



DFC INSIGHT

— The Weekly Report —

March 21, 2025

U.S. Military Escalates Strikes Against Houthi Rebels in Yemen, Risking Economic and Geopolitical Fallout

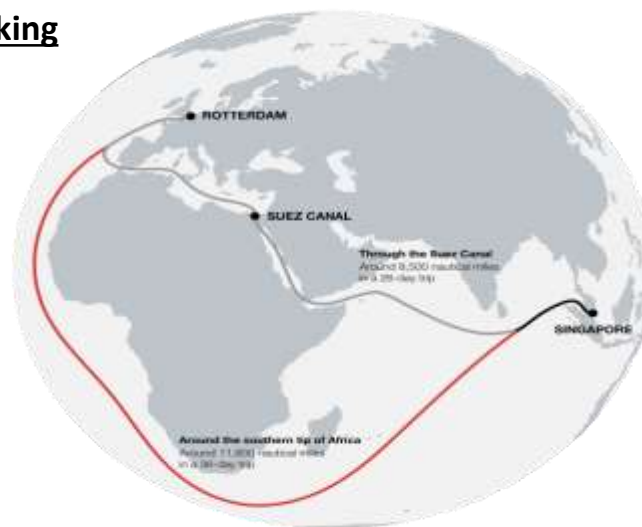
The U.S. military ramped up its operations against Houthi rebels in Yemen on March 15, launching a series of strikes designed to disrupt Houthi attacks on international shipping in the Red Sea.

This action serves as a direct message to Iran, the Houthis' main backer, and signals the U.S.'s commitment to countering Iranian influence in the region. However, the escalation carries the risk of a prolonged conflict with far-reaching economic and geopolitical consequences.

The U.S. strategy includes securing vital maritime trade routes and strengthening alliances with Gulf states amidst the complex Middle Eastern geopolitical landscape. The ongoing crisis in the Red Sea has already impacted global trade, leading to longer transit times and rising shipping costs.

If the situation worsens, especially with increased Iranian involvement, global oil prices could soar, exacerbating inflation and supply chain disruptions worldwide. Additionally, shipping insurance premiums have surged due to heightened risks, further straining global trade.

Prolonged instability in the region could pose serious economic challenges, particularly for energy-importing nations.



Key Economic Development

Inflation Eases While Fuel Sale Disruptions Persist

Nigeria's inflation rate decreased to 23.18% in February 2025, down from 24.48% in January.

Food inflation also eased, falling to 23.51% from 26.08%, while core inflation rose slightly to 23.01% from 22.59%. The decline in overall inflation is attributed to the base year effect and improved macroeconomic stability in February.

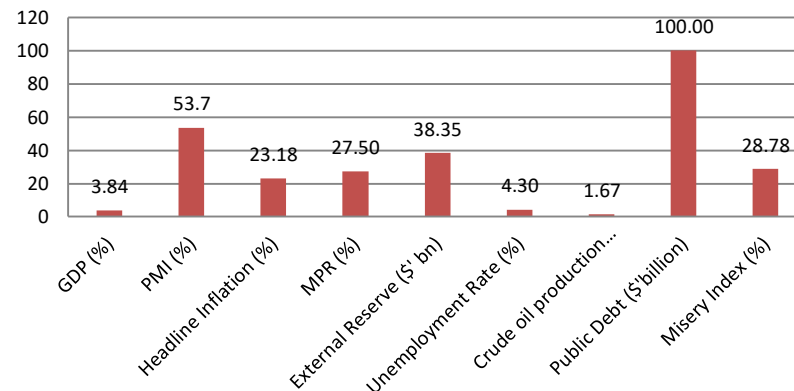
However, analysts warn that inflationary pressures may persist due to the continued influence of the base year effect, highlighting the need for ongoing efforts to address both monetary and structural risks.

In another development, Dangote Refinery has suspended the sale of petroleum products in Naira due to the Federal Government's failure to renew its Naira-for-crude agreement with the Nigerian National Petroleum Company Limited

(NNPCL). NNPCL has faced challenges with its crude oil allocation to foreign creditors for loan settlements, which has disrupted supply to domestic refiners, including Dangote.

With this development, the likelihood of sustaining low petrol prices has diminished, particularly with the ongoing shifts in foreign exchange trends and inflationary pressures.

Macro Indicators

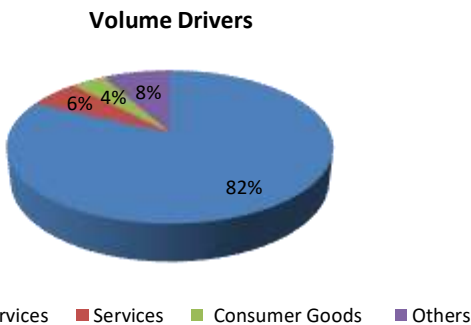


	US	UK	China	Euro Area
GDP Growth Rate (%)	2.30	0.10	1.60	0.00
Interest Rate (%)	4.50	4.50	3.10	2.65
10 Year Govt Bond (%)	4.25	4.72	1.90	3.26
Unemployment Rate (%)	4.10	4.40	5.10	6.20
Inflation Rate (%)	2.80	3.00	-0.70	2.40
PMI (%)	52.70	46.9	50.20	47.60

Equities Market Faces Bearish Pressure Amid Select Buying Interest

The domestic equities market remained bearish due to ongoing selling pressure, particularly on stocks like BUACEMENT and TRANSCORP. However, stocks such as FIDELITYBK and UBA showed some buying interest. A significant event during the week was NB Plc's acquisition of Distell Wines & Spirits. Looking ahead, investors are expected to proceed with caution, awaiting earnings reports and potential actions in the banking sector.

Global markets navigated a complex landscape of policy decisions, trade uncertainties, and changing economic data. U.S. markets showed resilience, bolstered by expectations of rate cuts. European central banks maintained a cautious approach due to inflation and trade concerns, while Asian markets were mixed. Japan saw strong investor inflows, while China's markets struggled despite positive economic data. Investor sentiment will depend on evolving trade dynamics, inflation trends, and monetary policy actions.



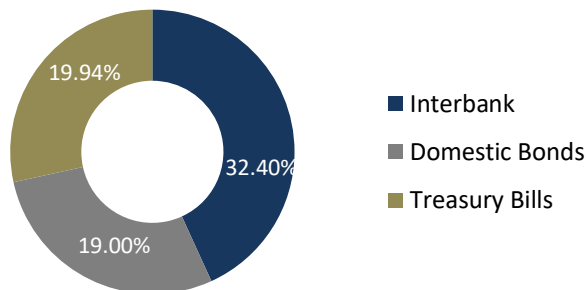
DFC Model Equity Portfolio

Position	Position	Weekly	Year to Date
This Week	Last Week	Return	Return
68,181,090	68,868,745	-0.47%	-1.658%

The DFC Equity Portfolio posted a slight decline of -0.47% for the week, with some stocks showing gains while others fell, resulting in an overall loss. Year-to-date, the portfolio is down by -1.65%. Investors should watch for potential adjustments in underperforming sectors like Oando, Zenith Bank, and Total Energies. Focusing on strong performers like Custodian and Dangote Sugar may help mitigate losses.

Stock Pick

Company	Sector	Current Price	Target Price	Upside	Rating
First Holdco	Financial	27.90	35.20	23%	Buy
WAPCO	Industrial	73.80	80.00	8%	Buy
UACN	Consumer	35.05	43.50	24%	Buy
Cadbury Plc	Consumer	23.00	28.00	22%	Buy
Zenith Bank	Financial	47.55	54.00	13%	Buy



Liquidity in the interbank market remained constrained, despite the inflow of ₦254.8 billion from FGN bond coupons. Funding rates remained high, with the Overnight Policy Rate (OPR) reaching a peak of 32.50% midweek before settling at 32.40%. The Overnight Rate (O/N) also climbed to 32.90%, influenced by NTB auction settlements that drained liquidity.

₦530 billion

In the T-bills market, focus was on long-term papers, with rates rising as the NTB auction neared. ₦800 billion was offered, with ₦503.92 billion allotted, and stop rates increased, particularly for 364-day bills, which peaked at 19.94%.

₦300 billion

The bond market remained subdued, especially for mid-tenor bonds, while the Debt Management Office (DMO) announced an upcoming ₦300 billion bond auction. The Eurobond market saw volatility, with Nigerian yields rising by 4bps to 9.49% amid global risk sentiment and higher oil prices.

₦1,536.89/\$.

Improved dollar supply from the CBN helped stabilize the forex market, with the naira trading within a narrow range and appreciating slightly by week's end.

Commodity Market

The global commodities market closed the week with a mix of gains and losses, driven by a range of geopolitical, economic, and trade-related factors.

While gold and oil prices gained ground on the back of geopolitical tensions and inflation concerns, industrial metals like platinum and palladium struggled as trade uncertainties and slow sector recoveries weighed on their performance.

The outlook for the coming weeks will likely remain influenced by the ongoing global economic recovery and shifts in market sentiment.

	CURRENT	PREVIOUS	CHANGE
Brent	72.06	70.39	2.37%
WTI	68.24	67.02	1.82%
Gold	3,020.70	2,997.90	0.76%
Silver	33.53	34.28	-2.19%
Platinum	980.80	1,008.50	-2.75%
Palladium	963.50	973.50	-1.03%

Outlook

Next week, market liquidity in the money markets is expected to improve slightly with inflows from FAAC disbursements, FGN bond maturity, bond coupons, and NTB credit. However, funding pressures may persist due to FGN bond auction funding and other obligations. The Treasury Bills market is anticipated to remain cautious ahead of the NTB auction, with limited demand expected. In the FGN bond market, a subdued start is likely as investors focus on Monday's auction, where ₦300 billion will be offered.

The Eurobond market will likely remain bearish amid ongoing global uncertainties. The equities market is expected to stay cautious, with investor focus on earnings announcements and corporate actions, while the Naira may continue facing pressure, though the CBN is expected to provide support. In the commodities market, oil and gold prices will likely experience continued volatility due to geopolitical factors and global economic conditions.

Market Data

	CURRENT	PREVIOUS	CHANGE
NGX ASI	105,660.64	104,962.96	0.66%
MARKET CAP	66.26	65.82	0.67%
VOLUM TRADED	7.52	2.90	159%
VALUE OF TRADE	398.94	48.06	730%
DEALS	61,312	57,044	7%

Source: NGX, DFC Research

FOREIGN EXCHANGE			
	CURRENT	PREVIOUS	CHANGE
NAFEM	1,536.82	1,536.89	0.005%
BDC	1,550	1,560	0.64%

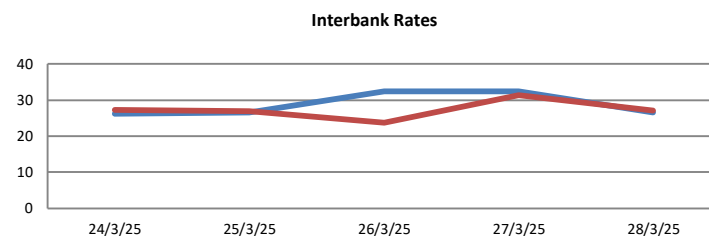
Source: FMDQ, DFC Research

BENCHMARK TREASURY BILL YIELD			
	CURRENT	PREVIOUS	CHANGE
90 DAYS	17.04%	16.78%	0.02
182 Days	18.10%	16.27%	0.10
364 Days	10.05%	18.05%	-0.80

Source: CBN, DFC Research

BENCHMARK FGN BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	18.50%	18.50%	0.00%
10 YEARS	19.22%	18.80%	2.23%
20 YEARS	18.36%	18.12%	1.32%
30 YEARS	17.00%	16.74%	1.55%

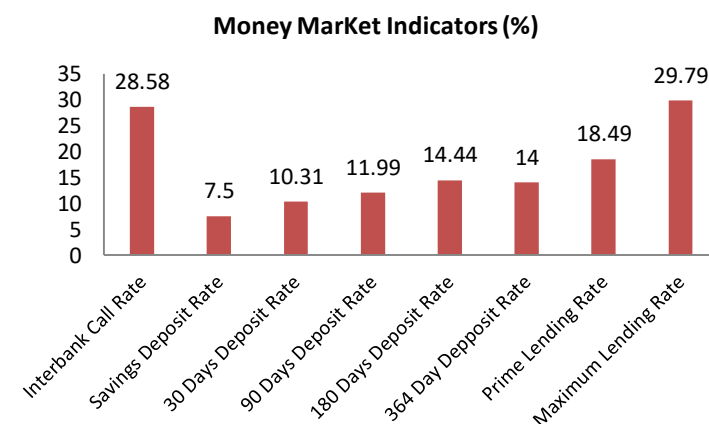
Source: FMDQ, DFC Research



Source: CBN, DFC Research

BENCHMARK FGN EURO BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	9.21%	9.06%	1.66%
10 YEARS	10.02%	9.89%	1.31%
15 YEARS	10.28%	10.18%	0.98%
30 YEARS	10.60%	10.50%	0.95%

Source: FMDQ, DFC Research



Source: CBN, DFC Research

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