Stocks Struggle for Direction Amid Earnings Misses and Policy Caution

United States:

The S&P 500 held near all-time highs, fluctuating modestly as investors weighed earnings reports against macroeconomic data. Investor sentiment was buoyed by signs of inflation moderation and expectations for policy support, but optimism was measured. Rate-sensitive sectors, particularly tech and consumer discretionary, outperformed early in the week before paring gains. US Treasury yields fell this week as dovish US Fed rhetoric gained momentum. Governor Christopher Waller reiterated his support for a July rate cut, citing softening labor market conditions and subdued inflation expectations. Markets welcomed the shift in tone, especially after University of Michigan data showed one-year inflation expectations declined to 4.4% from 5.0%. Despite this, traders remain cautious, assigning near-zero probability to a July cut, with just 0.45% of easing priced in by year-end, down from 0.65% earlier this month.

European Markets:

European equities posted a mixed week as earnings remained the key driver. The Stoxx 600 snapped a four-day losing streak on Thursday, lifted by upbeat results from Legrand, ABB, and chipmakers, but gains faded Friday as GSK tumbled by 6.0% on regulatory setbacks. Broader sentiment was tempered by US tariff threats and political noise after reports signalling that Trump considered firing Fed Chair Powell. July volatility persists, with the Stoxx 600 still 2.9% below its March peak. Meanwhile, EU leaders proposed a €2tn long-term budget and approved fresh sanctions on Russia, reinforcing fiscal and geopolitical risk themes.

The Asian Markets:

Asian equities rose during the week, led by tech optimism after TSMC delivered a bullish sales outlook, lifting Taiwan's Taiex and pushing the MSCI Asia Pacific Index toward its first weekly gain in 3 weeks. Hong Kong's Hang Seng surged to a 3-year high, aided by financials and chip stocks. China's market saw moderate gains as Beijing sought to boost consumption and curb price wars, although sentiment remains split between strong industrial output and weak consumer demand. Uncertainty over US tariff moves and Fed leadership kept volatility muted early in the week, while easing political risk in China and stimulus hopes added to the tailwinds. Japan underperformed ahead of Sunday's election.

Global Market Snapshot

Market	Index	w/w
US	S&P 500	0.5%
US	DJIA	(0.1%)
US	NASDAQ	1.4%
Germany	DAX	0.1%
France	CAC	(0.1%)
Europe	STOXX	(0.1%)
UK	UK FTSE	0.5%
Brazil	IBOV	(1.0%)
India	SENSEX	(0.9%)
China	SCHOMP	0.7%
S/Africa	JALSH	1.5%
Kenya	NSE	(0.7%)
Ghana	GSE	0.4%
Nigeria	NSEASI	4.3%
BRVM	ICXCOMP	0.3%

Source: Bloomberg, United Capital Research

The Crude Oil Market:

Brent crude rebounded above $84/bbl., lifted by fresh EU sanctions on Russian oil exports and stronger risk sentiment. Similarly, WTI rose after the EU approved a lower price cap and imposed new restrictions on Russia-linked refined products. While the crude flow impact may be limited, the move reinforces bullish momentum amid seasonal demand strength and lingering Middle East supply concerns. Backwardation in the futures curve points to ongoing tightness, even as OPEC+ gradually unwinds output cuts.

Looking forward, global markets will take direction from a heavy slate of corporate earnings, particularly from US tech and consumer giants, with Tesla and Meta among the most closely watched. Investors will also monitor flash PMIs across the US, Eurozone, and UK for clues on global demand momentum, especially after signs of softness in Europe. The ECB meets on Thursday, and while no rate move is expected, markets will scrutinize any dovish tilt in guidance following recent weak inflation data. In Japan, the Bank of Japan's summary of opinions may offer hints on policy recalibration. Meanwhile, geopolitical risks and commodity price moves, particularly in oil, remain active background drivers.

Macroeconomic Highlights

Nigeria's average daily crude oil production rose above the quota allocated to it by the Organisation of the Petroleum Exporting Countries in June 2025. For the second time in 2025, the country exceeded its OPEC quota of 1.5 million barrels per day. First in January and second in June. The average daily crude production was 1,505,474 barrels in June, representing 100.4% of the OPEC quota.

Meanwhile, the House of Representatives disclosed that the enactment of the Petroleum Industry Act (PIA 2021) has yielded remarkable results, with more than $16bn in investment commitments and significant improvements in oil production. Nigeria earned N50.88tn in revenue from crude oil and gas exports in 2024 and is projected to earn more at the end of 2025.

Nigeria's headline inflation rate saw a modest dip in June 2025, easing to 22.22% from 22.97% in May. This 0.75% decrease suggests a slight slowdown in the overall pace of consumer price increases. However, food inflation edged up slightly to 21.97% in June from 21.14% in May (an increase of 0.83%), while core inflation also rose to 22.76% from 22.28% over the same period.

The Federal Government is eyeing a 17% year-on-year growth in real output, targeting an increase in real Gross Domestic Product to N23.2tn by

Domestic Macro Variables

GDP	3.8%
Inflation	22.2%
MPR	27.5%
Brent Crude	$70.45/b
External Reserv es	$37.6bn

Source: CBN, Bloomberg, United Capital Research implementing a new bill mandating 30% value addition to raw materials before export.

Looking ahead, we expect the National Bureau of Statistics to release the Q1-2025 Rebased GDP Report. We also expect the Monetary Policy Committee (MPC) to hold their 3rd meeting of the year.

Domestic Equities: The Bulls Maintained Momentum…NGX-ASI Up by 4.31% w/w

The market opened for Four trading days in the week under review as the Federal Government declared Tuesday 15 July 2025 as public holiday to mourn the death of former President Mohammadu Buhari. The domestic equities market closed on a positive note as at the end of the week, as bullish sentiment dominated trading. Notably, share price appreciation in DANGCEM (+16.47% w/w) pulled the main index higher. Also worthy of mention are buy interests in BUACEMEN (+31.28% w/w), NESTLE (+20.00% w/w), STANBIC (+18.38% w/w), FIRSTHLD (+16.47% w/w) and WAPCO (+7.55% w/w). As a result, the benchmark NGX-ASI improved by 4.31% to close at 131,586.20 points, bringing the year-to-date (YTD) return to a steady 27.84% and strengthening market capitalisation to N83.24tn. In terms of trading, market activity improved as the average value and volume of stocks traded climbed by 485.27% and 308.41% to print at N125.19bn and 4.37bn units, respectively. Market breadth was positive however, investors' sentiments declined to 1.02x (previously, 5.00x), 51 stocks appreciated while 50 depreciated.

Meanwhile, on a sectorial level, performance was Bullish as Three (3) out of the Five (5) sectors under our coverage closed in the green territory. The Industrial sector (+19.17% w/w) led the gainers due to buy-interests in DANGCEM (+16.47% w/w) and BUACEMEN (+31.28% w/w). Following, was the Banking sector (+5.37% w/w) on the back of share price appreciation in UBA (+5.86% w/w) and ACCESSCO (+8.27% w/w). The Consumer Goods sector (+1.33% w/w) followed on the back of share price appreciation in NESTLE (+20.00% w/w) and NB (+5.71% w/w). On the other side of the coin, the Insurance sector (-3.85% w/w) led the laggards owing to sell offs in NEM (-9.09% w/w) and WAPIC (-9.02% w/w). Following was the Oil and Gas sector (-0.76% w/w) on the back of selloffs in CONOI (-9.98% w/w) and MRSOIL (-4.11% w/w).

Looking forward, the equities market might continue in its upward trend leading to a slight gain in the ASI. This is hinged on investors positioning for Q2-earning season, favoring corporates with FX gains, cost control, clear

Market Indicators

Mkt Cap (tr ' N)	78.1
Mkt Cap (m' $)	51,211.2
P/E(x)	7.8
P/BV(x)	2.2
Div Yield	3.3%
14-day RSI	92.8

Index	Close	w/w chg	YTD Rtn
NGX-ASI	131,585.2	4.3%	27.8%
Banking	1,536.1	5.4%	41.6%
Consumer Goods	2,818.5	1.3%	62.8%
Industrial Goods	4,386.8	19.2%	22.8%
Insurance	871.1	(3.6%)	21.3%
Oil & Gas	2,427.3	(0.8%)	(10.5%)

Source: NGX, United Capital Research

growth trajectory, and those with potential for quality interim dividend payment. Similarly, while positive sentiment may persist, it is likely to be tempered by profit taking activities and NT-Bills market auction. We advise investors to cherry pick fundamentally sound stocks with potential for impressive half year performance and interim dividend payment.

Money Market: System Liquidity Tightens

The financial system opened the week under review with a deficit balance of N280.57bn. During the week, system liquidity remained deflated in the absence of any major inflow into the financial system. As a result, there was an increased borrowing by banks via the Standing Lending Facility (SLF) to meet their obligations. That said, the financial system closed the week with a deficit balance of N659.92bn. Consequently, the average Open Repo Rate (OPR) and Overnight Rate (OVN) climbed by 3.03% w/w and 2.82% w/w from 29.25% and 29.85% to settle at 32.28% and 32.67%, respectively.

Meanwhile, trading activity in the secondary NT-Bills market was muted as investors remained on the sidelines, awaiting direction from the Central Bank on interest rates for Q3-2025. As a result, the average yield on NT-Bills declined marginally by 0.01% w/w to close at 18.34% (previously 18.35%). Similarly, the average yield on OMO bills decreased marginally by 0.01% w/w to settle at 24.66% (previously 24.67%).

Looking ahead, investors' attention will be focused on the Monetary Policy Committee (MPC) meeting scheduled for July 21st & 22nd. Key considerations for the MPC include persistent inflationary pressure, Naira depreciation, capital flights, and global economic trends. The outcome of the meeting will be significant in determining the direction of the interest rate environment for Q3-2025. Meanwhile, the Central Bank is also expected to conduct an NT-Bills auction with an offer size of N290.00bn across the 91-day, 182-day, and 364-day bills. At the auction, we expect stop rates to taper amid strong investor demand.

Bond Market: Bullish Sentiments Persist in the Secondary Market

The secondary bond market was bullish in the week under review, driven by the downward pressure on rates in the fixed-income market. Thus, the average bond yield fell by 0.20% to settle at 16.62% (previously 16.82%). In the

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OPR	32.3%	0.8%
O/N	32.7%	0.5%
3m	16.1%	(0.1%)
6m	17.9%	(0.5%)
12m	18.3%	(1.1%)
Bonds	**Yield**	**w/w chg**
3yrs	16.8%	(0.2%)
5yrs	16.8%	0%
7yrs	16.9%	(0.3%)
10yrs	16.3%	(0.4%)

FX	Close	w/w chg
NAFEM	1,533.1	(0.19%)

same vein, activities were bullish in the corporate bond market, as the average yield on corporate bonds decreased by 0.42% to settle at 19.21% (previously 19.63%).

In the Nigerian secondary Eurobonds market, we witnessed cautious trading activities among investors as global trade tensions and uncertainties rise. As a result, the average yield in the market climbed by 0.20% w/w to settle at 8.70% (previously 8.50%).

Looking forward, we expect investors to maintain a standoffish approach in the secondary bond market as they await the outcome of the MPC's meeting. Meanwhile, we expect sustained cautious trading activities among investors in the Nigerian Eurobonds market.

Currency Market: Naira Depreciated at the Official Market

This week, the Naira depreciated by 0.19% w/w at the official market to close at N1,533.11/$, from its previous close of N1,530.26/$. Similarly, the Naira depreciated by 0.65% at the parallel market to settle at N1,530.00/$ from its previous close of N1,540.00/$. Lastly, Nigeria's external reserves rose by 0.92% to settle at $37.778bn (previously, $37.432bn).

Looking forward, we expect the Naira to hover at current levels if there are no substantial shocks. We anticipate that the CBN will continue to support the Naira. Ultimately, this would sustain the Naira at current levels with the possibility of marginal gains. Similarly, inflows from remittances and other FX earnings might bolster Naira's performance in the new week.

Stock Recommendations for the Week

Stock	Current Price (N)	Target Price (N)	Potential Upside
ACCESSCORP	26.85	30.49	13.56%
GTCO	95.05	125.00	31.51%
ZENITHBANK	72.00	91.45	27.01%
FCMB	9.60	12.50	30.21%
ARADEL	521.00	624.00	19.77%
DANGCEM	495.00	615.27	24.30%
NESTLE	1800.00	2076.00	15.33%
TRANSCORP	50.00	60.40	20.80%
JBERGER	112.00	158.00	41.07%
AIICO	2.27	3.00	32.16%
Mansard	12.50	15.58	24.64%
Mutual Benefit	1.54	2.00	29.87%

Source: Company filings, NSE, United Capital Research, UR= "Under Review"
Prices as at Friday 18 July, 2025

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