

Chart 1: Contribution to FIC Market Turnover (%)

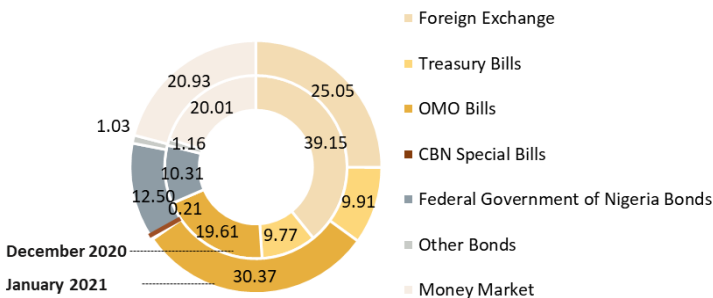


Table 1 - FX Market Turnover (\$'bn)

| Trade Type | Product Type | January | December | MoM Δ ⁵ (\$'bn) | MoM Δ (%) |
|-----------------------|----------------|-------------|--------------|----------------------------|----------------|
| Inter-Member* | FX Spot | 1.16 | 0.64 | 0.52 | 81.25 |
| | FX Forwards | 0.00 | 0.01 | (0.01) | (100.00) |
| | FX Swaps | 0.21 | 0.24 | (0.03) | (12.50) |
| | FX Futures | 0.00 | 0.00 | 0.00 | N/A |
| | Others** | 0.18 | 0.30 | (0.12) | (40.00) |
| | FX Derivatives | 0.39 | 0.55 | (0.16) | (29.09) |
| Total | | 1.55 | 1.19 | 0.36 | 30.25 |
| Member-Client | FX Spot | 2.00 | 4.72 | (2.72) | (57.63) |
| | FX Forwards | 0.20 | 1.04 | (0.84) | (80.77) |
| | FX Swaps | 2.71 | 4.84 | (2.13) | (44.01) |
| | FX Futures | 0.40 | 1.04 | (0.64) | (61.54) |
| | Others | 0.20 | 0.27 | (0.07) | (25.93) |
| | FX Derivatives | 3.51 | 7.19 | (3.68) | (51.18) |
| Total | | 5.51 | 11.91 | (6.40) | (53.74) |
| Member-CBN | FX Spot | 0.20 | 1.44 | (1.24) | (86.11) |
| | FX Forwards | 0.31 | 0.94 | (0.63) | (67.02) |
| | FX Swaps | 0.00 | 0.00 | 0.00 | N/A |
| | FX Futures | 0.72 | 1.29 | (0.57) | (44.19) |
| | Others | 0.00 | 2.95 | (2.95) | (100.00) |
| | FX Derivatives | 1.03 | 5.18 | (4.15) | (80.12) |
| Total | | 1.23 | 6.62 | (5.39) | (81.42) |
| Total Turnover | | 8.29 | 19.72 | (11.43) | (57.96) |

Chart 2: Trend in Open OTC FX Futures Contract Values (\$'bn)

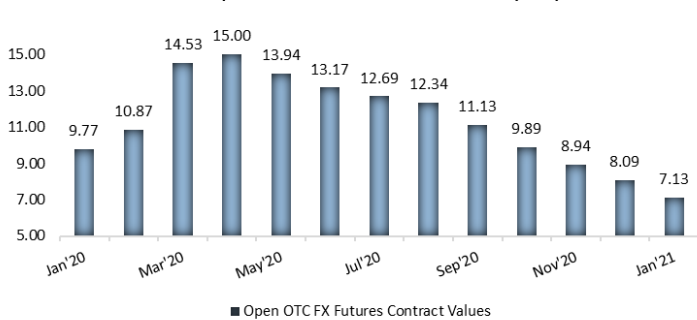
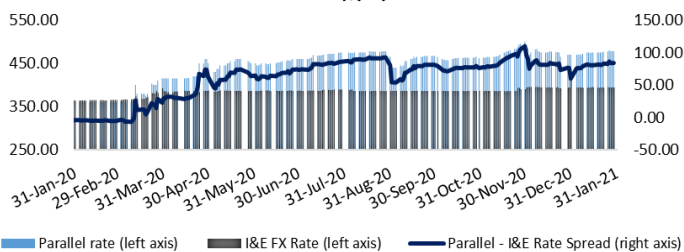


Chart 3: Spread I&E FX Window Closing Rates and the Parallel Market (\$/₦)



Notes:
*Member - All references to Member means Dealing Member (Banks); Inter-Member Turnover reported includes both sides of the transaction; **Others includes Options & Cross Currency Interest Rate Swaps.

1: Month-on-Month; 2: Year-on-Year; 3: Open Market Operations; 4: January 2021; 5: Change; 6: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 7: Treasury Bills; 8: Federal Government of Nigeria; 9: Year

FIX Market Summary

- Turnover in the Fixed Income and Currencies (FIC) markets for the month ended January 29, 2021 was ₦13.03trn, representing a MoM¹ and YoY² decrease of 34.49% (₦6.86trn) and 43.81% (₦10.16trn) respectively
- Foreign Exchange (FX) and OMO³ bills transactions were the highest contributors to the FIC markets in January 2021, jointly accounting for 55.42% of the total FIC market turnover. (See Chart 1)

FX Market

- Total FX market turnover in January 2021 was \$8.29bn (₦3.26trn), representing a significant MoM decrease of 57.96% (\$11.43bn) from the turnover recorded in December 2020 (\$19.72bn), attributable to the reduced interventions by the CBN in the FX market (see Table 1) as well as decline in foreign portfolio investment net flows in the review period⁴.
- FX Spot and FX Derivatives turnover decreased MoM by 50.59% (\$3.44bn) and 61.84% (\$7.99bn) respectively in January 2021, with FX Derivatives accounting for 69.90% of the decrease in turnover
- In the OTC FX Futures market, the near month contract⁶ (NGUS JAN 27, 2021) with a total outstanding notional value (NV) of \$1.61bn matured and was settled, whilst a new long-term (60-month or 60M) contract, NGUS JAN 28, 2026 was introduced at a Futures price of \$/₦613.69, representing a 0.92% (\$/₦5.59) MoM increase in the futures price, compared to the offer rate (\$/₦608.10) of the previous 60M contract (NGUS DEC 31, 2025). The total notional value of open OTC FX Futures contracts as at January 29, 2021 stood at c.\$7.13bn, representing a further decrease of 11.87% (\$0.96bn) from its value as at December 31, 2020 (c.\$8.09bn), and continuing its downward trend since May 2020. (See Chart 2)
- The average Central Bank of Nigeria (CBN) Official Spot \$/₦ exchange rate remained constant at \$/₦379.00 in January 2021. Conversely, the Naira appreciated against the US Dollar at the Investors' and Exporters' (I&E) FX Window, trading within a range of \$/₦350.27 and \$/₦415.95 in January 2021, and gaining 0.23% (\$/₦0.90) to close at an average of \$/₦394.03 in January 2021 from \$/₦394.92 recorded in December 2020.
- Similarly, the Naira appreciated against the US Dollar in the parallel market, gaining 0.28% (\$/₦1.35) to close at an average of \$/₦474.70 in January 2021 from \$/₦476.05 recorded in December 2020. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets reduced by 0.56% to \$/₦80.67 in January 2021, from \$/₦81.13 in December 2020 (See Chart 3)

Fixed Income (FI) Market (T.bills⁷, OMO bills and FGN⁸ Bonds)

- In the primary markets, average discount rates for the 91-day, 182-day and 364-day T.bills increased MoM by an average of 0.34 percentage points (ppts), to close at a range of 0.53% - 1.75% in January 2021, while the discount rates for CBN OMO bills decreased MoM by an average of 0.30ppts to close at a range of 1.51% - 5.74% in January 2021. Notably, the CBN Special Bills introduced in December 2020 was issued by the CBN at 0.50% and ended the month trading at a discount with yields reaching 0.52% on January 29, 2021
- The coupon rates for the 10Y⁹, 15Y and 25Y FGN bond issuances in January 2021 increased by an average of 1.91ppts to close at a range of 7.98% - 8.95% in January 2021
- The total value of T.bills and OMO bills outstanding as at January 29, 2021 declined MoM by 4.78% and 33.71% respectively to ₦2.59trn and ₦3.56trn respectively, whilst the total value of FGN bonds outstanding as at January 29, 2021 increased MoM by 1.59% (₦0.17trn) to ₦10.87trn from ₦10.70trn recorded as at December 31, 2020, resulting in the 0.29% (₦0.04trn) MoM increase in sovereign capital market debt outstanding from ₦13.78trn to ₦13.82trn

Chart 4: Trend in Trading Intensity

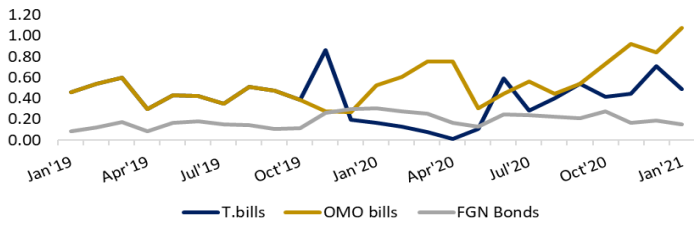


Chart 5: Fixed Income Turnover - January 2021

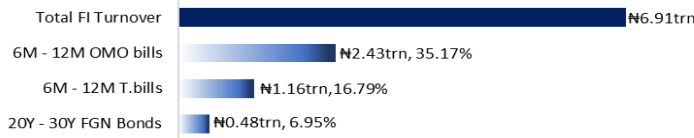


Chart 6: Fixed Income Turnover - January 2021 (₦trn)

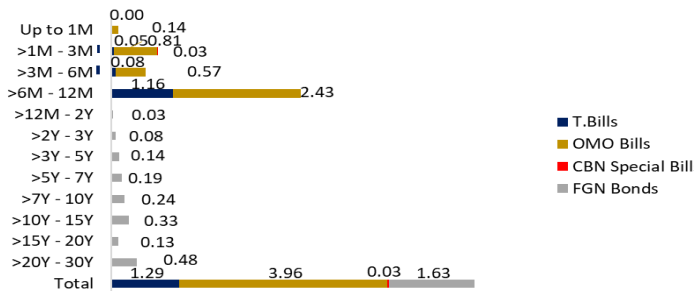


Chart 7: Sovereign Yield Curve (%)

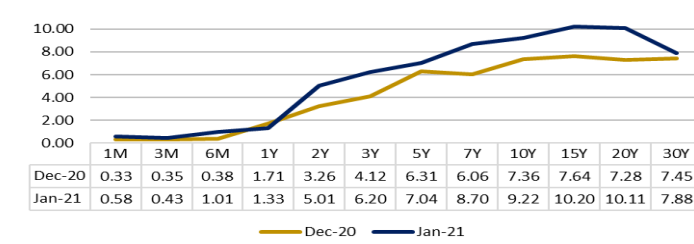


Chart 8: Inflation Adjusted Yields as at January 29, 2021* (%)

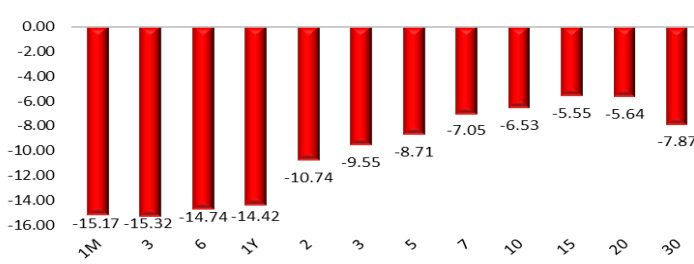


Table 2 - Money Market Turnover (₦trn)

| | Jan-21 | Dec-20 | MoM Δ (₦trn) | MoM Δ (%) | Jan-20 | YoY Δ (₦trn) | YoY Δ (%) |
|------------------------------|-------------|-------------|---------------|----------------|-------------|---------------|----------------|
| Repos/Buy-Backs | 2.60 | 3.42 | (0.82) | (23.98) | 4.14 | (1.54) | (37.20) |
| Unsecured Placements/Takings | 0.13 | 0.56 | (0.43) | (76.79) | 0.15 | (0.02) | (13.33) |
| Total | 2.73 | 3.98 | (1.25) | (31.41) | 4.29 | (1.56) | (36.36) |

Table 3 - Market Activity - Executed Trade Count

| | Jan-21 | | | Dec-20 | | | MoM Δ (%) |
|--------------|-------------------|-------------------|--------------|----------|--------------|--------------|--------------|
| | AFO ¹⁶ | RFQ ¹⁷ | Total | AFO | RFQ | Total | |
| T.bills | 0 | 364 | 364 | 0 | 419 | 419 | (13.13) |
| OMO bills | 3 | 1,072 | 1,075 | 1 | 870 | 871 | 23.42 |
| FGN Bonds | 6 | 2,316 | 2,322 | 8 | 2,076 | 2,084 | 11.42 |
| Total | 9 | 3,752 | 3,761 | 9 | 3,365 | 3,374 | 11.47 |

Notes:

^ Adjusted with the January 2021 Headline Inflation rate of 16.47%.

10: 1M - 3Y; 11: 5Y - 30Y; 12: Month; 13: Overnight; 14: Open Buy-back; 15: 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; 16: Anonymous Firm Order; 17: Request-for-Quote

- Turnover for T.bills and FGN bonds decreased by 33.51% (₦0.65trn) and 20.49% (₦0.42trn) to ₦1.29trn and ₦1.63trn respectively, resulting in a decrease in their trading intensities to 0.49 and 0.15 in January 2021 from 0.71 and 0.19 recorded in the previous month. Conversely, OMO bills' turnover increased MoM by 1.54% (₦0.06trn) to ₦3.96trn in January 2021, contributing to the increase in its trading intensity to 1.08 from 0.84 recorded in December 2020. (See Chart 4)
- In January 2021, 6M - 12M OMO bills were the most traded debt securities, accounting for 35.17% (₦2.43trn) of the total Fixed Income market turnover. Similarly, 6M - 12M T.bills were the most traded sovereign debt securities, accounting for 16.79% (₦1.16trn) of total Fixed income turnover, whilst 20Y - 30Y FGN bonds remained the most active long-term¹¹ sovereign debt securities, accounting for 6.95% (₦0.48trn) of the total Fixed Income market turnover. (See Chart 5)
- There was an upward shift in the sovereign yield curve between December 2020 and January 2021 across all tenors (excluding the 1Y tenor), with the highest shift recorded on the 20Y tenor as yields increased MoM by 2.83ppts. The upward shift also resulted in the increase in the spread between the yield of the 3M¹² and 30Y sovereign debt securities by 35 basis points (bps) to 745bps in January 2021, indicating a further steepening of the sovereign yield curve. (See Chart 7). Further, inflation-adjusted yields remained negative across the yield curve in January 2021. (See Chart 8)

Money Market [Repurchase Agreements (Repos)/Buy-Backs and Unsecured Placements/Takings]

- Total turnover in the Money Market segment decreased MoM and YoY by 31.41% (₦1.25trn) and 36.36% (₦1.56trn) respectively to a total of ₦2.73trn in January 2021. This was jointly driven by the corresponding MoM and YoY decreases in Repo/Buy-backs and Unsecured Placements/Takings turnover by ₦0.82trn and ₦0.43trn to ₦2.60trn and ₦0.13trn respectively in January 2021. However, average O/N¹³ and OBB¹⁴ rates increased by 2.47ppts and 2.27ppts to close at 3.83% and 3.28% respectively in January 2021 from 1.36% and 1.01% recorded in December 2020. (See Table 2)

Market Surveillance

- Despite the decrease in overall market activity, the total number of executed trades¹⁵ reported on the Bloomberg E-Bond Trading System increased MoM by 11.47% (387) to 3,761 in January 2021 from 3,374 recorded in December 2020. This was driven by the MoM increase in the number of OMO bills and FGN bond trades in January 2021, despite the 13.13% (55) decrease in T.bills trades during the review period. (See Table 3)