

KOSPI LIKELY TO REBOUND AT THE END OF SEPTEMBER

*by Jong-Gon Park**KOSPI Plunges Drastically Due to Liquidity Shortage*

Early in August, the Korea Stock Price Index (KOSPI) recovered moderately to 765.07 points on August 11th from the 726.12 recorded at the end of the previous month, helped by the easing of the threat of further domestic companies' collapses.

However, investor sentiments dampened when listed firms, which balance their books in December, were found to have marked a 27.91 percent drop in after-sales net earnings, with just a 14.06 percent rise in sales during the first half. Stock investors pointed out that the lack-luster income statements of the listed companies only attested to the economy's continuing woes. Adding further weight on the market was the securities authorities' announcement that giant Korea Telecom planned to issue some \$3.5 billion worth of shares later this year.

This mood was further dampened by the instability of interest rates and exchange rates, and the news that the Haitai Group and Hanhwa Group were also in danger of becoming insolvent. Rising bond yields confirmed the increased instability in the financial sector. The won's sharp depreciation against the dollar prompted foreigners to sell their shares to avoid further losses. Foreign investors have been net selling for the past two weeks, according to the Securities Supervisory Board(SSB).

The KOSPI dropped a total of 48.21 points to 716.86 points on August 28th and then plunged below the 700-pt. level on August 30. The setback of the index more than wiped out the gains of the previous rise. The average daily

trading volume for August has shrunk to 33 million shares from the 37 million shares of the previous month. As of August 21th, the level of outstanding margin loans, amounting to 333.37 billion won, still surpassed the customer deposits at brokerage houses (299.31 billion won).

The blue chips and financial issues, which made moderate gains in early August, saw the most serious correction amid a lack of buying interest in the local market. Most other share prices dropped significantly during the month.

Market Will Pick Up Toward the End of September

Share prices are expected to move within a limited range this month as market boosting factors will be offset by negative elements. The continued fall in prices in August looks set to stabilize as the financial market shows signs of getting back to normal.

However, a wait-and-see attitude on the part of investors is expected to prevail on the market during the beginning of the September as investors watch interest and exchange rates. The market is forecast to pick up toward the end of September, if the government's stabilization measures appear to be genuinely useful and there are no more insolvent companies.

Moreover, in September, the rally for the presidential election, scheduled for coming November, will start in earnest. During the rally, many campaign promises will be made by presidential candidates, which will act as good news for the local stock market. **VIP**

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