



# WEEKLY MAD INSIGHTS

## CURRENCIES

04 | JANUARY 2024

Week from 12/25/2023 to 12/29/2023

### MAIN WEEKLY VARIATIONS

		-0.18%			-0.04%
9.8929			7.4635		
		+0.18%			-0.24%
10.9445			12.5890		
		+0.11%			+1.71%
6.9801			11.8030		

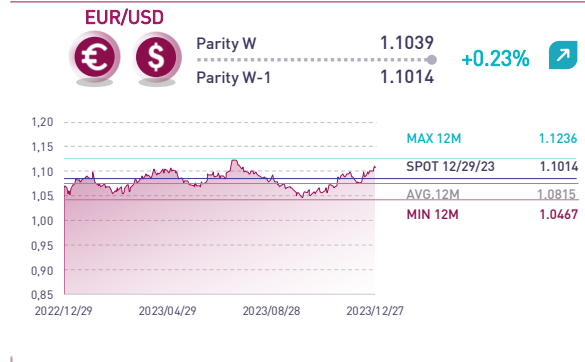
	USD/MAD	EUR/MAD
	-0.22%	+0.14%
	+0.04%	+0.04%

(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

### INTERNATIONAL HIGHLIGHTS

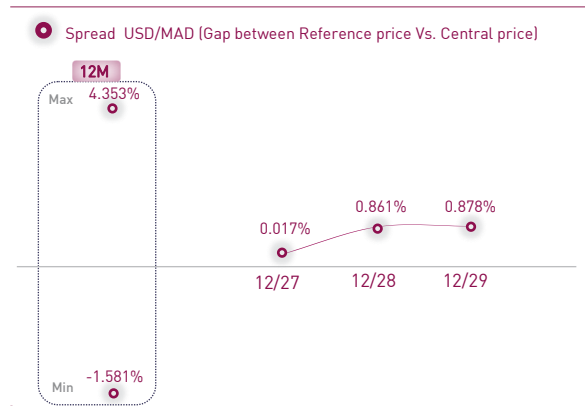
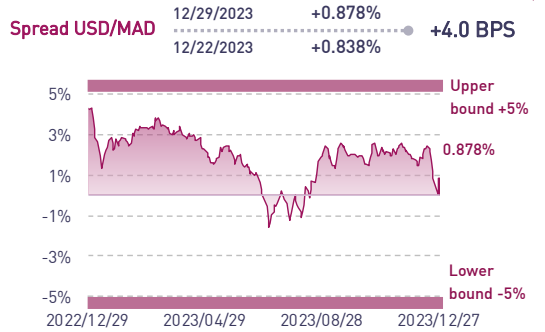
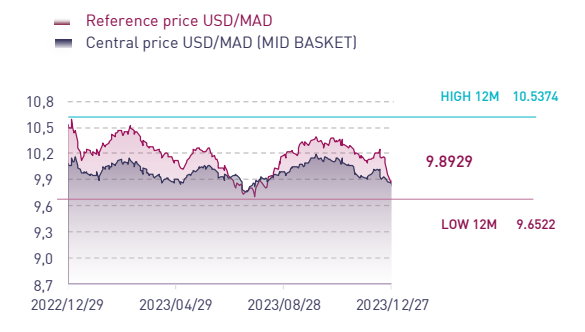


#### The EUR/USD pair hits a 6-month high

The EUR/USD begins the year 2024 on a positive note and appreciates over the week by +0.23% to 1.1039 in a calm market following the end-of-year holidays. Likewise, the pair reached its highest level since July 2023 on Thursday at 1.114. Indeed, investors anticipate a reduction in Fed rates from March 2024 on the sidelines of the deflationary context.

Separately, the US weekly jobs report showed a larger than expected rise in initial jobless claims to 218K, the highest level in 3 weeks. Meanwhile, pending home sales remained stable in November, below the forecast of a 1% increase.

### MAD EVOLUTION AND FOREIGN EXCHANGE MARKET LIQUIDITY INDICATORS



#### Liquidity spreads at their lowest at the end of the year

The dirham appreciated slightly at the end of the year against the dollar, going from 9.91 to 9.89. Thus, the USD/MAD pair closes 2023 with a drop of -0.18%.

At the end of this week, the *basket effect* stood at -0.22% compared to +0.04% for the *liquidity effect*. Liquidity spreads increased slightly this week, from 0.84% to 0.88%, i.e. an increase of +4 PBS.

However, these remain at very low levels below 1.0%. Recall that these recorded a significant drop of -162 BPS over the last week. Initially, greater export flows which supported the liquidity of the Dirham.

### VOLATILITY INDICATORS

1 MONTH	7.88%	7.86%	18.69%	6.48%	9.49%	11.82%
2 MONTHS	7.10%	6.59%	14.91%	6.02%	7.60%	9.28%
3 MONTHS	6.43%	6.03%	12.51%	6.13%	7.28%	8.79%

#### Wait-and-see attitude dominates FX markets

The wait-and-see attitude that reigns on the markets is fueled by uncertainties relating to the change in the monetary policies of the Fed and the ECB.

Nevertheless, the market remains in favor of a slight appreciation of the Dollar against the Euro on the ST.

To this end, we advise importers to hedge their Dollar operations over short time horizons of less than 3 months.

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# WEEKLY MAD INSIGHTS

## CURRENCIES

### EUR/USD OUTLOOK – BLOOMBERG

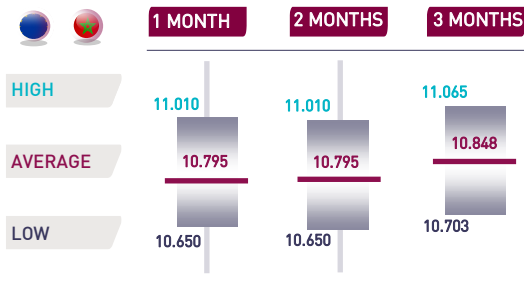
	SPOT	Q1-24	Q2-24	Q3-24	Q4-24	2025	2026	2027	2028
<b>MEDIAN</b>		1.10	1.10	1.11	1.12	1.15	1.15	1.15	1.15
<b>AVERAGE</b>	1.1039	1.09	1.10	1.11	1.12	1.15	1.16	1.16	1.14
<b>+HIGH</b>	12/29/2023	1.13	1.16	1.17	1.18	1.24	1.22	1.20	1.15
<b>+LOW</b>		1.02	1.00	1.04	1.05	1.10	1.11	1.11	1.11
<b>FORWARD</b>		1.11	1.11	1.12	1.12	1.14	1.16	1.17	1.19

Broker forecasts for the EUR/USD pair were almost stable this week. The pair would move to 1.09 in Q1-24 instead of 1.08 initially, then 1.10 in Q2-24. This would increase to 1.11 in Q3-24 then 1.12 in Q4-24. On an annual basis, the target is 1.15 in 2025. At LT, the pair stands at 1.16 in 2026 and 2027 and 1.14 in 2028.

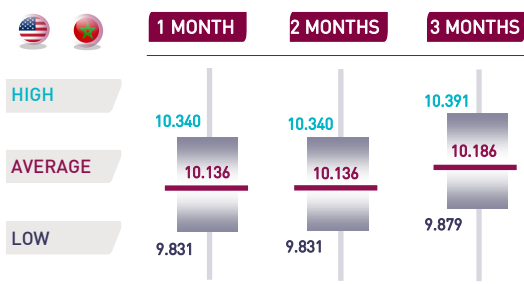
At the start of 2024, the divergence in monetary policy between the ECB and the Fed, combined with data on inflation and employment, could guide the behavior of the pair. Even though the US economy appears to be doing better than the European economy, markets expect the Fed to pivot its policy by lowering its interest rate by 25 BPS as early as March 2024. According to the FedWatch tool of CME Group, the markets currently assess the probability that the Fed will reduce its KR between 5% and 5.25% at the end of Q1-2024 at more than 85%.

On the other hand, ECB officials have made it clear that they need to see more progress on inflation before considering rate cuts. Indeed, a change in policy remains unlikely before June 2024. However, it announces an end to the PEPP program from July 2024.

### DOWNWARD REVIEW OF OUR 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 EUR/USD pair forecasts and the liquidity conditions on the foreign exchange market, we have revised downwards our forecasts for the USD/MAD pair over a 2 and 3 month horizon.

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 stabilize over 1 and 2 months compared to spot levels before gradually tightening over 3 months.

Under these conditions, the target levels of the USD/MAD parity stand at 10.14, 10.14 and 10.19 over 1, 2 and 3 months horizons against a spot price of 9.89.

The target levels of the EUR/MAD parity stand at 10.79, 10.79 and 10.85 over 1, 2 and 3 month horizons against a spot price of 10.94.

### 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>	-0.18%	+0.18%	+0.11%	-0.04%	-0.24%	+1.71%
<b>1 MONTH</b>	-1.46%	-0.67%	+2.68%	+0.97%	-1.15%	+3.09%
<b>YTD 2023</b>	-5.31%	-1.92%	-11.96%	-3.35%	0.00%	+4.13%

Prices as of 12/29/2023



# APPENDICES

DATA AS OF JANUARY 2<sup>ND</sup>, 2024

## APPENDIX 1 : BLOOMBERG FORECASTS FOR TENOR CURRENCIES

		Q1-24	Q2-24	Q3-24	Q4-24	2025	2026	2027
<b>FORECAST</b>	USD/JPY	144	140	138	135	130	125	112
<b>FORWARD</b>	141	139	137	136	134	129	125	121
<b>FORECAST</b>	USD/CAD	1.34	1.33	1.32	1.31	1.27	1.27	1.30
<b>FORWARD</b>	1.32	1.32	1.32	1.31	1.31	1.31	1.3	1.30
<b>FORECAST</b>	USD/CHF	0.88	0.88	0.89	0.88	0.87	0.89	0.89
<b>FORWARD</b>	0.84	0.83	0.83	0.82	0.81	0.79	0.77	0.75
<b>FORECAST</b>	GBP/USD	1.25	1.26	1.27	1.29	1.32	1.34	1.37
<b>FORWARD</b>	1.27	1.27	1.27	1.28	1.28	1.28	1.28	1.29

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

	Date	Q1-2024	Q2-2024	Q3-2024	Q4-2024	2025
BNP Paribas	12/15/23	1.10	1.12	1.14	1.15	1.18
Commerzbank	12/15/23	1.12	1.15	1.14	1.12	1.10
Wells Fargo	12/15/23	1.07	1.07	1.09	1.10	--
Standard Chartered	12/13/23	1.04	1.05	1.07	1.09	1.11
RBC Capital Markets	11/09/23	1.03	1.02	1.05	1.08	--
JPMorgan Chase	10/20/23	1.03	1.05	1.10	--	--
CICC	01/02/24	1.08	1.09	1.10	1.12	--
Alpha Bank	12/29/23	1.11	1.11	1.12	1.13	1.15
Cinkciarz.pl	12/28/23	1.11	1.13	1.15	1.17	1.20
Mizuho Bank	12/27/23	1.10	1.11	1.09	1.08	--
Resona Holdings	12/27/23	1.05	1.00	1.08	1.08	--
X-Trade Brokers Dom Maklerski	12/25/23	1.10	1.09	1.1	1.11	1.13
Australia & New Zealand Banking Group	12/22/23	1.11	1.13	1.14	1.15	1.18
Capital Economics	12/22/23	1.10	1.10	1.10	1.10	1.15
Mouvement Desjardins	12/22/23	1.08	1.08	1.1	1.12	1.16
Polski Instytut Ekonomiczny	12/22/23	1.10	1.11	1.11	1.11	1.12
Prestige Economics LLC	12/22/23	1.12	1.13	1.14	1.15	--

In gray, the main brokers retained to calculate the EURUSD consensus for Q1-24  
Prices as of 01/02/2024

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