

Market Watch

Outbreak close to peak?

Summary

- US equity markets opened the week on a strong note on hopes of slowing coronavirus deaths. The S&P500 index gained 7.0% and the US 10-year Treasury yield rose to 0.68%. The technology sector led the rally as investors piled back into growth assets.
- Investors welcomed the news of slowing deaths and hospitalizations in New Jersey and New York as the US enters its peak-mortality week, according to experts. Meanwhile, reports suggest OPEC+ would likely agree to implement production cuts should the US join the efforts.
- **What to watch:** Major economies' COVID-19 infection and death rates, unemployment data, any progress on a common EU Eurobond issuance, China activity data and money market liquidity.

Background

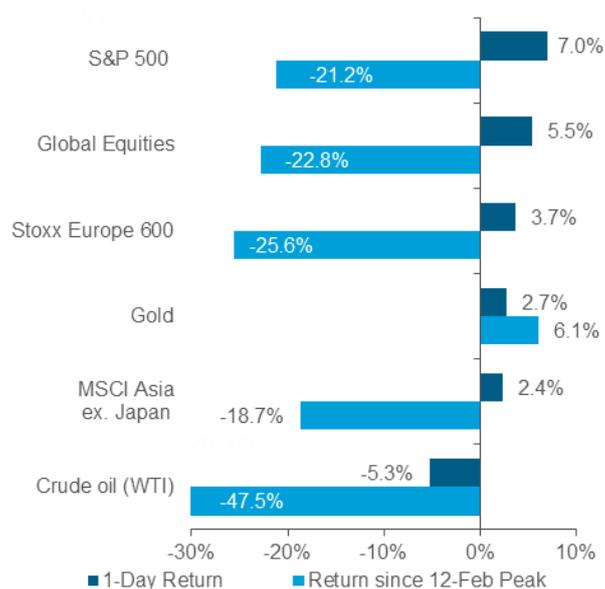
- The S&P500 index and the Euro Stoxx 600 gained 7.0% and 3.7% respectively. The 10-year US Treasury yield also jumped to 0.68% (at time of writing). ETF markets suggest high yield bonds and Emerging Markets USD sovereign bonds also rose. Gold was slightly higher, while oil (WTI) fell 5.3%. The USD (DXY) index was moderately unchanged at +0.1%.
- **Technical watch:** The S&P 500 index's gap higher on Monday has created a bullish island reversal gap. It is now attempting to break above crucial converged resistance – the 200-hour moving average and the 31 March high of 2642. Such a break could open way toward 2795 (the 50% retracement of the February-March fall). Subsequent resistance is at 2935 (the 61.8% retracement).

Updates

- 1) **COVID-19 Pandemic:** On Monday, the US entered what one official called the "peak death week" of the coronavirus. Across the Atlantic, British Prime Minister Boris Johnson was taken to intensive care. There are increasing signs that major economies in Europe are at, or past, the peak infection phase, with data continuing to improve slowly. Though we would caution against claiming victory too early as Asian countries are seeing a rise in infections possibly coming from asymptomatic carriers. The regions looking most at risk based on recent data remain the Middle East and North Africa.
- 2) **Sentiment** - We have upgraded sentiment to amber in our situation assessment map (page 2) on the back of the improving numbers in Europe and the strong stock market performance. However, it is important to note the economic damage done by the virus and the related containment measures still has to be navigated (as Japan's decision to impose emergency in Tokyo and other regions shows).
- 3) **OPEC+ update** - Major oil producers, including Saudi Arabia and Russia, are said to potentially agree to production cuts at a Thursday meeting on condition that the United States joins the effort. Worldwide oil demand has dropped by roughly 30%, or

Equities have a strong start to the week

Selected market performance on 6 Apr and since 12 Feb



Source: Bloomberg, Standard Chartered

Table of technical support levels for selected assets

Index	Previous close	1st support	% from spot	2nd support	% from spot
S&P 500	2,663.68	2,447.00	-8.1%	2,192.00	-17.7%
Stoxx 600	320.58	302.00	-5.8%	269.00	-16.1%
MSCI Asia ex.Jp	562.49	501.00	-10.9%	435.00	-22.7%
UST-10Yr	0.68	0.50	-0.18	0.32	-0.36
Gold	1,661.70	1,562.00	-6.0%	1,516.00	-8.8%

Source: Bloomberg, Standard Chartered

about 30 million barrels a day since the COVID-19 pandemic brought economic activity to a standstill.

What does this mean for investors?

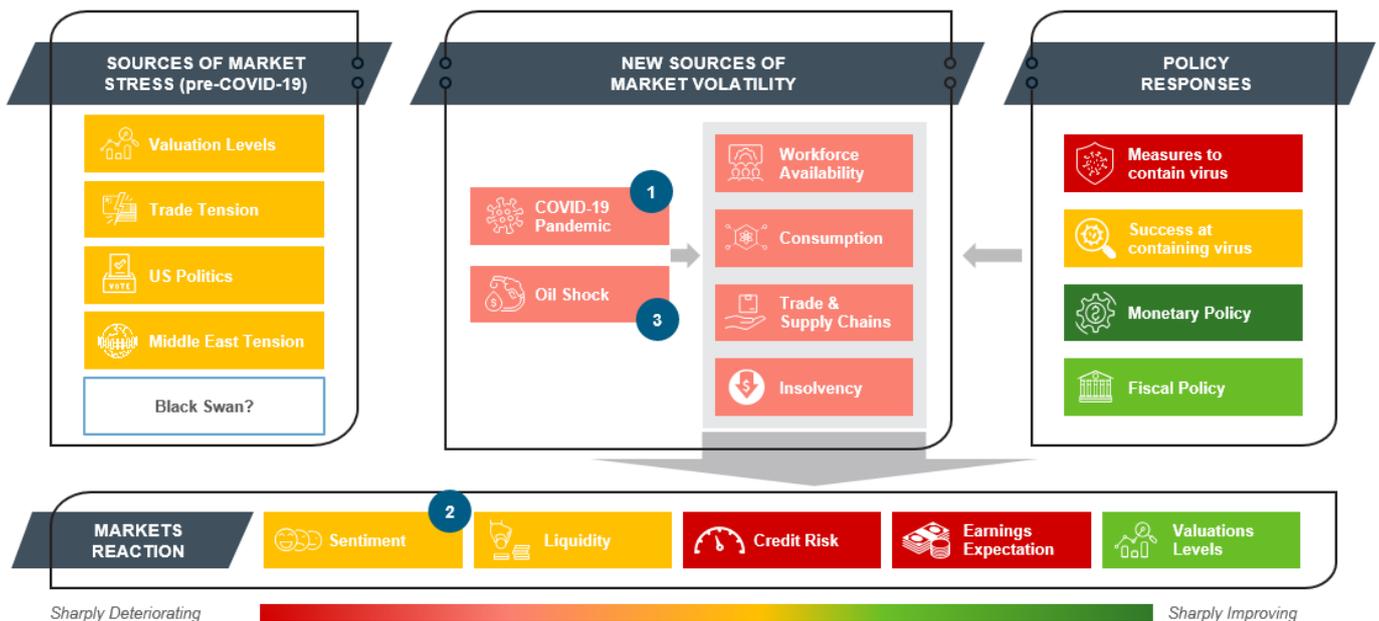
- Markets are likely to remain volatile in the coming days as new COVID-19 cases continue to rise in the US and resulting lockdowns remain likely to extend in parts of both Europe and the US. While the technical picture has marginally improved, the short-term outlook may be volatile as the S&P 500 faces near-term resistance. That said, continued signs of a recovery in China's economic activity is a positive amid increasingly attractive valuations across both equities and corporate bonds. The ability to ride out short term fluctuations remains key.

Investors welcome recent data showing a possible slowdown in global coronavirus-related deaths



Source: JHU CSSE, WHO, Standard Chartered

Things we are watching and our assessment



Source: Standard Chartered

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