

# Market Watch

## Whatever is necessary?

### Summary

- The S&P 500 fell 12%, the largest single-day fall since 1987, while Asian equities fell 5.5%.
- The G7 said it would do “whatever is necessary” amid renewed COVID-19 related shutdowns and concern central bank action could be insufficient.
- What to watch: US/Europe COVID-19 infections and fiscal policy; China real-time data. See table for a summary.

### Background

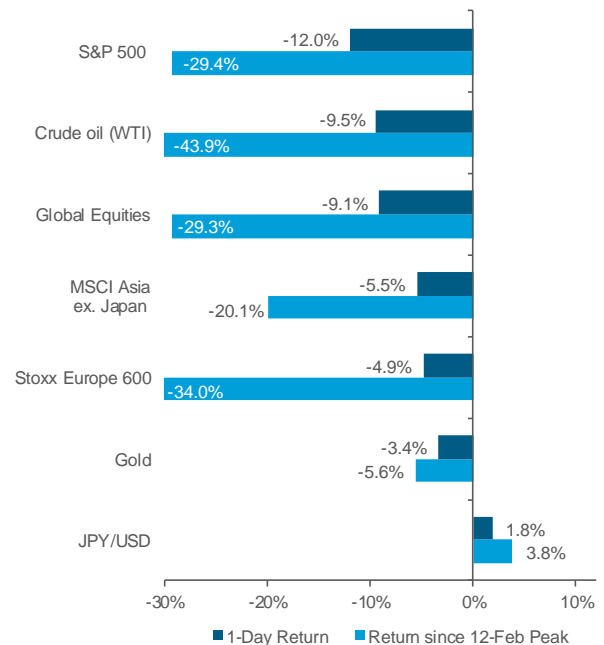
- The S&P 500 fell 12.0% overnight, the largest 1-day fall since 1987, pushing the VIX volatility index to a new record high. Stoxx Europe 600 fell 4.9% and MSCI Asia ex-Japan fell 5.5%. US Treasury yields fell 24bps to 0.72%. Gold fell, while the Yen rallied.
- Liquidity in bond markets became a key area of concern. Additional Fed liquidity was made available to support the overnight repo market, but many reports pointed out stress in the US commercial paper market (one key source of short-term corporate funding) needed the Fed’s attention.
- G7 leaders said they would do “whatever is necessary” to stabilise the global economy, hinting at a globally coordinated response. Euro area finance ministers asked the region’s EUR 410bn bailout fund to look at ways to help. The IMF also pledged to make its USD 1tn lending capacity available.
- This came as many investors reportedly expressed concern that major central banks had already largely expended their ability to fight weakness in the economy and markets. A number of countries also announced significant restrictions on social and economic activity in an effort to contain COVID-19’s spread, raising renewed concerns about their economic impact.

### What does this mean for investors?

- Renewed COVID-19 related shutdowns and signs of stress in bond, repo and commercial paper markets need to be monitored closely. Having said that, the G7’s signal is a positive assuming significant policy action to support the global economy follows. US equity futures show a market bounce is likely following yesterday’s losses, but Asian equities (open markets and futures) appear more mixed.
- **What to watch:** See table alongside.
- **Technical watch:** The S&P 500 index is approaching major support at 2347 (1.5% below Monday’s close). We expect this support will not be easy to break, especially with the Relative Strength Index (RSI) divergence (declining index vs. ascending RSI) indicating the slide is losing steam for now. However, the S&P500 needs to break immediate resistance at the Friday’s high of 2711 for the downward pressure to ease.

### Markets whipsawed again: Equities declined sharply

Selected market performance on 16 Mar and since 12 Feb\*



Source: Bloomberg, Standard Chartered

### Table of technical support levels for selected assets

Index	Spot	1st support	% from spot	2nd support	% from spot
S&P500	2,386.13	2,347.00	-1.6%	2,150.00	-9.9%
Stoxx 600	284.63	263.00	-7.6%	233.00	-18.1%
MSCI Asia ex. Jp	550.16	508.00	-7.7%	474.00	-13.8%
UST-10Yr	0.73	0.50	-31.3%	0.32	-56.3%
Gold	1,513.91	1,445.00	-4.6%	1,400.00	-7.5%

Source: Bloomberg, Standard Chartered

### Monetary policy has largely delivered, focus shifts to governments

Key factors to watch & our assessment

	US	Europe	China
Monetary Policy	●	●	●
Fiscal Policy	●	●	●
New COVID-19 Cases	●	●	●
Real-time economic data			●

Source: Standard Chartered

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