

# Market Watch

## Markets still trying to price the crisis

### Summary

- **US equities entered bear market territory, with the S&P500 falling 9.5% on Thursday. The drop was the 5<sup>th</sup> largest in history and the biggest since the 1987 crash.**
- **Fed announced USD 5tn in short term liquidity for banks. ECB announced a new TLTRO facility.**
- **What to watch: COVID-19 new cases, Europe’s response to Trump’s travel ban and high frequency economic data**

### Background

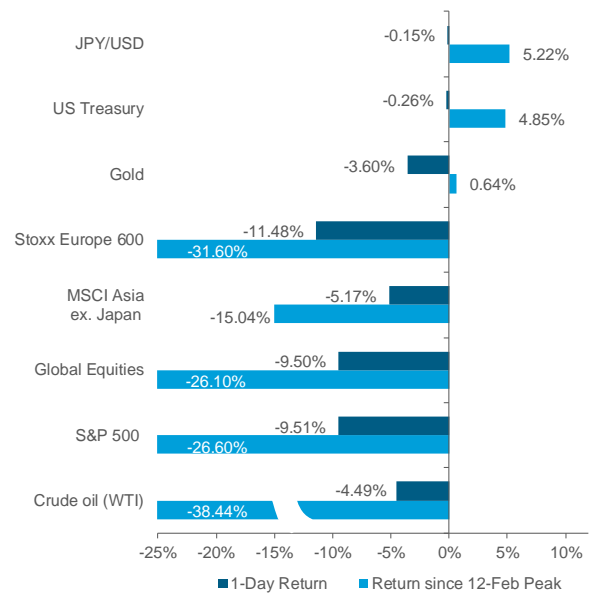
- President Trump halted flights from Continental Europe to the US from Friday 13<sup>th</sup>, with US equity futures selling off immediately afterwards, and announced measures to help workers who do not benefit from sick pay, as well as some limited healthcare measures for COVID-19 testing.
- Fed Funds futures are pricing in a minimum rate cut of 75 basis points at next week’s FOMC meeting. Options market implies a 26% probability of a negative Fed Funds rate by end of 2020.
- The Fed responded to banks calls for more short-term liquidity, announcing up to USD 5tn in short term liquidity in an effort to prevent a repeat of the funding squeeze in September 2019.
- Evidence that investors are selling their “winners” reflected in the declines in US Treasuries, where yields rose, and gold prices.
- The US S&P500 index fell 9.5%, Europe was down 12% and Asia ex-Japan was down 5.2%. The 10-year US government bond yield rose 15bps to 0.8%, the USD index rose 1.0%, while the JPY rallied 0.2%. Gold and oil fell 3.6% and 4.5%, respectively.

### What does this mean for investors?

- There are some signs of indiscriminate selling in the US and Europe as investors sell winners to raise cash, signalling a new phase of the market downturn. Spread widening in the ETF markets are also an indicator of this phenomenon.
- **What to watch:** Pace of new COVID-19 infections, particularly in the US/Europe. With monetary policy response in the US and Europe already under way, governments need to step up with meaningful fiscal response. High frequency Chinese economic data such as traffic and electricity consumption for early indications of a turnaround in the Chinese economy.
- **Technical watch:** The S&P 500 index has fallen below strong support on the 200-week moving average (that came at 2640) for the first time since 2011, opening way toward the 2018 low of 2347 (5.4% below Thursday’s close). Subsequent support is at 2150 (13.3% below Thursday’s close).

### Equity indices enter bear market territory

Selected market performance on 12 Mar and since 12 Feb\*



Source: Bloomberg, Standard Chartered; \*MSCI All Country World Index peaked on 12 Feb

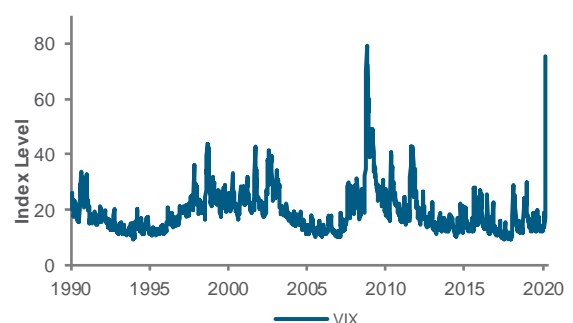
### Table of technical support levels for selected assets

Index	Spot	1st support	% from spot	2nd support	% from spot
S&P500	2,480.64	2,347.00	-5.4%	2,150.00	-13.3%
Stoxx 600	294.93	275.00	-6.8%	263.00	-10.8%
MSCI Asia ex.Jp	584.73	540.00	-7.6%	508.00	-13.1%
UST-10Yr	0.80	0.50	-37.8%	0.32	-60.5%
Gold	1,576.15	1,547.00	-1.8%	1,500.00	-4.8%

Source: Bloomberg, Standard Chartered

### US volatility measure (VIX) rises to highest since the Global Financial Crisis

Volatility is close to levels recorded during 2008 crisis



Source: Bloomberg, Standard Chartered

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