

THE KOSPI WILL REMAIN IN WEAK MOOD

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Korean Bourse Bearish Due to Overseas Instability

The KOSPI remained weak in September due to overseas instability, including such factors as the turmoil in Russia, the business slumps in Germany and Japan, and the "Clinton Factor." The Korean stock market was slightly bullish early in the month thanks to foreign investors. The Morgan Stanley Capital International (MSCI) index weight for Korea was raised as of September 1, resulting in a surge of buying orders from foreign investors.


Futures contracts due in September led a rally in the middle of the month, but gains were wiped out by outside factors. Markets around the world reacted negatively following Wall Street's plunge in response to threats of Clinton's impeachment. Other foreign factors, such as the deepening turmoil in Russia, the adverse situations of Germany and Japan, and the global economic downturn, had a negative impact on the local stock market in the absence of positive news.

The KOSPI fell below 300 points with skittish investor sentiments marked by heavy selling of Samsung Group shares on September 21st. The last time the KOSPI broke the psychologically important 300-pt. level was August 17. Foreign and institutional investors worried about the possibility of Samsung's taking over of the

bankrupt Kia Motors Corp. But share prices gained sharply three days later on a stream of positive leads, including the heightened prospects for a U.S. interest rate cut and a halt in the auction of Kia Motors.

Market Will Be Slightly Bearish

The Korean stock market is likely to be a slightly bearish mood in the near future. Continuing uncertainty overseas and a lack of positive fundamentals will drag the KOSPI further downward. Political rifts in the National Assembly and the ongoing probe into suspected illegal campaign funding will be negative factors for the local market. Another negative factor, the weakness of the Korean currency, will also affect the local bourse. The won will be weak against the U.S. dollar in the near term. Strong corporate demand for the dollar will push up the greenback, as more companies anticipate foreign debt repayments. These negative factors will offset a positive one—the plan by policy-makers to seek a cut in interest rates for the investment mood to recover.

Technically, the KOSPI already fell below the 300-pt. support line during September. It will be in a slightly bearish mood and hold on box trading between the 280-pt. and 310-pt. levels in October. 

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