

Korea strategy

EQUITY: EQUITY STRATEGY

KOSPI 2026 catalysts – what to look for Quick Note

The South Korean equity market has started 2026 on a bullish note, with the KOSPI rising by 11% YTD to 4,693 (as of 13 Jan close). For 1H26F, we have set a KOSPI target of 5,000-5,500 (10 Dec 2025; *Korea strategy – From AI data centers to governance reform*) based on 2026F PER of 11.7x-12.9x, with key drivers being global AI capex, a supercycle for memory semiconductors, strong earnings/export momentum, and corporate-governance reforms. Currently, the KOSPI trades at 2026F/27F PER of 11.0x/9.4x, and P/BV of 1.3x/1.2x (2026F ROE: 12.9%). The equity market has moved faster than anticipated, with the index now at 4,693. While the semiconductor, defense, shipbuilding and auto sectors have been key drivers year-to-date, we see additional catalysts from the policy and legislative front.

South Korea: economic, political events that could impact 2026 equity market

In addition to attractive fundamentals of select industries, a mix of political events and policy decisions will likely shape the Korea equity market, in our view. Such events include: 1) the outcome of the 3 June local election, which may serve as the electorate's take on President Lee's administration; the outcome may influence policies around real estate, infrastructure investment, and fiscal spending priorities; 2) the progress on the Value-Up program, Commercial Act revisions, KOSDAQ revitalization policies; 3) potential MSCI DM watch-list developments (likely to be announced in end-June). On the macro side, 1) monetary policy by the Bank of Korea; and 2) spillover effects from the US Fed policy and the November US midterm elections may be key points to monitor.

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Fig. 1: Korea's event calendar

Date	Event	Est or Confirmed
9-Jan-26	2026 Economic Growth Strategy	C
15-Jan-26	BOK Monetary Policy Meeting	C
Feb-26	2025 Corporate Earnings Result	E
early Feb 2026	BOK Preliminary confirmation of 2025 GDP growth and fiscal execution	E
26-Feb-26	BOK Monetary Policy Meeting	C
Mar-26	Annual shareholders' meeting season	E
Mar-26	BOK Financial stability report release	E
Apr-26	Preparation begins for June 3 Local election	E
10-Apr-26	BOK Monetary Policy Meeting	C
Apr 13-18, 2026	IMF World Bank Spring Meetings (Assessment of Korea's fiscal discipline, debt, and FX policy by International Monetary Fund)	C
28-May-26	BOK Monetary Policy Meeting	C
Jun-26	2025 GDP and fiscal execution	E
Jun-26	Launch non-taxable youth future savings program	E
3-Jun-26	9th Nationwide Local Elections	C
late Jun 2026	MSCI Announcement of DM Watchlist	E
Jul-Aug 2026	Annual announcement of the 2026 Tax Reform Proposal	E
16-Jul-26	BOK Monetary Policy Meeting	C
27-Aug-26	BOK Monetary Policy Meeting	C
Sep-26	2027 National Budget Submission	E
Sep 5 - Nov 4, 2026	Yeosu World Island Exhibition	C
Oct-26	National Assembly Audit	E
22-Oct-26	BOK Monetary Policy Meeting	C
26-Nov-26	BOK Monetary Policy Meeting	C
Nov-Dec, 2026	National Assembly Vote for Tax Reform	E
Dec-26	2027 National Budget Final Approval	E
Dec-26	Year-end BOK Policy Meeting	E

Source: Nomura research

KOSDAQ revitalization plans (announced in Dec 2025, Jan 2026)

On 19 Dec, the Financial Services Commission (FSC) and Korea Stock Exchange (KRX) announced plans to improve and boost the KOSDAQ market. The key goal, in our view, is to enhance the competitiveness and quality of KOSDAQ-listed companies to attract fund

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inflow via higher institutional investors. By market cap, the KOSPI represents 88% of Korea's equity market (KRW3,877tn as of 13 Jan close; with 846 listed companies), while the KOSDAQ represents 12% with 1,827 listed companies. The FSC's aim announced on 19 Dec 2025 included: 1) overhauling listing/delisting standards and procedures to entice more innovative companies while exiting non-viable companies; and 2) providing clearer guidance to remove overvaluation of IPO prices and dual-listed companies. As specific measures to achieve such goals, the document discusses: 1) raising the preferential allocation ratio for KOSDAQ Venture Fund in IPOs to 30% from 25%; 2) increasing tax credit for KOSDAQ Venture Funds and grant tax benefits to Business Development Companies (BDC; investment vehicles that invest in diversified portfolios of ventures and start-ups); and 3) including the KOSDAQ index in fund performance benchmarks for pension funds (ratio is not finalized).

Fig. 2: KOSDAQ revitalization plan announced on 19 Dec (FSC, KRX)

KOSDAQ revitalization plans	
1. Strengthening the independence, autonomy, and competitiveness of the KOSDAQ division	- Strengthen qualification requirements for KOSDAQ Market Committee members
2. Overhaul of listing/delisting standards and procedures for underperforming companies	[Listing Review] - Introduction of customized technology special listing system [Delisting Review] - Tightening delisting requirements - In 2028, companies with market cap below KRW30bn and revenue below KRW10bn are subject to delisting (current threshold: market cap of KRW4bn, and revenue KRW3bn)
3. Create a stable environment for institutional investor participation	- Raise preferential allocation ratio for KOSDAQ Venture Fund in IPOs to 30% from 25% - Increase tax credit for KOSDAQ Venture Funds and grant tax benefits to Business Development Companies (BDC) - Include KOSDAQ index in fund performance benchmarks for pension funds
4. Strengthen investor protection	- Review listing standards for dual listing - Improve effectiveness of put-back options in IPO - Introduction of cornerstone investors

Source: FSC, Nomura research

On 9 Jan, the Ministry of Finance and Economy announced additional measures to boost the KOSPI and KOSDAQ. These included: 1) tax deductions for investments in the National Growth Fund; 2) KOSDAQ funds – up to KRW2mn in tax deductions every year (vs current cumulative cap of KRW3mn); and 3) introduction of an upgraded Investment Savings Account (ISA) that provide better tax-exempt benefits.

Earnings surprise, further EPS revisions – from which sector?

Since 10 Dec, when we published our 2026/27F EPS forecasts, our earning forecasts have risen to show 52% y-y growth for 2026F, vs 47% y-y growth on 10 Dec. In the last three months, Korea has shown the biggest EPS upward revision trend, but we see likelihood of further upward revisions from industries such as auto, defense, power equipment and batteries owing to KRW weakness and more favorable global policies/geopolitical tensions between the US and China.

Fig. 3: Nomura vs consensus – 2025-27F net profit

(KRW/bn) Sector	2025F net profit				2026F net profit				2027F net profit			
	Nomura est.	y-y	Consensus	Diff	Nomura est.	y-y	Consensus	Diff	Nomura est.	y-y	Consensus	Diff
Semi	87,803	64%	82,942	6%	205,595	134%	196,733	5%	255,635	24%	218,480	17%
Non-semi tech	3,588	na	3,460	4%	4,154	16%	4,055	2%	6,012	45%	5,098	18%
Battery	(597)	na	(1,499)	na	1,650	na	1,105	49%	2,877	74%	3,949	-27%
Steel/metal	1,163	-9%	1,889	-38%	2,058	77%	3,050	-33%	2,133	4%	3,712	-43%
Auto/parts	22,920	-13%	22,905	0%	24,730	8%	25,165	-2%	26,257	6%	27,148	-3%
Shipbuilding	8,106	20%	8,045	1%	10,101	25%	10,530	-4%	10,513	4%	12,224	-14%
Defense	3,003	-15%	3,105	-3%	4,334	44%	4,556	-5%	5,184	20%	5,823	-11%
Telecom	2,835	35%	2,794	1%	3,334	18%	3,419	-2%	3,403	2%	3,677	-7%
Nuclear	9,552	165%	9,057	5%	11,946	25%	11,056	8%	13,062	9%	12,151	7%
Power equipment	1,415	47%	1,466	-4%	2,248	59%	2,078	8%	2,798	24%	2,655	5%
Healthcare	3,002	99%	2,548	18%	3,427	14%	3,244	6%	3,706	8%	3,725	0%
Internet/Media	3,949	17%	3,907	1%	3,666	-7%	4,648	-21%	4,535	24%	5,239	-13%
Financials	41,850	8%	41,850	0%	43,676	4%	43,676	0%	45,627	4%	45,627	0%
Consumer	8,174	-1%	8,174	0%	9,906	21%	9,906	0%	11,244	14%	11,244	0%
Construction	3,614	42%	3,614	0%	4,149	15%	4,149	0%	5,089	23%	5,089	0%
Subtotal	199,669	37%	192,250	4%	337,244	69%	328,982	3%	402,104	19%	369,788	9%
Others	49,830	49%	49,830	0%	41,848	-16%	41,848	0%	39,763	-5%	39,763	0%
Total	249,499	39%	242,080	3%	379,092	52%	370,830	2%	441,867	17%	409,551	8%
EPS	281	39%			426	52%			497	17%		
BPS	3,113	8%			3,496	12%			3,949	13%		
ROE	9.5%				12.9%				13.4%			

Source: Company data, Nomura estimates, Bloomberg Finance L.P.

China's tighter restriction on rare earth exports to Japan

On 6 January, the China government announced that it would be tightening export controls for dual-use items (items that could have military uses) destined for Japan. China's dual-use export control list as of November 2024 does not explicitly mention the term "rare earths," but rare earths such as cerium and yttrium are included individually, as are related materials and processed products derived from these rare earths. That said, the exact scope of what will be covered under China's tighter export controls for items destined for Japan remains unclear, and further details will need to be confirmed going forward, according to our Japan analyst Yuji Matsumoto ([link](#)).

While these measures are not directly targeted at South Korea, some spillover risks to Korean industries may emerge, in our view. Korean industries with sizable exposure to REE (rare earth elements) include the semiconductors, defense, and EV/battery sectors ([Fig. 4](#)).

- Korea has historically relied on Japan for intermediate materials in these segments (e.g. etching gas, photoresist), but following Japan's export controls in 2019, Korea has steadily reduced dependence on Japanese suppliers of materials/parts/equipment. As a result, Korea's reliance on Japanese sources declined to 13.9% in 2024 from 16.9% in 2019 (source: MOTIE).

Throughout 2025, China incrementally tightened export controls on critical battery materials and technologies. The April 2025 export control included key REE and magnets that are essential in aerospace/defense, electric vehicle (EV) motor, wind turbines, electronics. The magnets relevant to the battery industry includes Neo dmium-Iron-Boron (NdFeB) that are used largely in EV motors supplied to Tesla (TSLA US, Not rated), Kia (000270 KS, Buy) and BMW (BMW GY, Not rated). The April 2025 list also controls supply of dysprosium, used for REE magnets, which could affect production in Japan, but many Japanese companies have been taking steps to shore up inventories, creating limited impact near term.

Fig. 4: Rare earth usage by product

Product	Rare earth requirement
Smartphone	0.1-0.2mg
EV motor	1-2kg
Wind turbine	160-280kg
F-35	408kg
9,000t-class destroyer	2,360kg
7,900t-class nuclear submarine	4,175kg

Source: Company data, Nomura research

Appendix A-1

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