COWRY WEEKLY FINANCIAL MARKETS REVIEW & OUTLOOK (CWR)

Cowry Research

DOMESTIC ECONOMY: Nigeria's Public Debt Stables at N159.35tn, but Rising Debt-Service Costs Tighten Fiscal Space…….

Latest data from the Debt Management Office (DMO) showed that Nigeria's total public debt stood at N159.35 trillion as at 31 March 2026, representing a modest 6.67% y/y and 0.05% q/q increase, indicating relative stability in the debt stock during the quarter. The portfolio comprised N87.40 trillion in domestic debt and N71.95 trillion in external debt, translating to a 54.85%/45.15% domestic-external split, broadly consistent with the 55%/45% mix targeted under the DMO's 2024–2027 Medium-Term Debt Management Strategy (MTDS). The Federal Government accounted for N82.88 trillion, or 52.01% of total public debt, while the 36 states and FCT accounted for N4.52 trillion, or 2.84%. The relatively slow quarterly increase in the debt stock suggests that borrowing remained broadly contained in Q1, although the composition of financing continues to leave the sovereign exposed to both domestic interest-rate and external foreign-exchange risks.

The key fiscal concern remains the cost of servicing existing obligations rather than the headline debt stock alone. The Federal Government spent N3.14 trillion on domestic debt service in Q1 2026, comprising N2.97 trillion in interest and N169.68 billion in principal repayments. Interest therefore represented 94.6% of total domestic debt service, meaning only a small fraction of the quarter's outlay went towards reducing the principal. Monthly payments increased from N741.82 billion in January to N967.67 billion in February before peaking at N1.43 trillion in March, which accounted for 45.5% of the quarterly total. The composition of the interest bill also points to the importance of domestic market yields, with FGN bonds accounting for N1.96 trillion, or 66.1%, while Treasury Bills contributed N1.00 trillion, or 33.8%. Thus, elevated borrowing costs and the refinancing of short-term instruments remain important channels through which monetary and fixed-income market conditions feed into fiscal pressures.

External debt service provided an additional call on government resources, with $954.06 million paid between January and March 2026. Interest accounted for $623.22 million, or 65.3%, while principal repayment stood at $308.33 million and other charges at $22.50 million. Commercial creditors accounted for the largest share of external debt service at $501.84 million, or 52.6%, followed by multilateral creditors at 28.5% and bilateral creditors at 18.9%. Eurobond-related payments alone amounted to approximately $427.72 million, underscoring the sensitivity of Nigeria's external debt-service profile to global financing conditions and exchange-rate movements. With external debt accounting for 45.15% of total public debt, the sovereign therefore faces a dual risk structure: elevated domestic funding costs on naira liabilities and potential valuation and servicing pressures on foreign-currency obligations.

At the sub-national level, the N4.52 trillion state and FCT debt stock remains highly concentrated. Lagos State accounted for the largest share at N1.21 trillion, followed by the FCT at N389.88 billion and Rivers at N362.43 billion, while Delta and Ogun recorded N213.85 billion and N200.75 billion, respectively. The five largest borrowers accounted for approximately 52.4% of total sub-national debt, while Lagos alone represented 26.6%; Lagos, the FCT and Rivers jointly accounted for about 43.3%. The distribution was also significantly skewed, with the average debt stock of approximately N122.3 billion well above the median of N69.8 billion.

From a broader sustainability perspective, Nigeria's public debt remains below the MTDS threshold, with the debt-to-GDP ratio estimated at approximately 37.0% based on 2025 GDP, moderating to about 30.9% using our 2026 GDP estimate. While this provides a reasonable buffer against the 60% debt ceiling, the debt-service-to-revenue ratio of approximately 52.7% presents a more important sovereign-credit concern, reflecting the country's relatively narrow revenue base. The recent improvement in tax mobilisation provides some comfort, with Nigerian Revenue Service collections estimated at approximately N21.6 trillion in H1 2026, equivalent to about 76% of FY2025 collections.

Looking ahead, we expect Nigeria's public debt stock to trend higher through 2026, supported by increased utilisation of external financing facilities alongside a robust domestic borrowing programme. However, we believe the country's credit outlook will remain more sensitive to revenue mobilisation, debt-service capacity, interest rates and exchange-rate developments than to the pace of debt accumulation alone. The relatively stable Q1 debt stock is encouraging, but the N3.14 trillion domestic debt-service bill and its 94.6% interest composition demonstrate that financing costs remain a significant constraint on fiscal space……

EQUITIES MARKET: NGX Extends Decline as Broad-Based Sell-Offs Weigh on Market Sentiment, ASI Falls 1.14% w/w....

The Nigerian equities market extended its bearish run during the week, with the NGX All-Share Index (ASI) declining by 1.14% w/w to 242,770.94 points, while market capitalisation shed approximately N1.79 trillion to N156.72 trillion. Consequently, the market's YTD return moderated to 56.01%. The decline points to continued profit-taking following the market's strong year-to-date performance, with investors increasingly cautious around elevated valuations and near-term catalysts. The breadth of the sell-off also remained weak, as 59 stocks declined against 26 gainers, producing a breadth ratio of 0.44x and signalling that the negative sentiment was relatively broad-based rather than concentrated in a few large-cap counters.

Trading activity, however, presented a mixed picture, suggesting that the decline occurred amid heightened participation rather than a complete withdrawal of investors. While the number of deals fell by 14.40% w/w to 224,466, trading volume surged by 126.76% to 12.15 billion shares, while transaction value increased by 26.67% to N176.29 billion. The divergence between fewer deals and substantially higher volume indicates that market activity was concentrated in larger transactions, potentially reflecting institutional repositioning and portfolio adjustments. Importantly, the sharp increase in volume amid a falling index could also suggest that selling pressure was becoming more pronounced in selected counters.

Sectoral performance reinforced the broad-based nature of the weakness, with all tracked sectors closing in negative territory. The Insurance sector recorded the steepest decline, falling 2.72%, driven by sell-offs in CORNERST, MANSARD and WAPIC, which more than offset gains in INTENEGINS and SOVRENINS. Consumer Goods followed with a 1.91% decline, pressured by UNILEVER, DANGSUGAR and BUAFOODS. The Banking sector fell 1.48%, reflecting losses in FIRSTHOLDCO, ETI and ZENITHBANK, while Industrial Goods declined 1.22% on weakness in AUSTINLAZ, HBMNG and CUTIX. The Oil & Gas sector was comparatively resilient, declining only 0.07%, despite losses in OANDO, JAPAULGOLD and ETERNA.

At the individual stock level, performance remained highly divergent, highlighting pockets of buying interest despite the broader risk-off tone. TRANSEXPR emerged as the strongest performer, gaining 32.1%, followed by INTENEGINS (+31.7%), SOVRENINS (+13.8%), CHAMS (+12.3%) and CWG (+9.7%). Conversely, AVACAP led the decliners with a 34.5% decline, followed by UNILEVER (-18.9%), ZICHIS (-15.1%), THOMASWY (-14.3%) and DANGSUGAR (-11.6%). The magnitude of the weekly movements among these counters suggests that stock-specific factors, profit-taking and liquidity considerations remain important drivers of individual price performance, even as broader market sentiment weakens

Looking ahead, we expect the market to remain cautious and highly selective in the near term, as investors continue to lock in gains following the substantial appreciation recorded earlier in the year. The combination of a 56.01% YTD market return, a breadth ratio of only 0.44x and declines across all major sectors points to a market undergoing consolidation rather than a uniform deterioration in fundamentals. Nevertheless, the sharp increase in trading volume and transaction value suggests that liquidity remains available, creating room for bargain-hunting in fundamentally stronger counters. Consequently, corporate earnings, liquidity conditions, macroeconomic developments and valuation considerations are likely to remain the key determinants of market direction, with investors expected to favour stocks offering stronger earnings visibility and more compelling risk-adjusted valuations.

FOREX MARKET: Naira Posts Mixed Performance; External Reserves Edge Higher, Oil Prices Climb ……

During the week, the naira recorded mixed performance against the U.S. dollar across the major foreign exchange markets. At the official market, the currency appreciated by 0.59% week-on-week (WoW) to close atN1,357.61/US$, while it depreciated by 0.29% WoW in the parallel market to settle atN1,392.61/US$. Meanwhile, Nigeria's external reserves increased marginally by 0.27% WoW to US$52.20 billion, signalling a continued improvement in the country's external liquidity position.

In the commodities market, crude oil prices were on track to gain approximately 4% for the week, amid indications from the United States and Iran that negotiations toward a peace agreement had made limited progress. At the time of writing, Brent crude traded at US$87.12 per barrel, while West Texas Intermediate (WTI) stood at US$81.19 per barrel. Similarly, Bonny Light crude advanced by 6.31% to US$98.16 per barrel.

The naira is expected to remain broadly stable in the near term, supported by stronger FX liquidity and rising external reserves, although seasonal dollar demand could create intermittent pressure. Meanwhile, elevated crude oil prices should support Nigeria's external position and reserve accumulation, provided geopolitical tensions continue to keep prices firm.

BOND MARKET: Nigerian Bonds Weaken on Soft Investor Demand; Eurobonds Remain Stable……

The Nigerian secondary bond market recorded a bearish performance during the week, driven by weak investor demand across key maturities. The subdued buying interest led to a depreciation in bond prices and a corresponding increase in yields, reflecting cautious investor sentiment toward domestic fixed-income instruments. Consequently, the average FGN bond yield rose by 13 basis points week-on-week to close at 17.13%.

Similarly, the Nigerian sovereign Eurobond market remained largely muted across most maturities, with little to no movement along the yield curve. The relatively stable investor sentiment resulted in mixed trading activity across Nigeria's dollar-denominated debt securities, leaving the average Eurobond yield unchanged at 6.88%.

We expect the domestic bond market to remain cautious in the near term, with yields likely to stay elevated and trade within a range, although stronger demand at attractive yield levels could provide some support. Recent auction activity indicates that investor appetite remains resilient despite intermittent selling pressure. The Eurobond market is expected to remain largely stable and range-bound, barring significant shifts in global risk sentiment, oil prices, or Nigeria's external position.

Next week, the DMO is set to offer N1.10 trillion worth of FGN Bond maturities, comprising a N250 billion reopening of the 10-year January 2035 bond, a N100 billion reopening of the 20-year April 2037 bond, and a N750 billion reopening of the 15-year June 2038 bond. The auction structure is notably skewed towards the 15-year maturity, which accounts for 68.2% of the total offer, while the 10-year and 20-year instruments represent 22.7% and 9.1%, respectively.

MONEY MARKET: Liquidity Remains Strong Despite CBN Sterilisation as Yield Curve Reprices……

System liquidity remained robust during the week, although it moderated from a N4.35 trillion opening surplus to N3.57 trillion at the close, following N1.45 trillion in debits from NTB sales and N15.80 billion through the Standing Lending Facility (SLF). This was partly offset by approximately N2.48 trillion in OMO maturities, leaving the system with a still-sizeable N3.57 trillion surplus. The relatively high liquidity buffer, however, did not translate into lower funding costs, as the overnight rate increased by 15bps to 22.25%, while the OPR remained unchanged at 22.00%, pointing to a modest tightening in very short-term funding conditions.

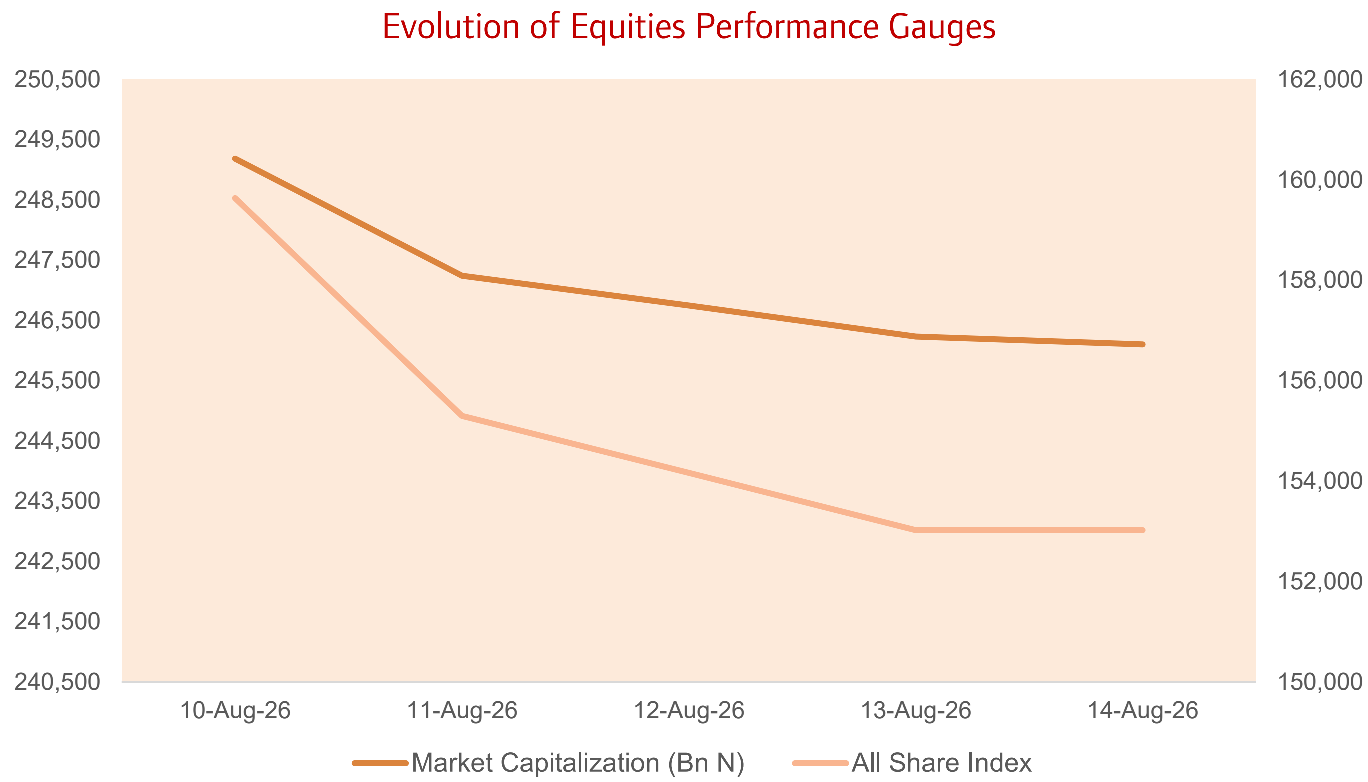
The NIBOR curve presented a mixed picture, with the overnight rate rising marginally by 3bps to 22.21%, while rates across the longer tenors declined. The 1-month, 3-month and 6-month NIBOR rates fell by 15bps, 23bps and 41bps, respectively, to 22.48%, 22.95% and 23.14%. The movement suggests that while immediate liquidity conditions tightened slightly, expectations further along the curve remained relatively benign. The decline was most pronounced at the six-month tenor, where the 41bps moderation indicates reduced near-term pressure on term funding costs despite the higher overnight rate.

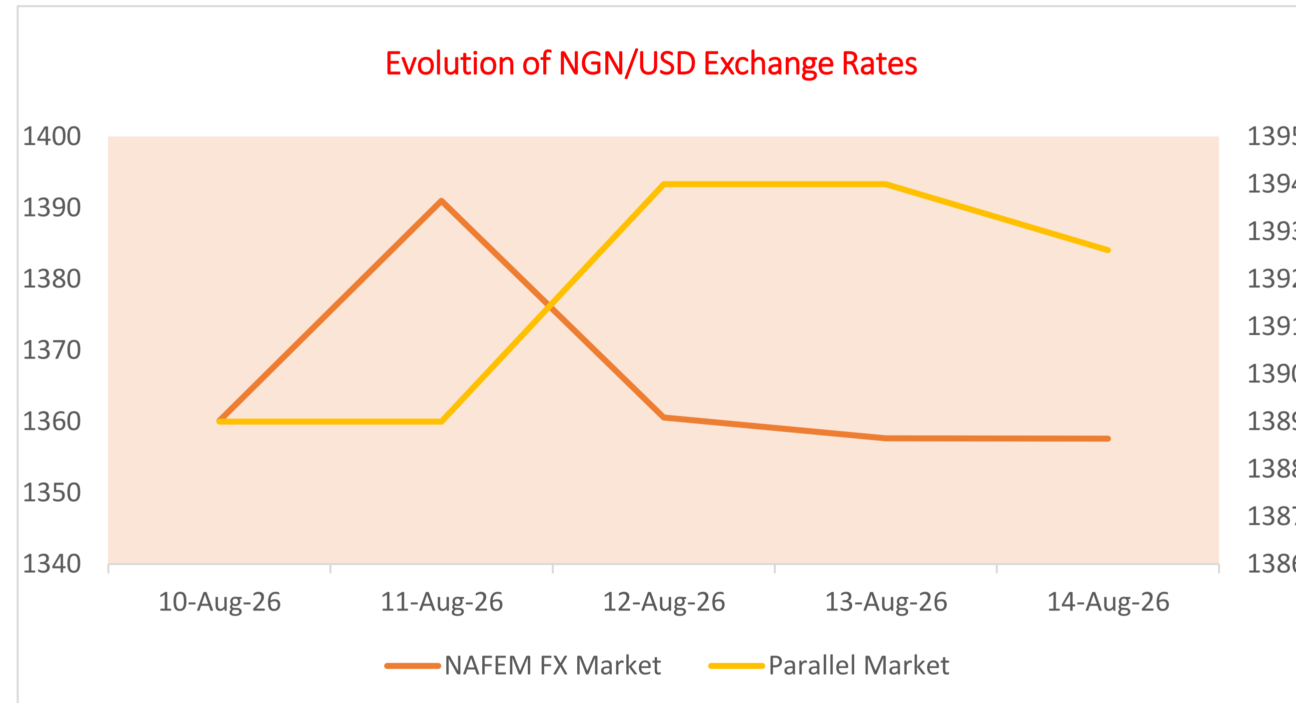
The NITTY curve, however, moved higher across all tracked maturities, indicating renewed upward pressure in the Treasury bill market. The 1-month NITTY increased by 65bps to 16.91%, while the 3-month and 6-month rates rose by 19bps and 6bps to 17.24% and 18.44%, respectively. The 12-month rate recorded the largest absolute increase of 68bps to 20.91%. Consequently, the upward repricing was concentrated at both the short and long ends, with the 12-month yield now sitting almost 4.0 percentage points above the 1-month rate, reflecting a relatively steep term premium in the Treasury bill market.

Activity in the primary NTB market remained strong, with N700 billion offered against total subscriptions of N4.41 trillion, implying an overall subscription-to-offer ratio of approximately 6.3x. Total allotments reached N1.46 trillion, more than twice the amount initially offered, driven predominantly by the 364-day tenor, where N1.26 trillion was allotted against N4.19 trillion in subscriptions. The stop rate on the 364-day bill consequently increased by 24bps to 17.59%, while rates on the 91-day and 182-day bills remained unchanged at 16.30% and 16.50%, respectively. The strong demand, alongside the higher long-tenor stop rate, suggests that investors continue to favour longer-dated instruments but are demanding additional compensation for duration and reinvestment risks.

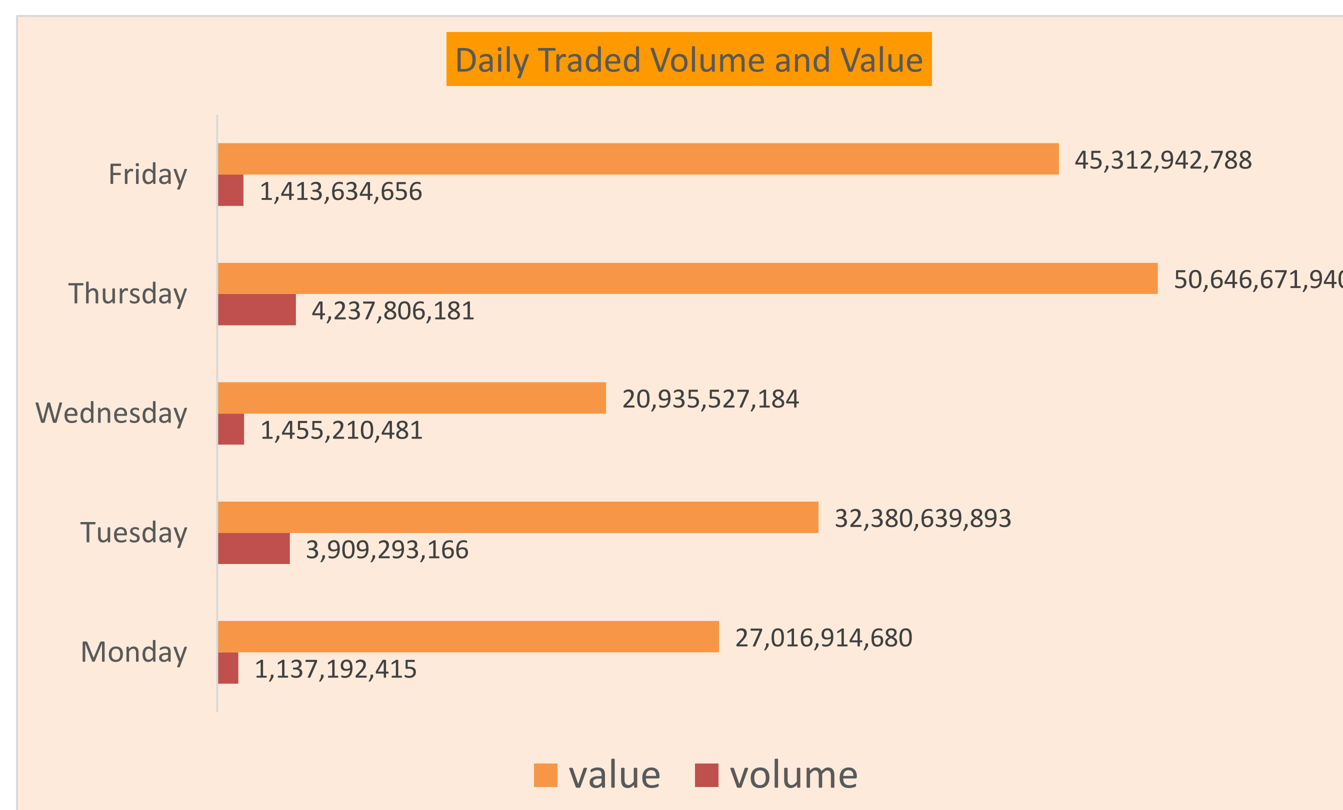
The CBN's OMO auction further demonstrated the depth of demand for short-term sovereign instruments. The apex bank offered N600 billion across the 103-day and 138-day tenors, but received subscriptions of approximately N4.9 trillion, translating to an exceptional 8.2x subscription rate. The CBN subsequently allotted N2.6 trillion, with stop rates settling at 20.39% and 20.01%, respectively. The scale of demand relative to the amount offered reinforces the substantial liquidity available within the financial system and provides the CBN with considerable room to intensify sterilisation without necessarily triggering a disorderly repricing of short-term assets.

Looking ahead, liquidity dynamics are likely to remain the dominant driver of money-market pricing. The recent CBN framework permitting non-bank financial institutions and corporate entities to participate in OMO auctions could broaden the investor base and enhance the effectiveness of liquidity sterilisation. With more than N1.5 trillion in expected OMO maturities, alongside upcoming NTB maturities of approximately N67.45 billion, N93.41 billion and N268.38 billion across the 91-day, 182-day and 364-day tenors, respectively, significant liquidity could return to the system. Against this backdrop, we expect the CBN to maintain an active sterilisation stance, with money-market rates likely to remain sensitive to the timing and size of OMO interventions, government securities settlements and FAAC-related inflows…





FGN Eurobonds	Issue Date	TTM (years)	Price (N)	USD Δ	Yield	PPT Δ
6.50 NOV 28, 2027	28-Nov-17	1.29	100.82	-0.05	5.8%	0.04
6.125 SEP 28, 2028	28-Sep-21	2.13	100.12	-0.08	6.1%	0.04
8.375 MAR 24, 2029	24-Mar-22	2.61	105.63	0.09	6.0%	-0.05
7.143 FEB 23, 2030	23-Feb-18	3.53	102.64	0.13	6.3%	-0.04
8.747 JAN 21, 2031	21-Nov-18	4.44	108.28	0.15	6.6%	-0.05
7.875 16-FEB-2032	16-Feb-17	5.51	105.41	0.05	6.7%	-0.02
7.375 SEP 28, 2033	28-Sep-21	7.13	102.61	0.05	6.9%	-0.01
7.696 FEB 23, 2038	23-Feb-18	11.54	102.25	-0.09	7.4%	0.01
7.625 NOV 28, 2047	28-Nov-17	21.30	97.69	-0.24	7.9%	0.03
9.248 JAN 21, 2049	21-Nov-18	22.45	112.42	-0.27	8.0%	0.02
8.25 SEP 28, 2051	28-Sep-21	25.14	101.67	-0.28	8.1%	0.02



Weekly Top Gainers and Losers as at Friday, August 14, 2026

Top Ten Gainers				Bottom Ten Losers			
Symbol	14-Aug-26	07-Aug-26	% Change	Symbol	14-Aug-26	07-Aug-26	% Change
TRANSEXPR	2.84	2.15	32.1%	AVACAP	7.2	11	-34.5%
INTENEGINS	5.32	4.04	31.7%	UNILEVER	118.30	145.95	-18.9%
SOVRENINS	1.90	1.67	13.8%	ZICHIS	18.3	21.55	-15.1%
CHAMS	4.58	4.08	12.3%	THOMASWY	2.75	3.21	-14.3%
CWG	21.40	19.50	9.7%	DANGSUGAR	64.55	73.00	-11.6%
AIRTELAFRI	6300.00	5801.40	8.6%	NPFMCRFBK	4.05	4.55	-11.0%
GUINEAINS	0.80	0.74	8.1%	AUSTINLAZ	2.84	3.18	-10.7%
VFDGROUP	12.40	11.50	7.8%	CORNERST	5.05	5.65	-10.6%
NAHCO	150.20	140.00	7.3%	BUAFOODS	760.6	845.1	-10.0%
CADBURY	62.00	58.10	6.7%	JOHNHOLT	9.10	10.10	-9.9%

Weekly Stock Recommendations as at Friday, August 14, 2026

Stock	Current EPS	Forecast EPS	BV/S	P/B Ratio	P/E Ratio	52 WKs' High	52 WKs' Low	Current Price	Price Target	Short term Stop Loss	Short term Take Profit	Potential Upside	Recommendation
AIRTEL AFRICA PLC	72.51	101.52	1,277.4	4.93x	20.72x	6,300	2,497	6,300.00	8,820.00	5,355.00	7,245.00	40.0	BUY
DANGOTE CEMENT	37.84	50.71	187.90	5.50x	15.40x	1,189.00	509.00	1,034.00	1,385.56	1,189.10	878.90	34.0%	BUY
DANGOTE SUGAR PLC	3.42	4.44	14.04	4.99x	10.24x	95.8	51.3	64.55	91.00	59.50	80.50	30.00	BUY
ETERNA	2.69	3.61	14.42	2.50x	13.37x	51.20	27.75	36.00	48.24	30.60	41.40	34.0	BUY
FIDELITY BANK PLC	1.18	3.54	21.94	1.00x	18.66x	24.25	17.1	21.50	30.80	18.70	25.30	40.0	BUY
ZENITH BANK PLC	7.65	9.79	125.79	0.97x	15.96x	136.9	53.7	122.60	156.16	103.70	140.30	28.00	BUY

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