Equity Index Futures Trading Recommendations

12th June 2025

"(1 - 2 wk) SHORT Case Brewing"

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

Despite soft US consumer price inflation data, a weak dollar, and lower US government bond yields*, the US equity market closed down on the session. The initial reaction to the CPI data was benign with the S&P500 futures jumping 30 – 40 points on the news. That, though, was the intraday high for the day with the market fading throughout the session (SPX -0.3%; NDX100 -0.4%; & SOX -0.2% at the close).

US core CPI came in at 0.1% (m-o-m) versus expectations of 0.3%. Core ex shelter was effectively zero (0.03% m-o-m); while service sector inflation was also weak (at 0.18% m-o-m). Given that many more tariffs were in place by the start of May, the softness surprised many economists. The sceptics are suggesting the tariff effect is simply delayed as inventory (accumulated pre tariffs) is run down. In our view, however, the US economy is soft (which is no doubt impacting companies' pricing power). Producer price inflation (later today at 1:30pm London time) will be interesting in that respect, given it's earlier in the inflation chain.

That giveback in US equity indices, on benign newsflow, illustrates the near-term tiredness of this latest rally (albeit the S&P500 only closed down 0.3%). Also of note, in that context, sector leadership yesterday (and the past 2 - 3 days) has come from the energy sector, as the oil price has rallied (+5% to 6% yesterday) and most other sectors have been flat or modestly lower (FIG 1). That strength in oil purportedly relates to "heightened security risks to the US embassy in Iraq" (with the US reducing embassy staff etc – see HERE). It was also a key reason for weakness in the rest of the equity market.

The **message of most short-term models** is as laid out yesterday. That is, most are at, or close to, SELL thresholds (FIGs 2 – 2i). The (fastest moving) shortest term RAG reached SELL yesterday; other risk appetite models are at high/close to SELL levels; technical scoring systems show that most major US equity indices are moving towards an overextended position; while US put to call ratios are also on/close to SELL (see CBOE, NDX100 & R2K versions of the put to call models, FIGs 2e, 2f & 2g).

Added to that, the combined 'SHORT & MEDIUM term' risk appetite scoring system is back on SELL (FIG 1a); the percentage of US stocks with upward momentum is back on SELL (FIG 1b); while CCC US high yield corporate spreads have been widening since mid-May (i.e. non confirmation of the recent rally in equities, FIG 1c).

We closed our LONG position yesterday morning. For now, we recommend WATCHing and WAITing. **For choice**, though, on a '1 – 2' week timeframe, we'd favour SHORT equity index positions.

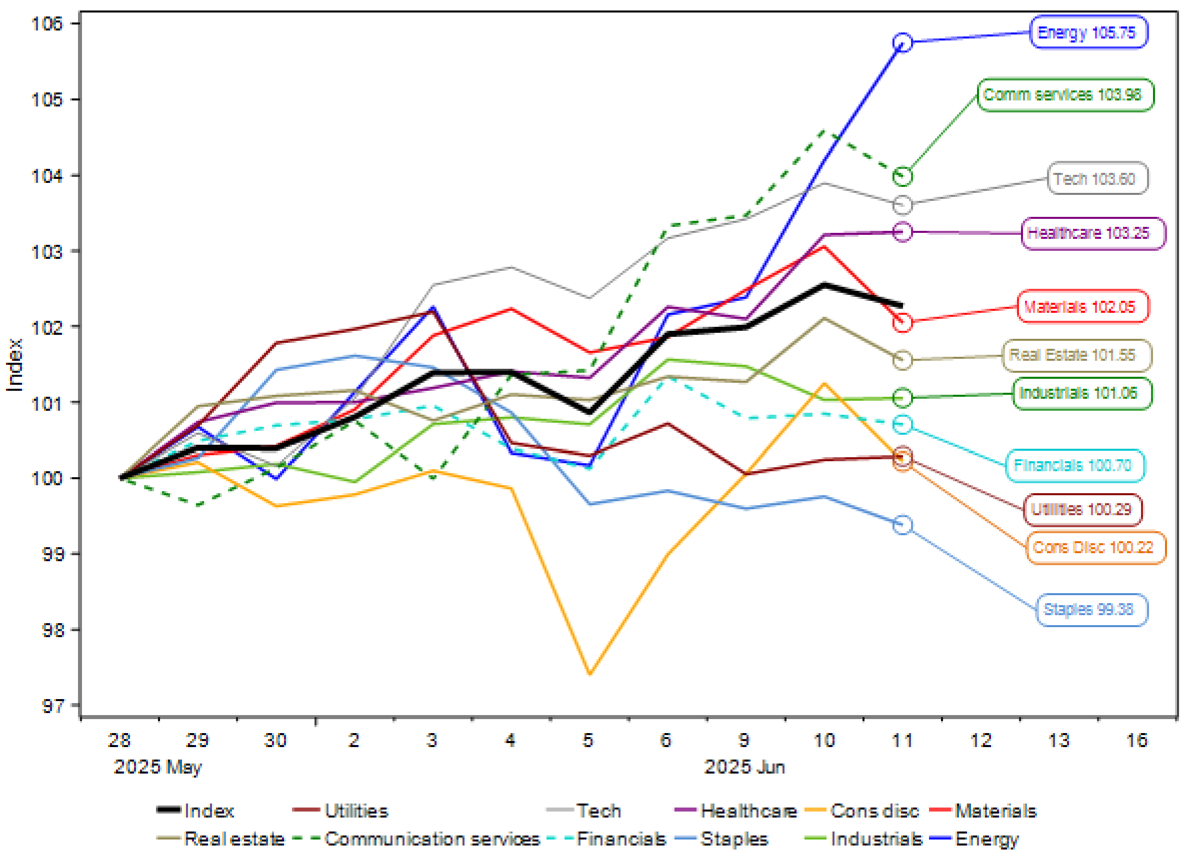
Please see below for a list of today's key macro data & events.

Kind regards,

The team @ Longview Economics

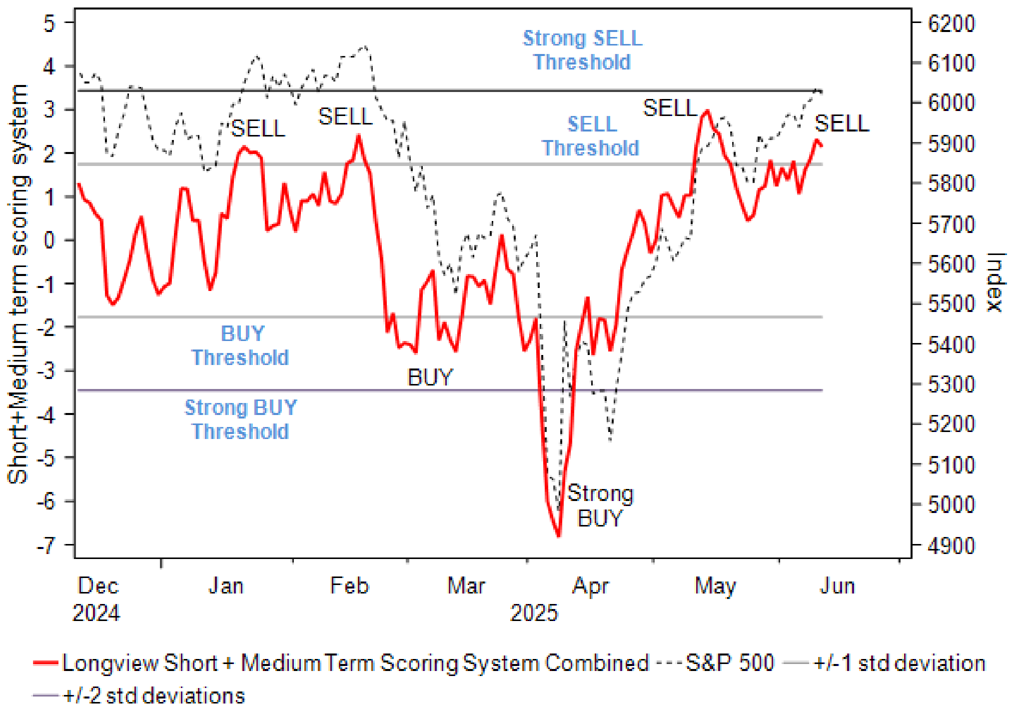
*The US dollar closed down 0.5%, US 10-year bond yields fell by 6bps, while the market priced in an extra 5bps of cuts in 2025 (i.e. totalling 44bps of cuts by year end).

FIG 1: US S&P500 top level sector performance (past 10 trading sessions)



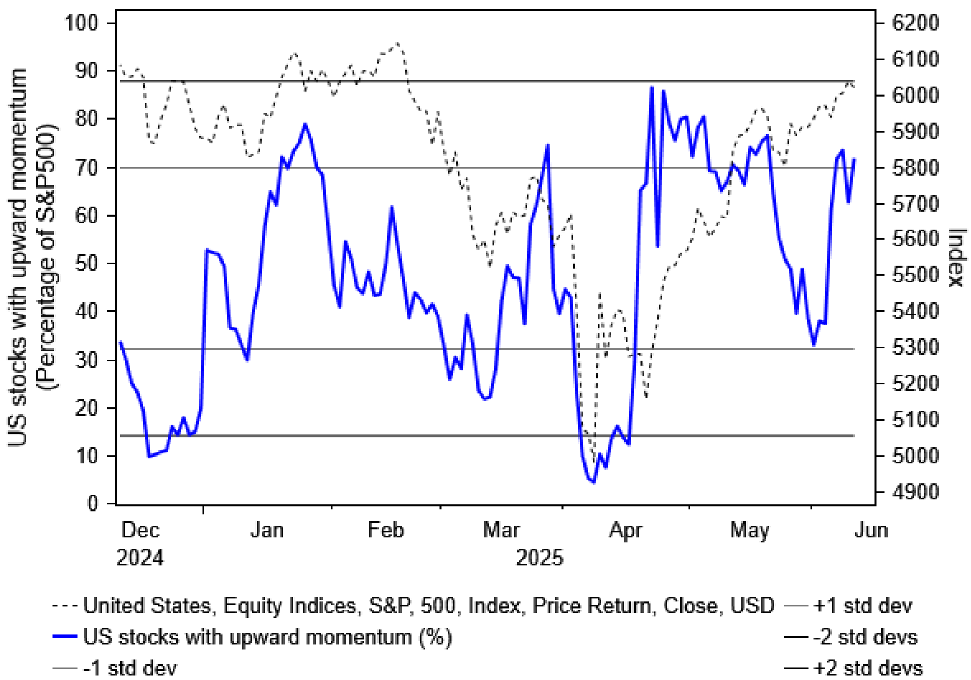
Source: Longview Economics, Macrobond

FIG 1a: Longview combined short PLUS medium term **'risk appetite'** scoring systems vs. S&P500



Source: Longview Economics, Macrobond

FIG 1b: S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500



Source: Longview Economics, Macrobond

FIG 1c: US CCC rated (or lower) corporate bond spread vs. S&P500

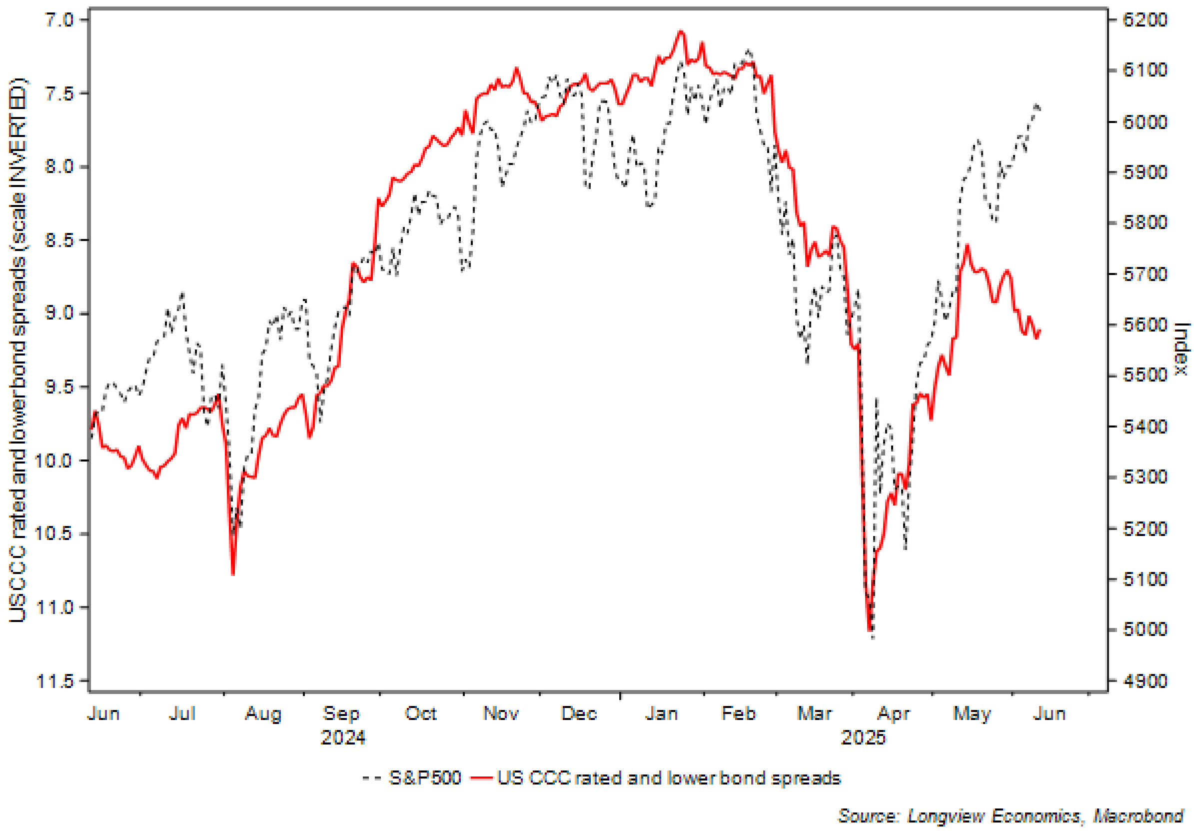
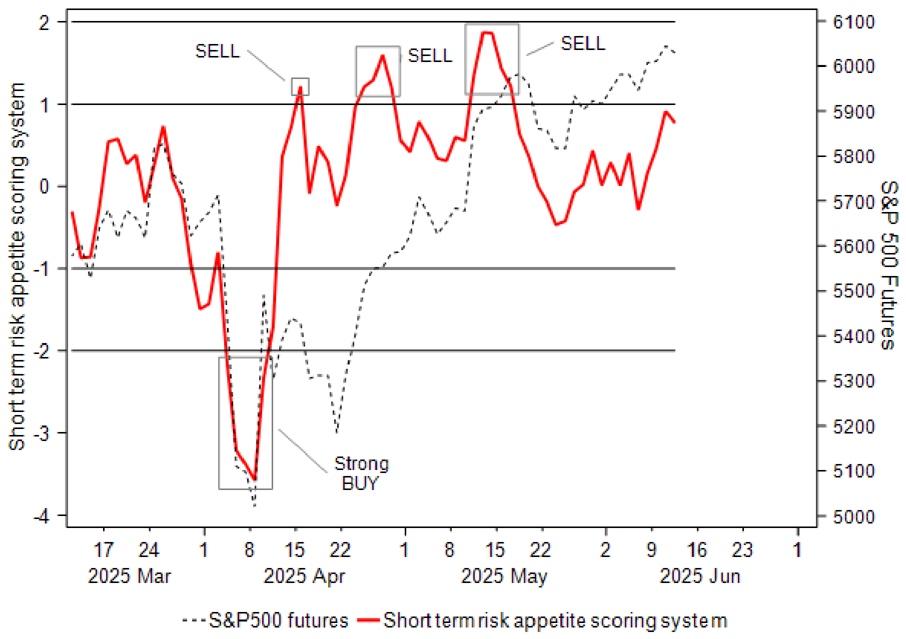


FIG 1d: S&P500 futures 10-day tick chart shown with overnight price action

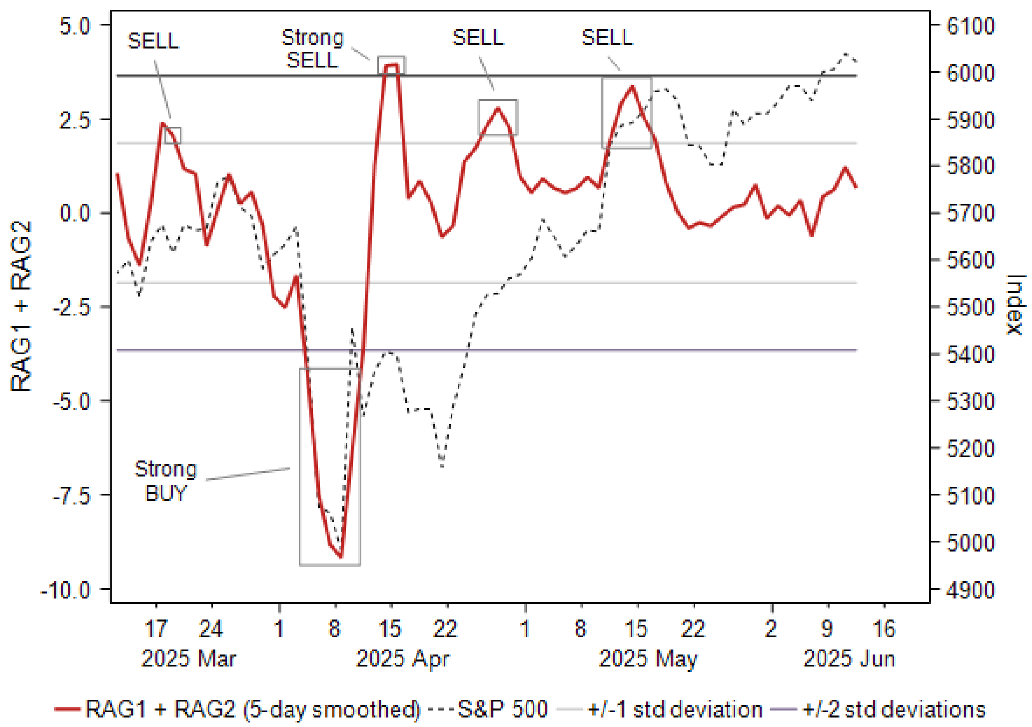
Short term models are now on/leaning towards SELL…

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



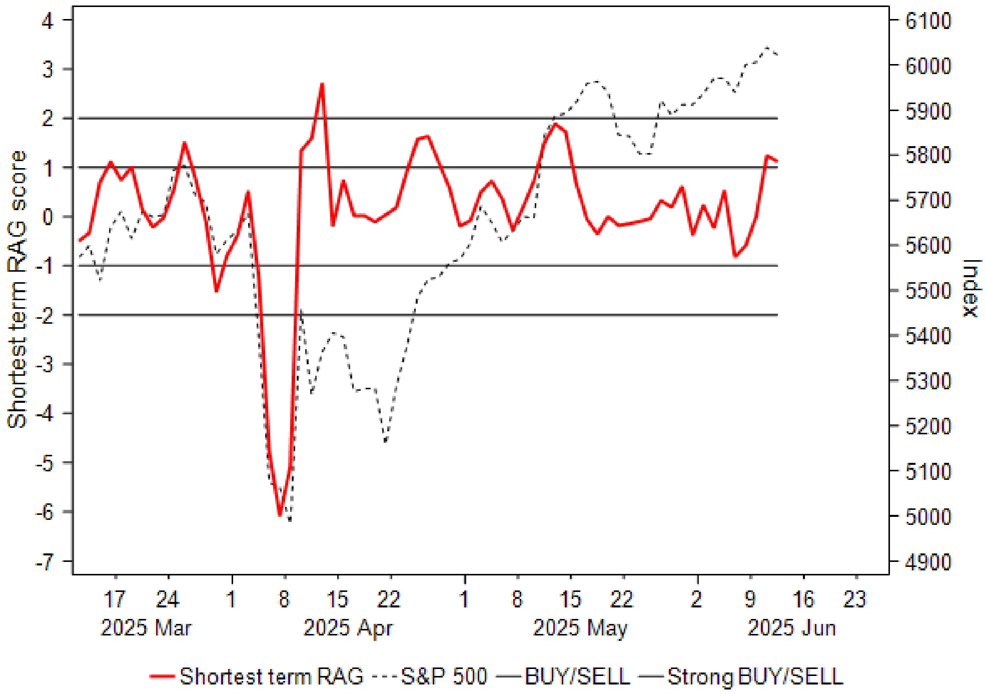
Source: Longview Economics, Macrobond

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



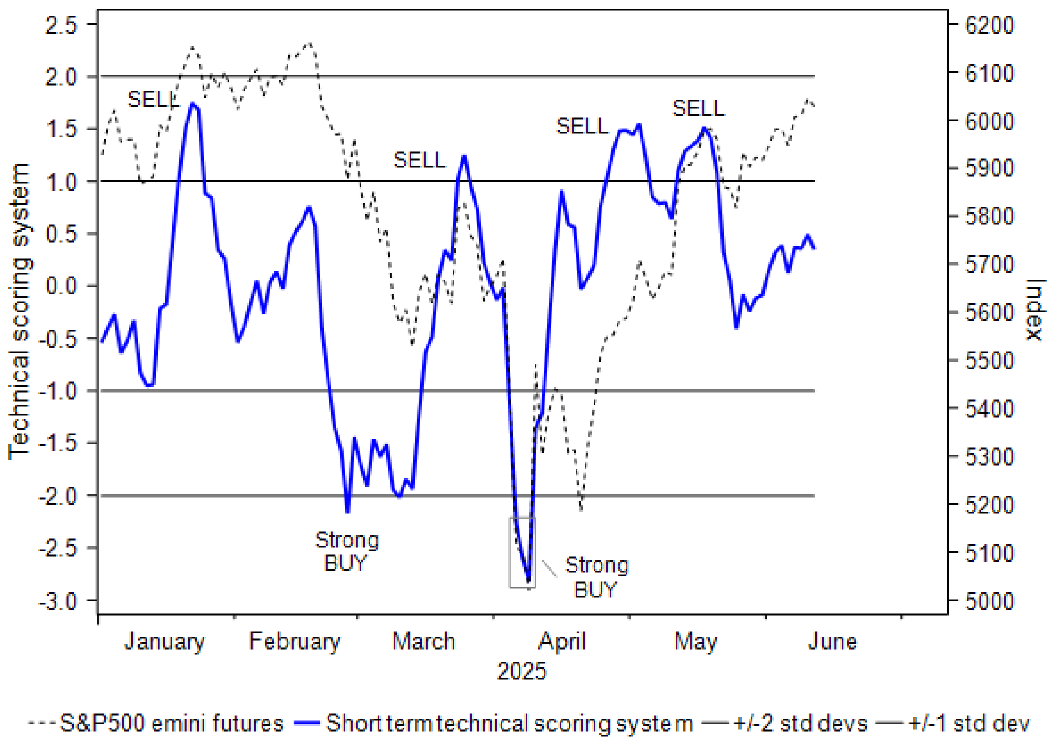
Source: Longview Economics, Macrobond

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



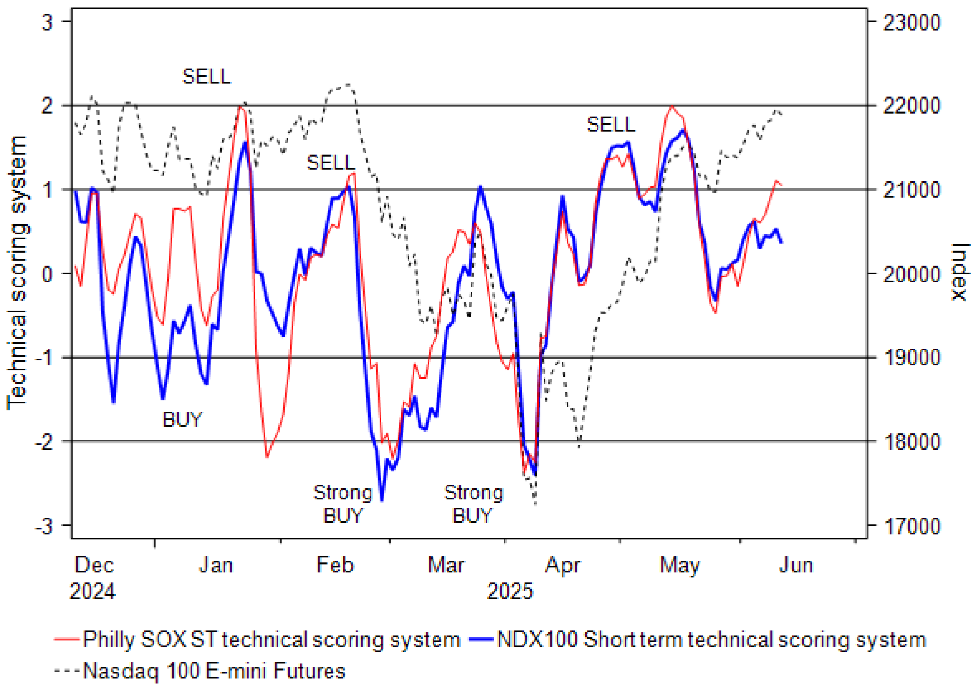
Source: Longview Economics, Macrobond

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



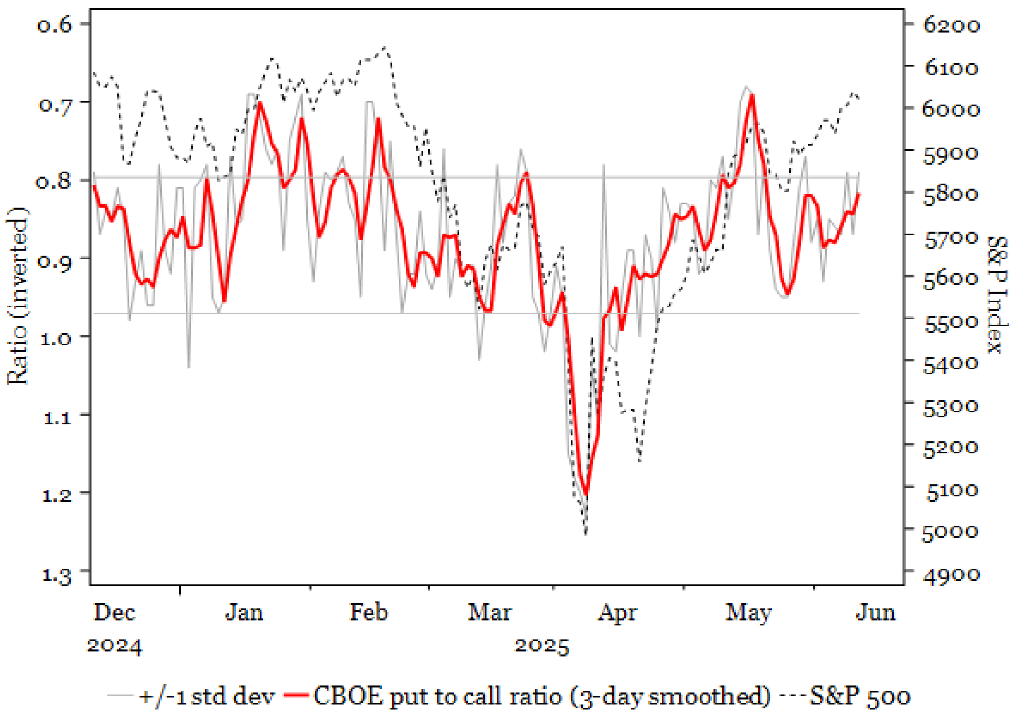
Source: Longview Economics, Macrobond

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



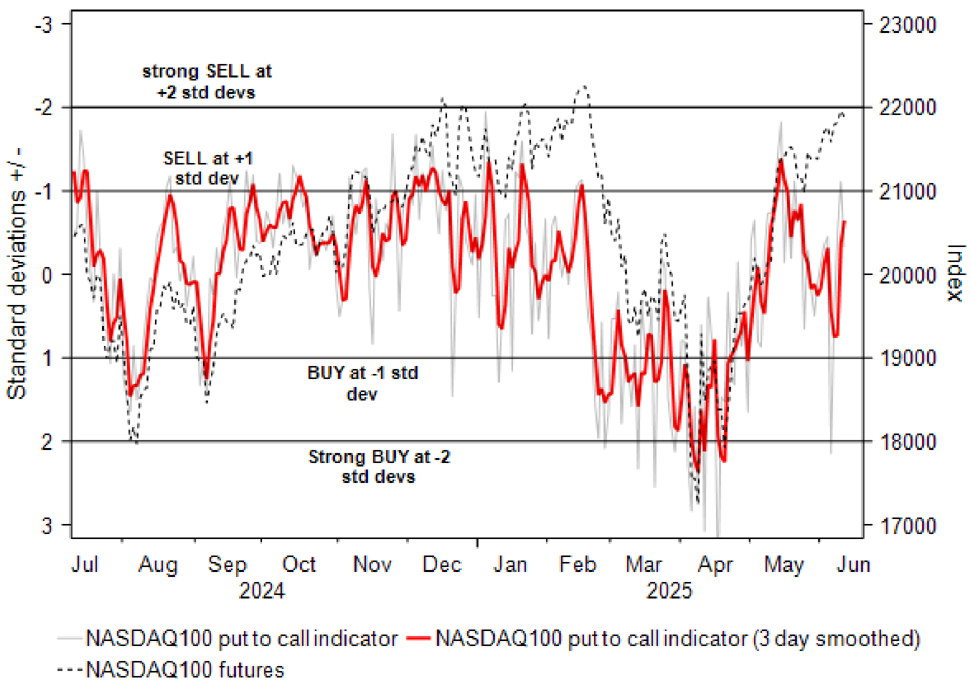
Source: Longview Economics, Macrobond

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



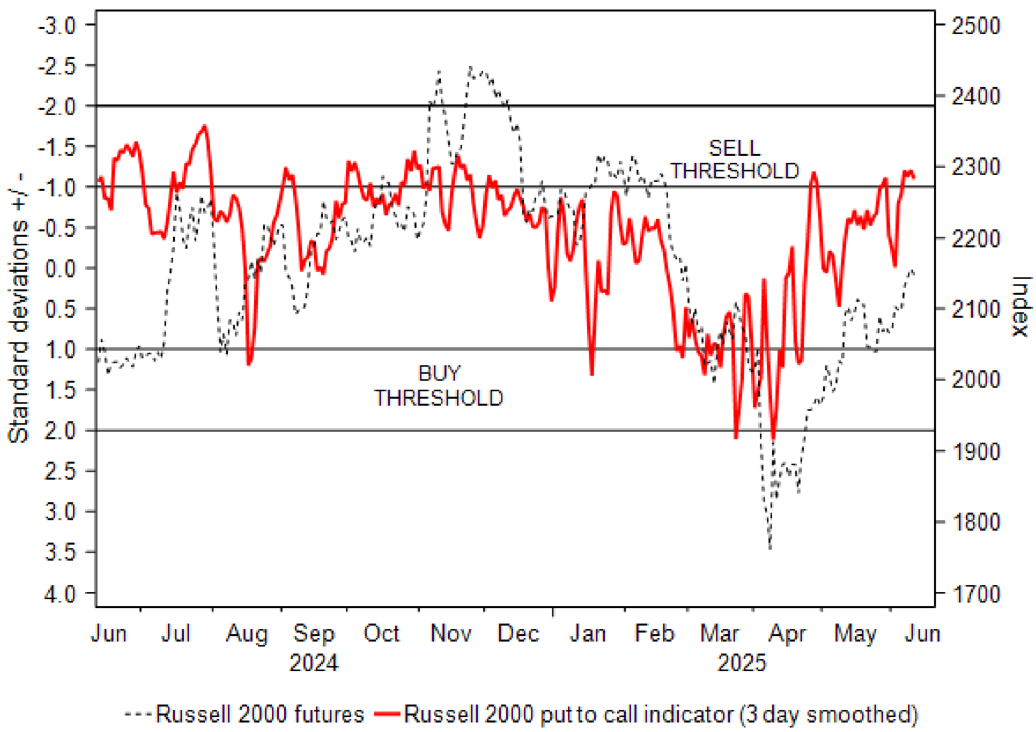
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 2g: Russell 2000 put to call indicator (1 & 3 day smoothed) vs. Russell 2000 futures



Source: Longview Economics, Macrobond

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

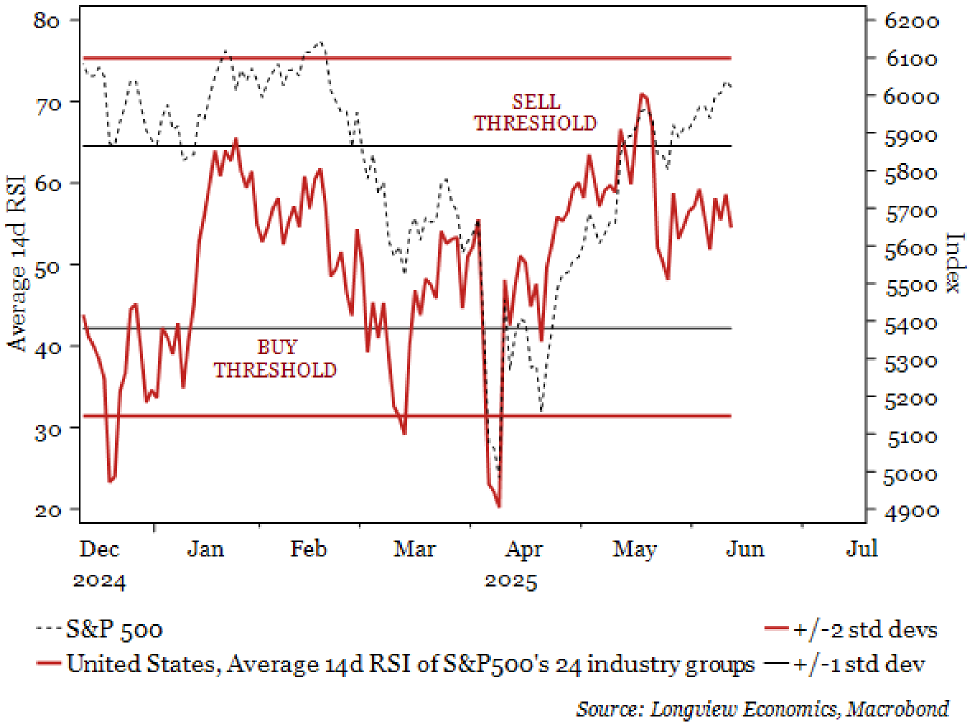
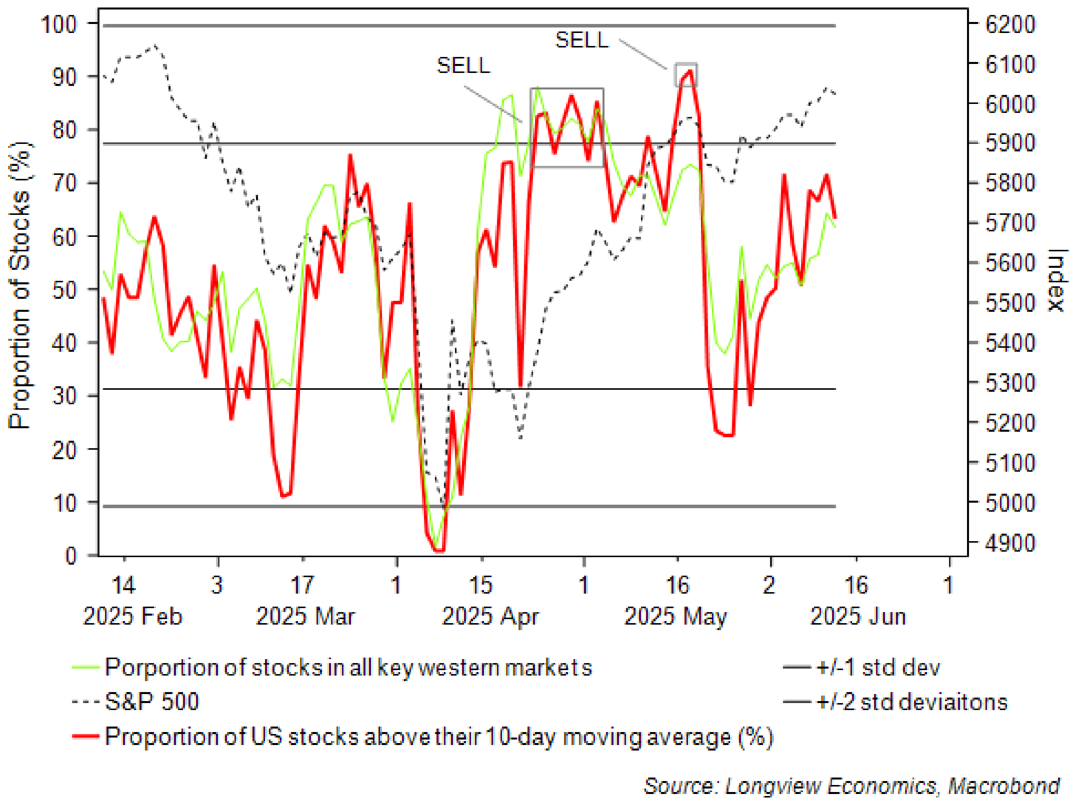


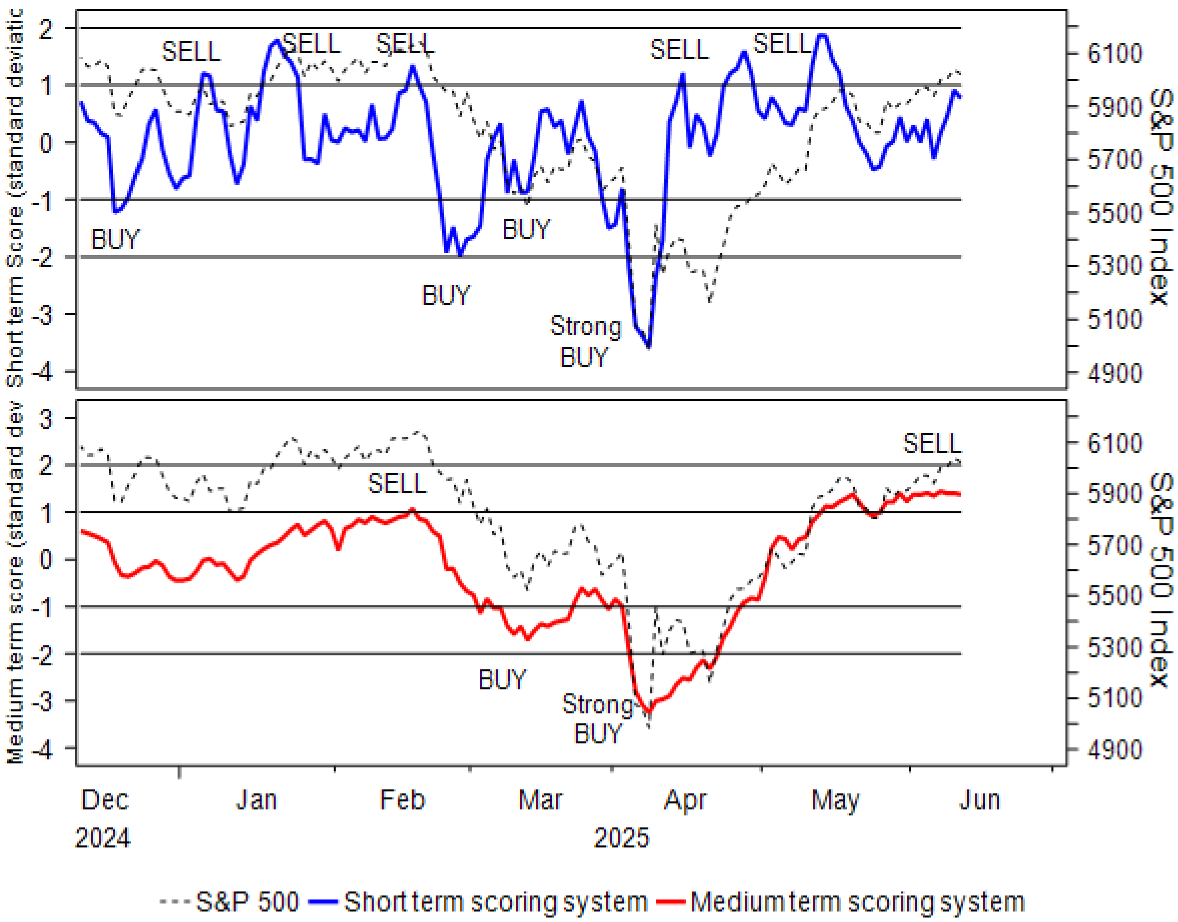
FIG 2i: Proportion of US stocks above their 10-day moving average vs. S&P500



Key Longview Scoring Systems (chart below):

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

LVRAG
Daily Risk Appetite Gauge

Key macro data/events

Key data today include: **UK RICS house price balance** (May, 12:01am); Japanese BSI large industry & manufacturing index (Q2, 12:50am); UK Monthly GDP estimate, industrial & manufacturing production, goods trade balance & construction output (Apr, 7am); German current account balance (Apr, 8:45am); Italian quarterly unemployment rate (9am); US weekly jobless claims (1:30pm); **US headline & core PPI** (May, 1:30pm); US household change in net worth (Q1, 5pm).

Key events today include: Speeches by the ECB's Muller in the Estonian Parliament (8am), Escriva in Madrid (8am), Simkus in Vilnius (8am), Knot in Madrid (8:15am), Guindos in Brussels (1pm) & Schnabel in Brussels (1:20pm); speech by the RBA's Jacobs (8:20am).

Key earnings today include: Adobe.

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 earlier this week, 10th June 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

LVRAG
Daily Risk Appetite Gauge

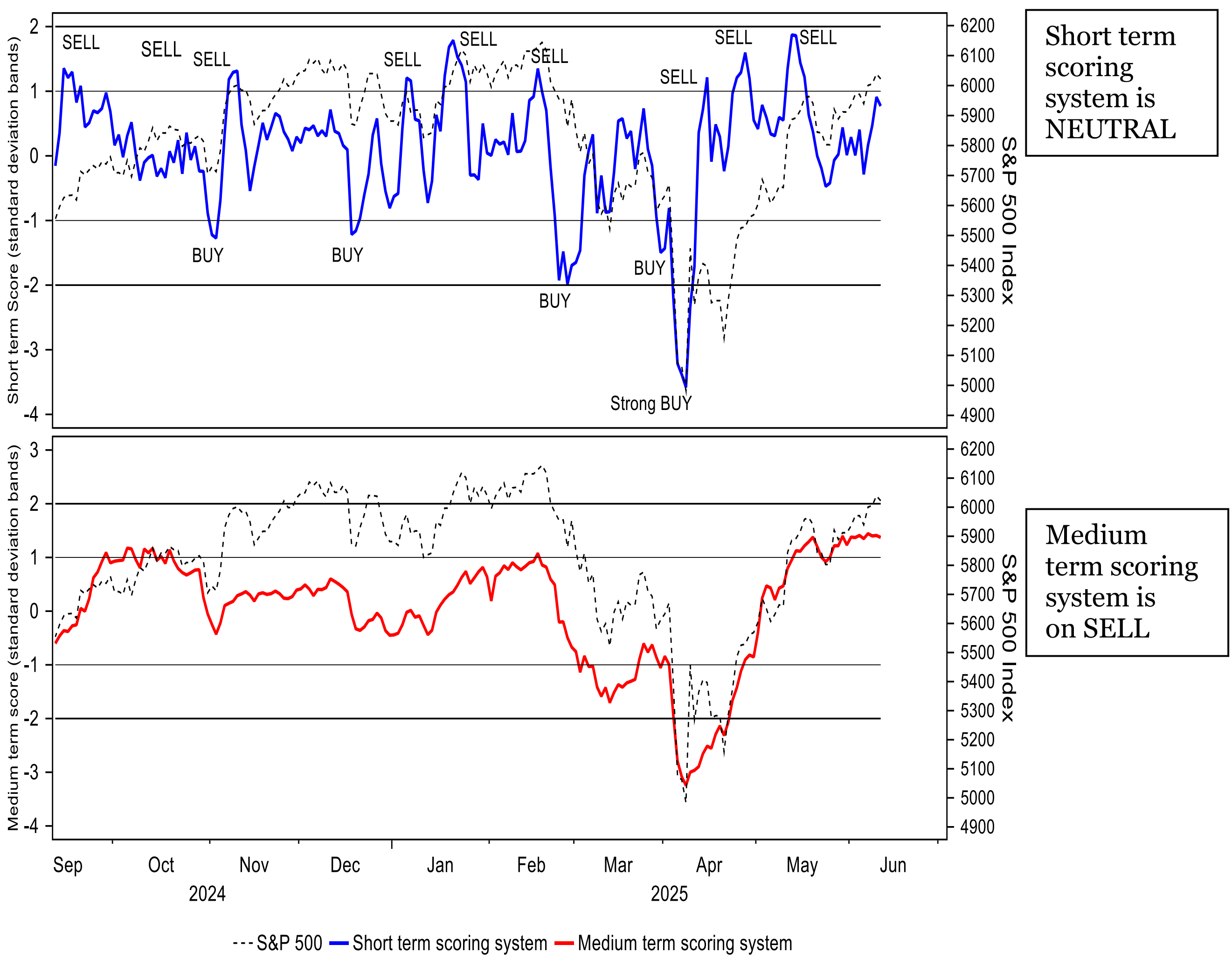
1 – 2 Week View on Risk

12th June 2025

Longview Economics
Email: research@longvieweconomics.com

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

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



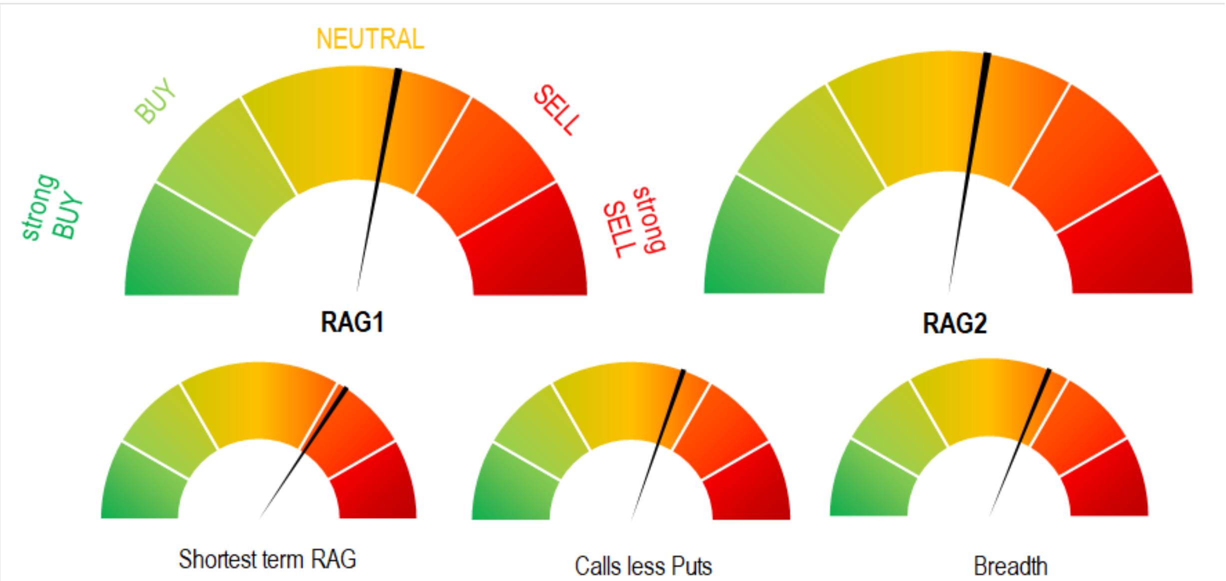
Source: Longview Economics, Macrobond

*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

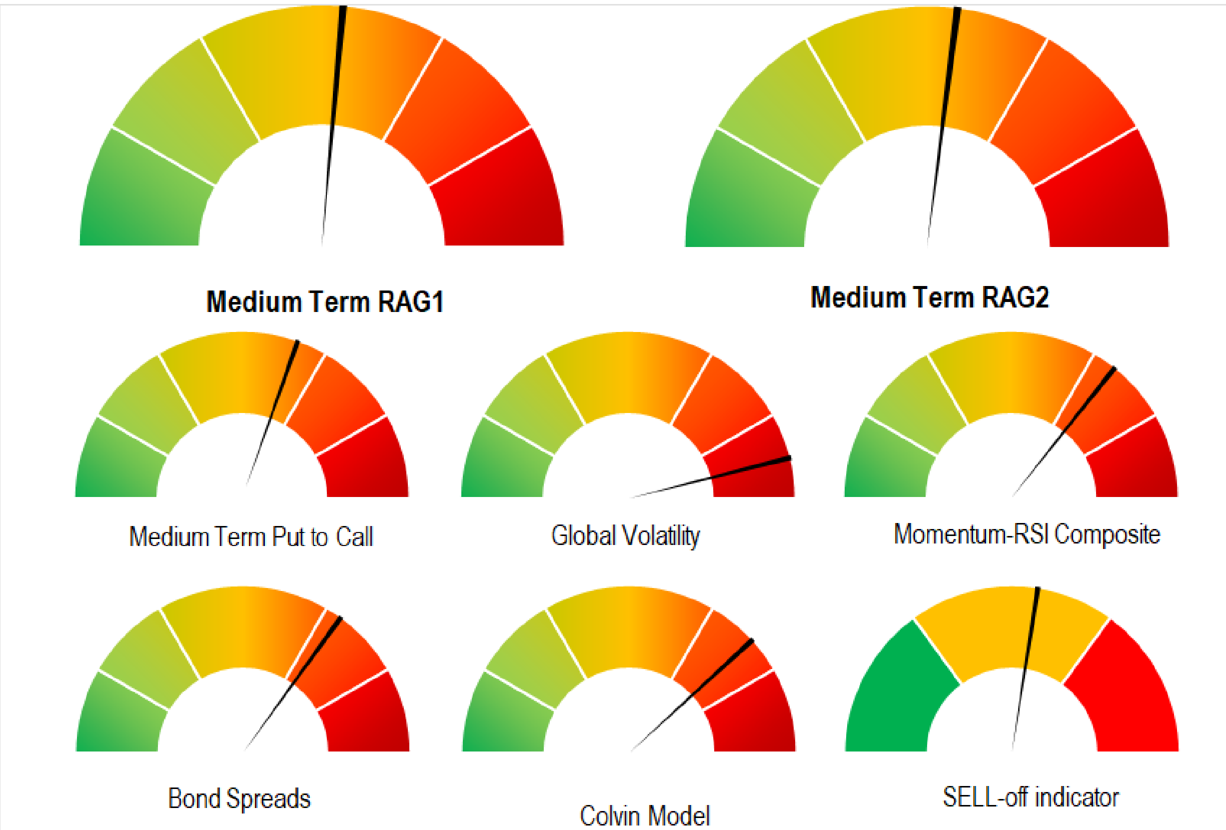
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

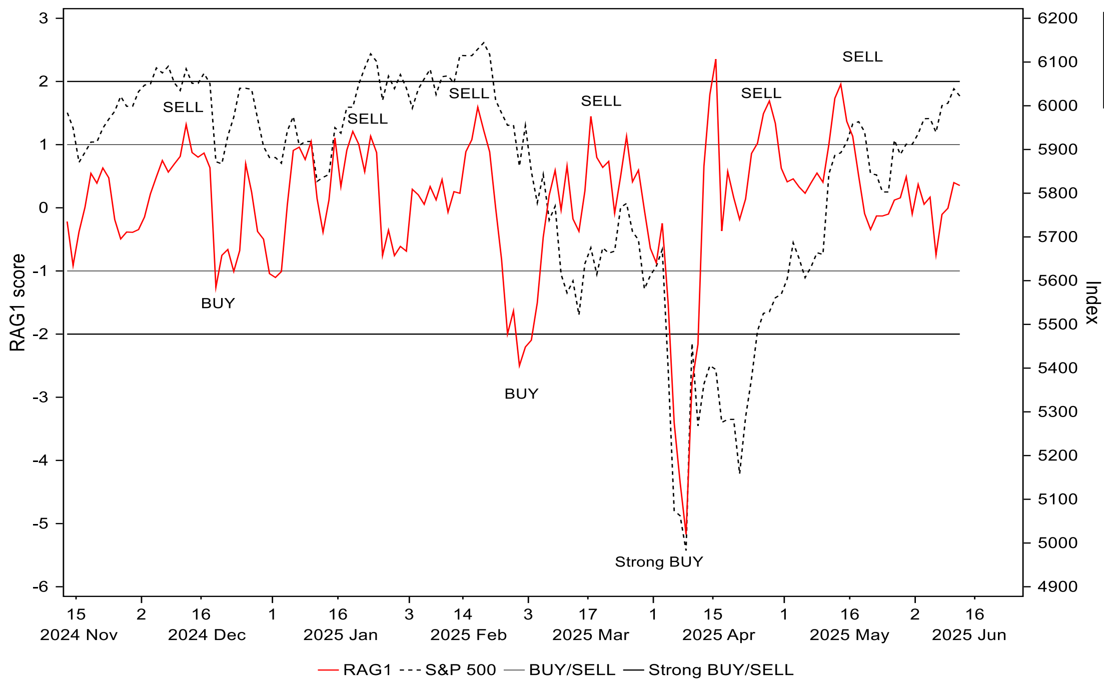
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

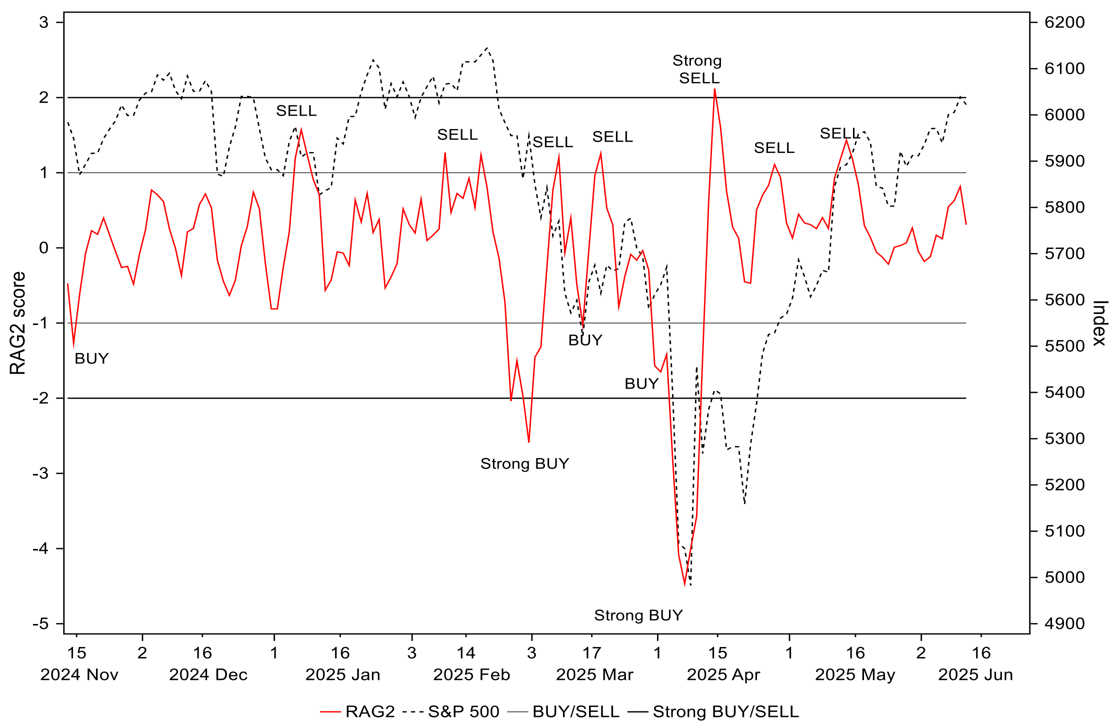
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

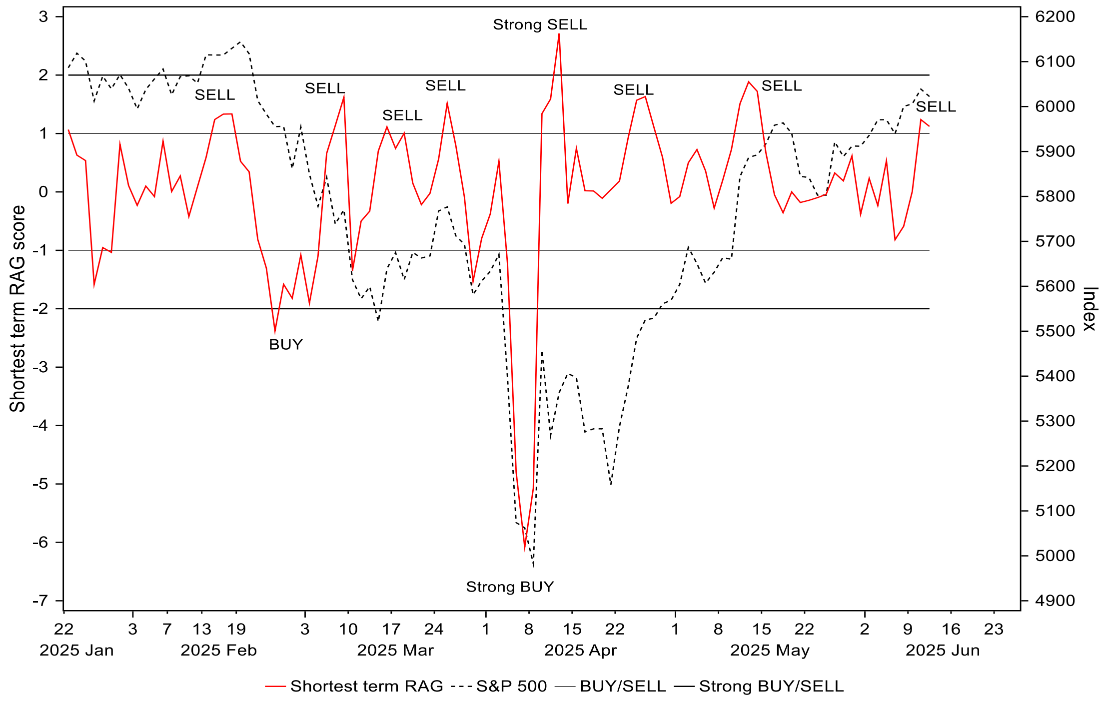


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

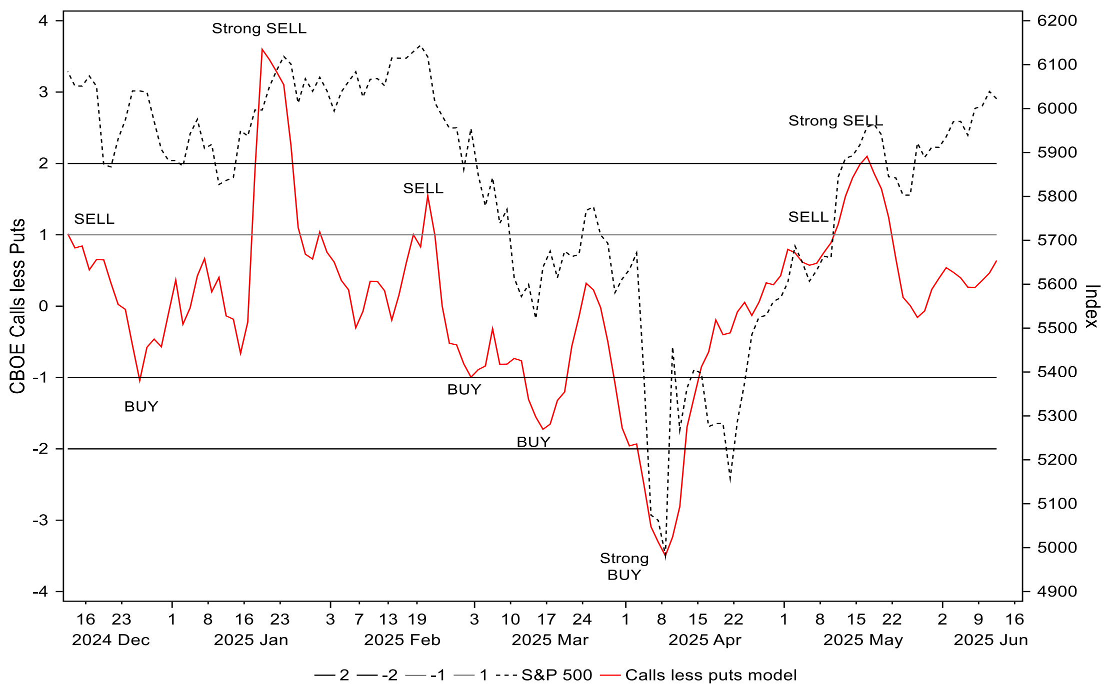
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is on SELL

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

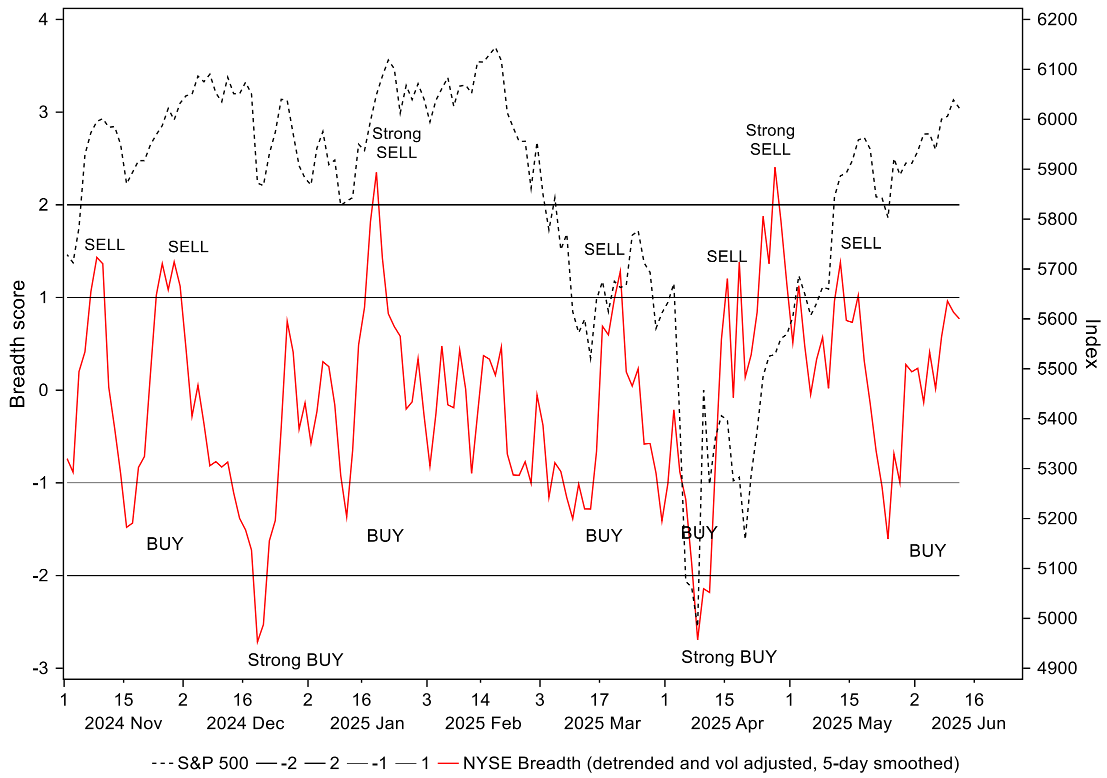


Source: Longview Economics, Macrobond

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



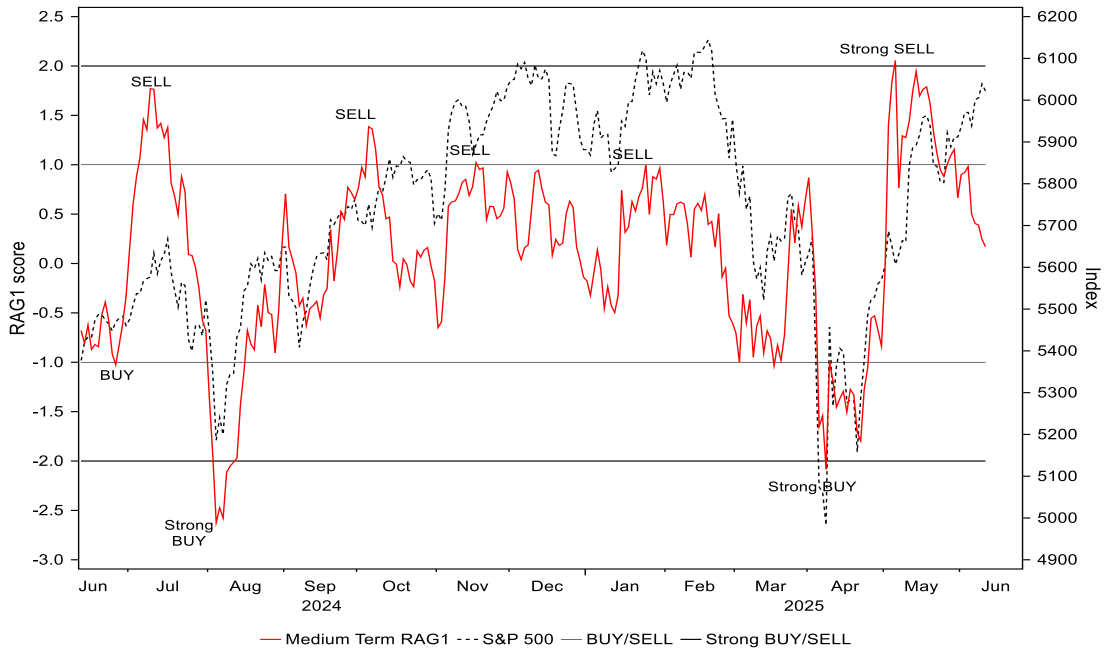
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

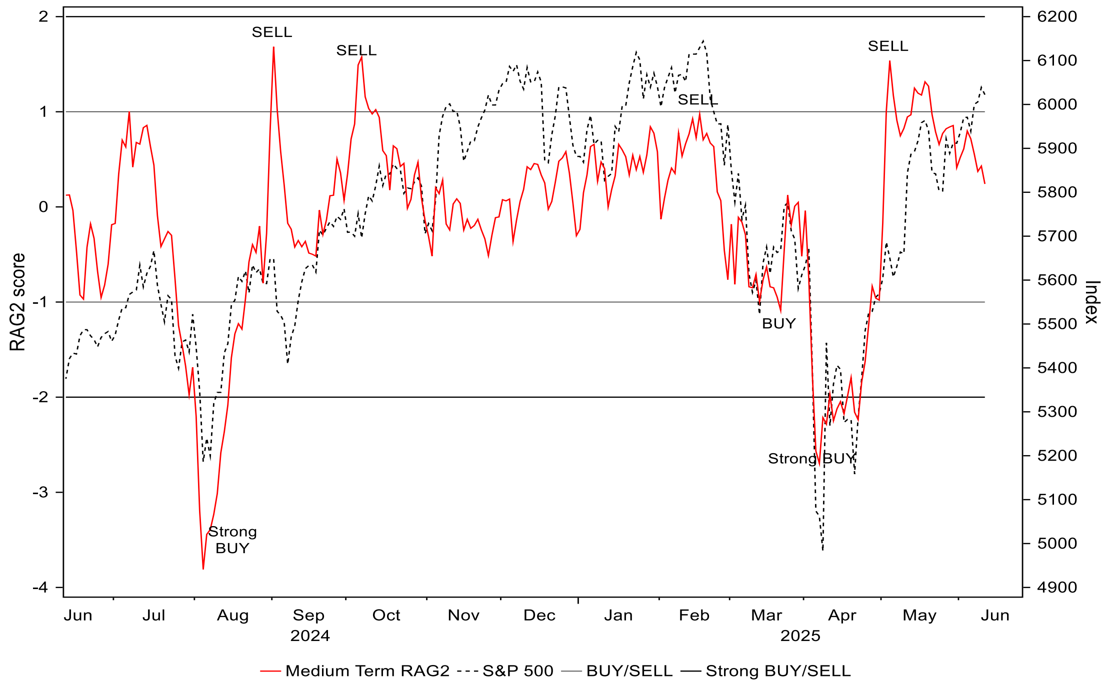
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

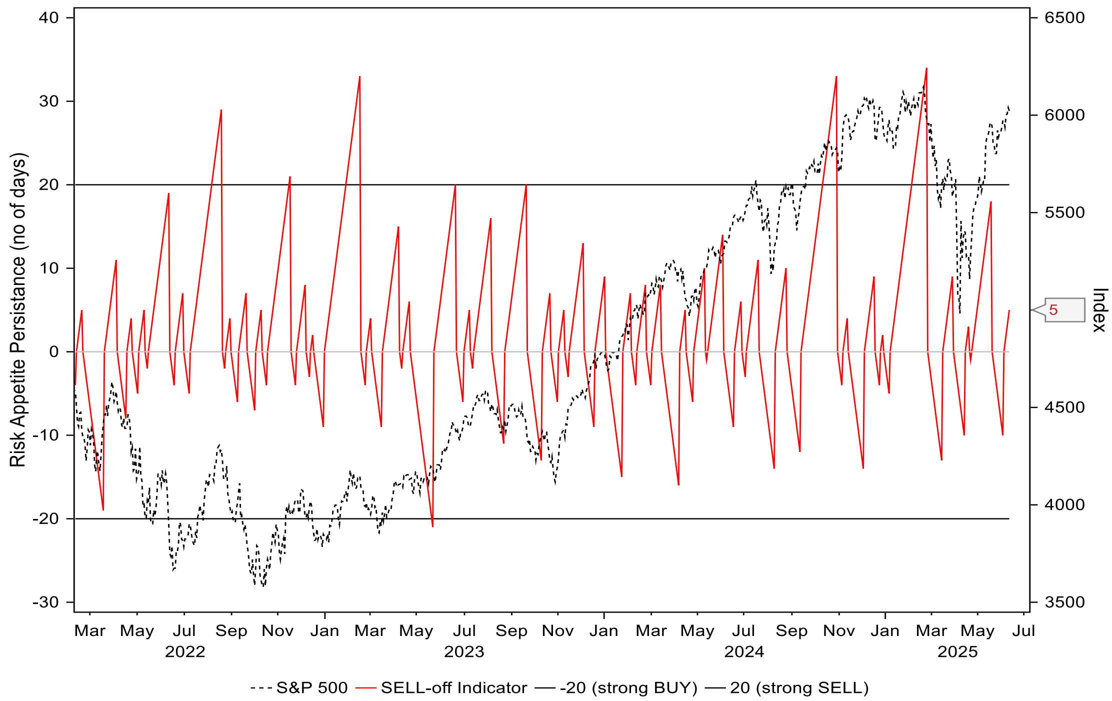


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

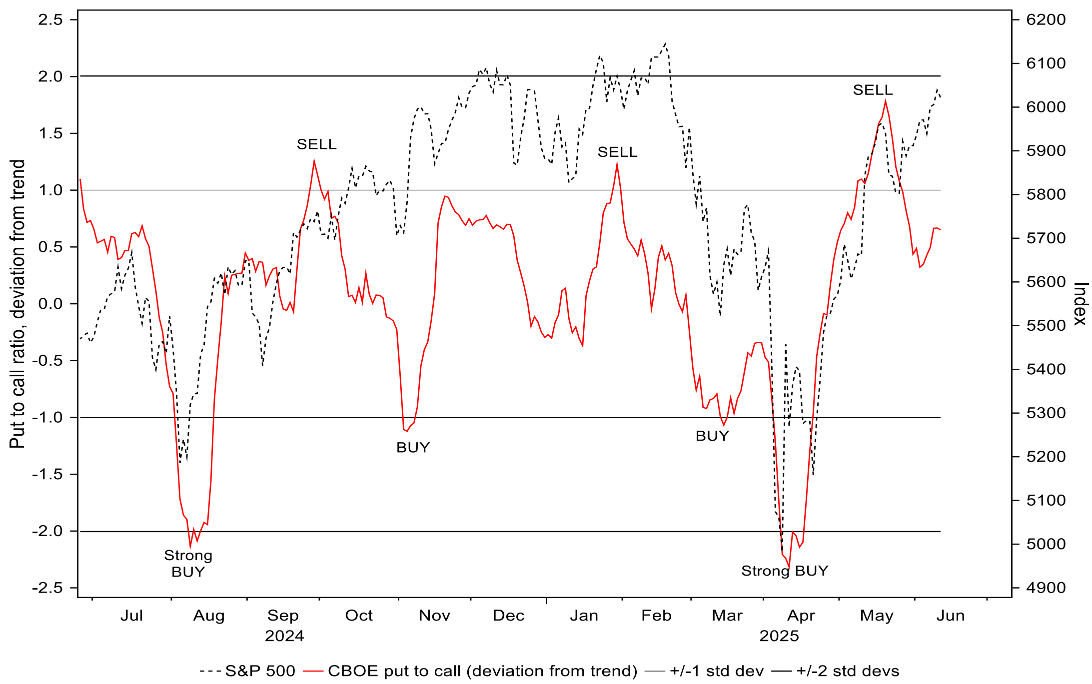
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond

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

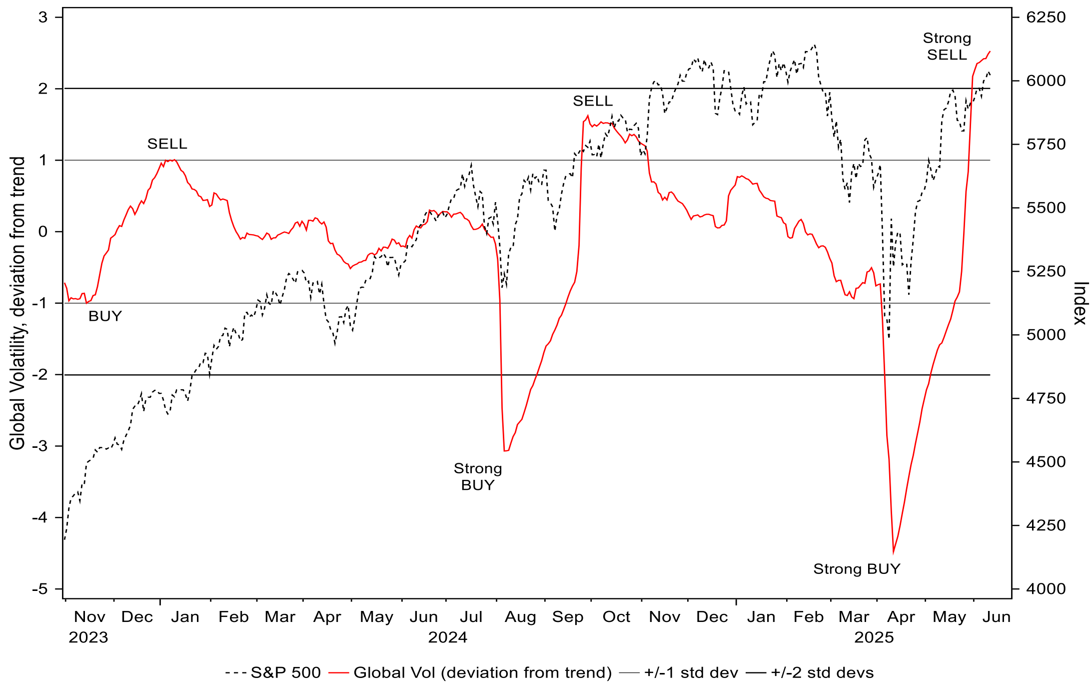


Medium term put to call model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

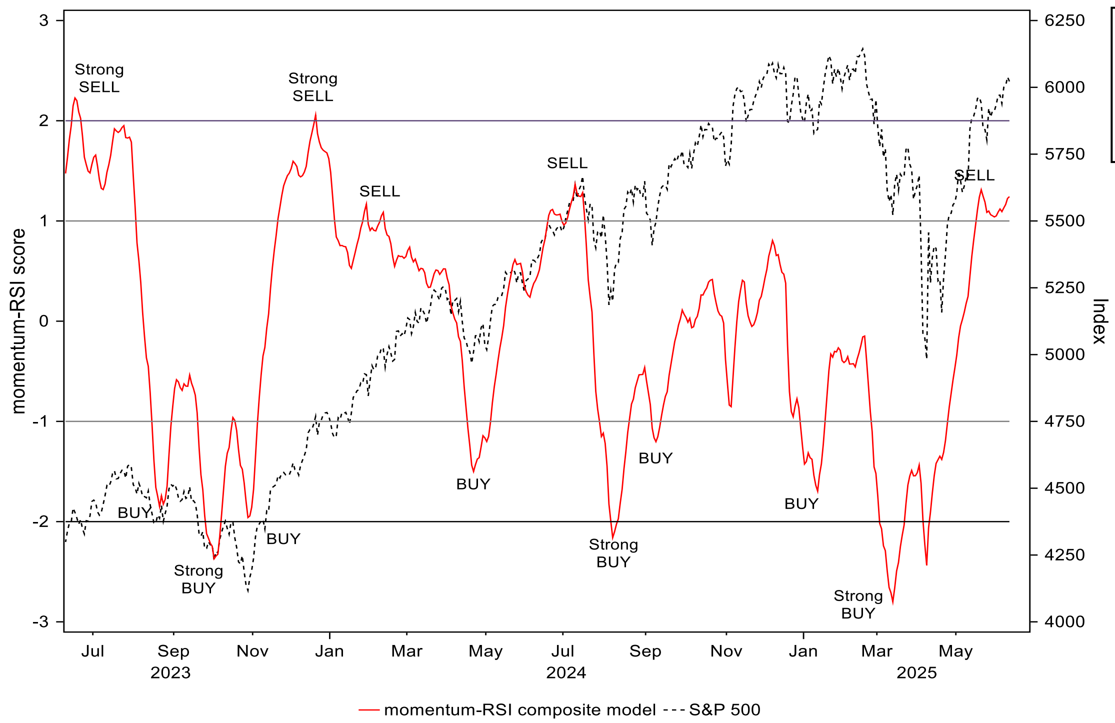
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong SELL

Source: Longview Economics, Macrobond

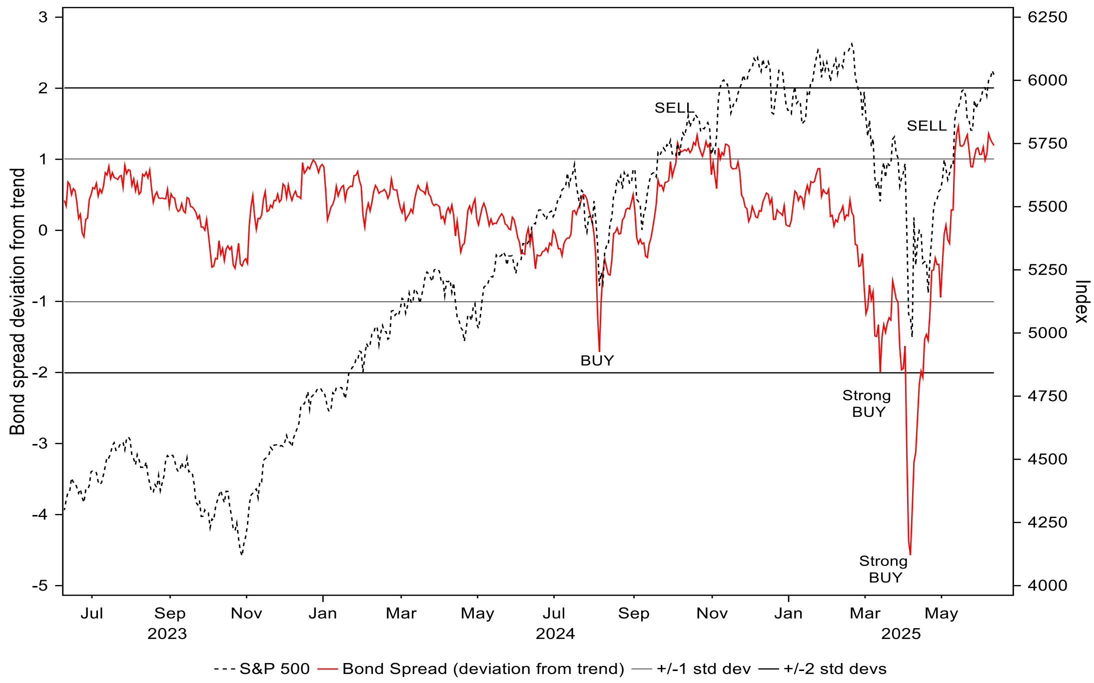
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

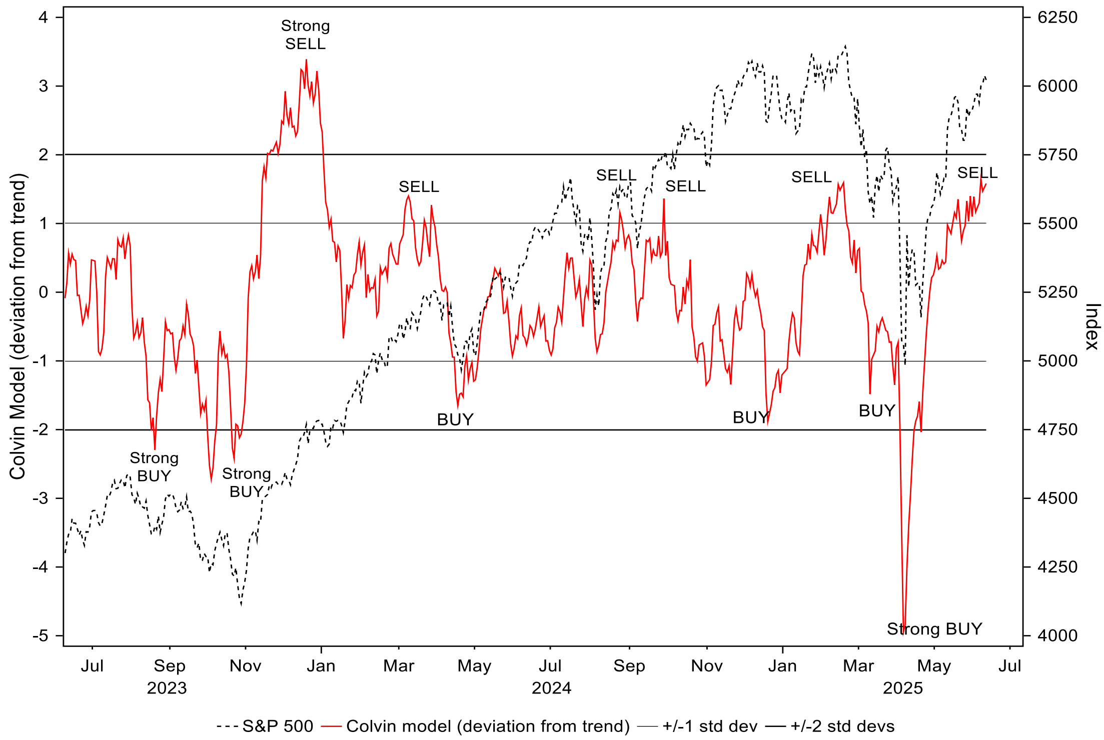
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is on SELL

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



Source: Longview Economics, Macrobond

Colvin model – is on SELL

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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