

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

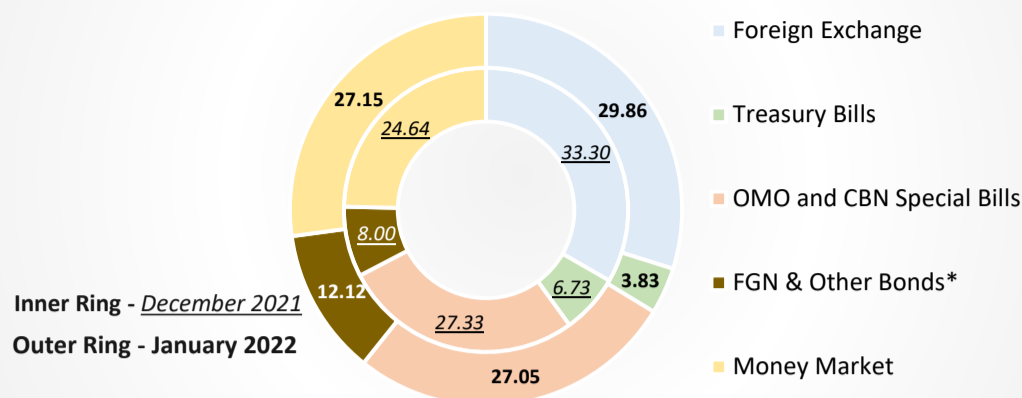
January 2022: ₦14.13trn

December 2021: ₦20.54trn ▼

January 2021: ₦13.03trn ▲

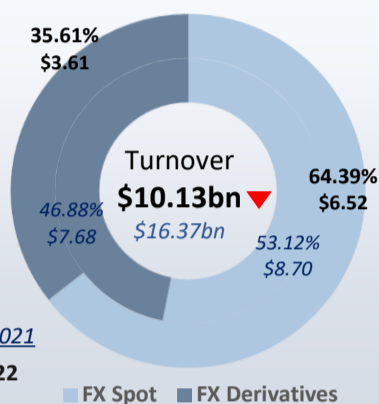
- Turnover in the FIC markets in January 2022 was ₦14.13trn, representing a MoM¹ decrease of 31.21% (₦6.41trn) and a YoY² increase of 8.44% (₦1.10trn) from turnover in December 2021 and January 2021, respectively
- Foreign Exchange (FX) and Money Market (mainly Repurchase Agreements [Repos]) transactions were the highest drivers of market turnover, jointly accounting for 57.00% of the total FIC markets turnover in January 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 | \$1.34bn | 37.10% |
| FX Futures | \$0.19bn | 5.29% |
| FX Forwards | \$2.08bn | 57.61% |

- Total FX market turnover in January 2022 was \$10.13bn (₦4.22trn), representing a MoM decrease of 38.12% (\$6.24bn) from the turnover recorded in December 2021 (\$16.37bn)
- The MoM decrease in total FX market turnover was jointly driven by the 25.03% (\$2.18bn) and 53.02% (\$4.07bn) MoM decrease in FX Spot and FX Derivatives turnover, respectively in January 2022. (See Chart 2)
- The MoM decrease in FX Derivatives turnover was driven by MoM decrease in turnover for FX Swaps, FX Futures and FX Forwards by 69.97% (\$3.12bn), 73.76% (\$0.54bn) and 16.74% (\$0.42bn), respectively. Consequently, the contribution of FX Derivatives to total FX market turnover decreased by 11.27 percentage points (ppts) to 35.61% in January 2022. (See Chart 2)

Naira-settled OTC FX Futures Market

Matured Contract

NGUS JAN 26, 2022
(\$/₦421.18)

New 60M Contract

NGUS JAN 27, 2027
(\$/₦626.97)

- In the OTC FX Futures market, the near month contract³ (NGUS JAN 26, 2022) expired and open positions with a total notional value (NV) of \$0.54bn were settled. A far month (60M⁴) contract, NGUS JAN 27, 2027 was introduced at a Futures price of \$/₦626.97
- The total NV of open OTC FX Futures contracts as at January 31, 2022 stood at circa \$4.90bn⁵ representing a MoM and YoY decrease of 8.07% (\$0.43bn) and 31.28% (\$2.23bn) respectively from its value as at December 31, 2021 and January 31, 2021. (See Chart 3)

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

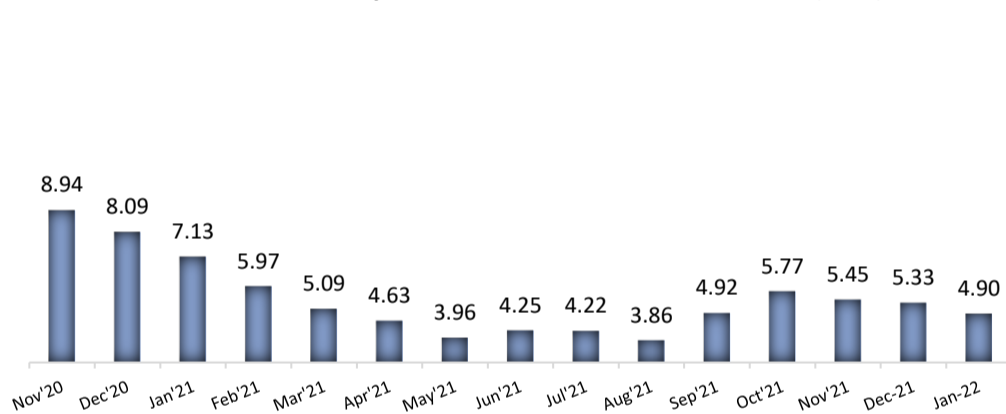
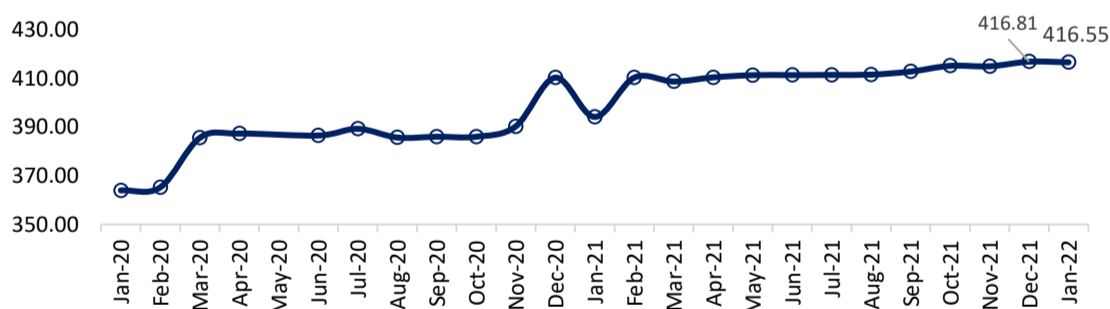


Chart 4: Average Rates in the FX Market (\$/₦)

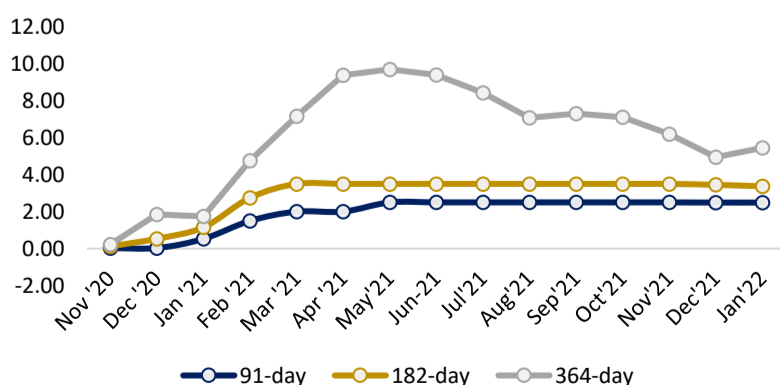


- In the FX Market, the Naira appreciated against the US Dollar, gaining 0.06% (\$/₦0.26) to close at an average of \$/₦416.55 in January 2022 from \$/₦416.81 recorded in December 2021. (See Chart 4). Further, exchange rate volatility decreased in January 2022 compared to December 2021 as the Naira traded within an exchange rate range of \$/₦415.33 - \$/₦422.67 in January 2022 compared to \$/₦414.06 - \$/₦435.00 recorded in December 2021

Primary Market

Fixed Income Market

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



- In the primary markets, average discount rates for the 91-day T.bills⁶ remained constant at 2.49% in January 2022. The 182-day T.bills declined by 0.08ppts to 3.37% whilst the 364-day T.bills increased by 0.50ppts (See Chart 5). Average discount rates for CBN⁷ OMO⁸ bills with comparable tenors⁹ remained flat within the range of 7.00% - 10.10% in January 2022
- In January 2022, the coupon rates of reopened issues of 10Y¹⁰ and 20Y FGN¹¹ Bonds decreased by 0.15ppts and 0.10ppts to 11.50% and 13.00% from 11.65% and 13.10% recorded in December 2021 respectively

FGN Bond Coupon Rates in January 2022

10Y – 11.60% ▼

11.65% (Dec. '21)

20Y – 13.00% ▼

13.10% (Dec. '21)

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

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 8M contract, NGUS SEP 28, 2022, had the highest NV of open OTC FX Futures Contracts (\$0.61bn) as at January 31, 2022; 6: Treasury Bills; 7: Central Bank of Nigeria; 8: Open Market Operations; 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

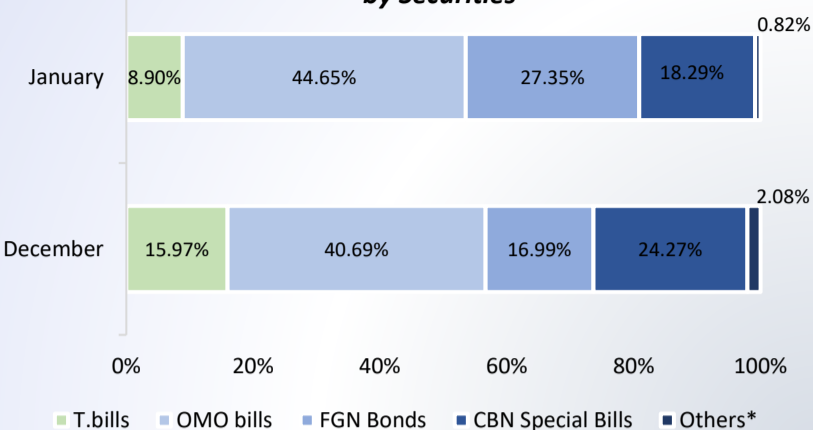
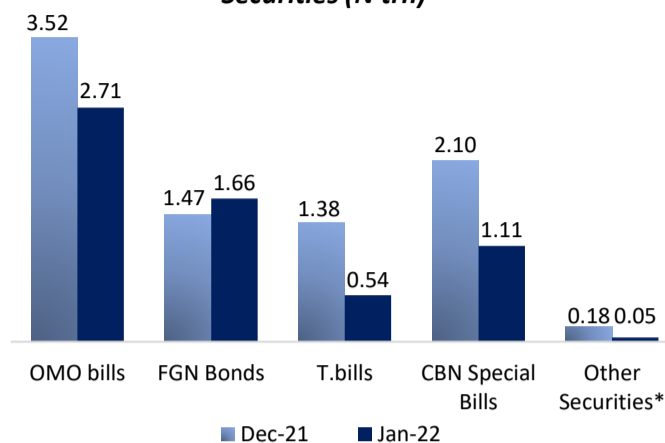


Chart 7: Fixed Income Market Turnover by Securities (₦'trn)



- In January 2022, OMO bills were the most traded FI securities despite the 23.01% (₦0.81trn) MoM decrease in turnover. (See Chart 7). Trading intensity for OMO bills decreased by 25 basis points (bps) to 1.73 from 1.98 in December 2021. (See Chart 8)
- Similarly, turnover across other fixed income products such as T.bills, CBN Special Bills and Other Securities* also decreased MoM in January 2022, except turnover for FGN Bonds which increased MoM by 12.93% (₦0.19trn), to ₦1.66trn in January 2022. (See Chart 7)

Chart 8: Trend in Trading Intensity

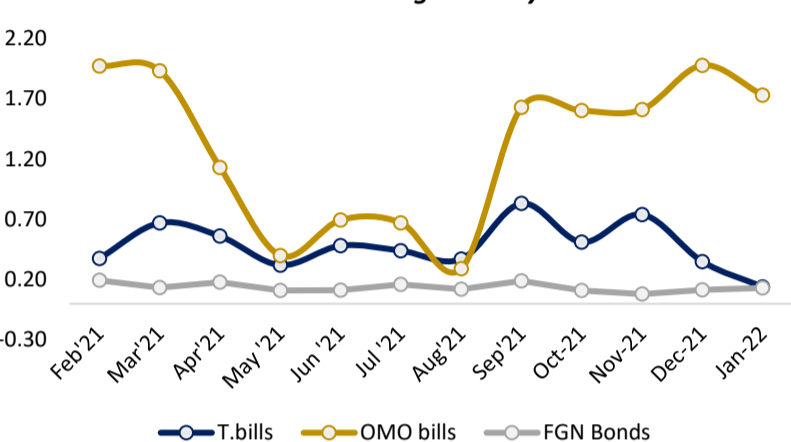
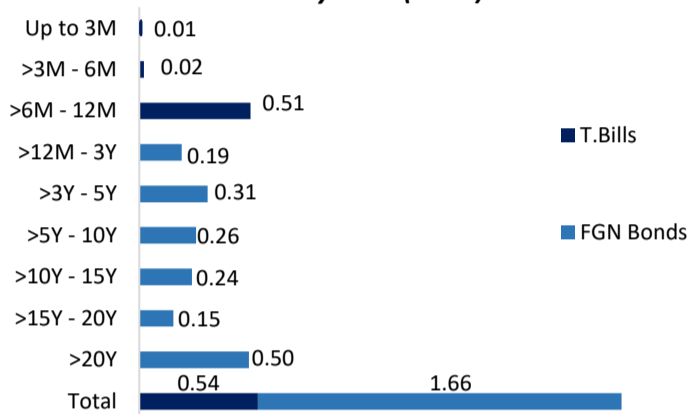


Chart 9: Sovereign Fixed Income Turnover - January 2022 (₦'trn)



- In January 2022, T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 23.06% (₦0.51trn) of the total turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of 20Y or higher were the most traded long-term¹² sovereign debt securities, accounting for 22.72% (₦0.50trn) of the total turnover for sovereign debt securities. (See Chart 9)

- In January 2022, the yield spread between the 3M and 30Y sovereign debt securities decreased by 0.08ppts to 8.41ppts, indicating a flattening 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 January 2022. (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

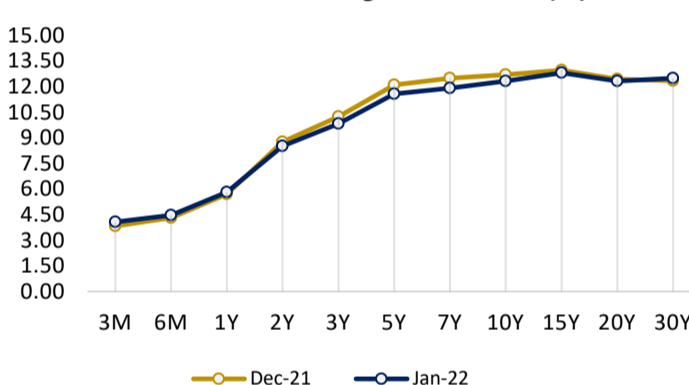
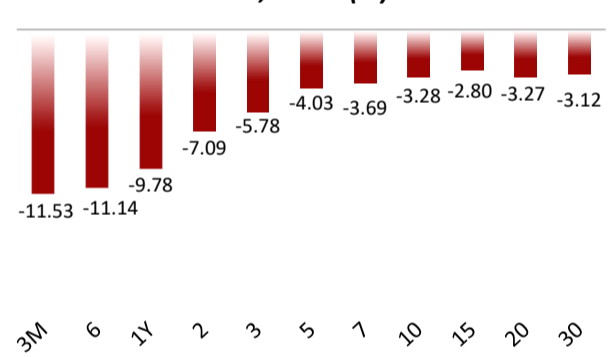


Chart 11: Inflation Adjusted Yields as at January 31, 2022* (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

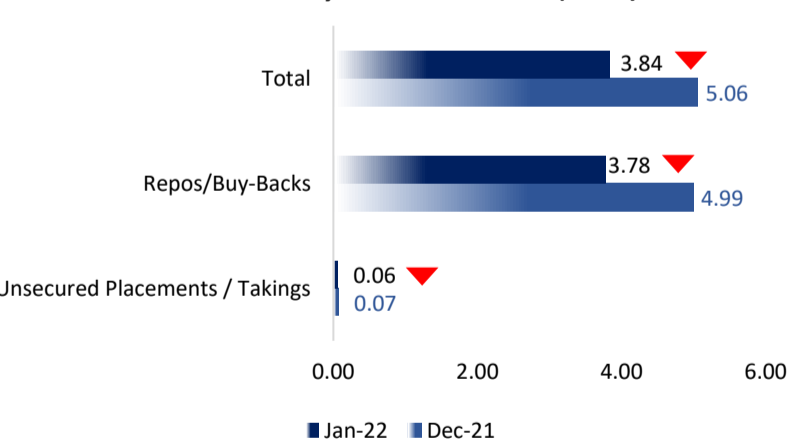
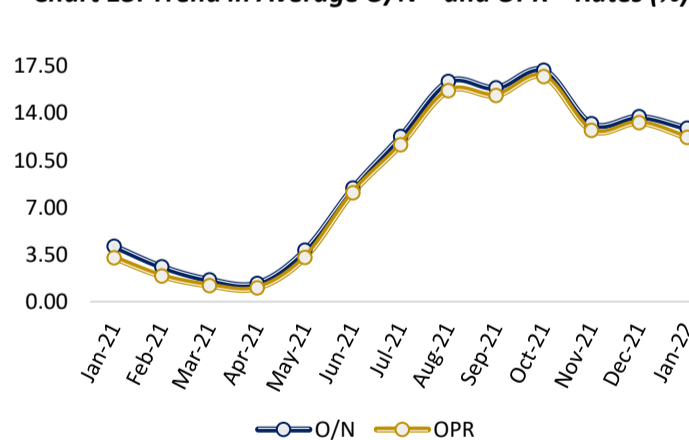


Chart 13: Trend in Average O/N¹³ and OPR¹⁴ Rates (%)



- Total turnover in the Money Market segment decreased MoM by 24.11% (₦1.22trn) to ₦5.06trn in January 2022. The MoM decrease was driven by the 24.25% (₦1.21trn) and 14.29% (₦0.01trn) 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 3.51ppts and 3.61ppts respectively, to close at an average of 9.91% and 9.33% in January 2022. (See Chart 13)

Market Activity

- Despite the decrease in total turnover for FI products, the total number of executed trades¹⁵ reported on FMDQ Trading Systems¹⁶ increased MoM by 26.37% (877) to 4,203 in January 2022, driven by the MoM increase in trading activity across all FI products excluding T.bills which decreased MoM by 21.86%
- Daily average trade size in January 2022 was relatively flat compared to data recorded in December 2021 (See Table 1)

Table 1 - Market Activity - Executed Trade Count

| | Jan-22 | | Dec-21 | | MoM Δ in Total Value (%) |
|-------------------|--------------|---------------------------------|--------------|---------------------------------|--------------------------|
| | Total | Daily Average Trade Size (₦'bn) | Total | Daily Average Trade Size (₦'bn) | |
| T.bills | 722 | 25.92 | 924 | 25.94 | 21.86 |
| OMO bills | 693 | 108.12 | 473 | 108.12 | 46.51 |
| CBN Special Bills | 489 | 24.23 | 486 | 24.46 | 0.62 |
| FGN Bonds | 2,299 | 32.85 | 1,443 | 31.59 | 59.32 |
| Total | 4,203 | 191.13 | 3,326 | 190.11 | 26.37 |

Notes:

*Others include Agency, Sub-national, Corporate, Supranational Bonds and Promissory Notes; ^Adjusted 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)

| | |
|---------------|----------------|
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