Equity Index Futures Trading Recommendations

9th June 2025

"Short Term Momentum To the Upside"

Email: info@longvieweconomics.com

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

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

Rationale

Short term momentum in the US equity market remains to the upside.

That's the message of the 10-day moving average of the S&P500 (& NDX100), which is trending higher, and which is above its 50-day moving average (FIG 1).

Short term models, meanwhile, are not suggesting a trend reversal (at this juncture). **Almost all of them have headroom before they reach SELL levels** (FIGs 2 – 2g). Our overextended indicator (using a 10-day moving average), for example, is mid-range/not currently on SELL (FIG 1a). Our main short-term models are almost all NEUTRAL (including our risk appetite models, the technical models and the CBOE put to call ratio). Of particular note, certain risk appetite models were close to BUY towards the end of last week. RAG1 (stand alone, FIG 2b), for example, was just above its BUY level on Thursday (5th June), while the other key risk appetite models were (and still are) NEUTRAL. Added to which, during the mid-May wobble (16th to 23rd/26th May) many of the models reset back to/towards BUY. Technical, risk appetite and put to call models (FIGs 2 – 2g) were all collectively on (or effectively on) SELL in mid-May. After the wobble in the equity market, though (with the S&P500 pulling back approx. 200 points through to 23rd/26th May), many of those models reset to a lower level, before the market then resumed its uptrend. As such, whilst it wasn't a full washout of risk, most models were close to BUY at that point.

One model, in particular, was notable: The percentage of stocks which are overbought (using 14-day RSIs) was at high, frothy (SELL) levels by mid-May (FIG 1b). That market wobble reset the model back to BUY levels. Since then, it's started to move higher but still has significant headroom before it gets back to SELL. In other words, the single stock set-up/backdrop supports an expectation of a breakout to the upside (and further near term upward momentum).

The behaviour of the **NASDAQ put to call indicator** was similar –> this model is almost back on BUY, as market participants have been buying high levels of downside put protection in the stocks in this index over the past two weeks (FIG 1c).

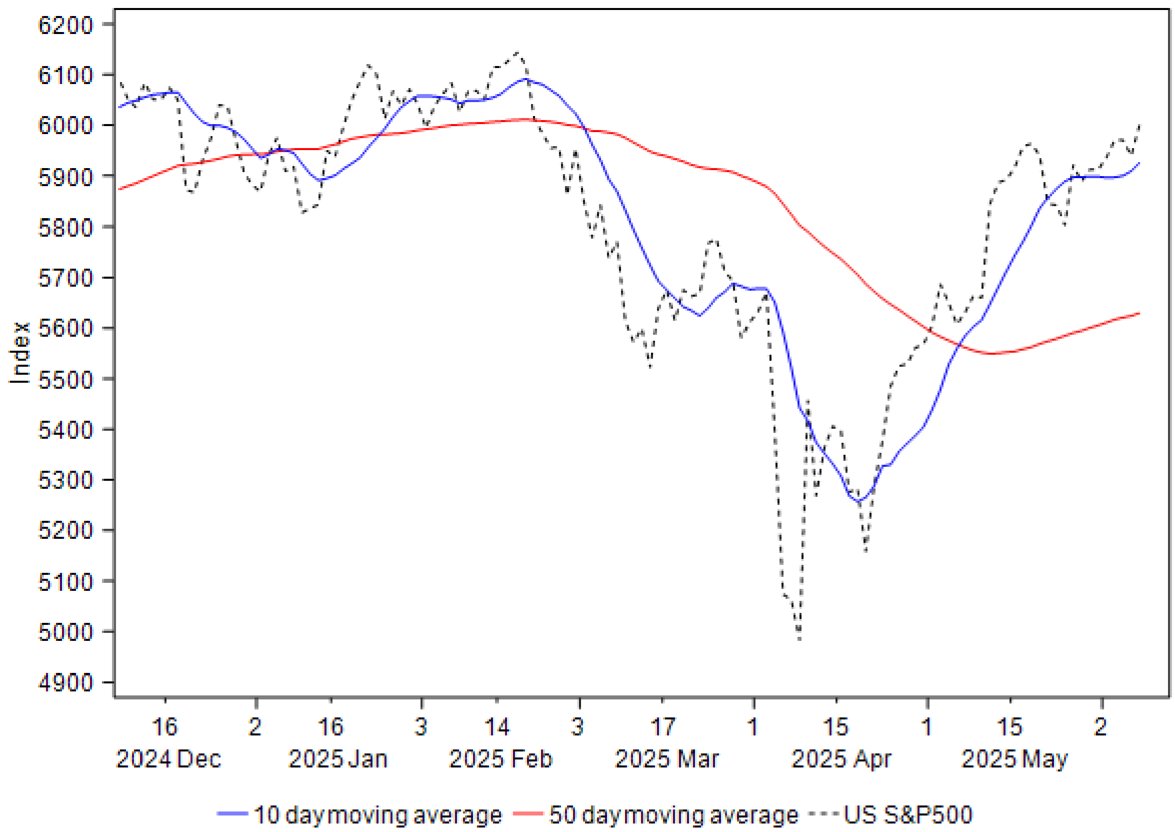
As such, whilst various medium term '1 – 4' month models are (still) on SELL, the **short-term trend in this equity market is most likely to the upside** (at least until some excess/SELL signals emerge in the short-term models). Added to that, the 90-day tariffs pause doesn't expire until 9th July. Whilst that remains a month or so away, markets can continue to remain hopeful of good outcomes (before perhaps becoming nervous in the week or so before, depending on how negotiations evolve).

Our **LONG S&P500 futures trade** is (just) in the money (having entered into it last Wednesday). Our stop loss, therefore, remains unchanged at 2% below entry (NB that is also just below the 200-day moving average at 5,894, a key support level). Key events and macro data releases due today are shown below. Over the course of this week, the main macro focus will likely be on US CPI data (Wednesday), as well as the NFIB small business survey (tomorrow) and the first estimate of Michigan sentiment (Friday). The UK's Chancellor also announces her 2025 Spending Review (Wednesday).

Kind regards,

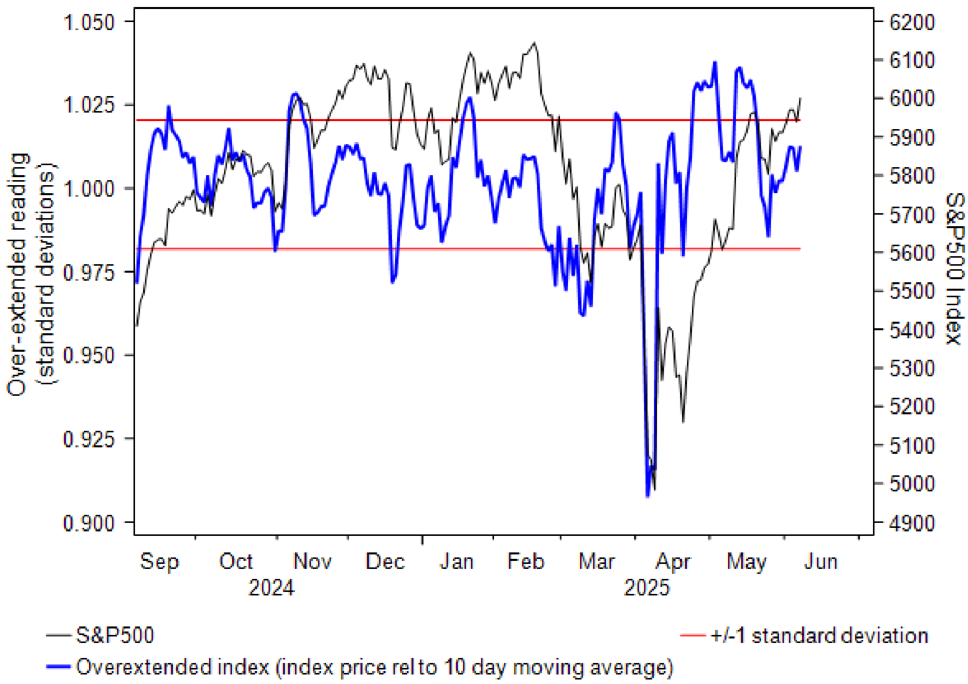
The team @ Longview Economics

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



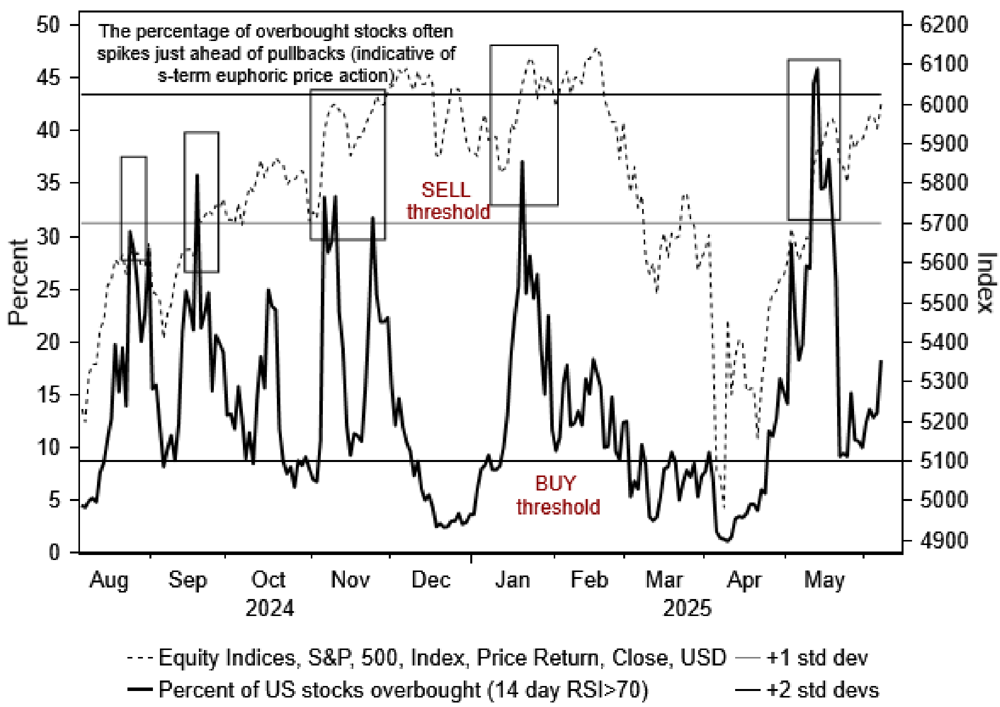
Source: Longview Economics, Macrobond

FIG 1a: S&P500 overextended indicator (10-day moving average relative to underlying index price)



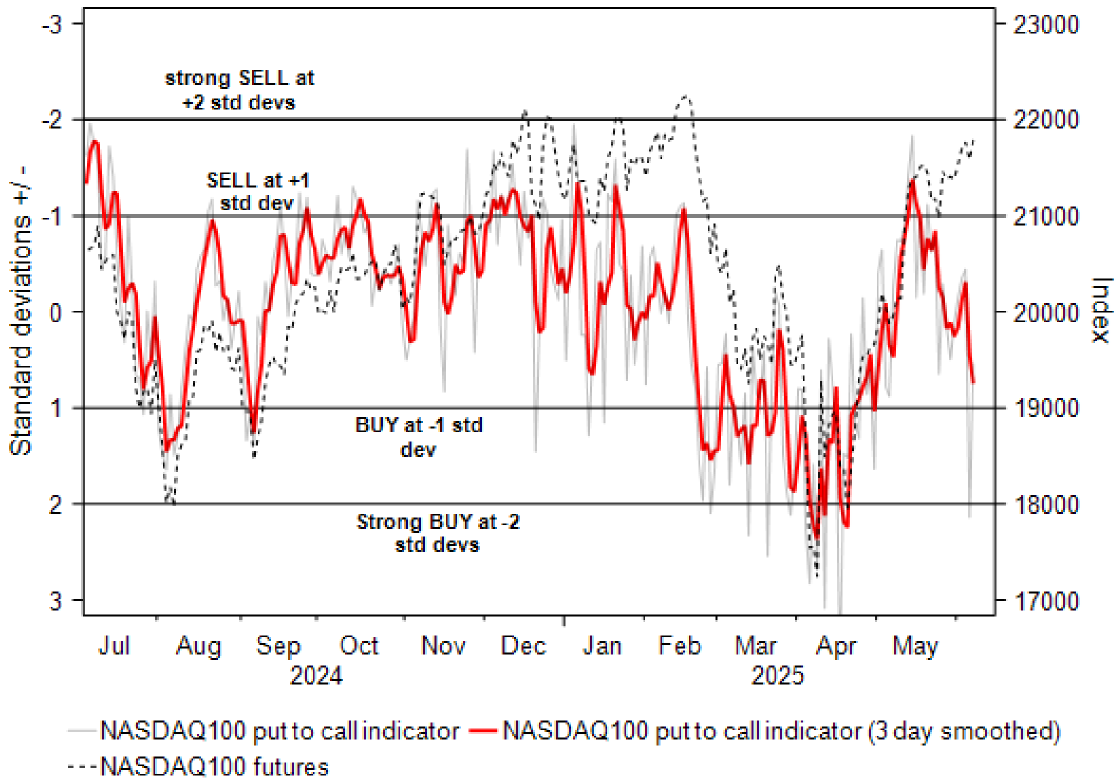
Source: Longview Economics, Macrobond

FIG 1b: Percentage of US single stocks which are overbought (i.e. with 14-day RSIs>70)



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 1d: S&P500 futures 30-day tick chart shown with overnight price action

FIG 1e: NDX100 futures 30-day tick chart shown with overnight price action

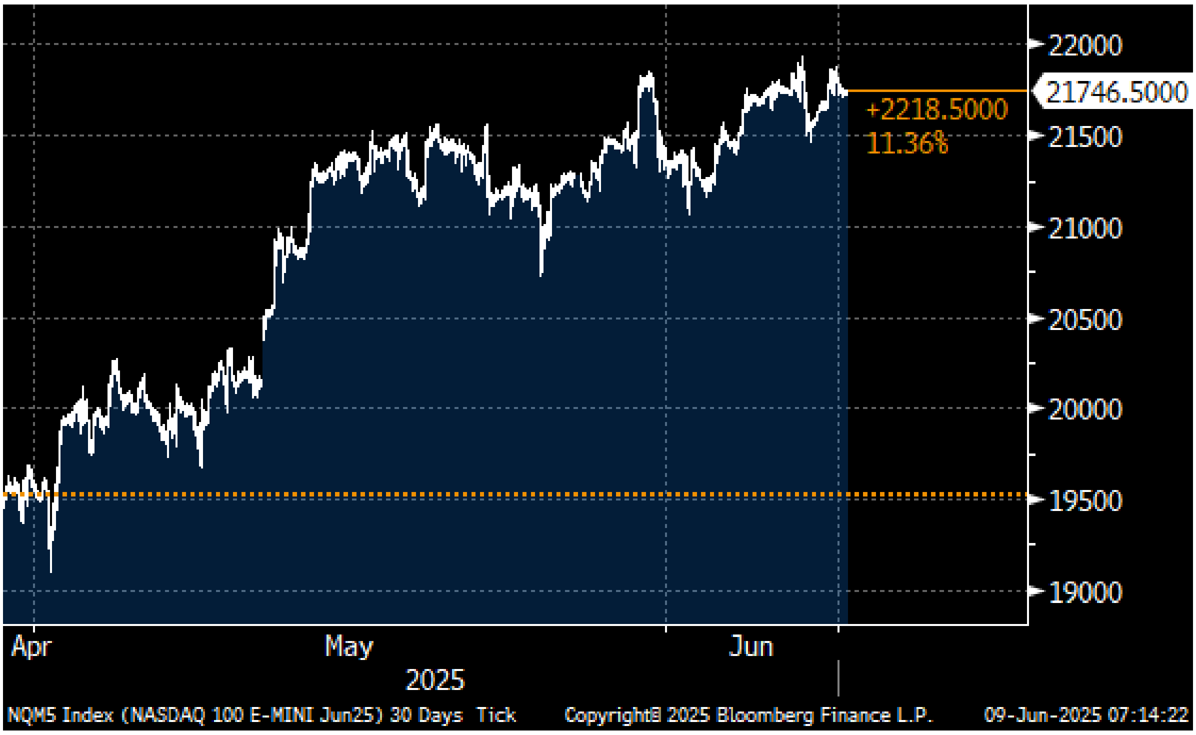
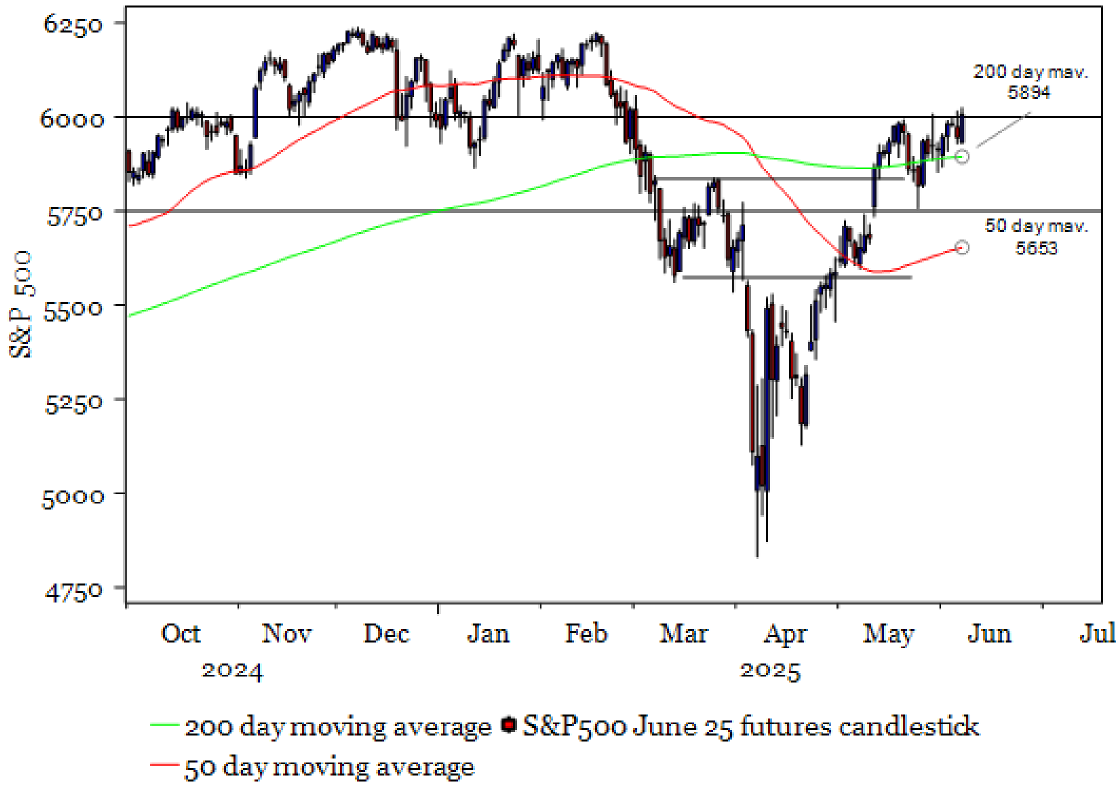


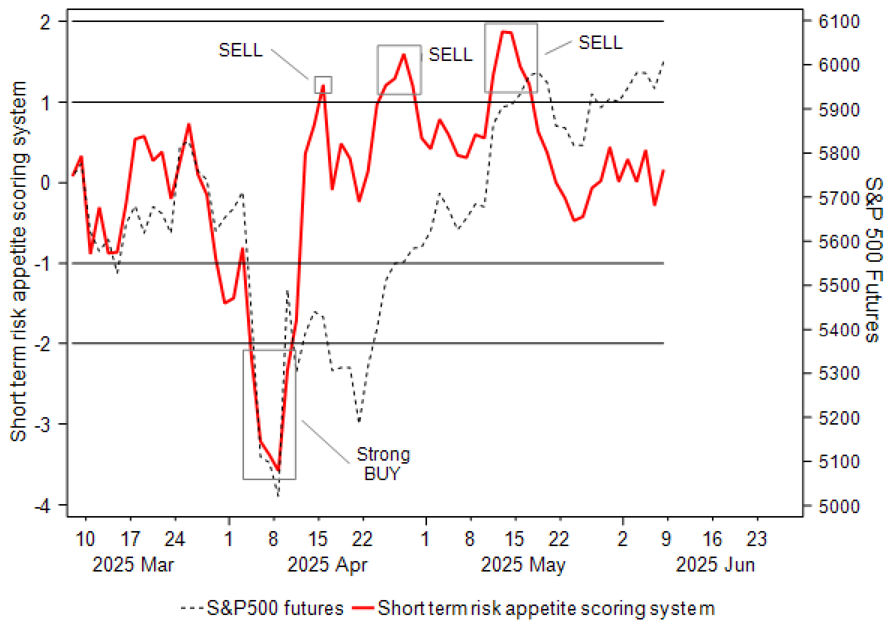
FIG 1f: S&P500 futures shown with 10 & 50 day moving averages



Source: Longview Economics, Macrobond

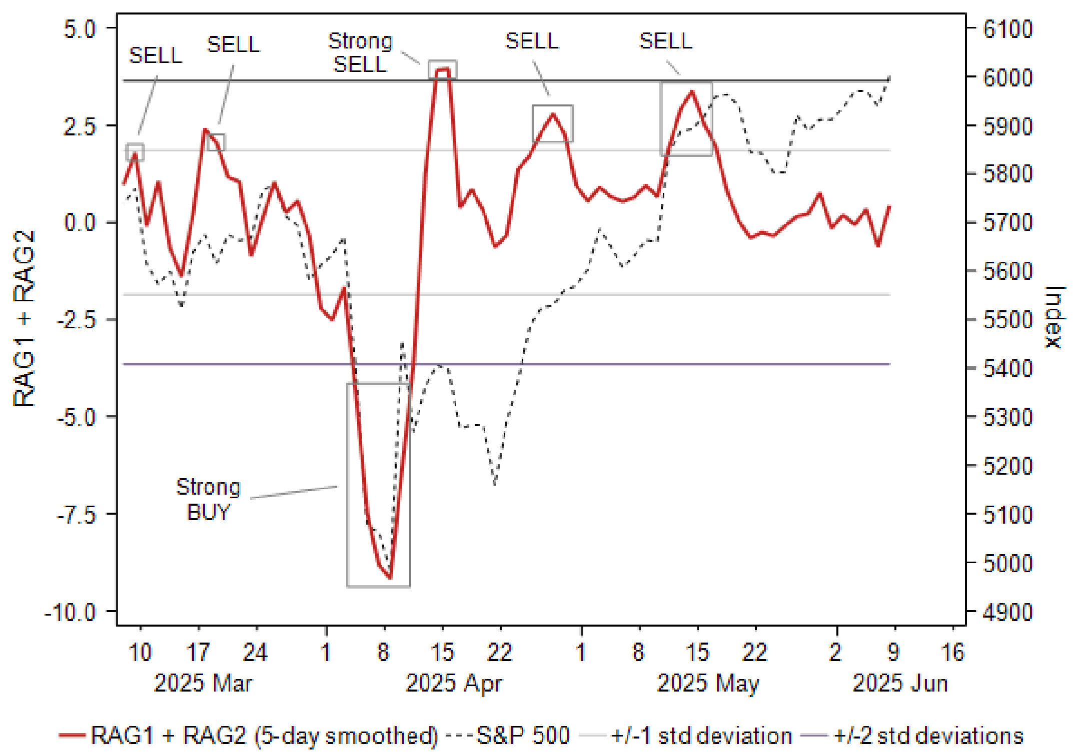
Short term models are mostly mid-range/NEUTRAL…

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



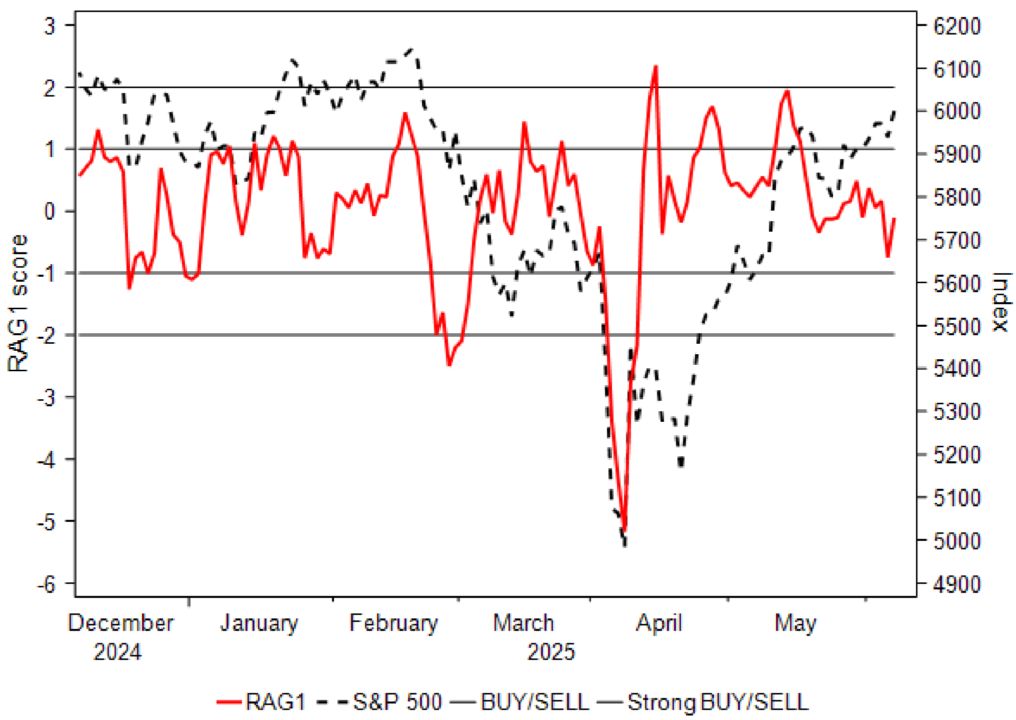
Source: Longview Economics, Macrobond

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



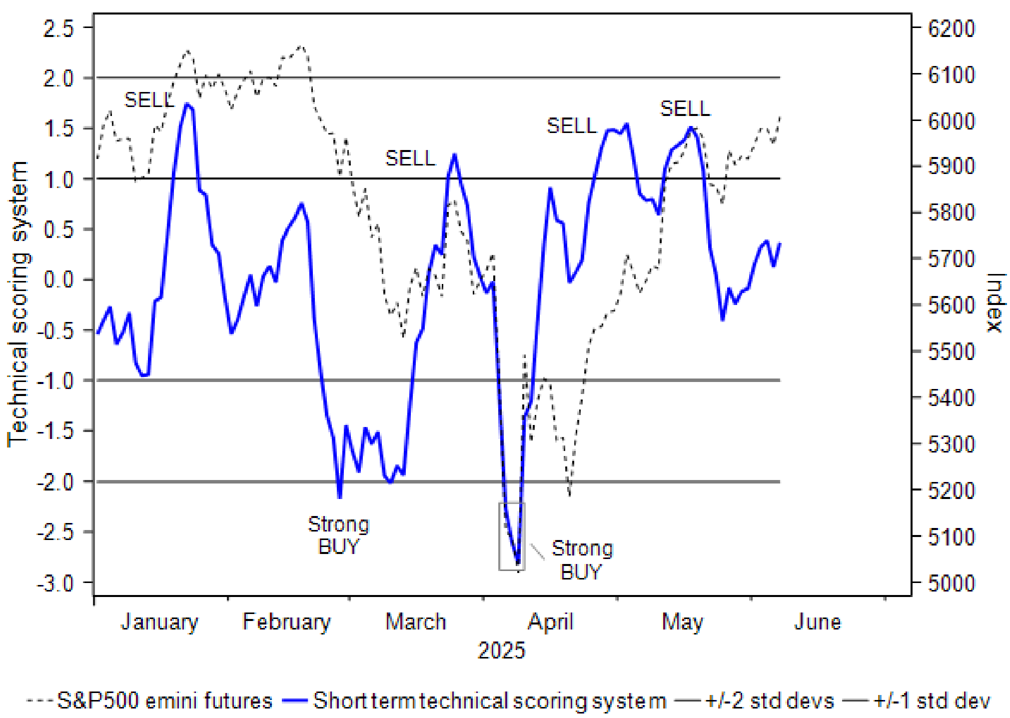
Source: Longview Economics, Macrobond

FIG 2b: Short 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



Source: Longview Economics, Macrobond

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

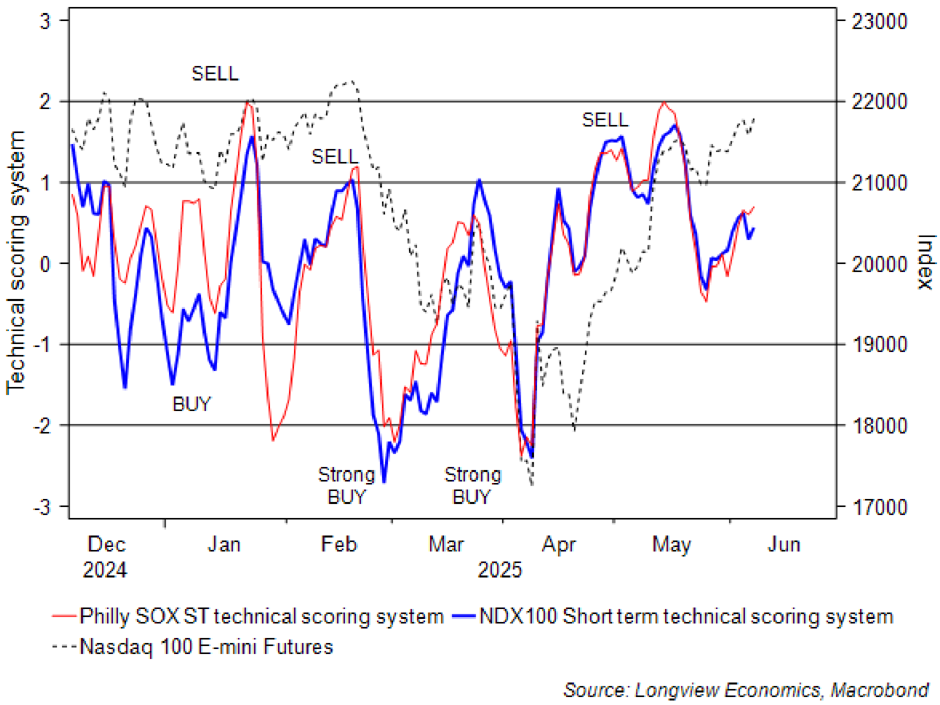


FIG 2e: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

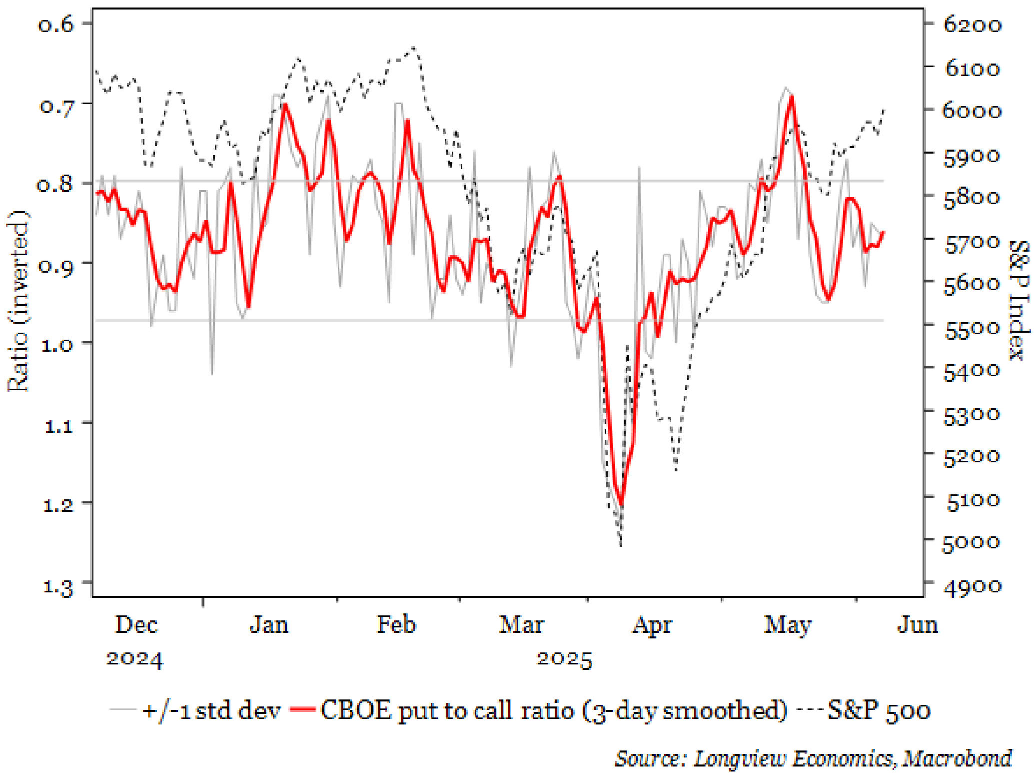


FIG 2f: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

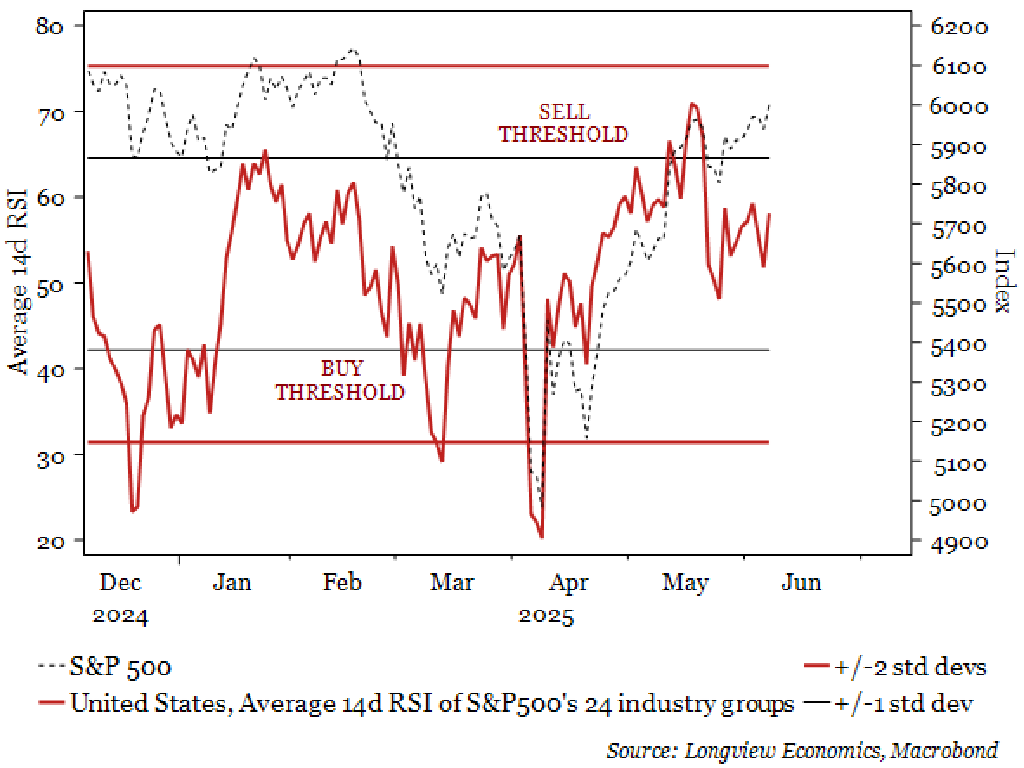
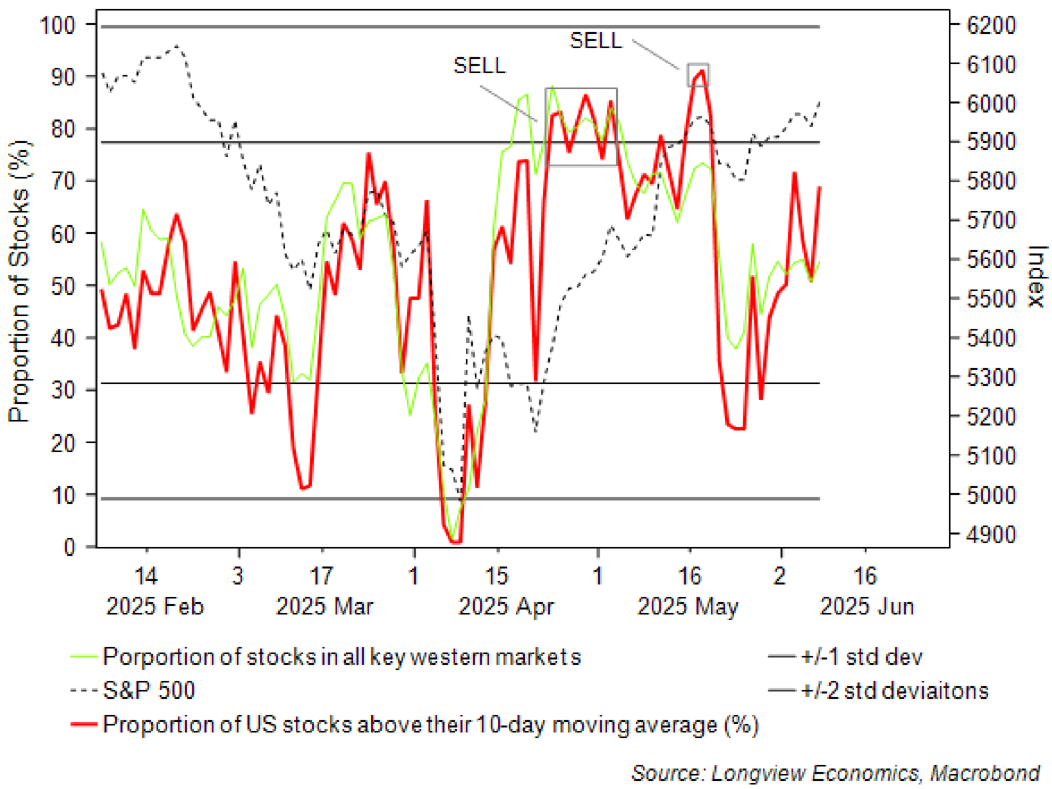


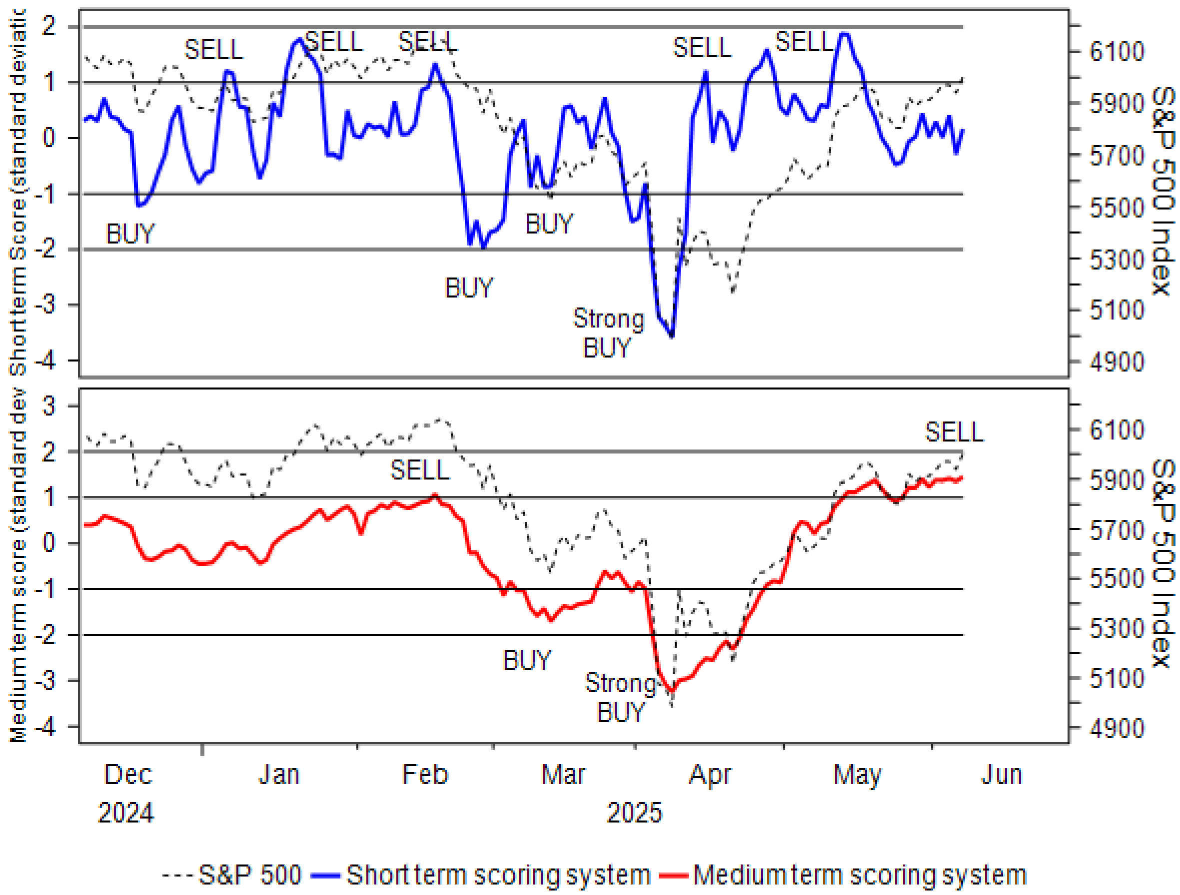
FIG 2g: Proportion of US stocks above their 10-day moving average vs. S&P500



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

LVRAG
Daily Risk Appetite Gauge

Key macro data/events

Key data today include: **Japanese GDP** (Q1 final estimate, 12:50am); **Chinese headline CPI & PPI** (May, 1:30am); **Chinese imports/exports, & trade balance** (May, 4am); US wholesale sales & inventories (Apr, 3pm); US New York Fed 1 year inflation expectations (May, 4pm).

Key events today include: Speeches by the ECB's Elderson in Rome (10am) & Escriva in Madrid (3pm).

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

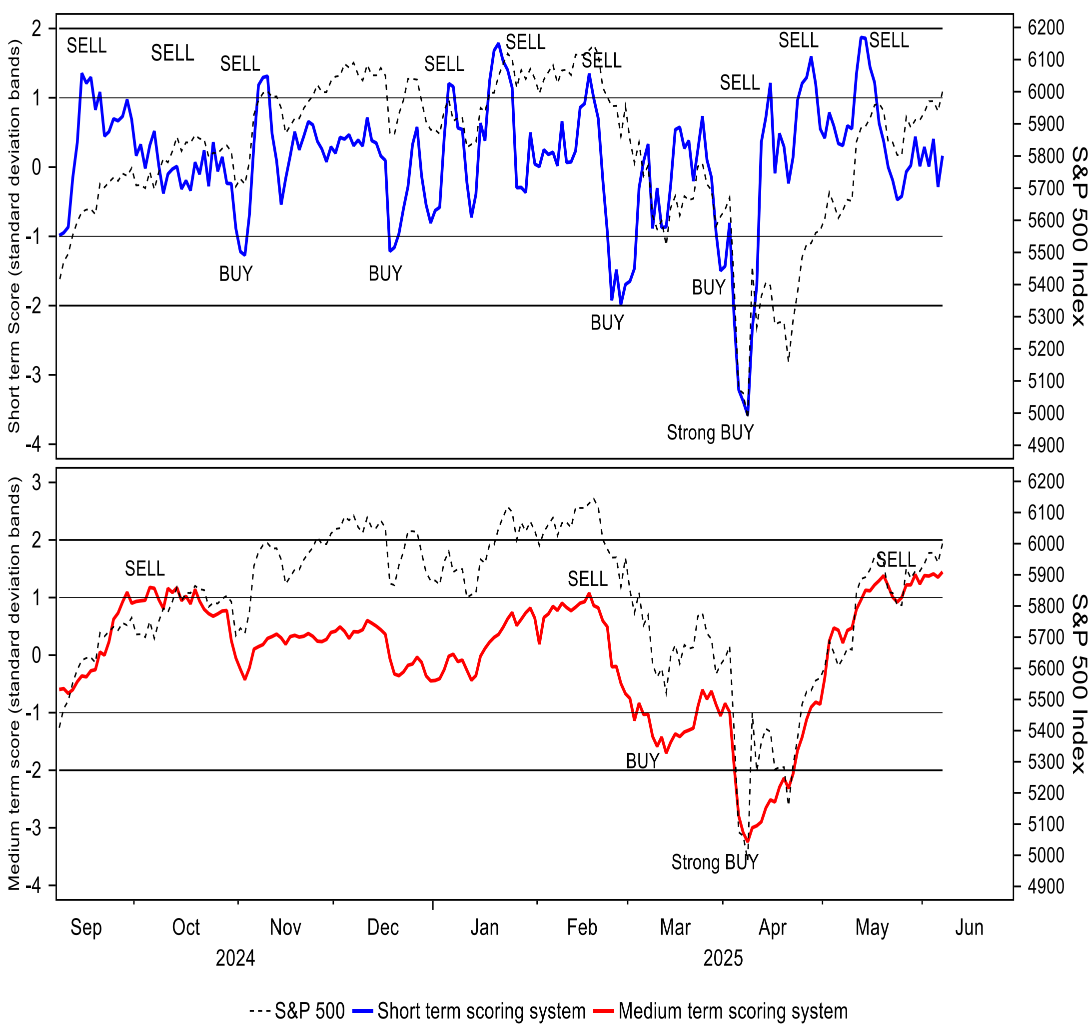
1 – 2 Week View on Risk

9th 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

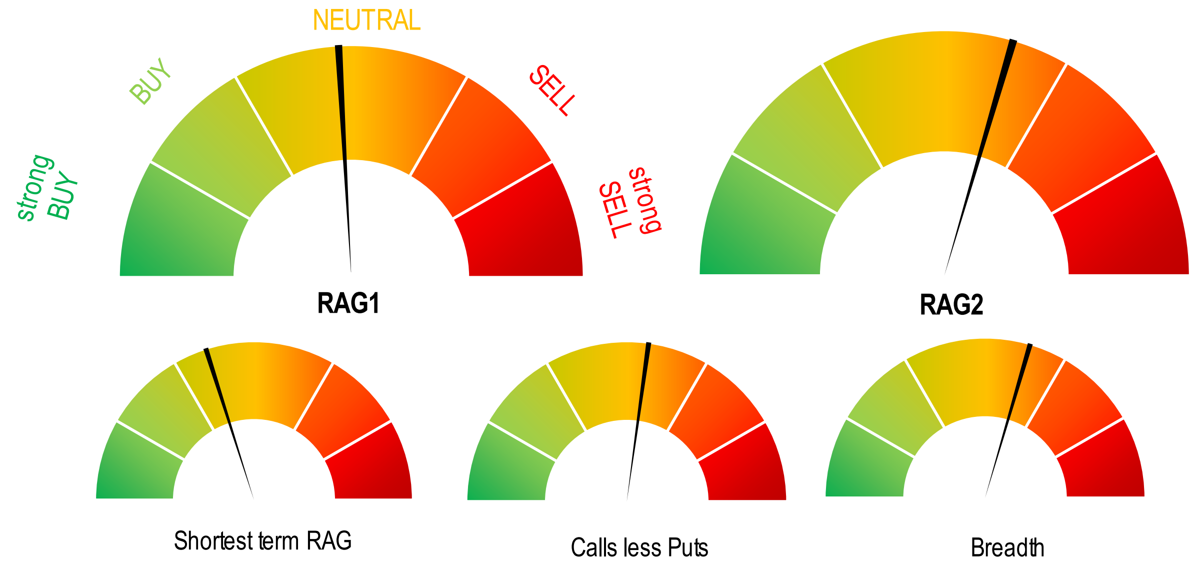
Source: Longview Economics, Macrobond

*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

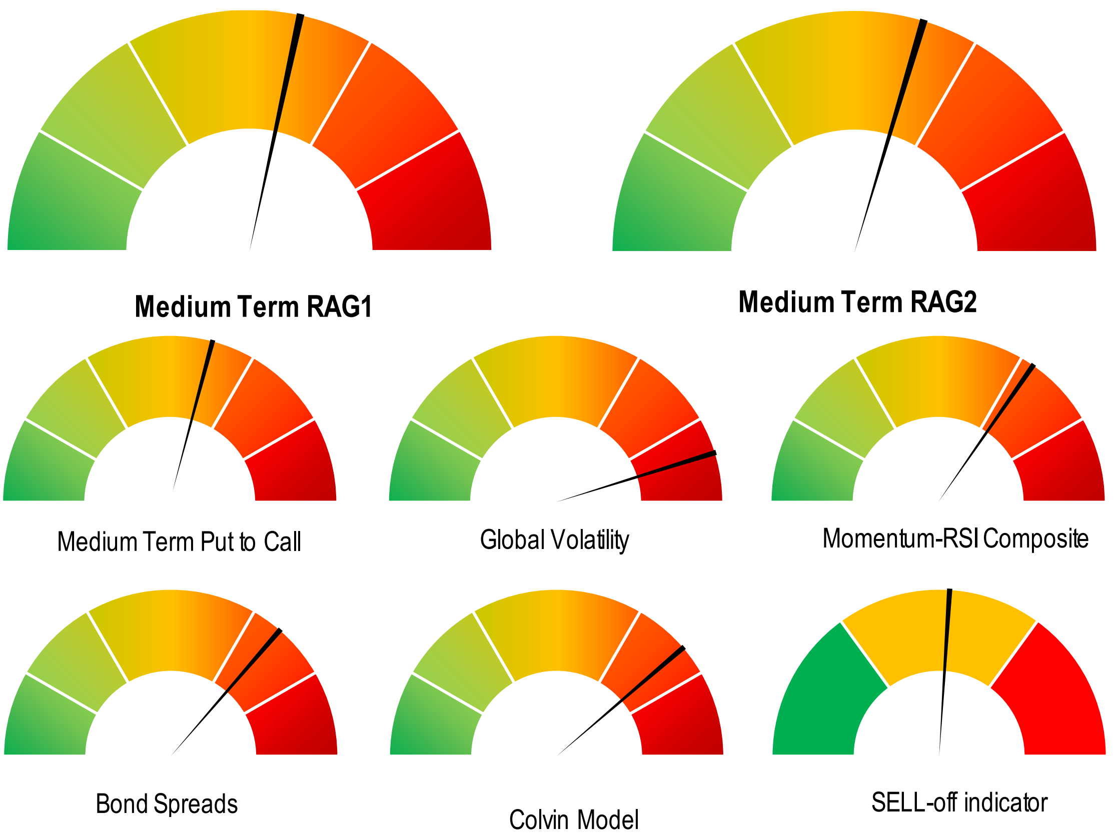
Section 1a: Summary of indicator signals**

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

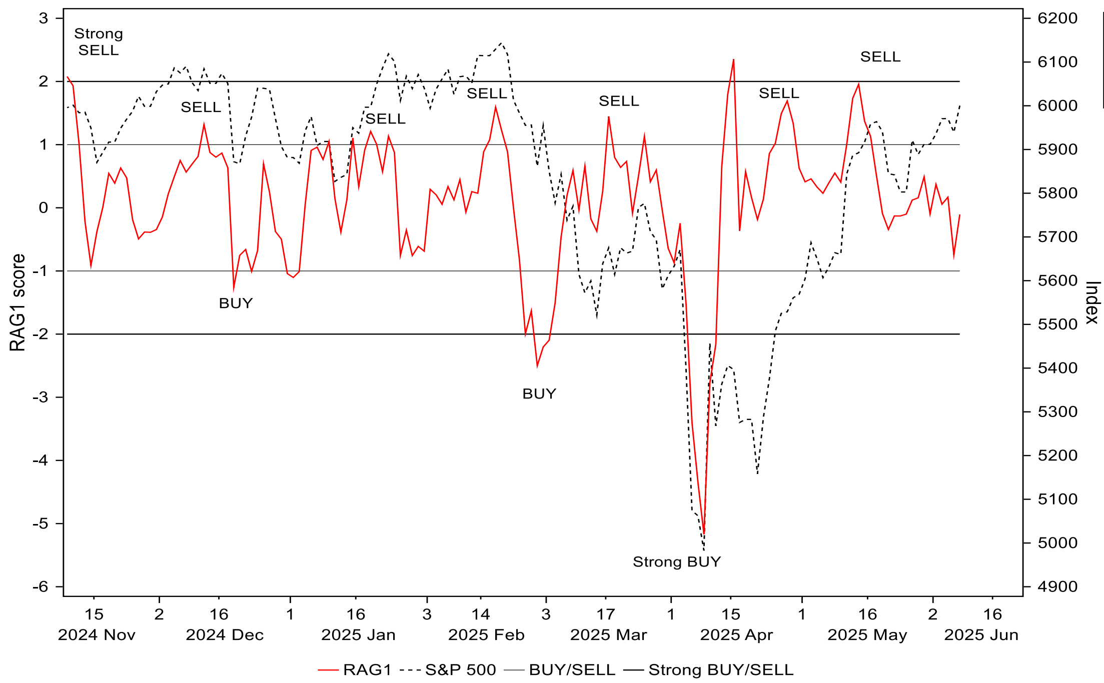


Source: *Longview Economics*

**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

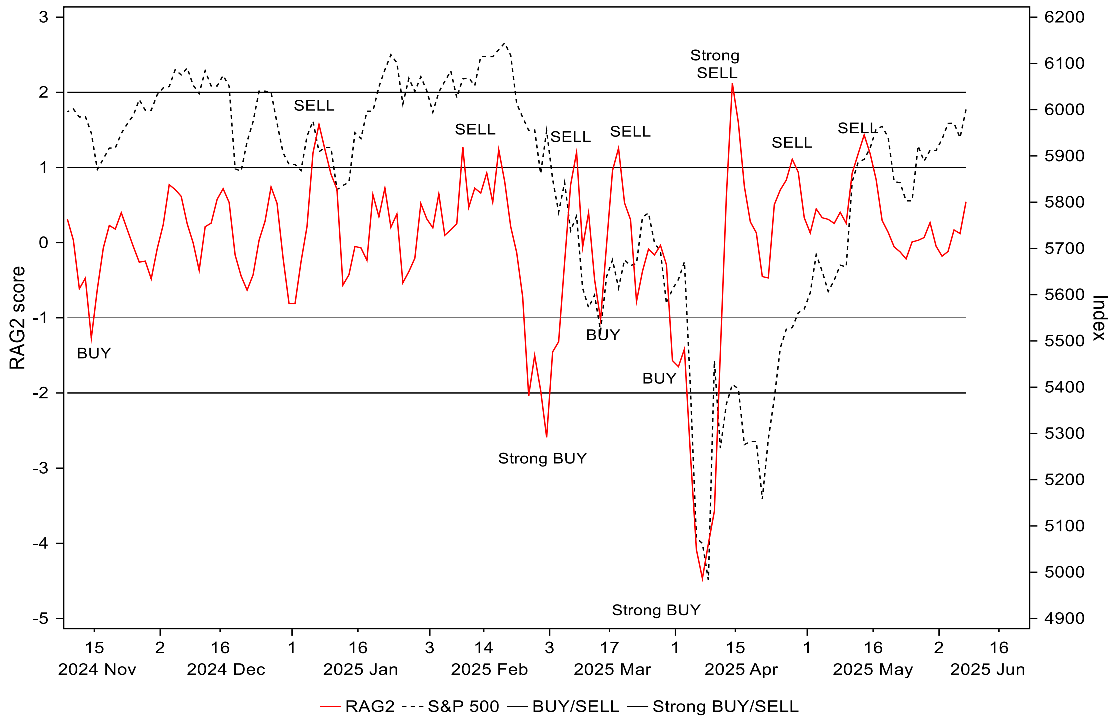
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

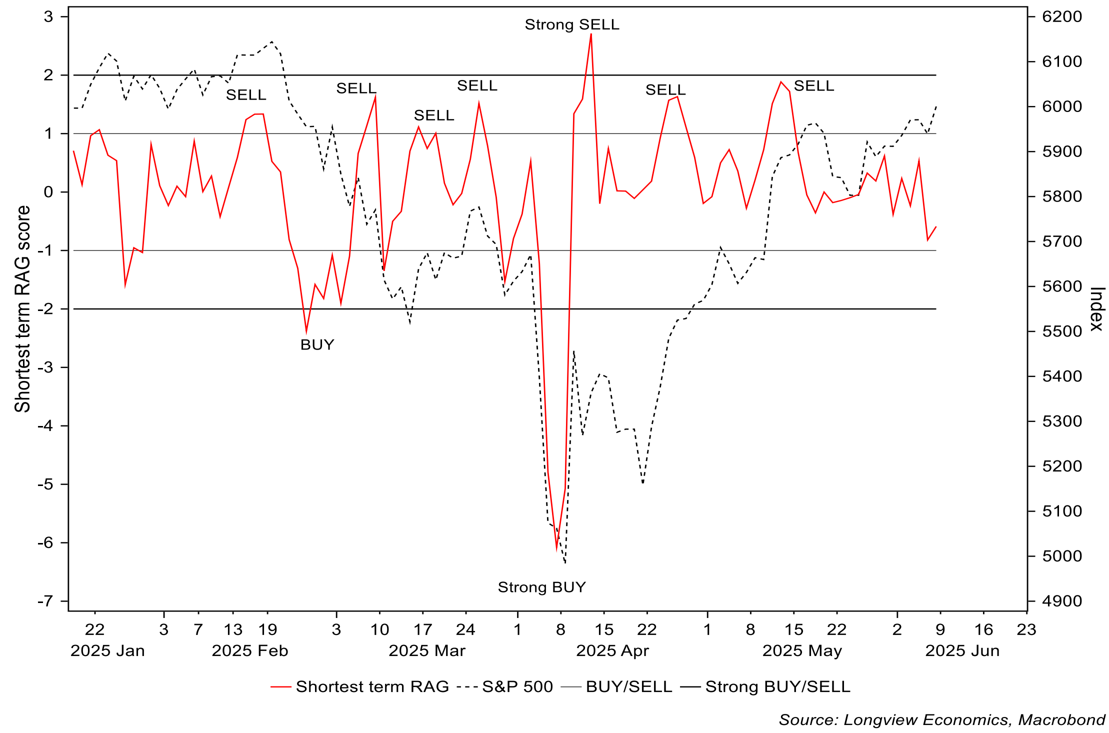


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

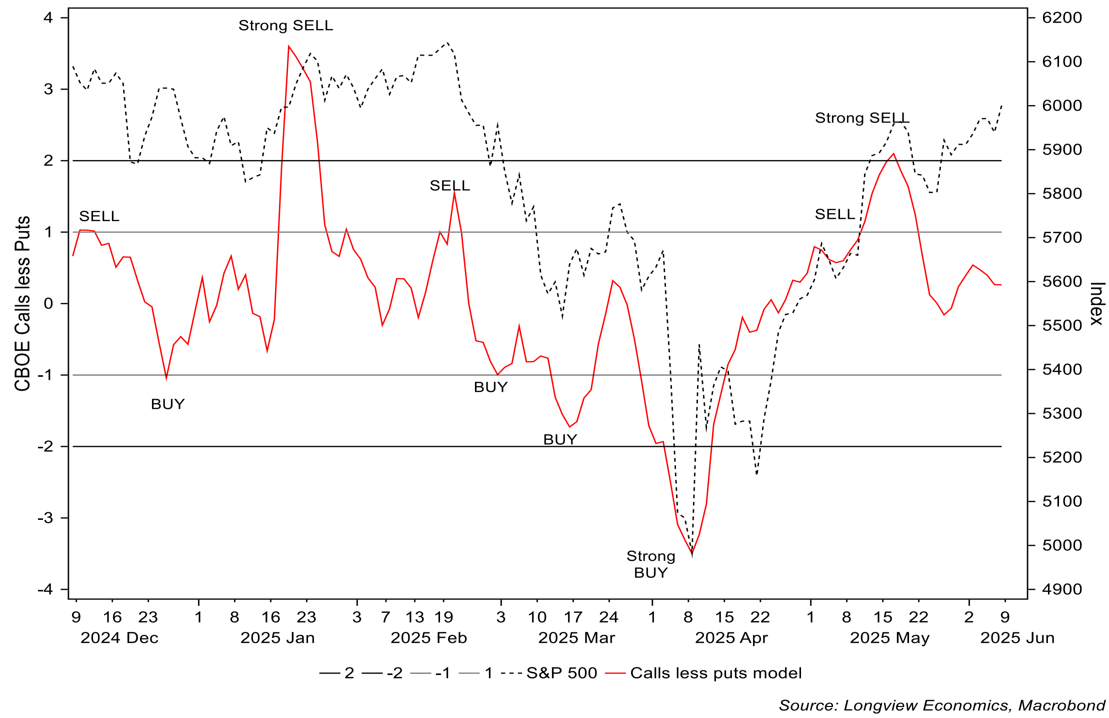
For explanations of indicators please see page 10

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



Shortest term RAG is NEUTRAL

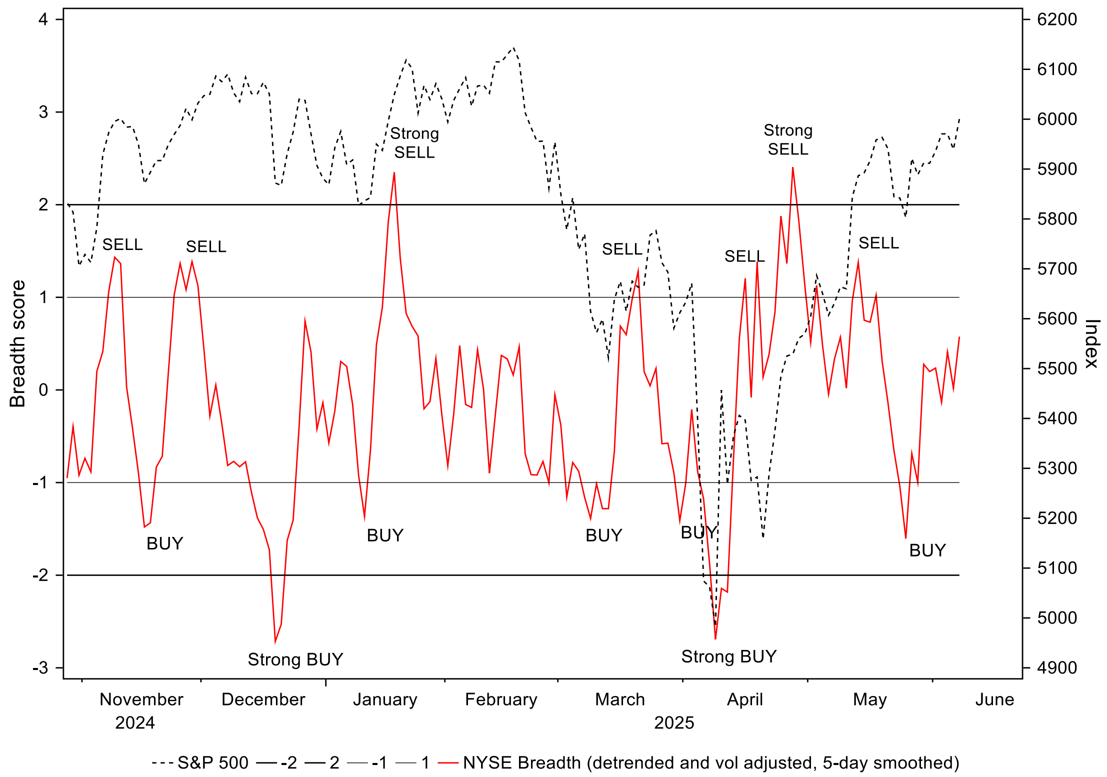
Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



Calls less puts model is NEUTRAL

For explanations of indicators please see page 10

Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



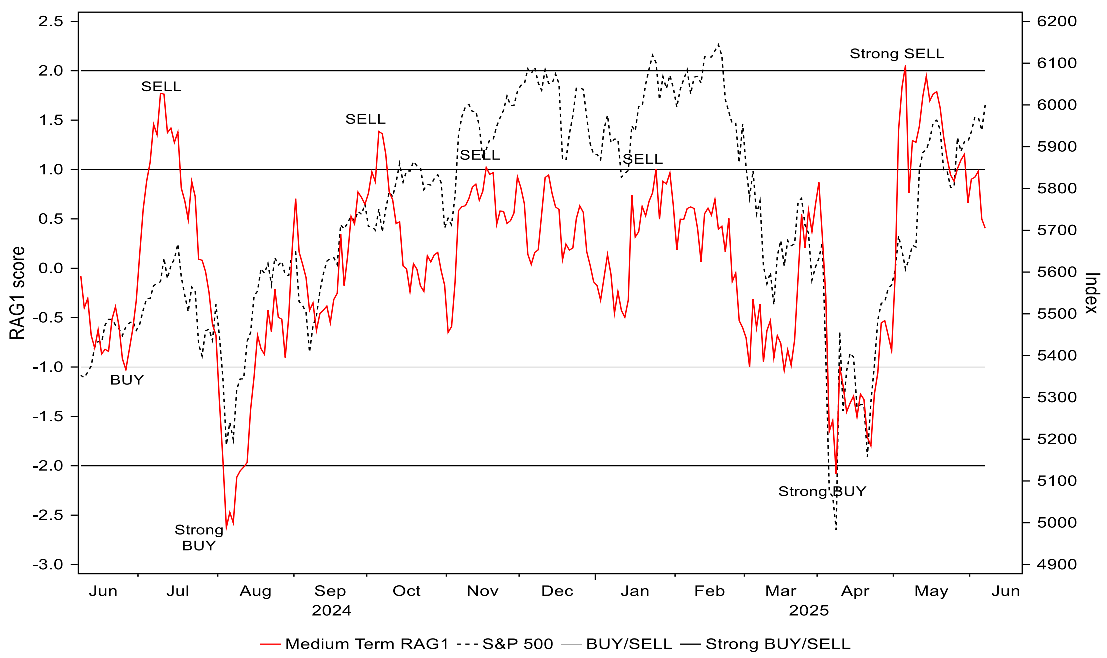
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

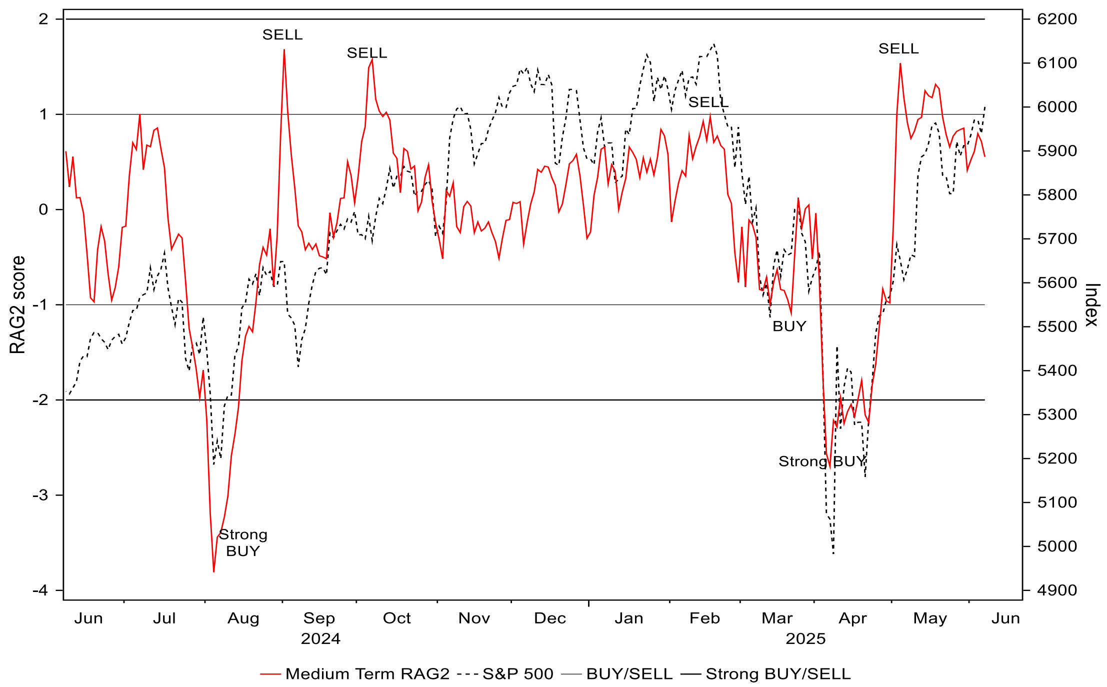
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

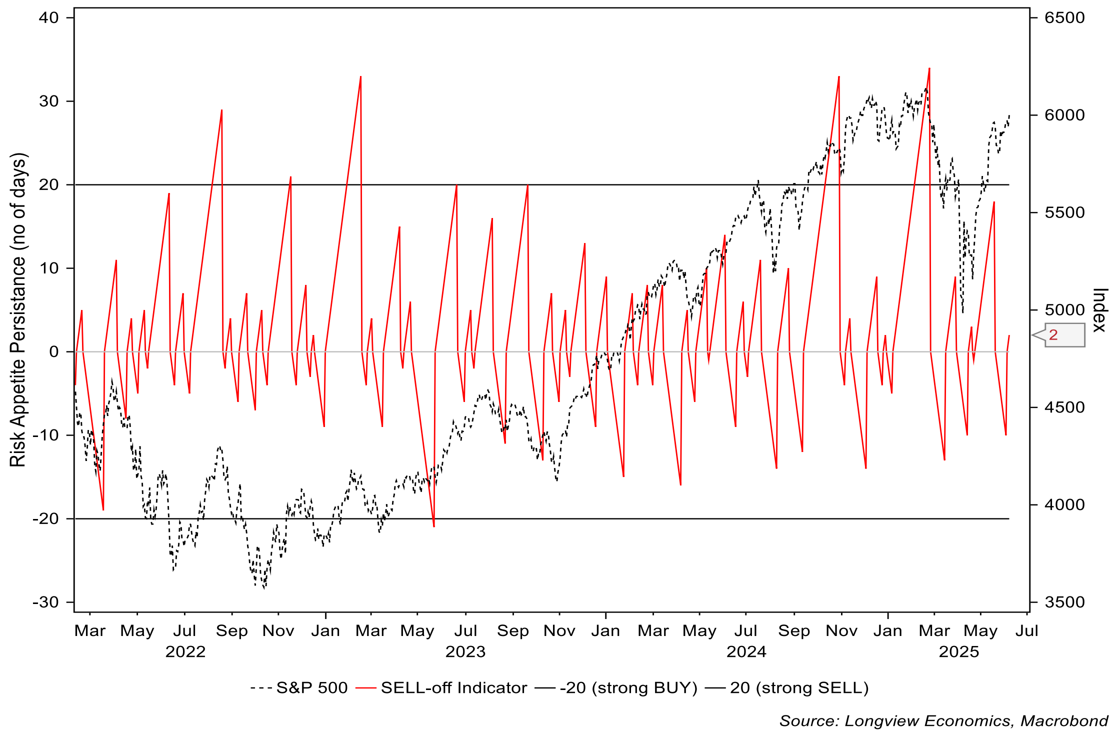


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

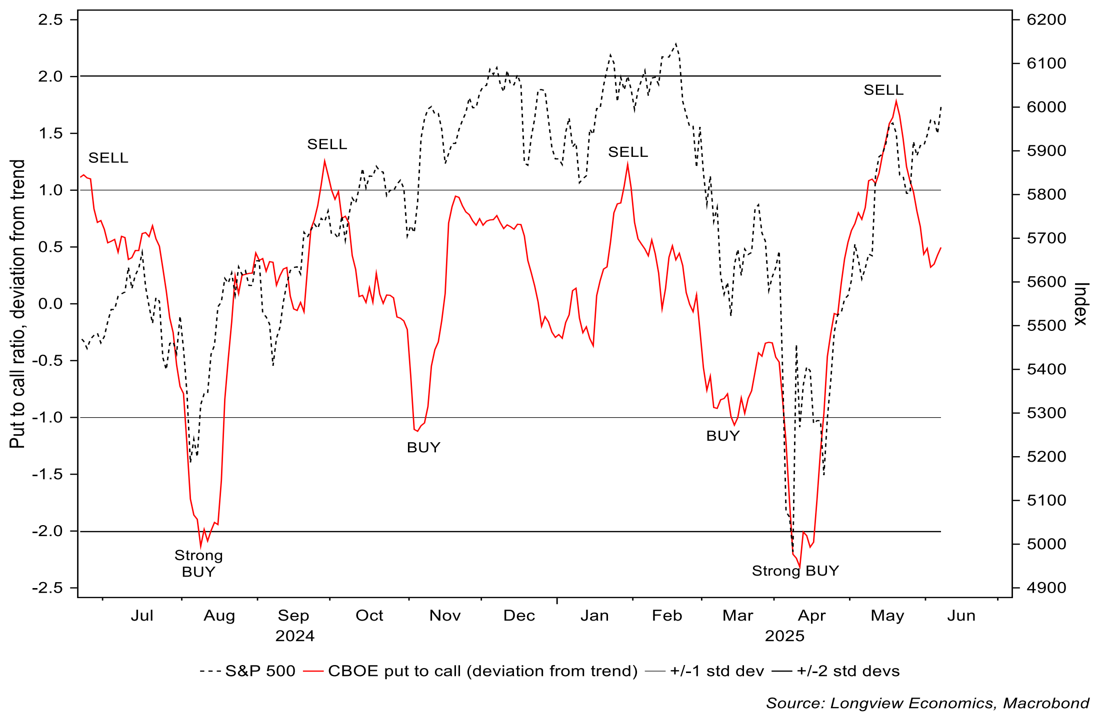
For explanations of indicators please see page 10

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



The SELL-off indicator is NEUTRAL

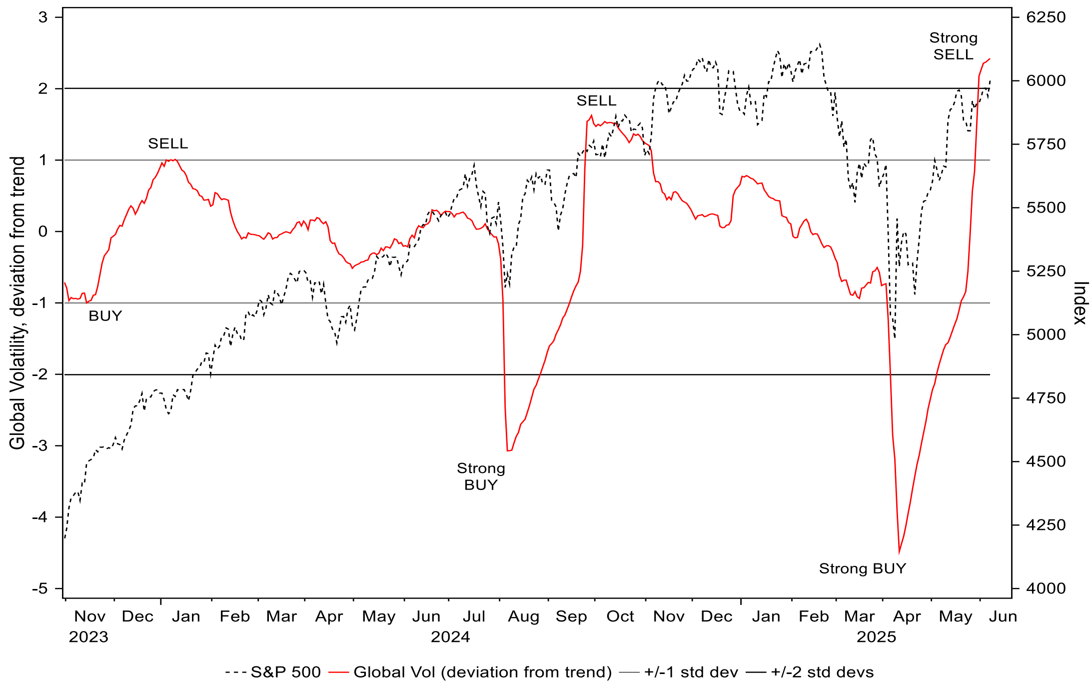
Fig 3d: CBOE put to call trend deviation model vs. S&P500



Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

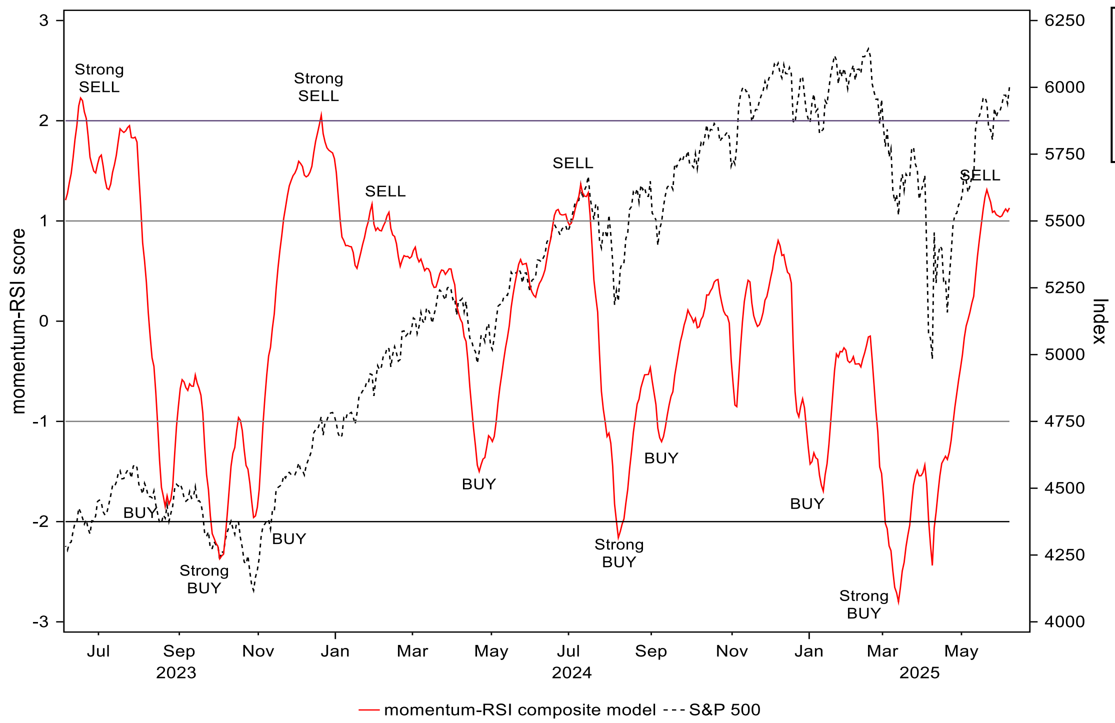
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is on Strong SELL

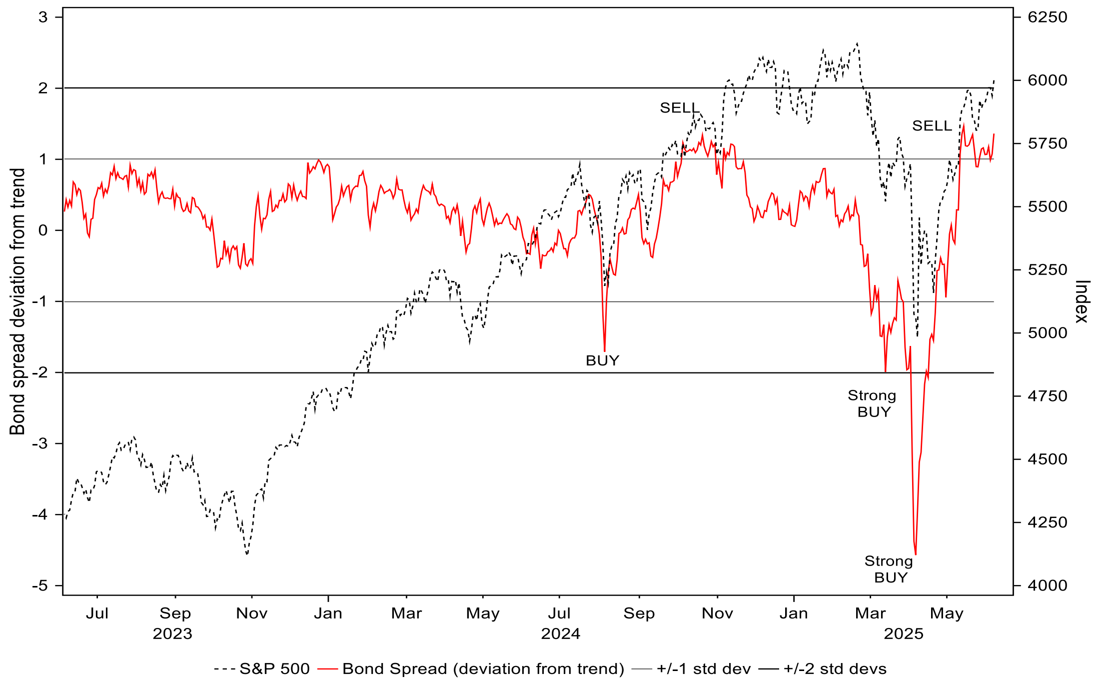
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is on SELL

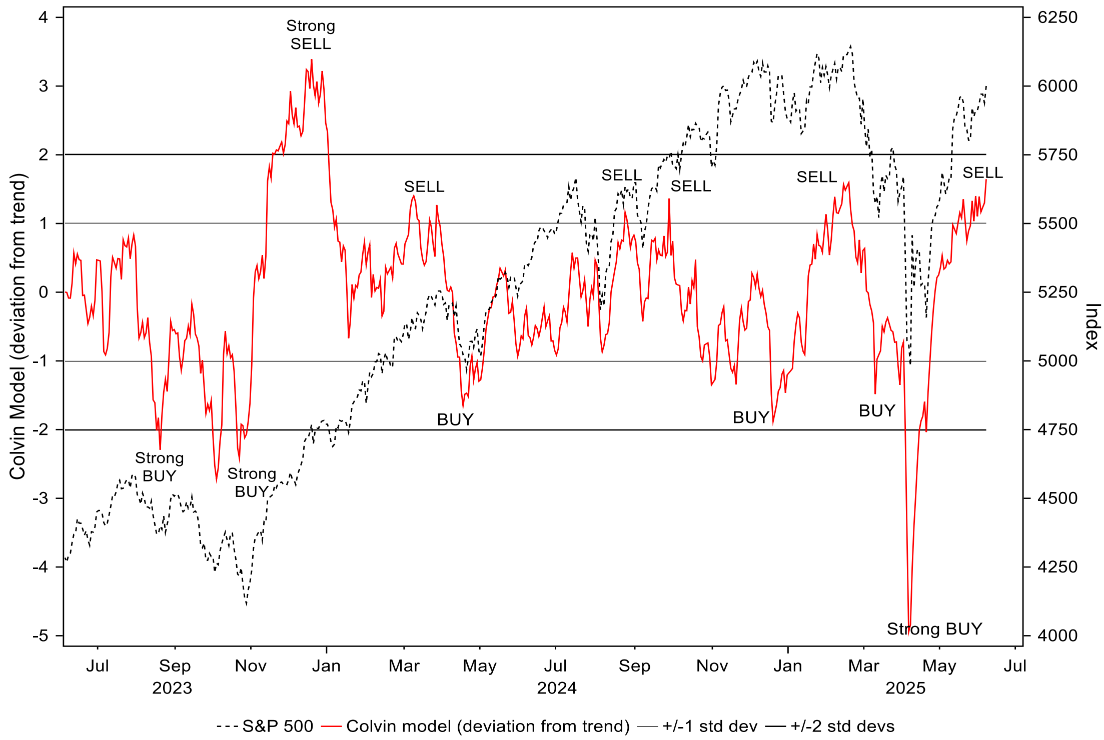
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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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Daily Risk Appetite Gauge

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