

## Equity Index Futures Trading Recommendations

11<sup>th</sup> June 2025

“CPI Data Today/Volatility Likely - Close LONG (for now)”

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### Trading Recommendation (‘1 – 2’ week equity index trading recommendation)

- Close ½ LONG June S&P500 futures at current prices (entry was on Wednesday last week, at 5,982.75).
- WATCH & WAT (for now).

### Rationale

Yesterday was a broad-based ‘risk-on’ day in US equity markets. All but two of the 28 headline US indices, that we follow, closed higher (led by the Philly SOX +2.1%; & DJ Transportation index +1.3%). Ten out of 11 top level S&P500 sectors closed up (with energy the best performer +1.8%); while 19 out of the 24 industry groups also closed in positive territory. With that, the Philly SOX pushed further above its consolidation range of the prior few weeks (and further above its 200-day moving average – FIG 1); the NDX100 made a new multi month closing high (i.e. also appears to be breaking out), as did the S&P600 (small caps index). In Europe, performance was more mixed, with a wide dispersion of daily returns (e.g. DAX -0.8%; UK’s FTSE250 +0.5%, STOXX flat). The US dollar was higher on the session (but only modestly), the British pound was weak as UK bond yields fell across the curve (reflecting the weak labour market data coupled with leaks on the expected shape of today’s governmental spending review – due around 12:30/1pm London time). UK 10-year GILT yields ended the day 9bps lower (at 4.55%). Reflecting the grind higher in various indices (especially US) in recent days, volatility fell again (such that the VIX reached 16.7% during the session, its lowest since February). The VVIX also reached low levels, while Italian spreads over German tightened again (FIG 1a).

With that grind higher in recent days, **short term models** (FIGs 2 – 2h) **are now moving onto (close to) SELL**. The fastest moving ‘shortest term RAG’ model has reached SELL; the ‘combined RAG1 and RAG2’ model and the ‘risk appetite scoring system’ are both close to SELL; from a technical (overbought/oversold) perspective, the SOX is now (just) overbought, while the NDX100 & S&P500 are edging towards that set-up (but not yet at that point). The CBOE put to call ratio, meanwhile, is more mid-range, although the underlying 1-day NDX100 put to call indicator has moved rapidly in the past few trading sessions (i.e. onto SELL levels).

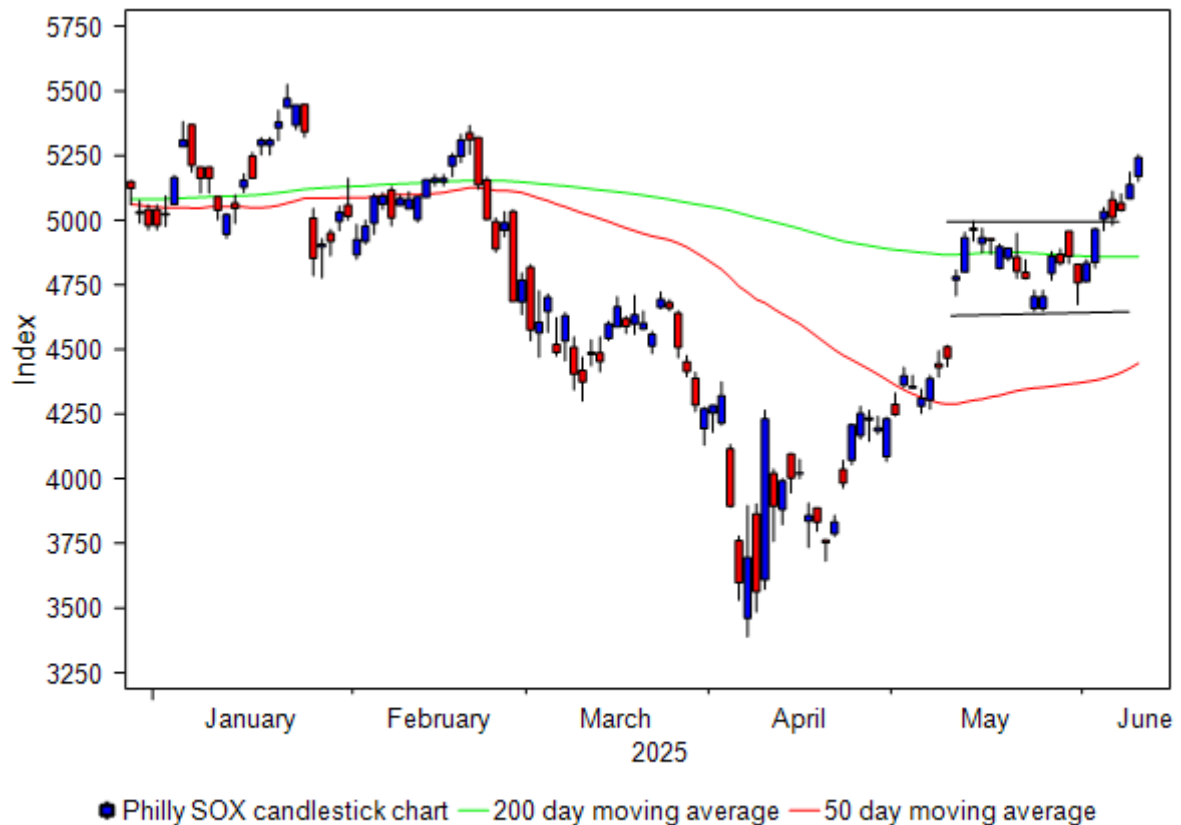
With today’s release of US CPI data (1:30pm London time), **there’s a risk of a pick-up in market volatility**. A higher-than-expected number has the potential to push equities lower. That adds to a sense of caution (albeit a better-than-expected number would probably add to upside momentum). The challenges of forecasting this data point are enhanced by the recent imposition of tariffs (and their potential effect on prices). With short term models nearing their SELL thresholds, therefore, we recommend closing the LONG position, & WATCHing, and WAITing (for now).

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

Kind regards,

The team @ Longview Economics

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



Source: Longview Economics, Macrobond

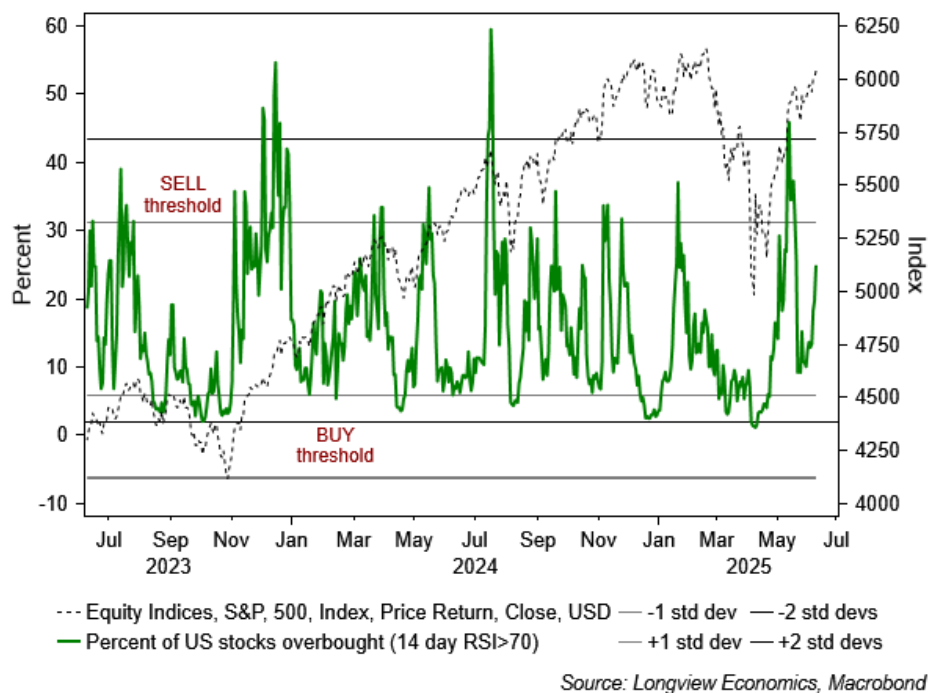
**FIG 1a:** Italian sovereign spreads over BUNDs (inverted) vs. S&P500



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

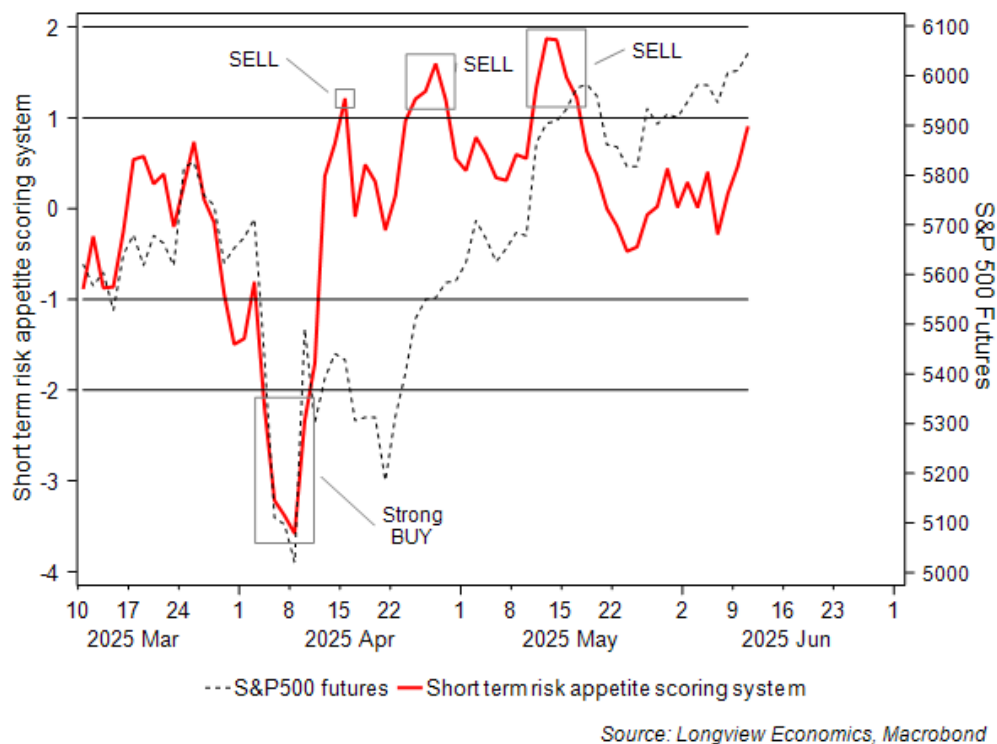


**FIG 1c:** Percentage of US stocks which are technically overbought (i.e. with RSIs>70) vs. S&P500

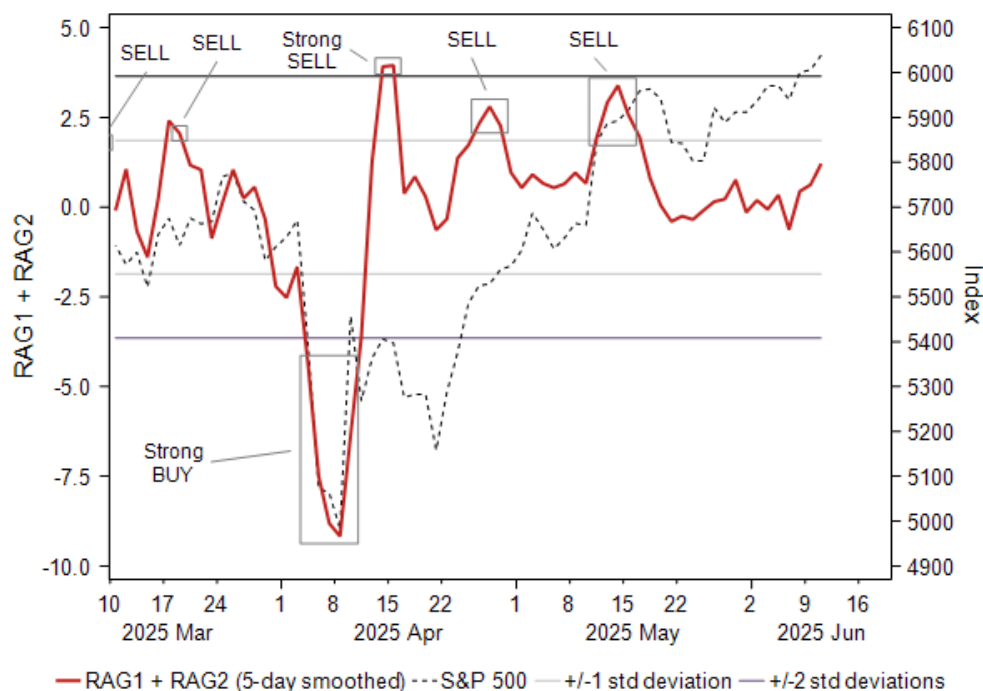


Short term models are now on/leaning towards SELL...

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

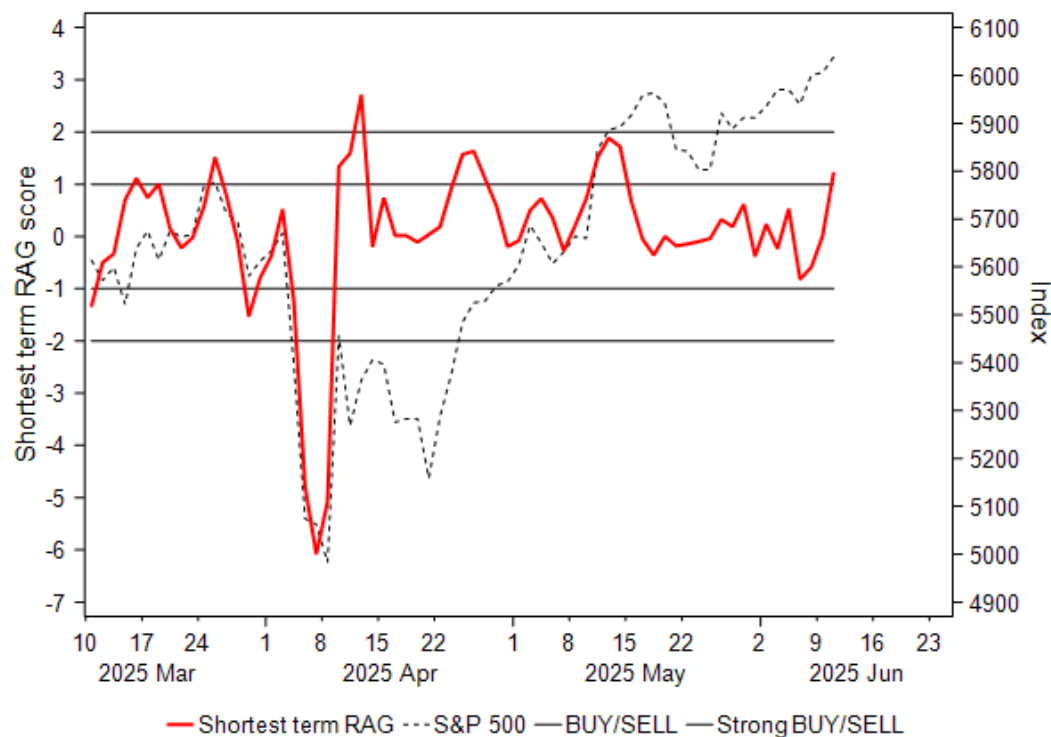


**FIG 2a:** Longview combined key ‘risk appetite’ models (RAG1 + RAG2) vs. S&P500



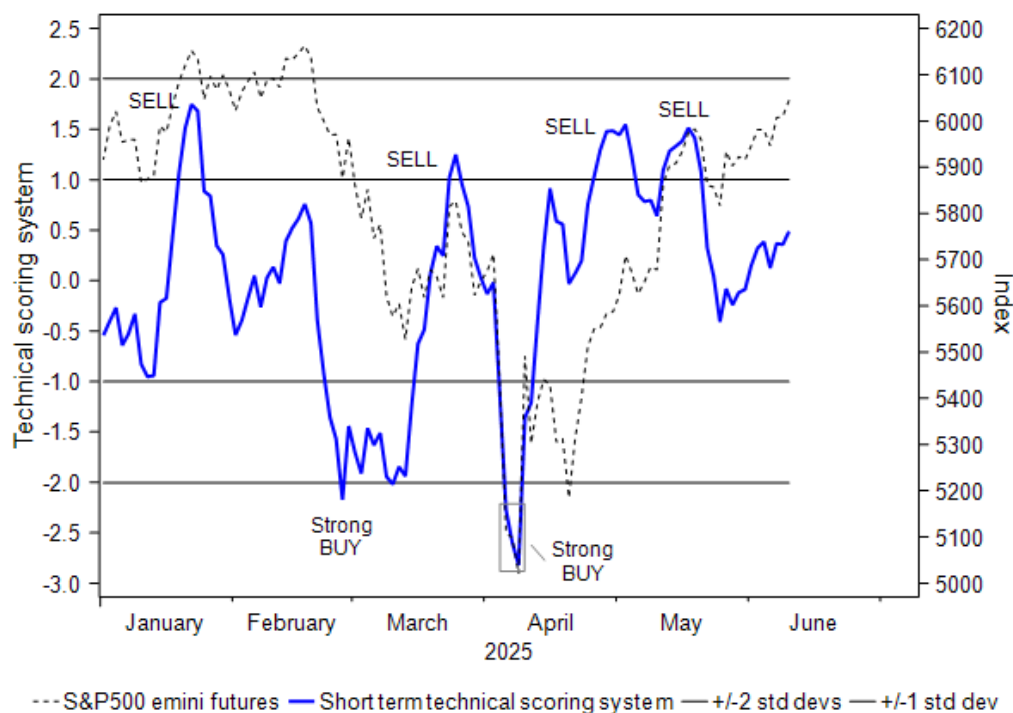
Source: Longview Economics, Macrobond

**FIG 2b:** Shortest term RAG1 (stand-alone) vs. S&P500



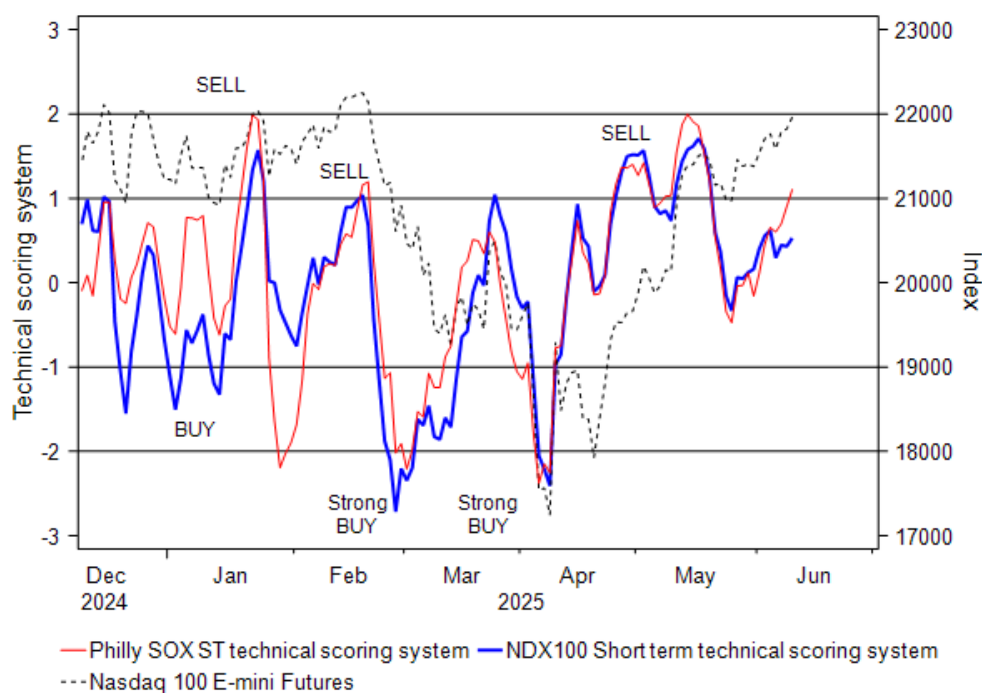
Source: Longview Economics, Macrobond

**FIG 2c:** Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures



Source: Longview Economics, Macrobond

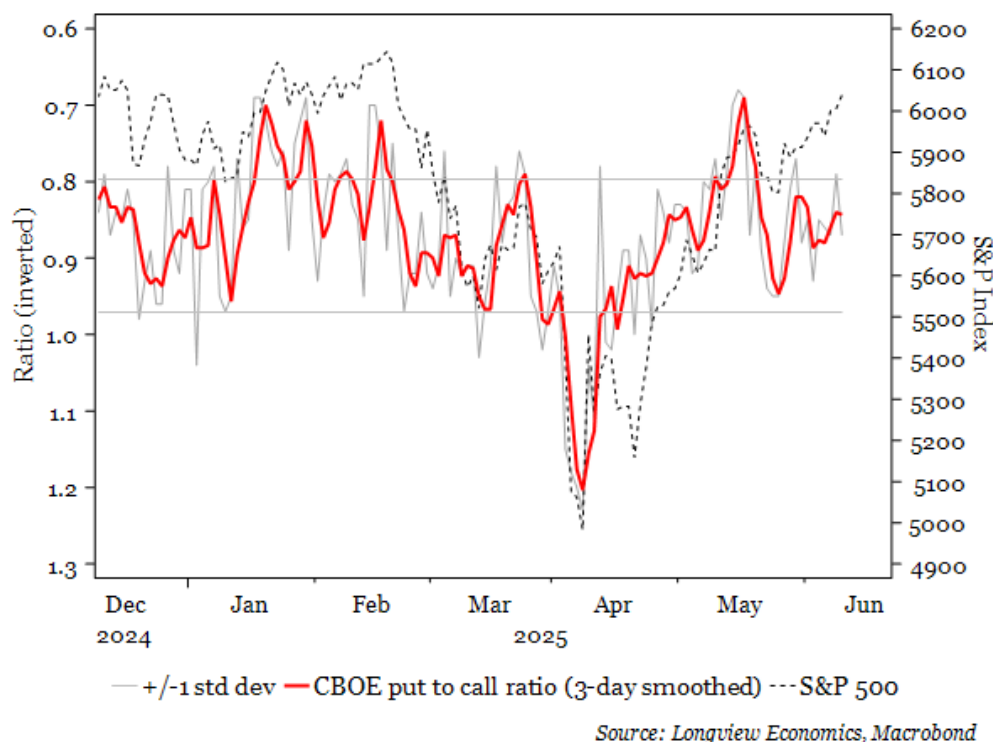
**FIG 2d:** Longview NASDAQ100 & Philly SOX short term **‘technical’** scoring system vs. NASDAQ100 futures



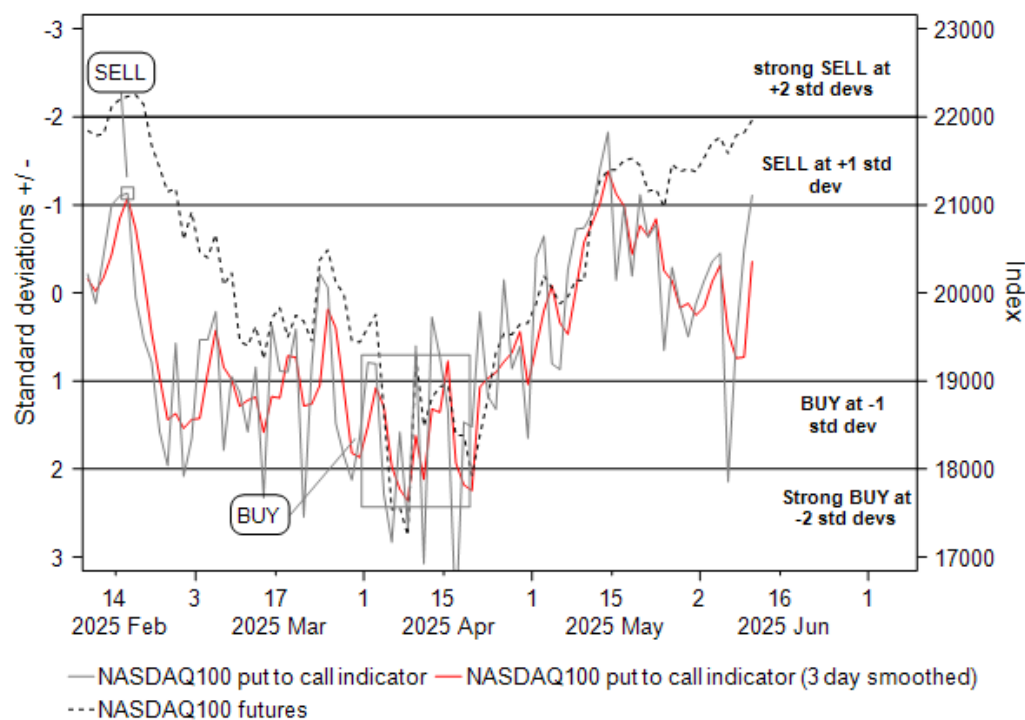
Source: Longview Economics, Macrobond



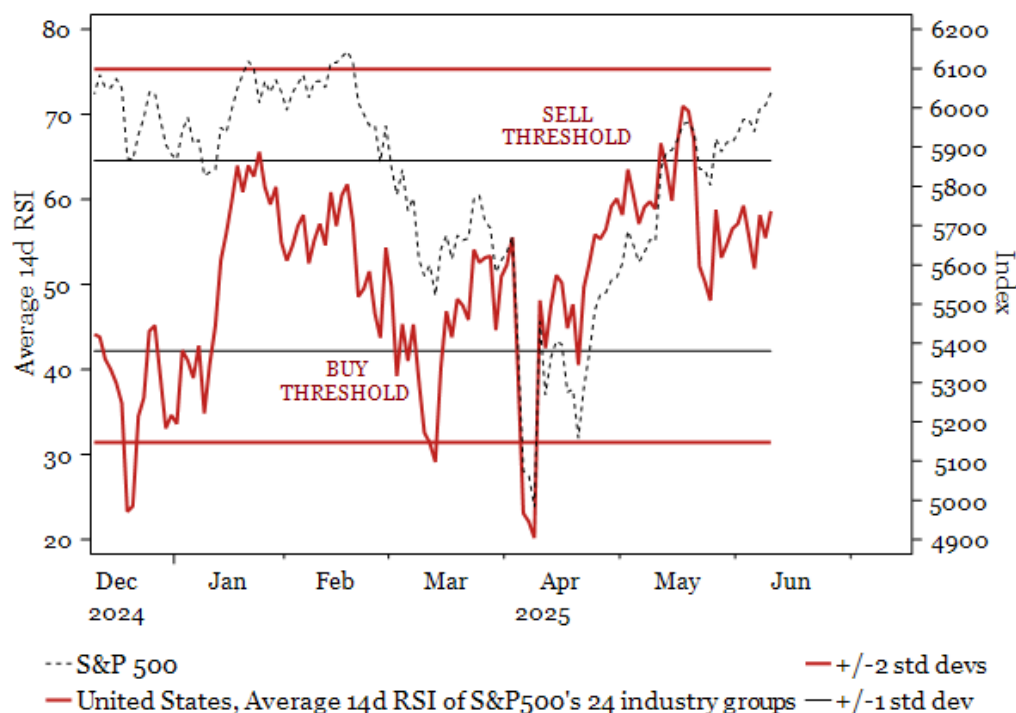
**FIG 2e:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



**FIG 2f:** NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100

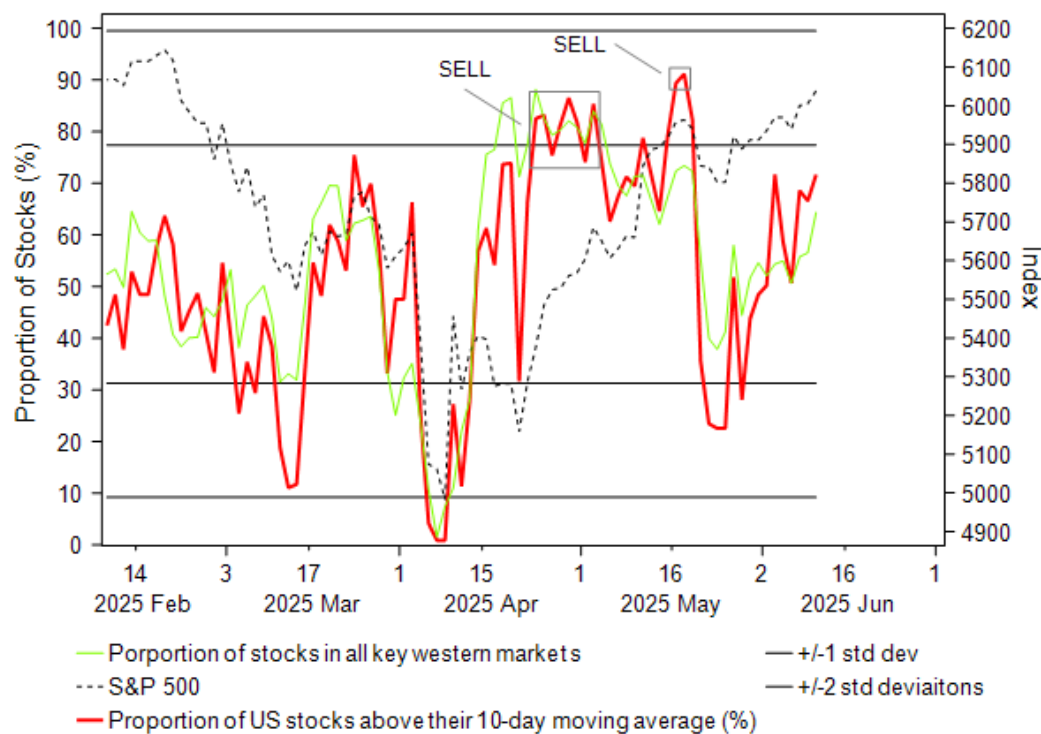


**FIG 2g:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

**FIG 2h:** Proportion of US stocks above their 10-day moving average vs. S&P500



Source: Longview Economics, Macrobond

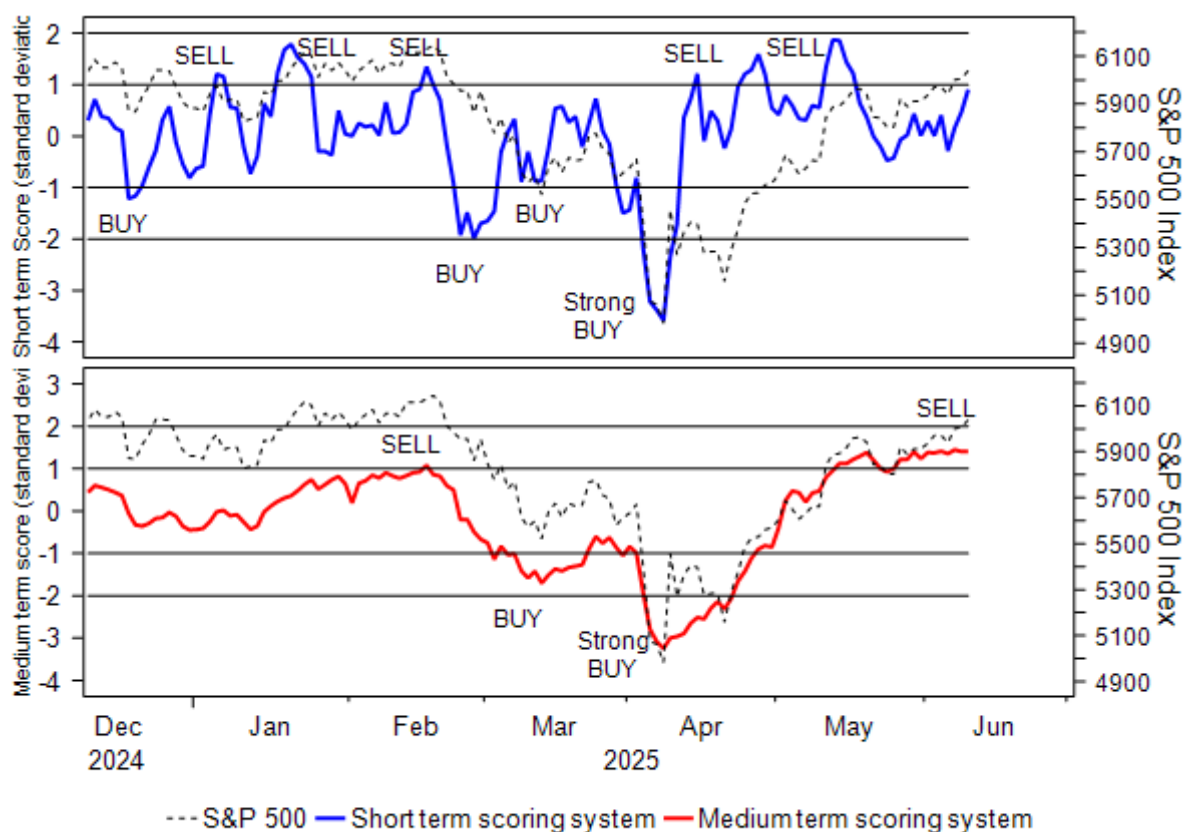


**Key Longview Scoring Systems** (chart below):

**Short term** (1 – 2 week) scoring system: **NEUTRAL** (close to SELL)

**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: Japanese PPI (May, 12:50am); **US headline & core CPI** (May, 1:30pm); Canadian building permits (Apr, 1:30pm); US Federal budget balance (May, 7pm).

**Key events** today include: Speeches by the ECB's Lagarde at PBOC in Beijing (4:15am), Lane in Dublin (10:30am) & Cipollone in Brussels (1pm); **Chancellor Reeves reports the outcome of the 2025 Spending Review** (12:30pm).

**Key earnings** today include: Oracle, Inditex.

## 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 yesterday 10<sup>th</sup> June 2025. If you are not on the distribution list and would like to receive these reports pls email [info@longvieweconomics.com](mailto:info@longvieweconomics.com).



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## 1 – 2 Week View on Risk

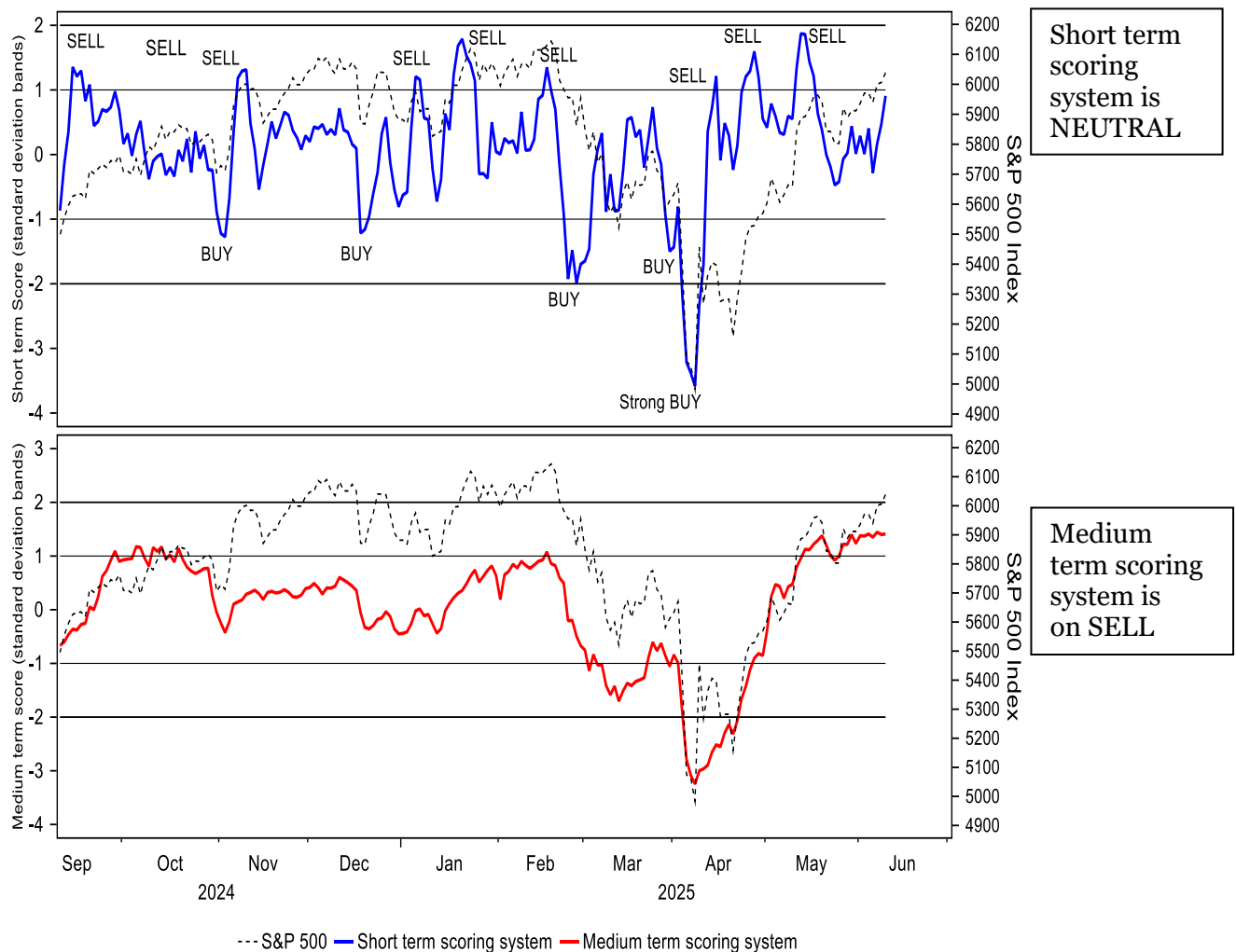
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11<sup>th</sup> June 2025

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

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



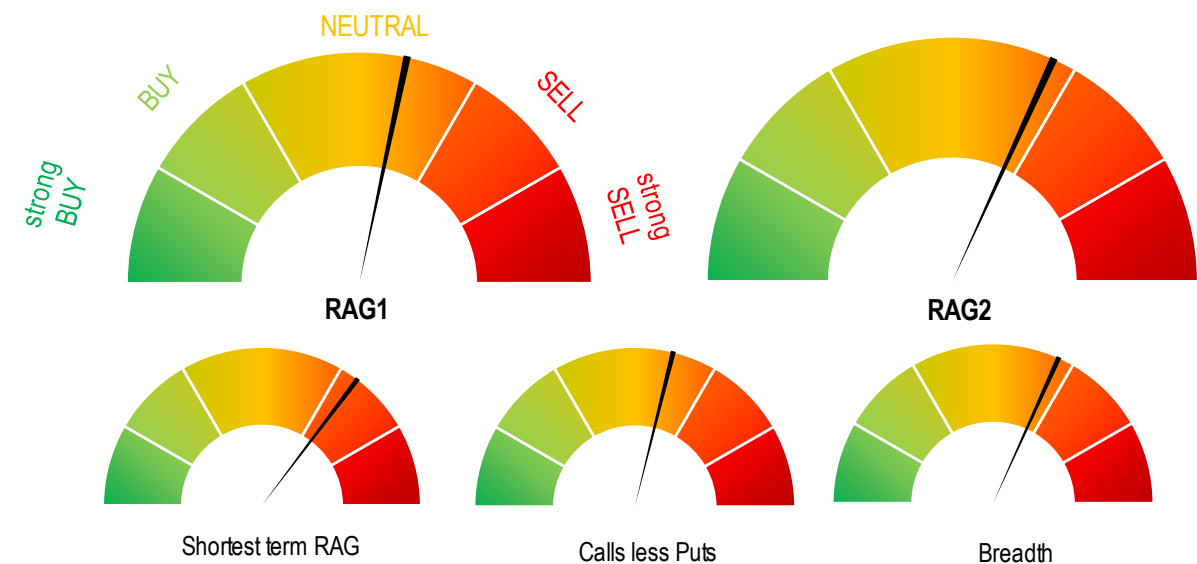
Source: Longview Economics, Macrobond

\*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**

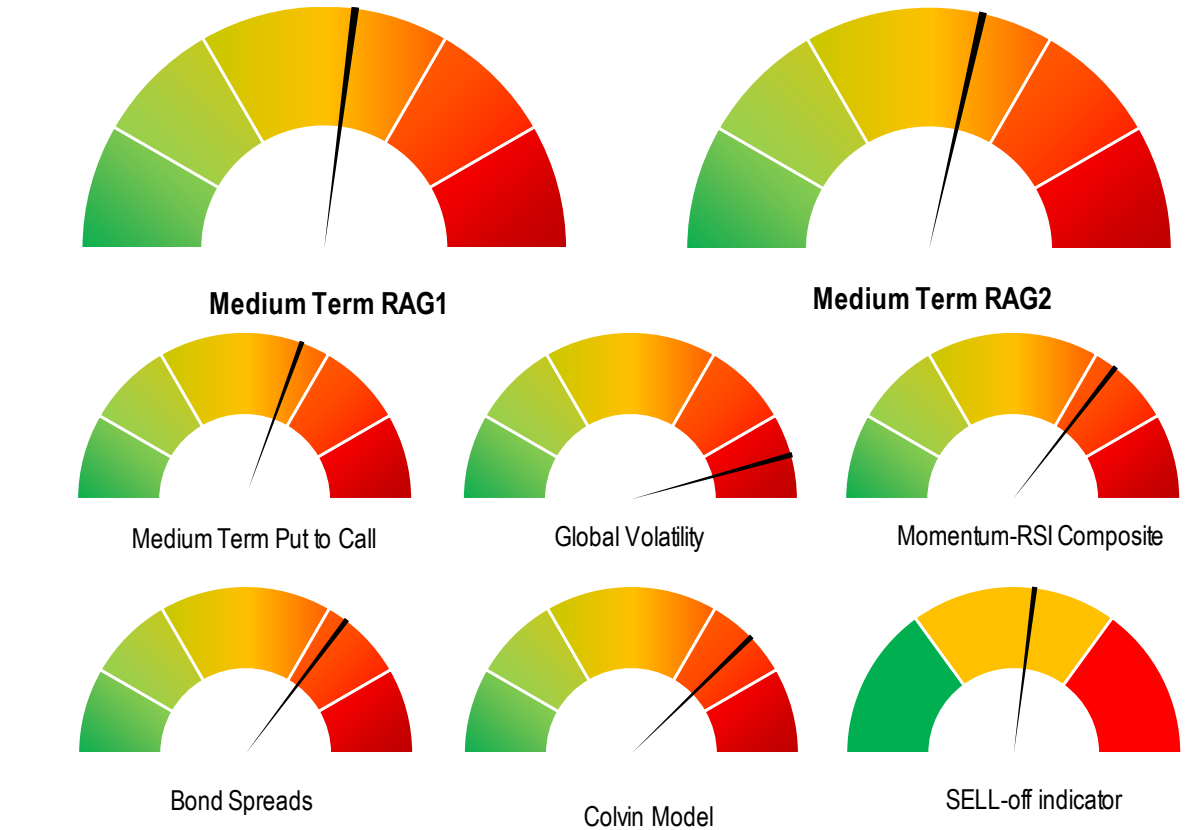
**Section 1a: Summary of indicator signals\*\***

**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

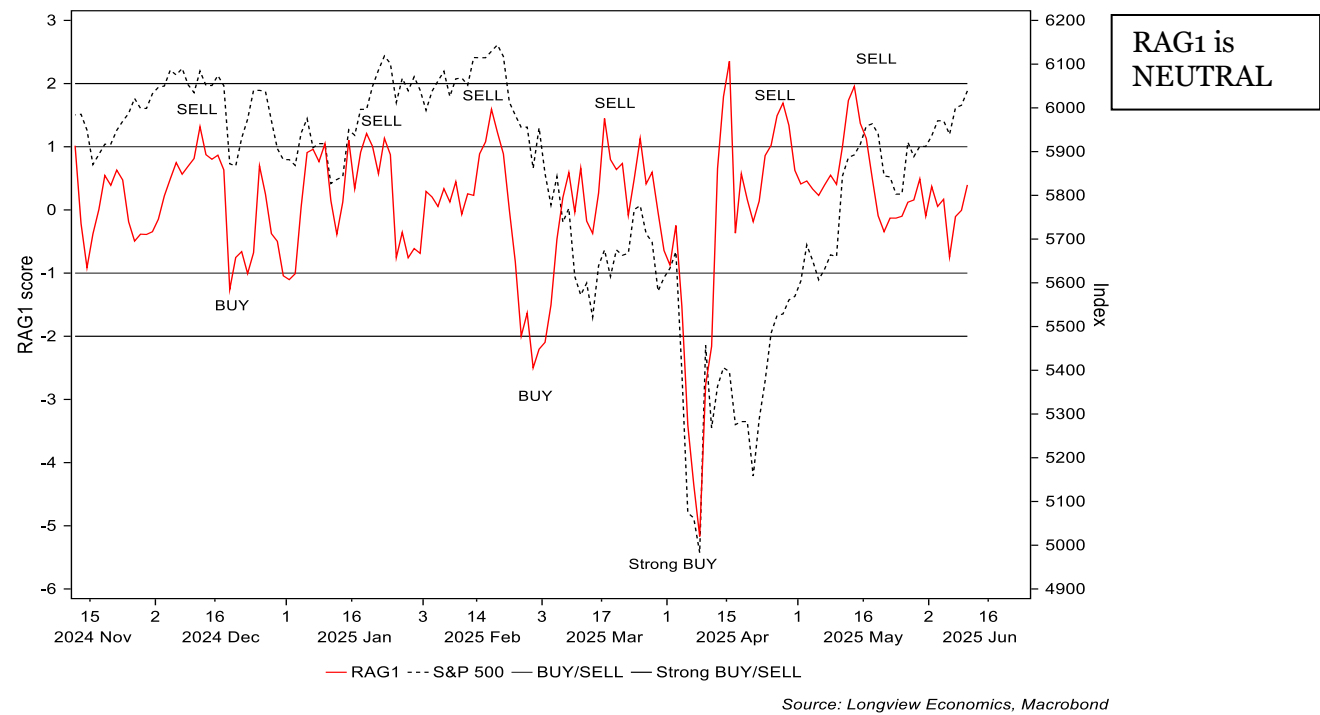
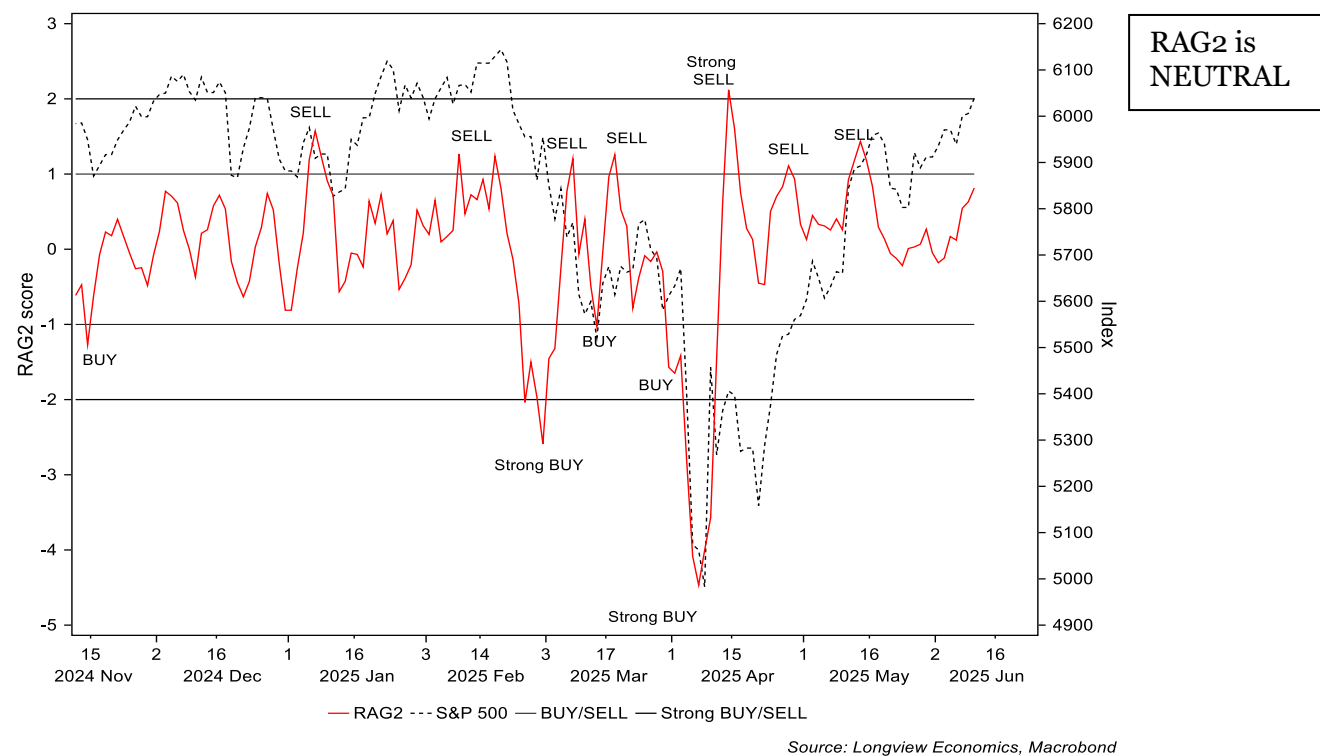
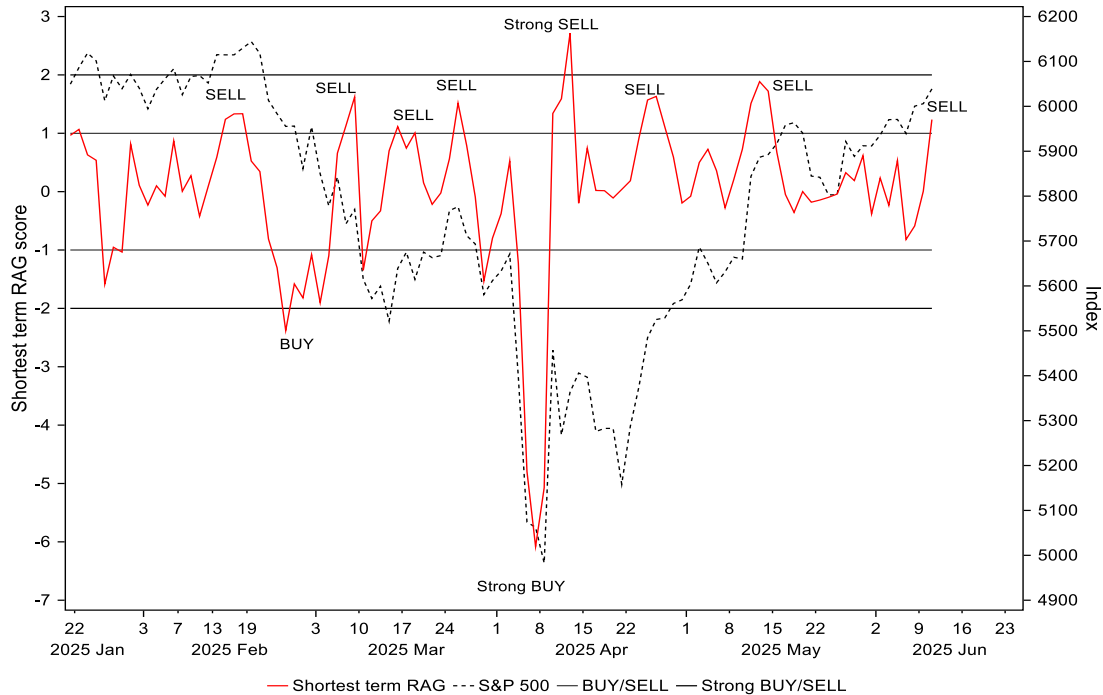


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

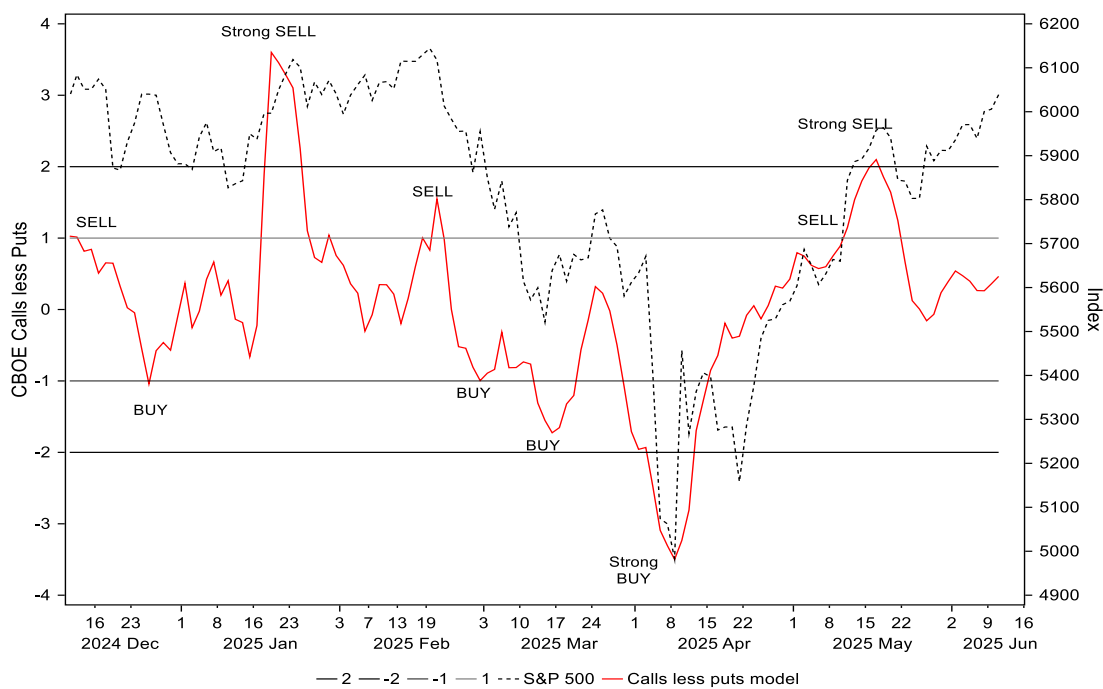
**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest  
term RAG is  
on SELL

**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500



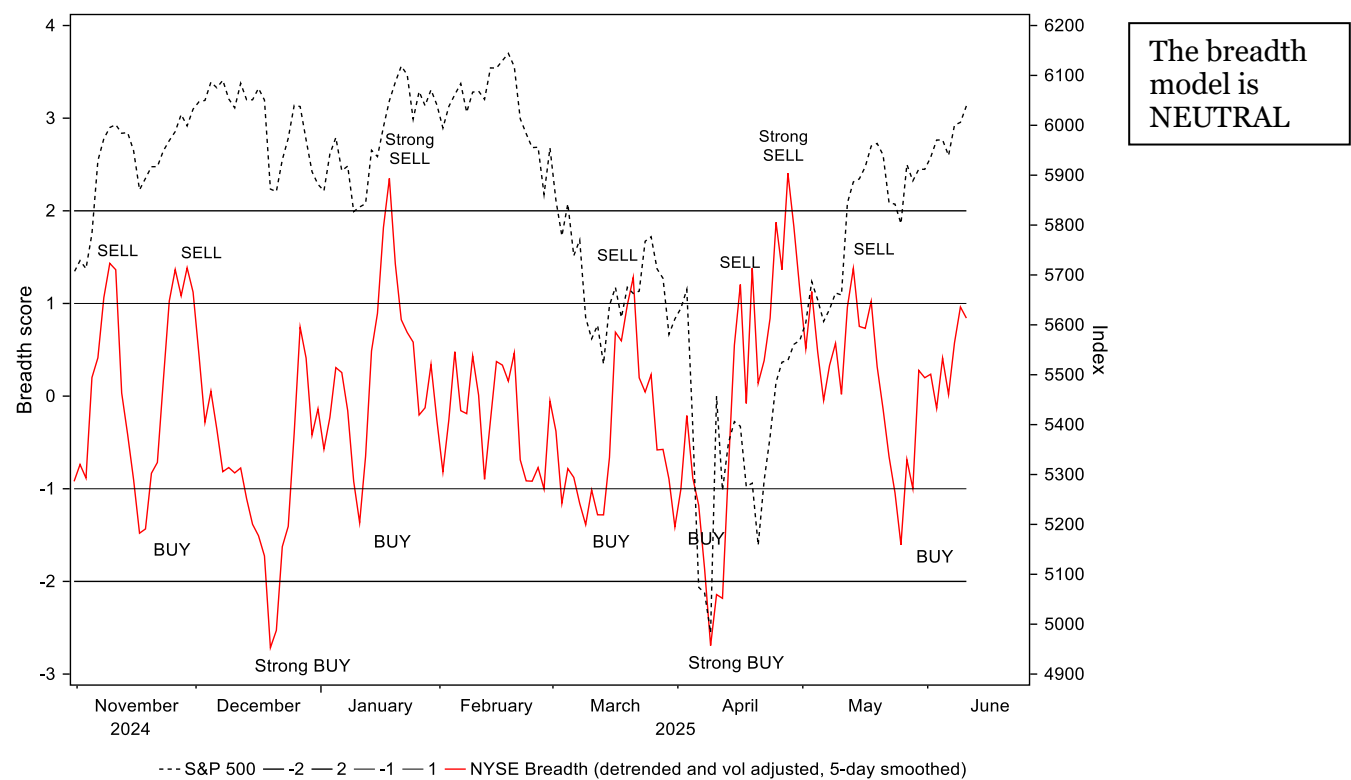
Source: Longview Economics, Macrobond

Calls less  
puts model  
is  
NEUTRAL

**For explanations of indicators please see page 10**



**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



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

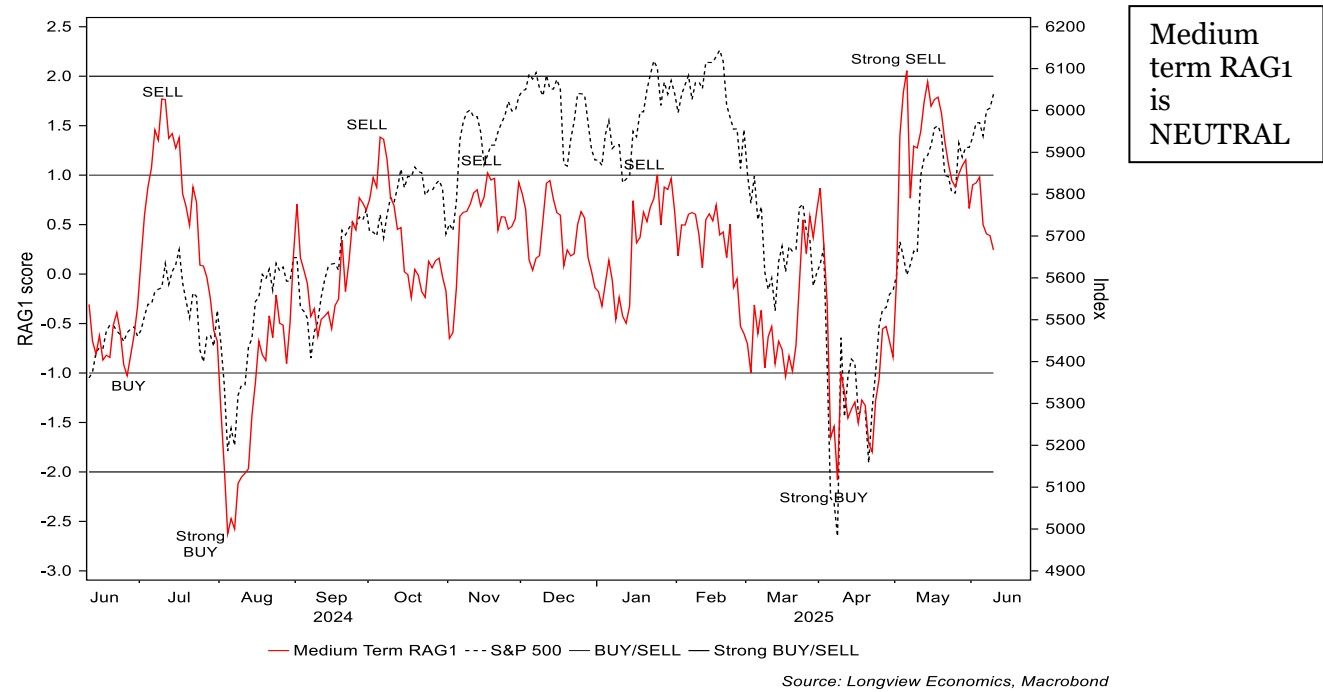
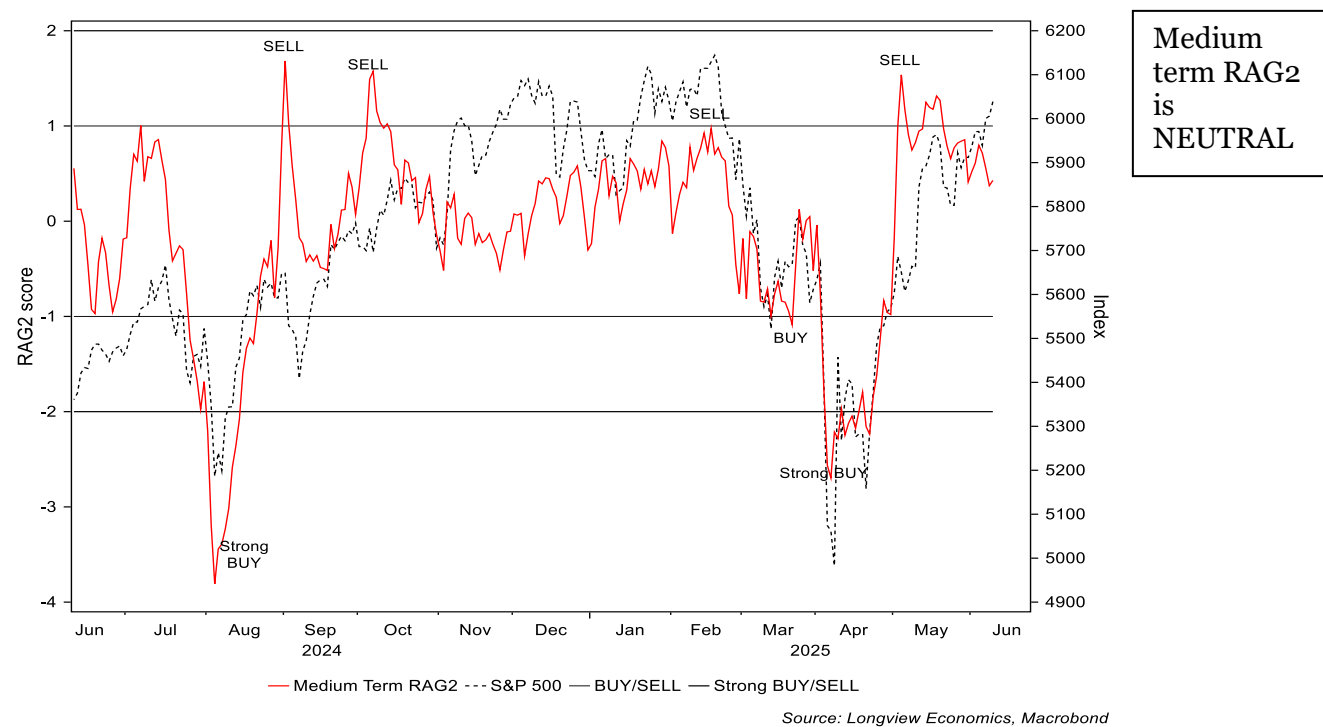
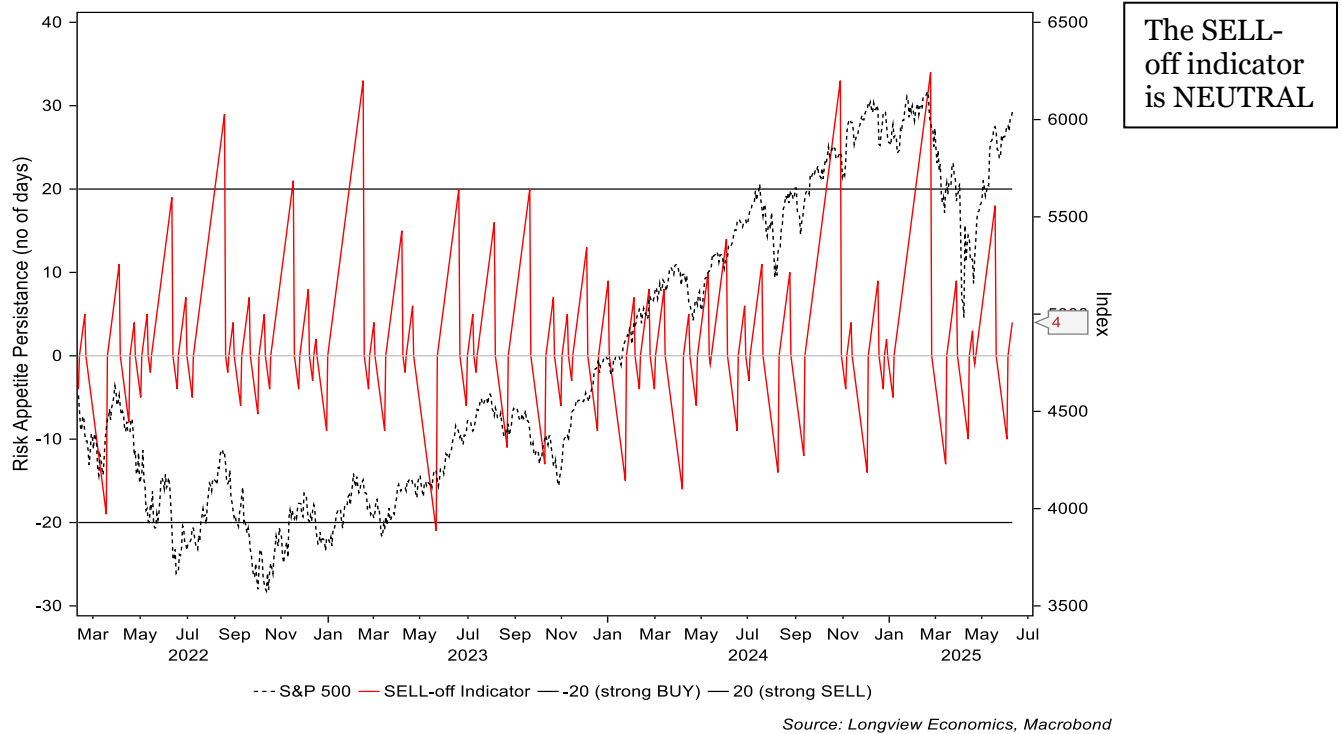


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

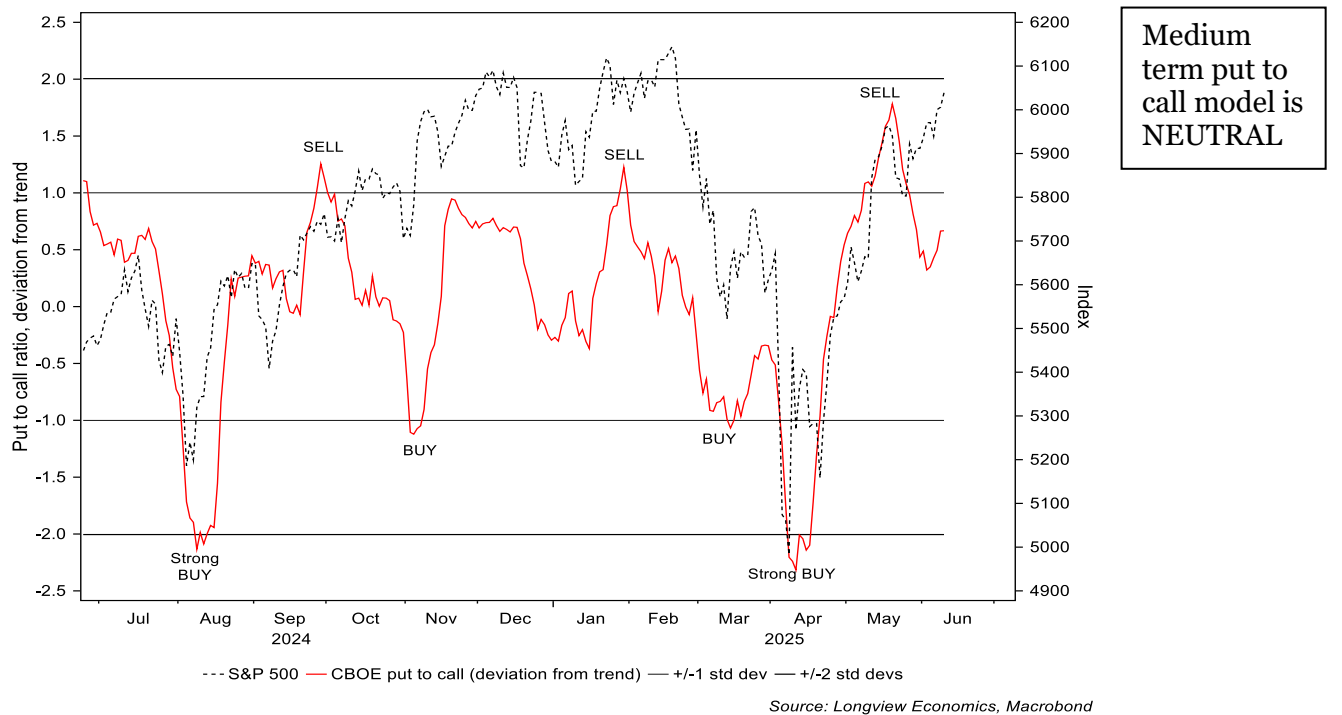


For explanations of indicators please see page 10

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

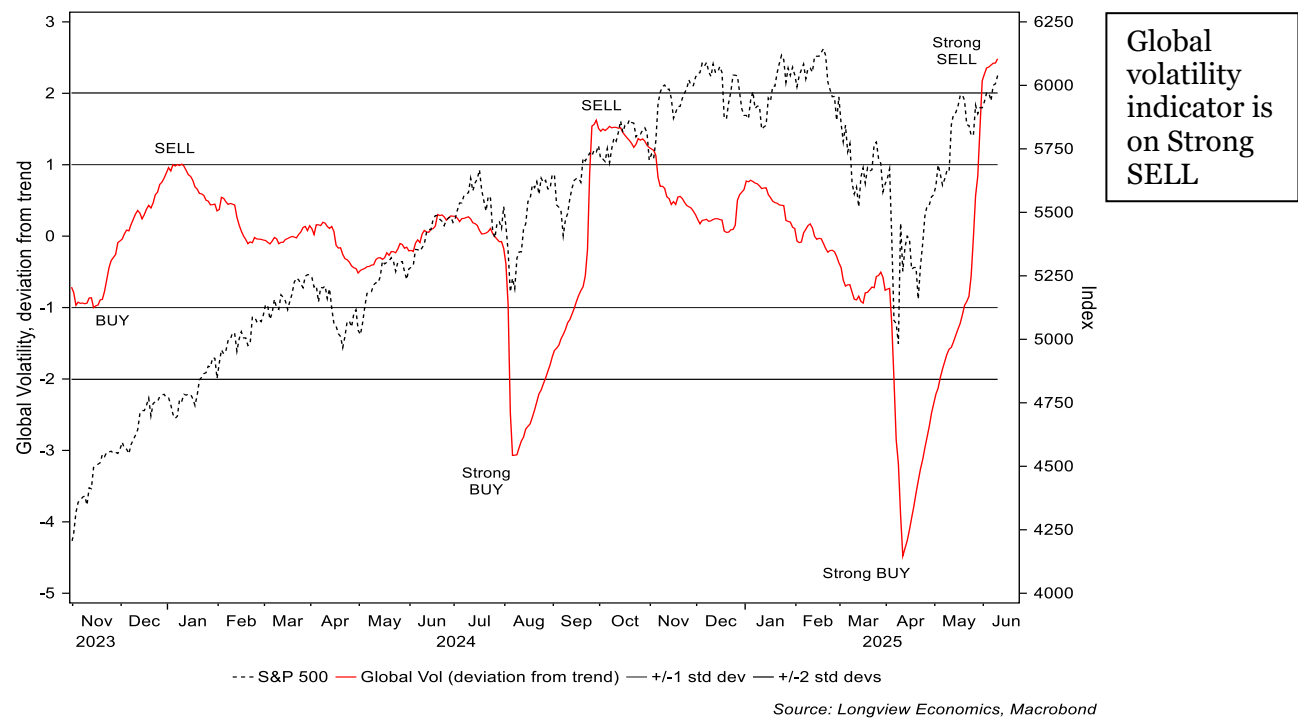


**Fig 3d:** CBOE put to call trend deviation model vs. S&P500

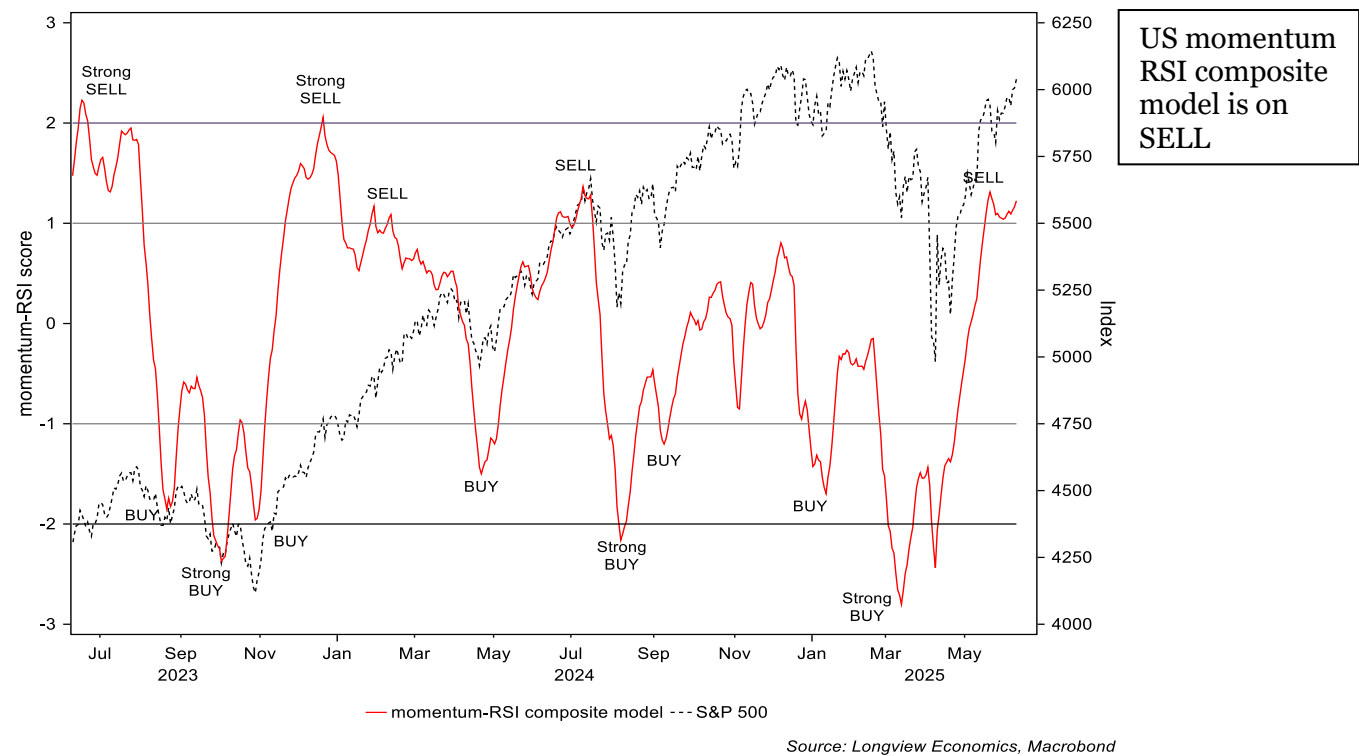


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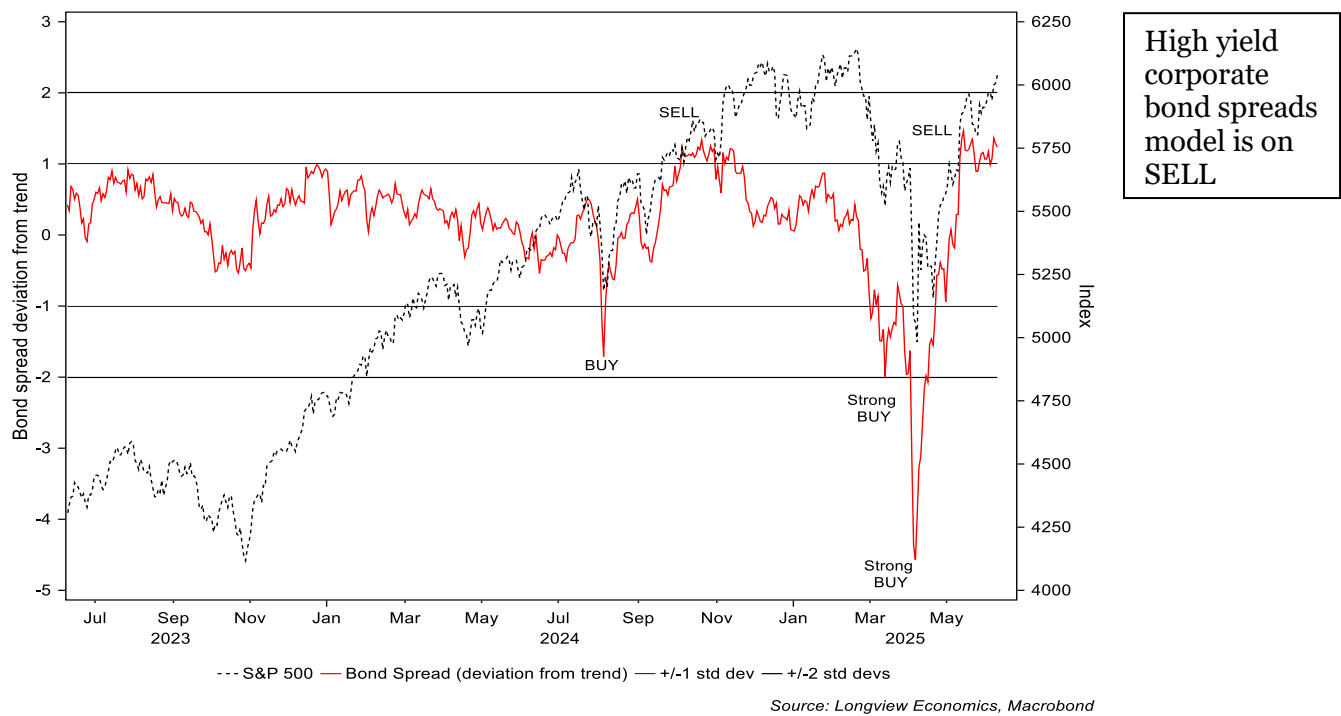
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



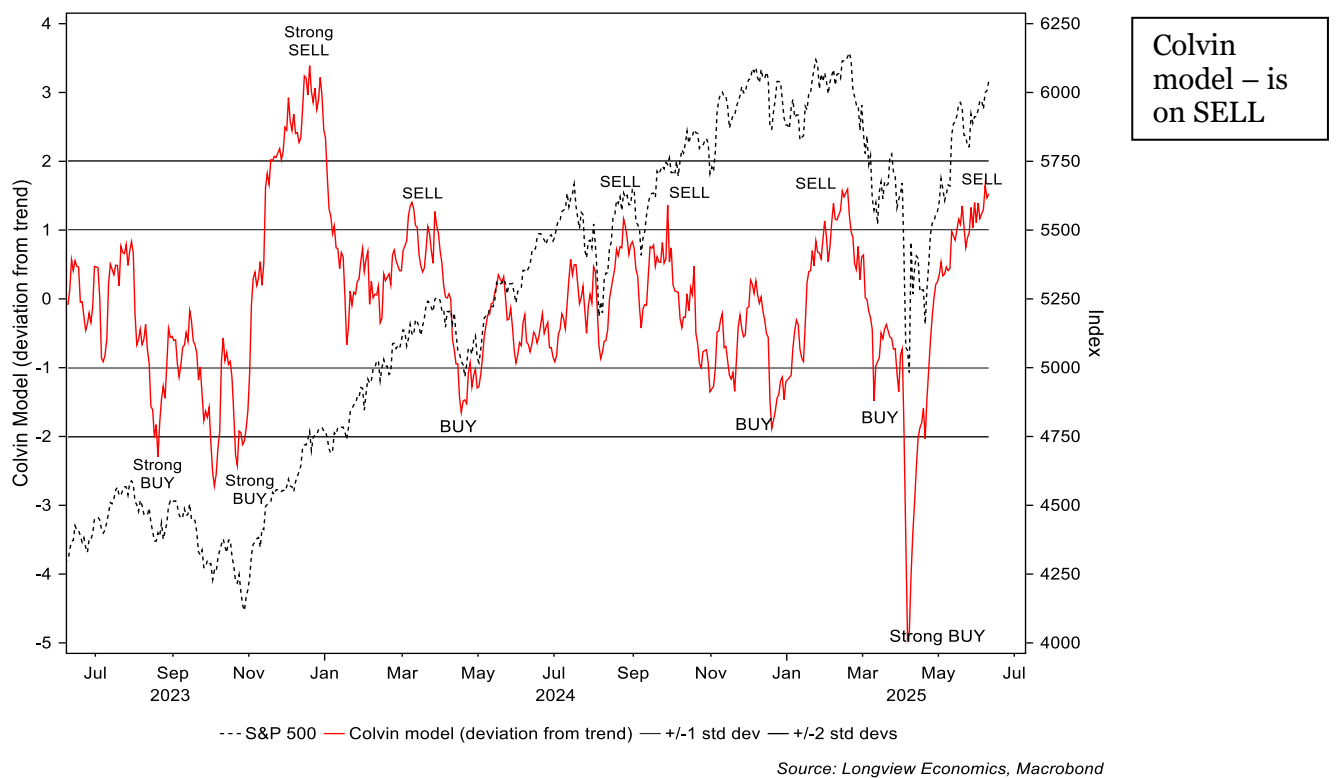
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



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



**Fig 3h:** Colvin model (deviation from trend) vs. S&P500



*For explanations of indicators please see page 10*

## Appendix: Model Explanations

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### **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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