

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

March 2021: ₦19.55trn ▲

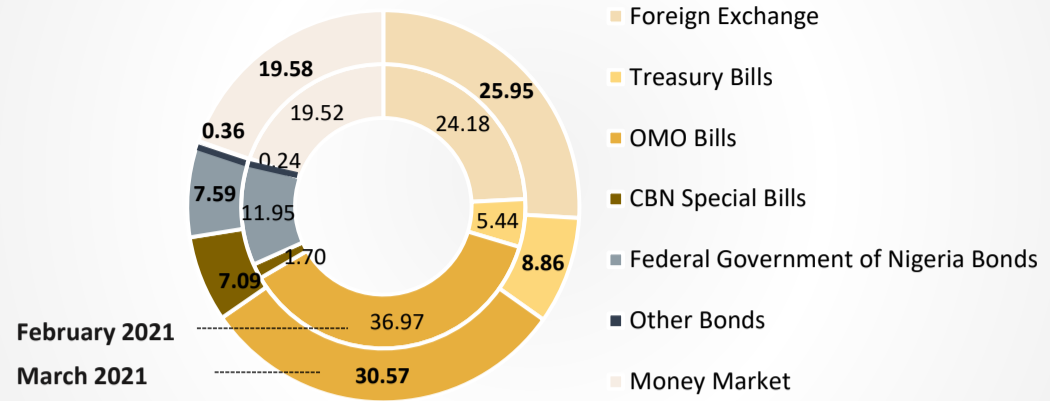
February 2021 - ₦17.74trn

March 2020 - ₦28.98trn

- Turnover in the FIC markets for the month ended March 31, 2021 was ₦19.55trn, representing a MoM¹ increase of 10.20% (₦1.81trn) and a YoY² decrease of 32.54% (₦9.43trn)

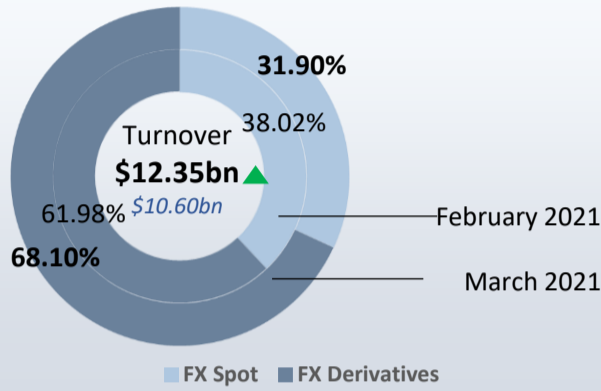
- Foreign Exchange (FX) and OMO³ bills transactions were the highest contributors to the FIC markets in March 2021, jointly accounting for 56.52% of the total FIC markets turnover. (See Chart 1)

Chart 1: Contribution to FIC Market Turnover (%)



FX Market

Chart 2: Contribution to FX Market Turnover (%)



FX Derivatives Turnover and Percentage Contribution

FX Swaps \$5.11bn ▶ 60.76%

FX Forwards \$1.01bn ▶ 12.01%

FX Futures \$0.93bn ▶ 11.06%

Others* \$1.36bn ▶ 16.17%

- Total FX market turnover in March 2021 was \$12.35bn (₦5.07trn), representing a MoM increase of 16.51% (\$1.75bn) from the turnover recorded in the previous month⁴ (\$10.60bn). (See Chart 2)

- FX Derivatives turnover increased MoM by 28.01% (\$1.84bn) in March 2021, offsetting the 2.23% (\$0.09bn) decrease in FX Spot turnover, and accounting for the total increase in FX market turnover. The MoM increase in FX Derivatives turnover was jointly driven by the MoM increase of 71.48% (\$2.31bn) and 14.81% (\$0.12bn) in FX Swaps and FX Futures turnover respectively, offsetting the 4.72% (\$0.05bn) and 20.93% (\$0.36bn) MoM decrease in FX Forwards and Other Derivatives turnover respectively

Naira-settled OTC FX Futures Market

Matured Contract

NGUS MAR 31, 2021 (\$/₦419.08)

New 60-month Contract

NGUS MAR 25, 2026 (\$/₦605.76)

NV of Open Positions in OTC FX Futures Contract - \$5.09bn ▼

- In the OTC FX Futures market, the near month contract⁵ (NGUS MAR 31, 2021) with a total outstanding notional value (NV) of \$1.70bn matured and was settled, whilst a new long-term (60M⁶) contract, NGUS MAR 25, 2026 was introduced at a Futures price of \$/₦605.76

- The total NV of open OTC FX Futures contracts as at March 31, 2021 stood at c.\$5.09bn⁷ representing a further decrease of 14.74% (\$0.88bn) from its value as at February 26, 2021 (c.\$5.97bn) and continuing its downward trend since May 2020. (See Chart 3)

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

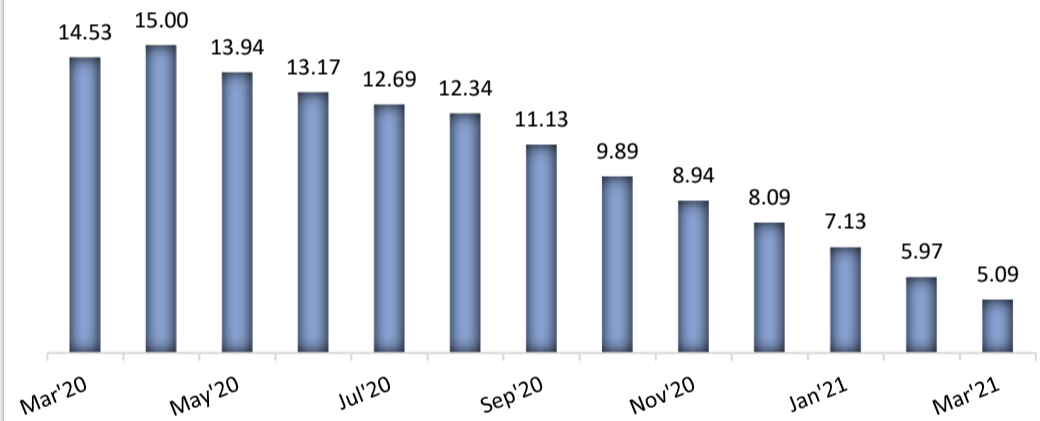
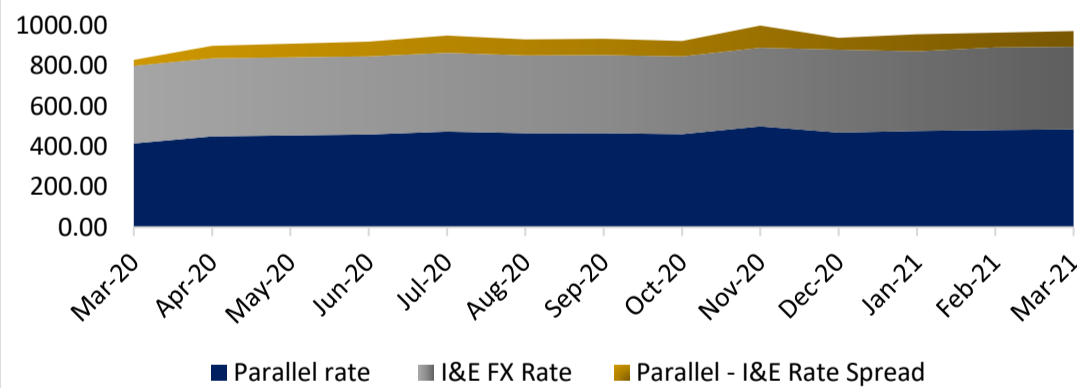


Chart 4: Closing Rates in the I&E FX Window and Parallel Market (\$/₦)



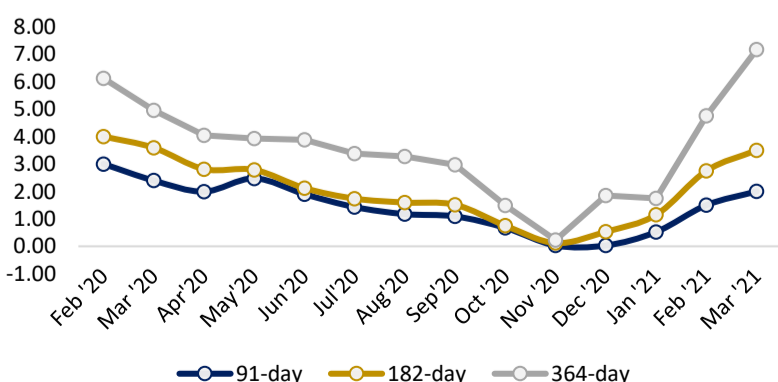
- The average Central Bank of Nigeria (CBN) Official Spot \$/₦ exchange rate remained constant at \$/₦379.00 in March 2021. Conversely, the Naira depreciated against the US Dollar at the Investors' and Exporters' (I&E) FX Window, trading within a range of \$/₦381.00 and \$/₦427.45 in March 2021, and losing 1.50% (\$/₦6.05) to close at an average of \$/₦409.85 in March 2021 from \$/₦403.80 recorded in February 2021

- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 1.18% (\$/₦5.65) to close at an average of \$/₦484.00 in March 2021 from \$/₦478.35 recorded in February 2021. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets reduced by 0.55% (\$/₦0.41) to \$/₦74.15 in March 2021, from \$/₦74.55 recorded in February 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, 182-day and 364-day T.bills⁸ increased MoM by an average of 1.22 percentage points (ppts), to close at a range of 2.00% - 7.17% in March 2021 (See Chart 5), while the discount rates for CBN OMO bills remained constant MoM to close at a range of 7.00% - 10.10% in March 2021

- The coupon rates for the 10Y⁹, 15Y and 25Y FGN¹⁰ bond issuances in March 2021 increased by an average of 0.23ppts to close at a range of 10.50% - 12.00%

FGN Bond Coupon Rates in March

10Y - 10.50% ▲

10.25%

15Y - 11.50% ▲

11.25%

25Y - 12.00% ▲

11.80%

Notes: *Others includes Options & Cross Currency Interest Rate Swaps.

1: Month-on-Month; 2: Year-on-Year; 3: Open Market Operations; 4: February 2021; 5: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 6: Month; 7: The 2M contract, NGUS MAY 26, 2021, had the highest NV of open OTC FX Futures Contracts in March 2021; 8: Treasury Bills; 9: Year; 10: Federal Government of Nigeria

Text in blue: Prior period
Text in black: Current period
▲: MoM Increase
▼: MoM Decrease

Fixed Income Market
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

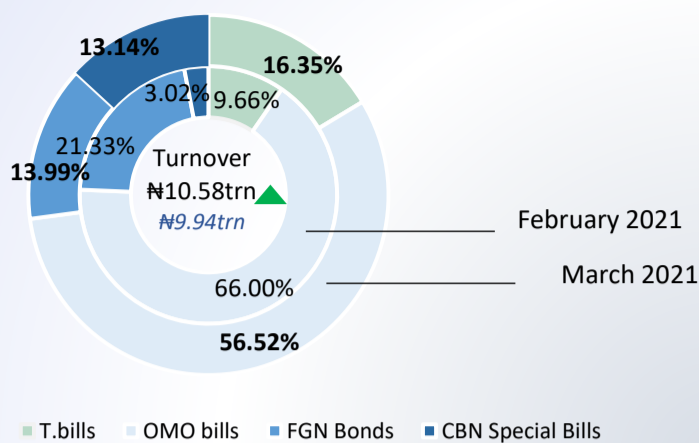
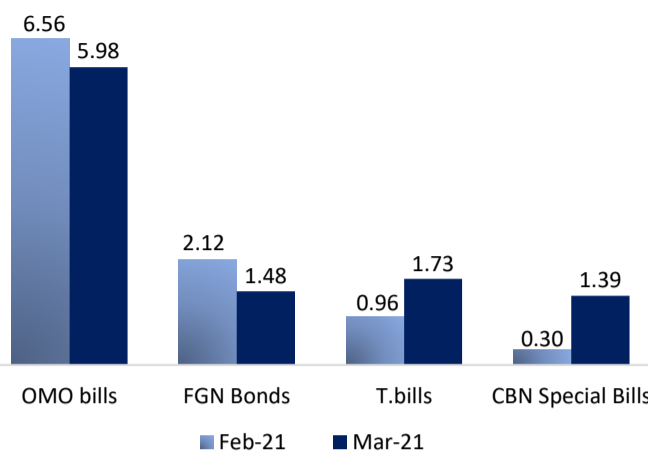


Chart 7: Fixed Income Turnover - 2021 (₦'trn)



Turnover for OMO bills decreased by 8.84% (₦0.58trn) to ₦5.98trn, contributing to the decrease in its trading intensity to 1.93 in March 2021 from 1.97 recorded in February 2021. Similarly, FGN bonds turnover decreased by 30.19% (₦0.64trn) to ₦1.48trn, resulting in a decrease in its trading intensity to 0.13 in March 2021 from 0.19 recorded in the previous month. Conversely, T.bills' and CBN Special bills turnover increased MoM by 80.21% (₦0.77trn) and 363.33% (₦1.09trn) to ₦1.73trn and ₦1.39trn respectively in March 2021. The increase in T.bills turnover resulted in the increase in its trading intensity to 0.67 in March 2021. (See Chart 7 and 8)

Chart 8: Trend in Trading Intensity

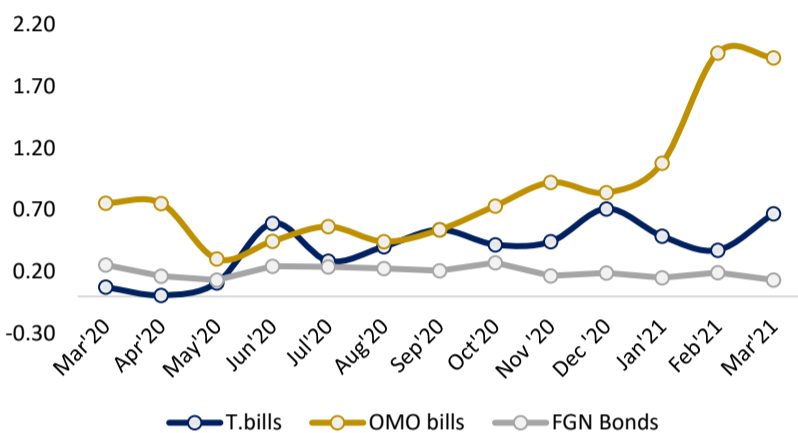
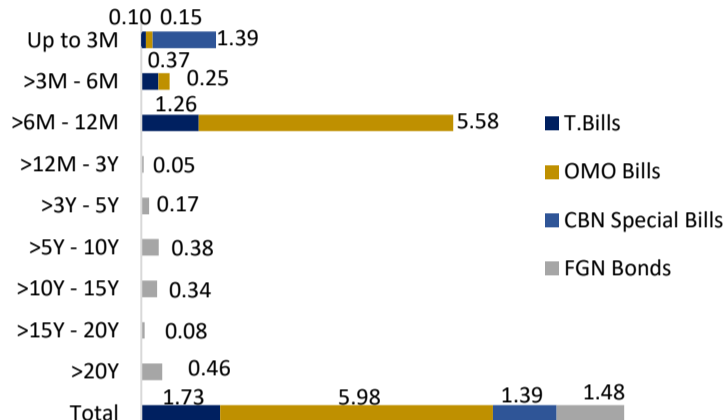


Chart 9: Fixed Income Turnover - March 2021 (₦'trn)



In March 2021, 6M – 12M OMO bills and T.bills were the most traded debt and short-term¹¹ sovereign debt securities respectively, accounting for 64.65% (₦6.84trn) of the total Fixed Income market turnover, while 20Y FGN Bonds remained the most active long-term¹² sovereign debt securities, accounting for 4.35% (₦0.46trn) of the total Fixed Income market turnover. (See Chart 8)

There was a general MoM increase in yields across all tenors on the yield curve in March 2021, except on the 10Y tenor whose yield remained constant MoM at 10.84%. The yield spread between the 3M and 30Y sovereign debt securities decreased by 1.30ppts to 9.05ppts in March 2021, indicating a flattening of the sovereign yield curve (See Chart 10) while real (inflation-adjusted) yields remained negative across the yield curve in March 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

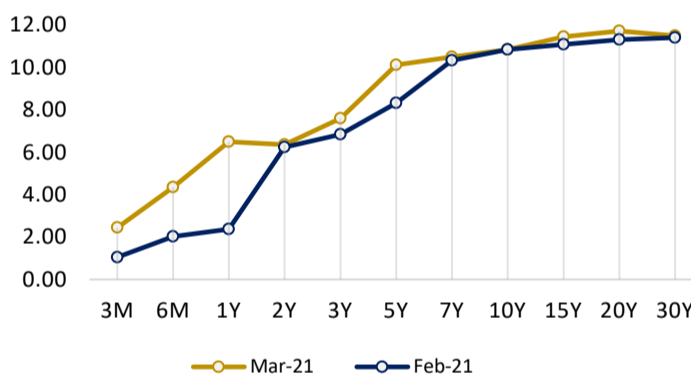
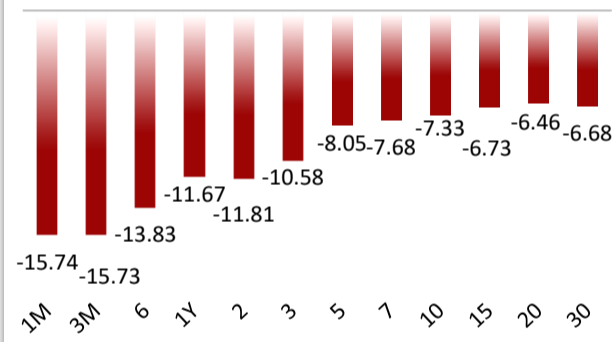


Chart 11: Inflation Adjusted Yields as at March 31, 2021[^] (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

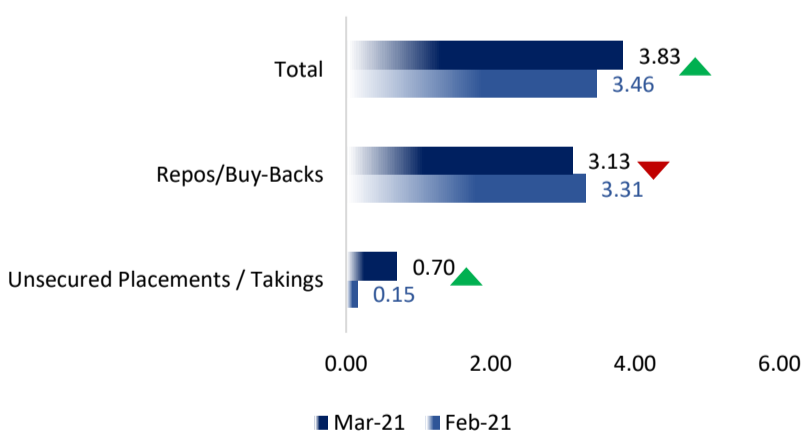
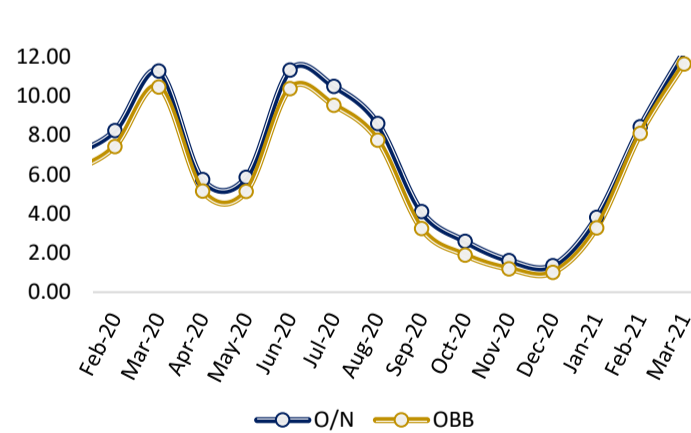


Chart 13: Trend in Average O/N¹³ and OBB¹⁴ Rates (%)



Total turnover in the Money Market segment increased MoM by 10.69% (₦0.37trn) to ₦3.83trn in March 2021. This was solely driven by the MoM increase in Unsecured Placements/Takings turnover by ₦0.55trn to ₦0.70trn, offsetting the ₦0.18trn decrease in Repo/Buy-backs turnover which stood at ₦3.13trn in March 2021 (See Chart 12). Consequently, the average O/N rate (unsecured lending rate) increased by 3.83ppts to close at 12.26% in March 2021 from 8.43% recorded in the previous month. (See Chart 13)

Market Activity

The total number of executed trades¹⁵ reported on the Bloomberg E-Bond Trading System decreased MoM by 8.60% (395) to 4,196 in March 2021 from 4,591 recorded in February 2021. This was solely driven by the MoM decrease in the number of trades for FGN bonds in March 2021 which offset the MoM increase the number of trades recorded for T.bills and OMO bills. (See Table 1)

	Mar-21			Feb-21			MoM Δ (%)
	AFO ¹⁶	RFQ ¹⁷	Total	AFO	RFQ	Total	
T.bills	1	546	547	0	474	474	15.40
OMO bills	0	1,519	1,519	1	1,464	1,465	3.69
FGN Bonds	15	2,115	2,130	16	2,636	2,652	(19.68)
Total	16	4,180	4,196	17	4,574	4,591	(8.60)

Text in blue	Prior period
Text in black	Current period
▲	MoM Increase
▼	MoM Decrease

Notes:

[^] Adjusted with the March 2021 Headline Inflation rate of 18.17%.

¹¹: 1M – 3Y; ¹²: 5Y – 30Y; ¹³: Overnight; ¹⁴: Open Buy-back; ¹⁵: 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; ¹⁶: Anonymous Firm Order; ¹⁷: Request-for-Quote