

PRESS RELEASE

November 5, 2013

KOFIA Releases the OTC Bond Market Trend Analysis for October 2013

Interest rates turned to decline in mid-October (when the US ended its debt impasse), and 10-year KTBs demonstrated relatively strong performance.

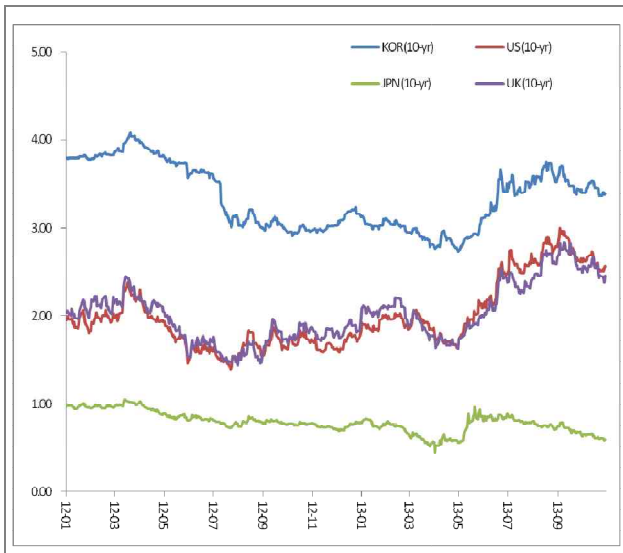
A. (Interest Rates) In October, domestic interest rates were mostly linked with trends in the US interest rates, showing a rise at the beginning of the month and then turning to decline in mid-October when the US reached a debt deal.

- Interest rates finished at generally similar levels from the previous month, whereas the 10-year KTB interest rate (3.398%, $\Delta 2.2\text{bp}$ MoM) showed relatively strong performance as foreign investors continued to buy.
- The long-short term spread narrowed for the (10-year KTB and bonds maturing in under 10 years) interest rate spread, while the (bonds maturing in 10 years or longer and 10-year KTB) interest rate spread widened*.

*KTB (10-Yr) – MSB (1-Yr) : $\Delta 1.5\text{bp}$, KTB (10-Yr) – MSB (2-Yr) : $\Delta 2.3\text{bp}$, KTB (10-Yr) – KRB (3-Yr): $\Delta 2.1\text{bp}$,
KTB (10-Yr) – KTB (5-Yr): $\Delta 2.2\text{bp}$, KTB (20-Yr) – KTB (10-Yr): $+4.7\text{bp}$, KTB (30-Yr) – KTB (10-Yr): $+5.9\text{bp}$

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

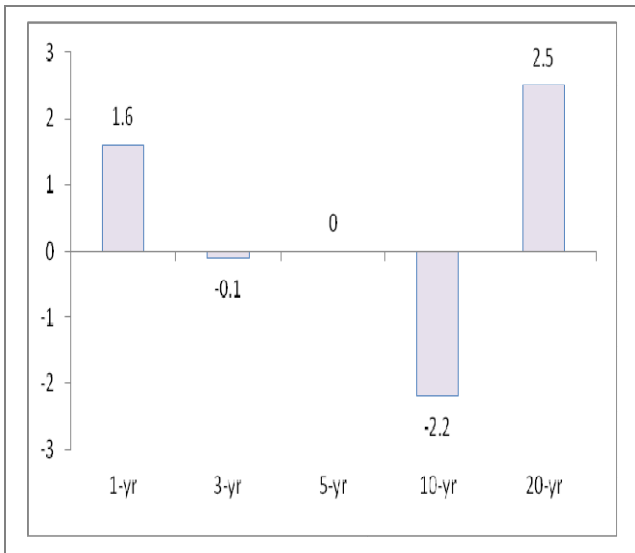
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Source: KOFIA, KOSCOM

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

<Unit: bps>



Source: KOFIA

B. (Bond Issuance) Despite the decrease in the issuance of government bonds, the overall issuance of bonds in October rose by KRW 6.58 trillion month-on-month (KRW 50.28tn → KRW 56.86tn), driven by the increased issuance of monetary stabilization bonds, special bonds and financial bonds.

- The issuance volume of corporate bonds (excluding ABS) dropped from the previous month at all credit rating levels graded AA or below, but the issuance volume of bonds with a credit rating of AAA grew by KRW 1.12 trillion month-on-month (+76.2%).
- The proportion of the issuance of bonds with a credit rating of BBB or lower fell to 1.25% from 3.31% in the prior month, furthering polarization in the corporate bond market.

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

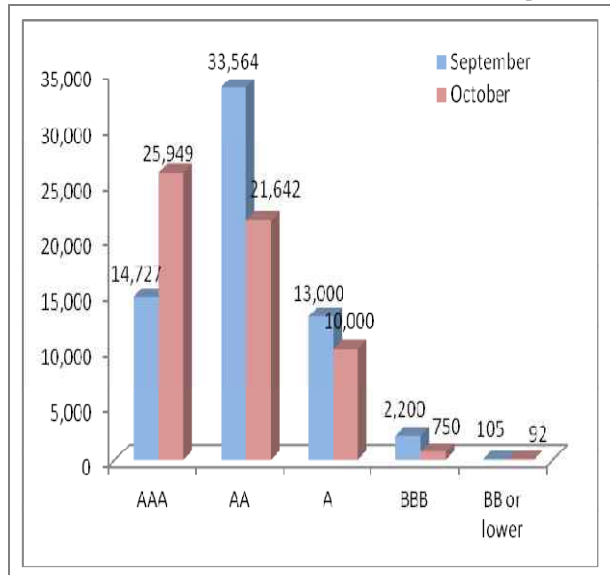
<Unit: KRW 100mn, ABS excluded from Corporate>

Bond Type	New Issuance		MoM	Out-standing	%
	Sep.	Oct.			
Gov't	125,117	96,666	-28,451	4,524,776	29.8
Municipal	4,435	4,316	-119	183,193	1.2
Special	59,954	83,393	23,439	3,504,162	23.1
MSB	130,300	153,300	23,000	1,700,600	11.2
Financial	105,017	133,338	28,321	2,569,217	16.9
Corporate	69,699	67,494	-2,205	2,306,207	15.2
ABS	8,324	30,098	21,774	390,233	2.6
Total	502,846	568,605	65,759	15,178,388	100

Source: KOSCOM

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

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



Source: KOSCOM

C. (Bond Distribution) The OTC trading volume fell by KRW 10.6 trillion from the prior month to KRW 449.5 trillion. The daily average trading volume, given the number of trading days, decreased by KRW 4.1 trillion month-on-month to record KRW 21.4 trillion.

- The decline in October's trading volume can be largely attributed to the wait-and-see stance taken by institutional investors due to the uncertainties surrounding the US debt deal.
- Foreign investors net purchased mid- to long-term bonds, mainly with a 10-year maturity, and net sold short-term bonds with a 1-year maturity or less*.

*Net purchased bonds with a maturity of more than 5 years and 10 years or less worth KRW 914.1bn (net purchased KRW453.6bn in prior month). Net sold bonds with a maturity of 1 year or less worth KRW1657.7bn (net sold KRW787.3bn in prior month).

[Trading Volume by Investor Type]

(Unit: KRW 100mn, %)

	October 2012	September 2013	October 2013	Proportion	MoM	YoY
Securities Co.	3,334,772	2,866,543	2,731,611	60.8	-134,932	-603,161
Bank	820,099	558,104	565,046	12.6	6,942	-255,053
Asset Manager	558,593	586,532	590,251	13.1	3,719	31,658
Insurance Co.	268,983	255,481	244,206	5.4	-11,275	-24,777
Pension Fund	84,855	109,605	121,582	2.7	11,977	36,727
Foreign	67,000	81,416	99,050	2.2	17,634	32,050
Gov't (including local)	56,451	56,941	44,336	1	-12,605	-12,115
Individual	9,923	5,159	5,102	0.1	-57	-4,821
Other (corporations, etc)	88,247	81,356	94,200	2.1	12,844	5,953
Total	5,288,923	4,601,137	4,495,385	100	-105,752	-793,538
Daily Avg	251,874	255,624	214,195		-41,429	-37,679

Source: KOFIA