

## Fixed Income and Currencies (FIC) Markets Summary

### FIC Markets Turnover

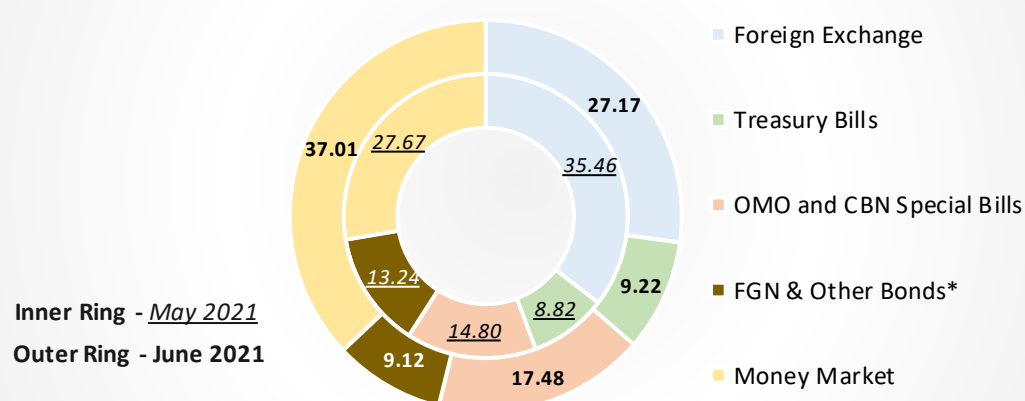
June 2021: ₦15.31trn ▲

May 2021: ₦10.24trn

June 2020: ₦16.47trn

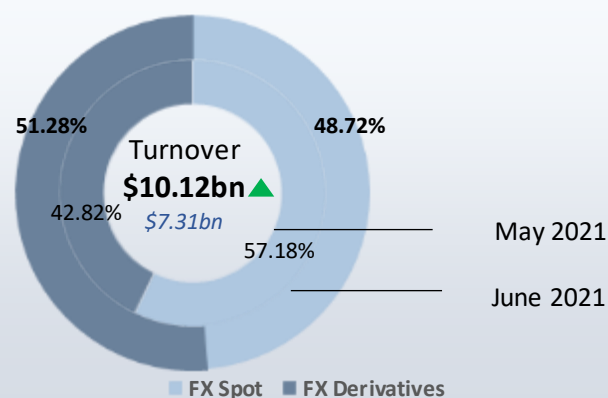
- Turnover in the FIC markets for the month ended June 30, 2021 was ₦15.31trn, representing a MoM<sup>1</sup> increase of 49.51% (₦5.07trn) and a YoY<sup>2</sup> decrease of 7.04% (₦1.16trn)
- Foreign Exchange (FX) and Money Market transactions were the highest contributors to the FIC markets turnover in June 2021, jointly accounting for 64.18% of the total FIC markets turnover. (See Chart 1)

Chart 1: Contribution to FIC Market Turnover (%)



### FX Market

Chart 2: Contribution to FX Market Turnover (%)



### FX Derivatives Turnover and Percentage Contribution

FX Swaps	\$1.96bn	37.70%
FX Forwards	\$1.57bn	30.25%
FX Futures	\$0.94bn	18.09%
Other Derivatives**	\$0.72bn	13.96%

- Total FX market turnover in June 2021 was \$10.12bn (₦4.16trn), representing a MoM increase of 38.44% (\$2.81bn) from the turnover recorded in May 2021 (\$7.31bn). (See Chart 2)
- The MoM increase in total FX market turnover was jointly driven by the 17.90% (\$0.75bn) and 65.73% (\$2.06bn) increase in FX Spot and FX Derivatives turnover respectively in June 2021
- The MoM increase in FX Derivatives turnover was driven by MoM increase in turnover across all derivative products, as FX Swaps, FX Forwards, FX Futures and Other Derivatives turnover increased by 88.07% (\$0.92bn), 19.80% (\$0.26bn), 118.18% (\$0.51bn) and 106.84% (\$0.37bn) respectively

### Naira-settled OTC FX Futures Market

#### Matured Contract

NGUS JUN 30, 2021  
(\$/₦420.68)

#### New 60M Contract

NGUS JUN 24, 2026  
(\$/₦613.76)

NV of Open Positions  
in OTC FX Futures  
Contracts - \$4.25bn ▲

- In the OTC FX Futures market, the near month contract<sup>3</sup> (NGUS JUN 30, 2021) with a total outstanding notional value (NV) of \$0.29bn matured and was settled, whilst a new long-term (60M<sup>4</sup>) contract, NGUS JUN 24, 2026 was introduced at a Futures price of \$/₦613.76
- The total NV of open OTC FX Futures contracts as at June 30, 2021 stood at circa (c.)\$4.25bn<sup>5</sup> representing a MoM increase of 7.32% (\$0.29bn) from its value as at May 31, 2021, and a reversal in the downward trend witnessed since May 2020. (See Chart 3)

Chart 3: Trend in Open OTC FX Futures Contract Values (\$'bn)

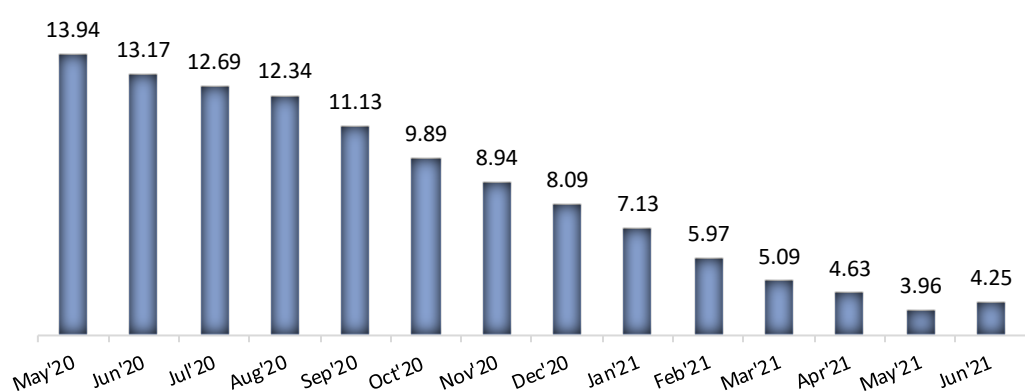
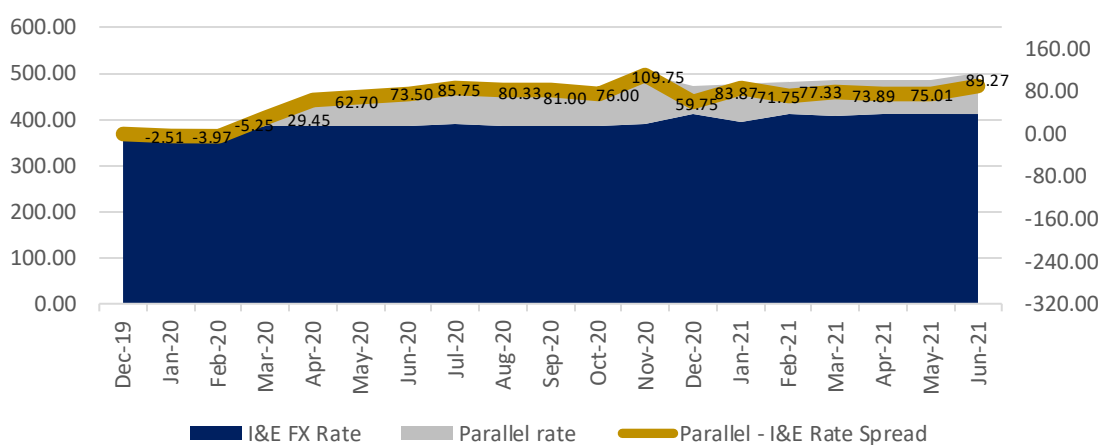


Chart 4: Closing Rates in the I&E FX Window and Parallel Market (\$/₦)

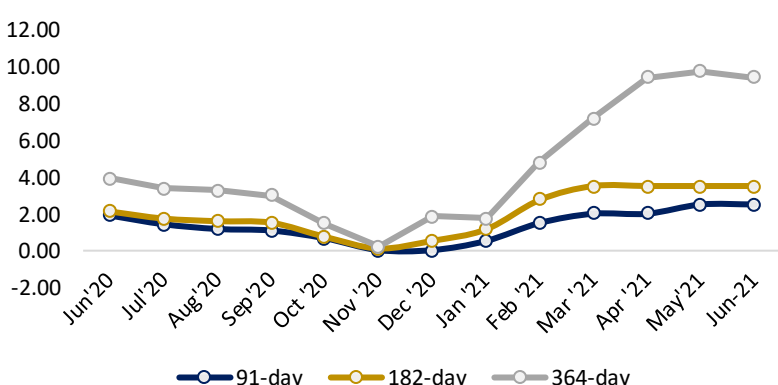


- At the I&E FX Window, the Naira depreciated against the US Dollar, losing 0.01% (\$/₦0.03) to close at an average of \$/₦411.30 in June 2021 from \$/₦411.27 recorded in May 2021 whilst trading within a range of \$/₦410.00 and \$/₦412.00 in June 2021
- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 2.94% (\$/₦14.29) to close at an average of \$/₦500.57 in June 2021 from \$/₦486.28 recorded in May 2021. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets increased by \$/₦14.26 to \$/₦89.27 in June 2021. (See Chart 4)

### Fixed Income Market

#### Primary Market

Chart 5: Trend in Average T.bills Discount Rate (%)



- In the primary markets, average discount rates for the 91-day and 182-day T.bills<sup>6</sup> remained constant MoM at 2.50% and 3.50% respectively, whilst the average discount rate for 364-day T.bills declined by 0.30 percentage points (ppts), to close at 9.40% in June 2021 (See Chart 5). However, the average discount rates for CBN OMO<sup>7</sup> bills for comparable tenors<sup>8</sup> remained constant at a range of 7.00% - 10.10% in June 2021
- The coupon rates for the 10Y<sup>9</sup>, 15Y and 30Y FGN<sup>10</sup> bond issuances declined by an average of 0.45ppts to close at a range of 12.74% - 13.70% from 13.10% - 14.20% recorded in May 2021

#### FGN Bond Coupon Rates in June 2021

10Y - 12.74% ▼

13.10% (May '21)

15Y - 13.50% ▼

14.00% (May '21)

30Y - 13.70% ▼

14.20% (May '21)

Notes: \*Others include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes; \*\*Other Derivatives include Options & Cross Currency Interest Rate Swaps.

1: Month-on-Month; 2: Year-on-Year; 3: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 4: Month; 5: The 2M contract, NGUS AUG 25, 2021, had the highest NV of open OTC FX Futures Contracts (\$0.52bn) as at June 30, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 89-97 day, 159-187 day and 341-362 day tenors; 9: Year; 10: Federal Government of Nigeria

Fixed Income (FI) Market  
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

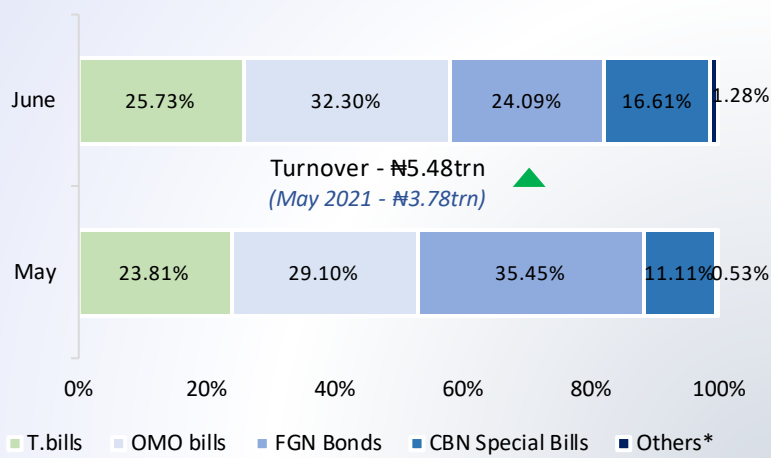
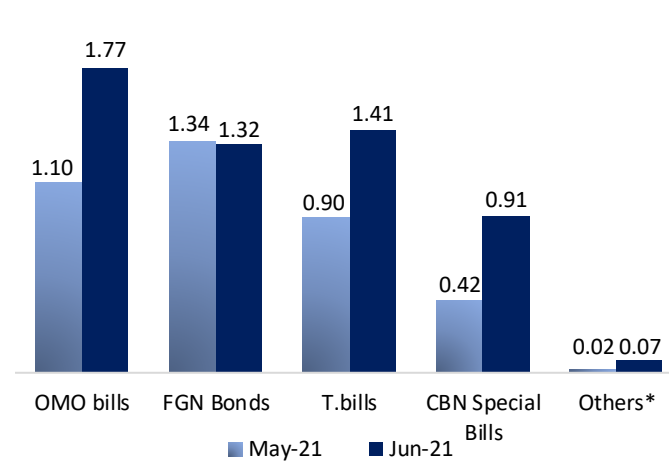


Chart 7: Fixed Income Turnover - 2021 (₦'trn)



- Turnover increased MoM across all products in June 2021, excluding FGN Bonds turnover which declined marginally by 1.49% (₦0.02trn). However, FGN Bonds trading intensity remained constant at 0.11. (See Chart 6 and 7)
- In June 2021, trading intensity for OMO Bills and T.bills increased to 0.69 and 0.48 respectively from 0.40 and 0.32 in May 2021 (See Chart 8)

Chart 8: Trend in Trading Intensity

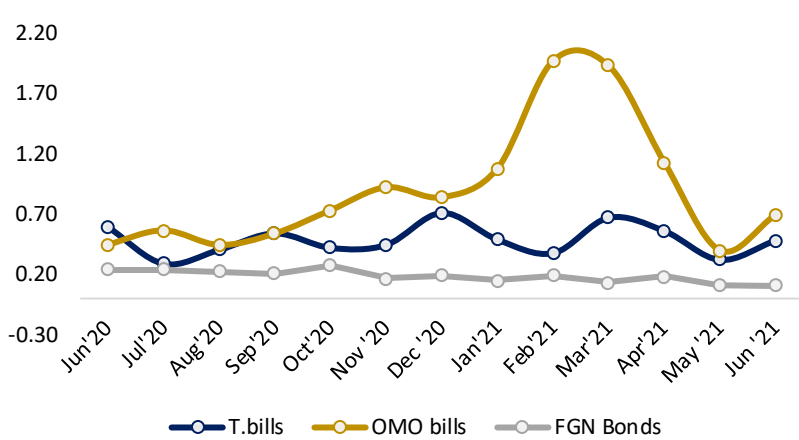
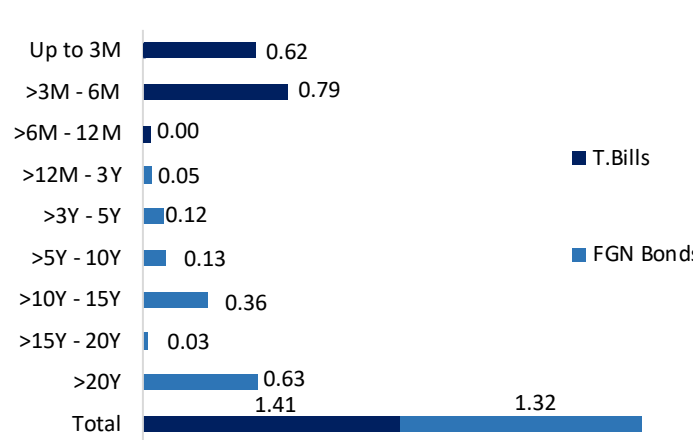


Chart 9: Sovereign Fixed Income Turnover - June 2021 (₦'trn)



- In June 2021, 3M – 6M T.bills were the most traded sovereign debt securities, accounting for 28.71% (₦0.79trn) of the total sovereign Fixed Income market turnover, while FGN Bonds with term-to-maturity of 20Y or higher were the most actively traded long-term<sup>11</sup> sovereign debt securities, accounting for 23.00% (₦0.63trn) of the total sovereign Fixed Income market turnover. (See Chart 9)

- There was a marginal MoM upward shift in short-term yields (3M – 1Y) whilst long-term yields (2Y – 30Y) declined in June 2021. The yield spread between the 3M and 30Y sovereign debt securities decreased by 1.50ppts to 8.08ppts in June 2021, indicating a flattening of the sovereign yield curve (See Chart 10)
- Real (inflation-adjusted) yields remained negative across the yield curve in June 2021 (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

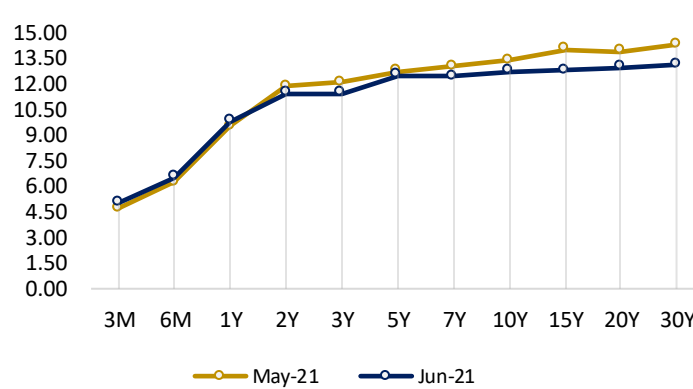
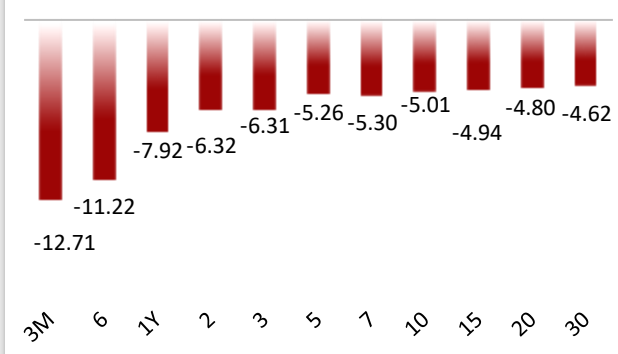


Chart 11: Inflation Adjusted Yields as at June 30, 2021<sup>^</sup> (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

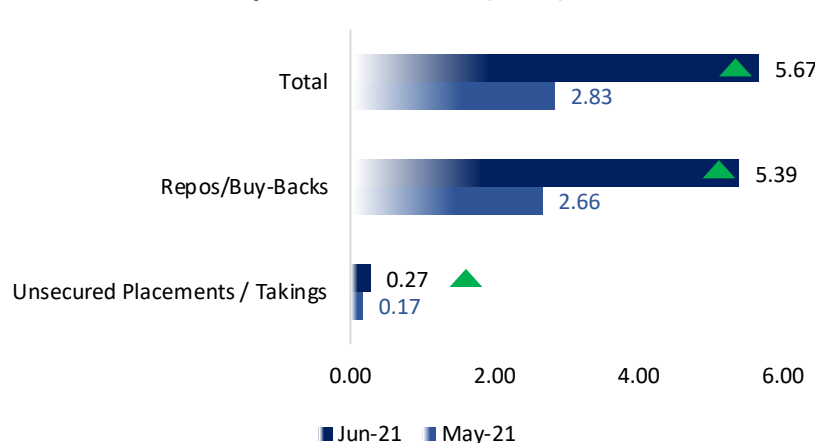
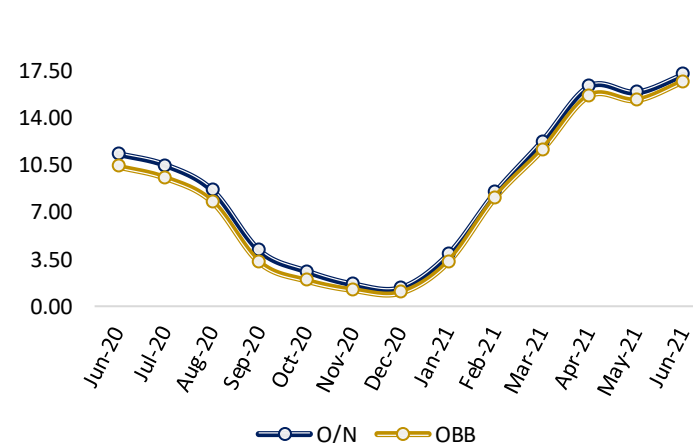


Chart 13: Trend in Average O/N<sup>12</sup> and OBB<sup>13</sup> Rates (%)



- Total turnover in the Money Market segment increased MoM by 100.35% (₦2.84trn) to ₦5.67trn in June 2021. This was driven by the MoM increase in Repos/Buy-backs turnover and Unsecured Placements/Takings by 102.63% (₦2.73trn) and 58.82% (₦0.10trn) respectively. (See Chart 12). The average OBB rate (secured lending rate) and O/N rate increased by 1.40ppts and 1.31ppts respectively, to close at 16.71% and 17.19% in June 2021 (See Chart 13)

Market Activity

- The total number of executed trades<sup>14</sup> reported on the Bloomberg E-Bond Trading System increased MoM by 14.10% (480) to 3,885 in June 2021 from 3,405 recorded in May 2021. This was driven by the MoM increase in the number of trades for T.bills, OMO bills and FGN bonds in June 2021. (See Table 3)

Table 3 - Market Activity - Executed Trade Count

	Jun-21			May-21			MoM Δ (%)
	AFO <sup>15</sup>	RFQ <sup>16</sup>	Total	AFO	RFQ	Total	
T.bills	1	807	808	2	762	764	5.76
OMO bills	1	848	849	2	571	573	48.17
FGN Bonds	36	2,192	2,228	20	2,048	2,068	7.74
<b>Total</b>	<b>38</b>	<b>3,847</b>	<b>3,885</b>	<b>24</b>	<b>3,381</b>	<b>3,405</b>	<b>14.10</b>

Text in blue	Prior period
Text in black	Current period
▲	MoM Increase
▼	MoM Decrease
↔	No Change

Notes:

\*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; ^ Adjusted with the June 2021 Headline Inflation rate of 17.75%.

11:2Y – 30Y; 12: Overnight; 13: Open Buy-back; 14: This represents majorly Inter-Member trades, whilst other trade types (Member-CBN and Member-Client trades) are typically reported on the FMDO Exchange Weekly Data Portal; 15: Anonymous Firm Order; 16: Request-for-Quote