

Fixed Income and Currencies (FIC) Markets Summary

FIC Markets Turnover

February 2021: ₦17.74trn ▲

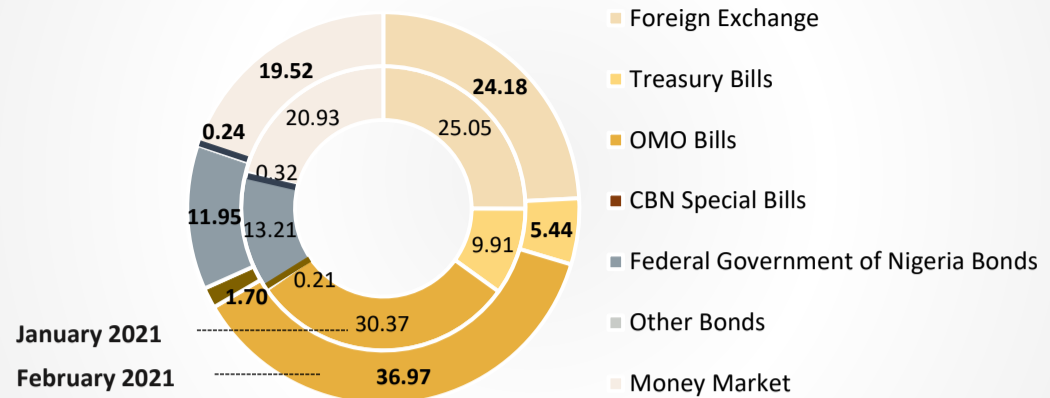
January 2021 - ₦13.03trn

February 2020 - ₦23.47trn

- Turnover in the FIC markets for the month ended February 26, 2021 was ₦17.74trn, representing a MoM¹ increase of 36.15% (₦4.71trn) and a YoY² decrease of 24.41% (₦5.73trn)

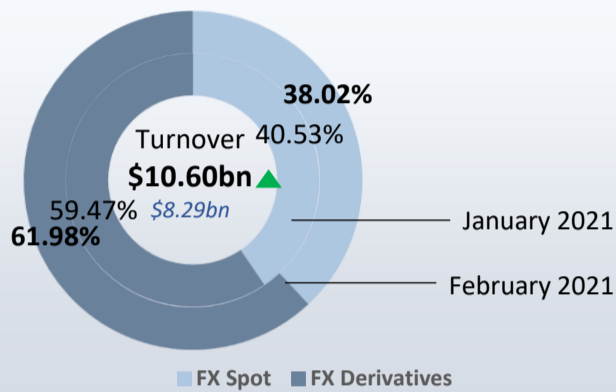
- Foreign Exchange (FX) and OMO³ bills transactions were the highest contributors to the FIC markets in February 2021, jointly accounting for 61.15% of the total FIC markets turnover. (See Chart 1)

Chart 1: Contribution to FIC Market Turnover (%)



FX Market

Chart 2: Contribution to FX Market Turnover (%)



FX Derivatives Turnover and Percentage Contribution

FX Swaps \$2.98bn ▶ 45.36%

FX Forwards \$1.06bn ▶ 16.13%

FX Futures \$0.81bn ▶ 12.33%

Others* \$1.72bn ▶ 26.18%

- Total FX market turnover in February 2021 was \$10.60bn (₦4.29trn), representing a MoM increase of 27.86% (\$2.31bn) from the turnover recorded in the previous month⁴ (\$8.29bn) (See Chart 2)

- FX Spot and FX Derivatives turnover increased MoM by 19.94% (\$0.67bn) and 33.27% (\$1.64bn) respectively in February 2021, with FX Derivatives accounting for 71.00% of the increase in turnover

Naira-settled OTC FX Futures Market

Matured Contract

NGUS FEB 24, 2021
(\$/₦412.14)

New 60-month Contract

NGUS FEB 25, 2026
(\$/₦605.76)

- In the OTC FX Futures market, the near month contract⁵ (NGUS FEB 24, 2021) with a total outstanding notional value (NV) of \$1.63bn matured and was settled, whilst a new long-term (60M⁶) contract, NGUS FEB 25, 2026 was introduced at a Futures price of \$/₦605.76, representing a 1.29% (\$/₦7.93) MoM decrease in the futures price, compared to the offer rate (\$/₦613.69) of the previous 60M contract (NGUS JAN 28, 2026)

- The total NV of open OTC FX Futures contracts as at February 26, 2021 stood at c.\$5.97bn, representing a further decrease of 16.27% (\$1.16bn) from its value as at January 29, 2021 (c.\$7.13bn), and continuing its downward trend since May 2020. (See Chart 3)

Chart 3: Trend in Open OTC FX Futures Contract Values (\$'bn)

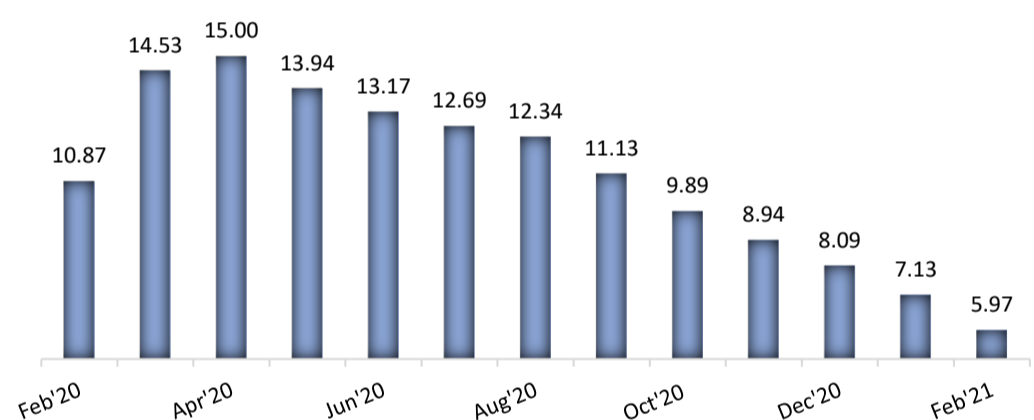
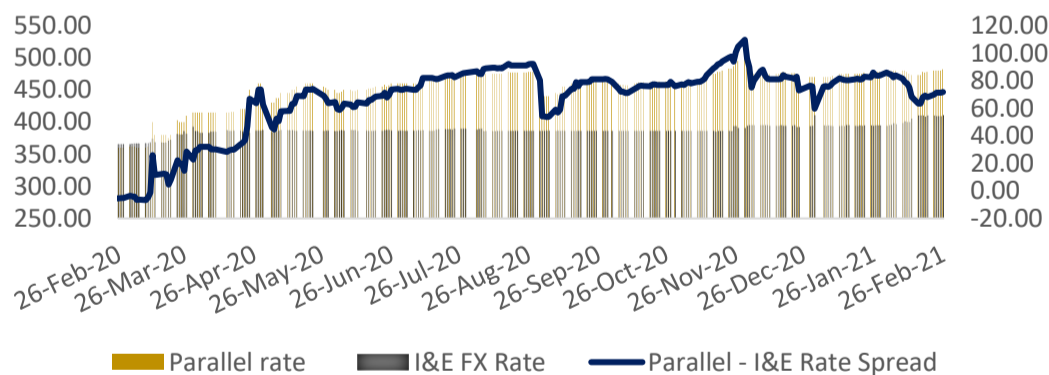


Chart 4: Spread I&E FX Window Closing Rates and the Parallel Market (\$/₦)



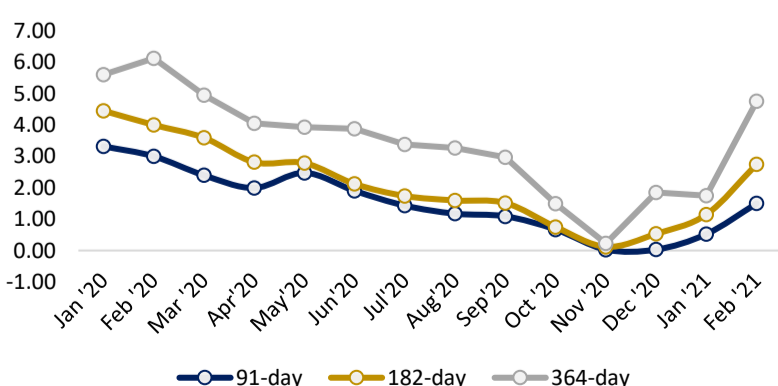
- The average Central Bank of Nigeria (CBN) Official Spot \$/₦ exchange rate remained constant at \$/₦379.00 in February 2021. Conversely, the Naira depreciated against the US Dollar at the Investors' and Exporters' (I&E) FX Window, trading within a range of \$/₦380.35 and \$/₦429.75 in February 2021, and losing 2.48% (\$/₦9.77) to close at an average of \$/₦403.80 in February 2021 from \$/₦394.03 recorded in January 2021

- Similarly, the Naira depreciated against the US Dollar in the parallel market, losing 0.77% (\$/₦3.65) to close at an average of \$/₦478.35 in February 2021 from \$/₦474.70 recorded in January 2021. Consequently, the average spread between the exchange rates in the formal (I&E FX Window) and unregulated (parallel) FX markets reduced by 7.59% (\$/₦6.12) to \$/₦74.55 in February 2021, from \$/₦80.67 in January 2021 (See Chart 4)

Fixed Income Market

Primary Market

Chart 5: Trend in Average T.bills Discount Rate (%)



- In the primary markets, average discount rates for the 91-day, 182-day and 364-day T.bills⁷ increased MoM by an average of 1.86 percentage points (ppts), to close at a range of 1.50% - 4.75% in February 2021 (See Chart 5), while the discount rates for CBN OMO bills increased MoM by an average of 4.67ppts to close at a range of 7.00% - 10.10%⁸ in February 2021. Notably, in February 2021, the CBN issued OMO bills at the highest discount rates recorded in nine (9) months (since May 2020) and maintained rates at this level throughout the month

- The coupon rates for the 10Y⁹, 15Y and 25Y FGN¹⁰ bond issuances in February 2021 increased by an average of 3.20ppts to close at a range of 10.25% - 11.80%

FGN Bond Issuances in February 2021

10Y – 10.25%

▲ 7.98%

15Y – 11.25%

▲ 8.74%

25Y – 11.80%

▲ 8.95%

Notes: *Others includes Options & Cross Currency Interest Rate Swaps.

1: Month-on-Month; 2: Year-on-Year; 3: Open Market Operations; 4: January 2021; 5: This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 6: Month; 7: Treasury Bills; 8: The 362-day OMO bill was issued at 10.10% and the discount rate for this bill was retained at 10.10% in February 2021; 9: Year; 10: Federal Government of Nigeria

Fixed Income Market
Secondary Market

Chart 6: Contribution to Fixed Income Turnover

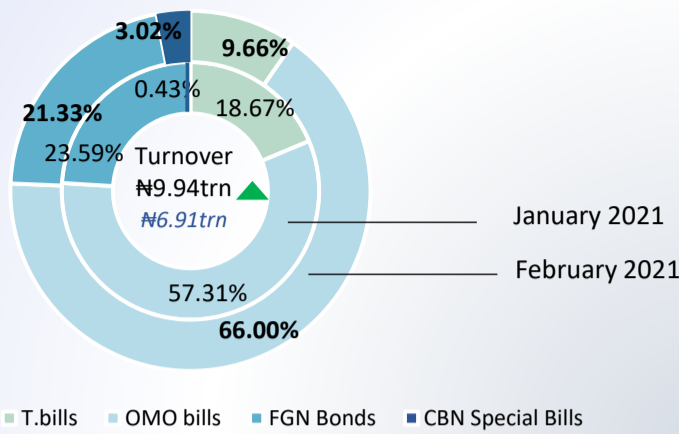
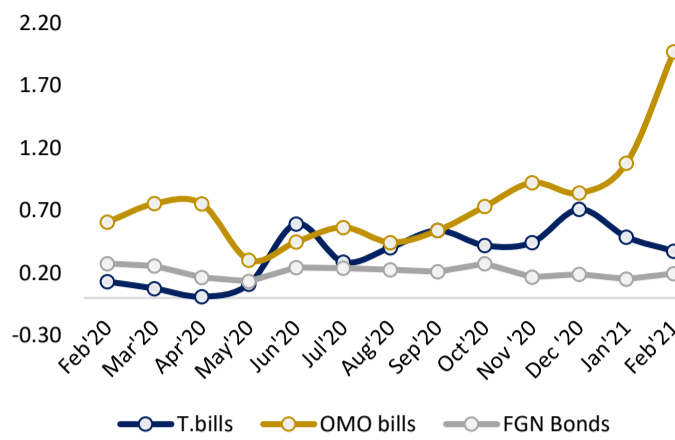


Chart 7: Trend in Trading Intensity



Turnover for OMO bills increased by 65.66% (₦2.60trn) to ₦6.56trn, contributing to the increase in its trading intensity to 1.97 in February 2021 from 1.08 recorded in January 2021. Similarly, FGN bonds turnover increased by 30.06% (₦0.49trn) to ₦2.12trn, resulting in an increase in its trading intensity to 0.19 in February 2021 from 0.15 recorded in the previous month. Conversely, T.bills' turnover decreased MoM by 25.58% (₦0.33trn) to ₦0.96trn in February 2021, resulting in the decrease in its trading intensity to 0.38 from 0.49 recorded in January 2021. (See Chart 7)

Chart 8: Fixed Income Turnover - February 2021 (₦trn)

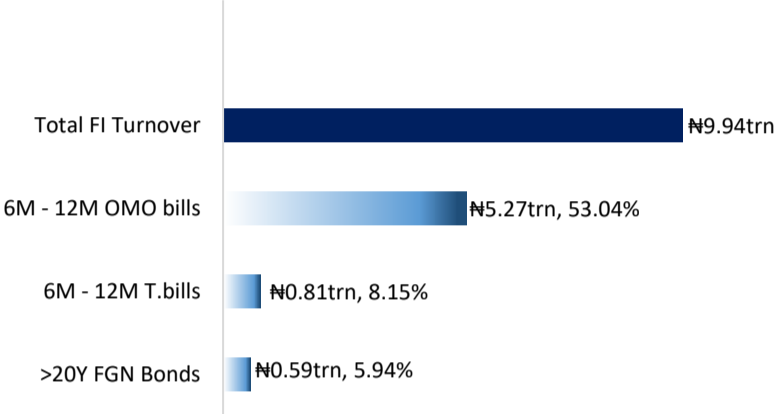
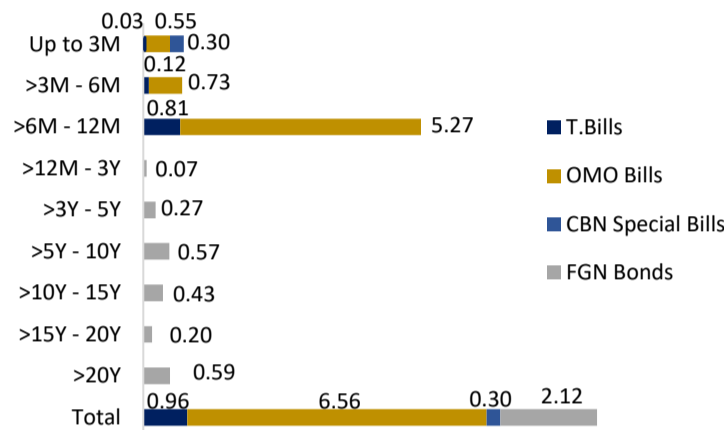


Chart 9: Fixed Income Turnover - February 2021 (₦trn)



In February 2021, 6M – 12M OMO bills were the most traded debt securities, accounting for 53.04% (₦5.27trn) of the total Fixed Income market turnover, while 6M – 12M T.bills were the most traded short-term¹¹ sovereign debt securities, accounting for 8.15% (₦0.81trn) of total Fixed income turnover. Amongst long-term sovereign debt securities, FGN Bonds with tenors or TTM greater than 20Y remained the most active long-term¹² sovereign debt securities, accounting for 5.94% (₦0.59trn) of the total Fixed Income market turnover. (See Chart 8)

There was an upward shift in the sovereign yield curve between January and February 2021 across all tenors, with the highest shift recorded on the 30Y tenor as yields increased MoM by 3.52ppts. The upward shift also resulted in the increase in the spread between the yield of the 3M and 30Y sovereign debt securities by 2.90ppts to 10.35ppts in February 2021, indicating a further steepening of the sovereign yield curve (See Chart 10). Further, inflation-adjusted yields remained negative across the yield curve in February 2021 (See Chart 11)

Chart 10: Sovereign Yield Curve (%)

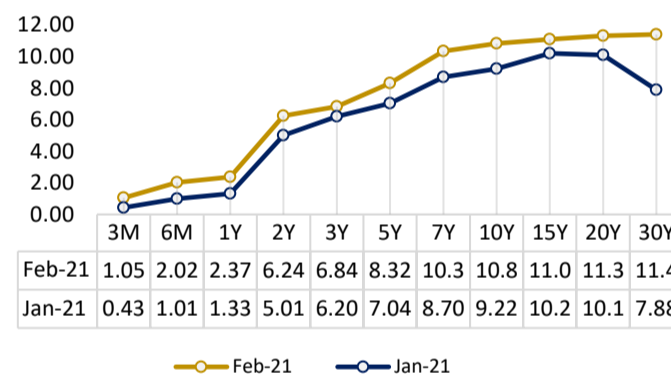
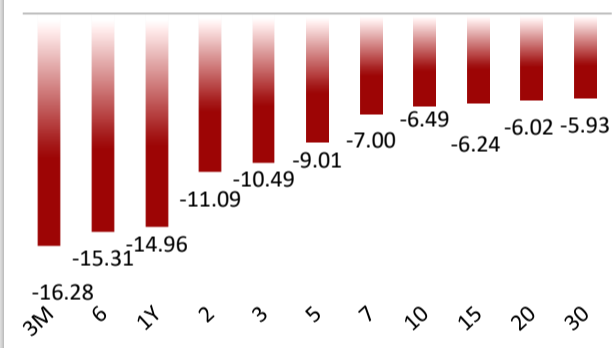


Chart 11: Inflation Adjusted Yields as at February 26, 2021[^] (%)



Money Market

Chart 12: Money Market Turnover (₦trn)

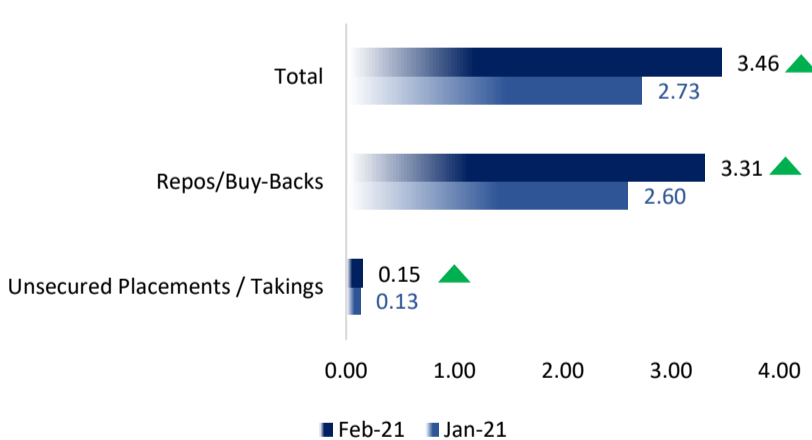
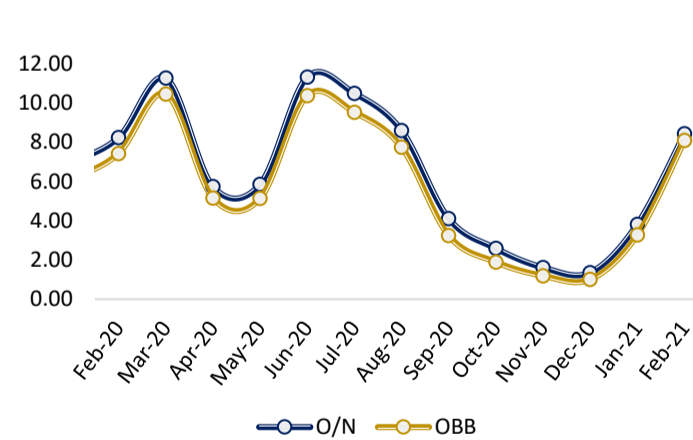


Chart 13: Trend in Average O/N¹³ and OBB¹⁴ Rates (%)



Total turnover in the Money Market segment increased MoM by 26.74% (₦0.73trn) to ₦3.46trn in February 2021. This was jointly driven by the corresponding MoM increases in Repo/Buy-backs and Unsecured Placements/Takings turnover by ₦0.71trn and ₦0.02trn to ₦3.31trn and ₦0.15trn respectively in February 2021 (See Chart 12). Consequently, average O/N and OBB rates increased by 4.60ppts and 4.80ppts to close at 8.43% and 8.08% respectively in February 2021. (See Chart 13)

Market Activity

The total number of executed trades¹⁵ reported on the Bloomberg E-Bond Trading System increased MoM by 22.07% (830) to 4,591 in February 2021 from 3,761 recorded in January 2021. This was driven by the MoM increase in the number of trades across all product categories in February 2021. (See Table 1)

Table 3 - Market Activity - Executed Trade Count

	Feb-21			Jan-21			MoM Δ (%)
	AFO ¹⁶	RFQ ¹⁷	Total	AFO	RFQ	Total	
T.bills	0	474	474	0	364	364	30.22
OMO bills	1	1,464	1,465	3	1,072	1,075	36.28
FGN Bonds	16	2,636	2,652	6	2,316	2,322	14.21
Total	17	4,574	4,591	9	3,752	3,761	22.07

Notes:

[^] Adjusted with the February 2021 Headline Inflation rate of 17.33%.

11: 1M – 3Y; 12: 5Y – 30Y; 13: Overnight; 14: Open Buy-back; 15: This represents majorly Inter-Member trades, whilst other trade types (Member-CBN and Member-Client trades) are typically reported on the FMDQ Exchange Weekly Data Portal; 16: Anonymous Firm Order; 17: Request-for-Quote

Text in blue	Prior period
Text in black	Current period
▲	MoM Increase
▼	MoM Decrease