

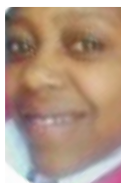


# Kospi Remains Unmoved Despite Tough Rhetoric From The US On Escalating Tensions In The Korean Peninsula

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The South Korean Stock Market appears unmoved by escalating tensions in the peninsula and tough rhetoric from US president Donald Trump. In recent months North Korea has stepped up its missile program amidst condemnation from the South and the US. However,

despite these tensions the Kospi has held its ground considerably well.

Although the Korean market has dipped in the face of ongoing tensions, the dip hasn't been big enough to raise concerns among investors. US policy on North Korea seems to have changed yet there is very little action to suggest that the US is ready for a radical shift in responding to the nuclear threat North Korea poses. US president Donald Trump has stepped up the rhetoric and at one time promised

the Hermit Kingdom "Fire and Fury" in what many analysts saw as an unnecessarily dramatic way to respond to North Korean Missile tests. The US has also mobilized forces in the Korean peninsula and imposed more economic sanctions yet even with all that, Kim Jong-Un appears unperturbed in his quest towards a nuclear weapon that can strike the continental USA.

The expectation from investors was that the markets in the south would be shaky. It's not the first time South Korea is having to deal

◀ with escalation of tensions in the Peninsula but this time round, the Kospi has hold its own. At the moment, the KOSPI is down 3.6% from its all time high in July. The market also dipped following Trump's "Fire and Fury" comment but it has since recovered. Recent North Korean missile activity directed towards Japan and Guam did not have any major effects on the market and stocks are up slightly ever since.

### **Positive Outlook**

A meeting held last week by the Bank of Korea decided to keep interest rates at 1.25%. The Bank argued that this was to highlight future growth uncertainty with escalating tensions and trade fallout with China a possibility. The Bank however indicated that there are some positive signs. South Korea's "diplomacy first" policy led by the left leaning Moon Jae In

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administration has been cited as an important factor as well as strong global recovery. The Bank of Korea also predicted that consumption will exceed projected figures.

Tensions in the Korean Peninsula will continue to be a concern for many investors. The hope is that there is an amicable solution to the problem. Although the US has insisted that all options are on the table, a military solution could easily throw the entire region into disarray. China has already made it clear that any military intervention

in North Korea will be met in kind. Analysts argue though that South Korean President's Moon Jae In attempt to cool down the tough talk and welcome diplomacy is a good sign that the region may perhaps weather this diplomatic storm without deadly military confrontation.

### **Investing In South Korean Markets**

The South Korean Market is an ideal choice for global investors looking to unlock value in underpriced stocks. However, investing under a managed portfolio is highly recommended. Well, the [Asia Pacific Fund](#) gives this chance. The Closed End Fund invests in equity securities of companies in the Asia pacific region with the exclusion of Japan. You are encouraged to buy into the Fund on the NYSE under the ticker symbol APB.