

Key Indicators:

Inflation Rate (As at April 2021) 18.12%

Exch. Rate (USD) (NAFEX as at Friday, May 21, 2021) ₦411.08

Exch. Rate (USD) (Parallel market as at Friday, May 21, 2021) ₦484

Monetary Policy Rate, MPR (As at Thursday, May 20, 2021) 11.5%

Crude Oil Price in USD (As at Friday, May 21, 2021) \$64.78

Nigeria's inflation rate drops to 18.12% in April 2021

Nigeria's inflation rate stood at 18.12% in April 2021, indicating the first decline in headline inflation in about 20 months. This is contained in the Consumer Price Index report, recently released by the National Bureau of Statistics (NBS). This represents a 0.05%-point decline when compared to 18.17% recorded in March 2021. On a month-on-month basis, inflation dropped by 0.59% point compared to 1.56% recorded in March 2021 to stand at 0.97%. The urban inflation rate also declined from 18.76% recorded in March 2021 to 16.68%, while the rural inflation rate stood at 17.57%. A reduction compared 17.6% recorded in the previous month.

Brent Oil Climbs To \$70 A Barrel as Re-openings Boost Demand

Oil has joined other commodities in a blistering rally this year, with demand rebounding from the depths of the pandemic. Brent crude topped \$70 a barrel in London for the first time since mid-March amid signs that recovering consumption has whittled away a glut of oil that built up last year at the height of the Covid-19 pandemic. Brent rose 0.9% to \$70.08 a barrel in London, while U.S. crude futures neared \$67 a barrel. The global benchmark hasn't had a prolonged period above \$70 since 2019.

FGN Bonds

The FGN bonds market held its breath in Wednesday's session as traders anticipated the FGN Bond primary market auction results. Yields across the benchmark curve remained mostly unchanged from the previous day, with improved offers at the long-end of the curve, as sentiments for a bearish auction result amplified throughout the trading session. Investors took some bets on the outcome of the auction, with the 2045s and 2050s changing hands at 14.00% for most of the session, while the 2049s was offered at 14.10% but with little demand there. Consequently, yields expanded by an average of c.3bps across the benchmark curve. At the bond auction, the Debt Management Office (DMO) raised a total of c.N175.24bn (130% of the total offered amount) across the three tenors offered with a total bid-to-cover ratio of 1.88X.

Demand for higher rates from investors saw the DMO shifting most of its sale to the long-end (2049s paper), raising a total of N181Bn cash value (25% short of its monthly target of N240Bn cash for the quarter). The DMO raised stop rates by c.62bps on the average, as rates closed at 13.10%, 14.00% and 14.20% for the 7-, 15-, and 30-year papers respectively.

Treasury Bills

We saw improved activity in the T-bills space as demand for longer-dated NTBs sustained from the previous day's session. The April 2022 papers changed hands at mid-8% levels while Feb. 2022 OMO papers traded around 9.30% levels. We expect trading to continue in similar patterns as investor demand remains focused on NTBs and short-term liquidity funding remains negative for OMOs.

Money Markets

System liquidity on Wednesday opened the trading session firmly in negative territory, despite OMO maturities of N55Bn credited the previous day. Local banks remained at the CBN lending window, with a clear preference for overnight funding with the Standing Lending Facility (SLF)) volumes growing by 161% D/D. Open Buy Back (OBB) and Overnight (O/N) rates went higher by 175bps on the average to close at 14.50% and 15.00% respectively at the end of the trade session.

FX Market

At the IEFX space, we saw an uptick in supply of the greenback, as traded volumes increased by 123.00% D/D (c.\$131mio traded). The Naira appreciated by N0.21k in that space as most banks remained bid between N360.00 and N426.00 to the dollar. The Naira remained relatively stable at the parallel market, with the transfer rates swinging around the N500/\$ mark in trading as demand remains persistent. The cash rate appreciated by 0.10% D/D (c.N0.50k loss) to close at N480.50/\$.