



FINANCIAL MARKETS MONTHLY REPORT

AUGUST 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 ₦446.15bn across its fully subscribed auctions in August 2022, representing a 9.47% (₦38.60bn) MoM increase on the value of T-bills sold across its auctions in July 2022 (₦407.55bn).

Similarly, the DMO sold FGN Bonds worth ₦200.58bn (less than the total amount of FGN Bonds offered¹ by ₦24.42bn) via two (2) 10Y and one (1) 20Y reopenings in August 2022. However, this represents a 61.97% (₦76.74bn) MoM increase relative to July 2022 (₦123.84bn) for the same FGN Bond issues.

However, for the second consecutive month, the CBN did not auction OMO Bills in August 2022.

Treasury Bills Discount Rates in August 2022

91-day – 3.75%
2.78% (Jul. '22) ▲

182-day – 4.75%
4.05% (Jul. '22) ▲

364-day – 7.98%
7.00% (Jul. '22) ▲

FGN Bond Coupon Rates in August 2022

10Y – 13.00%
12.00% (Jul. '22) ▲

20Y – 14.00%
13.75% (Jul. '22) ▲

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

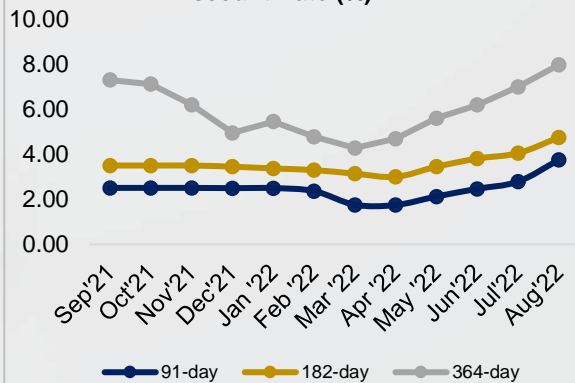


Chart 2: Trend in Average OMO Bills Discount Rate (%)

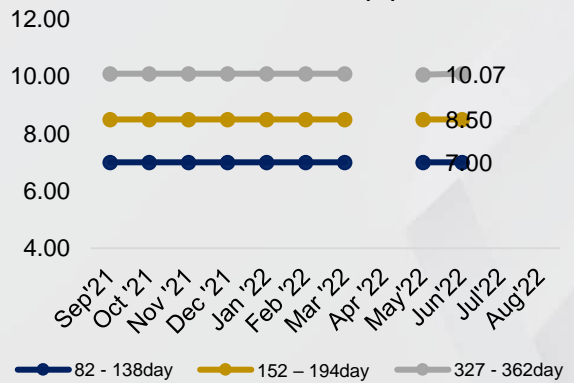


Table 1: Amount Sold (₦'bn)

Product	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22
T.bills	480.80	422.28	2,294.90	112.36	281.30	472.97	583.33	289.09	311.35	544.87	407.55	446.15
OMO Bills	100.00	99.00	80.00	130.00	130.00	270.00	170.00	0.00	180.01	40.00	0.00	0.00
FGN Bonds	277.05	192.76	225.25	99.99	170.64	415.42	297.01	348.58	378.41	226.12	123.84	200.58

Table 2: End Outstanding Volume (₦'bn)

Product	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug'22
T.Bills	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	4,504.80
OMO Bills	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	605.00
FGN Bonds	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	14,414.32

Notes:

1 – Amount Offered in August 2022 was ₦225.00bn

Primary Market

Non-Sovereign Securities

Total value of corporate bonds listed on FMDQ Exchange in August 2022 was ₦27.28bn representing a 76.48% (₦88.72bn) MoM decrease from the value of corporate bonds listed in July 2022. Corporate bond listings emanated solely from two (2) issuers in the Infrastructure and Information & Communication Technology sectors.

As a result, the total outstanding value for corporate bonds increased MoM by 2.35% (₦27.09bn) to ₦1,180.59bn.

Similarly, the total value of CPs quoted on FMDQ Exchange in August 2022 was ₦29.05bn, representing a MoM increase of 37.28% (₦7.89bn) from the value of CPs quoted in July 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (3), Agriculture (2), Real Estate (4), Health & Pharma (1), Commodities Trading (1) and Logistics (1).

In August 2022, CPs with a total value of ₦58.74bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 5.66% (₦29.69bn) to ₦494.89bn. (See Table 4)

Average Coupon Rates for Corporate Bonds in August 2022

5Y – 14.00%

20Y – 13.25%

Average Discount Rate for Quoted CPs in August 2022

240 days¹ – 13.76% ▲
226 days – 12.98% (Jul. '22)

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

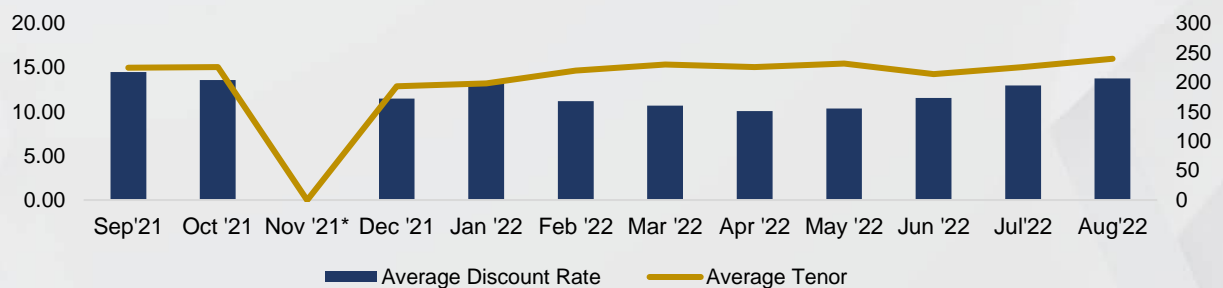


Table 3: Listings/Quotation Size (₦'bn)

Product	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22
Corporate Bonds	0.00	110.00	3.00	1.25	0.00	92.50	45.30	0.00	10.00	38.00	116.00	27.28
CPs	14.80	9.83	0.00	48.54	5.52	97.82	72.06	120.95	166.48	40.85	21.16	29.05

Table 4: Total Outstanding Value (₦'bn)

Product	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22
Corporate Bonds	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	1,180.59
CPs	283.29	293.31	253.81	224.22	168.99	232.89	283.75	311.07	484.61	518.80	524.58	494.89

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 August 2022 was ₦15.53trn, representing a MoM decrease of 21.40% (4.23trn) and a YoY increase of 26.00% (₦3.20trn), respectively.

Money Market (MM), CBN Bills¹ and FX Markets transactions dominated secondary market activity in August 2022, accounting for 88.38% of the total secondary market turnover. (See Chart 5)

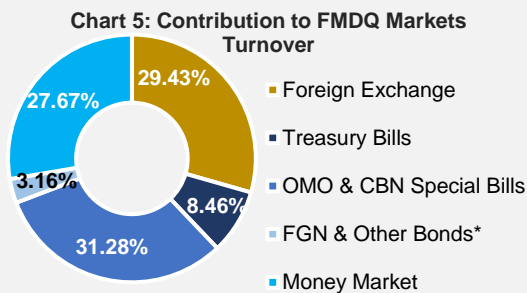


Chart 4: FMDQ Markets Turnover (₦trn)

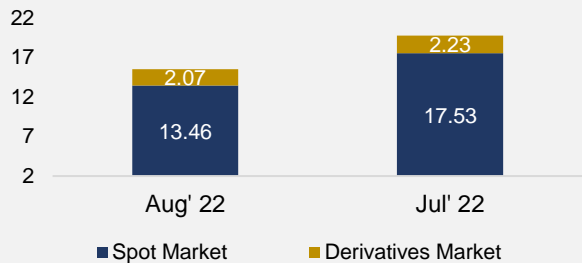
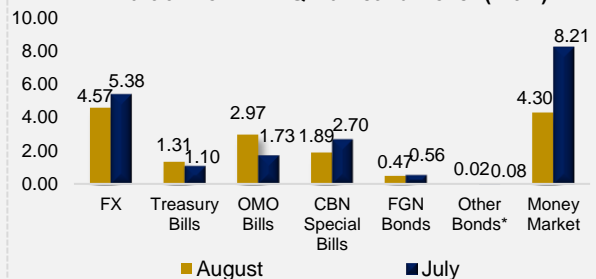


Chart 6: MoM FMDQ Market Turnover (₦trn)



Spot Market

Total spot market turnover for all products traded in the secondary market was ₦13.46trn in August 2022, representing a MoM decrease of 23.22% (₦4.07trn) from July 2022 figures.

The MoM decrease in spot market activity was driven by the 47.67% (₦3.91trn) and 20.81% (₦0.66trn) decrease in MM and FX transactions, respectively, despite the 8.11% (₦0.50trn) increase in fixed income (FI) transactions in August 2022.

The decrease in MM turnover was driven by a decrease in Repo/Buy-Back transactions, while the increase in FI turnover was jointly driven by MoM increases in T.bills and OMO Bills turnover, offsetting the decline in the turnover figures for other FI products.

Chart 7: Spot Market Turnover and Percentage Contribution

FX Market

₦2.50trn

₦3.16trn (Jul. '22)

▶ 18.57%

Fixed Income Market

₦6.66trn

₦6.16trn (Jul. '22)

▶ 49.48%

Money Market

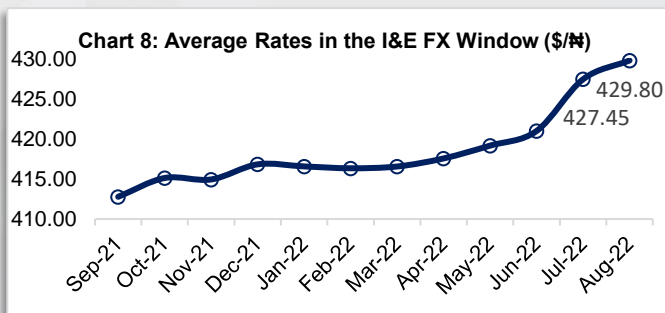
₦4.30trn

₦8.21trn (Jul. '22)

▶ 31.95%

Spot FX Market

FX market turnover was ₦2.50trn (\$5.82bn) in August 2022, representing a MoM decrease of 20.81% (₦0.66trn) from the turnover recorded in July 2022 (₦3.16trn).



In the FX Market, the Naira depreciated against the US Dollar, with the exchange rate (\$/₦) increasing by 0.55% (\$/₦2.35) to close at an average of \$/₦429.80 in August 2022 from \$/₦427.45 recorded in July 2022. (See Chart 8)

Further, exchange rate volatility decreased in August 2022 compared to July 2022 as the Naira traded within an exchange rate range of \$/₦428.13 - \$/₦431.00 in August 2022 compared to \$/₦424.17 - \$/₦431.00 recorded in July 2022.

Notes:

1 - Refers to Open Market Operations ("OMO") and CBN Special Bills

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

Spot Fixed Income Market

FI market turnover was ₦6.66trn in August 2022, representing a MoM increase of 8.11% (₦0.50trn) from the turnover recorded in July 2022 (₦6.16trn). The MoM increase in the FI market turnover was driven by the increase in T.bills and OMO Bills, offsetting the combined MoM decrease of ₦0.96trn in turnover for CBN Special Bills, FGN Bonds and Other Bonds. (See Chart 9)

As a result, the trading intensity (TI) for T.bills and OMO Bills for August 2022 increased MoM by 0.05 and 2.15 points to 0.29 and 4.36 respectively, while TI for FGN Bonds decreased marginally. (See Chart 10)

Chart 9: Fixed Income Market Turnover (₦trn)

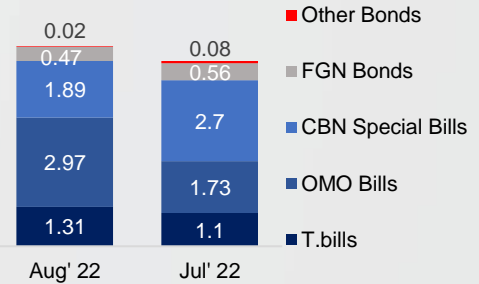


Chart 10: Trend in Trading Intensity

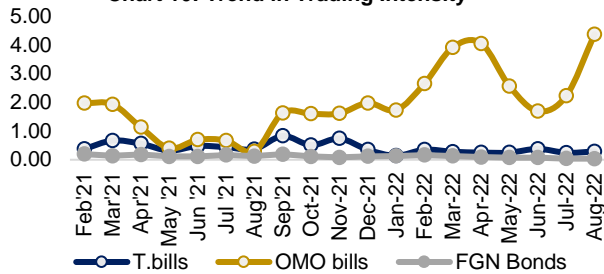
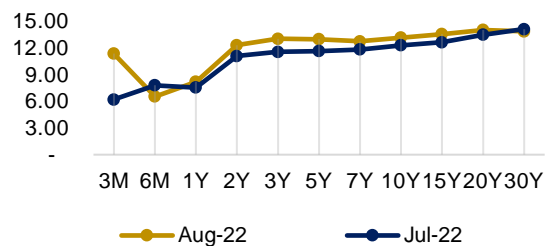


Chart 11: Sovereign Yield Curve (%)



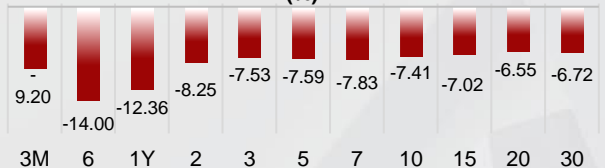
T.bills and FGN Bonds within the >6M – 12M and >15Y – 20Y tenor/time-to-maturity ranges, were the most traded sovereign FI securities, accounting for 56.74% (₦1.01trn) and 8.43% (₦0.15trn) of turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.05	0.25	1.01	0.04	0.07	0.10	0.06	0.15	0.05	1.78

In August 2022, the yield spread between the 3M and 30Y sovereign FI securities decreased by 5.41ppts to 2.48ppts, indicating a flattening of the sovereign yield curve. (See Chart 11)

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

Chart 12: Inflation Adjusted Yields as at August 31, 2022[^] (%)



Spot Market – (Money Market)

Total turnover in the MM segment decreased MoM by 47.67% (₦3.91trn) to ₦4.30trn in August 2022. The MoM decrease was solely driven by the 48.27% (₦3.91trn) decline in Repos/Buy-backs turnover, while the turnover for Unsecured Placement/Takings remained constant at ₦0.11trn in the month of August 2022 (See Chart 13)

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 0.46ppts and 0.74ppts respectively, to close at an average of 13.99% and 13.58% in August 2022. (See Chart 14)

Chart 13: Money Market Turnover (₦trn)

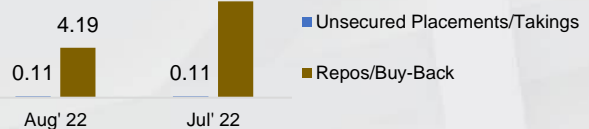
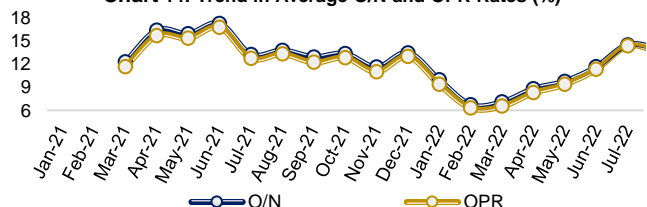


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:

[^]Adjusted with August 2022 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦2.07trn (\$4.82bn) in August 2022, representing a MoM decrease of 7.17% (₦0.16trn) from July 2022 figures.

The MoM decrease in the FX derivatives turnover in August 2022 was driven jointly by the 6.41% (₦0.05trn) and 25.20% (₦0.32trn) decline in FX Forwards and FX Swaps turnover respectively, despite the 116.67% (₦0.21trn) uptick in FX Futures turnover.

FX Swaps

₦0.95trn (\$2.21bn) ▶ 45.89%

FX Forwards

₦0.73trn (\$1.72bn) ▶ 35.27%

FX Futures

₦0.39trn (\$0.90bn) ▶ 18.84%

Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS AUG 31, 2022) expired and open positions with a total notional value (NV) of \$0.49bn were settled. A far month (60M) contract, NGUS AUG 25, 2027 was introduced at a Futures rate of \$/₦652.29, representing an increase of 2.20% (\$/₦14.07) in the Futures price relative to the Futures price (\$/₦638.22) of the previous far month contract (NGUS JUL 28, 2027).

The total NV of open OTC FX Futures contracts as at August 31, 2022, stood at circa \$3.83bn² representing a MoM increase of 1.86% (\$0.07bn) and a YoY decrease of 0.78% (\$0.03bn) from its value as at July 29, 2022 and August 31, 2021, respectively.

Matured Contract

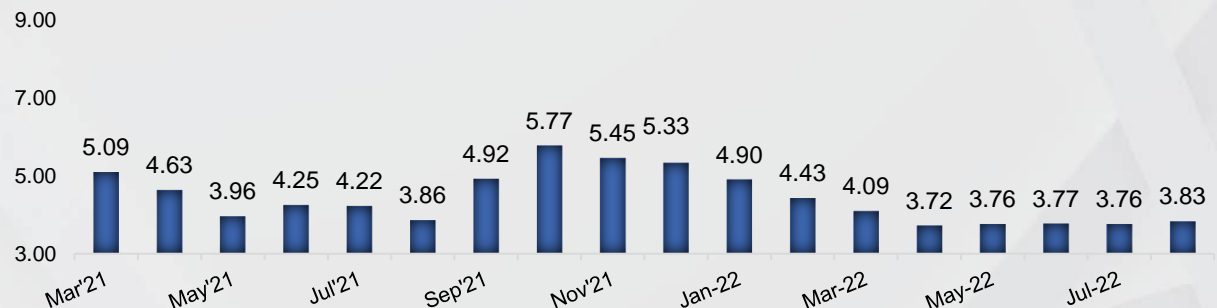
NGUS AUG 31, 2022
(\$/₦433.54)

New 60M Contract

NGUS AUG 25, 2027
(\$/₦652.29)

NV of Open Positions
in OTC FX Futures
Contracts –\$3.83bn ▲

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



The total NV of OTC FX Futures contracts traded in August 2022 was \$0.56bn, representing a MoM increase of 177.62% (\$0.36bn) relative to the turnover reported for July 2022 (\$0.20bn). In August 2022, OTC FX Futures market activity was concentrated within the 7 – 12M tenor range, which accounted for 85.77% (\$0.48bn) of the total turnover and sixteen (16) of the thirty-five (35) deals conducted in the period under review.

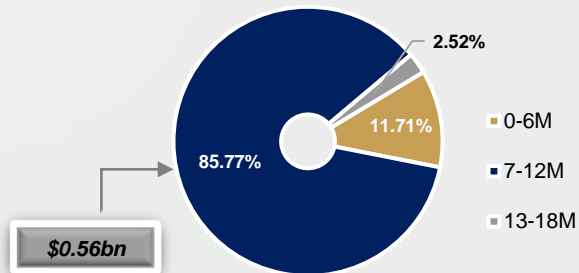
The NV of OTC FX Futures contracts traded across short-dated (0 – 12M) contracts increased by 238.79% (\$0.38bn) to \$0.54bn while the NV of OTC FX Futures contracts traded across the long-dated (13 – 60M) contracts decreased by 65.17% (\$0.03bn) to \$0.01bn.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 9M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.72bn) as at August 31, 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 August 2022 increased MoM across all tenor buckets relative to July 2022. The average price of OTC FX Futures contracts within the 55 - 60M tenor range recorded the highest increase in price (i.e., expected depreciation of Nigerian Naira against the US Dollar) in August 2022. (See Table 5)

Conversely, the highest MoM increase in the price of Deliverable Forwards in August 2022 was recorded on the shortest tenored contract (i.e., 1M 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
Aug-22	445.12	458.36	476.12	497.37	519.21	541.53	565.01	589.30	614.84	641.28
Jul-22	438.17	449.26	465.84	486.65	508.01	529.85	552.82	576.82	601.58	627.44
Change	6.95 ↓	9.10 ↓	10.28 ↓	10.72 ↓	11.20 ↓	11.68 ↓	12.19 ↓	12.72 ↓	13.27 ↓	13.83 ↓

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

	1M	2M	3M	6M	12M
Aug-22	434.01	436.90	439.91	451.89	476.03
Jul-22	428.04	432.31	435.75	448.87	473.02
Change	5.97 ↓	4.59 ↓	4.16 ↓	3.02 ↓	3.01 ↓

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