July 2026

Economic & Market Review

U.S.- *Cooling Growth, Cooling Prices: The Fed Holds Steady Into a Softer Second Half*

GDP growth in the U.S showed a comparable deceleration. The Q2 advance estimate came in at 1.5% annualized, below the 2.1% consensus and down from Q1's 2.1%. Consumer spending and equipment investment remained firm, while net trade widened as a drag on growth and government spending declined, though the government spending decline is largely a statistical effect of federal oil reserve sales rather than a reduction in underlying outlays. Residential investment increased for the first time in six quarters, relevant for housing- and rate-sensitive positioning.

Disinflation resumed in June after three months of upside surprises, reducing near-term pressure on the Federal Reserve to tighten policy further. Headline CPI fell to 3.5% year-on-year, well below the 3.8% consensus and down from April's three-year high of 4.2%, as the temporary de-escalation in the Iran conflict pulled gasoline prices down 9.7% on the month. Core inflation eased to 2.6%, also below forecast, with shelter, the largest and most persistent component of the basket, rising just 0.1%. This reduces the case for a near-term hike and increases the probability of rate cuts later in the year, which markets had priced out earlier.

The FOMC's July 28–29 decision reflected the same tension between an inflation rate still above target and softening activity.

The Committee held the funds rate at 3.50%–3.75% for a fifth consecutive meeting, with a 9–3 vote in which three regional presidents dissented in favor of a hike, indicating the hold was not a unanimous decision. Markets had priced approximately a 30% probability of a July hike heading into the June jobs report; that probability fell sharply once payrolls disappointed. Forecaster views on the Fed's next move remain divided: some expect a September cut, others October, and a smaller group expects no change through year-end. The Fed's own projections, at a 3.6%–4.1% year-end range, are consistent with either outcome.

The labor market report was the primary driver of that shift in pricing. June payrolls rose 57,000 against a 115,000 consensus, with April and May revised down a combined 74,000, a sharp deceleration from stronger prints earlier in the year. The decline in the unemployment rate to 4.2% resulted from a 0.3-point drop in labor force participation to 61.5%, the lowest since March 2021, rather than from job creation. Hiring was concentrated in professional and business services, social assistance, and health care, while leisure and hospitality lost 61,000 positions. Wage growth held at 3.5% year-on-year, above the now-lower CPI reading, which supports real income even as job creation slows.

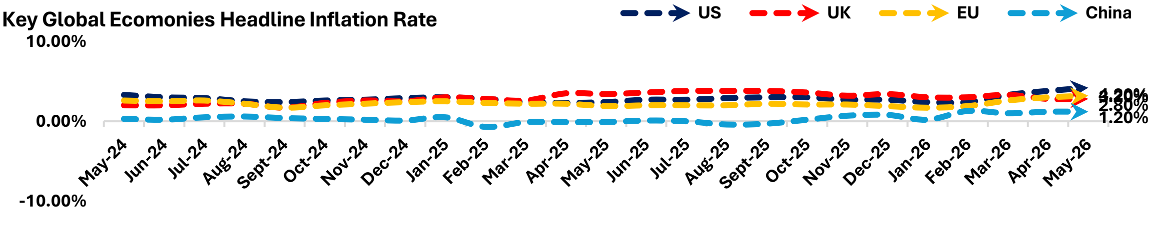
UK- *Inflation Falls Faster Than Forecast as a Change in Government Adds a New Policy Variable*

UK headline CPI eased to 2.6% year-on-year in June, down from 2.8% in May and below the Bank of England's own August forecast, continuing the retreat from March's 3.3% peak that had followed the initial energy-price shock. Core inflation also fell, to 3.6% from 3.7%, still elevated relative to target but moving in the same direction. The read-through is that price pressures are easing faster than the Bank had anticipated, which should in principle create room for a less restrictive policy stance, a dynamic that did not, however, show up in the Committee's actual vote.

The Monetary Policy Committee met July 29–30 and held Bank Rate at 3.75% for a fifth consecutive meeting, in a 6–3 vote. Three members, Pill, Greene, and Mann, voted for an immediate 25-basis-point increase, up from two dissenters at the prior meeting, indicating the hawkish minority on the Committee grew even as the inflation print surprised to the downside. The Bank's own communication attributed this to continued volatility in energy prices tied to the Middle East conflict and its judgment that renewed cost pressure remains a material risk to the medium-term inflation path. The next scheduled decision is September 17.

Labour market data was broadly stable. The unemployment rate held at 4.9% for the three months to May, up 0.2 percentage points year-on-year but down 0.1 point on the quarter. Wage growth, at 3.4% for regular pay excluding bonuses, matched its weakest pace since October 2020. Payrolled employment fell by only 4,000 in June, smaller than the 8,000 decline forecast, though the year-on-year comparison shows a larger underlying decline of roughly 71,000 on early estimates. Vacancies fell 0.9% on the quarter to 712,000, with smaller businesses citing labor costs as the primary constraint.

GDP data showed a return to modest growth following April's contraction. Monthly GDP rose 0.1% in May, matching consensus, driven by gains in computer programming and advertising within services, while industrial production fell 0.5% and construction fell 0.8%. On a three-month basis, growth was 0.7% to May, with the three months to April revised up to 0.8%, one of the stronger stretches of this cycle. Output was 1.3% higher than a year earlier, the largest annual gain in ten months. Current full-year growth forecasts sit in a 0.9%–1.1% range, down from 1.4% in 2025.



Source: Bloomberg, AIICO CAPITAL

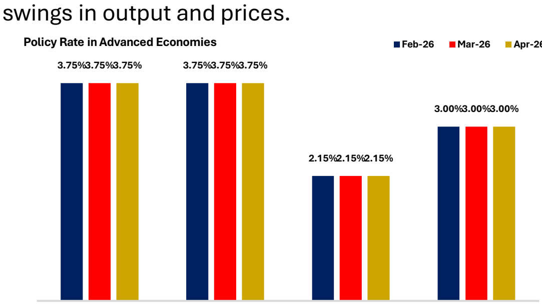
Eurozone- *Growth Resumes and Inflation Eases, but the ECB Keeps the Door Open to Further Tightening*

Eurozone activity data turned constructive in July after a difficult second quarter, with disinflation and a rebound in business surveys both pointing toward stabilization, even as the central bank maintained a policy stance calibrated for renewed geopolitical risk rather than the improving data in hand.

Headline HICP inflation fell to 2.8% year-on-year in June, down from 3.2% in May and the first deceleration this year, driven by energy inflation easing to 8.5% from 10.8% and services inflation slowing to 3.2% from 3.5%. Core inflation (excluding energy) eased to 2.2%. That improvement proved short-lived: the July flash estimate showed headline inflation reaccelerating to 2.9%, with energy inflation jumping back to 10.0% from 8.5%, reflecting the renewed escalation in the Middle East conflict late in the period. The net effect over the two-month window is a inflation rate still running materially above the ECB's 2% target with a demonstrated sensitivity to further energy-price shocks.

The European Central Bank council met July 23 and held all three key rates unchanged, keeping the deposit facility rate at 2.25%, six weeks after its first hike in nearly three years. The decision was widely anticipated and framed by President Lagarde as a pause rather than a shift in stance; she explicitly declined to rule out a further increase and indicated the Council retains a data-dependent, meeting-by-meeting approach, with September flagged as the next point at which a hike could be reconsidered. Staff projections continue to show inflation returning to target only by late 2027, conditional on policy remaining restrictive.

GDP data provided the clearest evidence of stabilization. The preliminary flash estimate for Q2 2026 showed the euro area economy expanding 0.4% quarter-on-quarter, a rebound from the confirmed 0.2% contraction in Q1, itself the first negative quarter since Q4 2022, driven substantially by a large downward revision to Irish GDP. The Q2 figure suggests the contraction was not the start of a deeper downturn, though the composition of the rebound has not yet been published in detail. The unemployment rate held at 6.3% in June, unchanged from May and from a year earlier, indicating labor market conditions remained stable through the quarter despite the swings in output and prices.



Source: Bloomberg, AIICO CAPITAL

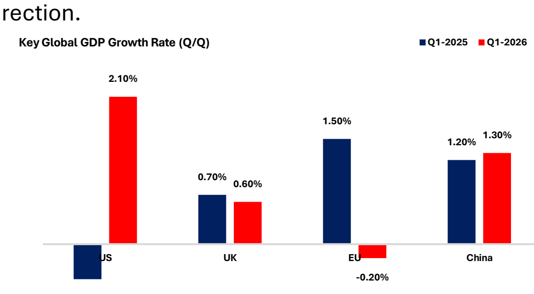
Asia- *China's Growth Slows Further as Japan Signals a Path Toward Its Next Hike*

Asia's three largest economies moved in different directions in July, with China's growth deceleration extending into a second quarter, Japan's central bank holding policy while explicitly preparing markets for further tightening, and India maintaining a steady rate stance even as inflation moved back above its comfort threshold.

China's economy expanded 4.3% year-on-year in Q2 2026, down from 5.0% in Q1 and below the 4.5% consensus estimate, marking the weakest annual growth rate since Q4 2022 and falling below the lower end of Beijing's 4.5%–5.0% full-year target. On a quarter-on-quarter basis, growth was 0.9%, down from 1.3% in Q1 and the weakest quarterly pace since Q2 2024. The National Bureau of Statistics attributed the slowdown to soft domestic demand, subdued private investment, and the ongoing property-sector downturn, offsetting continued resilience in AI-related exports.

The Bank of Japan held its policy rate at 1.0% at its July 30–31 meeting in an 8–1 vote, with board member Hajime Takata dissenting in favor of an immediate increase to 1.25%. While the decision itself was a hold, the accompanying outlook report and press conference carried a materially hawkish tone: the Bank stated that core inflation is likely to accelerate to a level "clearly above" its 2% target from the second half of fiscal 2026 (September onward), citing wage increases being passed through to selling prices, elevated crude oil costs, and yen depreciation. July's actual core CPI reading was 1.6%, still below target. The policy decision followed a currency intervention the prior evening, with authorities reportedly acting in coordination with U.S. counterparts after the yen touched a 40-year low near 164 to the dollar; the currency subsequently strengthened to around 158. Governor Ueda indicated in his press conference that a rate increase as early as the September meeting is a live possibility.

The Reserve Bank of India's most recent decision remains its June 4–6 meeting, at which the Monetary Policy Committee held the repo rate at 5.25% for a third consecutive meeting under a neutral stance, while lowering its FY2026/27 GDP growth forecast to 6.6% from 6.9% and raising its inflation forecast to 5.1% from 4.6%, citing elevated crude oil costs linked to the Middle East conflict. Since that meeting, June retail inflation accelerated to 4.38%, moving above the RBI's 4% medium-term target for the first time in 17 months, though it remains within the 2%–6% tolerance band. Core inflation, which excludes food and fuel, held broadly stable near 4%. The Committee's next scheduled meeting is August 3–5, with current market expectations favoring another hold given the RBI's stated preference to assess the trajectory of oil prices and the rupee before adjusting policy in either direction.



Source: Bloomberg, AIICO CAPITAL

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Africa- *South Africa and Ghana Hold Amid Rising Inflation While Angola Extends Its Easing Cycle*

African monetary policy in July continued to reflect two-speed dynamics driven by oil-importer exposure to the Middle East conflict: South Africa and Ghana held rates despite firming inflation, judging tightening premature ahead of clearer data, while Angola, insulated by its oil-producer status, delivered its second and largest rate cut of the year.

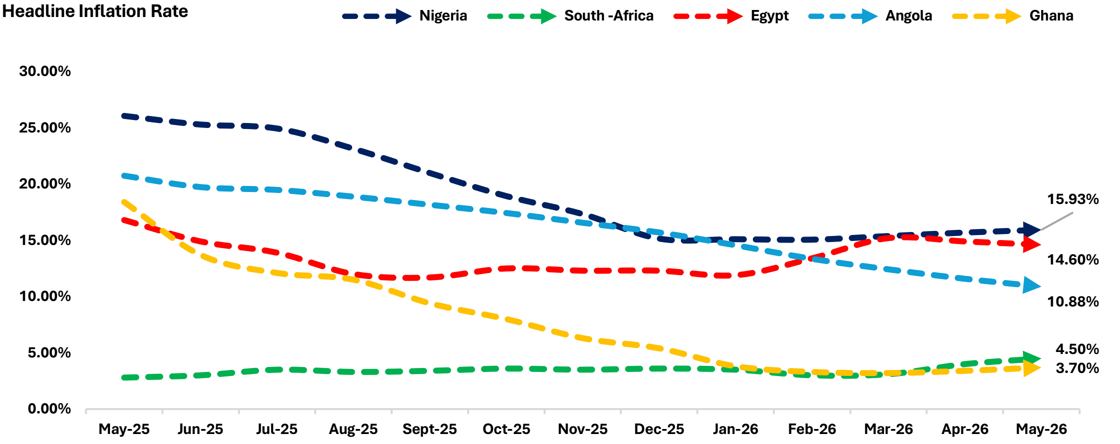
South Africa: South Africa's Reserve Bank held the repo rate at 7% on July 23 in a 4–2 vote, with two committee members favoring a 25-basis-point increase. The decision followed a CPI print of 5.0% for June, up from 4.8% in May and above market expectations, marking a two-year high and moving above the midpoint of the 3%–6% target range. Governor Kganyago said the inflation outlook had "improved slightly" since the Bank's prior meeting but noted inflation remains too high while growth stays weak and confirmed that persistence of current price pressures into the September meeting would raise the probability of a rate adjustment. The Bank's inflation forecast for 2026 stands at 4.4%. First-quarter GDP growth was described as strong, supported by higher net exports.

Ghana: Ghana's central bank held its policy rate at 14% on July 22, a second consecutive pause following five prior cuts, in a unanimous vote. Governor Asiama cited renewed Middle East hostilities as having reignited energy-market volatility and reintroduced inflation risk, alongside an increase in inflation expectations and core inflation measures. Headline inflation rose to 5.3% year-on-year in June from 3.7% in May, moving toward the lower bound of the 6%–10% target band from below. Despite the inflation uptick, the Bank noted robust Q1 GDP growth, sustained momentum in its composite economic activity index, and a sharp increase in private-sector credit growth supporting the broader outlook.

Uganda: Uganda's central bank rate remains unchanged at 9.75%, held at its May 14 meeting and not scheduled for review again until later in the third quarter. Headline inflation rose to 4.0% year-on-year in July from 3.7% in June, driven by higher water, electricity, and fuel charges, while core inflation held steady at 3.4%. The reading remains within the Bank's projected 3.8%–4.3% range for 2026 and below its 5% medium-term target, indicating the current policy stance has not yet been tested by the inflation trajectory.

Angola:, Angola's National Bank cut its policy rate by 125 basis points to 15.75% on July 14, more than double the 50-basis-point cut delivered in May and the most aggressive single reduction since 2023. The decision followed annual inflation falling to 10.11% in June from 10.88% in May, an 11-year low, with ten provinces recording inflation in single digits. Q1 2026 GDP growth was recorded at 5.32%. International reserves stood at $14.93 billion as of June, equivalent to 6.2 months of import cover. The Bank's next scheduled meeting is September 14–15.

Headline Inflation Rate

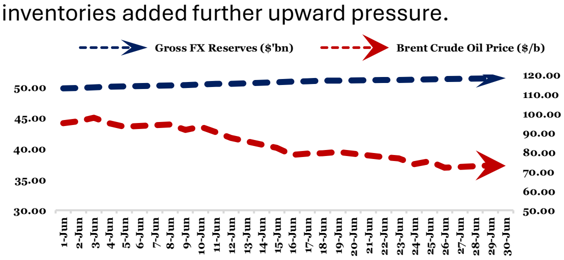


Source: Bloomberg, AIICO CAPITAL

Oil Market- *Oil Prices Surge 24% in July as the Interim Iran Peace Agreement Collapses*

Crude oil reversed sharply higher in July, erasing the prior month's de-escalation as renewed hostilities between the United States and Iran broke the interim agreement reached on June 17–18. The reversal has direct implications for the inflation trajectories covered elsewhere in this report, particularly for Nigeria's fuel-pricing dynamics and the divergent central bank responses across the U.S., Eurozone, and emerging markets.

Price action. Brent crude closed June at $71.99 per barrel and WTI at $69.23, the first close below $70 since February 27, the day before the conflict began, as tanker traffic resumed through the Strait of Hormuz following the interim deal. That de-escalation did not hold. Renewed conflict in July, combined with Houthi attacks in the Red Sea and Saudi strikes on Iran-backed groups, pushed Brent up approximately 24% over the month, its strongest monthly gain since March 2026, closing near $88 per barrel on the final trading day of July. Iran claimed to have struck two tankers transiting the Strait of Hormuz under U.S. military escort during the month, though the incident was not independently confirmed by Western maritime authorities. Falling U.S. crude inventories added further upward pressure.



Early August developments relevant to the July close: In the first days of August, Brent fell approximately 5% to below $84 following an announcement that peace talks with Iran would resume, after President Trump canceled a planned military strike in response to appeals from regional allies, including Saudi Arabia, to prioritize negotiations and reopen the Strait of Hormuz. Separately, major OPEC+ producers approved a further modest increase in production quotas, completing the planned restoration of the supply cuts introduced in 2023 and positioning the group to add further supply once the conflict concludes. Kazakhstan also resumed crude intake through the Caspian Pipeline Consortium following a brief suspension, though CPC-linked exports remain exposed to tanker drone attacks.

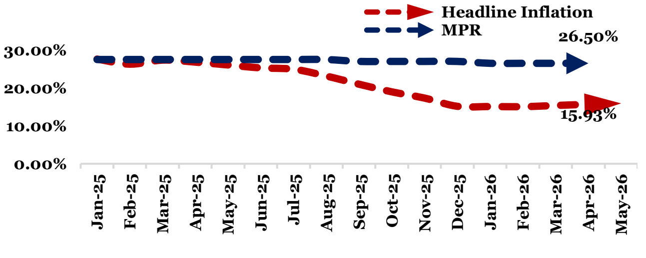
The July reversal confirms that the de-escalation priced into markets in late June was premature, and that the conflict's underlying risk premium remains structurally embedded in crude pricing rather than resolved. This has direct transmission implications across the regions covered in this report: it explains the renewed pressure on Nigeria's downstream fuel pricing (including Dangote Refinery's brief shift to dollar-denominated sales in mid-July), reinforces the case for continued central bank caution across South Africa, Ghana, and the Eurozone, and is consistent with the reacceleration in Eurozone flash inflation to 2.9% in July. The early-August price reversal, contingent on the resumption of negotiations rather than a confirmed resolution, suggests continued volatility is the more probable near-term scenario than sustained stabilization in either direction.

Source: CBN, Oilprice.com, AIICO CAPITAL

Inflation *– Inflation Edges Higher Amid Energy-Driven Pressures*

Headline inflation eased to 15.91% year-on-year in June 2026, down from 15.93% in May, ending a three-month streak of consecutive increases that had pushed the rate from a February low of 15.06% back above 15.9% by May. The June reading, while marginal in magnitude, represents the first deceleration since March and brings the year-on-year comparison further below the 25.29% recorded in June 2025, a reduction of over 9 percentage points over twelve months.

Month-on-month dynamics. The monthly pace of price increases slowed to 1.66% in June from 1.75% in May, continuing a deceleration that began in April (2.13%). The Consumer Price Index rose to 143.0 points in June from 140.7 in May, a 2.3-point increase. The 12-month moving average inflation rate, a smoother measure of underlying trend, stood at 17.63% through June, down substantially from 29.82% over the corresponding period a year earlier, indicating the broader disinflation trend remains intact despite the recent monthly volatility.



Source: CBN, NBS, AIICO Capital

The deceleration in the headline rate was driven by the non-food component, which offset a continued acceleration in food prices. Food inflation rose to 17.52% year-on-year in June from 16.96% in May, reflecting ongoing supply constraints in staple items. The three largest contributors to headline inflation by divisional weight were food and non-alcoholic beverages (6.37 percentage points), restaurants and accommodation services (2.06 points), and transport (1.70 points); the smallest contributors were recreation, sport, and culture (0.05 points) and alcoholic beverages and tobacco. Core inflation, which excludes volatile farm produce and energy items, stood at 15.92% year-on-year in June, down from 25.41% a year earlier, and eased to 1.66% month-on-month from 1.94% in May, a rate of deceleration broadly consistent with the headline figure.

The June data supports a cautious reading rather than a confirmed reversal of the recent uptick: the deceleration is marginal (0.02 percentage points) and concentrated in the non-food component, while food inflation, the largest single driver of the headline index, continued to accelerate. The divergence between urban acceleration and rural deceleration monthly also warrants monitoring in the coming release, as it may indicate the disinflation narrative is uneven across the consumption base rather than broad-based.

PMI *– Private Sector Returns to Growth as Agriculture Offsets Weakness Elsewhere*

The Central Bank of Nigeria's composite Purchasing Managers' Index, compiled from its own survey of 1,900 purchasing and supply executives across the industry, services, and agriculture sectors, rose to 50.1 points in June 2026, up from 49.6 in May. This marks a return to expansion after two consecutive months of contraction, April (49.4) and May (49.6), that had followed sixteen consecutive months of expansion through March. The June survey was conducted between June 8 and 12, 2026.

Sectoral breakdown; Of the 36 subsectors surveyed, 19 recorded expansion and 17 recorded contractions in June, an improvement from May's split of 15 expanding against 19 contracting. The recovery in the composite index was driven entirely by agriculture; industry and services both remained in contraction, though at a slower pace than the prior month.

Agriculture (52.1, up from 50.9). The agriculture sector PMI extended its expansion to a 23rd consecutive month, the longest active expansion streak of the three sectors tracked. All five agricultural subsectors surveyed, crop production, livestock, fishing/fish farming, forestry, and agricultural support services, recorded growth in June, with forestry posting the strongest gain. This sector has functioned as the primary offset to weakness elsewhere in the economy across recent months

Industry (49.5, up from 49.3). The industry sector remained in contraction for a second consecutive month, though the June reading indicated a slower pace of decline than May. Within the composite industry indicators, production and employment had shown signs of recovery in the prior month's report; the June improvement in the headline industry figure is consistent with a continuation of that trend, though the sector has not yet crossed back above the 50-point expansion threshold

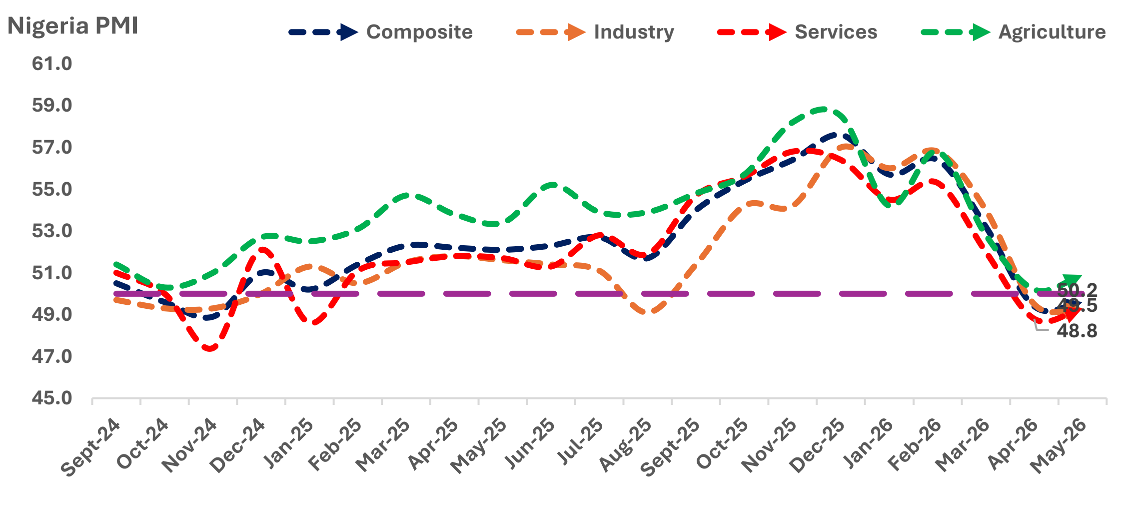
Services (49.4, up from 49.3). The services sector PMI improved marginally but remained in contraction for a third consecutive month, following fourteen months of sustained expansion through March. The CBN's commentary characterized the uptick as a moderation in the pace of decline rather than a resumption of growth. Transportation and warehousing had been the weakest-performing services subsector in the prior report, consistent with the broader fuel-price and logistics cost pressures affecting the sector.

Source: CBN, AIICO Capital

PMI – Private Sector Returns to Growth as Agriculture Offsets Weakness Elsewhere

Prices. The composite input and output price indices declined by 2.5 and 0.8 points respectively in June, indicating a moderation in both cost pressures facing businesses and the prices businesses are able to charge. This is consistent with the easing seen in the May data and suggests the sharpest phase of cost pass-through from the earlier fuel-price shock may have passed, though the divergence between the larger input-price decline and smaller output-price decline implies margin compression may be easing only gradually for firms exposed to input costs.

Business and consumer sentiment. A separate CBN release, the Business Expectations Survey, showed business confidence among Nigerian firms falling for a fourth consecutive month in June, even as the composite PMI improved. The accompanying Household Expectations Survey showed consumers remained pessimistic about prevailing economic conditions, with households continuing to prioritize food spending while deferring larger purchases such as housing, vehicles, and other major assets. This divergence between the technical PMI recovery and both business and household sentiment surveys is a relevant signal: it suggests the composite index's return to the expansion threshold may not yet reflect a broad-based improvement in underlying confidence and should be weighed against the sentiment data when assessing the durability of the June rebound.



Source: CBN, AIICO Capital

MARKETS

Naira Appreciates Across FX Segments as External Buffers Strengthen Foreign Exchange Market

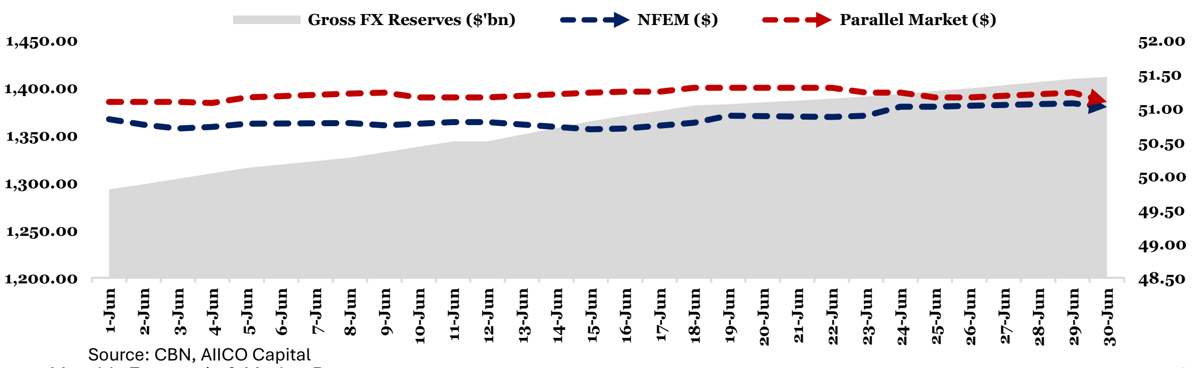
The foreign exchange market commenced July on a relatively stable note, with the naira opening the month at ₦1,372.41/US$ at the Nigerian Foreign Exchange Market (NAFEM) and ₦1,385/US$ in the parallel market. In the first half of the month, the currency came under mild pressure amid persistent demand for foreign exchange, with the official rate weakening to an intramonth low of ₦1,383.08/US$ by 14 July, representing a 0.78% depreciation from the start of the month. Similarly, the parallel market dropped to 1,425/US$ on 13 July, a 2.89% decline over the same period.

Market sentiment improved during the latter half of the month as foreign exchange supply strengthened, and external reserves continued to rise. The improved reserve position, supported by higher oil-related inflows and stronger external receipts, bolstered confidence in the market and contributed to improved FX liquidity conditions.

Consequently, the naira recovered steadily towards month-end, with the official exchange rate appreciating to ₦1,368.22/US$ from ₦1,379.68/US$ at the end of June, translating to a 0.83% month-on-month appreciation. The parallel market also strengthened, closing at ₦1,405/US$ compared with ₦1,385/US$ at the end of June, implying a modest 1.44% month-on-month depreciation, although it recovered significantly from its mid-month low. The spread between both markets narrowed to approximately ₦37/US$ at month-end from over ₦42/US$ during the middle of the month.

Overall, the foreign exchange market remained broadly stable throughout July despite temporary bouts of pressure in the first half of the month. The naira appreciated by 0.83% at NAFEM, while the parallel market recorded a relatively mild 1.44% depreciation. Improved external reserves, sustained foreign exchange inflows, and better market liquidity continued to support exchange rate stability and reinforce confidence in Nigeria's external sector.

Outlook: We expect the naira to remain broadly stable in August, supported by robust external reserves, sustained CBN interventions, and improved foreign exchange liquidity. However, periodic bouts of depreciation may emerge from seasonal corporate and importer demand, with the exchange rate likely to remain range-bound provided foreign portfolio inflows and oil-related FX receipts remain resilient.



Source: CBN, AIICO Capital

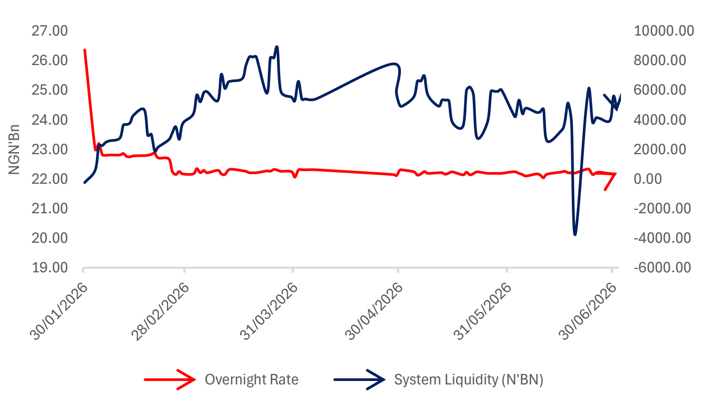
Money Market : *Liquidity Conditions Remain Comfortable Despite CRR Debit and Primary Market Issuances*

System liquidity opened July on a strong footing, supported by the sizeable inflows from maturing OMO bills and other market repayments carried over from the previous month. Liquidity remained comfortably positive in the first half of the month, averaging above ₦4.0 trillion on most trading days, as ample market liquidity kept funding conditions benign. Although the CBN conducted OMO auctions to mop up excess liquidity, the impact was largely offset by substantial OMO maturities, allowing liquidity to remain elevated.

Liquidity conditions tightened briefly around the middle of the month following a combination of primary market settlements and the CBN's Cash Reserve Requirement (CRR) debit, which temporarily drained funds from the banking system. Consequently, system liquidity declined to a monthly low of ₦1.81 trillion on 20 July before gradually recovering as fresh inflows from maturing securities filtered back into the system. Despite the temporary moderation, funding pressures remained limited, as reflected by relatively low recourse to the Standing Lending Facility (SLF).

Liquidity strengthened considerably in the latter part of the month, climbing to a monthly high of ₦6.52 trillion on 28 July as the effects of sizeable OMO maturities outweighed liquidity-absorbing operations. Although liquidity moderated towards month-end following additional market settlements, it remained firmly positive, closing the month at ₦2.98 trillion.

Overall, banking system liquidity remained robust throughout July, averaging ₦3.92 trillion, slightly lower than the approximately ₦4.0 trillion recorded in June. Market liquidity was primarily supported by ₦7.37 trillion in OMO maturities and ₦2.63 trillion in Treasury Bills and FGN Bond maturities, which more than compensated for ₦3.70 trillion in OMO issuances and ₦4.43 trillion raised through primary market auctions. Consequently, banks continued to maintain sizeable surplus balances at the Standing Deposit Facility (SDF), with average placements of ₦3.65 trillion, while average SLF borrowings remained subdued at ₦51.75 billion, highlighting the abundance of liquidity in the banking system despite periodic liquidity management operations.



Source: CBN, FMDQ, AIICO Capital

Outlook: Liquidity is expected to stay elevated into August, supported by roughly ₦6.3 trillion in OMO and NTB maturities, and continued coupon inflows, though the CBN is likely to sustain aggressive sterilisation to keep the tight monetary stance intact.

Treasury Bills: *Robust Liquidity and Strong Auction Demand Drive Yield Compression*

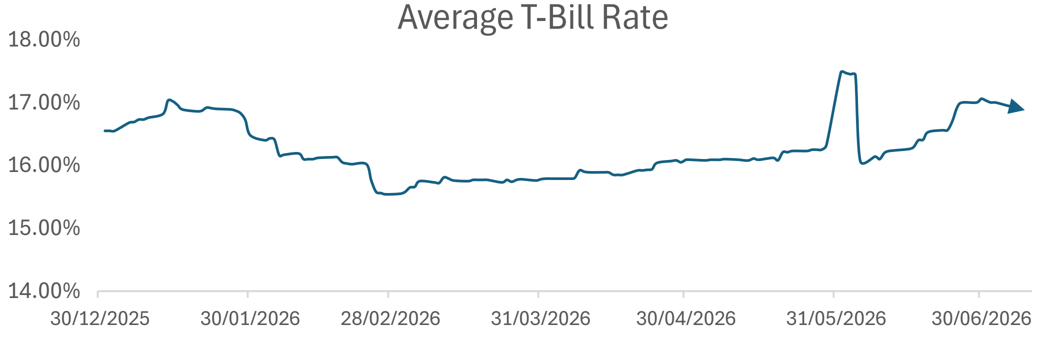
The Nigerian Treasury Bills market extended its bullish momentum in July, underpinned by abundant system liquidity and sustained institutional demand for short-term government securities. The average benchmark NTB yield declined by 48bps to 18.23% at month-end from 18.71% at the end of June, with yields trending lower for most of the month as investors deployed excess liquidity into the secondary market.

The market's performance was largely driven by a highly liquid banking system. Average system liquidity stood at approximately ₦3.92 trillion during the month, supported by sizeable OMO maturities (₦7.37 trillion) and primary market maturities (₦2.63 trillion). Although the CBN attempted to absorb liquidity through ₦3.70 trillion of OMO issuances, ₦4.43 trillion of Treasury Bills and Bond sales, and a CRR debit during the month, liquidity conditions remained accommodative, as reflected by average SDF placements of ₦3.65 trillion compared with average SLF borrowings of just ₦51.75 billion. The persistence of excess liquidity encouraged banks and other institutional investors to increase allocations to government securities, sustaining downward pressure on yields.

Primary market activity reinforced the strong demand environment. Across the three NTB auctions conducted during the month, investor subscriptions rose steadily from ₦2.03 trillion to ₦3.62 trillion, while the bid-to-cover ratio improved from 1.91x to 2.90x. The DMO consistently allotted more than the initial amount offered, highlighting its willingness to accommodate demand. Strong demand was particularly evident for the 364-day paper, whose stop rate declined from 17.70% at the first auction to 17.35% by month-end, signalling investors' willingness to accept lower yields in exchange for locking in relatively attractive returns.

Outlook:

We expect the Treasury Bills market to remain supported by institutional demand, although the pace of further yield compression will depend on the CBN's liquidity management operations and the stop rates established at upcoming primary market auctions.



Source: FMDQ, AIICO Capital

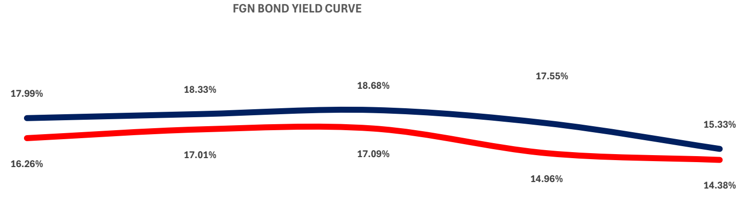
FGN Bonds: *Selective Duration Demand Supports Broad-Based Rally*

The FGN Bond market recorded a strong rally in July, with the average benchmark yield declining by 71bps to 17.08% from 17.79% at the end of June. Yield compression was broad-based across the curve but became more pronounced during the second half of the month, reflecting increased demand for duration as investors redeployed surplus liquidity into longer-dated government securities.

The rally was primarily supported by the same liquidity conditions that underpinned the Treasury Bills market. Elevated system liquidity, driven by sizeable OMO and fixed-income maturities, increased demand for sovereign bonds from banks and other institutional investors seeking to deploy excess cash. As yields on shorter-dated instruments compressed, investors gradually extended duration into the bond market, contributing to stronger performance across the intermediate and long segments of the curve.

The July FGN Bond auction also pointed to healthy investor appetite. Against a total offer of ₦1.20 trillion, subscriptions reached approximately ₦1.74 trillion, reflecting robust demand across all three tenors. However, unlike the Treasury Bills market, the DMO maintained marginal rates at 18.34% for the January 2035 bond and 18.35% for the April 2037 bond, while allotting ₦931.82 billion across the three issues. The unchanged marginal rates suggest the subsequent decline in secondary market yields was driven primarily by post-auction buying interest rather than more aggressive pricing at issuance.

Outlook: We expect the bond market to remain constructive, supported by institutional demand and favourable liquidity conditions. However, the pace of further yield compression is likely to moderate as investors assess upcoming DMO issuance and evolving inflation and monetary policy expectations.



	FGN 3	FGN 5	FGN 7	FGN 10	FGN 20
Current	17.99%	18.33%	18.68%	17.55%	15.33%
Previous	16.26%	17.01%	17.09%	14.96%	14.38%

Source: FMDQ, AIICO Capital

Eurobonds Market : *Yield Compression at the Front End, Modest Steepening at the Long End*

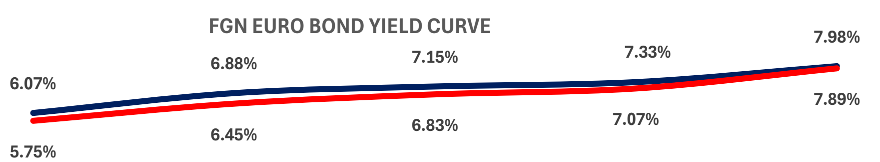
Nigerian sovereign Eurobond yields fell 10 basis points on average in July, from 7.07% to 6.97%. The move was uneven: yields on the 2027–2038 maturities compressed, with the sharpest declines in the 2030, 2031 (June), and 2033 issues (25 basis points or more), while the longest-dated bonds (2046–2051) widened slightly, by 4–6 basis points. The result was a curve that flattened at the front and steepened at the long end.

The front-end and belly rally reflects improving near-term credit conditions specific to Nigeria. External reserves rose to $52.52 billion by July 17, from $50.47 billion at end-May, supported by crude-oil tax receipts as Brent rose roughly 24% over the month. As a net oil exporter, Nigeria benefits from higher crude prices through stronger reserves and fiscal oil revenue, the opposite effect to what oil-importing economies experienced over the same period. Headline inflation also eased slightly to 15.91% in June, and the CBN's July 20–21 rate hold provided policy continuity. These factors reduce near-term repayment and liquidity risk, which is priced more directly into shorter-dated bonds.

The long end's modest widening is better explained by global rates than by Nigeria-specific factors. The U.S. 30-year Treasury yield rose from the mid-4.90s in mid-June to around 5.14% by late July, as markets priced in a higher chance of Fed tightening following the renewed Iran conflict. Longer-dated Nigerian bonds carry more exposure to U.S. duration risk than to near-term domestic catalysts, so this global move is the more likely driver of their underperformance even as Nigeria's own credit metrics improved.

Overall, Nigeria-specific factors, reserve growth, easing inflation, and policy stability, outweighed global rate pressure at the front end of the curve in July, while the long end remained more sensitive to U.S. Treasury yields than to domestic developments. This suggests relative value currently favors the front-to-belly segment, with long-end performance likely to continue tracking U.S. rate expectations absent a material shift in Nigeria's own fiscal or reserve position.

Outlook: In August, we expect Nigerian sovereign Eurobonds to trade with a mildly bullish bias in the near term, supported by improving external reserves, stable domestic macroeconomic conditions, and resilient oil prices. However, gains are likely to remain concentrated at the front and belly of the curve, while longer-dated maturities will continue to be driven by U.S. Treasury yields and global risk sentiment.



	FGN EURO 3	FGN EURO 5	FGNEURO 7	FGN EURO 10	FGN EURO 20
Current	6.07%	6.88%	7.15%	7.33%	7.98%
Previous	5.75%	6.45%	6.83%	7.07%	7.89%

Source: FirstBank UK, AIICO Capital

Equity Market : *NGX Rebounds 6.92% as Banking Stocks Lead Recovery From June's Correction*

The Nigerian equities market rebounded strongly in July, with the NGX All-Share Index (ASI) advancing 6.92% to 245,283.68 points, while market capitalization increased by ₦11.11 trillion to ₦158.33 trillion. The recovery largely reversed June's 8.37% correction, leaving the benchmark just 2.04% below its May peak of 250,385.70 points. The rebound extended the market's year-to-date return to 57.60%, reinforcing Nigeria's position as one of the best-performing equity markets globally in 2026.

The rally was driven primarily by institutional rotation into large-cap, fundamentally strong stocks rather than broad-based risk appetite. Banking stocks led the recovery, with the NGX Banking Index surging 22.10% after declining 12.21% in June, as investors rebuilt positions following the previous month's profit-taking. Market participants continued to position ahead of the banking sector recapitalization deadline, while expectations of stronger capital buffers and improved earnings resilience supported renewed demand for tier-one lenders. The recovery in the banking sector accounted for a significant proportion of the benchmark's advance, highlighting its continued role as the market's primary performance driver. Market breadth, however, remained relatively narrow. Airtel Africa, FirstHoldCo, MTN Nigeria and Dangote Cement collectively contributed approximately ₦10.78 trillion of the ₦11.11 trillion increase in market capitalization, indicating that the recovery was concentrated in a handful of index heavyweights. This concentration suggests institutional investors continued to favour highly liquid, fundamentally resilient companies over broader market exposure

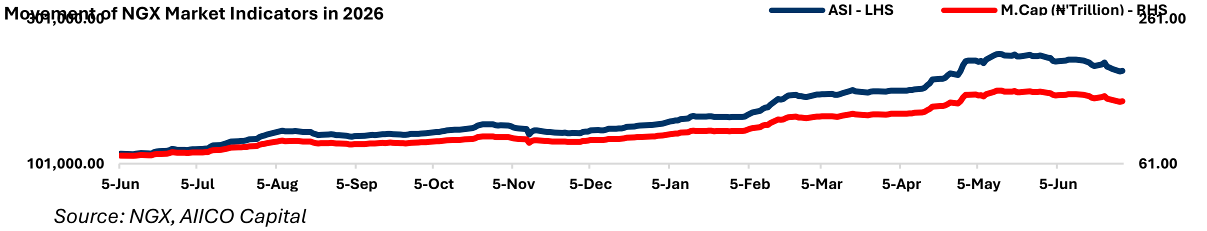
The continued re-rating of MTN Nigeria, which closed the month at a record ₦605, further reflects investor preference for companies with strong earnings visibility and pricing power.

Performance across other sectors was comparatively modest. The Insurance Index gained 9.28%, supported by recapitalization-driven optimism and renewed interest in select insurers, while the Industrial Goods Index advanced 3.57% on continued demand for market leaders. Meanwhile, the Oil & Gas Index remained the year's strongest-performing sector, delivering a 96.30% year-to-date return. The sector continued to benefit from elevated crude oil prices, which strengthened earnings expectations for upstream producers while simultaneously improving Nigeria's external position through higher export receipts and reserve accumulation.

Overall, July's rally reflected selective accumulation rather than indiscriminate buying. Investors remained concentrated in sectors with clear earnings catalysts and favourable macroeconomic tailwinds, particularly banking, telecommunications and oil & gas. While improving macroeconomic stability, moderating inflation and a relatively stable exchange rate have reinforced investor confidence, the narrow leadership of the rally suggests market participants remain valuation-conscious and continue to favour quality large-cap names over the broader market.

Outlook: We expect the equities market to maintain a constructive bias, with investor focus shifting toward Q2/H1 2026 corporate earnings and management guidance following the recapitalization-driven rally. However, elevated valuations after July's strong rebound could spur intermittent profit-taking, keeping performance largely stock-specific and earnings-driven.

Movement of NGX Market Indicators in 2026



Source: NGX, AIICO Capital

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