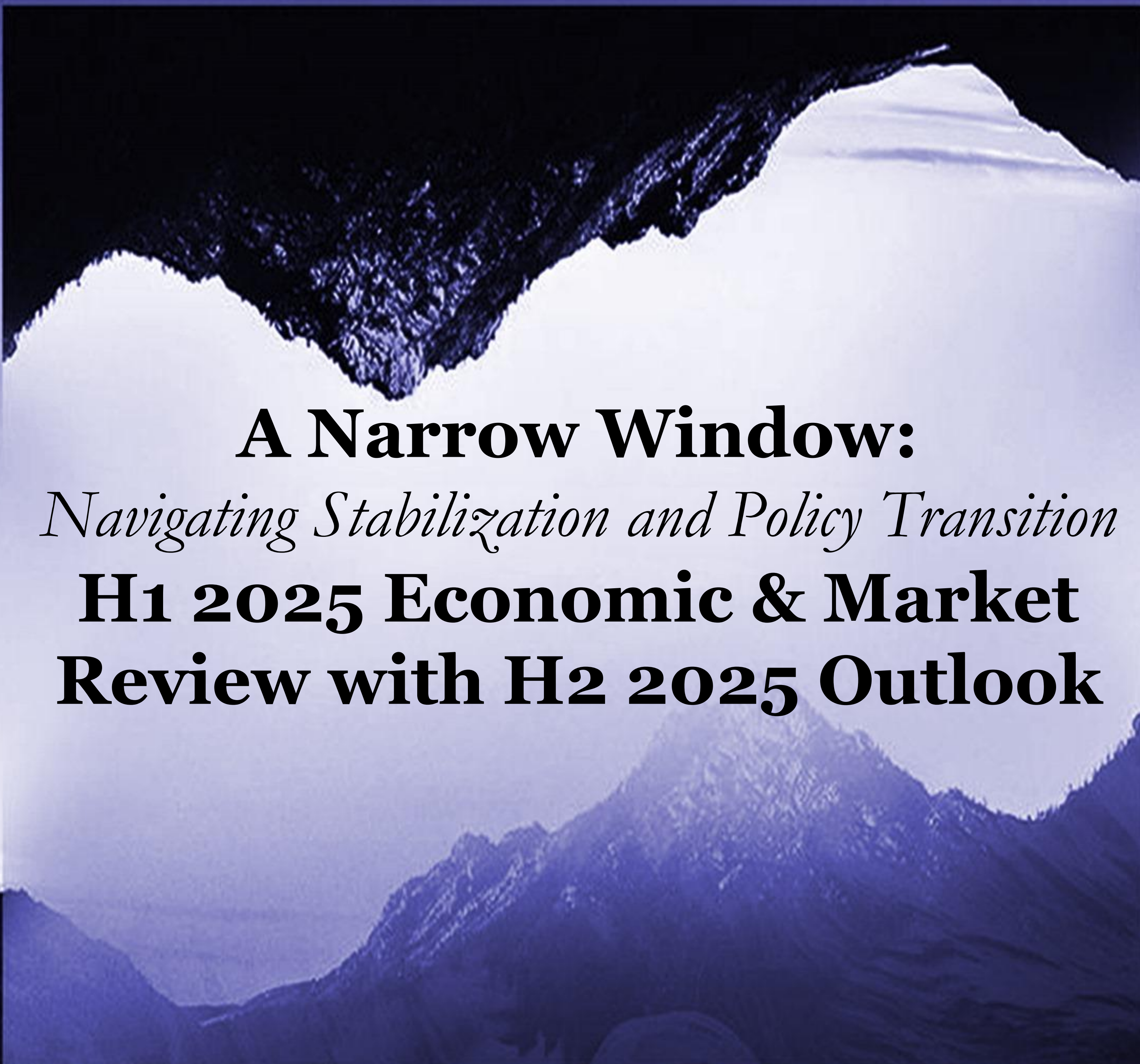
Capital Bancorp Plc



A Narrow Window:

Navigating Stabilization and Policy Transition

H1 2025 Economic & Market Review with H2 2025 Outlook

Building Wealth that Transcends Generations

EXECUTIVE SUMMARY

The global economy in the first half of 2025 faced growing pressure from persistent inflation, rising trade disputes, and differing policy decisions across major countries. While there was optimism at the end of 2024, it quickly faded as economic growth slowed in the U.S., U.K., and China. In contrast, India performed strongly, and investor interest shifted toward BRICS and several African frontier markets on the back of reform momentum.

This shift in investor sentiment highlighted the diverging outcomes among advanced economies. The U.S. economy contracted in Q1 due to new tariffs and fiscal stress, leading to a credit downgrade by Moody's. Meanwhile, the Eurozone began cutting interest rates to support flagging growth, and the U.K. remained caught between persistent inflation and weak consumer spending. These were mirrored in global commodity markets gold surged as a safe-haven asset, while oil prices weakened amid soft demand expectations.

Amid this global backdrop, Africa's economic recovery remained mixed. While inflation slowed in some countries, many continued to face challenges such as high debt burdens, currency volatility, and sluggish domestic demand. Growth forecasts were adjusted accordingly: the World Bank raised Sub-Saharan Africa's growth projection to 3.4%, while the African Development Bank revised its estimate downward to 3.9%. Nonetheless, institutional support remained strong, with the AfDB disbursing $2.6 billion and the AfCFTA continuing to gain traction as a regional integration platform.

In Nigeria, macroeconomic indicators showed tentative signs of improvement, but underlying weaknesses remained. Headline inflation declined to 22.97% in May following a rebasing of the consumer price index, yet food prices and cost-of-living pressures remained high. The Central Bank held interest rates at 27.75%, turning to open market operations and FX interventions to stabilise the naira. Despite these measures, real interest rates stayed negative, limiting savings growth. Meanwhile, public debt rose to NGN149.39 trillion, with debt service consuming over 70% of retained government revenue.

Amid these macroeconomic pressures, Nigeria's capital markets remained relatively stable. Domestic investors accounted for 70.8% of equity market activity, helping sustain market confidence. In the fixed income space, sentiment was strong in Q1 but tightened in Q2 as liquidity constraints emerged. The continued inversion of the yield curve signaled growing concern about long-term economic prospects.

As the second half of 2025 unfolds, Nigeria's economic stability will face several tests as inflation risks remain high, fiscal conditions are tight, and external shocks could threaten the progress of the reforms. Sustaining confidence among investors and the public will depend on how well the government manages inflation, addresses debt sustainability, and ensures greater clarity and consistency in its policy direction.

THE GLOBAL ECONOMY

The global economy in the first half of 2025 reflected a fragile balance between lingering macroeconomic vulnerabilities and pockets of resilience across advanced and emerging markets. While early-year momentum carried over from 2024, escalating trade tensions, uneven policy signals, and persistent inflation in core services gradually dampened investor confidence.

In the United States, a strong start gave way to strategic caution as renewed tariff actions under the Trump administration sparked retaliatory measures, hit trade volumes, and pressured growth. Q1 GDP contracted by 0.3%, and although inflation eased moderately, sticky core readings kept the Fed on hold. Meanwhile, Moody's downgraded U.S. sovereign debt, and fiscal risks resurfaced. Markets now expect a lower-end growth trajectory of 1.4%–2.0% for the year.

The United Kingdom saw a short-lived rebound, supported by services and industrial output in Q1. However, structural weaknesses, rising unemployment, and external shocks, including U.S. tariffs, dragged momentum lower by Q2. Inflation remained above target, and the Bank of England maintained a cautious stance, despite calls for easing.

The Eurozone entered 2025 with signs of stabilization. Disinflation allowed the European Central Bank to initiate a rate-cutting cycle in June, marking a pivotal shift in monetary policy. However, domestic demand remained weak, and trade tensions with the U.S. clouded the outlook. Growth forecasts for the bloc remain subdued at around 0.9%.

In China, strong headline growth of 5.4% y/y in Q1 masked underlying imbalances. As export frontloading ahead of U.S. tariffs boosted GDP, but domestic consumption stayed weak, and real estate woes persisted. A fresh stimulus push, fiscal easing, and green bond issuance helped cushion the slowdown, but questions remain over the sustainability of the recovery.

Emerging markets diverged. India remained a standout performer, growing 6.6% on the back of public investment and service-sector strength. Brazil and Argentina navigated policy transitions with mixed outcomes, while Russia expanded under wartime stimulus. African and ASEAN markets showed resilience in parts, though capital outflows and rising debt costs challenged macro stability.

In global equities, performance was uneven but opportunistic. BRICS and frontier African markets outperformed on valuation recovery and fiscal reform momentum, while developed markets struggled with inflation stickiness and earnings volatility. Commodities mirrored the split narrative: gold and silver rallied strongly on inflation and geopolitical risk, while oil prices weakened on fragile demand and rising supply.

Looking ahead to H2 2025, the global economy faces a delicate recalibration. Rate cut expectations are rising, but inflation remains uneven. Trade risks and fiscal fragilities might persist, with energy market volatility in the story. Against this backdrop, investor positioning is expected to remain selective, focused on clarity in monetary policy, structural reforms, and credible growth anchors.

U.S. Economy: From Strength to Strategic Caution

The U.S. entered 2025 with momentum on its side. Inflation was cooling, consumers were still spending, and the economy had just posted back-to-back years of solid growth. But the calm didn't last long. By March, policy turbulence, trade shocks, and fresh fiscal warnings had shifted the mood from optimism to caution.

Real GDP expanded by 2.8% in 2024, slightly below 2.9% in 2023, driven by healthy household demand and easing input costs. The inflation picture looked even better: headline personal consumption expenditure(PCE) slowed to 2.5%, down from 3.4%, and core PCE dropped to 2.8%, its lowest since 2021. The Fed appeared to be closing in on its 2% inflation goal.

Growth forecasts for 2025 were revised downward, settling between 1.4% and 2.4%, as real interest rates remained high and political uncertainty returned with force. In mid-January, the new Trump administration announced sweeping tariffs: 25% on goods from Canada and Mexico, and 10% on Chinese imports. Retaliation from trading partners was swift.

Manufacturing sentiment soured. The ISM PMI dropped below the 50-mark, and job creation faltered, only 143,000 new roles were added in January before recovering to 151,000 in February. The unemployment rate hovered between 4.2% and 4.5%, suggesting some labour softening beneath the surface.

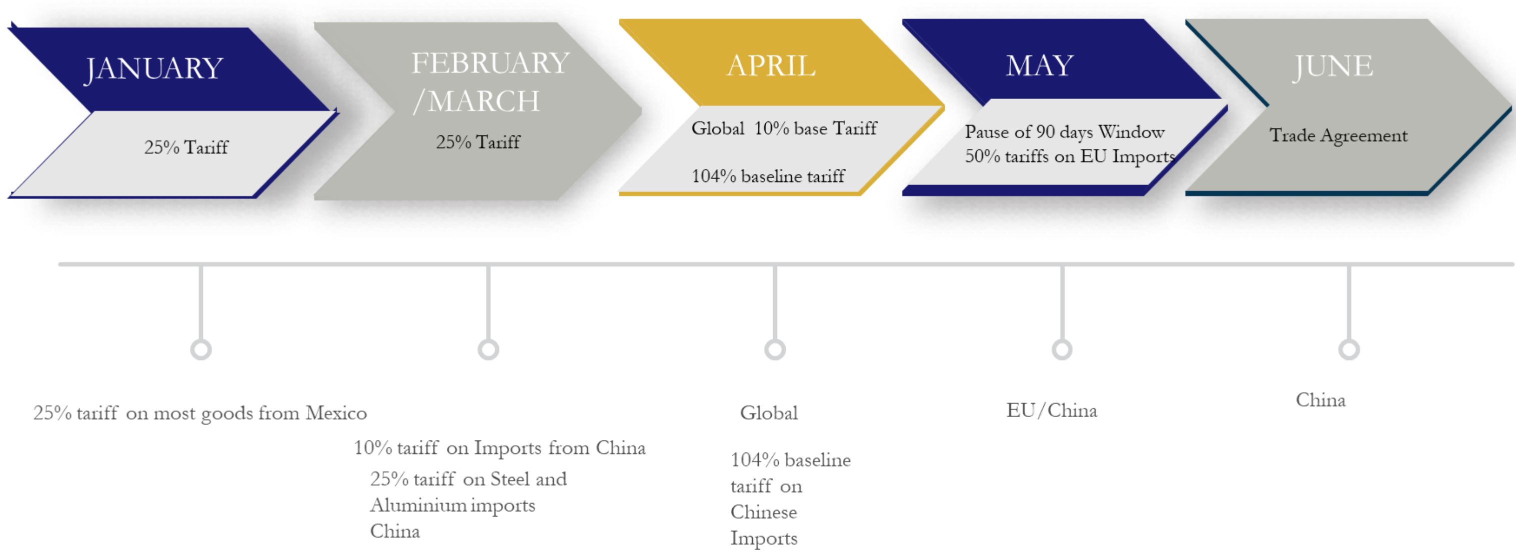
Q1 2025 brought the first contraction since 2022, with GDP shrinking by 0.3%. A surge in pre-tariff imports, weaker exports, and falling government outlays dragged growth into the red. Inflation readings, meanwhile, became choppier. January's PCE held at 2.5%, while CPI hit 3.0%. February saw a small uptick in PCE to 2.6%, but CPI eased to 2.8%. March offered some relief: gasoline prices fell 6.3%, helping push PCE down to 2.3% and CPI to 2.4%.

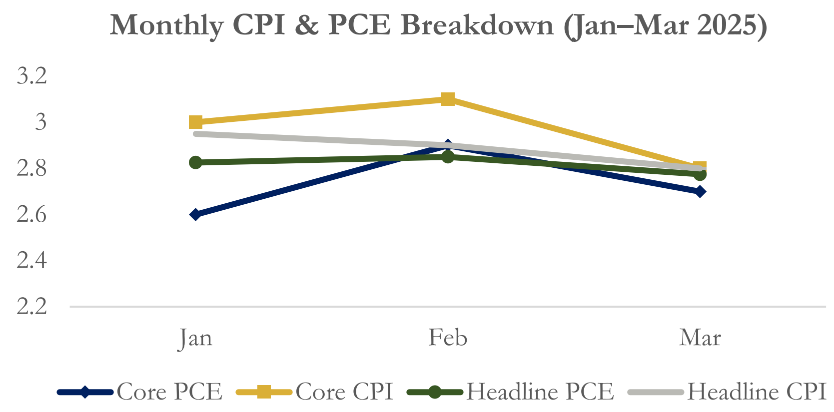
Yet the Fed remained cautious. In both March and June, the federal open market committee kept the policy rate unchanged at 4.25%–4.50%, warning that sticky core services inflation and strong wage growth still posed risks. Rate cuts, they signalled, would require "sustained disinflation and further labour cooling."

April brought escalation. A blanket 10% tariff on global imports ignited retaliatory fire from China and the EU, hitting U.S. agriculture and tech exports. By May, imports at the Port of L.A. had fallen 24% and Japanese auto exports to the U.S. dropped 24.7% y/y. Markets turned defensive. Moody's downgraded U.S. sovereign debt to Aa1, citing a ballooning debt stock nearing $36 trillion. Treasury yields surged, 10-year notes climbed to 4.6%, while 30-year yields breached 5.1%.

Labour data in May confirmed the cooling trend. Initial jobless claims averaged 245,500, and continuing claims hit 1.95 million. Wage growth slowed to 3.9% y/y. Headline CPI softened to 2.4%, but core CPI held stubbornly at 2.8%. Producer inflation edged up to 2.6%.

Tariff Timeline By Trading Partners





Source: BEA, Bancorp Research

A glimmer of progress came in June. A temporary trade truce with China lowered tariffs from 50% to 30%, and talks with the EU resumed. But the WTO still forecasted a 1.5% drop in global trade volumes for 2025, reflecting how entrenched the damage had become.

Looking ahead, H2 2025 is unlikely to offer much calm. The Fed's dot plot implies one or two rate cuts, at best, and only if inflation meaningfully cools. Oil prices have been volatile due to Middle East tensions, threatening to reverse disinflation gains. And with fiscal risks still front and center, investor confidence remains fragile. Unless exports rebound or domestic demand surprises to the upside, U.S. growth will likely track near the lower end of current projections.

U.K. Economy: Brighter Start, Fragile Path

In the UK, the year began with cautious optimism. Real GDP grew by 0.7% in Q1 2025, the strongest expansion since Q3 2022, supported by a 0.7% increase in services and a 1.1% rebound in industrial output. Business investment surged by 5.8% and household consumption edged up 0.2%, its first positive movement in several quarters. But structural headwinds persisted. Manufacturing sentiment remained weak, with the CIPS PMI staying below 50 throughout Q1. Inflation remained sticky, with headline CPI at 3.5% in March and core inflation elevated due to housing, services, and transportation. The labour market showed initial signs of slack, with unemployment rising to 4.6%.

Source: ONS.GOV, Bancorp Research

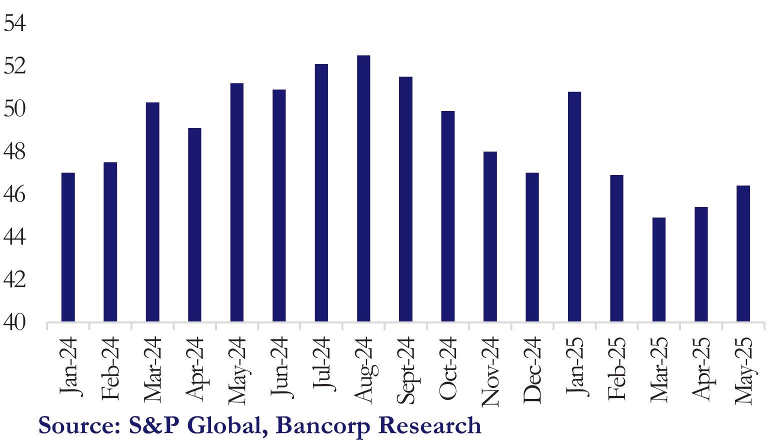
The recovery faltered by April. Monthly GDP contracted by 0.3%, driven by the expiration of business rates relief, weakened consumer sentiment, and the imposition of new U.S. tariffs on UK exports, which triggered a £2 billion fall in trade value. PMIs declined further to 45.4 in May, and the unemployment rate hit 4.8% by late June. Despite calls for easing, the Bank of England kept its benchmark rate unchanged at 4.25%, insisting on clearer disinflation trends and more consistent wage moderation.

Inflation was expected to average 3.5% through Q3 before declining later in the year. A partial exemption from U.S. auto tariffs offered some relief to UK car manufacturers, although trade discussions around pharmaceutical exports remain stalled. Domestically, the government redirected funds from large infrastructure projects such as HS2 toward productivity reforms, including Project Gigabit, GDS digitization, AI and life sciences R&D, and regulatory acceleration.

While strategic, these programs remained in early implementation and had yet to yield material economic gains. Nonetheless, the IMF and the Confederation of British Industry (CBI), a leading UK business lobby group, modestly raised the UK's 2025 growth forecast to 1.2%, but warned that momentum remained fragile and uneven.

For the rest of 2025, the outlook is finely poised. The Bank of England is likely to remain data-dependent, with one or two modest cuts expected only if core inflation continues to moderate further. Government budgets will stay tight, and efforts to improve productivity are still in progress. Steady household spending and progress on trade normalization are critical. Momentum may stay soft, but targeted gains in services and digital infrastructure could support a modest rebound. Risks remain tied to external demand, inflation pass-through, and policy delays.

UK Manufacturing PMI



Source: S&P Global, Bancorp Research

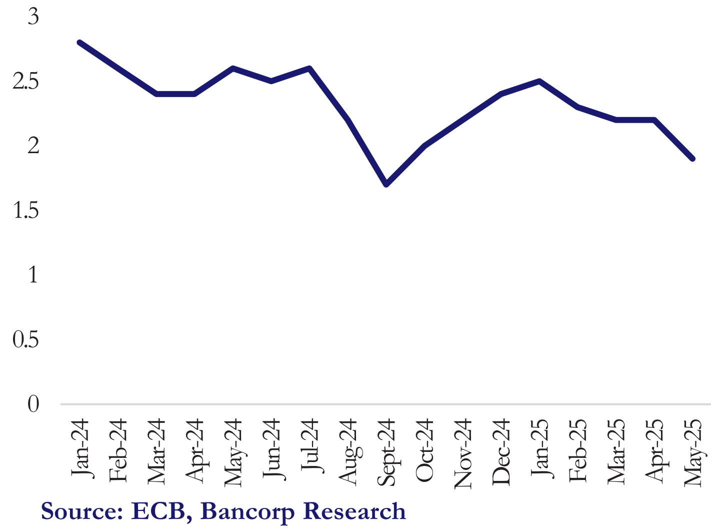
Eurozone: Easing Begins, But Recovery Remains Fragile

Across the Eurozone, 2025 opened in an environment marked by uncertainty. Following two years of monetary tightening, expectations were cautiously optimistic for a policy pivot. Yet, persistent trade frictions with the U.S., energy vulnerabilities, and soft domestic demand weighed heavily. The European Commission maintained its 2025 forecast at 1.1% for the EU and 0.9% for the euro area. Real activity stayed subdued: Q1 growth was just 0.3% quarter-on-quarter. Export frontloading in autos and machinery, ahead of tariff implementation, provided early support.

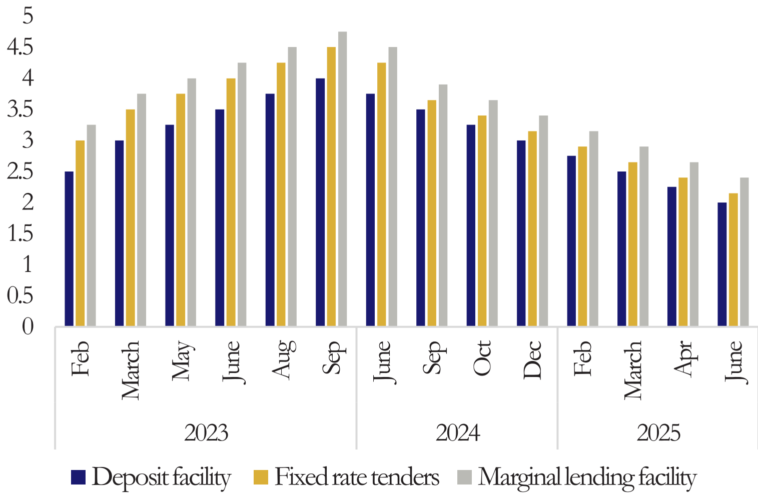
PMIs hovered around the 50-mark, showing fragile expansion. Domestic demand lagged, with consumer spending supported more by disinflation than by income growth. Likewise, fixed capital formation was flat. Inflation, however, declined steadily. Headline CPI fell from 2.4% in December to 1.9% by May, below the ECB's 2% target. Core inflation eased to 2.3%. Price moderation was broad-based, with energy and food prices falling, logistics improving, and wage pressures softening.

In early June, the European Central Bank cut its deposit facility rate by 25bps to 2.0%, the first reduction since 2021, reflecting growing confidence in the disinflation trend. Accompanying this move, the main refinancing operations (MRO) rate was lowered from 2.40% to 2.15%, and the marginal lending facility was adjusted down from 2.65% to 2.40%. This symmetric rate corridor, a policy framework that anchors short-term market rates, reinforces the ECB's easing posture, while maintaining room for flexibility depending on wage and services inflation developments.

Euro-area Headline Inflation rate(%)



Source: ECB, Bancorp Research



Source: ECB, Bancorp Research

The labour market remained solid, with unemployment at 5.8% and wage growth moderating to 5.0–5.5%. In April, the Trump administration imposed 20% tariffs on selected EU exports, including autos and agri-products. Although a 90-day suspension reduced the tariffs to 10%, the threat of 50% tariffs on $100 billion worth of EU goods by July 9 lingered. The EU paused its planned €21 billion in countermeasures, choosing strategic restraint. Despite external shocks, the eurozone ended the first half on a relatively stable footing, though investor sentiment stayed defensive.

Looking ahead, the ECB is expected to proceed cautiously. While headline inflation has fallen to target and core pressures are easing, the Governing Council remains focused on underlying wage dynamics and services inflation. Markets currently anticipate one to two additional rate cuts before year-end, but policymakers have stressed a data-dependent path. Any escalation in trade frictions or renewed energy volatility, especially from the Middle East, could delay further easing. For now, the balance of risks appears slightly tilted toward continued accommodation, though conviction remains guarded.

China: Strong Start, Uneven Middle

China defied expectations early in 2025. Q1 GDP surged 5.4% y/y, outperforming forecasts of 4.5%–4.8% and building on its 5.2% full-year expansion in 2024. But while the headline figures impressed, the sources of growth told a more complex story.

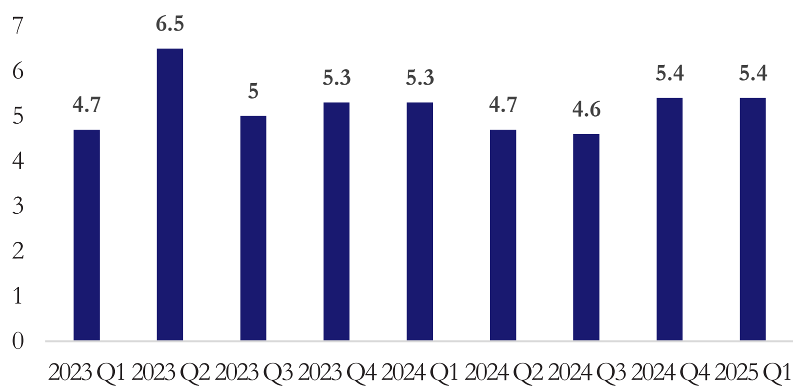
The biggest driver was exports. Companies rushed shipments in March ahead of U.S. tariffs, pushing total Q1 exports up 6.9% to RMB 2.3 trillion. But imports declined 6%, revealing continued weakness in domestic demand. Retail sales rose 4.6%, largely in stimulus-supported categories like electronics and home appliances. Beyond these, household spending remained subdued.

Inflation data confirmed the softness. Headline CPI fell 0.1% y/y, core inflation hovered at 0.3%, and producer prices declined for a seventh straight quarter. Monetary easing was rolled out: a ¥300 billion stimulus package, a 50bps RRR cut, a symbolic 10bps drop in the 7-day reverse repo rate, and cuts to both one- and five-year LPRs.

April and May brought signs of fatigue. Imports edged up 0.8% in April, barely a turnaround, and industrial output slowed from 6.1% to 5.8%. Credit access remained uneven. Large state-owned firms secured funding, but SMEs and households remained cautious. Real estate investment fell 9.9% in Q1 and over 10% by May. Construction starts declined by over 24%, and home prices dipped again in May.

To cushion the economy, Beijing approved a record 4% fiscal deficit. Central and local government borrowing surged, yet market appetite stayed strong. China's green bond issuance in London drew 7x oversubscription, a signal of enduring investor confidence.

China GDP Annual Growth Rate



Source; Trading Economics, Bancorp Research

Rest of the World: Diverging Paths Amid Global Tightening

Beyond the major economies, the global landscape showed widening divergence. Commodity exporters and tech-driven markets held firm, while debt-laden or structurally weak economies struggled under tighter financial conditions.

India remained a bright spot. Q1 GDP expanded 6.6%, supported by government capex and services. Inflation stayed within target at 4.3%, and the RBI maintained its benchmark rate at 6.5%, balancing growth support with FX stability.

In Latin America, Brazil's growth slowed to 1.8% y/y as tight policy cooled consumption. The central bank began an easing cycle, lowering the Selic rate from 11.75% to 11.25%. Argentina's stabilization plan showed tentative gains; monthly inflation fell from 17% in December to 8% by May, but structural risks persist.

Russia's economy expanded 2.1%, buoyed by wartime fiscal stimulus and trade with Asia. Inflation, however, surged to 7.4%, forcing the central bank to raise rates to 17%.

Africa showed a mixed picture. Nigeria stabilized its FX regime and improved reserves, but fiscal strain and subsidy reform challenges lingered. South Africa's growth remained below 1.5% amid persistent power outages and weak investment sentiment.

ASEAN economies like Indonesia and Vietnam posted 5% growth, driven by export resilience and domestic demand. But April–May saw rising capital outflows as U.S. Treasury yields spiked, putting pressure on EM currencies and borrowing costs.

The UN estimates 40% of developing economies are at risk of debt distress. For many, 2025 remains a tightrope walk—balancing reform, debt service, and growth in an unforgiving macro environment. For H2, the path forward depends on steady commodity prices, stable capital flows, and policy discipline to manage vulnerability while seizing growth windows.

Emerging and frontier markets face a delicate balancing act in H2. While some commodity exporters and tech-driven economies (like India and Southeast Asia) may outperform, many others will continue to struggle with high debt costs, capital outflows, and weak domestic demand. Fiscal space is narrowing in most low-income countries, and any global shock—be it from rates, oil, or geopolitics—could amplify risks. For resilient growth to continue, stability in the dollar, oil, and U.S. Treasury yields will be key.

GLOBAL EQUITIES MARKET

Regions			Value	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	YTD%
Developed Markets											
UK	FTSE All Share	▲	4,772.78	-1.26%	5.06%	1.29%	-2.75%	-0.64%	3.60%	0.28%	6.83%
US	S&P 500	▲	6,204.95	-2.50%	2.70%	-1.42%	-5.75%	-0.76%	6.15%	4.96%	5.50%
US	NASDAQ	▲	20,369.73	0.48%	1.64%	-3.97%	-8.21%	0.85%	9.56%	6.57%	5.48%
France	CAC 40	▲	7,639.81	2.01%	7.72%	2.03%	-3.96%	-2.53%	2.08%	-1.45%	3.51%
Germany	XETRA DAX	▲	23,909.61	1.44%	9.16%	3.77%	-1.72%	1.50%	6.67%	-0.37%	20.09%
Hong Kong	Hang Seng	▲	24,072.28	3.28%	0.82%	13.43%	0.78%	-4.33%	5.29%	3.36%	20.00%
Japan	Nikkei 225	▲	40,487.39	4.41%	-0.81%	-6.11%	-4.14%	1.20%	5.33%	6.64%	1.49%
BRICS											
Brazil	Ibovespa	▲	138,854.60	-4.28%	4.86%	-2.64%	6.08%	3.69%	1.45%	1.33%	15.44%
Russia	RTS	▲	1,142.24	18.50%	6.30%	20.31%	-2.81%	1.61%	0.47%	0.77%	27.88%
India	BSE Sens	▲	83,606.46	-2.08%	-0.82%	-5.55%	5.76%	3.65%	1.51%	2.65%	7.00%
China	Shanghai Comp	▲	3,444.43	0.76%	-3.02%	2.16%	0.92%	-2.16%	2.09%	2.90%	2.76%
South Africa	FTSE/JSE All Share	▲	96,429.74	-0.49%	2.21%	-0.02%	3.13%	3.32%	3.00%	2.23%	14.67%
Africa											
Nigeria	NGX ASI	▲	119,978.57	5.56%	1.53%	3.18%	-2.00%	0.13%	5.62%	7.37%	16.57%
Egypt	EGX 30	▲	32,857.60	-1.66%	0.91%	2.00%	4.62%	0.31%	1.78%	0.49%	10.48%
Ghana	GSE Composite	▲	6,248.48	4.13%	6.97%	8.23%	9.95%	-2.08%	0.87%	1.65%	27.81%
Kenya	NSE 20	▲	2,440.26	8.03%	7.56%	6.36%	-3.19%	-4.10%	2.25%	11.76%	21.36%
Morocco	MASI Index	▲	18,297.00	-0.43%	9.98%	2.93%	6.17%	-2.06%	3.37%	1.79%	23.85%
Mauritius	SEMDEX Index	▼	2,309.00	0.91%	16.94%	-9.98%	-1.70%	-4.88%	2.07%	-4.37%	-3.92%

Source: Trading Economics, Bloomberg and Bancorp Research

The global equities market in the first half of 2025 reflected an increasingly fragmented investment landscape, defined by policy recalibrations, diverging macro-outcomes, and rising geopolitical noise. While some markets rallied on strong fundamentals, others were buoyed by speculative repositioning or state support. Overall, investor behaviour remained risk-aware but selectively opportunistic, tilting exposure toward resilient sectors and economies with clearer monetary or fiscal signals.

The year began with cautious optimism. Political transitions, most notably the Trump 2.0 administration in the U.S., stirred investor hopes around deregulation, tax incentives, and strategic spending in AI, energy, and defence. Simultaneously, signs of easing inflation in major economies and synchronized central bank pauses helped lift sentiment. However, as H1 progressed, enthusiasm met resistance. Geopolitical tensions around the Middle East, sustained U.S.–China tariff threats, and underwhelming corporate earnings tempered broader risk appetite.

In the United States, equities endured volatility. The S&P 500 and NASDAQ saw sharp declines in March due to trade-driven uncertainty, only to rebound in May and June on better-than-expected tech earnings and renewed optimism around fiscal expansion. YTD gains for the S&P 500 and NASDAQ stood at 5.50% and 5.48% respectively. Technology and infrastructure stocks were particularly strong, benefiting from capital inflows tied to AI, clean energy, and rearmament narratives.

However, sticky inflation and Fed policy ambiguity limited broader upside. Across Europe, the picture was uneven. Germany's XETRA DAX (+20.09%) and France's CAC 40 (+3.51%) reflected diverging investor confidence. Germany surged on the back of strong manufacturing PMI prints, resilient exports, and an AI-led industrial rebound. France struggled amid weaker domestic demand and political headwinds.

In the U.K., the FTSE All Share posted a modest 6.83% YTD gain, with gains in May offsetting Q1 softness. Retail pressures and post-Brexit trade friction capped upside potential.

In Asia, Hong Kong's Hang Seng Index (+20.00%) posted one of the strongest performances globally, driven by a resurgence in tech stocks and increased southbound flows from mainland China. Japan underperformed, gaining just 1.49% YTD. Investor enthusiasm was dampened by yen weakness, uncertain wage growth, and a softer Q2 export outlook. China delivered a muted 2.76% gain, reflecting investor hesitation amid property market distress and weak private consumption despite state-led stimulus. Meanwhile, India's BSE Sensex posted a 7.00% gain, supported by domestic resilience, capital inflows, and strong earnings from key financial and industrial names.

The BRICS complex presented an interesting divergence. Russia's RTS was the standout, surging 27.88% YTD on strong commodity exports, rubble stabilization, and the absence of foreign capital outflows. Brazil rose 15.44%, benefiting from higher mining and energy revenues. South Africa advanced 14.67% on the back of improved earnings and expectations of a rate cut. China and India, while still positive, lagged their BRICS peers.

African markets captured significant investor interest. Ghana (+27.81%) and Morocco (+23.85%) emerged as top global performers, reflecting macro stabilization, financial sector re-rating, and a supportive external backdrop. Kenya rallied 21.36% YTD, driven by foreign investor return and banking stock momentum. Nigeria advanced 16.57%, supported by improved FX liquidity, corporate earnings surprises, and rotation into high-dividend local stocks. In contrast, Mauritius declined 3.92%, the only major index in the red, weighed down by weak tourism momentum and cautious investor flows.

Despite a short period of volatility, the global equity market delivered pockets of strong returns, driven by policy expectations, earnings resilience, and geopolitical positioning. Key themes included:

- The outperformance of BRICS and African frontier markets.
- Renewed rotation into tech and infrastructure.
- Growing divergence between policy-led and fundamentals-led rallies.

Looking ahead to H2 2025, equity markets are expected to remain sensitive to macro policy shifts, inflation trends, and geopolitical risk. If earnings momentum holds and central banks, particularly the Fed and ECB, tilt dovish, developed markets could regain leadership. However, frontier and BRICS markets may continue to attract capital, especially where valuation gaps and macro catalysts remain.

Investors will likely stay selective, favouring sectors with visibility (e.g., technology, healthcare, infrastructure) and regions with clear policy direction. Volatility will persist, but the opportunity set remains wide for those positioned to navigate this differentiated global landscape.

The commodities market in 2025 has been marked by clear divergence across asset classes. Precious metals have soared, propelled by macroeconomic instability, inflationary pressures, and investor risk aversion, while energy markets, particularly crude oil, have struggled to sustain momentum, constrained by demand uncertainty and geopolitical noise. The stark contrast in performance reflects a year where capital has flowed selectively into assets perceived as resilient amid rising global uncertainty.

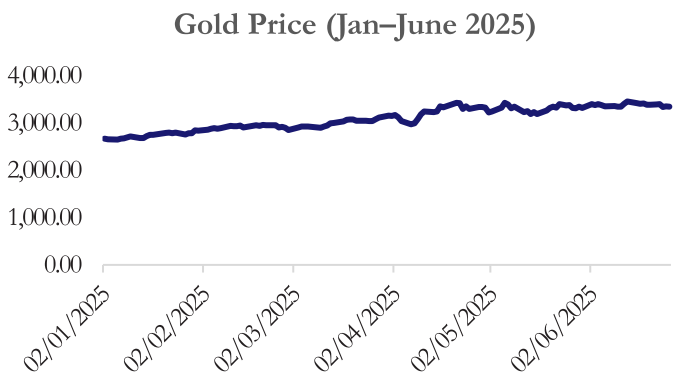
Gold and silver stood out as the top-performing commodities, buoyed by persistent inflation in major economies, a weakening U.S. dollar, and the re-emergence of geopolitical tensions. These metals rallied not as speculative bets but as institutional hedges against a volatile global backdrop. Meanwhile, Brent crude oil presented a more subdued story, facing headwinds from soft Chinese demand, rising inventories, and policy recalibrations within OPEC+.

Precious Metals: Conviction over Speculation

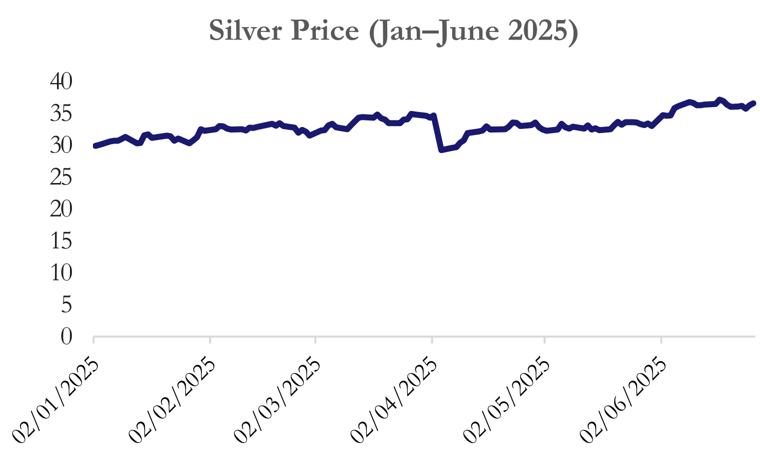
Gold's rally had been quietly building since late 2024, underpinned by sustained central bank buying, elevated inflation prints, and an intensifying push by reserve managers to diversify away from dollar-denominated assets. By the end of Q4 2024, gold had already breached $2,800 per ounce, and that momentum carried into the new year.

In Q1 2025 alone, gold surged by over 19%, closing March at $3,150.30/oz and hitting intraday highs above $3,160. The move was amplified by growing fears around U.S.-China trade tensions, sticky inflation data, and the Fed's cautious stance on rate cuts. Investor conviction was evident. Exchange-traded gold products recorded strong inflows, while COMEX futures data revealed a sharp rise in net long positions. Central bank demand, particularly from emerging markets seeking to de-risk from dollar exposure, provided a durable floor beneath prices.

By late June, gold prices hovered around $3,352.90 per ounce, up more than 25% year-to-date.



Source: Investing.com, Bancorp Research



Source: Investing.com, Bancorp Research

Silver followed a similar trajectory, though with more volatility. In Q1, it climbed over 18% to end March at $34.61/oz, its highest level in over a decade. The rally was driven by both safe-haven demand and a structurally bullish industrial backdrop. Silver remains a critical input in solar panels, EV batteries, and semiconductors, all of which continue to experience robust demand growth. The Silver Institute projected a fifth consecutive supply deficit, estimating a shortfall of 117.6 million ounces for 2025.

By Q2, the precious metals market began to consolidate, reflecting a more cautious macro tone as investors reassessed the timing of central bank actions. Nonetheless, silver ended June near $36.29/oz, up over 24% year-to-date. Technical indicators remained supportive, with both the RSI and MACD indicating a potential for further gains. Meanwhile, the gold-silver ratio, after peaking above 106 in April 2025, declined toward 93.6, suggesting silver was gradually closing the gap on gold's outperformance.

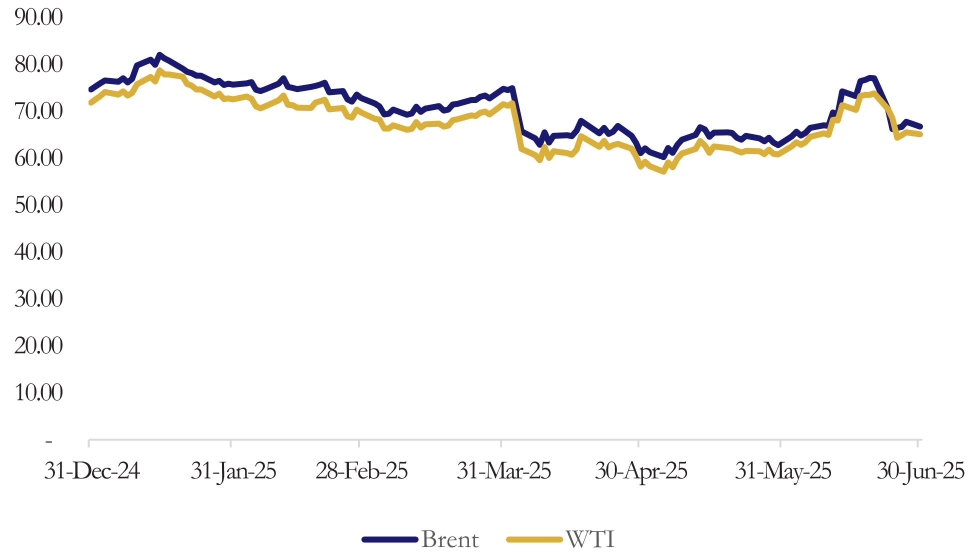
Crude Oil: Weak Momentum

Crude oil markets underperformed in H1 2025, despite a strong start and brief geopolitical flare-ups. Brent crude began the year at $74.64/bbl and closed June at $66.74/bbl, reflecting a 10.6% decline. WTI followed a similar path, falling from $71.54/bbl at year-end 2024 to $65.11/bbl by June 30, a 9% drop over the half-year.

The early-year rally, supported by OPEC+ voluntary supply cuts and hopes of a Chinese demand rebound, quickly lost steam. Sluggish industrial data from China and the Eurozone, rising U.S. production, and a stronger U.S. dollar added sustained downward pressure on prices. Inventories began to build steadily, and sentiment in futures markets turned bearish.

In May, global output rose to 105 million barrels/day, largely due to gains from U.S. shale and non-OPEC producers. The anticipated lift from China's refinery sector failed to materialize, while OECD demand underwhelmed. Though OECD stockpiles remained 97 million barrels below 2024 levels, the pace of inventory accumulation raised oversupply concerns.

June brought a temporary price spike after the geopolitical tensions in the Middle East, raising fears of retaliation and threats to oil transit through the Strait of Hormuz. Brent briefly rallied above $74/bbl, with market chatter speculating on possible triple-digit prices. However, as tensions de-escalated and disruptions failed to materialize, the rally reversed. By June 30, Brent had retreated to $66.74/bbl, underscoring the market's vulnerability to geopolitical swings and lack of durable bullish catalysts. For the second quarter of the year, Oil markets remain structurally fragile. In a base case of flat global growth and stable supply, Brent is likely to trade between $60–$70/bbl. Upside risks stem from geopolitical shocks or a surprise demand rebound in China.



Source: OilPrice.com, Bancorp Research

Industrial Metals: Uneven Recovery Amid China Drag

Industrial metals delivered a mixed performance in the first half of 2025, as global demand showed resilience in some regions but remained under pressure from a subdued Chinese economy. Copper prices were largely range-bound, trading between $8,400 and $8,900 per tonne. While global inventories remained tight and supply disruptions persisted, particularly due to labour unrest and weather-related outages in Chile and Peru, upside momentum was capped by weak demand from China's struggling construction and property sectors.

Aluminium prices staged a modest recovery after a sluggish start to the year, supported by improving demand from the automotive and consumer packaging industries in North America and Europe. However, sentiment remained fragile, with investors largely sidelined amid ongoing uncertainty around China's industrial recovery. In contrast, nickel and cobalt underperformed. Slower-than-expected electric vehicle sales in China and Europe weighed heavily on both metals, despite their critical role in battery manufacturing.

Additionally, steady supply growth from Indonesia further pressured prices, highlighting the risk of oversupply in the near term. Overall, investor positioning in industrial metals was cautious, with market participants awaiting more definitive signals from Chinese policymakers before re-entering risk assets in the sector.

Agricultural Commodities: Weather and Policy in the Driver's Seat

Agricultural markets reflected a diverse set of price trends in H1 2025, shaped by climate variability, trade interventions, and global food security dynamics. Grains such as wheat and corn experienced downward pressure, as harvests in the United States, Russia, and Ukraine helped boost global supplies.

Improved weather conditions in key growing regions allowed for better-than-expected yields, easing near-term concerns over shortages and driving prices lower. Rice markets, however, moved in the opposite direction. Prices remained elevated throughout the half-year, driven primarily by ongoing export restrictions from India, the world's largest rice exporter, as well as growing fears of a weak monsoon season.

These constraints tightened global rice availability and kept upward pressure on prices, particularly across Asia and Sub-Saharan Africa. Cocoa emerged as one of the most volatile agricultural commodities in H1 2025. Prices surged past the $10,000 per tonne mark in Q2, marking historic highs.

This was driven by worsening crop conditions in Côte d'Ivoire and Ghana, where disease outbreaks, prolonged dry spells, and smuggling across borders sharply reduced export volumes. The resulting supply squeeze sent shockwaves across global confectionery markets. Elsewhere, palm oil and soybean prices remained relatively firm.

Rising demand for biofuels in Asia and Europe, alongside ongoing logistical bottlenecks in Brazil and Indonesia, supported price stability. In the livestock segment, performance was mixed. Beef prices softened, largely due to declining Chinese import demand, while poultry prices rose modestly as higher grain and feed costs filtered through the supply chain. Collectively, agricultural commodity markets in H1 were driven by a blend of supply-side disruptions, export policies, and weather variability, with price volatility likely to remain elevated heading into the second half of the year

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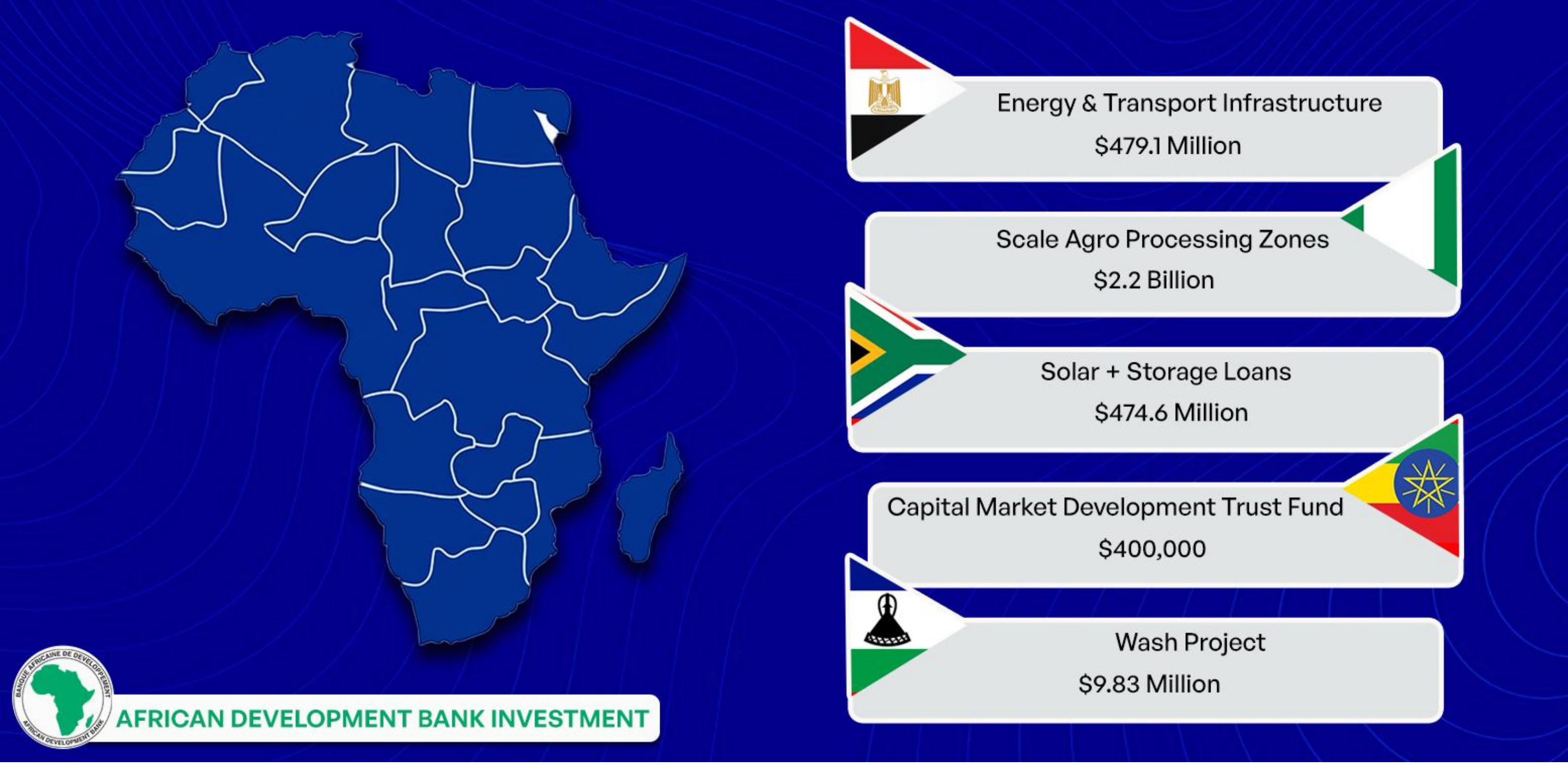


Africa's recovery in H1 2025 remained uneven. While some countries advanced through reforms, others faced persistent challenges. Key trends included falling inflation in major economies, continued fiscal adjustments, and growing intra-African trade under AfCFTA.

Sub-Saharan Africa's growth outlook was slightly revised upward to 3.4% by the World Bank, largely driven by gains in agriculture and services. However, the AfDB trimmed its Africa-wide forecast to 3.9% (from 4.3%), citing weak global demand, currency depreciation, and tight financial conditions. Despite these headwinds, both institutions acknowledged progress in digital finance, regional trade integration, and infrastructure investment.

The AfDB took an active stance disbursing $474.6 million for South Africa's energy and rail reforms, $2.2 billion toward Nigeria's agro-industrial zones, and various grants targeting green capital markets and renewable energy. It also unveiled the Mission 300 plan to electrify 300 million Africans by 2030, with up to $15 billion in targeted investment.

The AfCFTA gathered momentum as 47 nations ratified trade protocols, and 31 began real-time trading under the Guided Trade Initiative. Countries like Nigeria, Côte d'Ivoire, and South Africa joined the initial pilots. Regional trade volumes picked up, especially in processed goods, FMCGs, and value-added exports. Yet, scaling remains contingent on addressing customs inefficiencies, logistics gaps, and fragmented payment infrastructure.

Nevertheless, differences in macroeconomic stability remained a defining feature across African economies in H1 2025.

Inflation decelerated sharply in South Africa (2.8%) and Kenya (3.8%), allowing their central banks to maintain relatively moderate policy rates. In contrast, Nigeria (22.97%), Ghana (13.7%), and Egypt (16.8%) continued to battle high inflation, sustaining tighter monetary policy stances with rates between 25% and 28%.

Exchange rate pressures also persisted in several countries, particularly in Nigeria, where the official rate weakened to over NGN1,500/USD. These variations in inflation, interest rates, and currency performance reflect differing policy issues and economic concerns, highlighting the importance of localized reform, FX market efficiency, and coordinated fiscal-monetary alignment as the region deepens trade integration under AfCFTA.

Key Indicators June 30, 2025	South Africa	Kenya	Ghana	Nigeria	Egypt
Inflation Rate (%)	2.80	3.80	13.70	22.97	16.80
Monetary Policy Rate (%)	7.25	9.75	28.00	27.5	25
Official Exchange Rate (CU/US$)	17.75	129.25	10.35	1,529.71	49.60
Reserve (US$ Billions)	68.11	15.97	10.67	38.45	48.53

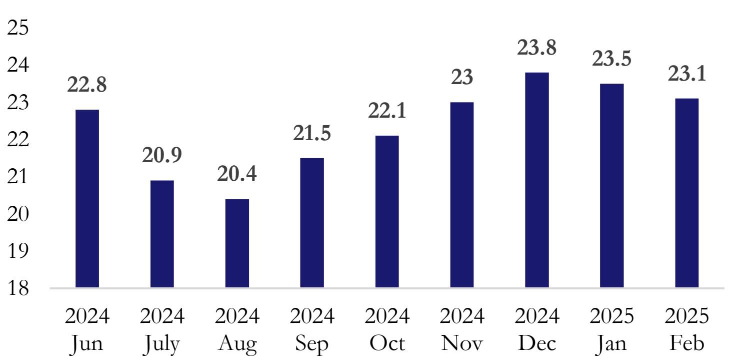
Source: NBS;CBN; BoG;World Bank;Bloomberg; NCC; Trading Economics. Figures as at June 2025

Overall, Africa showed pockets of resilience, but sustaining momentum requires deeper reforms and cross-border cooperation.

Ghana's economy showed strong recovery in H1 2025, with real GDP up 5.3% y/y in Q1 (vs. 3.6% in Q4 2024). Growth was broad-based, driven by agriculture (+6.6%), non-oil industries (+6.8%), and services (+5.9%).

The Agriculture sector benefited from higher crop and fishing output, with positive outlook for cocoa harvests. While the Industrial sector grew 3.4%, despite oil/gas contraction, with strong performance in manufacturing (+6.6%) and gold mining. Services remained the largest sector, led by ICT, finance, and trade, supported by rising digital adoption and consumer spending.

GHANA GDP Quarterly Growth Rate



Source: Trading Economics, Bancorp Research

The Cedi appreciated 29.59% H1 2025 while the Ghanian FX reserves rose to USD 7.9bn (April) driven by increase in Ghana's gold reserves from 22.3 tonnes to 31.2 tonnes.

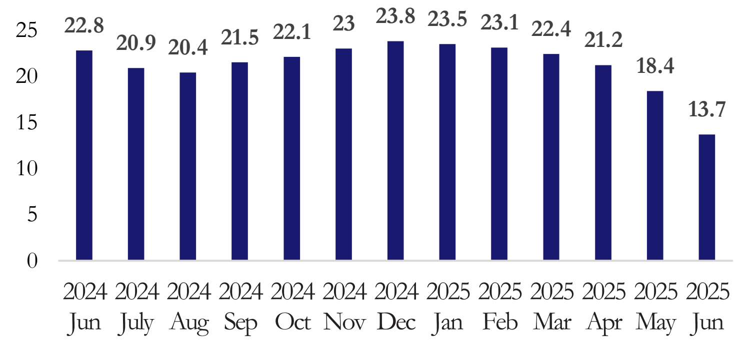
Macroeconomy			
Pair	31/12/2024	30/06/2025	% Change
CEDI/USD	14.70	10.35	29.59

Source; Investing,.com

On the inflation side, inflation dropped from 23.5% in January to 13.7% in June its lowest since 2021, with Food inflation falling to 16.3%, supported by strong local production and currency strength.

Monetary policy stayed tight; the policy rate rose to 28% in March but was held in May. Disinflation created room for a possible 100–200bps rate cut in H2.

GHANA Inflation Rate



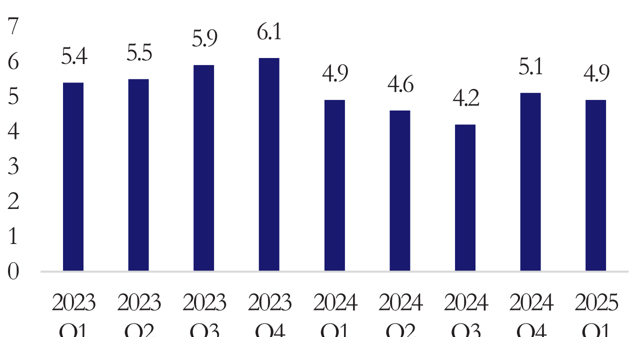
Source: Trading Economics, Bancorp Research

In H2, GDP growth is expected at 4.8%–5.2%, led by peak harvests, continued services expansion, and stable industrial output. Cocoa and gold exports are set to support FX inflows, keeping reserves above USD 7.5bn and the cedi stable. Risks include fiscal pressures, tariff adjustments, and commodity price shocks.

As Ghana enters H2 with strong momentum, falling inflation, and solid external reserves, with strong policies and continued productivity gains, the economy is on track for one of the region's strongest recoveries in 2025.

Kenya's recovery remained modest in H1 2025. GDP growth is projected at 4.5%–5.2%, revised down due to weak private-sector credit and rising debt.

Kenya GDP Quarterly Growth Rate



Source: Trading Economics, Bancorp Research

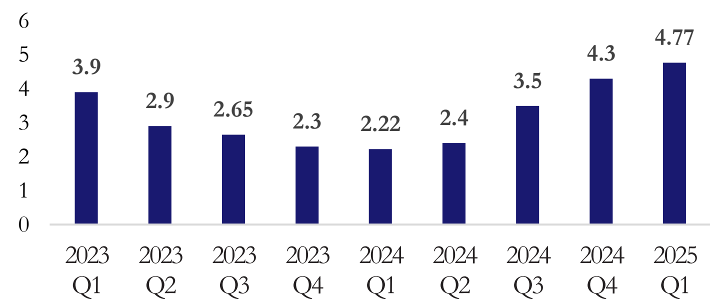
Inflation fell within target (3.8% avg in May–June), aided by strong food output. Agriculture performed well, supported by timely rains and crop gains, driving food inflation down to 3.9% in June. Industry saw modest gains, with agro-processing and cement activity rising, though high energy costs kept margins tight. Services remained the main growth engine, led by fintech and a mild tourism rebound. Real estate and infrastructure also supported activity through housing and urban development programs.

Similarly, the CBK cut rates by 100bps YTD to 9.75%, but credit growth remained weak. NPLs stayed elevated at 16%, straining lending to SMEs. The external sector held firm, with exports, remittances, and FX reserves (USD 15.97bn) providing stability. The shilling was broadly stable.

H2 Outlook: Growth will hinge on agriculture, modest industrial recovery, and stable policy. Risks include tight credit, high debt (65% of GDP), and global shocks. Continued reforms in credit access and fiscal management are key to sustaining momentum.

Egypt's economy showed signs of recovery in early 2025, driven by strong industrial output, robust foreign reserves, and easing monetary policy. The central bank cut rates by 375bps between April and May its first in five years after holding them steady in Q1.

Egypt GDP Quarterly Growth Rate



Source: Trading Economics, Bancorp Research

However, inflation reversed course, rising from 12.8% in February to 16.9% in May, following fuel price hikes and surging energy costs.

Energy shortages intensified as gas production hit a 9-year low and LNG imports estimated to cost $3bn rose to meet demand. Input costs spiked, weighing on households and businesses.

Despite a resurgence in inflationary pressures, agriculture remained strong (5.2m tonnes in exports), and industrial production rebounded 16.3% y/y. Manufacturing, construction, ICT, and tourism drove Q1 GDP growth of 4.77% the fastest in three years, lifting the 9-month average growth to 4.2%. Tourism remained robust, earning $14.1bn in 2024. Foreign reserves stood at $48bn, supported by IMF inflows and a $35bn UAE investment deal. Still, high debt (87% of GDP), a wide trade gap, and inflation risks persist.

Outlook: Growth is broadening, but inflation, energy dependency, and fiscal pressure could test macro stability in H2. Sustained reform and external support will be key to resilience.

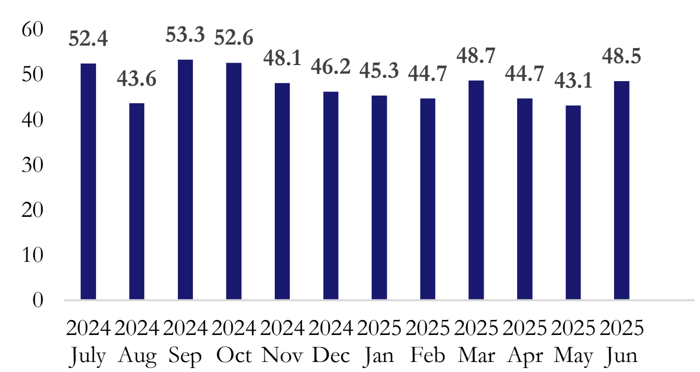
SOUTHAFRICA

South Africa's economy remained fragile in H1 2025, with real GDP rising just 0.1% in Q1 after a 0.4% contraction in Q4 2024 narrowly avoiding a technical recession. Weakness stemmed from steep declines in mining (–4.1%), manufacturing (–2.0%), construction (–3.8%), and utilities (–2.6%), partly offset by modest gains in household spending and exports.

Agriculture was the standout performer, growing 15.8% in Q1 on strong horticulture and livestock output. Agricultural exports rose 6% q/q and 10% y/y to an estimated US$3.35bn. Transport grew 2.4%, and trade, catering, and accommodation edged up 0.5%, reflecting steady domestic demand.

By Q2, manufacturing showed tentative stabilization with the PMI rising from 43.1 in May to 48.5 in June, the year's second-highest reading, though still below the 50-point mark. New orders improved slightly, but output remained weak due to ongoing logistics issues.

South Africa PMI

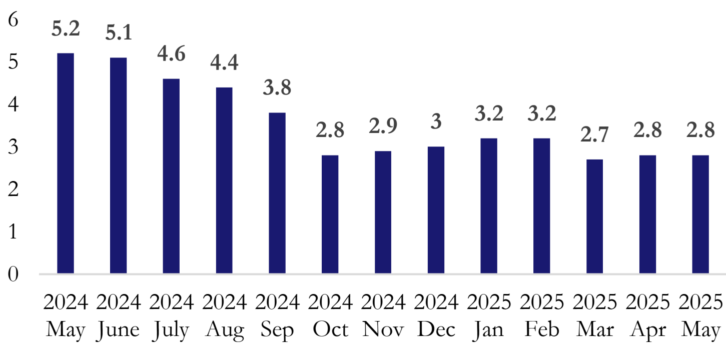


Source: S&P Global; Trading Economics, Bancorp Research

Inflation fell to 2.8% in May, below the SARB's 3–6% target range. Similarly, forecasts for 2025 inflation dropped to 3.9% the first projection which will be lower that 4% in four years.

On the monetary front, liquidity also improved, with M3 money supply up 6.86% y/y and private-sector credit growing 4.98%, hinting at gradual demand recovery.

South Africa Inflation



Source: Stats SA; Trading Economics, Bancorp Research

Despite gains in inflation and liquidity, weaknesses were still evident across the mining, manufacturing, and construction sectors. Investor sentiment was further dampened by global trade uncertainty, particularly the proposed 30% U.S. tariffs on autos and agriculture. As a result, the AfDB cut its 2025 growth forecast to 0.8%, while SARB and the Treasury project 1.2% and 1.4%, respectively, for the country.

Tourism rebounded in Q2, contributing 3.3% of GDP and supporting 1.8 million jobs, helping to stabilize the broader services sector amid a global travel recovery.

SUMMARIZED DASHBOARD OF THE NIGERIAN ECONOMY

Real GDP growth rose to 3.84% in Q4 2024 compared to 3.46% in Q3 2024.

Bonny Light Oil prices declined to $69.07/b in April 2025 from $75.48/b posted in Dec 2024.

Naira appreciated to NGN1,529,71/$ in June 2025 from NGN1,549.00/$ in December 2024.

Inflation stood at 22.97% in May 2025, compared to 34.80% in December 2024(it was rebased in January 2025).

The MPR was held steady at 27.50% in May, marking the second consecutive month of policy hold.

Composite PMI improved to 52.10 points in May 2025 from 51.0 points in December 2024

THE NIGERIAN ECONOMY

While 2024 was marked by high inflation and eroding purchasing power, the first half of 2025 delivered a different message, a pause, a breather, in macroeconomic indicators, in how we measure, manage, and interpret the broader economy.

We kicked off the year with a major statistical shift in January, the National Bureau of Statistics (NBS) rebased the Consumer Price Index (CPI) to reflect more current household consumption patterns, significantly reducing the weight of food in the basket. This recalibration pulled headline inflation down from 34.80% in December 2024 to 22.97% by May 2025.

But this might just be technical. Because really, are prices coming down? Are people feeling the impact of this statistical reset? It's a reminder that economic narratives aren't just shaped by numbers, but by how those numbers translate into daily life. And that translation, for now, remains incomplete.

Yet, beyond the inflation story, other signals emerged. The Central Bank paused its aggressive tightening cycle, the naira stabilised within a narrow range, and FX interventions became more visible. GDP held its ground, buoyed by non-oil sectors like telecoms, financial services, and fintech, while energy reforms offered hope of future supply-side relief.

On the fiscal side, debt climbed, but so did signs of intent—IMF exposure fell sharply, and tax reforms slowly gathered pace. Meanwhile, capital markets told their own story. Domestic investors dominated equities, driving sharp rallies in consumer goods and banking stocks, even as foreign flows remained cautious. Fixed income markets danced to the rhythm of inflation recalibration and tighter liquidity cycles, yields softened early on, then reversed as supply pressures returned.

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So, was H1 2025 a turning point? Maybe. Not in a celebratory sense, but in the quiet way macro-financial narratives sometimes shift. Stability—however fragile—is returning to the conversation. But it's still early. Structural risks remain high, and global volatility isn't letting up. The challenge for H2 will be holding this line on inflation, FX, and reform, without losing momentum or public trust.

GDP GROWTH

Expectations are mounting around Nigeria's planned rebasing of Gross Domestic Product (GDP), which will update the base year from 2010 to 2019. This revision is designed to capture a broader spectrum of economic activity, including digital services, modular refineries, pension fund operations, and informal labour markets. The rebased data is expected to provide a clearer and more representative view of Nigeria's economic structure and sectoral contributions.

According to the last report by the NBS, real GDP grew by 3.84% year-on-year in Q4 2024, an improvement from the 3.46% recorded in Q3. The services sector remained the primary driver of this expansion, growing by 5.37% and contributing 57.38% of total output, largely underpinned by the robust performance of financial institutions and the telecommunications industry.

In contrast, the oil sector decelerated sharply. It grew by just 1.48% y/y in Q4 2024, down from 12.11% in the same period of 2023. Average daily crude oil production fell to 1.54 million barrels per day, reflecting persistent structural challenges and continued underinvestment in upstream activities.

The non-oil economy, however, sustained solid momentum. It recorded a 3.96% year-on-year expansion, supported by rising fintech adoption, telecom growth, and steady recovery in urban consumption.

Preliminary indications from Q1 2025 suggest that GDP growth could fall within the range of 3.2% to 3.5%, driven by relative stability in the FX market, gradual improvement in consumer confidence, and the ongoing bank recapitalization initiative.

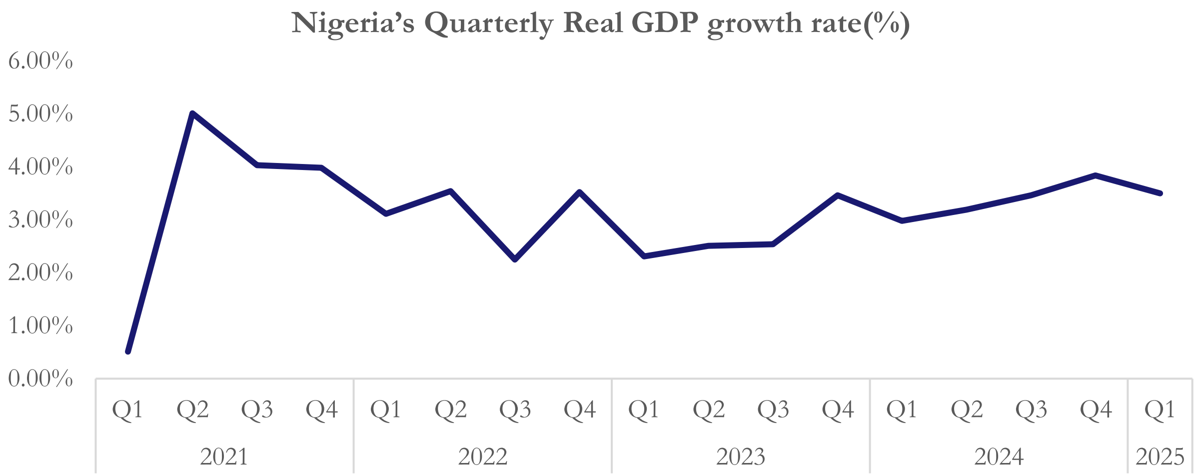
Financial services remained at the forefront, bolstered by fresh capital inflows and renewed investor interest. The telecommunications sector also maintained its growth trajectory, supported by a 50% tariff adjustment, deepening broadband penetration, and rising enterprise demand. Fintech platforms and digital infrastructure players reported robust growth, particularly in urban hubs like Lagos and Abuja, where enterprise adoption remains elevated.

The FX market's relative stability in early 2025 helped ease input cost pressures across industries. Manufacturers and import-reliant businesses, previously constrained by erratic exchange rate movements in 2023, experienced improved planning capacity and some margin recovery. This currency stability provided a tailwind to output across consumer-facing sectors.

Overall, the non-oil economy has emerged as the dominant engine of growth. The gradual shift toward a more service-oriented structure is becoming clearer, even as legacy sectors such as agriculture and oil remain vulnerable to recurring shocks.

That said, material risks to growth remain. Security concerns, especially in rural communities, continue to disrupt agricultural value chains, affecting both output and logistics. These disruptions have weakened agriculture's ability to play a counter-inflationary role in the short term.

Meanwhile, the oil sector remains exposed to both domestic production fragilities and global market volatility. Output levels have struggled to consistently exceed 1.6 million barrels per day, and the absence of significant new investments continues to dim the sector's near-term growth outlook.



ENERGY SECTOR REFORMS & SUPPLY-SIDE RELIEF MEASURES

Against this backdrop, recent developments in the energy sector offer cautious optimism. The Dangote Petroleum Refinery, Africa's largest single-train facility with a capacity of 650,000 barrels per day, is set to begin nationwide distribution of refined products by August 15, 2025. This includes diesel and PMS deliveries to petrol stations and major consumers using a fleet of over 4,000 compressed natural gas (CNG)–powered trucks. The refinery will bypass third-party marketers and offer two-week credit terms to bulk buyers, thereby easing working capital constraints across manufacturing, logistics, telecoms, and aviation sectors.

This strategic move could reduce last-mile distribution costs, enhance fuel availability, and help moderate energy-driven inflationary pressures, particularly in the transportation and industrial sectors. It also aligns with Nigeria's broader reform push to reduce dependence on imported refined products and stabilise the FX market by curbing demand-side pressures on foreign exchange.

If efficiently executed, this direct distribution model could support both GDP and price stability in H2 2025, while reinforcing energy security and bolstering non-oil sector productivity.

INFLATION

2025 ushered in a new chapter in Nigeria's inflation narrative. In January, the National Bureau of Statistics (NBS) introduced a long-overdue rebasing of the Consumer Price Index (CPI) its first in over a decade. The revised methodology expanded the inflation basket from 704 to 960 items and reshuffled weights to better reflect evolving consumption patterns, particularly in urban areas.

The most striking change was the reduction in the weight of Food & Non-Alcoholic Beverages from 51.8% to 40.1% while segments like Restaurants & Accommodation (12.9%), Transport (10.7%), Health (6.1%), and ICT (3.3%) gained prominence. This reweighting contributed to a statistical easing in headline inflation, which dropped from 34.8% in December 2024 to 24.5% in January 2025, and further to 22.97% by May.

Still, for many Nigerians, the cost of living remains high. Food inflation eased to 21.14% in May (from 40.5% a year earlier), but this largely reflects base effects and the lower food weighting, not actual price declines. Rural households continue to grapple with high costs for staples. Monthly headline inflation slowed to 1.53% in May from 1.86% in April, helped by slight energy price declines and some currency stability.

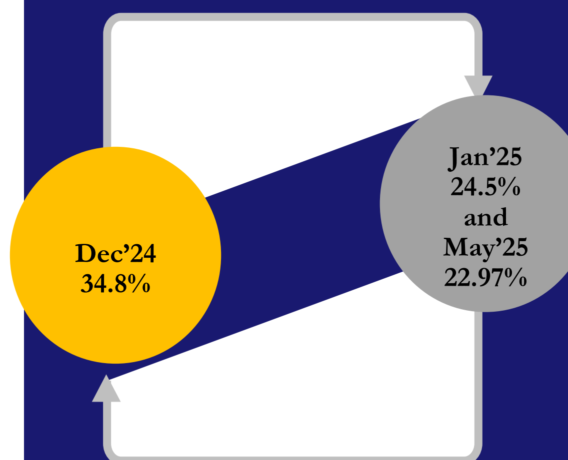
Core inflation, which excludes food and energy, eased to 22.85% y/y in May, pointing to modest relief in imported goods due to improved FX liquidity.

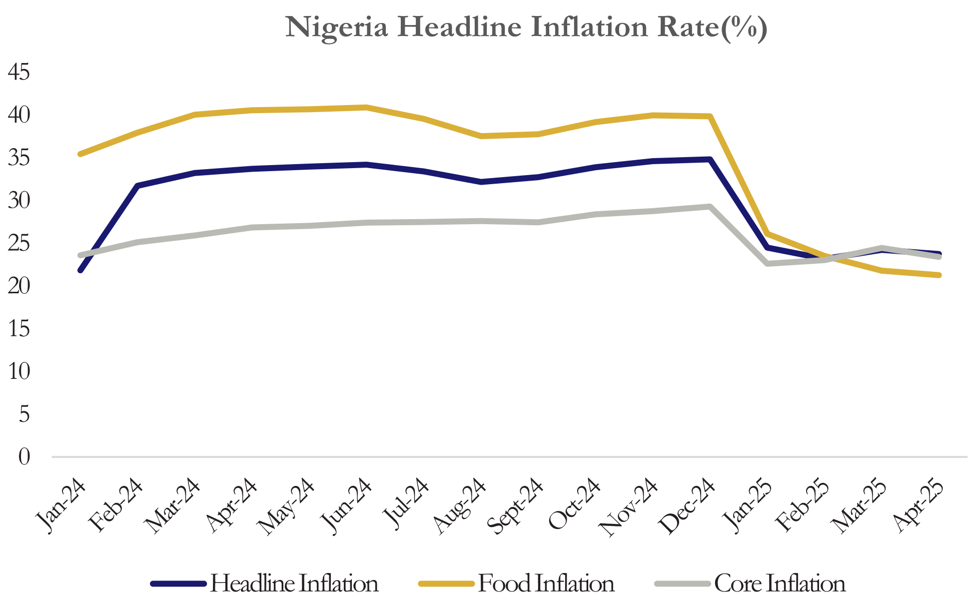
While this CPI rebasing was necessary and timely, it arrives at a moment when perception matters as much as precision. Nigeria was recently ranked the fifth hardest-hit African economy in the global cost-of-living crisis.

Looking ahead, inflation is expected to trend marginally higher in H2 2025, likely closing the year between 22.5% and 24.0%. Key upside risks include food and energy costs, exchange rate volatility, flooding in key agricultural belts, and insecurity in producing regions—all of which could disrupt supply chains and reverse recent moderation in food inflation.

Although improved FX inflows have helped ease import pressure, transport and energy costs remain sticky due to deregulated fuel pricing and grid inefficiencies. Core inflation may hold steady if external conditions remain favourable, but the diminishing effect of rebasing means real price pressures will become more visible.

Ultimately, inflation in the second half of 2025 will be shaped more by structural realities than statistical adjustments. This underscores the need for coherent fiscal and monetary policy coordination and bold investments in Nigeria's food system resilience.





Source; NBS; Bancorp Research

MONETARY POLICY

Nigeria's monetary policy environment in H1 2025 was characterized by a shift from aggressive tightening to policy consolidation. Following a cumulative 1,025bps increase in the Monetary Policy Rate (MPR) between May 2023 and March 2025, the Central Bank of Nigeria (CBN) maintained the MPR at 27.75% in both its March and May 2025 MPC meetings, opting for a measured hold to evaluate the lagged effects of previous hikes.

This decision was anchored on emerging signs of inflation deceleration, helped by January's CPI rebasing, improved FX liquidity, and slowing month-on-month inflation. Headline inflation eased from 34.80% (Dec 2024, old series) to 23.7% by April 2025 (new series). In parallel, the naira witnessed relative stability, supported by tighter liquidity conditions, FX reforms, and increased visibility of non-oil dollar inflows.

Rather than tightening further, the CBN focused on reinforcing system stability through liquidity management tools, including open market operations (OMO), higher effective CRR implementation, and oversight of FX inflow channels. These efforts helped anchor inflation expectations and curb speculative demand in the FX market.

Looking ahead, the CBN is expected to maintain a hawkish hold through most of H2 2025, with limited scope for further rate hikes barring significant inflation surprises.

Source; CBN; Bancorp Research

REAL INTEREST RATE DYNAMICS

Despite Nigeria's tight monetary policy stance, real interest rate dynamics remain mixed. As of May 2025, the Central Bank of Nigeria's Monetary Policy Rate (MPR) stood at 27.75%, while headline inflation registered at 22.97%, producing a mildly positive real policy rate of approximately +4.78% % %. This suggests that, at the official level, monetary policy is restrictive enough to curb inflationary expectations.

However, 1-year Treasury bill yields (18–20%) and average deposit rates (6–9%) remain negative in real terms, eroding savers' value and limiting monetary transmission. Despite a restrictive policy stance on paper, real returns in the broader market remain unattractive, constraining credit expansion and discouraging naira asset holdings.

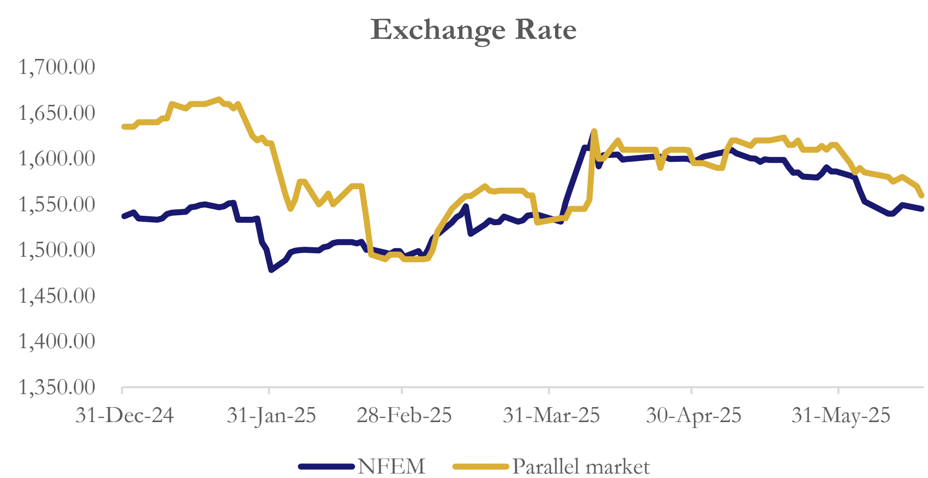
The real rate of interest is the rate which would prevail if there were no expectation of changes in the price level.

EXCHANGE RATE

After a volatile 2024, the naira showed signs of resilience in the first half of 2025, supported by policy reforms from the Central Bank of Nigeria (CBN), stronger foreign exchange inflows, and a rebound in investor participation. Both the official (NAFEM) and parallel market rates stabilised within the NGN1,500–NGN1,600/$ range, marking a notable turnaround from the sharp depreciation of the prior year.

The narrowing spread between official and parallel market rates reflected better price discovery and growing market confidence. FX supply was bolstered by improved oil receipts, seasonal diaspora remittances, and non-oil inflows such as capital repatriation. Alongside regulatory clean-up efforts, these developments contributed to a more orderly market.

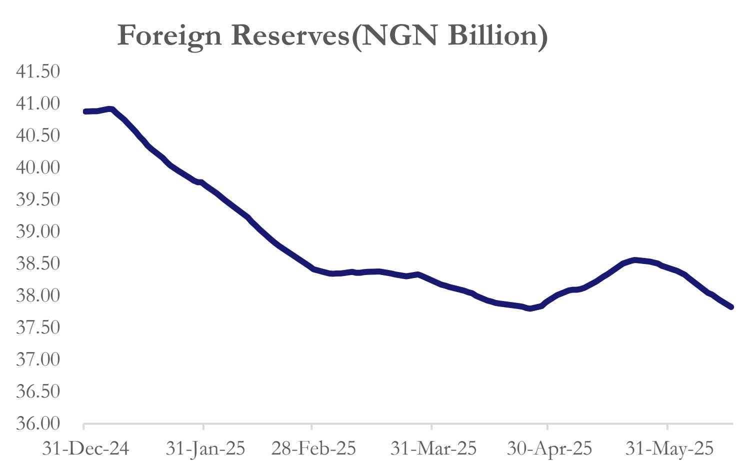
In Q1 2025, the CBN introduced the Nigerian Foreign Exchange Market Conduct Code (FX Code), setting minimum ethical and operational standards for all FX market participants. It also reinstated a two-way quote system at the NAFEM window, requiring dealers to submit both bid and ask rates, enhancing price transparency and interbank market depth, even as liquidity remained tight.



Source: CBN, FMDQ, Cash rate and Bancorp Research

The CBN's tightening cycle further sterilised liquidity and improved oversight of Bureau de Change (BDC) operators. Notably, the apex bank resumed direct FX interventions, injecting over $3.06 billion into the FX market in April and May 2025 to ease short-term volatility.

While these interventions stabilised the naira, they came at a cost to Nigeria's external buffers. Gross official reserves declined from $40.88 billion on January 2 to $37.82 billion by June 16, a drawdown of $3.06 billion or 7.5%. The steepest declines occurred from late March through April, aligning with the CBN's most aggressive market activity. Although reserves remain above short-term import cover thresholds, the current pace of decline raises questions about the sustainability of interventions without stronger FX inflows or external funding.



Source: CBN, Bancorp Research

Meanwhile, the CBN strengthened oversight of FX inflows. Exporters now face stricter repatriation timelines (90 to 180 days depending on sector), while Form A and Form M transactions, used for educational, medical, and import payments, are now subject to biometric verification. These efforts have curbed FX misuse and promoted more disciplined inflow patterns.

Despite progress, structural weaknesses persist. Non-oil FX generation remains modest, and while confidence in the naira is recovering, it has yet to fully return. The backlog of unmet forward FX obligations still weighs on investor sentiment and clouds long-term business visibility. More broadly, Nigeria's FX earnings remain vulnerable to oil price swings, as diversification efforts are still in their early stages.

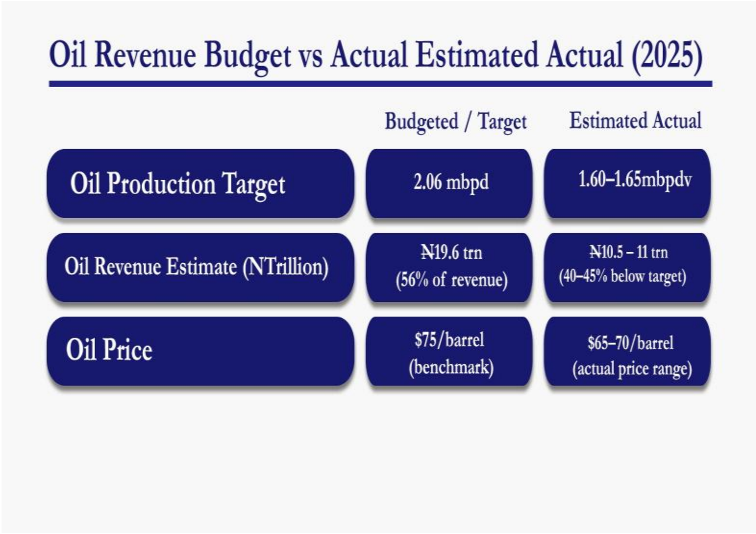
Looking ahead, the naira's performance in H2 2025 will depend on three key factors: sustained oil production at stable or rising prices, continued portfolio inflows into government securities, and the pace of structural and institutional reforms. If these hold, the naira could remain range-bound. However, downside risks remain. A sharp oil price drop, renewed global monetary tightening, or policy slippage could reintroduce pressure.

Scenario	USD/NGN Trajectory	Key Assumptions	Implications
Base Case	NGN1500-NGN1620	Stability in Oil Output, moderate foreign portfolio Inflow, Continuous Easing in Inflation rate.	FX Stability maintained; moderate reserves drawdown
Bull Case	NGN1400-NGN 1480	Oil at $85+, successful Eurobond tap or World Bank loan inflows	Stronger naira, improved confidence, lower imported inflation
Bear Case	NGN 1650-NGN1850	Oil dips to $50-55, weak fiscal buffers, capital outflow pressure	Higher inflation, more interventions, potential reintroduction of controls

FISCAL POLICY AND DEBT MANAGEMENT

Nigeria's fiscal position in H1 2025 was shaped by the growing mismatch between policy ambition and real-world constraints. The 2025 Appropriation Act, signed into law in late February, outlined a record NGN54.99 trillion spending plan and projected NGN41.81 trillion in revenue, largely hinged on stronger oil receipts, enhanced tax compliance, and improved remittances from government-owned entities.

Yet by midyear, these assumptions had softened. Oil production averaged 1.60–1.65mbpd between January and May—well below the 1.78mbpd benchmark—while global crude prices remained modest. According to recent data, output declined from 1.68mbpd in April to 1.65mbpd in May, threatening the government's 2.06mbpd full-year aspiration. This production shortfall, coupled with NGN7.74 trillion in subsidy-related deductions, has sharply reduced NNPC's net remittances to the Federation Account.



Non-oil tax performance held up modestly, driven by Company Income Tax and stable VAT receipts. However, four major tax reform bills signed in June including the Nigeria Revenue Service (NRS) and Joint Revenue Board Acts will only take effect from January 2026, limiting near-term fiscal gains. These reforms aim to harmonize tax processes, digitize administration, and broaden the non-oil tax base over time.

Summary of New Tax Reform Bills Signed in June 2025

	Tax Law	Brief Description
1	**Nigeria Revenue Service (Establishment) Bill**	**Establishes the Nigeria Revenue Service (NRS) to replace the Federal Inland Revenue Service (FIRS).**
2	**Nigeria Tax Administration Bill**	**Provides a legal framework for tax administration and coordination across all levels of government**
3	**Nigeria Tax Bill 2024**	**Updates existing tax legislation, including amendments to Company Income Tax, VAT, and Personal Income Tax.**
4	**Joint Revenue Board (Establishment) Bill**	**Establishes the Joint Revenue Board (JRB) to coordinate revenue efforts between federal and subnational tax bodies.**

Source: Federal Ministry of Finance, Budget and National Planning (2025); FIRS, National Assembly; Bancorp Research

On the expenditure side, recurrent costs surged following the NGN70,000 minimum wage adjustment. Debt service pressures intensified as interest rates remained high and the naira weakened. FG's debt servicing is now projected to exceed NGN15.7 trillion—above the NGN13.4 trillion budget—consuming over 70% of retained revenue and leaving limited fiscal room for capital expenditure.

As of Q1 2025, total public debt rose to NGN149.39 trillion, marking a 22.8% year-on-year increase. Domestic borrowing accounted for NGN78.76 trillion (52.7%), while external debt reached NGN70.63 trillion (47.3%), up 26% YoY. With $1.23 billion in Eurobond issuance planned for H2 and roughly NGN6.7 trillion left in domestic borrowing, Nigeria's debt trajectory remains steep. Though IMF exposure has fallen sharply, debt service costs, especially on FX-linked obligations, remain a key vulnerability.

Outlook – H2 2025

The fiscal outlook remains constrained. Revenue underperformance, elevated interest costs, and delayed reform payoffs point to continued tight financing conditions in H2. The government's ability to preserve capital allocation, stabilise oil remittances, and execute borrowing plans efficiently will be critical to fiscal credibility in the second half.

THE NIGERIAN EQUITES MARKET

Event Trail:

January and February:

- The NGXASI closed both months on a positive note, lifted by year-start portfolio positioning, corporate actions, and anticipation ahead of the FY 2024 earnings season
- **Zenith Bank** announced the successful completion of its oversubscribed capital raise, while **GTCO** concluded the first tranche of its equity capital raise programme.

March:

- FirstHoldco successfully concluded its NGN150bn Rights Issue, oversubscribed at NGN187.6bn, and announced a planned NGN350bn private placement to strengthen its capital base.
- MRS Oil announced plans to delist from NGX for NASD listing. The NGXASI fell 2.00% on broad sector declines

April:

- NGXASI rebounded by 0.13% due to impressive corporate earnings and corporate actions
- Legend Internet Plc listed 2.0bn shares at NGN5.64, debuting with a market cap of NGN11.3bn.

May:

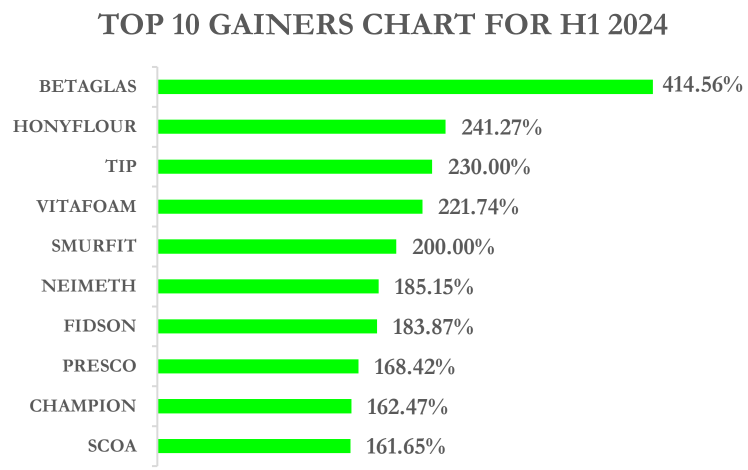
- Strong Q1-25 earnings triggered sharp rallies in the consumer goods space, which boosted the overall market sentiment.
- Tantalizers Plc signals its diversification into the entertainment sector.

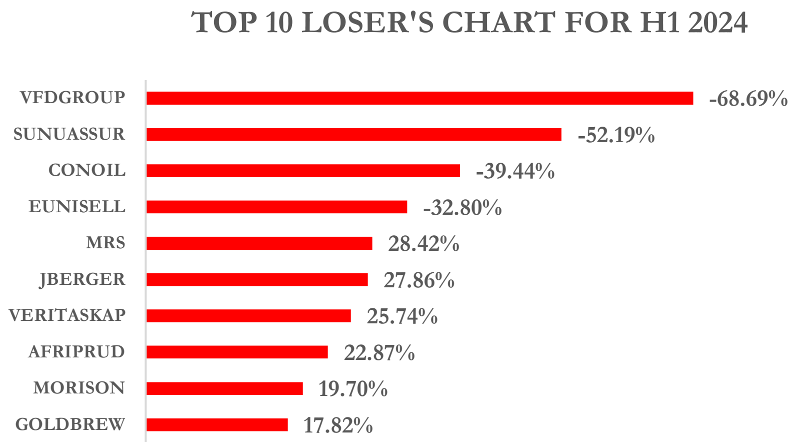
June:

- The bourse increased by 7.37% driven by momentum in the financial services sector and the Consumer Goods sector.
- CBN clamps down on banks under regulatory forbearance.

Indexes Monthly Performance (% MoM)

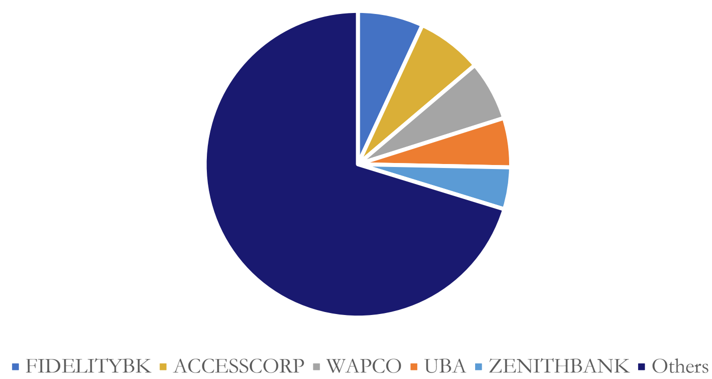
	Jul-24	Aug-24	Sept-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	YTD%
NGXASI	(2.28)	(1.22)	2.05	(0.92)	(0.15)	5.56	1.53	3.18	(2.00)	0.13	5.62	7.37	16.57
NGXMAINBOARD	0.94	1.12	0.88	(1.05)	(0.87)	5.26	2.14	0.99	(1.51)	1.86	7.61	6.01	18.04
NGX30	(2.59)	(0.67)	1.99	0.18	(0.04)	3.97	1.62	3.35	(2.06)	0.07	4.99	7.35	16.03
NGXCG	(4.52)	3.81	8.79	6.45	1.95	7.91	8.15	0.13	(1.25)	0.38	3.25	10.20	22.12
NGXPREMIUM	(7.42)	(5.16)	4.49	(0.25)	1.49	6.08	0.31	7.43	(2.89)	(1.35)	2.65	12.39	19.11
NGXBNK	(3.47)	6.96	10.18	4.78	3.39	5.99	9.76	(2.07)	(0.49)	(1.52)	1.86	10.04	18.06
NGXPENSION	(3.31)	4.12	5.95	4.77	1.50	5.94	5.87	1.00	(1.00)	3.40	5.94	10.61	28.26
NGXINS	(2.57)	11.46	1.36	4.01	9.11	47.16	(1.10)	0.87	(2.48)	(3.52)	1.60	10.33	5.23
NGXCNSMRGDS	(4.53)	4.30	(0.69)	(0.75)	2.40	8.94	4.47	1.70	(1.30)	10.42	18.71	10.75	52.21
NGXOILGAS	5.55	22.39	6.97	15.90	3.20	13.89	(1.61)	(4.00)	(4.02)	(4.23)	(1.17)	4.74	(10.12)
NGXLOTUSISLM	(3.63)	4.07	(3.13)	(4.73)	5.58	13.21	3.97	6.98	(2.40)	(0.55)	10.34	11.39	32.69
NGXINDUSTR	(5.58)	(13.06)	(1.25)	(9.31)	2.14	1.30	(8.52)	10.78	(3.59)	(3.59)	2.39	5.60	1.85
NGXGROWTH	(3.83)	3.25	(11.80)	38.31	(8.49)	25.57	6.09	(4.64)	(5.75)	(0.01)	5.51	20.63	21.35
NGXSOVBND	(4.35)	(11.82)	(3.38)	1.12	(1.36)	(3.40)	3.14	1.03	0.02	3.89	0.77	(0.50)	8.56
NGXAFRBVI	(4.96)	8.66	7.28	7.43	4.99	4.47	9.32	(1.87)	(0.01)	(2.02)	1.53	12.34	19.88
NGXAFRHDYI	0.77	21.50	5.57	3.79	4.49	11.45	7.10	(2.02)	(4.04)	7.22	2.73	5.59	17.11
NGXMERIGRW	(4.25)	14.93	7.38	5.99	5.13	7.38	12.48	0.18	(5.24)	6.32	4.45	5.88	25.56
NGXMERIVAL	(1.80)	5.78	7.66	20.10	1.88	8.77	6.12	(1.25)	(5.49)	1.70	(1.81)	8.67	7.47



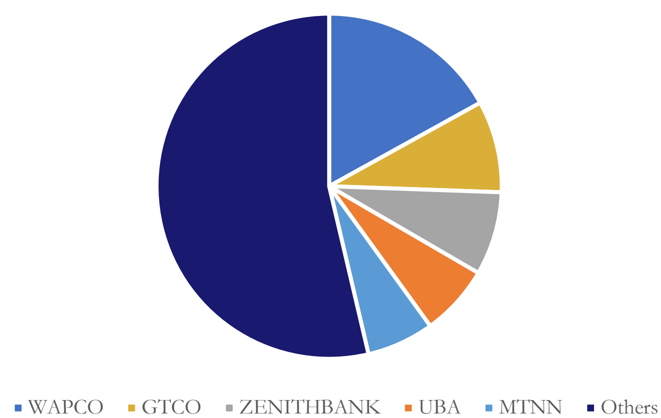


Source: NGX; Bancorp Research

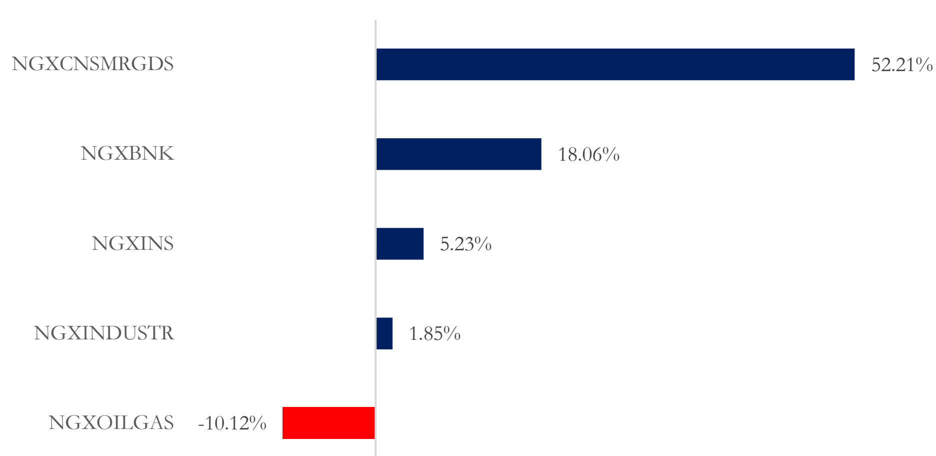
Top Traded Stocks by Volume for H1 2025



Top Traded Stocks by Value for H1 2025



Sectoral Indices YTD Performance

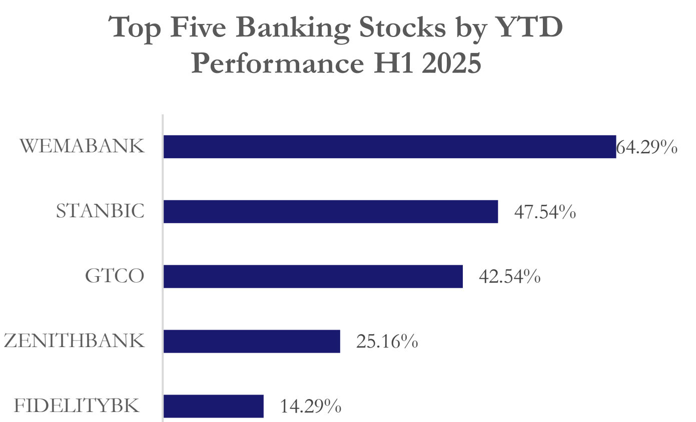


Source: NGX; Bancorp Research

NGX-BANKING SECTOR

The NGX Banking Index gained 18.06% in H1 2025, emerging as the second-best performing sector during the period. Performance was anchored by a strong rally in January (+9.76%) and a sharper rebound in June (+10.04%), despite periods of mid-quarter volatility driven by profit-taking, regulatory uncertainty, and portfolio rebalancing.

Investor sentiment strengthened notably in June, as buying interest returned to names like STANBIC, GTCO, ZENITHBANK, and WEMABANK, buoyed by increased foreign participation and dividend-focused strategies. Notably, GTCO and STANBIC benefited from their exemption from the CBN's forbearance policy, making them attractive safe havens within the sector.



Source: NGX, Bancorp Research

Outlook – H2 2025

Banking stocks are likely to maintain earnings momentum in H2, supported by high interest income and stable fee-based revenues. However, the outlook is tempered by regulatory overhangs, including the potential FX windfall tax, and the unclear treatment of forbearance assets, both of which may weigh on sector valuations.

A key theme for H2 will be the market's response to ongoing capital-raising efforts. While banks like Zenith Bank and Access Holding plc have completed their initial phases, several others are mid-process. Pricing dynamics and strategic clarity will determine sentiment and flows.

We expect GTCO, ZENITHBANK, and STANBIC to lead sector momentum, supported by strong capital positions, consistent dividends, and relatively lower regulatory policy. Meanwhile, UBA and FBNH present potential upside as capital-raising plans progress and earnings visibility improves. For investors, capital strength, asset quality, and dividend policy will remain the key differentiators in stock selection through the rest of the year.

NGX-CONSUMER GOODS SECTOR

The Consumer Goods sector emerged as the top-performing sector on the NGX in H1 2025, advancing 52.21% year-to-date. The sector's rally was particularly strong in Q2, supported by a combination of earnings recovery in brewers and food processors, foreign exchange translation gains, and resilient pricing power despite a still-high inflation environment.

In June, stocks such as CHAMPION, INTBREW, VITAFOAM, and PZ led sector gains, driven by renewed investor confidence and stronger-than-expected quarterly earnings. The impressive performance of CHAMPION and INTBREW was underpinned by a return to profitability in Q1 2025 following prior-year losses.

Specifically, INTBREW reported a significant improvement in cost efficiency, with a cost-to-sales ratio of 65.7%, down from 72.0% in Q1 2024. The brewer posted a positive EPS of N0.30, a notable turnaround from a loss per share of N0.62 a year earlier. Most of the brewery companies reduced their foreign currency liabilities, supported by rights issue proceeds and a more stable naira, contributing to their bottom-line recovery.

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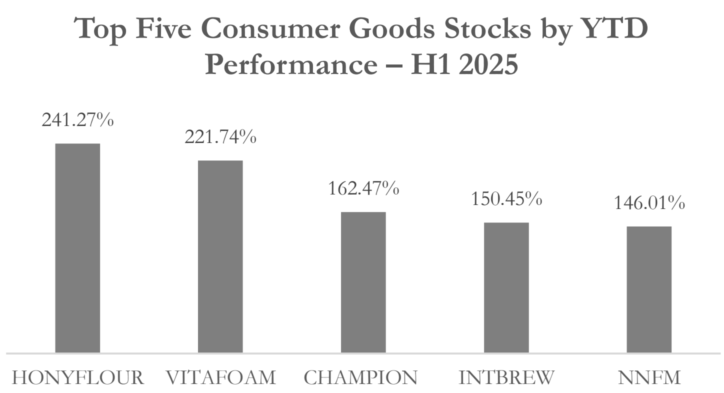


Source: NGX, Bancorp Research

Outlook – H2 2025

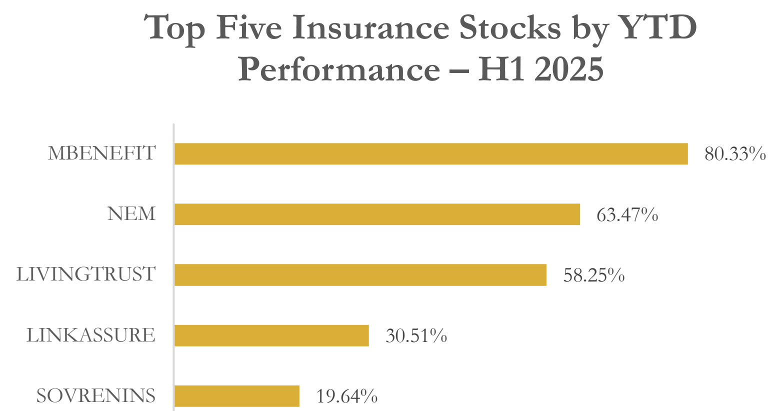
The sector is likely to retain its momentum in H2, supported by continued FX stability, softer input costs, and resilient consumer demand. Risks may surface from lingering inflation or renewed currency pressure, but strong dividend flows and a steady earnings recovery should keep investor interest intact and preserve the sector's leadership.

NGX-INSURANCE SECTOR

The NGX Insurance Index closed the first half of 2025 with a 5.23% year-to-date gain, driven largely by a strong rebound in June (+10.33%) following a sluggish start to the year. Early months were characterized by weak institutional interest, delayed financial disclosures, and thin liquidity, but sentiment improved markedly in June as investors rotated into undervalued names within the sector.

Among the top performers, NEM posted a notable year-to-date gain of over 60%, benefiting from stronger-than-expected earnings and a dividend declaration that supported renewed investor interest. Other stocks such as LIVINGTRUST and LINKASSURE also advanced, driven by bargain-hunting activity and speculation around capital restructuring.

A key regulatory development that shaped sentiment in H1 was the passage of the Insurance Sector Reform Bill by both chambers of the National Assembly. The bill, which proposes a significant increase in minimum capital requirements across insurance segments, has yet to be signed into law. If enacted, the bill would trigger a sector-wide recapitalization exercise estimated at around N600 billion, with expectations of increased M&A activity, rights issues, and broader capital raising.



Source: NGX, Bancorp Research

Outlook – H2 2025

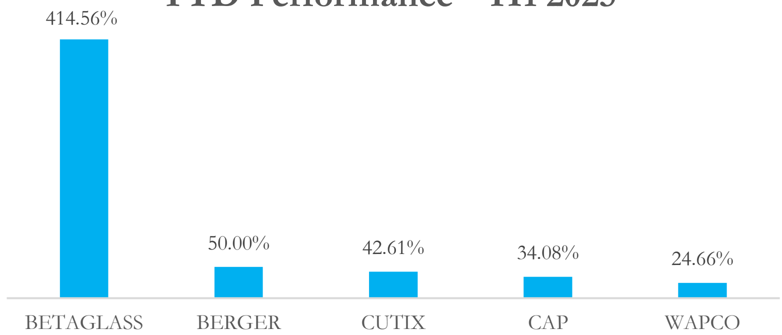
Looking ahead to the second half of the year, the outlook for the insurance sector remains cautiously optimistic. Market positioning is likely to be shaped by expectations surrounding the eventual enactment of the reform bill. Should it be signed into law, it would likely accelerate consolidation, enhance underwriting capacity, and strengthen solvency levels across the industry. In the interim, insurers with stronger balance sheets and clearer earnings visibility are expected to remain in favour. Meanwhile, continued regulatory enforcement of compulsory insurance schemes, such as third-party motor insurance, could further support premium growth across the industry. The outlook remains moderately positive. A more visible earnings trend, corporate restructuring, and regulatory reforms may attract institutional interest. However, performance will hinge on transparency, market depth, and capital adequacy progress.

NGX-INDUSTRIAL GOODS SECTOR

The industrial goods sector saw a rough first half, gaining just 1.85% YTD. Performance was dampened by DANGCEM's early-year selloff, although stocks like WAPCO, BETAGLASS, and BERGER helped offset sector-wide volatility. Cement price hikes and logistics optimization supported margins heading into Q2.

Beta Glass was the standout performer with a YTD gain exceeding 400%, driven by strong investors' sentiment and significant margin expansion. BERGER and CUTIX also advanced significantly, supported by volume recovery and operational efficiency. WAPCO posted a stable Q1 and gained from renewed infrastructure spending. DANGCEM underperformed due to high base effects and early-year profit-taking.

Top Five Consumer Goods Stocks by YTD Performance – H1 2025



Source: NGX, Bancorp Research

Outlook – H2 2025

Rising infrastructure activity and stable cement prices may support renewed interest. Investors will monitor input costs, FX availability, and sector-specific CAPEX trends.

NGX-OIL AND GAS SECTOR

The Oil & Gas sector ended H1 2025 as the worst-performing index on the NGX, with a 10.12% year-to-date decline. The sector posted consistent losses from January through May, as investor sentiment remained muted amid regulatory ambiguity, slow progress on downstream deregulation, and lacklustre earnings from key upstream players.

The decline was broad-based, led by significant price corrections in ARADEL (–13.96%), OANDO (–16.74%), MRS (–28.42%), CONOIL (–39.44%), and SEPLAT (–4.39%). These losses more than offset isolated gains elsewhere in the sector.

Eterna Plc was the notable exception, rallying over 70% YTD. The stock's strong performance reflected its expanding retail network and renewed investor optimism around downstream liberalisation and subsidy reforms.

Outlook – H2 2025

Operational improvements and cost efficiencies are expected to support earnings growth in H2 2025. However, the sector's sustained performance will largely hinge on regulatory clarity, particularly around downstream reforms and fiscal incentives. A potential listing of Dangote Refinery and further gains in local production capacity could present upside opportunities. That said, near-term investor sentiment remains cautious, reflecting lingering macroeconomic uncertainties.

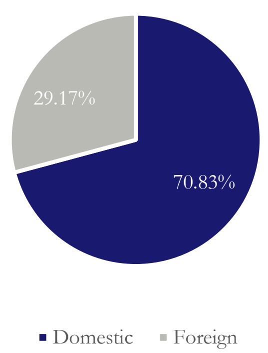
INVESTOR PARTICIPATION: DOMESTIC FLOW REMAIN IN CONTROL

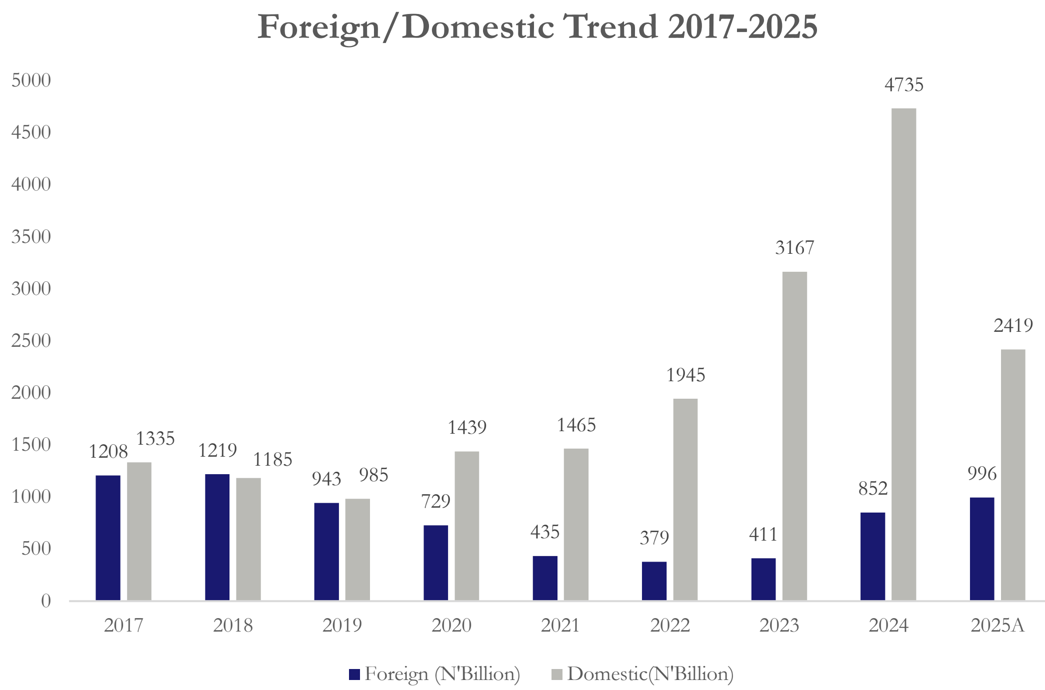
Investor activity on the NGX remained largely skewed toward domestic participants in the first five months of 2025. According to the NGX's Domestic & Foreign Portfolio Investment Report, total transaction value stood at NGN3.41 trillion as of May 2025, with domestic investors accounting for 70.8% (NGN2.42 trillion) of the total. Within the domestic group, institutional investors retained dominance, contributing 50.5% (NGN1.22 trillion) of domestic activity, slightly ahead of retail participants who accounted for 49.5% (NGN1.20 trillion). This trend reinforces the growing influence of local institutions in shaping market direction, especially in the face of volatile global capital flows.

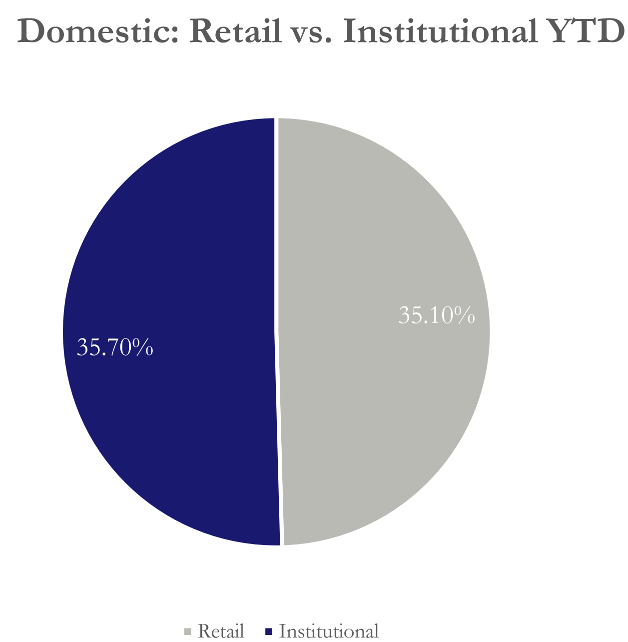
Foreign investor participation, while still relatively subdued, showed marginal improvement in H1 2025. Cumulative foreign transactions as of May reached NGN996 billion, already surpassing full-year 2024 levels (NGN852 billion). A notable spike in March activity, NGN699.89 billion in combined inflow and outflow, was driven by short-term rotational trades, with inflows and outflows nearly equal at NGN349.97 billion and NGN349.92 billion, respectively. The net result was a modest inflow of NGN50 million for the month.

Despite this uptick, the broader trend remains cautious. As of May 2025, net foreign outflows had moderated to NGN23.16 billion, down from NGN76.65 billion recorded over the same period in 2024. Nonetheless, macroeconomic uncertainty and global geopolitical tensions continue to weigh on foreign risk appetite. In the absence of sustained foreign inflows, domestic investors, particularly institutions, are expected to remain the primary drivers of market liquidity and sentiment in the near term.

Domestic vs. Foreign Participation YTD 2025







Source: NGX, Bancorp Research

Overall Market Outlook: Selective Positioning Ahead of Policy Shift

The broader outlook for H2 2025 hinges on a potential shift in monetary policy direction, resilient corporate earnings, and selective FPI re-entry. With the CBN maintaining a holding stance in its last two meetings, a dovish pivot is increasingly likely as inflation trends lower and FX liquidity improves.

Equities may benefit from this inflexion point, especially names offering strong dividends, high free-float, and earnings visibility. Sectors like consumer goods and industrials are expected to remain in focus, while banking could perform selectively based on capital adequacy and recapitalization execution. Insurance and oil & gas will need clearer reform signals to re-rate meaningfully.

FIXED INCOME MARKET

The first half of 2025 saw Nigeria's fixed income market deliver a mixed performance, shaped by alternating liquidity cycles, recalibrated inflation expectations, and a pivoting monetary policy narrative. Following the January CPI rebasing, inflation prints moderated sharply, re-establishing a positive real interest rate regime. This, alongside reduced fiscal borrowing in the domestic debt market, helped anchor yields in the early part of the year.

However, by Q2, renewed borrowing pressure, tighter liquidity, and investor rotation toward shorter-duration assets prompted a mild reversal in earlier gains. Market sentiment remained guided by monetary policy expectations, with risk appetite shifting in response to inflation volatility, auction outcomes, and macroeconomic signals.

System liquidity was volatile throughout the period, largely influenced by CBN's active liquidity management, frontloaded OMO auctions, and unpredictable FAAC inflows. After opening the year with a deficit of NGN307.5bn in January, liquidity improved temporarily in February (NGN572.8bn), before slipping back into deficit in April (NGN1.6tn) and May (NGN550.9bn), with marginal improvement by June.

Short-term rates responded accordingly. The Open Repo (OPR) and Overnight (OVN) rates peaked at 29.6% in January, then moderated to 26.5% and 27.0%, respectively, by June. Similarly, the 30-day NIBOR rate eased from 27.47% in May to 26.92% in June, reflecting temporary relief from maturing bills and FAAC-induced liquidity.

The NTB and OMO markets remained active throughout H1. The CBN and DMO offered a cumulative NGN6.9tn in primary auctions.

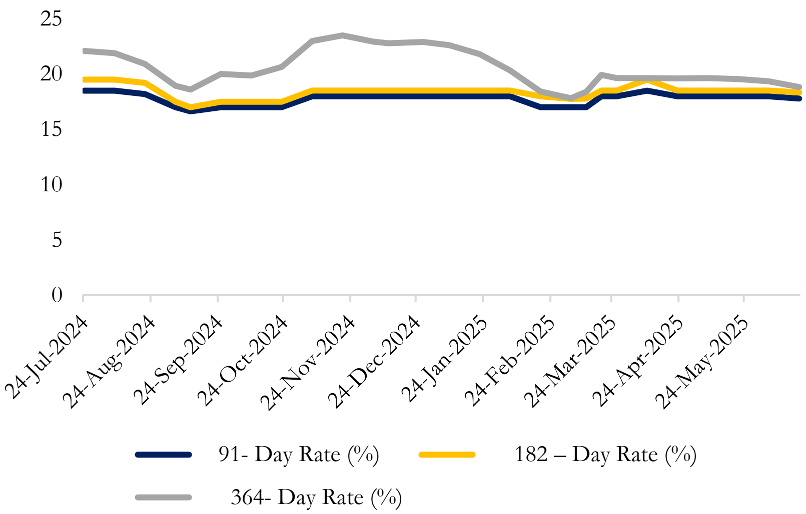
Demand remained concentrated at the long end of the curve, with bid-to-offer ratios exceeding 4.0x in February and March.

The 364-day NTB stop rate fell from 23.8% in January to 18.4% in February, before rising steadily to 23.3% by May and stabilising in June. This reflected the push-pull between investor yield appetite and policy uncertainty.

In the secondary market, average NTB yields declined to 19.7% in March, then reversed, closing H1 at 21.5% in June. The bearish turn in Q2 was driven by tight liquidity and increasing supply pressure, with short and mid-tenor papers seeing the most selloffs.

The bond market mirrored this broader trend—bullish in Q1, cautious in Q2. In the primary segment, the DMO reopened benchmark tenors (APR 2029, FEB 2031) and introduced new papers such as JAN 2035 and MAY 2033. Demand was robust, particularly for longer maturities, with marginal rates falling from 22.3% in January to sub-20% levels by April, before stabilising near 19.8% in May and June.

The secondary bond market was volatile. After a sharp rally in February (average yields down 176bps to 18.6%), yields drifted higher through March and April, closing H1 at 18.8%. A persistent yield curve inversion defined the period, as short-term bonds traded above mid- and long-tenor equivalents, a signal of investor caution on long-term fundamentals.



Source: FMDQ, Bancorp Research

Eurobond and SSA Performance

Nigeria's sovereign Eurobonds, alongside broader SSA papers, saw mixed performance in H1, shaped by shifting global monetary expectations and geopolitics. A brief selloff in April, triggered by renewed U.S. tariffs and delayed Fed rate cuts, pushed yields to a high of 11.4%. However, sentiment improved in May and June, as oil prices rebounded and global central banks resumed easing.

Nigeria's Eurobond yields declined 91bps to 8.7% by June, with the 2025 and 2027 maturities seeing the most interest. Elsewhere, Ghana, Kenya, and Angola also saw yield compression, supported by improved fiscal narratives and reduced risk-off pressure. African corporate Eurobonds followed suit, with average yields down to 7.6%, led by strong demand for EBN Finance and Access Bank 2026 issues.

NIGERIA	CURRENCY	COUPON	MATURITY	MID-YIELD(%)	YTD CHANGE(%)
REPUBLIC OF NIGERIA NOV2025	USD	7.625	45982	5.3	-2.6
REPUBLIC OF NIGERIA NOV 2027	USD	6.5	46719	6.9	-1.5
REPUBLIC OF NIGERIA SEP 2028	USD	6.125	47024	7.8	-1.3
REPUBLIC OF NIGERIA MAR 2029	USD	8.375	47201	8.3	-1
REPUBLIC OF NIGERIA FEB 2030	USD	7.143	11012	8.5	-1
REPUBLIC OF NIGERIA JAN 2031	USD	8.747	47869	8.6	-0.9
REPUBLIC OF NIGERIA JUN 2031	USD	9.625	11483	8.6	-1
REPUBLIC OF NIGERIA FEB 2032	USD	7.875	11735	9	-0.8
REPUBLIC OF NIGERIA SEP 2033	USD	7.375	12325	9.3	-0.6
REPUBLIC OF NIGERIA DEC 2034	USD	10.375	12762	9.6	-0.5
REPUBLIC OF NIGERIA FEB 2038	USD	7.696	13934	9.6	-0.7
REPUBLIC OF NIGERIA NOV 2047	USD	7.625	17499	9.9	-0.4
REPUBLIC OF NIGERIA JAN 2049	USD	9.248	17919	10	-0.3
REPUBLIC OF NIGERIA SEP 2051	USD	8.25	18899	10.1	-0.4
Average				8.68	-0.93

Source: Bloomberg, Bancorp Research

Outlook- H2 2025

In the second half of the year, Nigeria's fixed income market is expected to remain influenced by a delicate balance between policy direction, liquidity flows, and government borrowing activity. The moderation in inflation following the CPI rebasing has restored positive real rates, increasing the likelihood of a gradual policy easing by the CBN. However, the timing and extent of rate cuts will depend on exchange rate stability and headline inflation performance.

While NTB maturities and bond coupon inflows may offer temporary liquidity support, continued OMO issuance and the government's NGN6.7tn domestic funding target are likely to keep yields elevated, particularly at the long end. We expect investor preference to remain tilted toward short- and mid-tenor instruments, pending clearer monetary policy signals.
Barring major shocks, we forecast 364-day NTB yields to close around 20.5%, with benchmark FGN bond yields hovering near 17.0% by year-end.

ANALYSTS' CERTIFICATION

We, the undersigned analysts, certify that the views expressed in this report reflect our independent assessments of economic conditions and trends. Our compensation is not influenced by the views or recommendations in this report, which complies with Nigerian SEC regulations and international best practices.

RESEARCH METHODOLOGY

This report is based on:

- **Primary Data**: Sources include the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), and Bureau of Economic Analysis(BEA).
- **Secondary Data**: Reports from the Nigerian Exchange Group(NGX), Trading Economics, and Bloomberg Africa.
- **Analysis Tools:** Statistical modelling, historical trend analysis, and forward-looking projections based on key indicators like GDP growth, inflation forecasts, fiscal and monetary policies, and trade balances.

CONFLICT OF INTEREST DISCLOSURE: Analysts declare no material conflicts of interest with entities referenced in this report. Any potential conflicts are disclosed in the appendix.

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