

April
2018

Deutsche Bank South Korea Newsletter

Brief update on the Korean economy and the financial sectors

**Economic
/Political
Update**

Seoul to have working-level talks with North Korea (3 April 2018)

http://www.koreatimes.co.kr/www/nation/2018/04/103_246665.html

Crypto currency executives detained on fraud, embezzlement charges (5 April 2018)

http://www.koreatimes.co.kr/www/biz/2018/04/488_246797.html

US-China trade war to hurt Korean exporters (5 April 2018)

http://www.koreatimes.co.kr/www/biz/2018/04/367_246802.html

Govt. proposes W3.9tr won extra budget to boost job creation (5 April 2018)

<http://www.koreaherald.com/view.php?ud=20180405000587>

**Financial/
Industrial
Sector**

Kumho Tire to raise brand value on independent management (5 April 2018)

<http://www.koreaherald.com/view.php?ud=20180405000605>

Korean chipmakers not immediately affected by US tariffs on Chinese products (5 April 2018)

<http://www.koreaherald.com/view.php?ud=20180405000148>

Militant labor union poured fuel on fire in GM crisis: experts (26 March 2018)

http://www.koreaherald.com/view.php?ud=20180326000752&ACE_SEARCH=1

S. Korea's 'Big Three' Shipbuilders Hit Record Low in R&D, Workforce (4 April 2018)

<http://www.businesskorea.co.kr/english/news/industry/21448-just-busy-seeking-survival-s-korea%E2%80%99s-%E2%80%98big-three%E2%80%99-shipbuilders-hit-record-low-rd>

30 Mar 2018 KOSPI 2,445.85p, KOSDAQ 871.09p

28 Feb 2018 KOSPI 2,427.36p, KOSDAQ 857.06p

FX Rates	(Source: Naver)	KRW/USD	KRW/100JPY	KRW/EUR	KRW/GBP
	- As of 30 Mar 2018	1,063.00	1,001.18	1,310.41	1,493.89
	- As of 28 Feb 2018	1,082.50	1,012.01	1,322.44	1,495.37
Interest Rates					
	Certificate of Deposit (CD) yield (91d)	1.65% p.a. (30 Mar 18)		1.65% p.a. (28 Feb 18)	
	Treasury Bond yield (5y)	2.41% p.a. (30 Mar 18)		2.52% p.a. (28 Feb 18)	
	Corp Bond yield ("AA-" rated, 3y)	2.80% p.a. (30 Mar 18)		2.82% p.a. (28 Feb 18)	

**The House
View
13 Mar
2018**

Slow Burning Issues

Markets have calmed after a turbulent February. While risk assets generally remain off this year's highs, immediate risks have broadly abated and focus turns to a range of slow-burning issues.

The escalation of trade tensions is at the forefront. Rhetoric is likely to escalate further, and the threat of a tit-for-tat trade war will linger. Nevertheless, economic and market interests should ultimately prevail, limiting the overall impact.

The rise of populism and political risk more generally, remains prevalent. The Five Star Movement's win in Italy is the latest case in a trend that will likely continue. Meanwhile Brexit negotiations stumble forward as Brexit day looms in March 2019. Yet again, absent specific risk events, markets are unlikely to pay much attention.

Global growth and the longevity of the cycle are also ongoing concerns. We expect global growth to peak this year. In fact, economic data have softened, with survey measures of activity declining somewhat in Europe, Japan, and China. Growth rates remain high and above long term trends, but the recent acceleration will end. Above-trend, growth will push inflation relentlessly toward target, allowing central banks to keep monetary stimulus.

Those issues will remain slow-burning in the background, and occasionally jolt markets – with inflation a notable exception as markets scrutinize every piece of data. Overall, we expect to see more frequent episodes of market volatility, even as the underlying trends remain: higher rates, a weakening dollar, a supportive backdrop for risk assets.

(Please feel free to contact your DB representatives for the full version of the "The House View" or other periodical reviews.)

Economic & Financial Indicators

Sources:
Asia Economics
Monthly

As of
16 Mar 2018

-Please note that these figures may not match with those mentioned before due to different sources.-

		2016	2017F	2018F	2019F
Nominal GDP	USD bn	1,412	1,537	1,678	1,708
GDP per Capita	USD	27,547	28,217	32,488	32,963
Real GDP Growth	% yoy	2.8	3.1	2.8	2.5
Priv. consumption	% yoy	2.5	2.6	3.0	2.3
Gov't consumption	% yoy	4.3	3.7	5.0	4.7
Inflation	% yoy ann avg	1.0	1.9	1.9	2.4
Merchandise Exports	USD bn	511.8	577.4	628.7	661.5
Merchandise imports	USD bn	393.1	457.5	519.3	544.0
Trade Balance	USD bn	118.9	119.9	109.4	107.5
Current Account	USD bn	99.2	78.5	67.1	66.0
Gov't debt	% of GDP	38.1	40.7	40.7	41.2
>Domestic	% of GDP	37.6	40.3	40.3	40.8
>External	% of GDP	0.5	0.4	0.4	0.4
Total external debt	% of GDP	29.6	28.2	25.0	25.0
FX reserves	USD bn	371.1	389.3	401.1	405.0
Unemployment	%	3.7	3.7	3.7	3.7
FDI (net)	USD bn	-17.9	-14.6	-18.0	-20.0
FX Rate (eop)	KRW/USD	1,209	1,071	1,095	1,115

Financial market	Current	18 Q2F	18 Q3F	18 Q4F
BoK base rate	1.50	1.50	1.75	2.00
91-day CD	1.65	1.75	2.00	2.30
10-year yield (%)	2.75	2.90	2.95	3.20
KRW/USD	1,067	1,075	1,085	1,095

Moody's: Aa2

S&P:AA

Fitch: AA-

Editor: Sungbai Hwang/ Deutsche Bank AG, Seoul Branch / E-Mail: sungbai.hwang@db.com

Disclaimer:

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). The information herein is believed by Deutsche Bank to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Opinions, estimates and projections in this report constitute the current judgement of the cited sources and/or the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank or any of its subsidiaries and affiliates and are subject to change without notice. Deutsche Bank nor its subsidiaries/affiliates has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The information contained in this report does not constitute the provision of investment advice. Neither Deutsche Bank AG nor its subsidiaries/affiliates accept any responsibility for liabilities arising from the use of this document or its contents.