

## Daily Dose of Macro & Markets 17<sup>th</sup> September 2025: “How Frothy Are Markets?”

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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 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

### Key Quote

“For Rick Rieder, the stock market has never looked so good.

The chief investment officer of global fixed income at BlackRock says he thinks the market has emerged into the "**best investing environment ever**," thanks to a cluster of factors that are setting up a bullish backdrop for equities.”

**Source:** Business Insider/AOL, 13<sup>th</sup> August 2025, <https://www.aol.com/blackrocks-2-4-trillion-money-141423731.html>

### Frothy Markets

As Warren Buffet’s mentor, Benjamin Graham, is famed for saying: “**In the short term the market is a voting machine; in the long term it is a weighing machine**”. In other words, markets are driven by emotions in the short term, and earnings, valuations and rational decision making in the long term.

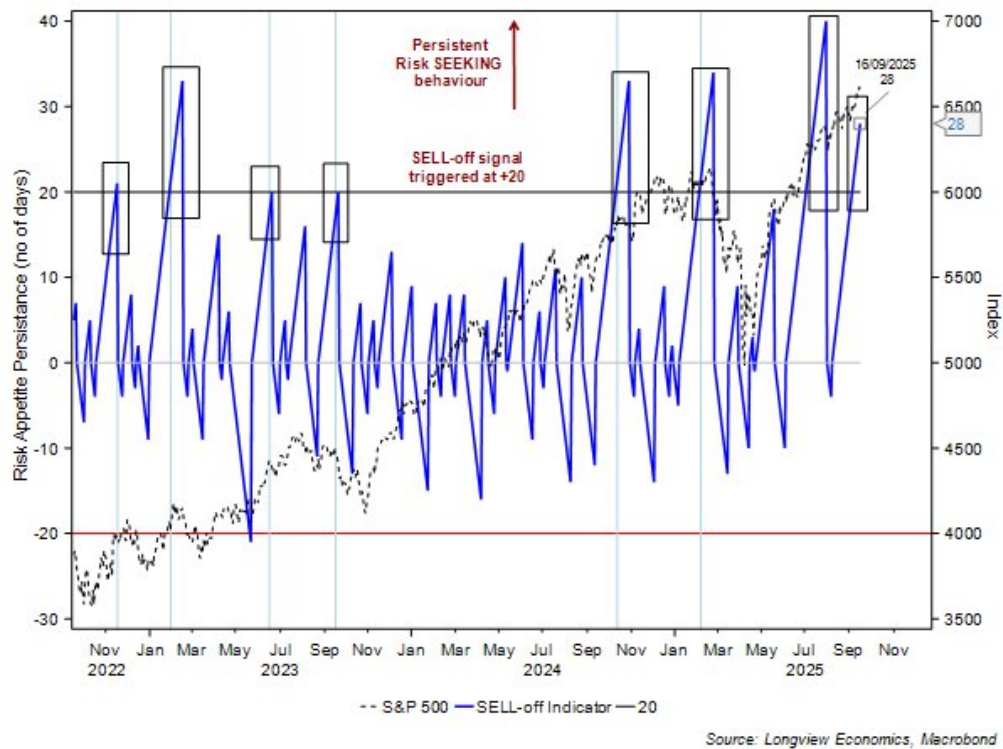
That’s why our **SELL-off indicator** works (FIG 1), i.e. because it’s a model which measures emotions (in this instance excessive short term greediness). When it moves to and then above +20, it signals that markets have become excessively ‘greedy’ and, as such, there is a heightened likelihood of an imminent ‘wave of risk aversion’ (i.e. a high chance of a pullback in global markets). Its track record is strong with recent successful signals including February this year (i.e. just ahead of the 19<sup>th</sup> February to 7<sup>th</sup> April SELL-off), as well as June & September 2023 at the time of the July to late October 2023 pullback (NB the track record is available for subscribers, email [research@longvieweconomics.com](mailto:research@longvieweconomics.com) for a copy).

At the same time that we get a signal from the model, various asset price and equity markets also typically start to generate **near vertical price action**. That generally reflects short positions being squeezed out and ‘FOMO’ taking over in markets (sucking in the last participants in the rally – who are often retail investors), i.e. it’s a confirmatory sign of excessive greediness taking hold.

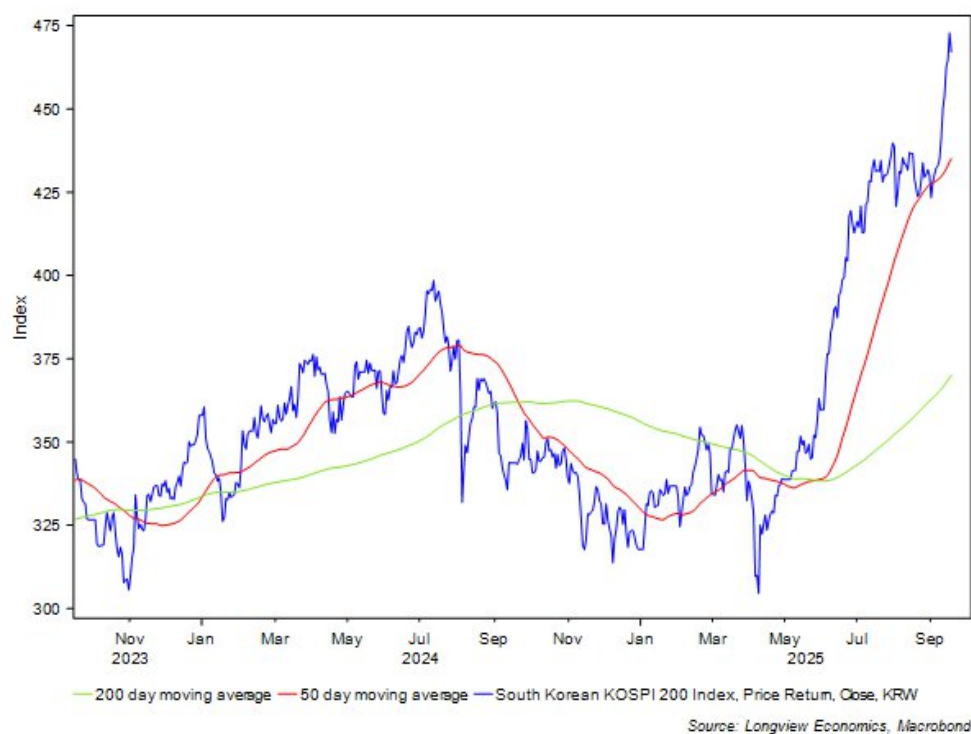
In the past few weeks that near vertical price action has become evident in a number of equity markets across the globe. South Korea’s KOSPI index, for example, is up 8.5% in September (FIG 2); Taiwan’s TAIEX is up 5% (MTD); the Philly SOX is up 7.2%; Canadian equities are up 5% in the past month; Vietnam is up 22% this quarter (since 1<sup>st</sup> July); South African, Chilean and Mexican equity markets are similarly sharply higher in recent weeks (e.g. see FIG 3). In other words, signs of frothiness (& capitulation) are widespread. Coupled with that, retail option traders have also become widespread bullish, as shown by the sharp rise in single stock call option buying (FIG 4) – another typical sign ahead of pullbacks.

All of that, therefore, is consistent with the message of the SELL-off indicator – i.e. that we are due a pullback (a wave of risk aversion), and, if history is any guide, it's likely to start imminently.

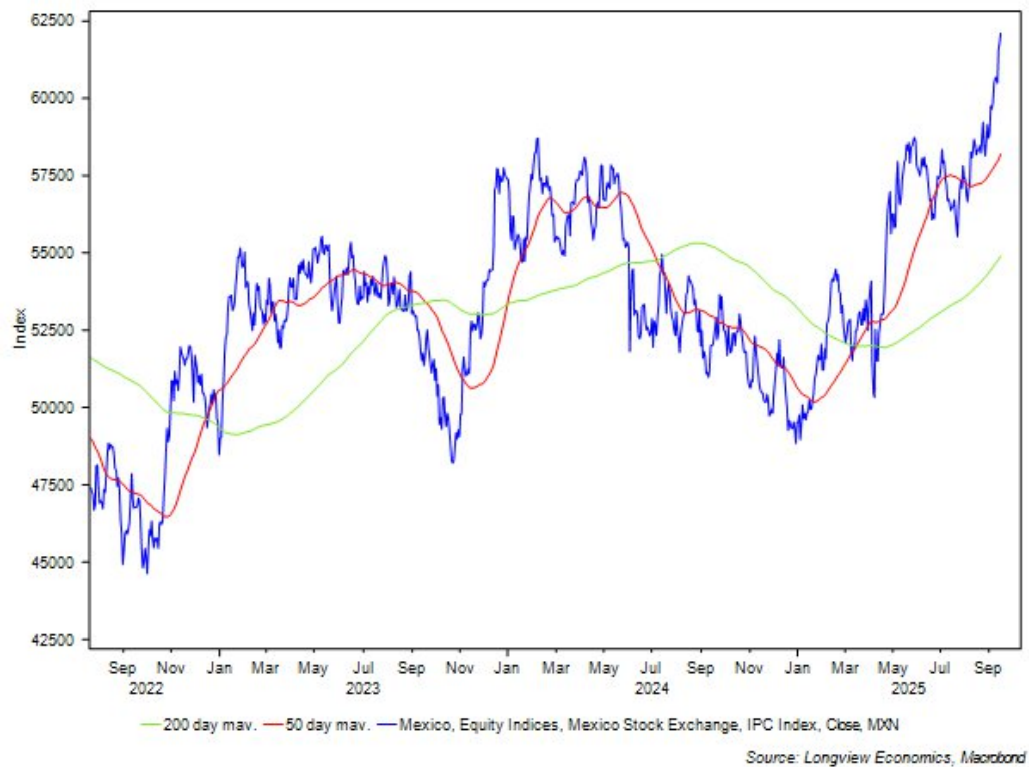
**FIG 1:** Longview SELL-off indicator vs. S&P500



**FIG 2:** South Korean Kospi 200 shown with key moving averages



**FIG 3:** Mexican equity market shown with key moving averages



**FIG 4:** Volume of outstanding CBOE ‘single stock’ call options (3 day smoothed) vs. S&P500

