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KTB Yields End Higher on Two Consecutive BOK Rate Hikes and Rising Long-Term Government Bond Yields in Major Economies

- August 2026 OTC Bond Market Trends -

The Korea Financial Investment Association (KOFIA) released its "**OTC Bond Market Trends for August 2026**" on September 10.

1. Interest Rate Trends

In early August, Korean Treasury Bond (KTB) yields declined amid **expectations of easing geopolitical tensions in the Middle East, lower international oil prices, and increased demand for safe-haven assets following a sharp decline in the KOSPI**. In addition, **July consumer price inflation came in below market expectations at 2.8%**, easing concerns over further policy rate hikes and exerting downward pressure on bond yields.

From mid-August, however, yields reversed course and began to rise as **foreign investors' buying of KTB futures weakened and expectations of an additional rate hike by the Bank of Korea (BOK) increased**. Rising long-term government bond yields in major economies, including the United States and Japan, amid inflation concerns and fiscal and government bond supply pressures also spilled over into the Korean market, with the rise particularly pronounced in the ultra-long-term segment.

The **30-year KTB yield reached an all-time high of 4.751% on August 18**, while the **30-year U.S. Treasury yield rose to 5.310% on August 17**, reflecting a broad-based rise in government bond yields across major economies.
10-year government bond yields in August: U.S. (4.684% → 4.758%); Japan (2.823% → 2.941%)

At its **Monetary Policy Board meeting on August 27**, the BOK raised the Base Rate from **2.75% to 3.00%**, marking its **second consecutive rate hike**, as it sought to respond preemptively to inflationary pressures. The tightening cycle added further upward pressure on domestic bond yields, with **KTB yields across all maturities ending August higher than at the end of the previous month**.

2. Bond Issuance

Total bond issuance in August decreased by **KRW 8.8 trillion from the previous month, from KRW 85.4 trillion to KRW 76.6 trillion**, as lower issuance of **special bonds, financial bonds, and corporate bonds** more than offset a substantial increase in KTB issuance. Net issuance amounted to **KRW 24.8 trillion**, bringing the total outstanding balance of bonds to **KRW 3,178.5 trillion**.

Corporate bond issuance stood at **KRW 4.5 trillion, down KRW 5.9 trillion from the previous month**. Credit spreads for both **AA- and BBB-rated bonds narrowed slightly from the previous month**.

3. Corporate Bond Bookbuilding

The total amount of **corporate bond bookbuilding in August** amounted to **KRW 1.25 trillion across 11 deals**, down **KRW 940 billion** from KRW 2.19 trillion in the same month of the previous year.
Total investor participation in bookbuilding amounted to **KRW 2.63 trillion**, down **KRW 9.219 trillion** from KRW 11.849 trillion in the same month of the previous year.

The **participation rate**, calculated as total investor participation divided by the bookbuilding amount, stood at **210.4%**, down **330.7 percentage points** from 541.1% in the same month of the previous year.

4. Secondary Market

Total **OTC bond trading volume** in August stood at **KRW 387.0 trillion, down KRW 58.4 trillion from the previous month**. Average daily trading volume decreased by **KRW 0.9 trillion to KRW 19.3 trillion**.

Compared with the previous month:
- Government bonds decreased by **KRW 2.4 trillion**
- Financial bonds decreased by **KRW 23.9 trillion**
- Special bonds decreased by **KRW 19.5 trillion**
- Corporate bonds decreased by **KRW 7.8 trillion**

Compared with the same month of the previous year, however, total bond trading volume increased by KRW 13.2 trillion.

5. Retail Investors

Individual investors recorded net purchases of **KRW 1.3694 trillion in KTBs, KRW 453.2 billion in special bonds, and KRW 386.5 billion in corporate bonds** in August. Their total net purchases amounted to **KRW 3.1891 trillion, up KRW 15.0 billion from the previous month**.

6. Foreign Investor Activity

Foreign investors shifted to **net selling of Korean bonds during August**, as the attractiveness of arbitrage opportunities weakened amid rising cross-currency swap (CRS) rates and a narrowing swap basis.
Compared with the previous month:

- net purchases of **Korean Treasury Bonds declined**
- net purchases of **Monetary Stabilization Bonds (MSBs) shifted to net selling**.

The decline in arbitrage incentives, together with the Bank of Korea's additional rate hike toward the end of the month, weighed on foreign investor demand for Korean bonds.

As of the end of August, **foreign investors' holdings of Korean bonds stood at KRW 344.7 trillion, a decrease of KRW 6.4 trillion from KRW 351.1 trillion at the end of July**. Foreign holdings accounted for **10.8% of the total outstanding balance of Korean bonds**.

※ **Trends in Foreign Investors' Bond Purchases**

From the beginning of August, the **KRW/USD exchange rate generally declined, reflecting an appreciation of the Korean won**, driven in part by expectations of an additional Bank of Korea rate hike and foreign exchange supply-demand conditions related to Korean exporters.

From mid-August, **cross-currency swap (CRS) rates rose rapidly**. As a result, the **swap basis between Korean won interest rates and CRS rates narrowed**, significantly reducing the attractiveness of arbitrage opportunities in Korean won-denominated bonds for foreign investors.

Toward the end of the month, **the Bank of Korea's additional rate hike**, together with the continued decline in the attractiveness of arbitrage trades, further weighed on foreign investor demand. As a result, **foreign investors shifted from net buying to net selling of Korean bonds during August**.

7. CD Market

The Certificate of Deposit (CD) yield continued to rise in August, reflecting firm inflation and economic growth, expectations of a Base Rate hike at the BOK's month-end Monetary Policy Board meeting, and the subsequent actual rate increase.

The CD yield ended the month at 3.12%, up 17 basis points from the previous month.

8. Qualified Institutional Buyer (QIB) Market

In August, **3 Qualified Institutional Buyer (QIB) bonds totaling KRW 1.2326 trillion were newly registered**.

※ <Appendix> Detailed Review of the OTC Bond Market for August 2026.

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

1 Interest Rate Trends

In early August, Korean Treasury Bond (KTB) yields declined amid expectations of easing geopolitical tensions in the Middle East, lower international oil prices, and increased safe-haven demand following a sharp decline in the KOSPI. In addition, July consumer price inflation came in below market expectations at 2.8%, easing concerns over further policy rate hikes and exerting downward pressure on bond yields.

From mid-August, however, yields reversed course and began to rise as foreign investors' buying of KTB futures weakened and expectations of an additional rate hike by the Bank of Korea (BOK) increased. Rising long-term government bond yields in major economies, including the United States and Japan, amid inflation concerns and fiscal and government bond supply pressures also spilled over into the Korean market, with the increase particularly pronounced in the ultra-long-term segment.

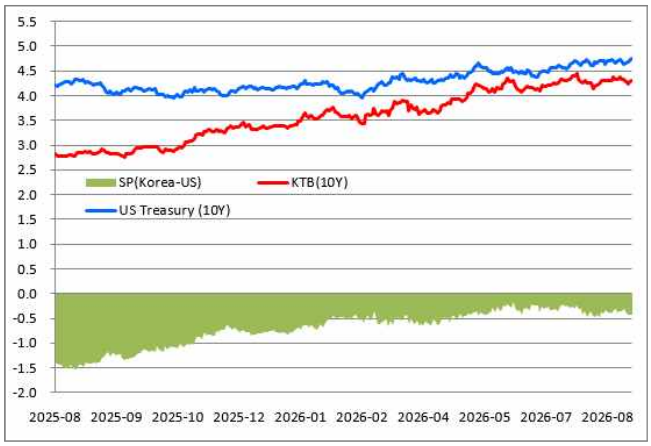
The 30-year KTB yield reached an all-time high of 4.751% on August 18, while the 30-year U.S. Treasury yield rose to 5.310% on August 17, reflecting a broad-based rise in government bond yields across major economies.
* 10-year government bond yields in August: U.S. (4.684% → 4.758%); Japan (2.823% → 2.941%)

At its Monetary Policy Board meeting on August 27, the BOK raised the Base Rate from 2.75% to 3.00%, marking its second consecutive rate hike, as it sought to respond preemptively to inflationary pressures. The continued monetary tightening added further upward pressure on domestic bond yields, with KTB yields across all maturities ending August higher than at the end of the previous month.

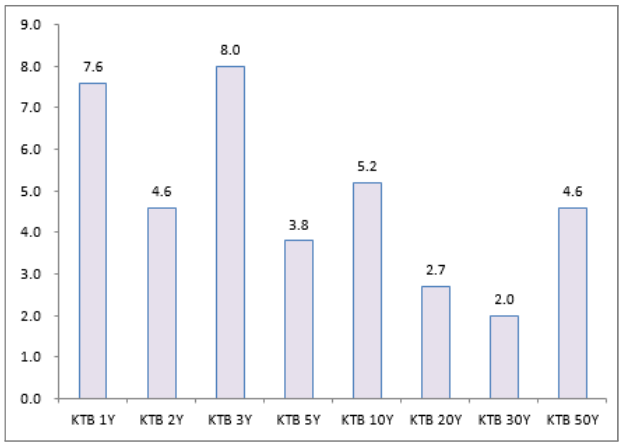
Korea Treasury Bond Yields (End-August 2026)

KTB	1Y	2Y	3Y	5Y	10Y	20Y	30Y	50Y
Yield(%)	3.441	3.696	3.838	4.053	4.313	4.490	4.527	4.451
Monthly Change(bp)	**7.6**	**4.6**	**8.0**	**3.8**	**5.2**	**2.7**	**2.0**	**4.6**

10-Year Government Bond (%)



Monthly Changes in KTB (bp)



Source: KOFIA BIS(www.kofiabond.or.kr), KOSCOM CHECK

2 Primary Market Trends

Total bond issuance in August decreased by KRW 8.8 trillion from the previous month, from KRW 85.4 trillion to KRW 76.6 trillion, as lower issuance of special bonds, financial bonds, and corporate bonds more than offset a substantial increase in Korean Treasury Bond (KTB) issuance. Net issuance amounted to KRW 24.8 trillion, bringing the total outstanding balance of bonds to KRW 3,178.5 trillion.

Bond Issuance by Category (KRW billion)

Category	Issuance		MoM Change	Net Issuance	Outstanding Balance	Share (%)
	July 2026	August 2026				
KTB	16,590	23,677	7,087	14,944	1,348,929	42.44
Local Gov't	418	476	58	139	29,799	0.94
Special Entity	14,531	9,248	-5,283	1,696	474,886	14.94
MSB	6,990	5,760	-1,230	960	97,940	3.08
Financial	35,419	31,789	-3,630	7,553	727,705	22.89
Corporate	10,462	4,513	-5,949	264	434,307	13.66
ABS	974	1,077	103	-746	64,903	2.04
Total	85,384	76,540	-8,844	24,808	3,178,469	100.0

Source: KOFIA BIS, KOSCOM CHECK

Corporate bond issuance totaled KRW 4.5 trillion, down KRW 5.9 trillion from the previous month. Credit spreads narrowed slightly from the previous month for both AA- and BBB- rated corporate bonds.

Compared with the previous month:
- AAA-rated bond issuance decreased by KRW 2.8 trillion
- AA-rated bond issuance decreased by KRW 1.8 trillion
- A-rated bond issuance decreased by KRW 0.3 trillion
- Other-rated bond issuance decreased by KRW 0.9 trillion

Bond Issuance by Credit Rating (KRW billion)

Rating	Issuance Amount (Share)				MoM Change	
	July 2026		August 2026		Amount	Growth (%)
Guaranteed	200	(1.9)	-	(0.0)	-200	-100.0
AAA	3,201	(30.6)	400	(8.9)	-2,801	-87.5
AA	3,360	(32.1)	1,585	(35.1)	-1,775	-52.8
A	659	(6.3)	404	(9.0)	-255	-38.7
BBB	50	(0.5)	22	(0.5)	-28	-56.0
BB & Below	-	(0.0)	-	(0.0)	0	-
Other (Private Placement)	2,992	(28.6)	2,102	(46.6)	-890	-29.7
Total (Non-Guaranteed)	10,262	(98.1)	4,513	(100.0)	-5,749	-56.0
Total	10,462	(100.0)	4,513	(100.0)	-5,949	-56.9

Source: KOFIA BIS, KOSCOM CHECK

ESG Bond Issuance

ESG bond issuance decreased by KRW 1.1 trillion from the previous month, with approximately KRW 6.1 trillion issued in the form of Green Bonds, Social Bonds, and Sustainability Bonds.

ESG bonds are bonds issued to raise funds for projects aimed at improving environmental, social, and governance (ESG) outcomes. Depending on their purpose, ESG bonds are classified as Green Bonds, Social Bonds, Sustainability Bonds, or Sustainability-Linked Bonds.

Green Bonds

Green Bond issuance totaled KRW 710.0 billion during August.
Major issuers included:
- Gyeonggi Housing & Urban Development Corporation (KRW 300.0 billion)
- Korea National Railway (KRW 150.0 billion)
- Shinhan Card (KRW 150.0 billion)
- Chungnam Development Corporation (KRW 60.0 billion)
- IBK Capital (KRW 50.0 billion)

Social Bonds

Social Bond issuance totaled KRW 4.8871 trillion during August.
Major issuers included:
- Korea Housing Finance Corporation and MBS (KRW 2.8057 trillion)
- Industrial Bank of Korea (KRW 960.0 billion)
- Korea Asset Management Corporation (KAMCO) (KRW 400.0 billion)
- Korea Student Aid Foundation (KRW 400.0 billion)
- Korea SMEs and Startups Agency (KRW 130.0 billion)
- Pyeongtaek Urban Corporation (KRW 100.0 billion)
- Shinbo Securitization (KRW 91.4 billion)

Sustainability Bonds

Sustainability Bond issuance totaled KRW 480.0 billion during August.
- Woori Bank (KRW 480.0 billion)

ESG Bond Issuance (KRW billion)

Category	July 2026		August 2026		End August 2026	
	Issuance Amount	Number of Issues	Issuance Amount	Number of Issues	Outstanding Balance	Number of Issues
Green Bonds	340	6	710	5	26,862	326
Social Bonds	6,517	48	4,887	45	211,094	1,871
Sustainable Bonds	290	1	480	2	13,134	156
Sustainability-Linked Bonds	50	1			430	6
Total	7,197	56	6,077	52	251,520	2,359

Source: Yonhap Infomax

Corporate Bond Bookbuilding

In August, the corporate bond book-building amount totaled KRW 1.250 trillion across 11 transactions, down KRW 940.0 billion from KRW 2.190 trillion in the same month of the previous year.

Total investor demand reached KRW 2.630 trillion, decreasing by KRW 9.219 trillion from KRW 11.849 trillion in the same month of the previous year. The subscription ratio (total investor demand divided by the book-building amount) stood at 210.4%, down 330.7 percentage points from 541.1% in the same month of the previous year.

Subscription ratios by credit rating were as follows:
- AA-rated or higher: 184.5%
- A-rated: 272.3%
- BBB-rated or lower: 90.0%

Corporate Bond Bookbuilding Results (KRW billion, %)

Credit Rating	Number of Offerings		Book Building Amount		Total Orders		Subscription Ratio	
	August 2025	August 2026	August 2025	August 2026	August 2025	August 2026	August 2025	August 2026
AA and Above	15	**3**	18,500	**8,400**	88,570	**15,500**	478.8%	**184.5%**
A	6	**7**	2,700	**3,900**	29,130	**10,620**	1,078.9%	**272.3%**
BBB & Below	4	**1**	700	**200**	790	**180**	112.9%	**90.0%**
Total	25	**11**	21,900	**12,500**	118,490	**26,300**	541.1%	**210.4%**

Source : KOFIA (K-Bond Bookbuilding System) and Financial Supervisory Service (DART)

Undersubscription

Meanwhile, one BBB-rated or lower bond offering was undersubscribed during the August book-building process, resulting in an unsold ratio (unsold amount divided by total issuance) of 0.14%.

Undersubscription Results (KRW 100 million, %)

Credit Rating	Issuance Amount		Unsubscribed Amount		Undersubscription Ratio	
	August 2025	August 2026	August 2025	August 2026	August 2025	August 2026
AA and Above	15,000	10,950	-	-	-	-
Number of Issues	8	4	-	-		
A	6,600	3,150	-	-	-	-
Number of Issues	7	5	-	-		
BBB & Below	1,420	200	450	20	31.7%	10.0%
Number of Issues	5	1	3	1		
Total	23,020	14,300	450	20	2.0%	0.14%
Number of Issues	20	10	3	1		

Source : KOFIA (K-Bond Bookbuilding System) and Financial Supervisory Service (DART)

3 Secondary Market Trends

Total OTC bond trading volume decreased by KRW 58.4 trillion from the previous month to KRW 387.0 trillion, while average daily trading volume fell by KRW 0.9 trillion to KRW 19.3 trillion.

Compared with the previous month:
- Government bond trading volume decreased by KRW 2.4 trillion.
- Special bond trading volume decreased by KRW 19.5 trillion.
- Financial bond trading volume decreased by KRW 23.9 trillion.
- Corporate bond trading volume decreased by KRW 7.8 trillion.

The decline in trading volume reflected, in part, a downward trend in bond issuance amid continued expectations of further rate hikes. Compared with August of the previous year, total OTC bond trading volume increased by KRW 13.2 trillion.

OTC Bond Trading Volume by Bond Type (KRW billion, %)

Bond Type	August 2025	July 2026	August 2026	Share (%)	MoM Change	YoY Change
KTB	189,655	208,277	205,444	53.1%	-2,833	15,789
Local Gov't	1,067	1,019	1,258	0.3%	240	191
Special Entity	23,615	47,151	27,670	7.1%	-19,481	4,055
MSB	34,266	32,757	27,791	7.2%	-4,966	-6,475
Financial	103,388	123,740	99,836	25.8%	-23,904	-3,552
Corporate	18,083	27,271	19,507	5.0%	-7,764	1,424
ABS	3,709	5,189	5,486	1.4%	298	1,778
Total	373,782	445,402	386,991	100.0%	-58,411	13,209
Average Daily Trading Volume	18,689	20,245	19,349		-896	660

Source : KOFIA BIS (based on trading volume)

Total trading volume decreased by KRW 58.4 trillion from the previous month.

By investor type:
- Inter-dealer trading decreased by KRW 37.2 trillion.
- Asset management companies' trading volume decreased by KRW 21.1 trillion.
- Insurance companies' trading volume decreased by KRW 3.6 trillion.

OTC Bond Trading Volume by Investor Type (KRW billion, %)

Investor Type	August 2025	July 2026	August 2026	Share (%)	MoM Change	YoY Change
Inter-Dealer (Securities)	199,199	235,401	198,167	51.21%	-37,234	-1,033
Banks	57,369	42,792	45,313	11.71%	2,522	-12,056
AMCs	51,000	77,987	56,906	14.70%	-21,081	5,907
Insurances	11,523	15,799	12,232	3.16%	-3,567	709
Pensions	15,147	16,083	18,632	4.81%	2,550	3,485
Foreign	22,335	38,728	40,054	10.35%	1,326	17,719
Central&Local Gov't	6,331	5,313	5,108	1.32%	-205	-1,223
Individual Investors	2,716	4,074	4,034	1.04%	-39	1,319
Other Corporations	8,162	9,227	6,544	1.69%	-2,683	-1,618
Total	373,782	445,402	386,991	100.00%	-58,411	13,209

Source : KOFIA BIS (based on trading volume)

In August, individual investors recorded net purchases of KRW 1.3694 trillion in government bonds, KRW 453.2 billion in special bonds, and KRW 386.5 billion in corporate bonds.

Total net purchases by individual investors amounted to KRW 3.1891 trillion, up KRW 15.0 billion from the previous month.

Net Purchases by individual Investors (KRW 100 million)

Bond Type		2025 (Full Year)	2026 (~August)	July 2026	August 2026
Total Net Purchase		316,692	229,642	31,741	31,891
	KTB	108,530	75,054	11,891	13,694
	Local Gov't	5,886	5,216	314	516
	Special Entity	39,255	45,344	7,160	4,532
	MSB	1,767	36	0	14
	Financial	41,695	37,199	4,867	6,726
	Other Financial	51,420	29,778	2,830	3,069
	Corporate	66,522	39,078	4,879	3,865
	ABS	1,615	-2,063	-200	-525

Source : KOFIA BIS (based on trading value)

* Excludes KTBs for Individual Investors

Foreign investors shifted to net selling in August, with net purchases decreasing by KRW 2.7 trillion from the previous month.

Compared with the previous month:

- Net purchases of Korean Treasury Bonds decreased by KRW 0.8 trillion.
- Net purchases of Monetary Stabilization Bonds (MSBs) decreased by KRW 0.9 trillion.

Overall, foreign investors recorded net bond sales of KRW 0.8 trillion during August.

As of the end of August, foreign investors' holdings of Korean bonds stood at KRW 344.7 trillion, a decrease of KRW 6.4 trillion from KRW 351.1 trillion at the end of the previous month. Foreign holdings accounted for 10.8% of the total outstanding balance of Korean bonds.

Net Purchases by Foreign Investors (KRW billion)

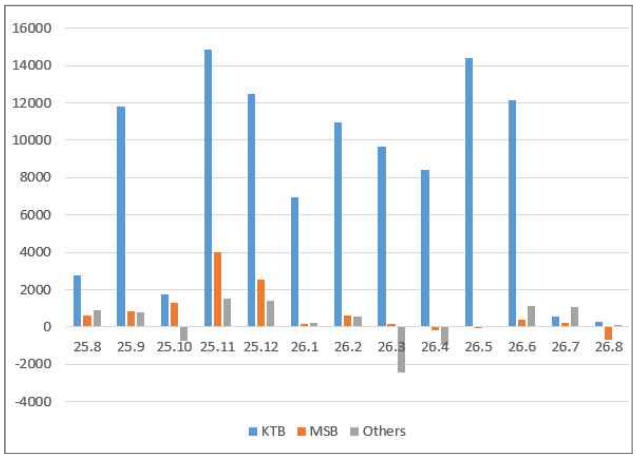
Bond Type		2025 (Full Year)	2026 (~August)	July 2026	August 2026
Total Net Purchase		147,108	62,981	1,812	-839
	KTB	121,096	62,720	511	-246
	MSB	19,334	698	219	-674
	Others	6,676	-437	1,083	80

Source : KOFIA BIS (based on trading value)

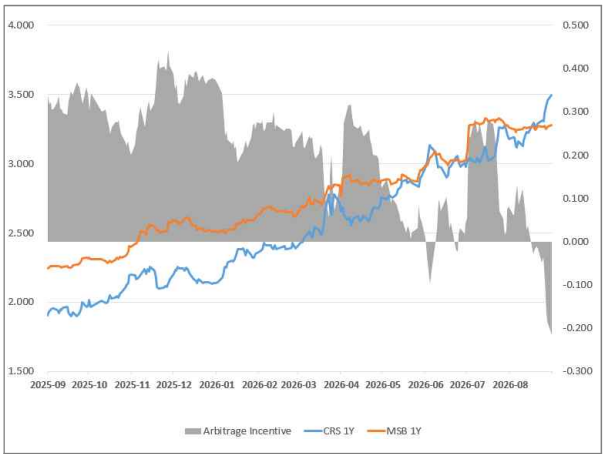
From the beginning of August, the KRW/USD exchange rate generally declined, reflecting an appreciation of the Korean won, driven in part by expectations of an additional Bank of Korea rate hike and foreign exchange supply-demand conditions related to Korean exporters.

From mid-August, cross-currency swap (CRS) rates rose rapidly. As a result, the swap basis between Korean won interest rates and CRS rates narrowed, significantly reducing the attractiveness of arbitrage opportunities in Korean won-denominated bonds for foreign investors. Against this backdrop, foreign investors shifted from net buying to net selling of Korean bonds during August.

Net Purchases by Foreign Investors (KRW billion)



MSB 1Y – CRS 1Y Spread (%)



Source : KOFIA BIS (based on trading value), KOSCOM

4 CD Market

The 91-day Certificate of Deposit (CD) yield closed at 3.12% at the end of August, up 17bp from the previous month.

During the month, CD yields continued to rise, reflecting firm inflation and economic growth, expectations of a Base Rate hike at the Bank of Korea's month-end Monetary Policy Board meeting, and the subsequent rate increase.

Total CD issuance during August amounted to KRW 2.5 trillion, down KRW 1.6 trillion from the previous month.

- Commercial banks issued KRW 1.1 trillion, down KRW 2.0 trillion from the previous month.
- Issuance of three-month CDs by commercial banks totaled KRW 0.8 trillion, a decrease of KRW 2.2 trillion from the previous month.

CD Issuance by Banks (KRW trillion)

Item		2025	2026			
		August	(~August)	July	August	MoM
CD Yield**		2.81	**2.53**	**3.12**	**2.95**	**3.12**	**+ 0.17**
Total Issuance		66.9	**3.7**	**26.8**	**4.1**	**2.5**	**- 1.6**
	Commercial Banks	46.3	**2.9**	**16.8**	**3.1**	**1.1**	**- 2.0**
	3-Month CDs	16.9 (36.5%)	**1.7 (58.6%)**	**12.8 (76.2%)**	**3.0 (96.8%)**	**0.8 (72.7%)**	**- 2.2**

Source : KOFIA BIS

※ CD Issuance by Bank (August)

Commercial Banks

Hana Bank: KRW 440.0 billion (4 issues), KB Kookmin Bank: KRW 295.0 billion (4 issues), iM Bank: KRW 140.0 billion (6 issues), Woori Bank: KRW 125.0 billion (2 issues), Shinhan Bank: KRW 115.0 billion (2 issues)

Regional and Specialized Banks

Kyongnam Bank: KRW 905.0 billion (18 issues), Busan Bank: KRW 215.0 billion (4 issues), Korea Development Bank (KDB): KRW 185.0 billion (2 issues), NH NongHyup Bank: KRW 75.0 billion (1 issue)

5 QIB Market

During August, 3 QIB bonds with a total equivalent value of KRW 1.2326 trillion were newly registered in the QIB market.

** Bonds issued by domestic or foreign issuers may be registered in the Qualified Institutional Buyers (QIB) market when they are intended to be traded exclusively among qualified institutional investors in Korea. Registration in the QIB market allows issuers to offer bonds under less stringent requirements than those applicable to public offerings. In addition, foreign-issued bonds entering the Korean market may be registered in the QIB market as one means of satisfying transfer restriction requirements.*

QIB Bond Registration (August 2026)

Date	Issuer	Amount (Million)	Currency	Coupon (%)	Issue Date	Maturity Date
2026-08-06	Hana Bank	300	USD	Compounded SOFR+0.68	2026-08-10	2031-08-10
2026-08-07	Korean Air	300	USD	4.750	2026-08-11	2029-08-11
2026-08-25	KB Securities	300	USD	4.875	2026-08-26	2029-08-26

Source : KOFIA BIS

Since the introduction of the QIB Market in July 2012, a cumulative total of 524 bond issues, equivalent to approximately KRW 223.2 trillion, has been registered as of the end of August 2026.

Cumulative QIB Bond Registrations

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Issues	25	43	22	23	19	33	41	35	27
Amounts	5,800	10,864	7,804	13,654	7,989	12,163	13,879	14,610	10,868
Year	**2021**	**2022**	**2023**	**2024**	**2025**	**~July 2026**	**August 2026**	**Total**	
Number of Issues	38	36	40	42	57	40	**3**	**524**	
Amounts	18,444	16,632	19,511	22,973	24,269	22,477	**1,233**	**223,165**	

Source : KOFIA BIS