

Key Indicators;

Inflation Rate (As at March, 2021) 18.17%

Exch. Rate (USD) (As at Wednesday, May 05, 2021) ₦379

Exch. Rate (USD) (Parallel market as at Friday, May 07, 2021) ₦485

Monetary Policy Rate, MPR (As at Friday, April 30, 2021) 11.5%

Crude Oil Price in USD (As at Friday, May 07, 2021) \$68.50

Nigerian Naira Remains Fair Stable, But Downside Risk Abounds

Naira has remained stable over the past few weeks supported by the gains from higher crude prices (+3.40%MtD to US\$68.32 bbl. as of the end of April). The impact of the higher crude prices can also be seen in the external reserves (+0.34%MtD to USD34.94bn), representing five months import cover. Crude oil prices are poised to remain at current levels, on the back of general compliance among OPEC+ members and recovery in global crude oil demand. According to OPEC, global oil consumption is projected to rebound by 6.0m bbl/day in 2021. Nevertheless, Liquidity levels remain low across the FX strata, due to lower intervention sales by the CBN and weak foreign inflows. On the latter, based on the recent capital importation data released by CBN for January, the total foreign inflow into the country was up 30.9% m/m to US\$0.38bn. In our view, the narrative will likely remain the same for foreign investors, as FX restrictions and measures on FX repatriation continue to undermine confidence and prevent the free flow of capital. For clarity, the average foreign inflow into the I&E window so far in 2021 was estimated at USD60.0m, which remains significantly below the pre-covid levels of USD1.7bn. As such, we expect Foreign Portfolio Investments (FPIs) aversion to persist, increasing the possibility of further adjustment in the FX rates in the medium-term.

CBN Replaces the Platform for The Processing of Electronic Certificate of Capital Importation

The Central Bank of Nigeria (CBN) has announced the replacement of the platform for the processing of electronic Certificate of Capital Importation (eCCI). The now defunct eCCI platform, managed by Telnet Nigeria Limited in partnership with the CBN was launched in 2017 to enhance transparency and efficient processing of certificates in respect of foreign investment into Nigeria. The recently launched platform will be managed solely by the CBN and it is expected to perform the same function as the defunct one. The new in-house e-platform is also expected to boost service delivery and provide CBN with enhanced control to easily monitor the process of issuing eCCIs.

Crude Nears \$70, Raises Fear of Federation Account Depletion

The international oil benchmark, Brent Crude, was less than 30cents from hitting \$70 amid market optimism on the United States and Europe reopening. The benchmark had gained \$0.83, to trade at \$69.71 as of 2:44 pm on Wednesday, Nigerian time, according to data from Oilprice.com. A rise in oil prices in the international market would result in increased importation costs for petroleum products. The Nigerian National Petroleum Corporation had stated that it paid an estimated N100bn in petroleum subsidies monthly. It later said that it would be withholding N112bn from April Federal Account Allocation Committee payments to cover subsidy on petroleum imports. Although the NNPC said that the payment of subsidies was not affecting its finances, a continued increase in oil prices on the international market could put a strain on the ability of the NNPC to continuously fulfil its obligations.

Foreign Direct Investment declined by \$30m in January

Foreign Direct Investment dipped by 33.3 per cent which amounted to \$30m in January, latest statistics obtained from the Central Bank of Nigeria revealed on Wednesday. According to figures obtained from the CBN's January report on capital importation and capital outflow, the FDI at \$90m in December fell to \$60m in January. Part of the report read, "Estimated data revealed a reduction in capital importation during the review period, reflecting the tight global financial conditions and narrowing interest rate differentials, occasioned by low yields on domestic money market instruments. A total of \$0.38bn new capital was imported into the economy in January 2021, compared with \$0.55bn in December 2020.

CBN Extends the Naira 4 Dollar Scheme for Diaspora Remittances Until Further Notice

The Central Bank of Nigeria (CBN) has extended indefinitely its Naira 4-dollar scheme for diaspora remittances which was introduced a few months ago. This is to sustain the foreign exchange market liquidity in Africa's biggest economy which has been negatively impacted by the coronavirus pandemic and drop in oil revenue. This disclosure was contained in a statement issued by the apex bank to all deposit money banks, International Money Transfer Operators (IMTO) and the general public, on May 5, 2021, and can be seen on its website.

FX

The Naira on Thursday lost the 50kobo it gained against the Dollar on Wednesday at the Investors and Exporters (I&E) window of the foreign exchange market. Business Post reports that during the trading session, the local currency depreciated N411/\$1 from the N410.50/\$1 it finished at the midweek session. The domestic fell despite a decline in the demand for FX at the market segment by 38.4 percent or \$66.18 million to \$106.34 million from the previous

day's \$172.52 million. Meanwhile, at the parallel market, the Naira made no movement against the greenback for another trading day as it remained fixed at N485/\$1.

Treasury Bills

Last week, trading in the Nigerian Treasury Bills ("NT-Bills") secondary market was relatively quiet as liquidity levels remained tight (N274.3bn short as at Monday, 26th April, 2021) and as investors stayed on side-lines, awaiting the Primary market Auction ("PMA") that held on Wednesday, 28th April, 2021. Consequently, average yield closed flat at 4.74% despite the bond coupon payment inflow worth N53.0bn which was received during the week. The 24-Feb-22, 10-Mar-22 and 17-Mar-22 maturities witnessed mild buying interest, shedding an insignificant 1bp apiece W-o-W while other instruments across the curve traded relatively flat. At Wednesday's PMA, the Central Bank of Nigeria ("CBN") rolled over a total of N88.0bn across the 91-, 182-, and 364-Day tenors, which was met with strong demand, recording a total subscription of N242.9bn. In addition, the Apex bank sold less than it offered on the 91-Day tenor which had a 1.5x bid-to-cover ratio while most demand was recorded on the 364-day tenor with a 1.9x bid-to-cover ratio. Furthermore, stop rates were maintained at the short- and medium-term offers, while the long-term offer expanded to 9.75% (from 9.0% at the last auction).

FGN BONDS

The FGN Bonds secondary market resumed last week on a calm note, however, mild sell-offs continued to push yields higher as the week progressed, furthering its bearish run for another week. Consequently, average yield across all maturities advanced 28bps Week-on-Week (W-o-W) to settle at 11.93% from 11.45% the previous week. In more detail, the average yield on short- tenured instruments expanded by 58bps to close at 9.07% W-o-W, while the mid- and long-term bonds expanded 7bps and 35bps W-o-W respectively. Particularly, the short-term maturities such as 27-Apr-23 and 14-Mar-24 witnessed the most sell-offs advancing 155bps and 104bps W-o-W respectively.

New Source:

<https://oilprice.com/>

