

The day in review

- Equity market gained 1bp
- Interbank rates ticked lower
- Bearish activity in Bond market
- Naira appreciated at NAFEX window

Looking forward

August Inflation Report - NBS

Daily Insight

Parallel market pressures: No end in sight?

In recent weeks, FX pressures have intensified in the parallel market with the exchange rate closing at a record low of N550.0/\$ on Monday, 13th Sep 2021. We discussed the possible impact of the Central Bank of Nigeria's (CBN) decision to stop dollar sales to BDCs in our last note on the parallel market, "Recent FX Pressures: Storm Before the Calm?" Since then, the parallel market storm has persisted due to the supply cut from the CBN, as well as muted improvement in turnover at the Investors & Exporters window, which rose by 0.3% m/m in Aug-2021.

The CBN has notably intensified efforts to combat "dollarisation" in the country. The bank released a circular directing Microfinance Banks to stop engaging in FX transactions. Also, according to recent reports, the apex bank recently moved to stop Ministries, Departments and Agencies (MDAs), as well as airline operators from collecting payments in foreign currency. These actions come amid persistent strain on foreign exchange reserves, which began with the epidemic and has yet to subside due to weak crude production and insufficient capital importation.

Looking ahead to the CBN's Monetary Policy Committee on Thursday and Friday, all eyes will be on the apex bank to see if it would take any steps to ease parallel market pressures. We note the CBN moved forward the MPC meeting from 20-21 September which could indicate a major policy is in view. That said, it remains unclear what the policy would speak too, if any. However, given the CBN's continual reiteration that FX transactions outside the official market are illegitimate as well as its historical hard stance towards the BDCs and parallel market, we think the regulator may remain unwilling to reverse its earlier decision to stop FX sales to BDCs. Thus, as the official market remains inaccessible to Nigerian businesses that operate in items on the CBN's FX restriction list, including key imports like rice, clothes and palm oil, the pressure on the parallel market rate will likely persist in the medium term.

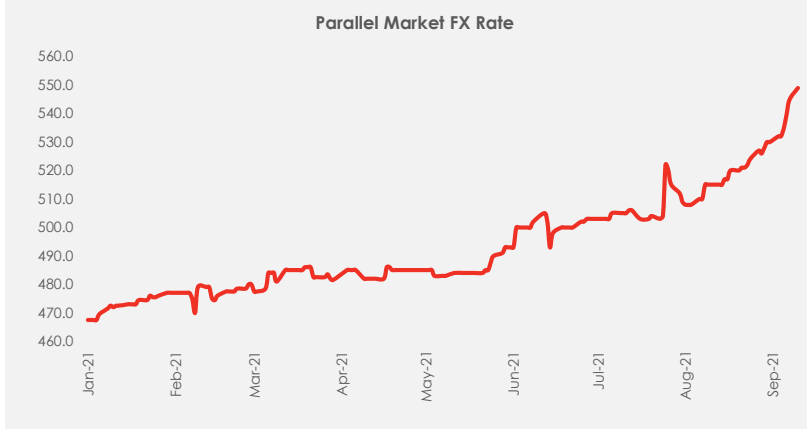
Headline	Level	1 day	YTD
NGX ASI	38,920.5	▲ 0.0%	▼ -3.4%
Mkt. Cap (₦bn)	20,278.2	▲ 0.0%	
Mkt. Cap (\$'mn)	49,209.4	▲ 0.0%	
Value (N'mn)	1,878.8	▼ -25.6%	
Value (\$'mn)	4.6	▼ -25.5%	
Volume	228.5	▲ 13.6%	
Deals	3,376.0		
Market Breadth	0.6x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.27	3.51	▼ -0.24
6 months	4.60	4.60	0.00
12 months	7.50	7.50	0.00

Bonds Yields	Current	Previous	% Δ
3 years	9.65	9.65	0.00
5 years	10.77	10.77	0.00
7 years	11.80	11.20	▲ 0.60
10 years	12.07	11.56	▲ 0.51

Currencies	Current	Previous	% Δ
Parallel	575.00	550.00	▼ -4.3%
NAFEX	412.08	412.75	▲ 0.2%

Other Key indices	Current	Previous	% Δ
OBB	14.0	14.5	▼ -0.50
OVN	14.5	14.8	▼ -0.25
Brent	73.6	73.5	▲ 0.12



Source: FMDQ, United Capital Research

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	17.1%	na	na
Banks	0.1%	-0.8%	-4.8%	3.0	9.1%
Consumer	-0.1%	-0.3%	-3.9%	73.0	3.7%
Industrial	0.1%	0.6%	-4.5%	16.6	4.8%
Insurance	-0.8%	-4.0%	-3.2%	9.3	3.0%
Oil & Gas	-0.4%	-0.3%	62.4%	11.1	4.1%
Mkt. Avg. P/E		10.4		Mkt. Avg. Div. Yid	5.3%

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on next year dividend payments



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	178.1	▲ 0.2%	22.5%	9.8	6.1%
Egypt	11,187.8	▲ 0.4%	3.2%	9.8	1.5%
Ghana	2,789.2	▼ -0.8%	43.8%	15.4	4102.2%
Kenya	180.2	0.0%	18.5%	13.5	3.3%
Mauritius	1,954.3	▼ 0.0%	18.5%	na	2.0%
Morocco	338.0	▲ 0.1%	10.9%	28.9	3.4%
MSCI FM	663.9	0.0%	16.1%	15.5	2.6%
South Africa	64,244.1	▼ -0.1%	8.1%	12.6	3.9%
Tunisia	7,254.5	▼ -0.4%	5.4%	22.9	2.2%
Zimbabwe	156,512.0	▲ 1.0%	237.8%	8.2	1.8%

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