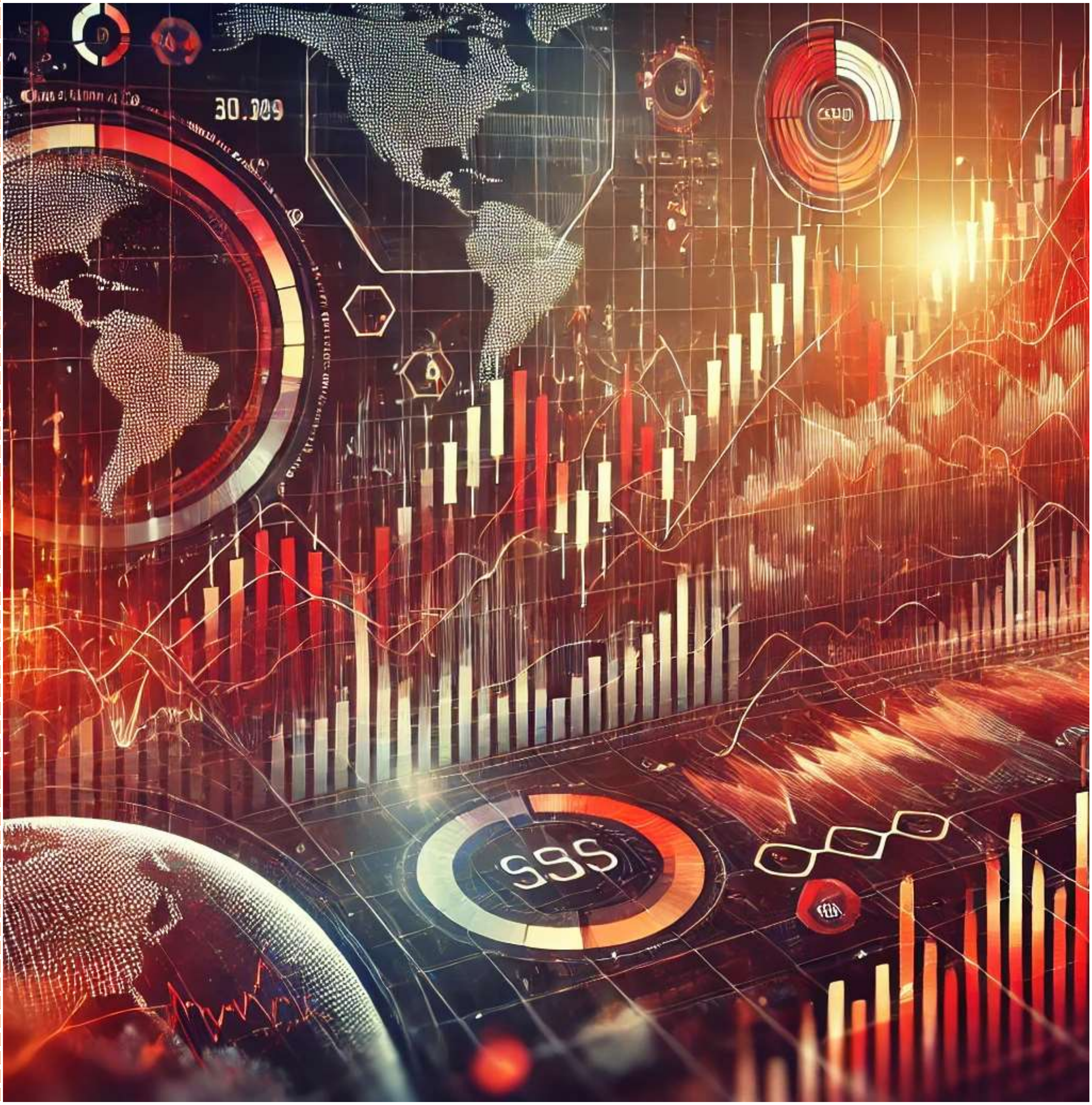
COWRY RESEARCH

MONTHLY MARKET REPORT MAY 2025



Nigeria Breaks Free from IMF Debt: A Bold Step Toward Fiscal Rebalancing and Global Credibility….

This month, our bulletin commences with the significant milestone in Nigeria's fiscal history: the country has officially exited the International Monetary Fund's (IMF) loan portfolio, following the full repayment of its $3.35 billion emergency loan secured during the height of the COVID-19 pandemic. The financing, drawn under the IMF's Rapid Financing Instrument (RFI) in April 2020, was intended to cushion the dual shocks of the global health crisis and the collapse in oil prices.

According to the IMF's Resident Representative to Nigeria, Christian Ebeke, "As of April 30, 2025, Nigeria has fully repaid the financial support of about $3.4 billion it requested and received in April 2020 from the International Monetary Fund." This repayment was made over a five-year period, inclusive of a 3.25-year grace period, aligning with the concessional terms of the RFI.

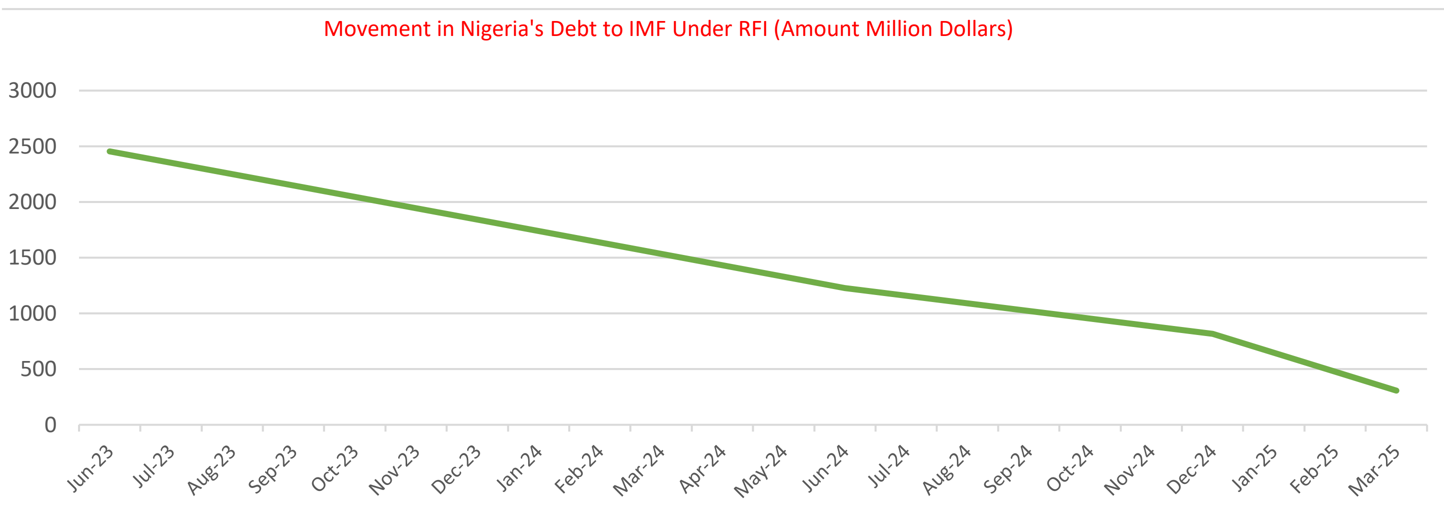
Data from the IMF's public debt disclosures reveal a consistent decline in Nigeria's outstanding liabilities to the Fund — from $2.45 billion in June 2023 to $306.81 million by March 2025, culminating in full repayment of $3.35 billion by April 30, 2025. On the domestic front, the Debt Management Office (DMO) reported that Nigeria spent $4.66 billion servicing its external debt obligations in 2024 alone, out of which the sum of $1.63 billion was paid directly to the IMF.

While the principal repayment marks a turning point in Nigeria's IMF engagement, the country will continue to meet its obligations related to Special Drawing Rights (SDRs). These are expected to cost Nigeria approximately $30 million annually over the next several years till 2029, in line with standard IMF arrangements. Meanwhile, SDR charges are calculated based on the difference between Nigeria's SDR holdings — currently at SDR 3.164 billion (roughly $4.3 billion) — and its total SDR allocation of SDR 4.027 billion ($5.5 billion).

SDRs, first introduced by the IMF in 1969, serve as supplementary international reserve assets. They are allocated to member countries in proportion to their quotas and play a crucial role during global crises. In response to the economic fallout from the COVID-19 pandemic in 2020, the IMF executed a general SDR allocation of $650 billion in July 2021 to bolster global reserve positions. This strategic injection of liquidity was particularly beneficial for vulnerable economies like Nigeria.

Notably, IMF Managing Director Kristalina Georgieva, had prior to this time (between 2020 and 2021), highlighted the importance of SDR recycling, revealing that some advanced economies had pledged to redirect $24 billion — including $15 billion in SDRs — toward the IMF's Poverty Reduction and Growth Trust, which supports low-income nations back then.

As Nigeria charts a path toward economic recovery and structural reforms, this achievement marks a rare bright spot in the country's balance of payments history and serves as a platform for further sovereign credit re-rating, investor re-engagement, and debt market stabilization.



Source: IMF, Cowry Research

Inflation Cooldown Deepens in April to 23.71%: A Turning Point or Just a Statistical Mirage….

The latest Consumer Price Index (CPI) report from the NBS indicates that headline inflation eased to 23.71% in April 2025, down from 24.23% in March 2025. This reflects a 0.52 percentage points (ppts) decline on a month-on-month basis and reinforces the gradual deceleration in price pressures observed in recent months; month-on-month, headline inflation stood at 1.86% in April 2025, down sharply from 3.90% in March 2025 — a 2.04ppt drop, indicating a slower pace in price increases between March and April.

This disinflationary trend largely stems from the easing of food prices, which had spiked sharply in the preceding month. The April slowdown was further supported by a relative stabilisation in the local currency, which helped dampen imported price pressures. Notably, this moderation in inflation comes in the wake of a recent rebasing of the CPI basket by the NBS, which has altered the composition and weightings within the index, offering a more accurate reflection of Nigeria's current consumption patterns.

Food inflation, a major driver of overall CPI, came in at 21.26% y/y in April 2025, a sharp 19.27ppt decrease from 40.53% in April 2024. The steep fall is largely attributed to the base year re-benchmarking, rather than a fundamental improvement in food supply chains. On a month-on-month basis, food inflation declined marginally to 2.06% in April, from 2.18% in March, reflecting slight price moderation in essential food items.

The decrease can be attributed to the rate of decrease in the average prices of Maize (Corn) Flour, Wheat Grain, Okro Dried, Yam Flour, Soya Beans, Rice, etc. However, imported food inflation, as expected, climbed by 1.25% month-on-month, up from 0.48% month-on-month in the prior month while Nigeria's high import bill, increased global trade tensions brought on by President Trump's tariffs are a significant layer of additional pressure.

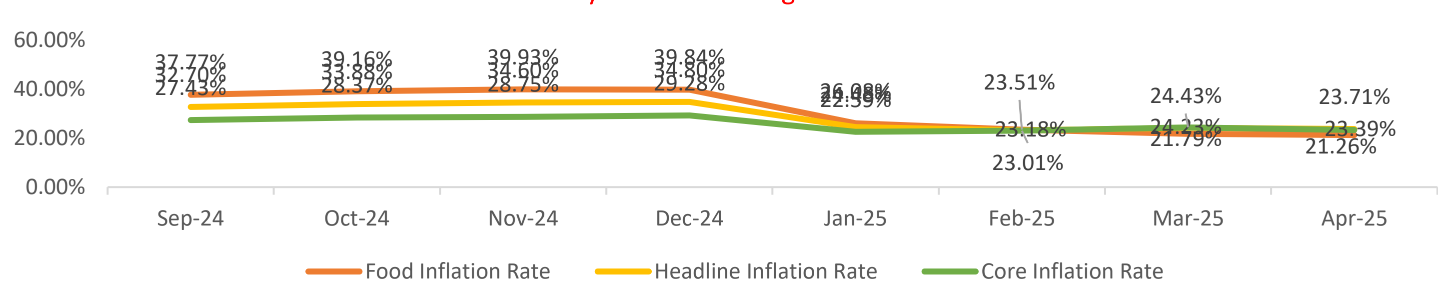
Also, the core inflation, which excludes volatile items such as food and energy, stood at 23.39% y/y in April 2025, representing a 3.45ppt decline from 26.84% in April 2024. Monthly reading shows core inflation also slowed sharply to 1.34% in April, from 3.73% in March — a substantial 2.39ppt drop, suggesting underlying inflationary momentum is weakening. Meanwhile, the energy index, a newly introduced measure designed to track price pressures in the energy sector, rose to 13.50% month-on-month in April, up from 9.21% month-on-month, reflecting volatile energy prices during the review month.

The April 2025 CPI report reflects a welcome, broad-based slowdown in inflationary pressures across all key segments — headline, food, and core. This likely marks a turning point in Nigeria's inflation narrative, particularly as the underlying drivers begin to shift. While food prices remained the largest influence on the disinflationary trend, the notable decline in core inflation, falling for the first time in four months, suggests that pricing pressures beyond the volatile food and energy categories are also beginning to ease.

At the state level, inflationary trends remained divergent. On a year-on-year basis, Enugu, Kebbi, and Niger states reported the highest headline inflation rates, coming in at 35.98%, 35.13%, and 34.85% respectively. In contrast, states such as Ondo (13.42%), Cross River (17.11%), and Kwara (17.28%) recorded the slowest price growth. Month-on-month, Sokoto (16.26%), Nasarawa (16.02%), and Niger (14.74%) led the inflationary spike, while Oyo, Osun, and Ondo saw outright monthly declines, posting -6.45%, -4.54%, and -3.44%, respectively.

Food inflation mirrored similar state-level disparities. Benue led the country with a staggering 51.76% year-on-year increase, followed by Ekiti (34.05%) and Kebbi (33.82%). On the flip side, states like Ebonyi (7.19%), Adamawa (9.52%), and Ogun (9.91%) reported more subdued food inflation. Monthly food inflation was highest in Benue (25.59%), Ekiti (16.73%), and Yobe (13.92%), while Ebonyi (-14.43%), Kano (-11.37%), and Ogun (-7.06%) saw the most significant drops.

Monthly Evolution of Nigeria's Inflation



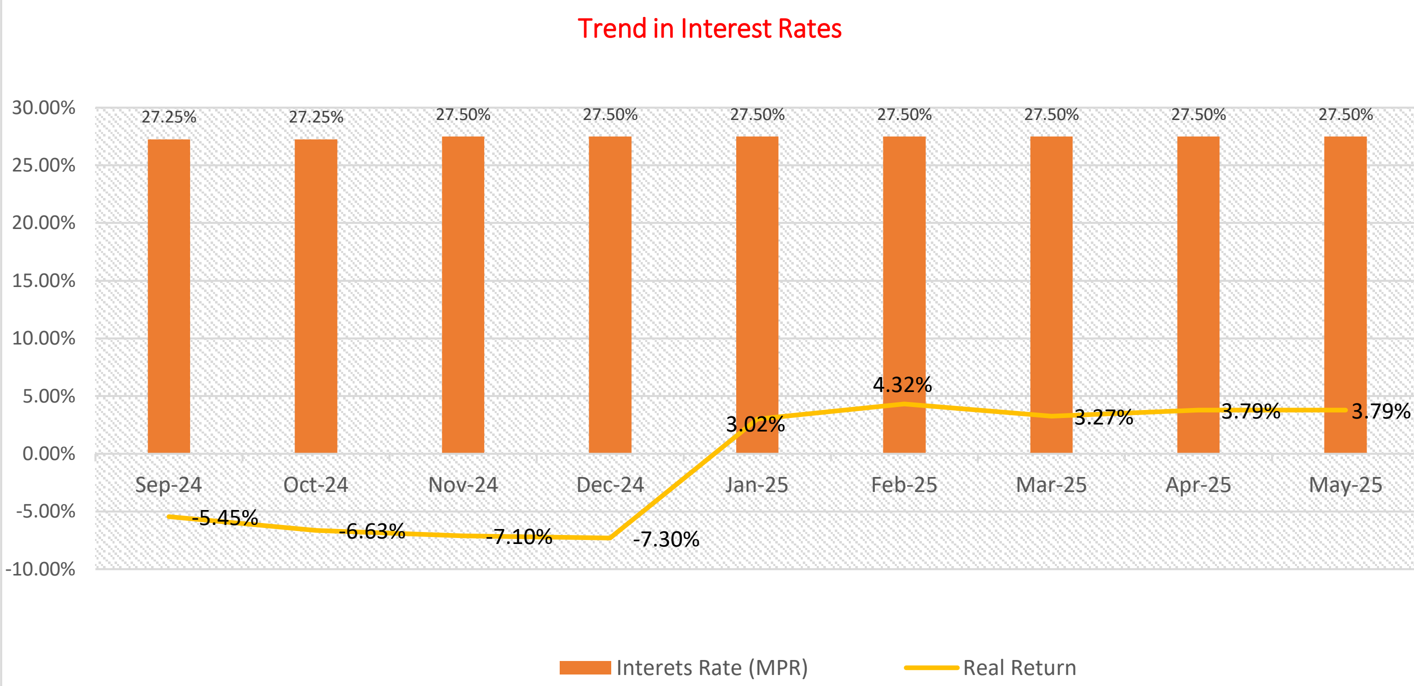
No Surprises as CBN Maintains Tight Policy Settings at 27.50% Amid Cooling Inflation to 23.71%..

At the conclusion of its landmark 300th Monetary Policy Committee (MPC) meeting, the Central Bank of Nigeria (CBN) opted to maintain the status quo on all key policy parameters, extending its wait-and-see approach that began in February 2025. In a unanimous decision by all 12 members, the Committee retained the Monetary Policy Rate (MPR) at 27.50%, preserved the asymmetric corridor around the MPR at +500/-100 basis points, held the Cash Reserve Ratio (CRR) at 50.00% for deposit money banks and 16.00% for merchant banks, and kept the Liquidity Ratio unchanged at 30.00%.

This decision to hold interest rates steady was largely in line with market expectations. It reflects a cautious policy stance aimed at monitoring the delayed effects of earlier monetary tightening amid renewed financial pressures. Chief among the concerns was a resurgence of foreign exchange (FX) market volatility, triggered by renewed global risk aversion following the U.S. administration's imposition of fresh tariff measures. President Trump's policy shift has raised global trade tensions, leading to a flight to safety among foreign portfolio investors (FPIs) and a subsequent tightening of dollar supply in Nigeria's FX markets.

The naira has come under notable pressure in recent weeks, a trend driven by these FX liquidity challenges and a broader sense of macroeconomic uncertainty. Despite temporary relief stemming from the U.S. government's 90-day suspension of some reciprocal tariffs and the announcement of new trade agreements with China and the United Kingdom, global economic sentiment remains fragile, with risks tilted to the downside. These factors have compounded Nigeria's vulnerability, particularly in light of weakening oil prices which serve as a critical source of FX inflows.

On a more positive note, the MPC acknowledged a welcomed deceleration in domestic inflation metrics, particularly food inflation. Members commended government efforts to enhance food supply and reduce insecurity in key agricultural zones—initiatives that appear to be yielding initial benefits. They encouraged sustained support for security operations in rural communities and emphasized the importance of continuous provision of farming inputs to further boost agricultural productivity.



Source: Central Bank of Nigeria, NBS, Cowry Research

Naira Mixed as Reserves Climb to $38.5bn in May; Crude Market Wavers on OPEC+ Output Hike Signals….

The global crude oil market found itself navigating a delicate balance in May, as it contended with a growing divergence between supply expectations and demand outlook. This tug-of-war drove notable volatility across oil benchmarks, with investors reacting sharply to shifting signals from major producers and policymakers.

Chief among these signals was the market's anticipation of a production ramp-up by the OPEC+ alliance, slated for July. The prospect of higher output—amid a backdrop of already tepid demand—cast a shadow over prices and investor sentiment.

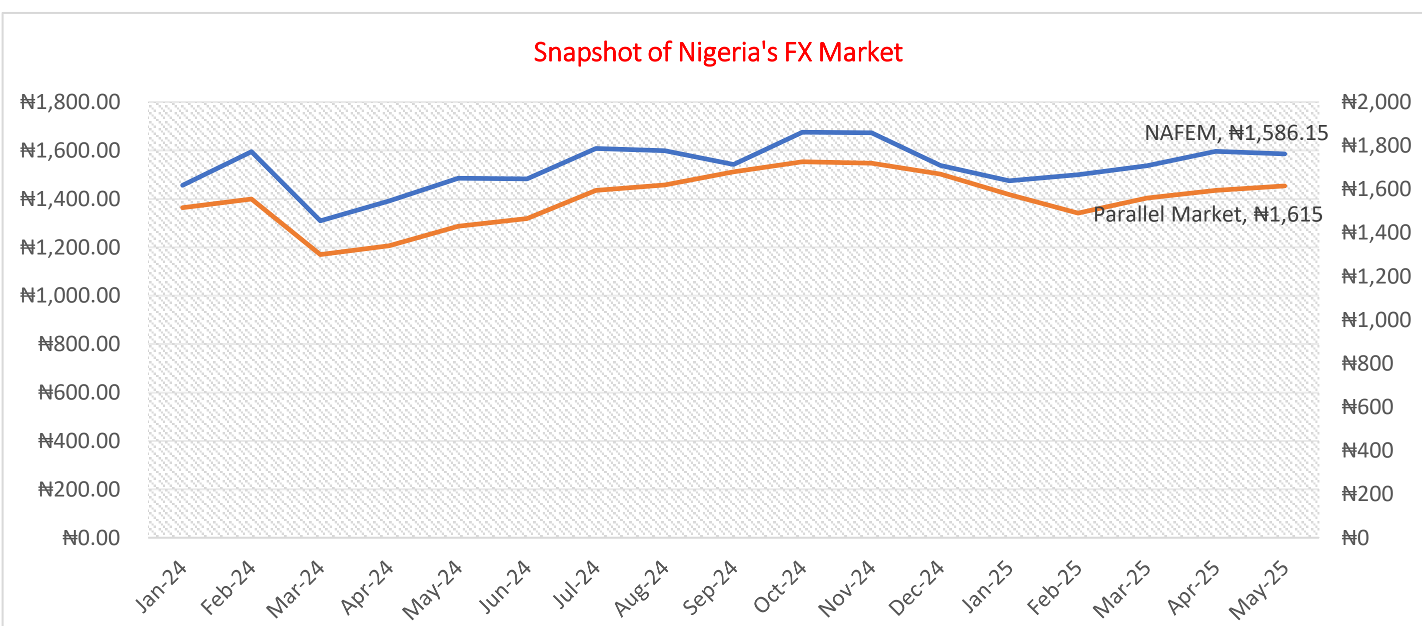
This anticipated increase in supply stoked fears of a mounting global surplus, with current estimates placing the oversupply figure at 2.2 million barrels per day. Such an imbalance, in the absence of a meaningful recovery in global energy consumption, raised legitimate concerns about further pressure on oil prices.

Compounding the market's apprehension was a U.S. legal ruling that upheld former President Trump's tariffs, thereby reinforcing protectionist trade policies. This development introduced fresh headwinds for global trade, particularly for energy-intensive industries, and reignited fears of a broader economic slowdown. These combined pressures manifested in weaker pricing: Brent crude oil fell by 0.8% month-on-month, averaging $62.50 per barrel in May.

On the domestic front, Nigeria's external position showed modest improvement, driven largely by a build-up in foreign reserves. Data from the CBN for May revealed that the Nigeria's gross external reserves rose by 1.4% month-on-month, closing the period at $38.5 billion. The accumulation likely reflects improved crude oil receipts, moderated import demand, and possible inflows from multilateral sources.

The performance of the Nigerian naira, however, was mixed across different segments of the foreign exchange market. At the official Nigerian Autonomous Foreign Exchange Market (NAFEM) window, the naira appreciated slightly by 0.66% month-on-month, settling at N1,586.15 per U.S. dollar.

This marginal gain was supported by periodic Central Bank interventions and a modest improvement in FX liquidity. Conversely, in the parallel market, the currency depreciated by 1.4% m/m to close at N1,615.00 per dollar, reflecting underlying pressure from speculative activity and persistent demand imbalances.



Source: CBN, FMDQ, Abokiforex, Naira Rates.com, Cowry Research

Investors Reap Big in May as NGX-ASI Rallies Above 111k; YTD Return Jumps to 8.56%....

The Nigerian equities market continued its bullish momentum for a second consecutive month in May 2025, with the benchmark NGX All-Share Index (ASI) appreciating by 5.62% month-on-month to close at 111,742.01 points. During the month, the index crossed an all-time high of 112,237.26 points, underscoring strong investor appetite for domestic equities. This rally was driven largely by renewed investor interest in fundamentally sound stocks, spurred by the release of robust corporate earnings and impressive dividend declarations from blue-chip companies.

As a result of the strong performance, the year-to-date (YTD) return on the index advanced significantly to 8.56%, compared to 2.82% recorded at the end of the previous month. Correspondingly, market capitalisation expanded by 5.97% to N70.46 trillion, reflecting both capital appreciation and new inflows into the market. Thus, equities investors reap N3.97 trillion in gains.

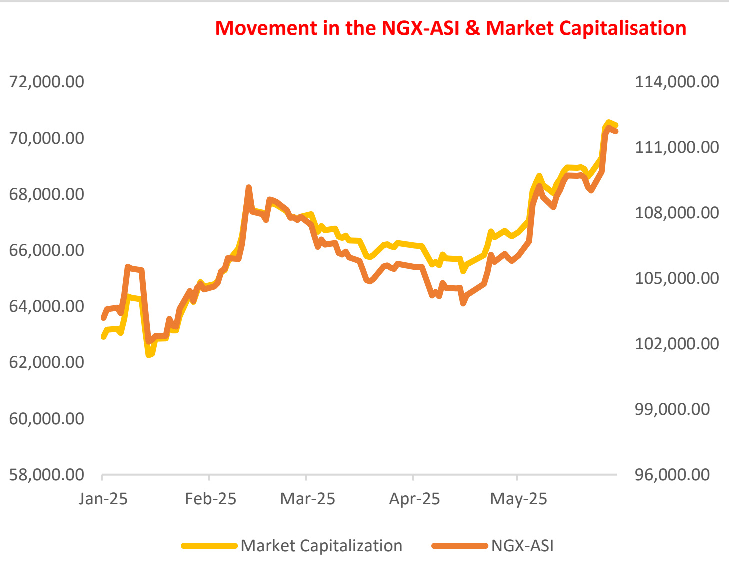
Sectoral performance was broadly positive during the month under review, with five of the six tracked indices recording gains. Leading the charge was the Consumer Goods index, which surged by 18.71% month-on-month. This sharp rally was attributed to heightened buy-side activity in stocks such as Northern Nigeria Flour Mills (NNFM), Honeywell Flour Mills (HONYFLOUR), MTN Nigeria (MTNN), and Airtel Africa (AIRTELAF), driven by strong earnings momentum and investor repositioning ahead of dividend payouts.

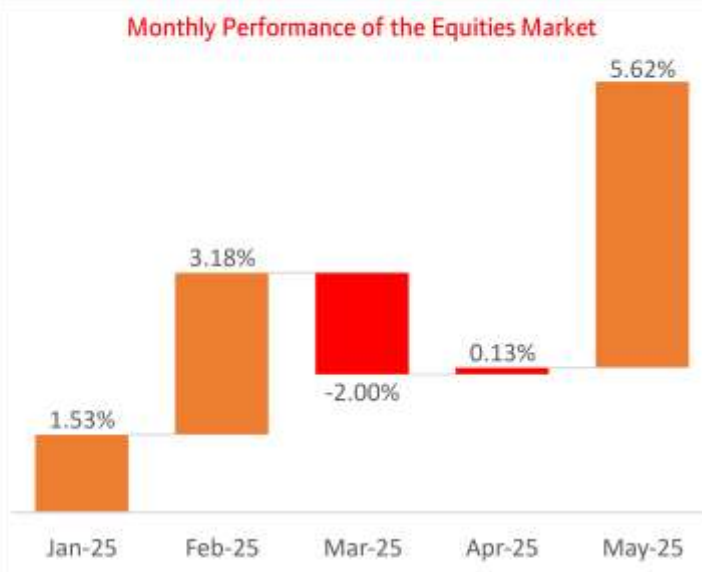
The Industrial Goods and Banking sectors also recorded notable advances during the period. The Industrial index gained 2.39% following positive price movements in stocks like Beta Glass (BETAGLAS) and Cutix, while the Banking index rose by 1.86% owing to renewed interest in names such as Stanbic IBTC (STANBIC) and Ecobank Transnational Incorporated (ETI). Similarly, the Insurance and Commodities indices posted moderate gains of 1.60% and 1.04%, respectively, supported by bullish activity in Custodian Investment (CUSTODIAN), Lasaco Assurance (LASACO), Okomu Oil, Aradel Holdings, and Presco Plc.

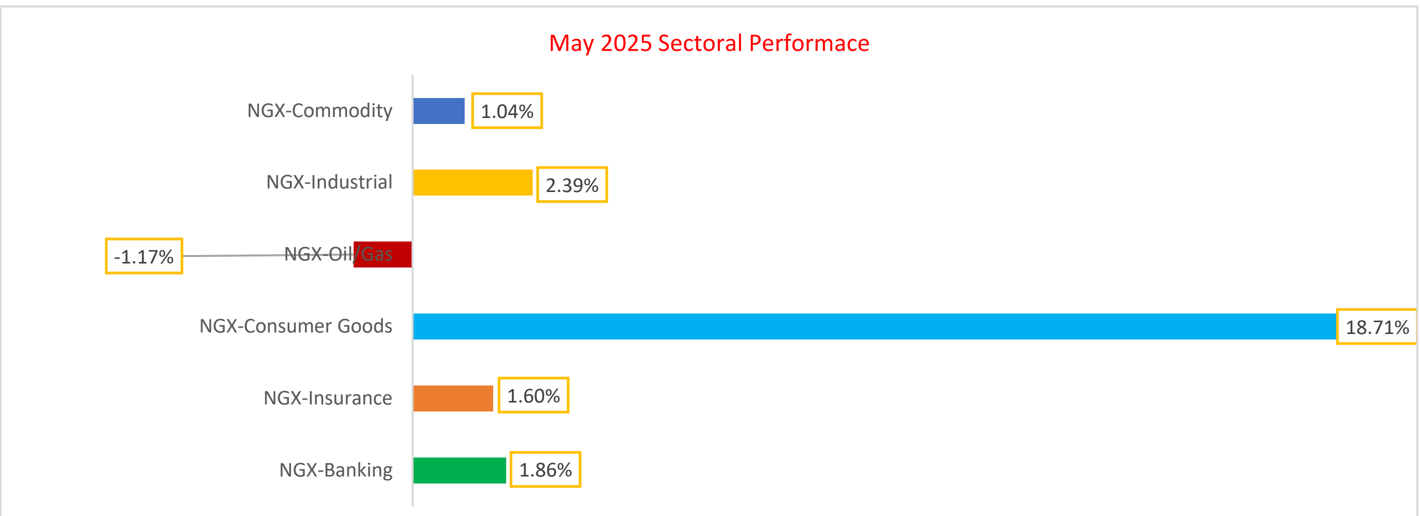
Conversely, the Oil and Gas sector was the only laggard in May, declining by 1.17%. This was largely due to significant sell-offs in Eterna Plc, which fell by 13.9%, and Seplat Energy, which dropped by 12.9% month-on-month. The underperformance of these counters was reflective of sector-specific challenges, including volatile crude oil prices and investor concerns over regulatory uncertainties.

Investor sentiment in the equities market improved markedly, as evidenced by a sharp rise in market breadth. The market breadth ratio climbed to 1.7x in May from just 0.1x in April, with 81 stocks advancing in price, 30 declining, and 34 remaining unchanged. This broad-based buying interest signals growing investor confidence, especially in the backdrop of improving corporate fundamentals and a relatively stable macroeconomic environment.

Trading activity was equally impressive during the month, with both volume and value of trades rising significantly. The average daily traded volume increased by 48.0% month-on-month to 645.2 million units, while the average daily traded value grew by 31.5% to N16.7 billion. Among the most actively traded stocks by volume were United Bank for Africa (UBA), Fidelity Bank (FIDELITYBK), and Access Corporation (ACCESSCORP), reflecting sustained investor interest in the banking sector. In terms of value, UBA, Guaranty Trust Holding Company (GTCO), and MTN Nigeria led the pack.







Top 10 Performers and Underperformers in May 2025

Top Ten Gainers				Bottom Ten Losers			
Company	May-25	Apr-25	M-o-M% Change	Company	May-25	Apr-25	M-o-M% Change
BETAGLAS	232.65	99.85	133%	ABBEYBDS	5.58	8.30	-33%
NNFM	138.90	75.00	85%	LEGENDINT	6.16	9.03	-32%
CAVERTON	4.20	2.42	74%	ENAMELWA	20.55	25.30	-19%
ACADEMY	4.75	2.87	66%	ETERNA	43.00	49.95	-14%
REDSTAREX	8.32	5.05	65%	VERITASKAP	0.96	1.11	-14%
HONYFLOUR	21.00	13.00	62%	SEPLAT	4964.40	5700.00	-13%
UPL	5.90	3.74	58%	WEMABANK	13.30	15.10	-12%
CHAMPION	6.80	4.70	45%	UNIONDICON	7.30	8.25	-12%
NESTLE	1590.50	1100.00	45%	NCR	6.57	7.30	-10%
ABCTRANS	2.95	2.06	43%	CONOIL	298.10	331.20	-10%

Source: NGX, Cowry Research

Tighter System Liquidity Meets Resilient Yield Appetite as CBN Sustains Policy Tightening……

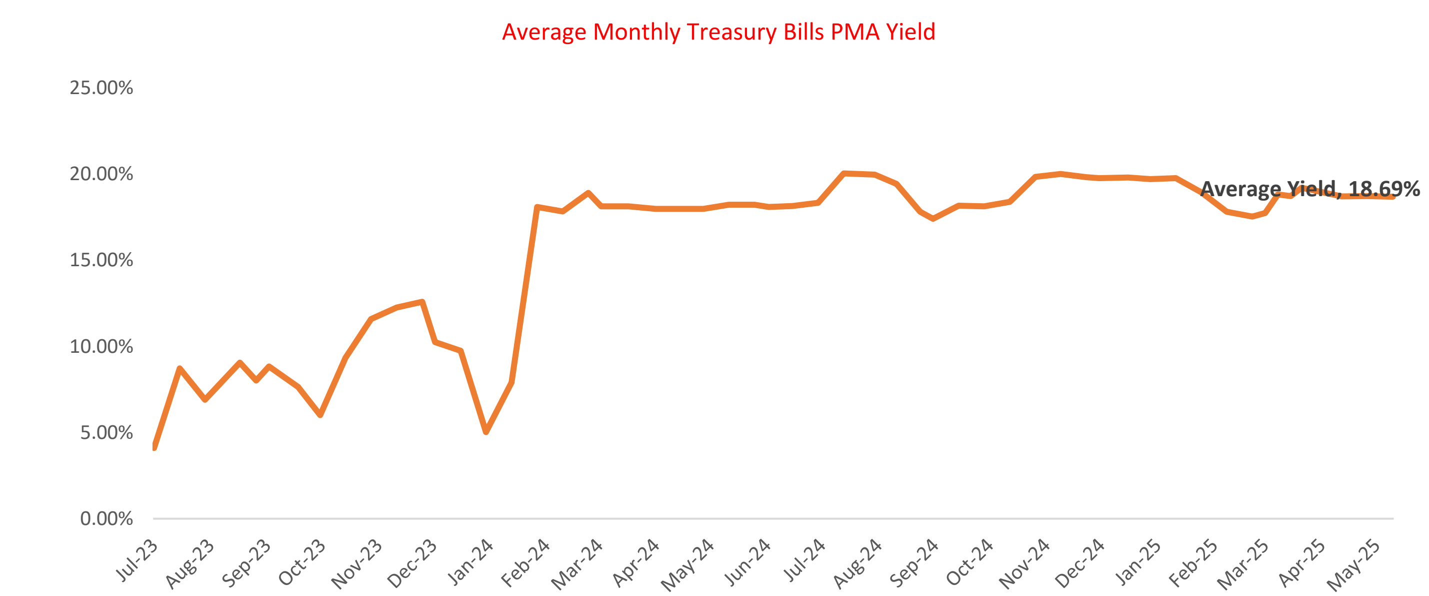
In the review month, Nigeria's money market was gripped by deepening liquidity constraints, reflecting the Central Bank of Nigeria's (CBN) sustained tightening posture and robust mop-up activities. System liquidity, already in the red from the prior month, deteriorated further to an average position of -N550.9 billion, compared to -N453.8 billion previously recorded. This decline was largely attributed to hefty outflows via key CBN liquidity management tools, including the Standing Deposit Facility, which mopped up N827.0 billion; OMO (Open Market Operation) sales worth N1.1 trillion; and sizable drawdowns from primary market sales totaling N1.5 trillion.

These liquidity-absorbing measures far outweighed the inflows received during the period. Modest injections came through the Standing Lending Facility (N86.4 billion), OMO maturities (N101.3 billion), and repayments from primary market instruments (N61.6 billion). Despite the overarching liquidity squeeze, short-term interest rates remained relatively stable. The Open Repo Rate (OPR) was unchanged at 26.5%, while the Overnight Rate (OVN) posted a slight uptick, rising by 12 basis points to close the month at 27.0%. This points to cautious optimism among interbank participants even in the face of reduced liquidity buffers.

Meanwhile, in the secondary Treasury bills market, a marked sell-off drove yields higher across the curve. Average yields climbed 105 basis points month-on-month, settling at 21.5% by month-end. The brunt of the pressure was felt on the shorter and mid-segments of the curve, where yields surged by 181bps and 124bps respectively, closing at 19.5% and 21.6%. Long-dated bills were more stable, experiencing only a marginal 10bps uptick to 23.3%, suggesting a more measured re-pricing by investors for longer maturities.

During the month, the apex bank maintained its active presence in the money market with two rounds of NTB and OMO auctions. In the NTB space, the CBN offered a total of N900.0 billion in short-term instruments, segmented across the 91-day (N100.0 billion), 182-day (N200.0 billion), and 364-day (N600.0 billion) tenors. Despite the tight liquidity conditions, the auction witnessed robust investor participation, drawing total subscriptions of N2.7 trillion. The overall bid-to-offer ratio stood at a moderate 1.0x, with particular strength noted in mid-dated tenors, which posted a bid-to-offer ratio of 1.2x. Short- and long-tenor instruments also recorded steady interest, maintaining a ratio of 1.0x each. Ultimately, the CBN allotted a total of N1.2 trillion, well above its initial offer—underscoring strong investor appetite for high-yield instruments.

On the OMO front, the CBN pressed ahead with its liquidity sterilisation efforts, withdrawing N1.1 trillion through OMO auctions. The auctions were in line with the bank's dual objective of controlling excess liquidity and attracting foreign currency inflows. However, investor participation was concentrated exclusively in long-dated maturities, highlighting a strategic tilt towards duration amid expectations of peak yields.



Source: CBN Auctions, Cowry Research

Sustained Investor Demand Anchors Bullish Momentum in Sovereign Bonds…

In the month of May, the fixed income market appeared to be transitioning from a defensive stance to selective duration plays, as investors continue to evaluate a blend of macro signals, auction outcomes, and liquidity dynamics.

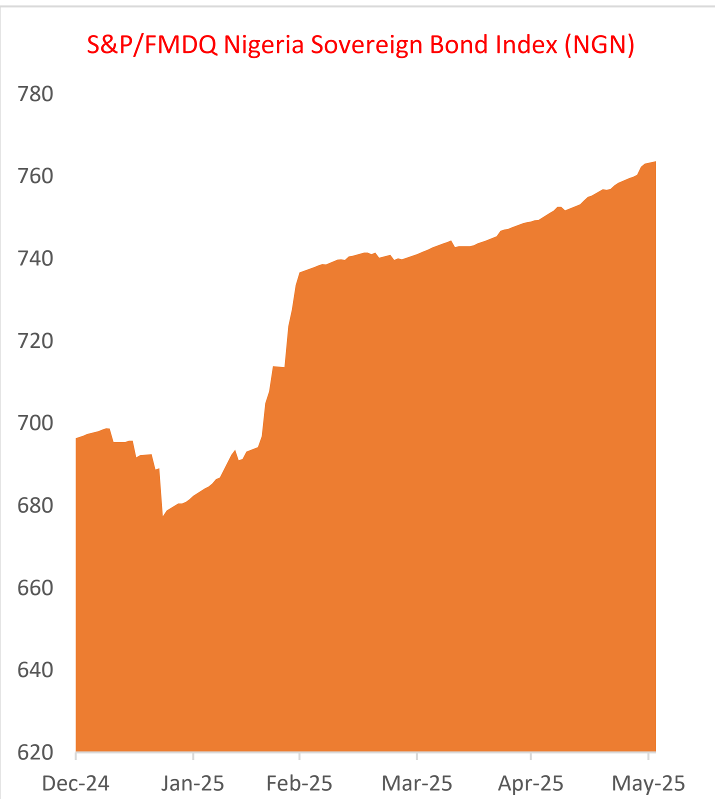
Meanwhile, the secondary bond market mirrored the strength of the primary auction, posting a bullish performance. Average yields across the curve declined by 20 basis points month-on-month to close at 18.8%. The mid-segment of the yield curve recorded the sharpest movement, compressing by 38 basis points to 19.1%, reflecting increased investor positioning in medium-term sovereign instruments.

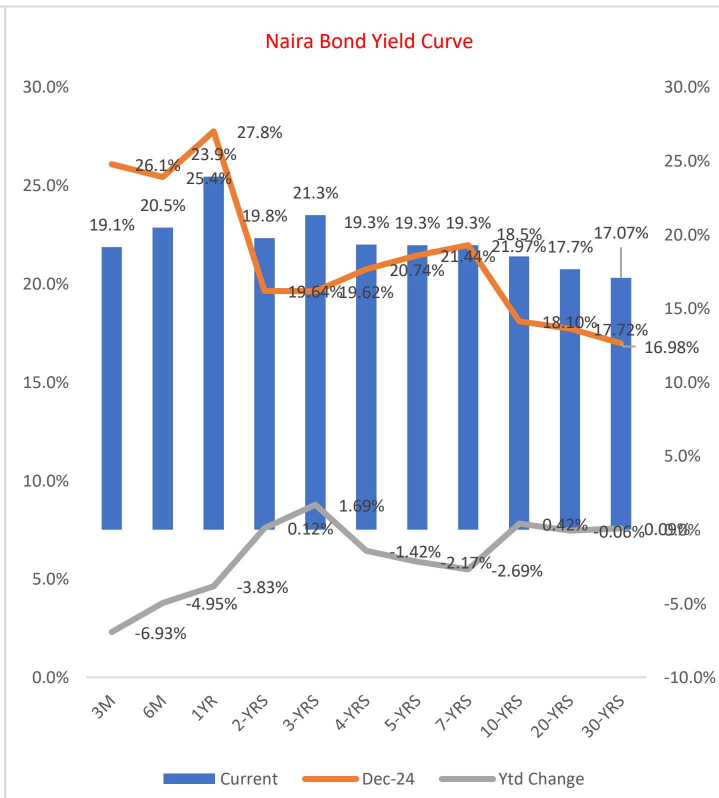
The short and long ends of the curve also saw modest yield contractions, declining by 14bps and 7bps respectively, to settle at 19.5% and 17.7%. This broad-based yield compression indicates sustained confidence in government securities and a search for value in a high-rate environment.

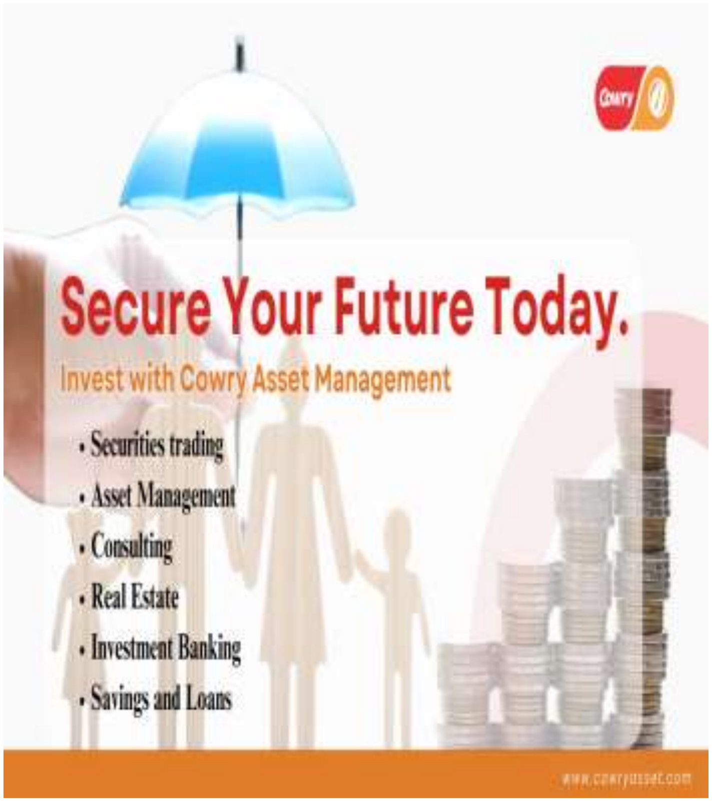
Elsewhere, the Debt Management Office (DMO) maintained its active stance in the sovereign bond market this month, reopening the Federal Government of Nigeria (FGN) APR 2029 and FEB 2031 bonds. In total, N300.0 billion was offered—modestly lower than the N350.0 billion offered in April—as the DMO continues to calibrate issuance volumes in response to market dynamics and fiscal requirements.

Investor appetite remained robust, with the overall bid-to-offer ratio improving to 1.5x in May from 1.4x in the prior month. Market interest continued to favour duration, as the FEB 2031 bond attracted significantly stronger demand with a bid-to-offer ratio of 2.1x, reinforcing a consistent trend in recent auctions where investors appear more comfortable locking in high yields over the long term.

By the close of the auction, the DMO allotted N296.0 billion in the FEB 2031 paper and a modest N4.7 billion in the APR 2029, suggesting selective issuance based on pricing efficiency. Clearing marginal rates for the two instruments eased slightly compared to April, settling at 19.8% and 18.98%, respectively—down from 19.99% and 19.0%. This softening in rates suggests improved market confidence and a modest repricing of sovereign credit risk, even amid a tight monetary backdrop.



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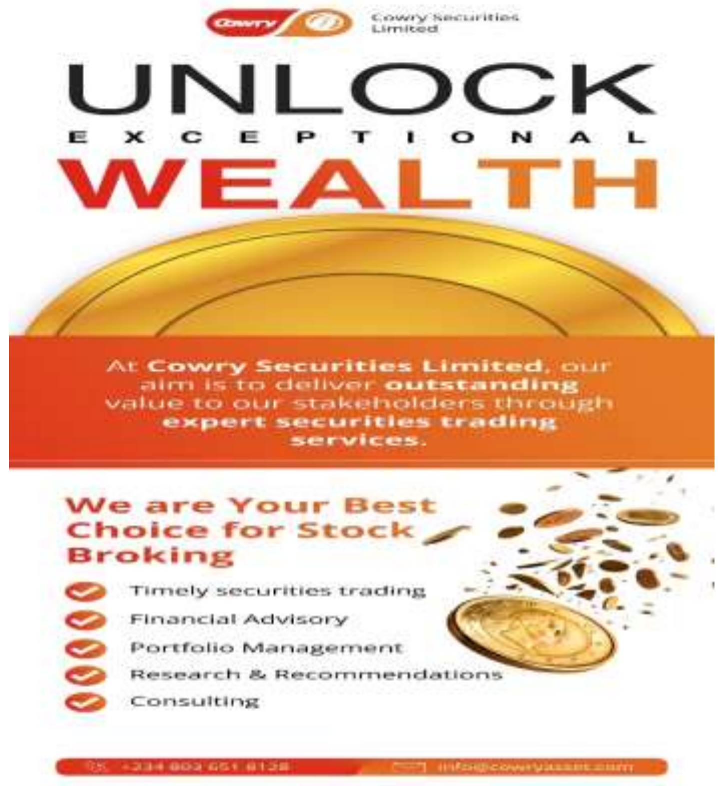
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