



**LBS BREAKFAST SESSION**

# **GULF WAR III & NIGERIA**

Fiscal pressure | Political risk | Social tensions | Oil price shocks

## **May 6**

2026

Presented by Bismarck Rewane





**NIGERIA:  
FROM  
HERO  
TO  
ZERO**



DETT.  
CORRUPTION K023

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# QUOTES!

“

*Oligopoly is an imperfect monopoly.*

*Like the despotism of the Dual  
Monarchy, it is saved only by its  
incompetence*

”



**John Kenneth Galbraith**

Canadian-American  
Economist

# QUOTES!

“ *In conditions of monopoly and oligopoly, the invisible hand fails* ”



**Adam Smith**

Father of economics



01

# NOTEWORTHY EVENTS

# NOTEWORTHY EVENTS

- ✓ UAE quit OPEC+ after 59 years
- ✓ The Strait of Hormuz is now a chokepoint
- ✓ Supply chain logistics is again on the front burner
- ✓ Jet fuel prices are up over 20%
- ✓ Dangote refinery slashes aviation price to ₦1800/litre
- ✓ Retail investors are driving markets to stratospheric levels
- ✓ After 2 years, Nigeria's PMI falls into contraction
- ✓ The Magnificent 7 are spending big time on AI
- ✓ Changing of baton at the Fed
- ✓ Nigerian banks build huge buffers with new capital
- ✓ Nigerian debt per head increases faster than income per capita
- ✓ Nigerian economy more insulated than isolated



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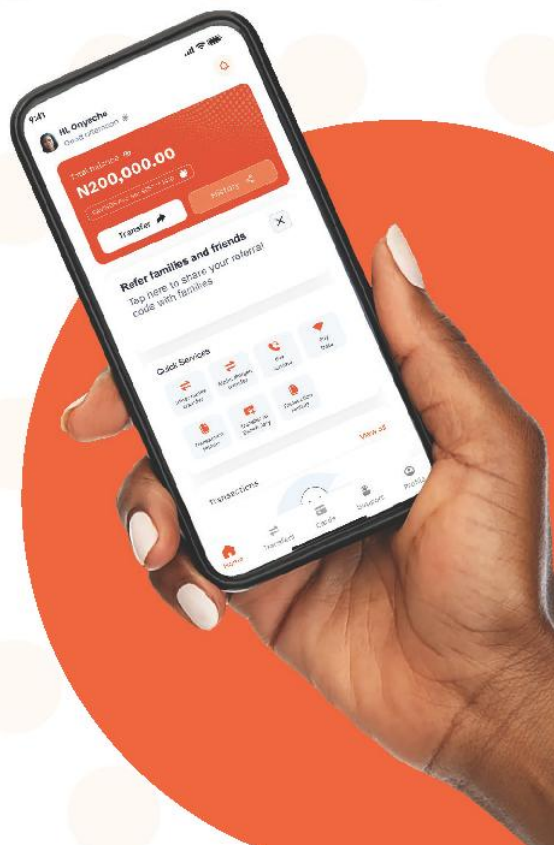
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# ORPHANS & WIDOWS DOMINATING THE MARKET

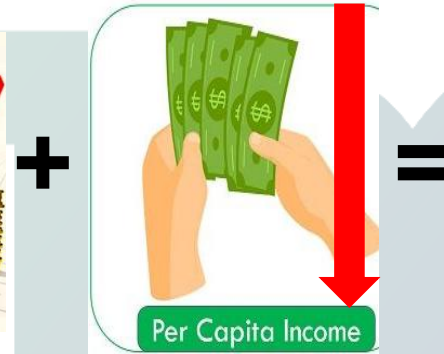
*Orphans and widows controlling the market rather than the institutions*



**Retail Investors  
growth to 35% on the  
NGX from 7%**



**Rising Inflation**



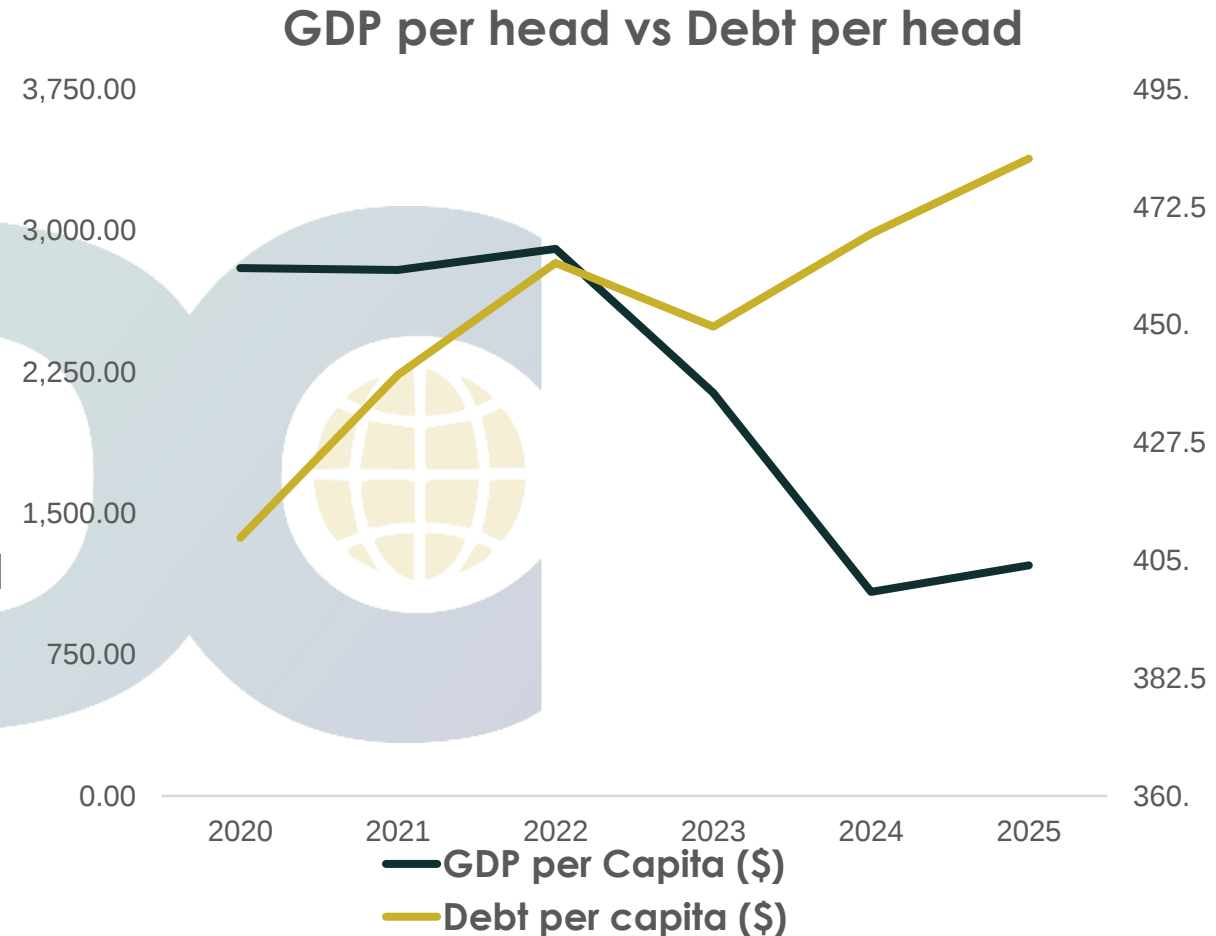
**Reduced  
Per-Capita Income**



- Retail investors, who contributed significantly to the NGX rallies from 2024 to date, are now facing purchasing power erosion that could trigger a 'liquidity exit'
- FPI down but stock market up – driven by retail investors
- A Catalyst for Market Correction

# GDP PER CAPITA VS. DEBT PER CAPITA - HE WHO GOES A-BORROWING GOES A-SORROWING

- The GDP per capita revealed that the living standard are deteriorating
- While debt burden per person is increasing
- Signalling reduced fiscal comfort and rising economic strain
- Nigeria is experiencing growth without prosperity and rising fiscal strain
- This means that, the economy may still be growing in aggregate, but the average citizen is getting poorer
- Meanwhile, government financial pressure is increasing



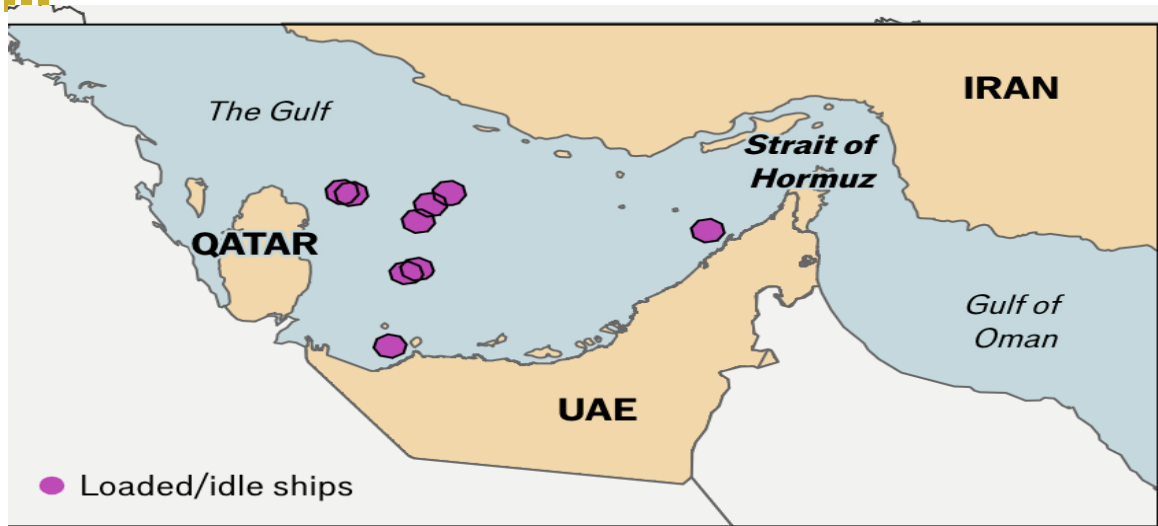


# COUNTDOWN TO THE END OF THE POWELL FED ERA

- Jerome Powell's Fed era is nearing its end because his term as chair is expected to finish on May 15, 2026
- Trump has already nominated Kevin Warsh to succeed him
- The next few weeks will matter because confirmation hearings,
  - Powell's final meetings as the Chair, and
  - Warsh's policy signals
- This will shape how markets price the next phase of U.S. monetary policy



# THREE POSSIBLE SCENARIOS – EIU



## SCENARIO 1: Prolonged war scenario

- Fighting persists for a further several weeks, with additional damage to oil and gas infrastructure
- The price of dated Brent Blend spikes to \$150/barrel in May
- Averages \$144/b over the second quarter

## SCENARIO 2: An end to conflict in early May

- Oil flows resume within a few weeks
- Fewer ships transiting the Strait of Hormuz while it is fully cleared of mines
- Oil prices in this scenario average \$111/b in the second quarter, but slip below \$100/b in the third quarter

## SCENARIO 3: De-escalation scenario

- The strait is assumed to open quickly as all parties agree to extend the ceasefire
- Tankers are assumed to begin transiting the Gulf shortly thereafter, and prices fall quickly to the low \$90/b range

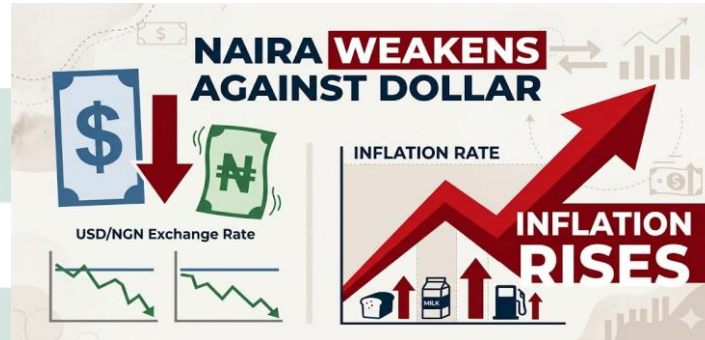
# COUNTERFACTUAL - ASSUMPTIONS

## No Dangote Refinery



- Nigeria would have to import 90–100% of its refined fuel needs (50 million litres/day)
- Fuel scarcity causing prices to soar over the roof
- Elevated transport and logistics cost
- Inflation could rise by over 5–6%

## CBN cut rates by 300bps in FEB



- Inflation could have risen by over 2–4%
- Naira could weaken by 5–10%
- Foreign inflows could have dropped by 10–20%
- Equities may have gained 5–10%
- Bond yields could have fallen by 200–300bps

## No bank recapitalization



- Weaker capital buffers
- Lending capacity could decline by 10–20%
- Non-performing loans could rise by 5–7%
- Credit to the private sector could contract by 5–10%
- Banking sector stability risks would increase



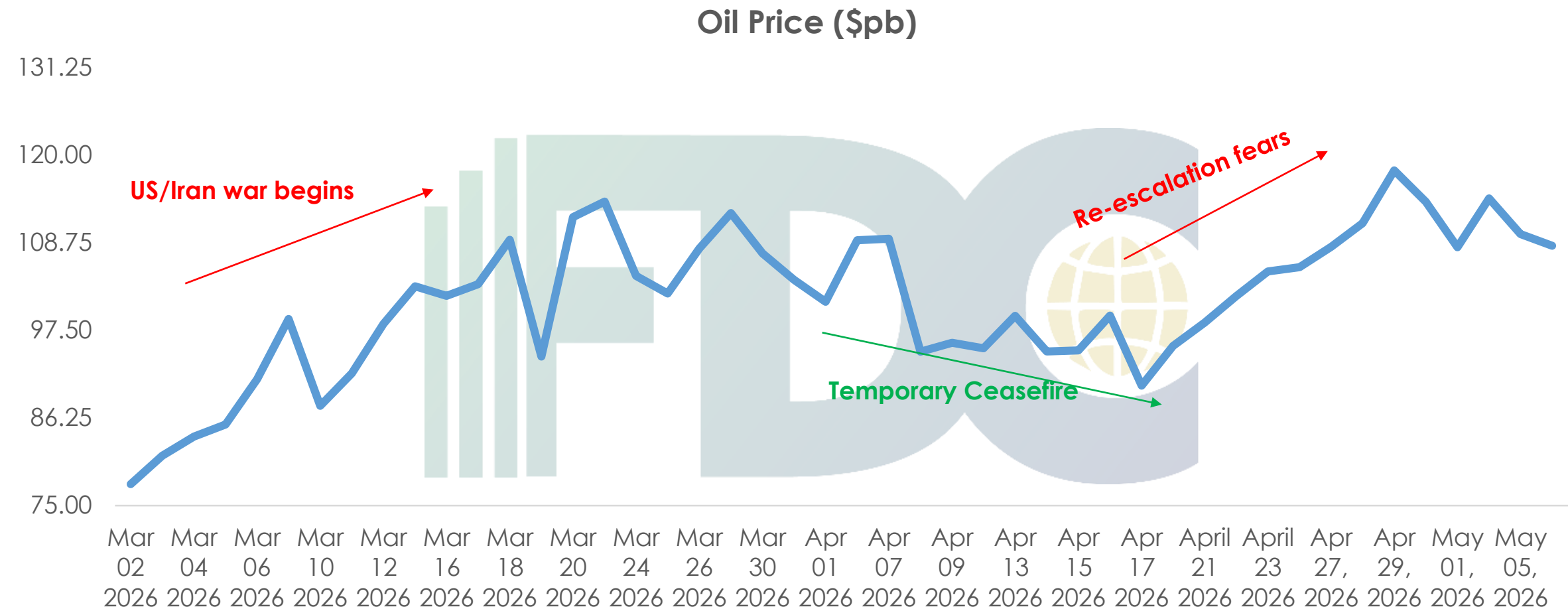
02

# THE NIGERIAN ECONOMY

Structural constraints & transitory  
revenue spikes



# OIL PRICE SHOCK





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# IMPACT

- ✓ The war is having a dual effect on the Nigerian economy
- ✓ Mostly transitory and not structural
- ✓ The oil windfall is undermined by forward sales of crude
- ✓ A slow increase in oil theft and vandalization
- ✓ Foreign portfolio inflows are slowing
- ✓ Interest rates in advanced markets are increasing
- ✓ GDP growth is likely to increase mainly due to the petroleum sector
- ✓ Upstream investment in Bonga, Agbami and deepwater assets
- ✓ Oil refining sector is outperforming GDP and set to grow rapidly



# IMPACT

- ✓ The fiscal growth stimulus is not yet impactful
- ✓ The sectoral linkages are weak and are not job elastic
- ✓ Unemployment data is unrealistic
- ✓ Very poor distinction between underemployment and unemployment
- ✓ The external sector has shown robust growth
- ✓ The external reserves depletion has been minimal
- ✓ The naira value appreciation has dampened imported inflation

# STRUCTURE OF THE NIGERIAN ECONOMY - COMPOSITION OF GDP

- Nigerian economists have mixed views on the impact of the conflict

$$Y = C + I + G + (X-M)$$

| Country        | GDP (\$bn) | C                    | I                     | G                    | (X-M)                 |
|----------------|------------|----------------------|-----------------------|----------------------|-----------------------|
| South Africa   | 426        | 247.1<br>(58%)       | 93.7<br>(22%)         | 72.4<br>(17%)        | 12.8<br>(3%)          |
| Angola         | 80         | 44.0<br>(55%)        | 16.0<br>(20%)         | 8.0<br>(10%)         | 12.0<br>(15%)         |
| <b>Nigeria</b> | <b>284</b> | <b>171<br/>(60%)</b> | <b>74.1<br/>(26%)</b> | <b>14.3<br/>(4%)</b> | <b>28.5<br/>(10%)</b> |
| Kenya          | 136        | 103.36<br>(76%)      | 21.76<br>(16%)        | 14.96<br>(11%)       | -9.52<br>(-7%)        |

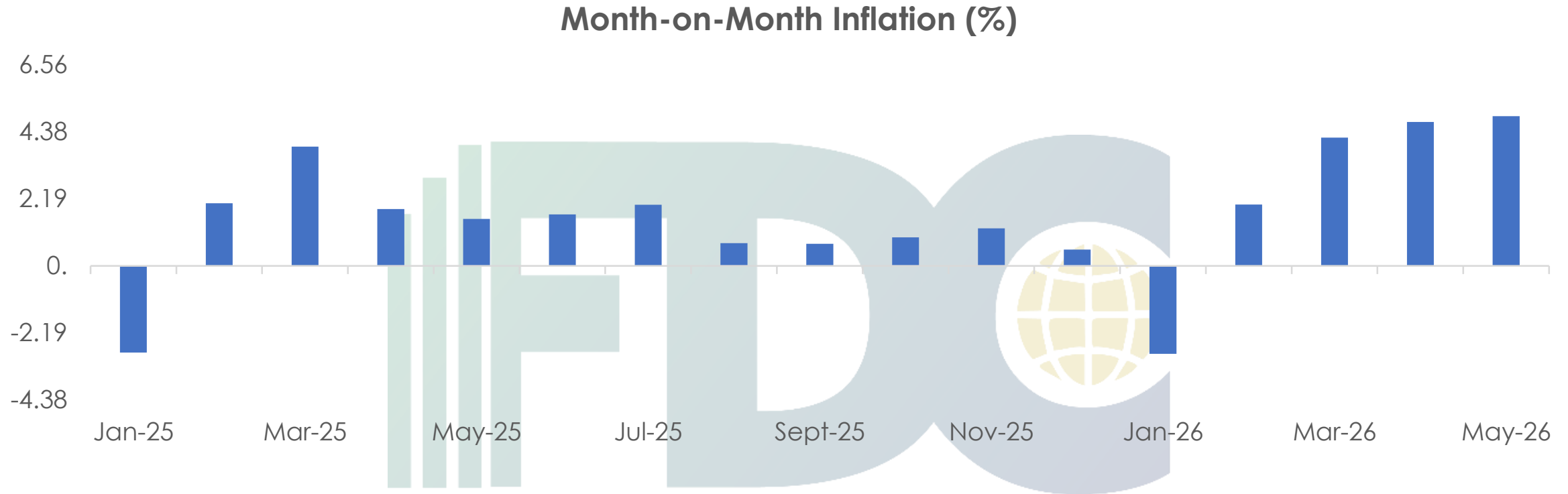


# ECONOMIC STRUCTURE

- ✓ The members show that growth constraints are mainly structural
- ✓ Aggregate consumption in Nigeria (60%) is second only to Kenya (76%)
- ✓ Kenya has a much more efficient payment system
- ✓ Velocity of circulation of money is highest
- ✓ The currency is near equilibrium in both countries
- ✓ Government and fiscal dominance is higher in South Africa, Kenya, and Angola
- ✓ Nigeria is a federal state and not unitary
- ✓ If you add state government expenditure to federal, it paints another picture



# WHY MONTHLY INFLATION TELLS A BETTER STORY NOW



- Month-on-Month inflation captures real-time price shocks immediately, while headline inflation smooths movements and reflects them with a lag
- Energy shocks highlight this transmission process more clearly and faster than headline inflation

# FUEL SHOCK – A MAJOR DRIVER OF INFLATION

Jet fuel

**~~₦3,300~~/litre**

↓ **Capped**

**~~₦1,760~~-~~₦1,988~~/litre (Lagos)**

**~~₦1,809~~-~~₦2,037~~ /litre (Abuja)**

Diesel

**~~₦1,990~~/litre**



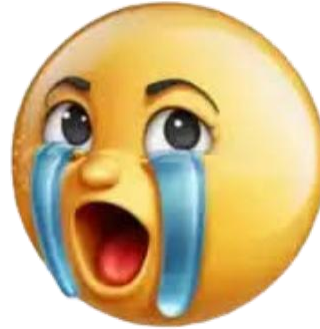
**₦1,850/litre**

PMS

**~~₦1,335~~/litre**



**₦1,255/litre**



- The immediate effects are strongly inflationary and cost-push in nature:
- Rising Transport Costs (Immediate pass-through)
- Food prices rise quickly (especially perishable goods)



# FUEL PUMP PRICES ACROSS AFRICAN COUNTRIES

- Price increases are affecting fuel-importing countries, with fuel prices rising most dramatically
- Fuel prices have surged in several countries including Nigeria, a net oil exporter
- Some governments have allowed substantial pass-through to local prices



**Rwanda**

**+48%**



**Tanzania**

**+37%**



**Malawi**

**+34%**



**Zimbabwe**

**+33%**



**Lesotho**

**+32%**



**Morocco**

**+27%**



**Serra Leone**

**+23%**



**South Africa**

**+18%**



**Nigeria**

**+59%**



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# MONEY SUPPLY GROWTH TO CONTAINED BY CBN

- Money supply growth is expected to continue trending upward in the near term
- Driven by a 7% increase in the FAAC allocation and continued windfall gain in oil revenue
- Due to the oil price shock, increase injection of liquidity is anticipated, driven by higher government revenue
- However, the CBN will continue mopping-up liquidity through OMO and CRR to control inflation

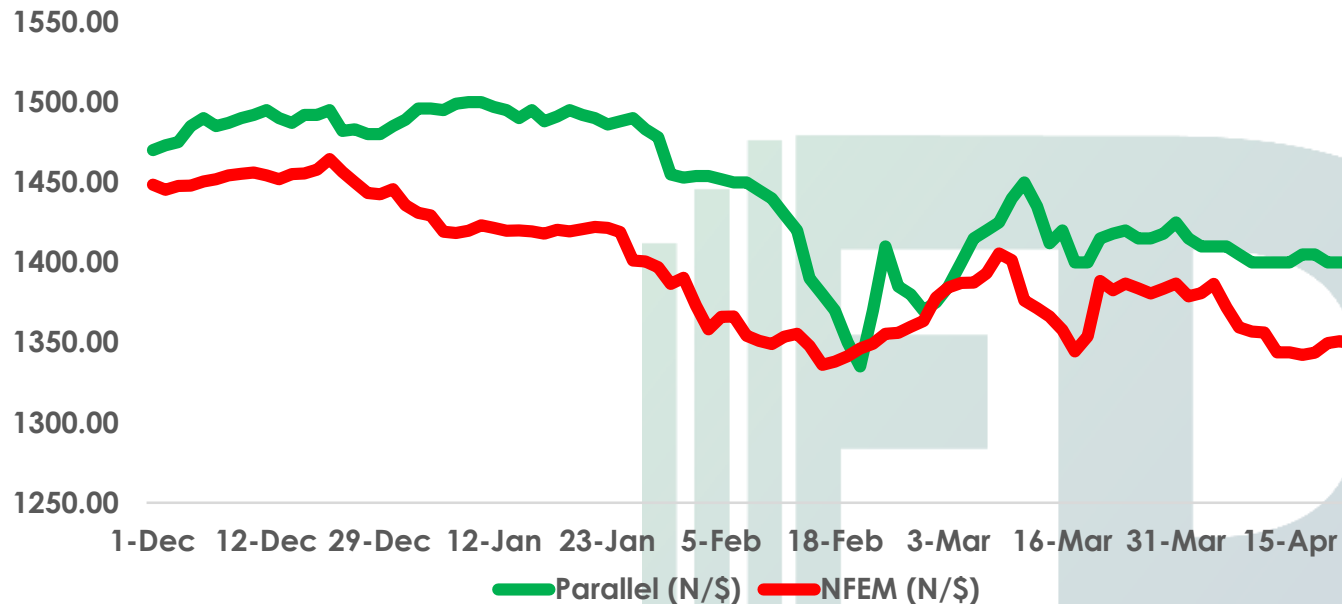
**Money supply growth (%)**





# EXCHANGE RATE TO REMAIN STABLE

Parallel Vs. Official



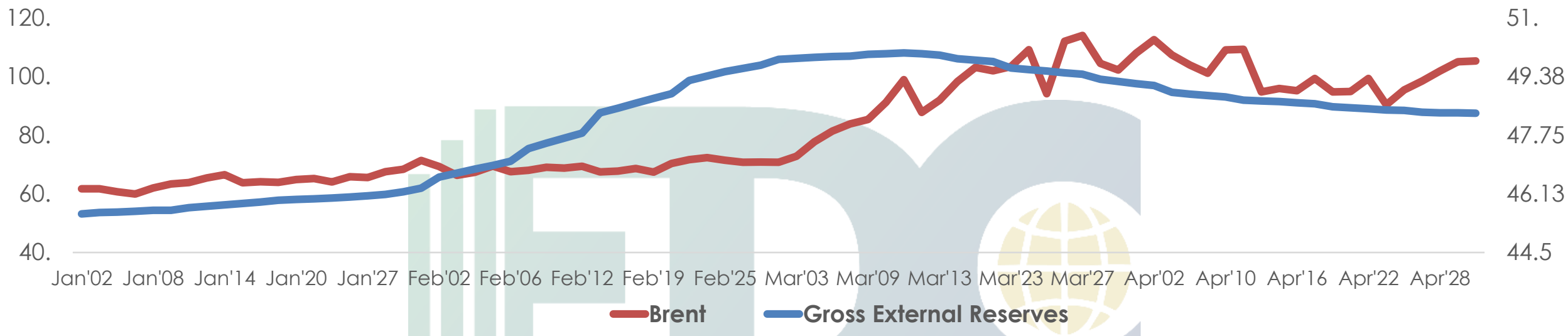
| Purchasing Power Parity                                                            |            |             |                 |
|------------------------------------------------------------------------------------|------------|-------------|-----------------|
|                                                                                    |            | April, 2026 |                 |
|                                                                                    | =N=        | US \$       | PPP ('=N=/US\$) |
| Bottle of Pepsi (50cl)                                                             | 500        | 0.72        | 696.09          |
| Heinekin Beer (60cl)                                                               | 1,200      | 1.62        | 740.74          |
| Hamburger (Burger King)                                                            | 18,000     | 6.83        | 2635.43         |
| Movie tickets (blockbuster)                                                        | 8,000      | 16.08       | 497.51          |
| HP Pavilion 14 X360 (12 gen, core i13, 512gb)                                      | 1,450,000  | 699.00      | 2074.35         |
| Diesel Price (1 litre)                                                             | 1,510      | 1.08        | 1398.15         |
| Vegetable oil (5 litres)                                                           | 17,000     | 29.95       | 567.61          |
| Indomie (1 unit)                                                                   | 500        | 0.78        | 641.03          |
| Nestle Bottled Water (60cl 1 unit)                                                 | 250        | 0.81        | 308.64          |
| Big Loaf Bread                                                                     | 2,000      | 3.34        | 598.80          |
| Corrola (2023 Model)                                                               | 50,000,000 | 21700.00    | 2304.15         |
| Irish Spring Soap (3 bars)                                                         | 4,200      | 2.09        | 2010.00         |
| Chicken Breasts ( 1 kg)                                                            | 6,000      | 7.94        | 755.67          |
| Trolley                                                                            | 2,500      | 6.64        | 376.51          |
| Peak evaporated milk (pack of 24)                                                  | 26,500     | 17.99       | 1473.04         |
| Uncle Ben's rice (5.44kg 1 pack)                                                   | 26,000     | 26.00       | 1000.00         |
| Eggs (30 large eggs)                                                               | 6,500      | 6.45        | 1007.75         |
| Medicine (Panadol extra 50 caplets)                                                | 11,700     | 12.69       | 921.95          |
| Andrexx toilet paper (24)                                                          | 49,000     | 18.87       | 2596.71         |
| Average PPP                                                                        |            |             | 1189.67         |
| Naira Price at NFEM                                                                |            |             | 1364.24         |
| PPP (%)                                                                            |            |             |                 |
| Decision: Naira is                                                                 |            | Undervalued | -12.80%         |
| Spot Rate (Parallel)                                                               |            |             | 1400.00         |
| Outcome: Compared to NFEM rate of N1,364.24/\$, the Naira is undervalued by 12.80% |            |             |                 |

- When inflation kicks in, the PPP value will change in favour of the U.S. dollar
- Nigeria's inflation will rise to 17–20% in December
- The naira could lose about 3%
- If oil prices stay at about \$90pb, the naira will gain approximately 2%, or from ~~N~~1,400 to ~~N~~1,200/\$



# DECLINING GROSS EXTERNAL RESERVES

Brent vs. Gross External Reserves (\$)



- Oil prices surge have generated significant revenue windfalls
- Despite that, gross external reserves have incessantly been on the decline after reaching a 13-year high of \$50.45bn in February
- Underpinned by
  - interventions to stabilize the naira
  - weak capital inflows
  - oil forward sales
  - fiscal outflows like election spending compounded pressures



# ***EASING THE PAIN OF THE COMMON MAN***





# REMEDIAL MEASURES

| Policy shifts                      | Intended Consequences                                                                                                                              | Unintended Consequences                                                                                                                                                     |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Import duty cuts                   | <ul style="list-style-type: none"><li>❖ Lower food and essential goods prices</li><li>❖ Ease cost-of-living pressures</li></ul>                    | <ul style="list-style-type: none"><li>❖ Revenue loss; pressure on local producers (import competition)</li></ul>                                                            |
| Public servants allowance increase | <ul style="list-style-type: none"><li>❖ Cushion real income loss</li><li>❖ Sustain household consumption</li><li>❖ Reduce social tension</li></ul> | <ul style="list-style-type: none"><li>❖ Boosts aggregate demand → inflationary pressure</li><li>❖ Fiscal strain</li><li>❖ May trigger wage demands across sectors</li></ul> |
| Monetary policy tightening         | <ul style="list-style-type: none"><li>❖ Reduce inflation</li><li>❖ Stabilize exchange rate</li><li>❖ Anchor expectations</li></ul>                 | <ul style="list-style-type: none"><li>❖ Higher cost of credit</li><li>❖ Dampened investment and growth</li><li>❖ Increased debt servicing burden</li></ul>                  |
| Jet fuel capped                    | <ul style="list-style-type: none"><li>❖ Lower airline operating costs</li><li>❖ Stabilize airfares</li></ul>                                       | <ul style="list-style-type: none"><li>❖ Potential for arbitrage or black-market pricing</li></ul>                                                                           |

# MONETARY PAUSE – A SYNCHRONIZED POLICY SHIFT



## Implications

- Higher debt service costs
- Increase in cost of financing trade transactions
- Decline in Diaspora remittances
- Increased savings and lower consumption levels

| Country  | Interest rate (%)p.a | Pause | Increase |
|----------|----------------------|-------|----------|
| US       | 3.75                 | ✓     | ✗        |
| UK       | 3.75                 | ✓     | ✗        |
| Japan    | 0.75                 | ✓     |          |
| France   | 2.15                 | ✓     | ✗        |
| Botswana | 5.5                  | ✗     | 200bps ✓ |
| Nigeria  | 26.5                 | ✓     | ✗        |

- As global shocks continue to ripple through economies, central banks are increasingly prioritizing caution or further tightening
- The U.S. Federal Reserve and the Bank of Japan have held interest rates steady
- Other central banks may adopt a similar stance, holding rates; Nigeria is unlikely to be an exception



# IMPORT DUTY CUTS

- Fiscal Policy Measures, effective April 1, 2026, introduced significant import duty cuts across 127 items
- To ease inflation, lower living costs, and boost sectors like transport and manufacturing

## Implications

- Import duty cuts would provide short-term inflation relief
- However, this will risk flooding markets with cheap imports
- Potentially cause job losses and revenue shortfalls

| Category         | Commodity                                    | Old Rate (%) | New Rate (%) |
|------------------|----------------------------------------------|--------------|--------------|
| Vehicles         | Passenger vehicles (incl. 4WDs)              | 70           | 40           |
| Public Transport | Mass transit buses, Electric Vehicles (EVs)  | 5            | 0            |
| Rice             | Bulk rice                                    | 70           | 47.5         |
| Sugar            | Raw cane sugar                               | 70           | 55-57.5      |
| Palm Oil         | Crude palm oil                               | 35           | 28.75        |
| Steel            | Steel sheets & coils, Ceramic tiles (glazed) | 45-55        | 35-46.25     |
| Machinery        | Manufacturing/industrial machinery           | 5            | 0            |
| Others           | Medical equipment, Electrical components     | Varies       | Reduced      |

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# WORKERS ALLOWANCE HIKE - PALLIATIVE AGAIN NOT COVID THIS TIME

- The reforms cover peculiar allowances, welfare benefits
- To boost civil servants' take-home pay and morale amid rising living costs
- Effective October 1, 2026

## Implications

- Expected to improve productivity and public service morale, but sustainability questioned given fiscal strains and inflation erosion

| Reform Category           | Details                                                                                           |
|---------------------------|---------------------------------------------------------------------------------------------------|
| Duty Tour Allowance (DTA) | 100% rate for approved training (even local, e.g., Abuja-based)                                   |
| Estacode Allowance        | Permanent Secretaries: \$1,040/day; scaled by grade level for overseas duty                       |
| Peculiar Allowances       | Upward review of nearly all Public Service Rules items: teaching, local running (30% of DTA)      |
| Welfare Benefits          | Operationalized Employee Compensation Scheme for job injuries/deaths; expanded social protections |
| Exit/Retirement Packages  | 100% of annual emoluments (from Jan 1, 2026) plus pension for retirees                            |
| Housing Support           | ₦10 billion low-interest loan scheme for civil servants                                           |

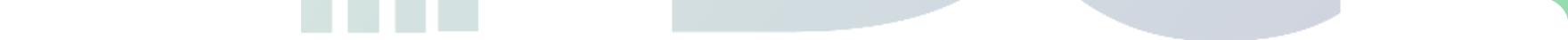
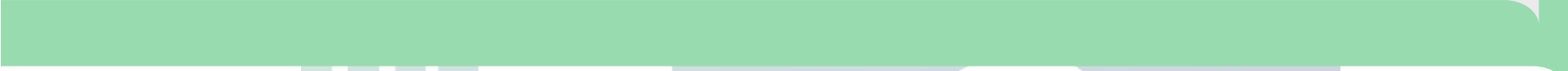


03

# THE MARKETS



# ***STOCK MARKET Q2 2026 OUTLOOK***



# THE GLOBAL MARKET IN Q1'2026- PRE AND POST SHOCK

| Stock/Prices | Apple    | Microsoft | Nvidia   | Amazon   | Alphabet | Meta     |
|--------------|----------|-----------|----------|----------|----------|----------|
| 1-January    | \$270.76 | \$374.58  | \$149.20 | \$210.45 | \$302.15 | \$548.20 |
| 27-February  | \$264.18 | \$420.12  | \$215.40 | \$275.60 | \$385.90 | \$625.45 |
| DTD (%) Pre  | -2.43%   | +12.16%   | +44.37%  | +30.96%  | +27.72%  | +14.09%  |
|              |          |           |          |          |          |          |
| 27-February  | \$264.18 | \$420.12  | \$215.40 | \$275.60 | \$385.90 | \$625.45 |
| 31-March     | \$253.79 | \$401.85  | \$201.53 | \$258.77 | \$376.08 | \$607.08 |
| DTD (%) Post | -3.93%   | -4.35%    | -6.44%   | -6.11%   | -2.54%   | -2.94%   |

- ❑ The quarter started bullish due to massive infrastructure spending and record earnings. Growth was led by investor conviction in the hardware and cloud services powering generative AI
- ❑ High-valuation tech led the decline as investors liquidated positions in favor of defensive energy and hard-asset sectors triggered by geopolitical tensions and oil price spikes, drove this sharp market rotation.

# GLOBAL MARKET RECOVERY IN APRIL

| Stock/Prices | Apple  | Microsoft | Nvidia | Amazon | Alphabet | Meta   |
|--------------|--------|-----------|--------|--------|----------|--------|
| 31-Mar       | 246.63 | 358.96    | 165.17 | 200.95 | 287.56   | 536.38 |
| 30-Apr       | 271.23 | 404.06    | 201.53 | 258.77 | 376.08   | 607.08 |
| DTD (%)      | 9.97%  | 12.56%    | 22.01% | 28.77% | 30.78%   | 13.18% |

- ❑ All six posted double-digit gains – a rare: sector-wide rally averaging 19.5%, signaling a broad tailwind rather than stock-specific stories.
- ❑ Alphabet and Amazon led (+30%, +29%): historic laggards leapfrogging the pack suggests a re-rating, likely on AI monetization and cloud strength.
- ❑ Nvidia's 22% trailed Alphabet and Amazon: early sign the AI trade is rotating from chipmakers to AI beneficiaries.
- ❑ Apple and Microsoft lagged: Apple weighed by China and weak AI narrative; Microsoft's AI upside likely already priced in.
- ❑ Macro signal: \$1T+ in combined market cap added in 30 days points to risk-on rotation, likely tied to rate-cut expectations or strong earnings.



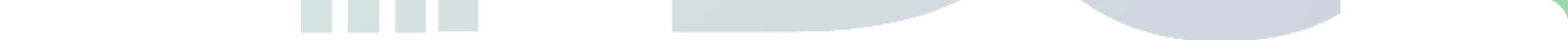
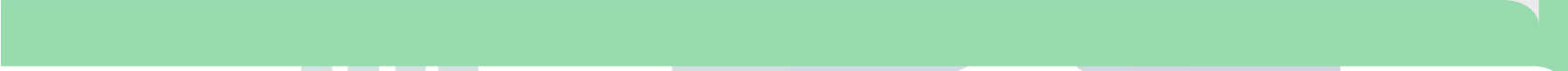
# GLOBAL MARKET Q2'2026 (MAY & JUNE) OUTLOOK

*Brent crude holding above \$100–\$110 is shaving 0.5%–0.6% off global growth.*

- Energy shock is forcing central banks into a "Higher for Longer" stance, keeping borrowing costs elevated affecting highly leveraged companies like Goldman Sachs AT&T, and Verizon
- Investment focus is shifting from software to physical infrastructure, with data center spending projected to hit \$700 billion this year. Focus remains on semiconductors and the energy required to power them
- Market gains are diversifying beyond Tech into Financials and Emerging Markets, fueled by a rise in global M&A activity and a steeper yield curve



# ***THE NIGERIAN STOCK MARKET***



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# QUOTES!

“

But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions...

We as central bankers need not be concerned if a collapsing financial asset bubble does not threaten to impair the real economy...

We should not underestimate or become complacent about the complexity of the interactions of asset markets and the economy

”



**Alan Greenspan**

**Former chairman of the  
Federal Reserve**

# ASSET PERFORMANCE IN Q1 2026

## ASSET CLASS



**GOLD**

## RETURN

**UP 5%**

## RATIONALE

Prices were supported by safe-haven demand amid global uncertainty and war-related volatility.

## OUTLOOK FOR Q2'26

"Healthy correction" expected towards **\$4,700–\$4,800/oz** after recent peaks.



**UP 30%**

The market broke above 160,000 points (and eventually 200,000) for the first time, reflecting a massive **29.35%** surge driven by strong 2025 FY results and oil sector outperformance.

Strong participation expected to continue in response to positive corporate earnings and domestic reforms.



**(3.1%)**

US stocks were hit by military strikes on Iran, leading to a **5.1%** drop in March alone and the biggest monthly decline in nearly a year.

Analysts forecast potential **5-10%** drop in Q2 as high valuations and war friction pressure margins before a year-end recovery.



**BITCOIN**

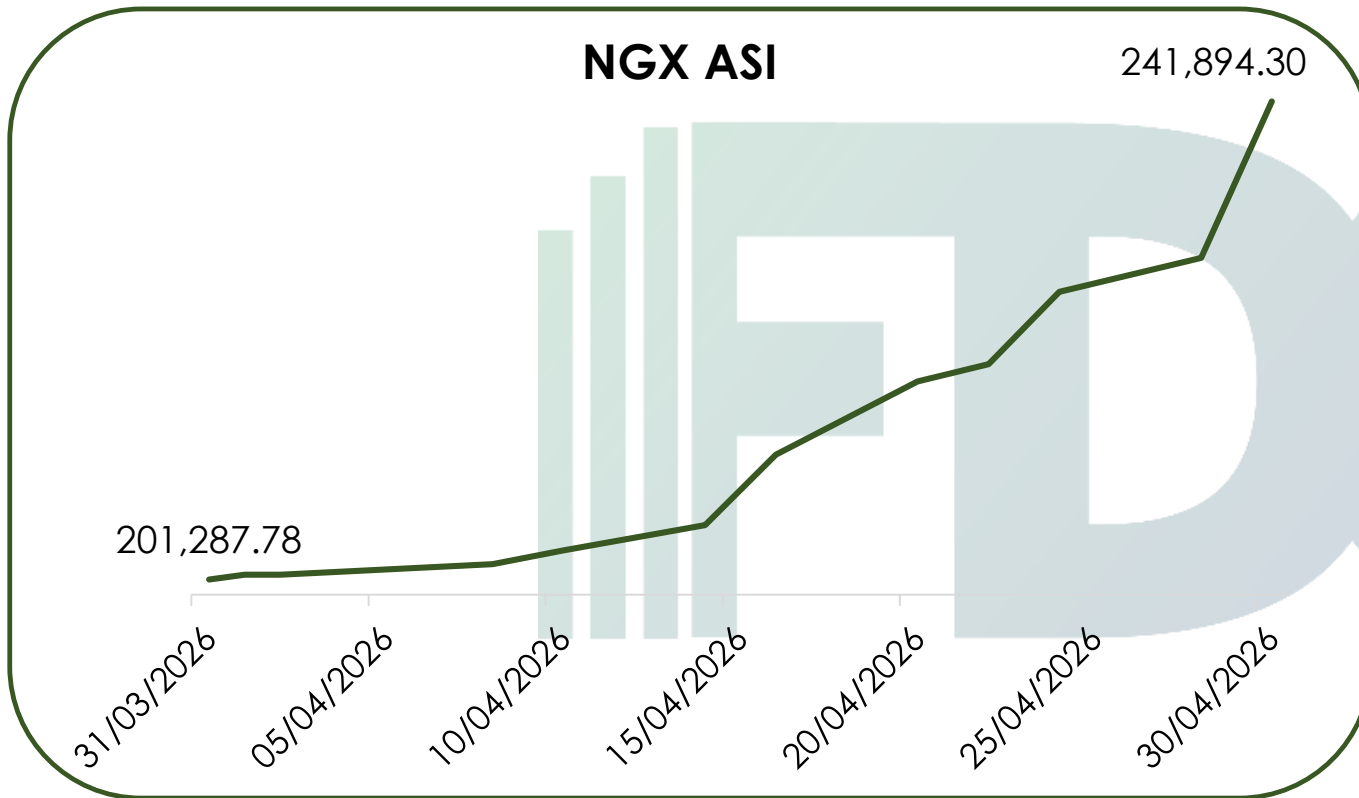
**(11.4%)**

Massive cascade of forced liquidations by high-leverage traders despite an initial 8% rally at the war's onset.

High volatility remains; potential slide toward **\$75,000** before any projected "super-cycle"



# THE IMPACT OF STRUCTURAL CHANGES ON THE NGX



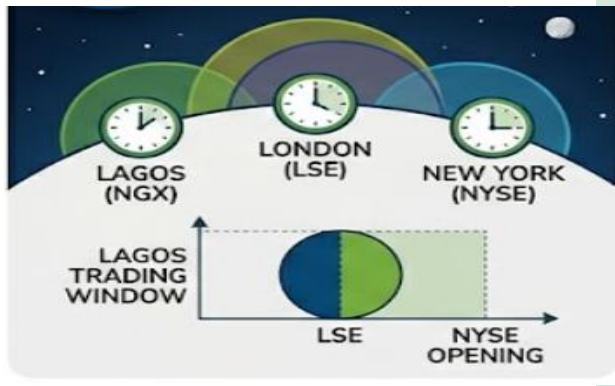
- Seven-hour trading has no impact on the market
- Pension guidelines allowed PFAs to buy more equities
- Q1'26 earnings outperformed 2025 substantially

NGX's transition to a 7-hour trading window (9:00am–4:00 PM)

# IMPACT OF NGX TRADING WINDOW EXTENSION



Investors can now price in policy announcements from Monetary Policy Committee (MPC) meetings, which typically come in at 2pm



Extended hours align the NGX with European markets and create a vital 90-minute overlap with the New York Stock Exchange's morning session



The new window makes the NGX more attractive to carry traders who borrow in low-interest global currencies to invest in high-yield NGX assets



# IMPACT OF NGX TRADING WINDOW EXTENSION

|                      | Pre-Extension     | Post-Extension     |
|----------------------|-------------------|--------------------|
| Daily Trading Volume | 761 Million Units | 1.14 Billion Units |
| AVG. Daily Turnover  | ₦45.01 Billion    | ₦67.05 Billion     |

- Average daily turnover has increased by 48.9% following the trading window extension
- Beyond FPI inflows, institutional investors, particularly Pension Fund Administrators (PFAs), significantly contributed to the surge in trading activity following the upward revision of their equity allocation quotas
- While increased FPI and institutional participation may induce short-term volatility, it fundamentally bolsters the valuation and depth of the Nigerian equity market



# SECTOR PERFORMANCE IN THE APRIL RALLY

| Sector           | April Gain (%) | Key Drivers                                                                                  |
|------------------|----------------|----------------------------------------------------------------------------------------------|
| Oil & Gas        | 39.04%         | Aradel (+60.6%) and Seplat (+26.3%) led the charge as Brent price sustained above \$95pb     |
| Industrial Goods | 28.50%         | Lafarge (+59.2%) and BUA Cement (+27.9%) drove the index past 11,000 points                  |
| Banking          | 23.40%         | Post-recapitalization re-rating; Ecobank (+75.2%) and Zenith (+36.2%) saw massive inflows    |
| Consumer Goods   | 11.31%         | Strong earnings rallies in Unilever (+46.3%) and NASCON (+38.2%)                             |
| <b>Insurance</b> | <b>-3.65%</b>  | <b>The lone laggard; faced profit-taking as capital rotated into large-cap growth stocks</b> |

- Oil & Gas sector is likely to maintain leadership as the best-performing index in May, fueled by high oil prices, making its current pricing volatile
- Banking stocks are likely to maintain their current prices in May as the CBN's stress test continues
- Industrial goods and consumer goods are likely to see more gains in May as investors consider dividends

# QUOTES!

“

Only when the tide goes out do you discover  
who's been swimming naked

”

“

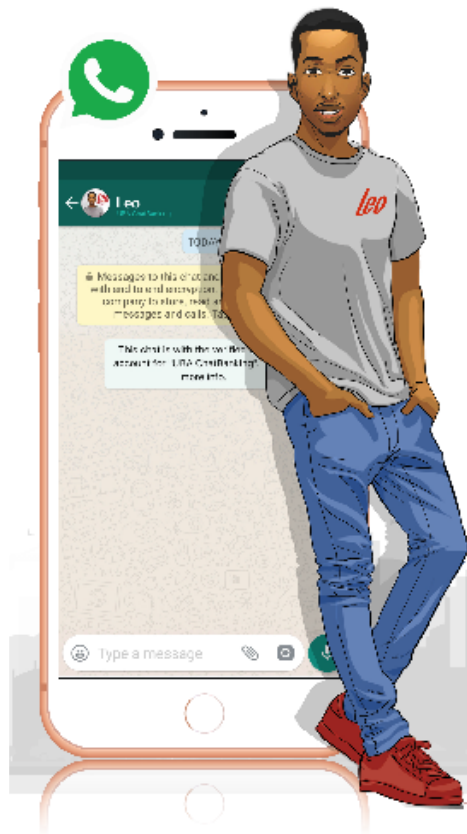
Be fearful when others are greedy, and greedy  
when others are fearful

”



**Warren Edward Buffett**

**An American investor and  
philanthropist**



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# IS THE NIGERIAN STOCK MARKET RIDING A BUBBLE READY TO BURST?

A stock market bubble happens when stock prices get much higher than the real value of the companies, mostly because of excitement or hype

It eventually bursts, causing prices to fall quickly and investors to lose money

A bubble usually occurs when there is extreme overvaluation (P/E ratios 30x, 40x+ with no earnings support) and a disconnect from fundamentals, profits, growth outlook, and economic reality

While others signal a fairly priced market



46.8X P/E ratio



31.33X P/E ratio

Some P/E ratios signal an over priced market



14.4X P/E ratio



16X P/E ratio

# WHERE SHOULD INVESTORS INVEST: Q1'2026 EARNINGS REPORT

- Total Revenue reached a record ₦1.498 trillion, up 41.6% year-on-year (YoY), driven primarily by data and fintech services
- Profit Before Tax (PBT) surged by 169.6% to ₦546.4 billion
- EBITDA increased 68.1% to ₦828.3 billion, with the margin expanding to 55.3%
- Earnings Per Share (EPS): Rose by 166.1% to ₦16.95



- Gross Revenue rose by 241% (YoY) to ₦191.22 billion, driven primarily by the consolidation of C.H.I. Limited and volume growth in the Packaged Food and Beverages segment.
- Profit After Tax surged by 311.4% to ₦13.64 billion
- Operating margin rose to 14.8% from 12.2% in Q1 2025
- The Packaged Food and Beverages segment saw an 8.4x revenue jump to ₦161 billion, benefiting from pricing and procurement optimization that outpaced input inflation





# SCENARIO ANALYSIS – MAY/JUNE CORRECTIONS AND SELL-OFFS

## WHAT IF

There is Minimal or no Market Correction between May-June and Dangote Refinery IPO is bought with fresh Capital

- NGX market capitalization breaks the ₦200trn ceiling to
- Market Liquidity may be high in short-term as some investors try to capture quick gain

May-June sees Significant Market Correction & Dangote Refinery IPO Is bought from Selling other stocks

- Dangote Refinery would be completely subscribed but with lower than expected gain on the ASI
- Liquidity will be low in short-term as most sell-off investors would be investing long-term

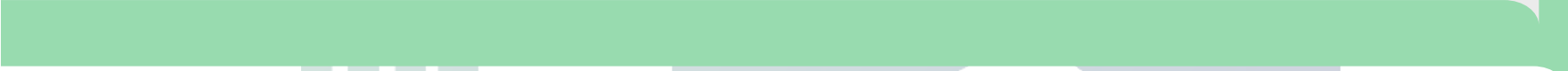


# SELL IN MAY, BUT DON'T GO AWAY!!!

- Correction is inevitable
- But not a deep correction
- New listings may unlock value
- Dangote Refinery is a once-in-a-century opportunity
- Valuation is approximately ~~N~~50 trillion, 35% of market capitalization
- The Dangote Refinery IPO is over-subscribed



# ***MARKETS PROXIES***





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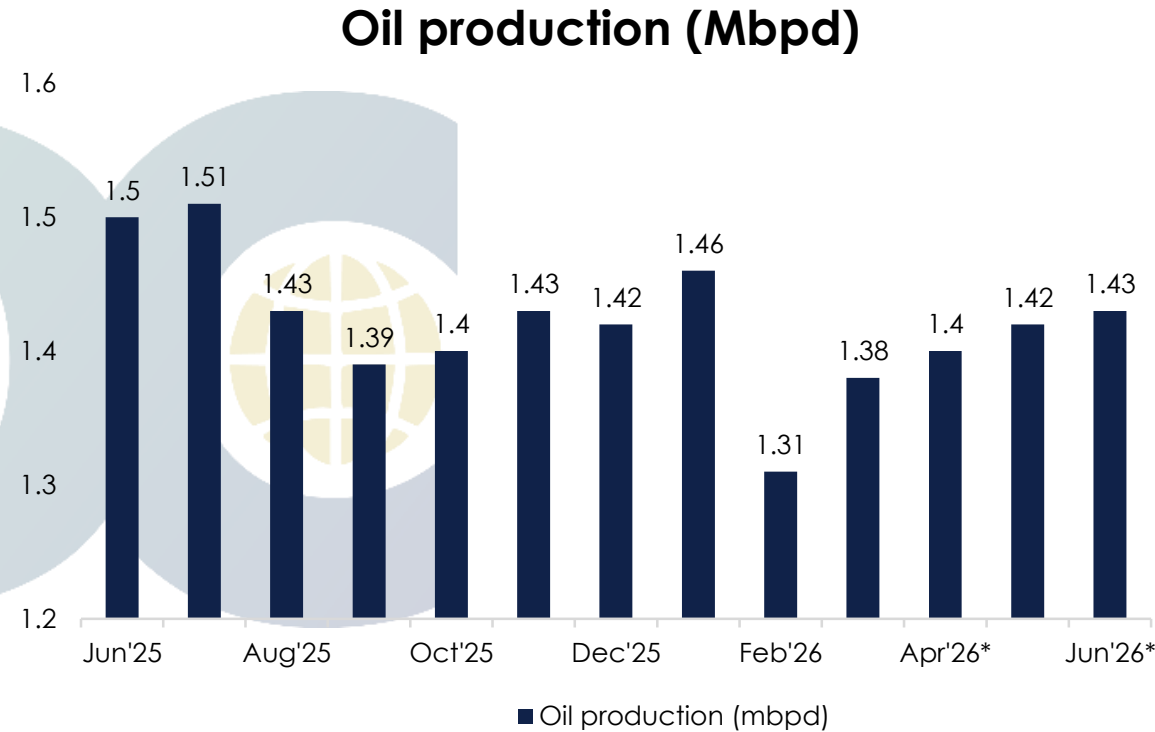
Dubai

London

San Francisco

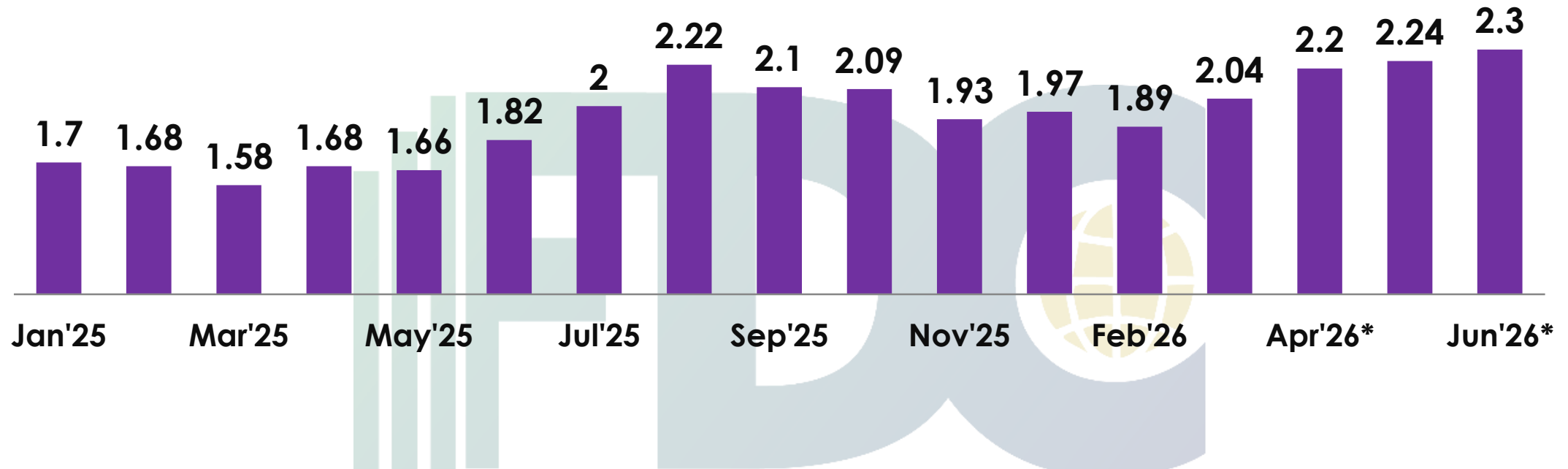
# OIL PRODUCTION WILL WITNESS MILD RECOVERY

- Oil production increased in March to 1.38mbpd, a 5.34% rise from 1.31mbpd in February
- With production gains recorded at the Qua Iboe (18%), Escravos (17%) and Bonny terminal (9%), respectively
- Production is set for a gradual recovery, following completion of maintenance at Bonga field
- But structural constraints will keep output below potential in the near term
- The boys in the Creek are rational economists, they know the difference between premium market and opportunity costs, oil windfall and FAAC boom



# OIL REVENUE WINDFALL BOOSTS GOVERNMENT EARNINGS

FAAC Disbursement (N'trn)



- Higher oil prices raised FAAC distribution in March by 7.94% to ₦2.04 trillion
- As the conflict continues and oil prices remain elevated, FAAC disbursement is projected to remain above ₦2 trillion
- This will only provide temporary relief, but not structural stability

# REROUTING SHIPS WILL RAISE SHIPPING TIME AND COSTS

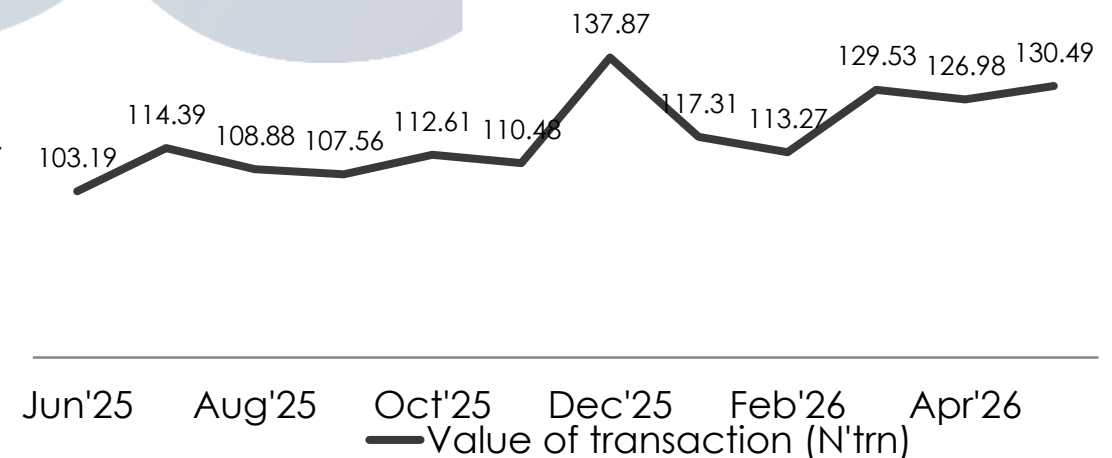
| Ports               | Jan'26    | Feb'26    | Mar'26    | Apr'26    | May*      |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Lagos-Apapa         | 8         | 6         | 4         | 0         | 2         |
| Lagos-Tincan        | 4         | 2         | 3         | 2         | 2         |
| Calabar Port        | 1         | 1         | 0         | 0         | 0         |
| Warri Port          | 5         | 6         | 6         | 8         | 5         |
| Onne Port           | 0         | 0         | 0         | 0         | 0         |
| Rivers Port         | 0         | 0         | 0         | 0         | 0         |
| Lekki Deep Sea Port | 6         | 6         | 6         | 6         | 6         |
| <b>Total</b>        | <b>25</b> | <b>21</b> | <b>19</b> | <b>16</b> | <b>15</b> |

- Ships awaiting berth have decreased consistently since January, reaching 16 in April
- Rerouting around the Cape of Good Hope due to US – Iran conflict, will enhance shipment safety and security, but add considerable time and cost to logistics operations
- This may result in delays in industrial inputs (raw materials, spare parts), slower manufacturing and business activity, and potential decline on PMI and GDP growth

# TRANSACTIONS VALUE WILL INCREASE MODESTLY IN MAY

- Value of transactions decreased across all mode of payments, except NIP which rose marginally
- It declined by 1.97% to ₦126.98 in April from ₦129.53 recorded in March
- Transactions value across channels is expected to increase moderately in May driven by Id El Kabir celebration and Hajj travel
- However, the pace of growth will likely be tempered by:
  - Elevated price levels eroding real purchasing power
  - Cautious corporate spending
  - Tight interest rates constraining liquidity

| Mode of payment | Mar'26<br>(₦'trn) | Apr'26<br>(₦'trn) | Change<br>(%) | May'26*<br>(₦'trn) |
|-----------------|-------------------|-------------------|---------------|--------------------|
| NIP             | 113.68            | 113.78            | 0.09          | 115.23             |
| POS             | 7.70              | 7.56              | -1.82         | 8.96               |
| NEFT            | 7.82              | 5.40              | -30.95        | 6.10               |
| CHEQUES         | 0.333             | 0.244             | -26.73        | 0.204              |
| <b>Total</b>    | <b>129.53</b>     | <b>126.98</b>     | <b>-1.97</b>  | <b>130.49</b>      |





# CHEQUE VS OTHER TRANSACTIONS CHANNEL-ANECDOTAL GRAPH

- Cheque usage → sharply declining

Reflects reduced reliance on paper-based payments

- POS → strong growth

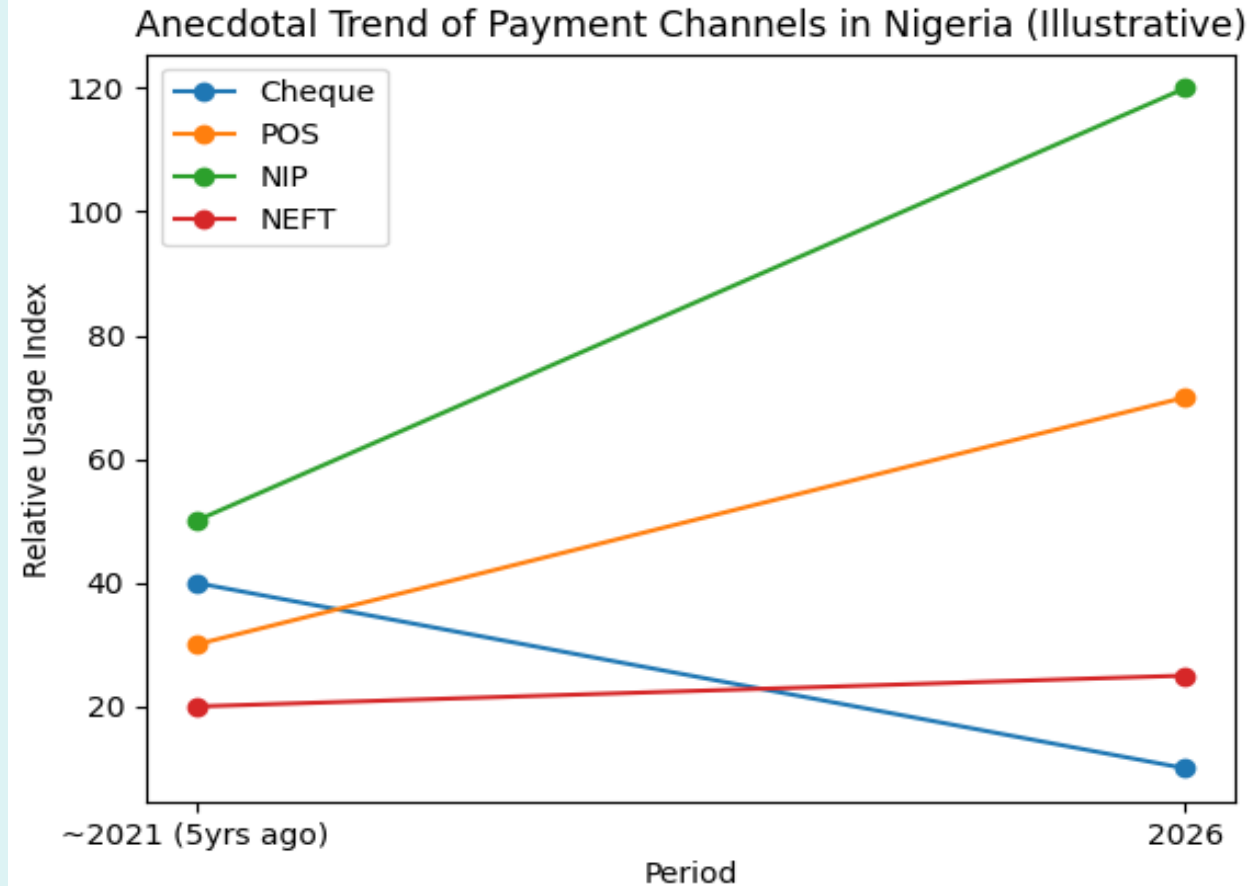
Driven by retail payments, agency banking, and cashless push

- NIP → explosive growth

Presently the dominant channel for transfers due to speed and convenience

- NEFT → gradual but clear growth

Provides structured clearing and settlement





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# CBN TRANSFER DIRECTIVE - VOLUME OVER VALUE STRATEGY

- CBN standardized and reduced transfer fees include:
  - ~~₦0~~ → Transfers below ~~₦5,000~~ (completely free)
  - ~~₦10~~ → Transfers between ~~₦5,000~~ – ~~₦50,000~~
  - ~~₦50~~ (max) → Transfers above ~~₦50,000~~
  - ~~₦50~~ charge applies to transfers  $\geq$  ~~₦10,000~~ (stamp duty)
- This results into a total of ~~₦60~~ on transfers  $\geq$  ~~₦10,000~~
- Objectives include:
  - Reduce excessive/hidden bank charges
  - Encourage cashless transactions
  - Protect low-income users
  - Standardize fees across banks

## Impact on transactions value

- Daily transactions becomes cheaper for small transfers ( $<$  ~~₦5,000~~)
- This will result in likely increase in transaction volume (especially NIP) and financial inclusion
- However, average transaction size above ~~₦10,000~~ might reduce



04

# THE NEW ECONOMY

# DAVIDO MISSES LAGOS PERFORMANCE DUE TO JET FUEL SHORTAGE

- Jet fuel prices have surged by 300% owing to ongoing geopolitical conflict
- Davido missed his Lagos show, highlighting the energy constraints crippling live entertainment logistics
- Conflict and fuel disruptions are creating tour planning uncertainty
- Rising logistics and security costs are lifting breakeven levels
- Ticket hikes limited by price-sensitive demand
- This could lead to more cancellations, postponements, and scaled-down productions across the industry



# WHAT TO EXPECT IN MAY AND JUNE

- **Rainy Season:** Fewer outdoor events, lower tourism activity, and potential event cancellations.
- **Global volatility continues to pressure live entertainment:** with fuel, logistics, and travel costs raising touring uncertainty.
- **Digital platforms remain the main growth engine:** with YouTube, Spotify, and TikTok driving distribution and earnings.
- **Nollywood and Nigerian music will maintain steady growth:** supported mainly by digital and diaspora demand.



# NIGERIANS SHINE AT THE 2026 MET GALA

- The Met Gala 2026 was held on May 4, 2026 at the Metropolitan Museum of Art
- The official theme was “**Costume Art**”, with the dress code “**Fashion is Art**”
- Nigerian creatives like **Damson Idris**, **Ayo Edebiri**, and **Skept**a made standout appearances
- Their presence highlights the growing global reach of Nigerian talent
- This reinforces Nigeria’s role as a rising soft power in the global creative economy





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# UK LAUNCHES NEW CREATIVE FUND IN NIGERIA

- ❖ **Launch Details:** UK-Nigeria Tech Hub initiative (late Apr 2026); first-phase grants subsidize specialist access (VFX artists, sound engineers); funded by UK Digital Access Programme via Tech4Dev
- ❖ **Target Sectors:** Film (post-production, AI editing), Fashion (design tools), Music (digital rights mgmt., streaming tech); addresses 2024 study gaps in training/outsourcing
- ❖ **Economic Impact:** Supports 4.2M jobs, \$3B annual GDP contribution; prioritizes scalability, job creation for women/youth-led, underrepresented ventures
- ❖ **Eligibility & Apply:** Creative firms, studios, labels; assessed on quality, impact, co-investment; rolling apps at [thecreativefund.ncegi.org](https://thecreativefund.ncegi.org)



# CONGESTED SOCIAL ITINERARY



FIFA World Cup 2026 to hold  
June 11<sup>th</sup> 2026- July 19, 2026

## Constraints

Rising ticket prices



Threatens  
disposable income



Flight cancellations



Reduced hotel  
cost



## Cannes Film Festival

Scheduled for May 23, 2026 and it  
will take place in France

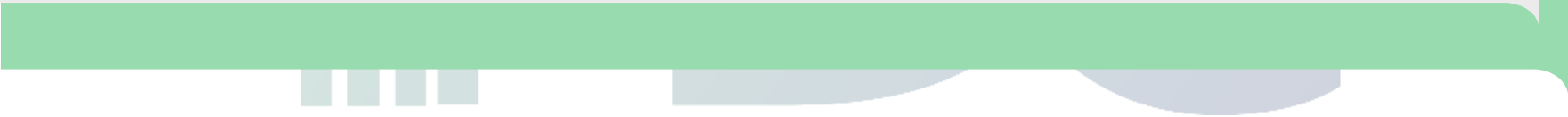


French Open to begin May 18,  
2026 and June 7, 2026



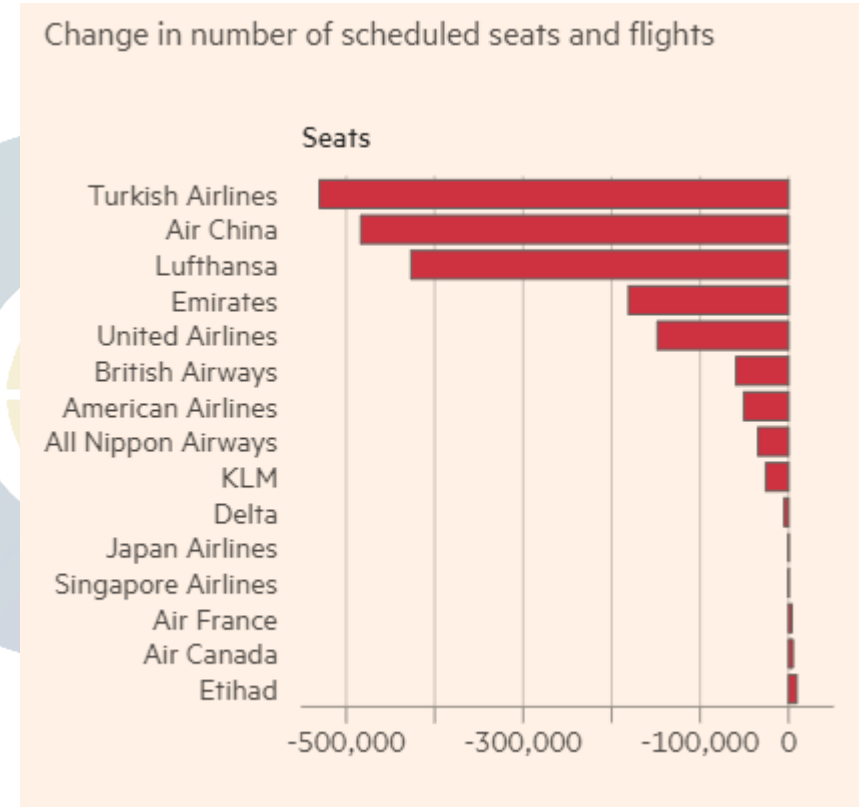


# ***AVIATION & TOURISM***



# AIRLINES GLOBALLY ARE CANCELLING FLIGHTS

- Global airlines cut about 2 million seats from May schedules in just two weeks, due to rising fears of jet fuel shortages
- Jet fuel prices have doubled since the Iran conflict began, forcing ticket price increases and hitting airline profitability
- Major airlines like British Airways, United, Lufthansa, Emirates are cutting flights, reshuffling networks, or reducing capacity
- Asia and Middle East face hardest hit due to reliance on fuel flows through the Strait of Hormuz,

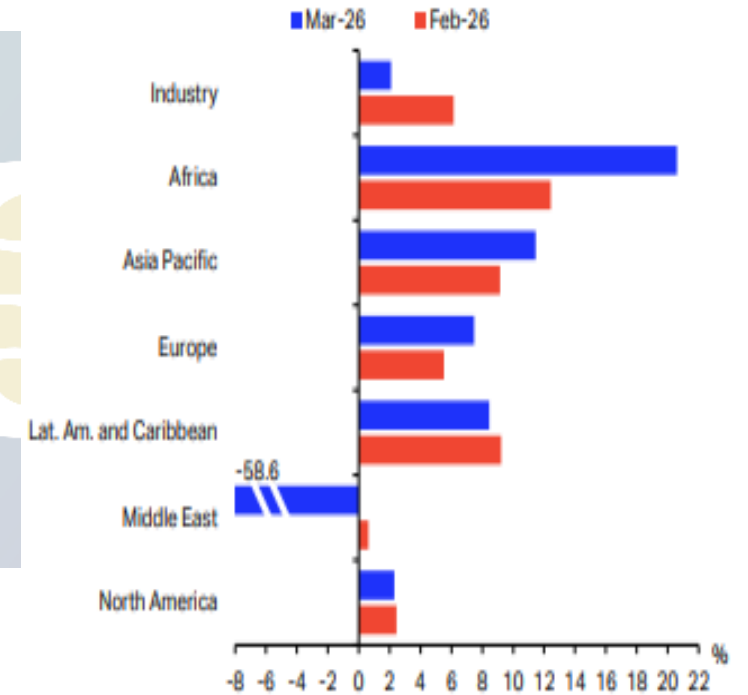




# MIDDLE EAST CONFLICT, GLOBAL AIR TRAFFIC

- Closure of key Gulf airports (a major Europe–Asia transit hub) has disrupted global travel routes and capacity
- Industry-wide Revenue Passenger Kilometers (RPK) growth slowed to 2.1% year-on-year (YoY) in March
- Traffic carried by Middle Eastern carriers contracted by more than half, amid the impact of the conflict in the region.
- Middle Eastern carriers saw a sharp contraction in passenger traffic, down 58.6% YoY in March.

**Chart 2: Total RPK growth by airline region of registration, YoY, %**



Source: IATA Sustainability and Economics, IATA Information and Data - Monthly Statistics



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# NIGERIA'S AVIATION SECTOR BUCKLING UNDER FUEL COSTS

- Jet A1 prices have surged 3x (N900 → ~N3,300), far outpacing global increases and breaking airline cost structures.
- Fuel now consumes 40–60% of operating costs, leaving many flights unable to break even.
- Airlines are cutting capacity, cancelling flights, and warning of potential shutdowns within days.
- Fares can't rise enough to match costs due to weak, price-sensitive demand—forcing sustained losses.
- Government intervention may ease volatility, but underlying supply and pricing distortions remain unresolved.



# IMPLICATIONS

- Higher airfares and increased cost of air travel
- Air cargo becomes more expensive and less reliable, disrupting global trade
- Higher jet fuel costs spill into airfares, logistics, and imported goods prices, stoking inflation
- Airlines profit and margin squeeze
- Shift in travel patterns to more direct routes, fewer Gulf stopovers,
- Weaker global growth as travel, trade and business activity slows





# TRUMP VISA RULES CUT AFRICAN TRAVEL TO THE U.S.

- Stricter U.S. visa and immigration policies under the Trump administration are sharply reducing travel from African countries.
- Countries most affected include Sudan (-83%), Libya (-80%), Zimbabwe (-70%), Chad (-68%), Burkina Faso (-62.8%), Mali (-60%), Senegal (-36.9%), and Nigeria (-46.4%).
- The declines are linked to tougher visa screening, stricter enforcement against overstay, and broader geopolitical tightening of entry rules.
- This is expected to affect business travel, tourism, and diaspora mobility between Africa and the U.S.





# XENOPHOBIA THREATENS SOUTH AFRICA'S TOURISM SECTOR

- Fresh anti-foreigner protests (Apr–May 2026) in South Africa turned violent, with attacks on migrants and looting of foreign-owned businesses.
- Escalation has led to deaths and evacuations, with Nigeria and others raising diplomatic concerns and citizens seeking repatriation.
- Rising insecurity and global media coverage risk weakening destination appeal, deterring tourists and business travel.
- Tourism accounts for 5% of South Africa's GDP, & 10% including indirect effects
- Decline in tourist footfall could increase unemployment in the country, worsening insecurity



# WHAT NEXT

- Airfares are likely to remain elevated in the near term as fuel supply risks persist and airlines continue passing on higher costs
- Route restructuring may become semi-permanent with less reliance on Gulf hubs and more point-to-point long-haul flights
- If conflict eases: gradual normalization in fuel supply, flight capacity, and pricing,
- but not an immediate rebound to pre-crisis levels



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# OUTLOOK

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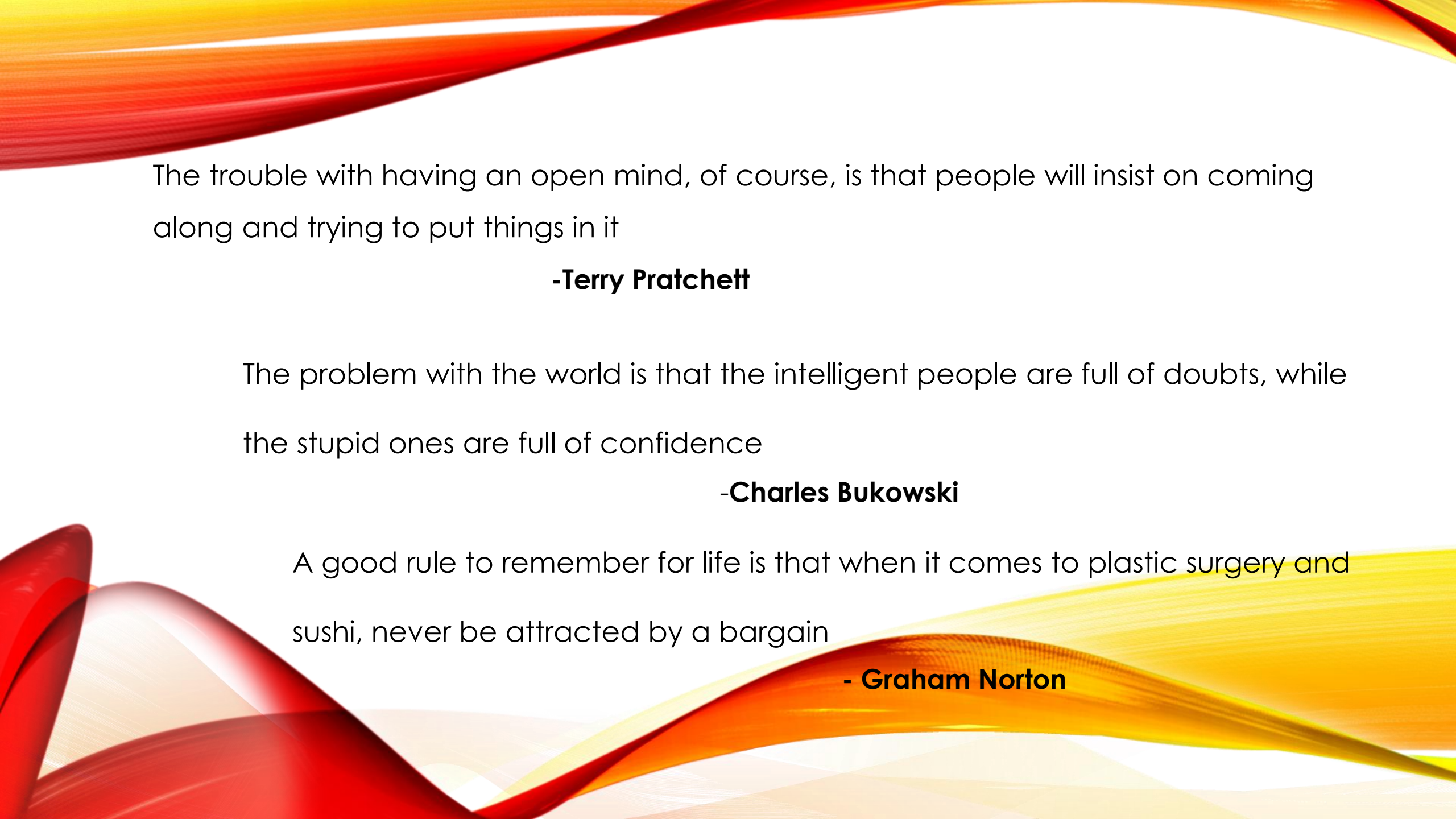
# Q2'2026 OUTLOOK

- Brent will trade in a range of \$98pb - \$105pb through May
- Nigerian oil production will be at 1.45mbpd
- There will be higher production in the offshore assets
- The PSCs will be less revenue accrued for Nigeria
- Nigeria will have to agree on pricing mechanism to pass through to Nigerian consumers
- PMS pump price at ₦1,350 per litre is strangulating to Nigerian consumers
- Inflation projections for April will show an increase to 16%
- The MPC will more likely maintain status quo on the MPR
- The MPC may increase the CRR if money supply saturation increases



# Q2'2026 OUTLOOK

- The Power Sector Forbearance will be a windfall for the banking sector
- Q2 earnings of banks will reflect exchange rate losses
- There will be a stock market correction, but not too deep
- A few speculative investors will lose their shirts
- The stock market capitalisation will cross the ₦200trn level after the listing of the Dangote Refinery
- Please do not sell in May and go away
- You may be leaving money on the table



The trouble with having an open mind, of course, is that people will insist on coming along and trying to put things in it

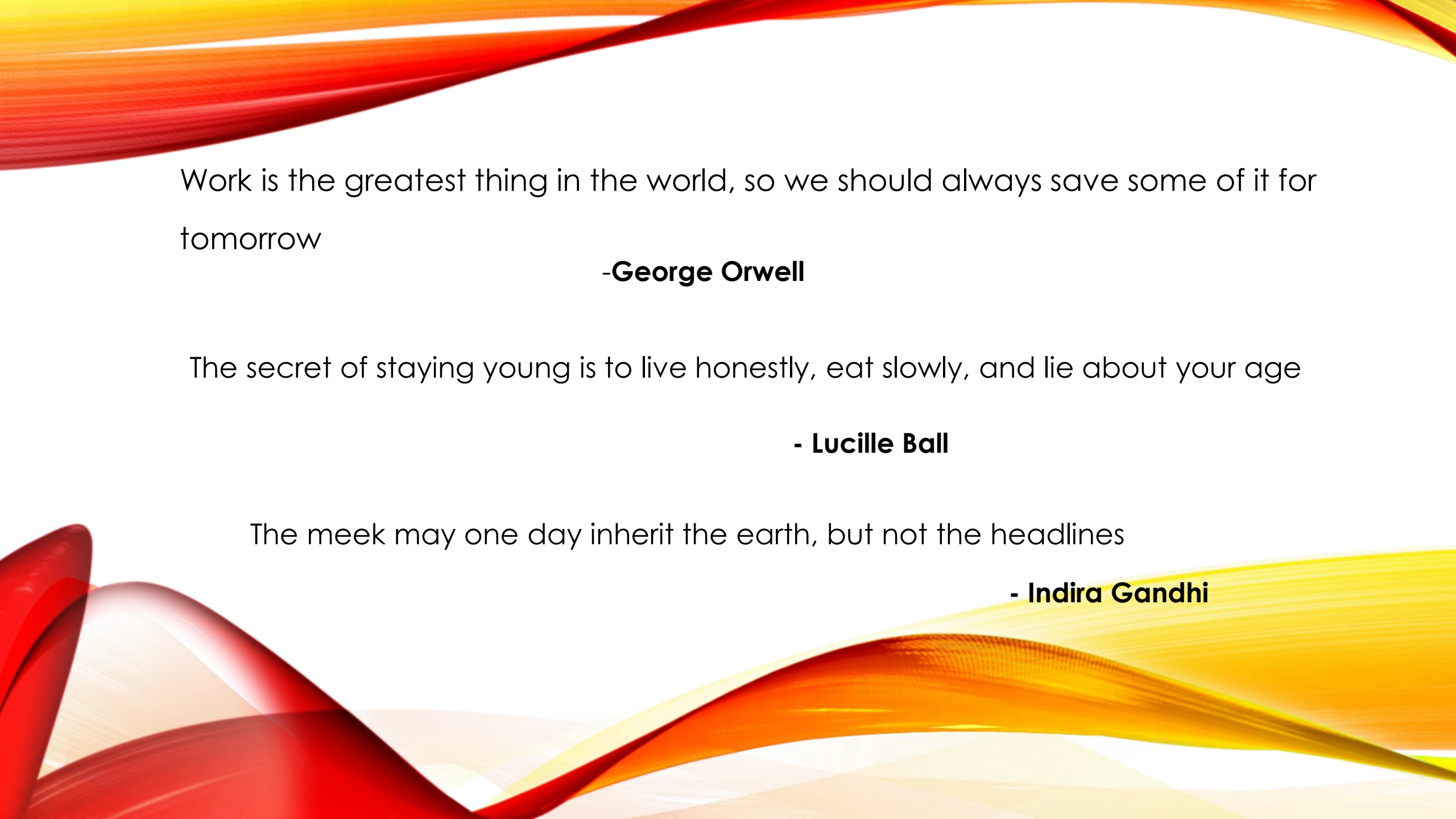
**-Terry Pratchett**

The problem with the world is that the intelligent people are full of doubts, while the stupid ones are full of confidence

**-Charles Bukowski**

A good rule to remember for life is that when it comes to plastic surgery and sushi, never be attracted by a bargain

**- Graham Norton**



Work is the greatest thing in the world, so we should always save some of it for tomorrow

**-George Orwell**

The secret of staying young is to live honestly, eat slowly, and lie about your age

**- Lucille Ball**

The meek may one day inherit the earth, but not the headlines

**- Indira Gandhi**



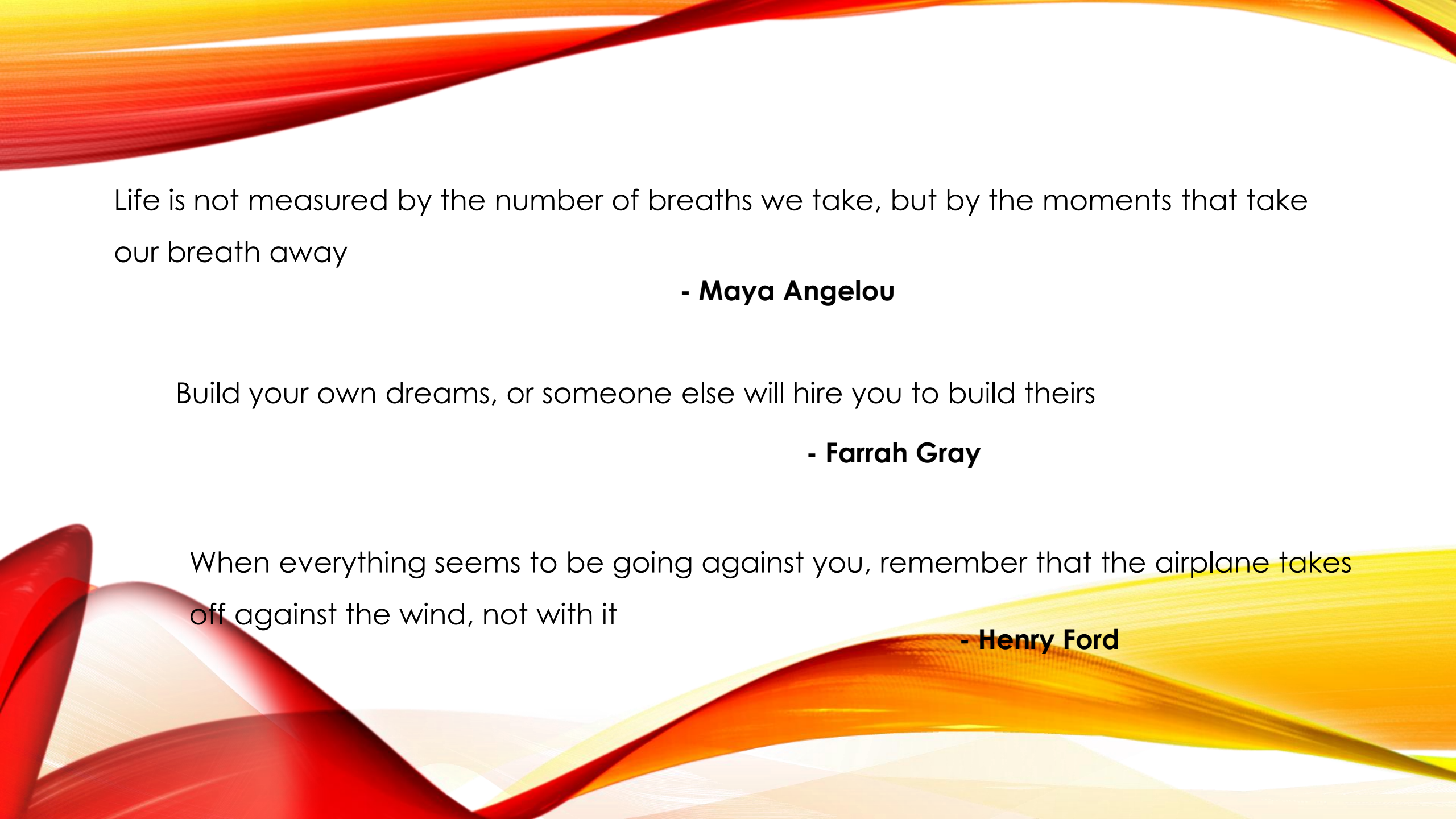
Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do, so throw off the bowlines, sail away from safe harbor, catch the trade winds in your sails. Explore, Dream, Discover.-

- **Mark Twain**

People often say that motivation doesn't last. Well, neither does bathing. That's why we recommend it daily

- **Zig Ziglar**





Life is not measured by the number of breaths we take, but by the moments that take our breath away

**- Maya Angelou**

Build your own dreams, or someone else will hire you to build theirs

**- Farrah Gray**

When everything seems to be going against you, remember that the airplane takes off against the wind, not with it

**- Henry Ford**



When one door of happiness closes, another opens, but often we look so long at the closed door that we do not see the one that has been opened for us

**- Helen Keller**

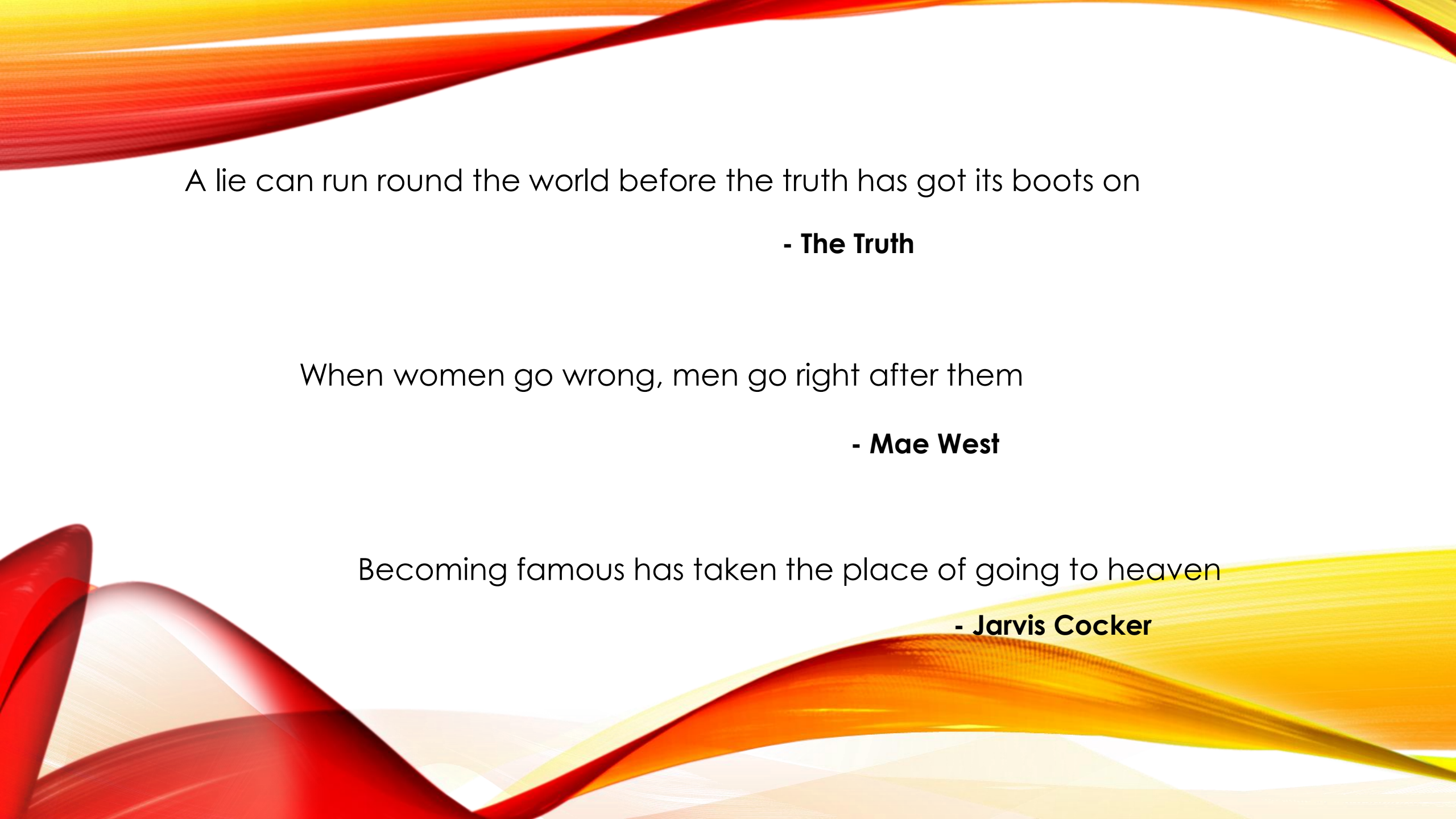
Believe in yourself and all that you are. Know that there is something inside you that is greater than any obstacle

**- Christian D. Larson**

The secret of success is to do the common thing uncommonly well

**- John D. Rockefeller**





A lie can run round the world before the truth has got its boots on

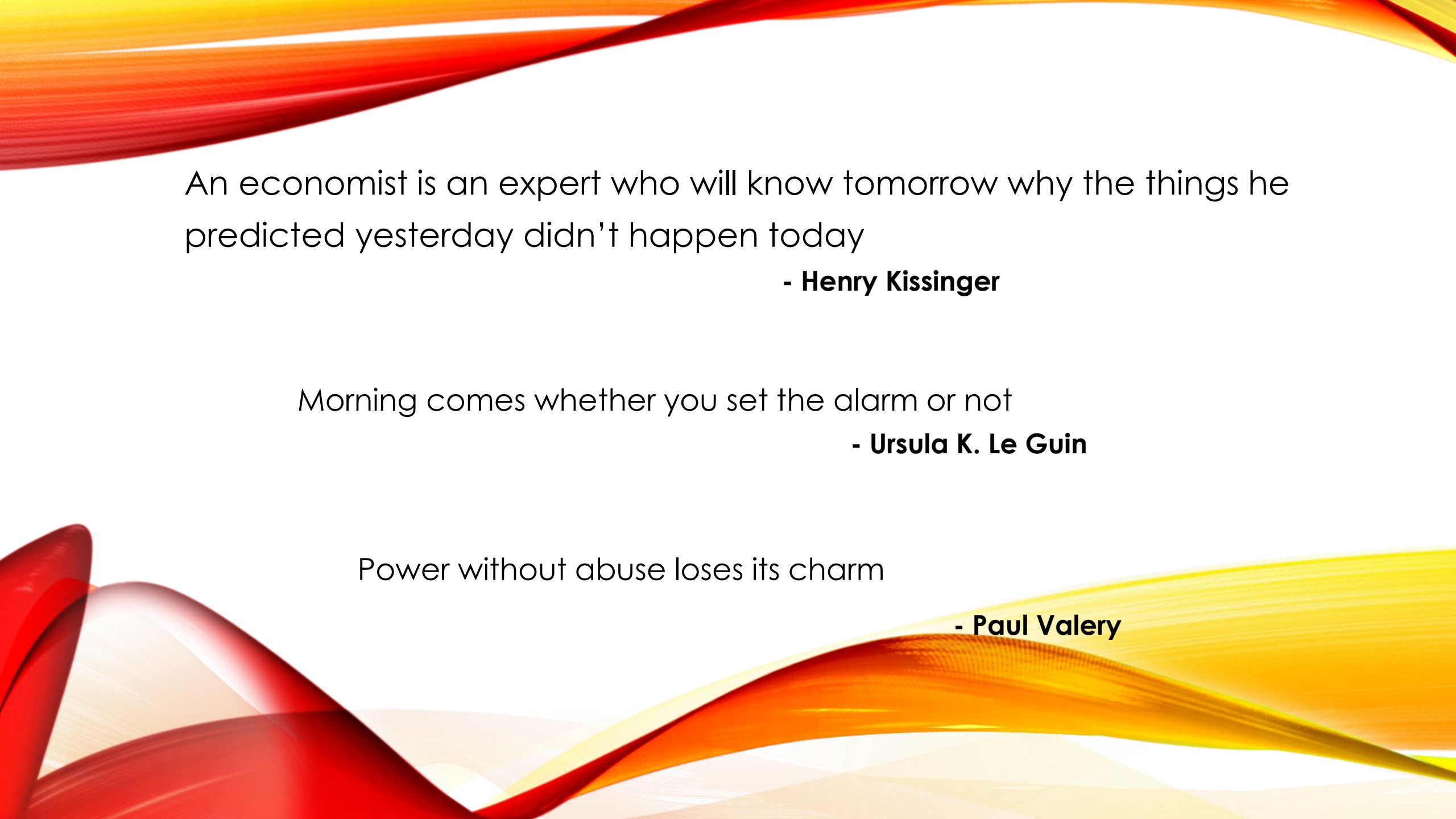
- **The Truth**

When women go wrong, men go right after them

- **Mae West**

Becoming famous has taken the place of going to heaven

- **Jarvis Cocker**



An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today

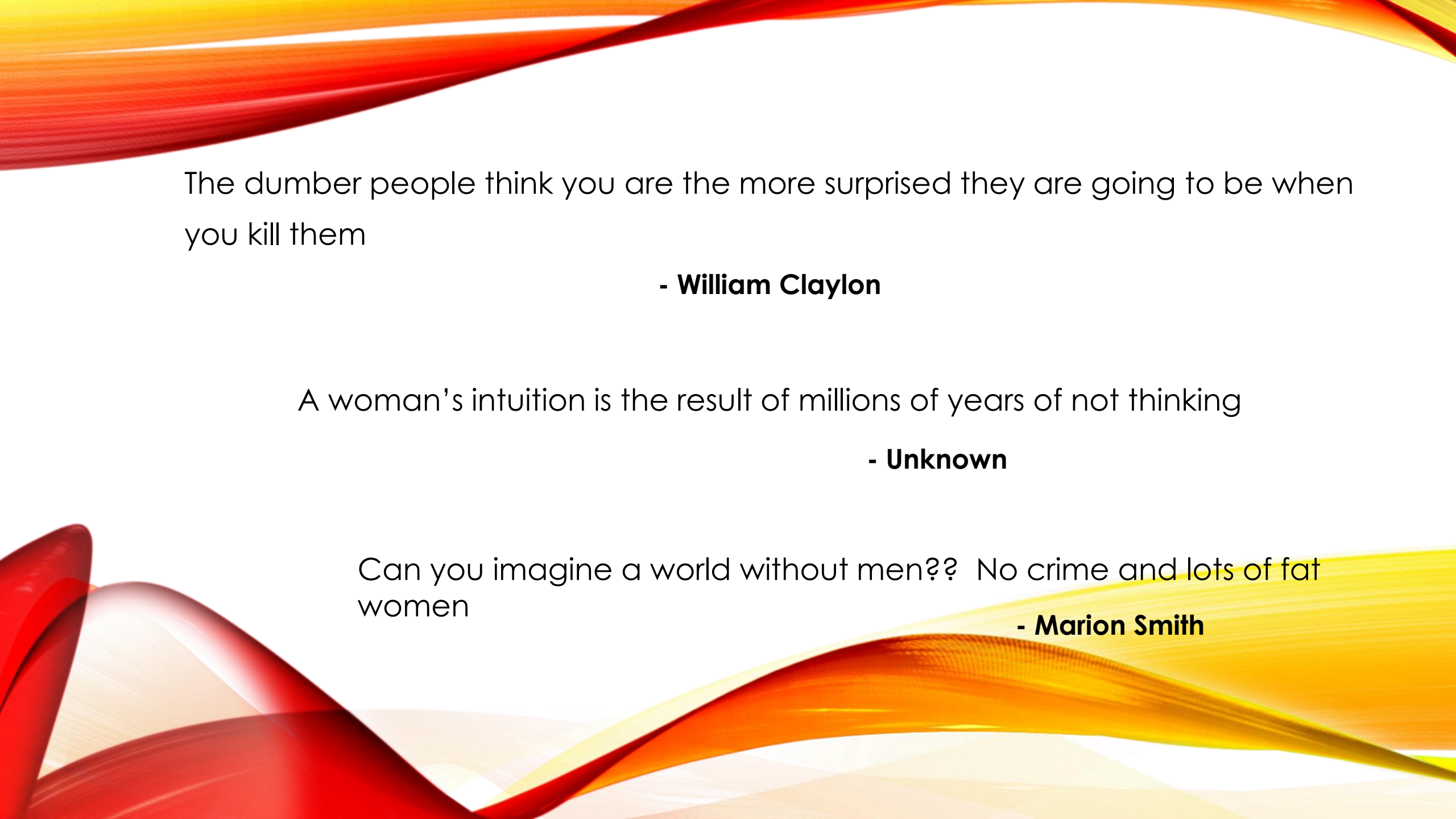
- **Henry Kissinger**

Morning comes whether you set the alarm or not

- **Ursula K. Le Guin**

Power without abuse loses its charm

- **Paul Valery**



The dumber people think you are the more surprised they are going to be when you kill them

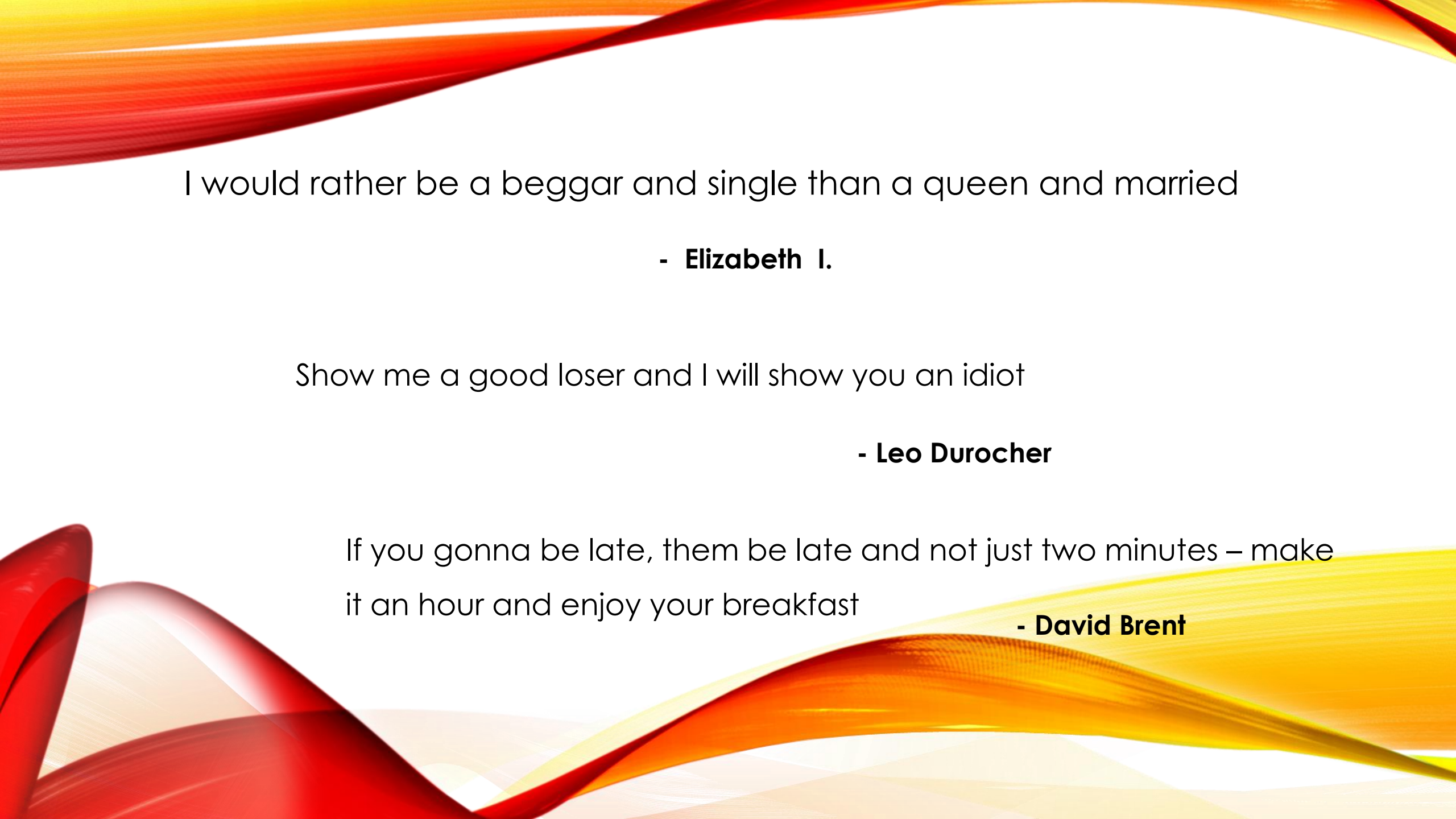
- **William Claylon**

A woman's intuition is the result of millions of years of not thinking

- **Unknown**

Can you imagine a world without men?? No crime and lots of fat women

- **Marion Smith**



I would rather be a beggar and single than a queen and married

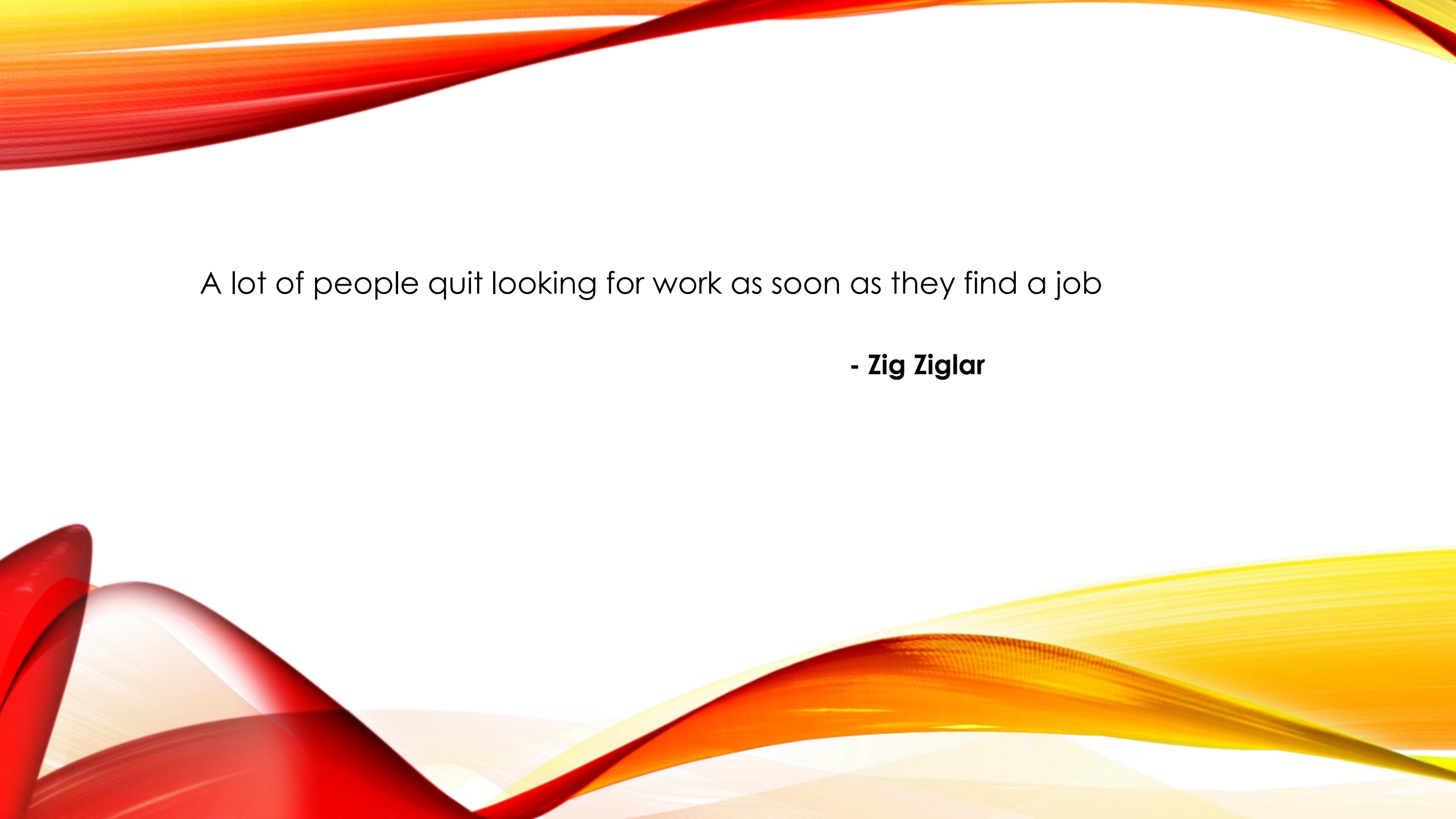
- **Elizabeth I.**

Show me a good loser and I will show you an idiot

- **Leo Durocher**

If you gonna be late, then be late and not just two minutes – make it an hour and enjoy your breakfast

- **David Brent**



A lot of people quit looking for work as soon as they find a job

- **Zig Ziglar**

Thank You

Bismarek J. Rewane, MD/CEO  
Financial Derivatives Company Ltd.  
Lagos, Nigeria  
08148894309