



# FINANCIAL MARKETS MONTHLY REPORT

DECEMBER 2022

## Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>bn</b>	Billion	<b>OTC</b>	Over-the-Counter
<b>bps</b>	Basis Points	<b>ppts</b>	Percentage Points
<b>CBN</b>	Central Bank of Nigeria	<b>QoQ</b>	Quarter-on-Quarter
<b>CP</b>	Commercial Paper	<b>Repo</b>	Repurchase Agreement
<b>DMO</b>	Debt Management Office	<b>T.bills</b>	Treasury Bills
<b>FCY</b>	Foreign Currency	<b>trn</b>	Trillion
<b>FGN</b>	Federal Government of Nigeria	<b>US</b>	The United States of America
<b>FIC</b>	Fixed Income and Currencies	<b>USD</b>	US Dollar
<b>FX</b>	Foreign Exchange	<b>Y</b>	Year
<b>H1</b>	First Half of the Year Under Consideration	<b>YoY</b>	Year-on-Year
<b>I&amp;E FX Window or I&amp;E</b>	Investors' and Exporters' Foreign Exchange Window	<b>YTD</b>	Year-to-Date
<b>LCY</b>	Local Currency		
<b>M</b>	Month		
<b>mm</b>	Million		
<b>MM</b>	Money Market		
<b>MoM</b>	Month-on-Month		
<b>N/A</b>	Not Applicable		
<b>NBS</b>	National Bureau of Statistics		
<b>NV</b>	Notional Value		
<b>OMO</b>	Open Market Operations		
<b>O/N</b>	Overnight		
<b>OPR</b>	Open Repos		

### Sources:

FMDQ Securities Exchange Limited, DMO, CBN, NBS

### Note:

Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

## Primary Market

### Sovereign Securities

The DMO sold T.bills valued at ₦185.38bn (representing a 136.65% oversubscription of the amount offered - ₦135.38bn) across its auctions in December 2022, and a 64.59% (₦338.17bn) MoM decrease on the value of T-bills sold across its auctions in November 2022 (₦523.55bn).

Similarly, the DMO sold FGN Bonds worth ₦264.52bn in December 2022 via re-openings of two (2) 10Y and one (1) 20Y bonds (exceeding the total amount of FGN Bonds offered<sup>1</sup> by ₦39.25bn), as well as representing a 1.72% (₦4.64bn) MoM decrease from the amount sold in November 2022 (₦269.15bn) for the same FGN Bond maturities.

In the review month, the CBN sold OMO Bills worth ₦30.00bn, representing a 50.00% (₦10.00bn) MoM increase on the value of OMO bills sold across its auctions in November 2022 (₦20.00bn).

#### Treasury Bills Discount Rates in Dec. 2022

**91-day – 4.91%**  
6.50% (Nov. '22) ▼

**182-day – 7.48%**  
8.05% (Nov. '22) ▼

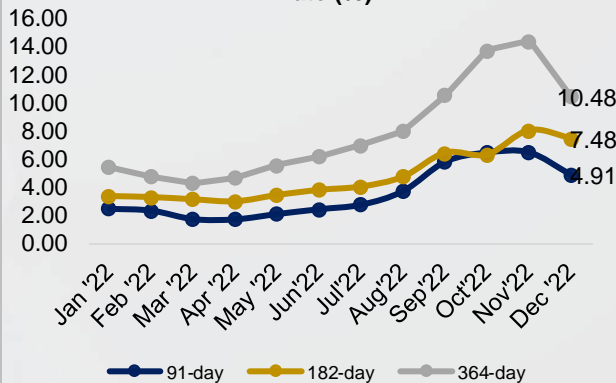
**364-day – 10.48%**  
14.42% (Nov. '22) ▼

#### FGN Bond Coupon Rates in Dec. 2022

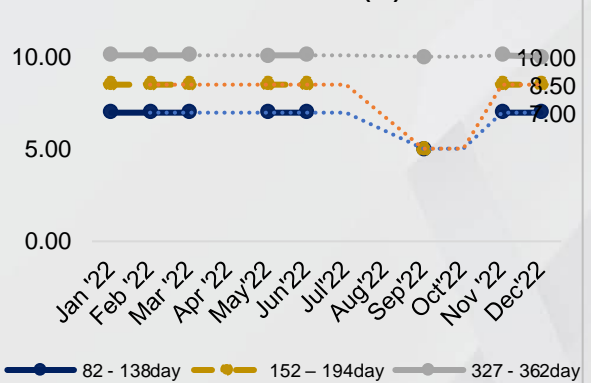
**10Y – 14.68%**  
14.98% (Nov. '22) ▼

**20Y – 15.80%**  
16.20% (Nov. '22) ▼

**Chart 1: Trend in Average T.bills Discount Rate (%)**



**Chart 2: Trend in Average OMO Bills Discount Rate (%)**



**Table 1: Value of New Issuances (₦'bn)**

Product	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22
T.bills	281.30	472.97	583.33	289.09	311.35	544.87	407.55	446.15	553.66	144.00	523.55	185.38
OMO Bills	130.00	270.00	170.00	0.00	180.01	40.00	0.00	0.00	25.60	0.00	20.00	30.00
FGN Bonds	170.64	415.42	297.01	348.58	378.41	226.12	123.84	200.58	261.50	107.88	269.15	264.52

**Table 2: Value of Outstanding Securities (₦'bn)**

Product	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22
T.Bills	3,860.48	4,120.15	4,408.16	4,435.02	4,465.85	4,504.79	4,504.80	4,504.80	4,542.78	4,225.63	4,519.20	4,422.72
OMO Bills	1,460.69	940.95	758.95	850.00	770.00	810.00	740.00	605.00	600.00	500.00	480.00	445.00
FGN Bonds	12,420.33	12,835.77	13,135.32	13,483.27	13,863.55	14,089.34	14,214.12	14,414.32	14,419.34	14,788.29	15,058.28	15,314.25

**Notes:**

1 – Amount Offered in December 2022 was ₦225.00bn

## Primary Market

### Non-Sovereign Securities

There were no corporate bonds listed on FMDQ Exchange in December 2022 compared to ₦199.31bn worth of listings across three (3) issuers in November 2022. As a result, the total outstanding value for corporate bonds decreased MoM by 0.44% (₦6.17bn) to ₦1,403.72bn.

The total value of CPs quoted on FMDQ Exchange in December 2022 was ₦9.68bn, representing a MoM decrease of 86.66% (₦62.86bn) from the value of CPs quoted in November 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (3), Agriculture (2), Chemical Supply & Oil Field Services (2) and Education (1).

In December 2022, CPs with a total value of ₦165.93bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 38.32% (₦156.254bn) to ₦251.46bn. (See Table 6)

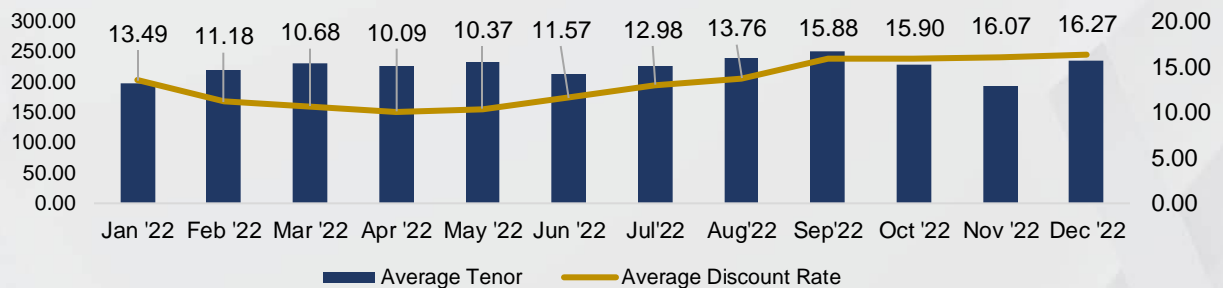
**Table 3: Average Discount Rates for Quoted CPs**

Tenor	Dec. 22	Nov. 22	Trend
<=90 days	-	14.95%	N/A
91 – 180 days	16.85%	16.29%	▲
181 – 270 days	16.07%	16.25%	▼

**Table 4: Average Coupon Rates for Listed Corporate Bonds**

Tenor	Dec. 22	Nov. 22	Trend
<=5 years	-	15.00%	N/A
>5 – 10 years	-	13.13%	N/A
>10 – 20 years	-	-	N/A
>20 years	-	-	N/A

**Chart 3: Average Tenor (No. of Days) vs Discount Rate for Quoted CPs (%)**



**Table 5: Value of New Listings/Quotations (₦'bn)**

Product	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22
Corporate Bonds	0.00	92.50	45.30	0.00	10.00	38.00	116.00	27.28	0.00	50.09	199.31	0.00
CPs	5.52	97.82	72.06	120.95	166.48	40.85	21.16	29.05	22.40	66.51	72.53	9.68

**Table 6: Outstanding Value of Admitted Corporate Bonds and CPs (₦'bn)**

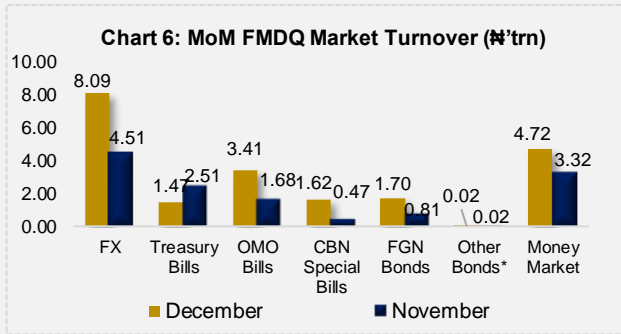
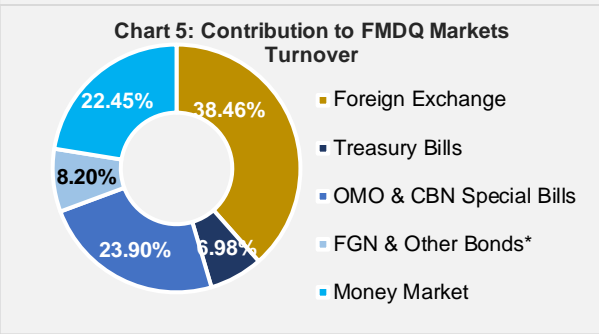
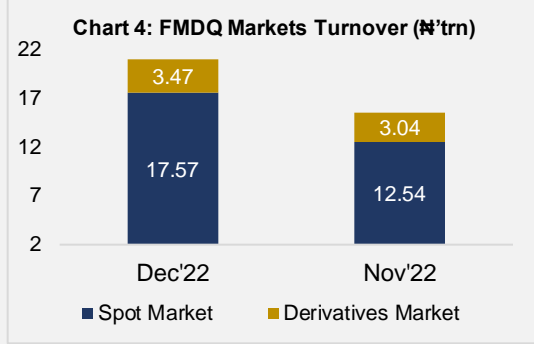
Product	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22
Corporate Bonds	901.25	993.57	1,026.15	1,024.69	1,004.60	1,039.70	1,153.50	1,180.59	1,169.81	1,212.36	1,409.89	1,403.72
CPs	168.99	232.89	283.75	311.07	484.61	518.80	524.58	494.89	487.73	414.55	407.71	251.46

## Secondary Market

### Market Turnover by Products

Secondary market turnover on FMDQ Exchange in December 2022 was ₦21.04trn, representing a MoM increase of 35.07% (5.46trn) and a YoY increase of 2.46% (₦0.50trn) from November 2022 and December 2021 figures respectively.

Foreign Exchange (FX), CBN Bills<sup>1</sup> and Money Market (MM) transactions dominated secondary market activity in December 2022, accounting for 84.81% of the total secondary market turnover. (See Chart 5)



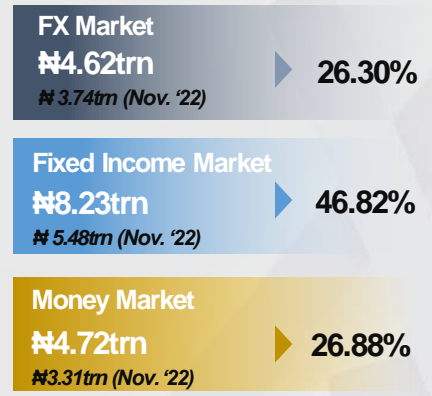
## Spot Market

Total spot market turnover for all products traded in the secondary market was ₦17.57trn in December 2022, representing a MoM increase of 40.12% (₦5.03trn) from November 2022 figures.

The MoM increase in total spot market turnover was jointly driven by an increase in turnover across all products with contributions by FI, FX and MM increasing MoM by 49.97% (₦2.74trn), 23.59% (₦0.88trn) and 42.46% (₦1.41trn), respectively in the review month.

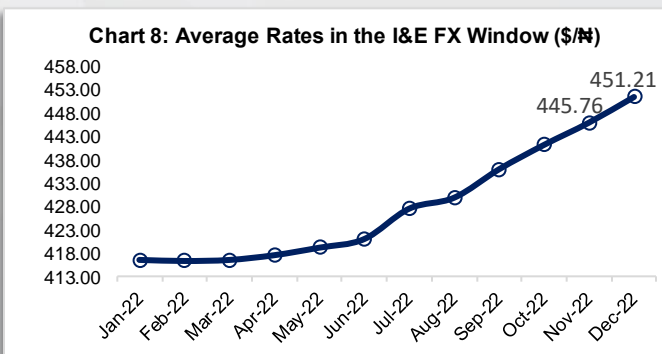
The uptrend in MM turnover was driven by an increase in Repos/Buy-backs and Placements/Takings transactions. Likewise, the growth in FI turnover was jointly driven by the MoM upsurge in CBN Bills and FGN and Other Bonds, respectively which offset the MoM decrease in T.Bills turnover in December 2022.

Chart 7: Spot Market Turnover and Percentage Contribution



## Spot FX Market

Spot FX market turnover was ₦4.62trn (\$10.24bn) in December 2022, representing a MoM increase of 23.59% (₦0.88trn) from the turnover recorded in November 2022 (₦3.74trn).



In the FX Market, the Naira depreciated against the US Dollar, with the spot exchange rate (\$/₦) increasing by 1.22% (₦5.45) to close at an average of \$/₦451.21 in December 2022 from \$/₦445.76 recorded in Nov. 2022 (See Chart 8)

Further, exchange rate volatility increased in December 2022 as the Naira traded within an exchange rate range of \$/₦445.33 - \$/₦461.67 compared to \$/₦444.70 - \$/₦446.67 recorded in November 2022

**Notes:**

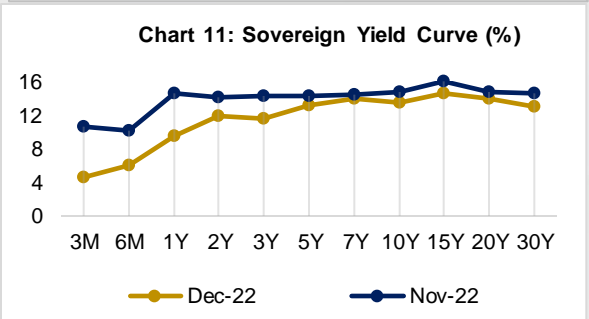
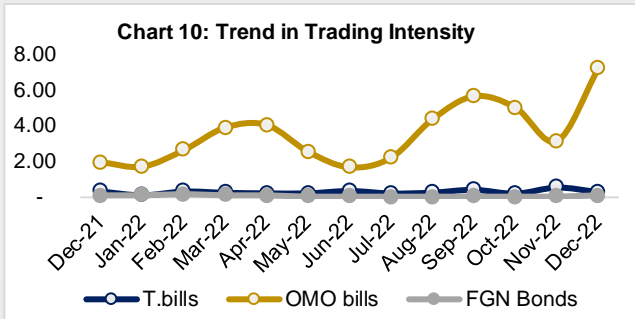
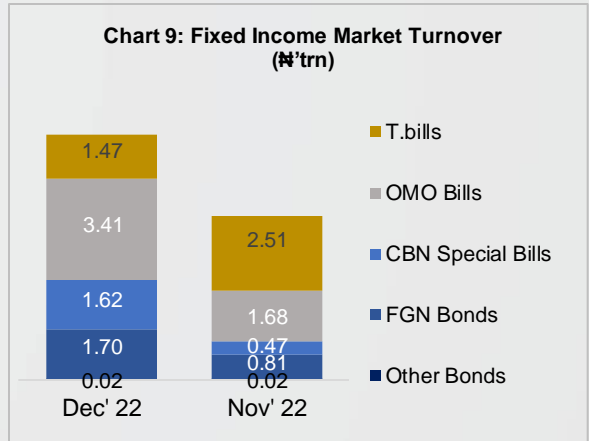
<sup>1</sup> Refers to Open Market Operations ("OMO") and CBN Special Bills

\*Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

### Spot Fixed Income Market

FI market turnover was ₦8.23trn in December 2022, representing a MoM increase of 49.97% (₦2.74trn) from the turnover recorded in November 2022 (₦5.48trn). The MoM increase in the FI market turnover was jointly driven by the 102.44% (₦1.72trn), 248.49% (₦1.16trn) and 109.64% (₦0.90trn) increase in OMO Bills, CBN Special Bills, FGN and Other Bonds turnover respectively, which offset the MoM decrease of 41.51% (₦1.04trn) in T.bills turnover respectively. (See Chart 9)

As a result, the trading intensity (TI) for OMO Bills, and FGN Bonds increased by 4.04 and 0.06 points to 7.19 and 0.11 respectively, whilst TI for T.bills decreased MoM by 0.24 points to 0.32 (See Chart 10)



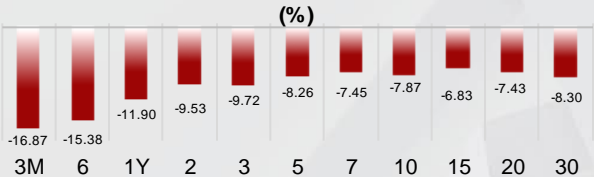
T.bills and FGN Bonds within the >6M – 12M and >10Y – 15Y tenors respectively were the most traded sovereign FI securities, accounting for 31.69% (₦1.00trn) and 30.29% (₦0.96trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills					FGN Bonds					Total
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y		
0.26	0.20	1.00	0.10	0.09	0.40	0.96	0.07	0.08	<b>3.17</b>	

In December 2022, the yield spread between the 3M and 30Y sovereign FI securities increased by 4.59ppts to 8.57ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

Real (inflation-adjusted) yields remained negative across the yield curve in December 2022 (See Chart 12).

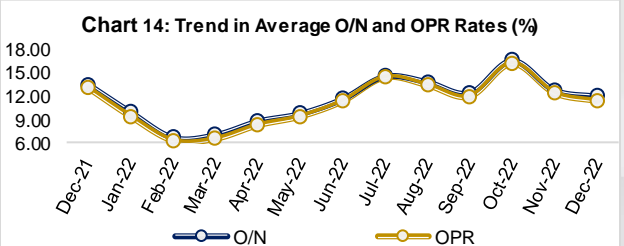
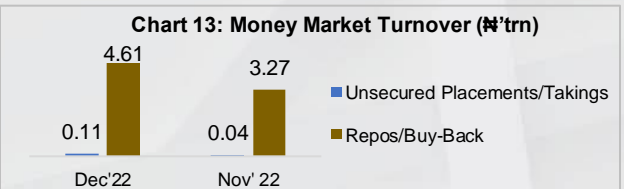
Chart 12: Inflation Adjusted Yields as at Dec. 30, 2022<sup>^</sup>



### Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 42.46% (₦1.41trn) to ₦4.72trn in December 2022. The MoM increase was jointly driven by the 40.98% (₦1.34trn) and 153.19% (₦0.07trn) increase in Repos/Buy-backs and Unsecured Placement/Takings turnover respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 0.82ppts and 1.03ppts respectively, to close at an average of 11.92% and 11.33% in December 2022 (See Chart 14).



**Notes:**

1- refers to OMO Bills and CBN Special Bills  
<sup>^</sup>Adjusted with December 2022 inflation rate

## Derivatives Market

### Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦3.47trn (\$7.69bn) in December 2022, representing a MoM increase of 14.22% (₦0.43trn) from November 2022 figures.

The MoM increase in the FX derivatives turnover was jointly driven by the 57.02% (₦0.22trn) and 35.39% (₦0.51trn) increase across FX Futures and FX Swaps turnover to ₦0.61trn and ₦1.96trn respectively, despite the 25.03% (₦0.30trn) decrease in FX Forwards turnover.

FX Swaps	Contribution
₦1.96trn (\$4.34bn)	56.46%
FX Forwards	
₦0.90trn (\$2.00bn)	25.99%
FX Futures	
₦0.61trn (\$1.35bn)	17.55%

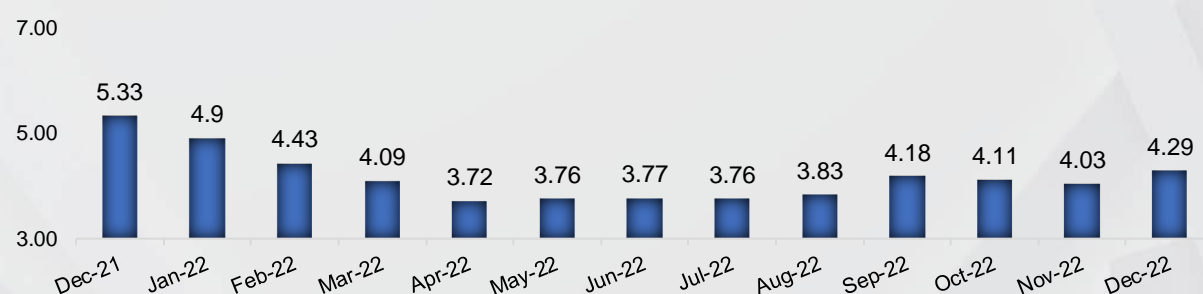
### Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract<sup>1</sup> (NGUS DEC 28, 2022) expired and open positions with a total notional value (NV) of \$0.15bn were settled. A far month (60M) contract, NGUS DEC 29, 2027 was introduced at a Futures price of \$/₦694.47, representing a 3.13% (\$/₦21.10) depreciation in forward exchange rate of the Naira, relative to the Futures price (\$/₦673.37) of the previous far month contract (NGUS NOV 24, 2027).

The cumulative NV of open OTC FX Futures contracts as at December 30, 2022, stood at circa \$4.29bn<sup>2</sup> representing a MoM increase of 6.45% (\$0.26bn) and a YoY decrease of 19.51% (\$1.04bn) from its value as at November 30, 2022 and December 31, 2021, respectively.

<b>Matured Contract</b> NGUS DEC 28, 2022 (\$/₦454.73)	↔
<b>New 60M Contract</b> NGUS DEC 29, 2027 (\$/₦694.47)	▼
NV of Open Positions in OTC FX Futures Contracts –\$4.29bn	▲

Chart 15: Trend in Open OTC FX Futures Contract Values (\$'bn)



In December 2022, market activity in the OTC FX Futures accounted for \$0.44bn worth of trades, representing a MoM increase of 129.73% (\$0.25bn) relative to the value recorded in November 2022 (\$0.19bn)

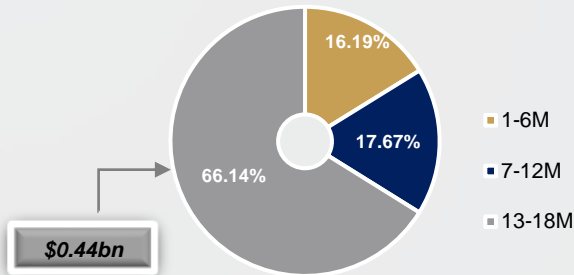
The NV of OTC FX Futures contracts traded across both short-dated (1M – 13M) and long-dated (14M – 60M) contracts increased by 133.10% (\$0.17bn) and 123.32% (\$0.08) to \$0.30bn and \$0.15bn, respectively. Traded value was specifically concentrated within the 13 – 18M tenor range, which accounted for 66.14% (\$0.29bn) of trading turnover across thirteen (13) of the twenty-three (23) deals conducted in the review period.

#### Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 5M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.73bn) as at December 30, 2022

**Derivatives Market../2**

**Chart 16: Analysis of Traded OTC FX Futures Contracts by Tenor Ranges**



The average price of OTC FX Futures contracts and Deliverable Forwards increased MoM across all tenor buckets in December 2022 relative to November 2022. The average price of OTC FX Futures Contracts within the 55-60M tenor range recorded the highest MoM increase in price (*i.e., expected depreciation of Nigerian Naira against the US Dollar*) relative to November 2022. (See Table 7)

Similarly, the 12M deliverable FX Forward contracts recorded the highest MoM price depreciation in November 2022. (See Table 8)

**Table 7: Average OTC FX Futures Contract Rates (\$/₦)**

	0-6M	7-12M	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Dec-22	475.33	488.42	506.89	529.54	552.79	576.55	601.55	627.41	654.60	682.74
Nov-22	460.22	473.39	491.50	513.46	535.99	559.04	583.27	608.35	634.71	662.00
Change	15.11 ↓	15.03 ↓	15.39 ↓	16.08 ↓	16.80 ↓	17.51 ↓	18.28 ↓	19.06 ↓	19.89 ↓	20.74 ↓

**Table 8: Indicative Deliverable Forward Rates (\$/₦)**

	1M	2M	3M	6M	12M
Dec-22	468.02	476.11	479.78	497.60	529.55
Nov-22	452.75	459.20	463.22	486.70	507.22
Change	15.27 ↓	16.91 ↓	16.56 ↓	10.90 ↓	22.33 ↓



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