Press Release

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KOREA'S GOVERNMENT BOND MARKET IS BEING OPERATED STABLY

- Government bond yields have shown a downward stabilizing trend, with the trend of foreign investment in government bonds remaining solid -

▶ Recently, government bond yields have shown a stabilizing downward trend.

In December, government bond yields rose in part due to external factors such as heightened concern over continued upward inflation pressure stemming from the U.S. President-elect Trump's tariff policies and projections of the Federal Reserve's slower policy rate cuts in 2025. However, starting in January this year, yields have resumed a stabilizing downward trend.

▶ Foreign investment in government bonds remains robust.

In December, foreign investors' government bond investment recorded a net outflow of 2.9 trillion won, but it is primarily attributed to the concentration of foreign-held government bond maturities (3.5 trillion won) in December.

On an annual basis, foreign investment in government bonds saw a net inflow of 19.2 trillion won in 2024, and in January this year, the trend has reversed back to net inflows.

In addition, Bloomberg reported on January 6th that regardless of political circumstances, global bond funds continue to buy Korean government bonds, showing strong confidence in the Korean economy.

▶ Foreign investment in government bond futures has shown a tendency for repeat transactions aimed at realizing profits either in the present (selling government bond futures) or in the future (buying government bond futures), depending on interest rate forecasts and external factors that cause interest rate volatility.

In December 2024, the net selling of government bond futures by foreign investors appears to be a result of their position adjustments for profit realization, which is part of typical market movements.

▶ Even when foreign investors show a net selling trend in government bond futures, the impact on the government bond spot market remains limited.

When foreign investors' net selling of government bond futures causes interest rates to rise, domestic investors are incentivized to purchase the treasury bonds at the higher interest rates (lower prices).

Moreover, as government bond futures trading is a cash-settlement method, where only the difference between the parties is settled rather than trading the actual bonds, the impact on the government bond spot market remains limited even if futures long positions are unwound.

▶ The government is closely monitoring trends in the government bond market to ensure its stable operation and will prepare and implement a variety of market stabilization measures as necessary.