

Global Markets Juggle Trade Risks, Rate Bets, and Oil Supply Shifts

United States:

US equities closed the week at fresh all-time highs, with the S&P 500 finishing above 6,280 points, as June payrolls beat expectations with a 147,000 gain compared to estimated 110,000 while unemployment fell to 4.1% month-on-month in Jun-2025 compared to 4.0% month-on-month in May. The stronger data tempered bets on a July Fed cut, pushing two-year Treasury yields up 0.10% to 3.88%. However, cooling wage growth (3.7% in Jun-2025 compared to 3.3% in May-2025) and soft private payrolls kept hopes for a September move intact. A sharp rotation saw the small-cap Russell 2000 outperform the Nasdaq 100 by the most since April, reflecting profit-taking in tech megacap stocks and a shift toward value and cyclicals. Meanwhile, factory activity contracted for a fourth straight month, and the ISM index fell to 48.3%, reinforcing the narrative of a soft patch in manufacturing. Traders are bracing for Trump's 09-July tariff deadline, with the administration threatening unilateral levies of up to 70.0%, a risk that could pressure earnings and weigh on equity sentiment. Despite macro uncertainty, the S&P 500 remains supported by a resilient labor market, AI-fueled earnings optimism, and fiscal stimulus from Trump's \$3.3 tn tax and spending package passed in the Senate.

European Markets:

European equities retreated over the week, with the Stoxx 600 declining as tariff risks and political uncertainty tempered optimism over solid H1-2025 performance. Defensive sectors outperformed cyclicals, while trade-sensitive autos, renewables, and defense stocks led the laggards. German inflation eased to the European Central Bank's 2.0% target, yet European Central Bank officials warned of elevated market valuations and persistent global uncertainty. The UK's FTSE 250 underperformed amid political noise and profit warnings, while France and Germany saw relief from easing geopolitical tensions. Corporate deal activity offered some support midweek, though caution re-emerged as President Trump confirmed fresh unilateral tariffs. With the earnings season approaching, investors remain wary of FX headwinds and downgrades to profit expectations.

The Asian Markets:

Asian equities fluctuated through the week, with the MSCI Asia Pacific Index ending flat after nearing a four-year high. Taiwan's TSMC (+3.5% week-on-week) and Korea's Samsung Electronics (+4.1% week-on-week) drove early gains, while Korea's Kospi rallied to its highest since Aug-2021 after South

Global Market Snapshot

Market	Index	w/w
US	S&P 500	1.2%
US	DJIA	1.7%
US	NASDAQ	1.1%
Germany	DAX	(0.5%)
France	CAC	0.4%
Europe	STOXX	(0.0%)
UK	UK FTSE	0.7%
Brazil	IBOV	1.8%
India	SENSEX	(0.2%)
China	SCHOMP	1.4%
S/Africa	JALSH	0.8%
Kenya	NSE	5.0%
Ghana	GSE	1.6%
Nigeria	NSEASI	0.8%
BRVM	ICXCOMP	(0.8%)

Source: Bloomberg, United Capital Research

Korea's parliament passed minority shareholder reforms. However, risk sentiment deteriorated as President Trump reaffirmed a 09-July deadline for new tariffs, warning of levies ranging from 10.0% to 70.0%. Chinese stocks underperformed as services PMI fell to 51.2, a nine-month low.

The Crude Oil Market:

Oil prices fell as traders braced for another potential supply boost from OPEC+. Key members moved their virtual meeting to Saturday to consider a fourth 411,000 barrels per day (bpd) hike in August, mirroring earlier increases for May to July. Brent hovered near \$68.97/bbl, extending a 12.0% drop last week after a tentative Israel-Iran truce eased supply fears. The market remains pressured by growing inventories, which the IEA estimates are rising by 1.0mn bpd, and softening Chinese demand. Also, Trump US tariff uncertainty further weighed on sentiment.

Global markets head into next week bracing for several pivotal developments. First is the outcome of the OPEC+ meeting on Saturday, where members are expected to confirm a fresh production hike, potentially amplifying downside pressure on oil prices. On the economic front, attention turns to US consumer price index data (due on Thursday) and China's inflation print (due on Wednesday), both critical for Central Bank policy expectations. Geopolitical risk also looms, with President Trump's 09-July tariff deadline likely to trigger fresh trade tensions. In corporate news, the earnings season unofficially begins next Friday with major US banks reporting, offering insight into margins, loan growth, and credit conditions.

Macroeconomic Highlights

Nigeria's broad money supply declined for the second time this year, falling slightly to N119.01tn in May 2025, the drop represents a month-on-month contraction of N292.75bn or 0.25% from the N119.30tn recorded in April. The first decline of 2025 was recorded in February, when the figure dropped to N110.32tn from N110.94tn in January. Despite the slight decline in May, the money supply remains near record highs, reflecting the residual effects of earlier liquidity surges and ongoing adjustments in monetary policy. Year-on-year, the growth is more striking

The Nigerian private sector showed a slight deceleration in growth in June, with the Purchasing Managers' Index (PMI) dropping to 51.6 from 52.7 in May. The figure marked the slowest expansion in the last seven months, yet business sentiment remained strong, reaching its highest level since August 2022.

The ECOWAS Bank for Investment and Development has announced approval of \$100.00mn in funding for the construction of a 47.7km stretch of the Lagos-Calabar Coastal Highway. This is a major boost to the Federal Government's

Domestic Macro Variables

GDP	3.8%
Inflation	23.0%
MPR	27.5%
Brent Crude	\$68.19/b
External Reserves	\$37.2bn

Source: CBN, Bloomberg, United Capital Research

quest to deliver the 700km Lagos-Calabar coastal highway by 2028.

Nigeria's fiscal deficit is expected to rise to 4.7% of GDP in 2025, according to the latest IMF report. This projection signals persistent fiscal challenges despite the government's continued reforms aimed at improving economic stability. The projected rise in the deficit is largely attributed to the combination of reduced oil revenues and rising government expenditure, which could threaten Nigeria's fiscal sustainability if not managed effectively.

This week, we expect the National Bureau of Statistics to release the Q1-2025 Rebased GDP Report.

Domestic Equities: The Bulls Maintained Momentum...NGX-ASI Up by 2.35% w/w

As of the close of the market this week, the domestic equities market closed on a positive note as the bulls dominated the market. Notably, share price appreciation in BUAFOODS (+2.23% w/w) pulled the main index higher. Also worthy of mention are buy interests in TRANSCOR (+2.28% w/w), WAPCO (+2.89% w/w), NESTLE (+3.45% w/w), INTBREW (+10.43% w/w) and OANDO (+5.55% w/w). As a result, the benchmark NGX-ASI improved by 0.83% to close at 120,990.27 points, bringing the year-to-date (YTD) return to a steady 17.55% and strengthening market capitalization to N76.34tn. In terms of trading, market activity improved as the average value and volume of stocks traded climbed by 5.44% and 40.26% to print at N21.51bn and 1.09bn units, respectively. Market breadth was positive with investors' sentiments improving to 3.44x (previously, 2.33x), 86 stocks appreciated while 25 depreciated.

Meanwhile, on a sectorial level, performance was Bullish as Four (4) out of the Five (5) sectors under our coverage closed in the green territory. The Insurance sector (+5.86% w/w) led the gainers due to buy-interests in CORNERST (+15.57% w/w) and WAPIC (+20.77% w/w). Following, was the Consumer Goods sector (+4.08% w/w) on the back of share price appreciation in BUAFOODS (+2.23% w/w) and NESTLE (+3.45% w/w). The Oil and Gas sector (+0.77% w/w) followed. The Banking sector (+0.12% w/w) followed owing to buy-interests in UBA (+2.97% w/w) and WEMABANK (+10.00% w/w). Lastly, on the flip side of the coin, the Industrial Goods sector was the sole laggard on the back of selloffs in DANGCEM (-3.41% w/w) and BUACEMEN (-0.91% 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 the market benefiting from the excess liquidity in the financial system. Similarly, investors might start positioning for Q2-earning season, favoring corporates with FX gains, cost control, clear growth trajectory, and those with potential for quality interim dividend payment. On the flip side, a potential OMO auction might reduce the

Market Indicators

Mkt Cap (tr ' N)	72.1
Mkt Cap (m' \$)	46,599.6
P/E(x)	7.2
P/BV(x)	2.0
Div Yield	3.6%
14-day RSI	79.8

Index	Close	w/w chg	YTD Rtn
NGX-ASI	120,990.3	0.8%	17.6%
Banking	1,296.0	1.2%	19.5%
Consumer Goods	2,722.0	3.3%	57.2%
Industrial Goods	3,576.2	(1.7%)	0.1%
Insurance	794.3	5.1%	10.6%
Oil & Gas	2,463.5	1.1%	(9.2%)

Source: NGX, United Capital Research

inflow of funds into the equities market as elevated yields keep investors anchored to the fixed income market instruments. Similarly, positive sentiments will be moderated by elevated inflation, heightened interest rate, weak Naira and general uncertainty in the global and domestic macroeconomic space. We expect retail investors to continue to take profit from the previous week's gains, tactically slowing the upward movement of the equities market. We advise investors to cherry pick fundamentally sound stocks with potential for interim dividend payment.

Money Market: Inter-Bank Rates Moderated w/w

Last week, the financial system opened with a surplus balance of N534.68bn. During the week, system liquidity improved slightly due to inflows from OMO maturities worth N300.00bn. However, an OMO auction took place at the beginning of the week, which helped reduce excess liquidity in the financial system. That said, the financial system closed the week with a surplus balance of N468.52bn. Consequently, the average Open Repo Rate (OPR) and Overnight Rate (OVN) declined by 2.12% w/w and 2.09% w/w from 28.64% and 29.12% to settle at 26.52% and 27.03%, respectively.

The Central Bank of Nigeria (CBN) conducted an OMO auction with an offer size of N600.00bn across the 113-day and 260-day bills. At the auction, investors' demand was relatively strong, as total subscriptions printed just at N771.65bn, indicating a mild oversubscription rate of 1.28x. The bids were majorly skewed towards the longer-tenured instrument, the "260-day bill", which received total bids of N768.65bn. Notably, the Apex Bank sold N745.40bn worth of the 260-day bill. Meanwhile, there was no sale on the 113-day bill. That said, the stop rate on the 260-day bill settled at 23.99%..

In the secondary NT-bill market, we observed bullish sentiments supported by the downward pressure on rates in the fixed-income market. As a result, the average yield on NT-bills declined by 0.40% w/w to close at 19.83% (previously 20.23%). Similarly, the average yield on OMO bills decreased by 0.67% w/w to settle at 25.74% (previously 26.41%).

Looking ahead, we do not expect any inflow to hit the financial system, keeping system liquidity at the current level. As a result, we expect the money market and FTD rates to remain at current levels. . However, if the Central Bank decides to conduct an NT-bills auction, this might put the financial system at risk of illiquidity following the auction's settlement. In the secondary market, we expect bullish sentiments to be sustained, albeit cautiously, as investors await the release of the Q3-2025 NT-bills auction calendar by the CBN.

Bond Market: Strong Investors' Demand Sustained Across the Curve

The secondary bond market was bullish, driven by the significant investors' appetite for the instruments across the curve. Additionally, unmet bids from the previous auction trickled into the market, particularly on the auction papers. Thus, the

average bond yield fell by 0.65% to settle at 17.73% (previously 18.38%). In the same vein, activities were bullish in the corporate bond market, as the average yield on corporate bonds decreased by 0.48% to settle at 20.72% (previously 21.20%).

In the Nigerian secondary Eurobonds, buy interests persisted among investors, supported by the easing uncertainties in the global market. As a result, the average yield in the market declined by 0.09% to settle at 8.52% (previously 8.61%).

Looking forward, we project that mild bullish sentiments will persist in the secondary market. This is because investors await the Q3-2025 bond auction calendar to determine the papers to be offered and the volume of the offering. The calendar is expected to provide an insight into the body language of the Debt Management Office (DMO). Meanwhile, we expect the recent positive improvements in the global market to continue driving bullish sentiments among investors in the Nigerian Eurobonds market.

Currency Market: Naira Appreciated at the Official Market

This week, the Naira appreciated by 0.87% w/w at the official market to close at N1,525.82/\$, from its previous close of N1,539.24/\$. Similarly, the Naira appreciated by 0.96% at the parallel market to settle at N1,555.00/\$ from its previous close of N1,570.00/\$. Lastly, Nigeria's external reserves fell by 0.50% to settle at \$37.181bn (previously, \$37.369bn).

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, CBN's support of the Naira would sustain the Naira at current levels with a possibility of marginal gains. Similarly, inflows from remittances and other FX earnings might support the Naira in the new week.

Fixed Income Market Statistics

T-Bills	Yield	w/w chg
OPR	28.2%	1.7%
O/N	28.9%	1.9%
3m	18.7%	0.1%
6m	20.1%	(0.6%)
12m	22.2%	(0.9%)
Bonds	Yield	w/w chg
3yrs	19.0%	0.1%
5yrs	19.0%	(0.4%)
7yrs	18.2%	0.0%
10yrs	18.5%	(0.6%)
FX	Close	w/w chg
NAFEM	1,547.4	0.1%
	1,536.9	(0.8%)

Stock Recommendations for the Week

Stock	Current Price (N)	Target Price (N)	Potential Upside
ACCESSCORP	22.5	26.06	15.82%
GTCO	83.2	98.42	18.29%
ZENITHBANK	57.5	69.45	20.78%
FCMB	9.3	12.5	34.41%
ARADEL	530	624	17.74%
BUACEMENT	92.5	128.37	38.78%
CAP	55.75	56.65	1.61%
DANGCEM	425	615.27	44.77%
FIRSTHOLDCO	25.5	32	25.49%
NESTLE	1,500	2,076	38.40%
TRANSCORP	49.4	60.4	22.27%
NEM	18	21.76	20.89%

Source: Company filings, NSE, United Capital Research, UR= "Under Review"
Prices as at Friday 4 July, 2025

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