



SDI Review Form 1.6

PART 1:

Journal Name:	British Journal of Economics, Management & Trade
Manuscript Number:	2013_BJEMT_3588
Title of the Manuscript:	The effect of US fundamentals on the Moroccan stock market pre- and post- FTA

General guideline for Peer Review process is available in this link:

(<http://www.sciencedomain.org/page.php?id=sdi-general-editorial-policy#Peer-Review-Guideline>)

- This form has total 7 parts. Kindly note that you should use all the parts of this review form.



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PART 2: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments	1. The introduction and the title of the paper are missing the main point of the article. It is not so important whether the FTA had and impact on the Moroccan stock market. The really relevant question is if the FTA between the US and Morocco had and impact on the economy of Morocco, affecting its stock market. The stock market can be interpreted as a proxy of the economy. I suggest writing again the introduction to make the paper sexier. In the introduction it would be also adequate to illustrate the evolution of exports and imports to US in relation to Moroccan GDP. I would also see the evolution of US tourists (one of the main economic sectors of Morocco) in the period. 2. I found the Literature Review too long and boring. I propose to present the results in table (authors, papers, variables and main results) and resume it in 1 or 2 pages. 3. On the contrary, you will have to describe the variables with much more detail and explaining the reasons why you have chosen those variables. For example, exports or imports are not included, why? What is the definition of money supply that you are using? Why are you using Consumer Price Index instead of Industrial Price Index? This is really important to understand the results. 4. IPI, money supply and S&P500 are denominated in dollar. However, Moroccan stock exchange is denominated in dirhams. This fact must have an	1- We agree with you that the mean point should be focusing on FTA effect on the economy, but the goal of the study to investigate wither the FTA bring a channel for US macroeconomics fundamentals to affect Morocco's stock market. Interim of trade, we did add a table to show how our finding is supported by the trade activities pre and post FTA. For US tourists, there are no data available for decompose data of tourisms. However, according to World Bank (WB) data expenditure of tourisms to GDP represents 2.11% as an average between 2003 and 2011. From the previous, we can consider tourism sector is small sector to the economy. 2- We agree with you and we did modify it. 3- We did support our chose of those variables by citing previous studies that have been done similar or close analysis to our analysis. We did use CPI instead of Industrial Index because of the sensitivity of the economy to CPI which can be used as an indicator to the change of the monetary policy which affects the stock market directly through changing the behaviour of the investors. 4- In our study we are using the



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	impact on the results. However there is no mention at all. Why? What is the role of the exchange rate? 5. It is against common sense and evidence that S&P500 has so irrelevant impact on Moroccan equity market. I would like to understand the reasons behind this. Perhaps you could illustrate this fact using simple correlations or graphics.	percentage change which does not consider any units. We did state this in the estimation section by ensuring that the model will be estimated with natural log and first difference. Also, exchange rate shows no impact on the stock market by many studies. 5- The lack of capital mobility blacks the market to get affected by S&P500. Also, the tight relationship between Morocco and France as well as with the rest of European Union (EU) makes Morocco's stock market exposed to EU's stock markets more than to be exposed to S&P500. Finally, the correlation between S&P 500 and MASI is 0.34 which considers low correlation.
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<u>Minor</u> REVISION comments	1. Some of the references are not correct. Please try to mention the authors and the year of the article. 2. The conclusions have some naïve sentences as: “by estimating the future direction of the US money supply, industrial production and consumer price index investors, can easily predict the trend of the Moroccan equity market” or “Policy makers in the US will be very cautions while making monetary decisions as stocks markets all over the world react to this decisions”. The conclusions have to written in a more academic way. I would avoid recommendations to investors and US policy makers.	1- We did correct for this missing information. 2- We did delete all the recommendations and we did write the conclusion again in a way to show the finding in bright way.
<u>Optional/General</u> comments	I found that the paper is focus in a not very interesting issue. The FTAs are design to increase trade and investments, the impact of these agreements of stock markets must be a “second order” result. The paper’s strength is the technical approach. However, the results of the technical analysis are not exploited from an economic perspective.	