



# WEEKLY MAD INSIGHTS

## CURRENCIES

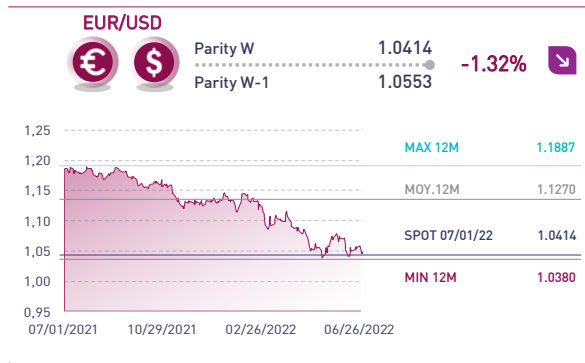
08 | JULY  
2022

Week from 06/27/2022 to 07/01/2022

### MAIN WEEKLY VARIATIONS

		<b>+0.08%</b>			<b>+0.47%</b>
USD/MAD		10.0348	CAD/MAD		7.7681
		<b>-0.64%</b>			<b>-1.77%</b>
EUR/MAD		10.4924	GBP/MAD		12.1040
		<b>+0.05%</b>			<b>-0.13%</b>
JPY/MAD		7.4244	CHF/MAD		10.4570

### INTERNATIONAL HIGHLIGHTS



	<b>USD/MAD</b>	<b>EUR/MAD</b>
Basket <sup>(1)</sup> effect	<b>+0.43%</b>	<b>-0.29%</b>
	<b>-0.35%</b>	<b>-0.35%</b>

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

	<b>Position de change des banques<sup>(3)</sup> S</b>	<b>-7,186 MN</b>
	<b>Position de change des banques S-1</b>	<b>-6,177 MN</b>

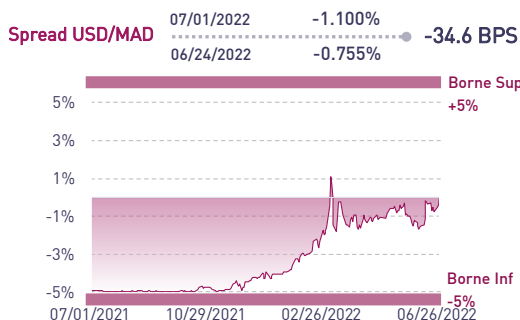
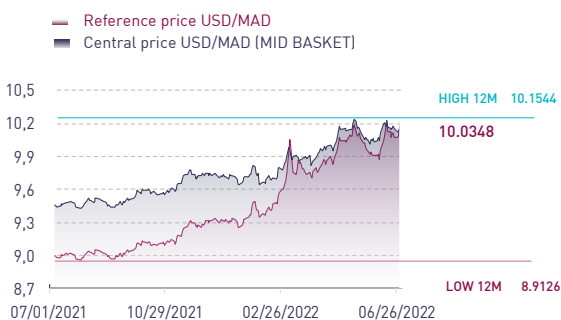
(3) Calculated over the period from 06/23/2022 to 06/29/2022

### The dollar strengthens thanks to its safe haven status

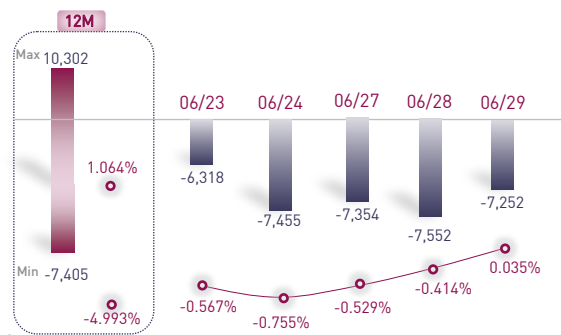
The euro depreciated sharply against the dollar by -1.32% at the end of this week, going from 1.0553 to 1.0414.

Inflation is accelerating further in the Euro Zone. It peaked at a new record of 8.6% in June against a forecast of 8.4% and a level of 8.1% a month earlier. This 'prices' rise should further comfort the ECB in its monetary tightening. Investors are beginning to take into consideration a risk of recession in the Euro Zone, de facto penalizing the single currency. Benefiting from its status as a safe haven, the dollar has risen sharply this week against a basket of international reference currencies.

### 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



### A "Positive" Start to Operation "Marhaba"

The USD/MAD parity appreciated this week by +0.08% to 10.0348 driven by a significant basket effect of +0.43%. The latter is linked to the rise of the dollar internationally.

Nevertheless, we note a favorable liquidity effect for the dirham given the first positive impacts of foreign currency inflows at the start of the summer season. Under these conditions, liquidity spread fell by -35BPS compared to last week below the -1.0% threshold.

The foreign exchange position of banks, for its part, widened this week to reach a peak of MAD -7.6 bn last Tuesday. It nevertheless improved slightly to MAD -7.2 bn on Wednesday.

### ÉVOLUTION DES INDICATEURS DE VOLATILITÉ

	USDMAD	EURMAD	JPYMAD	CADMAD	GBPMAD	CFHMAD
<b>1 MONTH</b>	9.65%	7.92%	16.04%	9.36%	10.65%	15.12%
<b>2 MONTHS</b>	8.32%	7.13%	14.24%	8.67%	10.25%	14.09%
<b>3 MONTHS</b>	7.87%	6.87%	13.42%	8.19%	9.46%	12.31%

### Recession risks resurface in Europe

With high inflationary pressures and the acceleration of monetary tightening by central banks, the hypothesis of a recession is more and more likely in Europe, thus inducing high volatility in the EUR/USD pair.

We anticipate an appreciation of the MAD during the summer period. To this end, we recommend that exporters hedge their transactions in dollars over a 1 to 2 months horizon.

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# WEEKLY MAD INSIGHTS

## CURRENCIES

08 | JULY  
2022

Week from 06/27/2022 to 07/01/2022

### EUR/USD OUTLOOK – BLOOMBERG

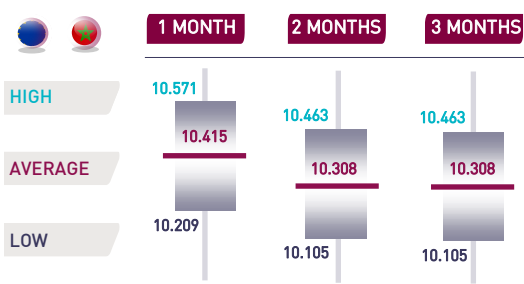
	SPOT	Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025	2026
<b>MEDIAN</b>		1.05	1.07	1.09	1.10	1.12	1.15	1.15	1.16
<b>AVERAGE</b>	1.0414	1.06	1.07	1.08	1.09	1.12	1.15	1.17	1.16
<b>+HIGH</b>	07/01/2022	1.11	1.15	1.16	1.17	1.20	1.21	1.25	1.21
<b>+LOW</b>		1.00	1.00	0.99	0.98	1.02	1.06	1.10	1.12
<b>FORWARD</b>		1.05	1.05	1.06	1.07	1.08	1.09	1.10	1.12

EUR/USD forecasts from international brokers were generally revised downwards this week. In Q3-22, the pair would move to 1.06. The pair would settle at 1.07 in Q4-22 against 1.08 a week before, then at 1.08 in Q1-23 against 1.09 initially. In Q2 23, this should change to 1.09 against 1.11 the previous week. In 2023, the target is 1.12 against 1.13 initially before reaching 1.15 by 2024 against 1.16 the previous week. In 2025, the target is 1.17 against 1.19 initially and in 2026, the forecast remains unchanged at 1.16.

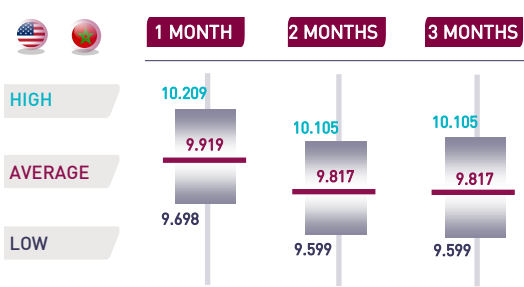
Inflation in June in the Euro Zone stood at a new record at 8.6% against a forecast of 8.4%. This should induce more pressure on the ECB, which should proceed with its first rate hike in 11 years of +25 PBS in July. Meanwhile, the Fed, has already started 3 rate hikes this year of +25 PBS, +50 PBS and +75 PBS in June in order to lower inflation which reached 8.6% in May, a 40 year high. The Fed plans further rate hikes over the period 2022E-2023E until it reaches a target level of inflation of 2%. The FOMC consensus indicates a target Fed Fund rate of 3.4% at the end of 2023.

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

### DOWNWARD REVIEW 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 USD/MAD forecast has been revised downwards for the coming 3 months.

The MAD would appreciate against the USD over 1, 2 and 3 months, during the summer period of 2022. On the sidelines of the start of the "Marhaba" operation in June 2022, we anticipate significant had currency inflows such as of tourism receipts. We could expect an improvement in liquidity conditions in the interbank foreign exchange market. Nevertheless, we remain cautious regarding the evolution of international energy prices and their impact on Morocco's foreign exchange reserves.

The target levels of the USD/MAD parity stand at 9.92; 9.82 and 9.82 at 1, 2 and 3 month horizons against a spot rate of 10.03.

Against the Euro, the Dirham would appreciate on the same horizons.

The target levels of the EUR/MAD parity stand at 10.41; 10.31 and 10.31 over 1, 2 and 3 month horizons against a spot rate 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
<b>1 WEEK</b>	+0.08%	-0.64%	+0.05%	+0.47%	-1.77%	-0.13%
<b>1 MONTH</b>	+1.81%	-0.67%	-2.48%	-0.36%	-2.43%	+2.08%
<b>YTD 2022</b>	+8.13%	-0.23%	-7.93%	+6.51%	-3.37%	+2.78%

Prices as of 07/01/2022



# APPENDICES

DATA AS OF JULY 1<sup>ST</sup>, 2022

## APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q3-22	Q4-22	Q1-23	Q2-23	2023	2024	2025
<b>FORECAST</b>	USD/JPY	132	130	128	126	121	120	114
<b>FORWARD</b>	135	134	133	132	130	128	124	120
<b>FORECAST</b>	USD/CAD	1.27	1.26	1.25	1.25	1.24	1.21	1.21
<b>FORWARD</b>	1.29	1.29	1.29	1.29	1.29	1.29	1.3	1.31
<b>FORECAST</b>	USD/CHF	0.97	0.96	0.96	0.95	0.96	0.92	0.91
<b>FORWARD</b>	0.96	0.96	0.95	0.94	0.94	0.92	0.90	0.89
<b>FORECAST</b>	GBP/USD	1.22	1.23	1.25	1.26	1.29	1.33	1.40
<b>FORWARD</b>	1.2	1.20	1.21	1.21	1.21	1.21	1.22	1.22

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

	Date	Q3-2022	Q4-2022	Q1-2023	Q2-2023	2023
JPMorgan Chase	28/06/22	1	1.01	1.02	1.03	--
Wells Fargo	28/06/22	1.04	1.02	1	0.99	--
Commerzbank	24/06/22	1.07	1.1	1.12	1.14	1.14
BNP Paribas	20/06/22	1.09	1.12	1.14	1.16	1.2
Standard Chartered	06/06/22	1.07	1.1	1.12	1.15	1.2
RBC Capital Markets	01/06/22	1.03	1	1.02	1.04	1.09
Investec	04/07/22	1.08	1.1	1.12	1.14	1.15
Morgan Stanley	04/07/22	1.03	1.05	1.07	1.1	1.11
United Overseas Bank	04/07/22	1.04	1.03	1.05	1.06	1.07
Barclays	01/07/22	1.02	1.06	1.08	1.1	1.12
Mizuho Bank	01/07/22	1.07	1.09	1.11	1.13	--
Nomura Bank International	01/07/22	1	1	1.01	1.04	1.08
Swedbank	01/07/22	1.04	1.05	1.08	1.1	1.14
Cinkciarz.pl	30/06/22	1.05	1.07	1.08	1.09	1.11
Mouvement Desjardins	30/06/22	1.04	1.03	1.02	1.03	1.06
NAB/BNZ	30/06/22	1.02	1.01	1.02	1.05	1.1
TD Securities	30/06/22	1.03	1.06	1.08	--	1.15

In gray, the main brokers retained to calculate the EURUSD consensus for Q3-22  
Prices as of 07/01/2022

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