



Session 2:
Managing Large Portfolios in the Current Market Environment

Navigating Market Challenges: Approaches at the BOK Reserve Management

Mr. Cholo Jeong
Bank of Korea

**2026 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES**

Navigating Market Challenges: Approaches at the BOK Reserve Management

Diversified Exposure

TAA Overlay

Dynamic FX Hedge

Liquidity Buffer

• Oct 2026 • Hanoi, Vietnam

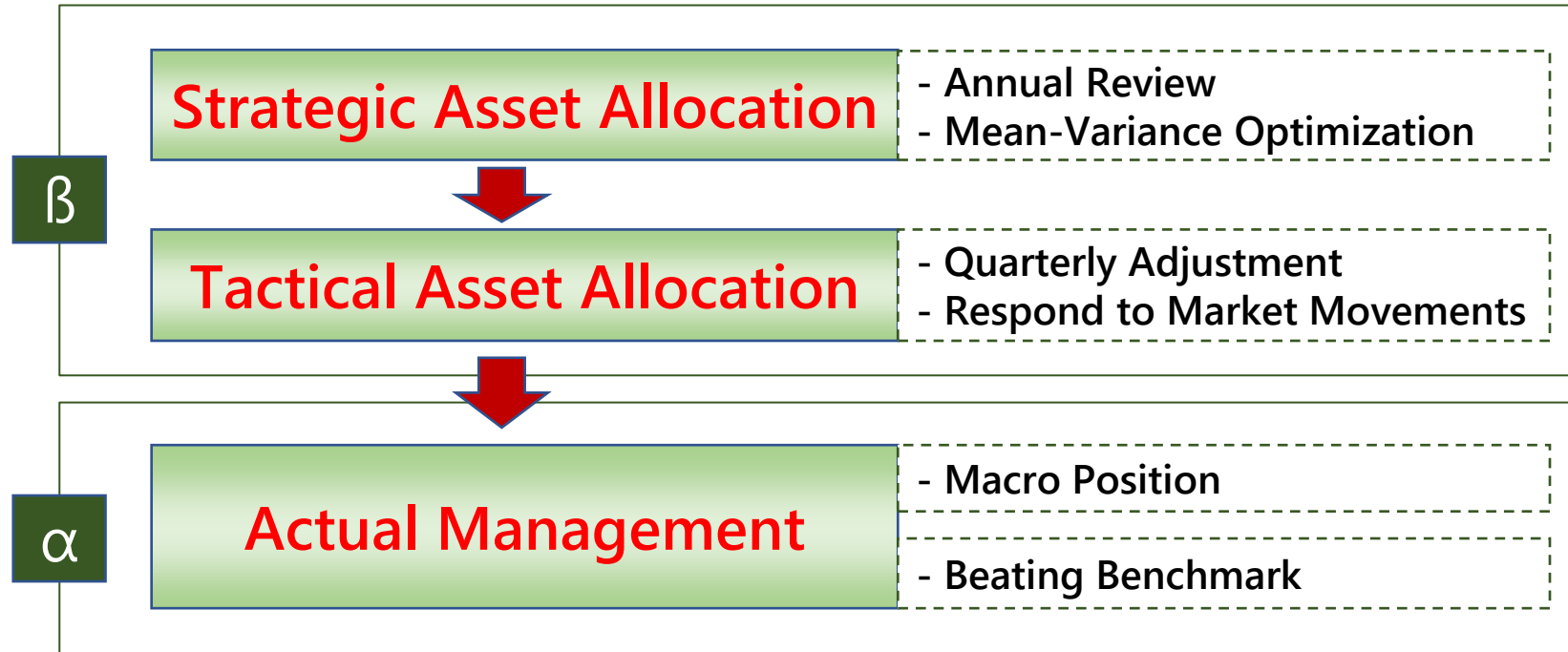
JEONG, Cholo

Head of Investment Strategy

Reserve Management Group

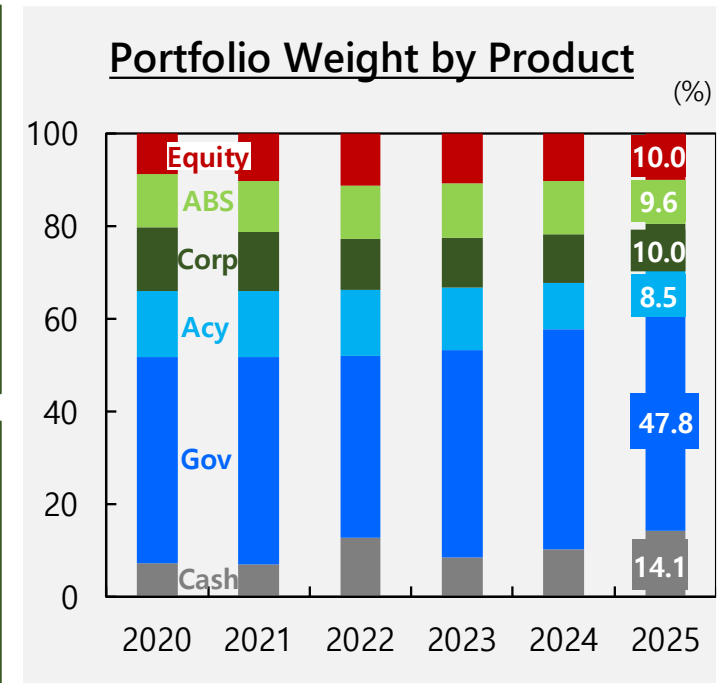
Bank of Korea

INVESTMENT PROCESS



Ongoing Changes

- Credit Barbell
- ESG investment



TAA Macro Position

FX	FX Forward/SWAP
Duration	Bond Futures. IRS
Spread	CDS
Equity	Equity Futures

RECENT CHALLENGES

Elevated Uncertainty

- Geopolitical Fragmentation
- Opacity and Divergence in Central Bank Policies

Rising Portfolio Risks

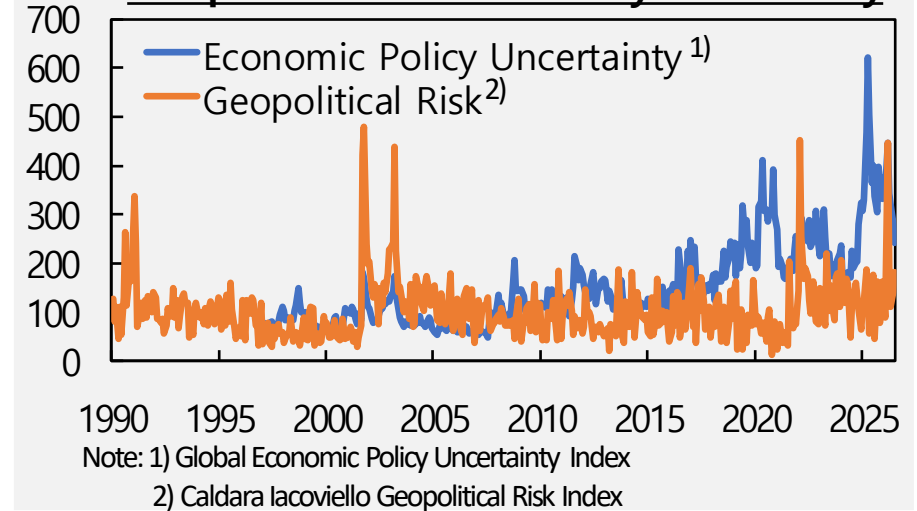
- Elevated Long-End Yields & Duration Risk
- AI Overinvestment & Concentration Risk

Frequent in & out flows of FX Reserve Assets

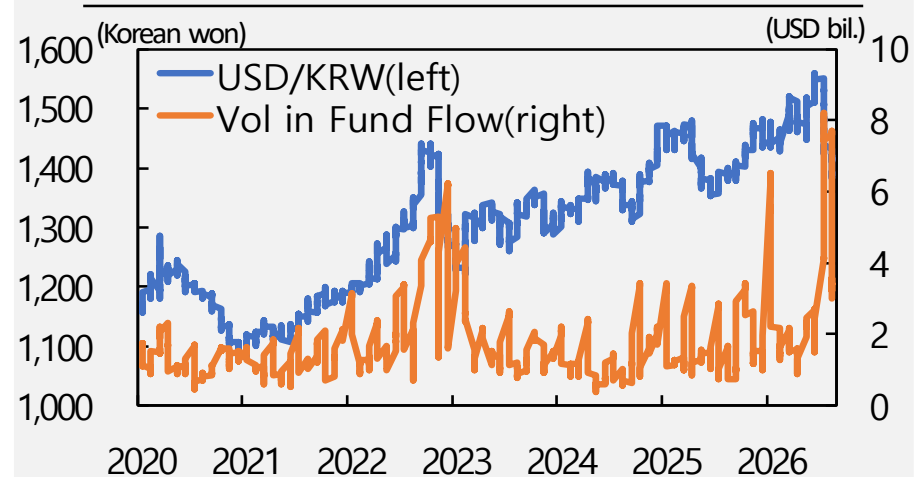
- Volatile Korean Won
- FX Market Stabilization Measures
- USD 350 billion Investment into the U.S.

➡ Preserving capital becomes much more important!

Geopolitical Risk and Policy Uncertainty



KRW FX Rate and Vol in FX Reserve Flow



BUILDING RESILIENCE

Well Diversified Portfolio

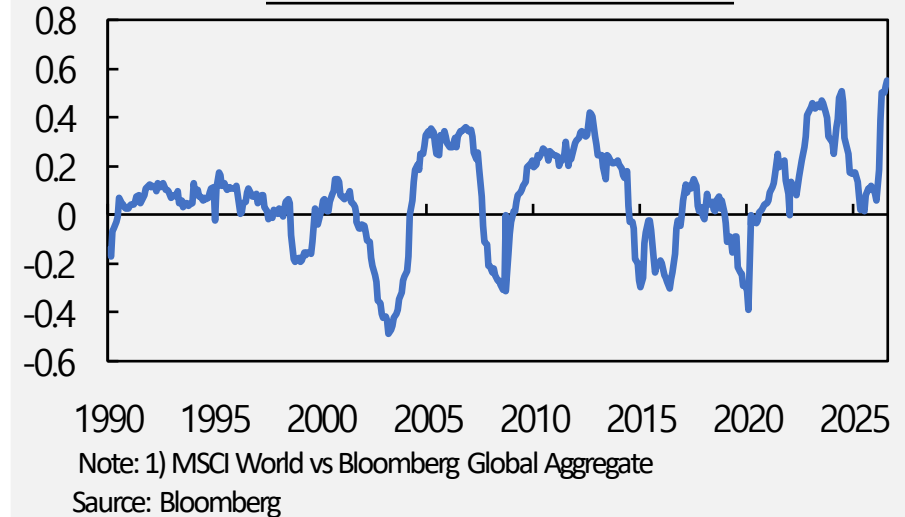
- Less Room to Seek Further Diversification
- Restraints to Seek Profitability in Rising Interest Rate
- Breakdown of the Cross-Asset Correlation
- Flexible Asset Allocation Adjustment
- Dynamic FX Hedge

Protecting against Tail Risk

- Defensive Position Using Macro Position
- Active Risk Budgeting of Tracking Error
- Risk Concentration Monitoring
- Scenario Analysis & Stress Test

➡ Having the Ability to Absorb Short-term Shocks!

Cross-Asset¹⁾ Correlation



Scenario & Stress Test

Freq	Content
Monthly	Global Financial Crisis
Monthly	Interest Rate +1%p
Monthly	Equity Price -30%p
Ad-hoc	Iran War

RECENT SIGNIFICANT CHANGES

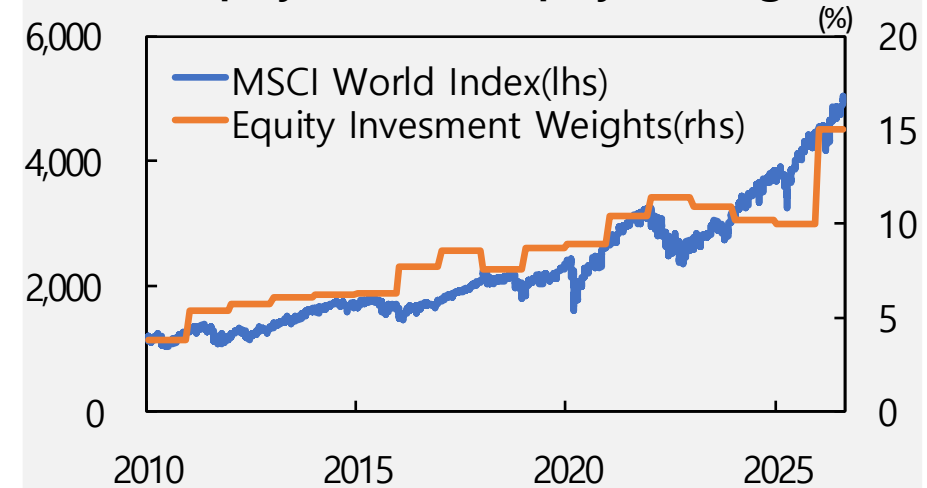
In-House Equity Management

- Increasing Equity Allocation
- Cost vs Benefit Evaluation
- ETF Investment
- Passive to Enhanced Management
- Agile Equity Rebalancing

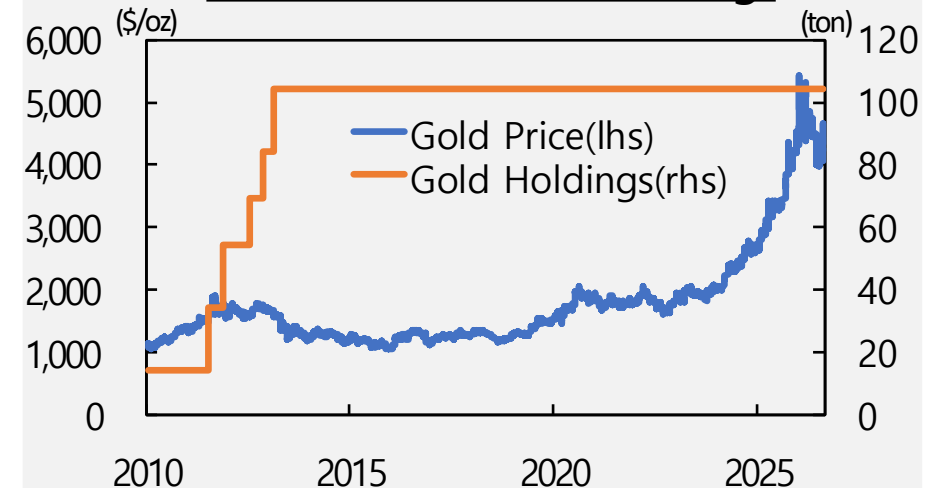
Reallocating to Gold

- Long Term Perspective on Asset Allocation
- Too Low Gold Portion
- Initiating Gold ETF Investments
- Procuring Domestic Physical Gold

Equity Price and Equity Holdings



Gold Price and Gold Holdings



FURTHER EFFORTS

Efforts to Secure Liquidity

- More Focus on Safety and Liquidity
- Keeping Short-term Liquidity tranche sufficient
- Flexibility on the limit of Liquidity tranche
- Accommodate unexpected cash flows and FX volatility
- frequently transfer assets from other tranche

Dynamic FX Hedging

- Unhedged Benchmark but TAA Hedging Position
- Avoid Hedging High-Yield Currency
- Flexible FX Currency Overlay (Monthly FX SWAP)

Liquidity Tranche

Rebalancing Frequency	Quarterly
Portfolio Weight	Around 5%
Investment Universe	100% USD Short-term Investment



Thank You!

"This Time, It's different."

"History repeat itself."

"History doesn't repeat, but it rhymes"

Disclaimer

The information contained in this document is confidential and should not be copied, distributed or reproduced without permission. The views expressed in this presentation are my own and do not represent the official view of the Bank of Korea or the Monetary Policy Board.