



Q-ESTIMATOR

User Guide



FMDQ SECURITIES EXCHANGE LIMITED

JULY 2023

1 Introduction

This is an explanatory and informational document that describes the end-to-end process of the use of FMDQ Q-Estimator, a strategic tool developed by FMDQ Securities Exchange Limited (“FMDQ Exchange”) for the estimation of the **Cost of Hedge**, and **Profit or Loss** on derivatives transactions or positions in the Nigerian financial markets. FMDQ Exchange has deployed the Q-Estimator to equip market participants with a tool that aids strategic and informed hedging decision making in the Nigerian financial markets, particularly FMDQ Derivatives market. Kindly see below definition of key terminologies.

Key terminologies:

- **Cost of Hedge** is the estimation of the total cost incurred when derivatives contracts are purchased on FMDQ-advised trading System, that is Exchange and Central Counterparty fees
- **Profit or Loss** is the total gain/loss earned at the maturity of derivatives contracts
- **Effective Profit or Loss** is the actual gain/loss earned at the maturity of derivatives transactions, when the total cost incurred for purchasing derivatives contracts has been deducted

Kindly click [HERE](#) to access FMDQ Q-Estimator.

2 Home Page



Click here to access the Calculator page for the Naira-Settled OTC FX Futures to estimate the Cost of Hedge and Profit or Loss.

Q-Estimator is a strategic tool developed by FMDQ Securities Exchange Limited (“FMDQ Exchange”) for the estimation of the cost of hedge, as well as profit or loss on derivatives transactions or positions in the Nigerian financial markets.

As part of its market development initiatives and in a bid to empower its various stakeholder groups through its value-adding services, FMDQ Exchange has deployed the Q-Estimator to equip market participants with a tool that aids strategic and informed hedging decision making in the Nigerian financial markets, particularly FMDQ Derivatives market.

NAIRA-SETTLED OTC FX FUTURES >

Click here to access the Calculator page for Interest Rate Futures to estimate the Cost of Hedge and Profit or Loss.

INTEREST RATE FUTURES >

Click here to access the Calculator page for Currency Futures to estimate the Cost of Hedge and Profit or Loss.

CURRENCY FUTURES >

USER MANUAL

GLOSSARY

Click the 'Glossary' button to access the description of parameters or words used in the Calculator.

Quick links to access relevant Derivatives pages on the FMDQ Exchange website can be accessed here.



Should you require further clarification on FMDQ Derivatives market, kindly contact the Derivatives Business Group via email at dbg@fmdqgroup.com or call +234-907-035-9954.

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3 Product Page – Naira-Settled OTC FX Futures

a. How to Calculate Cost of Hedge

Q-Estimator
Home » Naira-Settled OTC FX Futures »

Click here to go back to the Home Page.

Click here to access the Calculator page to estimate the Cost of Hedge of OTC FX Futures contracts.

Naira-settled OTC FX Futures are non-deliverable forward contracts where parties agree to an exchange rate for a predetermined date in the future, without the obligation to deliver the underlying currencies (US Dollar and Nigerian Naira) on the maturity/settlement date.

COST OF HEDGE

Contract Tenor (M)*

Contract Rate (\$/N)*

Contract Value (\$)*

CALCULATE

Cost of Hedge (N)

Cost of Hedge Per Dollar (\$/N)

* Required Fields

Note
M - Month

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Step	Description
1	Select the Contract Tenor to be simulated <i>Please note that there are currently thirteen (13) to sixty (60) month contracts (i.e., up to five (5) years) available in the OTC FX Futures market</i>
2	Insert the applicable Contract Rate in line with the Contract Tenor selected above <i>Please note that this could be the actual Contract Rate published by FMDQ Exchange or an estimated Contract Rate for the purpose of the valuation</i>
3	Insert the value of the OTC FX Futures contract to be estimated. This is the total amount to be hedged against FX risk
4	Once all fields are inputted, click CALCULATE to automatically populate the Cost of Hedge and Cost of Hedge per Dollar fields

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b. How to Calculate Profit/Loss

Q-Estimator

Home » Naira-Settled OTC FX Futures »

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[GLOSSARY](#)

Naira-settled OTC FX Futures are non-deliverable forward contracts where parties agree to an exchange rate for a predetermined date in the future, without the obligation to deliver the underlying currencies (US Dollar and Nigerian Naira) on the maturity/settlement date.

COST OF HEDGE

PROFIT/LOSS

PROFIT / LOSS

Contract Tenor (M)* 1

Contract Rate (\$/N)* 2

Contract Value (\$)* 3

NAFEX (\$/N)* 4

CALCULATE

Profit / Loss (N) 5

Effective Profit / Loss (N)

* Required Fields

Note
M - Month

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1	Select the Contract Tenor to be simulated <i>Please note that there are currently thirteen (13) to sixty (60) month contracts (i.e., up to five (5) years) available in the OTC FX Futures market</i>
2	Insert the applicable Contract Rate in line with the Contract Tenor selected above. <i>Please note that this could be the actual Contract Rate published by FMDQ Exchange or an estimated Contract Rate for the purpose of the valuation</i>
3	Insert the value of the OTC FX Futures contract to be estimated. This is the total amount to be hedged against FX risk
4	Insert the predicted Nigerian Autonomous Foreign Exchange Fixing (NAFEX) as at the OTC FX Futures contract maturity date
5	Once all fields are inputted, click CALCULATE to automatically populate the Profit/Loss and Effective Profit/Loss fields

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4 Product Page – Interest Rate Futures

a. How to Calculate Cost of Hedge

Q-Estimator

Home > Interest Rate Futures >

Click here to go back to the Home Page.

Interest Rate Futures are standardised derivatives contracts that have interest-bearing financial instruments as their underlying assets, whose values are derived from money market and fixed income products.

GLOSSARY

Click here to access the Calculator page to estimate the Cost of Hedge of Interest Rate Futures.

COST OF HEDGE

PROFIT/LOSS

COST OF HEDGE

Contract Type *

Contract Name *

Contract Tenor (M)*

Multiplier (N)

Futures Price*

Number of Contracts*

CALCULATE

Cost of Hedge (N)

Cost of Hedge Per Contract (N)

* Required Fields

Note

M - Month

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Step	Description
1	Select the Contract Type to be simulated
2	Select the Contract Name to be simulated
3	Select the Contract Tenor <i>Please note that there are four (4) tenors – 3, 6, 9, and 12 Months – available for each Contract in the Interest Rate Futures market</i>
4	Once the Contract Type and Contract Name fields are inputted, the Multiplier field will be automatically populated
5	Insert the Futures Price on Valuation Start Date <i>Please note that this could be the actual Futures price as published by FMDQ Exchange or an estimated Futures Price for the purpose of the valuation</i>
6	Insert the number of contracts to be simulated <i>Please note this has to be a whole number</i>
7	Once all fields are inputted, click CALCULATE to automatically populate the Cost of Hedge and Cost of Hedge per Contract fields

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b. How to Calculate Profit/Loss

Q-Estimator

Home » Interest Rate Futures »

Click here to go back to the Home Page.

Interest Rate Futures are standardised derivatives contracts that have interest-bearing financial instruments as their underlying assets, whose values are derived from money market and fixed income products.

GLOSSARY

Click here to access the Calculator page to estimate the Profit or Loss of Interest Rate Futures.

COST OF HEDGE

PROFIT/LOSS

The screenshot shows the 'PROFIT / LOSS' calculator form. It includes fields for Contract Type, Contract Name, Contract Tenor, Multiplier, Futures Price on Valuation Start Date, Number of Contracts, Position, and Futures Price on Valuation End Date. A 'CALCULATE' button is present, followed by 'Profit / Loss (M)' and 'Effective Profit / Loss (M)' output fields. A note at the bottom indicates '* Required Fields'.

Note
M - Month

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Step	Description
1	Select the Contract Type to be simulated
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3	Select the Contract Tenor <i>Please note that there are four (4) tenors – 3, 6, 9, and 12 Months – available for each contract in the Interest Rate Futures market</i>
4	Once the Contract Type and Contract Name fields are inputted, the Multiplier field will be automatically populated
5	Insert the Futures Price on Valuation Start Date <i>Please note that this could be the actual Futures price as published by FMDQ Exchange or an estimated Futures Price for the purpose of the valuation</i>
6	Insert the number of contracts to be simulated <i>Please note this has to be a whole number</i>
7	Select the relevant trading position for the simulation. This could be either a long or short position
8	Insert the Futures Price on Valuation End Date <i>Please note that this could be the actual Settlement Futures price as published by FMDQ Exchange or an estimated Settlement Futures Price for the purpose of the valuation</i>
9	Once all fields are inputted, click CALCULATE to automatically populate the Profit/Loss and Effective Profit/Loss fields

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5 Product Page – Currency Futures

a. How to Calculate Cost of Hedge

Q-Estimator

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GLOSSARY

Currency Futures are standardised derivatives contracts that create an obligation for the contract holders to exchange cashflows on a specified date based on the predetermined rates of the currency pairs, in this case the United States Dollar (USD) relative to the Nigerian Naira (NGN).

Click here to access the Calculator page to estimate the Cost of Hedge of Currency Futures.

COST OF HEDGE

PROFIT/LOSS

COST OF HEDGE

Contract Type *

Contract Tenor (M)*

Number of Contracts*

Contract Value (\$)

Futures Price*

CALCULATE

Cost of Hedge (N)

Cost of Hedge Per Contract (N)

* Required Fields

1

2

3

4

5

6

Note

M - Month

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Step	Description
1	Select the Contract Type to be simulated
2	Select the Contract Tenor to be simulated <i>Please note that there are currently one (1) to twelve (12) monthly contracts available in the Naira-Settled Exchange-Traded FX Futures market</i>
3	Insert the number of contracts to be simulated <i>Please note this must be a whole number</i>
4	Once the Number of Contracts field is inputted, the Contract Value (\$) field will be automatically calculated
5	Insert the Futures Price on Valuation Start Date <i>Please note that this could be the actual Futures price as published by FMDQ Exchange or an estimated Futures Price for the purpose of the valuation</i>
6	Once all fields are inputted, click CALCULATE to automatically populate the Cost of Hedge and Cost of Hedge per Contract fields

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b. How to Calculate Profit/Loss

Q-Estimator

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Currency Futures are standardised derivatives contracts that create an obligation for the contract holders to exchange cashflows on a specified date based on the predetermined rates of the currency pairs, in this case the United States Dollar (USD) relative to the Nigerian Naira (NGN).

COST OF HEDGE

PROFIT/LOSS

GLOSSARY

Click here to access the Calculator page to estimate the Profit or Loss of Currency Futures.

PROFIT / LOSS

Contract Type *

Contract Tenor (M)*

Number of Contracts *

Contract Value (\$)

Futures Price on Valuation Start Date *

Position *

Futures Price on Valuation End Date *

CALCULATE

Profit / Loss (N)

Effective Profit / Loss (N)

* Required Fields

Note

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Q-Estimator

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Glossary

Clearing Fee	+
Collateral Accommodation Fee	+
Contract Name	+
Contract Rate	+
Contract Tenor	+
Contract Value	+
Cost of Hedge	+
Effective Profit/Loss	+

Click here to expand or collapse the relevant text fields.

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