FCSL

MONTHLY REPORT

MAY 2025

Team Members

Andrew Esene	aesene@fcslng.com
Henry Agba	hagba@fcslng.com
Jonathan Ohimai	johimai@fcslng.com

MACRO-ECONOMIC UPDATE

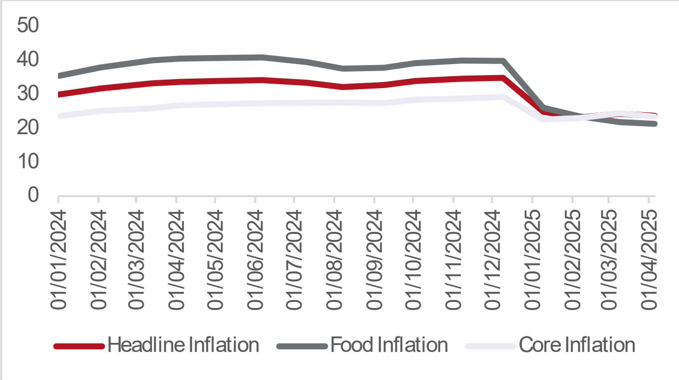
Inflation

According to the National Bureau of Statistics (NBS), Nigeria's headline inflation rate declined to 23.71% in April 2025 from 24.23% in March. The 0.52 percentage point drop signals a gradual easing of inflationary pressures, largely driven by lower staple food prices.

Food inflation fell to 21.26% year-on-year, down from 21.79% in March, while the month-on-month rate eased to 2.06% from 2.18%. Compared to April 2024's figure of 33.69%, food inflation improved by 9.99 percentage points, aided by the recent rebasing of the Consumer Price Index (CPI) to better reflect current consumer spending habits.

The CPI rose to 119.52 in April, marking a 2.18% monthly increase—an indication of ongoing, though slower, price growth. Core inflation, which excludes volatile items like food and energy, also showed a positive movement, falling to 23.39% year-on-year from 24.43% in March. On a monthly basis, core inflation dropped sharply to 1.34% from 3.73%, reflecting a notable reduction in underlying price pressures.

Despite these gains, energy sub-components remained elevated at 13.50% in April, up from 9.21% in March. This reflects the delayed pass-through of earlier increases in electricity tariffs and petrol prices despite recent petrol price cuts.



Source: NBS, FCSL Research

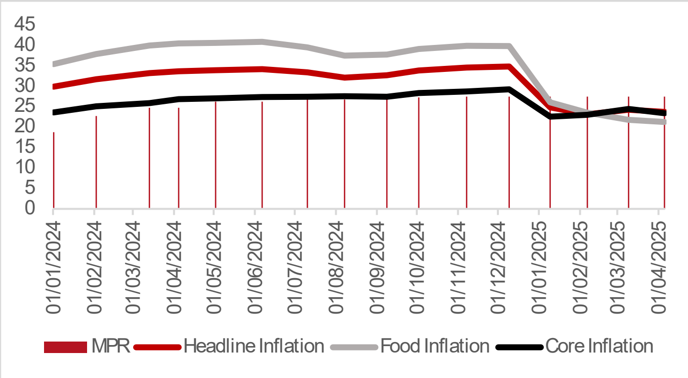
Outlook

While the April data offer encouraging signs of a tentative disinflation trend, we expect food inflation to inch up due to the planting season we are about to enter. As global uncertainty begins to unfold, we expect to see cooler inflation due to a more stable Naira.

Monetary Policy

At its landmark 300th meeting on May 19–20, 2025, the Central Bank of Nigeria's Monetary Policy Committee (MPC) unanimously opted to retain the MPR at 27.50%, alongside maintaining the asymmetric corridor at +500/–100 basis points, Cash Reserve Ratio (CRR) of 50% for Deposit Money Banks (and 16% for Merchant Banks), and liquidity Ratio at 30%.

In reaching this decision, the Committee highlighted the recent moderation in headline inflation (which eased to 23.71% YoY in April 2025) and the notable convergence between the official (NAFEM) and parallel-market exchange rates, where the average monthly gap shrank from N116.81 in January to N9.16 in April. The MPC also observed that March 2025 money-supply metrics hit a record-high of N114.2 trillion (a 23.9% YoY increase), underpinned by expanded Net Foreign Assets, even as private-sector credit dipped slightly to N76.3 trillion.



Source: NBS, FCSL Research

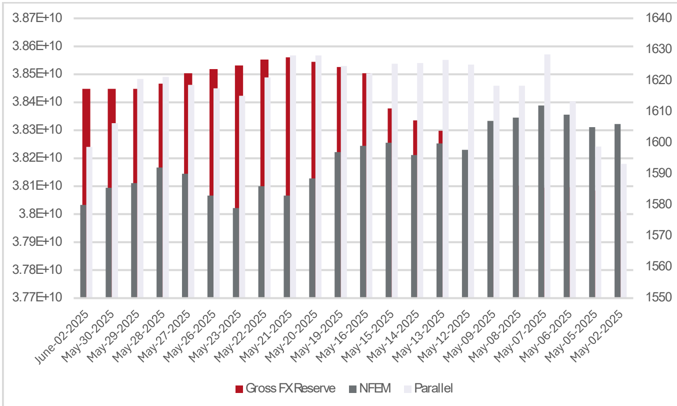
Against a backdrop of global monetary bodies proceeding cautiously—with the U.S. Fed holding at 4.25%–4.50% and the Bank of England and People's Bank of China implementing marginal adjustments the MPC determined that preserving the current policy stance would allow for additional data to confirm the durability of domestic disinflation and FX-market stability.

Outlook

Looking ahead, we anticipate that the CBN will maintain its restrictive monetary stance through at least the next MPC meeting in July 2025, prioritizing price stability over early easing. While the moderation in headline inflation and narrowed FX-rate gap provide some breathing room, the upside risks to inflation remain, particularly from potential flusters in global oil prices and lingering energy–transport cost pass-throughs.

Exchange Rate

In May, the Naira traded within a relatively narrow band despite intermittent volatility, reflecting robust CBN support and steady exporter inflows. Early in the month, the interbank rate hovered around N1,602/$ after the CBN sold approximately $116 million, helping limit depreciation to just 16.5 bps w/w. Mid-month, weaker oil prices prompted renewed dollar demand that briefly pushed rates to N1,610/$, but the CBN's estimated $270 million in interventions and sporadic exporter inflows stabilized the market, allowing the local currency to recover to N1,598/$ by mid-May—an appreciation of 46.3 bps. In the final fortnight, additional CBN sales totalling about $190.4 million and consistent export supply drove the Naira up 1.14% to close May at N1,580/$. Over the month, Nigeria's external reserves rose from $37.93 billion to $38.56 billion before a slight dip to $38.46 billion by May 29, underscoring ample buffers that underpinned FX stability.



Source: CBN, FCSL Research

Outlook

In June, we expect the Naira to trade within a N1,575–N1,600/$ range as the CBN maintains its intervention frequency —likely deploying $100–$200 million per week—to counter seasonal demand spikes. Oil prices and export receipts will remain critical drivers: sustained crude above $80/barrel should bolster inflows, while any downturn below $75/barrel may necessitate heavier CBN intervention, risking renewed pressure toward N1,600/$. Meanwhile, foreign reserves of nearly $38.5 billion should provide sufficient cover for essential imports, moderating volatility. Key factors to watch include CBN's auction timing for USD liquidity, monthly crude production data, and any shifts in global risk sentiment that could influence capital flows into the naira.

EQUITIES MARKET

The Nigerian equities market posted a strong performance in May, buoyed by impressive Q1 earnings, corporate actions, and renewed investor appetite across key sectors. The NGX All-Share Index (ASI) opened at 106,042.57 and closed the month at 111,742.01 points, gaining 5.36% m/m, with sustained interest from both local and offshore investors. The market capitalization expanded by N4.166 trillion, reaching N70.662 trillion by the end of May, compared to N66.496 trillion at the end of April

Early in the month, strong earnings from NB, PRESCO, MTNN, and BETAGLASS lifted sentiment despite profit-taking in banking stocks. Blue-chip stocks like NESTLE, DANGCEM, and TRANSCORP drove mid-month momentum, while the launch of Airtel Africa's $55 million share buyback program further bolstered investor confidence.

Although the market briefly pulled back in the third week (down 0.62% w/w) due to profit-taking and court-related concerns over FIDELITYBK, sentiment rebounded strongly in the final week. Heavyweights like AIRTELAFRI and BUAFOODS surged, supported by significant volume trades in UBA and foreign interest in GTCO, MTNN, and OKOMUOIL. Multiple stocks hit new 52-week highs, including AIRTELAFRI, OKOMUOIL, WAPCO, and BUAFOODS.

Market activity was further boosted by notable events:

- MTN Nigeria's AAA rating reaffirmation
- Wema Bank's rights issue closing
- UBA listing 6.8bn new shares from its rights issue
- Stock reclassifications (e.g., INTBREW, TRANSCOHOT)

Sectoral Performance	WtD (%)	MtD (%)	YtD (%)
NGX ASI	2.49%	5.62%	8.56%
NGX BNK	0.66%	1.86%	7.29%
NGX CNSMRGDS	3.78%	18.71%	37.44%
NGX OILGAS	-2.05%	-1.17%	-14.19%
NGX INS	1.02%	1.60%	-4.63%
NGX INDUSTR	0.35%	2.39%	-3.56%

Source: NGX, FCSL Research

OUTLOOK

We expect the equities market to remain broadly positive in June, with a likely upward bias, though pockets of profit-taking may occur. Continued offshore interest in defense, like MTNN, NB, and NESTLE, alongside local bargain hunting in banking, consumer goods and industrials, should provide support. Key drivers to watch include:

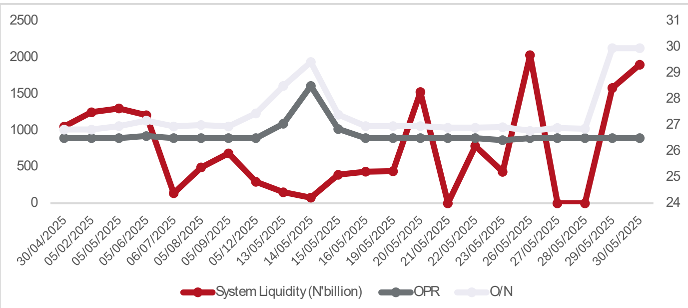
- Dividend announcements and payments
- Corporate actions (e.g., share buybacks and rights issues)
- Macroeconomic updates including inflation and MPC guidance
- Global risk sentiment and foreign portfolio flows

FIXED INCOME REPORT

Money Market

Over the period, Nigeria's interbank system sustained robust liquidity and delivered relative stability in short-term rates despite repeated CBN debits and market outflows. Early-period OMO maturities totaling N651 billion helped anchor the OPR and OVN at roughly 26.50% and 26.96%, respectively, before improved funding conditions trimmed rates by about 8 bps. Weekly liquidity swings saw the system open surpluses of N906.85 billion and N368.21 billion, then dip into a N103.02 billion debit amid FX settlements and TSA remittances, before rebounding to over N1.78 trillion thanks to FX swaps, FAAC disbursements (~N300 billion), Remittance inflows, NTB maturities and FGN bond coupons.

Even a N804.85 billion OMO auction and CRR charges could not exhaust the funding buffer, which averaged a N836.49 billion closing balance versus –N395.11 billion in March. Supported by healthier system funding, the average Open Repo Rate (OPR) eased by 3.36% m/m to 26.81%, while the Overnight Rate (OVN) fell by 3.40% m/m to 27.23%.



Source: CBN, FCSL Research

Outlook

CBN is likely to sustain its restrictive monetary stance, employing CRR deductions and OMO sales as primary liquidity control tools.

Treasury Bills

In May, Nigeria's Treasury Bills market navigated shifting sentiment amid ample system liquidity and successive government auctions. Early in the month, modest trading gave way to renewed interest in one-year papers (26 Mar 2026) and long-dated OMO bills, even as foreign portfolio investors trimmed positions in Feb- and Mar-2026 maturities. The first NTB auction drew N1.126 trillion in bids for an N800 billion offer (N424.58 bn allotted), sending 91- and 182-day stop rates up by 50 bps and 100 bps to 18.50% and 19.50%, respectively, while the 364-day held at 19.63%. A subsequent NTB sale saw N1.54 trillion subscriptions for N400 billion (N714.38 bn allotted), compressing 91-, 182- and 364-day stops to 18.00% (–50 bps), 18.50% (–100 bps), and 19.60% (–3 bps). OMO auctions totaling over N1.8 trillion were oversubscribed—N1.39 trillion/N1.008 trillion and N556.85billion/N804.85 billion, anchoring long-end rates near 22.73%. Profit-taking on newly issued Apr 2026 bills was balanced by renewed appetite for Dec 2025, Feb 2026, and Mar 2026 tenors. Overall, the average mid-yield across benchmark NTBs rose 69 bps m/m to 20.43%.

Outlook

With N889 billion in maturities due in june and persistent investor caution, we expect a mixed market performance.

NTB AUCTION RESULT - 21 May 2025			
AUCTION DATE		21-May-25	
SETTLEMENT DATE		22-May-25	
TENOR	91-Day	182-Day	364-Day
MATURITY DATE	21-Aug-25	20-Nov-25	21-May-26
OFFER AMOUNT (N'BN)	50	100	350
SUBSCRIPTION AMOUNT (N'BN)	72.5601	46.8402	1052.1802
ALLOTMENT AMOUNT (N'BN)	71.6681	41.1345	503.0013
RANGE OF BIDS	17.50%-20.00%	18.00%-20.00%	18.90%-26.00%
CURRENT STOP RATE: DISCOUNT (YIELD)	18.000% (18.846%)	18.500% (20.380%)	19.560% (24.300%)
LAST STOP RATE: DISCOUNT (YIELD)	18.000% (18.845%)	18.500% (20.380%)	19.630% (24.408%)
CHANGE: DISCOUNT (YIELD)	+0.100% +2.000%	+0.000% +2.000%	-0.170% (-0.108%)

Source: DMO, FCSL Research

FGN Bond Market

Mid-Curve Papers Steal Spotlight Amid Mixed Market Sentiment

Nigeria's local bonds market remained largely subdued, characterized by cautious investor sentiment and modest trading volumes. Activity centered on mid-curve papers—particularly the Feb-2031 and May-2033 maturities—with intermittent demand for Mar-2027, Jan-2035 and longer-dated Apr-2037 and Jun-2053 instruments. Ahead of the April FGN bond auction, participants largely adopted a wait-and-see stance. The auction offered N350 billion and saw N397.89 billion allotted: N21.12 billion in the 19.30% Apr2029 issue at 19.00% and N376.77 billion in the 19.89% May-2033 issue at 19.99%. Post-auction, selective buying supported Apr-2029, Feb-2031 and May-2033 bonds, though overall turnover stayed thin. Despite sporadic yield compression on select tenors—reflecting modest buying interest—liquidity constraints and seller dominance in short-to-mid tenors pressured overall levels. By month-end, the average mid-yield across benchmark FGN bonds rose by 27 bps m/m to settle at 18.89%.

Outlook

Market activity will largely depend on FGN funding requirements, secondary-market liquidity, and the CBN's policy direction. Despite May's expected N163.57 billion coupon inflows, investor caution is likely to persist as they assess yield opportunities.

MAY 2025 FGN BOND AUCTION RESULT		
Auction Date	May 26, 2025	
Settlement Date	May 28, 2025	
Maturity Date	April 17, 2029	May 15, 2033
Bond Nomenclature	19.30% FGN APR 2029	19.89% FGN MAY 2033
Offered Amount (N'Bn)	100	200
Subscription Amount (N'Bn)	16.443	419.964
Allotment Amount (N'Bn)	4.705	295.988
Range of Bids (%)	17.0000 - 20.0000	15.0000 - 21.4300
Stop Rates (%)	18.98	19.849
Previous Stop Rates (%)	19	19.99
Change (%)	(0.0200)	(0.1410)

Source: FMDQ, FCSL Research

May 2025 Eurobond Market Review

In May, Nigerian Eurobonds experienced significant swings driven by global macro cues and oil market dynamics. Early in the month, risk-off sentiment—sparked by weak U.S. Q1 GDP (-0.3% annualized) and falling crude prices—pushed the average mid-yield up 43 bps to 10.42 %. A rebound in U.S. payrolls (+177,000 jobs) provided temporary relief, but overall volatility persisted. Mid-month, a short-lived U.S.-China tariff truce and softer U.S. producer prices fueled a rally, driving yields down 50 bps to 9.74 %. By week four, mixed headwinds—Moody's U.S. downgrade, geopolitical tensions, and higher long-end U.S. rates—kept sentiment tepid; however, selective buying limited losses, and yields eased marginally by 1 bp to 9.73 % by month's end. Across May, Nigerian Eurobonds moved from roughly 10.42 % to 9.73 %, reflecting both risk-on episodes (buoyed by firmer oil and U.S. data) and intermittent profit-taking.

Outlook

In June, we expect Nigerian Eurobonds to trade in a 9.60% –10.00% range, with direction set by U.S. Federal Reserve signals, OPEC supply outlook, and ongoing geopolitical developments. Key drivers will include June's U.S. CPI/PPI readings, any shifts in Fed policy guidance around its 4.25 %–4.50 % rate corridor, and crude oil's response to OPEC+ supply projections. Additionally, regional political news and secondary market flows, especially if global risk aversion resurface, could push yields toward the upper end of the range. Conversely, a benign U.S. inflation prints or further easing of U.S.-China tensions may see yields test near 9.60 %. Watch for oil prices stabilizing above $80/barrel, as this would bolster appetite for Nigerian credit and help anchor yields closer to mid-9s.

Contact Information

Security Brokerage/Investment Management

Omoefe Taiga	otaiga@fcslng.com	+234 803 579 1526
Chioma Ozoejike	cozoejike@fcslng.com	+234 802 413 0339
Onyinyechi Onwubu	oonwubu@fcslng.com	+234 907 642 8400
Oluwafunmilayo Ogunbona	oogunbona@fcslng.com	+234 706 972 2171
Lambert Nnadi	lnnadi@fcslng.com	+234 907 923 5160
Funmi Oketola	foketola@fcslng.com	+234 817 957 4111
	sales@fcslng.com	

Investment Banking/Corporate Finance

Andrew Esene	aesene@fcslng.com	+234 806 063 6852
Henry Agba	hagba@fcslng.com	+234 708 487 4059
	corpfinance@fcslng.com	

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