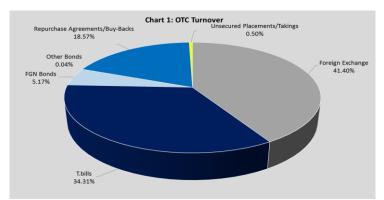


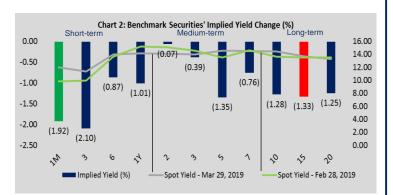
# **OTC Monthly**

# Vol. 5, No. 3; March 2019



(Table 1) - FX Market Turnover (\$'bn)								
		March	February	MoM Δ <sup>4</sup> (\$'bn)	MoM Δ (%)			
Inter-Member	FX Spot	1.98	1.43	0.54	37.94			
	FX Forwards	0.20	0.07	0.13	175.61			
	FX Swaps	0.82	0.30	0.52	176.83			
	FX Futures	0.00	0.00	0.00	N/A*			
	Others**	1.27	0.62	0.65	103.98			
	Total	4.27	2.42	1.84	76.00			
Member-Clients	FX Spot	12.53	5.42	7.11	131.16			
	FX Forwards	0.68	0.52	0.16	29.78			
	FX Swaps	3.42	2.04	1.38	67.46			
	FX Futures	1.53	0.43	1.10	256.03			
	Others	0.26	0.47	(0.20)	(43.33)			
	Total	18.41	8.88	9.53	107.41			
Member-CBN	FX Spot	6.96	1.92	5.04	262.42			
	FX Forwards	1.30	0.64	0.66	103.72			
	FX Swaps	0.00	0.10	(0.10)	(100.00)			
	FX Futures	2.32	0.58	1.74	301.78			
	Others	0.00	0.05	(0.05)	(100.00)			
	Total	10.58	3.29	7.29	221.49			
Total Turnover 33.26 14.59 18.67 127.92								

(Table 2) - I&E Window FX Inflow										
	March					February			ΜοΜ Δ	
	Source	Value (\$'bn)	Sizing (%)	Total Sizing (%)	Value (\$'bn)	Sizing (%)	Total Sizing (%)	MoM $\Delta^4$ (\$'bn)	MoM Δ (%)	
International Sources	FDIs	0.23	3.45	72.73	0.20	6.59	66.70	0.04	0.20	
	FPIs	4.69	68.93		1.75	59.01		2.94	1.68	
	Other Corporates	0.02	0.35		0.03	1.10		(0.01)	(0.26)	
	CBN	0.79	11.69	.01 27.27	0.15	4.92	33.30	0.65	4.45	
Local Courses	Exporters	0.14	2.01		0.08	2.72		0.06	0.70	
Local Sources	Individuals	0.03	0.39		0.02	0.73		0.00	0.21	
	Non-Bank Corporates	0.90	13.18		0.74	24.93		0.16	0.21	
	Total	6.80	1	00.00	2.96	1	00.00	3.84	15.55	



(Table 3) -Trading Intensity							
	Jan-18	Feb-19	Mar-19	YTD '19	YTD****'18		
T.Bills	0.46	0.54	0.60	1.60	1.27		
FGN Bonds	0.08	0.12	0.18	0.38	0.33		

### Notes:

""Member" All references to Member means Dealing Member (Banks); ""\*"N/A" means Not Applicable; ""\*"Others" includes Options & Cross Currency Interest Rate Swaps; "\*\*\*"YTD" refers to Jan '18 to Mar '18; 1 – Month-on-Month; 2 – Year-on-Year; 3 – Central Bank of Nigeria; 4 – Change; 5 – Federal Government of Nigeria; 6 – Open Market Operations; 7 – Year-to-Date

### **OTC Market Summary**

- Turnover in the Fixed Income and Currency (FIC) markets for the month ended March (Mar) 31, 2019 was ₦28.98trn, representing a 51.09% (₦9.80trn) MoM¹ increase on the turnover recorded in February (Feb) 2019 (₦19.18trn); and an 84.47% YoY² increase from ₦15.71trn recorded in Feb '18
- The Treasury Bills (T.bills) and Foreign Exchange (FX) market segments remain the major drivers of turnover in the FIC markets, jointly accounting for 75.71% of turnover in Mar '19, which was 2.17 percentage points (ppts) lower than their contribution in Feb '19 (77.88%) (See Chart 1)

#### FX Market

- Total FX market turnover in Mar '19 was \$33.26bn (\text{\text{N}}12.00trn), representing 127.92% (\$18.67bn) MoM increase from the turnover recorded in Feb '19 (\$14.59bn) (See Table 1). Analysis of FX turnover by trade type indicates an increase across all three (3) segments, as FX turnover for Inter-Member, Member-Clients and Member-CBN³ trades increased by 76.00%, 107.41% and 221.49% respectively (See Table 1.). The increase in FX turnover for Member-Clients and Member CBN was driven by the increase in turnover in OTC FX Futures market segment which is largely attributable to increased Foreign Portfolio Investor ("FPI") inflows. Conversely, turnover at the Investors & Exporters ("I&E") FX Window in Mar '19 recorded a 18.04% (\$1.65bn) MoM decrease to close at \$7.48bn from the \$9.13bn recorded in Feb '19 and a 65.85% (\$2.97bn) YoY increase from the \$4.51bn recorded in Mar '18
- Analysis of FX turnover by product type showed an increase in both FX Spot and FX Derivatives, with FX Spot recording a MoM increase of 144.68% (\$12.69 bn) and accounting for 67.98% of the total MoM increase in FX turnover. The MoM increase of 102.64% (\$5.97bn) in FX Derivatives was driven by increases in FX Forwards, Swaps and Futures turnover by 76.61%, 73.60% and 282.28% respectively. In Mar '19, the 33<sup>rd</sup> Naira-settled OTC FX Futures Contract (NGUS MAR 27 2019) with total open contract size of \$505.25mm matured and was settled, bringing the total value of OTC FX Futures contracts settled on FMDQ since inception to c.\$14.84bn; out of FX Futures contracts worth \$22.05bn traded to date. A new 12-month contract (NGUS MAR 25 2020) with a notional principal of \$1.00bn and price of \$/₦362.29 was listed on FMDQ
- In Mar '19, the Naira appreciated against the US Dollar at the I&E FX Window ₦0.31 to close the month at \$/₦360.68 but remained unchanged in the parallel market at \$/₦360.00 (See Table 2). Conversely, the CBN Official Spot rate depreciated by 10 kobo to close at \$/₦306.95 (from \$/₦306.85 recorded in Feb' 19)

## Fixed Income Market (T. bills and FGN<sup>5</sup> bonds)

- Total T.bills (including OMO<sup>6</sup> bills) outstanding recorded a MoM increase of 4.31% (₦0.69trn) to close at ₦16.80trn, with OMO Bills accounting for 100% of the MoM increase while actual T.bills outstanding remained unchanged, as the CBN continued its liquidity mop up via OMO auctions to curtail build-up of inflationary pressure. Similarly, FGN Bonds outstanding value increased MoM by 1.43% (₦0.12trn) to close at ₦8.64trn as at Mar. 29, 2019. Furthermore, the split in sovereign debt between long- and short -term debt as at Mar '19 was 77:23 (long- vs. short-term), slightly higher than the target ratio of 75:25 outlined in the Nigerian Debt Management Office ("DMO") debt management strategy
- Trading intensity in the T.bills and FGN bonds markets increased from 0.54 and 0.12 in Feb '19, to 0.60 and 0.18 in Mar '19 respectively (See Table 3)
- Trading intensity in both markets stood at 1.60 and 0.38 respectively compared to 1.27 and 0.33 as at the same period in 2018, due to the 52.61% (\mathbf{9}.65trn) growth in T. bills and FGN bonds YTD<sup>7</sup> turnover. T. bills within the 6-12 months maturity bracket remained the most actively traded in Mar '19, accounting for 59.89% of the total FI market turnover
- In Mar '19, weighted average rate of yields on short- and long-term maturities on the sovereign yield curve increased by 0.47ppts and 0.26ppts respectively. Conversely, weighted average rate of yields on medium-term maturities on the sovereign yieldcurve declined by 0.91ppts (See Chart 2)

DISCLAIMER: This report is produced by the Market Development Group of FMDQ OTC Securities Exchange (FMDQ) for information purposes only. FMDQ 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 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 (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 willful tortious misconduct or gross negligence, FMDQ (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 information providers have no liability in tort, contract, or otherwise (and as permitted by law, product liability), to user and/or any 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 info



# **OTC Monthly**

## Vol. 5, No. 3; March 2019

(Table 4) - Money Market Turnover (₦'bn)									
	Mar-19	Feb-19	MoM Δ (Ħ'bn)	MoM Δ (%)	Mar-18	YoY ∆ (Nt'bn)	YoY ∆ (%)		
Repos/Buy-Backs	5,381.90	3,088.81	2,293.09	74.24%	2,622.13	2,759.77	105.25		
Unsecured Placements / Takings	146.09	102.04	44.05	43.17%	135.92	10.17	7.48		
Total	5,527.99	3,190.85	2,337.14	73.25%	2,758.05	2,769.94	100.43		

(Table 5) - Market Activity - Executed Trade Count									
	March February						(20)		
	AFO <sup>9</sup>	RFQ <sup>10</sup>	Total	AFO	RFQ	Total	MoM Δ (%)		
T.bills	1,181	17,091	18,272	840	15,786	16,626	9.90		
FGN bonds	882	2,136	3,018	482	1,240	1,722	75.26		
Total	2,063	19,227	21,290	1,322	17,026	18,348	16.03		

N.	-		

8 – Overnight; 9 – Nigerian Inter-Bank Offered Rate; 10 – Anonymous Firm Order; 11 – Request-for-Quote

Yield spread between the 3-month T.bills and the 10-year FGN bond declined by 65 basis points (bps) to close at 3.07ppts in Mar '19 (3.72ppts in Feb'19) with the yield on the 3-month T.bills and 10-year FGN bond increasing by 1.42% and 0.77% respectively, suggesting lower prices and more sell-offs at the shorter end of the curve. The speculations of market participants in Feb '19 was that the CBN would reduce the frequency of OMO issuances however, CBN resumed regular OMO auctions in Mar '19 which contributed to the increase in rates. Furthermore, market participants focused their activities on securities with medium to long term maturities

#### Money Market (Repos/Buy-Backs and Unsecured Placements/Takings)

- Turnover recorded in the Repos/Buy-Backs segment of the Money Market was ₱5.38trn in Mar '19, representing a 74.24% (₱2.29trn) MoM increase from ₱3.09trn recorded in Feb '19, and a 105.25% (₱2.76trn) YoY increase from the turnover recorded in Mar '18 (See Table 4)
- Similarly, Unsecured Placements/Takings closed the month with a turnover of ₩146.09bn, representing a 43.17% (₩44.05bn) MoM increase from ₩102.04bn recorded in Feb '19, and a YoY increase of 7.48% (₩10.17bn) (See Table 4)
- Average O/N<sup>8</sup> NIBOR<sup>9</sup> declined by 6.04ppts to close at 12.88% in Mar '19 from 18.93% reported for Feb '19, indicating an increase in liquidity in the inter-bank market which could be as result of a decrease in the frequency of OMO auctions in Mar'19 as well as the 1.72% increase in Federation Accounts Allocation Committee ("FAAC") disbursements shared in Mar'19 to N660.37bn from N649.19bn shared in Feb '19

#### Market Surveillance

Total number of executed trades reported on the E-Bond Trading System in Mar '19 was 21,290 representing a 16.03% (2,942) MoM increase from the number of trades executed in Feb '19 (18,348), driven by a MoM increase in T.bills and FGN bonds trades by 1,646 (9.90%) and 1,296 (75.26%) respectively (See Table 5)