

PRESS RELEASE

May 13, 2015

KOFIA Releases the OTC Bond Market Trend Analysis for April 2015

1. The BMSI (Bond Market Survey Index) for May 2015

Type	Point
Comprehensive BMSI	86.9 (11.1p decrease, MoM)
Key rate BMSI	106.6 (3.0p increase, MoM)
Interest rate BMSI	54.7 (58.7p decrease, MoM)
Prices BMSI	82.1 (16.1p decrease, MoM)
FX rate BMSI	103.8 (12.7p increase, MoM)

A. (Comprehensive BMSI) The BMSI fell by 11.1p from the previous month to reach 86.9, as the sentiment in the bond market worsened during May.

B. (Key rate BMSI) The index recorded 103.6, similar to the level of the previous month. 93.4% of the respondents expected that the Bank of Korea will freeze the key rates in May.

Although there are concerns of contracted export to a stronger Won, the rate will likely be frozen in May amid the recovery of the global economy and improved economic performances in Korea for the first quarter of 2015.

C. (Interest rate BMSI) There was a decrease of 58.7p for the index to reach 54.7, as the bond market sentiment related to interest rates deteriorated significantly compared to the previous month.

While the global bond rates are on the rise, there are strong expectations for the key rate to remain frozen during May. Furthermore, the issuance of ‘Relief loans’ and MBS have put a pressure on the supply and demand of the bond market. As a result, the proportion of respondents expecting an increase of the interest rate surged compared to the previous month.

D. (Prices BMSI) There was a decrease of 16.1p for the index to reach 82.1, as the bond market sentiment related to prices deteriorated to the previous month.

E. (FX rate BMSI) The index decreased by 12.7p to record 103.8, with modest improvement of the bond market sentiment for foreign exchange.

2. Overview of the Bond Market in April 2015

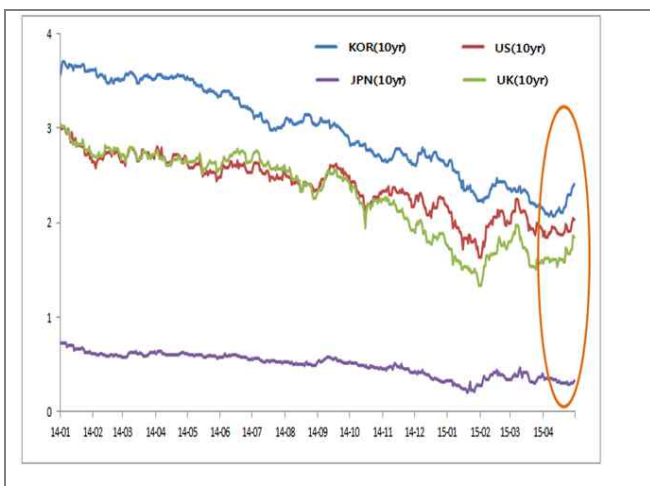
A. (Interest rates) The domestic rate, which had been posting record-lows, began increasing from the middle of April as the concerns over a bubble in bond prices in advanced economies including Germany spread across the global bond market.

*3-yr KTB 1.691%, 5-yr KTB 1.784%, 10-yr KTB 2.068%

Meanwhile, domestic factors including decreased expectations for further reduction of the interest rates due to the government's optimistic economic prospect and the issuance plans for MBS based on "Relief Loans" have led to a weak market.

Domestic & Foreign Gov't Bond Rates (10-yr)

<Unit: %>



Source: KOFIA, KOSCOM

Monthly KTB Interest Rate Changes

<Unit: bps>



Source: KOFIA

B. (Issuance) As the issuance volume of government bonds decreased by KRW 2.3tn to reach KRW 15.6tn and MSBs decreased by KRW 0.9tn to reach KRW 17.0tn, the total issuance volume of bonds decreased by KRW 4.6tn, MoM, to record KRW 59.0tn.

Issuance by Bond Type

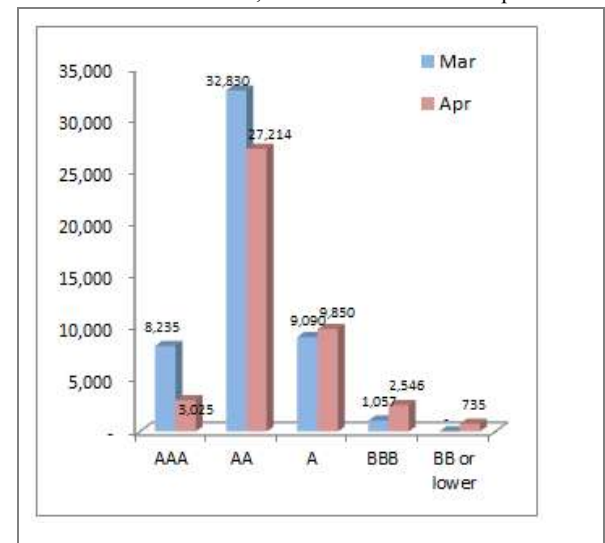
<Unit: KRW 100mn >

Bond Type	New Issuance		MoM	Out-standing	%
	Mar. 2015	Apr. 2015			
Gov't	178,512	155,965	-22,547	5,290,208	32.1
Municipal	11,177	3,998	-7,179	206,902	1.3
Special	66,150	65,742	-408	3,117,481	18.9
MSB	178,500	169,600	-8,900	1,850,800	11.2
Financial	119,227	117,145	-2,082	3,331,198	20.3
Corporate	63,843	58,803	-5,040	2,253,596	13.7
ABS	19,401	19,080	-321	406,883	2.5
Total	636,810	590,333	-46,477	16,457,068	100.0

Source: KOSCOM

Corporate Bond Issuance By Credit Rating

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



Source: KOSCOM

The issuance volume of corporate bonds decreased by KRW 0.5tn compared to the previous month to record KRW 5.9tn.

*Issuance volume was KRW 3.0tn for bonds graded AA or above, KRW 1.0tn for bonds graded A, KRW 328.1bn for bonds graded BBB or below, and KRW 1.5tn for others.

The book building ratio was 234.1%, a 40.7%p increase compared to the month before, due to increased supply of bonds graded AA or above.

C. (Distribution) The OTC trading volume fell by KRW 99.7tn to record KRW 451.8tn, while the average daily trading volume fell by KRW 4.5tn to record KRW 20.5tn.

OTC trading took up 71.8% of the total trading volume of bonds during March, while OTC trading of Treasury Bonds took up 35.1% among benchmark bonds, and 96.4% among non-benchmark bonds.

D. (Trading of Foreign Investors) Foreign investors net purchased KRW 0.7tn in government bonds and KRW 3.2tn in MSBs, which resulted in net purchases of KRW 3.9tn.

[OTC Trading Volume by Investor Type]

(Unit: KRW 100mn, %)

	Apr. 2014	Mar. 2015	Apr. 2015	Proportion	MoM	YoY
Securities Co	2,479,858	3,428,064	2,765,016	61.2%	-663,048	285,158
Bank	500,719	711,308	583,255	12.9%	-128,053	82,536
Asset Manager	580,967	685,518	595,850	13.2%	-89,668	14,883
Insurance Co	247,586	288,440	236,875	5.2%	-51,565	-10,711
Pension Fund	102,846	116,448	97,470	2.2%	-18,978	-5,376
Foreign	74,915	102,456	91,028	2.0%	-11,428	16,113
Gov't (including local)	36,206	49,963	35,000	0.8%	-14,963	-1,206
Individual	4,127	5,239	3,636	0.1%	-1,603	-491
Other	94,016	127,050	109,829	2.4%	-17,221	15,813
Total	4,121,240	5,514,485	4,517,959	100.0%	-996,526	396,719
Daily Average	187,328	250,657	205,361	-	-45,296	18,033