

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

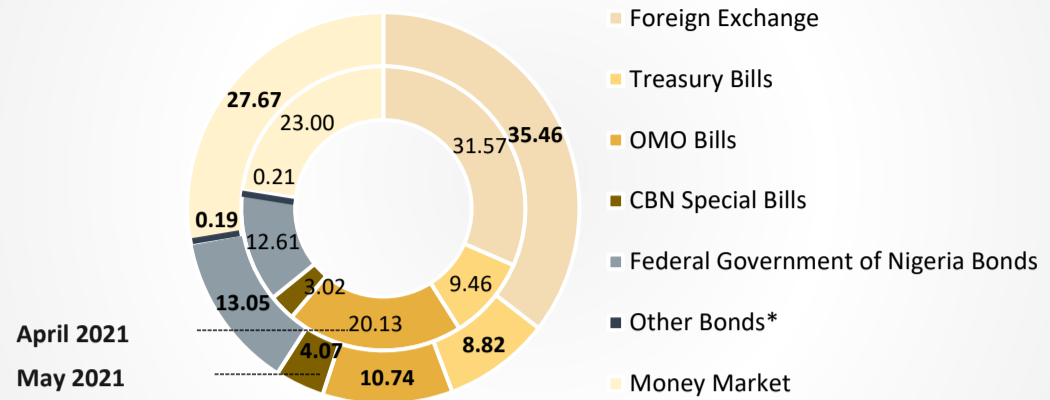
May 2021: ₦10.24trn ▼

April 2021: ₦16.18trn

May 2020: ₦11.78trn

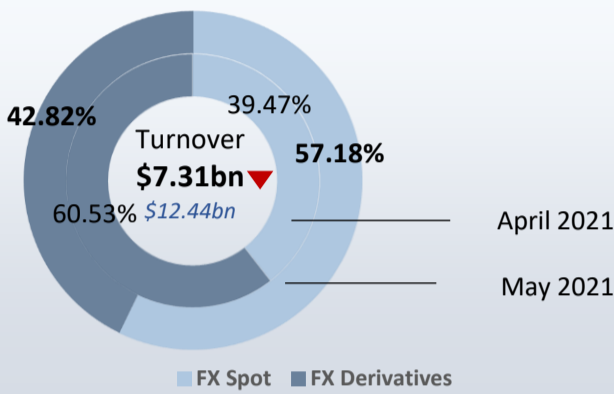
- Turnover in the FIC markets for the month ended May 31, 2021 was ₦10.24trn, representing a MoM¹ and YoY² decrease of 36.71% (₦5.94trn) and 13.07% (₦1.54trn) respectively
- Foreign Exchange (FX) and Money Market transactions were the highest contributors to the FIC markets turnover in May 2021, jointly accounting for 63.13% 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	\$1.04bn	33.23%
FX Forwards	\$1.31bn	41.85%
FX Futures	\$0.43bn	13.74%
Other Derivatives**	\$0.35bn	11.18%

- Total FX market turnover in May 2021 was \$7.31bn (₦3.63trn), representing a MoM decrease of 41.24% (\$5.13bn) from the turnover recorded in April 2021 (\$12.44bn). (See Chart 2)
- The MoM decrease in total FX market turnover was driven by the corresponding decline in both FX Spot and FX Derivatives turnover by 14.87% (\$0.73bn) and 58.43% (\$4.40bn), respectively in May 2021
- The MoM decrease in FX Derivatives turnover was driven by the MoM decrease in turnover across all derivative products, evidenced by the MoM decline in FX Swaps, FX Forwards, FX Futures and Other Derivatives turnover by 70.79% (\$2.52bn), 17.09% (\$0.27bn), 71.33% (\$1.07bn) and 60.67% (\$0.54bn) respectively

Naira-settled OTC FX Futures Market

Matured Contract

NGUS MAY 26, 2021
(\$/₦420.43)

New 60M Contract

NGUS MAY 27, 2026
(\$/₦613.76)

NV of Open Positions in OTC FX Futures Contracts - \$3.96bn ▼

- In the OTC FX Futures market, the near month contract³ (NGUS MAY 26, 2021) with a total outstanding notional value (NV) of \$1.00bn matured and was settled, whilst a new long-term (60M⁴) contract, NGUS MAY 27, 2026 was introduced at a Futures price of \$/₦613.76
- The total NV of open OTC FX Futures contracts as at May 31, 2021 stood at circa (c.)\$3.96bn⁵ representing a MoM and Year-to-Date (YTD) decrease of 14.47% (\$0.67bn) and 29.77% (\$4.15bn) respectively from its value as at April 30, 2021 and January 4, 2021, continuing its downward trend since May 2020 (See Chart 3)

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

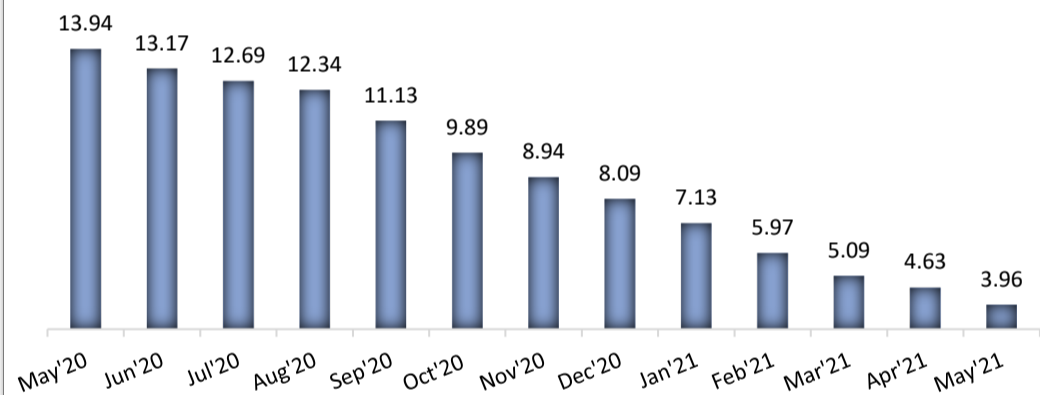
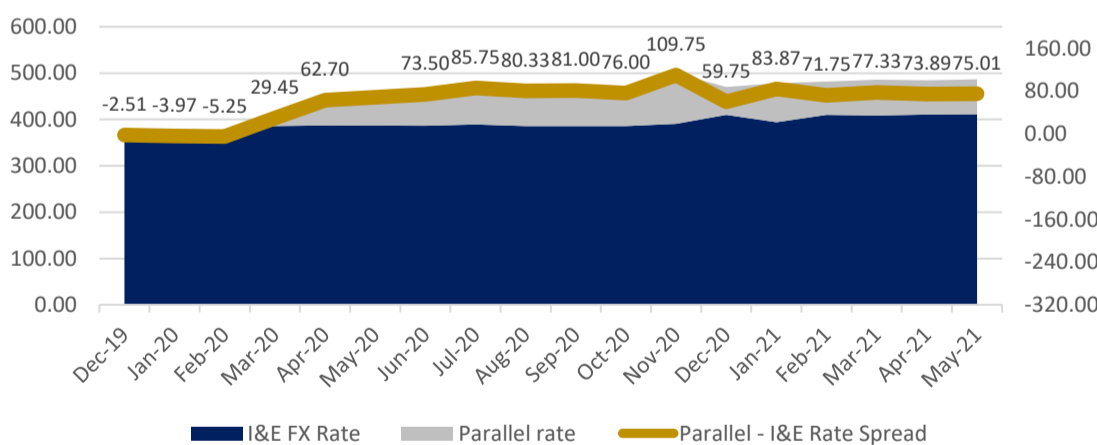


Chart 4: Closing Rates in the I&E FX Window and Parallel Market (\$/₦)

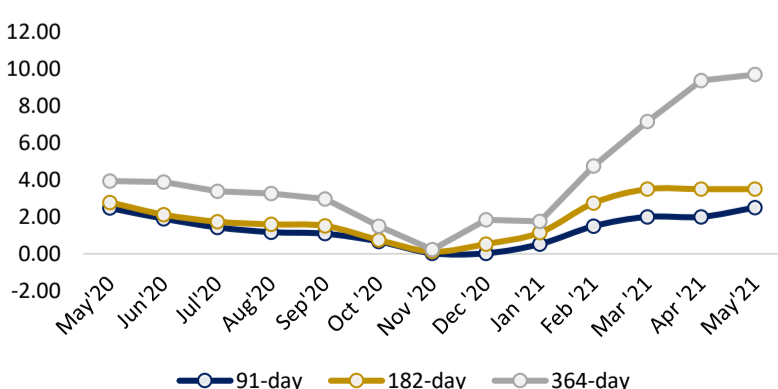


- In May 2021, the Central Bank of Nigeria (CBN) ceased the publication of its Official Spot \$/₦ exchange rate of \$/₦379.00 on its website, replacing it with a market-driven rate reflective of the transactions in the Investors' and Exporters' (I&E) FX Window
- At the I&E FX Window, the Naira depreciated against the US Dollar, losing 0.22% (\$/₦0.91) to close at an average of \$/₦411.27 in May 2021 from \$/₦410.36 recorded in April 2021, and trading within a range of \$/₦360.00 and \$/₦437.41 in May 2021
- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 0.42% (\$/₦2.03) to close at an average of \$/₦486.28 in May 2021 from \$/₦484.25 recorded in April 2021. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets increased by \$/₦1.12 to \$/₦75.01 in May 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, 182-day and 364-day T.bills⁶ increased MoM by an average of 0.27 percentage points (ppts), to close at a range of 2.50% - 9.70% in May 2021 and continuing its upward trend since December 2020 (See Chart 5). Similarly, the average discount rates for CBN OMO⁷ bills for comparable tenors⁸ increased marginally by 0.01ppts MoM to close at a range of 7.00% - 10.10% in May 2021
- The coupon rates for the newly issued 10Y⁹ and 15Y FGN¹⁰ bonds in May 2021 increased by an average of 0.76ppts to close at an average of 13.55%, whilst the 30Y FGN Bond was reopened at 14.20% in May 2021, relative to 8.94% recorded at the previous auction in August 2020

FGN Bond Coupon Rates in May 2021

10Y - 13.10% ▲

12.25% (Apr. '21)

15Y - 14.00% ▲

13.34% (Apr. '21)

30Y - 14.20% ▲

8.94% (Aug. '20)

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 6M contract, NGUS NOV 24, 2021, had the highest NV of open OTC FX Futures Contracts (\$0.50bn) as at May 31, 2021; 6: Treasury Bills; 7: Open Market Operations; 8: 89 - 97 day, 173 - 187 day and 341 - 362 day tenors; 9: Year; 10: Federal Government of Nigeria

Fixed Income (FI) Market
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

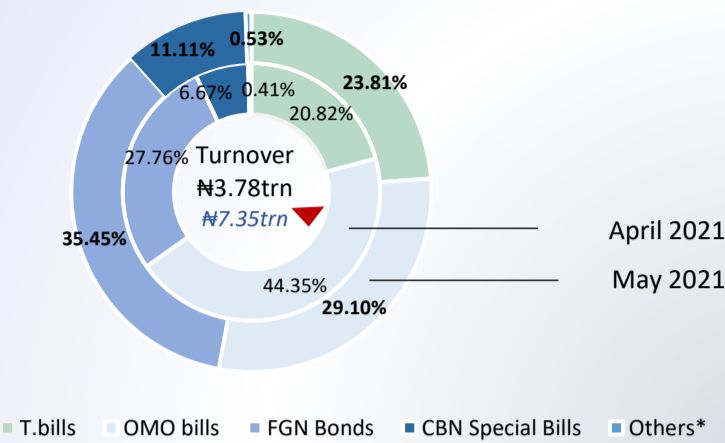
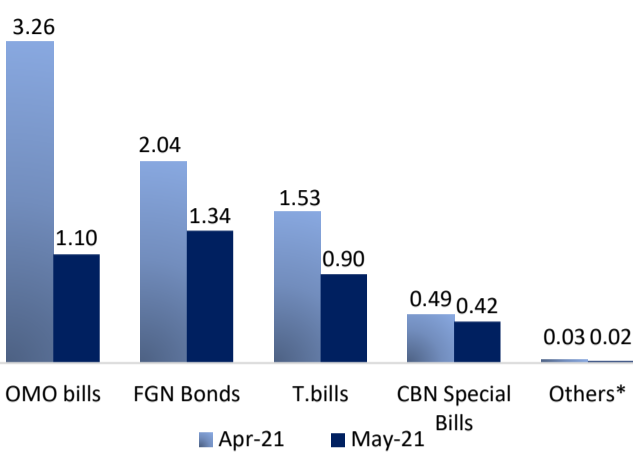


Chart 7: Fixed Income Turnover - 2021 (₦'trn)



- Turnover decreased MoM across all products in May 2021 with OMO bills, T.bills and FGN bonds recording 66.26% (₦2.16trn), 41.18% (₦0.63trn) and 34.31% (₦0.70trn) MoM decreases, respectively resulting in the decrease in their trading intensity to 0.40, 0.32 and 0.11 respectively in May 2021 from 1.13, 0.56 and 0.18 recorded in April 2021
- Similarly, CBN Special bills and Other FI products* turnover decreased MoM by 14.29% (₦0.07trn) and 33.33% (₦0.01trn) to ₦0.42trn and ₦0.02trn respectively in May 2021 (See Chart 7 and 8)

Chart 8: Trend in Trading Intensity

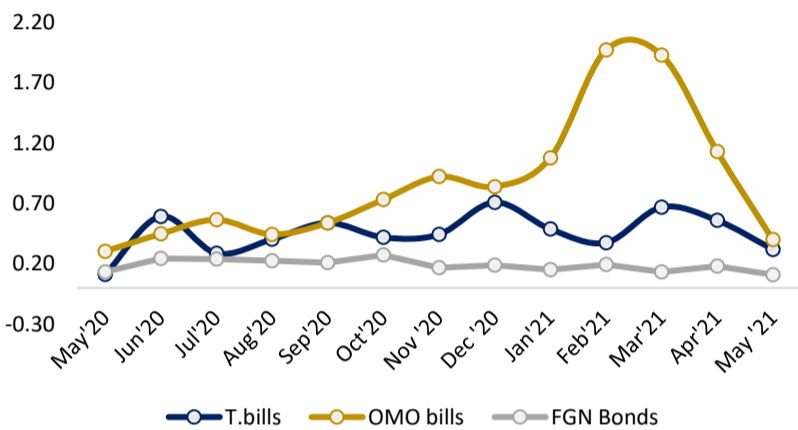
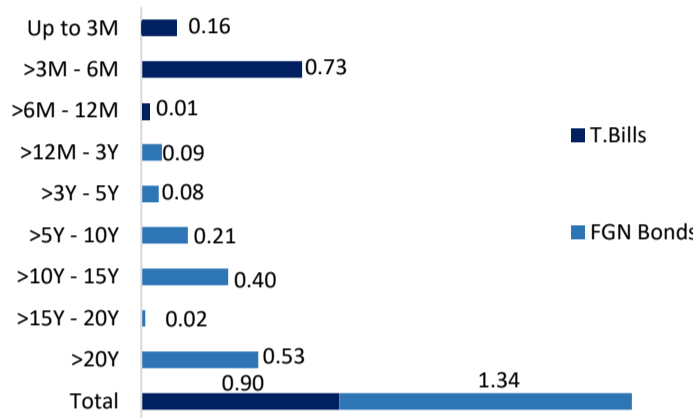


Chart 9: Sovereign Fixed Income Turnover - May 2021 (₦'trn)



- In May 2021, 3M – 6M T.bills were the most traded sovereign debt securities, accounting for 32.60% (₦0.73trn) of the total sovereign Fixed Income market turnover, while >20Y FGN Bonds were the most active long-term¹¹ sovereign debt securities, accounting for 23.66% (₦0.53trn) of the total sovereign Fixed Income market turnover. (See Chart 9)

- There was a general MoM increase in yields across all tenors on the yield curve in May 2021, except for the 20Y tenor which recorded a MoM decrease in yield by 0.15ppts to 13.89% in May 2021. The yield spread between the 3M and 30Y sovereign debt securities decreased by 1.27ppts to 9.58ppts in May 2021, indicating a flattening of the sovereign yield curve (See Chart 10). Real (inflation-adjusted) yields remained negative across the yield curve in May 2021 with the 30Y tenor recording the highest real yield as at May 31, 2021. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

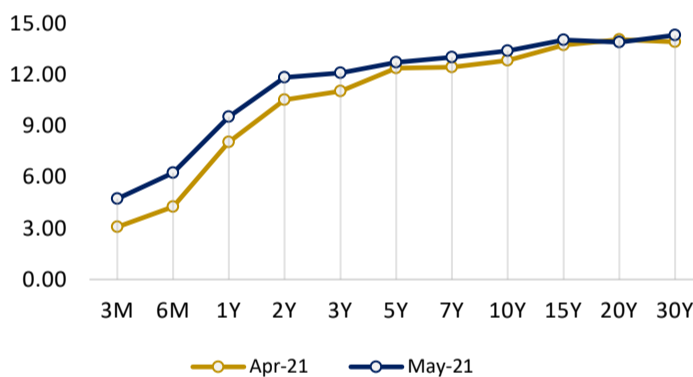
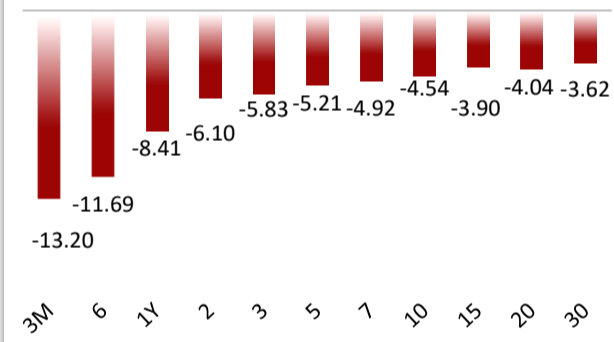


Chart 11: Inflation Adjusted Yields as at May 31, 2021[^] (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

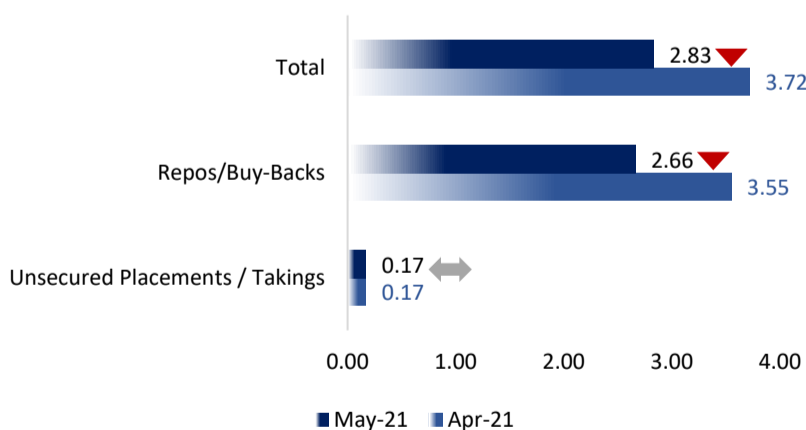
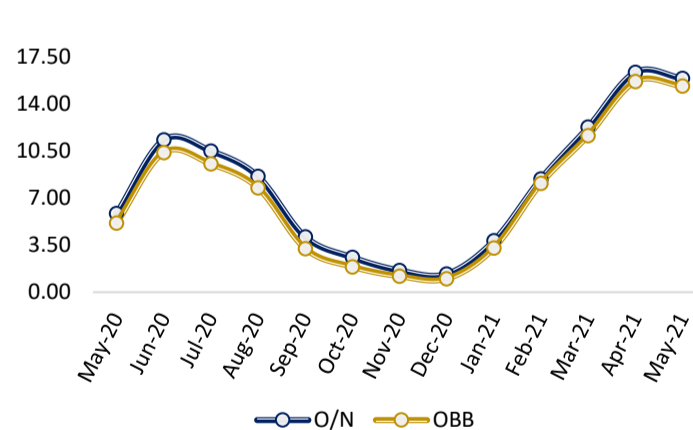


Chart 13: Trend in Average O/N¹² and OBB¹³ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 23.92% (₦0.89trn) to ₦2.83trn in May 2021. This was solely driven by the MoM decrease in Repos/Buy-backs turnover by ₦0.89trn to ₦2.66trn in May 2021, while Unsecured Placements/Takings turnover remained flat at c.₦0.17trn in the same period. (See Chart 12). The average OBB rate (secured lending rate) and O/N rate decreased by 0.34ppts and 0.46ppts respectively, to close at 15.31% and 15.88% in May 2021 (See Chart 13)

Market Activity

- The total number of executed trades¹⁴ reported on the Bloomberg E-Bond Trading System decreased MoM by 6.17% (224) to 3,405 in May 2021 from 3,629 recorded in April 2021. This was driven by the MoM decrease in the number of trades for T.bills, OMO bills and FGN bonds in May 2021. (See Table 3)

Table 3 - Market Activity - Executed Trade Count

	May-21			Apr-21			MoM Δ (%)
	AFO ¹⁵	RFQ ¹⁶	Total	AFO	RFQ	Total	
T.bills	2	762	764	0	792	792	(3.54)
OMO bills	2	571	573	0	763	763	(24.90)
FGN Bonds	20	2,048	2,068	20	2,054	2,074	(0.29)
Total	24	3,381	3,405	20	3,609	3,629	(6.17)

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; ^ Adjusted with the May 2021 Headline Inflation rate of 17.93%.

¹¹: 5Y – 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: Anonymous Firm Order; ¹⁶: Request-for-Quote