

## Fixed Income and Currencies (FIC) Markets Summary

### FIC Markets Turnover

July 2021: ₦16.97trn ▲

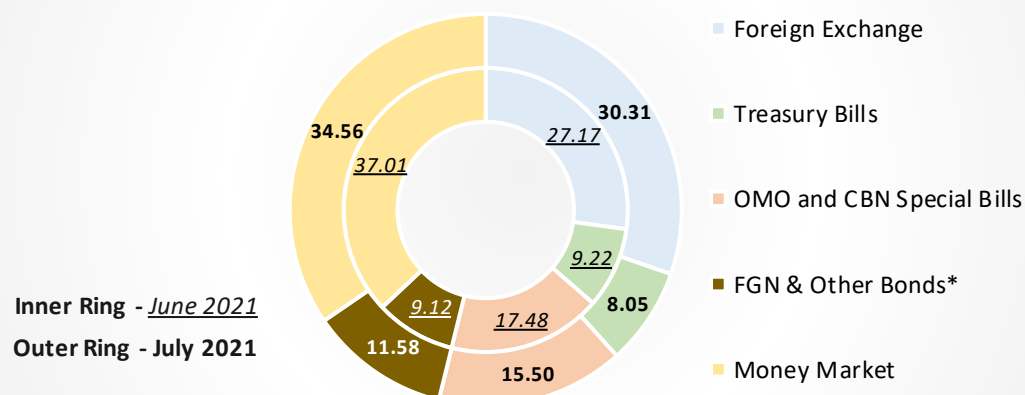
June 2021: ₦15.31trn

July 2020: ₦18.72trn

- Turnover in the FIC markets in July 2021 was ₦16.97trn, representing a 10.84% (₦1.66trn) MoM<sup>1</sup> increase and a 9.35% (₦1.75trn) YoY<sup>2</sup> decrease from June 2021 and July 2020 turnover figures, respectively

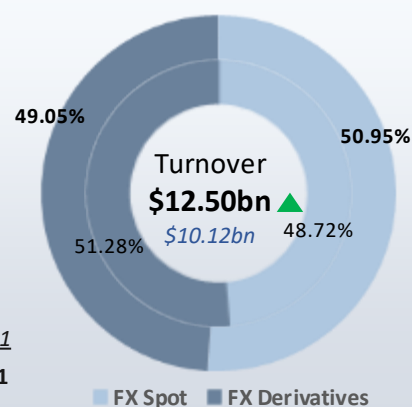
- Foreign Exchange (FX) and Money Market transactions were the highest contributors to the FIC markets turnover in July 2021, jointly accounting for 64.87% of the total FIC markets turnover. (See Chart 1)

Chart 1: Contribution to FIC Market Turnover (%)



### FX Market

Chart 2: Contribution to FX Market Turnover (%)



### FX Derivatives Turnover and Percentage Contribution

FX Swaps	\$2.56bn	41.80%
FX Forwards	\$1.87bn	30.52%
FX Futures	\$0.56bn	9.07%
Other Derivatives**	\$1.14bn	18.61%

- Total FX market turnover in July 2021 was \$12.50bn (₦5.14trn), representing a MoM increase of 23.52% (\$2.38bn) from the turnover recorded in June 2021 (\$10.12bn). (See Chart 2)

- The MoM increase in total FX market turnover was jointly driven by the 29.23% (\$1.44bn) and 18.20% (\$0.94bn) MoM increase in FX Spot and FX Derivatives turnover respectively in July 2021

- The MoM increase in FX Derivatives turnover was driven by MoM increase in turnover for FX Swaps, FX Forwards and Other Derivatives by 31.03% (\$0.61bn), 19.24% (\$0.30bn) and 57.65% (\$0.42bn) respectively. However, FX Futures decreased by 40.72% (\$0.38bn), resulting in the lower MoM increase in FX Derivatives turnover relative to the MoM increase in FX Spot turnover. Consequently, the contribution mix of FX Spot and FX Derivatives to total FX market turnover changed to 50.95% and 49.05%, respectively. (See Chart 2)

### Naira-settled OTC FX Futures Market

#### Matured Contract

NGUS JUL 28, 2021  
(\$/₦420.68)

#### New 60M Contract

NGUS JUL 29, 2026  
(\$/₦614.32)

- In the OTC FX Futures market, the near month contract<sup>3</sup> (NGUS JUL 28, 2021) with a total outstanding notional value (NV) of \$0.24bn matured and was settled, whilst a new long-term (60M<sup>4</sup>) contract, NGUS JUL 29, 2026 was introduced at a Futures price of \$/₦614.32

- The total NV of open OTC FX Futures contracts as at July 30, 2021 stood at circa \$4.22bn<sup>5</sup> representing a MoM decrease of 0.71% (\$0.03bn) from its value as at June 30, 2021. (See Chart 3)

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

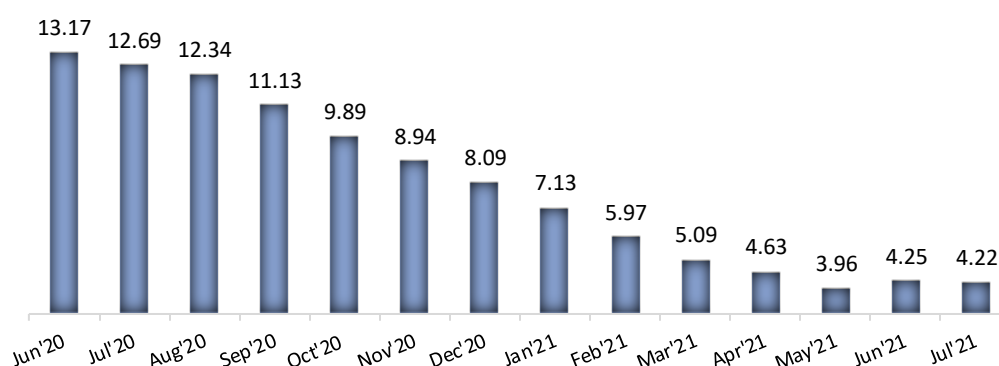
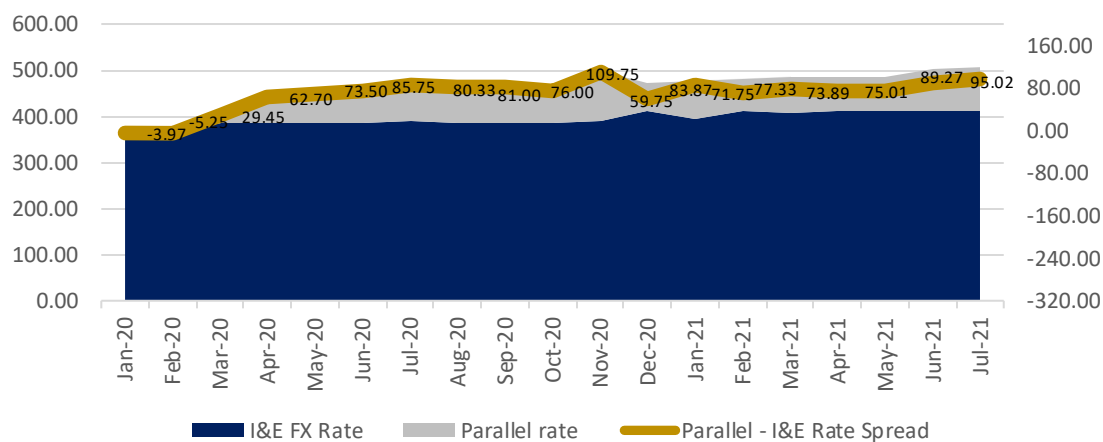


Chart 4: Closing Rates in the I&E FX Window and Parallel Market (\$/₦)



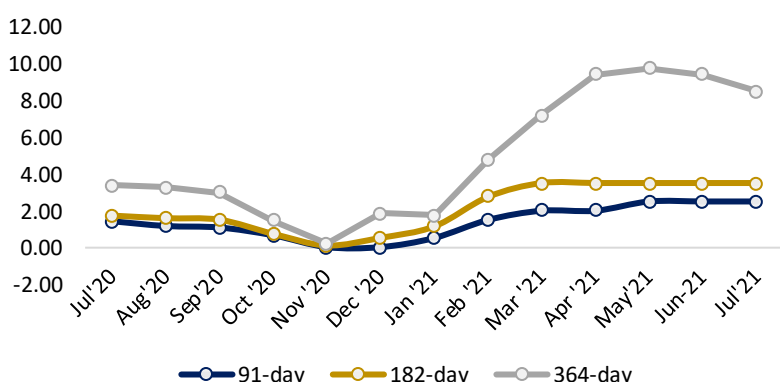
- At the I&E FX Window, the Naira depreciated against the US Dollar, losing 0.02% (\$/₦0.08) to close at an average of \$/₦411.38 in July 2021 from \$/₦411.30 recorded in June 2021 whilst trading within a range of \$/₦410.38 - \$/₦411.75 in July 2021

- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 1.16% (\$/₦5.83) to close at an average of \$/₦506.40 in July 2021, and trading within a range of \$/₦503.00 - \$/₦525.00. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets increased by \$/₦5.75 to \$/₦95.02 in July 2021. (See Chart 4)

### Fixed Income Market

#### Primary 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.bills<sup>6</sup> remained flat at 2.50% and 3.50% respectively, whilst the average discount rate for 364-day T.bills declined by 0.96 percentage points (ppts), to 8.44% in July 2021. (See Chart 5). Similarly, the average discount rates for CBN OMO<sup>7</sup> bills for comparable tenors<sup>8</sup> remained flat at a range of 7.00% - 10.10% in July 2021

- The 10Y<sup>9</sup> and 30Y FGN<sup>10</sup> Bond were issued at 12.35% and 13.25% respectively, whilst the 20Y FGN Bond was reopened at 13.15% in July 2021, relative to 15.92% recorded at the previous auction in August 2017

#### FGN Bond Coupon Rates in July 2021

10Y – 12.35% ▼

12.74% (Jun. '21)

20Y – 13.15% ▼

15.92% (Aug. 17)

30Y – 13.25% ▼

13.70% (Jun. '21)

Notes: \*Others include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes; \*\*Other Derivatives include Options & Cross Currency Interest Rate Swaps.

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 AUG 25, 2021, had the highest NV of open OTC FX Futures Contracts (\$0.52bn) as at July 30, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 89 – 110 day, 159 – 187 day and 327 – 362 day tenors; 9: Year; 10: Federal Government of Nigeria

Fixed Income (FI) Market  
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

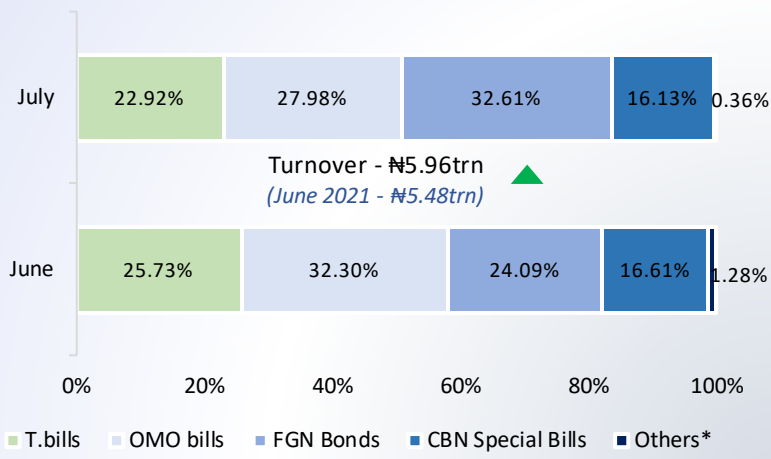
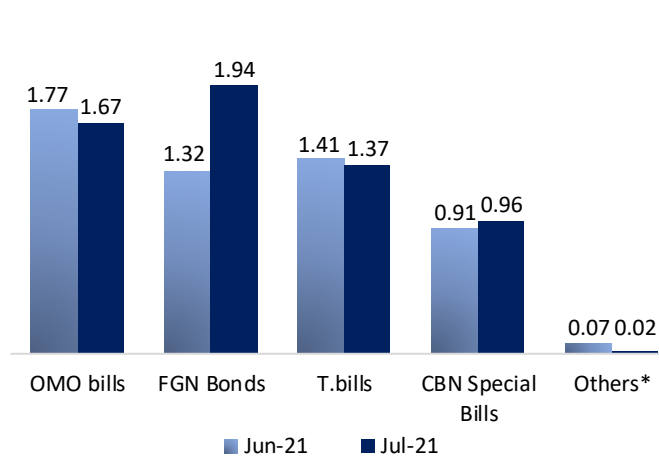


Chart 7: Fixed Income Turnover - 2021 (₦trn)



- In July 2021, FGN Bonds was the highest contributor to turnover in the FI market, driven by the MoM increase in turnover by 46.97% (₦0.62trn) and resulting in an increase in FGN Bonds trading intensity by 5bps to 0.16 from 0.11 in June 2021. (See Chart 6)
- CBN Special Bills turnover also increased MoM by 5.49% (₦0.05trn) in July 2021. However, T.bills and OMO Bills turnover decreased MoM by 2.92% (₦0.04trn) and 5.99% (₦0.10trn) respectively. (See Chart 7)

Chart 8: Trend in Trading Intensity

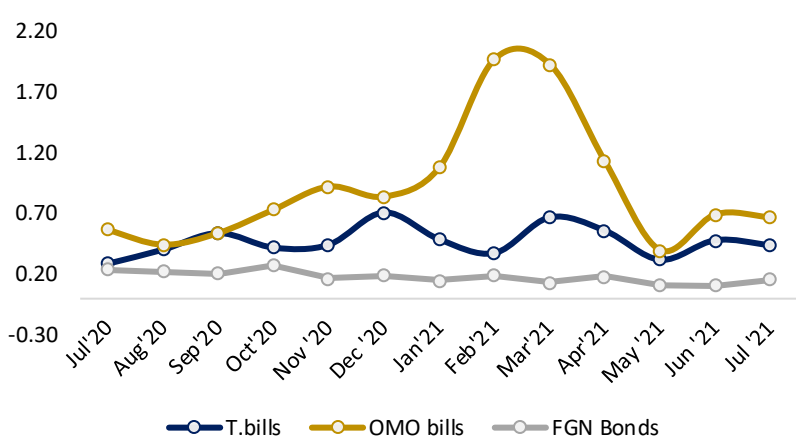
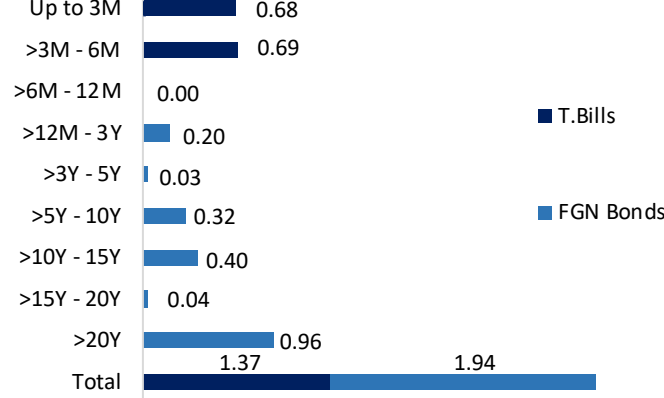


Chart 9: Sovereign Fixed Income Turnover - July 2021 (₦trn)



- In July 2021, 3M – 6M T.bills were the most traded sovereign debt securities, accounting for 20.85% (₦0.69trn) of the total sovereign fixed income market turnover, while FGN Bonds with term-to-maturity of 20Y or higher were the most actively traded long-term<sup>11</sup> sovereign debt securities, accounting for 29.00% (₦0.96trn) of the total sovereign fixed income market turnover. (See Chart 9)

- Yields decreased MoM across all tenors on the yield curve in July 2021, except for the 7Y and 15Y tenor which recorded a MoM increase in yields by 0.07ppts and 0.30ppts to 12.53% and 13.11%. The yield spread between the 3M and 30Y sovereign debt securities increased by 1.20ppts to 9.28ppts in July 2021, indicating a slight steepening of the sovereign yield curve. (See Chart 10)
- Real (inflation-adjusted) yields remained negative across the yield curve in July 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

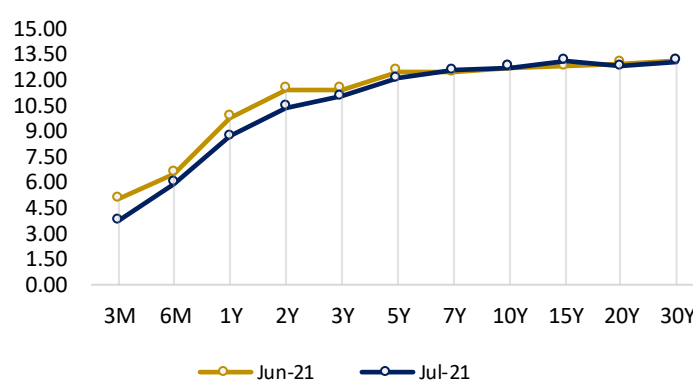
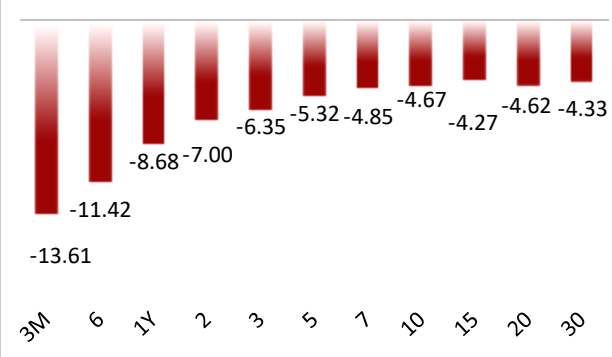


Chart 11: Inflation Adjusted Yields as at July 30, 2021<sup>1</sup> (%)



Money Market

Chart 12: Money Market Turnover (₦trn)

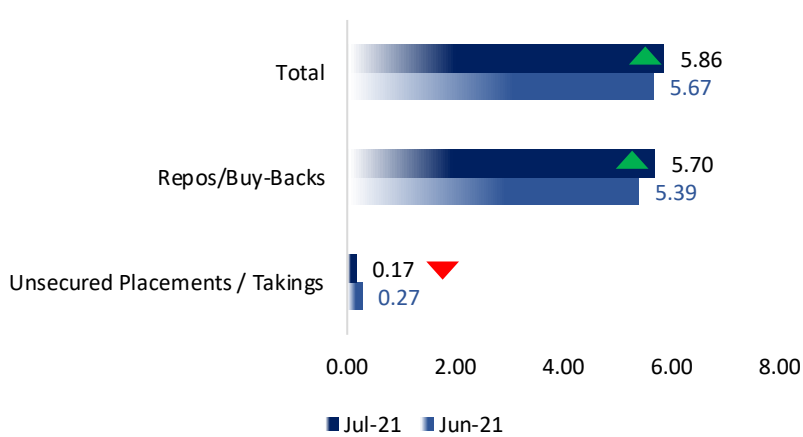
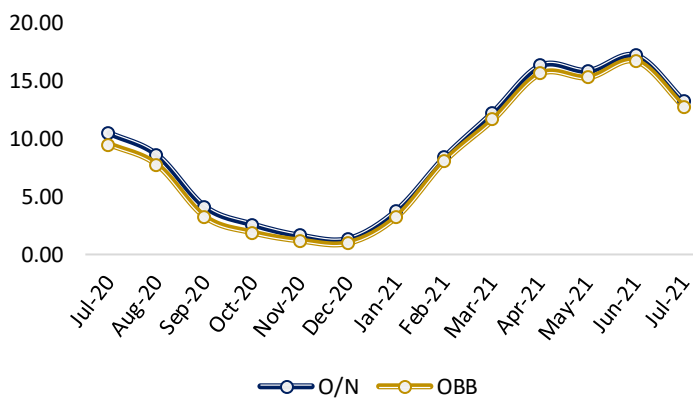


Chart 13: Trend in Average O/N<sup>12</sup> and OBB<sup>13</sup> Rates (%)



- Total turnover in the Money Market segment increased MoM by 3.35% (₦0.19trn) to ₦5.86trn in July 2021. This was driven by the MoM increase in Repos/Buy-backs turnover by 5.75% (₦0.31trn). However, Unsecured Placements/Takings declined by 37.04% (₦0.10trn) to ₦0.17trn in July 2021. (See Chart 12). The average OBB rate (secured lending rate) and O/N rate decreased by 4.01ppts and 3.99ppts respectively, to close at 12.70% and 13.20% in July 2021. (See Chart 13)

Market Activity

- The total number of executed trades<sup>14</sup> reported on the Bloomberg E-Bond Trading System decreased MoM by 6.64% (258) to 3,627 in July 2021 from 3,885 recorded in June 2021. This was driven by the MoM decrease in the number of trades for OMO bills and FGN Bonds in July 2021. (See Table 1)

Table 1 - Market Activity - Executed Trade Count

	Jul-21			Jun-21			MoM Δ (%)
	AFO <sup>15</sup>	RFQ <sup>16</sup>	Total	AFO	RFQ	Total	
T.bills	0	982	982	1	807	808	21.53
OMO bills	0	593	593	1	848	849	(30.15)
FGN Bonds	23	2,029	2,052	36	2,192	2,228	(07.90)
<b>Total</b>	<b>23</b>	<b>3,604</b>	<b>3,627</b>	<b>38</b>	<b>3,847</b>	<b>3,885</b>	<b>(6.64)</b>

Text in blue	Prior period
Text in black	Current period
▲	MoM Increase
▼	MoM Decrease
↔	No Change

Notes:

\*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; <sup>1</sup>Adjusted with the July 2021 Headline Inflation rate of 17.38%.

<sup>11</sup>: 2Y – 30Y; <sup>12</sup>: Overnight; <sup>13</sup>: Open Buy-back; <sup>14</sup>: 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; <sup>15</sup>: Anonymous Firm Order; <sup>16</sup>: Request-for-Quote

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