



# FINANCIAL MARKETS MONTHLY REPORT

July 2023

## Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>bn</b>	Billion	<b>Repo</b>	Repurchase Agreement
<b>bps</b>	Basis Points	<b>RHS</b>	Right Hand Side
<b>CBN</b>	Central Bank of Nigeria	<b>T.bills</b>	Treasury Bills
<b>CP</b>	Commercial Paper	<b>trn</b>	Trillion
<b>DMO</b>	Debt Management Office	<b>US</b>	The United States of America
<b>FGN</b>	Federal Government of Nigeria	<b>Y</b>	Year
<b>FX</b>	Foreign Exchange	<b>YoY</b>	Year-on-Year
<b>I&amp;E FX Market or I&amp;E</b>	Investors' and Exporters' Foreign Exchange Market		
<b>LCY</b>	Local Currency		
<b>LHS</b>	Left Hand Side		
<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		
<b>OTC</b>	Over-the-Counter		
<b>ppts</b>	Percentage Points		

**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 ₦406.10bn across its auctions in July 2023, representing a 0.39% (₦1.59bn) MoM increase on the value of T-bills sold across its auctions in June 2023 (₦404.51bn).

Similarly, the DMO reopened two (2) 10Y, one (1) 15Y and one (1) 30Y FGN Bonds worth ₦657.84bn in July 2023. The total sale represented a 182.73% oversubscription of the amount offered<sup>1</sup>, and a 39.03% (₦184.68bn) MoM increase on the amount sold in June 2023 (₦473.16bn) for the same FGN Bond maturities.

The CBN did not conduct any public OMO Bills auctions in July 2023.

#### Average Treasury Bills Discount Rates in Jul. 2023

**91-day – 4.43%**  
4.08% (Jun. '23) ▲

**182-day – 5.75%**  
5.16% (Jun. '23) ▲

**364-day – 9.05%**  
7.97% (Jun. '23) ▲

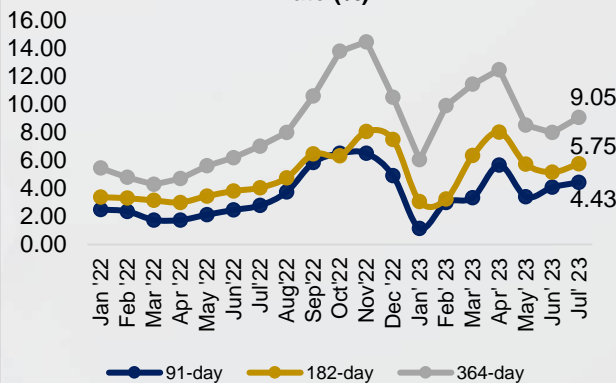
#### Average FGN Bond Coupon Rates in Jul. 2023

**10Y – 13.05%**  
14.30% (Jun. '23) ▼

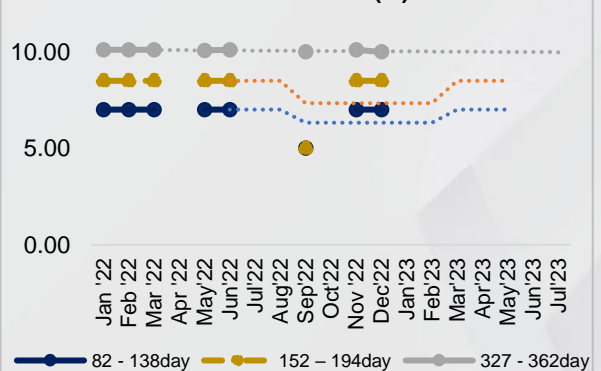
**15Y – 14.10%**  
15.45% (Jun. '23) ▼

**30Y – 14.30%**  
15.70% (Jun. '23) ▼

**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	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23
<b>T.bills</b>	446.15	553.66	144.00	523.55	185.38	277.47	263.50	631.84	281.10	324.43	404.51	406.10
<b>FGN Bonds</b>	200.58	261.50	107.88	269.15	264.52	662.62	770.82	563.36	552.47	545.26	473.16	657.84

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

Product	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23
<b>T.Bills</b>	4,504.80	4,542.78	4,225.63	4,519.20	4,422.72	4,422.72	4,622.72	4,722.72	4,591.26	4,834.98	4,501.06	4,688.17
<b>FGN Bonds</b>	14,414.32	14,419.34	14,788.29	15,058.28	15,314.25	15,313.89	16,747.30	17,311.11	17,128.50	17,673.59	18,148.91	18,807.45

**Notes:**

1 – Amount Offered in July 2023 was ₦360.00bn

## Primary Market

### Non-Sovereign Securities

There were no corporate bonds listed on FMDQ Exchange in July 2023 compared to ₦17.50bn worth of corporate bonds listed in June 2023. As a result, the total outstanding value for corporate bonds remained unchanged at ₦1,757.95bn in the review month.

The total value of CPs quoted on FMDQ Exchange in July 2023 was ₦117.32bn, representing a MoM increase of 42.85% (₦35.19bn) from the value of CPs quoted in June 2023. Quoted CPs were issued by institutions from various sectors including Financial Services (5), Manufacturing (4), Real Estate (3), Agriculture (2), Chemical Supply & Oil Field Services (2), Commodities Trading (1), Public Sector (1), Telecommunications (1) and Consumer Staples (1).

As a result, the total outstanding value of CPs increased MoM by 14.10% (₦117.32bn) to ₦949.26bn. (See Table 6)

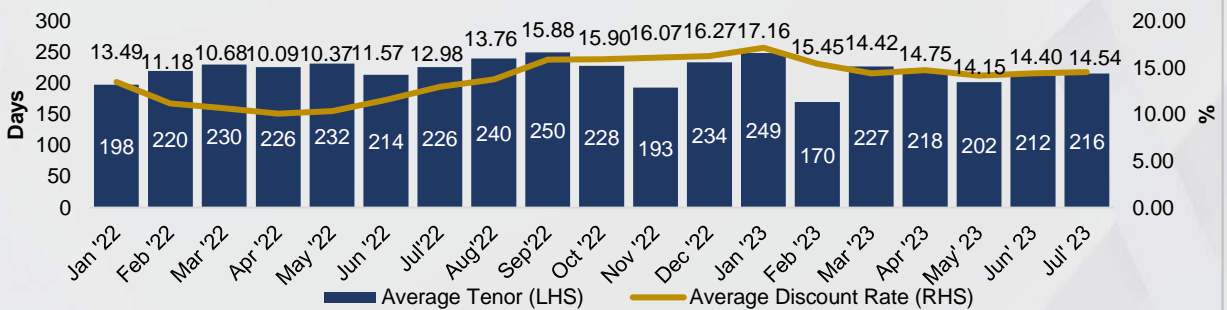
**Table 3: Average Discount Rates for Quoted CPs**

Tenor	Jul. 23	Jun. 23	Trend
<=90 days	12.69%	-	N/A
91 – 180 days	13.76%	14.85%	▼
181 – 270 days	14.95%	14.27%	▲

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

Tenor	Jul. 23	Jun. 23	Trend
<=5 years	-	-	N/A
>5 – 10 years	-	-	N/A
>10 – 20 years	-	15.25%	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	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23
Corporate Bonds	27.28	0.00	50.09	199.31	0.00	0.00	115.00	112.42	0.00	31.00	17.50	0.00
CPs	29.05	22.40	66.51	72.53	9.68	83.20	101.84	354.18	114.27	163.77	82.13	117.32

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

Product	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23 <sup>^</sup>	Jul. '23
Corporate Bonds	1,180.59	1,169.81	1,212.36	1,409.89	1,403.72	1,401.34	1,498.64	1,610.24	1,609.49	1,636.99	1,757.95	1,757.95
CPs	494.89	487.73	414.55	407.71	251.46	221.56	366.25	669.36	715.28	788.43	831.94	949.26

<sup>^</sup> Jun. '23 figures have been revised from figures published in June 2023 report



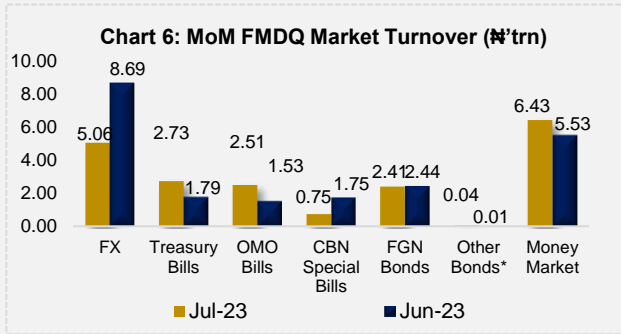
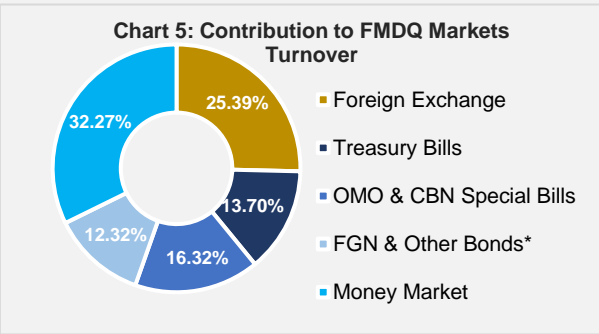
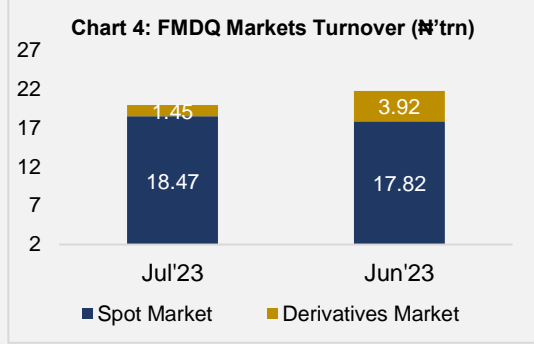
## Secondary Market

### Market Turnover by Products

Secondary market turnover on FMDQ Exchange in July 2023 was ₦19.92trn, representing a MoM decrease of 8.37% (1.82trn) and YoY increase of 0.81% (₦0.16trn) from June 2023 and July 2022 figures, respectively.

Foreign Exchange (FX), Money Market (MM) and CBN Bills<sup>1</sup> transactions dominated secondary market activity, accounting for 73.98% of the total secondary market turnover in July 2023.

(See Chart 5)



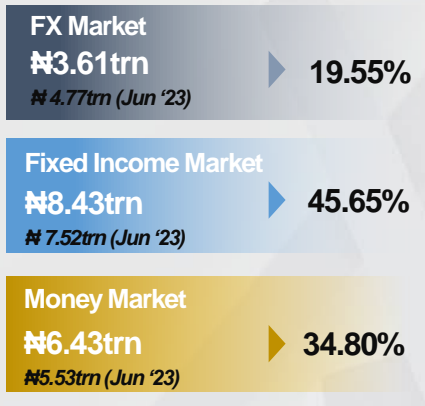
## Spot Market

Total spot market turnover for all products traded in the secondary market was ₦18.47trn in July 2023, representing a MoM increase of 3.68% (₦0.66trn) from June 2023 figures.

The MoM increase in total spot market turnover was driven by an improvement in turnover across MM and FI transactions which increased MoM by 16.35% (₦0.90trn) and 12.16% (₦0.91trn), respectively, despite the MoM decline in FX transactions by 24.34% (₦1.16trn).

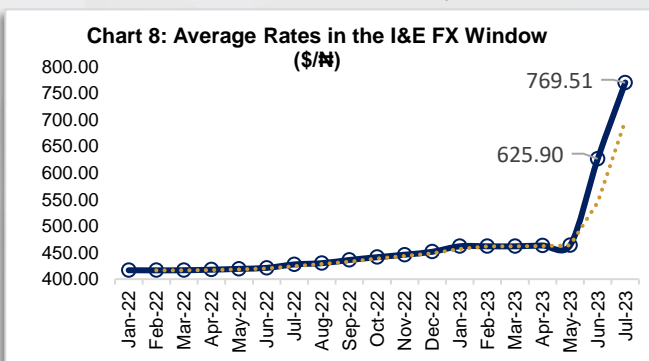
The uptick in MM turnover was driven by an increase in Repos/Buy-backs, offsetting the MoM decline in Unsecured Placement/Takings transactions. Likewise, the improvement in FI turnover was driven by a MoM increase across all FI products, excluding CBN Special Bills and FGN Bonds which decreased in the review period.

Chart 7: Spot Market Turnover and Percentage Contribution



## Spot FX Market

Spot FX market turnover was ₦3.61trn (\$4.66bn) in July 2023, representing a MoM decrease of 24.34% (₦1.16trn) from the turnover recorded in June 2023 (₦4.77trn).



In the FX Market, the US Dollar appreciated against the Naira, with the spot exchange rate (\$/₦) increasing by 22.94% (\$/₦143.60) to close at an average of \$/₦769.51 in July 2023 from \$/₦625.90 recorded in June 2023. (See Chart 8)

Further, exchange rate volatility decreased in July 2023 as the Naira traded within an exchange rate range of \$/₦740.08 - \$/₦803.90 compared to \$/₦464.67 - \$/₦770.38 recorded in June 2023.

**Notes:**

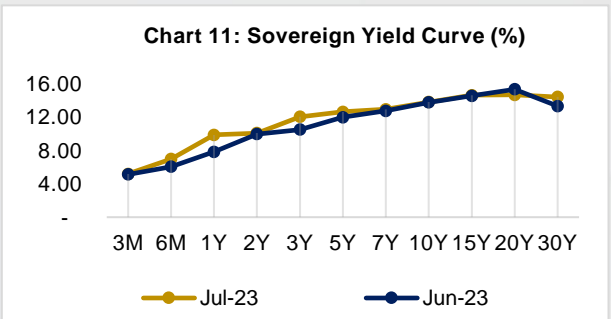
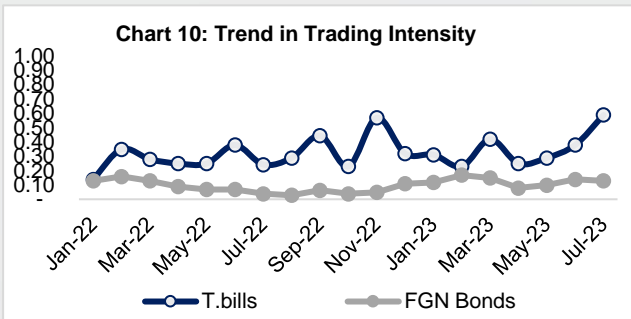
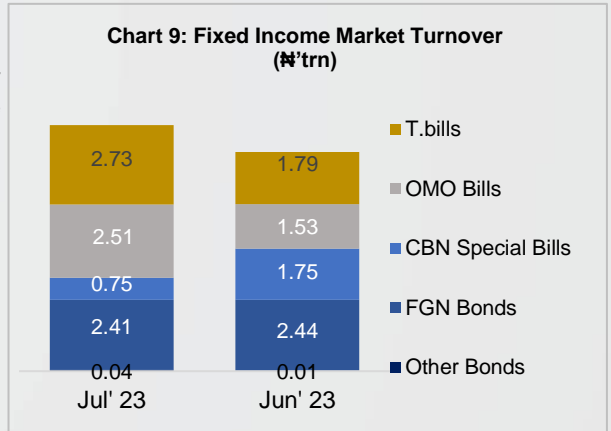
<sup>1</sup> Refers to Open Market Operations ("OMO") and CBN Special Bills

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

### Spot Fixed Income Market

FI market turnover was ₦8.43trn in July 2023, representing a MoM increase of 12.16% (₦0.91trn) from the turnover recorded in June 2023 (₦7.52trn). The MoM increase in the FI market turnover was driven by the 52.55% (₦0.94trn), 63.75% (₦0.98trn) and 402.37% (₦0.03trn) uptick in turnover across T.Bills, OMO Bills<sup>1</sup>, Other Bonds which offset the MoM decrease in CBN Special Bills and FGN Bonds transactions by 57.36% (₦1.00trn) and 1.24% (₦0.03trn), respectively. (See Chart 9)

As a result, the trading intensity (TI) for T.Bills increased MoM by 0.21 to 0.59, whilst TI for FGN Bonds decreased MoM by 0.01 to 0.13 (See Chart 10).



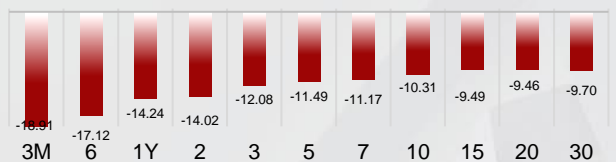
T.bills and FGN Bonds within the >6M – 12M and >20Y tenors respectively were the most traded sovereign FI securities, accounting for 31.50% (₦1.62trn) and 23.04% (₦1.18trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills			FGN Bonds							Total
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y		
0.93	0.18	1.62	0.16	0.18	0.26	0.59	0.04	1.18	<b>5.14</b>	

In July 2023, the yield spread between the 3M and 30Y sovereign FI securities increased by 1.05ppts to 9.21ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

Real (inflation-adjusted) yields worsened, sustaining its negative trend across the yield curve in July 2023 (See Chart 12).

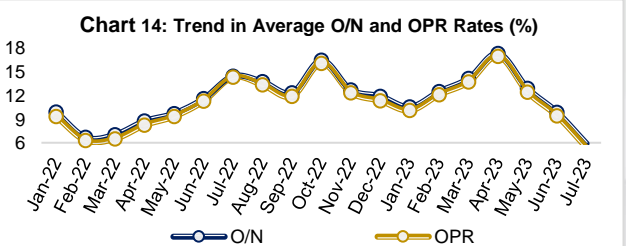
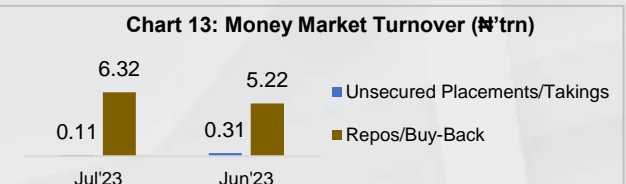
Chart 12: Inflation Adjusted Yields as at July. 31, 2023<sup>^</sup> (%)



### Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 16.35% (₦0.90trn) to ₦6.43trn in July 2023. The MoM uptick was driven by the 21.11% (₦1.10trn) increase in Repos/Buy-backs which offset the 64.08% (₦0.20trn) decline in Unsecured Placement/Takings transactions, respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 3.98ppts and 4.02ppts respectively, to close at an average of 5.91% and 5.39% in July 2023 (See Chart 14).



**Notes:**

<sup>^</sup>Adjusted with July 2023 inflation rate (24.08%)

## Derivatives Market

### FX Derivatives Market

Total turnover in the FX derivatives market segment was \$1.88bn (¥1.45trn) in July 2023, representing a MoM decrease of 70.42% (\$4.47bn) from June 2023 figures.

The MoM decline in the FX derivatives turnover was driven by a decrease in turnover across all FX derivatives products, with contributions by FX Swaps, FX Forwards, and FX Futures decreasing MoM by 1.59% (\$1.30bn), 74.69% (\$0.83bn) and 100.00% (\$2.34trn), respectively.

FX Swaps	Contribution
\$1.59bn (¥1.23trn)	85.03%
FX Forwards	
\$0.28bn (¥0.22trn)	14.97%
FX Futures	
\$0.00bn (¥0.00trn)	0.00%

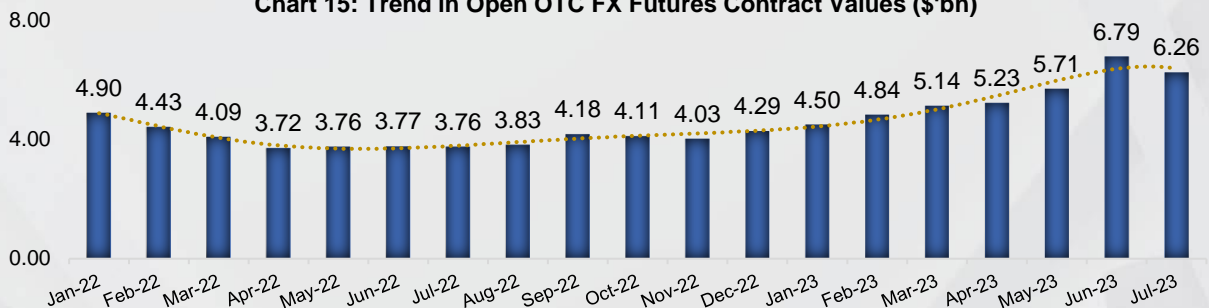
### Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract<sup>1</sup> (NGUS JUL 26, 2023) expired and open positions with a total notional value (NV) of \$0.52bn were settled. A far month (60M) contract, NGUS JUL 26, 2028 was introduced at a Futures price of \$/¥1,567.49, representing an increase of 2.38% (\$/¥36.42) in the Futures price relative to the Futures price (\$/¥1,531.07) of the previous far month contract (NGUS JUN 28, 2028).

The cumulative NV of open OTC FX Futures contracts decreased MoM by 7.81% (\$0.53bn) to circa \$6.26bn<sup>2</sup> in July 2023, after seven (7) consecutive months of increase in the NV of open contracts resulting from increased hedging activities. (See Chart 15)

<b>Matured Contract</b> NGUS JUL 26, 2023 (\$/¥476.31*)	↔
<b>New 60M Contract</b> NGUS JUL 26, 2028 (\$/¥1,567.49)	▲
NV of Open Positions in OTC FX Futures Contracts –\$6.26bn ▼	

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



On July 3, 2023, the CBN<sup>1</sup> halted the quotation of OTC FX Futures rates for contracts between 1M – 12M indefinitely whilst resuming the quotation of OTC FX Futures rates for contracts between 13M – 60M. However, for the period under review, there were no new trades recorded on contracts between 13M – 60M.

**Notes:**

\* – Refers to the last published rate for **NGUS JUL 26** contract as at June 13, 2023.

1 – Upon the resumption of quoting OTC FX futures rates, contracts for tenors between one (1) to twelve (12) months rates have been halted and rendered inactive by CBN in response to reforms in the I&E FX Market, whilst continuing to provide quotations for 13-60M contracts. Click [here](#) to learn more about the adjustments made in the FX Futures market in response to ongoing reforms in the I&E FX Market.

## Derivatives Market..2

The average Futures price of OTC FX Futures contracts and Deliverable Forwards increased across all tenor buckets in July 2023 relative to June 2023. 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 in the Nigerian Naira against the US Dollar) relative to June 2023. (See Table 7).

Similarly, the 12M Deliverable Forwards contracts recorded the highest MoM price depreciation in the review month. (See Table 8)

	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Jul-23	933.06	998.37	1,070.31	1,145.22	1,227.76	1,313.69	1,408.36	1,503.80
Jun-23	513.56	536.51	560.06	584.14	609.46	635.66	663.21	691.73
Change	419.50 ↓	461.86 ↓	510.25 ↓	561.08 ↓	618.30 ↓	678.03 ↓	745.15 ↓	812.07 ↓

	1M	2M	3M	6M	12M
Jul-23	790.90	802.24	813.85	847.17	911.23
Jun-23	764.99	775.12	785.13	815.39	878.26
Change	25.91 ↓	27.12 ↓	28.72 ↓	31.78 ↓	32.97 ↓

**Notes:**

<sup>1</sup> – Upon the resumption of quoting OTC FX futures rates, contracts for tenors between one (1) to twelve (12) months rates have been halted and rendered inactive by CBN in response to reforms in the I&E FX Market, whilst continuing to provide quotations for 13-60M contracts. Click [here](#) to learn more about the adjustments made in the FX Futures market in response to ongoing reforms in the I&E FX Market.



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