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Economic and Market Update

19 June 2026

Global Update

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- The U.S. Federal Reserve, under Chairman Kevin Warsh, left the federal funds rate unchanged at 3.50%–3.75%, marking the fourth consecutive policy meeting without an adjustment. The decision reflected heightened concerns over inflation, which accelerated to 4.2% YoY in May, remaining above the Fed's 2.0% long-term target and driven largely by sustained energy price pressures. Energy inflation rose by 12.5% YoY, supported by increases in motor fuel and fuel oil prices amid elevated global oil prices linked to Middle East tensions. The Fed also adopted a more hawkish tone, removing earlier guidance that suggested potential rate cuts, reinforcing its commitment to anchoring inflation expectations and preserving policy credibility despite growth concerns.

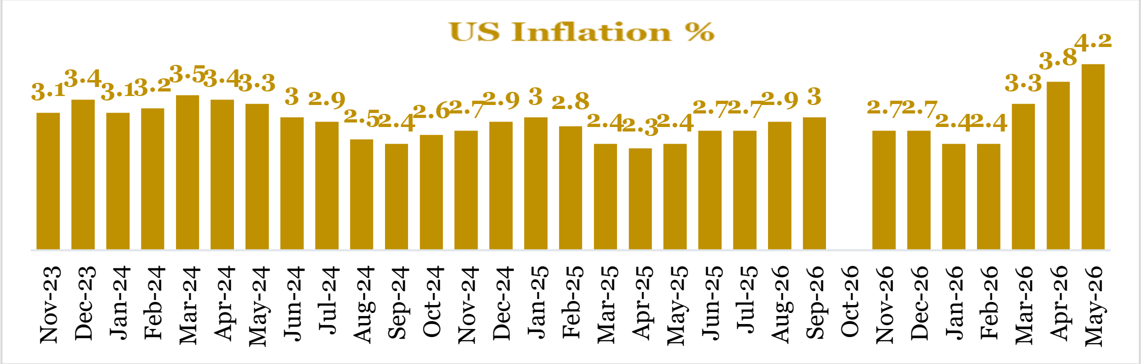
- According to data released by the Office for National Statistics, UK headline inflation remained unchanged at 3.4% YoY in May 2026, suggesting that progress toward the Bank of England's 2.0% target has stalled. While underlying inflationary pressures showed signs of easing, with core inflation slowing to 3.5% from 3.8% in April, food inflation accelerated to 4.2% from 3.4%, reflecting higher agricultural and distribution costs. Against this backdrop, the Bank of England voted to keep its benchmark interest rate unchanged at 4.25%, citing uncertainty surrounding the inflation outlook and the potential impact of geopolitical developments, particularly tensions in the Middle East. Policymakers acknowledged that while domestic inflationary pressures are gradually easing, rising energy prices and global uncertainty could reverse recent gains. The decision highlights the Bank's commitment to ensuring inflation returns sustainably to target before commencing a more aggressive easing cycle.

Global Economic Data

	Current	Previous	Change
US GDP	**1.60%** (Q1-2026)	**0.50%** (Q4-2025)	**-1.10%**
US Interest Rate	**3.50% - 3.75%** (Jun. 2026)	**3.50% - 3.75%** (May. 2026)	**0.00%**
US Inflation	**4.20%** (May. 2026)	**3.80%** (Apr. 2025)	**0.40%**
China GDP	**1.30%** (Q1-2026)	**1.20%** (Q4-2025)	**0.10%**
China Inflation	**1.20%** (Apr. 2026)	**1.00%** (Jan. 2026)	**0.20%**

US 10 Year Bond Yields (%)

Source: Investing.com, PSL Research



Source: Tradingeconomics.com, PSL Research

Crude Oil Price Update

- Global crude oil prices retreated last week as easing geopolitical tensions in the Middle East reduced concerns over potential supply disruptions. Brent crude declined by 7.74% week-on-week to close at $80.57/bbl from $87.33/bbl, while WTI fell by 9.86% to $76.51/bbl from $84.88/bbl.

- The decline was largely driven by announcement of a proposed ceasefire agreement between the United States and Iran, which raised expectations of improved regional stability and reduced the geopolitical risk premium embedded in oil prices. Investors also reacted positively to prospects of uninterrupted crude shipments through the Strait of Hormuz and the possibility of increased Iranian oil exports should diplomatic progress continue.

- However, sentiment remained cautious towards the weekend following reports of disagreements over the ceasefire framework, raising concerns about its sustainability and the potential for renewed tensions in the region. These developments limited the extent of the decline in crude prices as traders continued to price in residual supply risks.

- Outlook: Crude oil prices are expected to remain volatile in the near term as investors monitor developments surrounding the U.S.-Iran ceasefire negotiations and broader Middle East geopolitical risks. Market direction will also be influenced by OPEC+ supply decisions, U.S. inventory data, and the outlook for global oil demand.

YTD PERFORMANCE OF BRENT CRUDE (US$)

Source: Investing.com, PSL Research

Crude Oil Prices	Current	Previous	Change
Brent Crude Oil($)	80.57	87.33	-7.74%
WTI Crude Price ($)	76.51	84.88	-9.86%

Domestic Update

- In line with expectations, Nigeria's inflation rate maintained its upward trajectory in May, with headline inflation rising for the third consecutive month to 15.93% year-on-year, from 15.69% in April, according to data from the National Bureau of Statistics (NBS). The continued increase largely reflects lingering base effects from the earlier global energy shock triggered by tensions in the Middle East. Month-on-month inflation eased to 1.75% in May from 2.13% in April, signaling a moderation in sequential price pressures despite headline inflation remaining elevated. However, core inflation rose to 16.82% YoY from 15.86%, highlighting persistent underlying inflationary pressures. Food inflation accelerated to 16.96% YoY from 16.06%, driven by insecurity across key agricultural regions, although its monthly rate slowed to 2.98% from 3.63%, reflecting weak consumer demand. Looking ahead, lower global crude oil prices, exchange-rate stability, and subdued purchasing power could support further inflation moderation. Nonetheless, security challenges in farming regions and potential pre-election fiscal spending ahead of 2027 remain significant upside risks. Consequently, the MPC is likely to maintain a cautious monetary policy stance in their next meeting.

- The Central Bank of Nigeria (CBN) has proposed a revised Financial Holding Company (FHC) framework aimed at strengthening the resilience of banking groups and addressing longstanding structural weaknesses. Under the June 2026 exposure draft, FHCs will be required to maintain a capital buffer of 20% above the aggregate minimum capital requirement of their subsidiaries, while offshore structures will be limited to a maximum of two tiers. The framework also introduces higher entry costs, including a NGN20 million application fee and a NGN100 million licensing fee. Additionally, intra-group exposures will attract a 100% risk weight or full capital deduction, discouraging excessive upstream funding from subsidiaries. The reforms are designed to improve governance, enhance risk management, and strengthen capital allocation across financial groups. While compliance costs may rise in the near term, the measures are expected to improve financial stability, bolster investor confidence, and support sustainable long-term growth within Nigeria's banking sector.

Foreign Exchange Update

- In the Nigerian Foreign Exchange Market (NFEM), the naira weakened by 0.48% to close at ₦1,370.46/$ on June 19, compared to ₦1,363.83/$ the previous week. In contrast, Naira appreciated by 0.18% in the parallel market closing at ₦1400.00/$ from ₦1,402.50/$ the previous week.

- Nigeria's gross external reserves improved by 1.05% ($471.81 million WoW) to $51.04 billion as of June 19, from the $50.51 billion recorded on June 11.

Fixed Income Market

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- System liquidity declined by ₦730bn week-on-week to close with a credit balance of ₦3.98trn, largely driven by NTB auction settlement. Despite the reduction in liquidity, the Nigerian Overnight Financing Rate (NOFR) remained unchanged at 22.00%. This week, we expect funding rate to remain around its current level, with liquidity influenced by NTB and OMO maturities, bond auction sales, and coupon inflows.

- The NTB market traded on a subdued note for most of the week, as investors largely remained on the side lines ahead of the NTB auction. Activity was relatively muted, with rates remaining elevated across the curve. At the auction, the DMO offered ₦1.0trn and allotted ₦1.49trn against total subscriptions of ₦1.86trn, with stop rates printing at 16.28%, 16.50%, and 17.34% for the 91-day, 182-day, and 364-day tenors, respectively. Following the auction, demand improved on the newly issued one-year bill, which traded as low as 17.05% by the end of the week. In the OMO segment, demand remained firm throughout the week, particularly on the Sept and Oct maturities. Consequently, trades on the Oct papers were consummated between 19.60% and 20.00%. We expect the market to open on a calm note today, as investors attention shifts to the FGN Bond auction.

- The FGN Bond market traded with a bearish undertone throughout the week following the release of the June bond auction circular, in which the DMO announced the reopening of the new 2035 and 2037 maturities, with a total offer of ₦1.2trn. Earlier in the week, market activity remained relatively subdued as investors adopted a cautious stance ahead of the NTB auction. However, selling pressure persisted across the curve, particularly on the mid- to long-dated maturities, with notable activity on the 31s, 35s, and 37s. Consequently, average yields across the curve trended higher by approximately 20bps week-on-week. We expect the market to open on a calm note today, as investors attention shifts to the FGN Bond auction.

Equity Market

- The Nigerian equities market closed on a bearish note last week, with the benchmark index declining across all five trading sessions as investors engaged in broad-based profit-taking following the market's recent rally. Selling pressure was particularly pronounced in heavyweight counters, including GTCO (-15.01%), GEREGU (-10.00%), DANGCEM (-7.36%), WAPCO (-4.52%), AIRTELAFRI (-1.46%), and ARADEL (-1.13%), which collectively weighed on overall market performance. As a result, the All-Share Index (ASI) and market capitalization both depreciated by 3.59% week-on-week to close at 235,941.27 points and ₦151.33 trillion, respectively. Consequently, the market's year-to-date (YtD) return moderated to 51.62%, down from 57.27% recorded last week.

- The negative sentiment was driven by sell-offs across sectors, with significant selling pressure recorded in FIRSTHOLDCO (-20.29%), NAHCO (-17.27%), ZICHIS (-16.13%), GTCO (-15.01%), NEM (-14.71%), OANDO (-13.21%), ZENITH (-11.65%), NGXGROUP (-10.63%), VITAFOAM (-10.00%), CADBURY (-10.00%), FIDELITYBK (-10.00%), GEREGU (-10.00%), OKOMUOIL (-9.97%), IMG (-9.31%), FCMB (-8.40%), UBA (-8.14%), ACCESSCORP (-7.69%), DANGCEM (-7.36%), MAYBAKER (-6.98%), DANGSUGAR (-5.37%), WAPCO (-4.52%), AIRTELAFRI (-1.46%), and ARADEL (-1.13%), outweighing the buying interest in CORNERST (+29.79%), ACADEMY (+18.89%), CONOIL (+14.34%), IKEJAHOTEL (+11.70%), and UACN (+9.79%).

- Trading activity weakened on the volume front during the week, with investors exchanging 3.08 billion shares, representing a 38.1% decline from the 4.96 billion shares traded in the preceding week. However, turnover value advanced by 22.7% to ₦254.61 billion from ₦207.521 billion, while the total number of deals increased by 21.7% to 287,157 deals from 235,966 deals.

- Sectoral performance was largely bearish as the Banking, Insurance, Industrial Goods, Consumer Goods and Oil & Gas sectors lose 10.49%, 7.22%, 4.11%, 1.61%, and 1.06%, respectively.

- We expect the current market sentiment to persist in the coming week, with investors likely to remain cautious. However, bargain hunting activity may emerge as investors take advantage of recent price corrections to accumulate fundamentally sound stocks. This selective buying interest could provide support for the market and potentially moderate further downside pressure..