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Global Leader	Financial Specialist	Platform Partner
Korea Financial Investment Association	**Press Release** For Immediate Release	Active KOFIA

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66% of Market Participants Expect a Base Rate Hike at the July Monetary Policy Board Meeting

The Korea Financial Investment Association (KOFIA) announced the "Bond Market Survey Index for August 2026" on Tuesday, July 14.

Bond Market Survey Index for August 2026

Category	Result
Comprehensive BMSI	86.2 (up 1.1 points from the previous month)
Base Rate BMSI	34.0 (down 65.0 points from the previous survey)
Interest Rate Outlook BMSI	84.0 (up 13.0 points from the previous month)
Price BMSI	99.0 (up 49.0 points from the previous month)
Exchange Rate BMSI	129.0 (up 38.0 points from the previous month)

※ The BMSI is calculated based on survey responses. A reading above 100 indicates expectations of rising bond prices(falling interest rates), and therefore positive bond market sentiment. Conversely, a reading below 100 indicates negative bond market sentiment.

* The survey was conducted from July 3 to July 8, 2026, among professionals engaged in bond investment and management. A total of 100 respondents from 50 institutions participated in the survey.
* By job function, respondents included 15 investment management professionals, 9 brokerage professionals, 34 research professionals, and 42 professionals in other functions.

1. Comprehensive BMSI

According to **the survey conducted from July 3 to July 8, 2026**, **the Comprehensive BMSI for August 2026 stood at 86.2, up 1.1 points from 85.1 in the previous month.**

Amid a mix of domestic and external variables, including continued geopolitical tensions in the Middle East and uncertainty over the future path of the base rate, **a rise in responses anticipating stable inflation and exchange rates** indicated that **bond market sentiment for August improved from the previous month.**

2. Base Rate BMSI

66%* of respondents, compared with 1%** in the previous survey, **expected the Bank of Korea to raise the Base Rate** at the **Monetary Policy Board meeting** scheduled for Thursday, **July 16.**

* Rate hike 66%, unchanged 34%, rate cut 0%

** In the survey regarding the May Monetary Policy Board meeting, 1% of respondents expected the Base Rate to be raised, while 99% expected it to remain unchanged.

The share of respondents expecting the Base Rate to be raised increased from the previous survey. This reflected a clearer tightening stance by the monetary authorities, amid **consumer price inflation remaining above the inflation target**, **improving economic growth**, and **repeated public remarks emphasizing the need to raise the Base Rate.**

3. Interest Rate Outlook BMSI

The Interest Rate Outlook BMSI stood at 84.0, up from 71.0 in the previous month, indicating an **improvement in bond market sentiment** regarding market interest rates.

The share of respondents expecting interest rates to remain broadly unchanged increased from the previous month, as domestic and external factors were mixed. These included heightened volatility in global interest rates and expectations that additional tax revenue could reduce the need for Korean Treasury Bond issuance.

· The share of respondents expecting interest rates to rise fell by 15%p to 30%, from 45% in the previous month. The share expecting interest rates to decline fell by 2%p to 14%, from 16% in the previous month.

4. Price BMSI

The Price BMSI stood at 99.0, up from 50.0 in the previous month, indicating an **improvement in bond market sentiment** regarding inflation.

The share of respondents expecting inflation to rise decreased from the previous month, reflecting expectations of stable oil prices following OPEC+'s decision to increase production for the fifth consecutive month.

· The share of respondents expecting inflation to rise fell by 33%p to 19%, from 52% in the previous month. The share expecting inflation to decline rose by 16%p to 18%, from 2% in the previous month.

5. Exchange Rate BMSI

The Exchange Rate BMSI stood at 129.0, up from 91.0 in the previous month, indicating an **improvement in bond market sentiment** regarding the KRW/USD exchange rate.

The share of respondents expecting the KRW/USD exchange rate to decline increased from the previous month, reflecting a combination of expectations for large-scale US dollar inflows driven by the semiconductor boom and improved sentiment following the introduction of 24-hour trading in the foreign exchange market.

· The share of respondents expecting the KRW/USD exchange rate to rise fell by 10%p to 14%, from 24% in the previous month. The share expecting the exchange rate to decline rose by 28%p to 43%, from 15% in the previous month.

※ Attachment: Bond Market Survey Index for August 2026

※ This press release is also available on the Korea Financial Investment Association(KOFIA) website at www.kofia.or.kr.

※ This press release summarizes the views of bond market professionals based on a survey conducted by FN Pricing and does not constitute official statistics approved by the Korean government.

(Attachment)

Bond Market Survey Index for August 2026

2026. 7. 14.

Korea Financial Investment Association

* The survey was conducted from July 3 to July 8, 2026, among professionals engaged in bond investment and management. A total of 100 respondents from 50 institutions participated in the survey.
* By job function, respondents included 15 investment management professionals, 9 brokerage professionals, 34 research professionals, and 42 professionals in other functions.

Bond Market Survey Index for August 2026

1. Comprehensive BMSI

According to the survey conducted from July 3 to July 8, 2026, **the Comprehensive BMSI for August stood at 86.2, up from 85.1 in the previous month**, indicating an **improvement in bond market sentiment.**

· The Comprehensive BMSI is calculated based on a total of 1,100 responses to 11 individual survey questions, comprising 136 positive responses, 288 negative responses, and 676 neutral responses.

※ The Comprehensive BMSI is calculated by treating the total number of responses indicating a decline across the 11 survey questions as “positive,” and the total number of responses indicating an increase as “negative.” The total number of responses is calculated by multiplying the number of survey respondents (100) by the number of survey questions (11).

※ BMSI Calculation Method

BMSI = [(Positive Responses − Negative Responses) / Total Number of Responses] × 100 + 100

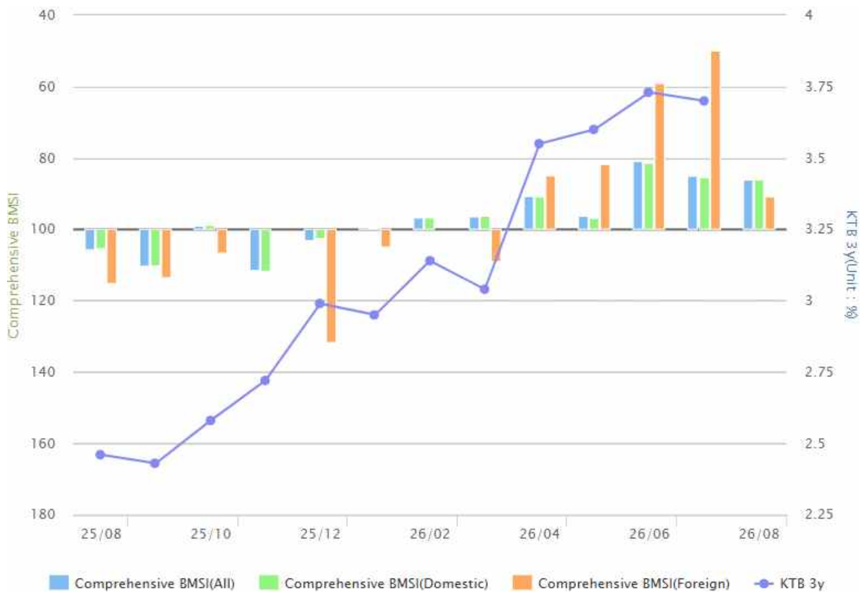
Positive Responses: The number of respondents who expected the bond market to strengthen, meaning interest rates would decline

Negative Responses: The number of respondents who expected the bond market to weaken, meaning interest rates would rise

※ Interpretation of the BMSI (0 ≤ BMSI ≤ 200)

BMSI	170 or above	Above 100	100	Below 100	30 or below
Interpretation	Overheated	Positive	Neutral	Negative	Panic

[Figure 1. Trend in the Comprehensive BMSI]



Instrument	25-08	25-09	25-10	25-11	25-12	26-01	26-02	26-03	26-04	26-05	26-06	26-07	26-08
Comprehensive BMSI(All)	105.8	110.4	99.1	111.6	103.2	99.9	96.8	96.5	90.8	96.3	81.0	85.1	86.2
Comprehensive BMSI(Domestic)	105.5	110.3	98.9	111.8	102.6	99.8	96.8	96.3	90.9	96.9	81.5	85.5	86.1
Comprehensive BMSI(Foreign)	115.2	113.6	106.7	100.0	131.8	105.0	100.0	109.1	85.0	81.8	59.1	50.0	90.9
KTB 3y	2.46	2.43	2.58	2.72	2.99	2.95	3.14	3.04	3.55	3.60	3.73	3.70	-

2. BMSI by Category

(1) Interest Rate Outlook BMSI

The Interest Rate Outlook BMSI stood at 84.0, up from 71.0 in the previous month, with 30 respondents expecting interest rates to rise and 14 expecting them to decline. The result indicated an **improvement in bond market sentiment regarding interest rates compared with the previous month.**

· Of the respondents, 30% expected interest rates to rise, down from 45% in the previous month. The share expecting interest rates to remain broadly unchanged was 56%, up from 39%, while the share expecting interest rates to decline was 14%, down from 16%.

[Figure 2. Trend in the Interest Rate Outlook BMSI]

Instrument	25-08	25-09	25-10	25-11	25-12	26-01	26-02	26-03	26-04	26-05	26-06	26-07
Prospect of interest rate BMSI(All)	138.0	118.0	115.0	151.0	107.0	144.0	121.0	118.0	99.0	102.0	67.0	71.0
Prospect of interest rate BMSI(Domestic)	138.1	119.4	115.5	151.0	106.1	143.9	120.2	117.2	99.0	103.1	68.4	71.7
Prospect of interest rate BMSI(Foreign)	133.3	50.0	100.0	150.0	150.0	150.0	200.0	200.0	100.0	75.0	0.0	0.0
KTB 3y	2.46	2.43	2.58	2.72	2.99	2.95	3.14	3.04	3.55	3.60	3.73	3.70

[Table 1. Distribution of Responses on the Interest Rate Outlook]

(Unit: %, number of respondents in parentheses)

Interest rates	'26.05	'26.06	'26.07	'26.08
Rise	23(23)	45(45)	45(45)	**30(30)**
Unchanged	52(52)	43(43)	39(39)	**56(56)**
Decline	25(25)	12(12)	16(16)	**14(14)**

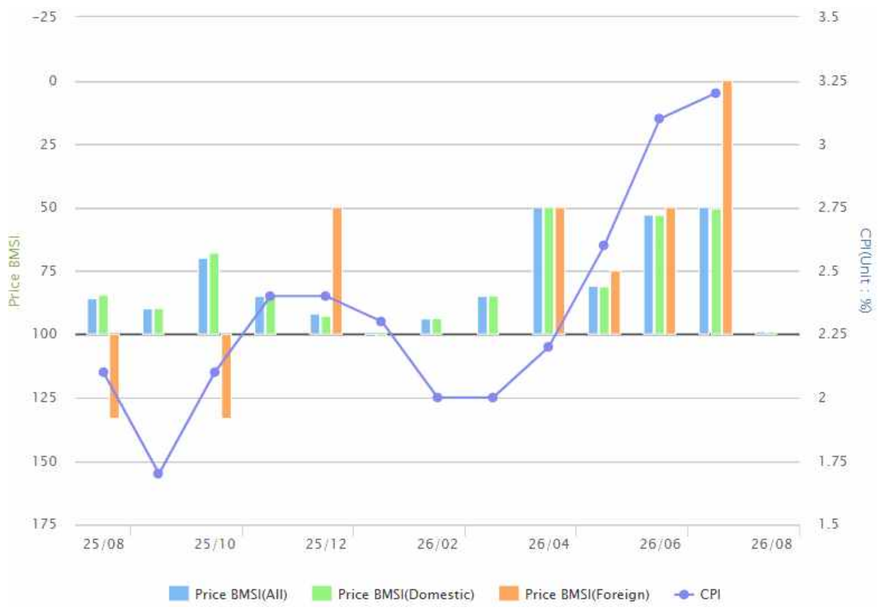
(2) Price BMSI

The Price BMSI stood at 99.0, up from 50.0 in the previous month, with 19 respon dents expecting inflation to rise and 18 expecting it to decline. The result indicated an **improvement in bond market sentiment regarding inflation compared with the previous month.**

· Of the respondents, 19% expected inflation to rise, down from 52% in the previous month. The share expecting inflation to decline was 18%, up from 2%, while the share expecting inflation to remain broadly unchanged was 63%, up from 46%.

※ Inflation and bond prices generally move in opposite directions. An increase in the money supply may heighten inflation expectations and encourage funds to shift toward real assets, such as real estate. This may reduce demand for bonds, leading to higher interest rates and lower bond prices.

[Figure 3. Trend in the Price BMSI]



Instrument	25-08	25-09	25-10	25-11	25-12	26-01	26-02	26-03	26-04	26-05	26-06	26-07	26-08
Price BMSI(All)	86.0	90.0	70.0	85.0	92.0	101.0	94.0	85.0	50.0	81.0	53.0	50.0	99.0
Price BMSI(Domestic)	84.5	89.8	68.0	84.7	92.9	101.0	93.9	84.9	50.0	81.3	53.1	50.5	99.0
Price BMSI(Foreign)	133.3	100.0	133.3	100.0	50.0	100.0	100.0	100.0	50.0	75.0	50.0	0.0	100.0
CPI	2.10	1.70	2.10	2.40	2.40	2.30	2.00	2.00	2.20	2.60	3.10	3.20	-

[Table 2. Distribution of Responses on the Consumer Price Outlook]

(Unit: %, number of respondents in parentheses)

Inflation	’26.05	’26.06	’26.07	**’26.08**
Rise	31(31)	47(47)	52(52)	**19(19)**
Unchanged	57(57)	53(53)	46(46)	**63(63)**
Decline	12(12)	0(0)	2(2)	**18(18)**

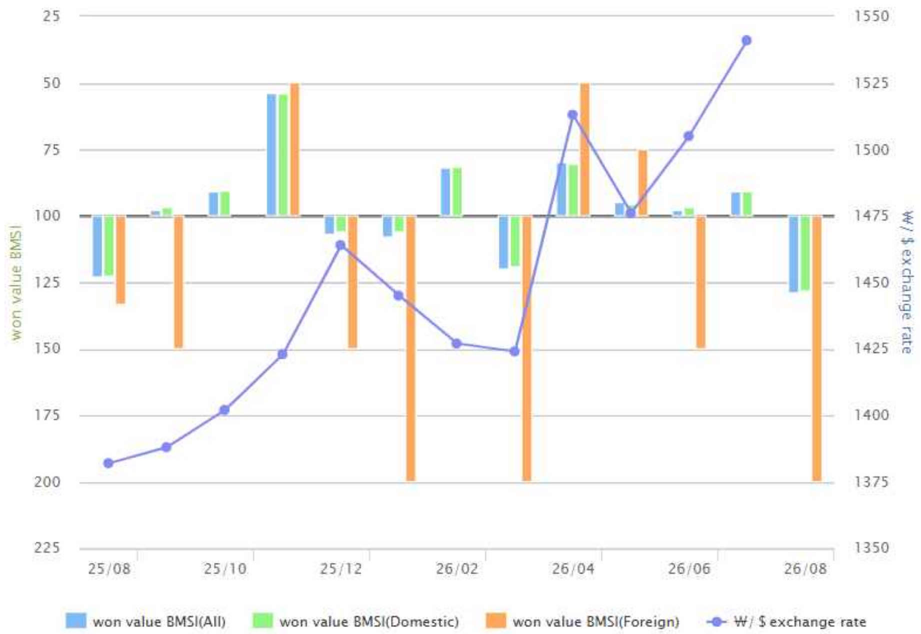
(3) Exchange Rate BMSI

The Exchange Rate BMSI stood at 129.0, up from 91.0 in the previous month, with 14 respondents expecting the KRW/USD exchange rate to rise and 43 expecting it to decline. The result indicated an **improvement in bond market sentiment regarding the exchange rate compared with the previous month.**

· Of the respondents, 14% expected the KRW/USD exchange rate to rise, down from 24% in the previous month. The share expecting the exchange rate to decline was 43%, up from 15%, while the share expecting it to remain broadly unchanged was 43%, down from 61%.

※ The exchange rate and bond prices generally move in opposite directions. A decline in the KRW/USD exchange rate, indicating a stronger Korean won, may weaken the current account balance by reducing exports and increasing imports. The resulting slowdown in economic growth may increase demand for safe-haven assets, leading to higher demand for bonds, lower interest rates, and higher bond prices.

[Figure 4. Trend in the Exchange Rate BMSI]



Instrument	25-08	25-09	25-10	25-11	25-12	26-01	26-02	26-03	26-04	26-05	26-06	26-07	26-08
won value BMSI(All)	123.0	98.0	91.0	54.0	107.0	108.0	82.0	120.0	80.0	95.0	98.0	91.0	129.0
won value BMSI(Domestic)	122.7	96.9	90.7	54.1	106.1	106.1	81.8	119.2	80.6	95.8	96.9	90.9	128.3
won value BMSI(Foreign)	133.3	150.0	100.0	50.0	150.0	200.0	100.0	200.0	50.0	75.0	150.0	100.0	200.0
₩/ $ exchange rate	1,382	1,388	1,402	1,423	1,464	1,445	1,427	1,424	1,513	1,476	1,505	1,541	-

[Table 3. Distribution of Responses on the Exchange Rate Outlook]

(Unit: %, number of respondents in parentheses)

Exchange rate	'26.05	'26.06	'26.07	**'26.08**
Rise	24(24)	18(18)	24(24)	**14(14)**
Unchanged	57(57)	66(66)	61(61)	**43(43)**
Decline	19(19)	16(16)	15(15)	**43(43)**

(4) Industrial Production Index and Consumer Sentiment Index BMSI

The Industrial Production Index BMSI stood at 96.0, up from 93.0 in the previous month, indicating an **improvement in bond market sentiment regarding industrial production.**

· Of the respondents, 10 expected the Industrial Production Index to rise, while 6 expected it to decline.

The Consumer Sentiment Index BMSI stood at 98.0, up from 93.0 in the previous month, indicating an **improvement in bond market sentiment regarding consumption.**

· Of the respondents, 15 expected the Consumer Sentiment Index to rise, while 13 expected it to decline.

※ The Industrial Production Index and the Consumer Sentiment Index generally move in the opposite direction to bond prices. An increase in these indices indicates stronger economic conditions, which may lead to higher income, consumption, and investment. As a result, demand for safe-haven assets may decline, leading to higher interest rates and lower bond prices.

[Table 4. Distribution of Responses on the Industrial Production Index and Consumer Sentiment Index]

(Unit: %, number of respondents in parentheses)

구 분	Rise		Unchanged		Decline	
	'26.07	**'26.08**	'26.07	**'26.08**	'26.07	**'26.08**
Industrial Production Index	20(20)	**10(10)**	67(67)	**84(84)**	13(13)	**6(6)**
Consumer Sentiment Index	12(12)	**15(15)**	83(83)	**72(72)**	5(5)	**13(13)**

* Industrial Production Index: One of the major leading economic indicators, measuring monthly changes in output from factories, mines, and utilities nationwide.

** Consumer Sentiment Index: Compiled monthly by the Bank of Korea, this index combines six major component indices—current living conditions, outlook for living conditions, outlook for household income, outlook for consumer spending, assessment of current economic conditions, and outlook for future economic conditions—to provide a comprehensive measure of consumers' sentiment regarding the economy.

[Relationship Between Major Economic Indicators and the Bond Market]

Category	Transmission Channel to the Bond Market
Exchange rate	Decline in the exchange rate (weaker U.S. dollar and stronger Korean won) → deterioration in the current account balance (decrease in exports and increase in imports) → lower economic growth → increased preference for safe-haven assets → increased demand for bonds → lower interest rates (higher bond prices)
Inflation	Increase in the money supply (due to higher exports or expanded government spending) or an increase in commodity prices → higher inflation → increased inflation expectations → higher interest rates (lower bond prices)
Commodity prices	Increase in commodity prices → higher producer prices → higher consumer prices → increased inflation expectations → higher interest rates (lower bond prices)
Economic conditions	Strong economic conditions → higher income → increased consumption → increased investment → higher interest rates (lower bond prices)

※ This analysis of the transmission channels is based on general economic conditions. Depending on changes in the global economic environment, the actual transmission channels may differ from those described above or may operate through more complex mechanisms.