FINANCIAL MARKETS MONTHLY REPORT

September 2023

Glossary

Abbreviation	Definition	Abbreviation	Definition
bn	Billion	**ppts**	Percentage Points
bps	Basis Points	**Repo**	Repurchase Agreement
CBN	Central Bank of Nigeria	**RHS**	Right Hand Side
CP	Commercial Paper	**T.bills**	Treasury Bills
DMO	Debt Management Office	**trn**	Trillion
FGN	Federal Government of Nigeria	**US**	The United States of America
FX	Foreign Exchange	**Y**	Year
LCY	Local Currency	**YoY**	Year-on-Year
LHS	Left Hand Side		
M	Month		
mm	Million		
MM	Money Market		
MoM	Month-on-Month		
N/A	Not Applicable		
NAFEM	Nigerian Autonomous Foreign Exchange Market		
NBS	National Bureau of Statistics		
NDFs	Cleared Naira-Settled Non-Deliverable Forwards		
NV	Notional Value		
OMO	Open Market Operations		
O/N	Overnight		
OPR	Open Repos		
OTC	Over-the-Counter		

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 ₦544.05bn across its auctions in September 2023, representing a 19.00% (₦86.85bn) MoM increase on the value of T-bills sold across its auctions in August 2023 (₦457.20bn).

Similarly, the DMO sold FGN Bonds worth ₦316.49bn via the reopening of two (2) 10Y, one (1) 15Y, and one (1) 30Y FGN Bond in September 2023. The total sale represents an 87.91% undersubscription of the amount offered[1] and a 37.45% (₦86.24bn) MoM increase on the amount sold in August 2023 (₦230.26bn) for the same FGN Bond maturities.

In September 2023, the CBN did not publicly auction OMO Bills in the primary market.

Average Treasury Bills Discount Rates in Sep. 2023

91-day – 5.33%
5.10% (Aug. '23)

182-day – 6.85%
6.95% (Aug. '23)

364-day – 12.30%
11.89% (Aug. '23)

Average FGN Bond Coupon Rates in Sep. 2023

10Y – 14.98%
14.43% (Aug. '23)

15Y –15.55%
15.20% (Aug. '23)

30Y –16.25%
15.85% (Aug. '23)

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

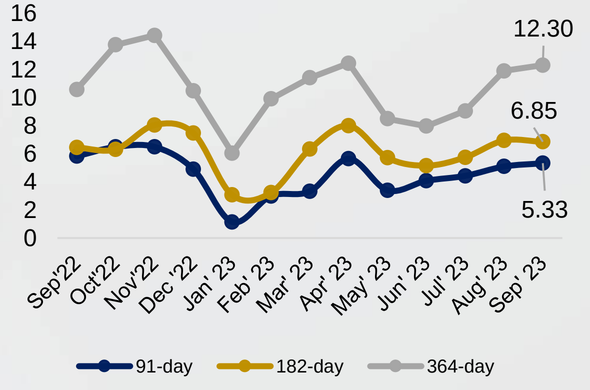


Chart 2: Trend in Average OMO Bills Discount Rate (%)^

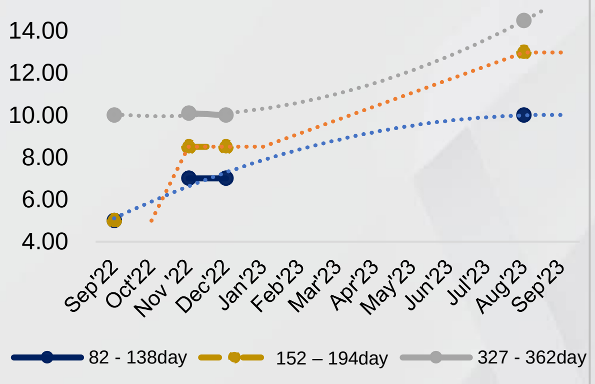


Table 1: Value of New Issuances ((₦'bn)												
Product	**Oct. '22**	**Nov. '22**	**Dec. '22**	**Jan. '23**	**Feb. '23**	**Mar. '23**	**Apr. '23**	**May '23**	**Jun. '23**	**Jul. '23**	**Aug. '23**	**Sep. '23**
T.bills	144.00	523.55	185.38	277.47	263.50	631.84	281.10	324.43	404.51	406.10	457.20	544.05
FGN Bonds	107.88	269.15	264.52	662.62	770.82	563.36	552.47	545.26	473.16	657.84	230.26	316.49

Table 2: Value of Outstanding Securities (₦'bn)												
Product	**Oct. '22**	**Nov. '22**	**Dec. '22**	**Jan. '23**	**Feb. '23**	**Mar. '23**	**Apr. '23**	**May '23**	**Jun. '23**	**Jul. '23**	**Aug. '23**	**Sep. '23**
T.Bills	4,225.63	4,519.20	4,422.72	4,422.72	4,622.72	4,722.72	4,591.26	4,834.98	4,501.06	4,688.17	4,722.71	4,722.71
FGN Bonds	14,788.29	15,058.28	15,314.25	15,313.89	16,747.30	17,311.11	17,128.50	17,673.59	18,148.91	18,807.45	19,038.60	19,317.19

Notes:
1 – *Amount Offered in September 2023 was ₦360.00bn*
^ *– Chart 2 has trend lines due to missing data as a result of no primary market activity for OMO Bills*

Primary Market

Non-Sovereign Securities

Subnational bonds worth ₦115.00bn were listed on FMDQ Exchange in September 2023, representing a 480.51% (₦95.19bn) MoM increase from August 2023 listings. The subnational bonds listings emanated solely from State Government issued sukuk bonds. As a result, the total outstanding value for Non-Sovereign bonds increased MoM by 5.57% (₦115.00bn) to ₦2,180.28bn in the review month.

The total value of CPs quoted on FMDQ Exchange in September 2023 was ₦146.22bn, representing a MoM decrease of 38.83% (₦92.82bn) from the value of CPs quoted in August 2023. Quoted CPs were issued by institutions from various sectors including Financial Services (3), Education (2), Agriculture (2), Telecommunications (2), and Construction (2).

In September 2023, CPs with a total value of ₦249.79bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 10.06% (₦103.57bn) to ₦926.41bn. *(See Table 6)*

Table 3: Average Discount Rates for Quoted CPs

Tenor	Sep. 23	Aug. 23	Trend
<=90 days	-	*14.47%*	N/A
91 – 180 days	14.68%	*15.17%*	▼
181 – 270 days	13.48%	*14.31%*	▼

Table 4: Average Coupon Rates for Listed Non-Sovereign Bonds*

Tenor	Sep. 23	Aug. 23	Trend
<=5 years	-	*14.50%*	N/A
>5 – 10 years	15.25%	*14.68%*	▲
>10 – 20 years	-	-	N/A
>20 years	-	-	N/A

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

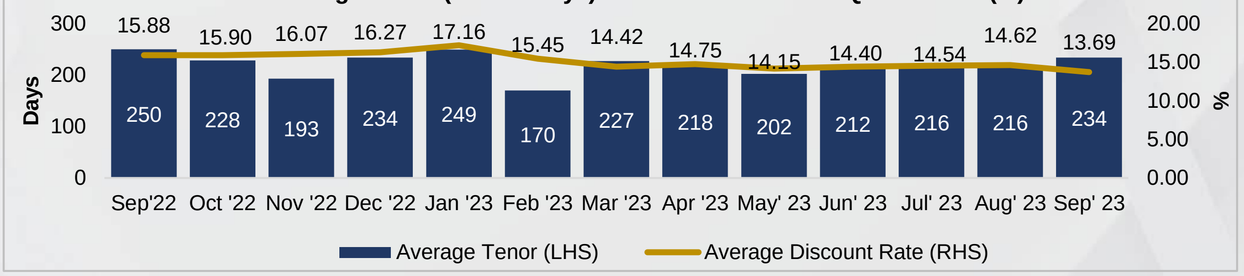


Table 5: Outstanding Value of New Listings/Quotations ((₦'bn)

Product	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23
CPs	66.51	72.53	9.68	83.20	101.84	354.18	114.27	163.77	82.13	117.32	239.04	146.22
Corporate Bonds^	50.09	199.31	0.00	20.00	115.00	112.42	0.00	31.00	17.50	0.00	46.00	0.00
Subnational Bonds	0.00	0.00	0.00	00.00	0.00	0.00	0.00	0.00	0.00	137.33	19.81	115.00

Table 6: Outstanding Value of Admitted Securities*(₦'bn)

Product	Oct. '22	Nov. '22	Dec. '22	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23
CPs	414.55	407.71	251.46	221.56	366.25	669.36	715.28	788.43	831.94	949.26	1,029.98	926.41
Corporate Bonds^	1,222.79	1,422.11	1,422.11	1442.11	1,557.11	1,669.52	1,700.53	1,700.53	1,718.03	1,718.03	1,764.03	1,764.03
Subnational Bonds	144.11	144.11	144.11	144.11	144.11	144.11	144.11	144.11	144.11	281.43	301.25	416.25

** Non-Sovereign Bonds include LCY Corporate Bonds and LCY Subnational Bonds (includes LCY Sukuk)*
^ figures were revised to include LCY Corporate Sukuk

Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in September 2023 was ₦23.28trn, representing a MoM and YoY increase of 31.60% (5.59trn) and 17.16% (₦3.41trn) from August 2023 and September 2022 figures, respectively.

Money Market (MM), Foreign Exchange (FX) and CBN Bills[1] transactions dominated secondary market activity, accounting for 80.29% of the total secondary market turnover in September 2023. *(See Chart 5)*

Chart 4: FMDQ Markets Turnover (₦'trn)

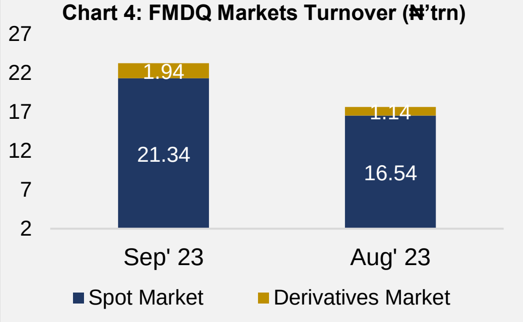


Chart 5: Contribution to FMDQ Markets Turnover

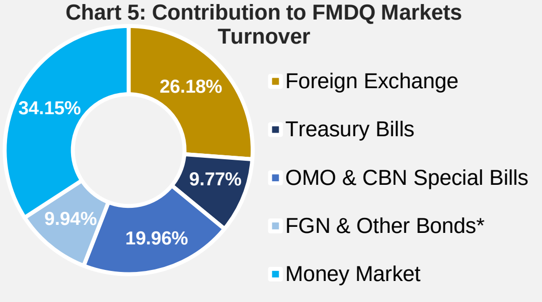
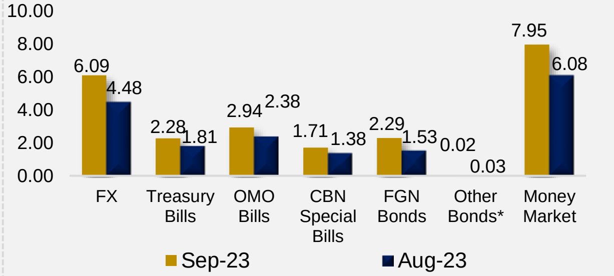


Chart 6: MoM FMDQ Market Turnover (₦'trn)



Spot Market

Total spot market turnover for all products traded in the secondary market was ₦21.34trn in September 2023, representing a MoM increase of 29.02% (₦4.80trn) from August 2023 figures.

The MoM increase in total spot market turnover was jointly driven by an increase in turnover across all spot market products by MM, FI and FX transactions increasing MoM by 30.67% (₦1.87trn), 29.67% (₦2.11trn) and 24.48% (₦0.82trn), respectively.

The uptick in MM turnover was jointly driven by an increase in Repos/Buy-backs and Unsecured Placement/Takings transactions, respectively. Likewise, the surge in FI turnover was driven by a MoM increase across all FI products, excluding Other Bonds* which decreased in the review period.

Chart 7: Spot Market Turnover and Percentage Contribution

FX Market
₦4.15trn — **19.46%**
₦3.34trn (Aug '23)

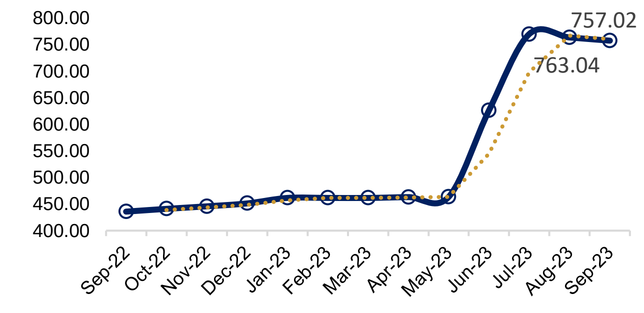
Fixed Income Market
₦9.23trn — **43.28%**
₦7.12trn (Aug '23)

Money Market
₦7.95trn — **37.26%**
₦6.08trn (Aug '23)

Spot FX Market

Spot FX market turnover was $5.48bn (₦4.15trn) in September 2023, representing a MoM increase of 25.40% ($1.11bn) from the turnover recorded in August 2023 ($4.37bn).

Chart 8: Average Rates in NAFEM ($/₦)



In the FX Market, the US Dollar depreciated against the Naira, with the spot exchange rate ($/₦) decreasing by 0.79% ($/₦6.02) to close at an average of $/₦757.02 in September 2023 from $/₦763.04 recorded in August 2023. *(See Chart 8)*

Further, exchange rate volatility increased in September 2023 as the Naira traded within an exchange rate range of $/₦722.39 – $/₦780.00 compared to $/₦738.18 – $/₦789.08 recorded in August 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 ₦9.23trn in September 2023, representing a MoM increase of 29.67% (₦2.11trn) from the turnover recorded in August 2023 (₦7.12trn). The MoM increase in the FI market turnover was driven by the 25.74% (₦0.47trn), 23.33% (₦0.56trn), 23.95% (₦0.33trn) and 50.08% (₦0.76trn) increase in turnover across T.Bills, OMO Bills, CBN Special Bills and FGN Bonds, offsetting the 9.63% (₦0.003trn) MoM decline in Other Bonds transactions, respectively. *(See Chart 9)*

As a result, the trading intensity (TI) for T.Bills and FGN Bonds increased MoM by 0.09 and 0.04 to 0.48 and 0.12, respectively *(See Chart 10).*

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

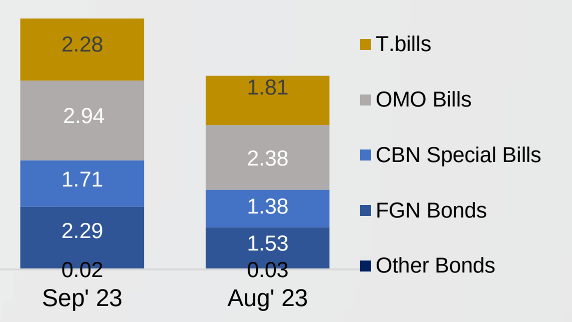


Chart 10: Trend in Trading Intensity

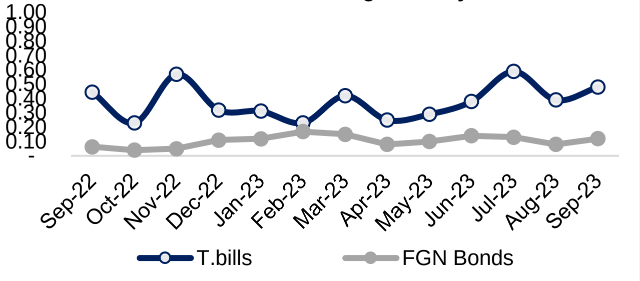
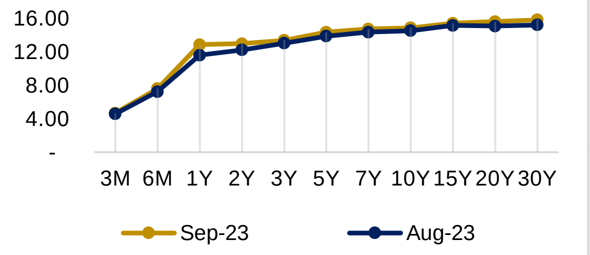


Chart 11: Sovereign Yield Curve (%)



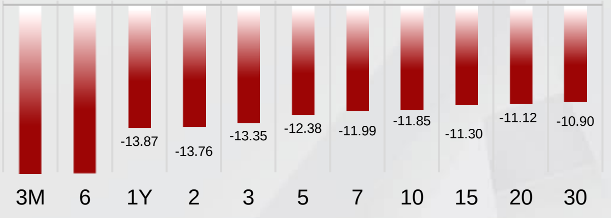
T.bills and FGN Bonds within the >6M – 12M and >20Y tenors respectively were the most traded sovereign FI securities, accounting for 39.08% (₦1.78trn) and 22.28% (₦1.02trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. *(See table below)*

T.Bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.28	0.21	1.78	0.30	0.20	0.27	0.47	0.03	1.02	**4.56**

In September 2023, the yield spread between the 3M and 30Y sovereign FI securities increased by 0.51ppts to 11.14ppts, indicating a steepening of the sovereign yield curve *(See Chart 11).*

Real (inflation-adjusted) yields remained negative across the yield curve in September 2023, declining further on the back of surging inflation which remains higher than policy interest rates and outpace increase in nominal yields *(See Chart 12).*

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



Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 30.67% (₦1.87trn) to ₦7.95trn in September 2023. The MoM increase was driven by the 27.48% (₦1.63trn) and 147.15% (₦0.24trn) uptick in Repos/Buy-backs and Unsecured Placement/Takings transactions, respectively *(See Chart 13).*

The average O/N rate and OPR rate *(secured lending rate)* decreased MoM by 0.34ppts and 0.37ppts respectively, to close at an average of 11.12% and 10.40% in September 2023 *(See Chart 14).*

Chart 13: Money Market Turnover (₦'trn)

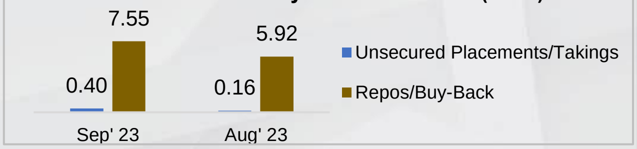
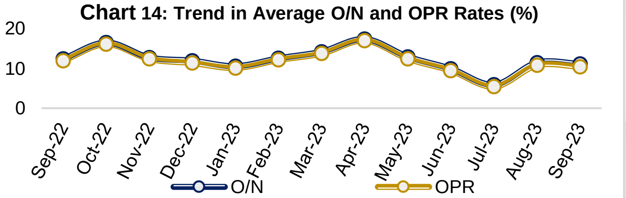


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:
^Adjusted with September 2023 inflation rate (26.72%)

Derivatives Market

FX Derivatives Market

Total turnover in the FX derivatives market segment was $2.55bn (₦1.94trn) in September 2023, representing a MoM increase of 71.61% ($1.07bn) from August 2023 figures.

The MoM increase in the FX derivatives turnover was jointly driven by the 54.67% ($0.76bn), 135.10% ($0.14bn) and $0.17bn^ increase in transactions across FX Swaps, FX Forwards, and FX Futures, respectively.

	Contribution
FX Swaps **$2.14bn** (₦1.62trn)	**83.59%**
FX Forwards **$0.25bn** (₦0.19trn)	**9.77%**
FX Futures **$0.17bn** (₦0.13trn)	**6.64%**

Cleared Naira-Settled Non-Deliverable Forwards

In the Cleared Naira-Settled Non-Deliverable Forwards market, the near month contract[1] (NGUS SEP 27, 2023) expired and open positions with a total notional value (NV) of $0.65bn were settled. However, there was no new far month (60M) contract introduced in the Cleared Naira-Settled Non-Deliverable Forwards market in the review period.

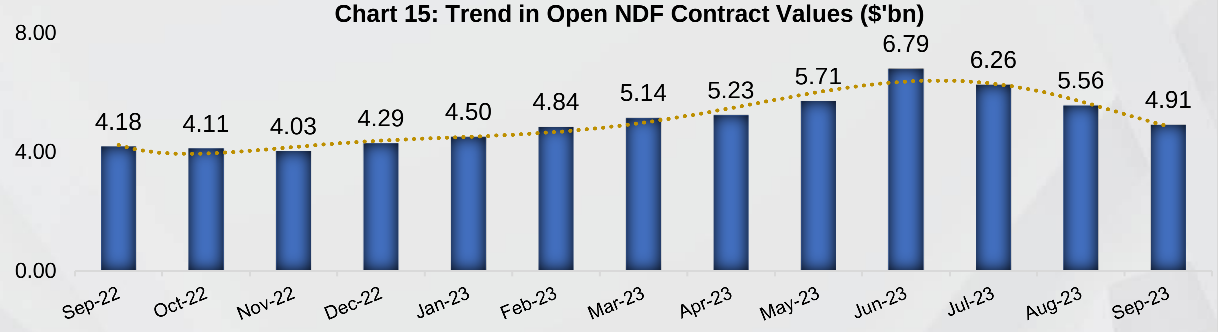
As a result, the cumulative NV of open Cleared Naira-Settled Non-Deliverable Forwards contracts decreased for the third consecutive month to circa $4.91bn as at September 29, 2023. This represents a MoM decrease of 11.69% ($0.65bn) and YoY increase of 17.46% ($0.73bn) from its value as at August 31, 2023 and September 30, 2022, respectively. *(See Chart 15)*

Matured Contract
NGUS SEP 27, 2023
($/₦481.13*)

New 60M Contract
Not Applicable (N/A)
($/₦0.00)

NV of Open Positions in NDF Contracts – $4.91bn

Chart 15: Trend in Open NDF Contract Values ($'bn)



In the period under review, there were no new trades recorded on contracts between 13M – 60M[1].

Notes:
^ – There were no FX Futures transactions in the previous month (August 2023)
** – Refers to the last published rate for **NGUS SEP 27** contract as at June 13, 2023.*
1 – Upon the resumption of quoting Cleared Naira-Settled Non-Deliverable Forwards' rates, contracts for tenors between one (1) to twelve (12) months rates have been halted and rendered inactive by CBN in response to reforms in NAFEM, whilst continuing to provide quotations for 13-60M contracts. Click here to learn more about the adjustments made in the FX Futures market in response to ongoing reforms in NAFEM.

Derivatives Market../2

The average price of Cleared Naira-Settled Non-Deliverable Forwards contracts remained unchanged across all tenor buckets in September 2023 relative to August 2023.*(See Table 7)*. Conversely, indicative non-deliverable FX Forwards rates decreased across all tenor buckets. The farthest-term 12M contracts recorded the highest MoM decrease in price *(i.e., expected appreciation in the Nigerian Naira against the US Dollar)* in the review period. *(See Table 8)*

Table 7: Average Cleared Naira-Settled Non-Deliverable Forwards Contract Rates ($/₦)[1]

	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Sep-23	943.79	1,010.74	1,083.05	1,159.43	1,242.36	1,329.97	1,425.11	1,525.62
Aug-23	943.79	1,010.74	1,083.05	1,159.43	1,242.36	1,329.97	1,425.11	1,525.62
Change	0.00 ⬄	0.00 ⬄	0.00 ⬄	0.00 ⬄	0.00 ⬄	0.00 ⬄	0.00 ⬄	0.00 ⬄

Table 8: Indicative Non-Deliverable Forwards Rate ($/₦)

	1M	2M	3M	6M	12M
Sep-23	791.13	797.27	803.09	820.86	876.74
Aug-23	792.84	802.74	812.37	841.57	901.89
Change	*1.71* ⬆	*5.47* ⬆	*9.28* ⬆	*20.71* ⬆	*25.15* ⬆

Notes:

***1 –** Upon the resumption of quoting NDF rates, contracts for tenors between one (1) to twelve (12) months rates have been halted and rendered inactive by CBN in response to reforms in NAFEM, whilst continuing to provide quotations for 13-60M contracts. Click here to learn more about the adjustments made in the FX Futures market in response to ongoing reforms in NAFEM.*

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