

## Equity Index Futures Trading Recommendations

13<sup>th</sup> February 2025

“Stay SHORT SPX - All eyes on CPI”

Email: [info@longvieweconomics.com](mailto:info@longvieweconomics.com)

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

- STAY ¼ SHORT March S&P500 futures (entry was at 5,999.25);
- Increase to ½ position on strength, at 6,100 (just below the late January highs);
- Retain unchanged stop loss at 6,185.

### Rationale

**US equities performed poorly yesterday on the worse than expected US CPI inflation report.** The monthly core reading was 0.4% (vs. consensus of 0.3%), while annual core CPI was 3.3% (vs. expectations of 3.1%). Annual headline CPI was modestly above consensus (by 0.10pp.), while most core services inflation readings picked up m-o-m (e.g. see table 1). With that US Treasury yields backed up sharply across the curve. US 2 year and 10 year yields, for example, were up 7bps & 8bps respectively (e.g. see FIG 1a), while the rates market continued to price out cuts (e.g. see December ’25 Fed funds, which closed up 8.5bps, see FIG 1).

With that most major US equity markets closed lower on the day (i.e. 21 out of the 28 key indices we track). That weakness was led by high beta indices like the Russell 2000 (-0.9%), as well as bond proxy/defensive parts of the market (e.g. Nasdaq Insurance: -1.7%). The S&P500 sold off sharply on the CPI report, before retracing some of its losses to close modestly lower (-0.3%). Price action in the index, though, remains poor (with lower highs & lower lows in recent weeks, see FIGs 1b & 1c). As highlighted yesterday, that downtrend is despite notably better than expected earnings this season, which is indicative of **buyer exhaustion/fading momentum**.

Added to that backdrop, our **short and medium term models are mostly on (or close to) SELL**. In particular the SELL-off indicator continues to march higher and is currently warning of a wave of risk aversion in global markets (FIG 1d). The SELL message from other medium term models is summarised by our medium term risk appetite scoring system (which is effectively on SELL, see FIG 1e). Most short term models are NEUTRAL but leaning towards SELL (e.g. see our risk appetite models, FIGs 3 & 3a). Sector and single stock breadth models have rolled over (consistent with fading momentum, see FIGs 2 & 2a) while the three day smoothed CBOE put to call indicator **remains on SELL** (FIG 4).

Overall therefore the risk reward favours staying SHORT the S&P500, with an order to increase position size on strength (if forthcoming). Please see above for detailed recommendation.

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

Kind regards,

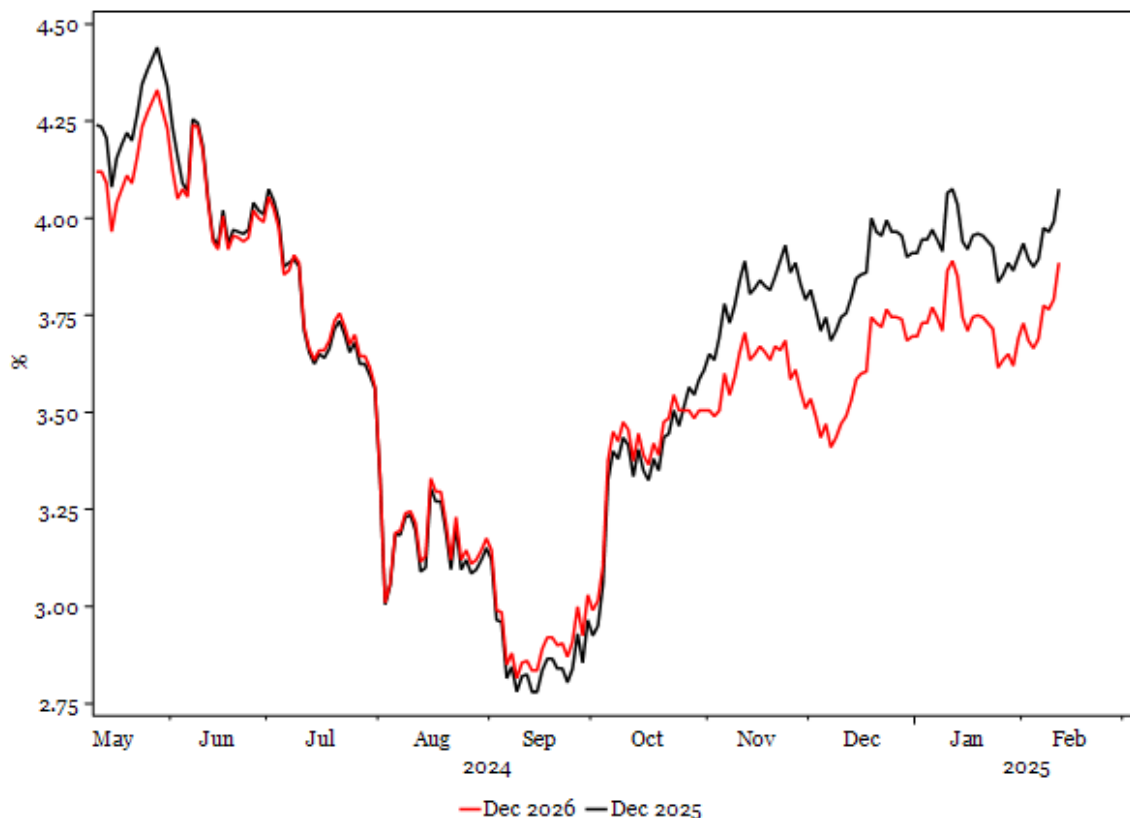
The team @ Longview Economics

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>)

**Table 1: US CPI data –> survey and actual**

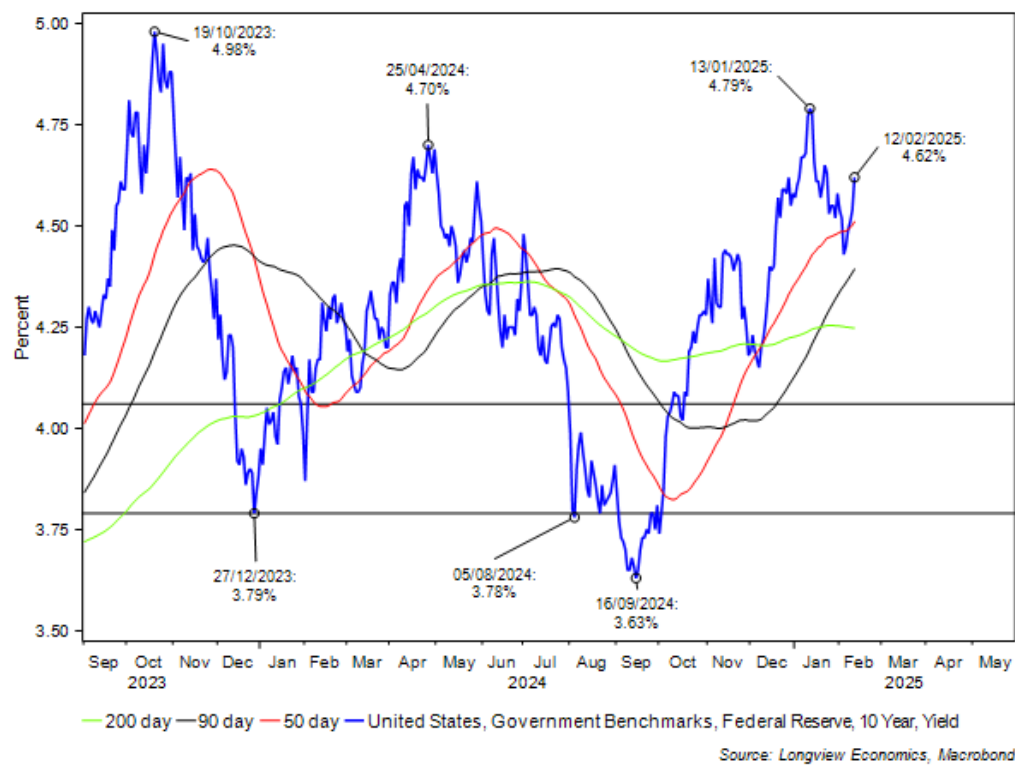
	Date	Time	C	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
30)	02/12	13:30	US	🔔	🔔	📊	CPI MoM	Jan	0.3%	0.5%	0.4%	--
31)	02/12	13:30	US	🔔	🔔	📊	CPI Ex Food and Energy MoM	Jan	0.3%	0.4%	0.2%	--
32)	02/12	13:30	US	🔔	🔔	📊	CPI YoY	Jan	2.9%	3.0%	2.9%	--
33)	02/12	13:30	US	🔔	🔔	📊	CPI Ex Food and Energy YoY	Jan	3.1%	3.3%	3.2%	--
34)	02/12	13:30	US	🔔	🔔	📊	CPI Index NSA	Jan	317.416	317.671	315.605	--
35)	02/12	13:30	US	🔔	🔔	📊	CPI Core Index SA	Jan	324.243	324.739	323.383	323.296
36)	02/12	13:30	US	🔔	🔔	📊	Real Avg Hourly Earning YoY	Jan	--	1.0%	1.0%	1.2%
37)	02/12	13:30	US	🔔	🔔	📊	Real Avg Weekly Earnings YoY	Jan	--	0.7%	0.7%	0.6%

**FIG 1: Implied Fed funds rates (December 2025 & 2026, %)**



Source: Longview Economics, Macrobond

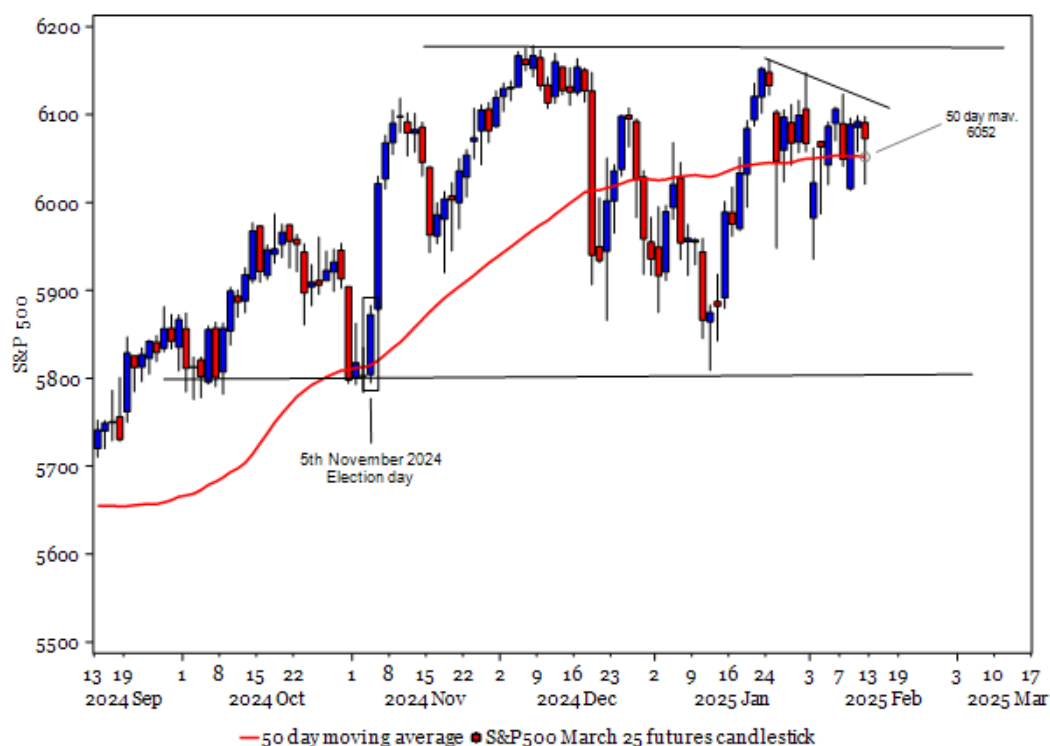
**FIG 1a:** US 10 year Treasury yield (%), shown with 50, 90, & 200 day moving averages



**FIG 1b:** S&P500 March 2025 futures 30-day tick chart shown with overnight price action

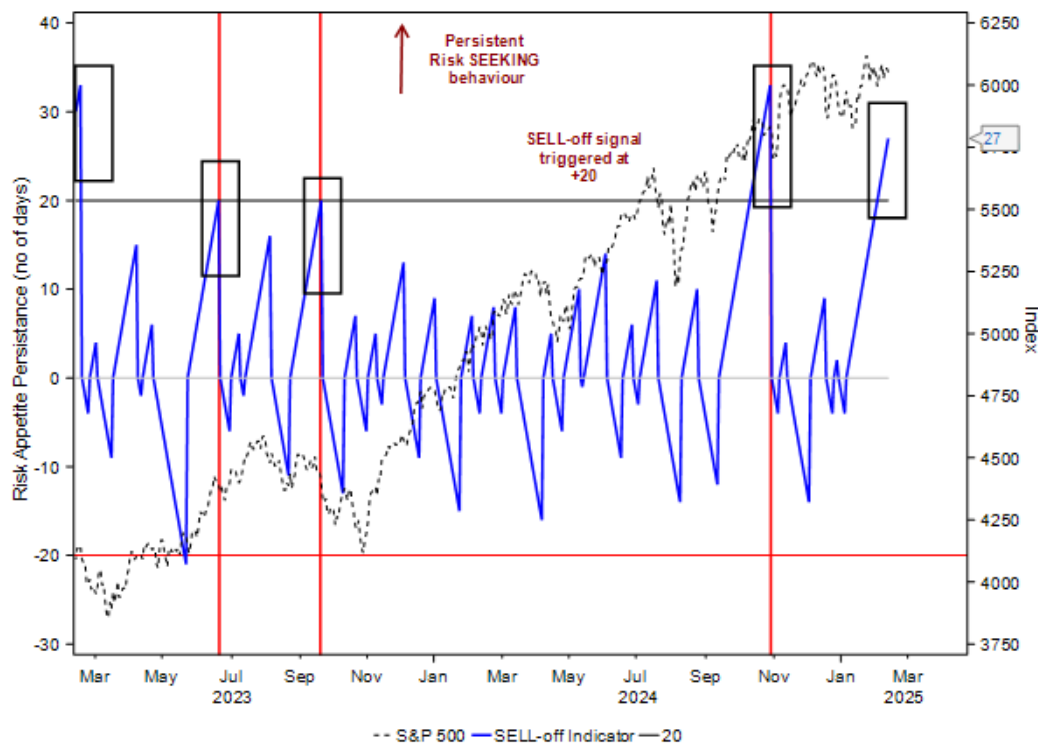


**FIG 1c: S&P500 March 25 futures candlestick shown with 50 day moving average**



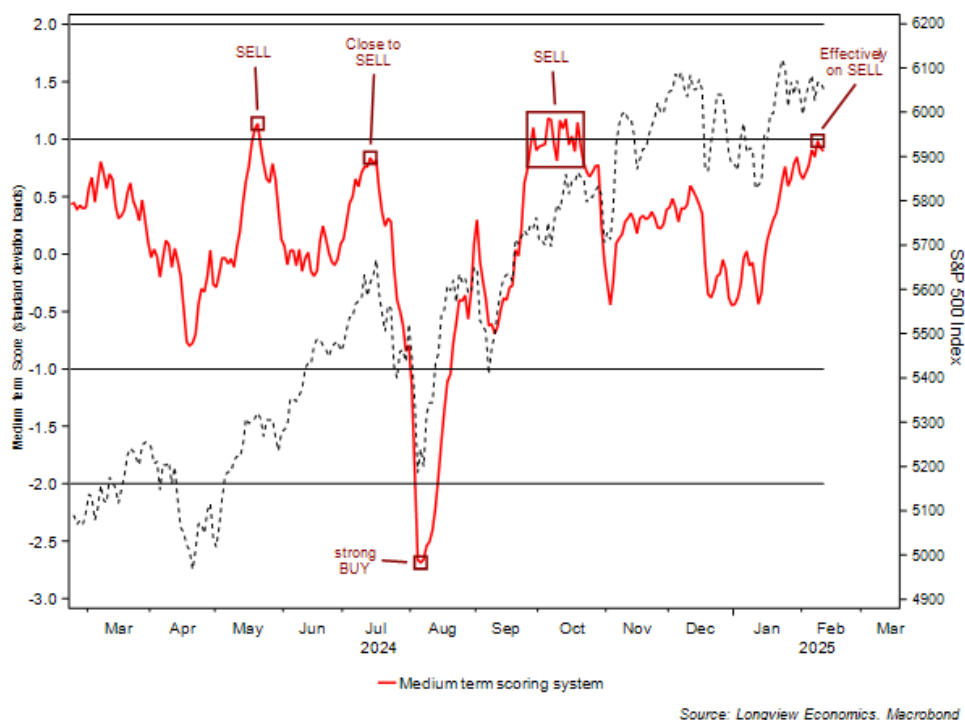
Source: Longview Economics, Macrobond

**FIG 1d: Longview SELL-off indicator vs. S&P500**



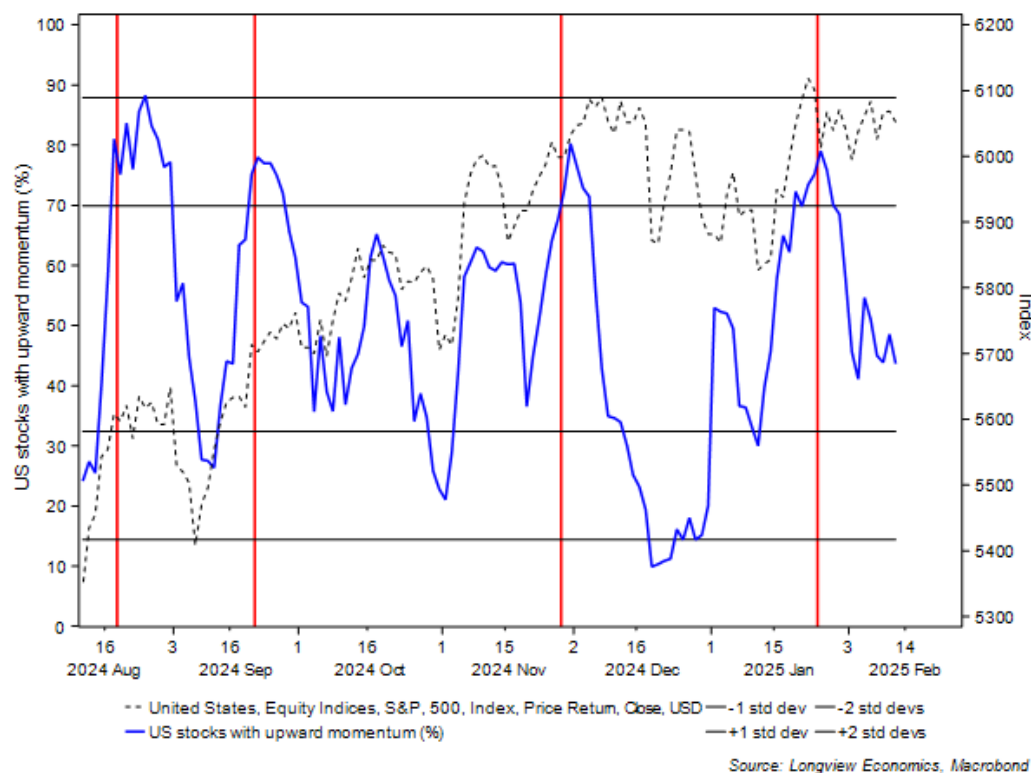
Source: Longview Economics, Macrobond

**FIG 1e:** Medium term risk appetite scoring system vs. S&P500

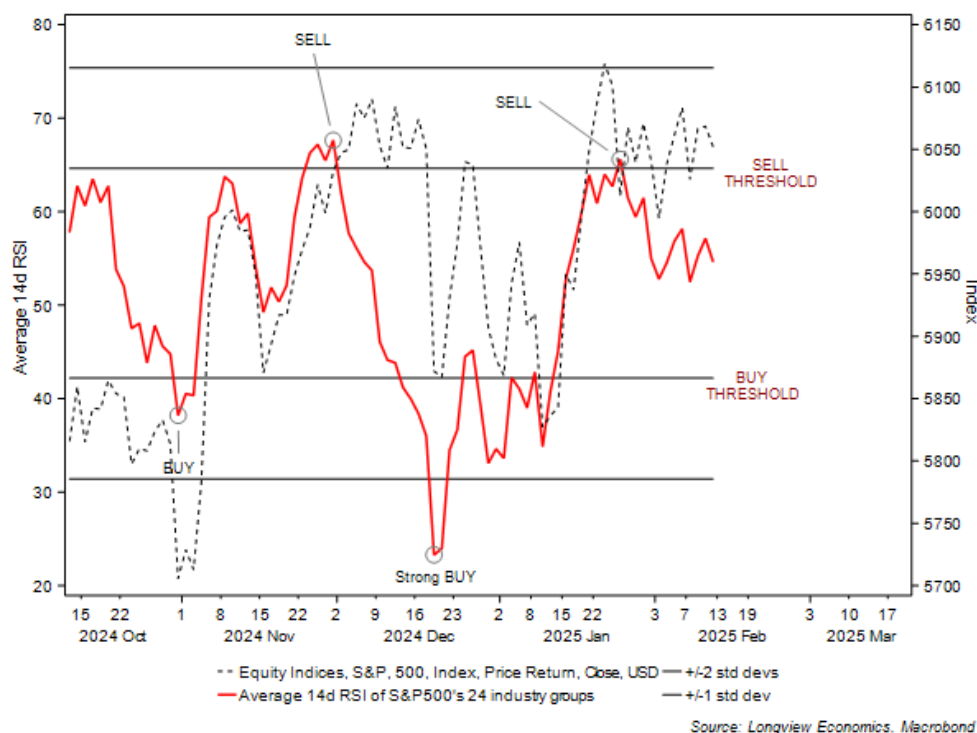


**Sector & single stock momentum models have been trending lower....**

**FIG 2:** US S&P500 stocks with upward momentum shown vs. S&P500

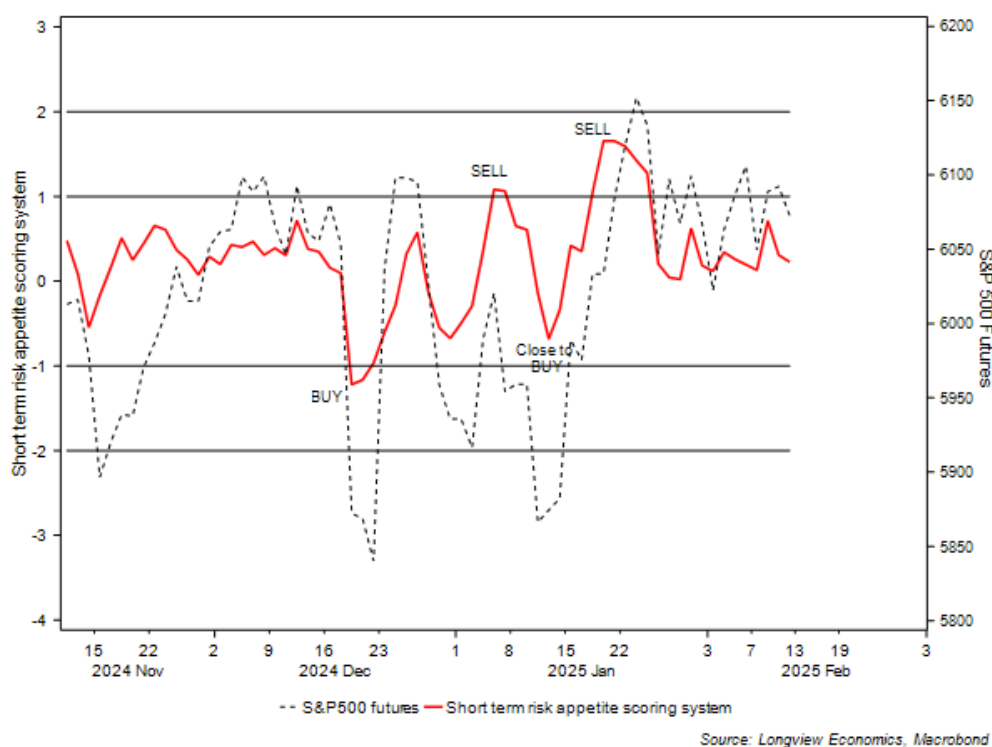


**FIG 2a:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

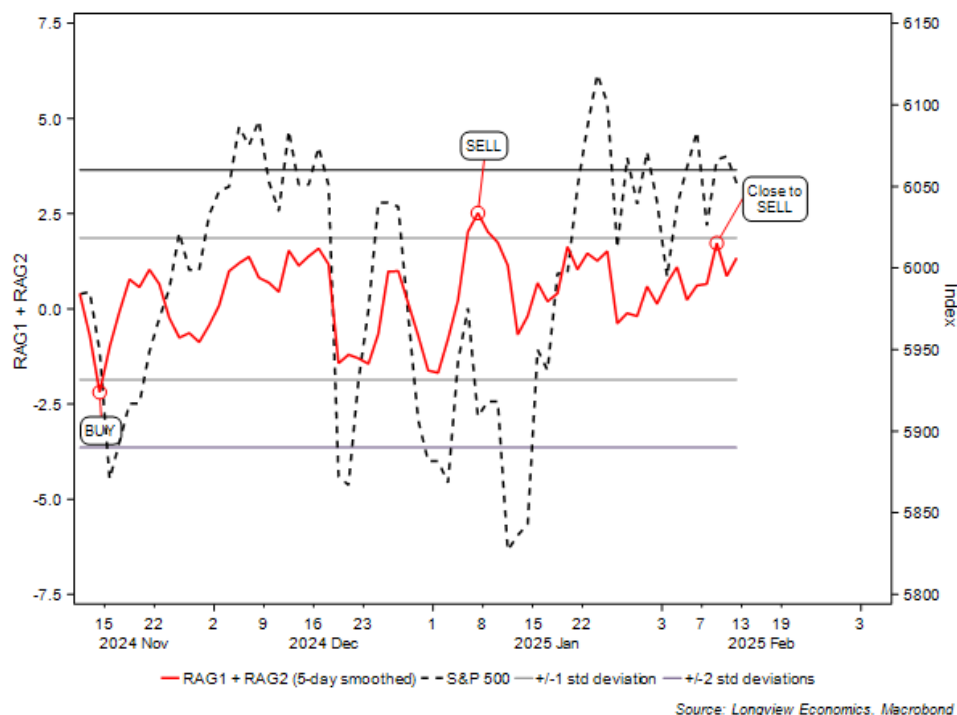


**Risk appetite models are leaning towards SELL...**

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

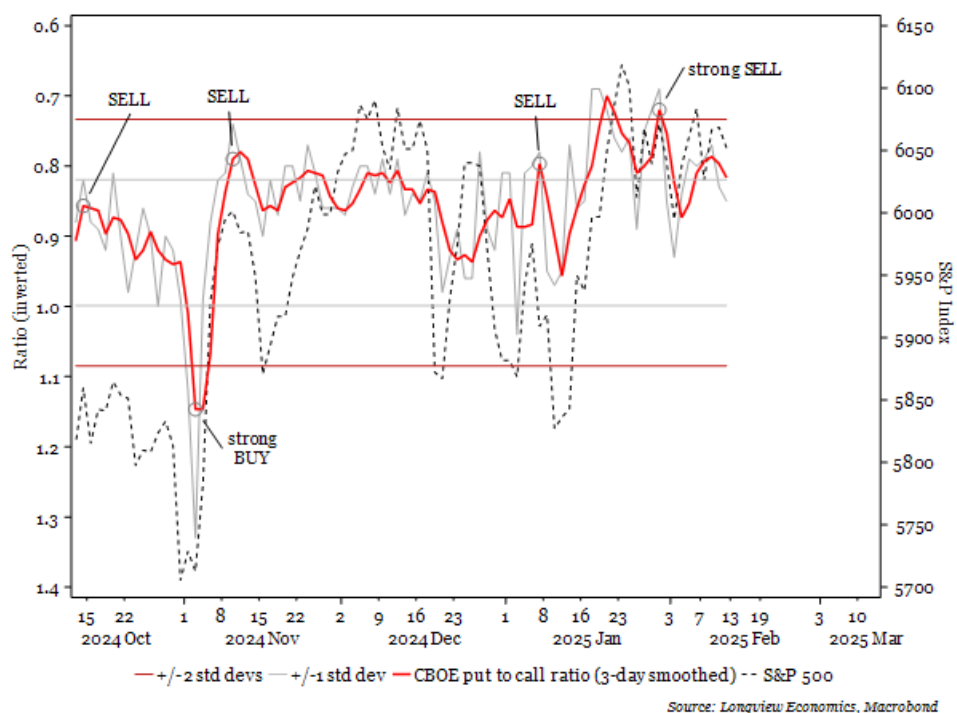


**FIG 3a:** Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



**The short-term CBOE put to call model is on SELL.....**

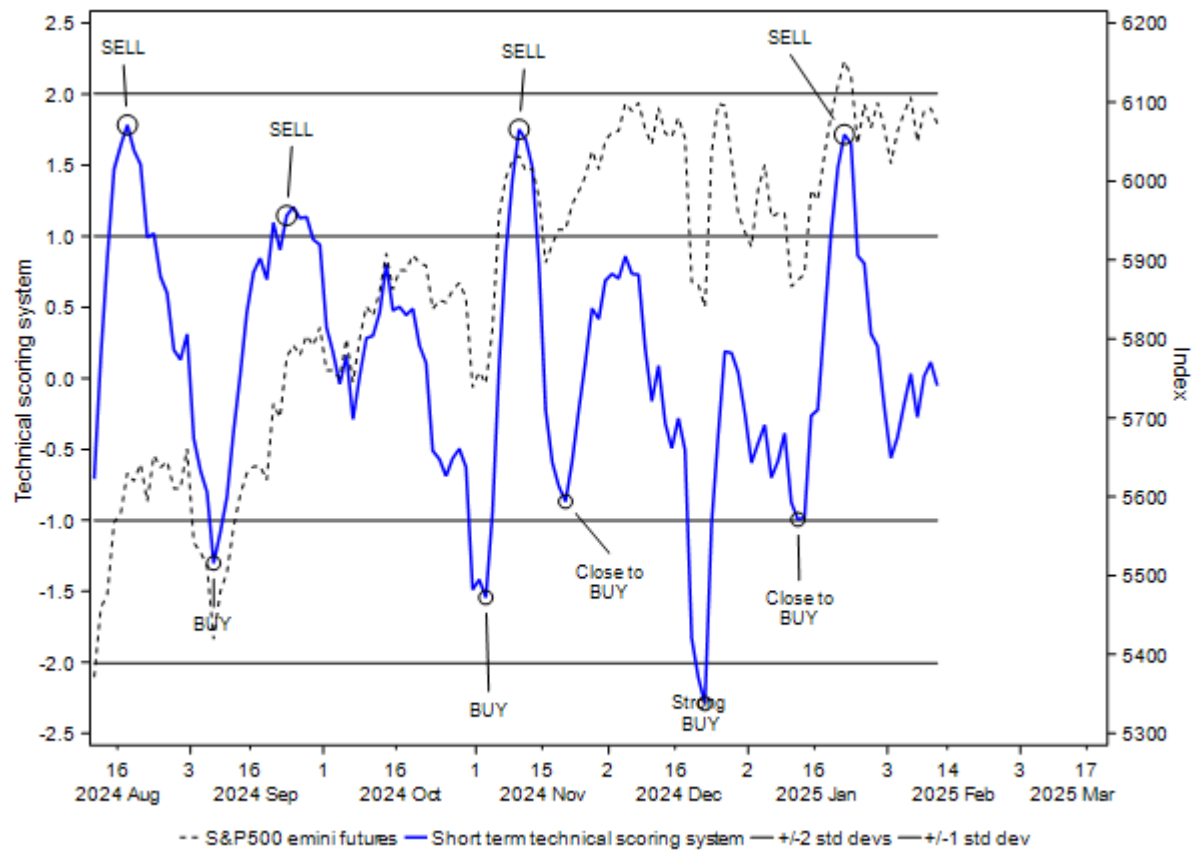
**FIG 4:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500





**Technical models (for indices) are mid-range.....**

**FIG 5:** Longview **S&P500** short term **‘technical’** scoring system vs. S&P500 futures



Source: Longview Economics, Macrobond

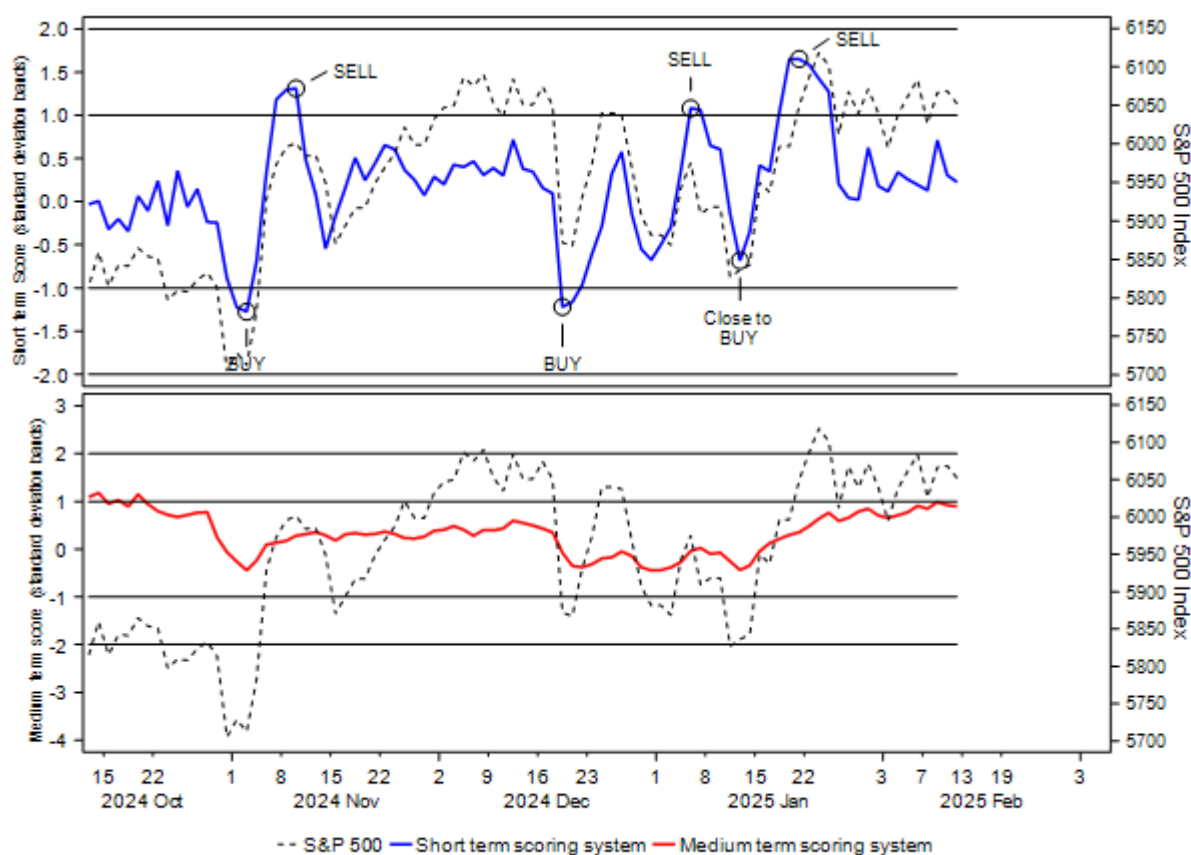


## Key Longview Scoring Systems (chart below):

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

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

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



Source: Longview Economics, Macrobond

## Key macro data/events

**Key data** today include: Australian consumer inflation expectations (Feb, 12am); **UK GDP** (Q4 first estimate, 7am), UK monthly GDP estimate, industrial & manufacturing production, goods trade balance & construction output (Dec, 7am); German headline & core CPI (January final estimate, 7am); **Eurozone industrial production** (Dec, 10am); US weekly jobless claims (1:30pm); **US headline & core PPI** (Jan, 1:30pm).

**Key events** today include: Speech by the ECB's Cipollone in Frankfurt (8:40am) & Nagel in Glasgow (5pm); ECB publishes Economic Bulletin (9am).

**Key earnings** today include: **Applied Materials, Deere&Company**, Moody's, Duke Energy, Airbnb, Motorola, Zoetis Inc, Republic Services, Digital, American Electric Power Company Inc, Howmet, **Unilever**, Relx, British American Tobacco PLC, **Barclays**, Sony.

## 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 3<sup>rd</sup> February 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

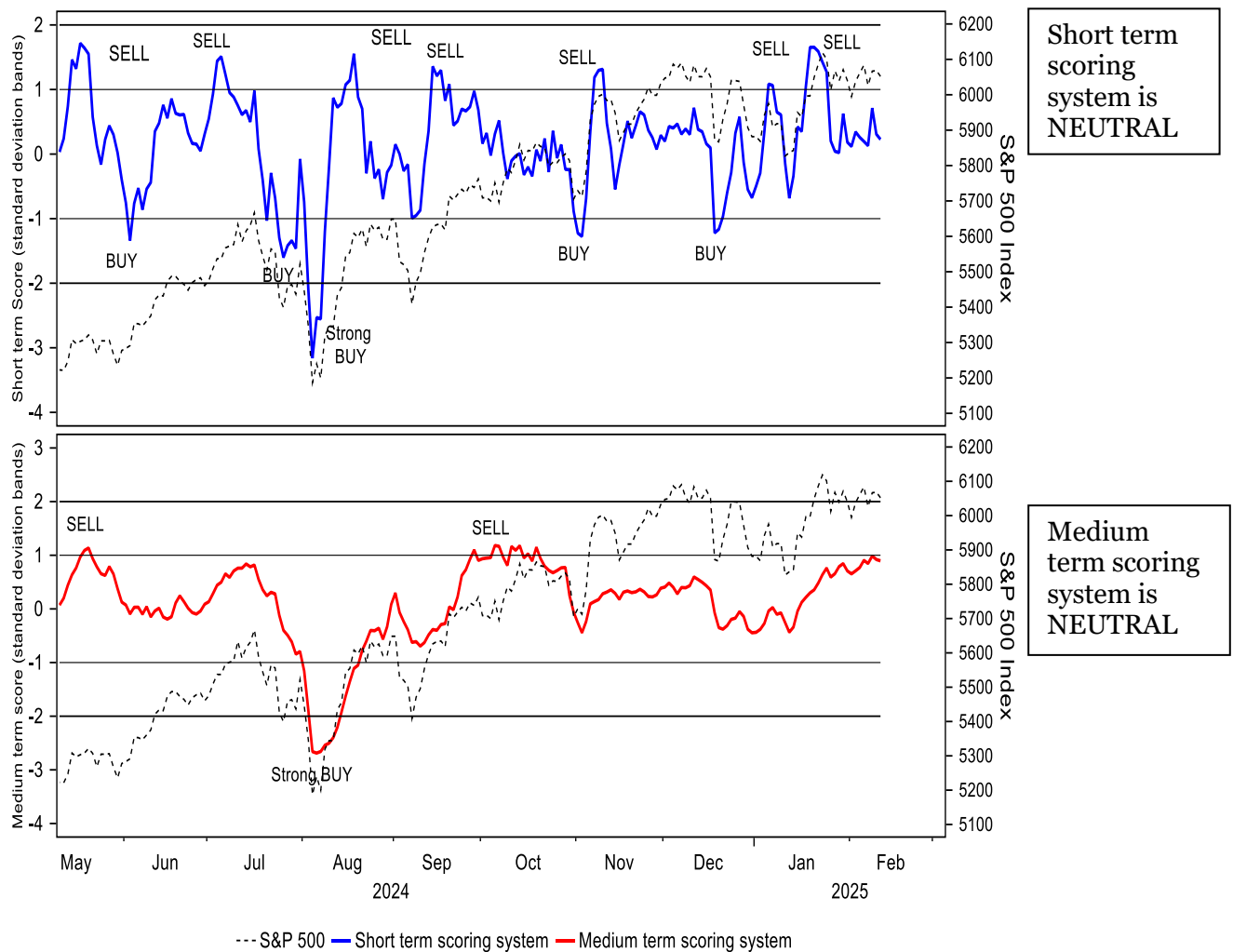
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13<sup>th</sup> February 2025

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

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



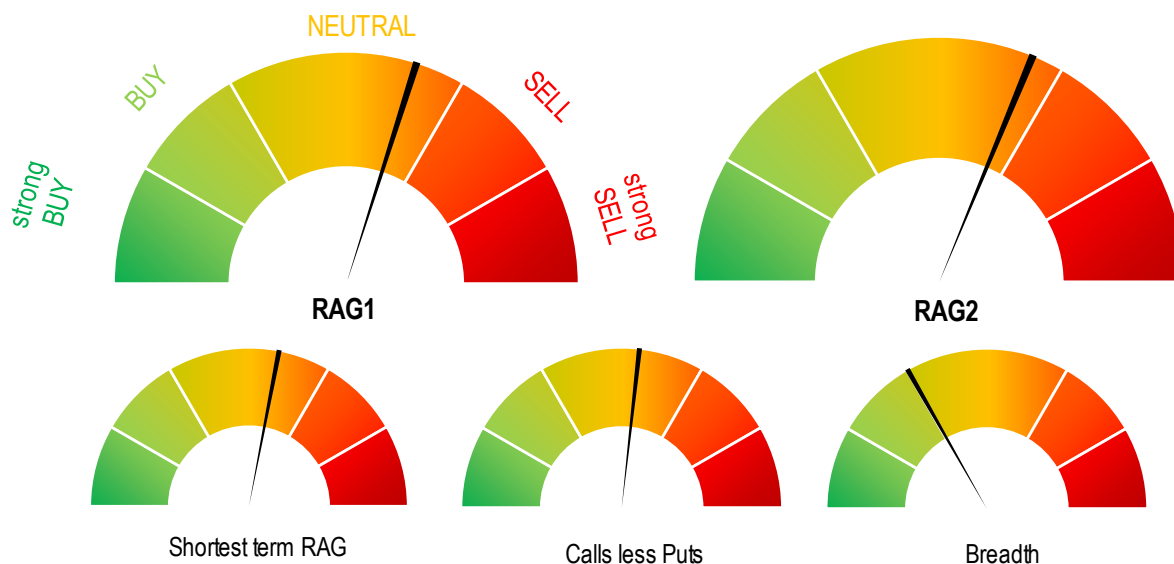
Source: Longview Economics, Macrobond

\*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**

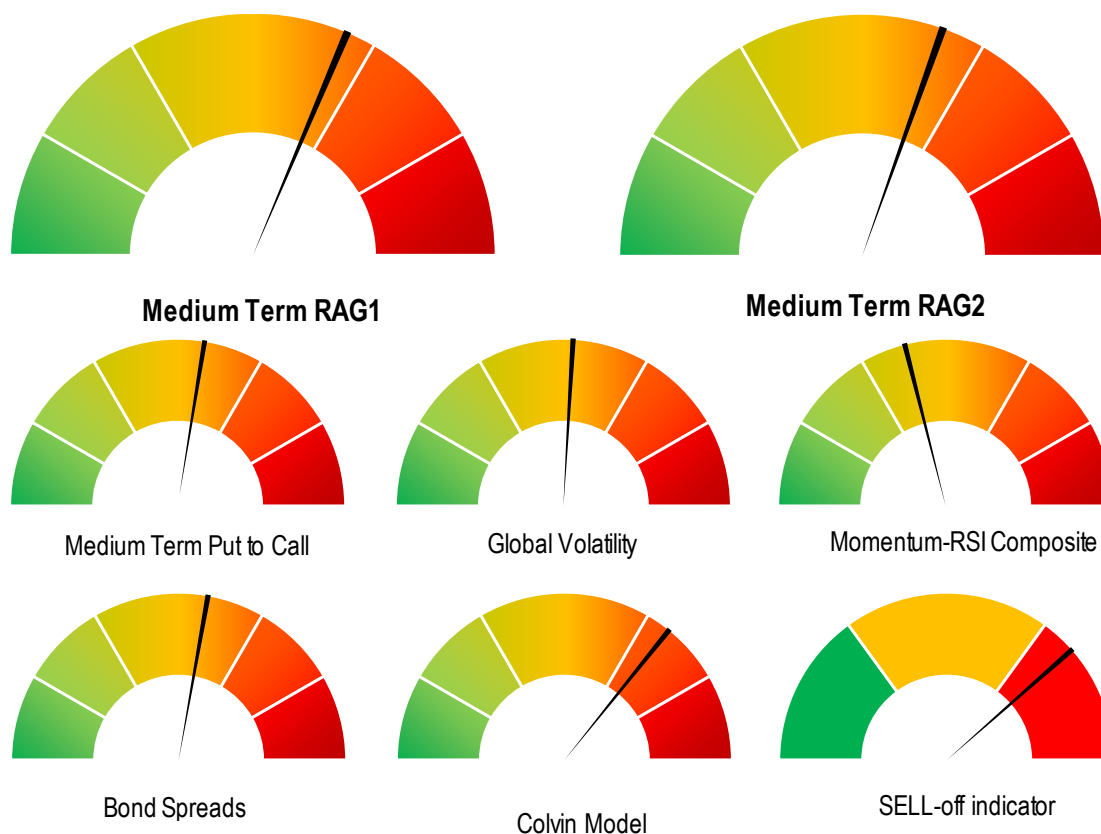
## Section 1a: Summary of indicator signals\*\*

**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

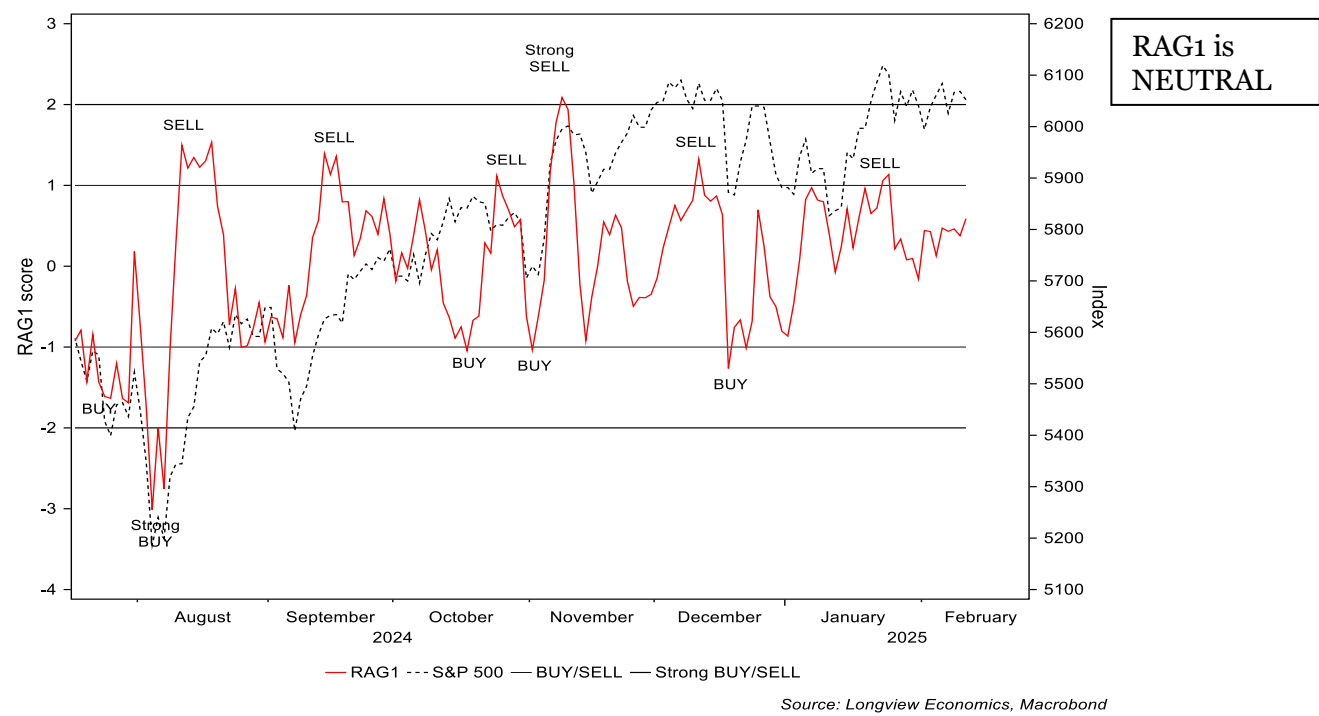
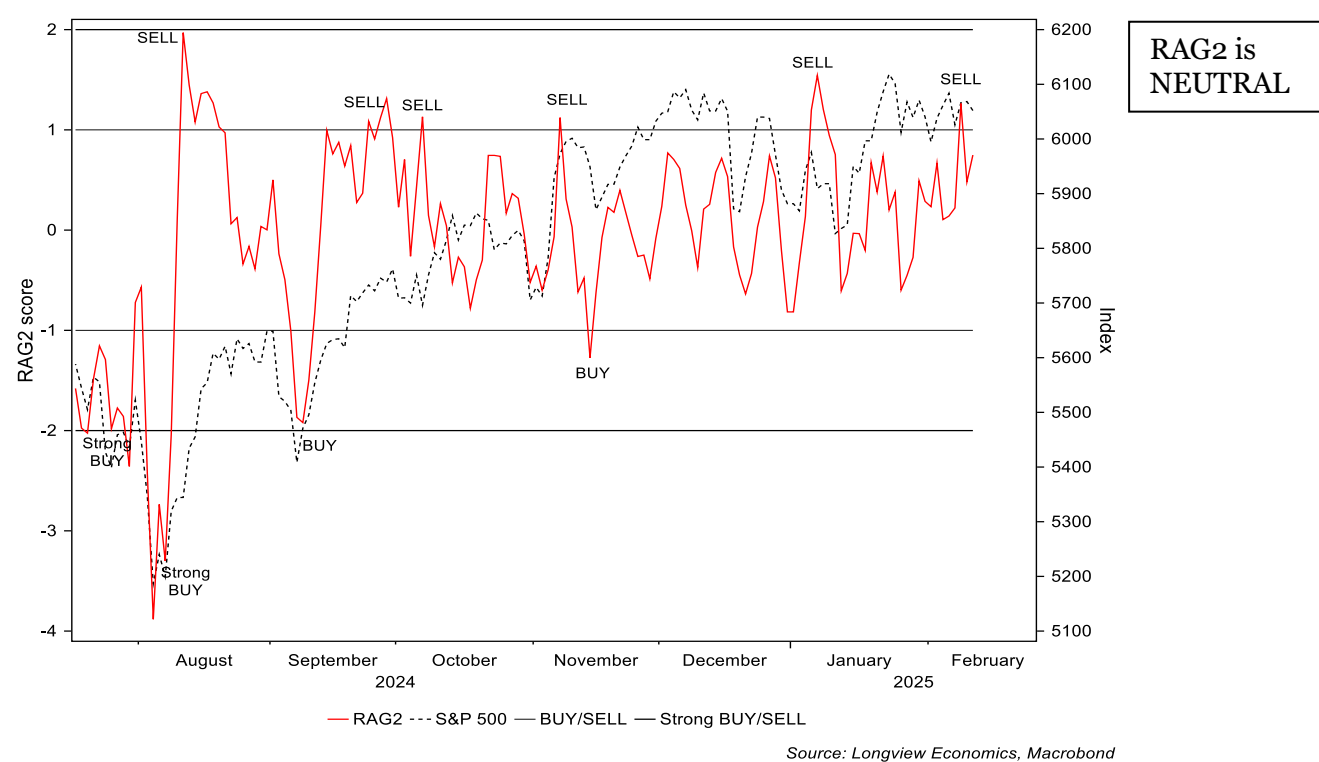
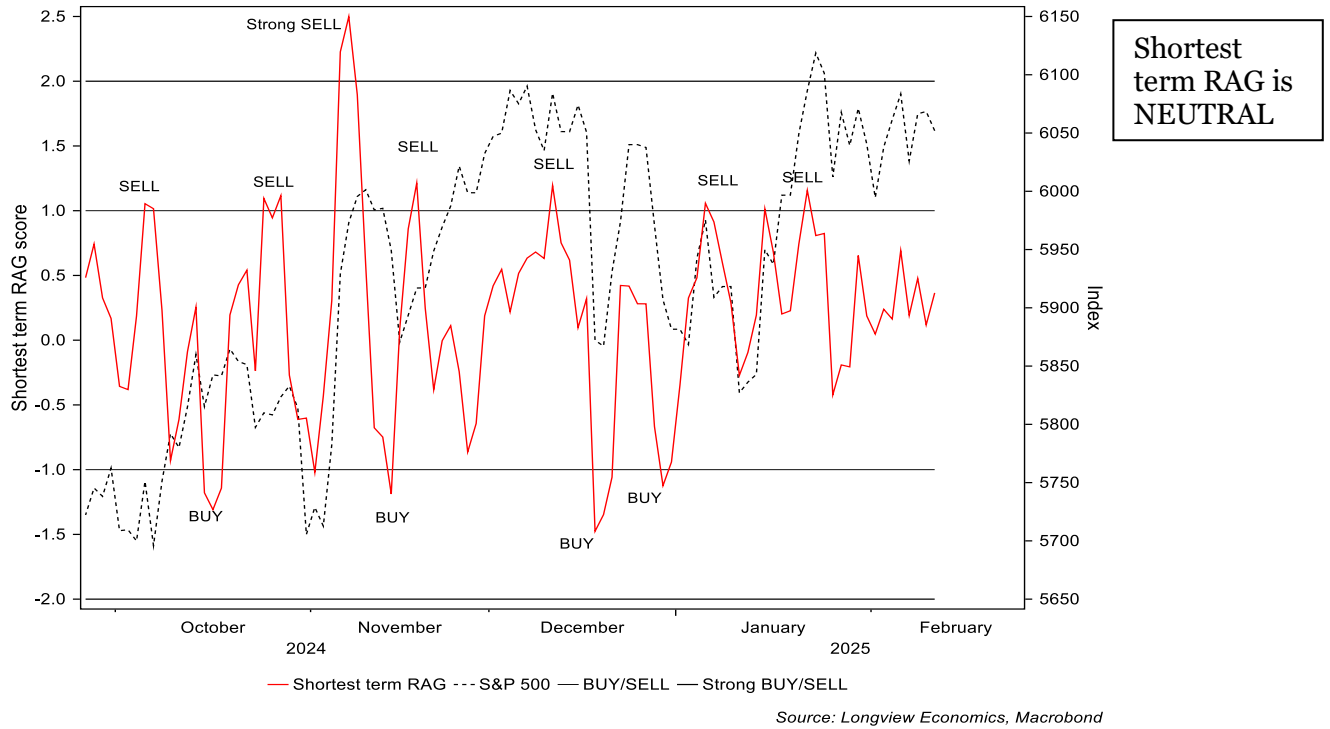


Fig 2b: RAG 2 vs. S&P 500

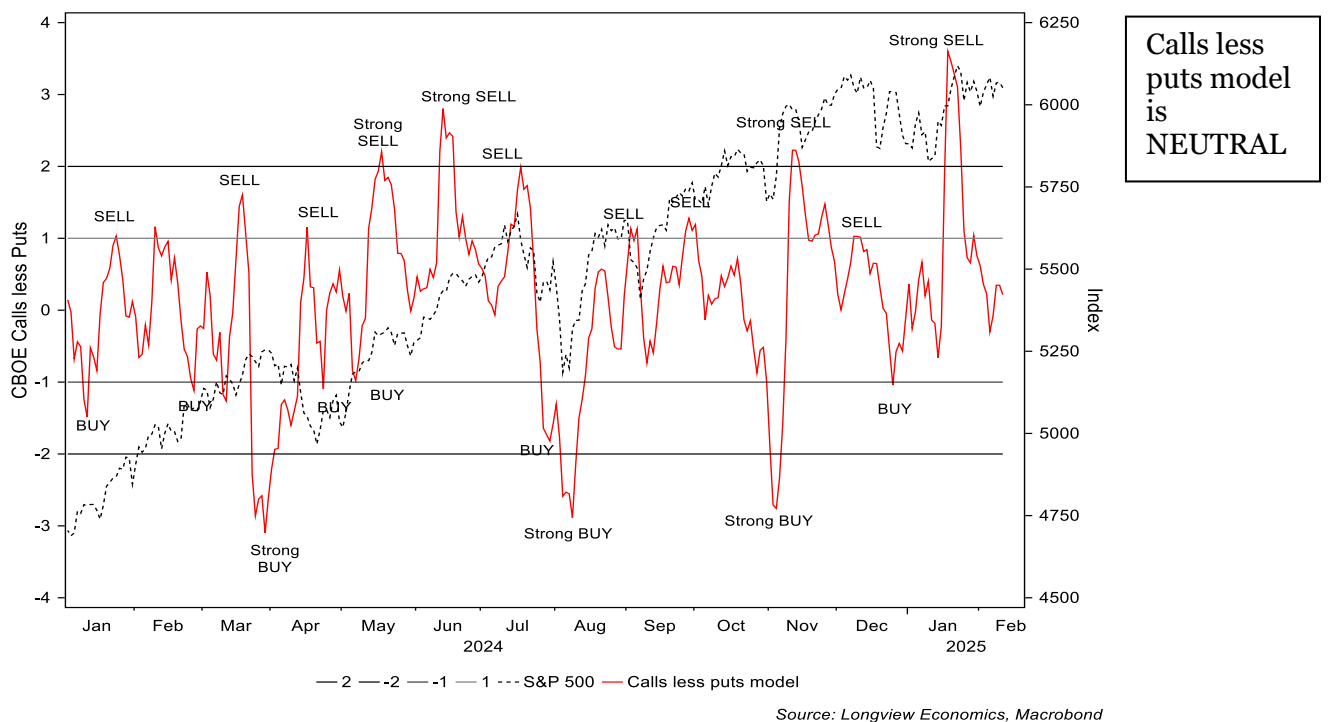


For explanations of indicators please see page 10

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

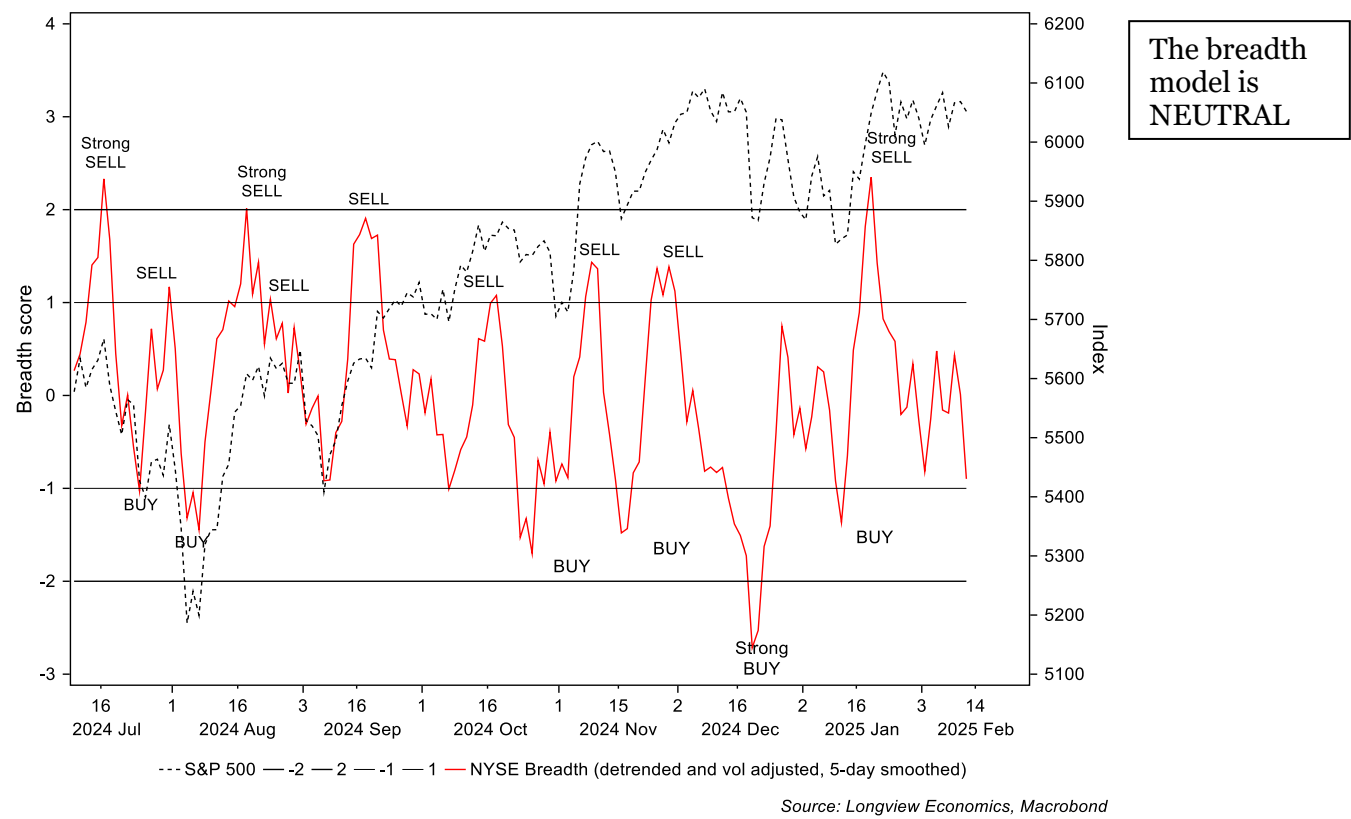


**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500



**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

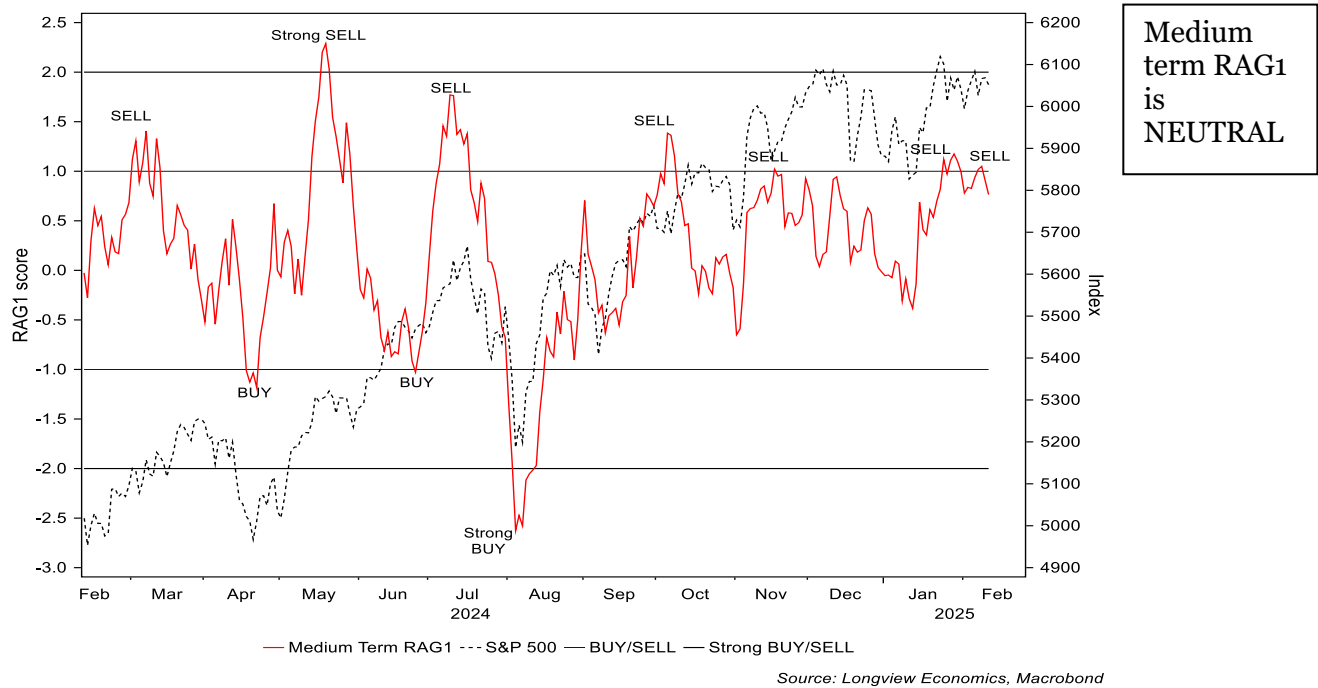
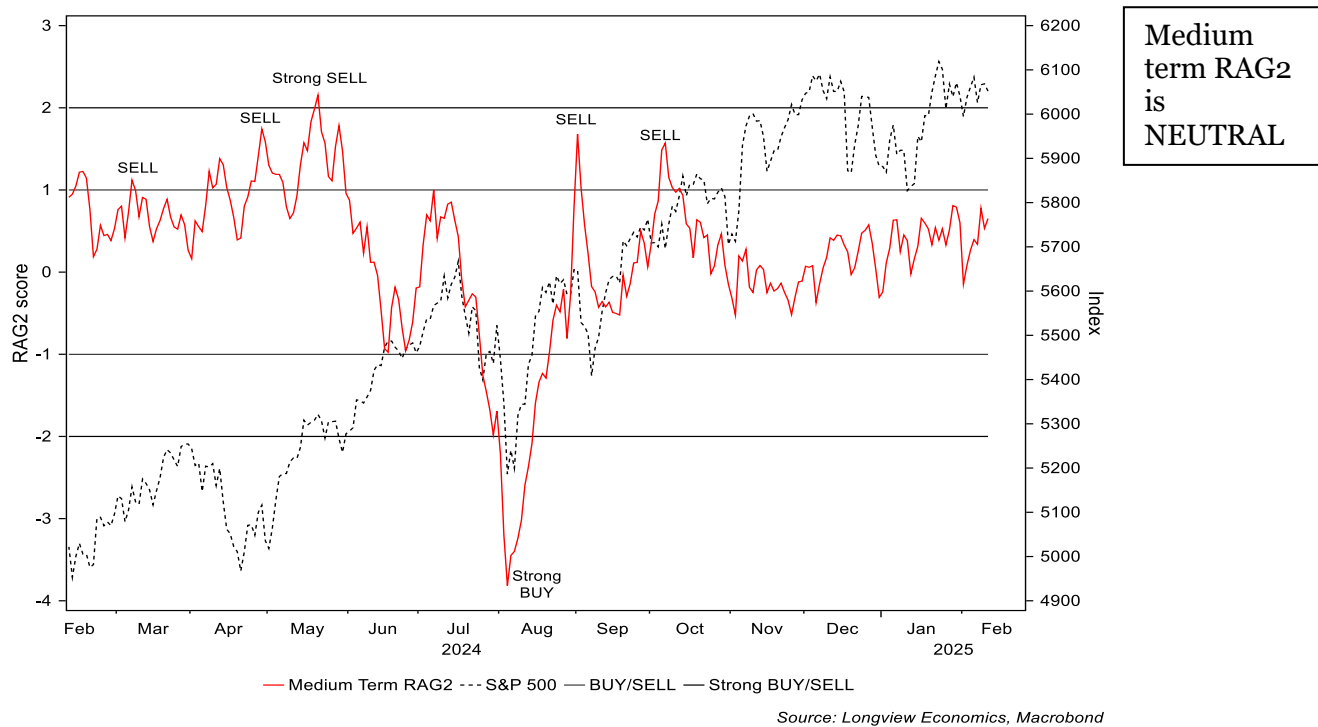
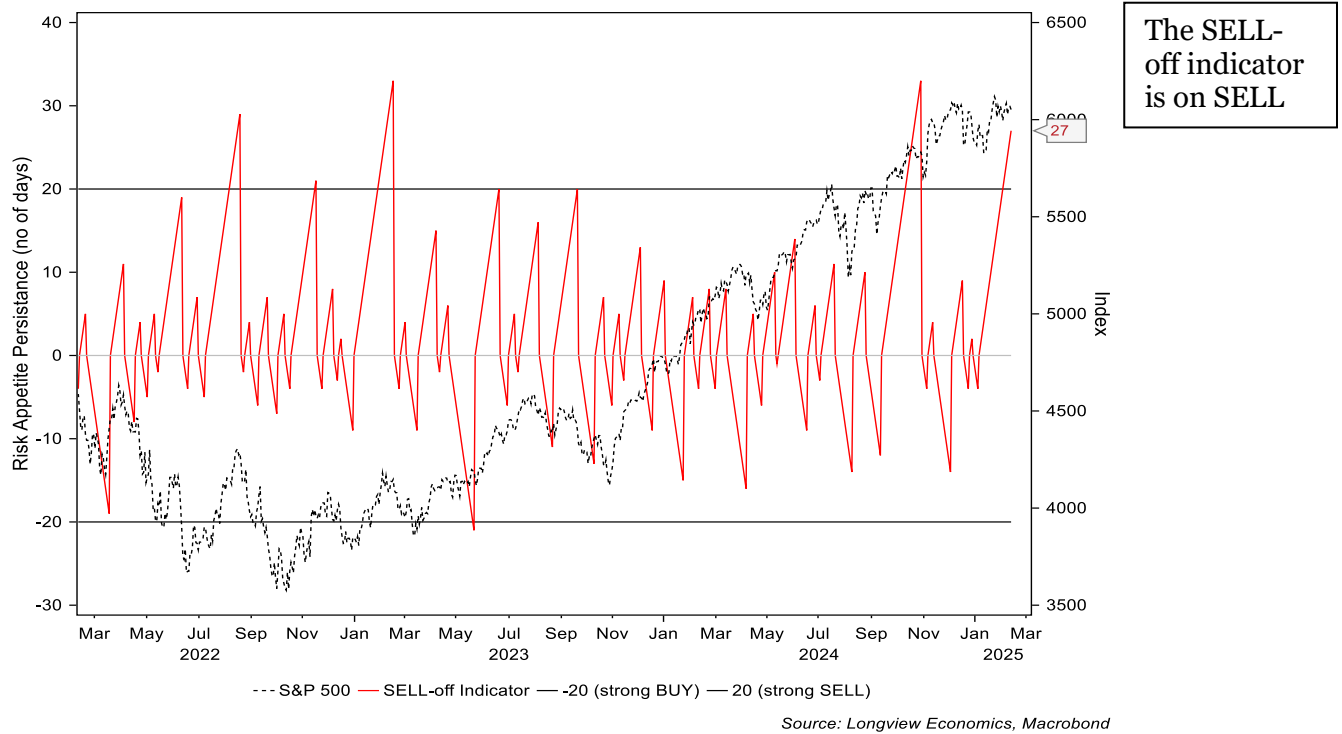


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

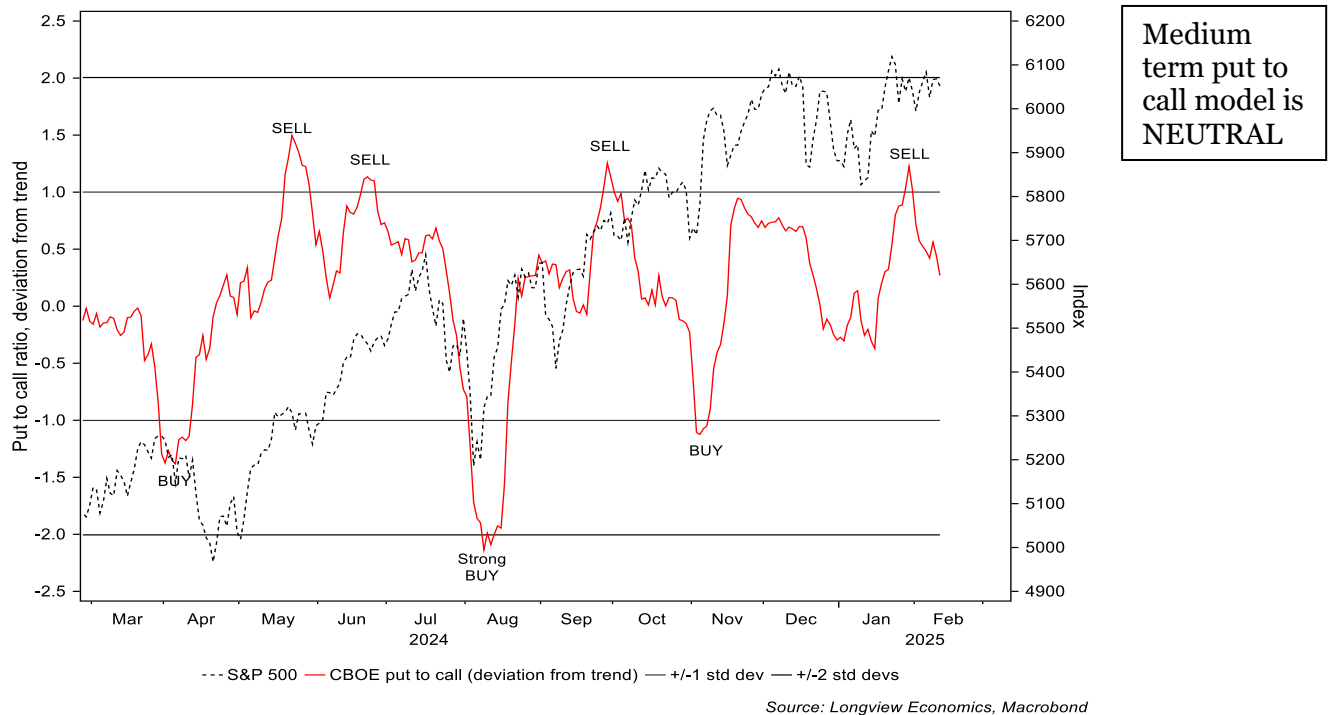


For explanations of indicators please see page 10

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

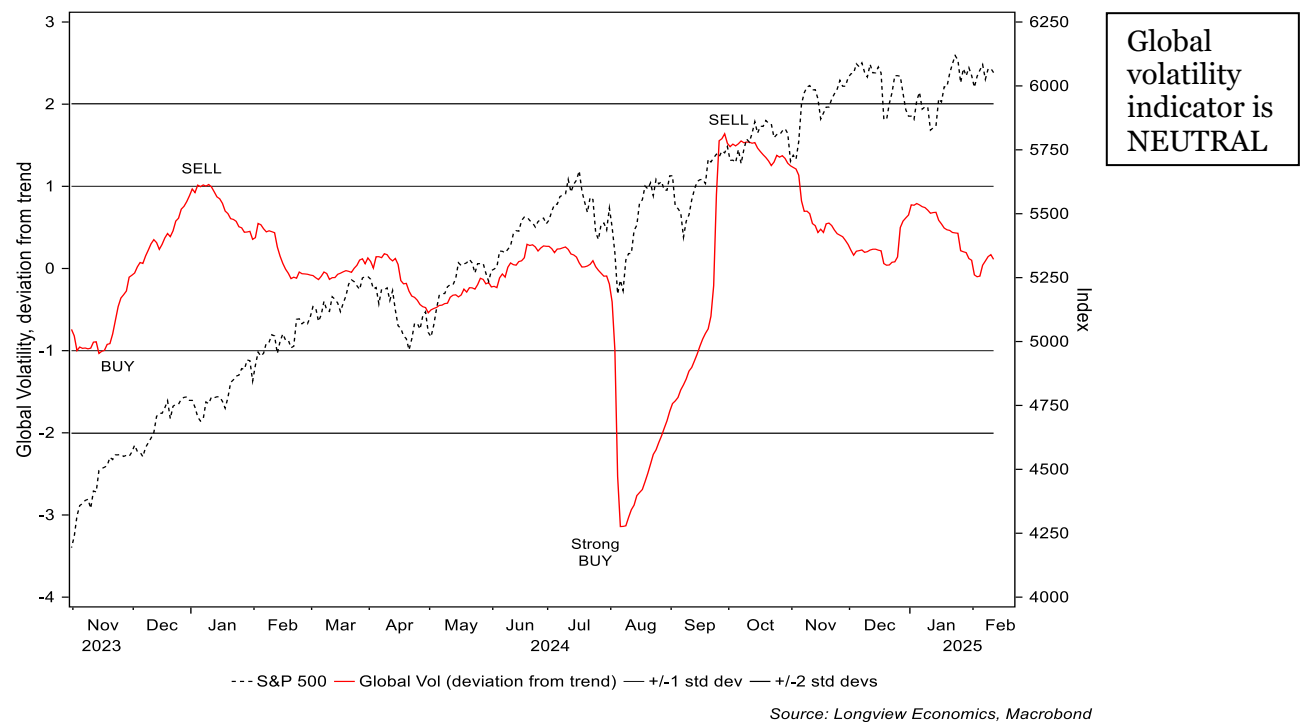


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

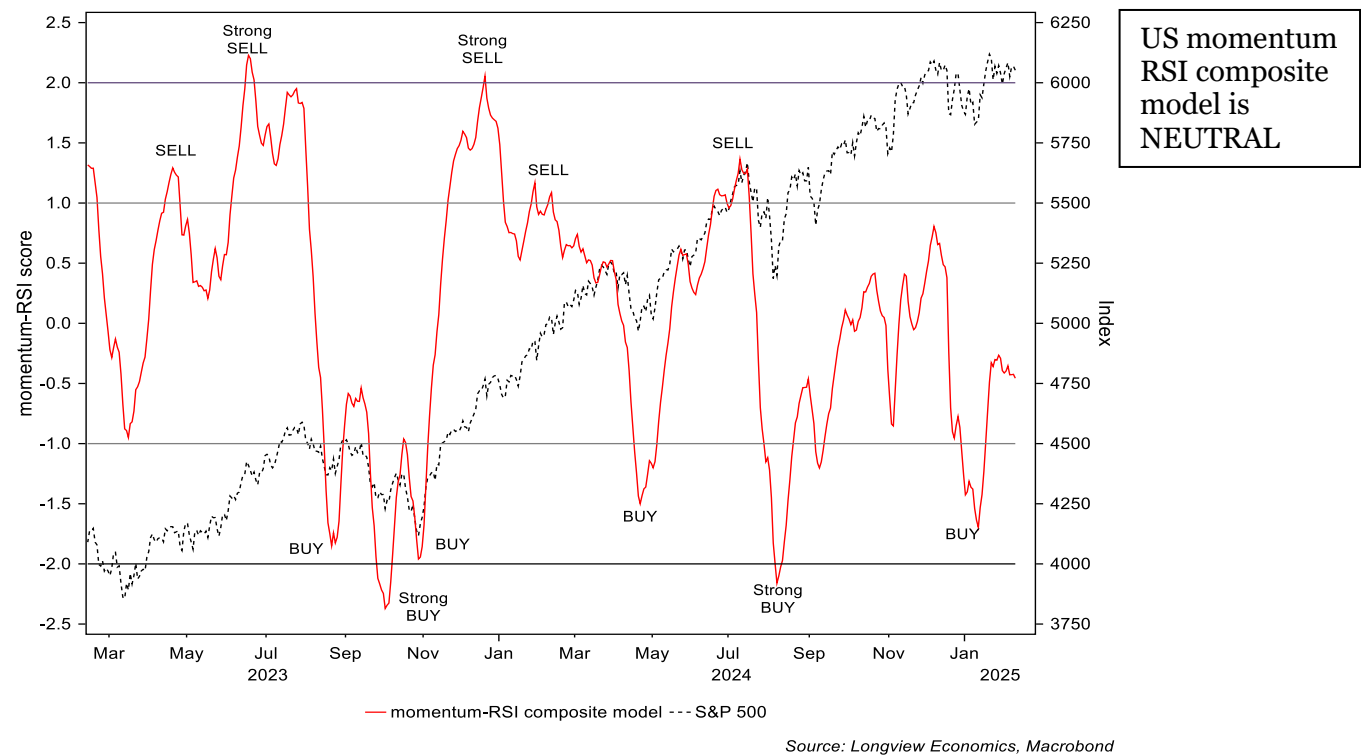


**For explanations of indicators please see page 10**

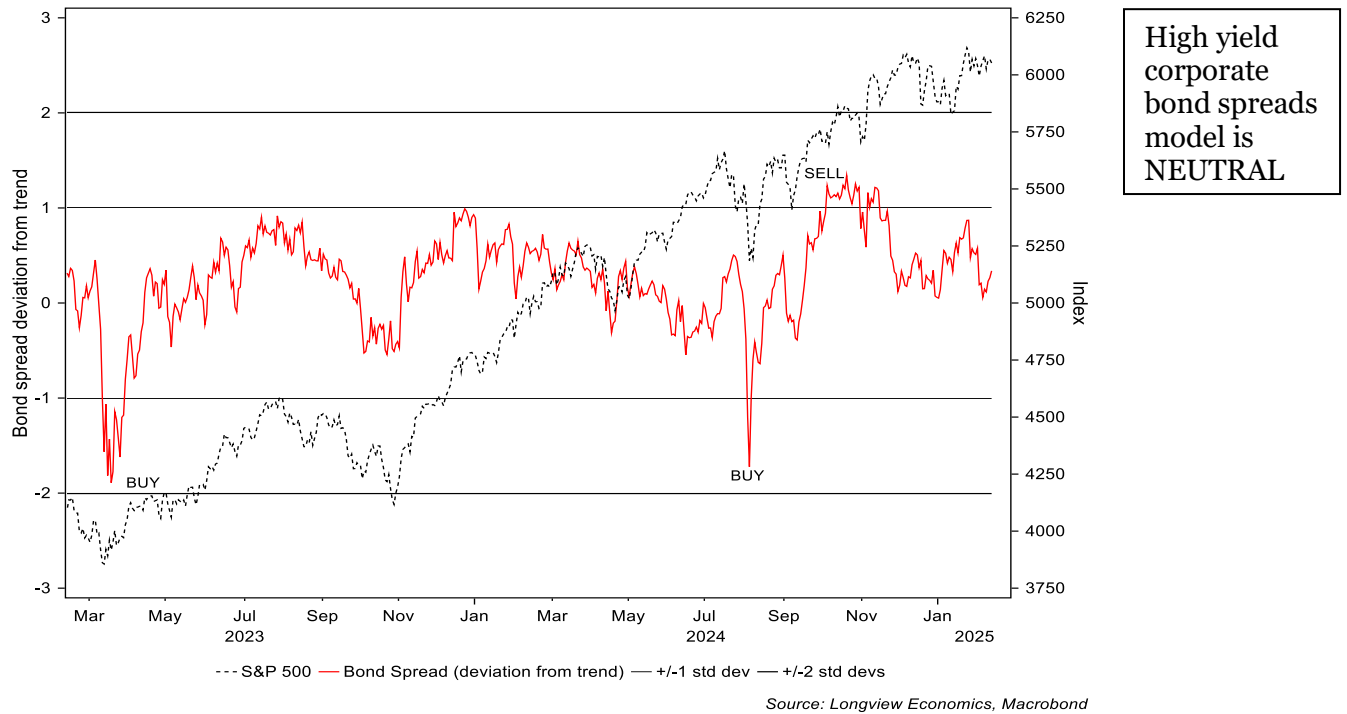
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



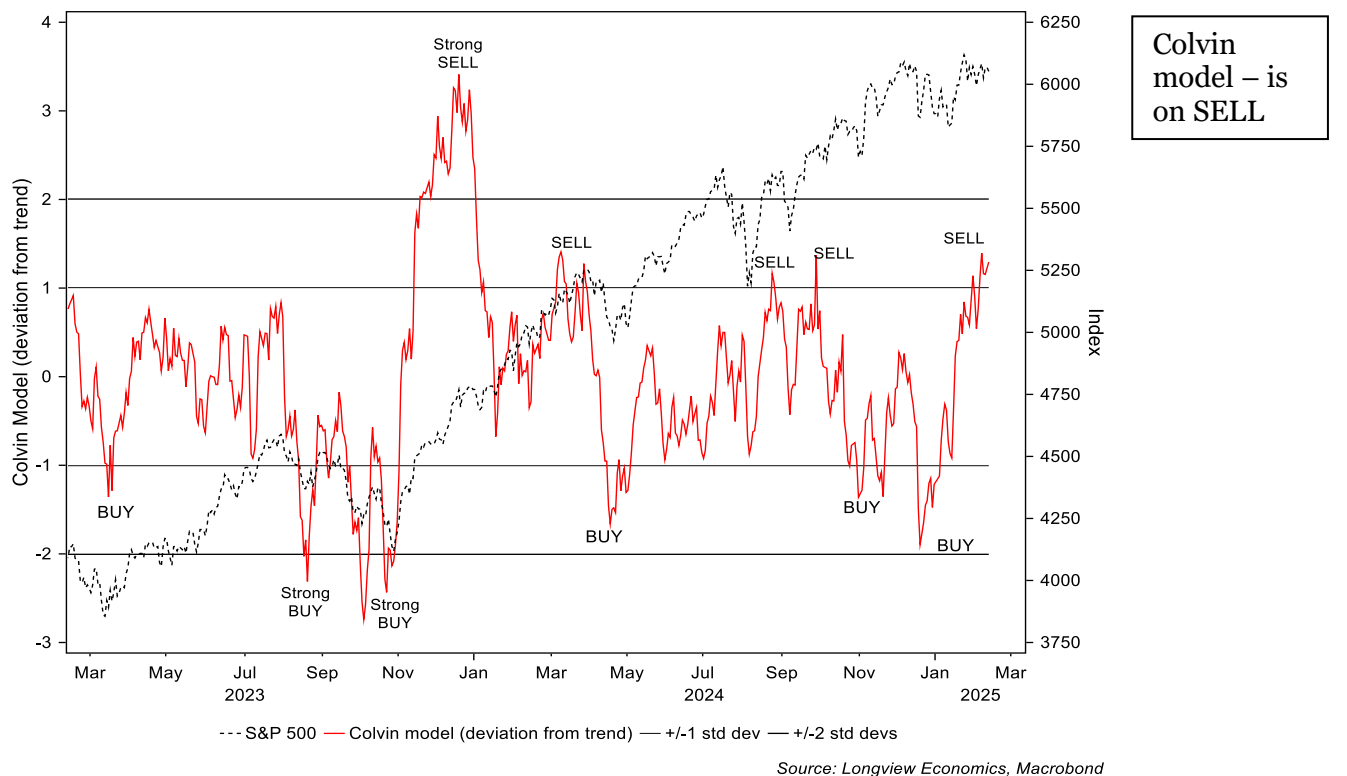
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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

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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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