AIICO CAPITAL



September 2026

Economic & Market Review



United States - *Fed Delivers First Hike Since 2023 as Payroll Growth Rebounds Sharply*

The Federal Reserve raised its benchmark rate for the first time in three years at its September meeting, a decision that marks a reversal from the rate-cut expectations priced into markets following July and August's weaker labour data and was reinforced by an August employment report that came in well above consensus.

The FOMC voted unanimously, 12–0, on September 16 to raise the federal funds rate 25 basis points to a target range of 3.75%–4.00%. Chair Warsh characterized the move as removing "a dose of accommodation" rather than beginning a sustained tightening cycle, citing persistently elevated inflation alongside continued economic resilience.

The updated Summary of Economic Projections showed a median year-end 2026 rate projection of 4.1%, up from the 3.6%–4.1% range indicated in July, implying the Committee expects at least one further hike before year-end, with no cuts projected until 2028.

The decision followed a Jackson Hole speech in which Warsh signaled discomfort with underlying inflation trends despite favourable headline prints over the summer, and was consistent with market pricing heading into the meeting, which had placed the probability of a hike at approximately 92%.

The August employment report, released September 4, showed nonfarm payrolls rising 162,000, well above the roughly 53,000–56,000 consensus estimate and a sharp rebound from July's figure, which was itself revised up to 21,000 from the initially reported decline of 23,000. June and July payrolls combined were revised up 55,000. The unemployment rate held at 4.1%, in line with expectations, while labour force participation edged up to 61.6% from 61.4%. Growth was concentrated in food services and drinking establishments (+59,000) and local government education (+42,000), while the information industry lost jobs. Average hourly earnings rose 0.3% month-on-month and 3.1% year-on-year, a modest deceleration from July's 3.2%..



United States - *Fed Delivers First Hike Since 2023 as Payroll Growth Rebounds Sharply*

The broader U-6 underemployment measure fell to 7.7%, its lowest level since June 2025. The report's strength, combined with a preliminary annual benchmark revision released August 28 showing a 79,000 downward adjustment to the prior twelve months of payroll data, leaves the labour market's underlying trend somewhat ambiguous: the benchmark revision points to a weaker base than previously understood, even as the most recent monthly print came in well ahead of expectations.

Headline CPI held at 3.4% year-on-year in August, unchanged from July, with the month-on-month reading accelerating to 0.4% from 0.1%, driven substantially by a 3.9% rise in gasoline prices that accounted for more than a third of the monthly increase; the energy index rose 16.3% year-on-year. Core inflation eased to 2.4% from 2.5%, its slowest pace since March 2021, with core CPI rising 0.3% month-on-month. Shelter rose 0.3% and remained the primary source of underlying stickiness in the core measure.

The combination of a stable-to-rising headline rate alongside continued core deceleration gave the Committee room to characterize inflation as "elevated" without derailing the case for a hike grounded primarily in labour market resilience and growth momentum rather than an inflation reacceleration.

PMI data was consistent with an economy still expanding, with services strengthening even as manufacturing growth moderated. The ISM Manufacturing PMI eased to 54.6 in August from 55.6 in July, with the Employment Index falling to 51.2 from 52.8 and the Prices Index holding at an elevated 71.1, while production remained robust at 58.3. The ISM Services PMI rose to 55.4 from 54.1, with new export orders and backlog of orders both posting notable gains, consistent with the broader picture of an economy that retained enough momentum through the summer to support the Committee's decision to tighten rather than ease policy.



UK- *Inflation Accelerates to 3.1% as the Bank of England Holds Despite a Growing Hawkish Minority*

UK data pointed toward building inflationary pressure even as growth indicators remained resilient, with the Bank of England holding policy steady but warning explicitly that further rate increases may be required if elevated energy prices persist.

Headline CPI accelerated to 3.1% year-on-year in August, up from 2.9% in July, the UK's highest reading in nearly a year and above equivalent flash estimates for France (2.7%) and Germany (2.9%) in the same month. The month-on-month increase was 0.5%. Core CPI held at 2.6% for a third consecutive month, and services inflation was unchanged at 3.4%, while CPI goods inflation rose sharply to 2.7% from 2.2%, its highest since September 2025, indicating the August acceleration was driven primarily by goods and energy-linked pricing rather than a broadening of domestically generated price pressure. Food inflation held at 1.3%, matching its joint-lowest reading since August 2024.

The Monetary Policy Committee held Bank Rate at 3.75% on September 17, a sixth consecutive hold, in an unchanged 6–3 vote with the same three members again favouring an immediate increase to 4%. The Committee's updated projections showed inflation now expected to reach approximately 3.75% by Q4 2026, up from a 3.2% projection in July, and to move slightly above 4% in Q1 2027, a material upward revision attributable to sustained elevated energy prices tied to the Middle East conflict. The Bank's communication was explicitly conditional: it stated that the longer energy-price volatility persists, the greater the risk of more persistent inflation and the more likely a rate increase becomes. Market pricing had shifted decisively toward tightening by month-end, with a quarter-point rise at the November 5 meeting priced as the clear favourite outcome.

Labour market conditions remained comparatively soft against that inflation backdrop. Unemployment stood at 4.9% in the three months to July, and private-sector regular wage growth eased to 2.9% year-on-year from 3.3% at the start of 2026, though the Bank noted broader indicators suggested underlying wage growth closer to 3.5%, still running above its estimate of a target-consistent rate. This combination, rising inflation alongside softening wage growth, is the central tension underlying the Committee's hold: labour market slack is viewed as a restraining force on inflation even as externally driven energy costs push the headline rate higher. GDP data showed continued but moderating expansion. Monthly GDP rose 0.4% in July, up from 0.3% in June and following no growth in May, with all three main sectors contributing positively. On a three-month basis,

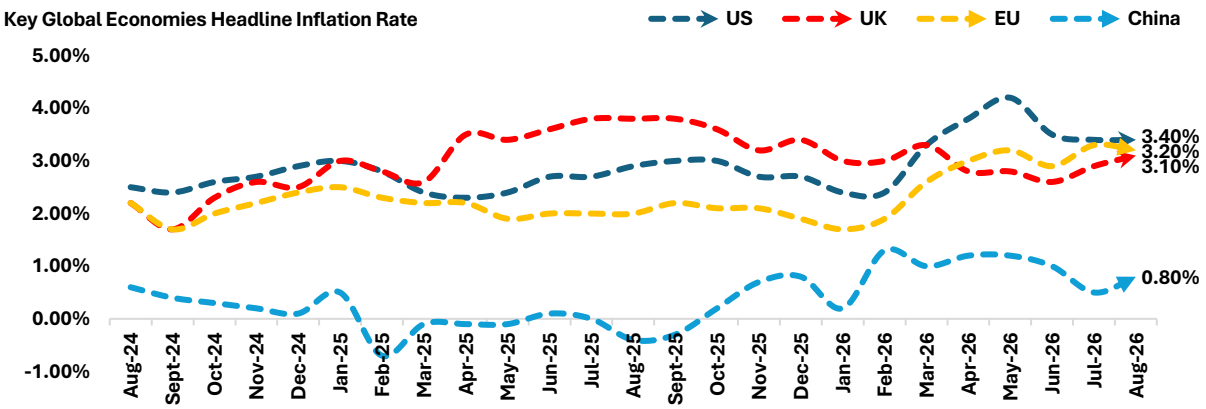


UK- *Inflation Accelerates to 3.1% as the Bank of England Holds Despite a Growing Hawkish Minority*

GDP grew 0.4% in the three months to July, the eighth consecutive period of quarter-on-quarter growth, though a deceleration from 0.6% in the three months to May. Services remained the primary driver, up 0.6% over the three-month period, while both production and construction output fell 0.5%.

PMI survey data showed a pattern of a strong July followed by cooling into the autumn. The flash Composite PMI for July registered 52.1, a three-month high, with manufacturing output reaching a 22-month high of 53.6 amid reported demand linked to the FIFA World Cup, though S&P Global cautioned part of the manufacturing strength reflected precautionary stockpiling ahead of anticipated price increases rather than underlying demand.

Momentum eased subsequently: the Manufacturing PMI fell to 51.5 in August, a five-month low, before recovering to a flash reading of 52.0 in September. The flash Composite PMI eased to 51.7 in September, a three-month low, with S&P Global's commentary noting output growth had softened even as inflationary pressures within the survey intensified, a combination consistent with the Bank of England's own concern that external cost pressures are building faster than domestic demand is cooling.



Source: Bloomberg, AIICO CAPITAL



Eurozone - *Eurozone - ECB Delivers a Second Hike as Inflation Reaches a Three-Year High and Hiring Resumes*

The Eurozone's policy and activity data moved in the same direction in the latest period: accelerating inflation, a resilient PMI picture, and a labour market that resumed net hiring for the first time this year together gave the ECB sufficient grounds to deliver its second rate increase since the Iran conflict began.

The Governing Council raised its three key interest rates by 25 basis points on September 10, lifting the deposit facility rate to 2.50%, the main refinancing rate to 2.65%, and the marginal lending rate to 2.90%. President Lagarde described the decision as a "no brainer," citing the euro area's "greater-than-expected resilience" to the energy shock alongside continued upside inflation risk, while declining to commit to a specific further rate path. The decision followed final August HICP data confirming headline inflation at 3.2% year-on-year, up from 2.9% in July and the highest reading since September 2023, with energy inflation accelerating sharply to 14.3% from 10.3%. Core inflation eased marginally to 2.4% from 2.5%, indicating the acceleration remained concentrated in energy rather than broadening into underlying price pressure, though three-year consumer inflation expectations rose to 2.9% from 2.7%, a signal the ECB is likely to monitor closely for evidence of de-anchoring.

The labour market showed a notable inflection in August. The flash Composite PMI reported companies adding to headcount for the first time in 2026, ending a sequence of job shedding that had persisted for 38 consecutive months; manufacturing employment rose only fractionally, with job creation concentrated outside Germany, where staffing levels merely stabilized. This sits alongside a still elevated but stable unemployment rate, which held at 6.4% in both July and August, up from 6.3% a year earlier. Youth unemployment eased to 15.0% in August from 15.1% in July.

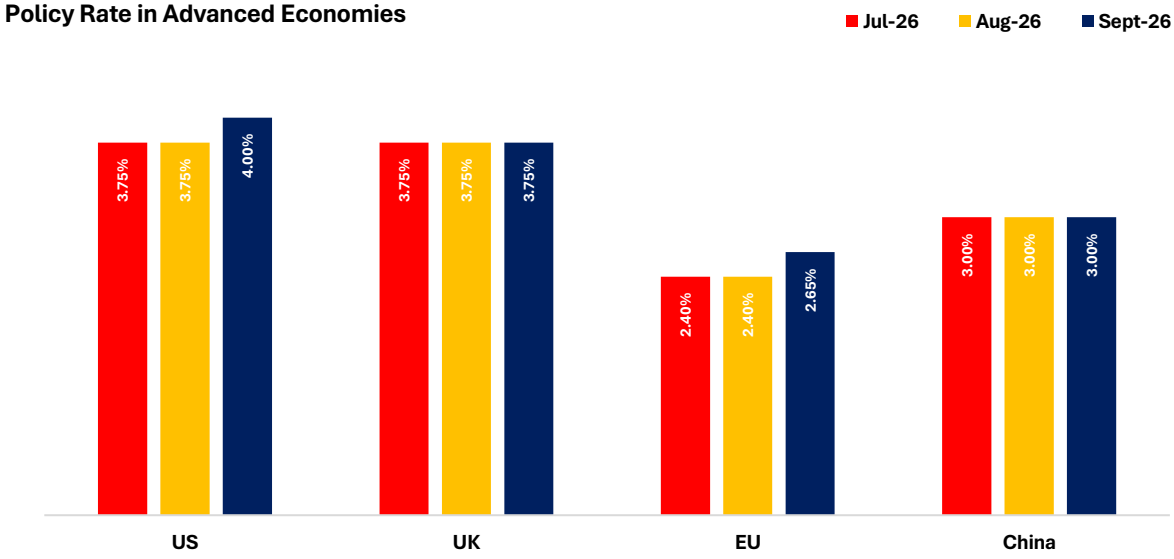
PMI survey data pointed to sustained, broad-based expansion through the third quarter. The flash Composite PMI rose to 52.1 in August from 52.0 in July, its highest level since November 2025, with manufacturing the primary driver: the final August. Manufacturing PMI rose to 52.8 from 51.9, its fastest pace of expansion in four years, concentrated substantially in Germany, where production rose at its fastest pace since January 2022. Services held broadly steady at 51.6.



Eurozone - *Eurozone - ECB Delivers a Second Hike as Inflation Reaches a Three-Year High and Hiring Resumes*

The September flash Manufacturing PMI was unchanged at 52.7, suggesting the pace of manufacturing improvement has stabilized rather than continued accelerating. S&P Global's assessment is that the August PMI reading is consistent with third-quarter GDP growth of approximately 0.3% quarter-on-quarter, which, combined with the resumption of hiring and inflation remaining elevated by historical standards, supports the case for the ECB's hawkish bias and leaves a further rate increase before year-end a live possibility rather than a settled outcome.

Policy Rate in Advanced Economies



Source: Bloomberg, AIICO CAPITAL



Asia- *Asia – Japan Delivers a Second Hike in Three Months as China's Recovery Stays Fragile and India's Inflation Surges Past 4.8%*

Asia's three largest economies diverged further in the latest data: Japan accelerated its tightening cycle to the fastest pace since 1990, China's activity indicators showed a tentative but unconvincing stabilization, and India recorded its sharpest inflation reading in nearly two years even as its central bank held policy unchanged.

The Bank of Japan raised its policy rate 25 basis points to 1.25% on September 18, a 7–2 vote with board members Asada and Sato dissenting in favour of a hold, taking the rate to its highest level since 1995. This marks the second hike in three months following June's move to 1.0%, the fastest tightening pace the Bank has pursued since 1990. The decision came despite August core CPI (excluding fresh food) easing to 1.7% from 1.8% in July, which the Bank attributed substantially to government energy subsidies rather than a genuine moderation in underlying price pressure; the core-core measure, which also excludes energy, held at 1.9%. The Bank reiterated its aim of stabilizing inflation at "around 2%" to prevent an overshoot, and the yen weakened 0.45% to 156.64 against the dollar following the decision, while the 10-year JGB yield fell 4.9 basis points. Forecasts for September's Tokyo core CPI, due shortly after the decision, point to a sharp jump to 2.4% from 1.8%, which would reinforce the case for continued tightening at the Bank's next meeting on October 29–30.

China's official NBS Manufacturing PMI rose to 49.8 in August from 49.2 in July, a second consecutive improvement but still below the 50 expansion threshold for a second straight month. The Non-Manufacturing PMI held unchanged at 49.0, below the 49.5 consensus, with the Composite PMI Output Index edging up only 0.2 points to 49.5. Within manufacturing, equipment manufacturing (51.4) and high-tech manufacturing (52.9) remained in expansion, and large enterprises returned to growth at 50.6, up 1.1 points, while the independent Caixin/RatingDog manufacturing gauge, which skews toward smaller, export-oriented firms, rose more decisively to 51.5 from July's four-month low of 50.9. The divergence between the official and private surveys, combined with the fact that June-July's average reading matched August's level, suggests the headline improvement reflects a reversal of prior seasonal distortion around quarter-end rather than a genuine acceleration in underlying demand; continued weakness in non-manufacturing and construction activity reinforces this reading. CPI inflation accelerated to 0.8% year-on-year in August from 0.5% in July, driven by higher energy prices, while food prices fell again, down 1.4% year-on-year, led by an 11.8% decline in pork prices. Producer prices rose 3.8% year-on-year, continuing a gradual acceleration from recent lows.

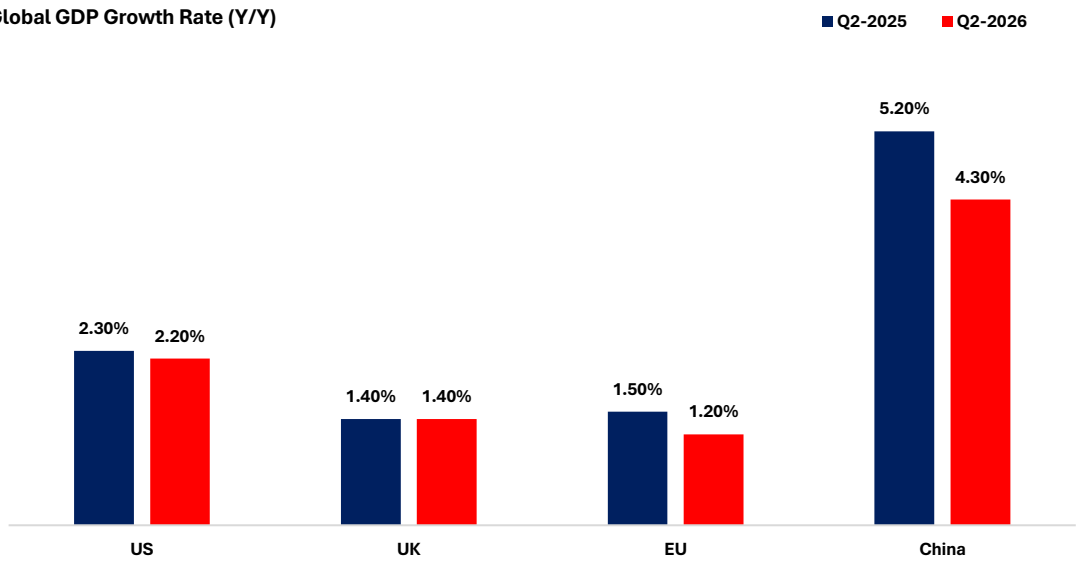
Source: Bloomberg, AIICO CAPITAL



Asia- *Asia – Japan Delivers a Second Hike in Three Months as China's Recovery Stays Fragile and India's Inflation Surges Past 4.8%*

India's Reserve Bank held its repo rate at 5.25% for a fourth consecutive meeting on August 3–5, a unanimous decision retaining a neutral policy stance, with Governor Malhotra describing the Committee's posture as "neither dovish nor hawkish." The Committee's FY2026/27 inflation forecast stood at 5.0%, with core inflation projected at 4.3%. That relatively sanguine stance was tested shortly after: August CPI accelerated sharply to 4.82% year-on-year from 4.44% in July, its highest reading since December 2024, in line with the 4.8% consensus estimate, with food inflation rising to 5.95% from 5.52%. The acceleration moves inflation further above the RBI's 4% medium-term target, though it remains within the 2%–6% tolerance band. The Committee's next scheduled meeting is October 7, where the August inflation data, the most significant upside surprise among the three economies covered in this section, will be the central input into the rate decision.

Key Global GDP Growth Rate (Y/Y)



Source: Bloomberg, AIICO CAPITAL

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Africa- *South Africa and Ghana Tighten and Hold as Angola Delivers a Third Rate Cut Amid Diverging Inflation Paths*

African monetary policy showed a split pattern in the latest period: South Africa delivered its second hike of the year as inflation accelerated toward its upper tolerance limit, Ghana and Egypt held steady despite inflation moving in opposite directions in each country, Kenya and Uganda both saw inflation climb to multi-month or multi-year highs without a policy response, and Angola continued an aggressive easing cycle backed by a sharply improved inflation outlook.

South Africa's Reserve Bank raised its repo rate 25 basis points to 7.25% on September 23, a unanimous decision following a 4–2 split vote at the prior meeting, taking the prime lending rate to 10.75%. The move followed August CPI of 4.4%, up from 4.3% in July and below the 4.5% consensus, with core inflation easing to 4.1% from 4.2%. Food and non-alcoholic beverage inflation rose for the first time in nine months, to 1.1% from 0.9%. Governor Kganyago warned that headline inflation is likely to exceed 5% later in 2026 and into early 2027, citing upside risk, even as the Bank maintained its 1.2% growth forecast for the year despite a 0.2% contraction in Q2 GDP. The rand's relative resilience through the period was cited as a mitigating factor for imported goods inflation.

Egypt's central bank held its overnight deposit rate at 19% on September 24, a fifth consecutive hold, after August urban inflation eased to 14.5% from 14.9% in July, undershooting both the 15.5% consensus and the Bank's own prior guidance for a third-quarter pickup. Core inflation moved in the opposite direction, however, rising to 14.9% from 14.7%, a divergence the Bank's guidance has not yet fully addressed. The Bank revised its inflation framing, now expecting headline inflation to stabilize in Q3 rather than accelerate as previously projected, and lowered its FY2026/27 inflation forecast to an average of 16.6%, with convergence toward single digits only expected in FY2027/28. Domestic growth is estimated to have moderated in Q2 following 5% growth in Q1, according to the Bank's internal forecast.

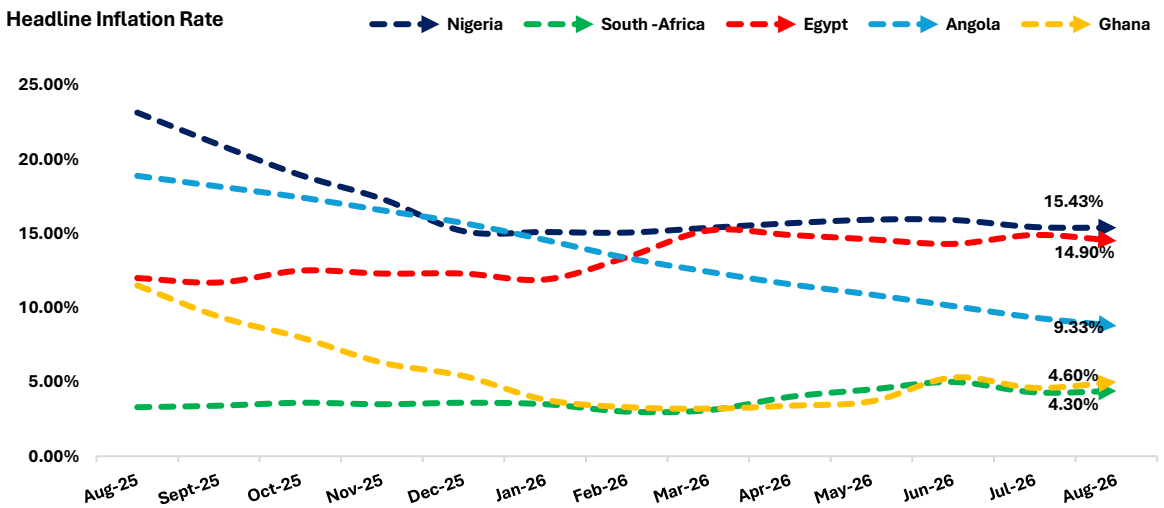
Kenya's central bank held its rate at 8.75% at its August 11 meeting, a fourth consecutive hold and the longest policy pause since 2020, when headline inflation stood at 6.5% in July. Inflation subsequently accelerated in both of the following two months, reaching 6.6% in August and 6.8% in September, its highest level since January 2024, and now close to the upper edge of the Central Bank's 2.5%–7.5% tolerance band around a 5% midpoint target. The acceleration was driven by food, transport, and household energy costs, with the Bank's next policy decision due in October against a backdrop of inflation that has now moved uncomfortably close to its ceiling without a corresponding policy response yet.

Uganda's central bank held its rate at 9.75% at its August 13 meeting, an eighth consecutive hold extending a pause in place since October 2024, with July inflation at 4.0%. Inflation subsequently accelerated further, to 4.1% in August and sharply to 4.6% in September, still below the Bank's 5% medium-term target but moving in a direction that prompted a direct policy response outside the standard rate decision: the Bank raised its Cash Reserve Requirement from 11% to 13.5%, effective September 24, tightening banking-system liquidity without adjusting the headline rate. The September acceleration was driven by energy, fuel, and utilities inflation reaching 14.5% and a more than doubling of food crop inflation to 4.5% from 2.1%, while the shilling weakened sharply from late August amid renewed Middle East-linked market pressure.

Ghana's central bank held its policy rate at 14% on September 24, a third consecutive hold, following August inflation that accelerated to 5.0% from 4.6% in July, notably below the lower bound of its 6%–10% target band, reflecting the scale of Ghana's disinflation over the past two years. The Bank characterized the balance of risks to inflation and growth as broadly balanced, citing moderating underlying inflationary pressures alongside robust external sector performance, even as the cedi weakened approximately 2.4% against the dollar in the days ahead of the decision.

Private-sector credit growth accelerated to 41.2% year-on-year through June, and the Ghana Reference Rate has fallen to 10.18% from 23.80% a year earlier, reflecting the scale of the broader easing cycle even as the policy rate itself remains on hold.

Angola's National Bank cut its policy rate by a further 100 basis points to 14.75% on September 15, its third cut of the cycle following a 125-basis-point reduction in July. The decision followed August inflation of 8.78%, down from 9.3% in July and from 18.88% a year earlier, prompting the Bank to lower its year-end 2026 inflation forecast sharply to 8.6% from a prior 11.5%, alongside an upward revision to its 2026 growth forecast to 6.15% from 3.6%. Angola's continued disinflation and easing cycle stands in direct contrast to the tightening or holding patterns across the net oil-importing economies covered above, reinforcing the pattern observed throughout this report of the Iran conflict's asymmetric impact on oil exporters versus importers across the continent.



Source: Bloomberg, AIICO CAPITAL



Oil Market - *Oil Surges Back Above $100 as Hormuz Diplomacy Collapses for a Third Time*

Crude oil extended its pattern of sharp, headline-driven volatility through September, breaching $100 per barrel for the first time since May as renewed and sustained U.S.-Iran military engagement displaced the cautious optimism that had briefly stabilized prices in the $80s during August.

According to the U.S. Energy Information Administration's September Short-Term Energy Outlook, global oil prices averaged $91 per barrel in August, $7 higher than July's average, with the increase attributed to continued drawdowns in global inventories, estimated to have fallen by 400 million barrels since the start of the year. That forecast finalized September 3, projected Brent would average around $90 per barrel through the second half of 2026, with Middle East production expected to recover gradually as Hormuz traffic normalized, an outlook that was overtaken by events within days of its release.

Fighting between the United States and Iran escalated sharply in the second week of September. On September 8, Brent rose to a close of $97.92 following reports of a previously undisclosed Iranian attack on U.S. naval vessels, with WTI trading near $94

. The escalation intensified further on September 10, when Brent surged 6.3% to settle at $107.63, briefly touching $108 intraday, its highest level since May, after direct U.S.-Iran strikes raised expectations of a prolonged conflict; oil had gained more than 18% for the month to that point. S&P Global Energy stated for the first time since the conflict began that it did not expect Middle East oil production to return to pre-war levels by the end of 2027, revising its own price expectation to a sustained $80–$100 range through next year. Some commodities analysts flagged the possibility of Brent exceeding $120 should Gulf output remain approximately 4 million barrels per day below pre-conflict levels, characterizing continued shipping attacks in the Strait of Hormuz and Red Sea as the most likely driver of a sustained higher-price scenario, though this was characterized as a risk case rather than a central forecast.

Prices remained elevated through the balance of the month. On September 28, Brent rose more than 3% to near $108 after President Trump rejected an Iranian proposal to reopen the Strait of Hormuz within seven days, dismissing it as unacceptable.

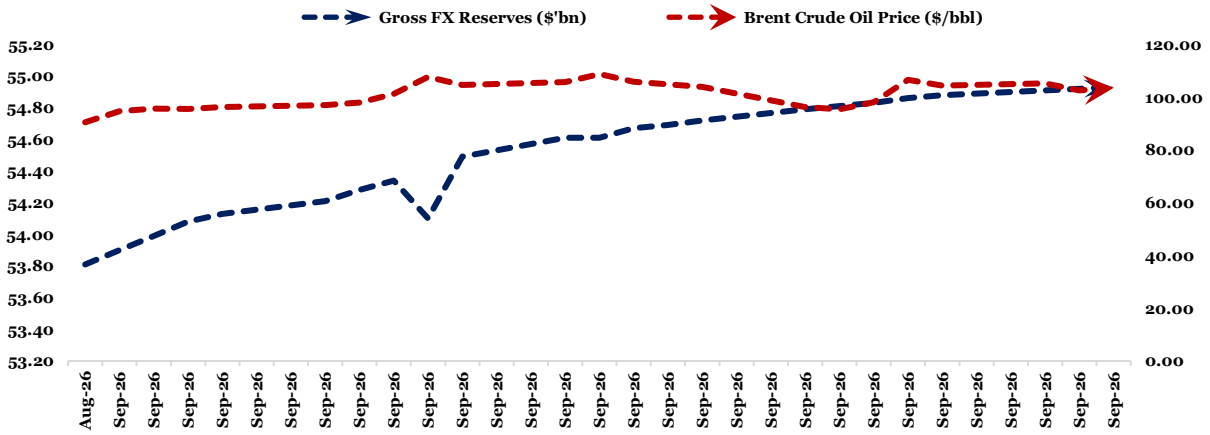
Source: CBN, Oilprice.com, AIICO CAPITAL



Oil Market - *Oil Surges Back Above $100 as Hormuz Diplomacy Collapses for a Third Time*

Notably, this price surge occurred even as actual shipping traffic through the Strait showed tentative improvement, with maritime tracking data recording 132 transits between September 21–27, up from 116 the prior week, indicating the market's pricing of geopolitical risk continued to outpace the physical normalization occurring on the water. By early October, Brent had eased modestly to approximately $102–103 per barrel, still up roughly 7.5% over the preceding month and approximately 59% higher year-on-year.

The persistent pattern across September, diplomatic proposals followed by rejection and renewed military escalation, reinforces the assessment this report has carried since the conflict's outset: durable de-escalation has repeatedly proven more difficult to achieve than initial headlines suggest, and the market continues to price a meaningful probability of prolonged disruption rather than near-term resolution. For positioning purposes, the EIA's own September forecast is now a conservative floor rather than a central case, and the trajectory of Hormuz shipping volumes, which have shown gradual underlying improvement even through the latest price spike, may prove a more reliable leading indicator than the pace of diplomatic headlines.



Source: CBN, Oilprice.com, AIICO CAPITAL



Inflation *– Disinflation Extends to a Third Straight Month as Headline Rate Falls to a Five-Month Low*

Headline inflation eased to 15.39% year-on-year in August 2026, down from 15.43% in July, a modest 0.04-percentage-point decline, but one that marks a third consecutive month of improvement and brings the headline rate to its lowest level since March 2026. The reading remains sharply below the 23.14% recorded in August 2025. More significantly, the month-on-month pace of price increases slowed substantially, to 0.71% in August from 1.57% in July, a decline of 0.86 percentage points, the clearest signal in this report's recent coverage that the pace of new price increases, not just the year-on-year comparison, is genuinely decelerating. The Consumer Price Index itself rose to 146.3 points in August from 145.3 in July, a gain of 1.0 point, confirming that prices continued to rise overall even as the rate of increase slowed.

Core inflation decelerated more sharply than the headline rate, falling to 13.0% year-on-year, its lowest reading in some time, and declining 0.06% month-on-month, indicating prices outside food and energy were essentially flat to marginally lower during the month.

This is a meaningful deceleration from July's core reading of 14.97% and suggests the moderation in price pressure is broadening beyond the headline aggregate into the underlying inflation measure the CBN weighs most heavily in policy deliberations.

Food inflation, which had been the primary source of concern in the July report, accelerating against the broader disinflation trend, reversed direction in August. Food inflation eased to 19.57% year-on-year from July's 20.31% (though still sharply below the 25.30% recorded in August 2025), while the month-on-month food inflation rate collapsed to 1.02% from July's unusually elevated 5.56%. Despite this improvement, food and non-alcoholic beverages remained the single largest contributor to headline inflation, accounting for 6.16 percentage points of the annual rate, a reminder that even as the growth rate of food prices slows, food remains the dominant driver of what households' experience as inflation, given its roughly 50% weight in the consumption basket.

Energy inflation moved against the broader trend. It climbed to 4.69% in August from 4.40% in July, reversing a decline recorded the prior month. Energy inflation has remained below 6% since May, but the trajectory across 2026 has been inconsistent, it peaked at 12.90% in February, following 11.17% in January, before falling through the spring and fluctuating since, rising again in June and now in August.

Source: CBN, NBS, AIICO Capital

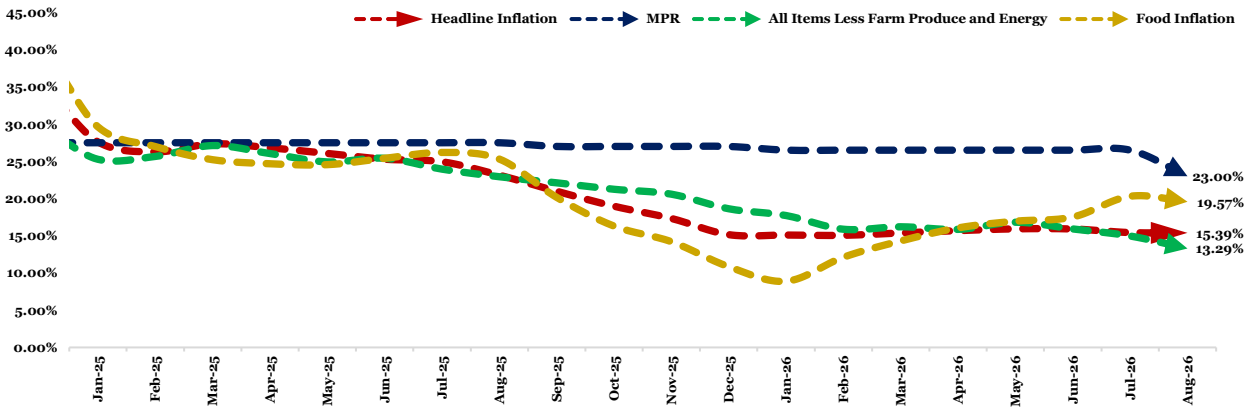


Inflation *– Disinflation Extends to a Third Straight Month as Headline Rate Falls to a Five-Month Low*

This volatility is consistent with the recurring theme across this report of energy prices as the primary transmission channel for the Iran conflict's effects on Nigerian inflation, even as the naira-for-crude framework and relative currency stability have helped contain the scale of pass-through relative to global crude swings.

Twelve-month average inflation stood at 16.30% through August, down 12.02 percentage points from 28.32% over the equivalent period a year earlier, confirming the broader disinflation trend remains firmly intact on a smoothed basis, consistent with the trajectory this report has tracked since the start of the year.

Read-through for policy. The August data provides a materially more supportive backdrop for the CBN's Monetary Policy Committee than July's report did, given the combination of a third consecutive headline decline, a sharp deceleration in the monthly pace of price increases, and genuine easing in both food and core inflation simultaneously, the first month in several where all three measures moved in the same favourable direction at once. The principal risk flagged by analysts tracking the data is the reacceleration in energy inflation, which, combined with this report's ongoing coverage of exchange-rate and global crude volatility, remains the most likely channel through which the disinflation trend could again be interrupted, as occurred between March and May.



PMI *– Economic Recovery Gains Momentum as Industry Sector Rebounds*

The Central Bank of Nigeria's Purchasing Managers' Index (PMI Report) for August 2026 indicates that overall economic activity continued to improve, with the Composite PMI rising to 52.7 points from 51.1 points in July. This represents the third consecutive month of expansion and suggests strengthening business conditions across the economy. Of the 32 subsectors surveyed, 19 recorded growths while 13 experienced contractions, reflecting a broadly positive business environment.

Growth in the overall economy was supported by improvements in key indicators, including output (53.9 points), new orders (51.8 points), and employment (52.4 points), all of which remained above the 50-point expansion threshold. Supplier delivery times also improved, with the index rising to 53.3 points, indicating increased efficiency in supply chains and business operations during the review period.

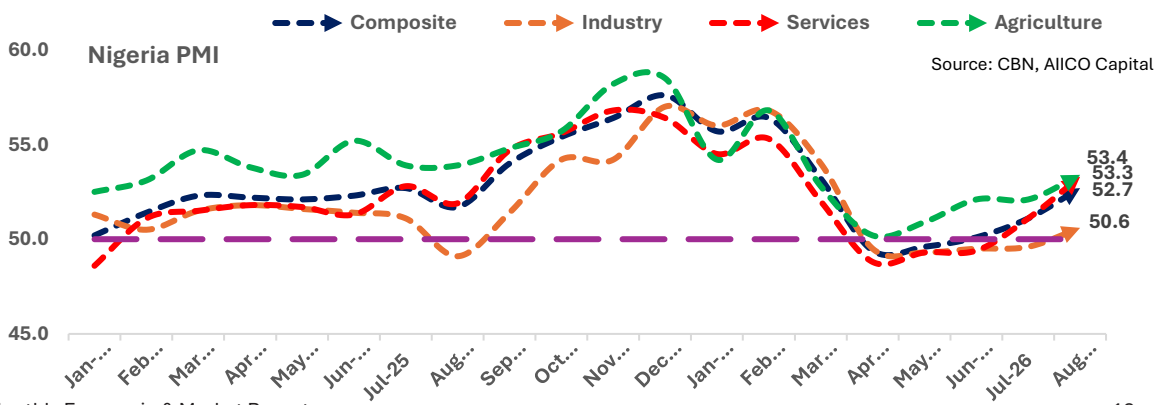
The Services sector sustained its growth trajectory for the second consecutive month, posting a PMI of 53.3 points in August compared with 51.1 points in July. The acceleration was driven by stronger business activity, higher new orders, and increased employment levels. Nine of the eleven services subsectors expanded, with Administrative and Support Services recording the highest growth, while Professional, Scientific, & Technical Services recorded the highest contraction.

The agriculture sector maintained its strong performance, recording a PMI of 53.4 points and extending its expansion streak to twenty-five consecutive months. All five agricultural subsectors recorded growth during the month, led by Forestry.

Key indicators such as general farming activities, new orders, employment, and inventories all remained in expansionary territory, highlighting the sector's resilience and broad-based improvement.

The industry sector rebounded to expansionary territory for the first time in 2026, posting a PMI of 50.6 points compared with 49.6 points in July. The recovery was driven by improvements in production (51.4 points), employment (50.7 points), and supplier delivery times (53.3 points). Although 11 of the 16 industrial subsectors recorded contractions—led by Motor Vehicles & Assembly—strong growth in key areas like Oil Refining pushed the overall sector back into growth.

Price pressures also showed signs of easing during the month, with input price indices for the composite PMI falling by 0.2 points, while output prices rose by 1.0 point. The sustained expansion in the Composite PMI, coupled with easing input and output price pressures and the industrial sector's recovery, points to improving business conditions and a cautiously optimistic outlook for economic growth in the near term.



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MARKETS

Foreign Exchange Market: *Naira Strengthens Modestly as FX Markets Continue to Converge*

September saw the NAFEM rate strengthen modestly from ₦1,332.94/$ at the end of August to ₦1,329.16/$ at the end of September, representing a 0.28% appreciation. The move was relatively stable, with the naira trading within a narrow range for most of the month after an initial weakening to ₦1,315.67/$ on September 3, before recovering towards month-end. The relative stability of the official rate suggests that FX supply conditions remained broadly balanced despite intermittent demand pressures.

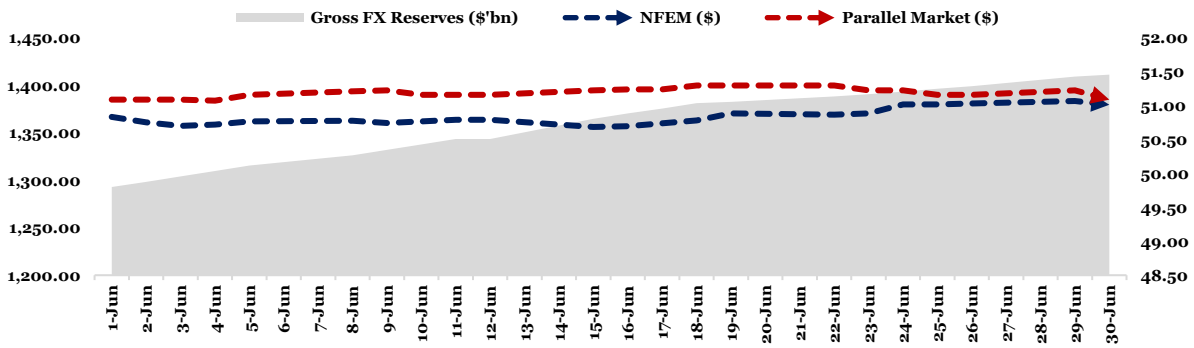
The parallel market showed a more pronounced improvement, strengthening from ₦1,395/$ at the end of August to ₦1,370/$ at the end of September, representing a 1.79% appreciation. The improvement was gradual, with the parallel rate strengthening by ₦25/$ over the month and reaching ₦1,370/$ by month-end. This suggests that underlying FX demand pressures outside the formal market eased somewhat during the period.

The narrowing gap between the two markets was particularly notable. The spread declined from approximately ₦62/$ at the end of August to ₦41/$ by the end of September, representing a meaningful convergence between official and parallel-market pricing.

This is a positive signal for FX-market efficiency, as the smaller spread suggests reduced incentives for transactions to migrate towards the parallel market and indicates that the improvement in official-market conditions is increasingly being reflected across the broader FX market.

Overall, September marked a modest strengthening of the naira, with the more significant improvement occurring in the parallel market rather than at NAFEM. The combination of a stable official rate and narrowing market spread points to improving FX-market conditions, although the relatively limited appreciation at NAFEM suggests that the CBN continues to prioritize exchange-rate stability over aggressive Naira appreciation.

Outlook: We expect the naira to remain broadly stable in October, with the official rate likely to trade within a relatively narrow range as improving FX-market conditions support supply. The narrowing parallel-market premium provides room for further convergence, although renewed importer and corporate demand could limit the pace of appreciation.



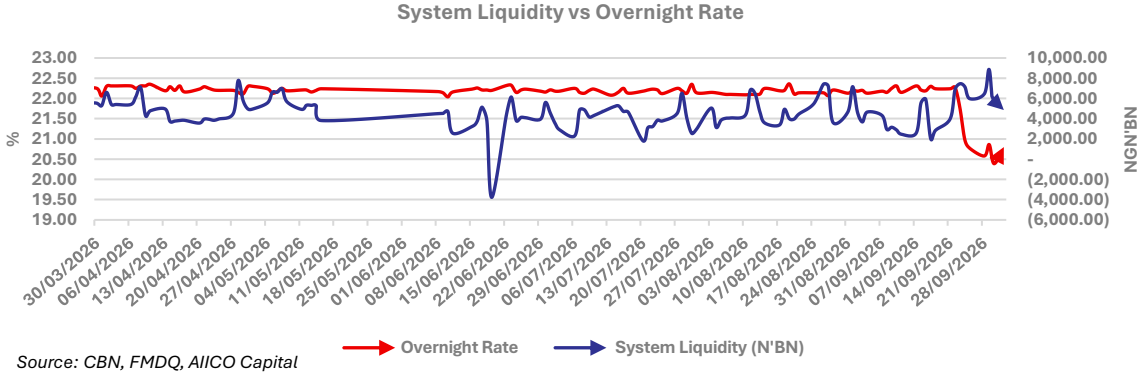
Source: CBN, AIICO Capital

Money Market : *Surplus Liquidity Remains Elevated Despite Periodic Tightening*

September saw system liquidity remain relatively comfortable, averaging ₦4.70 trillion compared with ₦4.00 trillion in August, although the month-end position was broadly unchanged, rising just 1.14% to ₦4.70 trillion from ₦4.65 trillion. Liquidity was initially constrained through the first half of the month, falling to a low of ₦2.03 trillion on September 17, before recovering sharply in the second half and reaching ₦8.84 trillion on September 29, reflecting significant swings around government and CBN-related flows.

The higher average liquidity was supported by lower primary-market funding requirements, with auction settlements declining to ₦5.30 trillion from ₦7.72 trillion in August, while primary-market maturities also fell to ₦4.73 trillion from ₦8.14 trillion. However, substantial OMO activity remained a liquidity drain, with ₦10.89 trillion in OMO repayments and ₦4.40 trillion in settlements during the month. The resulting liquidity volatility was also evident in increased reliance on the CBN's standing facilities, with average SLF borrowing rising sharply to ₦41.82 billion from ₦6.35 billion, while SDF placements increased more moderately to ₦4.27 trillion. Read-through. The increase in average liquidity points to a modestly more accommodative money-market backdrop, but the near-flat month-end position and sharp intra-month swings suggest that liquidity conditions remained highly dependent on CBN and government flows. With the CBN also cutting the MPR by 350bps in September, the key question for October is whether improved liquidity can persist without being offset by renewed OMO or primary-market sterilisation.

Outlook: October's money-market outlook is broadly supportive, with approximately ₦9.78 trillion of expected inflows from OMO maturities, NTB maturities and coupon payments. However, fresh CBN OMO issuance and planned government securities auctions could absorb a meaningful portion of these funds, limiting the net liquidity injection. Overall, liquidity should remain relatively comfortable in October, with money-market rates facing some downward pressure, although the extent will depend on the CBN's sterilisation response.



Source: CBN, FMDQ, AIICO Capital

Treasury Bills: *Strong Demand for Longer Tenors as Auction Rates Fall, but Secondary Yields Rise*

The Nigerian Treasury Bills secondary market traded bearish in September, with yields rising across the curve. The 91-day yield moved from 17.62% to 18.25%, the 180-day from 17.76% to 18.94%, and the 365-day from 18.22% to 20.04%. The 180-day and 365-day yields rose fastest in the first half of the month and then held near their highs. After the 22 September MPR cut, only the 91-day yield eased, slipping from 18.62% to 18.25% in the last two sessions. The gap between the 365-day and 91-day yields widened from about 60bps to about 180bps, so the longer end of the curve is being priced much higher than the short end.

In the primary market, the DMO offered ₦2.10 trillion across three auctions and received ₦10.22 trillion in subscriptions (4.9x). It allotted ₦2.42 trillion, and the 364-day bill took about 97% of subscriptions and 90% of the allotment. At the 2 September auction, the 364-day bill drew ₦3.24 trillion against ₦500 billion offered (6.5x), and the stop rate fell 31bps to 16.84%. At the 9 September auction, it drew ₦2.54 trillion (5.1x) and the stop rate fell 22bps to 16.62%. At the 23 September auction, the day after the 350bps MPR cut, it drew ₦4.09 trillion against ₦400 billion offered (10.2x), the strongest bid of the month. The DMO allotted only ₦447 billion and cut the stop rate 73bps to 15.89%, using the heavy demand to borrow much more cheaply.

Demand for the 91-day and 182-day bills was weak all month. The 91-day bill was covered about 0.5x at every auction. The 182-day bill was covered 0.3x on 2 and 9 September and 0.8x on 23 September. Their stop rates stayed at 16.30% and 16.50% on 2 and 9 September, then fell 80bps and 70bps to 15.50% and 15.80% on 23 September. On that date the DMO accepted only ₦11 billion of the ₦55 billion bid for the 91-day bill and ₦39 billion of the ₦82 billion bid for the 182-day bill, so it rejected bids at higher rates. Investors continued to prefer the one-year bill.

Overall, September had two phases. Early in the month, the DMO cut only the 364-day rate, in small steps. After the MPR cut, it lowered all three stop rates sharply. The secondary market did not follow: yields kept rising, and the 180-day and 365-day yields ended the month at their highs. Auction rates and secondary yields are now moving in opposite directions. In October, we will watch whether secondary yields come down to meet the lower auction rates, which will depend on how much liquidity stays in the system.

Outlook: We expect the T-bills market to stay supported by strong liquidity in October. System liquidity was ₦4.8 trillion at 30 September, and the CBN cut the MPR by 350bps to 23.00% on 22 September. The 364-day bill drew about 97% of September subscriptions, and its stop rate fell to 15.89% at the last auction. We expect that demand to continue and auction rates to stay low. Secondary yields (18.25% on the 91-day, 18.94% on the 180-day and 20.04% on the 365-day at month-end) are still well above auction rates. If buying continues, they should ease towards the auction rates.

Source: FMDQ, AIICO Capital

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FGN Bonds: *Auction Repricing and the MPR Reset Drive a Sharp Rally, but the Short End Gives Back Some Gains*

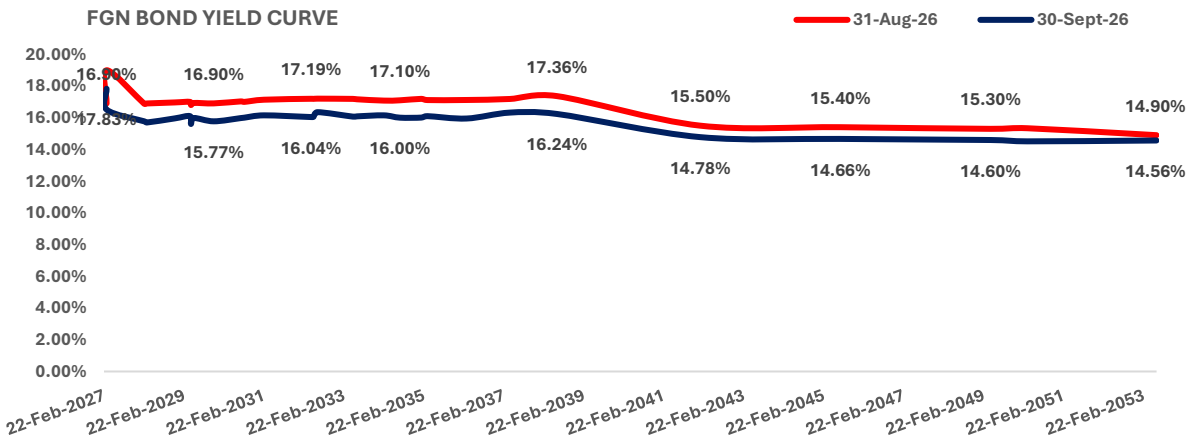
The FGN Bond market rallied in September. The average benchmark yield fell 91bps to 15.80% from 16.71% at the start of the month. Most of the fall came after the CBN cut the MPR by 350bps to 23.00% on 22 September. The 10-year yield ended at 16.01%, down 110bps, while the 20-year yield fell less, by 46bps to 14.66%.

The DMO set the direction at the 14 September auction. It cut its offer to ₦1.00 trillion from ₦1.10 trillion and received ₦1.49 trillion in bids but accepted only about half of them. The June 2038 bond cleared at 16.85%, down 94bps from August, and the new September 2036 bond at 16.79%. Inflation was easing, which gave the DMO room to cut.

In the secondary market, the 10-year yield traded between 16.73% and 16.83% from 9 to 22 September, in line with the 16.79% rate on the new 2036 bond. On 23 September, the day after the cut, the 3-year fell 60bps, the 5-year 56bps and the 10-year 51bps. The short end then gave back part of the move: the 3-year rebounded 50bps from 15.60% on 24 September to 16.10%, and the 5-year rebounded 31bps from 15.84% on 25 September to 16.15%.

The 10-year ended at 16.01%, about 78bps below the 2036 auction rate. T-bills moved the other way: the 365-day yield rose 182bps over the month, so its premium over the 10-year bond widened from about 111bps to about 400bps.

Outlook: We expect FGN bond yields to stay low in October, with some sideways trading after the sharp fall. Easing inflation and ₦4.8 trillion of liquidity should support demand. Secondary yields are already about 78bps below September's 10-year auction rate, so the DMO has room to cut again. The main risks are a larger DMO offer, or investors choosing T-bills, which now pay more.



Source: FMDQ, AIICO Capital

Eurobonds Market : *Rising US Yields Drive a Late-September Sell-Off, Led by the Front End*

Nigerian sovereign Eurobond yields rose 57bps on average in September. The average of the 3, 5, 7, 10 and 20-year yields went from 6.99% on 1 September to 7.56% on 30 September. The sell-off was biggest at the short and middle maturities: the 3-year rose 68bps to 6.60%, the 7-year 67bps to 7.68%, the 5-year 65bps to 7.23% and the 10-year 57bps to 7.91%. The 20-year rose only 29bps to 8.40%. The curve flattened, with the 3-year to 20-year spread narrowing from 219bps to 180bps. Most of the move came late in the month. The average stayed between 6.92% and 7.16% until 22 September, when it was 7.07%, then rose 49bps in the last week.

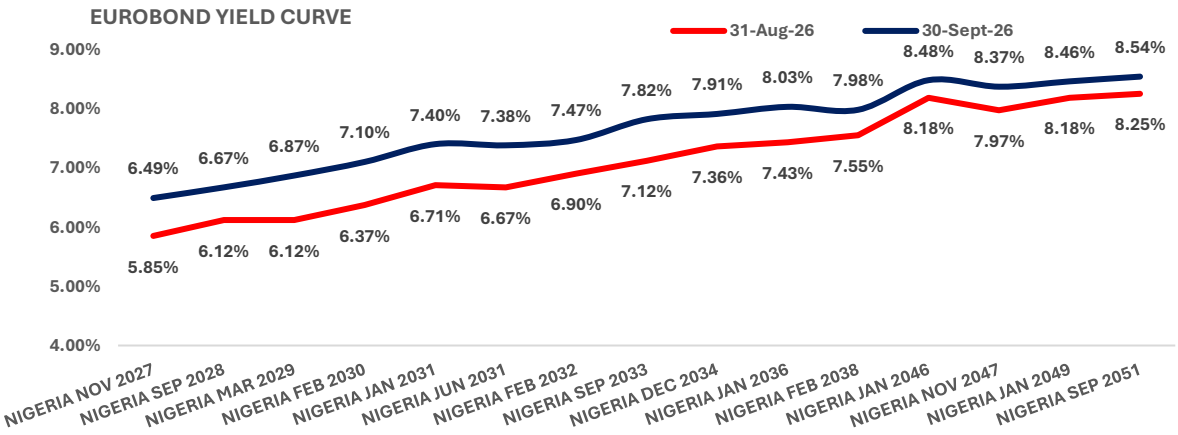
The Fed raised rates by 25bps to 3.75%–4.00% on 16 September, its first hike since 2023, in a unanimous vote, and most FOMC participants now expect at least one more this year. Eurobond yields barely moved at the time (7.16% on 15 September, 7.11% on 16 September). Pressure built afterwards as US yields kept rising. The 10-year was around 5% at the decision, its highest since 2007, and rose from 5.17% on 25 September to 5.29% on 30 September, from about 4.75% at end-August. Oil stayed elevated and volatile. The sell-off was shared by other sovereigns:

Angola's Eurobond yields rose about 66bps on average and South Africa's about 75bps, so Nigeria's rise was smaller.

Nigeria's fundamentals kept improving but did not stop the sell-off. Gross external reserves rose from $53.90 billion on 1 September to $54.86 billion on 24 September, an 18-year high. Inflation eased to 15.39% in August, and the CBN cut the MPR by 350bps to 23.00% on 22 September.

Overall, global rates outweighed Nigeria's improving credit story. The sell-off hit the shorter maturities hardest, a reversal of August, when the front end rallied.

Outlook: In October, we expect Eurobond yields to stay under pressure while the US 10-year yield is above 5% and another Fed hike is expected. Reserves near $55 billion and easing inflation give some support. The planned Eurobond issuance is a further risk, because new supply would add to the pressure on the curve. A fall in US yields is what would turn the market.



Source: FirstBank UK, AIICO Capital

Equity Market - *NGX Breaches ₦164 Trillion as the FTSE Frontier Reclassification and the CBN's Rate Cut Converge*

September saw the Nigerian equities market extend its rally, with the NGX All-Share Index (ASI) rising 2.87% to close at 251,211.67 points, while market capitalization increased to ₦163.10 trillion. The market's advance was not linear, however, as the ASI initially declined to 242,226 points before accelerating to successive all-time highs. The strongest move came around two closely timed catalysts: Nigeria's formal reclassification to the FTSE Russell Frontier Market Index, effective September 21, and the CBN's surprise 350bps reduction in the MPR to 23.0% the following day. The ASI subsequently gained 3.35% on September 21 to reach 250,156.80 points, while market capitalization crossed ₦164 trillion on September 28 before moderating in the final two sessions.

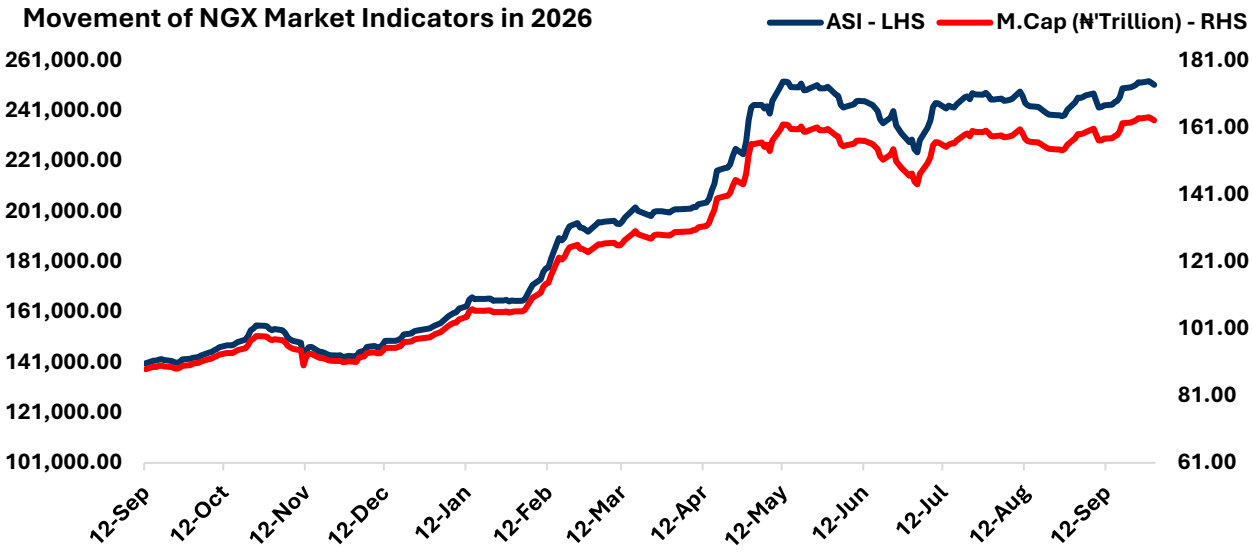
The rally reflected a combination of structural foreign-demand expectations and domestic portfolio rotation. The FTSE reclassification represents a potentially more durable catalyst, as the inclusion of Nigerian equities in the Frontier Market Index creates a mechanical demand channel from passive funds tracking the benchmark. This differs from the impact of the CBN's rate cut, which is more dependent on expectations around the future path of monetary policy. Lower policy rates should reduce fixed income yields and improve the relative attractiveness of equities, but the CBN's characterization of the move as an "operational reset" rather than the start of an easing cycle limits the extent to which investors can extrapolate the cut into a sustained decline in rates. Consequently, while both catalysts supported the September rally, the FTSE inclusion arguably provides the stronger basis for sustained demand, whereas the rate cut is more likely to influence asset allocation at the margin.

The market's behavior towards month-end also provided an early indication of this distinction. Banking and Insurance stocks, which had benefited from the initial repricing around the rate cut, came under renewed selling pressure in the final two sessions, contributing to a combined ₦894 billion decline in market capitalization on September 29 and 30. This suggests that investors were beginning to reassess the extent of the rate-driven repricing, particularly in sectors whose earnings and investment portfolios are sensitive to interest rates. At the same time, the broader market remained supported by the structural expectations surrounding index inclusion. Overall, September marked a further broadening of the Nigerian equities rally, but with the market now increasingly transitioning from a liquidity- and catalyst-driven advance towards a more valuation- and fundamentals-driven environment, making stock selection increasingly important.

Outlook: October should remain constructive, supported by continued FTSE-related inflows and the lower interest-rate environment, although the pace of gains may moderate following the strong YTD rally. With valuations elevated, investors are likely to become more selective, favouring liquid large-caps with stronger earnings visibility while taking profits in stocks that have already re-rated significantly. The key monitor will be whether structural foreign demand can offset profit-taking and potential liquidity competition from new capital-market activity.

Source: NGX, AIICO Capital

Equity Market - *NGX Breaches ₦164 Trillion as the FTSE Frontier Reclassification and the CBN's Rate Cut Converge*



Source: NGX, AIICO Capital

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