

Equity Index Futures Trading Recommendations

13th June 2025

“WATCH & WAIT (All Eyes on OIL Price/Middle East Flare Up)”

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

Overnight Israel has launched an air strike against Iran, targeting its nuclear programme and military facilities (& killing several nuclear scientists/military leaders, see [HERE](#)*). As such, and while Iranian refineries were not damaged, the oil price has moved sharply higher this morning. Brent futures are currently up 7.3% (having traded 13% higher earlier in the session, and just below \$80 per barrel – see FIGs 1 & 1a).

Elsewhere safe haven assets have rallied (e.g. gold: +1.3%); the dollar has strengthened (e.g. DXY: +0.4%); and US/global equities are lower, with marked losses this morning in the S&P500 (-1.5%) and NASDAQ100 (-1.6%). Of note, both those indices are now back at the bottom of their trading ranges which could become a key support level (at least for now, see FIGs 1b & 1c).

The key question, therefore, is: How serious will Iran’s response be? So far it’s retaliated with drone attacks (most of which have been intercepted by Israel). However, will there be more? Will Iran escalate/react further in coming days and weeks? If it does, the oil price will probably go higher still. If not, though, and if it’s a weak Iranian retaliatory response then oil prices will likely soften from these levels, and the equity market rally. Added to which, US-Iranian talks are scheduled for this weekend. Will they be cancelled/delayed, or even go ahead? Uncertainty is clearly high.

Recent Iran-Israeli conflicts have been relatively short lived. They’ve also been largely anticipated by the oil market, with the price rallying ahead of the event, and then topping on the news (e.g. as it did in April 2024). That may happen this time, given that (i) the oil price was already up 20% from its 5th May lows (as of yesterday’s high – arguably in anticipation of today’s event), and (ii) Brent futures have failed at a key level this morning (the top of the recent downtrend channel, see FIG 1).

The outcome of this conflict, though, is highly uncertain and creates a near term two-way risk for the equity market (via its impact on the oil price).

As we highlighted yesterday, equities were already primed for some giveback (for detail see 12th June Daily Risk Appetite Gauge: “(1 - 2 wk) [SHORT Case Brewing](#)”). That is, most of our short term models were (& are) currently on or close to their SELL thresholds (see FIGs 2 – 2f) while our combined (short and medium term) models are generating a clear SELL signal (see FIG 1d). Those signals, though, do not reflect overnight price action.

On balance, given the uncertainty around this Middle East flare up, we favour WATCHing and WAITing (for now).

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

Kind regards,

The team @ Longview Economics

*Including the commander of Iran's Revolutionary Guard.

FIG 1: Brent oil price futures candlestick, shown with 50 & 200 day moving averages (US\$/barrel), with overnight price action



Source: Longview Economics, Macrobond

FIG 1a: Brent futures (first position contract) 60 day tick chart with overnight price action



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



FIG 1c: NASDAQ100 futures 10-day tick chart shown with overnight price action

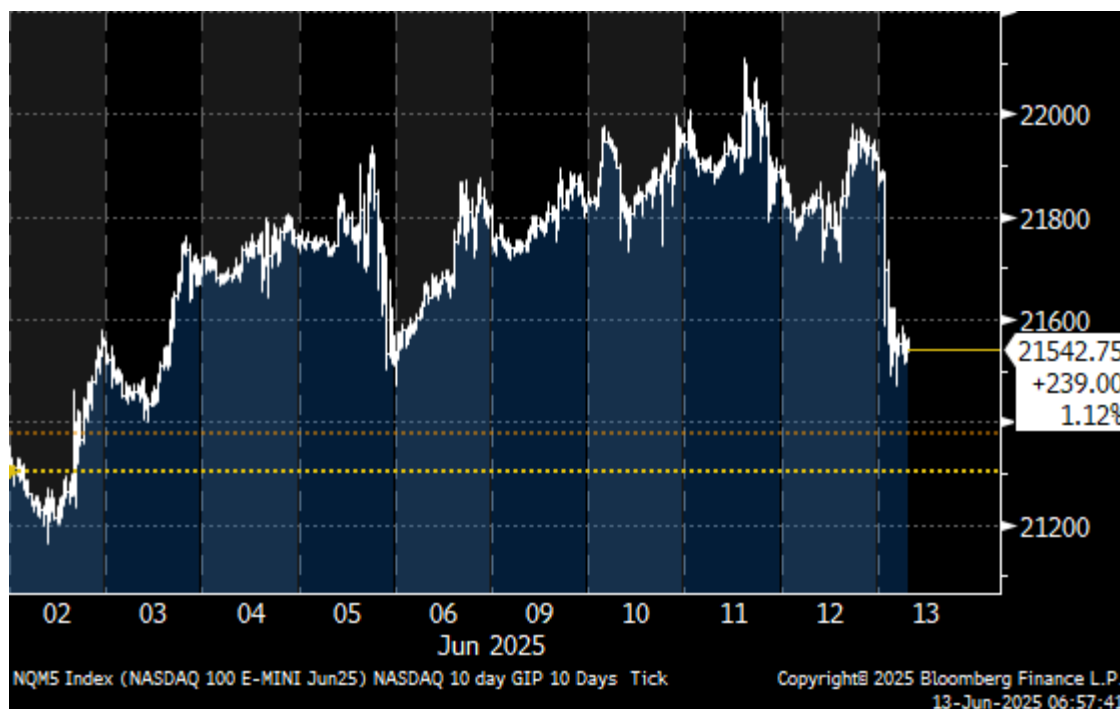


FIG 1d: Longview combined short PLUS medium term ‘risk appetite’ scoring systems vs. S&P500



Source: Longview Economics, Macrobond

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

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

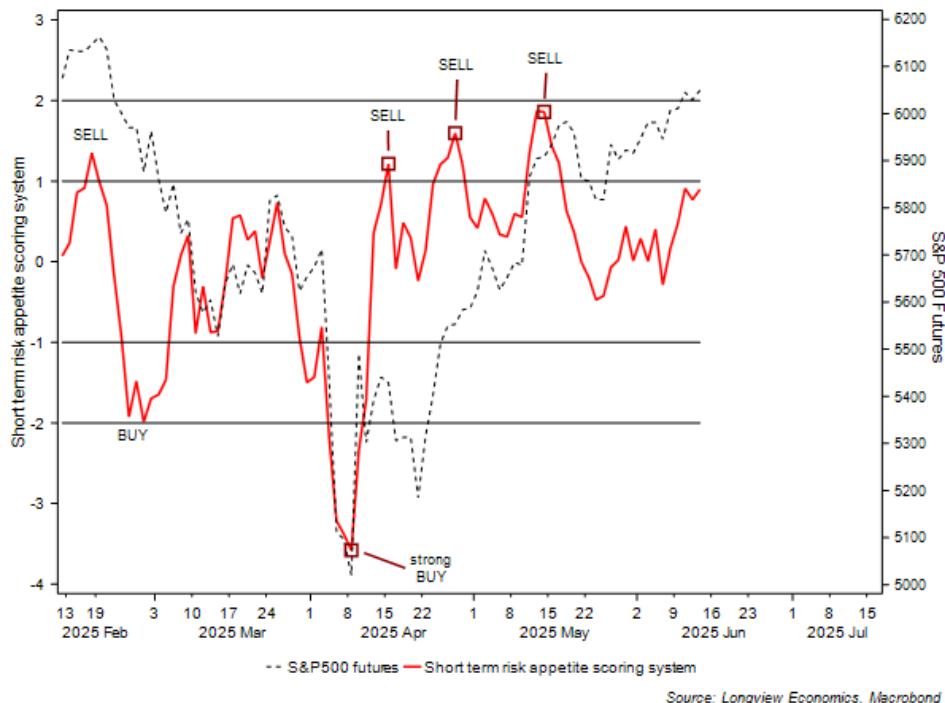


FIG 2a: Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500

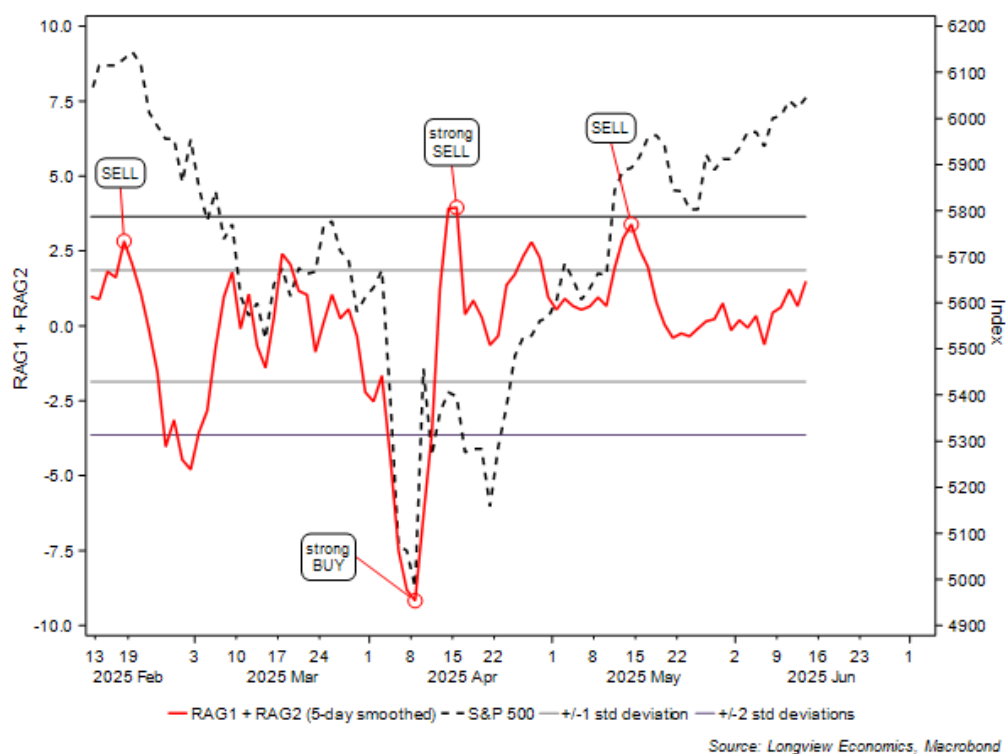


FIG 2b: Shortest term RAG1 (stand-alone) vs. S&P500

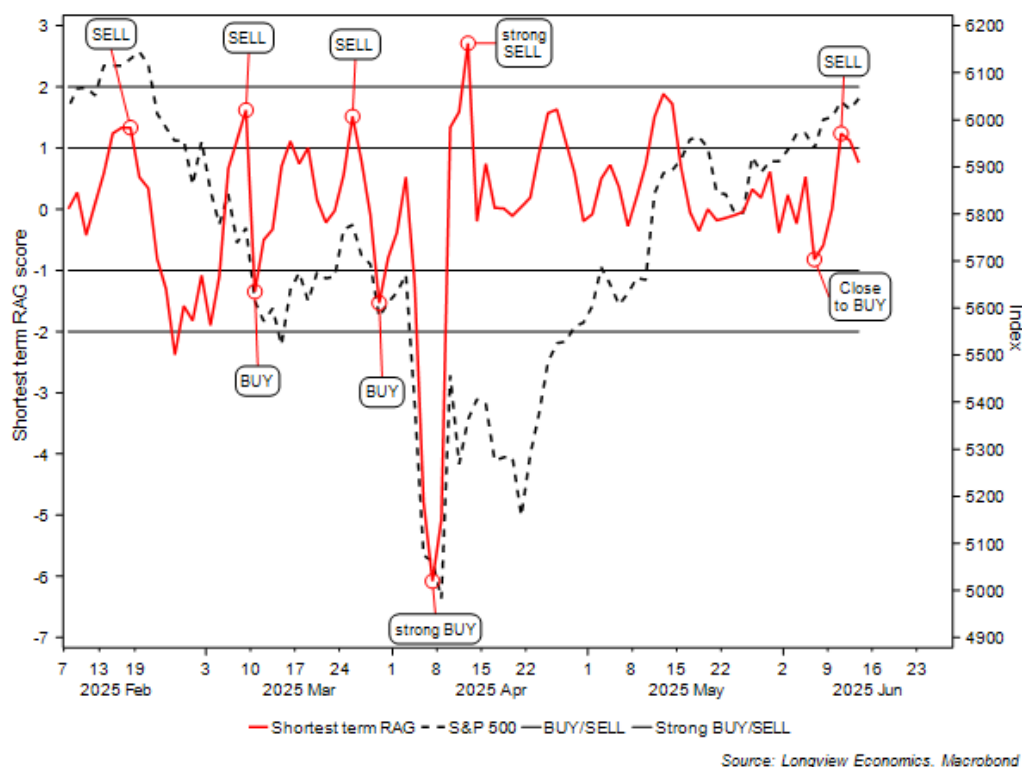


FIG 2c: Longview S&P500 short term **'technical'** scoring system vs. S&P500 futures

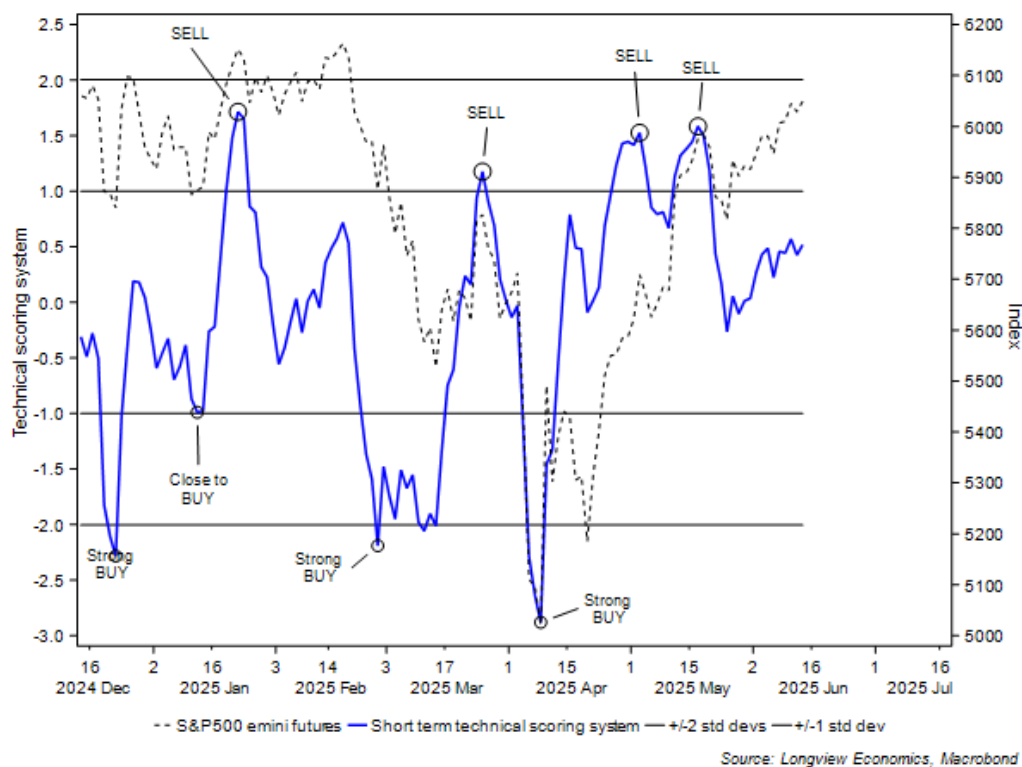


FIG 2d: Longview NASDAQ100 & Philly SOX short term **‘technical’** scoring system vs. NASDAQ100 futures

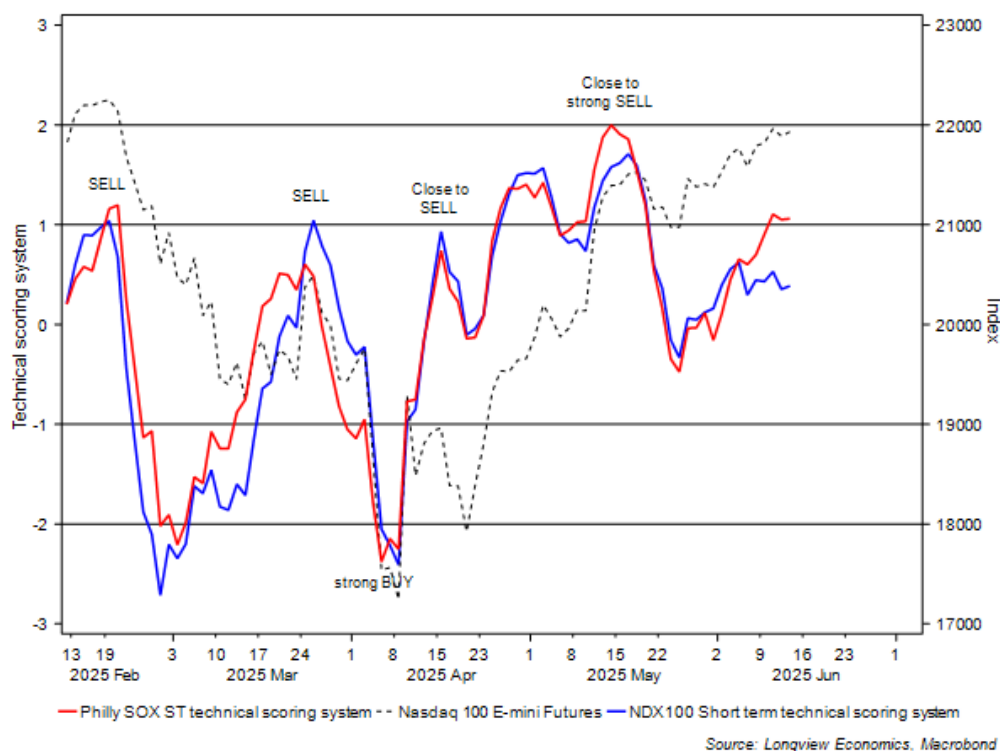


FIG 2e: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

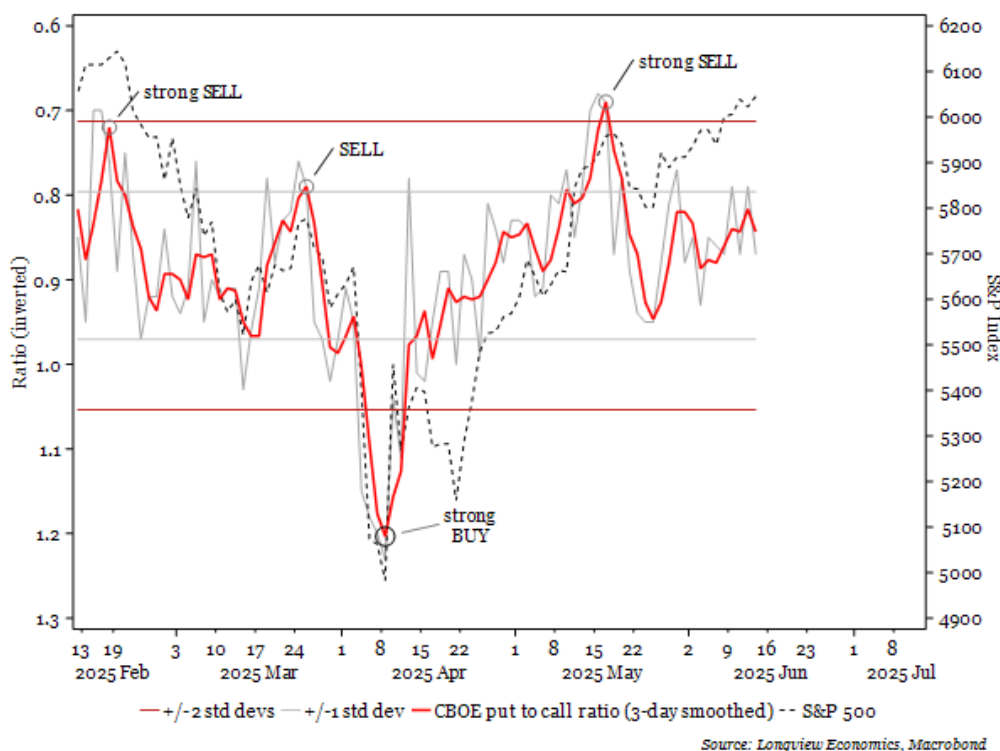
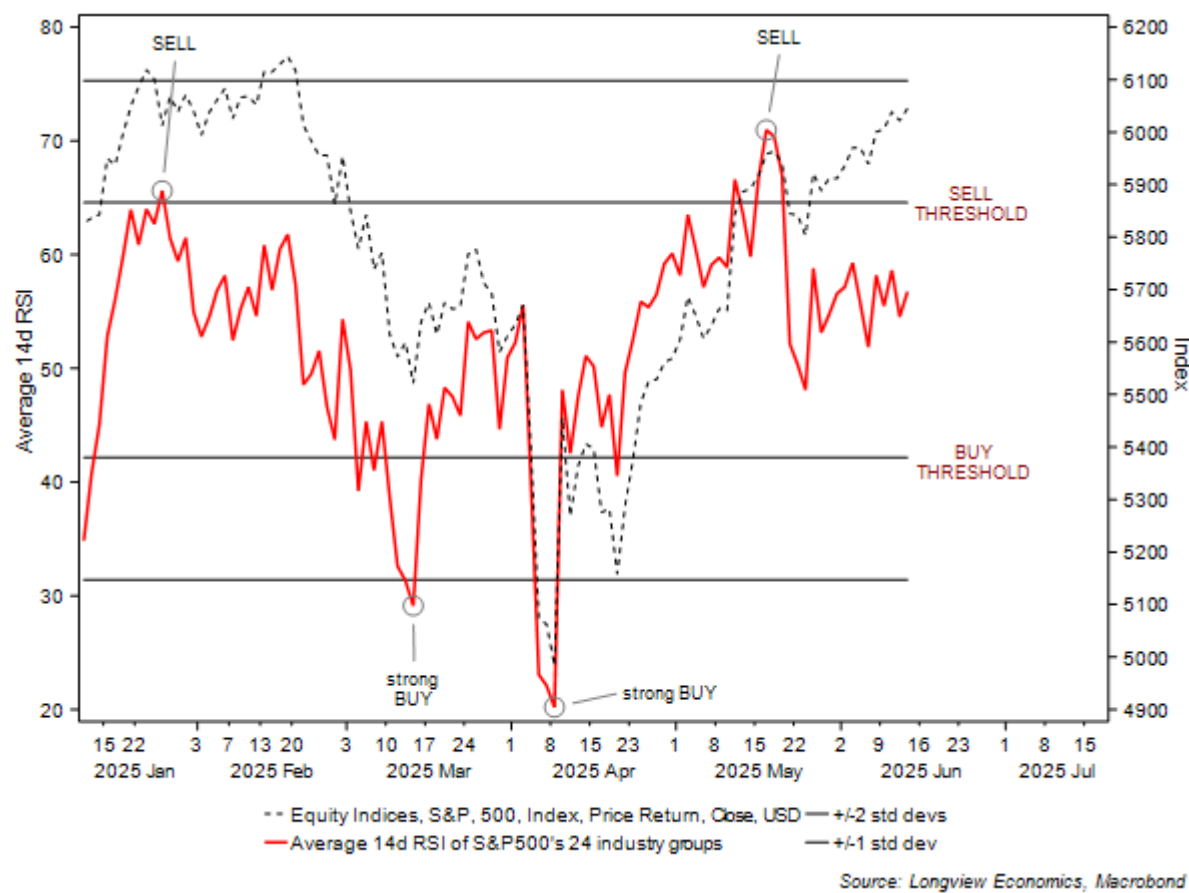


FIG 2f: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

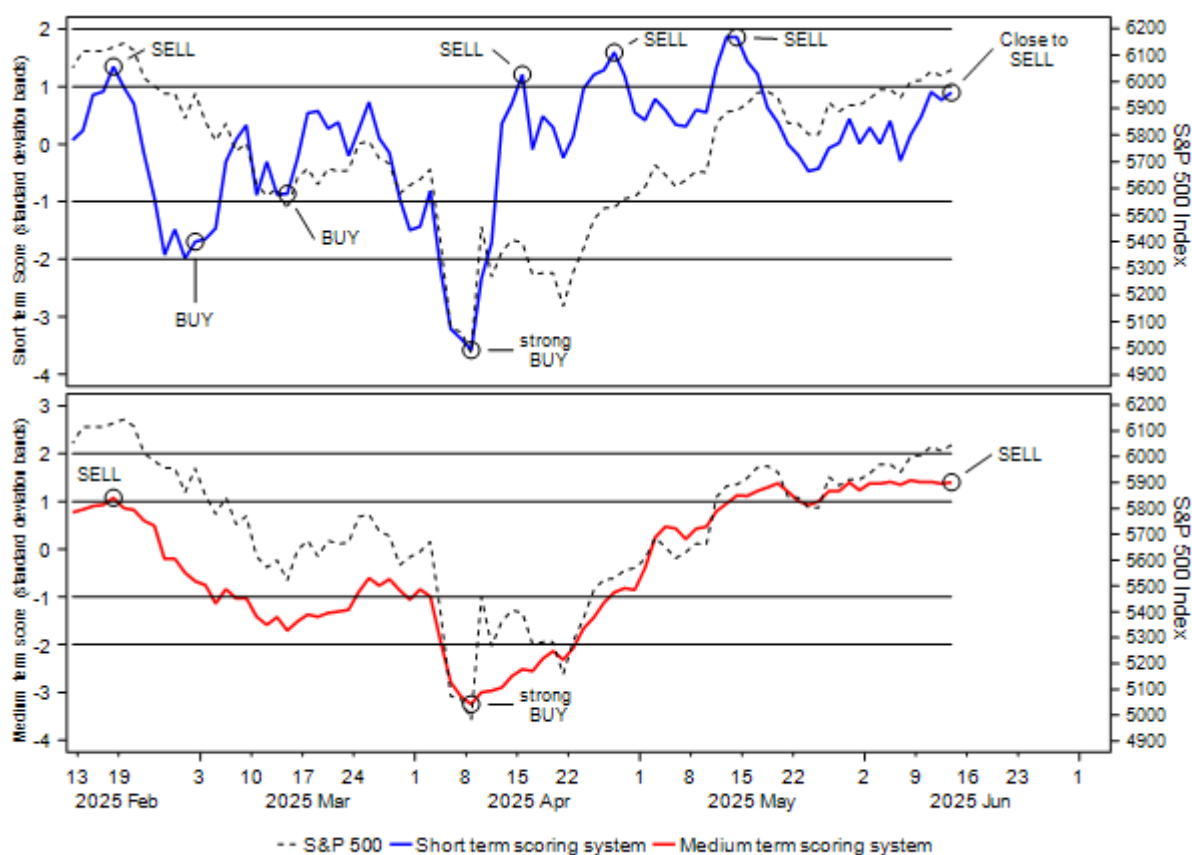


Key Longview Scoring Systems (chart below):

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

Key macro data/events

Key data today include: Japanese industrial production & capacity utilisation (April final estimate, 5:30am); German headline & core CPI (May final estimate, 7am); French headline & core CPI (May final estimate, 7:45am); Spanish headline & core CPI (May final estimate, 8am); **Eurozone industrial production** (Apr, 10am); Eurozone trade balance (Apr, 10am); Canadian manufacturing & wholesale sales (Apr, 12:30pm); Canadian capacity utilization (Q1, 1:30pm); **US Michigan Sentiment** (June first estimate, 3pm).

Key events today include: N/A

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 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.



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-  @chriswatling
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1 – 2 Week View on Risk

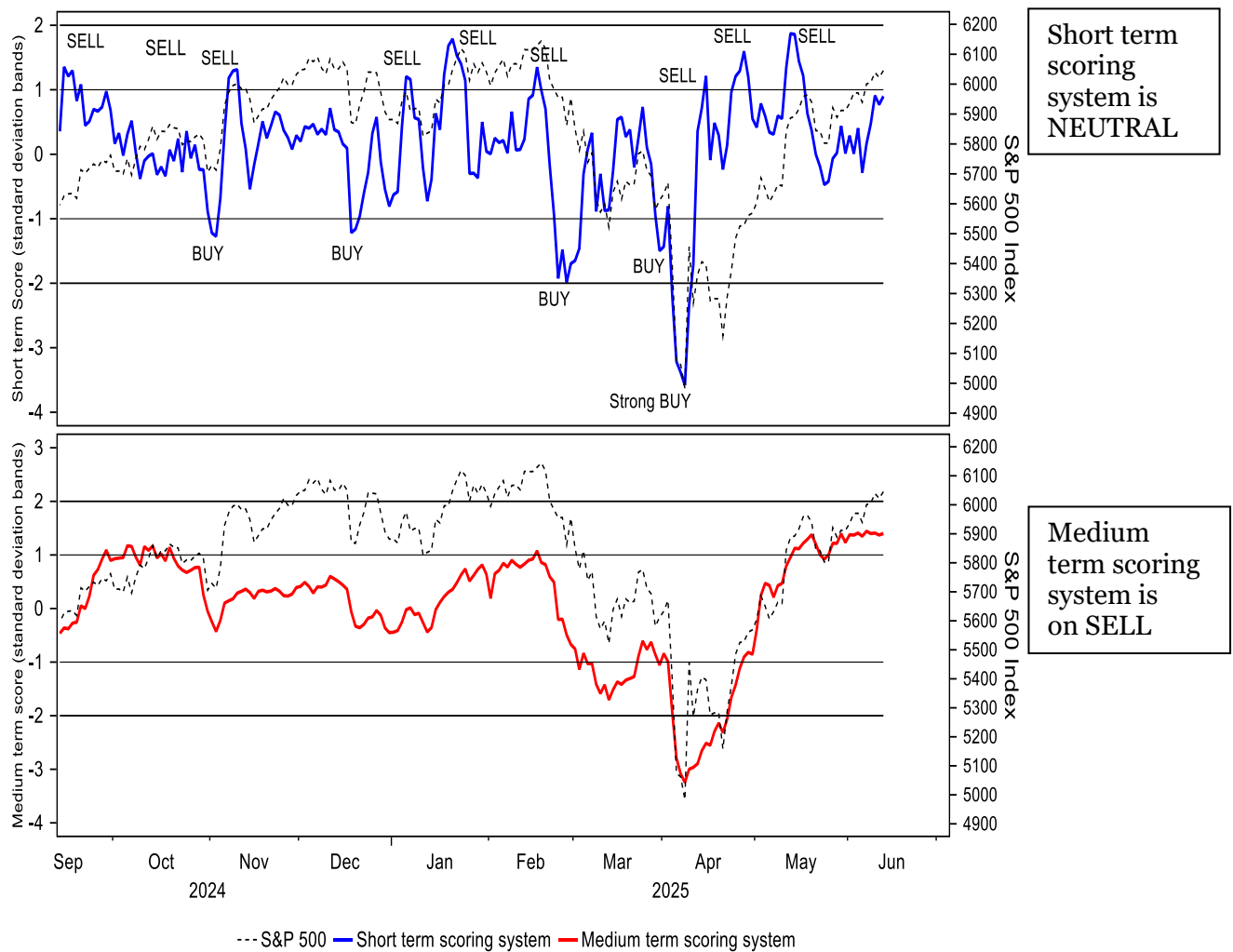
Longview Economics

Email: research@longvieweconomics.com

13th June 2025

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

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



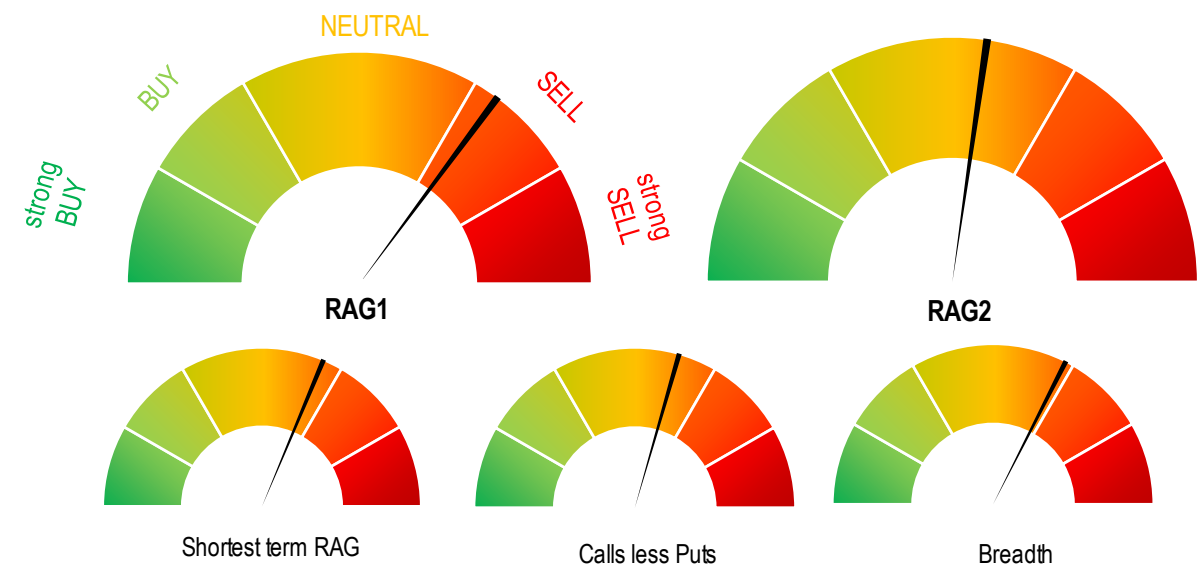
Source: Longview Economics, Macrobond

*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**

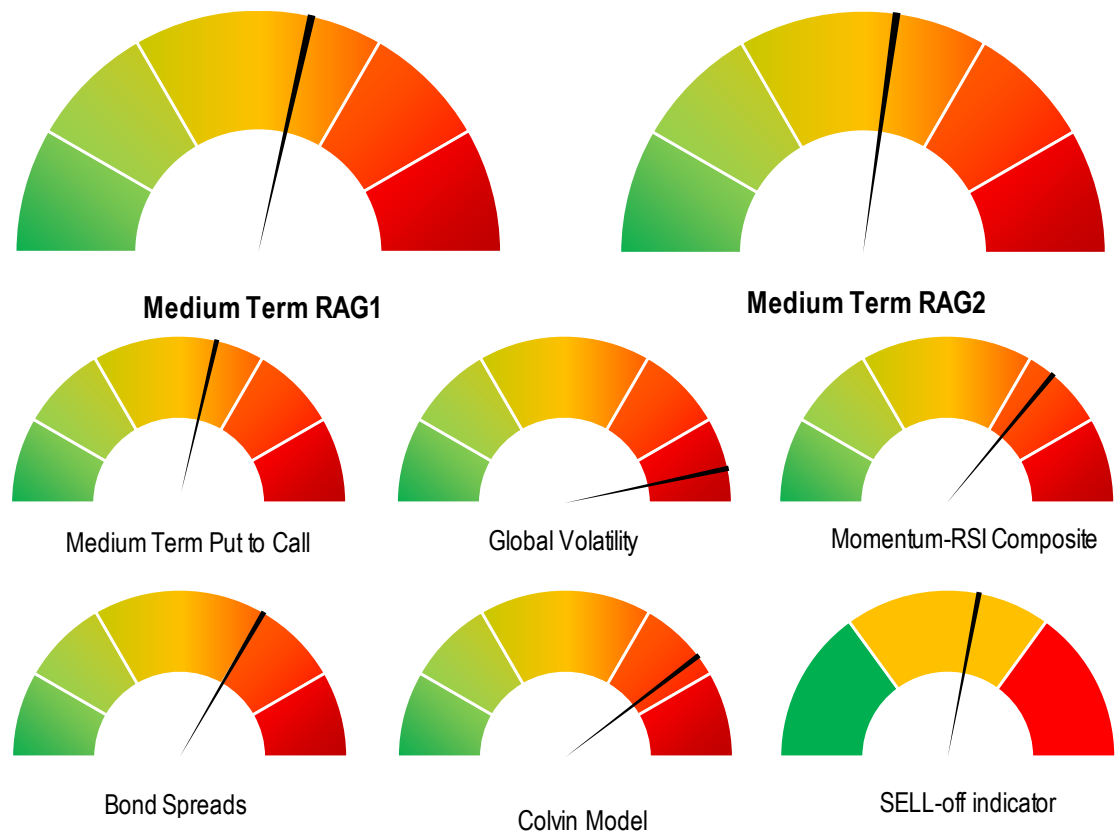
Section 1a: Summary of indicator signals**

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

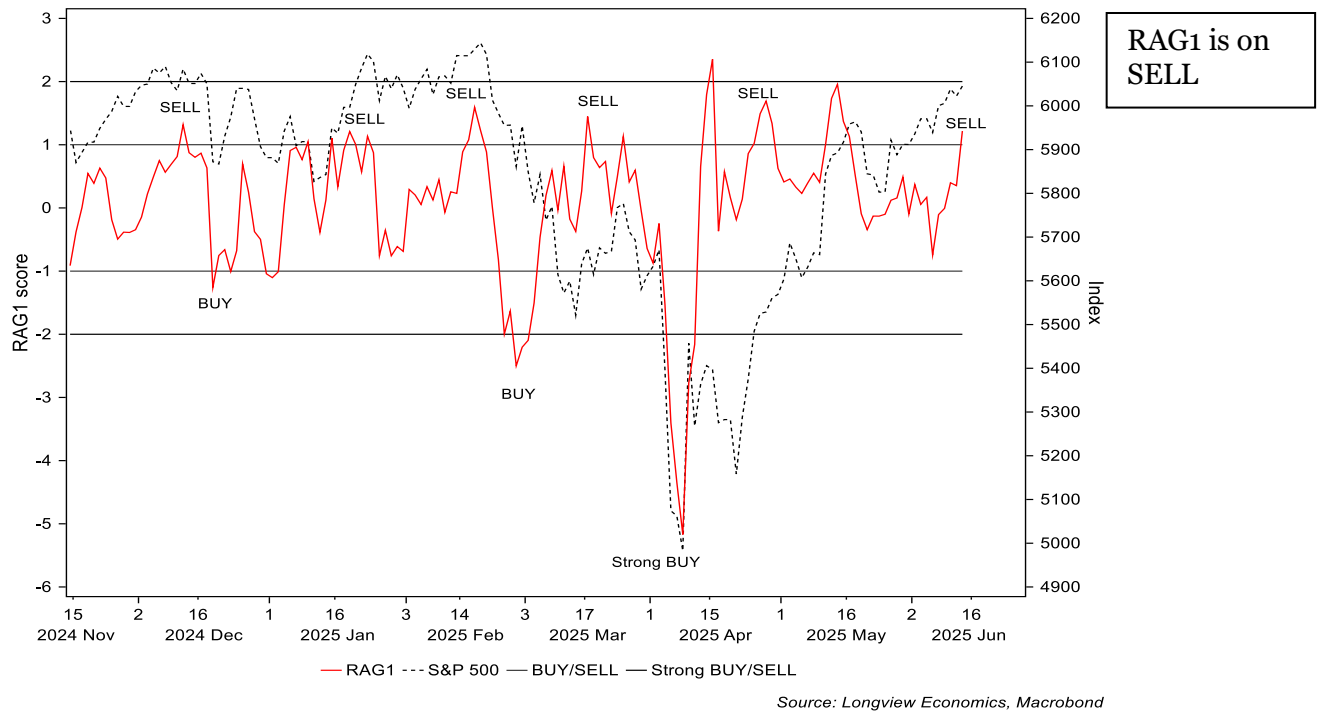
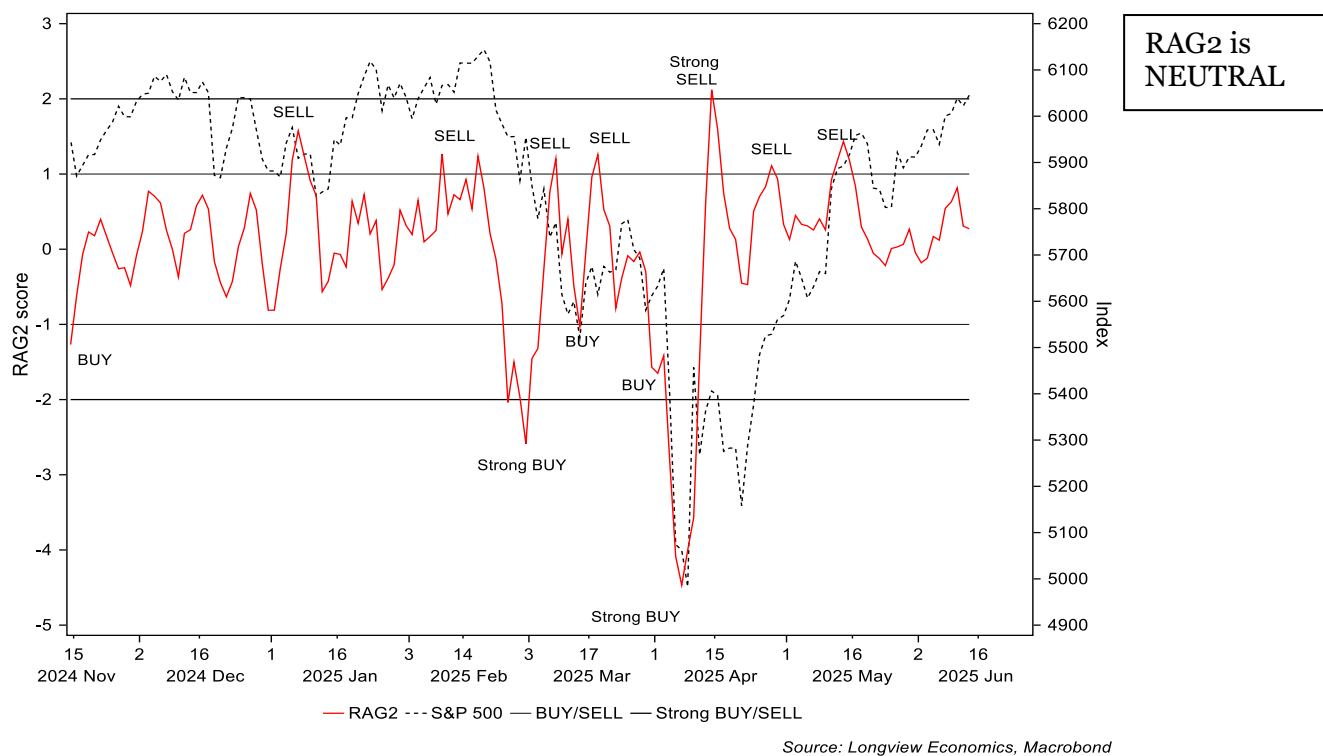


Fig 2b: RAG 2 vs. S&P 500



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

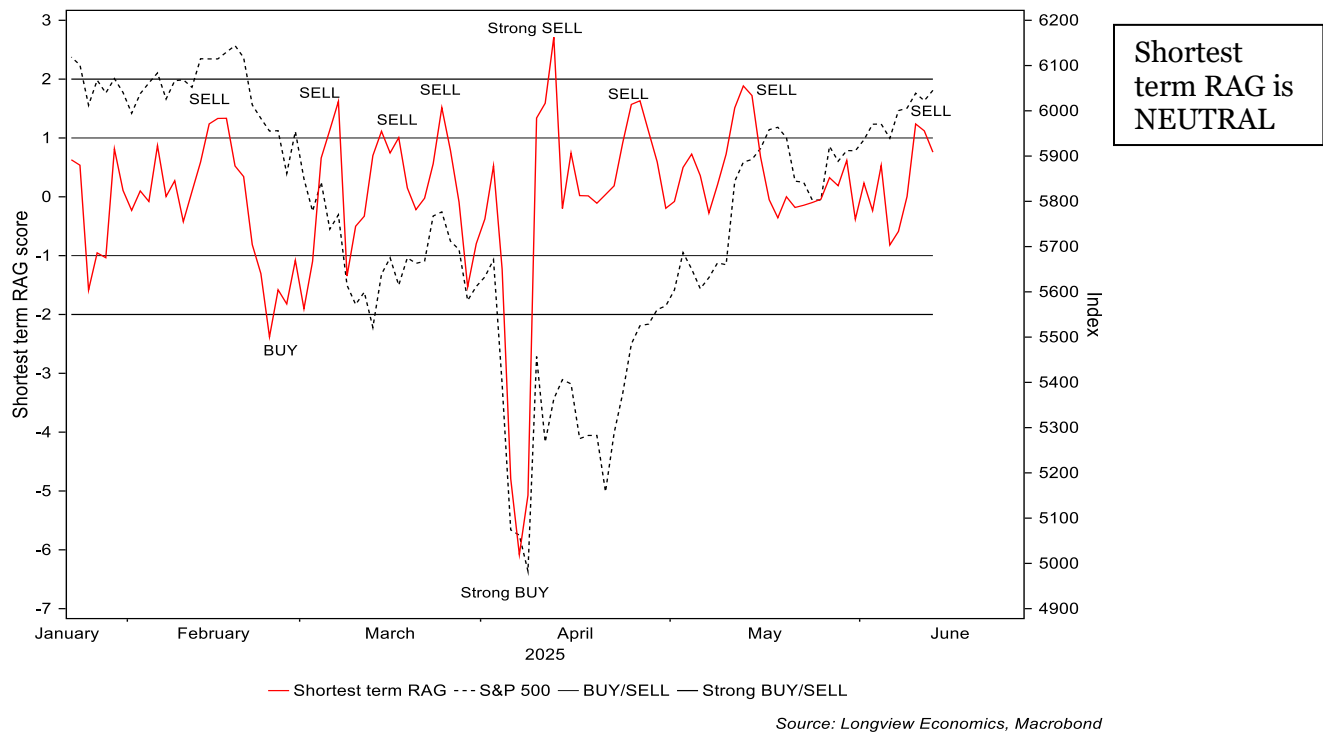
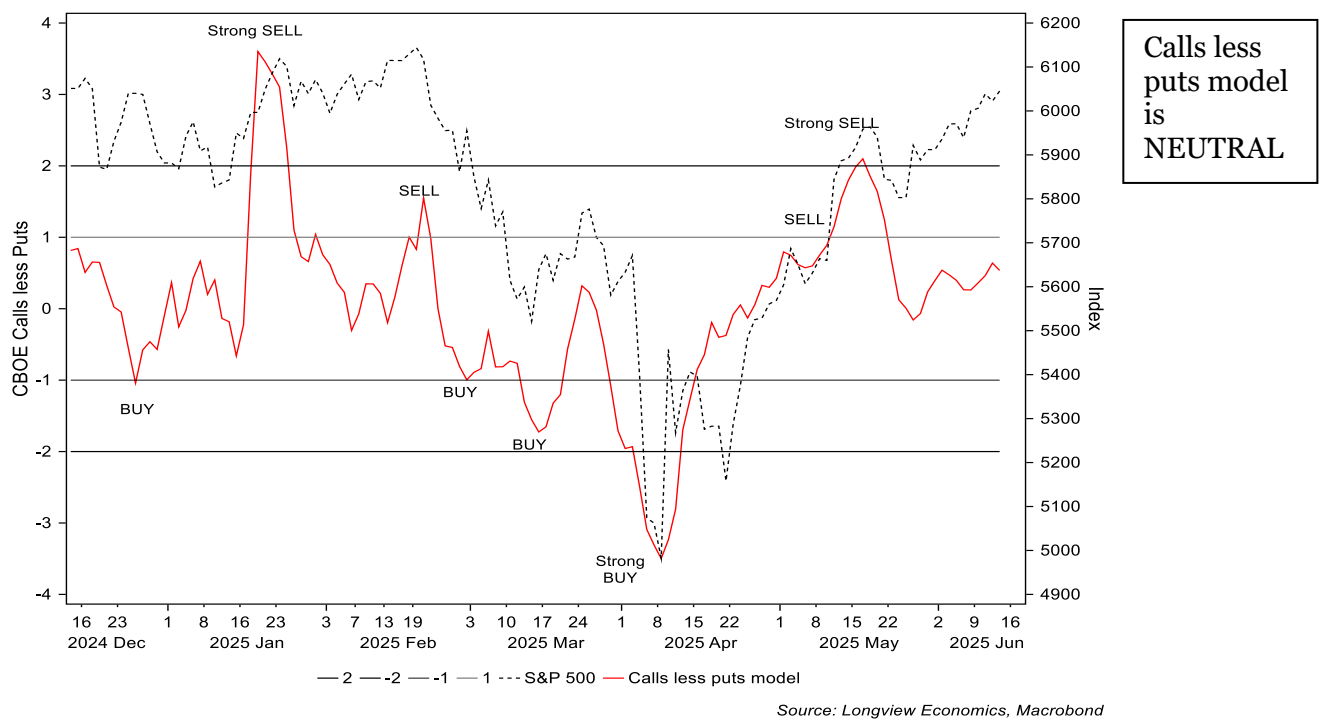
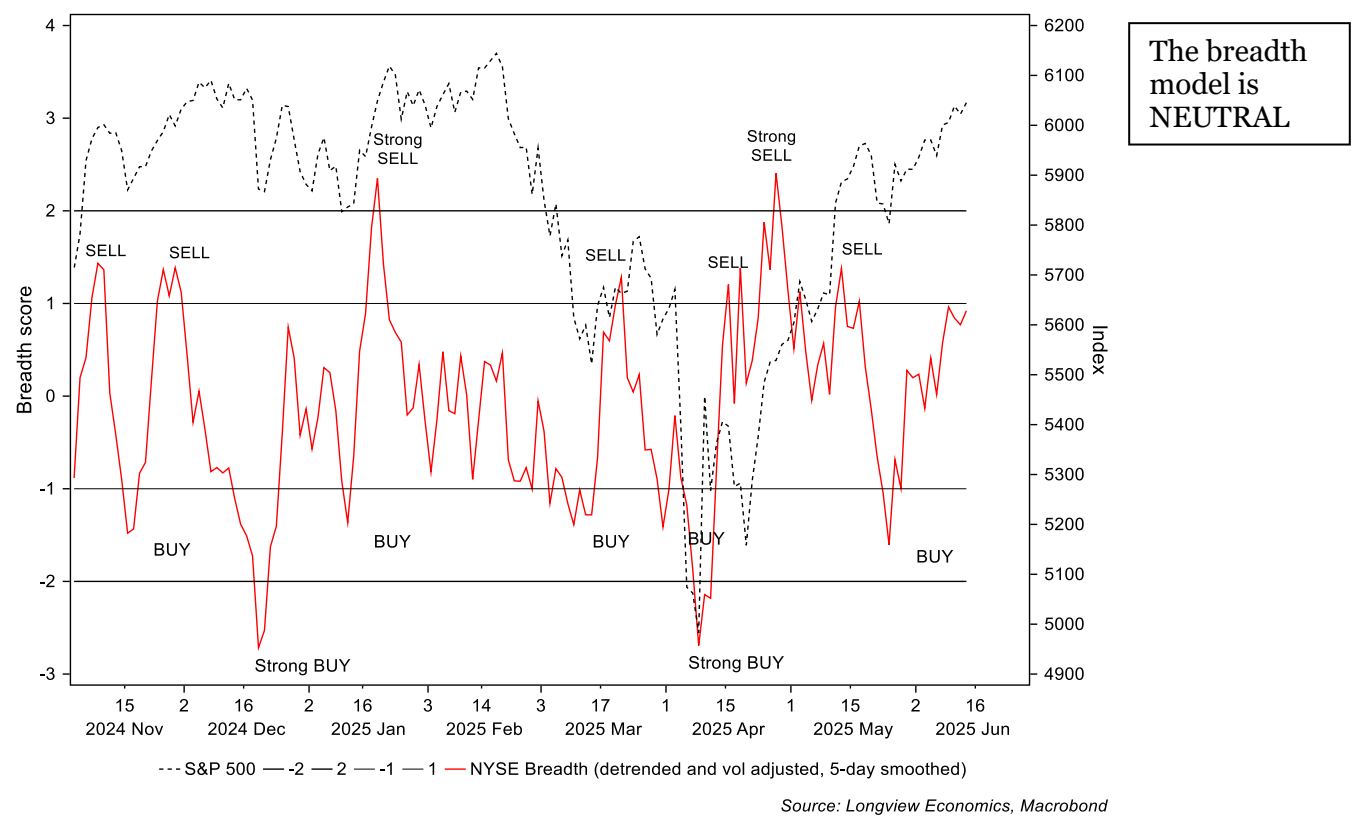


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



For explanations of indicators please see page 10

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



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

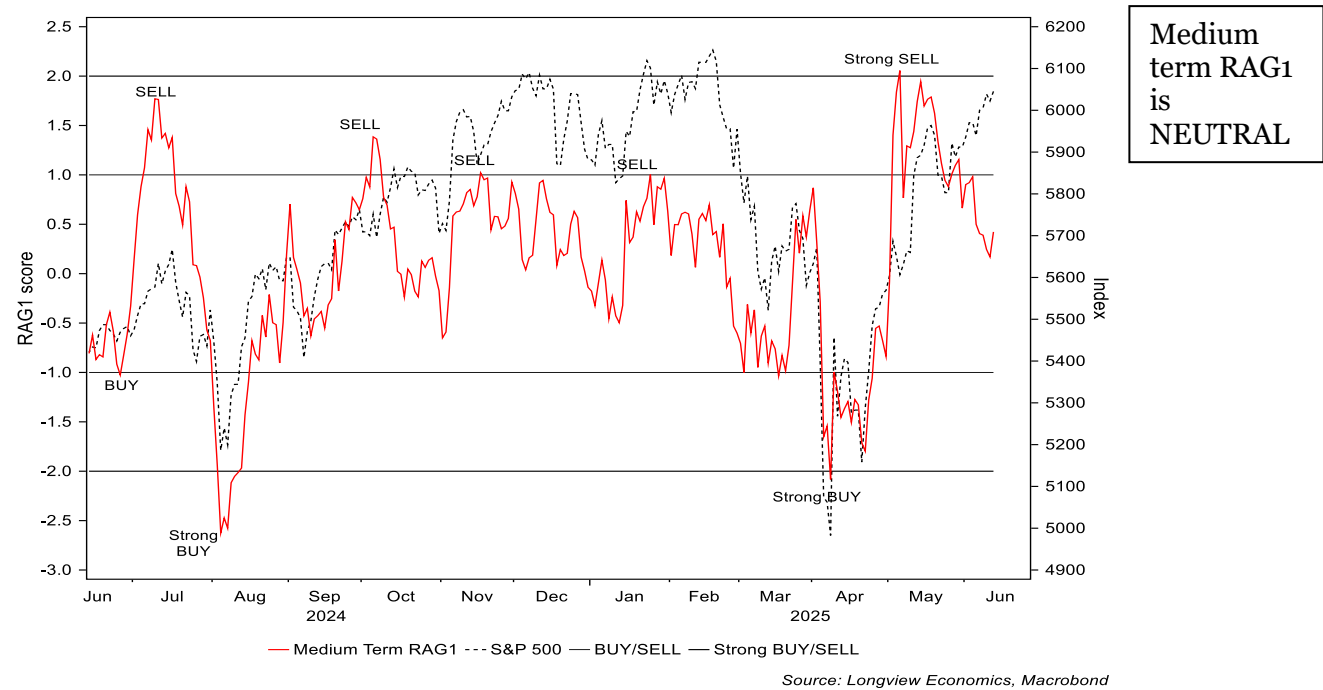
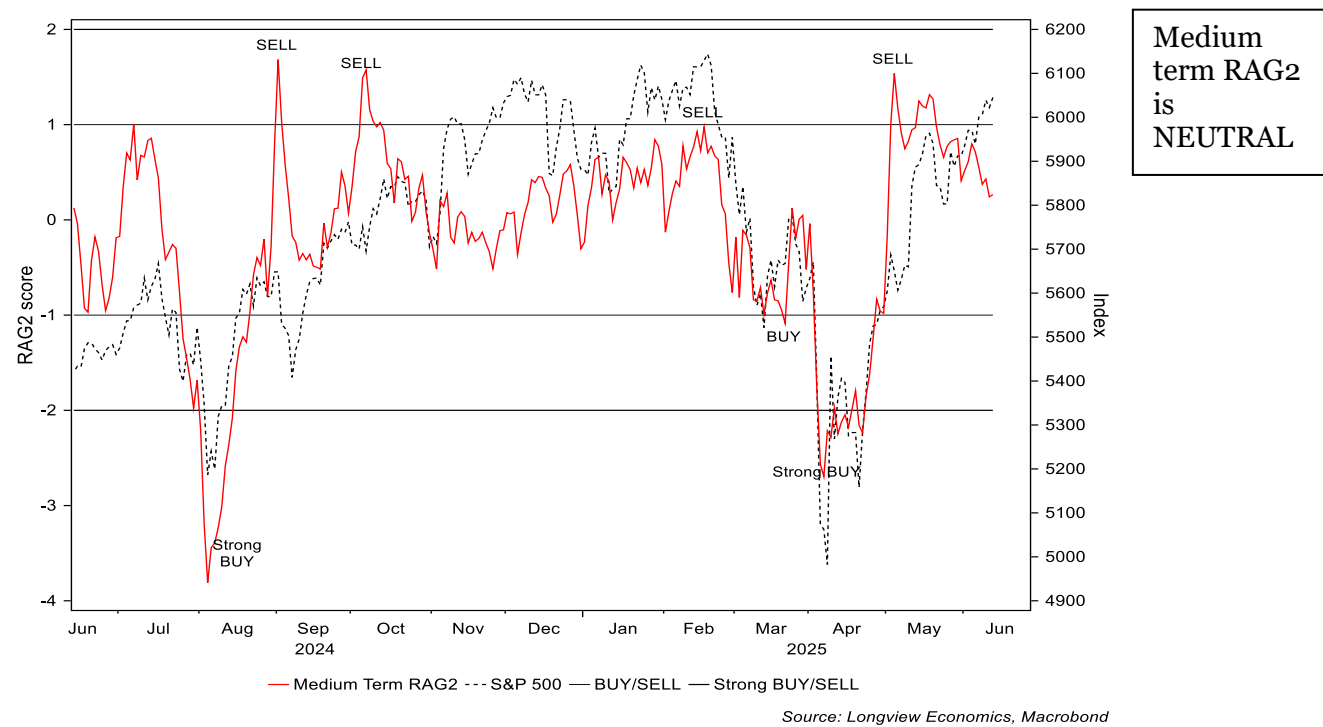


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

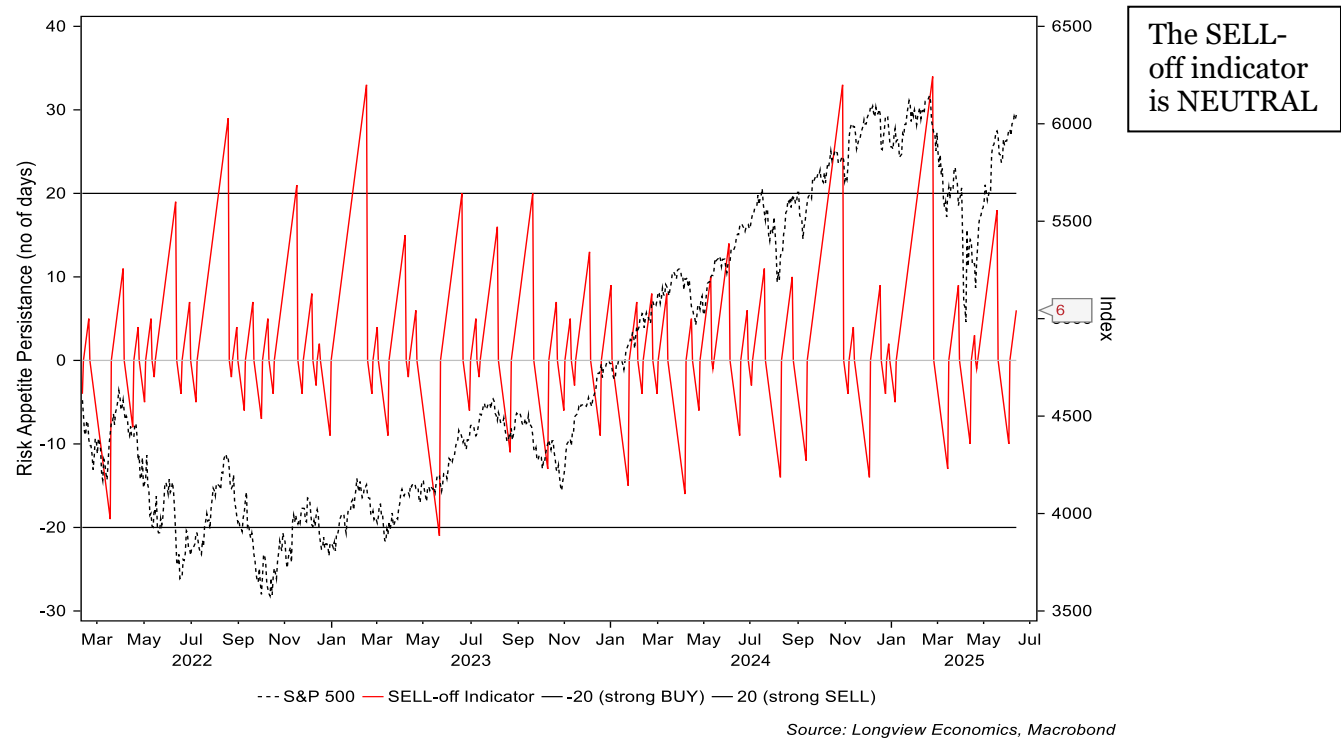
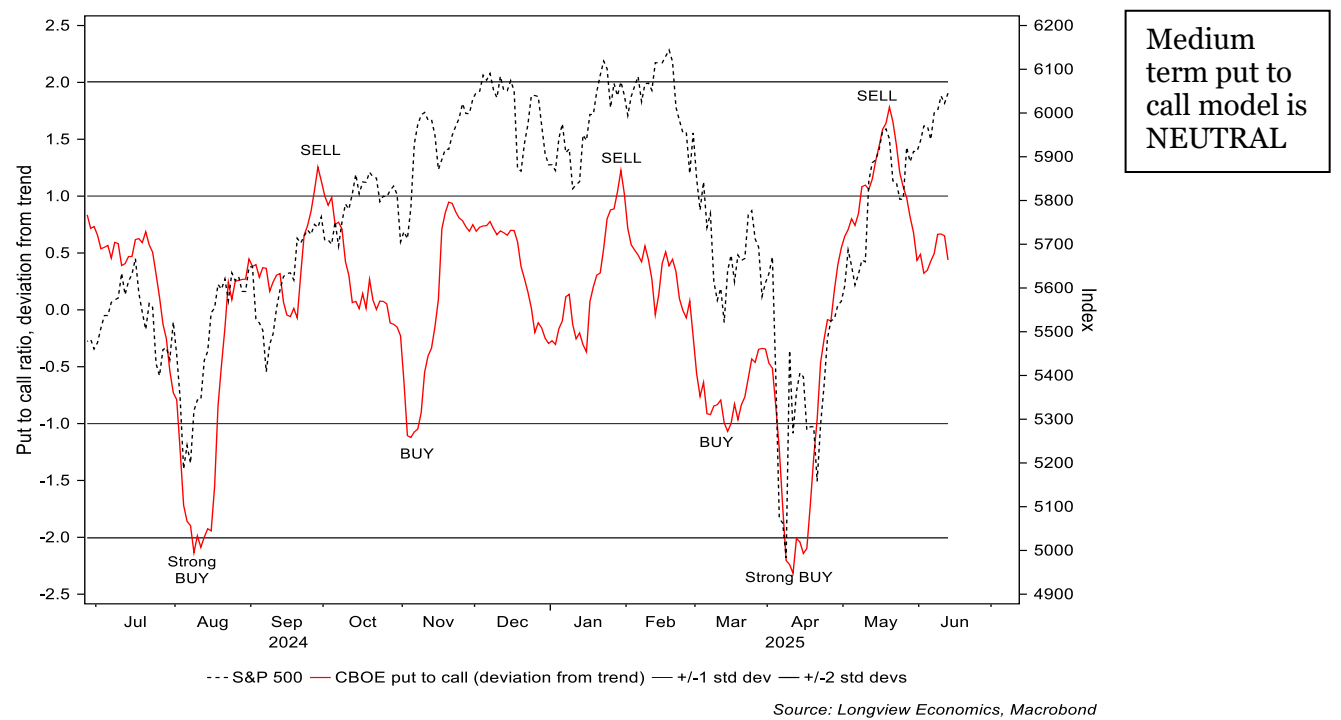


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

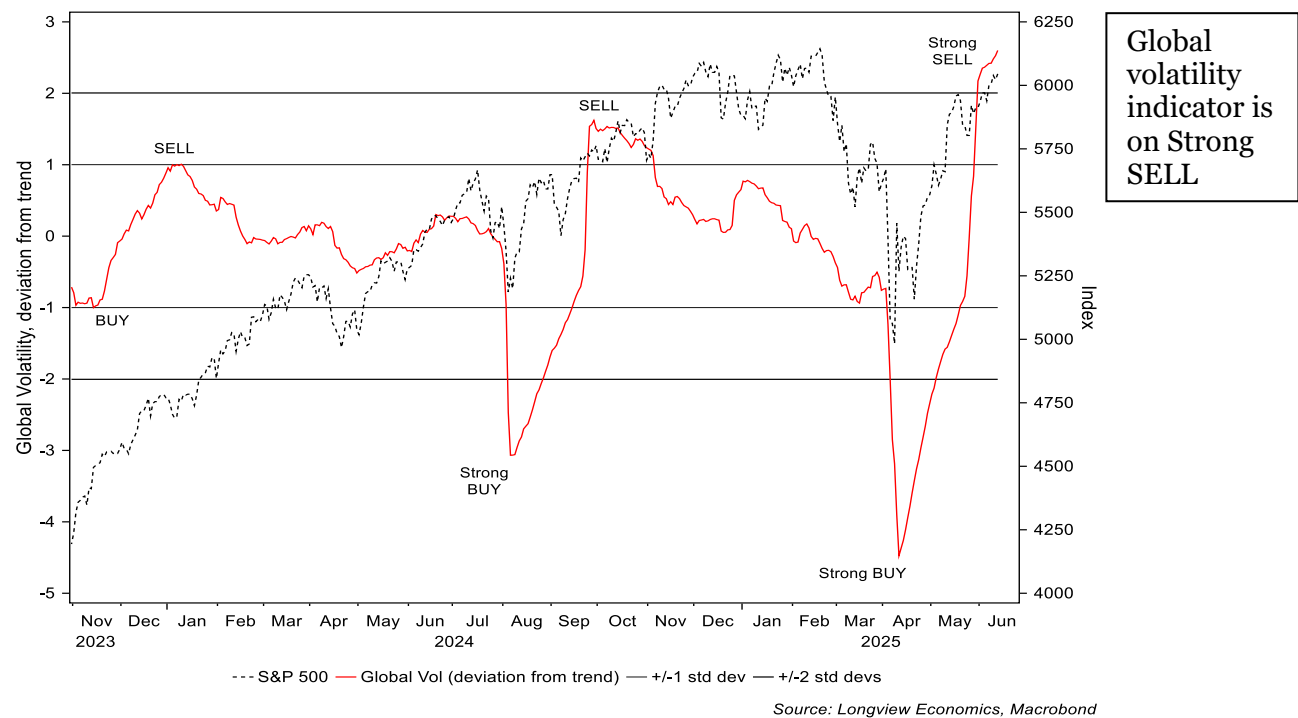


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

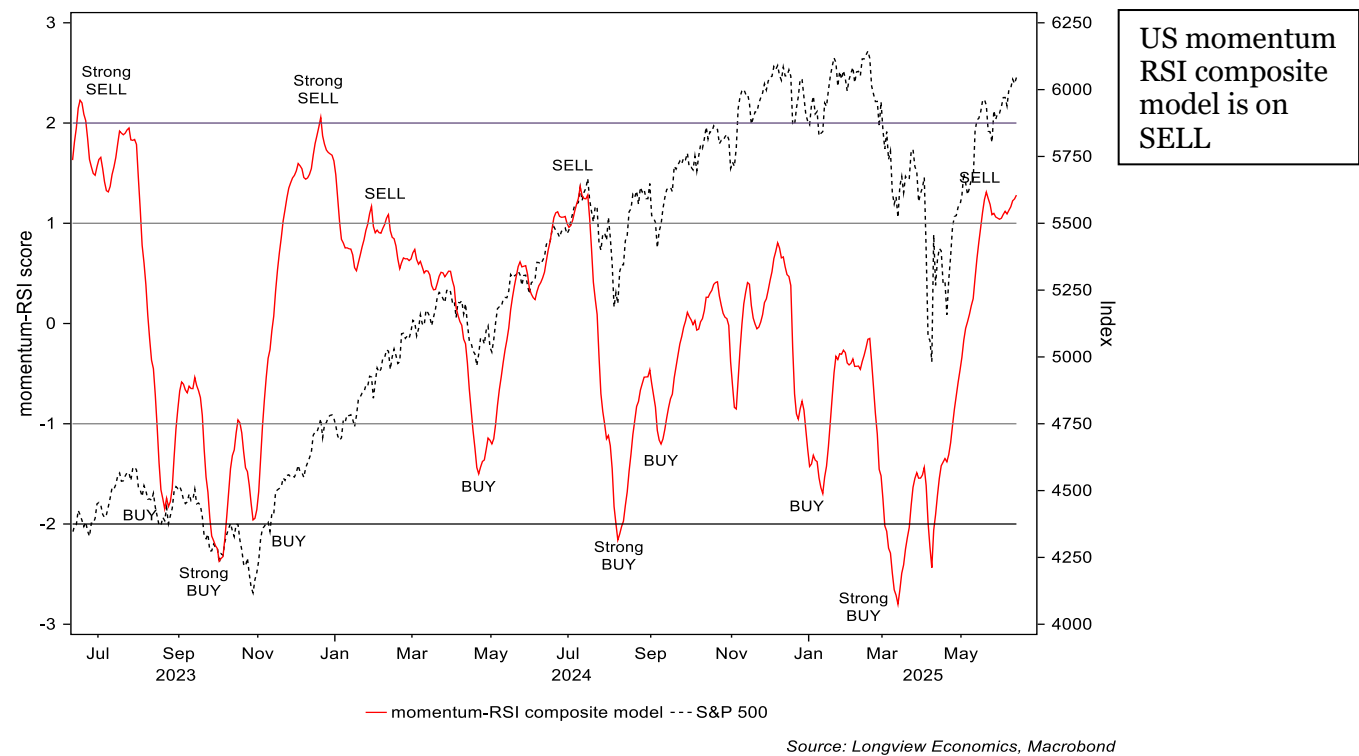


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

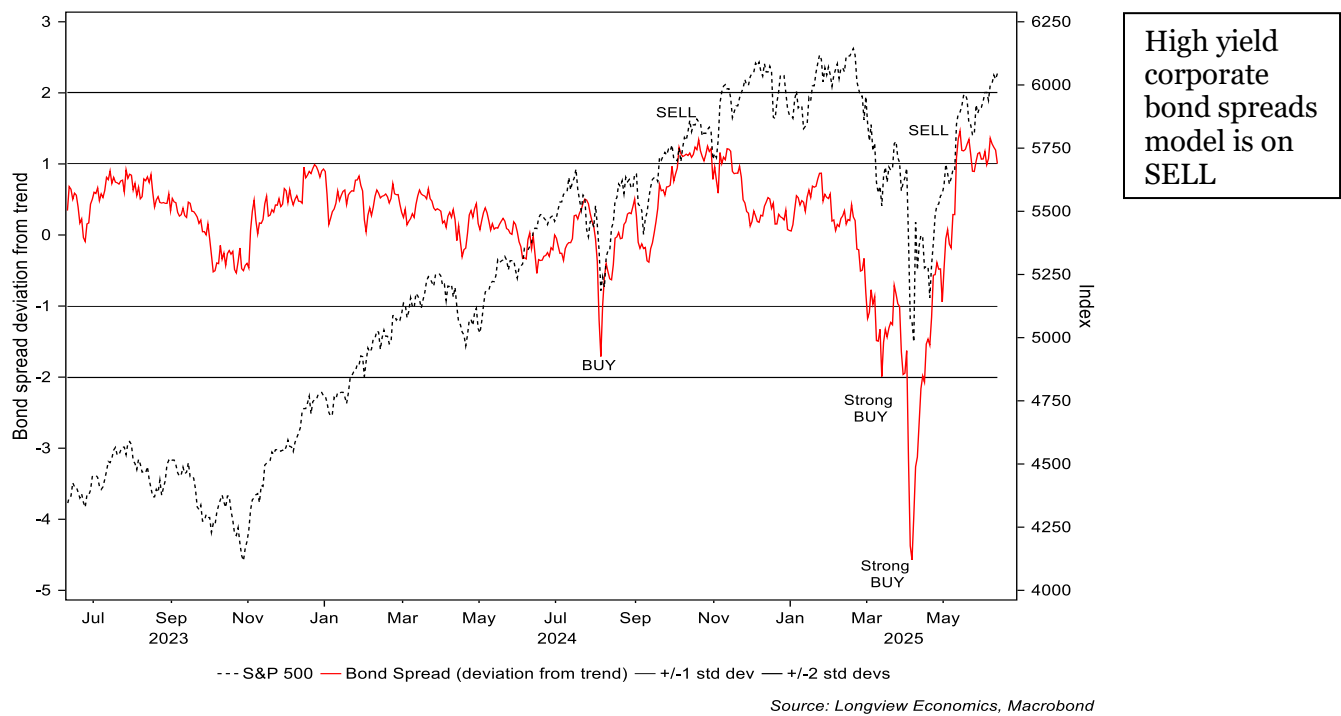
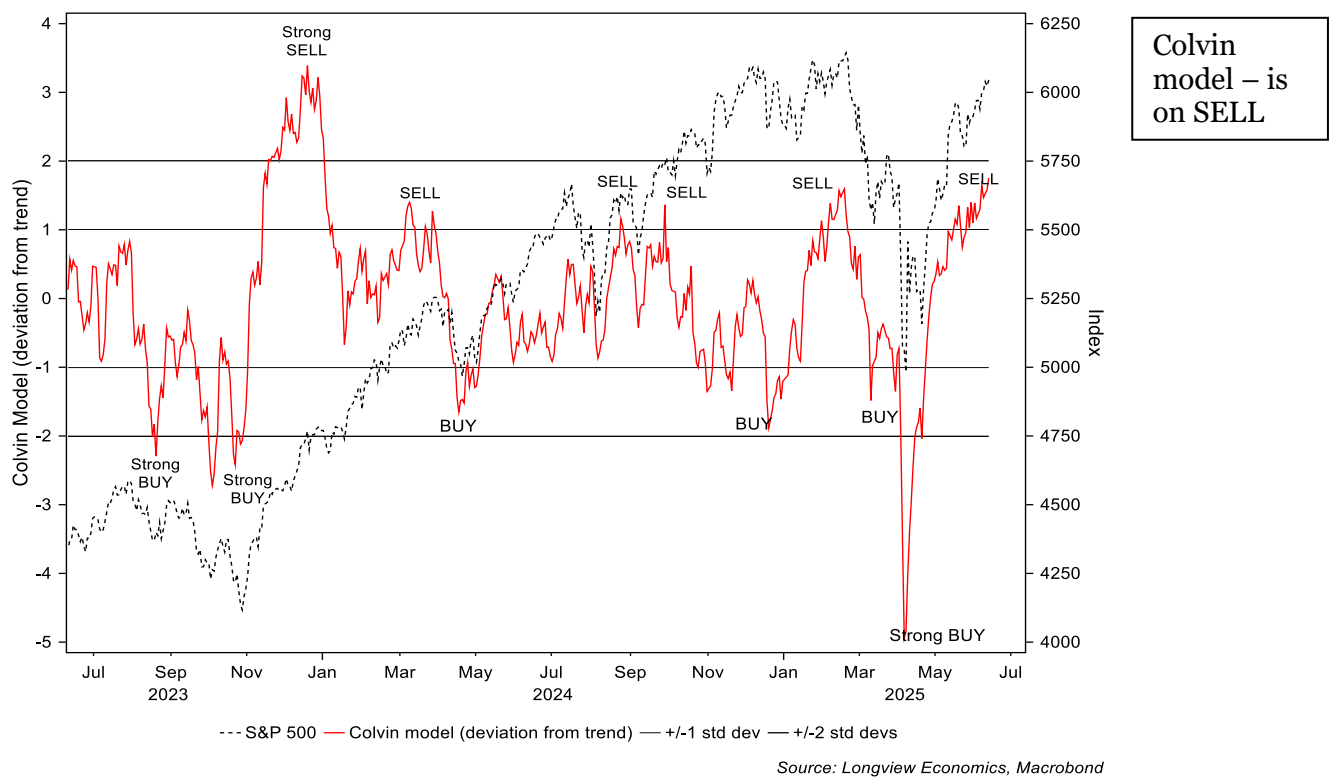


Fig 3h: Colvin model (deviation from trend) vs. S&P500



For explanations of indicators please see page 10

Appendix: Model Explanations

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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