FLAMESTAR MARKET PULSE

Your Weekly Intelligence Brief for the Discerning Investor

FLAMESTAR CAPITAL LTD | LAGOS, NIGERIA | www.flamestarcapital.com

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FROM THE DESK OF FLAMESTAR CAPITAL

Welcome to this week's edition. As the Nigerian market settled into the second week of August, the story was one of resilience beneath a calm surface. The All-Share Index edged higher to a fresh record even as breadth turned mildly negative — a reminder that this year's remarkable rally, now up close to 58 percent, is increasingly a market of leaders rather than a tide lifting every boat. Banking heavyweights once again did the heavy lifting, rescuing the tape from a broader retreat in consumer-goods names, while the naira held its poise on the official window and the fixed-income desk digested another heavily oversubscribed Treasury auction.

The macro backdrop remains constructive but demands discipline. Headline inflation has eased for a second consecutive month, the Central Bank has held policy steady for the second meeting running, and Brent near $84 offers welcome fiscal breathing room. Abroad, a hawkish-leaning Federal Reserve on extended hold keeps global capital cautious and the carry trade attractive. For the discerning investor, this is an environment that rewards selectivity, real yield, and a steady hand — precisely the posture we counsel in the pages that follow.

01 NIGERIAN MARKET SNAPSHOT

The Nigerian Exchange closed the week ending 8 August at a record 245,573.60 points, a gain of 0.12 percent week-on-week that lifted equity market capitalisation by roughly ₦187 billion to about ₦158.5 trillion. The advance masked a defensive rotation: breadth was negative, with 26 gainers to 28 decliners and 93 unchanged, as the tier-one banks (FUGAZ) added an estimated ₦237.8 billion over the first week of August and offset weakness across consumer-goods counters. Year-to-date, the index has now returned 57.8 percent, one of the strongest showings among frontier and emerging markets globally.

The banking complex remains the engine of the market. The NGX Banking Index sits up roughly 68 percent for the year, with First HoldCo overtaking Zenith and GTCO to become the most capitalised lender at about ₦4.79 trillion. Investors continue to reward strong half-year earnings, recapitalisation progress and the prospect of robust dividends.

KEY MARKET INDICATORS

INDICATOR	VALUE	NOTE
NGX All-Share Index	**245,573.60**	+0.12% w/w; +57.8% YTD (wk to 8 Aug)
NGX Market Capitalisation	**₦158.5 trillion**	Up ~₦187bn week-on-week
Market Breadth	**26 up / 28 down**	93 unchanged — defensive tone
USD/NGN — Official (CBN)	**₦1,363.85**	Firmer w/w (as of 5 Aug)
USD/NGN — Parallel	**₦1,430**	Softer ~₦15 w/w (as of 6 Aug)
Monetary Policy Rate (MPR)	**26.50%**	Held; 306th MPC, 21 Jul 2026
Headline Inflation (y/y)	**15.91%**	June 2026 (NBS); eased from 15.93%
Food Inflation (m/m)	**+3.75%**	June 2026; up from 2.98% in May
364-Day T-Bill Stop Rate	**17.35%**	6 Aug auction; down 31 bps
NTB Subscription	**₦3.62tn vs ₦700bn**	364-day leg ~6.8× oversubscribed
Brent Crude	**~$83.55 / bbl**	As of 7 Aug 2026
Nigeria Oil Output	**Above 1.5m bpd quota**	H1 below budget by 38.4m barrels

FIXED INCOME WATCH

Appetite for naira paper remains voracious. At the 6 August auction the Central Bank offered ₦700 billion but drew total bids of about ₦3.62 trillion; the one-year bill alone attracted ₦3.38 trillion against a ₦500 billion offer — close to seven times cover, allowing the DMO to trim the 364-day stop rate to 17.35 percent, down 31 basis points. With the MPR anchored at 26.5 percent and inflation drifting lower, real yields on the short end are firmly positive and continue to draw both domestic institutions and offshore carry flows. We expect the gentle grind lower in primary-market rates to persist so long as system liquidity stays ample.

02 GLOBAL MARKETS & NIGERIA IMPACT

U.S. Federal Reserve — Extended Hold, Hawkish Tilt

The Federal Open Market Committee left the federal funds target unchanged at 3.50–3.75 percent on 29 July, its fifth consecutive hold. Notably, three regional presidents dissented in favour of a hike, and futures markets are now positioned for policy to stay higher-for-longer as U.S. inflation lingers above target.

> **FLAMESTAR VIEW:** *A patient, hawkish-leaning Fed sustains the dollar and keeps global risk appetite measured. For Nigeria, the silver lining is a wide, positive rate differential: with the MPR at 26.5 percent and T-bills near 17 percent, naira assets remain compelling to carry investors — supportive of FX stability and portfolio inflows, provided reforms hold.*

Energy — Brent Steady Near $84

Brent traded around $83.55 a barrel into the weekend, a comfortable level for Nigeria's fiscal accounts. Yet volume, not price, is the binding constraint: Abuja exceeded its 1.5 million bpd OPEC+ quota in the first half but still fell 38.4 million barrels short of its budget production target, producing about 294.6 million barrels against 333.0 million budgeted.

> **FLAMESTAR VIEW:** *Firm prices flatter the headlines, but the persistent output gap keeps oil revenue below plan and reinforces the fiscal case for non-oil growth. We continue to favour naming exposure to sectors that benefit from domestic demand and reform — banks, telecoms and select consumer names — over undiluted oil-price bets.*

Emerging-Market Capital Flows

With developed-market rates on hold and volatility subdued, investors have rotated selectively back toward higher-yielding frontier markets. Nigeria's combination of double-digit real yields, a more transparent FX regime and a record equity rally has kept it on the radar of dedicated EM allocators.

> **FLAMESTAR VIEW:** *Portfolio flows are a tailwind, but they are fickle. We advise clients to treat this window as an opportunity to lock in real yield and quality equity exposure now, rather than assuming the carry trade will remain this generous indefinitely.*

Structural & GDP Note

Beneath the market noise, the reform story is what matters for the long run. A cleaner FX market, tighter monetary policy that is finally bending inflation lower, and a recapitalised banking system are reshaping Nigeria's investment case from a commodity proxy toward a domestic-demand and financial-deepening narrative, the foundation on which durable, non-oil GDP growth is built.

03 PORTFOLIO & INVESTMENT INSIGHTS

Banking

Banks remain the standout, up around 68 percent year-to-date, driven by strong H1 earnings, healthy capital buffers and dividend expectations. Leadership is shifting — First HoldCo has vaulted to the top of the market-cap table — while Zenith, GTCO and UBA are consistently cited as core H2 drivers.

> **FLAMESTAR VIEW:** *We remain constructive on quality, well capitalised lenders with strong deposit franchises and clear dividend visibility. After such a run, however, entry discipline matters: accumulate on pullbacks rather than chasing strength, and favour balance-sheet quality over headline momentum.*

Telecommunications & ICT

MTN Nigeria firmed to ₦845, supported by improving earnings, attractive valuations and healthy dividend prospects as tariff adjustments and data growth feed through. The sector offers defensive, inflation-linked cash flows underpinned by non-discretionary demand.

> **FLAMESTAR VIEW:** *Telecoms are a natural hedge in an inflationary economy — pricing power plus structural data demand. We view large-cap telecom exposure as a core, lower-beta complement to a bank-heavy Nigerian equity allocation.*

Fixed Income

Short-dated Treasury bills near 17 percent, against easing inflation, deliver firmly positive real returns rarely available at this scale. The heavy oversubscription at the latest auction confirms that yields are grinding lower; the window to lock in current levels is narrowing.

> **FLAMESTAR VIEW:** *For capital preservation with real income, we favour laddering into 364-day bills and short OMO paper now to secure today's yields ahead of anticipated further declines. Fixed income should anchor the conservative sleeve of every client portfolio this quarter.*

Real Estate

Nigeria's housing deficit estimated well above 17 million units — and Lagos's relentless in-migration underpin durable long-run demand. Near-term affordability is constrained by double-digit mortgage rates and elevated construction costs, but easing inflation and prospective rate cuts, alongside $20 billion-plus in annual diaspora remittances, are gradually improving the picture. Infrastructure along the Lekki-Epe corridor and the Blue and Red rail lines continue to unlock new value.

> **FLAMESTAR VIEW:** *Real estate is a long-duration inflation hedge, not a trade. We favour well-located, income-generating assets and disciplined off-plan or land-banking entries in corridors backed by genuine infrastructure — and caution against overpaying in saturated luxury segments where vacancy is rising.*

04 WEALTH STRATEGY CORNER

Strategy of the Week: Locking in Real Yield Before the Turn

With inflation easing while nominal rates remain elevated, Nigeria is offering something unusual and fleeting: generous, positive real yields. History teaches that such windows close quickly once a central bank pivots. The discerning investor uses this moment deliberately. A practical framework:

1. **Secure the real yield.** Ladder maturities across 91-, 182- and 364-day Treasury bills to lock in today's ~17 percent while retaining periodic liquidity to reinvest.
2. **Hold quality equity leaders.** Stay invested in well-capitalised banks and large cap telecoms, but accumulate on weakness rather than chasing record highs.
3. **Diversify across currencies.** Balance naira real yield with selective hard-currency and Eurobond exposure to hedge FX risk should sentiment shift.

4. Anchor with real assets. Use income-generating real estate in infrastructure-backed corridors as a long-duration inflation hedge.

5. Keep dry powder. Retain a cash reserve to deploy into dislocations, the carry trade's eventual unwind will create opportunities for the prepared.

"The individual investor should act consistently as an investor and not as a speculator."

Wealth is not built by the noise of a single week, but in the discipline of a thousand of them. — Flamestar Capital

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FLAMESTAR CAPITAL LTD | Lagos, Nigeria | www.flamestarcapital.com | info@flamestarcapital.com