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Economic and Market Update

17 July 2026

Global Update

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- U.S. headline inflation slowed more sharply than expected to 3.5% y/y in June from 4.2% in May, while core inflation eased to 2.6%, signaling a broad-based moderation in underlying price pressures. The decline was largely driven by lower energy costs, particularly a 9.7% fall in gasoline prices, underscoring the significant influence of commodity prices on the inflation outlook. The latest data reinforce expectations that restrictive monetary policy is gradually restoring price stability and strengthen the case for the Federal Reserve to maintain its policy pause. However, the recent resurgence in Middle East tensions and the rebound in crude oil prices pose upside risks to inflation, suggesting that geopolitical developments, rather than domestic demand, could become the primary driver of U.S. price dynamics in the near term.

- The UK economy returned to growth in May 2026, with real GDP expanding by 0.1% m/m after contracting in the previous month, reflecting continued resilience despite a challenging external environment. The expansion was driven by a 0.3% increase in the services sector, which more than offset contractions in production and construction as elevated energy costs and cautious business investment weighed on activity. Meanwhile, three-month GDP growth of 0.7% suggests that overall economic momentum remains intact. The stronger-than-expected data reduce the urgency for near-term monetary easing, supporting gilt yields and sterling. However, persistently high energy prices and heightened geopolitical uncertainty could weaken domestic demand and complicate the Bank of England's policy outlook, reinforcing the prospect of a higher-for-longer interest rate environment.

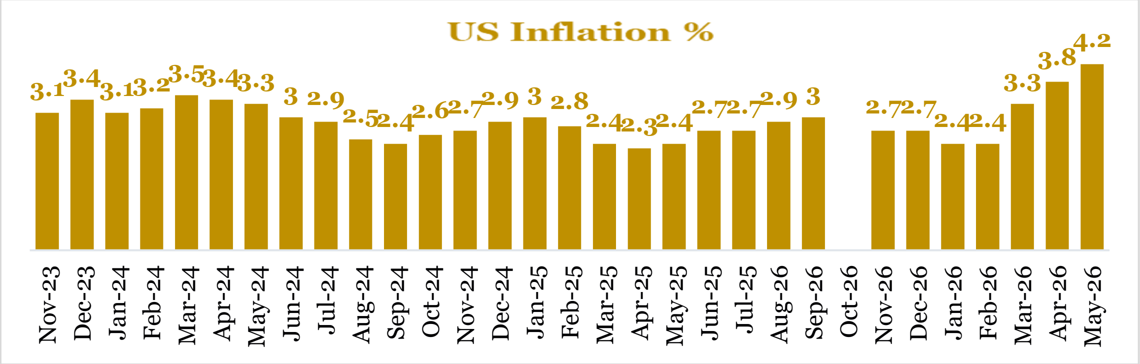
- China's economy grew by 4.3% y/y in Q2 2026, slowing from 5.0% in the first quarter and marking its weakest pace of expansion in three-and-a-half years. Growth fell short of both the 4.5% consensus forecast and the government's 4.5%–5.0% target, reflecting persistent weakness in domestic demand, subdued wage growth, and the prolonged downturn in the property sector. Retail sales increased by just 1.0% in June, while property investment declined 18.0% in the first half of the year and fixed-asset investment contracted 5.7%, underscoring fragile domestic activity. In contrast, exports surged 27.0% in June, supported by robust global demand for AI-related products, highlighting the economy's increasing reliance on external demand. Overall, the data reinforce concerns over widening structural imbalances and strengthen the case for additional targeted policy measures to stimulate domestic consumption and support broader economic growth.

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	**3.50%** (Jun. 2026)	**4.20%** (Apr. 2026)	**0.40%**
China GDP	**4.3%** (Q2-2026)	**5.0%** (Q1-2026)	**0.10%**
China Inflation	**1.00%** (Jun. 2026)	**1.20%** (May. 2026)	**0.20%**

US 10 Year Bond Yields (%)

Source: Investing.com, PSL Research



Source: Tradingeconomics.com, PSL Research

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Crude Oil Price Update

- Global crude oil prices surged sharply last week, recording their strongest weekly advance in months as escalating geopolitical tensions in the Middle East reignited fears of significant supply disruptions. Brent crude climbed by 15.91% week-on-week to close at $88.10/bbl from $76.01/bbl in the previous week, while WTI advanced by 15.52% to $82.49/bbl from $71.41/bbl.

- Crude oil prices are expected to remain elevated and highly volatile in the near term as developments surrounding the U.S.-Iran conflict continue to dominate market sentiment. Expectations of additional OPEC+ supply, diplomatic efforts to de-escalate regional tensions, and concerns over weaker global demand may temper gains and trigger bouts of profit-taking.

YTD PERFORMANCE OF BRENT CRUDE (US$)

Source: Investing.com, PSL Research

Crude Oil Prices	Current	Previous	Change
Brent Crude Oil($)	88.10	76.01	15.91%
WTI Crude Price ($)	82.49	71.41	15.52%

Domestic Update

- Nigeria's headline inflation eased marginally to 15.91% y/y in June from 15.93% in May, while monthly inflation slowed to 1.66% from 1.75%, marking the first moderation after three consecutive increases. The improvement was driven by a sharp decline in core inflation to 15.92% from 16.82%, supported by lower global oil prices and a relatively stable naira. However, food inflation accelerated to 17.52% from 16.96%, reflecting persistent structural supply constraints. Consequently, we expect the MPC to maintain the MPR, keeping yields elevated. However, the re-escalation in the Middle East tensions present upside inflation risks.

- The Central Bank of Nigeria (CBN) has introduced a Centralized Foreign Exchange Transaction System (CFXTS) to improve transparency and regulatory oversight of Bureau De Change (BDC) operations. Effective December 1, 2026, all licensed BDCs will be required to record foreign exchange purchases and sales on the platform in real time. The initiative supports the implementation of the revised Regulatory and Supervisory Guidelines for BDC Operations (2024) and is designed to strengthen compliance with anti-money laundering (AML) and counter-terrorism financing (CFT) standards. By creating a centralized database of BDC transactions, the CBN aims to curb speculative activities, enhance market integrity, improve price discovery, and promote greater stability in Nigeria's foreign exchange market.

- Nigeria's crude oil production rose to 1.56 million barrels per day (mbpd) in June 2026, up from 1.45 mbpd in May, representing its highest output in several months and surpassing the country's 1.50 mbpd OPEC+ quota. Including condensates, total liquid hydrocarbon production increased to approximately 1.91 mbpd, reflecting improved operational efficiency, enhanced pipeline security, and sustained efforts to curb crude theft and vandalism. The increase comes as the government intensifies reforms aimed at boosting upstream investment and raising oil output to strengthen fiscal revenues and foreign exchange earnings. The stronger production performance provides positive support for Nigeria's external sector, although global oil price volatility remains a key risk.

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Foreign Exchange Update

- In the Nigerian Foreign Exchange Market (NFEM), the naira depreciated marginally by 0.04% week-on-week, closing at ₦1,380.18/$ from ₦1,379.62/$ in the previous week. Meanwhile, the currency strengthened in the parallel market, appreciating by 0.18% week-on-week to ₦1,425.00/$ from ₦1,427.50/$.

- Nigeria's gross external reserves continued their upward trajectory, increasing by 0.33% (US$172.39 million) to US$51.92 billion as of 16 July 2025, from US$51.74 billion recorded on 9 July 2025. The sustained accretion in reserves reflects continued foreign exchange inflows and provides additional support for the Central Bank's efforts to defend the currency.

Fixed Income Market

- Week-on-week, system liquidity increased by ₦2.202 trillion to close with a credit balance of ₦4.634 trillion, primarily due to the net OMO and NTB maturity inflows. Consequently, the Nigerian Overnight Financing Rate (NOFR) remained unchanged at 22.00%. This week, we expect OMO and NTB maturities, FGN bond coupon inflows, and bond auction settlement to influence liquidity.

- The NTB market traded with mixed sentiment during the week as investors largely stayed on the sidelines ahead of the NTB auction. At the auction, demand remained robust, with total subscriptions of ₦3.04trn against the DMO's ₦600bn offer, while ₦1.19trn was allotted. Stop rates on the 91- and 182-day papers were unchanged at 16.30% and 16.50%, respectively, while the 364-day stop rate declined by 4bps to 17.66%. Following the auction, buy-side interest supported activity, particularly on the 15-Jul bill, which traded as low as 17.35%.

- In the OMO segment, the CBN conducted two auctions during the week, offering ₦600 billion at each auction. The first auction attracted subscriptions of ₦2.546trn, with ₦2.545trn allotted at stop rates of 21.89%, 20.49%, and 20.17% across the 8-, 99-, and 127-day tenors. At the second auction, subscriptions stood at ₦1.153trn, with stop rates printing at 21.90%, 20.79%, 20.18%, and 20.15% for the 7-, 70-, 126-, and 133-day maturities, respectively.

- The FGN Bond market traded on a relatively subdued note during the week, with activity largely concentrated at the mid-to-long end of the curve. Following the release of the DMO's bond auction circular, which announced a total offer of ₦1.2 trillion across the Jan 35, Apr 37, and Jun 38 maturities, the on-the-run bonds attracted selective demand, with trades executed between 18.30% and 18.40%. We also observed cherry-picking on the 32s, 33s, 49s, and 53s, although wide bid/offer spreads kept overall activity muted. By the end of the week, market participants largely stayed on the sidelines ahead of today´s bond auction. We expect the week to start on a cautious note as investors remain on the sidelines ahead of the auction.

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Equity Market

- The Nigerian equities market closed last week on a mildly bearish note despite gains recorded in three of the five trading sessions as buying interest in selected counters, particularly First HoldCo (+38.66%), was insufficient to offset the sharp decline in BUA Cement (-18.99%), which weighed heavily on overall market performance. Consequently, the NGX All-Share Index (ASI) declined by 0.14% week-on-week to close at 243,462.13 points from 243,798.76 points in the previous week. In contrast, market capitalisation advanced by 0.39% to ₦157.057 trillion, supported by the listing of additional shares and other market adjustments despite the slight decline in the benchmark index. As a result, the market's year-to-date (YtD) return moderated marginally to 56.45%, compared with 56.67% recorded in the preceding week.

- Negative sentiment dominated trading last week, driven by broad-based declines across sectors, with selling pressure recorded in BUACEMENT (-18.99%), REDSTAREX (-18.53%), PZ (-10.06%), EUNISELL (-10.00%), CAP (-9.61%), CADBURY (-8.95%), MANSARD (-8.94%), NASCON (-8.91%), JAIZBANK (-7.61%), LIVESTOCK (-6.49%), NGXGROUP (-5.61%), ZICHIS (-5.23%), OANDO (-2.26%), and CWG (-1.50%), outweighing the buying interest in FIRSTHOLDCO (+38.66%), FIDELITYBK (+15.00%), UBA (+10.98%), NIDF (+9.97%), STANBIC (+9.66%), ABBEYBANK (+9.29%), TRANSCOHOT (+8.37%), UACN (+8.11%), VITAFOAM (+5.87%), NAHCO (+5.36%), TRANSCORP (+5.31%), CUSTODIAN (+4.70%), ZENITHBANK (+2.89%), FIDSON (+2.70%), GTCO (+2.54%), MTNN (+2.04%), and NB (+1.76%).

- Trading activity declined during the week, as investors exchanged 2.819 billion shares worth ₦182.499 billion, compared to the 3.648 billion shares worth ₦220.568 billion traded in the preceding week. The total number of deals also decreased to 226,729 deals from 251,861 deals recorded in the preceding week.

- Sectoral performance was mixed last week, as gains in the Banking (+9.30%) and Insurance (+0.25%) sectors were offset by declines in the Consumer Goods (-0.15%), Oil & Gas (-0.11%), and Industrial Goods sectors (-6.26%).
- We expect a mixed trading session this week with a cautiously positive undertone as investors begin positioning for the upcoming wave of corporate earnings releases. While recent gains could encourage further profit-taking, sustained interest in fundamentally sound stocks, especially banking names, should help underpin sentiment and limit downside pressure.