



WEEKLY MAD INSIGHTS

CURRENCIES

11 JULY
2023

Week from 07/03/2023 to 07/07/2023

MAIN WEEKLY VARIATIONS

		-0.75%			-1.77%
USD/MAD		9.8058	CAD/MAD		7.3369
		-1.27%			-0.18%
EUR/MAD		10.6795	GBP/MAD		12.5130
		-0.12%			-0.61%
JPY/MAD		6.8467	CHF/MAD		10.9510

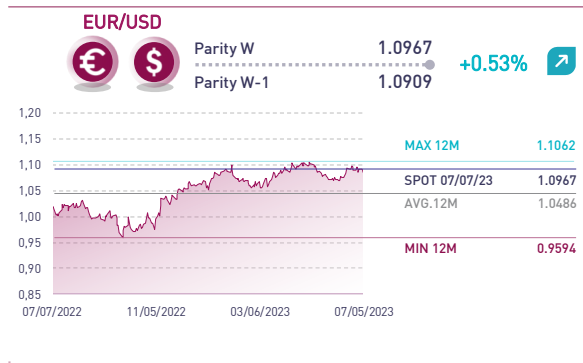
	USD/MAD	EUR/MAD
Basket Effect ⁽¹⁾	+0.32%	-0.20%
	-1.07%	-1.07%
Market Effect ⁽²⁾		

(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

INTERNATIONAL HIGHLIGHTS



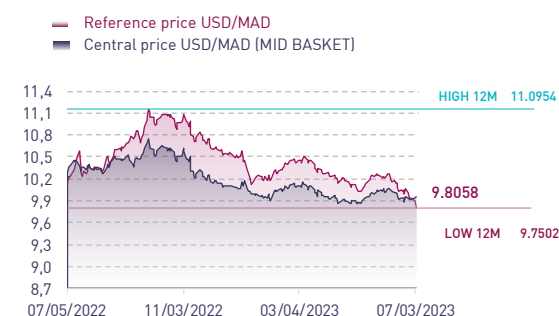
US employment figures of June below expectations

The EUR/USD pair has appreciated this week by +0.53% from 1.0909 to 1.0967.

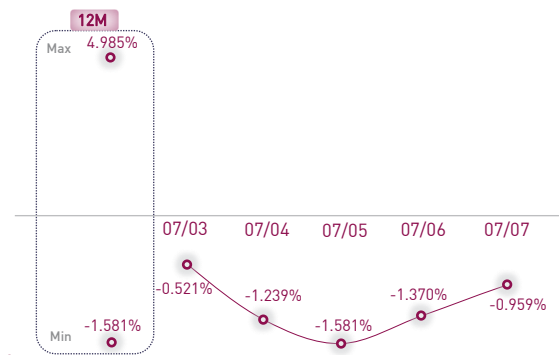
The NFP report for June came below expectations this week. Indeed, job creations stood at 209K against an anticipation of 225K, down from 306K level in May.

Investors are expecting a rise of the Fed Funds rate by +25 PBS in July. However, markets now doubt the Fed's leeway to continue its rate hike process after the disappointing employment figures.

MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



Spread USD/MAD (Gap between Reference price Vs. Central price)



Liquidity spreads at a 12-month low

The USD/MAD pair depreciated this week by -0.75% to 9.81 from 9.88 a week earlier, i.e. its lowest level since April 2022.

This change is explained by a positive basket effect of +0.32% offset by a significant liquidity effect of -1.07% in favor of the Dirham.

The downward trend in liquidity spreads intensified this week with moving into negative territory for the first time in 12 months. This was supported by the good performance of tourism flows as well as steady figures of MRE receipts during this summer period.

VOLATILITY INDICATORS

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 MONTH	6.75%	6.80%	9.35%	7.41%	8.17%	8.11%
2 MONTHS	6.03%	6.00%	9.67%	7.90%	7.72%	7.53%
3 MONTHS	5.69%	5.55%	9.99%	8.14%	7.13%	7.61%

Towards a continued appreciation of the MAD in the ST

We recommend exporters to hedge their operations over 1 to 2 months.

Indeed, we anticipate the continued appreciation of the MAD on the short term, supported by a liquidity effect greater than expected during the summer period.

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EUR/USD OUTLOOK – BLOOMBERG

	SPOT	T3-23	T4-23	T1-24	T2-24	2024	2025	2026	2027
MÉDIANE		1,10	1,12	1,12	1,13	1,15	1,15	1,15	1,15
MOYENNE	1,0967	1,09	1,11	1,11	1,12	1,14	1,16	1,15	1,15
+HAUT	07/07/2023	1,13	1,18	1,20	1,19	1,20	1,23	1,20	1,19
+BAS		1,04	1,00	1,03	1,03	1,05	1,10	1,10	1,13
FORWARD		1,10	1,10	1,11	1,11	1,12	1,13	1,14	1,15

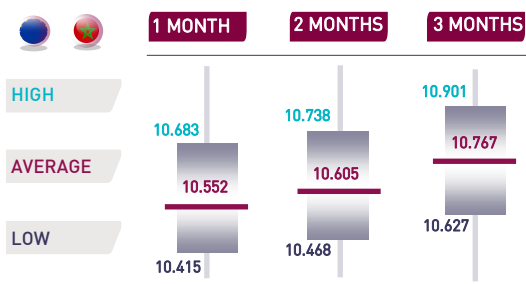
Forecasts of the EUR/USD pair from brokers have been reviewed downwards on the MLT. The pair would move to 1.09 in Q3-23 and then to 1.11 in Q4-23. This should stabilize at 1.11 in Q1-24 against 1.12 a week earlier then at 1.12 in Q2-24 against 1.13 initially. On an annual basis, the target is 1.14 in 2024 against 1.15 previously and 1.16 in 2025. In LT, the pair would move to 1.15 in 2026 and in 2027 against 1.17 initially.

Inflation in the United States fell to 4.0% in May from 4.9%. After pausing its monetary tightening in June, markets are expecting a +25 PBS rise in July, bringing Fed Funds rates into the range [5.25% - 5.50%]. Nevertheless, following a disappointing NFP report for the month of June, markets now doubt the Fed's leeway to continue its rate hike process.

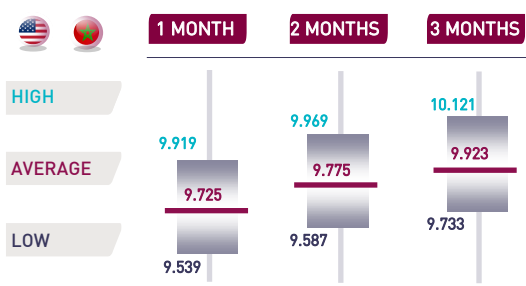
On the Euro Zone side, inflation fell from 6.1% in May to 5.5% in June. The ECB had decided at its monetary policy meeting in June to raise its key rate to 3.50%, an increase of +25 PBS. The President of the ECB confirmed this week her determination bring back inflation to its target level.

The gradual narrowing of the monetary policy divergence between the Fed and the ECB should benefit the euro on the MLT.

DOWNWARD REVIEW OF OUR 1-MONTH, 2-MONTHS AND 3-MONTHS HORIZON FORECAST



Based on EUR/USD Bloomberg forecast for Q3-23



Based on EUR/USD Bloomberg forecast for Q3-23

Given the forecasts for the EUR/USD parity and the liquidity conditions in the Moroccan market, we have reviewed our forecasts downwards for a horizon of 1, 2 and 3 months.

EUR/USD forecasts from brokers have been reviewed upwards this week. These stand out in favor of a rise in the dollar on a 3-month horizon compared to spot levels.

MAD liquidity spreads were reviewed lower on the ST. The latter should continue to fall in anticipation of significant currency flows during the summer season before readjusting from September 2023.

Under these conditions, the target levels of the USD/MAD parity are 9.72, 9.77 and 9.92 over 1, 2 and 3 months compared to a spot price of 9.81.

The target levels of the EUR/MAD parity stand at 10.55, 10.61 and 10.77 at horizons of 1, 2 and 3 months in comparison to a spot rate of 10.68.

MAD YTD PERFORMANCE DASHBOARD IN FRONT OF A REFERENCE BASKET

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 WEEK	-0.75%	-1.27%	-0.12%	-1.77%	-0.18%	-0.61%
1 MONTH	-3.48%	-1.91%	-6.13%	-3.35%	-1.14%	-2.39%
YTD 2023	-6.14%	-4.30%	-13.64%	-4.99%	-0.60%	-3.39%

Prices as of 07/07/2023



APPENDICES

DATA AS OF JULY 10TH, 2023

APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q3-23	Q4-23	Q1-24	Q2-24	2024	2025	2026
FORECAST	USD/JPY	138	135	132	128	125	120	120
FORWARD	142	140	138	136	134	131	125	120
FORECAST	USD/CAD	1.32	1.31	1.3	1.29	1.28	1.27	1.27
FORWARD	1.33	1.33	1.33	1.32	1.32	1.32	1.33	1.32
FORECAST	USD/CHF	0.90	0.90	0.90	0.89	0.91	0.89	0.93
FORWARD	0.89	0.88	0.87	0.87	0.86	0.85	0.83	0.81
FORECAST	GBP/USD	1.27	1.27	1.26	1.28	1.30	1.31	1.26
FORWARD	1.28	1.28	1.28	1.28	1.28	1.27	1.25	1.24

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

	Date	Q3-2023	Q4-2023	Q1-2024	Q2-2024	2024
Commerzbank	07/10/23	1.12	1.14	1.12	1.1	1.08
JPMorgan Chase	07/07/23	1.05	1.05	1.08	1.12	--
RBC Capital Markets	07/06/23	1.07	1.04	1.04	1.07	1.15
Standard Chartered	07/05/23	1.09	1.1	1.12	1.13	1.14
Wells Fargo	06/26/23	1.08	1.09	1.11	1.13	--
BNP Paribas	06/13/23	1.1	1.12	1.13	1.15	1.18
CICC	07/10/23	1.1	1.12	1.12	1.13	--
Jyske Bank	07/10/23	1.11	1.13	1.15	1.15	--
iBanFirst	07/07/23	1.1	1.13	1.13	--	1.16
Landesbank Baden-Wuerttemberg	07/07/23	1.12	1.15	1.16	1.17	1.17
MUFG	07/06/23	1.1	1.12	1.13	--	--
Nomura Bank International	07/06/23	1.12	1.12	1.13	1.14	1.16
ABN Amro	07/05/23	1.09	1.08	1.07	1.06	1.05
AFEX	07/05/23	1.1	1.14	1.1	--	--
Rabobank	07/05/23	1.06	1.06	1.07	1.08	1.18
Axis Bank	07/04/23	1.1	1.11	1.1	1.1	1.08
Ebury	07/04/23	1.1	1.12	1.13	1.14	1.15

In gray, the main brokers retained to calculate the EURUSD consensus for Q3-23
Prices as of 07/10/2023

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