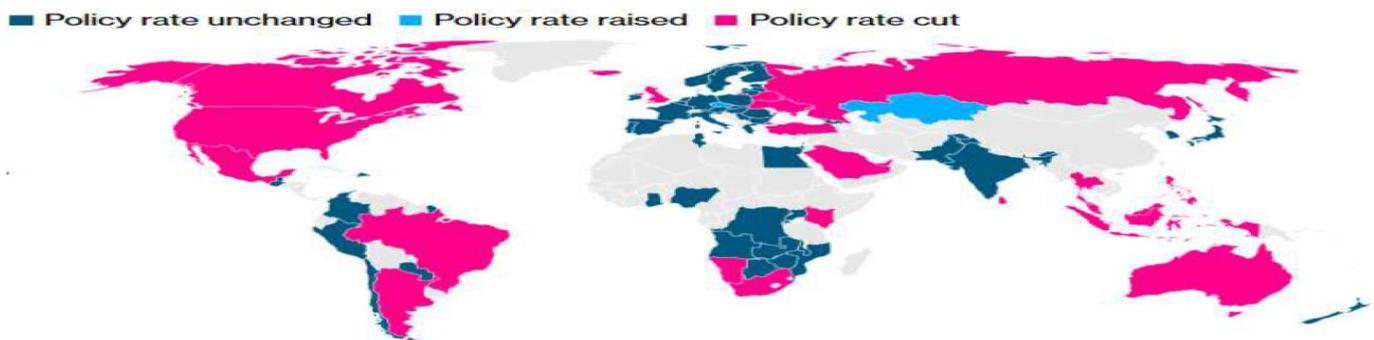


During this week, the **World Health Organisation** declared the coronavirus spread as pandemic. US suspended travel from Europe for 30 days. Main central banks have responded with policy easing, but it seems that more coordination is needed between monetary and fiscal supportive policies.

The **European Central Bank** decided to add cumulatively €120 bn. until the end of 2020, to the existing asset buying of €20 bn. per month. The ECB will also conduct long term refinancing operations (TLTRO), in order to support financial conditions. The **Bank of England** decided to cut its base rate by 0.50% to 0.25%. The **Federal Reserve** decided that the \$60 billion securities buying from March 13 to April 13, will include not only bills, but also US government bonds across a range of maturities. At the meeting of March 18, the Fed may decide to lower the benchmark rate by at least 0.50% and may start quantitative easing. The Fed added (12/3) a total of \$1.5 trillion. of liquidity, via its repo operations. Overall, most central banks have taken supportive measures and will possibly add more in the near future.

Global Easing in 2020



Source: Bloomberg
 Note: Map shows rate decisions since the start of the year

The S&P 500 index dropped at a low (2,478.9) since January 2019, the Stoxx 600 Europe retreated at a low (294.3) since July 2013, the Nikkei at a low (16,690) since November 2016 and the MSCI emerging index at a low (878.7) since January 2017. VIX has spiked at a high (12/3: 76.8%) since 2008. Potential markets stabilization will require more easing measures and timely coordination of fiscal and monetary policies at a global level.

US 10-year government bond yield decreased at historic low (9/3: 0.314%), while now is at around 0.95% area. German 10-year yield dropped at historic low (-0.907%), while it is currently around -0.6% area. EUR/USD has ranged widely during the current week. Initially, it increased at around \$1.1500 (9/3/20), but then it dropped to \$1.1056 (12/3). Resistance is at \$1.1500 (9/3/20 high), \$1.1670 (retracement 50%: \$1.2555-\$1.078) and at \$1.1815 (24/9/18). Support is at \$1.1100 (200-day average), \$1.1000 (2/3/20 low) and at \$1.0880 (27/2/20 low). WTI crude oil price dropped at a low (9/3: 27.34/barrel) since February 2016, as Russia disagrees with S. Arabia on oil supply policy. Gold price is above (\$1,580/ounce) the support area of \$1,550/ounce, while further support is at \$1,500/ounce (200-day average). Resistance is at \$1,700/ounce and at the area of \$1,800/ounce.

The week ahead:

The **Fed** may cut its benchmark rate by 0.50% at least, at the meeting of March 18. It may also initiate the fourth round of quantitative easing at a possible pace of \$60 bn. per month asset buying, but this decision remains uncertain. **US** inflation figures for February are expected next week (11/3).

In the current environment of substantially increased market volatility, it is prudent to be defensively positioned and underweight in equities, high yield bonds. In the short term, volatility will likely remain elevated, while periods of attempted market recovery will be evident. In the mid to long term, efforts by governments to fiscally stimulate economies, combined with continued monetary expansion by central banks, have the potential to probably stabilize markets, but uncertainty is elevated. Sufficient allocation to liquidity now, may be useful in order to be utilized for investments in the future, once stabilization signs become evident.

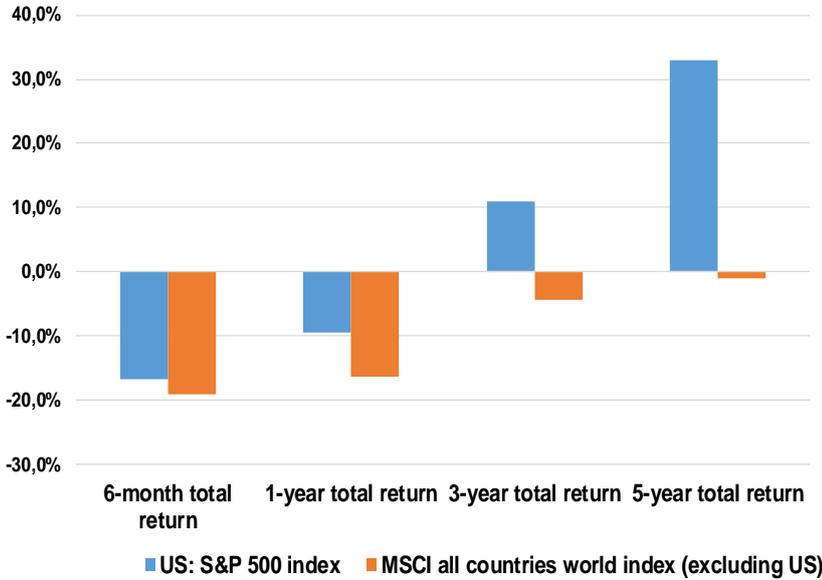
Quote of the Week:

The Head of the ECB urged governments to form: “an ambitious and coordinated fiscal policy response”.

Global Markets in Charts

The S&P 500 index has overperformed the rest of the world. Following the recent substantial drop (19/2-12/3: -26.7%), the market may attempt recovery, but defensive positioning is needed.

S&P 500 index versus MSCI all countries world excluding US

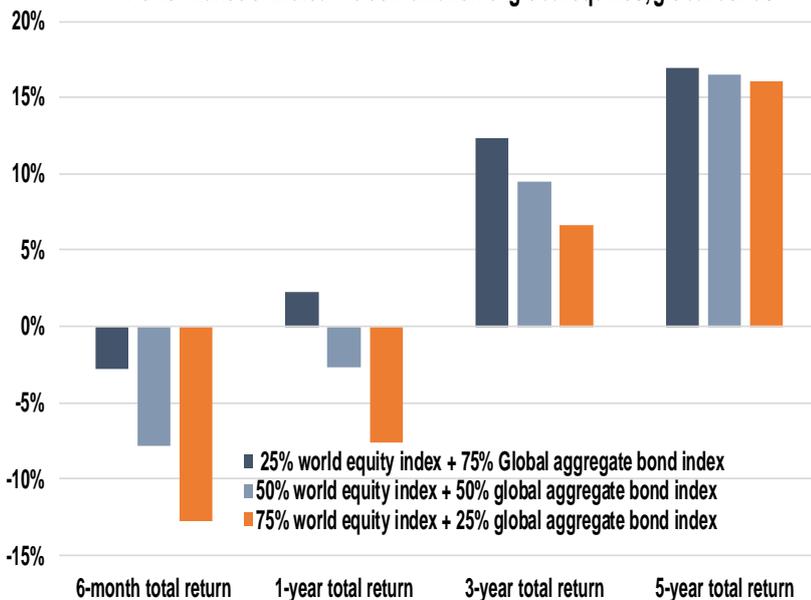


The S&P 500 index has lost almost 27% in the period 19/2 – 12/3. This drop will probably be followed by attempts for recovery. Initial support is at 2,350 (Fibonacci retracement 38.2%: 667-3,393, 26/12/18 low). Resistance is at 2,825 (11/3/20 high).

The S&P 500 has overperformed MSCI world excluding US. More defensive stance is needed for the next months, as economic figures will likely worsen. Defensive positioning can include preference on US versus rest of world.

An indicative conservative combination of 25% global equities – 75% global bonds would have been more resilient recently, versus more aggressive allocations.

Performance of Indicative combination of global equities, global bonds



A combination of 25% global equities and 75% global bonds would have a total return of -2.8% (in usd) in the last six months, while it would have delivered positive returns in the last one year, 3-years and 5-years. Its performance would have been more resilient versus more aggressive combinations.

Sources: Bloomberg (indices used: MSCI All countries world index, Bloomberg Barclays Global aggregate bond index).

March 13, 2020

Global Markets Minesweeper
Event Risk Calendar, 16 - 20 March 2020

Monday 16/03						
Date Time	Country	Event	Period	Survey	Prior	
16/3 01:50	JN	Core Machine Orders (MoM)	Jan	-1.0%	-12.5%	
16/3 01:50	JN	Core Machine Orders (YoY)	Jan	-1.1%	-3.5%	
16/3 03:30	CH	New Home Prices (MoM)	Feb		0.27%	
16/3 04:00	CH	Retail Sales YTD (YoY)	Feb	-4.0%	8.0%	
16/3 04:00	CH	Industrial Production YTD (YoY)	Feb	-3.0%	5.7%	
16/3 14:30	US	Empire Manufacturing	Mar	5.1	12.9	
16/3 22:00	US	Net Long-term TIC Flows	Jan		\$85.6b	
Corp. Results		SR: Aramco				
Tuesday 17/03						
Date Time	Country	Event	Period	Survey	Prior	
17/3 06:30	JN	Industrial Production (MoM)	Jan F		0.8%	
17/3 11:30	UK	Jobless Claims Change	Feb		5.5k	
17/3 11:30	UK	Weekly Earnings ex Bonus 3M/(YoY)	Jan	3.2%	3.2%	
17/3 11:30	UK	ILO Unemployment Rate 3Mths	Jan	3.8%	3.8%	
17/3 12:00	GE	ZEW Survey Expectations	Mar	-25.0	8.7	
17/3 12:00	GE	ZEW Survey Current Situation	Mar	-28.5	-15.7	
17/3 14:30	US	Retail Sales Advance (MoM)	Feb	0.2%	0.3%	
17/3 15:15	US	Industrial Production (MoM)	Feb	0.4%	-0.3%	
Eco Event	EC	ECB Governing Council member Olli Rehn speaks in Helsinki (12:00)				
Corp. Results		GE: Volkswagen, HK: China Vanke, US: FedEx				
Wednesday 18/03						
Date Time	Country	Event	Period	Survey	Prior	
18/3 01:50	JN	Trade Balance	Feb	¥916.7b	-¥1313.2b	
18/3 01:50	JN	Exports (YoY)	Feb	-4.2%	-2.6%	
18/3 01:50	JN	Imports (YoY)	Feb	-14.1%	-3.6%	
18/3 12:00	EC	Trade Balance SA (Euro)	Jan		22.2b	
18/3 12:00	EC	CPI (YoY)	Feb F	1.2%	1.2%	
18/3 12:00	EC	CPI Core (YoY)	Feb F	1.2%	1.2%	
18/3 14:30	US	Housing Starts (MoM)	Feb	-4.2%	-3.6%	
18/3 14:30	US	Building Permits (MoM)	Feb	-3.2%	9.2%	
18/3 20:00	US	FOMC Rate Decision (Upper Bound)	18-Mar	0.75%	1.25%	
18/3 20:00	US	FOMC Rate Decision (Lower Bound)	18-Mar	0.50%	1.00%	

March 13, 2020

Eco Event	US	Fed Chairman Jerome Powell holds press conference (20:30)				
		FOMC economic projections				
Corp. Results		HK: Tencent Holdings, Xiaomi, Prada, US: General Mills				
		Thursday 19/03				
Date Time	Country	Event	Period	Survey	Prior	
19/3 00:00	JN	BOJ Policy Balance Rate	19-Mar	-0.10%	-0.10%	
19/3 01:30	JN	Natl CPI (YoY)	Feb	0.5%	0.7%	
19/3 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Feb	0.6%	0.8%	
19/3 06:30	JN	All Industry Activity Index (MoM)	Jan	0.5%	0.0%	
19/3 14:30	US	Current Account Balance	4Q	-\$108.3b	-\$124.1b	
19/3 14:30	US	Philadelphia Fed Business Outlook	Mar	10.0	36.7	
19/3 14:30	US	Initial Jobless Claims	14-Mar		211k	
19/3 16:00	US	Leading Index (MoM)	Feb	0.1%	0.8%	
Corp. Results		US: Accenture, GE: Audi, GE: Lufthansa				
		Friday 20/03				
Date Time	Country	Event	Period	Survey	Prior	
20/3 09:00	GE	PPI (MoM)	Feb	-0.3%	0.80%	
20/3 11:00	EC	ECB Current Account SA (Euro)	Jan		32.6b	
20/3 11:30	UK	PSNB ex Banking Groups (GBP)	Feb	0.9b	-9.8b	
20/3 16:00	US	Existing Home Sales (MoM)	Feb	1.60%	-1.30%	
	JN	Markets closed in Japan (Vernal Equinox Day)				
Corp. Results		CH: China Merchants Bank				

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