

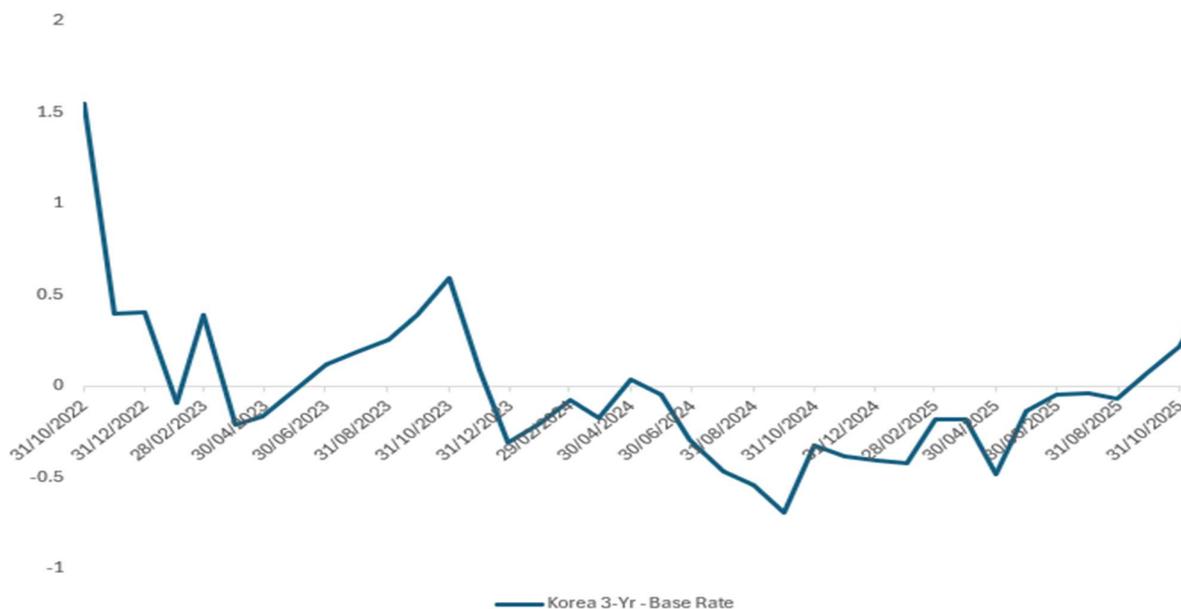


The Macro, Valuation, Sentiment and Technical Lens

Macro: The focus this week will be the Bank of Korea rates decision Thursday. The BOK held at the last meeting as the focus in the Korean economy turns to the overheated property sector and Won weakness. At the last meeting the decision was 6-1 in favour of a hold with a cautious stance on further rate cuts highlighting particularly, the risks around the housing sector and FX volatility. However, four of the voting members retained a bias for a rate cut at the meeting this week. Market expectations are for no change with swaps markets having priced out all rate cuts and the three-year yield +37bps above the base rate. What markets will focus on will be whether those four voting members alter their bias.

The key data releases last week were the October PPI and first 20-day trade data. The PPI rose to +1.5%, its highest since February and exports and imports were much stronger than expected, reflecting the volatility caused by Trump Xi summit as exporters sought to ship goods in advance.

Fig 1: KTB 3-Yr Yield Premium over the Base Rate



source: Bloomberg Finance LP / MNI

Other key data releases will be Retail Sales and Consumer Confidence. Retail sales slipped back below the 3-Yr averages surprisingly in September. Given the strength of equity markets and the property sector an argument for a bullish consumer could be made. However, after peaking in August post the resolution of the political stalemate in Korea, Consumer confidence is showing signs

of moderating. In context however, consumer confidence remains at a consistently record 5-year level.

Additionally, Korea will release it's October Industrial production which is forecast to contract. Industrial production and exports ramped up ahead of the Trump Xi summit in Seoul and it is anticipated that in the last few months of 2025, we will see a softening of both.

Valuations: The KOSPI has been the poster child for the tech / AI boom with names like SK Hynix and Samsung delivering exceptional year to date returns. Last week however saw falls by the KOSPI of 5% in what could be the turning of this bull market. The markets were eagerly watching for Nvidia's results and despite being strong, equities fell heavily on profit taking. The falls have seen the Price Earnings decline from 17.4x back to 15.26x. It remains above the year end full year forecast suggesting that downside risks remain.

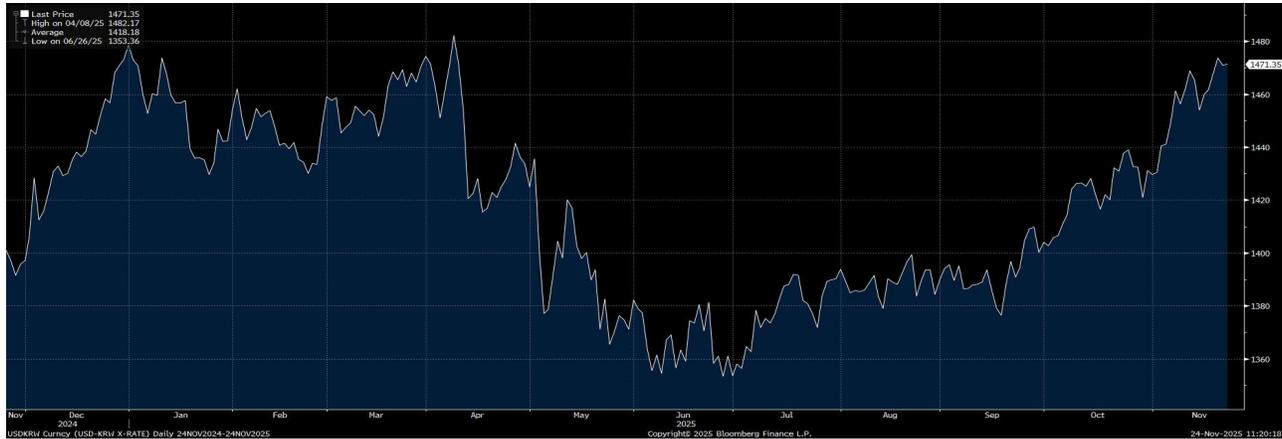
Fig 2: KOSPI Price to Earnings Analysis

Korea Stock Exchange KOSPI Index Compare <Sec> Acct Consolidated Periodicity Annuals Cur FRC (KRW)								
1) Key Stats 2) Fundamentals 3) Custom 4) Shared								
1) Highlights 2) Valuation 3) Profitability 4) Leverage & Liquidity 5) Market Data								
12 Months Ending	2021 Y 12/31/2021	2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	Current 11/23/2025	2025 Y Est 12/31/2025	2026 Y Est 12/31/2026	
Valuation Metrics								
Price/Earnings	12.16	9.45	18.43	11.53	15.26	13.55	9.93	
Price/Earnings before ...	11.05	7.68	11.48	9.66	12.68	12.94	9.87	
Price/Earnings before ...	12.40	9.35	16.35	11.19	14.19			
Price/Book Value	1.13	0.85	0.95	0.83	1.23	1.33	1.20	
EV/Sales	1.26	0.98	1.09	1.05	1.34			
EV/EBIT	14.51	13.08	21.74	14.62	16.89			
EV/EBITDA	8.04	6.98	8.81	6.94	8.45	5.97	5.62	
Dividend Yield	1.39	2.01	1.64	2.13	1.51	1.60	1.81	

Source: Bloomberg Finance LP / MNI

Sentiment: Sentiment had been very strong up until last week's equity falls with domestic commentators now suggesting the market is in profit taking mode. One of the catalysts for last month's hold by the BOK was concerns about the FX volatility. In the month post the last BOK meeting, the Won has lost ground by a further -2.1% and at 1,471 is only -0.75% away from the October lows. Note that onshore media is reporting that the FinMin, BOK and National Pension Service may hold an FX meeting today, per DongA (via BBG). This is aimed at stabilizing FX supply/demand, with NPS's hedging strategy a likely discussion point.

Fig 3: USDKRW – Continues to Struggle



Source: Bloomberg Finance LP / MNI

Technicals: The KOSPI had consolidated above all major moving averages since early September. The falls last week takes the KOSPI at 3,867 down to the mid-point between the 20-day EMA of 3,964 and the 50-day EMA of 3,781 as downside pressures start to build.

Fig 4: KOSPI vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MN

The focus for the week for bond markets will be a KRW2.8tn 5-Year auction today and the a KRW500bn 20-Year auction tomorrow.

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