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Research Note

March
FX Market Report
Naira Reverses Appreciation Trend as Geopolitical Tension Intensify

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Highlights

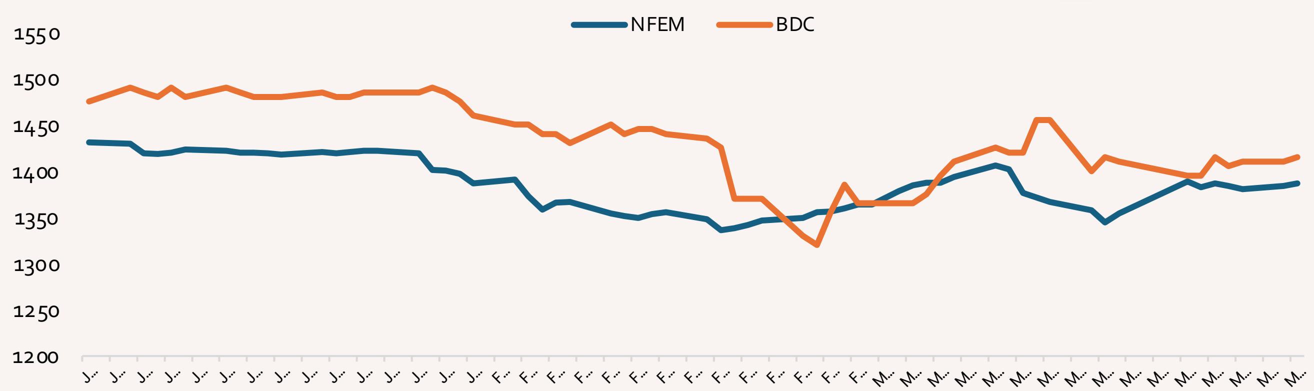
- After two consecutive months of appreciation, the Naira depreciated at both the official and parallel windows in March 2026, weakening by 174bps and 14bps month-on-month respectively. The reversal was primarily driven by heightened geopolitical tensions between the United States and Iran, which pushed Brent crude above $100 per barrel for the first time since 2022 and triggered offshore portfolio outflows from Nigeria amid global risk-off sentiment, despite stronger oil price fundamentals.

- The simultaneous adjustment across both FX windows narrowed the spread to 2.01% in March from 3.67% in February, reducing arbitrage incentives and signaling improved pricing alignment across markets.

- Foreign reserves declined to $49.24bn despite elevated oil receipts and a 70% moderation in net equity outflows to N5.61bn in February, suggesting possible FX intervention by the Central Bank of Nigeria to support liquidity. Although Nigeria's restoration to the FTSE Russell Frontier Market Index (effective September) could modestly support portfolio inflows, elevated global risk sentiment may limit the gains. The naira is likely to face near-term pressure from global shocks before later benefiting from stronger oil prices.

↑	**1,379.98/$** MoM: 1.74%	NFEM average (Mar 2026)
↑	**1,407.75/$** MoM: -0.14%	BDC Rate average (Mar 2026)
↑	**1,405.62** February: 1,390.36/$	Highest NFEM (Mar 2026)
↑	**1,344.53/$** February:1335.96/$	Lowest NFEM (Mar 2026)
↓	**$49.24bn** MoM: -0.92%	Foreign Reserves (Mar 31, 2026)
↓	**N5.61bn** January: N18.42bn	Net Equity Foreign outflows (Feb 2026)

Exchange Rate Trend



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

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Anchors

CBN Actions

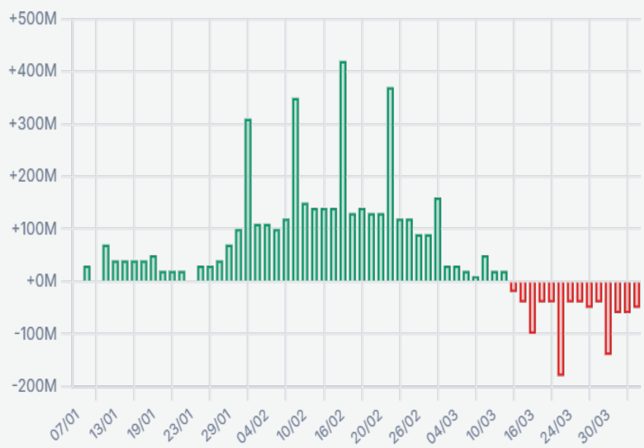
- Sustained FX interventions continue to anchor the official market, although their effectiveness appears to be moderating as demand resurfaces.

FX Inflows

- Nigeria's Frontier Market reclassification is expected to boost FX inflows and support naira stability.
- Oil price (Brent) rose to it's highest at N118.36/b on March 31st and averaged $102.88/b in March.

Foreign Reserves

The pace of accretion has slowed and became negative in March.



Outlooks

Headwinds

- Sustained $100+ crude raises PMS prices, feeding imported inflation and eroding Naira gains
- Persistent CBN reserve drawdown could constrains future intervention capacity.
- Increased defense and pre-election contribution and spending increases fiscal deficits and reliance on borrowings.
- External debt has risen to a record high of $48.46bn as of September 2025.

Tailwinds

- Higher crude prices from Iran tensions boost oil export earnings, strengthening reserves and supporting Naira stability.
- CBN maintains timely intervention
- FTSE re-rating likely drives further equity inflows, strengthening FX supply

In April, we expect the naira to remain under pressure following the reversal of the temporary pause in geopolitical tensions between the US and Iran. Although Nigeria's restoration to the FTSE Russell Frontier Market Index could support investor sentiment, heightened global risk is likely to override these gains and limit capital inflows, sustaining exchange rate volatility.

In April, we expect Naira to maintain an average trading band of N1,360–N1,400/$ at the official window (NFEM) and N1,385–N1,425/$ at the BDC. Ongoing CBN interventions and expected FX inflows should anchor market stability.

Source: Team Analysis, CBN, NBS.

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