

NIGERIA UPDATE**Things are even worse than they appear**

It is a fortnight since Rhombus first sounded the alarm on the pervasive sense of drift under the new Buhari government. In the interim the situation has actually deteriorated, and is now characterized by a bewildering blend of paralysis and turmoil.

1) After four weeks in office President Buhari has only managed to issue one concrete policy directive: that military check-points be lifted nationwide¹. *Less than 24 hours after the June 22nd announcement, however, the measure was rescinded* in response to the predictable objections of the beleaguered Governors of the North-east².

2) Meanwhile the chief executive of the Federal Republic is *yet to nominate a single Cabinet member*, even though his handlers had dropped broad hints that an announcement would be made during the week of June 15³. When the matter of forming a Cabinet was raised during his meeting with APC Governors on June 24th, the President is reported to have simply changed the subject⁴.

3) In an unwelcome counterpoint to this executive paralysis, *the APC caucus in the National Assembly has been seething with internecine conflict*⁵, the focus of dispute being control over the process through which leadership positions are to be filled⁶.

These tensions were on display in the vigorous shoving match that broke out among APC Senate members⁷ on Tuesday 23rd, a spectacle whose drama was quickly eclipsed by *the brawl that erupted on the floor of the House* two days later as the two factions⁸ wrestled for control of the ceremonial Mace, symbol of the authority of the House of Representatives.

¹ The gesture was almost certainly aimed at appeasing Amnesty International which had recently issued a damning report on the Nigerian army's human rights record.

² This was a double-barreled blunder, given Buhari's military background ... and the fact that all three of the said Governors are from his own party.

³ See "Buhari to submit list of ministers to NASS next week", by Levinus Nwabughio in *Punch*, June 13, 2015.

⁴ See "President parries question on ministerial list", by Olalekan Adetayo in *Punch*, June 24, 2015.

⁵ As will be recalled, these tensions were on full display two weeks ago when Senator Bukola Saraki (Kwara) and Rep. Yakubu Dogara (Bauchi) were elected as Senate President and House Speaker, respectively, in a stinging repudiation of the candidates nominated by the party's national leadership. [See discussion in "Uninspiring start to the Buhari Presidency", *Rhombus Advisors*, June 11, 2015]

⁶ The national working committee, headed by national chairman John Odigie Oyejunwa (a protégé of party grandee, Bola Ahmed Tinubu), claims the prerogative of designating a slate of candidates to be voted on by the relevant chamber. This approach is being challenged by the Senate President and House Speaker who are insisting on the right of their respective caucuses to nominate candidates for the posts in question themselves.

⁷ The Senate President has since announced the election of Sen. Ali Ndume (Borno), Bala Ibn Nallah (Kebbi) and Francis Alimikhen (Edo North) as Majority leader, deputy leader and deputy Whip, respectively. This was another stinging rebuke for the party's NWC which had formally nominated Sen. Ahmad Lawan (Yobe North), George Akume (Benue North-west) and Abu Ibrahim (Katsina South), for the posts in question.

⁸ The NWC loyalists have begun referring to themselves as the *Senate Unity Forum* while the designation *Senators of Like Mind* is being applied to those supporting the self-determination stance of the Senate president and House Speaker.

4) A source of considerable *schadenfreude* for the opposition PDP, the chaos within the APC is matched only by the totally *incoherent signals emanating from the Central bank*.

On Friday 19th, bank CEOs and treasurers were summoned to explore ways and means of improving USD liquidity⁹ in the exchange-rate market but the meeting adjourned without reaching any decisions¹⁰. This confirmed the CBN's impotence which was further underlined when the USD exchange rate climbed to N220 in the parallel market on the next business day.

5) That evening (June 22nd), in a further sign of desperation, the apex bank issued the latest in a series of circulars transparently aimed at propping up the Naira's value by suppressing USD demand. The list of 41 additional items¹¹ excluded from eligibility for USD sourced from the CBN captures with surreal eloquence *the desperation of an apex bank that is bereft of both firepower and ideas*.

6) Even more telling was the fact that a little over 24 hours later, *the CEO of First Bank*¹² *publicly rubbished the CBN's exchange-rate policy*, remarking to a conference at the Nigeria Stock Exchange that, "People just don't believe the central bank has what it takes to sustain the exchange rate at the present level. The market needs to reopen. **You cannot peg the naira at a level that the whole world knows is unrealistic.**"¹³

7) In short, the picture emerging from Nigeria is one of almost undifferentiated confusion, with the very real prospect of a currency crisis¹⁴ erupting against the backdrop of bureaucratic stasis and legislative turmoil. In other words, in the space of 28 short days, *the Buhari government has pulled off the seemingly impossible feat of making the Jonathan administration look almost competent in retrospect*.

⁹ As will be recalled, this is the principal factor underlying JPMorgan's decision to place on the watch-list for removal from its GBI-EM index of local-currency bonds. The Governor appears to have forgotten that it was his announcement of a similar set of restrictions last November that triggered the Index-watch "negative" notice he is now trying to address.

¹⁰ As reported by *Bloomberg*, "The central bank asked treasurers and members of the Financial Markets Dealers Association to consider ways of stopping the naira from sliding if it did allow trading to increase." [See "Nigeria Central Bank Said to See Naira Rout If Curbs Removed", by Paul Wallace and Emele Onu, June 23, 2015]

¹¹ Including, inter alia, "cement, private planes/jets (sic), galvanized steel sheets, wooden doors, furnitures (sic), woven fabrics, clothes, soap and cosmetics and Eurobond/foreign currency bond/share purchases (sic)."

¹² i.e. Nigeria's largest lender, by assets.

¹³ As quoted by Yinka Ibukun and Paul Wallace, in "First Bank CEO Calls on Nigeria to Devalue Naira after Curbs"; *Bloomberg*, June 25, 2015.

¹⁴ Although First Bank's CEO projected that the USD exchange rate would adjust to approximately N210 once the market was allowed to clear, Rhombus anticipates a significantly sharper devaluation, to as low as N240.

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