

Summary:

Inflation Rate (As at May, 2021) 17.93%

Exch. Rate (USD) (NAFEX as at Thursday, June 17, 2021) ₦ 410.21

Exch. Rate (USD) (Parallel market as at Friday, June 18, 2021) ₦493

Monetary Policy Rate, MPR (As at Thursday, June 17, 2021) 11.5%

Crude Oil Price in USD (As at Friday, June 18, 2021) \$72.77

Nigeria's inflation rate drops further to 17.93% in May 2021

According to the Consumer Price Index report (CPI), recently released by the National Bureau of Statistics (NBS), Nigeria's inflation rate dropped further for the second consecutive month to stand at 17.93% in May 2021 from 18.12% recorded in April 2021. The report which measures the inflation rate revealed an increase of 17.93% (year-on-year) in May 2021 i.e. 0.19% which shows points lower than the rate recorded in April 2021 (18.12%). However, Core inflation, which excludes the prices of volatile agricultural produce stood at 13.15% in May 2021, up by 0.41% when compared with 12.74% recorded in April 2021. On a month-on-month basis, the core sub-index increased by 1.24% in May 2021 which was up by 0.25% when compared with 0.99% recorded in April 2021.

Oil prices surge to its highest since 2019 Amidst Increased Demand

Over the past few months, the oil market has been on a bull run, which **has seen oil trade near levels not seen in recent years** (doesn't make sense). On Wednesday, oil extended its gain climbing towards \$75 a barrel to its highest since April 2019, on the back of a recovery in demand since the pandemic and a drop in U.S. crude inventories. Brent crude went up 0.16% on Wednesday to trade at \$74.11 a barrel. Brent oil had earlier reached \$74.73, the highest since April 2019. U.S. oil, West Texas Intermediate (WTI) crude also went up 0.21% to \$72.34. The WTI hit as high as \$72.83, the highest since October 2018.

FGN Bonds

The FGN bond market witnessed a major short squeeze on selected bond papers due to persistent short-covering by traders, which triggered a rally across the entire bond yield curve. The 2045s saw the largest movement in yield terms as bids dropped to the sub 13% level at the early hours of trading with desperate buyers scrambling to lift any available offer in the market. The 2027s and 2035s papers also gained traction starting at 13.25% and 12.60% but then,

shedding additional 20bps within the day. Consequently, yields compressed by c.23bps across the benchmark curve.

Treasury Bills

The T-bills market opened the day with a demand rush for the new 364 days NTB as local investors defaulted to the secondary market to cover their lost bids. Most of the trades on the 364days paper crossed at 8.90% and eventually closed the day at 8.60% levels on the offer. We also saw few offers on mid-long term OMO bills, which remained shunned by buyers who were interested in dealing in the special T-bills due to the more attractive yield at 8.55%.

Money Markets

Money market rates trended upward by another 238bps on Thursday, as system liquidity remained negative for a second consecutive session opening the day at -N66.38B, 27% lower compared to yesterday's open. Naira dealers continue to scramble for funds in the interbank market by increasing deposit rates to attract local investors, alternatively staying camped at the Standing Lending Facility (SLF) space. Consequently, Open Buy Back (OBB) and Overnight (O/N) rates closed at 18.25% and 18.75% respectively at the end of the trading session.

FX Market

Naira appreciated on Thursday against the US dollar to close at N411.5 to a dollar compared to N412/\$1 recorded on Wednesday, 16th June 2021. The exchange rate also gained at the parallel market to close at N493/\$1 compared to N502/\$1 recorded on Wednesday. This represents a N9 gain in a single day, and it traded for as much as N485/\$1 during intra-day trading. The rebound of the naira against the U.S. dollar at the parallel market was attributed to worries that the CBN might be ready to pump forex into the market with the aim of boosting liquidity.