Equity Index Futures Trading Recommendations

16th June 2025

"WATCH & WAIT"
Email: info@longvieweconomics.com

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

- WATCH & WAIT.

Rationale

The Iran–Israeli conflict has continued over the weekend (and into today). In particular, Israel completed a wave of attacks yesterday on infrastructure belonging to Iran's Revolutionary Guard. In response, Iran launched a missile attack on Israel, threatened a "more painful" retaliation if attacks continue, and today President Pezeshkian reaffirmed Iran's commitment to its nuclear program. There are, unsurprisingly, reports that Iran is considering closing the Strait of Hormuz (see HERE).

The market response, though, has been relatively benign. Oil prices opened higher (+5%) and briefly tested their intra-day highs from last Friday (FIGs 1 & 1a). They did not, however, make new highs, and today's initial strength has faded over the past few hours, with Brent futures trading down ~0.2% at the time of writing. Oil has therefore failed (so far) to break above the top of its downtrend channel (FIG 1b). In a similar vein, safe haven assets have lost their bid overnight (e.g. gold: -0.5%).

US equity market price action has been resilient. S&P500 futures, for example, are up ~0.5% this morning and on Friday held above their 200 day moving average (5,900), i.e. their next key support level (FIG 1c). US Treasury yields edged higher on Friday (e.g. 10y yield: +5bps) and are up ~2bps overnight, while the dollar (DXY) continues to trend down.

Despite that (bullish) price action, **uncertainty remains high**. Clearly, there's potential for another large move up in the oil price (e.g. if the Strait of Hormuz is closed, which would likely pressure global equities). Somewhat troublingly, in that respect, there was a bearish key day reversal pattern in global equities on Friday (FIG 1d). Elsewhere volatility has started to tick higher (from low/subdued levels – which are indicative of near term complacency, e.g. see FIG 1f).

Most of our short term models are mid-range/NEUTRAL and therefore not providing a clear steer on market direction at this juncture. Those models are shown in FIGs 2 – 2f. For now, therefore, the risk reward favours WATCHing & WAITing.

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

Kind regards,

The team @ Longview Economics

FIG 1: Brent futures (first position contract) 3 day tick chart with overnight price action

FIG 1a: Brent futures (first position contract) 10 day tick chart with overnight price action

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

Source: Longview Economics, Macrobond

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

Source: Longview Economics, Macrobond

LV RAG
Daily Risk Appetite Gauge

FIG 1d: DJ global equity index shown with 200 & 50 day moving averages

Source: Longview Economics, Macrobond
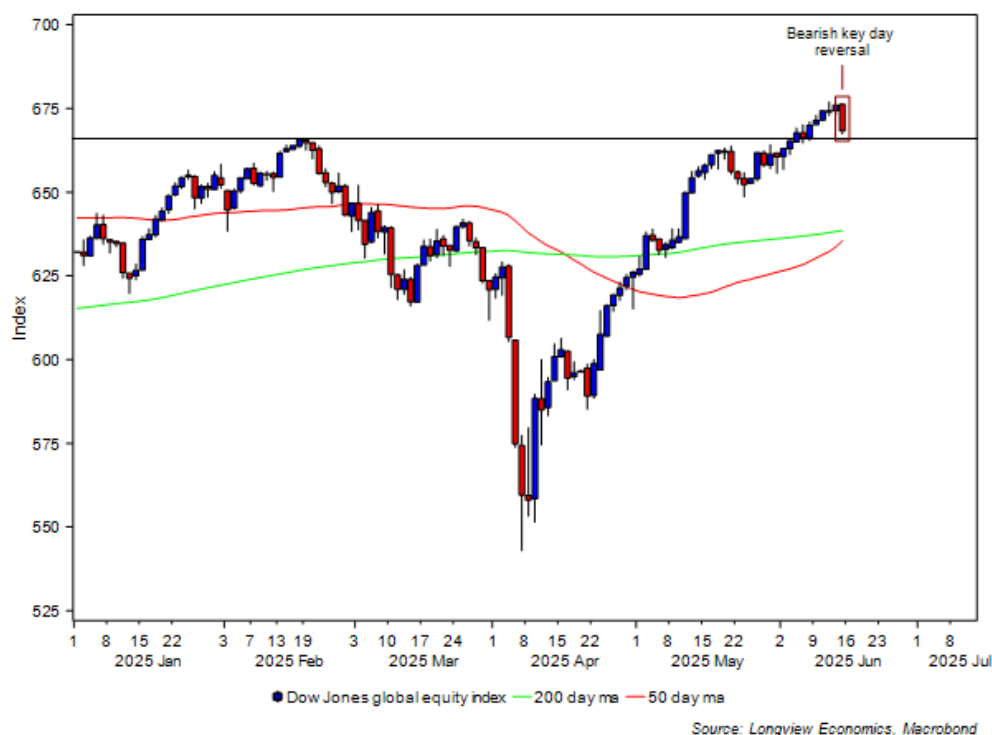
FIG 1e: Longview combined short PLUS medium term 'risk appetite' scoring systems vs. S&P500

Source: Longview Economics, Macrobond
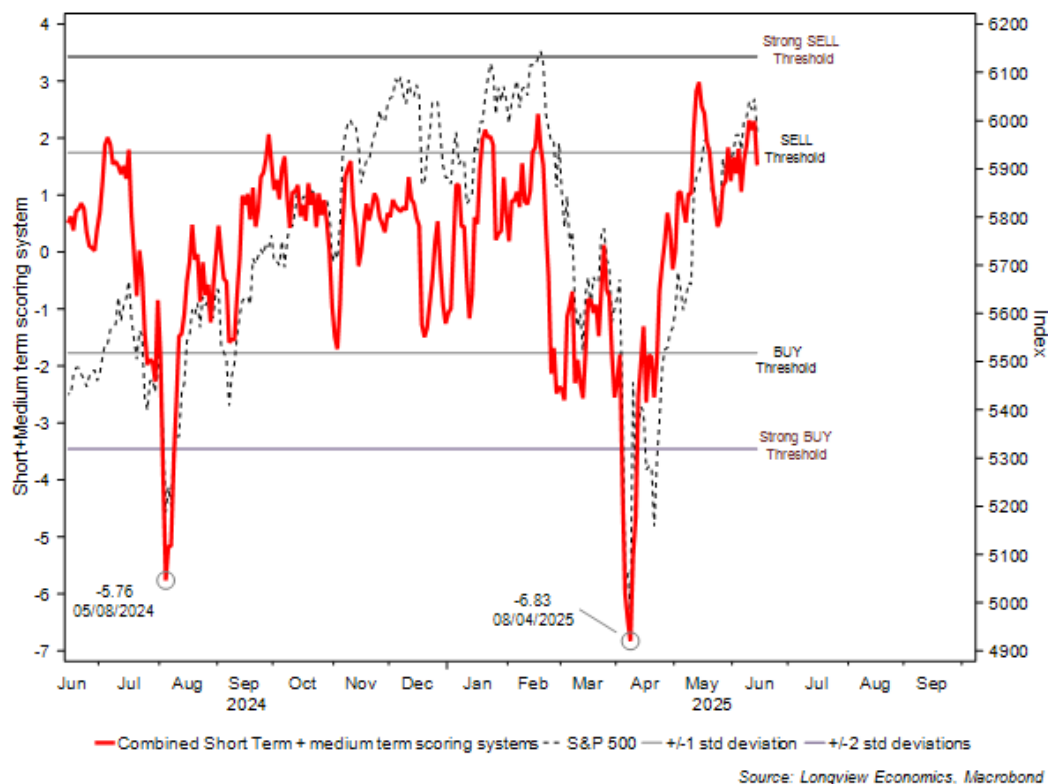
FIG 1f: VIX candlestick shown with 50, 90 & 200 day moving averages (%)
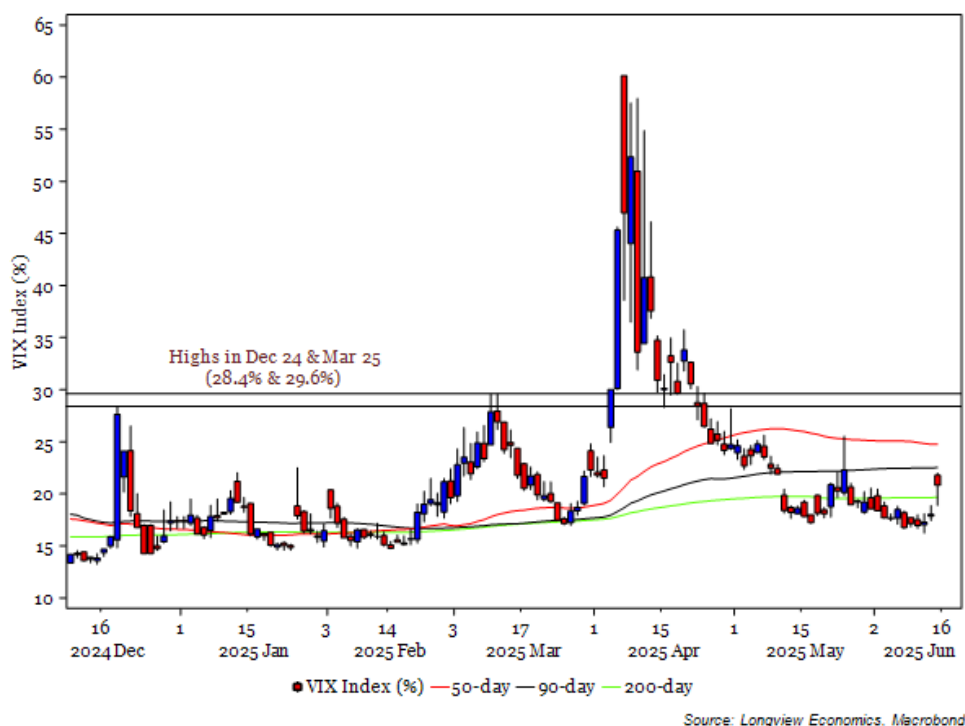
Short term models are NEUTRAL…

FIG 2: Longview short term **'risk appetite'** scoring system vs. S&P500
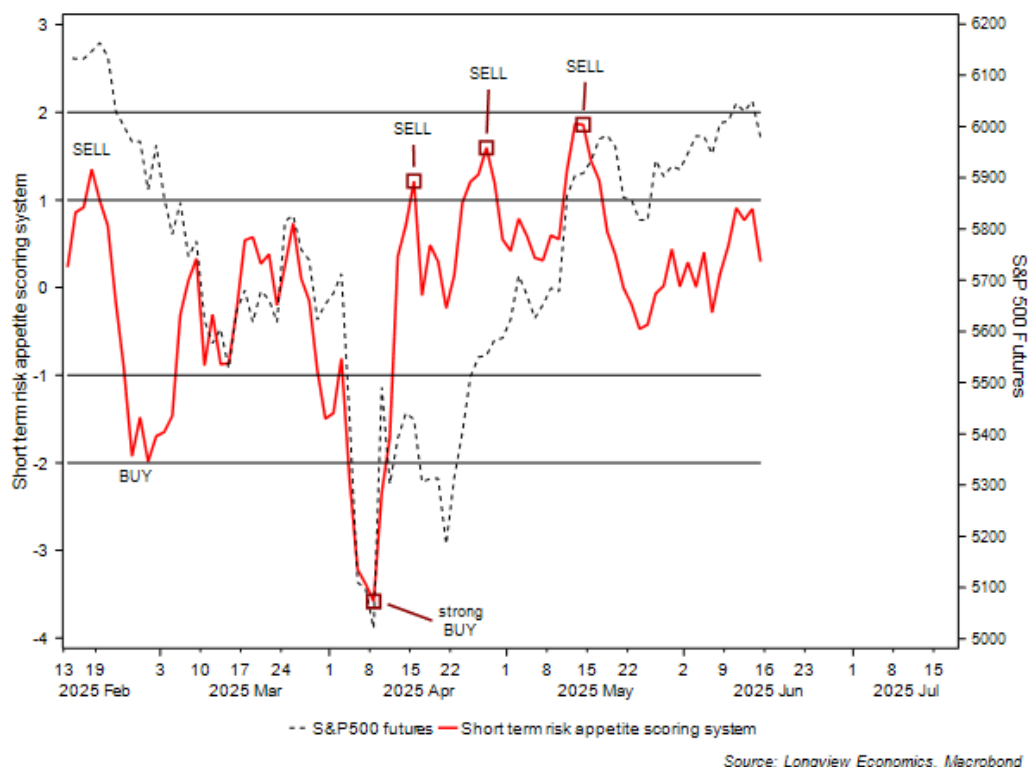
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500
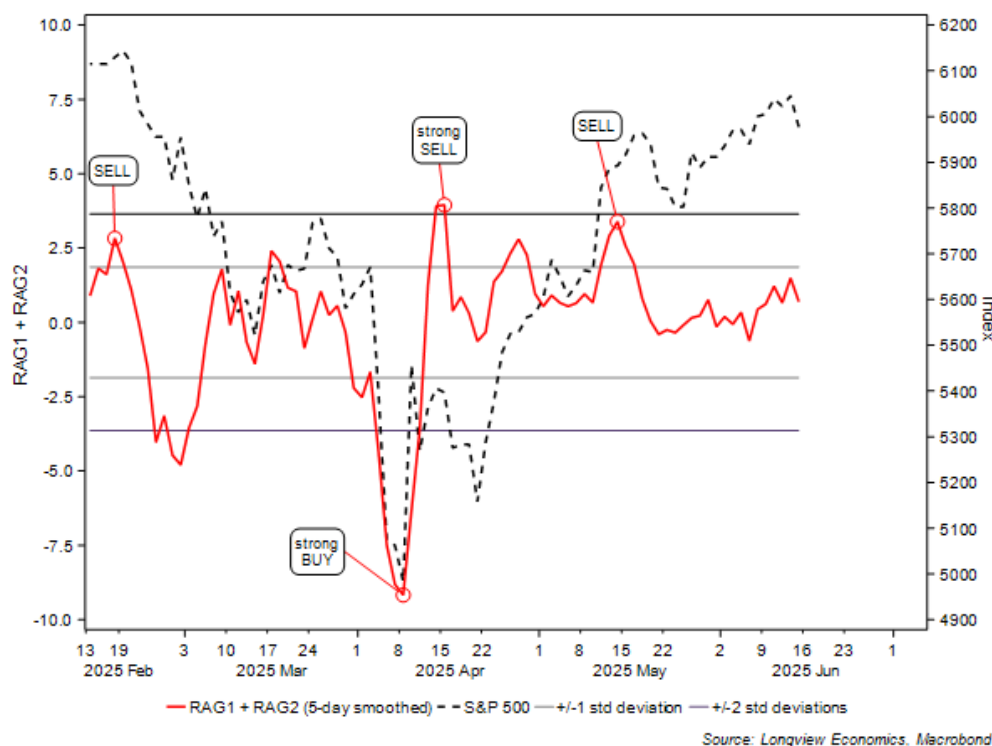
FIG 2b: Shortest term RAG1 (stand-alone) vs. S&P500
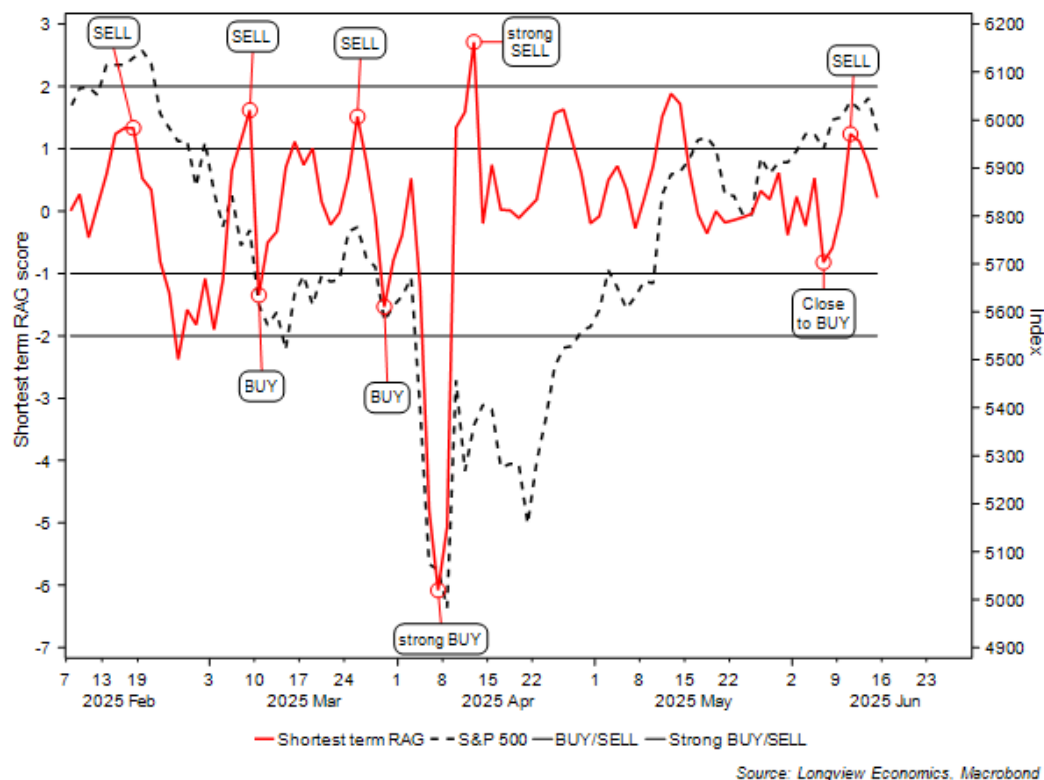
FIG 2c: Longview S&P500 **short term 'technical'** scoring system vs. S&P500 futures

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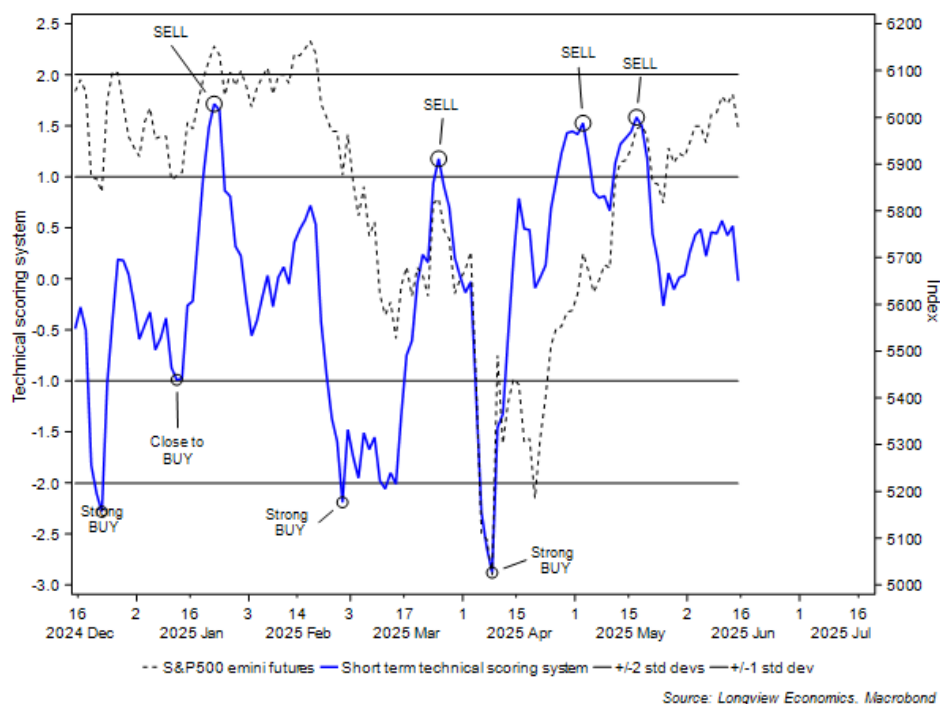
FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

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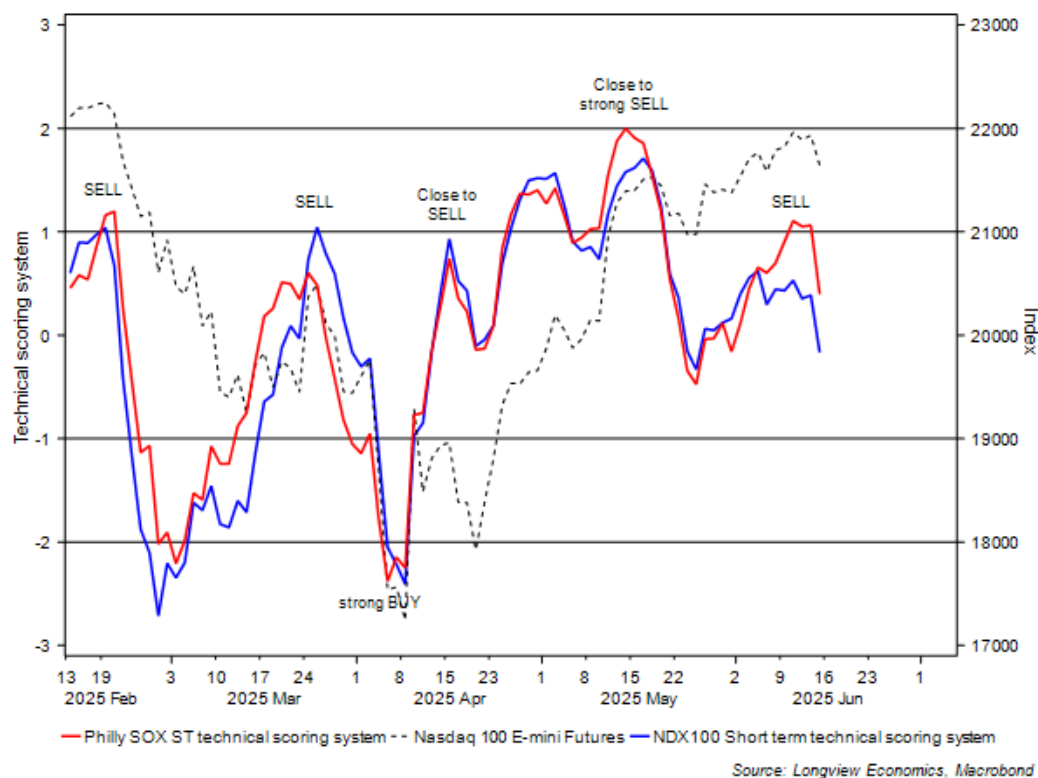
FIG 2e: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

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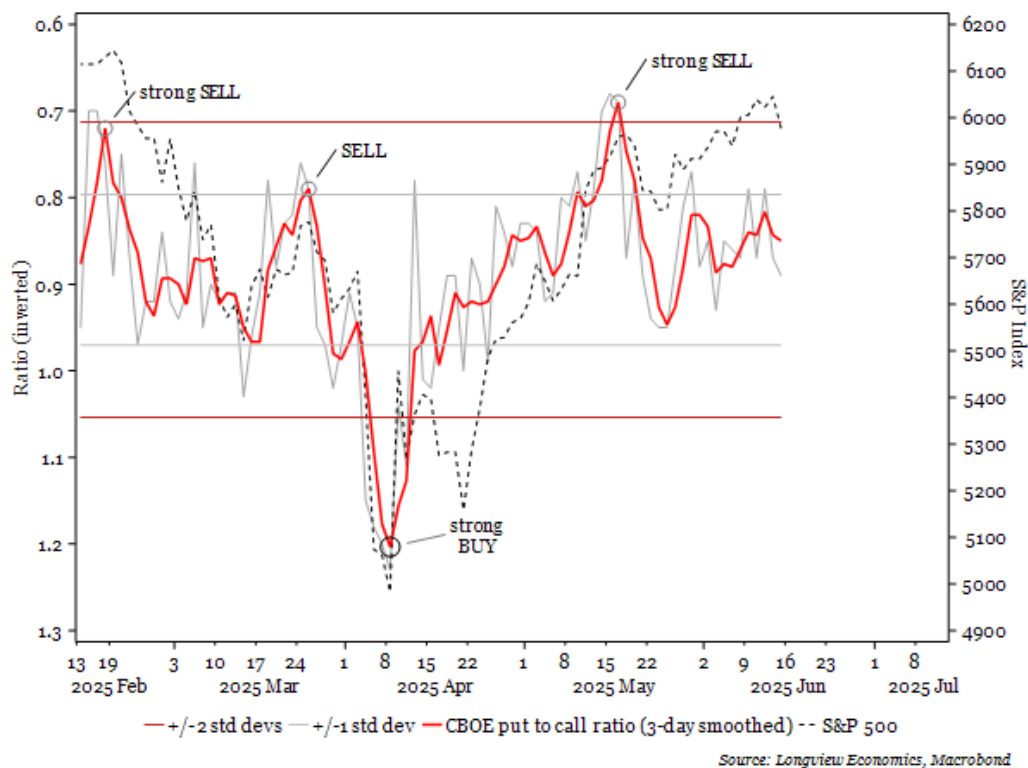
FIG 2f: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

Source: Longview Economics, Macrobond
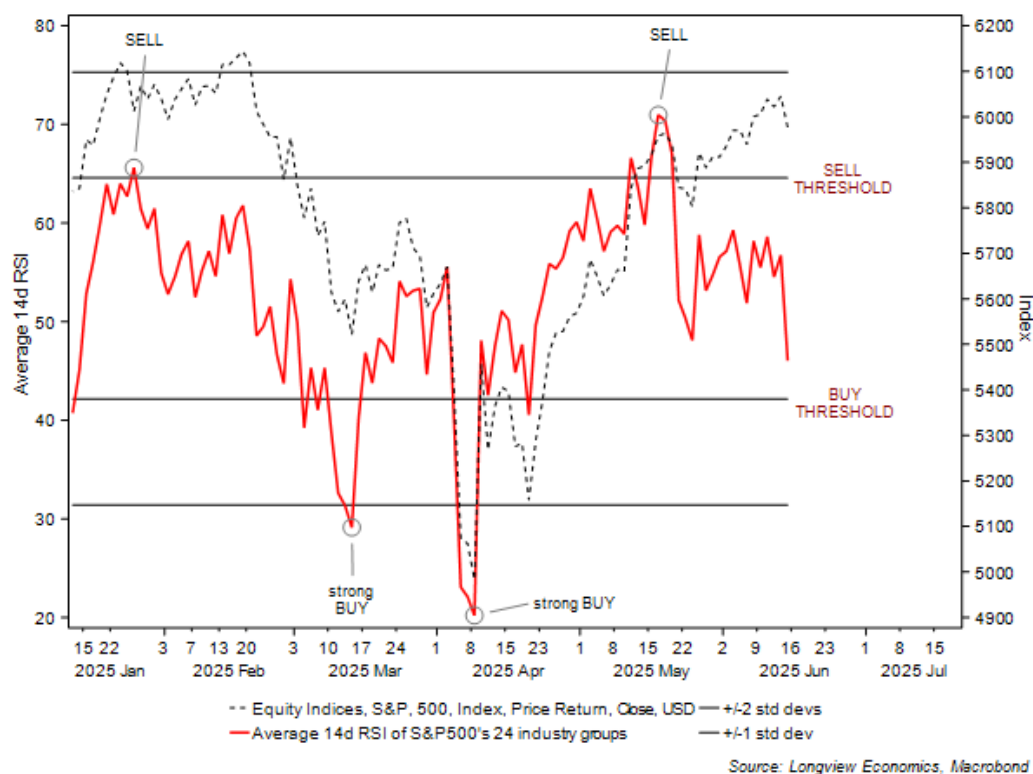
Key Longview Scoring Systems (chart below):

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
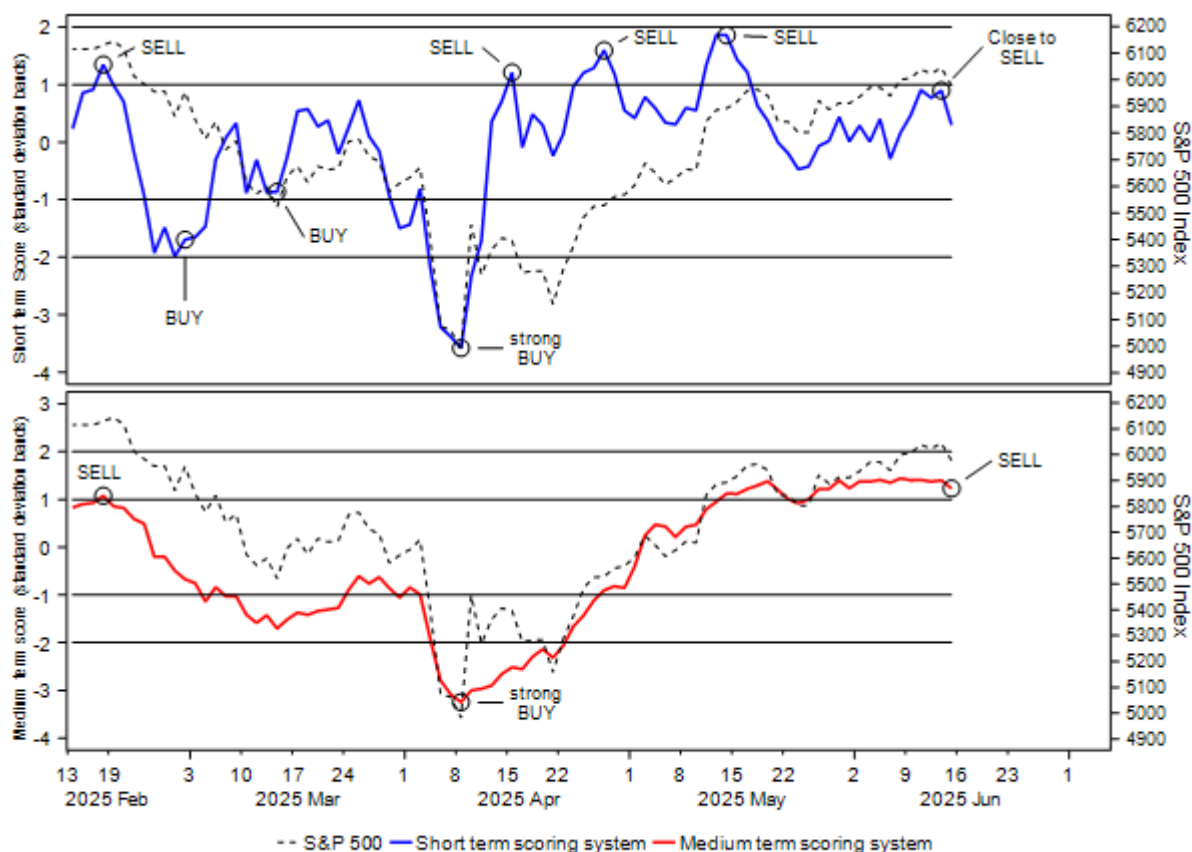
Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: UK Rightmove house prices (June, 12:01am); **Chinese activity** (industrial production, retail sales, fixed asset, property investment & unemployment rate – May, 3am); Italian headline & core CPI (May first estimate, 9am); US Empire manufacturing (June, 1:30pm).

Key events today include: Speeches by the ECB's Nagel in Frankfurt (8am) & Cipollone in Milan (11:30am).

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 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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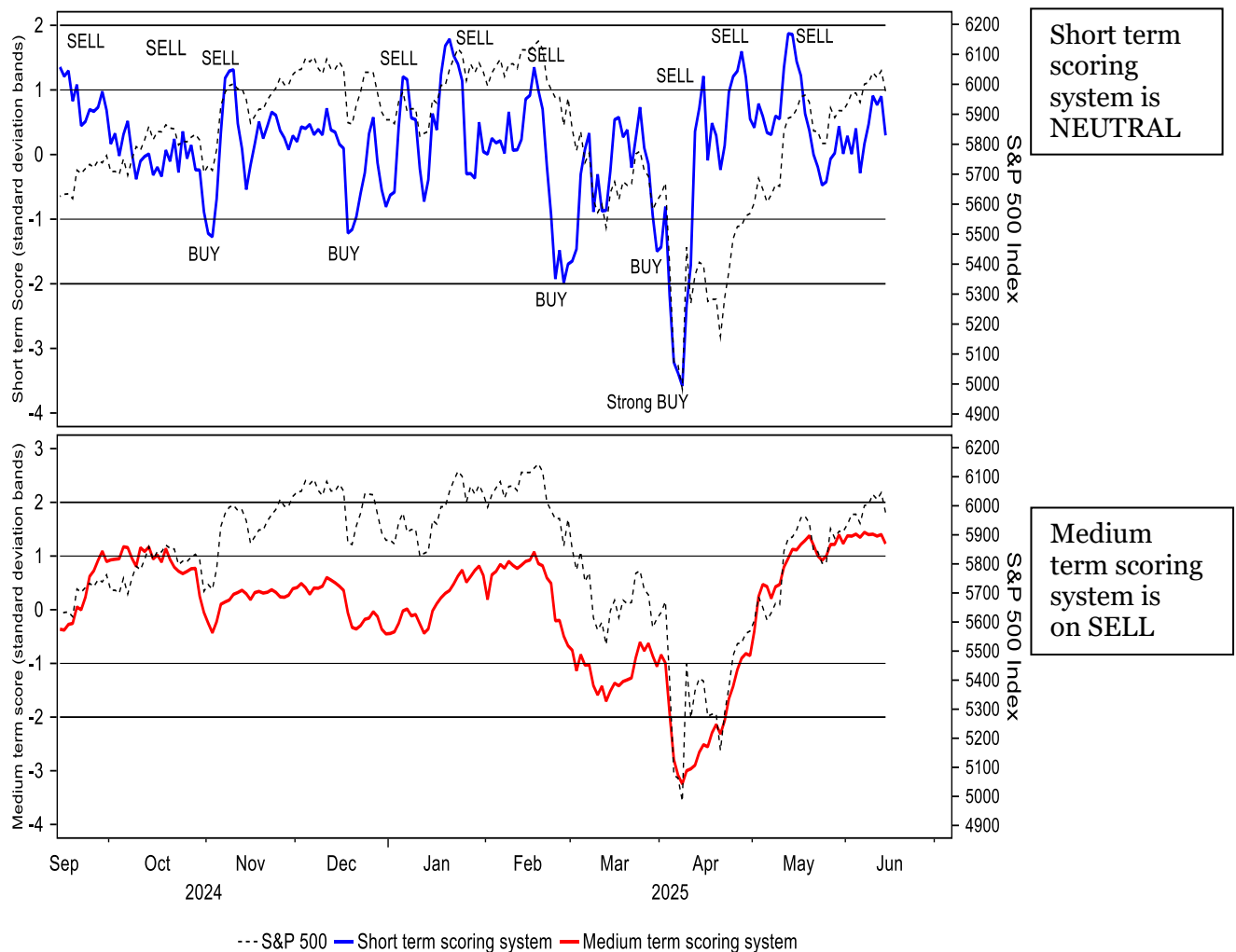
1 – 2 Week View on Risk   16th June 2025

Longview Economics
Email: research@longvieweconomics.com

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

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

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
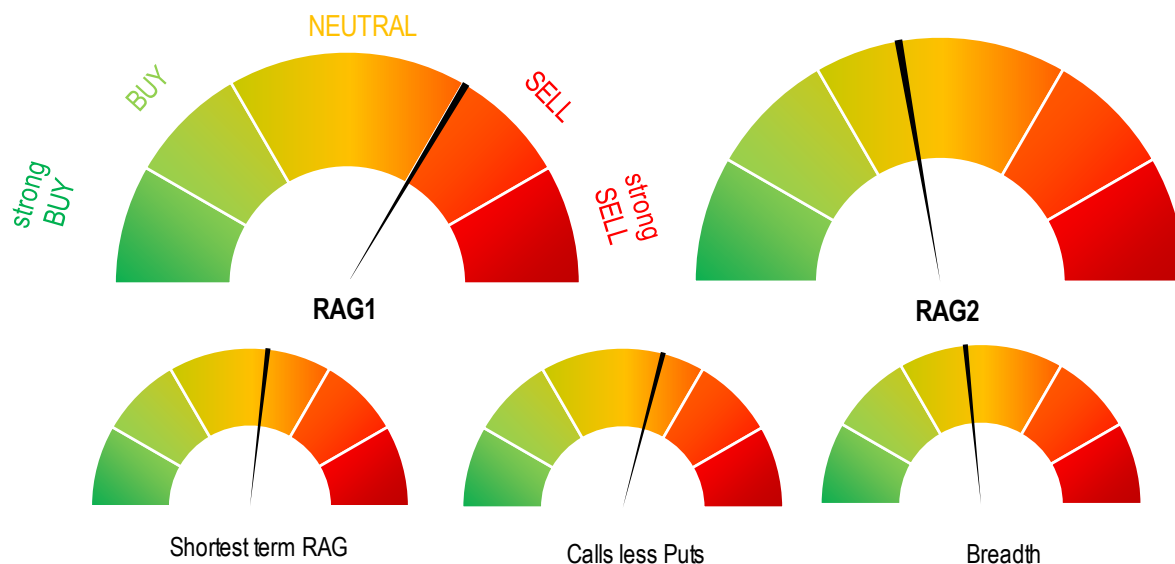
Source: Longview Economics

Fig 1b: Medium term models – shown as gauges using standard deviation bands
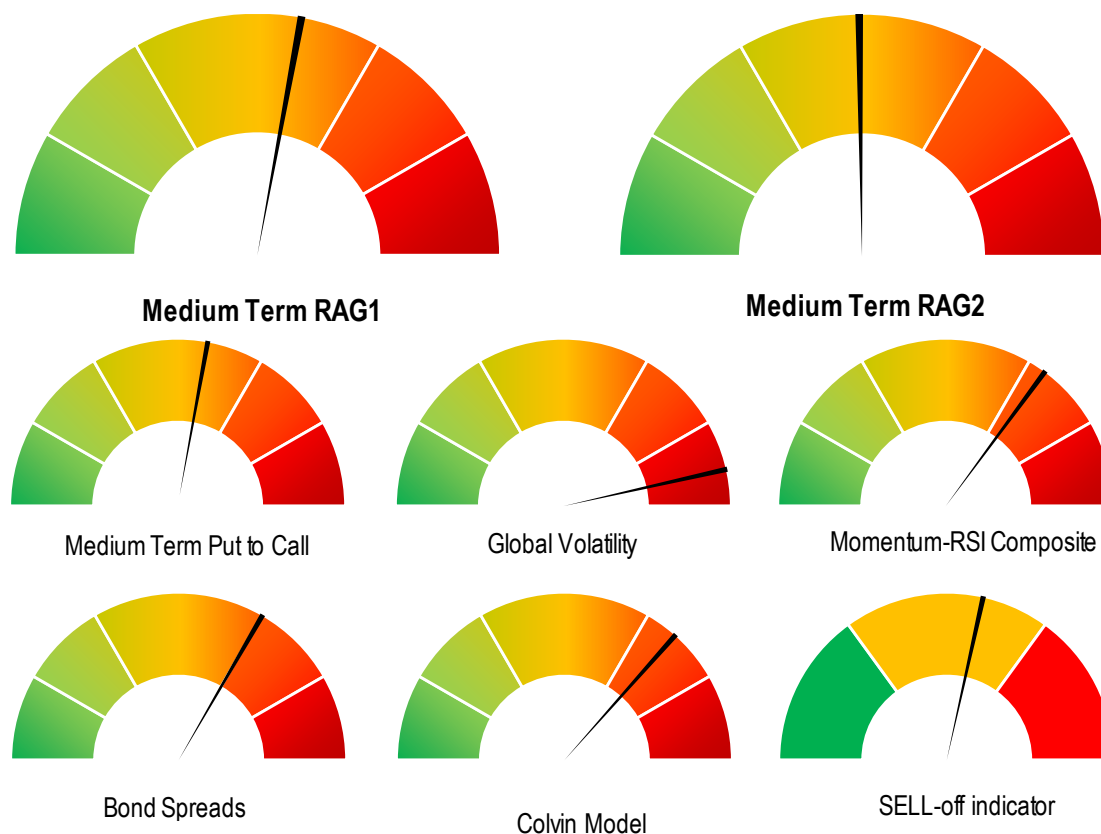
Source: Longview Economics
**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

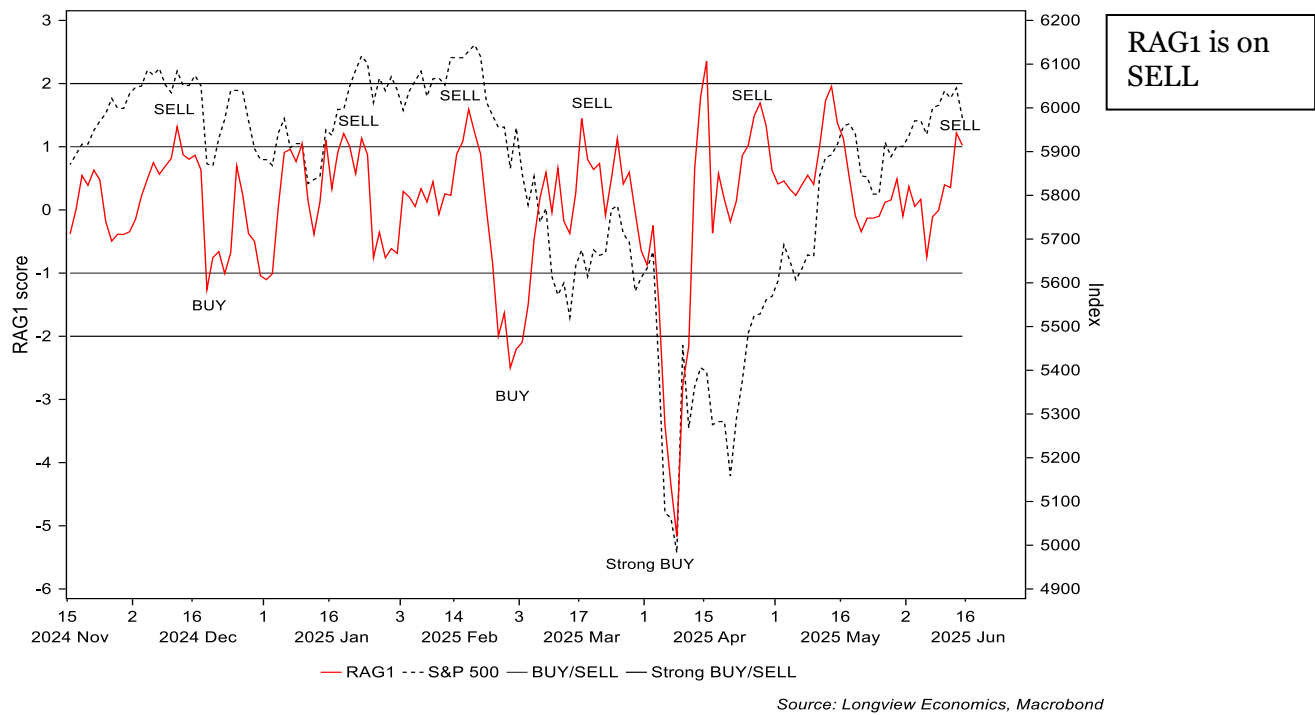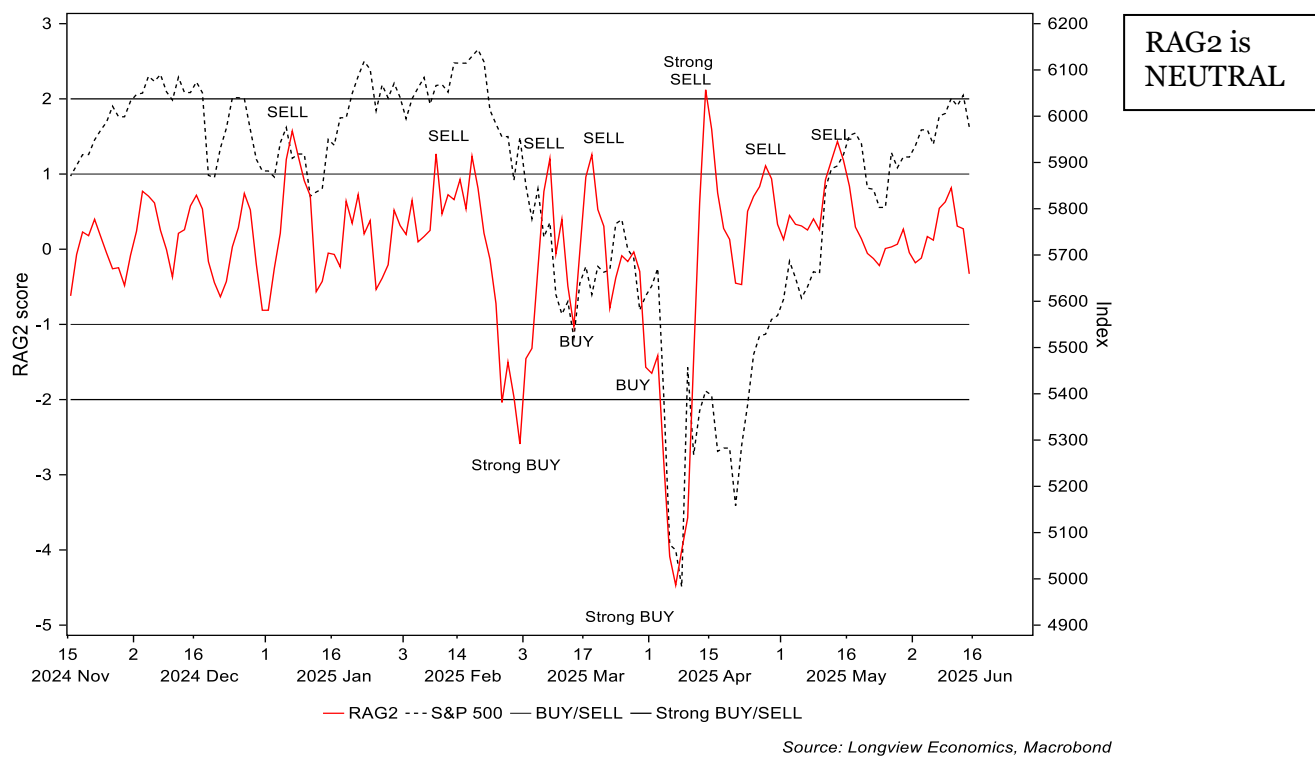## Section 2: Short term (1 – 2 week) trading models

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

RAG1 is on SELL

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
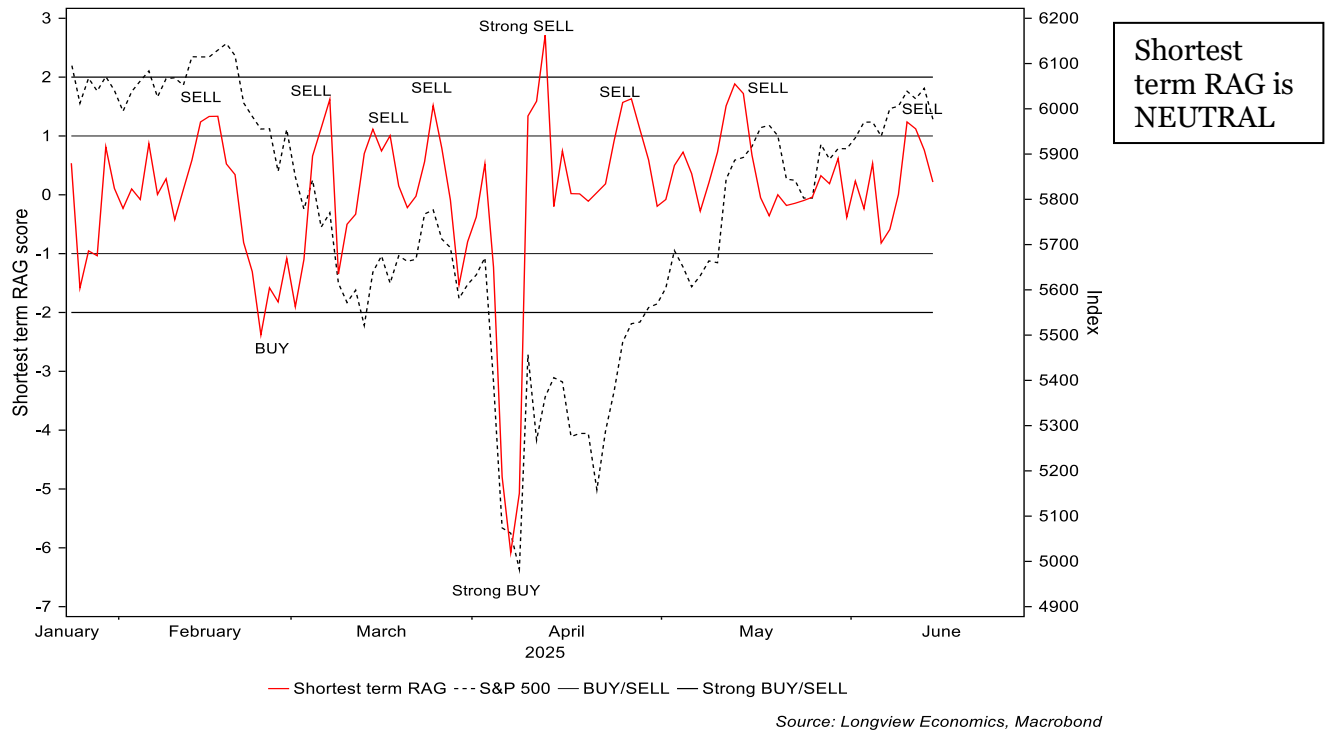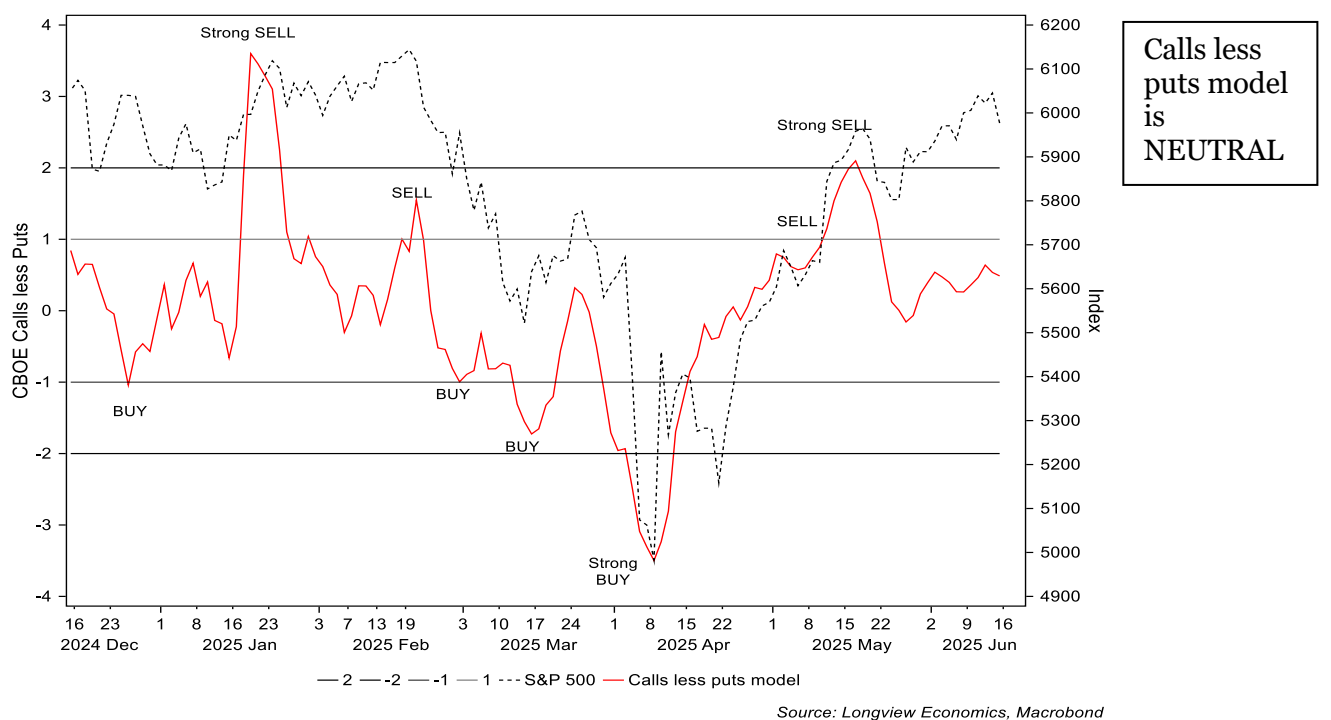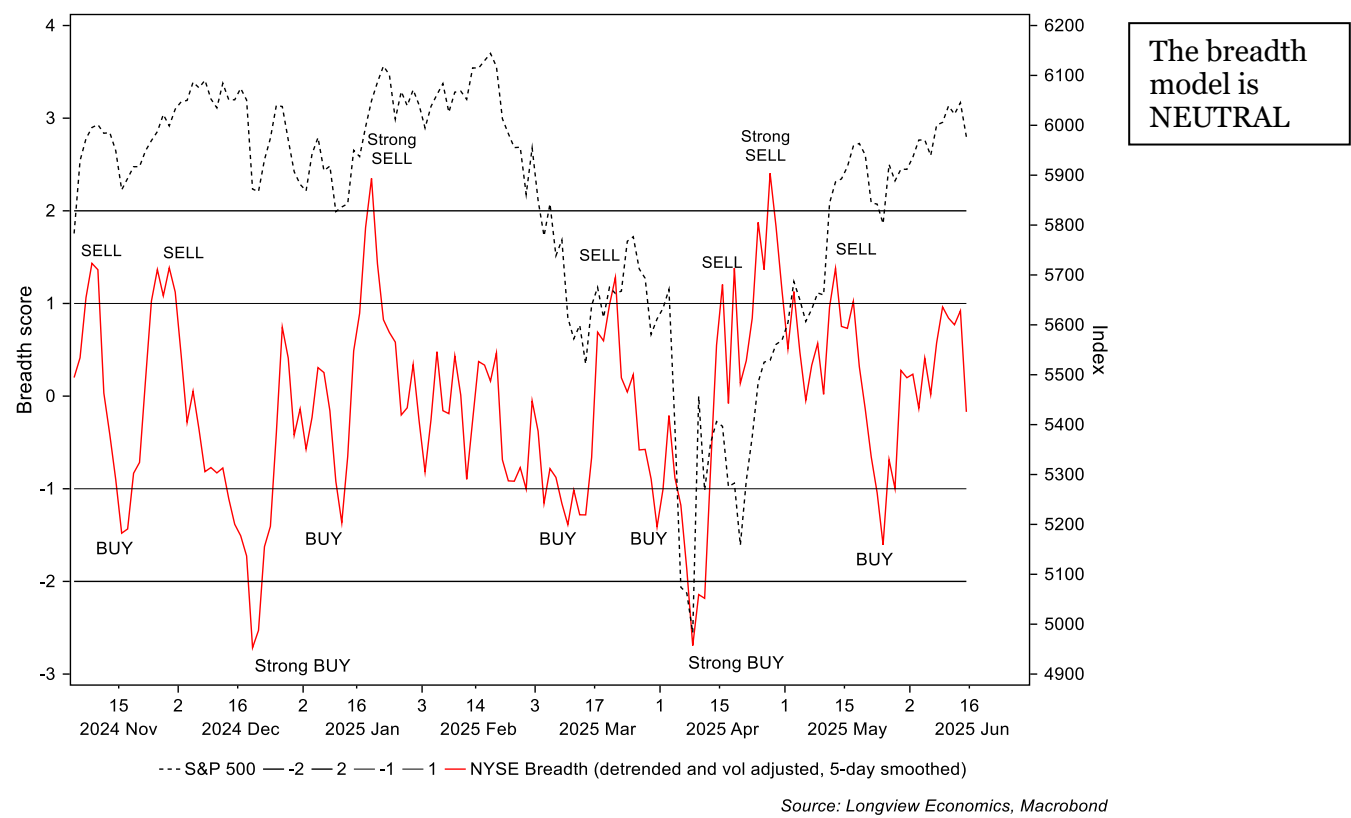
Source: Longview Economics, Macrobond

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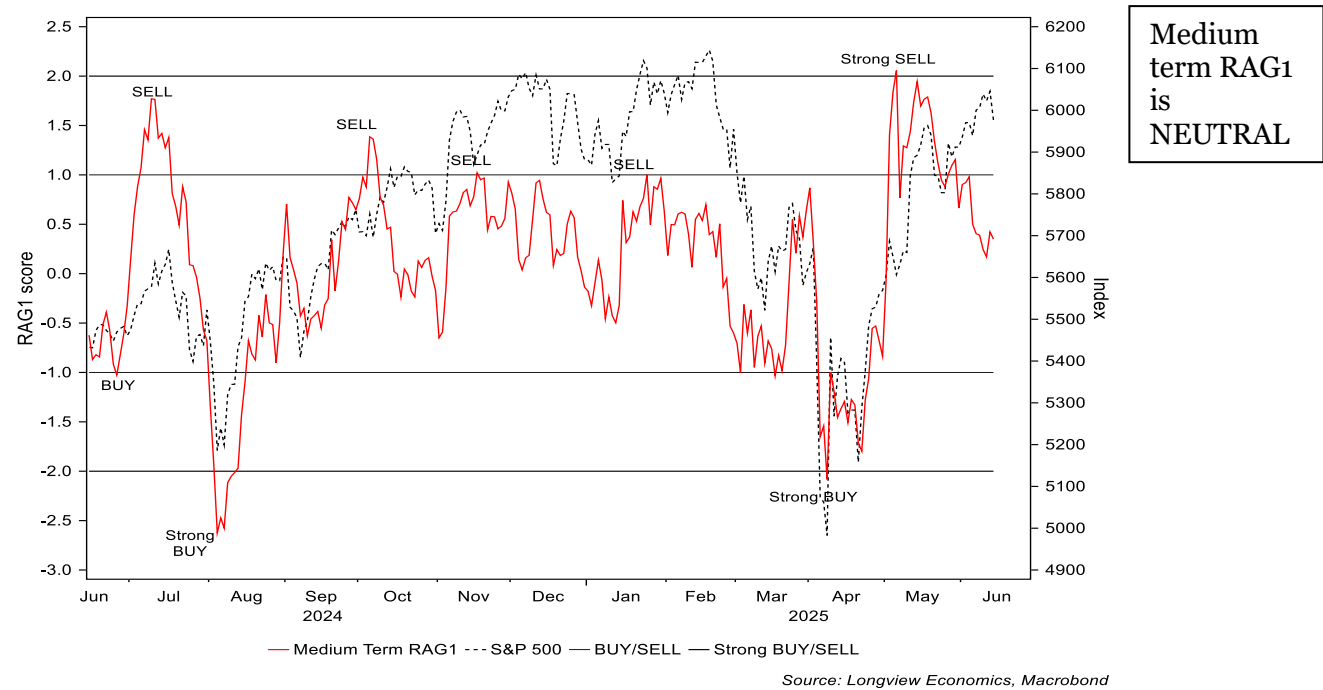
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

Medium term RAG2 is NEUTRAL

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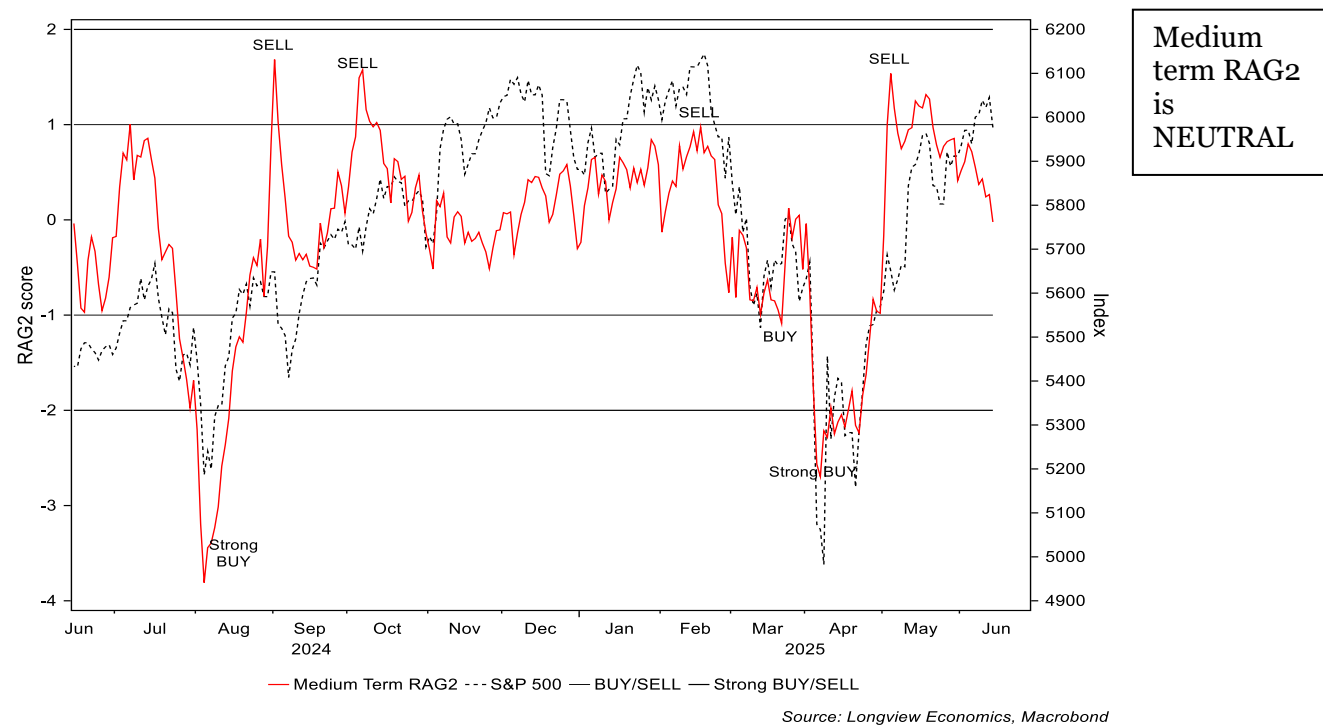
For explanations of indicators please see page 10

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

Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL
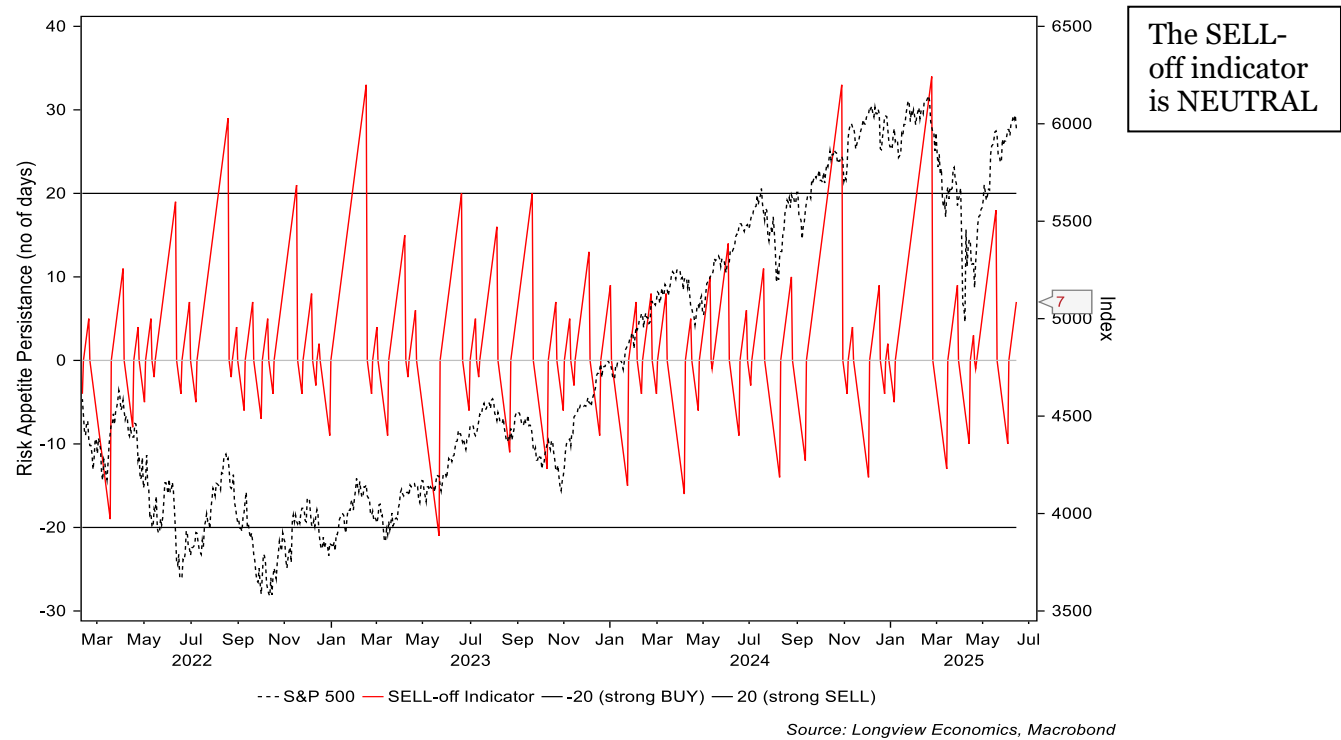
Fig 3d: CBOE put to call trend deviation model vs. S&P500

Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL
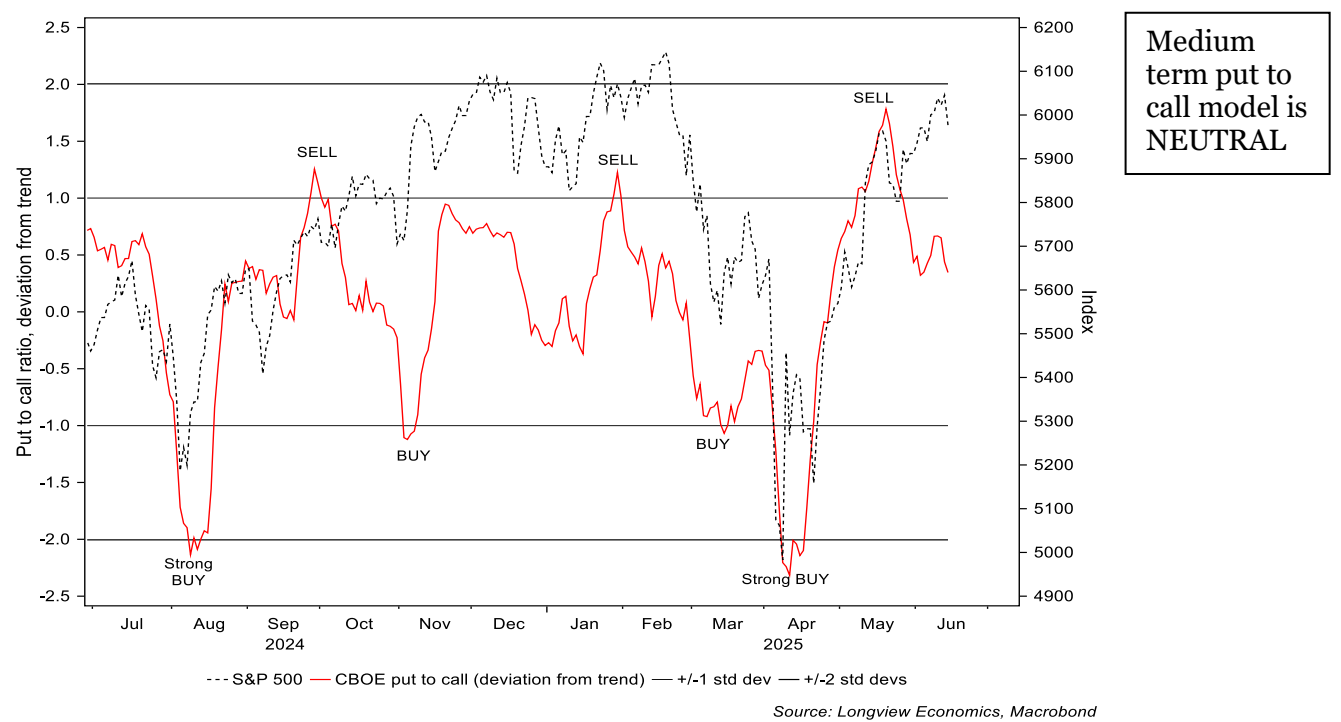
For explanations of indicators please see page 10

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

Global volatility indicator is on Strong SELL

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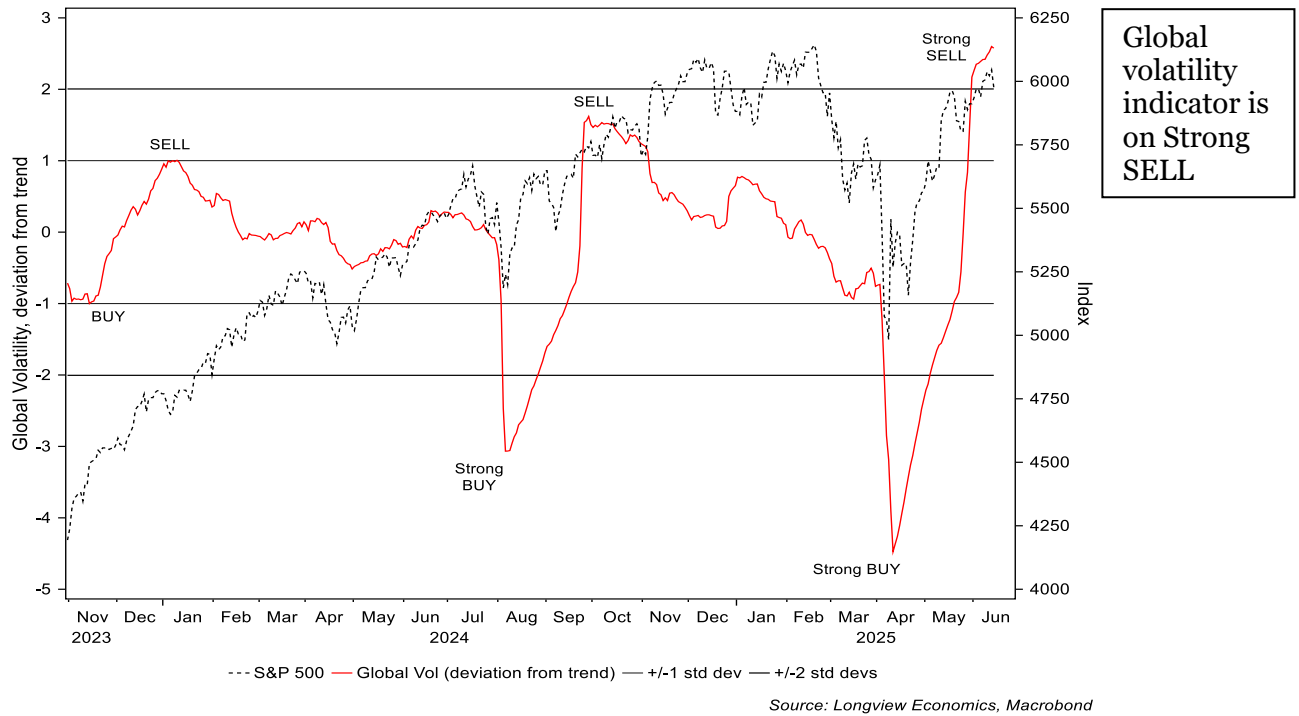
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500
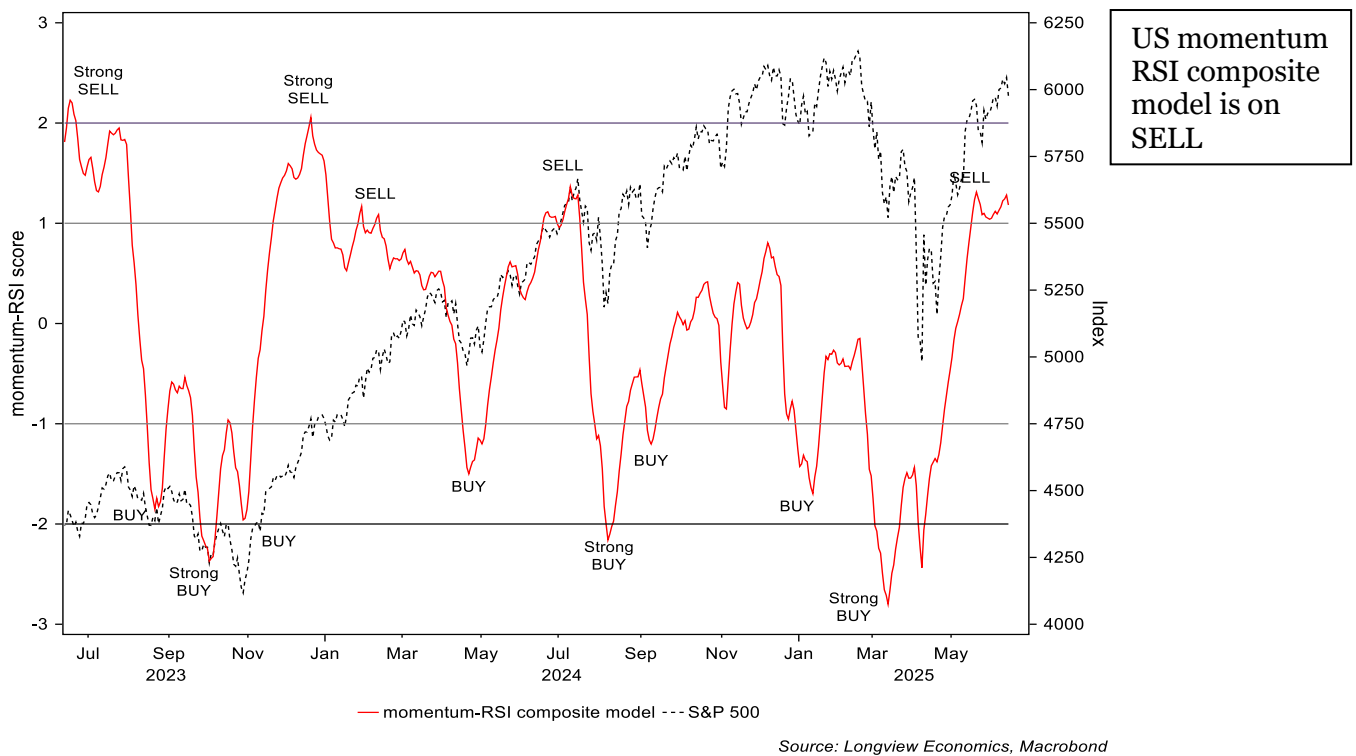
US momentum RSI composite model is on SELL

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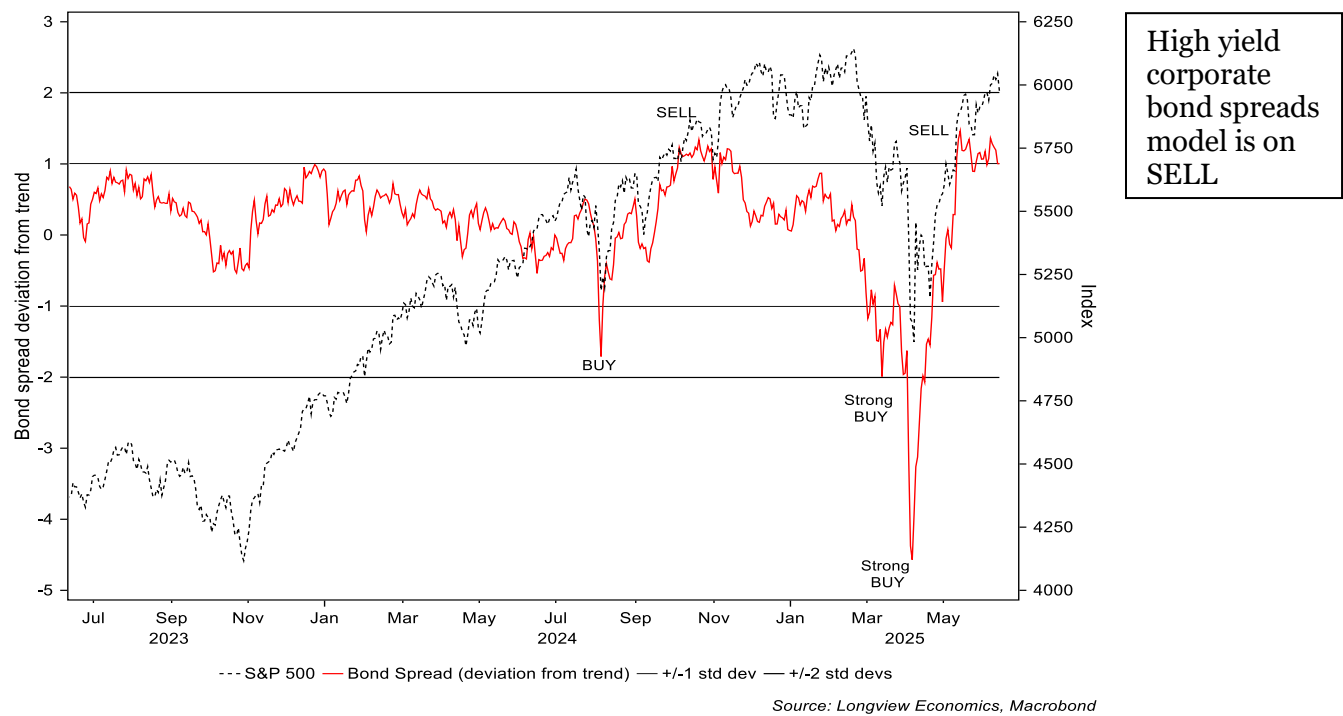
Fig 3h: Colvin model (deviation from trend) vs. S&P500

Colvin model – is on SELL

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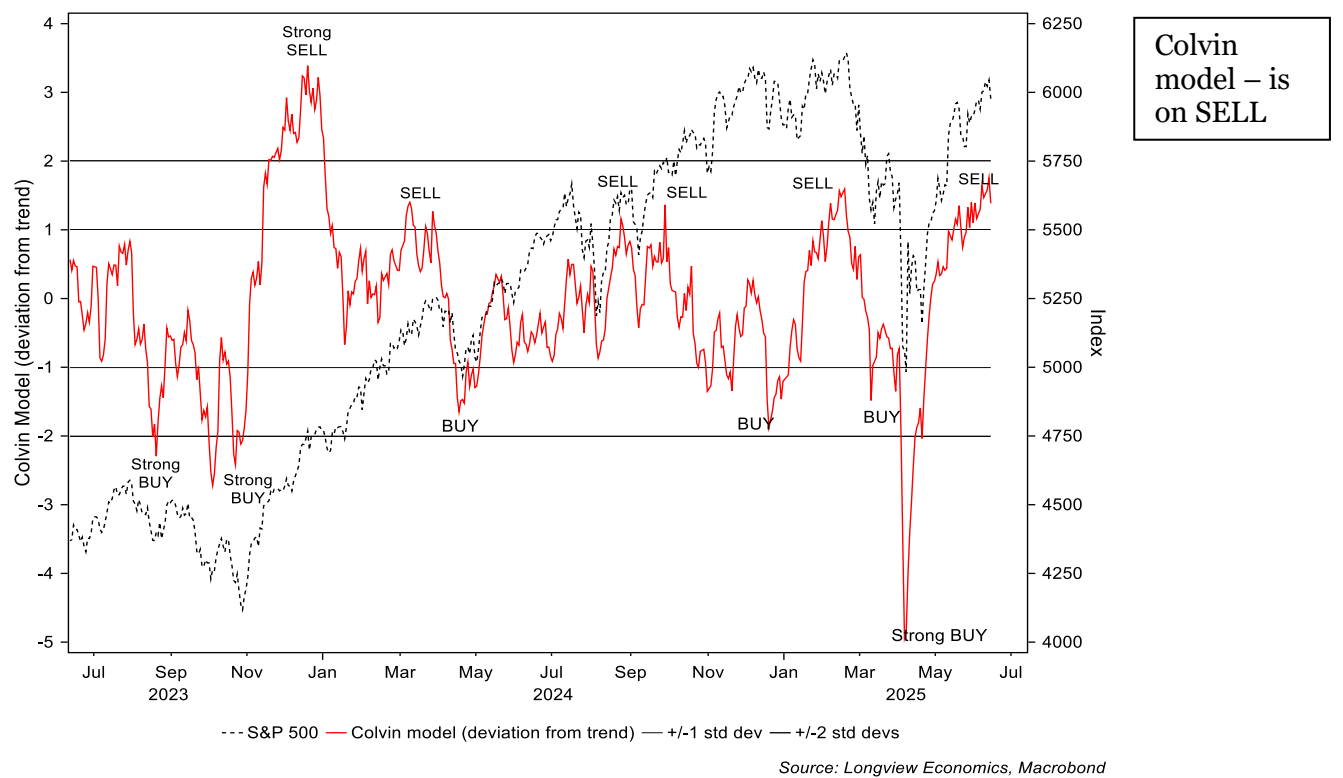
For explanations of indicators please see page 10

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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