

Summary:

Inflation Rate (As at April 2021) 18.12%

Exch. Rate (USD) (NAFEX as at Wednesday, June 09, 2021) ₦ 411.13

Exch. Rate (USD) (Parallel market as at Friday, June 10, 2021) ₦502

Monetary Policy Rate, MPR (As at Thursday, June 8, 2021) 11.5%

Crude Oil Price in USD (As at Friday, June 11, 2021) \$72.70

CBN Increases Forex Allocations to Banks for SMEs, Tuition Fees, Travellers

The Central Bank of Nigeria (CBN) has announced an increase in the amount of foreign exchange allocated to banks to meet the requests of its customers. This follows the inflow of requests by travellers seeking foreign exchange for travel allowances, payment of tuition and medical bills.

Speaking at a meeting with the Managing Directors of Deposit Money Banks (DMBs), Mr Godwin Emefiele, (CBN Governor) stated that this increase is being effected due to complaints and challenges faced by customers in accessing forex from banks. The Governor warns the Apex Bank will take action against any bank that denied customers the opportunity to purchase foreign exchange for legitimate purposes. According to the sources, CBN may release hotlines for aggrieved customers to report banks that fail to sell foreign exchange to them even after providing required documentation.

FGN BONDS

The FGN bond market traded on a very sluggish note today with improved bids on some selected FGN Bonds especially at the long end of the curve with very few offers to match. The market saw order-driven demand for short-duration bonds, 2023s to 2026s papers, although very few trades were executed due to wide bid/offer spreads. The Market also saw some demand for the 2050s bond which traded at the early hours around 13.85% but then lost around 10bps on the offer as interest began to build for the paper. Consequently, yields compressed slightly by c.4bps D/D on the average across the benchmark curve.

Treasury Bills

The T-Bills Market opened the day on an active note as investors sought the secondary market to fill their lost bids at yesterday's NTB auction. The new 1yr NTB paper opened the day quoted at 9.50/9.20 at the early hours but most of the market trades were executed around 9.30%. There was a demand for the Special treasury bills 30th Aug 2021 maturity albeit offers were

scarce during today's session. Traders remained firmly offered on short-mid dated OMO bills which were shunned by real buyers who preferred to buy either the special T-bills or the new 1yr NTB bills which had more attractive yields.

At the OMO auction, the CBN offered and raised a total of N30bn while maintaining rates across the three tenors offered.

Equities

The NGX All-Share Index (NGX-ASI) was up by 1.23% last week, moderating the year-to-date loss to 3.84%. MRS +9.57%, FCMB Group +8.20%, and PZ Cussons +3.77% closed positive last week, while International Breweries -6.14%, Lafarge Africa -4.43%, and Stanbic IBTC -1.96% closed negative. Sectoral performances were mixed as the Nigerian Exchange Group (NGX) Industrial Goods index led the gainers, rising by +2.60%, followed by the NGX 30 index +1.35%, NGX Insurance index +1.25%, NGX Pension index +0.63%, and NGX Banking index +0.04%. Conversely, the NGX Oil and Gas index led the losers, declining by 0.79%, followed by the NGX Consumer Goods index -0.37%.

Oil

Last week, oil prices rallied to levels above US\$70/bbl, higher than pre-pandemic levels, the price of Brent crude rose by 3.25%, closing at US\$71.89/bbl, the highest level since May 2019, with a 38.78% increase year-to-date. The average price year-to-date is US\$63.81/bbl, 47.65% higher than the average of US\$43.22/bbl in 2020. During the OPEC+ (Organization of the Petroleum Exporting Countries, plus Russia) meeting on Tuesday, the plan to ease production cuts by 840,000bpd in July was reaffirmed, as global oil demand is anticipated to increase by 6 million barrels per day. Additionally, members were required to submit plans to compensate for producing at levels above the set quota. With the proposed increase in global supply unlikely to exceed expected demand, our view is that oil prices are likely to remain well above the US\$60.00/bbl mark for several months.

FX TRADING.

The currency remains fairly stable at the parallel market even though Naira fell against the U. S dollar at the official market Thursday. This happened as forex turnover decreased by 60.40% with \$89.89 million posted as against \$226.98 million recorded in the previous session on Wednesday.

Data from the FMDQ Security Exchange where forex is officially traded showed that the local unit closed at N411.83 per \$1. Thursday's performance translates to a N0.88 or 0.21 percent devaluation from N410.95 it traded in the previous session on Wednesday.

Consequently, the naira experience an intraday low of N420.77 and a high of N400.00 before closing at N411.83 on Thursday. However, on the parallel market, domestic currency again exchange hands with the greenback currency at N502.00 / \$1.