



# **FINANCIAL MARKETS MONTHLY REPORT**

**October 2023**

## Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>bn</b>	Billion	<b>ppts</b>	Percentage Points
<b>bps</b>	Basis Points	<b>Repo</b>	Repurchase Agreement
<b>CBN</b>	Central Bank of Nigeria	<b>RHS</b>	Right Hand Side
<b>CP</b>	Commercial Paper	<b>T.bills</b>	Treasury Bills
<b>DMO</b>	Debt Management Office	<b>trn</b>	Trillion
<b>FGN</b>	Federal Government of Nigeria	<b>US</b>	The United States of America
<b>FX</b>	Foreign Exchange	<b>Y</b>	Year
<b>LCY</b>	Local Currency	<b>YoY</b>	Year-on-Year
<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>NAFEM</b>	Nigerian Autonomous Foreign Exchange Market		
<b>NBS</b>	National Bureau of Statistics		
<b>NDFs</b>	Cleared Naira-Settled Non-Deliverable Forwards		
<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		

### 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 ₦406.90bn across its auctions in October 2023, representing a 25.21% (₦137.15bn) MoM decrease on the value of T-bills sold across its auctions in September 2023 (₦544.05bn).

Similarly, the DMO sold FGN Bonds worth ₦374.76bn via the reopening of two (2) 10Y, one (1) 15Y, and one (1) 30Y FGN Bond in October 2023. The total sale represents an 104.10% oversubscription of the amount offered<sup>1</sup> and a 18.41% (₦58.27bn) MoM increase on the amount sold in September 2023 (₦316.49bn) for the same FGN Bond maturities.

In October 2023, the CBN sold OMO Bills worth ₦400.00bn in its second public OMO Bills auction in 2023.

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

**91-day – 4.83%**  
5.33% (Sep. '23) ▼

**182-day – 7.06%**  
6.85% (Sep. '23) ▲

**364-day – 11.13%**  
12.30% (Sep. '23) ▼

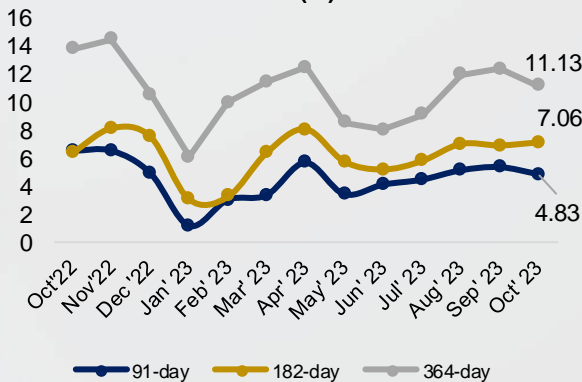
#### Average FGN Bond Coupon Rates in Oct. 2023

**10Y – 15.33%**  
14.98% (Sep. '23) ▲

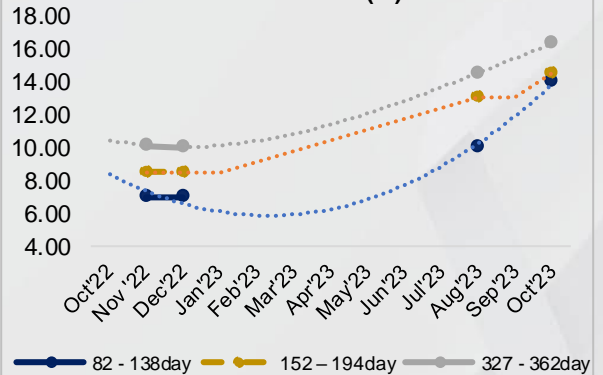
**15Y – 15.80%**  
15.55% (Sep. '23) ▲

**30Y – 16.60%**  
16.25% (Sep. '23) ▲

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



**Chart 2: Trend in Average OMO Bills Discount Rate (%)<sup>^</sup>**



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

Product	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23
T.bills	523.55	185.38	277.47	263.50	631.84	281.10	324.43	404.51	406.10	457.20	544.05	406.90
FGN Bonds	269.15	264.52	662.62	770.82	563.36	552.47	545.26	473.16	657.84	230.26	316.49	374.76

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

Product	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23
T.Bills	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	4,722.71	4,722.71	4,984.92
FGN Bonds	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	19,038.60	19,317.19	19,693.24

#### Notes:

1 – Amount Offered in October 2023 was ₦360.00bn

<sup>^</sup> – Chart 2 has trend lines due to missing data as a result of no primary market activity for OMO Bills

## Primary Market

### Non-Sovereign Securities

Non-sovereign bonds worth ₦23.00bn were listed on FMDQ Exchange in October 2023, representing an 80.00% (₦92.00bn) MoM decrease from September 2023 listings. The non-sovereign bond listings emanated solely from a corporate issuer in the financial services sector. As a result, the total outstanding value for non-sovereign bonds increased marginally<sup>1</sup> MoM by 0.35% (₦7.72bn) from ₦2,180.27bn in September 2023 to ₦2,187.99bn in the review month.

The total value of CPs quoted on FMDQ Exchange in October 2023 was ₦36.51bn, representing a MoM decrease of 75.03% (₦109.71bn) from the value of CPs quoted in September 2023. Quoted CPs were issued by institutions from various sectors including financial services (5), manufacturing (5), agriculture (2), health & pharmaceuticals (1), and real estate (1).

As a result, the total outstanding value for CPs increased MoM by 2.39% (₦22.15bn) to ₦948.56bn in October 2023.

(See Table 6)

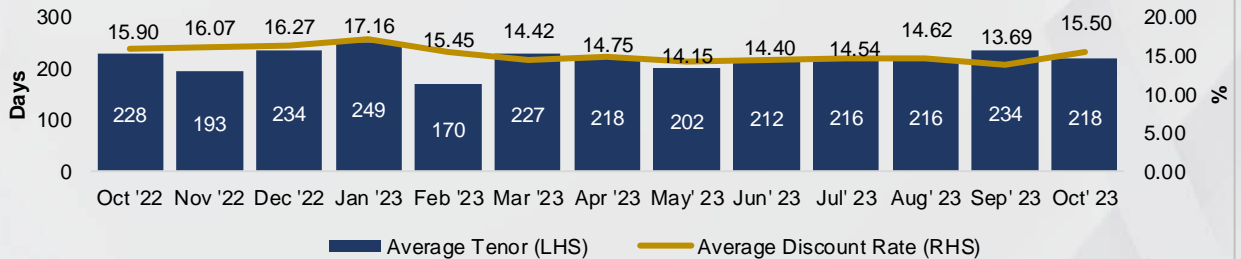
**Table 3: Average Discount Rates for Quoted CPs**

Tenor	Oct. 23	Sep. 23	Trend
<=90 days	-	-	N/A
91 – 180 days	15.77%	14.68%	▼
181 – 270 days	15.35%	13.48%	▼

**Table 4: Average Coupon Rates for Listed Non-Sovereign Bonds\***

Tenor	Oct. 23	Sep. 23	Trend
<=5 years	14.40%	-	N/A
>5 – 10 years	-	15.25%	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: Outstanding Value of New Listings/Quotations (₦'bn)**

Product	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23
CPs	72.53	9.68	83.20	101.84	354.18	114.27	163.77	82.13	117.32	239.04	146.22	36.51
Corporate Bonds <sup>^</sup>	199.31	0.00	20.00	115.00	112.42	0.00	31.00	17.50	0.00	46.00	0.00	23.00
Subnational Bonds	0.00	0.00	00.00	0.00	0.00	0.00	0.00	0.00	137.33	19.81	115.00	0.00

**Table 6: Outstanding Value of Admitted Securities\*(₦'bn)**

Product	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23
CPs	407.71	251.46	221.56	366.25	669.36	715.28	788.43	831.94	949.26	1,029.98	926.41	948.56
Corporate Bonds <sup>^</sup>	1,422.11	1,422.11	1442.11	1,557.11	1,669.52	1,700.53	1,700.53	1,718.03	1,718.03	1,764.03	1,764.03	1,771.74
Subnational Bonds	144.11	144.11	144.11	144.11	144.11	144.11	144.11	144.11	281.43	301.25	416.25	416.25

\* Non-Sovereign Bonds include LCY Corporate Bonds and LCY Subnational Bonds (includes LCY Sukuk)

<sup>^</sup> figures were revised to include LCY Corporate Sukuk

<sup>1</sup> Non-Sovereign bonds worth ₦15.28bn matured and were redeemed in October 2023.



## Secondary Market

### Market Turnover by Products

Secondary market turnover on FMDQ Exchange in October 2023 was ₦21.70trn, representing a MoM decrease of 6.75% (₦1.57trn) and YoY increase of 60.27% (8.16trn) from September 2023 and October 2022 figures, respectively.

CBN Bills<sup>1</sup>, Money Market (MM) and Foreign Exchange (FX) transactions dominated secondary market activity, accounting for 80.69% of the total secondary market turnover in October 2023. (See Chart 5)

Chart 4: FMDQ Markets Turnover (₦trn)

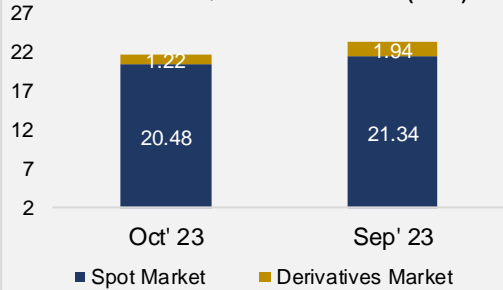


Chart 5: Contribution to FMDQ Markets Turnover

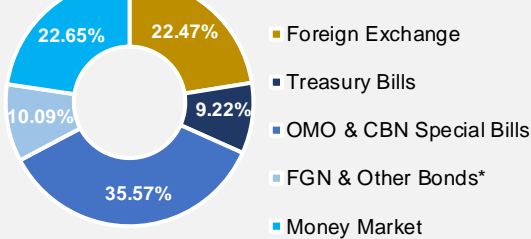
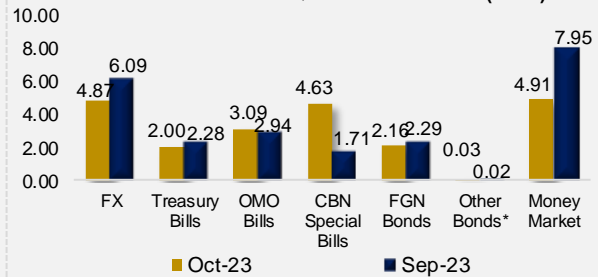


Chart 6: MoM FMDQ Market Turnover (₦trn)



## Spot Market

Total spot market turnover for all products traded in the secondary market was ₦20.48trn in October 2023, representing a MoM decrease of 4.02% (₦0.86trn) from September 2023 figures.

The MoM decrease in total spot market turnover was jointly driven by the 38.24% (₦3.04trn) and 11.89% (₦0.49trn) decrease in MM and FX turnover, offsetting the 29.04% (₦2.68trn) increase in FI turnover, respectively.

The decline in MM turnover was jointly driven by a decrease in Repos/Buy-backs and Unsecured Placement/Takings transactions, respectively. Conversely, the uptick in FI turnover was driven by a MoM increase across all FI products, excluding T.Bills and FGN Bonds which decreased in the review period.

Chart 7: Spot Market Turnover and Percentage Contribution

### FX Market

₦3.66trn

₦4.15trn (Sep '23)

17.87%

### Fixed Income Market

₦11.91trn

₦9.23trn (Sep '23)

58.15%

### Money Market

₦4.91trn

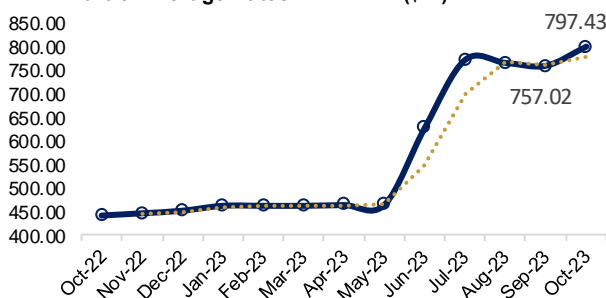
₦7.95trn (Sep '23)

23.97%

## Spot FX Market

Spot FX market turnover was \$4.66bn (₦3.66trn) in October 2023, representing a MoM decrease of 14.96% (\$0.82bn) from the turnover recorded in September 2023 (\$5.48bn).

Chart 8: Average Rates in NAFEM (\$/₦)



In the FX Market, the US Dollar appreciated against the Naira, with the spot exchange rate (\$/₦) increasing by 5.34% (\$/₦40.41) to close at an average of \$/₦797.43 in Oct. 2023 from \$/₦757.02 recorded in Sep. 2023. (See Chart 8)

Further, exchange rate volatility increased in October 2023 as the Naira traded within an exchange rate range of \$/₦741.85 – \$/₦993.82 compared to \$/₦722.39 – \$/₦780.00 recorded in September 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 ₦11.91trn in October 2023, representing a MoM increase of 29.04% (₦2.68trn) from the turnover recorded in September 2023 (₦9.23trn). The MoM increase in the FI market turnover was driven by the 5.10% (₦0.15trn), 170.76% (₦2.92trn), and 24.06% (₦0.01trn) increase in turnover across OMO Bills, CBN Special Bills and Other Bonds, offsetting the 12.28% (₦0.28trn) and 5.68% (₦0.13trn) MoM decline in T.Bills and FGN Bonds transactions, respectively. (See Chart 9)

As a result, the trading intensity (TI) for T.Bills and FGN Bonds decreased MoM by 0.06 and 0.01 to 0.42 and 0.11, respectively (See Chart 10).

Chart 9: Fixed Income Market Turnover (₦trn)

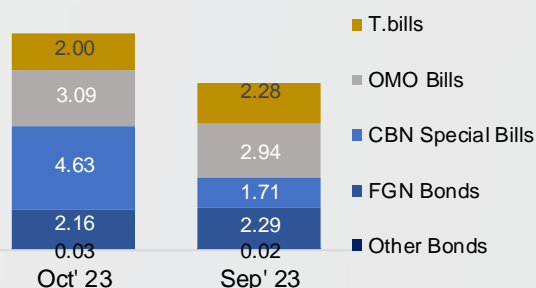


Chart 10: Trend in Trading Intensity

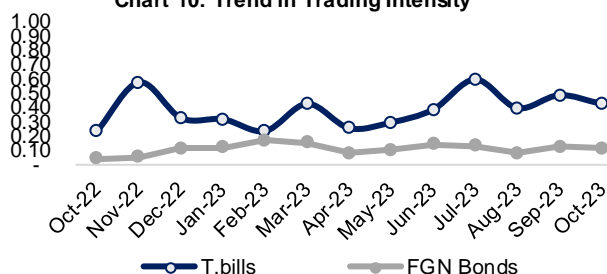
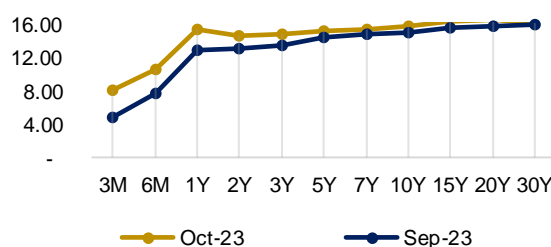


Chart 11: Sovereign Yield Curve (%)



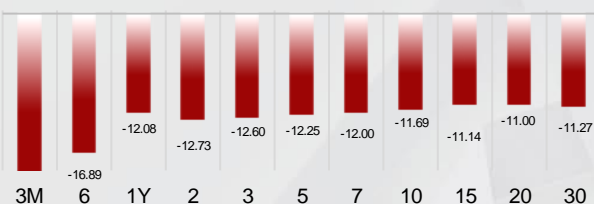
T.bills and FGN Bonds within the >6M – 12M and >20Y tenors respectively were the most traded sovereign FI securities, accounting for 33.97% (₦1.41trn) and 19.06% (₦0.79trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.03	0.56	1.41	0.33	0.39	0.31	0.33	0.01	0.79	4.16

In October 2023, the yield spread between the 3M and 30Y sovereign FI securities decreased by 3.13ppts to 8.01ppts, indicating a flattening of the sovereign yield curve (See Chart 11).

Real (inflation-adjusted) yields remained negative across the yield curve in October 2023, declining further on the back of surging inflation which remains higher than policy interest rates and outpace increase in nominal yields (See Chart 12).

Chart 12: Inflation Adjusted Yields as at Oct. 31, 2023^ (%)



## Spot Market – (Money Market)

Total turnover in the MM segment decreased MoM by 38.24% (₦3.04trn) to ₦4.91trn in October 2023. The MoM decrease was driven by the 36.03% (₦2.72trn) and 80.00% (₦0.32trn) decrease in Repos/Buy-backs and Unsecured Placement/Takings transactions, respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 6.62ppts and 6.53ppts respectively, to close at an average of 4.50% and 3.87% in October 2023 (See Chart 14).

Chart 13: Money Market Turnover (₦trn)

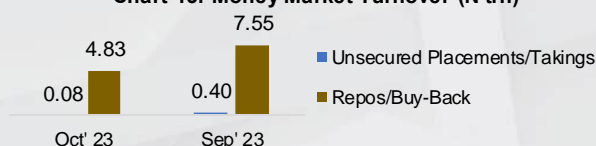
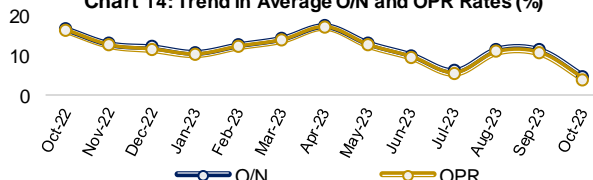


Chart 14: Trend in Average O/N and OPR Rates (%)



### Notes:

^Adjusted with October 2023 inflation rate (27.33%)

## Derivatives Market

### FX Derivatives Market

Total turnover in the FX derivatives market segment was \$1.55bn (₦1.22trn) in October 2023, representing a MoM decrease of 39.27% (\$1.00bn) from September 2023 figures.

The MoM decrease in the FX derivatives turnover was jointly driven by the 40.19% (\$0.86bn), 28.00% (\$0.07bn) and 52.94% (\$0.09bn) decrease in transactions across FX Swaps, FX Forwards, and FX Futures, respectively.

FX Swaps	Contribution
<b>\$1.28bn</b> (₦1.01trn)	▶ <b>82.70%</b>
FX Forwards	
<b>\$0.18bn</b> (₦0.14trn)	▶ <b>11.91%</b>
FX Futures	
<b>\$0.08bn</b> (₦0.07trn)	▶ <b>5.39%</b>

### Cleared Naira-Settled Non-Deliverable Forwards

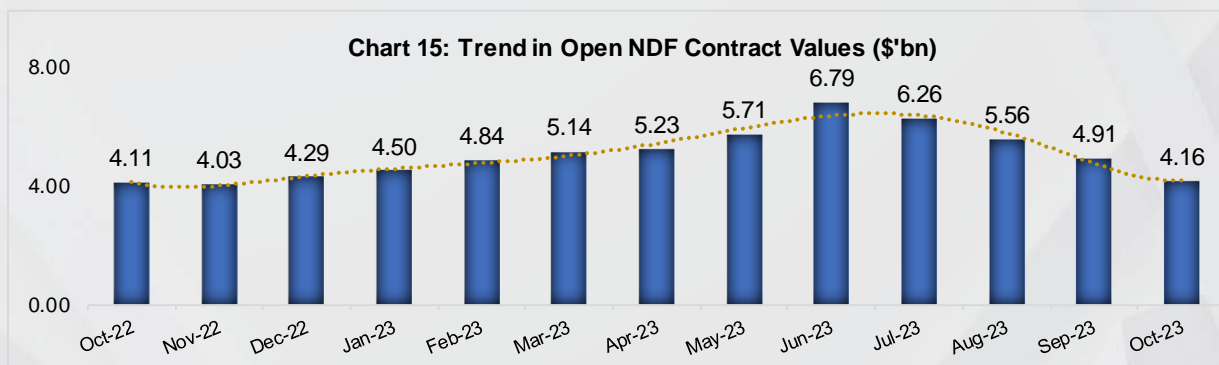
In the Cleared Naira-Settled Non-Deliverable Forwards market, the near month contract<sup>1</sup> (NGUS OCT 25, 2023) expired and open positions with a total notional value (NV) of \$0.74bn were settled.

As a result, the cumulative NV of open Cleared Naira-Settled Non-Deliverable Forwards contracts decreased for the fourth consecutive month to circa \$4.16bn as at October 31, 2023. This represents a MoM decrease of 15.27% (\$0.75bn) and YoY increase of 1.22% (\$0.05bn) from its value as at September 29, 2023 and August 31, 2022, respectively. (See Chart 15)

**Matured Contract**  
NGUS OCT 25, 2023  
(\$/₦483.53\*)

**Far Month Contract**  
NGUS AUG 30, 2028  
(\$/₦1,567.49^)

NV of Open Positions  
in NDF Contracts –  
\$4.16bn



In the period under review, there were no new trades recorded on contracts between 13M – 60M<sup>1</sup>.

#### Notes:

\* – Refers to the last offer quote for the contract as at June 13, 2023.

^ – Refers to the last offer quote for the contract as at September 26, 2023

1 – In response to ongoing reforms in NAFEM, the Central Bank of Nigeria ("CBN") halted the quotation of offer rates for all Cleared Naira-Settled Non-Deliverable Forwards contracts on September 26, 2023.

## Derivatives Market..1/2

In October 2023, there were no rates quoted for Cleared Naira-Settled Non-Deliverable Forwards. (See Table 7). Conversely, indicative non-deliverable FX Forwards rates increased across all tenor buckets. The farthest-term 12M contracts recorded the highest MoM increase in price (i.e., expected depreciation in the Nigerian Naira against the US Dollar) in the review period. (See Table 8)

**Table 7: Average Cleared Naira-Settled Non-Deliverable Forwards Contract Rates (\$/₦)**

	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Oct-23	N/A <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sep-23	943.79	1,010.74	1,083.05	1,159.43	1,242.36	1,329.97	1,425.11	1,525.62
Change	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑

**Table 8: Indicative Non-Deliverable Forwards Rate (\$/₦)**

	1M	2M	3M	6M	12M
Oct-23	935.95	953.75	966.87	998.23	1,068.86
Sep-23	791.13	797.27	803.09	820.86	876.74
Change	144.82 ↑	156.48 ↑	163.78 ↑	177.37 ↑	192.12 ↑

### Notes:

<sup>1</sup> Not Available as there were no executable quotes due to the CBN's continued absence from the Cleared Naira-Settled Non-Deliverable Forwards market since September 26, 2023.



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