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Market and Economic Update

22 May 2026

Global Update

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- UK inflation eased to 2.8% YoY in April 2026, down from 3.3% in March, marking the slowest pace of price growth in over a year. This was largely supported by lower household utility costs following the introduction of an energy price cap by the regulator on April 1, alongside softer food prices. Food inflation moderated to 3.0% from 3.7%, while core inflation, which excludes volatile food and energy items, fell to 2.5% from 3.1%. The moderation in inflation would provide some support to household consumption and business activity. However, the persistence of elevated fuel costs and broader energy market volatility could limit the pace of further disinflation. As a result, policymakers are likely to remain cautious, balancing improving inflation trends against the risk of renewed price pressures from the energy sector.

- Euro area inflation rose to 3.0% in April 2026, marking a sharp increase from 2.6% recorded in March. The rise was primarily driven by higher energy costs following renewed geopolitical tensions in the Middle East, which pushed oil prices significantly higher. Food prices also contributed moderately to the inflationary trend, while services inflation showed signs of easing. The stronger-than-expected inflation print has increased concerns over persistent price pressures within the eurozone economy. Consequently, markets now expect the European Central Bank to maintain a hawkish monetary stance for longer, potentially delaying interest rate cuts. This development could weigh on economic growth, consumer spending, and corporate investment across the region.

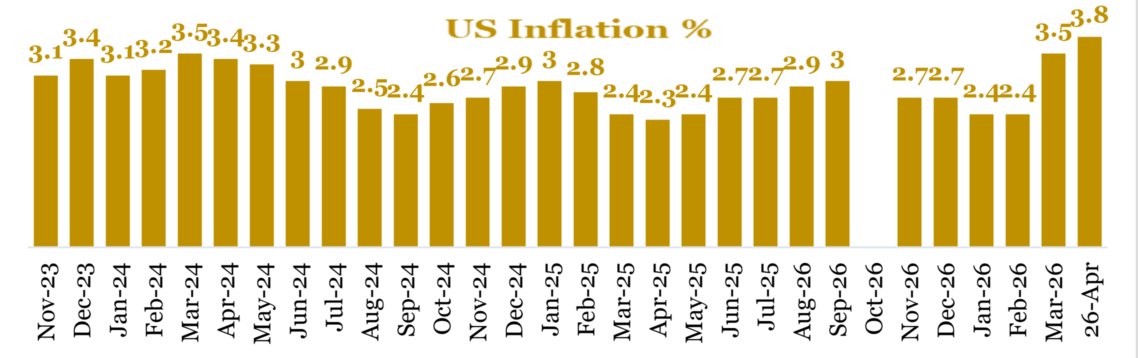
- South Africa’s headline inflation rose to 4.0% in April 2026 from 3.7% in March, reaching its highest level since August 2024. The increase was largely driven by higher fuel, food, and utility prices amid rising global oil prices and persistent supply-side cost pressures. The inflation uptick reflects renewed pressure on household spending and growing concerns over sticky underlying inflationary conditions. The development could influence the South African Reserve Bank’s monetary policy stance, potentially delaying the pace of future interest rate cuts despite moderating economic growth. The implication is likely sustained tight financial conditions, elevated borrowing costs, and cautious consumer demand. Investors may also adopt a more defensive positioning as inflation risks continue to shape market expectations and policy outlook.

Global Economic Data

	Current	Previous	Change
US GDP	**1.40%** (Q4-2025)	**4.40%** (Q3-2025)	**-3.00%**
US Interest Rate	**3.50% - 3.75%** (Mar. 2026)	**3.50% - 3.75%** (Jan. 2026)	**0.00%**
US Inflation	**2.40%** (Feb. 2026)	**2.40%** (Jan. 2025)	**0.00%**
China GDP	**4.50%** (Q4-2025)	**4.80%** (Q3-2025)	**-0.40%**
China Inflation	**1.30%** (Feb. 2026)	**0.20%** (Jan. 2026)	**1.10%**

US 10 Year Bond Yields (%)

Source: Investing.com, PSL Research



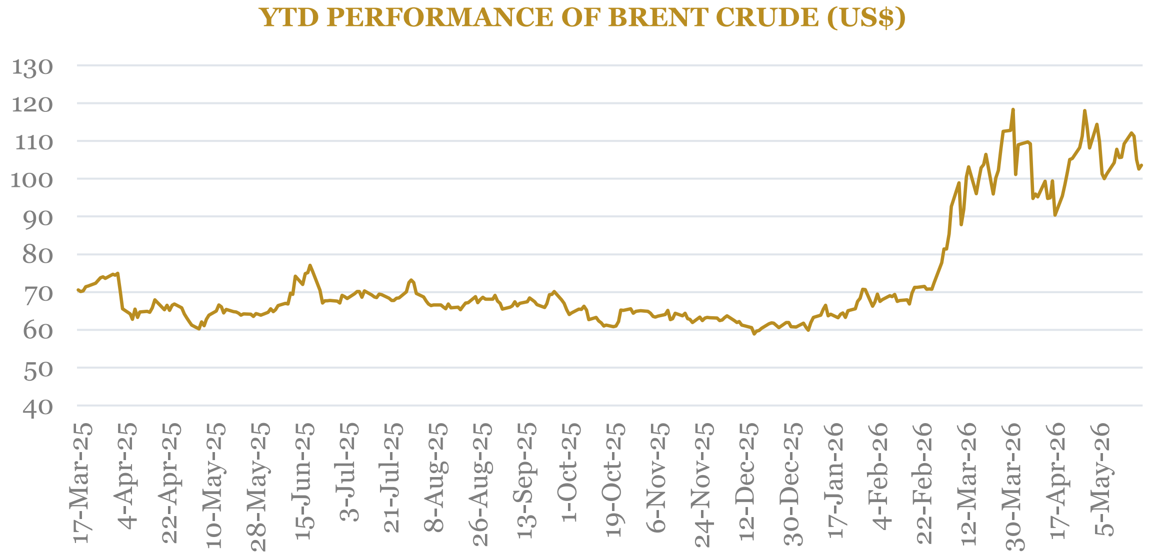
Source: Tradingeconomics.com, PSL Research

Crude Oil Price Update

- Global crude oil prices declined last week with Brent crude price falling by 5.24% WoW to $103.54/bbl from $109.26/bbl, while WTI declined by 8.37% to $96.60/bbl from $105.42/bbl.

- The bearish sentiment was driven by renewed optimism over U.S.-Iran nuclear talks, which raised expectations of increased Iranian oil supply to the market. In addition, reports of a possible OPEC+ production increase for July heightened fears of excess supply. Prices were further weighed down by an unexpected rise in U.S. crude inventories, signaling softer demand conditions.

- Going forward, we expect oil prices to remain volatile amid evolving geopolitical developments, OPEC+ policy direction, and global demand concerns.



Source: Investing.com, PSL Research

Crude Oil Prices	Current	Previous	Change
Brent Crude Oil($)	103.26	109.26	-5.24%
WTI Crude Price ($)	96.60	105.42	-8.37%

Domestic Update

- The Monetary Policy Committee (MPC) of the CBN retained the Monetary Policy Rate (MPR) at 26.5% at its 305th meeting, while leaving the CRR at 45% for Deposit Money Banks and the liquidity ratio at 30%. The decision reflected concerns over renewed inflationary pressures, with headline inflation rising to 15.69% in April 2026 from 15.38% in March, driven by higher crude oil prices, which filtered through to increased domestic PMS costs. Meanwhile, external reserves improved to $49.72 billion, supporting exchange rate stability and investor confidence. The implication is sustained elevated yields in fixed-income securities, tighter domestic liquidity conditions, and cautious private sector borrowing.

- NNPC Ltd. has commenced the remittance of 100% Production Sharing Contract (PSC) revenues to the Federation Account Allocation Committee (FAAC) following the implementation of Executive Order 9. Previously, portions of PSC proceeds were retained for upstream funding obligations, but the new directive channels the entire revenue directly to FAAC for distribution among the three tiers of government. The move is expected to significantly improve monthly FAAC allocations and strengthen fiscal liquidity amid rising debt service costs and weak non-oil revenue performance. The policy also aligns with ongoing oil sector reforms aimed at enhancing transparency, reducing revenue leakages, and improving public finance management within Nigeria's petroleum industry.

- The SEC has issued implementation guidance for Nigeria's transition from the current T+2 settlement cycle to a T+1 framework, effective June 1, 2026. Under the new guidelines, brokers, custodians, clearing houses, and market operators are required to strengthen operational infrastructure, automate post-trade processes, enhance risk management systems, and improve trade reconciliation timelines to ensure seamless execution. The transition is aimed at improving market efficiency, reducing settlement and counterparty risks, and aligning Nigeria's capital market with global standards adopted in advanced markets. The shorter settlement cycle is expected to improve liquidity, accelerate capital recycling, and enhance investor confidence. However, successful implementation will depend on technological readiness, operational efficiency, and effective coordination among market participants.

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Foreign Exchange Update

- In the Nigerian Foreign Exchange Market (NFEM), the naira depreciated by 0.32% to close at ₦1,375.46/$ on May 22, compared to ₦1,371.04/$ the previous week. Similarly, in the parallel market, the naira appreciated by 2.06% to ₦1,371.10/$ from ₦1,400.00/$ the previous week.

- Nigeria's gross external reserves improved by 0.72% ($347.37 million) to $48.89 billion as of May 21, from the $48.54 billion recorded on May 14.

Fixed Income Market

- System liquidity declined by ₦0.769 trillion week-on-week, opening with a credit balance of ₦3.56 trillion before closing at ₦2.791 trillion on Friday. The Nigerian Overnight Financing Rate (NOFR) held steady at 22.00% throughout the week.

- The NTB Market traded with a cautious tone last week, as participants largely remained on the side lines ahead of the NTB Auction, MPC meeting outcome, and the FGN Bond Auction. We observed subdued activity in the earlier sessions of the week, with modest demand observed on select papers, particularly the January maturities and the 6-May paper, which traded around 15.85% to 16.90% levels. In the NTB Auction on Wednesday, robust demand was recorded, with total subscriptions coming in at ₦1.989 trillion while total allotments was ₦829 billion. Stop rates printed at 15.95%, 16.14%, and 16.149% for the 91-day, 182-day, and 364-day maturities, respectively.

- In the OMO segment, the market maintained a bearish undertone for most of the week, driven by sustained selling interests across the June, August, and September 2026 papers. Trading activity was concentrated on the June and September maturities, with the September papers quoted at sub 20.00% levels, while the June 2026 paper traded above the 21.00% handle. Market sentiment weakened further following the announcement of the OMO auction, which was heavily subscribed at 6x more, with total allotments by the CBN at ₦3.692 trillion. Stop rates printed at 21.57% and 19.97% for the 33-day and 138-day maturities respectively.

- The FGN Bond Market traded with a bearish undertone last week, as market participants reacted to the outcome of the auction and maintained a cautious stance amid wide bid-offer spreads. Market activity was concentrated around the mid to long - tenor papers, particularly the 31s, 32s, 35s, and 37s, with yields generally trending higher. The Apr - 37 bond remained the most actively traded paper, with transactions consistently executed around 17.00% level, while the 31s and 32s saw trades pass through around 17.15% and 17.25% respectively. At the Bond Auction, demand remained relatively weak with total subscriptions coming in at ₦516.15 billion, lower than the ₦600 billion offered by the DMO across the 2035 and 2037 maturities. Total allotment settled at ₦334.53 billion while stop rates printed at 17.00% and 17.04% for the two maturities respectively. An additional ₦280 billion was allotted through non-competitive bids on the 2037s, bringing total sales to ₦614.51 billion.

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Equity Market

- The Nigerian equities market ended its seven-week bullish streak, with the ASI and market capitalization falling by 0.25% and 0.23% to 249,712.37 points and ₦160.08 trillion, respectively. Although the market recorded gained in three of the five trading sessions, a sharp 1.02% decline on Wednesday weighed on overall performance, driven by profit-taking activities and sell-offs in select large-cap stocks which offset sustained buying interest across the broader market. The market's year-to-date return moderated to 60.47%, down from 60.87% recorded in the previous week.

- The negative sentiment was driven by sell-offs across key sectors, notably Industrial Goods, Consumer Goods, and the Insurance sectors. Significant selling pressure was recorded in CAP (-14.85%), BERGER (-12.64%), NCR (-9.99%), IMG (-9.93%), ETRANZACT (-7.57%), CWG (-7.26%), NASCON (-5.41%), UACN (-5.00%), DANGSUGAR (-4.40%), IKEJAHOTEL (-4.04%), BUACEMENT (-3.45%), PZ (-3.13%), ACCESSCORP (-3.11%), CADBURY (-2.68%), UCAP (-2.37%), NAHCO (-1.51%), NGXGROUP (-1.32%), and SEPLAT (-0.98%), which outweighed the buying interest in ACADEMY (+29.79%), LEARNAFRCA (+18.89%), ZICHIS (+14.34%), OANDO (+11.70%), SKYAVN (+9.79%), EUNISEL (+9.41%), STANBIC (+7.06%), ZENITH (+2.33%) and WAPCO (+1.48%).

- Market activity plummeted, with total traded volume and value decreasing to 3.88 billion shares and ₦161.76 billion from 7.77 billion shares and ₦374.04 billion, respectively. Total number of trades also fell to 334,745 deals from 402,945 deals in the prior week.

- Sectoral performance was mixed as the Insurance, Industrial Goods, and Consumer Goods sectors loss 1.77%, 1.24%, and 0.84%, respectively. However, the Banking and Oil & Gas sectors closed higher by 1.11% and 0.07%, respectively.

- We anticipate mixed market sentiment this week, supported by selective bargain hunting in fundamentally sound counters, alongside profit-taking activities in recently rallied stocks.