



# FINANCIAL MARKETS MONTHLY REPORT

**MAY 2022**

## Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>bn</b>	Billion	<b>ppts</b>	Percentage Points
<b>bps</b>	Basis Points	<b>QoQ</b>	Quarter-on-Quarter
<b>CBN</b>	Central Bank of Nigeria	<b>Repo</b>	Repurchase Agreement
<b>CP</b>	Commercial Paper	<b>T.bills</b>	Treasury Bills
<b>DMO</b>	Debt Management Office	<b>US</b>	The United States of America
<b>FCY</b>	Foreign Currency	<b>USD</b>	US Dollar
<b>FGN</b>	Federal Government of Nigeria	<b>Y</b>	Year
<b>FIC</b>	Fixed Income and Currencies	<b>YoY</b>	Year-on-Year
<b>FX</b>	Foreign Exchange	<b>YTD</b>	Year-to-Date
<b>H1</b>	First Half of the Year Under Consideration	<b>trn</b>	Trillion
<b>I&amp;E FX Window or I&amp;E</b>	Investors' and Exporters' Foreign Exchange Window		
<b>LCY</b>	Local Currency		
<b>M</b>	Month		
<b>mm</b>	Million		
<b>MM</b>	Money Market		
<b>MoM</b>	Month-on-Month		
<b>N/A</b>	Not Applicable		
<b>NV</b>	Notional Value		
<b>OMO</b>	Open Market Operations		
<b>O/N</b>	Overnight		
<b>OPR</b>	Open Repos		
<b>OTC</b>	Over-the-Counter		

## Primary Market

### Sovereign Securities

The DMO sold T.bills valued at ₦311.35bn across its auctions in May 2022. It exceeded the amount offered (₦280.50bn) indicating the sustained demand for T.bills, and also represents a 7.70% (₦22.26bn) MoM increase in T.bills sold relative to April 2022 (₦289.09bn).

Similarly, the DMO reopened two (2) 10Y and one (1) 20Y FGN Bonds, with the total value of FGN Bonds sold equalling ₦378.41bn indicating a sustained demand<sup>1</sup>, representing an 8.56% (₦29.83bn) MoM increase from April 2022 figures for the reopened issues.

In May 2022, the CBN sold OMO Bills worth ₦180.01bn compared to no sales in April 2022.

#### Treasury Bills Discount Rates in May 2022

**91-day – 2.12%**  
1.74% (Apr. '22) ▲

**182-day – 3.45%**  
3.00% (Apr. '22) ▲

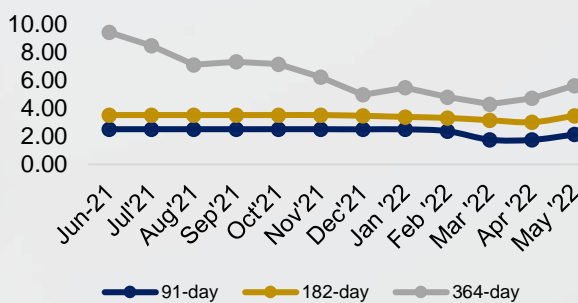
**364-day – 5.60%**  
4.70% (Apr. '22) ▲

#### FGN Bond Coupon Rates in May 2022

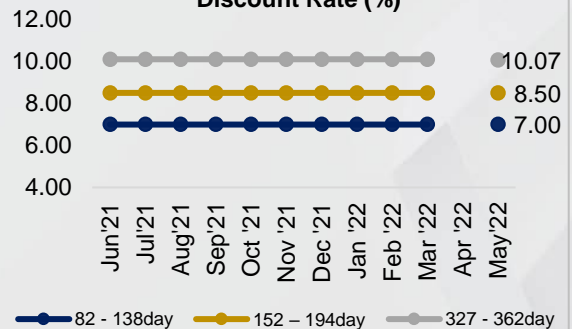
**10Y – 11.23%**  
11.25% (Apr. '22) ▼

**20Y – 13.00%**  
12.90% (Apr. '22) ▲

**Chart 1: Trend in Average T.bills Discount Rate (%)**



**Chart 2: Trend in Average OMO Bills Discount Rate (%)**



**Table 1: Amount Sold (₦'bn)**

Product	Jun. '21	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22
T.Bills	373.46	415.24	463.66	480.80	422.28	2,294.90	112.36	281.30	472.97	410.72	289.09	311.35
OMO Bills	65.60	37.00	60.00	100.00	99.00	80.00	130.00	130.00	270.00	170.00	0.00	180.01
FGN Bonds	330.30	241.97	260.09	277.05	192.76	225.25	99.99	170.64	415.42	297.01	348.58	378.41

**Table 2: End Outstanding Volume (₦'bn)**

Product	Jun. '21	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22
T.Bills	2,991.87	3,379.56	3,418.34	3,493.21	3,643.79	3,570.40	3,570.40	3,860.48	4,120.15	4,408.16	4,435.02	4,465.85
OMO Bills	2,525.29	2,470.29	2,399.79	2,279.79	2,051.79	1,863.69	1,863.69	1,460.69	940.95	758.95	850.00	770.00
FGN Bonds	12,117.39	11,800.46	12,061.18	12,337.59	12,530.96	12,755.68	12,855.56	12,420.33	12,835.77	13,135.32	13,483.27	13,863.55

**Notes:**

1 – Amount Offered in May 2022 was ₦150.00bn

## Primary Market

### Non-Sovereign Securities

Total value of corporate<sup>1</sup> bonds listed on FMDQ Exchange in May 2022 was ₦10.00bn compared to April 2022 where no corporate bonds were listed on the Exchange. Corporate bond listing was from the Telecommunications sector (1).

Total value of CPs<sup>2</sup> quoted on FMDQ Exchange in May 2022 was ₦166.48bn, representing a MoM increase of 37.64% (₦45.53bn) from the value of CPs quoted in April 2022 (₦120.95bn). Issuers of CPs quoted in May 2022 were in Financial services (4), Telecommunications (2) Real Estate (2), Retail (1) and Manufacturing (1), sectors.

In May 2022, total outstanding value for corporate bonds decreased by 1.96% (₦20.096bn) while CPs increased MoM by 55.79% (₦173.54bn) to ₦1,004.60bn and ₦484.61bn respectively. (See Table 4)

#### Average Coupon Rates for Corporate Bonds in May 2022

N/A

10Y – 13.25%

#### Average Discount Rate for Quoted CPs in May 2022

232 days – 10.37%  
226 days – 10.09% ▲  
(Apr. '22)

Chart 3: Average Discount Rate for Quoted CPs (%) vs Tenor (No. of Days)



Table 3: Listings/Quotation Size (₦'bn)

Product	Jun. '21	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21*	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22
Corporate Bonds	0.00	41.33	50.00	0.00	110.00	3.00	1.25	0.00	92.50	45.30	0.00	10.00
CPs	12.48	16.40	70.09	14.80	9.83	0.00	48.54	5.52	97.82	72.06	120.95	166.48

Table 4: Total Outstanding Value (₦'bn)

Product	Jun. '21	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22
Corporate Bonds	738.27	776.71	838.71	831.24	939.86	906.17	904.29	901.25	993.57	1,026.15	1,024.69	1,004.60
CPs	306.91	291.39	317.48	283.29	293.31	253.81	224.22	168.99	232.89	283.75	311.07	484.61

#### Notes:

1 – LCY Corporate Bonds; 2 – LCY Commercial Papers; \* No CP was quoted in the respective months



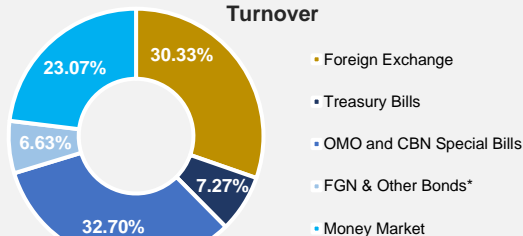
## Secondary Market

### Market Turnover by Products

Turnover in FMDQ markets for the month ended May 31, 2022 was ₦15.39trn, representing a MoM decrease of 20.42% (3.95trn) and YoY increase of 50.29% (₦5.15trn), respectively.

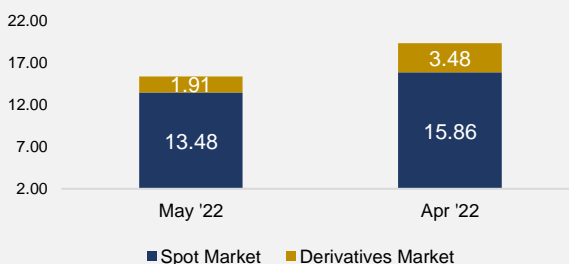
OMO, CBN Special Bills and Foreign Exchange (FX), transactions were the highest contributors to the FMDQ markets turnover in May 2022, jointly accounting for 63.03% of the total FMDQ markets turnover. (See Chart 5)

**Chart 5: Contribution to FMDQ Markets Turnover**

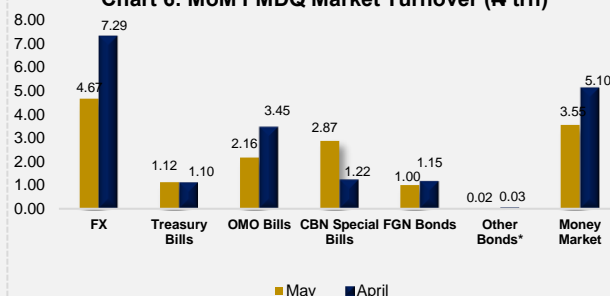


**Notes:** \*Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

**Chart 4: FMDQ Markets Turnover (₦'trn)**



**Chart 6: MoM FMDQ Market Turnover (₦'trn)**



### Spot Market

Total market turnover for all products traded in the spot market was ₦13.48trn in May 2022, representing a MoM decrease of 15.01% (₦2.38trn) from the turnover recorded in April 2022.

The MoM decrease in total spot market turnover was driven by the 27.66% (₦1.05trn) and 30.39% (₦1.55trn) decrease in FX market and money market (MM) turnover, respectively, which offset the 3.17% (₦0.22trn) increase in fixed income (FI) market turnover in May 2022.

The MoM increase in FI market turnover was driven by the MoM increase in CBN Special Bills and T.bills turnover by 134.97% (₦1.65trn) and 1.70% (₦0.02trn), respectively. Although, the turnover for OMO bills, FGN Bonds and Other Bonds decreased MoM by 37.34% (₦1.29trn), 12.74% (₦0.15trn) and 36.75% (₦0.01trn), respectively.

**Chart 7: Spot Market Turnover and Percentage Contribution**

#### FX Market

₦2.76trn

₦3.81trn (Apr. '22)

20.46%

#### Fixed Income Market

₦7.17trn

₦6.95trn (Apr '22)

53.20%

#### Money Market

₦3.55trn

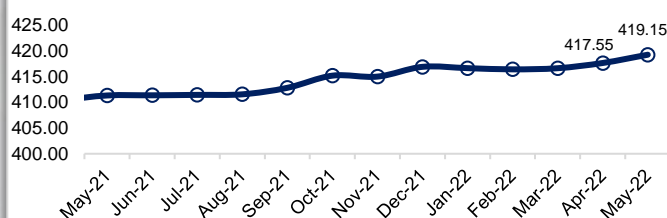
₦5.10trn (Apr '22)

26.34%

### Spot FX Market

FX market turnover was ₦2.76trn (\$6.58bn) in May 2022, representing a MoM decrease of 27.56% (₦1.05trn) from the turnover recorded in April 2022 (₦3.81trn).

**Chart 8: Average Rates in the I&E FX Window (\$/₦)**



In the FX Market, the Naira depreciated against the US Dollar, losing 0.38% (\$/₦1.60) to close at an average of \$/₦419.15 in May 2022 from \$/₦417.55 recorded in April 2022. (See Chart 8)

Further, exchange rate volatility increased in May 2022 compared to April 2022 as the Naira traded within an exchange rate range of \$/₦417.00 - \$/₦421.50 in May 2022 compared to \$/₦416.50 - \$/₦419.50 recorded in April 2022.

### Spot Fixed Income Market

FI market turnover was ₦7.17trn in May 2022, representing a MoM increase of 3.17% (₦0.22trn) from the turnover recorded in April 2022 (₦6.95trn).

In May 2022, CBN Special Bills were the most traded FI securities, with a 135.25% (₦1.65trn) MoM increase in turnover to ₦2.87trn. (See Chart 9).

Similarly, T.bills turnover increased MoM by 1.81% (₦0.02trn). However, trading intensity for T.bills declined by 3bps to 0.25 from 0.28 in the previous month. (See Chart 10)

Chart 10: Trend in Trading Intensity

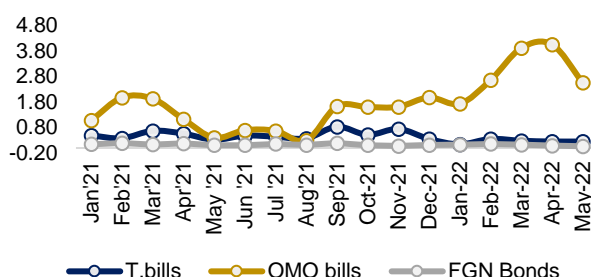


Chart 9: Fixed Income Market Turnover (₦'trn)

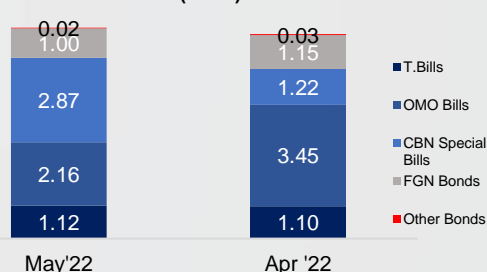
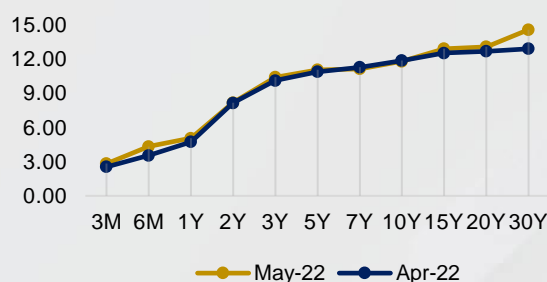


Chart 11: Sovereign Yield Curve (%)



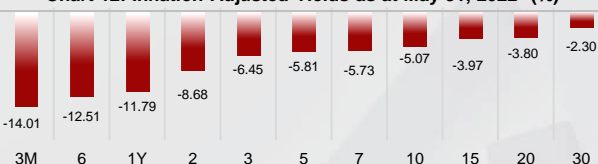
T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 40.76% (₦0.86trn) of turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of >15Y – 20Y were the most traded long-term sovereign debt securities, accounting for 12.95% (₦0.27trn) of total turnover for sovereign debt securities. (See table below)

T.bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.07	0.18	0.86	0.16	0.11	0.20	0.17	0.27	0.09	2.12

In May 2022, the yield spread between the 3M and 30Y sovereign debt securities increased by 1.38ppts to 11.71ppts, indicating a steepening of the sovereign yield curve. (See Chart 11)

Real (inflation-adjusted) yields remained negative across the yield curve in May 2022. (See Chart 12)

Chart 12: Inflation Adjusted Yields as at May 31, 2022\* (%)



### Spot Market – (Money Market)

Total turnover in the Money Market segment decreased MoM by 30.39% (₦1.55trn) to ₦3.55trn in May 2022. The MoM decrease was driven by the 28.19% (₦1.37trn) and 75.00% (₦0.18trn) decrease in Repos/Buy-backs and Unsecured Placement/Takings turnover, respectively. (See Chart 13)

The average O/N rate and OPR rate (secured lending rate) increased by 0.96ppts and 1.10ppts respectively, to close at an average of 9.73% and 9.35% in May 2022. (See Chart 14)

Chart 13: Money Market Turnover (₦'trn)

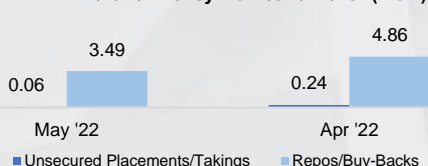
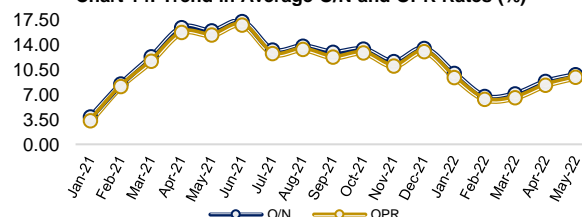


Chart 14: Trend in Average O/N and OPR Rates (%)



#### Notes:

\*Adjusted with May 2022 inflation rate

## Derivatives Market

### Derivatives Market – (FX Market)

Total turnover in the FX market segment was ₦1.91trn (\$4.55bn), representing a MoM decrease of 45.12% (₦1.57trn) from April 2022.

The MoM decrease was driven by the 70.78% (₦1.55trn) and 21.37% (₦0.25trn) decrease in FX Swaps and FX Forwards to ₦0.64trn and ₦0.92trn, respectively which offset the 186.06% (₦0.23trn) increase in FX Futures to ₦0.35trn in May 2022.

#### FX Swaps

₦0.64trn (\$2.19bn)

33.37%

#### FX Forwards

₦0.92trn (\$1.16bn)

48.06%

#### FX Futures

₦0.35trn (\$0.12bn)

18.47%

### Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract<sup>1</sup> (NGUS MAY 25, 2022) expired and open positions with a total notional value (NV) of \$0.64bn were settled. A far month (60M) contract, NGUS APR 28, 2027 was introduced at a Futures rate of \$/₦626.97; which has been the Futures price for the far month contract for five (5) consecutive months.

The total NV of open OTC FX Futures contracts as at May 29, 2022, stood at circa \$3.76bn<sup>2</sup> representing a MoM increase of 1.08% (\$0.04bn) and a YoY decrease of 5.05% (\$0.20bn) from its value as at April 29, 2022 and May 31, 2021, respectively.

#### Matured Contract

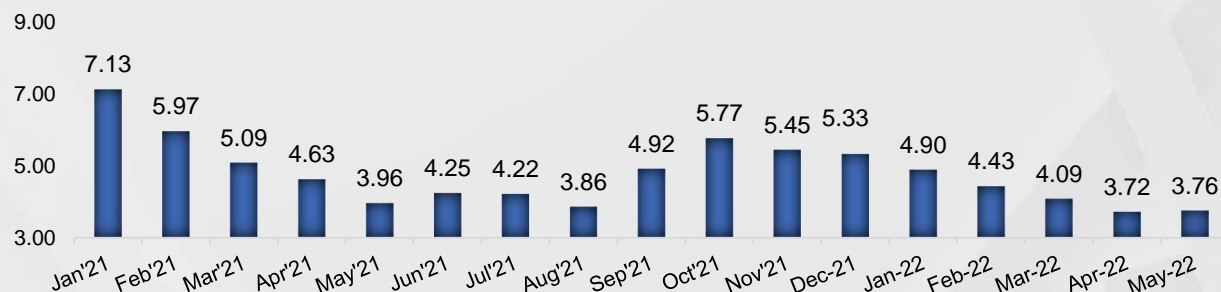
NGUS MAY 25, 2022  
(\$/₦427.24)

#### New 60M Contract

NGUS MAY 26, 2027  
(\$/₦626.97)

NV of Open Positions in  
OTC FX Futures  
Contracts –\$3.76bn ▲

Chart 15: Trend in Open OTC FX Futures Contract Values (\$'bn)



The total NV of OTC FX Futures Contracts traded increased by 957.29% (\$0.62bn) to \$0.68bn in May 2022 from \$0.06n recorded in April 2022. In May 2022, the hedge concentration in the OTC FX Futures Market was within the 13 – 18M maturity bucket, accounting for 70.51% (\$0.48bn) of the total traded values across thirteen (13) of the twenty-eight (28) deals conducted in the period under review.

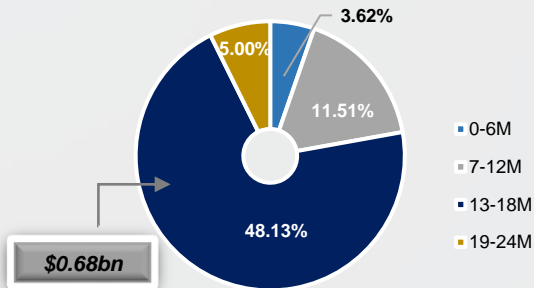
The NV of OTC FX Futures Contracts traded across short-dated contracts (0 – 12M) increased by 215.43% (\$0.10bn) to \$0.15bn while the NV of OTC FX Futures Contracts traded across long-dated contracts (13 – 60M) increased by 3090.86% (\$0.51bn).

#### Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 4M contract, NGUS SEP 28, 2022, had the highest NV of open OTC FX Futures Contracts (\$0.61bn) as at May 31, 2022

## Derivatives Market..2

Chart 16: Analysis of Traded OTC FX Futures Contracts by Tenor Ranges



Average OTC FX Futures Contract rates in May 2022 remained constant across all tenor buckets when compared to the previous month of April. In contrast, the rates of Deliverable Forwards in May 2022 varied across all tenor buckets when compared to the rates in April 2022. In the Deliverable Forwards market, the highest depreciation in rate was recorded on the 12M contract.

Table 5: Average OTC FX Futures Contract Rates (\$/₣)

	0-6M	7-12M	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
May-22	431.48	441.65	457.63	478.07	499.06	520.51	543.07	566.42	590.97	616.38
Apr-22	431.48	441.65	457.63	478.07	499.06	520.51	543.07	566.42	590.97	616.38
Change	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Table 6: Indicative Deliverable Forward Rates (\$/₣)

	1M	2M	3M	6M	12M
May-22	419.91	423.02	426.72	437.90	459.56
Apr-22	418.31	421.99	423.77	432.48	448.53
Change	1.60 ↓	1.03 ↓	2.95 ↓	5.42 ↓	11.03 ↓



**DISCLAIMER:** This report is produced by the Fixed Income and Currencies Markets Group of FMDQ Securities Exchange Limited (FMDQ Exchange) for information purposes only. FMDQ Exchange is NOT an investment advisor and does not endorse or recommend any securities or other investments. Market data and other information in this report, as well as reference materials and/or links to other sites, have been compiled from publicly available sources believed to be reliable and are for general informational purposes only. This report does not constitute any offer, recommendation, or solicitation to any person to enter any transaction or adopt any hedging, trading, or investment strategy, nor does it constitute any prediction to likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration contained therein. All rates and figures appearing are for illustrative purposes only. To the extent that the research data emanate from public sources, the accuracy or completeness of the information contained herein is not guaranteed and is not intended to be relied upon for investment purposes. All information is provided "as is" without warranty of any kind. FMDQ Exchange (and affiliates) and the third-party information providers make no representations and disclaim all express, implied, and statutory warranties of any kind to the user and/or any third-party including warranties as to accuracy, timeliness, completeness, merchantability, or fitness for any purpose. Unless, in the event of wilful tortious misconduct or gross negligence, FMDQ Exchange (and affiliates) and the third-party information providers have no liability in tort, contract, or otherwise (and as permitted by law, product liability), to user and/or any third party. FMDQ Exchange (and affiliates) and the third-party information providers shall under no circumstance be liable to user, and/or any third party for any lost profits or lost opportunity, indirect, special, consequential, incidental, or punitive damages whatsoever, even if FMDQ Exchange has been advised of the possibility of such damages.