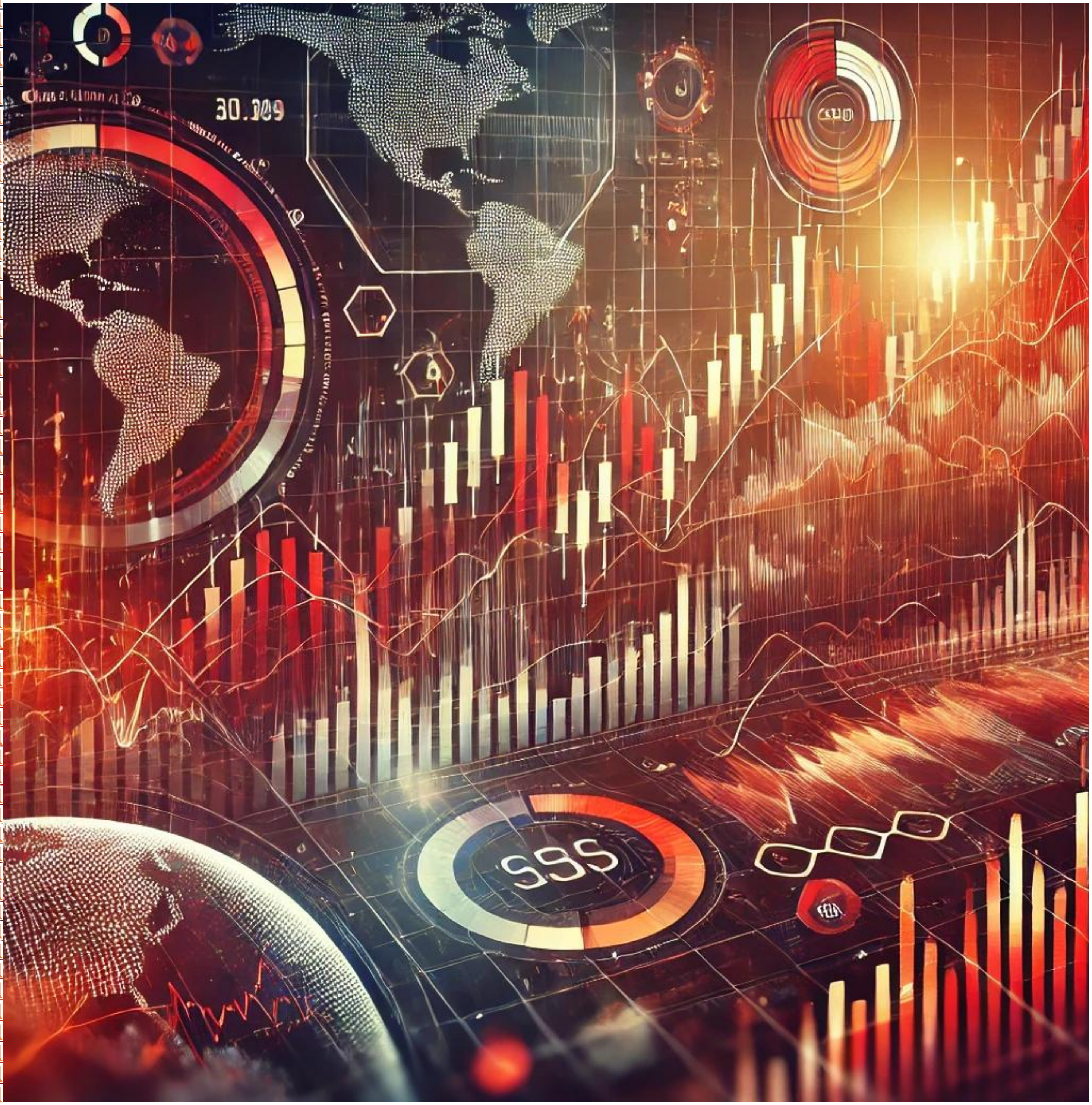
# COWRY RESEARCH

MONTHLY MARKET REPORT JULY 2026



## DOMESTIC REVIEW:

### IMF Sees Nigeria's Growth Strengthening to 4.3% by 2027 Despite Persistent Inflation and Poverty Risks……

The International Monetary Fund (IMF), in its July 2026 World Economic Outlook (WEO), projects Nigeria's economy to expand by 4.1% in 2026 and further accelerate to 4.3% in 2027, underpinned by improving macroeconomic stability, ongoing economic reforms, and favourable terms-of-trade effects. While the outlook reflects growing confidence in Nigeria's economic recovery, the Fund cautions that elevated food and energy prices will continue to weigh on household purchasing power, exacerbating poverty and food insecurity despite stronger output growth.

Globally, the IMF expects economic growth to moderate to 3.0% in 2026 before improving to 3.4% in 2027, compared with an average of 3.5% recorded during 2024–2025. Although the forecasts remain broadly unchanged from the April 2026 WEO, the composition of growth has shifted. The ongoing conflict in the Middle East continues to dampen global activity through higher energy prices and supply disruptions, but this has been partly offset by stronger demand stemming from the accelerating global technology cycle, particularly advances in Artificial Intelligence (AI). Countries integrated into the AI value chain are expected to outperform, while energy-importing economies with limited technology exposure—including many low-income countries—are likely to face weaker growth prospects. Notably, first-quarter global growth proved more resilient than previously anticipated, slowing to an annualised 3.0% from 3.8% in the preceding quarter, supported by greater renewable energy adoption, reduced energy intensity across economies, resilient domestic demand, and fiscal support in several major markets.

Across regions, growth prospects remain uneven. Advanced economies are projected to grow by 1.7% in 2026 and 1.8% in 2027, while emerging market and developing economies are expected to slow to 3.8% in 2026 before rebounding to 4.5% in 2027. Growth in Sub-Saharan Africa is forecast to remain broadly stable at 4.3%, reflecting the positive impact of earlier macroeconomic reforms in some large economies, including Nigeria, although the region continues to grapple with elevated food and energy costs, constrained fiscal space, and limited participation in the AI-driven technology boom. Meanwhile, the Middle East and Central Asia face the sharpest near-term slowdown, with growth projected at just 0.7% in 2026 before rebounding strongly in 2027, largely reflecting the economic fallout from prolonged disruptions around the Strait of Hormuz.

On inflation, the IMF expects global headline inflation to temporarily reverse its downward trajectory, rising from 4.1% in 2025 to 4.7% in 2026 before easing to 3.9% in 2027. Higher food and energy prices remain the principal drivers of the increase, while inflation persistence is expected to vary across countries depending on exchange rate pass-through, labour market conditions, services inflation, and domestic policy settings. The Fund also warns that renewed geopolitical tensions in the Middle East remain the most immediate downside risk to the global outlook, with the potential to intensify inflationary pressures, widen external imbalances, and increase the risk of balance-of-payments stress, particularly among vulnerable emerging and frontier economies.

*The IMF's latest projections reinforce the narrative that Nigeria's macroeconomic reforms are beginning to yield tangible growth dividends. The projected acceleration in GDP growth reflects improving policy credibility, stronger external balances, and increased investor confidence. However, stronger economic growth alone may not immediately translate into improved living standards. Persistent inflation, elevated food prices, and weak household purchasing power remain significant constraints on inclusive growth.*

## June Inflation Moderates to 15.91% on Stable Naira and Lower Energy Costs, Reinforcing Case for Policy Hold….

Nigeria's headline inflation eased marginally to 15.91% year-on-year in June 2026, from 15.93% in May, representing a 2 basis-point decline and marking a reversal of the inflation uptick witnessed since March, when heightened geopolitical tensions in the Middle East pushed up domestic energy costs. The latest reading broadly aligns with market expectations and our forecast of 15.80%, reflecting the combined effects of favourable base effects, easing domestic energy prices, and relatively stable macroeconomic conditions.

On a month-on-month basis, headline inflation moderated to 1.66% from 1.75% in May, suggesting that the pace of increase in consumer prices slowed during the review period. Although inflation remains substantially below the 25.29% recorded in June 2025, the latest print indicates that the disinflation process is becoming more gradual. The moderation was primarily driven by softer core inflation and improved macroeconomic stability. Core inflation eased to 15.92% year-on-year, while the month-on-month reading slowed to 1.66% from 1.94% in May, reflecting a moderation in underlying consumer price pressures. The continued stability of the foreign exchange market also helped contain imported inflation and dampened broader pricing pressures across the economy.

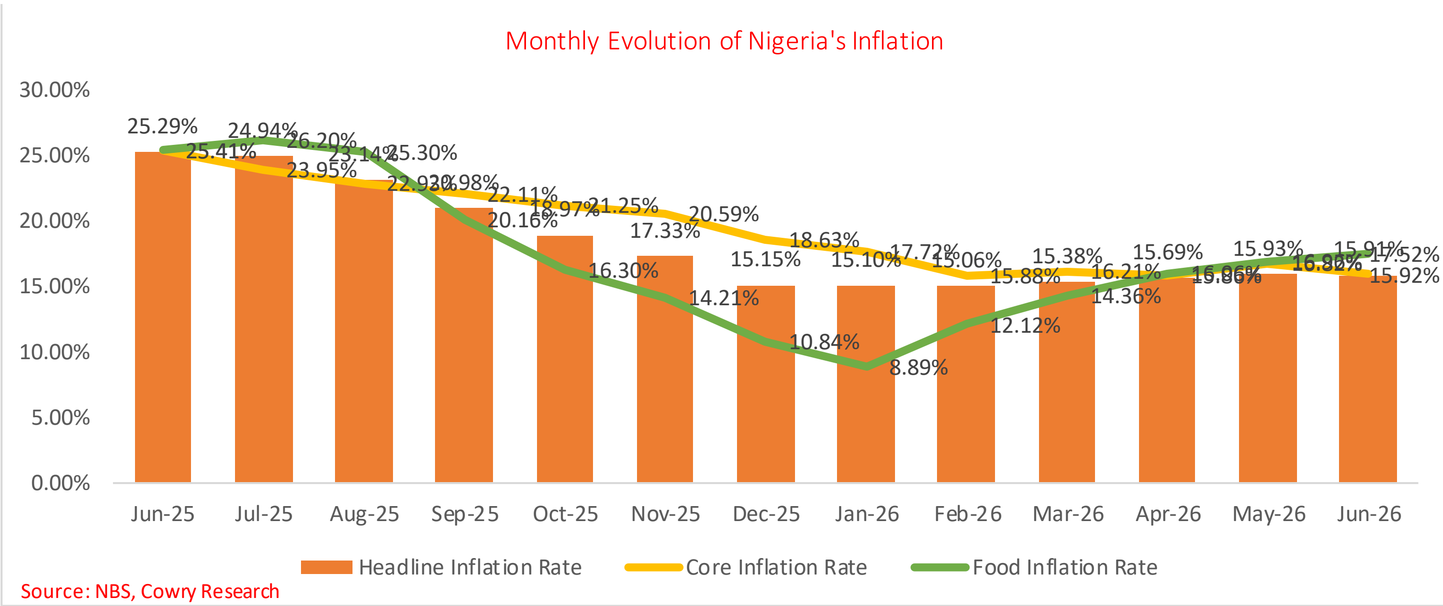
A key driver of the softer inflation outcome was the easing in domestic energy costs. During the month, Dangote Refinery implemented a cumulative N200/litre reduction in petrol prices to approximately N1,075/litre, following the normalisation of global oil shipping routes amid progress in US-Iran diplomatic negotiations. The decline in fuel prices lowered transportation and logistics costs, contributing to the third consecutive moderation in monthly headline inflation.

Food inflation, however, remained elevated, underscoring persistent structural supply constraints. Food inflation stood at 17.52% year-on-year, while the month-on-month rate accelerated to 3.75% from 2.98% in May. The increase was largely driven by higher prices of key staples including fresh tomatoes, pepper, crayfish, beef, garri, yam tubers, cassava flour, cowpea and Irish potatoes. The continued pressure on food prices reflects the ongoing lean season, which has constrained agricultural supply despite improving macroeconomic fundamentals.

The latest National Bureau of Statistics (NBS) data also revealed contrasting movements across the Farm Produce and Energy sub-indices. The Farm Produce Index recorded an annual inflation rate of 18.81%, while its month-on-month increase accelerated sharply to 4.42% from 0.86% in May, highlighting renewed supply-side pressures stemming from seasonal factors, weather-related disruptions, logistics bottlenecks and elevated transportation costs. Conversely, the Energy Index reflected improving cost conditions. Energy inflation rose by 9.90% year-on-year, considerably below headline inflation, while the month-on-month index declined by 7.54%, reversing the 0.72% increase recorded in May. The contraction points to improving fuel availability, stable exchange rate conditions and moderating domestic petroleum prices, developments that should continue to support lower production and distribution costs if sustained.

At the sub-national level, inflationary pressures remained uneven. On a year-on-year basis, Niger (42.23%), Kogi (41.59%) and the Federal Capital Territory (39.91%) recorded the highest headline inflation rates, while Imo (19.47%), Ebonyi (20.79%) and Katsina (21.87%) posted the lowest readings. Month-on-month, inflation increased most sharply in Niger (11.65%), Katsina (8.13%) and Kwara (7.52%), whereas Bayelsa (-6.48%), Benue (-5.58%) and Cross River (-5.12%) recorded outright monthly declines. Food inflation exhibited similar regional disparities. On a year-on-year basis, Kogi (53.02%), Niger (43.83%) and Benue (40.83%) recorded the highest food inflation, while Katsina (19.15%), Rivers (23.81%) and Imo (24.60%) experienced the slowest increases. On a month-on-month basis, food inflation accelerated most in Katsina (16.82%), Kebbi (9.79%) and Niger (8.96%), while Borno (-3.54%), Benue (-2.36%) and Bayelsa (-1.34%) recorded declines.

*The June inflation reading further strengthens the case for the Monetary Policy Committee (MPC) to maintain its current policy stance at the July meeting. Although inflation continues to moderate, elevated food inflation suggests that underlying price pressures remain sticky. Accordingly, we expect the MPC to retain the Monetary Policy Rate at 26.50% and leave other policy parameters unchanged, allowing the cumulative effects of previous tightening measures to continue filtering through the economy. Consequently, we expect the pressure to return moderately in July 2026 as headline inflation reverses to 18.03%.....*



Source: NBS, Cowry Research

## No Pivot Yet: CBN Holds Rates at 26.50% Despite Cooling Inflation and Global Risks Simmer....

The Central Bank of Nigeria (CBN) maintained the Monetary Policy Rate (MPR) at 26.50% at its 306th Monetary Policy Committee (MPC) meeting in July 2026, signalling a continued commitment to a cautious and restrictive monetary policy stance. The decision came despite a further moderation in inflation, reflecting the Committee's determination to consolidate recent disinflation gains while guarding against persistent domestic price pressures and heightened global uncertainties. In addition to retaining the benchmark policy rate, the MPC left all other monetary policy parameters unchanged, reinforcing its preference to sustain tight financial conditions until inflation is firmly anchored.

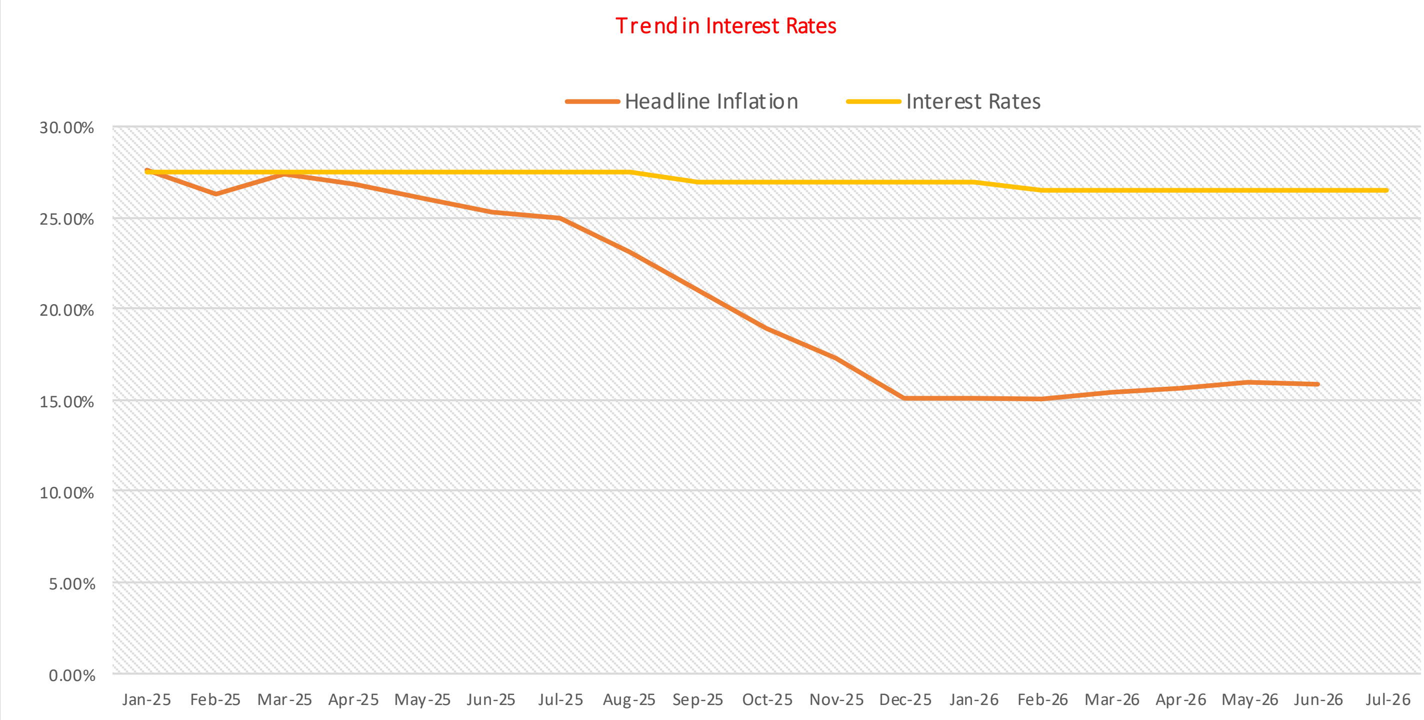
Nigeria's headline inflation eased marginally to 15.91% year-on-year in June 2026 from 15.93% in May, representing a 2-basis-point decline and marking the first moderation since the inflation uptick triggered by geopolitical tensions in the Middle East earlier in the year. The latest reading was broadly in line with our forecast of 15.80%, reflecting favourable base effects, easing domestic energy costs, improved food supply, and relatively stable macroeconomic conditions. On a month-on-month basis, headline inflation slowed to 1.66% from 1.75% in May, suggesting that the pace of consumer price increases moderated further during the period. Similarly, core inflation eased to 15.92% year-on-year, while the monthly core inflation rate declined to 1.66% from 1.94%, indicating a gradual moderation in underlying price pressures. Exchange rate stability and the lagged impact of previous monetary tightening also contributed to containing imported inflation and broader pricing pressures across the economy.

In response, the Committee voted to retained all key monetary policy parameters. Key policy decisions include:

- Retention of the Monetary Policy Rate (MPR) at 26.50%
- Retention of the Cash Reserve Ratio (CRR) at 45.0% for Deposit Money Banks and 16.0% for Merchant Banks
- Retention of 75% CRR on Non-TSA public sector deposits
- Liquidity Ratio maintained at 30.0%
- Asymmetric corridor retained at +50/-450 basis points around the MPR

The decision underscores the CBN's commitment to sustaining policy consistency while ensuring that liquidity conditions remain supportive of its inflation objective and exchange rate stability. Despite these encouraging inflation developments, the MPC maintained that the risks to the inflation outlook remain tilted to the upside. The Committee noted that renewed geopolitical tensions in the Middle East continue to pose significant risks through potential disruptions to global supply chains and higher energy and commodity prices. It also acknowledged the resilience of the domestic economy, supported by stronger external reserves, improved foreign exchange market stability, sustained foreign portfolio inflows, and a gradual easing in inflation. Nonetheless, policymakers judged that maintaining the current restrictive policy stance remained the most appropriate course of action to preserve macroeconomic stability and prevent a resurgence of inflationary pressures before considering any policy easing.

*Looking ahead, we expect the CBN to maintain its cautious stance over the near term as it continues to evaluate the durability of recent macroeconomic improvements. Although inflation is expected to remain on a gradual downward trajectory, supported by improved food supply, exchange rate stability, and the cumulative effects of previous policy tightening, upside risks from global geopolitical developments, commodity price volatility, and energy costs remain significant. Consequently, we anticipate that the MPC will continue to prioritise price and exchange rate stability, with any shift towards policy easing likely to depend on sustained moderation in inflation and greater certainty over the external environment……*



Source: Central Bank of Nigeria, NBS, Cowry Research

## FOREIGN EXCHANGE MARKET: Naira Strengthens as External Reserves Hit Record High Amid Oil Price Rebound……

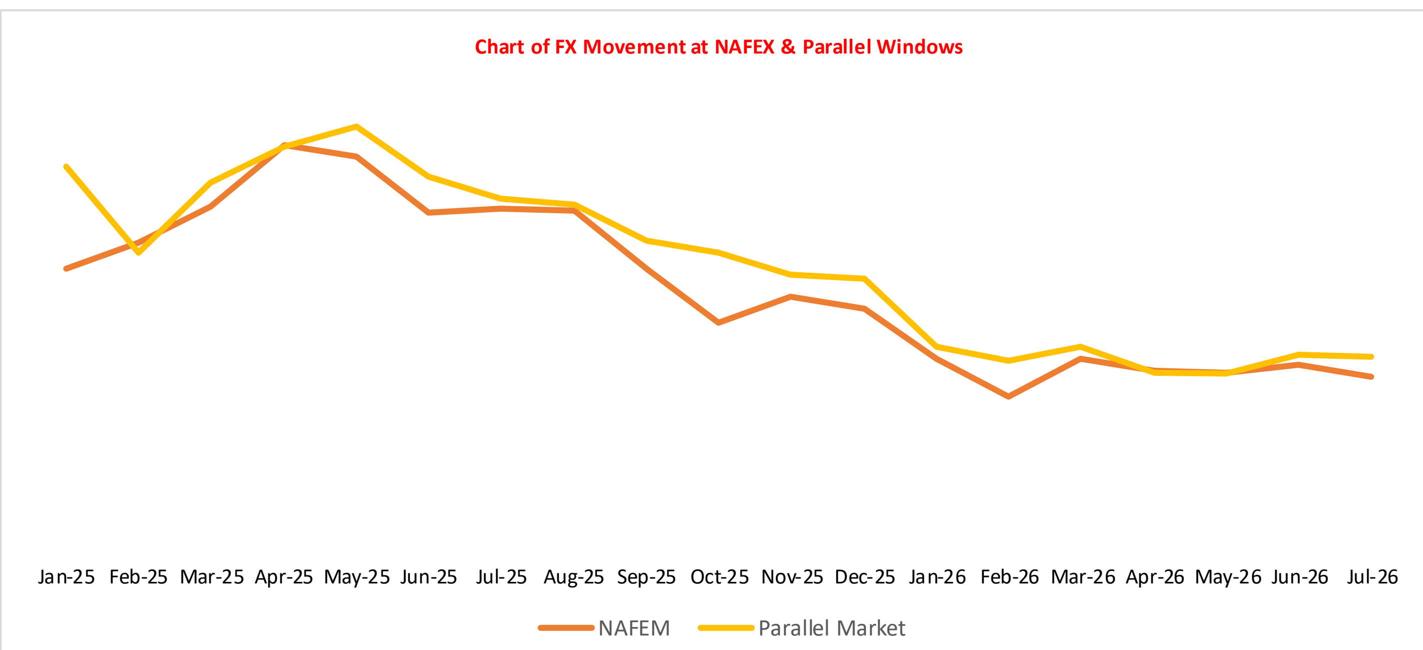
The Nigerian foreign exchange market recorded a modest improvement in July 2026, with the naira appreciating by 0.84% month-on-month at the official Nigerian Foreign Exchange Market (NFEM) window to close at N1,368.22/$1, compared with N1,379.68/$1 at the end of June.

Conditions in the parallel market also improved marginally during the month, with the exchange rate closing at an average of N1,388/$1, compared with N1,390/$1 at the end of June. Consequently, the premium between the official and parallel market widened modestly to approximately N27/$1 from the near-historic low of N10/$1 recorded in late June, reflecting precautionary demand for the U.S. dollar amid renewed geopolitical tensions in the Middle East.

CBN data showed that Nigeria's external reserves continued their upward trajectory during the review period, rising to $51.92 billion as of 31 July 2026, from $51.46 billion at the end of June. The increase was primarily supported by sustained foreign portfolio investment inflows, stronger crude oil receipts, and resilient diaspora remittances. Notably, the reserve position surpassed the CBN's full-year 2026 target of $51.04 billion ahead of schedule and now provides approximately 9–10 months of import cover, significantly strengthening the country's external buffers and enhancing the apex bank's capacity to support exchange rate stability.

Meanwhile, global crude oil prices rebounded strongly during July as renewed geopolitical tensions in the Middle East heightened concerns over supply disruptions. Brent crude rose 23.5% to close the month at $90.12 per barrel, up from $72.95 per barrel at the end of June, while West Texas Intermediate (WTI) advanced to $84.67 per barrel from $69.50 per barrel. Nigeria's Bonny Light crude similarly appreciated to $94.79 per barrel, trading $19.79 above the Federal Government's 2026 budget benchmark of $75 per barrel.

*Looking ahead, we expect the naira to remain relatively stable, supported by elevated external reserves, improved oil receipts, sustained foreign capital inflows, and the CBN's commitment to maintaining an orderly and market-driven foreign exchange system. However, developments in global oil markets, geopolitical risks, and the pace of foreign portfolio inflows will remain key determinants of exchange rate dynamics over the coming months.*




Source: Central Bank of Nigeria, Abokiforex, Rates.ng, Cowry Research

## EQUITIES MARKET: July Rebound with N11.11tn Gain as Earnings Season Revives Investor Confidence……

The Nigerian equities market staged a strong recovery in July 2026, reversing the bearish momentum recorded in June. Following an 8.37% decline in the previous month, the Nigerian Exchange (NGX) All-Share Index (ASI) rebounded by 6.91% month-on-month to close at 245,283.68 points, compared with 229,419.18 points at the end of June.

The positive market performance translated into a significant improvement in overall market value, as total market capitalization increased by N11.11 trillion to N158.33 trillion from N147.22 trillion recorded in the previous month. The increase reflected a notable recovery in investors' portfolio valuations and renewed demand across key market segments.

Despite the volatility witnessed in the previous month, the market maintained a strong year-to-date return of 57.62%, indicating that the July recovery represented a healthy market rebound following an extended bullish rally rather than a deterioration in underlying fundamentals. Investor sentiment remained broadly positive throughout the month, supported by improved corporate earnings outlook, renewed institutional participation, and increased appetite for fundamentally strong equities.

Trading activity improved during the review period, reflecting stronger investor engagement across the market. Although total traded volume declined to 942.97 million units, suggesting a moderation in transaction volume compared with the previous month, the value of transactions increased by 16.89% month-on-month to N46.74 billion. The rise in transaction value indicates increased demand for large-cap and higher-priced equities.

Furthermore, the number of executed deals increased by 55,480 transactions, highlighting broader market participation and improved investor confidence across various segments of the equities market.

Market performance was broadly positive during July 2026, with most major sectoral indices closing higher as investors rotated into selected sectors with strong earnings prospects and favourable market catalysts.

The Banking Index emerged as the best-performing sector, advancing by 22.09% month-on-month. The strong rally was driven by robust half-year corporate earnings, significant accumulation of banking stocks by major investors, and improving foreign exchange market conditions, which supported positive sentiment toward the sector.

The Insurance Index also recorded a strong performance, rising by 9.28% during the month. The gain was primarily supported by increased investor positioning ahead of the July 31 industry recapitalisation deadline, alongside renewed interest and value accumulation in selected mid-cap insurance stocks.

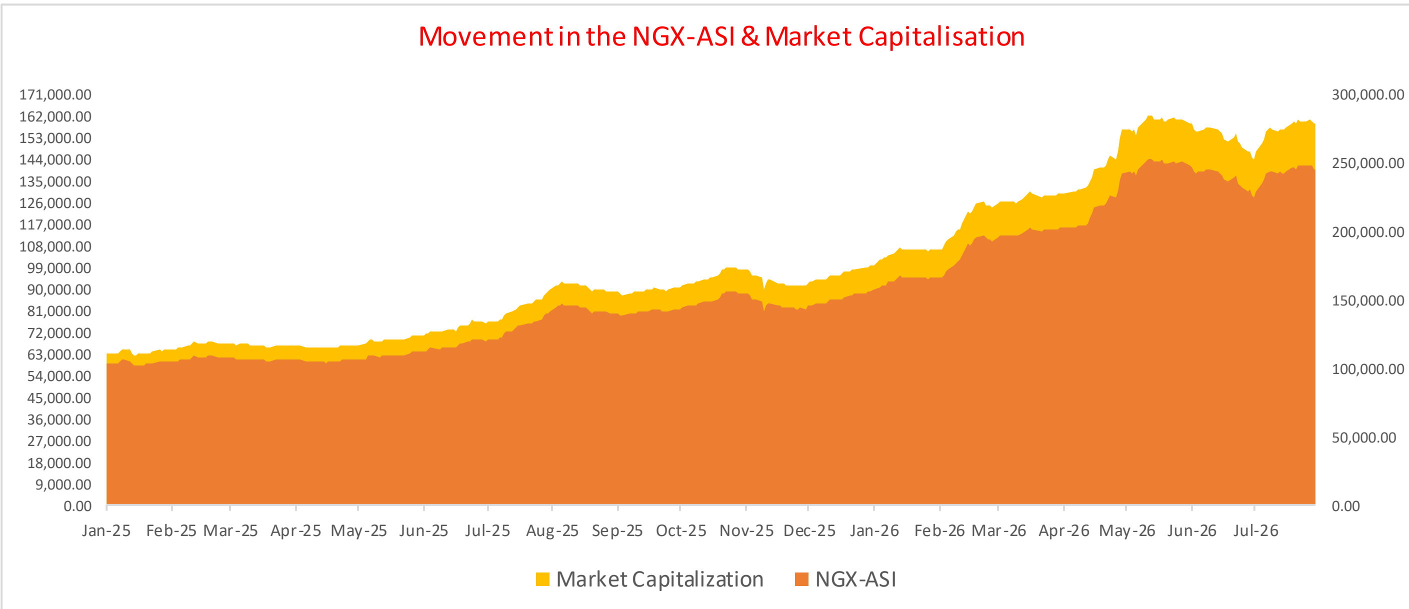
The Industrial Goods Index gained 3.57% in July 2026, supported by a partial recovery following the corrective phase experienced in June. Improved buying interest provided support to the sector, although overall bullish momentum and trading volumes remained relatively moderate.

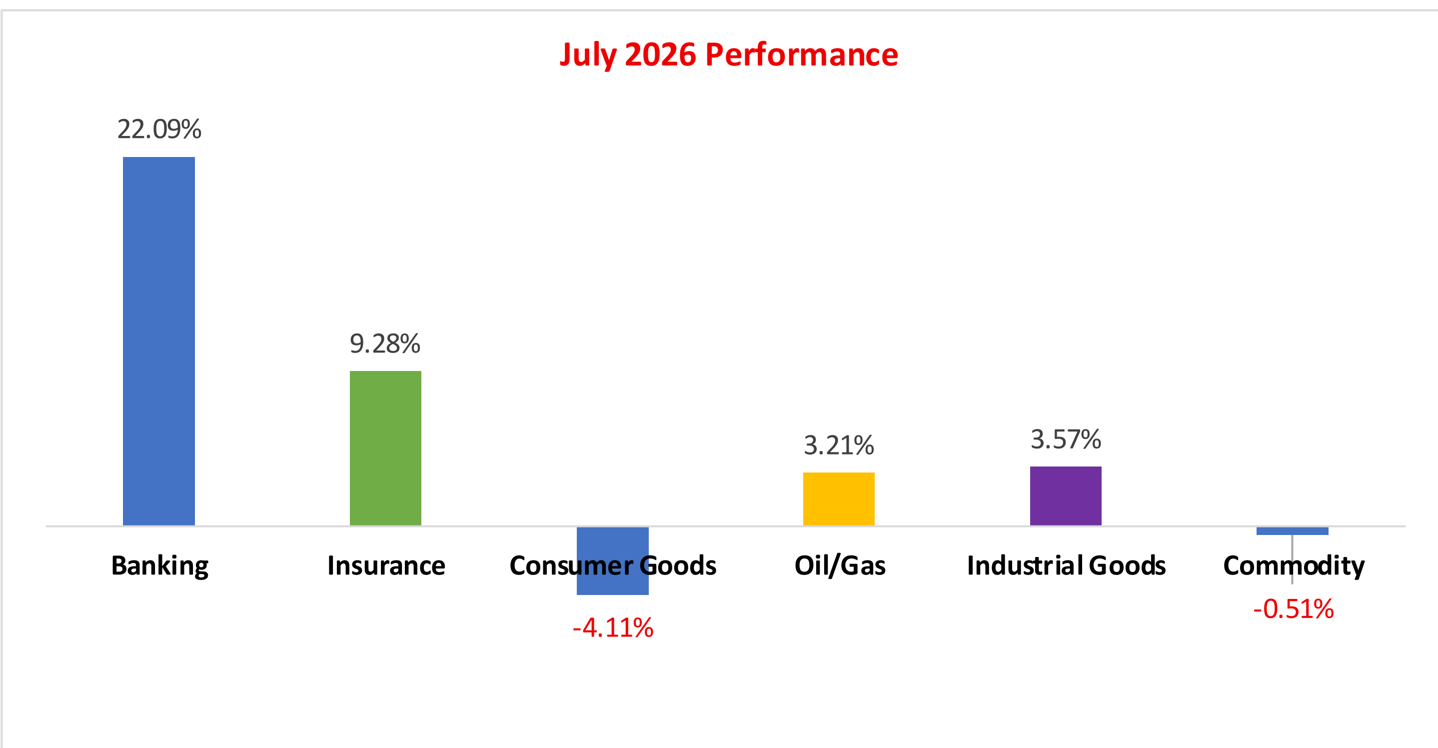
The Oil and Gas Index recorded a 3.21% month-on-month increase, driven by sustained investor interest in major sector constituents, particularly Seplat Energy and Aradel Holdings, alongside positive price movements among key energy stocks.

Conversely, the Commodity Index declined marginally by 0.51% during the period. The weakness was attributed to softer international energy prices, seasonal demand moderation, and weather-related disruptions that affected industrial purchasing activities.

The Consumer Goods Index recorded the weakest performance among the major sectors, declining by 4.11%. The decline was driven by selective investor selloffs, profit-taking activities in large-cap food and household goods companies, and a more cautious investment approach as investors reassessed valuations within the sector despite the broader market recovery.

*Looking ahead, we expect the Nigerian equities market to maintain a selectively bullish bias in August 2026 as investors continue to evaluate second-quarter and half-year corporate earnings. Strong earnings momentum within the banking sector, continued participation by domestic institutional investors, improving macroeconomic stability, and sustained foreign exchange market resilience should continue to support investor confidence. However, profit-taking after the market's impressive year-to-date performance, elevated equity valuations in selected counters, and persistent geopolitical uncertainties remain key downside risks that could moderate the pace of further market gains.*



## MONEY MARKET: Robust Liquidity and Strong Investor Demand Define July Trading......

The Nigerian money market remained broadly resilient in July 2026, supported by ample system liquidity despite the Central Bank of Nigeria's (CBN) continued liquidity sterilisation efforts. Activity in the fixed-income market strengthened considerably during the month, with total market turnover rising 36.0% month-on-month to N29.36 trillion from N21.59 trillion in June.

The increase was largely driven by heightened institutional participation in Open Market Operations (OMO) Bills, which accounted for N16.44 trillion of total market transactions, underscoring investors' sustained preference for high-yielding, short-term sovereign instruments amid the prevailing restrictive monetary policy environment.

Banking system liquidity remained comfortably in surplus throughout the month, opening July at N4.10 trillion and benefiting from sizeable OMO bill maturities, Standing Deposit Facility (SDF) placements, and coupon inflows from Federal Government bonds. However, the CBN maintained its aggressive liquidity management strategy, withdrawing N1.20 trillion through Nigerian Treasury Bills (NTBs) settlements and an additional N2.19 trillion via OMO auction settlements, which temporarily compressed weekly liquidity balances by 20.68% to N2.99 trillion.

Despite these outflows, funding conditions remained relatively stable, with the Nigerian Overnight Financing Rate (NOFR) holding at 22.00% for most trading sessions, while the Overnight Rate (OVN) closed the month at approximately 22.10% and the Open Repo Rate (OPR) remained unchanged at 22.00%, reflecting the resilience of funding conditions despite sustained liquidity withdrawals.

Monetary policy remained firmly restrictive during the month following the outcome of the 306th Monetary Policy Committee (MPC) meeting held on 20–21 July, where the Committee unanimously retained the Monetary Policy Rate (MPR) at 26.50% for a second consecutive meeting.

The decision reflected the CBN's preference to consolidate recent disinflation gains after headline inflation moderated marginally to 15.91% in June while acknowledging persistent upside risks stemming from renewed geopolitical tensions in the Middle East and their potential impact on global energy prices and domestic inflation. Consequently, market participants continued to price in an extended period of elevated interest rates, with the 6-month Nigerian Interbank Offered Rate (NIBOR) rising 58 basis points during the month to 23.67%, while other medium-term funding rates also trended higher.

Activity in the Treasury bills market remained robust, supported by strong investor appetite for risk-free assets. At the 29 July NTB auction, the Debt Management Office (DMO) offered N700 billion across the standard maturities, attracting overwhelming subscriptions of N3.62 trillion, equivalent to an oversubscription rate of more than 5.0x.

The CBN ultimately allotted N1.25 trillion, while the 364-day stop rate declined by 31 basis points to 17.35%, signalling stronger demand for longer-dated Treasury bills. In the secondary market, buying interest persisted as the average NTB yield declined to 18.20%, while average OMO market yields also compressed by 7 basis points to 21.30%, reflecting sustained institutional demand despite the prevailing high-interest-rate environment.

*Looking ahead, we expect liquidity conditions to remain relatively comfortable, supported by upcoming OMO and Treasury bills maturities. However, we anticipate that the CBN will continue to actively sterilise excess liquidity through OMO auctions to keep short-term interest rates elevated and reinforce its commitment to price stability amid lingering inflationary and external sector risks.*

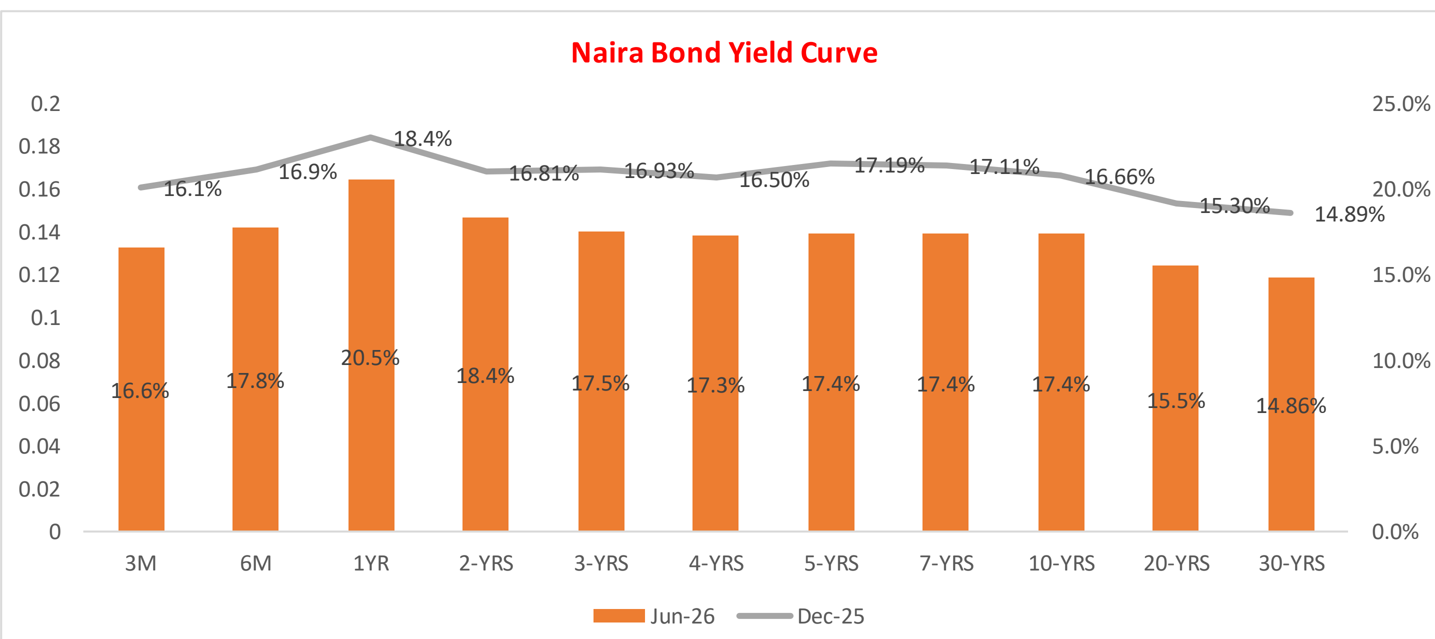
## FIXED INCOME MARKET: Bullish Reversal as Yields Compress Across Curve ....

The Nigerian secondary fixed-income market maintained a bullish momentum throughout July 2026, supported by improved investor sentiment across both the domestic bond market and sovereign Eurobond segments. The positive market tone reflected stronger demand for fixed-income securities amid evolving macroeconomic conditions, with investors actively repositioning portfolios in response to changing interest rate expectations, liquidity conditions, and monetary policy outlook.

In the domestic debt market, average yields on Federal Government of Nigeria (FGN) bonds declined to 17.08% in July 2026 from 17.79% in June. The decline in yields was driven by increased demand, particularly for longer-dated maturities, as investors sought attractive risk-adjusted returns while reassessing the direction of interest rates and broader economic conditions.

Similarly, Nigeria's sovereign Eurobond market recorded a positive performance during the month, with average yields declining to 6.95% from 7.04% in June. The moderation in yields reflected stronger demand for Nigeria's dollar-denominated debt instruments, supported by improved investor appetite toward emerging and frontier market assets.

*Looking ahead, we expect the domestic bond market to maintain a broad bullish-to-stable bias in August, supported by widening real yields, continued institutional demand, and anticipated inflow of N2.45 trillion in OMO maturities in early August. A sustained decline in headline inflation toward the 15% range, alongside any signals of further CBN rate easing, could catalyse renewed demand for longer-duration instruments and drive further yield compression across the curve.*




Source: FMDQ Data Portal, Cowry Research

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