

STOCK TRADING GOES ONLINE

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Online Trading Gains Popularity

Trading in cyberspace was not familiar or popular with Koreans until the first half of 1998. However, online trading is gaining massive popularity of late and the number of users is skyrocketing. It is estimated that the number of online customers at the five major securities houses, namely Daishin, Daewoo, Hyundai, LG and Samsung, is near 455,000. The total volume of transactions in May alone by those securities firms amounted to over 15 trillion won, 16.1% of which was made online.

The increase of online trading led to stiff competition among domestic securities companies to lower their trading commissions. In less than two months, the Internet commission rates dropped from 0.5% of the trading volume to as low as 0.06%. Just two months ago, brokerage houses charged 1 million won for transactions that exceed 100 million won; now the amount is down to a meager 120,000 won at a commission rate of 0.06 percent. With that rate reduction alone, securities companies would see their combined revenues drop by an estimated 1.6 trillion won. As more and more investors are going online, securities firms are being forced to pull down commissions lower and lower.

Stock Prices Expected to Move in the 880-920 Range

The Korea Stock Price Index (KOSPI) broke through the 900-point line on June 28, standing at 903.05 points.

The KOSPI gained about 23% or 167.03 points during the month. Share prices are projected to stay boxed in the 880-920 point range in the month ahead, due to weak investor sentiment stemming from the possible interest rate rise at home and abroad. Also of concern to investors are the massive new share offerings scheduled in the months to come.

With the abatement of the buying spree of only the top five index-related large-capitalization issues, some analysts think that the composite index will enter into a consolidation phase in early July. It is true that the stock market is still very vulnerable to a small external shock, since investors' expectations regarding the future earnings of the listed companies differ widely.

Therefore, it is highly expected that the current instability of the stock market will continue until the half-year earnings results of the listed firms are announced. Investors believe that the U.S. Federal Reserve Board will raise the interest rates to cool off the booming U.S. economy from overheating and that the gradual increase in key domestic interest rates will weigh down the index. Customer deposits, however, are still at a record level at brokerage houses and continue to inject abundant liquidity in the stock market. Within the first two weeks in July, the stock market will decide which of these mixed factors would prevail during the rest of 1999. **VIP**