



December FX Market Report

Seasonal Inflows Strengthen Naira in Official Window





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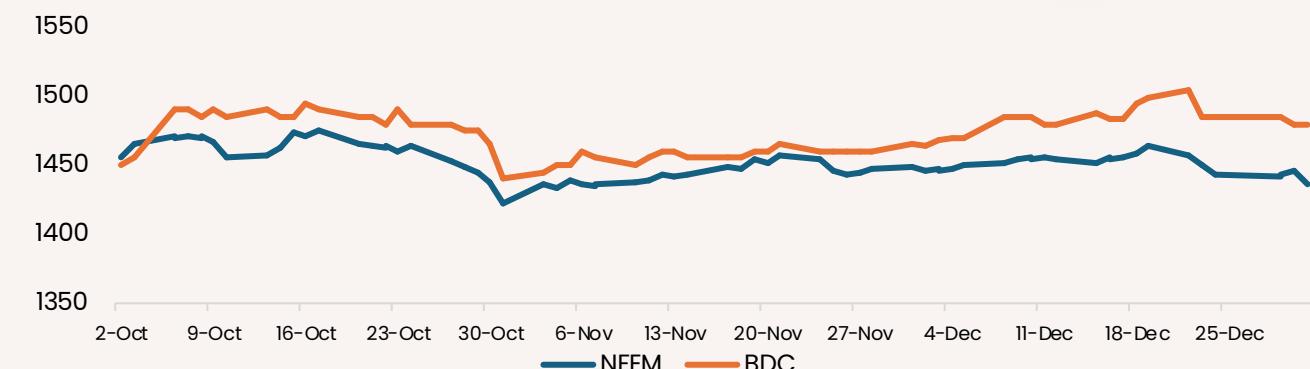


Highlights

- The Naira rebounded at the official window in December, closing at N1,435.75/\$ after slipping to N1,446.74/\$ in November, its first depreciation in seven months. This improvement can be linked to seasonal demand for Naira for the year-end festive period (Detty December).
- However, the parallel market (BDC) continued the depreciation trend that began in November, weakening further by 1.30% to N1,479/\$ in December, likely as a result of demand for Dollar from the festive period marginally exceeding supply in the parallel market.
- As a result, the spread between the BDC and NFEM rates widened materially, expanding from N13.26 in November to N43.25 in December, underscoring widening disparity across FX markets.
- Foreign portfolio flows remained under pressure in November, with net outflows hitting N36.66bn from N11.72bn in October and total inflows dropping to N62.69bn from N87.45bn. This likely reflects end-of-year profit pulling and capital gains tax induced exits ahead of new capital gains tax reforms.

↓	1,435.75/\$	NFEM (Dec 31, 2025)
↑	1,479/\$	BDC Rate (Dec 30, 2025)
↑	1,464.50	Highest NFEM November: 1,456.72/\$
↑	1,435.76/\$	Lowest NFEM November: 1,433.66/\$
↑	\$45.50bn	Foreign Reserves (Dec 31, 2025)
↑	N36.66bn	Net Equity Foreign outflows (Nov 30, 2025)

Exchange Rate Trend



Source: Team Analysis, CBN, NBS, RMDQ, Rate captain
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Anchors

CBN Actions

- Left MPR and other rates unchanged at Nov MPC meeting and adjusted Asymmetric corridor to +50/-450

FX Inflows

- FX Reserves grew by 1.87% to \$45.bn on December 31, 2025.
- Trade Surplus of N6.69trn in Q3 2025 representing a 1.03% decline from the N7.46trn posted in Q2 2025.
- Oil price (Brent) stayed above \$58/b in December 2025.

Payoffs

Lower Import-price shocks

- Slower price level increase as headline CPI dropped to 14.45% in November 2025.

Cheaper External Debt Servicing

- Naira appreciation will reduce the translation cost of external debt repayments.

Declining Investor Confidence

- Despite naira stability, other factors triggered significant outflows (equity) worth N99.35bn in November.

Outlooks

Headwinds

- Foreign earnings vulnerable to volatile oil prices
- US Invasion risks and Capital gain tax threatens FPI inflows
- Heightened insecurity can distort distribution and reverse downward inflationary trend.
- Increased defense and pre-election spending increases fiscal deficits and reliance on borrowings.

Tailwinds

- Increased activity in Naira-Yuan Swap and Peer-2-Peer trade.
- Trade tariff negotiations might continue to weigh on dollar dominance and strength.
- CBN maintains timely intervention
- Sustenance of foreign reserves rapid accretion

In **January**, we expect FX conditions to stabilize as seasonal inflows and other end-of-year sources taper off, while regular demand from importers gradually resumes, leaving the naira's performance largely influenced by overall market liquidity and any Central Bank policy interventions.

We expect naira to maintain a tight trading band in January 2026, averaging N1,435–N1,445/\$ at the official window (NFEM) and N1,4650–N1,470/\$ at the BDC. Ongoing CBN interventions and reserve accretion should anchor market stability.

Source: Team Analysis, CBN, NBS.

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