



Foreign Exchange

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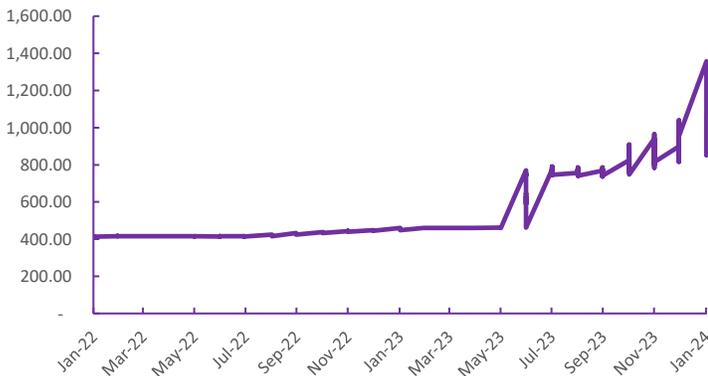
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CBN's efforts at stabilising a weakening currency.

In a circular released earlier this week, the CBN warned authorised dealers to stop the unethical practice of reporting inaccurate and misleading information on transactions concluded in the financial market or risk facing sanctions. According to the CBN, investigations carried out revealed that authorized dealers sometimes reported lower transaction rates. The practice by some FX market participants was to quote lower rates at the I & E window, while actually selling dollars at rates benchmarked against the parallel market rate. This unethical practice we believe is a fallout of the previous administration's attempts at unofficially capping rates at which FX is supplied to the I&E window. The Central Bank of Nigeria (CBN) once again stressed that financial market transactions are to be conducted on a 'willing buyer willing seller' basis, and therefore prices are to be quoted and displayed in a transparent manner. Adherence to this, led to a depreciation at the official window to c. ₦1455.59/US\$ as of yesterday.

In response, FMDQ announced revisions to the FX pricing methodologies. One of the main changes is that the publication of NAFEM spot opening rates has been suspended indefinitely. To allow market participants rely on real-time market data, Dealing Member (Banks) ("DMBs") have been strongly urged to consistently execute and report their FX market transactions accurately and promptly during trading hours on the FMDQ-designated FX Trading System. These changes are an attempt by the apex bank to stem the heightened depreciation of the Naira, especially at the parallel market. The expectation is that the ability to price freely and transparently at the official window will boost liquidity at the official window and diminish arbitrage opportunities. The FMDQ stated that these changes would improve the accuracy and reliability of the NAFEX and NAFEM rates and make them more reflective of market conditions.

Weighted Average Naira/Dollar Exchange Rate (L2Y)



Source: CSL Research, CBN

MARKET UPDATE

Indicators	1 Year	30-Dec-23	1 Day
NSE-Index	53,086.86	74,502.58	101,154.13
Naira/US \$	451.60	907.11	1,412.00
Brent US\$/bbl	85.92	77.04	81.71
MPR	17.50	18.75	18.75

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

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News headlines:

CBN frantically tightens noose on banks' FX operations, speculators:

Going forward, all deposit money banks (DMB) are to disclose their positions on foreign exchange (FX) holdings and draw it down to not more than 20 per cent short of their shareholders' funds. In a memo addressed to all banks yesterday, the Central Bank of Nigeria (CBN) said the latest move was informed by the need to curb the growth in foreign currency exposures of banks through their net open position (NOP). The new directive comes on the heels of rising panic in the monetary authority over the fate of the naira, which dipped further to about N1520/\$ at the parallel market as at press time. Source: Guardian

<https://guardian.ng/news/cbn-frantically-tightens-noose-on-banks-fx-operations-speculators/>

Report: Wide Skills Gap, Unclear Roadmap, Investment Priorities Hampering Growth of AI:

A report by Boston Consulting Group (BCG), a global management consulting solutions' company has revealed wide skills gap, unclear roadmap and investment priorities are hindering the growth of Artificial Intelligence (AI). According to the report, 66 per cent of global and 65 per cent of African executives surveyed, were dissatisfied with the progress their companies made in the expected productivity gains from AI and Generative AI (GenAI). The survey, BCG said, featured more than 1,400 C-suite executives in 50 markets, including Africa. Source: ThisDay

<https://www.thisdaylive.com/index.php/2024/02/01/report-wide-skills-gap-unclear-roadmap-investment-priorities-hampering-growth-of-ai>

Unpaid debts, gas shortage affecting power firms –Adelabu: The Minister of Power, Bayo Adelabu, has listed unpaid debts and low gas supply as some of the reasons for the inability of power plants to operate to capacity. Adelabu stated this on Wednesday when he visited the Olorunshogo Power Plant in Papalanto, Ogun State and the Omotosho Power Plant in Ondo State. The two government power plants being managed by the Niger Delta Power Holding Company was inspected by the minister, who said the tour was part of his nationwide visit to power installations of the Federal Government, to "inspect and monitor the physical state and the operational state of these power plants" Source: Punch

<https://punchng.com/unpaid-debts-gas-shortage-affecting-power-firms-adelabu/>

NNPC pays N140.55bn for Oando-branded retail stations, jetty, others: The Nigerian National Petroleum Company Limited (NNPC) paid cash amounting to \$325.09 million (N140.559 billion) for the acquisition of Oando-branded retail stations and a reception jetty in Apapa, among other facilities, its latest financial statements show. The NNPC announced in October 2022 that it had acquired OVH Energy Marketing, owner and operator of the Oando downstream assets, but did not disclose the price at which it bought it and the company that sold it. It said the acquisition comprised over 380 additional filling stations, a reception jetty with a monthly capacity of 240,000 metric tonnes, eight liquefied petroleum gas plants, three lube blending plants, three aviation depots, and 12 warehouses. Source: BusinessDay

<https://businessday.ng/energy/oilandgas/article/nnpc-pays-n140-55bn-for-oando-branded-retail-stations-jetty-others/>

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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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