

Market Watch

Markets stabilise, for now

Summary

- The S&P 500 rose 0.5%, oil surged 24%, reversing a similar decline the day before. The US dollar continued to gain while 10-year Treasury yield held steady at 1.14%.
- The US Congress proposed its 3rd bailout this month which includes up to USD 1,200 in payments to individuals, the Fed announced 9 new swap lines valued at USD 390bn and the Bank of England cut rates.
- **What to watch:** Liquidity conditions, COVID-19 infections, fiscal/monetary policy; China real-time data; retail investor activity in markets.

Background

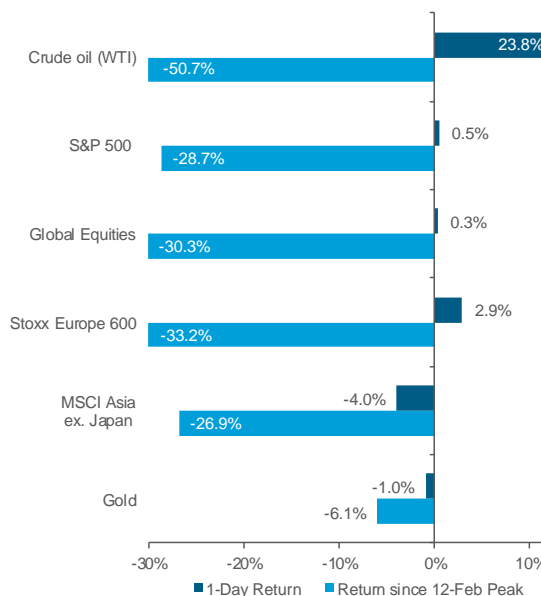
- US, European equity markets, the dollar and oil all rose while, while US Treasuries held steady.
- The US Congress proposed a USD1tn fiscal stimulus package, the third this month. It includes provisions for USD1,200 in government payments for people earning under USD 75,000, double that for couples.
- The cumulative fiscal stimulus in March of USD 1.2tn already exceed that USD 800bn spent during the 2008/09 recession.
- The Fed announced new USD60 bn swap lines for central bank in: Australia, Brazil, Korea, Singapore and Sweden and USD30 bn lines for Denmark, Norway and New Zealand. This complements existing swap lines with five biggest Central banks ex China.

What does this mean for investors?

- Policy makers are accelerating their pace of action. Previous red lines are being crossed, including the US government's willingness to take equity stakes in companies. The Bank of England crossed its 0.25% lower bound less than a week into the term of its new governor.
- The Fed's announcement of nine new swap lines is significant as it will hopefully alleviate some of the dollar funding squeeze created by the sell-off in markets globally and the insatiable appetite for dollars amongst investors.
- Retail investors showing signs of capitulation. US ETF's with heavy retail participation saw a decline in shares outstanding, a contrarian signal (ie. could signal a near term bounce).
- **Technical watch:** In recent days, the S&P 500 index has been flirting with major support at the December 2018 low of 2347. A decisive hold above the support on a weekly basis is vital for the broader uptrend to remain intact. But until there is some upside momentum, the path of least resistance remains down. At the very least, the index needs to clear immediate resistance at the Monday's high of 2554 for the short-term downward pressure to ease.

Markets begin to

Selected market performance on 19 Mar and since 12 Feb*



Source: Bloomberg, Standard Chartered

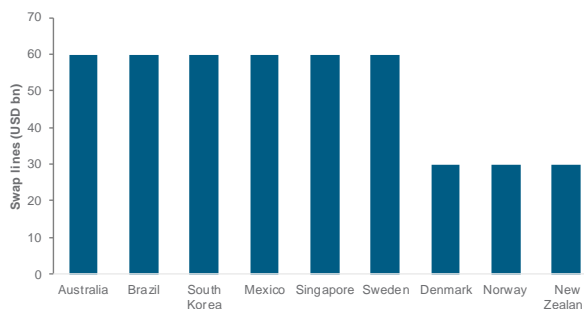
Table of technical support levels for selected assets

Index	Spot	1st support	% from spot	2nd support	% from spot
S&P500	2,409.39	2,150.00	-10.8%	2,040.00	-15.3%
Stoxx 600	287.80	263.00	-8.6%	233.00	-19.0%
MSCI Asia ex.Jp	503.22	474.00	-5.8%	435.00	-13.6%
UST-10Yr	1.13	0.63	-43.8%	0.50	-55.7%
Gold	1,469.80	1,445.00	-1.7%	1,400.00	-4.7%

Source: Bloomberg, Standard Chartered

Fed announces swap lines with nine central banks

Swap lines complement existing 5 with major central banks



Source: Standard Chartered

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