Zedcrest Research

Policy Rate Decision | Policy pause continues as domestic conditions improve

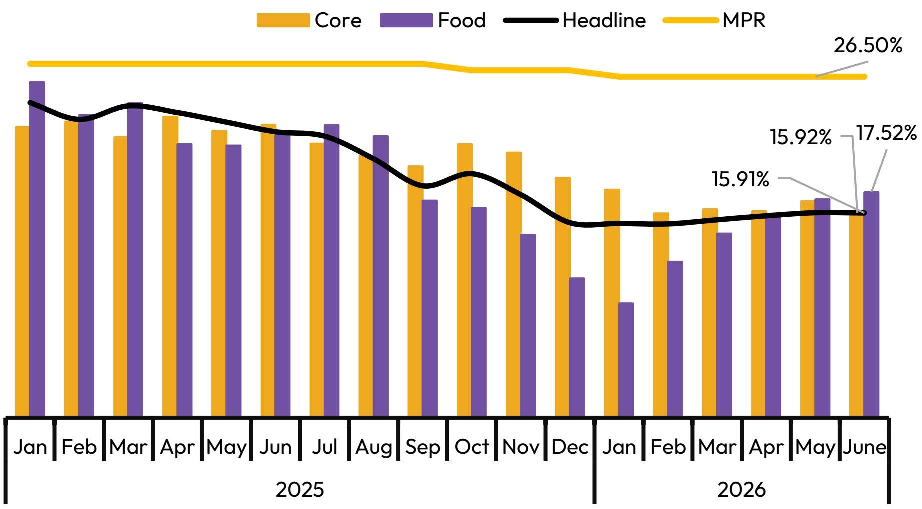
July 21, 2026

Oluwafemi Anifowose
oluwafemi.anifowose@zedcrest.com

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) maintained all key policy parameters at its latest meeting, retaining:

- Monetary Policy Rate (MPR): 26.50%
- Asymmetric Corridor around the MPR: +50bps / -450bps
- Cash Reserve Ratio (CRR) for Deposit Money Banks: 45.00%
- Cash Reserve Ratio (CRR) for Merchant Banks: 16.00%
- Cash Reserve Ratio (CRR) on Non-TSA Public Sector Deposits: 75.00%

The MPC acknowledged a continued improvement in key macroeconomic indicators, reflecting the gradual impact of ongoing policy reforms and adjustments. The moderation in inflation, sustained exchange rate stability, stronger external reserves of approximately US$52 billion, and the return of the PMI to expansionary territory at 50.1 suggest that macroeconomic conditions are becoming increasingly supportive. Furthermore, improving crude oil production, reforms in the solid minerals sector, and enhanced coordination between fiscal and monetary authorities are expected to strengthen external buffers, support economic activity, and reinforce the resilience of the economy against potential external shocks.



Source: CBN, NBS, Zedcrest Research

Policy assessment

The resurgence of geopolitical tensions in the Middle East has materially altered the balance of risks. Rising uncertainty surrounding global energy markets introduces the possibility of renewed inflationary pressures, particularly through imported inflation channels. Consequently, the MPC opted to maintain a cautious stance, preferring to assess whether recent gains in inflation moderation are durable before considering any policy adjustment.

While the possibility of future rate cuts remains on the horizon, the likelihood of near-term easing appears to have diminished following the renewed escalation in global geopolitical risks. Conversely, although the probability of additional tightening remains low, it cannot be completely ruled out should inflation reaccelerate materially or external shocks threaten exchange rate stability.

We expect inflation to continue its disinflation trend in the near term, supported by exchange rate stability, improving oil production, and stronger domestic refining activity, with headline inflation likely to remain within the 15.4%–15.9% range. While renewed geopolitical tensions and higher crude oil prices present upside risks, the broader disinflation trend remains intact. Consequently, we expect the CBN to

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

maintain its current policy stance in the near term until there is greater clarity on the trajectory of oil prices and their potential impact on domestic inflation.

Market implications

- **Fixed income market:** While the MPC's decision provides policy certainty, we believe government borrowing requirements and inflation dynamics will remain the primary drivers of fixed income market performance. Since the May MPC meeting, FGN bond yields have risen by 139bps to 17.62%, largely reflecting fiscal financing needs and inflation concerns. However, softer borrowing demand at the latest auction and a moderation in inflation could support some near-term easing in yields, although persistent inflationary pressures remain a key risk.
  Meanwhile, Eurobond yields declined from 6.95% to 6.90%, supported by stronger reserves, improved oil production, and exchange rate stability. While these factors should continue to underpin performance, any deterioration in FX stability or a worsening global risk environment could result in higher yields across both domestic and external debt markets..

- **Foreign exchange market:** We expect the naira to remain broadly stable in the near term, supported by improving macroeconomic fundamentals, including US$52 billion in external reserves (equivalent to 11 months of import cover), stronger oil production, ongoing economic reforms, and greater coordination between fiscal and monetary authorities. These factors should continue to support FX liquidity and investor confidence. However, risks remain from persistent inflationary pressures, heightened geopolitical tensions, lower crude oil prices, and weaker foreign capital inflows, which could reduce FX supply and place pressure on exchange rate stability.

- **Equity market:** The MPC's decision is unlikely to materially influence equity market performance, as investors had largely priced in a rate hold. Instead, market direction has been driven by company-specific and market related factors. Following profit-taking activities and the Dangote Refinery Private Placement, the market's YTD return moderated to 47.43% in June, but has since rebounded to 59.61% as of 21 July 2026, reflecting renewed investor appetite. Looking ahead, we expect performance to remain driven by corporate earnings, with resilient names and companies delivering strong Q2 results likely to continue attracting investor interest.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Zedcrest Research

Important disclosure

This document is issued by Zedcrest Investment Managers Limited ("Zedcrest Wealth" or the "Fund Manager"), an asset management firm registered with the Securities & Exchange Commission ("SEC"), Nigeria.
This document is provided exclusively for the information of the recipient. It is not intended as, and does not constitute, an offer or solicitation for the purchase of Units of any Fund or the Securities of any Company. Recipients must inform themselves about and adhere to any restrictions on the distribution of this document and the offering, sale, and trading of the securities.
The information herein is confidential and intended solely for use by those to whom it is addressed. It is not intended for public distribution and may not be reproduced, redistributed, or published without the written permission of Zedcrest Wealth. Zedcrest Wealth, its advisers, directors, employees, or affiliates do not accept any liability for the actions of third parties in this respect.

Analyst certification

The research analyst(s) hereby certify that:

1. The opinions and views expressed in this report are their genuine, independent perspectives, based on publicly available information.
2. Their compensation is not directly or indirectly linked to the specific recommendations, estimates, or opinions presented in this report.

In other words, the analyst(s) affirm that their research is impartial, unbiased, and free from any potential conflicts of interest.

Ratings definitions

Buy: A 'Buy' rating is assigned to stocks that we believe are significantly undervalued, yet possess robust fundamentals, and are expected to generate a potential return of at least 15.00% or more, based on the difference between the current market price and our analysts' target price
Hold: A 'Hold' rating is assigned to stocks that we believe are fairly valued, with limited potential for significant price movement, and are expected to generate a potential return within the range of +5.00% to +14.99%, based on the difference between the current market price and our analysts' target price
Sell: A 'Sell' rating is assigned to stocks that we believe are overvalued, with deteriorating or weak fundamentals, and are expected to generate a potential return of less than +5.00%, based on the difference between the current market price and our analysts' target price.
Rating Suspended: This designation is assigned to a stock when we are unable to provide an investment rating or target price due to insufficient fundamental data, or when legal, regulatory, or policy restrictions prevent us from publishing a rating or target price.
Extra-normal situations: Our standard rating methodology does not apply in exceptional circumstances where non-quantifiable factors and material considerations that cannot be reliably estimated come into play. In such cases, our analysts may exercise professional judgment to assign ratings that deviate from those expected under our standard methodology, taking into account unique circumstances that cannot be fully captured by our quantitative approach.

Analyst's compensation

The research analyst(s) who prepared this report are compensated based on a combination of factors, including:
- The quality and accuracy of their research
- Client feedback and satisfaction
- Competitive market factors
- The overall performance and revenue of the firm, which includes contributions from Asset Management, Securities Trading, Stock Broking, and other business units

This compensation structure is designed to align the analysts' interests with the firm's overall success and the value delivered to clients.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Zedcrest Research

Valuation and risks

For a detailed analysis of our valuation methodology and potential risks associated with any recommended security, please refer to our most recent company-specific research report. If you have any further questions or concerns, please don't hesitate to contact the analyst listed on the front of this report

Frequency of next update

We will provide an update to our view on the company when significant developments or financial news occur, prompting a reassessment of our position.

Conflict of interest policy

Zedcrest Wealth and its affiliates maintain a policy ensuring research analysts' independence. Analysts are not involved in activities suggesting representation of Zedcrest Wealth's interests in a way that could compromise their impartiality. To avoid conflicts, analysts report to separate lines, independent of Securities Trading, Wealth Management and Stock Broking departments. However, these departments may trade based on published research, potentially creating conflicting interests with clients.

General disclaimer

This research report is based on publicly available information considered credible by our analysts. However, facts and views presented may not reflect information known to other Zedcrest business. While reasonable care has been taken, Zedcrest Wealth its officers, and employees disclaim responsibility for any errors or omissions. The report's accuracy, fairness, and completeness have not been verified, and its contents should not be relied upon for investment decisions.

Ratings, forecasts, and opinions are subject to change without notice and may not reflect future performance. Past performance is not indicative of future results, and investments may fall or rise due to various factors.

Zedcrest Wealth and its affiliates shall not be liable for any losses arising from the use of this report. This report provides general information only and does not constitute personal investment advice. Investors should independently evaluate investment risks and suitability, and all investment decisions are their sole responsibility. Any investment decisions should be based on public information or offering documents, not this report. Zedcrest's other business units may issue inconsistent trading ideas or recommendations.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com