

Summary:

Inflation Rate (As at May, 2021) 17.93%

Exch. Rate (USD) (NAFEX as at Thursday, June 24, 2021) ₦ 410.70

Exch. Rate (USD) (Parallel market as at Friday, June 25, 2021) ₦500

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

Crude Oil Price in USD (As at Friday, June 25, 2021) \$75.64

Oil Price Rallies above Two-Year High, Breaches \$75 Mark

Nigerian government spends N1.02 trillion on debt servicing in Q1 2021

The Nigerian government spent a sum of N1.02 trillion on domestic and foreign debt service in the first quarter of 2021, representing a 35.7% year-on-year increase compared to N753.7 billion spent in the first quarter of 2020. This was revealed in the debt service payment report for Q1 2021, released by the Debt Management Office (DMO). A cursory look at the data reveals that N612.71 billion was spent on domestic debt service, while N410.1 billion was expended on servicing of external debt.

Oil Price Rallies above Two-Year High, Breaches \$75 Mark

Nigeria's oil benchmark, Brent, crossed the \$75 price per barrel mark on Tuesday, setting a new record last seen in April 2019, on the back of continuing signs of a rapidly tightening market supply of the commodity. While Brent oil futures was up 0.4 per cent to hit \$75.19 per barrel, the United States oil standard, West Texas Intermediate (WTI) futures was up 0.10 per cent to around \$73.19 per barrel. Both benchmarks have risen for the past four weeks on optimism over the pace of global COVID-19 vaccinations and expected pick-up in travels in Europe and America.

Nigeria Faces Import Crisis As Reserves Hit 13-Month Low

Nigeria's economy could be leaning against the wind as the country's external reserves fell to a 13-month low last week, tumbling quickly to \$30 billion, the level it was between 2015 and 2017. Last Thursday, the figure slid to \$33.79 billion, as it dropped by \$30 million. This represented a 0.09% decline compared to \$33.824 billion recorded on Wednesday, June 16. A total of \$1.58 billion has been lost in reserves year-to-date, while month-to-date loss stands at \$405.33 million, hardly reflecting the marginal gains in rising oil prices in recent months. The reserves fell by \$222.3 million between May 31 and June 10 to \$34.0 billion, according to figures published by the Central Bank of Nigeria. The last time it fell below that mark was between June and July of 2017.

Treasury Bills

The T-bills market opened the week on a positive note as trading activities resumed on selected bills within the OMO and NTB yield curve. Investors continued to show interest for March 2021 OMO bills which traded between 9.40% -9.45% and also the June 2021 NTB which traded around 8.90%. Offers on special T-bills were strangely scarce with the few offers shown in the market at 8.70%, although real buyers who demanded for rates above 9.00% shunned this.

FGN BONDS

The FGN bonds market held its breath in Wednesday's session with yields across the benchmark curve remaining mostly unchanged from the previous day levels as traders anticipated the outcome of the FGN Bond primary market auction. Consequently, yields compressed by an average of c.1bps across the benchmark curve. At the bond auction, the Debt Management Office (DMO) shocked the market by overselling bonds by over 2.2x of the amount offered, raising a total of c.333.56bn cash across the three tenors. As expected, the auction was well-bided by market participants which steered the DMO's appetite to raise adequate cash at a cheaper level. The stop rates closed at 12.74%, 13.50%, and 13.70% for the 2027s, 2035s, and 2050s papers floated at the auction, shedding approximately c.43bps from the previous auction stop rate.

Money Markets

Interest rates trended up by an additional 150bps from Tuesday's closing as naira dealers scrambled to cover their positions amidst tight system liquidity with the market opening in the negative territory of -c80.27Bn. Local banks camped at the CBN Lending and Repo windows to fund their daily operations, forcing Open Buy Back (OBB) and Overnight rates to close 20.00% and 21.00%, respectively.

FX Market

The FX space on Wednesday opened on a sluggish note as traders continued to scramble for funds amidst the poorly supplied FX market. Traded volumes increased slightly by 13% from the previous day's close while the Naira depreciated by N1.50k to close at N411.83/\$, the bided range amongst banks remained wide between N400/\$ and N430/\$. At the parallel market, the cash and transfer market remained unchanged for another consecutive session closing at N500/\$.