

# STRONG GAIN WITH GLOBAL BULLISH MARKET

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## *Foreigners' Aggressive Buying Lifts Stock Price*

**F**oreign investors' net purchase of Korean stocks is estimated to reach 2 trillion won (US \$1.64 billion) for the first quarter of this year, approximately one-third of the total net purchase during 1998. As of March 22, the total stock trading by foreign investors registered 6.5 trillion won during this year, while the total sales amounted to 4.6 trillion won, marking the net figure of 1.9 trillion. Last year's net purchase amounted to 5.8 trillion won.

The foreign investors' buying picked up in January to record 1.3 trillion won. However, it went down in February due to the sluggish stock market and unstable international currency market. The purchasing campaign resumed in March, supported by continued progress in the financial and corporate restructuring and exchange rate stabilization. The inflow of foreign funds during March seems to be aimed at long-term investment in the domestic stock market while last year's heavy trading was intended to make a quick profit out of the low value of local shares resulted from the economic crisis.

Helped by the strong purchasing by foreign investors, the Korea Stock Price Index(KOSPI) rose to 614.34 points on March 23, jumping 94.28 points up from 520.06 points at the end of February. The customer's deposits in the brokerage houses, a gauge for domestic investor sentiment, increased again at the highest level of 5.7 trillion won. This reflects ample liquidity in the stock market. Big gainers are not only financial stocks such as securities, banks,

and merchant banks but also conventional blue-chip stocks such as Samsung Electronics, SK Telecom, POSCO and KEPCO. Construction shares and some of small- and medium-capital shares with sound performance records during the last fiscal year also gained marginally.

In addition to the foreign investors' aggressive sentiment, the low interest rate also helped the local market to increase sharply. The 3-year corporate bonds yield moved on an all-time low of the 8 percent level. The overnight call rate is hovering below the 5.0 percent level.

## *Expected Further Gains In the Month Ahead*

**R**ecently, the Korean stock market has shown a tendency to move in the same direction with markets abroad, particularly the Dow Jones Industrial Average and the Nikkei 225 indexes. The Dow Jones Industrial Average topped the momentous 10,000 mark on March 29; the Nikkei 225 jumped over 16,000 yen helped by strong foreign investors' purchasing and expectation of the bottoming out of recession. During March, other markets also showed high rises in stock prices, especially in the Asian markets. Even though it is still not sure whether this "rising together" pattern will continue or not, the recent trend in March definitely reflects the foreign investors' favorable sentiment toward the region, and the Korean market is leading in the upward momentum. With foreign investors' sustained purchases, ample liquidity, and stable interest rates, the Korean stock market index will rise further at least in the near future. **VIP**