LVRAG
Daily Risk Appetite Gauge

Equity Index Futures Trading Recommendations

17th June 2025

"Move (Opportunistically) LONG SPX on Weakness"

Email: info@longvieweconomics.com

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

- Move ½ LONG S&P500 June futures on weakness (if forthcoming, at 6,010);
- Place stop loss 2% below entry (at 5,890).

Rationale

Tensions in the Middle East eased yesterday, with Iran pushing for a ceasefire in return for flexibility in its nuclear negotiations with the US (see HERE). Oil prices fell on that news, with Brent futures closing down 1.4% on the day (and about $6 below their intra-day highs from Friday and early Monday, see FIG 1).

Of note, **the oil market remains well supplied** (see latest Longview research); there have been no supply outages from this recent conflict; and, while supply disruption remains a key risk, market participants have largely hedged against the possibility of a further oil price spike (according to recent reports, e.g. see HERE). Plenty of **bullish news has therefore been priced in** while, from a price action perspective, oil remains below (and has failed at) the top of its downtrend channel (FIG 1b).

Equity markets therefore performed well yesterday. Of the 28 major US indices we track, 25 closed higher on the session, led by the NASDAQ Computer index (+1.7%) and the Philly SOX (+3.0%). The S&P500 (+0.9%) retraced most of its losses from last Friday (FIG 1d) and closed back above its 10 day moving average. The uptrend, therefore, remains intact on that measure (see FIG 1e). Other assets also performed well, with a further narrowing of high yield spreads yesterday – which is typically consistent with equity market strength (FIG 1c).

Our short term models are broadly unchanged from yesterday, with most still at mid-range (NEUTRAL) levels. That includes our risk appetite, technical, put to call, and momentum models (e.g. see FIGs 2 – 2f), albeit with some indicators leaning towards BUY (see FIGs 2g & 2h). The models, therefore, have a BUY bias – with **headroom before they reach SELL levels.** In that sense, they support the case for **further upside in equities** (i.e. an ongoing near term uptrend).

Given that models' setup, and signs that portfolios are protected against further oil price strength, the risk reward favours moving **opportunistically LONG** the S&P500 on weakness (if forthcoming).

Please see above for detailed recommendation.

Risks are multiple and include the possibility that tensions in the Middle East escalate and Iranian supplies are disrupted (and/or the Strait of Hormuz is closed). Hence we view this trade as opportunistic. Other key (two way) risks include tomorrow's Fed decision and press conference.

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: S&P500 June 2025 futures 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: US high yield corporate bond spreads (bps, NB scale INVERTED) vs. S&P500

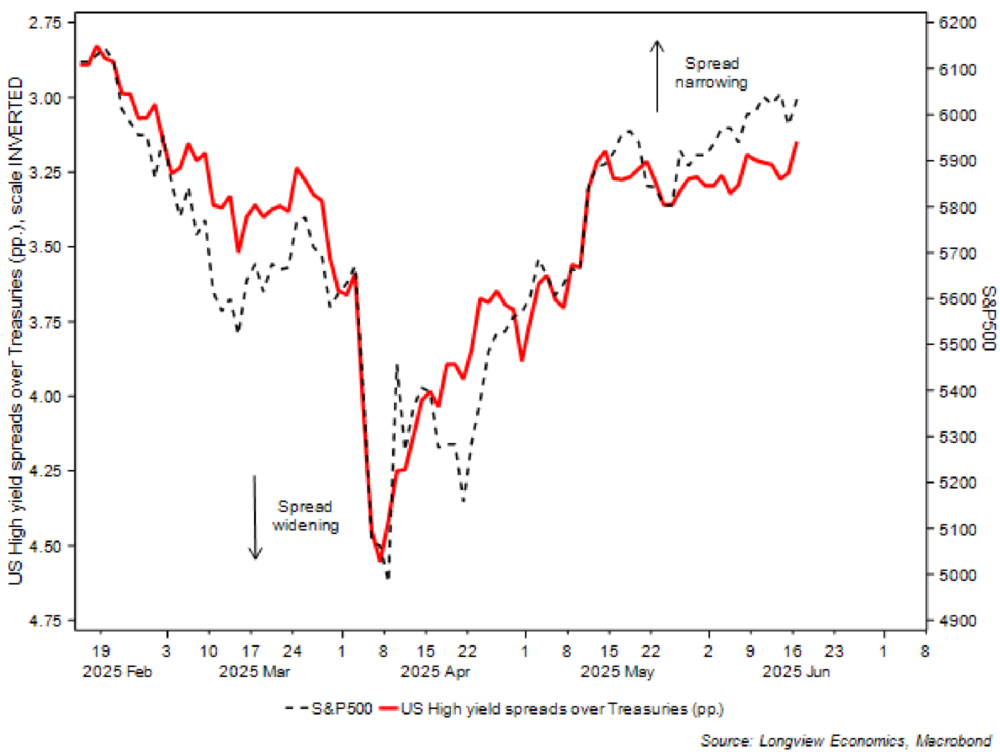


FIG 1d: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages

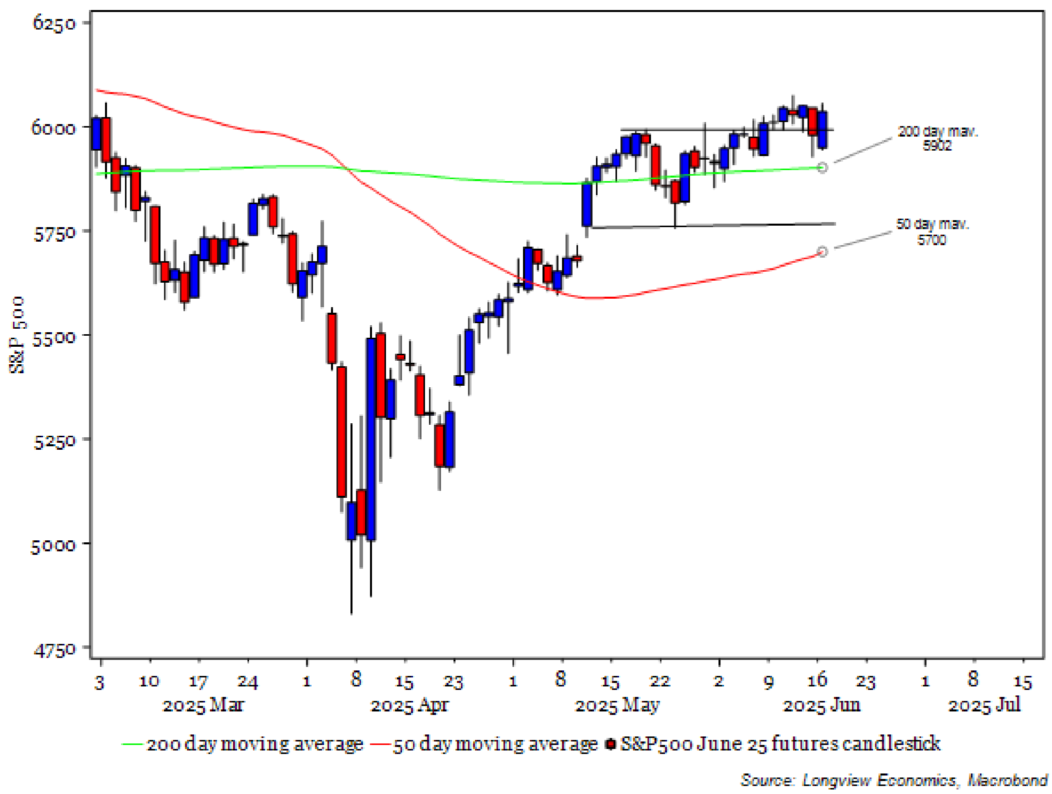
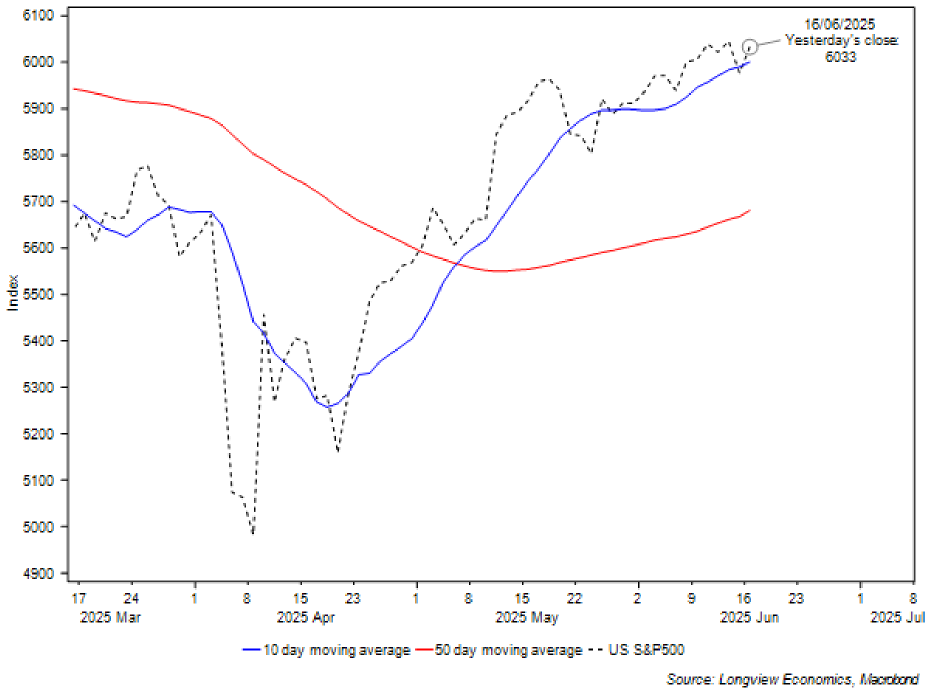


FIG 1e: S&P500 June 25 futures candlestick shown with its 10 & 50 day moving averages



Short term models are NEUTRAL…

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

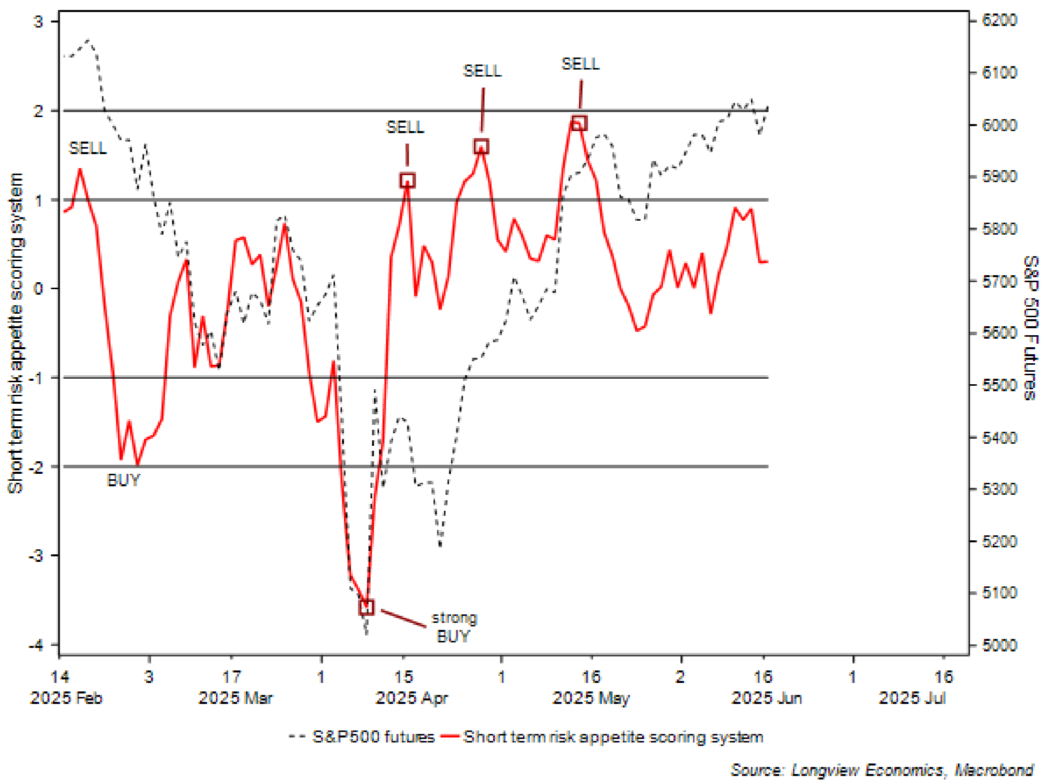
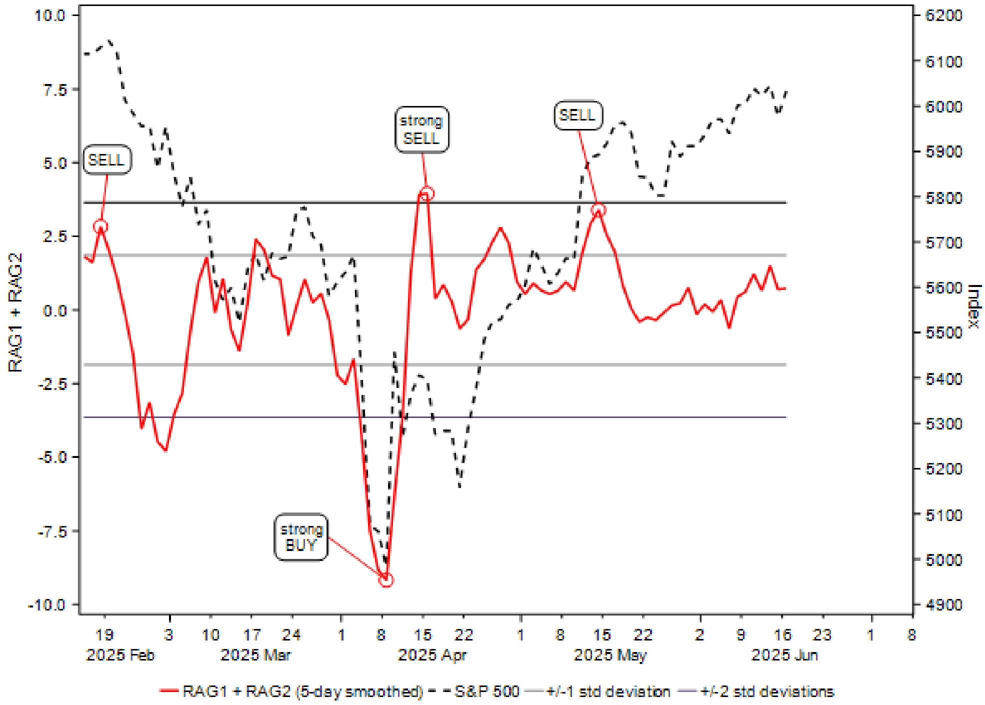
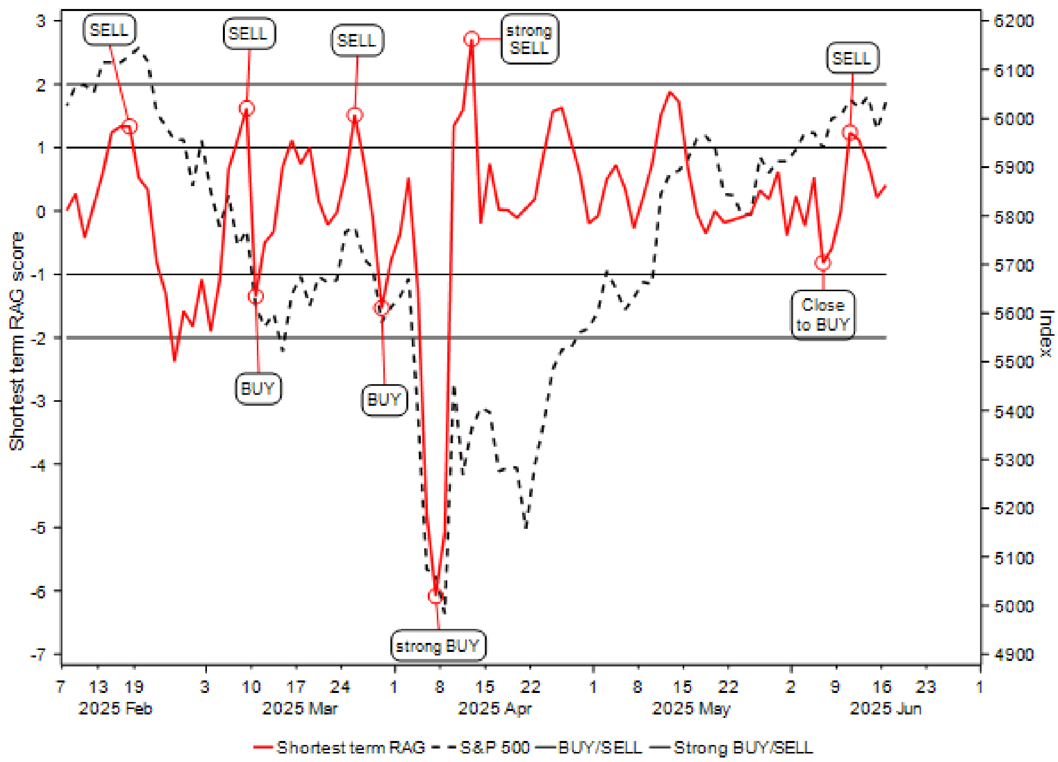


FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



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

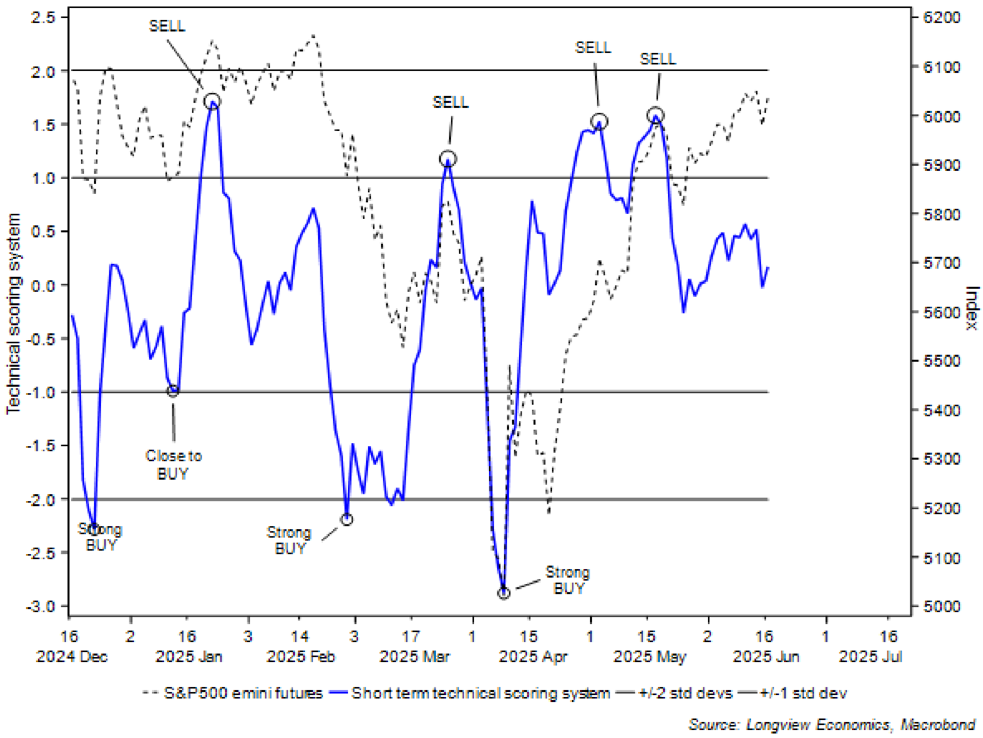


FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

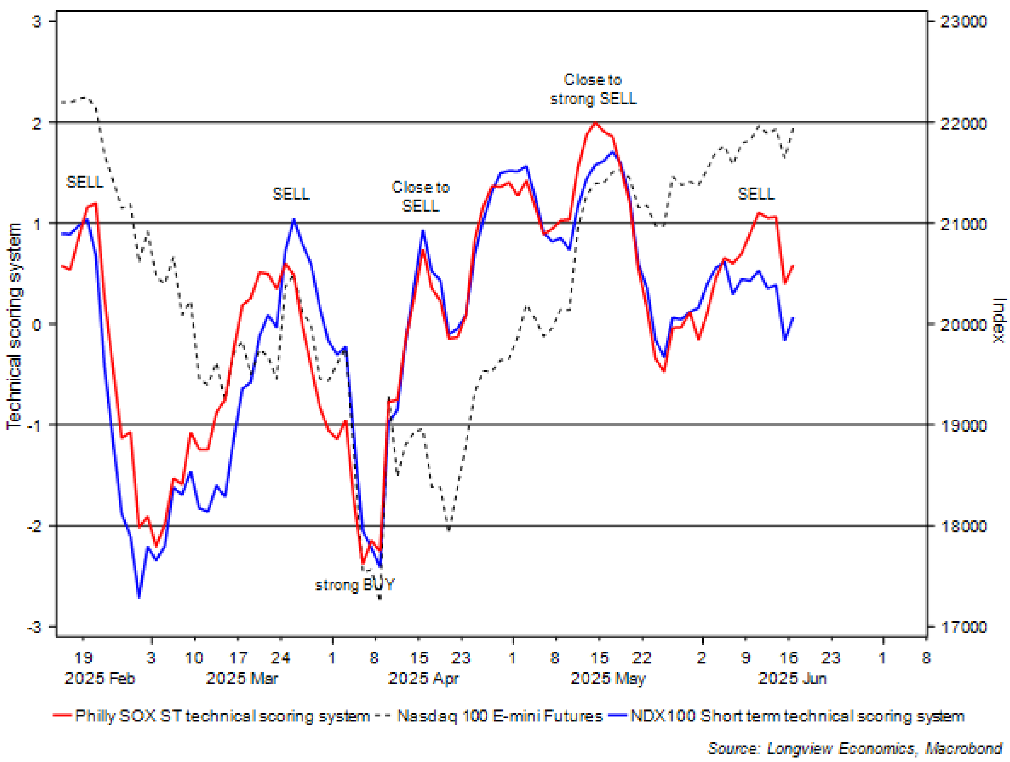


FIG 2e: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

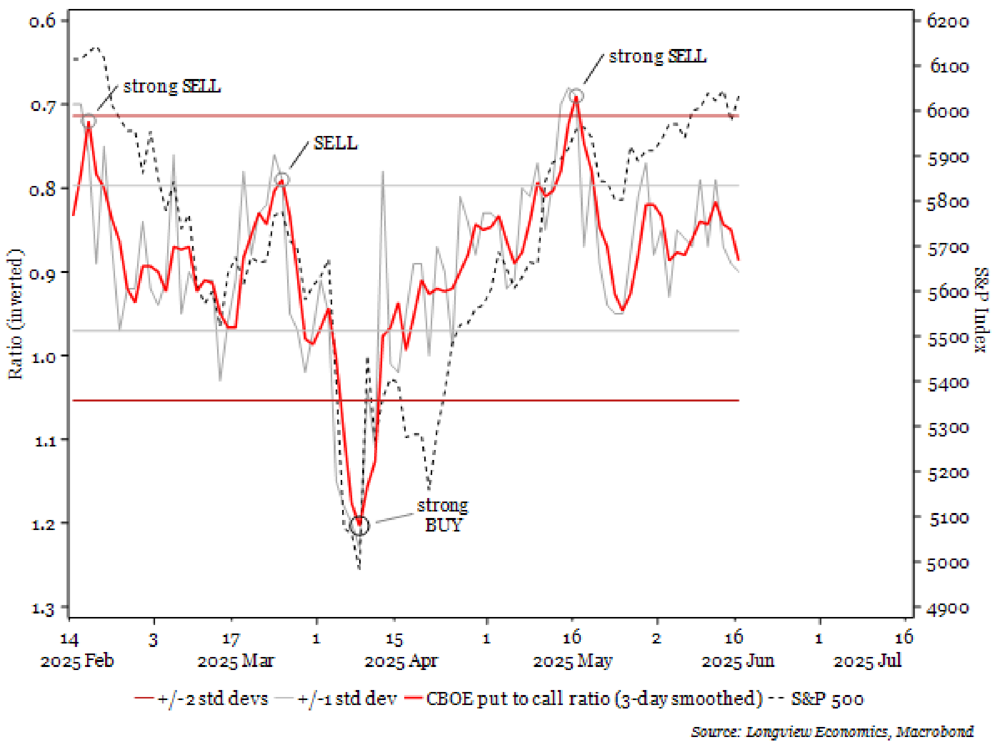


FIG 2f: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100

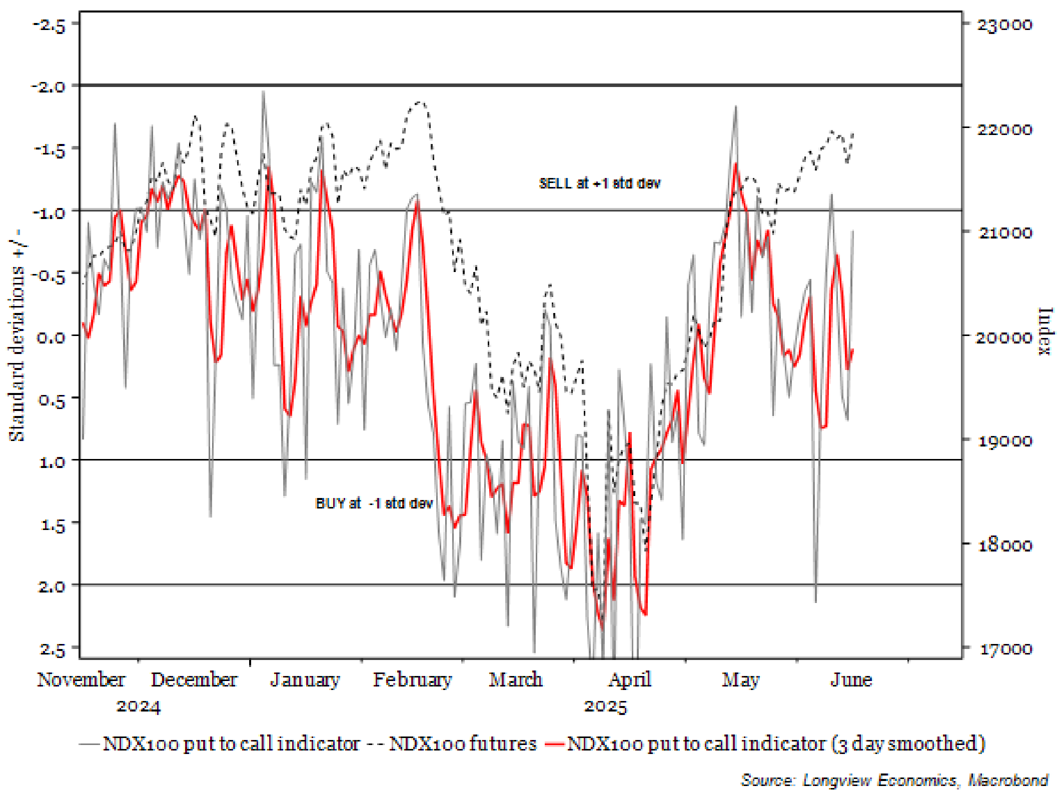


FIG 2g: Proportion of US stocks above their 10 day moving average vs. S&P500

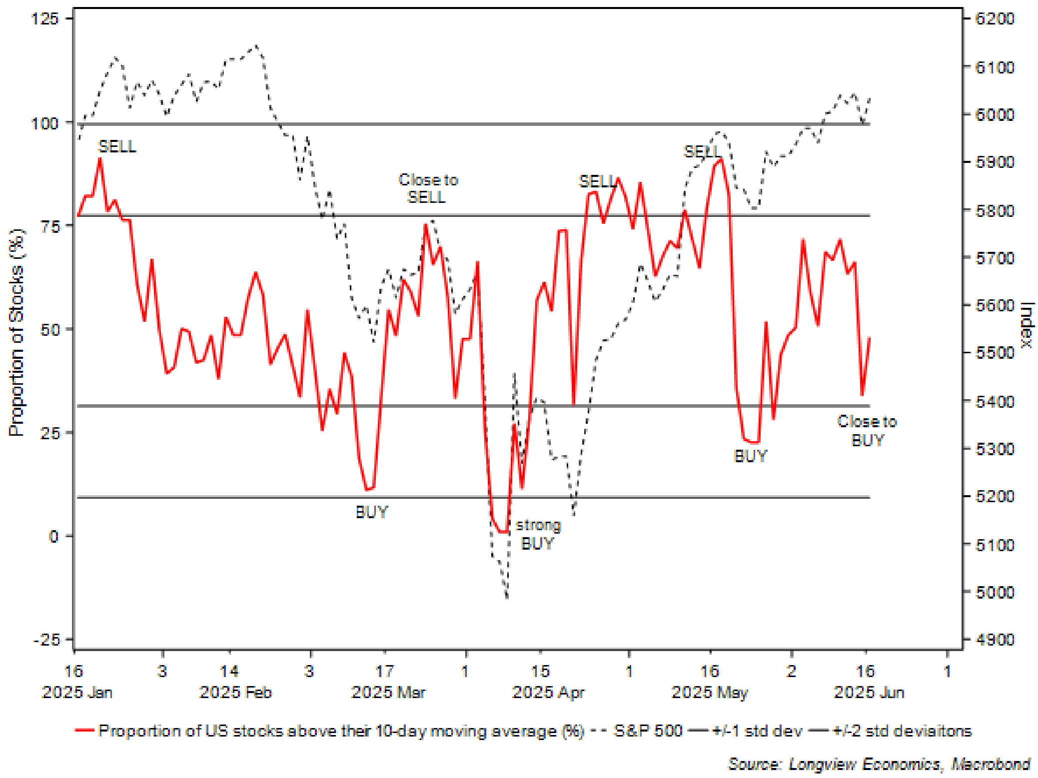
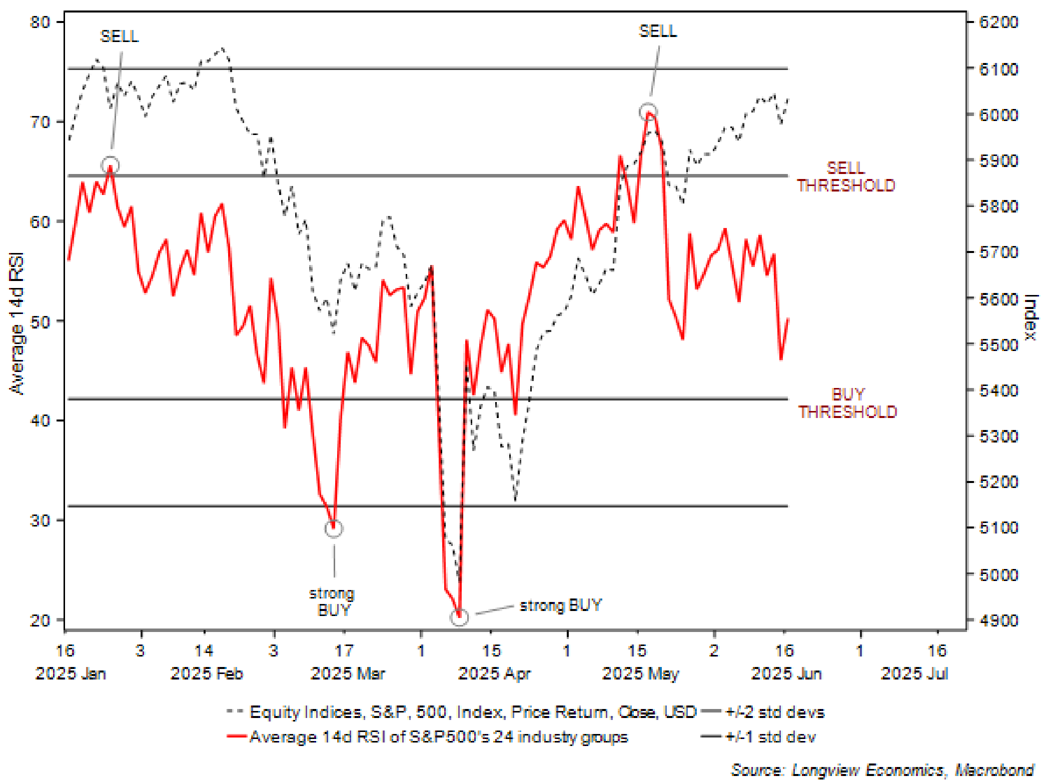


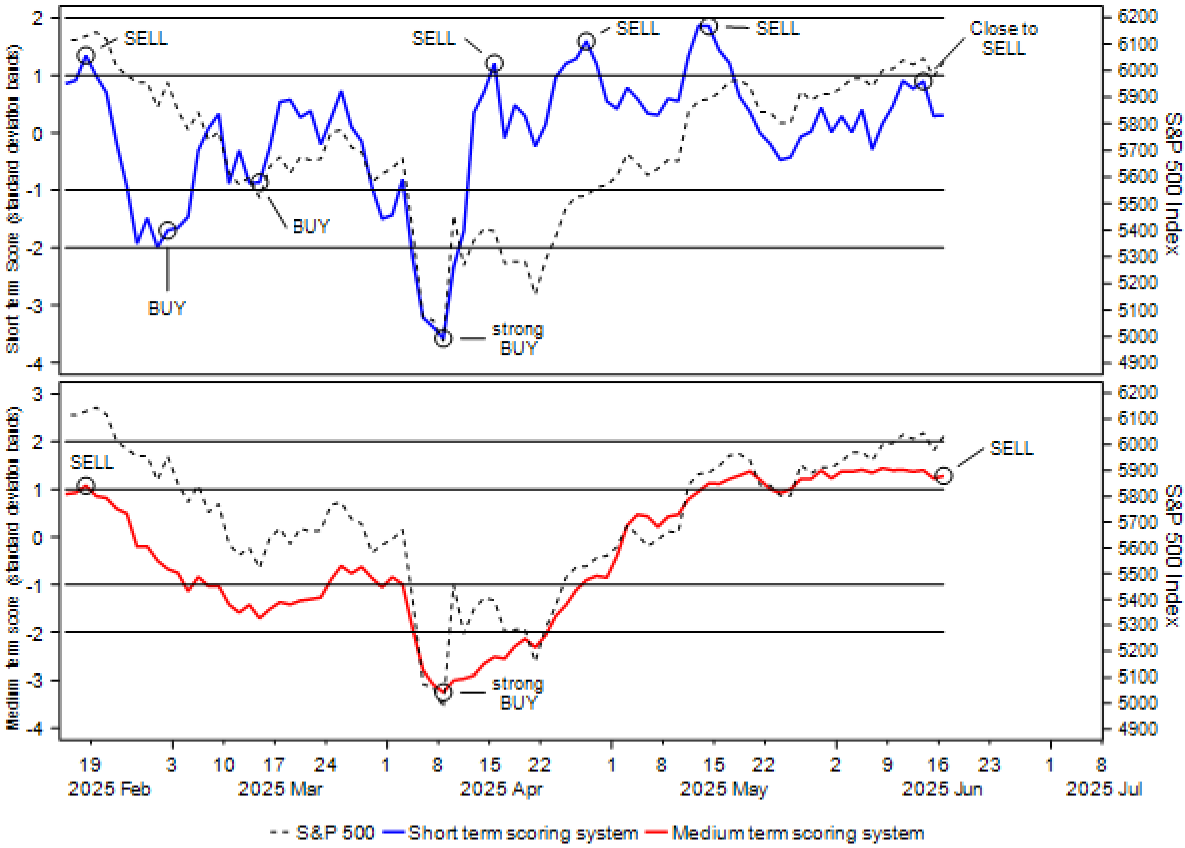
FIG 2h: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **NEUTRAL**
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: **German & Eurozone ZEW survey – expectations & current situation** (June, 10am); **US retail sales** (May, 1:30pm); US imports and exports price index (May, 1:30pm); US New York Fed service sector business activity (June, 1:30pm); US industrial & manufacturing production & capacity utilisation (May, 2:15pm); **NAHB homebuilders index** (June, 3pm); US business inventories (Apr, 3pm).

Key events today include: **BOJ policy decision** (4:30am); BOJ governor Ueda press conference at the BOJ (7:30am); speeches by the ECB's Villeroy in London (4:05pm) & Centeno in Milan (4:45pm).

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.

LVRAG

Daily Risk Appetite Gauge

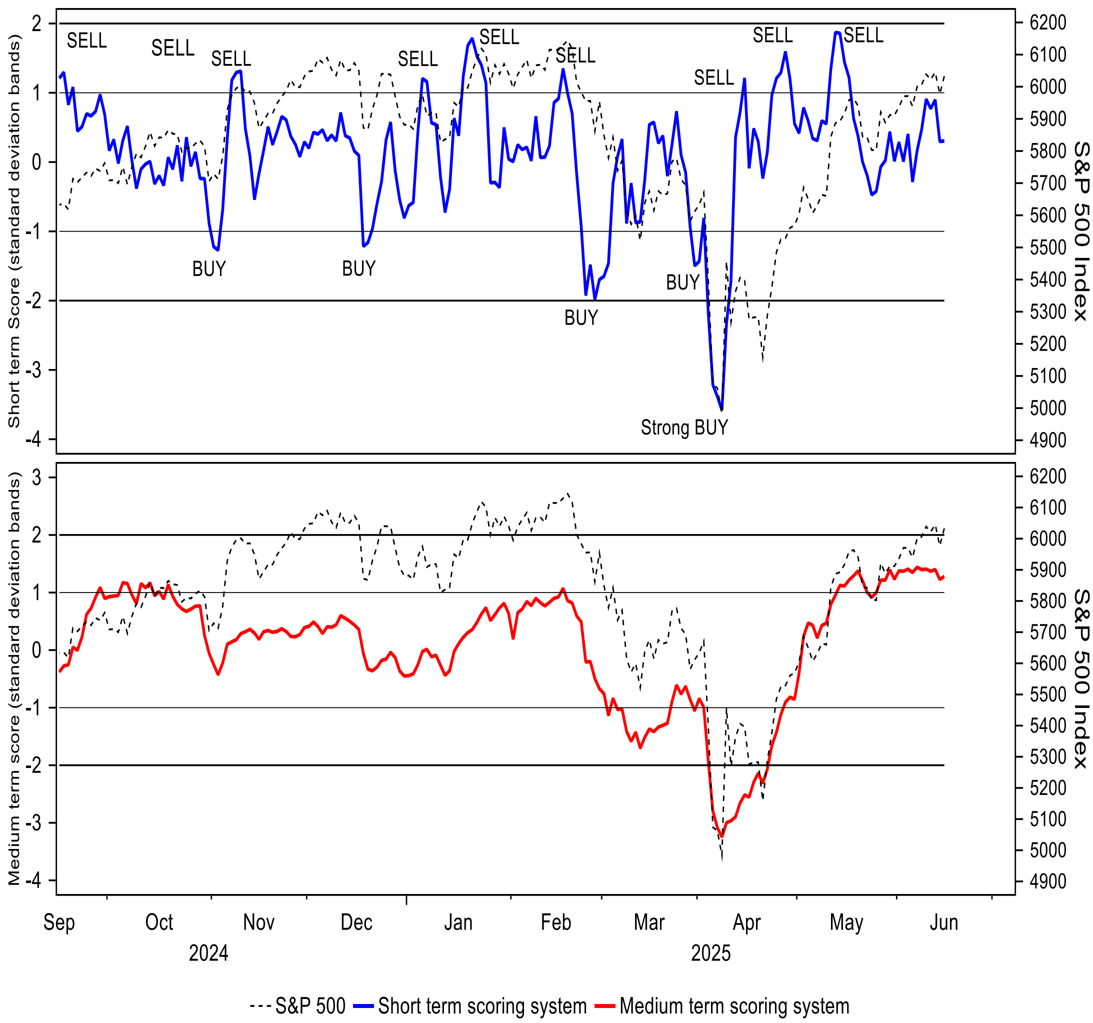
1 – 2 Week View on Risk

17th 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

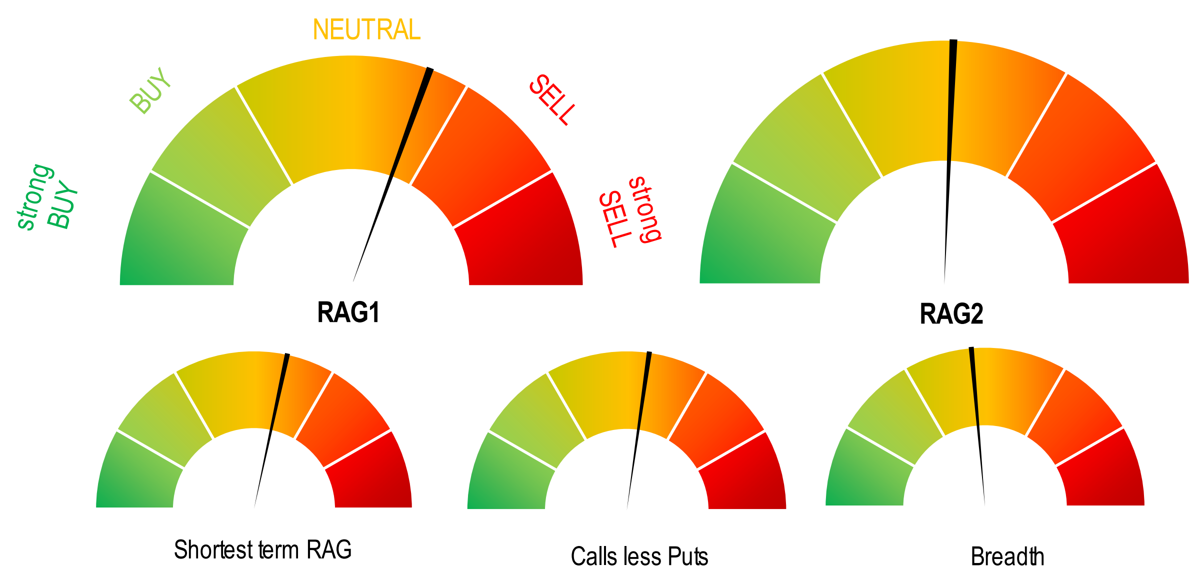
Source: Longview Economics, Macrobond

*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

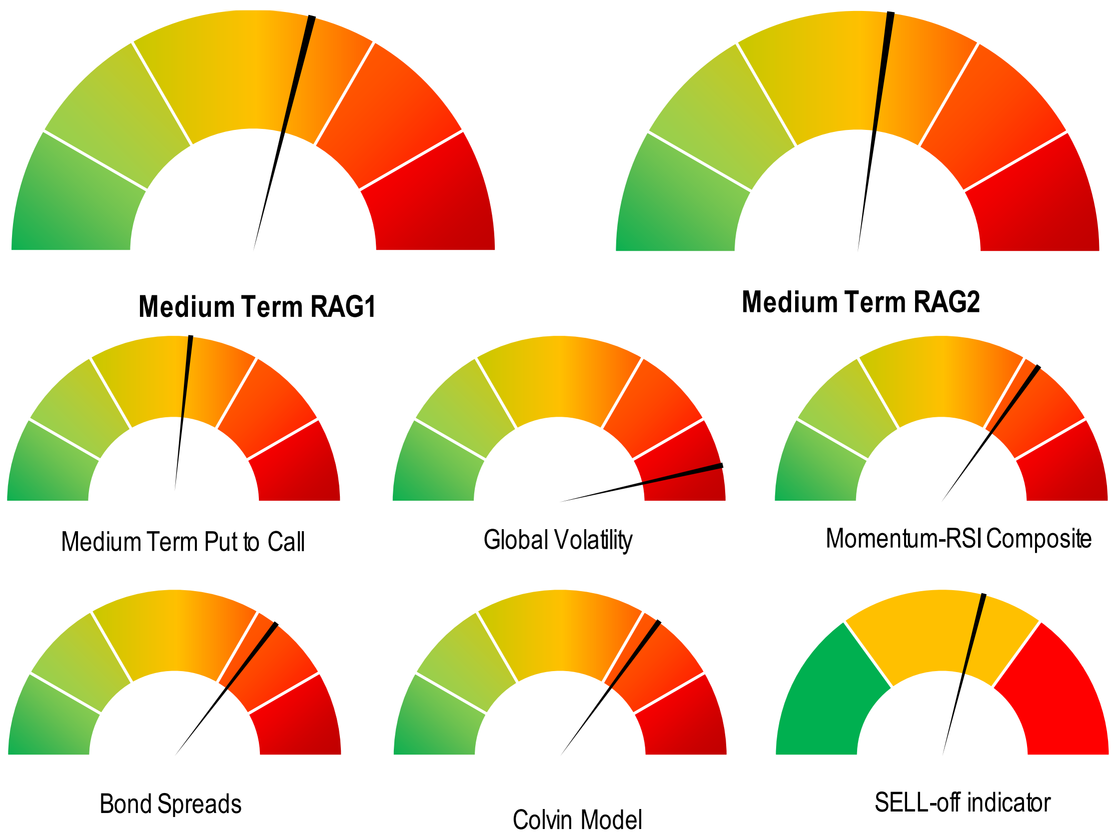
Section 1a: Summary of indicator signals**

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

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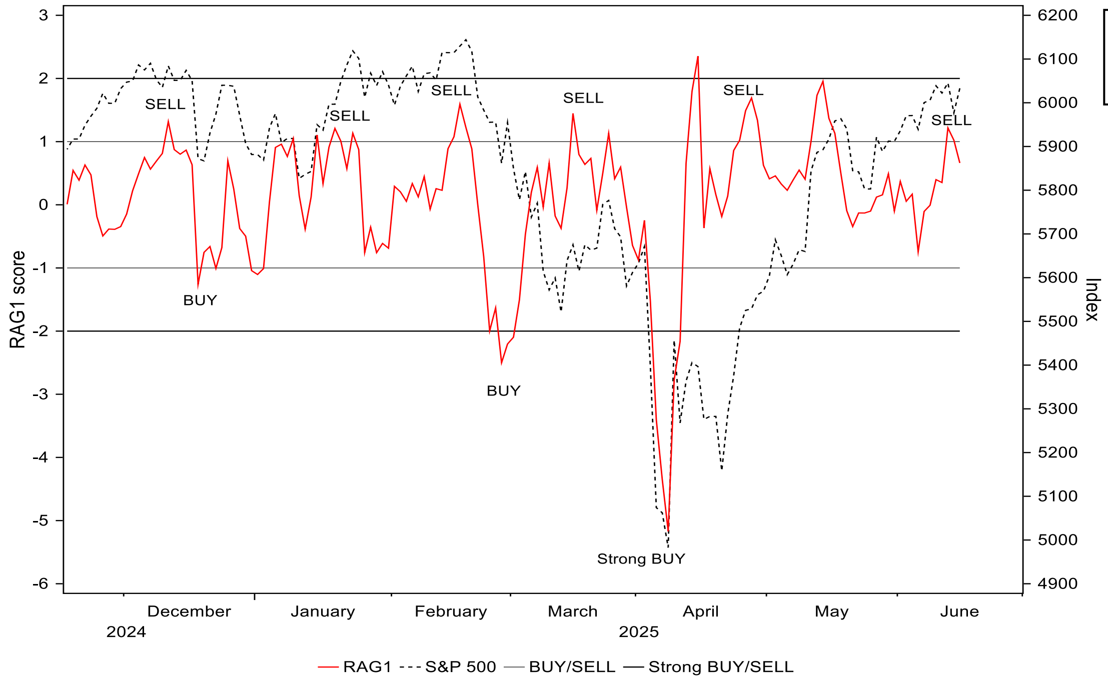
Section 2: Short term (1 – 2 week) trading models

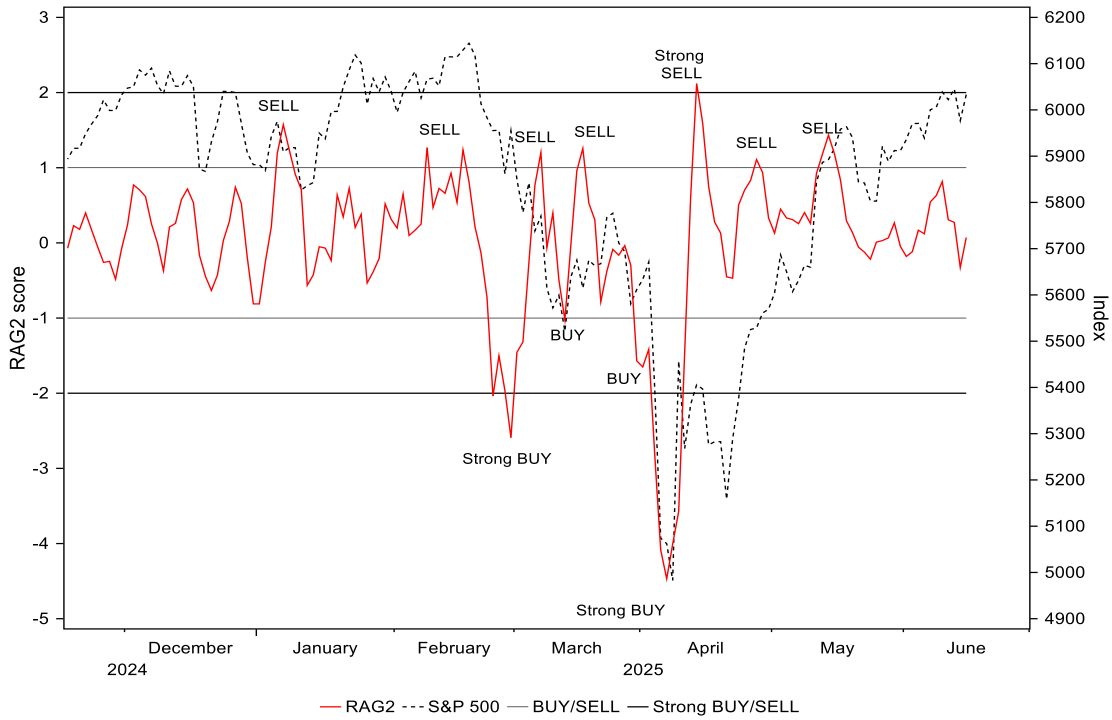
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

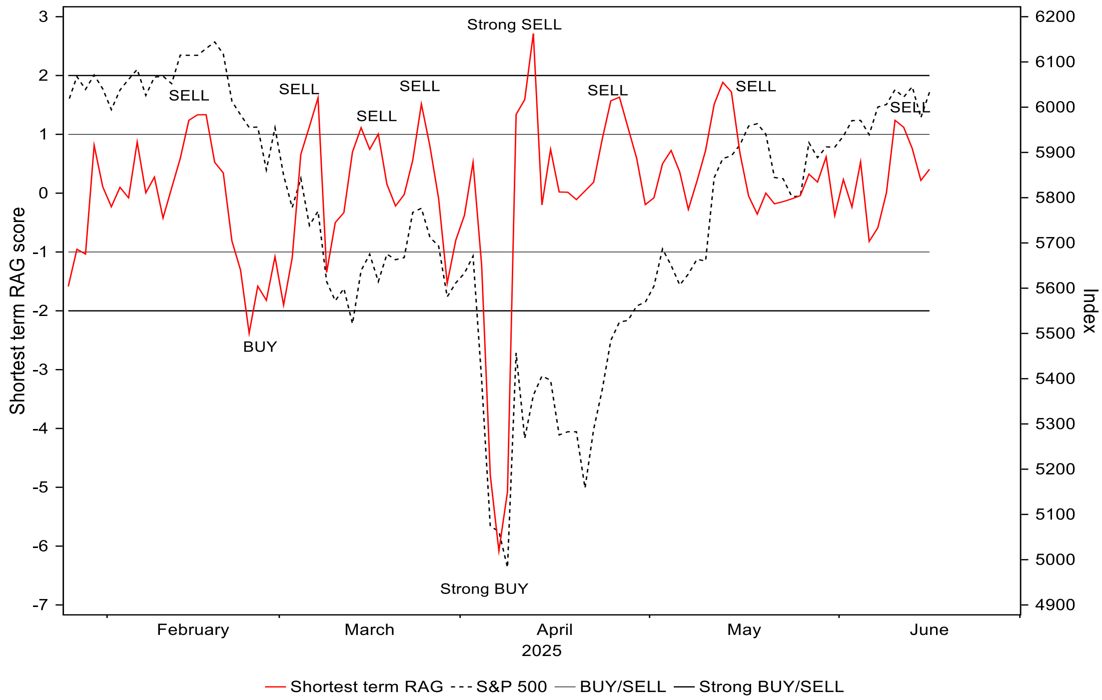


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

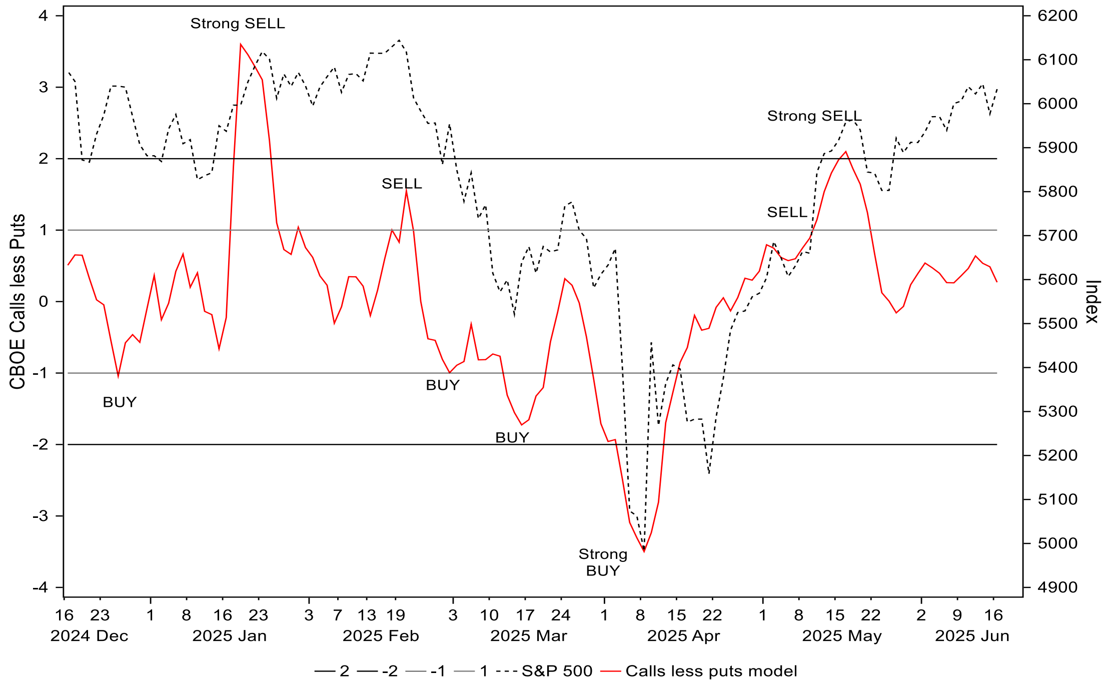
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

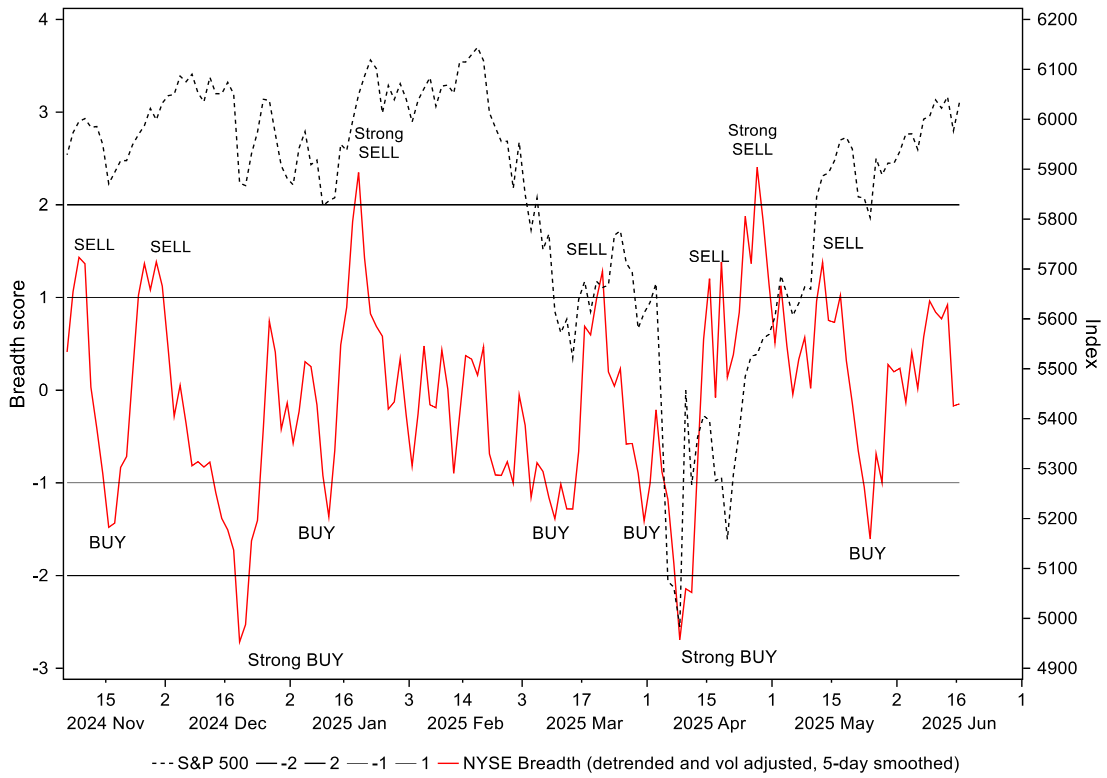


Calls less puts model is NEUTRAL

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



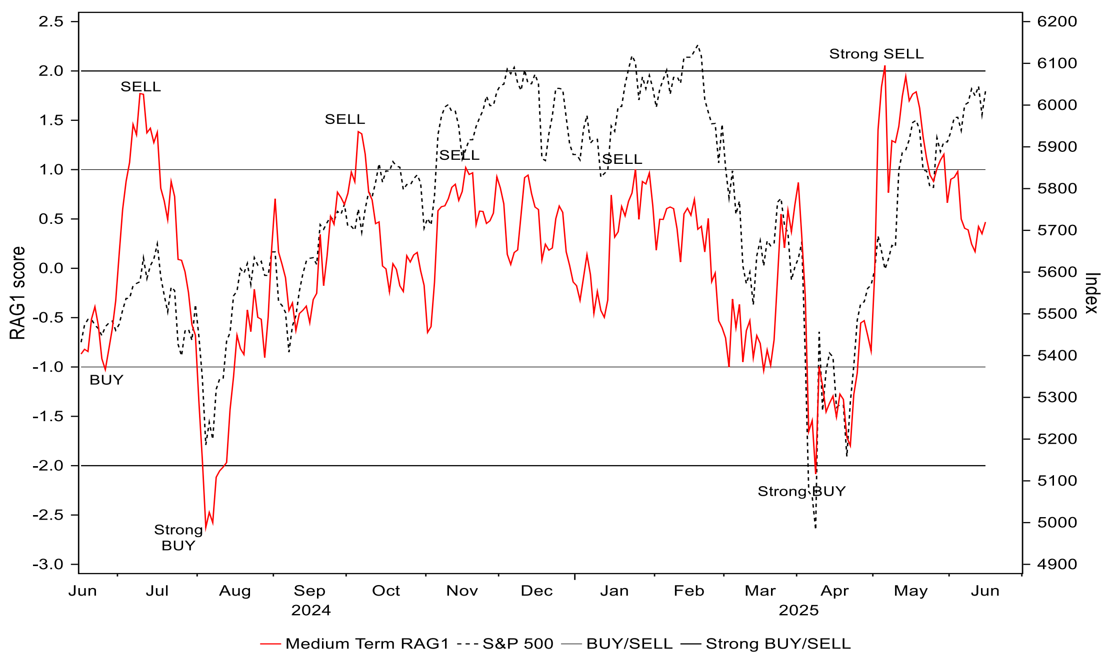
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

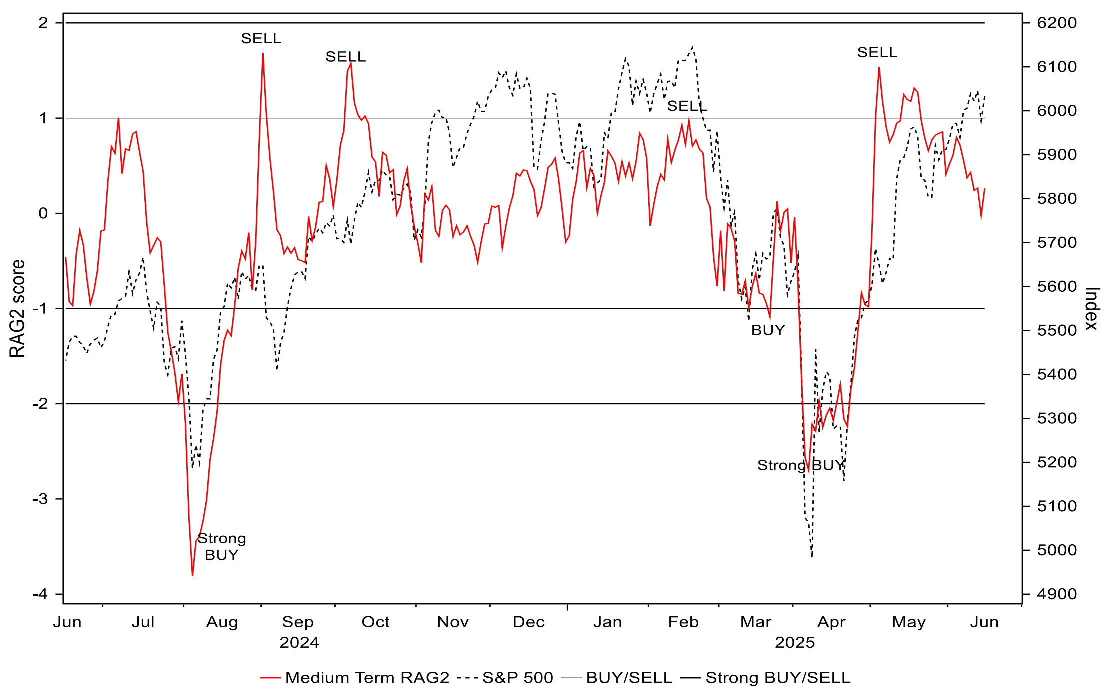
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

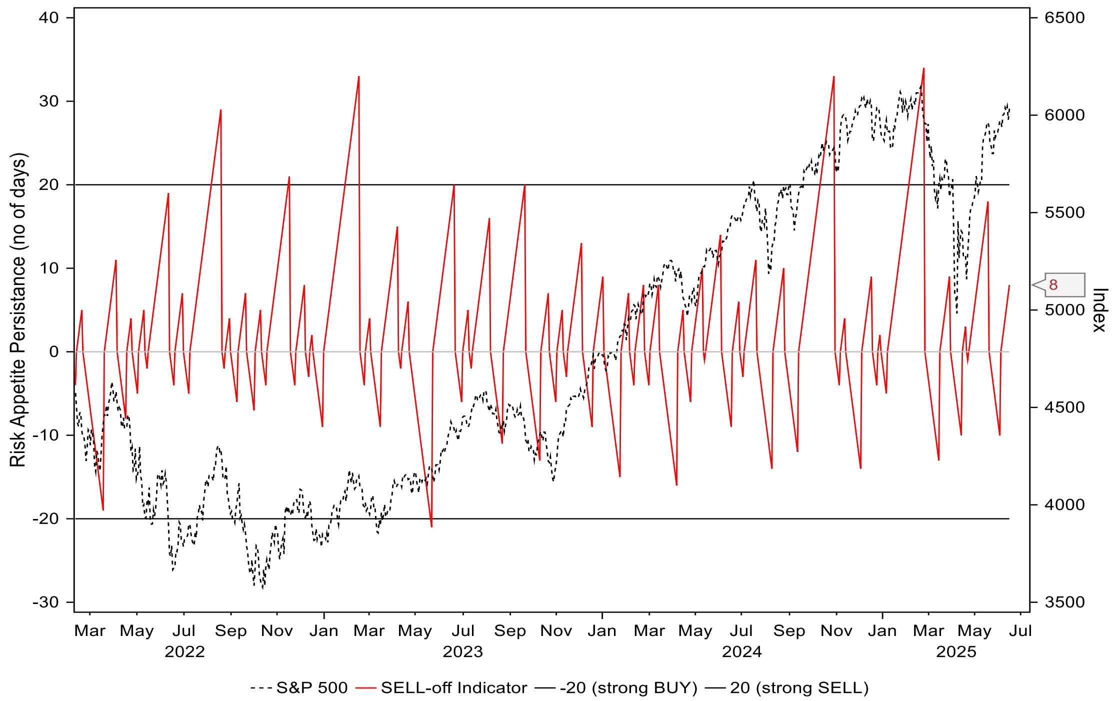


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

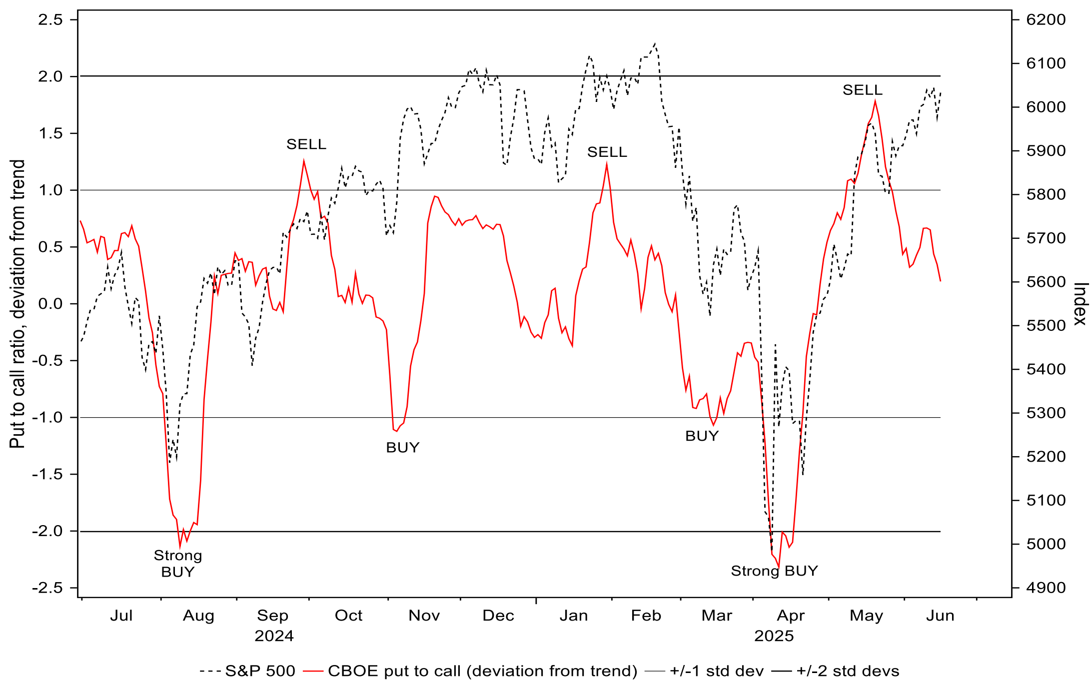
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

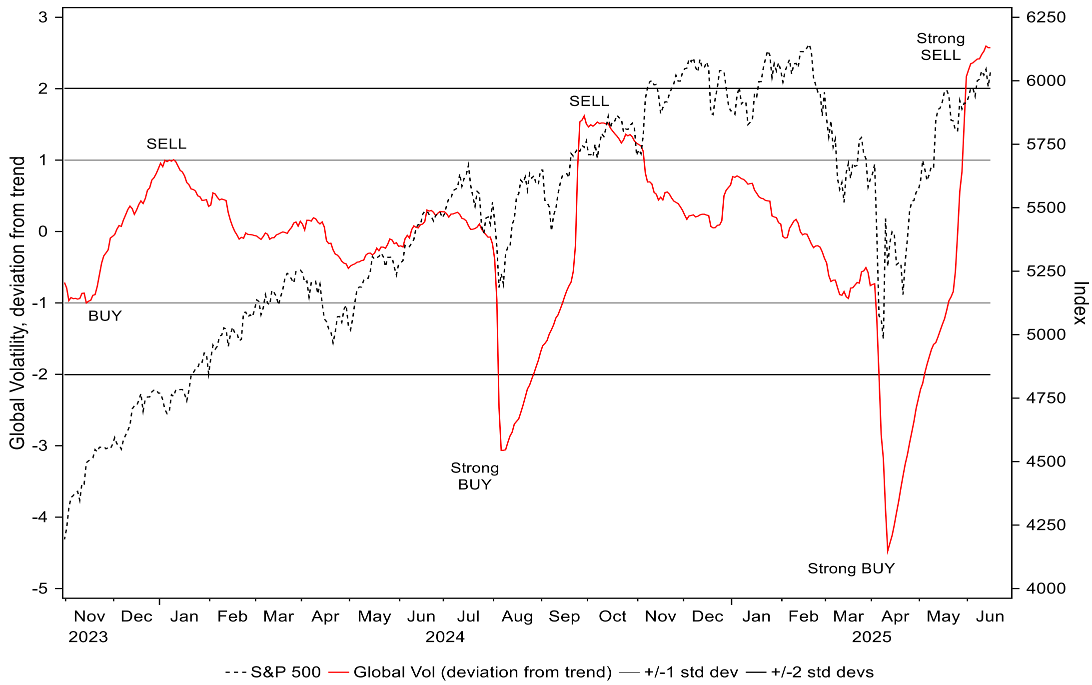


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

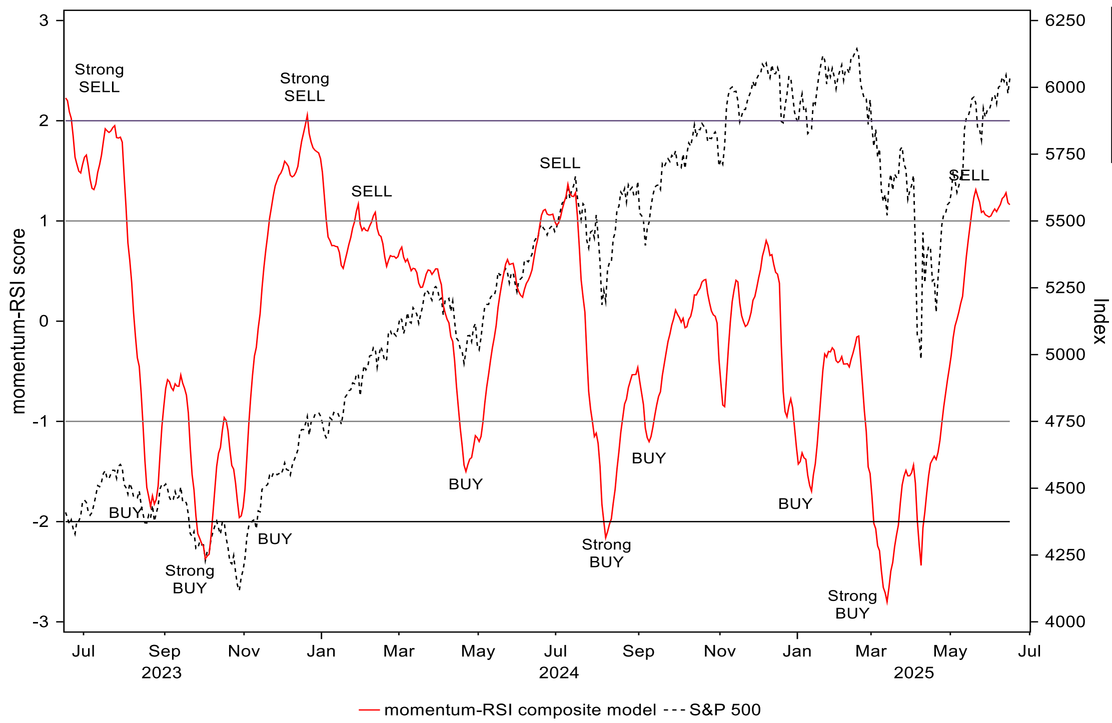
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong SELL

Source: Longview Economics, Macrobond

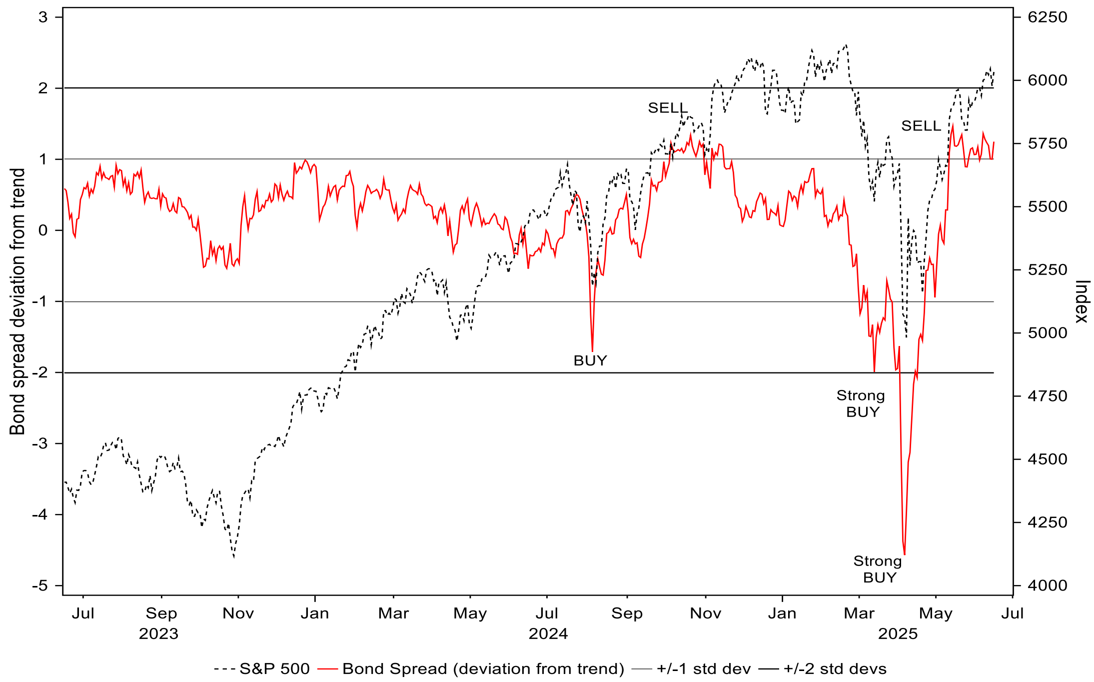
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

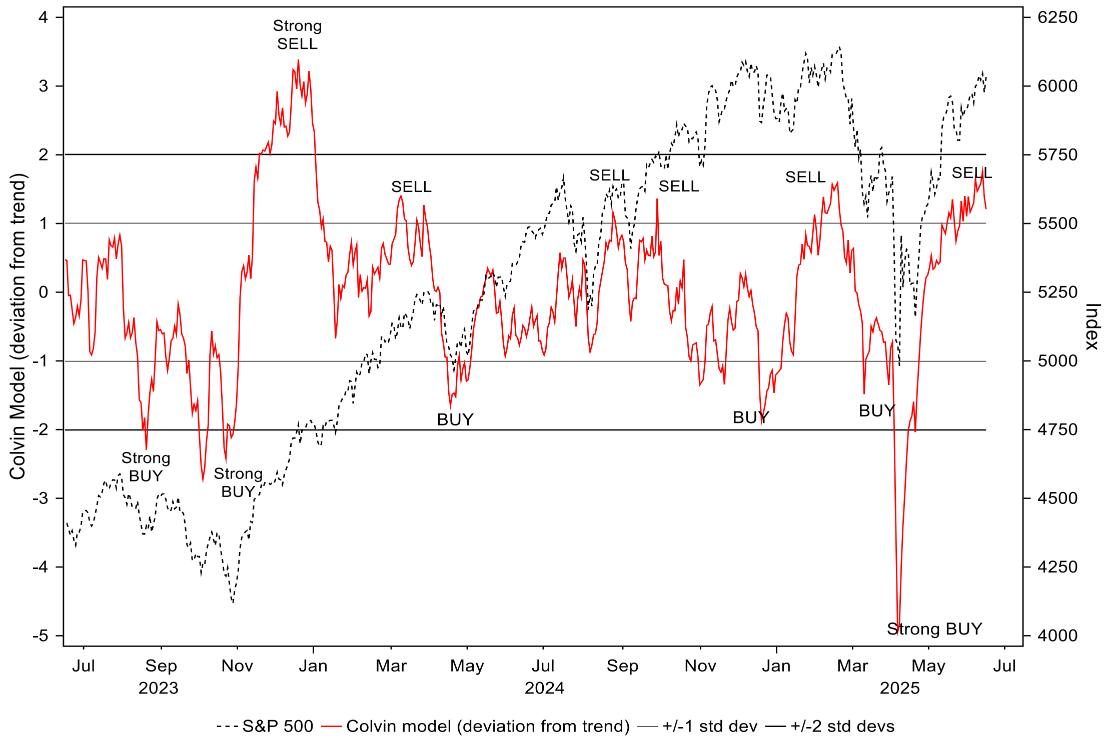
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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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