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Economic and Market Update

21 August 2026

Global Update

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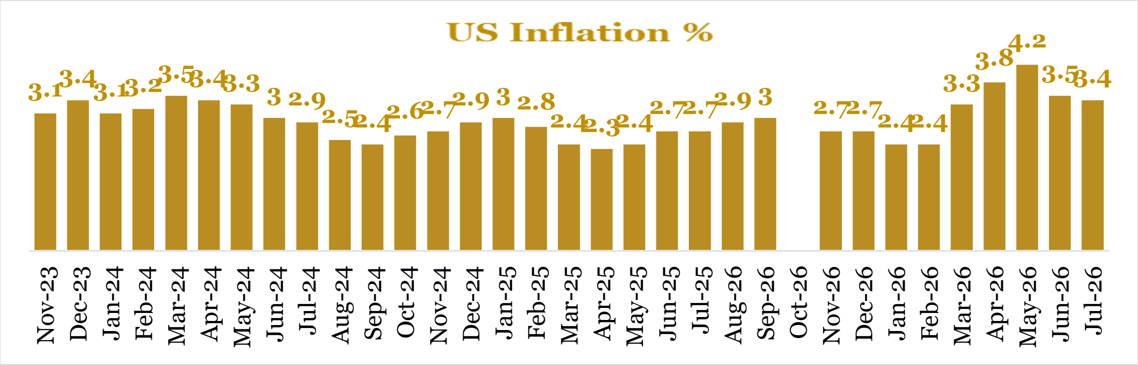
- UK inflation accelerated to 2.9% y/y in July from 2.6% in June, driven largely by a 13% increase in the household energy price cap. However, underlying price pressures remained relatively contained, with core inflation remaining unchanged at 2.6%, services inflation easing to 3.4%, and wage growth slowing to 3.2%. This data support the Bank of England's cautious approach, with markets largely expecting the policy rate to remain at 3.75% through year-end. While the energy-led inflation spike may prove temporary, the key risk is that higher energy costs feed into wages and services, generating second-round effects that could delay monetary easing and keep gilt yields elevated.

- China kept the 1-year and 5-year Loan Prime Rates (LPRs) unchanged at 3.00% and 3.50%, respectively, for a 15th consecutive month, signaling a preference for targeted fiscal support over broad-based monetary easing. The decision comes amid signs of subdued domestic demand, with July data pointing to softer industrial activity, retail sales and credit growth, while banks' net interest margins remain near historic lows. Against this backdrop, Beijing appears to be prioritizing fiscal spending on approved infrastructure projects to support growth without further pressuring bank profitability. For markets, the policy mix offers limited near-term monetary stimulus but could benefit infrastructure-linked commodities and equities if fiscal implementation gains momentum. More broadly, the persistent weakness in credit demand suggests that China's challenge is increasingly demand-driven rather than cost-of-credit related, reinforcing the need for structural measures to revive household consumption and private investment.

Global Economic Data

	Current	Previous	Change
US GDP	**1.50%** (Q2-2026)	**2.10%** (Q1-2026)	**-0.60%**
US Interest Rate	**3.50% - 3.75%** (Jul. 2026)	**3.50% - 3.75%** (Jun. 2026)	**0.00%**
US Inflation	**3.40%** (Jul. 2026)	**3.50%** (Jun. 2026)	**-0.10%**
China GDP	**4.3%** (Q2-2026)	**5.0%** (Q1-2026)	**-0.70%**
China Inflation	**1.00%** (Jun. 2026)	**1.20%** (May. 2026)	**-0.20%**



Source: Tradingeconomics.com, PSL Research

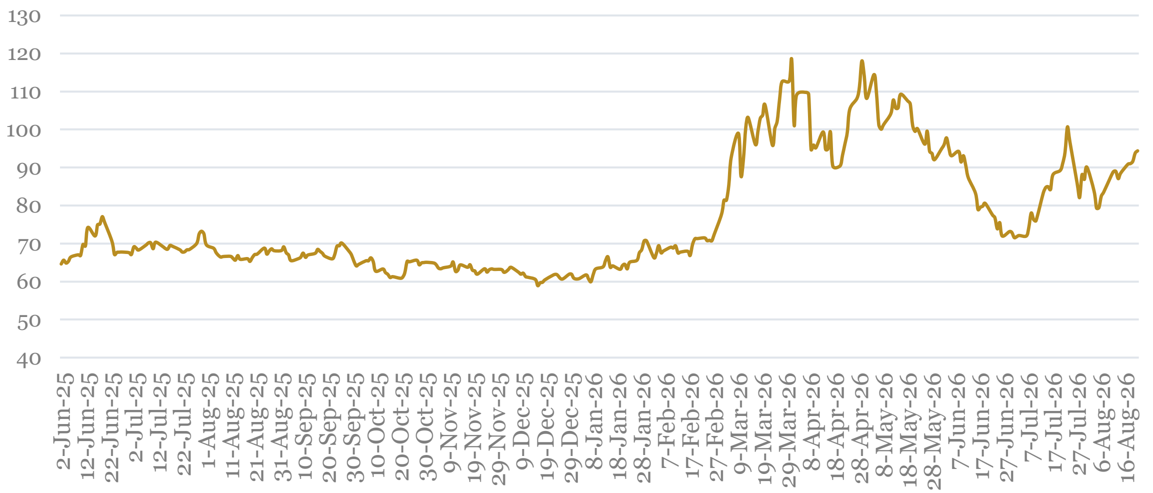
Crude Oil Price Update

- Global crude oil prices extended their upward trajectory last week, supported by persistent geopolitical tensions and renewed concerns over potential disruptions to global oil supply. Market sentiment remained cautious as investors monitored developments in the Middle East and the potential impact on regional production and shipping routes.

- Consequently, Brent crude rose by 6.63% week-on-week to US$94.39/bbl, while WTI gained 5.66% to US$87.06/bbl.

- Looking ahead, crude oil prices are likely to remain elevated and volatile as markets continue to assess geopolitical developments and their implications for global supply. Any further escalation or disruption to oil production and transportation could provide additional support to prices, while a moderation in tensions could ease the current risk premium.

YTD PERFORMANCE OF BRENT CRUDE (US$)



Source: Investing.com, PSL Research

Crude Oil Prices	Current	Previous	Change
Brent Crude Oil($)	94.39	88.52	6.63%
WTI Crude Price ($)	87.06	82.4	5.66%

Domestic Update

- Nigeria's headline inflation eased for a second consecutive month, moderating to 15.43% y/y in July from 15.91% in June, with the month-on-month rate also softening to 1.57% from 1.66%. The decline was driven by lower core inflation (14.97% from 15.92%) and moderation in energy (4.40% from 9.90%) and imported inflation (13.24% from 13.63%), reflecting relative exchange rate stability and lower energy costs. However, food inflation accelerated to 20.31% y/y from 17.52%, with farm produce inflation also rising, underscoring persistent supply-side constraints. This divergence highlights an uneven disinflationary process, with food remaining the key upside risk given its weight in household consumption. While July's data supports a case for eventual policy easing, the CBN is likely to remain cautious ahead of September's MPC meeting.

- FAAC disbursements rose sharply to ₦3.01 trillion in July, up 17.9% from ₦2.55 trillion in June, bringing total distributions in 2026 to ₦15.997 trillion. Gross statutory revenue increased by 17.8% to ₦4.36 trillion, while VAT edged down 0.7% to ₦793.97 billion. The stronger revenue performance was driven by improved petroleum and non-oil collections, reflecting the impact of subsidy removal, FX reforms and broader tax mobilization. The higher allocations should ease fiscal liquidity constraints and provide greater capacity for infrastructure investment and debt servicing. However, the key issue is the quality of the additional revenue. Greater allocation to productive capital expenditure could support economic activity, private investment and corporate earnings, while a tilt towards recurrent spending could reinforce demand-side inflationary pressures and limit the growth impact.

- The Nigerian Exchange (NGX) has postponed the implementation of its revised pricing methodology for equities trading, which was initially scheduled to take effect on Monday, 17 August 2026. The framework, earlier approved by the Securities and Exchange Commission (SEC), seeks to introduce tiered minimum trade quantities based on prevailing share prices, replacing the existing uniform threshold. However, NGX has deferred the rollout and is yet to announce a new effective date. We will continue to monitor developments and provide updates once NGX announces a new implementation date or further guidance.

- Geregu Power Plc has reportedly settled the ₦6.03 billion obligation owed to investors under its ₦40.085 billion Series 1 Fixed Rate Bond, covering the eighth coupon and part of the principal repayment. The bond, issued in July 2022 under the company's ₦100 billion multi-instrument programme, carries a 14.5% coupon and matures in July 2029. The payment follows Geregu's recent default, which led FMDQ Securities Exchange to classify the instrument as being in credit default and Agusto & Co. to temporarily withdraw its 'A-' rating. While the payment is credit-positive and reduces immediate liquidity concerns, it does not eliminate questions about Geregu's underlying debt-servicing capacity and governance.

Foreign Exchange Update

- The naira strengthened by 0.83% WoW at the official Nigerian Foreign Exchange Market (NFEM) last week, appreciating from ₦1,357.61/$ to ₦1,346.49/$. The parallel market rate also firmed, appreciating by 0.71% from ₦1,415.00/$, reflecting improved FX liquidity and supply conditions. The gap between both markets narrowed to ₦58.51/$.

- Nigeria's external reserves rose by 0.88% WoW to US$52.66 billion, up from US$52.20 billion in the previous week.

Fixed Income Market

- Week-on-week, system liquidity increased by ₦1.09trn, closing with a credit balance of ₦4.47trn. Consequently, the NOFR minimum and maximum rates were 20% and 24.44%, respectively, during the week, while the average rate remained unchanged at 22%. We expect bond coupon inflows, OMO maturity, and NTB auction sales to dictate liquidity this week.

- The NTB market traded on a relatively calm but relatively bullish note during the week, as demand remained concentrated at the long end of the curve amid limited offers. The 12-Aug bill remained the most sought-after paper, with rates declining from c.17.35% at the start of the week to an average of 17.15% by Friday. We also observed pockets of cherry-picking across the Nov, Feb, and Jul maturities, although activity remained relatively subdued. Activity in the OMO segment remained more robust, with sustained demand across the curve. The 29-Dec paper remained the most sought-after, with rates declining from c.19.55% on Monday to 18.85% by Friday. Demand also filtered into the Oct and Jan maturities, with the 6-Oct and 19-Jan papers trading at 20.45% and 19.96%, respectively. Overall, market sentiment remained bullish due to scarce supply. We expect a calm and cautious start to the week ahead of Wednesday´s NTB auction, where the DMO will offer ₦700bn.

- The FGN Bond market opened the week on a cautious note as participants remained on the sidelines ahead of Monday´s bond auction. At the auction, total bids amounted to ₦1.73tn, with the 35s and 37s clearing below market expectations at 17.15% and 17.19%, respectively, while the 38s cleared at 17.79%. Following the auction, the bullish trend was reinforced, with attention focused on the on-the-run maturities. The 35s and 37s traded around 17.20%, while the 38s were at 17.40%. Activity was relatively subdued towards the latter part of the week, as sellers remained reluctant to trade at prevailing bid levels. Nonetheless, buying interest remained supportive, particularly in the on-the-run maturities, while activity in the off-the-run space remained limited. Overall, the benchmark average yield declined by 29bps week-on-week. We expect a cautious start to the week as investors selectively position ahead of Wednesday's NTB auction.

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Equity Market

- The Nigerian equities market continued its downward trend last week as sell pressure dominated across sector. The NGX All-Share Index (ASI) depreciated by 1.35% to close the week at 239,351.16 points, while market capitalization fell by 1.33% to ₦154.534 trillion. The pullback reflected broad-based profit-taking as investors reassessed valuations following the market's strong year-to-date run. The year-to-date return moderated to 53.81% from 55.91% the previous week.

- Selling pressure was pronounced across several major counters, led by Red Star Express (-18.33%), NGX Group (-10.66%), NEM Insurance (-10.18%), Aradel Holdings (-9.99%), FirstHoldCo (-7.18%), Zichis Industries (-7.10%), Fidelity Bank (-6.98%), Meyer Plc (-4.49%), FCMB Group (-4.17%), International Breweries (-3.81%), PZ Cussons (-3.75%), Unilever Nigeria (-3.63%), United Capital (-3.62%), MTN Nigeria (-3.23%), Stanbic IBTC (-3.16%), Transcorp (-2.70%), GTCO (-1.17%), Wema Bank (-1.01%), UBA (-0.88%), Zenith Bank (-0.49%), ETI (-0.36%), Custodian Investment (-0.35%), and Access Holdings (-0.18%). The decline was partly cushioned by gains in Dangote Sugar Refinery (+5.19%), Cadbury Nigeria (+4.68%), UACN (+4.62%), Honeywell Flour Mills (+3.55%), R.T. Briscoe (+3.02%), Nigerian Breweries (+1.47%), and Nestlé Nigeria (+1.43%).

- Trading activity weakened during the week, with a total turnover of 6.242 billion shares valued at ₦157.764 billion exchanged in 186,496 deals. Compared with the previous week, trading volume declined sharply by 48.64%, the number of deals fell by 16.80%, while transaction value dropped by 10.39%.

- Sectoral performance was broadly negative, with the NGX Oil/Gas, Insurance, and Banking indices declining by 4.64%, 3.75%, and 2.92%, respectively, while the NGX Consumer Goods Index posted a marginal gain of 0.05% and the NGX Industrial Goods Index closed flat, unchanged for the week.

- We expect cautious trading this week, with bargain-hunting activity likely to emerge in fundamentally sound stocks. However, downward pressure will likely continue to weigh on general market performance as we approach the end of the month.