



South Korean Bourses Surge During the Great Corona Crisis: An Alternative To Pax Sinica & The American Technology Rally

Portfolio Attribution

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Whilst most global financial pundits have been working through the difficult tangle of problems besetting [North America](#), [the Eurobloc](#) and the People's Republic of China, most have missed the meteoric resurgence of South Korea's KOSPI, KOSDAQ and fixed income bourses, which have climbed **seventy-three percent in US Dollar terms**, since the [nadir seen during the Ides of March](#) and this has meant South Korea has beat all other national bourses excluding Argentina's (whom are considered Emerging Market, or EM, versus South Korea's Developed Market, or DM, recognition).

South Korea has travelled an interesting course in the past thirty-six months, experiencing a national impairment due to scandals at the apex [chaebol](#), Samsung Electronics, whilst also confronting the ascending *Realpolitik* across the [thirty-eighth parallel](#) with North Korea.

Cite:- [Goodbye Hong Kong](#), 19 April 2020

Cite:- [Wolf Warrior Statecraft](#), 5 May 2020

Notwithstanding, South Korean securities have climbed to their highest level in over two years, fuelled by ever-growing demand for technology shares during this [Great Corona Crisis \(GCC\)](#).

Cite:- [South Korea Has Been Overlooked By Investors For Too Long](#), 15 November 2017

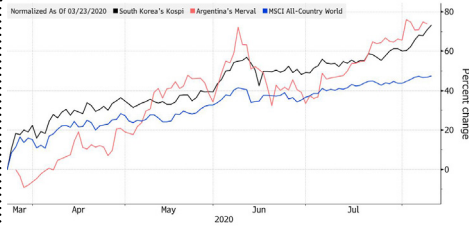
Cite:- [Reform Plans Shine A Light On South Korean Value Stocks](#), 25 June 2016

At prima facie, KOSPI and KOSDAQ's successes have been found in the realisation that South Korea has managed the Novel Coronavirus pandemic better than others, whilst consecutively supporting their Technology conglomerates effectively; which in the financial vernacular surmounts to a **high beta play** for a global [GCC](#) recovery.

Furthermore, a recent spike in retail investor activity in South Korea has spiked to USD two billion per month over the past four months, ten times average monthly activity seen during 2019; this recent buoyancy in retail investment activity, increasingly common in many economies, is a new phenomenon that could affect balance of payments and foreign exchange markets on the Peninsula, especially during the nascent but noteworthy rise of cryptocurrencies across Asia-proper.

Cite:- [Is Investing In Bitcoin Really A Good Idea? Question Marks Remain](#), 1 November 2017

Cite:- [Chinese Internet Megatrend Going](#)



[Global](#), 4 December 2018

Foreigner institutional investors have also re-entered the Korean listed bourses, buying a net USD five hundred and seven million of Korean shares in the past quarter – partially explained by global technology investors chasing the **KOSPI, which still trades at fourteen times 12-month forward earnings estimates, half that of the US's NASDAQ100's valuation**.

From a macro perspective, South Korea's broad balance of payments has generally weakened since a recent peak in 2015 to negative USD nine billion in 2019 and a further deficit thereafter amid the [GCC](#).

Despite the South Korean meteoric resurgence, the Peninsula still faces worrying fractures in pandemic resolution – last week saw new confirmed cases of COVID-19 spiking above 250 on a seven-day moving average basis and on 21 August, while the government, earlier in the week, tightened social distancing measures for the wider Seoul metropolitan area, public transportation usage fell across Seoul, but remained above March-low levels.

This, however, led to momentum in workday-adjusted exports slowing significantly in the first twenty days of August and despite the KOSPI, KOSDAQ and bond markets resurrecting, driven by latent Technology superstars (Samsung, et al) on the rise, equity and fixed income markets on the Peninsula still require broader economic buoyancy to continue the stepchange higher.

Cite:- [Edge Vs Cloud Computing](#), 7 November 2018

Cite:- [Silicon Carbide](#), 27 March 2019

Cite:- [eSports](#), 19 July 2018

Regarding international interest in South Korean bonds, foreigners' net investment into Korean bonds slowed during the first three weeks of August, shifting purchasing interest to the front end of the Korean curve, represented at the seven to fifteen-year maturities.

The [KTB yield curve](#) has, to date, remained stable ahead of the Bank of Korea's (BoK) meeting next week, with both the three and ten year yields unchanged for August.

What South Korea is uniquely placed to do is to continue its momentum across post crisis technology tilts, offer regional institutional and global hedge fund

investors a viable alternate play on [Pax Sinica](#) tête-à-tête [Pax Americana](#) but also, most interestingly of all, provide a successful and conservative alternative to Japanese investment plays, which carry their own idiosyncratic and *Realpolitik* headwinds during the [GCC](#) plus [belligerent rise of China](#).

Cite:- [Keeping It Simple: Japan](#), 25 April 2020

Cite:- [Nikkei225 Exodus](#), 12 September 2018

Cite:- [Why MSCI China A Inclusion Is A Big Deal](#), 23 May 2018

Cite:- [Ignore Japan At Your Peril If You're An Investor](#), 4 October 2017

In regards to South Korea and Japan directly, tensions continue, flowing on from the re-emergence of disagreements relating to colonial reparations between the two countries and despite the 1965 accord – after fourteen years and seven cycles of negotiation, the two countries signed a treaty normalising their relationship, particularly on the economic front – the relationship between the two has remained tense.

In toto, not only are the KOSPI and KOSDAQ rallies justified, South Korea herself enjoys relative solid macroeconomic fundamentals and the scope to support its own economy – a rarity during the [Corona Crunch](#).

Most notably, public debt is modest, at around forty percent of GDP and when it presented its budget for 2020, the Korean government included a range of measures intended to support growth, particularly in investment and all of these, serendipitously and ideally placed to stoke post crisis opportunities. Under its "*growth through innovation*" programme, the government plans to reduce dependence on imports, increase local competitiveness and accelerate Korean industry's move up the value chain, [as they last did during the late 1950's and early 1960's](#).

Listen:- [Podcast Guest, Prof. Ezra Vogel \(Henry Ford II Professor of the Social Sciences Emeritus at Harvard University\)](#), 13 May 2020

The three industries targeted by the programme are semiconductors, biochemicals + healthcare and innovative vehicles; all prime areas of opportunity post crisis. Whilst the difficult tangle of problems besetting major markets remain serious, it presents opportune for savvy global investors to circle back to the Peninsula and **take another serious look at the resurgence of South Korea**. ■

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