

FTSE Russell reclassifies Nigeria to frontier market from Unclassified market status

Event: FTSE Russell has announced the reclassification of Nigeria from "Unclassified" to "Frontier" market status, effective from the open on Monday, 21 September 2026. This development comes after Nigeria was included in a watchlist for possible reclassification to frontier market status in September 2025, following two years of unclassified market status within the FTSE Russell equity indices. FTSE Russell noted that the reclassification was supported by the following:

- The presence of a formal stock market regulatory authority actively monitoring the market.
- No objection, significant restrictions, or penalties applied to the investment of capital or the repatriation of capital and income.
- Market transparency, depth of information/visibility and a timely trade reporting process.
- Presence of penalties and mechanisms to manage failed trades, ensuring settlement discipline and reducing counterparty risk.
- Efficient settlement timeframe (e.g., T+2) with delivery-versus-payment to ensure simultaneous exchange of cash and securities.

Our initial assessments

We believe that the reclassification is very positive for the Nigerian market, especially considering its likely impact on its visibility and credibility to foreign portfolio investors. It may also serve as the first of a few other similar moves by other major index providers, such as the MSCI. The decision is also consistent with the significant reform progress, mostly with respect to or in relation to currency and monetary policy. This progress has reversed the critical drivers of the effective deletion of Nigerian stocks on the index in September 2023, which were mainly related to the difficulties experienced by international investors with respect to the repatriation of capital from the country.

We expect the reclassification to provide support to the Nigerian equities market, with stocks previously linked to the index likely to see notable traction between the announcement and the effective date of 21 September 2026. Thus, stocks such as GTCO and ZENITH in the banking space and MTNN, DANGCEM, SEPLAT, and NESTLE in our non-banking universe are likely to benefit from improved sentiments. The indices' broad sectoral coverage and the material changes to Nigeria's stock market since September 2023 (including huge listings) suggest that the index may eventually capture stocks such as ARADEL.

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The traction in the index coverage names may also catalyse some re-rating, even for other stocks, with investors likely to leverage peers' trading strategies.

We also like that the reclassification coincided with the 2-week ceasefire agreement between the US/Israel and Iran that may support overall investment sentiment. In conclusion, at a time of significant global uncertainty, the decision of FTSE Russell may have paved the way for FPIs to access a relatively stable and improving macro environment powered by clearly communicated reforms. Domestic investors also stand to benefit from a potential re-rating of Nigerian equities to EMEA peer mean levels.

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