Equity Index Futures Trading Recommendations

27th June 2025

"Stay LONG SPX - Tighten Stop Loss"

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 to 6,105 (from 6,050 yesterday).

Rationale

Liquidity in markets continued to improve yesterday. In particular, the rates market priced in more easing at the front end of the curve. There are now 60bps of Fed cuts expected over the course of the rest of this year, followed by 73bps next year (FIGs 1e & 1f). Treasury yields were lower across the curve, with 10 year yields moving further below their 200 day moving average (FIG 1g). Consistent with that, the market chatter is that the Fed will turn more dovish once Powell has been replaced (with Trump potentially announcing his pick early/ahead of schedule).

Elsewhere, **price action in risk assets was strong**, aided by a new local low in the US dollar (DXY). Various commodities performed well (e.g. copper: +3.1%, FIG 1), sovereign spreads tightened (e.g. see FIG 1a), and global equities made a new record high (e.g. see the DJ Global Equity Index). In the US, almost all of the major indices we track closed higher, with the NASDAQ100 pushing further above its highs from February and last December (FIG 1d). This morning the S&P500 is trading at 6,210 (September futures) and therefore 70 points (1.1%) away from its record high (FIG 1c).

Given that move higher in risk assets yesterday, our short term models have (continued to) move towards their SELL thresholds. Risk appetite models, for example, are close to SELL (FIGs 2 & 2a); technically equities are close to overbought levels (FIG 2b & 2c); downside put protection has been largely removed from portfolios (FIGs 2d & 2e); while sector and single stock models have also moved higher (albeit they remain NEUTRAL, see FIGs 3 – 3b). Elsewhere our SELL-off indicator has begun to build to relatively high levels (currently on a reading of +16). At +20 it warns of a wave of risk aversion in global markets (i.e. potentially in 4 trading days' time). The SELL message from our models is therefore brewing.

In up-trending markets, though, when the SELL-off indicator is BUILDing towards a +20 warning signal, it typically pays to **stay with LONG positions, at least until there's a clear and 'across the board' SELL signal from the models**. That's not currently the case. The risk reward therefore favours staying with the current position.

With models starting to move towards SELL, though, we recommend a tighter stop loss at 6,105 (i.e. just below the top of the recent sideways trading range, from mid-May to late June). See above for detailed recommendation.

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

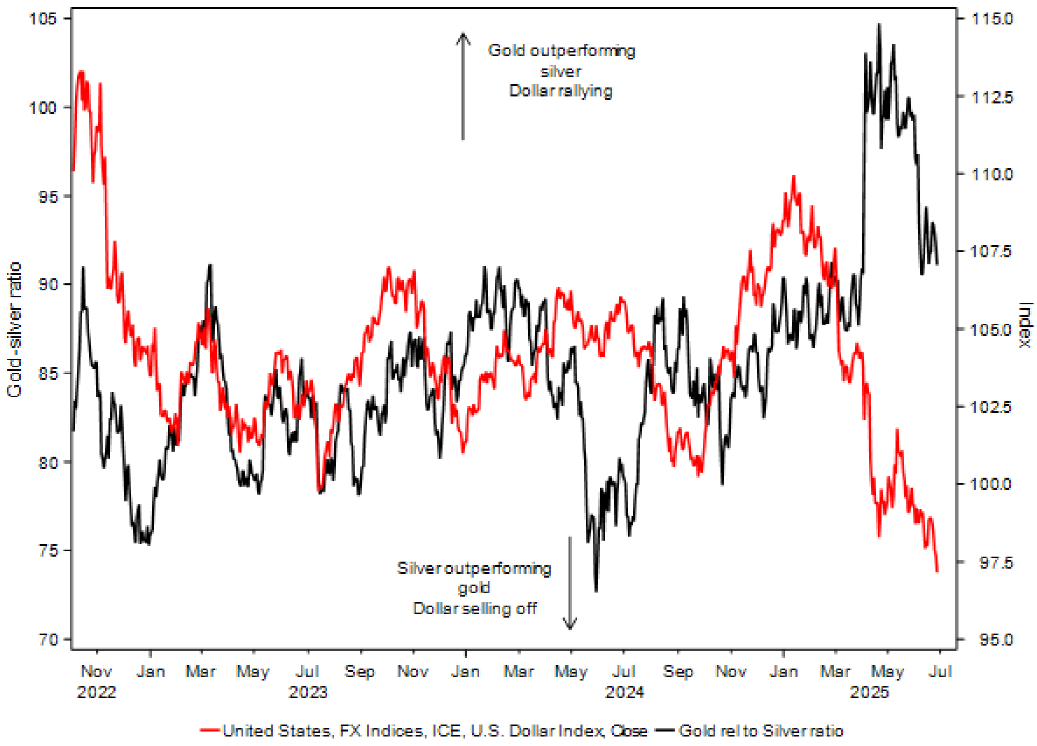
Kind regards,

The team @ Longview Economics

FIG 1: Copper futures (first quarterly position), USD/lb, shown with 50 & 200 day moving averages

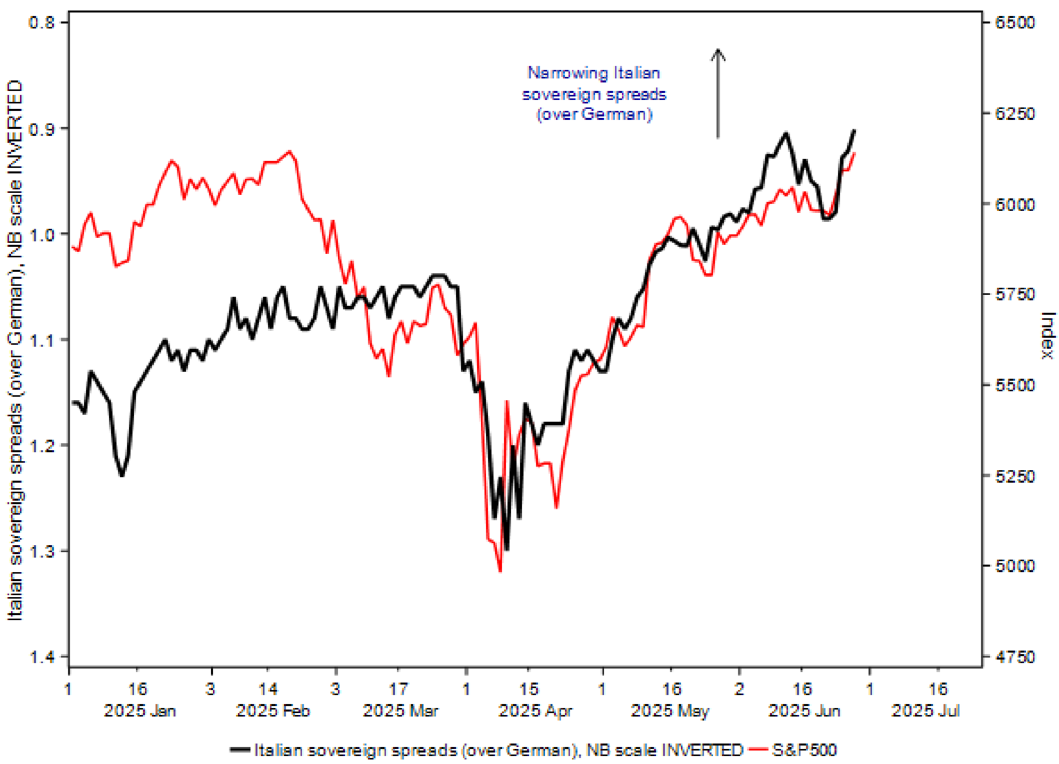
Source: Longview Economics, Macrobond

FIG 1: Gold-silver ratio vs. US dollar index (DXY)



Source: Longview Economics, Macrobond

FIG 1a: Italian sovereign spreads over BUNDs (inverted) vs. S&P500



Source: Longview Economics, Macrobond

FIG 1b: S&P500 September futures 10 day chart, with overnight price action

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

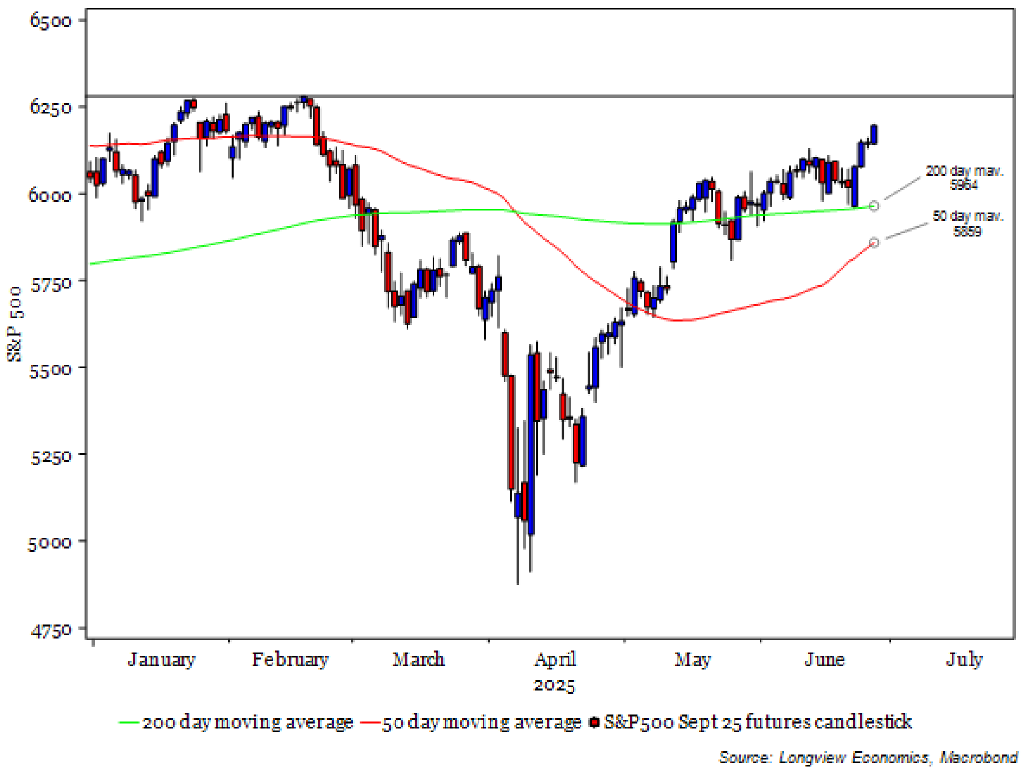
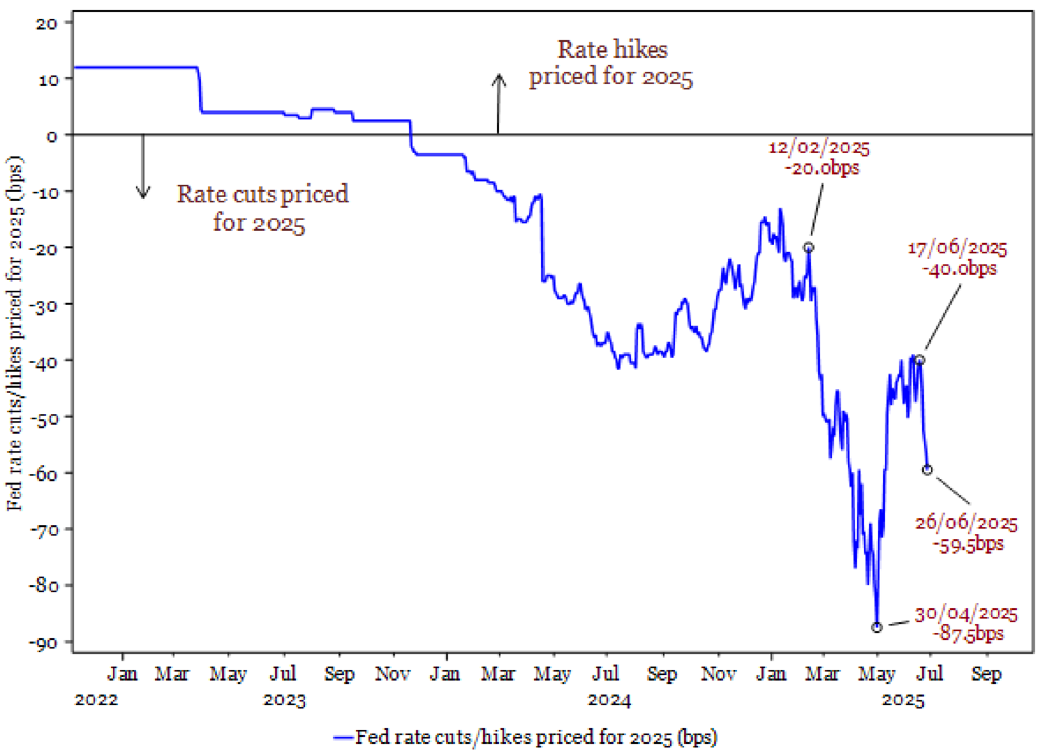


FIG 1d: NASDAQ100 cash index candlestick, shown with its 50 day moving average

Source: Longview Economics, Macrobond

FIG 1e: Fed rate cuts/hikes priced for the remainder of 2025 (bps)



Source: Longview Economics, Macrobond

FIG 1f: Fed rate cuts/hikes priced for 2026 (bps)

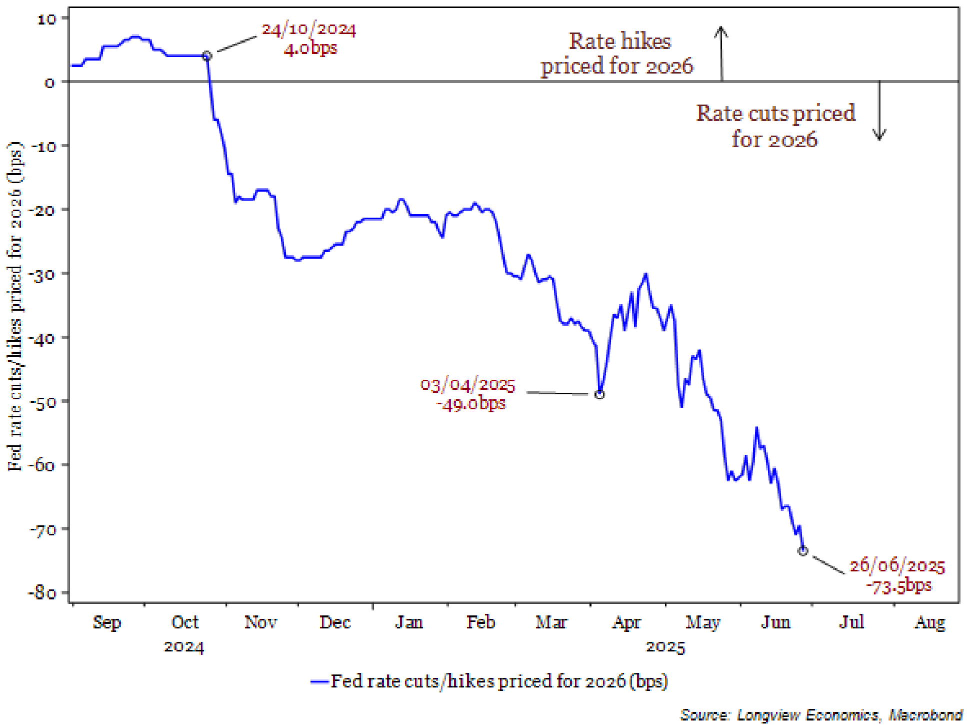


FIG 1g: US 10 year Treasury yield (%), shown with 50, 90, & 200 day moving averages

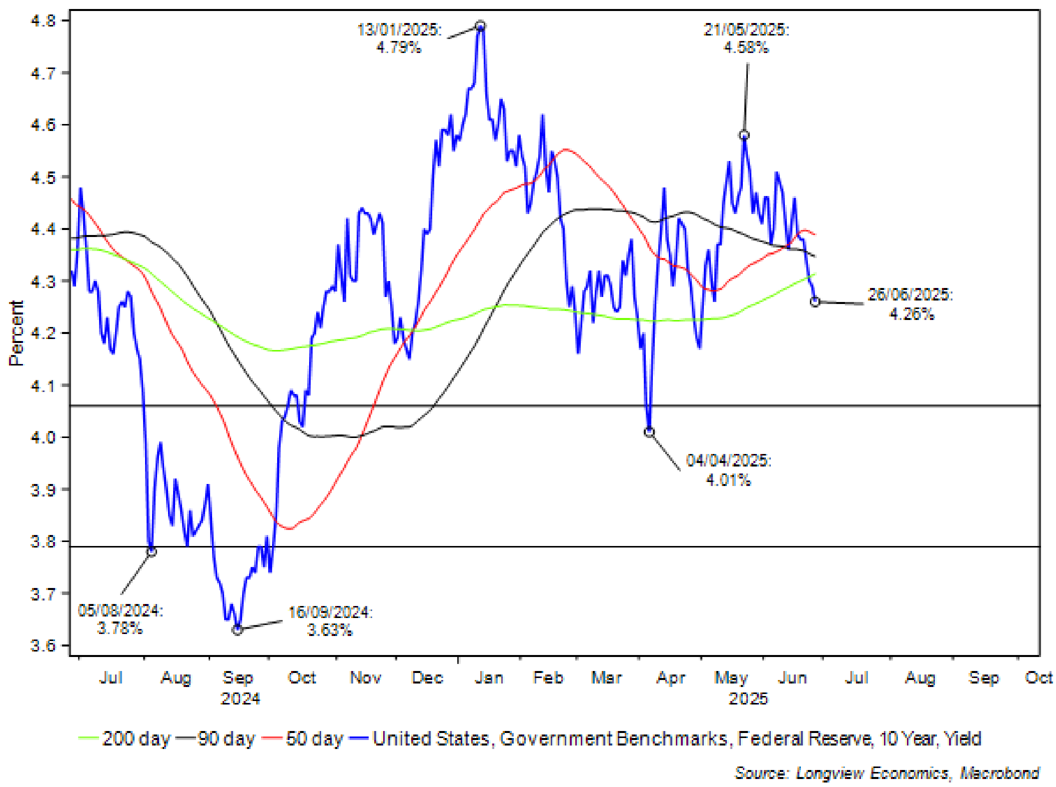
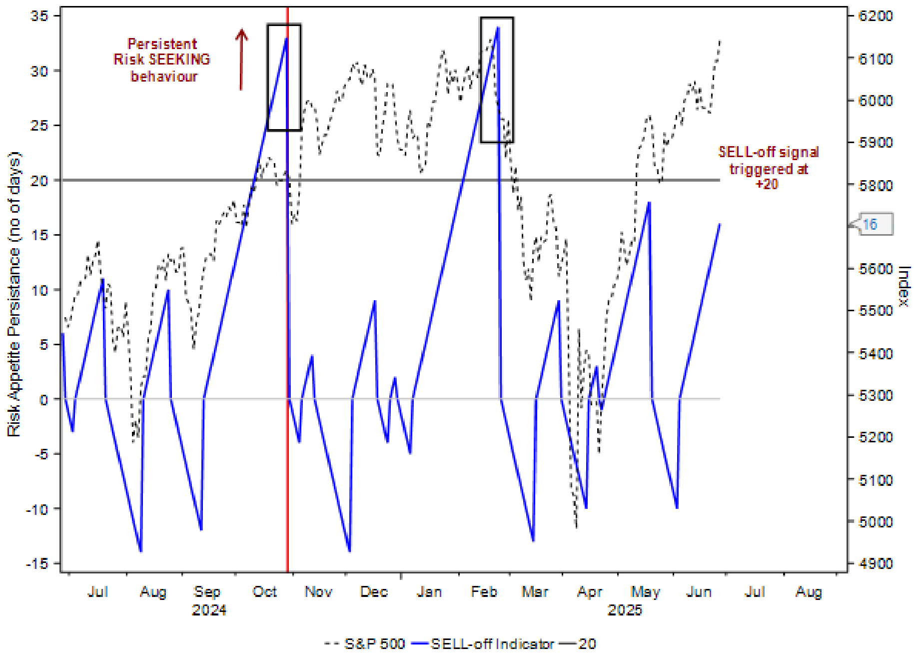


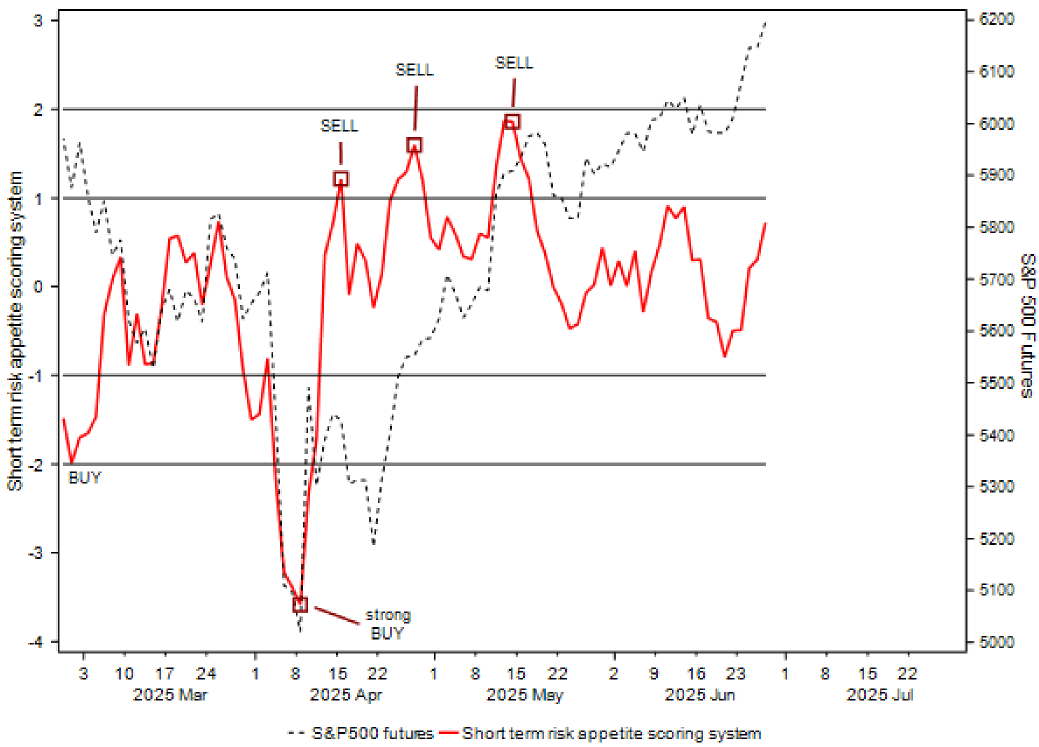
FIG 1h: Longview SELL-off indicator vs. S&P500



Source: Longview Economics, Macrobond

Short term models are mostly NEUTRAL (but moving higher/approaching SELL levels)……

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

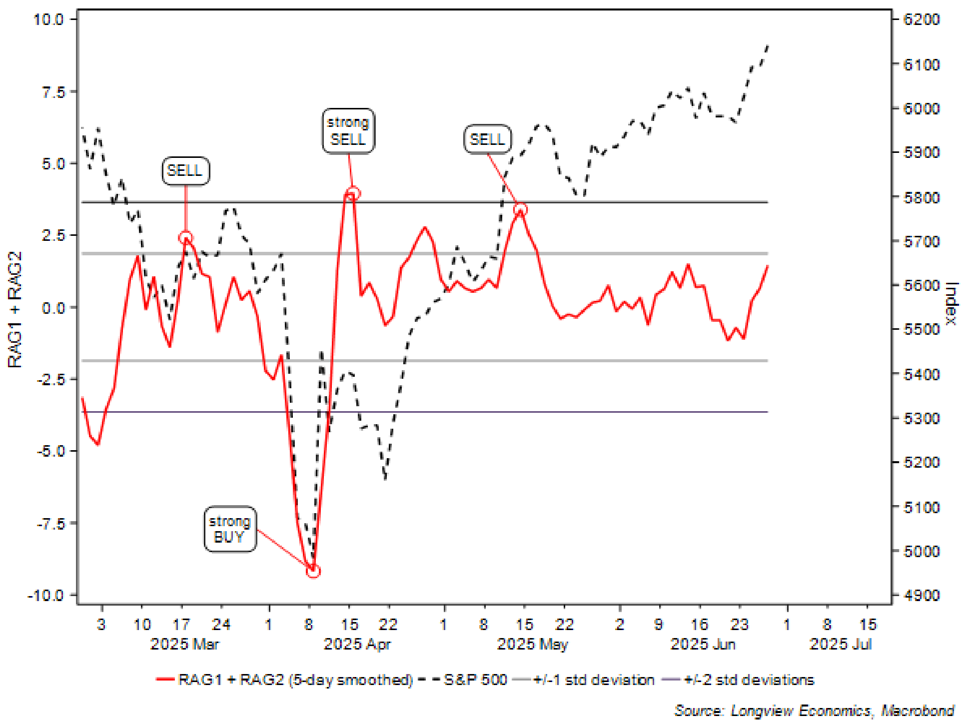


FIG 2b: Longview S&P500 **short term 'technical'** scoring system vs. S&P500 futures

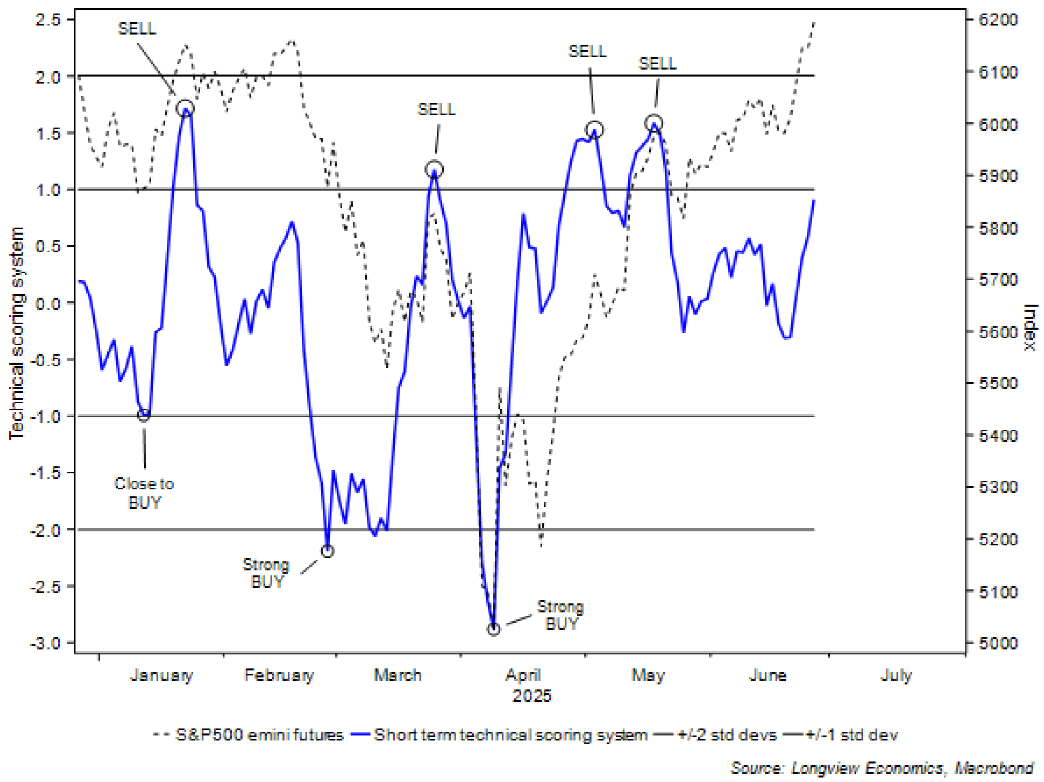


FIG 2c: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures

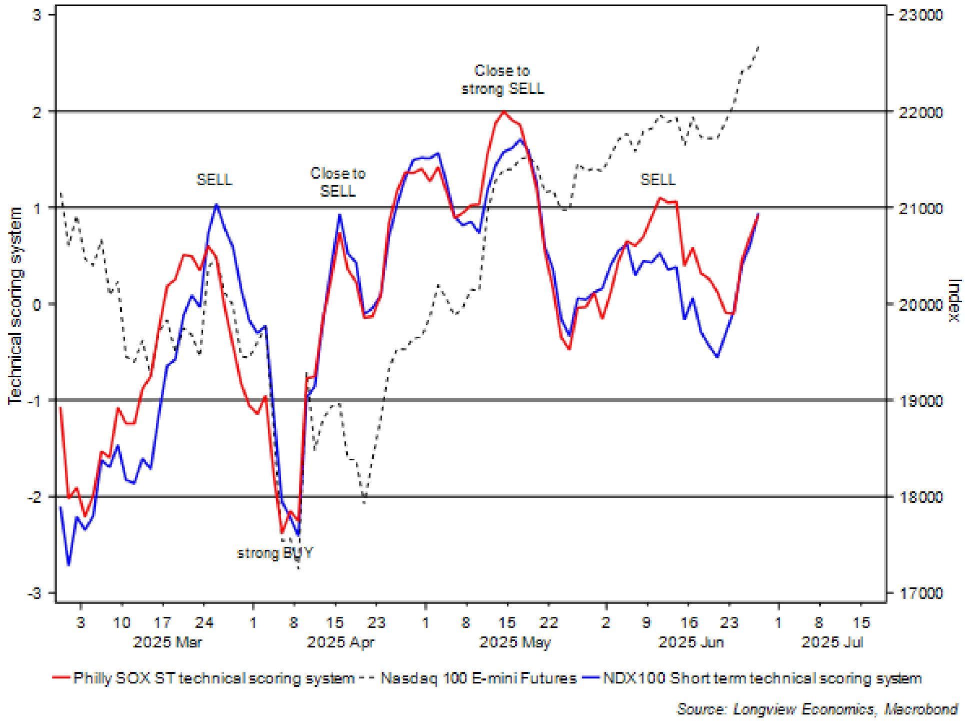


FIG 2d: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

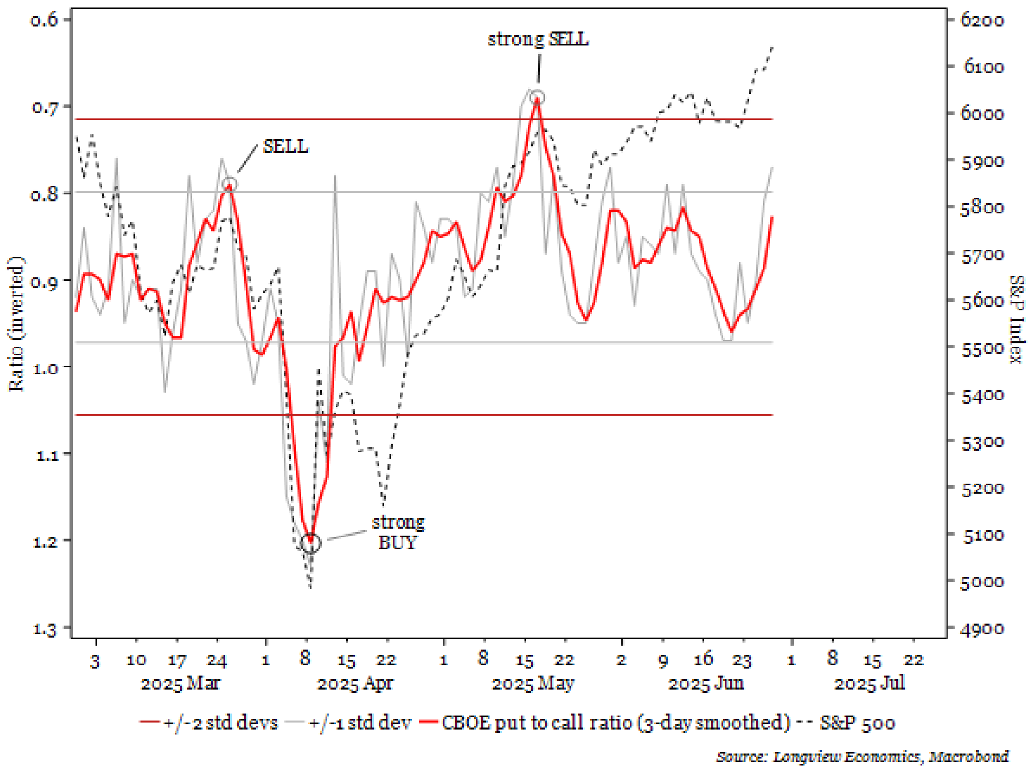
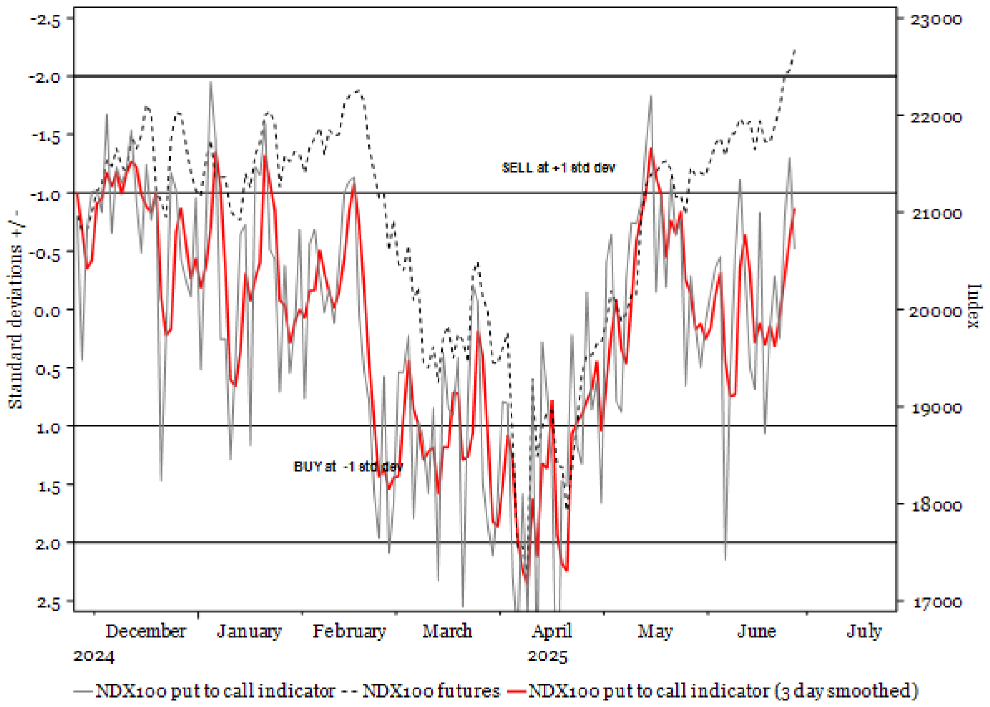


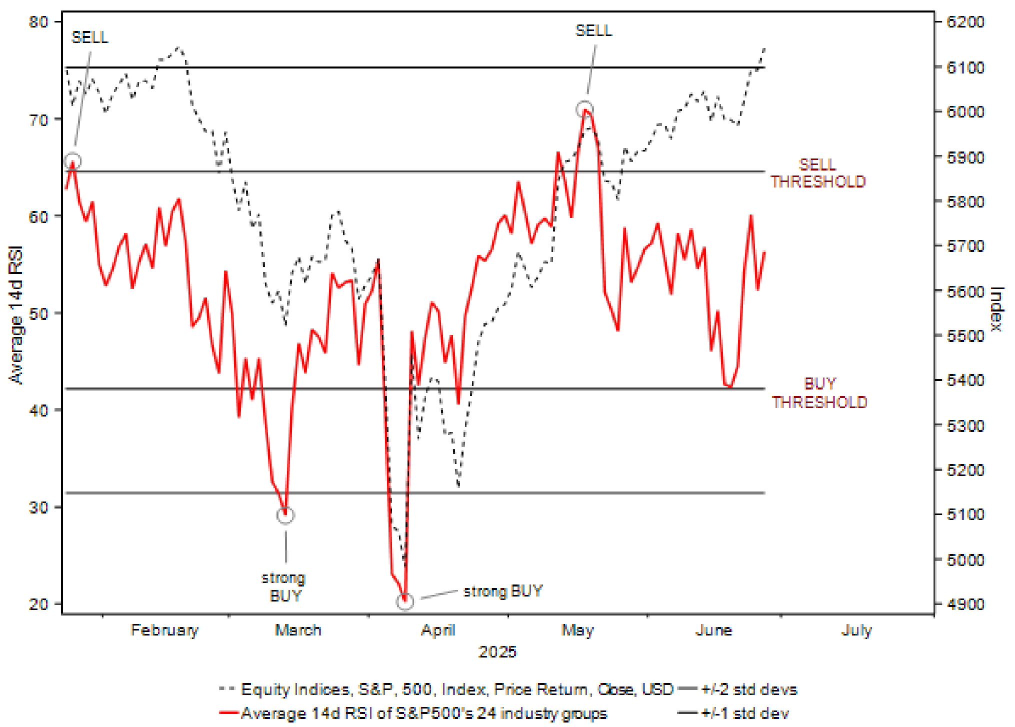
FIG 2e: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

Sector and single stock models are mid-range

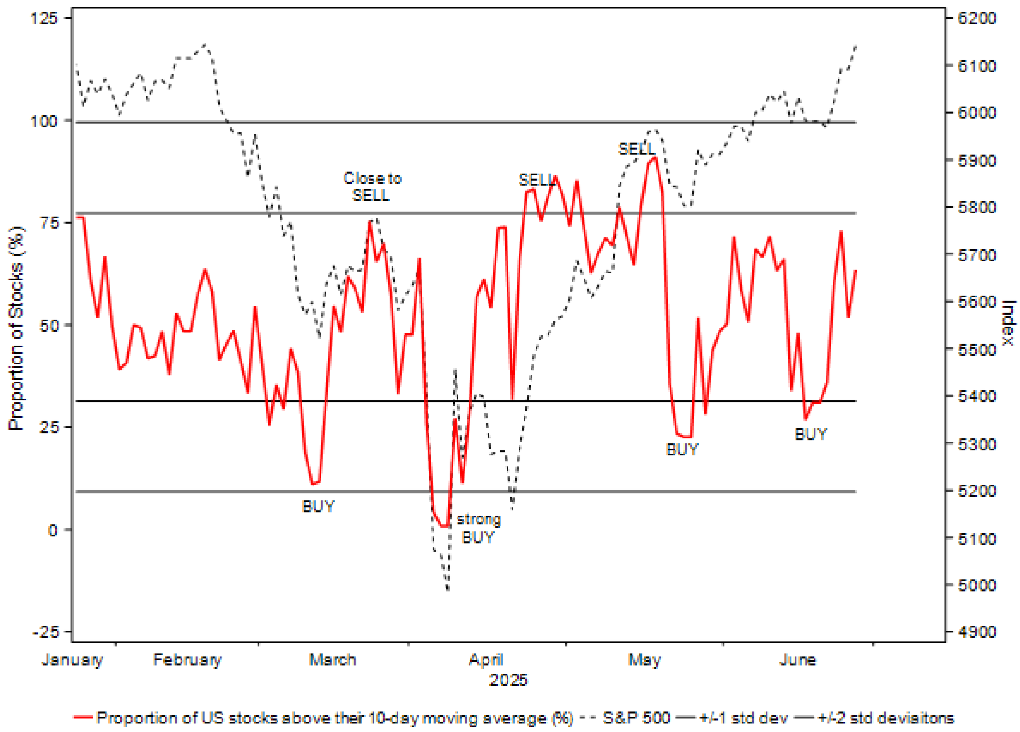
FIG 3: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

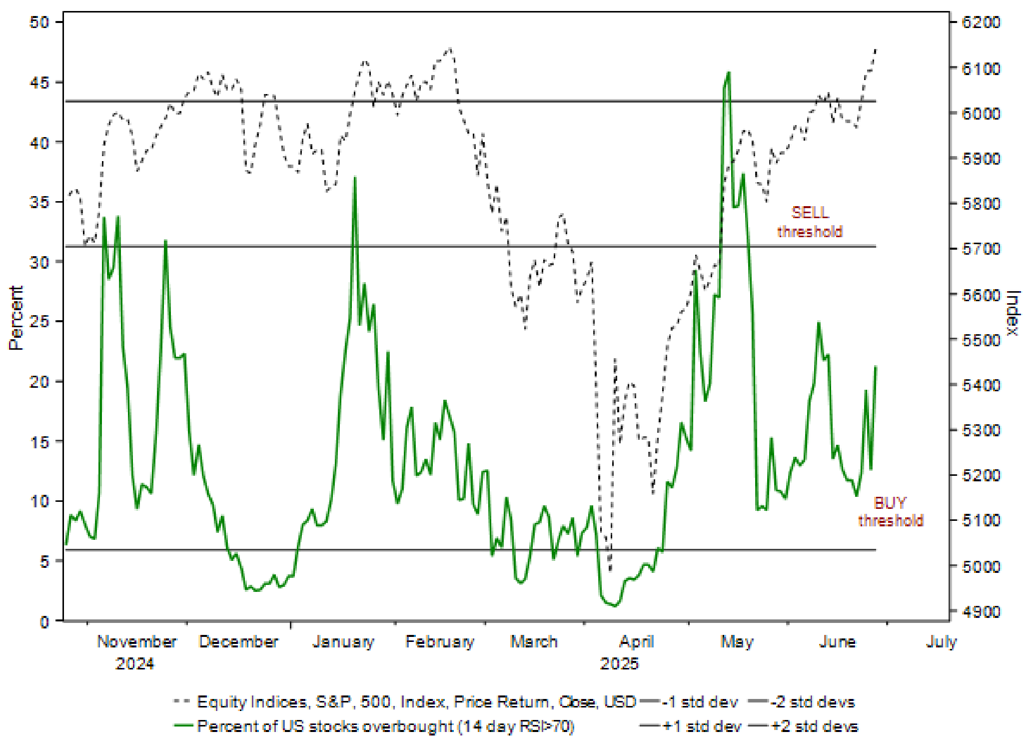
LVRAG Daily Risk Appetite Gauge

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)

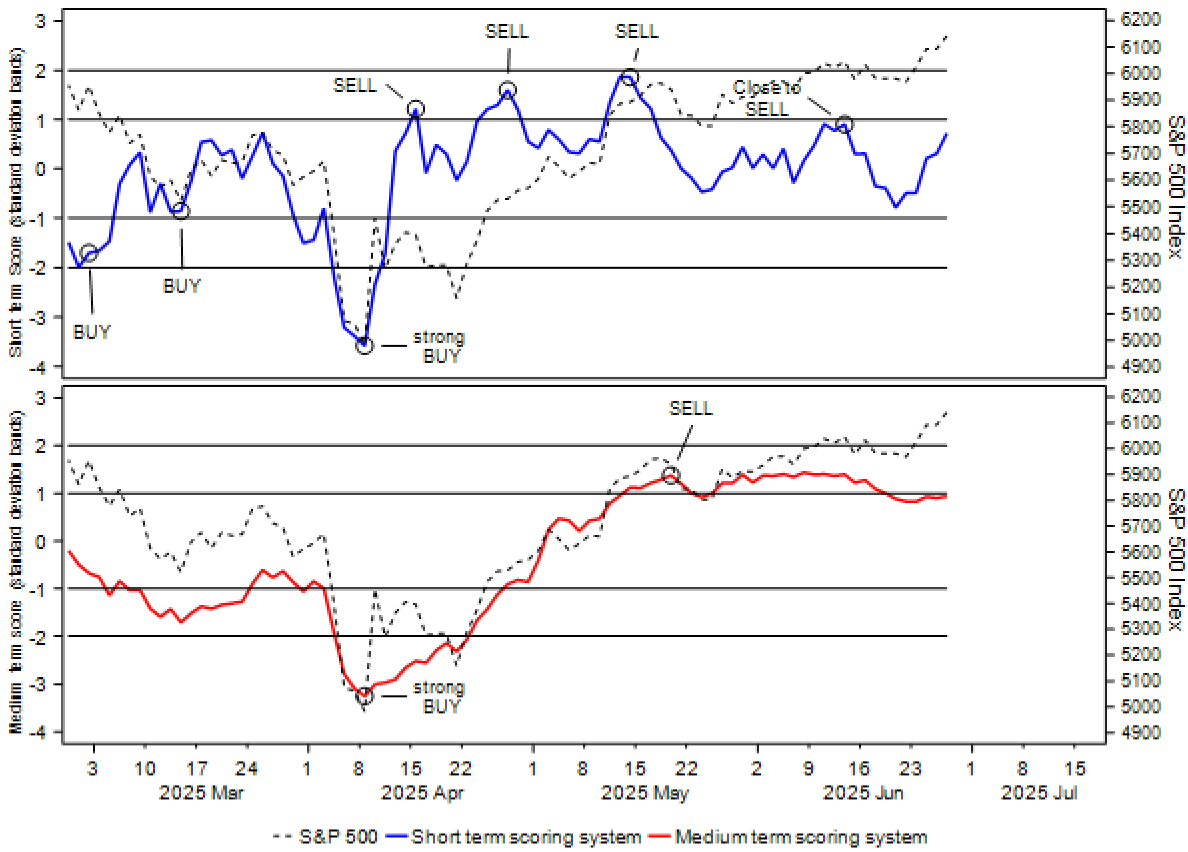


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

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 jobless rate (May, 12:30am); **Japanese retail sales** (May, 12:50am); Chinese industrial profits (May, 2:30am); **French headline CPI** (June first estimate, 7:45am); French PPI (May, 7:45am); French consumer spending (May, 7:45am); **Spanish CPI** (June first estimate, 8am); Spanish retail sales (May, 8am); Italian ISTAT consumer & manufacturing confidence (June, 9am); Eurozone consumer confidence (June final estimate, 3pm); Italian industrial sales (Apr, 10am); Italian PPI (May, 11am); **US personal income & spending including headline & core PCE** (May, 1:30pm); Canadian GDP (Apr, 12:30pm); US Michigan Sentiment (June final estimate, 3pm); US Kansas City Fed service sector activity (June, 4pm).

Key events today include: Speeches by the ECB's Villeroy in Paris (8:30am) & Rehn at the Bank of Finland (12pm); the Fed's Hammack & Cook participate in Fed Listens (2:15pm).

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

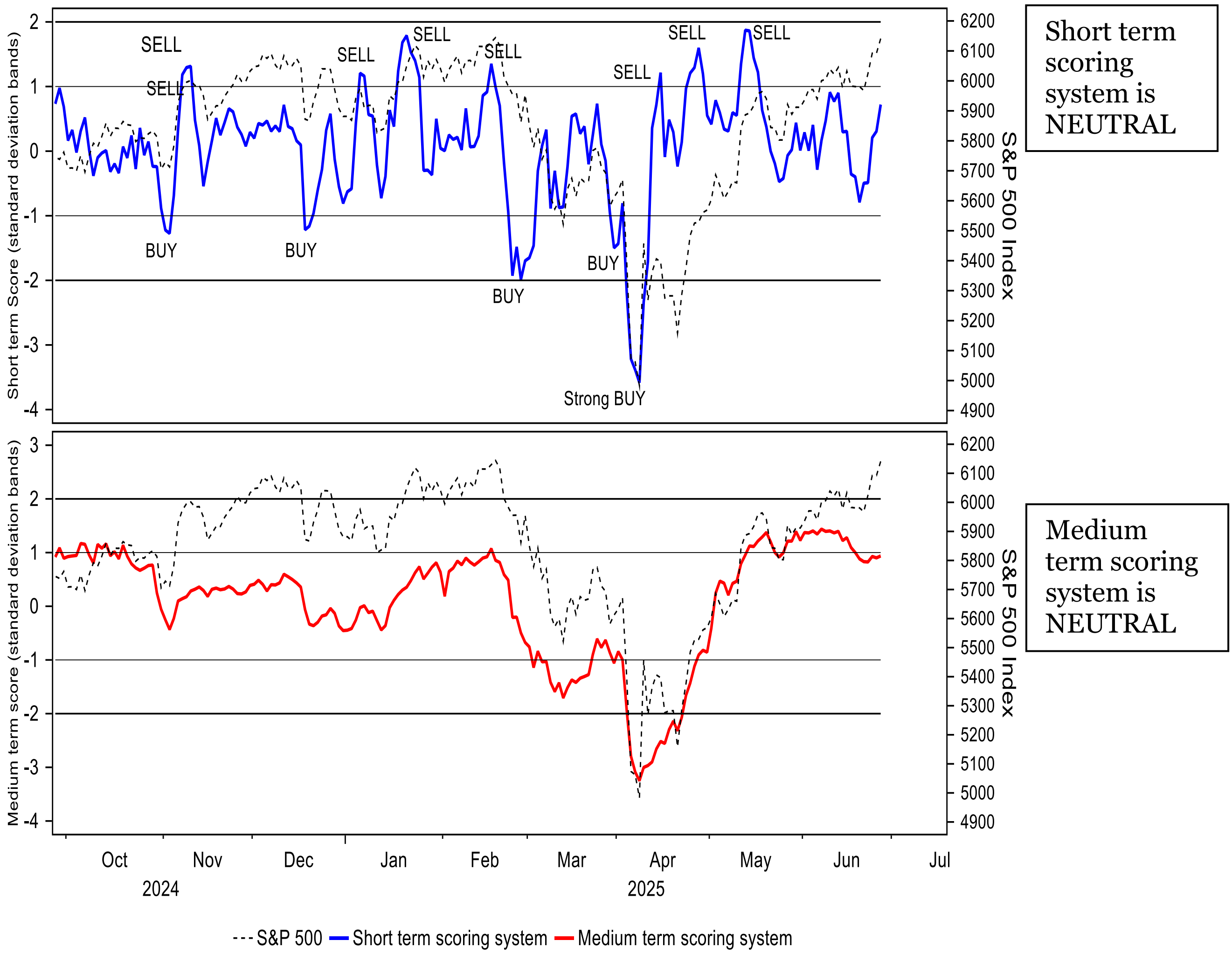
1 – 2 Week View on Risk

27th 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



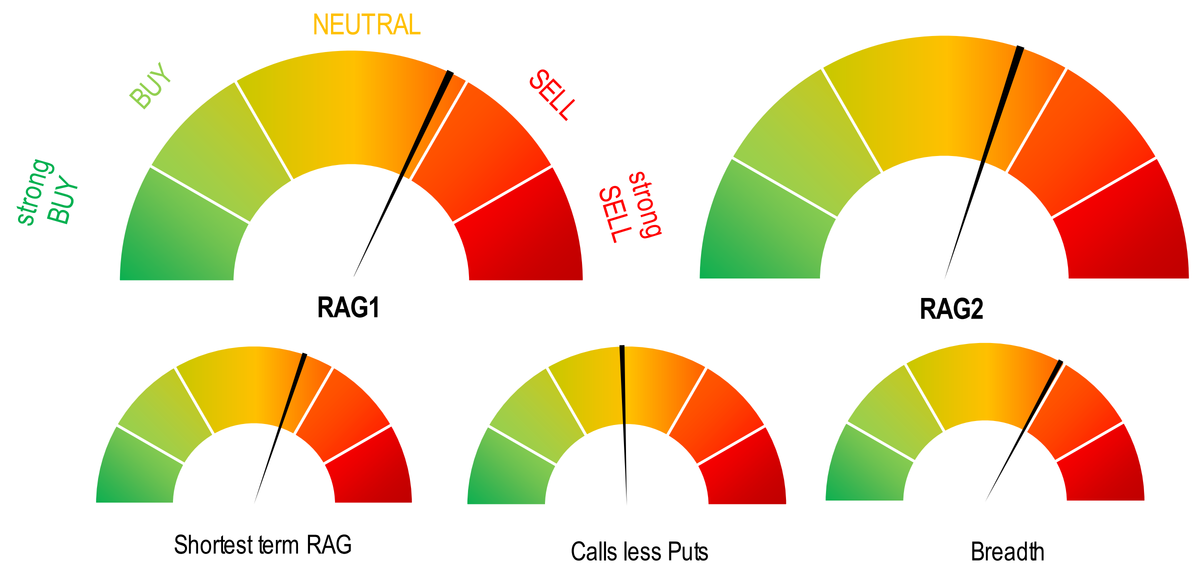
Source: Longview Economics, Macrobond

*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

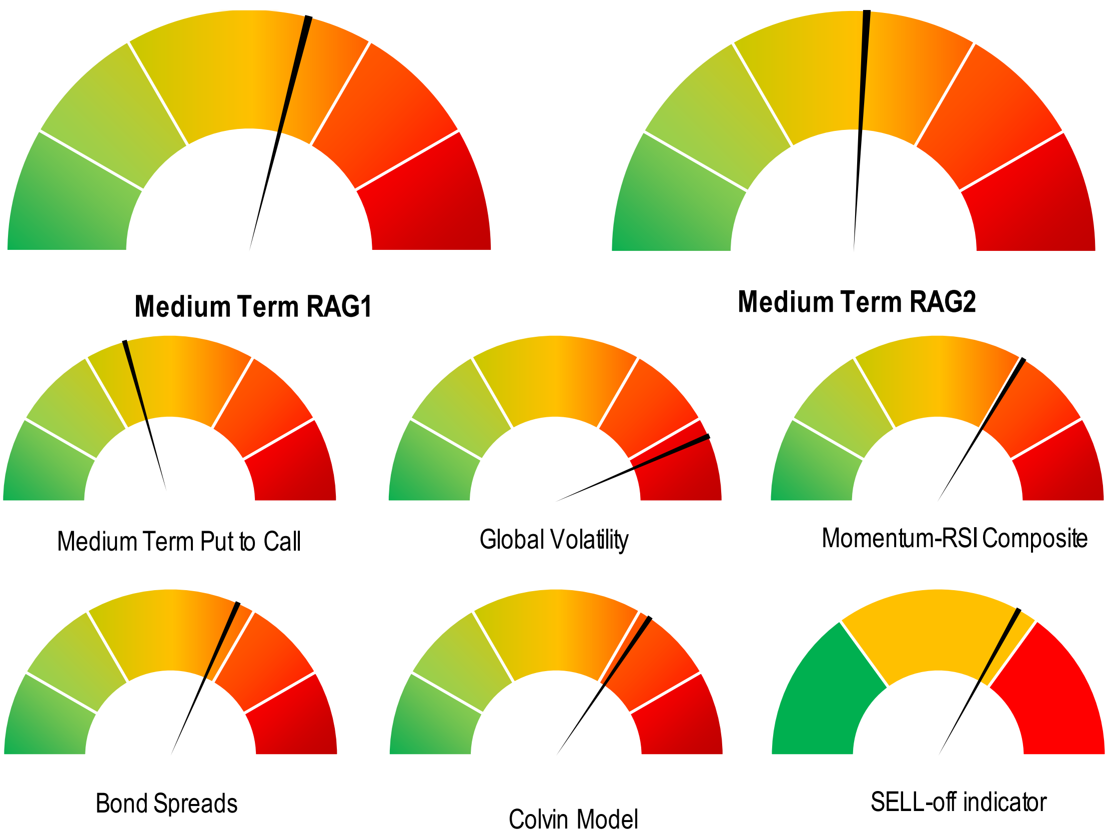
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

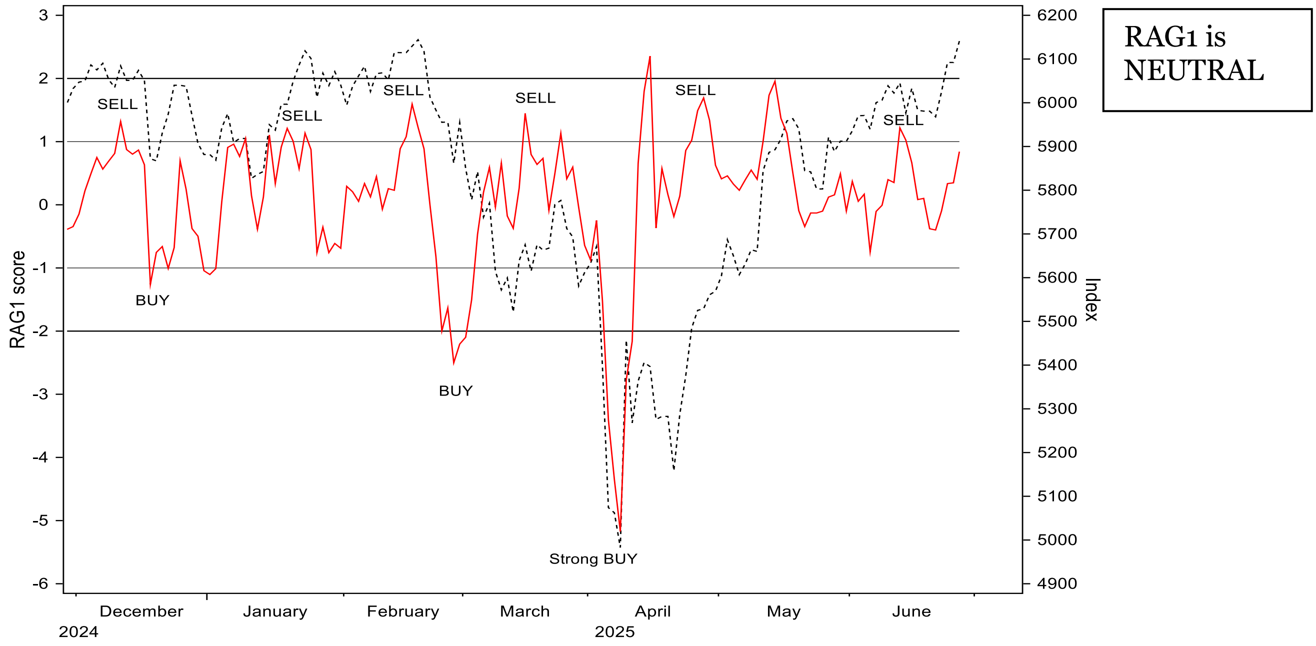
Fig 1b: Medium term models – shown as gauges using standard deviation bands



Source: *Longview Economics*
**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

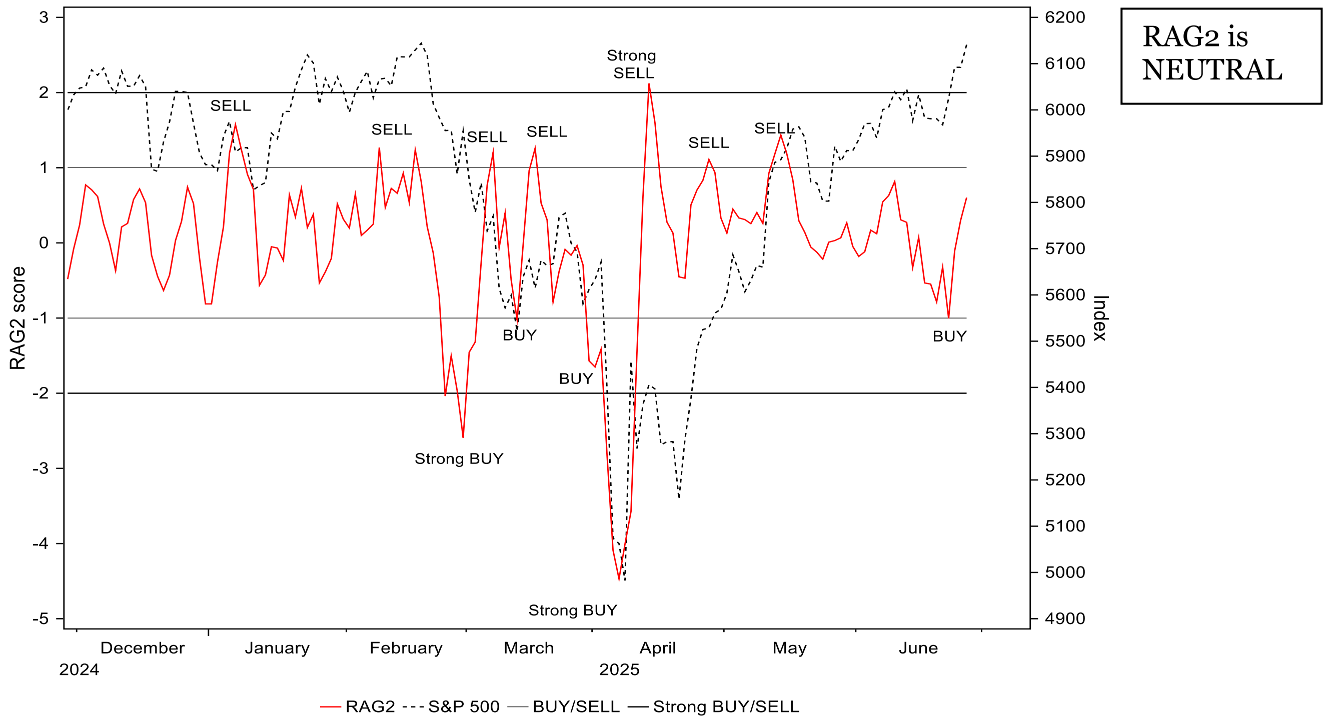
Section 2: Short term (1 – 2 week) trading models

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



Source: Longview Economics, Macrobond

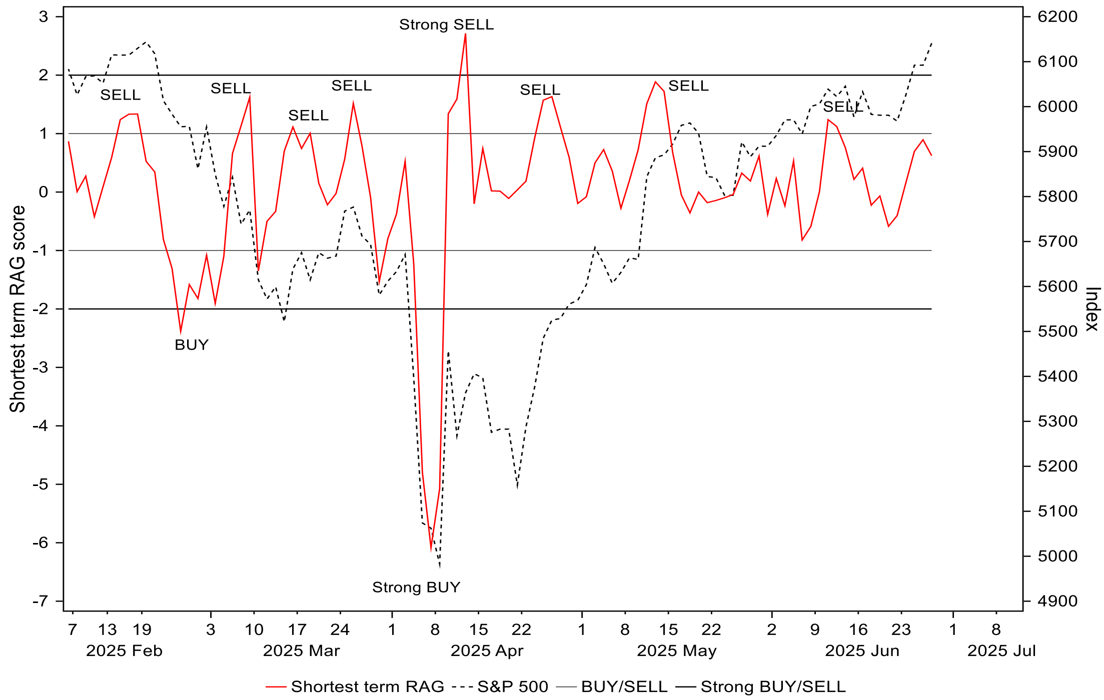
Fig 2b: RAG 2 vs. S&P 500



Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

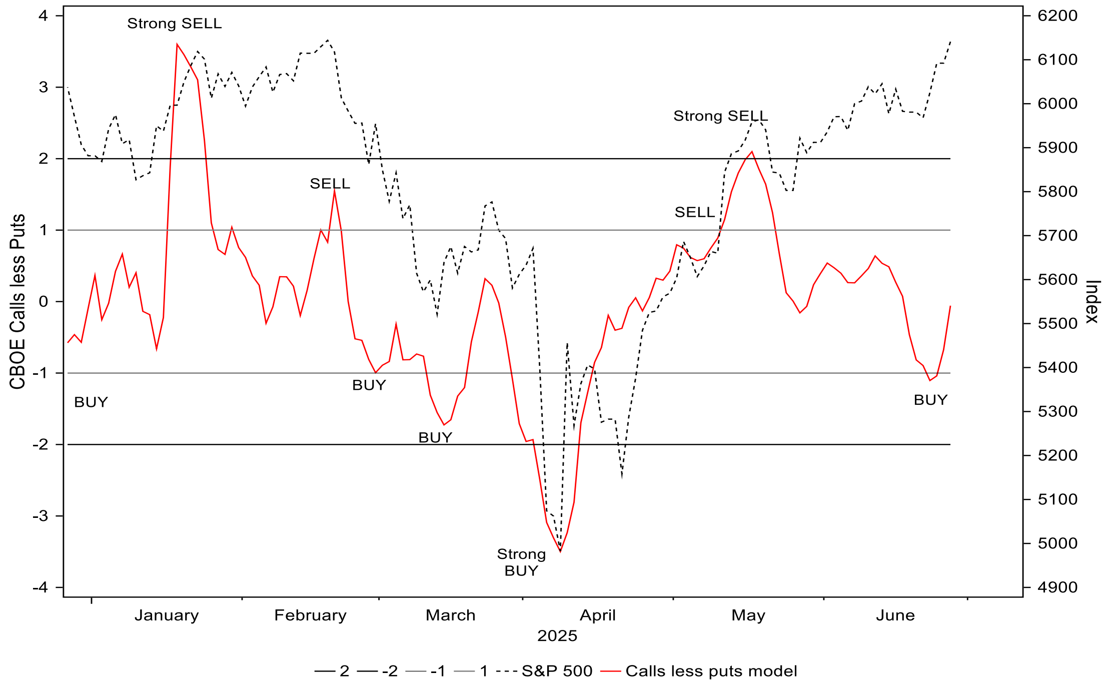
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

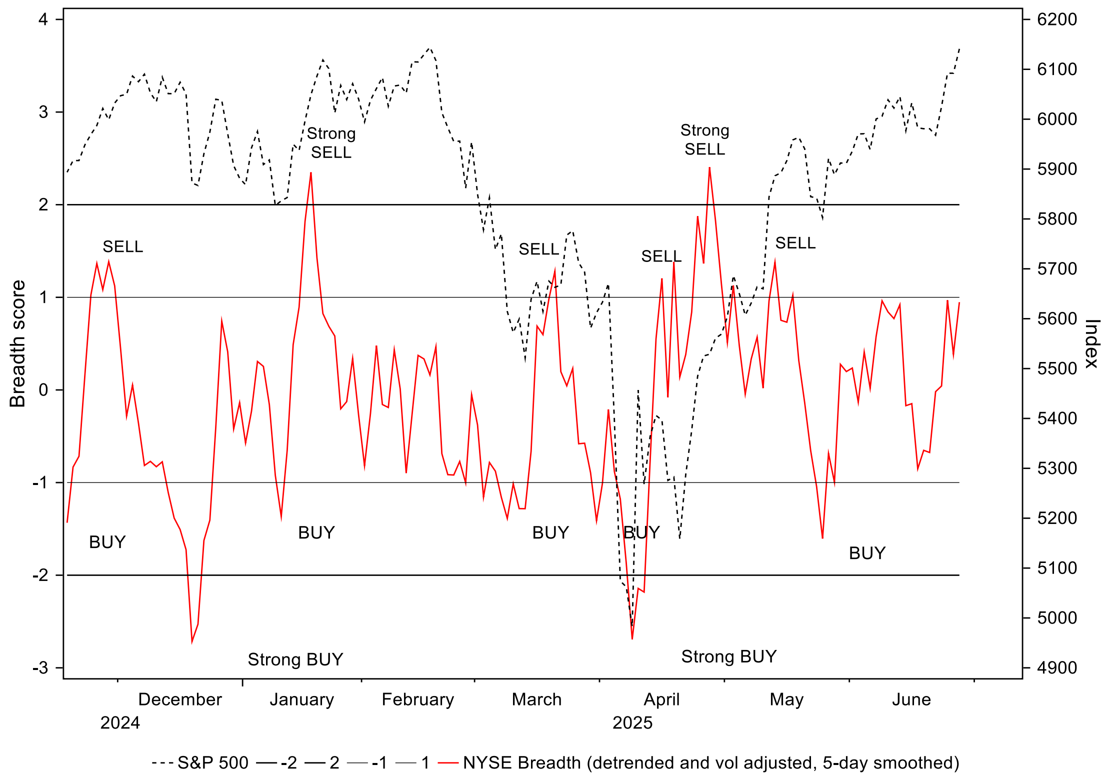


Calls less puts model is NEUTRAL

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



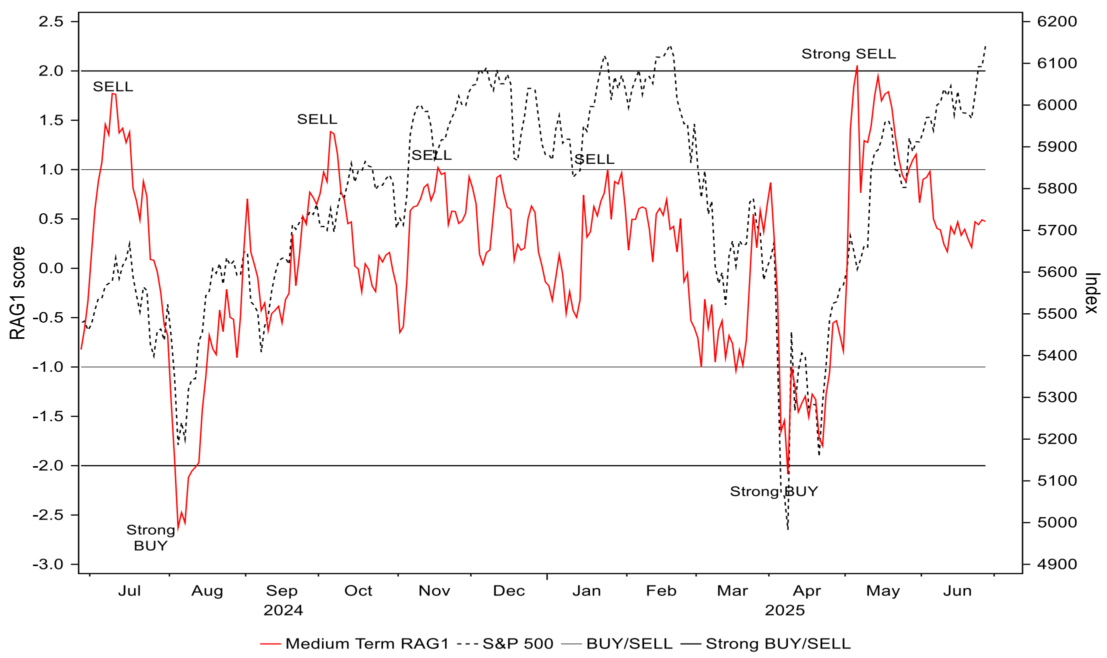
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

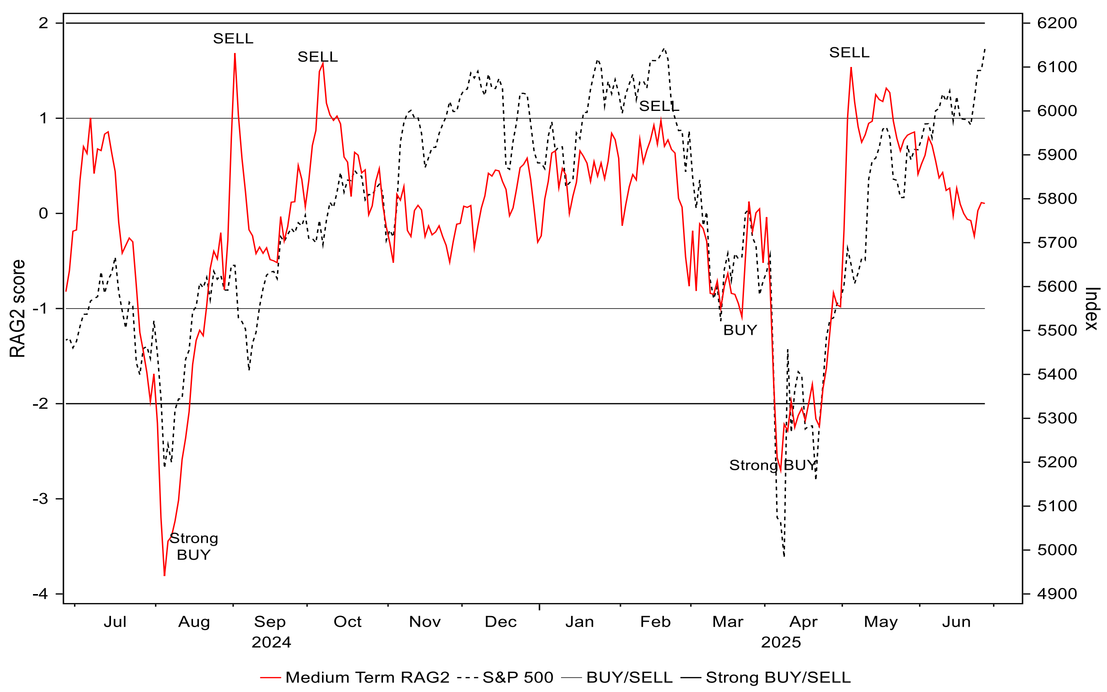
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

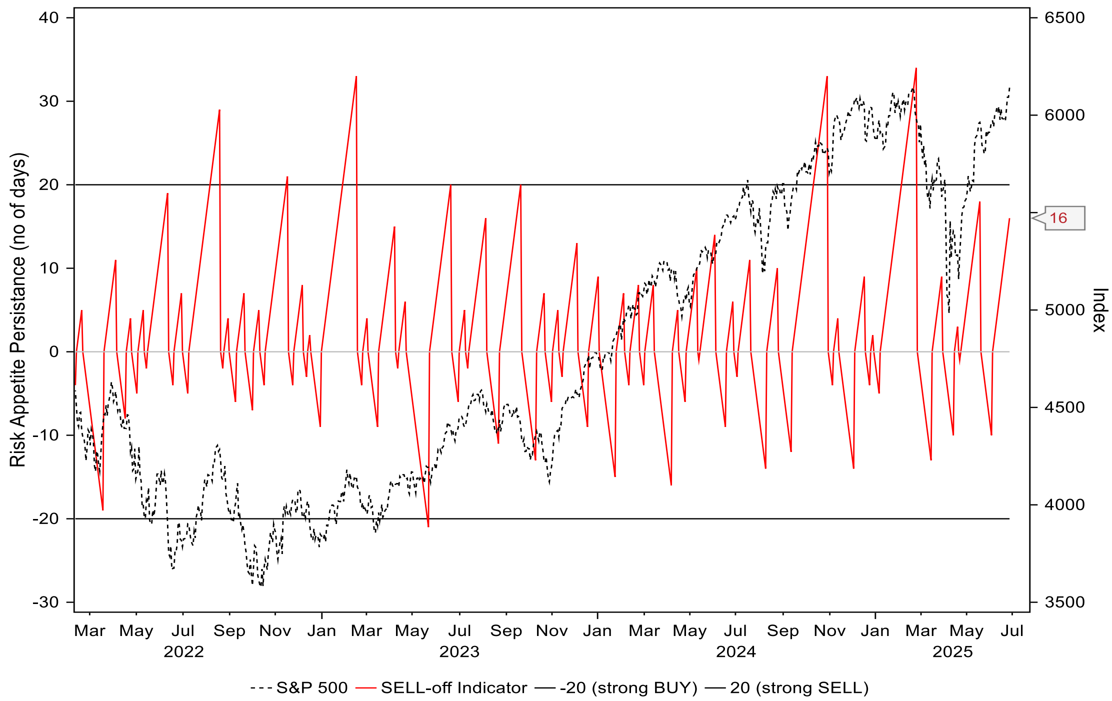


Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

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

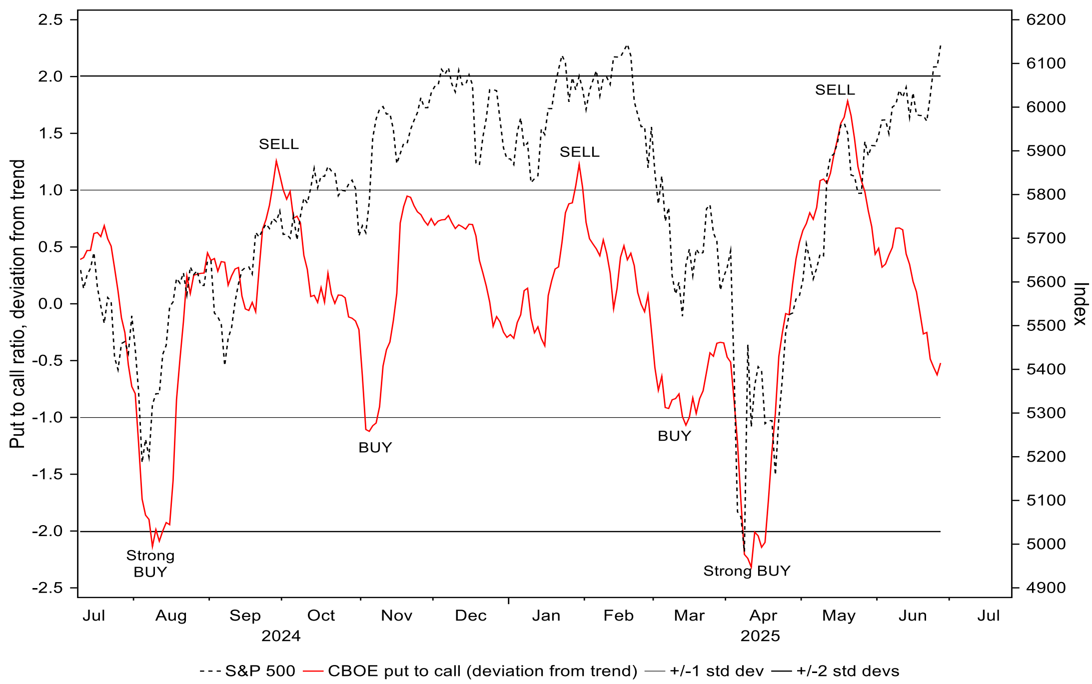


Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

(@ +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

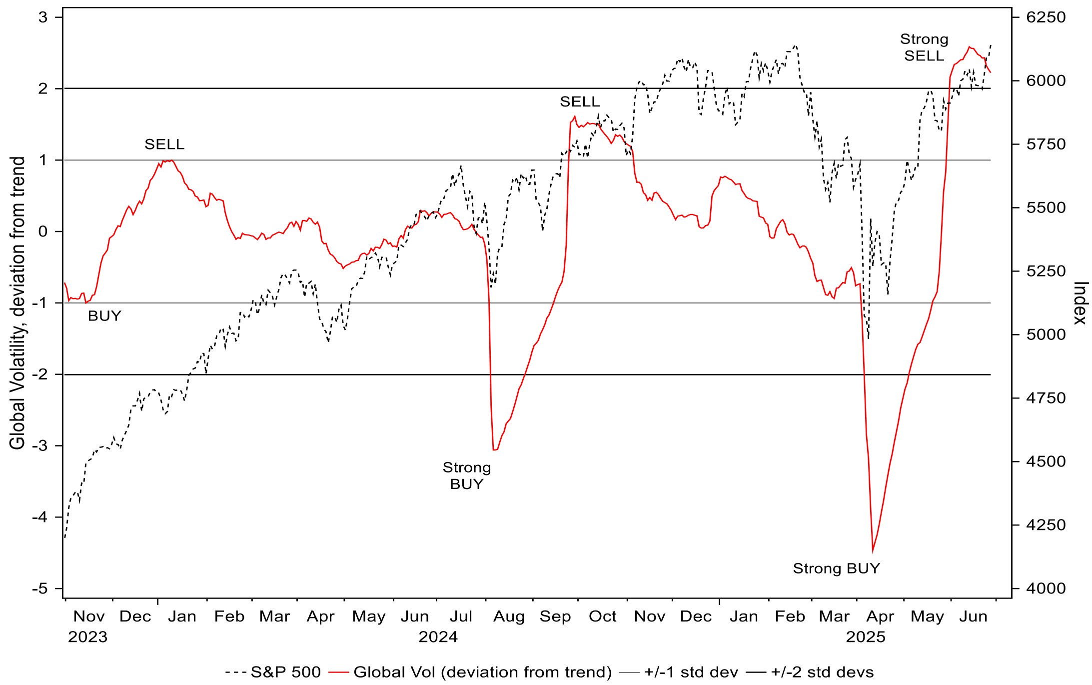


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

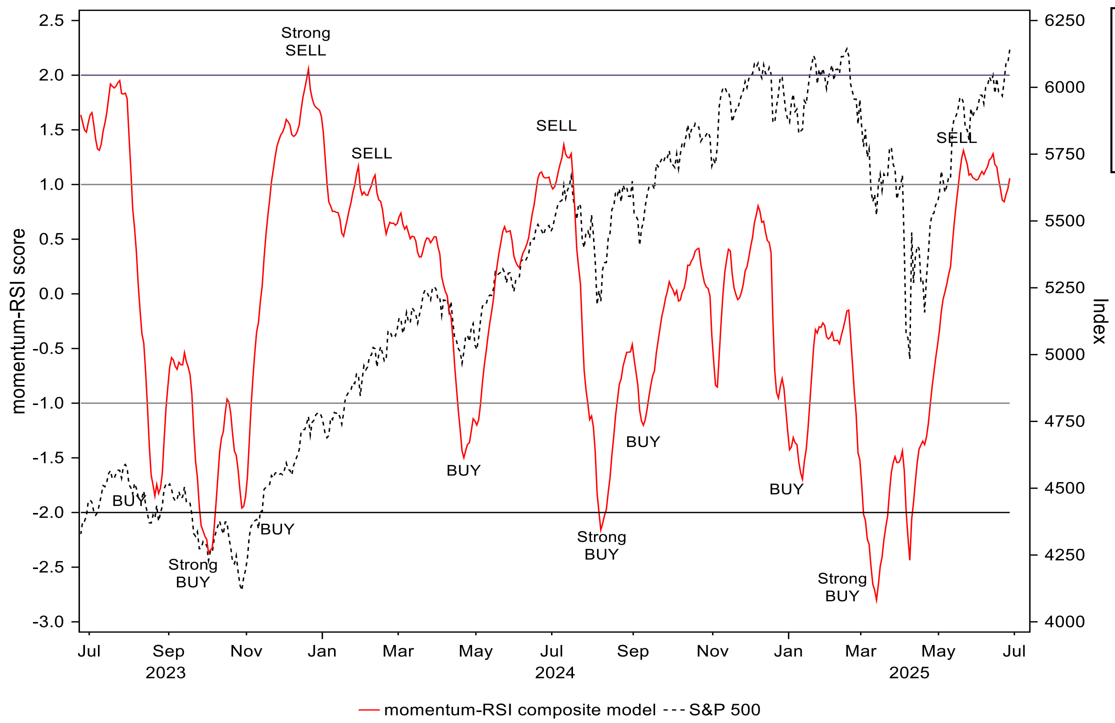
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is on Strong SELL

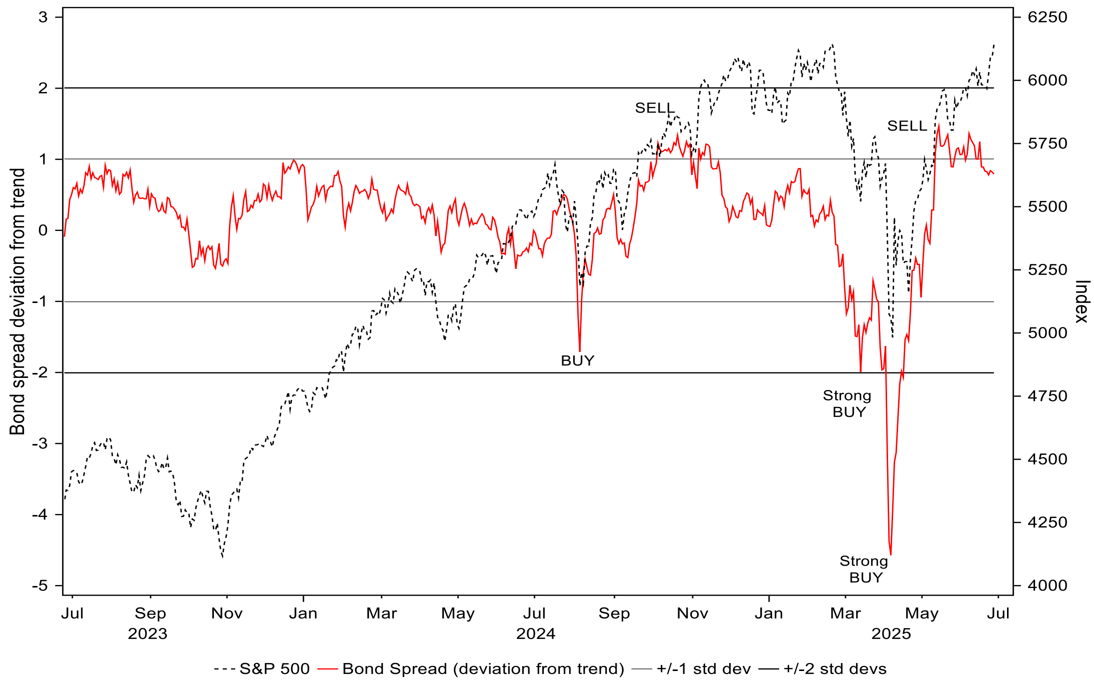
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is on SELL (just)

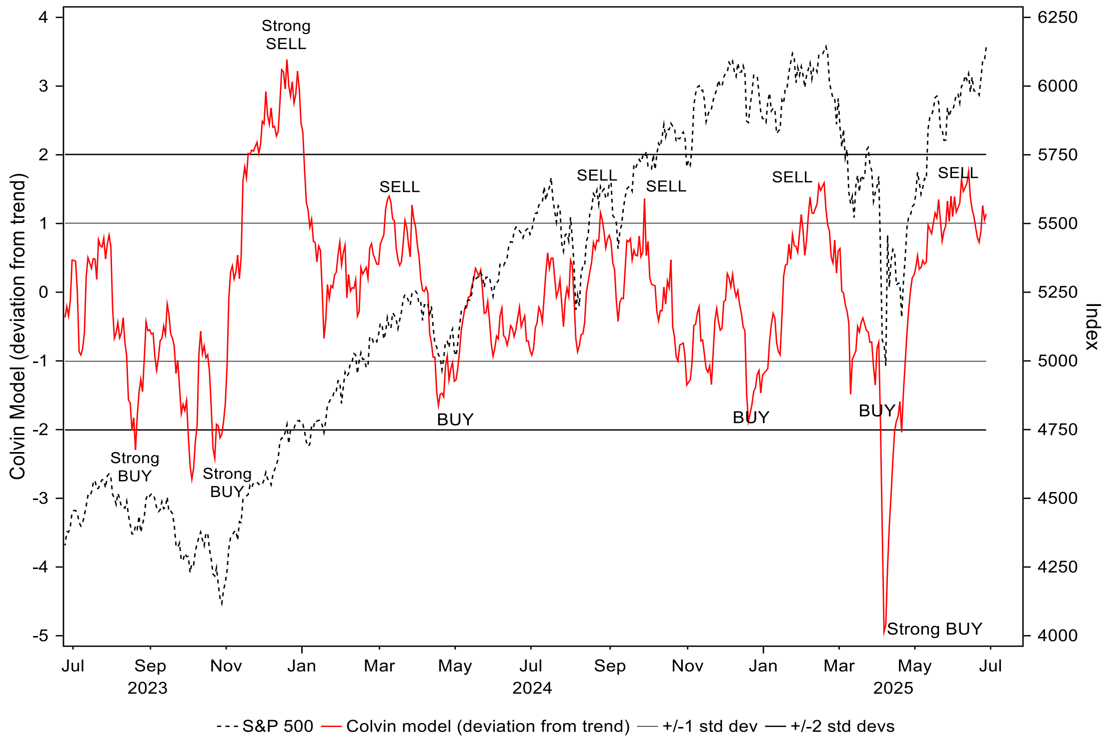
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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.

Disclaimer

Any disclosure or use, distribution, dissemination or copying of any information received from Longview Economics Ltd. is strictly prohibited, whether derived from the reports or from any oral or written communication by way of opinion, advice, or otherwise with a principal of the company; and such information is not warranted in any manner whatsoever; and is for the use of our clients and trial subscribers only. Longview Economics Limited will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law.

This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to the accuracy or completeness. All information and opinions as well as any prices indicated are current as of the date of this report, and are subject to change without notice. Some investments may not be readily realisable since the market in securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. Futures and options trading is considered risky. Past performance of an investment is no guarantee of its future performance. Some investments may be subject to sudden and large falls in values and on realisation you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

DailyRagTrader is an investment research report produced by Longview Economics Ltd which is an appointed representative of Messels Ltd which is authorised and regulated by the Financial Conduct Authority.

For professional clients only.