

KOSPI WILL SURGE ABOVE 900 POINTS

Foreign Funds Continue Flowing Into the Stock Market

Even without active government support measures, stock prices have been advancing gradually, casting a rosy picture for the near future. Another positive sign is that customer deposits have continuously grown since hitting bottom on January 27, reaching 1,961 billion won. From a technical point of view, the 6-day moving average line is breaking through the 25-day moving average one. In addition, the Point and Figure chart is also showing positive signs to buy. The market began on a strong note as investors rushed to buy shares in their belief that the market had bottomed out. The government's commitment to stabilizing the stock market, coupled with the announcement of a new stock dividend regulation, contributed to pushing up the market

in early February.

Foreign funds are flowing into the domestic stock market steadily. The net influx of foreign funds to buy Korean stocks reached \$109 million for early February. During the combined January-early February period, \$923 million of foreign funds flowed into the nation against \$680.8 million of outflow. The central bank attributed the recent return of foreign funds here to foreign investors' recovering sentiments and the positive outlook on the domestic stock market since the unrest concerning the slush fund scandal died down. Another driving force behind the recent upsurge in the inflow of foreign funds was the anticipated expansion of the foreign stock ownership ceiling.

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KOSPI Will Break 900 Before the Upcoming General Elections

Early March will be a most meaningful period since it will determine whether share prices will continue to go up or coast downhill. It is expected that the stock market will experience a period of correction from short-term rising in early March. As the KOSPI enters the 880 range, where much selling pressure remains, the market will surge above 900 points after short-term corrections. The main reasons for this scenario are: 1) most investors believe the KOSPI has already bottomed out; 2) the government is trying to support the stock market through indirect measures such as a change in stock dividend regulations and an expansion of the foreign holding ceiling before the upcoming National Assembly general elections on April 11.

(OTC) market recently as foreign investors keep their buying stance initiated at the beginning of the year. What is drawing particular attention is the movement of bank shares. We expect that bank shares will continue to rise. Bank shares are traded on the over-the-counter market at rising premiums. Furthermore, many market analysts pinpoint bank shares as the replacements for small and medium capital stocks which will spearhead the next rally. Premiums on construction stocks also have jumped three to four percent on average compared to earlier this year. As for insurance stocks, premiums on Samsung and LG Fire & Marine Insurance have recently risen to 15 percent and seven percent, respectively. The reason for this upsurge is that bank, construction and insurance stocks are expected to show solid growth despite some signs of setbacks in domestic business activities. **VIP**

"The market will surge above 900 points after short-term corrections."

(Il-Young Chun)