

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

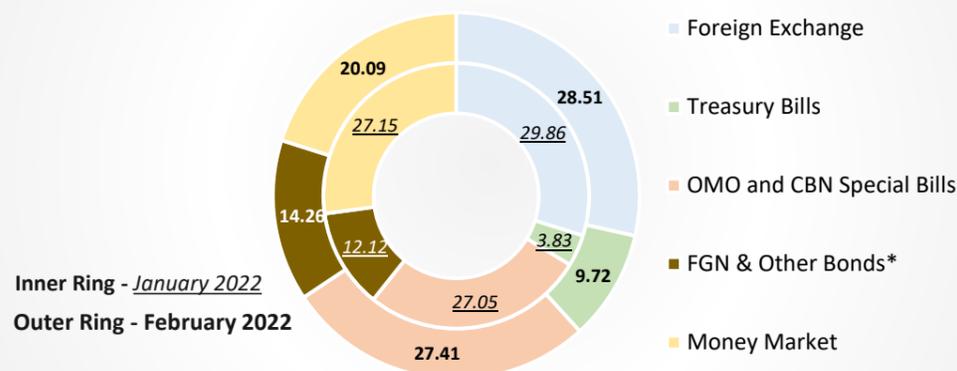
February 2022: ₦14.23trn

January 2021: ₦14.13trn ▲

February 2021: ₦17.74trn ▼

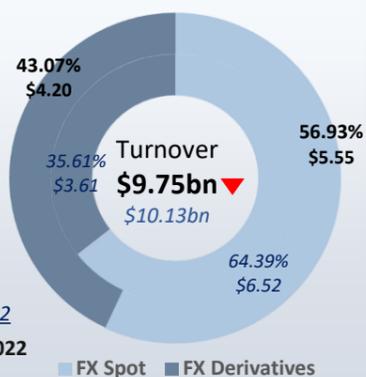
- Turnover in the FIC markets in February 2022 was ₦14.23trn, representing a MoM¹ increase of 0.71% (₦0.10trn) and a YoY² decrease of 24.67% (₦3.51trn) from turnover in January 2022 and February 2021, respectively
- Foreign Exchange (FX), CBN³ Special Bills and OMO⁴ bills were the highest drivers of market turnover, jointly accounting for 55.92% of the total FIC markets turnover in February 2022. (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	\$1.90bn	45.37%
FX Futures	\$0.30bn	7.05%
FX Forwards	\$2.00bn	47.59%

- Total FX market turnover in February 2022 was \$9.75bn (₦4.06trn), representing a MoM decrease of 3.75% (\$0.38bn) from the turnover recorded in January 2022 (\$10.13bn)
- The MoM decrease in total FX market turnover was solely driven by the 14.88% (\$0.97bn) decrease in FX Spot despite the 16.34% (\$0.59bn) MoM increase in FX Derivatives turnover in February 2022. (See Chart 2)
- The MoM increase in FX Derivatives turnover was driven by MoM increase in turnover for FX Swaps and FX Futures by 42.37% (\$0.57bn) and 55.10% (\$0.11bn), respectively despite the 3.83% (\$0.08bn) decrease in FX Forwards. Consequently, the contribution of FX Derivatives to total FX market turnover increased by 7.45 percentage points (ppts) to 43.07% in February 2022. (See Chart 2)

Naira-settled OTC FX Futures Market

Matured Contract

NGUS FEB 23, 2022
(\$/₦427.24)

New 60M Contract

NGUS FEB 24, 2027
(\$/₦626.97)

- In the OTC FX Futures market, the near month contract⁵ (NGUS FEB 23, 2022) expired and open positions with a total notional value (NV) of \$0.57bn were settled. A far month (60M⁶) contract, NGUS FEB 24, 2027 was introduced at a Futures price of \$/₦626.97
- The total NV of open OTC FX Futures contracts as at February 28, 2022, stood at circa \$4.43bn⁷ representing a MoM and YoY decrease of 9.59% (\$0.47bn) and 25.80% (\$1.54bn) from its value as at January 31, 2022 and February 28, 2021, respectively. (See Chart 3)

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

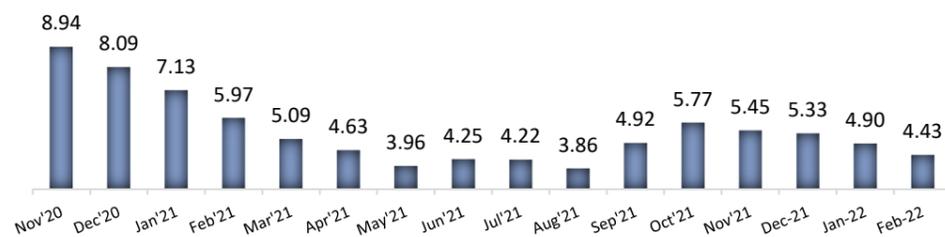
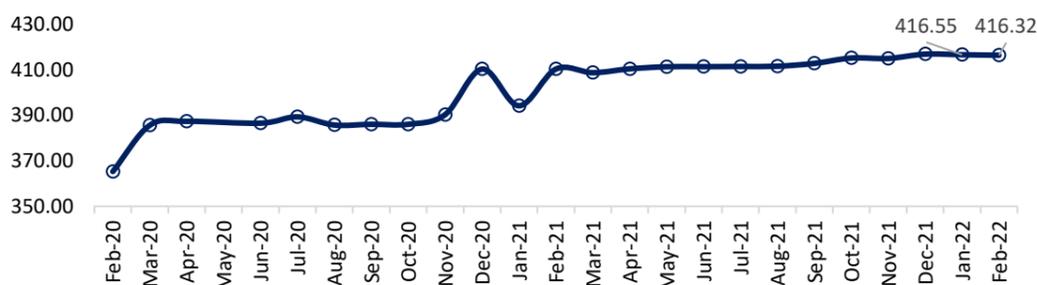


Chart 4: Average Rates in the FX Market (\$/₦)

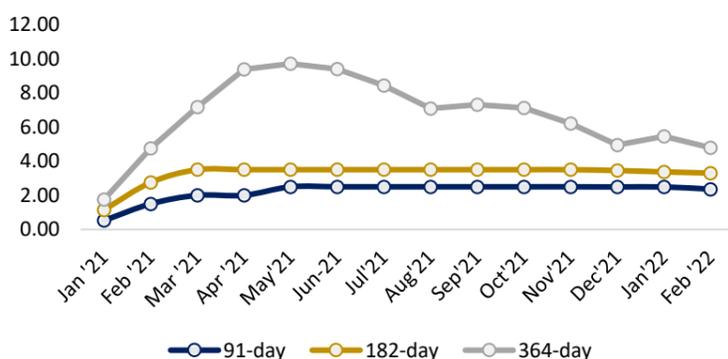


- In the FX Market, the Naira appreciated against the US Dollar, gaining 0.06% (\$/₦0.23) to close at an average of \$/₦416.32 in February 2022 from \$/₦416.55 recorded in January 2022. (See Chart 4). Further, exchange rate volatility decreased in February 2022 compared to January 2022 as the Naira traded within an exchange rate range of \$/₦415.75 - \$/₦416.75 in February 2022 compared to \$/₦415.33 - \$/₦422.67 recorded in January 2022

Primary Market

Fixed Income Market

Chart 5: Trend in Average T.bills Discount Rate (%)



- In the primary markets, average discount rates across all tenors for T.bills⁸ declined by an average of 0.29ppts in February 2022 ranging between 2.36% - 4.78%. (See Chart 5). Average discount rates for CBN OMO bills with comparable tenors⁹ remained flat within the range of 7.00% - 10.10% in February 2022
- In February 2022, the coupon rates of reopened issues of 10Y¹⁰ decreased by 0.55ppts to 10.95% from 11.50% recorded in January 2022 while the 20Y FGN¹¹ Bonds remained constant at 13.00% in February 2022

FGN Bond Coupon Rates in February 2022

10Y – 10.95% ▼

11.50% (Jan. '22)

20Y – 13.00% ↔

13.00% (Jan. '22)

Notes: *Others include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

1: Month-on-Month; 2: Year-on-Year; 3: The Central Bank of Nigeria; 4: Open Market Operations 5: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 6: Month; 7: The 7M contract, NGUS SEP 28, 2022, had the highest NV of open OTC FX Futures Contracts (\$0.61bn) as at February 28, 2022; 8: Treasury Bills; 9: 82 – 138 day, 152 – 194 day and 327 – 362 day tenors; 10: Year; 11: 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

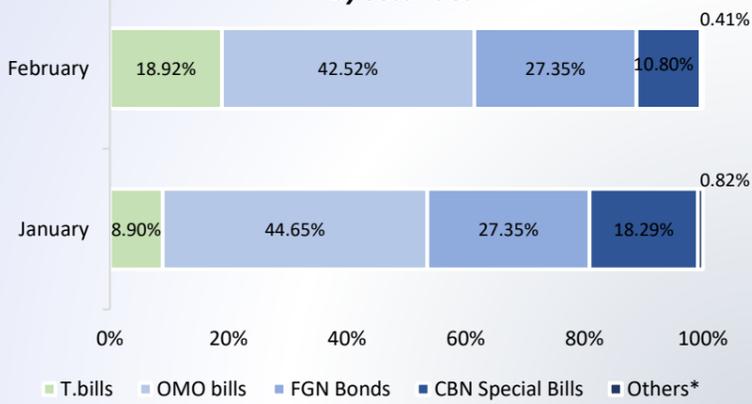
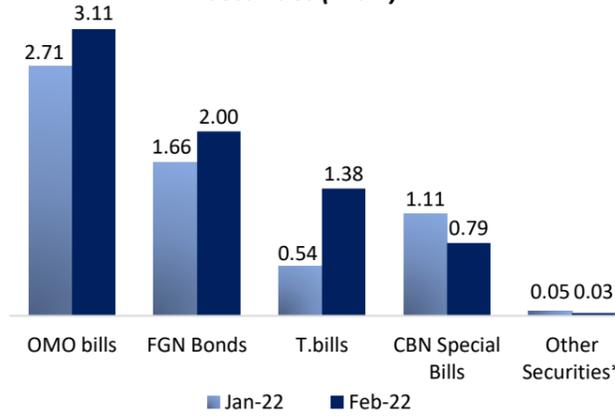


Chart 7: Fixed Income Market Turnover by Securities (₦'trn)



- In February 2022, OMO bills were the most traded FI securities, with a 14.76% (₦0.40trn) MoM increase in turnover. (See Chart 7). Trading intensity for OMO bills increased by 92 basis points (bps) to 2.65 from 1.73 in January 2022. (See Chart 8)
- Similarly, turnover across other fixed income products such as T.bills and FGN bonds also increased MoM in February 2022, whilst turnover for CBN Special Bills and Other Securities* decreased MoM by 28.83% (₦0.32trn) and 40.00% (₦0.02trn) respectively in February 2022. (See Chart 7)

Chart 8: Trend in Trading Intensity

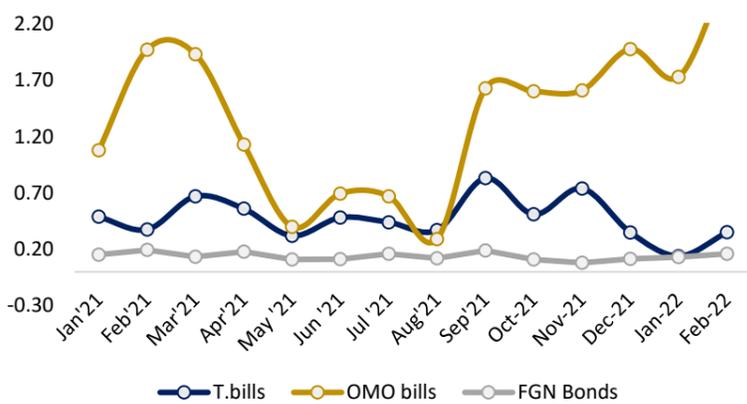
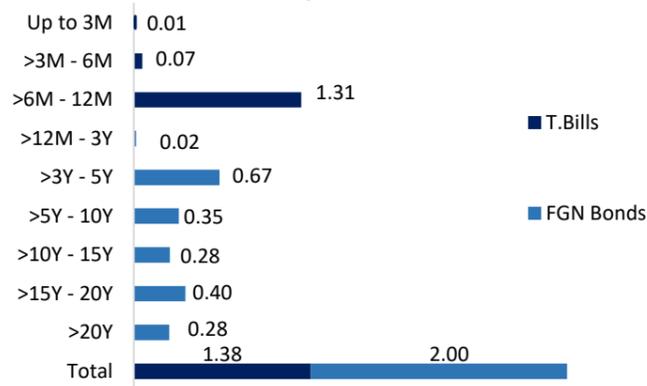


Chart 9: Sovereign Fixed Income Turnover - February 2022 (₦'trn)



- In February 2022, T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 38.76% (₦1.31trn) of the total turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of >3Y – 5Y were the most traded long-term¹² sovereign debt securities, accounting for 19.82% (₦0.67trn) of the total turnover for sovereign debt securities. (See Chart 9)

- In February 2022, the yield spread between the 3M and 30Y sovereign debt securities increased by 0.39ppts to 8.80ppts, 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 February 2022. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

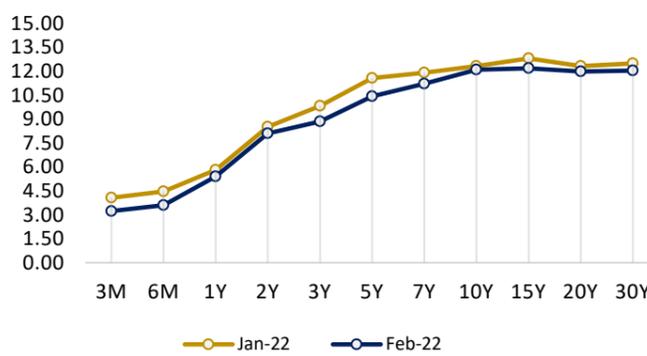
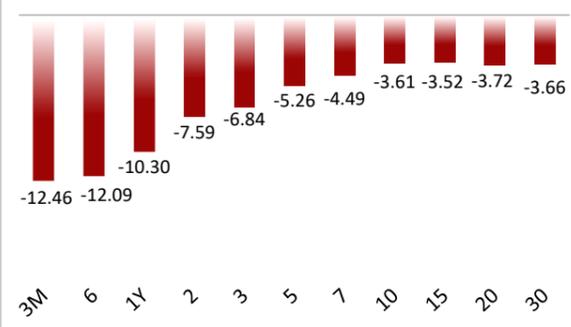


Chart 11: Inflation Adjusted Yields as at February 28, 2022^a (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

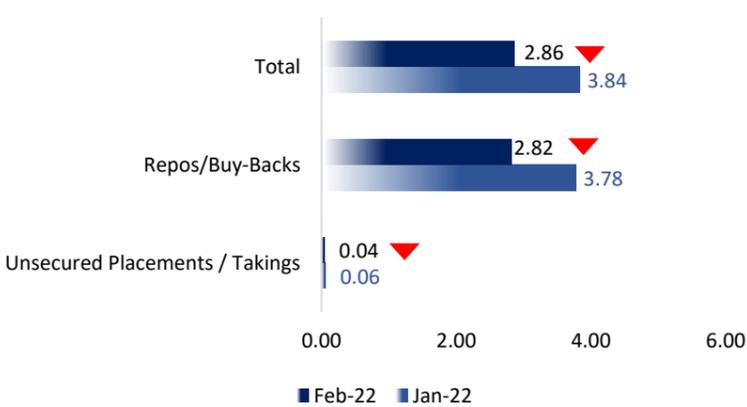
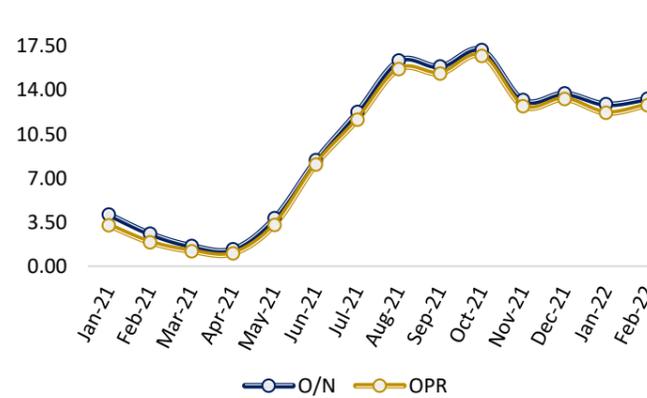


Chart 13: Trend in Average O/N¹³ and OPR¹⁴ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 25.52% (₦0.98trn) to ₦2.86trn in February 2022. The MoM decrease was driven by the 25.40% (₦0.96trn) and 33.33% (₦0.02trn) decrease in Repos/Buy-backs and Unsecured Placement/Takings turnover, respectively. (See Chart 12)
- The average O/N rate and OPR rate (secured lending rate) decreased by 3.21ppts and 3.04ppts respectively, to close at an average of 6.70% and 6.29% in February 2022. (See Chart 13)

Market Activity

- The total number of executed trades¹⁵ reported on FMDQ Trading Systems¹⁶ increased MoM by 22.96% (965) to 5,168 in February 2022, driven by the MoM increase in trading activity across all FI products excluding CBN Special Bills which decreased MoM by 31.49%
- Daily average trade size in February 2022 was ₦0.23trn compared to ₦0.19trn in January 2022. (See Table 1)

Table 1 - Market Activity - Executed Trade Count

	Feb-22		Jan-22		MoM Δ in Total Value (%)
	Total	Daily Average Trade Size (₦'bn)	Total	Daily Average Trade Size (₦'bn)	
T.bills	1,243	29.48	722	25.92	72.16
OMO bills	847	139.33	693	108.12	22.22
CBN Special Bills	335	14.24	489	24.23	31.49
FGN Bonds	2,743	48.53	2,299	32.85	19.31
Total	5,168	231.58	4,203	191.13	22.96

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; ^aAdjusted with the January 2022 Headline Inflation rate of 15.60%.

¹²: 2Y – 30Y; ¹³: Overnight; ¹⁴: Open Repos; 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: Bloomberg E-Bond Trading System and PenDealer (FMDQ Clients' Trading, Reporting & Surveillance System for the Fixed Income Markets)