

## **Summary**

2021 Quarter Three (Q3) GDP Growth Rate 4.03% against 5.01% in Q2.

Inflation Rate (As at December, 2021) 15.63%

Exch. Rate (USD) (NAFEX as at Wednesday, January 19, 2022) ₦415.3

Exch. Rate (USD) (Black market as at Thursday, January 20, 2022) ₦570

Monetary Policy Rate, MPR (As at Thursday, January 20, 2022) 11.5%

Crude Oil Price in USD (As at Thursday, January 20, 2022) \$88.13

## **Oil prices hit \$88, Highest in 7 Years**

Brent crude oil prices rose to its highest since October 2014 after it hit \$88.4 on Tuesday as drone attacks on targets in the United Arab Emirates stoked fears across the region. At \$88 oil prices are firmly back to the pre-Buhari regime when the economy was robust and selling north of 1.8 million barrels per day. Incidentally, this marked the end of an oil boom era for Nigeria and the start of a protracted period of a fall in oil revenues, multiple devaluations and recessions and an accumulation of debt not seen since the return to democracy in 1999. According to the OPEC December 2021 monthly report, Nigeria, alongside Iraq, Saudi Arabia and Venezuela boosted its oil output between October and November. The nation average crude oil production increased by 3.83% from 1.228 million bp/d to 1.275 million bp/d. Although there is an increase, the country still struggles to meet up with its OPEC quota of 1.66 million bp/d.

## **Inflation Rises to 15.63% in December 2021**

Inflation has become a bugbear for the Nigerian economy in the last two years but from the end of the first quarter (Q1) 2021, the average consumer price level fell in nine consecutive months until its recent December 2021 reversal that saw inflation rates rise again. In the latest CPI report released by the National Bureau of Statistics on Monday, Nigeria's Inflation rate increased for the first time in nine months, as the headline consumer price index rose by 15.63% y-o-y (Year-On-Year). According to the Bureau, the rise was a result of the surge in demand for food and other items during the festive season. December's inflation figure represents a 23-basis point increase in inflation rate compared to the 15.40% recorded in the month of November. Although this indicates an increase, it is still lower than the inflation rate recorded between January and October 2021.

## **Commodity Market Report**

Last week, all grain commodities closed in the green territory, returning gains to investors on the Exchange. Prices are not looking to halt the upward trend soon as demand pressure and

hoarding activities of traders prevail. Sorghum led the performers' chart closing 11.26% on a week-on-week basis. Cashew followed closely with a 10.40% performance during the same period. Cocoa, however, declined 4.69%. A total of 11,983,230 contracts were closed on the Exchange last week with maize accounting for 77.26% of it. Grain prices are expected to continue to trend and increase as witnessed in the last 3 weeks due to strong demand coupled with the limited volumes available in the open market.

## **FX**

The value of the Nigerian naira depreciated by 1.5 percent as banks shifted personal travel allowance (PTA) and business travel allowance (BTA) rates from N413 to N419 per dollar. PTA and BTA are currency exchange schemes specifically set up for Nigerians travelling abroad for personal or business reasons. Each traveller can get up to \$4000 every quarter to lessen FX disparity at parallel and official markets. The rate, which exchanged for N413 per dollar in the few months, has added about N6, bank sources told TheCable on Wednesday.

## **Treasury Bills**

Last week, the Nigerian Treasury Bills ("NT-Bills") secondary market maintained its bullish run as investors anticipated the Primary Market Auction ("PMA") that held last Wednesday (12-Jan-2022). As the week progressed, tepid sentiments were maintained with minimal trading activities despite buoyant system liquidity (N63.2bn long as of Friday). Consequently, average yield contracted 4bps W-o-W (Week-On-Week) to settle at 4.39% from 4.43% the previous week. In more detail, most demand was witnessed on medium and long-term instruments as their average yields (3.73% and 5.13%) dipped 7bps and 4bps W-o-W respectively. Specifically, the 31-Mar-2022(-39bps W-o-W) and 14-Jul-2022(-37bps W-o-W) bills enjoyed the most buying interests.

## **FGN BONDS**

The domestic bonds secondary market recorded a bullish run last week as FGN bonds market players reacted to the release of the Q1:2022 FGN Bond issuance calendar by the Debt Management Office ("DMO") where a new maturity (2042s) will be offered in the market. Consequently, average yield shed 7bps W-o-W to settle at 11.51% from 11.59% the previous week. Specifically, average yields on the short and long tenors (8.45% and 12.78%) witnessed the most buying interest (-14bps W-o-W) and (-8bps W-o-W) as yields on JUL-2034, APR-2023 and JAN-2026 contracted -41bps, -29bps and -21bps W-o-W respectively.