



February FX Market Report

Improving
Reserve Buffers
Sustain Naira
Appreciation





FEBRUARY FX MARKET REPORT

Improving Reserve Buffers Sustain Naira Appreciation



Highlights

- The Naira maintained its appreciation trend in February, trading within the N1,300/\$ band across both the official and parallel markets. The currency settled at N1,363.40/\$ at the official window and N1,365/\$ at the parallel market, marking the first time the parallel market rate has fallen below N1,400/\$ since May 2024.
- The sharp appreciation (6.51% m-o-m) at the parallel market, narrowed the gap with the official rate to an average of N52.22 in February compared to average of N65.62 in January 2026, indicating improved FX market convergence.
- The currency's relative stability was supported by stronger external buffers, with Nigeria's foreign reserves rising 7% MoM and surpassing \$50bn by mid-February, the highest reserve level since January 26, 2009. This was further supported by a weaker U.S dollar against major global currencies.
- However, rising geopolitical tensions between the United States and Iran could introduce some uncertainty to Nigeria's FX outlook. While oil prices climbing above \$100/bbl could boost foreign exchange earnings and strengthen reserves, the associated inflationary pressures and potential global risk aversion may exert downward pressure on the Naira as investors shift toward safe-haven assets

1,363.40/\$
MoM: -1.67%
NFEM
(Feb 27, 2026)

1,365/\$
MoM: -6.51%
BDC Rate
(Feb 27, 2026)

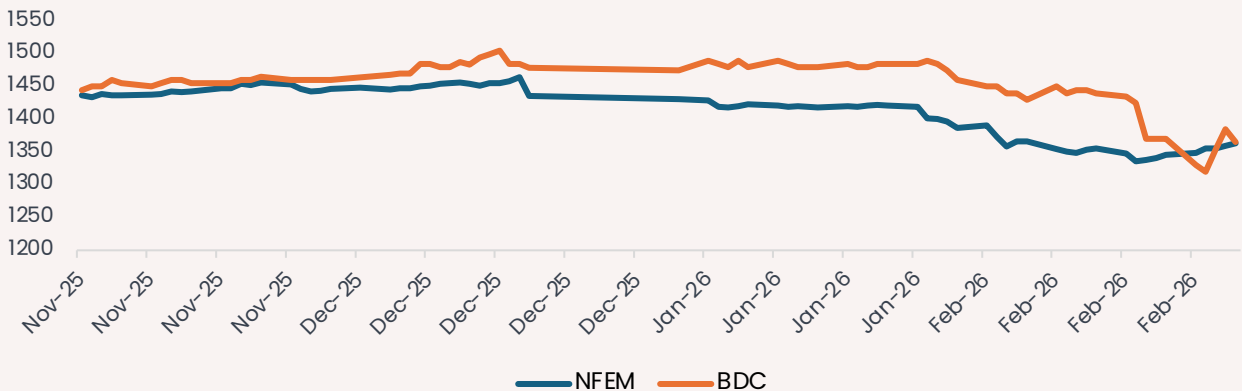
1,390.36
January: 1430.85/\$
Highest NFEM
(Feb 2026)

1335.96/\$
January: 1386.55/\$
Lowest NFEM
(Feb 2026)

\$49.69bn
MoM: +7.38%
Foreign Reserves (Feb 27, 2026)

N18.42bn
December: N10.51bn
Net Equity Foreign outflows
(Jan 2026)

Exchange Rate Trend



Source: Team Analysis, CBN, NBS, FMDQ, Rate captain

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Anchors

CBN Actions

- Reduced MPR by 50bps to 26.5% and left other rates unchanged at Nov MPC meeting.

FX Inflows

- FX Reserves grew by 7.38% to \$49.69bn on February 27, 2025.
- Oil price (Brent) climbed to \$91.99/b on March 10, 2026

Payoffs

Lower Import-price shocks

- Slower price level increase as headline CPI dropped to 15.1% in January 2026.

Cheaper External Debt Servicing

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

Declining Investor Confidence

- Despite Naira appreciation, significant profit-taking led to net outflows (equity) worth N18.42bn in January 2026 compared to N10.52bn in December 2025.

Outlooks

Headwinds

- Rising PMS prices and transport costs due to higher crude prices could trigger inflationary pressure.
- Heightened insecurity can distort distribution and reverse downward inflationary trend.
- Increased defense and pre-election spending increases fiscal deficits and reliance on borrowings.

Tailwinds

- Higher crude prices from Iran tensions boost oil export earnings, strengthening reserves available for intervention.
- CBN maintains timely intervention
- Sustenance of foreign reserves rapid accretion

In **March**, we expect FX stability to persist supported by higher oil revenues and rising reserves, but ongoing inflationary pressures and global market volatility may temper gains, leaving performance sensitive to CBN policy interventions and capital flows.

In March, we expect Naira to maintain an average trading band of N1,350–N1,400/\$ at the official window (NFEM) and N1,380–N1,430/\$ at the BDC. Ongoing CBN interventions and reserve accretion should anchor market stability.

Source: Team Analysis, CBN, NBS.

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