

## CURRENT BULLISH TREND WILL CONTINUE

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### *Strong Yen Helps KOSPI to Record New Yearly High*

The Korean stock market, which has shown bearish tendencies over the last couple of months after the Hanbo collapse, has rebounded drastically since end of April. The Korea Stock Price Index (KOSPI) recorded at 756.77 points on May 31st, which is the highest level of this year. The daily trading volume during the period from May 13th to 21st averaged more than 50 million shares, which was the largest average volume in the last several years.

Stable interest rates and the strong yen were the main reasons for the Korean Bourse's current drastic rebound. The expectation that the strong yen against the dollar would make Korea's major exports more competitive has spread among stock investors. Interest rates have also stayed at stable levels. The three-year corporate bond yield, the benchmark for the nation's market liquidity, eased to 12.19 percent on May 26th, down 0.5 percentage point from the end of previous month.

The stabilizing domestic political situation is another factor bolstering investors' sentiments. The tedious wrangling between the prosecution and the ruling circle over the punishment of Kim Hyun-chul is nearing to a conclusion with the arrest of President Kim Young-sam's son on charges of graft and influence-peddling.

All industries rose, while export-related stocks jumped conspicuously. Foreign investors went on a buying spree, concentrating on undervalued large-cap issues, which led the market rally at the beginning of this month.

Financial stocks also gained significant returns.

### *KOSPI Expected to Steadily Rise in Coming Month*

The Seoul stock market is expected to increase steadily June, though a brief correction may occur.

While the Korean Stock Market has gained about 70 points, or a 10 percent rise, in the recent rally, the KOSPI will take a breather before resuming its climb to reach the upper 700 level by the end of June.

This month's rally rode on the back of increased liquidity and an optimistic outlook for the Korean economy. While there are no absolute signs of a turnaround in the economy, many feel that local economy is on the bottom of long-term economy cycle. This will be the factor that will make investors' sentiment ease.

The stock market cut its rally short in the latter part of May as fears mounted over profit-takings. Furthermore, the strong yen started to show signs of decline, which also weighed on the market.

Nevertheless, the increased liquidity in the market proved sufficient in facilitating the recovery of the stock market. Of course the yen's strength and the Korean market interest rates will be the main factors influencing the stock market in June. Liquidity is also expected to increase as foreigners, who had remained calm after a short-lived buying spree in the wake of an investment ceiling increase early this month, are returning to the market, buying up undervalued, large-cap shares. **VIP**

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