FIC Monthly

Vol. 7, No. 4; April 2021

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

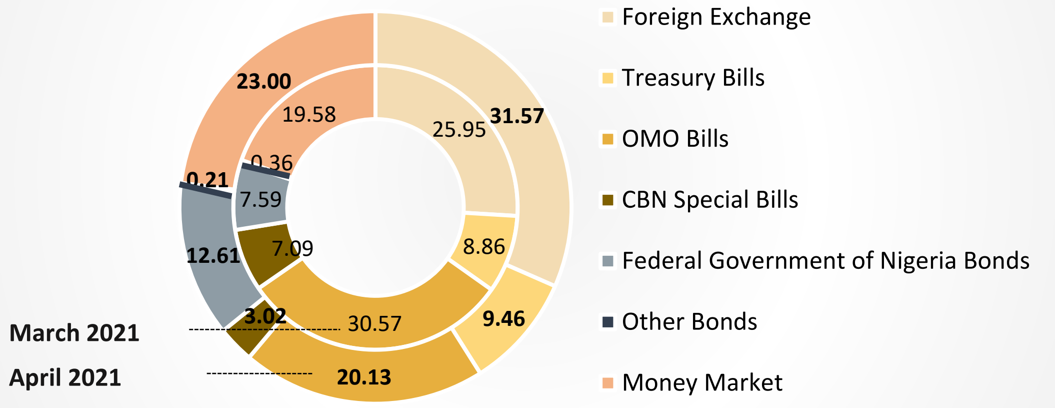
April 2021: **₦16.18trn**

March 2021: ₦19.55trn

April 2020: ₦16.70trn

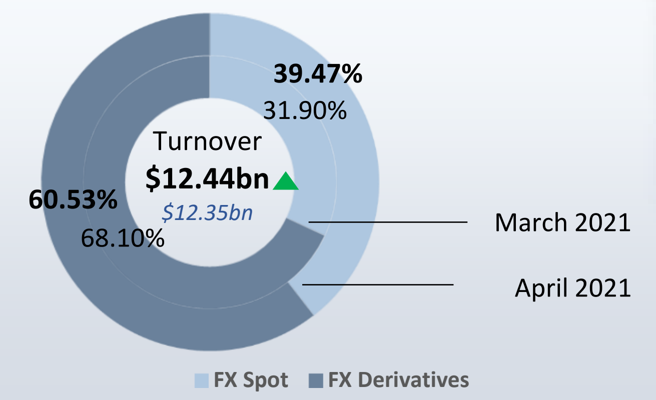
- Turnover in the FIC markets for the month ended April 30, 2021 was ₦16.18trn, representing a MoM[1] and YoY[2] decrease of 17.24% (₦3.37trn) and 3.11% (₦0.52trn) respectively
- Foreign Exchange (FX) and Money Market transactions were the highest contributors to the FIC markets in April 2021, jointly accounting for 54.57% 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	$3.56bn	47.28%
FX Forwards	$1.58bn	20.98%
FX Futures	$1.50bn	19.92%
Others*	$0.89bn	11.82%

- Total FX market turnover in April 2021 was $12.44bn (₦5.11trn), representing a MoM increase of 0.73% ($0.09bn) from the turnover recorded in March 2021 ($12.35bn). *(See Chart 2)*
- FX Spot turnover increased MoM by 24.62% ($0.97bn) to $4.91bn in April 2021, offsetting the 10.46% ($0.88bn) decrease in FX Derivatives turnover, and accounting for the total increase in FX market turnover in April 2021
- The MoM decrease in FX Derivatives turnover was jointly driven by the MoM decrease of 30.33% ($1.55bn) and 34.56% ($0.47bn) in FX Swaps and Other Derivatives turnover respectively, offsetting the 61.29% ($0.57bn) and 56.44% ($0.57bn) MoM increase in FX Futures and FX Forwards turnover respectively

Naira-settled OTC FX Futures Market

Matured Contract
NGUS APR 28, 2021 ($/₦419.08)

New 60M Contract
NGUS APR 29, 2026 ($/₦613.33)

NV of Open Positions in OTC FX Futures Contracts –$4.63bn

- In the OTC FX Futures market, the near month contract[3] (NGUS APR 28, 2021) with a total outstanding notional value (NV) of $0.75bn matured and was settled, whilst a new long-term (60M[4]) contract, NGUS APR 29, 2026 was introduced at a Futures price of $/₦613.33
- The total NV of open OTC FX Futures contracts as at April 30, 2021 stood at c.$4.63bn[5] representing a further decrease of 9.04% ($0.46bn) from its value as at March 31, 2021 and continuing its downward trend since May 2020. *(See Chart 3)*

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

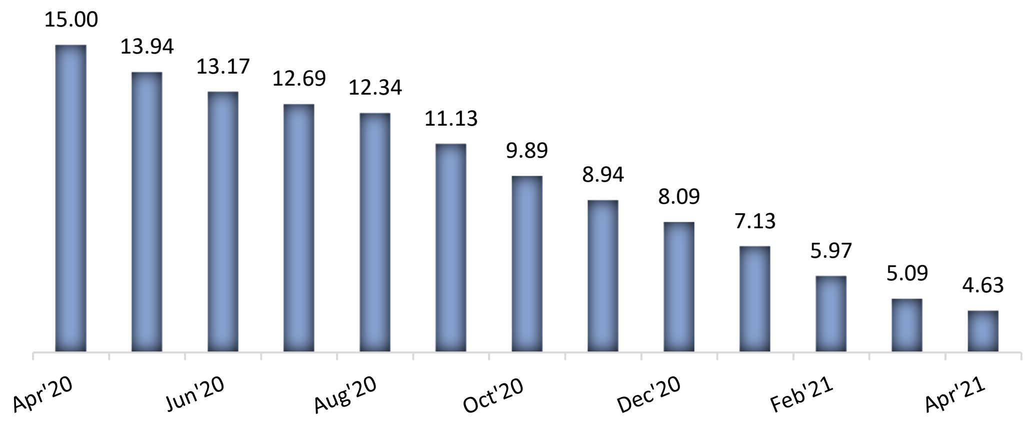
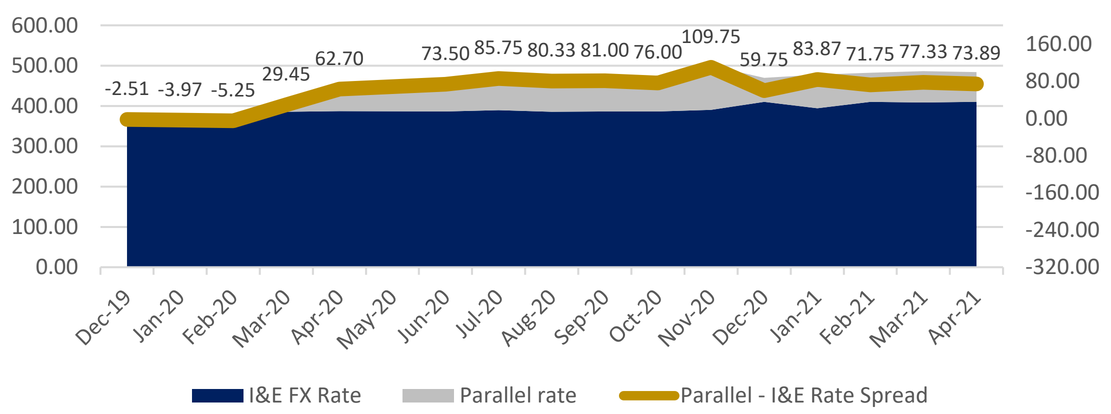


Chart 4: Closing Rates in the I&E FX Window and Parallel Market ($/₦)

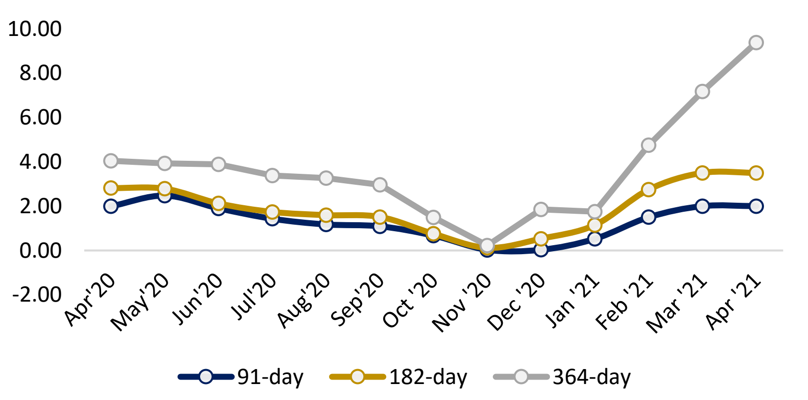


- The average Central Bank of Nigeria (CBN) Official Spot $/₦ exchange rate remained constant at $/₦379.00 in April 2021. Conversely, the Naira depreciated against the US Dollar at the Investors' and Exporters' (I&E) FX Window, losing 0.12% ($/₦0.51) to close at an average of $/₦410.36 in April 2021 from $/₦409.85 recorded in March 2021, and trading within a range of $/₦405.00 and $/₦438.00 in April
- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 0.05% ($/₦0.25) to close at an average of $/₦484.25 in April 2021 from $/₦484.00 recorded in March 2021. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets reduced by $/₦0.26 to $/₦73.89 in April 2021, from $/₦74.15 recorded in March 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.bills[6] increased MoM by an average of 0.74 percentage points (ppts), to close at a range of 2.00% - 9.38% in April 2021 *(See Chart 5)*, conversely, the average discount rates for CBN OMO[7] bills for comparable tenors[8] decreased MoM marginally by 0.01ppts to close at a range of 7.00% - 10.07% in April 2021
- The coupon rates for the 10Y[9], 15Y and 25Y FGN[10] bond issuances in April 2021 increased by an average of 1.81ppts to close at a range of 12.25% - 13.85%

FGN Bond Coupon Rates in April 2021

10Y – 12.25%	*10.50%*
15Y – 13.34%	*11.50%*
25Y – 13.85%	*12.00%*

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

Notes: **Others includes 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 1M contract, NGUS MAY 26, 2021, had the highest NV of open OTC FX Futures Contracts ($0.98bn) as at April 30, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 89 – 97 day, 173 – 187 day and 341 – 362 day tenors; 9: Year; 10: Federal Government of Nigeria

Fixed Income Market

Secondary Market

Chart 6: Contribution to Fixed Income Turnover

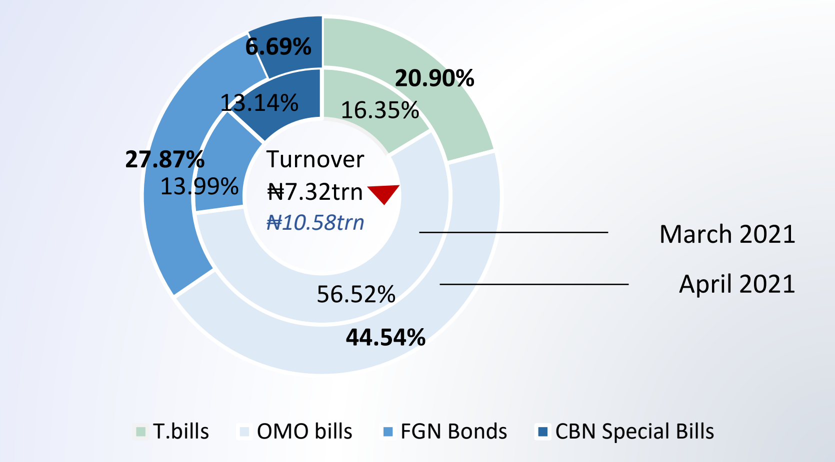
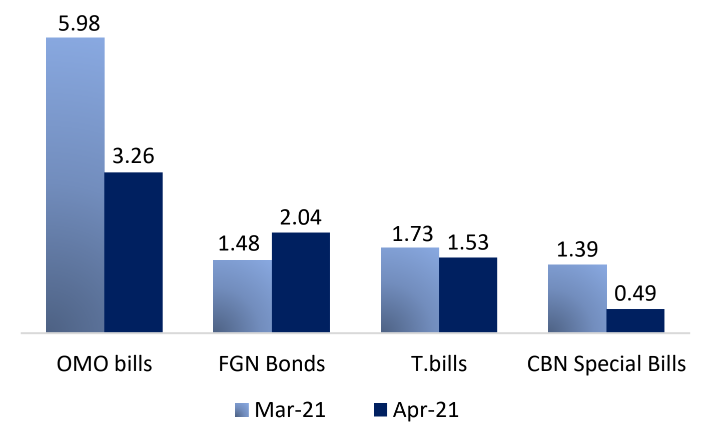


Chart 7: Fixed Income Turnover - 2021 (₦'trn)



- Turnover for OMO bills decreased by 45.48% (₦2.72trn) to ₦3.26trn, contributing to the decrease in its trading intensity to 1.13 in April 2021 from 1.93 recorded in March 2021. Similarly, T.bills' and CBN Special bills turnover decreased MoM by 11.56% (₦0.20trn) and 64.75% (₦0.90trn) to ₦1.53trn and ₦0.49trn respectively in April 2021
- Conversely, FGN bonds turnover increased by 37.84% (₦0.56trn) to ₦2.04trn, resulting in an increase in its trading intensity to 0.18 in April 2021 (0.13 in March 2021) *(See Chart 7 and 8)*

Chart 8: Trend in Trading Intensity

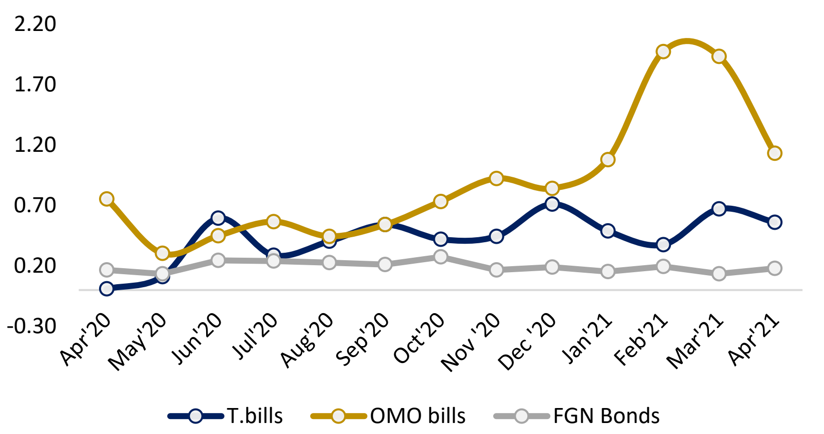
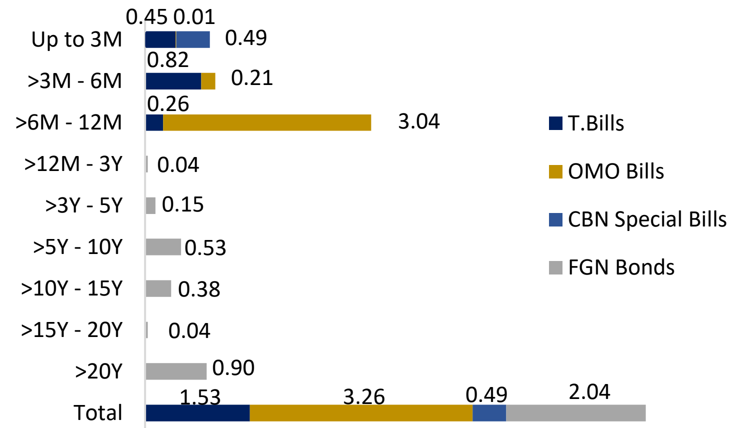


Chart 9: Fixed Income Turnover - April 2021 (₦'trn)



- In April 2021, 6M – 12M OMO bills were the most traded debt securities, accounting for 41.53% (₦3.04trn) of the total Fixed Income market turnover, while 3M – 6M T.bills and >20Y FGN Bonds were the most active short-term[11] and long-term[12] sovereign debt securities respectively, accounting for 11.20% (₦0.82trn) and 12.30% (₦0.90trn) of the total Fixed Income market turnover. *(See Chart 9)*

- There was a general MoM increase in yields across all tenors on the yield curve in April 2021, except for the 6M tenor which recorded MoM decrease in yield by 0.09ppts to 4.26% in April 2021. The yield spread between the 3M and 30Y sovereign debt securities increased by 1.80ppts to 10.85ppts in April 2021, indicating a steepening of the sovereign yield curve *(See Chart 10)*. Real *(inflation-adjusted)* yields remained negative across the yield curve in April 2021 with the 20Y tenor recording the highest real yield as at April 30, 2021. *(See Chart 11)*

Chart 10: Sovereign Yield Curve (%)

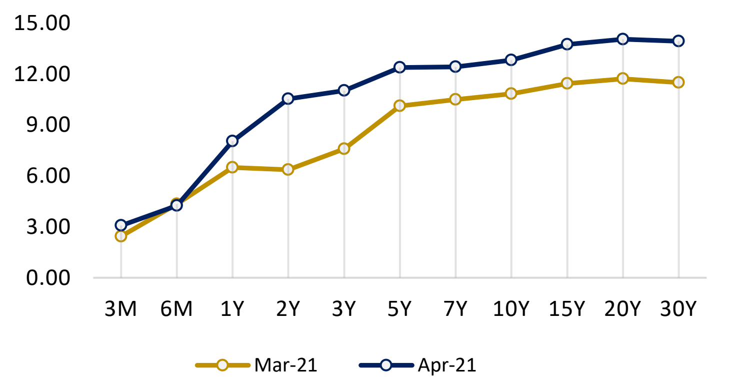
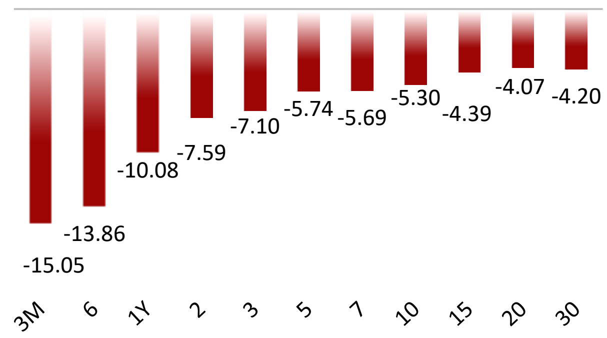


Chart 11: Inflation Adjusted Yields as at April 30, 2021^ (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

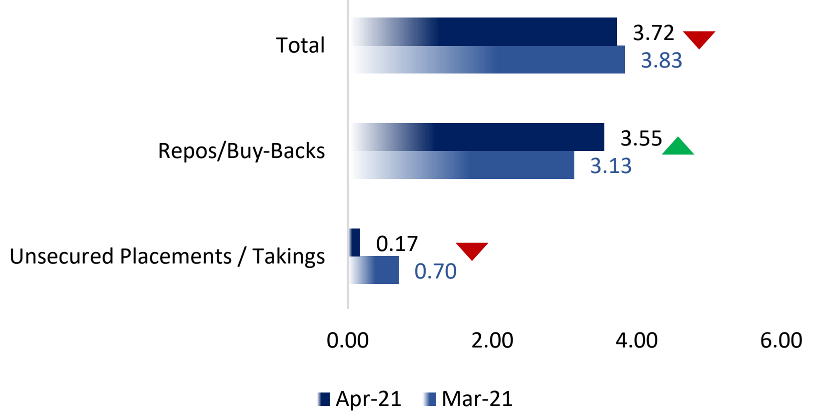
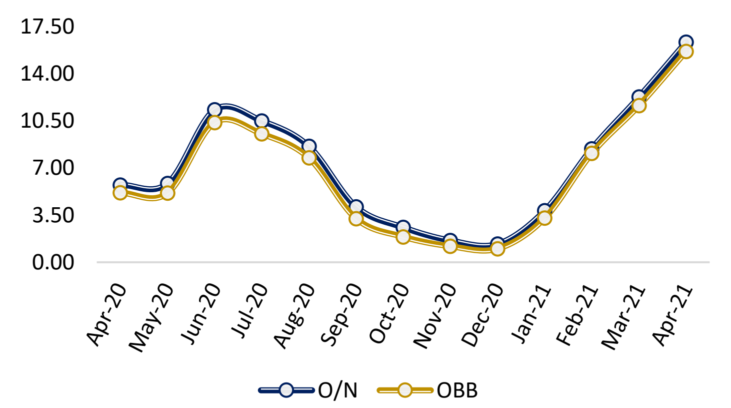


Chart 13: Trend in Average O/N[13] and OBB[14] Rates (%)



- Total turnover in the Money Market segment decreased MoM by 2.87% (₦0.11trn) to ₦3.72trn in April 2021. This was solely driven by the MoM decrease in Unsecured Placements/Takings turnover by ₦0.53trn to ₦0.17trn, offsetting the ₦0.42trn increase in Repo/Buy-backs turnover which stood at ₦3.55trn in April 2021 *(See Chart 12)*. Consequently, the average OBB rate *(secured lending rate)* increased by 4.02ppts to close at 15.65% in April 2021 from 11.63% recorded in the previous month. *(See Chart 13)*

Market Activity

- The total number of executed trades[15] reported on the Bloomberg E-Bond Trading System decreased MoM by 13.51% (567) to 3,629 in April 2021 from 4,196 recorded in March 2021. This was jointly driven by the MoM decrease in the number of trades for OMO bills and FGN bonds in April 2021 which offset the MoM increase the number of trades recorded for T.bills in the same period. *(See Table 1)*

Table 3 - Market Activity - Executed Trade Count

	Apr-21			Mar-21			MoM Δ (%)
	AFO[16]	RFQ[17]	Total	AFO	RFQ	Total	
T.bills	0	792	792	1	546	547	44.79
OMO bills	0	763	763	0	1,519	1,519	(49.77)
FGN Bonds	20	2,054	2,074	15	2,115	2,130	(2.63)
Total	20	3,609	3,629	16	4,180	4,196	(13.51)

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

Notes:

^ Adjusted with the April 2021 Headline Inflation rate of 18.12%.

***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*