



IMPROVING THE INVESTMENT STRATEGY OF COMMERCIAL BANKS IN THE SECURITIES MARKET: A STRATEGIC APPROACH

Bobonazarov Jonibek Bobomurotovich

Independent Researcher at Tashkent State University of Economics

Email: j.bobonazarov@tsue.uz

ORCID: 0009-0001-2599-3550

ABSTRACT	KEYWORDS
This study examines approaches to improving the investment strategy of commercial banks in the securities market by focusing on the balanced management of profitability, liquidity, risk, diversification, and portfolio stability. The research develops an integrated methodological framework for assessing securities investment effectiveness through investment scale, portfolio profitability, standard deviation, Sharpe ratio, Herfindahl–Hirschman Index, liquidity indicators, duration, and deviations from target asset allocation. The analysis of global sovereign and corporate bond market dynamics for 2015–2024 demonstrates that the expansion of debt securities markets has significantly increased investment opportunities for commercial banks while simultaneously intensifying the importance of interest-rate, credit, liquidity, and concentration risk management. The findings indicate that strategic asset allocation, portfolio diversification, continuous monitoring, stress testing, and timely rebalancing can improve risk-adjusted investment performance and strengthen the resilience of commercial banks' securities portfolios.	Commercial banks, securities market, investment strategy, securities portfolio, strategic asset allocation, portfolio diversification, investment profitability, liquidity management, investment risk, risk-adjusted return, Sharpe ratio, duration, portfolio rebalancing, financial stability.

Introduction

The development of financial markets and the increasing complexity of financial intermediation have significantly strengthened the role of commercial banks as institutional investors, making the formation of effective investment strategies in the securities market an important component of modern banking management. Global trends in the securities market demonstrate that debt instruments continue to play a central role in the allocation of financial resources, which directly increases the importance of securities portfolio management for commercial banks and other institutional investors. According to the Bank for International Settlements (BIS), government bonds accounted for approximately 52% of total debt securities outstanding globally by the end of March 2025, while government bonds outstanding had increased to more than 80% of global GDP, indicating the growing scale of sovereign securities markets and their significance for financial institutions[1]. In this context, securities

investments enable commercial banks not only to diversify their assets and generate additional income, but also to improve liquidity management, optimize the risk–return relationship, and strengthen their financial resilience under changing market conditions. The expansion of government securities, corporate bonds, equities, and other financial instruments creates additional opportunities for banks to transform temporarily available financial resources into investment assets. At the same time, the growing volatility of financial markets requires banks to adopt more flexible and analytically grounded approaches to portfolio formation and investment decision-making.

The expansion of corporate securities further confirms the increasing importance of diversified investment strategies, as the OECD reports that global corporate borrowing through bond and syndicated-loan markets reached a record USD 13.7 trillion in 2025, while outstanding corporate debt amounted to USD 59.5 trillion, including USD 36.4 trillion in corporate bonds[2]. Such a substantial expansion of corporate debt markets creates broader opportunities for commercial banks to diversify investment portfolios, although differences in credit quality, maturity, interest-rate sensitivity, and liquidity require more sophisticated approaches to portfolio risk management. At the same time, international financial institutions emphasize that the growth of securities investments is accompanied by increasing market and interest-rate risks, which makes the strategic allocation of banking assets particularly important under conditions of financial-market volatility. The IMF notes that banks and investment funds have increased their securities holdings in response to weak credit demand and profitability pressures, while the concentration of government bond holdings among financial institutions may increase exposure to potential losses when inflation and interest rates change; moreover, the IMF's 2025 global stress test indicates that approximately 18% of global banks by assets could see their Common Equity Tier 1 capital ratio fall below the specified stress threshold under an adverse macroeconomic scenario[3].

The effectiveness of commercial banks' investment activities depends largely on the quality of strategic decisions concerning the composition, structure, maturity, profitability, and risk characteristics of securities portfolios. Since different financial instruments have varying levels of market, credit, interest-rate, and liquidity risk, the selection of an optimal portfolio requires comprehensive assessment of both internal financial capabilities and external market conditions. The investment strategy of financial institutions is therefore increasingly oriented toward diversification across asset classes and risk factors rather than concentration in traditional sovereign instruments, which is also reflected in the investment practices of the BIS itself. According to the BIS Annual Report 2024/25, its investment strategy expanded eligible assets beyond nominal sovereign and quasi-sovereign bonds to include inflation-linked Treasury securities, mortgage-backed securities, corporate bonds, and European peripheral bonds, while diversifying assets accounted for around 28% of accumulated returns over the strategy horizon[4]. This experience demonstrates that effective securities portfolio management requires a systematic combination of asset diversification, risk assessment, duration management, and continuous portfolio rebalancing, which are particularly relevant for improving the investment strategies of commercial banks. In particular, changes in interest rates, inflation, exchange rates, macroeconomic stability, and the regulatory environment can substantially influence the profitability and risk profile of banking investments. Therefore, the development of an investment strategy should be based on systematic analysis of market trends, risk diversification, asset allocation, and continuous monitoring of portfolio performance.

The relevance of improving investment strategies is also associated with the transformation of the financial sector, the expansion of digital financial technologies, and the increasing importance of capital-market instruments in mobilizing and reallocating financial resources. Under these conditions, commercial banks are required to move beyond traditional approaches based primarily on holding highly liquid and relatively low-risk securities and to develop strategic investment models that combine profitability, liquidity, diversification, and risk management objectives. Effective investment strategies should consequently incorporate modern methods of portfolio optimization, scenario analysis, stress testing, and financial forecasting, through which banks can identify potential market risks in advance and make more balanced investment decisions. Furthermore, strengthening analytical capabilities and applying data-driven approaches can improve the efficiency of securities selection and contribute to the sustainable growth of banks' investment portfolios.

In this regard, improving the investment strategy of commercial banks in the securities market represents not only an issue of increasing investment income, but also an important element of ensuring the stability and competitiveness of the banking sector as a whole. The strategic transformation of banks' securities investment activities should be directed toward achieving an optimal balance between profitability, liquidity, and risk while considering the specific characteristics and development trends of the national financial market. A scientifically grounded investment strategy can contribute to more efficient allocation of banking resources, diversification of income sources, enhancement of financial stability, and increased participation of commercial banks in capital-market development. Therefore, the identification of effective mechanisms for optimizing securities portfolios, improving investment decision-making, strengthening risk-management practices, and adapting investment strategies to changing market conditions constitutes an important area of contemporary financial research.

THE RELEVANCE OF THE RESEARCH SUBJECT

The relevance of improving the investment strategy of commercial banks in the securities market is determined by the growing role of financial institutions in the efficient redistribution of capital, diversification of investment resources, and strengthening of financial stability under conditions of increasing uncertainty in global and national financial markets. The expansion of government securities, corporate bonds, equities, and other market instruments creates new opportunities for commercial banks to increase investment income, maintain an optimal level of liquidity, and improve the overall structure of their assets, while simultaneously requiring more sophisticated approaches to portfolio selection and risk management. In particular, fluctuations in interest rates, inflation, exchange rates, credit risks, and securities prices directly affect the profitability and stability of banks' investment portfolios, which makes the development of scientifically grounded investment strategies increasingly important. The relevance of this issue is further strengthened by the digital transformation of financial markets, because modern analytical technologies and data-driven decision-making mechanisms allow banks to assess market conditions more rapidly, identify potential risks, and optimize the allocation of financial resources among different securities. At the same time, excessive concentration of bank investments in individual securities or asset classes may increase exposure to market and liquidity risks, whereas a properly diversified portfolio can contribute to balancing expected returns and potential losses. Therefore, improving the investment strategy should involve not only increasing the profitability of securities operations, but also strengthening portfolio diversification, enhancing risk-adjusted returns, ensuring sufficient liquidity, and establishing effective mechanisms for continuous

monitoring and strategic rebalancing. In this regard, the scientific development of approaches to optimizing commercial banks' securities portfolios, improving investment decision-making, and adapting investment strategies to changing market conditions represents an important research direction for enhancing the efficiency and resilience of the banking sector.

THE PROBLEM OF THE RESEARCH

The main problem of the research is that commercial banks' participation in the securities market does not always ensure an optimal balance between investment profitability, liquidity, and financial risk, particularly under conditions of changing interest rates, inflationary pressures, exchange-rate fluctuations, and increasing volatility in financial markets.

Existing approaches to securities portfolio management often focus predominantly on liquidity preservation and relatively low-risk instruments, which may limit the potential for portfolio diversification and the growth of investment income. Another important problem is the insufficient integration of modern methods of risk-adjusted portfolio optimization, scenario analysis, stress testing, and continuous rebalancing into banks' investment decision-making processes, which can reduce the effectiveness of strategic asset allocation.

At the same time, the concentration of investments in particular types of securities or issuers may increase market, credit, and liquidity risks, while insufficient diversification can negatively affect the stability of investment returns. The problem is further complicated by the need to reconcile regulatory requirements and capital adequacy considerations with the objective of achieving higher risk-adjusted investment returns. Consequently, there is a need to develop an integrated strategic approach that enables commercial banks to determine the optimal structure of securities portfolios based on expected profitability, risk tolerance, liquidity requirements, market conditions, and investment horizons. Solving this problem requires the improvement of methodological approaches to securities selection, portfolio diversification, risk assessment, performance evaluation, and strategic rebalancing, thereby creating a more effective framework for strengthening the investment activity and financial sustainability of commercial banks.

THE PURPOSE OF THE RESEARCH

The purpose of the research is to develop scientifically grounded approaches to improving the investment strategies of commercial banks in the securities market by identifying the key factors influencing the efficiency, profitability, liquidity, and risk profile of securities portfolios. The study aims to assess the existing approaches to securities investment management and determine their effectiveness in terms of portfolio diversification, risk-adjusted return, asset allocation, and the efficient use of banks' financial resources. In addition, the research seeks to identify the major market, credit, interest-rate, liquidity, and macroeconomic factors affecting commercial banks' investment decisions and to assess their impact on the sustainability of securities investment activities. Particular attention is given to improving mechanisms for selecting securities, optimizing portfolio structures, applying modern risk-management instruments, and establishing effective monitoring and rebalancing procedures. The research also aims to substantiate strategic directions for balancing profitability, liquidity, and investment risk in accordance with the financial capacity and risk tolerance of commercial banks. On this basis, the study intends to formulate practical recommendations for

strengthening the strategic management of securities portfolios and increasing the efficiency of commercial banks' participation in the securities market.

THE SCIENTIFIC ESSENCE OF THE RESEARCH

The scientific essence of the research is based on the development of a comprehensive theoretical and methodological approach to improving the investment strategies of commercial banks in the securities market, with particular emphasis on achieving an optimal balance between profitability, liquidity, diversification, and investment risk. The study considers the investment portfolio of a commercial bank as an integrated financial system in which the selection and allocation of securities are determined by the bank's financial resources, risk tolerance, investment horizon, market conditions, and strategic objectives. In this framework, particular attention is given to the application of portfolio diversification, risk-adjusted return assessment, asset allocation, scenario analysis, stress testing, and continuous monitoring as important instruments for improving the quality of investment decisions. The scientific approach also involves examining the influence of interest rates, inflation, exchange-rate dynamics, creditworthiness of issuers, securities market liquidity, and macroeconomic conditions on the structure and performance of banks' investment portfolios. On this basis, the research seeks to substantiate methodological principles for optimizing the composition of securities portfolios and establishing a dynamic mechanism for their strategic rebalancing in response to changes in market risks and expected returns. The scientific contribution of the study is therefore reflected in the formulation of an integrated strategic framework that can enhance the efficiency of securities investment, strengthen risk management, improve the stability of investment income, and increase the role of commercial banks in the development of the securities market.

Saunders and Cornett, in their research on financial markets and institutions, examine the structure and functioning of securities markets together with the role of commercial banks, emphasizing that banks' financial statements and investment activities should be considered within the broader framework of financial-market relationships and securities transactions[5]. Frolov and Demina analyze the current problems and development prospects of commercial banks in the securities market, highlighting that the effectiveness of banking operations in this area depends on market conditions, regulatory requirements, investment opportunities, and the ability of banks to manage associated financial risks[6]. Aayale, Seffar, and Koutene investigate the relationship between financial indicators, stock prices, and returns of listed commercial banks in an emerging market, demonstrating the importance of financial performance indicators and market-based valuation mechanisms in assessing banks' investment attractiveness and securities-market performance[7]. Agarwal, Ambrose, Yildirim, and Zhang examine risk-retention requirements and commercial mortgage-backed securities, drawing attention to the relationship between regulatory constraints, risk-sharing mechanisms, and the behavior of financial institutions in securities markets, which is particularly relevant to the development of effective risk-management approaches[8]. A comparative assessment of these studies shows that existing research primarily focuses on the institutional structure of securities markets, financial performance, regulatory requirements, and individual dimensions of investment risk, while the integrated relationship between profitability, liquidity, diversification, asset allocation, and portfolio rebalancing requires further methodological development. Therefore, the present study develops this research direction by considering the securities investment strategy of commercial banks as an integrated strategic system in which risk-adjusted profitability, portfolio diversification, liquidity

management, continuous monitoring, and timely rebalancing are combined to improve the sustainability and efficiency of banks' investment activities.

Sherkuzieva N. and Omonov S. examine the current state of dividend policy in joint-stock companies in Uzbekistan and identify development directions, emphasizing that effective dividend decisions are closely related to corporate financial management, shareholder interests, and the investment attractiveness of companies[9]. Their research demonstrates that the formation of an effective dividend policy can influence investors' expectations and the attractiveness of corporate securities, which makes dividend-related factors relevant to commercial banks when evaluating shares as potential portfolio investments. Elmurzayev S.E., Berdiev U.J.U., and Buriev J.P.U. investigate the current state and prospects of the national corporate bond market, drawing attention to the role of corporate bonds in expanding financing opportunities for enterprises and strengthening the development of the domestic capital market[10]. Their approach indicates that the expansion of the corporate bond market can increase the range of financial instruments available to institutional investors and create additional opportunities for portfolio diversification by commercial banks. A comparative analysis of these studies shows that the development of both equity and corporate bond segments is important for strengthening the investment potential of the national securities market, while the characteristics of dividend payments and bond-market development should be incorporated into the assessment of expected returns and associated risks. Therefore, these scholarly approaches provide an important theoretical and practical basis for improving commercial banks' securities investment strategies through more comprehensive evaluation of profitability, dividend income, credit quality, liquidity, diversification, and risk-adjusted investment performance.

Karimov A. in his study of directions for developing the capital market, focuses particular attention on strengthening the role of capital markets in economic development, deepening market integration, and improving the efficient allocation of financial resources[11]. From the author's perspective, the development of the capital market not only expands opportunities for attracting financial resources but also creates institutional conditions for increasing investment activity and improving the efficiency of financial instruments used by economic entities[12]. Otakhonova Sh. analyzes corporate securities practices in the national capital market by examining the economic substance of shares and corporate bonds, issuance processes, the volume of placed securities, and the sectoral distribution of corporate securities issuance[13]. The findings of the study indicate that the development of the corporate securities market not only enables issuers to diversify their sources of financing but also expands investment opportunities for investors, including commercial banks seeking to construct and optimize their securities portfolios. A comparative assessment of these scholarly approaches demonstrates that the institutional development of the capital market and the expansion of the corporate securities segment create the necessary market infrastructure and broaden the range of financial instruments required for improving commercial banks' investment strategies. Therefore, the present study further develops these approaches by focusing on the improvement of commercial banks' securities investment strategies through the integrated management of profitability, liquidity, investment risk, portfolio diversification, and portfolio rebalancing mechanisms.

RESEARCH METHODS

The research methodology is based on an integrated analytical approach aimed at identifying the key factors influencing the effectiveness of commercial banks' securities investment strategies and

developing scientifically grounded approaches to their improvement. The study applies methods of comparative analysis and systematic analysis to examine the dynamics of securities markets, changes in sovereign and corporate bond volumes, and the transformation of investment priorities under different macroeconomic and financial conditions. Portfolio analysis is used to evaluate the structure and diversification of banks' securities investments, while profitability, liquidity, risk, concentration, and maturity indicators are applied to assess the effectiveness of individual portfolio components. Quantitative assessment methods are employed through the use of indicators such as investment return, standard deviation, Sharpe ratio, Herfindahl–Hirschman Index, liquidity ratio, and duration, which provide an integrated assessment of the risk-return characteristics of securities portfolios. The research also applies benchmarking and structural comparison methods to identify deviations between actual portfolio composition and strategically determined target parameters, thereby creating a methodological basis for portfolio monitoring and rebalancing. Scenario analysis and stress-testing approaches are incorporated to assess the potential impact of interest-rate changes, market volatility, liquidity constraints, and concentration risks on the financial performance of securities portfolios. The combination of these methodological approaches enables the study to formulate evidence-based proposals for improving strategic asset allocation, strengthening portfolio diversification, enhancing risk-adjusted profitability, and ensuring sustainable investment performance of commercial banks in the securities market.

ANALYSIS AND RESULTS

Commercial banks' investment activity in the securities market represents an important component of asset management, through which temporarily available financial resources are allocated among financial instruments with different levels of profitability, liquidity, maturity, and risk. The theoretical basis of investment strategy is therefore associated with the principles of portfolio diversification, risk–return optimization, liquidity management, and strategic asset allocation, which together determine the quality of investment decisions. From the perspective of portfolio theory, the central objective is not simply to maximize the nominal return on individual securities, but to construct a portfolio in which the expected return is balanced against the aggregate level of systematic and unsystematic risks. For commercial banks, this approach becomes particularly important because securities investments must simultaneously satisfy profitability objectives, regulatory liquidity requirements, capital adequacy considerations, and the need to preserve financial stability. Consequently, the strategic management of securities portfolios should be based on continuous assessment of market conditions, issuer creditworthiness, interest-rate sensitivity, maturity structure, and expected cash flows. In this context, the effectiveness of a bank's investment strategy can be evaluated through a combination of return indicators, risk-adjusted performance measures, portfolio concentration ratios, liquidity indicators, and the dynamics of investment assets, which provides a comprehensive basis for determining the efficiency of securities investment operations.

In the context of this research, an investment strategy of a commercial bank can be understood as a long-term system of principles, objectives, methods, and managerial decisions aimed at allocating banking resources among securities while maintaining an acceptable relationship between expected return, liquidity, and risk. Securities portfolio refers to the aggregate of financial instruments held by a bank, including government and corporate securities and other eligible market instruments, whose

combined characteristics determine the overall investment profile of the institution. Portfolio diversification represents the distribution of investment resources among different issuers, instruments, sectors, maturities, and risk categories in order to reduce the negative effect of concentration on portfolio stability. Investment profitability reflects the income generated by securities relative to the volume of resources invested, while its analytical interpretation should take into account both direct income and changes in the market value of financial assets. Investment risk represents the probability of deviations of actual financial results from expected results due to changes in interest rates, issuer solvency, market prices, exchange rates, liquidity conditions, or other factors. Liquidity of securities characterizes the ability to convert financial instruments into cash within a required period without significant losses in market value, which is particularly important for banks because investment decisions must remain consistent with their short- and medium-term liquidity requirements. Risk-adjusted return expresses investment performance after considering the level of risk assumed to generate the corresponding income, thereby providing a more objective basis for comparing alternative securities and portfolios. Strategic portfolio rebalancing means the periodic adjustment of the structure and proportions of investment assets in response to changes in market conditions, risk parameters, expected profitability, and the bank's strategic priorities.

The securities investment strategies of commercial banks can be classified according to their primary objectives, risk tolerance, investment horizon, portfolio structure, and methods of investment management, which makes it possible to distinguish profitability-oriented, liquidity-oriented, risk-minimization, diversification, balanced, and adaptive strategies. A profitability-oriented strategy focuses on maximizing investment income through the selection of securities with relatively high expected returns, whereas a liquidity-oriented strategy emphasizes highly liquid instruments and appropriate maturity structures to ensure the bank's ability to meet its short-term financial obligations. A risk-minimization strategy is primarily based on investments in relatively reliable and high-quality securities, while a diversification strategy distributes investment resources among different issuers, sectors, instruments, currencies, and maturities in order to reduce concentration and portfolio-specific risks. From the perspective of portfolio management, commercial banks may also apply strategic asset allocation, which establishes long-term target weights, and tactical asset allocation, which allows temporary adjustments in response to changes in market conditions, interest rates, and expected returns. Therefore, an effective classification should be regarded not as a choice between isolated strategies, but as an integrated framework in which profitability, liquidity, risk, diversification, active monitoring, and timely portfolio rebalancing are simultaneously incorporated into the bank's overall securities investment policy.

Table 1. Theoretical classification of commercial banks' securities investment strategy

Strategic component	Main objective	Key instruments	Main assessment indicators	Expected result
Profitability management	Increase investment income	Yield analysis, security selection	ROI, yield, interest income	Higher investment return
Liquidity management	Maintain sufficient liquid assets	Maturity diversification, liquid securities	Liquidity ratio, maturity gap	Improved liquidity
Risk management	Minimize potential losses	Diversification, limits, stress testing	VaR, concentration, duration	Lower investment risk
Portfolio diversification	Reduce concentration risk	Asset and issuer diversification	Herfindahl–Hirschman Index, concentration ratio	More stable portfolio
Asset allocation	Optimize resource distribution	Strategic and tactical allocation	Asset shares, risk-return ratio	Optimal portfolio structure
Portfolio monitoring	Ensure strategic compliance	Benchmarking, performance analysis	Actual vs. target return	Timely corrective decisions
Rebalancing	Adapt portfolio to market changes	Periodic restructuring	Deviation from target weights	Sustainable portfolio performance

Table 1 demonstrates that the securities investment strategy of commercial banks should be considered as an integrated system in which profitability, liquidity, risk management, diversification, asset allocation, monitoring, and rebalancing are mutually interconnected strategic components. Profitability management focuses on increasing investment income through systematic yield analysis and security selection, while the use of ROI, yield, and interest income indicators makes it possible to assess the financial efficiency of investment decisions and identify instruments with relatively higher return potential. Liquidity management, in turn, requires commercial banks to maintain an adequate volume of liquid securities and optimize maturities, because excessive concentration in long-term instruments may increase liquidity gaps and weaken the bank's ability to meet short-term obligations. Risk management and portfolio diversification are closely related to the limitation of potential investment losses, as the application of diversification, investment limits, stress testing, concentration ratios, and the Herfindahl–Hirschman Index allows banks to control both market-related and issuer-specific risks. Asset allocation represents the strategic distribution of investment resources among different classes of securities according to their expected risk-return characteristics, whereas continuous portfolio monitoring and benchmarking enable deviations between actual and target performance to be identified at an early stage and appropriate corrective decisions to be implemented. Therefore, the theoretical classification presented in Table 1 confirms that an effective securities investment strategy should not be based solely on maximizing investment returns, but should simultaneously ensure an optimal balance between profitability, liquidity, risk, diversification, and sustainable portfolio performance through systematic monitoring and timely rebalancing.

The theoretical classification demonstrates that an effective investment strategy cannot be reduced to the selection of profitable securities alone, because the strategic efficiency of a commercial bank

depends on the simultaneous coordination of profitability, liquidity, diversification, risk management, and portfolio monitoring. Accordingly, the optimal investment structure should be determined according to the bank's financial capacity, investment horizon, risk tolerance, regulatory requirements, and prevailing securities-market conditions.

Table 2. Integrated indicators for assessing the effectiveness of commercial banks' securities investment strategy

Assessment direction	Indicator	Analytical interpretation	Strategic significance
Investment scale	Securities / Total assets	Degree of involvement in securities investment	Determines investment orientation
Portfolio profitability	Investment income / Average securities	Return generated by securities	Measures income efficiency
Portfolio risk	Standard deviation of returns	Volatility of investment results	Measures investment uncertainty
Risk-adjusted efficiency	Sharpe ratio	Excess return per unit of risk	Compares alternative portfolios
Concentration	HHI	Degree of concentration among instruments/issuers	Identifies diversification risk
Liquidity	Liquid securities / Total securities	Share of readily realizable instruments	Evaluates liquidity protection
Maturity management	Duration	Sensitivity to interest-rate changes	Supports interest-rate risk control
Portfolio stability	Target vs. actual structure	Deviation from strategic allocation	Supports rebalancing decisions

Table 2 presents an integrated system of indicators that makes it possible to assess the effectiveness of commercial banks' securities investment strategies from the perspectives of investment scale, profitability, risk, liquidity, maturity, and portfolio stability. The investment scale indicator, calculated as the ratio of securities to total assets, characterizes the degree to which a bank directs its financial resources toward securities and therefore provides an important basis for identifying the general orientation of its investment policy. Portfolio profitability, measured through the ratio of investment income to average securities holdings, reflects the income-generating capacity of the securities portfolio and allows the efficiency of investment resources to be evaluated over a specific period. At the same time, the standard deviation of portfolio returns provides a quantitative assessment of investment volatility, because higher fluctuations in returns generally indicate greater uncertainty and require more effective risk-management mechanisms. The Sharpe ratio complements traditional profitability indicators by measuring excess return relative to the level of risk assumed, which enables commercial banks to compare alternative portfolios and determine whether additional investment returns adequately compensate for additional risk. Portfolio concentration, assessed through the Herfindahl–Hirschman Index, identifies the degree of dependence on particular securities or issuers, so a high concentration level may signal insufficient diversification and increased exposure to issuer-specific or sector-specific shocks. The liquidity indicator, expressed as the share of readily realizable securities in total securities, determines the bank's capacity to convert investment assets into liquid

resources and consequently serves as an important instrument for maintaining financial flexibility and meeting short-term obligations. Duration further strengthens the assessment framework by measuring the sensitivity of the securities portfolio to changes in interest rates, while comparison of the target and actual portfolio structures makes it possible to identify deviations from strategic asset allocation and initiate timely rebalancing decisions, thereby ensuring that the securities investment strategy remains consistent with the bank's risk appetite, liquidity requirements, and long-term profitability objectives.

Table 3. Global Corporate Bond Market Dynamics, 2015–2024[14]

Year	Global corporate bond debt, USD trillion	Annual change, %	Non-financial corporate debt, USD trillion	Financial corporate debt, USD trillion
2015	24.1	—	10.1	14.0
2016	25.5	5.8	10.7	14.8
2017	27.0	5.9	11.4	15.6
2018	28.2	4.4	12.0	16.2
2019	30.0	6.4	12.8	17.2
2020	34.3	14.3	14.7	19.6
2021	37.2	8.5	16.0	21.2
2022	35.9	−3.5	15.8	20.1
2023	34.0	−5.3	15.1	18.9
2024	35.0	2.9	15.7	19.3

Source: OECD, Global Debt Report 2025, OECD Capital Market Series Dataset and LSEG.

Table 3 illustrates the long-term dynamics of the global corporate bond market during 2015–2024, demonstrating a substantial expansion in the volume of corporate debt despite considerable fluctuations in annual growth rates. The global corporate bond debt increased from USD 24.1 trillion in 2015 to USD 35.0 trillion in 2024, which indicates a significant strengthening of the corporate bond market as an important source of financing for companies and, simultaneously, as an investment asset for institutional investors and financial institutions. The most pronounced expansion occurred in 2020, when global corporate bond debt reached USD 34.3 trillion and increased by 14.3 percent compared with the previous year, reflecting the intensified use of debt financing under conditions of heightened economic uncertainty and accommodative financial conditions. In 2021, the market continued to expand to USD 37.2 trillion, representing the highest level during the analysed period, while the subsequent decline to USD 35.9 trillion in 2022 and USD 34.0 trillion in 2023 demonstrates the influence of tighter financial conditions, higher interest rates, and changing investor risk preferences on corporate borrowing and bond valuations. The structure of corporate bond debt also reveals the important role of financial corporations, whose debt increased from USD 14.0 trillion in 2015 to USD 19.3 trillion in 2024, whereas non-financial corporate debt rose from USD 10.1 trillion to USD 15.7 trillion over the same period, confirming that both segments contribute substantially to the development of global corporate debt markets. In 2024, the recovery of global corporate bond debt to USD 35.0 trillion and the positive annual growth of 2.9 percent suggest a gradual stabilization of the market, while the observed scale and structural composition underline the importance for commercial banks of incorporating corporate bond allocation, credit quality, duration, liquidity, and concentration risks into their securities investment strategies.

Table 4. Global Sovereign and corporate bond market development, 2015–2024[15]

Year	Sovereign bond debt, USD trillion	Corporate bond debt, USD trillion	Total bond debt, USD trillion	Corporate bonds, % of total
2015	42.0	24.1	66.1	36.5
2016	43.8	25.5	69.3	36.8
2017	45.9	27.0	72.9	37.0
2018	47.8	28.2	76.0	37.1
2019	50.1	30.0	80.1	37.5
2020	57.3	34.3	91.6	37.4
2021	59.2	37.2	96.4	38.6
2022	58.0	35.9	93.9	38.2
2023	63.0	34.0	97.0	35.1
2024	65.0	35.0	100.0+	35.0

Source: OECD, Global Debt Report 2024–2025.

Table 4 presents the development of the global sovereign and corporate bond markets during 2015–2024 and demonstrates a sustained increase in the overall scale of debt securities, which confirms the growing importance of bond markets in the global financial system. During the analysed period, sovereign bond debt increased from USD 42.0 trillion in 2015 to approximately USD 65.0 trillion in 2024, while corporate bond debt expanded from USD 24.1 trillion to USD 35.0 trillion, indicating that both public and private sectors significantly increased their reliance on bond-based financing. As a result, total sovereign and corporate bond debt rose from USD 66.1 trillion in 2015 to more than USD 100 trillion in 2024, reflecting the increasing depth of global debt markets and the growing volume of financial assets available to institutional investors and commercial banks. The corporate bond share of total bond debt gradually increased from 36.5 percent in 2015 to 37.5 percent in 2019, which indicates that corporate issuers strengthened their position within the global bond financing structure before the subsequent period of market volatility. In 2020 and 2021, the expansion of both sovereign and corporate borrowing became particularly pronounced, with total bond debt reaching USD 91.6 trillion and USD 96.4 trillion respectively, while the corporate bond share increased to 37.4 percent and 38.6 percent, demonstrating the intensified role of debt markets in financing economic activity during a period of significant global uncertainty. The reduction in corporate bond debt from USD 37.2 trillion in 2021 to USD 35.9 trillion in 2022 and USD 34.0 trillion in 2023 can be associated with tighter financial conditions, rising interest rates, changing refinancing conditions, and increased risk sensitivity among market participants. At the same time, sovereign bond debt continued to expand, reaching USD 63.0 trillion in 2023 and approximately USD 65.0 trillion in 2024, which indicates that government borrowing remained a major driver of the global bond market even as corporate financing conditions became more restrictive. The recovery of corporate bond debt to USD 35.0 trillion in 2024, combined with total bond debt exceeding USD 100 trillion, suggests a gradual stabilization of corporate financing activity, although the relatively lower corporate share of approximately 35 percent compared with the 2021 peak indicates a stronger relative dominance of sovereign borrowing. From the perspective of commercial banks' securities investment strategy, these trends emphasize the necessity of maintaining a balanced allocation between sovereign and corporate bonds, because sovereign securities can strengthen portfolio liquidity and credit quality, whereas corporate securities can provide

additional return opportunities but simultaneously require more rigorous assessment of credit risk, duration, concentration, and market liquidity.

The analysis and results demonstrate that improving the investment strategy of commercial banks in the securities market requires an integrated approach that simultaneously considers profitability, liquidity, risk, diversification, asset allocation, portfolio stability, and market conditions. The theoretical classification confirms that effective securities portfolio management cannot be limited to maximizing investment income, because sustainable financial performance depends on maintaining an appropriate balance between expected return, liquidity requirements, risk tolerance, and the strategic objectives of the bank. The proposed integrated indicators, including investment scale, portfolio profitability, standard deviation, Sharpe ratio, Herfindahl–Hirschman Index, liquidity ratio, duration, and deviations from target portfolio structure, provide a comprehensive methodological basis for evaluating the efficiency and resilience of securities investment decisions. The analysis of global bond market dynamics shows that the expansion of sovereign and corporate debt markets has significantly increased the range of investment opportunities available to commercial banks, while fluctuations in interest rates, credit conditions, market liquidity, and refinancing risks require continuous adaptation of portfolio structures. In this context, strategic asset allocation, systematic monitoring, stress testing, diversification, and timely portfolio rebalancing become essential mechanisms for reducing excessive concentration and protecting banks from adverse market developments while preserving opportunities for investment income growth. Therefore, the obtained results substantiate the conclusion that a strategically balanced securities investment model, based on risk-adjusted profitability, adequate liquidity, diversified asset allocation, and continuous monitoring, can strengthen commercial banks' financial stability and contribute to the sustainable development of their investment activities in the securities market.

CONCLUSIONS AND PROPOSALS

The study concludes that improving the investment strategy of commercial banks in the securities market requires a systematic approach in which profitability, liquidity, risk, diversification, and portfolio stability are considered as interconnected strategic priorities. The analysis confirms that focusing exclusively on investment returns may increase exposure to market, credit, interest-rate, and concentration risks, which can negatively affect the overall financial stability of banks. Therefore, securities investment decisions should be based on risk-adjusted profitability and aligned with the bank's liquidity position, risk appetite, capital capacity, and long-term strategic objectives.

It is proposed that commercial banks strengthen strategic asset allocation mechanisms by establishing target portfolio structures for government securities, corporate bonds, equities, and other eligible financial instruments according to their expected return and risk characteristics. Such an approach would allow banks to distribute investment resources more efficiently while reducing excessive dependence on individual issuers, sectors, or classes of securities. In this regard, periodic revision of strategic and tactical asset allocation should be introduced in accordance with changes in macroeconomic conditions, interest rates, inflation expectations, and financial-market developments. The research also demonstrates that portfolio diversification should become a fundamental component of banks' securities investment policies, because excessive concentration of investments in particular issuers or financial instruments increases the potential impact of adverse market developments. Commercial banks are therefore recommended to apply quantitative concentration indicators,

particularly the Herfindahl–Hirschman Index, together with issuer, sector, currency, maturity, and credit-quality limits. The implementation of such limits would create an additional institutional mechanism for controlling concentration risk and improving the resilience of securities portfolios under stressed market conditions.

Another important proposal is to strengthen the use of risk-adjusted performance indicators in evaluating securities investment effectiveness, because conventional profitability measures do not fully reflect the level of risk undertaken to generate investment income. The systematic application of indicators such as the Sharpe ratio, standard deviation, duration, value-at-risk, and stress-testing results would enable banks to identify whether additional returns adequately compensate for additional investment risks. This approach would also improve the comparability of alternative portfolios and support more objective decisions regarding the acquisition, retention, or disposal of securities.

The study further proposes the establishment of an integrated portfolio monitoring and rebalancing mechanism through which actual portfolio parameters are continuously compared with predetermined strategic benchmarks. When deviations from target asset weights, liquidity requirements, risk limits, or expected profitability levels exceed established thresholds, corrective measures should be implemented in a timely manner. Such a mechanism would increase the adaptability of banks' investment strategies and reduce the probability that temporary market fluctuations develop into significant structural risks for the securities portfolio.

Finally, the sustainable development of commercial banks' securities investment activities requires the integration of analytical technologies, scenario-based forecasting, and stress-testing procedures into the strategic investment management system. Banks should develop internal analytical models that combine market indicators, macroeconomic variables, credit-quality assessments, liquidity conditions, and portfolio performance in order to improve the quality and timeliness of investment decisions. Consequently, the proposed strategic framework can contribute to achieving a sustainable balance between investment profitability and financial stability, while strengthening the role of commercial banks as active and responsible participants in the securities market.

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