



AAA FINANCE GROUP

TREASURY NEWSLETTER

16th April, 2021

Summary

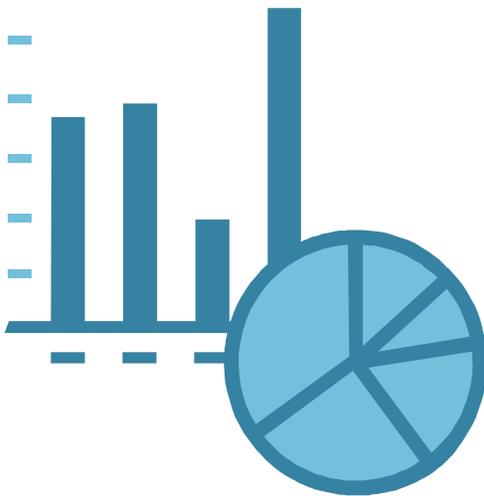
Inflation Rate	⇒	18.17%
CBN Exch. Rate (USD)	⇒	₦379/\$1
Monetary Policy Rate	⇒	11.5%
Crude Oil Price in USD	⇒	\$65.59
Parallel rate (USD)	⇒	₦482/\$1

Nigeria's inflation rate surges to 18.17% in March 2021

According to the Consumer Price Index report, recently released by the National Bureau of Statistics (NBS), Nigeria's inflation rate for the month of March 2021, rose to 18.17% from 17.33% recorded in February 2021. This represents 0.82% points higher than the February figures. On a month-on-month basis, the Headline index increased by 1.56% in March 2021, this is 0.02% points higher than the rate recorded in February 2021 (1.54 percent). In March 2021, all items inflation on year-on-year basis was highest in Kogi (24.51%), Bauchi (22.24%), and Sokoto (20.70%), while Imo (16.08%), Kwara (15.34%), and Cross River (14.45%) recorded the slowest rise in headline Year on Year inflation while food inflation, on a year-on-year basis was highest in Kogi (29.71%), Sokoto (27.02%), and Ebonyi (26.59%), while Abuja (20.10%), Kebbi (19.98%), and Bauchi (18.61%) recorded the slowest rise in year-on-year inflation.

CBN Moves Against Bad Debtors to Other Financial Institutions in New Circular.

Following the successful implementation of the Credit Risk Management System (CRMS) in deposit money banks across the country, The Central Bank of Nigeria (CBN) has further moved against bad debtors as it said it will extend its Credit Risk Management System (CRMS) to the other financial institutions (OFIs) in the country. This disclosure is contained in a circular titled, 'Credit Risk Management System: Commencement of Enrolment of all Development Finance Institutions, Microfinance Banks, Primary Mortgage Banks and Finance Companies, issued by the apex bank and signed by its Director, Financial Policy and Regulation Department, Kelvin Amugo, on April 8, 2021. CBN in the circular noted that this policy is to help promote a safe and sound financial system in the country as well as prevent the bad debtors from undermining the banking system.



SOURCES



Nairametrics



FX Market

The FX market resumed trading on a sober note, despite attempts by the Central Bank to curb some outstanding demand for the greenback. The Apex bank intervened in the market, after a long absence, focusing its sales to foreign portfolio investors looking to exit their positions from the Nigerian capital markets. Supply remained worsened in the I&E FX window, as the traded volume dropped to c.\$21million (59% drop D/D). Most participants were bided between N392.00/\$ and N422.00/\$ as the closing rate appreciated by c.0.12% D/D. The Naira had a mixed trading session at the parallel markets, with the cash rate appreciating by c.0.52% to close at N480.00/\$ while the transfer rate depreciated by 0.19% to close at N495.36/\$.



sources

Bloomberg proshare

FGN BONDS

Another bearish session ensued in the FGN bond market, as investors shrugged off the positive GDP report released by the NBS earlier in the day. Supply persisted across the benchmark curve, as yields at the belly crossed the 12.00% mark (2027s and 2028s) while the long-end papers (2045s-2050s) changed hands around 13.80% levels. The only bond with some positive movement was the 2029s paper, which traded at 11.80%, much lower than its peers. Yields closed the session by c.30bps higher on the average across the benchmark curve.

Treasury Bills

The activity in the treasury bills space was muted, as the focus remained on the primary market auction floated by the DMO. The long-dated OMO maturities (Jan.-Mar. 2022 papers) continued to inch towards the 9.00% mark, with trades crossing at 8.80% levels. Offers remained for long-dated NTBs for most of the session but met with very little demand as investors expected higher rates at the primary auction. At the primary auction, the DMO took advantage of ample demand to raise 221% of its intended issue, maintaining rates on the 91 and 182-day tenors whilst raising the 1-year rate by 100bps to close at 9.00%.

Money Market

System liquidity saw some slight respite as refunds from previous unmet FX intervention bids saw interbank system liquidity improve to an opening position of N40bn positive. Money market rates consequently moved lower, dropping by c.38bps on the average to close the session at 12.00% and 12.25% for Open Buy-Back (OBB) and Overnight (O/N) rates respectfully. We expect rates to remain elevated to close the week, as debits via CRR, FX Retail, and (likely) OMO auctions are expected to further drain system liquidity.

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