

June 20, 2025

We want peace, but invest in wars

Men of peace, even in times of peace, build instruments of war.

We say we want peace. Nations, leaders, even ordinary people claim it. Yet, we invest heavily in the tools that do the opposite. *From bows and arrows to nuclear weapons, we've moved rapidly from self-defense to self-destruction.* How did we, as a specie, evolve so quickly into creators of weapons that can wipe us out? Are we creating these weapons just to fight ourselves or aliens?

Our arsenals say more about our intentions than our speeches ever could. The more sophisticated our weapons become, the more tempting it is to use them. Can we really have such power and feel no urge to test it?

Same narrative, different countries

In February 2022, Russia invaded Ukraine, citing the need to protect itself. Moscow warned against NATO bases at its doorstep, arguing that Ukraine's growing ties with the West posed a threat. So, it struck first.

Now, on June 13, 2025, Israeli Prime Minister Benjamin Netanyahu confirmed a major attack on Iran, again in the name of self-defense. Israel says Iran is on the brink of developing a nuclear weapon, and so, it struck first.

The reasoning is familiar, *"We must protect ourselves."* But the question is "will Israel face the same global condemnation and sanctions Russia did?" Or will the world shift its tone and join Israel?

With the US President leaving the G7 meeting earlier than usual, I believe the US may be getting involved in the war, possibly launching a strike on Iran in the coming days. I once believed superpowers like the United States would act as a stabilizer, brokering peace through diplomatic means, not drop threats and bombs. But it seems the world is different now.

In my view, there are two types of Presidents: those who thrive in peace and stability, and those who stir the waters; putting the world on edge and drawing strength from chaos.

I'm no expert in geopolitics or military strategy, but I believe true peace can't be achieved through preemptive violence. The cost is always higher than the justification. We can't just launch a war to prevent another war without dire consequences.

Now, let's move into a space I know well: **the markets.**



Investors Reaction: Wait and See

The current geopolitical tension has continued to weigh heavily on global risk sentiment, with investors flocking to safe-haven assets, from U.S. Treasuries to gold, while trimming exposure to riskier positions. The high uncertainty in the market right now is making investors pay attention to every sort of information they get. Even a whisper could move the markets.

As the tension increases, investors are expected to adopt the wait and see approach, leading to reduced demand for conventional risk assets. Aviation companies might take a hit, while defense and weapon companies thrive.

Central Banks Reaction: HOLD

The US Federal Reserve decided to hold rate at 4.25% - 4.50% for the fourth consecutive meeting, citing high uncertainties around economic outlook. Jerome Powell repeated his view that the central bank was “well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance”. The projection of interest rate shows a split among the officials, with seven seeing no rate cut throughout the year, while ten officials expects two rate cuts before the year ends. It is also expected that inflation in the US might inch higher, while economic growth outlook for 2025 decline moderately.

Likewise, the Bank of England left UK's key interest rate unchanged at 4.25%, with three committee members voting for 25bps cut. In my opinion, we may not be closing 2025 with significantly low interest rates in the global market.

The People's Bank of China held both the 1-year and 5-year Loan Prime Rates steady at 3.00% and 3.50% respectively in June 2025, following a 10bps cut in May (first rate cut since October 2024). This signals that the central bank is assessing the impact of previous easing measures, opting to monitor economic response before implementing any further policy adjustments.

IN OTHER NEWS

- MSCI says it needs more time to assess the impact of Nigeria's forex reforms.
- Fitch Ratings upgraded Ghana's Long-Term Foreign Currency Issuer Default Rating to 'B-' from 'Restricted Default', with a Stable Outlook.
- Nigeria's headline inflation eased to 22.97% in May 2025 from 23.71% in April, as both the food and core inflation indices declined.
- NTB stop rates nosedived to 17.80%, 18.35% and 18.84%, for the 91-day, 182-day 364-day bills respectively.

In Nigeria

Rising oil prices, recent Moody's rating upgrade, and improved perception on the country's fiscal reforms seem to be playing well in the Nigeria Eurobond space. The Nigerian Eurobond space has witnessed elevated buy interest, leading to sharp decline in yields across the curve. As oil prices improve in the global markets, we may see rising interest in Eurobonds of oil producing countries like Nigeria, however, global uncertainties and preference for safe-haven assets may cut short the gains.

High government debt could also be another variable for foreign investors to watch out for. Nigeria has a \$1.118bn Eurobond maturing in November 2025, rolling this Eurobond might come at a high cost, because it just issued two Eurobonds last year and a domestic USD bond.

Not an Investment Recommendation

Research has shown that over the long term, passive investment strategies outperforms active portfolio management for several reasons (largely lower fees, reduced timing errors, and market efficiency). However, this year may be different.

With heightened volatility level and shifting macro conditions this year, a well-managed active portfolio could outperform a comparable passive portfolio, even on a risk-adjusted return basis.

In short, while this isn't a call to abandon passive investing, this may be one of those rare years where smart, active decisions can make a meaningful difference.

You might want to pay a closer attention to your portfolio this period. Timing and allocation could contribute significantly to the overall performance.

References

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