STOCK MARKETS

Korea's 2026 stock plunge came after its biggest boom in decades, not a global panic

After rising 209% in two years, the most since December 1988, Korean share prices fell 21.6% by August in monthly averages, and again in October; the BIS ties the fall to early September to exposure to AI-linked firms and turmoil in a few leveraged vehicles, crowded into two chipmakers, while world markets stayed calm and news mood was upbeat at the peak.

datasteg desk · AI-assisted · 20 Oct 2026 · 14 min read

KEY NUMBERS

209% [1]

Rise in Korean share prices in the two years to June 2026 (OECD monthly average), the most since December 1988; the record, 282%, came in the two years to February 1988

20.7 [2]

Highest VIX close during Korea's 2026 fall, against 79.1 during the 2007–08 fall and 82.7 in 2020

108.1 [3]

Bank of Korea news sentiment on 22 Jun 2026, the day stocks peaked; readings above the long-run average mean upbeat news

ARTICLE INFORMATION

Type
Explainer

Published
20 Oct 2026

Updated
3 Nov 2026

Topics
Stock markets, Financial stability, Korea

Online version
articles.datasteg.com/en/a/korea-stock-crashes

Korean edition
articles.datasteg.com/ko/a/korea-stock-crashes

Data
The data behind each chart can be downloaded as CSV from the online version.

KEY FINDINGS

01 Korea's twelve sharp falls since 1997 had no single cause: in ten of the eleven before 2026 the VIX, Wall Street's fear gauge, closed at about double its median or more, but in 2004 it never closed above 20.0, and in 2026 it peaked at 20.7 and US shares rose 4.8% from June to August [1,2,4].

02 In all eight falls since 2007, news mood about the economy was above its long-run average on the day stocks peaked, but in each it had also dipped below that average in the year before; in 2026 it went from 87.5 on 9 Mar 2026 to 108.1 at the peak and 85.0 on 18 Oct [3].

03 Korean share prices rose 209% in the two years to June 2026, the most since December 1988, as bets piled onto two chipmakers; the fall coincided with a global slide in tech shares that the BIS dates to the end of June, while Korea's chip export values, after a dip in July, were well above their June level by September [1,5,6].

04 The fall of 21.6% to August took two months. Timed from each fall's high month to its low month, only 2020's 19.0%, also in two months, came close to that pace. Every earlier fall of a fifth or more in monthly averages took at least 11 months. Steeper two-month drops came inside the 1997–98, 2000–01 and 2007–08 falls. That speed fits selling forced by leveraged funds, but 2020's came in a global panic, and the data we can use include no daily figures on forced sales[1,5].

05 Recoveries took from two months to 72 months; most followed rate cuts, but the 2007 high was regained in 2011 as rates rose, and in 2026 the Bank of Korea raised its rate 0.50 pp during the fall; a model can gauge fragility, not date a crash[1,7,8,9].

THE QUESTION

The question we answered

What built up before Korea's big stock-market falls, what set them off and deepened them, what came before the market steadied, and how could a model of these stages be designed and tested on past falls, including the 2026 fall?

What we looked at

We looked at what came before, during and after Korea's big stock-market falls, from the 1997 crisis to the fall under way since June 2026, using market data and research by central banks and economists.

A note on the question. The data do not show one root cause: the 1997 fall came with a currency collapse, 2008 and 2020 with global panic, and the 2026 fall with a huge run-up and leveraged bets on two chipmakers while world markets stayed calm, as they had in 2004. None of the surveys we could use asks whether people think stocks are overpriced, so we look at mood about the economy instead, and we split 'panic selling' into selling forced by borrowing or fund rules and herd behaviour, including by foreign investors in 1997; foreign flows themselves cannot be shown.

1 Every fall had its own mix of causes

Korea's twelve sharp falls since 1997 share no single cause. Most came with a jump in Wall Street's fear gauge to about double its usual level. Two came with a collapse of the won, when the dollar rose by more than half against it, and two, in 2004 and 2026, with neither[1,2,10].

It helps to picture four stages: the fuel that built up, the spark that set a fall off, the wind that made it worse, and what came before calm. What follows shows timing, not proof of cause.

We picked the falls on daily closes of the KOSPI: every fall of a fifth or more since 1997, except three short swings in the rebound from the 1998 low. The slide from July 2024 to April 2025, a fall of a fifth on daily closes, appears as two shorter falls, July–August 2024 and February–April 2025. The long slide from 2018 to 2020 counts as two falls, split at its August 2019 low.

To measure them we use the OECD's monthly average of Korean share prices, which smooths daily swings and so makes falls look shallower, most of all falls that happen within weeks[1]. The deepest were 59.2% in 1997–98 and 48.8% in the 2000–01 IT bust; 2007–08 fell 46.4%[1]. The 2026 fall, 21.6% from June to August so far, ranks mid-sized for now in monthly

averages: six of the eleven earlier falls were deeper[1]. On daily closes, though, it is already deeper than the 2018–19, 2020 and 2021–22 falls; only the 1997–98, 2000–01, 2002–03 and 2007–08 falls went deeper.

In ten of the eleven earlier falls the VIX, an index of how much US shares are expected to swing, closed at about double its median of 18.1 or more[2]. It reached 79.1 during the 2007–08 fall and 82.7 in 2020[2]. The exception was 2004: Korean share prices fell 17.7% from April to July in monthly averages, yet the VIX never closed above 20.0, US shares slipped 2.4% and won per dollar rose only 0.5%[1,2,4,10]. The won collapsed twice, when the dollar rose by more than half against it: by 54.3% in 1997–98 and 52.9% in 2007–08[10].

Some sparks were regional. US shares rose 10.8% during the 1997–98 fall, an Asian crisis rather than a global one[4]. Korea's political shock on 3 Dec 2024 came with a VIX of only 13.3; the fall in our table began in February 2025, and its VIX high, 52.3, came on 8 Apr 2025[2].

Like 2004, the 2026 fall came without a global panic: the VIX closed no higher than 20.7, US shares rose 4.8% from June to August, and won per dollar fell 8.3%, a stronger won[2,4,10]. Apart from swings in the flows themselves, global fear and US share returns explain far more of the money moving into and out of emerging-market funds than domestic factors do, in an IMF study that does not include Korea[11]. Yet from June to early September 2026 emerging-market shares as a group gained[5]. The table below sets the twelve falls side by side.

FIGURE 1

In ten of Korea's eleven big stock falls before 2026 the VIX closed at 36 or higher; in 2004 and in 2026 it stayed near 20

Korea's twelve big stock falls since 1997, side by side · Changes in % from each fall's high month to its low month (monthly averages); two-year run-up in % to the high month; VIX: highest daily close

Fall	Korea, %	VIX high	US, %	Won/$, %	Run-up, %	High to low
2026	−21.6	20.7	4.8	−8.3	209	Jun–Aug 2026, so far
Feb–Apr 2025	−4.3	52.3	−5.0	−1.3	7	Mar–Apr 2025
Jul–Aug 2024	−7.8	38.6	4.4	−3.7	19	Jul–Sep 2024
2021–22	−31.7	36.5	−15.0	27.0	55	Jun 2021–Oct 2022
2020 Covid	−19.0	82.7	−23.3	4.3	−12	Jan–Mar 2020
2018–19	−22.8	37.3	−4.8	13.6	33	Jan 2018–Aug 2019
2011	−16.7	48.0	−16.1	3.6	63	Apr–Sep 2011
2007–08 Global crisis	−46.4	79.1	−45.6	52.9	68	Oct 2007–Nov 2008
2004	−17.7	20.0	−2.4	0.5	1	Apr–Jul 2004
2002–03	−38.5	45.1	−24.0	−6.1	14	Apr 2002–Mar 2003
2000–01 IT bust	−48.8	41.8	−13.6	13.8	152	Dec 1999–Sep 2001
1997–98 Asian crisis	−59.2	38.2	10.8	54.3	−13	Jun 1997–Sep 1998

How to read this chart. One row per fall, newest first. 'Korea' and 'US' are changes in share prices, 'Run-up' the rise in Korean share prices in the two years before the high month. Read across: how far Korean share prices fell, how high Wall Street's fear gauge (the VIX) went, what US shares and the won did over the same months, and how much Korean share prices had risen in the two years before. A positive won change means a weaker won; a negative one, a stronger won.

The falls were picked on KOSPI daily closes: every fall of a fifth or more since 1997 except three short swings in the rebound from the 1998 low. The slide from July 2024 to April 2025, a fall of a fifth on daily closes, appears as two shorter falls, July–August 2024 and February–April 2025. The long slide from 2018 to 2020 counts as two falls, split at its August 2019 low. Korean and US share prices are OECD monthly averages, which smooth daily highs and lows, so the falls shown are shallower than between daily closes, most of all for falls that happen within weeks. The 2026 row stops at the lowest month so far (August 2026); prices fell again in October.

In monthly averages the 2024 slide ran from July to December 2024 (−13.1%). The Feb–Apr 2025 row shows only the March–April 2025 dip in monthly averages; its VIX high, 52.3, came on 8 Apr 2025. Korea's political shock of 3 Dec 2024 came with a VIX of only 13.3.

VIX highs are the highest daily close between the KOSPI's daily peak and low in each fall (for 2026, 22 Jun to 15 Oct 2026). The won is the New York noon rate, monthly averages. Valuations, margin loans and foreign selling are not shown: their producers' terms for republication are not cleared.

Source: OECD, Cboe and Federal Reserve Board via FRED, Federal Reserve Bank of St. Louis; datasteg calculation · Data to 16 Oct 2026 [1,2,4,10]

2 The mood was upbeat at the top

None of the data we could use measures whether people felt a bubble: no survey among them asks whether people think stocks are overpriced. News mood about the economy, the closest measure, swings widely. In the year before each peak it dipped below its long-run average at some point, yet on each peak day it was above it[3].

The Bank of Korea's news sentiment index reads the tone of economic news each day. In all eight falls since 2007 it was above its long-run average on the day stocks peaked. In the year before each peak it had been higher at some point, and also lower: every time it fell to 93.0 or below, and before the 2020 peak to 76.5[3]. In 2026, mood went from 125.7 on 3 Nov 2025 down to 87.5 on 9 Mar 2026, then back up to 108.1 on 22 Jun 2026, the day stocks peaked[3].

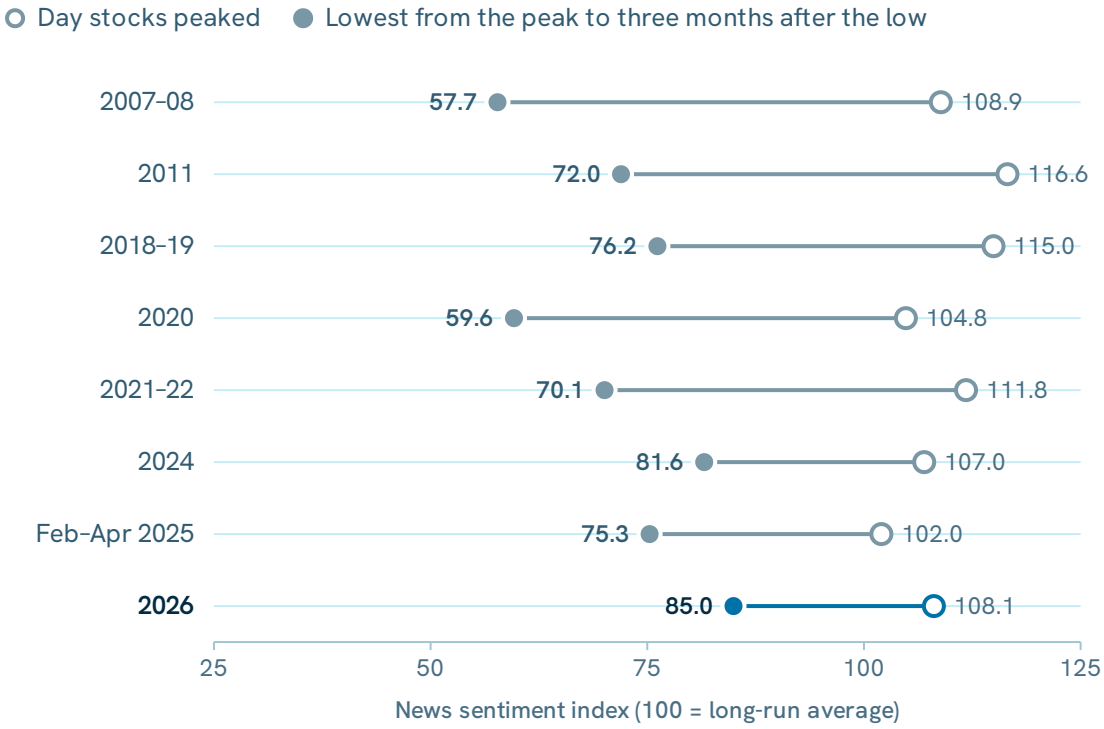
In each fall, counting up to three months after the low, mood sank below its dip of the year before, sometimes far below. In 2024 it did so only after stocks had hit their low, and in 2026 only after their lowest close so far, in mid-October. In the global financial crisis it fell to 57.7 on 8 Oct 2008, against 79.7 in the year before the peak[3].

In 2026 the gap is small: mood reached 85.0 on 18 Oct, its lowest since 11 Apr 2025, against 87.5 in March[3]. The chart below compares mood on each peak day with its lowest reading from the peak to three months after the low.

FIGURE 2

In all eight falls since 2007, news mood was above its long-run average of 100 on the day stocks peaked, after dipping below it in the year before; its lowest readings came during or just after each fall

News mood on the day stocks peaked, and its low during and just after each fall · Bank of Korea news sentiment index, daily, 100 = long-run average; eight falls, Oct 2007–Oct 2026



How to read this chart. Each row is one fall: the hollow dot is news mood on the day stocks peaked, the filled dot its lowest reading from the peak to three months after the low. Right of 100 is more upbeat than usual.

Peak days are the KOSPI's daily peaks: 31 Oct 2007, 2 May 2011, 29 Jan 2018, 22 Jan 2020, 6 Jul 2021, 11 Jul 2024, 19 Feb 2025 and 22 Jun 2026. The rows for 2024 and Feb–Apr 2025 are the two pieces of the slide from July 2024 to April 2025, as in the table of falls.

The index starts in 2005, so falls before 2007 are not shown. The 2026 low (85.0, 18 Oct 2026) is the latest reading and may not be the low of this fall. The index measures the tone of economic news, not views on stock prices.

The chart shows only the peak day and the low after it, but mood swung widely in the year before too. In all eight falls, it had been higher at some point in the 12 months before the stock peak than on the peak day (for 2026, 125.7 on 3 Nov 2025), and it had also dipped below 100, each time to 93.0 or lower. The low after each peak was lower still, though only a little in 2024 (81.6 against 84.7 on 24 Oct 2023) and 2026 (85.0 against 87.5 on 9 Mar 2026). These prior highs and lows are in the table view. Consumer sentiment, a monthly survey, is in the text.

Source: Bank of Korea, ECOS; datasteg calculation · Data to 18 Oct 2026[3]

The consumer sentiment index, a monthly survey of households, fell to 67.7 in December 2008 but barely moved during the 2026 fall, with a low of 104.5 in August 2026[12].

Sensing a crash is common, so it is no warning by itself: US investors in long-running surveys put the chance of a crash at more than ten times its historical frequency[13]. In an IMF study, fund flows appear to have peaked just before past large falls in asset prices, a quantity worth watching alongside mood[9]. In Korea's data, mood was above average on each peak day; its lowest readings came during or just after the falls, though in 2024 and 2026 only a little below its dips of the year before.

3 2026: a run-up resting on two chipmakers

Before the 2026 fall, Korean share prices had their biggest two-year rise since the boom of 1987–89, resting on two chip stocks and leveraged bets[1,5]. The fall came with a repricing of chip shares, not a fall in Korea's chip exports[5,6].

Prices rose 209% in the two years to June 2026, the most since December 1988 but short of the record: 282% in the two years to February 1988[1]. In data back to 1981, only two earlier run-ups doubled prices in two years: the boom of 1987–89, and the run-up of 1998–99, when prices rose 152% in the two years to December 1999[1]. Each ended in a fall of almost half: 48.6% from March 1989 to August 1992, though the first took more than three years, and 48.8% in the IT bust that followed[1]. Two cases are a reason for caution, not a rule.

Shares of Samsung Electronics and SK Hynix, Korea's dominant memory chipmakers, more than tripled in the first half of 2026, and the wider market followed them[5]. Bets piled up on top: assets of leveraged products on the major memory-chip stocks, Samsung, SK Hynix and the US firm Micron, rose from under a hundred million dollars in mid-2025 to more than thirty-eight billion in June 2026[5]. In June the Bank of Korea Governor said the surge had come with "a significant increase in leveraged equity investment"[14].

Research shows why such a run-up matters but cannot time a fall. In US industries, the chance of a fall of two-fifths or more within two years rises from one in five to more than half as a two-year gain over the market goes from fifty to a hundred per cent[8]. Yet in run-ups that did crash, prices rose about another thirty per cent on average before the peak[8].

The fall coincided with a global turn in tech stocks, which the BIS dates to the end of June, days after Korean shares peaked on 22 June. Tech stocks began to falter amid the strain of a prolonged conflict in Iran, and by early September the price-earnings ratios of US-listed semiconductor makers had fallen by two-fifths[5]. The BIS says Korea plunged furthest because of its exposure to AI-linked firms and turmoil in a few leveraged investment vehicles[5]. The BIS review covers June to early September; no study we found covers the further fall to mid-October.

The chart below shows that chip export values, after a dip in July, were well above their June level by September and 268% up on a year earlier, while Korean share prices were 19.0% below June[1,6]. The fall came with a repricing of chip shares, not a fall in chip exports.

4 Forced selling or panic? The data cannot tell

The 2026 fall was among the fastest in the data[1]. Some of what looks like panic may be selling that borrowing or fund rules force on investors[5]. The data we can use include no daily figures on forced sales, so they cannot tell the two apart.

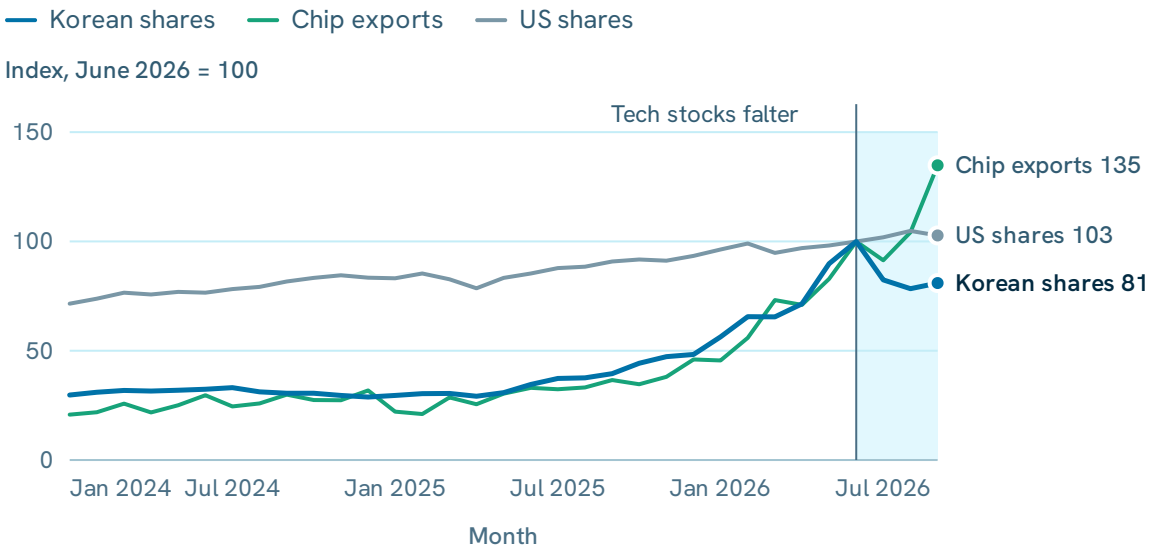
Prices fell 21.6% in two months, by August. July 2026 alone was 17.6% below June[1]. Timed from each fall's high month to its low month, only 2020's 19.0%, also in two months, came close to that pace[1].

Every earlier fall of a fifth or more in monthly averages took at least 11 months to reach its low[1]. Steeper two-month drops did come inside the 1997–98, 2000–01 and 2007–08 falls[1].

FIGURE 3

Korean share prices rose to 3.5 times their December 2024 level by June 2026, then fell 21.6% by August, while chip export values and US share prices ended September above their June level

Korean share prices, chip export values and US share prices, 2024–26 · Index, June 2026 = 100, monthly, Jan 2024–Sep 2026



How to read this chart. All three lines are set to 100 in June 2026, the month Korean share prices peaked; above 100 means higher than then. The shaded months are the 2026 fall so far.

Korean and US share prices are OECD monthly averages, not daily closes or the KOSPI itself. Chip exports are export values in US dollars (Bank of Korea export value index for semiconductors), not company earnings or volumes; the series swings from month to month.

The latest month is September 2026; Korean prices fell again in October. Samsung Electronics and SK Hynix share prices, and a chip-sector share index, are not in the article's publishable data.

Source: OECD via FRED, Federal Reserve Bank of St. Louis; Bank of Korea, ECOS; BIS; datasteg calculation · Data to Sep 2026 [1,4,5,6]

When the stock behind a leveraged ETF falls, the fund's leverage rises above its target, so it must sell[5]. For SK Hynix, the trading such funds needed after a ten per cent move reached almost five billion dollars by the June peak[5]. Against daily turnover of under ten billion, the BIS author estimates from a model, not observed trades, that this could add two to four points to such a move[5].

Hedging autocallable notes can add large trades near their barrier prices[5]. The author stresses concentration: "a handful of instruments referencing two stocks that dominate an index, in a market where retail participation and leverage are both unusually high"[5].

Borrowed money works the same way, through the margin call. In China's 2015 crash, margin investors sold heavily as their leverage neared its limit, and the stocks they held fell abnormally and later recovered, the mark of a fire sale[15]. The authors add that the market might have corrected eventually even without that trigger[15].

Herding, investors copying each other, is the other suspect. Before Korea's 1997 crisis foreign investors chased recent returns, but over a day or a few days the authors find nothing that singles them out as destabilising[16]. Herding measures also cannot tell copying from reactions to the same news[17].

A fast fall need not be irrational: in one well-known model, when investors expecting bad news cannot sell short, their information comes out during declines[18]. The speed of 2026 fits forced selling but does not prove it: 2020 was nearly as fast, in a global panic.

5 What came before the market steadied

Recoveries took from two months to 72 months. Most followed rate cuts, but the 2007 high was regained in 2011 as rates rose, and the 2022 low turned while the rate was still rising[1,7].

Prices took seven months to regain their earlier high after the 2020 peak, 39 months after 2007 and 72 months after 2011[1]. Three months after the low, the 2020 market had regained 83% of its fall, the 2008 market only 7%[1].

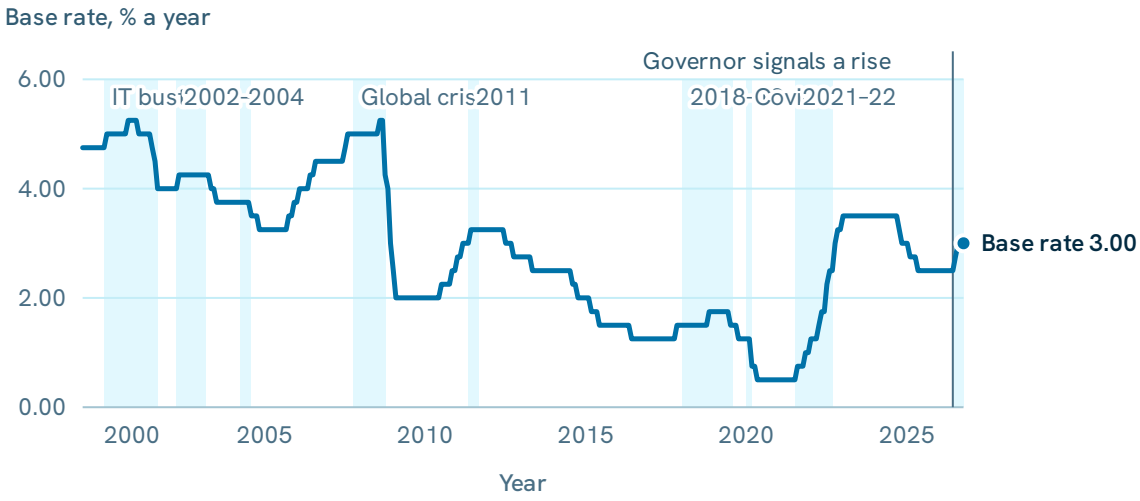
The Bank of Korea cut its base rate during or near several falls' lows; the first cuts came on 8 Feb 2001, 9 Oct 2008 and 17 Mar 2020[7]. But the rate rose 2.00 pp from the 2021 peak to the 2022 low, and that market still turned, if slowly[1,7]. Cuts are neither the only route to calm nor a guarantee of it.

In June 2026 the Governor said the Bank needed to raise its rate before it was too late, to keep prices stable[14]. It did so on 16 Jul 2026 and 27 Aug 2026. By 15 Oct the rate was 0.50 pp higher than at the June peak[7]. The chart below shows the base rate through each fall.

FIGURE 4

The Bank of Korea raised its rate during the 2002, 2011, 2021–22 and 2026 falls; in the 2000–01, 2007–08 and 2018–19 falls it raised it first and cut later, and in 2020 it cut near the low

Bank of Korea base rate and Korea's stock falls since 1999 · % a year, month-end, May 1999–Oct 2026; shaded: stock falls



How to read this chart. The line is the Bank of Korea's policy rate at the end of each month; shaded periods are Korean stock falls, from the market's daily peak to its low.

Shaded: IT bust (Jan 2000–Sep 2001), 2002–03 (Apr 2002–Mar 2003), 2004 (Apr–Aug 2004), global financial crisis (Oct 2007–Oct 2008), 2011 (May–Sep 2011), 2018–19 (Jan 2018–Aug 2019), Covid (Jan–Mar 2020), 2021–22 (Jul 2021–Sep 2022) and 2026 (Jun 2026 to the 15 Oct low so far). The shading uses daily peak and low dates, which differ by a month or so from the monthly windows in the table of falls.

The series starts in May 1999, so the 1997–98 fall is not shown. Short falls (Jul–Aug 2024, Feb–Apr 2025) are left unshaded to keep the chart legible; the rate was cut after the 2024 fall (11 Oct 2024) and during the 2025 fall (25 Feb 2025). In 2004 the rate held through the fall and was cut ten days after the low (12 Aug 2004); in 2018–19 it was raised (30 Nov 2018) and then cut (18 Jul 2019), 20 days before the low. Month-end values hide the exact day of each change: rises inside the shaded falls came on 10 Feb and 5 Oct 2000, 7 May 2002 and 7 Aug 2008; first cuts on 8 Feb 2001, 9 Oct 2008 and 17 Mar 2020; the 2026 rises on 16 Jul and 27 Aug.

The chart shows timing only: it does not show that rate cuts ended falls or that rate rises deepened them.

Source: Bank of Korea, ECOS; datasteg calculation · Data to 19 Oct 2026[7,14]

Research on other falls shows what else came before calm. In August 2024 US shares had regained by Friday 9 August all they lost from Monday 5 August, and authorities did not need to intervene[19]. In 2008 a US ban on short selling did little to slow the fall in financial shares[20].

The 2026 fall is still open: monthly average prices edged up 3.3% from August to September[1]. But prices fell again in October, and the October average is not out yet. The VIX was 20.0 on 16 Oct[2]. We declare no low and make no forecast.

6 How a crash-risk model for Korea could work

A useful model would estimate how fragile the market is, as a probability or a state, from measures of fuel, spark and wind, tested on Korea's twelve falls; it cannot date the next crash[8,9].

For the fuel, the US industry study turns a two-year run-up into a crash probability, and rising volatility and share issuance set apart the run-ups that crashed[8]. An IMF framework adds quantities, such as trading and fund flows, to prices[9]. The table below sets out the design.

FIGURE 5

A crash-risk model for Korea would combine fuel, spark and wind measures into a probability, but much of the data it needs sits with the Korea Exchange and KOFIA or is missing from the data this article can use

A design for a Korean crash-risk model · What each block would measure, which public data this article uses, what is missing, and the research each block borrows from

Block	Measure	Data used here	Missing	From research
Fuel	Run-up, valuation, leverage, crowding	Two-year rise; chip exports; mood	Valuations, margin loans, leveraged funds	Crash odds by run-up (NBER); prices plus quantities (IMF)
Spark	Global fear, US shares, the won	VIX; US shares; won per dollar	Chip-sector share index	Global drivers of emerging-market flows (IMF)
Wind	Forced and foreign selling, herding, speed	Speed of each fall	Foreign flows, forced sales, accounts	Fund trades vs turnover (BIS); margin-call distance (NBER); herding (OECD)
Before calm	Rate changes, official buying, end of forced selling	Base rate; months to recover	Investor deposits; policy dates	Fire sales reverse (NBER); bank guarantees (World Bank); short-sale bans (NY Fed)
Output	Crash probability or market state	Twelve falls to test on	Implied volatility (VKOSPI)	Lopsided returns (NBER); missed falls vs false alarms (IMF)

How to read this chart. One row per block of the model, in the order a fall unfolds: what built up (fuel), what set it off (spark), what made it worse (wind) and what came before calm. The last row is what the model would produce and how to test it. The full list of missing data is in the notes.

A design, not an estimated model: no crash or bubble model in the evidence has been tested on Korean share prices. The method column names the institution behind each study; the studies are in the references.

Missing data in full. Not cleared for republication: daily index closes, valuations, trading and foreign net purchases (Korea Exchange); margin loans and investor deposits (KOFIA). Known only from BIS estimates: leveraged-product assets and option positions. Not in the run's data: daily forced sales, flows by investor type, account-level data, Korea's implied-volatility index (VKOSPI), a publishable chip-sector share index, and dates of short-selling bans and stabilisation funds.

Source: research cited in the references; datasteg design · Data to 19 Oct 2026 [1,2,3,4,5,6,7,8,9,10,11,12,15,17,18,20,21]

For the spark, it would track the won, global fear and US share returns. In an IMF study that does not include Korea, the last two explain far more of the money moving into and out of emerging-market funds than domestic factors do, apart from swings in the flows themselves[11]. For the wind, it would measure borrowing, leveraged-fund trades against turnover and one-sided option bets[5]. Korea's own record is thin: only two earlier run-ups doubled prices in two years, too few cases to estimate from Korea alone[1].

The output would be a probability of a large fall, a forecast of how lopsided returns will be, or a state such as calm, fragile, falling or recovering[18]. It would be fitted on some falls and checked on others, knowing that any warning threshold trades missed falls against false alarms[9].

Much of the data such a model needs is not cleared for republication, known only from BIS estimates, or not in the data this article can use, as the table shows. And as an IMF paper puts it, "bubbles can only be identified with complete certainty ex-post"[9].

OUR READ

The question assumes a felt bubble, then irrational selling, yet in the eight falls since 2007 news mood was above average on each peak day, despite dips below it the year before, and sank lowest during or just after them. The sparks differed: global panics, two won collapses, and in 2026 a repricing of chip shares after a rise of 209%, amid calm world markets, as in 2004[1,2,3,5,10]. The wind may tie the 2026 fall together, at least to early September: a BIS author's model estimate says leveraged funds' trades could have amplified moves in a market crowded into two stocks, though Korean data cannot confirm it[5]. A model can track that fragility as a probability; it cannot tell anyone when to sell.

Terms in this article

VIX
An index, worked out from option prices, of how much the US stock market is expected to swing over the coming month. It is widely used as a gauge of investors' fear. Here: its highest daily close during each Korean stock fall, as a sign of whether fear came from abroad.

news sentiment index
A daily Bank of Korea index of how upbeat or gloomy economic news articles are, worked out from their wording. Readings above its long-run average mean news is more upbeat than usual. Here: read on the day Korean stocks peaked and at its lowest during each fall since 2007.

consumer sentiment index
A monthly Bank of Korea index, built from a household survey, of how people see the economy, their own finances and prices. Readings above its long-run average mean households are more optimistic than usual.

price-earnings ratio
A company's share price divided by its earnings per share, or a market's total value divided by its total profits. A high ratio means investors pay more for each unit of profit, often because they expect profits to grow. Here: the ratios of US-listed semiconductor makers, which fell by two-fifths from June to early September 2026, according to the BIS.

leveraged ETF
An exchange-traded fund that aims to deliver a multiple, such as twice, of the daily move in a stock or index, using borrowed money or derivatives. To keep that multiple it has to buy after prices rise and sell after they fall. Here: funds tied to single chip stocks, mainly SK Hynix and Samsung Electronics, in 2026.

autocallable
A structured note linked to a stock or index that repays early with a fixed return if the price is at or above a set level on check dates, and can lose the investor money if the price falls below a lower barrier. The banks that sell them hedge by trading the linked shares.

margin call
A broker's demand for more cash or collateral when shares bought with borrowed money have fallen too far in value. If the investor cannot pay, the broker sells the shares, a forced sale.

fire sale
Selling assets quickly, below what they are worth, because the seller is forced to, for example to repay debt or meet margin calls, rather than because the news about the assets has changed. Prices hit this way tend to recover once the selling stops.

herding
Investors copying one another's trades rather than acting on their own information. It can push prices further than news justifies, though measured herding can also reflect many investors reacting to the same news.

base rate
The policy interest rate a central bank sets to steer borrowing costs across the economy. In Korea it is the Bank of Korea's Base Rate.

References

RESEARCH

5 Abbassi, Cornelli, Lombardi, Schrimpf, Sushko; Box B by Todorov (2026). Yields climb, yet risk appetite holds firm. BIS Quarterly Review September 2026. BIS
www.bis.org/publications/qr-202609/yields-climb-yet-risk-appetite-holds-firm

8 Greenwood, R., Shleifer, A., You, Y. (2017). Bubbles for Fama. NBER Working Papers w23191. NBER
www.nber.org/papers/w23191

9 Jones, B. (2014). Identifying Speculative Bubbles: A Two-Pillar Surveillance Framework. IMF Working Papers WP/14/208. IMF
www.elibrary.imf.org/view/journals/001/2014/208/001.2014.issue-208-en.xml

11 Ananchotikul, N., Zhang, L. (2014). Portfolio Flows, Global Risk Aversion and Asset Prices in Emerging Markets. IMF Working Papers 2014/156. IMF
www.elibrary.imf.org/view/journals/001/2014/156/001.2014.issue-156-en.xml

13 Goetzmann, W. N., Kim, D., Shiller, R. J. (2024). Emotions and Subjective Crash Beliefs. NBER Working Papers w32589. NBER
www.nber.org/papers/w32589

15 Bian, J., He, Z., Shue, K., Zhou, H. (2018). Leverage-Induced Fire Sales and Stock Market Crashes. NBER Working Papers w25040. NBER
www.nber.org/papers/w25040

16 Choe, H., Kho, B.-C., Stulz, R. M. (1998). Do Foreign Investors Destabilize Stock Markets? The Korean Experience in 1997. NBER Working Papers w6661. NBER
www.nber.org/papers/w6661

17 Kim, W., Wei, S.-J. (1999). Foreign Portfolio Investors Before and during a Crisis. OECD Economics Department Working Papers 210. OECD
econpapers.repec.org/paper/oececoaaa/210-en.htm

18 Chen, J., Hong, H., Stein, J. C. (2000). Forecasting Crashes: Trading Volume, Past Returns and Conditional Skewness in Stock Prices. NBER Working Papers w7687. NBER
www.nber.org/papers/w7687

19 Aquilina, M., Lombardi, M., Schrimpf, A., Sushko, V. (2024). The market turbulence and carry trade unwind of August 2024. BIS Bulletin 90. BIS
www.bis.org/publ/bisbull90.htm

20 Battalio, R., Mehran, H., Schultz, P. (2011). Market Declines: Is Banning Short Selling the Solution?. Federal Reserve Bank of New York Staff Reports 518. Federal Reserve Bank of New York
www.newyorkfed.org/research/staff_reports/sr518.pdf

21 Klingebiel, D., Kroszner, R., Laeven, L. et al. (2001). Stock market responses to bank restructuring policies during the East Asian crisis. Policy Research Working Papers WPS2571. World Bank
documents.worldbank.org/curated/en/588281468746365407/Stock-market-responses-to-bank-restructuring-policies-during-the-East-Asian-crisis

SPEECHES AND STATEMENTS

14 Shin, H. S. (2026). Hyun Song Shin: Speech - 76th Anniversary of the Bank of Korea. BIS central bankers' speeches. Bank of Korea
www.bis.org/review/r260616d.htm

DATA

1 FRED, Federal Reserve Bank of St. Louis. Korean share prices (OECD index, monthly average). SPASTT01KRM661N. Retrieved 20 Oct 2026.
fred.stlouisfed.org/series/SPASTT01KRM661N

2 FRED, Federal Reserve Bank of St. Louis. US stock market fear gauge (VIX). VIXCLS. Retrieved 19 Oct 2026.
fred.stlouisfed.org/series/VIXCLS

3 Bank of Korea, ECOS. Bank of Korea news sentiment index, daily. 523Y001/D/A001. Retrieved 19 Oct 2026.
ecos.bok.or.kr/

4 FRED, Federal Reserve Bank of St. Louis. US share prices (OECD index, 2015=100). SPASTT01USM661N. Retrieved 19 Oct 2026.
fred.stlouisfed.org/series/SPASTT01USM661N

6 Bank of Korea, ECOS. Semiconductor export value index (US dollar basis), monthly. 403Y001/M/3091AA. Retrieved 19 Oct 2026.
ecos.bok.or.kr/

7 Bank of Korea, ECOS. Bank of Korea base rate. 722Y001/D/0101000. Retrieved 19 Oct 2026.
ecos.bok.or.kr/

10 FRED, Federal Reserve Bank of St. Louis. Won per US dollar (New York noon rate). DEXKOUS. Retrieved 19 Oct 2026.
fred.stlouisfed.org/series/DEXKOUS

12 Bank of Korea, ECOS. Composite consumer sentiment index (CCSI), monthly. 511Y002/M/FME/99988. Retrieved 19 Oct 2026.
ecos.bok.or.kr/

Related reading

Understanding Asian equity flows, market returns and exchange rates · BIS Working Papers 245 (Chai-Anant and Ho) · 4 Feb 2008
For readers who want more on foreign selling and the won: daily Korean data on how foreign investors' buying and selling followed returns and moved the currency.

Efficiency and the Bear: Short Sales and Markets around the World · NBER Working Paper 9466 (Bris, Goetzmann and Zhu) · 1 Feb 2003
The cross-country view on short-selling limits, which Korea has used repeatedly: 47 markets compared on how restrictions change the way prices behave.

How Crashes Develop: Intradaily Volatility and Crash Evolution · NBER Working Paper 22028 (Bates) · 1 Feb 2016
For readers building the model: a technical template for 'self-exciting' volatility jumps, tested on whether it can capture crashes such as 1987.

Cite this article

If you use this article in research, a report or the news, please cite it as follows.

datasteg (2026), “Korea's 2026 stock plunge came after its biggest boom in decades, not a global panic”, datasteg articles, 20 October 2026, https://articles.datasteg.com/en/a/korea-stock-crashes.

```
@online{datasteg:korea-stock-crashes,
  author       = {{datasteg}},
  title        = {Korea's 2026 stock plunge came after its biggest boom in decades, not a global panic},
  organization = {datasteg articles},
  date         = {2026-10-20},
  url          = {https://articles.datasteg.com/en/a/korea-stock-crashes}
}
```

Disclaimer. This article is general information about the economy and financial markets. It is not investment advice.

This PDF was made from the online version on 3 Nov 2026. The online version has interactive charts, the data behind them and any later corrections.