STOCK MARKETS

# Korea's stock swings start with two chipmakers and grow with leveraged bets on them

Since February Korean share prices have moved 4.6 times as much a month as US ones while world markets stayed calm, and the data and research point less to foreign investors or margin loans than to a real chip boom in two stocks, magnified by products whose hedging buys into rises and sells into falls.

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## KEY NUMBERS

**11.1%** [1,2]

Korea's average monthly share-price move, Feb–Sep 2026, 4.6 times the US's (OECD, monthly averages)

**25.8%** [1]

rise in Korean share prices in May 2026, the largest monthly rise since 1981 (OECD, monthly averages)

**268%** [3]

Korea's chip export values in September 2026 against a year earlier (Bank of Korea, in dollars)

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

## KEY FINDINGS

01 Since February Korean share prices have moved 11.1% a month on average, 4.6 times as much as US prices, while global fear stayed at its norm and the won showed no rout: the storm is Korean[1,2,4,5,6].

02 The swings ran both ways: May 2026 brought the largest monthly rise in Korean share prices since 1981, 25.8%, and July a fall of 17.6%, exceeded only in two months of the 1997–98 crisis[1].

03 The spark is real: Korea's chip export values were 268% above a year earlier in September, and Samsung Electronics and SK hynix took more than half of all Korean share trading in mid-2026[3,4].

04 The wind is products on the same two stocks, from leveraged ETFs to options and structured notes near key price levels, whose hedging must buy into rises and sell into falls, which fits a year whose largest monthly move was a rise of 25.8%[1,4].

05 Foreign investors tracked the market about as closely as in recent years, and margin loans, a record in won, were below their 2015–2025 average relative to the two markets' value in every month of the run-up except March, though households' credit and other non-mortgage loans did rise 4.1 trillion won in May, the most since July 2021[7,8,9,10,11,12].

THE QUESTION

The question we answered

*Why have the KOSPI's daily swings since February 2026 been the largest since 1995 and far larger than in other major markets, and how much do two dominant chip stocks, foreign investors, leveraged products and margin loans each explain?*

What we looked at

Daily KOSPI closes since 1995, monthly share prices for Korea, the US, Japan and Germany since 1981, foreign investors' daily net purchases, margin loans, household loans, chip export values, the won and the VIX, and BIS, IMF and academic research on leveraged ETFs, options, margin debt and foreign investors.

**A note on the question.** The swings are real and unusual, but they began in February 2026: from June 2025 to January 2026 the KOSPI's daily swings were somewhat above normal but nothing like what followed, and monthly prices only rose. No source we could use has single-company share prices, so whether the largest stocks have ever moved this much cannot be checked; their swings come from the BIS. Foreign investors and leveraged ETFs are tested here as two suspects among several.

## 1 The biggest swings in decades, in both directions

Since February Korean share prices have swung harder than at almost any time on record, up as well as down. Our numbers are the OECD's monthly averages, which track the KOSPI but smooth out daily highs and lows[1]. Daily statistics come from the Korea Exchange, whose terms for republication we have not cleared, so they appear in words.

From February to September Korean share prices moved 11.1% a month on average, up or down, 2.5 times their average from 1981 to May 2025: their volatility more than doubled[1]. May brought a rise of 25.8%, the largest since 1981, ahead of 23.0% in April 1999. July brought a fall of 17.6%, exceeded only in two months of the 1997–98 crisis, including the record 21.0% of December 1997.

Prices moved by double digits in four months of the eight, against 50 months of five hundred and thirty-two months from 1981 to May 2025. In the eight months before February prices had already risen by double digits in three months, but only upwards; from February they swung both ways[1].

On monthly averages, though, the stretch is not Korea's roughest. The eight months to May 1999 averaged 14.7% a month, and every rougher eight-month stretch before this year came in the crisis years of 1997–99[1]. The chart below shows every monthly move since 1981.

The Korea Exchange's daily closes are starker[13]. In data back to 1995, 2026 is the most volatile year and July 2026 the most volatile month, ahead of October 2008. The largest one-day rise since 1995 and the largest one-day fall, just ahead of 12 September 2001, both came in 2026, as did more days with moves of five per cent or more than any earlier year.

The BIS ties these swings to the two largest stocks: Samsung Electronics and SK hynix more than tripled in the first half of 2026, then swung violently, with the wider market following[4]. The premise that the index's swings are unusually large holds; is the storm Korea's alone?

## 2 A Korean storm in calm world markets

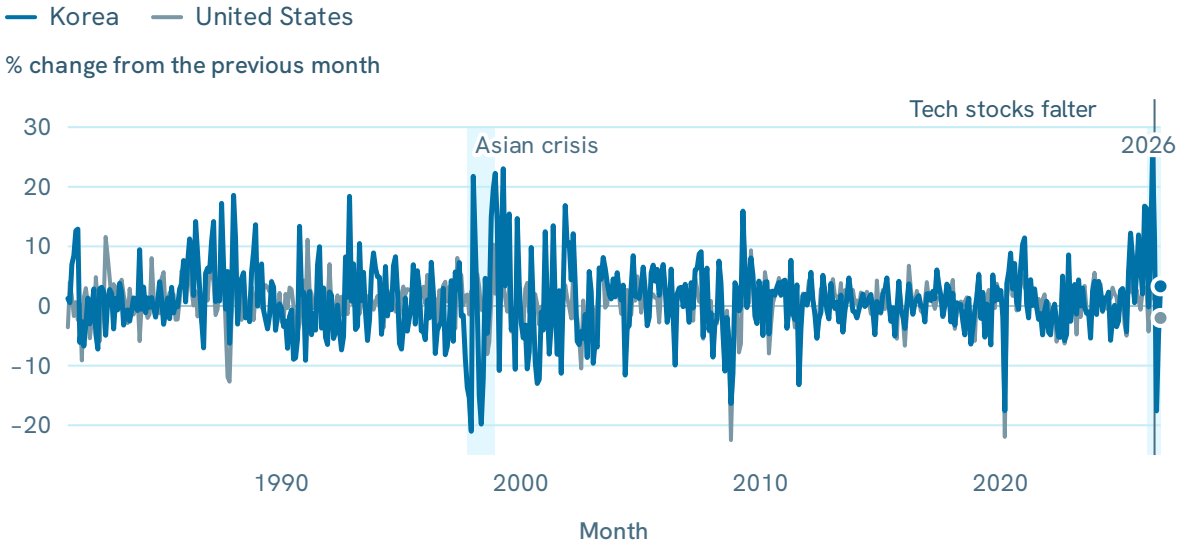
The swings are Korea's own. From February to September US share prices moved 2.4% a month on average, Japan's 2.8% and Germany's 2.3%, each less than its average since 1981[2,14,15]. Korea's 11.1% was 4.6 times the US figure and 4.0 times Japan's[1]. The chart below

compares each market's usual move with its 2026 move.

FIGURE 1

**May 2026 brought the largest monthly rise in Korean share prices since 1981, and July a fall of 17.6%, the third-largest since 1981, while US prices moved far less**

Monthly change in Korean and US share prices · % change from the previous month, OECD monthly averages, Feb 1981–Sep 2026




**How to read this chart.** Each point is one month's change in the average level of share prices; the further from zero, the bigger the swing, up or down. The shaded strips mark the Asian crisis, Oct 1997–Dec 1998, and Feb–Sep 2026; the vertical line marks June 2026, when global tech-stock momentum started to falter.

OECD monthly averages of daily prices, not KOSPI closes: they smooth daily highs and lows, so the swings look smaller than between daily closes. Korea's series starts in 1981; the latest month is September 2026.

Japan and Germany are left out: their swings are close to the US's and would crowd the chart; they are in the next chart. The KOSPI's daily swings are described in the text only, because the Korea Exchange's terms for republishing its data are not cleared.

**Source:** Source: OECD via FRED; BIS Quarterly Review, September 2026 (annotation); datasteg calculation · Data to Sep 2026[1,2,4]

Japan's daily swings also rose in 2026 but stayed well below Korea's[13,16]. Taiwan, the closest chip-heavy market, is in no source we could use.

Nor was the world frightened. The VIX, a gauge of expected swings in US shares, averaged 18.3 from February to late October, level with its 2015–2025 average[5]. Its one stretch of fear, in March and early April, peaked at 31.1 on 27 Mar 2026, far below the 48.8 it averaged in the 2008–09 crisis.

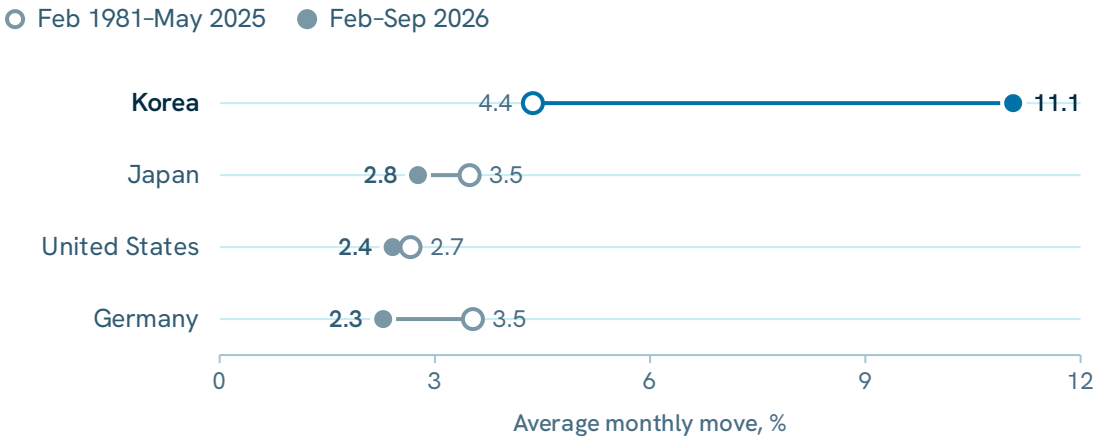
That stretch began in early March, and on 4 March the KOSPI had its largest one-day fall since 1995. So Korea's worst day came in the one stretch of global fear, but its record monthly rise in May and its fall in July did not[5,13].

Research on emerging markets finds that when global fear rises it spills into their stock markets, more so where foreign funds matter[17]. Outside March and early April the VIX showed no such rise. It does not catch every shock from abroad, though: the BIS notes that in mid-2026 muted aggregate volatility gauges masked firm-specific uncertainty and divergence across sectors[4].

FIGURE 2

**Since February Korean share prices have moved 11.1% a month on average, two and a half times their usual move, while US, Japanese and German prices moved less than usual**

Average monthly move in share prices: the long run against Feb–Sep 2026 · Average absolute monthly change, %, OECD monthly averages; long run Feb 1981–May 2025




**How to read this chart.** Each row is one market: the hollow dot is its usual monthly move since 1981, the filled dot its average since February 2026. A dot further right means bigger swings, up or down.

OECD monthly averages of daily prices, not daily closes. Germany stands in for Europe. Taiwan, the closest chip-heavy market, is not in any source available to us. Japan's daily swings also rose in 2026 but stayed far below Korea's (Nikkei data, not shown).

Over the longer window from June 2025 to September 2026 the picture is the same (table). From February to September 2026 Korean prices moved 10% or more in four months; US, Japanese and German prices in none. In the eight months before February Korean prices had already risen by double digits in three months, but only upwards; from February they swung both ways.

**Source:** Source: OECD via FRED; datasteg calculation · Data to Sep 2026 [1,2,14,15]

The won moved more than usual but showed no sign of a currency crisis. Its annualised volatility against the dollar since February was 10.8%, above its norm from 2015 to May 2025 of 8.7% and level with 2022, but far below 2008's 27.9%[6]. It rose rather than fell: by 30 Oct it had gained 15.2% since the share-price peak in June. There was no currency rout: the news may have come from abroad, but what magnified it was inside Korea's stock market.

## 3 The spark: a real chip boom, packed into two stocks

Two things are worth separating. The spark is news that changes what companies are worth; the wind is trading that must follow the price. Here the spark is a real memory-chip boom, packed into two companies that carry the index.

Korea's chip export values, in dollars, were 44% above a year earlier in December 2025 and 203% in June 2026[3]. By September they were 268% higher, at 5.2 times their 2024 average. In June Bank of Korea Governor Hyun Song Shin said growth had accelerated significantly on chip exports fuelled by AI[12]. The chart below shows the climb, which went on, after a dip in July, once share prices had turned.

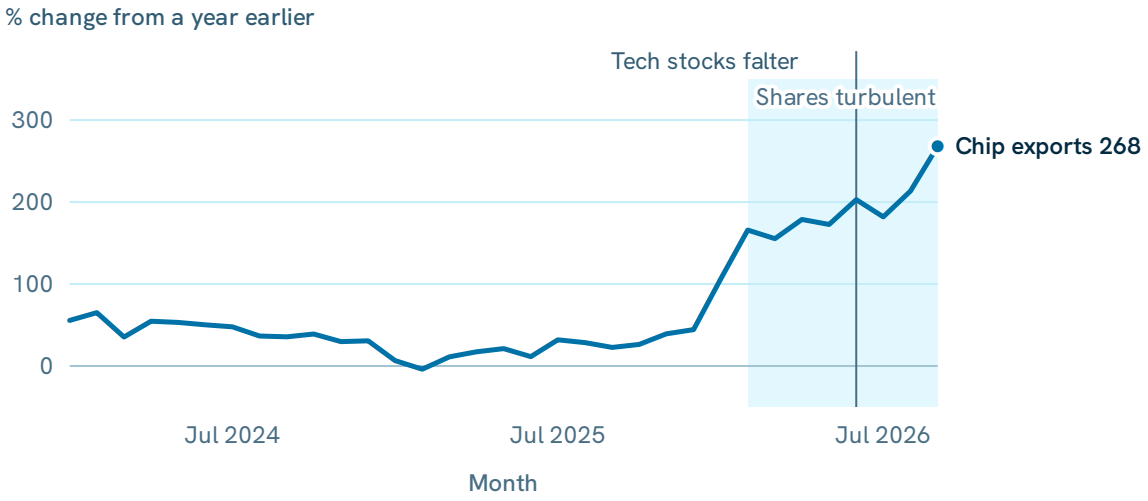
Abroad, tech stocks began to falter at the end of June, and US chipmakers' price-earnings ratios fell by two-fifths by early September[4]. The BIS says Korean markets plunged because of their greater exposure to AI-linked firms and the turmoil in a few leveraged investment vehicles[4]. Korea's chip exports dipped in July but reached new highs in August and September, so the fall in shares did not follow a collapse in export sales[3].

Samsung Electronics and SK hynix make up more than half of Korea's main blue-chip index[4]. In mid-2026 they took more than half of the value of all Korean share trading, up from just over a tenth through 2025[4]. With this much concentration, their swings become the index's.

FIGURE 3

**Korea's chip export values were 203% above a year earlier in June 2026 and 268% in September: the boom kept going after share prices turned**

Korea's semiconductor export values against a year earlier · % change from the same month a year earlier, export value index in US dollars, monthly, Jan 2024–Sep 2026




**How to read this chart.** The line shows how much higher chip export values were than in the same month a year before. The shaded strip is February to September 2026, the turbulent months for Korean shares; the vertical line marks June 2026, when global tech-stock momentum started to falter and Korean share prices peaked.

Bank of Korea export value index for semiconductors, in US dollars: export values, not company earnings or volumes. In September 2026 the index was 5.2 times its 2024 average.

Korean share prices peaked in June 2026 on OECD monthly averages. Samsung Electronics and SK hynix share prices are not shown: no source available to us has them.

**Source:** Source: Bank of Korea, ECOS; BIS Quarterly Review, September 2026 (annotation); datasteg calculation · Data to Sep 2026 [1,3,4]

Concentration alone does not explain the size of the swings. The Magnificent 7 US tech firms grew to about a third of the main US index by late 2025, and their falls dragged on US indices without Korean-size swings[2,18,19]. What sets Korea apart, the BIS says, is concentration in a market where retail participation and leverage are both unusually high[4]. Its summary puts spark and wind together:

> *"Amid extreme volatility, Korean markets whipsawed due to heavy semiconductor exposure, magnified by leveraged positioning."*
>
> — BIS, 2026[4]

## 4 The wind: products that must trade with the price

The wind comes from products on the same two stocks. A leveraged ETF promising twice a stock's daily move must sell after the stock falls, because its leverage has risen above target, and buy after it rises[4]. This rebalancing grows with the size of the move, which is why such positions are called short gamma[4].

By 2026 these products were big. Leveraged products on the memory-chip stocks Samsung, SK hynix and Micron grew from under a hundred million dollars in mid-2025 to over thirty-eight billion in June 2026[4]. For SK hynix, the trade needed after a ten per cent move reached almost five billion dollars, against daily turnover under ten billion[4]. The BIS estimates such flows could add roughly two to four percentage points to such a move: a model estimate for one stock, not a measured share of the KOSPI's swings[4].

Leveraged ETFs are only the visible tip, the BIS argues[4]. Open SK hynix call options, bets on a rise, grew about thirtyfold relative to puts from March to June, to near a hundred for each put[4]. The dealers who sold those calls hedge by buying high and selling low, like the ETFs[4]. Autocallables, widely sold to Korean retail investors, are another channel, and issuance of structured products on the two stocks rose sharply in the first half; hedging near the upper barrier tends to amplify moves[4].

These trades push rises up as well as falls down, which fits a year whose biggest month and biggest day were both rises[1,13]. The timing fits only loosely: daily swings ran somewhat above normal from June 2025 to January 2026 and jumped from February, while the products grew from small beginnings in mid-2025 to a June 2026 peak[4,13]. The sources we used give no monthly figures for their size, and the swings were larger still after that peak. The wind magnified a spark rather than lighting the fire; the table below sets the five usual suspects side by side.

FIGURE 4

**Three of the five usual suspects must trade with the price of the same two chip stocks; margin loans mainly deepen falls, and foreign investors tracked the market about as closely as in recent years**

Five suspects behind Korea's 2026 stock swings · How each trades, which moves it adds to, and how large it was in 2026

| Suspect | Adds to | How it trades | Size in 2026 |
|---|---|---|---|
| Leveraged ETFs | Rises and falls | By rule: buy rises, sell falls | Under $100m to above $38bn |
| Dealers who sold calls | Rises and falls | Hedging: buy high, sell low | Calls per put up about thirtyfold |
| Autocallables | Moves near barriers | Hedging near barriers | Issuance up sharply in H1 |
| Margin loans | Mainly falls | Forced sales in falls | Record in won in May; sharpest drop since 2020 in July |
| Foreign investors | Moves with big days; studies differ on whether it adds to them | By choice, with the day | Most selling in won in data back to 2003; a little below 2008 against market value |

**How to read this chart.** One row per suspect. The first three rows are products on Samsung Electronics and SK hynix that must buy as prices rise and sell as they fall; the last two are the usual explanations. 'Adds to' says whether it pushes rises, falls or both.

Sizes for the first three rows are from the BIS Quarterly Review, September 2026 (Box B). Leveraged products on the memory stocks grew from under $100 million in mid-2025 to above $38 billion in June 2026; they are listed in Korea, Hong Kong and the US and include products on Micron. SK hynix's call-to-put open interest rose about thirtyfold from March to June 2026, to near 100. Autocallable issuance on the two stocks rose sharply in the first half of 2026; no size is published. For SK hynix, the trade leveraged funds needed after a 10% move reached almost $5 billion at the June peak, against daily turnover under $10 billion; the BIS estimates such flows could add roughly 2 to 4 percentage points to a 10% move, a model estimate for one stock, not a measured share of the KOSPI's swings.

The margin-loan and foreign-investor rows describe Korea Exchange and KOFIA data in words; their producers' terms for republishing figures are not cleared. Margin loans cover the KOSPI and KOSDAQ together. They set a record in won in May 2026; relative to both markets' value they were above their 2015–25 average only in March and stayed well below their 2021 high, and their July drop was the sharpest since March 2020. Foreign investors' 2026 selling is the largest in won in data back to 2003, yet relative to the market's size it is a little below 2008's. Research behind the last two rows: a study of China's 2015 crash (margin loans), and a 1997 trade-level study of Korea and a 1999–2006 study of six Asian markets, which found foreign flows move with same-day returns; in that study's VAR, Korea's foreign buying also went with the next day's moves, though the same study finds the flows have limited power to predict later returns. Households' credit and other non-mortgage loans at banks and other deposit-takers rose 4.1 trillion won in May 2026 (Bank of Korea); the data do not show what the loans paid for.

None of the sources we used splits the volatility between these suspects. In US data for 2006–14 on index-tracking leveraged ETFs, investors' own trading cut rebalancing by up to 74%, the top estimate being for triple-leveraged funds; none we found tests this for Korea in 2026.

**Source:** Source: BIS Quarterly Review, September 2026; Bank of Korea; studies cited in the text; datasteg summary · Data to Sep 2026[4,11,12,20,21,22,23]

The evidence has limits. In US data for 2006–14 on large index-tracking leveraged ETFs, investors' own trading cut rebalancing by up to almost three-quarters, the top estimate being for triple-leveraged funds[23]. But that offset came from investors who traded against the

trend, and the same authors find flows can add to swings when trading frictions are large[23]. None of the sources we found tests this for Korea in 2026.

The mechanism is not new: the BIS likens it to portfolio insurance, whose selling fed the 1987 crash[4,24]. Hedging calms markets when dealers own the options, as the BIS suggests happened with US income-boosting products in 2022–23[25]; in Korea they had sold calls. Products large relative to a stock's liquidity can amplify moves, whatever the news[4].

## 5 Foreign investors and margin loans: moving with the market

The two usual suspects moved with the market. In the Korea Exchange's data, foreign investors were net sellers on most of 2026's days with falls of five per cent or more[7]. Their daily net purchases tracked the index about as closely as in recent years: more tightly than in most years since 2009, level with 2017 and less tightly than in 2021, 2024 or 2025. Their 2026 selling is the largest in won in data back to 2003, yet relative to the market's size it is a little below 2008's[9].

Most of that selling came before the June peak, while prices were still rising, and individual investors bought most of it[7,26]. Trade-level data from Korea in 1997 did not single foreigners out as destabilising[21].

Research on six Asian markets in 1999–2006, Korea among them, found foreign flows move with same-day returns and chase past prices[22]. In the study's model, Korea's foreign buying also went with the next day's moves, which the authors read as positive feedback trading, though they find the flows have limited power to predict later returns[22]. In 2026 their buying no longer followed the previous day's move and lined up slightly with the next day's instead, though both links are weak[7,13].

Margin loans set a record in won in May 2026 in KOFIA's data, which begin in 1998[8]. The loans cover the KOSPI and the smaller KOSDAQ market together. Relative to both markets' value, though, they edged above their 2015–2025 average in only one month of the run-up from February to June, March, and stayed well below their 2021 high[8,9,10]. Their sharp drop in July, the steepest since March 2020, fits forced sales during the fall.

Households' credit loans and other loans not secured on homes rose 4.1 trillion won in May 2026, the most since July 2021, after falling 1.2 trillion won a month on average in 2024–25[11]. In June Governor Shin said:

> *"In addition, the surge in stock prices has been accompanied by a significant increase in leveraged equity investment."*
>
> — Bank of Korea, 2026[12]

He warned that excessive leveraged investment could amplify market volatility[12]. The loan data do not show what the money paid for. The chart below shows the May jump beside the 2021 boom.

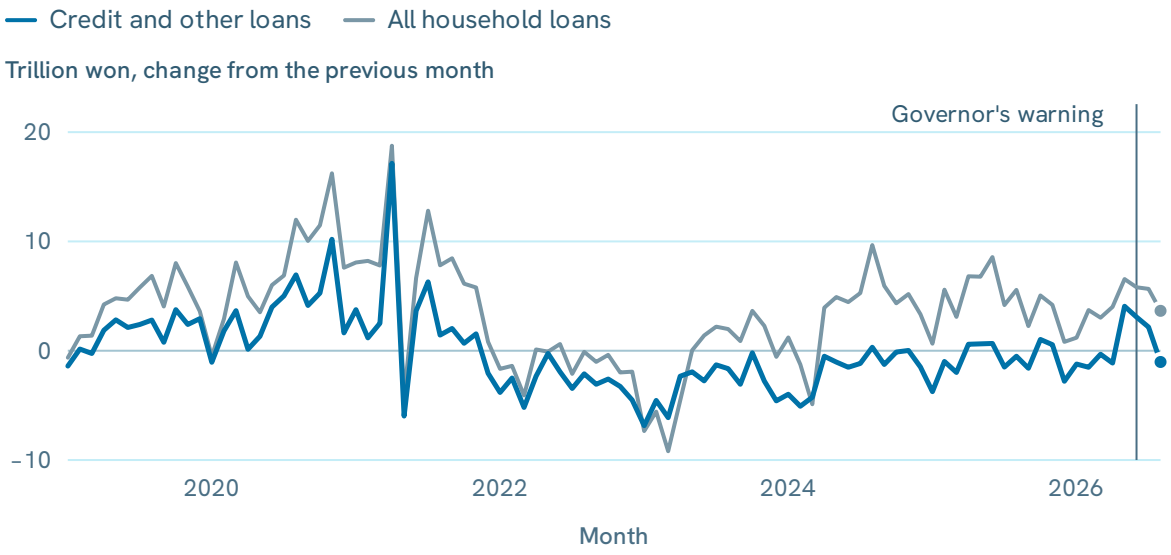
Margin debt works mainly on the way down. In China's 2015 crash, margin investors sold heavily as they neared their borrowing limits, and the link between nearness to a margin call and selling was two to three times stronger on down days than on up days[20]. The authors caution the market might have corrected anyway[20].

So margin loans mainly deepen falls, and relative to market value they shrank during the rise, which makes them a weak candidate for Korea's record rises. Margin loans belong to the wind on the way down. Foreign flows moved with the market, but the studies we read differ on whether they add to its swings. One of Korea in 1997 found no evidence singling foreigners out as destabilising[21], while one of 1999–2006 read their flows as positive feedback trading, with limited power to predict returns[22].

FIGURE 5

**Households' credit and other non-mortgage loans rose 4.1 trillion won in May 2026, the most since July 2021, as the Bank of Korea Governor warned of leveraged stock buying**

Monthly change in household loans of Korean banks and other deposit-takers · Trillion won, change from the previous month, Jan 2019–Aug 2026




**How to read this chart.** Each point is how much household borrowing grew (above zero) or shrank (below zero) that month. The focus line is credit and other loans not secured on homes; the context line is all household loans, including mortgages. The vertical line marks June 2026, when Governor Hyun Song Shin said the surge in stock prices had come with a significant increase in leveraged equity investment.

Bank of Korea, loans of depository institutions to households. 'Other loans' include unsecured credit loans, the kind that can fund stock buying, but the data do not show what the loans were used for. In 2024–25 other loans fell 1.2 trillion won a month on average. Latest month August 2026.

Margin loans from securities firms are not shown: KOFIA's terms for republishing its data are not cleared, so the text describes them in words.

**Source:** Source: Bank of Korea, ECOS; Bank of Korea speech, 12 June 2026 (annotation); datasteg calculation · Data to Aug 2026 [11,12,27]

OUR READ

*The familiar explanations are not wrong but stop too early. Foreign investors moved with the market much as in recent years, and margin loans were below their 2015–2025 average relative to market value in every month of the rise but March. What was new in 2026 is a real chip boom in two companies that carry the index, plus products on those stocks whose hedging buys rises and sells falls, which would fit swings that ran both ways and stayed Korean. The timing fits only loosely, since swings were larger after the products' June peak; no source we used splits the swings between causes, the products' main evidence is one BIS review, and nothing here forecasts when the swings end.*

## Terms in this article

**volatility**
How far a price moves from one day or month to the next, up or down, measured over a past period. It is often annualised, scaled up to show how much the price would swing over a year at that pace. Here: mostly the average monthly move in Korean share prices on the OECD's monthly averages, with the KOSPI's daily volatility described in words.

**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: a test of whether Korea's 2026 swings were imported from a frightened world market.

**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: chipmakers' ratios, which fell from June to early September 2026 as the chip trade was repriced.

**index concentration**
How much of a stock index's value sits in its few largest companies. The more concentrated an index, the more its moves follow those few stocks. Here: Samsung Electronics and SK hynix, which together make up more than half of Korea's main blue-chip index.

**Magnificent 7**
Seven of the largest US technology companies, Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla, whose shares make up a large part of US stock indices. Here: a US example of a concentrated index that did not swing like Korea's.

**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: single-stock funds on Samsung Electronics, SK hynix and Micron, which grew sharply from mid-2025 to June 2026.

**rebalancing**
Buying or selling to bring a fund's holdings back to its target, for example after prices move. For funds that promise a multiple of a daily return, rebalancing always goes in the same direction as the market's move. Here: the daily trades of leveraged products on the two Korean chipmakers.

**short gamma**
A position whose holder must buy as prices rise and sell as they fall to stay hedged, with trades that grow with the size of the move. Many short-gamma holders together can amplify price swings. Here: leveraged ETFs, dealers who sold call options and issuers of autocallables on Samsung Electronics and SK hynix.

**call option**
A contract giving its buyer the right to buy an asset at a set price by a set date, so it pays off when the price rises. A put option is the opposite, a right to sell that pays off when the price falls. Here: calls on SK hynix, which far outnumbered puts by June 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. Here: notes on Samsung Electronics and SK hynix sold to Korean retail investors, issued heavily in the first half of 2026.

**net purchases**
What investors bought of an asset over a period minus what they sold. A negative figure means they sold more than they bought (net sales). Here: foreign investors' daily net purchases of KOSPI shares, from Korea Exchange data described in words.

**margin loan**
Money a broker lends an investor to buy shares, with the shares as collateral. If their value falls too far, the broker can demand more collateral or sell the shares. Here: margin loans for KOSPI and KOSDAQ shares in KOFIA's data, a record in won in May 2026.

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