

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

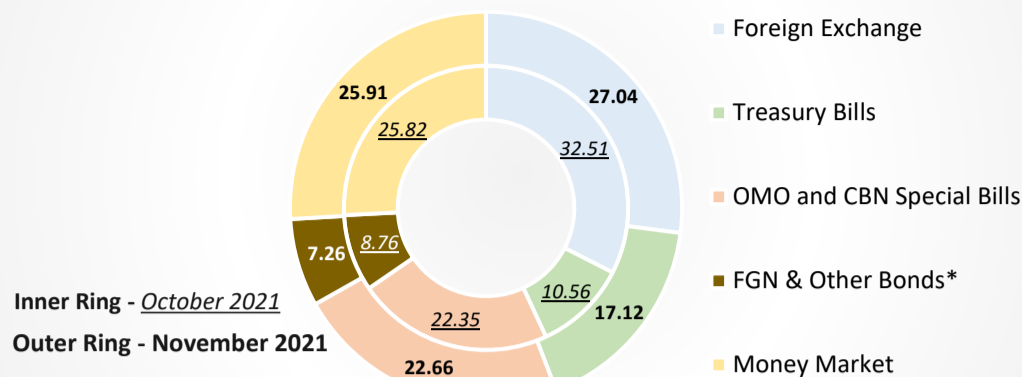
November 2021: ₦15.81trn

October 2021: ₦17.21trn ▼

November 2020: ₦14.70trn ▲

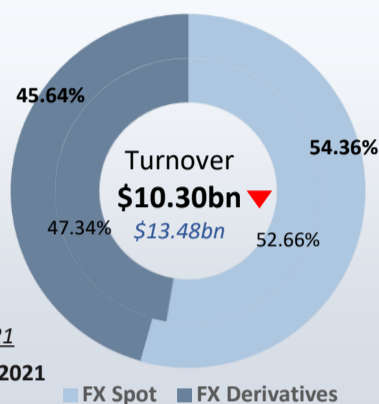
- Turnover in the FIC markets in November 2021 was ₦15.81trn, representing a MoM¹ decrease of 8.13% (₦1.40trn) and a YoY² increase of 7.55% (₦1.11trn) from turnover in October 2021 and November 2020, respectively
- Foreign Exchange (FX) and Money Market (mainly Repurchase Agreements [Repos]) transactions remained the highest drivers of market turnover, jointly accounting for 52.95% of the total FIC markets turnover in November 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	\$1.54bn	32.81%
FX Forwards	\$2.53bn	53.91%
FX Futures	\$0.62bn	13.28%

- Total FX market turnover in November 2021 was \$10.30bn (₦4.28trn), representing a MoM decrease of 23.59% (\$3.18bn) from the turnover recorded in October 2021 (\$13.48bn). (See Chart 2)
- The MoM decrease in total FX market turnover was jointly driven by the 21.11% (\$1.50bn) and 26.31% (\$1.68bn) MoM decrease in FX Spot and FX Derivatives turnover respectively in November 2021
- The MoM decrease in FX Derivatives turnover was driven by MoM decrease in turnover for FX Swaps, FX Futures and Forwards by 19.94% (\$0.38bn), 65.28% (\$1.17bn) and 4.54% (\$0.12bn) respectively. Consequently, the contribution of FX Derivatives to total FX market turnover decreased by 1.70 percentage points (ppts) to 45.64% in November 2021. (See Chart 2)

Naira-settled OTC FX Futures Market

Matured Contract

NGUS NOV 24, 2021
(\$/₦420.93)

New 60M Contract

NGUS NOV 25, 2026
(\$/₦614.32)

- In the OTC FX Futures market, the near month contract³ (NGUS NOV 24, 2021) expired and open positions with a total notional value (NV) of \$0.65bn were settled. A far month (60M⁴) contract, NGUS NOV 25, 2026 was introduced at a Futures price of \$/₦614.32
- The total NV of open OTC FX Futures contracts as at November 30, 2021 stood at circa \$5.45bn⁵ representing a MoM decrease of 5.55% (\$0.32bn) from its value as at October 29, 2021. (See Chart 3)

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

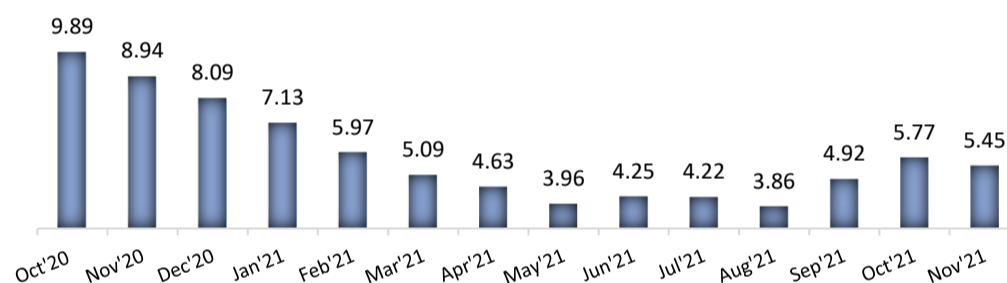
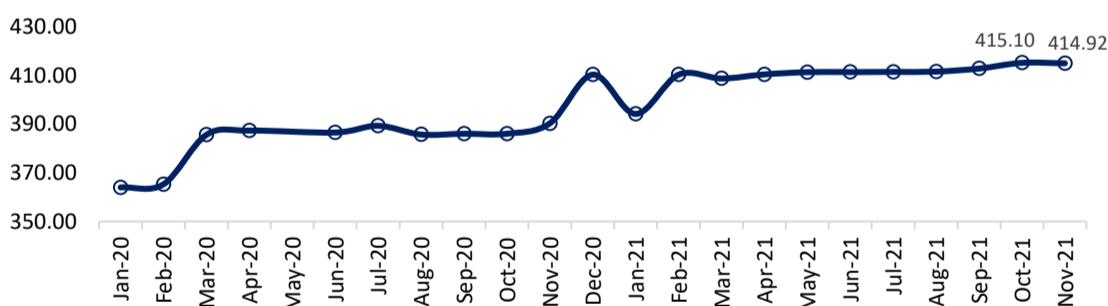


Chart 4: Closing Rates in the FX Market (\$/₦)

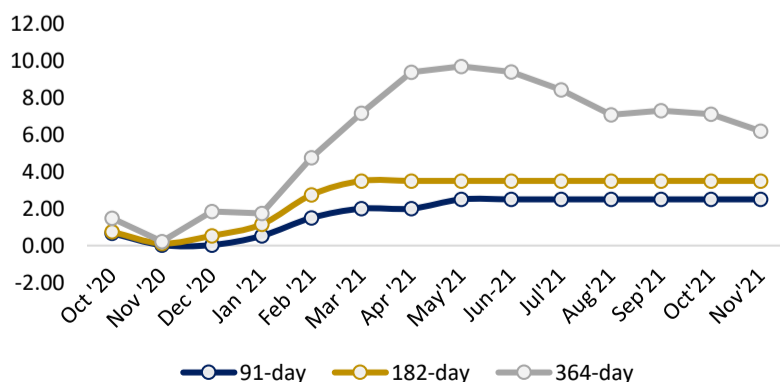


- In the FX Market, the Naira appreciated against the US Dollar, gaining 0.04% (\$/₦0.18) to close at an average of \$/₦414.92 in November 2021 from \$/₦415.10 recorded in October 2021. (See Chart 4). Further, the Naira traded within a range of \$/₦414.30 - \$/₦415.10 in November 2021 compared to \$/₦413.55 - \$/₦422.07 recorded in October 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.bills⁶ remained flat at 2.50% and 3.50% respectively, whilst the average discount rate for 364-day T.bills decreased by 0.93ppts, to 6.20% in November 2021 from 7.12% recorded in October 2021 (See Chart 5). Similarly, the average discount rates for CBN OMO⁷ bills with comparable tenors⁸ remained flat within the range of 7.00% - 10.10% in November 2021
- In November 2021, the coupon rates of re-opened 10Y⁹ and 20Y Bond issues remained flat whilst the 30Y FGN¹⁰ Bond issue increased by 0.10ppts to 13.30%, closing at a range of 11.65% - 13.30% from 11.65% - 13.20% recorded in October 2021

FGN Bond Coupon Rates in November 2021

10Y - 11.65% ↔
11.65% (Oct. '21)

20Y - 12.95% ↔
12.95% (Oct. '21)

30Y - 13.30% ▲
13.20% (Oct. '21)

Notes: *Others include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

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 10M contract, NGUS SEP 28, 2022, had the highest NV of open OTC FX Futures Contracts (\$0.59bn) as at November 30, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 82 - 138 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: Split of Spot Fixed Income Market Turnover by Securities

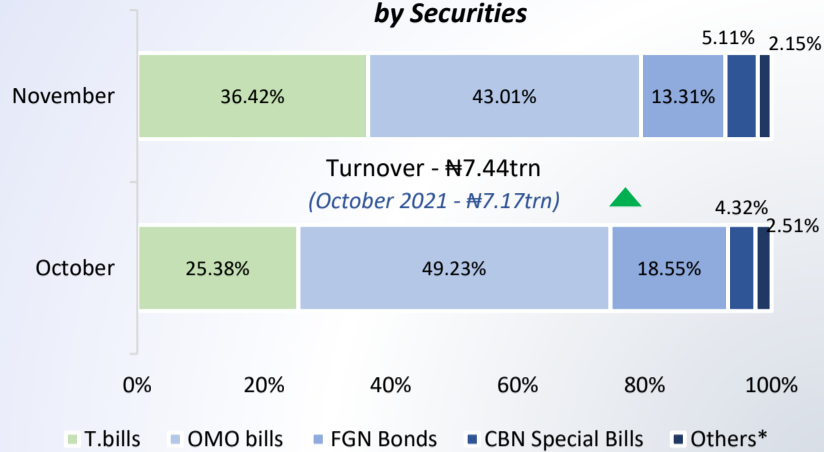
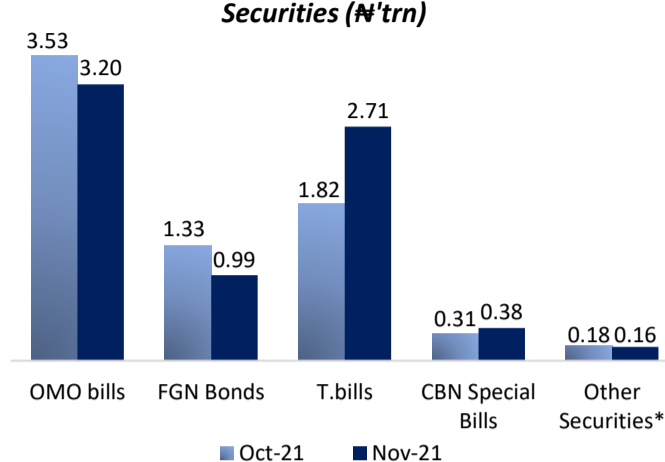


Chart 7: Fixed Income Market Turnover by Securities (₦trn)



- In November 2021, OMO bills were the most traded FI securities, despite a 9.35% (₦0.33trn) MoM decrease in its turnover. (See Chart 7). However, trading intensity for OMO bills increased by 1 basis point (bp) to 1.61 from 1.60 in October 2021. (See Chart 8)
- Similarly, turnover across other fixed income products such as FGN Bonds and Other Securities* also decreased MoM in November 2021. However, turnover for T.bills and CBN Special Bills increased MoM by 48.90% (₦0.89trn) and 22.58% (₦0.07trn) respectively. (See Chart 7)

Chart 8: Trend in Trading Intensity

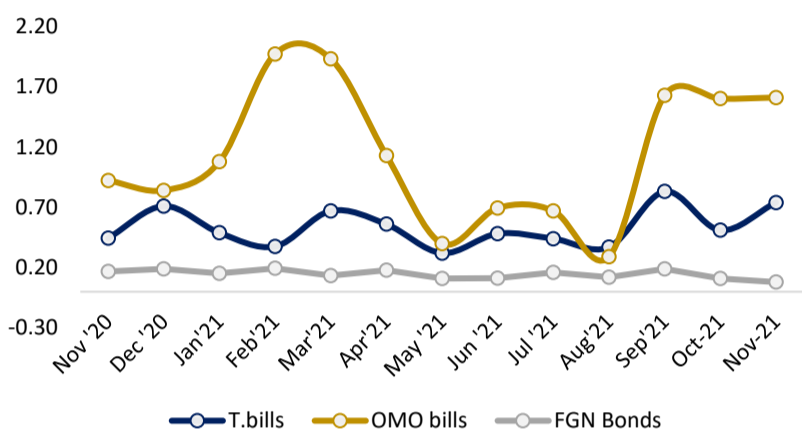
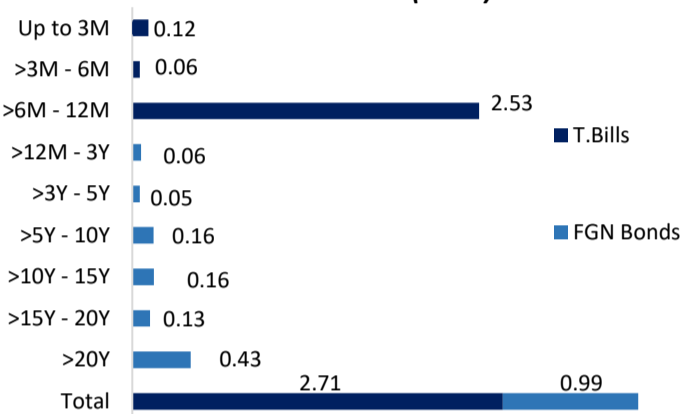


Chart 9: Sovereign Fixed Income Turnover - November 2021 (₦trn)



- In November 2021, T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 68.56% (₦2.53trn) of the total turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of 20Y or higher were the most traded long-term¹¹ sovereign debt securities, accounting for 11.57% (₦0.43trn) of the total turnover for sovereign debt securities. (See Chart 9)

- In November 2021, the yield spread between the 3M and 30Y sovereign debt securities increased by 1.29ppts to 10.20ppts, indicating a steepening 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 November 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

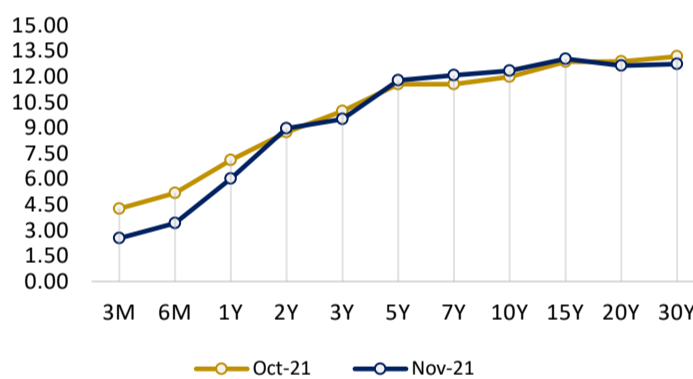
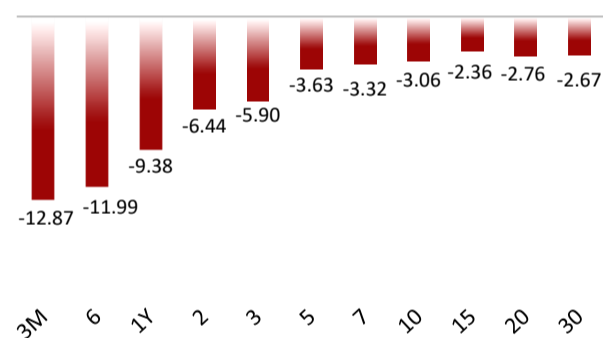


Chart 11: Inflation Adjusted Yields as at November 30, 2021[^] (%)



Money Market

Chart 12: Money Market Turnover (₦trn)

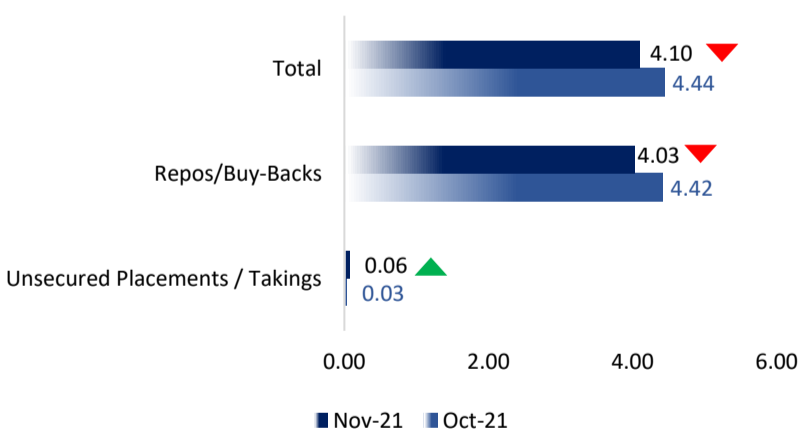
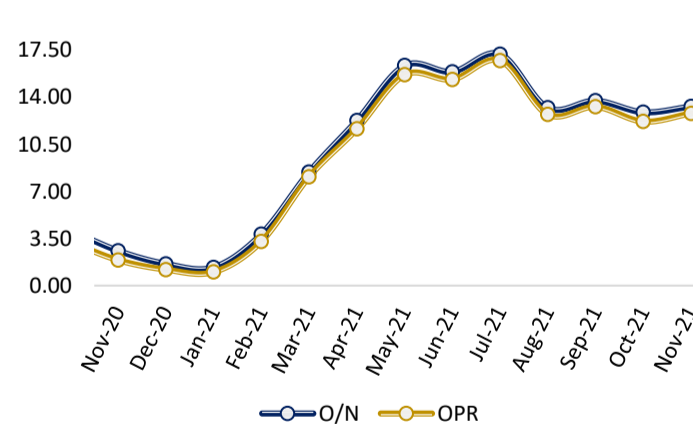


Chart 13: Trend in Average O/N¹² and OPR¹³ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 7.66% (₦0.34trn) to ₦4.10trn in November 2021. This was solely driven by the MoM decrease in Repos/Buy-backs by 8.82% (₦0.39trn) to ₦4.10trn in November 2021, despite the 100.00% (₦0.03trn) increase in Unsecured Placement/Takings. (See Chart 12)
- The average O/N rate and OPR rate (secured lending rate) decreased by 1.74ppts and 1.83ppts respectively, to close at an average of 11.56% and 10.96% in November 2021. (See Chart 13)

Market Activity

- The total number of executed trades¹⁴ reported on FMDQ Trading Systems¹⁵ increased MoM by 9.84% (348) to 3,883 in November 2021, driven mainly by the MoM increase in trading activity for T.bills, OMO bills and CBN Special Bills
- Daily average trade size in November 2021 was ₦0.18trn compared to ₦0.19trn in October 2021, mainly driven by the 43.89% (₦0.02trn) decrease in the daily average trade size of FGN Bonds (See Table 1)

Table 1 - Market Activity - Executed Trade Count

	Nov-21		Oct-21		MoM Δ in Total Value (%)
	Total	Daily Average Trade Size (₦'bn)	Total	Daily Average Trade Size (₦'bn)	
T.bills	1,440	45.84	1,145	35.75	25.76
OMO bills	978	108.71	480	104.46	103.75
CBN Special Bills	127	6.85	52	3.95	144.23
FGN Bonds	1,338	23.02	1,858	41.03	27.99
Total	3,883	184.42	3,535	185.20	9.84

Notes:

*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; [^]Adjusted with the November 2021 Headline Inflation rate of 15.40%.

¹¹: 2Y – 30Y; ¹²: Overnight; ¹³: Open Repos; 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: Bloomberg E-Bond Trading System and PenDealer (FMDQ Clients' Trading, Reporting & Surveillance System for the Fixed Income Markets)

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