



FINANCIAL MARKETS MONTHLY REPORT

FEBRUARY 2023

Glossary

Abbreviation	Definition	Abbreviation	Definition
bn	Billion	T.bills	Treasury Bills
bps	Basis Points	trn	Trillion
CBN	Central Bank of Nigeria	US	The United States of America
CP	Commercial Paper	Y	Year
DMO	Debt Management Office	YoY	Year-on-Year
FGN	Federal Government of Nigeria		
FX	Foreign Exchange		
I&E FX Window or I&E	Investors' and Exporters' Foreign Exchange Window		
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		
OTC	Over-the-Counter		
ppts	Percentage Points		
Repo	Repurchase Agreement		

Sources:

FMDQ 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 ₦263.50bn across its auctions in February 2023, representing a 5.03% (₦13.97bn) MoM decrease on the value of T-bills sold across its auctions in January 2023 (₦277.47bn).

Similarly, the DMO sold FGN Bonds worth ₦770.82bn in February 2023 via re-openings of two (2) 10Y, one (1) 20Y and one (1) 30Y FGN Bonds. The total sale represented a 214.12% oversubscription of the amount offered¹, and a 16.33% (₦108.20bn) MoM increase on the amount sold in January 2023 (₦662.62bn) for the same FGN Bond maturities.

The CBN did not auction OMO Bills in the primary market for the second consecutive month in February 2023.

Average Treasury Bills Discount Rates in Feb. 2023

91-day – 3.00%
1.15% (Jan. '23) ▲

182-day – 3.24%
3.07% (Jan. '23) ▲

364-day – 9.90%
6.04% (Jan. '23) ▲

Average FGN Bond Coupon Rates in Feb. 2023

10Y – 14.45%
14.45% (Jan. '23) ↔

20Y – 15.90%
15.80% (Jan. '23) ▲

30Y – 16.00%
15.90 (Jan. '23) ▲

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

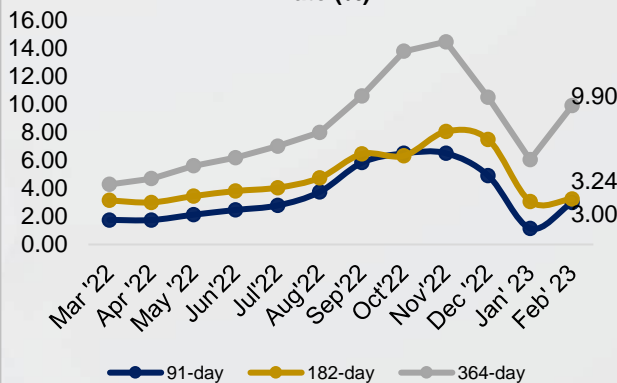


Chart 2: Trend in Average OMO Bills Discount Rate (%)

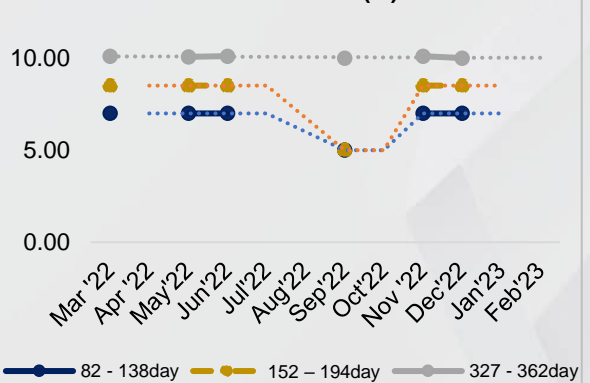


Table 1: Value of New Issuances (₦'bn)

Product	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23
T.bills	583.33	289.09	311.35	544.87	407.55	446.15	553.66	144.00	523.55	185.38	277.47	263.50
OMO Bills	170.00	0.00	180.01	40.00	0.00	0.00	25.60	0.00	20.00	30.00	0.00	0.00
FGN Bonds	297.01	348.58	378.41	226.12	123.84	200.58	261.50	107.88	269.15	264.52	662.62	770.82

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

Product	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23
T.Bills	4,408.16	4,435.02	4,465.85	4,504.79	4,504.80	4,504.80	4,542.78	4,225.63	4,519.20	4,422.72	4,422.72	4,622.72
OMO Bills	758.95	850.00	770.00	810.00	740.00	605.00	600.00	500.00	480.00	445.00	385.00	215.00
FGN Bonds	13,135.32	13,483.27	13,863.55	14,089.34	14,214.12	14,414.32	14,419.34	14,788.29	15,058.28	15,314.25	15,313.89	16,747.30

Notes:

1 – Amount Offered in February 2023 was ₦360.00bn

Primary Market

Non-Sovereign Securities

The total value of corporate bonds listed on FMDQ Exchange in February 2023 was ₦115.00bn, bucking the trend in the last two (2) months where there was no listings on the Exchange. The two (2) listings were by a single issuer in the telecommunications sector. As a result, the total outstanding value for corporate bonds increased MoM by 6.94% (₦97.30bn) to ₦1,498.64bn in the review month.

The total value of CPs quoted on FMDQ Exchange in February 2023 was ₦101.84bn, representing a MoM increase of 22.40% (₦18.64bn) from the value of CPs quoted in January 2023. Quoted CPs were issued by institutions from various sectors including Financial Services (13), Real Estate (7), Manufacturing (3) and Construction (2).

As a result, the total outstanding value of CPs increased MoM by 65.31% (₦144.69bn) to ₦366.25bn. (See Table 6)

Table 3: Average Discount Rates for Quoted CPs

Tenor	Feb. 23	Jan. 23	Trend
<=90 days	17.92%	-	N/A
91 – 180 days	14.87%	16.95%	▼
181 – 270 days	16.08%	17.20%	▼

Table 4: Average Coupon Rates for Listed Corporate Bonds

Tenor	Feb. 23	Jan. 23	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 Tenor (No. of Days) vs Discount Rate for Quoted CPs (%)

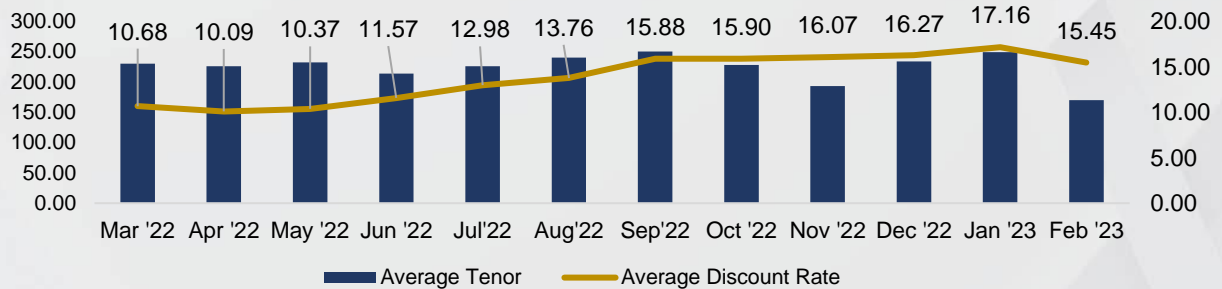


Table 5: Value of New Listings/Quotations (₦'bn)

Product	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23
Corporate Bonds	45.30	0.00	10.00	38.00	116.00	27.28	0.00	50.09	199.31	0.00	0.00	115.00
CPs	72.06	120.95	166.48	40.85	21.16	29.05	22.40	66.51	72.53	9.68	83.20	101.84

Table 6: Outstanding Value of Admitted Corporate Bonds and CPs (₦'bn)

Product	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23
Corporate Bonds	1,026.15	1,024.69	1,004.60	1,039.70	1,153.50	1,180.59	1,169.81	1,212.36	1,409.89	1,403.72	1,401.34	1,498.64
CPs	283.75	311.07	484.61	518.80	524.58	494.89	487.73	414.55	407.71	251.46	221.56	366.25

Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in February 2023 was ₦14.66trn, representing a MoM and YoY increase of 12.47% (1.63trn) and 3.03% (₦0.43trn) from January 2023 and February 2022 figures respectively.

Foreign Exchange (FX), CBN Bills¹ and Money Market (MM) transactions dominated secondary market activity in February 2023, accounting for 73.90% of the total secondary market turnover. (See Chart 5)

Chart 4: FMDQ Markets Turnover (₦'trn)

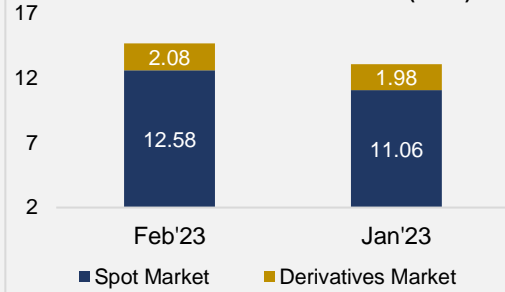


Chart 5: Contribution to FMDQ Markets Turnover

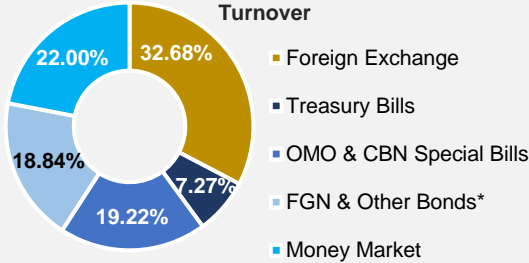
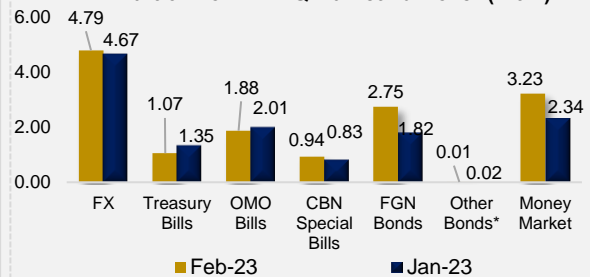


Chart 6: MoM FMDQ Market Turnover (₦'trn)



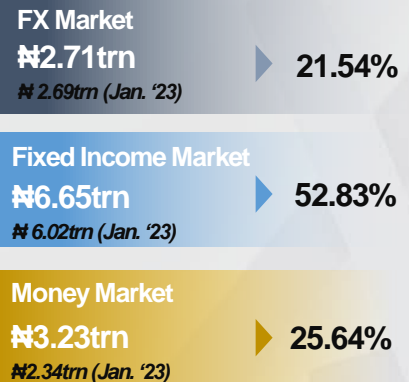
Spot Market

Total spot market turnover for all products traded in the secondary market was ₦12.58trn in February 2023, representing a MoM increase of 13.81% (₦1.53trn) from January 2023 figures.

The MoM increase in total spot market turnover in the review month was jointly driven by an uptick in turnover across all products with contributions by FI, FX and MM increasing MoM by 10.33% (₦0.62trn), 0.63% (₦0.02trn) and 37.94% (₦0.89trn), respectively.

The increase in MM turnover was driven by an increase in Repos/Buy-backs transactions. Likewise, the uptrend in FI turnover was driven by a MoM increase in FGN and Other Bonds turnover which offset the MoM decrease in T.bills and CBN Bills transactions, respectively in February 2023.

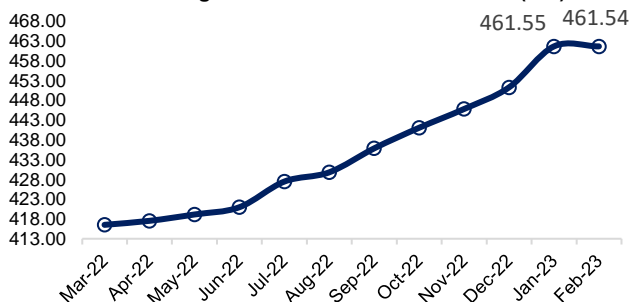
Chart 7: Spot Market Turnover and Percentage Contribution



Spot FX Market

Spot FX market turnover was ₦2.71trn (\$5.88bn) in February 2023, representing a MoM increase of 0.63% (₦0.02trn) from the turnover recorded in January 2023 (₦2.69trn).

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



In the FX Market, the Naira appreciated marginally against the US Dollar, with the spot exchange rate (\$/₦) decreasing by 0.24bps (\$/₦0.01) to close at an average of \$/₦461.54 in February 2023 from \$/₦461.55 recorded in January 2023. (See Chart 8)

Further, exchange rate volatility increased marginally in February 2023 as the Naira traded within an exchange rate range of \$/₦461.00 - \$/₦462.17 compared to \$/₦461.00 - \$/₦462.00 recorded in January 2023.

Notes:

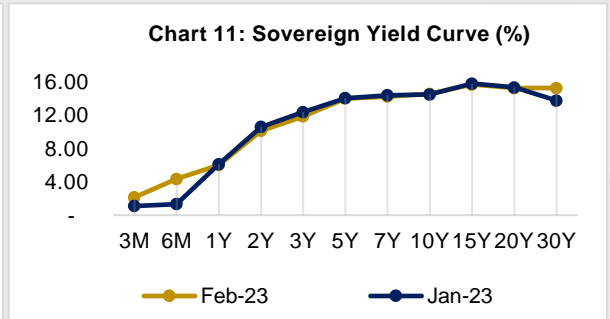
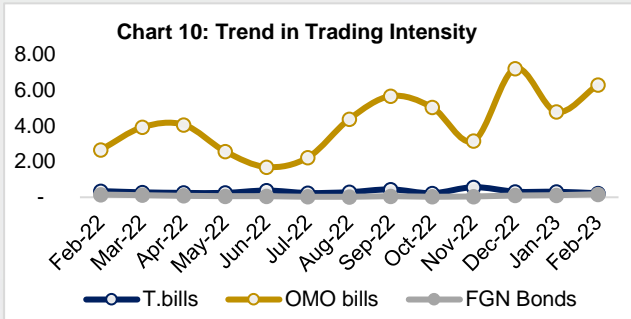
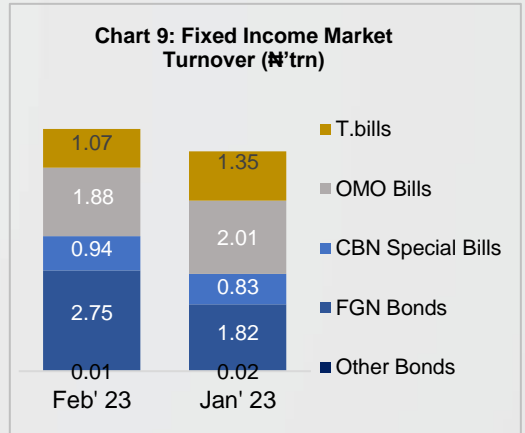
¹ Refers to Open Market Operations ("OMO") and CBN Special Bills

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

Spot Fixed Income Market

FI market turnover was ₦6.65trn in February 2023, representing a MoM increase of 10.33% (₦0.62trn) from the turnover recorded in January 2023 (₦6.02trn). The MoM increase in the FI market turnover was jointly driven by the 51.08% (₦0.93trn) and 13.15% (₦0.11trn) uptick in FGN Bonds and CBN Special Bills transactions which offset the MoM decline in T.Bills, OMO Bills and Other Bonds turnover respectively. (See Chart 9)

As a result, the trading intensity (TI) for T.Bills decreased by 0.08 points to 0.23, whilst TI for FGN Bonds increased MoM by 0.05 points to 0.17. The TI for OMO Bills improved by 1.51 points to 6.28 points despite the decline in turnover. This can be attributed to the lower outstanding amount (i.e., no issuances coupled with maturing securities) within the review period (See Chart 10).



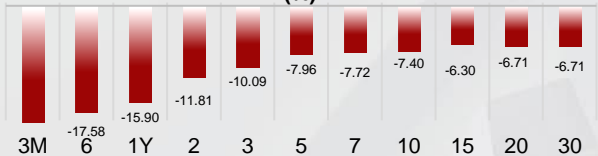
T.bills and FGN Bonds within the >6M – 12M and >5Y – 10Y tenors respectively were the most traded sovereign FI securities, accounting for 23.04% (₦0.88trn) and 25.13% (₦0.96trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills					FGN Bonds					Total
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y		
0.13	0.06	0.88	0.36	0.05	0.96	0.69	0.05	0.64	3.82	

In February 2023, the yield spread between the 3M and 30Y sovereign FI securities increased by 0.46ppts to 13.06ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

Real (inflation-adjusted) yields remained negative across the yield curve in February 2023 (See Chart 12).

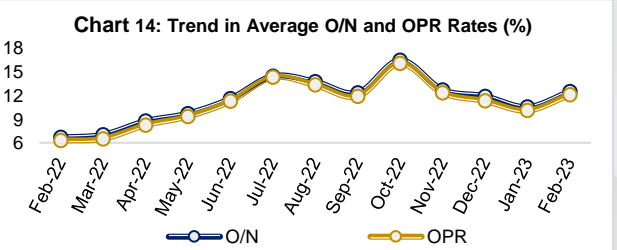
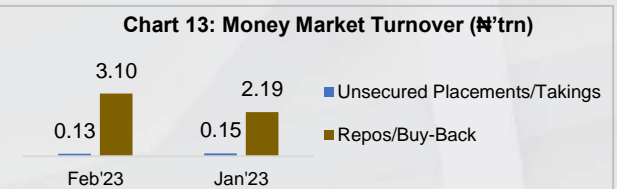
Chart 12: Inflation Adjusted Yields as at Feb. 28, 2023[^] (%)



Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 37.94% (₦0.89trn) to ₦3.23trn in February 2023. The MoM increase was solely driven by the 41.32% (₦0.91trn) increase in Repos/Buy-backs turnover which offset the 12.60% (₦0.02trn) decrease in Unsecured Placement/Takings transactions respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) increased MoM by 1.97ppts and 2.02ppts respectively, to close at an average of 12.52% and 12.11% in February 2023 (See Chart 14).



Notes:

[^]Adjusted with February 2023 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦2.08trn (\$4.51bn) in February 2023, representing a MoM increase of 5.31% (₦0.10trn) from January 2023 figures.

The MoM increase in the FX derivatives turnover was solely driven by the 71.83% (₦0.20trn) increase in FX Futures transactions which offset the MoM decline in FX Swaps and FX Forwards turnover by 0.81% (₦0.01trn) and 11.70% (₦0.10trn) to ₦0.80trn and ₦0.78trn respectively.

FX Swaps	Contribution
₦0.80trn (\$1.73bn) ▶	38.65%
FX Forwards	
₦0.78trn (\$1.70bn) ▶	37.68%
FX Futures	
₦0.49trn (\$1.07bn) ▶	23.67%

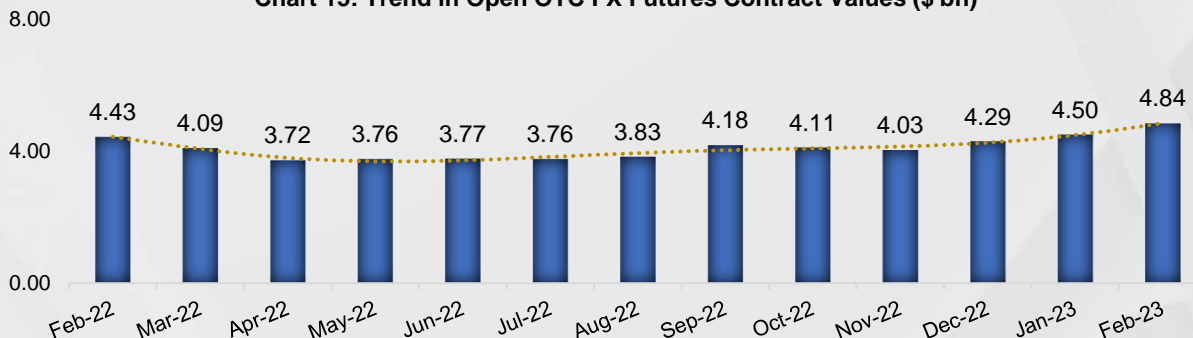
Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS FEB 22, 2023) expired and open positions with a total notional value (NV) of \$0.14bn were settled. A far month (60M) contract, NGUS FEB 23, 2028 was introduced at a Futures price of \$/₦696.58, representing the same Futures price (\$/₦696.58) when the previous far month contract NGUS JAN 26, 2028 was introduced in January 2023.

The cumulative NV of open OTC FX Futures contracts as at February 28, 2023, stood at circa \$4.84bn² representing a MoM and YoY increase of 7.56% (\$0.34bn) and 9.26% (\$0.41bn) from its value as at January 31, 2023 and February 28, 2022, respectively.

Matured Contract NGUS FEB 22, 2023 (\$/₦471.38) ▼
New 60M Contract NGUS FEB 23, 2028 (\$/₦696.58) ↔
NV of Open Positions in OTC FX Futures Contracts –\$4.84bn ▲

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



In February 2023, market activity in the OTC FX Futures accounted for \$0.44bn worth of trades, representing a MoM increase of 32.76% (\$0.11bn) relative to the value recorded in January 2023 (\$0.33bn)

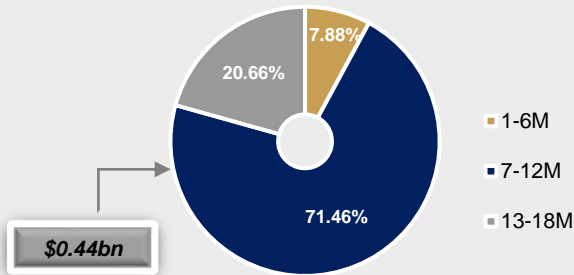
The NV of OTC FX Futures contracts traded across the short-dated (1M – 13M) contracts increased by 43.13% (\$0.13bn) to \$0.42bn whilst long-dated (14M – 60M) contracts decreased by 49.51% (\$0.02) to \$0.02bn, respectively. Specifically, traded value was concentrated within the 7 – 12M tenor range, which accounted for 71.46% (\$0.31bn) of trading turnover across twenty (20) of the thirty-one (31) deals conducted in the review period (See Chart 16).

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 3M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$1.37bn) as at February 28, 2023

Derivatives Market../2

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



The average Futures price of OTC FX Futures contracts remained flat across all tenor buckets in February 2023 relative to January 2023 (See Table 7).

However, Deliverable Forwards rates traded mixed in the review period. The very near-term contract (1M) recorded the highest MoM decrease in price (i.e., expected appreciation of Nigerian Naira against the US Dollar), whilst the 12M deliverable FX Forward contracts recorded the highest MoM increase in price (i.e., expected depreciation of Nigerian Naira against the US Dollar) in February 2023 (See Table 8).

Table 7: 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
Feb-23	476.84	489.93	508.43	531.15	554.46	578.30	603.37	629.31	656.59	684.82
Jan-23	476.84	489.93	508.43	531.15	554.46	578.30	603.37	629.31	656.59	684.82
Change	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔	0.00 ↔

Table 8: Indicative Deliverable Forward Rates (\$/₦)

	1M	2M	3M	6M	12M
Feb-23	474.56	482.97	492.49	526.26	575.00
Jan-23	482.91	488.24	489.79	504.90	530.81
Change	(8.35) ↑	(5.27) ↑	2.70 ↓	21.36 ↓	44.19 ↓

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.