

MNI BoK Preview – APRIL 2026

Meeting Date: April 10, 2026**Link to Previous Statement:**

<https://www.bok.or.kr/eng/bbs/E0000634/view.do?nttId=10096672&searchCnd=1&searchKwd=&depth2=400417&depth3=400423&date=&sdate=&edate=&sort=1&pageUnit=30&depth=400423&pageIndex=1&programType=newsDataEng&menuNo=400423&oldMenuNo=400423>

Contents

- **Page 1-3:** MNI POV – BOK on Hold: Cautious on Won and Stability
- **Page 4-5:** BOK February 26 Meeting Statement.
- **Page 6** Sell-Side Analyst Views

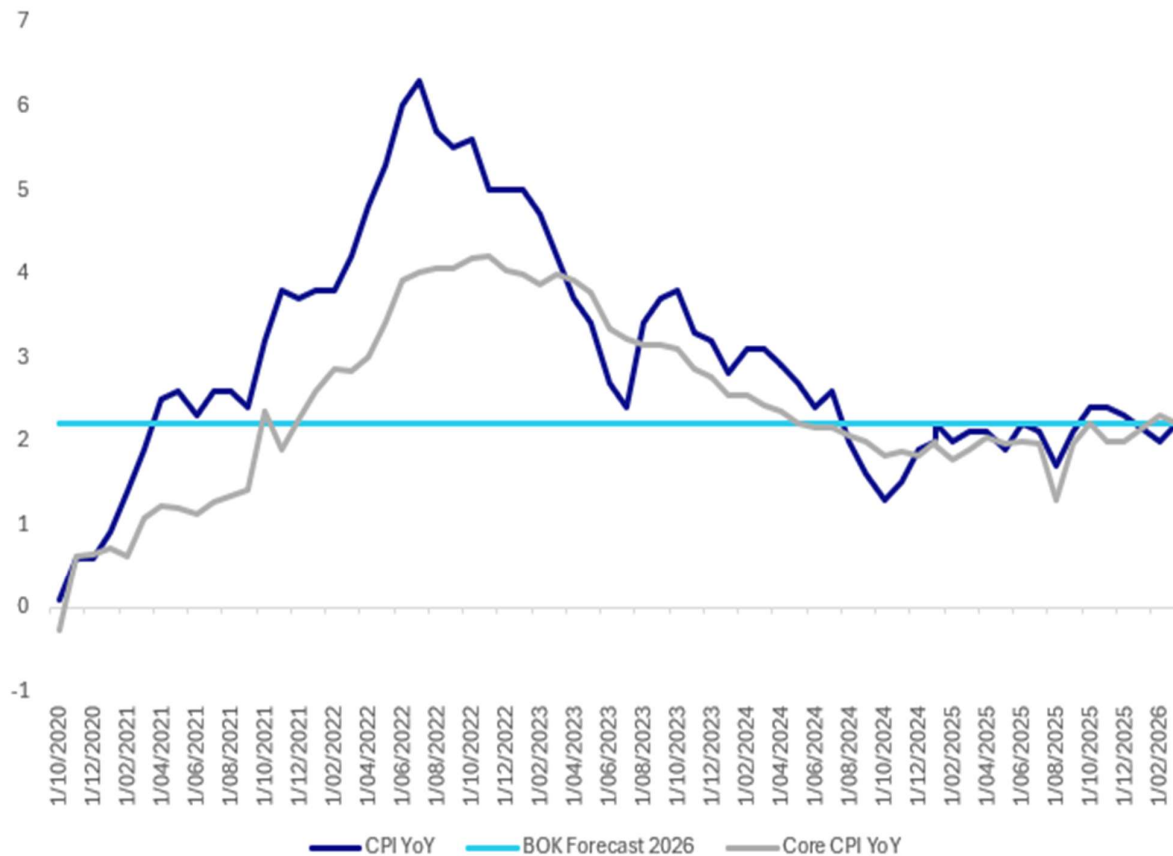
MNI POV (Point Of View): BOK on Hold: Cautious on Won and Stability

The Bank of Korea (BOK) meeting for April is shaping up to be a historic session. Not only is it the final meeting for Governor Rhee before his term ends on April 20, but it also falls after a potential major geopolitical thaw in the Middle East. Analysts expect Rhee to anchor the BOK's inflation-fighting credibility before handing over the reins.

Having cut rates by 100 basis points between late 2024 and mid-2025, the BOK has been on a prolonged pause for nearly a year. Despite yesterday's oil price crash post the announcement of the ceasefire, the BOK is expected to remain cautious, prioritizing currency defence and financial stability over immediate easing.

Whilst March inflation hit +2.2% (slightly above the +2.0% target), the recent oil spike has policymakers concerned with the full impact of the rise in oil prices yet to be seen in economic data. It is widely expected the statement will remain firm on keeping rates restrictive until the 2% target is sustained. In previous meetings, the board was skewed toward a neutral 2.50% median for the next six months via the new US style "Dot Plot" (introduced in February). Any shift toward a more hawkish 2.75% bias would rattle the already fragile KTB (bond) market. The BOK's neutral approach is supported by a super-cycle in semiconductors. February exports surged +28.7%, giving the bank a comfortable cushion for growth to keep interest rates high without crushing the economy.

Fig 1: CPI Above Forecasts



Just 24 hours ago, the BOK was facing a nightmare scenario of \$115 oil. With prices crashing to ~\$95 today, the imported inflation fear may have eased temporarily, but the BOK will likely warn that volatility remains the primary risk to the 2026 growth forecast (currently at 2.0%).

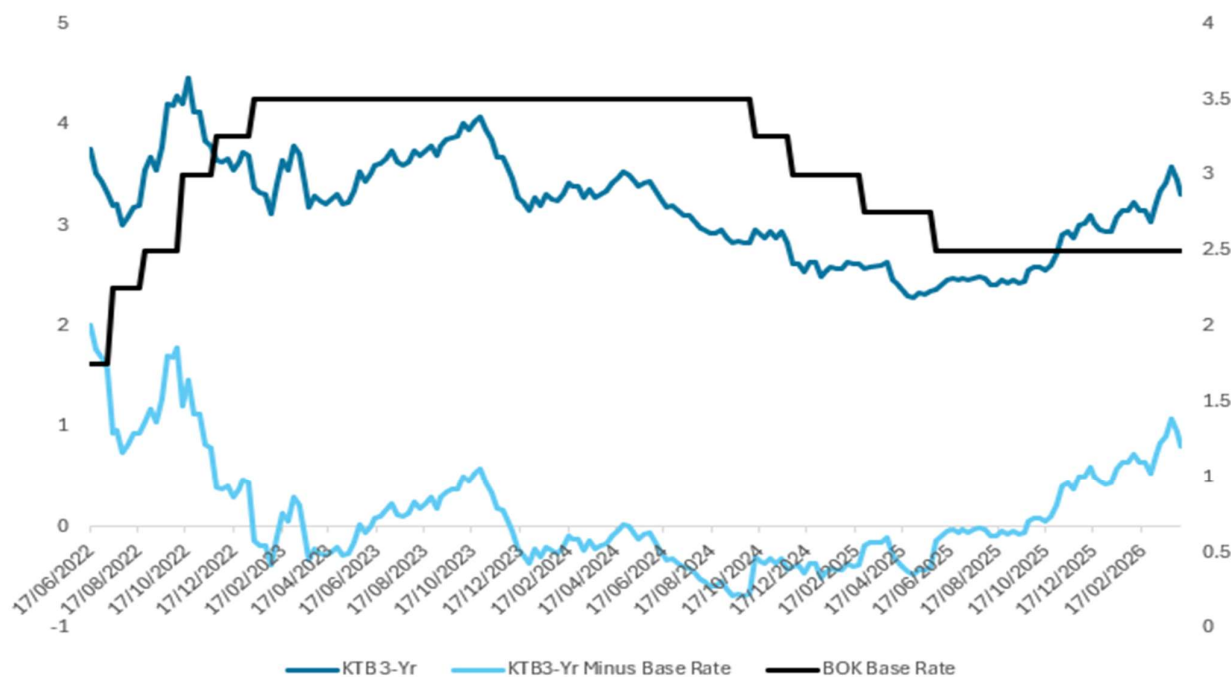
The KRW recently touched 16-year lows near 1,517 late in March. Even with yesterday’s significant relief rally, the BOK is way of narrowing the yield gap with the U.S. Federal Reserve. A dovish tone tomorrow could inadvertently weaken the Won again.

BoK Market Pricing Expectations

Market pricing shows no expectations for moves from the BOK this week.

- Since 2024 the Bank of Korea has cut rates 100bps from the peak and market continue to expect no change / to rate rises over a 12-month time horizon.
- As pressure grew for yields, which resulted in authorities announcing buybacks and suspension of issuance, the 3-Yr premium over the base rate hit +108ps as the 10-Yr touched 3.91% as inflationary pressures globally pushed bond yields higher. As at the close yesterday, it had receded to +81bps
- The swaps curve is pricing in hikes with a full hike priced in by September and +75bps over the next 12 months.
- Yesterday’s move lower in yield provides a temporary reprieve for authorities, though it seems the end of this upward trend may not be over, capping any rate hike desires.

Fig 2: KTB 3-Yr Yield, BOK Base Rate & 3-Yr Yield – Base Rate.



The BBG survey has 18/18 respondents forecasting no change.

We see no change from the BOK this week and the potential for a slightly more hawkish message to act as a buffer for the Won.

Monetary Policy Decision – February 26, 2026.

The Monetary Policy Board of the Bank of Korea decided today to leave the Base Rate unchanged at 2.50% for the intermeeting period. With inflation expected to remain stable near the target level, economic growth is projected to continue improving at a stronger than expected pace, and risks to financial stability also remain. The Board, therefore, judged that it is appropriate to maintain the current level of the Base Rate while assessing developments in the domestic and external policy environments.

The currently available information suggests that, despite uncertainties regarding the tariff policies of the United States, the global economy is expected to maintain favourable growth, supported by increases in AI-related investment and expansionary fiscal policies in major economies. Inflation trajectories are expected to diverge across countries. In global financial markets, risk-off sentiment has strengthened somewhat. Long-term government bond yields rose and then fell, affected by concerns about fiscal soundness in major economies and changes in expectations of the US Federal Reserve's monetary policy. The US dollar weakened, due to the appreciation of the Japanese yen and the US Supreme Court's tariff ruling. Stock prices generally continued their upward trend, reflecting improved corporate earnings, but volatility increased due to concerns over AI overinvestment and the replacement of existing industries. Looking ahead, the global economy and financial markets will be affected by changes in monetary and fiscal policies in major economies and in the trade environment, and by developments in AI investment and geopolitical risks.

The domestic economy has continued its improvement trend, supported by a recovery in consumption and strong exports. The increase in the overall number of employed persons has continued to grow, led by the service sector. Going forward, the domestic economy is expected to continue a recovery in consumption, while growth in exports and facilities investment is projected to accelerate more than previously expected, supported by a strong semiconductor sector and sound global growth, although construction investment is likely to remain sluggish. Consequently, the growth rate is forecast at 2.0% for the year, higher than the November projection of 1.8%. However, there remain both upside and downside risks along the future path of economic growth related to developments in the semiconductor industry, the pace of recovery in domestic demand, monetary and fiscal policies in major economies, US tariff policies, and geopolitical risks.

Consumer price inflation declined to 2.0% in January owing to slower increases in the prices of petroleum products and of agricultural, livestock, and fisheries products. Core inflation (excluding food and energy) remained unchanged from the previous month at 2.0%. Short-term inflation expectations among the general public remained the same as the previous month, at 2.6%. Consumer price and core inflation for this year are forecast at 2.2% and 2.1%, respectively, higher than the November projection of 2.1% and 2.0%, affected by upward cost pressures on some items, including electronic devices. The future path of inflation is likely to be affected by movements in global oil prices and the exchange rate, by economic conditions at home and abroad, and by the government's price stabilization measures.

In financial and foreign exchange markets, the volatility of major price variables has increased. The Korean won to US dollar exchange rate fluctuated, influenced by supply-demand imbalances stemming from residents' overseas securities investments and foreign investors' sales of domestic stocks, as well as by movements in neighbouring countries' currencies, such as the Japanese yen, and the rate recently declined significantly. Stock prices continued to rise sharply, supported by solid earnings forecasts in major sectors and expectations of regulatory reforms in the capital market, but volatility increased, affected by global stock market movements. Korean Treasury bond yields rose significantly due to weakened expectations of a Base Rate cut and supply-demand pressures stemming from fund flows, and then they partially reversed. Household loans increased only slightly due to the continued tightening stance of the government's macroprudential policy. Housing price increases in Seoul and its surrounding areas slowed under the influence of the government's real estate market stabilization measures, and their future trajectory warrants close monitoring.

The Board will continue to conduct monetary policy in order to stabilize consumer price inflation at the target level over the medium-term horizon as it monitors economic growth while paying attention to financial stability. The domestic economy is projected to continue its improving growth trend, while inflation is expected to increase slightly but remain on a stable trajectory around the target. Regarding financial stability, it is necessary to remain cautious about risks associated with housing prices in Seoul and its surrounding areas, with household debt, and with the impact of exchange rate volatility. Therefore, the Board will make its policy decisions, supporting a recovery in economic growth, while closely monitoring changes in domestic and external policy conditions and the resulting impact on inflation dynamics and financial stability developments.

All seven Monetary Policy Board members unanimously supported the decision to keep the Base Rate unchanged.

Sell-Side Analyst Views

MNI EM BOK WATCH: Board Likely To Hold, Inflation In Focus. The Bank of Korea Board is likely to keep its base rate unchanged at 2.50% on Friday, as high uncertainty driven by geopolitical issues and elevated crude oil prices drive caution among policymakers, observers told MNI. “The bank is widely expected to hold the policy rate this week amid high uncertainties over the economy and inflation,” a source familiar with the central bank’s policy said, adding that, while the Bank continues to monitor economic and inflation developments closely, a rate hike is not expected this year.

SOCGEN (hold): “We assign less than a 30% probability to a BoK rate hike in 2026 under the new Governor, Dr Shin. Inflation expectations will remain the key variable that could shift this assessment. Dr Shin is characterized as a “pragmatic hawk” and therefore potential rate hikes within the year is expected, we view such expectations as premature, particularly given that the main financial-stability challenge has shifted from the property market to the FX market.

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