

# Market Watch

## US equities re-enter correction territory

### Summary

- 10-year US Treasury yields fell sharply in US trading on Thursday, reaching a new intra-day low of 0.9%.
- US Equities continued their choppy week as S&P 500 declined by 3.4%, retracing most of Wednesday's gains.
- Rise in the number of new COVID-19 cases outside of China and declaration of State of Emergency in California were catalysts for the sell off.
- Near-term focus remains on the spread of COVID-19 and policy response, especially in the US and EU.

### Background

- Continued rise in the number of new COVID-19 outside China weighed on market sentiment. World Health Organisation's remarks that some countries might not be doing enough, exacerbated concerns over the spread of the virus. California's declaration of a state of emergency, weakened already fragile market sentiment.
- US equity markets remained volatile, registering a change of over 2% for the 7<sup>th</sup> time in the past 9 sessions. Gold rallied on safe haven demand, WTI dropped 2% to USD 45.9
- The EUR continued its strong run on signals of increased fiscal leeway from EU officials and Italy's announcement to double its stimulus spending to EUR 7.5bn.

### What does this mean for investors?

Markets sentiment remains fragile as investors try to assess the impact of COVID-19 on global growth. We believe timely and effective policy support remains key. As we highlighted previously, a peak in new cases outside China and further announcements of fiscal stimulus in Developed Markets are needed to calm markets and reduce volatility in the near-term.

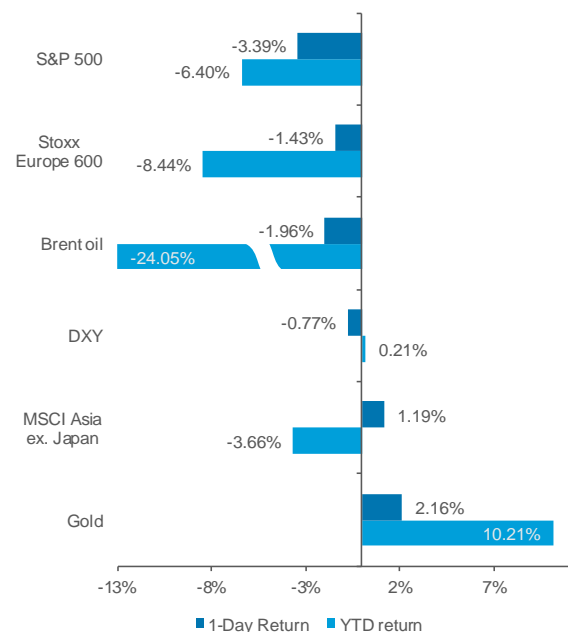
The latest decline in 10-year US Treasury yields to new all-time lows has coincided with expectations of further rate cuts by the Fed, which is the only DM central bank with significant scope to cut rates. Markets are currently pricing expectation of nearly 50bp rate cut (equivalent to two 25bp cuts) in the upcoming 17-18<sup>th</sup> March FOMC meeting. In the 6 times Fed has enacted an emergency rate cut since 1998, it has lowered the rates again in the next FOMC meeting. Hence, further decline in yields cannot be ruled out.

### What is the technical outlook?

S&P500's initial support rests at last week's low of 2,856 (5.6% below current level). 10-year US Treasury yields first support is 0.83%. The next key resistance for the EURUSD is the Mid-2019 high of 1.1412.

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Selected market performance, 5-Mar-2020, local currency



Source: Bloomberg, Standard Chartered

### Table of technical support levels for selected assets

Index	Spot	1st support	% from close*	2nd support	% from close*
S&P500	3,023.94	2,856.00	-5.6%	2,637.00	-12.8%
Stoxx 600	380.76	361.00	-5.2%	327.00	-14.1%
MSCI Asia ex.Jp	648.18	630.00	-2.8%	571.00	-11.9%
UST-10Yr	0.92	0.83	-9.5%	0.60	-34.6%
Gold	1,671.69	1,565.47	-6.4%	1,536.00	-8.1%

Source: Bloomberg, Standard Chartered; \*vs. 05 March's close

### Drop in 10-year US Treasury yields is driving expectations of further Fed Funds rate cuts

UST 10 year bond yields and implied Fed Funds rate



Source: Bloomberg, Standard Chartered

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