



The Macro, Valuation, Sentiment and Technical Lens

Macro: The Bank of Korea meets January 15 in what is widely anticipated to be a non-event. Growth is firming and the heat has yet to come out of the housing market whilst the Won’s troubles remain.

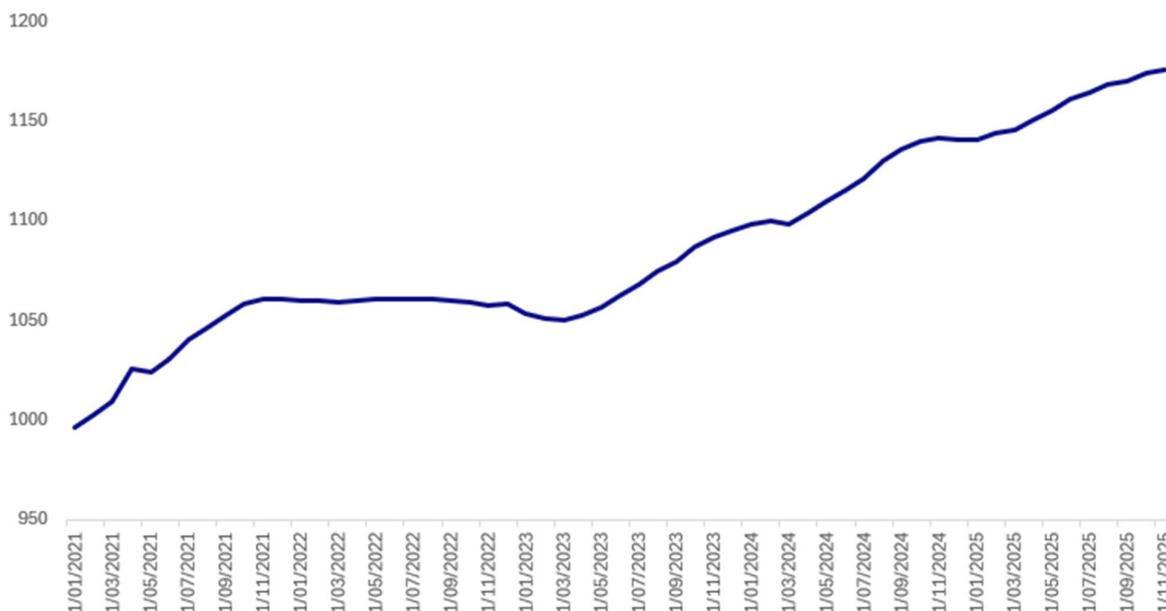
Current GDP growth forecasts have been revised up for 2026 to around 2.1%. The modest uplift is driven by the AI/tech boom and comes despite the imposition of US tariffs.

The implementation of various policies to cool the property markets has not seen a drop in mortgage lending and this would likely be a major input into a decision to remain at 2.5% by the Central Bank.

The weakness of the Won remains a key element for the BOK with expectations that this meeting will see more of the same in terms of focus on the currency in what some domestic analysts are now describing as a hawkish tilt.

Korean unemployment is released for December and is forecast to rise modestly to 2.8% from 2.7% and in line with the 5-Year average in Korea.

Fig 1: South Korea Bank Lending to Households



source: Bloomberg Finance LP / MNI

Valuations: The AI / tech led run up by the KOSPI has seen Price to Earnings reach new 5-Year high of 18.42x, significantly above full year forecasts for 2026 of 10.11x; suggesting that downside momentum could build this year. The dividend yield of 1.24% is unattractive relative to bonds (KTB 10-Yr at 3.37%) with evidence growing that domestic insurers are revisiting their equity allocations. The 2s10s curve flattened last week back to +55, as near-term growth assumptions are being reassessed for 2026.

The government has been clear in the caution on bond yields, yet for now remain focused on FX with policy.

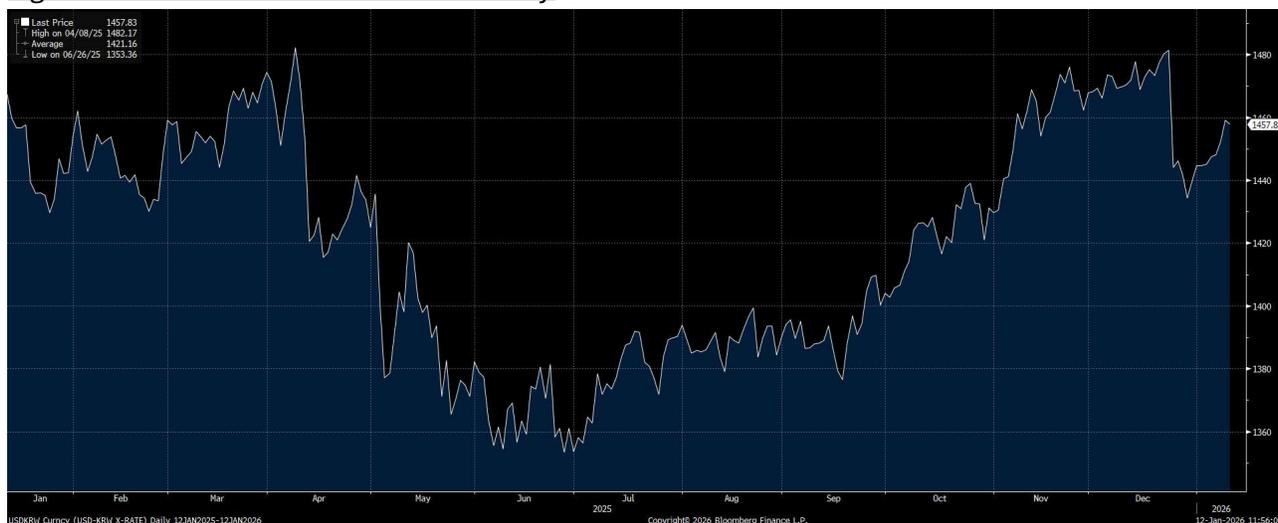
The Won has posted gains of around 1.3% over the last month following various government announcements, though moderated last week and remains well above the 5-Year average of 1,306 having lost -5% over the last six months. Spot USD/KRW finished up Friday trade at 1459.4, a won loss last week of just over 1%. The won underperformed broader USD index gains for last week.

Fig 2: KOSPI Price to Earnings Analysis

Korea Stock Exchange KOSPI Index Compare <Sec> Acct Consolidated Periodicity Annuals Cur FRC (KRW)								
1) Key Stats 2) Fundamentals 3) Custom 4) Shared								
11) Highlights 12) Valuation 13) Profitability 14) Leverage & Liquidity 15) Market Data								
12 Months Ending	2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	2025 Y 12/31/2025	Current 01/11/2026	2026 Y Est 12/31/2026	2027 Y Est 12/31/2027	
Valuation Metrics								
Price/Earnings	9.60	18.38	11.51	16.95	18.42	10.11	8.83	
Price/Earnings before ...	7.68	11.48	9.64	13.86	15.10	10.12	8.89	
Price/Earnings before ...	9.36	16.38	11.15	15.56	16.92			
Price/Book Value	0.85	0.95	0.83	1.35	1.47	1.42	1.24	
EV/Sales	0.98	1.09	1.05	1.41	1.50			
EV/EBIT	13.09	21.75	14.59	17.92	18.97			
EV/EBITDA	6.92	8.81	6.94	8.94	9.49	6.10	5.07	
Dividend Yield	2.01	1.64	2.13	1.41	1.24	1.56	1.66	

Source: Bloomberg Finance LP / MNI

Fig 3: WON Weakness Resumes in January



Source: Bloomberg Finance LP / MNI

Sentiment: Equity sentiment still remains positive as investors seemingly are happy to buy tech stocks at such elevated levels, even with mixed news from various US tech companies. SK Hynix (a key AI/tech stock) rose 300% in 2025 from April lows and is already up more than 10% in 2026. Bonds are pressured given the now growing view that the risk to rates is a rise later this year as government bond auctions start to soften. Swaps markets are now pointing to the next move in rates as up towards the end of 2026. The issue remains the weakness in the currency and how that is resolved.

Technicals: The KOSPI is above all major moving averages and with the run up in recent days, has reached overbought on the 14-day relative strength index for the first time since early November.

The Won begins the trading week at 1,457, above all major moving averages after last week’s losses, and eyeing a renewed test into the 1460-1480 area. Downside resistance comes from the 20-day EMA of 1,454.

Fig 4: KOSPI 14-day Relative Strength Index



Source: Bloomberg Finance LP / MN

The focus for the week for bond markets will be:

- KRW600bn zero coupon 91-day bond and KRW29tn 3-Year bond on 12/01
- KRW500bn 1-Year on 14/01
- KRW800bn 50-Year on 16/01

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