

PRESS RELEASE

October 4, 2013

KOFIA Releases the OTC Bond Market Trend Analysis for September 2013

Interest rates declined as the US maintained its quantitative easing policy, and the term (yield) spread narrowed due to the strong performance of long-term bonds.

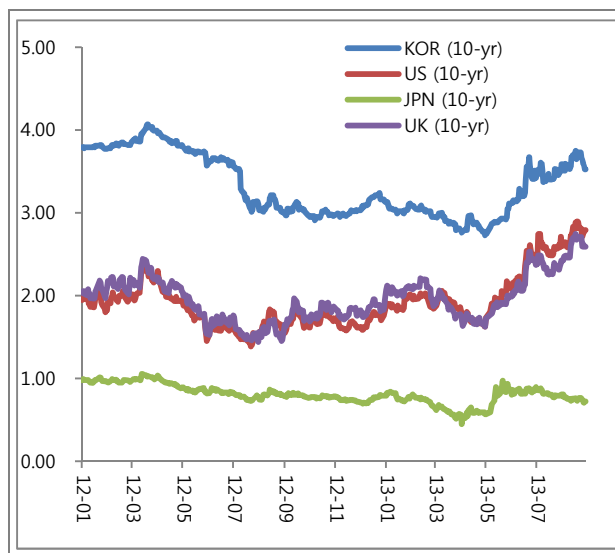
A. (Interest Rates) Interest rates rose at the beginning of the month due to concerns over the winding down of quantitative easing in the US, but then turned to decline following disappointing US employment indices and the FOMC maintaining its policy on its long-term asset purchases.

- At the end of September, despite the burden of lower interest rate levels and better performing economic indicators in major economies, the bond market remained strong as foreign investors continued to net purchase KTB futures and concerns emerged surrounding the shut-down of the US government.
- The relatively strong performance of long-term bonds resulted in a narrower term (yield) spread* overall.

*The spreads for the 5-year KTB and 1-year MSB, and the 10-year KTB and 1-year MSB narrowed sharply by -13bp and -12bp, respectively, from the previous month.

Domestic & Foreign Gov't Bond (10-yr) Rates
(as of end-Sep. 2013)

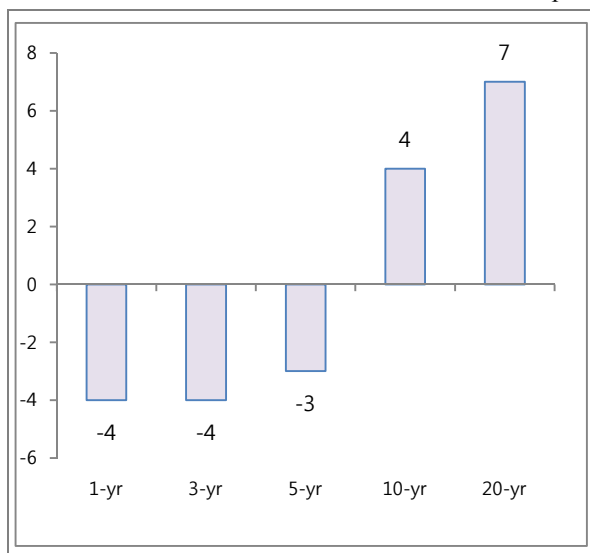
<Unit: %>



Source: KOFIA, KOSCOM

Monthly KTB Interest Rate Changes
(as of end-Sep. 2013)

<Unit: bps>



Source: KOFIA

B. (Bond Issuance) Despite the decrease in the issuance of government bonds, the overall issuance of bonds in September rose by KRW 0.45 trillion month-on-month (KRW 49.93tn → KRW 50.38tn), driven by increased issuance of financial bonds and corporate bonds.

- The issuance volume of corporate bonds (excluding ABS) grew from the previous month at most credit rating levels, while the issuance volume of bonds with a credit rating of BB or lower dropped by KRW 97.5 billion month-on-month to record only KRW 10.5 billion (0.15% of the overall issuance of corporate bonds), displaying a more significant polarization in the corporate bond issuance market.

Issuance by Bond Type (as of end-Sep. 2013)

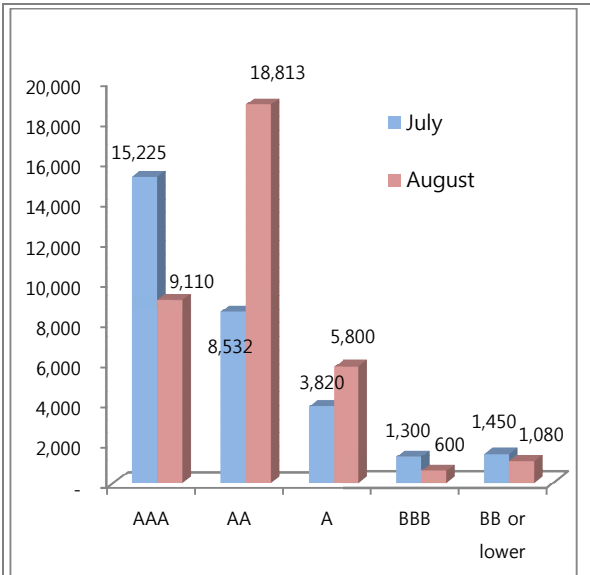
<Unit: KRW 100mn, ABS excluded from Corporate>

Bond Type	New Issuance		MoM	Out-standing	%
	Aug.	Sep.			
Gov't	141,503	126,912	-14,591	4,505,272	30.0
Municipal	2,325	5,089	2,764	181,541	1.2
Special	62,989	58,425	-4,564	3,458,909	23.0
MSB	137,900	130,300	-7,600	1,648,800	11.0
Financial	86,663	105,011	18,348	2,550,951	17.0
Corporate	51,092	69,701	18,609	2,295,395	15.3
ABS	16,865	8,324	-8,541	369,004	2.5
Total	499,337	503,762	4,425	15,009,872	100.0

Source: KOSCOM

Corporate Bond Issuance By Credit Rating (as of end-Sep. 2013)

<Unit: KRW 100mn, ABS excluded from Corporate>



Source: KOSCOM

C. (Bond Distribution) The OTC trading volume grew by KRW 37.6 trillion from the prior month to KRW 460.1 trillion. The daily average trading volume, given the number of trading days, increased by KRW 5.4 trillion month-on-month to record KRW 25.6 trillion.

- The increase in September's trading volume can be attributed to the base effect of the fall in bond trading in August due to the holiday season.

[Trading Volume by Investor Type]

(Unit: KRW 100mn, %)

	September 2012	August 2013	September 2013	Proportion	MoM	YoY
Securities Co.	3,423,099	2,597,965	2,866,543	62.3	268,578	-556,556
Bank	782,763	536,899	558,104	12.1	21,205	-224,659
Asset Manager	585,159	566,370	586,532	12.7	20,162	1,373
Insurance Co.	310,049	214,655	255,481	5.6	40,826	-54,568
Pension Fund	98,064	99,307	109,605	2.4	10,298	11,541
Foreign	56,981	61,843	81,416	1.8	19,573	24,435
Gov't (including local)	56,494	60,799	56,941	1.2	-3,858	447
Individual	13,141	4,841	5,159	0.1	318	-7,982
Other (corporations, etc)	96,094	82,307	81,356	1.8	-951	-14,738
Total	5,421,845	4,224,985	4,601,137	100.0	376,152	-820,708
Daily Avg	271,027	201,190	255,624	-	54,434	-15,403

Source: KOFIA