



FINANCIAL MARKETS MONTHLY REPORT

OCTOBER 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

Note:

Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

Primary Market

Sovereign Securities

The DMO sold T.bills valued at ₦144.00bn across its auctions in October 2022, representing a 73.99% (₦409.66bn) MoM decrease on the value of T-bills sold across its auctions in September 2022 (₦553.66bn).

Similarly, the DMO re-opened two (2) 10Y and one (1) 20Y FGN Bonds worth ₦107.88bn in October 2022 (lagging the total amount of FGN Bonds offered¹ by ₦117.12bn). Likewise, this represents a 58.75% (₦153.62bn) MoM decrease relative to the amount sold in September 2022 (₦261.50bn) for the same FGN Bond maturities.

In the review month, the CBN did not auction OMO Bills in the primary market compared to ₦25.60bn worth of bills sold in September 2022.

Treasury Bills Discount Rates in Oct. 2022

91-day – 6.49%
5.83% (Sep. '22) ▲

182-day – 6.32%
6.45% (Sep. '22) ▼

364-day – 13.75%
10.58% (Sep. '22) ▲

FGN Bond Coupon Rates in Oct. 2022

10Y – 14.75%
13.67% (Sep. '22) ▲

20Y – 16.00%
14.50% (Sep. '22) ▲

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

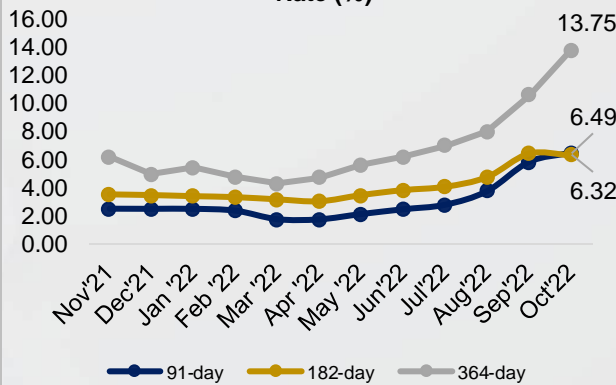


Chart 2: Trend in Average OMO Bills Discount Rate (%)

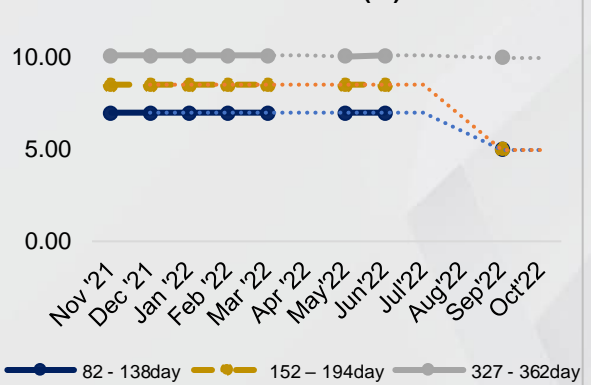


Table 1: Value of New Issuances (₦'bn)

| Product | Nov. '21 | Dec. '21 | Jan. '22 | Feb. '22 | Mar. '22 | Apr. '22 | May '22 | Jun. '22 | Jul. '22 | Aug. '22 | Sep. '22 | Oct. '22 |
|-----------|----------|----------|----------|----------|----------|----------|---------|----------|----------|----------|----------|----------|
| T.bills | 2,294.90 | 112.36 | 281.30 | 472.97 | 583.33 | 289.09 | 311.35 | 544.87 | 407.55 | 446.15 | 553.66 | 144.00 |
| OMO Bills | 80.00 | 130.00 | 130.00 | 270.00 | 170.00 | 0.00 | 180.01 | 40.00 | 0.00 | 0.00 | 25.60 | 0.00 |
| FGN Bonds | 225.25 | 99.99 | 170.64 | 415.42 | 297.01 | 348.58 | 378.41 | 226.12 | 123.84 | 200.58 | 261.50 | 107.88 |

Table 2: Value of Outstanding Securities (₦'bn)

| Product | Nov. '21 | Dec. '21 | Jan. '22 | Feb. '22 | Mar. '22 | Apr. '22 | May '22 | Jun. '22 | Jul. '22 | Aug. '22 | Sep. '22 | Oct. '22 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| T.Bills | 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 | 4,542.78 | 4,225.63 |
| OMO Bills | 1,863.69 | 1,863.69 | 1,460.69 | 940.95 | 758.95 | 850.00 | 770.00 | 810.00 | 740.00 | 605.00 | 600.00 | 500.00 |
| FGN Bonds | 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 | 14,419.34 | 14,788.29 |

Notes:

1 – Amount Offered in October 2022 was ₦225.00bn

Primary Market

Non-Sovereign Securities

The total value of corporate bonds listed on FMDQ Exchange in October 2022 was ₦50.09bn compared to the previous month when no corporate bonds were listed on the Exchange. Corporate bond listings emanated solely from two (2) issuers in the Financial Services and the Power & Utility sectors. As a result, the total outstanding value for corporate bonds increased MoM by 3.64% (₦42.55bn) to ₦1,212.36bn.

The total value of CPs quoted on FMDQ Exchange in October 2022 was ₦66.51bn, representing a MoM increase of 196.92% (₦44.11bn) from the value of CPs quoted in September 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (8), Real Estate (2), Agriculture (1), Oil & Gas (1), Logistics (1) and Telecommunications (1).

In October 2022, CPs with a total value of ₦139.69bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 15.00% (₦73.18bn) to ₦414.55bn.

(See Table 4)

Average Discount Rates for Quoted CPs

| Tenor | Oct. 22 | Sep. 22 | Trend |
|----------------|---------|---------|-------|
| <=90 days | 16.00% | - | N/A |
| 91 – 180 days | 15.25% | - | N/A |
| 181 – 270 days | 16.05% | 16.43% | ▼ |

Average Coupon Rates for Listed Corporate Bonds

| Tenor | Oct. 22 | Sep. 22 | Trend |
|----------------|---------|---------|-------|
| <=5 years | 13.50 | - | N/A |
| >5 – 10 years | 14.50 | - | N/A |
| >10 – 20 years | - | - | N/A |
| >20 years | - | - | N/A |

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

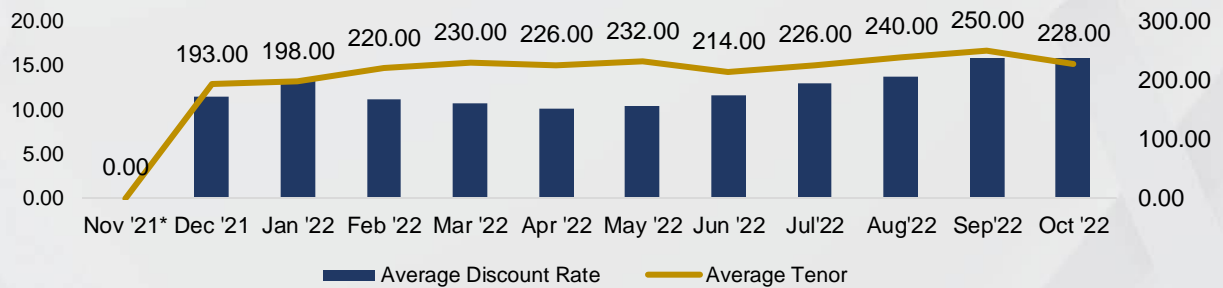


Table 3: Value of New Listings/Quotations (₦'bn)

| Product | Nov. '21 | Dec. '21 | Jan. '22 | Feb. '22 | Mar. '22 | Apr. '22 | May '22 | Jun '22 | Jul '22 | Aug '22 | Sep '22 | Oct '22 |
|-----------------|----------|----------|----------|----------|----------|----------|---------|---------|---------|---------|---------|---------|
| Corporate Bonds | 3.00 | 1.25 | 0.00 | 92.50 | 45.30 | 0.00 | 10.00 | 38.00 | 116.00 | 27.28 | 0.00 | 50.09 |
| CPs | 0.00 | 48.54 | 5.52 | 97.82 | 72.06 | 120.95 | 166.48 | 40.85 | 21.16 | 29.05 | 22.40 | 66.51 |

Table 4: Outstanding Value of Admitted Corporate Bonds and CPs (₦'bn)

| Product | Nov. '21 | Dec. '21 | Jan. '22 | Feb. '22 | Mar. '22 | Apr. '22 | May '22 | Jun '22 | Jul '22 | Aug '22 | Sep '22 | Oct '22 |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Corporate Bonds | 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 | 1,169.81 | 1,212.36 |
| CPs | 253.81 | 224.22 | 168.99 | 232.89 | 283.75 | 311.07 | 484.61 | 518.80 | 524.58 | 494.89 | 487.73 | 414.55 |

Notes:

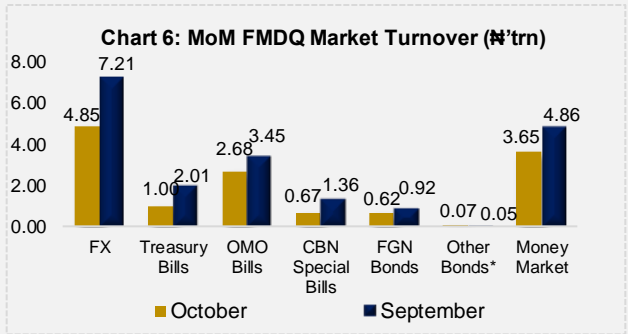
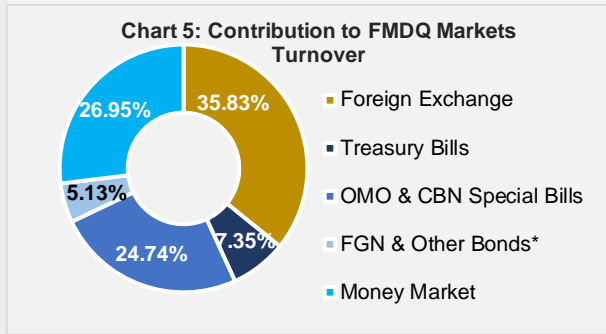
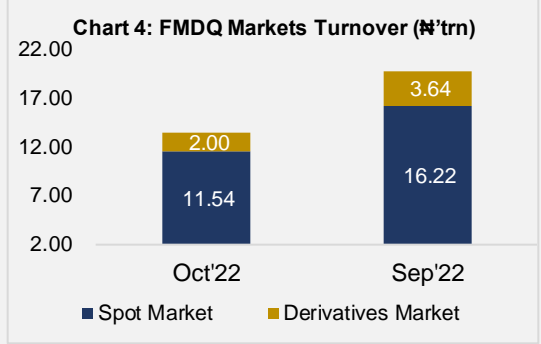
* No CP was quoted in the respective months

Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in October 2022 was ₦13.54trn, representing a MoM decrease of 31.84% (6.33trn) and a YoY decrease of 21.33% (₦3.67trn) from September 2022 and October 2021 figures respectively.

Foreign Exchange (FX), Money Market (MM) and CBN Bills¹ transactions dominated secondary market activity in October 2022, accounting for 87.52% of the total secondary market turnover. (See Chart 5)



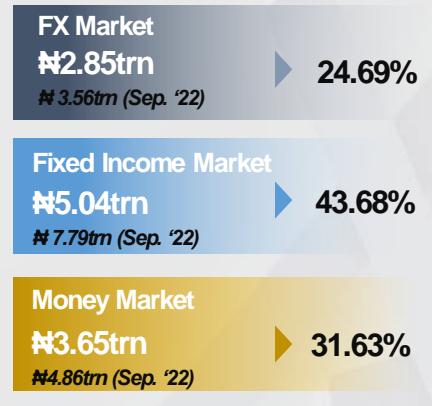
Spot Market

Total spot market turnover for all products traded in the secondary market was ₦11.54trn in October 2022, representing a MoM decrease of 28.88% (₦4.68trn) from September 2022 figures.

The MoM decrease in total spot market turnover was driven by a decrease in turnover across all products, especially Fixed Income (FI) turnover which decreased MoM by 35.34% (₦2.75trn), likewise MM and FX turnover decreased in October 2022 by 24.97% (₦1.21trn) and 20.07% (₦0.72trn), respectively.

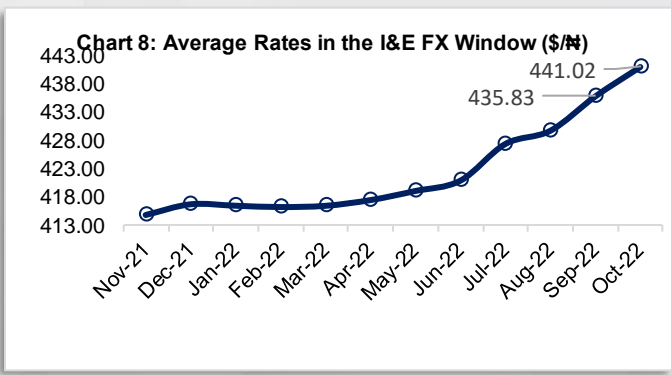
The slump in MM turnover was jointly driven by MoM decreases in all Money Market products and largely in Unsecured Placements/Takings whilst the decline in Fixed Income turnover was mutually driven by MoM decreases in all Fixed Income products excluding Other Bonds* which marginally increased in the review month.

Chart 7: Spot Market Turnover and Percentage Contribution



Spot FX Market

Spot FX market turnover was ₦2.85trn (\$6.46bn) in October 2022, representing a MoM decrease of 20.07% (₦0.72trn) from the turnover recorded in September 2022 (₦3.56trn).



In the Spot FX Market, the Naira depreciated against the US Dollar, with the exchange rate (\$/₦) increasing by 1.19% (\$/₦5.19) to close at an average of \$/₦441.02 in October 2022 from \$/₦435.83 recorded in September 2022 (See Chart 8)

Further, exchange rate volatility increased in October 2022 compared to September 2022 as the Naira traded within an exchange rate range of \$/₦436.63 - \$/₦444.75 compared to \$/₦430.00 - \$/₦437.03 recorded in September 2022

Notes:

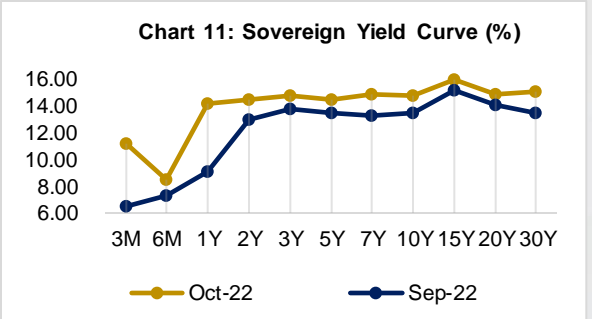
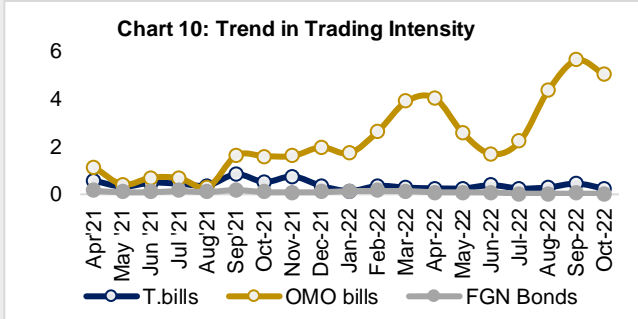
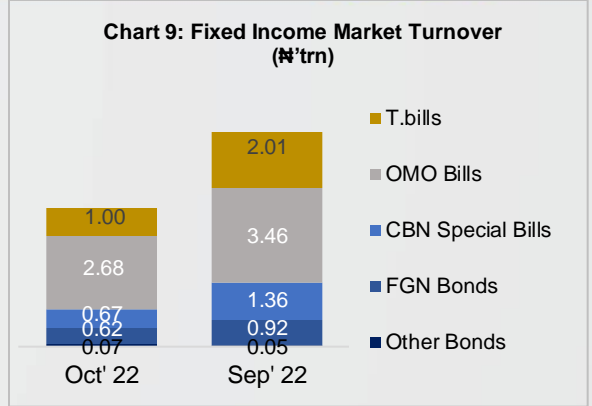
1 – Refers to Open Market Operations (“OMO”) and CBN Special Bills

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

Spot Fixed Income Market

FI market turnover was ₦5.04trn in October 2022, representing a MoM decrease of 35.34% (₦2.75trn) from the turnover recorded in September 2022 (₦7.79trn). The MoM decrease in the FI market turnover was driven by the decrease in T.bills, OMO Bills, CBN Special Bills as well as FGN Bonds turnover which offset the MoM marginal increase of 38.16% (₦0.02trn) in Other Bonds turnover. (See Chart 9)

As a result, the trading intensity (TI) for T.bills, OMO Bills and FGN Bonds decreased MoM by 0.22, 0.63 and 0.02 points to 0.23, 5.02 and 0.04, respectively. (See Chart 10)

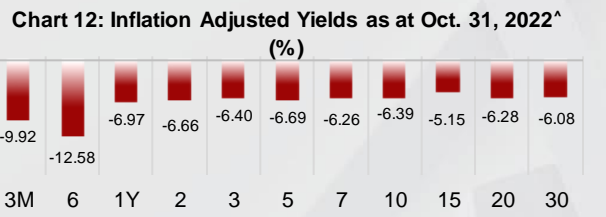


T.bills and FGN Bonds within the >6M – 12M and >10Y – 15Y tenors respectively were the most traded sovereign FI securities, accounting for 48.77% (₦0.79trn) and 17.90% (₦0.29trn) of the sovereign FI turnover in the spot market, respectively. (See table below)

| 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 | 0.15 | 0.79 | 0.06 | 0.07 | 0.14 | 0.29 | 0.02 | 0.05 | 1.62 |

In October 2022, the yield spread between the 3M and 30Y sovereign FI securities decreased by 3.15ppts to 3.84ppts, indicating a flattening of the sovereign yield curve (See Chart 11).

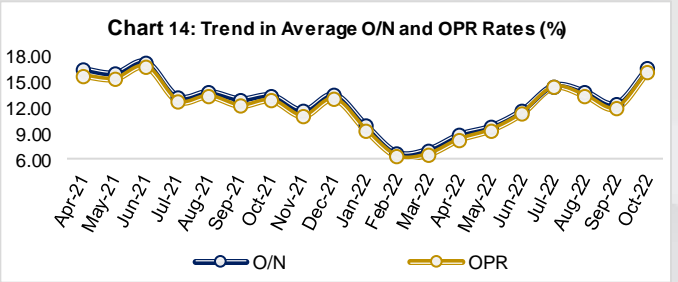
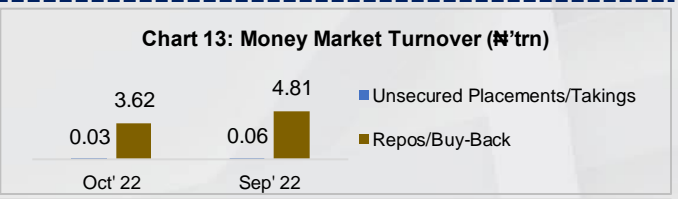
Real (inflation-adjusted) yields remained negative across the yield curve in October 2022 (See Chart 12).



Spot Market – (Money Market)

Total turnover in the MM segment decreased MoM by 24.97% (₦1.21trn) to ₦3.65trn in October 2022. The MoM decrease was jointly driven by the 24.77% (₦1.19trn) and 41.69% (₦0.02trn) 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 MoM by 4.11ppts and 4.20ppts respectively, to close at an average of 16.47% and 16.08% in October 2022 (See Chart 14).



Notes:
^Adjusted with October 2022 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦2.00trn (\$4.54bn) in October 2022, representing a MoM decrease of 45.06% (₦1.64trn) from September 2022 figures.

The MoM decrease in the FX derivatives turnover in October 2022 was jointly driven by the 28.16% (₦0.29trn), 46.13% (₦0.81trn) and 61.97% (₦0.54trn) decrease across FX Forwards, FX Swaps and FX Futures turnover, respectively.

FX Swaps

₦0.94trn (\$2.14bn)

▶ 47.00%

FX Forwards

₦0.73trn (\$1.64bn)

▶ 36.50%

FX Futures

₦0.33trn (\$0.75bn)

▶ 16.50%

Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS OCT 26, 2022) expired and open positions with a total notional value (NV) of \$0.49bn were settled. A far month (60M) contract, NGUS OCT 27, 2027 was introduced at a Futures rate of \$/₦673.37, representing an increase of 2.13% (\$/₦14.06) in the Futures price relative to the Futures price (\$/₦659.31) of the previous far month contract (NGUS SEP 29, 2027).

The total NV of open OTC FX Futures contracts as at October 31, 2022, stood at circa \$4.11bn² representing a MoM decrease of 1.67% (\$0.07bn) and a YoY decrease of 28.77% (\$1.66bn) from its value as at September 30, 2022 and October 31, 2021, respectively.

Matured Contract

NGUS OCT 26, 2022
(\$/₦492.95)

New 60M Contract

NGUS OCT 27, 2027
(\$/₦673.37)

NV of Open Positions
in OTC FX Futures
Contracts –\$4.11bn

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



The total NV of OTC FX Futures contracts traded in October 2022 was \$0.42bn, representing a MoM decrease of 57.71% (\$0.58bn) relative to the turnover reported for September 2022 (\$1.00bn). In the review month, OTC FX Futures market activity was concentrated within the 13 – 18M tenor range, which accounted for 62.00% (\$0.26bn) of the total turnover and twelve (12) of the twenty-three (23) deals conducted in October 2022.

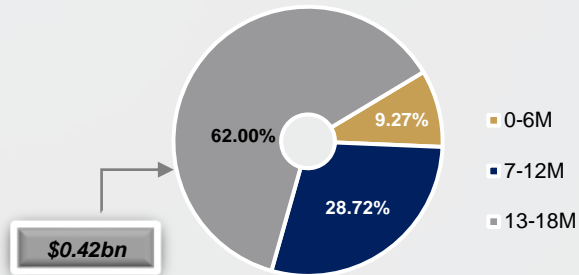
The NV of OTC FX Futures contracts traded across short-dated (0 – 12M) contracts decreased by 53.17% (\$0.18bn) to \$0.16bn likewise, the NV of OTC FX Futures contracts traded across the long-dated (13 – 60M) contracts decreased by 60.08% (\$0.39bn) to \$0.26bn.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 7M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.73bn) as at October 31, 2022

Derivatives Market..2

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



The average price of OTC FX Futures contracts and Deliverable Forwards in October 2022 increased MoM across all tenor buckets relative to September 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 October 2022. (See Table 5)

Additionally, the 6M deliverable FX Forward contracts recorded the highest MoM increase in price in October 2022. (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 |
|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| Oct-22 | 460.22 | 473.39 | 491.50 | 513.46 | 535.99 | 559.04 | 583.27 | 608.35 | 634.71 | 662.00 |
| Sep-22 | 454.05 | 464.52 | 481.23 | 502.73 | 524.80 | 547.37 | 571.09 | 595.65 | 621.46 | 648.18 |
| Change | 6.17 ↓ | 8.87 ↓ | 10.27 ↓ | 10.72 ↓ | 11.19 ↓ | 11.67 ↓ | 12.18 ↓ | 12.70 ↓ | 13.25 ↓ | 13.82 ↓ |

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

| | 1M | 2M | 3M | 6M | 12M |
|--------|--------|--------|--------|--------|--------|
| Oct-22 | 449.34 | 452.31 | 458.49 | 476.31 | 501.41 |
| Sep-22 | 446.77 | 448.03 | 453.14 | 467.92 | 495.21 |
| Change | 2.57 ↓ | 4.28 ↓ | 5.35 ↓ | 8.39 ↓ | 6.20 ↓ |

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