



SDI FINAL EVALUATION FORM 1.1

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

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
1. I still insist that exchange rate has to be included. I am totally sure that results are going to be different. The authors' answer given to this comment "In our study we are using the percentage change which does not consider any units" is totally wrong. It is a false consideration. Money supply is a proxy of international liquidity in US dollars. However, Morocco's stock exchange is denominated in dirhams. The relative abundance of liquidity available to be invested in Morocco depends on the exchange rate. Even more, international investors compare yield in order to invest, but always using the same currency. It is the only way to compare yields. I don't like a paper where some variables are in dollars and other in dirhams. Perhaps, as the authors say, "exchange rate shows no impact on the stock market by many studies". But in this case, that sentence has to be proven before. In fact, authors mention many papers that take into account exchange rate in the section entitled Literature Review. 2. I still found the Literature Review too long. I would suggest another effort to reduce this section to 2 pages instead of 4. In addition I insist that -given the high number of papers that were reviewed (60)- a table with the main information would be useful. 3. I am not satisfied with the answer to my comment on the description of the variables that are used. The authors say: "We did support our chose of those variables by citing previous studies that have been done similar or close analysis to our analysis" or Magister Dixit as it is said in Latin. But I am interested in why <u>the authors</u> choose those variables. I want to know their economic motivations. For example, why do they choose Industrial production instead of PMI or GDP or Manufacturing production? Or why do they choose M2 as proxy of liquidity instead of M3 or M4? A very brief comment, 2 or 3 lines per variable would be enough. 4. I would eliminate the Annex. All the information of that section could be replaced by a graph.	1- The exchange rate is unclouded through the stock market index of Casablanca. The index we are using is taking in its consideration the exchange fluctuations through calculating the value of the shares in US dollar (MADEX \$). The index is listed in the Casablanca Bourse website. The use of this stock market index solve the problem of incompatibility among variables that all have to be in US dollar and taking care of disruption of exchange rate fluctuation mislead the rate of return in the stock market by foreign investors. 2- Our object from the literature review to stream out the studies that are focusing in the fundamentals of macroeconomics on the stock markets by linking domestic and global macroeconomics variables. We did start by local and global effect. Also, we did bring out studies that focus on FTA. In each part we did bring positive result and negative result. Minimize this section will miss its target to the object of this study. We feel this size of literature is reasonable since we are connecting the studies analyzing the effect of local macroeconomics variables on stock market with studies analyzing the effect of global macroeconomics variables on local stock market. Also, the study has to have studies analyzing the FTA effect on local stock market. Thus we need to be more clearly in laying out previous studies' findings to be able to stretch what we are going to head from this study. 3- The explanation of using the variables is stated in the Model Specification section and Data section trough exercising the path of the effect of the change in the variable over the stock markets returns. For Industrial production, it has been a good proxy for economic activity when monthly data is used which is the case in our study. In the last 20 years there has been a significant link between M2 and economic spending because technological innovations in banking system make it much easier to transfer saving assets that are part of M2 into checking accounts to be used for spending. 4- The appendix is transformed from tables to graph.