LVRAG
Daily Risk Appetite Gauge

Equity Index Futures Trading Recommendations

11th April 2025

"Move LONG SPX on weakness"

Email: info@longvieweconomics.com

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

- Move ¼ LONG June S&P500 futures on weakness (at 5,006);
- Place stop loss at 4,780 (i.e. 4.5% below entry and below Monday's intra-day low).

Rationale

US equities gave back some of their gains yesterday, following Wednesday's historically large rally. In particular, the S&P500 closed down 3.5%, with larger losses in the NASDAQ100 (-4.2%) and Russell 2000 (-4.3%). The Philly SOX closed 8.0% lower (having rallied 18.7% on Wednesday). Equities therefore struggled, despite positive newsflow on US inflation (i.e. with the better than expected CPI print for March, table 1). Arguably, in that respect, equities were under pressure/troubled by the emerging signs of stress in the US Treasury market (e.g. with US 10 year yields up 40bps in the past four days, see FIG 1b).

Our view remains unchanged from yesterday. That is, US indices are in the midst of a relief rally (on a 1 – 2 week view). That's the message of our short term models, which continue to generate clear BUY signals. In particular, our risk appetite models are mostly on BUY/strong BUY (FIGs 3 & 3a); portfolios are well protected to the downside (FIGs 3b & 3c); technical and price based indicators are on BUY/strong BUY (FIGs 3d, 3e, & 3f); while signs of fear/panic remain in place (e.g. with elevated VIX readings, see FIG 2).

Summarising those signals, and given the clear BUY message from medium term models, our combined 'short plus medium term' scoring system is still at low levels (i.e. on strong BUY, FIG 1).

Near term downside risks, though, are multiple. The bond market sell-off, for example, has the potential to create more volatility in equities (if it persists). Furthermore, our shortest term RAG indicator remains on SELL (and has generated timely signals in recent months, FIG 1c). As such, and given that daily price swings in US equities are currently large (FIG 1a), timing the entry point into LONG positions is key.

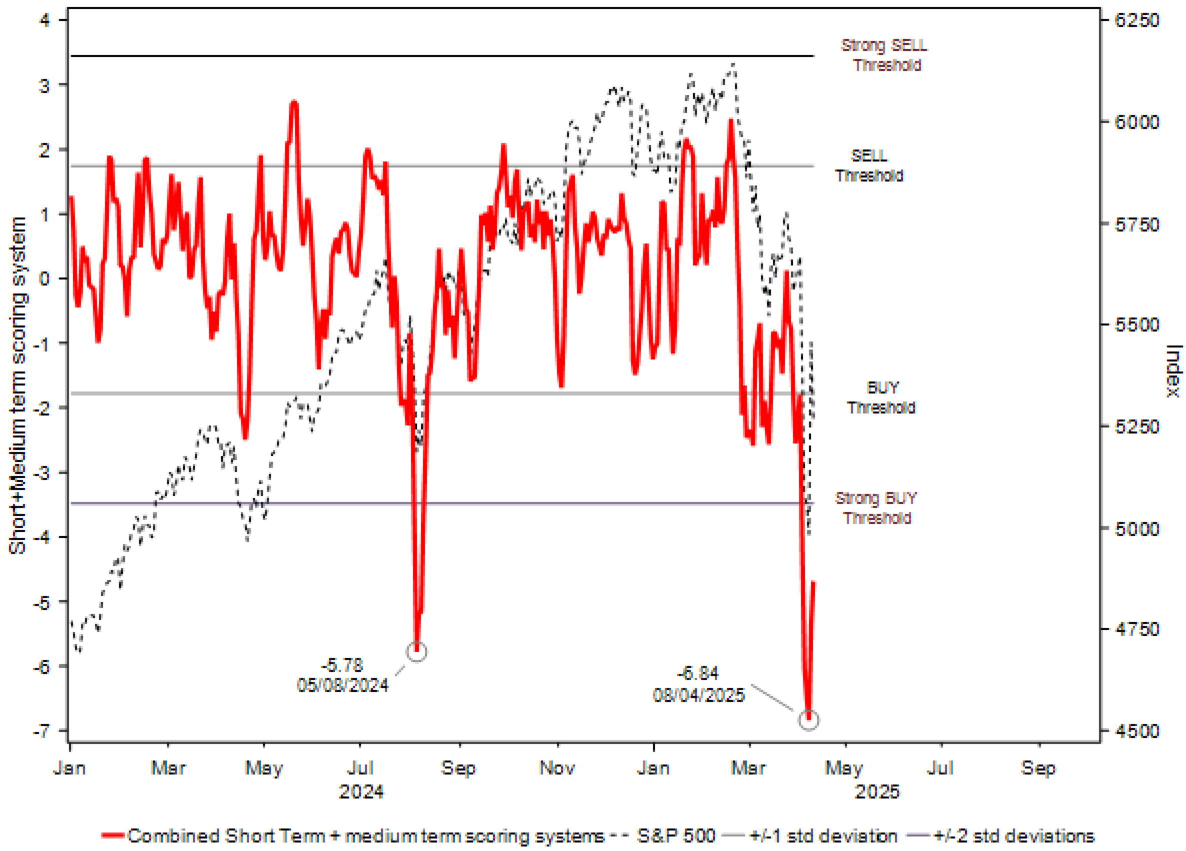
On balance, therefore, we favour moving LONG close to/just above Monday's intra-day lows, with a (wide) stop loss below that intra-day low (see above for detailed recommendations). Other (two way) risks in markets are multiple and include US earnings season (with banks reporting today – see below for full list).

Kind regards,
The team @ Longview Economics

Table 1: Yesterday's US CPI report summary (March 2025)

	Date Time	A	M	R	Event	Period	Surv(M)	Actual	Prior
21)	04/10 13:30				CPI MoM	Mar	0.1%	-0.1%	0.2%
22)	04/10 13:30				CPI Ex Food and Energy MoM	Mar	0.3%	0.1%	0.2%
23)	04/10 13:30				CPI YoY	Mar	2.5%	2.4%	2.8%
24)	04/10 13:30				CPI Ex Food and Energy YoY	Mar	3.0%	2.8%	3.1%

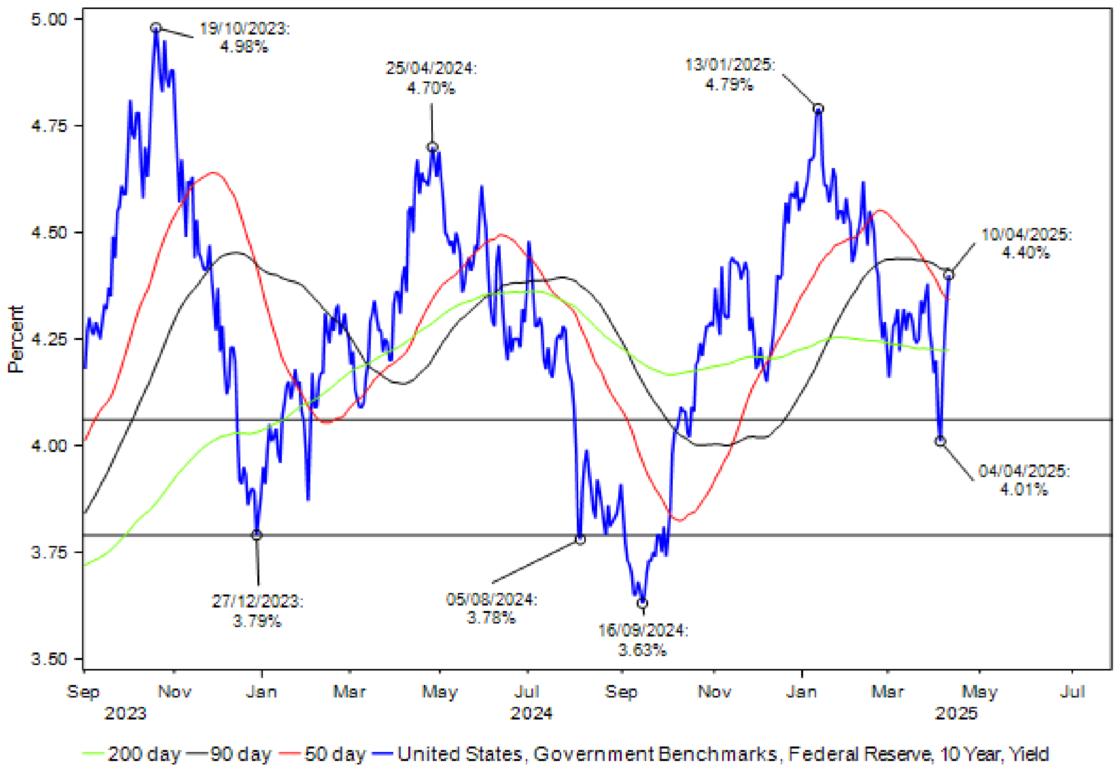
FIG 1: Combined short and medium term **'risk appetite'** scoring system vs. S&P500



Source: Longview Economics, Macrobond

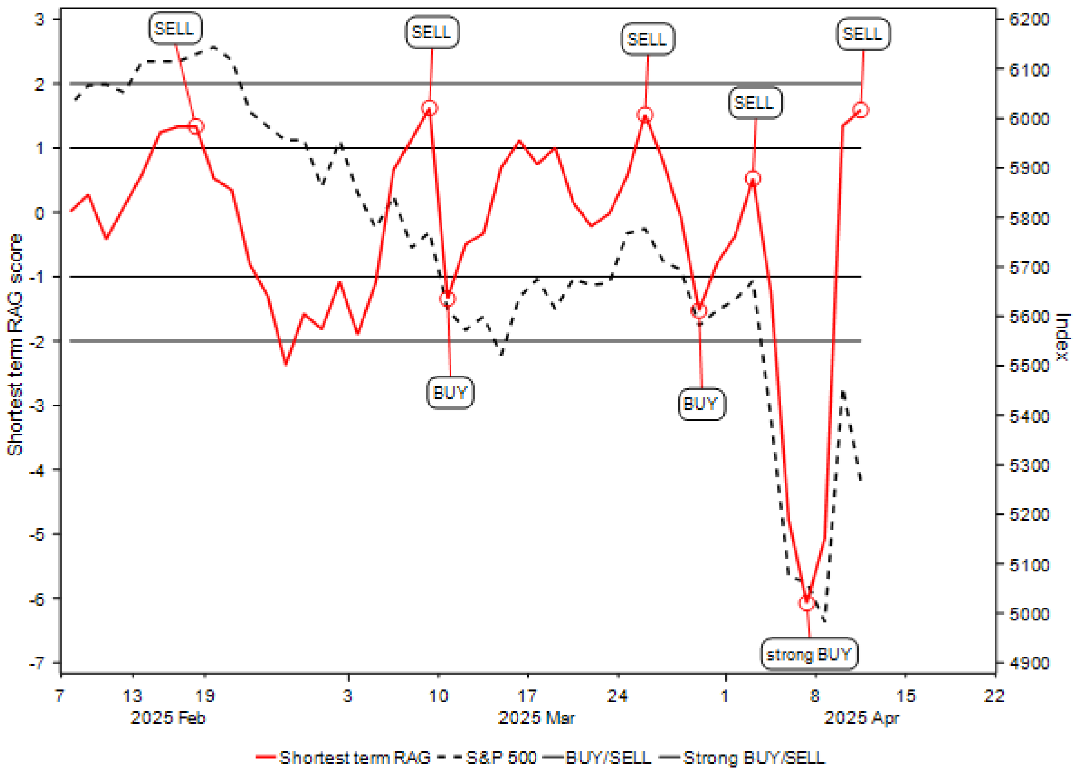
FIG 1a: S&P500 futures 10-day tick chart shown with overnight price action

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



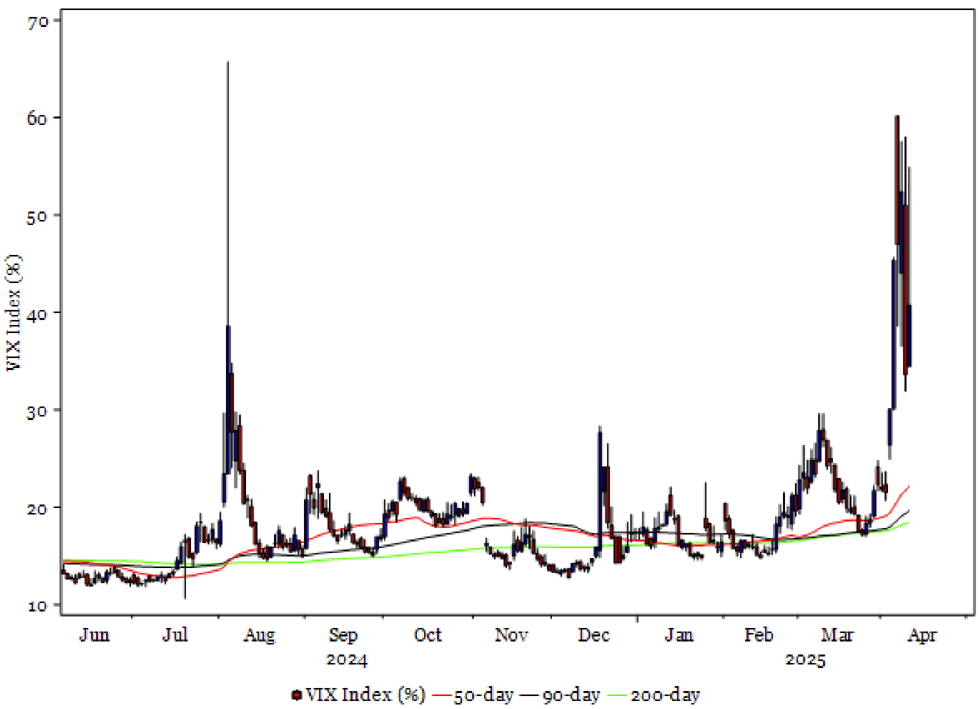
Source: Longview Economics, Macrobond

FIG 1c: Shortest term RAG vs. S&P500



Source: Longview Economics, Macrobond

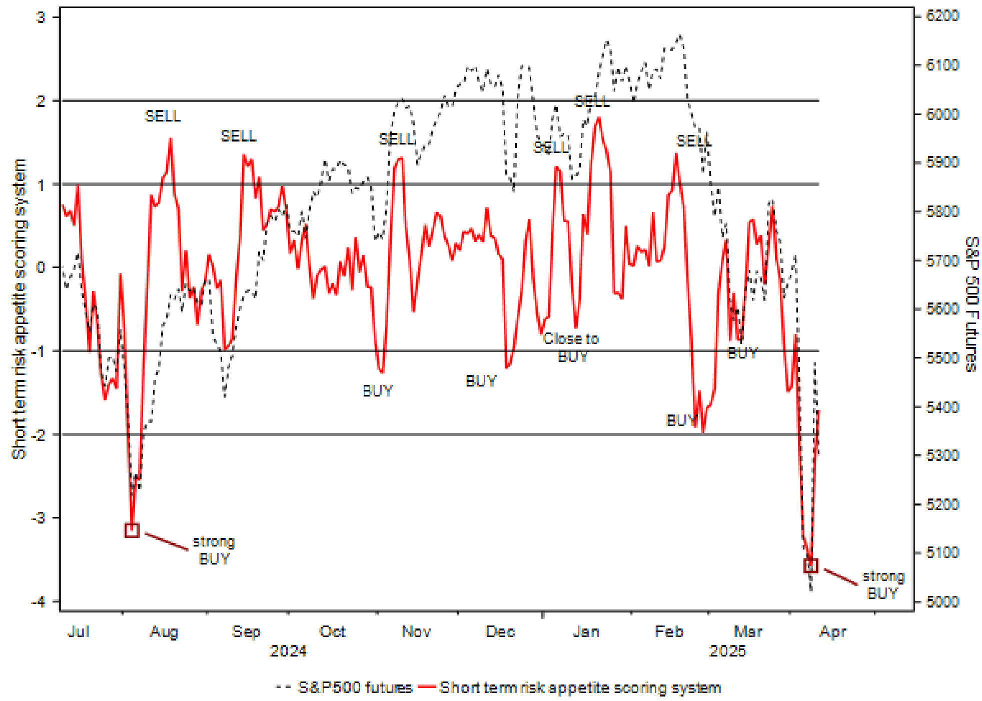
FIG 2: VIX candlestick shown with 50, 90 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

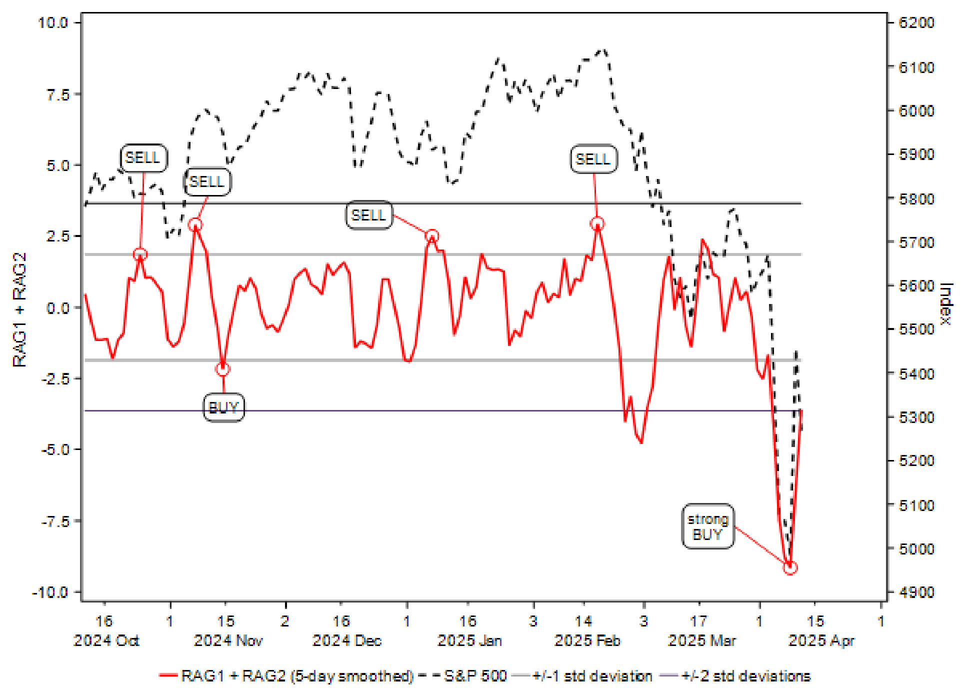
Short term risk appetite models are mostly on BUY…

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



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

Put to call ratio models are on strong BUY…

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

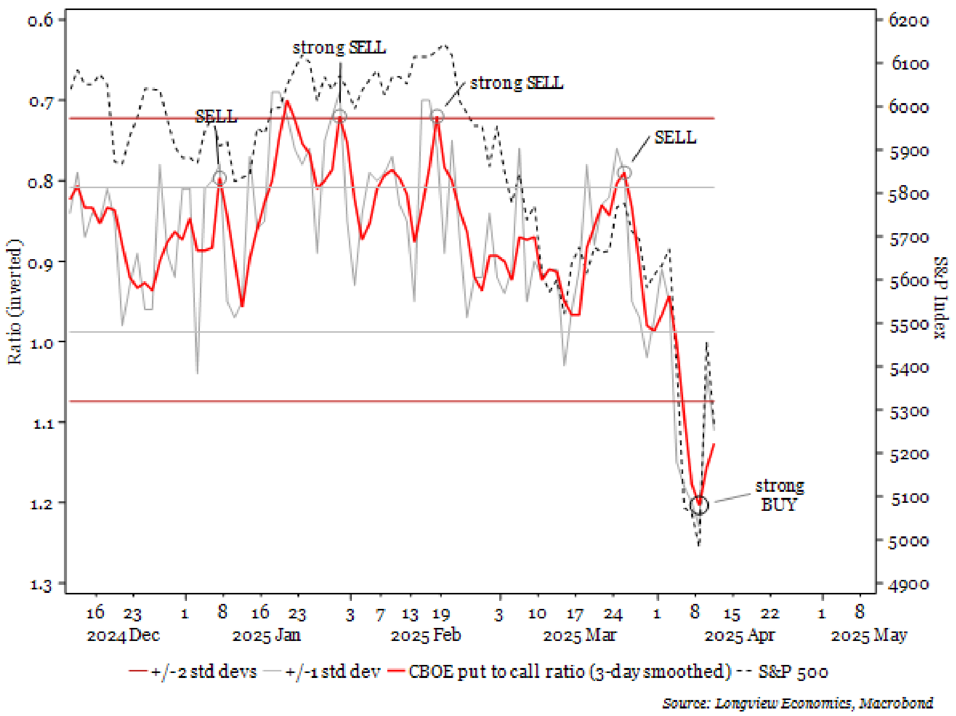
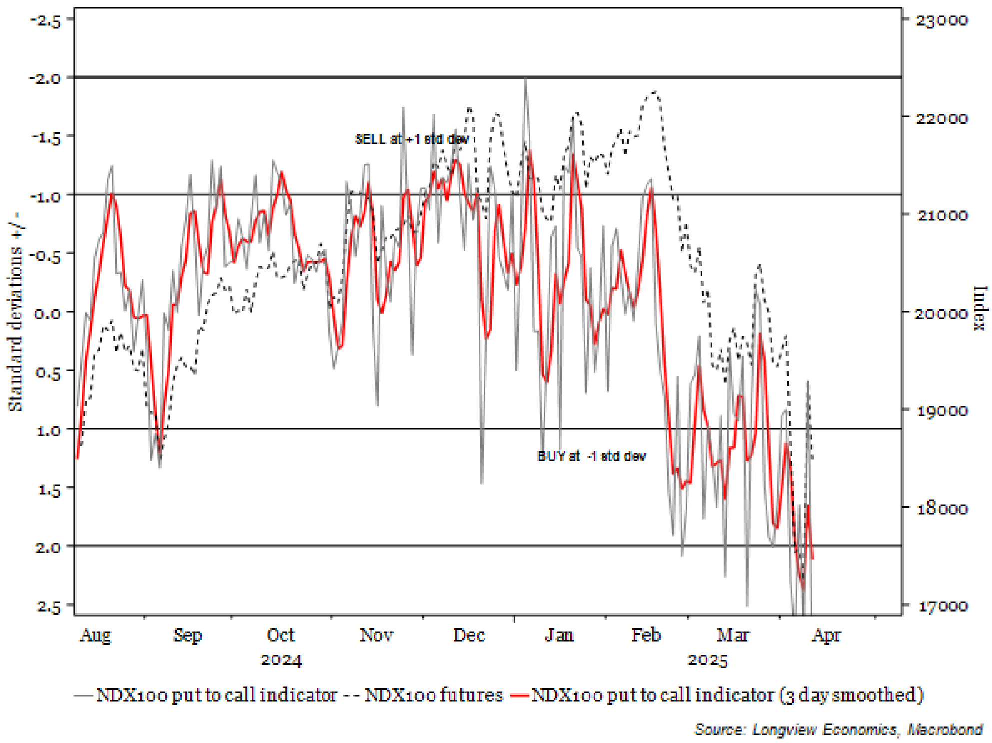


FIG 3c: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Technical & price-based models are on BUY/strong BUY….

FIG 3d: Longview S&P500 short term **'technical'** scoring system vs. S&P500 futures

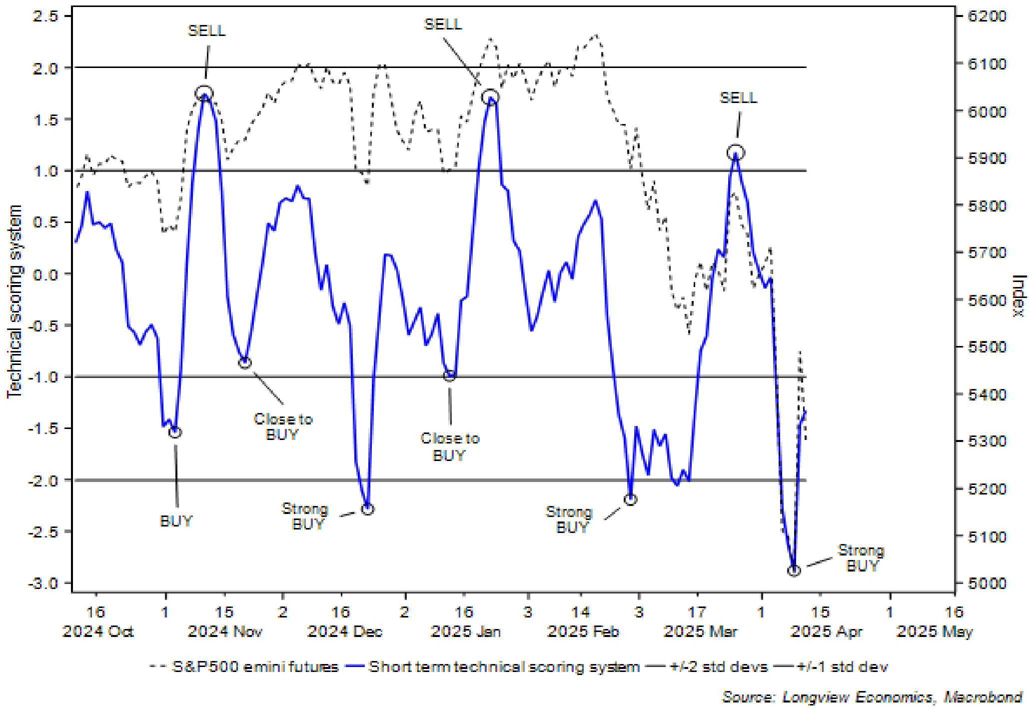


FIG 3e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

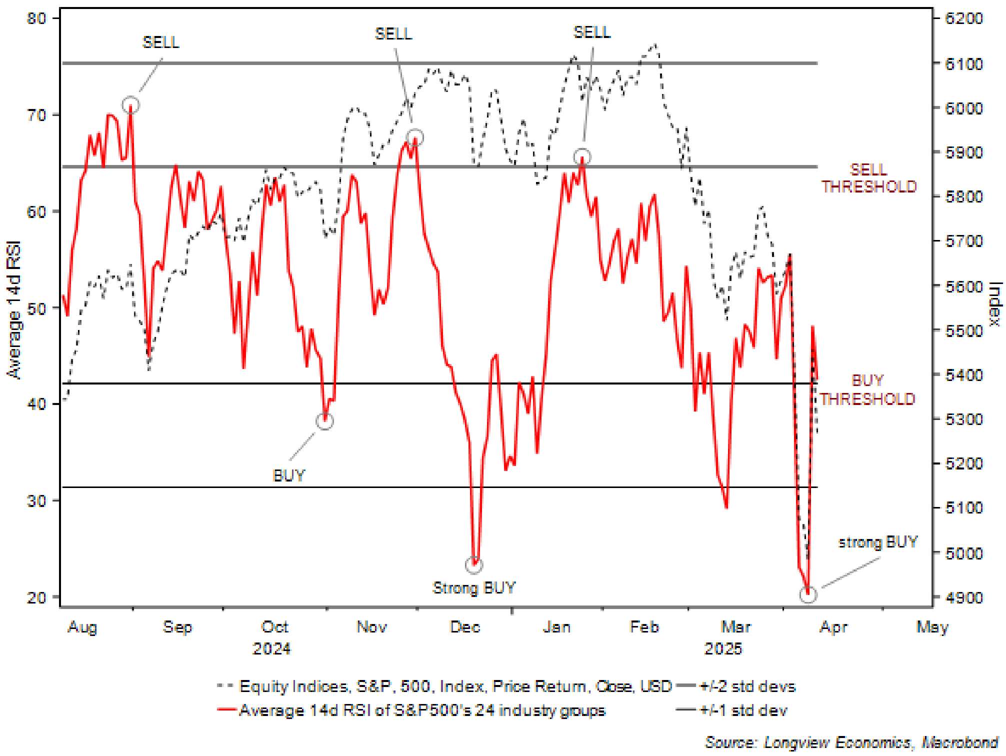
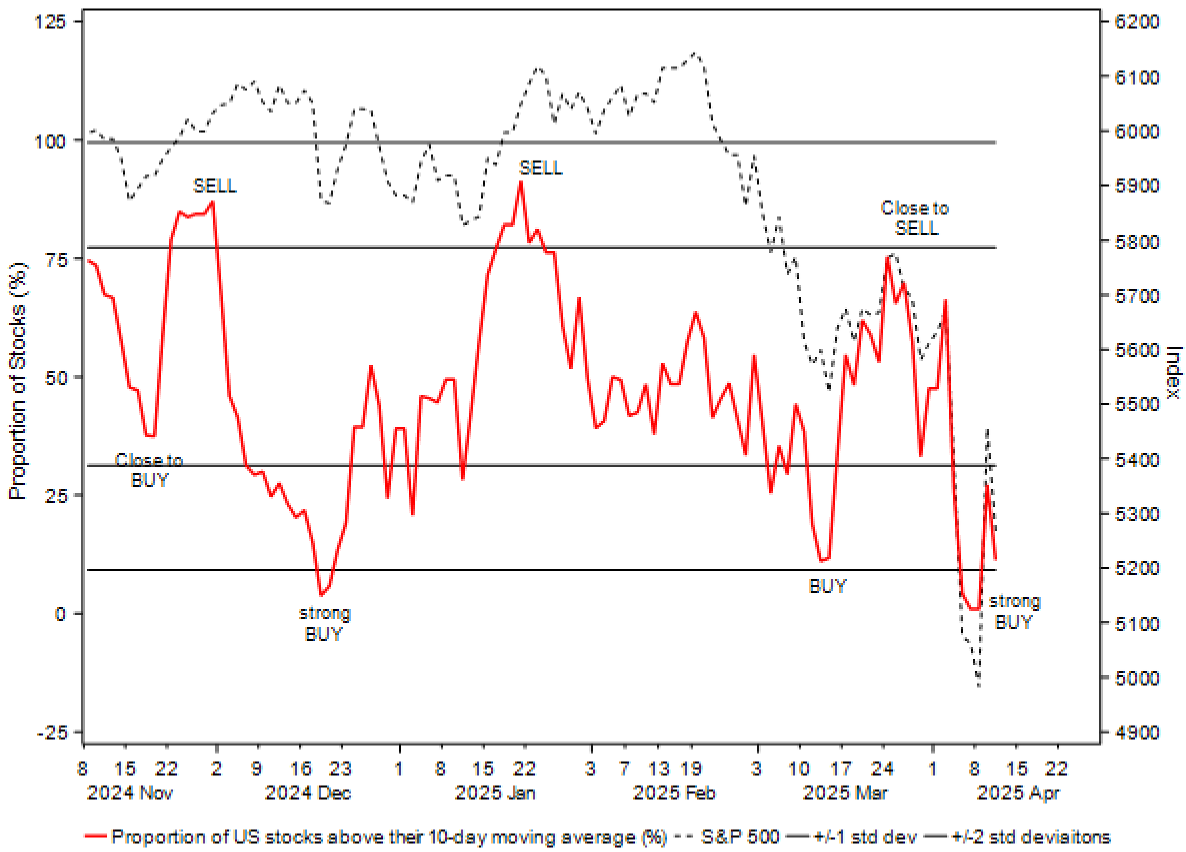


FIG 3f: Proportion of US stocks above their 10 day moving average vs. S&P500

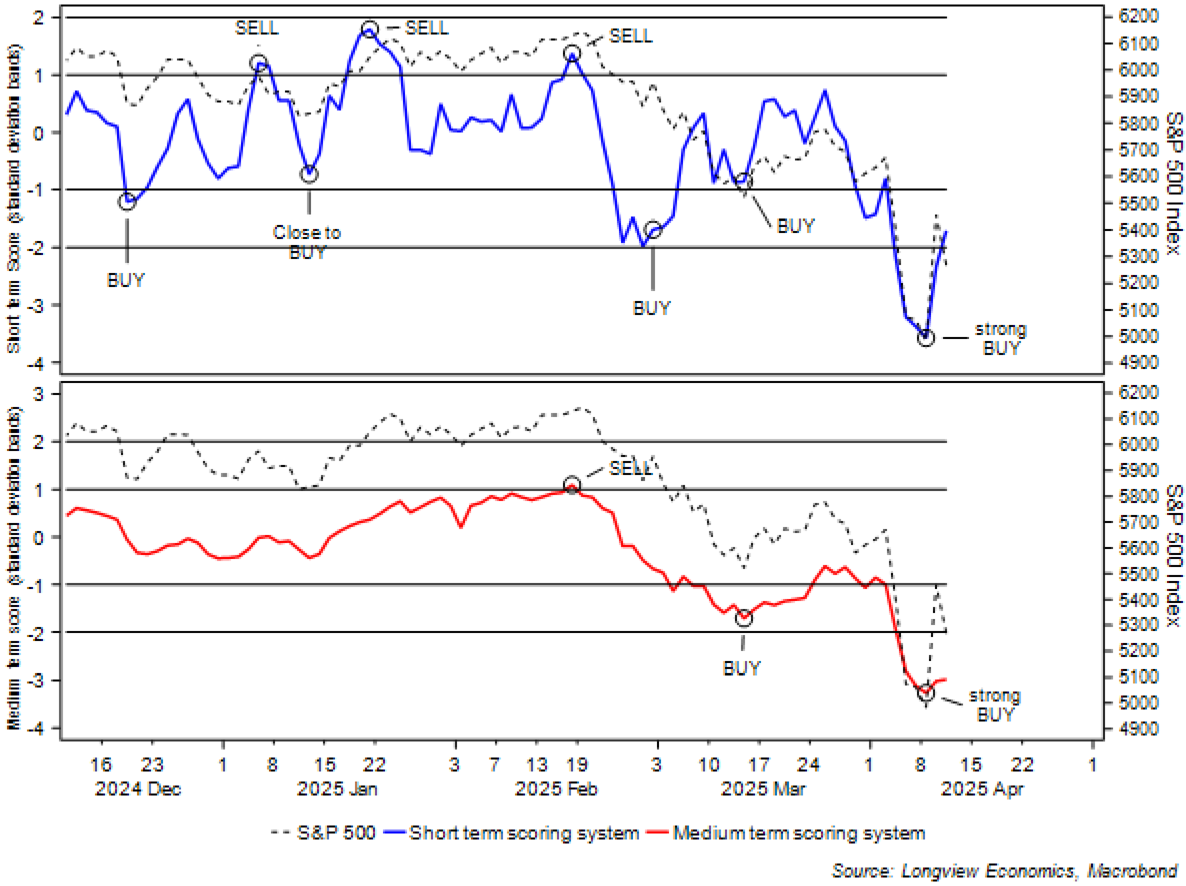


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **BUY** (from strong BUY yesterday)
Medium term (1 – 4 month) scoring system: **Strong BUY**

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



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Key macro data/events

Key data today include: **Japanese M2 & M3 money supply** (Mar, 12:50am); **Chinese total social financing, new yuan loans, and M0, M1 & M2 money supply** (Mar, time tentative); UK Monthly GDP estimate, industrial & manufacturing production, goods trade balance & construction output (Feb, 7am); German headline & core CPI (March final estimate, 7am); Spanish headline & core CPI (March final estimate, 8am); German current account balance (Feb, 8:45am); **US headline & core PPI** (Mar, 1:30pm); **US Michigan sentiment** (April first estimate, 3pm).

Key events today include: Speech by the ECB's Lagarde at Eurogroup press conference (10:45am).speeches by the Fed's Musalem on the US economy (Fri, 3pm) & Williams on monetary policy (4pm).

Key earnings today include: **JPMorgan**, **Wells Fargo&Co**, **Morgan Stanley**, **BlackRock**, Bank of NY Mellon, Fastenal.

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 8th April 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

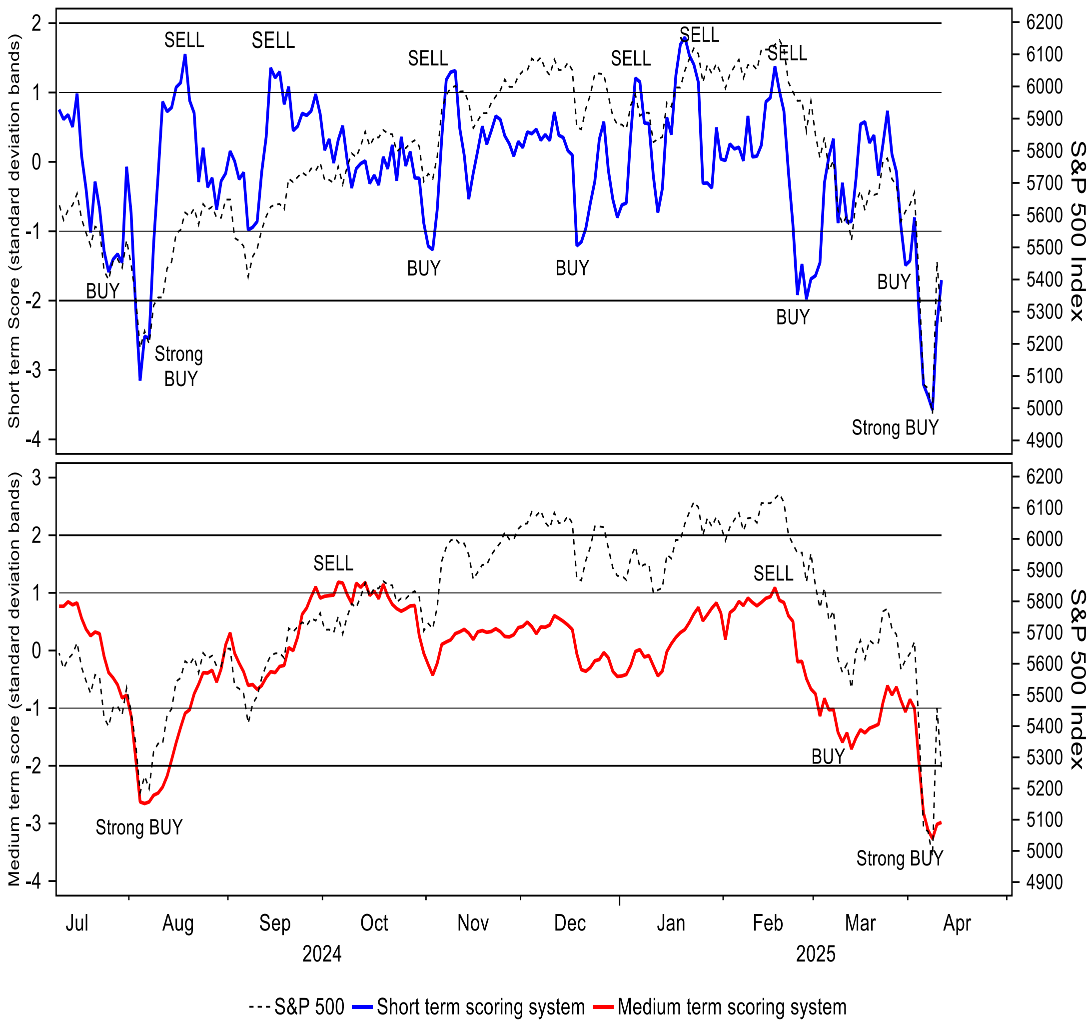
1 – 2 Week View on Risk

11th April 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 on BUY

Medium term scoring system is on Strong BUY

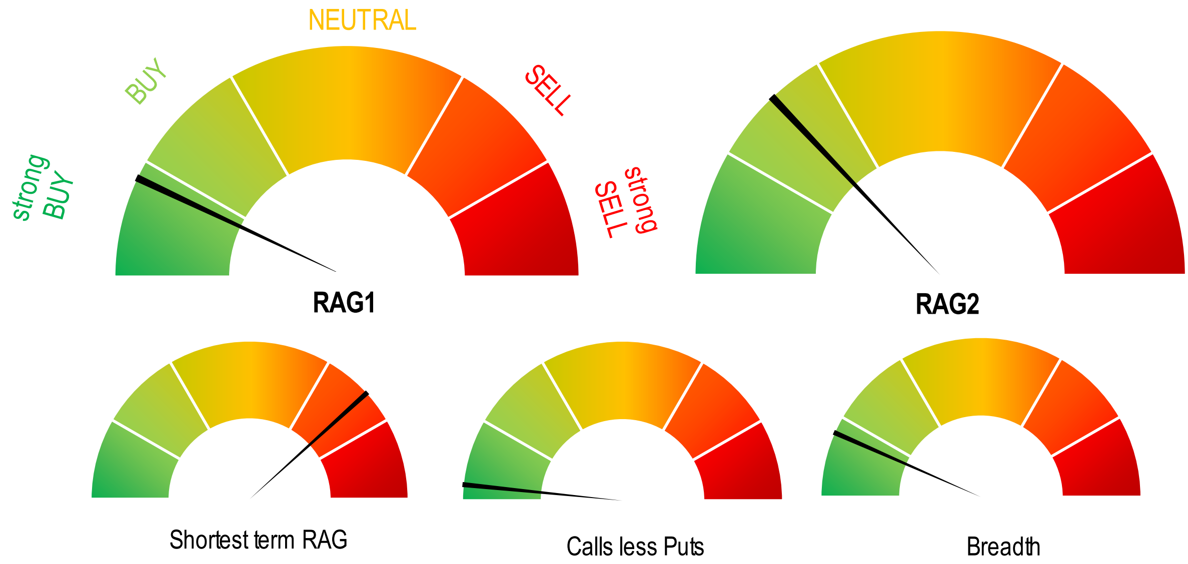
Source: Longview Economics, Macrobond

*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

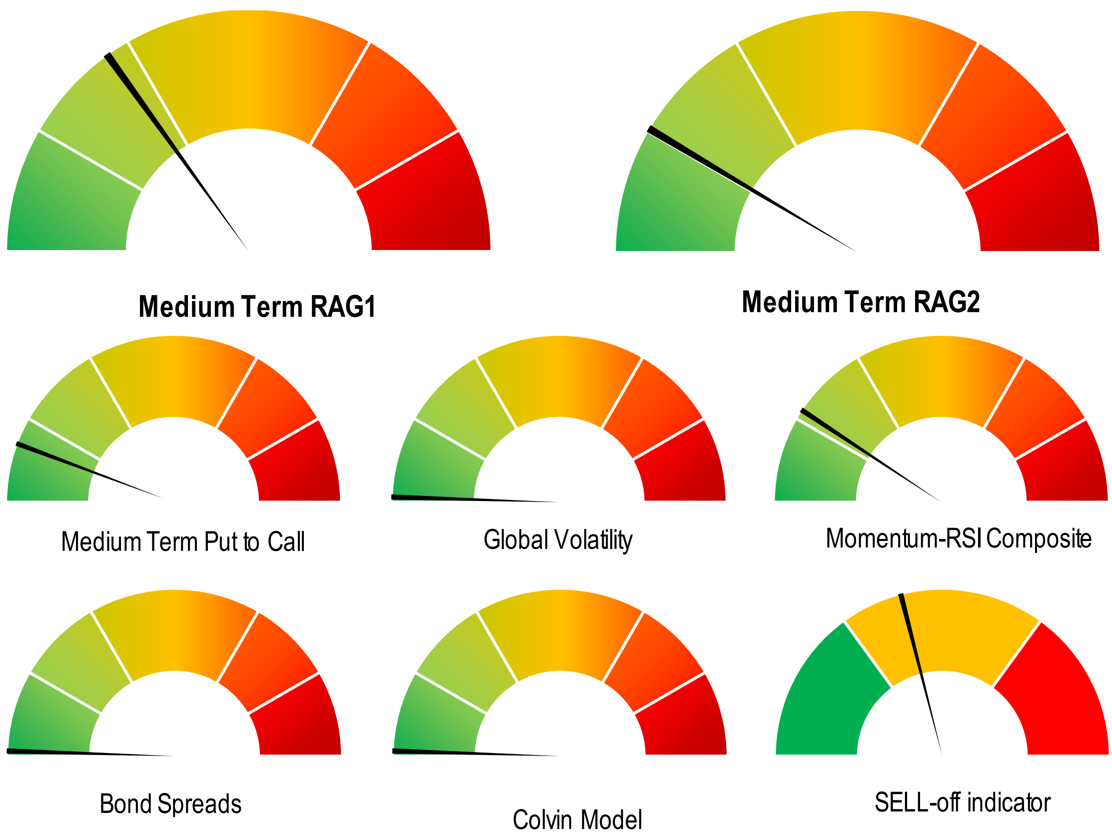
Section 1a: Summary of indicator signals**

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

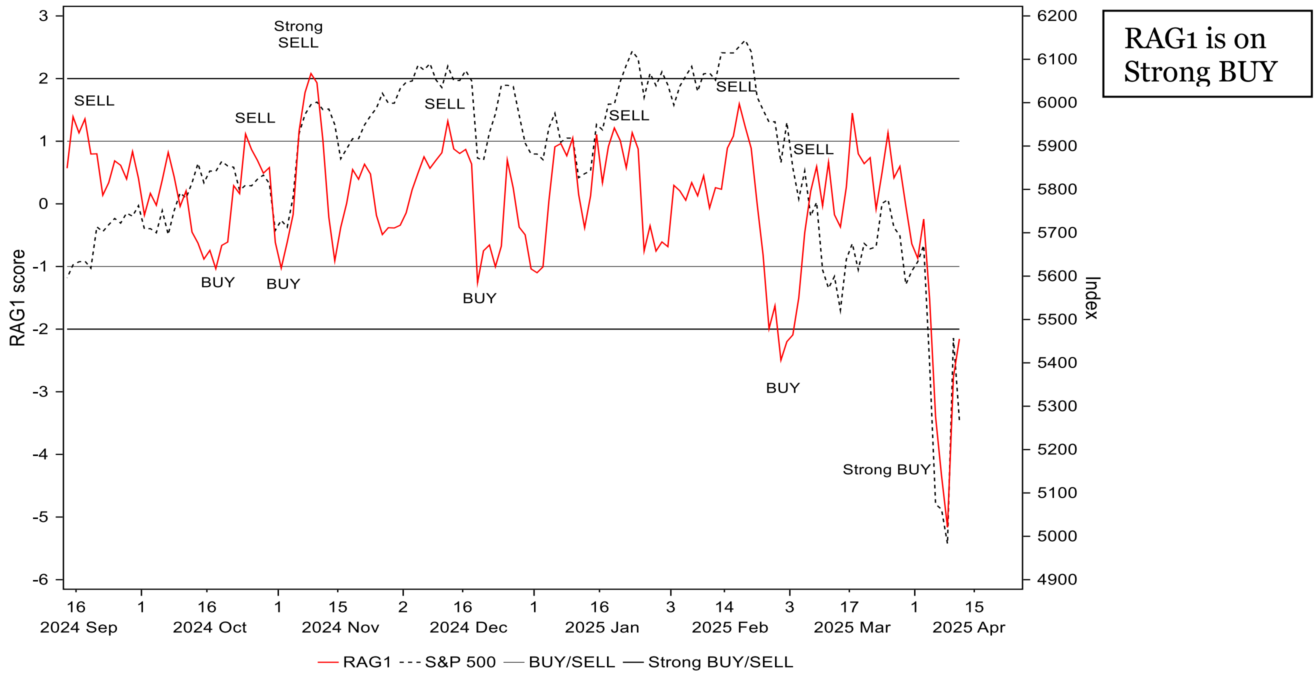


Source: *Longview Economics*

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

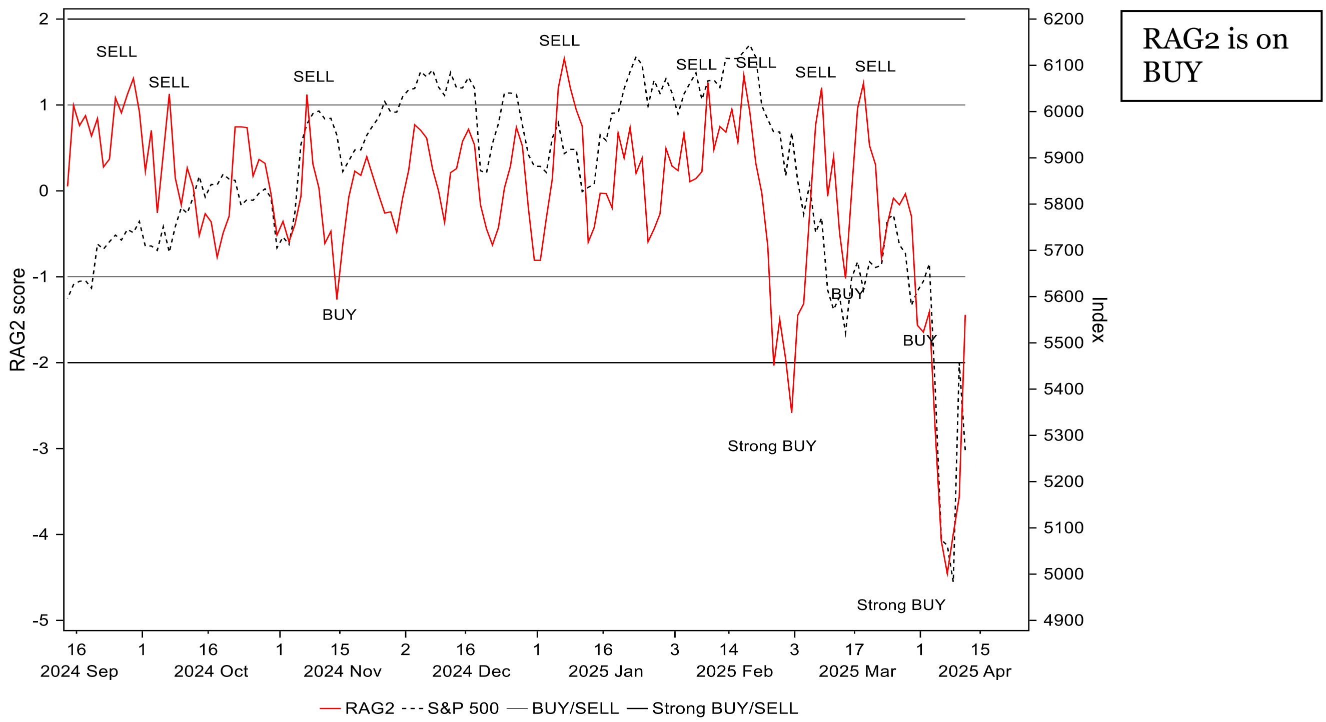
Section 2: Short term (1 – 2 week) trading models

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



Source: Longview Economics, Macrobond

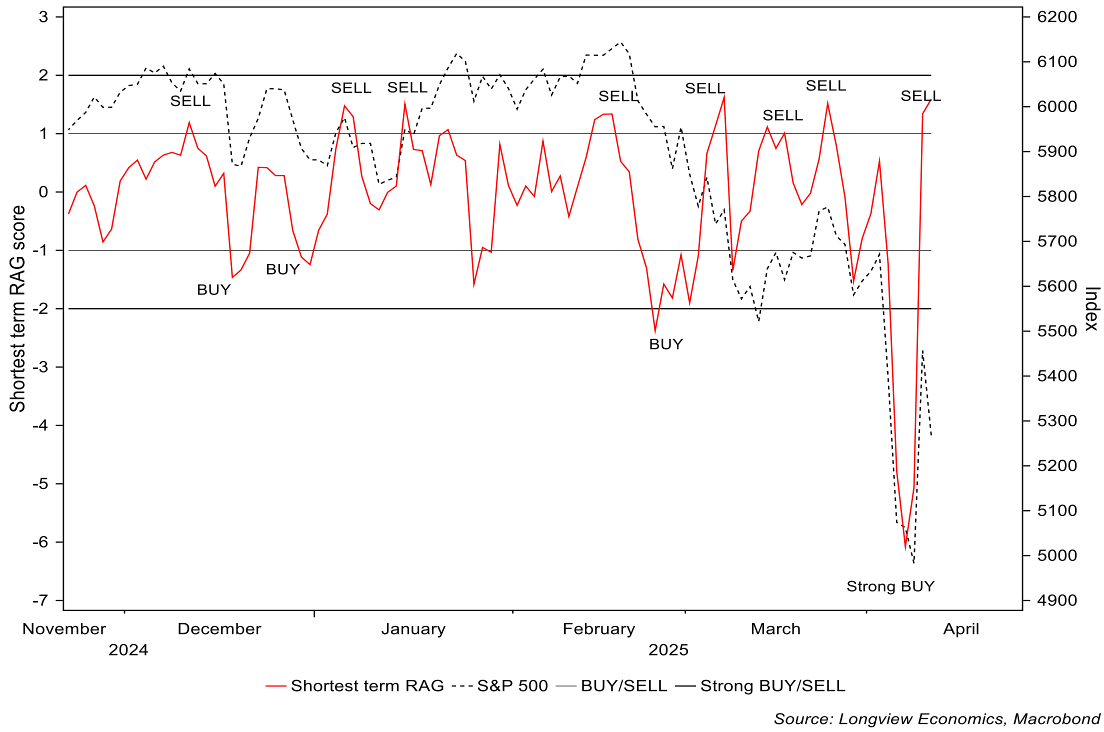
Fig 2b: RAG 2 vs. S&P 500



Source: Longview Economics, Macrobond

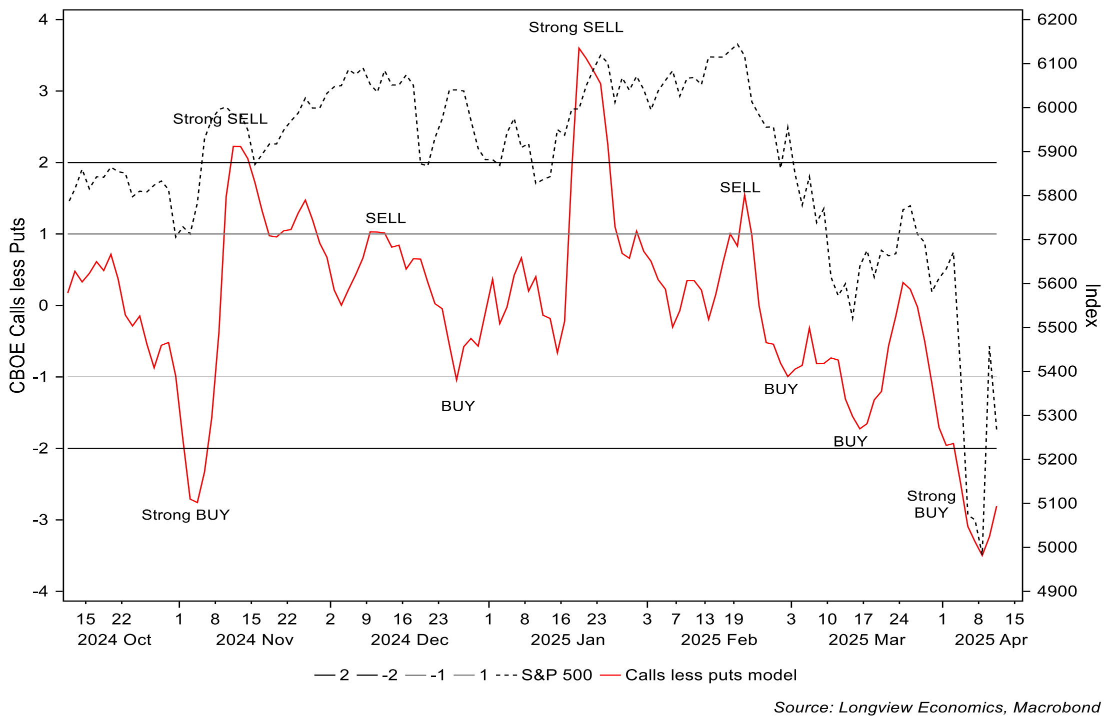
For explanations of indicators please see page 10

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



Shortest term RAG is on SELL

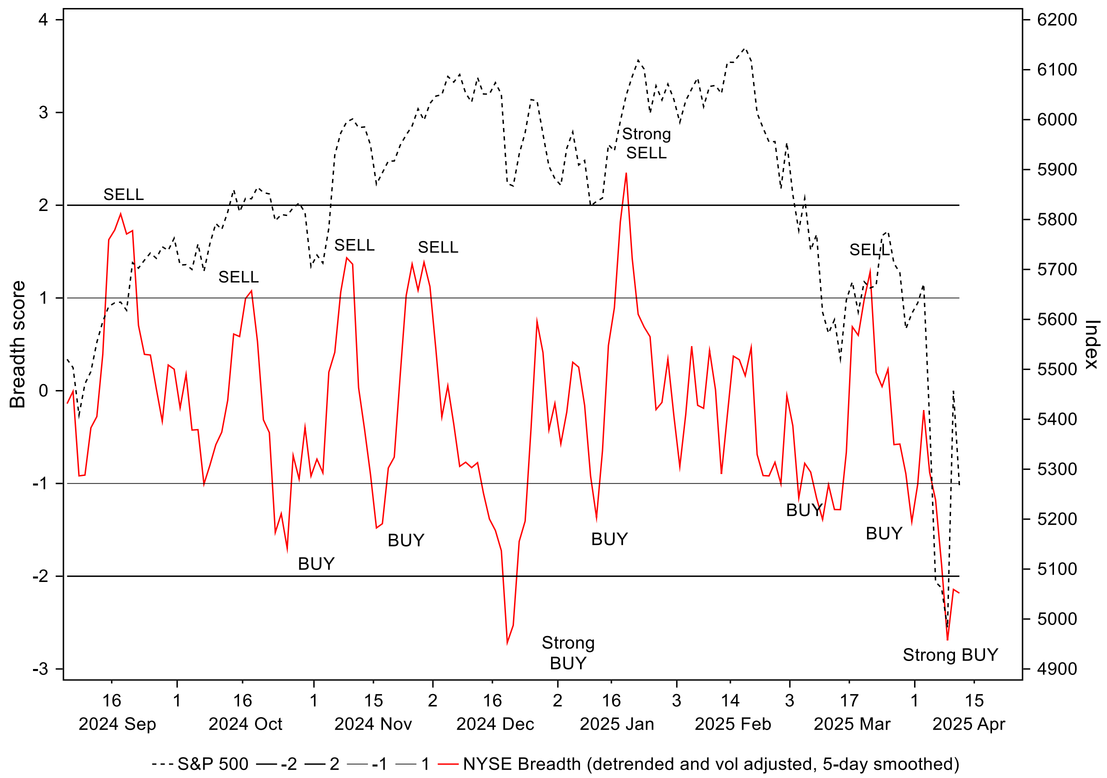
Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



Calls less puts model is on Strong BUY

For explanations of indicators please see page 10

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



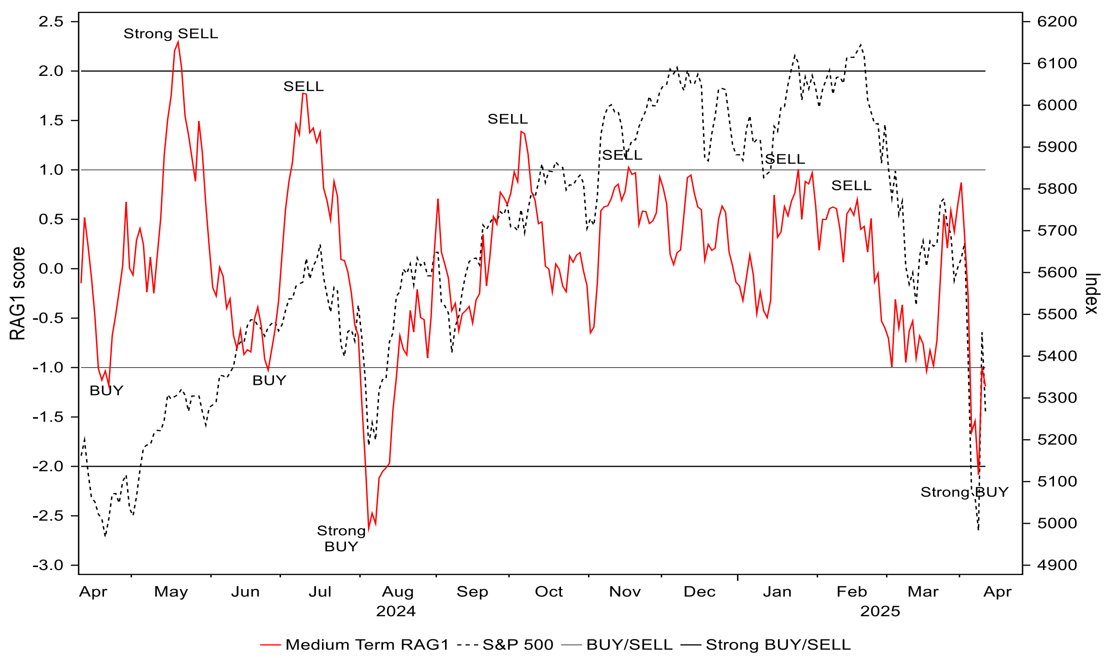
Source: Longview Economics, Macrobond

The breadth model is on Strong BUY

For explanations of indicators please see page 10

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

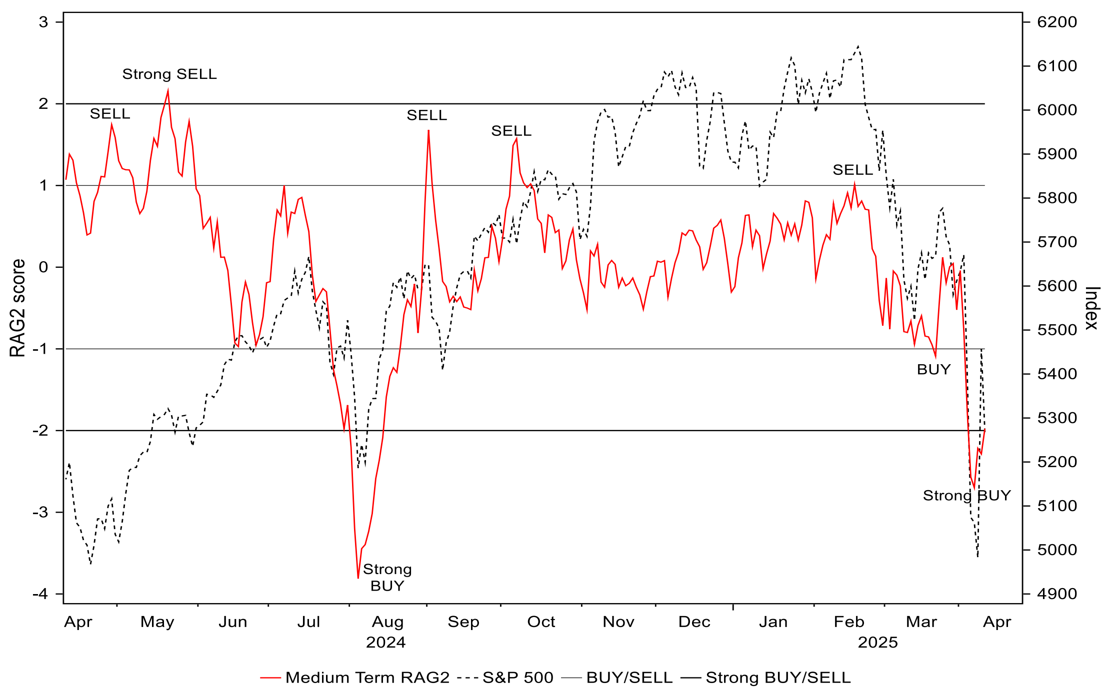
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is on BUY

Source: Longview Economics, Macrobond

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

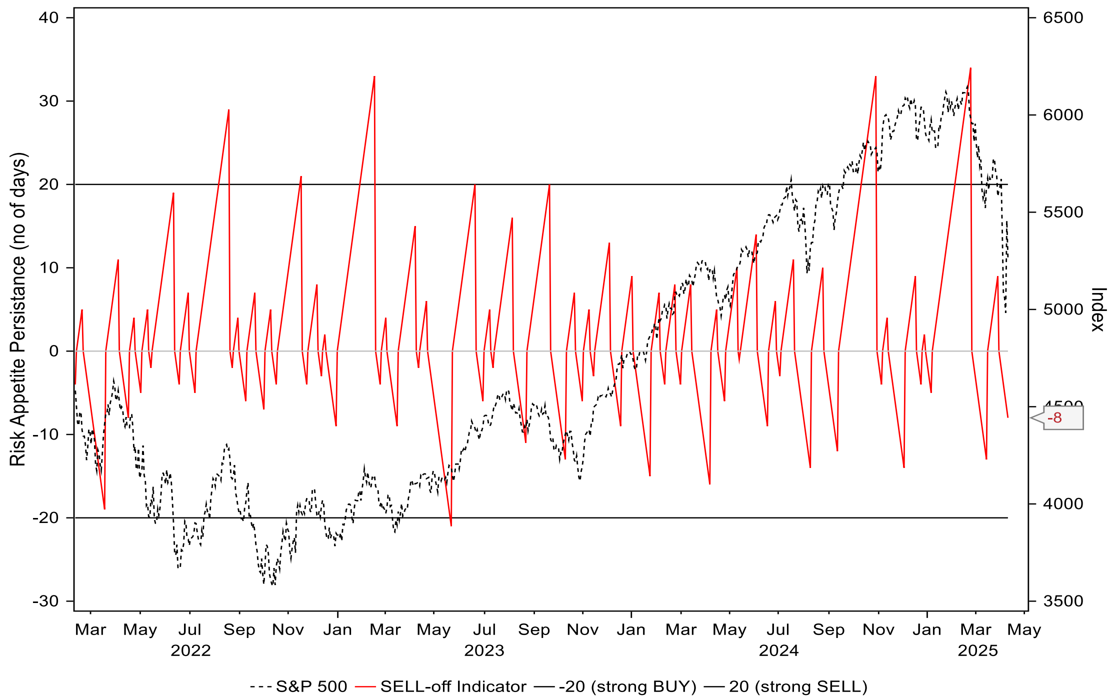


Medium term RAG2 is on BUY

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

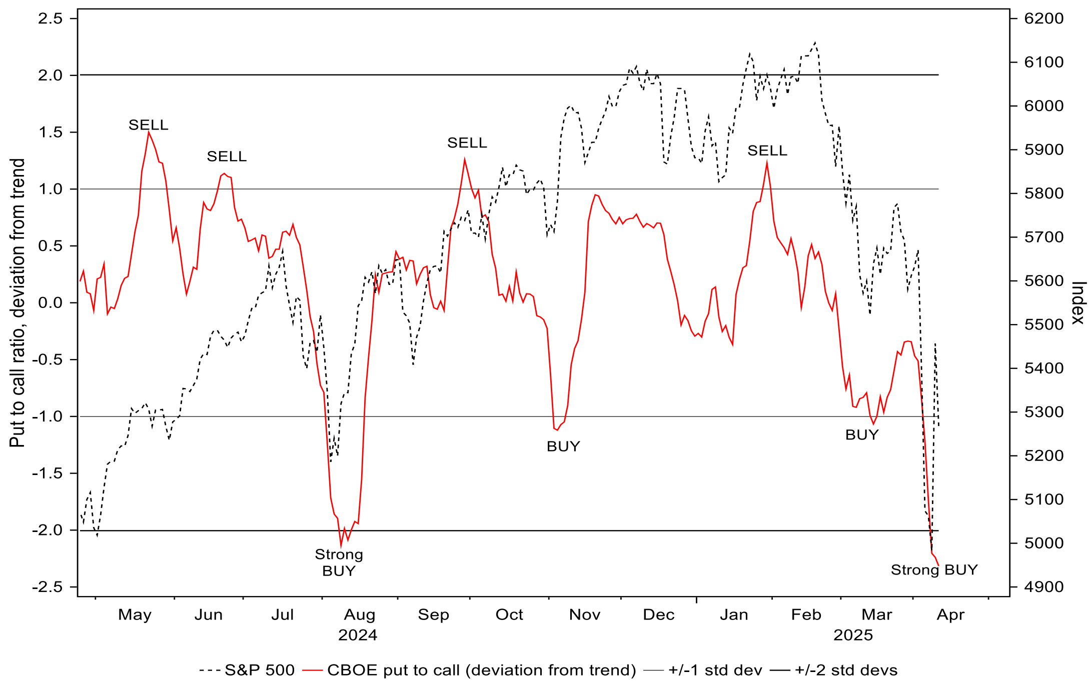
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

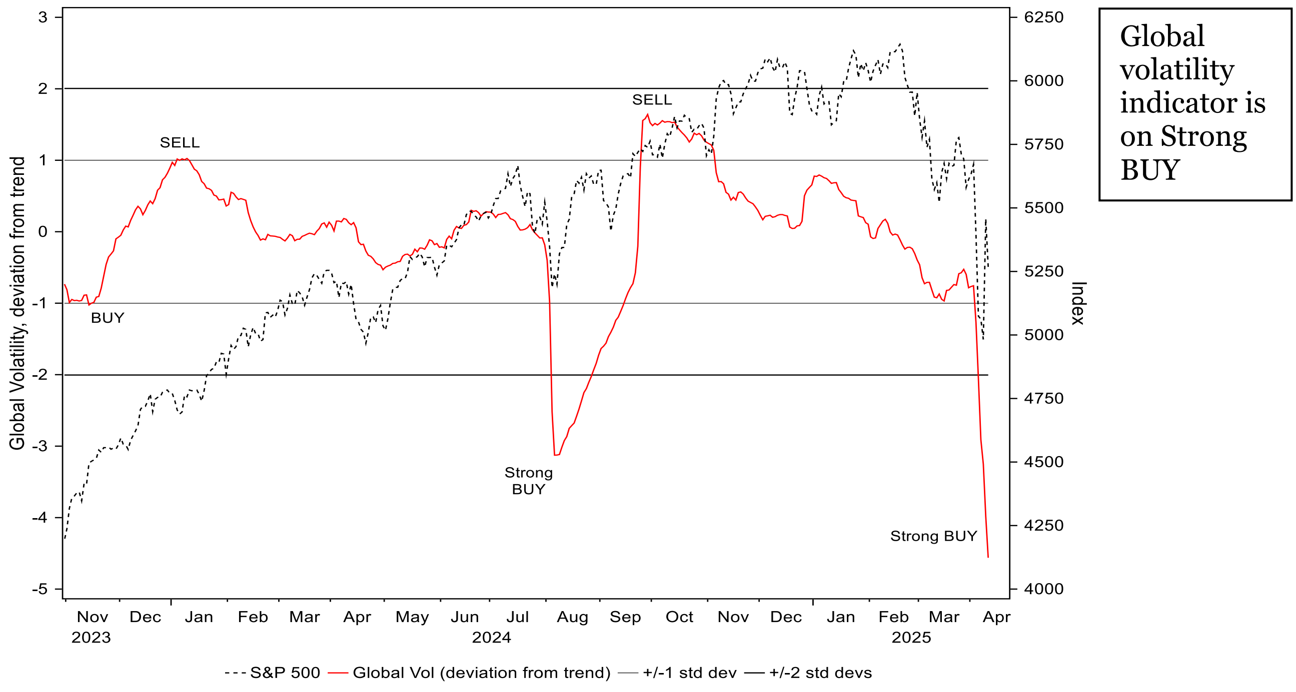


Source: Longview Economics, Macrobond

Medium term put to call model is on Strong BUY

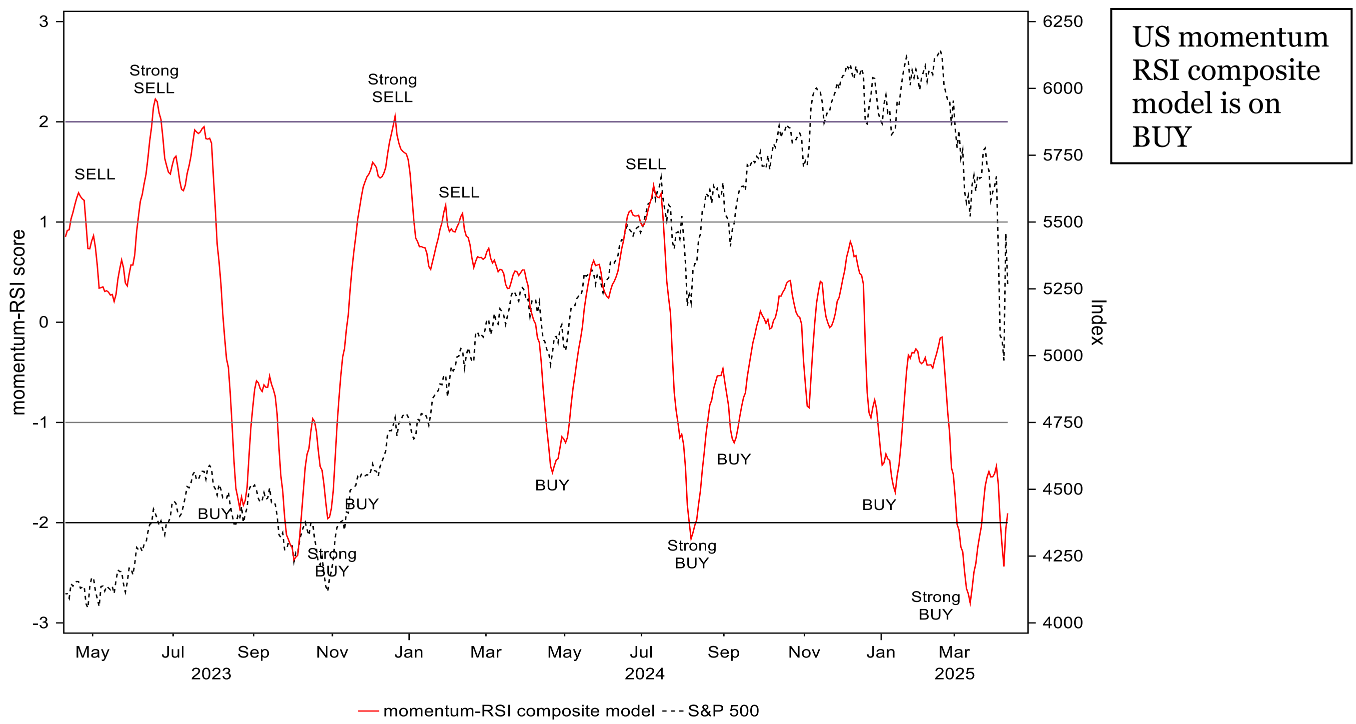
For explanations of indicators please see page 10

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



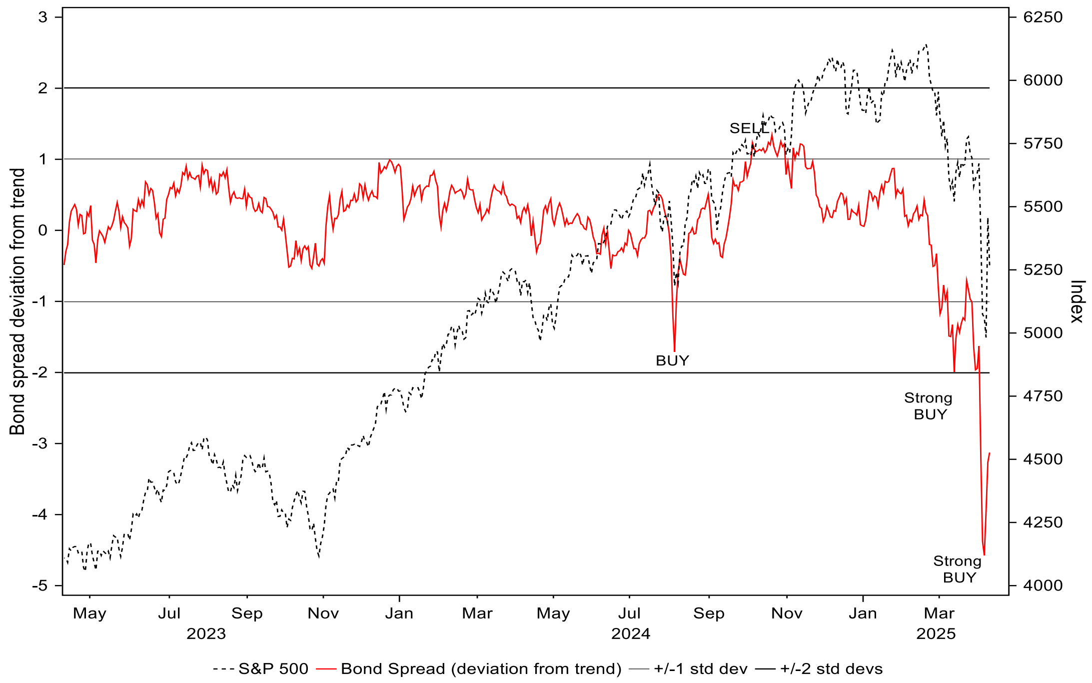
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

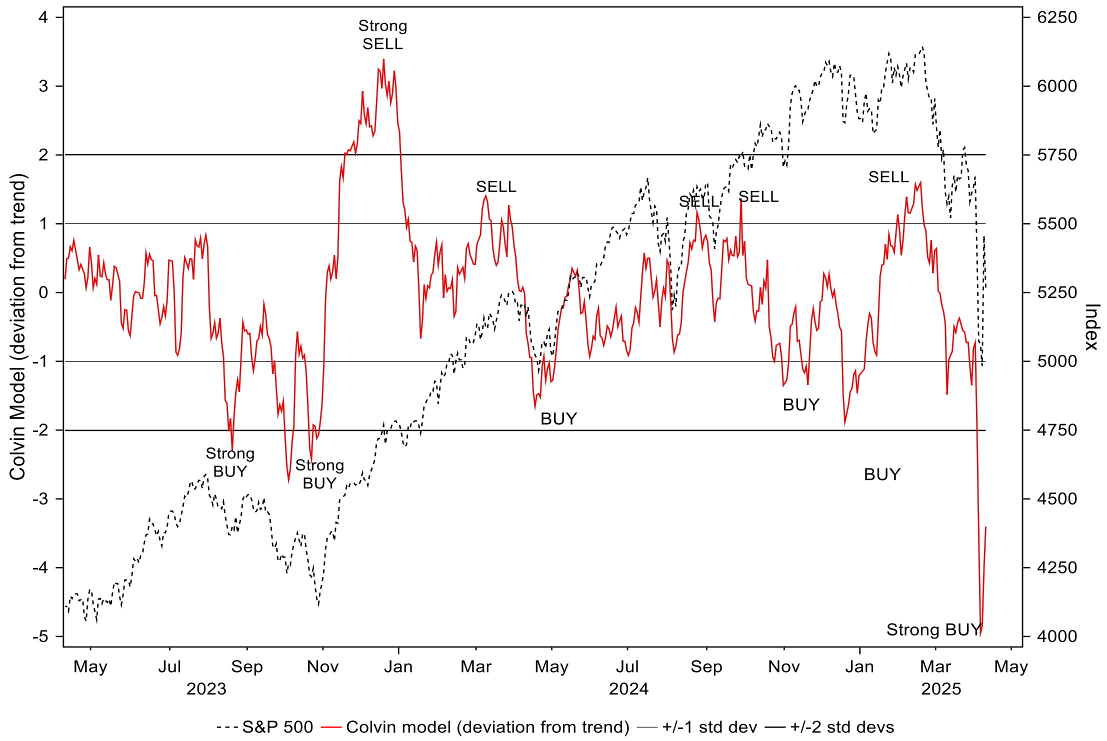
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is on Strong BUY

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



Source: Longview Economics, Macrobond

Colvin model – is on Strong BUY

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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