



Foreign Exchange

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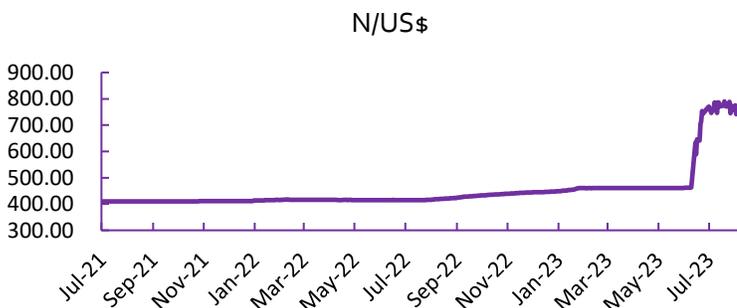
The struggle to save the Naira

Since the unification of all the official foreign exchange (FX) windows, the Naira has declined by 61.04% to N745.43/\$ as of 17 August 2023 from N462.88/\$ (price prior to the new policy) at the I&E Window. However, the real shocks of the policy were witnessed in the parallel market leading the Naira to fall to a high of N955/US\$ on 15 August 2023. With little control over the depreciation of the nation's currency, the acting governor of the Central Bank of Nigeria (CBN), Mr. Fola Shonubi, announced plans to put in place new policies that would guide the dealings of FX to boost supply in the market.

Following the announcement from CBN, there were news reports that the Nigerian National Petroleum Corporation Limited (NNPCL) has entered into a crude for cash funding agreement with the African Export-Import Bank (Afrexim) to the tune of US\$3bn. Note that this is not a crude for refined products swap but rather advance payment for future crude deliveries. This is expected to provide the government with sufficient dollar liquidity to stabilize the Naira, amidst low net reserve levels. Expectations of the roll out and disbursements from the CBN and the NNPCL prompted a knee-jerk reaction in the parallel market as the Naira recovered to N850/US\$ on 16 August 2023.

We have always argued that while we believe the unification of the various FX rates is a pro-market policy that will be positive for the economy in the long term, we are concerned that the shock may be too hard on the fragile economy and the average consumer in the short to medium term. A focus on rate convergence without structural reforms to increase the supply of FX will be a case of treating the symptoms while ignoring the underlying cause of the problem which is an acute shortage of supply amidst a growing demand for FX. Crude oil sales and Foreign Portfolio Investments (FPIs) are two major sources of FX that have declined significantly. Oil production remains depressed, reported at 1.29 mbpd in July and we are yet to see any significant foreign capital inflows. Many foreign investors have their eyes fixed on the commencement of the Dangote refinery which appears to be the only real hope of increasing FX supply in the near term.

Performance of the Naira/US \$ at the I&E Window



Source: CSL Research, CBN

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	64,663.78
Naira/US \$	415.63	461.50	745.43
Brent US\$/bbl	119.51	85.91	88.82
MPR	13.00	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index

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News headlines:

Seplat Denies Ownership of Capsized Oil Rig in Delta State, British National Dies in Mishap: Following the revelation by the Nigerian Maritime Administration and Safety Agency (NIMASA) that the Majestic oil rig which capsized in Delta State had been operating on the country's waters illegally since 2016, Seplat Energy has denied ownership of the oil rig. Seplat in an update issued yesterday, in furtherance of its previous announcement regarding the incident involving the Majestic rig, explained that the facility was owned by its contractor, Depthwise Nigeria Limited. The company has also disclosed that the single recorded fatality in the incident was a British national. The independent oil producer had in a statement on Tuesday, confirmed the death of one person, the missing of three crew members and the rescue of 92 others after its oil drilling rig 'Majestic' was involved in an incident in Ovhor in Okpe, Delta State. Source: ThisDay.com
<https://www.thisdaylive.com/index.php/2023/08/18/seplat-denies-ownership-of-capsized-oil-rig-in-delta-state-british-national-dies-in-mishap>

Transcorp consolidates power with investments: ranscorp Group is at the centre of new rally to power Nigeria, and Africa through investments and quality leadership. Under Transcorp Group Chairman, Tony Elumelu, the conglomerate's market capitalisation crossed N540 billion mark. This gave it the financial muscle to make electricity accessible to Nigeria and Africa's teeming population. To achieve this, Transcorp Group, has through a consortium, acquired 60 per cent stake in Abuja Electricity Distribution Company (AEDC) and engineered management changes. Source: The Nation.com
<https://thenationonlineng.net/transcorp-consolidates-power-with-investments/>

Nigeria to join continental trade initiative — AfCFTA's boss: The Executive Secretary, National Working Committee, African Continental Free Trade Area, Nigeria, Segun Awolowo, has expressed the readiness of the country to join the second phase of the Guided Trade Initiative. The initiative by AfCFTA is a solution-oriented approach that aims to facilitate trade between interested state parties by connecting businesses and products for export and import. In a statement on Thursday by the Head, Strategic Communications Directorate of the National Working Committee, AfCFTA, Mabel Aderonke, said Awolowo disclosed this during a meeting with a delegation from AfCFTA Secretariat. Source: Punch.com
<https://punchng.com/nigeria-to-join-continental-trade-initiative-afctas-boss/>

FG Okays N180bn Palliative Fund, Each State Gets Paltry N5bn: The federal government has approved a paltry N5 billion for each of the 36 states of the federation for procurement of food items and fertilisers as part of efforts to alleviate the suffering associated with fuel subsidy removal in the country. This was the highpoint of the resolutions of the monthly National Economic Council (NEC) meeting held yesterday at State House, Abuja, which was presided by Vice President Kashim Shettima. Governors Yahaya Bello of Kogi State, Babagana Zulum of Borno State, Charles Soludo of Anambra State, Seyi Makinde of Oyo State, and Uba Sani of Kaduna State briefed newsmen on the outcome of the meeting. Source: ThisDay.ng
<https://www.thisdaylive.com/index.php/2023/08/18/fg-okays-n180bn-palliative-fund-each-state-gets-paltry-n5bn>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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