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MDU Capital Research

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# Nigerian Naira: Valuation Gap Points to a Potential Sub-₦1,000/US$1 Path Over the Next 12 Months[1]

[1] *Scenario-based house view; not a guaranteed forecast or investment recommendation. See Disclaimer.*

**Key finding:** MDU Capital's MZM fair-value estimate for the naira is ₦984.7/US$1 (Jun-2026) — already below ₦1,000 and ~29% below the ₦1,385 parallel market spot rate. A re-rating toward this trend would place USD/NGN below ₦1,000 by mid-2027.

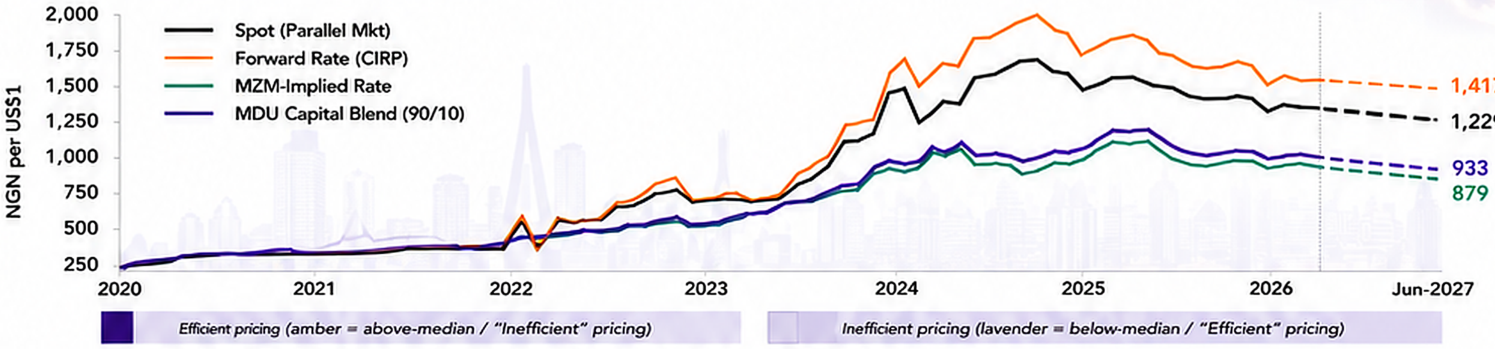



*Figure 1. NGN/US$ spot vs. three model-derived rate estimates, Jan 2020–Jun 2026 (solid), extended 12 months on trend (dashed). Lavender = below-median dispersion ("efficient" pricing); amber = above-median ("inefficient" pricing) — see Methodology.*

## Methodology: Three Estimates of Fair Value

### 1 • MZM (Money-Supply)

Money Zero Maturity, the most liquid tranche of M2, proxies the domestic monetary base. Fair-value depreciates as MZM growth outpaces external reserves — most informative once spot de-links from monetary fundamentals.

### 2 • Forward Rate (CIRP)

Derived under covered interest-rate parity: Forward = Spot × (1+iNGN) / (1+iUS), references 1-year NTB and U.S. Treasury-bill yields. Reflects non-arbitrage pricing and tracks spot under normal arbitrage conditions.

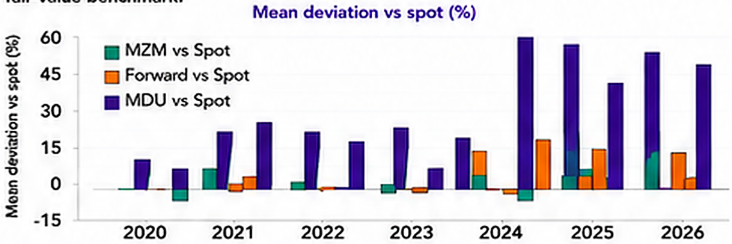
### 3 • MDU Capital Blend (90/10)

MDU Capital Research's house estimate: 90% weight on the MZM fair-value rate, 10% on the forward rate — anchored to fundamentals with a market-pricing cross-check. Our single reference forecast series.

## Reading the Market: Efficient vs Inefficient Pricing

The MZM-implied rate has tracked spot closely in periods of pricing efficiency; the wide dispersion recorded since 2024 signals pricing above fundamental value — the regime in which the MZM/MDU framework is most useful as a fair-value benchmark.

Mean deviation vs spot (%)




### Correlation Matrix — Levels (Jan 2020–Jun 2026)

| | Spot | MZM | Fwd | MDU |
|---|---|---|---|---|
| Spot | 1.000 | | | |
| MZM | 0.944 | 1.000 | | |
| Fwd | 0.984 | 0.941 | 1.000 | |
| MDU | 0.964 | 0.998 | 0.961 | 1.000 |

Overall mean | deviation (vs spot) (2020–Jun 2026):

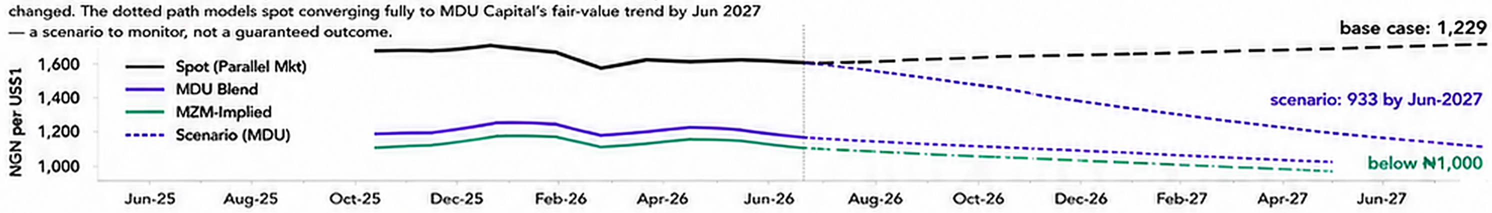
MZM 23.8% • Forward 8.9% • MDU 20.8%

Trailing 12 months (Jul-25–Jun-26):

MZM 29.9% • Forward 13.1% • MDU 25.6%

## 12-Month Outlook: Fair-Value Convergence Scenario

Extending each series on its trailing 12-month trend (dashed) leaves the spot-model gap little changed. The dotted path models spot converging fully to MDU Capital's fair-value trend by Jun 2027 — a scenario to monitor, not a guaranteed outcome.




Jun-2026: Spot ₦1,385, MDU fair-value ₦1,043. Trend-continuation (Jun-2027): Spot ₦1,229. Convergence scenario (Jun-2027): Spot ₦933 — below ₦1,000.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