STABILITY AMIDST GEOPOLITICAL TENSIONS

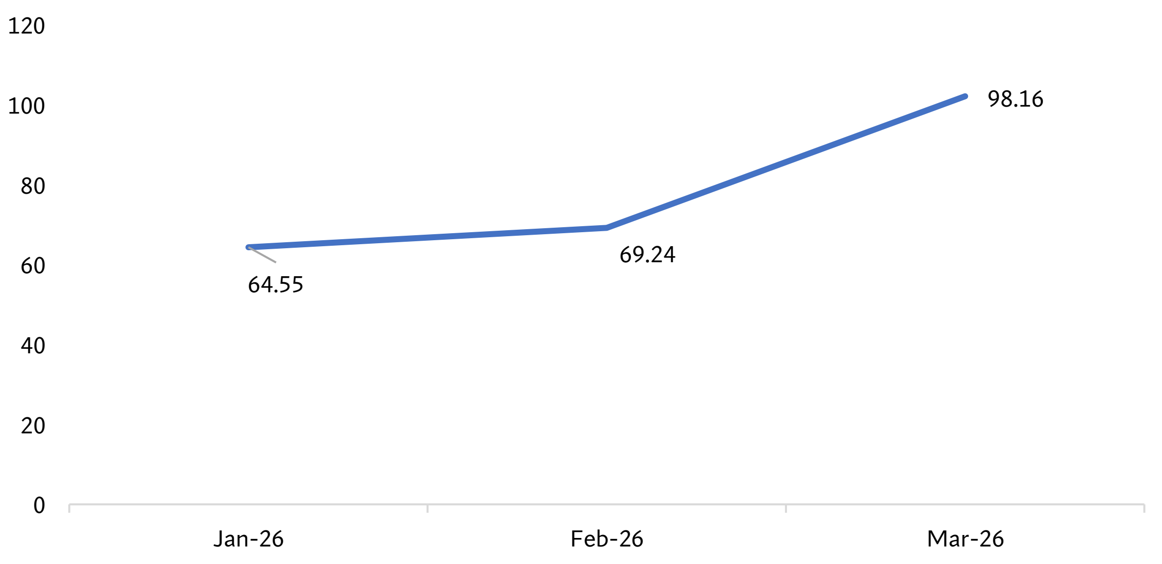
May 26, 2026. *Economic Report*

Global Market

In Q1 2026, rising geopolitical tensions in the Middle East between Iran, Israel, Lebanon and the United States led to a change in the equanimity the world had experienced prior to February 28, 2026. This geopolitical tension led to an increase in global oil prices, a major cause for this increase was due to concerns around the supply of crude oil through the Strait of Hormuz.

These new energy prices played a key role in the increase in inflation across global economies. The partial closure of the Strait of Hormuz, through which about 20%-25% of the world's global oil supply ships, led to the price of Crude oil increased by 47.00% Month-on-Month (MoM). Brent crude oil saw the average price of $66.83 per barrel between January and February escalate to $98.16 per barrel by the end of March.
Inflation increased in March across major global economies. In response, central banks, including the Federal Reserve, the People's Bank of China, European Central Bank, kept interest rates unchanged.

Average Brent Crude Oil ($/barrel) – Q1 2026



Sources: Investing.com, WSTC Research

United States

The Us economy grew by 2.70% year-on-year in the first quarter of 2026, slightly above 2.00% recorded in Q4 2025. The growth was driven by upturns in government spending and exports.

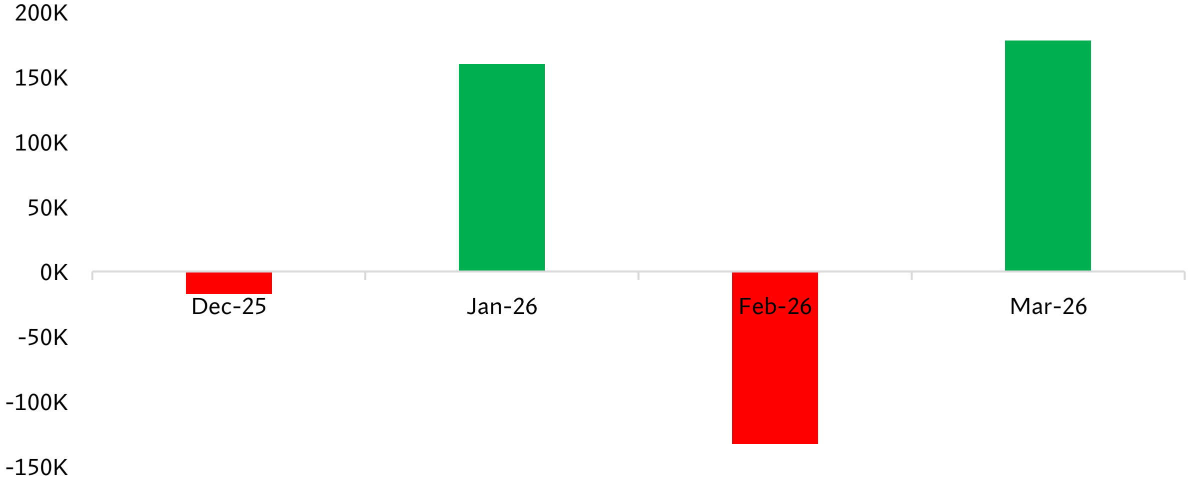
Inflation in the Us Economy was stable for the first two months of the year at 2.40% and

2.40% in January and February 2026, respectively. However, since the onset of the conflict, inflation increased to 3.30% YoY. This was largely due to rising energy prices. As observed, energy inflation went up from 0.5% in February to 12.50% in March.

The Federal Reserve, "The Fed," maintained being cautious and data-dependent through Q1 2026. Despite earlier expectations of quantitative ease in January, the data suggested otherwise. As a result, the Federal Reserve kept its benchmark interest rate unchanged throughout the quarter at 3.75%.

Unemployment rate declined to 4.30% in January 2026 from 4.40% in December 2025. However, it picked up in February to 4.40%. This uptick was buoyed by a widespread nurse strike across the nation in February. However, the unemployment rate returned to 4.30% in March; Despite the government shutdown which impacted on essential workers the economy remained resilient. Employment increased by 178,000, of which health sector contributed 76,000 jobs (42% of total non-farm payroll in March).

US Non-Farm Payroll – Q1 2026



Sources: U.S Bureau of Labor Statistics, WSTC Research

China

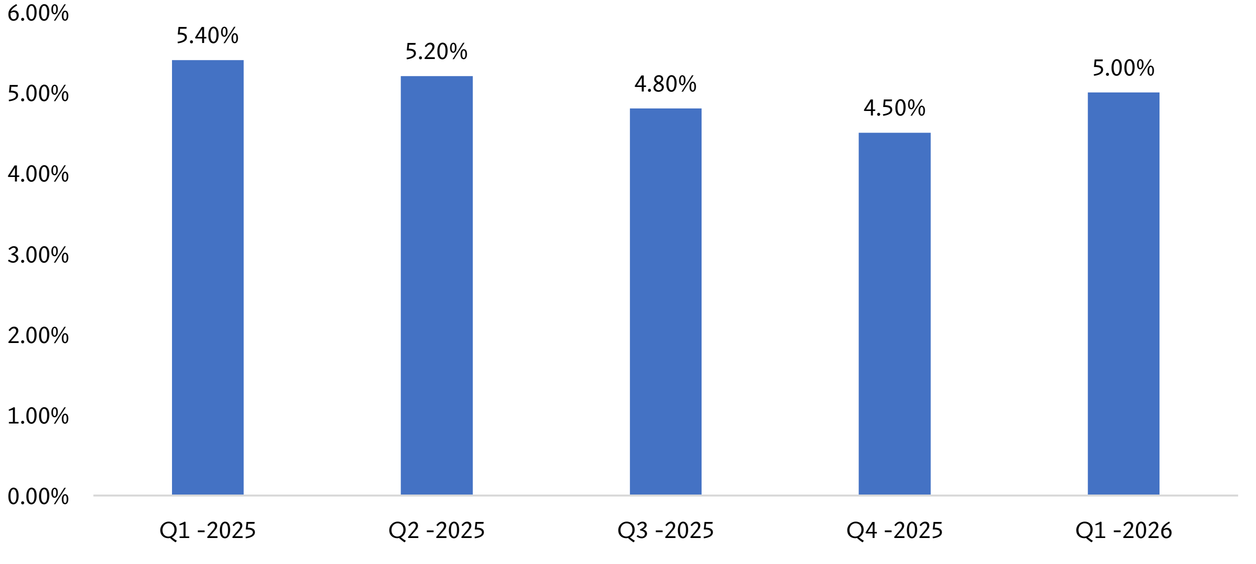
China's economy grew by 5.0% YoY in Q1 2026. Growth was primarily driven by the industrial and external sectors. Industrial production increased by approximately 6.30% and 5.70% YoY in the first two months of the quarter. This growth was driven by strong manufacturing output in the areas of computers & communications equipment, railway & shipbuilding, electrical machinery, and textiles. In addition, exports rose by 10.00% in January YoY, and 39.60% in February. Global vendors stocked up on goods and materials amid rising geopolitical risks and supply disruptions. Given the war and the logistics challenges, the exports grew by 2.50% YoY in March.

Inflation in China remained low and relatively subdued in Q1 2026. Consumer inflation stood at around 0.20% YoY in January, before rising to 1.30% in February. The Lunar New Year which occurred in February this year led to an increased spending on food, travel, and services in the month of February.

However, this increase was temporary, as inflation eased again to around 0.80% YoY in March. Although global energy prices rose toward the end of the quarter, their impact on consumer inflation in China was limited due to regulated pricing and slow domestic demand.

The People's Bank of China maintained its stance on the Loan Prime Rate (LPR). The benchmark for most corporate and household borrowing rates remained at 3.00% throughout the quarter, while the five-year LPR, which benchmarks mortgage rates, remained at 3.50% throughout the quarter.

China GDP Quarterly Trend



Sources: National Bureau of Statistics of China, WSTC Research

Europe

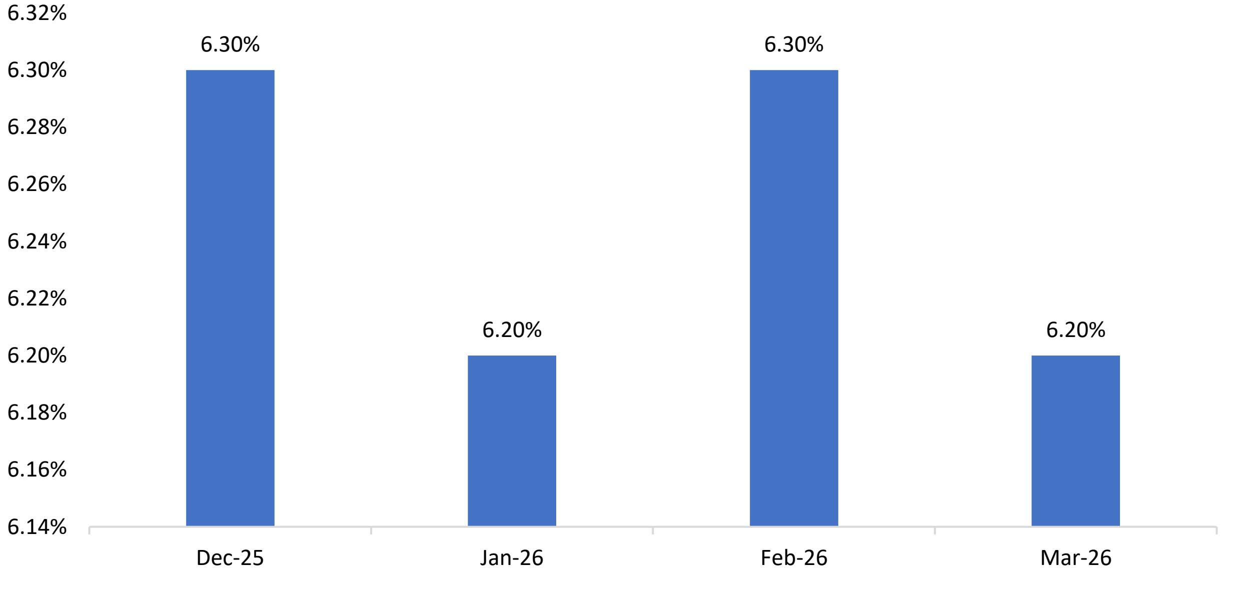
The Eurozone economy remained relatively stable in Q1 2026, although growth slowed during the period. The region recorded 0.80% year-on-year GDP growth driven by weaker economic activity amid rising energy prices, which increased the prices of major goods & services.

Inflation in the Eurozone area experienced an upward trend through the first quarter of the year. The year began with 1.70% inflation in January, ticked up to 1.90% in February, and 2.60% in March, the highest since July 2024. The increase was driven by energy prices, which jumped by 7.00% in March compared to 0.60% in February.

The European Central Bank (ECB) kept its interest rate unchanged at 2.15% throughout the first quarter. Though inflation was above the ECB's target rate of 2%. Policymakers are being cautious about slowing growth and increasing uncertainty from the war in the Middle East.

Eurozone unemployment remained relatively stable in Q1 2026. The rate declined to 6.20% in January from 6.30% in December 2025, with a further decline to 6.10% in February. However, it edged back up to 6.20% in March 2026. This suggests that the economies within the European Union remain stable, with no significant deterioration in labour market conditions.

Eurozone Unemployment Rate – Q1 2026



Sources: Eurostat, WSTC Research

Domestic Economy

The Nigerian economy gained further momentum in Q4 2025, with real GDP expanding by 4.07% year-on-year, an improvement from 3.98% recorded in Q3 2025. This stronger quarterly performance supported overall economic growth for the year, as GDP rose by 3.87% in FY 2025, up from 3.38% in FY 2024. The agricultural sector continued to be the largest contributor to GDP.

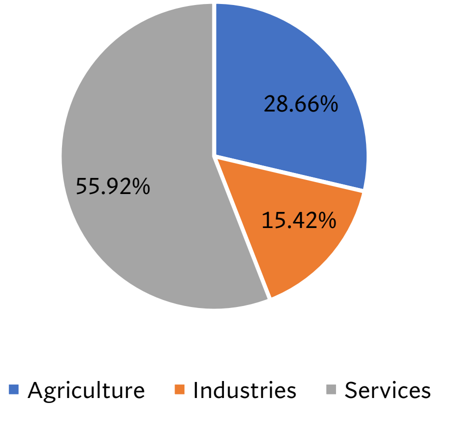
Oil Sector

The oil sector recorded a strong 6.79% year-on-year expansion in Q4 2025, up from 5.84% in Q3 2025 and more than double the 2.08% growth posted in Q4 2024. Its contribution to GDP also increased to 2.87%, compared to 2.80% in Q4 2024. This performance was supported by higher crude oil output, with average daily production rising to 1.58 million barrels per day from 1.54 million barrels per day in Q4 2024, although below the 1.64 million barrels per day recorded in Q3 2025. The quarter-on-quarter decline in production is likely attributable to operational inefficiencies, infrastructure constraints, and maintenance-related disruptions.

Non-Oil Sector

The non-oil sector expanded by 3.99% in real terms in Q4 2025, representing an improvement of 0.19 percentage points from 3.80% in Q4 2024 and slightly higher than the 3.91% recorded in Q3 2025. In terms of contribution, the sector accounted for 97.13% of GDP, marginally lower than 97.20% in Q4 2024 but higher than 96.56% in the preceding quarter. Growth in the non-oil economy continued to benefit from a relatively stable macroeconomic environment, with easing inflationary pressures and improved investor sentiment supporting activity.

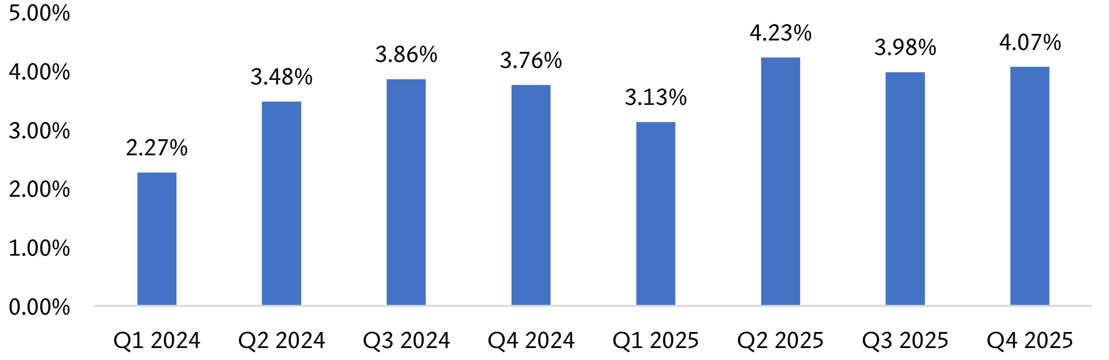
Sectoral Contribution to GDP



Sources: National Bureau of Statistics, WSTC Research

At a sectoral level, the agricultural sector grew by 4.00% year-on-year, up by 1.46 percentage points from Q4 2024 and 0.22 percentage points above Q3 2025. The industrial sector also recorded stronger performance, expanding by 3.88% year-on-year (Q3 2025: 3.77%; Q4 2024: 2.49%) and contributing 17.31% to GDP. Meanwhile, growth in the services sector remained flat quarter-on-quarter at 4.15%, though this was lower than the 4.75% recorded in Q4 2024.

Nigeria GDP Trend



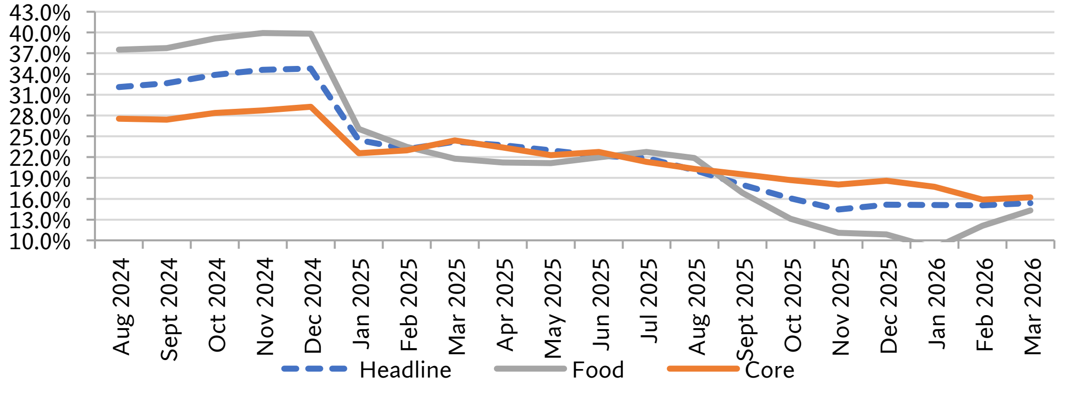
Sources: National Bureau of Statistics, WSTC Research

Domestic Inflation

Nigeria's headline inflation rose moderately over Q1, increasing from 15.15% at the start of the quarter to 15.38% by quarter-end. This uptick was largely driven by elevated energy prices linked to the ongoing Iran–US conflict, which disrupted global oil supply and led to a surge in domestic PMS and related energy prices following the closure of the Strait of Hormuz.

Food inflation, the primary driver of overall inflation, accelerated sharply from 10.84% in December to 14.31% in March. This increase was mainly driven by higher fuel prices and associated transportation costs, compounded by global energy shocks and persistent supply-side constraints within the domestic food value chain.

In contrast, core inflation trended downward for most of the period, declining from 18.63% in December to 15.88% in February, before rising slightly to 16.21% in March. The earlier moderation reflected easing price pressures across non-food, non-energy components of the CPI basket, while the March uptick was driven by renewed cost



Source: National Bureau of Statistics, WSTC Research

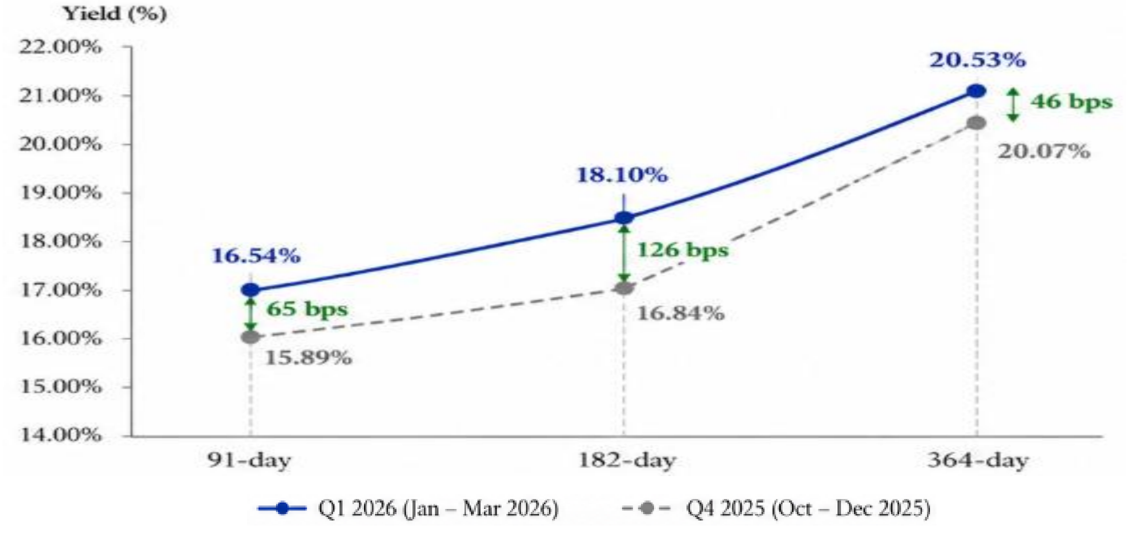
Financial Markets

The treasury bills market saw 8 auctions across Q1 2026, with a total offer of N7.95 trillion. The total bids from investors over the same period were N 24.93 trillion about 3.14x. The DMO allotted N8.22 trillion, which is above the planned issuance.

The 364-day bill tenor had the highest allotment, accounting for 85% (7.01 trillion) of the total allocation. Investors continue to favor longer dated maturities as they offer higher yields and are indicative of a normal yield curve environment.

The yield across the three tenors trended upwards from Q4 2025 to Q1 2026. The 91-day, 182-day and 364-day bill averaged 16.54%, 18.10% and 20.53%, respectively, compared to 15.89%, 16.84% and 20.07% in Q4 2025.

Yield Comparison (Q4 2025 Vs Q1 2026)



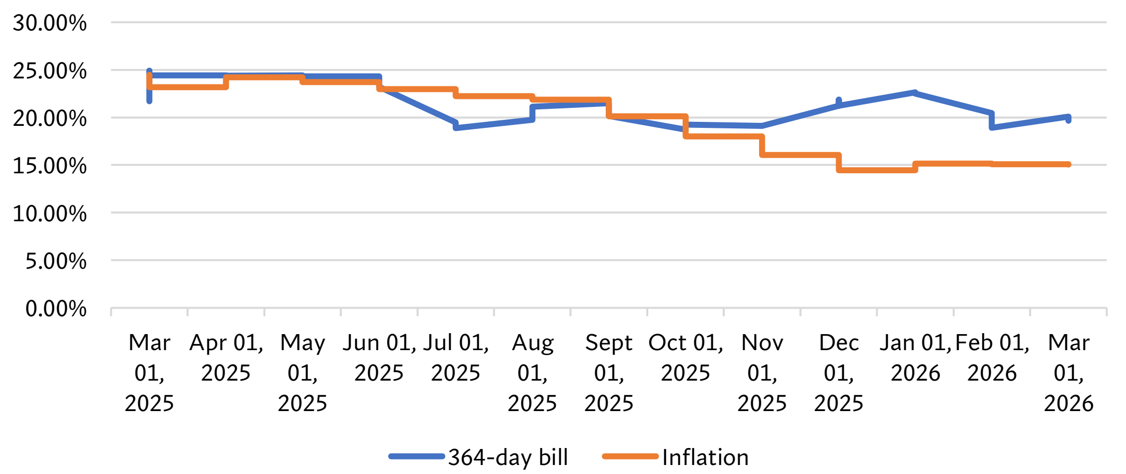
Sources: CBN, WSTC Research

The FGN bond market also showed a similar trend as the 2-year saving bond averaged up to 13.89% (Q4 2025: 13.49%) and the 3-year saving bond to 14.89% (Q4 2025: 14.49%)

In the OMO (Open Market Operations) Market, The Central Bank of Nigeria conducted 14 auctions during the quarter, with a total allotment of N21.81 trillion. The auctions focused on maturities above 90 days with yields averaging around 21.03% and remained above the Treasury Bill yields across all tenors.

This is consistent with Q4 2025, where Treasury bill yields were lower as the Central Bank maintains a yield premium on OMO instruments to attract foreign portfolio inflows and manage system liquidity.

T-bill Yields Vs Inflation



Sources: National Bureau of Statistics, WSTC Research

Equities Market

The Nigerian Equities market delivered a positive performance in Q1, gaining 29.35%. January recorded gains of 6.27%, however the rally in Q1 was largely concentrated in February, which recorded 16.60%, representing the strongest monthly performance for the quarter. March saw a more moderate gain of 4.39% as profit activities tempered the earlier momentum.

The February rally was driven by investor anticipation of strong FY 2025 results, dividend declarations and improved investor sentiment supported by relative macroeconomic stability, particularly disinflation trend and stable exchange rate environment observed in FY 2025. These factors collectively pushed the All-Share Index to cross the 200,000 points mark in March, closing the quarter at 201,287.78 points.

Sector performance was broadly positive, with all seven sectors under The WSTC Research purview posting gains. The Oil and Gas sector led with a remarkable 64.22% gain fueled by strong financial performance, expansion plans and investor optimism to benefit in rising oil prices on the back of the war. The insurance sector recorded the least gain of 3.54%

Sectoral Performance

Description	Q1 2026
ASI	29.35%
Oil and Gas Index	64.22%
Industrial Index	54.60%
Agricultural Index	46.87%
Telco Index	31.28%
Banking Index	22.75%
Consumer Goods Index	9.67%
Insurance Index	3.54%

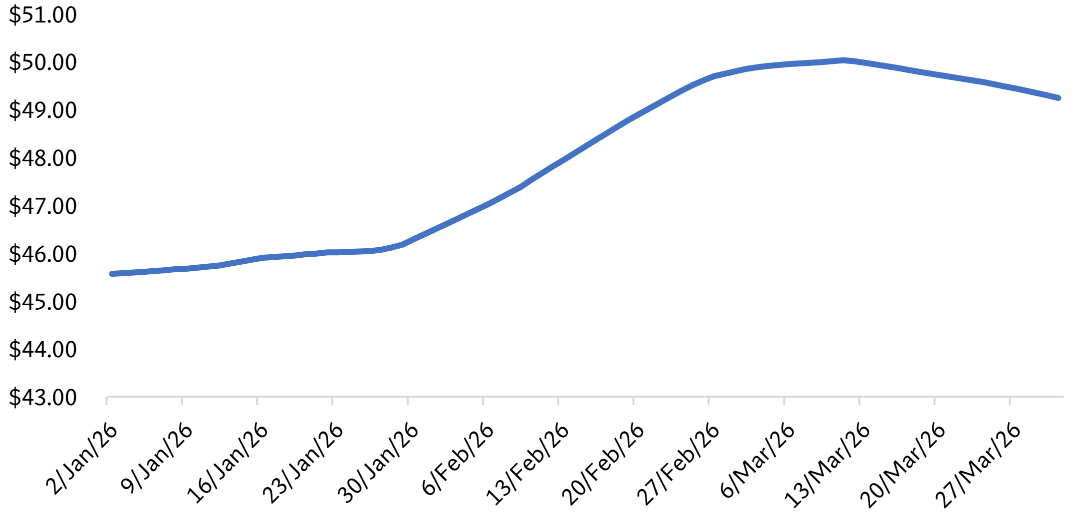
Sources: NGX, WSTC Research

External Reserve and Foreign Exchange Market

At the close of Q1 2026, Nigeria's external reserves stood at $49.24 billion, representing an 8.21% quarter-on-quarter increase from $45.50 billion recorded in the previous quarter. The growth in reserves was supported by a combination of improved oil export earnings, stronger remittance inflows, renewed investor confidence following FX market reforms, and reduced pressure on foreign exchange demand. Additionally, the expansion of domestic refining capacity helped moderate import-related FX demand, further contributing to reserve accretion.

These positive macroeconomic developments were also reflected in the performance of the foreign exchange market. On a quarter-on-quarter basis, the NAFEM rate appreciated by 3.42% to close at N1,386.71/$, while the parallel market rate strengthened by 3.53% to settle at N1,425.84/$ at the end of the quarter.

External Reserve Trend



Sources: CBN, WSTC Research

Outlook

Global Economy

Looking ahead, the US economy is expected to remain resilient, supported by a strong labour market and steady domestic demand. However, the continuous rise in inflation may delay any expectation of quantitative easing and a reduction in interest rates.

China's economy is expected to maintain stable growth, supported by strong industrial activity, exports, and a continuation of the current monetary policy regime. A strong performance in Q2 remains uneven as domestic demand is still relatively weak. While the People's Bank of China is likely to keep an accommodative policy stance, the effectiveness of this support will depend on improvements in consumer confidence and the services sector.

The Eurozone economy is expected to experience a slow recovery, with growth constrained by weak industrial activity and ongoing external uncertainties.
Though Inflation began to show signs of staying the same, recent increases in energy prices may keep the European Central Bank (ECB) cautious in the near term. As such, interest rates are likely to remain unchanged until there is clarity on both inflation and economic growth across EU countries collectively. The labour market remains stable, which provides confidence in the ECB's decision to remain cautious.

Outlook

Economy

Looking ahead, persistent crude oil theft and ongoing operational inefficiencies in production are expected to further weigh on average daily output, which has already declined. However, the escalation of the Iran–US conflict between late February and March has led to a significant rise in global oil prices, which could provide some support to oil sector GDP.

On the non-oil side, growth is expected to be driven by improving macroeconomic conditions, particularly the continued moderation in inflation and relative stability in the exchange rate. These factors are likely to strengthen business confidence and attract increased investment flows.

Taking these factors into account, we project that FY 2026 real GDP growth rate will be 3.70%, while FY 2026 nominal GDP is projected to reach $501.01bn, an increase from $431.18bn in FY 2025.

Domestic Inflation

The Iran–US conflict has disrupted the disinflationary trend previously observed in the economy, as evidenced by the recent spike in energy prices. If the conflict persists over the longer term, inflationary pressures are likely to remain elevated, similar to the increase recorded in March, driven largely by sustained high oil prices and their pass-through effects on the broader economy.

Fixed Income Market

The fixed income market is expected to remain relatively tight and volatile in the near term, largely driven by rising inflationary tendencies linked to elevated global energy prices amid the ongoing Iran/US/Israel conflict. Unlike the previous quarter where easing expectations supported yield moderation, the current environment suggests a more cautious stance, as higher fuel and transportation costs continue to feed into domestic inflation.

As a result, yields on government securities are likely to remain elevated, particularly at the long end of the curve, as investors demand higher compensation to offset inflation risk. While the earlier rate cut by the Monetary Policy Committee signaled a shift toward policy easing, sustained inflation may limit further cuts in the short term. Consequently, investors are expected to maintain a bias for longer-dated instruments to lock in relatively high yields, especially in an environment of uncertainty.

At the same time, the Central Bank is likely to sustain its aggressive use of Open Market Operations at attractive rates to mop up excess liquidity and attract foreign portfolio inflows, with exchange rate stability remaining a key priority. Overall, the market is expected to remain in a high-yield regime in the near term, with any downward movement in yields likely to be gradual and dependent on a clear moderation in inflation.

Equities Market

The equities market is expected to enter the next quarter on a more cautious footing following the strong rally recorded in Q1. While positive momentum may persist, particularly in sectors such as Oil & Gas that benefit directly from higher crude prices, broader market performance is likely to moderate as macroeconomic headwinds begin to weigh on sentiment.

Nonetheless, equities are still expected to retain some appeal, especially among domestic investors, given strong dividend yields and selective opportunities in fundamentally resilient sectors. However, market activity is likely to be characterized by increased volatility, sector rotation, and intermittent profit-taking as investors adjust to a more uncertain macroeconomic landscape.

Foreign Exchange Market

We expect the foreign exchange environment to remain broadly stable in Q2 2026, underpinned by continued accretion in external reserves, supported by improved oil output, stronger remittance inflows, and sustained FX market surveillance by the Central Bank.

Consequently, both the NAFEM and parallel market exchange rates are projected to trade within relatively stable bands during the quarter, in the absence of any material domestic or external disruptions.

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WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is ≥20% above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is ≤ -10% of current market price.

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