



MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

SOUTH KOREA (4.0 STARS – VERY ATTRACTIVE)

- 1) The earnings growth in 2009 is estimated to plunge by 32.9%. It will rebound in 2010 and 2011 by 55.7% and 20% respectively. The 3 year annualized expected returns is at 14.3% which is higher than the average of Asian countries. Once the global market recovers, we expect the earnings growth will rebound strongly. The estimated PE for 2009 and 2010 are 14.9X and 9.6X respectively (as at 27 March 2009). Hence, we upgrade the Korean market to attractive rating of 4 stars.
- 2) The Consumer Price Index accelerated to 4.1% year-on-year in Feb 09 from 3.7% year-on-year in Jan 09.
- 3) The Bank of Korea (BOK) cut its benchmark interest rate to record low of 2% in Feb 09. It is the sixth interest rate cut since October last year, with the total rate cuts amounting to 3.25 percentage points.
- 4) South Korea's GDP grew 3.8% y-o-y in 3Q 08, slowing from 4.8% in 2Q. On q-o-q basis, the growth of Q3 was 0.5%, the growth of Q3 was 0.5%, the slowest since 2004.
- 5) Export, which accounted for 71% of GDP of Korea in 2007, dropped 17.1% y-o-y in Feb 09. It was the fourth monthly decline, the longest run of contractions since 2002. China is Korea's largest overseas market and a slowdown of China would decrease the demand of Korea's products.
- 6) South Korea's current-account turned from deficit of 1.36 billion Won in Jan 09 to a surplus of 3.68 billion Won in Feb 09. A surplus means a net inflow of dollars into Korea, which will increase dollar supply and strengthen the value of the Won.
- 7) KRW depreciated against USD by 8.3% YTD as of 31 Mar 09. KRW appreciated 14.37% in Mar 09. The government stimulus plans have boosted investors' sentiment. Current-account surplus also eased a shortage of foreign exchange needed to pay overseas debt. These factors helped to strengthen Korean Won.
- 8) South Korea government announced an additional economic stimulus package totaling 28.9 trillion Won. It aims to stem the country's flagging economy and to reduce the climbing unemployment.
- 9) Samsung Electronics, Asia's biggest chip maker, said its full-year net income dropped 26% while sales gained 15% in 2008. It suffered a loss in the 4Q 08, the first time in 14 years.
- 10) We expect a strong rebound in corporate earnings in 2009 to 2011. Therefore, we upgrade the market to a "Very Attractive" rating of 4 stars over a 3-year horizon on Korea equity market.