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COWRY WEEKLY FINANCIAL MARKETS

REVIEW & OUTLOOK (CWR)

Cowry Research

DOMESTIC ECONOMY: Nigeria's 9-months Budget Performance: Debt Devours Revenue While Capital Projects Stall…….

This week, we take a dive into Nigeria's 2025 Amended Budget, valued at ₦49.8 trillion, designed to support economic growth through substantial allocations to recurrent expenditure, capital projects, debt servicing, and statutory transfers. However, performance through the first three quarters (Q1–Q3 2025) reveals widening fiscal imbalances, with persistent revenue underperformance, escalating debt service obligations, and an alarming slowdown in capital expenditure execution despite improved macroeconomic conditions.

The Federal Government budgeted aggregate revenue of ₦49.8 trillion for 2025, implying a pro-rata target of approximately ₦37.35 trillion by the end of September. However, cumulative revenue stood at only ₦17.1 trillion, translating to an execution rate of 45.8% and a revenue shortfall of about ₦20.3 trillion against the nine-month benchmark. Although revenue collection improved sequentially during the year, supported by higher oil receipts, stronger tax administration, and improved non-oil revenue mobilization, though, the pace remains significantly below the level required to meet the full-year target. The sizeable revenue gap continues to constrain fiscal flexibility and increase reliance on borrowing to finance budget implementation.

Recurrent expenditure remained broadly aligned with budget expectations. Total recurrent spending reached ₦14.4 trillion during the review period, slightly above the benchmark of ₦13.9 trillion, representing a modest overrun of 3.3%. Personnel costs across Ministries, Departments and Agencies (MDAs) remained relatively contained, indicating continued discipline in payroll management. Conversely, Government-Owned Enterprises (GOEs) recorded higher-than-budgeted overhead expenditure, with spending exceeding the benchmark by roughly 35%. The increase largely reflects persistent inflationary pressures, elevated utility costs, foreign exchange-related expenses, and higher operational costs across key public enterprises.

Meanwhile, two critical expenditure items such as Other Service-Wide Votes and the Special Intervention Programme recorded no disbursement throughout the first three quarters, leaving over ₦413 billion in budgeted social and intervention spending unutilised.

Debt servicing remained the most significant source of fiscal pressure during the period. Total debt service payments reached ₦12.3 trillion by Q3, exceeding the benchmark of ₦10.4 trillion by approximately 17.8%. The increase was driven almost entirely by domestic debt obligations, where interest payments surged to ₦9.3 trillion against a budget benchmark of ₦5.4 trillion, representing an overrun of 72.6%. Elevated domestic interest rates and the sustained high Monetary Policy Rate significantly increased the cost of refinancing government securities throughout the year.

Foreign debt service, however, remained below budget due to improved exchange rate stability, favourable payment scheduling, and relatively lower external financing costs. Perhaps more concerning is the implication for fiscal sustainability. Debt service absorbed roughly 72% of total federally generated revenue during the period, leaving limited fiscal space for infrastructure development, social programmes, and growth-enhancing investments.

The most striking weakness in the 2025 budget performance remains the execution of capital expenditure. Against a nine-month benchmark of approximately ₦17.5 trillion, actual capital releases amounted to just ₦1.3 trillion, translating to an execution rate of barely 7.3%. Capital spending by MDAs was similarly weak, with only ₦619.4 billion released compared with an expected ₦12.6 trillion.

Even more concerning is the absence of disbursements under project-tied multilateral loans, domestic project financing, and external borrowing programmes, suggesting continued delays in procurement processes, project approvals, financing drawdowns, and implementation across executing agencies.

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The prolonged weakness in capital expenditure poses significant risks to Nigeria's medium-term growth outlook. Infrastructure investment remains essential for improving productivity, lowering business costs, attracting private investment, and enhancing the country's long-term competitiveness. Continued delays therefore risk undermining the government's broader economic transformation agenda.

Budget financing also remained significantly below expectations. Planned domestic borrowing of ₦8.5 trillion and foreign borrowing of ₦1.8 trillion had yet to materialise within the reported period, despite widening fiscal financing requirements. The only notable exception was privatisation proceeds, where ₦189.6 billion had already been realised against a budget estimate of ₦212 billion, reflecting steady progress in the government's asset monetisation programme.

Several downside risks continue to threaten fiscal performance heading into the final quarter of the year:

- Persistent revenue dependence on crude oil exposes fiscal performance to renewed oil price volatility and production disruptions.
- Elevated domestic interest rates continue to inflate debt servicing costs and crowd out productive expenditure.
- Extremely weak capital budget implementation threatens infrastructure development and long-term economic growth.
- Inflation and exchange rate pressures could further increase operational costs across Government-Owned Enterprises.
- Continued delays in multilateral loan disbursements may postpone strategic infrastructure projects and widen implementation gaps.

We think the nine months fiscal performance underscores the growing disconnect between budget ambition and budget execution. While the government has maintained relative discipline over recurrent expenditure and gradually improved revenue mobilisation, these gains have been overshadowed by a rapidly rising debt service burden and an exceptionally weak capital expenditure programme.

The fact that less than one-tenth of the planned capital budget has been deployed suggests that many of the infrastructure investments intended to stimulate economic activity, improve productivity, and attract private capital have yet to move beyond the planning stage. This weak implementation significantly reduces the budget's ability to support sustainable economic growth.

Furthermore, the rising cost of domestic borrowing continues to erode fiscal flexibility, with debt servicing now consuming nearly three-quarters of government revenue. Such a trajectory leaves limited room for developmental spending and heightens concerns over medium-term fiscal sustainability.

Looking ahead, the government's ability to improve budget performance in the final quarter will depend largely on three critical factors: accelerating capital budget releases, improving revenue mobilisation beyond oil receipts, and successfully accessing both domestic and external financing to bridge the widening fiscal gap. Without meaningful progress across these fronts, the 2025 budget is likely to be remembered less for its historic size than for its limited execution and constrained impact on the real economy.

EQUITIES MARKET: NGX Sheds 1.65% Amid Broad-Based Selloffs, Market Cap Falls to ₦148.91 Trillion ….

The Nigerian equities market ended the week on a bearish note as sustained selling pressure across major counters dampened investor sentiment. The benchmark NGX All-Share Index (ASI) declined by 1.65% week-on-week to close at 232,049.02 points, while market capitalization shed approximately ₦2.42 trillion to settle at ₦148.91 trillion. As a result, the market's year-to-date return moderated to 49.12%, reflecting a more cautious investment outlook amid continued profit-taking.

Market breadth remained firmly in negative territory, with 19 gainers compared to 59 losers, translating to a breadth ratio of 0.32x. This indicates that losses were widespread across the market, highlighting weak investor appetite and broad-based declines in share prices.

Trading activity also weakened during the week, reflecting reduced market participation. The number of deals, trading volume, and transaction value declined by 13.14%, 24.42%, and 85.58%, respectively. Overall, investors traded 2.32 billion shares worth ₦36.74 billion across 249,747 deals, suggesting that market participants remained selective and adopted a cautious approach to portfolio positioning.

Sectoral performance was broadly bearish during the week, with three of the five major indices closing lower. The Oil & Gas sector led the laggards for the second consecutive week, shedding 9.86% on sustained sell-offs in ARADEL, OANDO, and JAPAULGOLD. The Industrial Goods sector followed, declining 8.21% amid profit-taking in CUTIX, BUACEMENT, DANGCEM, and PREMPAINTS, while the Insurance sector lost 4.39% due to renewed weakness in REGALINS, CONHALLPLC, and SOVRENINS.

Conversely, the Banking sector gained 3.51%, supported by renewed buying interest in GTCO, ZENITHBANK, FIDELITYBK, and UBA, while the Consumer Goods sector advanced 2.40%, buoyed by strong demand for MCNICHOLS and CHAMPION.
On the gainers' table, INTENEGINS emerged as the week's top performer, appreciating by 36.5%. It was followed by MCNICHOLS (+19.9%), AIRTELAFRICA (+10.0%), SKYAVN (+9.9%), and LIVINGTRUST (+5.3%), with gains largely driven by renewed investor interest in selected mid- and small-cap equities. Conversely, TRANSEXPR led the losers, declining by 23.8%, followed by ACADEMY (-17.3%), CONHALLPLC (-16.2%), NEIMETH (-16.2%), and REGALINS (-15.8%). These losses were primarily driven by profit-taking and persistent sell-side pressure across affected counters.

Overall, the week's performance reflects a softer market environment, characterized by broad-based declines, weaker trading activity, and cautious investor sentiment. While buying interest remained evident in a handful of banking and mid-cap stocks, persistent profit-taking across most sectors continued to weigh on overall market performance.

We expect the Nigerian equities market to remain broadly cautious in the near term as investors continue to assess prevailing macroeconomic conditions and recent market gains. Profit-taking may persist in stocks that have recorded strong year-to-date returns, while bargain hunting is likely to emerge in fundamentally sound counters with attractive valuations. Consequently, market performance is expected to remain mixed, with stock-specific opportunities continuing to drive investor activity.

FOREX MARKET: Naira Declines Despite Higher External Reserves; Oil Prices Post Sharp Weekly Loss…….

During the week, the naira weakened against the U.S. dollar across both foreign exchange market segments. In the official market, the currency depreciated by 0.76% to close at ₦1,380.93/US$, while the parallel market recorded a steeper decline of 1.08%, with the exchange rate settling at ₦1,388/US$. Despite the weaker performance of the naira, Nigeria's external reserves rose by 0.37% week-on-week to $51.25 billion, providing some support to the country's external liquidity position.

Meanwhile, crude oil prices were on track to post a significant weekly decline as easing geopolitical concerns and a notable recovery in tanker movements through the Strait of Hormuz weighed on market sentiment. At the time of writing, Brent crude traded lower at $72.98 per barrel, while West Texas Intermediate (WTI) stood at $69.55 per barrel. Although reports of an Iranian strike on a commercial vessel in the Strait briefly triggered a 2% rebound in oil prices, the recovery proved short-lived as investors remained optimistic about the continued normalization of shipping activity in the region. Similarly, Nigeria's Bonny Light crude declined by 10.93% week-on-week to settle at $72.70 per barrel.

Looking ahead, the naira is expected to remain under pressure in the near term amid persistent FX demand, although higher external reserves may help cushion excessive volatility. Meanwhile, crude oil prices are likely to remain volatile as markets continue to monitor geopolitical developments, global demand conditions, and OPEC+ supply decisions.

BOND MARKET: Bond and Eurobond Yields Climb as Investor Demand Weakens…….

The Nigerian secondary bond market remained under pressure during the week as weak investor demand and increased selloffs across most maturities weighed on performance compared to the previous week. Trading activity was relatively subdued, reflecting cautious investor sentiment and limited appetite for local fixed-income securities. Consequently, the average bond yield rose by 77 basis points to close at 17.78%.

The Debt Management Office (DMO) doubled its June FGN bond offer to ₦1.2 trillion, equally split between the Jan 2035 and Apr 2037 maturities, highlighting the Federal Government's increased domestic borrowing needs. Investor appetite remained robust, with total subscriptions rising to ₦1.4 trillion from ₦796.2 billion in the previous auction, driven by higher market yields and expectations of prolonged tight monetary conditions amid renewed inflationary pressures.

The DMO allotted the full ₦1.2 trillion, translating to a bid-to-cover ratio of 1.16x. Demand was broadly balanced across both tenors, while stop rates rose sharply to 18.34% for the Jan 2035 bond and 18.35% for the Apr 2037 bond, up from 17.00% and 17.04%, respectively, at the previous auction, reflecting investors' demand for higher yields in a rising inflation environment.

Similarly, the Nigerian sovereign Eurobond market closed the week on a weaker note, with selling pressure observed across the yield curve amid softer demand for dollar-denominated securities. As a result, the average Eurobond yield increased by 15 basis points to 7.08%, reflecting cautious market sentiment and reduced investor interest in sovereign Eurobonds.

In the coming week, the bond market is expected to trade cautiously as investors assess liquidity conditions and monetary policy expectations. Meanwhile, the Eurobond market will likely remain sensitive to global interest rate movements and investor risk sentiment, with yields expected to stay elevated unless demand improves.

MONEY MARKET: CBN's ₦2.1tn OMO Mop-Up Leaves Liquidity Above ₦4tn as T-Bills Yields Continue Uptrend…….

System liquidity remained firmly in surplus throughout the week despite the Central Bank of Nigeria's (CBN) aggressive liquidity sterilization efforts. The market opened with a robust net liquidity surplus of ₦4.40 trillion, supported by previous OMO bill maturities. Although the CBN conducted an Open Market Operation (OMO) auction, successfully mopping up ₦2.10 trillion, and the ₦1.20 trillion settlement for the Federal Government bond auction further debited the banking system, these outflows were largely offset by ₦600 billion in maturing OMO bills that flowed back into the system.

Consequently, system liquidity remained comfortably positive, closing the week at ₦4.10 trillion, compared with ₦3.98 trillion recorded in the previous week. The ample liquidity environment moderated funding pressures in the interbank market, although rates edged marginally higher. The Overnight Policy Rate (OPR) remained unchanged at 22.00%, while the Overnight (O/N) rate inched up by 3 basis points to 22.23% from 22.20% in the preceding week.

Similarly, the Nigerian Interbank Offered Rate (NIBOR) advanced across all maturities, reflecting cautious liquidity management by banks amid sustained CBN sterilization activities. Overnight NIBOR rose by 6 basis points to 22.28%, while the 1-month, 3-month, and 6-month tenors increased by 27bps, 38bps, and 70bps to settle at 22.74%, 23.19%, and 23.69%, respectively.

The Nigerian Treasury Bill True Yield (NITTY) curve also shifted upward across the benchmark tenors. The 1-month and 3-month yields increased modestly by 7bps and 8bps, respectively, while the 6-month and 12-month tenors recorded sharper increases of 47bps and 59bps to close at 18.40% and 20.84%, indicating investors' demand for higher yields amid persistent primary market supply.

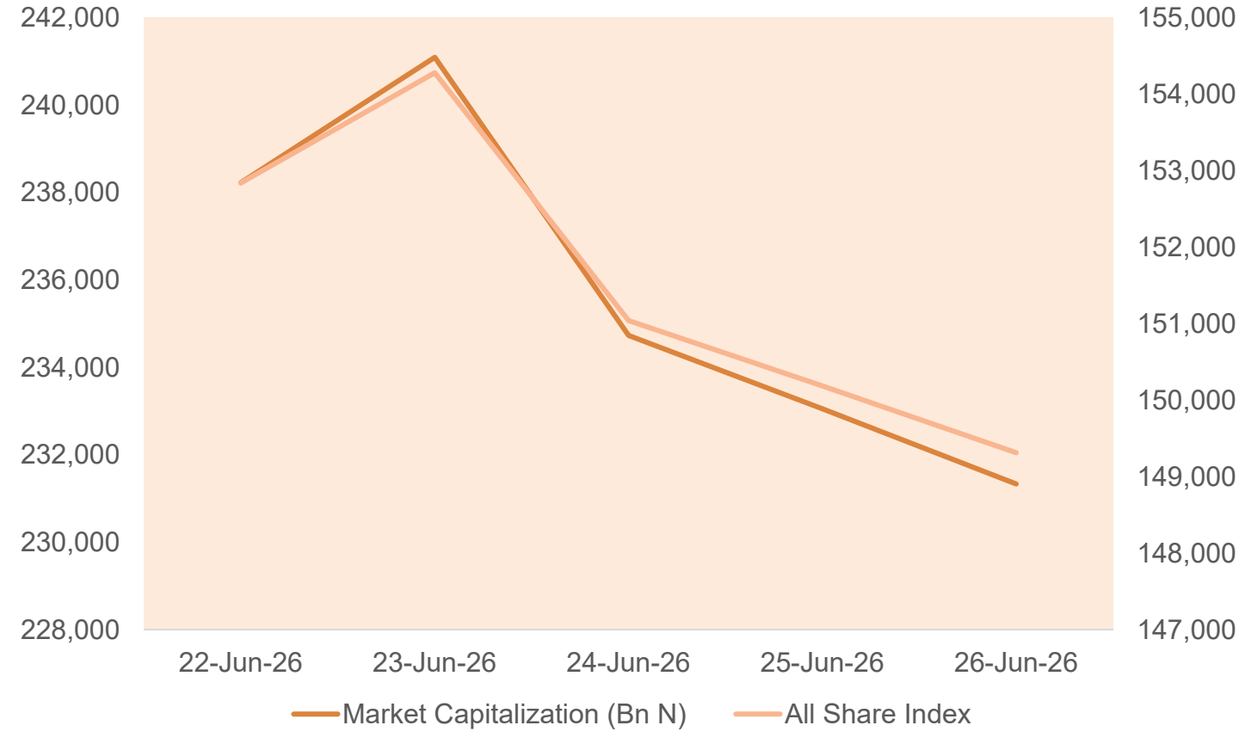
Activity in the secondary Treasury bills market remained predominantly bearish throughout the week as selling pressure persisted across the curve. Consequently, the average Treasury bills yield climbed by 52 basis points to 18.67%, from 18.15% recorded a week earlier.

At the OMO auction, the CBN offered ₦600 billion across the 70-day and 140-day maturities. Investor demand significantly exceeded supply, with total subscriptions reaching ₦2.10 trillion, representing a bid-to-offer ratio of approximately 3.5x, underscoring the sustained appetite for high-yield, short-dated risk-free instruments. The CBN allotted the entire subscription amount, with stop rates clearing at 20.75% for the 70-day bill and 19.99% for the 140-day bill.

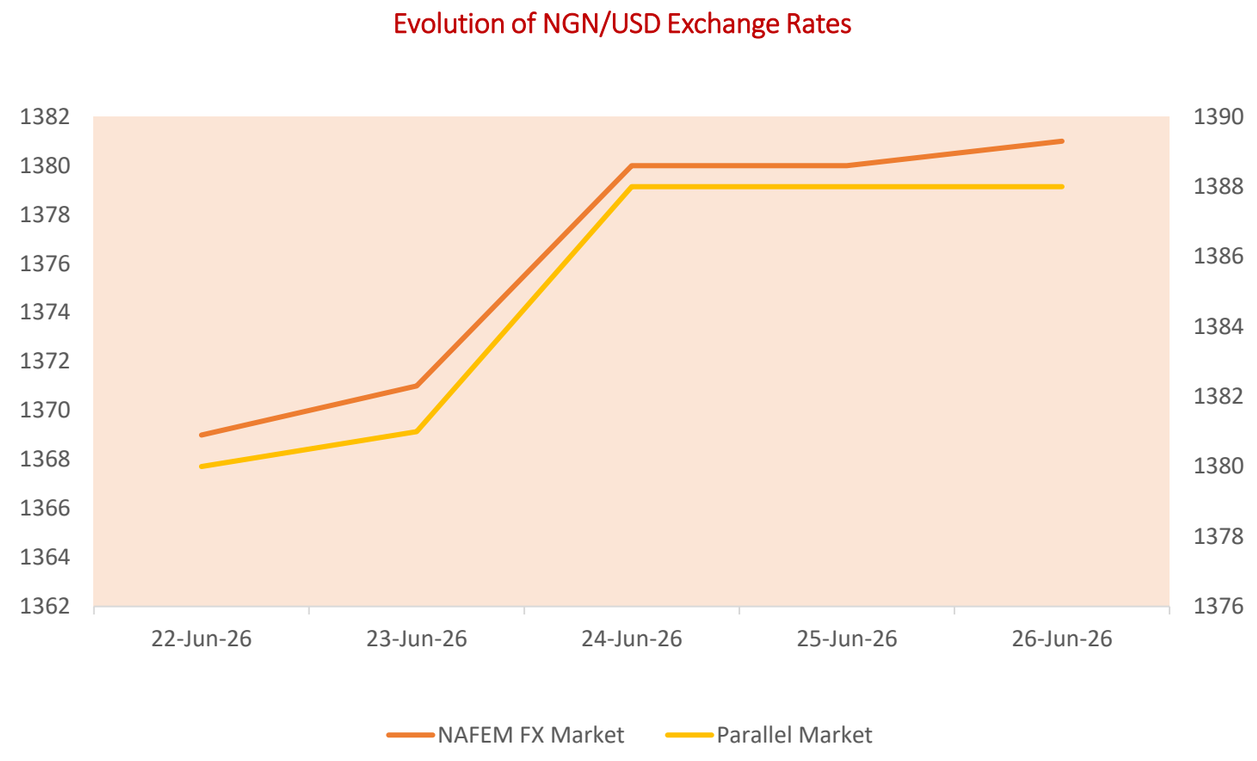
Looking ahead, the money market is expected to remain broadly liquid as approximately ₦500 billion worth of maturing OMO bills is scheduled to mature and flow into the banking system. However, given the prevailing excess liquidity conditions and the CBN's continued commitment to maintaining monetary stability, we anticipate another round of OMO auctions to absorb surplus liquidity.

Consequently, interbank funding rates are expected to trade around current levels, while yields in the Treasury bills market are likely to remain elevated as investors continue to demand attractive returns amid the CBN's tight monetary stance and frequent liquidity management operations.

Evolution of Equities Performance Gauges



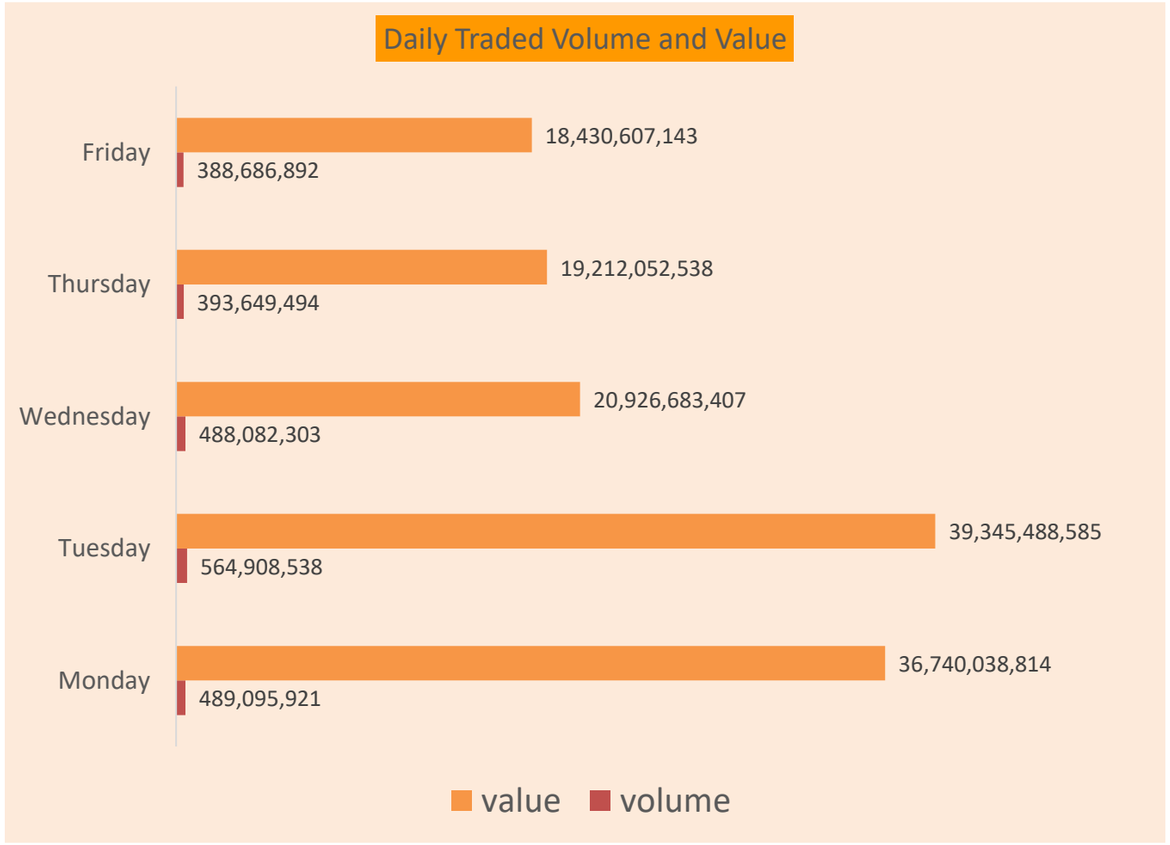
Evolution of NGN/USD Exchange Rates



FGN Eurobonds Yields as at Friday , June 26, 2026

FGN Eurobonds	Issue Date	TTM (years)	Price (N)	USD Δ	Yield	PPT Δ
6.50 NOV 28, 2027	28-Nov-17	1.42	100.60	-0.23	6.1%	0.17
6.125 SEP 28, 2028	28-Sep-21	2.26	99.85	-0.48	6.2%	0.23
8.375 MAR 24, 2029	24-Mar-22	2.75	105.09	-0.61	6.3%	0.22
7.143 FEB 23, 2030	23-Feb-18	3.67	101.62	-0.58	6.6%	0.17
8.747 JAN 21, 2031	21-Nov-18	4.58	106.82	-0.72	7.0%	0.17
7.875 16-FEB-2032	16-Feb-17	5.65	104.00	-0.75	7.0%	0.16
7.375 SEP 28, 2033	28-Sep-21	7.26	100.71	-0.91	7.2%	0.16
7.696 FEB 23, 2038	23-Feb-18	11.67	101.68	-0.98	7.5%	0.13
7.625 NOV 28, 2047	28-Nov-17	21.44	97.79	-0.99	7.8%	0.10
9.248 JAN 21, 2049	21-Nov-18	22.59	112.39	-0.81	8.1%	0.07
8.25 SEP 28, 2051	28-Sep-21	25.27	101.62	-0.80	8.1%	0.08
					7.08%	

Daily Traded Volume and Value



Weekly Top Gainers and Losers as at Friday, June 26, 2026

Top Ten Gainers				Bottom Ten Losers			
Symbol	26-Jun-26	19-Jun-26	% Change	Symbol	26-Jun-26	19-Jun-26	% Change
INTENEGINS	6.43	4.71	36.5%	TRANSEXPR	3.64	4.78	-23.8%
MCNICHOLS	8.15	6.80	19.9%	ACADEMY	6.70	8.10	-17.3%
AIRTELAFRI	4358.80	3962.60	10.0%	CONHALLPLC	6.1	7.28	-16.2%
SKYAVN	171.20	155.75	9.9%	NEIMETH	8.3	9.9	-16.2%
LIVINGTRUST	4.00	3.80	5.3%	REGALINS	0.85	1.01	-15.8%
NIDF	135.00	129.00	4.7%	ROYALEX	1.45	1.70	-14.7%
INTBREW	11.40	10.90	4.6%	ABBEYBDS	8.70	10.10	-13.9%
UPL	5.70	5.45	4.6%	CILEASING	5.25	6	-12.5%
LEGENDINT	6.00	5.75	4.3%	OANDO	40	45.5	-12.1%
CHAMPION	13.70	13.20	3.8%	ZICHIS	24.90	28.12	-11.5%

Weekly Stock Recommendations as at Friday, June 26, 2026

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 WKs' High	52 WKs' Low	Current Price	Price Target	Short term Stop Loss	Short term Take Profit	Potential Upside	Recommendation
FIDELITY BANK PLC	1.36	1.74	25.31	0.72	13.39x	24.25	17.10	18.20	23.3	15.5	20.9	28.00	BUY
UNITED BANK FOR AFRICA	3.32	4.38	97.54	0.40x	11.79x	55.2	34.25	39.85	52.60	33.87	45.83	32.0	BUY
STANBIC PLC	7.23	9.83	79.22	2.06x	22.55x	188.55	83.00	163.00	221.68	138.55	187.45	36.0	BUY
NASCON PLC	14.63	22.24	30.00	7.32	15.00x	222	69.00	219.50	333.6	186.6	252.4	52.00	BUY
P Z CUSSONS	9.40	14.66	5.48	17.50	10.21x	109.45	31	94.95	149.7	81.6	110.3	56.00	BUY

CONTACT US

HEAD OFFICE
Plot 1319, Karimu Kotun Street,
Victoria Island
Lagos
Website: www.cowryasset.com
Email: research@cowryasset.com

ABUJA OFFICE
Statement Suites Hotel D03 (3rd Floor), Plot 1002,
1st Avenue, Off Ahmadu Bello Way
Central Business District,
Abuja
Website: www.cowryasset.com
Email: research@cowryasset.com

PORT HARCOURT OFFICE
UPDC Complex, 26 Aba Road,
Port-Harcourt
River State
Website: www.cowryasset.com
Email: research@cowryasset.com

RESEARCH TEAM

CHARLES ABUEDE

Cabuede@cowryasset.com

TAIWO LUPO

Tlupo@cowryasset.com

TOMIWA JIMOH

Tjimoh@cowryasset.com

www.cowryasset.com www.twitter.com/cowryassetmgt www.facebook.com/cowryasset

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