

Fixed Income and Currencies (FIC) Markets Summary

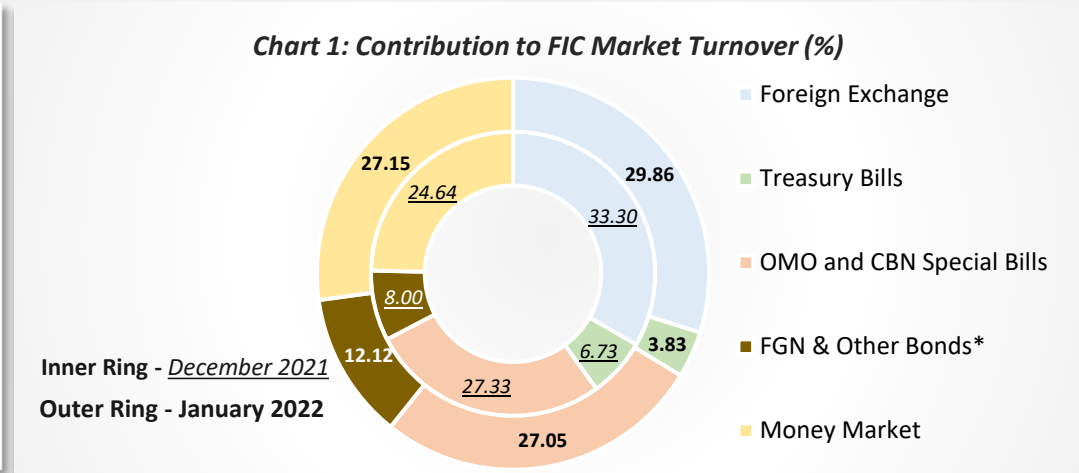
FIC Markets Turnover

January 2022: ₦14.13trn

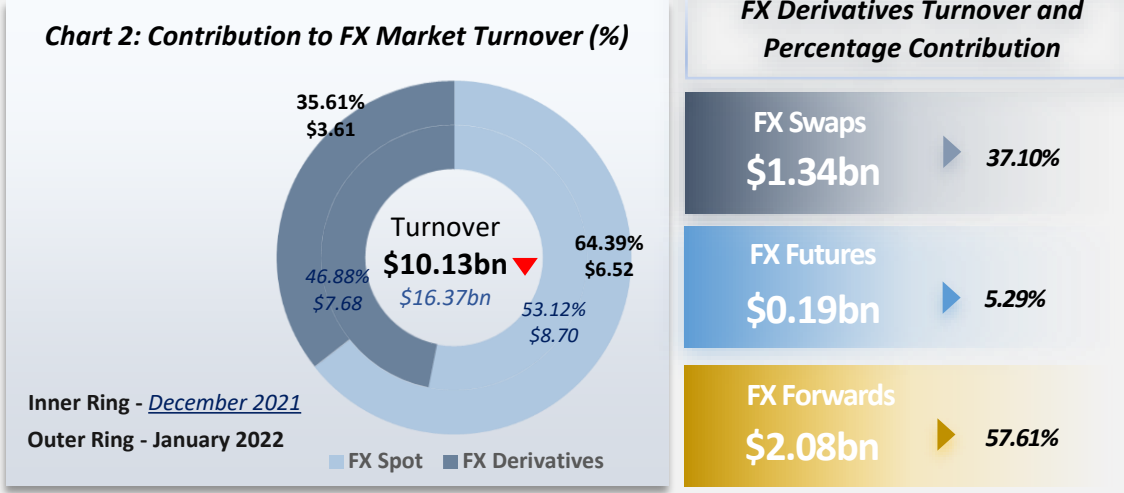
December 2021: ₦20.54trn ▼

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. [\(See Chart 1\)](#)



FX Market



- 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

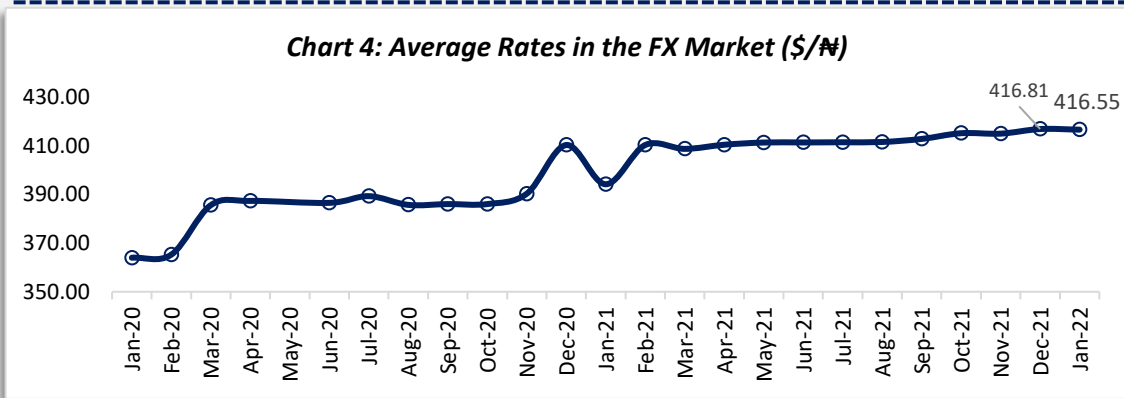
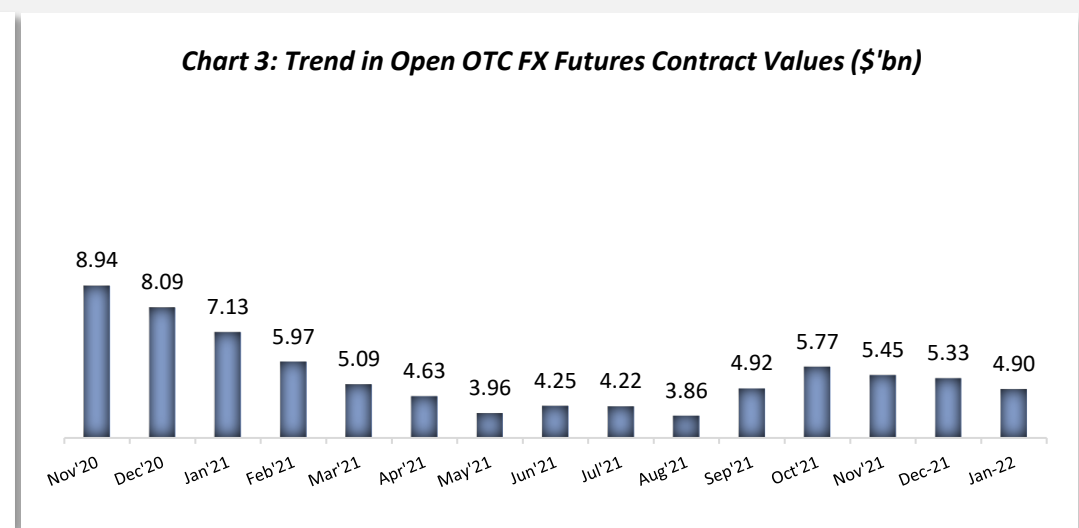
NGUS JAN 26, 2022 (\$/₦421.18)

New 60M Contract

NGUS JAN 27, 2027 (\$/₦626.97)

NV of Open Positions in OTC FX Futures Contracts – \$4.90bn ▼

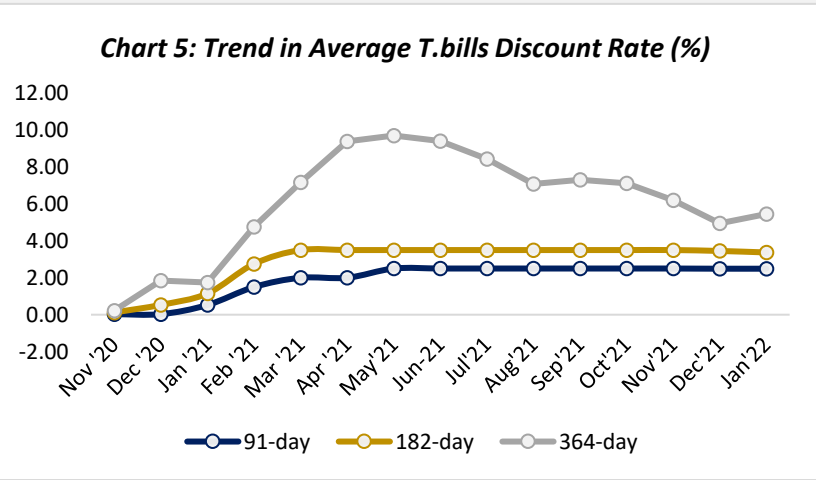
- In the OTC FX Futures market, the near month contract³ (NGUS JAN 26, 2022) expired and open positions with a total notional value (NV) of \$0.54bn were settled. A far month (60M⁴) contract, NGUS JAN 27, 2027 was introduced at a Futures price of \$/₦626.97
- The total NV of open OTC FX Futures contracts 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. [\(See Chart 3\)](#)



- 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



- 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)

Fixed Income (FI) Market Secondary Market

Chart 6: Split of Spot Fixed Income Market Turnover by Securities

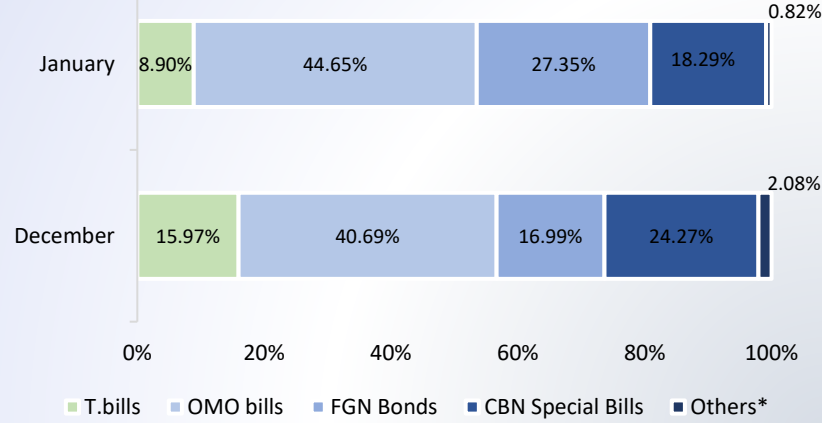
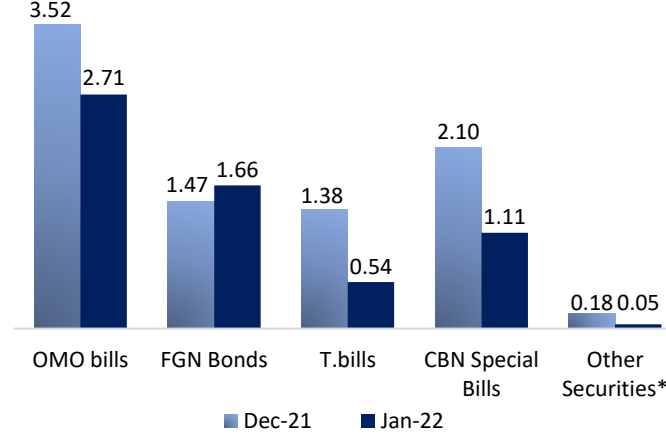


Chart 7: Fixed Income Market Turnover by Securities (₦'trn)



- 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

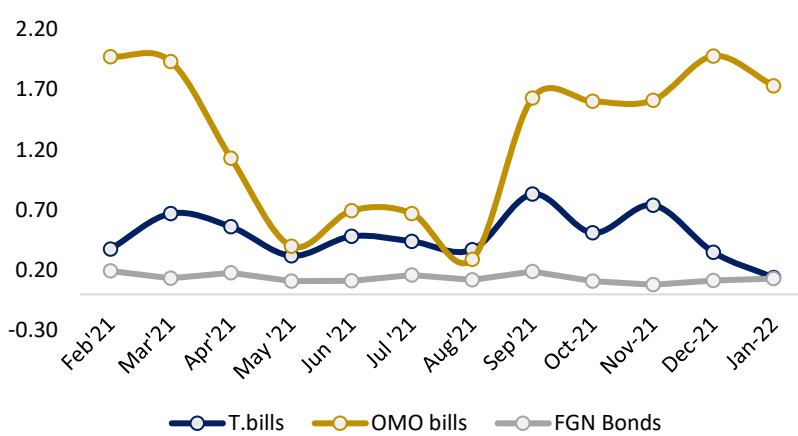
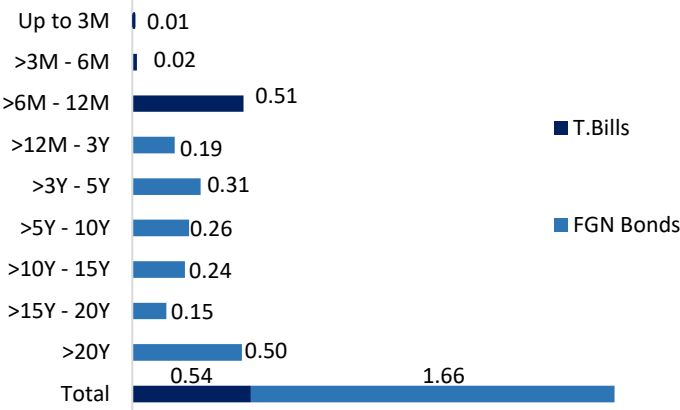


Chart 9: Sovereign Fixed Income Turnover - January 2022 (₦'trn)



- 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 (%)

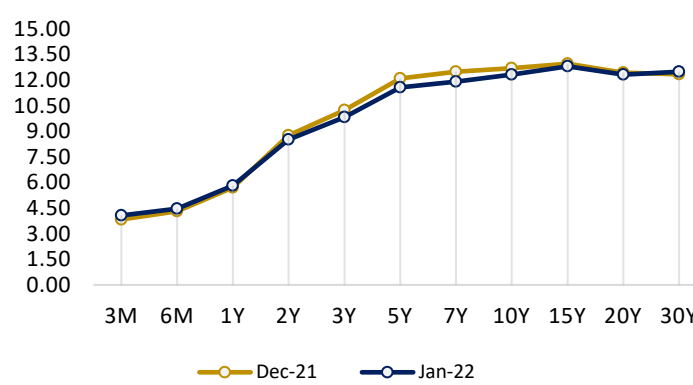
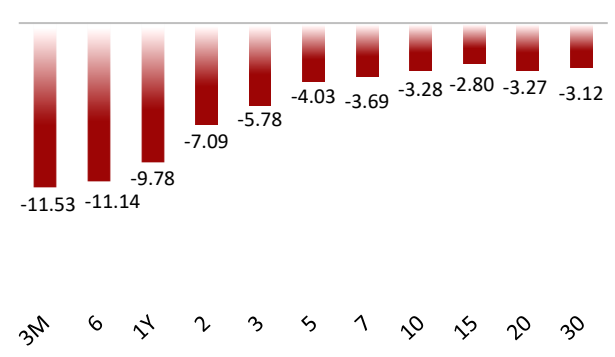


Chart 11: Inflation Adjusted Yields as at January 31, 2022^ (%)



Money Market

Chart 12: Money Market Turnover (₦'trn)

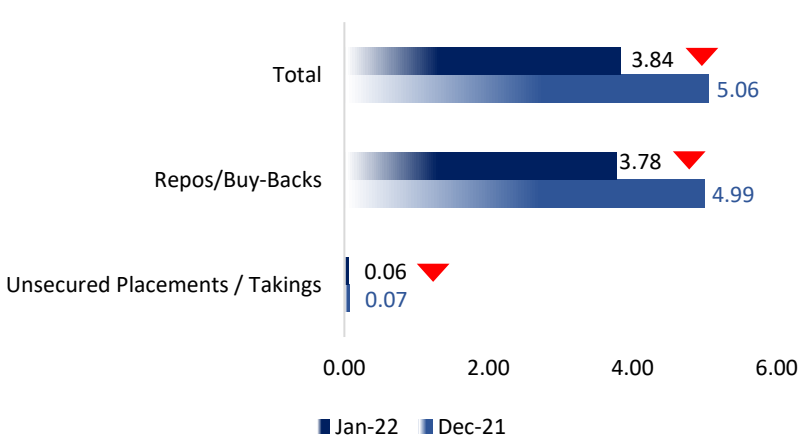
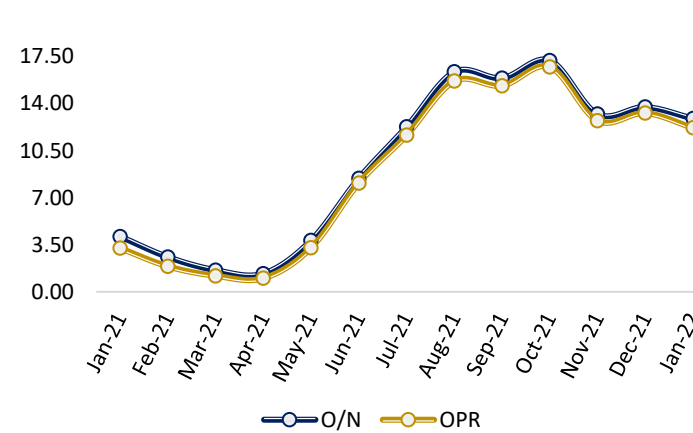


Chart 13: Trend in Average O/N¹³ and OPR¹⁴ Rates (%)



- 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

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 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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