Equity Index Futures Trading Recommendations

25th June 2025

"Stay LONG - Breakout Likely Underway"

Email: info@longvieweconomics.com

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

- Stay ½ LONG S&P500 futures (entry was last week at 6,056 on September contract);
- Tighten stop loss (again) to 6,050 on Sept futures (from 6,020 yesterday).

Rationale

Yesterday, on the back of the ceasefire and fall in the oil price (down 6% on the day), US equities broke out to the upside of their recent trading ranges. For the S&P500 (& NDX100), those ranges have been in place since mid-May (e.g. see FIGs 1b & 1c). US equity markets have now rallied sharply for 2 consecutive trading sessions (having tested their 200-day moving average on Sunday night in Asian trading hours – see FIG 1b).

With the S&P500 having closed +1.1% yesterday, it's now 3% higher month to date (which is **contrary to normal June seasonality**, with the index on average closing +0.1% on the month, using data back to 1987).

Risk-on session: Elsewhere in the US, there was strength across the board. Of the 28 headline indices that we track, 25 closed higher; 9 out of the 11 top level S&P500 sectors ended the day in positive territory, while all but 6 of the industry groups closed up. Volatility fell (with the VIX down 11.9% and close to its early June lows). The VVIX was also down sharply (FIG 1a), while the volatility curve steepened up (although is not yet back on SELL – FIG 1). It was, therefore, a **largely across the board 'risk on' day**.

Short term models, however, are not on SELL (despite yesterday's strength). Most are still NEUTRAL (having recently been close to BUY). That includes our short-term risk appetite models, put to call ratios and technical scoring systems (for indices) – see FIGs 2 to 2f. Single stock and sector models also point to the potential for further near-term upside (FIGs 3 – 3b). Added to which, Powell's testimony on Capitol Hill yesterday, did **nothing to disavow the market*** that there is a growing possibility of more rate cuts in 2025. The market priced in a further 2bps of cuts yesterday (i.e. for 2025), after having priced in 12.5bps in the prior 3 trading sessions. Fed funds are now suggesting 54.5bps of cuts in the remainder of this year (FIG 1d).

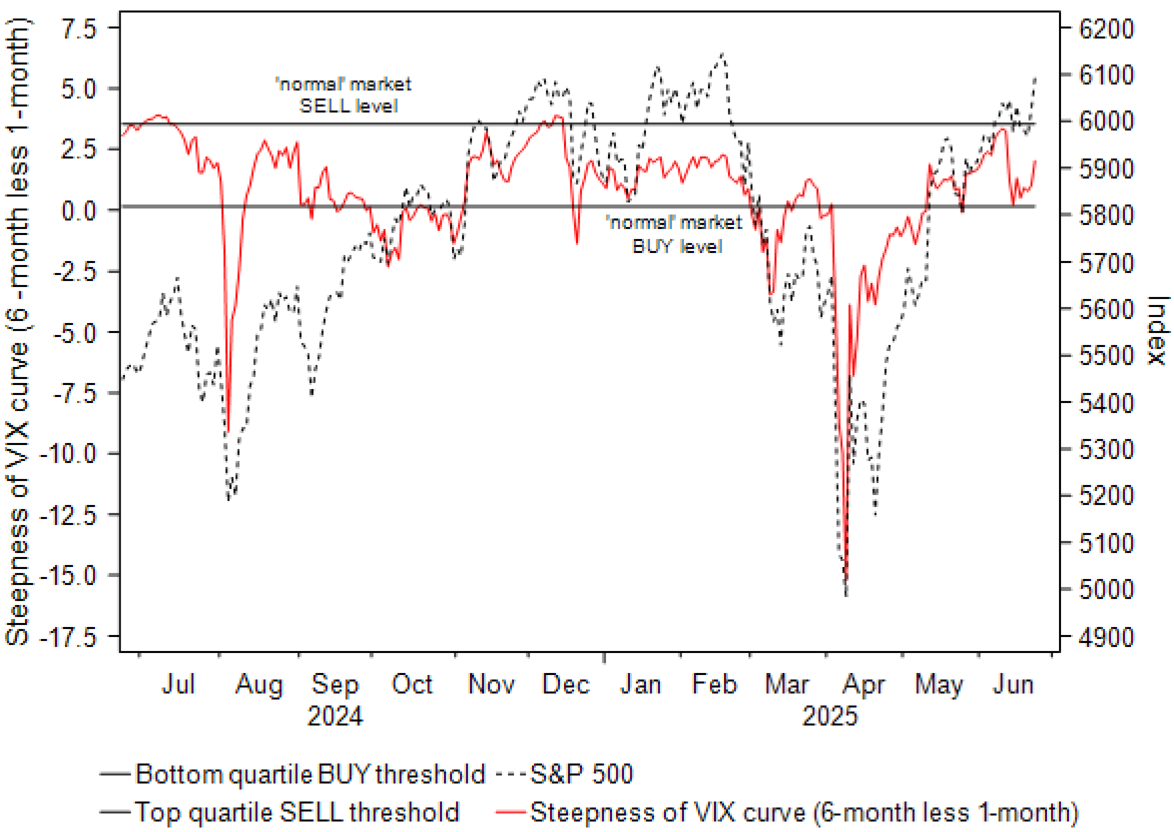
Given the breakout to the upside, and given our key short-term models are all NEUTRAL (having been recently on BUY), we recommend STAYing LONG S&P500 futures and tightening the stop loss. The risk is that it's a false breakout which quickly reverses (perhaps on an unwinding of the ceasefire, although yesterday demonstrated that the market is sanguine about that). Powell is also again testifying today (2nd part of his semi-annual testimony on Capitol Hill). Other key events are shown below.

Kind regards,

The team @ Longview Economics

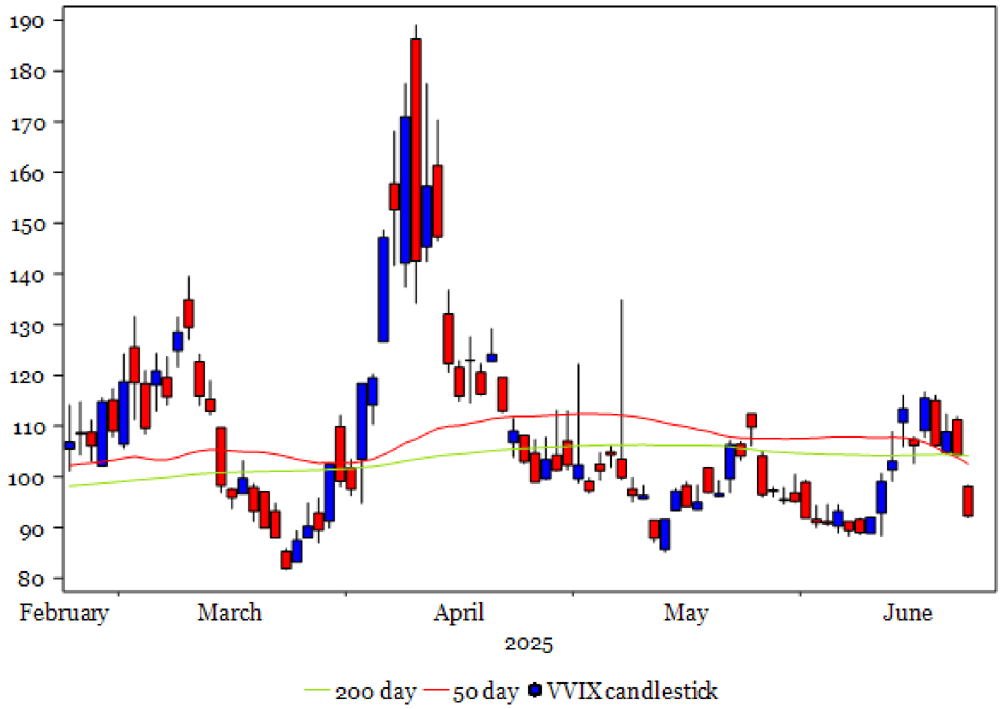
*i.e. with headlines like: "Powell reaffirms wait and see posture on rate cuts"; "lower inflation, weaker labour market could mean earlier cut"

FIG 1: Steepness of VIX curve (6 less 1 month futures) vs. S&P500



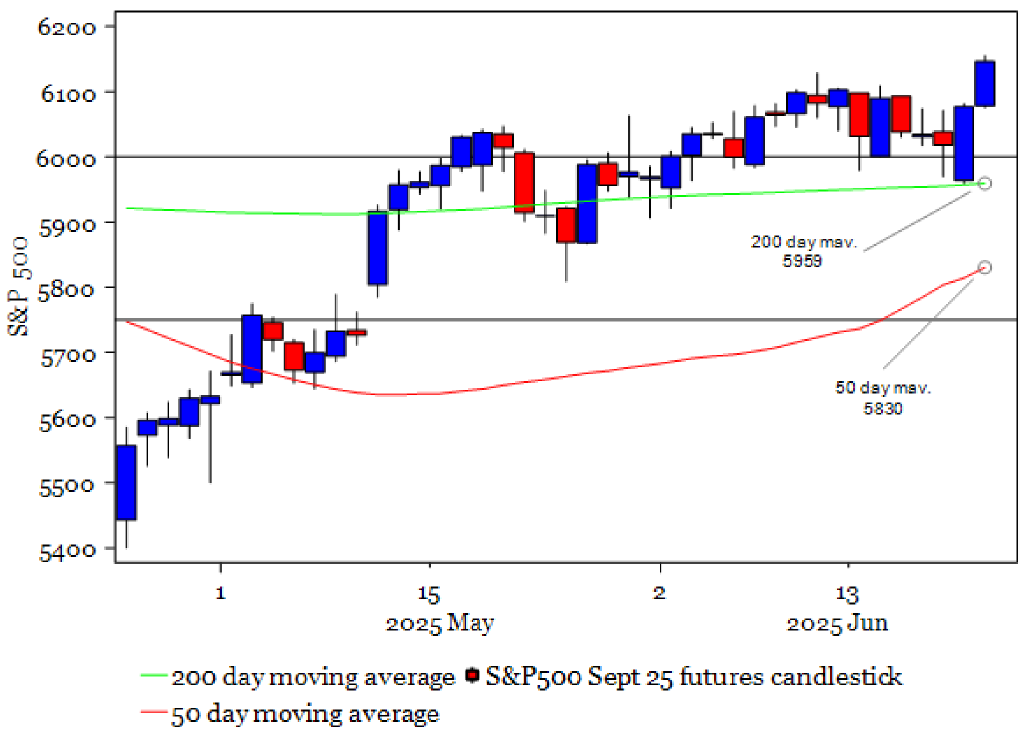
Source: Longview Economics, Macrobond

FIG 1a: VVIX candlestick chart shown with key moving averages



Source: Longview Economics, Macrobond

FIG 1b: S&P500 September futures candlestick chart shown with key moving averages



Source: Longview Economics, Macrobond

FIG 1c: S&P500 futures 90-day tick chart shown with overnight price action

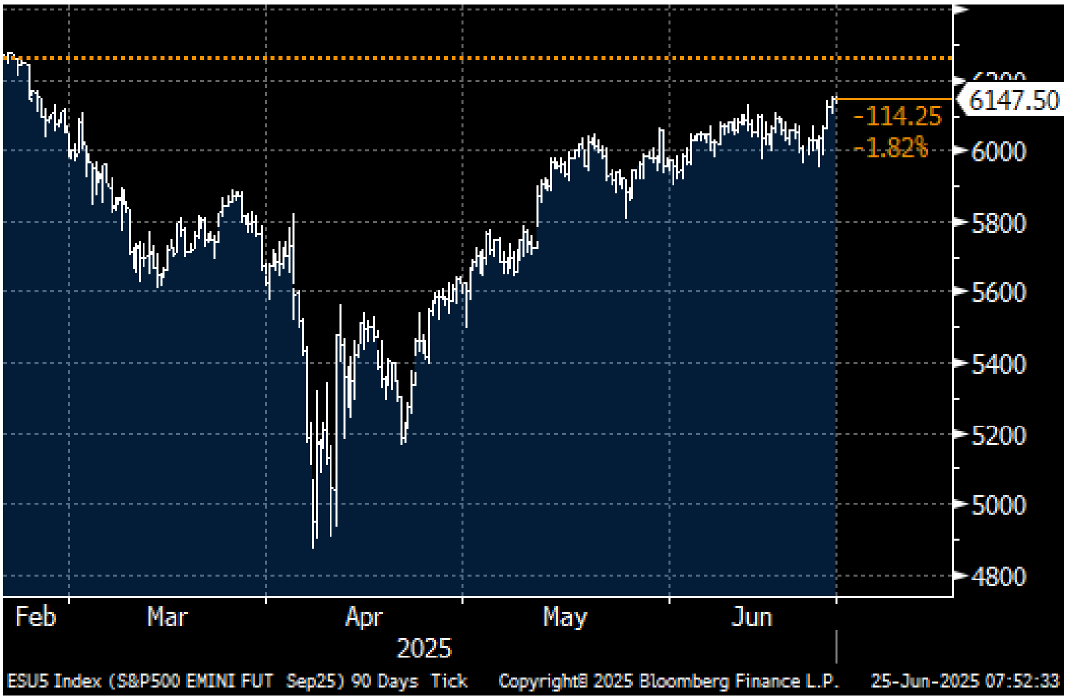
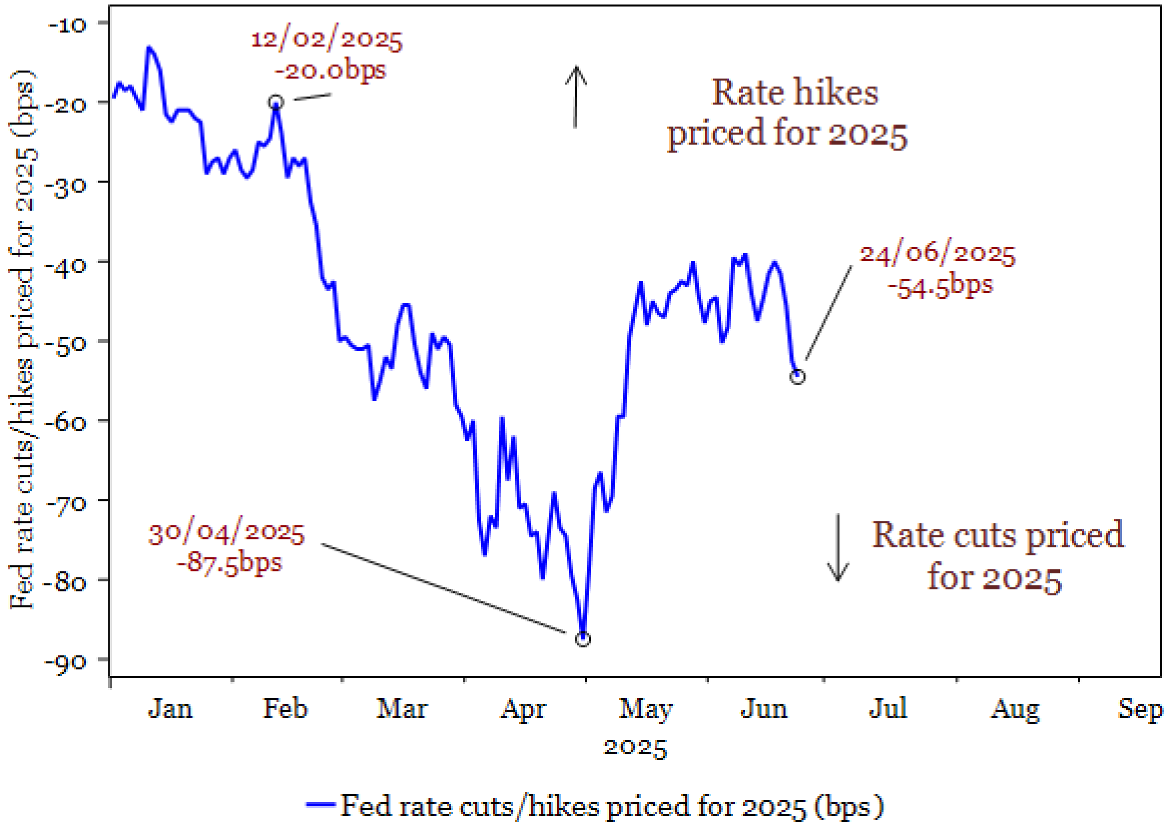


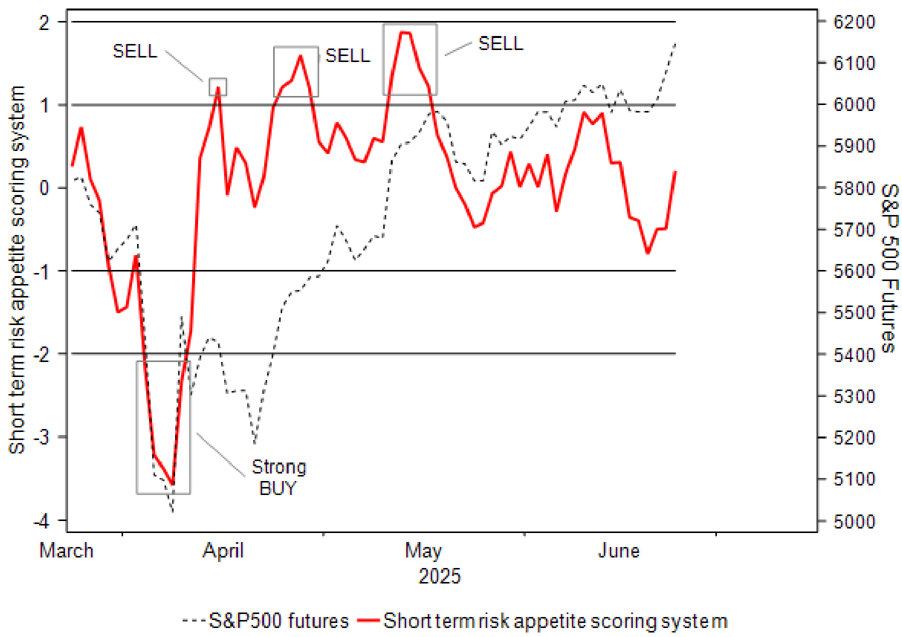
FIG 1d: Fed rate cuts/hikes priced for 2025 (bps)



Source: Longview Economics, Macrobond

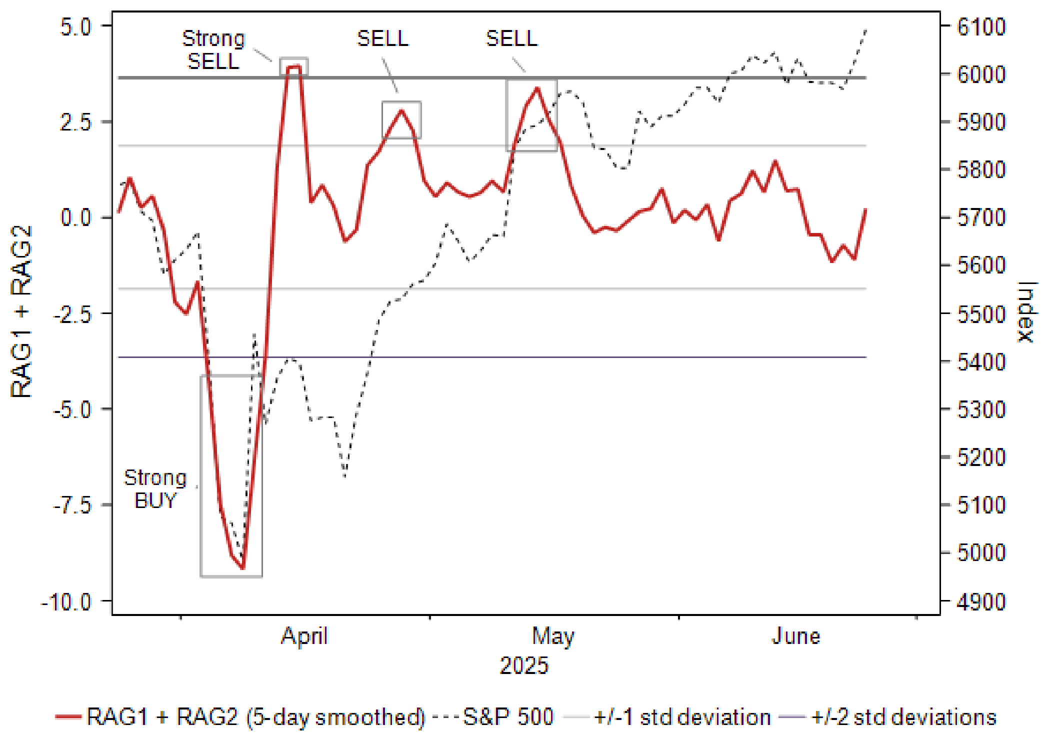
Short term models are mostly NEUTRAL (but moving higher)……

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



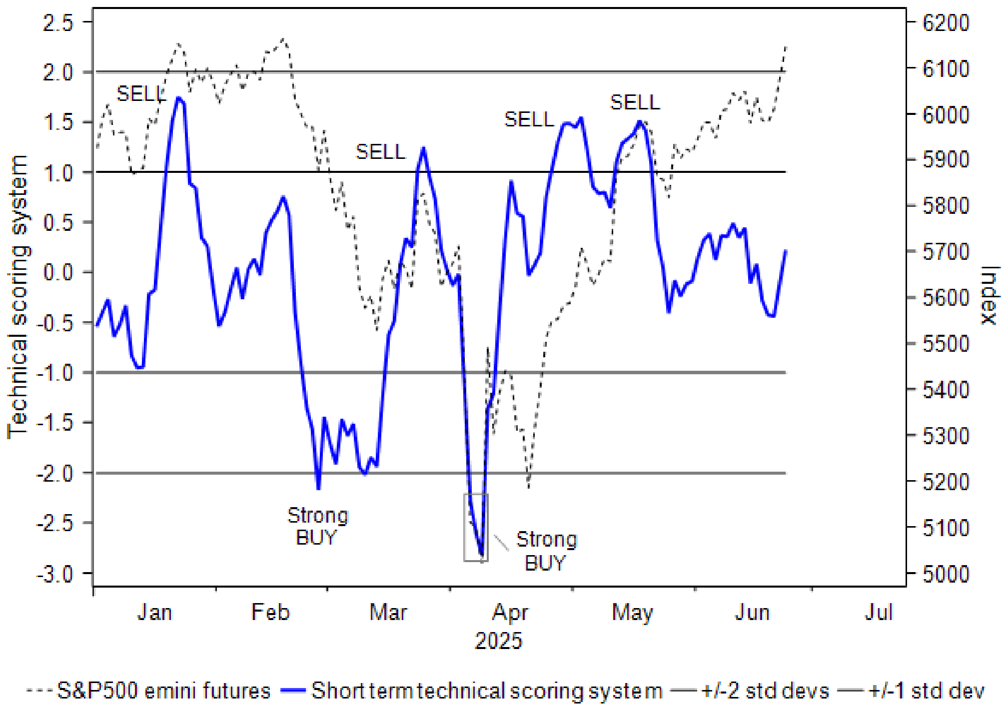
Source: Longview Economics, Macrobond

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



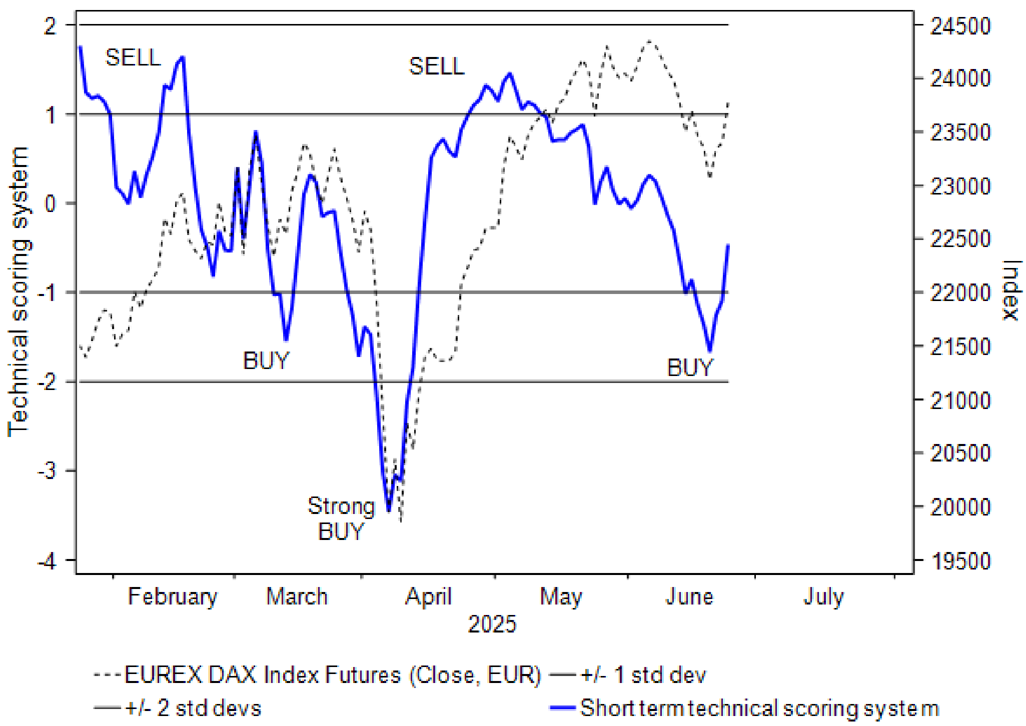
Source: Longview Economics, Macrobond

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



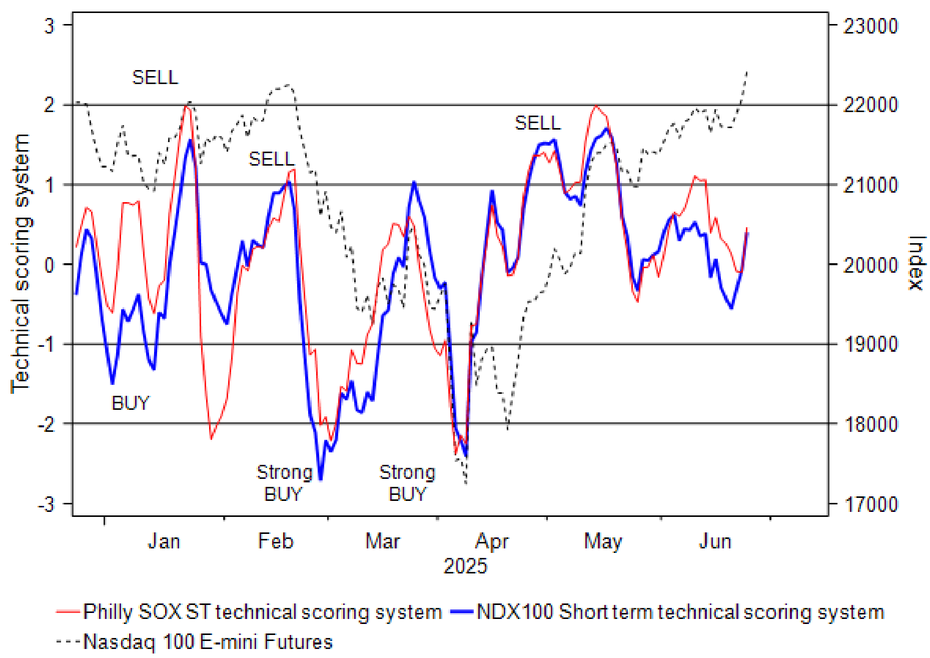
Source: Longview Economics, Macrobond

FIG 2c: Longview DAX30 short term **'technical'** scoring system vs. DAX30 index



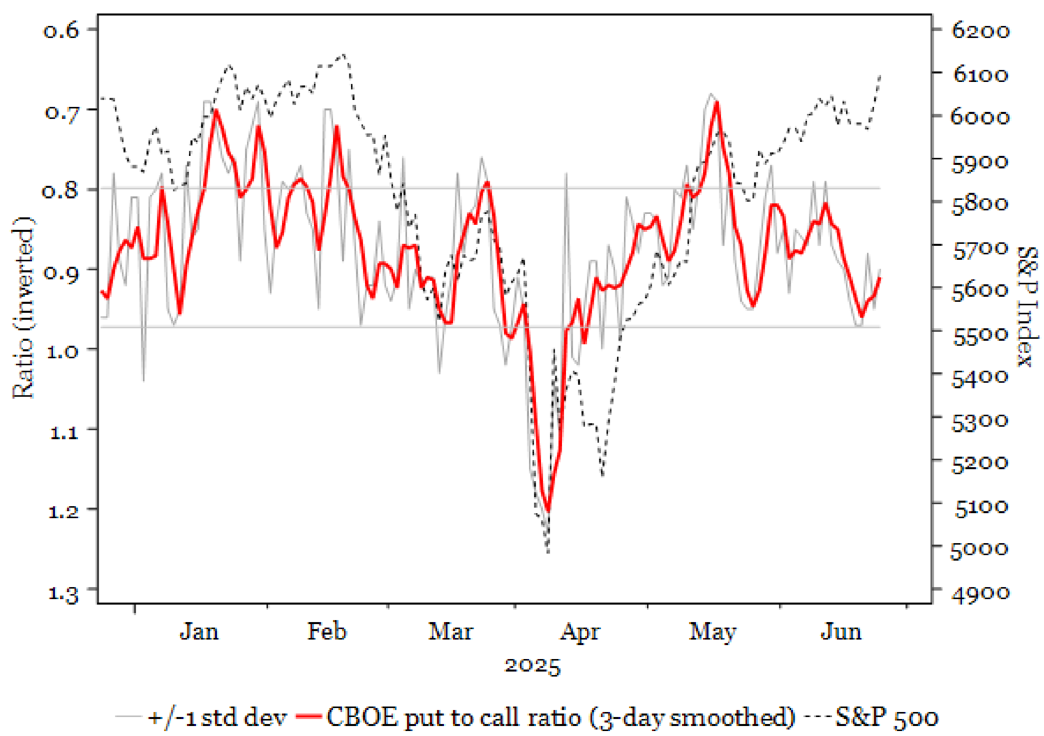
Source: Longview Economics, Macrobond

FIG 2d: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures



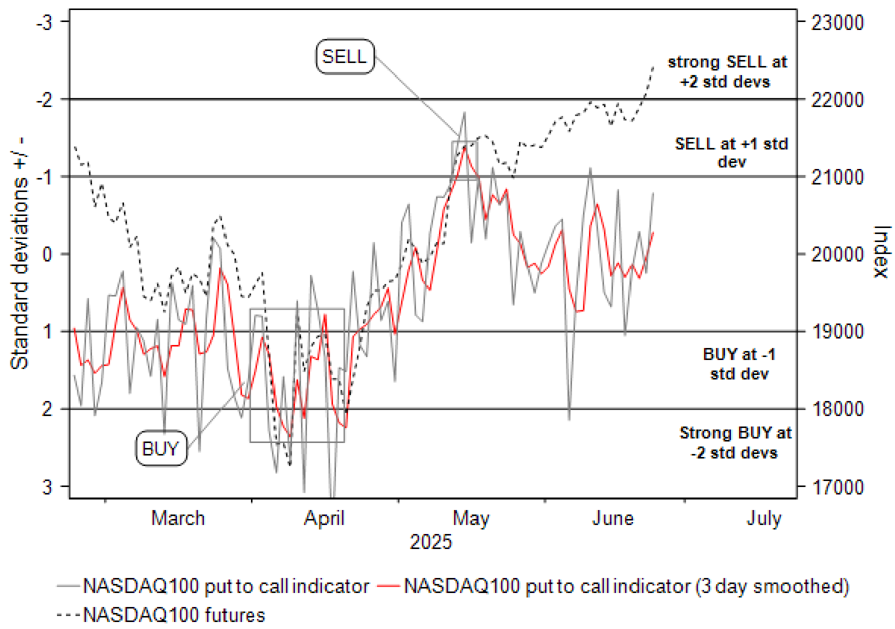
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

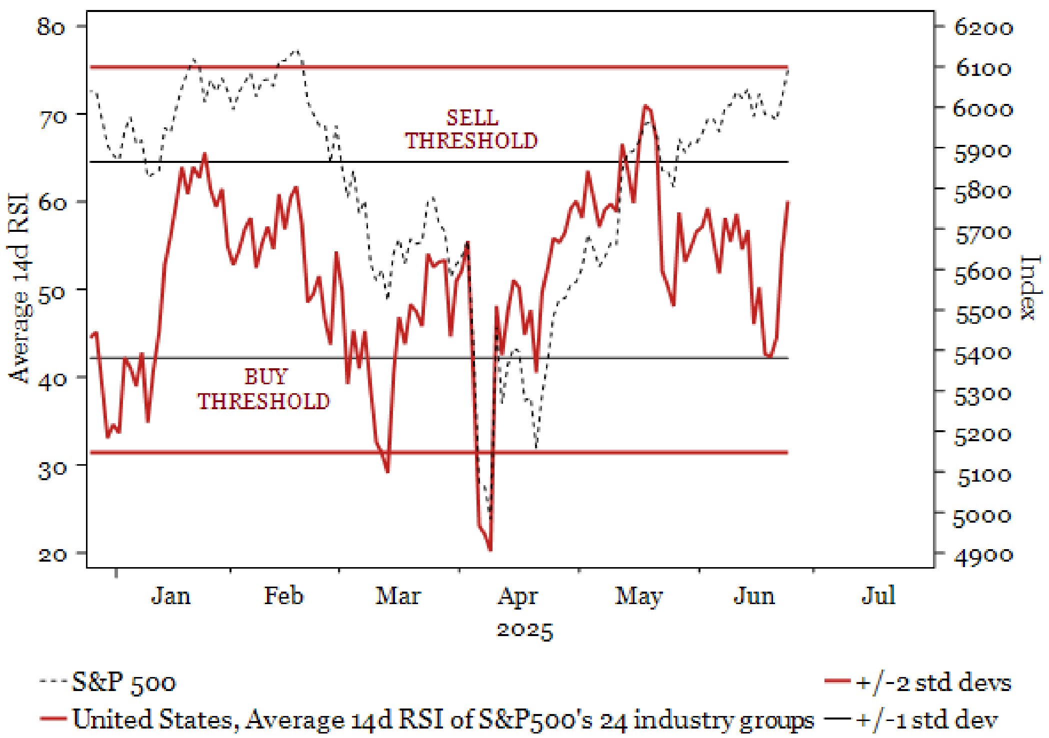
FIG 2f: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

Sector and single stock models have been moving higher from recent BUY signals….

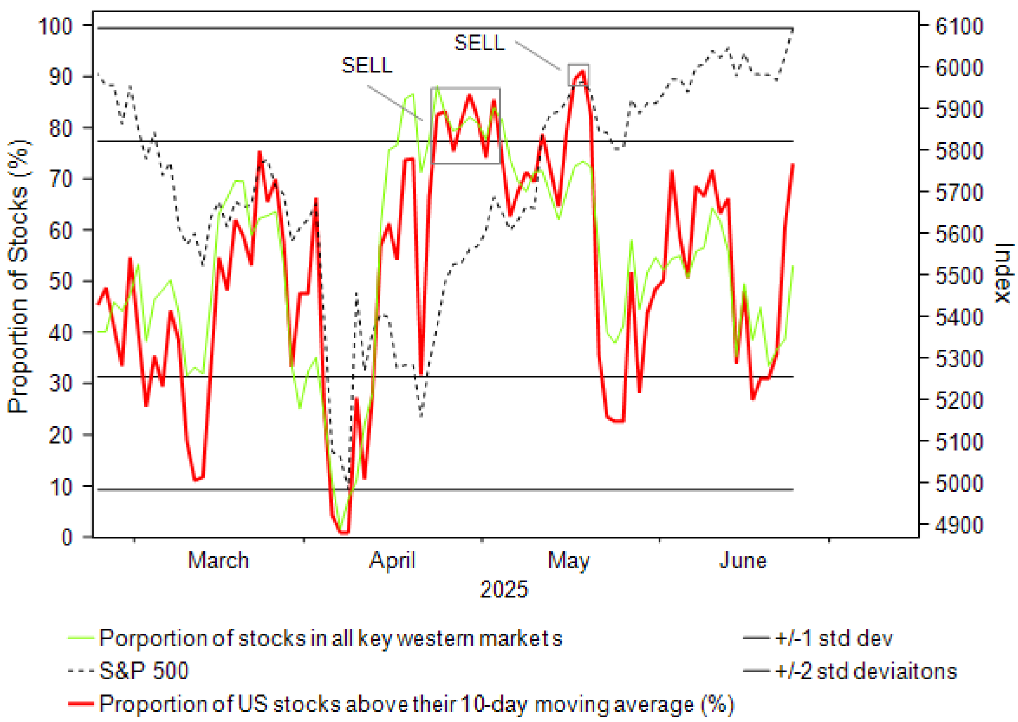
FIG 3: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

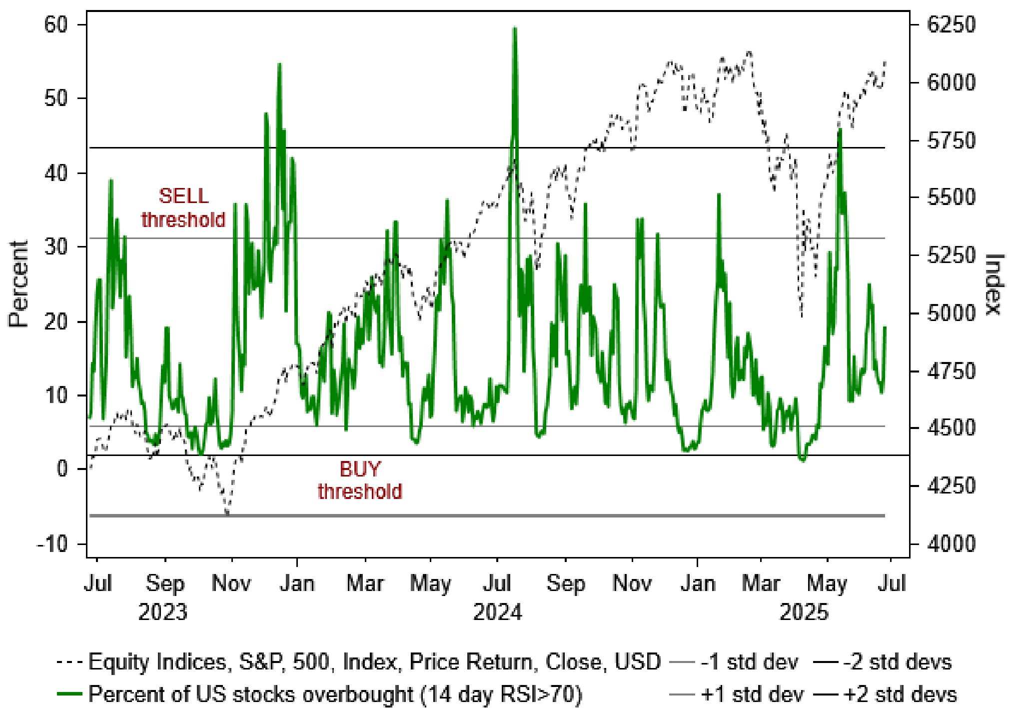
LVRAG
Daily Risk Appetite Gauge

FIG 3a: Proportion of US stocks above their 10-day moving average vs. S&P500



Source: Longview Economics, Macrobond

FIG 3b: Percentage of US single stocks which are overbought (i.e. with 14-day RSIs>70)



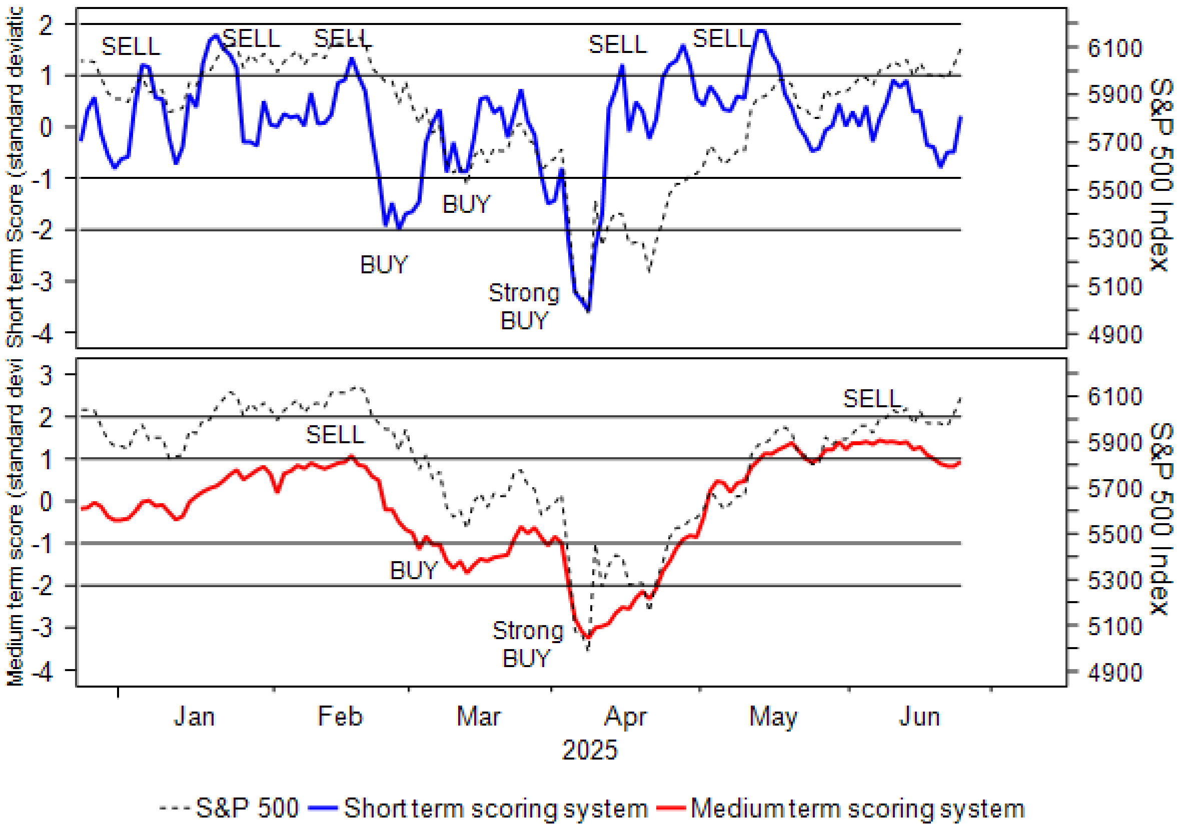
Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **NEUTRAL**
Medium term (1 – 4 month) scoring system: **NEUTRAL**

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: Japanese PPI services (May, 12:50am); Australian CPI (May, 2:30am); Eurozone new car sales (May, 5am); Japanese ESRI leading index (April final estimate, 6am); Japanese machine tool orders (May final estimate, 7am); French INSEE consumer confidence (June, 7:45am); Spanish PPI (May, 8am); Spanish GDP (Q1 final estimate, 8am); **US building permits** (May final estimate, 12pm); **US new home sales** (May, 3pm).

Key events today include: Speech by the Bank of England's Lombardelli at a CCBS conference (9:45am); **the Fed's Powell gives semi-annual testimony to the Senate Committee** (3pm).

Key earnings today include: Micron, Paychex.

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

25th June 2025

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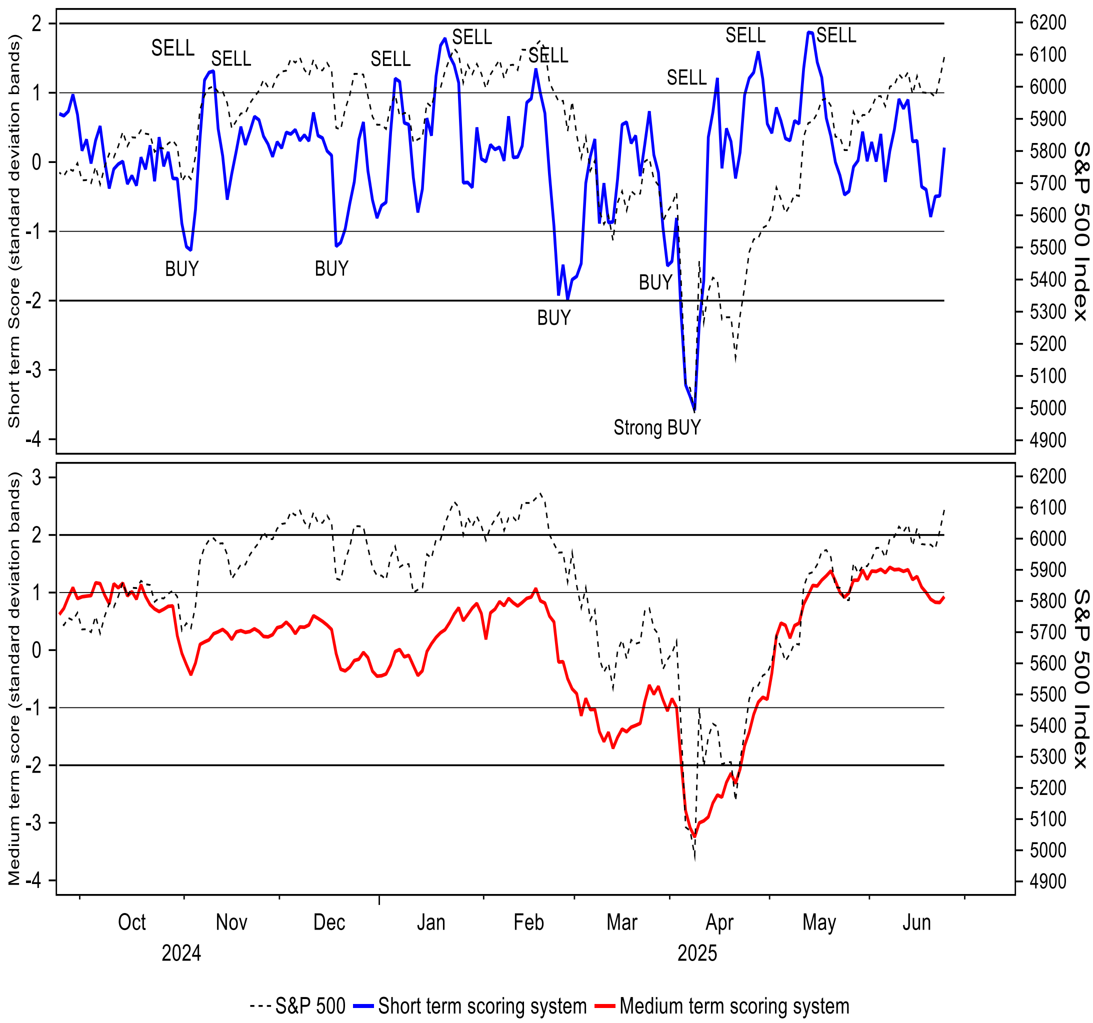
Section 1: Longview Scoring Systems (short & medium term*)

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



Short term scoring system is NEUTRAL

Medium term scoring system is NEUTRAL

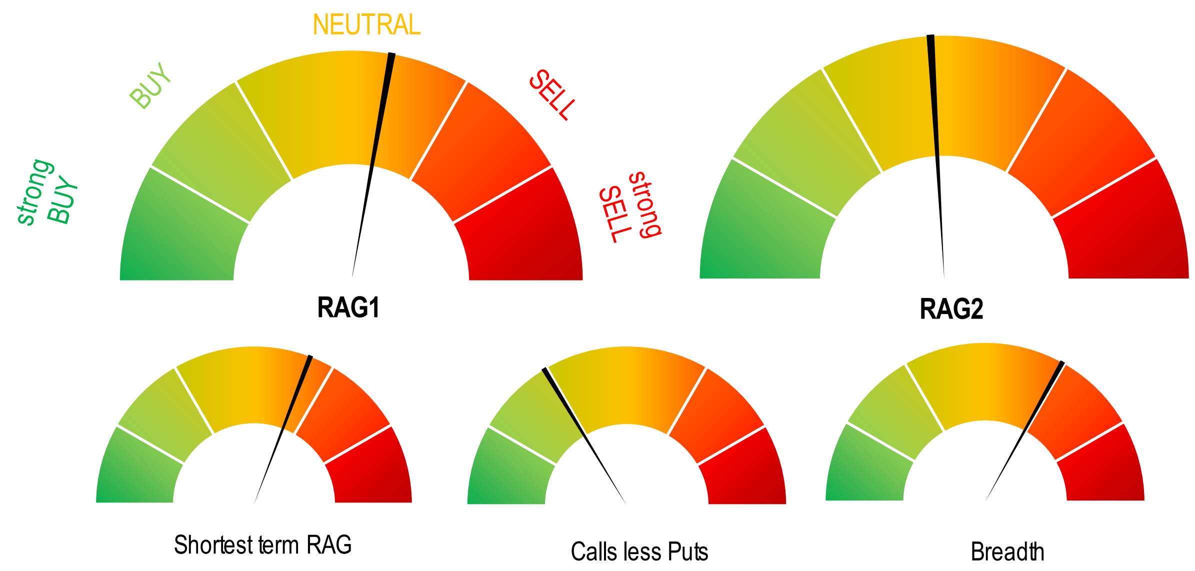
Source: Longview Economics, Macrobond

*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

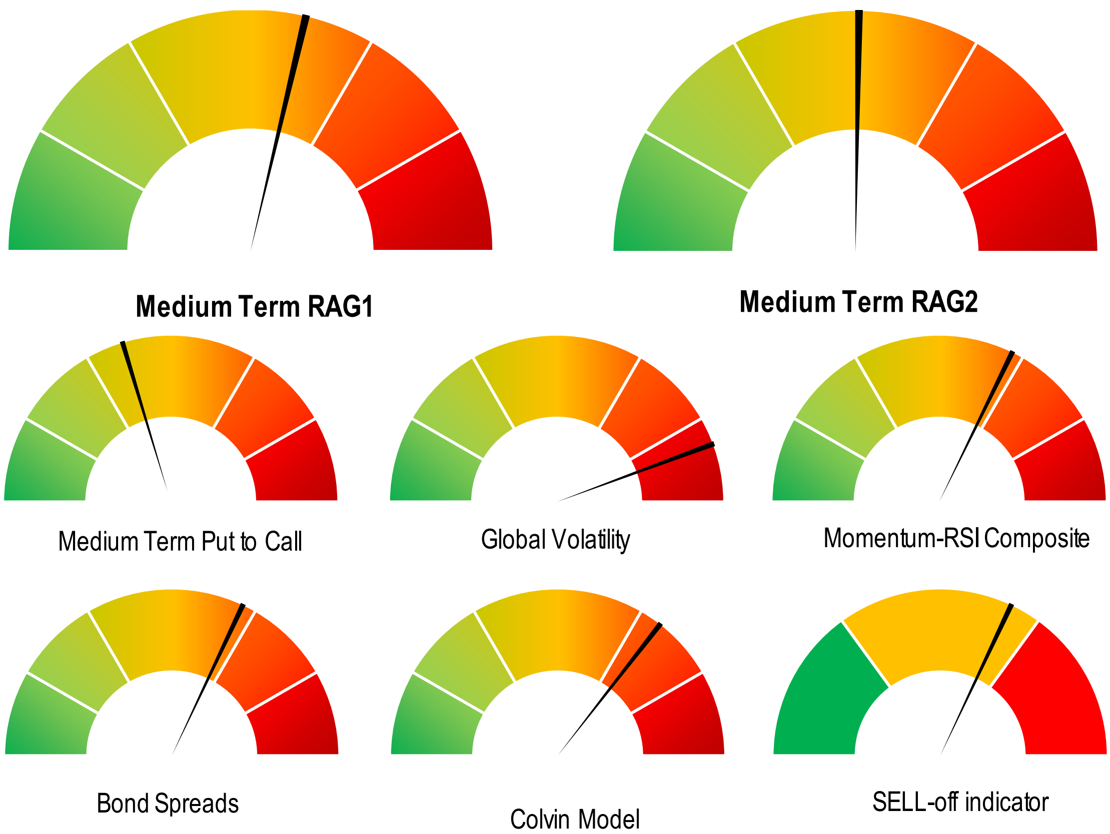
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

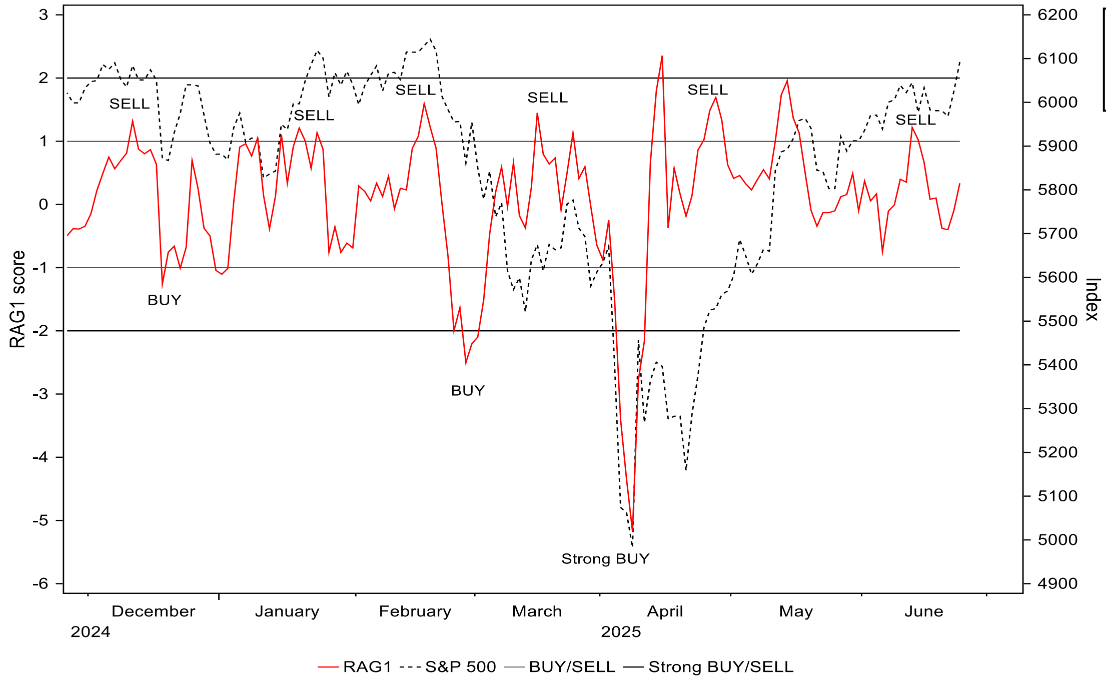
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

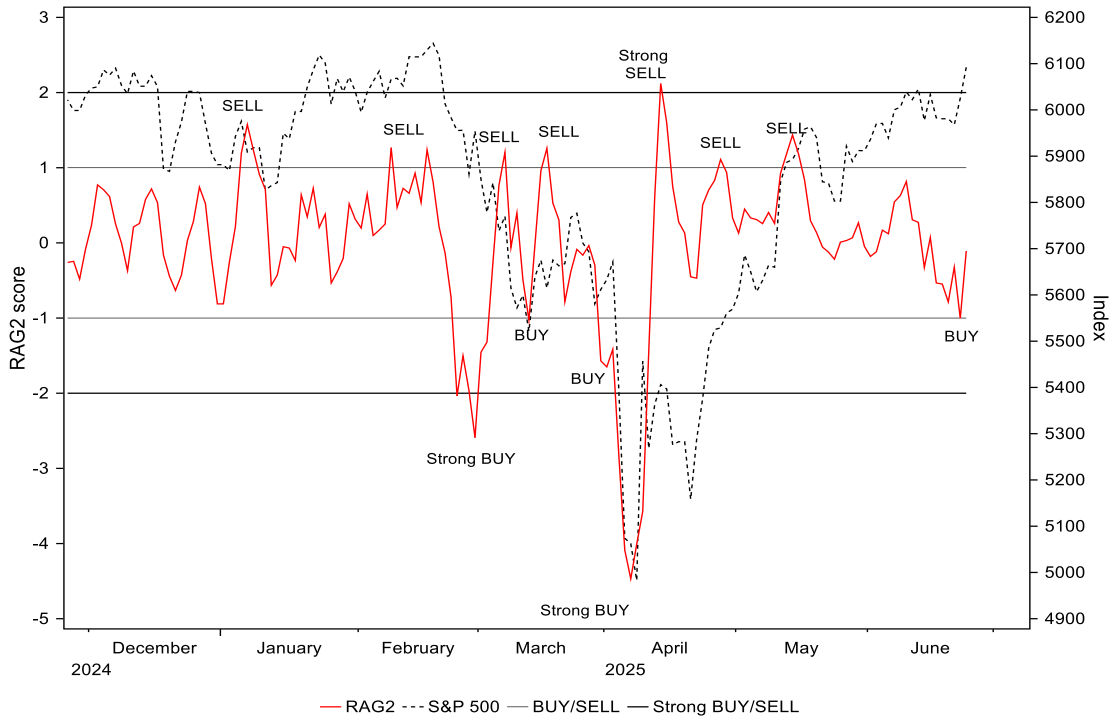
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

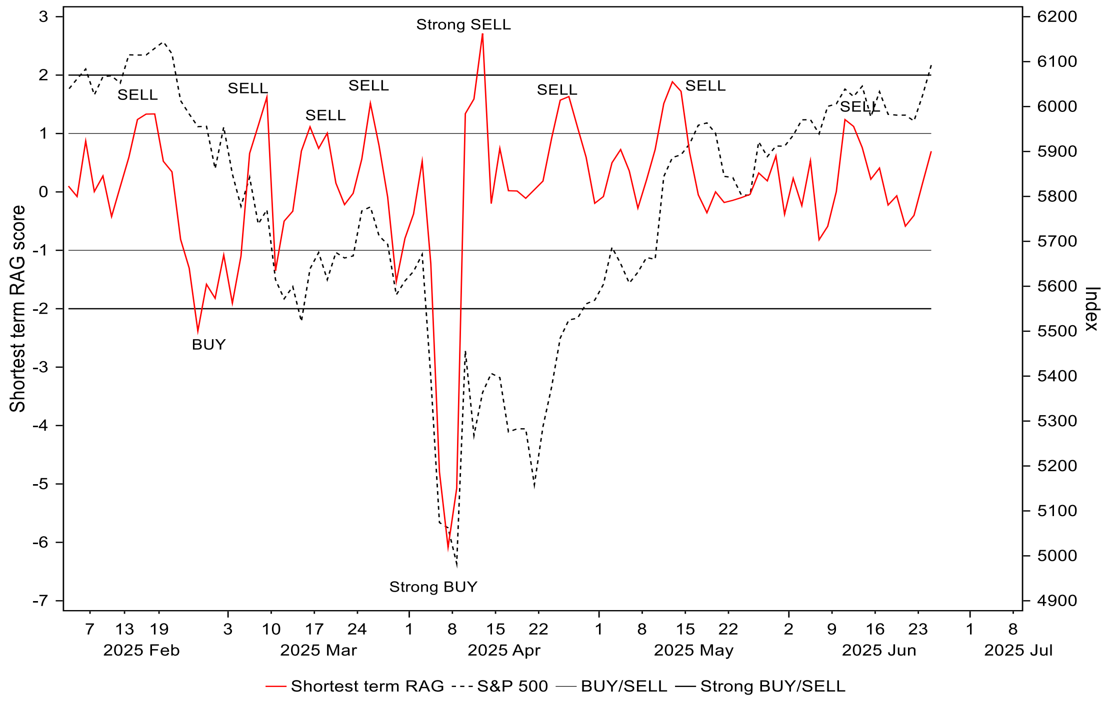


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

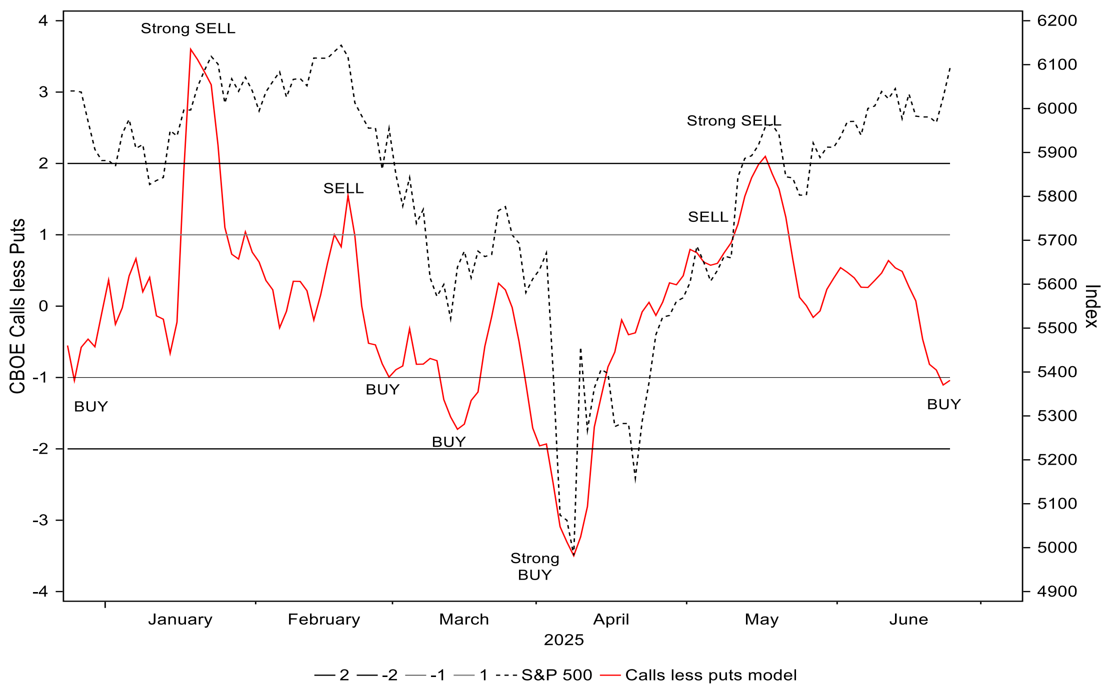
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

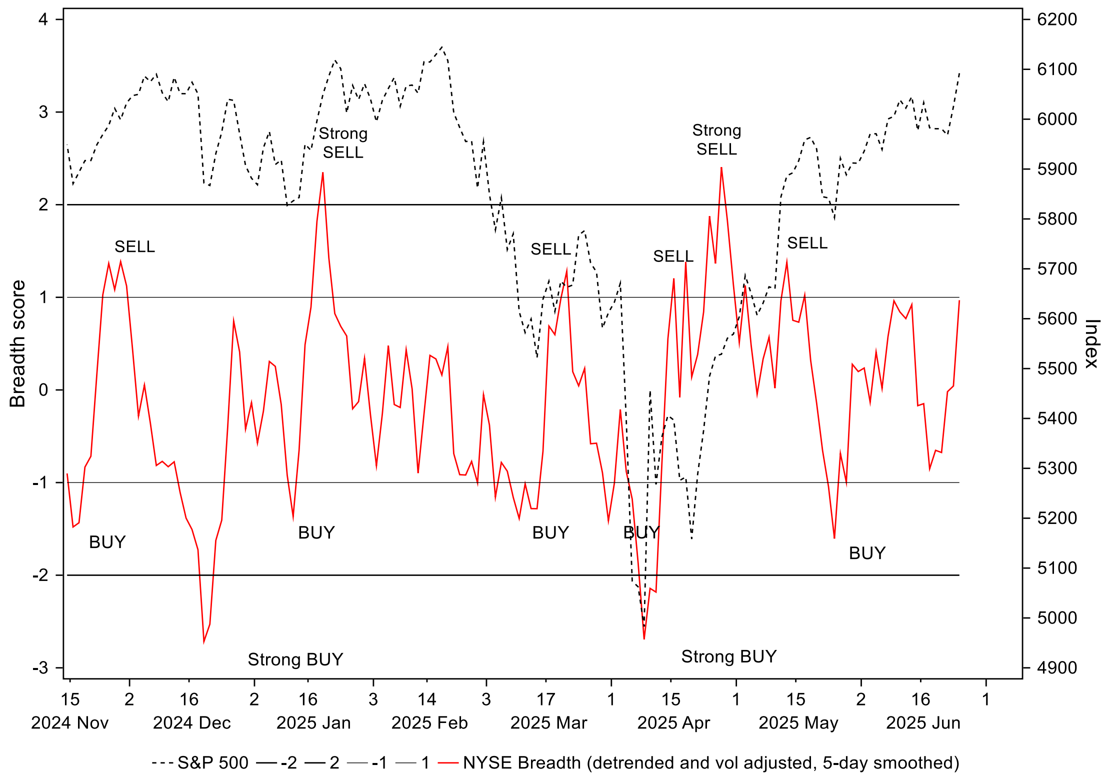


Calls less puts model is on BUY (just)

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



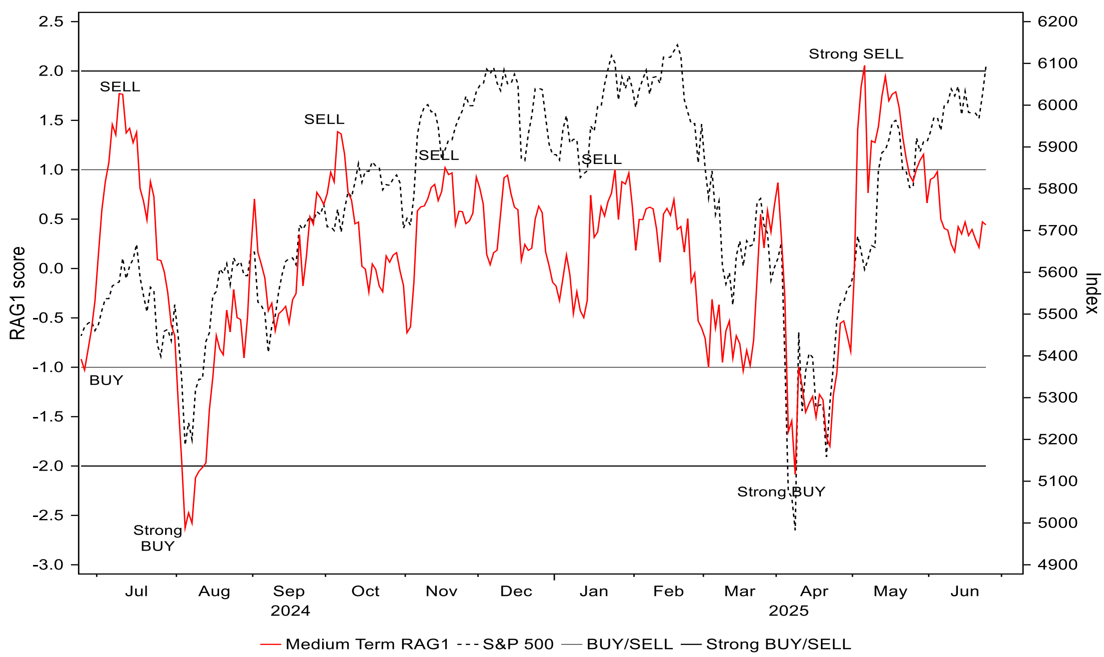
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

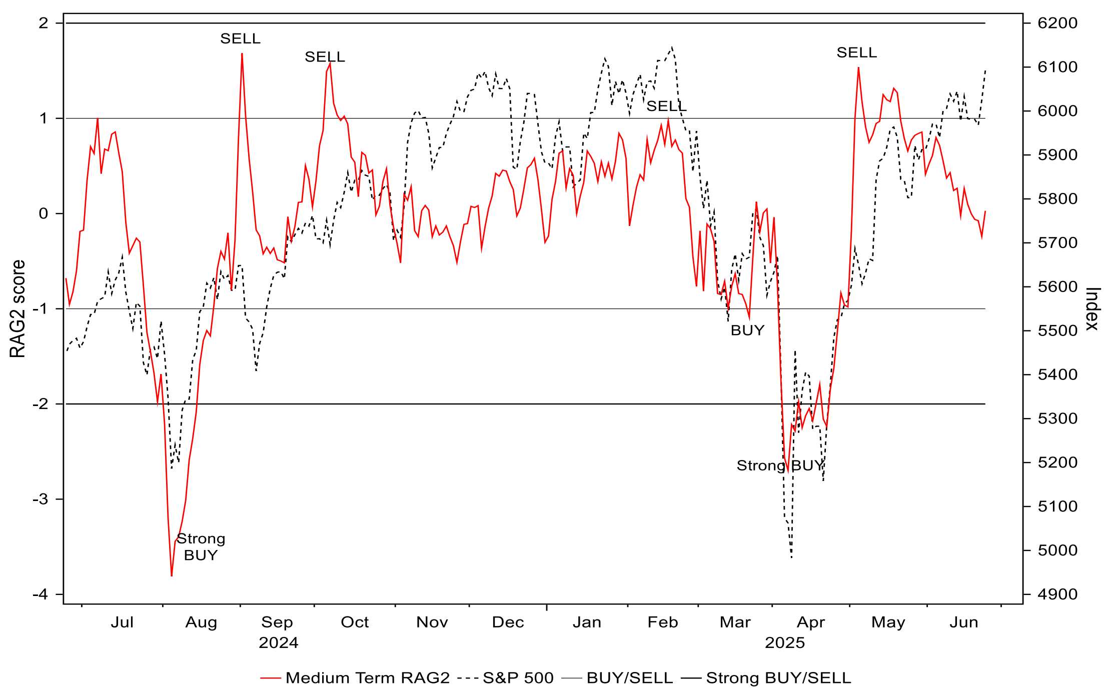
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

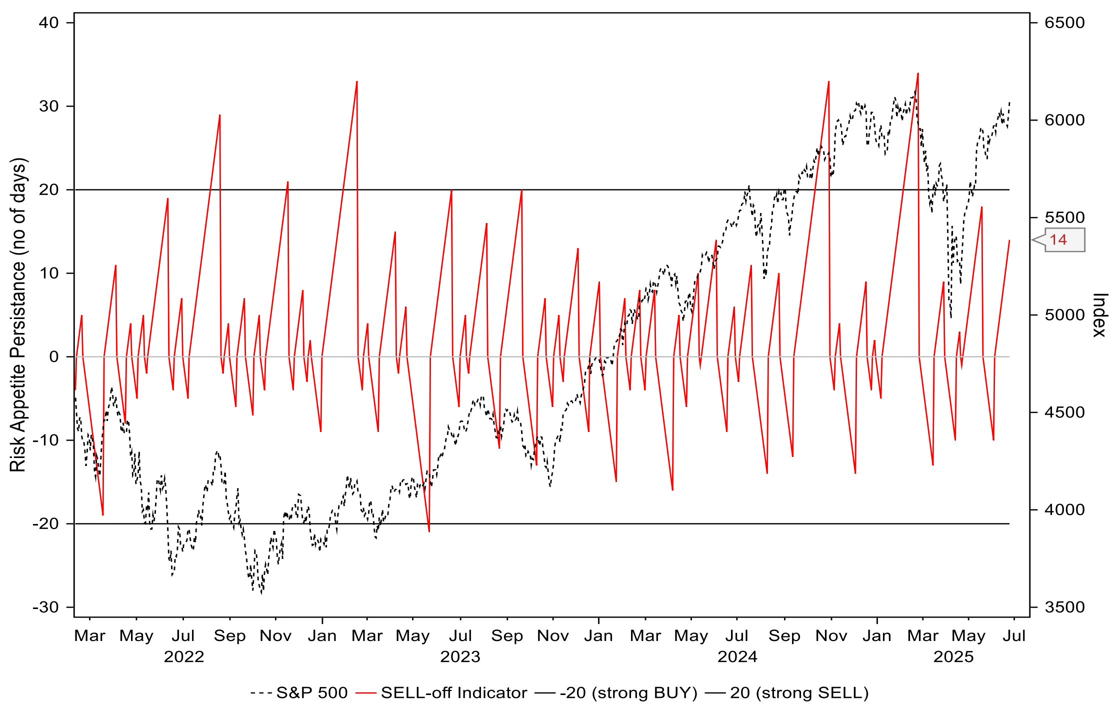


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

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

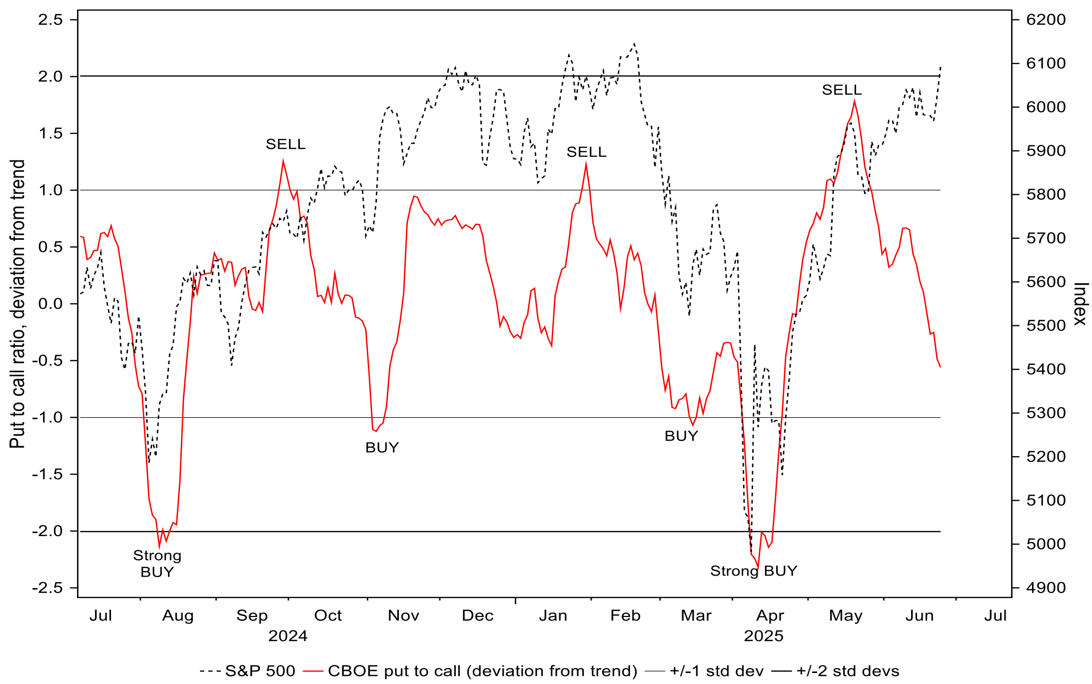


Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

(@ +20 it warns of a potential major SELL-off in risk assets – i.e. a strong SELL signal)

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

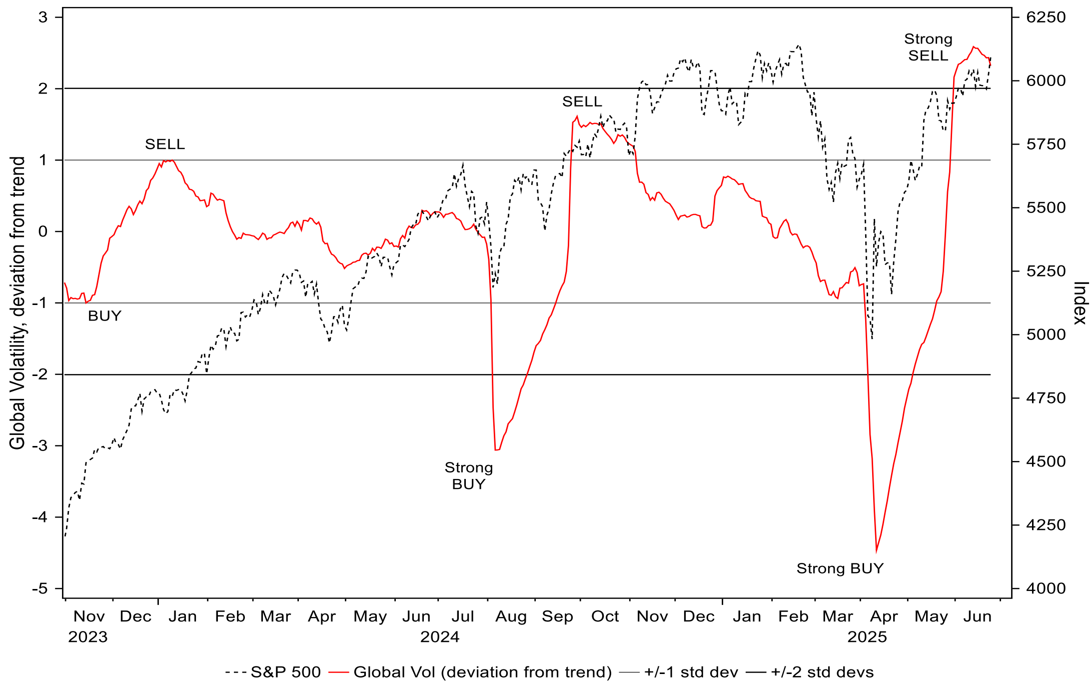


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

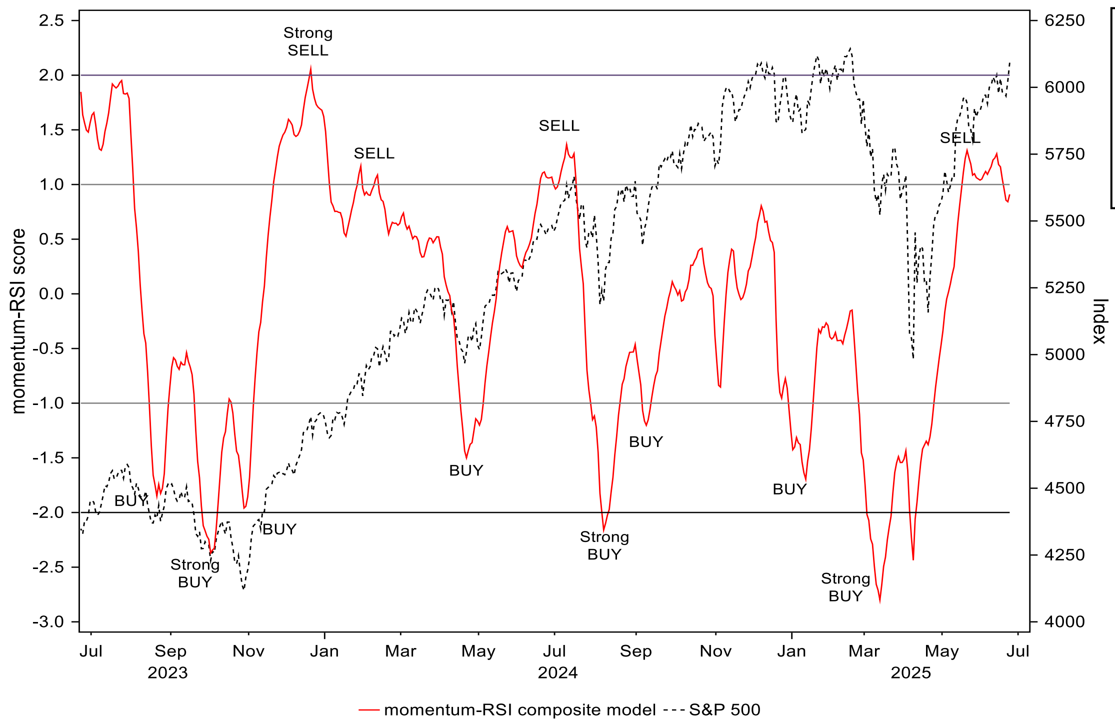
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is on Strong SELL

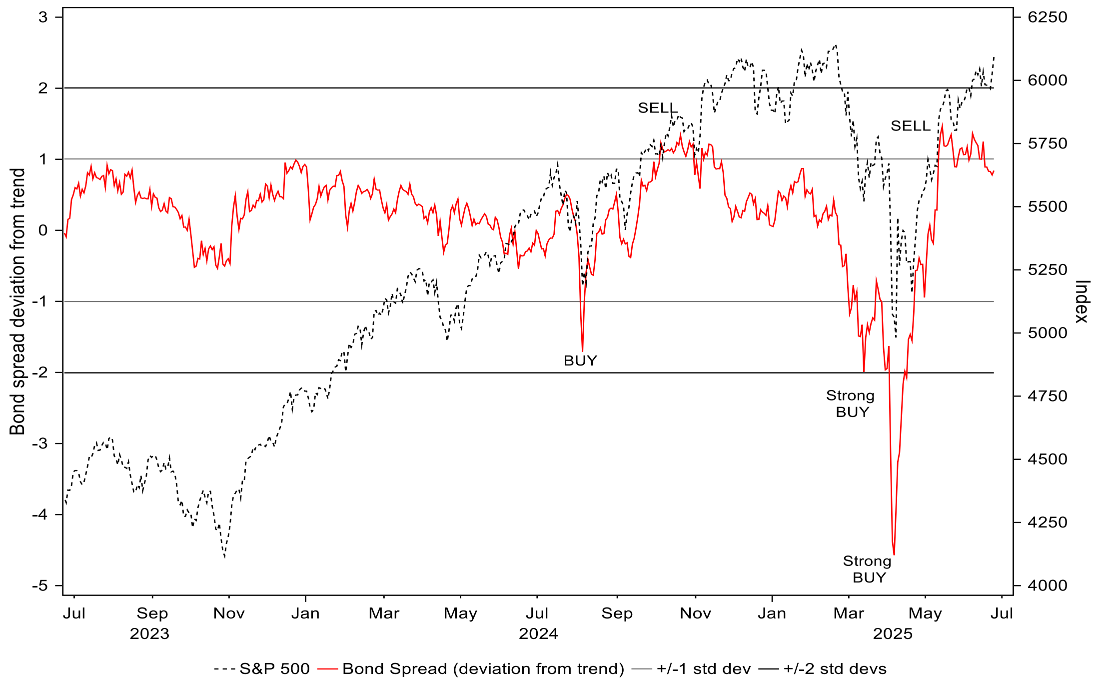
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is NEUTRAL (just)

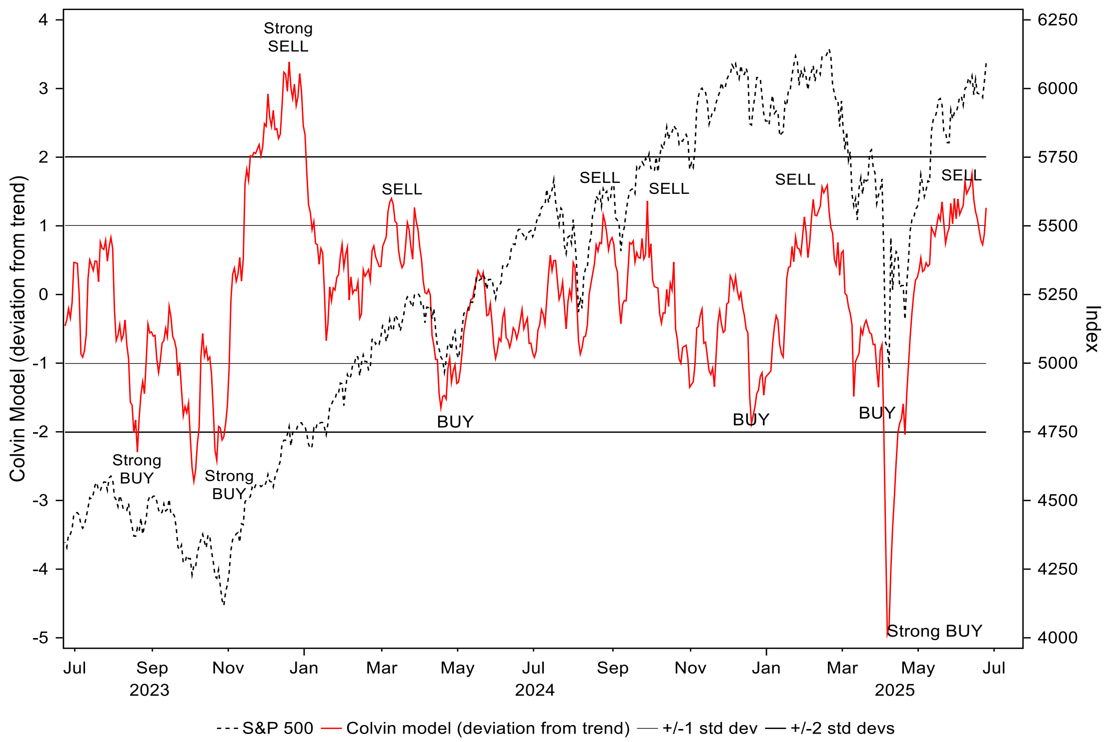
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL (just)

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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