

Q1 2025 NEWSLETTER: MACROECONOMIC AND FINANCIAL MARKET REVIEW

Market Commentary - Global Macroeconomic Review

In the first quarter of 2025, the global economic landscape was characterized by modest growth, persistent geopolitical tensions, and ongoing trade uncertainties.

Global Growth Trends

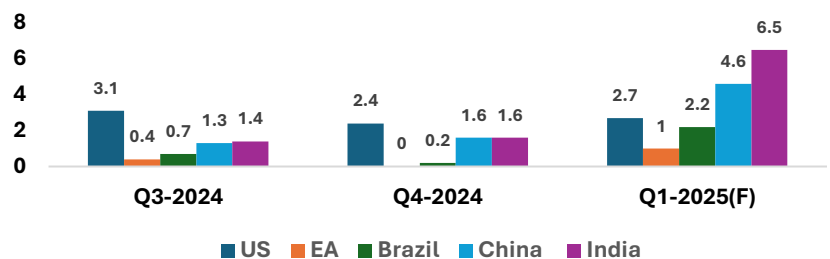
According to the International Monetary Fund (IMF), Gross Domestic Product (GDP) growth trends in Q1 2025 reflect varying economic conditions across major economies.

The U.S. is projected to grow 2.7%, following 3.1% in Q3 and 2.4% in Q4 2024, driven by strong consumer spending despite tariff concerns. The Euro Area is expected to rebound to 1%, after stagnating at 0% in Q4, supported by easing inflation and monetary policy.

Brazil, which slowed to 0.2% in Q4, is forecasted to accelerate to 2.2%, reflecting improved economic activity. China's growth, rising from 1.3% in Q3 to 1.6% in Q4, is projected at 4.6%, driven by

policy stimulus and infrastructure investment. India remains the fastest-growing economy, with growth rising from 1.4% in Q3 to 1.6% in Q4, and an expected 6.5% expansion, fuelled by public investment and strong domestic demand. While India and China benefit from policy-driven growth, the U.S. and Euro Area rely on consumer activity and easing monetary conditions, whereas Brazil shows resilience despite policy constraints.

GDP Growth Rate (%)

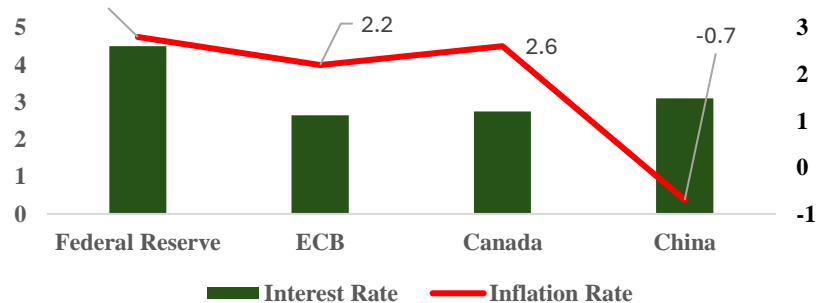


Inflation and Monetary Policy

As central banks navigate the post-pandemic economic landscape, global inflation and monetary policy remain in focus. The U.S. Federal Reserve maintains an interest rate of 4.5%, with inflation at 2.8%, indicating a shift toward policy easing after aggressive rate hikes. The European Central Bank (ECB), with an interest rate of 2.65% and inflation at 2.2%, signals a more controlled inflation environment, allowing room for potential rate cuts.

Similarly, Canada, where inflation stands at 2.6% with rates at 2.75%, follows a cautious monetary approach to balance growth and price stability. In contrast, China presents a unique case, with inflation at -0.7%, signalling deflationary pressures despite a 3.1% interest rate.

Inflation and Interest Rate



This suggests weakened domestic demand, prompting expectations of further policy support to stimulate growth. Overall, while Western economies are transitioning toward easing monetary policy as inflation moderates, China faces deflation risks, requiring targeted stimulus to reignite demand. Central banks will likely tread carefully, ensuring that monetary adjustments do not reignite inflation or stifle economic recovery.

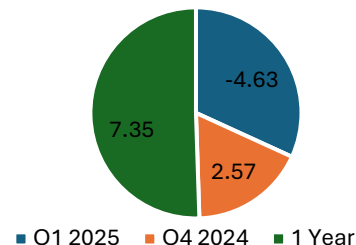
Geopolitical and Trade Dynamics

Geopolitical tensions and trade disputes continue to reshape global economic landscapes. European Central Bank board member Isabel Schnabel has cautioned that increasing trade fragmentation could significantly elevate global inflation and suppress economic growth. She highlighted those severe disruptions, such as trade wars, might cause inflation to spike by several percentage points in the initial years, with prolonged adverse effects on economic stability. This environment has accelerated the formation of regional trade alliances, exemplified by the BRICS group—comprising

Brazil, Russia, India, China, and South Africa—expanding to include nations like Iran, the United Arab Emirates, Egypt, Ethiopia, and Indonesia, fostering new economic partnerships.

In the United States, the first quarter saw the S&P 500 declined by 4.63%, reflecting market volatility amid trade tensions, while the "Magnificent Seven" tech stocks collectively dropped 14.9%. Despite some optimism

US Market



that the White House might delay new tariffs and stronger-than-expected business surveys, the manufacturing sector slipped into contraction, with the ISM Manufacturing PMI falling to 49.0 in March from 50.3 in February, signalling a slowdown.

Similarly, the S&P Global U.S. Manufacturing PMI edged down to 50.2 in March, indicating near-stagnation in factory output. Additionally, concerns about potential recessions intensified due to declining private sector debt and the looming threat of automotive tariffs.

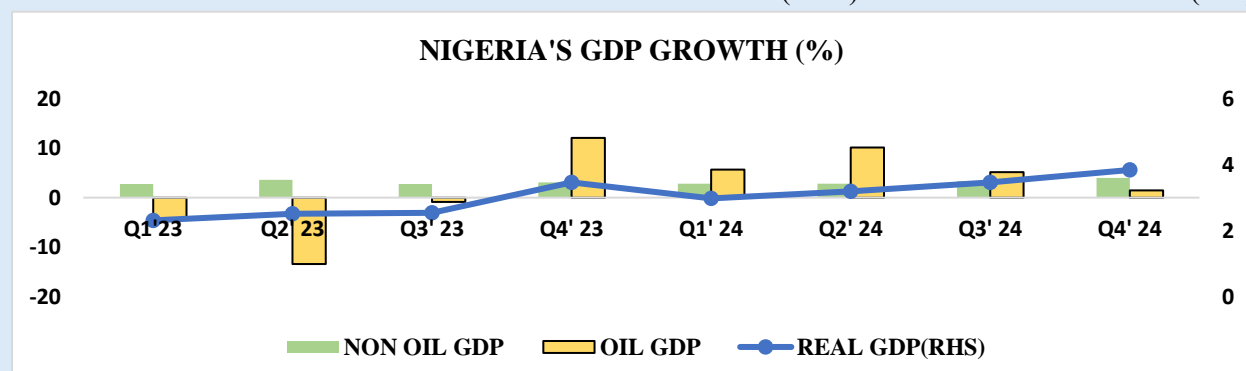
Business Sentiment

There is a global concern over rising uncertainties, particularly related to tariffs and geopolitical developments. Discussions increasingly focused on these challenges and the implications of emerging technologies, such as agentic AI, on future operations.

In summary, Q1 2025 presented a complex economic environment marked by steady yet subdued growth, heightened geopolitical tensions, and evolving trade relationships. Businesses and policymakers faced the challenge of navigating these uncertainties while striving for economic resilience and stability.

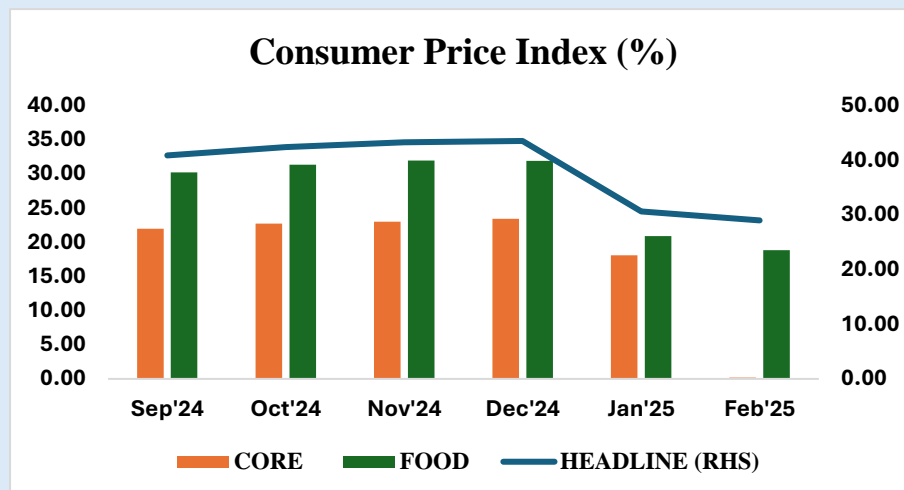
Domestic Macroeconomic Review

Nigeria's economy was significantly influenced by the rebasing of its Gross Domestic Product (GDP) and Consumer Price Index (CPI) In the



first quarter of 2025, alongside other macroeconomic developments.

GDP Rebasing and Economic Growth



The National Bureau of Statistics (NBS) announced plans to rebase Nigeria's GDP by the end of January 2025, updating the base year from 2010 to 2019. This adjustment aims to more accurately reflect the current structure and size of the economy, incorporating emerging sectors such as the digital economy, e-commerce, and the blue economy.

The previous rebasing in 2014 had positioned Nigeria as Africa's largest economy, and this update is expected to provide a more comprehensive understanding of its economic landscape.

In Q4 2024, the economy experienced a growth rate of 3.84%, the fastest in three years, driven largely by a 5.37% expansion in the services sector. For the entire year of 2024, the GDP growth rate was 3.40%, an improvement from 2.74% in 2023 but still below the government's target of 6%.

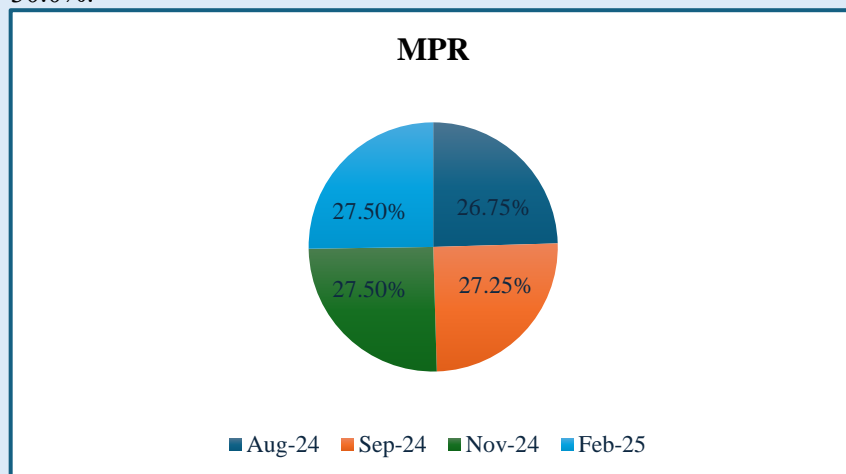
Inflation Rebasing and Trends

In January 2025, the NBS rebased the CPI, updating the base year from 2009 to 2024 to better capture current consumption patterns and price dynamics. This rebasing resulted in a significant drop in the reported inflation rate, from 34.80% in December 2024 to 24.48% in January 2025. Food inflation also declined to 26.08% from 39.84% in the same period.

The downward trend continued into February 2025, with the headline inflation rate easing to 23.18% and food inflation decreasing to 23.51%. These reductions are partly attributed to the statistical adjustments from the rebasing exercise.

Monetary Policy and Exchange Rates

During its meeting on February 20, 2025, the Central Bank of Nigeria (CBN) opted to maintain the Monetary Policy Rate (MPR) at 27.5%, following six consecutive hikes in the previous year. This decision was influenced by observed stability in the foreign exchange market and indications of easing inflationary pressures. The CBN also retained other key parameters: the Cash Reserve Ratio (CRR) at 50.0% for Deposit Money Banks and 16.0% for Merchant Banks, and the Liquidity Ratio at 30.0%.



Nigeria's foreign exchange market experienced fluctuations in both the official (NAFEX) and parallel markets, influenced by policy interventions, foreign exchange supply, and investor sentiment. The CBN maintained a tight monetary stance, keeping the Monetary Policy Rate (MPR) at **27.5%** to stabilize inflation and attract foreign investments.

This, alongside higher yields on government securities, helped strengthen the naira in the early months of the year.

Official Market (NAFEX) Trends:

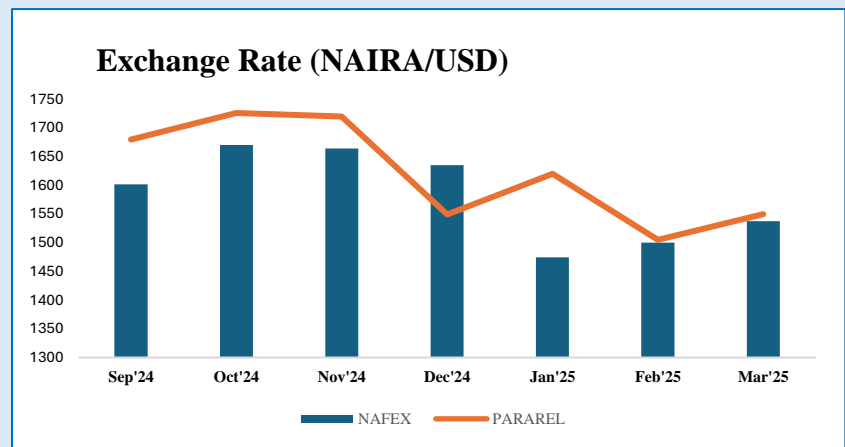
The naira appreciated significantly in January, strengthening to ₦1,474.78/\$1 from ₦1,635/\$1 in December 2024, driven by improved dollar liquidity from foreign inflows and tighter monetary policies. However, by February, the naira depreciated slightly to ₦1,500/\$1, reflecting a moderate correction as demand for dollars increased. In March, further depreciation to ₦1,537.80/\$1 was recorded, signalling renewed foreign exchange pressures and speculative trading in the market.

Parallel Market Trends:

The parallel market, often influenced by supply constraints and speculative activity, showed volatility throughout the quarter. The exchange rate weakened to ₦1,620/\$1 in January from ₦1,549/\$1 in December, likely due to an initial surge in dollar demand. However, February saw a correction as the naira strengthened to ₦1,505/\$1, mirroring the trend in the official market. By March, the parallel market rate depreciated slightly to ₦1,550/\$1, reflecting ongoing foreign exchange shortages and economic uncertainties.

These exchange rate movements were also shaped by Nigeria's external reserves and oil

revenue performance. While oil prices remained relatively stable, FX reserves saw marginal increases, supporting liquidity in the official market. However, the gap between the official and parallel market rates persisted, fueled by speculative activity and structural inefficiencies in



the FX market.

In summary, Q1 2025 was marked by significant statistical adjustments through the rebasing of GDP and CPI, revealing a more nuanced picture of Nigeria's economic performance. While these adjustments have led to lower reported inflation rates and an appreciation of the naira, underlying economic challenges persist. Continued policy reforms and structural adjustments will be crucial in achieving sustainable economic growth and stability.

Financial Market Review

Domestic Capital Market Review

The Nigerian equities market in Q1 2025 witnessed mixed sentiments, with bullish trends in select sectors, profit-taking activities, and corporate developments shaping investor behaviour.

January 2025 – Positive Start with Select Gains

The market began the year with a cautious tone, initially witnessing bullish momentum in insurance stocks, which surged by 22.91% before experiencing a pullback due to profit-taking. Trading activity was primarily led by GEREGU, SEPLAT, and tier 1 banking stocks, while speculation about a possible telecom tariff increase fuelled investor interest in MTNN. Additionally, DANGCEM attracted renewed attention as its dividend yield became increasingly appealing to investors.

Corporate developments included Oando's expansion into Angola's upstream sector and the delisting of Tourist Company of Nigeria Plc and Union Homes Savings and Loans Plc due to non-compliance with NGX listing standards. By month-end, investor sentiment was net positive, supported by banking sector strength and select stock performances.

February 2025 – Quiet Market with Select Bullish Trends

Market activities slowed, with trading volumes dropping by 16.07% MoM. The most active stocks remained GEREGU and tier 1 banks, where investors booked profits from recent capital raises. The banking index dipped by 2.07%, but the market still closed net positive due to early-month gains in DANGCEM (+20.33%), PRESCO (+34.02%), and TRANSCORP (+15.09%).

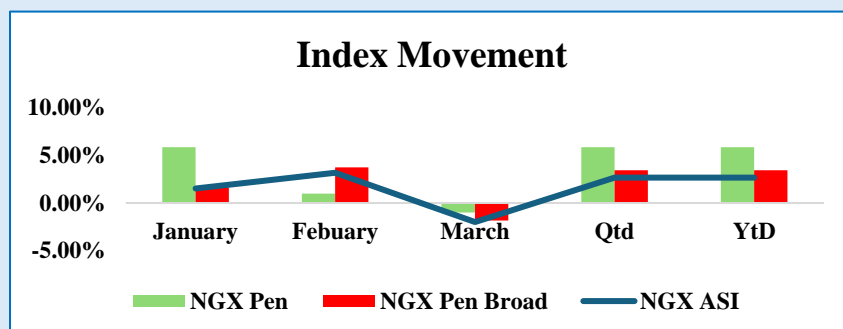
Corporate actions saw OANDO announce a share distribution plan, while DANGCEM canceled 166.95 million treasury shares and announced a \$400 million expansion in Ethiopia. Other notable developments included FBN Holdings' rebranding to First HoldCo Plc and PZ Cussons Nigeria Plc's debt-to-equity conversion proposal, which aimed to address FX-related losses but remained subject to shareholder approval.

March 2025 – Bearish Trends Dominate

The market faced headwinds in March, with bearish sentiment prevailing across sectors. ARADEL (-6.54%) led oil and gas losses, while banking stocks saw profit-taking from capital raise exercises. Investors remained cautious amid concerns over EPS dilution and potential windfall tax impacts.

Market interest surged upon the release of FY 2024 banking results, with investors shifting holdings based on dividend

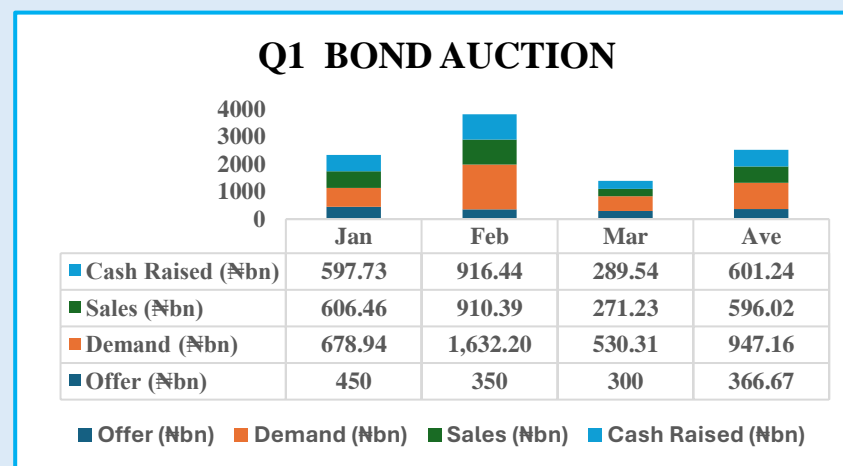
payouts. Zenith Bank, GEREGU, and GTCO led trading activities, while FBN Holdings officially changed its name to First HoldCo Plc.



Despite the mixed sentiments and sector-specific fluctuations, the Nigerian equities market closed Q1 2025 in positive territory, with the NGX ASI gaining 2.7% quarter-to-date (QTD). The market saw early-year optimism in January and February, driven by select sector gains, corporate actions, and investor repositioning.

However, March recorded a 2.00% decline, as profit-taking and cautious sentiment around banking sector developments weighed on the index.

The NGX Pension Index and NGX Pension Broad Index delivered stronger performances, rising 5.9% and 3.5% QTD, respectively, reflecting sustained interest in defensive, dividend-yielding stocks. As the market transitions into Q2 2025, investor sentiment will likely be shaped by corporate earnings, monetary policy direction, and macroeconomic stability.



Notable Corporate developments in Q1:

- Guinness Nigeria's takeover offer at ₦81.60 per share, triggering a market reaction.
- ARADEL's completion of the SPDC acquisition, hinting at future growth.
- Oando's selection as the preferred bidder for a Trinidadian refinery lease.

- Nigerian Breweries' full acquisition of Distell Wines and Spirits Nigeria Limited (DWSN).
- Holcim Group's internal restructuring in Lafarge Africa Plc, which saw a 4.47 billion units share transfer off-market at ₦73.80 per share.
- PZ Cussons' minority shareholders voting against a proposed debt-to-equity conversion, despite strong support from most attendees.

Bond Market

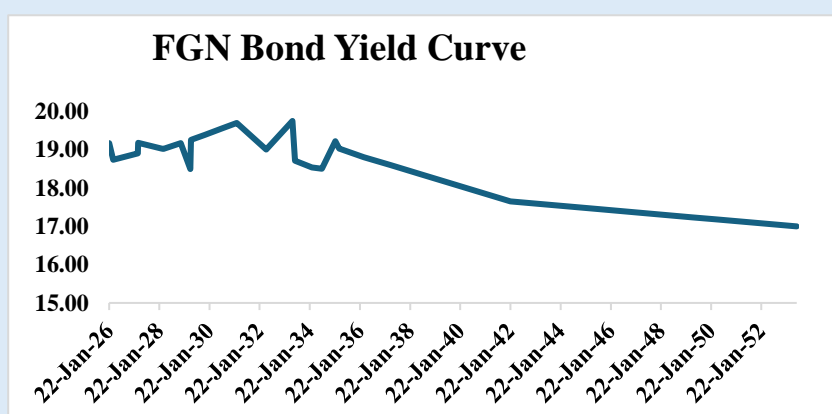
The Nigerian bond market in Q1 2025 exhibited strong investor interest, particularly in February, when demand surged to ₦1.632 trillion, far exceeding the ₦350 billion offered. Despite this high demand, the government maintained a cautious approach to debt issuance, leading to moderated sales and cash raised across the quarter. The total cash raised stood at ₦1.968 trillion, reflecting sustained investor confidence in fixed-income securities.

However, a noticeable decline in demand was observed in March, with bids dropping to ₦530.31 billion, suggesting a shift in investor sentiment or increased competition from alternative asset classes such as equities and money market instruments. On average, demand remained robust at ₦947.16 billion against an offer of ₦366.67

billion, underscoring continued appetite for government securities.

FGN bond yields remained elevated in Q1 2025, reflecting market expectations of sustained inflationary pressures and tight monetary policy. Short-to-medium-term bonds (2026–2030) had higher yields, averaging around 19%, indicating a higher risk premium for shorter tenors.

Yields peaked at 19.75% for the 15-May-2033 bond, signalling strong investor demand for returns in the mid-tenor range. In contrast, long-term bonds (2042–2053) saw relatively lower yields, with the 21-Jun-2053 bond yielding 17.00%, showing a downward trend as duration increases.



Overall, Q1 2025 highlighted a resilient bond market, with investors seeking stable returns amid economic uncertainties. Future market trends will likely be influenced by interest rate adjustments, inflationary pressures, and fiscal policy decisions.

Treasury Bills Market

In the first quarter of 2025, the Nigerian Treasury Bills (NTBs) market demonstrated strong investor interest, as reflected in significant oversubscriptions across all auction periods. The CBN offered a total of ₦5,115 billion in NTBs, while total demand amounted to ₦15,195.61 billion, resulting in an average bid-to-cover ratio of approximately 2.97. This indicates a robust appetite for government securities, with investors seeking to take advantage of attractive yields.

Auction Performance

In January 2025, the CBN offered ₦1,045 billion in NTBs, while total demand was ₦4,055.24 billion. Sales amounted to ₦1,271.01 billion, with cash raised totalling ₦1,003.76 billion. February saw an increase in both offer size and demand, with ₦1,370 billion offered and subscriptions rising to ₦5,624.38 billion. The total sales stood at ₦1,444.13 billion, with cash raised at ₦1,181.39 billion.

March recorded the highest auction figures, with ₦2,700 billion offered and total demand reaching ₦5,515.99 billion. Sales and cash raised were ₦2,824.02 billion and ₦2,331.22 billion, respectively.

Yield Movements and Market Influences

NTB yields fluctuated throughout the quarter due to varying liquidity conditions, inflation trends, and monetary policy actions. In January, average yield peaked at 23.5% as market liquidity remained tight.

By February, average yield declined to 21.1%, driven by improved liquidity conditions and a drop in inflation to 24.48% following the rebasing of the Consumer Price Index by the National Bureau of Statistics. In March, average yield fell further to 19.44% as liquidity surged, prompting increased investor participation and moderating yield expectations.

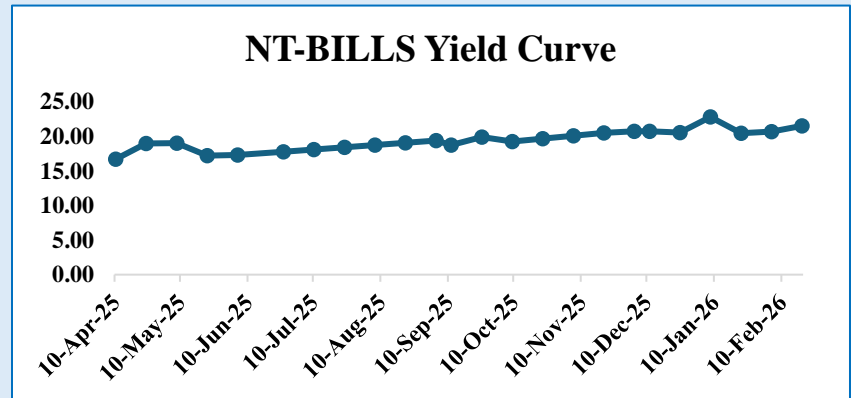
Key Drivers and Market Influences

Several factors influenced the Nigerian Treasury Bills (NTBs) market in Q1 2025. Liquidity conditions played a major role in yield movements, with periods of increased market liquidity—particularly in February and March—leading to lower yields as investors had excess funds to deploy. Inflation trends also shaped investor sentiment, especially after the rebasing of the CPI. This development influenced expectations about real returns and moderated demand for higher yields.

Additionally, monetary policy decisions by the CBN significantly impacted market activity. liquidity management efforts.

Money Market

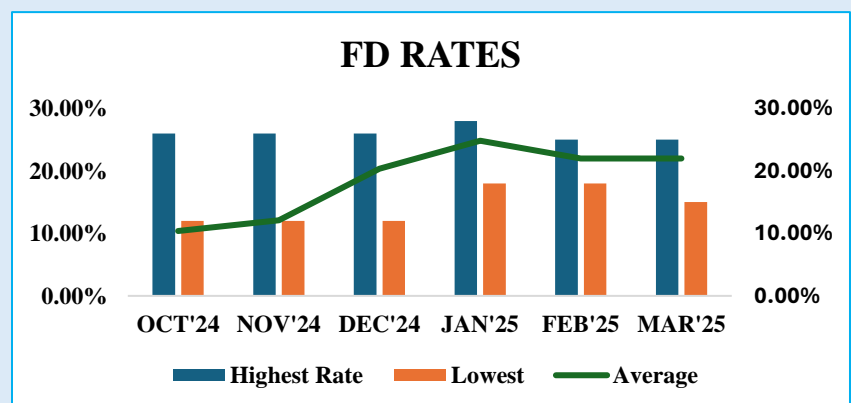
The Nigerian money market in Q1 2025 experienced significant fluctuations in interest rates, driven by changes in liquidity conditions and monetary policy adjustments



In January 2025, there was a notable tightening of liquidity, with money market rates surging. The highest rate peaked at 28.00%, marking the highest level recorded in the past six months. Similarly, the lowest rate rose sharply to 18.00%, up from 12.00% in Q4 2024, indicating tighter liquidity conditions. The average rate stood at 24.83%, reflecting a sustained upward trend influenced by the liquidity management measures.

By February 2025, the market saw slight relief as the highest rate declined to 25.00%, while the lowest rate remained at 18.00%. The average rate stood at 22.00%, suggesting a period of relative stability, driven by liquidity injections through fiscal disbursements.

In March 2025, money market rates continued the trend observed in



February. The highest rate remained steady at 25.00%, while the lowest rate dipped slightly to 15.00%, indicating periods of improved liquidity. Despite this, the average rate remained unchanged at 22.00%, highlighting sustained tight monetary conditions despite temporary liquidity ease.

Asset Allocation as at 31st March @2025

