

NIGERIA AT MID-YEAR 2026

**NAVIGATING ECONOMIC
REFORMS, MARKET
OPPORTUNITIES, AND
H2 OUTLOOK**

A decorative graphic featuring a green, wavy line that meanders across the page. Several white paper boats are scattered around the line, with one prominent red paper boat positioned at the top center, above the green line.

JULY 2026

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GLOBAL ECONOMIC REVIEW





GLOBAL

- Global economic growth remained resilient in H1 2026, but momentum was uneven, with geopolitical tensions weighing on the outlook.
- Disinflation continued in several major economies, but higher energy prices from geopolitical tensions created renewed inflationary risks.
- Expectations of a global easing cycle were challenged as central banks faced the risk of inflation staying higher for longer.
- Investors shifted toward defensive assets, commodities and energy, while higher bond yields and tighter financial conditions pressured risk assets.
- **The global outlook remained cautiously positive, but risks tilted to the downside amid geopolitical tensions, elevated oil prices, persistent inflation risks and weaker global trade.**



EUROZONE

- Eurozone GDP grew 0.3% QoQ in Q1 2026, while the ECB cut its 2026 growth forecast to 0.8%.
- Inflation risks increased due to higher energy prices, with the ECB forecasting 3.0% average inflation in 2026, above its 2% target.
- The ECB raised its deposit rate by 25 bps to 2.25% in June 2026, as geopolitical tensions increased inflation risks.
- Higher energy costs weakened household purchasing power and business confidence.
- **The outlook remained cautious, with stagflation risks rising as weaker growth coincided with renewed energy driven inflation.**



USA

- The U.S. economy remained resilient in H1 2026, although growth momentum moderated amid tighter financial conditions and softer demand.
- Inflation remained above the Federal Reserve's 2% target, with higher energy prices creating renewed upside risks.
- The Fed remained cautious on easing, as geopolitical shocks and energy price pressures complicated the disinflationary path.
- U.S. markets faced increased volatility as investors reassessed the timing and pace of rate cuts, while safe haven demand supported the dollar.
- **The U.S. outlook remained relatively resilient, but risks included persistent inflation, higher for longer interest rates, geopolitical tensions and a potential slowdown in consumer spending.**



SSA

- SSA growth was projected at 4.3% in 2026, down from 4.5% in 2025, as the Middle East conflict and weaker external conditions weighed on momentum.
- Median inflation was expected to rise from 3.4% in 2025 to around 5% in 2026, driven by higher fuel, food and fertilizer prices.
- Central banks faced a difficult trade off between supporting growth and containing renewed inflationary pressures, limiting the scope for aggressive monetary easing.
- The impact was uneven, with oil exporters benefiting from higher crude prices, while oil importers faced higher energy costs, weaker purchasing power and tighter external financing conditions.
- **The outlook remained cautiously positive but vulnerable, with high debt servicing costs, declining aid, geopolitical risks and tighter global financial conditions posing key downside risks.**

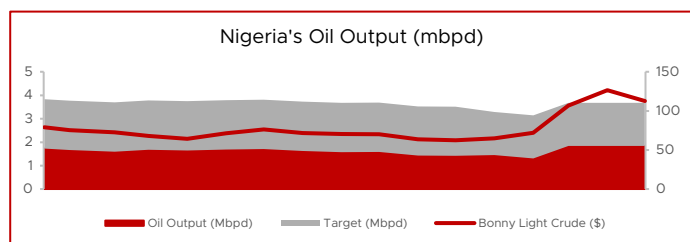
DOMESTIC ECONOMIC REVIEW



Oil Production

Average daily crude oil production reached 1.55 million barrels per day in Q1 2026, marginally below 1.62 million bpd recorded in Q1 2025.

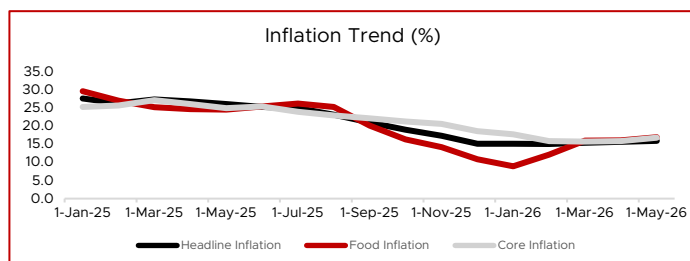
However, Brent trading above \$100 following the Strait of Hormuz disruption has delivered a significant revenue windfall, well above Nigeria's \$75 budget benchmark, providing meaningful fiscal headroom.



Inflation

Headline inflation reversed course in H1 2026, rising three consecutive months from a low of 15.06% in February to 15.91% in June.

The Middle East energy shock passed directly into transport and food prices, erasing hard-won disinflation gains and complicating the CBN's rate-cut trajectory.



Monetary Policy

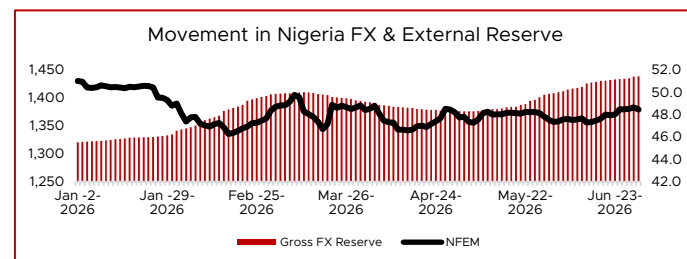
The CBN cut the MPR by 50 basis points to 26.5% in February 2026, then held at its 305th MPC meeting in May, citing rising inflation from external energy shocks as transitory.

With headline inflation rebounding to 15.91% by June, further rate cuts are firmly off the table heading into H2.

Foreign Reserve

Reserves hit a 13-year high of \$50.45 billion by May 2026, up from \$40.19 billion at end-2025 driven by sustained oil revenues, diaspora remittances, and FTSE-driven portfolio inflows.

Further accretion expected in H2 as passive FTSE inflows of \$840m–\$1bn hit, targeting \$52–\$55 billion by year-end.



GDP

GDP grew 3.89% in Q1 2026, up from 3.13% in Q1 2025, driven by telecommunications, agriculture, financial services, and construction.

The World Bank revised its full-year 2026 growth forecast down to 4.1%, citing geopolitical tensions and oil price volatility, though non-oil sectors remain the economy's structural backbone.



KEY DATA	CURRENT METRIC	OUTLOOK
Inflation	15.91%	Further moderation likely as base effects fade, but sticky above CBN target through year-end.
MPR	26.50%	Gradual easing expected if disinflation holds; no cuts before Q4.
GDP	3.89%	Modest growth, oil and services-led; still below potential, structural reforms needed.
Foreign Reserve	51.92%	Buffer stays supported by oil receipts and FX inflows, but import pressure persists.
Oil Production	1.7mbpd	Marginal gains toward 1.8mbpd, contingent on security and OPEC+ quota compliance.

FIXED INCOME AND MONEY MARKET REVIEW

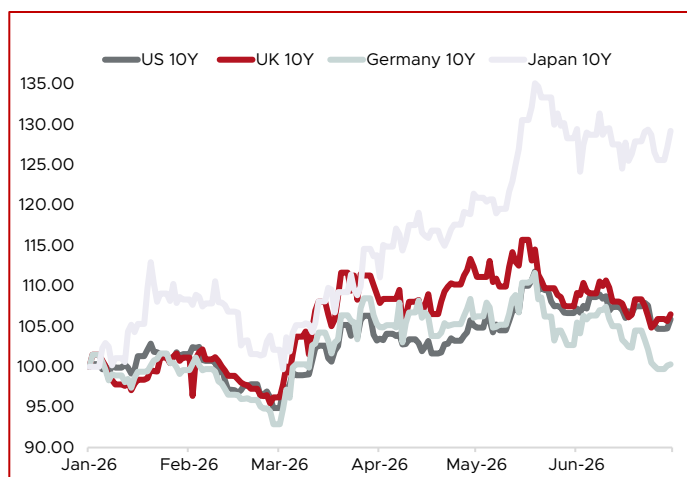


Global Fixed Income Overview

Geopolitics and Inflation Drive Yields Higher

- Global fixed income markets entered 2026 expecting monetary easing, but **geopolitical tensions** and higher energy prices delayed the disinflation process.
- Renewed inflation concerns led major central banks to adopt a more cautious, **higher-for-longer monetary policy stance**, reducing expectations for aggressive rate cuts.
- Government **bond yields repriced higher** as investors demanded higher compensation for inflation and prolonged higher borrowing costs.
- Despite some moderation in oil prices, inflation remained above target in several advanced economies, suggesting **restrictive monetary policy** and elevated bond yields are likely to persist in H2 2026.

Global Bond Yield Movement in H1 2026



Source: FCSL Research

N.B. All yields are indexed to 100 at the start of the year. **100 = start of period; 105 = +5% change from start**

Money Market

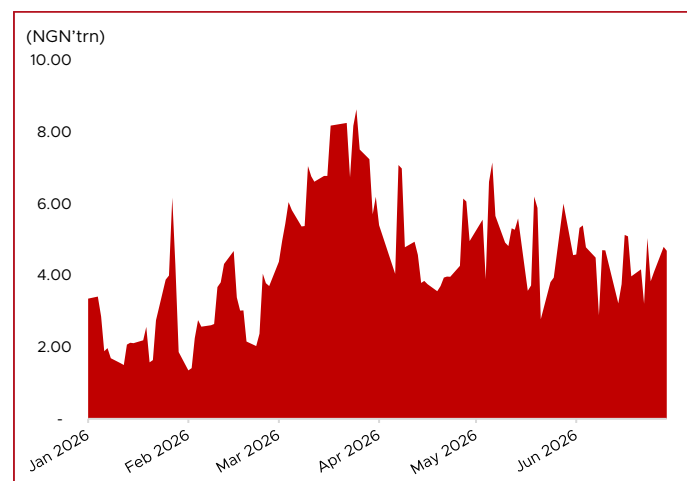
System Liquidity Remained Resilient Despite Aggressive CBN Sterilisation

- System liquidity remained comfortably in surplus throughout H1 2026, despite aggressive CBN liquidity sterilisation.
- Liquidity was consistently supported by large OMO maturities, Treasury bill maturities, FAAC allocations and FGN coupon payments, which offset the impact of monetary tightening.
- Banking system liquidity largely ranged between **₦3 trillion and ₦7 trillion**.
- The **NOFR** remained stable at 22%, reflecting effective CBN liquidity management.

Outlook

System liquidity is expected to remain broadly comfortable in H2 2026, although continued CBN sterilisation is expected to limit excess liquidity and keep money market rates broadly stable.

System Liquidity in H1 2026



Source: CBN, FCSL Research



Nigerian Treasury Bills

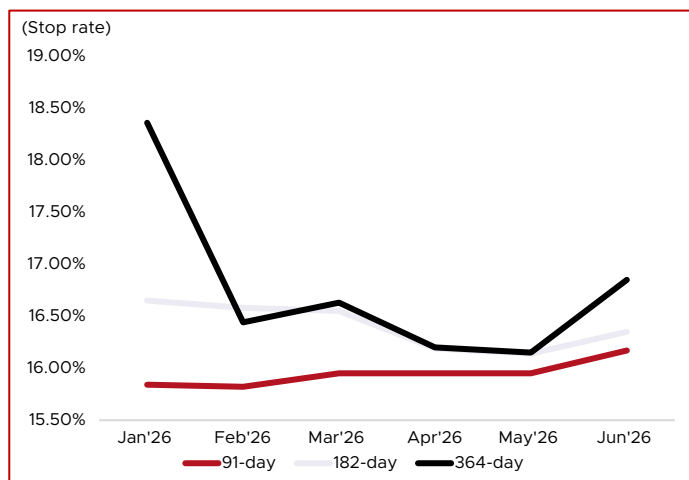
Strong Investor Demand Sustained Treasury Bills Market Despite Heavy Supply

- The NTB market maintained strong momentum throughout the first half of 2026, supported by abundant liquidity, elevated yields, and resilient investor appetite.
- Primary market auctions were consistently oversubscribed, with investors favouring longer-dated NTBs and OMO bills to lock in elevated yields.
- Yields repriced higher as the one-year NTB stop rate rose from 16.35% to 17.34% amid anticipated increased government borrowing and supply.
- Secondary market activity was active, with demand for benchmark maturities compressing yields before intermittent profit-taking emerged.

Outlook

Auction outcomes and liquidity conditions are expected to remain the primary drivers of market direction in H2 2026.

Treasury Bills Stop Rates Movement in H1 2026



Source: CBN, FCSL Research

N.B. Monthly stop rates represent the average of all Treasury Bills auctions conducted within each month

FGN Bond

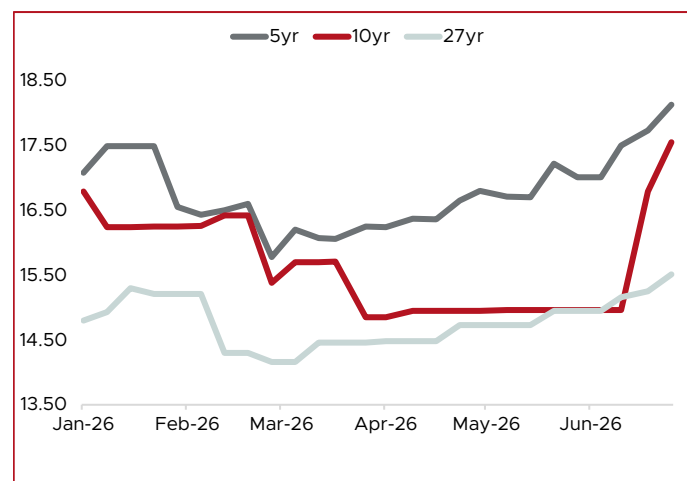
Heavy Government Borrowing and Supply Expectations Drove Bond Yield Repricing

- The FGN bond market shifted from strong investor demand in Q1 to a more cautious and bearish tone in Q2 as government borrowing requirements increased.
- Larger DMO bond issuances, elevated inflation expectations and increased supply prompted investors to demand higher yields, with auction stop rates repricing upwards.
- The June bond auction saw the DMO raise 1.2 trillion across the 2035 and 2037 bonds at stop rates of 18.34% and 18.35%, resetting secondary market pricing.
- Benchmark bond yields rose across the curve, while secondary market activity remained defensive despite pockets of demand from institutional and foreign investors.

Outlook

The bond market is expected to remain cautiously bearish in H2 2026, with elevated government borrowing requirements and renewed energy price pressures keeping yields elevated. DMO auction outcomes, liquidity conditions and investor demand will remain the key drivers of market direction.

Bond Yield Movement in H1 2026



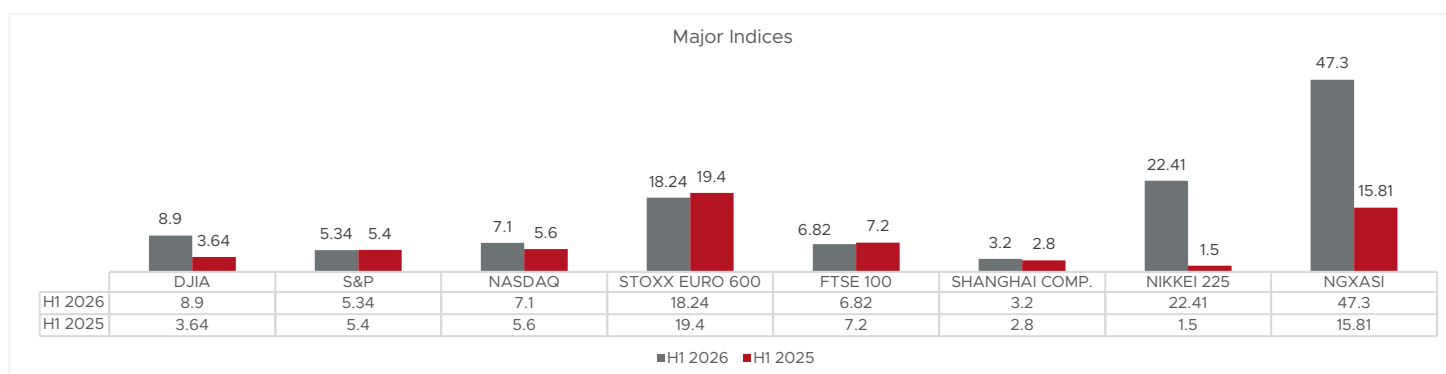
Source: FMDQ, FCSL Research



EQUITIES MARKET REVIEW AND OUTLOOK



Global Equities Market Performance for H1' 26



Performance Outlook

US: The S&P 500 and Nasdaq led US gains in H1, powered by AI investment momentum and resilient corporate earnings. However, with CPI at 4.2% in May and the Fed abandoning its easing bias, markets now price a 53.5% probability of a September rate hike. High valuations, particularly in tech leave little room for error in H2.

Europe: The German DAX was the standout European performer, surging +20.14% YTD on defense spending, infrastructure investment, and fiscal stimulus tailwinds. The ECB's first rate hike since 2023 to 2.25% in June introduces H2 uncertainty for the equities market.

Emerging markets: Performance remains highly differentiated. Nigeria's NGX leads globally at +67% in dollar terms, largely driven by returns in the Oil & Gas sector. South Korea's KOSPI surged on memory chip demand before correcting sharply in July. Middle East geopolitical risk, US trade policy, and China's demand trajectory remain the three dominant variables shaping EM returns in H2 2026.

Asia: Asia was the strongest-performing region in H1 2026. The Nikkei surged +21% on AI and semiconductor tailwinds. The Hang Seng's +25.59% YTD return reflects a powerful Hong Kong tech rebound. China's Shanghai faces headwinds from deflationary pressure and property sector stress, though government stimulus provides a short-term support floor.



NGX-ASI Trend Analysis – H1 2026



Period	Change (%)
H1 2026	+47.43%
Year-to-Date	+58.52%

H1 POSITIVE DRIVERS

- Liquidity inflow from Pension Funds revised allocation to equities
- Earnings and dividend announcements in Q1' 2026.
- Removal of Nigeria from the FATF blacklist.
- Extension of trading hours at the NGX from 9.30am to 2.30pm to 9.00am to 4.00pm effective April 27, 2026
- Positive review and re-inclusion of the NGX into the global index (FTSE September 2026) and (S&P 2027).

NEGATIVE RETURN FOR JUNE 2026

- Profit taking from recent market rally
- Newly introduced T+1 settlement cycle and its impact on foreign portfolio investors
- Sharp drop in oil prices after the execution of MOU by US and Iran
- Hawkish Stance from the fed due to the risk of inflation in advanced economies and fear of capital outflows.

Stock	Dec.31 2025 Close	Jun 30 2026 Close	Top Gainers
Fortis Global Insurance	0.2	3.57	1685.0%
Zichis Agro Allied	1.81	24.2	1237.0%
SCOA Nigeria	7.1	33.05	365.5%
Union Dicon Salt	6.9	23.75	244.2%
Berger Paints	48	147.6	207.5%

Stock	Dec.31 2025 Close	Jun 30 2026 Close	Top Losers
UPDC Plc	4.9	3.2	-34.7%
United Capital Plc	18.7	16.8	-10.2%
Caverton	5.4	4.9	-9.3%
Transnational Corp.	45	41.5	-7.8%
VFD Group	11	10.45	-5.0%

Equities Market: Liquidity Pushes Index Higher

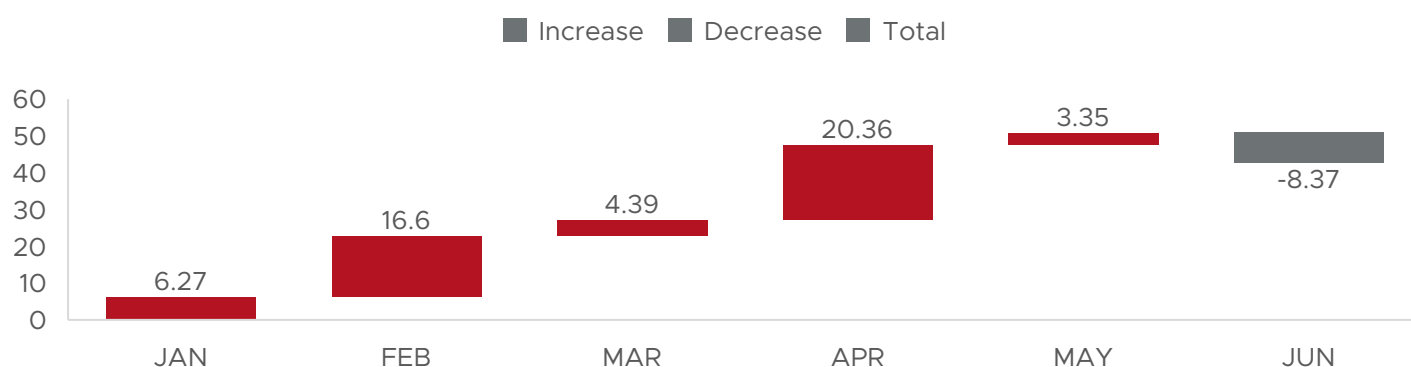
Local bourse pulled a positive return of over 47% in the period under review as investors reacted positively to high liquidity flows from pension funds, foreign exchange stability and higher oil prices, which proved positive for the Oil & Gas sector, which returned over 90% within the period.

NGX All Share Index Trajectory in H1:2026

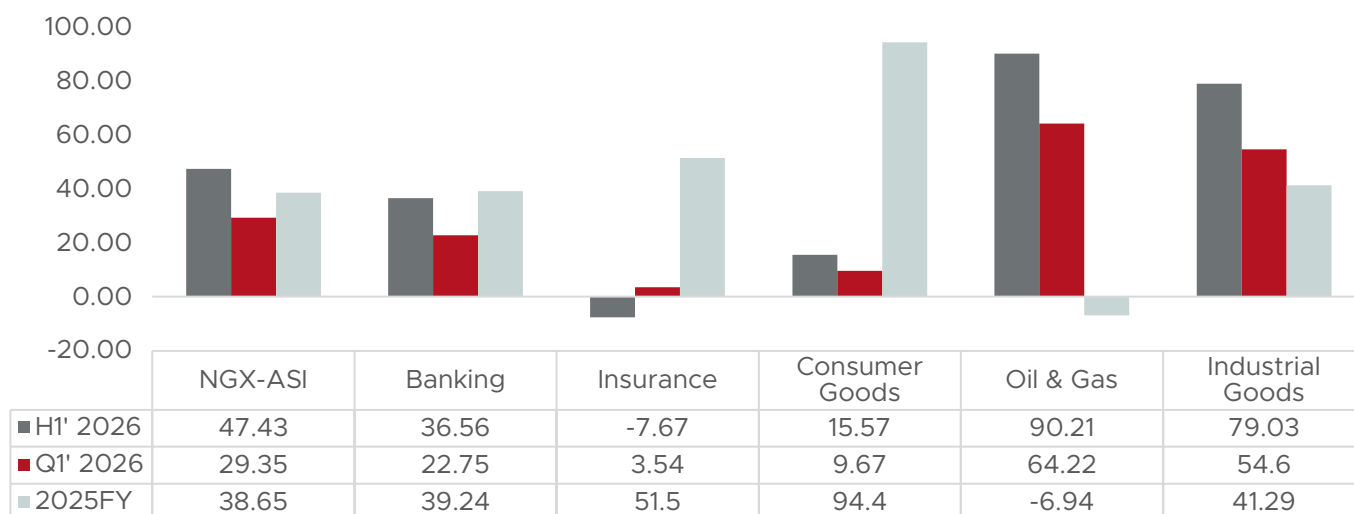
	31-Dec-25	30-Jun-26	% Change
NGX-ASI	155,613.03	229,419.18	47.43%
MKT CAP (N'trillion)	99.376	147.22	48.14%

Index	31-Dec-25	Jun 30 Close	% Change
NGX Oil & Gas	2,670.24	5,079.06	90.21%
NGX Industrial Goods	5,676.48	10,162.54	79.03%
NGX Banking	1,515.85	2,070.11	36.56%
NGX Consumer Goods	3,975.48	4,594.41	15.57%
NGX Insurance	1,189.32	1,098.12	-7.67%

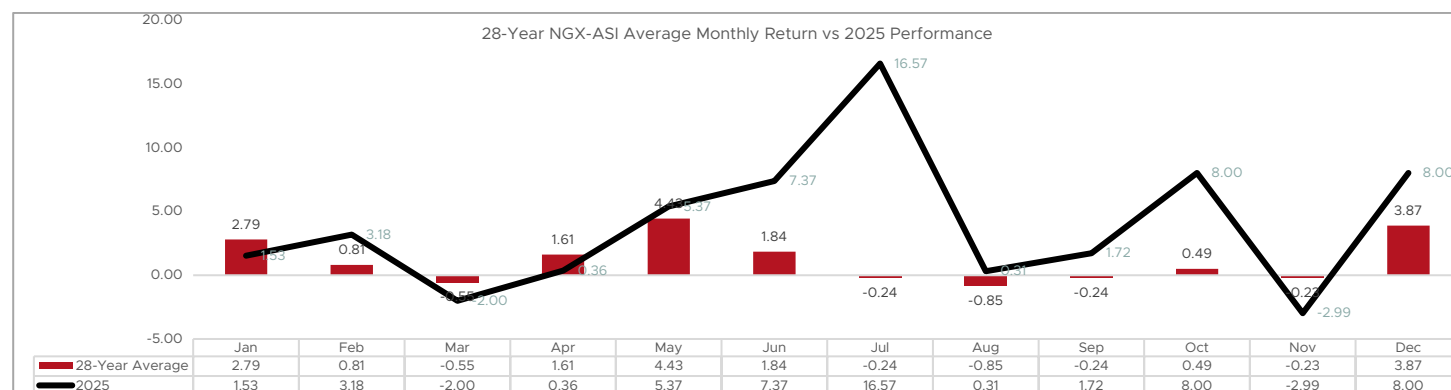
NGX-ASI Monthly Performance H1' 2026



NGX Sector Indices Performance



H2' 2026 Outlook and Drivers



Outlook – Upward Trend

Drivers:

1. Positioning for 2022YE corporate earnings and benefits
2. Portfolio rebalancing
3. Market riding on previous momentum
4. Release of 2022YE numbers at tail end of the quarter will sustain the positive trend

STRATEGY

1. Focus on sound stocks with good yields still at attractive prices
2. Avoid stocks used to artificially lift the market
3. Look to exit positions at the end of February or early March for traders

Outlook – Strong Upward Trend

Drivers:

1. Release of FY and Q1 corporate results and dividend benefits to trigger profit-taking
2. Mark-down of share prices for dividends
3. Speculators positioning as a result of the low entry prices will drive the market higher and sustain the positive trend.

STRATEGY

1. Exit and re-enter sound stocks after dividend markdown and profit taking from speculators
2. Sell to strength and look to exit in May/June as the market peaks.

Outlook – Mixed Trend

Drivers:

1. Market trading is overbought due to the bullish run in Q2.
2. Traders cashing in on recent gains from Q2 rally
3. Holiday season and reduced market activity and corporate actions.
4. Investors prefer to see Q3 numbers before positioning for the full year

STRATEGY

1. Watch to exit short-term positions
2. Identify opportunities for short-selling and trade the same
3. Speculators watch target stocks approaching historical lows to position
4. Investors watch the market bottom to position for medium to long term.

Outlook – Late Upward Trend

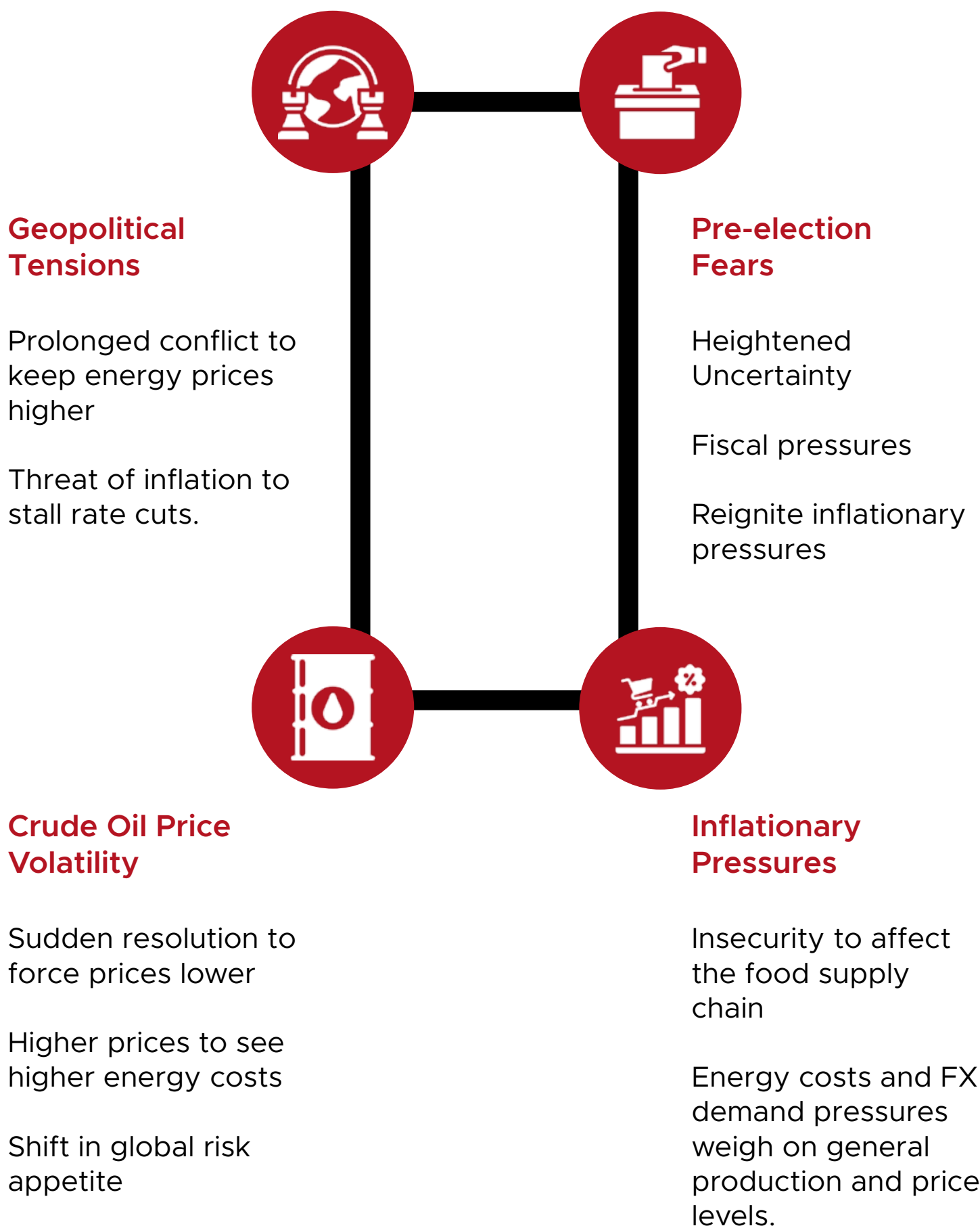
Drivers:

1. Market players act on the release of Q3 numbers to make their investment decisions
2. Broad-sector earnings to drive expectations
3. Opportunities to position due to attractive entry levels.
4. Late release of Q3 numbers will see positioning in specific stocks
5. Investors position for year-end Santa Claus rally

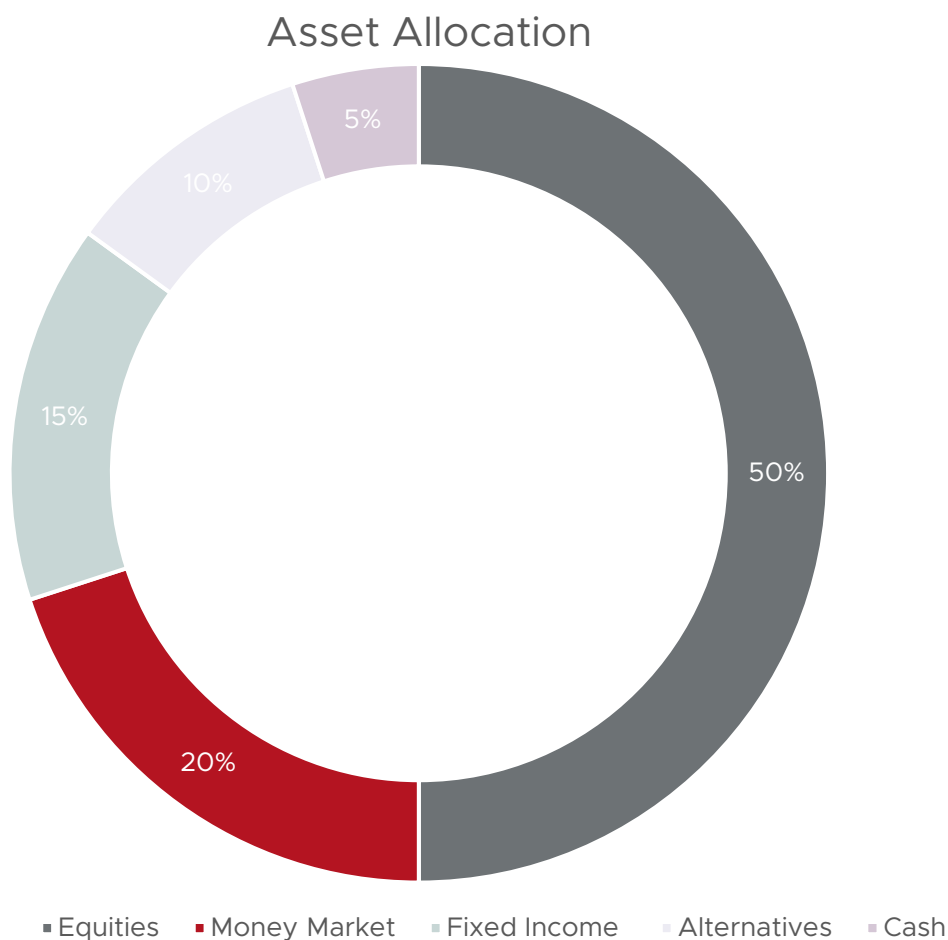
STRATEGY

1. Position for short and long-term entries
2. Key metrics to watch include final dividend yield, Q3 earnings growth
3. High money market and fixed income yields pose a threat to the rise of the equities market.

Risk to Watch For in H2' 2026



Asset Allocation for H2' 2026



Equities — 45% - 55%

Focus Sectors: Banking & Oil and Gas.

Secondary: Industrial Goods, Telecoms.

Maintain near-cash position ahead of the Dangote Refinery IPO

Money Market — 15% - 20%

Primary: Commercial Papers, Private Credit Funds and TBills.

Attractive yields on short-tenored instruments (21% - 24.5%)

Fixed Income — 10% -15%

Primary: FGN and Corporate Bonds

Secondary: Infrastructure Funds

Alternative Assets — 5% - 10%

Commodities, real estate. Private equity as inflation hedge

Cash — 5% - 10%

Cash for liquidity and opportunistic plays

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