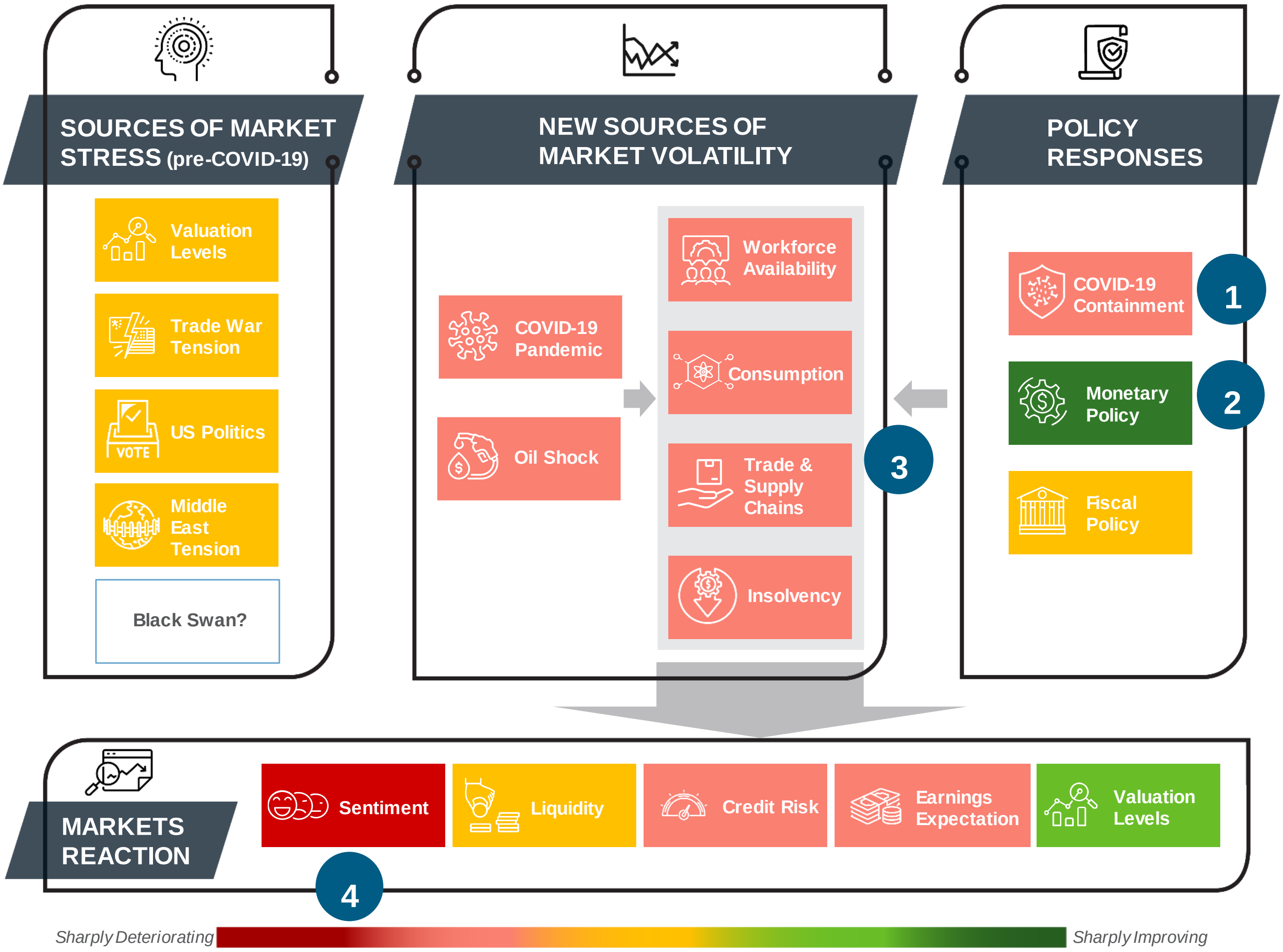
Market Watch

Update on things we are watching



Source: Standard Chartered

Updates over the past 48 hours

1) **Containment: Global:** Based on purely statistical analysis of official data, global COVID-19 projections are coming down gradually. This suggests actions being taken are already having an impact, despite the uncertainty surrounding the outlook and the still very challenging situation being faced in many countries. **Europe:** Signs are increasing that Italy has started to make significant progress in managing the COVID-19 outbreak. Monday and Tuesday saw new cases of just over 4000, down from almost 6000 on Saturday. The WHO said Italy and Spain are reaching their pandemic peaks. **US:** The situation in the US is still getting worse with 21,000 new cases according to the latest data and deaths also rising sharply to 700 as the healthcare system becomes very strained. **Emerging Markets:** Situation appears to be deteriorating in many countries in the Latin America, Middle East and Central and Eastern Europe. In Asia, the Philippines and Thailand data looks worrying.
2) **Policy responses:** US President Trump called for a USD 2 trillion infrastructure spending package to support the economy. It is too early to understand whether this will get much traction, but his insistence that no money is given to address environmental concerns is likely to make progress challenging. **Japan** is hoping to finalise a JPY 60tn (~USD 556bn) stimulus package in early April. Separately, China's cabinet has called for cash injection and infrastructure bonds to help

the economy recover from the slowdown. On Monday, on the monetary policy front, **China's** central bank cut its 7-day reverse repo rate (OMO) by 20bps to 2.2% and injected CNY 50bn of liquidity into the system. The OMO cut is the largest since it became a notable policy tool in 2015. While, to some degree, this cut merely reflects declines in secondary market interest rates, it is a signal that the authorities are comfortable with lower interest rates and are keen to support economic activity. The focus will now shift to the 1-year medium term lending facility, which could be cut in the coming weeks. In **Singapore**, the Monetary Authority (MAS) moved to a neutral stance on the Singapore dollar nominal effective exchange rate. It is rare for the MAS to have anything other than an SGD appreciation stance, but the MAS noted that fiscal policy will be the primary tool for tackling the weakness of the economy.

3) **Economic data:** Economic data has been mixed over as pending home sales growth in the US fell 2.9ppt to 2.4% m/m while Dallas Fed manufacturing index fell to a record low of -70.0. However, consumer confidence fell by less than expected to 120, from 132.6 the prior month. China's PMI data surprised to the upside, bouncing into expansionary territory after the sharp plunge last month and validating our views of commencement of recovery in China. Looking ahead, the US manufacturing PMI release tonight, initial jobless claims on Thursday (especially following the record increase in unemployment benefit claims last week) and employment and services PMI data on Friday are likely to be the key releases to monitor.

4) **Sentiment:** The stabilisation in the number of cases in Europe has been offset to certain degree by the continued rise in COVID-19 cases in the US, with medical experts highlighting potential for over 200,000 deaths. Equity market sentiment has stabilised somewhat after the last month's roller-coaster ride. Continued low oil prices continue to strain oil producers and could potentially exacerbate the stress in EM countries over the coming weeks. On technical charts, the rebound in the S&P 500 index has thus far been capped at key resistance at 2650 (the 38.2% retracement of the February-March fall). Retracement levels of 38% to 50% are considered reasonable after sharp declines, but don't necessarily alleviate the risk of another leg lower. To be sure, the index hasn't broken any support yet, so further gains are still possible. However, any break below intra-day chart support at 2520 would raise the odds of a retest of the March low of 2192. Subsequent support is at 2150 (the 78.6% retracement of the 2015-2020 rise) followed by 2025 (the 50% retracement of the 2009-2020 rise).

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