

## Fixed Income and Currencies (FIC) Markets Summary

### FIC Markets Turnover

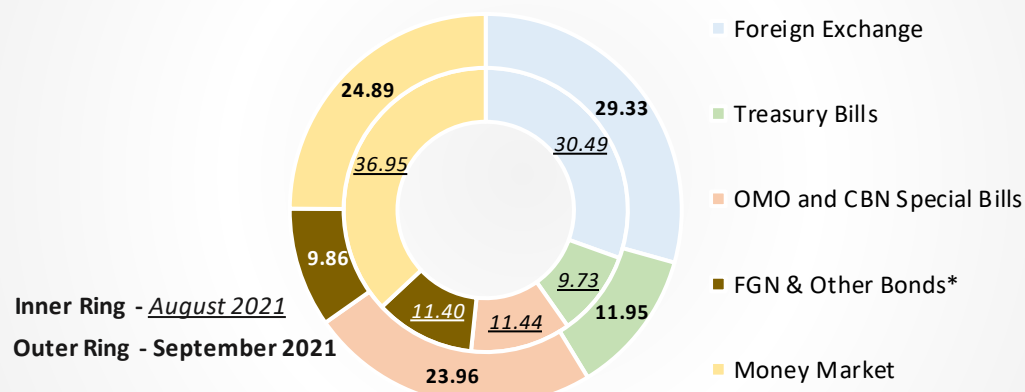
September 2021: ₦24.03trn ▲

August 2021: ₦12.33trn

September 2020: ₦14.07trn

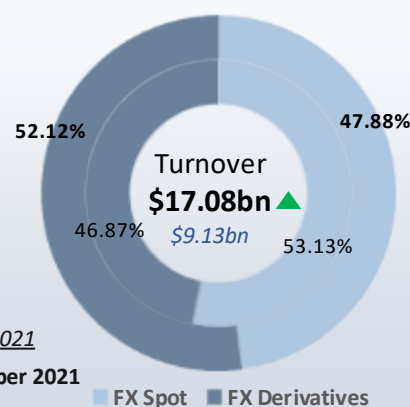
- Turnover in the FIC markets in September 2021 was ₦24.03trn, representing a significant increase of 94.89% (₦11.70trn) MoM<sup>1</sup> and 70.79% (₦9.96trn) YoY<sup>2</sup> from turnover in August 2021 and September 2020 respectively
- Foreign Exchange (FX) and Money Market transactions remained the highest drivers of turnover, jointly accounting for 54.22% of the total FIC markets turnover in September 2021. (See Chart 1). Notably, OMO and CBN Special Bills' contribution to FIC Market turnover increased by 12.52 percentage points ("ppts") to 23.96%

Chart 1: Contribution to FIC Market Turnover (%)



### FX Market

Chart 2: Contribution to FX Market Turnover (%)



### FX Derivatives Turnover and Percentage Contribution

FX Swaps	\$2.55bn	28.62%
FX Forwards	\$2.37bn	26.61%
FX Futures	\$2.69bn	30.22%
Other Derivatives**	\$1.30bn	14.55%

- Total FX market turnover in September 2021 was \$17.08bn (₦7.05trn), representing a MoM increase of 87.08% (\$7.95bn) from the turnover recorded in August 2021 (\$9.13bn). (See Chart 2)
- The MoM increase in total FX market turnover was jointly driven by the 68.61% (\$3.33bn) and 108.02% (\$4.62bn) MoM increase in FX Spot and FX Derivatives turnover respectively in September 2021
- The MoM increase in FX Derivatives turnover was driven by MoM increase in turnover across all product types: FX Swaps (34.32%), FX Forwards (54.75%), FX Futures (840.07%) and Other Derivatives (128.88%). Consequently, the contribution of FX Derivatives to total FX market turnover increased by 5.25ppts to 52.12% in September 2021. (See Chart 2)

### Naira-settled OTC FX Futures Market

#### Matured Contract

NGUS SEP 29, 2021  
(\$/₦420.93)

#### New 60M Contract

NGUS SEP 30, 2026  
(\$/₦614.32)

NV of Open Positions  
in OTC FX Futures  
Contracts – \$4.92bn ▲

- In the OTC FX Futures market, the near month contract<sup>3</sup> (NGUS SEP 29, 2021) expired and open positions with a total notional value (NV) of \$0.34bn were settled. A far month (60M<sup>4</sup>) contract, NGUS SEP 30, 2026 was introduced at a Futures price of \$/₦614.32
- The total NV of open OTC FX Futures contracts as at September 30, 2021 stood at circa \$4.92bn<sup>5</sup> representing a MoM increase of 27.46% (\$1.06bn) from its value as at August 31, 2021. (See Chart 3)

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

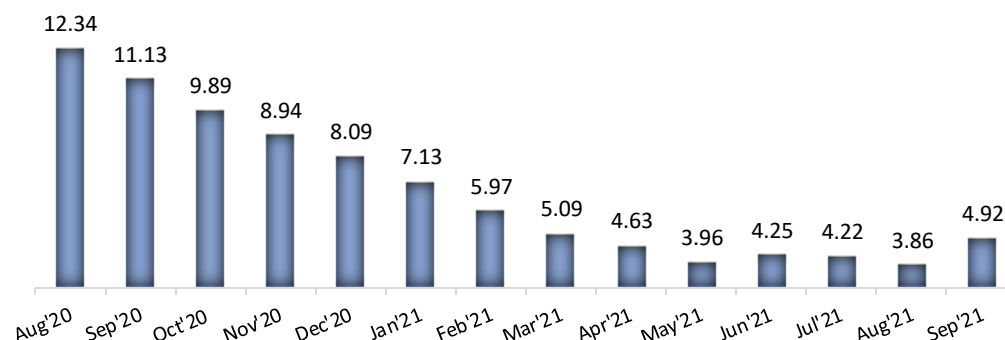
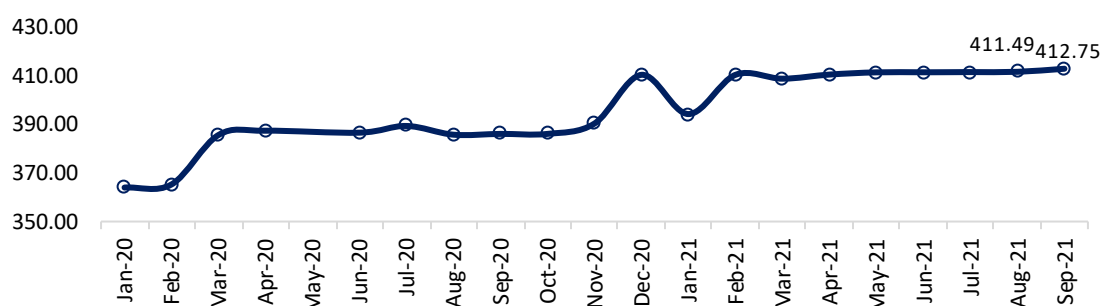


Chart 4: Closing Rates in the FX Market (\$/₦)

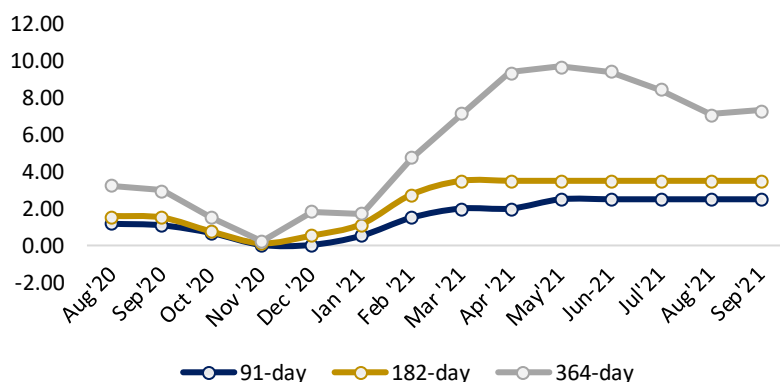


- In the FX Market, the Naira depreciated against the US Dollar, losing 0.31% (\$/₦1.26) to close at an average of \$/₦412.75 in September 2021 from \$/₦411.49 recorded in August 2021. (See Chart 4). Further, the Naira traded within a range of \$/₦410.67 - \$/₦414.90 in September 2021 compared to \$/₦410.80 - \$/₦412.00 recorded in August 2021

### Primary Market

#### Fixed Income 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 flat at 2.50% and 3.50% respectively, whilst the average discount rate for 364-day T.bills increased by 0.22 ppts, to 7.30% in September 2021 from 7.08% recorded in August 2021 (See Chart 5). Similarly, the average discount rates for CBN OMO<sup>7</sup> bills for comparable tenors<sup>8</sup> remained flat at a range of 7.00% - 10.10% in September 2021
- The 10Y<sup>9</sup> Bond coupon rate remained constant at 11.60% while the 20Y and 30Y FGN<sup>10</sup> Bond issuances declined by an average of 0.40ppts to close at a range of 11.60% - 13.00% from 11.60% - 12.80% recorded in August 2021

#### FGN Bond Coupon Rates in September 2021

10Y – 11.60% ↔  
11.60% (Aug. '21)

20Y – 12.75% ▲  
11.75% (Aug. '21)

30Y – 13.00% ▲  
12.80% (Aug. '21)

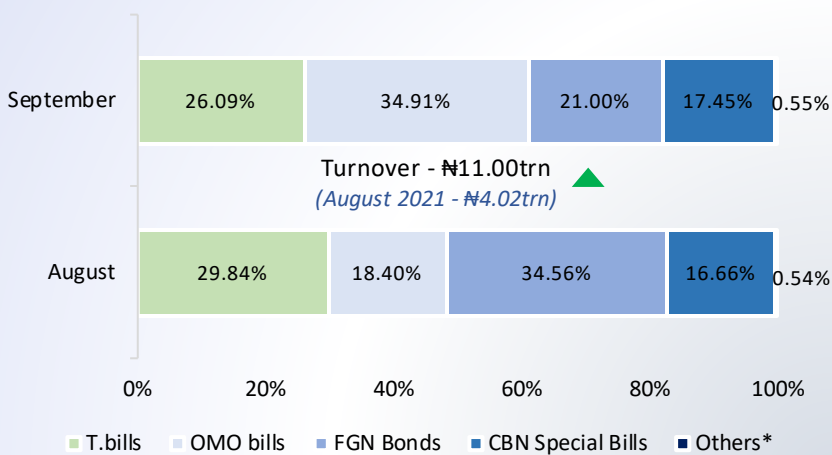
Notes: \*Others include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes; \*\*Other Derivatives include Options & Cross Currency Interest Rate Swaps.

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 8M contract, NGUS MAY 25, 2022, had the highest NV of open OTC FX Futures Contracts (\$0.58bn) as at September 30, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 82 – 117 day, 152 – 194 day and 327 – 362 day tenors; 9: Year; 10: Federal Government of Nigeria

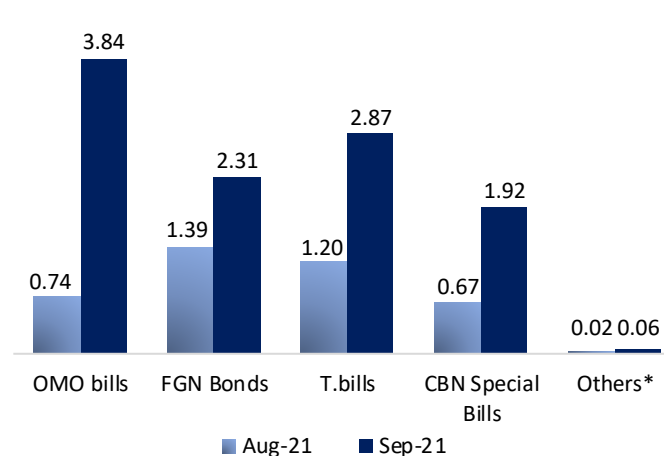
Text in blue	Prior period
Text in black	Current period
▲	MoM Increase
▼	MoM Decrease
↔	No Change

## Fixed Income (FI) Market Secondary Market

**Chart 6: Contribution to Fixed Income Turnover**

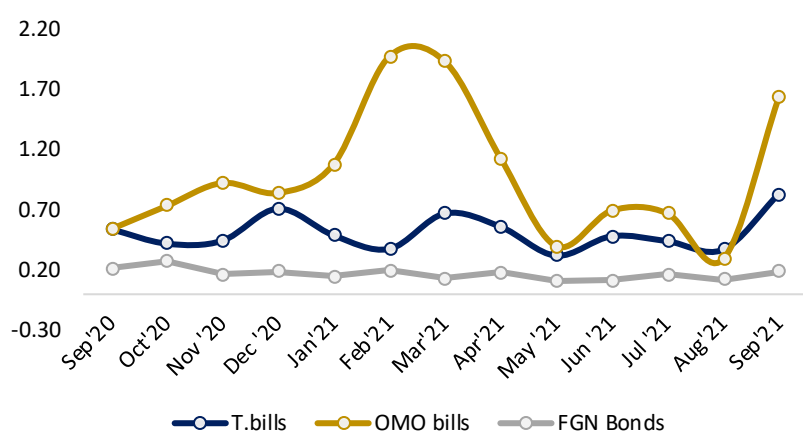


**Chart 7: Fixed Income Turnover - 2021 (₦'trn)**

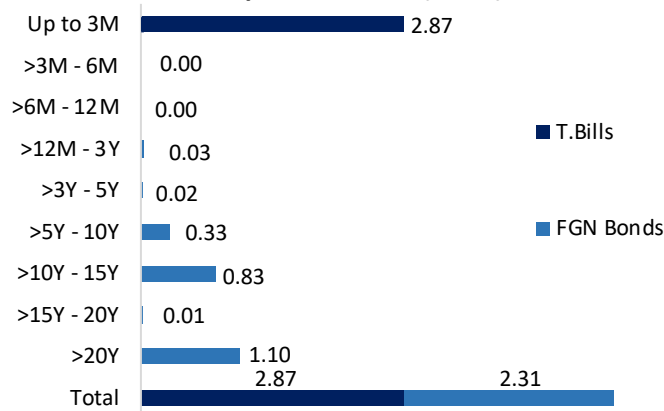


- In September 2021, OMO bills was the highest contributor to FI market turnover, driven by the MoM increase in its turnover by 418.92% (₦3.10trn) and resulting in an increase in OMO bills trading intensity by 134bps to 1.63 from 0.29 in August 2021. (See Chart 6). This may be attributed to the increase in OMO bills issuances by the CBN in the primary market
- Similarly, turnover across other fixed income products such as FGN Bonds, T.bills, CBN Special Bills and Others\* also increased MoM in September 2021. (See Chart 7)

**Chart 8: Trend in Trading Intensity**



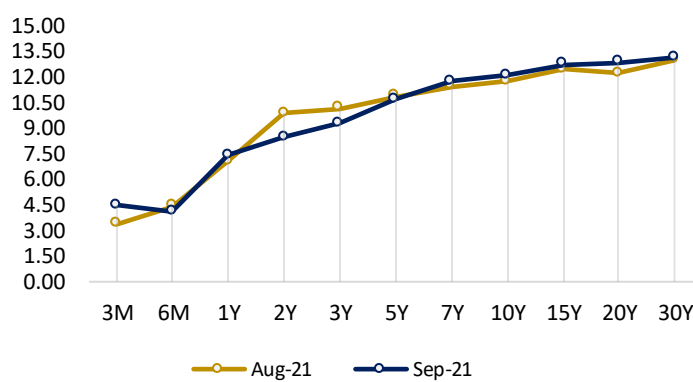
**Chart 9: Sovereign Fixed Income Turnover - September 2021 (₦'trn)**



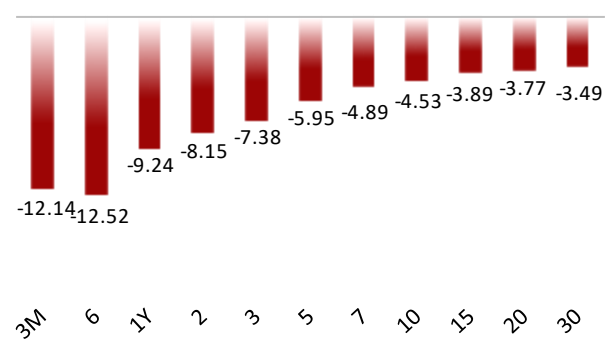
- In September 2021, 1M – 3M tenor T.bills were the most traded sovereign debt securities, accounting for 55.44% (₦2.87trn) of the total sovereign fixed income market turnover, while FGN Bonds with term-to-maturity of 20Y or higher were the most actively traded long-term<sup>11</sup> sovereign debt securities, accounting for 21.14% (₦1.10trn) of the total sovereign fixed income market turnover. (See Chart 9)

- In September 2021, the yield spread between the 3M and 30Y sovereign debt securities decreased by 0.96ppts to 8.65ppts in September 2021, indicating a flattening of the sovereign yield curve. (See Chart 10)
- Despite the moderation in Headline Inflation, real (inflation-adjusted) yields remained negative across the yield curve in September 2021. (See Chart 11)

**Chart 10: Sovereign Yield Curve (%)**

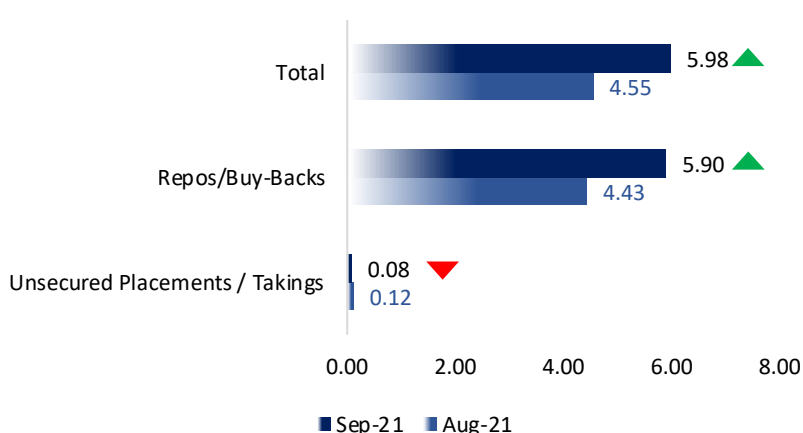


**Chart 11: Inflation Adjusted Yields as at September 30, 2021<sup>1</sup> (%)**

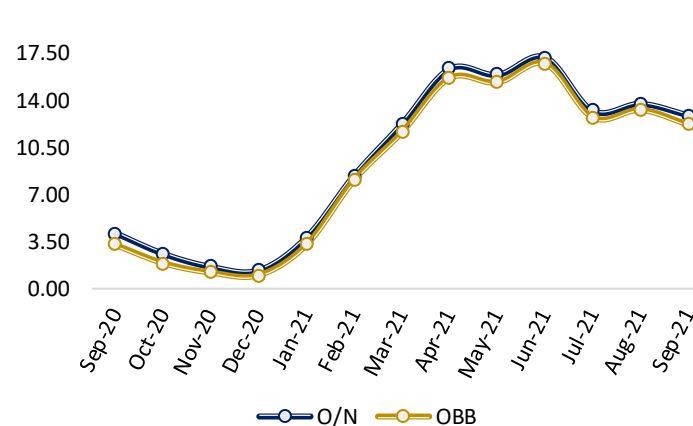


## Money Market

**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 31.38% (₦1.43trn) to ₦5.98trn in September 2021. This was solely driven by the MoM increase in Repos/Buy-backs by 33.18% (₦1.47trn) to ₦5.90trn in September 2021. (See Chart 12)
- The average OBB rate (secured lending rate) and O/N rate decreased by 1.10ppts and 0.86ppts respectively, to close at an average of 12.18% and 12.87% in September 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 1.29% (56) to 4,381 in September 2021, with an average trade size of ₦0.33trn compared to ₦0.20trn in August 2021
- The increased market activity was driven by the MoM increase in the number of trades for OMO bills, CBN Special Bills and FGN Bonds in September 2021. (See Table 1)

**Table 1 - Market Activity - Executed Trade Count**

	Sep-21		Aug-21		MoM Δ (%)
	Total	Daily Average Trade Size (₦'bn)	Total	Daily Average Trade Size (₦'bn)	
T.bills	1,083	93.84	1,187	56.28	8.76
OMO bills	525	116.86	413	49.81	27.12
CBN Special Bills	326	30.94	296	32.51	10.14
FGN Bonds	2,447	91.03	2,429	65.77	0.74
<b>Total</b>	<b>4,381</b>	<b>332.66</b>	<b>4,325</b>	<b>204.37</b>	<b>1.29</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; <sup>1</sup>Adjusted with the September 2021 Headline Inflation rate of 16.63%.

<sup>11</sup>: 2Y – 30Y; <sup>12</sup>: Overnight; <sup>13</sup>: Open Buy-back; <sup>14</sup>: 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; <sup>15</sup>: Anonymous Firm Order; <sup>16</sup>: Request-for-Quote