

## GOVERNMENT BOLSTERS MARKET MONITORING AMID CORONAVIRUS OUTBREAK

FSC Vice Chairman Sohn Byungdoo convened a meeting on January 28, 2020 to assess the impact of the spread of coronavirus on the domestic and global financial markets. Amid rising concerns over economic and financial markets at home and abroad, the Korean government has put in place a response system, working on preventive measures and monitoring its impact on our economy.

The following is a summary of Vice Chairman Sohn's remarks:

The financial markets in Korea remained stable until mid-January following the conclusion of the first phase deal between the US and China over their trade conflicts and due to eased tension in the Middle East. However, with the spread of the new coronavirus, volatility increased last week.

Today, KOSPI fell 3.1 percent while the won-dollar exchange rate rose 0.7 percent (up 8.0 won).

Based on our past experiences with the SARS (severe acute respiratory syndrome) outbreak in 2003, the avian influenza in 2009, and the Middle East respiratory syndrome (MERS) in 2015, the impact of the new coronavirus outbreak on domestic financial markets will depend on how extensive it spreads in Korea.

The Korean financial markets may experience rising volatilities for a while due to increased appetite for risk-free assets.

However, Korea's external soundness remains solid as its foreign exchange reserves (USD408.8 billion by the end of 2019) and net foreign assets in debt instruments (USD479.8 billion by end of Q3 2019) increased to record high levels.

In order to stabilize financial markets, the government should bolster the 24-hour market monitoring system and be prepared for any volatility. The government should also work to provide financial assistance to the industries that may be heavily affected by the epidemic, such as the tourism industry.

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