

Equity Index Futures Trading Recommendations

12th May 2025

“Weekend Pop on Trade Negotiations”

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

- WATCH & WAIT

Rationale

Bessent “we have reached an agreement on a 90 day pause”

Source: Bessent press conference Geneva 9am local time

Full US-China joint statement here: <https://www.whitehouse.gov/briefings-statements/2025/05/joint-statement-on-u-s-china-economic-and-trade-meeting-in-geneva/#>

Markets have popped overnight (and this morning London time) on the back of the headlines coming out of the weekend’s China-US trade negotiations in Geneva (e.g. see quotes above). A deal has been struck with more details emerging at the moment at the Geneva press conference (and potentially later today – NB Bessent is also scheduled to speak later today on CNBC). Reflecting that, the S&P500 futures, having initially opened ~80 points higher in Asian trading, have popped again on the release of the joint statement (FIG 1). Given our stop was at 5,790, we are no longer in our SHORT position (i.e. we have been stopped out).

As at Friday’s close, **most models are at, or close, to SELL** (on a short term ‘1 – 2’ week basis); while **medium term models** are also (in many instances) now starting to move towards SELL levels. Risk appetite models, for example, are on/close to SELL in both the short and medium term (FIGs 3, 3a & 3b); put to call ratios are also increasingly generating short and medium term SELL signals (FIGs 2 & 2a); while from a technical perspective various markets have been overbought in the short term in recent weeks (FIG 4). Increasingly, those markets are also becoming overextended to the upside on a multi month, medium term framework (e.g. see DAX over-extended indicator, FIG 4a). With that, volatility has somewhat normalised, with VIX now close to its 200-day moving average and the VVIX – the volatility of the VIX – at its lowest since late March.

With markets popping on the Chinese trade deal and having rallied over recent weeks as the US has eased off from its more aggressive trade posturing (and become somewhat conciliatory), there’s likely an element of market participants ‘[Buying on rumour and selling on the fact](#)’ – i.e. markets anticipating the improving newsflow. Dependent on today’s detail, there’s a good likelihood that the pricing in of good news will be complete by later today. Models also support that expectation (with short term ones having signalled SELL for a while; and medium term ones starting to move onto SELL). Given we have just been stopped out, though, we recommend WATCHing and WAITing (for now).

The team @ Longview Economics

ESMS Index (S&P500 EMINI FUT Jun25) 10 Days Tick

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The chart displays the S&P 500 June 25 futures price from October 2024 to June 2025. The y-axis represents the price in dollars, ranging from 4750 to 6250. The x-axis shows the months. The blue candlestick represents the daily price movement. The green line is the 200-day moving average, the red line is the 50-day moving average, and the blue line is the 20-day moving average. A box highlights the '5th November 2024 Election day'. A horizontal box indicates a 'Congestion (mid-March-early April): 5,570 - 5,790'. Specific moving average values are noted: '200 day mav. 5863' and '50 day mav. 5591'.

Date	200 day mav.	50 day mav.	20 day mav.
Oct 2024	~5450	~5750	~5800
Nov 2024	~5600	~5850	~6000
Dec 2024	~5700	~5950	~6100
Jan 2025	~5750	~6000	~6150
Feb 2025	~5800	~6050	~6200
Mar 2025	~5850	~6000	~5800
Apr 2025	~5863	~5591	~5500
May 2025	~5850	~5550	~5500
Jun 2025	~5850	~5550	~5500

Equity Index Futures Trading Recommendations

Downside put protection is at low levels, such that these types of models are on, or close to, SELL....

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

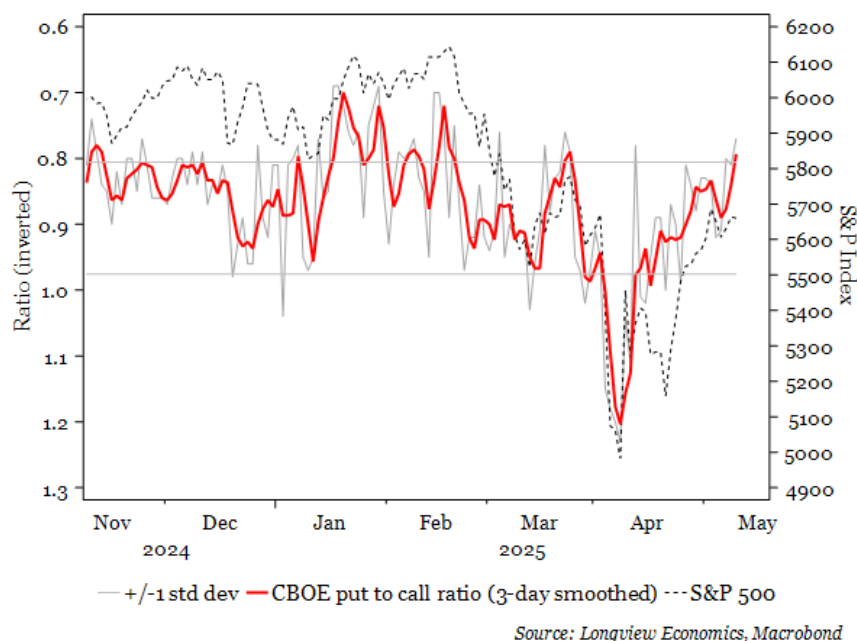
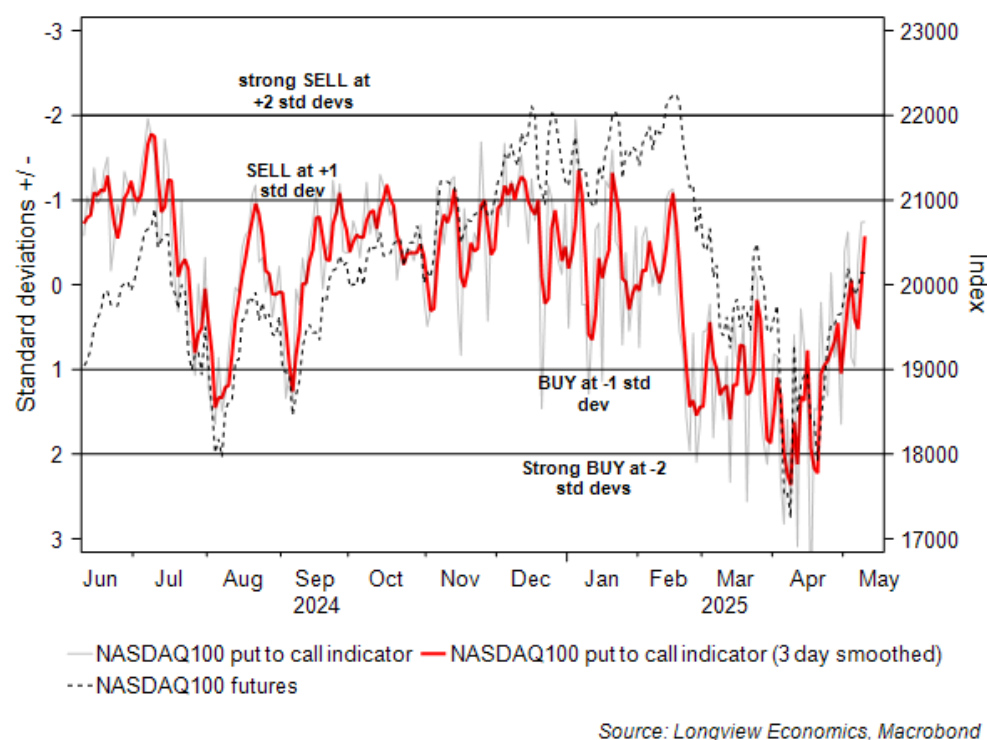
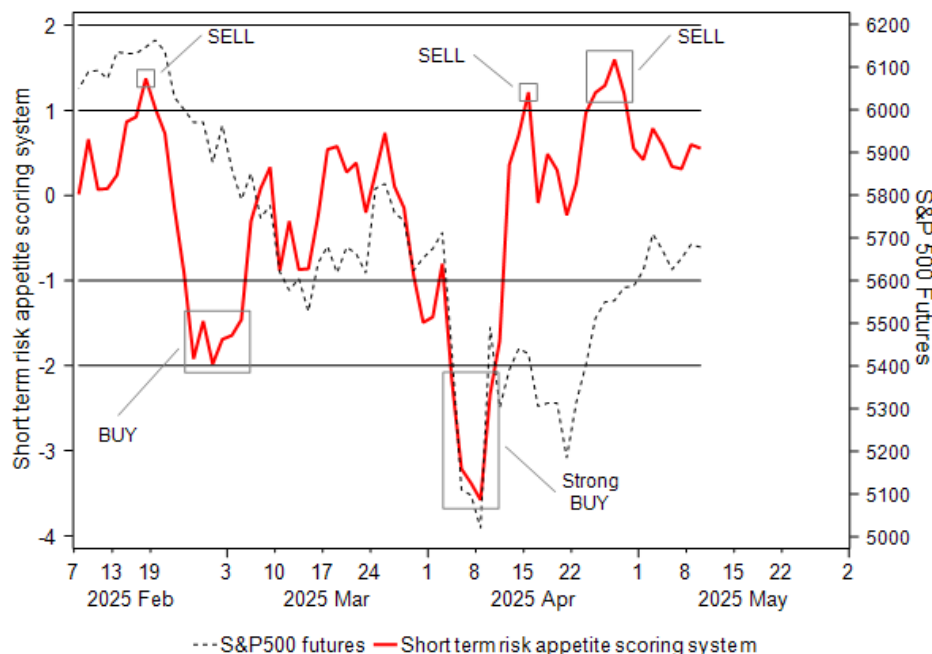


FIG 2a: NDX100 put to call indicator (1 & 3 day smoothed – medium term model) vs. NDX100



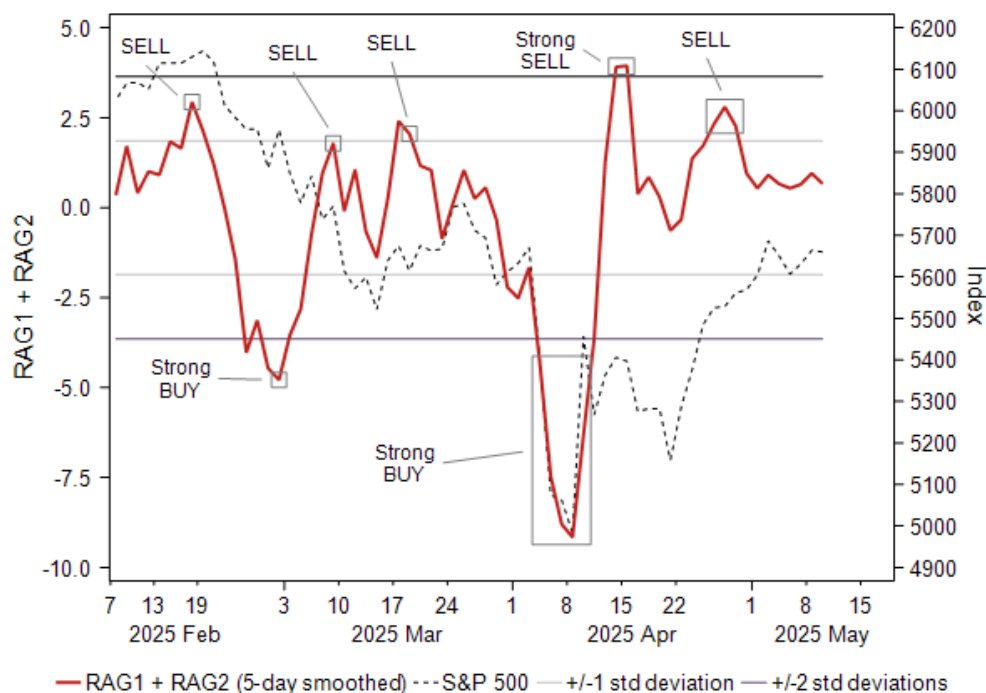
Risk appetite models are at high levels (close to SELL)...

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



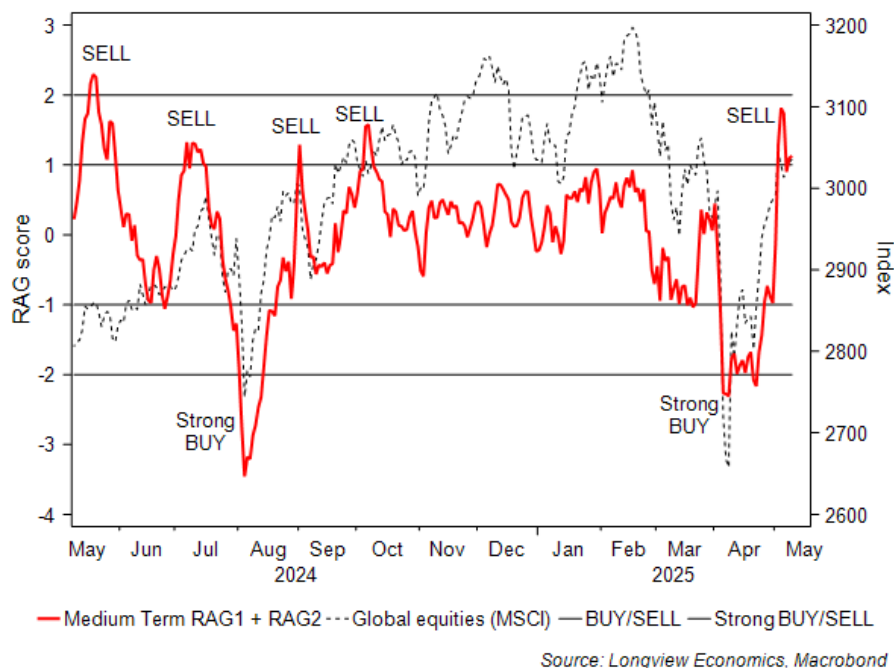
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

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



Technical & price-based (index) models are mostly on/close to SELL...

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

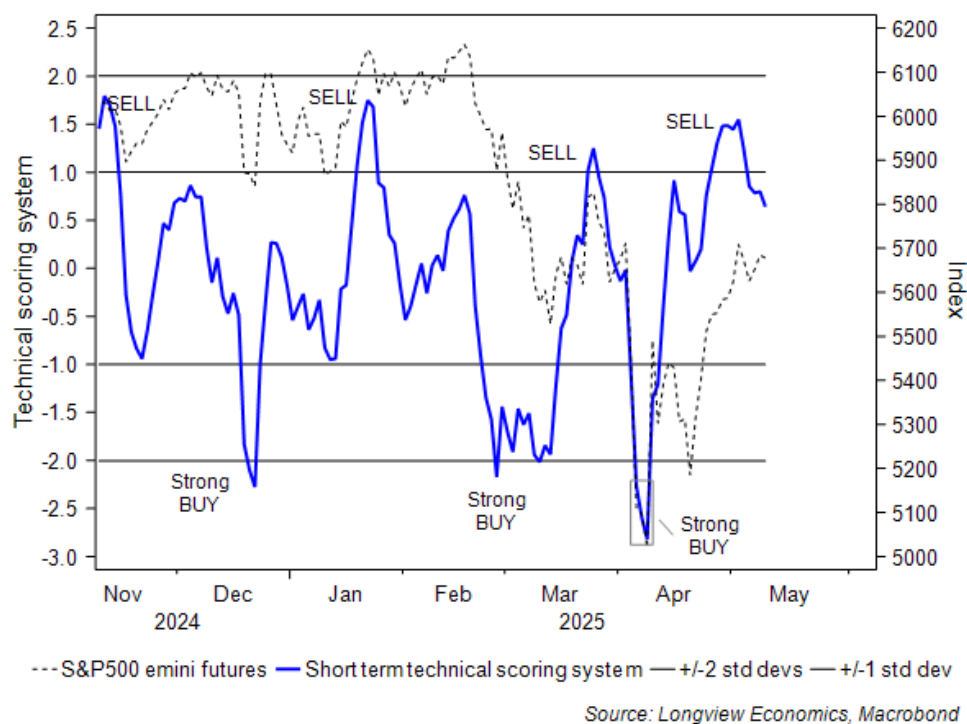
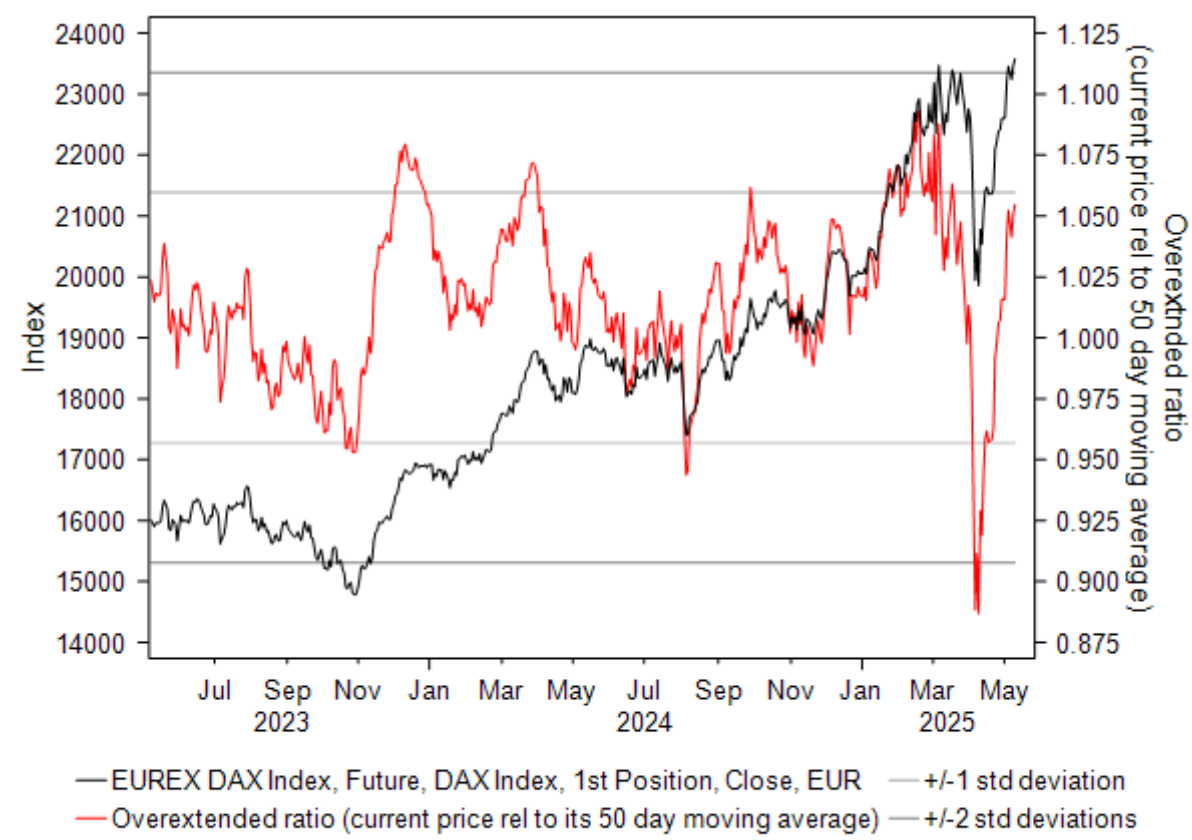


FIG 4a: DAX overextended indicator (underlying index price relative to 50-day moving average)



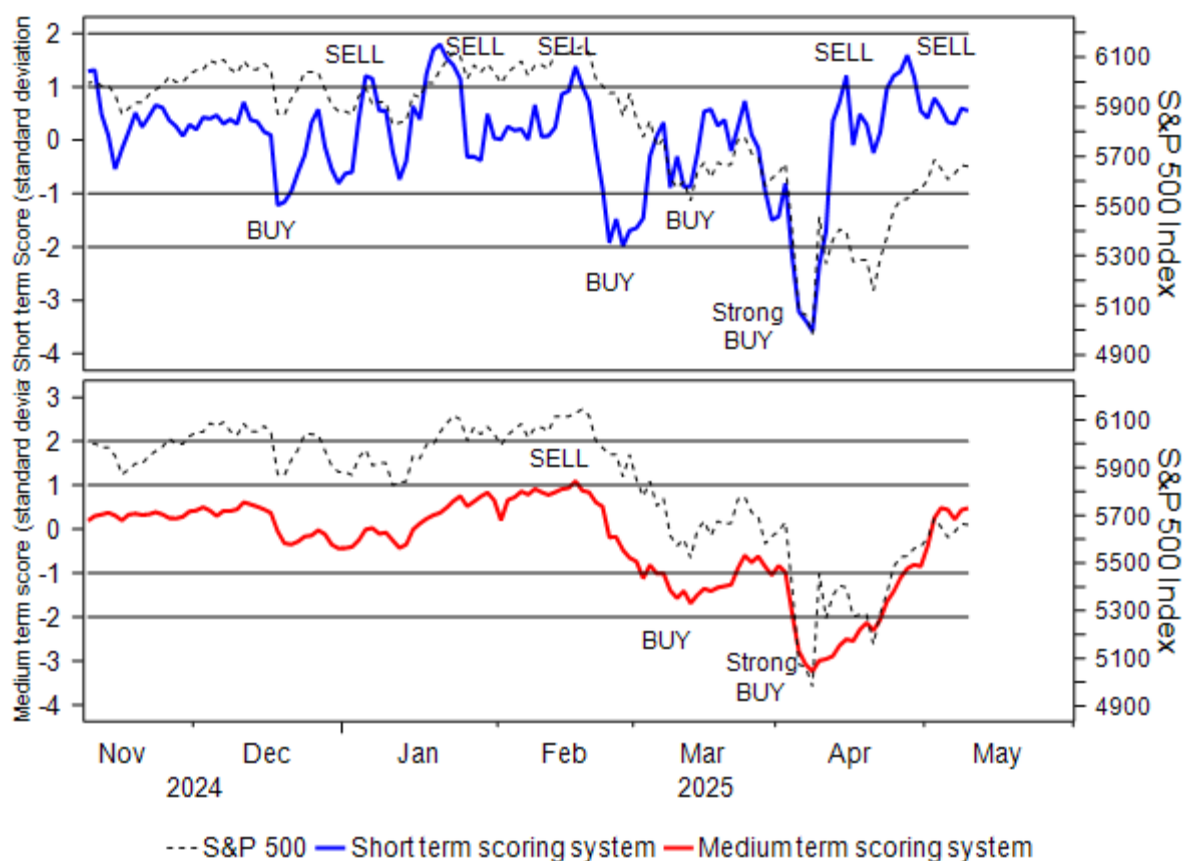
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **NEUTRAL**

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



Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: US Federal budget balance (Apr, 7pm).

Key events today include: **Scott Bessent speaks to CNBC on US-China trade talks** (12pm); speeches by the Bank of England's Lombardelli, Greene, Mann & Taylor at the BoE 'Watchers' conference' (9am-5pm); speech by the Fed's Kugler in Dublin (3:25pm).

Key earnings today include: Constellation Software, Simon Property.

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 earlier this month on 1st May 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.



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1 – 2 Week View on Risk

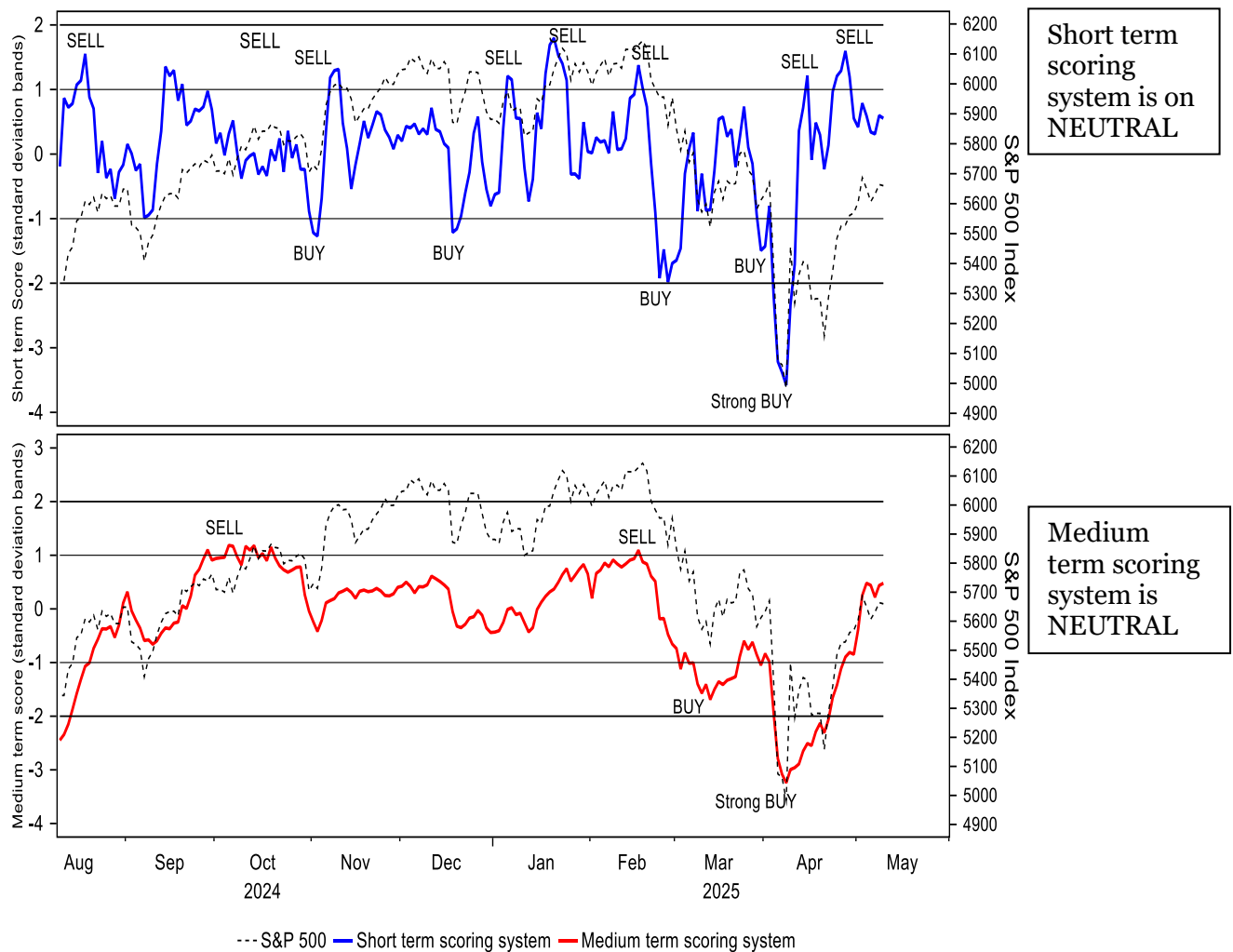
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12th May 2025

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

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



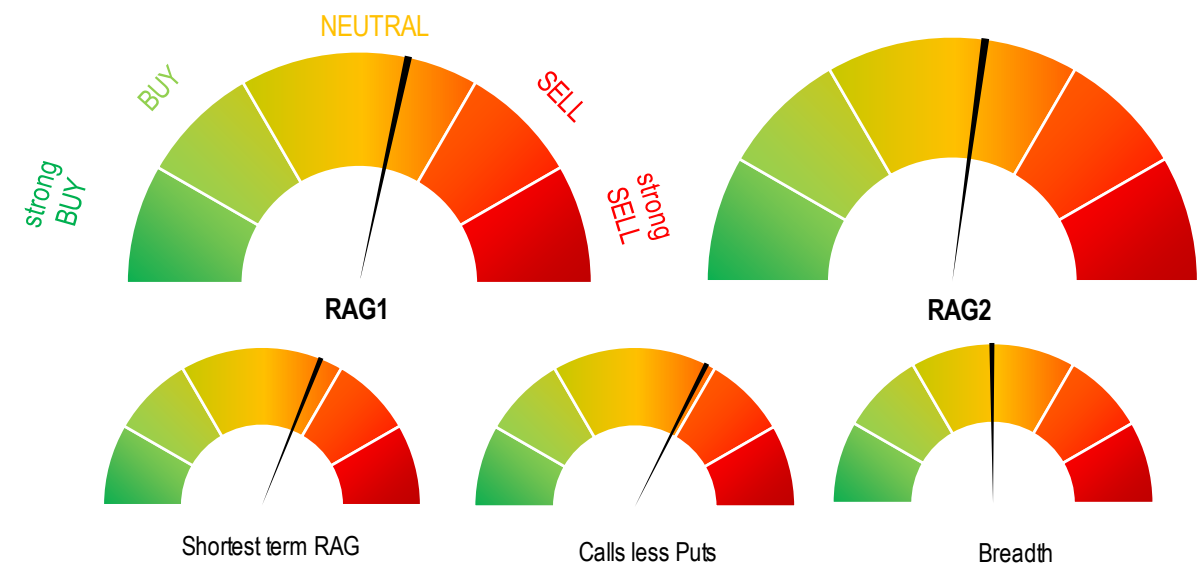
Source: Longview Economics, Macrobond

*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**

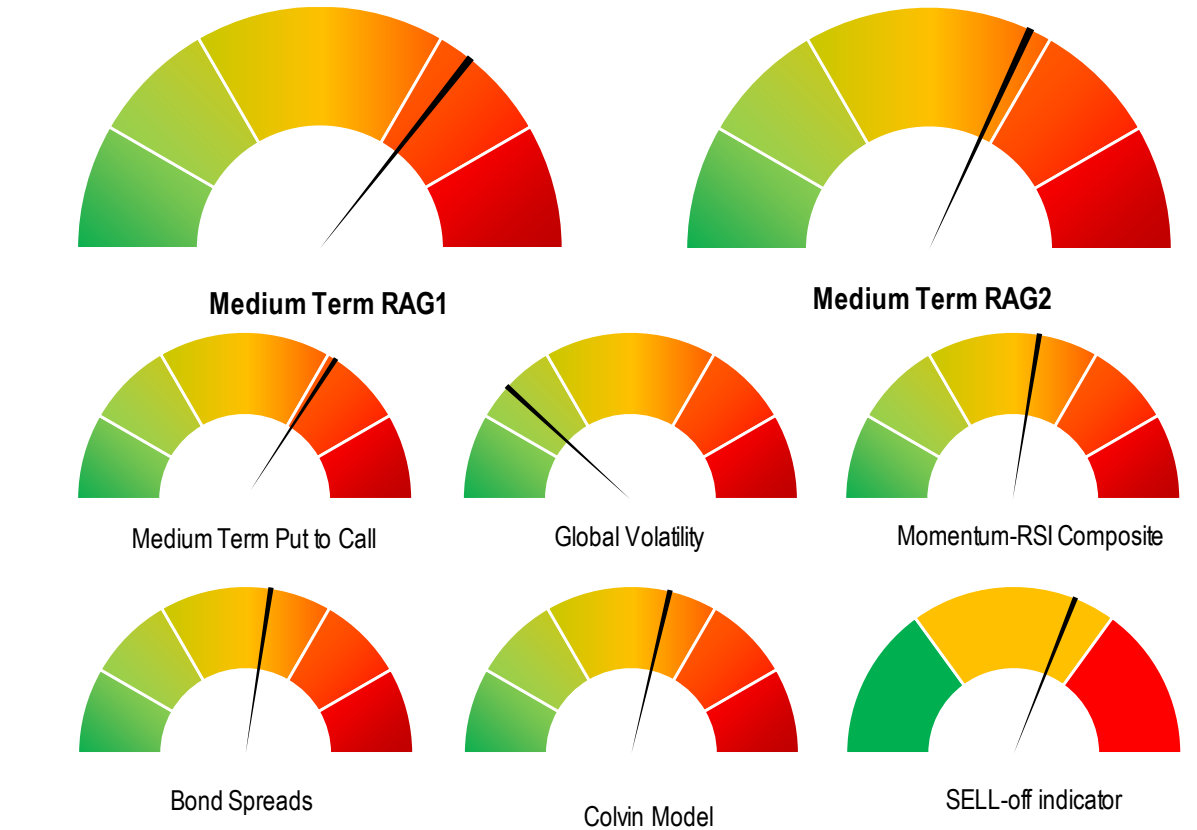
Section 1a: Summary of indicator signals**

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

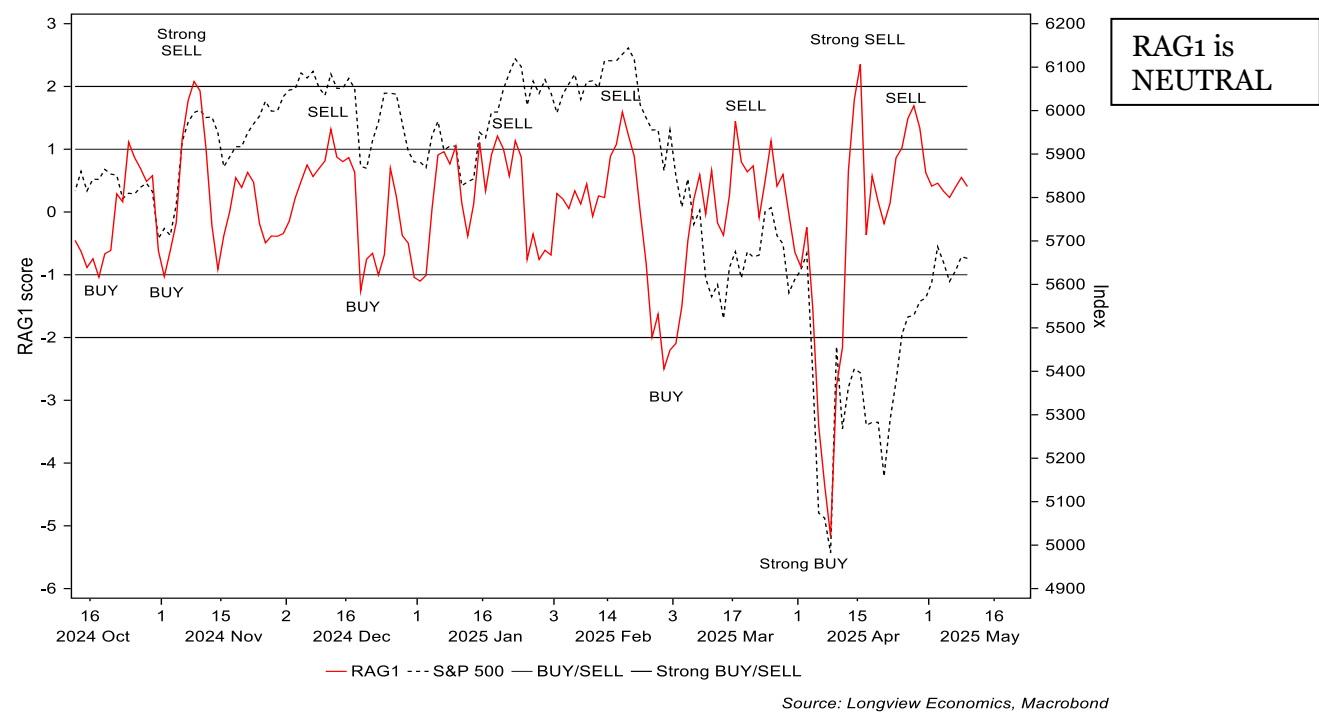
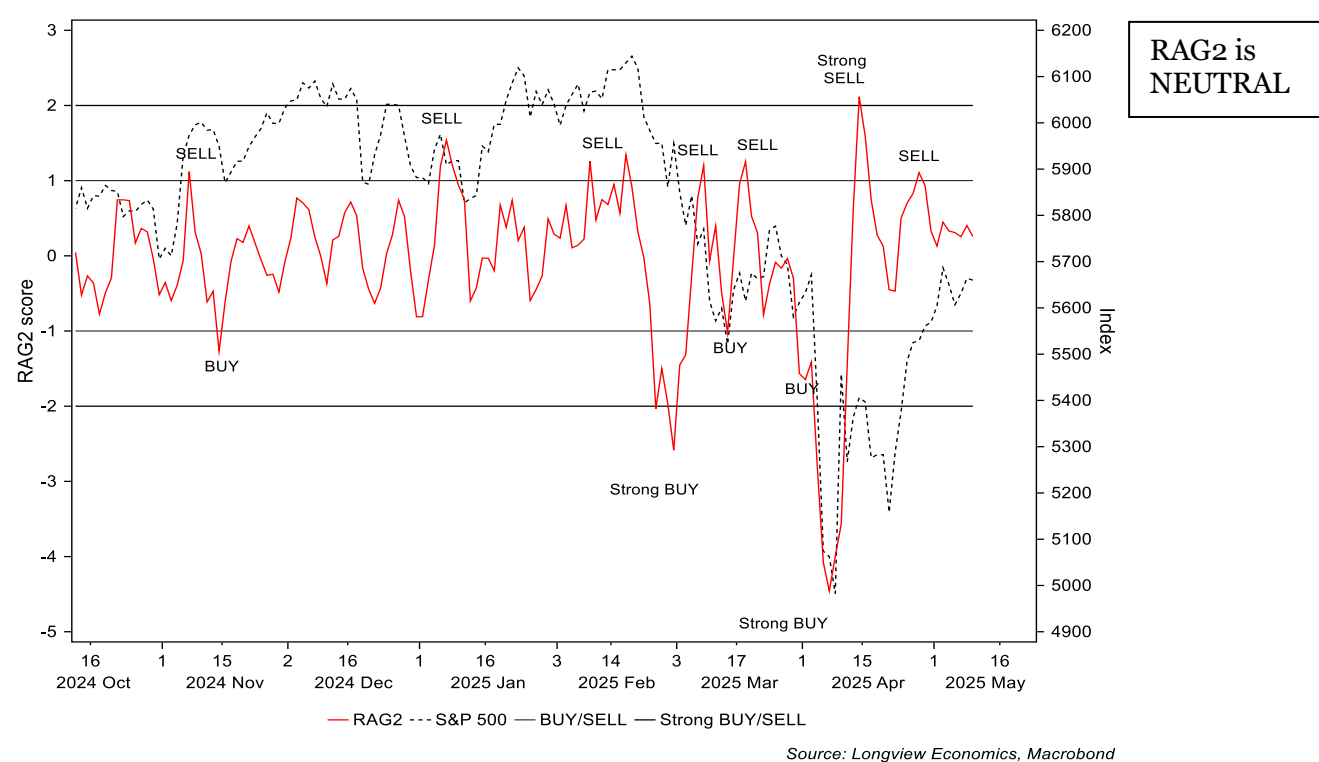


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

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

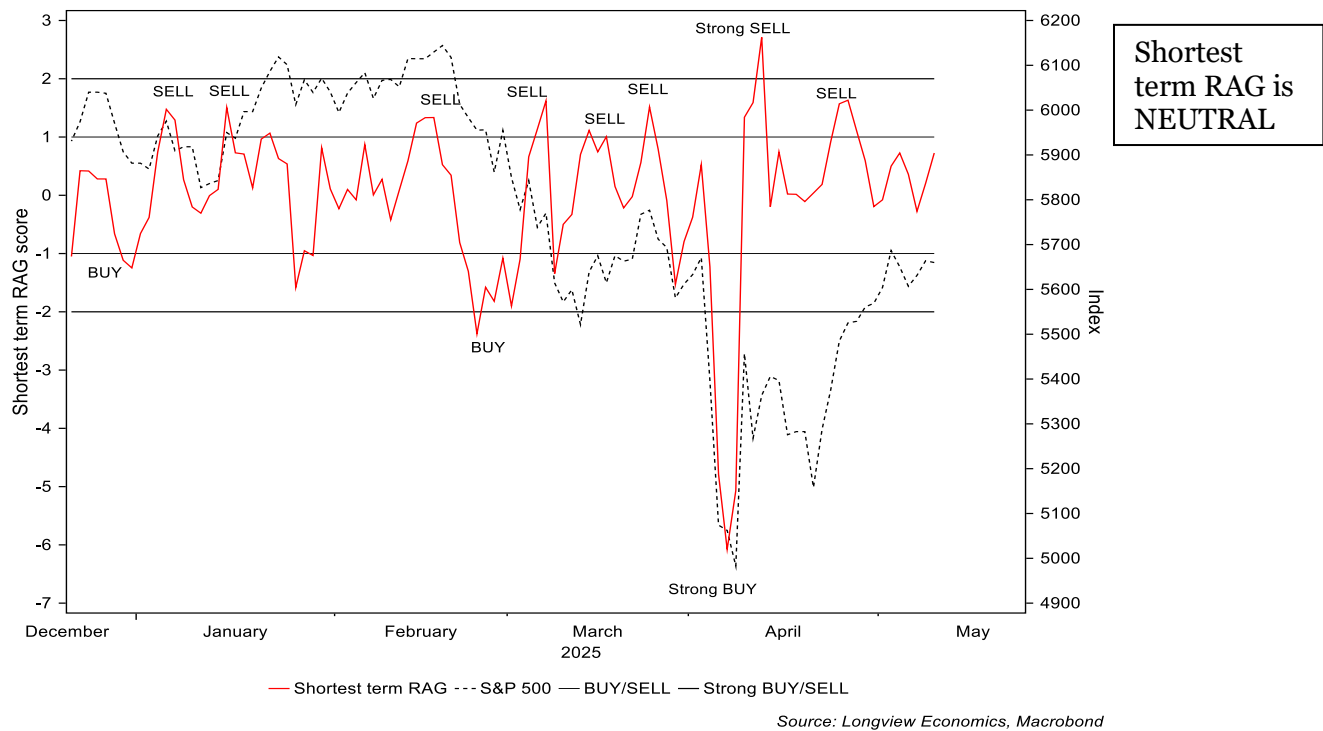
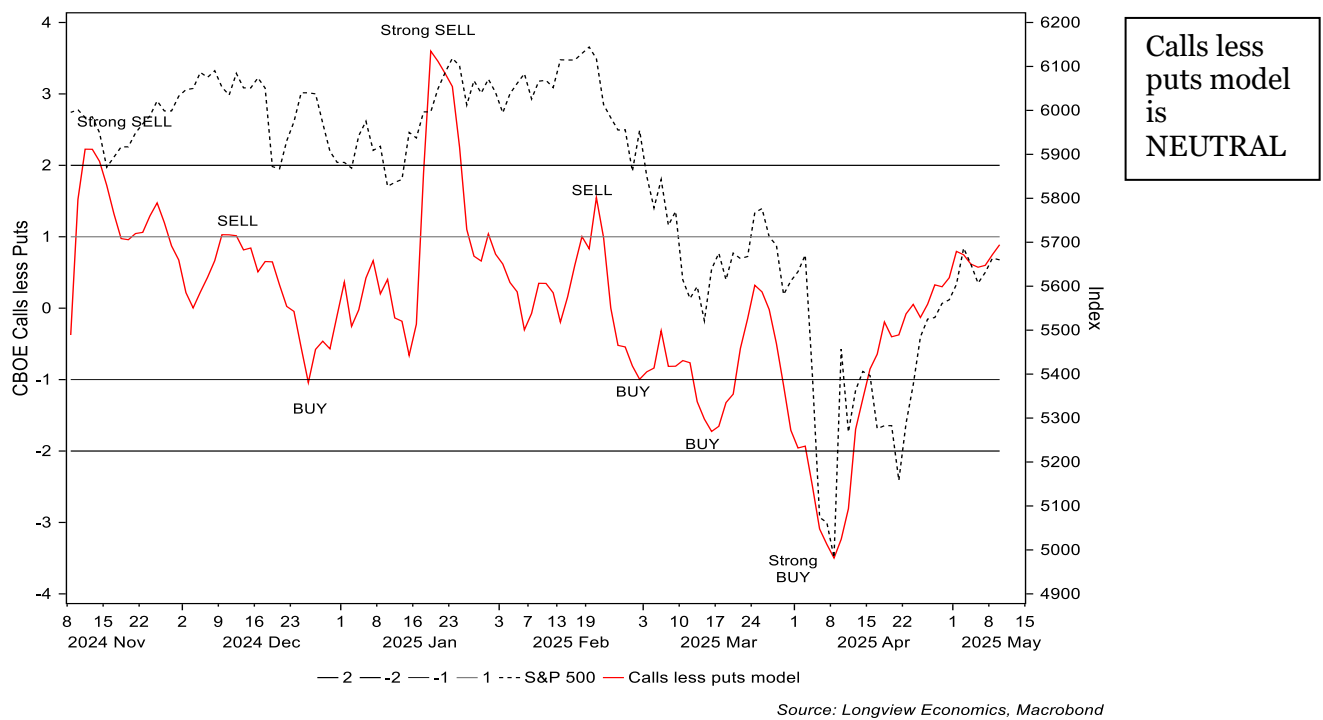
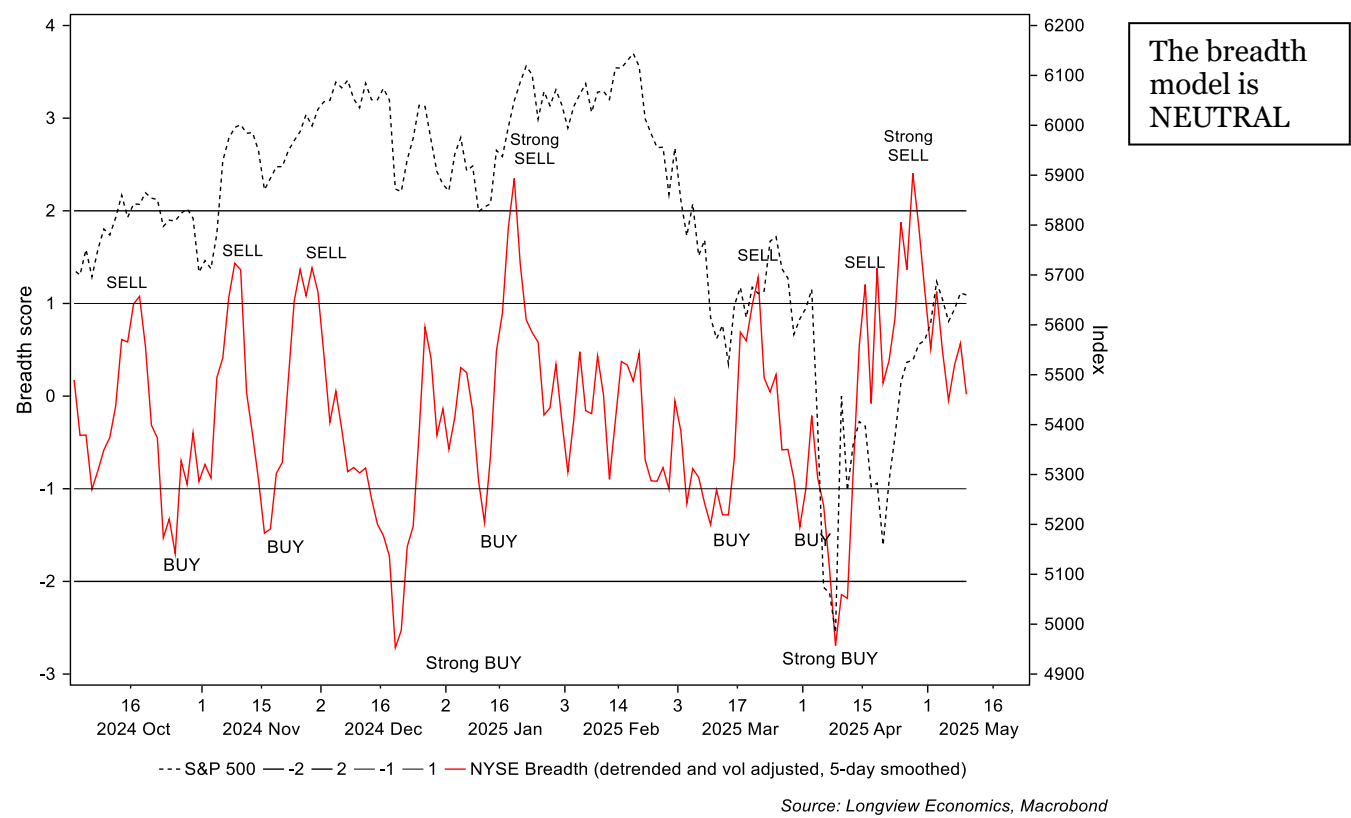


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



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

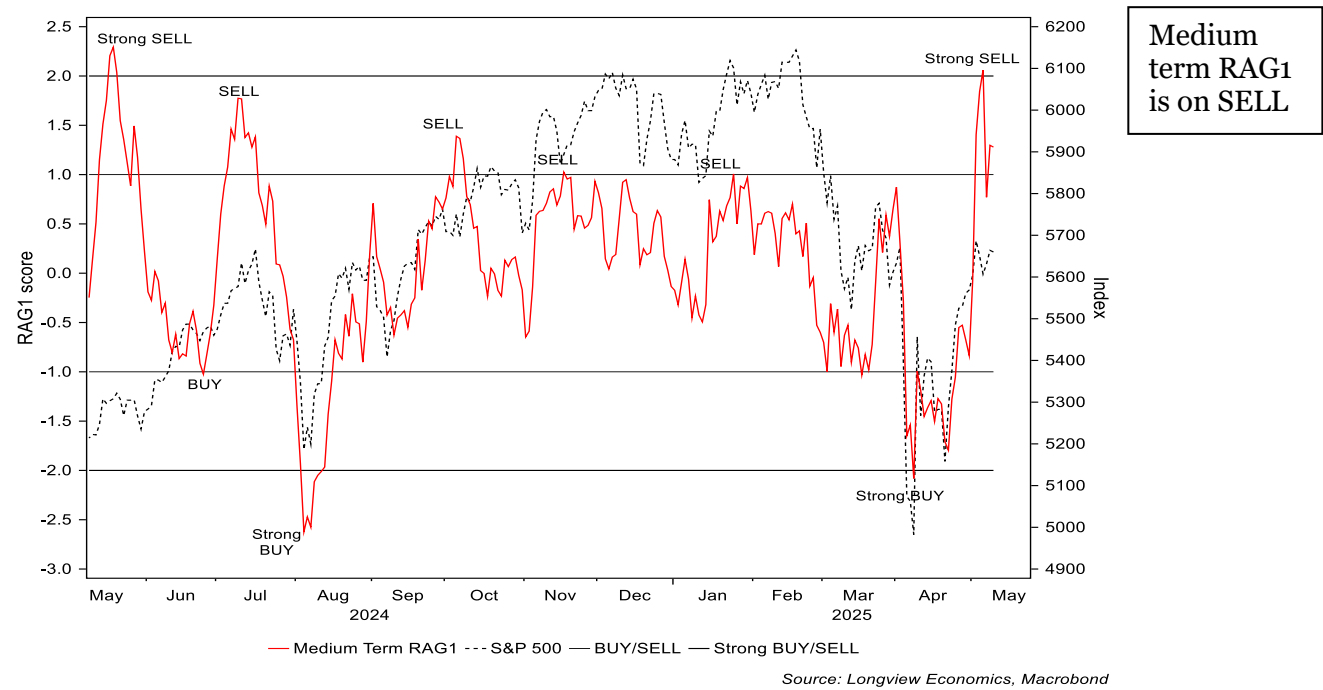
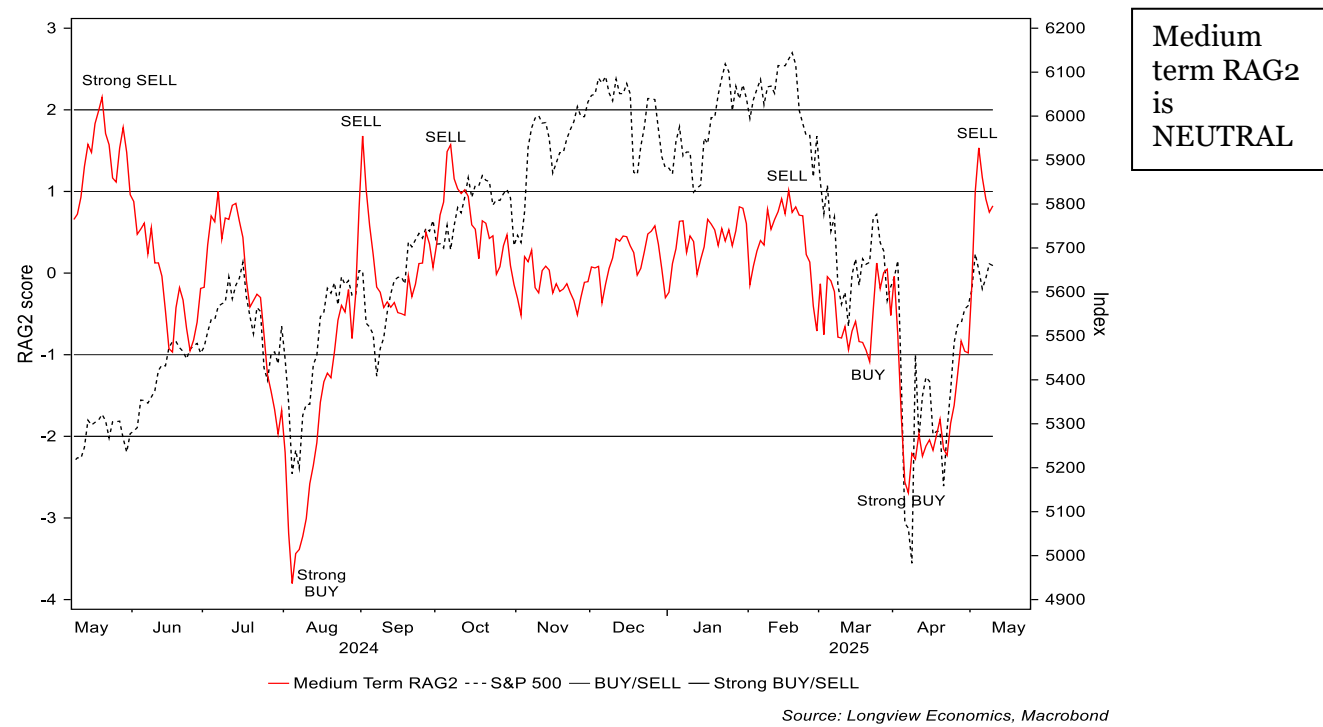


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

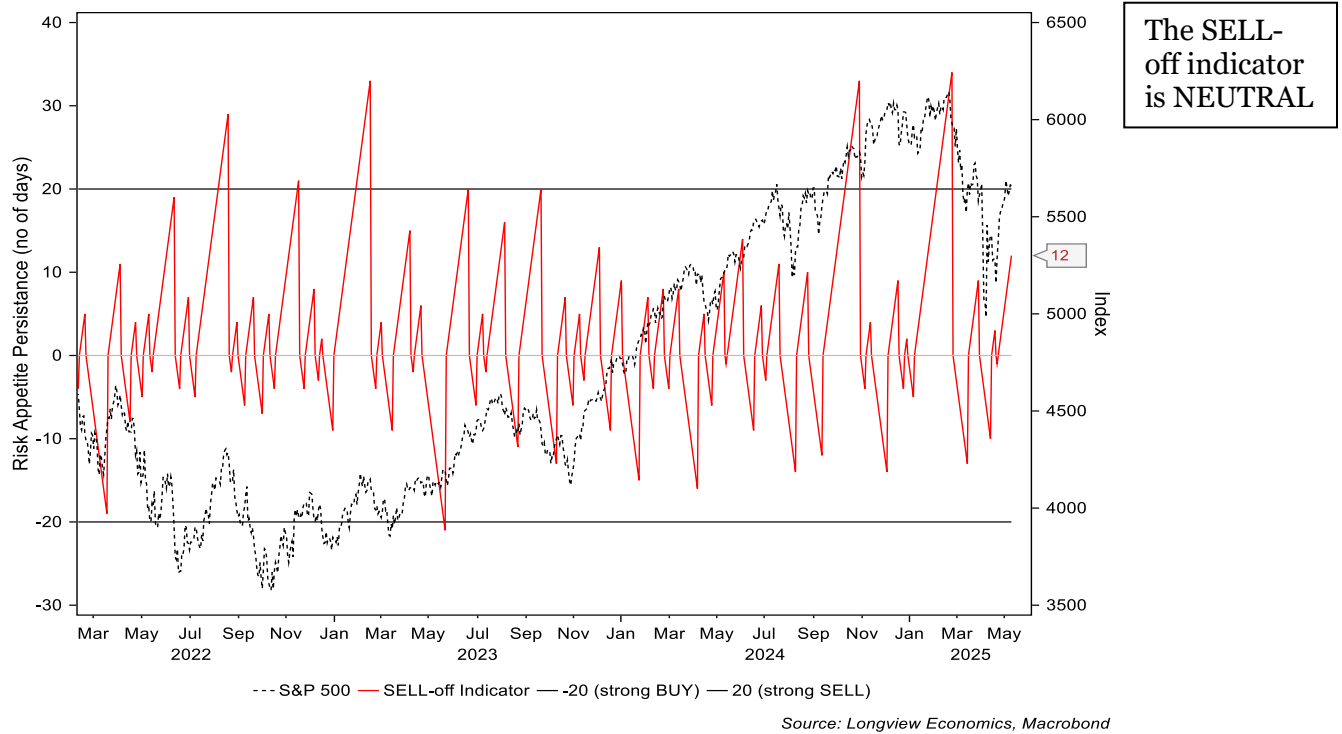
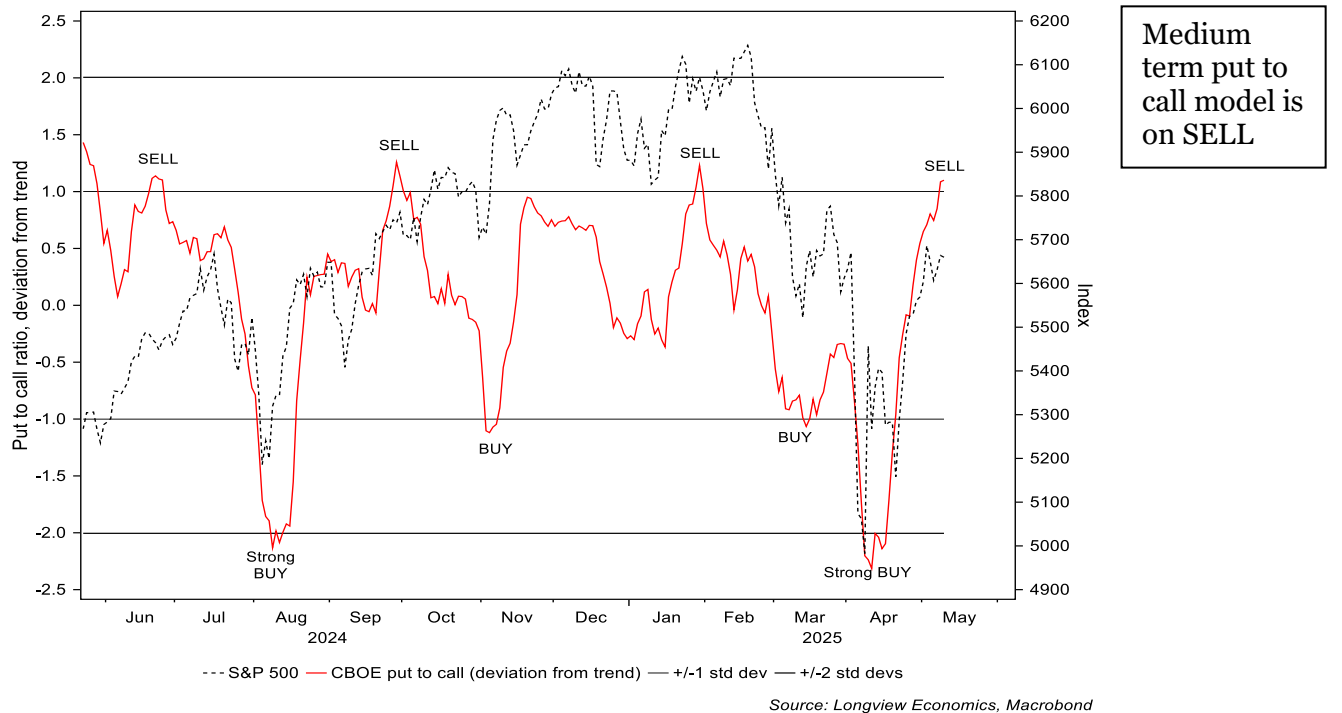


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

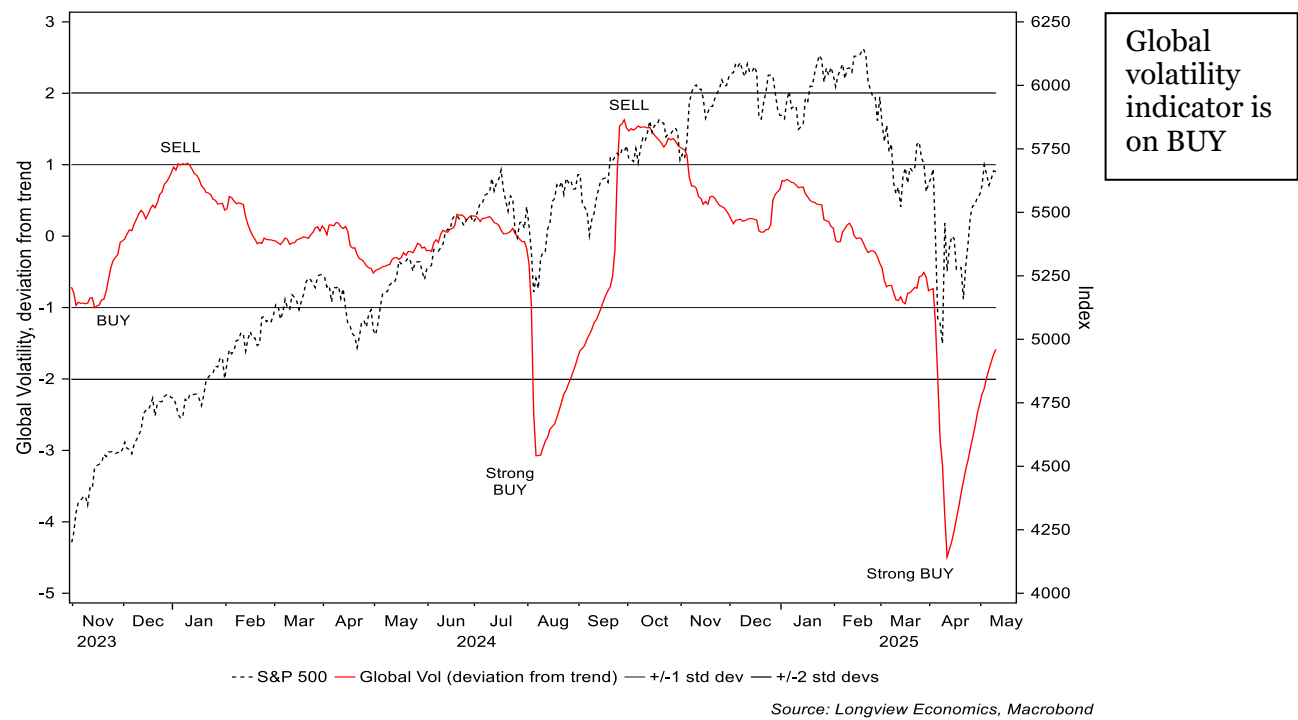


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

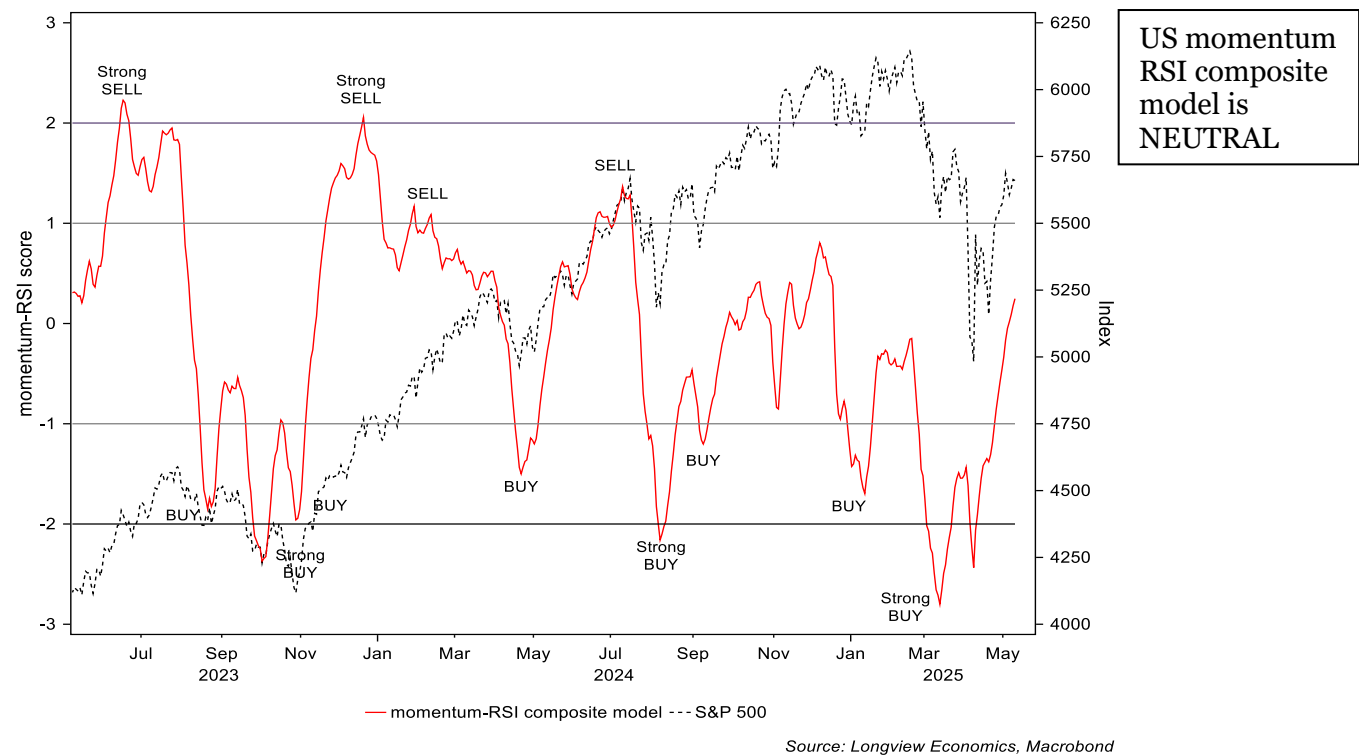


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

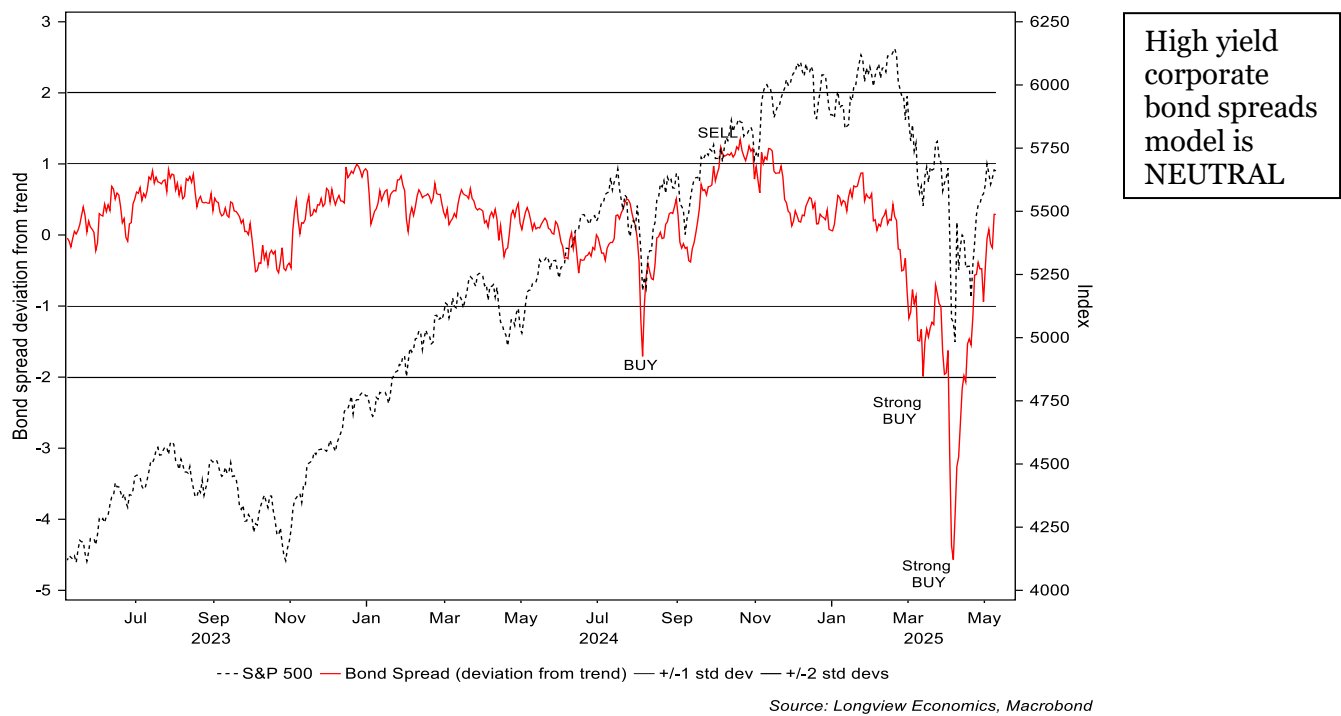
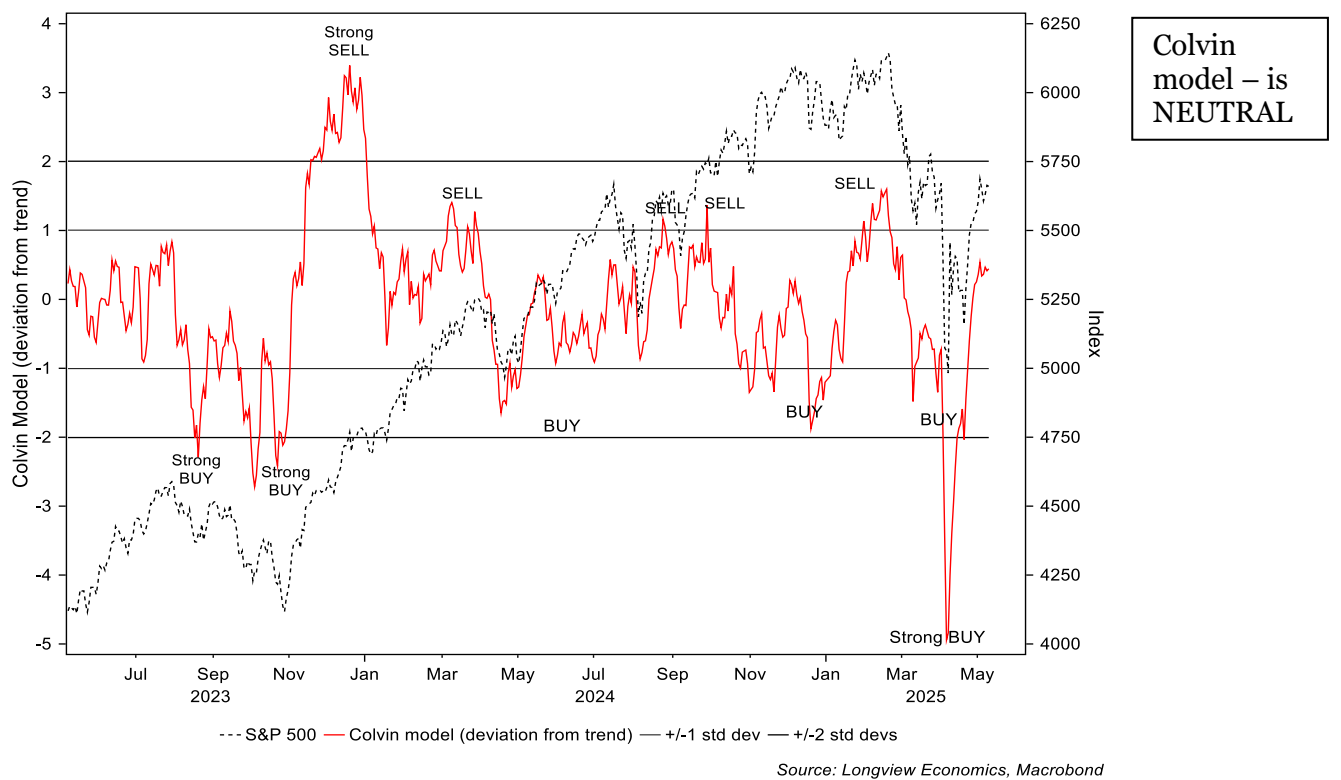


Fig 3h: Colvin model (deviation from trend) vs. S&P500



For explanations of indicators please see page 10

Appendix: Model Explanations

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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