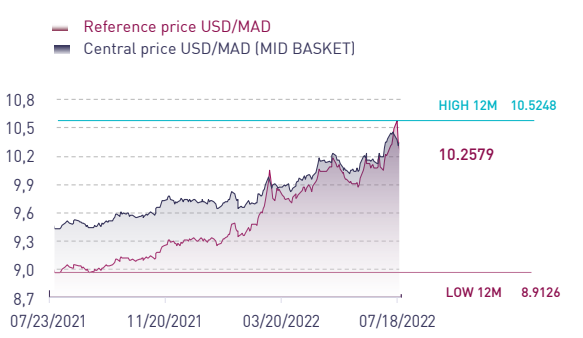
MAIN WEEKLY VARIATIONS

	USD/MAD	-1.74%		CAD/MAD	-0.17%
	EUR/MAD	-0.67%		GBP/MAD	-0.84%
	JPY/MAD	-0.61%		CHF/MAD	-0.33%

INTERNATIONAL HIGHLIGHTS



MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



	Basket ⁽¹⁾ effect	USD/MAD	-0.63%	EUR/MAD	+0.44%
	Market ⁽²⁾ effect		-1.11%		-1.11%

(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	-7,559 MN
	Banks Foreign Exchange position W-1	-6,707 MN

(3) Calculated over the period from 07/18/2022 to 07/22/2022

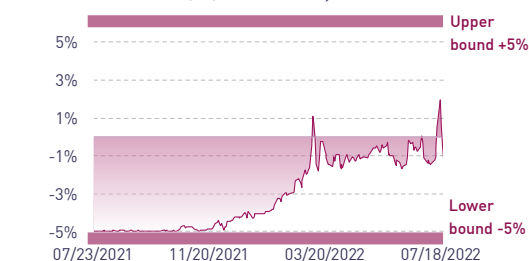
The Euro benefits from the ECB rate hike decision

The Euro appreciated strongly this week by +1.32% against the Dollar, going from a 20-year low of 1.0080 to 1.0213.

The ECB raised its key rate by 50 BPS this week against 25 BPS announced. A monetary tightening in a context of record inflation in the euro zone at 8.6% in June. This decision supported the rebound of the single currency this week which thus moved away from parity.

Nevertheless, Germany's PMI indices disappointed this week. The latter came out below analysts' expectations at the end of July.

Spread USD/MAD	07/22/2022	-0,597%	-112.0 BPS
	07/15/2022	0,522%	



Significant foreign exchange hedging transactions

The Dollar depreciated against the Dirham this week by -1.74% to 10.2579. This favorable variation for the Dirham is explained by a double basket effect of -0.63% following the rebound of the Euro internationally and a liquidity effect of -1.11%.

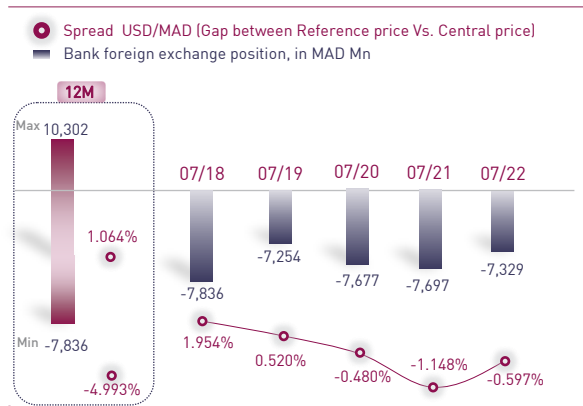
This high volatility of the EUR/USD parity has prompted several operators to hedge the exchange risk by forward purchase contracts on foreign currencies. These significant hedges led to a visible widening of the banks' foreign exchange position to MAD -7.6 Bn against MAD -6.7 Bn the previous week.

At the end of this week, the Dirham liquidity spreads stood at -0.6%, up 112 BPS compared to the previous week.

High volatility in the foreign exchange market

Inflationary pressures and monetary tightening are making the scenario of a recession in the euro zone more likely, thus inducing high volatility in the EUR/USD parity.

Given the current levels of the MAD, we recommend that exporters in Dollar reduce their hedging horizons on the MAD.



VOLATILITY INDICATORS

	USDMAD	EURMAD	JPYMAD	CADMAD	GBPMAD	CFMAD
1 MONTH	14.30%	13.41%	15.94%	14.87%	15.58%	15.20%
2 MONTHS	11.60%	10.99%	15.91%	12.08%	13.03%	14.03%
3 MONTHS	10.45%	9.54%	15.49%	11.07%	12.18%	13.83%

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WEEKLY MAD INSIGHTS

CURRENCIES

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EUR/USD OUTLOOK – BLOOMBERG

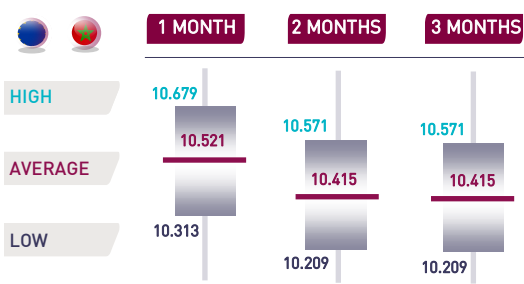
	SPOT	Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025	2026
MEDIAN		1.04	1.06	1.08	1.10	1.11	1.15	1.15	1.16
AVERAGE	1.0213	1.04	1.05	1.07	1.08	1.11	1.14	1.16	1.15
+HIGH	07/22/2022	1.11	1.15	1.16	1.17	1.20	1.20	1.25	1.16
+LOW		0.95	0.96	0.96	0.95	1.02	1.06	1.10	1.12
FORWARD		1.03	1.03	1.04	1.05	1.06	1.08	1.09	1.10

EUR/USD forecasts from international brokers have been revised downwards this week. In Q3-22, the pair would move to 1.04. The pair would settle at 1.05 in Q4-22 against 1.06 a week before, then at 1.07 in Q1-23. In Q2-23, this would change to 1.08 against 1.09 initially. In 2023, the target is 1.11 before reaching 1.14 by 2024 against 1.15 the previous week. In 2025, the target is 1.16 and in 2026, the forecast is unchanged at 1.15.

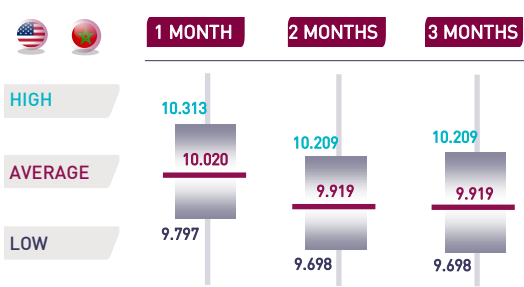
Inflation in June in the euro zone came out at a new record, i.e. 8.6%. The ECB carried out its 1st rate hike in 11 years by 50 BPS in July in order to fight rising prices. The Fed, for its part, accelerated its monetary tightening. The Fed Funds interest rate was thus raised this year from 0.00%-0.25% to 2.25%-2.50% in July. During the last FOMC meeting in July, the Fed raised its key rate by 75 BPS in order to fight against inflation, which reached 9.1% in June, a new 40-year high.

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.

DOWNWARD 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 the liquidity spreads on the foreign exchange market, our ST forecast for the USD/MAD parity has been revised downwards.

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

Given the start of the "Marhaba" operation in June 2022, we expect 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.

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 9.92 over 1, 2 and 3 month horizons against a spot price of 10.26.

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

The target levels of the EUR/MAD parity stand at 10.52; 10.41 and 10.41 over 1, 2 and 3 month horizons against a spot price of 10.42.

MAD YTD PERFORMANCE DASHBOARD IN FRONT OF A REFERENCE BASKET

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 WEEK	-1.74%	-0.67%	-0.61%	-0.17%	-0.84%	-0.33%
1 MONTH	+2.03%	-1.46%	+1.08%	+2.83%	-0.54%	+1.87%
YTD 2022	+10.53%	-0.88%	-7.29%	+9.28%	-2.18%	+4.38%

Prices as of 07/22/2022



APPENDICES

DATA AS OF JULY 25TH, 2022

APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025
FORECAST	USD/JPY	135	132	130	127	124	120	115
FORWARD	136	135	134	133	131	129	125	121
FORECAST	USD/CAD	1.29	1.27	1.26	1.25	1.25	1.25	1.28
FORWARD	1.28	1.28	1.28	1.28	1.28	1.28	1.29	1.29
FORECAST	USD/CHF	0.97	0.96	0.95	0.95	0.95	0.93	0.93
FORWARD	0.96	0.96	0.95	0.94	0.93	0.92	0.90	0.89
FORECAST	GBP/USD	1.21	1.22	1.24	1.25	1.28	1.32	1.37
FORWARD	1.2	1.21	1.21	1.21	1.21	1.22	1.22	1.23

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
Amdocs Development Ltd	07/25/22	1.03	1.04	1.07	--	--
Australia & New Zealand Banking Group	07/25/22	1.05	1.1	1.12	1.13	1.16
UniCredit	07/25/22	1.03	1.06	1.08	1.1	1.12
Capital Economics	07/22/22	1.01	1	1.02	1.05	1.1
NAB/BNZ	07/20/22	0.98	0.98	0.99	1	1.04
Rabobank	07/20/22	0.98	1.04	1.06	1.08	1.18
Axis Bank	07/19/22	1.11	0.98	1	1.02	1.05
DZ Bank	07/15/22	1.04	1.07	1.08	1.09	--
Nomura Bank International	07/15/22	0.95	0.96	0.98	1	1.04
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	--

In gray, the main brokers retained to calculate the EURUSD consensus for Q3-22
Prices as of 07/25/2022

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