

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

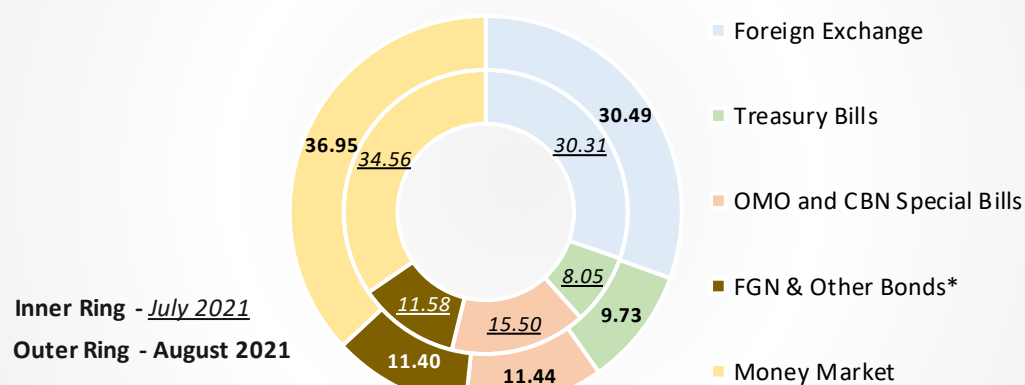
August 2021: ₦12.33trn ▼

July 2021: ₦16.97trn

August 2020: ₦14.26trn

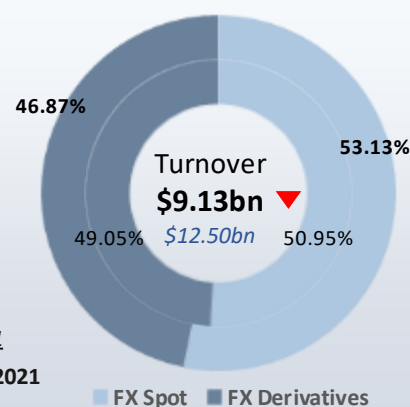
- Turnover in the FIC markets in August 2021 was ₦12.33trn, representing a 27.34% (₦4.64trn) MoM¹ decrease from turnover in July 2021, and a 13.53% (₦1.93trn) YoY² decrease from August 2020 turnover figure
- Foreign Exchange (FX) and Money Market transactions remained the highest drivers of turnover, jointly accounting for 67.44% of the total FIC markets turnover in August 2021. (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	\$1.90bn	44.32%
FX Forwards	\$1.53bn	35.77%
FX Futures	\$0.29bn	6.69%
Other Derivatives**	\$0.57bn	13.22%

- Total FX market turnover in August 2021 was \$9.13bn (₦3.76trn), representing a MoM decrease of 26.96% (\$3.37bn) from the turnover recorded in July 2021 (\$12.50bn). (See Chart 2)
- The MoM decrease in total FX market turnover was jointly driven by the 23.83% (\$1.52bn) and 30.21% (\$1.85bn) MoM decrease in FX Spot and FX Derivatives turnover respectively in August 2021
- The MoM decrease in FX Derivatives turnover was driven by MoM decrease in turnover across all product types: FX Swaps (-26.00%), FX Forwards (-18.20%), FX Futures (-48.54%) and Other Derivatives (-50.41%). Consequently, the contribution of FX Derivatives to total FX market turnover decreased by 2.18 percentage points ("ppts") to 46.87% in August 2021. (See Chart 2)

Naira-settled OTC FX Futures Market

Matured Contract

NGUS AUG 25, 2021
(\$/₦420.93)

New 60M Contract

NGUS AUG 26, 2026
(\$/₦614.32)

- In the OTC FX Futures market, the near month contract³ (NGUS AUG 25, 2021) expired and open positions with a total notional value (NV) of \$0.52bn were settled. A far month (60M⁴) contract, NGUS AUG 26, 2026 was introduced at a Futures price of \$/₦614.32
- The total NV of open OTC FX Futures contracts as at August 31, 2021 stood at circa \$3.86bn⁵ representing a MoM decrease of 8.53% (\$0.36bn) from its value as at July 30, 2021. (See Chart 3)

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

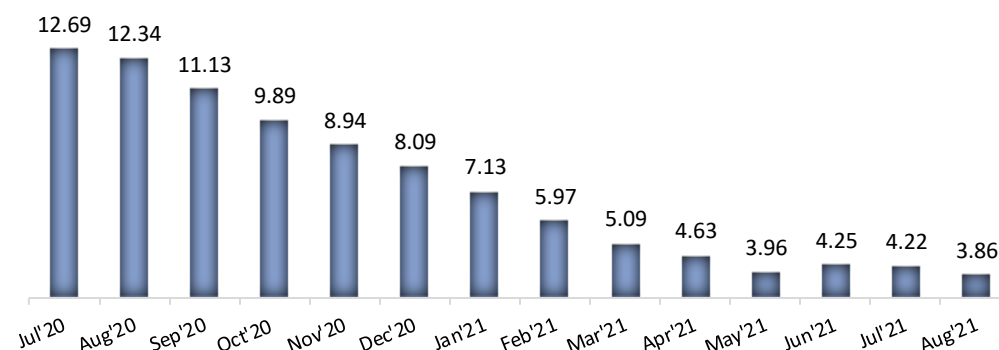
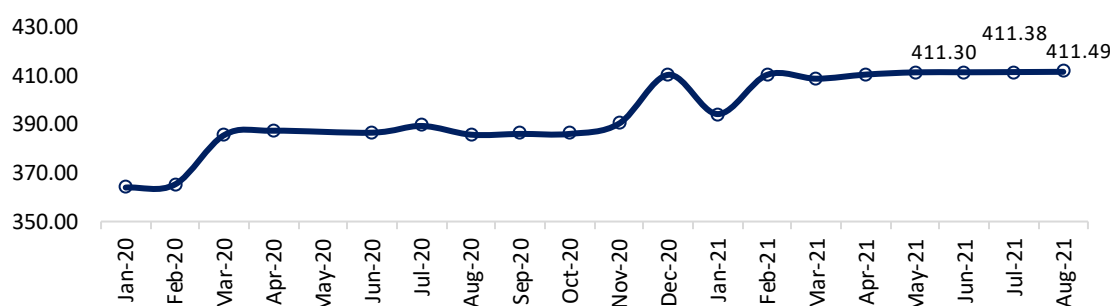


Chart 4: Closing Rates in the FX Market (\$/₦)

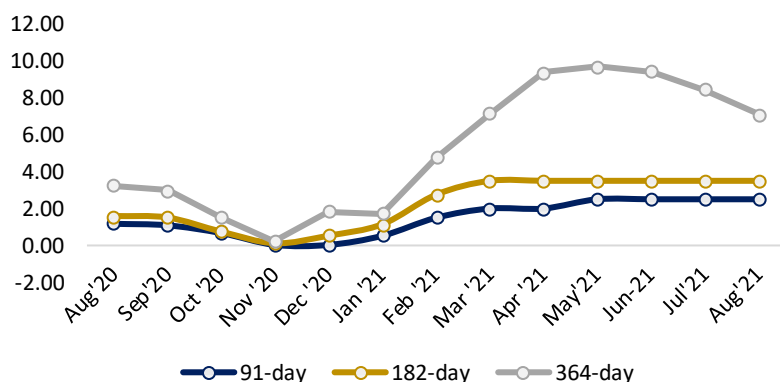


- In the FX Market, the Naira depreciated against the US Dollar, losing 0.03% (\$/₦0.11) to close at an average of \$/₦411.49 in August 2021 from \$/₦411.38 recorded in July 2021. (See Chart 4). Further, the Naira traded within a range of \$/₦410.80 - \$/₦412.00 in August 2021 compared to \$/₦410.38 - \$/₦411.75 recorded in July 2021

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.bills⁶ remained flat at 2.50% and 3.50% respectively, whilst the average discount rate for 364-day T.bills declined by 1.36 ppts, to 7.08% in August 2021 from 8.44% recorded in July 2021 (See Chart 5). Similarly, the average discount rates for CBN OMO⁷ bills for comparable tenors⁸ remained flat at a range of 7.00% - 10.10% in August 2021
- The 10Y⁹, 20Y and 30Y FGN¹⁰ Bond issuances declined by an average of 0.87ppts to close at a range of 11.60% - 12.80% from 12.35% - 13.25% recorded in July 2021. Further, FGN Bonds were oversubscribed by 140.01% in August 2021 compared to 90.74% in July 2021

FGN Bond Coupon Rates in August

10Y - 11.60%

12.35% (Jul. '21) ▼

20Y - 11.75%

13.15% (Jul. '21) ▼

30Y - 12.80%

13.25% (Jul. '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 3M contract, NGUS NOV 24, 2021, had the highest NV of open OTC FX Futures Contracts (\$0.51bn) as at August 31, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 89 - 110 day, 159 - 187 day and 327 - 362 day tenors; 9: Year; 10: Federal Government of Nigeria

Fixed Income (FI) Market
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

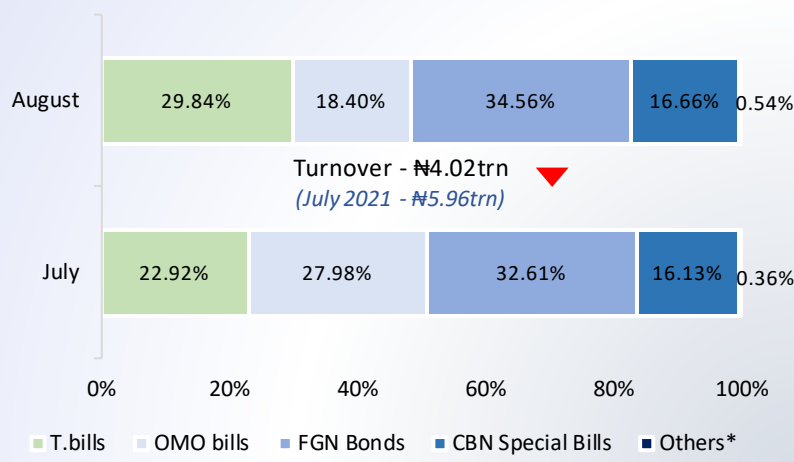
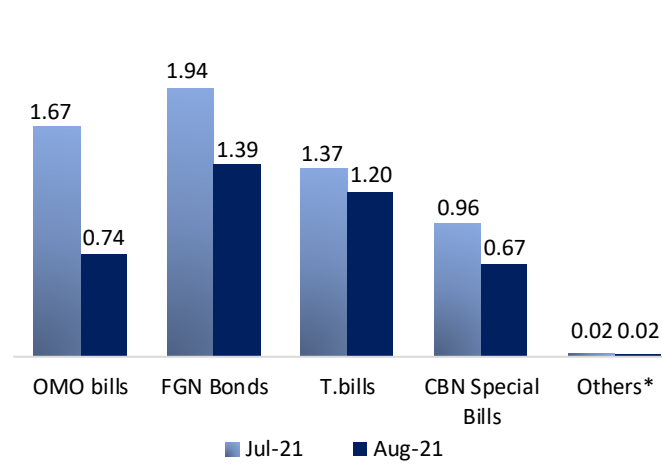


Chart 7: Fixed Income Turnover - 2021 (₦trn)



- In August 2021, FGN Bonds remained the highest contributor to FI market turnover, despite the MoM decrease in its turnover by 28.35% (₦0.55trn) and resulting in a decrease in FGN Bonds trading intensity by 4bps to 0.12 from 0.16 in July 2021. (See Chart 6)
- Similarly, turnover across other fixed income products such as OMO bills, T.bills, CBN Special Bills and Others* also decreased MoM in August 2021. (See Chart 7)

Chart 8: Trend in Trading Intensity

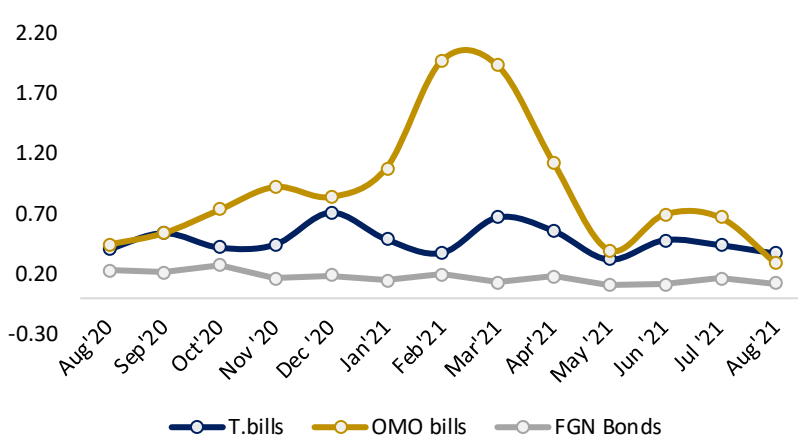
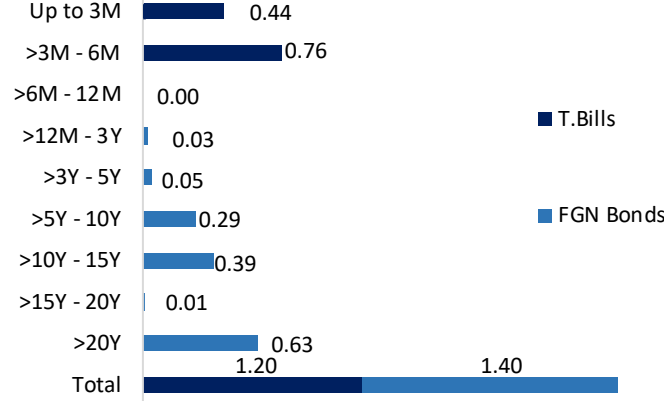


Chart 9: Sovereign Fixed Income Turnover - August 2021 (₦trn)



- In August 2021, 3M – 6M tenor T.bills were the most traded sovereign debt securities, accounting for 29.23% (₦0.76trn) 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-term¹¹ sovereign debt securities, accounting for 24.23% (₦0.63trn) of the total sovereign fixed income market turnover. (See Chart 9)

- Yields decreased MoM across all tenors on the yield curve in August 2021 by an average of 0.86ppts. However, the yield spread between the 3M and 30Y sovereign debt securities increased by 0.33ppts to 9.61ppts in August 2021, indicating a slight steepening of the sovereign yield curve. (See Chart 10)
- Real (inflation-adjusted) yields remained negative across the yield curve in August 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

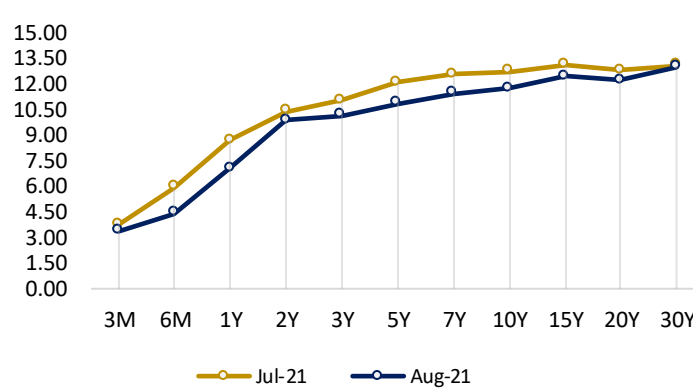
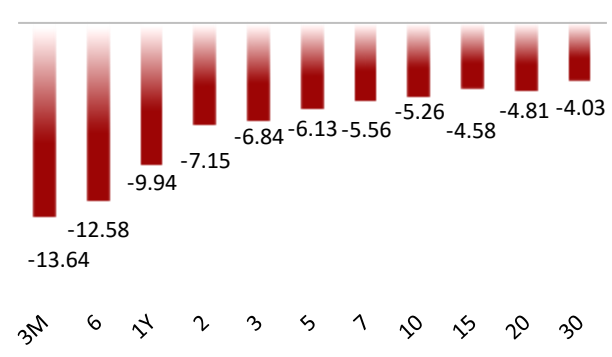


Chart 11: Inflation Adjusted Yields as at August 31, 2021[^] (%)



Money Market

Chart 12: Money Market Turnover (₦trn)

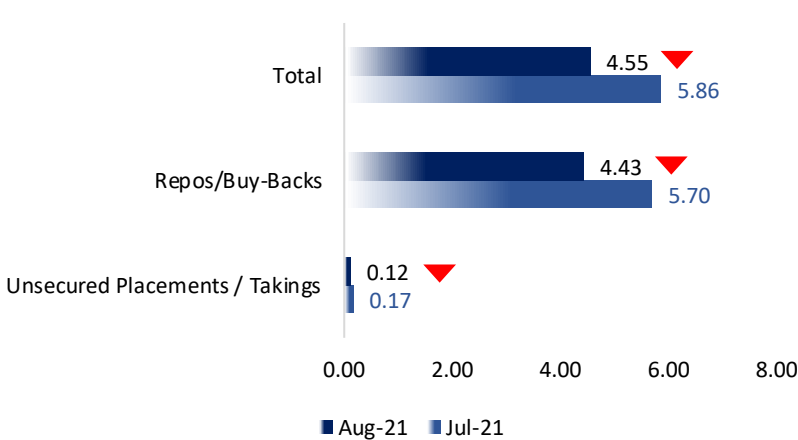
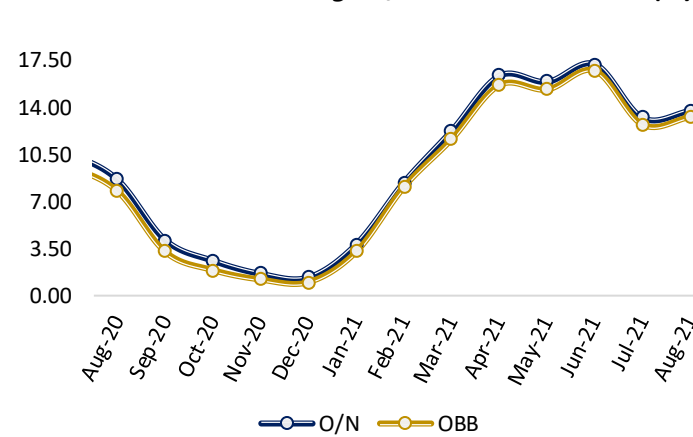


Chart 13: Trend in Average O/N¹² and OBB¹³ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 22.35% (₦1.31trn) to ₦4.55trn in August 2021. This was driven by the MoM decrease in Repos/Buy-backs and Unsecured Placements/Takings turnover by 22.28% (₦1.27trn) and 29.41% (₦0.05trn) to ₦4.43trn and ₦0.12trn in August 2021. (See Chart 12)
- The average OBB rate (secured lending rate) and O/N rate increased by 0.58ppts and 0.53ppts respectively, to close at 13.28% and 13.73% in August 2021. (See Chart 13)

Market Activity

- The total number of executed trades¹⁴ reported on the Bloomberg E-Bond Trading System increased MoM by 11.91% (432) to 4,059 in August 2021 from 3,627 recorded in July 2021. This was driven by the MoM increase in the number of trades for T.bills and FGN Bonds in August 2021. (See Table 1)

Table 1 - Market Activity - Executed Trade Count

	Aug-21			Jul-21			MoM Δ (%)
	AFO ¹⁵	RFQ ¹⁶	Total	AFO	RFQ	Total	
T.bills	3	1,187	1,190	0	982	982	21.18
OMO bills	0	413	413	0	593	593	(30.35)
FGN Bonds	27	2,429	2,456	23	2,029	2,052	19.69
Total	30	4,029	4,059	23	3,604	3,627	11.91

Notes:

*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; ^Adjusted with the August 2021 Headline Inflation rate of 17.01%.

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 FMDQ Exchange Weekly Data Portal; ¹⁵: Anonymous Firm Order; ¹⁶: Request-for-Quote

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