

## Financial Market Trends in October 2023

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- The **Treasury bond yield** first rose, affected chiefly by the possibility of the U.S. Federal Reserve maintaining elevated interest rates for an extended period and by concerns about U.S. Treasury supply and demand, and then fell back on market assessments of the U.S. Federal Reserve's FOMC meeting results as dovish.
  - The **KOSPI** fell, due mainly to rising U.S. Treasury bond yields and escalating geopolitical risks surrounding the Middle East, and then rebounded substantially as the Treasury bond yield fell in November.
  - **Bank lending to the household sector** grew by a larger margin in October (+4.8 trillion won → +6.8 trillion won), **while bank lending to the corporate sector** increased by a smaller margin month-on-month (+11.3 trillion won in September 2023 → +8.1 trillion won in October).
  - **Deposit-taking by banks** decreased slightly in October (+27.1 trillion won in September 2023 → - 3.0 trillion won in October), while **funds under management at asset management companies** increased significantly (+0.1 trillion won → +24.8 trillion won).
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- The Treasury bond yield first rose, affected chiefly by the possibility of the U.S. Federal Reserve maintaining elevated interest rates for an extended period and by concerns about U.S. Treasury supply and demand, and then fell back on market assessments of the U.S. Federal Reserve's FOMC meeting results as dovish.
- Short-term interest rates, Monetary Stabilization Bond and CD rates, in particular, remained unchanged overall but CP rates increased significantly, driven by expanded issuance and seasonal factors and bank debenture rates also rose, boosted by increased issuance.
- The KOSPI fell, due mainly to rising U.S. Treasury bond yields and escalating geopolitical risks surrounding the Middle East, and then rebounded substantially as the Treasury bond yield fell in November.

### Major Interest Rates and KOSPI

	2020	2021	2022	Sep 2023 (A)	Oct	Nov 7 (B)	B - A
■ Treasury bonds (3-yr)	0.98	1.80	3.72	3.88	4.09	<b>3.89</b>	0.01
■ Treasury bonds (10-yr)	1.71	2.25	3.73	4.03	4.33	<b>4.06</b>	0.03
■ U.S. Treasury bonds (10-yr)	0.91	1.51	3.87	4.57	4.93	<b>4.64<sup>2)</sup></b>	0.07
■ Corporate bonds (3-yr, AA-) <sup>1)</sup>	1.39	2.41	5.20	4.65	4.91	<b>4.73</b>	0.08
■ Corporate bonds (3-yr, A-) <sup>1)</sup>	2.44	3.28	6.19	6.01	6.24	<b>6.06</b>	0.05
■ Corporate bonds (3-yr, BBB+) <sup>1)</sup>	5.06	5.86	8.73	8.64	8.88	<b>8.69</b>	0.05
■ Monetary Stabilization Bonds (91-day) <sup>1)</sup>	0.56	1.00	3.53	3.63	3.63	<b>3.62</b>	-0.01
■ Bank debentures (3-month) <sup>1)</sup>	0.84	1.43	4.05	3.87	3.95	<b>3.97</b>	0.10
■ CDs (91-day)	0.66	1.29	3.98	3.83	3.82	<b>3.83</b>	0.00
■ CP (A1, 91-day)	1.09	1.56	5.28	4.08	4.36	<b>4.36</b>	0.28
■ KOSPI	2,873	2,978	2,236	2,465	2,278	<b>2,444</b>	-21
■ KOSDAQ	968	1,034	679	841	736	<b>824</b>	-17

Notes: 1) Average yields on bonds rated by four Korean private credit rating agencies.

2) As of November 6.

□ **Bank lending to the household sector** (including loans assigned to the Korea Housing Finance Corporation) grew by a larger margin in October (+4.8 trillion won in September 2023 → +6.8 trillion won in October; -0.7 trillion won in October 2022), as other loans reversed to an increase, more than offsetting a smaller margin in the growth of home mortgage lending.

○ Home mortgage lending\* continued to grow, led by loans for housing purchases, but the growth was slightly smaller than in the preceding month (+6.1 trillion won → +5.8 trillion won).

\* Changes in leasehold deposit loans: -0.1 in August 2023 → +0.1 in September → -0.1 in October (+0.2 in October 2022).

○ Other loans shifted to an increase (-1.3 trillion won → +1.0 trillion won), as credit loans, after having decreased in the month prior owing to one-off factors\*, increased, driven by early-month holiday spending demand and by funding demand related to IPO subscriptions.

\* Sell-offs/write-downs at quarter-end and Inflows of bonuses for the Chuseok holidays.

	<u>May</u> <u>2023</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
■ Apartment sale transactions (nationwide) <sup>1)</sup>	3.7	3.6	3.4	3.7	3.4	..
■ Apartment sale transactions (Seoul metropolitan) <sup>1)</sup>	1.6	1.6	1.5	1.6	1.4	..
■ Apartment leasehold transactions (nationwide) <sup>1)</sup>	5.6	5.6	5.6	5.3	4.7	..
■ New apartment sales (nationwide)	1.4	1.3	1.8	2.2	1.2	3.3
■ Newly occupied apartments (nationwide)	2.7	4.2	3.0	2.6	2.8	4.2

Note: 1) Transaction volume (in 10,000 units) as of the contract date, based on statistics compiled as of November 7, excluding cancelled contracts.

Sources: Ministry of Land, Infrastructure and Transport, Real Estate 114.

### Household Loans<sup>1)</sup>

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-Oct 2023)	
	Jan-Oct	Oct	Jan-Oct	Oct	Jan-Oct	Aug	Sep		Oct
■ <b>Household loans</b>	69.1	5.2	-1.9	-0.7	28.5	6.9	4.8	<b>6.8</b>	1,086.6
Loans secured by home mortgages <sup>2)</sup>	52.6	4.7	16.0	1.3	40.8	7.0	6.1	<b>5.8</b>	839.6
Other loans <sup>3)</sup>	16.4	0.5	-17.9	-1.9	-12.1	-0.1	-1.3	<b>1.0</b>	245.7

Notes: 1) Based on depository banks (including trust accounts). Trust account lending is not included in the sub-category figures. Including loans assigned to the Korea Housing Finance Corporation.

2) Including housing-related loans, such as loans for leasehold deposits, moving expenses, and intermediate payments that are not collateralized by real estate.

3) Consisting of general unsecured loans, credit line loans (overdrafts on accounts), loans collateralized by commercial real estate (shopping centers, etc.), and other loans (time deposit/installment saving-backed loans, stock-backed loans, etc.).

## 3

## Corporate Funding

- **Bank lending to the corporate sector** increased by a smaller margin month-on-month in October (+11.3 trillion won in September 2023 → +8.1 trillion won in October; +13.7 trillion won in October 2022).
  - Bank lending to large corporations continued to grow substantially in October, as in the previous month (+4.9 trillion won → +4.3 trillion won), due to corporations that used to depend on direct funding, such as corporate bonds, switching to the use of loans, and due to demand for working capital at corporations.
  - Bank lending to SMEs continued to grow, led by demand for funds for payment of their value-added taxes, but the scale of increase fell (+6.4 trillion won → +3.8 trillion won), due mainly to redemptions in early October\* of loans that had been deferred due to the last day of the previous month having fallen on a holiday.
    - \* Repayments of loans that were taken out to settle bills normally repaid at month-end were deferred to early October due to the last day of September falling during the Chuseok holiday.
- The volume of **corporate bonds** net redeemed increased (-0.8 trillion won in September 2023 → -2.3 trillion won in October; -3.2 trillion won in October 2022), influenced mainly by the use of alternative funding tools, such as bank loans, resulting from increases in interest rates.
  - However, net issuance of CP and short-term bonds continued, led by public corporations (+2.0 trillion won → +2.5 trillion won).

### Corporate Funding

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-Oct 2023)	
	Jan-Oct	Oct	Jan-Oct	Oct	Jan-Oct	Aug	Sep		Oct
■ <b>Bank loans</b> <sup>1)</sup>	82.9	10.3	103.6	13.7	76.1	8.2	11.3	<b>8.1</b>	1,246.4
(Large firms)	6.2	2.2	37.2	9.3	32.5	2.9	4.9	<b>4.3</b>	248.4
(SMEs)	76.7	8.1	66.4	4.4	43.6	5.2	6.4	<b>3.8</b>	998.0
<SOHOs>	33.2	2.6	20.2	0.1	7.5	1.2	0.8	<b>0.5</b>	450.3
■ <b>Corporate bonds (net)</b> <sup>2)</sup>	17.1	0.2	-5.4	-3.2	-0.3	-1.1	-0.8	<b>-2.3</b>	..
■ <b>CP, short-term bonds (net)</b> <sup>3)</sup>	6.5	-1.0	18.7	3.1	5.7	-1.8	2.0	<b>2.5</b>	62.2
■ <b>Stocks</b> <sup>4)</sup>	26.0	1.1	20.6	0.4	7.1	0.5	2.9	<b>0.6</b>	..

Notes: 1) Based on Korean won-denominated loans at depository banks (including trust accounts).  
 2) Based on bonds (including P-CBOs, but excluding ABSs) issued through public offerings.  
 3) Based on general companies. 4) Combined total of KOSPI and KOSDAQ markets.

- **Deposit-taking by banks** decreased slightly in October (+27.1 trillion won in September 2023 → -3.0 trillion won in October).
  - Transferable deposits decreased (+23.1 trillion won → -24.5 trillion won), due mainly to withdrawals of corporate funds, which had flown in for quarter-end financial ratio management in September, as well as to withdrawals for value-added and corporate tax payments\*.
  - \* Payments of corporate taxes that are normally paid at month-end were deferred to October 4 due to the last day of September falling on a holiday.
  - Time deposits increased (-3.7 trillion won → +10.2 trillion won), owing to increases in deposit interest rates and due to bank efforts to attract corporate funds.
- **Funds under management at asset management companies** increased significantly (+0.1 trillion won in September 2023 → +24.8 trillion won in October).
  - Deposits into MMFs increased significantly (-7.9 trillion won → +22.5 trillion won), boosted by inflows of bank funds and of excess Treasury funds.
  - Stock-type funds continued to decrease, as in the previous month (-0.8 trillion won → -2.0 trillion won), while bond-type (+2.8 trillion won → +0.4 trillion won) and other funds (+6.1 trillion won → +4.2 trillion won) both continued to increase.

### Deposits at Major Financial Institutions

(changes during period, trillion won)

	2021		2022		2023			Outstanding amount (end-Oct 2023)	
	Jan-Oct	Oct	Jan-Oct	Oct	Jan-Oct	Aug	Sep		Oct
■ <b>DMBs<sup>1)</sup></b>	157.5	19.5	116.0	6.8	33.9	27.9	27.1	<b>-3.0</b>	2,280.4
(Transferable deposits <sup>2)</sup> )	96.7	-7.9	-96.8	-44.2	-49.0	1.1	23.1	<b>-24.5</b>	850.1
(Time deposits)	33.0	17.9	187.5	56.2	33.9	14.0	-3.7	<b>10.2</b>	978.2
(CDs)	13.4	0.4	12.3	-0.6	28.5	2.2	2.6	<b>1.9</b>	74.4
(Bank debentures)	16.7	6.4	11.5	-3.0	0.6	4.5	7.0	<b>3.4</b>	299.6
■ <b>AMCs<sup>3)</sup></b>	105.3	28.3	40.1	4.4	96.3	2.4	0.1	<b>24.8</b>	927.5
(MMFs)	36.9	20.7	13.0	6.4	41.4	-4.0	-7.9	<b>22.5</b>	192.9
<Corporations>	38.8	20.6	19.8	7.9	40.1	-4.2	-7.7	<b>22.5</b>	178.1
(Bond-type)	14.7	0.4	-9.2	-4.7	12.8	2.7	2.8	<b>0.4</b>	132.8
(Stock-type)	11.6	3.7	-1.1	3.1	6.1	-0.4	-0.8	<b>-2.0</b>	97.5
(Mixed-type)	8.4	-0.1	-2.6	-0.7	-3.0	0.2	-0.2	<b>-0.3</b>	24.4
(Other <sup>4)</sup> )	33.8	3.6	40.0	0.3	39.0	3.9	6.1	<b>4.2</b>	479.8

Notes: 1) Excluding deposits of banks, the central government, and non-residents.

2) Including demand deposits.

3) Including private equity funds at securities companies.

4) Derivative funds, real estate funds, funds of funds, special asset funds, and multi-asset funds.

<Ref 1>

## Household Loans and Corporate Funding

(changes during period, 100 million won)

	May 2023	June	July	Aug	Sep	Oct	Outstanding amount (end-Oct 2023)
<b>Household loans<sup>1)</sup></b>	41,557	58,296	58,857	68,734	48,185	68,058	10,865,711
Loans secured by home mortgages <sup>2)</sup>	42,478	69,460	59,349	69,923	61,045	57,552	8,395,952
<b>Corporate loans<sup>1)</sup></b>	78,040	55,413	86,835	81,749	113,198	81,487	12,463,929
Large corporations	34,468	23,998	37,625	29,364	48,966	43,358	2,483,685
SMEs	43,573	31,416	49,210	52,384	64,232	38,129	9,980,245
<b>Net issuance of corporate bonds<sup>3)</sup></b>	-29,390	-7,539	-11,248	-11,273	-8,395	-22,918	..
<b>Net issuance of CP, short-term bonds<sup>4)</sup></b>	-36,887	-4,709	5,575	-17,799	19,527	24,818	621,901

Notes: 1) Based on depository banks (including trust accounts).

2) Excluding trust accounts. Including housing-related loans, such as loans for leasehold deposits, moving expenses, and intermediate payments that are not collateralized by real estate.

3) Based on bonds (including P-CBOs, but excluding ABSs) issued through public offerings.

4) Based on general companies.

<Ref 2>

## Deposits at Financial Institutions

(changes during period, 100 million won)

	May	June	July	Aug	Sep	Oct	Outstanding amount (end-Oct 2023)
<b>Bank accounts<sup>1)</sup></b>	81,651	383,798	-230,955	279,031	271,188	-30,219	22,803,690
Demand deposits less uncleared checks & bills	27,460	77,452	-119,220	-12,663	68,082	-109,055	2,897,348
Time & savings deposits	1,761	350,644	-106,439	180,567	149,135	-25,559	16,061,783
(Time deposits)	104,654	43,880	122,522	139,601	-36,570	101,798	9,781,566
(Transferable deposits)	-115,273	293,310	-247,190	23,555	163,083	-136,185	5,603,800
CDs + RPs + cover bills	51,320	-30,458	26,170	66,568	-16,152	70,549	848,258
Bank debentures	1,110	-13,841	-31,465	44,560	70,123	33,846	2,996,301
<b>Asset management companies<sup>2)</sup></b>	-12,479	33,483	188,061	23,623	1,170	247,602	9,274,630
MMFs	-75,894	-54,457	150,980	-40,271	-79,205	224,971	1,929,164
Bond investment trusts	18,878	23,995	18,524	27,397	28,359	3,778	1,328,255
Stock investment trusts	13,667	18,901	11,466	-4,285	-7,618	-20,394	974,813
Mixed-type investment trusts	-718	-4,385	-7,043	1,976	-1,856	-3,029	244,350
Other <sup>3)</sup>	31,589	49,429	14,135	38,806	61,489	42,276	4,798,047
<b>Money in trust funds</b>	1,456	-107,645	215,194	-11,307	-99,147	245,334	3,961,611
Specific money in trusts	-2,472	-124,316	213,576	-12,993	-104,588	238,728	2,142,227
<b>Merchant banking corporations</b>	-6,017	114	6,380	-2,737	-492	1,817	208,704
Bills issued	-2,694	-9,740	8,271	3,769	-4,147	2,982	146,635
CMAs	-3,323	9,854	-1,891	-6,506	3,655	-1,165	62,069
(Bills sold)	8,200	-7,750	8,720	2,971	-2,334	10,290	229,765
<b>Postal savings</b>	-9,014	-18,790	6,441	-4,146	-3,959	7,450	833,223
<b>Deposits at securities companies</b>	-11,868	-1,111	41,424	-44,077	-15,889	-39,330	460,570

Notes: 1) Excluding deposits from banks, the central government, and non-residents.

2) Including private equity funds at securities companies.

3) Derivative funds, real estate funds, funds of funds, special asset funds, and multi-asset funds.