Equity Index Futures Trading Recommendations

10th June 2025

"Stay LONG SPX - Ongoing Upside Momentum Likely"
Email: info@longvieweconomics.com

Trading Recommendation ('1 – 2' week equity index trading recommendation)

- Stay ½ LONG June S&P500 futures (entry was on Wednesday last week, at 5,982.75);

- Retain unchanged stop loss at 5,863.0 (i.e. ~2% below entry).

Rationale

Risk assets performed reasonably well yesterday. Most US equity indices, for example, closed higher on the session led by high beta markets including small caps (Russell 2000: +0.6%; S&P600: +0.9%); and semiconductors (Philly SOX: +2.0%). Those indices are, therefore, starting to break above their recent/sideways trading ranges (see FIGs 1e & 1f). Similarly, both the S&P500 and NASDAQ100 are trading near the top of their ranges and are attempting to **breakout to the upside** (e.g. see FIG 1b). Emerging market equities, as a group, have also broken out to new record highs (FIG 1d).

Risk appetite has continued to build in other key asset prices. Bitcoin, for example, an indicator of speculative liquidity (which often leads the S&P500), closed up 4.2% yesterday and is 3.5% higher this morning. It's now therefore retraced most of its recent losses (FIG 1). Elsewhere silver (+2.2% yesterday) has broken out to the upside, while Eurozone sovereign spreads remain tight/continue to tighten (also typically consistent with a rally in US equities, see FIG 1a).

Our view remains unchanged from yesterday. That is, during the mid-May wobble, many of our short term models reset back towards BUY. Since then, various equity indices have started to recover and resume their uptrend. Short term models, though, have not yet moved back to SELL (i.e. they are mostly mid-range/NEUTRAL). **Almost all of them, therefore, have headroom before they reach SELL levels** (e.g. see short term risk appetite, technical, put to call, and breadth models, FIGs 2 – 2h below).

Furthermore, some of those indicators are still close to BUY. The percentage of stocks which are overbought (using 14-day RSIs), for example, is still low (as highlighted yesterday, see FIG 1c). Shortest term RAG was close to BUY (two trading days ago, FIG 2b), while the NASDAQ100 put to call ratio is currently close to BUY (FIG 2f).

All of which supports the **expectation of an upside breakout** (and further near term upward momentum – i.e. before the models start to generate SELL signals).

The **risk reward therefore favours staying LONG** the S&P500. Currently this trade is only just onside (with the index still trading close to/just above our entry price). We therefore favour retaining an unchanged stop loss (please see above for detailed recommendation).

Please see below for a list of today's key macro data & events.

Kind regards,

The team @ Longview Economics

FIG 1: Bitcoin price (USD) vs. S&P500
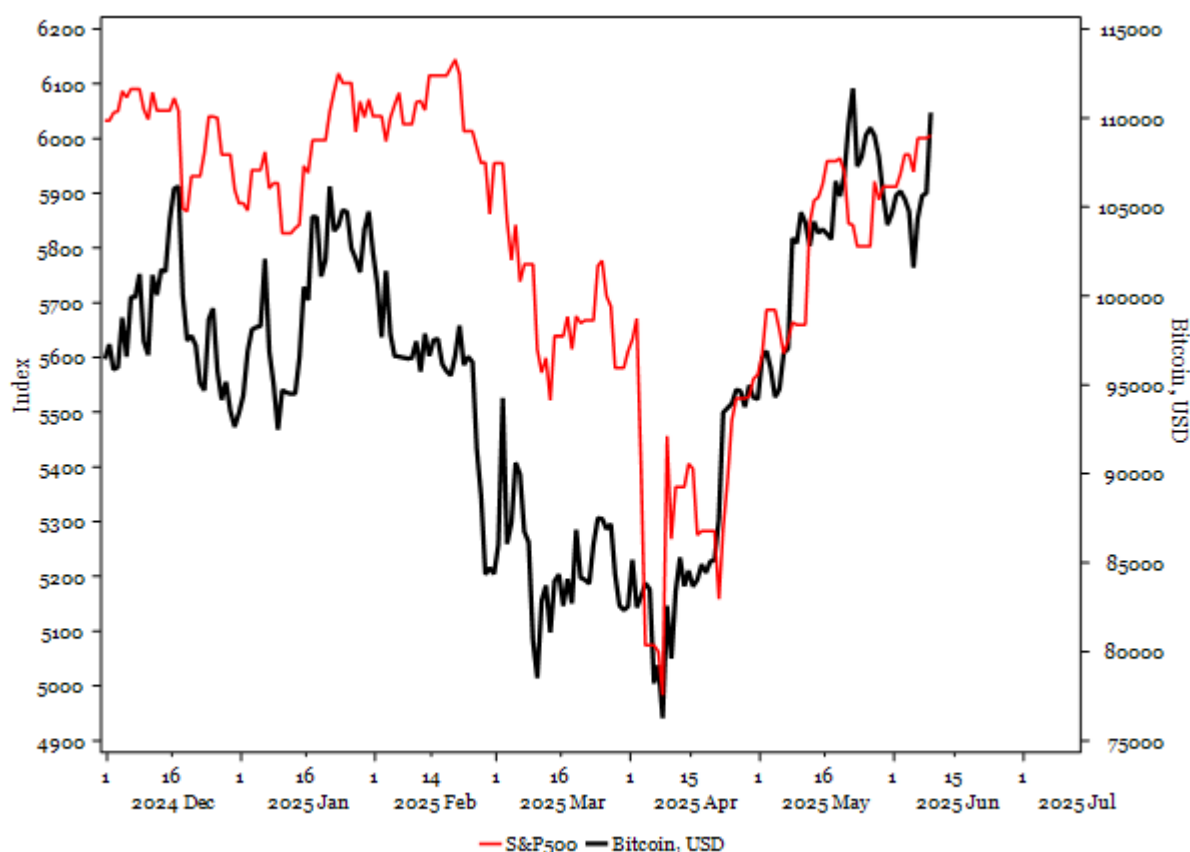
Source: Longview Economics, Macrobond

FIG 1a: Italian sovereign spreads over BUNDs (inverted) vs. S&P500

FIG 1b: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages

FIG 1c: Percentage of US stocks which are technically overbought (i.e. with RSIs>70) vs. S&P500
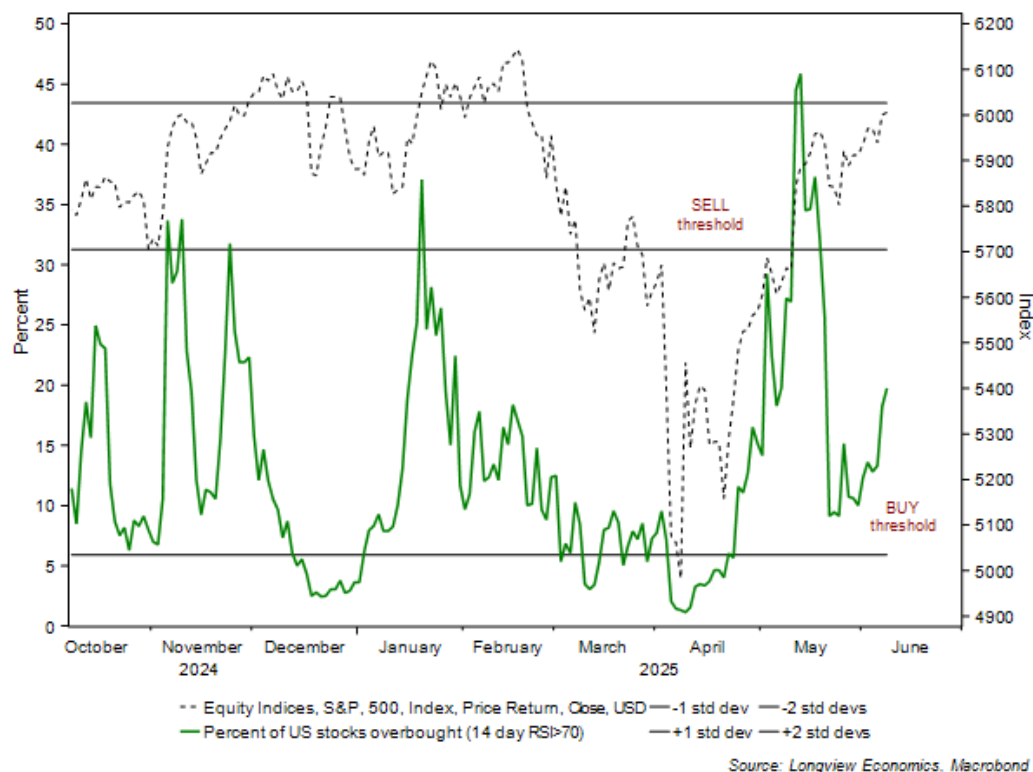
FIG 1d: EM MSCI equity index shown with 50 & 200 day moving averages

FIG 1e: Philly SOX cash index candlestick, shown with 50 & 200 day moving average

FIG 1e: Philly SOX cash index candlestick, shown with 50 & 200 day moving average

Source: Longview Economics, Macrobond

FIG 1f: Russell 2000 futures candlestick shown with 50 & 200 day moving averages

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Source: Longview Economics, Macrobond

Short term models are mostly mid-range/NEUTRAL...

FIG 2: Longview short term **'risk appetite'** scoring system vs. S&P500

Source: Longview Economics, Macrobond
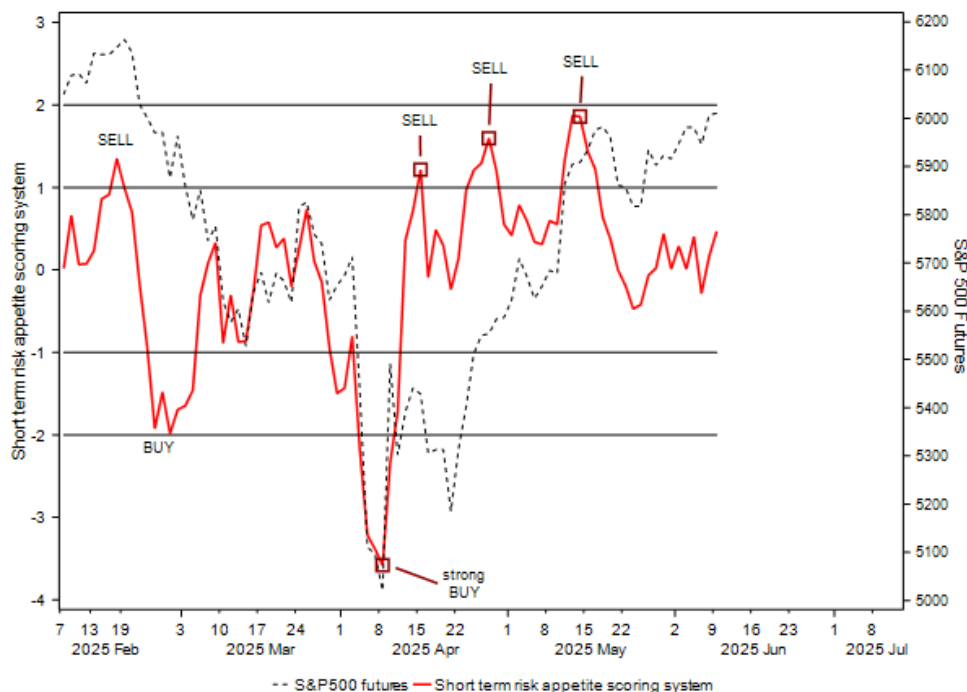
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500

Source: Longview Economics, Macrobond
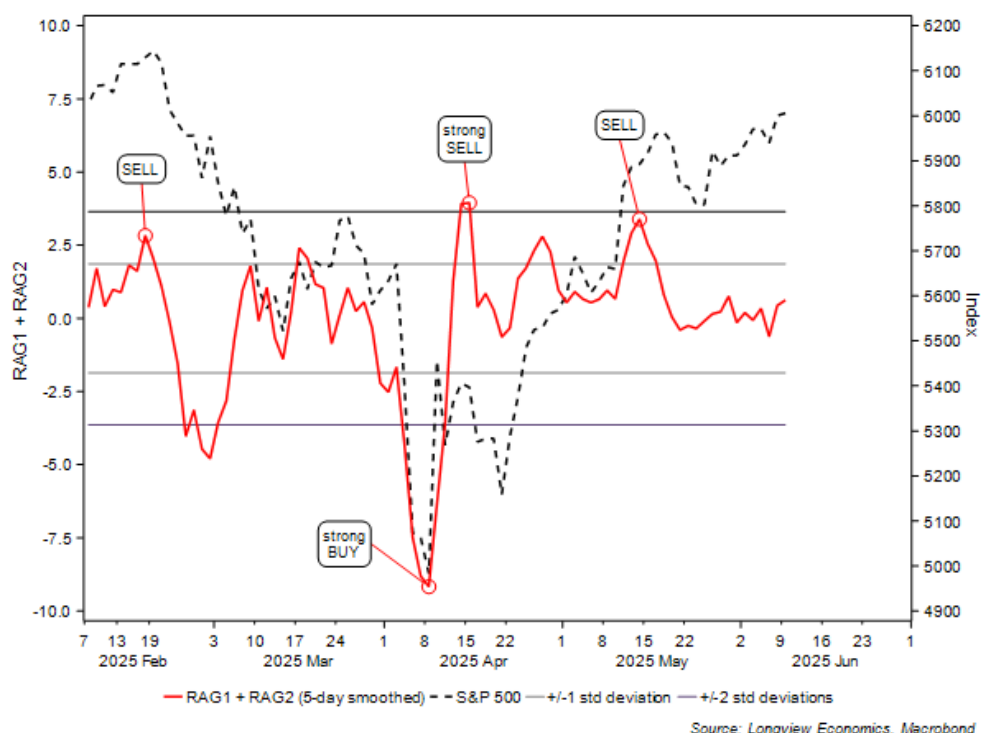
FIG 2b: Shortest term RAG1 (stand-alone) vs. S&P500

Source: Longview Economics, Macrobond
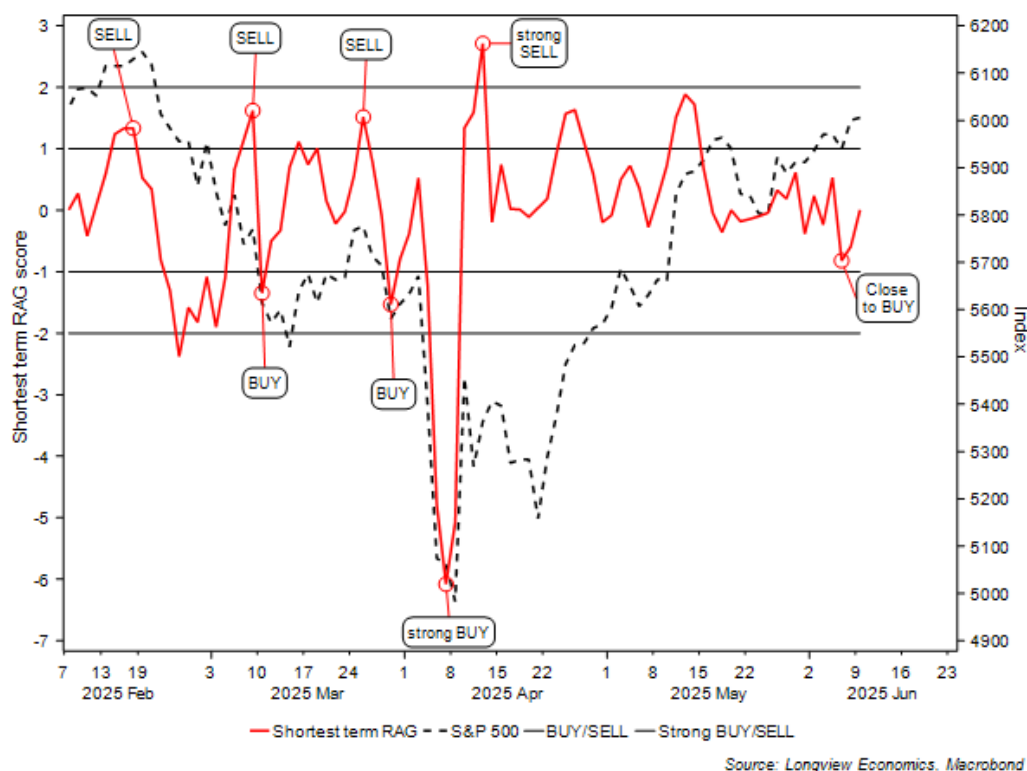
FIG 2c: Longview S&P500 **short term 'technical'** scoring system vs. S&P500 futures

Source: Longview Economics, Macrobond
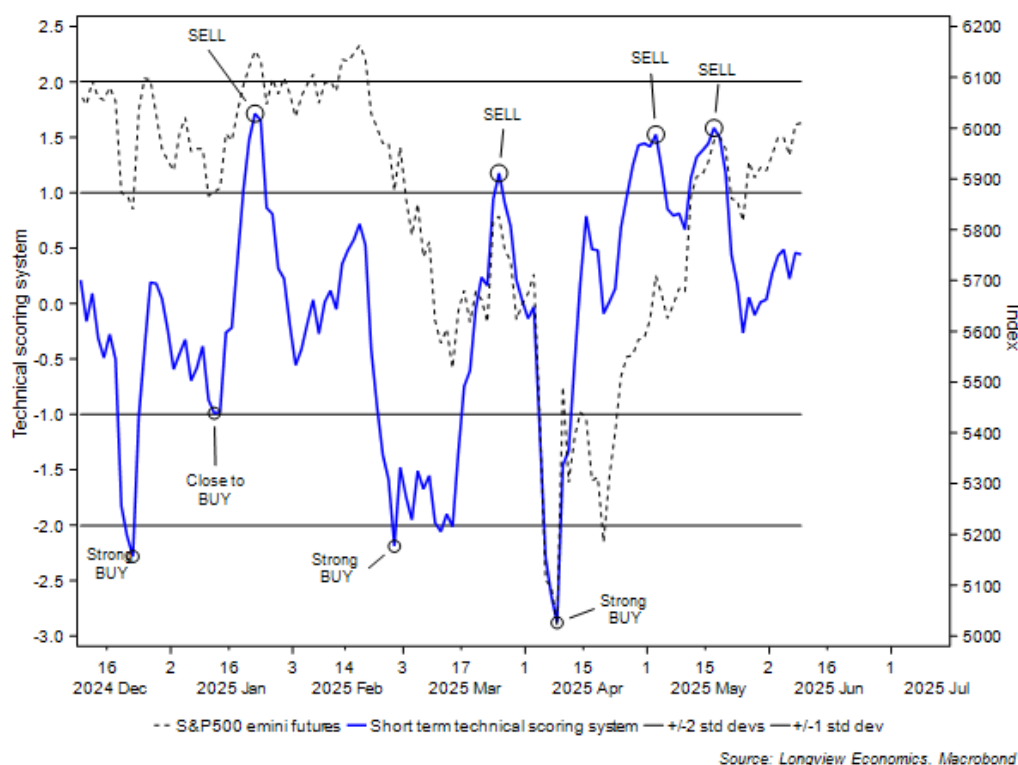
FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

Source: Longview Economics, Macrobond
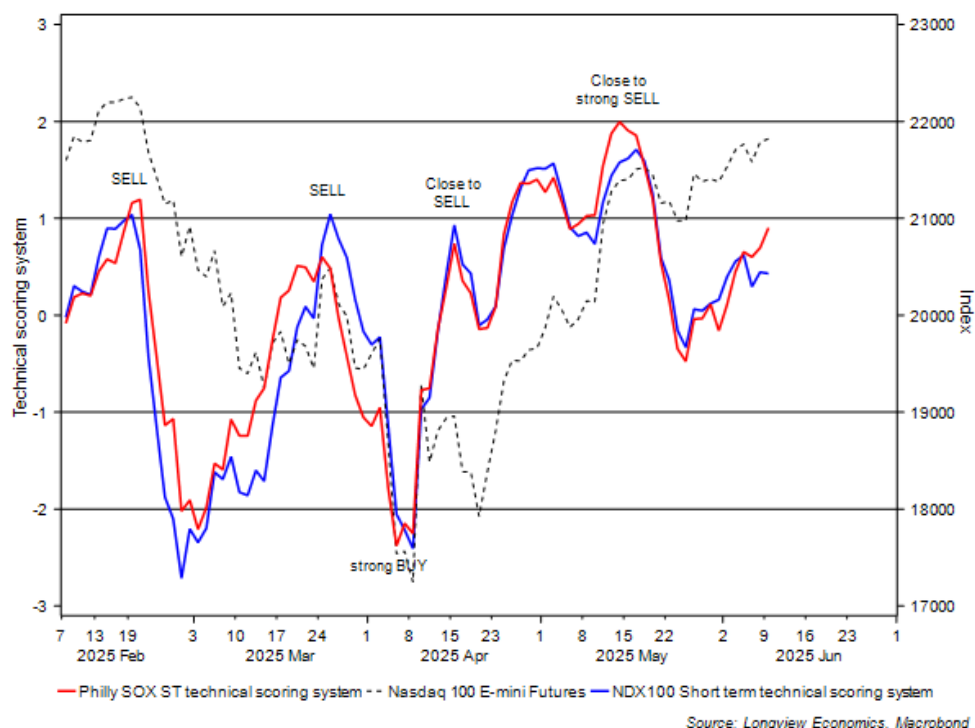
FIG 2e: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

Source: Longview Economics, Macrobond
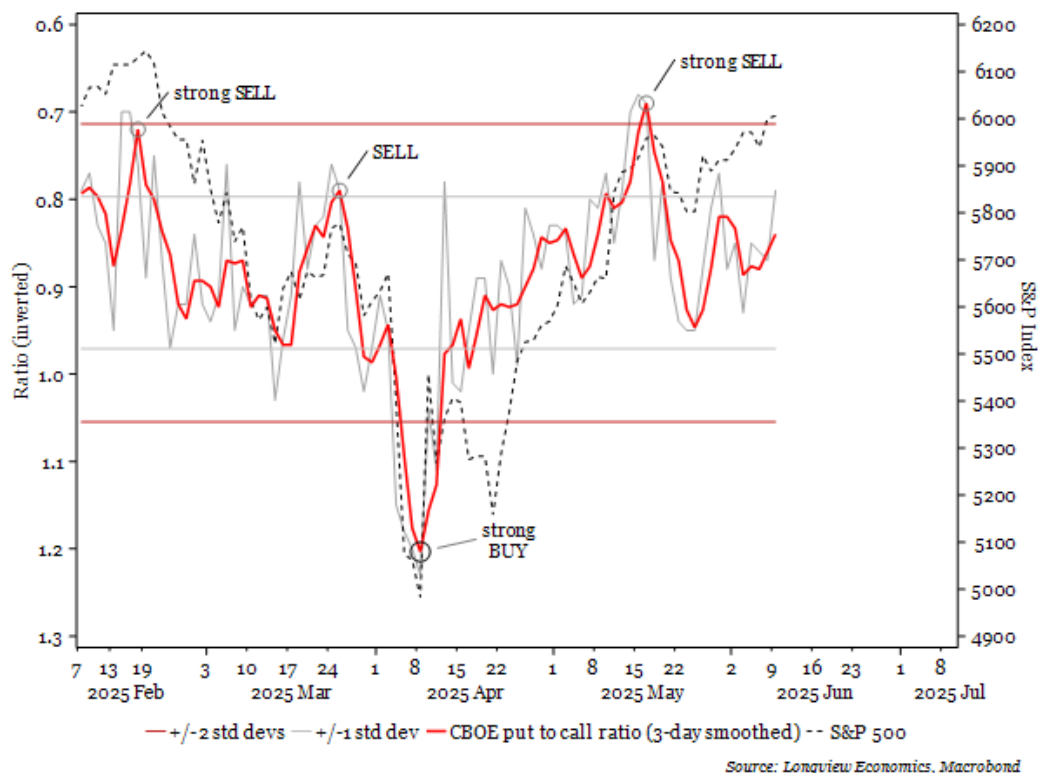
FIG 2f: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100

— NDX100 put to call indicator - - NDX100 futures — NDX100 put to call indicator (3 day smoothed)

Source: Longview Economics, Macrobond
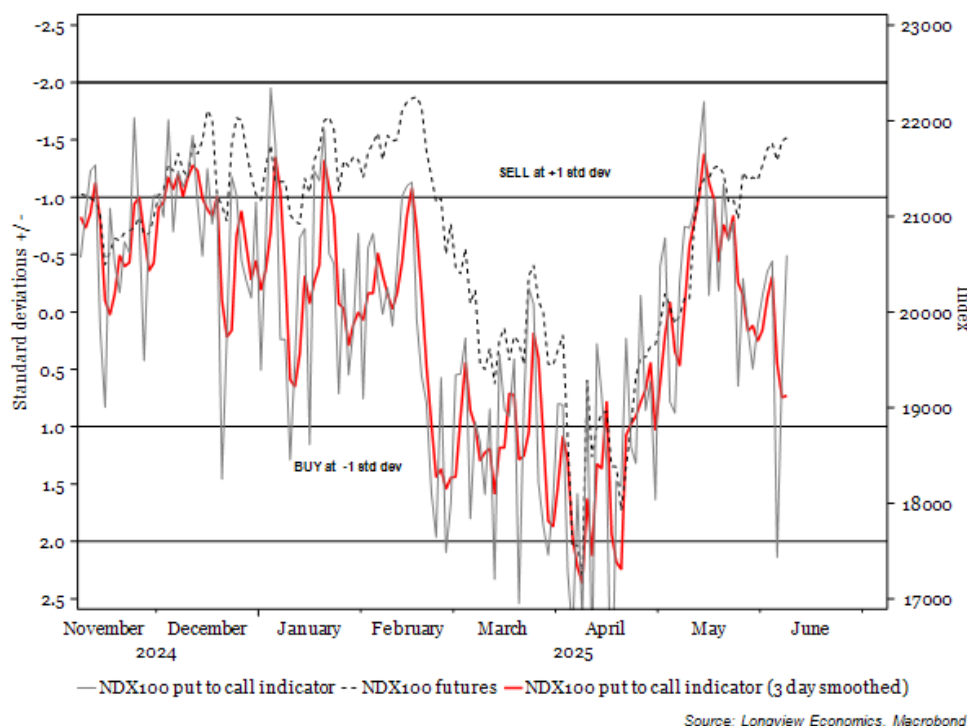
FIG 2g: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

- - Equity Indices, S&P, 500, Index, Price Return, Close, USD   +/-2 std devs
— Average 14d RSI of S&P500's 24 industry groups   — +/-1 std dev

Source: Longview Economics, Macrobond
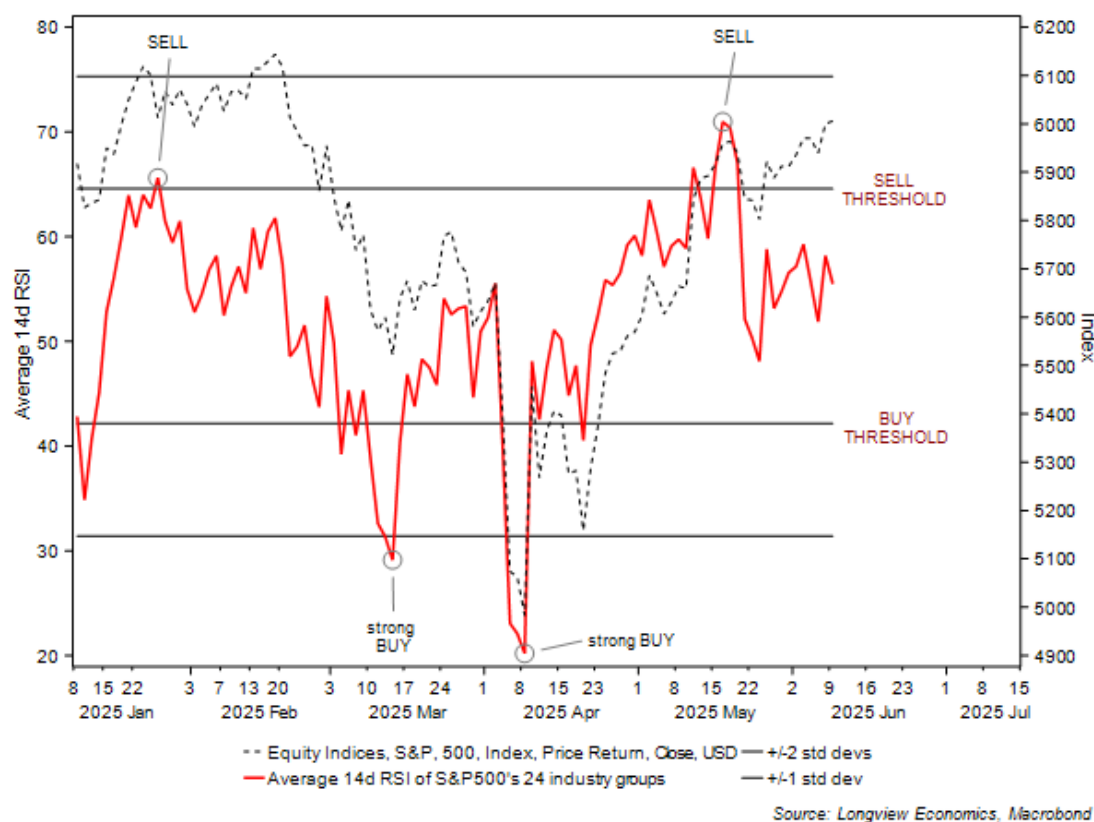
FIG 2h: Proportion of US stocks above their 10-day moving average vs. S&P500
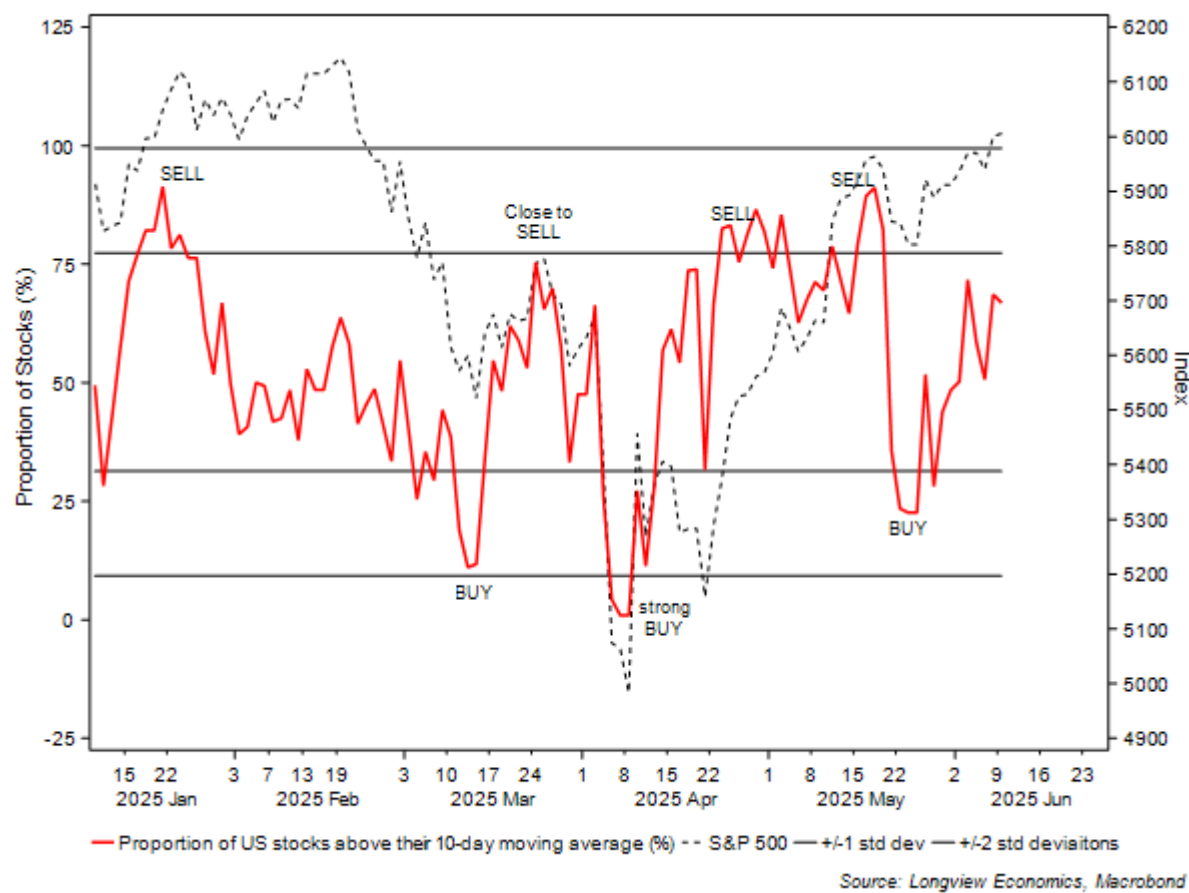
Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **NEUTRAL**
Medium term (1 – 4 month) scoring system: **SELL**

FIG A: Longview short and medium term scoring systems vs. S&P500
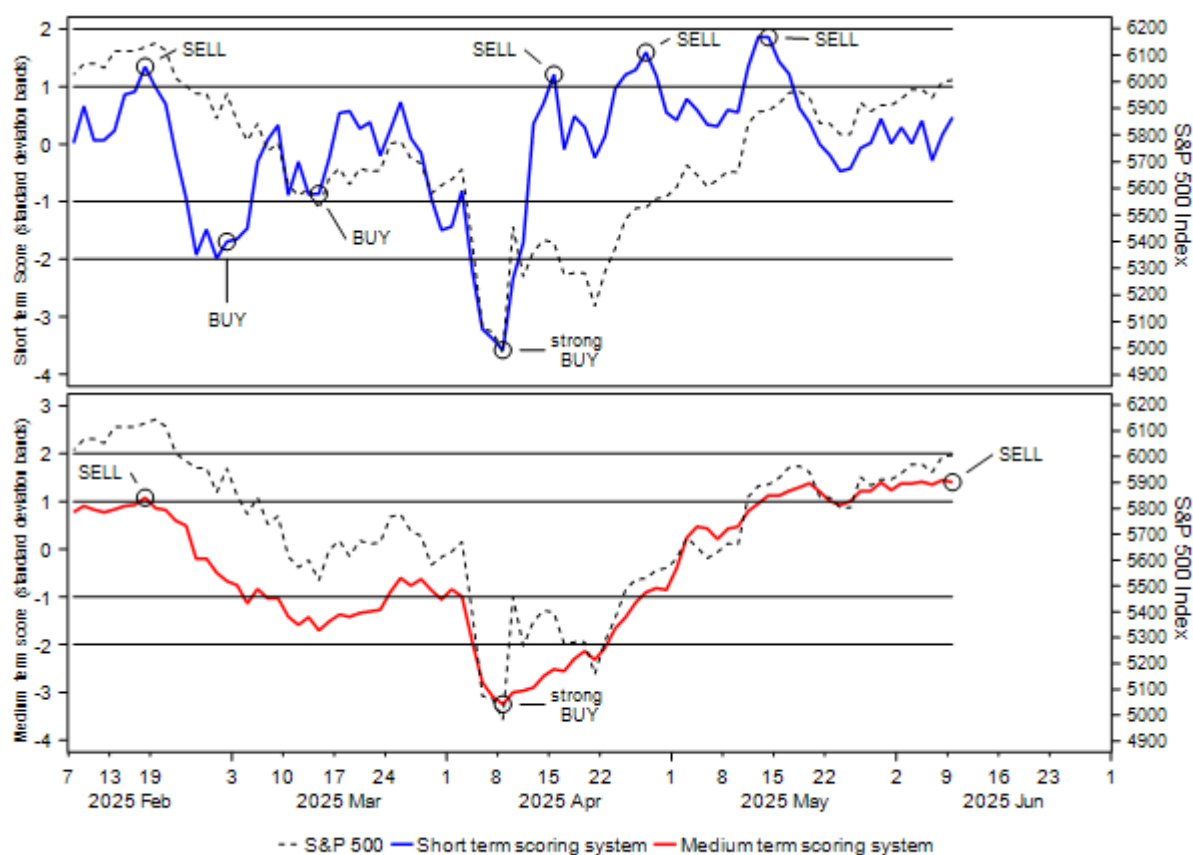
Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: UK BRC retail sales (May, 12:01am); Japanese M2 & M3 money supply (May, 12:50am); Australian Westpac consumer confidence (June, 1:30am); Australian NAB business confidence (May, 2:30am); Japanese machine tool orders (May first estimate, 7am); **UK employment, jobless claims & average weekly earnings** (May/Apr, 7am); Italian industrial production (Apr, 9am); **US NFIB small business optimism** (May, 11am).

Key events today include: Speeches by the ECB's Villeroy in Paris (8:10am) & Holzmann in Vienna (9am).

Key earnings today include: N/A

Definitions & other matters:

RAG = Risk Appetite Gauge

The 'Daily Risk Appetite Gauge' publication is designed to generate '1 to 2' week trading recommendations on equity indices. For trading recommendations on currencies, rates, bonds and other assets, pls see Macro-TAA trade publications.

For a medium-term recommendation please see our '1 – 4' month tactical market views which are updated at the start of each month in our Tactical Equity Asset Allocation publication (as well as occasional ad-hoc intra month Tactical Alerts). The latest update was published on 19th May 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

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Section 1: Longview Scoring Systems (short & medium term*)

Fig 1: Longview 'short term' and 'medium term' scoring systems

> Short term scoring system is NEUTRAL
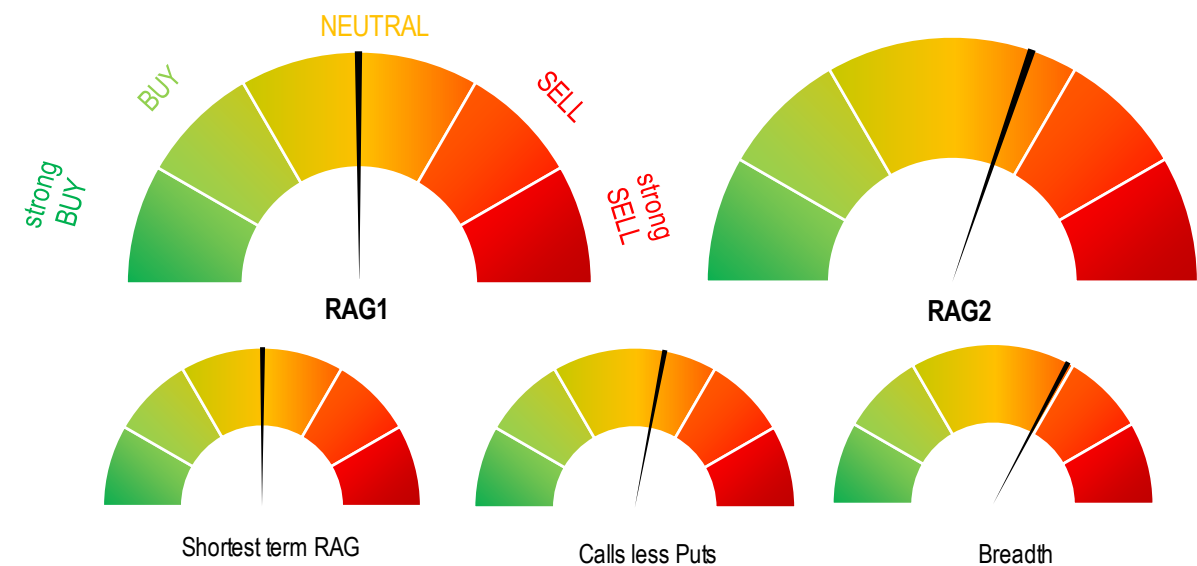
> Medium term scoring system is on SELL
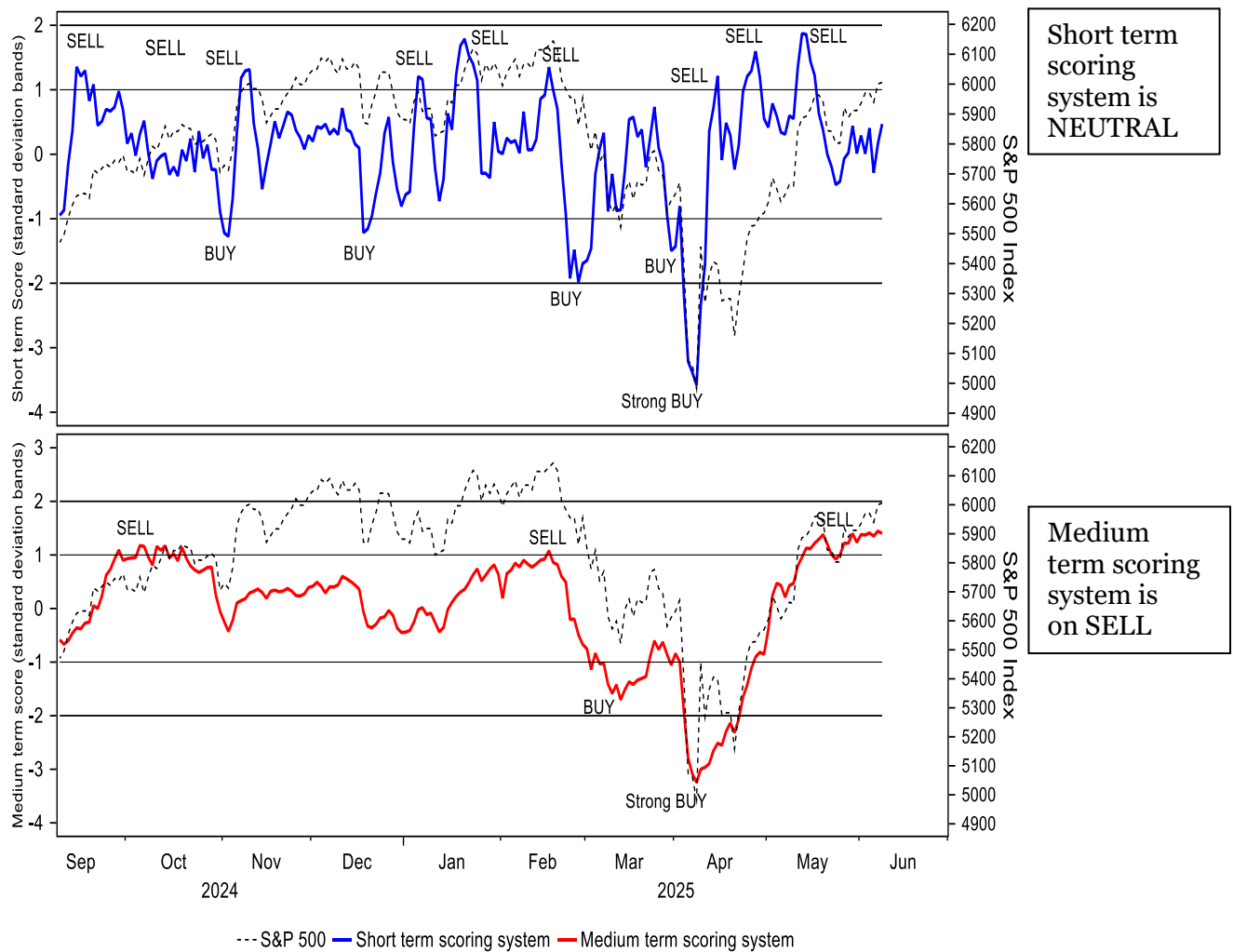
Source: Longview Economics, Macrobond

*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

Important disclosures are included at the end of this report
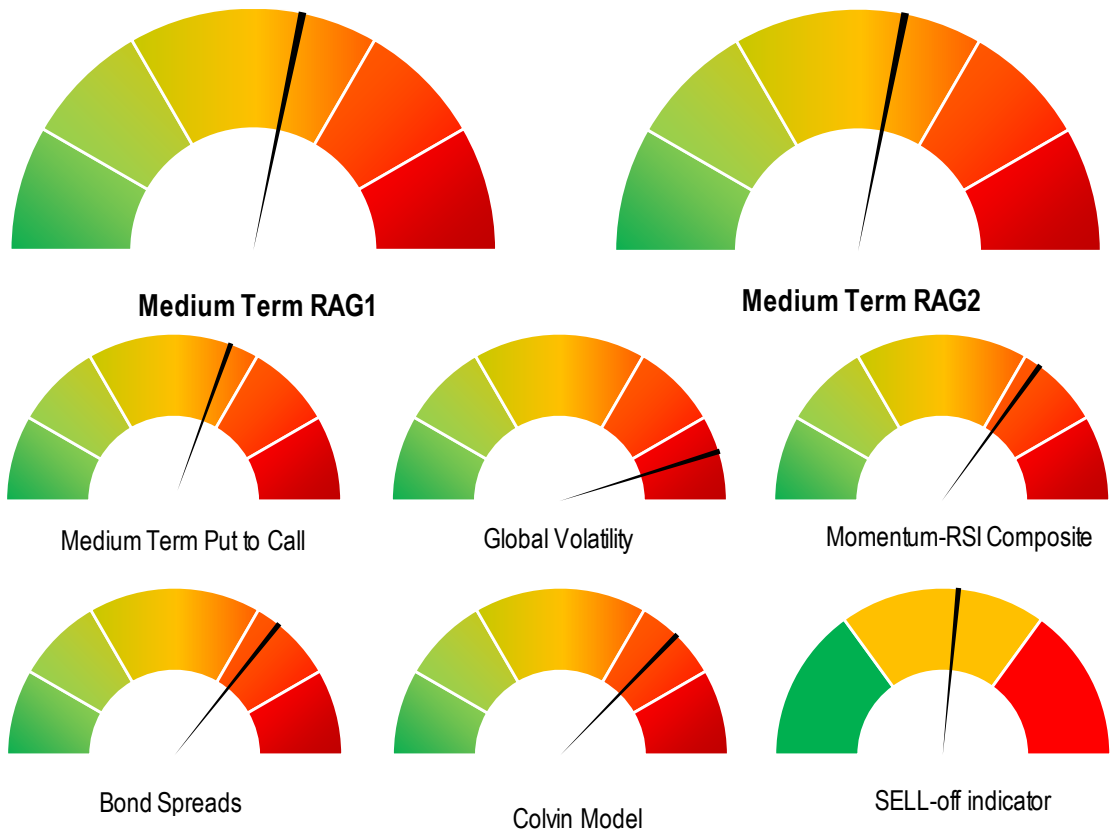***For explanations of indicators please see page 10***

Section 1a: Summary of indicator signals**

Fig 1a: Short term models – shown as gauges using standard deviation bands

Source: Longview Economics

Fig 1b: Medium term models – shown as gauges using standard deviation bands

Source: Longview Economics

**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

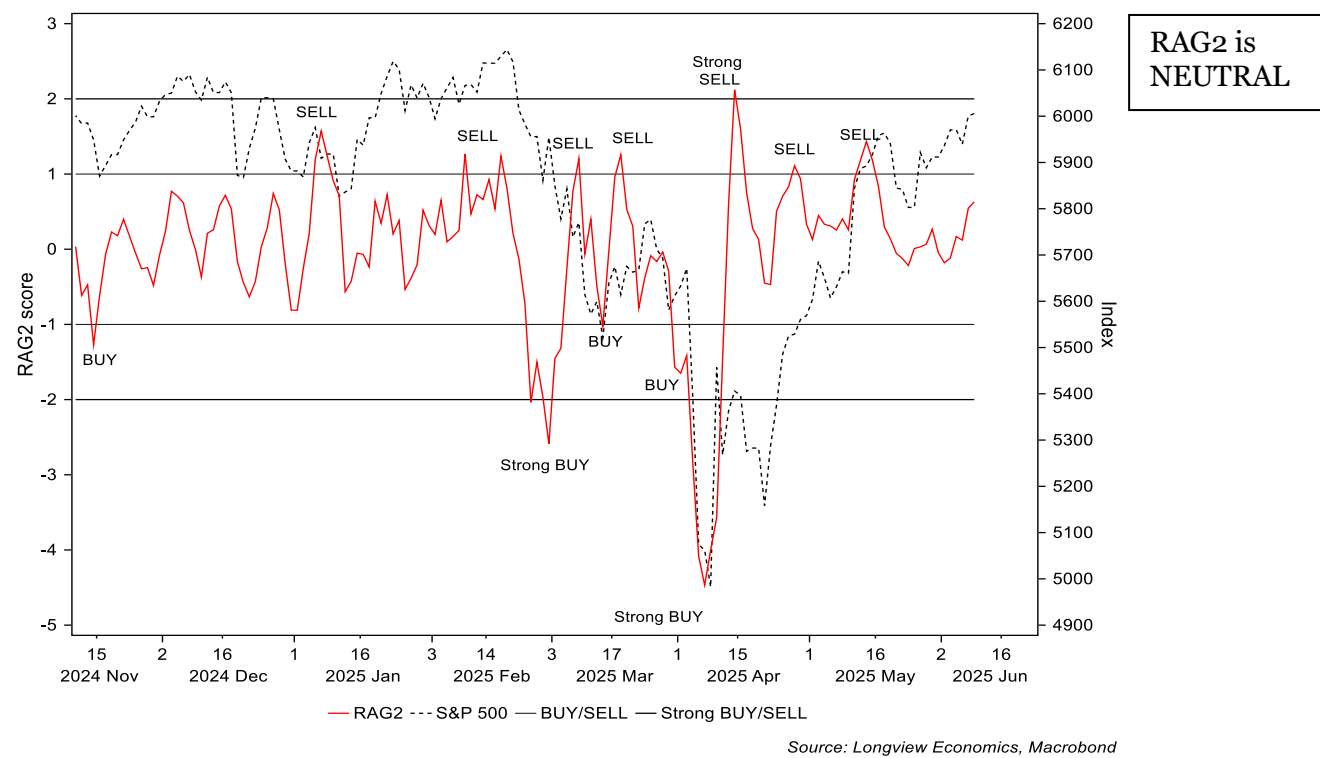## Section 2: Short term (1 – 2 week) trading models

Fig 2a: RAG 1 vs. S&P 500

RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

Fig 2b: RAG 2 vs. S&P 500

RAG2 is NEUTRAL

Source: Longview Economics, Macrobond
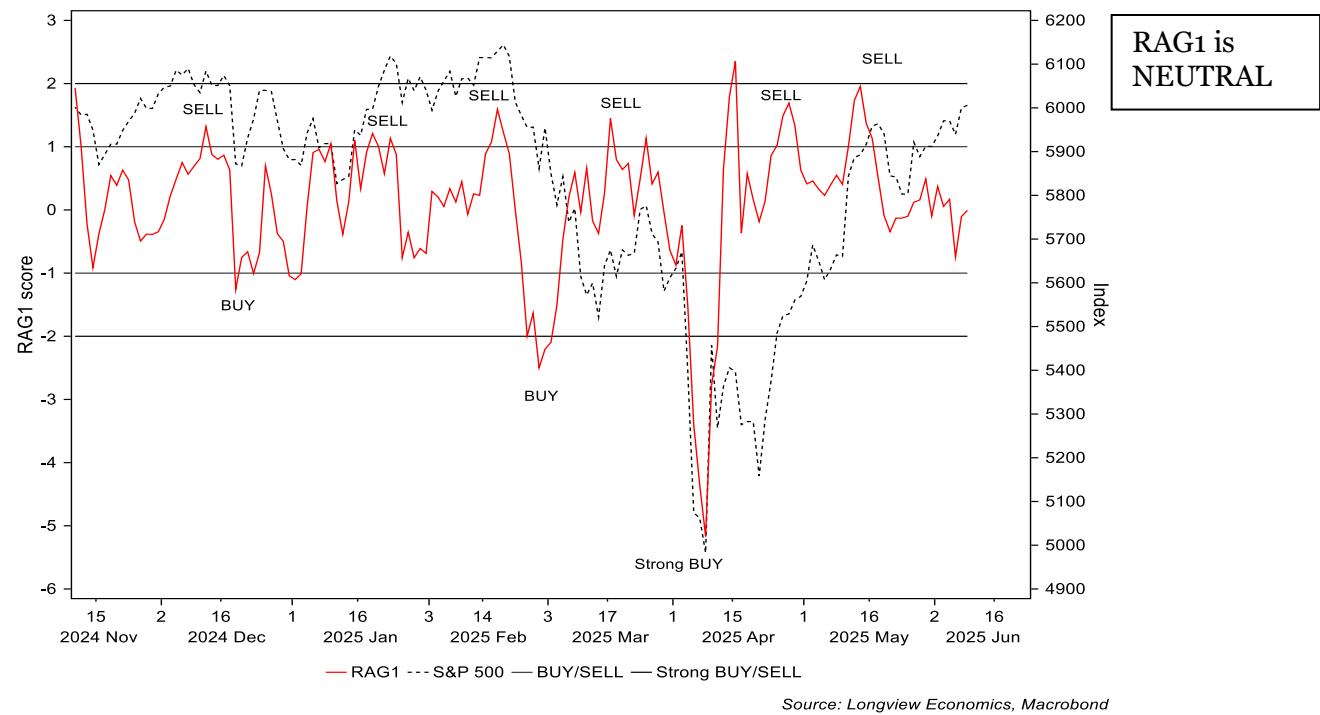
For explanations of indicators please see page 10

**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500

Shortest
term RAG is
NEUTRAL

Source: Longview Economics, Macrobond
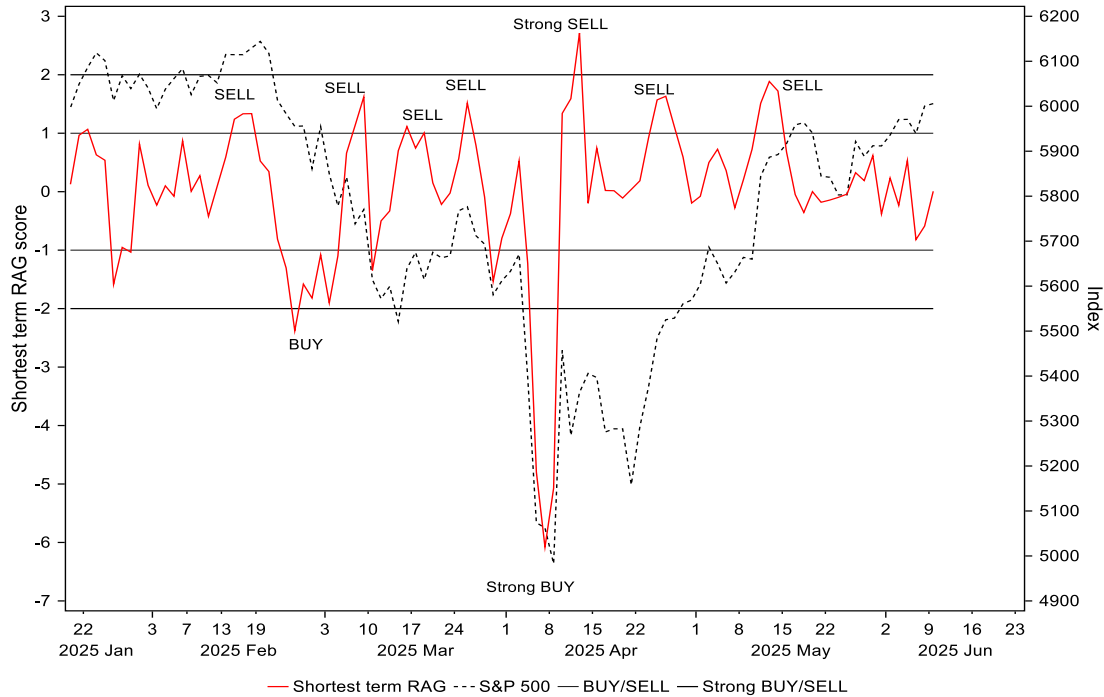
Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500

Calls less
puts model
is
NEUTRAL

Source: Longview Economics, Macrobond
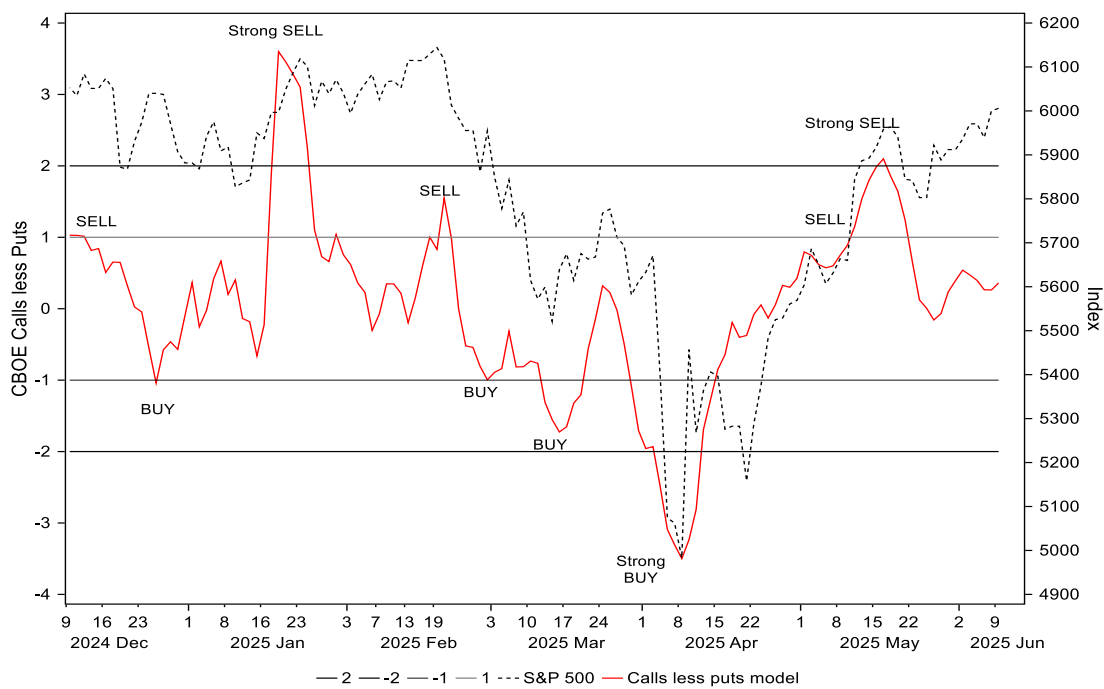
For explanations of indicators please see page 10

Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500
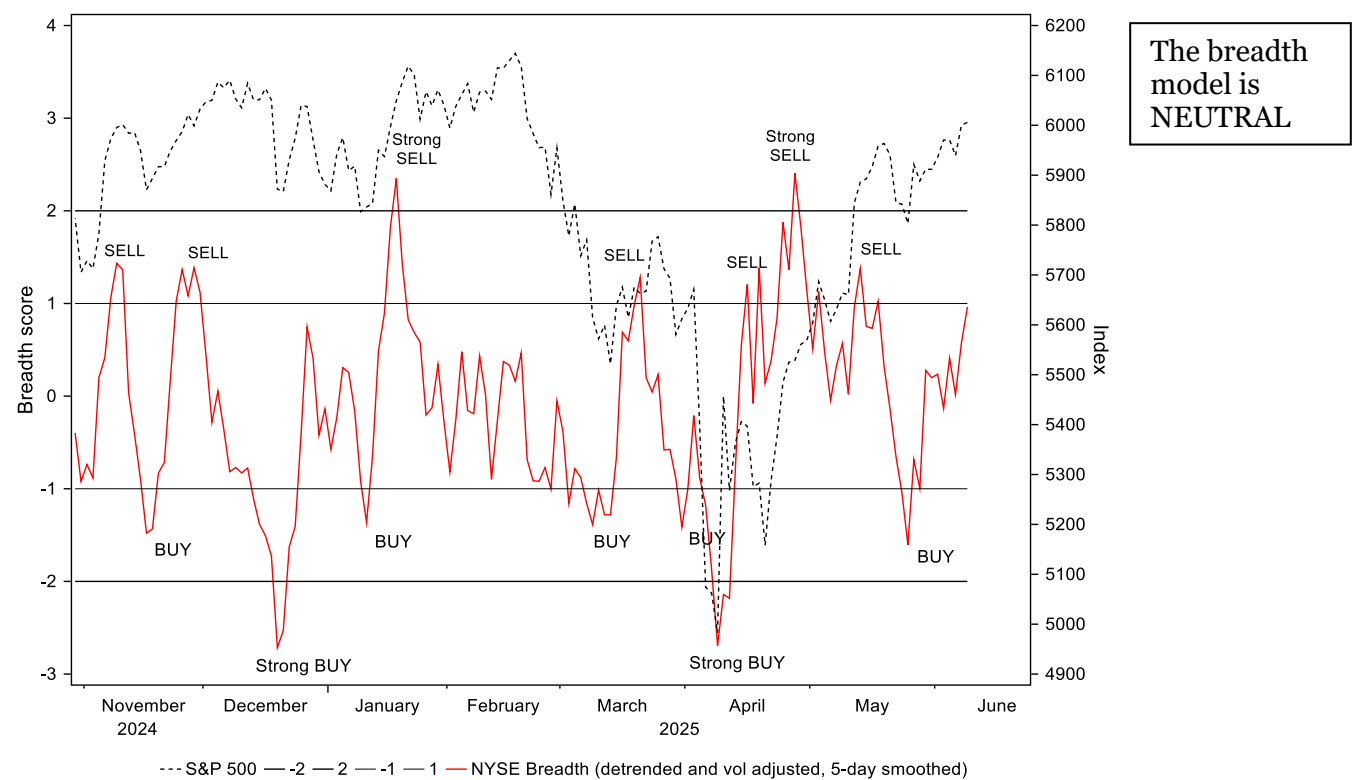
The breadth model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

Section 3: Medium term (1 – 4 month) outlook

Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500

Medium term RAG1 is NEUTRAL

Source: Longview Economics, Macrobond
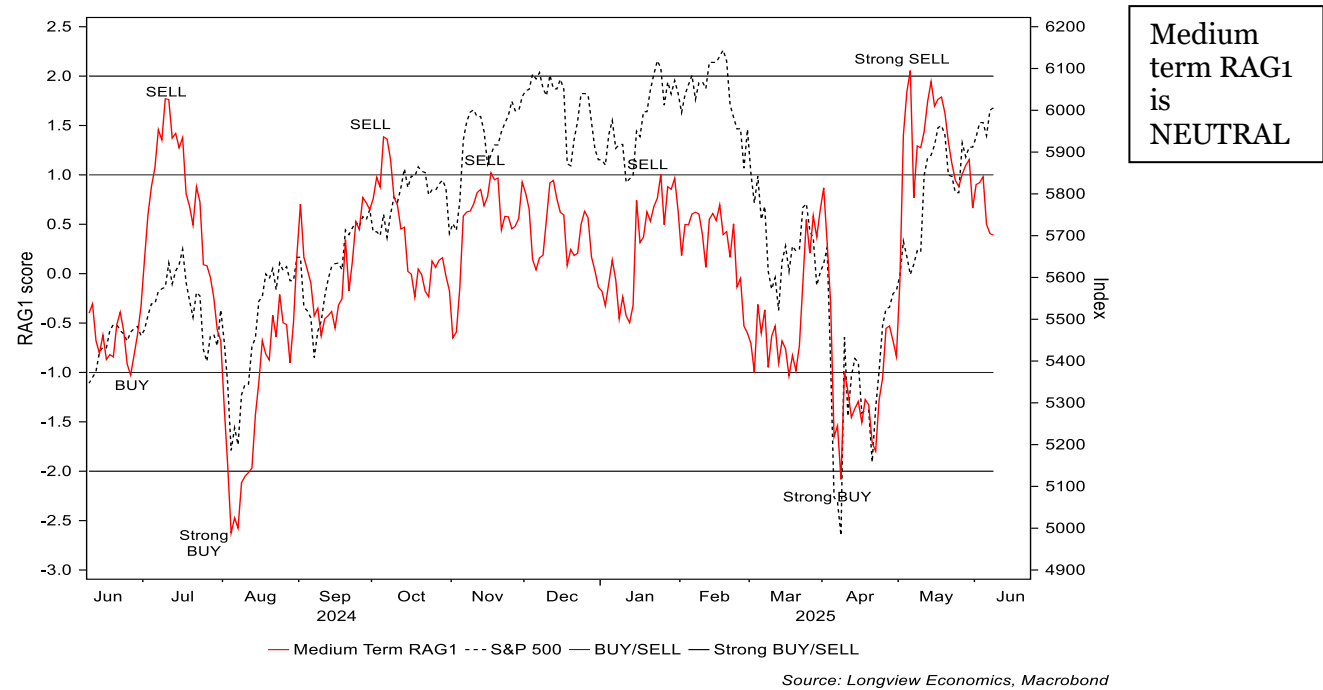
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond
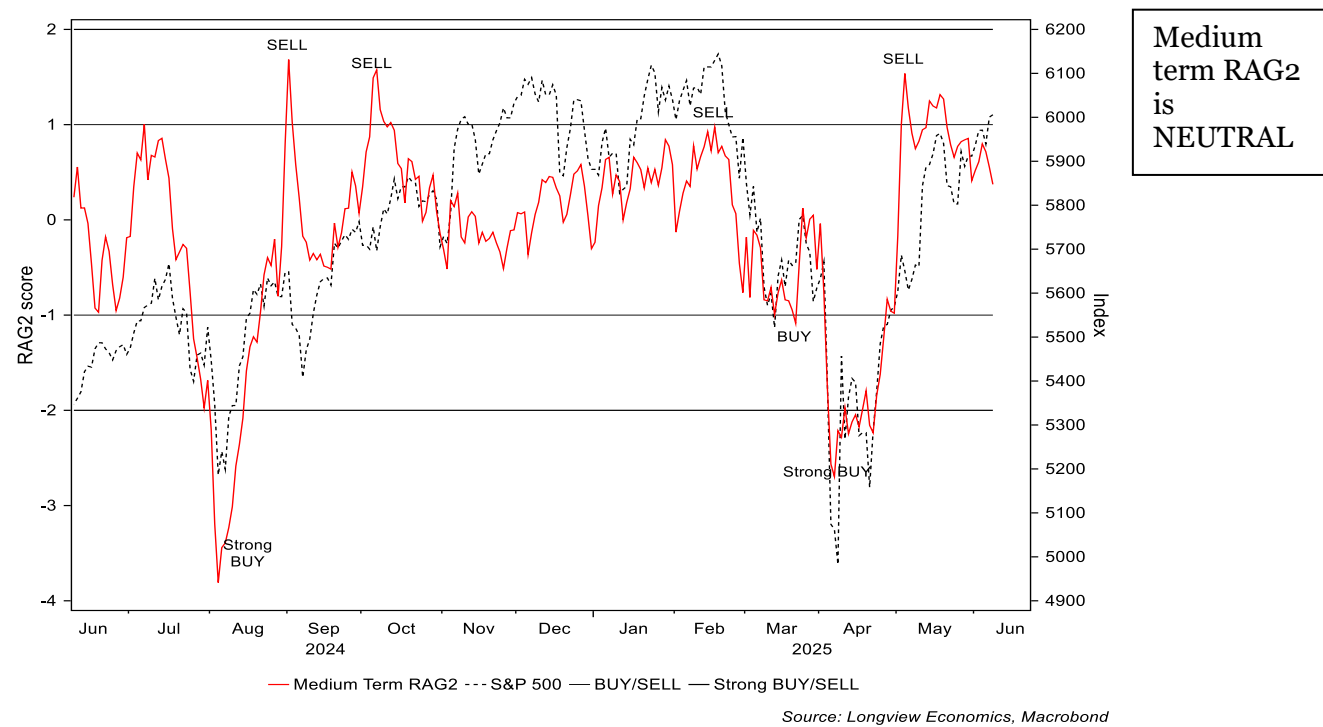
For explanations of indicators please see page 10

Fig 3c: SELL-off indicator (shown vs. S&P500)

The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond
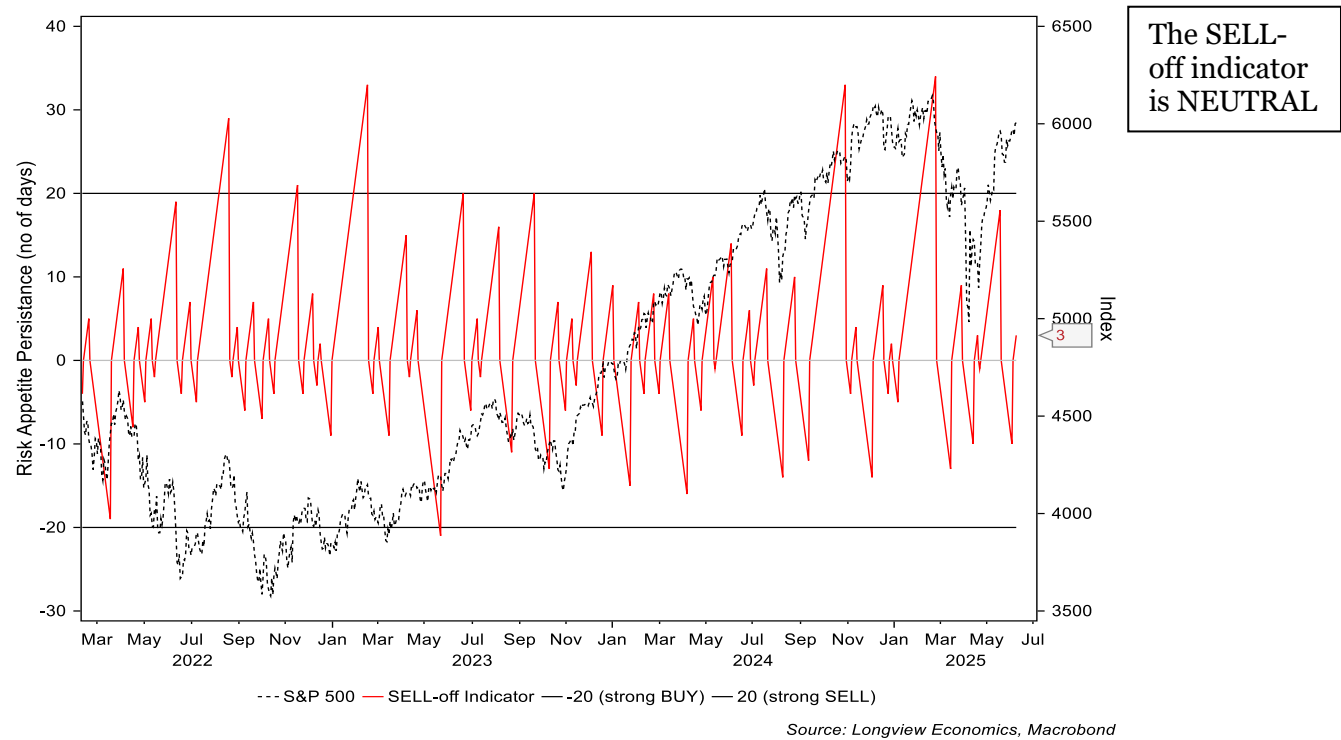
Fig 3d: CBOE put to call trend deviation model vs. S&P500

Medium term put to call model is NEUTRAL

Source: Longview Economics, Macrobond
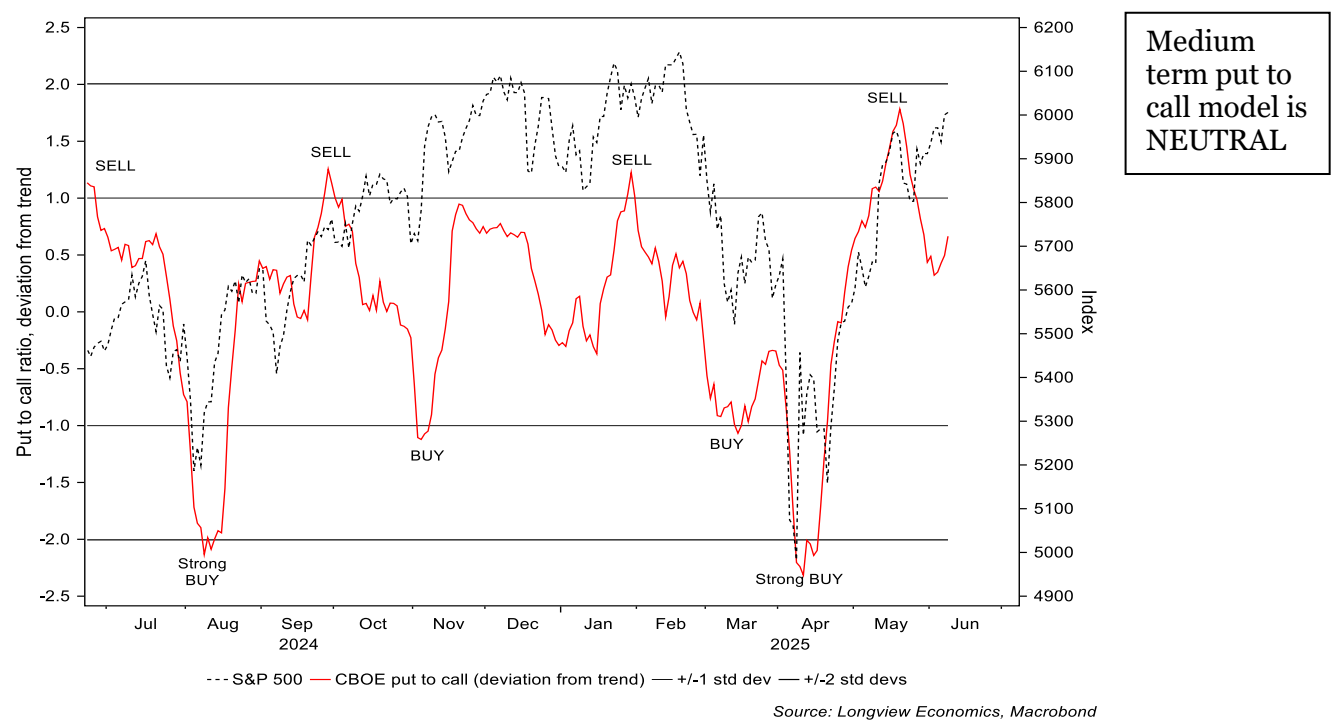
For explanations of indicators please see page 10

Fig 3e: Global volatility (deviation from trend) model vs. S&P500

Global volatility indicator is on Strong SELL

Source: Longview Economics, Macrobond
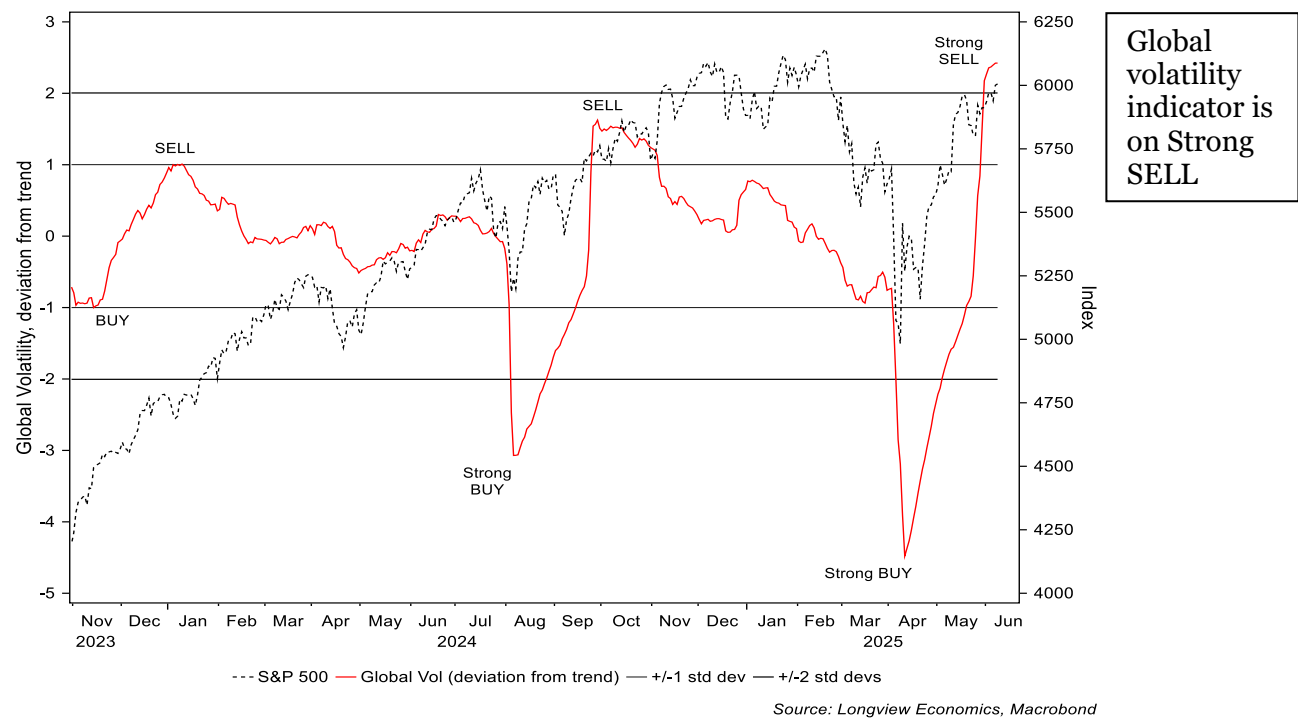
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500
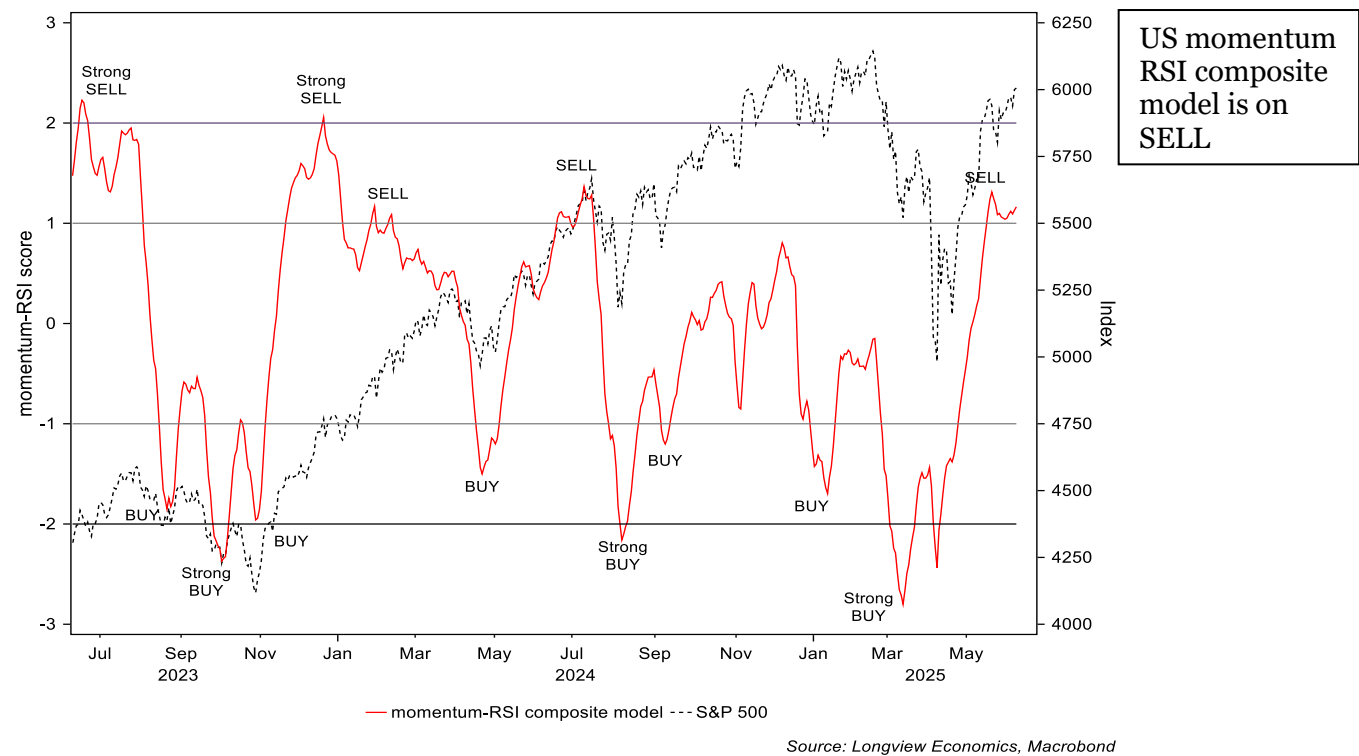
US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

High yield corporate bond spreads model is on SELL

Source: Longview Economics, Macrobond
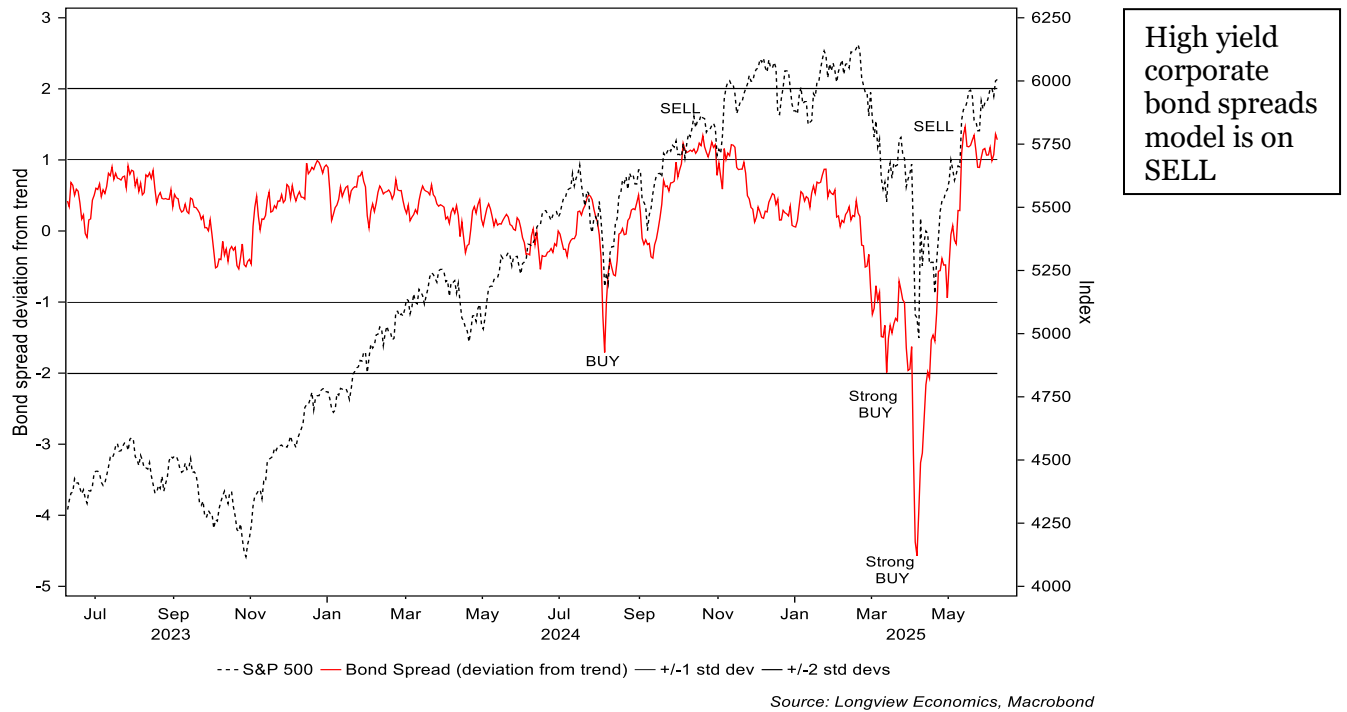
Fig 3h: Colvin model (deviation from trend) vs. S&P500

Colvin model – is on SELL

Source: Longview Economics, Macrobond
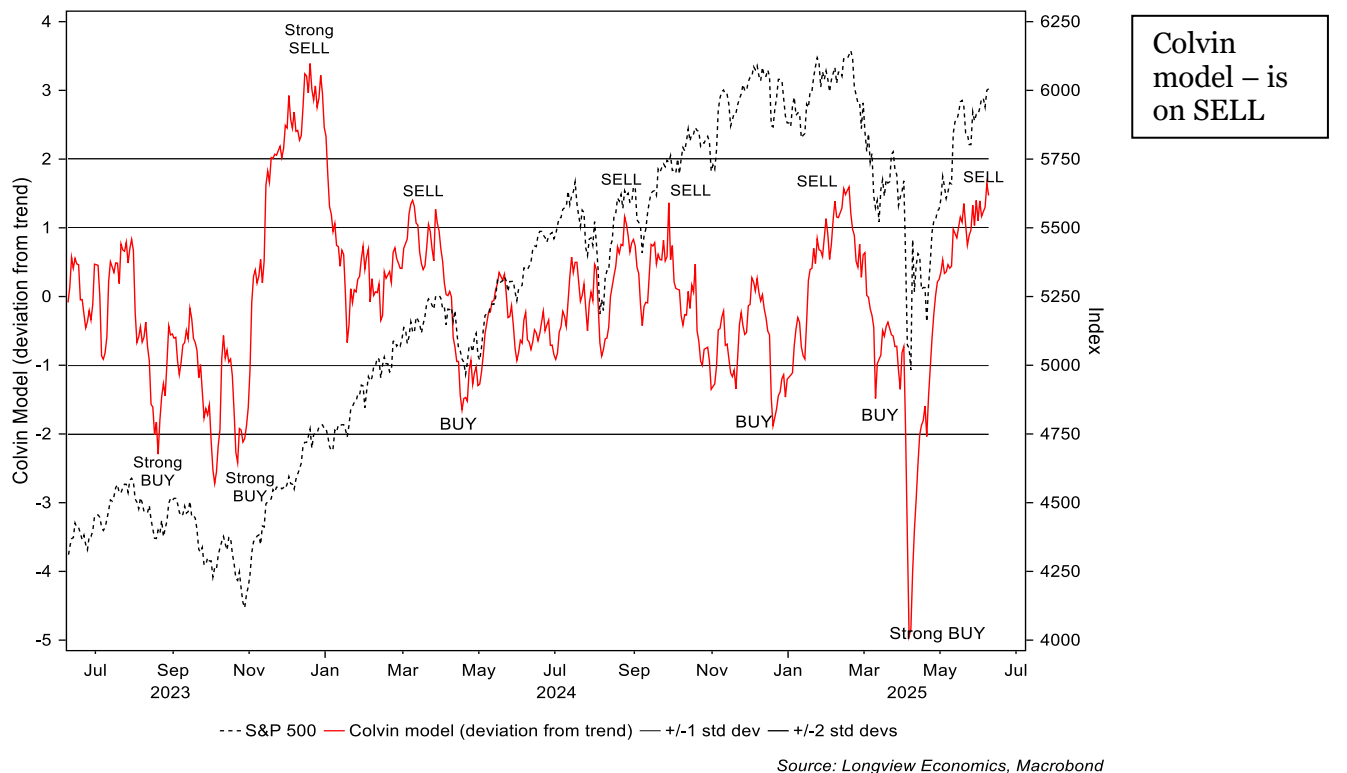
For explanations of indicators please see page 10

Appendix: Model Explanations

Model 2a-b: Short term RAG1 & RAG2 (risk appetite gauge)
RAG1&2 each draw upon the volatility and price movement of approximately 70 financial instruments each day. By plotting risk curves we derive the risk appetite of the investment community as a whole on any and every day's trading in financial markets.

Model 2c: Shortest term RAG
This RAG model is a shorter term moving average risk appetite model than model 2a. By being shorter term in nature it helps to more accurately time the entry day for a specific trade.

Model 3a – 3b: Medium term RAGs
This is a medium term version of the risk appetite models. This is designed to forecast the direction of equity markets on a 1 – 2 month timeframe.

Model 3c: SELL-off indicator
The SELL-off indicator measures the number of days our RAG system has been on a SELL signal (i.e. as a positive number) and the number of days which it has been on a BUY signal (negative reading). When the indicator moves above +20 (i.e. risk appetite has been persistently high for a long period of time) this indicator warns of a potential sell-off in equity markets (and other risky assets). Most major SELL-offs in equity markets in recent years have been accompanied/foreshadowed by a reading of over +20.

Model 3d: CBOE put to call (deviation from trend model)
This model measures movements in the put to call ratio from its medium term moving average trend line. A sharp move higher (lower) in the put to call ratio indicates heightened levels of fear (complacency) and is used as a contrarian indicator. NB Given that the absolute put to call ratio has historically undergone long term structural trends, a deviation from trend model correlates more closely with medium term trends in equities.

Model 3e: Global volatility (deviation from trend model)
The (underlying) global volatility indicator measures the degree of complacency in financial prices. It achieves this by measuring short term realised volatility in over 150 financial assets from around the globe and across the asset class spectrum. A low reading indicates that only a low level of risk is priced into financial markets (and vice versa). Given, though, that volatility is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

Model 3f: Momentum Model
Based on the rate of acceleration (or deceleration) of the momentum of the convergence (or divergence) of a short and a long term moving average of the equity or other price index. The concept is equally applicable to any financial market and the signals are particularly pertinent at extremes.

Model 3g: High yield corporate bond spreads (deviation from trend model)
This model measures movements in the spread of high yield corporate bonds over US Treasury yields from its moving average trend line. Given that the spread is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

Model 3h: Colvin model
The Colvin model measures global market breadth i.e. the strength of the advance (or decline) in global risk asset prices. Extreme deviations from trend reflect rapid advances/declines in asset prices thereby leading to and generating overbought/oversold signals.

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