COWRY WEEKLY FINANCIAL MARKETS REVIEW & OUTLOOK (CWR)

Cowry Research

DOMESTIC ECONOMY: Nigeria's Fiscal Reality Check: Revenues Limp, Deficit Widens, and Capex Sacrificed by 9m'24….

Earlier this week, the federal government of Nigeria published Nigeria's fiscal scorecard for the nine months ended September 2024 which laid bare a sobering truth: the FG is still struggling to raise revenues, debt service is eating up the bulk of resources, and capital spending—the engine for long-term growth—remains the weakest link. What was billed as a bold N28.77 trillion revenue plan for 2024 is unravelling in execution, with just N14.55 trillion actually collected by September, far short of the N19.41 trillion prorated target. At the centre of this shortfall is oil, the government's age-old cash cow. The budget had banked on N8.18 trillion in oil revenues for the year, translating to N6.13 trillion by Q3. But actual inflows were only N4.64 trillion, undershooting the target by 24%. In Q1, receipts came in at N1.39 trillion, slipped to N1.33 trillion in Q2, before improving to N1.92 trillion in Q3. Still, the cumulative gap reflects persistent structural challenges—production bottlenecks, theft, pipeline downtime, and compliance with OPEC+ caps.

Non-oil revenues tried to hold the fort. Against a prorated budget of N2.68 trillion by September, actual collections amounted to N3.66 trillion, overshooting target by 37%. Company income tax led the charge, delivering N1.93 trillion against N1.10 trillion projected, with N456.72 billion in Q1, N727.34 billion in Q2, and N743.62 billion in Q3. VAT receipts, another bright spot, totalled N605 billion by Q3 compared to N384 billion budgeted, supported by improved compliance and inflation-boosted nominal consumption. Customs duties also kept pace, hitting N986 billion, slightly above the N965 billion target. Independent revenues proved to be a fiscal lifeline. By September, government-owned enterprises had remitted N2.79 trillion, smashing the N2.02 trillion target by 38 %. Quarterly inflows jumped from N319 billion in Q1 to N1.31 trillion in Q2 before moderating to N1.10 trillion in Q3. However, other revenue sources underwhelmed. Signature bonuses brought in N196.35 billion compared to the N188.6 billion target, while stamp duty raised just N23 billion over nine months, falling short of its N18.3 billion quarterly trajectory. Crucially, the much-hyped windfall tax and FX gains, projected at N6.28 trillion for the year, yielded absolutely nothing by September, exposing the risks of over-optimistic assumptions in the budget.

Expenditure figures confirm the imbalance that the Nigeria is still spending much more than it earns. The federal government spent N21.87 trillion in nine months, shy of the N24.34 trillion prorated budget but still far above revenues. Recurrent spending dominated, with N14.65 trillion consumed, almost in line with the N14.66 trillion budget. Personnel costs absorbed N3.54 trillion, while overheads for MDAs and GOEs took another N921 billion combined. Pensions under the Consolidated Revenue Fund added N336 billion. But the real sinkhole is debt service. Nigeria spent N8.93 trillion on debt servicing by September, overshooting the N6.20 trillion projection by a staggering 44%. Domestic debt service gulped N4.39 trillion, while foreign debt obligations cost N4.55 trillion. This implies that more than 61% of total revenues was for debt service in the period.

Capital expenditure, once again, was the poor cousin. Out of a N10.93 trillion target by September, actual capital spending was just N5.86 trillion, reflecting 54% performance. Spending by MDAs reached N4.25 trillion versus N8.41 trillion budgeted, while GOE capital projects barely moved at N107 billion compared to N616 billion expected. Multilateral and bilateral loan-tied projects registered nothing, highlighting chronic bottlenecks in disbursements and project execution. The only silver lining came from grants and donor funding, which boosted capital expenditure by N1.50 trillion. Statutory transfers were flat at N1.31 trillion, consistent with budgeted levels. But the imbalance between recurrent and capital remains glaring: for every N1 spent on capital projects, nearly N3 went to recurrent obligations and debt service. The financing picture tells its own story. By September, the fiscal deficit stood at N7.05 trillion, already overshooting the prorated target of N6.88 trillion. Financing leaned heavily on the domestic market as borrowing reached N7.05 trillion, already 16% above the N6.06 trillion annual budget, with N1.47 trillion raised in Q1, N3.06 trillion in Q2, and N2.52 trillion in Q3. External borrowing was negligible, with only N1.01 trillion accessed versus N1.77 trillion budgeted.

Nigeria's fiscal framework, as of September 2024, shows an economy caught in a vicious cycle: oil dependence remains shaky, non-oil revenues are improving but insufficient, expenditure is skewed towards consumption, and borrowing is both heavy and expensive. Without structural reforms to boost oil production, expand the non-oil tax base, and rein in recurrent spending, the fiscal deficit will only deepen. The macroeconomic implications are unambiguous. First, the dominance of debt servicing in expenditure means Nigeria is effectively working for its creditors, not for growth. With interest payments swallowing more than 60% of revenues, fiscal flexibility is virtually non-existent. Also, the over-reliance on the domestic debt market has pushed yields higher, crowding out private sector borrowers.

FOREX MARKET: Naira Strengthens Across FX Windows as Oil Prices Slip Ahead of OPEC+ Meeting…

The foreign exchange market witnessed stronger performance for the naira across key trading segments during the week. At the official Nigerian Autonomous Foreign Exchange Market (NAFEM) window, the local currency appreciated by 1.10% week-on-week to close at N1,514.87/$1, supported by improved liquidity and sustained dollar inflows. Similarly, the parallel market posted a marginal gain, with the naira strengthening by 0.02% to an average of N1,538/$1. This uptick reflects renewed trader confidence and eased speculative pressures in the informal market.

Oil prices retreated on Wednesday as investors turned their focus to the upcoming OPEC+ meeting, where the alliance is expected to decide on production levels for October. West Texas Intermediate (WTI) crude slipped by 2.0% to settle at $64.34 per barrel, while Brent crude declined by 1.76% to $68.02 per barrel. The meeting comes at a critical time, as member countries have been gradually unwinding earlier supply cuts implemented to stabilize the market. In September, the group agreed to raise production by 547,000 barrels per day (bpd), effectively completing the reversal of the 2.2 million bpd output reduction introduced during the height of market weakness..

In contrast, Nigeria's Bonny Light crude slipped by 0.92%, closing at $70.33 per barrel. On the macroeconomic front, the country's external reserves recorded a modest uptick, rising by 0.10% week-on-week to $41.31 billion from $41.27 billion, largely supported by stronger foreign inflows. This incremental build-up in reserves, though small, provides an important buffer against external vulnerabilities such as volatile oil prices and currency pressures. It also offers the Central Bank of Nigeria (CBN) greater capacity to intervene in the foreign exchange market when necessary, helping to stabilize the naira in the near term.

In the coming week, we expect the naira to trade relatively stable across both the official and parallel markets, supported by sustained dollar inflows and a modest build-up in external reserves. However, pressures from speculative demand and global oil price volatility may cap further gains. The outcome of the OPEC+ meeting will be a key driver for crude oil prices, with any adjustments to production levels likely to influence Nigeria's external earnings and, by extension, FX market dynamics.

BOND MARKET: Mixed Sentiment in Fixed Income Market: Local Bonds Rally While Eurobonds Weaken…..

The Nigerian secondary bond market recorded a bullish performance during the week, buoyed by heightened investor demand across multiple tenor segments. Investors actively positioned in both short and medium-dated instruments, reflecting improved market sentiment and a shift toward fixed-income assets amid lingering uncertainties in other asset classes. This broad-based buying interest exerted mild downward pressure on yields, leading to a modest 13-basis-point (0.13%) decline in the average yield, which closed the week at 16.97%.

In contrast to the bullish trend observed in the domestic bond market, the Nigerian sovereign Eurobond segment closed the week on a bearish note, weighed down by weak investor sentiment across the curve. Selling pressures persisted amid cautious global risk appetite and concerns over external macroeconomic headwinds, particularly from rising U.S. Treasury yields and a stronger dollar. Consequently, average Eurobond yields climbed by 5 basis points week-on-week, settling at 8.01%.

Looking into the week, domestic bond market activity is likely to stay range-bound, supported by steady demand but tempered by possible profit-taking. In the Eurobond space, yields may remain volatile, driven by U.S. Treasury movements, dollar strength, and global risk sentiment….

MONEY MARKET: Funding Rates Swing Upward as Liquidity Stay Strong, Investors Crowd Long-Dated Bills…

System liquidity remained firmly in surplus this week, closing at a net positive balance of about N2 trillion, even as the CBN and DMO attempted to drain excess cash through OMO and NTB auctions. Despite these mop-up efforts, interbank funding conditions stayed relatively tight. The OPR was flat at 26.50%, while the Overnight Repo rate inched up 5bps to 27.00%. The Overnight NIBOR rose sharply by 14ppts to 26.92% as deposit money banks actively engaged the CBN's standing deposit facility. Elsewhere, tenor benchmarks were mixed: the 1-month NIBOR rose slightly by 3bps, while the 3-month and 6-month gauges eased by 12bps and 10bps, respectively.

In the secondary market, NITTY rates largely trended lower, with the 1-month, 3-month, and 12-month tenors dropping by 19bps, 48bps, and 14bps, respectively. The 6-month NITTY was the lone gainer, edging higher by 3bps. This softening filtered into the treasury bills market, where average yields declined by 6.92ppts to settle at 18.57% as strong buy-side demand compressed returns.

he Debt Management Office (DMO) conducted its most recent NTB auction with an offer size of N480 billion across the standard 91-day, 182-day, and 364-day maturities. Demand was exceptionally strong, with subscriptions swelling to N1.0 trillion—more than double the offer size—underscoring the depth of liquidity in the system. Notably, almost 93% of total bids were funneled into the 364-day paper, as investors sought to lock in longer tenors amid elevated short-term funding rates and reinvestment risks.

Despite the aggressive bidding, the DMO maintained a cautious stance, allotting N585.3 billion, only modestly above the initial offer. Stop rates printed a mixed pattern: the 91-day tenor edged lower by 3bps to 15.32%, reflecting soft demand pressure at the short end; the 182-day rate held flat at 15.50%; while the 364-day tenor ticked 25bps higher to 17.69% in response to concentrated demand. The upward adjustment at the long end signals the market's willingness to price in tighter liquidity expectations ahead, even as the short end remains relatively anchored.

Looking ahead, we expect funding rates to remain somewhat sticky in the coming week, as system liquidity is likely to stay positive amid the level of activities of the apex bank to shape short-term funding conditions.

EQUITIES MARKET: Risk-Off Sentiment Deepens as Equities Market Declines 0.94% w/w ….

The Nigerian equities market extended its bearish trajectory this week, as weak sentiment and risk-off positioning continued to dominate trading activity. The NGX All-Share Index (ASI) shed 0.94% week-on-week to close at 138,980.01 points, down from 140,295.49 points in the prior week. In tandem, market capitalisation fell by N832 billion to N87.94 trillion, trimming the year-to-date return to 35.03%. The persistent downturn highlights lingering macroeconomic uncertainties that have tempered investors' appetite for risk assets.

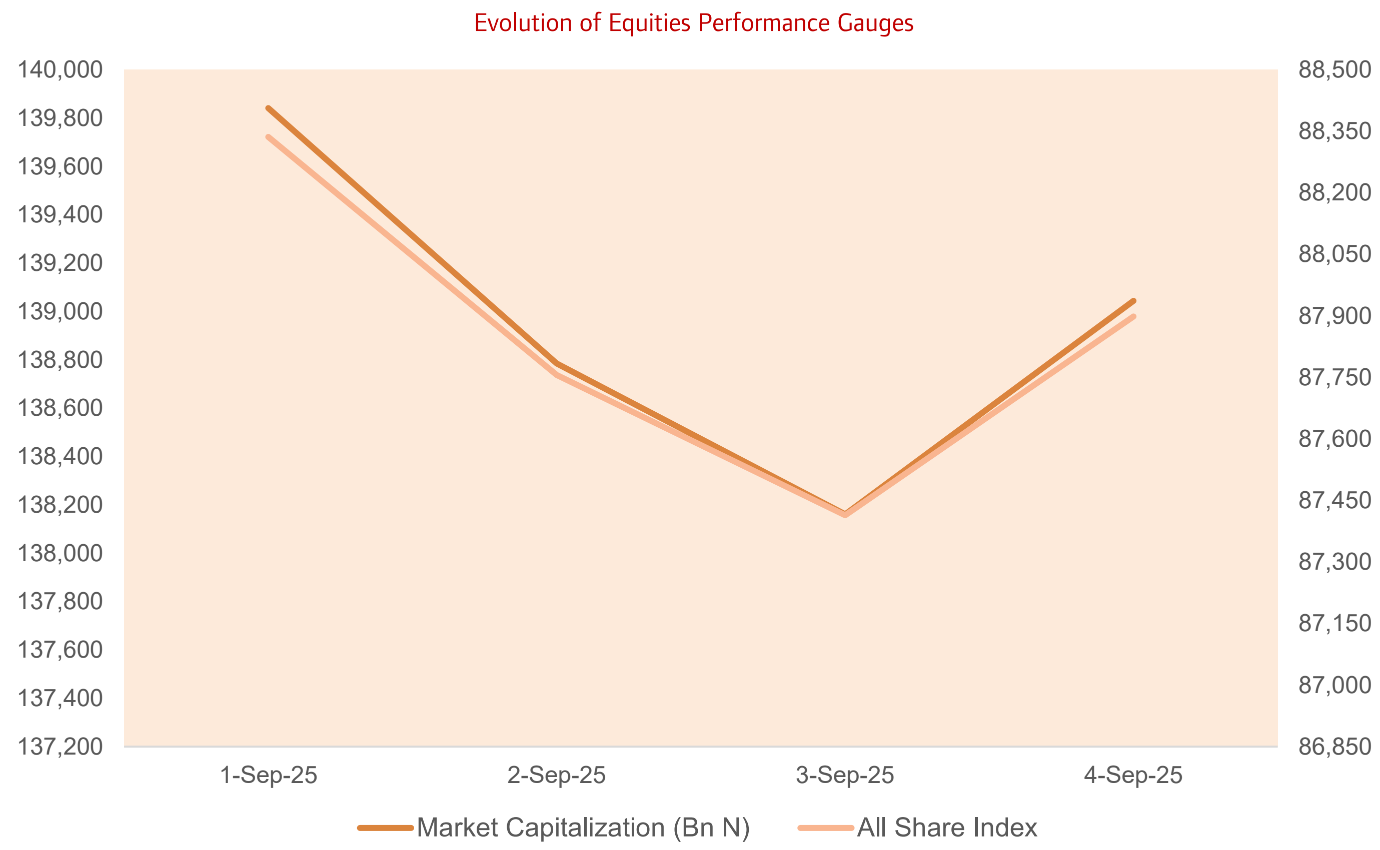
Trading activity further underscored the subdued mood in the market. Total deals contracted by 17.43% to 117,791, while traded volume also declined by 2.66% to 3.11 billion units. Interestingly, market turnover bucked the trend, rising by 5.53% to N90.20 billion, suggesting that while participation thinned, transactions were skewed towards higher-value counters. Market breadth remained weak at 0.30x, with only 19 gainers against 63 decliners, reflecting the depth of negative sentiment across listed equities.

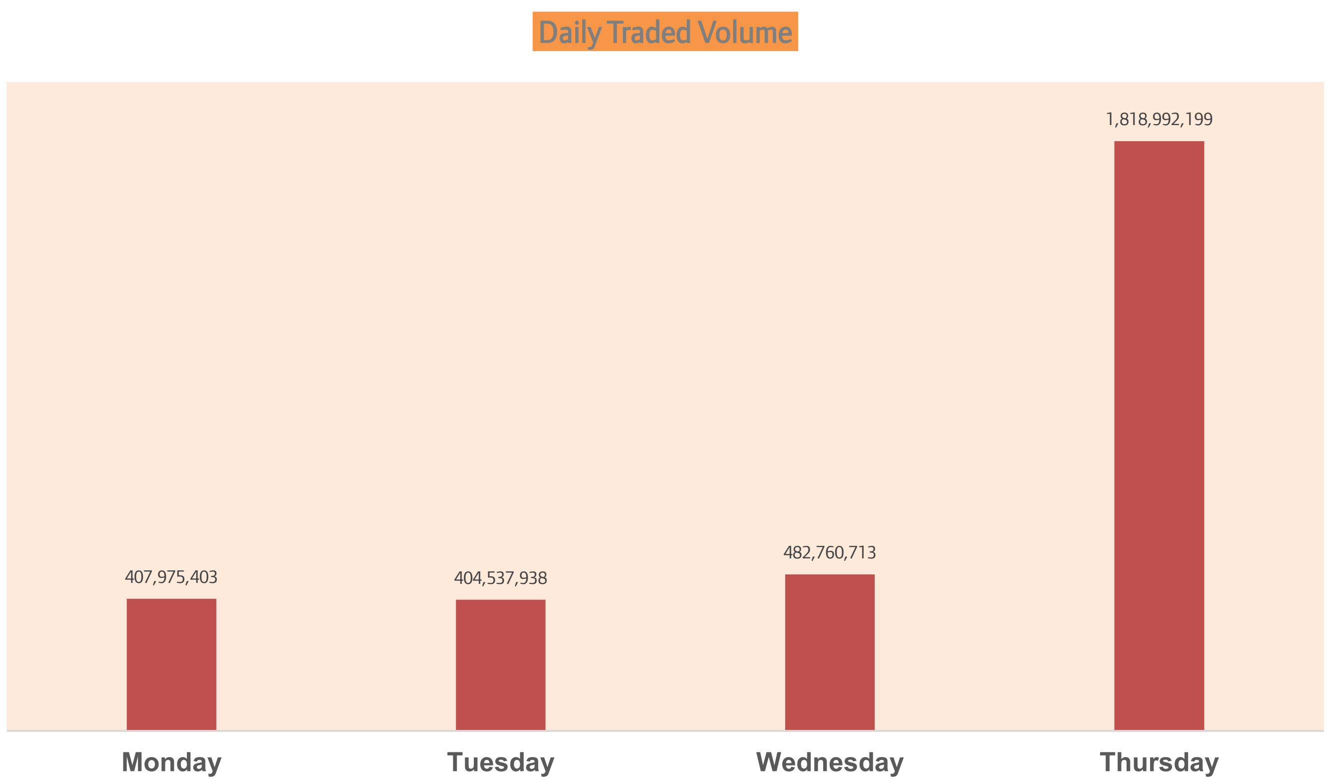
Sectoral performance reflected the breadth of the bearish mood, with five of the six tracked indices closing in the red. The Industrial Goods Index bore the brunt of the selloffs, slipping 2.08% week-on-week as mid- to large-cap counters came under sustained pressure. The Banking Index also weakened by 1.52%, reflecting cautious investor positioning in financial stocks amid tight system liquidity and elevated funding costs.

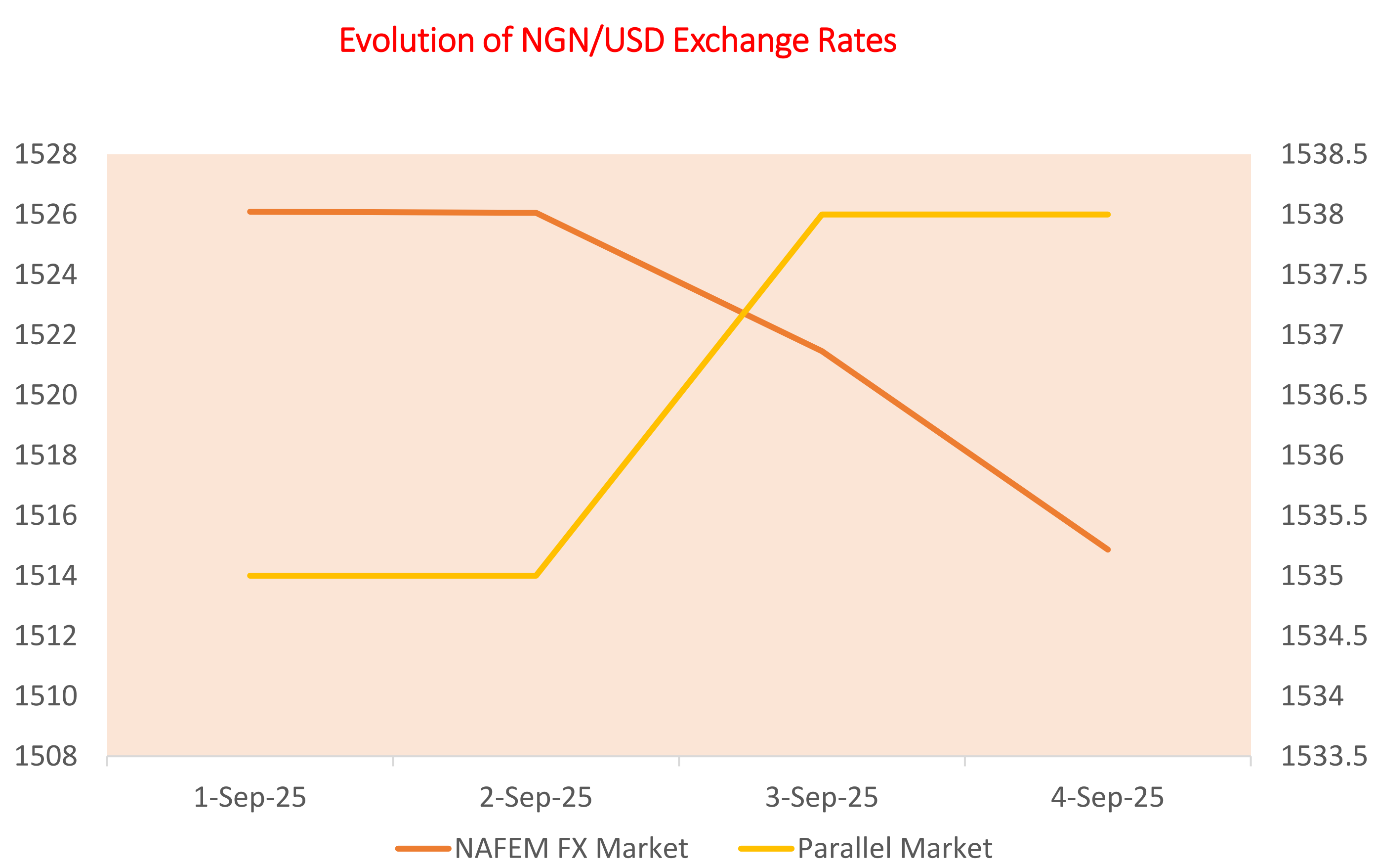
Likewise, the Consumer Goods, Oil & Gas, and Insurance indices shed 1.18%, 0.77%, and 0.36%, respectively, underscoring the broad-based nature of the market's downturn. The lone exception was the Commodity Index, which managed a marginal 0.04% uptick, though insufficient to offset the wider bearish sentiment.

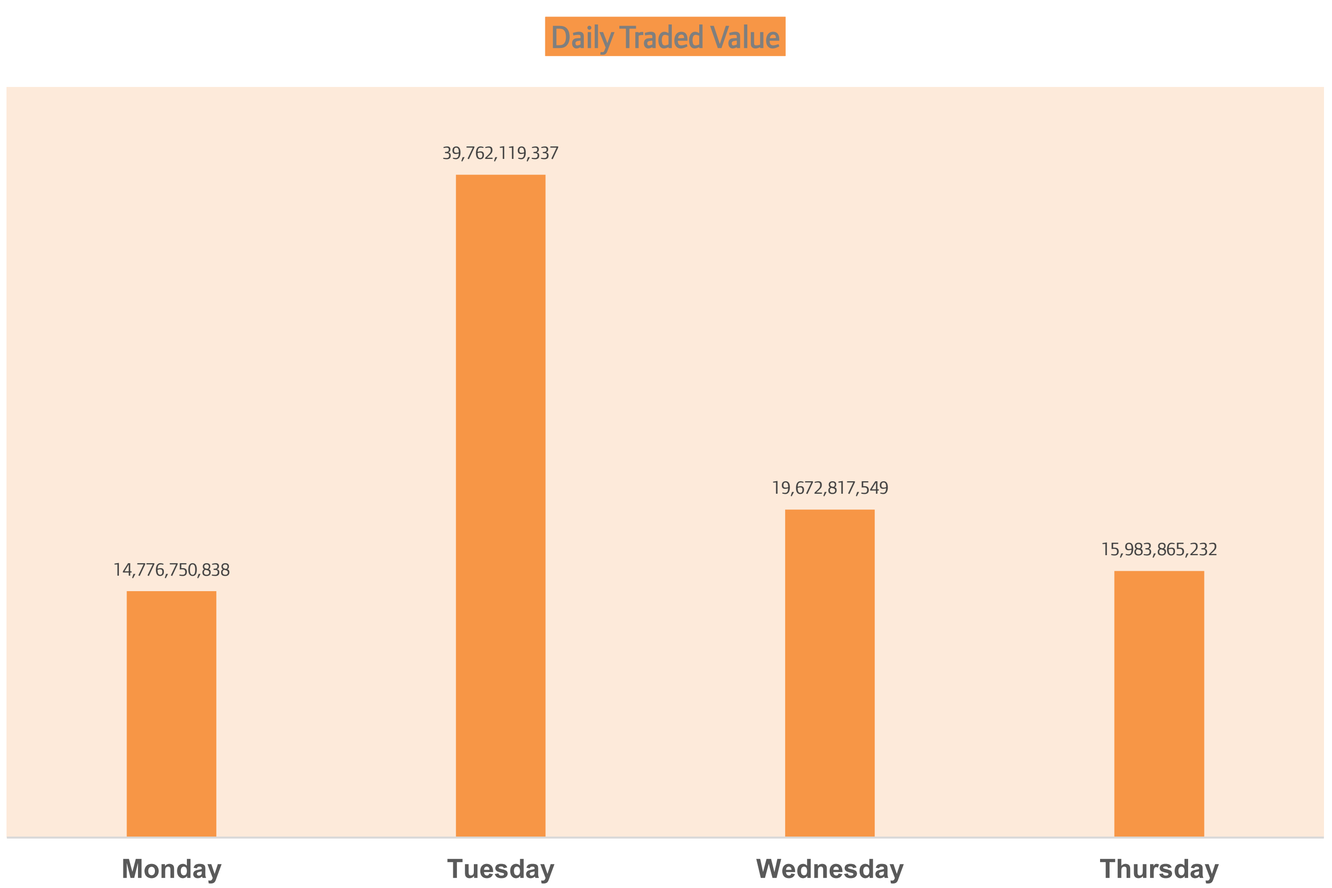
At the stock level, price action was mixed, with only a handful of gainers standing out against a sea of decliners. SOVRENINS (+14.2%), NSLTECH (+12.9%), CORNEST (+12.4%), NCR (+10.0%), and SCOA (+10.0%) provided some resilience, reflecting selective interest in small- to mid-cap names. On the flip side, heavy losses were recorded in DAARCOMM (-21.1%), UPDC (-13.8%), AIICO (-13.6%), CHAMPION (-13.3%), and PZ (-13.3%), further weighing on overall market breadth.

In the coming week, we expect the Nigerian equities market to trade cautiously, with sentiment likely to remain weak amid persistent macroeconomic headwinds such as currency pressures, inflation expectation, and uncertainty around monetary policy direction. While bargain-hunting in oversold stocks could trigger mild recoveries in select counters, overall market performance is expected to stay broadly bearish, with investor appetite for risk assets still subdued. The sharp contrast between the few outperformers and the numerous laggards highlights persistent investor caution, as negative sentiment continues to dominate sectoral flows. We continue to advise investors to take position in stocks with strong fundamentals.


Evolution of Equities Performance Gauges
140,000
139,800
139,600
139,400
139,200
139,000
138,800
138,600
138,400
138,200
138,000
137,800
137,600
137,400
137,200
88,500
88,350
88,200
88,050
87,900
87,750
87,600
87,450
87,300
87,150
87,000
86,850
1-Sep-25
2-Sep-25
3-Sep-25
4-Sep-25
Market Capitalization (Bn N)
All Share Index


Daily Traded Volume
407,975,403
404,537,938
482,760,713
1,818,992,199
Monday
Tuesday
Wednesday
Thursday


Evolution of NGN/USD Exchange Rates
1528
1526
1524
1522
1520
1518
1516
1514
1512
1510
1508
1538.5
1538
1537.5
1537
1536.5
1536
1535.5
1535
1534.5
1534
1533.5
1-Sep-25
2-Sep-25
3-Sep-25
4-Sep-25
NAFEM FX Market
Parallel Market


Daily Traded Value
14,776,750,838
39,762,119,337
19,672,817,549
15,983,865,232
Monday
Tuesday
Wednesday
Thursday

Weekly Top Gainers and Losers as at Thursday, September 5, 2025

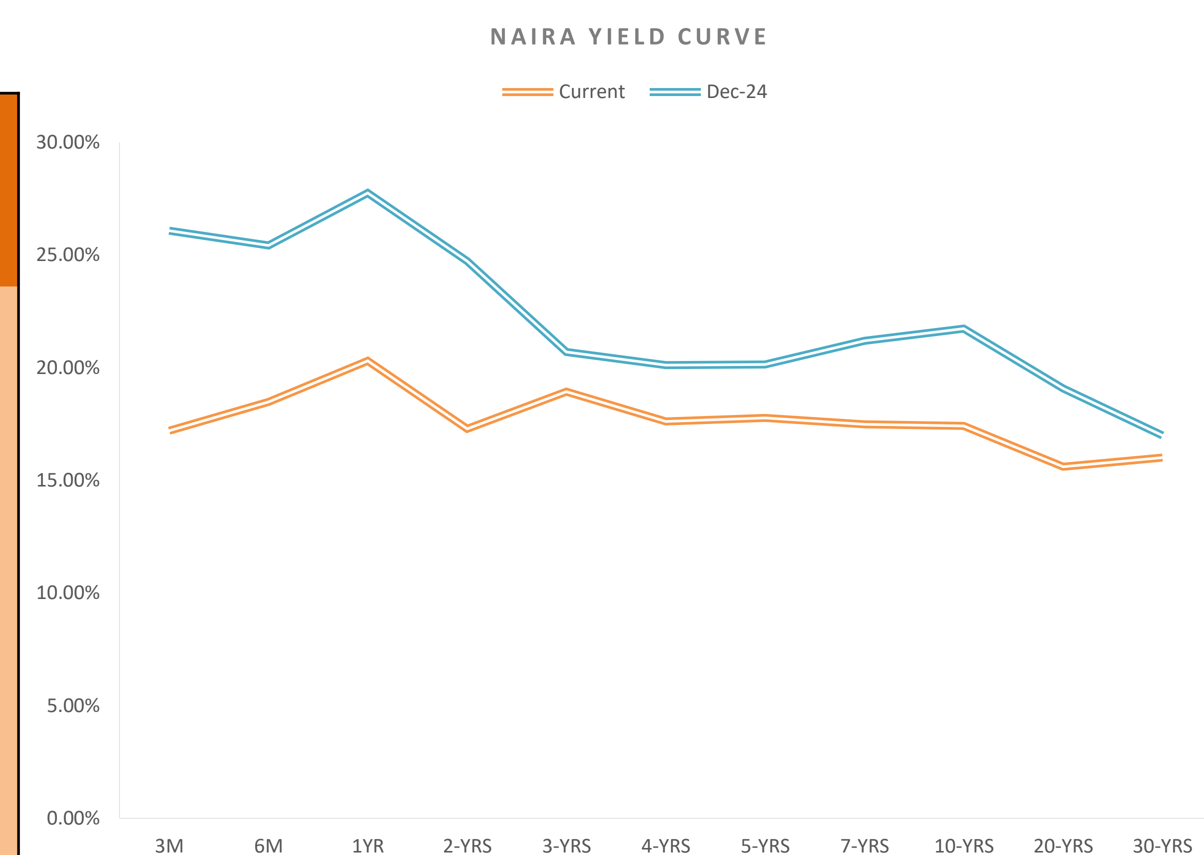
Top Ten Gainers				Bottom Ten Losers			
Symbol	4-Sep-25	29-Aug-25	% Change	Symbol	4-Sep-25	29-Aug-25	% Change
SOVRENINS	2.97	2.60	14.2%	DAARCOMM	0.86	1.09	-21.1%
NSLTECH	0.96	0.85	12.9%	UPDC	5.6	6.5	-13.8%
CORNERST	7.18	6.39	12.4%	AIICO	3.49	4.04	-13.6%
NCR	12.70	11.55	10.0%	CHAMPION	15.00	17.30	-13.3%
SCOA	6.59	6.00	9.8%	PZ	32.00	36.90	-13.3%
GUINEAINS	1.55	1.42	9.2%	WAPCO	113	130	-13.1%
JOHNHOLT	6.80	6.30	7.9%	LEARNAFRCA	7.02	7.8	-10.0%
TRANSCORP	49.7	47	5.7%	ETERNA	34.20	38.00	-10.0%
MULTIVERSE	11.50	10.90	5.5%	UPL	5.00	5.54	-9.7%
NGXGROUP	60.00	57.80	3.8%	OMATEK	1.28	1.40	-8.6%

FGN Eurobonds Yields as at Thursday, September 5, 2025

FGN Eurobonds	Issue Date	TTM (years)	04-Sep-25 Price (N)	Weekly USD Δ	04-Sep-25 Yield	Weekly PPT Δ
7.625 21-NOV-2025	21-Nov-18	0.21	100.22	0.00	6.5%	0.01
6.50 NOV 28, 2027	28-Nov-17	2.23	100.14	-0.05	6.4%	0.03
6.125 SEP 28, 2028	28-Sep-21	3.07	97.94	-0.27	6.9%	0.10
8.375 MAR 24, 2029	24-Mar-22	3.55	103.83	-0.12	7.1%	0.03
7.143 FEB 23, 2030	23-Feb-18	4.47	98.89	-0.14	7.4%	0.04
8.747 JAN 21, 2031	21-Nov-18	5.38	103.58	-0.37	7.9%	0.08
7.875 16-FEB-2032	16-Feb-17	6.45	98.73	-0.11	8.1%	0.02
7.375 SEP 28, 2033	28-Sep-21	8.07	93.92	-0.33	8.4%	0.06
7.696 FEB 23, 2038	23-Feb-18	12.48	90.70	-0.36	9.0%	0.05
7.625 NOV 28, 2047	28-Nov-17	22.25	83.58	-0.32	9.4%	0.04
9.248 JAN 21, 2049	21-Nov-18	23.40	98.22	-0.57	9.4%	0.07
8.25 SEP 28, 2051	28-Sep-21	26.08	88.20	-0.17	9.5%	0.02

Weekly Stock Recommendations as at Thursday, September 5, 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
TRANSCORP PLC	4.08	5.22	28.10	1.77	12.19x	61.95	10.40	49.70	63.6	42.2	57.2	28.00	Buy
OKOMUOIL PLC	49.83	68.77	81.99	12.44	20.47x	1120	338.1	1020	1407.6	867.0	1173.0	38.00	Buy
UNITED BANK AFRICA PLC	5.35	8.29	107.46	0.44	8.74x	50.55	21.90	46.75	72.5	39.7	53.8	55.00	Buy
GUINNESS NIGERIA PLC	7.40	8.14	8.38	15.51	17.57x	155.75	61.20	130.00	194.0	110.5	149.5	49.23	Buy
ZENITH PLC	7.59	10.93	108.18	0.69	9.84x	78.50	33.10	74.65	107.5	63.5	85.8	44.00	Buy



U.S.-dollar foreign-exchange rates as at 4:30 PM GMT+1, Thursday, September 5, 2025

MAJOR	04-Sep-25	Previous	Δ from Last	Weekly	Monthly	Yearly
EURUSD	1.1635	1.1661	-0.22%.	-0.37%.	0.49%	4.72%
GBPUSD	1.3427	1.3441	-0.10%.	-0.60%.	0.97%	1.91%
USDCHF	0.8066	0.8038	0.35%	0.60%	-0.05%.	-4.41%.
USDRUB	81.3000	81.0003	0.37%	1.23%	1.63%	-7.87%.
USDNGN	17.7958	17.6563	0.79%	-1.08%.	-0.44%.	-5.25%.
USDZAR	17.7958	17.6563	0.79%	0.62%	-0.59%.	0.49%
USDEGP	48.5500	48.5403	0.02%	-0.19%.	0.21%	0.25%
USDCAD	18.74	18.7072	0.19%	0.65%	0.51%	2.53%
USDMXN	18.74	18.7072	0.19%	0.47%	0.03%	-5.75%.
USDBRL	5.46	5.4514	0.14%	0.84%	-0.90%.	-1.96%.
AUDUSD	0.5834	0.5881	-0.79%.	-0.35%.	0.55%	-3.46%.
NZDUSD	0.5834	-0.0600	-0.79%.	-0.81%.	-1.22%.	-6.24%.
USDJPY	7.1428	7.1385	0.06%	1.30%	0.81%	3.74%
USDCNY	7.1428	7.1385	0.06%	0.32%	-0.66%.	0.76%
USDINR	88.1680	88.0711	0.11%	0.64%	0.53%	4.98%

Global Commodity Prices as at 3:30 PM GMT+1, Thursday, September 5, 2025

Commodity		04-Sep-25	Previous	Δ from Last	Weekly	Monthly	Yearly
CRUDE OIL	USD/Bbl	63.4	64.0	-0.89%.	-1.84%.	-2.68%.	-8.30%.
BRENT	USD/Bbl	67.0	67.6	-0.95%.	-1.53%.	-1.04%.	-7.91%.
NATURAL GAS	USD/MMBtu	3.0	9.8	-0.94%.	3.14%	0.88%	34.72%
GASOLINE	USD/Gal	2.0	2.0	0.52%	1.52%	-3.29%.	4.41%
COAL	USD/T	108.5	108.8	-0.28%.	-2.73%.	-5.61%.	-22.22%.
GOLD	USD/t.oz	3,544.5	3,559.4	-0.42%.	3.71%	4.82%	40.79%
SILVER	USD/t.oz	40.6	41.2	-1.45%.	3.92%	7.38%	40.85%
WHEAT	USD/Bu	497.5	504.0	-1.28%.	-2.40%.	-2.01%.	-11.23%.
PALM-OIL	MYR/T	4,449.0	4,441.0	0.18%	0.02%	3.71%	13.52%
COCOA	USD/T	7,248.1	7,475.3	-3.04%.	-6.27%.	-13.27%.	1.31%

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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