

## Equity Index Futures Trading Recommendations

“Stay SHORT DAX; Close S&P500 LONG Trade”

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10<sup>th</sup> March 2025

### Trading Recommendation (‘1 – 2’ week equity index trading recommendation)

- Close ½ LONG March S&P500 futures position at current prices\*;
- Stay ¼ SHORT DAX March futures (entry was on Friday at 23,133);
- Retain unchanged stop at 23,827 (i.e. 3% above entry).

\*Blended entry into this trade was 5,800 (i.e. with an initial ¼ LONG at 5,850, and a further ¼ LONG at 5,750 last week).

### Rationale

Over the course of the last week, as the S&P500 has tried (unconvincingly) to find a level, the BUY signals from the risk appetite indicators have swiftly unwound, **with those models now back on SELL** (see FIGs 3, 3a & 3b). That’s been driven by strong risk appetite in certain European and Asian indices, as well as some commodity prices (e.g. silver & gold).

In phases of heightened volatility, the risk appetite models typically generate good ‘fear and greed’ signals. In that sense, the move back onto SELL is troubling. Reinforcing that concern, the put to call ratio is NEUTRAL (see FIG 4a), whilst there’s no clear sign of panic in prices (e.g. with no *meaningful* spike in volatility last week). As such, and with the S&P500 breaking below its 200 day moving average on Friday (see FIG 1d), there’s an argument that the downtrend in the index continues (at least in the near term/for a handful of trading days). In other words, ‘wave 1’ of this pullback\* is probably ongoing.

Given that backdrop, and in particular the move higher in the risk appetite models, the risk reward favours closing the LONG S&P500 position (for now).

In a similar vein, the risk **reward favours staying SHORT the DAX**, which has lost its upward momentum this month (see FIG 1c), and is likely to be ‘swept up’ in general (‘wave 1’) risk aversion in markets. Most notably, the DAX is significantly overextended to the upside (i.e. relative to its 50 day moving average, see FIG 1), as are several other key Eurozone risk assets (e.g. the Eurostoxx banks – see FIG 1a). Added to which, multiple short and medium term DAX models are on/close to SELL (including both the DAX short and medium term scoring systems, see FIGs 1b & 2), while the DAX specific put to call model is leaning towards SELL (see FIG 4).

We therefore recommend staying SHORT the DAX, with an unchanged stop loss (please see above for detailed recommendation).

**Risks** as always are multiple and include the possibility that we have misjudged ‘wave 1’ (and that it’s close to its conclusion). Of note the S&P500 has traded broadly sideways for the past week (albeit with lower lows/lower highs). It may therefore be in the process of bottoming/forming a local low (i.e. with a ‘wave 2’ relief rally about to start). Other (two way) risks this week are multiple and include Wednesday’s US CPI release for February.

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

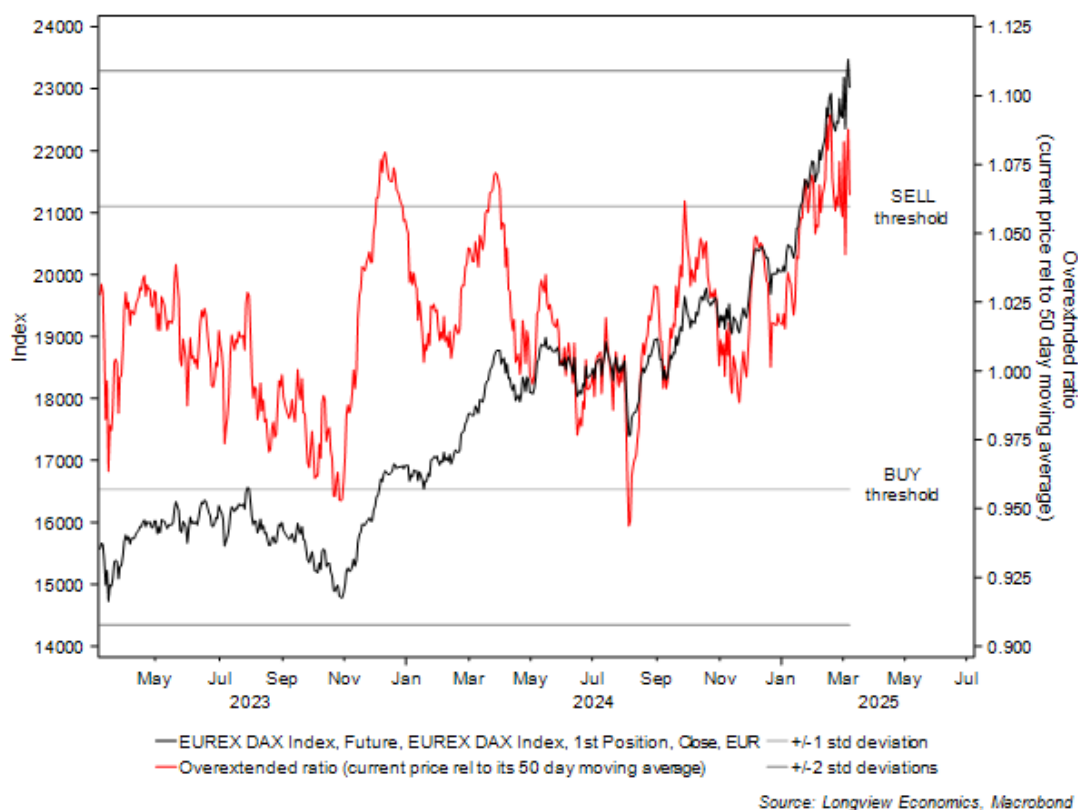
Kind regards,

The team @ Longview Economics

\*NB most pullbacks consist of three waves. A three wave SELL-off pattern is comprised of i) an initial pullback (wave 1); ii) a relief rally (wave 2); and then iii) a final leg lower during which the index breaks below the lows from wave 1 (i.e. wave 3). In SELL-offs in bear markets, i.e. when the down trend is dominant, SELL-offs often consist of 5 waves instead of 3.

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>)

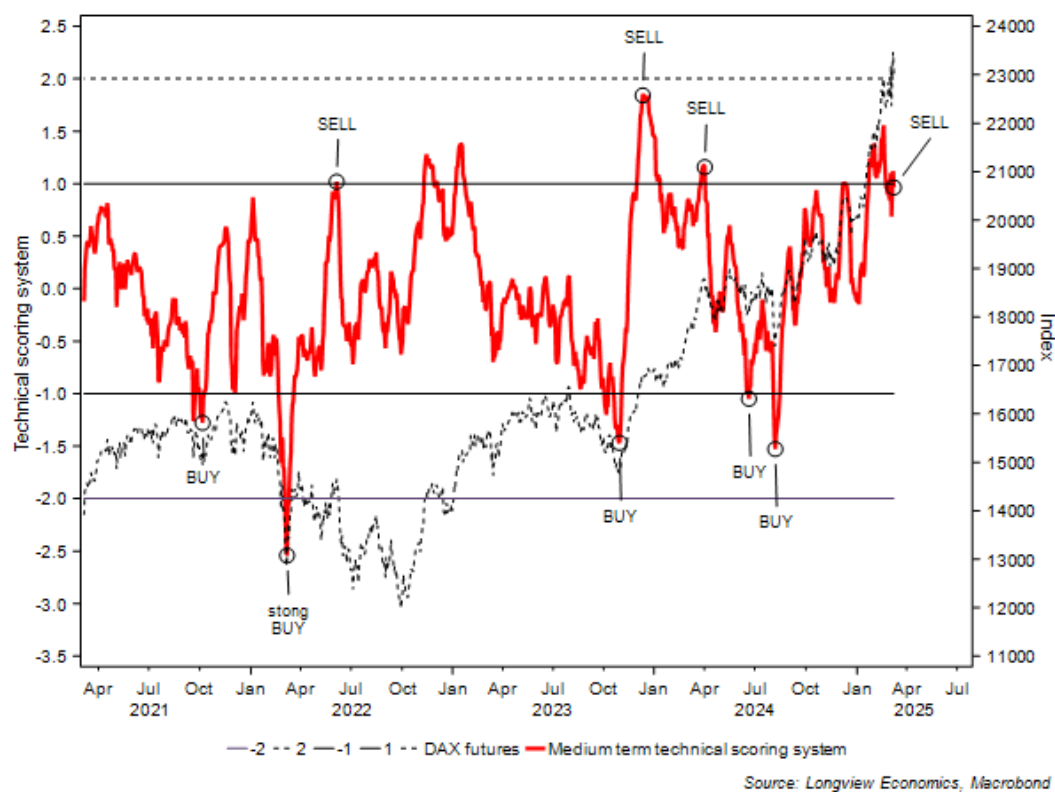
**FIG 1: DAX overextended indicator (50 day moving average relative to underlying index price) vs. DAX index**



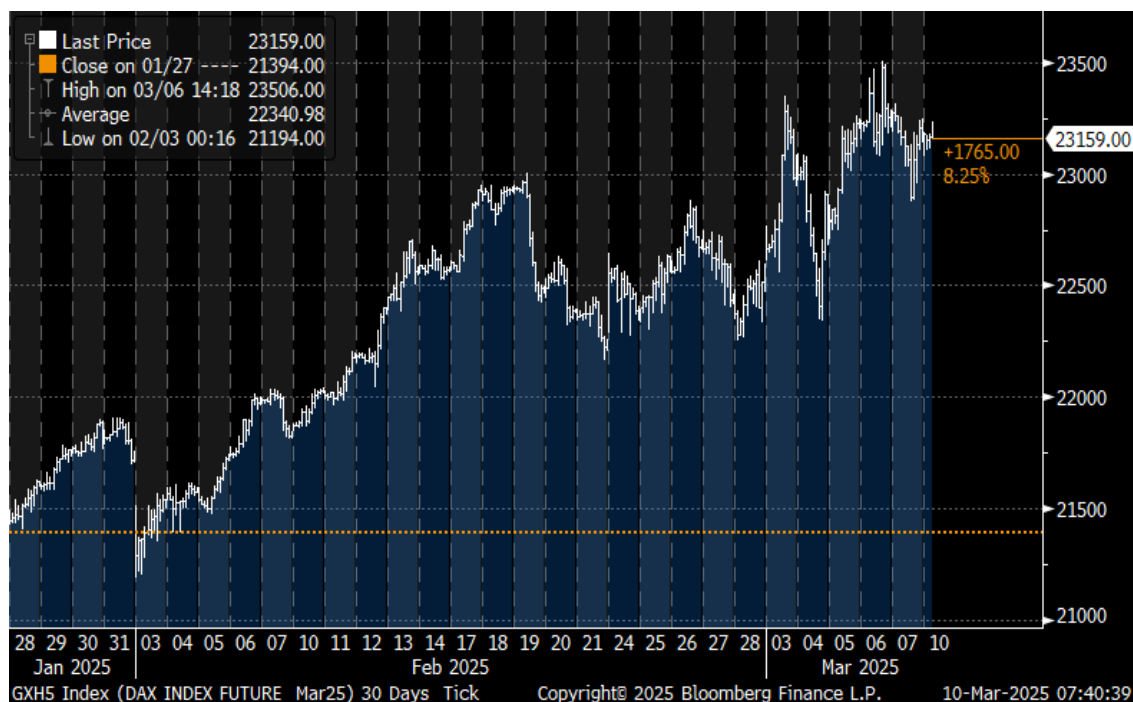
**FIG 1a:** Eurozone banks overextended indicator (50 day moving average relative to underlying index price) vs. EZ banks index (SX7E)



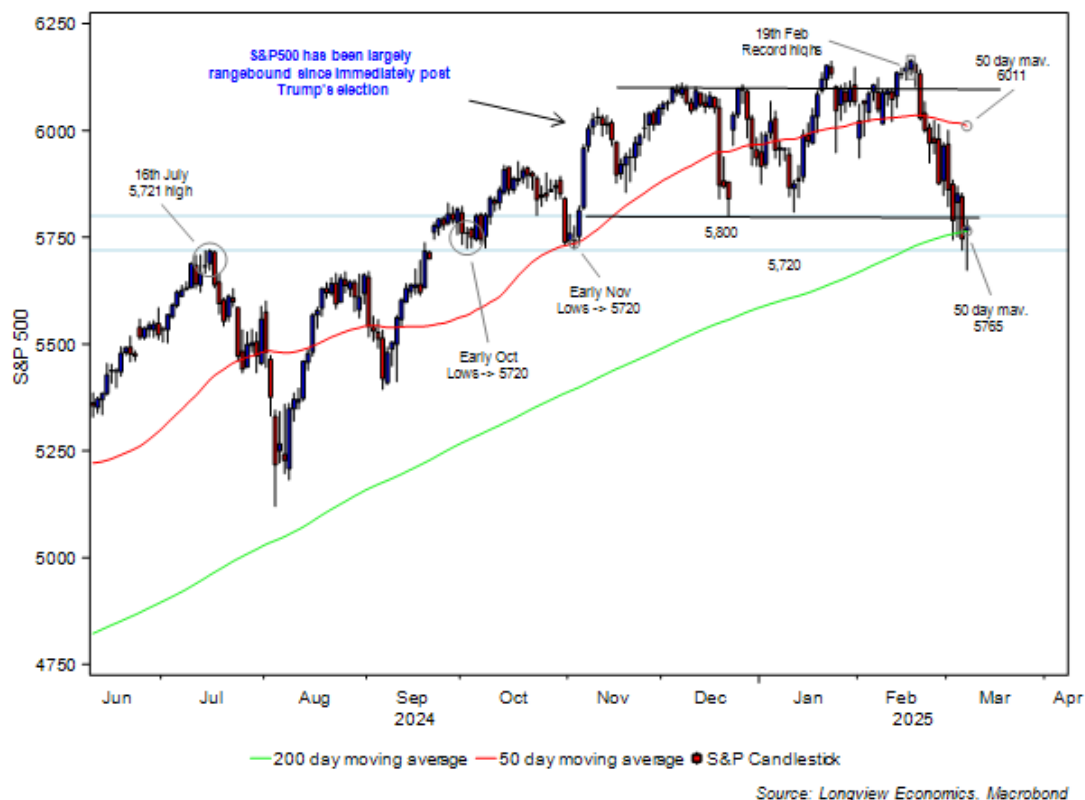
**FIG 1b:** Medium term technical scoring system vs. DAX futures



**FIG 1c:** DAX March 2025 futures 30 day tick chart shown with overnight price action

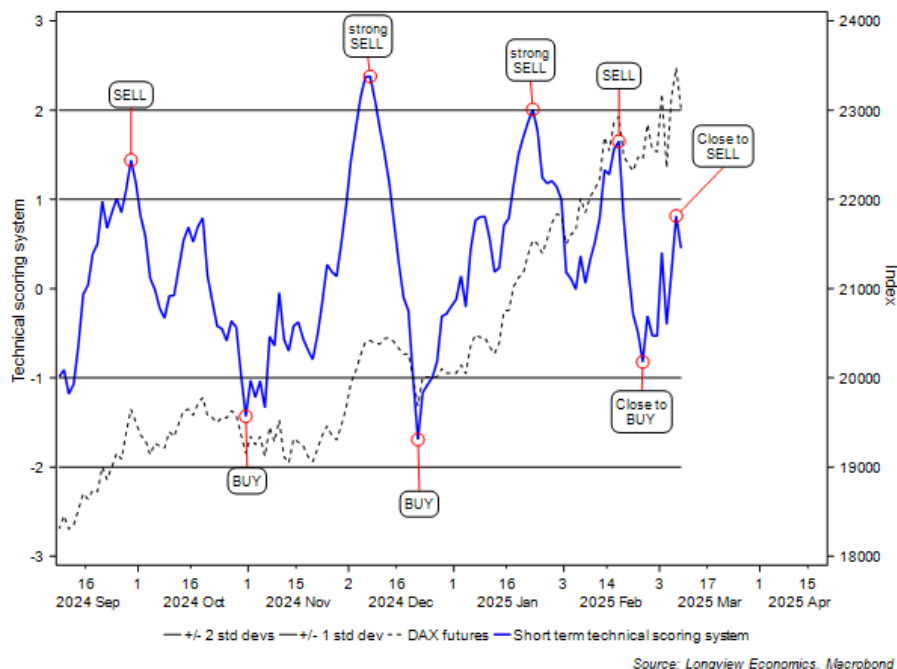


**FIG 1d:** S&P500 futures candlestick chart, shown with 50 & 200 day moving averages



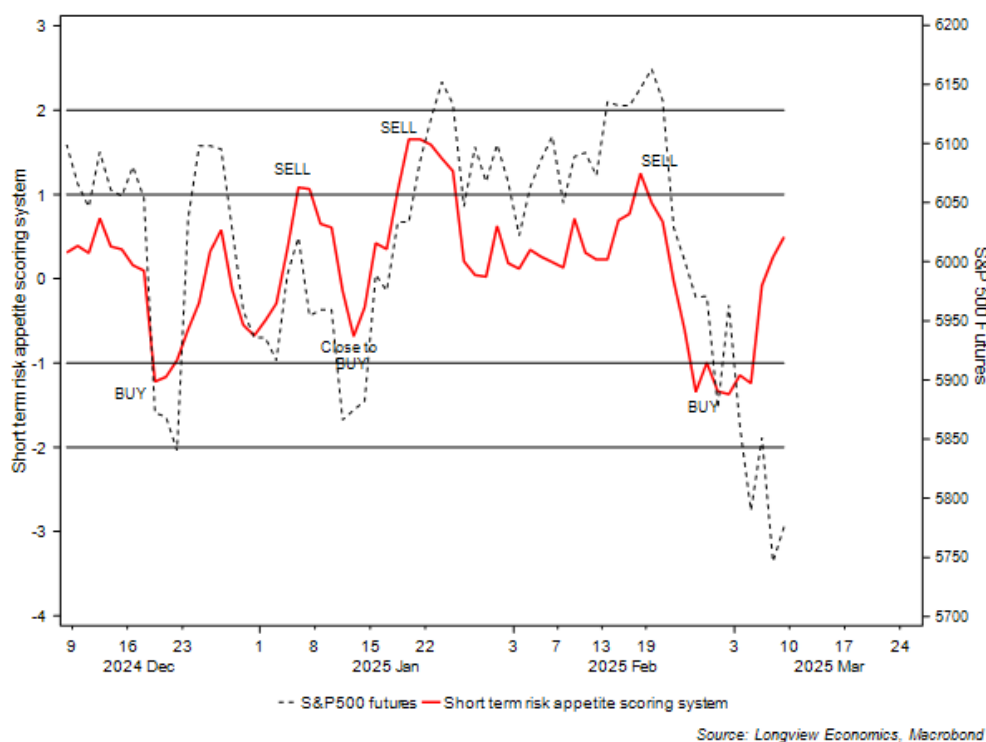
**Short term DAX specific models are on/close to SELL....**

**FIG 2:** Longview DAX short term **‘technical’** scoring system vs. DAX futures

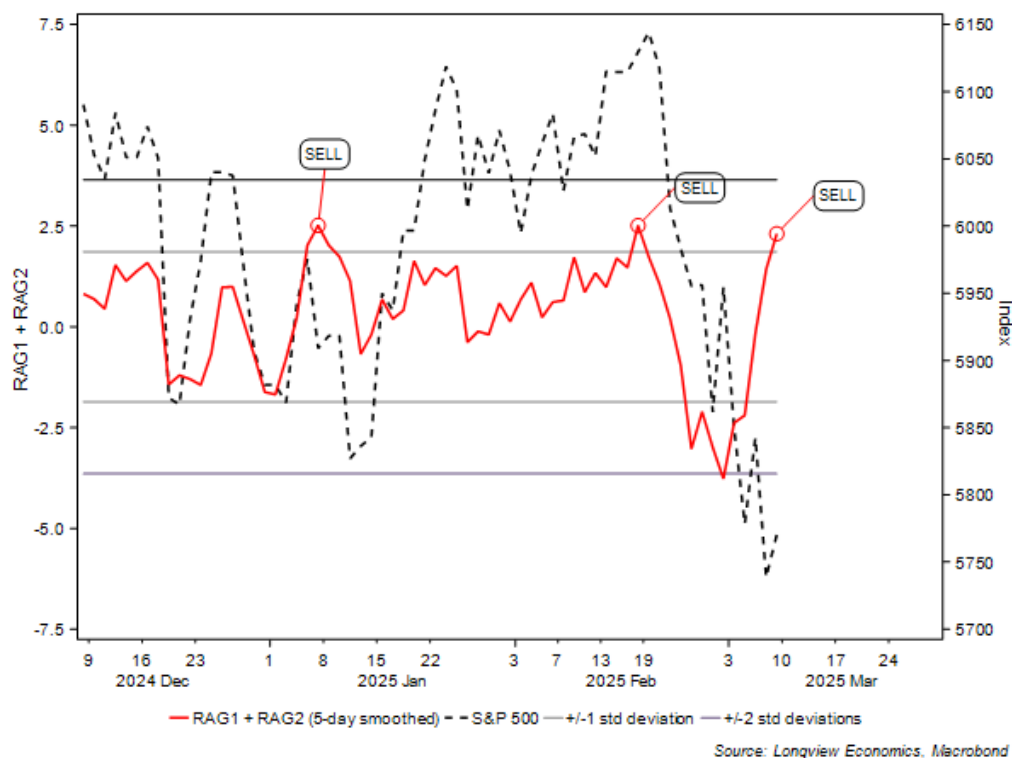


**Short term risk appetite models are on/close to SELL....**

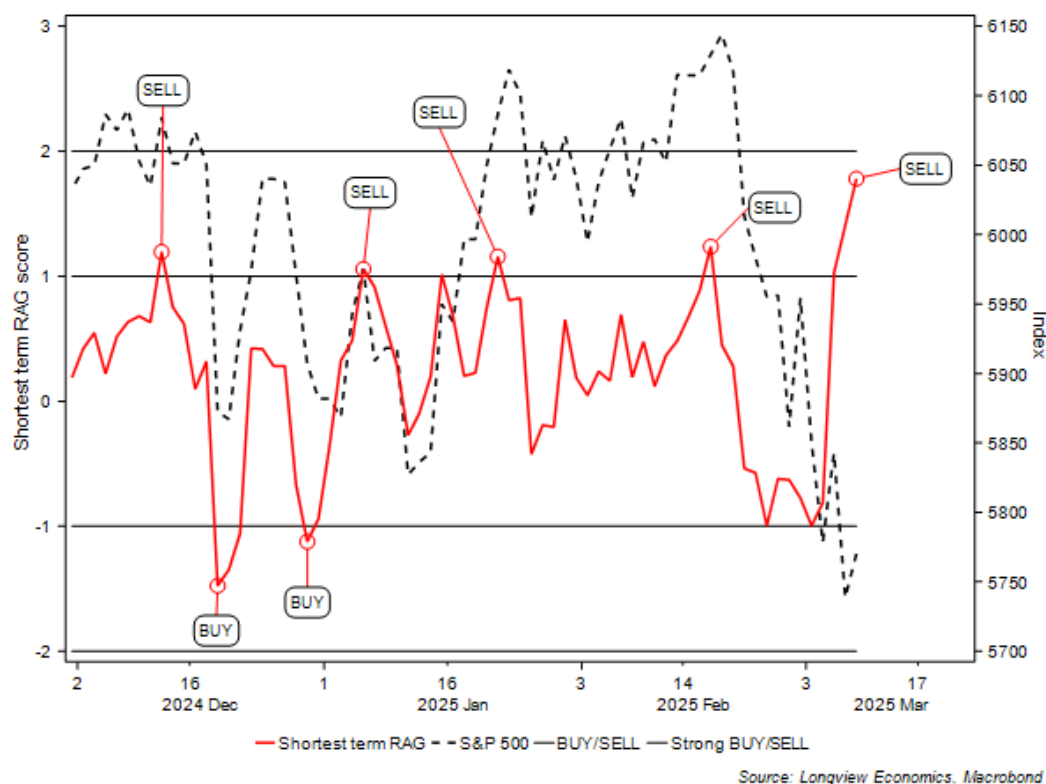
**FIG 3:** Longview short term **‘risk appetite’** scoring system vs. S&P500



**FIG 3a:** Longview combined key ‘risk appetite’ models (RAG1 + RAG2) vs. S&P500



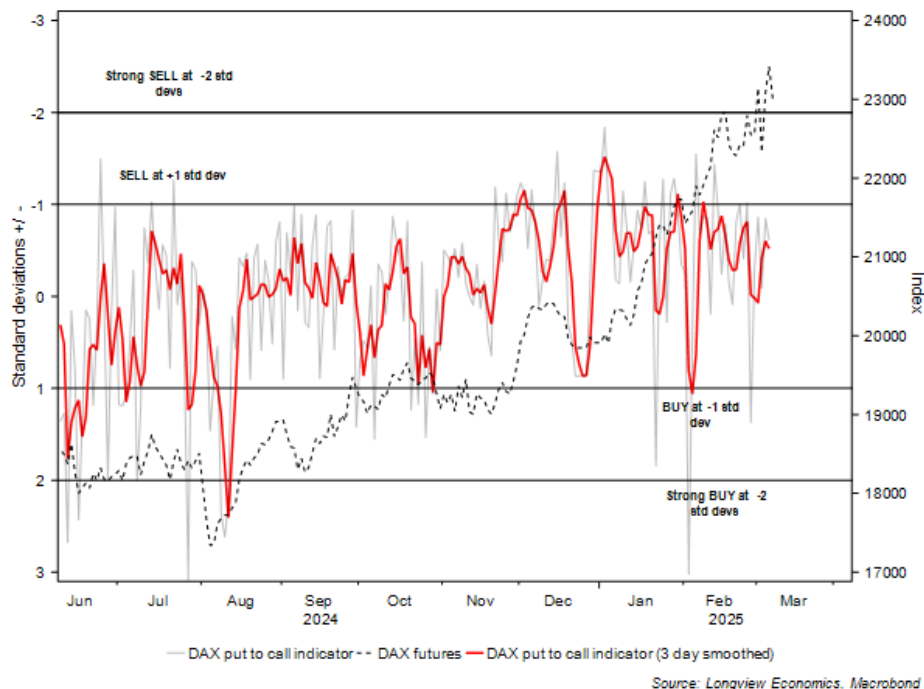
**FIG 3b:** Shortest term RAG vs. S&P500





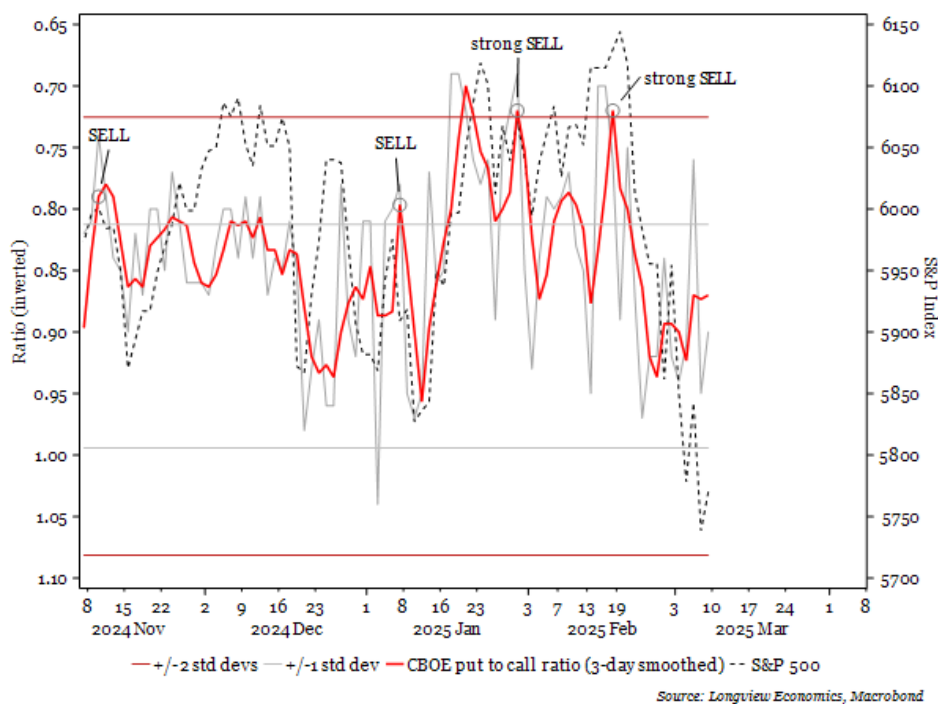
## DAX put to call ratio is leaning towards SELL....

**FIG 4:** DAX30 calls less puts indicator (3 day smoothed) vs. DAX30 index



## The CBOE put to call ratio is NEUTRAL....

**FIG 4a:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

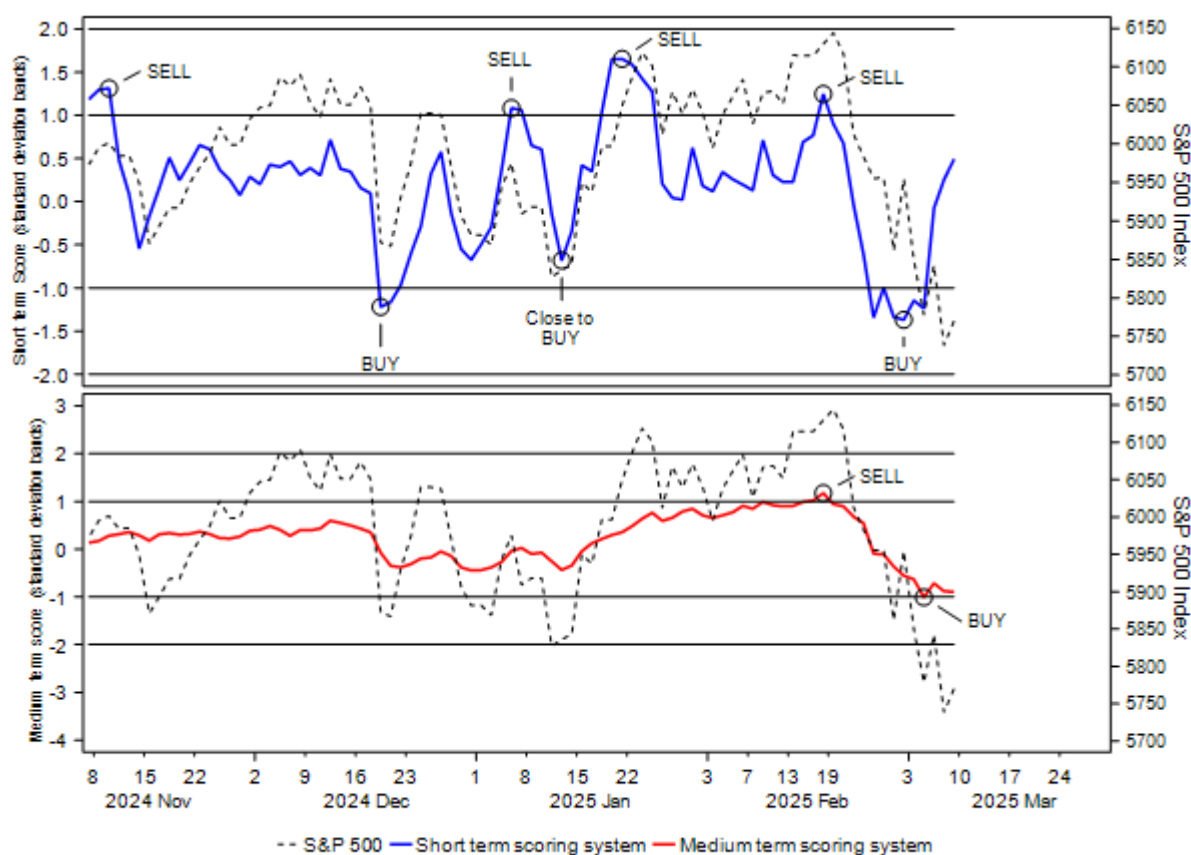


## Key Longview Scoring Systems (chart below):

**Short term** (1 – 2 week) scoring system: **NEUTRAL** (from BUY last week)

**Medium term** (1 – 4 month) scoring system: **NEUTRAL** (from BUY last week)

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



Source: Longview Economics, Macrobond



## Key macro data/events

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**Key data** today include: **Japanese ESRI leading index** (Jan first estimate, 5am); **German industrial production** (Jan, 7am); German imports/exports, & trade balance (Jan, 7am); Italian PPI (Jan, 9am); Eurozone Sentix investor confidence (March, 9:30am); New York Fed 1 year inflation expectations (Feb, 4pm); Australian Westpac consumer confidence (Mar, 11:30pm); Japanese household spending (Jan, 11:30pm); **Japanese M2 & M3 money supply** (Feb, 11:50pm); Japanese GDP (Q4 final estimate, 11:50pm).

**Key events** today include: N/A

**Key earnings** today include: **Oracle**.

## Definitions & other matters:

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*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 5<sup>th</sup> March 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).*



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## 1 – 2 Week View on Risk

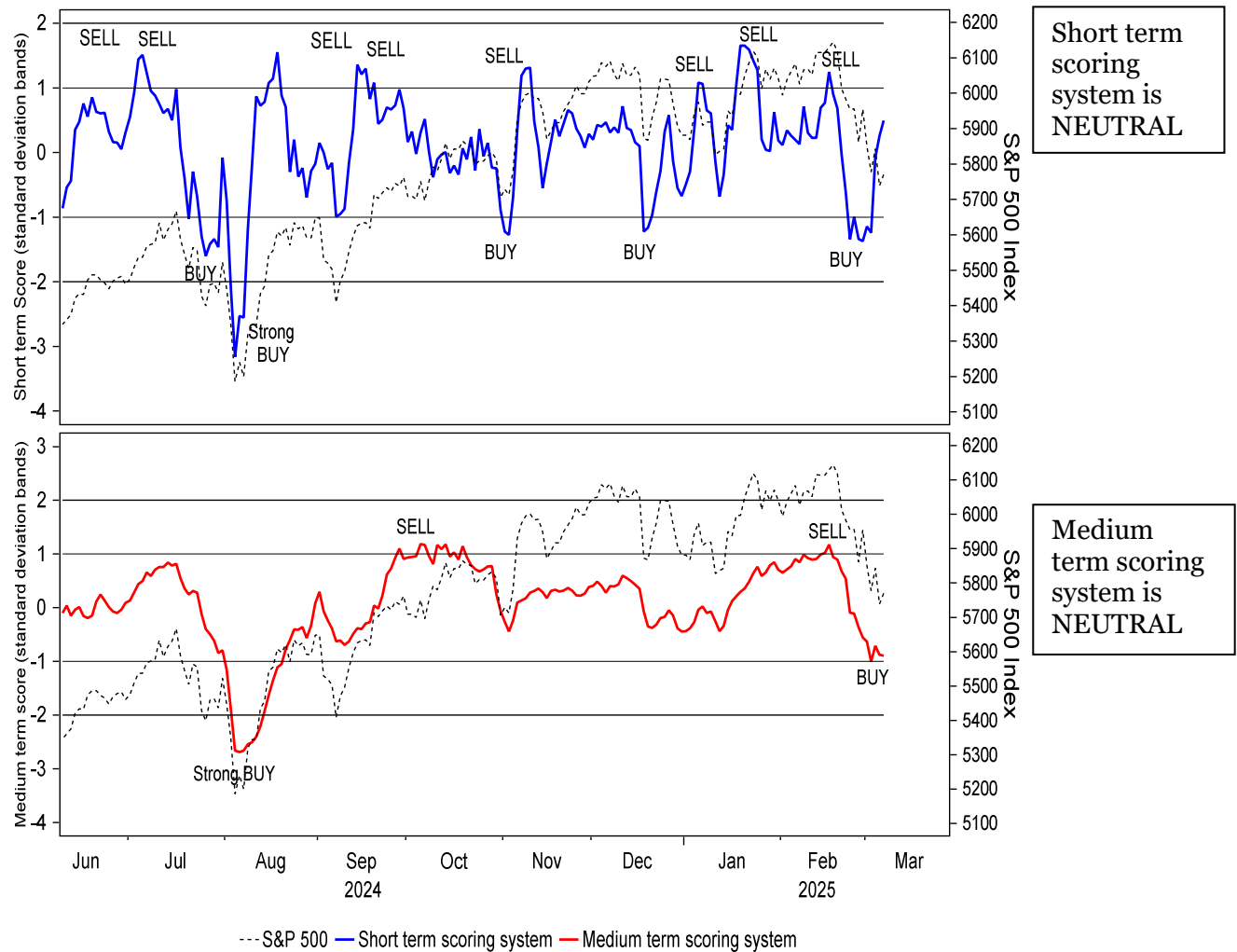
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10<sup>th</sup> March 2025

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

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



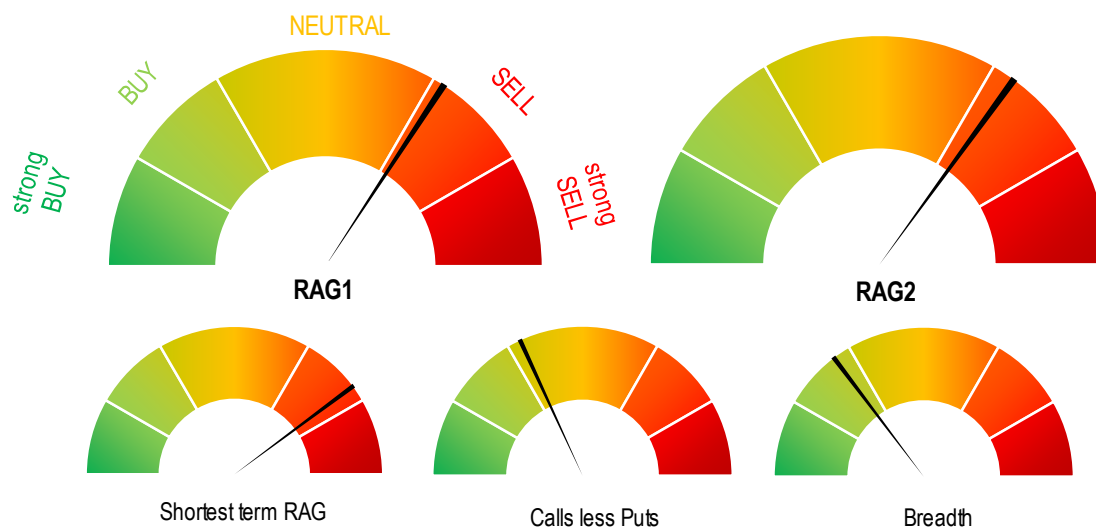
Source: Longview Economics, Macrobond

\*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**

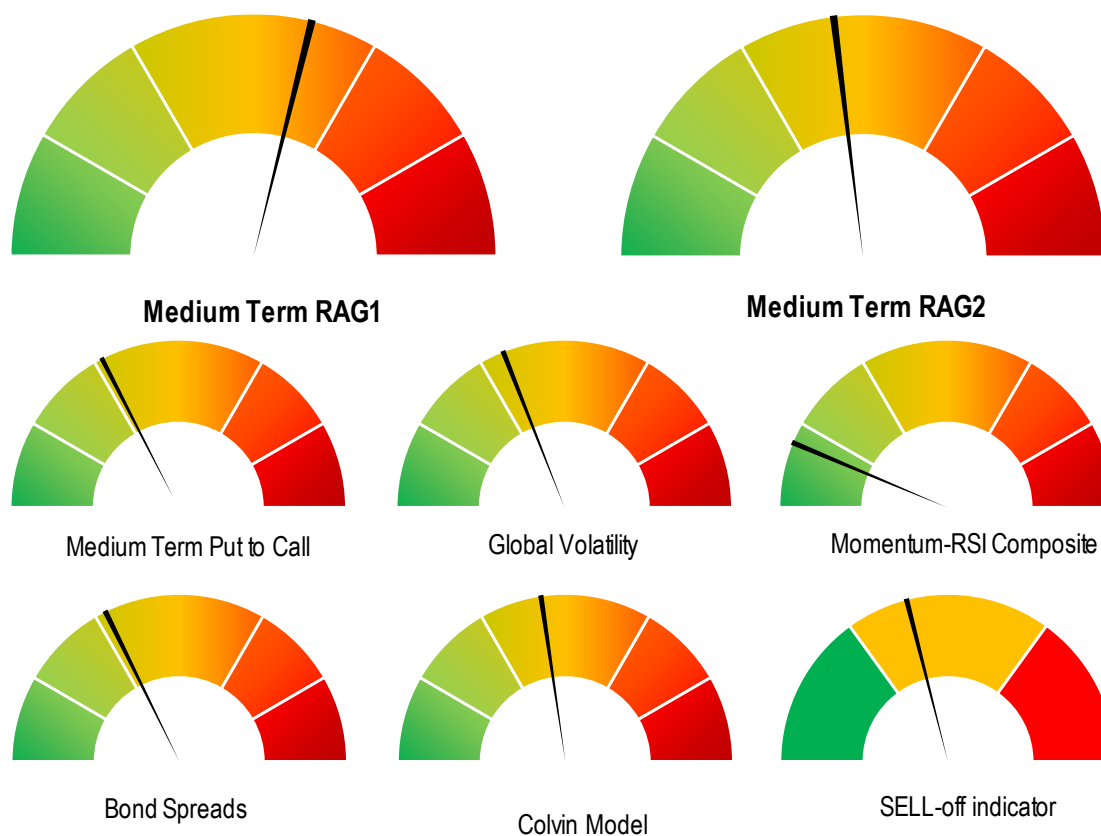
## Section 1a: Summary of indicator signals\*\*

**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

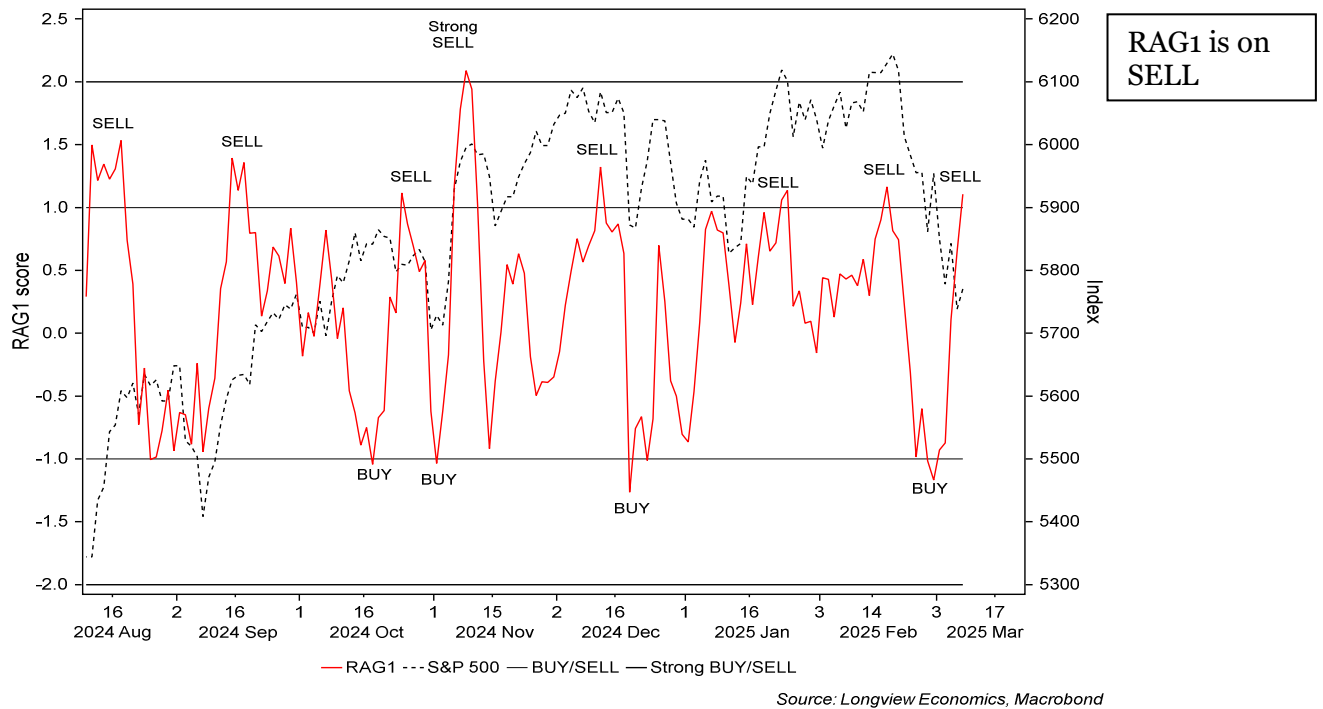


**Source:** Longview Economics

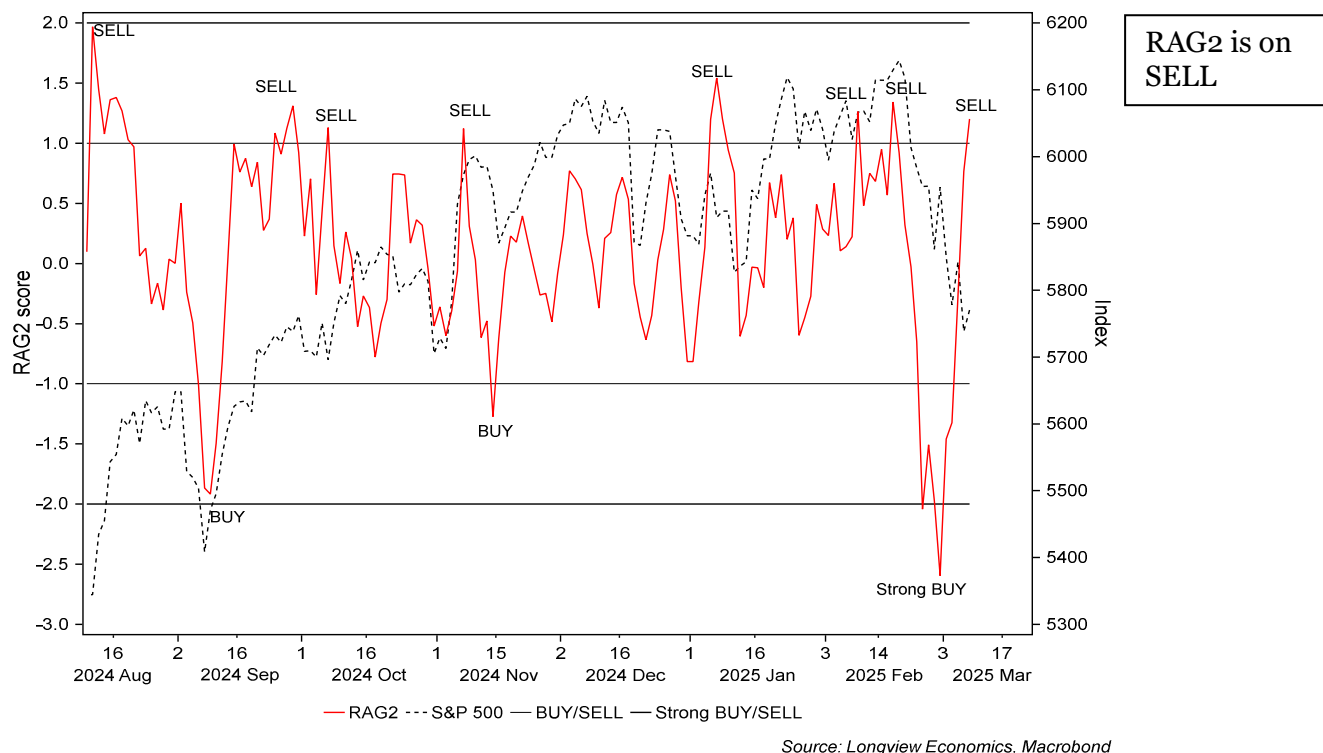
\*\*The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

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

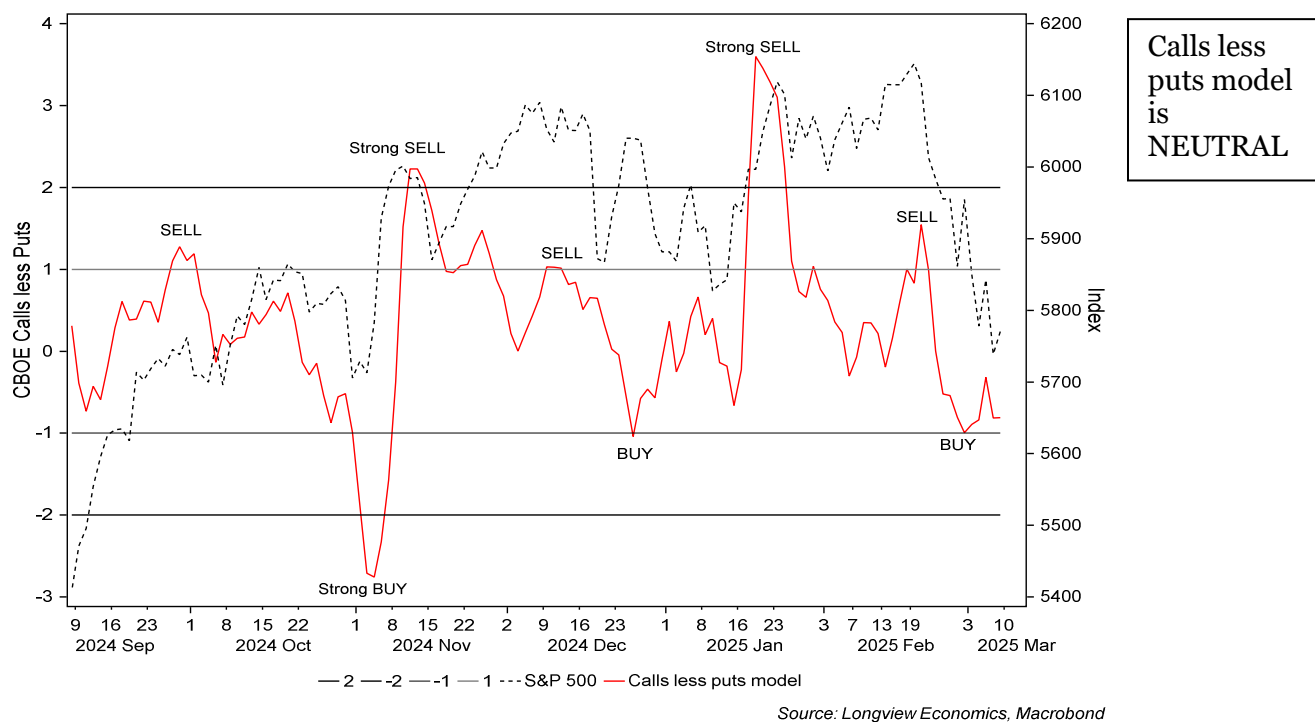
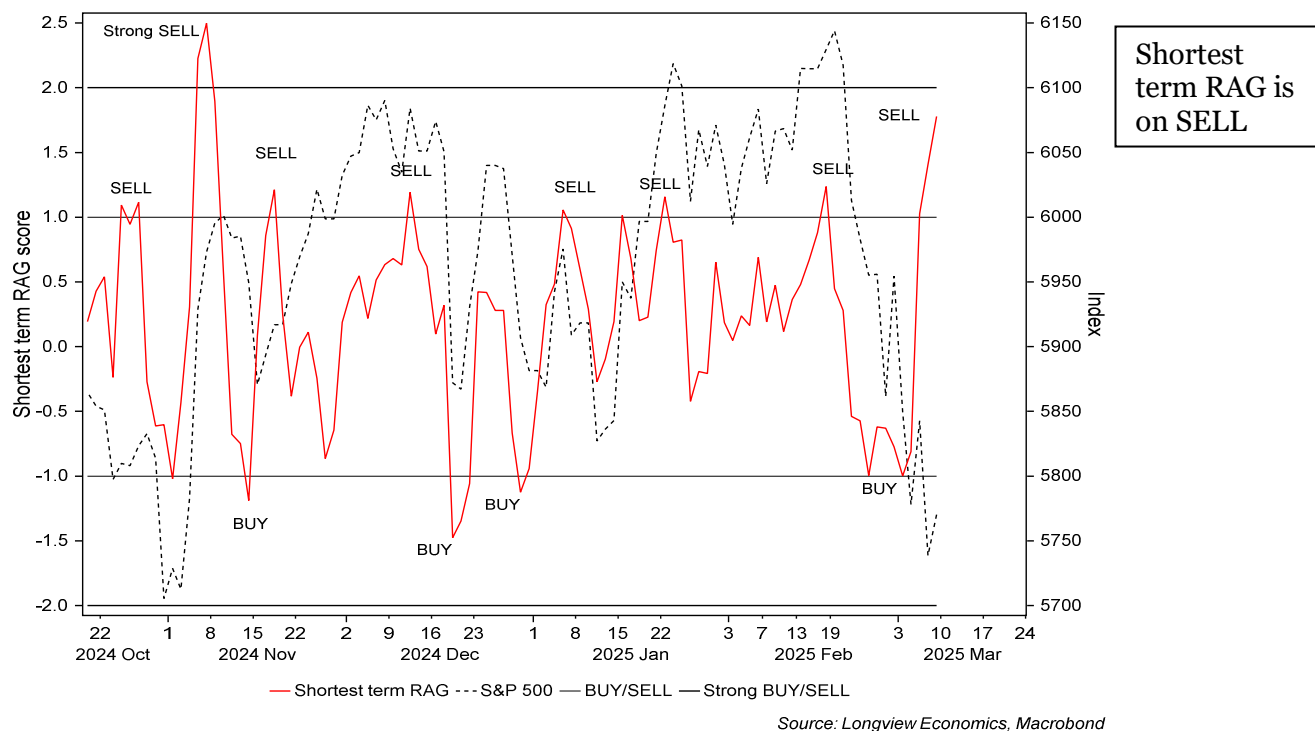
**Fig 2a: RAG 1 vs. S&P 500**



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

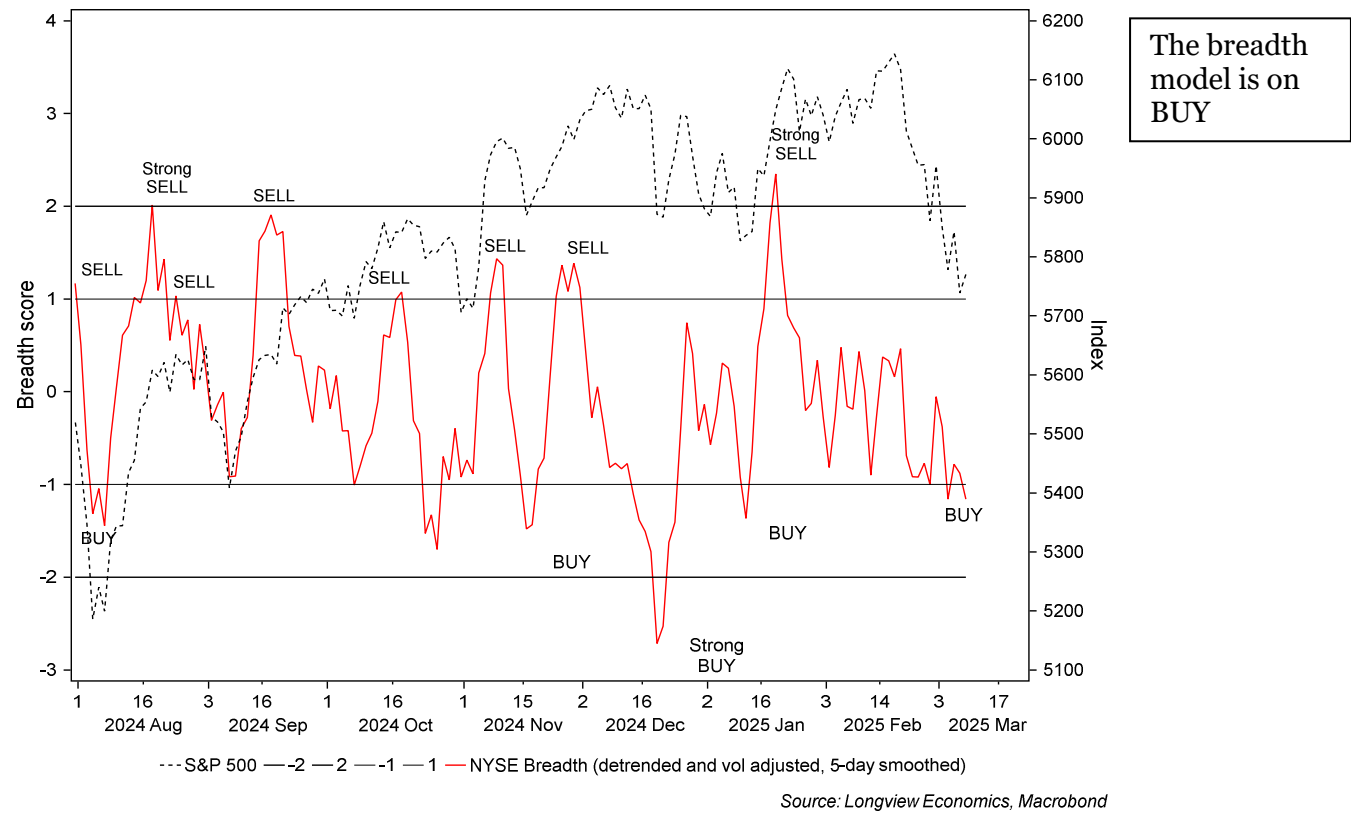


**For explanations of indicators please see page 10**



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

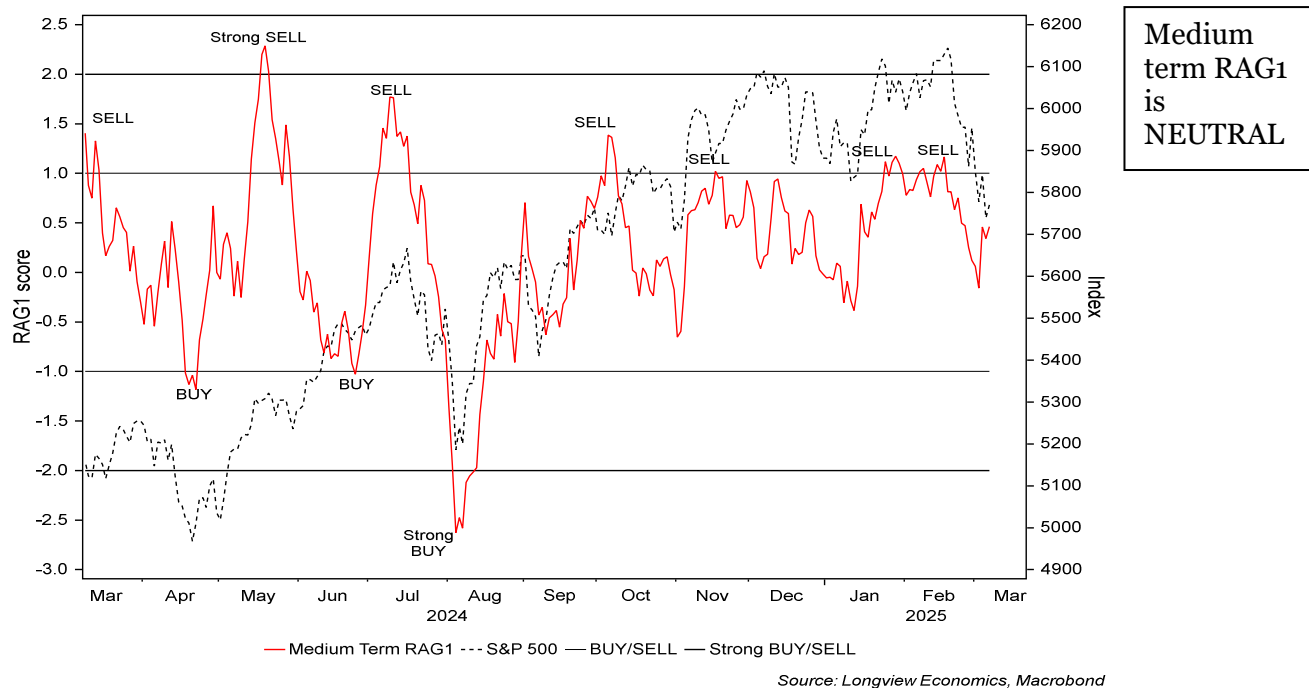
**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



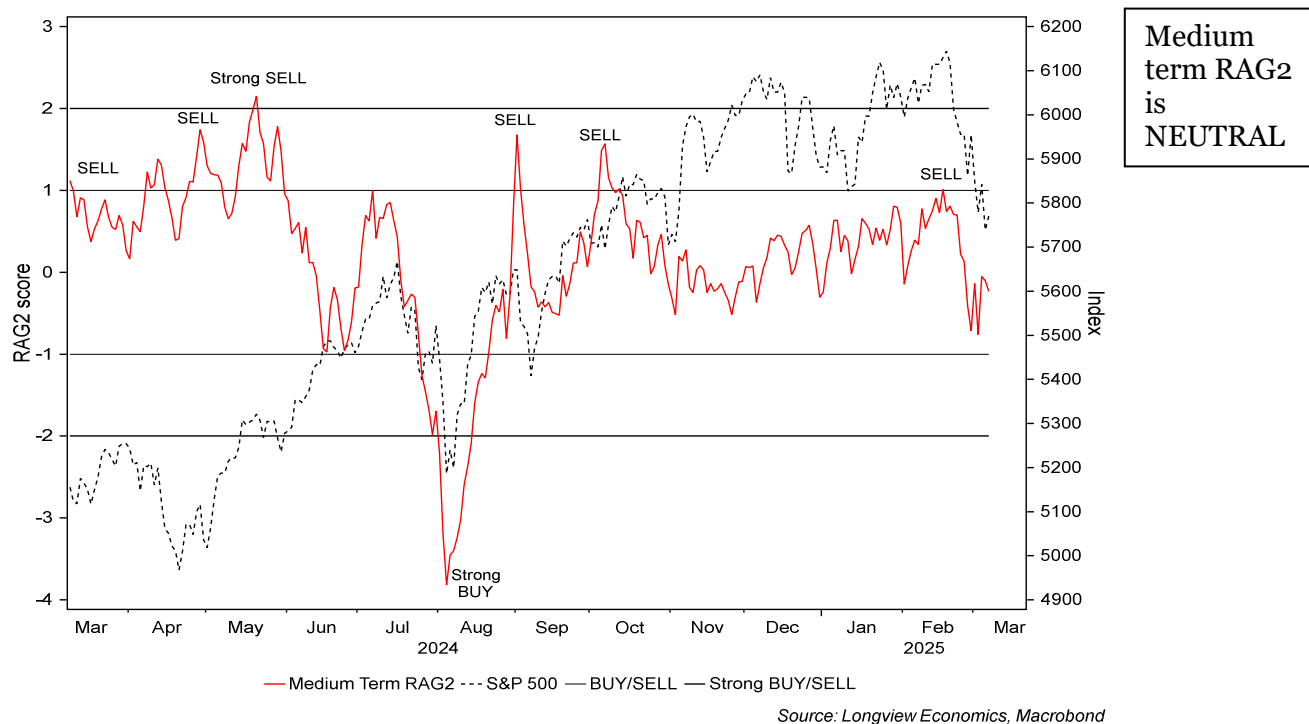
*For explanations of indicators please see page 10*

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

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



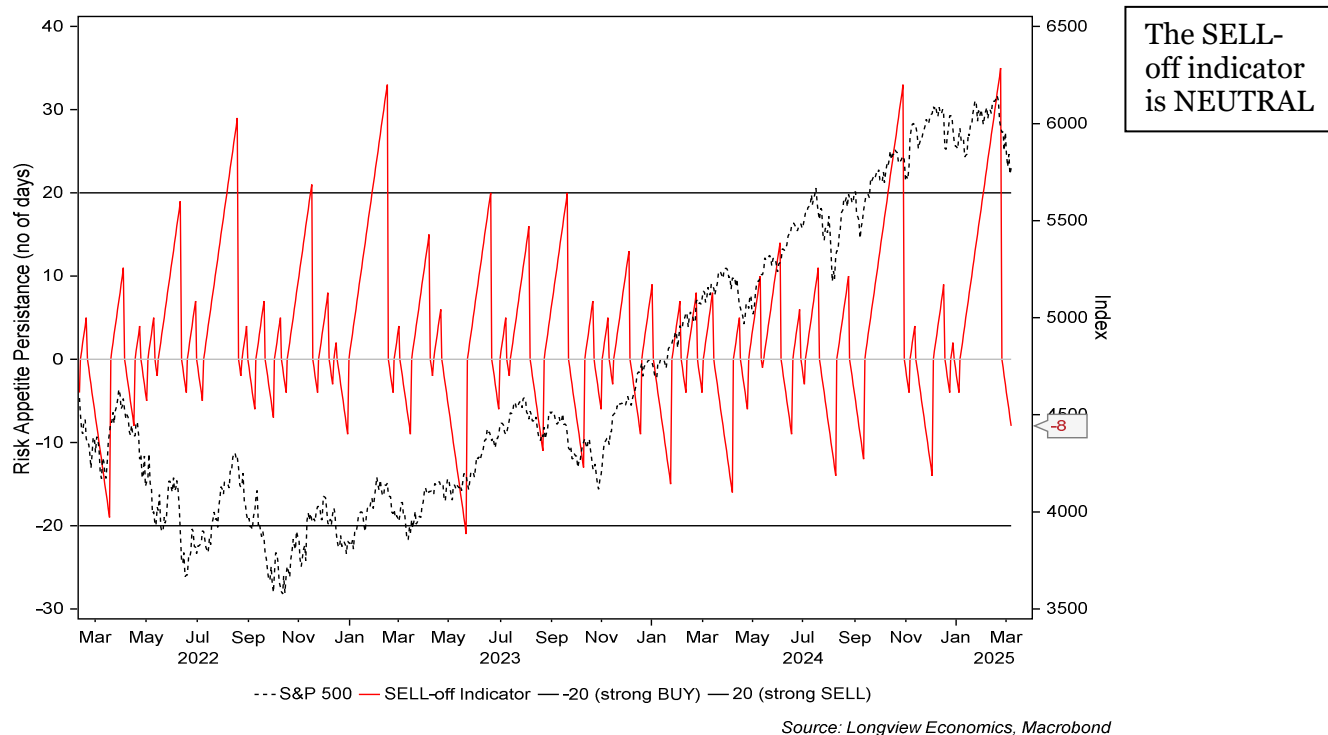
**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500



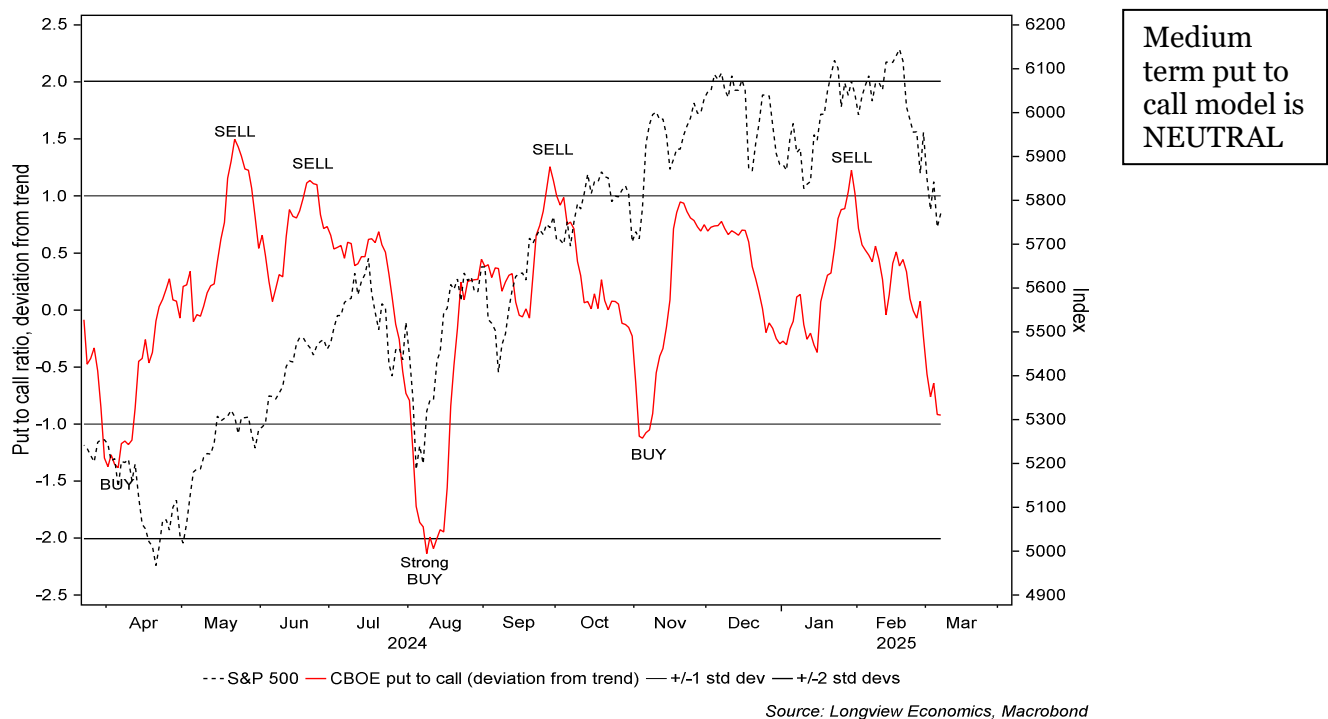
**For explanations of indicators please see page 10**



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

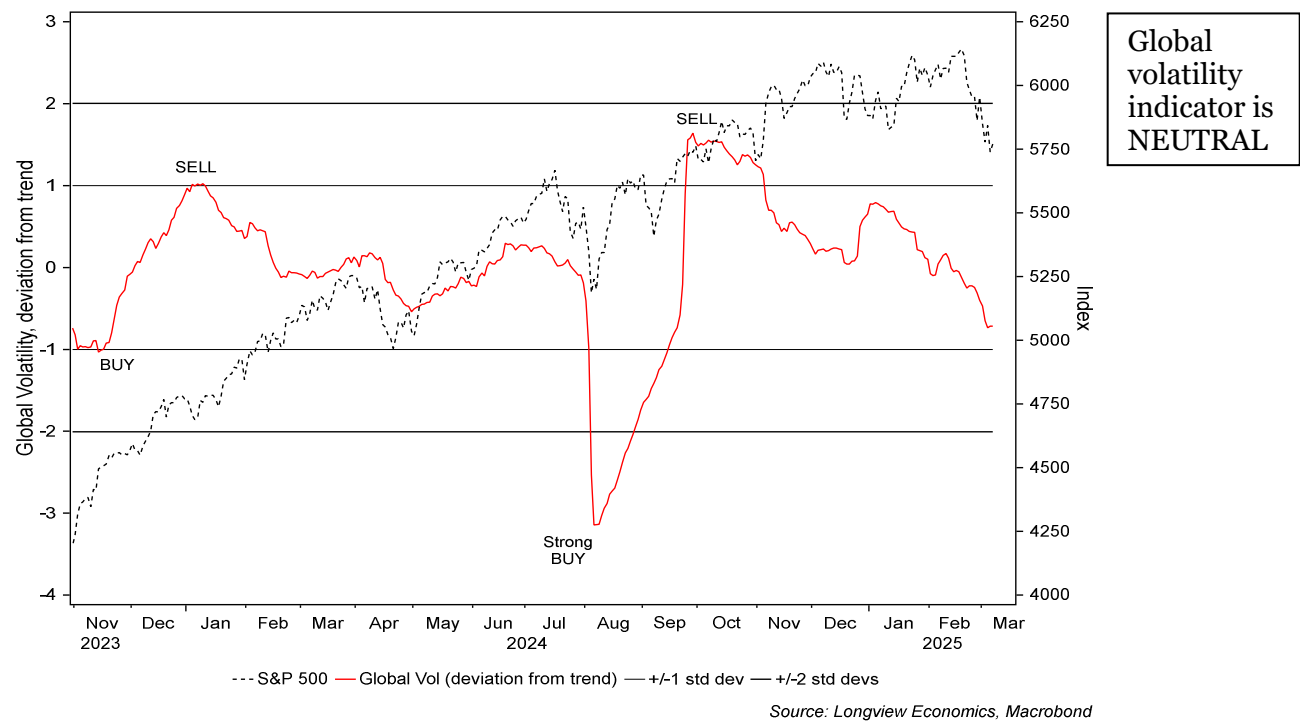


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

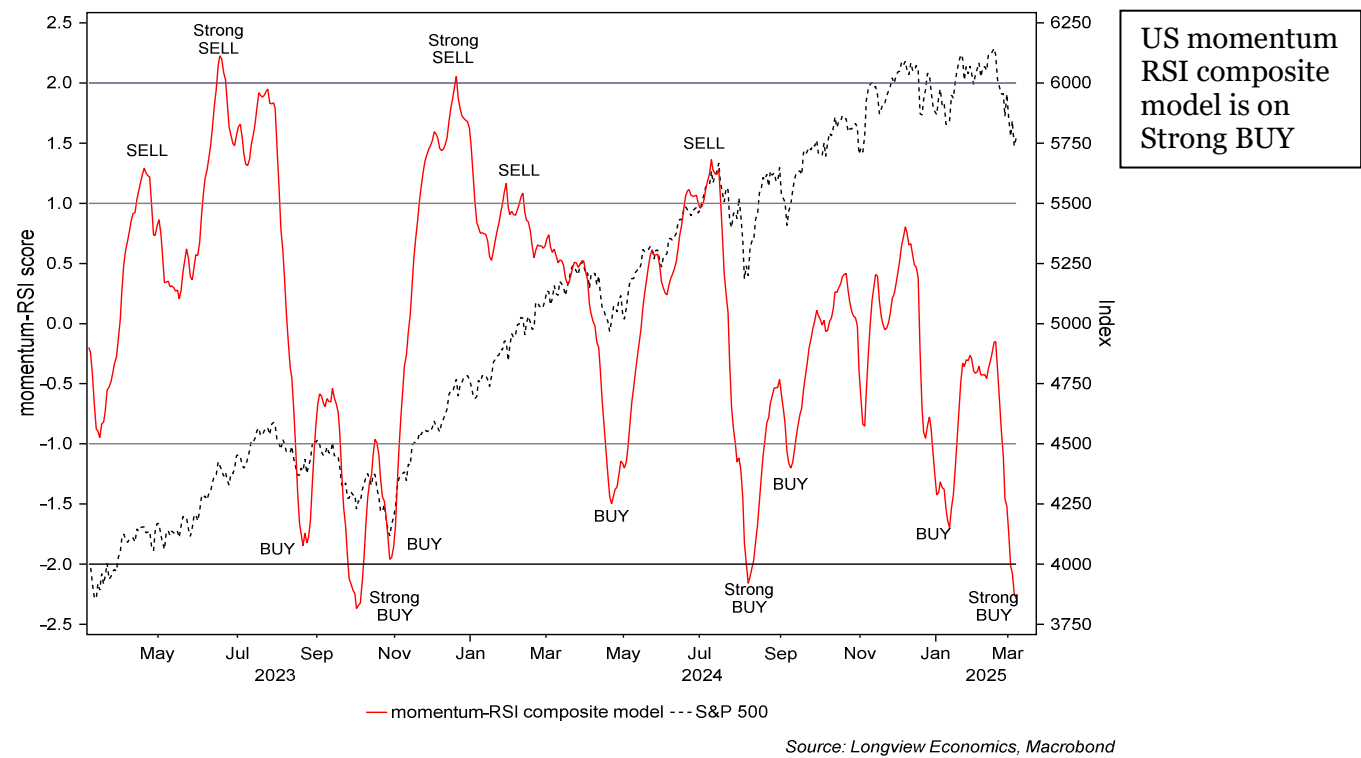


**For explanations of indicators please see page 10**

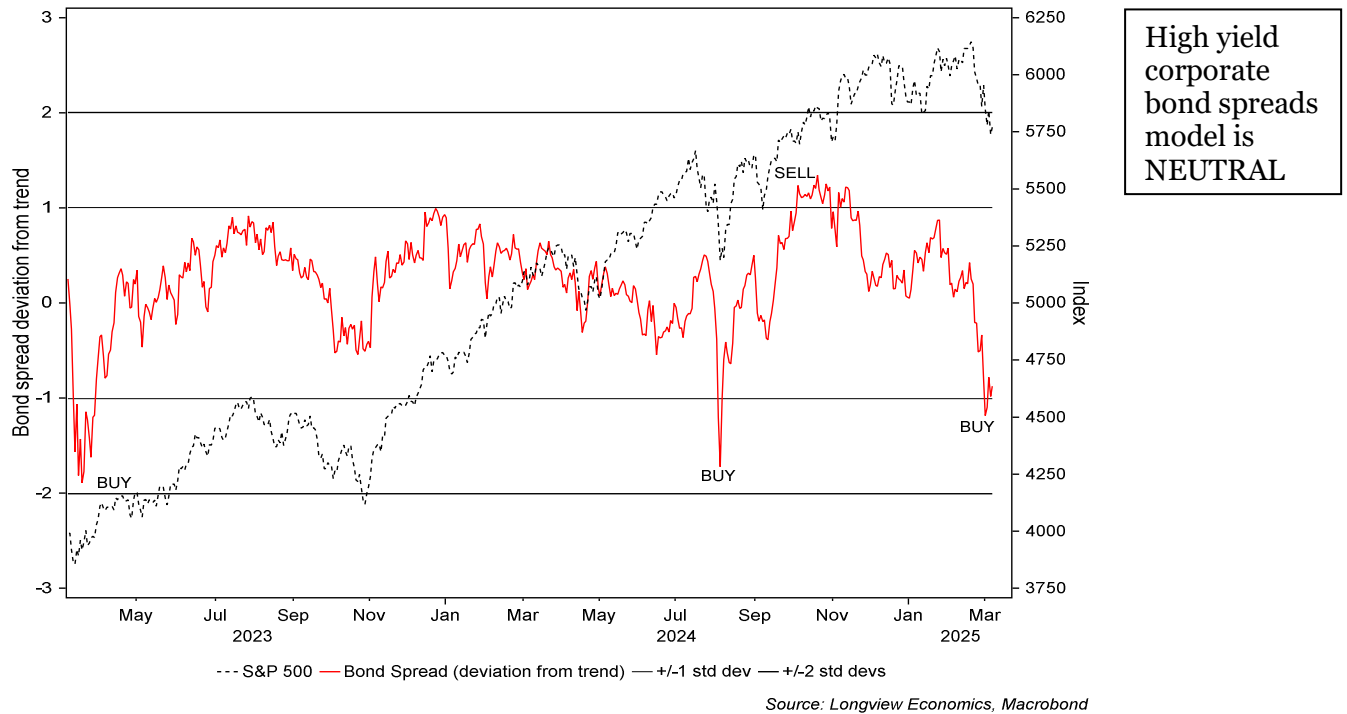
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



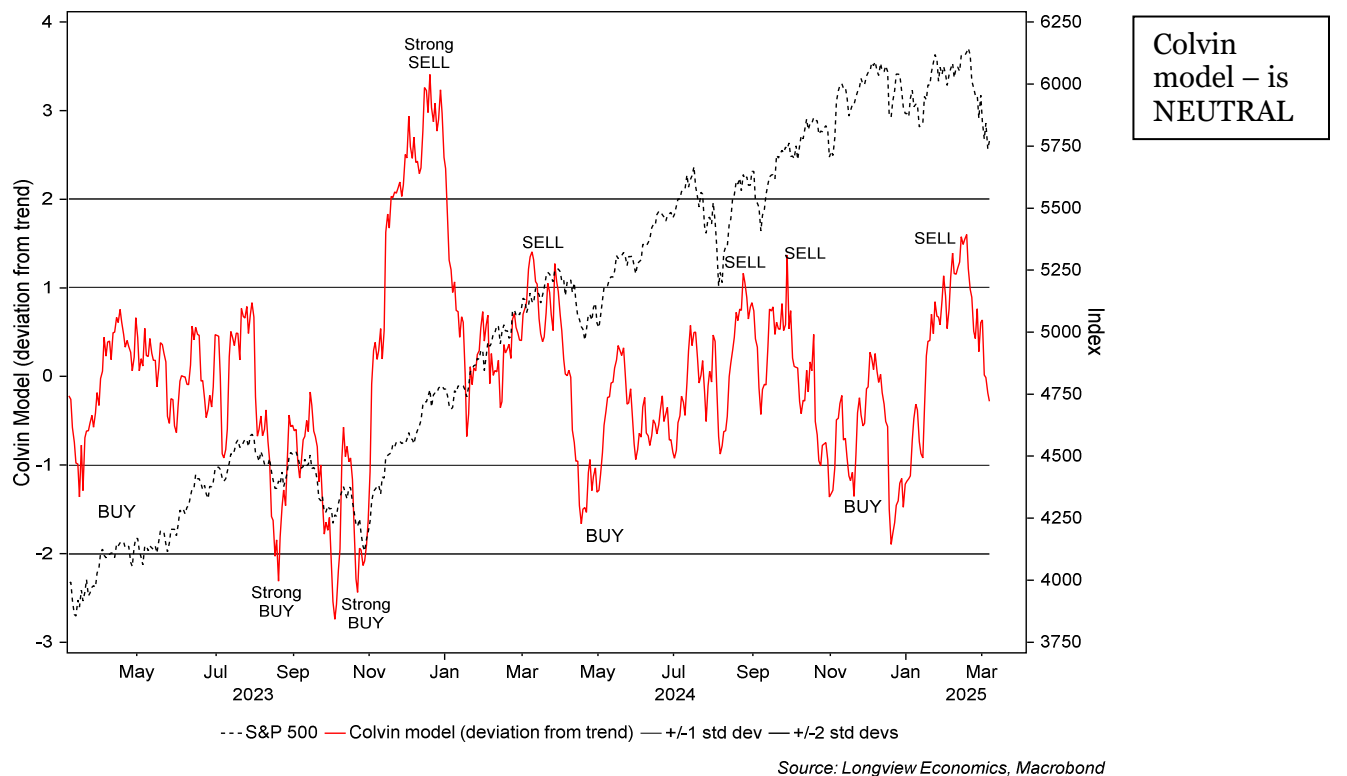
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



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



**Fig 3h:** Colvin model (deviation from trend) vs. S&P500



*For explanations of indicators please see page 10*

## Appendix: Model Explanations

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### **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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