

Chart 1: FIC Market Turnover (₦trn)

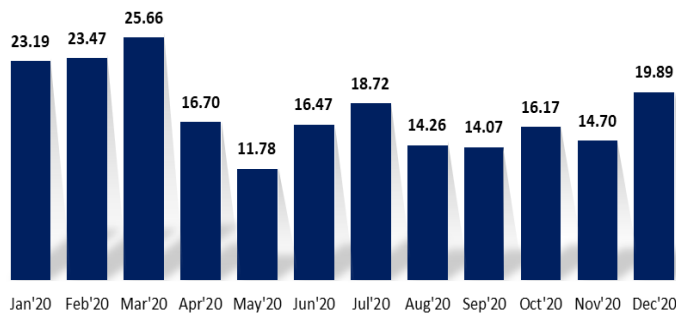


Chart 2: Contribution to FIC Market Turnover (%)

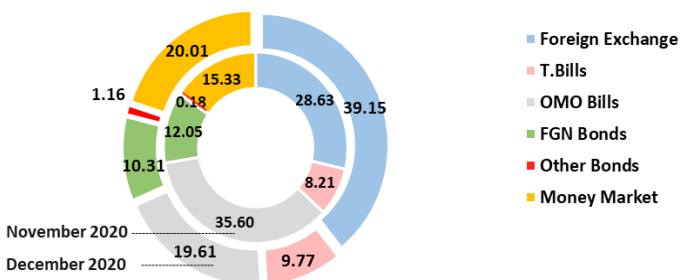
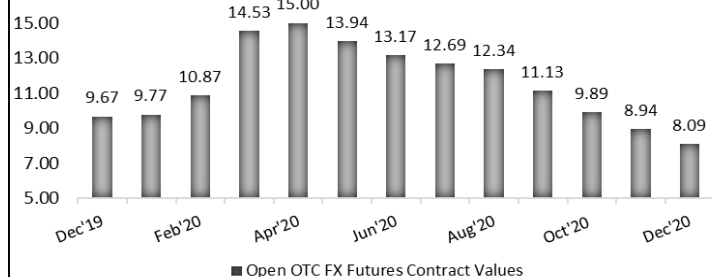


Table 1 - FX Market Turnover (\$'bn)

Trade Type	Product Type	December	November	MoM Δ ⁵ (\$'bn)	MoM Δ (%)
Inter-Member*	FX Spot	0.64	1.03	(0.39)	(37.86)
	FX Forwards	0.01	0.01	0.00	0.00
	FX Swaps	0.24	0.18	0.06	33.33
	FX Futures	0.00	0.00	0.00	N/A
	Others**	0.30	0.36	(0.06)	(16.67)
	FX Derivatives	0.55	0.55	0.00	0.00
	Total	1.19	1.58	(0.39)	(24.68)
Member-Client	FX Spot	4.72	2.64	2.08	78.79
	FX Forwards	1.04	0.87	0.17	19.54
	FX Swaps	4.84	3.18	1.66	52.20
	FX Futures	1.04	0.36	0.68	188.89
	Others	0.27	0.23	0.04	17.39
	FX Derivatives	7.19	4.64	2.55	54.96
	Total	11.91	7.28	4.63	63.60
Member-CBN	FX Spot	1.44	0.58	0.86	148.28
	FX Forwards	0.94	1.02	(0.08)	(7.84)
	FX Swaps	0.00	0.00	0.00	N/A
	FX Futures	1.29	0.42	0.87	207.14
	Others	2.95	0.00	2.95	N/A
	FX Derivatives	5.18	1.44	3.74	259.72
	Total	6.62	2.02	4.60	227.72
Total Turnover	19.72	10.88	8.84	81.25	

Chart 3: Trend in Open OTC FX Futures Contract Values (\$'bn)



Notes:
*Member - All references to Member means Dealing Member (Banks); Inter-Member Turnover reported includes both sides of the transaction; **Others includes Options & Cross Currency Interest Rate Swaps.

1: Month-on-Month; 2: Year-on-Year; 3: Year-to-Date; 4: Open Market Operations; 5: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 6: Change; 7: Treasury Bills; 8: Federal Government of Nigeria

FIC Market Summary

- Turnover in the Fixed Income and Currencies (FIC) markets for the month ended December 31, 2020 was ₦19.89trn (See Chart 1), representing a MoM¹ and YoY² increase of 35.31% (₦5.19trn) and 20.91% (₦3.44trn) respectively. Consequently, estimated total turnover for full year (FY) 2020 was c.₦215.08trn, indicating a YoY decrease of 7.57% (₦17.61trn) on the turnover of ₦232.69trn recorded in FY 2019
- Foreign Exchange (FX) and Money Market transactions were the highest contributors to the FIC markets in December 2020, jointly accounting for 59.16% of the total FIC market turnover, while OMO⁴ Bills and Money Market transactions accounted for majority of turnover in 2020, jointly contributing 50.54% to total turnover (See Chart 2)

FX Market

- Total FX market turnover in December 2020 was \$19.72bn (₦7.79trn), representing a MoM increase of 81.25% (\$8.84bn) from the turnover recorded in November 2020 \$10.88bn (₦4.21trn). This was majorly driven by increased FX intervention sales by the Central Bank of Nigeria (CBN) to Dealing Member Banks to reduce the build-up of unmet Clients' FX demand in December 2020. (See Table 1)
- Analysis of the growth in FX market turnover indicates that FX Spot and FX Derivatives turnover increased MoM by 60.00% (\$2.55bn) and 94.87% (\$6.29bn) respectively in December 2020, with 71.15% of the increase in turnover driven by the turnover growth in FX Derivatives
- In the OTC FX Futures market, the near month contract⁵ (NGUS DEC 30 2020) with a total outstanding notional value (NV) of \$2.20bn matured and was settled, whilst a new long-term (60-month or 60M) contract, NGUS DEC 31 2025 was introduced at a Futures price of \$/₦608.10, representing 3.24% (\$/₦19.07) MoM increase in the futures price, compared to the offer rate (\$/₦589.03) of the previous 60M contract (NGUS NOV 26 2025). The total notional value of open OTC FX Futures contracts as at December 31, 2020 stood at c.\$8.09bn, representing a further decrease of 9.51% (\$0.85bn) from its value as at November 30, 2020 (c.\$8.94bn), and continuing its downward trend since May 2020. (See Chart 3)
- The average CBN Official Spot \$/₦ exchange rate remained constant at \$/₦379.00 in December 2020. Conversely, the Naira depreciated against the US Dollar at the Investors' and Exporters' (I&E) FX Window, losing 2.07% (\$/₦8.01) to close at an average of \$/₦394.92 in December 2020 from \$/₦386.91 recorded in November 2020
- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 0.17% (\$/₦0.81) to close at an average of \$/₦476.05 in December 2020 from \$/₦475.24 recorded in November 2020. However the average spread between the exchange rates in the formal (I&E FX Window) and irregulated (parallel) FX markets reduced by 8.15% to \$/₦81.13 in December 2020, from \$/₦88.33 in November 2020 due to the higher depreciation of the Naira in the I&E FX Window.

Fixed Income (FI) Market (T.bills⁷, OMO bills and FGN⁸ Bonds)

- In the primary markets, average discount rates for the 91-day, 182-day and 364-day T.bills increased MoM by an average of 0.68 percentage points (ppts), to close at a range of 0.03% - 1.85% in December 2020, while the discount rates for CBN OMO bills decreased MoM by an average of 1.01ppts to close at a range of 1.78% - 6.07% in December 2020
- Similarly, the coupon rates of the 15Y and 25Y FGN Bond issuances increased by an average of 1.58ppts to close at a range of 6.95% - 7.00% in December 2020
- The total value of T.bills and OMO bills outstanding as at December 31, 2020 remained constant MoM at ₦2.72trn and ₦5.37trn respectively, whilst the total value of FGN Bonds outstanding as at December 31, 2020 increased MoM by 0.28% (₦0.03trn) to ₦10.70trn from ₦10.67trn recorded as at November 30, 2020

Chart 4: Trend in Trading Intensity

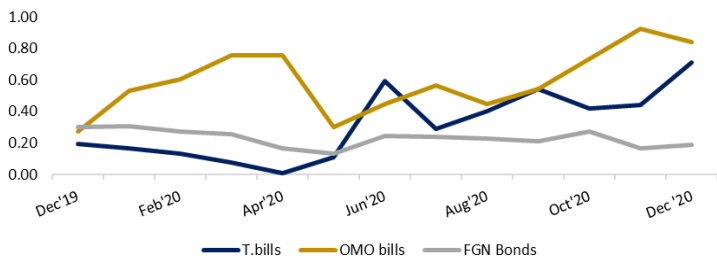


Chart 5: Fixed Income Turnover - December 2020 (₦'trn)

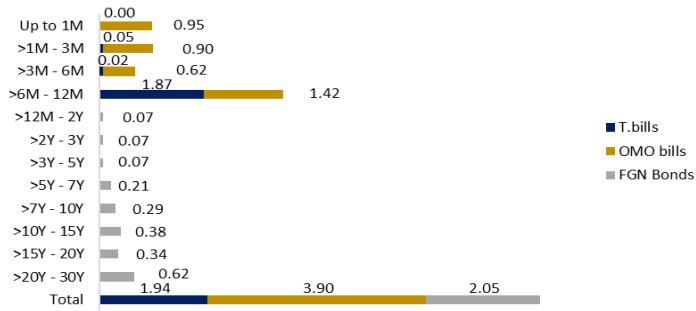


Chart 6: Sovereign Yield Curve (%)

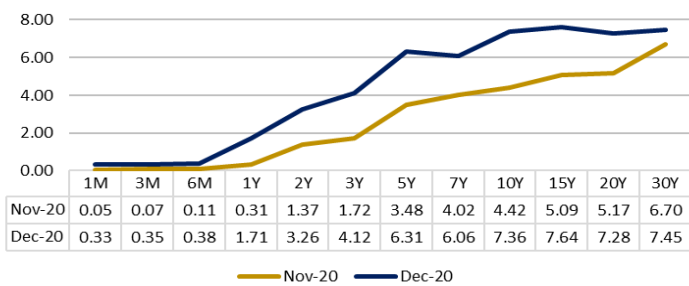


Chart 7: Inflation Adjusted Yields as at December 31, 2020 ^ (%)

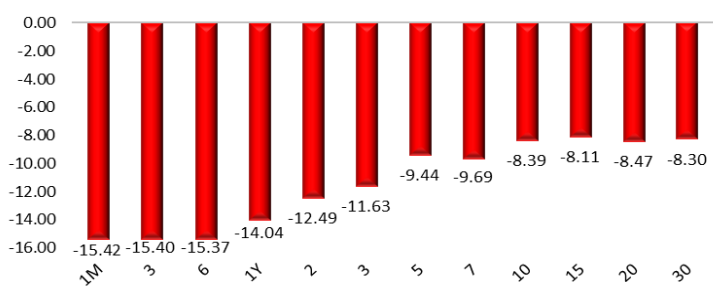


Table 2 - Money Market Turnover (₦'trn)

	Dec-20	Nov-20	MoM Δ (₦'trn)	MoM Δ (%)	Dec-19	YoY Δ (₦'trn)	YoY Δ (%)
Repos/Buy-Backs	3.42	2.13	1.29	60.56	2.58	0.84	32.56
Unsecured Placements / Takings	0.56	0.12	0.44	366.67	0.10	0.46	460.00
Total	3.98	2.25	1.73	76.89	2.68	1.30	48.51

Table 3 - Market Activity - Executed Trade Count

	December			November			MoM Δ (%)
	AFO ¹⁴	RFQ ¹⁵	Total	AFO	RFQ	Total	
T.bills	0	419	419	0	443	443	(5.42)
OMO bills	1	870	871	2	1,248	1,250	(30.32)
FGN Bonds	8	2,076	2,084	26	2,616	2,642	(21.12)
Total	9	3,365	3,374	28	4,307	4,335	(22.17)

Notes:

^ Adjusted with the December 2020 Headline Inflation rate of 15.75%.

9: 5Y – 30Y; 10: 1M – 3Y; 11: Overnight; 12: Open Buy-back; 13: 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; 14: Anonymous Firm Order; 15: Request-for-Quote

- Turnover for T.bills and FGN Bonds increased by 60.33% (₦0.73trn) and 15.82% (₦0.28trn) to ₦1.94trn and ₦2.05trn respectively, resulting in an increase in their trading intensities to 0.71 and 0.19 in December 2020 from 0.44 and 0.17 recorded in the previous month. Conversely, OMO bills' turnover decreased MoM by 25.43% (₦1.33trn) to ₦3.90trn in December 2020, resulting in a decrease in its trading intensity to 0.84 from 0.92 recorded in November 2020. (See Chart 4)
- In December 2020, 6M – 12M T.bills were the most traded sovereign debt securities, accounting for 23.70% (₦1.87trn) of the total Fixed Income market turnover, whilst 20Y - 30Y FGN Bonds remained the most active long-term⁹ sovereign debt securities, accounting for 7.86% (₦0.62trn) of the total Fixed Income market turnover. (See Chart 5)
- There was a general increase in yields across the sovereign yield curve between November and December 2020. The spread between the 3M and 30Y sovereign debt securities increased by 47 basis points (bps) to 710bps in December 2020 from 663bps in November 2020, indicating a steepening of the sovereign yield curve. (See Chart 6)
- Weighted average yields on short-term¹⁰ and medium-term maturities increased MoM by 1.36% and 2.99% respectively in December 2020, whilst the weighted average yields on long-term maturities decreased by 1.37%. Further, inflation-adjusted yields remained negative across the yield curve in December 2020. (See Chart 7)

Money Market [Repurchase Agreements (Repos)/Buy-Backs and Unsecured Placements/Takings]

- Total turnover in the Money Market segment increased MoM and YoY by 76.89% (₦1.73trn) and 48.51% (₦1.30trn) respectively to a total of ₦3.98trn in December 2020. This was jointly driven by the corresponding MoM and YoY increases in Repo/Buy-backs and Unsecured Placements/Takings turnover to ₦3.42trn and ₦0.56trn respectively in December 2020 (See Table 2). However, average O/N¹¹ and OBB¹² rates decreased by 26bps and 18bps to close at 1.36% and 1.01% respectively in December 2020 from 1.62% and 1.19% recorded in November 2020

Market Surveillance

- Despite the increase in overall market activity, the total number of executed trades¹³ reported on the Bloomberg E-Bond Trading System decreased MoM by 22.17% (961) to 3,374 in December 2020 from 4,335 recorded in November 2020. This was jointly driven by the MoM decrease in the number of trades recorded across all product categories - T.bills, OMO bills and FGN Bonds in December 2020. (See Table 3)