Market Watch

Policy coordination increasing

Summary

- **Fed cuts rates to zero, promises more asset purchases, Germany provides funds to help stressed sectors and European Commission seeks easing of fiscal rules.**
- **US futures are down 5% in early Asian trading on Monday 16th, this follows a big rebounded on Friday 13th .**
- **What to watch: US/Europe COVID-19 new cases, US/China economic data and the outcome of 1) G7 conference call and 2) EU finance ministers meeting.**

Background

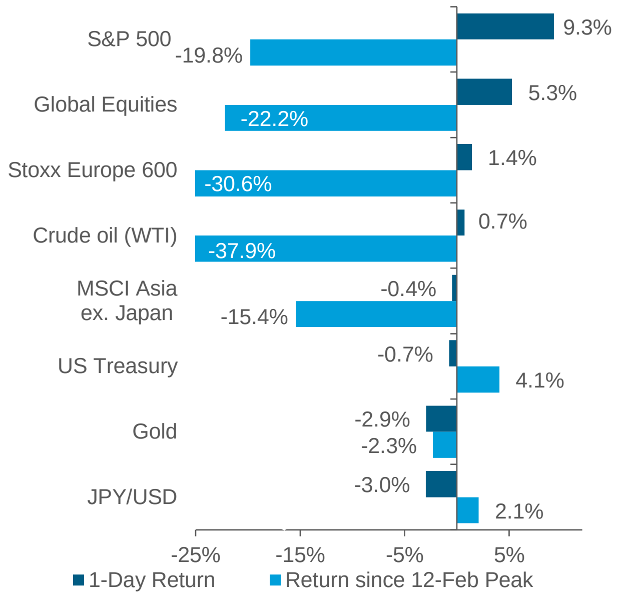
- Signs of global policy coordination are increasing ahead of the G7 conference call today. The Fed cut interest rates by 100bps to a 0.00-0.25% target range and announced 1) asset purchases of at least USD 700bn (500bn in government and 200bn in mortgage-backed securities), 2) expanded repurchase operations, 3) activated USD swap lines for foreign banks and 4) a credit facility for commercial banks to ease the pressure on household and business lending. There was also coordinated action from major central banks to lower the cost of USDs borrowed internationally using swap lines.
- Europe is moving towards fiscal policy easing. Germany indicated it will provide cash to businesses hit by the COVID-19 outbreak. Companies will also be able to defer tax payments. Meanwhile, the European Commission President Ursula von der Leyen said she would seek an easing of fiscal rules to help support economies.
- The US S&P500 index rose 9.3% on Friday, the 10-year US government bond yield rose 8bps to 0.96% (as of writing the yield dropped to 0.69%), the USD index rose 0.9%, while the JPY and gold fell around 3%.

What does this mean for investors?

- On Friday markets rebounded following indications of indiscriminate selling on Thursday. However, until the authorities in the US and Europe make progress towards reducing containment measures, markets are likely to remain concerned about the economic and earnings outlook. This means that volatility is likely to remain high.
- **What to watch:** Pace of new COVID-19 infections, particularly in the US/Europe; G7 conference call; EU finance ministers meeting; US, China data releases
- **Technical watch**: The S&P 500 index briefly fell below crucial support at 2640 (200-week moving average), but failed to close below this level on a weekly basis. Below this, there is major support at the December 2018 low of 2347 (around 13% below Friday's close). The index needs to hold above 2347 for the medium-term technical outlook to remain bullish.

Markets whipsawed: Equities rebound strongly

Selected market performance on 13 Mar and since 12 Feb*



Source: Bloomberg, Standard Chartered; *MSCI All Country World Index peaked on 12 Feb

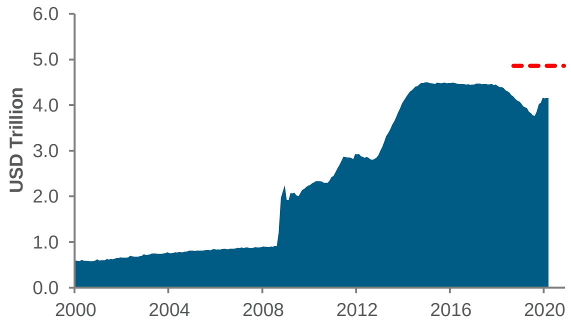
Table of technical support levels for selected assets

Index	Spot	1st support	% from spot	2nd support	% from spot
S&P500	2,711.02	2,347.00	-13.4%	2,150.00	-20.7%
Stoxx 600	299.16	275.00	-8.1%	263.00	-12.1%
MSCI Asia ex.Jp	582.09	540.00	-7.2%	508.00	-12.7%
UST-10Yr	0.95	0.50	-45bps	0.32	-63bps
Gold	1,529.31	1,500.00	-1.9%	1,445.00	-5.5%

Source: Bloomberg, Standard Chartered

US Fed promises additional USD 700bn in asset purchases

Federal Reserve Bank balance sheet (USD Trillion)



Source: Bloomberg, Standard Chartered

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