LVRAG
Daily Risk Appetite Gauge

# Equity Index Futures Trading Recommendations

24th January 2025

"Stay SHORT SPX futures - clear/across the board SELL message from short term models"

*Email: info@longvieweconomics.com*

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

- Stay ¼ SHORT March S&P500 futures (entry was at 6,080);
- Retain unchanged stop loss 2.5% above entry (at 6,232).

## Rationale

With further strength in US/global equity markets yesterday, US equities are at/close to breaking out. The S&P500 March futures are back at the top end of their 60-day range (i.e. at record highs/FIG 1); the cash S&P500 closed at a new record high yesterday (and made a new intraday high); while the NDX100 is close to the top end of its range (close to record highs of mid-December).

With that, the S&P500 (& NDX100/other indices) are now overextended to the upside. Our model, for example, which measures the S&P500 price relative to its 10-day moving average is back on SELL – highlighting the rapid nature of this recent rally (FIG 1a). The NDX100 equivalent model is also on SELL (FIG 1b). Our technical scoring systems have the same message (both on SELL – see FIGs 4 & 4a); while the sector and single stock technical models are also both on/close to SELL (FIGs 5 & 5a). Furthermore, breaking the S&P500 down into 'cyclicals', 'defensives' and 'long duration growth' sectors, all three areas of the market are now overbought in the short term.

Consistent with that, other key short term models are also on SELL, including risk appetite models and put to call ratios. They therefore highlight signs of near term complacency in markets and the lack of downside protection in portfolios (see FIGs 2 & 2a and 3 & 3a).

The message of the short term models, therefore, is clear and across the board. The key risk to this trade is the unpredictability of Trump and potential new policy announcements, especially given this is a new government (which is less than one week into office). New policies, naturally, have the potential to move markets – although that's a two-way risk. Equally, the start of the year is also often a time when new money is put to work and, as such, SELL signals from the models can be early. SHORT positions, therefore, while advisable, carry higher than normal levels of risk at this juncture. Equally the return could also be above average.

Given that backdrop, therefore (especially the widespread SELL signal), we recommend staying SHORT (see above for detailed recommendation).



Copyright © 2004-2024 Longview Economics. All Rights Reserved

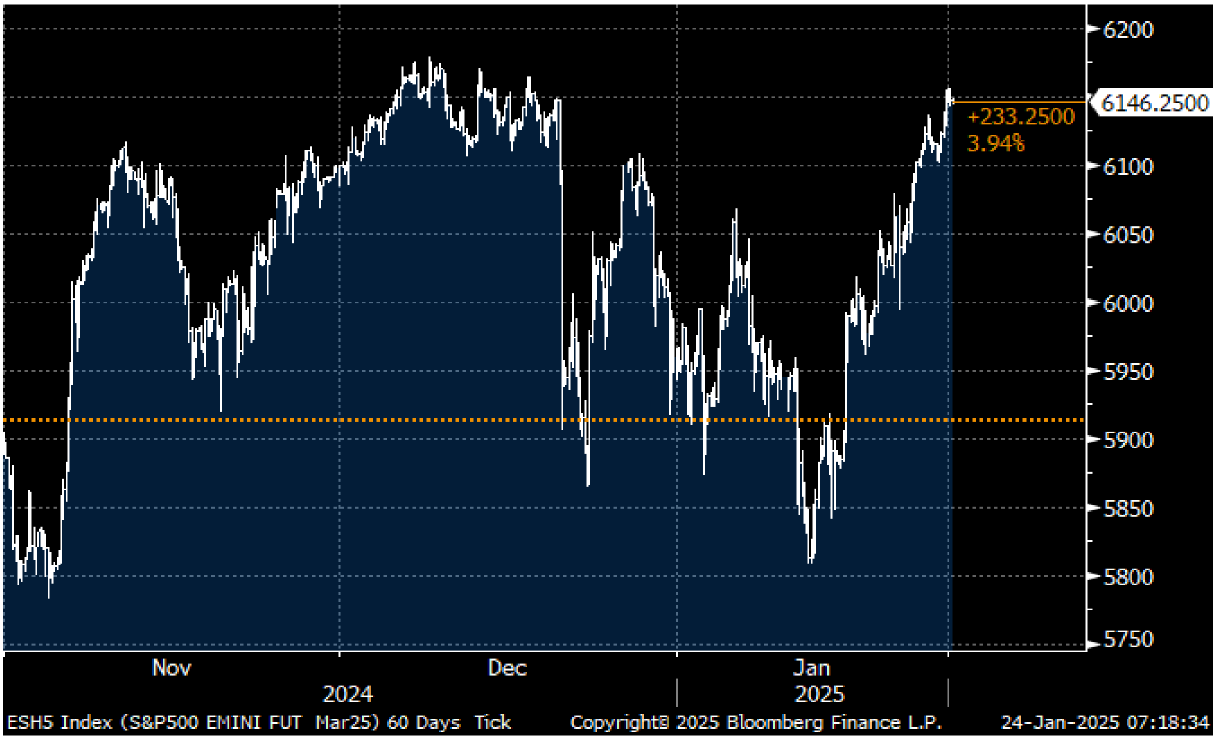
Please see below for a full list of today's key macro data, events, and US earnings reports.

Kind regards,

The team @ Longview Economics

NB the goal of this publication is to implement '1 – 2' week, LONG or SHORT trades on equity index futures (looking for 1 – 3 trades per month). For longer term 1 – 4 month trading recommendations and analysis, see our 'Tactical Asset Allocation' publications (available: https://www.longvieweconomics.com/the-tactical-investor); OR for longer term investors, with a 6 month to 2 year timeframe, see our 'Strategic Investor' publications (available HERE: https://www.longvieweconomics.com/the-strategic-investor)

**FIG 1:** S&P500 March 2025 futures 60-day tick chart shown with overnight price action





Copyright © 2004-2024 Longview Economics. All Rights Reserved

**FIG 1a:** S&P500 overextended index (index price relative to 10 day moving average) vs. S&P500

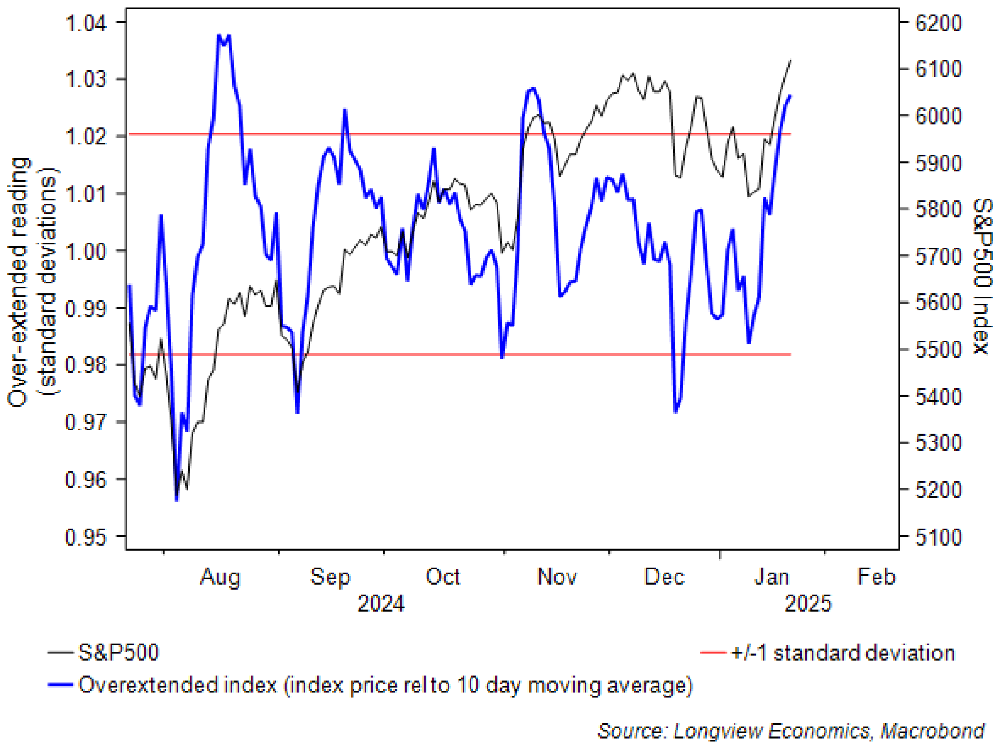
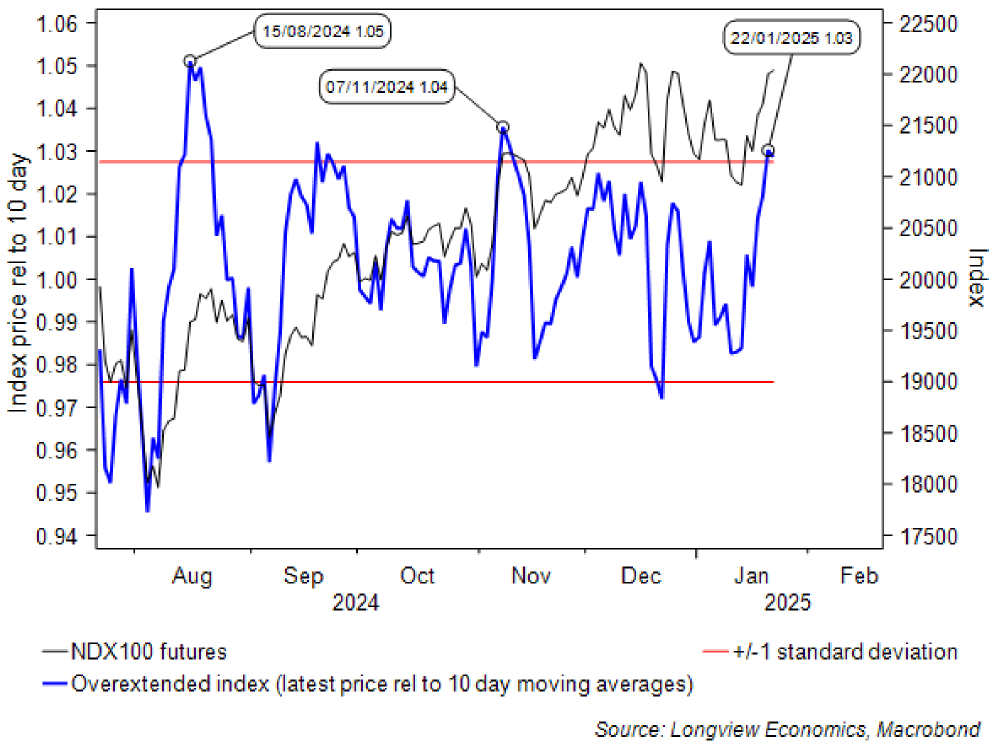


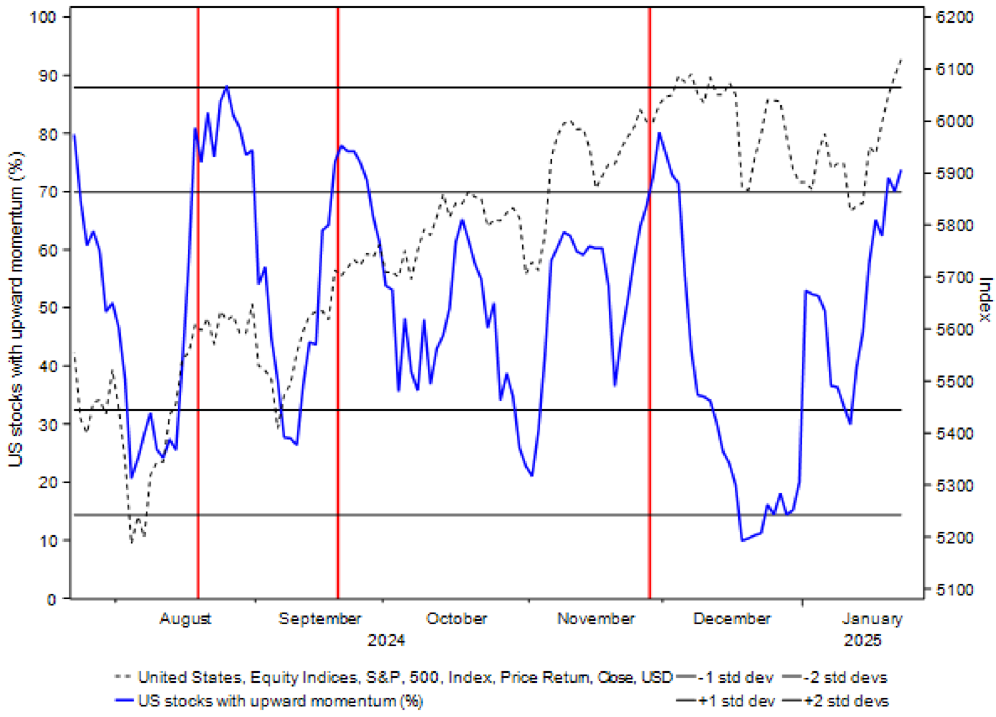

**FIG 1b:** NDX100 overextended index (index price relative to 10 day moving average) vs. NDX100






Copyright © 2004-2024 Longview Economics. All Rights Reserved

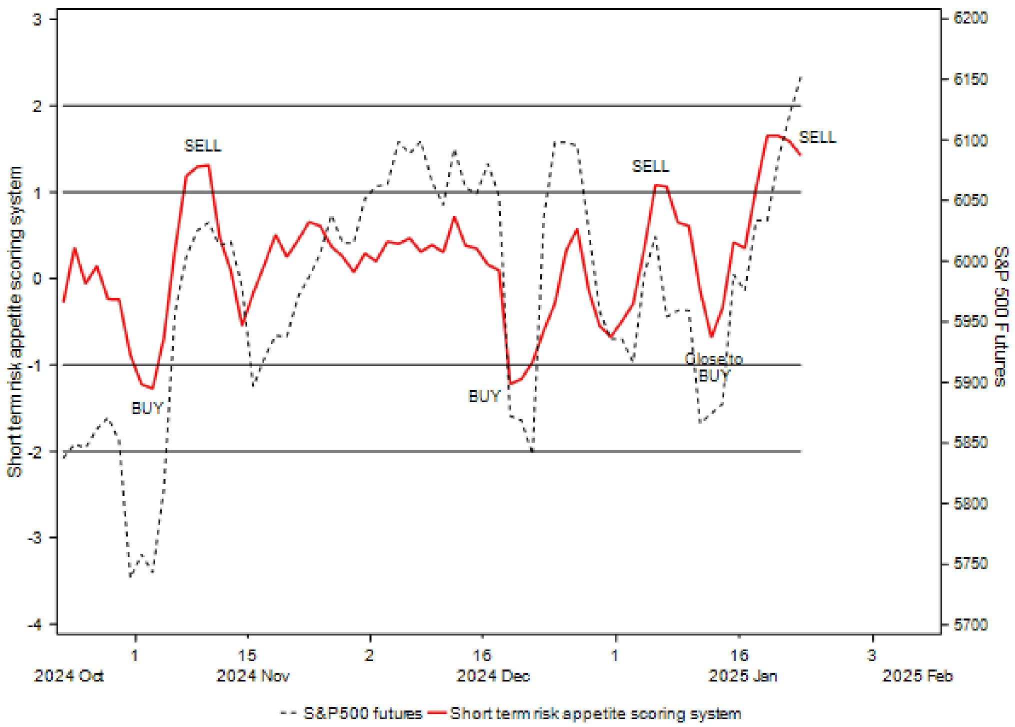
**FIG 1c:** US S&P500 stocks with upward momentum shown vs. S&P500




Source: Longview Economics, Macrobond

## Risk appetite models are on/close to SELL...

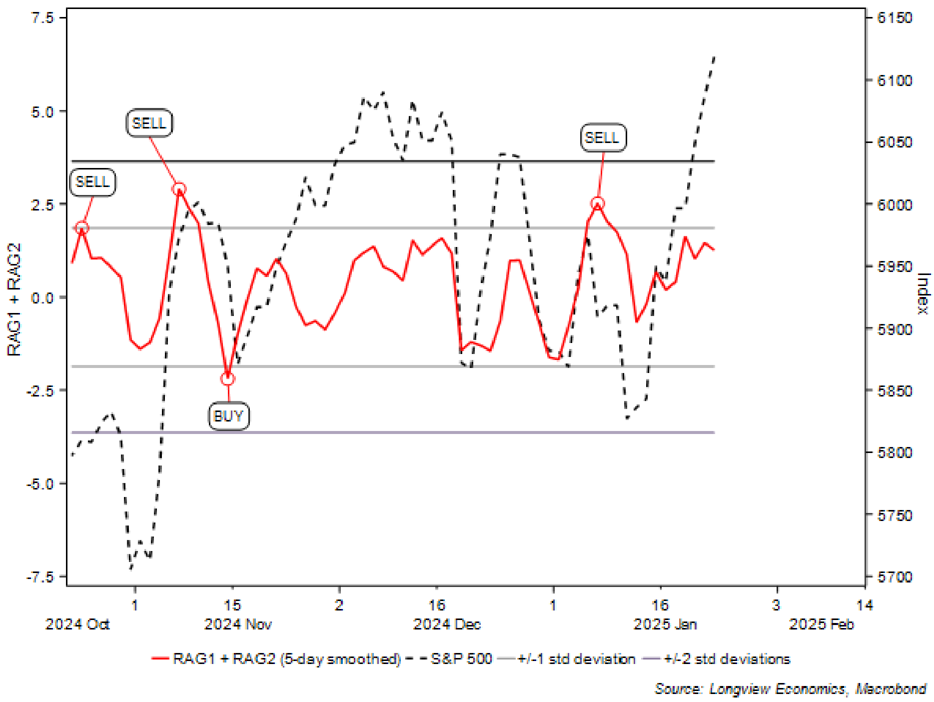
**FIG 2:** Longview short term **'risk appetite'** scoring system vs. S&P500




Source: Longview Economics, Macrobond

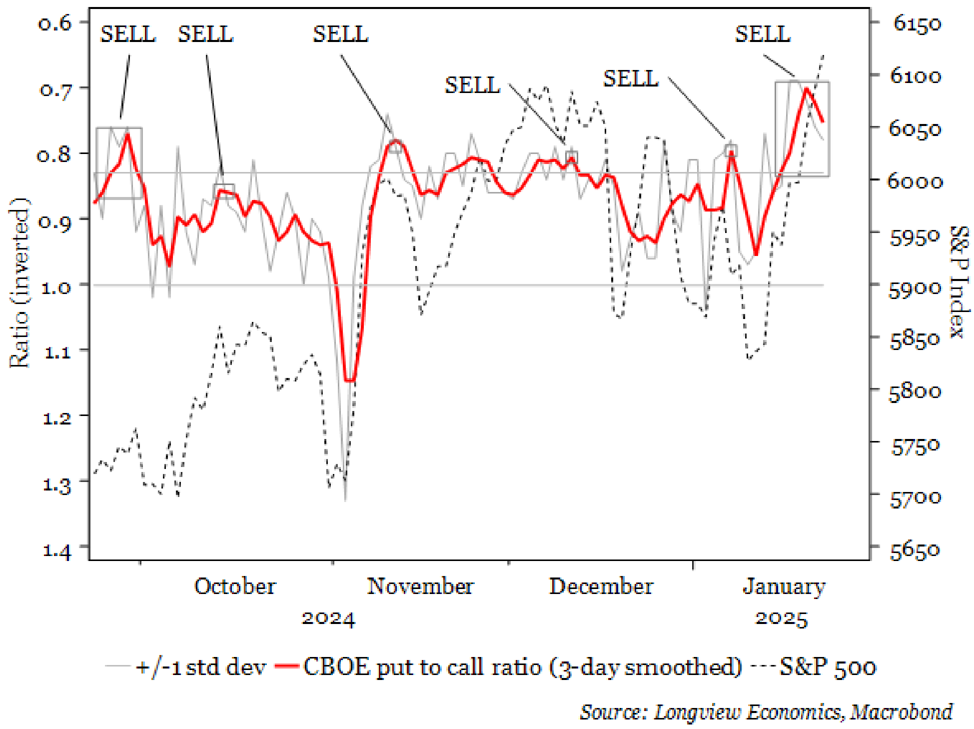

Copyright © 2004-2024 Longview Economics. All Rights Reserved

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




## Put to call models are on strong SELL.....

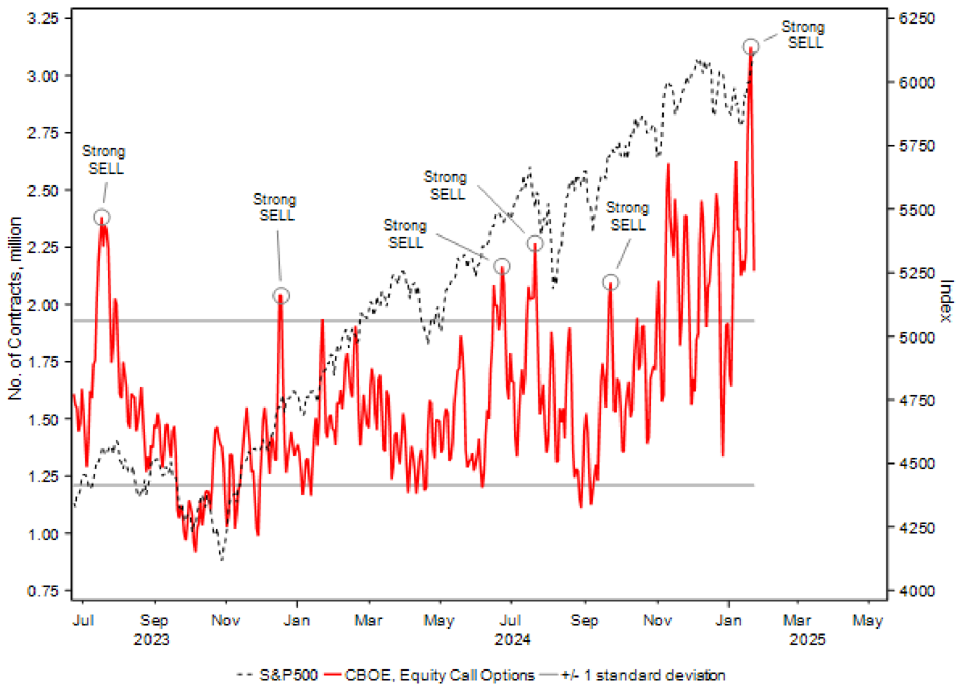
**FIG 3:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500






Copyright © 2004-2024 Longview Economics. All Rights Reserved

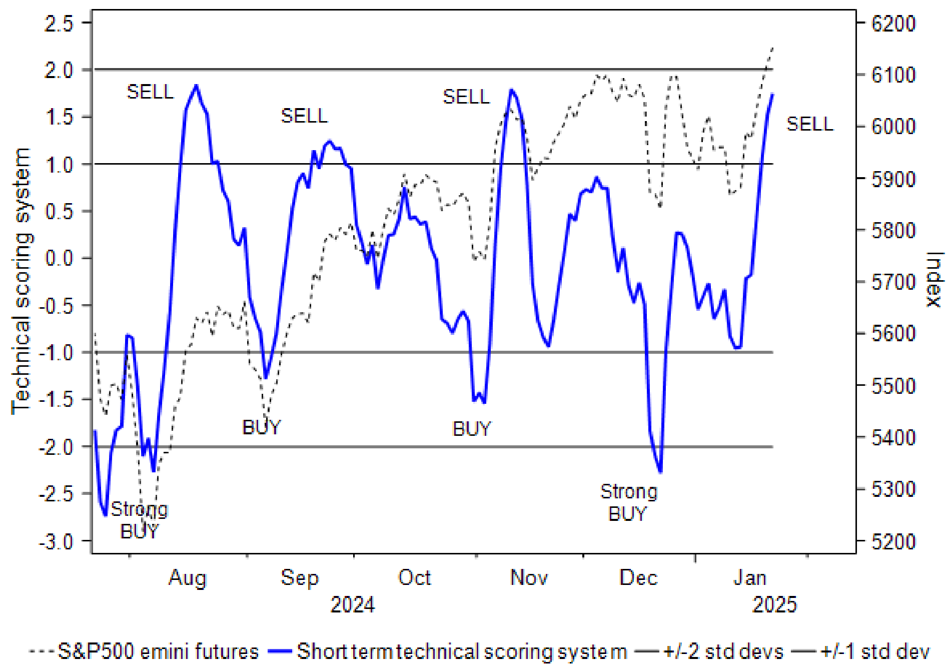
**FIG 3a:** Volume of outstanding CBOE **'single stock'** call options (3 day smoothed) vs. S&P500




*Source: Longview Economics, Macrobond*

## Technical & momentum models (for indices) are on SELL/strong SELL....

**FIG 4:** Longview **S&P500** short term **'technical'** scoring system vs. S&P500 futures

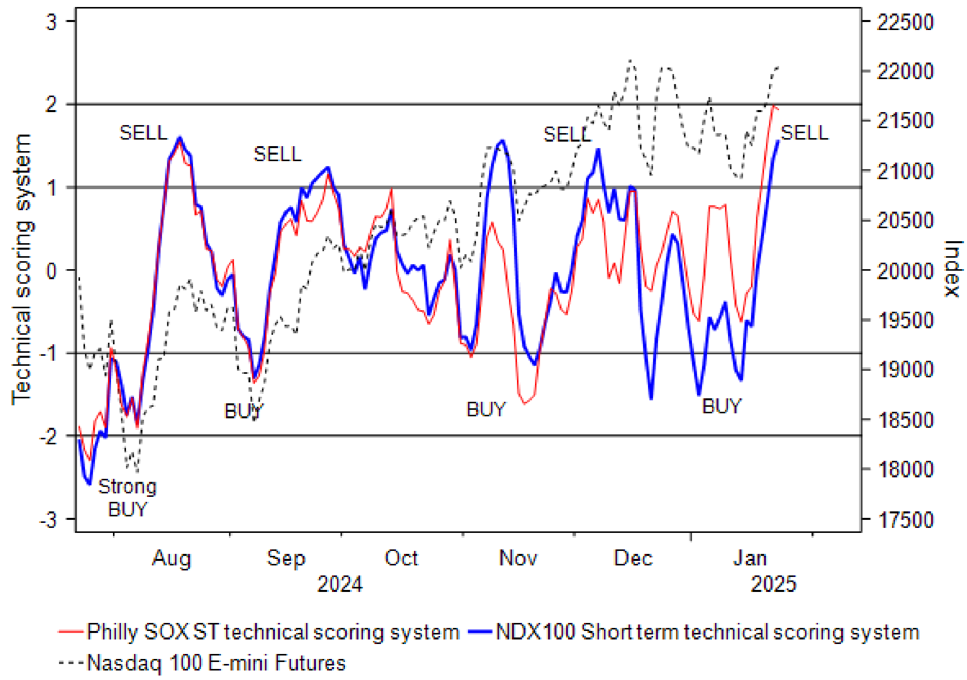



*Source: Longview Economics, Macrobond*



Copyright © 2004-2024 Longview Economics. All Rights Reserved

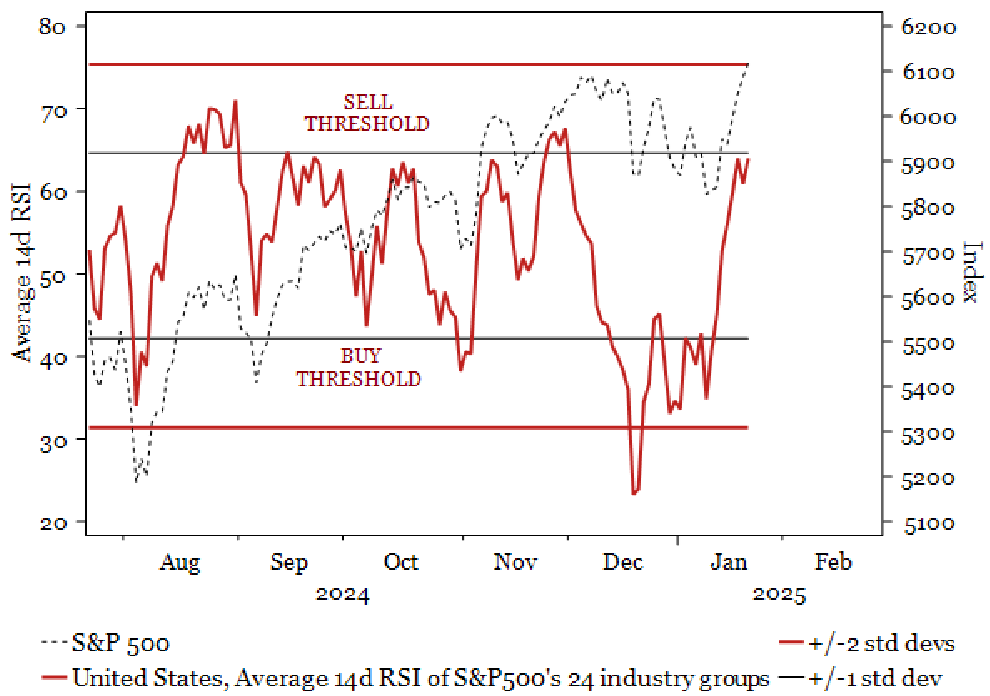
**FIG 4a:** Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures




*Source: Longview Economics, Macrobond*

## Sector and single stock technical models are also on, or close to, SELL....

**FIG 5:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

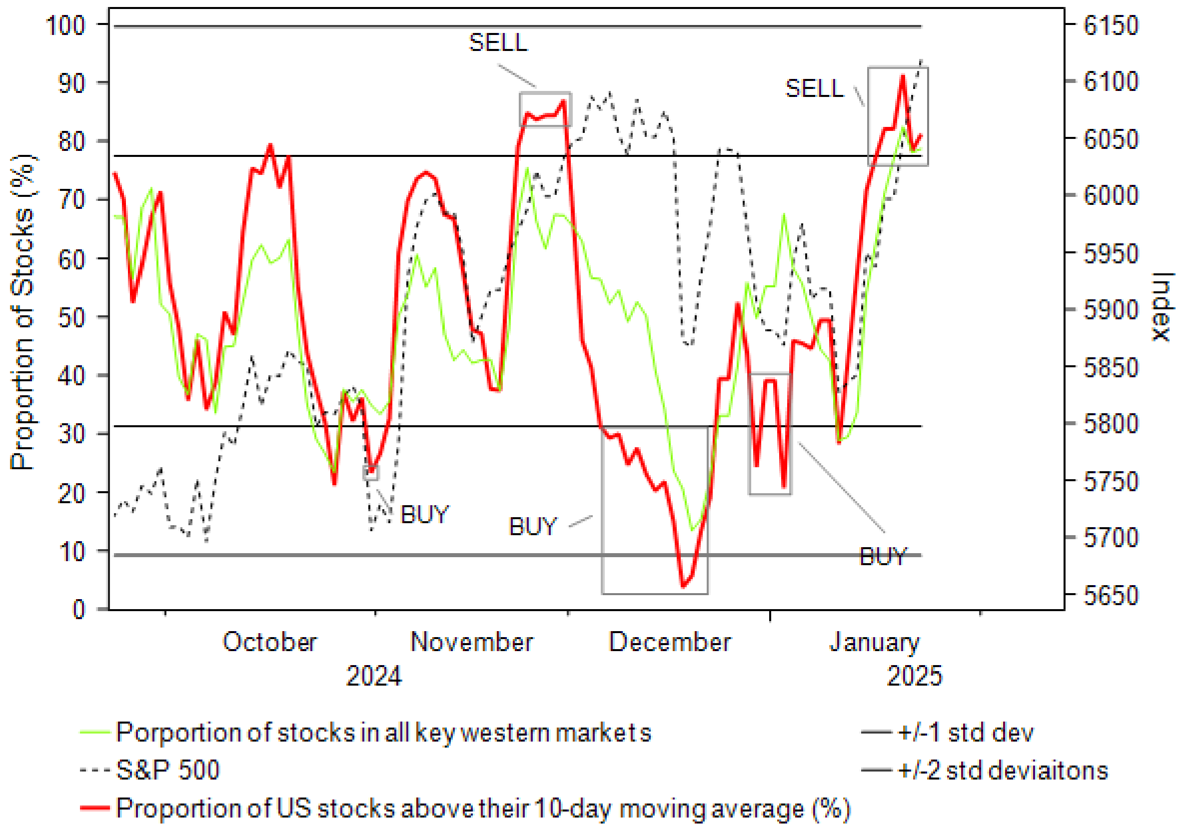



*Source: Longview Economics, Macrobond*



Copyright © 2004-2024 Longview Economics. All Rights Reserved

**FIG 5a:** Proportion of US stocks above their 10-day moving average vs. S&P500



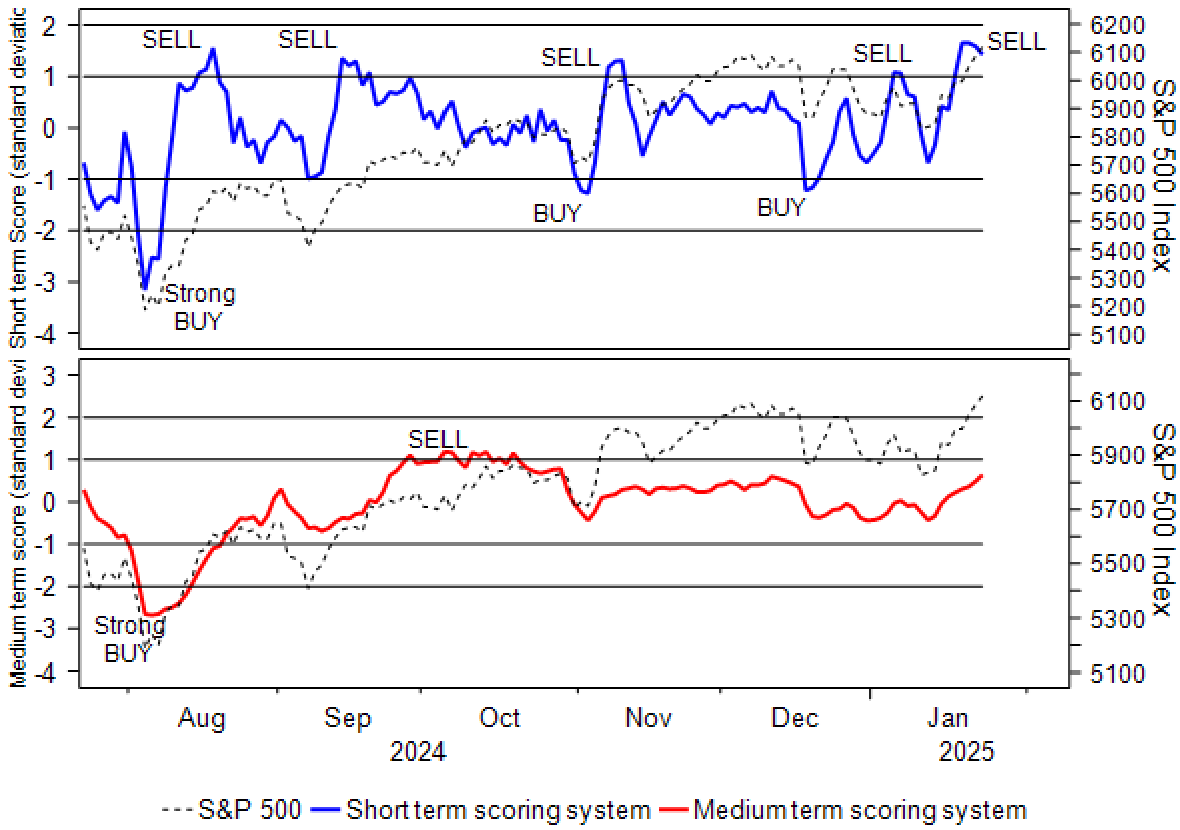

*Source: Longview Economics, Macrobond*


Copyright © 2004-2024 Longview Economics. All Rights Reserved

## **Key Longview Scoring Systems** (chart below)**:**

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

**FIG A:** Longview short and medium term scoring systems vs. S&P500




*Source: Longview Economics, Macrobond*


Copyright © 2004-2024 Longview Economics. All Rights Reserved

## Key macro data/events

**Key data** today include: UK Gfk consumer confidence (Jan, 12:01am); **Japanese Jibun Bank manufacturing & service sector PMIs** (January first estimate, 12:30am); Spanish mortgage approvals (Nov, 8am); Spanish PPI (Dec, 8am); **HCOB manufacturing & service sector PMIs for France** (8:15am), **Germany** (8:30am) & **Eurozone** (9am) – all January first estimates; **UK S&P manufacturing & service sector PMIs** (January first estimates, 9:30am); UK CBI distributive trade survey (Jan, 11am); **US S&P manufacturing & service sector PMIs** (January first estimate, 2:45pm); US Michigan sentiment (January final estimate, 3pm); **US existing home sales** (Dec, 3pm); US Kansas City Fed service sector activity (Jan, 4pm).

**Key events** today include: Speech by the ECB's Lagarde in Davos (10am) & Cipollone appears on CBDR panel in Frankfurt (11am); **BOJ policy decision** including GDP & CPI Q1 forecasts (time tentative).

**Key earnings** today include: **American Express**, **Verizon**, NextEra Energy, HCA, LG Energy Solution.

## 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 last week, 15th January 2025. If you are not on the distribution list and would like to receive these reports pls email [info@longvieweconomics.com](mailto:info@longvieweconomics.com).*

LVRAG
Daily Risk Appetite Gauge

*Notice: This publication is proprietary and limited to the sole use of Longview Economics' clients and trial subscribers. Each reproduction of any part of this publication or its contents must contain notice of Longview Economics' copyright. This agreement shall be governed and construed in accordance with U.K. Copyright law and the parties hereto irrevocably submit to the exclusive jurisdiction of the English courts in respect of any dispute or matter arising out of or connected with this Agreement.*

Longview Economics
@chriswatling
@LviewEconomics
Longview Economics
Longview Economics
Longview Economics


Copyright © 2004-2024 Longview Economics. All Rights Reserved

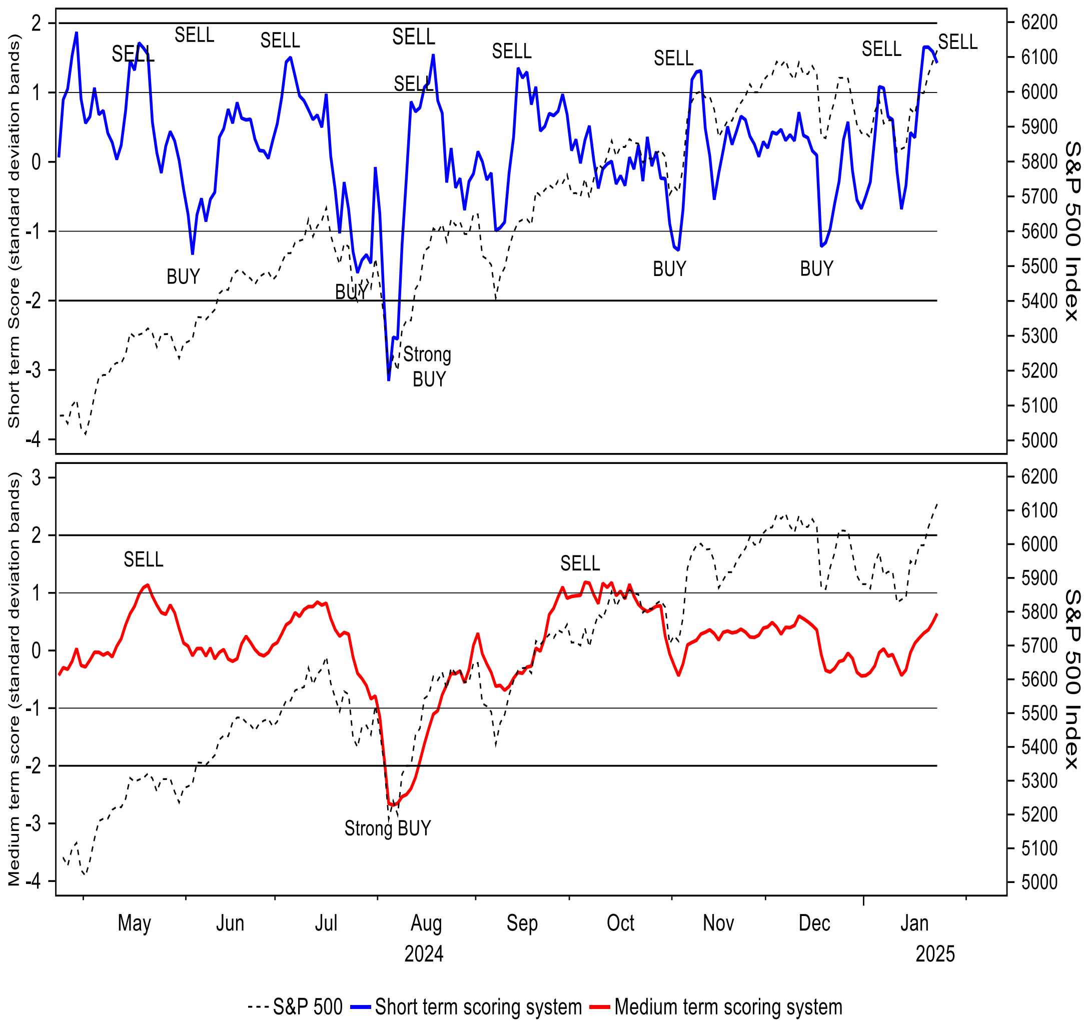
# 1 – 2 Week View on Risk

24th January 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

Short term scoring system is on SELL

Medium term scoring system is NEUTRAL

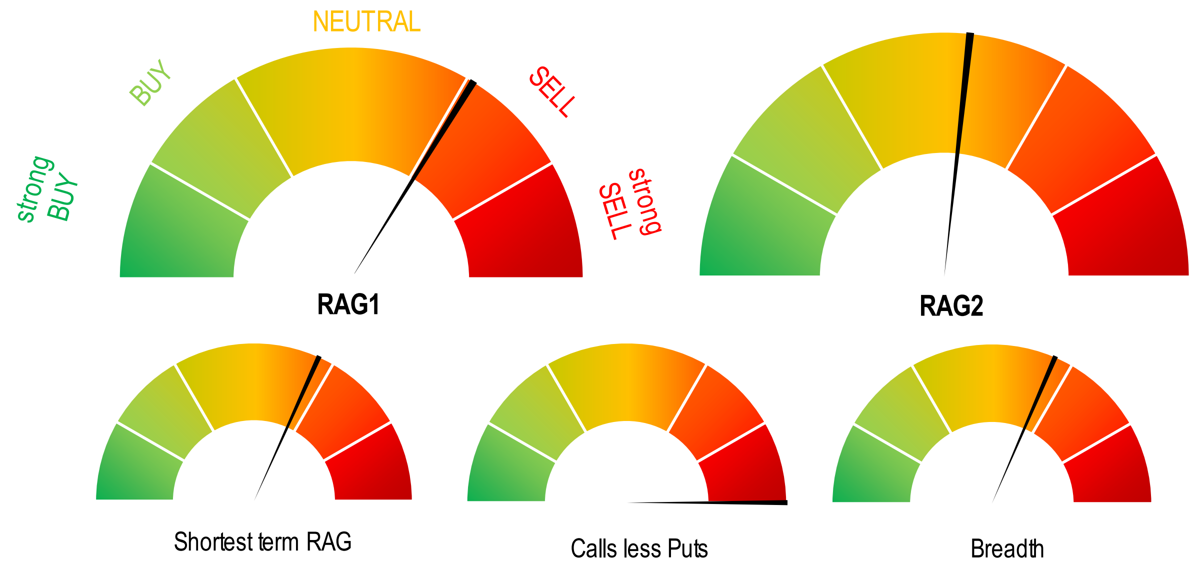
*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

***Important disclosures are included at the end of this report***
***For explanations of indicators please see page 10***


Copyright © 2004-2025 Longview Economics. All Rights Reserved 

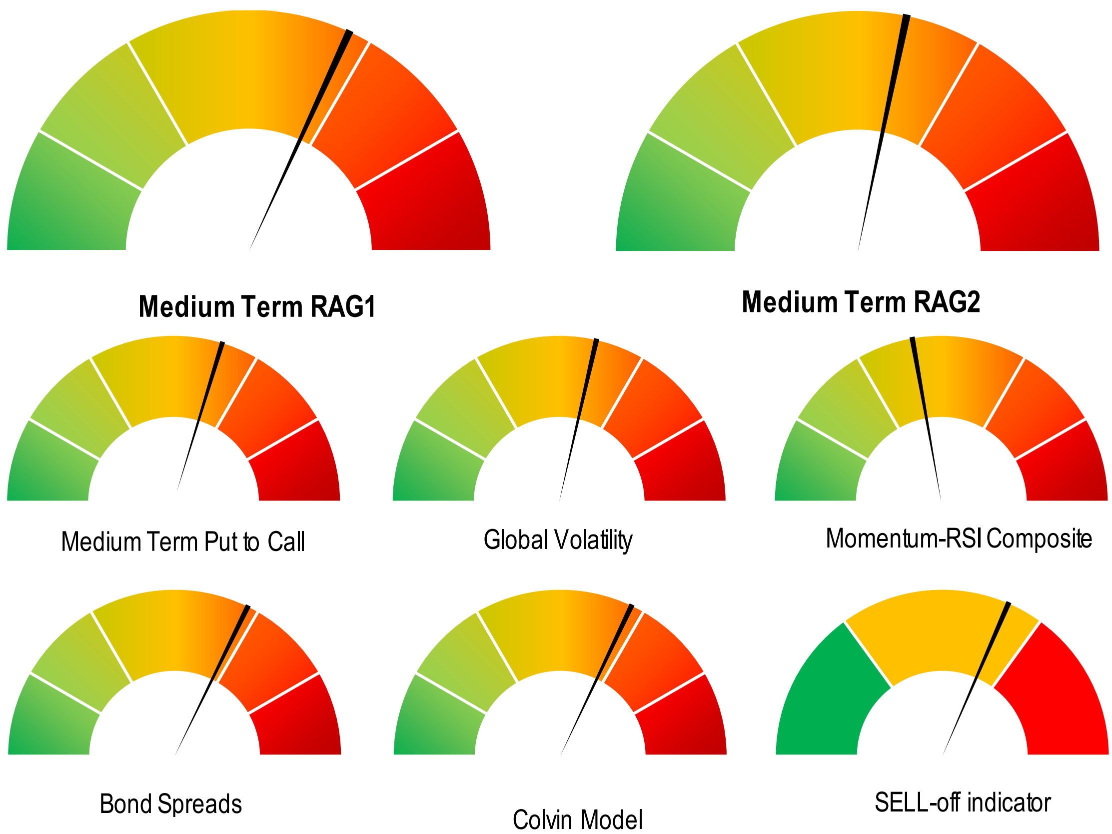
## **Section 1a:** Summary of indicator signals**

**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

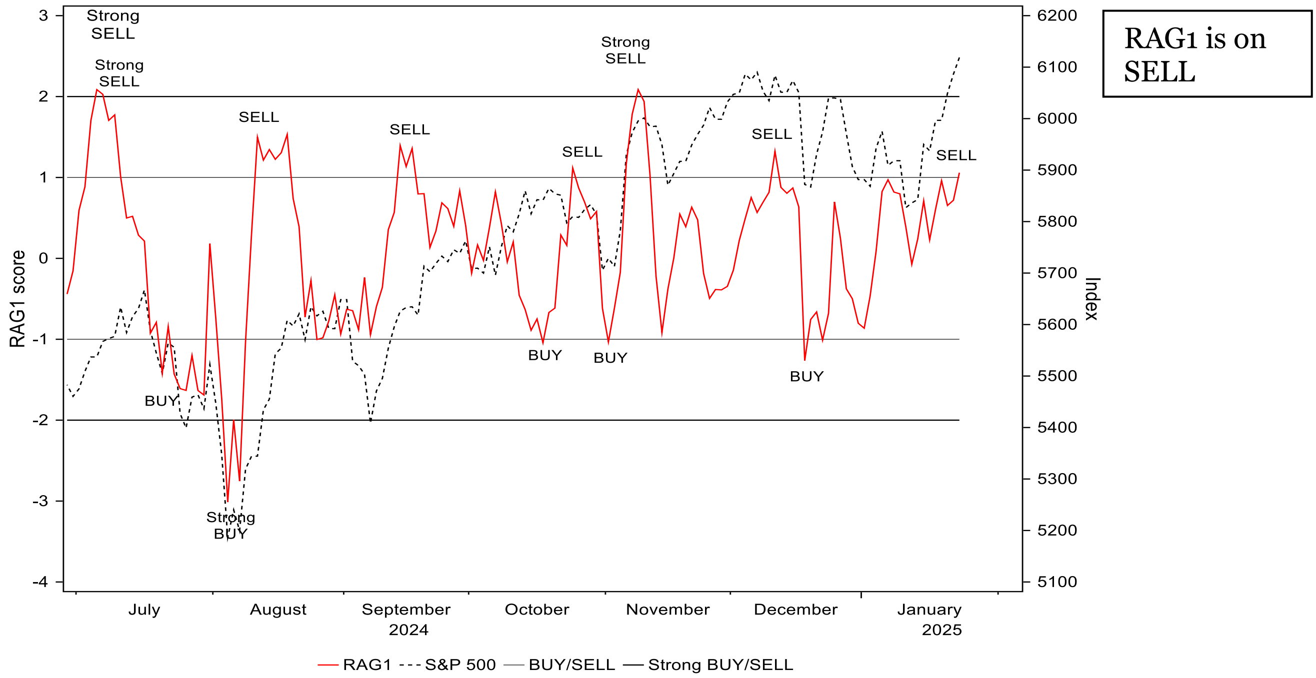



***Source:*** *Longview Economics*
**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

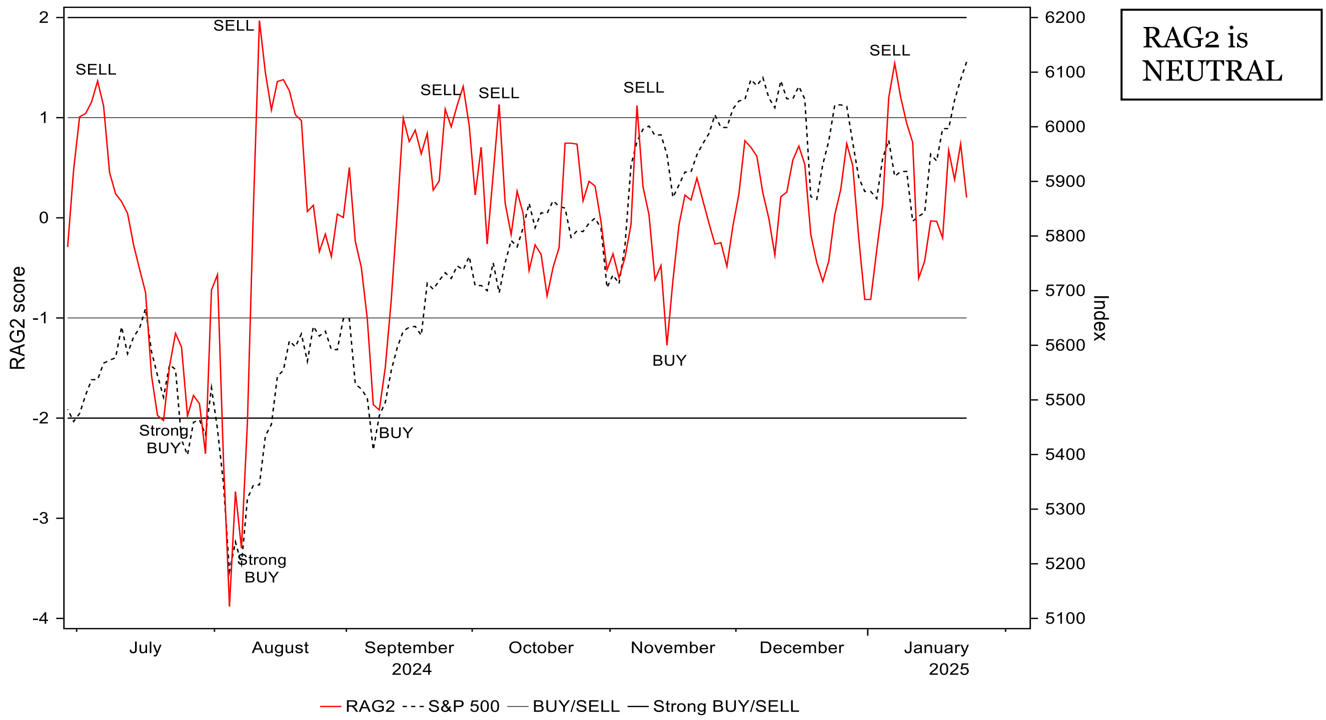
# **Section 2:** Short term (1 – 2 week) trading models

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




*Source: Longview Economics, Macrobond*

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

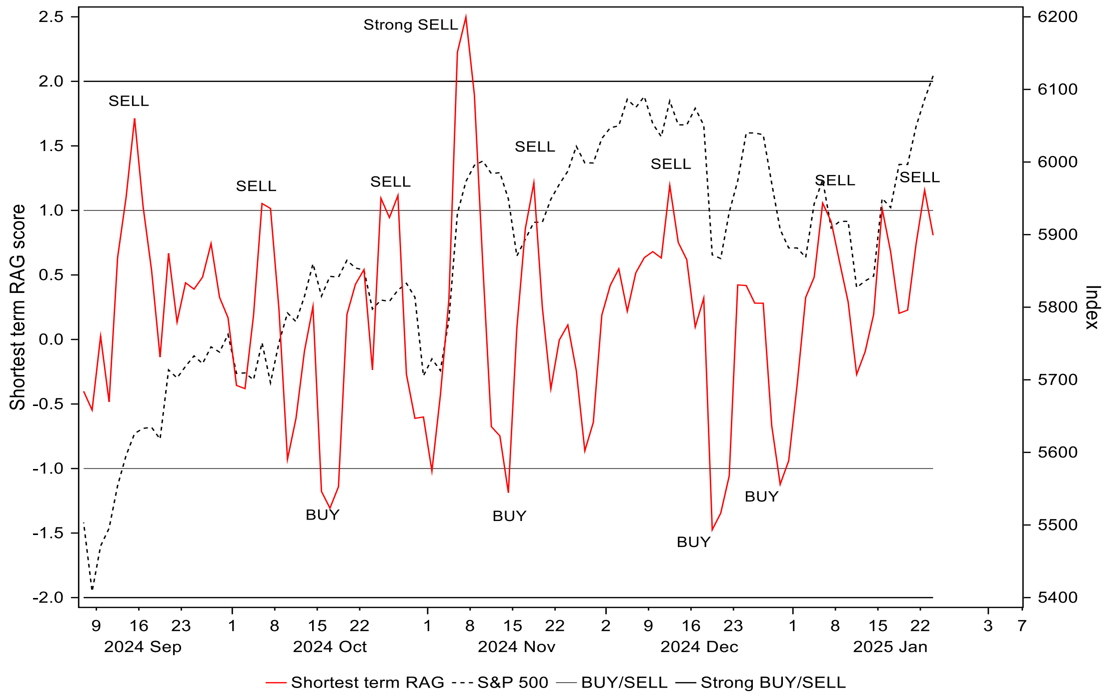



*Source: Longview Economics, Macrobond*

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

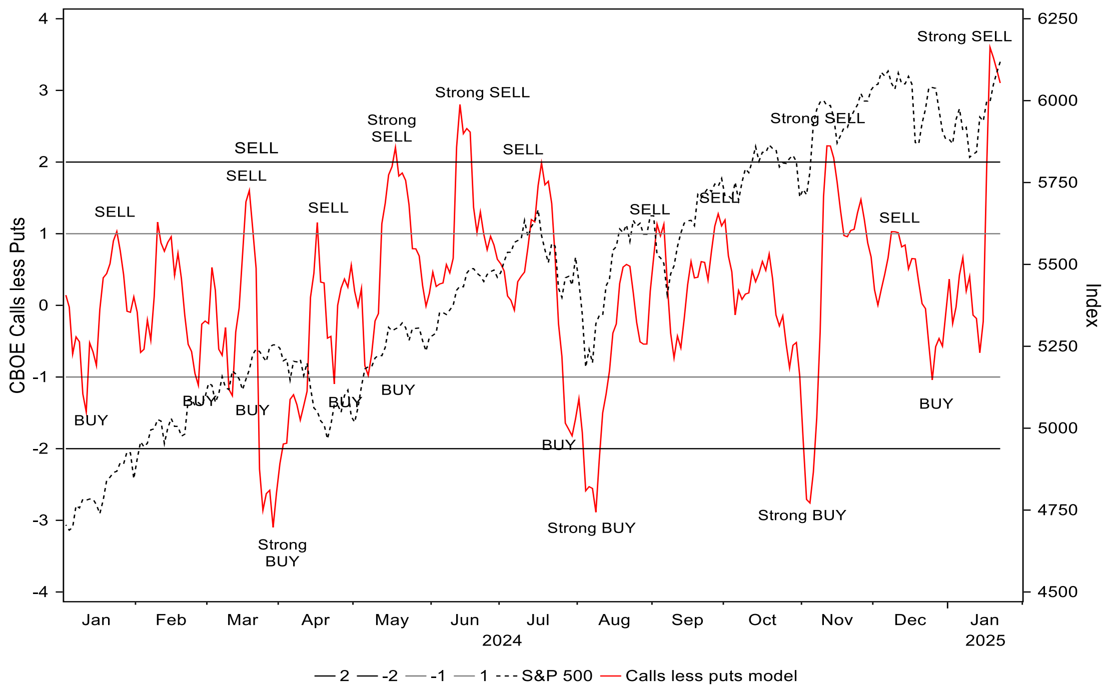
**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500




Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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



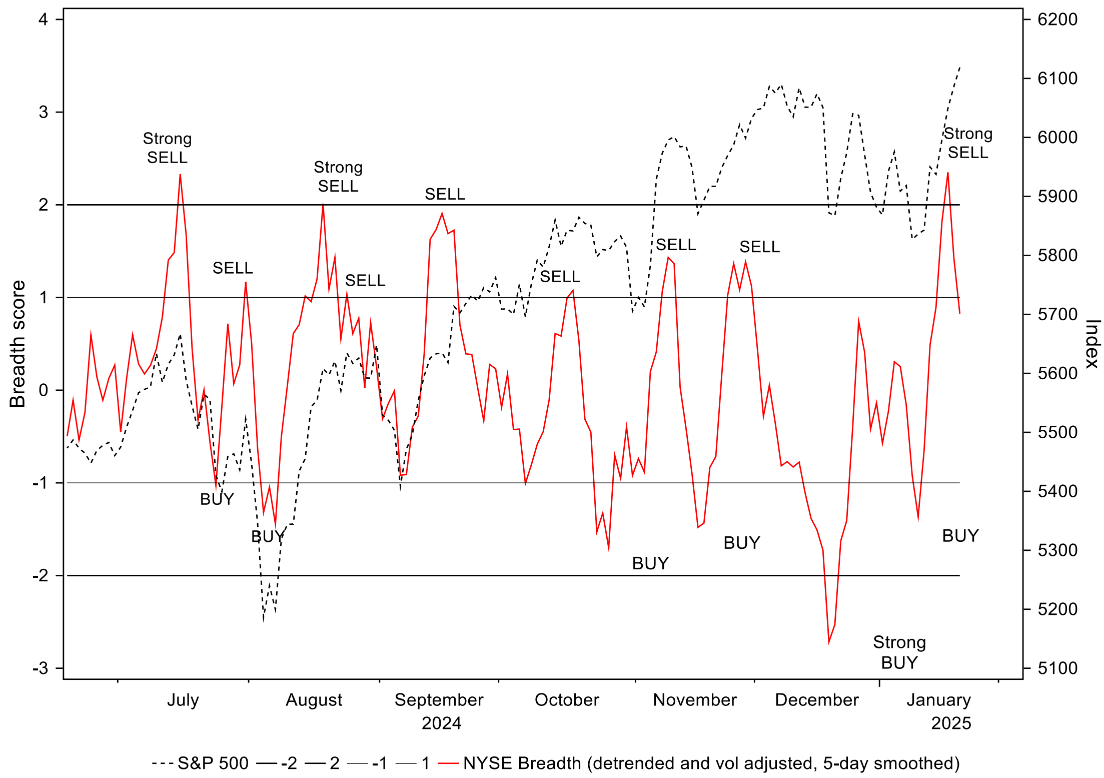

Calls less puts model is on Strong SELL

Source: Longview Economics, Macrobond

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

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




*Source: Longview Economics, Macrobond*

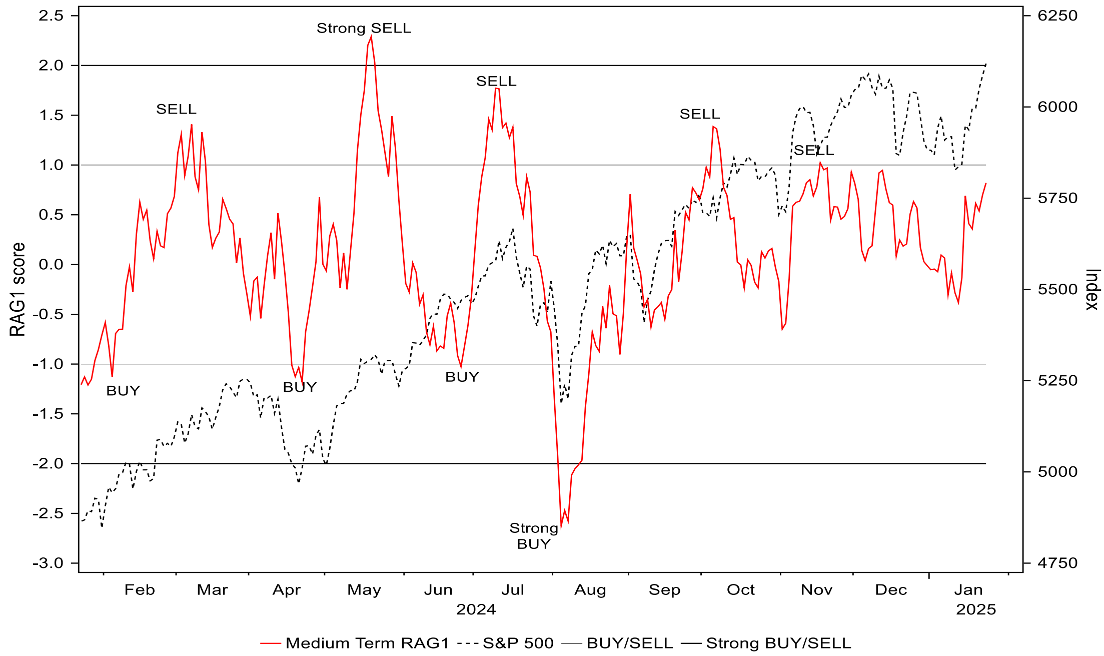
The breadth model is NEUTRAL

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

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

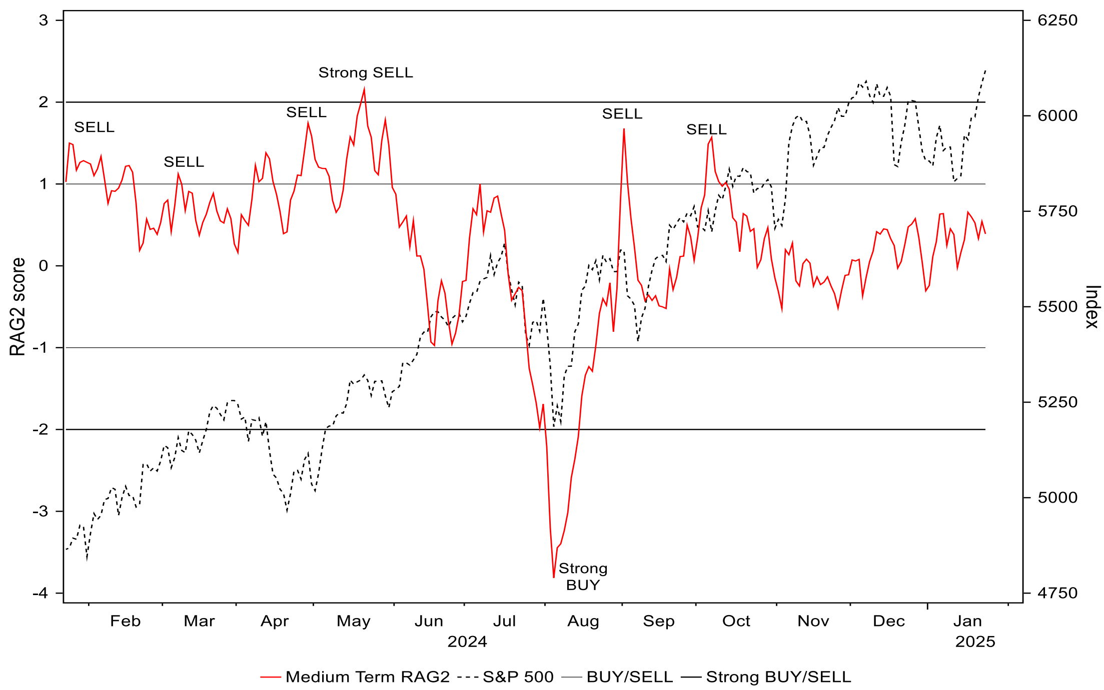
### **Fig 3a:** Medium term RAG1 (1 – 4 month view) vs. S&P 500




Medium term RAG1 is NEUTRAL

*Source: Longview Economics, Macrobond*

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



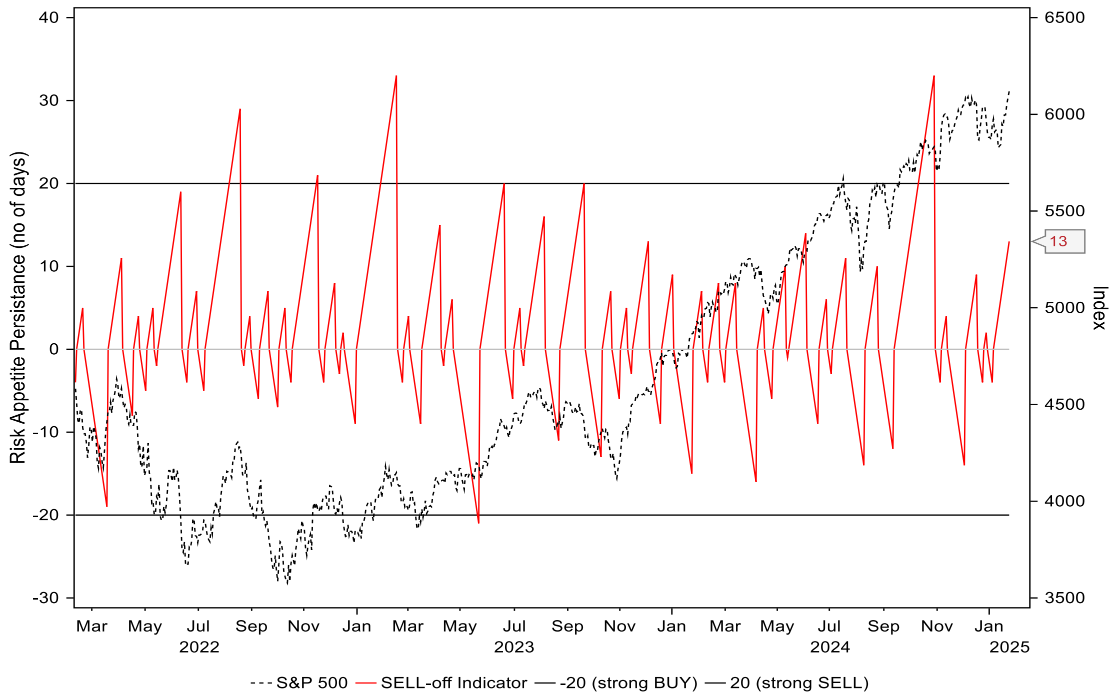

Medium term RAG2 is NEUTRAL

*Source: Longview Economics, Macrobond*

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

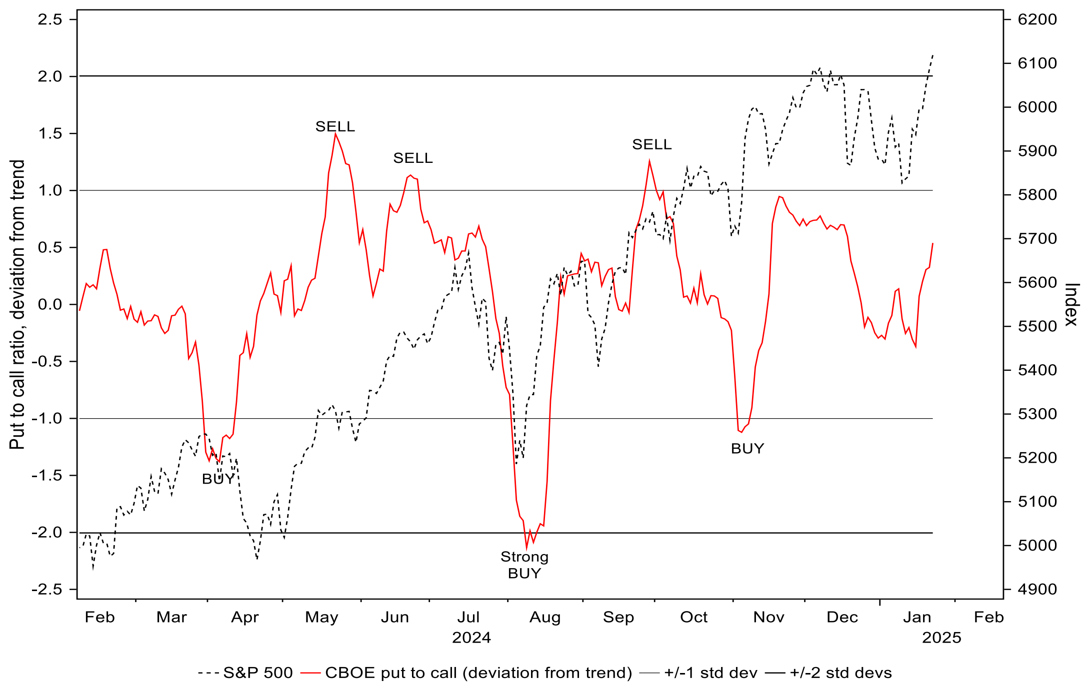
**Fig 3c:** SELL-off indicator (shown vs. S&P500)




Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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



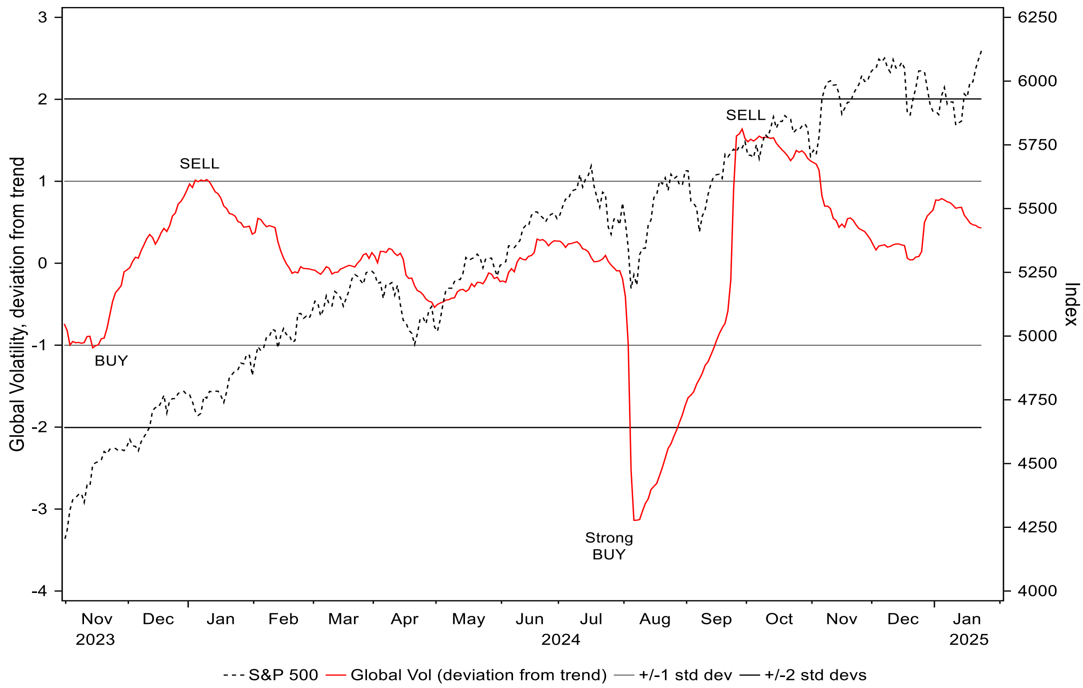

Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

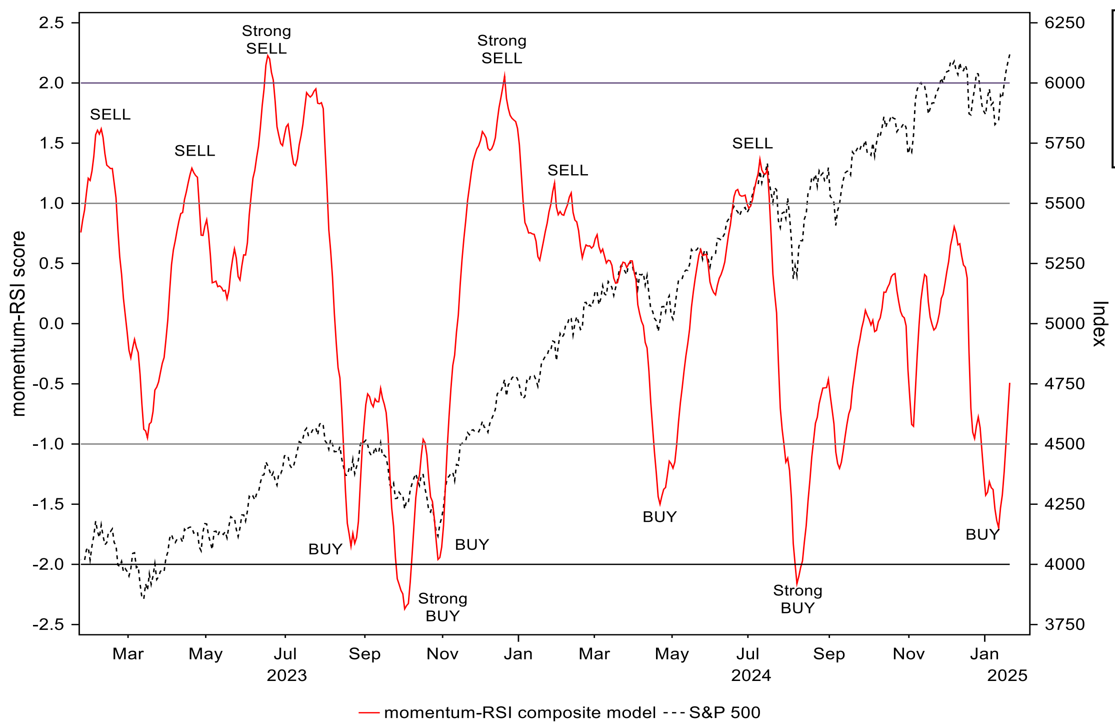
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500




Global volatility indicator is NEUTRAL

*Source: Longview Economics, Macrobond*

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

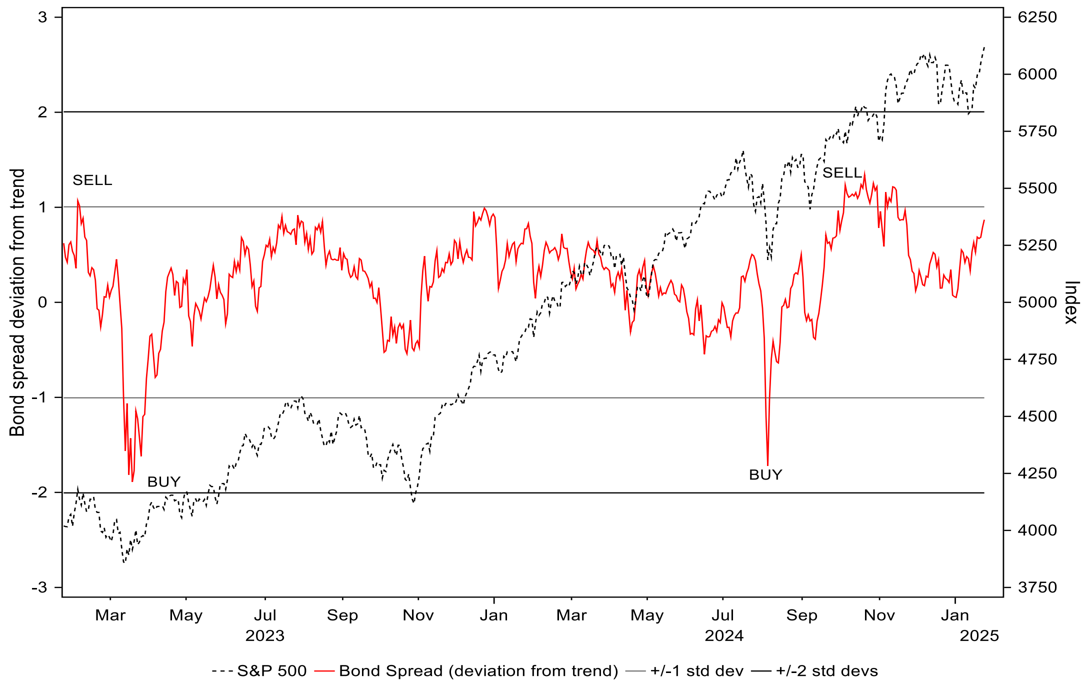



US momentum RSI composite model is NEUTRAL

*Source: Longview Economics, Macrobond*

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

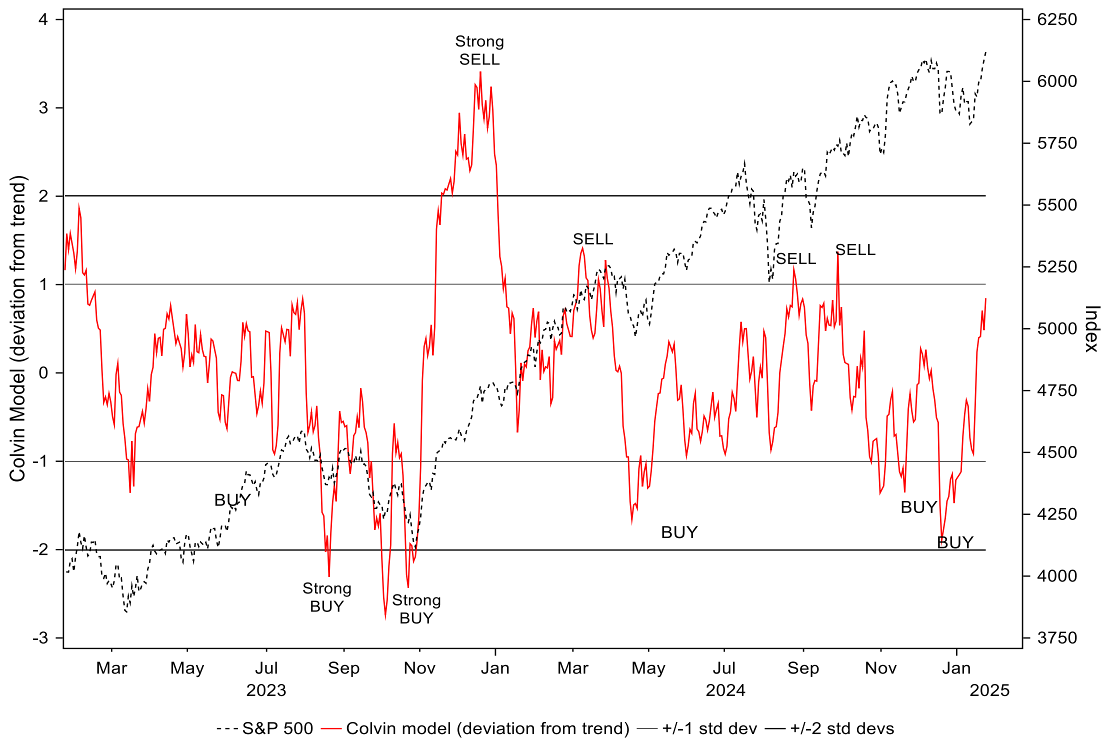
**Fig 3g:** High yield corporate bond spreads deviation from trend model vs. S&P500




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 NEUTRAL

***For explanations of indicators please see page 10***

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

LVRAG
Daily Risk Appetite Gauge

## **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.

 Copyright © 2004-2025 Longview Economics. All Rights Reserved 

# Disclaimer

This Publication is protected by U.K. and International Copyright laws.

All rights are reserved. No license is granted to the user except for the user's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under agreement with Longview Economics Ltd.

This publication is proprietary and limited to the sole use of Longview Economics' clients and trial subscribers. Each reproduction of any part of this publication or its contents must contain notice of Longview Economics' copyright. This agreement shall be governed and construed in accordance with U.K. Copyright law and the parties hereto irrevocably submit to the exclusive jurisdiction of the English courts in respect of any dispute or matter arising out of or connected with this Agreement.

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.