



DFC INSIGHT

— The Weekly Report —

May 16, 2025

U.S.–China Trade Truce Eases Market Pressures

In a significant and unexpected development over the weekend, senior U.S. and Chinese officials concluded trade negotiations in Geneva with a provisional agreement that marks a notable de-escalation in bilateral economic tensions.

The two sides agreed to a 90-day partial rollback on tariffs, with China reducing duties on U.S. goods to 10% and the U.S. scaling back rates on Chinese imports to 30%.

While the tariff reductions are modest in scale, the diplomatic breakthrough has injected cautious optimism into global markets, which had priced in a prolonged period of U.S.–China standoff. The speed and outcome of the talks surprised many observers, particularly given the historically strained relations and high-stakes posturing from both governments.



Sources close to the negotiations attribute the outcome to an unexpectedly constructive atmosphere during informal sessions. U.S. Trade Representative Jamieson Greer remarked that the informal setting—reportedly an outdoor meeting area in the Geneva countryside—facilitated personal rapport among delegates, accelerating consensus on key issues.

It remains unclear whether this truce signals a lasting realignment or a brief respite in a broader geopolitical rivalry. DFC will continue to monitor trade and strategic indicators closely, as this pause in tensions could impact asset pricing, global supply chain risk, and sectoral exposure across Asia-Pacific and North America.

Inflation Eases Slightly, Private Sector Maintains Growth Momentum, and MPC Decision Looms

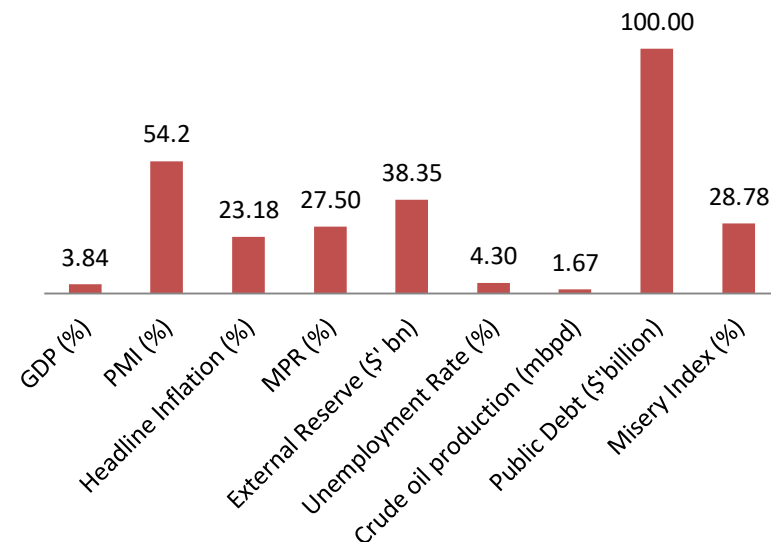
Nigeria's inflation eased marginally to 23.71% in April, down from 24.23% in March. This marked the fourth consecutive month of food price moderation and the first recorded decline in core inflation so far this year, suggesting tentative progress in taming persistent price pressures.

However, inflationary forces remain entrenched. Rising energy costs, continued weakness in the foreign exchange market, and elevated transportation and input expenses are still exerting upward pressure on overall prices, posing challenges to broader economic stability.

As the Central Bank of Nigeria's Monetary Policy Committee (MPC) prepares to meet on May 19–20, market expectations point toward a likely hold on the benchmark interest rate at 27.50%. The CBN is expected to maintain its cautious monetary stance, balancing the need to curb inflation with the fragile stability of the broader economy and a backdrop of mixed economic signals.

Meanwhile, private sector activity stayed in expansion territory, with the Composite Purchasing Managers' Index (PMI) posting a solid reading of 52.2. Growth was primarily driven by stronger performance in the manufacturing and services sectors, although the agriculture segment experienced a modest slowdown.

Improvements in foreign exchange stability, a gradual easing of price pressures, and firming domestic demand are helping to sustain economic momentum as Nigeria moves further into the first half of 2025.



	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

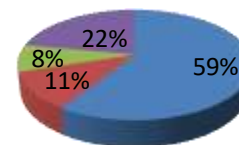
Equities Market Report

The Nigerian equities market wrapped up the week on a positive trajectory, extending its winning streak to four consecutive sessions. The rally was underpinned by sustained investor confidence, robust sectoral performances, upbeat market sentiment, and a wave of dividend declarations that lifted investor enthusiasm.

By week's end, the NGX All-Share Index (ASI) advanced by 0.90%, closing at 109,719.37 points—up from 108,733.40 points in the previous week. Similarly, market capitalisation rose to ₦68.95 trillion, compared to ₦68.34 trillion a week earlier, reflecting renewed momentum in the local bourse.

Global stocks surged this week as the U.S. and China agreed to suspend most tariffs for 90 days, easing trade tensions. The Nasdaq led U.S. gains with a 7.15% jump, while the S&P 500 rose 5.27% and the Dow added 3.41%. European indices also advanced, with the STOXX 600 up 2.10% and strong performances across Germany, France, Italy, and the UK. In Asia, Japan's Nikkei rose 0.67%, and China's CSI 300 and Hong Kong's Hang Seng gained 1.12% and 2.09%, respectively. Optimism was further fueled by a major U.S.-Saudi AI chip deal and hopes for broader tariff reductions.

Market Drivers



■ Financial Services ■ Services ■ Consumer Goods ■ Others

DFC Model Equity Portfolio

Position This Week	Position Last Week	Weekly Return	Year to Date Return
68,973,750	68,097,335	1.29%	-0.50%

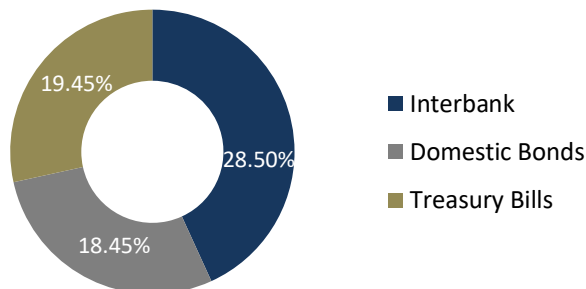
The DFC Model Equity Portfolio posted a positive return of +1.29% week-on-week (WoW), further partially reversing recent negative momentum.

Despite the uptick, year-to-date performance remains negative at -0.50%, underscoring broader market volatility and sector-specific headwinds.

Gains were largely driven by MTNN, Oando, Transcorp, and StanbicBTC, while underperformance in AIICO, Seplat, GTCO, and FirstHoldCo limited upside.

Stock Pick

Company	Sector	Current Price	Target Price	Upside	Rating
First Holdco	Financial	24.60	35.20	23%	Buy
Access Corp	Financial	22.30	32.00	35%	Buy
UACN	Consumer	33.00	43.50	32%	Buy
Fidelity Bank	Financial	20.30	23.44	20%	Buy
Zenith Bank	Financial	48.00	54.00	13%	Buy



■ Interbank liquidity conditions fluctuated over the week. The market opened with a surplus of ₦684.79 billion, but this narrowed to ₦423.82 billion due to CRR debits and FX settlements. As a result, funding pressures mounted midweek, pushing the Overnight (O/N) rate to a high of 29.42%, while the Overnight Policy Rate (OPR) climbed to 28.50%.

However, liquidity improved following ₦175 billion in FGN bond coupon inflows, which helped ease rates. By the end of the week, the OPR and O/N rates moderated to 26.50% and 26.96%, respectively—both within the prevailing 26.5%–27% corridor.

19.45%

The T-bills market saw moderate bullish sentiment this week, fueled by selective demand, especially along the mid-to-long segment of the curve. Early activity was muted, with interest skewed towards longer tenors amid tight supply. Demand picked up midweek, particularly for March–May maturities, although wide bid-offer spreads kept trade volumes light. Strong buying interest in OMO papers—especially August 2025, December 2025, and January 2026 maturities—drove market momentum.

₦300 billion

The Debt Management Office (DMO) launched a ₦300 billion 7-year Ijarah Sukuk at a 19.75% yield. Overall, benchmark bond yields rose 12 basis points week-on-week, ending at an average mid-yield of 18.84%.

₦1,600.78 /\$

The naira traded on a broadly supported note through the week, buoyed by improved FX liquidity, foreign investor inflows, and reduced corporate dollar demand. The Central Bank of Nigeria remained largely absent from the market, only making a minor appearance on Friday. The USD/NGN pair fluctuated within the ₦1,595–₦1,603 range, with the official fixing falling to ₦1,600.78 midweek before a slight rebound.

Commodity Market

Global commodity markets wrapped up the week with a mixed performance, as varying economic and geopolitical factors influenced different asset classes. Precious metals, including gold and silver, experienced notable declines. This downturn was largely driven by a strengthening U.S. dollar, which makes dollar-denominated commodities more expensive for foreign buyers, thereby reducing demand.

Additionally, a de-escalation in geopolitical tensions—particularly in regions that had previously fueled investor anxiety—led to diminished interest in traditional safe-haven assets like gold.

In contrast, the energy sector showed signs of resilience. Both Brent and West Texas Intermediate (WTI) crude oil prices posted modest gains. The upward movement was supported by growing optimism over the improving trade relationship between the United States and China, two of the world's largest economies.

	CURRENT	PREVIOUS	CHANGE
Brent	65.42	63.59	2.88%
WTI	62.59	60.65	3.20%
Gold	3,187.40	3,248.60	-1.88%
Silver	32.37	32.94	-1.73%
Platinum	988.30	1,002.00	-1.37%
Palladium	986.00	986.00	0.00%

Outlook

The Nigerian financial market is expected to see a mixed performance in the coming week, driven by a surge in system liquidity and cautious investor sentiment ahead of key policy events. A combined ₦1.14 trillion in OMO maturities and ₦101 billion in net NTB inflows will significantly boost liquidity, likely pushing interbank rates lower, possibly toward the 26.5% floor.

Despite the improved liquidity, activity in the Treasury Bills and bond markets is likely to remain subdued, as investors adopt a cautious stance ahead of the upcoming Monetary Policy Committee (MPC) meeting and NTB auction. Bond trading is expected to be limited, with market participants waiting for policy clarity before taking positions.

In the Eurobond segment, trading is expected to remain active, influenced by crude oil price volatility and global geopolitical developments, particularly related to U.S. tariffs. Meanwhile, the naira is projected to stay stable around current levels, supported by steady FX inflows and the likelihood of CBN intervention if necessary.

Overall, while short-term rates may ease due to improved liquidity, broader market activity will likely remain restrained until the outcome of the MPC meeting provides clearer direction.

Market Data

	CURRENT	PREVIOUS	CHANGE
NGX ASI	109,710.37	108,733.40	0.90%
MARKET CAP	68.95	68.34	0.89%
VOLUME TRADED	2.61	2.65	-2%
VALUE OF TRADE	63.79	77.00	-17%
DEALS	78	86,110	-99.91%

Source: NGX, DFC Research

BENCHMARK TREASURY BILL YIELD			
	CURRENT	PREVIOUS	CHANGE
90 DAYS	17.80%	17.80%	0.00
182 Days	14.87%	18.36%	-0.23
364 Days	19.40%	19.30%	0.005

Source: FMDQ, DFC Research

BENCHMARK FGN BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	19.45%	19.43%	0.10%
10 YEARS	19.44%	19.60%	-0.82%
20 YEARS	18.38%	18.36%	0.11%
30 YEARS	17.08%	17.05%	0.18%

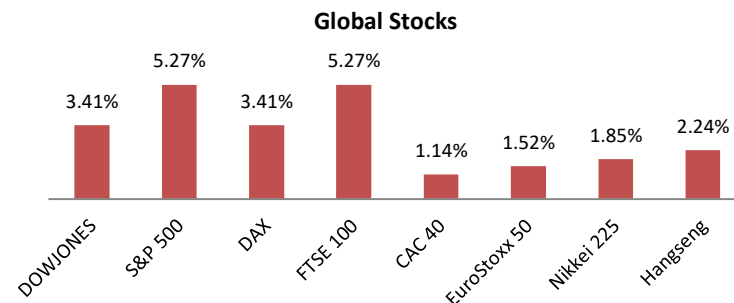
Source: CBN, DFC Research

BENCHMARK FGN EURO BOND YIELD			
	CURRENT	PREVIOUS	CHANGE
5 YEARS	9.15%	9.63%	-4.98%
10 YEARS	10.17%	10.60%	-4.06%
15 YEARS	10.34%	10.75%	-3.81%
30 YEARS	10.72%	11.12%	-3.60%

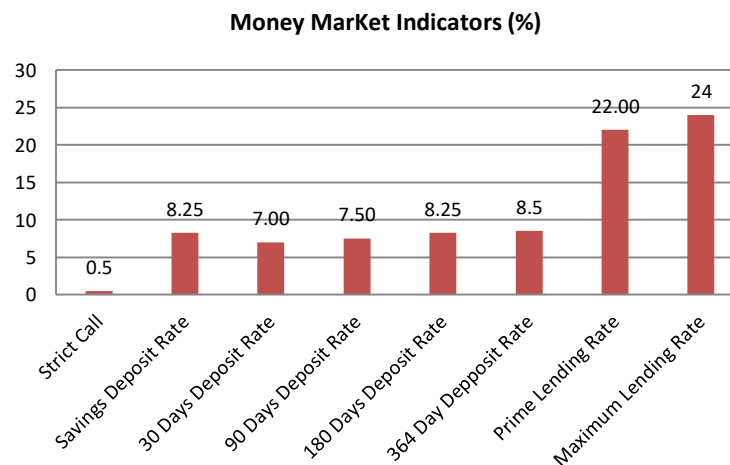
Source: FMDQ, DFC Research

FOREIGN EXCHANGE			
	CURRENT	PREVIOUS	CHANGE
NAFEM	1,598.72	1,609.64	0.68%
BDC	1,620	1,630	0.61%

Source: CBN, DFC Research



Source: FMDQ, DFC Research



Source: CBN, DFC Research

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