

# Nigeria's capital markets: An emerging opportunity

Nigeria has reemerged as one of the most commercially **compelling financial markets** in sub-Saharan Africa, combining elevated yields with improving market functionality and balance-sheet capacity

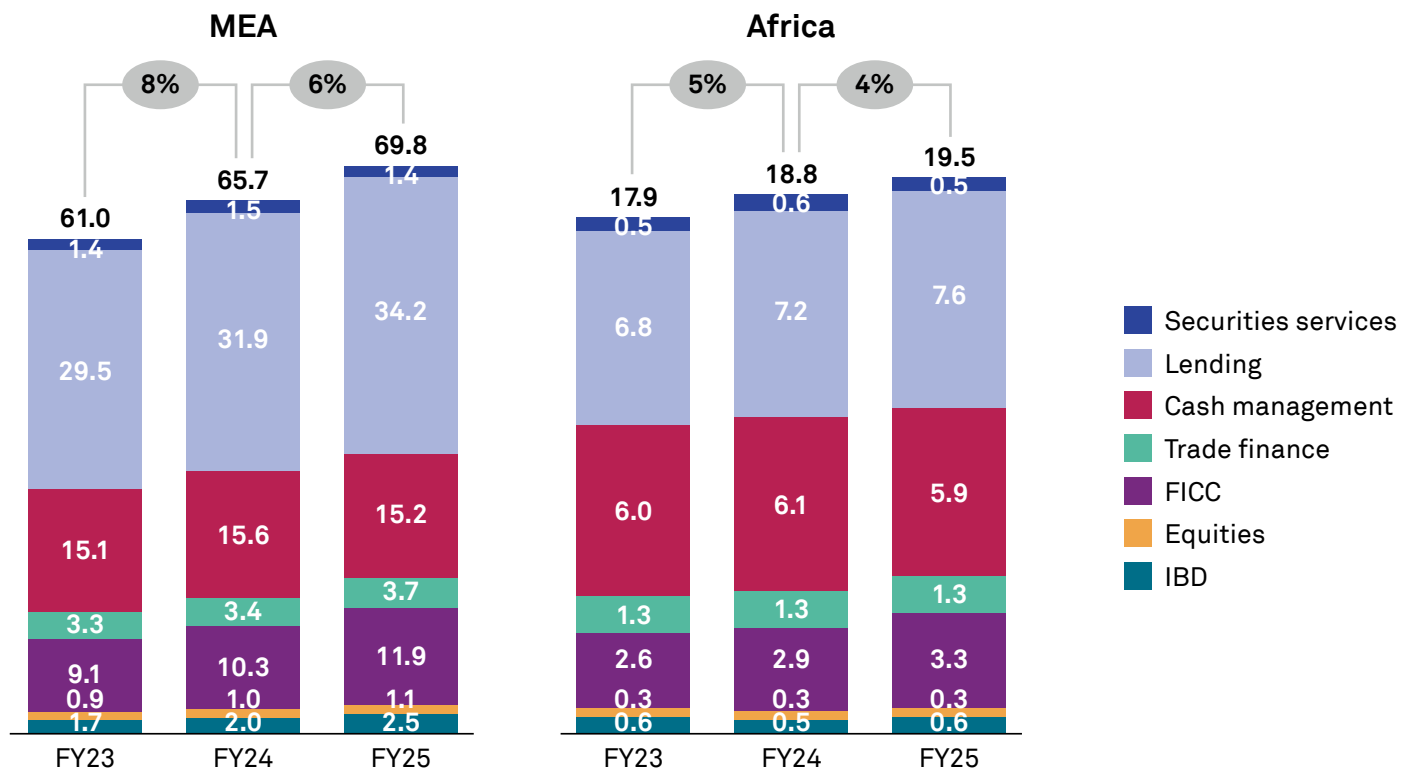


Africa's capital markets are shifting from episodic primary issuance to sustained, two-way secondary trading. Over the last year, liquidity has improved across select markets, supported by reform momentum, better market structure and a widening institutional investor base.

Nigeria stands out as the most dynamic recent example: Foreign exchange (FX) liberalization, tighter monetary policy and improving transparency have helped restart foreign portfolio flows and reprice local risk. In the last 12–18 months, market liquidity has increased across FX, local currency bonds, Eurobonds, and equities. For banks, this matters because secondary markets—not issuance—create repeatable revenue pools: execution and market-making, financing and risk transfer.

## Market revenues by security type—MEA vs. Africa

\$ billions



Source: Crisil Coalition Greenwich Competitor Analytics

## FX market: From restriction to expansion

The liberalization of Nigeria's FX market has marked a significant turning point, unleashing a surge in liquidity and driving growth in turnover. This newfound liquidity has improved price discovery, fueled demand for hedging instruments and opened up structured access to naira assets, ultimately deepening participation in local bonds and equities.

- Local bond revival: Yield compression and portfolio flows return.** Nigeria's local bond market is becoming more tradable as yields compress and liquidity improves, reflecting renewed confidence in inflation pricing and policy credibility. This shift is supporting the return of portfolio flows and increasing demand for secondary trading, distribution and repo-style financing.
- NGX momentum builds: Record turnover unlocks equity capital markets (ECM) potential.** The Nigerian Exchange is seeing record equity turnover and higher market velocity, driven by stronger domestic institutional participation and improving foreign investor access. Deeper liquidity is enabling more efficient block execution and price discovery, creating a more supportive backdrop for ECM activity, including secondary sell-downs, follow-ons and a growing IPO pipeline—expanding capital-raising options for corporates.

## Market opportunities

Nigeria's secondary market activity is largely concentrated in FX and fixed income, while equities currently represent a smaller portion of total turnover. As liquidity in the equities market deepens, there is a significant opportunity for revenue growth. Key areas where market momentum is emerging include:

- **FX market:** Providing liquidity and hedging solutions to clients
- **Rates and credit:** Developing distribution and market-making capabilities
- **Equity market:** Building execution and block facilitation capabilities, complemented by research monetization

## Cross-asset opportunities

- **Trading and market-making.** Growing cross-asset activity in Nigeria is creating opportunities for tighter FX pricing, deeper local rates and Eurobond liquidity, and expanded cash equities execution. Consistent liquidity and market velocity are emerging as key drivers of revenue growth.
- **Financing solutions for Africa risk.** Increasing demand for financing solutions linked to Nigerian collateral—such as repo-style funding for local bonds, margin solutions for Eurobonds, and structured exposure for investors facing custody or operational constraints—is supporting broader participation and risk management.
- **Derivatives and risk management.** As market liquidity improves, there is greater scope for FX forwards, swaps and rate-hedging solutions. Enhanced liquidity also makes structured products more accessible, enabling higher-margin flows beyond spot trading.
- **Origination flywheel.** Rising secondary liquidity, tighter sovereign curves and increased equity turnover are unlocking opportunities for new issuance, liability management and secondary placements. Strong secondary market presence is increasingly associated with origination advantage.

## A resurgent market with compelling investment opportunities

In recent years, Nigeria has reemerged as one of the most commercially compelling financial markets in sub-Saharan Africa, combining elevated yields with improving market functionality and balance-sheet capacity. The reopening and active secondary trading of Federal Government of Nigeria (FGN) bonds across the curve, renewed offshore participation following FX market reforms, and a steady pipeline of refinancing and structured transactions in oil & gas, power and infrastructure have materially improved liquidity and price discovery.

Notable developments such as large-scale sovereign bond reopenings, foreign-currency liquidity support arrangements, and bank-led financing for energy majors and export-linked corporates have reinforced Nigeria's position as a market where risk can be actively intermediated rather than warehoused. Growth has been driven less by episodic inflows and more by structural forces—credible monetary tightening, improved FX transparency, stronger domestic institutional participation, and a banking system increasingly willing to deploy capital across trading, financing and risk-transfer products. These dynamics support Nigeria's positioning as a scale market with sustained transaction velocity, rather than a purely tactical frontier exposure.

## Market outlook

The ongoing geopolitical conflict in the Middle East has intensified global risk aversion, with notable spillovers into Nigeria's secondary markets. For Nigeria, elevated oil prices have provided short-term fiscal support; however, external uncertainty has led to a repricing of risk across asset classes. In the fixed income segment, sovereign bond yields have remained elevated, reflecting both domestic inflationary pressures and increased risk premiums demanded by investors amid global volatility.

In contrast, the equity market has demonstrated strong aggregate turnover, yet liquidity conditions have shown episodic tightening during periods of foreign portfolio outflows, leading to short-term volatility and concentration of trading activity in select large-cap stocks.

Overall, the current environment highlights a dual dynamic—while macroeconomic uncertainty elevates funding costs and market sensitivity to external shocks, it simultaneously sustains investor interest in high-yield government securities within Nigeria's secondary market.

*Crisil Coalition Greenwich Competitor Analytics team members Aamir Hazaria and Bhavya Ahuja are the co-authors of this report.*

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