



The Macro, Valuation, Sentiment and Technical Lens

Macro: Last week's key releases saw the early trade data crater for October given fewer working days and was largely disregarded. A data release that got more attention than usual was the bank lending to households which given the policies implemented to cool the housing market, was watched closely for signs it is flowing through to mortgage demand. Unfortunately for policy makers though, mortgage growth continues supporting a very strong real estate sector.

This week's key release is Bank of Korea decision Thursday. The focus on the real estate sector gives the BOK little room to move on rates at present and as such the market has limited expectations for rate movements. Our swaps model has a mere -2bps of cuts priced in over the next month and BBG's MIPR function has no changes priced in. Of the 21 economists who have contributed to the BBG forecast for Thursday, just 3 are forecasting a cut.

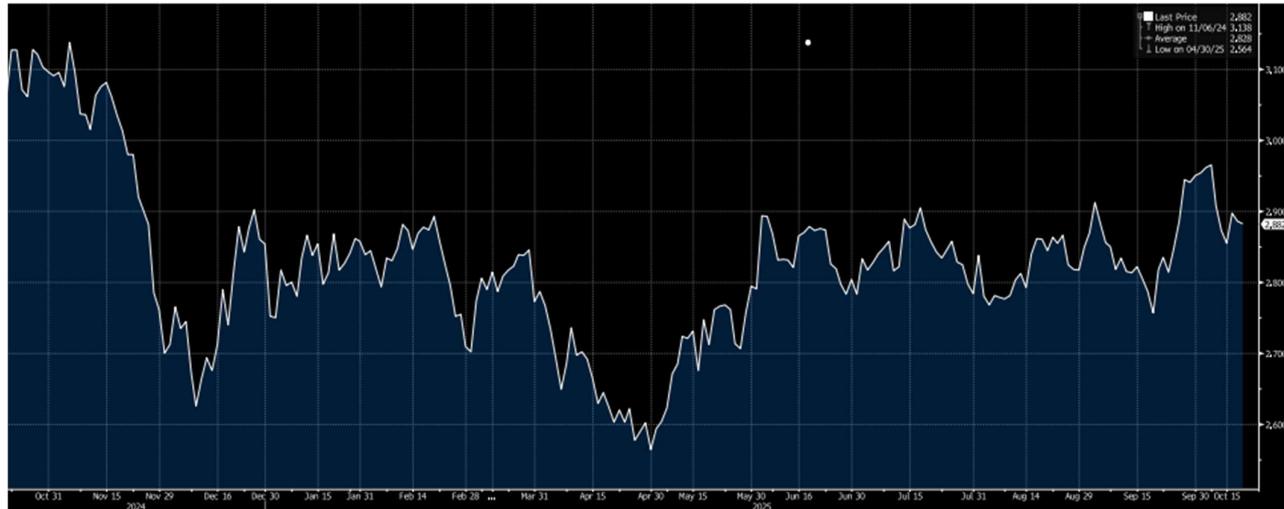
Other data out this week include the first 20 days exports and imports for October. This should start to give a better indication of how exports are tracking compared to the first 10-days. September PPI is out Wednesday and will be monitored to see if the modest increases seen in June, July and August can continue.

Valuations: The KOSPI's continues to set new records, currently trading at 3,774.77 up over 55% year to date. The KOSPI's P/E now looking stretched at 16.5x with yearend forecasts suggesting a meaningful decline back to 13.7x. The 10-Yr KTB had traded from May through to October in a 2.75%-2.90% range before breaking higher reaching 2.96% in recent weeks. Last week it broke back below 2.90% potentially looking to re-establish those ranges ahead of the BOK. The Won weakness so evident in the early part of October has begun to dissipate with USDKRW settling around 1.421 and looking to consolidate here ahead of the BOK.

Fig 1: KOSPI Price to Earnings Analysis

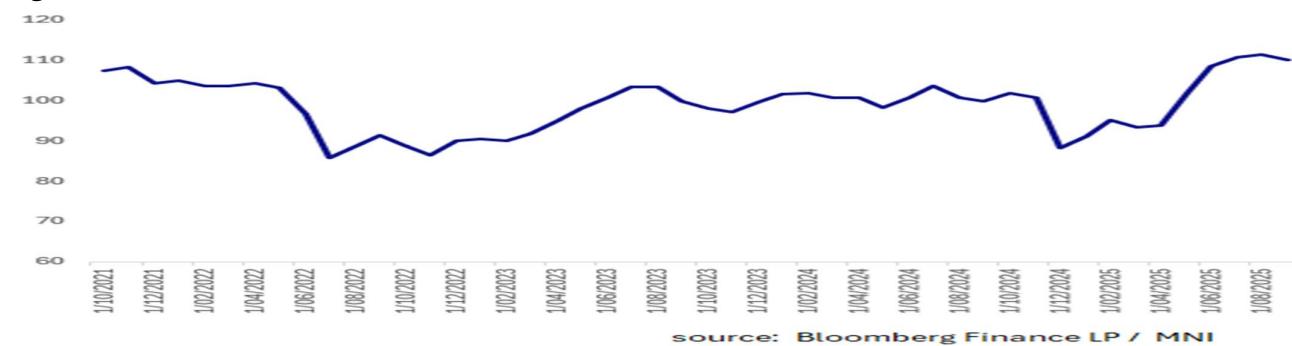
Korea Stock Exchange KOSPI Index		Compare	<Sec>	Acct	Consolidated	Periodicity	Annuals	Cur	FRC (KRW)
1) Key Stats	2) Fundamentals	3) Custom	4) Shared						
11) Highlights	12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data					
12 Months Ending	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est		
	12/31/2021	12/31/2022	12/31/2023	12/31/2024	10/19/2025	12/31/2025	12/31/2026		
Valuation Metrics									
Price/Earnings	12.15	9.45	18.43	11.52	16.54	13.70	10.89		
Price/Earnings before ..	11.05	7.67	11.47	9.66	13.50	13.16	10.79		
Price/Earnings before ..	12.40	9.35	16.35	11.19	15.46				
Price/Book Value	1.13	0.85	0.95	0.83	1.25	1.29	1.18		
EV/Sales	1.26	0.98	1.09	1.05	1.33				
EV/EBIT	14.51	13.08	21.72	14.62	17.51				
EV/EBITDA	8.04	6.97	8.81	6.94	8.56	5.94	5.42		
Dividend Yield	1.39	2.01	1.64	2.13	1.58	1.65	1.84		

Source: Bloomberg Finance LP / MNI

Fig 2: KTB 10-Yr Yield 1-Yr yield Analysis

Source: Bloomberg Finance LP / MNI

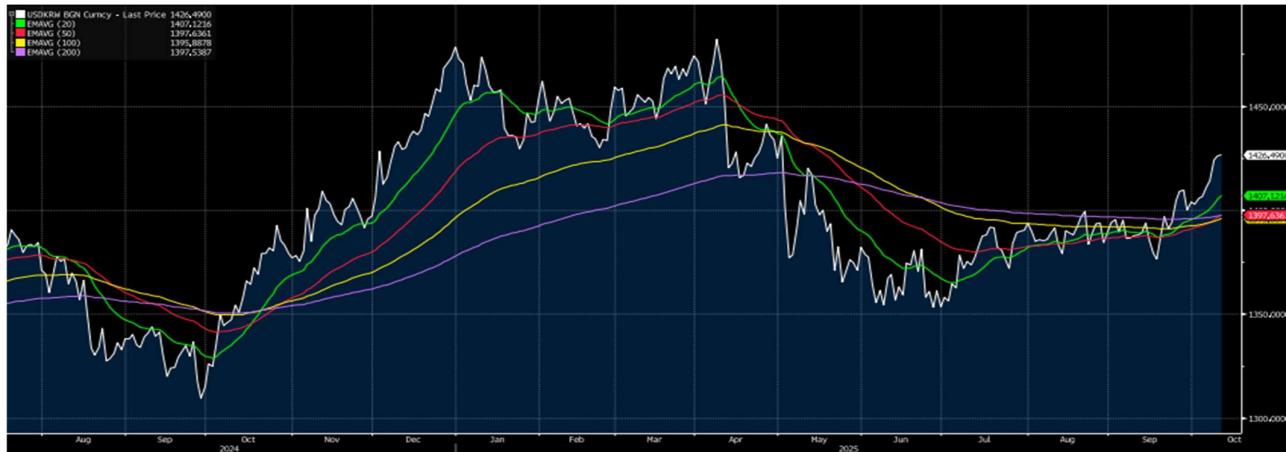
Sentiment: Sentiment remains strong with the Consumer Confidence Index hitting all-time highs in August and moderating in September. This has the potential for correction as the ongoing attempts to dampen house price growth continues. The resolution of the political situation and subsequent policy announcements (particularly the back down on capital gains changes to stock holdings) have fed into a broad recovery in investor sentiment, feeding the stock market rally. Look for this to temper in the back half of the years as valuations become stretched and government measures to cool the housing market impact investor psyche. Tax policies, along with initiatives to boost corporate value, will be other focus points for equity investors.

Fig 3: South Korea Consumer Confidence

Source: Bloomberg Finance LP / MNI

Technicals: The Won's weakening in recent weeks appears to have stalled, moving back to fair value from oversold. USDKRW remains above all major moving averages 1,422 sits above the 20-ay EMA of 1,414. Unsurprisingly given the strength of the recent rally, the KOSPI sits above all major moving averages also.

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



source: Bloomberg Finance LP / MNI

Issuance this week for government bonds is sees significant volumes on auction in 1, 3, 5 and 10-Year in significant sizes and should put upward pressure on yields, particularly if improvements in global sentiment continue.

- 10/20/2025 12:10 Bank of Korea to Sell 900 Bn Won 91-Day Bonds
- 10/20/2025 13:00 South Korea to Sell 1.6 Tn 10-Year Bonds
- 10/22/2025 12:10 Bank of Korea to Sell 1.6 Tn Won 3-Year Bonds
- 10/24/2025 13:00 South Korea to Sell 1 Tn Won 1-Year Bonds
- 10/27/2025 12:10 Bank of Korea to Sell 900 Bn Won 91-Day Bonds
- 10/27/2025 13:00 South Korea to Sell 2.9 Tn 5-Year Bonds



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