Friday August 29, 2025

Cowry Weekly Financial Markets Review & Outlook (CWR)

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Segment Outlook:

Cowry Financial Markets Review, Outlook & Recommended Stocks

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DOMESTIC ECONOMY: Nigeria's New MTDS Sets 60% Debt-to-GDP Target, Shifts Mix Towards Domestic Borrowing…….

Last week, Nigeria's Debt Management Office (DMO) released the Medium-Term Debt Management Strategy (MTDS) for 2024–2027, a policy paper that will shape the Nigeria's borrowing framework over the next four years. The strategy, approved by the Federal Executive Council and developed with technical input from the World Bank and IMF, provides a structured plan for meeting the Federal Government's financing needs while ensuring that debt is mobilised in a cost-effective, risk-conscious, and sustainable manner.

The new MTDS marks a clear departure from the previous 2020–2023 cycle, particularly in terms of fiscal headroom. Nigeria has raised its debt-to-GDP ceiling to 60%, up from the prior 40% benchmark, and much closer to the IMF's indicative 70% threshold for emerging markets. This upward adjustment reflects the government's recognition of the country's rising developmental needs and its willingness to create more fiscal space for borrowings. This translates that Nigeria's Q1'25 public debt stood at about 41% of GDP, well below the new ceiling, suggesting room for additional leverage without breaching sustainability limits.

The approved strategy also recalibrates the debt composition mix; now set at 55:45 target between domestic and external debt, compared to the current 53:47 ratio recorded in March 2025. This modest shift leans more on domestic financing in order to reduce exposure to foreign exchange volatility. For context, under the 2020–2023 MTDS, the FG had targeted a 70:30 mix but ended with a much higher 61:39 outcome due largely to exchange rate effects.

Beyond the debt mix, the new strategy also sets risk management thresholds. Nigeria plans to cap interest payments at a maximum of 4.5% of GDP, compared with the 3.75% recorded at end-2024. The government is also limiting sovereign guarantees to a ceiling of 5% of GDP, up from 2.09% currently. To manage refinancing pressures, no more than 15% of total debt should mature within one year, while the average time to maturity for the portfolio must remain above ten years. Likewise, the strategy ensures that the average time to refixing interest rates is at least ten years, with a ceiling of 15% of debt re-pricing within one year.

On the foreign side, FX-linked risks are carefully ring-fenced. The MTDS limits external debt to a maximum of 45% of total debt, down from the current 51.75%, while short-term FX debt as a share of reserves is capped at 10%, broadly in line with the current 8.33% level. This is designed to strengthen Nigeria's external buffers and reduce rollover vulnerabilities in the face of global market volatility.

Instrument diversification is another pillar, with plans to expand beyond Eurobonds by issuing domestic US dollar bonds, first introduced in September 2024, and new ESG-compliant securities in both domestic and international markets, depending on investor appetite. These innovations are aimed at broadening the investor base, lowering borrowing costs over time, and deepening Nigeria's capital market architecture.

In arriving at this strategy, the government considered four borrowing scenarios. These ranged from a domestic-heavy model with an 89:11 ratio, to a more balanced mix at 77:23 that leaned on multilateral and bilateral inflows rather than Eurobonds. The final approved framework most closely aligns with the latter, signaling a pragmatic compromise: Nigeria will prioritize domestic borrowing to manage risks, but external concessional funding will remain a critical complement.

Looking back, Nigeria's MTDS 2020–2023 was broadly successful in keeping debt levels below the stated ceiling, though the debt composition deviated sharply from targets. The debt-to-GDP ratio, initially capped at 40%, ended at just 31% in FY 2023 thanks to the GDP rebasing exercise, compared to a pre-rebased figure of 42.3%. Yet the domestic-to-external mix overshot expectations due to the 2023 currency float, which swelled the naira value of external liabilities.

As the MTDS 2024–2027 cycle begins, Nigeria is clearly signalling its readiness to borrow more aggressively to fund growth while carefully tightening controls on debt risks. The new targets allow more fiscal flexibility but still emphasise sustainability, ensuring that debt servicing remains manageable and that the maturity profile is long enough to shield the economy from shocks. The newly approved 2024–2027 Medium-Term Debt Management Strategy (MTDS) signals the Federal Government's intent to borrow more aggressively, with the debt ceiling now raised to 60% of GDP. This creates room for higher infrastructure and budgetary financing but also raises the likelihood of Nigeria's debt stock crossing N160 trillion by 2027 if revenues lag.

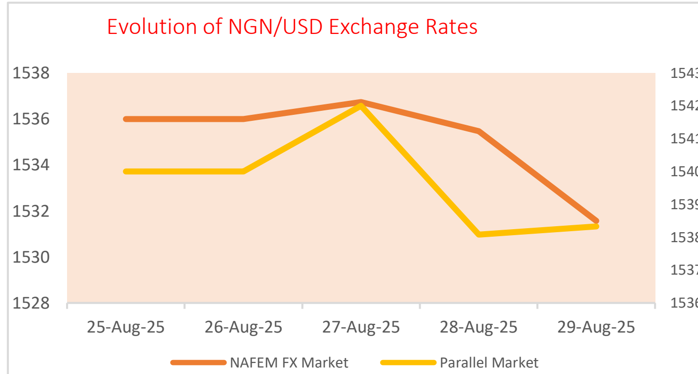
On the FX front, the MTDS reveals government caution, with reduced reliance on Eurobonds and greater focus on concessional loans and domestic instruments. We think the planned cap on interest payments at 4.5% of GDP appears ambitious given rising domestic yields, but if achieved, it could ease Nigeria's debt-service burden while offering investors new opportunities in both naira and dollar-denominated securities.

FOREX MARKET: Stronger FX Liquidity and Reserve Growth Bolster Naira Amid Mixed Crude Oil Performance...

The foreign exchange market recorded a stronger performance for the naira across key trading windows during the week. At the official Nigerian Autonomous Foreign Exchange Market (NAFEM) window, the local currency appreciated by 0.23% on a week-on-week basis, closing at N1,531.57/$1, supported by improved market liquidity and sustained dollar inflows.

Similarly, the parallel market reflected a marginal gain, with the naira strengthening by 0.37% week-on-week to settle at an average of N1,538.33/$1. This parallel market uptick highlights renewed confidence among traders, as well as moderated speculative pressures within the informal segment.

Crude oil prices are on track for another weekly gain, supported by U.S. tariffs on Indian exports, India's rising purchases of Russian crude, and Ukrainian drone strikes on Russian refineries. At the time of writing, Brent traded at $68.17 per barrel and WTI at $64.20 per barrel, both marginally lower than the previous close as U.S. summer fuel demand tapers off.



In contrast, Nigeria's Bonny Light crude declined by 2.53% to close at $69.44 per barrel. On the macroeconomic front, the country's foreign reserves rose by 0.32% week-on-week to $41.24 billion from $41.11 billion, driven by stronger foreign inflows.

In the coming week, the naira is expected to trade largely stable at the official window, supported by CBN interventions and modest FX inflows, though rising demand and a stronger U.S. dollar could limit further gains. Parallel market rates should see modest appreciations barring speculative pressures or liquidity tightening.

MONEY MARKET: FAAC Liquidity Boost Douses NIBOR, but T-Bill Yields Fire Higher.......

The money market opened the week on a liquid footing as N2 trillion in FAAC inflows and N350 billion in OMO maturities combined to lift system liquidity to a net positive balance above N1 trillion. With funding conditions eased, interbank rates trended lower across the curve.

The Overnight NIBOR declined by 197bps week-on-week to settle at 26.78%, while the 1-month, 3-month, and 6-month benchmarks all moderated by 178bps, 184bps, and 182bps to 27.39%, 28.16%, and 28.78% respectively.

In the same vein, benchmark policy rates eased as the OPR and Overnight rates slipped by 240bps and 220bps to close at 26.50% and 26.95%, reflecting the liquidity comfort in the system.

However, activity in the secondary market revealed that investors remained keen on extracting higher returns, which fed into an upward repricing of the NITTY curve across most short- to mid-term tenors. The 1-month NITTY rose by 24bps to 16.37%, while the 3-month and 6-month benchmarks firmed by 95bps and 8bps to 17.68% and 18.45% respectively.

Only the 12-month maturity bucked the trend, sliding by 31bps to 20.43% as investors shifted focus towards the shorter end of the curve. In contrast, the treasury bills market experienced heavy sell-off pressure across short, mid, and long-dated maturities, which drove the average yield significantly higher by 704bps week-on-week to close at 25.49%.

Looking into the coming week, the liquidity relief may prove short-lived as the CBN is expected to actively mop up excess liquidity through auctions and the standing deposit facility window, a move that could tilt market rates higher. Meanwhile, a total of N324.41 billion in treasury bill maturities is expected to hit the system, potentially providing temporary liquidity support. Nonetheless, with the apex bank already set to float N480 billion worth of fresh supply across the 91-day, 182-day, and 364-day tenors, we expect upward pressure on market yields to persist, reflecting the delicate balance between liquidity injections and tightening actions.

BOND MARKET: Local Bonds Weaken While Eurobonds Gain on Strong Investor Demand…..

The Nigerian secondary bond market recorded a bearish performance during the week, as investors showed heightened selling interest across multipltenor segments. Overall market sentiment remained weak, largely weighed down by persistent sell-side pressure from investors seeking to rebalance their portfolios amid uncertain market conditions. Thus, this cautious and risk-averse trading stance drove a modest uptick of 0.40% in the average yield, which closed at 17.10%.

At the regular monthly auction, the Debt Management Office (DMO) offered N200 billion worth of FGN bonds—double the N100 billion offered in the previous round. Despite the higher offer, investor appetite was relatively weaker, with total bids of N268.2 billion translating to a bid-to-offer ratio of 1.97x, compared with stronger levels seen previously. In the end, the DMO allotted just N136.2 billion, down sharply from N185.9 billion raised in the prior month.

The longest tenor, the reopened Jun '32 bond, continued to dominate investor interest with N165.8 billion in subscriptions against a N100 billion offer, though sales settled at N90.2 billion. However, the cut-off yield rose significantly to 18.00% from 15.90%, highlighting investors' firmer pricing stance.

Similarly, the newly issued 5-year Aug '30 bond recorded strong demand with N102.4 billion in subscriptions, slightly above the N100 billion on offer, but only N46.01 billion was allotted at a marginal rate of 17.95%.

In contrast to the domestic bond market, the Nigerian sovereign Eurobond segment closed the week on a bullish note, supported by broad-based investor demand across the curve. As a result, average Eurobond yields declined by 16 basis points week-on-week to settle at 7.96%. The downtick in yields underscores renewed investor appetite for Nigerian sovereign debt instruments.

Looking into the week, the domestic bond market is likely to stay cautious, with mild upward pressure on yields as investors continue portfolio rebalancing amid tight liquidity and inflation concerns. Meanwhile, Eurobond demand may remain firm, though global factors such as U.S. Fed signals and oil price swings could moderate the bullish momentum...

EQUITIES MARKET: Equities Extend Bearish Run as Sectoral Losses Drag ASI 0.50% w/w, Investors Lose N439bn……

The Nigerian equities market extended its bearish trend this week, sustaining the negative momentum carried over from the previous week. The benchmark NGX All-Share Index (ASI) declined by 0.50% week-on-week, closing at 140,295.49 points, down from 141,004.14 points recorded in the previous week. In tandem, market capitalisation fell by N439 billion to N88.77 trillion, bringing the year-to-date return to 36.31%. The bearish trend further dampened investor confidence, as evidenced by the weak market breadth of 0.54x, with only 31 gainers against 57 decliners.

Overall performance was dragged down by widespread losses across major sectors, as persistent bearish sentiment continued to fuel sustained selloffs. The Banking Index led the decline with a 1.21% drop, closely followed by the Insurance Index, which slipped by 1.02%.

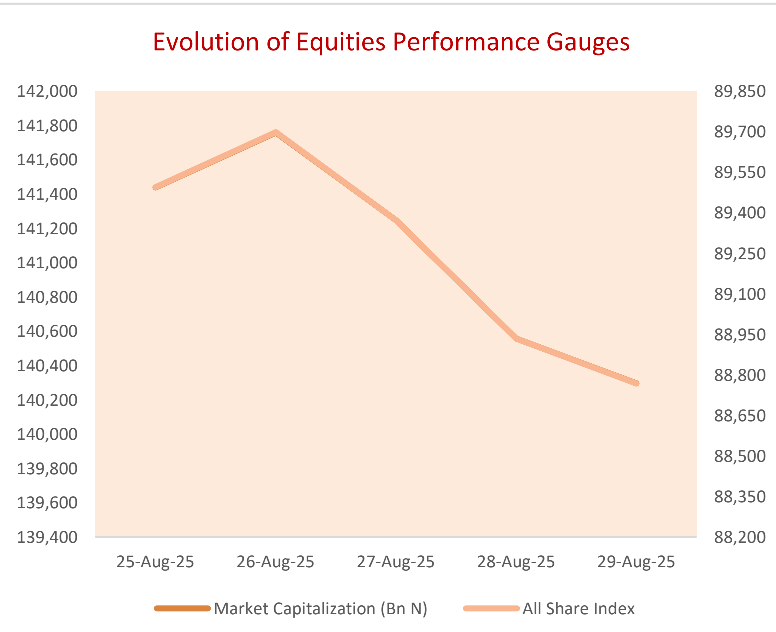
Similarly, the Consumer Goods, Industrial Goods, Commodities, and Oil & Gas sectors all posted week-on-week declines, reinforcing the downward pressure on the market. This broad-based downturn was largely driven by weak investor confidence and cautious trading activity amid prevailing macroeconomic uncertainties.

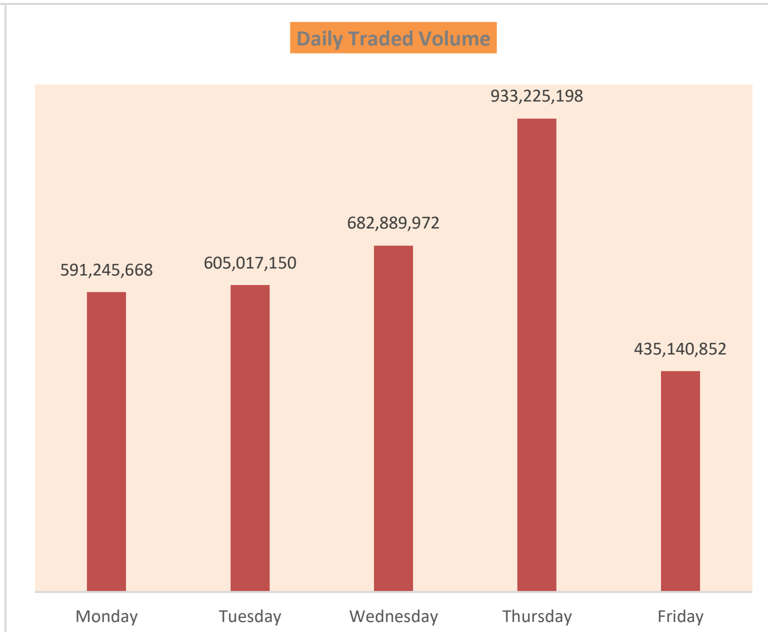
Consequently, market activity remained largely subdued during the week, with investor participation weakening across major counters. The total number of deals declined by 6.54% to 142,654, while traded volume and value fell sharply by 41.03% and 21.21% week-on-week, settling at 3.20 billion units and N85.47 billion, respectively. This contraction in market turnover underscores the reduced appetite from both retail and institutional investors, reflecting heightened caution amid the prevailing bearish sentiment.

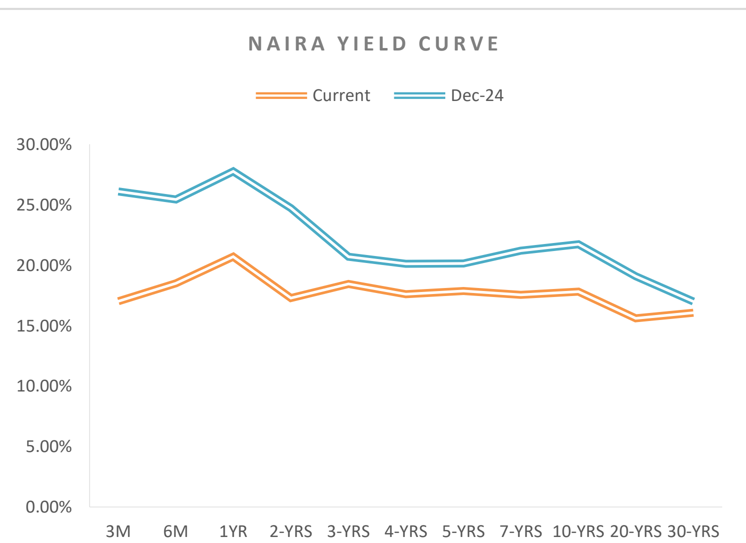
Sectoral performance was broadly negative, as all six tracked indices closed the week in the red. The Banking Index led the losers, dipping 1.21% week-on-week, driven by sustained selloffs in select mid- to large-cap stocks. The Insurance Index followed with a 1.02% decline, pressured by notable losses in counters such as Guinea Insurance, Lasaco Assurance, and Royal Exchange. Similarly, the Consumer Goods Index shed 0.89%, while the Industrial Goods, Commodities, and Oil & Gas indices slipped by 0.36%, 0.30%, and 0.18%, respectively, reflecting the overall bearish sentiment across the market.

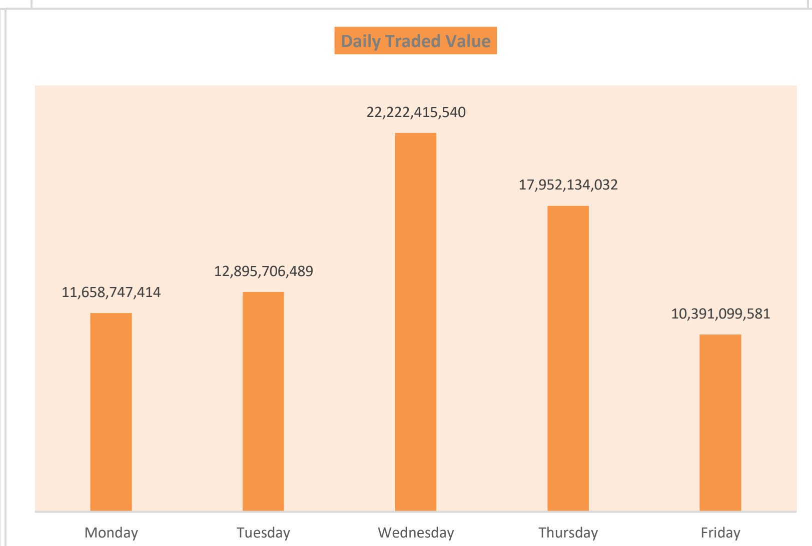
At the close of the week, notable gainers included MCNICHOLS, which advanced by 18.8%, NEM Insurance with a 17.3% uptick, BERGER rising 15.3%, WAPIC gaining 12.8%, and LEARNAFRICA appreciating by 11.4%. Conversely, the major laggards were NSLTECH, which shed 22.7%, Guinea Insurance declining by 19.8%, LASACO losing 13.3%, UPL dropping 12.1%, and Mutual Benefits Assurance (MBENEFIT) retreating by 11.9%.

In the coming week, we anticipate a mixed performance in the Nigerian equities market, with cautious sentiment likely to dominate amid tight liquidity and lingering macroeconomic pressures. Sell pressure in the Banking and Industrial Goods sectors may persist, while bargain-hunting in oversold counters, particularly within Consumer Goods and Insurance could drive mild recoveries. Overall, the market is expected to trade range-bound with a slight bearish bias, barring any major policy pronouncements or corporate catalysts. However, we continue to advise investors to position in stocks with strong fundamentals.









Weekly Top Gainers and Losers as at Friday, August 29, 2025

Top Ten Gainers				Bottom Ten Losers			
Symbol	**29-Aug-25**	**22-Aug-25**	**% Change**	**Symbol**	**29-Aug-25**	**22-Aug-25**	**% Change**
MCNICHOLS	3.80	3.20	18.8%	NSLTECH	0.85	1.10	-22.7%
NEM	31.20	26.60	17.3%	GUINEAINS	1.42	1.77	-19.8%
BERGER	36.90	32.00	15.3%	LASACO	3	3.46	-13.3%
WAPIC	3.62	3.21	12.8%	UPL	5.54	6.30	-12.1%
LEARNAFRCA	7.80	7.00	11.4%	MBENEFIT	3.90	4.40	-11.4%
NCR	11.55	10.50	10.0%	ROYALEX	2	2.25	-11.1%
SFSREIT	301.55	274.15	10.0%	CORNERST	6.39	7.1	-10.0%
JBERGER	146.1	132.9	9.9%	JOHNHOLT	6.30	7.00	-10.0%
SCOA	6.00	5.50	9.1%	DAARCOMM	1.09	1.21	-9.9%
BETAGLAS	486.00	449.35	8.2%	ABCTRANS	4.51	5.00	-9.8%

FGN Eurobonds Yields as at Friday, August 29, 2025

FGN Eurobonds	Issue Date	TTM (years)	29-Aug-25 Price (N)	Weekly USD Δ	29-Aug-25 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.23	100.22	-0.07	6.5%	0.19
6.50 NOV 28, 2027	28-Nov-17	2.25	100.19	0.25	6.4%	-0.12
6.125 SEP 28, 2028	28-Sep-21	3.08	98.21	0.49	6.8%	-0.18
8.375 MAR 24, 2029	24-Mar-22	3.57	103.95	0.52	7.1%	-0.17
7.143 FEB 23, 2030	23-Feb-18	4.49	99.03	0.78	7.4%	-0.21
8.747 JAN 21, 2031	21-Nov-18	5.40	103.95	0.63	7.8%	-0.15
7.875 16-FEB-2032	16-Feb-17	6.47	98.84	0.86	8.1%	-0.17
7.375 SEP 28, 2033	28-Sep-21	8.09	94.25	1.28	8.4%	-0.23
7.696 FEB 23, 2038	23-Feb-18	12.50	91.06	1.46	8.9%	-0.21
7.625 NOV 28, 2047	28-Nov-17	22.26	83.90	1.70	9.4%	-0.21
9.248 JAN 21, 2049	21-Nov-18	23.41	98.79	1.95	9.4%	-0.22
8.25 SEP 28, 2051	28-Sep-21	26.10	88.37	1.87	9.5%	-0.22

Weekly Stock Recommendations as at Friday, August 29, 2025

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
ACCESSCORP PLC	4.88	6.63	103.75	0.26	5.43x	28.95	18	**26.50**	36.0	22.5	30.5	36.00	Buy
GUINESS NIGERIA PLC	7.40	8.14	8.38	15.51	17.57x	155.75	61.20	**130.00**	203.0	110.5	149.5	56.15	Buy
STANBIC IBTC PLC	6.25	10.01	58.33	1.71	15.99x	103.00	52.95	**100.00**	160.0	85.0	115.0	60.00	Buy
DANGOTE CEMENT	30.74	39.96	132.56	3.92	16.92x	532.00	349.20	**520.20**	676.3	442.2	598.2	30.00	Buy
ZENITH PLC	7.59	10.93	108.18	0.61	8.70x	78.50	33.10	**66.00**	95.0	56.1	75.9	44.00	Buy

U.S.-dollar foreign-exchange rates as at 3:30 PM GMT+1, Friday, August 29, 2025

MAJOR	29-Aug-25	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1664	1.1679	-0.13%.	-0.44%.	2.07%	5.59%
GBPUSD	1.3461	1.3508	-0.35%.	-0.41%.	1.58%	2.58%
USDCHF	0.8019	0.8018	0.01%	0.08%	-1.40%.	-5.64%.
USDRUB	80.3600	80.3118	0.06%	-0.24%.	-0.80%.	-11.35%.
USDNGN	17.6961	17.6873	0.05%	-0.04%.	0.30%	-3.47%.
USDZAR	17.6961	17.6873	0.05%	1.50%	-1.67%.	-0.77%.
USDEGP	48.5700	48.5021	0.14%	0.17%	-0.16%.	0.00%
USDCAD	18.68	18.6523	0.13%	-0.47%.	-0.48%.	1.98%
USDMXN	18.68	18.6523	0.13%	0.52%	-0.91%.	-5.30%.
USDBRL	5.42	5.4135	0.12%	-0.13%.	-2.82%.	-3.50%.
AUDUSD	0.5892	0.5883	0.16%	0.97%	1.37%	-3.42%.
NZDUSD	0.5892	-0.0600	0.16%	0.59%	-0.27%.	-5.71%.
USDJPY	7.1256	7.1199	0.08%	0.17%	-1.38%.	0.69%
USDCNY	7.1256	7.1199	0.08%	-0.64%.	-1.15%.	0.54%
USDINR	88.2270	87.6050	0.71%	1.02%	0.61%	5.18%

Global Commodity Prices as at 3:30 PM GMT+1, Friday, August 29, 2025

Commodity		29-Aug-25	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	64.4	64.6	-0.29%.	1.24%	-7.93%.	-12.37%.
BRENT	USD/Bbl	67.7	68.0	-0.40%.	0.03%	-6.51%.	-11.93%.
NATURAL GAS	USD/MMBtu	3.0	9.8	0.25%	6.30%	-2.26%.	39.93%
GASOLINE	USD/Gal	2.0	2.0	-0.35%.	-8.00%.	-10.09%.	-5.36%.
COAL	USD/T	109.6	111.5	-1.79%.	-0.95%.	-5.15%.	-23.53%.
GOLD	USD/t.oz	3,421.9	3,417.4	0.13%	1.40%	4.44%	36.64%
SILVER	USD/t.oz	38.9	39.1	-0.35%.	0.20%	4.98%	35.08%
WHEAT	USD/Bu	509.9	510.3	-0.07%.	1.07%	-2.60%.	-4.24%.
PALM-OIL	MYR/T	4,377.0	4,448.2	-1.60%.	-3.40%.	2.34%	10.03%
COCOA	USD/T	7,440.8	7,737.9	-3.84%.	-1.92%.	-9.22%.	-23.09%.