

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

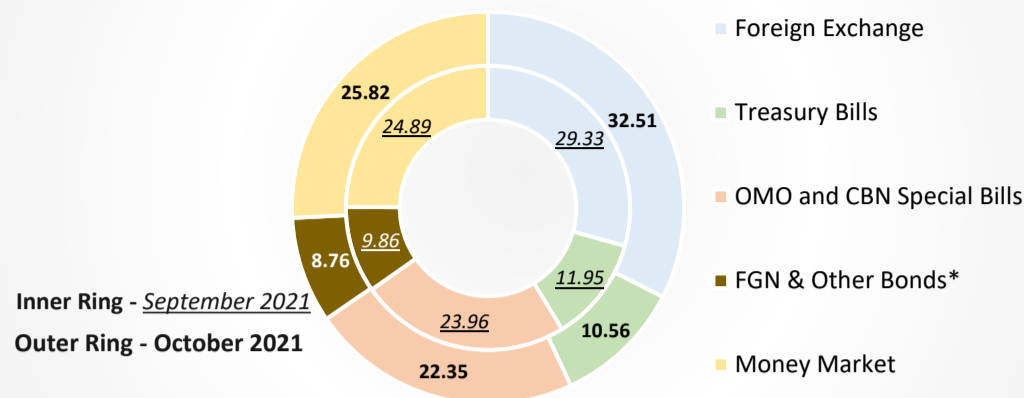
October 2021: ₦17.21trn

September 2021: ₦24.03trn ▼

October 2020: ₦16.17trn ▲

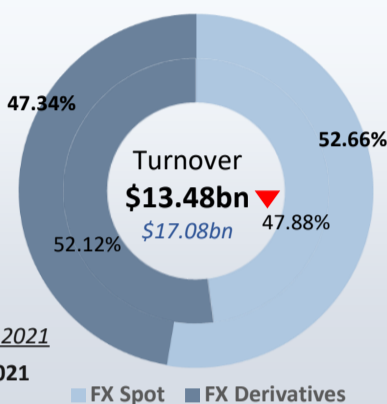
- Turnover in the FIC markets in October 2021 was ₦17.21trn, representing a MoM¹ decrease of 28.38% (₦6.82trn) and a YoY² increase of 6.43% (₦1.04trn) from turnover in September 2021 and October 2020, respectively
- Foreign Exchange (FX) and Money Market (mainly Repurchase Agreements) transactions remained the highest drivers of market turnover, jointly accounting for 58.33% of the total FIC markets turnover in October 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	\$1.93bn	30.20%
FX Forwards	\$2.66bn	41.61%
FX Futures	\$1.80bn	28.19%

- Total FX market turnover in October 2021 was \$13.48bn (₦5.59trn), representing a MoM decrease of 21.08% (\$3.60bn) from the turnover recorded in September 2021 (\$17.08bn). (See Chart 2)
- The MoM decrease in total FX market turnover was jointly driven by the 13.22% (\$1.08bn) and 28.33% (\$2.52bn) MoM decrease in FX Spot and FX Derivatives turnover respectively in October 2021
- The MoM decrease in FX Derivatives turnover was driven by MoM decrease in turnover for FX Swaps and FX Futures by 49.86% (\$1.92bn) and 33.15% (\$0.89bn) respectively, however, FX Forwards increased by 12.08% (\$0.29bn). Consequently, the contribution of FX Derivatives to total FX market turnover decreased by 4.78ppts to 47.34% in October 2021. (See Chart 2)

Naira-settled OTC FX Futures Market

Matured Contract

NGUS OCT 27, 2021
(\$/₦420.93)

New 60M Contract

NGUS OCT 28, 2026
(\$/₦614.32)

- In the OTC FX Futures market, the near month contract³ (NGUS OCT 27, 2021) expired and open positions with a total notional value (NV) of \$0.20bn were settled. A far month (60M⁴) contract, NGUS OCT 28, 2026 was introduced at a Futures price of \$/₦614.32
- The total NV of open OTC FX Futures contracts as at October 29, 2021 stood at circa \$5.77bn⁵ representing a MoM increase of 17.28% (\$0.85bn) from its value as at September 30, 2021. (See Chart 3)

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

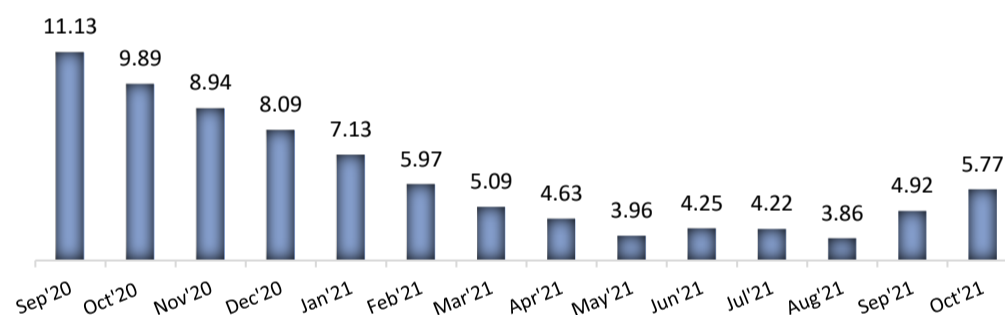
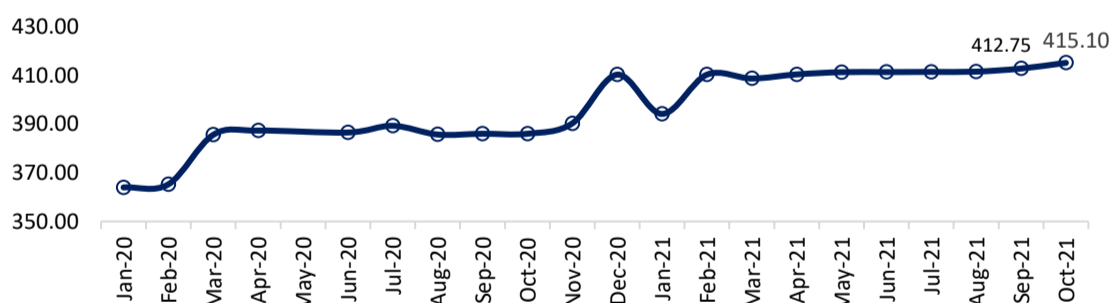


Chart 4: Closing Rates in the FX Market (\$/₦)

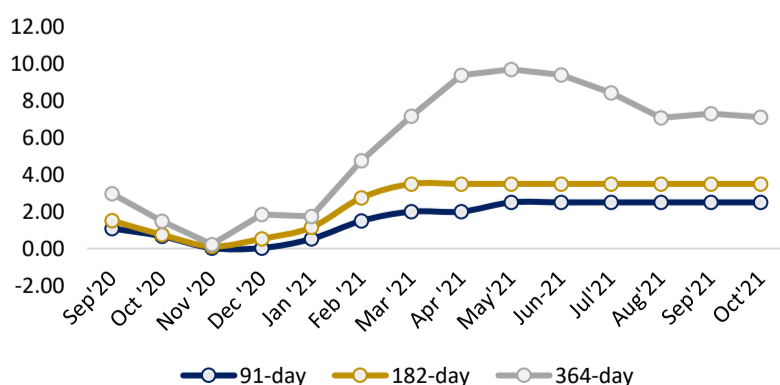


- In the FX Market, the Naira depreciated against the US Dollar, losing 0.57% (\$/₦2.35) to close at an average of \$/₦415.10 in October 2021 from \$/₦412.75 recorded in September 2021. (See Chart 4). Further, the Naira traded within a range of \$/₦413.55 - \$/₦422.07 in October 2021 compared to \$/₦410.67 - \$/₦414.90 recorded in September 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 0.18 ppts, to 7.12% in October 2021 from 7.30% recorded in September 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 October 2021
- In October 2021, the coupon rates of new 10Y⁹, 20Y and 30Y FGN¹⁰ Bond issues increased by an average of 0.15ppts to close at a range of 11.65% - 13.20% from 11.60% - 13.00% recorded in September 2021

FGN Bond Coupon Rates in October 2021

10Y – 11.65% ▲

11.60% (Sep. '21)

20Y – 12.95% ▲

12.75% (Sep. '21)

30Y – 13.20% ▲

13.00% (Sep. '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 1M contract, NGUS NOV 24, 2021, had the highest NV of open OTC FX Futures Contracts (\$0.65bn) as at October 29, 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: Split of Spot Fixed Income Market Turnover by Securities

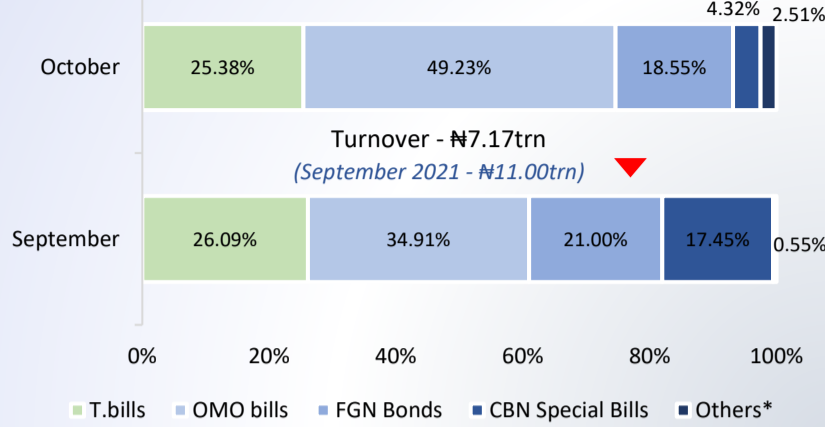
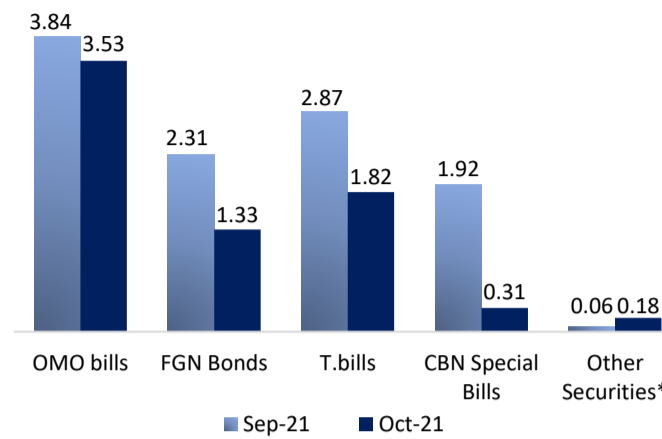


Chart 7: Fixed Income Market Turnover by Securities (₦trn)



- In October 2021, OMO bills were the most traded FI securities, despite the MoM decrease in turnover by 8.07% (₦0.31trn). (See Chart 7). The decrease in turnover resulted in a decrease in trading intensity by 3bps to 1.60 from 1.63 in September 2021. (See Chart 8)
- Similarly, turnover across other fixed income products such as FGN Bonds, T.bills, CBN Special Bills also decreased MoM in October 2021. However, turnover for Other Securities* increased MoM by 200.00% (₦0.12trn). (See Chart 7)

Chart 8: Trend in Trading Intensity

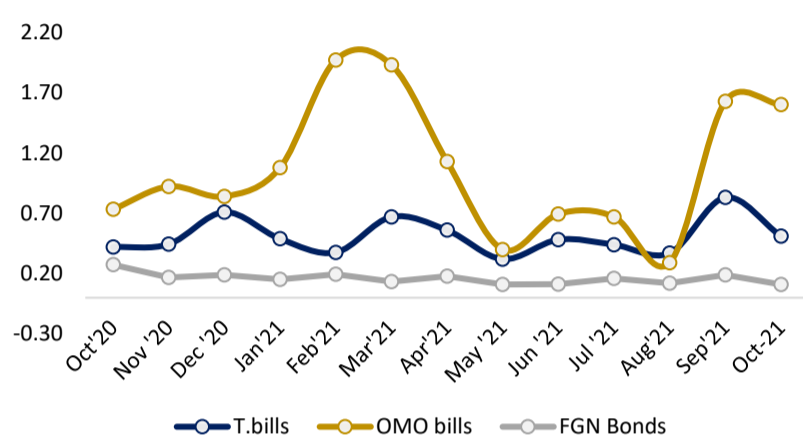
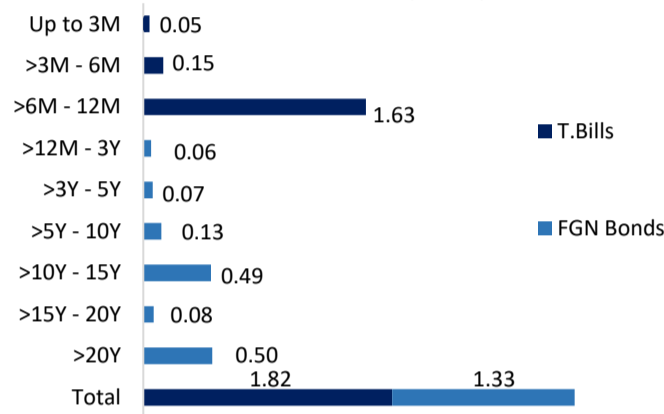


Chart 9: Sovereign Fixed Income Turnover - October 2021 (₦trn)



- In October 2021, T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 51.63% (₦1.63trn) 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 16.01% (₦0.50trn) of the total turnover for sovereign debt securities. (See Chart 9)

- In October 2021, the yield spread between the 3M and 30Y sovereign debt securities increased by 0.26ppts to 8.91ppts, 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 October 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

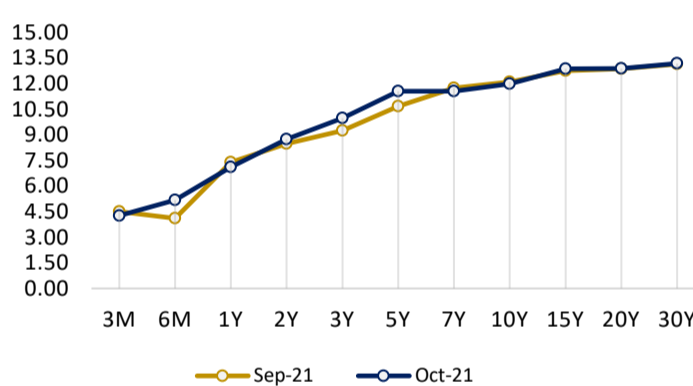
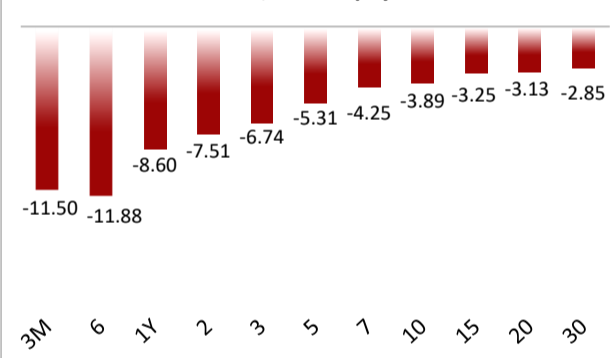


Chart 11: Inflation Adjusted Yields as at October 29, 2021¹ (%)



Money Market

Chart 12: Money Market Turnover (₦trn)

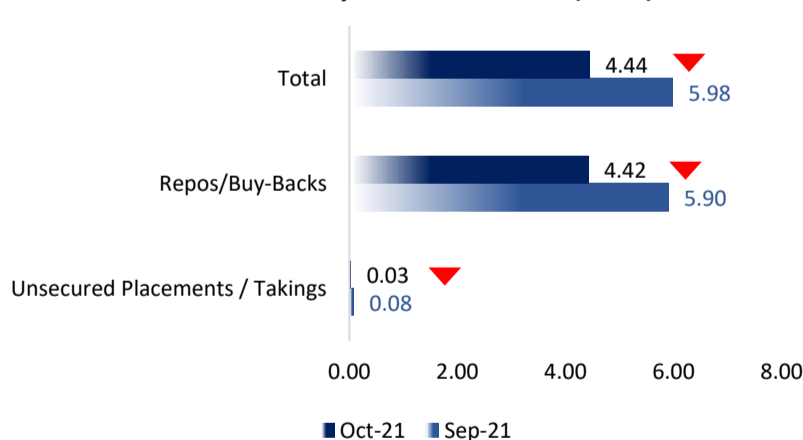
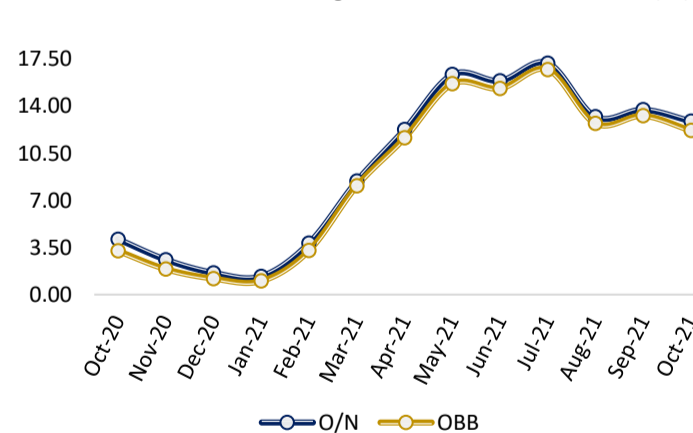


Chart 13: Trend in Average O/N¹² and OBB¹³ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 25.74% (₦1.54trn) to ₦4.44trn in October 2021. This was jointly driven by the MoM decrease in Repos/Buy-backs and Unsecured Placement/Takings by 25.08% (₦1.48trn) and 74.32% (₦0.06trn) to ₦4.42trn and ₦0.03trn, respectively in October 2021. (See Chart 12)
- The average OBB rate (secured lending rate) and O/N rate increased by 0.61ppts and 0.43ppts respectively, to close at an average of 12.79% and 13.30% in October 2021. (See Chart 13)

Market Activity

- The total number of executed trades¹⁴ reported on FMDQ Trading Systems¹⁵ decreased MoM by 23.24% (806) to 3,534 in October 2021, with an average daily value of ₦0.19trn compared to ₦0.23trn in September 2021, driven mainly by the MoM decrease in trading activity for OMO bills, CBN Special Bills and FGN Bonds in October 2021. (See Table 1)

Table 1 - Market Activity - Executed Trade Count

	Oct-21		Sep-21		MoM Δ (%)
	Total	Daily Average Trade Size (₦'bn)	Total	Daily Average Trade Size (₦'bn)	
T.bills	1,143	35.75	1,085	47.34	5.35
OMO bills	480	104.46	525	116.86	8.57
CBN Special Bills	53	3.95	330	18.96	83.94
FGN Bonds	1,858	41.03	2,664	45.52	30.26
Total	3,534	185.20	4,604	228.67	23.24

Notes:

*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; ¹Adjusted with the October 2021 Headline Inflation rate of 15.99%.

¹¹: 2Y – 30Y; ¹²: Overnight; ¹³: Open Buy-back; 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