



WEEKLY MAD INSIGHTS

CURRENCIES

20 | OCTOBER
2023

Week from 10/09/2023 to 10/13/2023

MAIN WEEKLY VARIATIONS

		-0.19%			0.00%
USD/MAD	10.2684		CAD/MAD	7.5039	
		-0.54%			-0.53%
EUR/MAD	10.7982		GBP/MAD	12.4930	
		-0.53%			+0.27%
JPY/MAD	6.8644		CHF/MAD	11.3080	

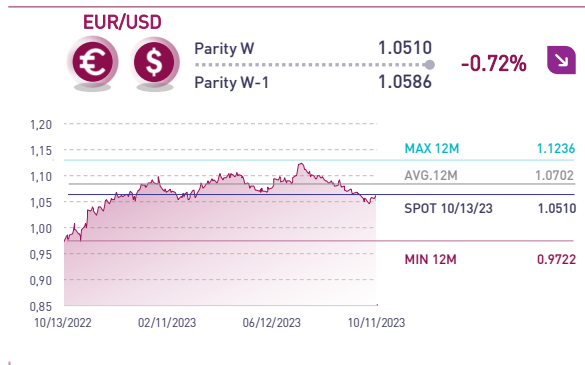
	Effet Panier ⁽¹⁾	USD/MAD	+0.21%	EUR/MAD	-0.14%
	Effet Marché ⁽²⁾		-0.40%		-0.40%

(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

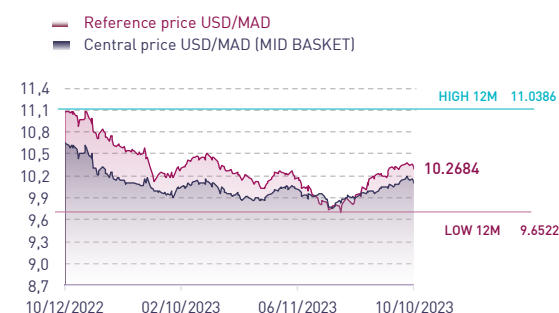


Inflation slowdown stops in the USA

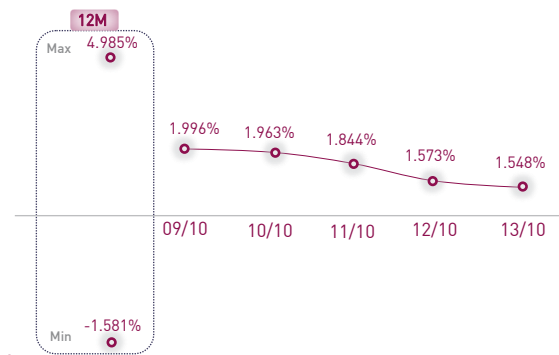
The Euro depreciated this week by -0.72% from 1.0586 to 1.0510, thus resuming a downward trend since the peak of 1.12 which was reached in mid-July.

The consumer prices index in the United States did not slow down in September as expected. This stands at 3.7% above the consensus of 3.6% after a level of 3.7% in August. Thus, high volatility on the markets was observed this week, leading investors to reassess their expectations relating to the Fed's monetary policy. The probability of a +25 BPS increase in Fed Funds rates in November has thus increased, suggesting continued monetary tightening by the Fed.

MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



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



A clear improvement in the liquidity of the MAD

The USD/MAD pair depreciated by -0.19% from 10.29 to 10.27 this week.

This evolution is explained by a positive *basket effect* of +0.21% related to the appreciation of the dollar internationally and a negative *market effect* of -0.40% which is explained by a drop in liquidity spreads on the Moroccan interbank foreign exchange market this week.

These spreads fell by -40 BPS from 1.95% to 1.55%, the 4th consecutive drop on a weekly basis. Import flows were less important than export flows.

VOLATILITY INDICATORS

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 MONTH	5.64%	4.72%	6.26%	7.32%	6.32%	6.88%
2 MONTHS	6.19%	5.32%	8.03%	7.06%	6.55%	6.60%
3 MONTHS	7.13%	6.45%	9.96%	7.75%	7.68%	7.37%

Uncertainties on the Fed's terminal rate

US inflation surprised the markets which expected the continuation of the downward trend started months ago. This situation has led to uncertainty regarding the end of monetary tightening by the Fed and is fueling volatility on the EUR/USD currency pair in particular.

Taking our forecasts into account, we recommend that importers hedge their Dollar transactions over a ST horizon of 3 months.

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WEEKLY MAD INSIGHTS

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EUR/USD OUTLOOK – BLOOMBERG

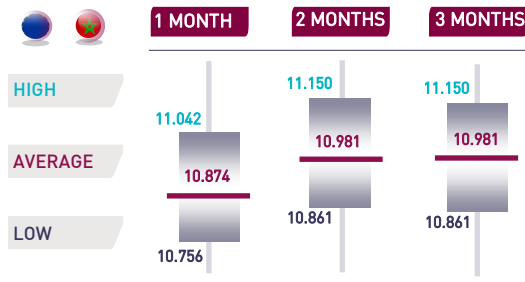
	SPOT	Q4-23	Q1-24	Q2-24	Q3-24	2024	2025	2026	2027
MEDIAN		1.07	1.09	1.10	1.11	1.12	1.15	1.15	1.15
AVERAGE	1.0510	1.07	1.08	1.10	1.11	1.12	1.15	1.16	1.16
+HIGH	10/13/2023	1.13	1.16	1.17	1.19	1.22	1.23	1.20	1.20
+LOW		1.02	1.02	1.00	1.03	1.00	1.10	1.13	1.14
FORWARD		1.05	1.06	1.06	1.07	1.07	1.09	1.10	1.12

Broker forecasts for the EUR/USD pair were reviewed downwards this week. The pair would move to 1.08 in Q4-23 then to 1.09 in Q1-24. This would stand at 1.10 in Q2-24 compared to 1.11 a week earlier. This should stabilize at 1.11 in Q3-24. On an annual basis, the target is 1.12 in 2024 compared to 1.13 initially. On the LT, the pair stands at 1.16 in 2025, 1.14 in 2026 compared to 1.15 the previous week, and 1.15 in 2027, an unchanged level.

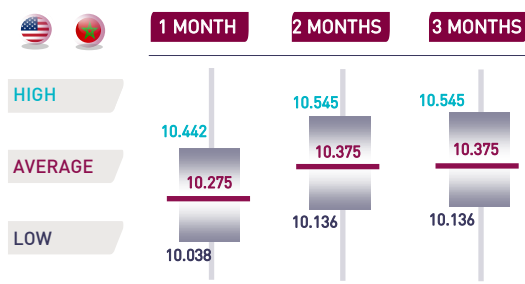
Inflation in the United States stood at 3.7% in September, the same level as in August. The FOMC decided to pause its monetary tightening in September after raising Fed Fund rates up to the range [5.25% - 5.50%]. As inflation did not slow down in September and remains well above the 2% target, the Fed could decide a final +25 BPS rate hike at the next FOMC in November.

In EZ, inflation fell to 4.3% in September after 5.2% in August. ECB increased its deposit facility rate to 4.0% and announced that interest rates are now in sufficiently restrictive territory in order for the inflation to go back to the target level of 2% on the MT in EZ. The reduction in the FED-ECB rate divergence should therefore work in favor of the Euro on the ST.

UPWARD 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

Taking into account the forecasts of the EUR/USD parity and the liquidity conditions on the foreign exchange market, we have reviewed upwards our USD/MAD forecasts for 1, 2 and 3 months.

Brokers' EUR/USD forecasts are in favor of a slight depreciation of the Dollar over the next 3 months compared to spot levels.

MAD liquidity spreads would gradually tighten over the next 3 months given greater import flows.

Under these conditions, the target levels of the USD/MAD parity stand at 10.27, 10.38 and 10.38 over horizons of 1, 2 and 3 months against a spot price of 10.27.

The target levels of the EUR/MAD parity stand at 10.87, 10.98 and 10.98 over 1, 2 and 3 month horizons against a spot price of 10.80.

TABLEAU DE BORD DES PERFORMANCES YTD DU MAD FACE À UN PANIER DE RÉFÉRENCE

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 WEEK	-0.19%	-0.54%	-0.53%	+0.00%	-0.53%	+0.27%
1 MONTH	+1.04%	-0.99%	-0.44%	+0.20%	-1.42%	-0.62%
YTD 2023	-1.72%	-3.23%	-13.42%	-2.83%	-0.76%	-0.24%

Prices as of 10/13/2023



APPENDICES

DATA AS OF OCTOBER 16TH, 2023

APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q4-23	Q1-24	Q2-24	Q3-24	2024	2025	2026
FORECAST	USD/JPY	145	140	138	135	131	125	--
FORWARD	150	148	146	144	142	140	134	128
FORECAST	USD/CAD	1.35	1.33	1.32	1.32	1.29	1.26	1.3
FORWARD	1.37	1.36	1.36	1.36	1.36	1.36	1.36	1.36
FORECAST	USD/CHF	0.91	0.90	0.90	0.90	0.89	0.89	--
FORWARD	0.90	0.90	0.89	0.88	0.87	0.86	0.84	0.81
FORECAST	GBP/USD	1.23	1.24	1.25	1.27	1.28	1.29	--
FORWARD	1.21	1.21	1.22	1.22	1.22	1.22	1.21	1.21

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

	Date	Q4-2023	Q1-2024	Q2-2024	Q3-2024	2024
Commerzbank	10/13/23	1.06	1.09	1.12	1.1	1.09
RBC Capital Markets	10/06/23	1.04	1.03	1.02	1.05	1.08
BNP Paribas	10/03/23	1.07	1.11	1.12	1.13	1.15
Wells Fargo	09/27/23	1.03	1.02	1.02	1.03	1.05
JPMorgan Chase	09/18/23	1.05	1.05	1.08	1.12	--
Standard Chartered	09/06/23	1.1	1.12	1.13	1.14	1.14
Alpha Bank	10/16/23	1.07	1.09	1.1	1.12	1.13
ABN Amro	10/13/23	1.05	1.06	1.07	1.08	1.1
Rabobank	10/13/23	1.02	1.02	1.04	1.05	1.18
Ebury	10/12/23	1.06	1.07	1.08	1.09	1.1
Kshitij Consultancy Services	10/12/23	1.06	1.05	1.09	1.07	--
Sumitomo Mitsui Trust Bank	10/12/23	1.08	1.1	1.09	1.08	--
iBanFirst	10/11/23	1.03	1.05	1.1	1.12	1.15
Argentex LLP	10/10/23	1.09	1.1	1.11	1.13	--
Capital Economics	10/10/23	1.05	1.06	1.07	1.09	1.1
Validus Risk Management	10/10/23	1.05	1.03	1.06	1.1	--
Australia & New Zealand Banking Group	10/09/23	1.09	1.11	1.13	1.14	1.16

In gray, the main brokers retained to calculate the EURUSD consensus for Q3-23
Prices as of 10/16/2023

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