FCSL

MONTHLY REPORT

AUGUST 2025

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STABILITY TAKING SHAPE AMID SHIFTING OPTICS

In H1 2025, we framed our outlook as "stability in motion guided by cautious optimism," a theme that continues to define Nigeria's macroeconomic landscape. For the Month of August, we observed notable improvements across key economic indicators such as Growth in FX Reserve, Marginal decline in Inflation Numbers, Lower Energy Prices and Fiscal Reforms.

We saw our foreign exchange reserves climbed to the highest levels since December 2021, gaining $1.72 billion in the month of August, a 4.36% increase in under four weeks. Inflation dynamics also shifted positively as headline inflation eased to 21.88% in July, down sharply from 22.22% in June supported by relatively stable exchange rates, softer food prices, and a 3.6% reduction in PMS pump prices from N850 to N820. On the fiscal side, reforms continued to take shape. The Federal Government announced plans to refinance NGN4 trillion owed to Gencos, a move that should restore investor confidence in the power sector and unlock fresh investment flows. Oil production also improved, rising 10% year-on-year in July to 1.71 million barrels per day, further supporting external balances.

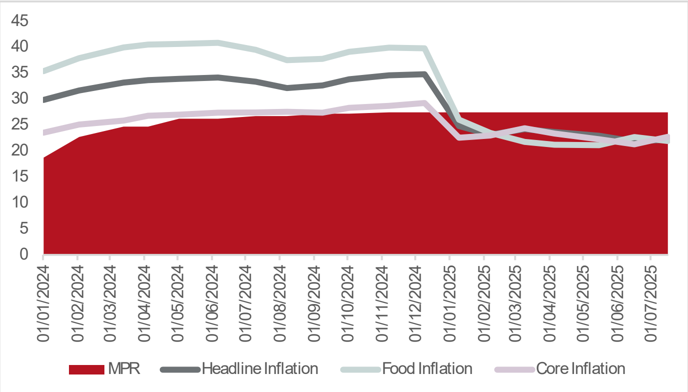
These developments underscore an economy navigating toward stability, with near-term risks tempered by structural reforms and improving fundamentals.

MACRO-ECONOMIC UPDATE

Inflation

Nigeria's annual inflation rate decelerated for the fourth consecutive month to 21.88% in July 2025, the lowest level since January 2023, from 22.22% in June, helped by currency stability and a drop in gasoline prices. However, food inflation, the largest component of the inflation basket, accelerated for the second month to 22.74%, from 21.97% the month before. The core inflation rate, which strips out the volatile prices of agricultural produce and energy, slowed to 21.30% in July from 22.76% in June. On a monthly basis, the CPI rose by 1.99% in July, after increasing by 1.68% in the prior month.

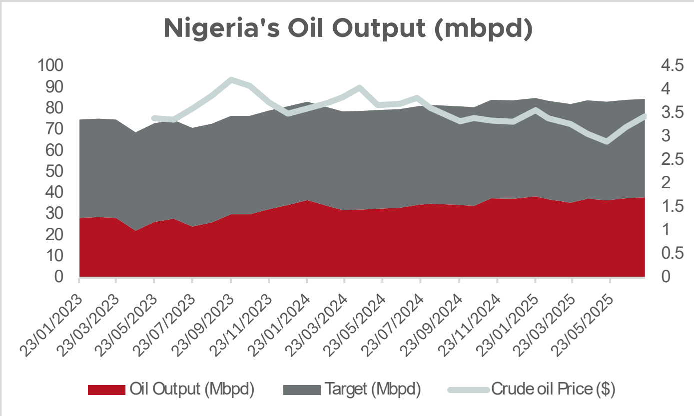
Looking ahead, inflation could trend lower with improved food supply from the green harvest, a relatively stable Naira helping curb imported inflation, and softer energy prices, though sticky month-on-month pressures may keep the Monetary Policy Committee cautious at its next meeting.



Source: NBS, FCSL Research

Oil Production

Nigeria's oil output recorded significant growth in July 2025, averaging 1.71 million barrels of oil per day (bopd). The figure comprises 1.507 million bopd of crude oil and 204,864 bopd of condensates. This reflects a 9.9% year-on-year surge from the 1.56 million bopd produced in July 2024, which included 1.33 million bopd of crude oil and 226,866 bopd of condensates. On a month-on-month basis, output rose by 0.89% compared to the 1.69 million bopd recorded in June 2025, which comprised 1.505 million bopd of crude oil and 191,572 bopd of condensates.



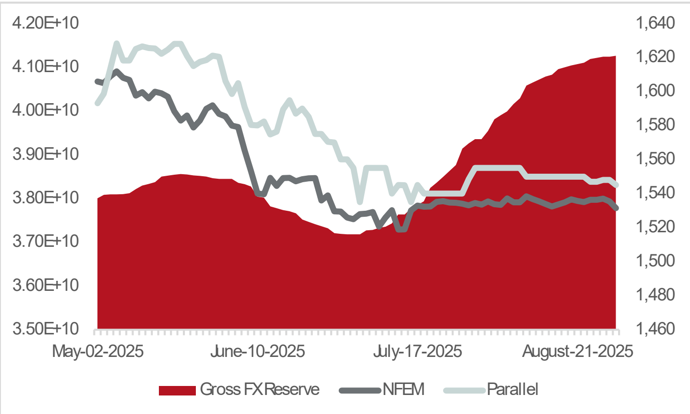
Source: OPEC, FCSL Research

Foreign Reserve

Nigeria's FX reserves soar to $41 billion, hitting 44-month high Nigeria's foreign exchange reserves climbed to $41.26 billion in August, the highest since December 2021, according to the CBN. The reserves gained $1.72 billion, rising from $39.54 billion on August 1, a 4.36% increase, averaging about $81 million in daily inflows. The rebound began in early August when reserves crossed the $40bn mark on August 7, advancing to $40.5bn by August 12, before breaking above $41bn a week later. This sharp build-up strengthens the CBN's capacity to stabilize the Naira, manage liquidity, and counter speculative pressures.

Year-to-date, reserves are up only $383 million (+0.94%), with most gains concentrated in the last five weeks after dipping to $37.28bn in early July. The recent turnaround has added more than $3bn (+8%) in just over a month, marking Nigeria's strongest reserve position in nearly four years.

While sustaining the momentum will depend on oil receipts, non-oil FX inflows, debt servicing, and policy direction, we expect a stronger reserve base to bolster currency market confidence, improve investor sentiment, and Nigeria's ability to meet external obligations.



Source: CBN, FCSL Research

MONEY MARKET

System Liquidity

The Nigerian money market traded volatile as system liquidity oscillated between large surpluses and sharp deficits, driven by heavy OMO settlements, FAAC inflows, bond coupons, and active CBN liquidity management. Early in the month, robust liquidity was offset by outsized OMO maturities and settlements, briefly pushing funding rates above 32% before easing with inflows. Mid-month, liquidity swings persisted, with significant OMO and NTB supply absorbing cash, while coupon payments and maturities intermittently provided relief. Toward month-end, FAAC disbursements (N1.1tn) and strong coupon inflows restored ample liquidity, anchoring rates lower despite persistent OMO sterilization.

On balance, average interbank funding costs moderated from mid-month highs but remained elevated relative to historical norms. The OPR closed August at 26.50% (-240bps m/m), while the O/N settled at 26.95% (-215bps m/m), reflecting improved liquidity into month-end.

Outlook

Interbank liquidity should remain supported in September by sizable maturities and fiscal inflows, though frequent OMO issuance by the CBN will continue to cap downside in rates. We expect funding costs to hover around the 26.5% handle, with periodic spikes likely if sterilization intensifies or cash balances tighten unexpectedly.

Treasury Bills

The Nigerian Treasury Bills market traded mixed in August, with activity largely dictated by system liquidity swings, heavy OMO supply, and NTB auction dynamics. Benchmark NTB yields ended the month higher, with the average rate climbing c.71bps m/m to close at 17.66%.

The month opened cautiously as robust liquidity failed to offset pressure at the mid- to long-end, with a record N2.12 trillion OMO sale and N173 billion NTB issuance driving repricing. Mid-month, supportive liquidity conditions compressed select yields, though tightening cash balances later reversed gains, leaving the curve broadly flat.

Market tone shifted decisively after the NTB auction mid-August, where stop rates adjusted higher, most notably on the 364-day (+94bps to 17.44%), while an oversubscribed N600bn OMO sale cleared at elevated 25.5–25.99% levels, anchoring bearish sentiment. Into month-end, another oversubscribed OMO auction (N842.5bn allotted at 26.49%) and muted secondary flows kept activity cautious, pushing benchmark NTB yields up 69bps w/w.

Outlook

We expect the NTB market to remain liquidity-sensitive, with elevated OMO stop rates and continued supply acting as an anchor for yields. Near-term bias skews cautious to bearish, though selective demand for short-dated bills may persist as investors manage duration risk ahead of September's funding calendar.

Tenor	Jul'25 Close	Aug'25 Auc 1	Aug'25 Auc 2	Change M-o-M (basis points)
91	0.15	0.153	0.1535	35
182	0.155	0.155	0.155	0
364	0.1588	0.165	0.1744	156

FIXED INCOME REPORT

FGN Bond

The FGN bonds market traded cautiously through August, with sentiment shaped by auction supply, inflation data, and selective demand across the curve. Overall, the market closed the month slightly bearish, with the average benchmark yield rising c.53bps m/m to 17.04%.

Early August saw selling pressure across the short- to mid-curve (2029s–2034s), as liquidity was absorbed by a heavy OMO and NTB calendar. Yields drifted higher, with the benchmark curve closing 12bps up w/w at 16.51%.

Mid-month, the DMO's larger-than-expected bond auction announcement and the debut of a new 5-year NIGB AUG 2030 pressured the curve. Yields on the FGN 2037 and 2038 rose 52bps and 19bps, respectively. A softer July CPI print (21.88%) later improved sentiment, tempering the sell-off, though the average yield still advanced 11bps w/w to 16.20%.

At month-end, the DMO raised N136.16 billion out of a N200 billion offer across the new 2030 and Jan 2032 papers at stop rates of 17.945% and 18.00%. While mid-week saw bearish pressures, late demand in the 2031s, 2033s, 2038s, and 2053s helped steady the curve. The average yield eased 11bps w/w to 17.04%.

Outlook

We expect trading to stay cautious but supported by selective buying. Sustained inflation moderation could lend near-term support to the mid-curve, though supply dynamics remain a key risk.

Non-comp	Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	July' 25 Close	Change M-o-M (basis points)
	47722	100	102.36	46	0.1794		-206
	48390	100	165.81	90.15	0.18	0.159	210
		200	268.17	136.15			

Euro Bond

Nigerian Eurobonds closed August on a broadly resilient note, with sentiment swinging in line with global risk drivers and oil market dynamics. Despite bouts of volatility, average benchmark mid-yields tightened 6bps m/m to settle at 7.98%.

The month opened bullish, with early momentum fueled by geopolitical uncertainty around U.S. tariff threats and the Bank of England's 25bps rate cut. The CBN's settlement of all outstanding FX forwards further lifted investor confidence, driving a 21bps yield compression to 8.04%. Mid-month, Nigerian papers rallied again (-20bps w/w) on Fed rate cut optimism, before paring gains as firmer U.S. CPI/PPI releases drove UST weakness. A volatile third week saw pressure from Fed minutes and Ukraine tensions, though crude-linked support and Chair Powell's dovish tilt helped Nigerian bonds end firmer (-10bps w/w to 7.86%). Into the month-end, Softer oil, U.S. PCE upside surprise, and political pressure on the Fed, triggered a mild pullback, with Nigerian yields retracing +12bps to 7.98%.

Outlook

Nigerian Eurobonds are likely to stay guided by U.S. rate expectations, oil price direction, and domestic reform momentum. Near-term bias skews cautiously bullish if the Fed signals follow-through on easing in September, with Nigeria poised to benefit from supportive oil and FX reforms.

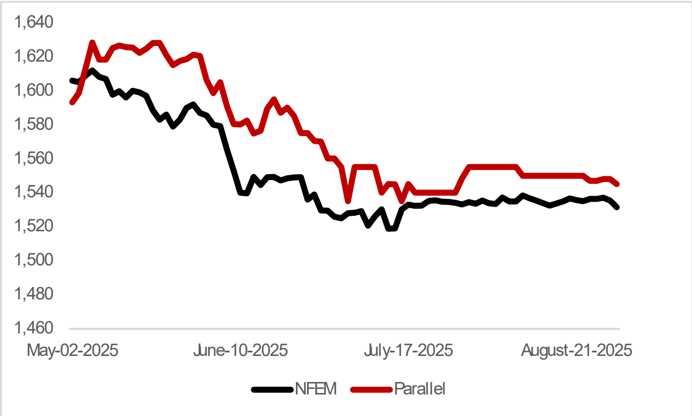
Foreign Exchange

The Naira traded with relative stability in August, supported by steady CBN interventions, stronger oil-related inflows, and a sustained build-up in reserves. Across the month, the currency oscillated within a narrow band of N1,525–N1,540/$, reflecting balanced demand-supply dynamics despite intermittent pressure. The CBN's decisive settlement of all outstanding FX forwards, alongside cumulative interventions exceeding $280m, helped anchor sentiment and reinforce investor confidence.

Overall, the Naira appreciated marginally by 0.2% m/m to close at N1,531.57/$, with volatility largely contained. The market's resilience was further underscored by stable NFEM activity and narrower bid-offer spreads, even as demand for liquidity from importers and portfolio managers remained elevated.

Outlook

We expect near-term stability to persist, with the Naira trading within the N1,525–N1,540/$ corridor, supported by CBN policy refinement, improved FX reserves, and sustained oil receipts. However, medium-term risks remain tied to U.S. rate trajectory, domestic inflation, and fiscal execution.



EQUITIES MARKET

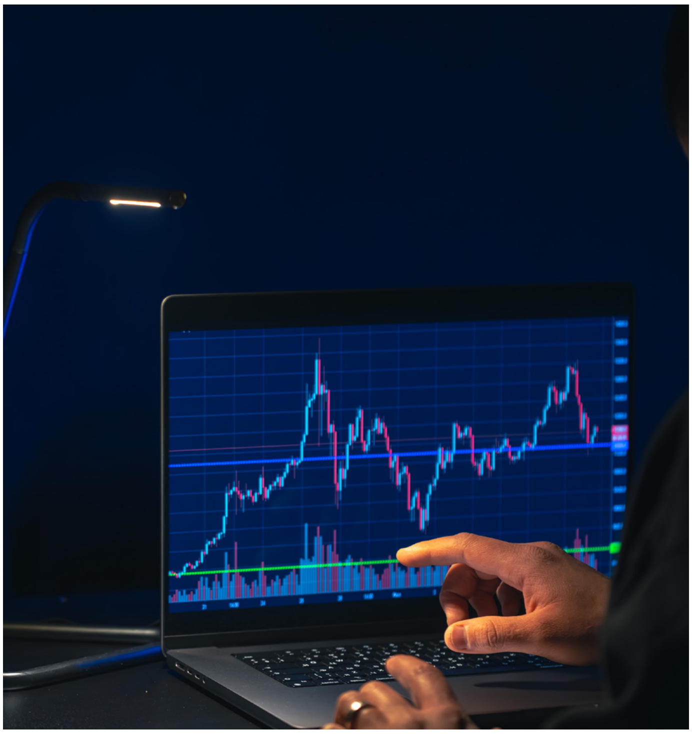
The Nigerian equities market reversed course in August after a record-breaking July rally, as profit-taking and delayed half-year earnings weighed on sentiment. The NGX All-Share Index retreated 3.8% m/m to close at 140,295.50 points, marking the first monthly decline in three months. Early gains from industrial and consumer names, notably BUACEMENT, DANGCEM, and BUAFOODS, were short-lived as selloffs intensified mid-month, with heavyweights MTNN, STANBIC, ZENITHBANK, and GTCO driving losses. Sector performance turned negative, led by Oil & Gas, Consumer Goods, and Banking, while the Insurance sector was the lone bright spot following regulatory reforms. Offshore flows remained active, particularly in GTCO, ACCESSCORP, and MTNN, though largely tilted toward profit-taking. Corporate actions including rights issues from UBA, CHAMS, and IMG, alongside new listings such as Coronation Infrastructure Fund added to market dynamics. Overall, August reflected a cooling of prior exuberance, with investors shifting to a more selective approach.

Outlook

We expect cautious trading in September, with selective buying around fundamentally strong names as investors await banking sector H1 earnings releases.

	Month_to_Date	Year_to_Date
NGX ASI	-0.69%	36.30%
NSE Banking Index	-5.58%	40.57%
NSE Insurance Index	44.72%	63.27%
NSE Industrial Goods Index	-1.60%	39.29%
NSE Consumer Goods Index	7.20%	-10.67%
NSE Oil & Gas Index	-2.26%	-12.16%

Source: NGX, FCSL Research



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