

May  
2018

# Deutsche Bank South Korea Newsletter

Brief update on the Korean economy and the financial sectors

## Economic /Political Update

**Garlucci: 'Lots of questions' over North Korea's denuclearization (May 3, 2018)**

[http://www.koreatimes.co.kr/www/nation/2018/05/103\\_248376.html](http://www.koreatimes.co.kr/www/nation/2018/05/103_248376.html)

**Pompeo wants North Korea weapons program dismantled without delay (May 3, 2018)**

[http://www.koreatimes.co.kr/www/sublist\\_103.html](http://www.koreatimes.co.kr/www/sublist_103.html)

**US Forces Korea will stay even after peace treaty (May 2, 2018)**

[http://www.koreatimes.co.kr/www/nation/2018/05/205\\_248284.html](http://www.koreatimes.co.kr/www/nation/2018/05/205_248284.html)

**Consumers frightened by soaring grocery prices (May 2, 2018)**

[http://www.koreatimes.co.kr/www/biz/2018/05/367\\_248334.html](http://www.koreatimes.co.kr/www/biz/2018/05/367_248334.html)

## Financial/ Industrial Sector

**Applicants for 'unemployed credits' jump in Q1 (May 3, 2018)**

<http://www.koreaherald.com/view.php?ud=20180503000245>

**Korea and Germany host 'Energy Day' in Songdo (May 3, 2018)**

<http://www.koreaherald.com/view.php?ud=20180503000618>

**L'Oreal acquires 100% of fashion retailer Style Nanda (May 3, 2018)**

<http://www.koreaherald.com/view.php?ud=20180503000609>

**Elliott confirms action against Korean government over Samsung Merger (May 2, 2018)**

<http://www.koreaherald.com/view.php?ud=20180502000777>

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

**30 Apr 2018 KOSPI 2,515.38p, KOSDAQ 875.95p**

## FX Rates

(Source: Naver)

- As of 30 Mar 2018

- As of 30 Apr 2018

### KRW/USD

1,063.00

1,070.50

### KRW/100JPY

1,001.18

978.74

### KRW/EUR

1,310.41

1,293.43

### KRW/GBP

1,493.89

1,471.30

## Interest Rates

**Certificate of Deposit (CD) yield (91d)**

1.65% p.a. (30 Mar 18)

1.65% p.a. (30 Apr 18)

**Treasury Bond yield (5y)**

2.41% p.a. (30 Mar 18)

2.49% p.a. (30 Apr 18)

**Corp Bond yield ("AA-" rated, 3y)**

2.80% p.a. (30 Mar 18)

2.82% p.a. (30 Apr 18)

---

**The House  
View  
16 Apr  
2018**

Markets have been on their toes since the correction that started at end-January. Listless trading certainly reflects this malaise: major equity indexes have not suffered another sharp selloff but nevertheless remain their year-to-date lows.

While fundamentals remain robust, geopolitics and trade war fears, concerns over slowing global growth, and idiosyncratic issues in the tech sector have all weighed.

A full blown trade war between the US and China is the major risk. Recent rhetoric and retaliation has intensified more quickly and dangerously than we anticipated, and the possibility that tensions undermine macroeconomic growth are growing. We still expect policymakers to avoid a truly disruptive outcome, partially because an adverse market reaction will incentivise them to walk back from the brink.

Meanwhile, economic data has softened further this month, especially in Europe. Recent momentum was unsustainable, so this deceleration was unavoidable – and in fact healthy. Conditions overall remain robust though, and the global economy will continue to grow above-potential, even as 2018 marks the peak of this cycle.

Strong macro fundamentals underlie our market views. In equities we see the recent correction as overdone, and the first quarter earnings season could act as the needed circuit breaker. Rates remain low relative to fundamentals and should move higher – but short-terms the risk is a move in the opposite direction, given extreme short positioning. In FX, we continue to expect the dollar to weaken as drivers that have supported inflows in recent years averse.

(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  
**12 Apr  
2018**

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

		2016	2017F	2018F	2019F
<b>Nominal GDP</b>	USD bn	1,412	1,537	1,678	1,708
<b>GDP per Capita</b>	USD	27,547	28,217	32,488	32,963
<b>Real GDP Growth</b>	% yoy	2.8	3.1	2.8	2.5
<b>Priv. consumption</b>	% yoy	2.5	2.6	3.0	2.3
<b>Gov't consumption</b>	% yoy	4.3	3.7	5.0	4.7
<b>Inflation</b>	% yoy ann avg	1.0	1.9	1.9	2.4
<b>Merchandise Exports</b>	USD bn	511.8	577.4	628.7	661.5
<b>Merchandise imports</b>	USD bn	393.1	457.5	519.3	554.0
<b>Trade Balance</b>	USD bn	118.9	119.9	109.4	107.5
<b>Current Account</b>	USD bn	99.2	78.5	67.1	66.0
<b>Gov't debt</b>	% 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
<b>Total external debt</b>	% of GDP	29.6	28.2	25.0	25.0
<b>FX reserves</b>	USD bn	371.1	389.3	401.1	405.0
<b>Unemployment</b>	%	3.7	3.7	3.7	3.7
<b>FDI (net)</b>	USD bn	-17.9	-14.6	-18.0	-20.0
<b>FX Rate (eop)</b>	KRW/USD	1,209	1,071	1,095	1,115

Financial market	Current	18 Q2F	18 Q3F	18 Q4F
<b>BoK base rate</b>	1.50	1.50	1.75	2.00
<b>91-day CD</b>	1.65	1.75	2.00	2.30
<b>10-year yield (%)</b>	2.61	2.80	2.85	3.10
<b>KRW/USD</b>	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](mailto: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.