Market Watch

Helicopter money?

Summary

- **The US S&P 500 surged 6%, reversing nearly half of the previous day's largest single-day fall since 1987, while US Treasury yields continued to recover after the Trump administration proposed a USD 1.2tn stimulus package.**
- **The proposed package to mitigate the impact of COVID-19 reportedly includes c. USD 500bn in direct cash payments or tax cuts to households, USD 300bn to small businesses and up to USD 100bn for airlines and tourism industries.**
- **The package, combined with further Fed measures to lower funding costs for businesses, suggest an all-out effort to use monetary and fiscal tools at the government's disposal to fight the likely onset of a recession. Whether the measures are passed by Congress will be key.**

Background

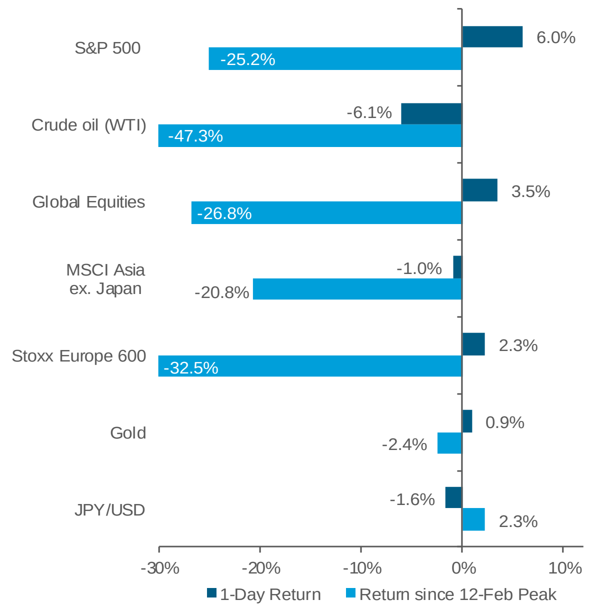
- The S&P 500 index's 6% rise, partially reversed the previous day's 12% slump, although the index is still 25% below its 12 Feb peak. The VIX volatility index fell marginally to 75.9, close to the previous day's record high. US Treasury yields surged 36bps to rise above 1% for the first time in two weeks. Gold rose to USD1,528, while the broad-USD rallied 1.5%.
- The proposed stimulus package is in addition to measures approved by the House of Representatives (which the Senate could pass this week), which enables workers impacted by COVID-19 to take paid sick leave, boosts unemployment/food assistance and provides fresh aid to states.
- Separately, the Fed restarted a 2008 crisis era plan to help US companies to borrow through the commercial paper market as the market showed further strains. The measures followed the Fed's cut in benchmark rates to record low of 0-0.25% and restart of government bond purchases totalling USD 700bn.

What does this mean for investors?

- The US administration's stimulus plans, combined with those discussed by European leaders, suggest fiscal policy is now at the centre of global policymakers' efforts to mitigate the impact of COVID-19. With monetary policy already taken to limits, any efforts by governments to inject cash to households, delay loan, interest and mortgage repayments and help workers and businesses tide over the next few months until COVID-19 spread subsides could make the difference between a severe recession/surging unemployment versus a controlled one.
- **Technical watch**: The S&P 500 index is holding above major support at the December 2018 low of 2347. Positive Relative Strength Index divergence (declining index vs. ascending RSI) indicates that the slide is losing steam, for now. However, the index needs to break above resistance at Friday's high of 2,711 for the short-term downward pressure to fade.

Equity markets rebounded on fiscal stimulus plans

Selected market performance on 17 Mar and since 12 Feb*



Source: Bloomberg, Standard Chartered

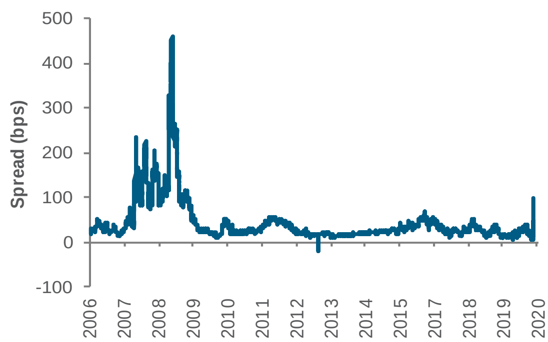
Table of technical support levels for selected assets

Index	Spot	1st support	% from spot	2nd support	% from spot
S&P500	2,529.19	2,347.00	-7.2%	2,150.00	-15.0%
Stoxx 600	291.07	263.00	-9.6%	233.00	-20.0%
MSCI Asia ex.Jp	544.89	508.00	-6.8%	474.00	-13.0%
UST-10Yr	1.07	0.63	-40.7%	0.50	-53.2%
Gold	1,528.30	1,445.00	-5.5%	1,400.00	-8.4%

Source: Bloomberg, Standard Chartered

US commercial paper markets showed signs of strains, although they are far from levels reached in 2008

US commercial paper 3m yield premium over Treasury bills



Source: Standard Chartered

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