EQUITY FLASH NOTE | NIGERIA | ELECTIONS & EQUITIES

Poll Position

The 2027 election is a speed bump, not a stop sign. We stay Overweight Nigerian equities, with a 12-month ASI target of 297,000 (+21%).

Executive summary

- **Elections don't set the market's direction; macro shocks do.** Since 1999 the ASI has fallen before a poll only when the vote met an external shock, made worse in 2014 and 2018 by a market in which foreigners did half the trading (Figure 1, Table 1).
- **2027 is different on both counts.** Inflation is 14.6% and falling, the CBN has cut rates by 350bp to 23%, the naira is stable and Nigerians do 90% of NGX trading (Figure 4). The ASI is up 57% this year, after 51% in 2025.
- **Expect a dip, not a reversal.** The election year is a coin toss (median −7%); the year after is the strongest phase, +21% on average (Figure 2). We pencil in a 5–10% pullback around the 16 January poll.
- **Valuation leaves room:** 11.4x trailing P/E, 9% below MSCI Frontier, and a PEG of 0.48 against about 0.8 for peers (Figures 10–11).
- **Target:** 297,000 by October 2027 (+21%; c.26% total return). Probability-weighted, 290,000 (Figure 12).
- **Leaders:** banks, oil & gas, telecoms and selected consumer names. Dangote Refinery would be c.28–29% of the index (Figure 14).
- **Action:** stay invested, hold 10–15% in T-bills for the dip, trim froth, and buy dividend payers before FY26 results.

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Key data

ASI (22-Oct-26)	244,957
YTD / 2025	+57% / +51%
Market cap	$119bn
P/E trail / fwd	11.4x / 9.5x
Stance	OVERWEIGHT
Target (Oct-27)	297,000
Bull / bear	333k / 217k
Poll date	16 Jan 2027

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TWENTY-SEVEN YEARS OF EVIDENCE

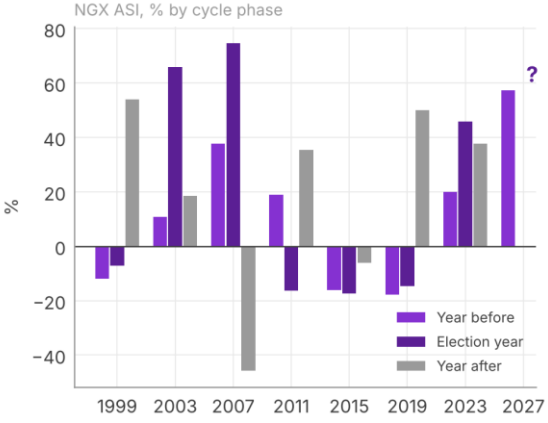
Elections don't move markets. Macro does.

Nigerian investors carry a folk memory of election years: sell before the vote, hide in cash, buy back afterwards. The data are less obliging. Across seven complete cycles since 1999, the All-Share Index (ASI) rose in four pre-election years and fell in three (Figure 1). That is not a pattern; it is a coin toss with a bias towards gains. What separates good years from bad is the backdrop, not the ballot.

Every losing pre-election year coincided with an external shock: oil at about $12 a barrel in 1998 (−11.9%), the oil collapse and devaluation of 2014 (−16.1%) and the emerging-market sell-off of 2018 (−17.8%).

Figure 1: Returns around each election

NGX ASI, % by cycle phase



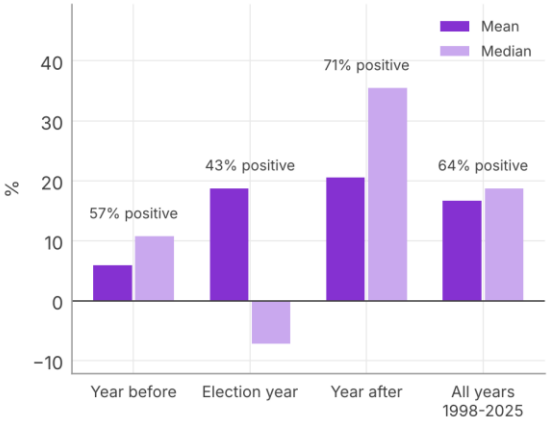
Source: NGX, MDU Capital Research

Every strong one had a structural catalyst: bank consolidation in 2006 (+37.8%), post-crisis recovery in 2010 (+18.9%), equities as an inflation hedge in 2022 (+20.0%) and, in 2026, reform, disinflation and domestic liquidity (+57.4%), the best pre-election year on record (Figure 3).

The election year is where nerves fray: the median return is **−7.2%** and only three of seven ended higher. The most reliable phase is the one investors tend to miss. **The year after the poll has averaged +20.5% (median +35.4%) and was positive in five of seven cycles** (Figure 2). Its two losses, 2008 and 2016, owed to the global financial crisis and an oil-led recession, not to politics.

Figure 2: The cycle, averaged

ASI return (%) and share of years positive, 7 cycles

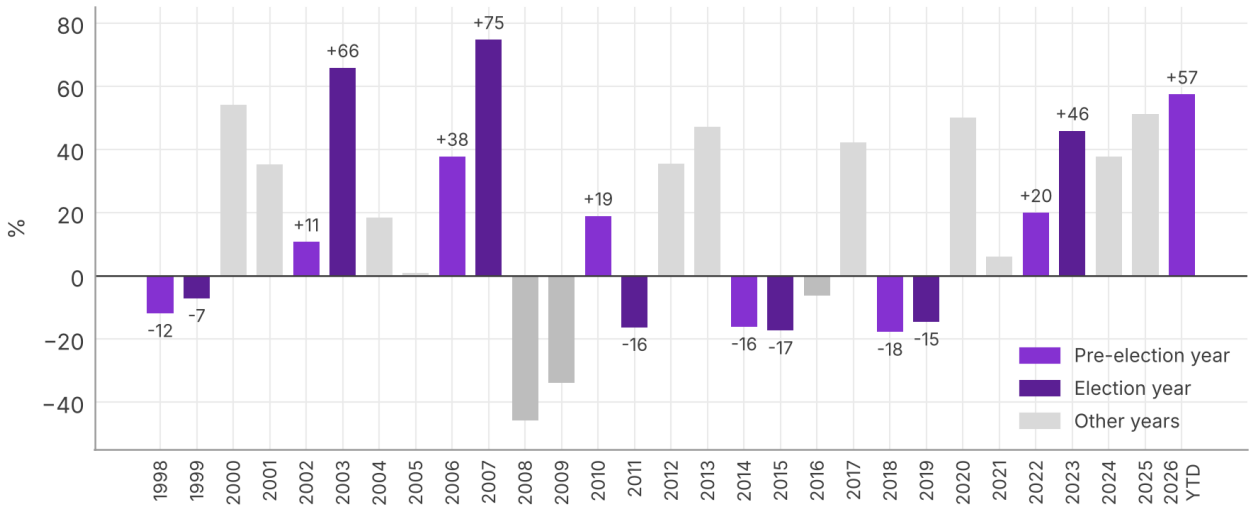


Source: NGX, MDU Capital Research

After 2016's −6.2% came 2017's +42.3%; after 2019's −14.6%, 2020's +50.0%. **Missing the rebound has cost more than sitting through the dip.**

Figure 3: NGX All-Share Index annual returns, 1998-2026 YTD

Price return, %, election-cycle years highlighted



Source: NGX, MDU Capital Research. 2026 YTD to 22 Oct 2026.

Table 1: Eight cycles, one lesson — the macro explains the market

Poll	Year before	Poll year	Year after	Foreign share*	What really drove it
1999	−11.9%	−7.2%	+54.0%	n/a	Oil at ~$12/bbl; transition to civilian rule
2003	+10.7%	+65.8%	+18.5%	n/a	Democracy dividend; bank and telecom boom
2007	+37.8%	+74.7%	−45.8%	14.8%	Bank consolidation; Paris Club debt relief
2011	+18.9%	−16.3%	+35.4%	36.1%	Post-2008 recovery; AMCON clean-up
2015	−16.1%	−17.4%	−6.2%	57.5%	Oil crash; devaluation; foreign exit
2019	−17.8%	−14.6%	+50.0%	50.7%	EM sell-off; Fed hikes; FX backlog
2023	+20.0%	+45.9%	+37.7%	16.3%	Inflation hedge; post-poll reforms
2027	**+57.4%**	16 Jan	—	10.2%	**Disinflation, rate cuts, local money**

**Foreign share of NGX trades in the year before the poll (2007 cycle: 2007, the earliest year available). 2026 returns to 22 October; foreign share for 2026 is January–August. Source: NGX, NBS, CBN, NGX Domestic & Foreign Portfolio Investment Reports, MDU Capital Research.*

WHO OWNS THE MARKET

This time, the buyer is at home

If macro shocks lit the fuse in past cycles, foreign ownership supplied the powder. From 2011 to 2019 foreign portfolio investors did roughly half of all NGX trading, peaking at 67% in 2011 (Figure 4). When oil fell or the Federal Reserve tightened, that money left together, and the exit door was narrow.

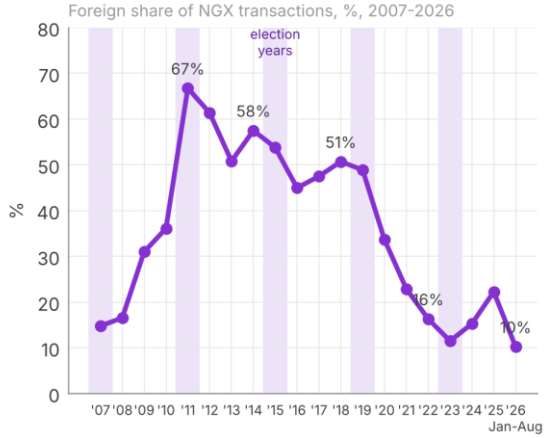
That market no longer exists. **Domestic investors executed 89.8% of NGX trades in January–August 2026**, and foreigners were **net sellers of about ₦275bn**, yet the index rose by more than half. Institutions account for about 62% of domestic activity and retail investors for 38%.

Domestic turnover reached ₦11.9trn in the first eight months of 2026, already above the ₦9.3trn of the whole of 2025 and twelve times the ₦1.0trn of 2019 (Figure 5). July was a record month, at ₦2.37trn, 94% of it domestic.

This cuts both ways. The classic pre-election shock, a disorderly foreign exit, has far less fuel. But with nine-tenths of trading in local hands, **domestic sentiment, and any sudden need for naira liquidity, is now the swing factor.** While real returns on cash keep falling, we expect local investors to hold their nerve. This is the first great Nigerian bull market financed by Nigerians.

Figure 4: Foreigners have left the building

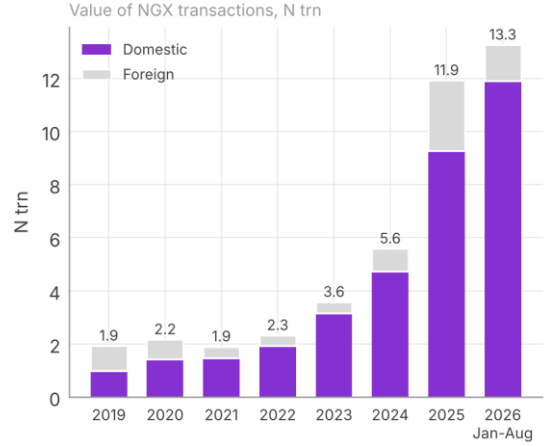
Foreign share of NGX transactions, %, 2007-2026



Source: NGX Domestic & Foreign Portfolio Investment Reports

Figure 5: Nigerians now fund the market

Value of NGX transactions, N trn



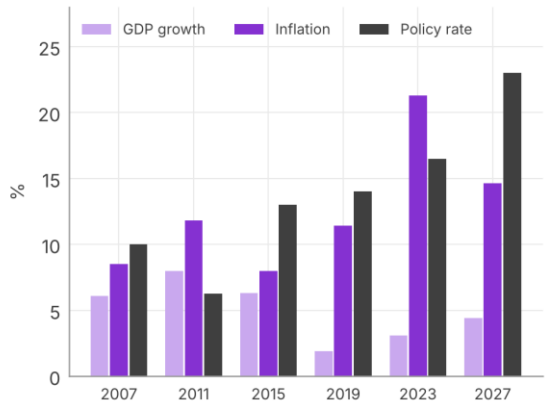
Source: NGX Domestic & Foreign Portfolio Investment Reports

THE BACKDROP
The macro has turned, and so has the rate cycle

Set 2027 beside its predecessors and the contrast is stark (Figure 6). The year before the 2019 vote combined 1.9% growth, 11.4% inflation, a 14% policy rate and a half-foreign market. Today growth is **4.43% (Q2 2026)**, headline inflation has fallen to **14.63%** in September (core: 12.95%) and the CBN has begun to ease.

September's Monetary Policy Committee cut the policy rate by **350bp to 23%**, its largest cut since 2006. One-year Treasury bills cleared at 16.84% in early September and are trending lower; the naira has held near ₦1,335/$ and gross reserves are about **$58.8bn**.

Figure 6: Macro in the year before the vote
%, GDP growth, Dec inflation, year-end MPR



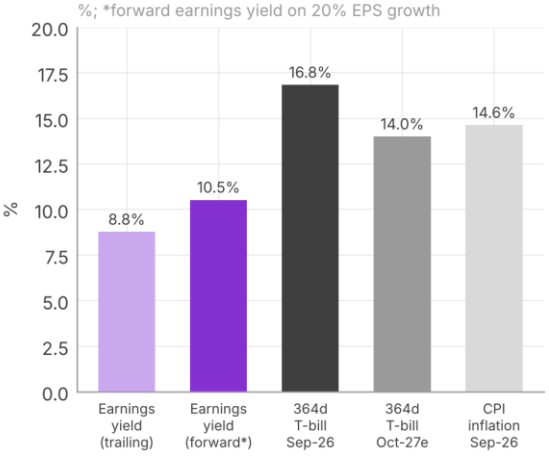
Source: NBS, CBN, World Bank; 2027 cycle = latest (Q2-26 GDP, Sep-26 CPI)

On 10 October Fitch moved Nigeria's outlook to **positive**, judging that the election is unlikely to derail policy.

For equities the arithmetic is simple. The ASI's trailing earnings yield is 8.8%; on 20% earnings growth the forward yield is 10.5% (Figure 7). Bills still pay more, but the gap is closing from both sides. **As bill yields drift towards 14% and earnings compound at 20%, the opportunity cost of owning equities falls**, and with it the case for sitting in cash through the vote.

The caveat is inflation: food prices are still rising at 19.6%.

Figure 7: The yield gap is closing
%; *forward earnings yield on 20% EPS growth



Source: CBN, NBS, MDU Capital Research

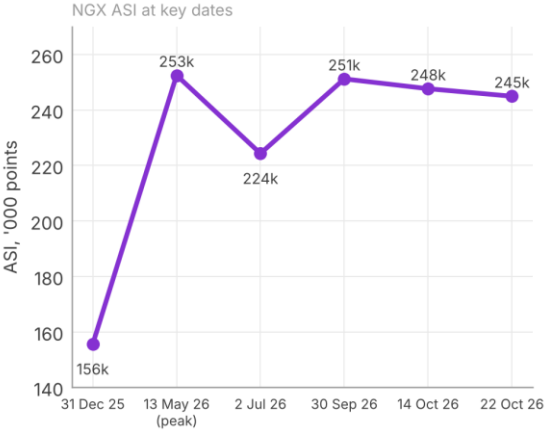
Broad money jumped by ₦7.5trn in a single month to ₦146.6trn, a reminder that election spending can reflate prices and stall the easing cycle. That is the biggest threat to the re-rating.

THE PRE-ELECTION YEAR
2026: a rally that broke the pattern

The ASI opened 2026 at 155,613 and hit a record 252,508 by mid-May, up 62% in under five months (Figure 8). A seven-week correction to 224,322 by 2 July wiped ₦17.9trn off market value: profit-taking, early election caution and cash-raising for the Dangote Refinery offer.

Strong half-year earnings and the September rate cut lifted the index back to 251,212 by end-September (+61.4% year to date). It has since drifted to 244,957 as liquidity is diverted into the Dangote IPO, now extended to 27 October.

Figure 8: 2026, a year of two halves
NGX ASI at key dates

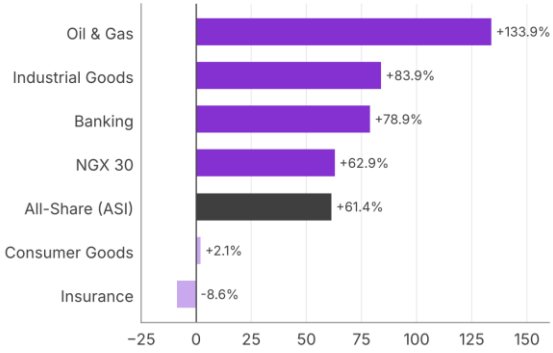


Source: NGX (daily market reports)

Leadership has been narrow but rational (Figure 9). **Oil & gas (+134%)** led on Dangote enthusiasm and dollar earners such as Seplat and Aradel; **industrial goods (+84%)** on cement pricing power; **banking (+79%)** on a recapitalisation that raised about ₦4.65trn. Consumer goods (+2%) barely moved and insurance (−9%) fell.

Beneath the headline, froth is visible: a clutch of small caps has risen 200–800% this year. **That is where we would take money off the table first.**

Figure 9: Sector leadership, 2026 YTD
NGX sector indices, % to 30 Sep 2026



Source: NGX sector indices

A market led by earnings-rich large caps is better placed to absorb election noise than one driven by speculative small caps, and that is the market we want to own into January.

RELATIVE VALUATION
Cheap on growth, fair on rates

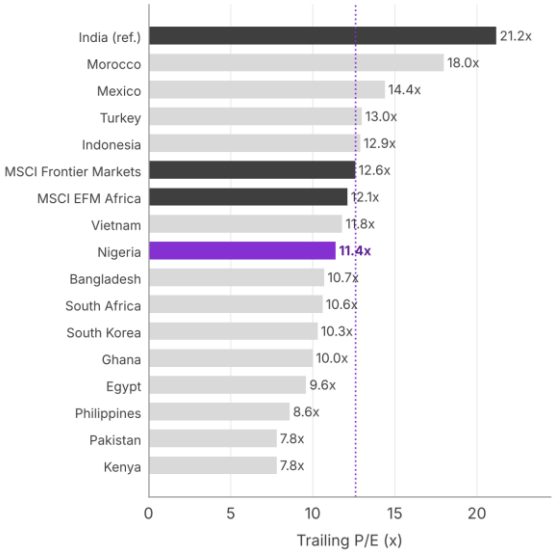
After a 138% two-year rally, is Nigeria still cheap? On headline multiples, modestly. **The NGX trades on 11.4x trailing earnings**, against 12.6x for the MSCI Frontier Markets index, 12.1x for MSCI EFM Africa and a median of about 10.6x across 14 African and Next-11 markets (Figure 10). Morocco (18.0x), Mexico (14.4x), Turkey (13.0x) and Indonesia (12.9x) are dearer; Kenya and Pakistan (7.8x), the Philippines (8.6x) and Egypt (9.6x) are cheaper.

Adjust for growth and the picture improves. Consensus expects Nigerian earnings to grow about **24% a year**, which puts the market on a **PEG ratio of 0.48** (Figure 11). Only Ghana (0.30), South Korea (0.37) and Turkey (0.42) screen cheaper; the peer median is about 0.8, and South Africa (0.96) and Mexico (1.9) are far richer.

Two health warnings apply. Much of the growth is nominal: with inflation of 13–15%, real growth is nearer 8–10%, so the PEG flatters. And the multiple is skewed by a few mega-caps (Airtel Africa, MTN Nigeria, Dangote Cement, BUA); the Dangote Refinery listing will move the headline P/E for reasons unrelated to value.

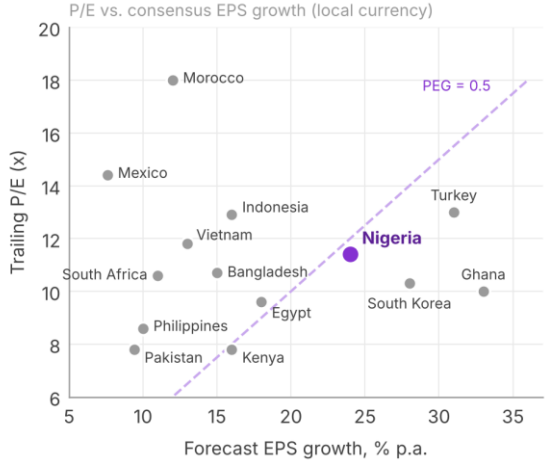
Our conclusion: **Nigeria is no longer a deep-value market, but it is one of the few frontier markets where investors are not paying for the growth on offer.** On our estimates the ASI trades on 9.5x forward earnings, with room to expand as rates fall.

Figure 10: Relative value on P/E
Trailing P/E (x); dark grey = benchmarks; dotted line = MSCI Frontier Markets (12.6x)



Source: Simply Wall St (10-22 Oct 2026), MSCI, Siblis

Figure 11: Growth you are not paying for
P/E vs. consensus EPS growth (local currency)



Source: Simply Wall St, MDU Capital Research

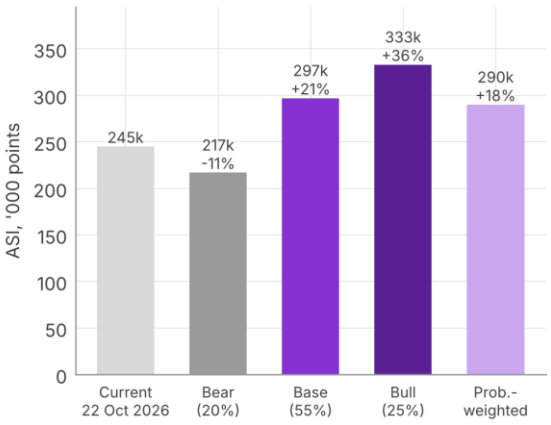
MARKET PROJECTION

Where the ASI goes: 297,000 by October 2027

We value the market as earnings times a multiple. The ASI's implied index EPS is about 21,490 points (244,957 ÷ 11.4x); we apply 12-month earnings growth and an exit multiple consistent with the rates we expect in October 2027 (Figure 12, Table 2).

Base case (55%): 297,000, +21%. EPS grows 20%, below the 24% consensus. The polls pass without a lasting dispute, fuel-pricing and FX reforms survive, inflation eases to 12–13%, the policy rate falls to 19–20% and the multiple edges up to 11.5x. With a dividend yield of about 4.5%, total return is roughly **26% in naira, or 20% in dollars** at ₦1,400/$.

Figure 12: 12-month ASI targets
MDU Capital Research scenarios, Oct 2027



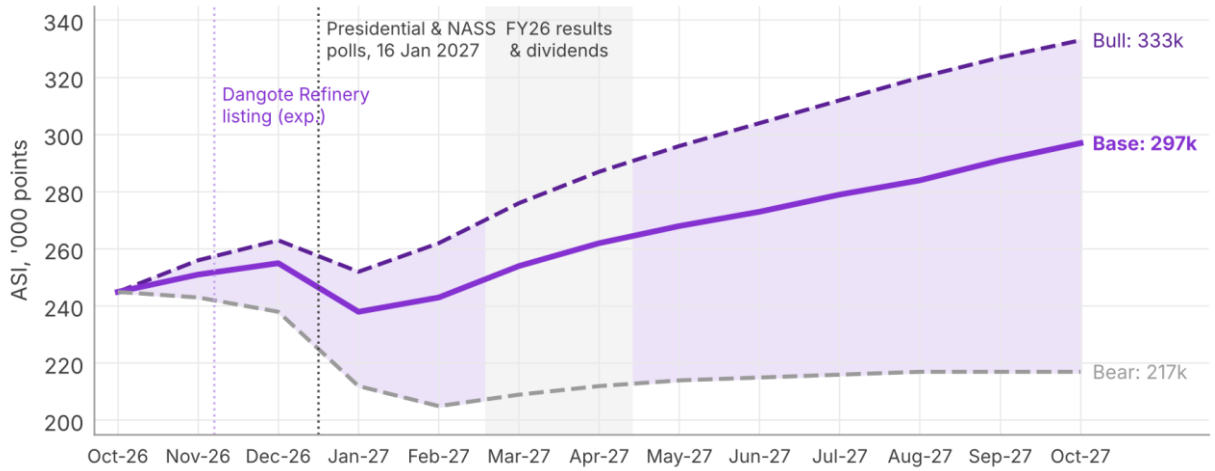
Source: MDU Capital Research estimates

Bull case (25%): 333,000, +36%. Consensus earnings arrive, the Dangote listing draws back foreign and diaspora money, and a decisive result lifts the multiple to 12.5x, close to the MSCI Frontier average of 12.6x.

Bear case (20%): 217,000, −12%. A contested result drags through the courts, campaign spending reignites inflation, the CBN halts its cuts and the naira slips; EPS growth slows to 12% and the multiple compresses to 9.0x.

Probability-weighted, we arrive at 290,000 (+18%). The path will not be straight (Figure 13): we expect the index near 255,000 at the end of 2026, a dip towards 238,000 around the January vote, then a recovery led by FY2026 results and dividends.

Figure 13: MDU projected path for the NGX ASI, October 2026 - October 2027 (base, bull and bear)
'000 points, month-end; shaded band spans bear-to-bull scenarios



Source: NGX, MDU Capital Research projections

Table 2: ASI target in October 2027 ('000 points) — EPS growth vs exit P/E

EPS growth	9.0x	10.0x	11.0x	11.5x	12.0x	13.0x
10%	213k	236k	260k	272k	284k	307k
15%	222k	247k	272k	284k	297k	321k
20%	232k	258k	284k	**297k**	309k	335k
25%	242k	269k	295k	309k	322k	349k
30%	251k	279k	307k	321k	335k	363k

Base case in bold (20% EPS growth, 11.5x). Current ASI 244,957 at 11.4x trailing P/E. Source: MDU Capital Research estimates.

NEW LISTINGS

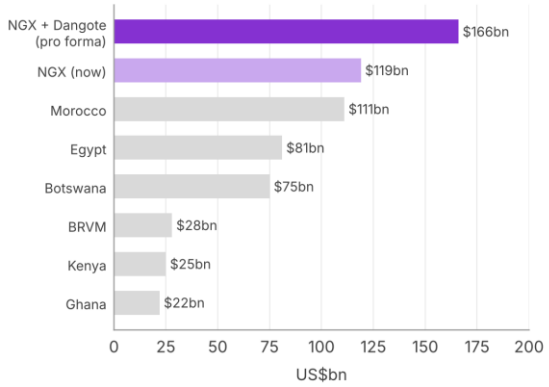
Dangote changes the index, and the conversation

The biggest event before the election is not political. **Dangote Petroleum Refinery** opened its IPO on 14 September: 4.1bn shares at ₦525, raising about ₦2.15trn ($1.6bn), with a greenshoe of up to 30%. Demand has reportedly run at three to four times the target; the offer closes on 27 October and listing is expected in November or December.

At the offer price the refinery is worth about **₦63–65trn ($47–49bn)**. NGX capitalisation would reach about **$166–168bn**, well clear of Morocco and Egypt (Figure 14).

Figure 14: Dangote makes NGX No.2 by a distance

Equity market cap ex-JSE ($1.5trn), US$bn



Source: African Markets (May 2026), NGX, MDU est.

Three implications follow. **Concentration:** the ASI weights full market value and only about 3% of the shares are being floated, so Dangote would be roughly 28–29% of the index on day one; thin-float price discovery could dominate the index through the election window. **Liquidity:** refunds and reinvested proceeds should return cash diverted into the offer in November and December. **Visibility:** a $50bn listing puts Nigeria back on global screens. **NNPC** has completed a readiness assessment but has set no date; we do not expect it to list within our 12-month horizon.

SECTOR DRIVERS

Who carries the market into 2027

We expect the next leg to be earnings-led, which favours sectors where profits are large and visible (Table 3). Telecoms have the least election-sensitive earnings on the exchange; banks and energy carry the most catalysts.

Table 3: MDU Capital Research sector stance

Sector	Stance	2026 YTD*	Why
Banking	Overweight	+78.9%	Recapitalised; falling funding costs; generous dividends
Oil & gas	Overweight	+133.9%	Dangote listing; dollar earners; NNPC pipeline; FX hedge
Telecoms	Overweight	n/a	Tariff reset and data growth; least election-sensitive
Consumer goods	Overweight (selective)	+2.1%	2026 laggard; disinflation and stable FX restore margins
Industrial goods	Neutral	+83.9%	Cement pricing power, but already re-rated
Insurance	Underweight	−8.6%	Thin margins; illiquidity; recapitalisation dilution

**NGX sector index returns to 30 September 2026. Source: NGX, MDU Capital Research.*

THE ROAD TO 16 JANUARY

What to expect from the 2027 election

Presidential and National Assembly elections take place on **16 January 2027**; campaigns opened on 19 August and INEC has cleared 17–18 presidential candidates. The contest is genuine, but markets are not pricing a winner. **They are pricing the survival of three reforms: petrol-subsidy removal, the unified**

exchange rate and monetary orthodoxy. The main contenders broadly accept all three, and the campaign window is short.

That does not promise a smooth ride. We expect a **5–10% pullback** between December and February as investors bank profits, rhetoric unsettles currency expectations and Dangote's debut adds noise (Table 4). Thereafter FY2026 results, dividends and further rate cuts should take over. *Be confident about the direction; be humble about the path.*

Table 4: A timeline for investors

Window	What to expect	MDU positioning
Now – Dec 2026	Dangote listing and refunds; Q3 results; ASI c.255k at year-end	Build a T-bill buffer; trim frothy small caps
Dec 2026 – Jan 2027	Final campaigning; election spending; 5–10% drawdown risk	Deploy cash in tranches at −5% and −10%
Jan – Mar 2027	Results, possible petitions; FY26 results; relief rally	Add banks and telcos before dividends
Apr – Oct 2027	29 May inauguration; budget; rate cuts; re-rating	Rotate into consumer laggards; hold energy

INVESTMENT THESIS

Five reasons to stay Overweight

1. The macro tailwind is intact. Disinflation and an easing cycle (policy rate to 19–20%, bills towards 14%) lower the discount rate on Nigerian assets.

2. Ownership has changed. About 90% of trading is domestic and foreigners are already net sellers; pension inflows provide a structural bid.

3. Earnings are doing the heavy lifting. Consensus forecasts 24% EPS growth; our base case uses a more cautious 20%.

4. Valuation is undemanding. 11.4x trailing and 9.5x forward, on a PEG roughly half the peer median.

5. Depth is improving. Dangote takes the market to about $166–168bn, NNPC sits behind it and Fitch's outlook is positive.

STRATEGY

What investors should do now

- **Don't sell the election.** Keep the strategic equity weight; the year after a poll has been the market's strongest phase.
- **Keep powder dry.** Hold 10–15% of the equity allocation in Treasury bills (16–17%) and deploy it in tranches if the ASI falls 5% and 10%.
- **Upgrade quality.** Trim stocks that have run far ahead of earnings; recycle into Tier-1 banks, telecoms and dollar-earning energy.
- **Treat Dangote as a strategic holding.** Size it prudently and don't sell quality to fund it; expect volatile price discovery.
- **Position for dividend season** (February–April 2027), which arrives just after the poll.
- **Foreign and diaspora investors:** c.20% base-case dollar return; favour dollar earners and the most liquid names.
- **Watch the right signals.** The naira, liquidity and money flows move before opinion polls do (Table 5).

Table 5: Indicators to watch into the polls

Indicator	Latest	Warning sign
Naira	c.₦1,335/$	Beyond ₦1,450/$, or parallel gap above 10%
Gross reserves	$58.8bn	Below $50bn
364-day T-bill	16.84%	Above 20%
Headline CPI	14.63%	Back above 17%
Broad money	₦146.6trn	Monthly jumps of ₦5trn or more
Market flows	89.8% domestic	Falling domestic turnover; narrowing breadth
Politics	17–18 candidates	Subsidy or FX reversal pledges; disputed results

Source: CBN, NBS, NGX, INEC. Latest data as of September–October 2026.

Risks to our view. A disputed result that runs beyond the first quarter; a reversal of subsidy or exchange-rate reforms; election spending that reignites inflation and stalls rate cuts; a fall in oil (Fitch assumes Brent eases to $70/bbl in 2027); index concentration after the Dangote listing; and earnings disappointments after a 138% two-year rise.

DISCLOSURES

Analyst certification and important disclosures

Analyst certification. The research analysts named on the front page certify that the views expressed in this report accurately reflect their personal views about the markets, sectors and securities discussed, and that no part of their compensation was, is or will be directly or indirectly related to the specific views expressed.

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Stance definitions. *Overweight:* we expect the market or sector to beat Nigerian Treasury bills over 12 months on a total-return basis. *Neutral:* in line with Treasury bills. *Underweight:* below Treasury bills. Targets are 12-month estimates, not guarantees.

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Forward-looking statements and risk. Projections rest on assumptions that may not be realised. Past performance is not a reliable guide to future results; the value of investments can fall as well as rise, and naira assets carry exchange-rate risk.

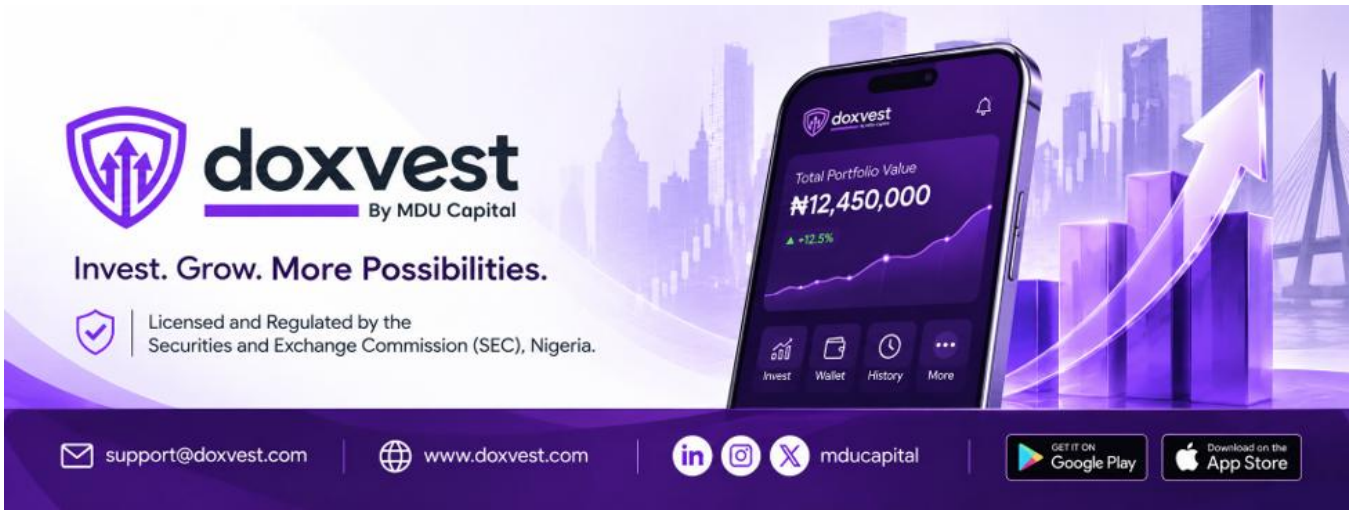
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