

## EM Alpha

## Switching from sell USDKRW to EURKRW

## Remaining long KRW, switching funding leg to EUR

Following the release of stronger-than-expected US CPI for Jan 2024 (see [US Watch: January CPI Inflation: detour from disinflation 13 Feb 2024](#)), front-end US rates sold off, reflecting potential delays to the start of the Fed cutting, and brought about USD strength. Spot USDKRW opened significantly higher at 1,340 before paring back some gains and settled at 1,335 by the afternoon of the Asia session.

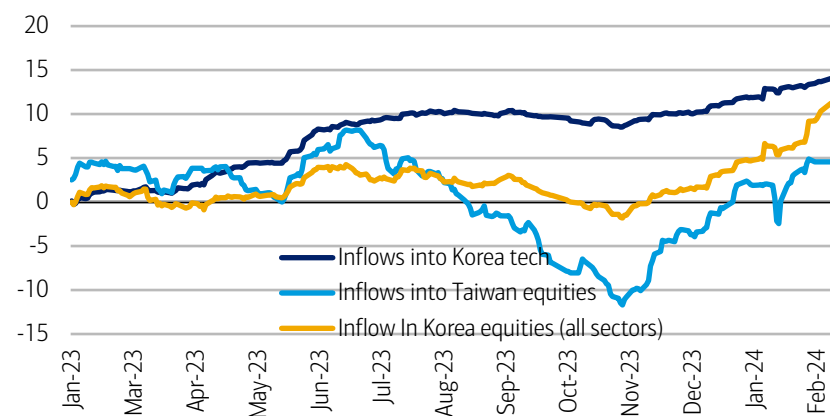
In light of a potential reacceleration of US inflation and the uncertainty on the start of the Fed cutting cycle, we will close our sell USDKRW 3-month outright position (current: 1,328, entry: 1,332, target: 1,292, stop: 1,352; see our trade initiation report: [EM Alpha: Selling USDKRW on spike 18 Jan 2024](#)). In its place, we initiate a sell EURKRW 3-month NDF at 1,429 (target: 1,385, stop: 1,450).

## Still bullish on KRW based on strong equity inflows

As stated in our [Asia FI & FX Strategy Watch: Korea Financial Flows – Feb 2024, 14 Feb 2024](#), foreign equity inflow into Korea has been strong since the announcement of the Corporate Value-Up program. Currently, foreign interest in Korea equities is broad-based and not just concentrated in the electronics sector, as is often the case. We believe the bullish sentiment on Korea equities will continue, at least until April 2024 when legislative elections in Korea are set to take place. We remain bullish the Korean won.

## Exhibit 1: Net equity Inflow (Jan 2023=0, US\$ Bn)

Foreign equity inflow into Korea is broad-based and driven by Corporate Value-Up program, a unique local factor



Source: Bloomberg

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14 February 2024

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For a full list of our trade recommendations, see: [Global Emerging Markets Weekly: Carry Conundrum: Risk, Reflation & China 09 February 2024](#)

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Timestamp: 14 February 2024 02:12AM EST

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