



FINANCIAL MARKETS MONTHLY REPORT

JANUARY 2023

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:

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 ₦277.47bn across its auctions in January 2023, representing a 49.68% (₦92.09bn) MoM increase on the value of T-bills sold across its auctions in December 2022 (₦185.38bn).

Similarly, the DMO re-opened two (2) 10Y, one (1) 20Y and one (1) 30Y FGN Bonds worth ₦662.62bn (representing a 184.06% oversubscription of the amount offered¹) in January 2023. Likewise, this represents a 150.50% (₦398.10bn) MoM increase from the amount sold across the two (2) 10Y and one (1) 20Y FGN Bond maturities re-opened in December 2022 (₦264.52bn).

In the review month, the CBN did not auction OMO Bills in the primary market compared to ₦30.00bn worth of bills sold in the previous month ended December 30, 2022.

Average Treasury Bills Discount Rates in Jan. 2023

91-day – 1.15%
4.91% (Dec. '22) ▼

182-day – 3.07%
7.48% (Dec. '22) ▼

364-day – 6.04%
10.48% (Dec. '22) ▼

Average FGN Bond Coupon Rates in Jan. 2023

10Y – 14.45%
14.68% (Dec. '22) ▼

20Y – 15.80%
15.80% (Dec. '22) ↔

30Y – 15.90%
N/A (Dec. '22)

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

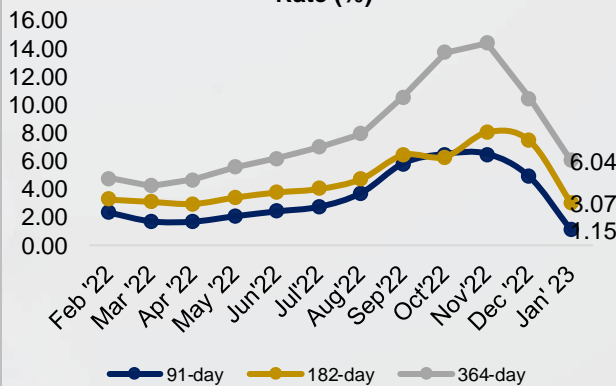


Chart 2: Trend in Average OMO Bills Discount Rate (%)

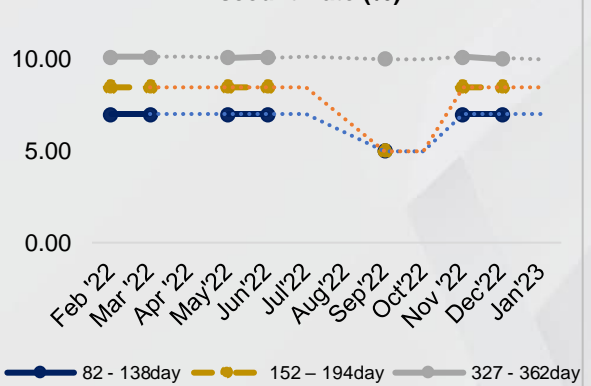


Table 1: Value of New Issuances (₦'bn)

Product	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23
T.bills	472.97	583.33	289.09	311.35	544.87	407.55	446.15	553.66	144.00	523.55	185.38	277.47
OMO Bills	270.00	170.00	0.00	180.01	40.00	0.00	0.00	25.60	0.00	20.00	30.00	0.00
FGN Bonds	415.42	297.01	348.58	378.41	226.12	123.84	200.58	261.50	107.88	269.15	264.52	662.62

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

Product	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23
T.Bills	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	4,519.20	4,422.72	4,422.72
OMO Bills	940.95	758.95	850.00	770.00	810.00	740.00	605.00	600.00	500.00	480.00	445.00	385.00
FGN Bonds	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	15,058.28	15,314.25	15,313.89

Notes:

1 – Amount Offered in January 2023 was ₦360.00bn

Primary Market

Non-Sovereign Securities

No corporate bonds were listed on FMDQ Exchange for the second consecutive month in January 2023 compared to ₦199.31bn worth of listings across three (3) issuers in November 2022. In addition, the total outstanding value for corporate bonds decreased MoM by 0.17% (₦2.38bn) to ₦1,401.34bn in January 2023.

The total value of CPs quoted on FMDQ Exchange in January 2023 was ₦83.20bn, representing a MoM increase of 759.85% (₦73.52bn) from the value of CPs quoted in December 2022. Quoted CPs were issued by institutions from various sectors including Real Estate (4), Financial Services (3), Manufacturing (3), Agriculture (2) and Health & Pharmaceuticals (1).

In January 2023, CPs with a total value of ₦113.10bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 11.89% (₦29.90bn) to ₦221.56bn. (See Table 6)

Table 3: Average Discount Rates for Quoted CPs

Tenor	Jan. 23	Dec. 22	Trend
<=90 days	-	-	N/A
91 – 180 days	16.95%	16.85%	▲
181 – 270 days	17.20%	16.07%	▲

Table 4: Average Coupon Rates for Listed Corporate Bonds

Tenor	Jan. 23	Dec. 22	Trend
<=5 years	-	-	N/A
>5 – 10 years	-	-	N/A
>10 – 20 years	-	-	N/A
>20 years	-	-	N/A

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

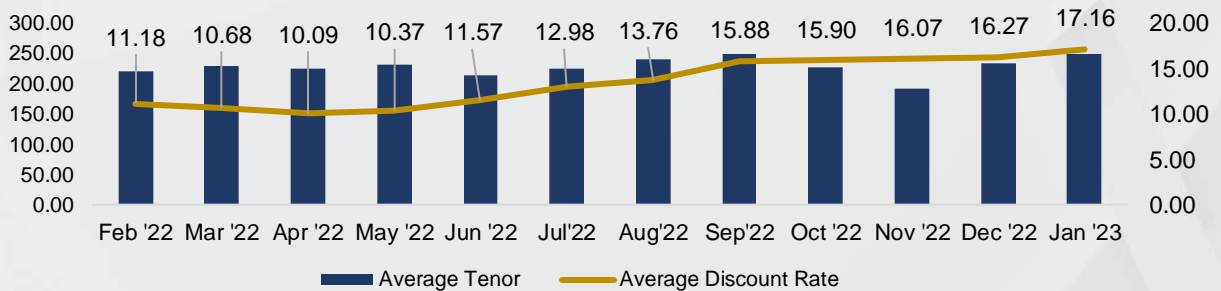


Table 5: Value of New Listings/Quotations (₦'bn)

Product	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23
Corporate Bonds	92.50	45.30	0.00	10.00	38.00	116.00	27.28	0.00	50.09	199.31	0.00	0.00
CPs	97.82	72.06	120.95	166.48	40.85	21.16	29.05	22.40	66.51	72.53	9.68	83.20

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

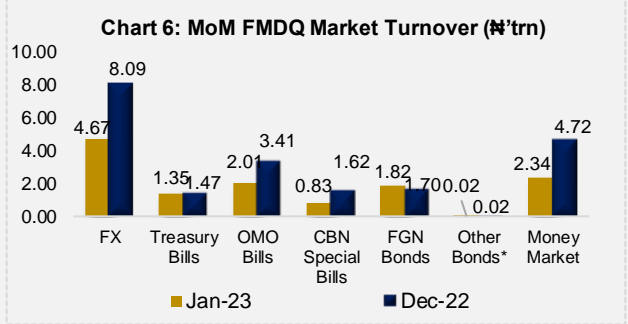
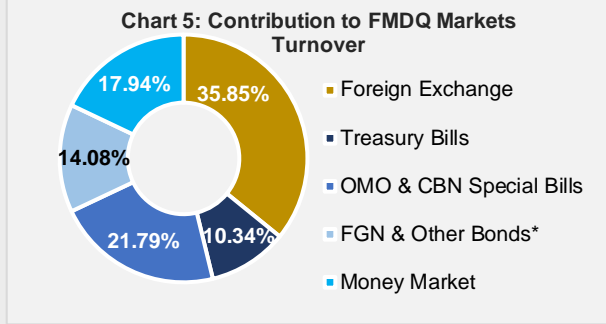
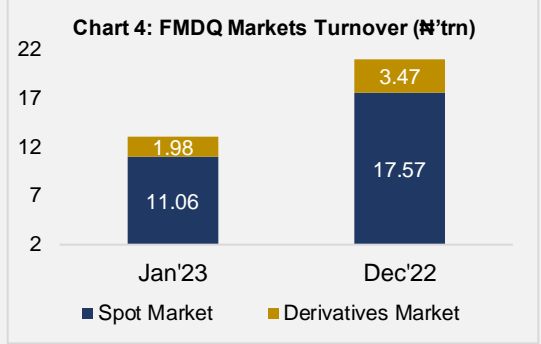
Product	Feb. '22	Mar. '22	Apr. '22	May '22	Jun. '22	Jul. '22	Aug. '22	Sep. '22	Oct. '22	Nov. '22	Dec. '22	Jan. '23
Corporate Bonds	993.57	1,026.15	1,024.69	1,004.60	1,039.70	1,153.50	1,180.59	1,169.81	1,212.36	1,409.89	1,403.72	1,401.34
CPs	232.89	283.75	311.07	484.61	518.80	524.58	494.89	487.73	414.55	407.71	251.46	221.56

Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in January 2023 dropped to a seventeen (17) month low of ₦13.04trn. This represents a MoM decrease of 38.04% (8.00trn) and a YoY decrease of 7.75% (₦1.10trn) from December 2022 and January 2022 figures respectively.

Foreign Exchange (FX), CBN Bills¹ and Money Market (MM) transactions dominated secondary market activity in January 2023, accounting for 75.58% of the total secondary market turnover. (See Chart 5)



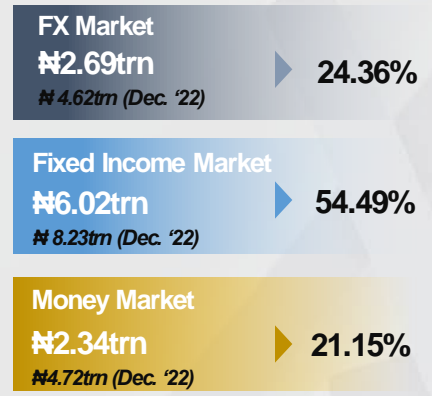
Spot Market

Total spot market turnover for all products traded in the secondary market was ₦11.06trn in January 2023, representing a MoM decrease of 37.07% (₦6.51trn) from December 2022 figures.

The MoM decrease in total spot market turnover was jointly driven by a decline in turnover across all products with contributions by FI, FX and MM decreasing MoM by 26.75% (₦2.20trn), 41.72% (₦1.93trn) and 50.49% (₦2.38trn), respectively in the review month.

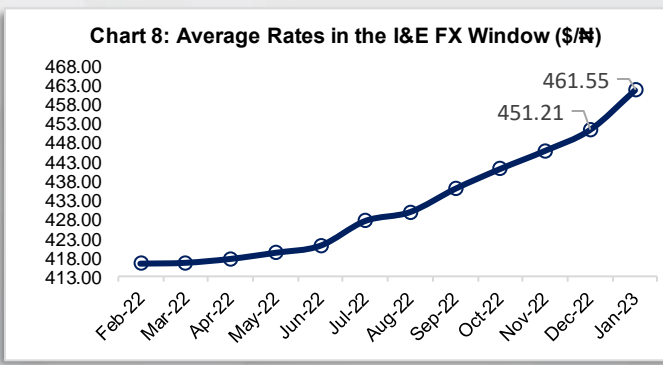
The downtrend in MM turnover was driven by a decrease in Repos/Buy-backs transactions. Likewise, the decline in FI-turnover was jointly driven by the MoM decrease in T.Bills and CBN Bills, respectively which offset the MoM increase in FGN and Other Bonds turnover in January 2023.

Chart 7: Spot Market Turnover and Percentage Contribution



Spot FX Market

Spot FX market turnover was ₦2.69trn (\$5.38bn) in January 2023, representing a MoM decrease of 41.72% (₦1.93trn) from the turnover recorded in December 2022 (₦4.62trn).



In the FX Market, the Naira depreciated against the US Dollar, with the spot exchange rate (\$/₦) increasing by 2.29% (₦10.34) to close at an average of \$/₦461.55 in January 2023 from \$/₦451.21 recorded in Dec. 2022 (See Chart 8)

Further, exchange rate volatility decreased in January 2023 as the Naira traded within an exchange rate range of \$/₦461.00 - \$/₦462.00 compared to \$/₦445.33 - \$/₦461.67 recorded in December 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 ₦6.02trn in January 2023, representing a MoM decrease of 26.75% (₦2.20trn) from the turnover recorded in December 2022 (₦8.23trn). The MoM decrease in the FI market turnover was jointly driven by the 8.23% (₦0.12trn), 34.77% (₦0.01trn) and 43.52% (₦2.19trn) decline in T.Bills, Other Bonds and CBN Bills¹ transactions respectively, which offset the MoM increase of 6.88% (₦0.12trn) in FGN Bonds turnover. (See Chart 9)

As a result, the trading intensity (TI) for T.Bills and OMO Bills decreased by 0.01 and 2.42 points to 0.31 and 4.77 respectively, whilst TI for FGN Bonds increased MoM by 0.01 points to 0.12 (See Chart 10).

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

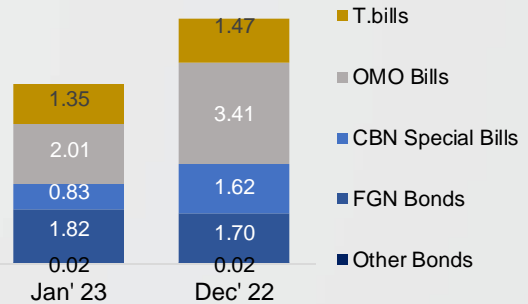


Chart 10: Trend in Trading Intensity

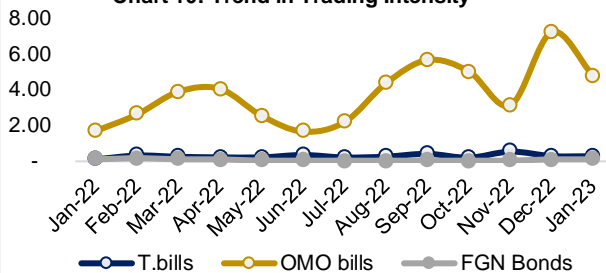
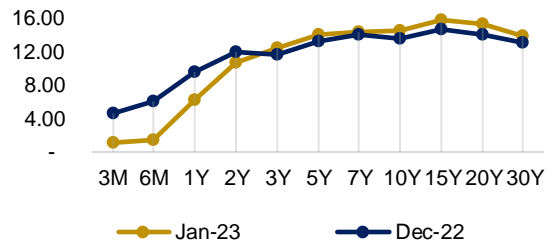


Chart 11: Sovereign Yield Curve (%)



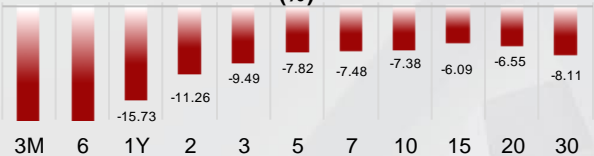
T.bills and FGN Bonds within the >6M – 12M and >10Y – 15Y tenors respectively were the most traded sovereign FI securities, accounting for 33.83% (₦1.07trn) and 16.41% (₦0.52trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills					FGN Bonds					Total
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y		
0.20	0.07	1.07	0.47	0.11	0.32	0.52	0.07	0.33	3.17	

In January 2023, the yield spread between the 3M and 30Y sovereign FI securities increased by 4.03ppts to 12.60ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

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

Chart 12: Inflation Adjusted Yields as at Jan. 31, 2023[^] (%)



Spot Market – (Money Market)

Total turnover in the MM segment decreased MoM by 50.49% (₦2.38trn) to ₦2.34trn in January 2023. The MoM decrease was solely driven by the 52.48% (₦2.42trn) decrease in Repos/Buy-backs turnover which offset the 31.89% (₦0.04trn) increase in Unsecured Placement/Takings transactions respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 1.37ppts and 1.23ppts respectively, to close at an average of 10.55% and 10.10% in January 2023 (See Chart 14).

Chart 13: Money Market Turnover (₦'trn)

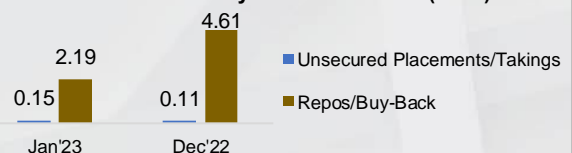
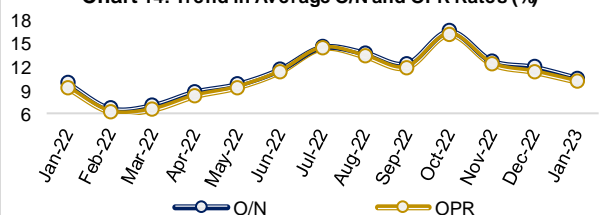


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:

1. Refers to Open Market Operations ("OMO") and CBN Special Bills
[^]Adjusted with January 2023 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦1.98trn (\$4.28bn) in January 2023, representing a MoM decrease of 43.10% (₦1.50trn) from December 2022 figures.

The MoM decrease in the FX derivatives turnover was jointly driven by the decline in turnover across all FX derivatives products with contributions by FX Swaps, FX Futures and FX Forwards decreasing MoM by 58.85% (₦1.15trn), 53.18% (₦0.32trn) and 2.11% (₦0.02trn) to ₦0.81trn, ₦0.29trn and ₦0.88trn respectively.

FX Swaps	Contribution
₦0.81trn (\$1.75bn)	40.84%
₦0.88trn (\$1.91bn)	44.72%
₦0.29trn (\$0.62bn)	14.44%

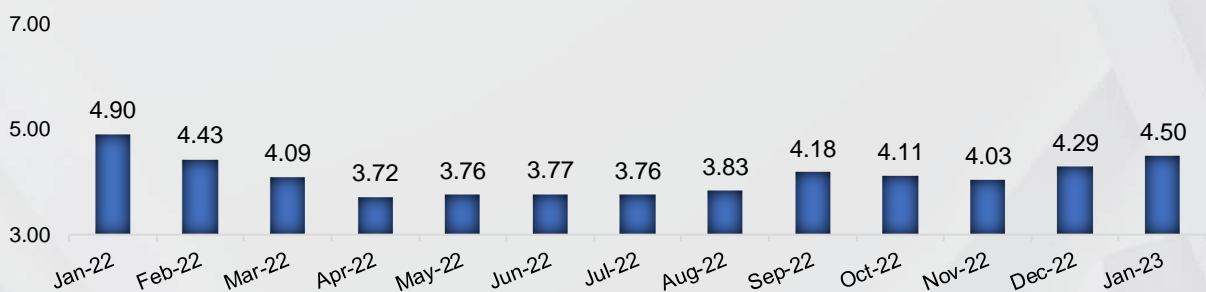
Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS JAN 25, 2023) expired and open positions with a total notional value (NV) of \$0.22bn were settled. A far month (60M) contract, NGUS JAN 26, 2028 was introduced at a Futures price of \$/₦696.58, representing a 0.30% (\$/₦2.11) depreciation in forward exchange rate of the Naira, relative to the Futures price (\$/₦694.47) of the previous far month contract (NGUS DEC 29, 2027).

The cumulative NV of open OTC FX Futures contracts as at January 31, 2023, stood at circa \$4.50bn² representing a MoM increase of 4.90% (\$0.21bn) and a YoY decrease of 8.16% (\$0.40bn) from its value as at December 30, 2022 and January 31, 2021, respectively.

Matured Contract NGUS JAN 25, 2023 (\$/₦469.87)	↔
New 60M Contract NGUS JAN 26, 2028 (\$/₦699.58)	▼
NV of Open Positions in OTC FX Futures Contracts –\$4.50bn	▲

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



In January 2023, market activity in the OTC FX Futures accounted for \$0.33bn worth of trades, representing a MoM decrease of 25.51% (\$0.11bn) relative to the value recorded in December 2022 (\$0.44bn)

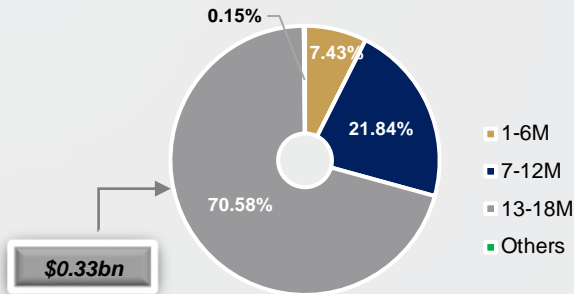
The NV of OTC FX Futures contracts traded across both short-dated (1M – 13M) and long-dated (14M – 60M) contracts decreased by 0.57% (\$0.002bn) and 75.10% (\$0.11) to \$0.29bn and \$0.04bn, respectively. Traded value was specifically concentrated within the 13 – 18M tenor range, which accounted for 70.58% (\$0.23bn) of trading turnover across twelve (12) of the twenty (20) deals conducted in the review period.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 4M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.73bn) as at January 31, 2023

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 increased MoM across all tenor buckets in January 2023 relative to December 2022. The average price of OTC FX Futures Contracts within the 55-60M tenor range recorded the highest MoM increase in price (*i.e., expected depreciation of Nigerian Naira against the US Dollar*) relative to December 2022. (See Table 7)

Similarly, the 1M deliverable FX Forward contracts recorded the highest MoM price depreciation in January 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
Jan-23	476.84	489.93	508.43	531.15	554.46	578.30	603.37	629.31	656.59	684.82
Dec-22	475.33	488.42	506.89	529.54	552.79	576.55	601.55	627.41	654.60	682.74
Change	1.51 ↓	1.50 ↓	1.54 ↓	1.61 ↓	1.68 ↓	1.75 ↓	1.82 ↓	1.90 ↓	1.99 ↓	2.08 ↓

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

	1M	2M	3M	6M	12M
Jan-23	482.91	488.24	489.79	504.90	530.81
Dec-22	468.02	476.11	479.78	497.60	529.55
Change	14.89 ↓	12.13 ↓	10.01 ↓	7.30 ↓	1.26 ↓

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.