Equity Index Futures Trading Recommendations

6th June 2025

"Stay LONG SPX - ST Models Onside/Support Breakout Case"

Email: info@longvieweconomics.com

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

- Stay ½ LONG June S&P500 futures (entry was on Wednesday at 5,982.75);
- Retain unchanged stop at 5,863.0 (i.e. ~2% below entry).

Rationale

US equity markets mostly closed lower yesterday, with the S&P500 (-0.5%), Philly SOX (-0.5%); and NASDAQ100 (-0.8%) all declining on the session. Within the S&P500, the weakness was led by consumer discretionary (-2.5%), largely due to the sharp fall in Tesla's share price (-14.3%) following a public feud between Trump and Elon Musk (see HERE). As table 1 shows, Tesla accounted for most of the S&P's decline yesterday (18 points of the 31 point drop). Consumer staples was also weak (-1.2%), while most other S&P sectors were only modestly lower.

Elsewhere, though, the newsflow was reasonably positive. In particular, after a call with Xi, Trump reported that "we're in very good shape with China and the trade deal". He also accepted Xi's invitation to visit China. Key commodity prices were stronger (e.g. copper: +1.7%), as was the CNY (see FIG 1).

Western equity markets have opened higher this morning, with US indices up ~0.5%. They have therefore retraced most of yesterday's losses (e.g. see FIGs 1d & 1e). Intra-day the S&P500 traded above its recent trading range (albeit only just, see FIGs 1a & 1d) and, on a closing price basis, it remains above its 10 day moving average (FIG 1b). The price pattern in the NASDAQ100 is similar (FIG 1e), while the Philly SOX has continued to break out (above its recent trading range, see FIG 1c).

Our view remains unchanged from yesterday: After a multi-week consolidation in the S&P500, there's a good chance of an upside breakout in the index. Short term models, broadly speaking, support that expectation. That is, most are NEUTRAL at mid-range levels and therefore still have headroom before they reach their SELL thresholds. That includes our risk appetite, technical, momentum, breadth, and put to call models (shown in FIGs 2 – 2i). Of those, some are close to BUY levels (e.g. see shortest term RAG, FIG 2b).

The risk reward therefore favours staying LONG (please see above for detailed recommendation). Key (two way) risks today are multiple and include the nonfarm payrolls report for May. Please see below for a full list of key macro data and events.

Kind regards,

The team @ Longview Economics

Table 1: Largest negative contributors to yesterday's S&P500 price change (index points)

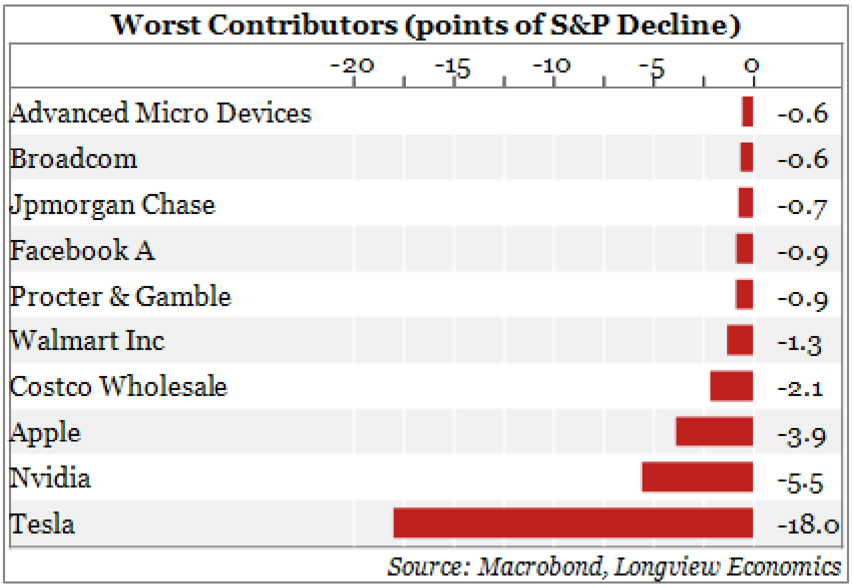


FIG 1: USD-CNH spot price (inverted) vs. copper price (USD/ton)

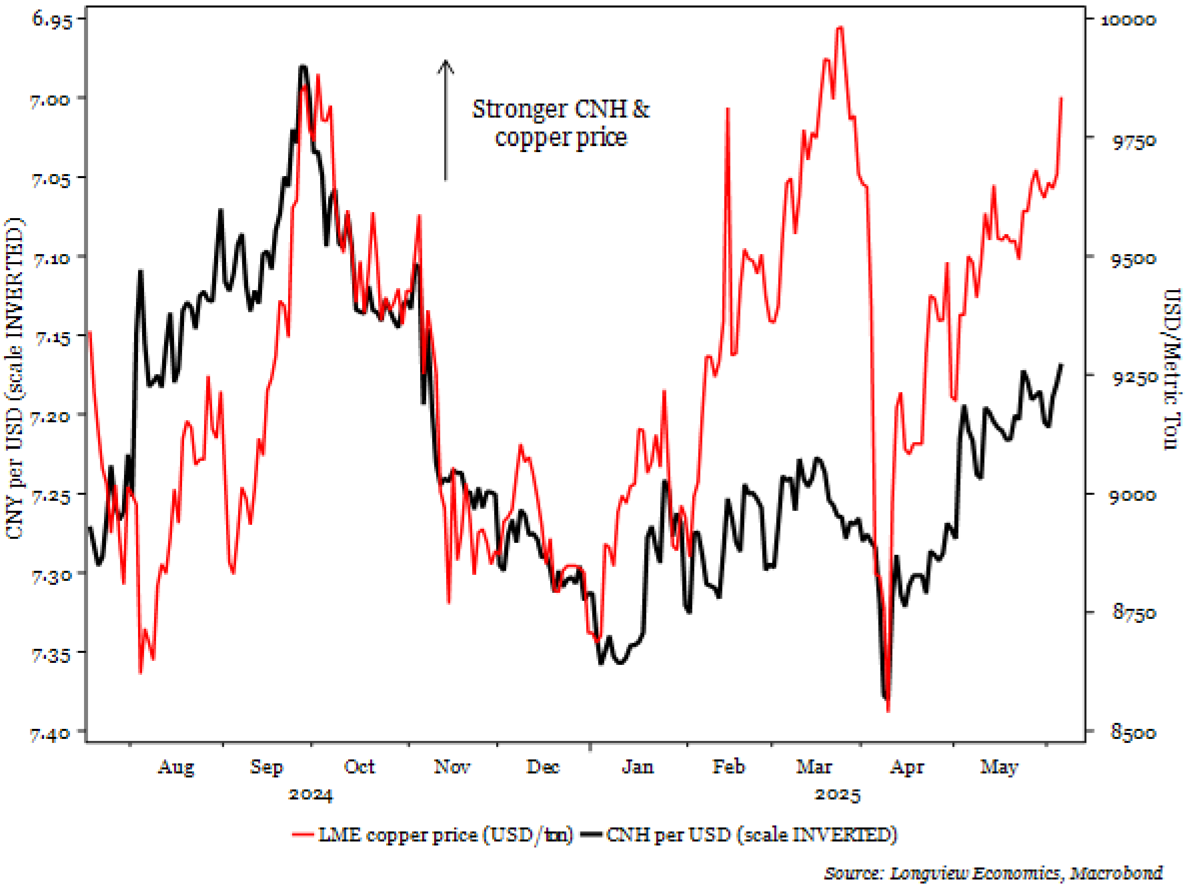
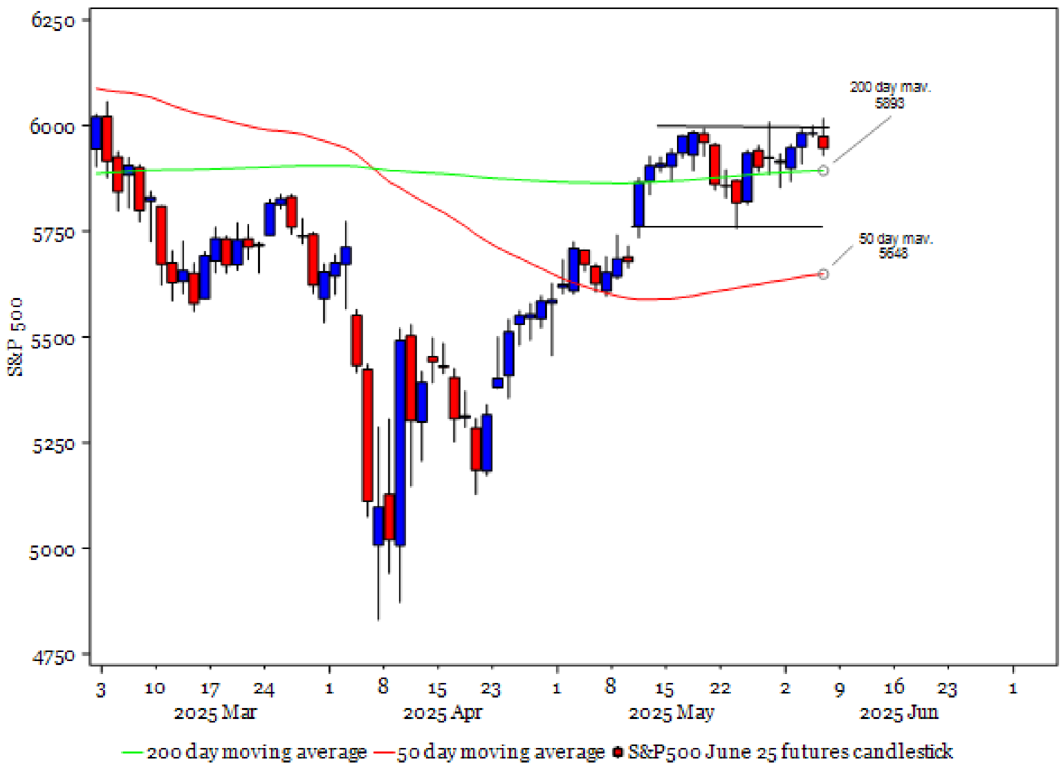
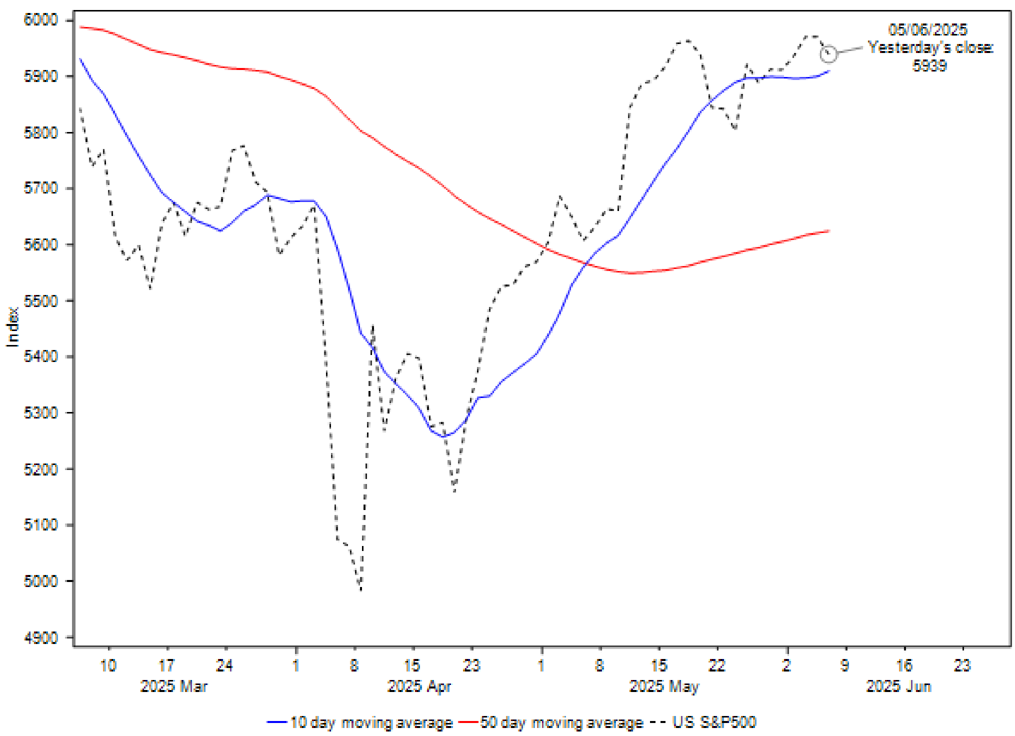


FIG 1a: S&P500 futures shown with 50 & 200 day moving averages



Source: Longview Economics, Macrobond

FIG 1b: S&P500 futures shown with 10 & 50 day moving averages



Source: Longview Economics, Macrobond

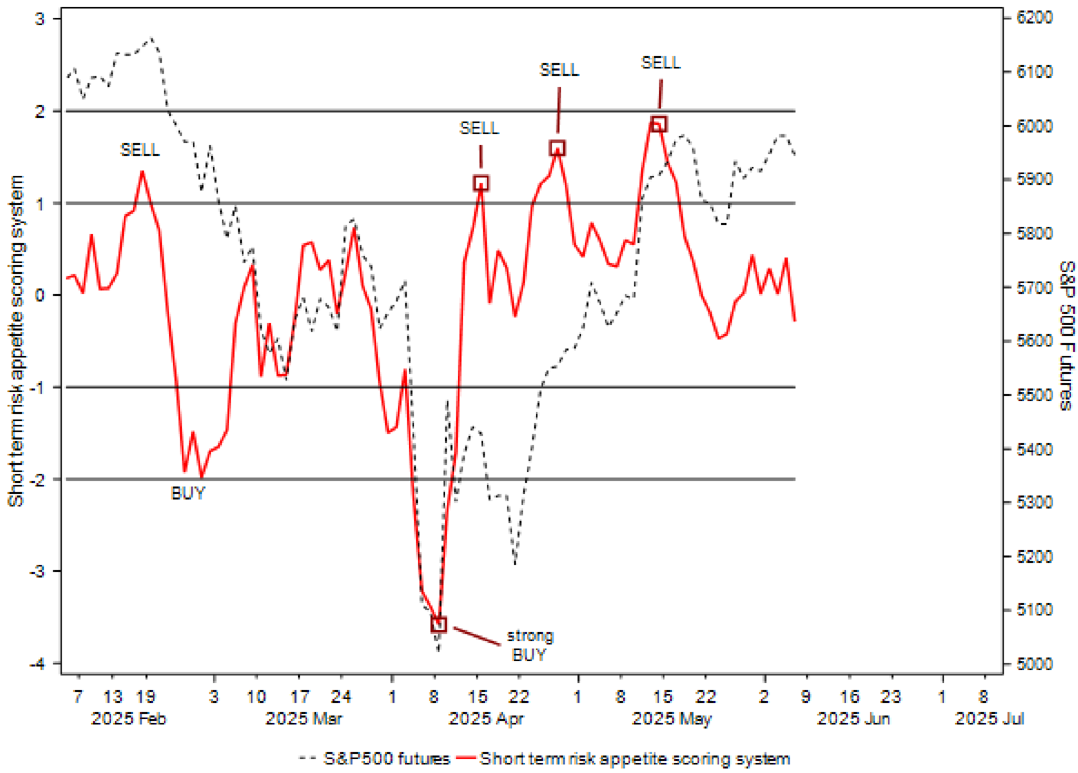
FIG 1c: Philly SOX cash index candlestick, shown with 50 & 200 day moving average

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

FIG 1e: NDX100 futures 10-day tick chart shown with overnight price action

Short term models are mostly mid-range/NEUTRAL…

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

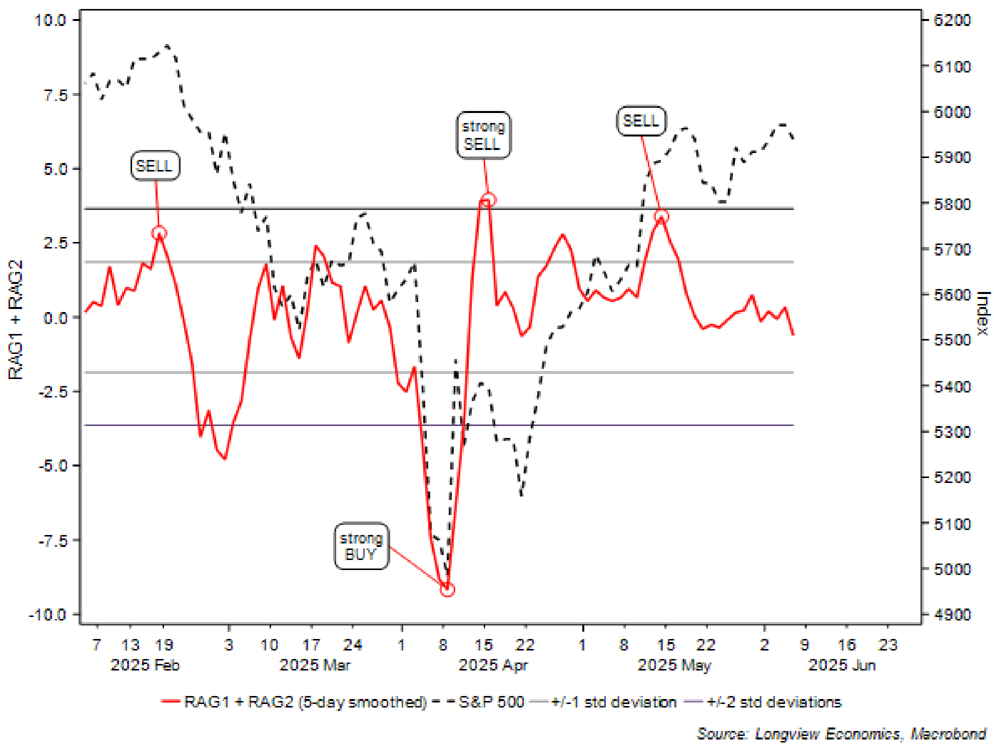


FIG 2b: Shortest term RAG vs. S&P500

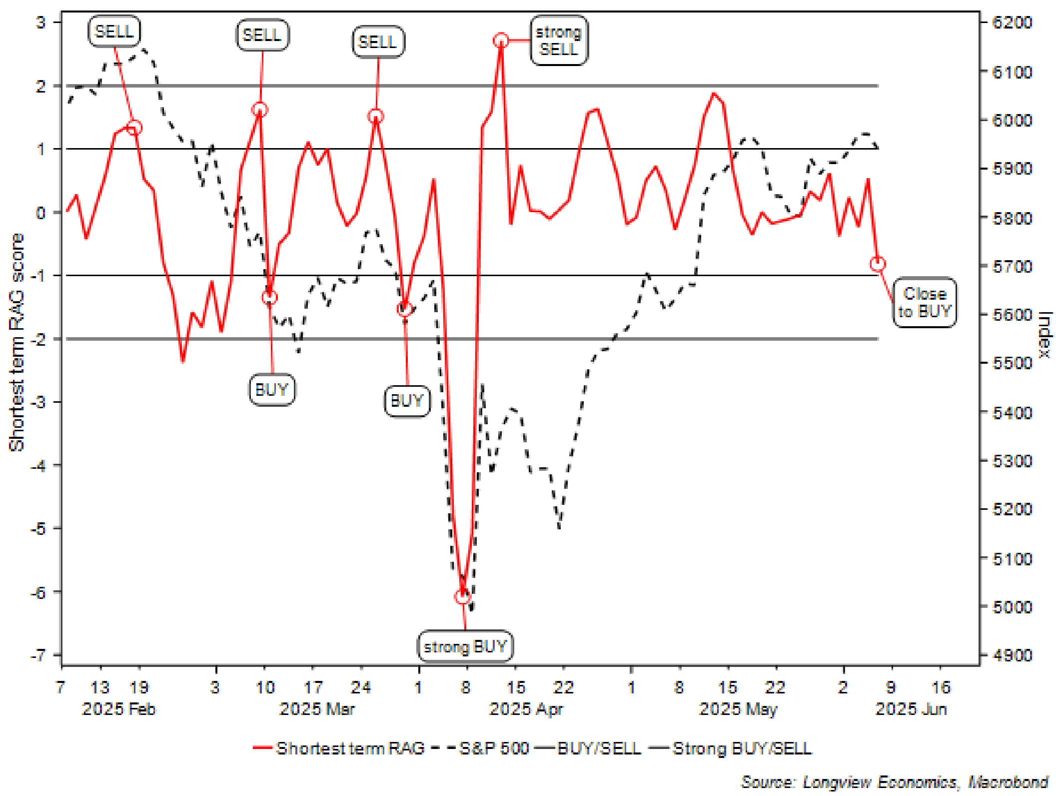


FIG 2c: Longview S&P500 **short term** **'technical'** scoring system vs. S&P500 futures

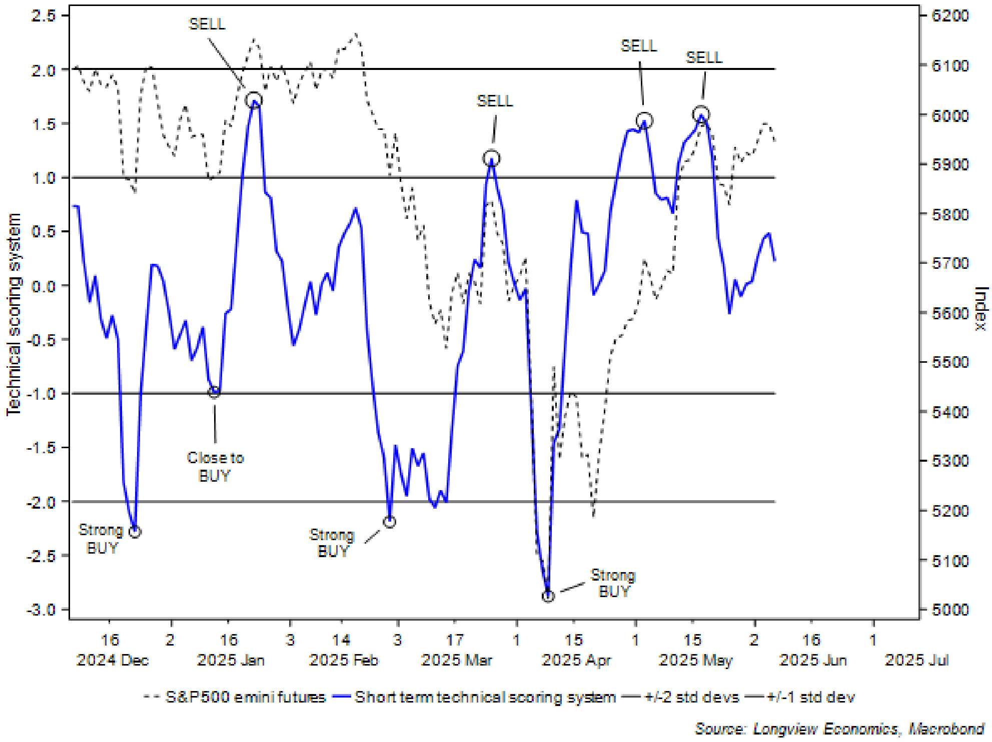


FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

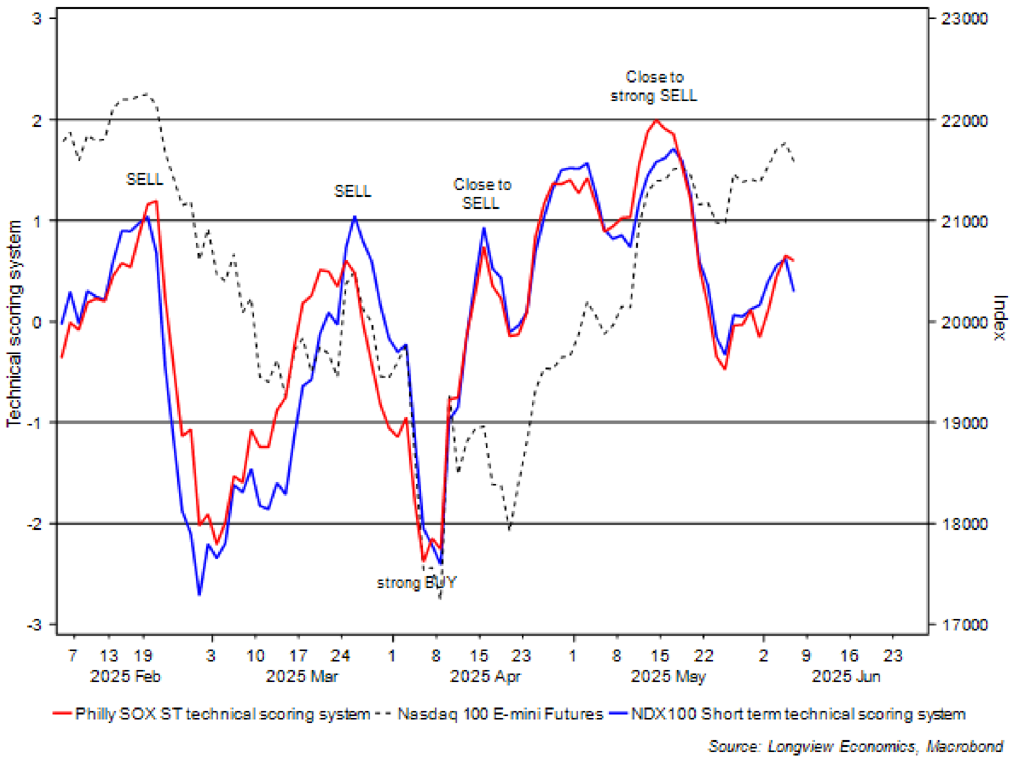
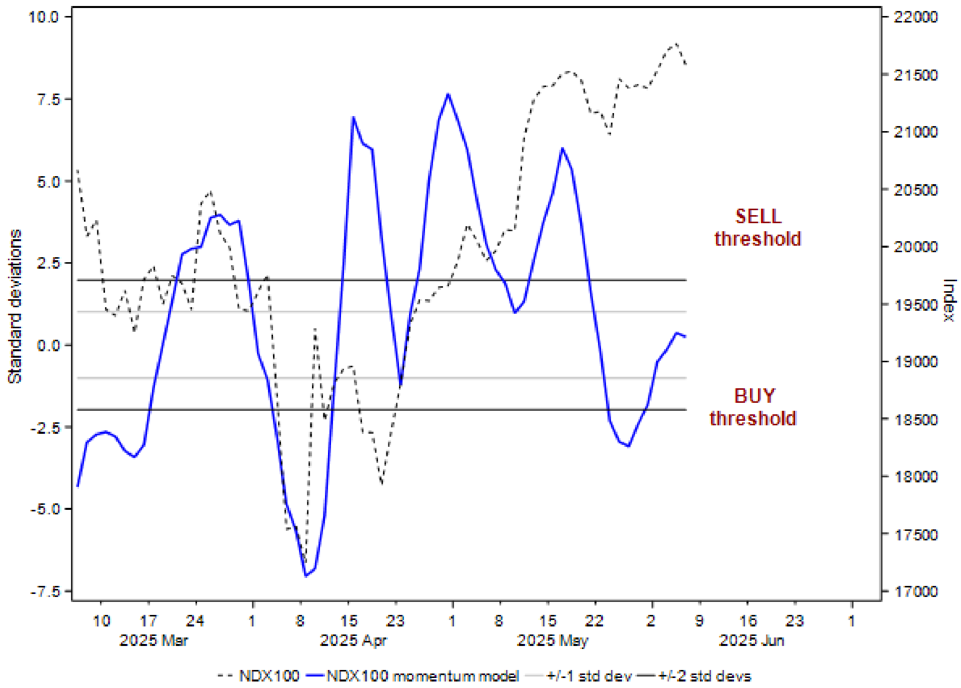
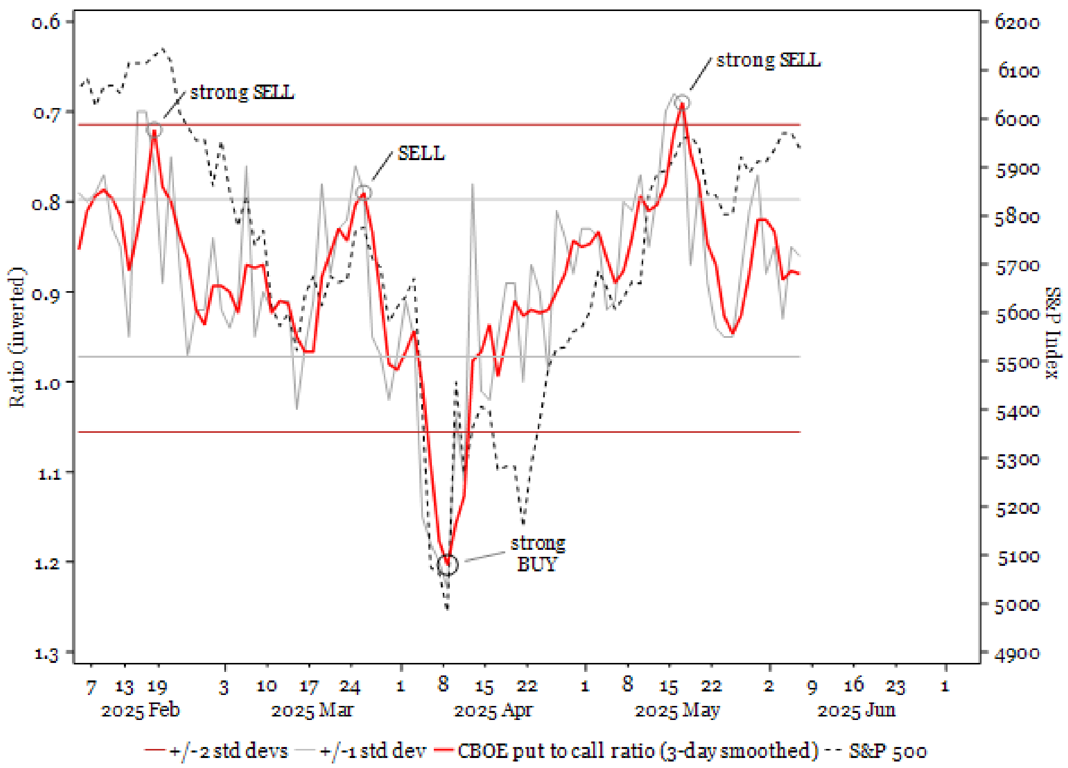


FIG 2e: NDX100 momentum model shown vs. NDX100



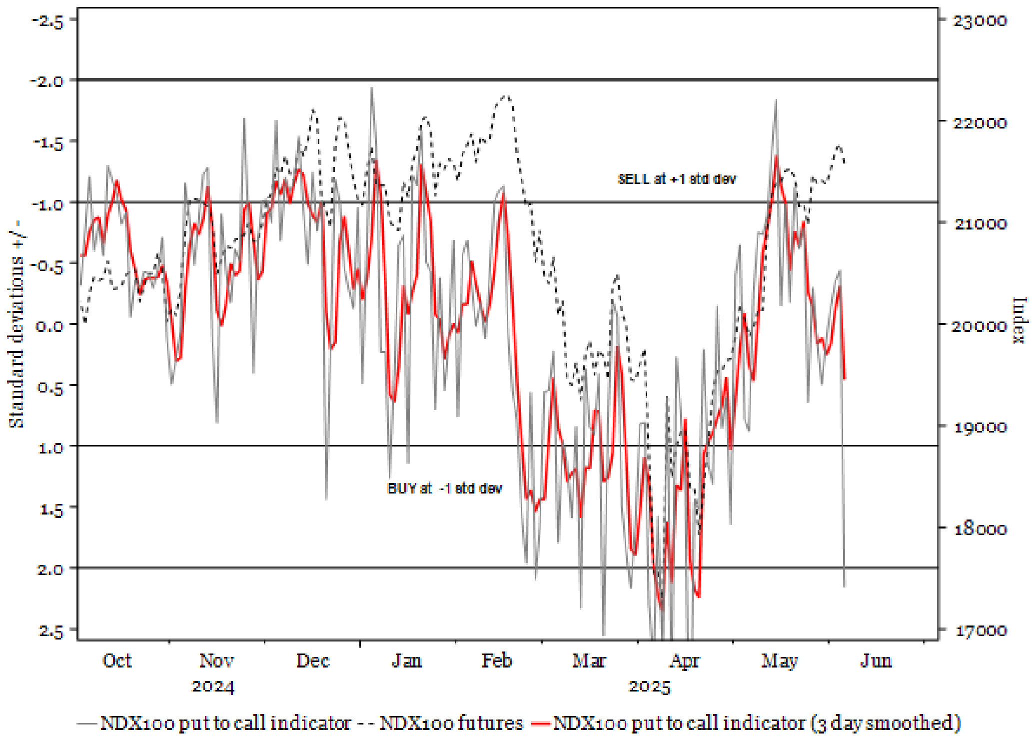
Source: Longview Economics, Macrobond

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



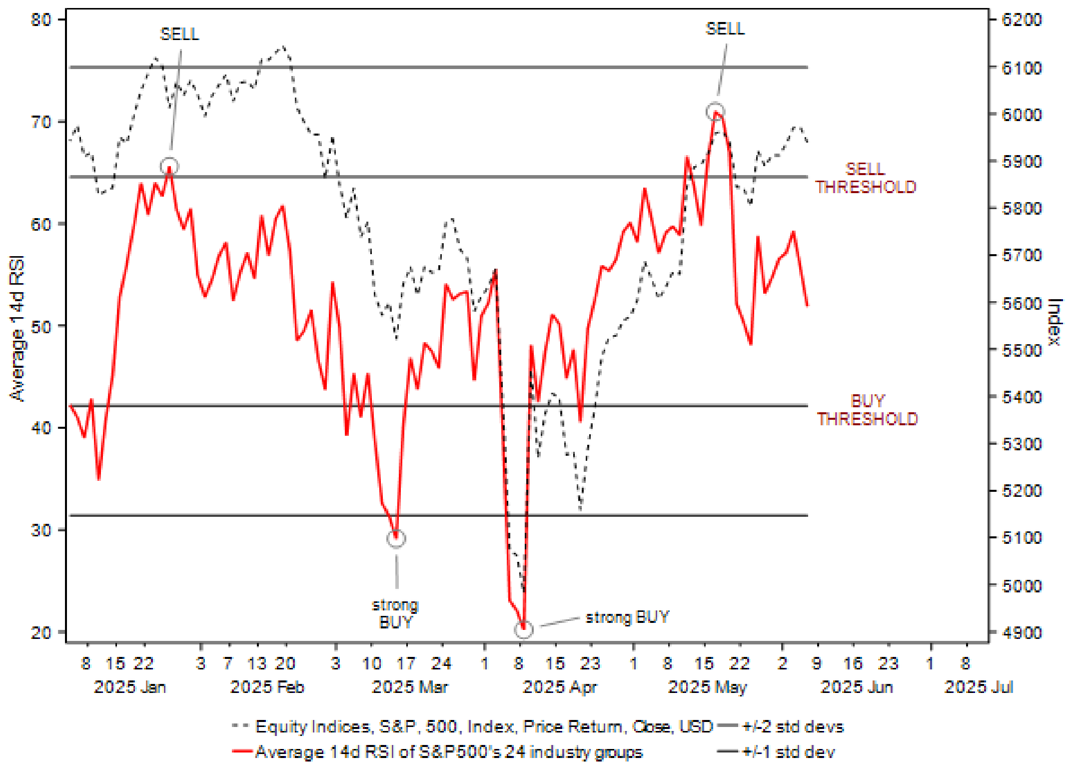
Source: Longview Economics, Macrobond

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



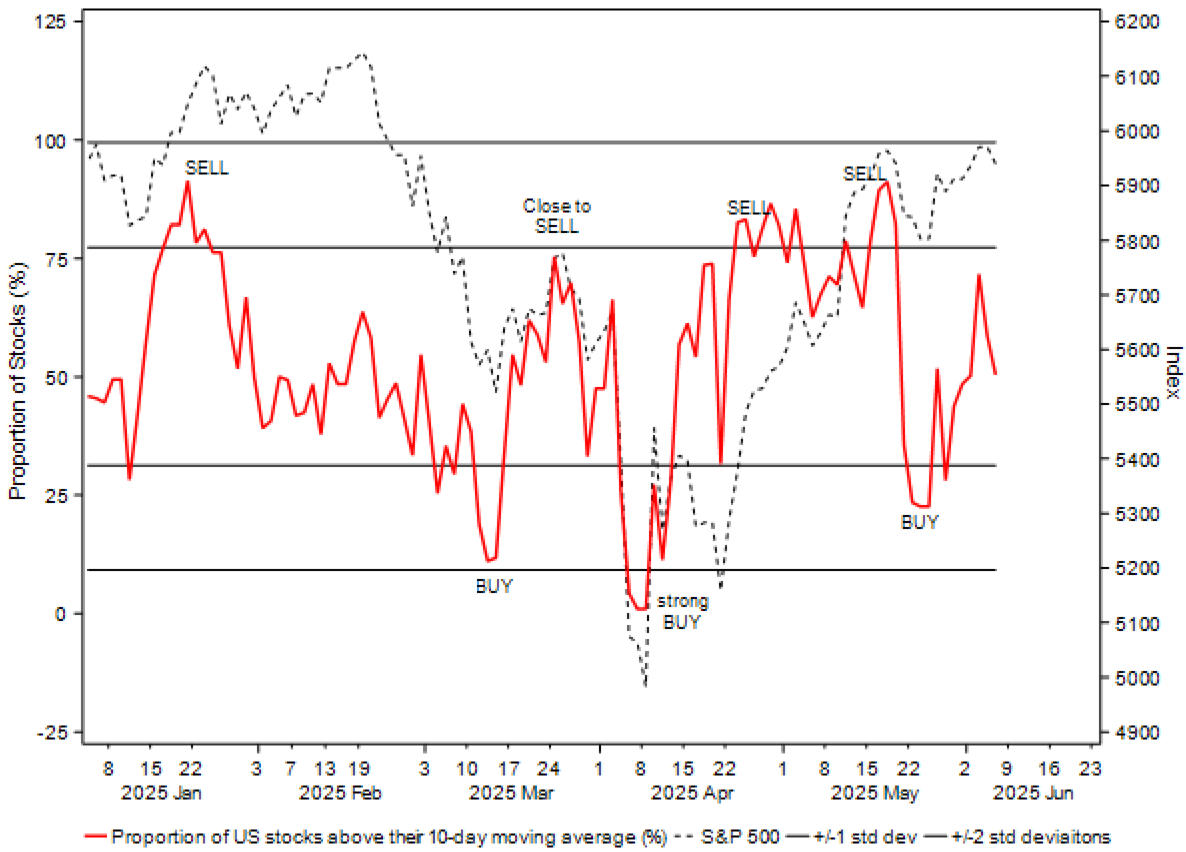
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

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

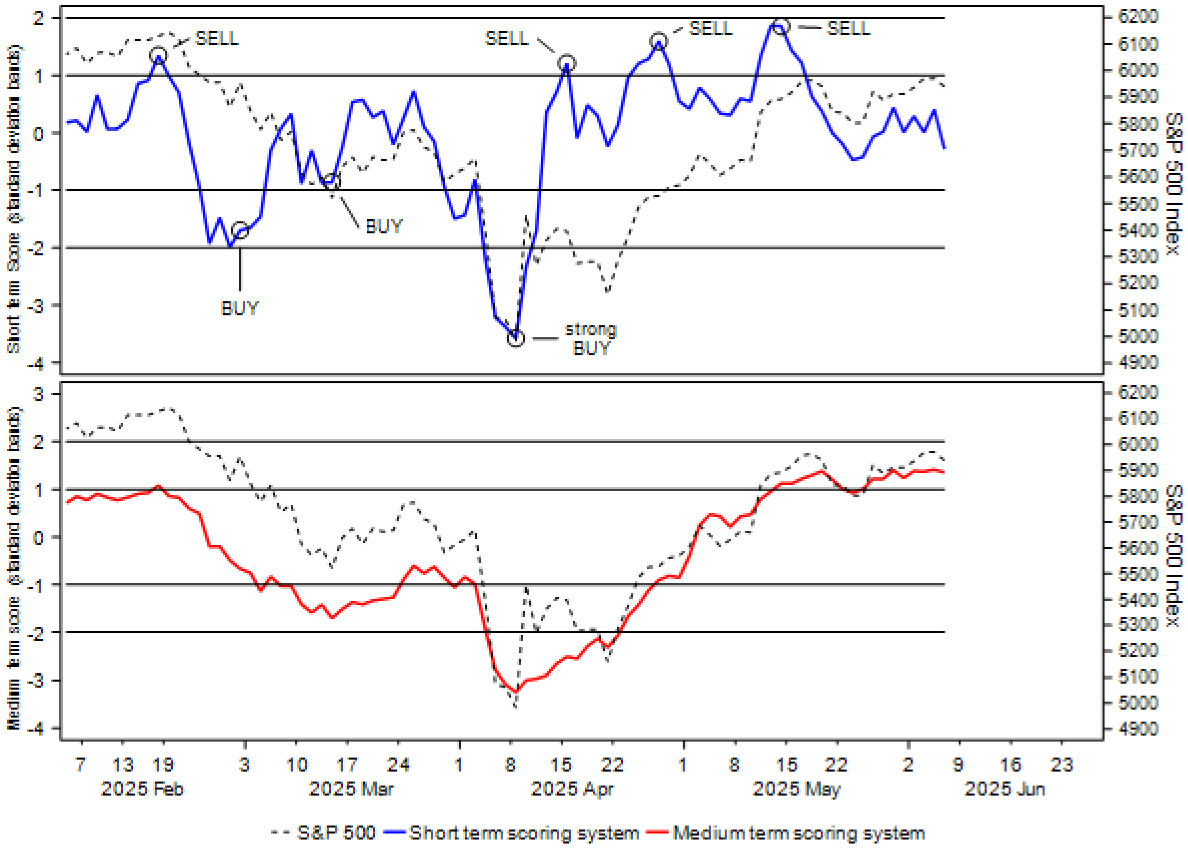


Source: Longview Economics, Macrobond

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: Japanese household spending (Apr, 12:30am); **Japanese ESRI leading index** (April first estimate, 6am); **German industrial production** (Apr, 7am); French trade balance (Apr, 7:45am); French industrial & manufacturing production (Apr, 7:45am); **Eurozone retail sales** (Apr, 10am); Eurozone GDP (Q1 third estimate, 10am); Canadian employment data (change in employment, unemployment rate & participation rate, for May, 1:30pm); **US nonfarm payrolls, hourly earnings & unemployment data** (May, 1:30pm); US consumer credit (Apr, 8pm).

Key events today include: Speeches by the ECB's Holzmann in Vienna (9am), Lagarde at a banking conference (9:30am) & Centeno in Lisbon (12pm).

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 19th May 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

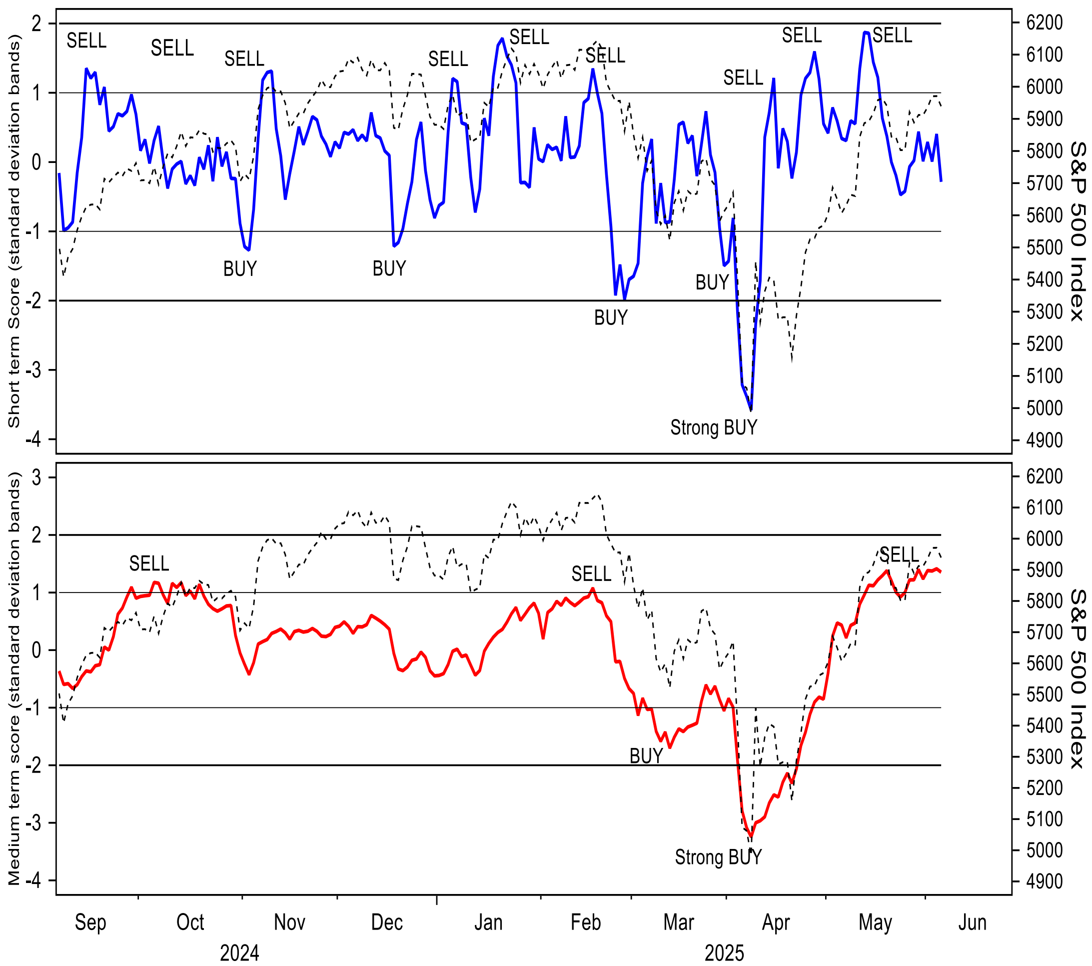
1 – 2 Week View on Risk

6th 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

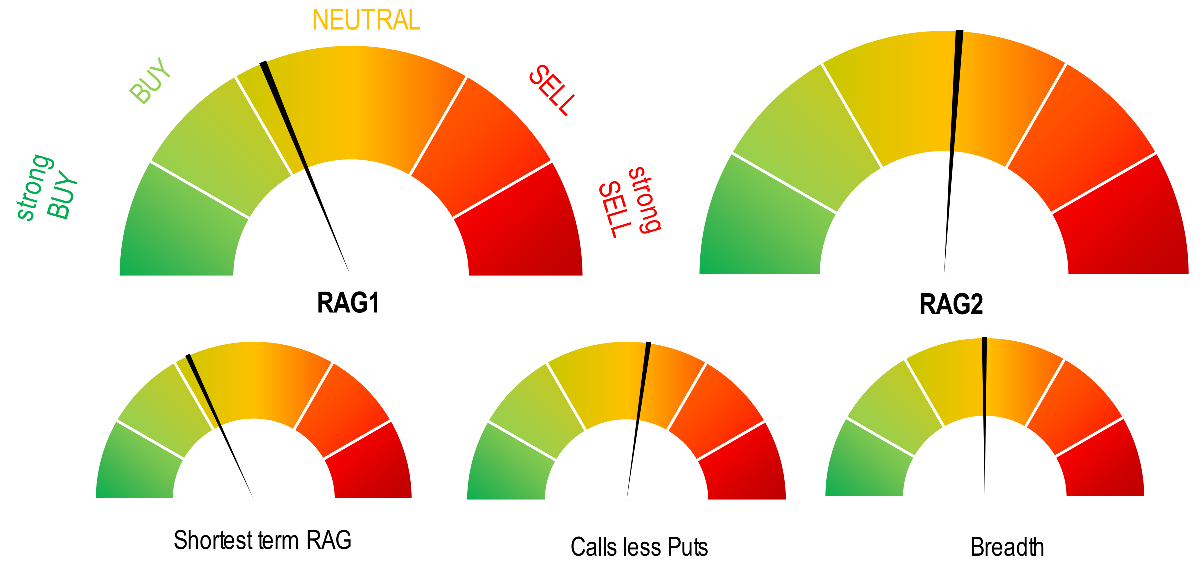
Source: Longview Economics, Macrobond

*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

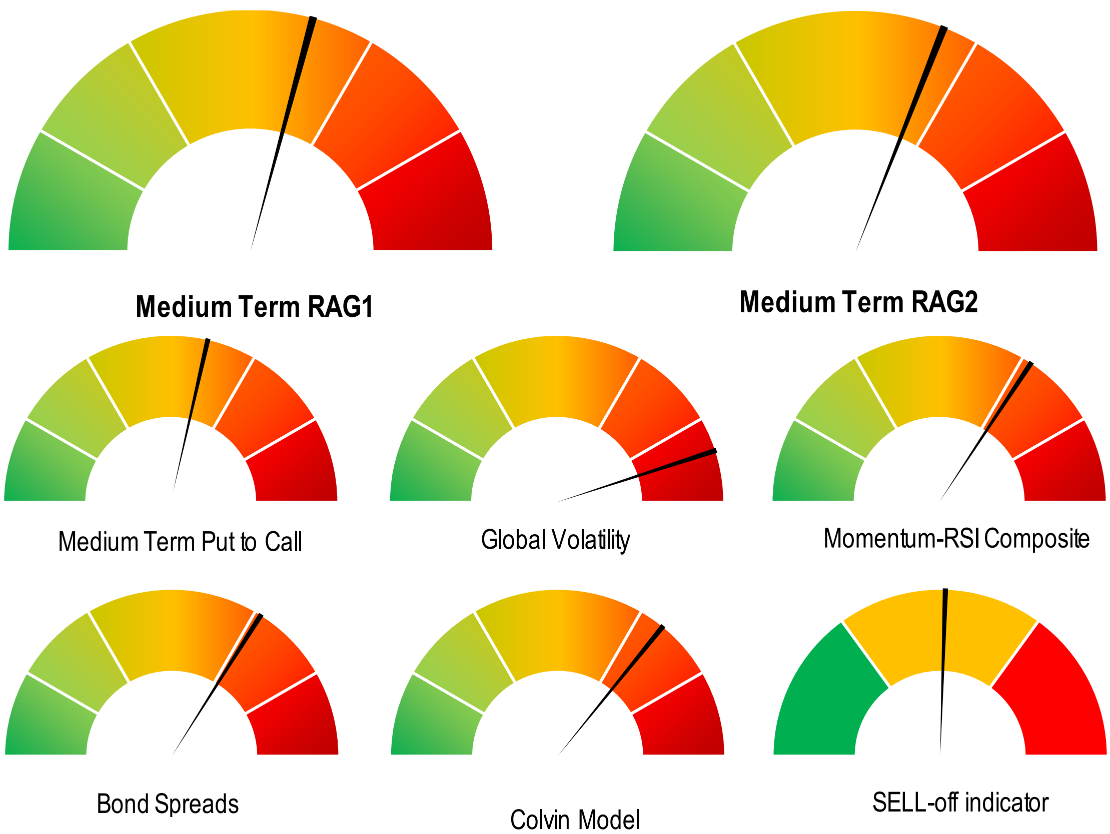
Section 1a: Summary of indicator signals**

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

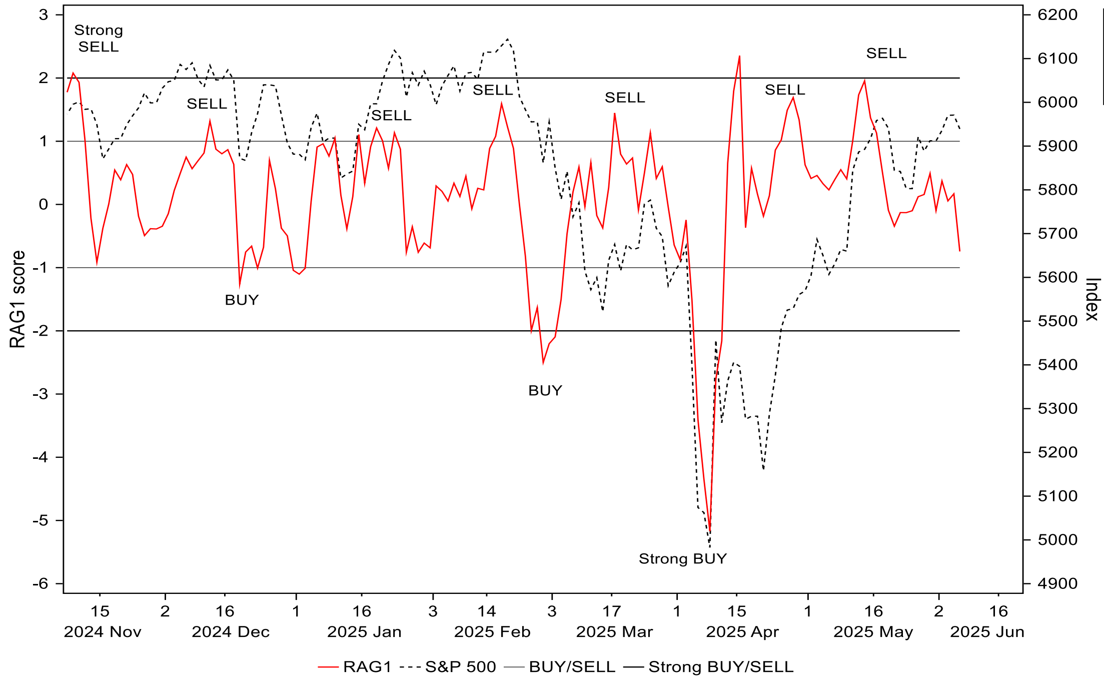


Source: *Longview Economics*

**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

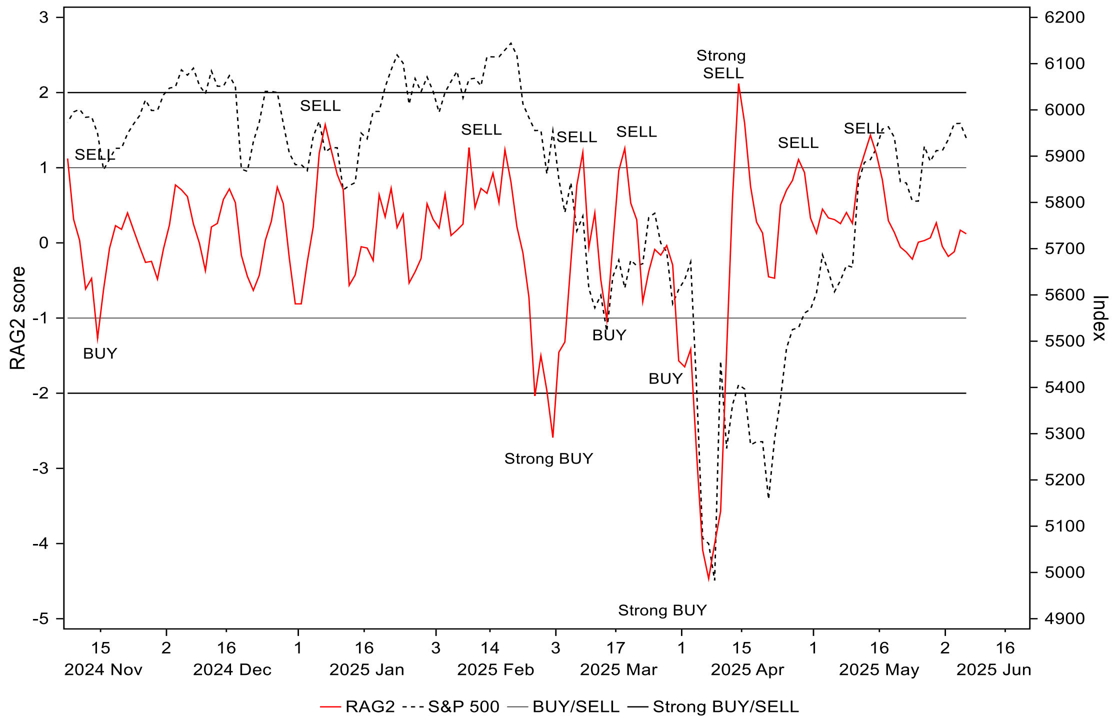
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

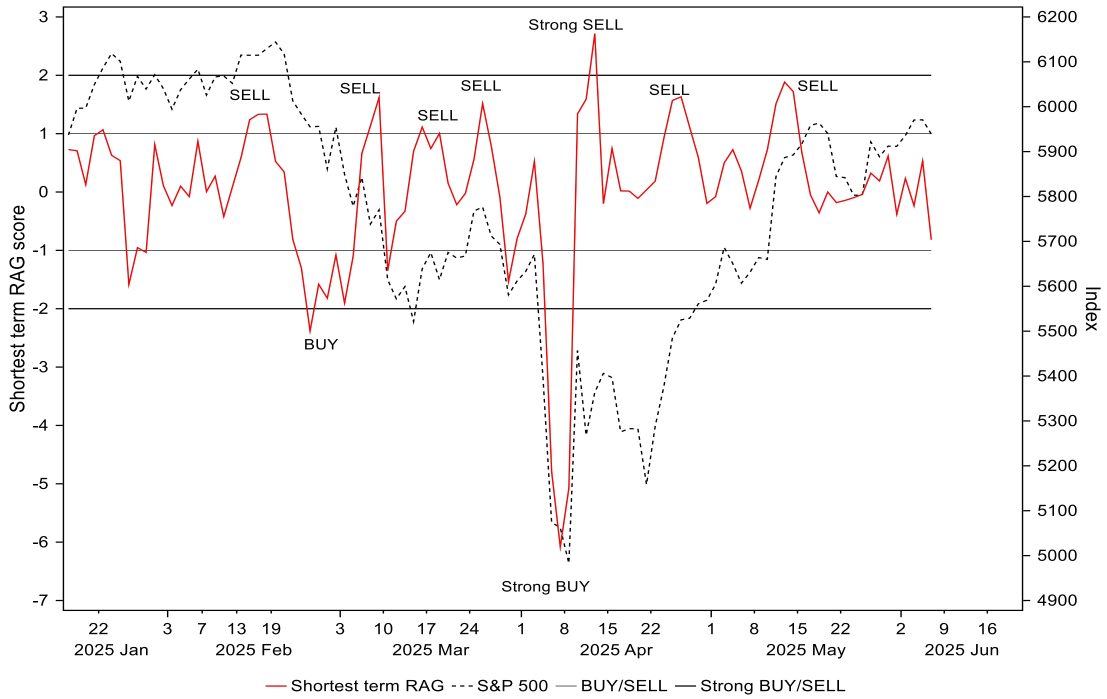


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

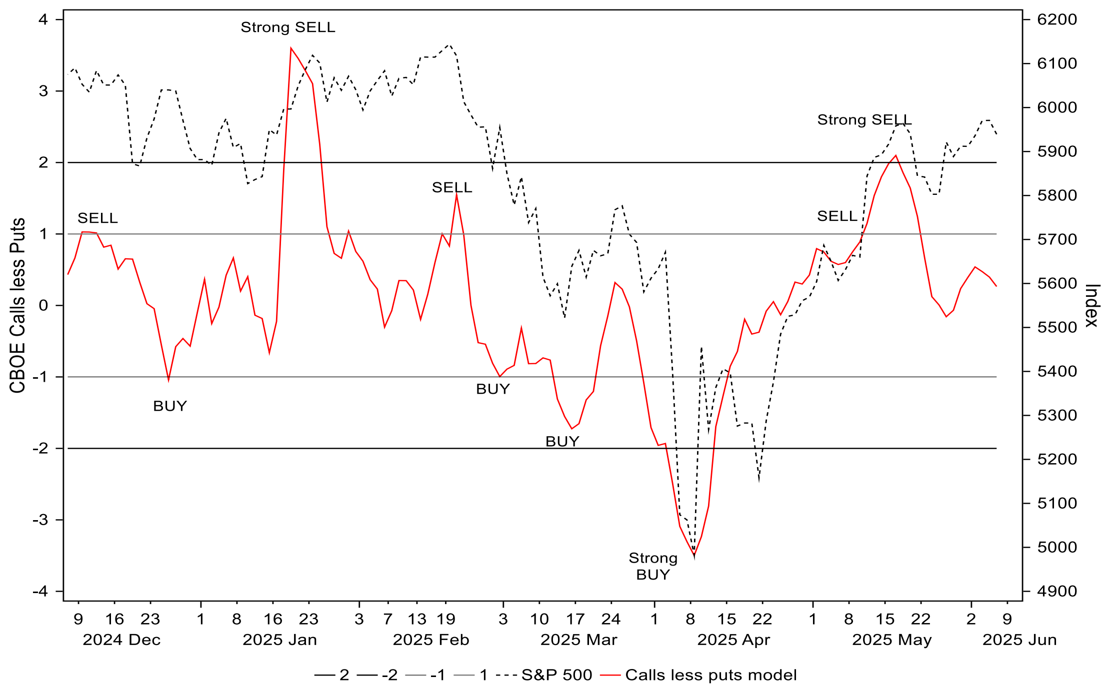
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

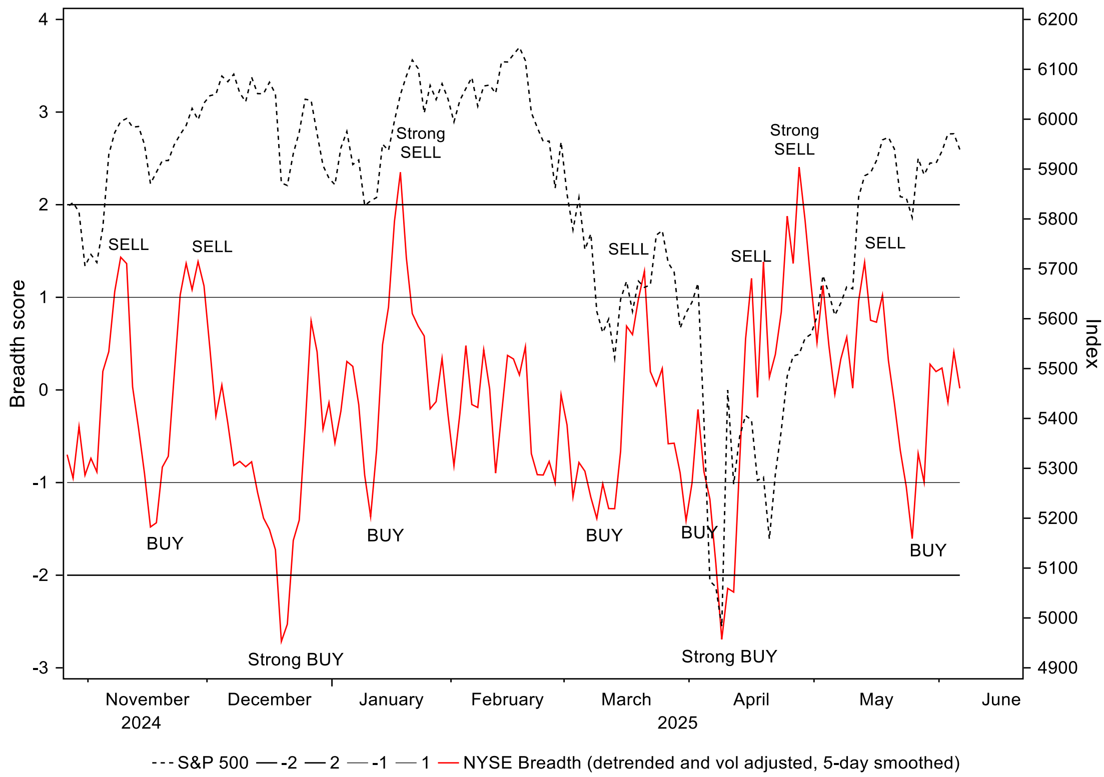


Calls less puts model is NEUTRAL

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



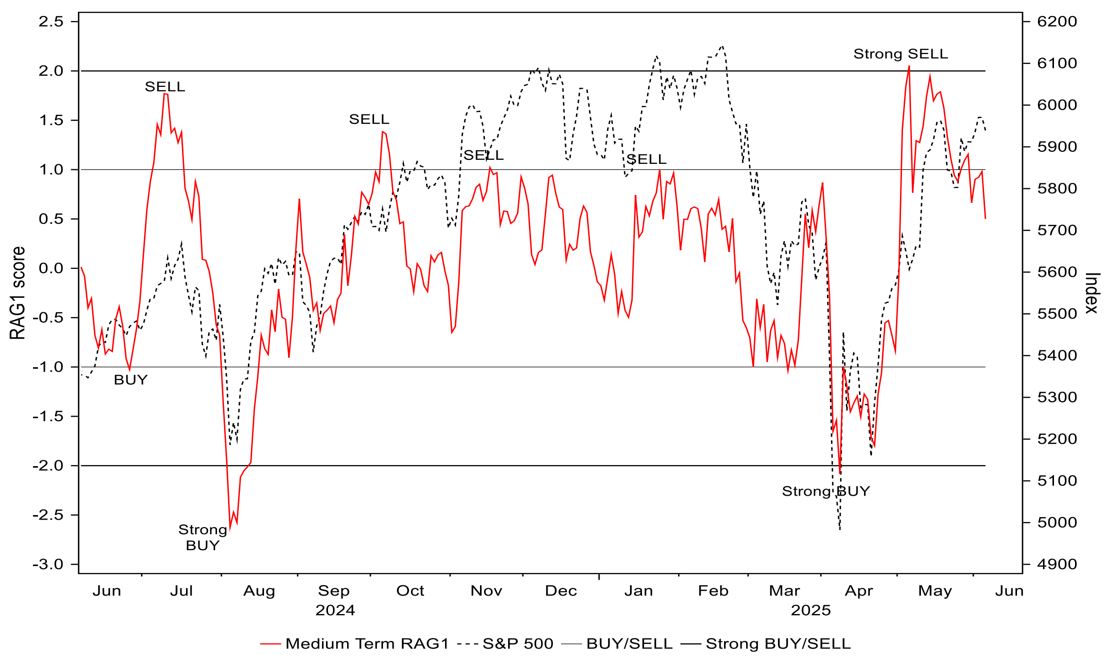
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

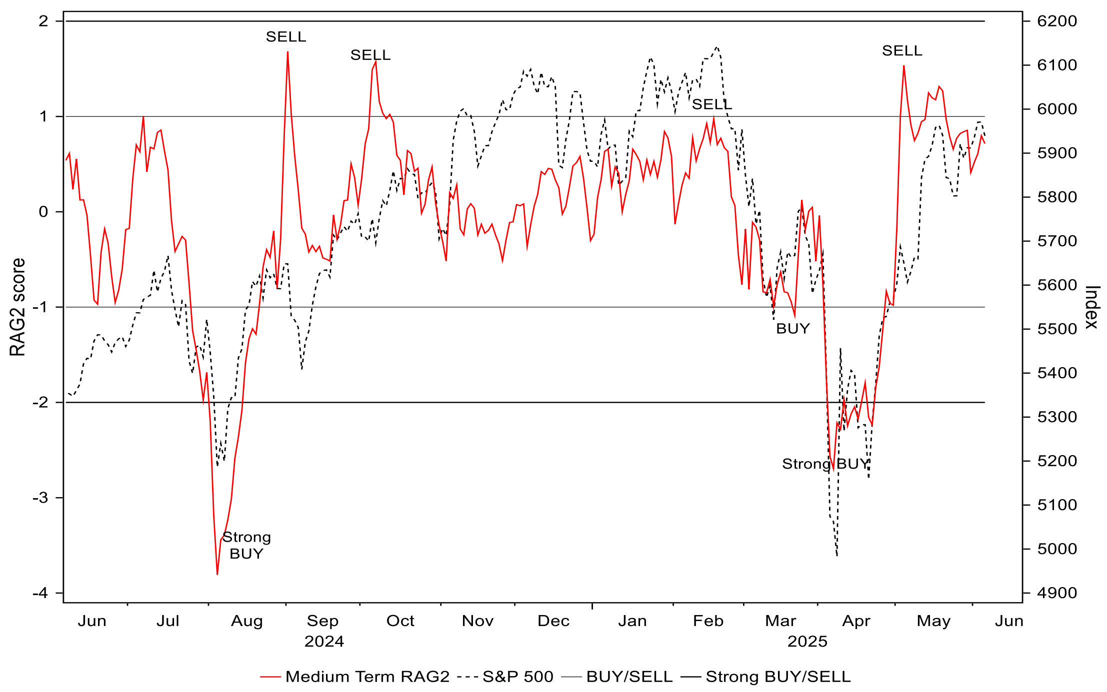
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

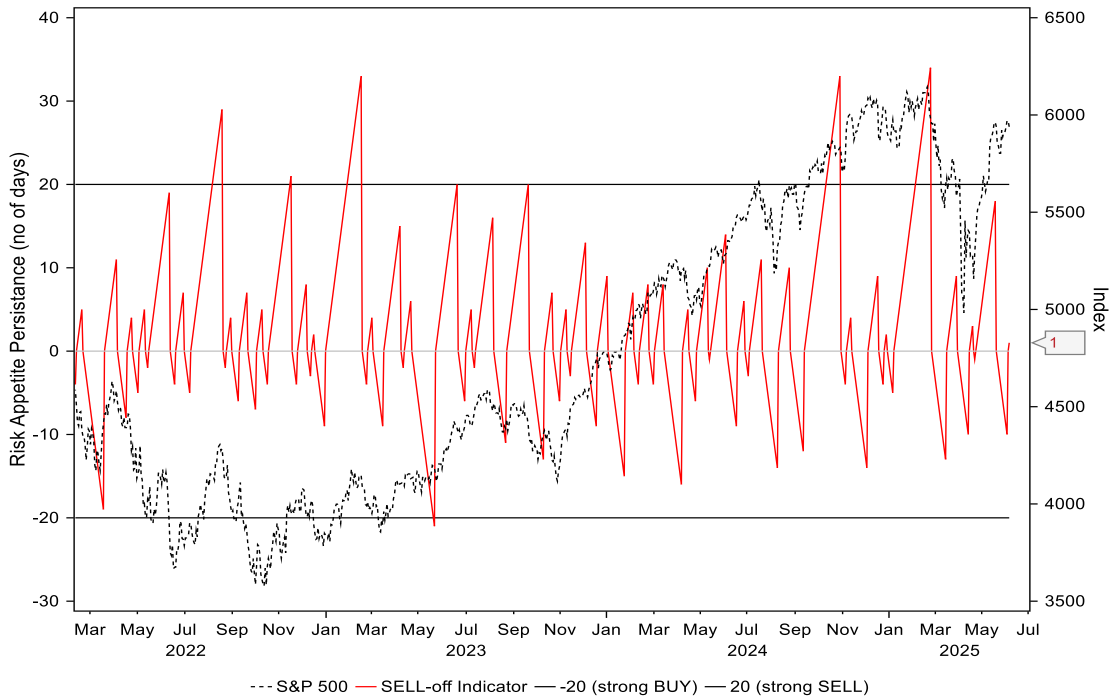


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

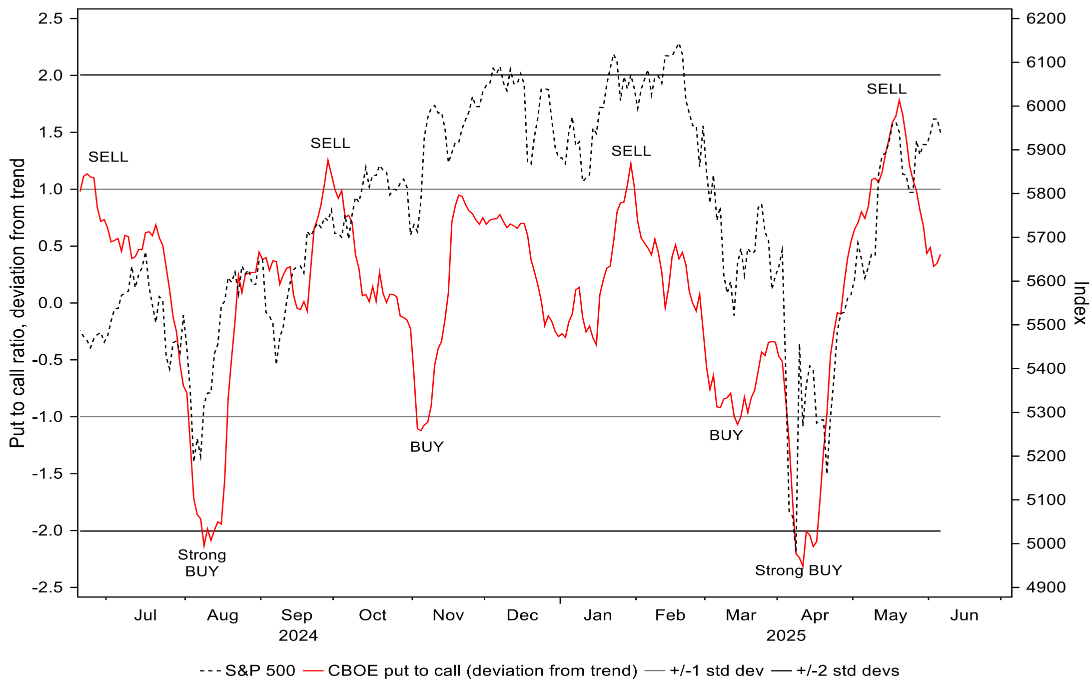
For explanations of indicators please see page 10

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



The SELL-off indicator is NEUTRAL

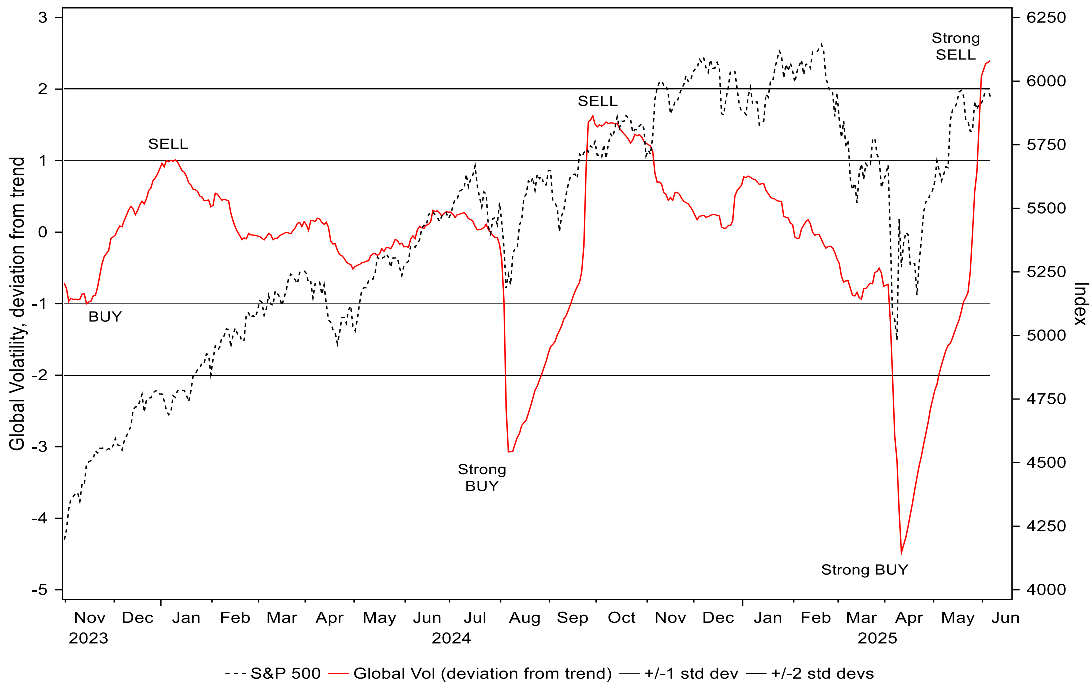
Fig 3d: CBOE put to call trend deviation model vs. S&P500



Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

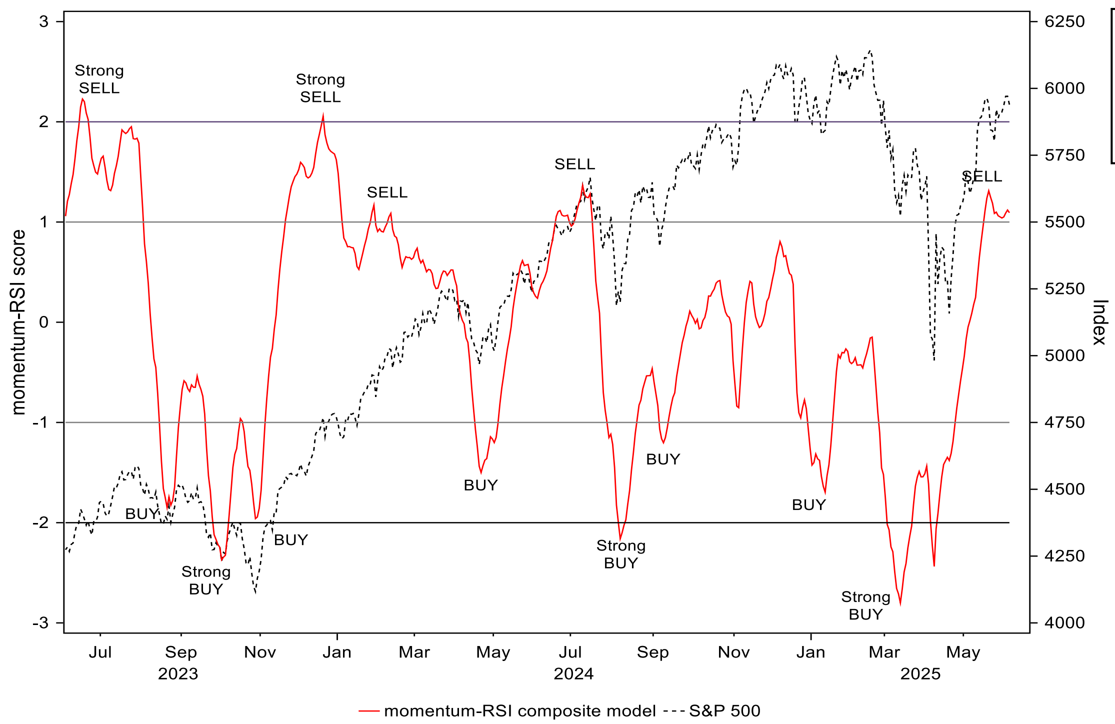
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is on Strong SELL

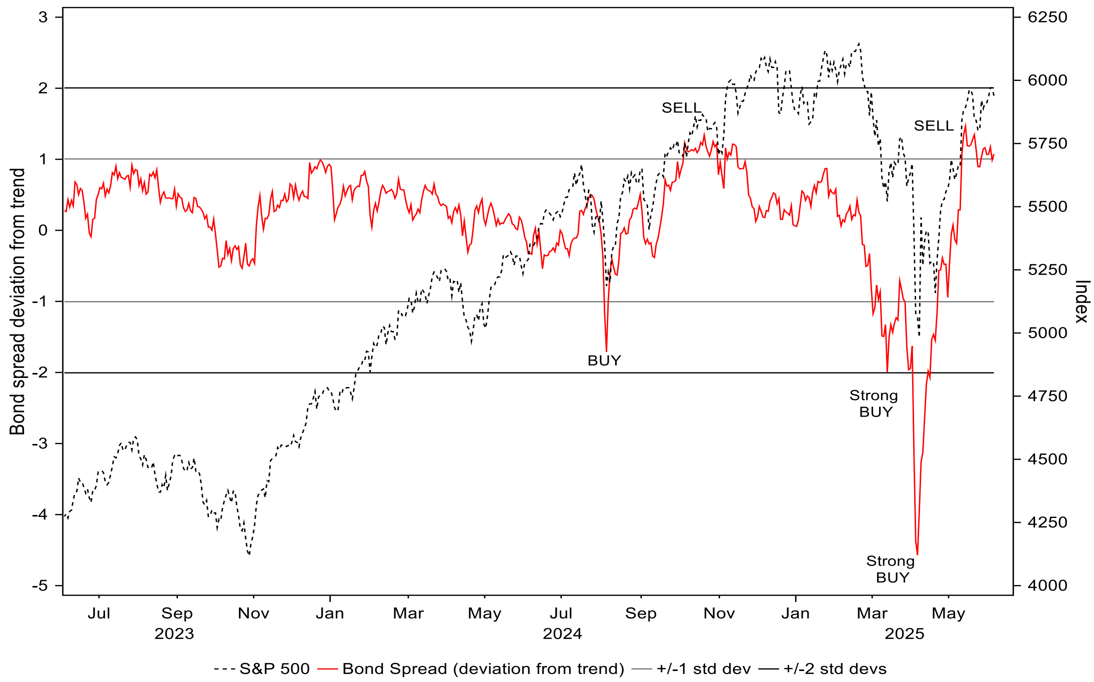
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is on SELL

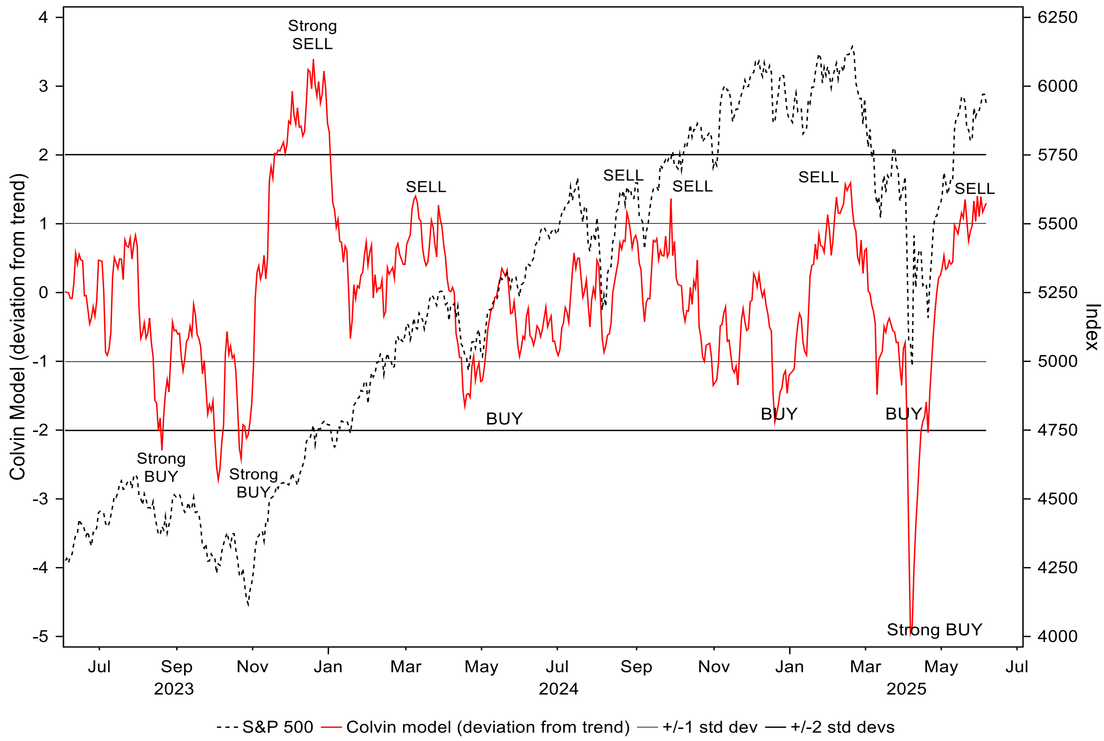
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL

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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