

## Daily Dose of Macro & Markets, 11<sup>th</sup> July 2025: “Complacency is Back!”

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The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with a chart and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

### Key Quote:

“...The new bull case for the stock market looks past short-term risks.....

...One way for investors to justify buying stocks now, despite all of the uncertainty in the macroeconomy, is to operate as if today’s news likely won’t matter much to the market in a year.

Lisa Shalett, chief investment officer at Morgan Stanley Wealth Management, said in a note to clients that there is a new “bull case” for the market emerging that considers tariffs to be a “non-event”

**Source:** CNBC, 10th July 2025, <https://www.cnbc.com/2025/07/10/the-new-bull-case-for-the-stock-market-is-looking-past-short-term-risks.html>

### Complacency is back!

Encouragingly for the bulls, the S&P500 closed at a new high yesterday (albeit only just -> closing at 6,280 vs. 6,279 on Thursday last week, see chart 2). With that, the narrative in the market is changing. No longer, according to some market participants, is the market worried about tariffs. Now the market is looking out 12 or so months, confident that ‘all is well’ – see quote above.

Whilst we have sympathy with the idea that the global economy is ‘in the foothills of sunlit uplands’ and that 2026 will deliver a global cyclical upswing (as we have written about on various occasions), markets don’t move in straight lines.

Indeed **markets swing from ‘fear’ to ‘complacency and greed’ and then back to ‘fear’** and so on. In the short term they are emotional (‘voting machines’ in the words of Benjamin Graham), while in the long term they are driven by fundamentals (‘weighing machines’).

And reflecting that emotional side, **price often drives opinion\*** (that is, strong price moves generate justifications for the move – like the one above in the quote). Overnight, though, Trump has announced 35% tariffs on Canada from 1<sup>st</sup> August (following on from dozens of new tariff announcements this week). The deal with the EU also remains outstanding; as does the deal with Japan (all major trading partners). This level of tariffs is clearly significant (and disruptive, not least since it’s discouraging the Fed from accelerating its rate cuts).

More importantly, **market pricing is increasingly complacent**, which is when risk assets become vulnerable to poor newsflow. That’s illustrated by the steepness of the VIX volatility curve (i.e. 6 less 1 month VIX futures – see chart 1). One month futures are now meaningfully below 6 month ones. That’s indicative of near term complacency in market prices and often (although not always), occurs at major local

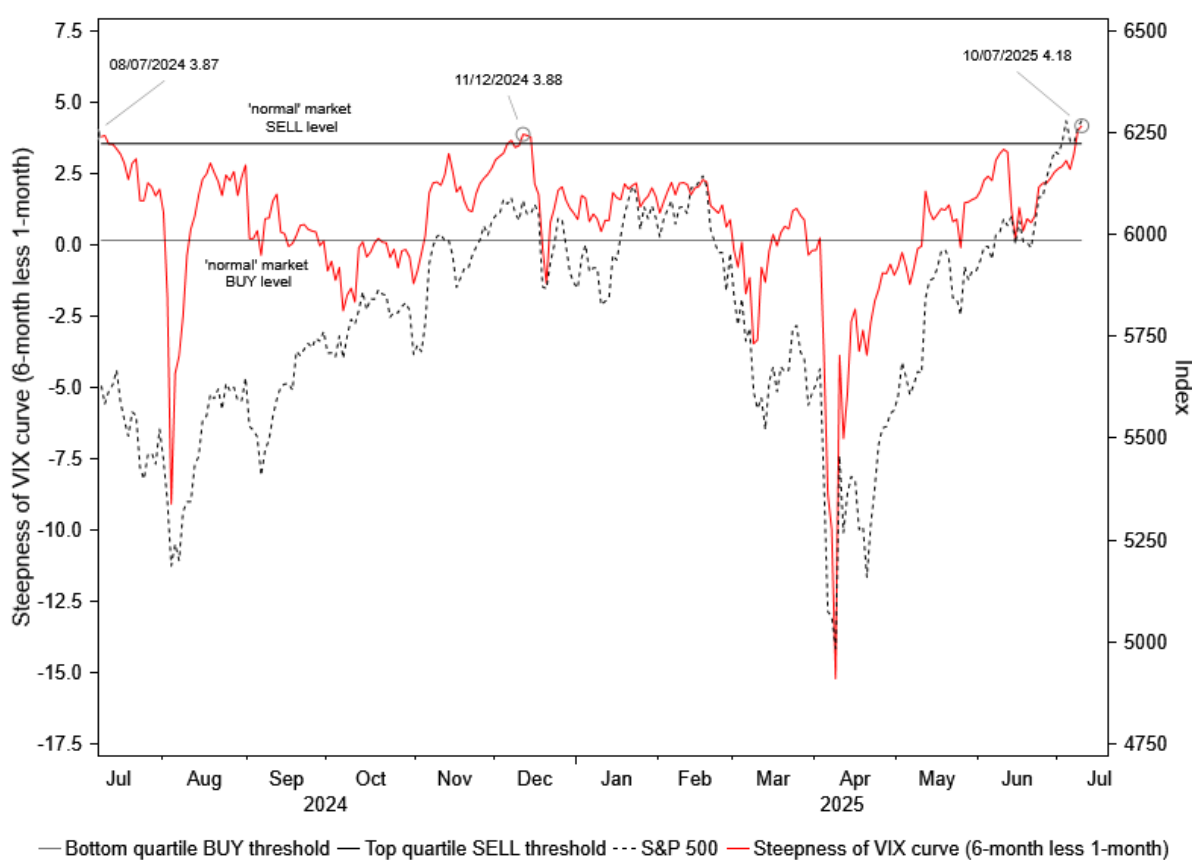
highs (see chart). Troublingly (for the bulls) it's also occurring at the same time when our SELL-off indicator is once again generating a signal warning of the potential for a wave of risk aversion (in the next few days/weeks).

In the words of Harry Lange, ex Fidelity Magellan Portfolio Manager:

*“Actual risk is inversely proportional to perceived risk”*

For a full update on our tactical (1 – 4 month) views on US equity markets, see yesterday's [‘Longview Alert’](#) and last week's [‘Tactical Equity Asset Allocation’](#), published 3<sup>rd</sup> July 2025 (and available to subscribers to the ‘Tactical’ publication).

### Chart of the Day 1: Steepness of the VIX volatility curve vs. S&P500



Source: Longview Economics, Macrobond

\*when, of course, it should be the other way round → i.e. ‘opinion should drive (flows, and then) the price’.

...whilst the S&P500 closed at a new high last night (using cash prices), a more accurate characterization is that it's traded in a range since Thursday last week...see chart 2

## Chart of the Day 2: S&P500 futures 10 day tick chart with overnight price action

