



WEEKLY MAD INSIGHTS

CURRENCIES

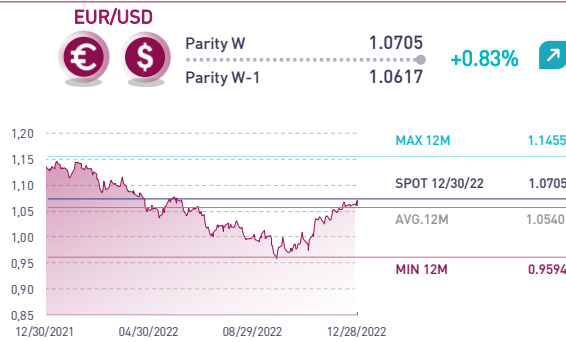
06 | JANUARY
2023

Week from 12/26/2022 to 12/30/2022

MAIN WEEKLY VARIATIONS

		-0.50%			+0.02%
USD/MAD	10.4477		CAD/MAD	7.7224	
		+0.09%			-0.80%
EUR/MAD	11.1592		GBP/MAD	12.5890	
		+0.13%			+0.41%
JPY/MAD	7.9281		CHF/MAD	11.3350	

INTERNATIONAL HIGHLIGHTS



	USD/MAD	EUR/MAD
Basket Effect ⁽¹⁾	-0.36%	+0.23%
	USD/MAD	EUR/MAD
Market Effect ⁽²⁾	-0.14%	-0.14%

(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	+747 MN
	Banks Foreign Exchange position W-1	+1,953 MN

(3) Calculated over the period from 12/23/2022 to 12/30/2022

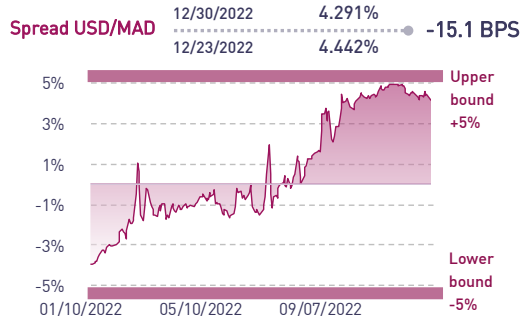
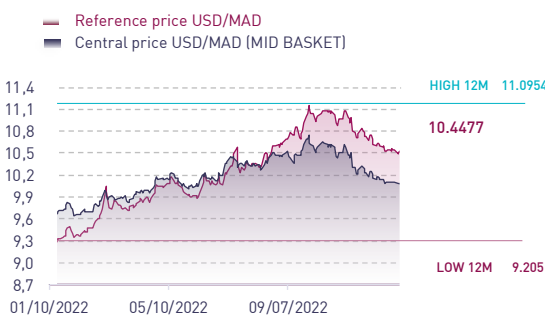
The euro hits a 6-month high at the end of the year

The EUR/USD pair appreciated this week by +0.83%, rising from 1.0617 to 1.0705, a 6-month high.

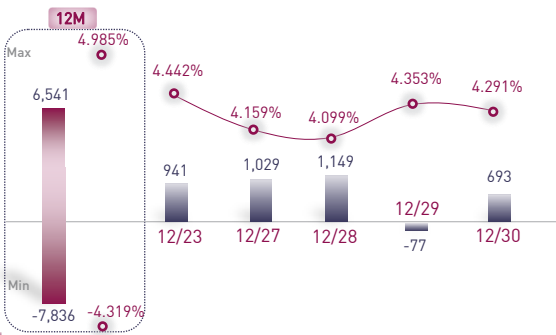
This evolution is mainly explained by the expected decline in the interest rate differential between the Fed and the ECB. Indeed, market operators are now forecasting a slowdown in the Fed's restrictive policy. It would increase its key rate by only +25 BPS at the next FOMC against +50 PBS in December.

At the same time, Christine Lagarde confirms ECB's determination to pursue its monetary tightening in order to fight inflation with a further increase of 50 BPS in February 2023.

MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



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



MAD : Liquidity spreads still at high levels

The dirham continues to appreciate against the dollar, going from 10.50 to 10.45. We recall the MAD reached an annual peak of 11.1 in Yessineber. The USD/MAD pair finally ended the year 2022 up 12.6%.

By the end of this week, the basket effect stands at -0.36% against -0.14% for the liquidity effect. Liquidity spreads are improving slightly this week from 4.44% to 4.29%, down 15 BPS. Nevertheless, the latter remains at high levels above 4.0%.

The foreign exchange position of banks fell to MAD 747 Mn on average weekly against MAD 1.9 Bn during the previous week.

VOLATILITY INDICATORS

	USDMAD	EURMAD	JPYMAD	CADMAD	GBPMAD	CFMAD
1 MONTH	5.97%	3.26%	18.89%	8.17%	7.94%	5.94%
2 MONTHS	9.00%	7.01%	17.45%	8.08%	9.74%	8.13%
3 MONTHS	8.70%	6.82%	15.30%	7.85%	10.91%	8.10%

A wait-and-see attitude dominates the FX markets

A wait-and-see attitude reigns at the end of the year, fueled by uncertainties regarding the orientation of the monetary policies of the Fed and the ECB.

Volatility levels remain relatively high in the foreign exchange market. Under these conditions, we recommend that dollar importers reduce their exposure to hedging transactions over the coming month.

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EUR/USD OUTLOOK – BLOOMBERG

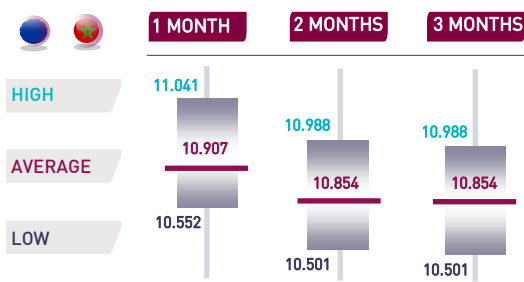
	SPOT	Q1-23	Q2-23	Q3-23	2023	2024	2025	2026	2027
MEDIAN		1,04	1,05	1,06	1,08	1,10	1,12	1,11	--
AVERAGE	1.0705	1,03	1,04	1,06	1,08	1,10	1,13	1,14	--
+HIGH	12/30/2022	1,09	1,11	1,15	1,15	1,18	1,23	1,20	--
+LOW		0,96	0,95	0,98	0,98	1,02	1,03	1,10	--
FORWARD		1,06	1,07	1,07	1,08	1,09	1,10	1,11	1,11

EUR/USD CT forecasts from international brokers have been revised upwards this week. Thus, the pair would move to 1.03 in Q1-23. In Q2-23, the pair stands at 1.04, to reach 1.06 in Q3-23 against 1.05 a week earlier. On an annual basis, the target is 1.08 in 2023 against 1.07 initially, before reaching 1.10 in 2024. The target stands at 1.13 in 2025. It would change to 1.14 in 2026 against 1.12 a week ago.

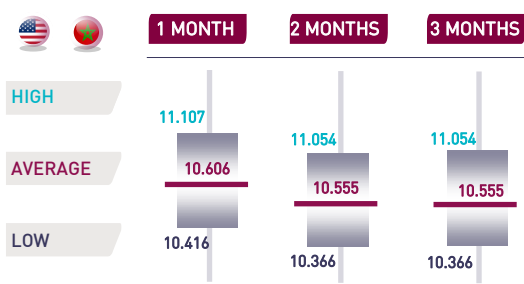
Market expectations stating a slowdown in the process of interest rates hikes in the US are confirmed. Indeed, US inflation decelerated to 7.1% in November against 7.7% the previous month. To this end, the Fed is slowing down its monetary tightening with a rate hike of +50 BPS in December 2022, bringing Fed Funds rates within the range of [4.25%-4.50%].

In the Euro Zone, inflation reached 10.1% in November according to Eurostat figures against 10.6% last month. Despite a slight drop, it remains well above the 2% target. The ECB thus decided on a 50 BPS hike at its last monetary policy meeting in 2022, thus bringing its key rate to 2.50%. The ECB should continue its restrictive action in 2023 through several increases of 50 BPS.

WE MAINTAIN OUR 1-MONTH, 2 MONTHS AND 3 MONTHS HORIZON FORECASTS



Based on EUR/USD Bloomberg forecast for Q1-23



Based on EUR/USD Bloomberg forecast for Q1-23

Given the forecasts for the EUR/USD parity and the liquidity conditions on the foreign exchange market, we have maintained our USD/MAD forecasts for 1, 2 and 3 months.

Taking into account the bullish forecasts for the dollar internationally and the liquidity conditions on the Moroccan market, the MAD would depreciate against the dollar over the next 1, 2 and 3 months.

The target levels of the USD/MAD parity stand at 10.61, 10.56 and 10.56 at horizons of 1, 2 and 3 months against a spot price of 10.45.

Against the euro, the dirham would appreciate over 1, 2 and 3 months.

The target levels of the EUR/MAD parity stand at 10.91, 10.85 and 10.85 at horizons of 1, 2 and 3 months against a spot rate of 11.16.

MAD YTD PERFORMANCE DASHBOARD IN FRONT OF A REFERENCE BASKET

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 WEEK	-0.50%	+0.09%	+0.13%	+0.02%	-0.80%	+0.41%
1 MONTH	-2.40%	+0.70%	+2.86%	-2.36%	-1.93%	+0.70%
YTD 2022	+12.58%	+6.11%	-1.68%	+5.89%	+0.50%	+11.41%

Prices as of 12/30/2022



APPENDICES

DATA AS OF JANUARY 4TH, 2023

APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q1-23	Q2-23	Q3-23	Q4-23	2024	2025	2026
FORECAST	USD/JPY	137	135	133	131	125	120	119
FORWARD	131	129	128	126	124	119	115	112
FORECAST	USD/CAD	1.36	1.32	1.33	1.3	1.25	1.25	1.27
FORWARD	1.36	1.36	1.36	1.36	1.36	1.35	1.35	1.35
FORECAST	USD/CHF	0.95	0.95	0.94	0.94	0.94	0.95	0.93
FORWARD	0.94	0.93	0.92	0.91	0.90	0.88	0.86	0.85
FORECAST	GBP/USD	1.18	1.19	1.20	1.22	1.26	1.25	1.27
FORWARD	1.2	1.20	1.21	1.21	1.21	1.21	1.20	1.20

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

	Date	Q1-2023	Q2-2023	Q3-2023	Q4-2023	2024
Standard Chartered	12/19/22	1.04	1.06	1.09	1.1	1.1
Commerzbank	12/16/22	1.06	1.06	1.08	1.1	1.02
Wells Fargo	12/16/22	1.05	1.06	1.08	1.1	--
RBC Capital Markets	12/15/22	1.06	1.04	1.02	1	1.15
JPMorgan Chase	11/23/22	0.95	0.95	1	1	--
BNP Paribas	11/17/22	1.01	1	1.03	1.06	1.1
Amdocs Development Ltd	01/02/23	1.06	1.05	1.03	--	--
Oversea-Chinese Banking Corp	12/29/22	1.06	1.08	1.08	1.1	1.12
Prestige Economics LLC	12/28/22	1.08	1.09	1.11	--	--
Mizuho Bank	12/26/22	1.07	1.08	1.1	1.09	--
Argentex LLP	12/23/22	1.04	1.08	1.11	1.16	--
Swedbank	12/22/22	1.06	1.08	1.1	1.1	1.1
Westpac Banking	12/22/22	1.06	1.07	1.09	1.15	1.17
Banco Bilbao Vizcaya Argentaria	12/21/22	1.05	1.03	1.06	1.1	1.18
Danske Bank	12/21/22	1.02	0.98	0.98	0.98	--
Rabobank	12/21/22	1.03	0.99	1.03	1.18	1.18
Skandinaviska Enskilda Banken	12/21/22	1.02	1.03	1.04	1.05	1.12

In gray, the main brokers retained to calculate the EURUSD consensus for Q1-23
Prices as of 01/04/2023

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