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Economic and Market Update

03 July 2026

Global Update

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- According to the U.S. Bureau of Labor Statistics, the U.S. economy added 57,000 nonfarm payroll jobs in June, significantly below market expectations of 115,000, marking one of the weakest monthly employment gains this year. However, unemployment rate declined to 4.2% from 4.3%, while the labor force participation rate fell to 61.5%. Additionally, payroll gains for April and May were revised downward by a combined 74,000 jobs, reinforcing signs of a cooling labor market. Meanwhile, average hourly earnings rose 0.3% MoM and 3.5% YoY to $37.64. The softer employment growth reflects increasing caution among employers amid elevated borrowing costs, persistent economic uncertainty, and slowing business activity following an extended period of restrictive monetary policy. The weaker-than-expected employment data suggest the U.S. labor market is losing momentum, supporting expectations that the Federal Reserve could adopt a more accommodative monetary policy stance. However, resilient wage growth and a low unemployment rate suggest policymakers are likely to remain cautious before initiating interest rate cuts.

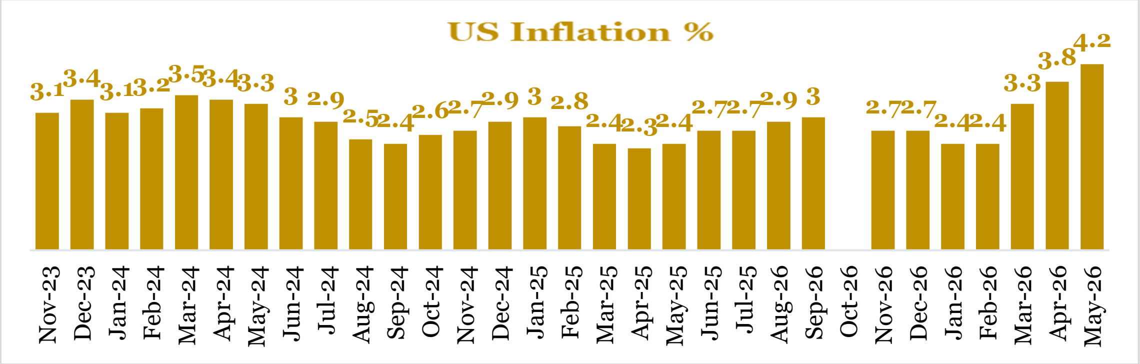
- Euro area annual inflation moderated to 2.8% in June from 3.2% in May, below the market expectation of 3.0%, while core inflation eased to 2.4% from 2.6%. Inflation slowed across major components, including energy (8.7%), services (3.2%), and food, alcohol and tobacco (1.6%). The moderation was largely driven by easing energy prices following the stabilization of global oil markets as US and Iran come to a cease fire agreement, alongside softer services and food inflation. The cooling inflation strengthens expectations that the European Central Bank will adopt a more measured monetary policy stance, reducing pressure for additional rate hikes. If sustained, lower inflation would support household purchasing power, improve business confidence, ease financing conditions, and foster a gradual recovery in euro area economic activity, although inflation remains above the ECB's 2% medium-term target.

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 traded mixed last week as easing geopolitical risk in the Middle East was offset by renewed concerns over global demand and expectations of higher OPEC+ supply. Brent crude edged up by 0.18% week-on-week to close at $72.12/bbl from $71.99/bbl, while WTI declined by 0.65% to $68.78/bbl from $69.23/bbl.

- Outlook: Crude oil prices are expected to remain volatile in the near term as investors monitor the outcome of the OPEC+ meeting, developments surrounding U.S. trade policy, geopolitical tensions involving Iran, and incoming global economic data for clearer signals on the outlook for oil demand and supply.

YTD PERFORMANCE OF BRENT CRUDE (US$)

Source: Investing.com, PSL Research

Crude Oil Prices	Current	Previous	Change
Brent Crude Oil($)	72.12	71.99	0.18%
WTI Crude Price ($)	68.78	69.23	-0.65%

Domestic Update

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- The World Bank approved a $1.25 billion financing package for Nigeria, comprising $700 million for the ANRIN 2.0 programme and $550 million for the NG-CARES programme. The facility is designed to improve nutrition, strengthen food security, expand social safety nets, cushion vulnerable households from the impact of ongoing economic reforms, and strengthen human capital and economic resilience. From a policy standpoint, the financing provides additional support for critical social intervention programmes, reducing immediate funding constraints and potentially improving household welfare. However, it also increases Nigeria's external debt stock, underscoring the importance of efficient project execution, stronger fiscal discipline, enhanced revenue mobilization, and prudent debt management to ensure the borrowed funds translate into sustainable economic growth and long-term development gains.

- FTSE Russell has postponed Nigeria's planned reclassification to Frontier Market status, extending its review until August 2026 instead of implementing the upgrade in September 2026 as previously announced. The decision followed Nigeria's adoption of a T+1 settlement cycle on 1 June 2026. Although FTSE Russell acknowledged improvements in Nigeria's foreign exchange market and capital repatriation, it is assessing whether the T+1 settlement framework could require foreign investors to pre-fund trades, potentially reducing market accessibility and conflicting with international settlement standards. The delay postpones potential passive foreign portfolio inflows tied to FTSE indices and creates short-term uncertainty for investors. However, a favourable decision in August would strengthen investor confidence, improve market liquidity, and reinforce Nigeria's capital market reforms, while an adverse outcome could slow foreign capital inflows and weaken market sentiment.

- The Nigerian Exchange (NGX)has removed Oando Plc and Transcorp Hotels Plc from the NGX 30 Index during its half-year review, replacing them with NASCON Allied Industries Plc and Unilever Nigeria Plc. The changes, effective 1 July 2026, reflect the latest assessment of listed companies based on market capitalization and trading liquidity. Oando and Transcorp Hotels no longer met the index's ranking criteria, while NASCON Allied Industries and Unilever Nigeria recorded improved market capitalization, trading activity, and investor participation during the review period. The rebalancing is expected to trigger portfolio adjustments by index-tracking funds and institutional investors, potentially increasing demand for NASCON Allied Industries and Unilever Nigeria while exerting short-term selling pressure on Oando and Transcorp Hotels. More broadly, the review enhances the credibility of the NGX 30 Index by ensuring it remains an accurate benchmark of Nigeria's equity market and supports efficient capital allocation across listed companies.

Foreign Exchange Update

- In the Nigerian Foreign Exchange Market (NFEM), the naira strengthened by 0.78% to close at ₦1,370.19/$ on July 3, compared to ₦ 1,380.93/$ the previous week. In contrast, Naira weakened by 0.25% in the parallel market closing at ₦1,400.00/$ from ₦ 1,396.50/$ the previous week.

- Nigeria’s gross external reserves improved by 0.56% ($285.32 million WoW) to $51.46 billion as of June 30, from the $51.17 billion recorded on June 23.

Fixed Income Market

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- Last week, system liquidity declined by ₦1.09 trillion, closing with a credit balance of ₦2.87 trillion, largely due to OMO sales, while the Nigerian Overnight Financing Rate (NOFR) remained unchanged at 22.00%. This week, we expect liquidity to be dictated by OMO maturity and net NTB settlement, while the funding rate remains flat.

- The NTB market traded on an active note during the week as investors continued to position across the curve following the release of the Q3 NTB auction calendar, in which the DMO indicated plans to borrow a total of ₦5.8 trillion. Trading activity was largely concentrated on the June maturities, particularly the 17 June bill, which saw rates decline from around 17.55% at the start of the week to 17.35% by Thursday, reflecting strong demand.

- The OMO market was driven by two CBN auctions during the week, with robust investor demand resulting in total subscriptions of ₦2.64 trillion against a combined offer size of ₦1.2 trillion. The first auction, comprising the 22-day and 134-day tenors, cleared at stop rates of 21.71% and 20.06%, respectively, while the second auction saw the 7-day and 161-day bills print at 21.90% and 19.80%, respectively. We expect a cautious start to the week ahead of Wednesday's auction, where the DMO will offer ₦700 billion across the three standard tenors.

- The FGN Bond market traded on a relatively bullish note during the week, with renewed buying interest driving demand across the curve. Activity was largely concentrated on the on-the-run bonds, the 35s and 37s, with yields declining from around 18.80% at the start of the week to 18.40%, supported by improved sentiment following the release of the DMO's Q3 Bond auction calendar. Selective demand was also observed on the 29s, 31s, 33s, 34s, and 53s. Consequently, average benchmark yields declined by 3 bps week-on-week. This week, we expect market sentiment to begin on a cautious note ahead of Wednesday's NTB auction.

Equity Market

- Last week, the Nigerian equities market closed on a bearish note, marking three consecutive weeks of losses as sustained selling pressure across most sectors outweighed intermittent buying interest. Although bargain hunting triggered brief rebounds during the week, buying momentum remained insufficient to reverse the broader negative trend. As a result, the All-Share Index (ASI) and market capitalization both declined by 1.21% week-on-week to close at 229,240.34 points and ₦147.103 trillion, respectively. Consequently, the market's year-to-date (YtD) return moderated to 47.31%, down from 49.12% recorded last week.

- The negative sentiment was driven by sell-offs across sectors, with selling pressure recorded in RTBRISCOE (-13.98%), NEM (-12.07%), HONYFLOUR (-11.67%), UNILEVER (-10.00%), ARADEL (-10.00%), NASCON (-9.98%), MEYER (-9.95%), CUSTODIAN (-9.91%), CADBURY (-9.82%), MTNN (-9.64%), FRISTHOLDCO (-9.09%), WAPCO (-8.32%), DANGCEM (-7.48%), ZENITHBANK (-7.13%), TRANSCORP (-6.87%), GTCO (-5.43%), and PZ (-5.21%), outweighing the buying interest in AIRTELAFRI (+21.00%), UPDC (+12.31%), SUNUASSUR (+7.50%), CWG (+5.00%), ETERNA (+3.06%), DANGSUGAR (+2.94%), and UBA (+2.89%).

- Trading activity improved during the week, with investors exchanging 3.82 billion shares worth ₦154.39 billion compared to the 2.32 billion shares worth ₦134.49 billion traded in the preceding week. Meanwhile, the total number of deals increased to 258,567 deals from 249,328 deals.

- Sectoral performance was largely bearish as the Industrial Goods, Oil & Gas, Banking, Insurance and Consumer Goods sectors all closed in the red, losing 4.93%, 4.34%, 3.72%, 1.60% and 1.53%, respectively.

- We expect a mixed-to-positive sentiment in this week's trading session, supported by selective buying interest in fundamentally strong stocks. However, intermittent profit-taking and cautious investor positioning may further limit the upside potentials.