FCSL

MONTHLY REPORT

JULY 2025

Team Members

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

THE GLOBAL AND DOMESTIC ECONOMY

Global Trade at a Crossroads: Strategic Fragmentation Takes Hold

The post-Cold War global economic order, once defined by seamless globalisation and free trade, is undergoing a fundamental recalibration. From China's WTO accession in 2001 to the explosive growth of export-led economies like India, Vietnam, and Bangladesh, globalisation has powered decades of economic expansion. However, the first half of 2025 has marked a clear break from that trajectory. Heightened geopolitical tensions, particularly the broadening U.S.-China rivalry, are pushing countries to prioritise economic security over integration. Europe is fortifying its supply chains, while the Global South is caught between opportunity and alignment. Add pandemic aftershocks, inflation, tighter financial conditions, and ongoing conflicts in Eastern Europe and the Middle East, and the result is a global economy increasingly shaped by "strategic fragmentation" rather than free trade.

Economic Indicators Flash Warning Signs Amid Global Realignment

As the global landscape shifts, economic indicators are turning cautious. Manufacturing PMIs are in contraction across advanced economies, global trade volumes are declining on a year-over-year basis, and business sentiment has softened, particularly in economies reliant on exports. While some macro signals remain resilient, such as the strong U.S. labour market, although revised downward and easing inflation in Europe, others are more concerning, including China's slowing credit growth and weakened industrial activity. Investors are navigating a complex terrain of mixed signals, searching for clarity in a world where globalisation no longer serves as the dominant growth engine.

Nigeria's Oil-Led Stabilisation Gains Traction in July 2025

Domestically, Nigeria is showing early signs of macroeconomic stabilisation in July 2025, anchored by improved oil output and foreign exchange dynamics. Oil production surged to a seven-month high of 1.78 million barrels per day, buoyed by enhanced security in the Niger Delta and renewed investments from firms like EXXONMOBIL. This has translated into stronger FX reserves, now at $38.4 billion, boosting Naira stability and reinforcing the Central Bank's external buffers. The improvement in oil receipts and FX liquidity is reviving investor confidence and re-establishing Nigeria's ability to absorb external shocks more effectively.

Inflation Eases, Markets Rally, and Confidence Returns

Headline inflation eased to 22.22% in July from a peak of 34.84% in December 2024, driven by tighter monetary policy, food price moderation, and a steadier exchange rate. As credit costs decline, key sectors like manufacturing and consumer goods are seeing renewed activity. The PMI rose to 54.0, signalling stronger private sector momentum. Financial markets reflected this optimism, with the NGX All Share Index up 16.57% in July. Although FDI remains muted at $250 million in Q1 2025, remittance flows and portfolio investments are providing intermittent capital support. Structural issues persist, particularly around fiscal reform and long-term capital mobilisation, but Nigeria's short-term trajectory suggests a credible shift from fragility toward measured recovery, contingent on consistent policy execution.

MACRO-ECONOMIC UPDATE

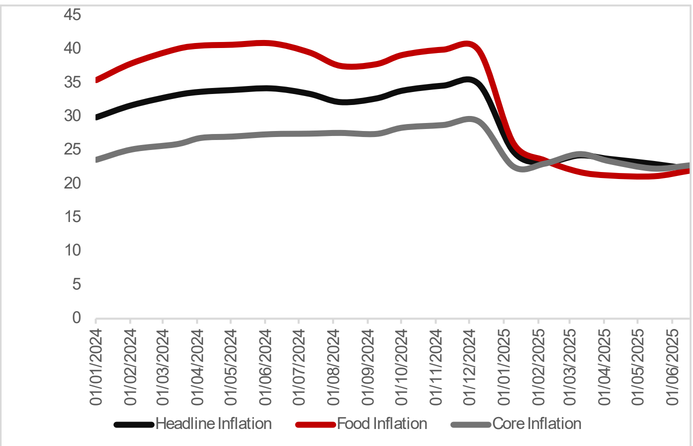
Inflation

Inflation Eases but Masks Rising Underlying Pressures

Nigeria's inflation eased to 22.22% YoY in July 2025 from 22.97% in May, marking the third straight monthly decline. However, underlying pressures remain as food inflation rose to 21.97% (from 21.14%) and core inflation increased to 22.76% (from 22.28%), driven by higher prices in transport, ICT, and financial services. On a M-o-M basis, headline inflation climbed to 1.68%, food inflation surged to 3.25% its highest since January, and core inflation rose to 2.46%. Imported food inflation hit a YTD high of 2.25%, while the Farm Produce Index dropped 13.26%. The energy index fell sharply by 11.04% due to lower petrol prices.

Outlook

In the near term, core inflation may stay moderate, supported by Naira appreciation and lower energy costs. However, food inflation could rise further due to seasonal planting, insecurity, and weather risks. External shocks like higher global oil or food prices remain key upside risks to inflation.



Source: NBS, FCSL Research

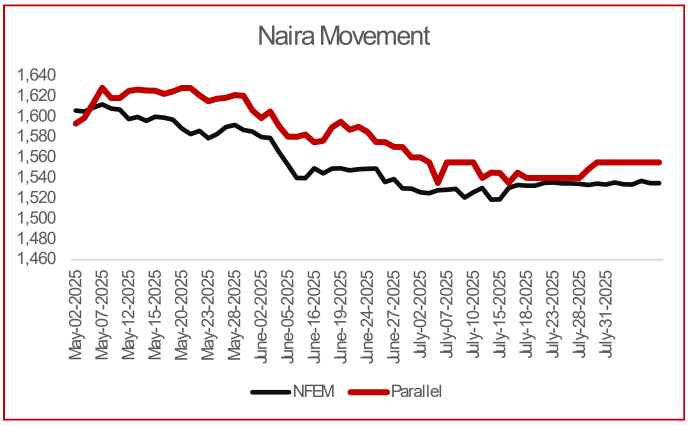
Foreign Exchange

FX Market Holds Firm in July as CBN Interventions and Rising Reserves Support Naira Stability

Nigeria's foreign exchange market showed resilience, supported by intermittent CBN interventions, improved FX liquidity, and stronger macro fundamentals. The Naira traded within a tight band, influenced by portfolio inflows and oil-exporting corporates. In the first week, it strengthened to N1,500/$ before closing at N1,528.56/$ without CBN support. The second week saw the CBN return with a $50 million injection, stabilising the Naira around N1,530. By mid-month, an $80 million intervention helped manage demand, with the Naira closing at N1,532.34/$ and reserves rising to $37.85 billion. The month ended with the Naira at N1,534.72/$, despite another $81 million intervention, as reserves climbed to $38.63 billion, the third consecutive weekly increase.

Outlook

The FX market is expected to remain broadly stable, supported by sustained CBN activity, rising reserves, and increased investor interest. However, risks from tariff-induced import pressures, oil price volatility, and shifting global monetary policy could weigh on Naira stability.



Source: CBN, FCSL Research

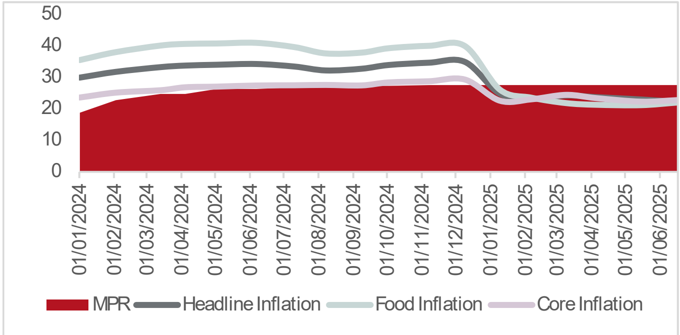
Monetary Policy

MPC Holds MPR at 27.5% to Consolidate Disinflation and FX Stability

At its July 2025 meeting, the Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MPR) at 27.5%, following earlier aggressive hikes. The decision reflects cautious optimism about Nigeria's disinflation progress, with headline inflation easing to 22.22% in July from 34.84% in December 2024. However, sticky core inflation and risks from fuel prices, exchange rate adjustments, and fiscal uncertainty kept the Committee firmly in tightening mode. The MPC emphasised that FX stability, underpinned by improved oil production, rising reserves, and stronger capital inflows, must be preserved. The Central Bank will continue liquidity tightening through asymmetric corridor adjustments and open market operations (OMO) to reinforce the disinflationary trend.

Outlook

The MPC remains data-dependent, projecting inflation to trend toward the high teens by Q4 2025. While a rate cut may be considered in early 2026 if disinflation accelerates and real sector growth improves, the near-term policy bias remains hawkish. Key risks include wage-driven inflation, global energy volatility, and fiscal expansion. Sustained FX inflows, disciplined reforms, and policy coordination will be critical to anchoring inflation expectations and enabling any future easing cycle.



Source: CBN, FCSL Research

Gross Domestic Product

Q1 2025 GDP Performance: Moderate Growth Driven by Services, Industry

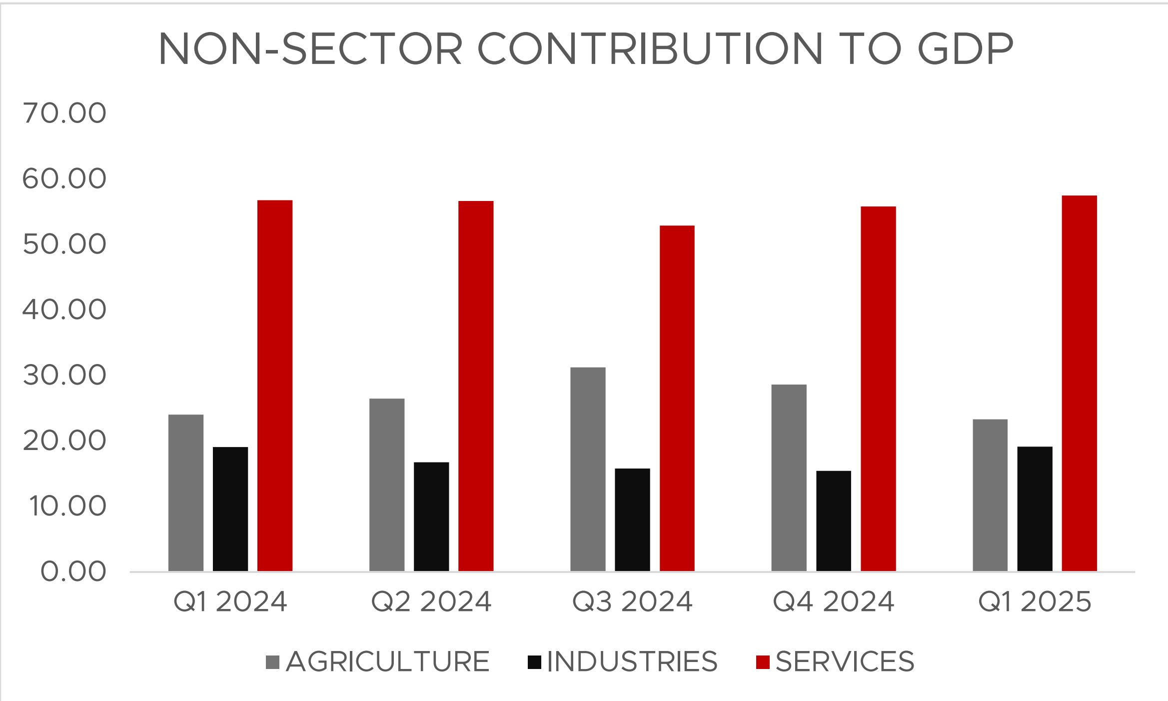
In the first quarter of 2025, Nigeria's real GDP expanded by 3.13% year-on-year, following the rebasing of the national accounts to a 2019 base year, a marked improvement from the 2.27% growth in Q1 2024. Aggregate GDP at basic prices rose to N94.05 trillion in nominal terms, representing an 18.3% increase relative to Q1 2024.

The non-oil sector remained the backbone of the economy, contributing 96.03% of GDP and growing at 3.19%, supported by robust activity in services, agriculture, manufacturing, and trade. Notably, the services sector led overall growth, expanding by 4.33% and accounting for over 57.5% of GDP. The industrial sector recorded 3.42% growth, while the oil sector output rose slightly to an average of 1.62mbpd, though real oil-sector growth slowed to about 1.87%, contributing nearly 3.97% to GDP.

Outlook

Sustained recovery is expected, albeit within the broader context of structural limitations. Improved oil receipts, gradual resumption of capital inflows, and a rebound in non-oil sectors, including telecommunications, finance, and construction, should support further growth momentum. The Central Bank's projection of 4.17% GDP growth in 2025 aligns with this trajectory, especially as inflation cools, external reserves rebuild, and reforms take hold. However, headwinds remain, namely inflationary pressures, security challenges in agriculture and logistics, and high cost of credit. Achieving growth closer to government targets (6%+) will depend heavily on the pace of structural reforms in power, transport, and fiscal management, as well as stability in FX and interest rate regimes.

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
NON OIL	95.98	96.49	96.62	97.20	96.03
OIL	4.02	3.51	3.38	2.80	3.97



EQUITIES MARKET

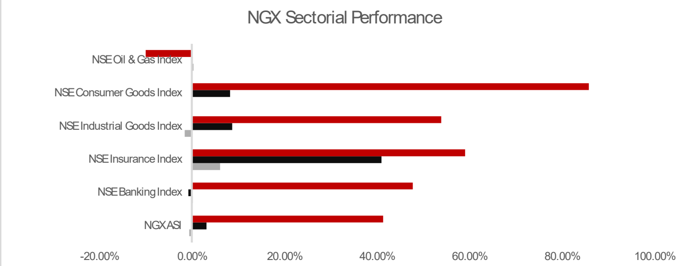
The Nigerian equities market sustained a strong bullish trend throughout July 2025, driven by a mix of solid corporate actions, robust offshore inflows, and strong earnings expectations. The NGX All-Share Index (ASI) advanced significantly over the month, rising from 120,989.66 points at the start of July to close at 141,263.05 points by August 1st, translating to an impressive monthly gain of over 16.8%.

Momentum began with renewed interest in key names such as ARADEL, BUAFOODS, WAPCO, INTBREW, and TRANSCORP, and accelerated following GTCO's landmark $100 million capital raise and secondary listing of 2.29 billion shares on the London Stock Exchange. This move ignited fresh foreign participation and confidence across banking stocks, which remained a key driver of the rally throughout the month. GTCO, ZENITHBANK, UBA, ACCESSCORP, and ETI attracted significant interest and hit new 52-week highs, while consumer and industrial giants like BUAFOODS, WAPCO, PRESCO, and DANGCEM further boosted sentiment.

Investors also showed heightened interest in cement and industrial goods counters as earnings expectations built, with DANGCEM, BUACEMENT, and WAPCO leading sector-wide rallies. Strong mid-cap performances (e.g., WEMABANK +23.6%, PRESCO +22.53%, OANDO +18.91%) and a broad-based sectoral advance reinforced the bullish trend. The delisting of Notore Chemicals and MRS Plc marked notable corporate actions, while companies like MTNN, NB, and GUINNESS posted fresh 52-week highs. As of August 1, the year-to-date performance of the market stood at +37.25%.

OUTLOOK

While earnings releases and strong corporate actions have kept sentiment positive, investors are expected to begin trading more cautiously, particularly in names that have seen rapid gains. However, sustained foreign inflows and interest in large-cap stocks could keep momentum supported in the near term.



	NGXASI	NSE Banking Index	NSE Insurance Index	NSE Industrial Goods Index	NSE Consumer Goods Index	NSE Oil & Gas Index
Year_to_Date	41.36%	47.76%	59.07%	53.91%	85.82%	-9.97%
Month_to_Date	3.18%	-0.75%	41.00%	8.73%	8.29%	0.17%
Day_on _Day	-0.56%	0.19%	6.11%	-1.54%	-0.02%	0.38%

Year_to_Date Month_to_Date Day_on _Day

Source: NGX, FCSL Research

FIXED INCOME REPORT

Money Market

Interbank Liquidity Remains Resilient Amid Tightening Measures

Nigeria's interbank market in July was marked by persistent liquidity fluctuations and volatile funding costs, shaped by a series of CBN liquidity management activities, including CRR debits, OMO auctions, FX settlements, and AMCON repayments. Overnight Policy Rate (OPR) and Overnight (O/N) rates swung within a wide range of 26.5% to 32.75%, reflecting sharp liquidity swings that moved the market from heavy deficit positions (as low as N931.75 billion negative) to surplus levels exceeding N1.61 trillion by month-end.

Early in the month, aggressive OMO auctions (notably a N1.25 trillion sale mid-July) and CBN FX settlements drained liquidity, spiking funding costs to over 32%. However, these pressures were intermittently offset by inflows from NTB redemptions, FGN bond coupons, and large FAAC disbursements (-N850 billion), which restored liquidity and pulled rates back to the 26.5% handle. By month-end, system liquidity rebounded strongly, helped by reduced use of the CBN's Standing Lending Facility and increased placements in the SDF window.

Outlook

Heading into August, market liquidity appears healthy and resilient, anchored by substantial fiscal inflows and moderate CBN tightening. Barring renewed aggressive sterilisation via OMO or unforeseen outflows, interbank funding rates are likely to remain within a stable band of 26–27% in the near term. However, any resurgence in CBN's liquidity mop-ups, especially through large OMO auctions, could tighten conditions again.

Tenor	Jun'25 Close	Jul'25 Auc 1	Jul'25 Auc 2	Change M-o-M (basis points)
91	0.178	0.1574	0.15	-280
182	0.1835	0.162	0.155	-285
364	0.1884	0.163	0.1588	-296

Treasury Bills

Treasury Bills Surge on Strong Investor Demand and Healthy System Liquidity

The Nigerian Treasury Bills (NTB) market in July was largely bullish, driven by strong demand, better liquidity, and moderating stop rates. Early in the month, robust OMO subscriptions (N771.65bn) and targeted secondary market buying kept yields stable at an average of 18.33%. The mid-month DMO auction saw N1.33tn in bids for N250bn offered, pushing stop rates down to 15.74% (91-day), 16.20% (182-day), and 16.30% (364-day). CBN's OMO auction also cleared N1.25tn at 21.99%, showing appetite for longer-dated paper. By month-end, NTB stop rates fell further to 15.00%, 15.50%, and 15.88%, with N290bn fully allotted.

In early August, sentiment turned mildly bearish as the CBN tightened liquidity through a N600bn OMO auction, drawing N1.63tn in bids and allotting N1.55tn in 204-day paper at 23.87%, underscoring strong demand for high-yield, long-tenor instruments.

Outlook

Looking ahead, investor activity in the NTB market will remain liquidity-sensitive, with buying interest likely to persist but tempered by the CBN's continued use of OMO to manage excess cash. Yields may stay within a tight range, barring aggressive rate repricing or a shift in monetary policy stance.

DATE	TENOR	MATURITY	OFFER (N'bn)	SUB (N'bn)	SOLD (N'bn)	RATE (%)	YIELD (%)	RANGE OF BIDS	PREVIOUS	CHANGE
09-Jul-25	272	07-Apr-26	300	45	-	-	-	22.4500 - 23.5000	-	-
09-Jul-25	363	07-Jul-26	300	2129.5	1252.36	21.99	28.15	21.8000 - 23.1900	28.93	-0.79
28-Jul-25	113	18-Nov-25	300	-	-	-	-	-	-	-
28-Jul-25	204	17-Feb-26	300	1630.75	1545.75	23.87	27.54	20.0000 - 24.1800	28.15	-0.6
			1200	3805.25	2798.11					

FGN Bond Market

Market Sentiment Rebounds on Strong Auction Demand and Declining Yields

The FGN bonds market stayed bullish in July, fueled by demand for mid- to long-dated papers such as April 2029, February 2031, May 2033, and February 2034. Average mid-yields fell from 17.04% to 16.11% in the first half of the month, supported by strong liquidity, investor positioning, and the Q3 issuance calendar. Mid-month, demand remained firm, with the DMO's N80bn offer drawing N300.70bn in bids, led by interest in February 2034s and June 2053s, while May 2033s touched 16.40%. Yields inched up toward month-end on profit-taking and softer demand at the July auction, which posted a 1.6x bid-to-cover ratio versus June's 6.7x.

Outlook

Investor sentiment is expected to remain constructive in the near term, underpinned by improved system liquidity and clarity around the bond calendar. While short-term profit-taking may cause intermittent yield upticks, the sustained demand for duration and relatively stable macro backdrop should continue to provide support for bond prices.

Non-comp	Maturity	Offer (₦'bn)	Sub (₦'bn)	Allot (₦'bn)	Marginal Rate	May'25 Close	Change M-o-M (basis points)
	17-Apr-29	20	39.08	13.43	0.1569	0.1775	-206
	25-Jun-32	60	261.6	172.5	0.159	0.1795	-205
		80	300.67	185.93			

Eurobond Market

The African Eurobond market posted modest gains in July despite U.S. trade uncertainty, geopolitical risks, and shifting monetary expectations. Nigerian Eurobonds stayed resilient on renewed global risk appetite and demand for higher yields. Early rallies in Nigerian, Angolan, and Egyptian papers, spurred by a Middle East ceasefire and dovish Fed signals, pushed yields to ~8.61% before stabilising. Choppy sentiment from U.S. trade rhetoric capped mid-month gains, but tariff rollbacks with Japan and the EU later boosted performance, with yields falling 22bps w/w to 8.17% in the strongest week of the month. Nigerian Eurobonds closed July at 8.24%, down 37bps m/m, despite late volatility from Angola protests and lingering headline risks.

Outlook

The near-term outlook remains sensitive to trade policy headlines, particularly around U.S. tariff implementation. However, sustained demand for EM credit and dovish global monetary tone could continue to support African Eurobond performance, especially if oil prices remain stable and no further geopolitical shocks emerge.

Disclaimer

The information in this report, "**Monthly Report - May 2025**," is based on data sources considered reliable. However:

Accuracy: We've made reasonable efforts to ensure accuracy but cannot guarantee completeness or absolute accuracy due to changing economic conditions.

Investment Decisions: This report doesn't constitute financial advice. Conduct independent research or seek professional guidance before making investment decisions based on this information.

Risks: Market predictions carry uncertainties. Actual outcomes may differ due to unforeseen events or factors beyond our control.

Liability: We disclaim liability for any loss or damage arising from reliance on this report.

Confidentiality: Unauthorized distribution of this report is prohibited.

Forward-Looking Statements: Any forward-looking statements are based on current expectations and are subject to risks and uncertainties.

This report is provided without warranty, and we're not obliged to update the information herein.

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	