



# FINANCIAL MARKETS MONTHLY REPORT

December 2023

## Glossary

Abbreviation	Definition	Abbreviation	Definition
<b>bn</b>	Billion	<b>ppts</b>	Percentage Points
<b>bps</b>	Basis Points	<b>Repo</b>	Repurchase Agreement
<b>CBN</b>	Central Bank of Nigeria	<b>RHS</b>	Right Hand Side
<b>CP</b>	Commercial Paper	<b>T.bills</b>	Treasury Bills
<b>DMO</b>	Debt Management Office	<b>trn</b>	Trillion
<b>FGN</b>	Federal Government of Nigeria	<b>US</b>	The United States of America
<b>FX</b>	Foreign Exchange	<b>Y</b>	Year
<b>LCY</b>	Local Currency	<b>YoY</b>	Year-on-Year
<b>LHS</b>	Left Hand Side		
<b>M</b>	Month		
<b>mm</b>	Million		
<b>MM</b>	Money Market		
<b>MoM</b>	Month-on-Month		
<b>N/A</b>	Not Applicable		
<b>NAFEM</b>	Nigerian Autonomous Foreign Exchange Market		
<b>NBS</b>	National Bureau of Statistics		
<b>NDFs</b>	Cleared Naira-Settled (USD/NGN) Non-Deliverable Forwards		
<b>NV</b>	Notional Value		
<b>OMO</b>	Open Market Operations		
<b>O/N</b>	Overnight		
<b>OPR</b>	Open Repos		
<b>OTC</b>	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 ₦1,184.97bn across its auctions in December 2023, representing a 11.90% (₦126.06bn) MoM increase on the value of T-bills sold across its auctions in November 2023 (₦1,058.91bn).

Similarly, the DMO sold FGN Bonds worth ₦273.63bn via the reopening of two (2) 10Y, one (1) 15Y, and one (1) 30Y FGN Bond in December 2023. The total sale represents a 23.99% undersubscription of the amount offered<sup>1</sup> and a 37.02% (₦160.87bn) MoM decrease on the amount sold in November 2023 (₦434.50bn) for the same FGN Bond maturities.

In December 2023, the CBN sold OMO Bills worth ₦100.80bn, representing a 30.57% (₦23.60bn) MoM increase on the value of OMO Bills sold across its auctions in November 2023 (₦77.20bn).

#### Average Treasury Bills Discount Rates in Dec. 2023

**91-day – 7.42%**  
7.50% (Nov. '23) ▼

**182-day – 11.33%**  
11.50% (Nov. '23) ▼

**364-day – 13.83%**  
16.75% (Nov. '23) ▼

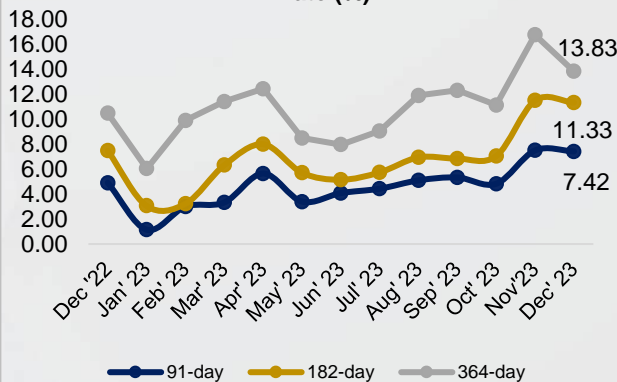
#### Average FGN Bond Coupon Rates in Dec. 2023

**10Y – 15.75%**  
16.50% (Nov. '23) ▼

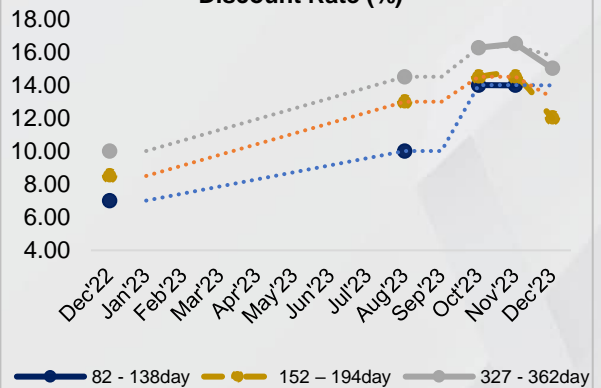
**15Y – 16.50%**  
17.50% (Nov. '23) ▼

**30Y – 17.15%**  
18.00% (Nov. '23) ▼

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



**Chart 2: Trend in Average OMO Bills Discount Rate (%)<sup>^</sup>**



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

Product	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23	Nov. '23	Dec. '23
<b>T.bills</b>	277.47	263.50	631.84	281.10	324.43	404.51	406.10	457.20	544.05	406.90	1,058.91	1,184.97
<b>FGN Bonds</b>	662.62	770.82	563.36	552.47	545.26	473.16	657.84	230.26	316.49	374.76	434.50	273.63

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

Product	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23	Nov. '23	Dec. '23
<b>T.bills</b>	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	4,984.92	5,522.00	6,521.99
<b>FGN Bonds</b>	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	19,693.24	20,130.17	20,439.81

**Notes:**

1 – Amount Offered in December 2023 was ₦360.00bn

<sup>^</sup> – 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

There were no new listings of Non-Sovereign bonds on FMDQ Exchange in December 2023, compared to new Non-Sovereign bonds listings worth ₦26.00bn in November 2023. However, Corporate bonds worth ₦35.10bn matured and were redeemed resulting in a 1.57% (₦35.10bn) MoM decrease in the value of Non-Sovereign bonds outstanding from ₦2,239.11bn in November 2023 to ₦2,204.01bn in December 2023.

The total value of CPs quoted on FMDQ Exchange in December 2023 was ₦246.33bn, representing a MoM increase of 218.26% (₦168.93bn) from the value of CPs quoted in November 2023. Quoted CPs were issued by institutions from various sectors including Financial Services (6), Manufacturing (5), Telecommunications (3), Agriculture (2), Real Estate (2), Commodities Trading (2), Retail (2) Equipment Leasing & Logistics (1) and Transportation (1).

As a result, the total outstanding value for CPs increased MoM by 1.85% (₦14.90bn) to ₦821.25bn in December 2023. (See Table 6)

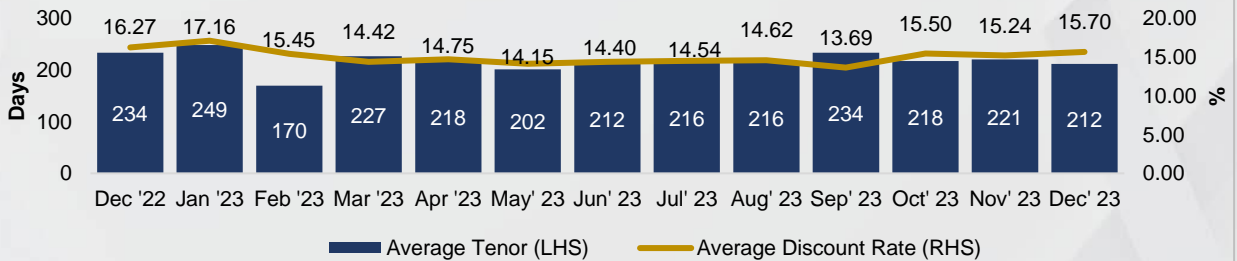
**Table 3: Average Discount Rates for Quoted CPs**

Tenor	Dec. 23	Nov. 23	Trend
<=90 days	-	11.42%	N/A
91 – 180 days	15.46%	14.84%	▲
181 – 270 days	15.80%	15.64%	▲

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

Tenor	Dec. 23	Nov. 23	Trend
<=5 years	-	-	N/A
>5 – 10 years	-	-	N/A
>10 – 20 years	-	-	N/A
>20 years	-	16.00%	N/A

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



**Table 5: Value of New Listings/Quotations (₦'bn)<sup>1</sup>**

Product	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23	Nov. '23	Dec. '23
CPs	81.44	101.84	354.18	114.27	191.89	82.13	117.32	145.27	146.22	36.51	77.40	246.33
Corporate Bonds	20.00	115.00	112.42	0.00	31.00	17.50	0.00	46.00	0.00	23.00	26.00	0.00
Subnational Bonds	0.00	0.00	0.00	0.00	0.00	0.00	137.33	19.81	115.00	0.00	0.00	0.00

**Table 6: Outstanding Value of Admitted Securities (₦'bn)<sup>1</sup>**

Product	Jan. '23	Feb. '23	Mar. '23	Apr. '23	May '23	Jun. '23	Jul. '23	Aug. '23	Sep. '23	Oct. '23	Nov. '23	Dec. '23
CPs	310.30	376.11	669.85	720.54	845.19	831.94	917.40	938.34	966.39	948.56	806.35	821.25
Corporate Bonds	1,499.69	1,597.19	1,709.61	1,709.61	1,740.61	1,751.11	1,743.15	1,789.15	1,789.15	1,796.86	1,822.86	1,787.76
Subnational Bonds	144.11	144.11	144.11	144.11	144.11	144.11	281.43	301.25	416.25	416.25	416.25	416.25

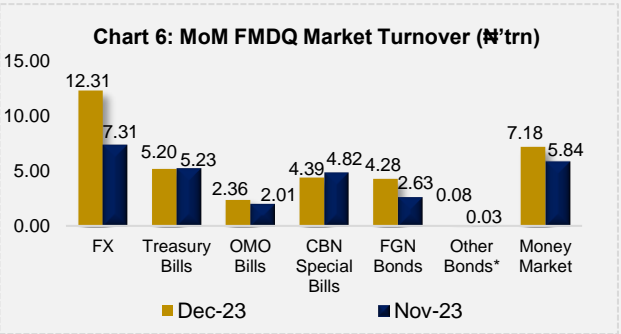
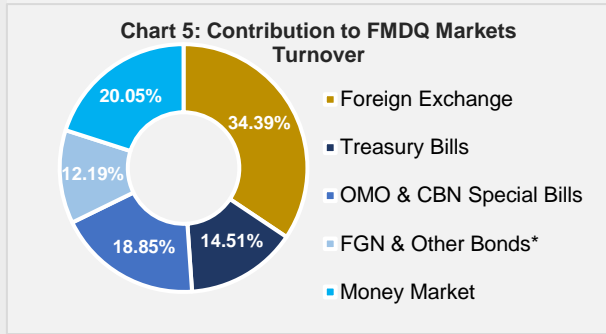
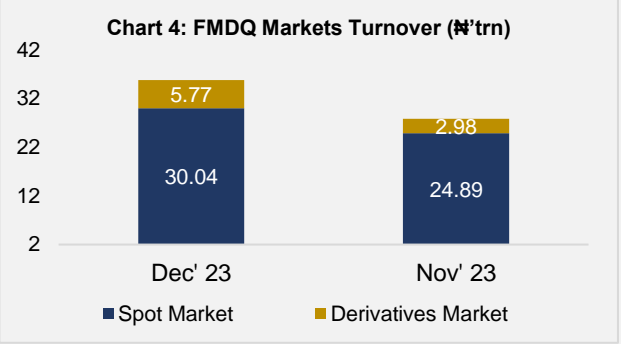
**Note:** Non-Sovereign Bonds include LCY Corporate Bonds and LCY Subnational Bonds (includes LCY Sukuk)  
1 – Figures have been revised from November 2023 report

## Secondary Market

### Market Turnover by Products

Secondary market turnover on FMDQ Exchange in December 2023 was ₦35.81trn, representing a MoM and YoY increase of 28.49% (₦7.94trn) and 70.20% (14.77trn) from November 2023 and December 2022 figures, respectively.

Foreign Exchange (FX), CBN Bills<sup>1</sup> and Money Market (MM) transactions dominated secondary market activity, accounting for 73.29% of the total secondary market turnover in December 2023. (See Chart 5)



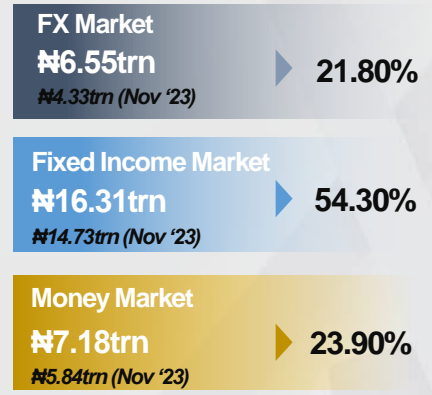
## Spot Market

Total spot market turnover for all products traded in the secondary market in December 2023 was ₦30.04trn, representing a MoM increase of 20.69% (₦5.15trn) from November 2023 figures.

The MoM increase in total spot market turnover was jointly driven by an increase in turnover across all spot market product categories, with contributions by FX, MM and FI transactions increasing MoM by 51.27% (₦2.22trn), 22.95% (₦1.34trn) and 10.73% (₦1.58trn), respectively.

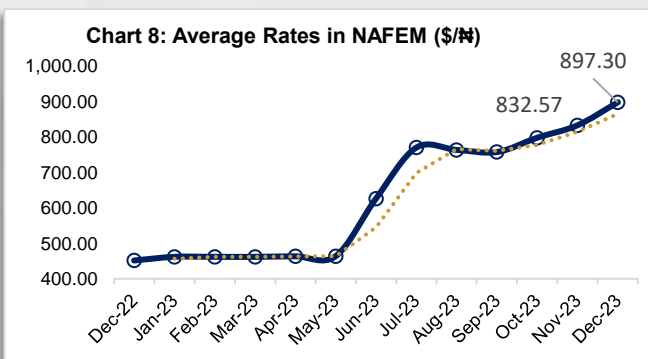
The increase in MM turnover was solely driven by an uptick in Repos/Buy-backs, offsetting the MoM decline in Unsecured Placement/Takings transactions. Similarly, the uptick in FI turnover was jointly driven by a MoM increase across all FI products excluding T.Bills and CBN Special Bills which declined in the review period.

Chart 7: Spot Market Turnover and Percentage Contribution



## Spot FX Market

Spot FX market turnover in December 2023 was \$7.34bn (₦6.55trn), representing a MoM increase of 41.97% (\$2.17bn) from the turnover recorded in November 2023 (\$5.17bn).



In the FX Market, the US Dollar appreciated against the Naira, with the spot exchange rate (\$/₦) increasing by 7.77% (\$/₦64.73) to close at an average of \$/₦897.30 in Dec. 2023 from \$/₦832.57 recorded in Nov. 2023. (See Chart 8)

Further, exchange rate volatility increased in December 2023 as the Naira traded within an exchange rate range of \$/₦806.73 – \$/₦1,099.05 compared to \$/₦750.14 – \$/₦996.75 recorded in November 2023.

**Notes:**

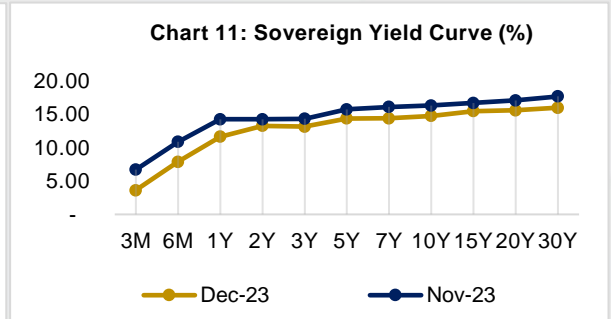
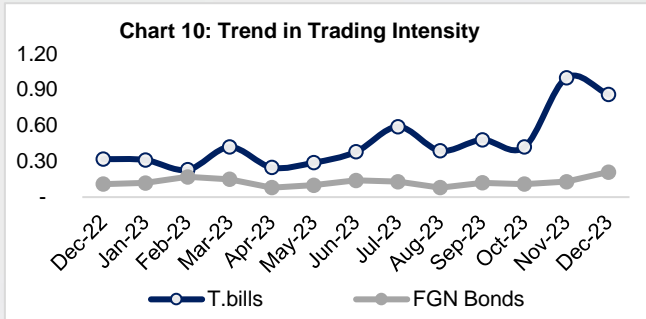
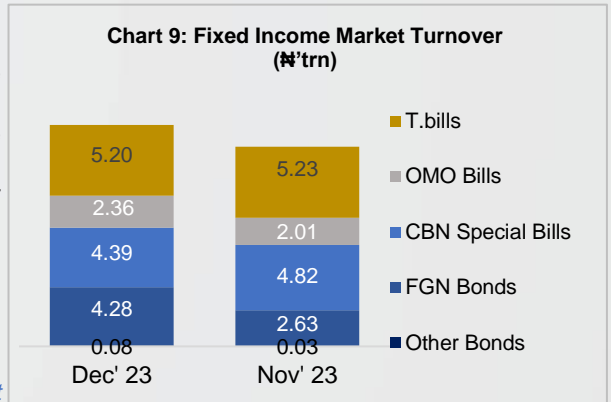
<sup>1</sup> Refers to Open Market Operations (“OMO”) and CBN Special Bills

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

### Spot Fixed Income Market

FI market turnover in December 2023 was ₦16.31trn, representing a MoM increase of 10.73% (₦1.58trn) from the turnover recorded in November 2023 (₦14.73trn). The MoM increase in the FI market turnover was driven by the 62.74% (₦1.65trn), 166.67% (₦0.05trn) and 17.41% (₦0.35trn) increase in turnover across FGN Bonds, Other Bonds and OMO Bills, offsetting the 0.57% (₦0.03trn) and 8.92% (₦0.43trn) MoM decline in T.Bills and CBN Special Bills, respectively. (See Chart 9)

As a result, the trading intensity (TI) for FGN Bonds increased MoM by 0.08bps to 0.21, whilst TI for T.Bills decreased MoM by 0.15bps to 0.86 respectively (See Chart 10).



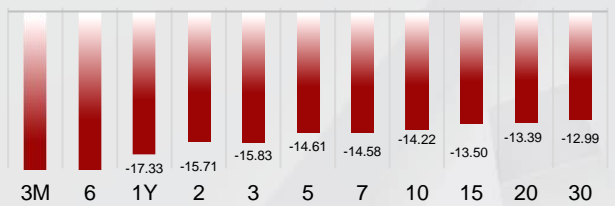
T.bills and FGN Bonds within the >6M – 12M and >20Y tenors respectively were the most traded sovereign FI securities, accounting for 47.15% (₦4.47trn) and 24.89% (₦2.36trn) of the secondary market turnover for sovereign FI securities in the spot market, respectively. (See table below)

T.Bills					FGN Bonds					Total
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y		
0.46	0.27	4.47	0.39	0.18	0.64	0.67	0.04	2.36	9.48	

In December 2023, the yield spread between the 3M and 30Y sovereign FI securities increased MoM by 1.40ppts to 12.34ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

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

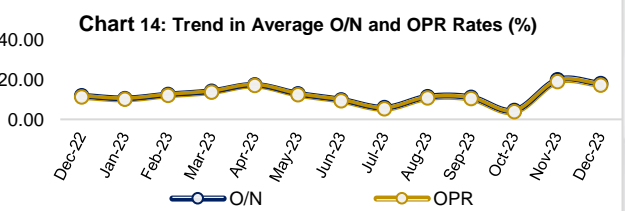
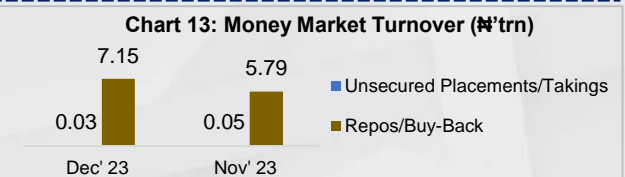
Chart 12: Inflation Adjusted Yields as at Dec. 29, 2023^ (%)



### Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 22.95% (₦1.34trn) to ₦7.18trn in December 2023. The MoM increase was solely driven by the 23.49% (₦1.36trn) increase in Repos/Buy-backs, which offset the 40.00% (₦0.02trn) decline in Unsecured Placement/Takings transactions, respectively (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 1.96ppts and 1.75ppts respectively, to close at an average of 17.95% and 17.25% in December 2023 (See Chart 14).



Notes:  
^Adjusted with December 2023 inflation rate (28.92%)

## Derivatives Market

### FX Derivatives Market

Total turnover in the FX derivatives market segment in December 2023 was \$6.47bn (₦5.76trn), representing a MoM increase of 82.25% (\$2.92bn) from November 2023 figures.

The MoM increase in the FX derivatives turnover was jointly driven by the 82.84% (\$2.80bn), 41.18% (\$0.07bn) and \$0.05bn increase in FX Swaps, FX Forwards and FX Futures transactions, respectively.

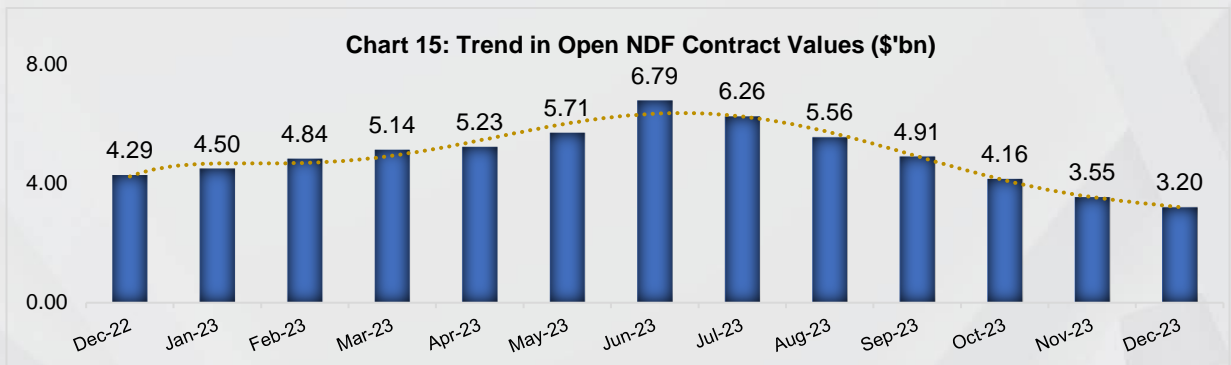
FX Swaps	Contribution
<b>\$6.18bn</b> (₦5.51trn)	<b>▶ 95.52%</b>
<b>\$0.24bn</b> (₦0.21trn)	<b>▶ 3.71%</b>
<b>\$0.05bn</b> (₦0.04trn)	<b>▶ 0.77%</b>

### Cleared Naira-Settled Non-Deliverable Forwards

In the Cleared Naira-Settled (USD/NGN) Non-Deliverable Forwards market, the near month contract<sup>1</sup> (NGUS DEC 27, 2023) expired and open positions with a total notional value (NV) of \$0.35bn 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 sixth consecutive month to circa \$3.20bn as at December 29, 2023. This represents a MoM and YoY decrease of 9.86% (\$0.35bn) and 25.41% (\$1.09bn), respectively. (See Chart 15)

<b>Matured Contract</b> NGUS DEC 27, 2023 (\$/₦490.75*)	<b>▲</b>
<b>New 60M Contract</b> Not Applicable (N/A) (\$/₦0.00)	
<b>NV of Open Positions</b> in NDF Contracts – \$3.20bn	<b>▼</b>



In the period under review, there were no new trades recorded on contracts between 13M – 60M<sup>1</sup>.

**Notes:**

\* – Refers to the last published rate for **NGUS Dec 27 2023** contract as at June 13, 2023.

1 – In response to ongoing reforms in NAFEM, the Central Bank of Nigeria (“CBN”) halted the quotation of offer rates for all Cleared Naira-Settled Non-Deliverable Forwards contracts on September 26, 2023.

## Derivatives Market..2

In December 2023, there were no rates quoted for Cleared Naira-Settled Non-Deliverable Forwards. (See Table 7). Conversely, indicative non-deliverable FX Forwards rates increased across all tenor buckets. The 6M contracts recorded the highest MoM increase in price (i.e., expected depreciation 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 (\$/₦) <sup>1</sup>								
	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Dec-23	-	-	-	-	-	-	-	-
Nov-23	-	-	-	-	-	-	-	-
Change	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑	N/A ↓ ↑

Table 8: Indicative Non-Deliverable Forwards Rate (\$/₦)					
	1M	2M	3M	6M	12M
Dec-23	975.32	984.01	994.26	1,022.41	1,087.08
Nov-23	857.58	867.20	876.91	894.66	971.51
Change	117.74 ↑	116.81 ↑	117.35 ↑	127.75 ↑	115.57 ↑

**Notes:**

1 – In response to ongoing reforms in NAFEM, the Central Bank of Nigeria (“CBN”) halted the quotation of offer rates for all Cleared Naira-Settled Non-Deliverable Forwards contracts on September 26, 2023.



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