



# WEEKLY MAD INSIGHTS

## CURRENCIES

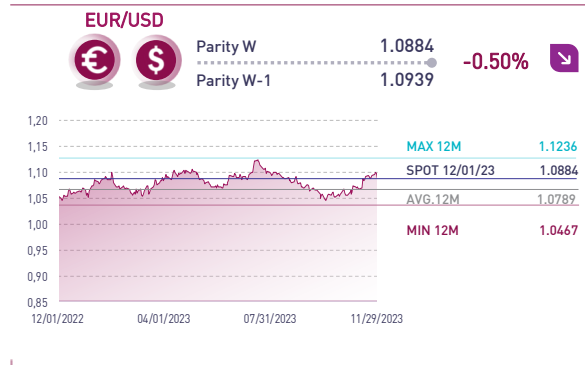
07 DECEMBER  
2023

Week from 11/27/2023 to 12/01/2023

### MAIN WEEKLY VARIATIONS

		-0.29%			+0.92%
USD/MAD		10.0800	CAD/MAD		7.4529
		-0.50%			+0.43%
EUR/MAD		10.9751	GBP/MAD		12.7520
		+0.75%			+0.74%
JPY/MAD		6.8094	CHF/MAD		11.5250

### INTERNATIONAL HIGHLIGHTS



	USD/MAD	EUR/MAD
Basket Effect <sup>(1)</sup>	+0.13%	-0.08%
Market Effect <sup>(2)</sup>	-0.42%	-0.42%

(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 <sup>(3)</sup> 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

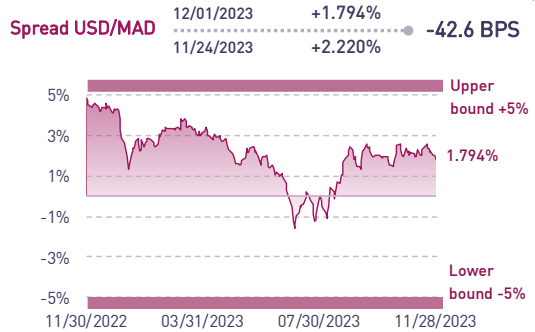
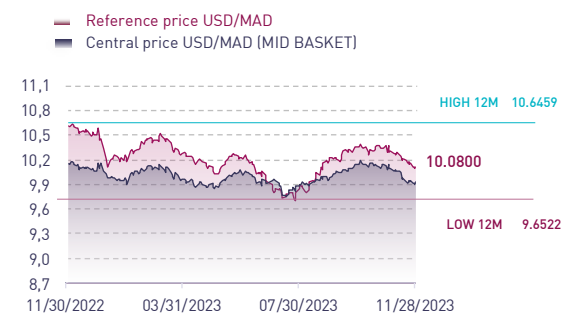
### Towards an end of the interest rates hike cycle

The Euro depreciated this week by -0.50%, going from 1.0939 to 1.0884.

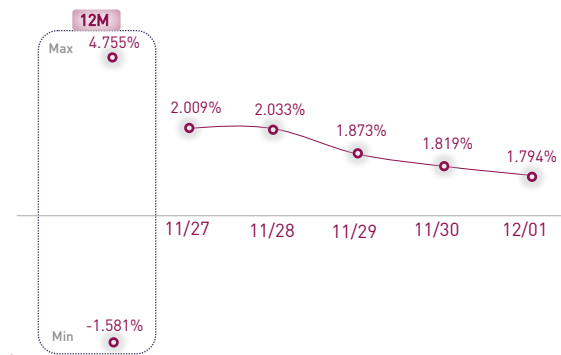
Inflation in the Euro Zone stood at 2.4% in November compared to a consensus of 2.7% and after 2.9% in October. This faster-than-expected decline has revived expectations of the end of the rate hike cycle in Europe and a rate pivot as early as next year.

In the United States, the PCE price consumer index fell to 3.5% in October compared to 3.7% in September. The inflationary decline has convinced the markets that the Fed has reached its terminal rate and that it should no longer increase its rates during its last meeting of the year, to be held on December 13.

### MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



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



### USD/MAD at 3-month low

The USD/MAD pair fell by -0.29% from 10.11 to 10.08. This is the 6<sup>th</sup> consecutive decline on a weekly basis to a 3-month low.

This evolution is due to a negative *market effect* of -0.42% which was able to largely offset a positive *basket effect* of +0.13% this week. The latter is related to the appreciation of the Dollar against the Euro this week. This situation could be explained, in our opinion, by a temporary easing of liquidity conditions this week on the interbank foreign exchange market in Morocco.

Under these conditions, the levels of Dirham liquidity spreads fell by -43 BPS (2.22% to 1.79%) under the effect of lower import flows than exports' this week.

### VOLATILITY INDICATORS

	USD/MAD	EUR/MAD	JPY/MAD	CAD/MAD	GBP/MAD	CHF/MAD
1 MONTH	5.92%	4.67%	8.14%	5.98%	4.81%	5.63%
2 MONTHS	5.60%	4.82%	7.58%	6.20%	5.72%	6.71%
3 MONTHS	5.44%	5.14%	7.39%	6.67%	6.19%	6.54%

### The end of the rate hike cycle benefits the Dirham

Volatility remains high in the forex market and remains reliant on the next monetary policy decisions of the Fed and the ECB. The forecasts of international brokers remain in favor of an appreciation of the Dollar compared to the Euro on the ST.

To this end, we advise investors to hedge their Dollar denominated transactions over 3-month horizons.

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# WEEKLY MAD INSIGHTS

## CURRENCIES

07 DECEMBER  
2023

Week from 11/27/2023 to 12/01/2023

### EUR/USD OUTLOOK – BLOOMBERG

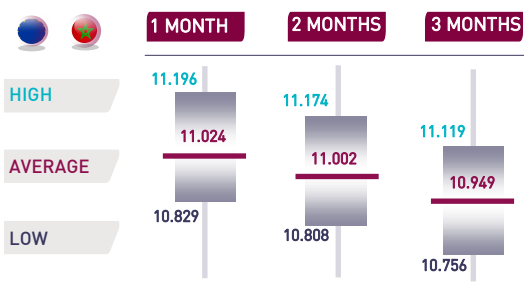
	SPOT	Q1-24	Q2-24	Q3-24	Q4-24	2025	2026	2027	2028
<b>MEDIAN</b>		1.08	1.09	1.10	1.12	1.15	1.19	1.20	--
<b>AVERAGE</b>	1.0884	1.08	1.09	1.11	1.12	1.15	1.18	1.18	--
<b>+HIGH</b>	12/01/2023	1.13	1.16	1.19	1.22	1.23	1.22	1.20	--
<b>+LOW</b>		1.02	1.00	1.04	1.05	1.06	1.13	1.14	--
<b>FORWARD</b>		1.09	1.09	1.10	1.10	1.12	1.14	1.16	1.17

Broker forecasts for the EUR/USD pair were generally stable this week. The pair would move to 1.08 in Q1-24 then to 1.09 in Q2-24. It would increase to 1.11 in Q3-24 compared to 1.10 a week earlier. On an annual basis, the target is 1.12 in 2024. Over the long run, the pair stands at 1.15 in 2025, then 1.18 in 2026 and 1.18 in 2027 against 1.17 initially.

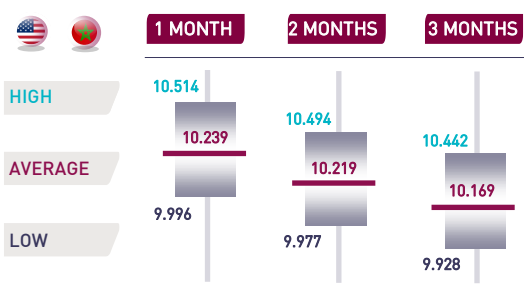
Inflation in the United States stood at 3.2% in October after 3.7% in September. The FOMC decided another pause in its monetary tightening in November after raising the Fed Fund rates to [5.25% - 5.50%]. Markets anticipate the end of the Fed's monetary tightening cycle and rule out any further rate hikes in December. Furthermore, they anticipate a rate cut from March 2024.

In EZ, inflation fell to 2.4% in November after 2.9% in October. The ECB maintained its deposit rate at 4.0% in October after deciding 10 rate hikes since July 2022. The institution continues to assert that interest rates are in sufficiently restrictive territory for a convergence of inflation at target level of 2% on the MT. In our opinion, the reduction in the FED-ECB rate divergence should work in favor of 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 Q1-24



Based on EUR/USD Bloomberg forecast for Q1-24

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

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

MAD liquidity spreads should tighten over a 1-month horizon compared to spot levels due to relatively greater import flows before easing slightly over a 2-month and 3-month horizon.

Under these conditions, the target levels of the USD/MAD parity stand at 10.24, 10.22 and 10.17 over horizons of 1, 2 and 3 months against a spot price of 10.08.

The target levels of the EUR/MAD parity are 11.02, 11.00 and 10.95 over 1, 2 and 3 month horizons against a spot price of 10.98.

### 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>	-0.29%	-0.50%	+0.75%	+0.92%	+0.43%	+0.74%
<b>1 MONTH</b>	-2.30%	+0.84%	-0.22%	+0.26%	+1.80%	+1.52%
<b>YTD 2023</b>	-3.52%	-1.65%	-14.11%	-3.49%	+1.29%	+1.68%

Prices as of 12/01/2023



# APPENDICES

DATA AS OF DECEMBER 4<sup>TH</sup>, 2023

## APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q1-24	Q2-24	Q3-24	Q4-24	2025	2026	2027
<b>FORECAST</b>	USD/JPY	145	141	138	137	130	125	--
<b>FORWARD</b>	148	145	143	141	139	134	129	124
<b>FORECAST</b>	USD/CAD	1.35	1.33	1.32	1.3	1.27	1.31	1.3
<b>FORWARD</b>	1.35	1.35	1.35	1.35	1.34	1.34	1.34	1.33
<b>FORECAST</b>	USD/CHF	0.90	0.89	0.89	0.90	0.89	0.87	0.89
<b>FORWARD</b>	0.87	0.86	0.85	0.85	0.84	0.81	0.79	0.77
<b>FORECAST</b>	GBP/USD	1.23	1.25	1.26	1.28	1.27	1.37	1.37
<b>FORWARD</b>	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26

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

	Date	Q1-2024	Q2-2024	Q3-2024	Q4-2024	2025
Wells Fargo	11/28/23	1.08	1.08	1.09	1.11	--
Commerzbank	11/14/23	1.09	1.12	1.1	1.09	1.06
RBC Capital Markets	11/09/23	1.03	1.02	1.05	1.08	--
JPMorgan Chase	10/20/23	1.03	1.05	1.1	--	--
BNP Paribas	10/03/23	1.11	1.12	1.13	1.15	--
Standard Chartered	09/06/23	1.12	1.13	1.14	1.14	1.14
Amdocs Development Ltd	12/01/23	1.07	1.09	1.12	--	--
Mouvement Desjardins	12/01/23	1.07	1.08	1.1	1.12	1.16
Mizuho Bank	12/01/23	1.12	1.1	1.08	--	--
Rabobank	12/01/23	1.05	1.07	1.08	1.09	1.2
United Overseas Bank	12/01/23	1.11	1.13	1.15	1.16	1.2
Bank of America Merrill Lynch	11/30/23	1.07	1.1	1.15	1.15	--
Banco Bilbao Vizcaya Argentaria	11/30/23	1.11	1.12	1.14	1.13	1.16
Ebury	11/30/23	1.07	1.08	1.09	1.1	1.14
MPS Capital Services	11/30/23	1.08	1.12	1.1	--	--
Monex Europe Ltd	11/30/23	1.05	1.07	1.1	1.15	--
Australia & New Zealand Banking Group	11/29/23	1.11	1.13	1.14	1.16	--

In gray, the main brokers retained to calculate the EURUSD consensus for Q1-24  
Prices as of 12/04/2023

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