



## Press Release

April 6, 2011

### KOREAN FINANCIAL MARKET UPDATE

#### 1. Recent trends in the stock market

The KOSPI index, which once fell to a low point of 1,923.30 on March 15 after the Japanese earthquake, has rebounded to a record-high of 2130.43 on April 5, renewing the highest point of 2,115.69 prior to the earthquake.

Korean Stock Market Index

	(In Points, trillion KRW, %)					
	09/2009	12/2010	02/2011	03/2011	04/2011	YOY
KOSPI	1,682.77	2,051.00	1,939.30	1,923.92	2,130.43	3.9
-Market Cap	887.3	1,141.0	1,086.4	1,080.1	1,194.6	4.7
KOSDAQ	513.57	510.69	504.46	489.44	537.67	5.3
-Market Cap	85.2	95.8	99.0	96.4	106.1	10.8

The recent recovery in stock prices is mainly attributed to foreigners' net buying based on their optimism that the Korean economy is relatively stable amid ongoing external uncertainties such as Japan's earthquake and political turmoil in the Middle East.

#### 2. Foreign investors' movement in Korean stock exchange

Foreigners sold KRW 3.5 trillion in February, the biggest net sale by monthly basis since May 2010, but made net buying of KRW 1.2 trillion in March: notably, net buying of KRW 2.8 trillion after the Japanese earthquake.

Capital Movement in the Stock Exchange

	(In KRW, billions)						
	2009	2010	2011	Jan	Feb	Mar	After Japan's Quake
Foreigners	32,386	21,573	(1,959)	347	(3,476)	1,170	2,832
Korean FIs	(26,328)	(12,195)	1,478	(734)	1,599	613	(349)
Retail	(1,961)	(5,384)	657	1,396	1,676	(2,415)	(2,692)



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(By country)

Starting this year, there has been a continued outflow of European funds (including the U.K), reflecting ongoing uncertainties in the European region. By contrasts inflows of funds from the U.S. and Asian region have been increasing since March.

\*As of March, the U.S made a net purchase of KRW 1.3 trillion, Singapore of KRW 0.7 trillion, China of KRW 0.2 trillion

\*Despite our concern of Japanese capital being pulled back, Japanese made a net purchase of KRW 155 billion instead

### Foreign Investment by Region

(In KRW, billions)

Regions	2009	2010	2011				
				Jan	Feb	Mar	After Japan's Quake
U.S.	11,409	14,043	4,318	2,713	323	1,281	889
U.K.	9,435	(3,115)	(3,142)	(1,199)	(1,377)	(566)	186
Europe(ex U.K.)	6,042	6,229	(6,137)	(897)	(2,863)	(2,376)	(332)
Asia	(142)	2,607	1,459	32	342	1,086	858
-Singapore	(1,915)	715	953	(122)	353	722	612
-China	861	1,006	703	295	215	193	59
-Japan	454	557	(379)	(204)	(176)	85	155

(By fund-type)

In February, all foreign investors except for Asian sovereign funds were net sellers. Starting March, however, the U.S. funds began to make net buying in large volume. Net buying by foreign investors was mostly made after Japan's earthquake, and European investors (excluding European funds) also turned net buyers of Korean stocks.

### Foreign Buyers & Sellers

(In KRW, billions)

Funds	2010	2011					
			Jan	Feb	Mar	After Japan's Quake	
Buyers	U.S. Funds	9,134	3,063	2,057	(22)	1,028	716
	Singapore Sovereign Funds	27	922	(117)	340	670	577
	China Sovereign Funds	965	683	258	213	212	83
Sellers	European Central Bank	(564)	(2,898)	(597)	(914)	(1,387)	57
	European Funds	4,883	(2,522)	(149)	(1,576)	(796)	(426)
	U.K. Securities Company	(3,964)	(1,792)	(720)	(776)	(296)	183



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(By investment period)

It has turned out more than half of foreign net buying made after the Japanese earthquake was made by short-term investors. (i.e. investment banks)

\*Short-term: IB with investment turnover ratio over 500%

### 3. Grounds for foreign investors' net buying

Without wider spread of risk from the recent Japanese earthquake and the regional conflict in the Middle East, global economy is showing signs of recovery especially in the United States where 2010 fourth quarter growth rose from 2.8% to 3.1%(announced by the Department of Commerce), consumer spending rose by 0.7% in February from the previous month to 3.28, and employment rose in March in non-agriculture sector by 216,000, higher than previous forecast of 190,000.

Particularly, it is worth noting that Korea received counter benefits from the Japanese earthquake through foreign buying being concentrated on Korea's stock market, more so than other emerging market indices, due to positive expectation for Korea's export market.

#### Movement of Funds in Asian Markets

(In USD, millions)

	2009	2010	2011	Jan	Feb	Mar	3.14~31 (after Japan's earthquake)	Percentage change in March
Korea	24,836	18,949	(1,793)	311	(3,130)	1,024	2,554	+8.63%
Taiwan	14,676	9,202	(1,109)	3,417	(3,310)	(1,217)	(657)	+0.97%
India	17,227	29,362	(520)	(1,054)	(1,007)	1,540	1,179	+9.10%
Thailand	1,121	2,106	(9)	(933)	277	647	514	+6.03%
Philippines	415	1,227	(95)	(94)	(80)	79	48	+7.66%
Indonesia	1,300	2,313	(460)	(442)	238	(255)	251	+6.00%
Vietnam	183	697	78	76	0	3	3	-0.05%
Total	59,757	63,855	(3,907)	1,281	(7,011)	1,822	3,892	+5.48%

Source: Bloomberg & KCIF



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The exodus of foreign capital from Global Emerging Market (GEM) funds and Asia ex-Japan funds that occurred during February made a turnaround in March as investors moved away from safe haven and concentrated their investment on GEM funds related to Korea.

### Capital Movement in Funds related to Korea

(In USD, millions)

	2010	2011										
			11/2010	12/2010	01/2011	02/2011	03/2011	224-32	33-39	310-316	317-323	324-330
Related Funds	63,072	(2,921)	13,093	7,952	3,359	(6,368)	88	(1,149)	387	(2,070)	(1,620)	3,850
-Gem	44,844	(11,954)	6,380	4,290	(2,541)	(8,561)	(852)	(1,558)	(96)	(769)	(866)	1,502
-Asia ex-Japan	15,099	(8,424)	3,887	577	(1,034)	(4,987)	(2,403)	(717)	(166)	(971)	(1,391)	411
-Korea	897	563	(13)	(121)	363	46	154	(4)	(14)	(8)	55	122
Advanced Mkt	(13,914)	31,240	(280)	23,562	20,978	12,622	(2,360)	28	5,179	(5,555)	(6,187)	4,191
-U.S.	(2,864)	24,214	446	21,852	17,736	6,525	(46)	1,160	4,328	(3,909)	(5,305)	4,376
-West Europe	(1,021)	3,633	(420)	683	1,617	4,389	(2,373)	(825)	835	(1,732)	(1,158)	12
-Japan	(836)	3,393	(306)	1,027	1,626	1,708	59	(307)	16	86	276	(197)

There also seems to be an expectation of foreign exchange profit as the level of won's currency appreciation towards the U.S. dollar has been much lower than other currencies.

### Level of Currency Appreciation against U.S. Dollar

(%, March 29<sup>th</sup> Data)

	Korea	Australia	Brazil	Chile	Thailand	Taiwan	China
Compared to 2008	13.4	46.0	40.6	32.2	14.4	11.4	4.0
2009	8.2	27.3	32.7	25.6	3.8	2.6	0.0
2010	2.6	14.0	5.1	8.4	11.3	9.7	3.6

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