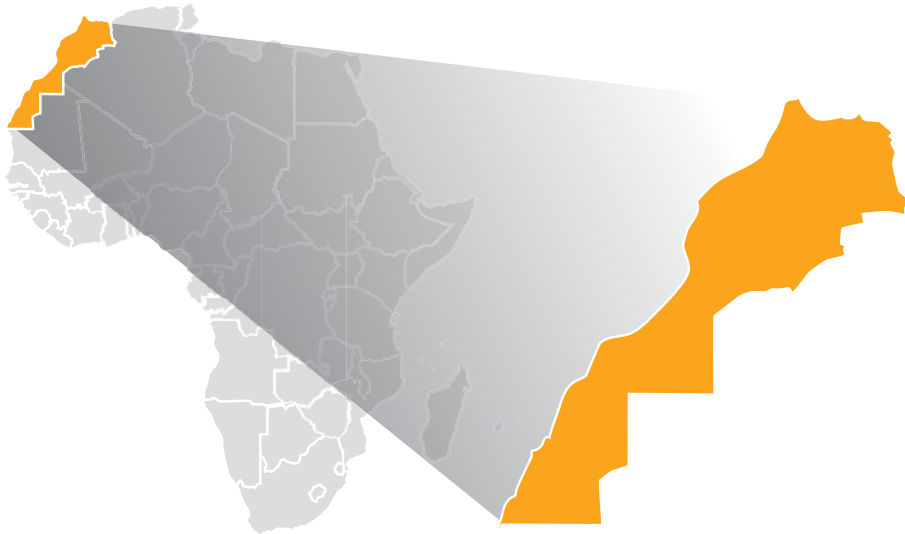


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\$60.86 Bn
Equity Market
Capitalization

\$0.68 Bn
Debt Market
Capitalization

76
Number of
listed
companies

17
Number of
issuers
(bonds)

51.4%
Domestic
Equity Market
Cap/GDP

51.4%
Total Equity
Market Cap/
GDP

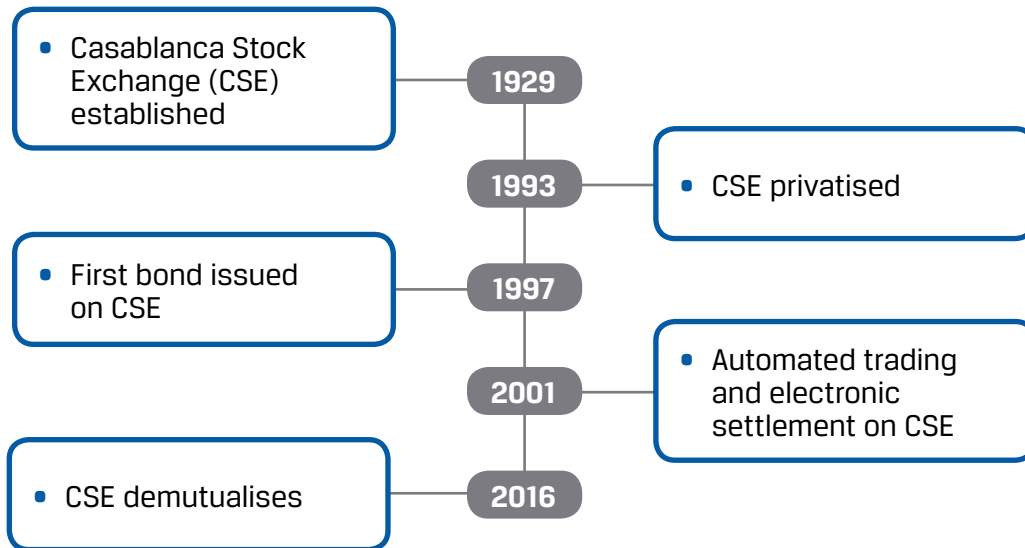
0.57%
Domestic
Debt Market
Cap/GDP

282,730,309
Equity Market Share Volume Traded

22,122
Debt Market Instrument Volume Traded

\$118,495 million
Morocco GDP
in 2018

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Established as early as 1929, the Casablanca Stock Exchange (CSE) operates within a modern market infrastructure that includes a market authority (the AMMC³⁶), a central depository (Maroclear), and a centralized payment system operated by Bank Al-Maghrib, the central bank.

Following the major overhaul of Morocco's capital markets in 1993, the security trading bourse became Casablanca Stock Exchange, a private company owned by the brokers. In 2016, the CSE was demutualised and is now owned by different shareholders (banks, insurance companies, brokers, the state, and CFCA³⁷). The CSE has been a member of the World Federation of Exchanges (WFE) since 2010.

The Moroccan financial market is characterized by relatively large institutional investors that operate in a supervised manner. Asset management is particularly well developed given the size of the market, with assets under management reaching nearly 50% of GDP. Foreign investors are almost exclusively present in a passive way or in the form of strategic participations, while minority and private investors adopt a low-risk approach. At the end of 2018, the Moroccan stock market had a market capitalisation of USD61 billion—the second highest in Africa. Transaction volume reached USD5 billion in 2018, the third highest in Africa.

In 2001, the exchange started trading on an electronic platform, which was upgraded in 2008 and then replaced in 2016 by a state-of-the-art platform offering multiple functionalities, increased speed, and greater transparency. This change follows a strategic partnership with the London Stock Exchange Group (LSEG), which reflects the commitment of both financial centres to reinforce the international attractiveness of Morocco as a regional financial hub. Through this partnership, the LSEG and CSE will work to develop the Moroccan and regional financial markets in the areas of technology, small and medium enterprise (SME) financing, and the establishment of new products and markets, including a derivatives market.

EQUITY MARKET

The development of the equity market has been very rapid over the past 20 years, with capitalisation rising from MAD115 billion (USD14.8 billion) in 2000 to MAD582 billion (USD60.9 billion) at the end of 2018, representing 53% of GDP, as shown in **Figure 1**. The capitalisation structure, represented in **Figure 2**, is relatively well diversified, with more than 20 economic sectors represented. Banks represent the largest portion (34%) of the market cap, followed by telecoms with 21%—a relatively different market structure from that of the real Moroccan economy.

³⁶See www.ammc.ma/en.

³⁷See www.cfca.org/.

FIGURE 1. MARKET CAPITALIZATION

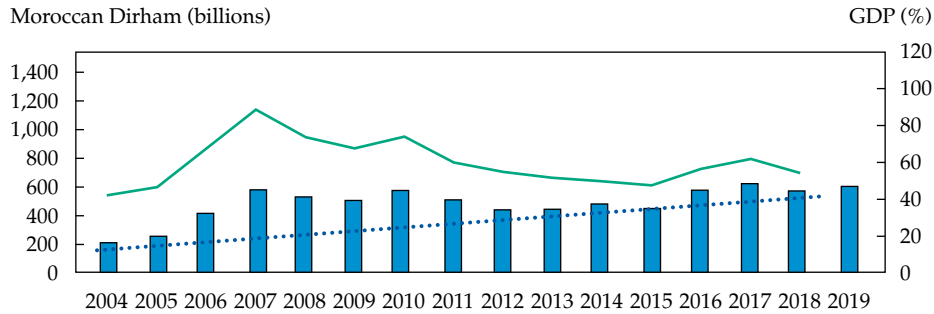
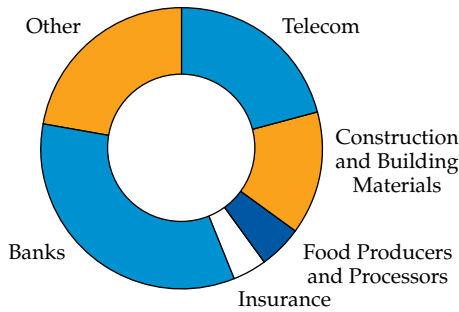


FIGURE 2. MARKET CAPITALIZATION BY SECTOR



Stock market transactions remain dominated by institutional investors and fund managers, who account for between 70% and 80% of trading volume. In addition, 25% of the assets invested by the insurance sector, which reached more than MAD164 billion in 2018, are invested in listed shares, and 7% of assets under management are invested in listed shares.

As a result of this concentration, the Moroccan equity market has the typical behaviour of a “one-way” market: Volume rises in periods of rising prices and falls in downward pricing trends. The market thus experiences corrections driven by volume. At the same time, the real free float of shares tends to decline, which structurally drains liquidity, because of the buy-and-hold strategies of institutional investors and IPOs, which are carried out on low floats (17% on average).

Another factor blocking development is the reduced popularity of stock market investments. According to the results of a survey carried out in 2012 by the CSE, 46% of individual investors prefer real estate, compared with 26% who prefer stock market investments. Negative experiences, strong risk aversion, or the perceived technicality of this type of investment are among the reasons for lack of interest in the stock market.

The CSE has 75 listed companies. This figure remains stable because of a regular rate of listing/delisting, as Panel A of **Figure 3** shows. The market remains moderately solicited by companies for financing, with fundraising (IPO and secondary listing) reaching an annual average of MAD5.5 billion, or USD0.6 billion (see Panel B).

Market trading volumes reached MAD53 billion in 2018 (USD5.5 billion), generating a liquidity ratio³⁸ of only 10%, placing the CSE in third place in Africa for liquidity. **Figure 4** illustrates the liquidity ratio for 2010–2017.

³⁸The liquidity ratio is the ratio of annual volume of transactions to market cap.

FIGURE 3. LISTING/DELISTING AND IPO/SECONDARY LISTING

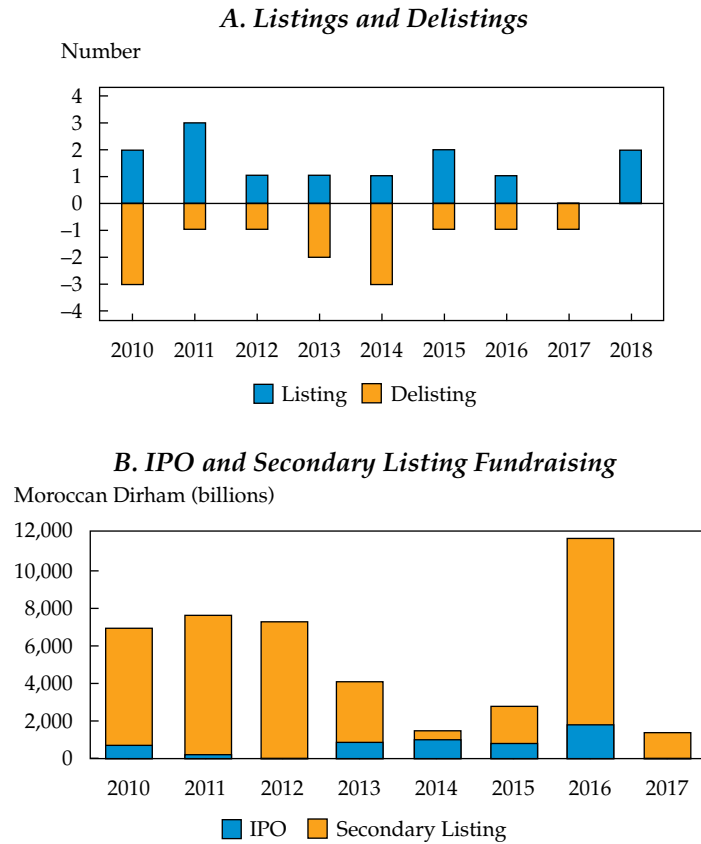
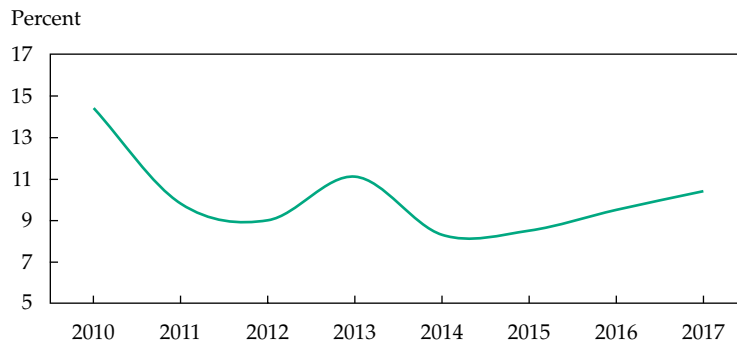


FIGURE 4. LIQUIDITY RATIO, 2010-2017



In 2018, foreign investors held 33% of the market cap (MAD190 billion). More than 90% of foreign investment is in the form of strategic participations. The floating share of foreign capital invested on the Casablanca Stock Exchange amounts to nearly 3% of the total market capitalisation and 11% of the floating capitalisation. This participation has remained stable over the years, reflecting the confidence of foreign investors in the Moroccan market.

The market valuation level remains attractive, with an average market price/earnings ratio of nearly 19× and a dividend yield of nearly 4%.

BOND MARKET

The Moroccan bond market is one of the most important components of the Moroccan financial market. The first private debt issues in Morocco took place in 1997. Since then, this market has grown rapidly. Over the period 2013–2018, the amount of issues reached a gross average of MAD67 billion per year, as **Figure 5** shows. These issues are split into 63% bonds (listed and unlisted) and 36% unlisted short-term negotiable debt securities (NDS).

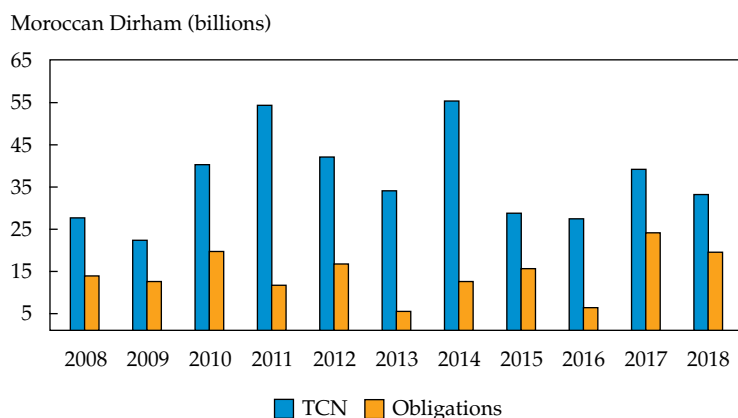
This market is correlated with the needs of financial institutions, which hold 75% of total issues. Bank liquidity shortages boost this market, and excess liquidity has a negative impact. The widening liquidity deficit over the past two years has intensified banks' use of the market for marketable securities and claims.

The overall stock of private debt increased by an average of 7% over the period 2013–2018, from MAD166 billion in 2013 to MAD189 billion in 2018. The outstanding amount of corporate bonds increased more rapidly, with growth of 36% over the period, rising to MAD124 billion. As for negotiable debt securities, their outstanding amount reached MAD66 billion in 2018, compared with MAD75 billion in 2013.

The bond market remains dominated by government issues of Treasury bills. The outstanding amount of Treasury bonds reached more than MAD554 billion in 2019, representing nearly 75% of the total debt issued on the capital market.

The historically low levels of interest rates and excess liquidity among institutional investors because of the decline in cash demand by the

FIGURE 5. BONDS AND NDS ISSUED



Moroccan Treasury enable a competitive bond market. Average issue spreads have shown an overall decrease of 50 bps between 2013 and 2018. Currently, 10-year Treasury bonds are issued at a rate of 3%.

The bond market is an OTC market, and listed bonds remain limited in number, not exceeding 46 at the end of 2018 and generating a volume of MAD1.7 billion—down 38% compared with 2017.

CAPITAL MARKET DEVELOPMENT

In order to respond to Morocco's strategic orientation to become the financial hub of Africa, the CSE has launched a new development plan for the period 2018–2021. It is called Ambition 2021 and is structured around three axes: market infrastructure, economic financing, and regional outreach.

Ambition 2021, which mobilizes all stakeholders (the regulatory authority, regulators, and market professionals), has three key objectives:

1. Build a high-performance infrastructure with the
 - a. transformation of the CSE into a stock exchange group and
 - b. the creation of a clearinghouse and a derivatives market using a multi-product IT platform and a solid integrated risk management framework.
2. Better contribute to financing the economy by stimulating the supply of paper on the equity and bond markets, enhancing the attractiveness of the CSE to local and international investors, and accelerating the development of market liquidity.

3. Promote the CSE by listing foreign securities, improving connectivity with international financial markets, creating a 100% African fund, and deploying the ELITE program in West and Central Africa.

Several projects designed to help achieve these objectives are already at an advanced stage:

- The CSE has adopted a new law enabling it to create new markets and boards better adapted to the financing needs of companies, to list new products such as REITs and ETFs, and to create the status of investment adviser.
- New rules for financial transactions and information have been introduced, making it possible to initiate the obligation for issuers to report quarterly, to produce half-yearly and annual financial reports, and to include non-financial information.
- The state has relaunched the privatization program, giving priority to the use of the stock market and integration of new companies.
- Several of the 110 companies that have joined the ELITE program in Morocco and West Africa have already started reforms (reporting, governance, and so forth) and are preparing to carry out operations on the CSE.
- Events to promote the international marketplace are regularly organized and enable listed companies to meet international investors.
- Financial education for individual investors is developing through the training of more than 7,000 people per year, directly or through the e-learning platform developed by the CSE.

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- The central counterparty clearinghouse (CCP) and the derivatives market are being set up.
 - Security and compliance with international standards continue, with the CSE and Maroclear obtaining ISO 9001 certification for service quality and ISO 27001 for information systems security. More recently, the bourse has also certified its business continuity management system.
- Aware of the role of the capital market in economic development and the attractiveness of foreign investment, the authorities and operators have initiated structural reforms to develop the supply side, making it easier for companies to finance themselves, diversify demand, improve access for foreign and individual investors, and secure the market by regulating and operating to international standards.