ASSET MANAGEMENT

DFC INSIGHT

The Weekly Report

May 9, 2025

Trump's Middle East Tour: U.S. Power Projection and Its Implications for Gulf Markets

U.S. President Donald Trump's planned official visit to the Middle East from May 13–16 signals a renewed assertion of American influence in a region critical to global energy flows, dollar liquidity, and geopolitical alignment.

With stops expected in Saudi Arabia, the UAE, and Qatar, the visit underscores Washington's intent to recalibrate its Gulf partnerships amid intensifying U.S.-China competition and a reshaped global energy order.

From a market perspective, the visit could catalyze renewed commitments to U.S.-backed defense and infrastructure spending in the Gulf, alongside potential energy coordination aimed at stabilizing oil prices. Any public alignment on these fronts could provide short-term support to regional equity indices, particularly in defense, logistics, and industrial sectors, and may influence forward guidance from Gulf sovereign wealth funds increasingly courted by Washington.

At the same time, Trump is expected to push Gulf leaders to scale back strategic ties with China—especially in sectors like telecoms, AI, and port infrastructure. This may lead to policy friction within the GCC bloc and could pose longer-term risks to Gulf diversification strategies reliant on Eastern capital and technology. Markets may interpret any such realignment as a signal of increased geopolitical bifurcation, with implications for foreign direct investment patterns and cross-border capital flows.

Ultimately, the visit marks a litmus test for the durability of the U.S.-Gulf axis at a time when the region faces both internal fragmentation and external courtship from rival global powers. Investors should monitor not only headline outcomes, but also the tone of bilateral statements and any follow-on commercial or military agreements, which could materially shift the near-term risk and opportunity landscape in the GCC.

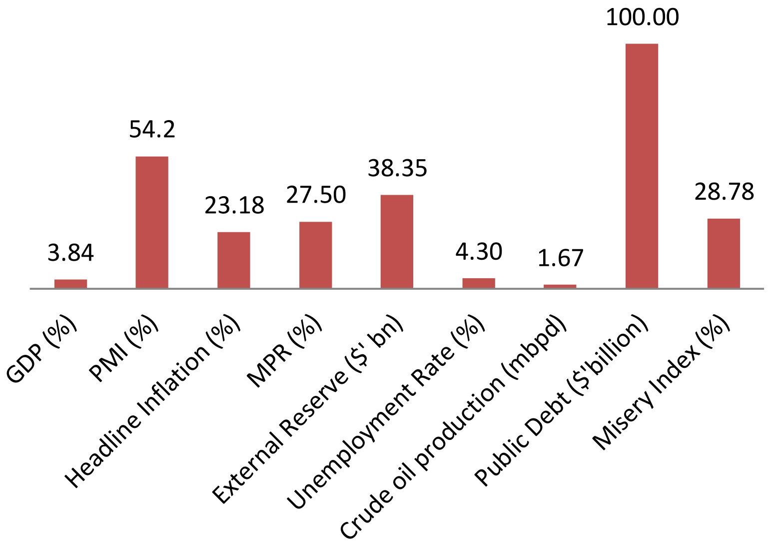
Nigeria Passes Tax Reforms, Keeps VAT at 7.5%, Clears $3.4B IMF Debt

This past week marked a significant step forward in Nigeria's economic policy landscape, as the Senate successfully passed four comprehensive tax reform bills aimed at modernizing the nation's fiscal framework.

While the Value Added Tax (VAT) rate was maintained at 7.5%, the reforms introduced a series of strategic exemptions specifically designed to ease the financial burden on households and support the growth of small and medium-sized enterprises (SMEs). These measures are expected to stimulate domestic economic activity and enhance compliance across key sectors.

In a parallel move to strengthen Nigeria's industrial base, the Federal Executive Council (FEC) gave its approval to the "Renewed Hope Nigeria First Policy." This initiative underscores a renewed commitment to prioritizing local production, reducing import dependency, and fostering sustainable job creation through targeted investments in homegrown industries.

On the international front, Nigeria demonstrated a measure of fiscal discipline by fully repaying the $3.4 billion loan it received from the International Monetary Fund (IMF) during the peak of the COVID-19 crisis. This repayment, while occurring amid broader concerns about the country's rising public debt, signals a willingness to honor financial obligations and could enhance investor confidence in the country's economic trajectory.



	US	UK	China	Euro Area
GDP Growth Rate (%)	2.40	0.10	1.60	0.00
Interest Rate (%)	4.50	4.50	3.10	2.65
10 Year Govt Bond (%)	4.49	4.76	1.65	3.16
Unemployment Rate (%)	4.20	4.40	5.40	6.10
Inflation Rate (%)	2.40	2.80	-0.10	2.20
PMI (%)	50.20	44.90	50.50	48.60

Equities Market Report

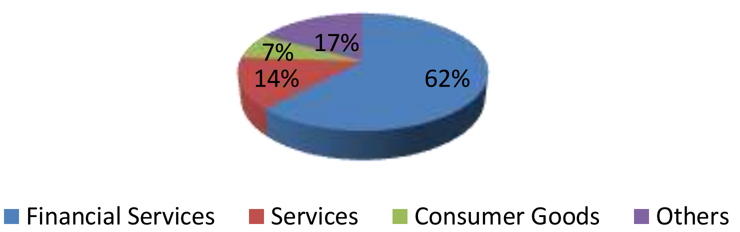
The NGX All-Share Index advanced by 2.54% to close at 108,733.40, buoyed by strong performances from non-bank blue-chip stocks such as MTN Nigeria (MTNN), Dangote Cement, Nestlé Nigeria, and Transcorp Hotels.

Several equities reached new 52-week highs, underscoring growing investor confidence. Meanwhile, Golden Breweries was suspended from trading due to delays in regulatory filings, and Wema Bank's ongoing rights issue remains open to shareholders until May 21.

On the global stage, equity markets delivered a mixed performance as renewed optimism surrounding U.S.-China trade relations tempered investor caution. Positive developments in trade negotiations, including a new trade agreement between the U.S. and the U.K., provided some uplift to global sentiment.

European markets ended mostly higher, with gains led by Germany and Italy. In Asia, markets rallied following supportive policy measures by China's central bank and a weaker yen that helped boost Japan's Nikkei index.

Market Drivers



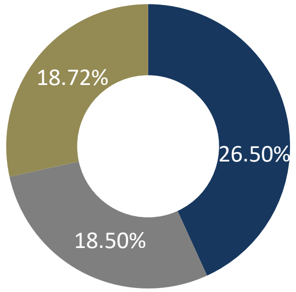
DFC Model Equity Portfolio

Position This Week	Position Last Week	Weekly Return	Year to Date Return
68,097,335	66,747,650	2.02%	-1.77%

The DFC Model Portfolio gained 2.02% week-on-week, driven by broad sector recovery—especially in industrials, banking, and consumer goods. Strong performances from Dangote Sugar, Stanbic IBTC, and GTCO supported the weekly rebound. Year-to-date, however, the portfolio is down 1.77%, weighed by earlier sharp losses in Oando (-34.70%), Aradel (-15.89%), and Conoil (-14.46%). While improved sentiment around tier-1 banks and a stabilizing energy sector could support near-term gains, persistent volatility in mid-cap stocks and the negative YTD return remain key concerns.

Stock Pick

Company	Sector	Current Price	Target Price	Upside	Rating
First Holdco	Financial	24.95	35.20	23%	Buy
Access Corp	Financial	23.70	32.00	35%	Buy
UACN	Consumer	32.90	43.50	32%	Buy
Fidelity Bank	Financial	19.50	23.44	20%	Buy
Zenith Bank	Financial	45.20	54.00	13%	Buy



- Interbank liquidity remained relatively robust during the week, despite significant outflows from the financial system. These included a ₦756.74 billion settlement from Open Market Operations (OMO), a net settlement of ₦310.35 billion in Nigerian Treasury Bills (NTBs), and additional foreign exchange (FX) debits. Liquidity was partially cushioned by ₦239.15 billion in OMO maturities, which helped moderate the overall tightening effect on funding conditions.

  In the money market, the Open Repo Rate (OPR) held steady at 26.50%, reflecting stable short-term borrowing costs. However, the Overnight (O/N) lending rate rose by 12 basis points week-on-week to close at 26.95%, signaling mild pressure in the interbank market as a result of the liquidity drain.

₦598.33 billion

Bearish sentiment prevailed in the early treasury bills market, as sellers actively offloaded March and April OMO papers, while buyers remained cautious ahead of the auctions. Despite the cautious tone, the NTB auction attracted robust demand, with total subscriptions reaching ₦1.08 trillion. The CBN allotted ₦598.33 billion, exceeding the ₦550 billion initially offered. Stop rates remained unchanged at 18.00% for the 91-day and 18.50% for the

18.72%.

FGN bond trading remained subdued as investors awaited auctions; light retail trades occurred in Apr 2029, Feb 2031, May 2033, Jul 2034. Thin volumes kept the benchmark mid-yield at 18.72%.

₦1,609.64 /$

This week, USD/NGN traded volatile at ₦1,604–₦1,610, closing at ₦1,609.64 after exporters and CBN's ₦270 m interventions. Reserves rose $86.66 m to $38.09 bn; naira weakened 46.5 bps w/w amid global uncertainty.

Commodity Market

Global commodity markets closed the week on a positive note, driven by a mix of easing trade tensions and shifts in currency dynamics. Oil prices saw notable gains, with Brent Crude rising by 1.7%, closing at $63.91 per barrel, and WTI Crude increasing by 1.85%, settling at $61.02 per barrel.

This upward movement was fueled by optimism surrounding easing US-China trade tensions and positive sentiment surrounding potential trade deals between the UK and the US. These factors spurred hopes of stronger demand moving forward.

Meanwhile, precious metals also enjoyed a boost. Gold climbed 1.4%, supported by a weaker US dollar, which provided a more favorable environment for the yellow metal. Silver followed suit, also benefiting from the dollar's decline and broader market sentiment.

	CURRENT	PREVIOUS	CHANGE
Brent	63.59	61.22	3.87%
WTI	60.65	58.16	4.28%
Gold	3,248.60	3,237.70	0.34%
Silver	32.94	32.17	2.39%
Platinum	1,002.00	967.20	3.60%
Palladium	986.00	952.00	3.57%

Outlook

System liquidity is anticipated to improve next week, with a ₦230 billion OMO maturity expected to inject some relief, potentially stabilizing short-term interest rates around 26.5%. However, any move by the CBN to conduct an OMO auction could lead to tighter liquidity conditions, pushing rates up to around 32.5%. In the treasury bills market, we expect a mixed trading environment, influenced by fluctuating liquidity levels and the outcomes of upcoming auctions.

In the FGN bond market, we foresee continued selective buying, particularly in longer-dated bonds that offer attractive yields. Meanwhile, in the Eurobond market, sentiment remains cautious, and trading activity is likely to slow as investors await the U.S. Federal Reserve’s upcoming policy decision.

The Naira is expected to remain stable within its current trading bands, with potential support from the CBN if needed to maintain stability. In commodity markets, the primary drivers will continue to be OPEC decisions, with recent signs of improving US-China relations providing some cautious optimism, though this is unlikely to significantly shift broader market trends in the short term.

Market Data

	CURRENT	PREVIOUS	CHANGE
NGX ASI	108,733.40	106,042.57	2.54%
MARKET CAP	68.34	66.65	2.54%
VOLUME TRADED	2.65	2.20	20%
VALUE OF TRADE	77.00	75.41	2%
DEALS	86,110	70,329	22.44%

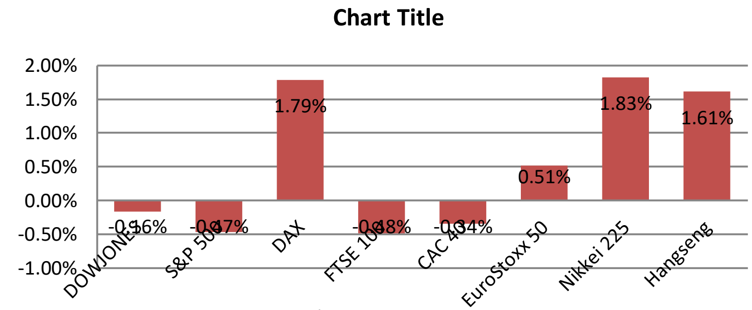
Source: NGX, DFC Research

FOREIGN EXCHANGE			
	CURRENT	PREVIOUS	CHANGE
NAFEM	1,609.64	1,602.18	-0.47%
BDC	1,630	1,610	-1.24%

Source: CBN, DFC Research

BENCHMARK TREASURY BILL YIELD			
	CURRENT	PREVIOUS	CHANGE
90 DAYS	17.80%	17.00%	0.04
182 Days	18.36%	18.55%	-0.01
364 Days	19.30%	19.37%	-0.004

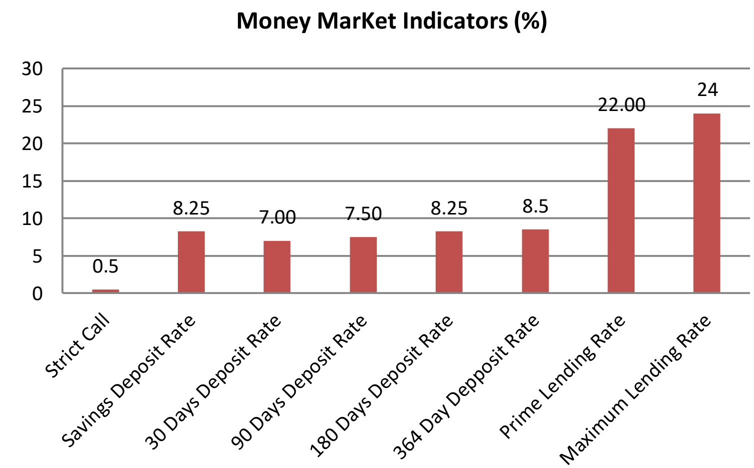
Source: FMDQ, DFC Research



Source: FMDQ, DFC Research

BENCHMARK FGN BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	19.43%	19.62%	-0.97%
10 YEARS	19.53%	19.62%	-0.46%
20 YEARS	18.37%	18.37%	0.00%
30 YEARS	17.04%	17.15%	-0.64%

Source: CBN, DFC Research



Source: CBN, DFC Research

BENCHMARK FGN EURO BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	9.63%	9.91%	-2.83%
10 YEARS	10.60%	10.75%	-1.40%
15YEARS	10.75%	10.88%	-1.19%
30 YEARS	11.12%	11.32%	-1.77%

Source: FMDQ, DFC Research

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