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	For Immediate Release	

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Date	October 12, 2026

KTB Short-Term Yields Rise on Fed Rate Hike and Surging Oil Prices, While Long-Term Yields End Little Changed

- September 2026 OTC Bond Market Trends -

The Korea Financial Investment Association (KOFIA) released its "OTC Bond Market Trends for September 2026" on October 12.

1. Interest Rate Trends

In early September, **Korean Treasury Bond (KTB) yields rose sharply** amid renewed **conflict between the United States and Iran, heightened geopolitical tensions in the Middle East, and a surge in international oil prices**. **Net selling of three-year KTB futures by foreign investors** added upward pressure on yields.

Through mid-September, **the yield on the 10-year U.S. Treasury surpassed 5%, and rising long-term sovereign yields globally** spilled over into the Korean bond market. **Inflation concerns driven by higher oil prices and caution ahead of August inflation data** intensified. In addition, **the U.S. Treasury's long-term bond buyback program fell short of market expectations**, heightening concerns about supply and demand in the long-duration segment.

While the Bank of Korea held no Monetary Policy Board meeting in September, **the U.S. Federal Reserve raised its policy rate by 25 basis points to a range of 3.75%–4.00% at its September 15–16 FOMC meeting, its first rate increase in approximately three years and two months, since July 2023**. Following the FOMC meeting, yields—particularly at the long end—declined as the earlier sharp rise partially reversed. Subsequently, WTI crude oil fell below USD 100 per barrel, the KRW/USD exchange rate stabilized, and foreign investors increased net purchases of 10-year KTB futures. **Purchases of medium- and long-term KTBs associated with month-end WGBI inclusion also continued**. Consequently, **short-term KTB yields ended September higher, while long-term yields remained broadly unchanged from the previous month.**

2. Bond Issuance

Total bond issuance in September increased by KRW 11.8 trillion from the previous month, from KRW 75.6 trillion to KRW 87.4 trillion. Although KTB issuance fell substantially, issuance of Monetary Stabilization **Bonds (MSBs), financial bonds and corporate bonds increased.** Net issuance totaled KRW 9.4 trillion, bringing the outstanding balance of bonds to KRW 3,186.8 trillion.

Corporate bond issuance increased by KRW 6.3 trillion month on month to KRW 10.8 trillion. Credit spreads widened slightly for both AA− and BBB− rated corporate bonds.

3. Corporate Bond Bookbuilding

Corporate bond bookbuilding in September totaled KRW 2.504 trillion across 36 deals, **down KRW 2.246 trillion from KRW 4.750 trillion in the same month of the previous year**. Total investor orders amounted to KRW 14.461 trillion, down KRW 15.109 trillion from KRW 29.570 trillion a year earlier. The participation rate (total investor orders divided by the bookbuilding amount) was 577.5%, down 45.0 percentage points from 622.5% a year earlier.

4. Secondary Market

Total OTC bond trading volume reached KRW 448.7 trillion in September, up KRW 60.3 trillion from the previous month. Average daily trading volume rose by KRW 3.0 trillion to KRW 22.5 trillion. Compared with August, **government bond trading increased by KRW 34.0 trillion, special entity bond trading by KRW 1.0 trillion, and financial bond trading by KRW 21.8 trillion**, while corporate bond trading decreased by KRW 1.5 trillion. Total trading volume was KRW 68.2 trillion lower than a year earlier.

5. Retail Investors

Individual investors recorded net purchases of KRW 1.3342 trillion in government bonds, KRW 769.3 billion in special entity bonds, and KRW 499.3 billion in corporate bonds. **Total net purchases reached KRW 4.0225 trillion, up KRW 816.4 billion from the previous month**.

6. Foreign Investor Activity

Foreign investors recorded net sales of KRW 1.2 trillion in Korean bonds in September, with net purchases decreasing by approximately KRW 0.3 trillion from August. **Net purchases of government bonds and MSBs decreased by approximately KRW 0.2 trillion and KRW 1.0 trillion, respectively**. At the end of September, foreign holdings of Korean bonds stood at KRW 336.9 trillion, down KRW 7.8 trillion from KRW 344.7 trillion a month earlier, accounting for 10.6% of the total outstanding bond balance.

From early September, **rising cross-currency swap (CRS) rates and a widening negative swap basis reduced the attractiveness of arbitrage trades, contributing to foreign selling, particularly in short-term bonds**. Later in the month, the rise in CRS rates moderated and the negative swap basis narrowed, partially restoring arbitrage incentives. **Foreign buying interest in medium-term bonds remained supported in part by inflows associated with WGBI inclusion**.

7. CD Market

The 91-day Certificate of Deposit (CD) yield continued to rise in September, reflecting expectations of further policy rate increases at home and abroad, higher global government bond yields, and weaker CD demand as money market fund (MMF) outflows occurred ahead of quarter-end and holidays. The CD yield ended the month at 3.22%, up 10 basis points from August.

8. Qualified Institutional Buyer (QIB) Market

During September**, nine QIB bonds with a total KRW-equivalent value of KRW 4.0206 trillion were newly registered**.

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

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

<Appendix> Detailed Trends in the Korean OTC Bond Market September 2026

1 Interest Rate Trends

In early September, Korean Treasury Bond (KTB) yields rose sharply amid heightened geopolitical tensions in the Middle East following renewed U.S.–Iran hostilities and surging international oil prices. Foreign investors' net selling of 3-year KTB futures also added upward pressure on yields.

Through mid-September, rising global long-term government bond yields, including the 10-year U.S. Treasury yield exceeding 5%, spilled over into the Korean bond market. Growing inflation concerns amid higher oil prices and weaker-than-expected U.S. Treasury buyback operations further contributed to rising yields.

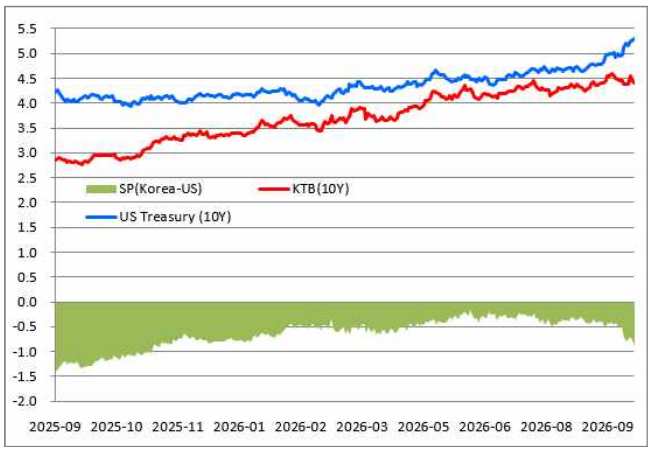
The U.S. Federal Reserve raised its policy rate by 25 basis points to 3.75–4.00% at its September 15–16 FOMC meeting.* Following the meeting, long-term yields declined as earlier increases partially reversed. Subsequently, falling WTI crude oil prices, a stabilizing KRW/USD exchange rate, increased foreign purchases of 10-year KTB futures, and demand for medium- to long-term KTBs related to Korea's WGBI inclusion supported the bond market. As a result, short-term KTB yields ended September higher, while long-term yields remained broadly unchanged from the previous month.

* The first Fed rate hike in approximately three years and two months, since July 2023.

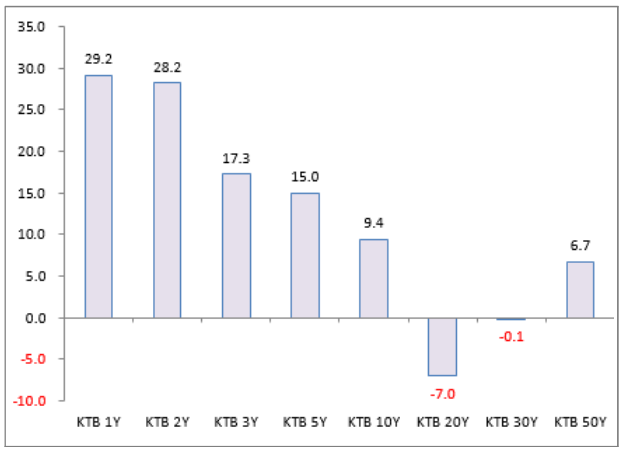
Korea Treasury Bond Yields (End-September 2026)

KTB	1Y	2Y	3Y	5Y	10Y	20Y	30Y	50Y
Yield(%)	3.733	3.978	4.011	4.203	4.407	4.420	4.526	4.518
Monthly Change(bp)	**29.2**	**28.2**	**17.3**	**15.0**	**9.4**	**-7.0**	**-0.1**	**6.7**

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 September increased by KRW 11.8 trillion from the previous month (KRW 75.6 trillion → KRW 87.4 trillion), as higher issuance of Monetary Stabilization Bonds (MSBs), financial bonds, and corporate bonds more than offset a sharp decline in Korean Treasury Bond (KTB) issuance. Net issuance amounted to KRW 9.4 trillion, bringing the total outstanding balance of bonds to KRW 3,186.8 trillion.

Bond Issuance by Category (KRW billion)

Category	Issuance		MoM Change	Net Issuance	Outstanding Balance	Share (%)
	Aug. 2026	Sep. 2026				
KTB	23,344	20,083	-3,261	-1,539	1,346,961	42.27
Local Gov't	405	438	33	118	29,846	0.94
Special Entity	8,739	8,945	206	1,086	475,464	14.92
MSB	5,760	7,300	1,540	-1,480	96,440	3.03
Financial	31,789	38,134	6,345	10,819	738,524	23.17
Corporate	4,513	10,815	6,303	922	435,218	13.66
ABS	1,077	1,751	675	-520	64,383	2.02
Total	75,627	87,466	11,839	9,406	3,186,836	100.0

Source: KOFIA BIS, KOSCOM CHECK

Corporate bond issuance totaled KRW 10.8 trillion, up KRW 6.3 trillion from the previous month. Credit spreads widened slightly from the previous month for both AA- and BBB-rated corporate bonds.

Compared with the previous month:
- AAA-rated bond issuance increased by KRW 0.8 trillion
- AA-rated bond issuance increased by KRW 1.3 trillion
- A-rated bond issuance increased by KRW 1.5 trillion
- Other-rated bond issuance increased by KRW 2.6 trillion

Bond Issuance by Credit Rating (KRW billion)

Rating	Issuance Amount (Share)				MoM Change	
	Aug. 2026		Sep. 2026		Amount	Growth (%)
Guaranteed	-	(0.0)	-	(0.0)	0	-
AAA	401	(8.9)	1,231	(11.4)	830	207.0
AA	1,585	(35.1)	2,857	(26.4)	1,272	80.3
A	404	(9.0)	1,938	(17.9)	1,535	380.0
BBB	22	(0.5)	51	(0.5)	29	131.8
BB & Below	-	(0.0)	34	(0.3)	34	-
Other (Private Placement)	2,101	(46.6)	4,704	(43.5)	2,603	123.9
Total (Non-Guaranteed)	4,513	(100.0)	10,815	(100.0)	6,303	139.6
Total	4,513	(100.0)	10,815	(100.0)	6,303	139.6

Source: KOFIA BIS, KOSCOM CHECK

ESG Bond Issuance

ESG bond issuance decreased by KRW 0.2 trillion from the previous month, with approximately KRW 5.9 trillion issued in the form of Green Bonds, Social Bonds, and Sustainability Bonds.

Green Bonds

Green Bond issuance totaled KRW 1.1722 trillion during September.
Major issuers included:
Hyundai Capital (KRW 350.0 billion)
Gyeonggi Housing & Urban Development Corporation (KRW 220.0 billion)
KB Capital (KRW 150.0 billion)
Korea Water Resources Corporation (KRW 150.0 billion)
Jeonbuk Bank (KRW 130.0 billion)
Shinbo Securitization (KRW 65.0 billion)
Busan Transportation Corporation (KRW 57.2 billion)
Korea Western Power (KRW 50.0 billion)

Social Bonds

Social Bond issuance totaled KRW 4.4764 trillion during September.
Major issuers included:
Korea Housing Finance Corporation and MBS (KRW 2.2093 trillion)
Korea SMEs and Startups Agency (KRW 650.0 billion)
Korea Asset Management Corporation (KAMCO) (KRW 450.0 billion)
Industrial Bank of Korea (KRW 400.0 billion)
Korea Student Aid Foundation (KRW 300.0 billion)
Shinbo Securitization (KRW 291.0 billion)
Seoul Housing & Urban Development Corporation (KRW 120.0 billion)
Woori Card (KRW 56.1 billion)

Sustainability Bonds

Sustainability Bond issuance totaled KRW 330.0 billion during September.
Major issuers included:
JB Woori Capital (KRW 260.0 billion)
Acuon Capital (KRW 70.0 billion)

ESG Bond Issuance (KRW billion)

Category	Aug. 2026		Sep. 2026		End Sep. 2026	
	Issuance Amount	Number of Issues	Issuance Amount	Number of Issues	Outstanding Balance	Number of Issues
Green Bonds	710	5	1,172	14	26,606	330
Social Bonds	4,887	45	4,476	52	211,465	1,886
Sustainable Bonds	480	2	330	5	12,604	153
Sustainability-Linked Bonds					430	6
Total	6,077	52	5,978	71	251,105	2,375

Source: Yonhap Infomax

Corporate Bond Bookbuilding

In September, the corporate bond book-building amount totaled KRW 2.504 trillion across 36 transactions, down KRW 2.246 trillion from KRW 4.750 trillion in the same month of the previous year.

Total investor demand reached KRW 14.461 trillion, decreasing by KRW 15.109 trillion from KRW 29.570 trillion in the same month of the previous year. The subscription ratio (total investor demand divided by the book-building amount) stood at 577.5%, down 45.0 percentage points from 622.5% in the same month of the previous year.

Subscription ratios by credit rating were as follows:
AA-rated or higher: 614.1%
A-rated: 501.5%

Corporate Bond Bookbuilding Results (KRW billion, %)

Credit Rating	Number of Offerings		Book Building Amount		Total Orders		Subscription Ratio	
	Sep. 2025	Sep. 2026	Sep. 2025	Sep. 2026	Sep. 2025	Sep. 2026	Sep. 2025	Sep. 2026
AA and Above	38	**20**	31,300	**16,900**	190,170	**103,790**	607.6%	**614.1%**
A	26	**16**	15,000	**8,140**	103,460	**40,820**	689.7%	**501.5%**
BBB & Below	5	**0**	1,200	**0**	2,070	**0**	172.5%	-
Total	69	**36**	47,500	**25,040**	295,700	**144,610**	622.5%	**577.5%**

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

Undersubscription

Meanwhile, no undersubscription occurred in corporate bond book-building during September.

Undersubscription Results (KRW 100 million, %)

Credit Rating	Issuance Amount		Unsubscribed Amount		Undersubscription Ratio	
	Sep. 2025	Sep. 2026	Sep. 2025	Sep. 2026	Sep. 2025	Sep. 2026
AA and Above	60,470	27,350	-	-	-	-
Number of Issues	43	17	-	-		
A	27,080	16,510	-	-	-	-
Number of Issues	26	19	-	-		
BBB & Below	1,740	-	150	-	8.6%	-
Number of Issues	5	-	1	-		
Total	89,290	43,860	150	-	0.2%	-
Number of Issues	74	36	1	-		

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

3 Secondary Market Trends

Total OTC bond trading volume increased by KRW 60.3 trillion from the previous month to KRW 448.7 trillion, while average daily trading volume rose by KRW 3.0 trillion to KRW 22.5 trillion.

Compared with the previous month:
- Government bond trading volume increased by KRW 34.0 trillion.
- Special bond trading volume increased by KRW 1.0 trillion.
- Financial bond trading volume increased by KRW 21.8 trillion.
- Corporate bond trading volume decreased by KRW 1.5 trillion.

Compared with September of the previous year, total OTC bond trading volume decreased by KRW 68.2 trillion.

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

Bond Type	Sep. 2025	Aug. 2026	Sep. 2026	Share (%)	MoM Change	YoY Change
KTB	296,090	205,374	239,221	53.3%	33,847	-56,869
Local Gov't	1,079	1,258	1,682	0.4%	424	603
Special Entity	29,022	27,940	28,960	6.5%	1,020	-62
MSB	39,597	27,791	31,794	7.1%	4,003	-7,803
Financial	124,025	100,971	122,760	27.4%	21,790	-1,264
Corporate	22,474	19,538	18,009	4.0%	-1,529	-4,466
ABS	4,661	5,554	6,307	1.4%	753	1,646
Total	516,948	388,425	448,733	100.0%	60,309	-68,214
Average Daily Trading Volume	23,498	19,421	22,453		3,032	-1,044

Source : KOFIA BIS (based on trading volume)

Total trading volume increased by KRW 60.3 trillion from the previous month.

By investor type:
- Inter-dealer trading increased by KRW 32.6 trillion.
- Banks' trading volume increased by KRW 12.3 trillion.
- Insurance companies' trading volume increased by KRW 3.5 trillion.

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

Investor Type	Sep. 2025	Aug. 2026	Sep. 2026	Share (%)	MoM Change	YoY Change
Inter-Dealer (Securities)	272,656	198,427	230,983	51.47%	32,557	-41,673
Banks	82,595	45,753	58,051	12.94%	12,297	-24,544
AMCs	65,066	57,206	66,219	14.76%	9,013	1,154
Insurances	20,907	12,262	15,742	3.51%	3,480	-5,165
Pensions	19,094	19,015	23,912	5.33%	4,896	4,818
Foreign	32,761	40,004	34,024	7.58%	-5,980	1,263
Central&Local Gov't	5,974	5,128	5,640	1.26%	512	-334
Individual Investors	4,813	4,051	4,869	1.09%	818	56
Other Corporations	13,083	6,578	9,294	2.07%	2,716	-3,789
Total	516,948	388,425	448,734	100.00%	60,309	-68,214

Source : KOFIA BIS (based on trading volume)

During September, retail investors recorded net purchases of KRW 1.3342 trillion in government bonds, KRW 769.3 billion in special bonds, and KRW 499.3 billion in corporate bonds.

Total net purchases by retail investors reached KRW 4.0225 trillion, an increase of KRW 816.4 billion from the previous month.

Net Purchases by individual Investors (KRW 100 million)

Bond Type		2025 (Full Year)	2026 (~Sep.)	Aug. 2026	Sep. 2026
Total Net Purchase		316,692	270,037	32,061	40,225
	KTB	108,530	88,396	13,694	13,342
	Local Gov't	5,886	6,554	516	1,337
	Special Entity	39,255	53,087	4,582	7,693
	MSB	1,767	101	14	65
	Financial	41,695	45,213	6,726	8,014
	Other Financial	51,420	34,651	3,069	4,872
	Corporate	66,522	44,191	3,985	4,993
	ABS	1,615	-2,155	-525	-91

Source : KOFIA BIS (based on trading value)

* Excludes KTBs for Individual Investors

Foreign investors recorded net bond sales of KRW 1.2 trillion in September, compared with net sales of KRW 0.9 trillion in the previous month. Net purchases of government bonds and MSBs decreased by approximately KRW 0.2 trillion and KRW 1.0 trillion, respectively.

At the end of September, foreign investors' outstanding holdings of Korean bonds decreased by KRW 7.8 trillion to KRW 336.9 trillion, from KRW 344.7 trillion at the end of the previous month, accounting for 10.6% of the total outstanding bond balance.

Net Purchases by Foreign Investors (KRW billion)

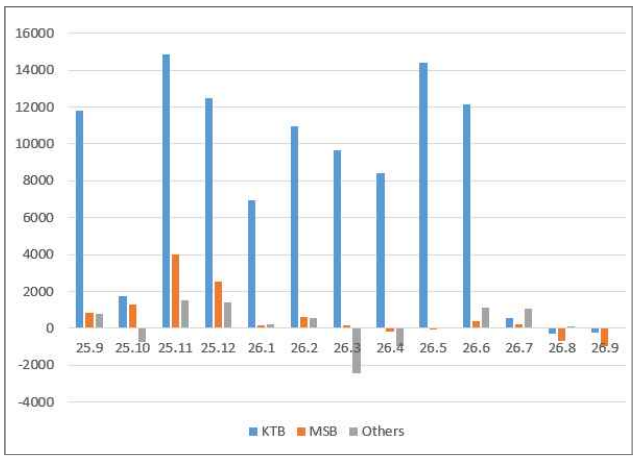
Bond Type		2025 (Full Year)	2026 (~Sep.)	Aug. 2026	Sep. 2026
Total Net Purchase		147,108	61,774	-888	-1,158
	KTB	121,096	62,403	-314	-248
	MSB	19,334	-281	-674	-979
	Others	6,676	-349	100	69

Source : KOFIA BIS (based on trading value)

In early September, rising cross-currency swap (CRS) rates and a widening negative swap basis reduced arbitrage opportunities for foreign investors, leading to increased bond selling, particularly in short-term maturities.

However, toward the latter half of the month, the rise in CRS rates moderated and the negative swap basis narrowed, partially restoring arbitrage incentives. Meanwhile, foreign investors maintained their buying interest in medium-term bonds, supported by capital inflows associated with Korea's inclusion in the World Government Bond Index (WGBI).

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 3.22% at the end of September, up 10bp from the previous month.

During the month, CD yields continued to rise, reflecting expectations of further policy rate hikes in Korea and abroad, rising global government bond yields, and weaker CD demand amid money market fund (MMF) outflows ahead of quarter-end and the holiday period.

Total CD issuance during September amounted to KRW 5.3 trillion, up KRW 2.8 trillion from the previous month.

Commercial banks issued KRW 3.6 trillion, up KRW 2.5 trillion from the previous month. Issuance of three-month CDs by commercial banks totaled KRW 2.2 trillion, an increase of KRW 1.4 trillion from the previous month.

CD Issuance by Banks (KRW trillion)

Item		2025	Sep.	2026 (~Sep.)	Aug.	Sep.	MoM
CD Yield**		2.81	2.57	3.22	3.12	3.22	+ 0.10
Total Issuance		66.9	5.3	32.1	2.5	5.3	+ 2.8
	Commercial Banks	46.3	3.8	20.4	1.1	3.6	+ 2.5
	3-Month CDs	16.9 (36.5%)	1.7 (44.7%)	15.0 (73.5%)	0.8 (72.7%)	2.2 (61.1%)	+ 1.4

Source : KOFIA BIS

※ CD Issuance by Bank (September)

Commercial Banks

KB Kookmin Bank: KRW 1,290.0 billion (14 issues), Standard Chartered Bank Korea: KRW 1,065.0 billion (14 issues), Woori Bank: KRW 510.0 billion (13 issues), iM Bank: KRW 295.0 billion (4 issues), Hana Bank: KRW 220.0 billion (4 issues), Shinhan Bank: KRW 180.0 billion (2 issues)

Regional and Specialized Banks

Kyongnam Bank: KRW 1,075.0 billion (15 issues), NH NongHyup Bank: KRW 240.0 billion (7 issues), Busan Bank: KRW 115.0 billion (2 issues), Korea Development Bank (KDB): KRW 95.0 billion (1 issue), Jeonbuk Bank: KRW 70.0 billion (2 issues), Industrial Bank of Korea (IBK): KRW 50.0 billion (1 issue), OCBC Bank: KRW 40.0 billion (1 issue), Dah Sing Bank: KRW 30.0 billion (1 issue)

5 QIB Market

During September, 9 QIB bonds totaling KRW 4.0206 trillion were newly registered.

** 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 (September 2026)

Date	Issuer	Amount (100Million)	Currency	Coupon (%)	Issue Date	Maturity Date
2026-09-10	SGC Energy	300	KRW	6	2026-09-10	2028-03-10
2026-09-11	Shinhan Bank	6	EUR	3.412	2026-09-14	2030-03-14
2026-09-14	YG-1	300	KRW	6.4	2026-09-15	2028-09-15
2026-09-14	Korea Southern Power	3	USD	4.75	2026-09-15	2029-09-15
2026-09-16	KSFC	3	USD	4.875	2026-09-17	2029-09-17
2026-09-18	KB Kookmin Bank	6.5	EUR	3.625	2026-09-21	2030-09-21
2026-09-23	Shinbo Global 2026-2 Securitization	3	USD	SOFR+0.73%	2026-09-29	2029-09-29
2026-09-28	Hanwha Q CELLS Americas	3	USD	5.5	2026-09-29	2029-09-29
2026-09-29	Hana Securities	3	USD	6.50	2026-09-30	2056-09-30

Source : KOFIA BIS

Since the introduction of the Qualified Institutional Buyer (QIB) market in July 2012, a total of 533 bond issues amounting to approximately KRW 227.2 trillion had been registered as of the end of September 2026.

By the end of September 2026, year-to-date QIB bond registrations had already surpassed the full-year total for 2025, continuing the upward trend since 2022.

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**	**~Aug. 2026**	**Sep. 2026**	**Total**	
Number of Issues	38	36	40	42	57	43	9	533	
Amounts	18,444	16,632	19,511	22,973	24,269	23,710	4,021	227,186	

Source : KOFIA BIS