



FINANCIAL MARKETS MONTHLY REPORT

JULY 2022

Glossary

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

Sources:

FMDO Securities Exchange Limited, DMO, CBN, NBS

Primary Market

Sovereign Securities

The DMO sold T.bills valued at ₦407.55bn across its fully subscribed auctions in July 2022, representing a 25.20% (₦137.32bn) MoM decrease in T-bills sold across its auctions in June 2022 (₦544.87bn).

Similarly, the DMO re-opened two (2) 10Y and one (1) 20Y FGN Bonds issues in July 2022, selling FGN Bonds worth ₦123.84bn (*subceiling the total amount of FGN Bonds offered¹ by ₦101.16bn*), representing a 45.23% (₦102.28bn) MoM decrease relative to June 2022 (₦226.12bn) for the same FGN Bond issues.

However, the CBN did not auction OMO Bills in the primary market in July 2022, compared to ₦40.00bn worth of OMO Bills sold in June 2022.

Treasury Bills Discount Rates in July 2022

91-day – 2.78%
2.46% (Jun. '22) ▲

182-day – 4.05%
3.81% (Jun. '22) ▲

364-day – 7.00%
6.19% (Jun. '22) ▲

FGN Bond Coupon Rates in July 2022

10Y – 12.00%
11.30% (Jun. '22) ▲

20Y – 13.75%
13.15% (Jun. '22) ▲

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

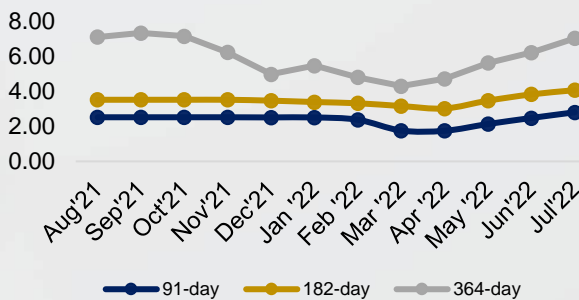


Chart 2: Trend in Average OMO Bills Discount Rate (%)

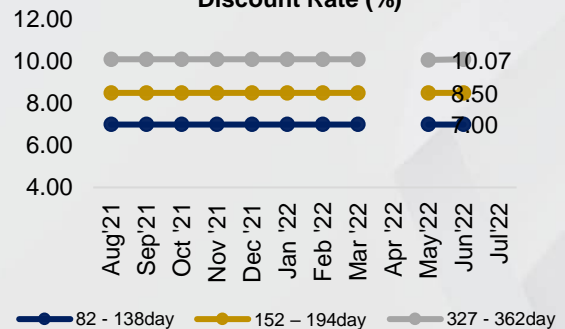


Table 1: Amount Sold (₦'bn)

Product	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22
T.bills	463.66	480.80	422.28	2,294.90	112.36	281.30	472.97	583.33	289.09	311.35	544.87	407.55
OMO Bills	60.00	100.00	99.00	80.00	130.00	130.00	270.00	170.00	0.00	180.01	40.00	0.00
FGN Bonds	260.09	277.05	192.76	225.25	99.99	170.64	415.42	297.01	348.58	378.41	226.12	123.84

Table 2: End Outstanding Volume (₦'bn)

Product	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22
T.Bills	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	4,504.79	4,504.80
OMO Bills	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	810.00	740.00
FGN Bonds	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	14,089.34	14,214.12

Notes:

1 – Amount Offered in July 2022 was ₦225.00bn

Primary Market

Non-Sovereign Securities

Total value of corporate bonds listed on FMDQ Exchange in July 2022 was ₦116.00bn representing a 205.26% (₦78.00bn) MoM increase on the value listed in June 2022. Corporate bond listings emanated solely from one (1) issuer in the Manufacturing sector.

Similarly, total value of CPs quoted on FMDQ Exchange in July 2022 was ₦21.16bn, representing a MoM decrease of 48.20% (₦19.69bn) from the value of CPs quoted in June 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (3), Manufacturing (2), Chemical Supply & Oil Field Services (1), Health & Pharma (1) and Real Estate (1).

In July 2022, total outstanding value for corporate bonds and CPs increased MoM by 10.95% (₦113.80bn) and 1.11% (₦5.78bn) to ₦1,153.50bn and ₦524.58bn respectively. (See Table 4)

Average Coupon Rates for Corporate Bonds in July 2022

5Y – 11.85%

7Y – 12.35%

10Y – 13.00%

Average Discount Rate for Quoted CPs in July 2022

226 days¹ – 12.98%
214 days – 11.57% ▲
(Jun. '22)

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

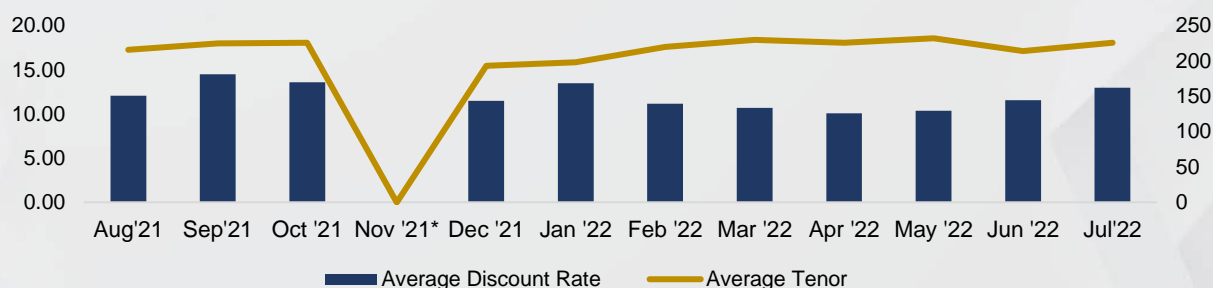


Table 3: Listings/Quotation Size (₦'bn)

Product	Aug. '21	Sep. '21	Oct. '21	Nov. '21*	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22
Corporate Bonds	50.00	0.00	110.00	3.00	1.25	0.00	92.50	45.30	0.00	10.00	38.00	116.00
CPs	70.09	14.80	9.83	0.00	48.54	5.52	97.82	72.06	120.95	166.48	40.85	21.16

Table 4: Total Outstanding Value (₦'bn)

Product	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22
Corporate Bonds	838.71	831.24	939.86	906.17	904.29	901.25	993.57	1,026.15	1,024.69	1,004.60	1,039.70	1,153.50
CPs	317.48	283.29	293.31	253.81	224.22	168.99	232.89	283.75	311.07	484.61	518.80	524.58

Notes:

1 – Average Tenors for the Period; * No CP was quoted in the respective months

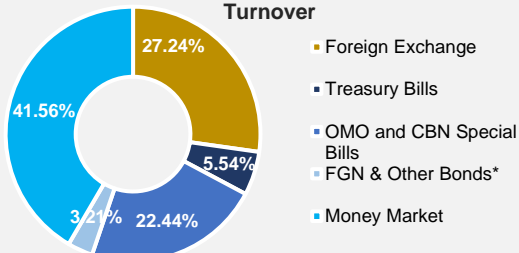
Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in July 2022 was ₦19.76trn, representing a MoM increase of 8.54% (1.55trn) and a YoY increase of 16.45% (₦2.79trn), respectively.

Money Market (MM) transactions dominated secondary market activity in July 2022, accounting for 41.56% of the total secondary market 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)

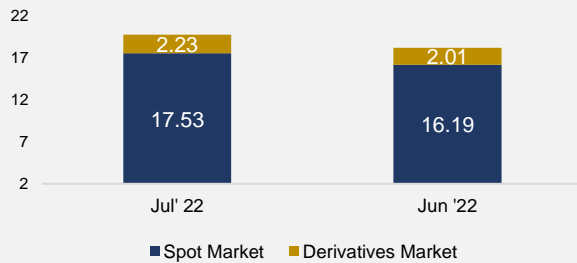
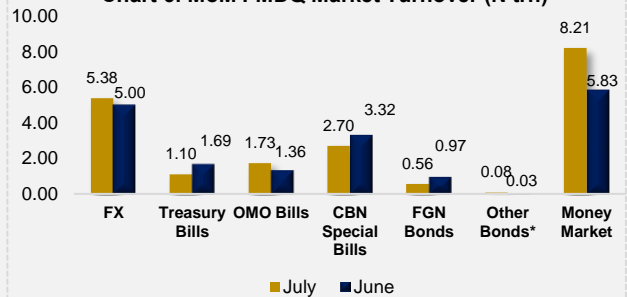


Chart 6: MoM FMDQ Market Turnover (₦trn)



Spot Market

Total spot market turnover for all products traded in the secondary market was ₦17.53trn in July 2022, representing a MoM increase of 8.30% (₦1.34trn) from the turnover recorded in June 2022.

The MoM increase in total spot market turnover was driven by the 40.82% (₦2.38trn) and 5.68% (₦0.17trn) increase in MM and FX transactions, respectively, which offset the 16.38% (₦1.21trn) decrease in fixed income (FI) transactions in July 2022.

The increase in MM turnover was driven majorly by an increase in Repo/Buy-Back transactions despite a sharp decline in Unsecured Placements/Takings transactions, while the decrease in FI turnover was driven by the MoM decrease in transactions for all FI products except OMO Bills and Other Bonds.

Chart 7: Spot Market Turnover and Percentage Contribution

FX Market

₦3.16trn

₦2.99trn (Jun. '22)

18.00%

Fixed Income Market

₦6.16trn

₦7.37trn (Jun. '22)

35.16%

Money Market

₦8.21trn

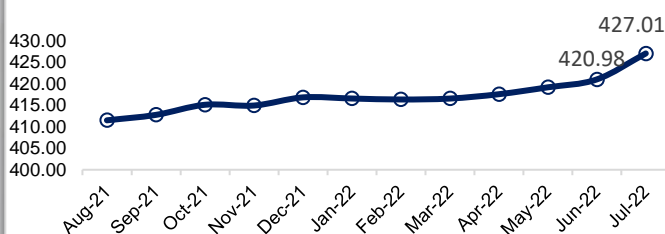
₦5.83trn (Jun. '22)

46.84%

Spot FX Market

FX market turnover was ₦3.16trn (\$7.40bn) in July 2022, representing a MoM increase of 5.68% (₦0.17trn) from the turnover recorded in June 2022 (₦2.99trn).

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



In the FX Market, the Naira depreciated against the US Dollar, with the exchange rate (\$/₦) increasing by 1.43% (\$/₦6.03) to close at an average of \$/₦427.01 in July 2022 from \$/₦420.98 recorded in June 2022. (See [Chart 8](#))

Further, exchange rate volatility increased marginally in July 2022 compared to June 2022 as the Naira traded within an exchange rate range of \$/₦424.17 - \$/₦431.00 in July 2022 compared to \$/₦419.00 - \$/₦425.50 recorded in June 2022.

Spot Fixed Income Market

FI market turnover was ₦6.16trn in July 2022, representing a MoM decrease of 16.38% (₦1.21trn) from the turnover recorded in June 2022 (₦7.37trn). The MoM decrease in the FI market turnover was driven by the decrease in T.bills, CBN Special Bills and FGN Bonds turnover by ₦1.63trn, despite the ₦0.42trn MoM increase in turnover for OMO Bills and Other Bonds. (See Chart 9)

As a result, the trading intensity (TI) for OMO Bills increased MoM by 0.54 points to 2.23 from 1.69 in the previous month of June 2022, while TI for T.bills and FGN Bonds decreased. (See Chart 10)

Chart 10: Trend in Trading Intensity

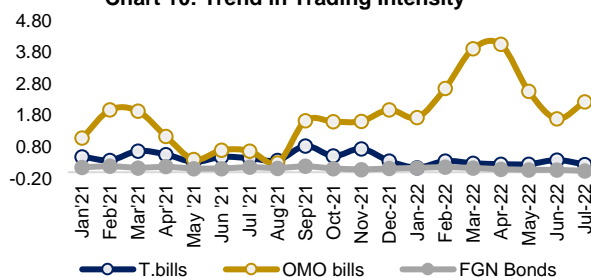


Chart 9: Fixed Income Market Turnover (₦'trn)

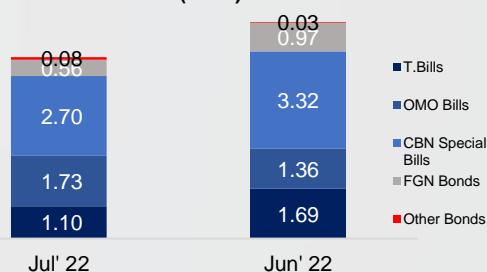
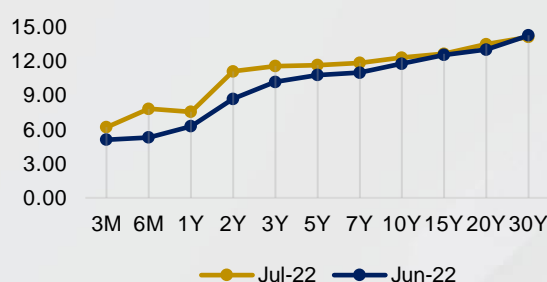


Chart 11: Sovereign Yield Curve (%)



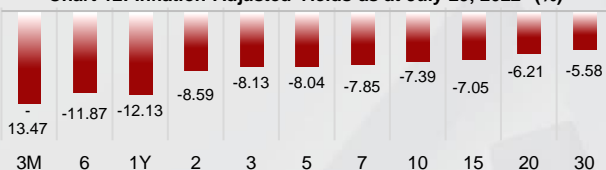
T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 48.80% (₦0.81trn) of turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of >15M – 20Y were the most traded long-term sovereign debt securities, accounting for 12.65% (₦0.21trn) 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
0.09	0.20	0.81	0.08	0.06	0.06	0.03	0.21	0.12	1.66

In July 2022, the yield spread between the 3M and 30Y sovereign debt securities decreased by 1.22ppts to 7.89ppts, indicating a flattening of the sovereign yield curve. (See Chart 11)

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

Chart 12: Inflation Adjusted Yields as at July 29, 2022* (%)



Spot Market – (Money Market)

Total turnover in the Money Market segment increased MoM by 40.82% (₦2.38trn) to ₦8.21trn in July 2022. The MoM increase was driven by the 42.84% (₦2.43trn) uptick in Repos/Buy-backs turnover, offsetting the 31.74% (₦0.05trn) MoM decrease in Unsecured Placement/Takings turnover in the month of July 2022 (See Chart 13)

The average O/N rate and OPR rate (secured lending rate) increased MoM by 2.85ppts and 3.04ppts respectively, to close at an average of 14.45% and 14.32% in July 2022. (See Chart 14)

Chart 13: Money Market Turnover (₦'trn)

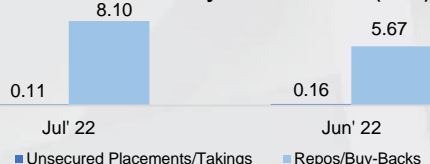
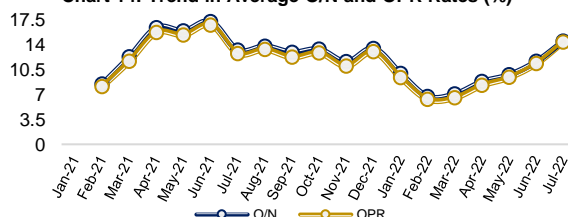


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:

*Adjusted with July 2022 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦2.23trn (\$5.20bn), representing a MoM increase of 10.95% (₦0.22trn) in July 2022.

The MoM increase in the FX derivatives turnover in July 2022 was driven solely by the 55.65% (₦0.45trn) increase in FX Swaps turnover, offsetting the 14.70% (₦0.13trn) and 38.90% (₦0.11trn) decrease in FX Forwards and FX Futures turnover respectively.

FX Swaps

₦1.27trn (\$2.95bn)

56.95%

FX Forwards

₦0.78trn (\$1.83bn)

34.98%

FX Futures

₦0.18trn (\$0.42bn)

8.07%

Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS JUL 27, 2022) expired and open positions with a total notional value (NV) of \$0.20bn were settled. A far month (60M) contract, NGUS JUL 28, 2027 was introduced at a Futures rate of \$/₦638.22, representing an increase of 0.89% (\$/₦5.62) in the Futures price relative to the Futures price (\$/₦632.60) of the previous far month contract (NGUS JUN 30, 2027).

The total NV of open OTC FX Futures contracts as at July 29, 2022, stood at circa \$3.76bn² representing a MoM decrease of 0.27% (\$0.01bn) and a YoY decrease of 10.90% (\$0.46bn) from its value as at June 30, 2022 and July 30, 2021, respectively.

Matured Contract

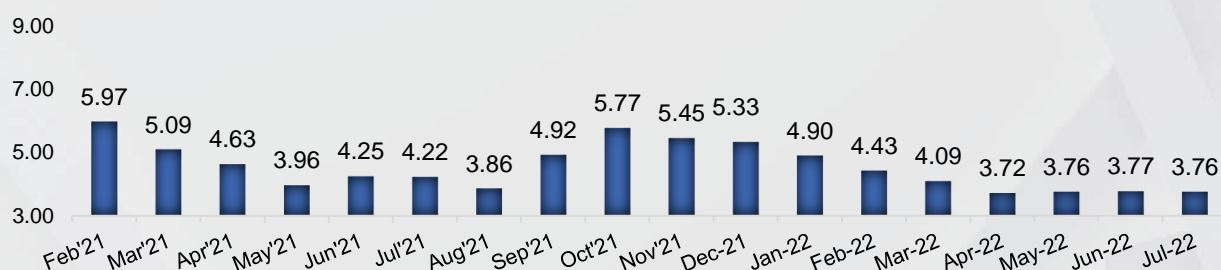
NGUS JUL 27, 2022
(\$/₦429.51)

New 60M Contract

NGUS JUL 28, 2027
(\$/₦638.22)

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 in July 2022 was \$0.20bn, representing a MoM decrease of 36.92% (\$0.12bn) relative to the turnover reported for June 2022 (\$0.32bn). In July 2022, OTC FX Futures market activity was concentrated within the 7 – 12M tenor range, which accounted for 55.59% (\$0.11bn) of the total turnover and sixteen (16) of the twenty-four (24) deals conducted in the period under review.

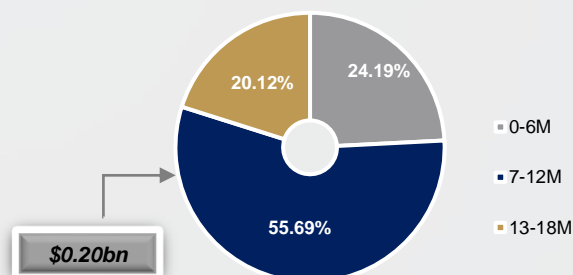
The NV of OTC FX Futures contracts traded across short-dated (0 – 12M) and long-dated (13 – 60M) contracts decreased by 35.24% (\$0.09bn) and 42.82% (\$0.03bn), to \$0.16bn and \$0.04bn, respectively.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 10M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.71bn) as at July 29, 2022

Derivatives Market../2

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



Average price of OTC FX Futures contracts and Deliverable Forwards in July 2022 increased MoM across all tenor buckets relative to June 2022. The average price of OTC FX Futures contracts within the 55 - 60M tenor range recorded the highest increase in price (i.e., depreciation of Nigerian Naira against the US Dollar) in July 2022. (See Table 5)

Similarly, the highest MoM increase in the price of Deliverable Forwards in July 2022 was recorded on the longest tenored contract (i.e., 12M contract). (See Table 6)

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
Jul-22	438.17	449.26	465.84	486.65	508.01	529.85	552.82	576.82	601.58	627.44
Jun-22	434.14	445.25	461.74	482.36	503.54	525.19	547.95	571.51	596.29	621.92
Change	4.03 ↓	4.01 ↓	4.10 ↓	4.29 ↓	4.47 ↓	4.66 ↓	4.87 ↓	5.31 ↓	5.29 ↓	5.52 ↓

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

	1M	2M	3M	6M	12M
Jul-22	428.04	432.31	435.75	448.87	473.02
Jun-22	424.66	428.20	431.76	444.09	466.64
Change	3.38 ↓	4.11 ↓	3.99 ↓	4.78 ↓	6.38 ↓

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