



Equity Index Futures Trading Recommendations

14th May 2025

“continue to Watch & Wait (for now)”

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

The **models’ set-up is largely the same as yesterday.**

That is, **short term models** are generating an ‘across the board’ SELL signal (risk appetite is high; downside put protection has been removed; & key equity indices are overbought, see FIGs 3 – 3c); while **medium term models** are increasingly starting to suggest that ‘froth’ is building into market prices.

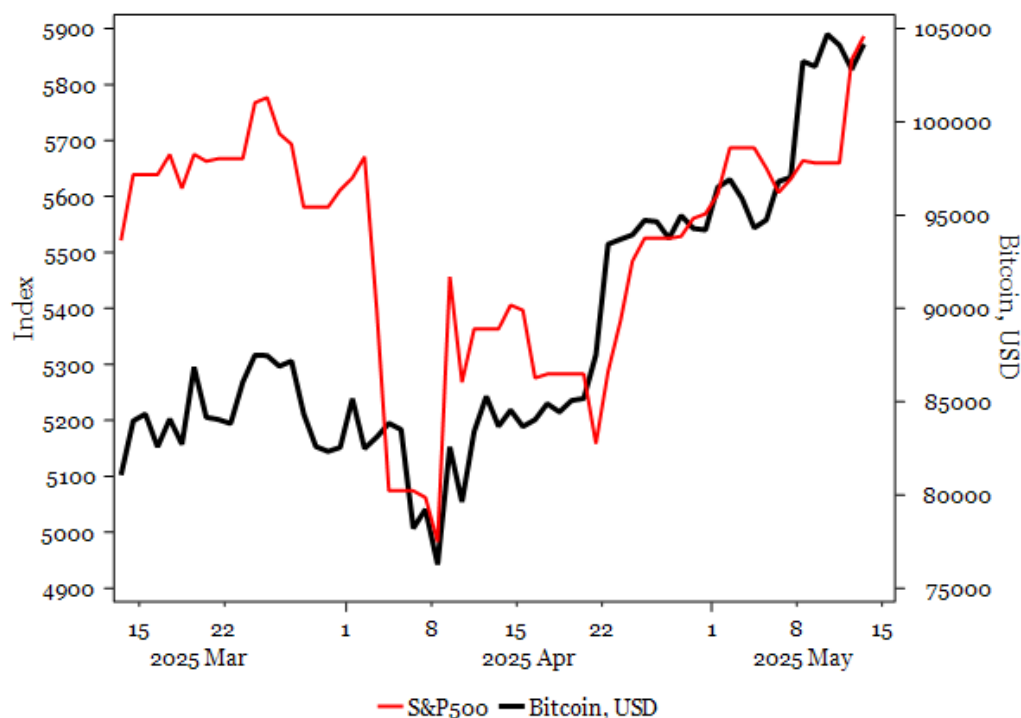
One key piece of evidence for that is the **high volume of outstanding single stock call options**. Over the past three days that level has picked up sharply such that, as of yesterday, it had reached 2.93 million contracts. Prior peaks on this model have been around the 2.5 to 3.25 million range (see FIG 1a). Furthermore, as laid out yesterday, this is often (although not always) indicative of a market building towards a near term top. Consistent with that, the SELL-off indicator also continues to BUILD higher (and is now on +14; its key level is +20 – FIG 2c). Other medium-term models are also at/close to SELL (including the medium-term risk appetite scoring system and the S&P500’s overextended indicator, see FIGs 2 – 2d).

Markets continued in rally mode yesterday (helped in part by better-than-expected US consumer price inflation data). The S&P500 closed +0.7%; NDX100 +1.6%; and the SOX another 3.1% higher. The SOX (FIG 1c), like the S&P500 June futures, is now sitting on its 200-day moving average (while the NDX100 has pushed above that level). Volatility fell again, with the VIX continuing to normalise. Spot VIX closed at 18.2% (last week it closed at 21.9%). Typical lows on the VIX, though, are still substantially lower than current levels (i.e. more potential fuel for this rally). The steepness of the VIX futures curve also continued to normalise and is now in the middle of its usual range (FIG 1e). US high yield corporate bond spreads fell further (FIG 1b), while Bitcoin, an indicator of speculative liquidity which often leads the S&P500 (FIG 1), closed higher again (+1.2% over the past 24 hours).

For now, we **recommend continuing to WATCH & WAIT**. The SELL-off indicator hasn’t, as yet, reached its key +20 level, while other models also highlight the possibility of further (modest) near term upside in equity markets. We remain overweight in our ‘Tactical’ (1 – 4 month) portfolio. **Key events today** are listed below.

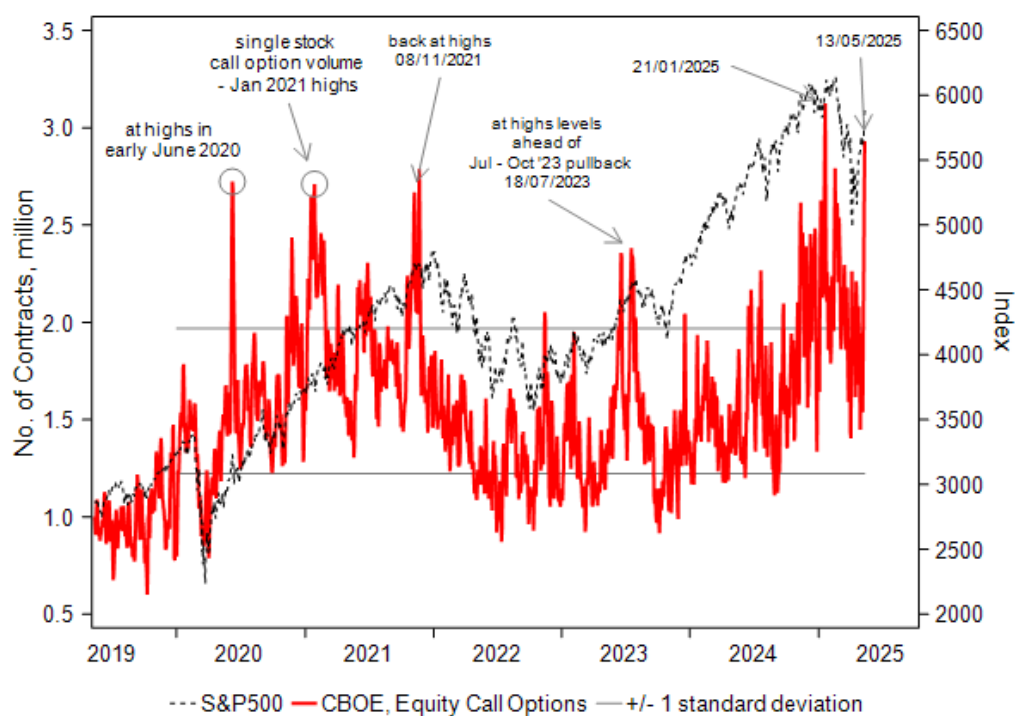
Kind regards,
The team @ Longview Economics

FIG 1: Bitcoin (US\$) vs. S&P500



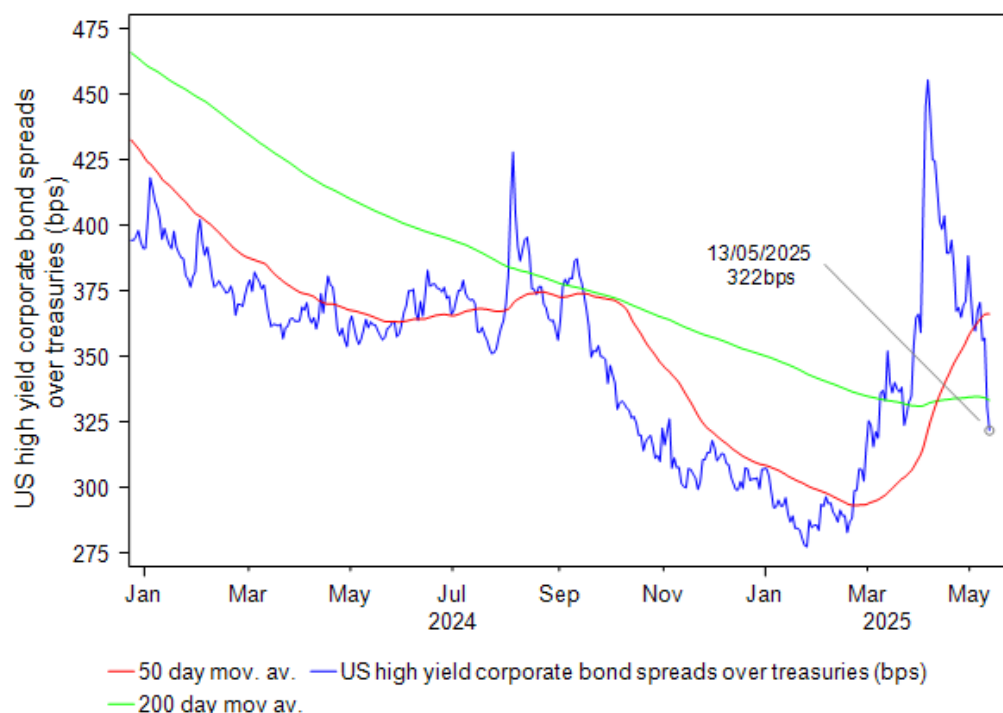
Source: Longview Economics, Macrobond

FIG 1a: Volume of outstanding CBOE ‘single stock’ call options (3 day smoothed) vs. S&P500



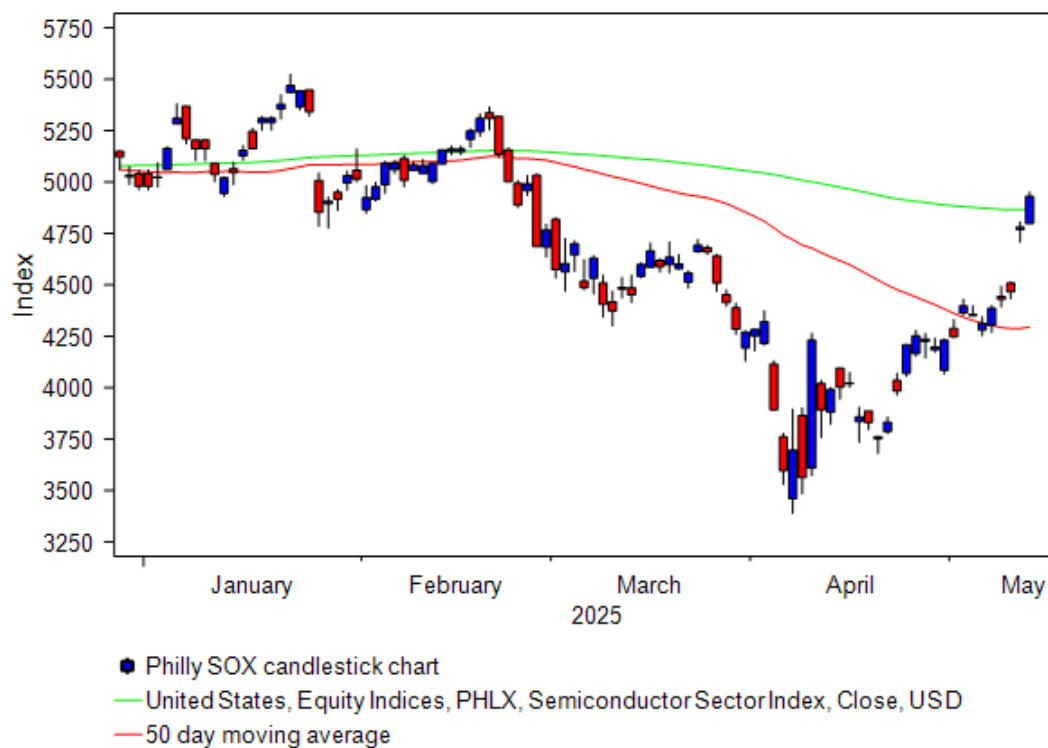
Source: Longview Economics, Macrobond

FIG 1b: US high yield corporate bond spreads shown with key moving averages



Source: Longview Economics, Macrobond

FIG 1c: Philly SOX index candlestick chart shown with key moving averages



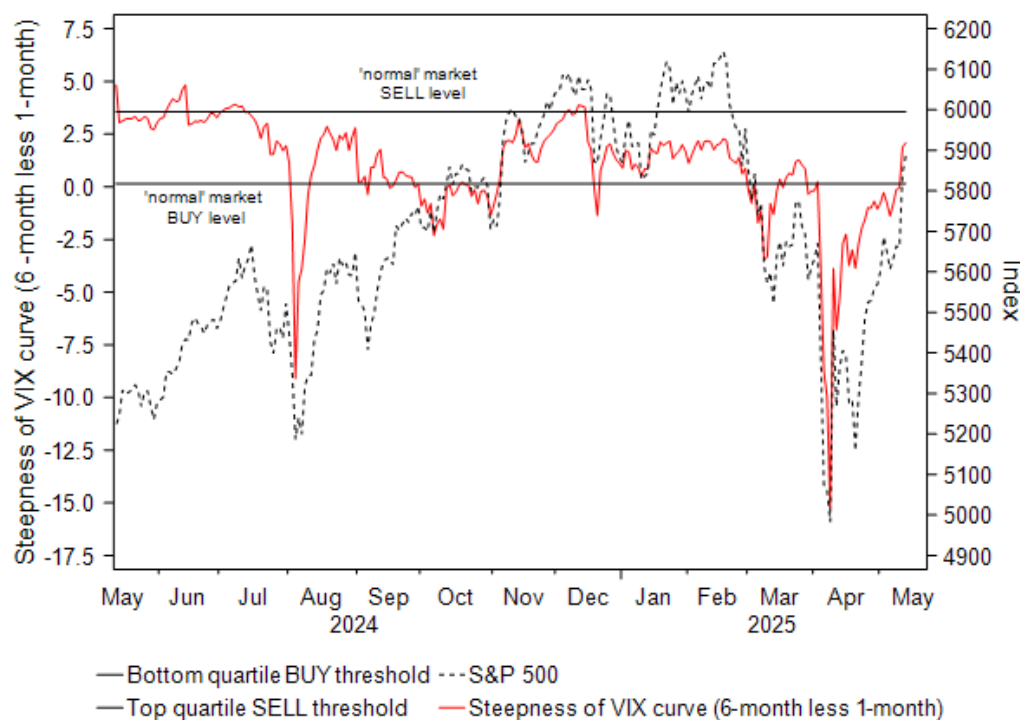
Source: Longview Economics, Macrobond

FIG 1d: S&P500 June futures candlestick shown with its 50 & 200 day moving average



Source: Longview Economics, Macrobond

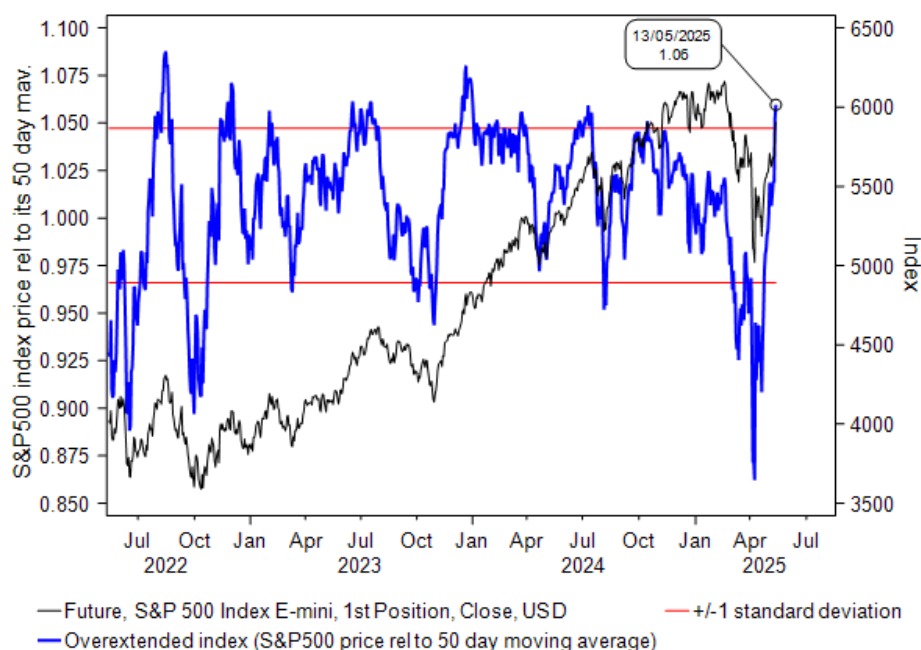
FIG 1e: Steepness of VIX curve (6 less 1 month futures) vs. S&P500



Source: Longview Economics, Macrobond

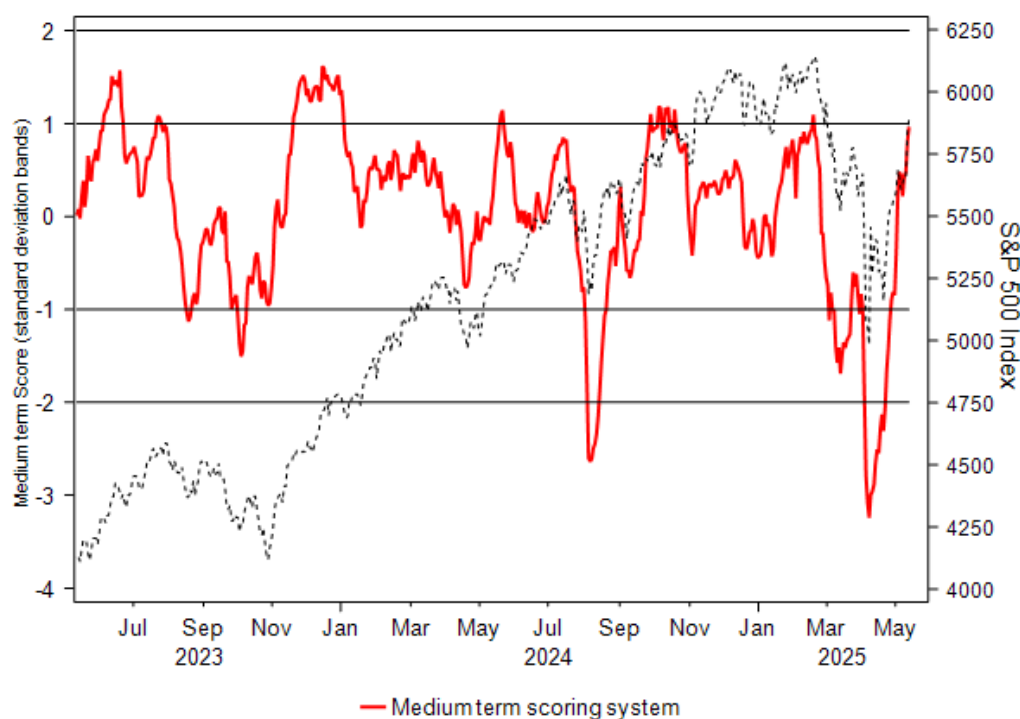
Medium term models....

FIG 2: S&P500 overextended indicator (underlying index price relative to its 50 day moving average)



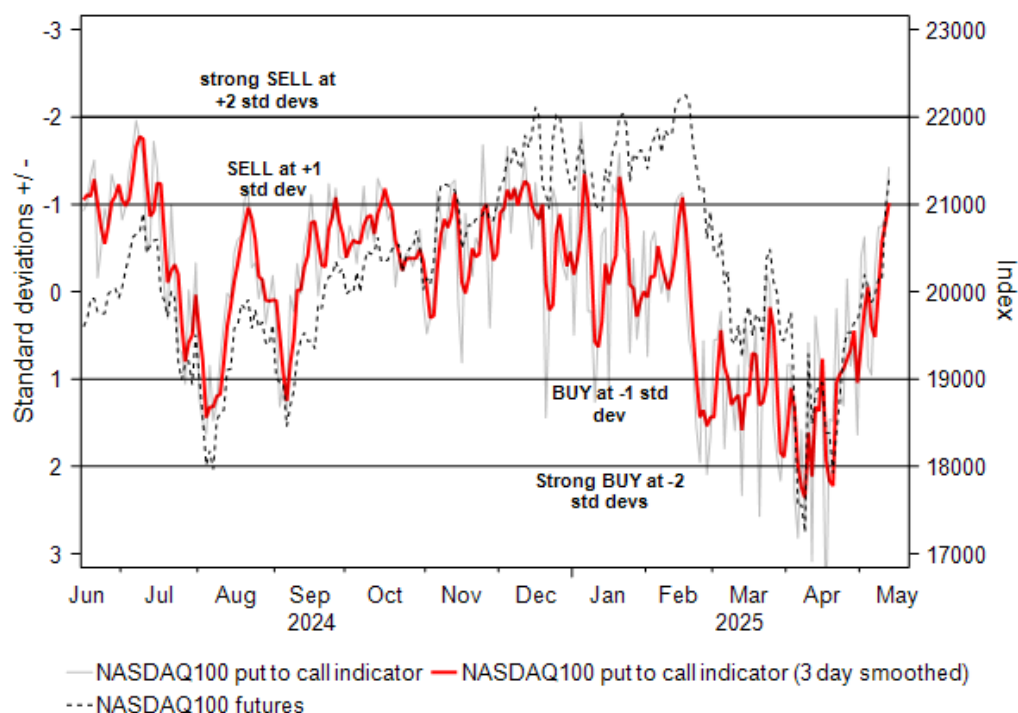
Source: Longview Economics, Macrobond

FIG 2a: Longview medium term 'risk appetite' scoring system vs. S&P500



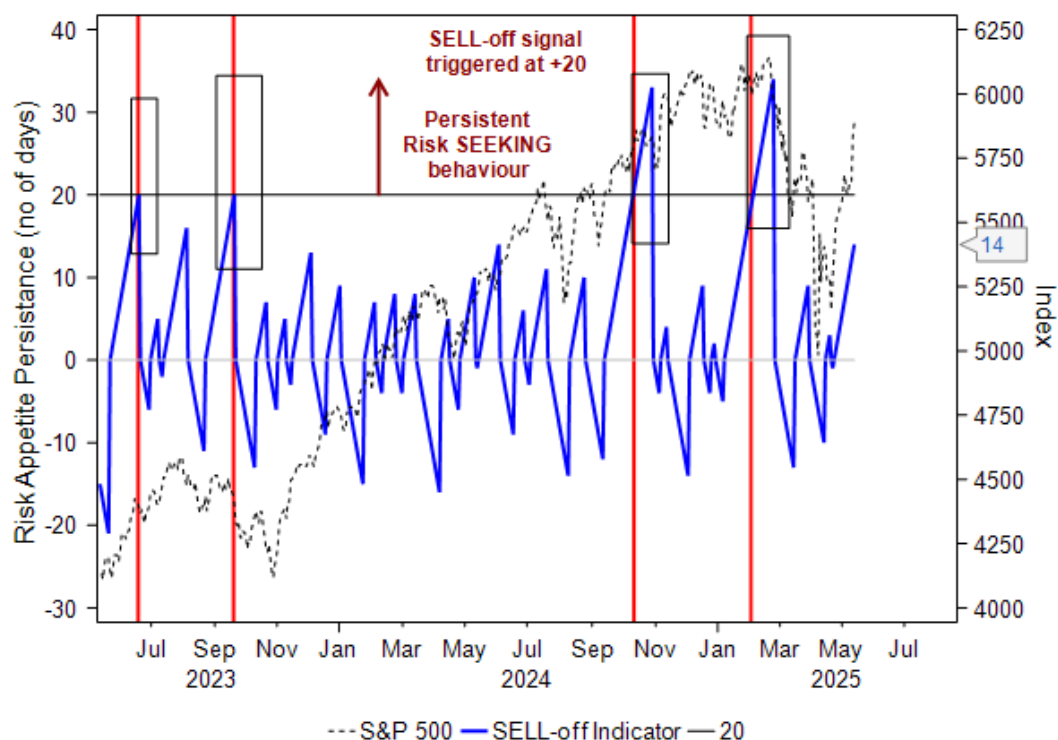
Source: Longview Economics, Macrobond

FIG 2b: NDX100 put to call indicator (medium term model) vs. NDX100



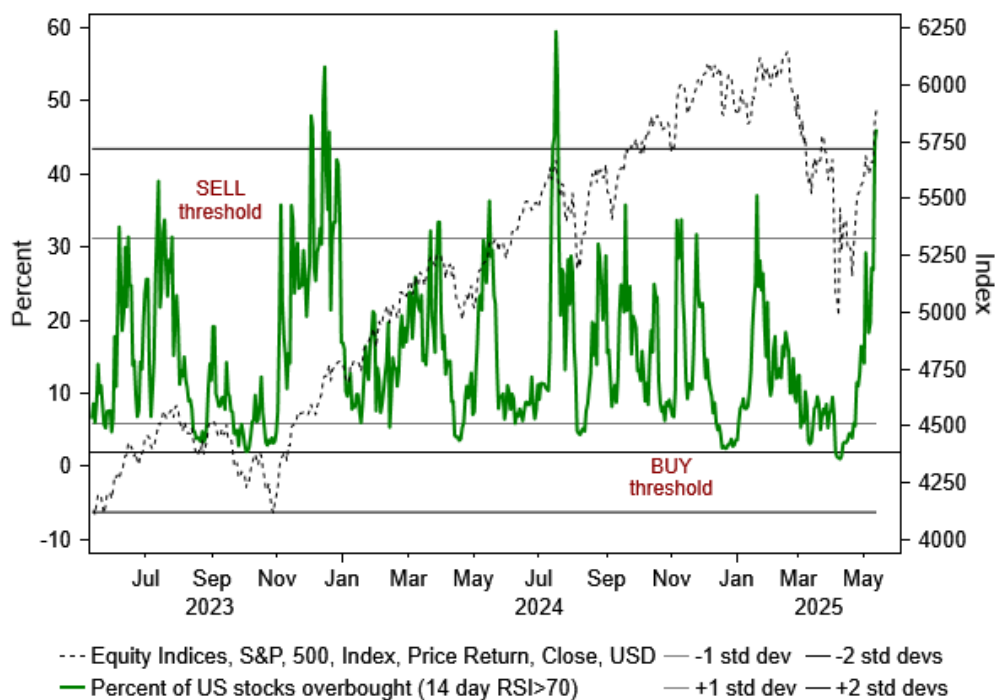
Source: Longview Economics, Macrobond

FIG 2c: Longview SELL-off indicator (vs. S&P500)



Source: Longview Economics, Macrobond

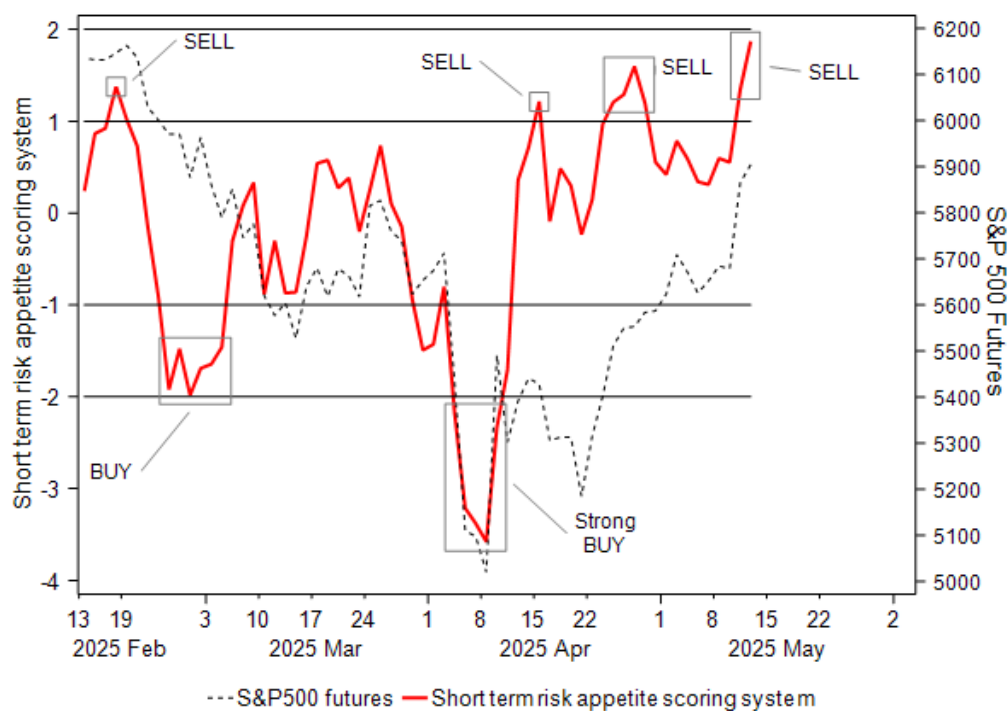
FIG 2d: Percentage of US single stocks which are overbought (i.e. with RSIs>70)



Source: Longview Economics, Macrobond

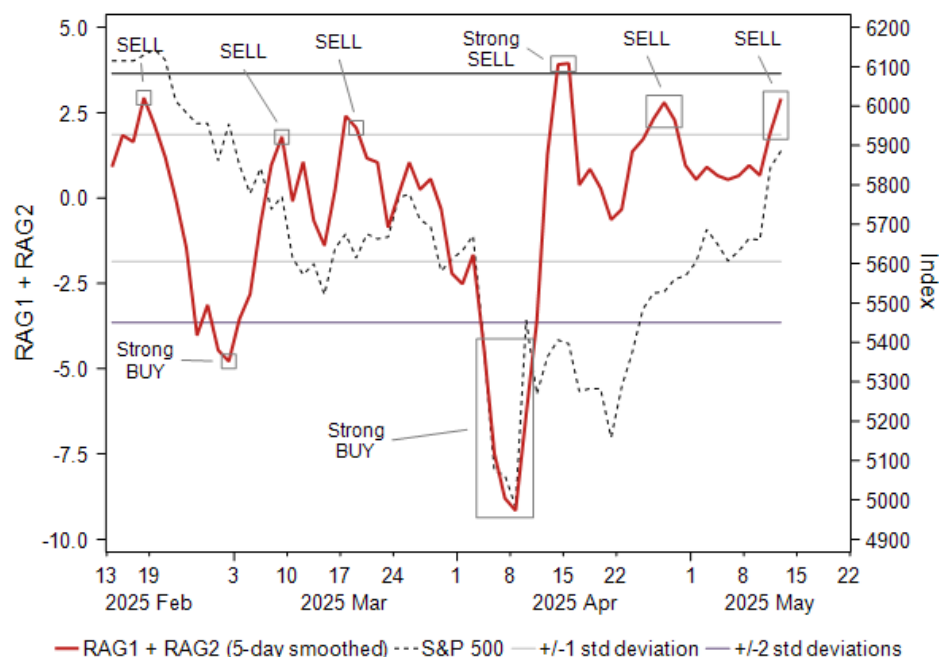
Short term models are mostly now on SELL...

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



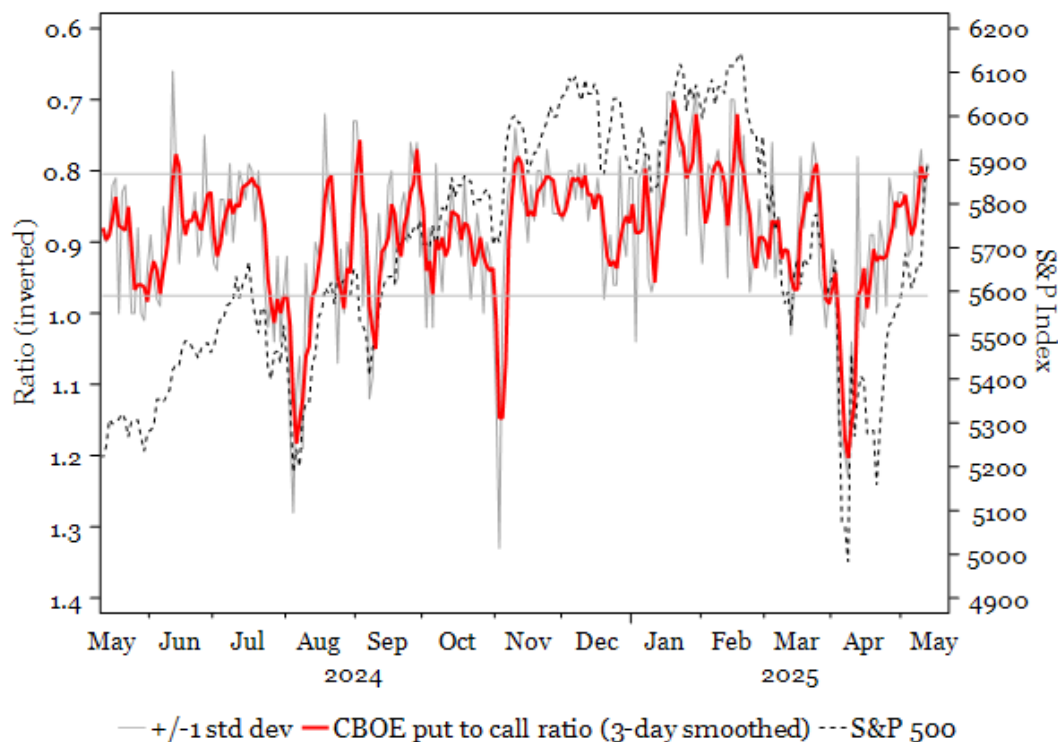
Source: Longview Economics, Macrobond

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



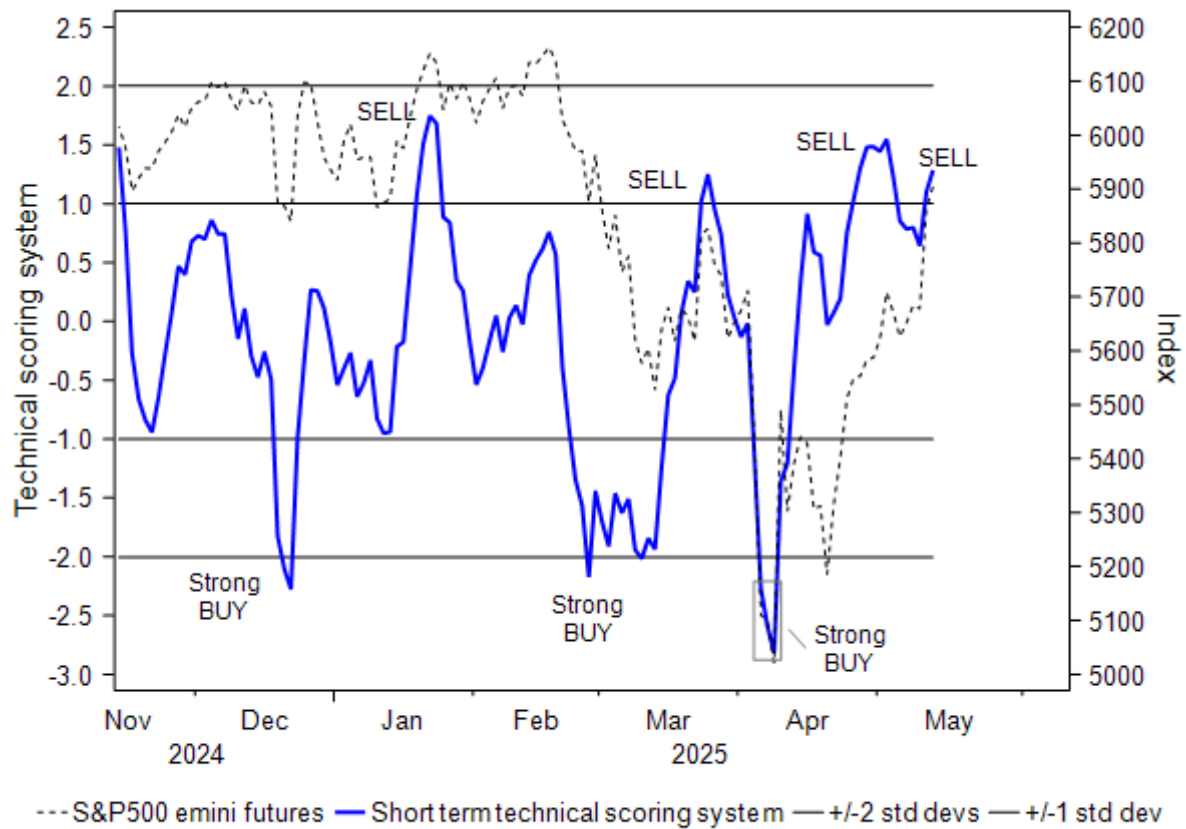
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 3c: Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures



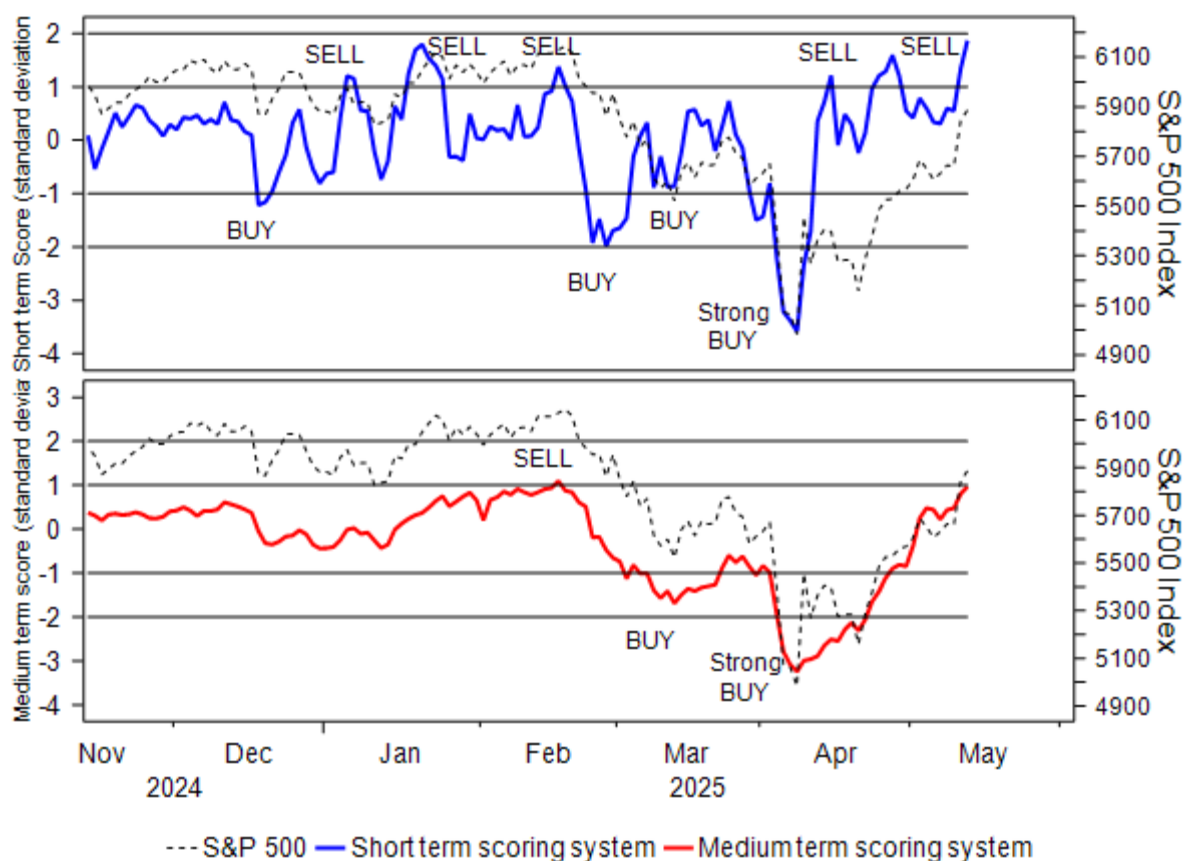
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **NEUTRAL** (close to 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: Japanese PPI (Apr, 12:50am); Australian wages (Q1, 2:30am); German headline & core CPI (April final estimate, 7am); Spanish headline & core CPI (April final estimate, 8am); Canadian building permits (Mar, 1:30pm).

Key events today include: Speech by the Bank of England's Breeden in Amsterdam (8:15am); speeches by the ECB's Escriva & Nagel in Madrid (9am), Villeroy in Paris (2pm) & Holzmann in Vienna (3pm); speeches by the Fed's Waller on central bank research (10:15am), Jefferson on economic outlook (2:10pm) & Daly in a fireside chat (10:40pm).


Key earnings today include: **Cisco**, Copart, Sony, Sumitomo Mitsui Financial, KDDI.

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

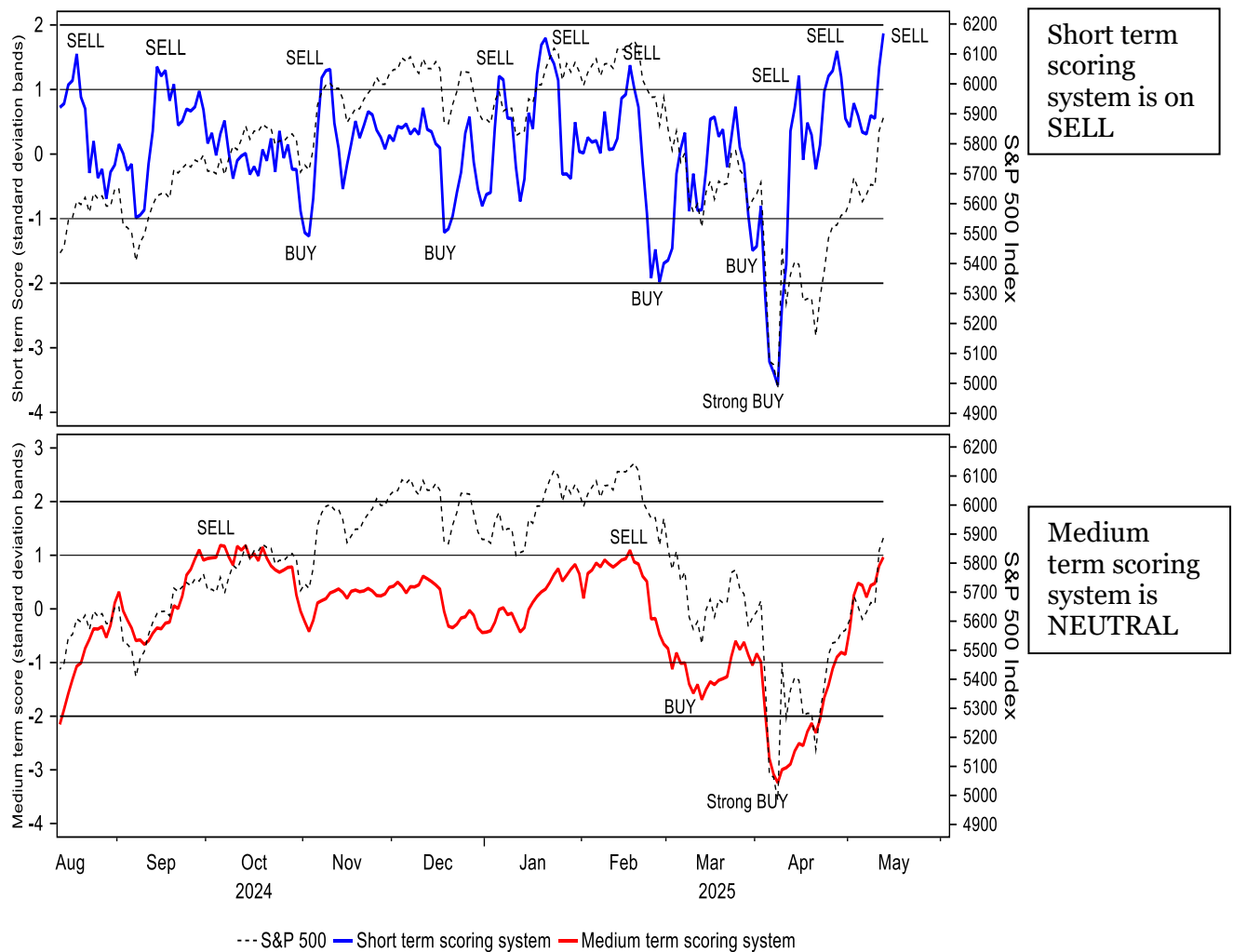
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14th May 2025

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

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



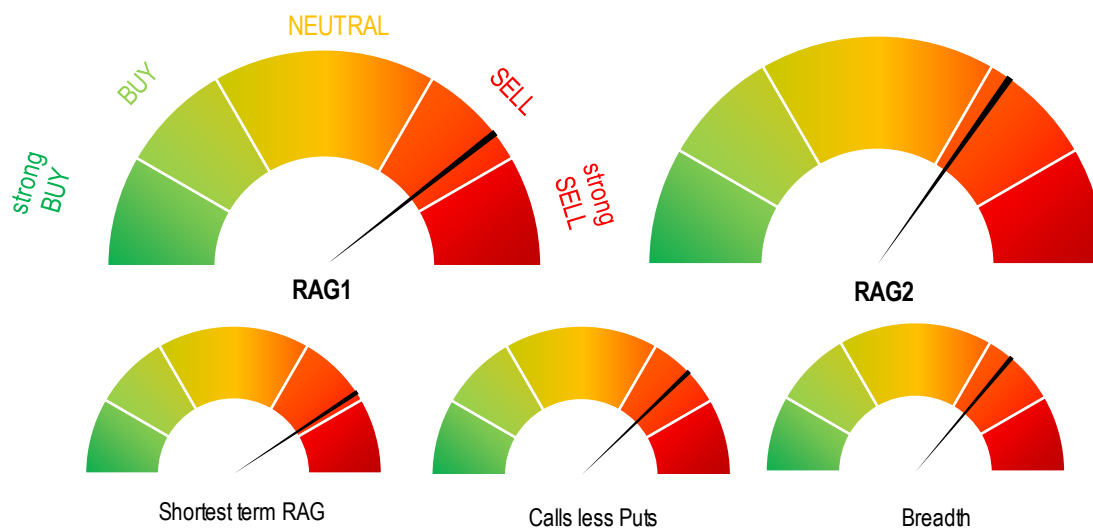
Source: Longview Economics, Macrobond

*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**

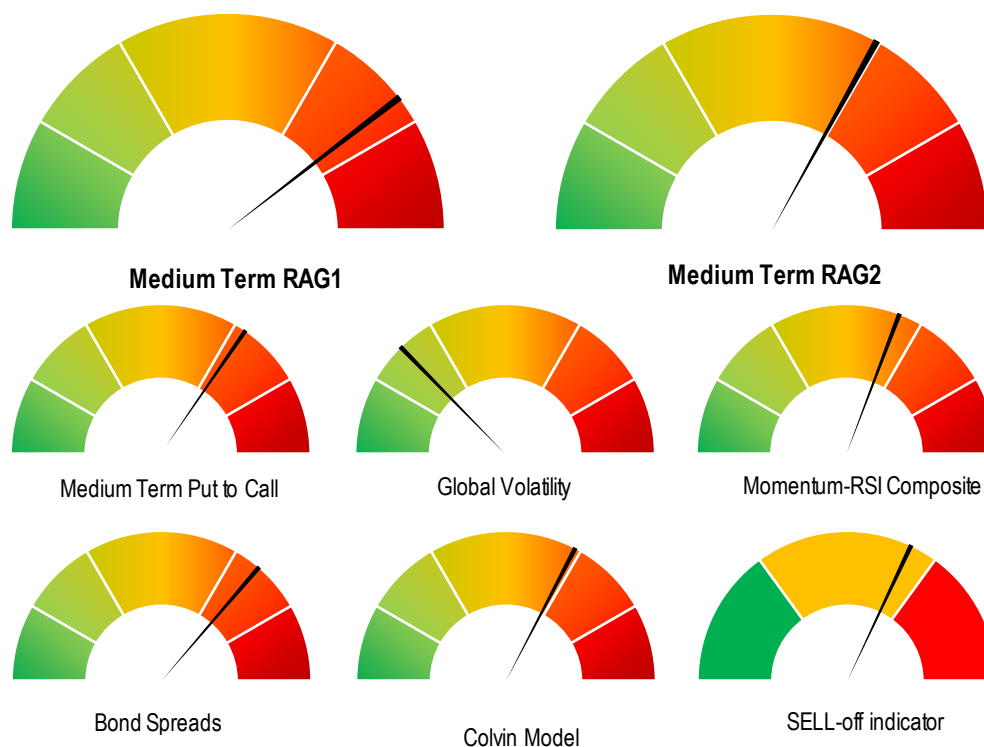
Section 1a: Summary of indicator signals**

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

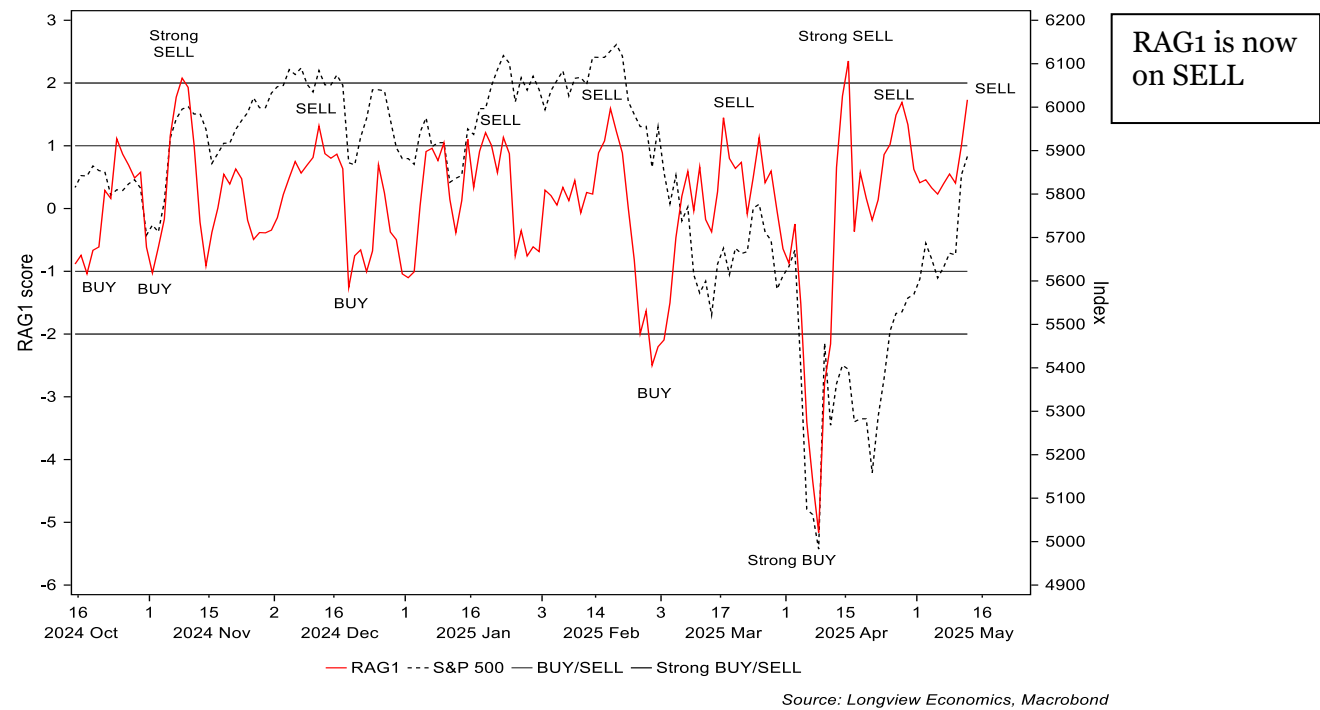
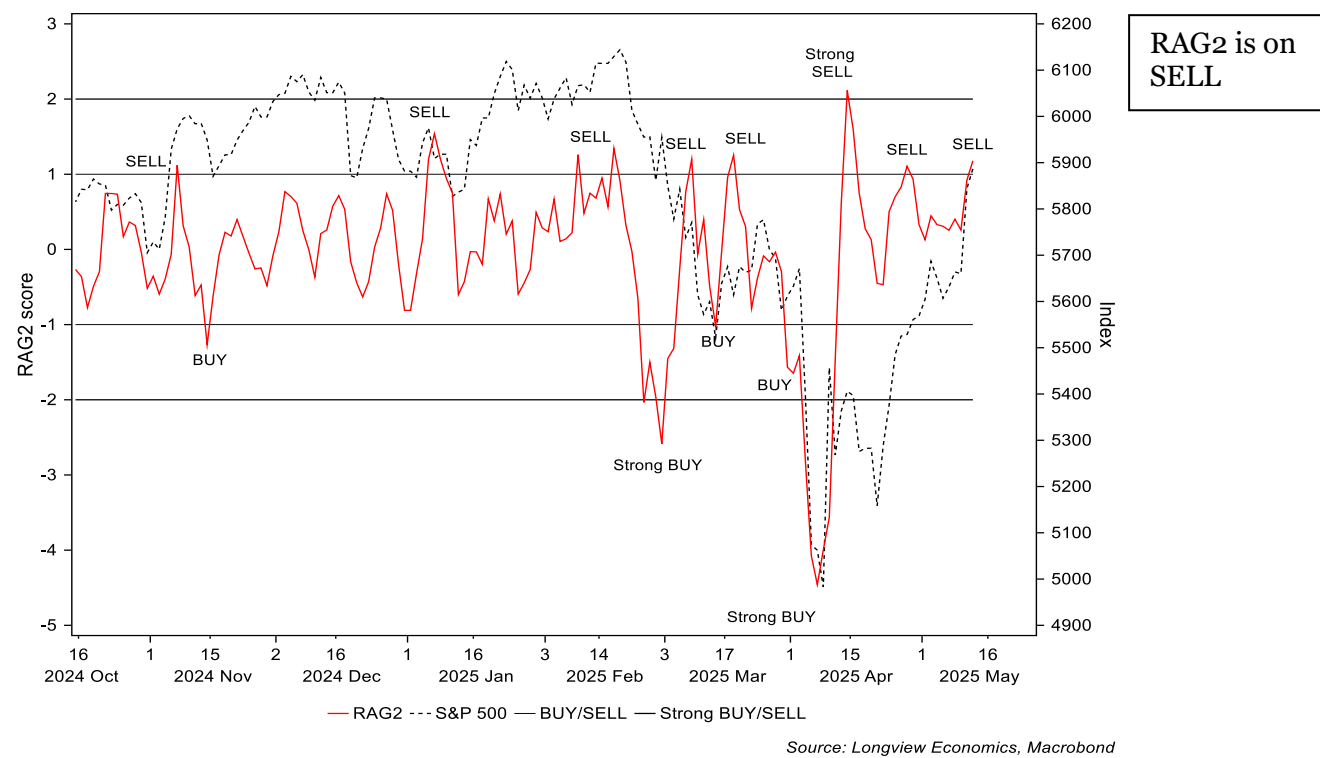


Fig 2b: RAG 2 vs. S&P 500



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

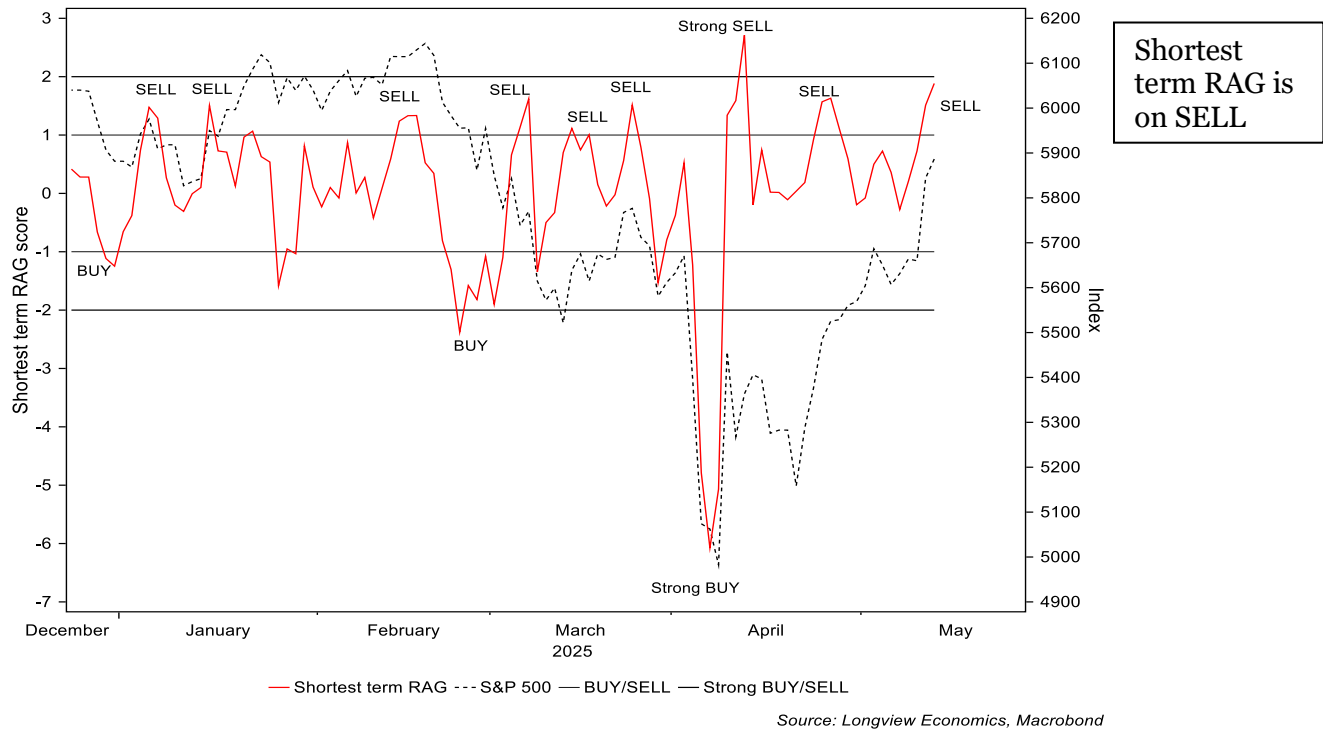
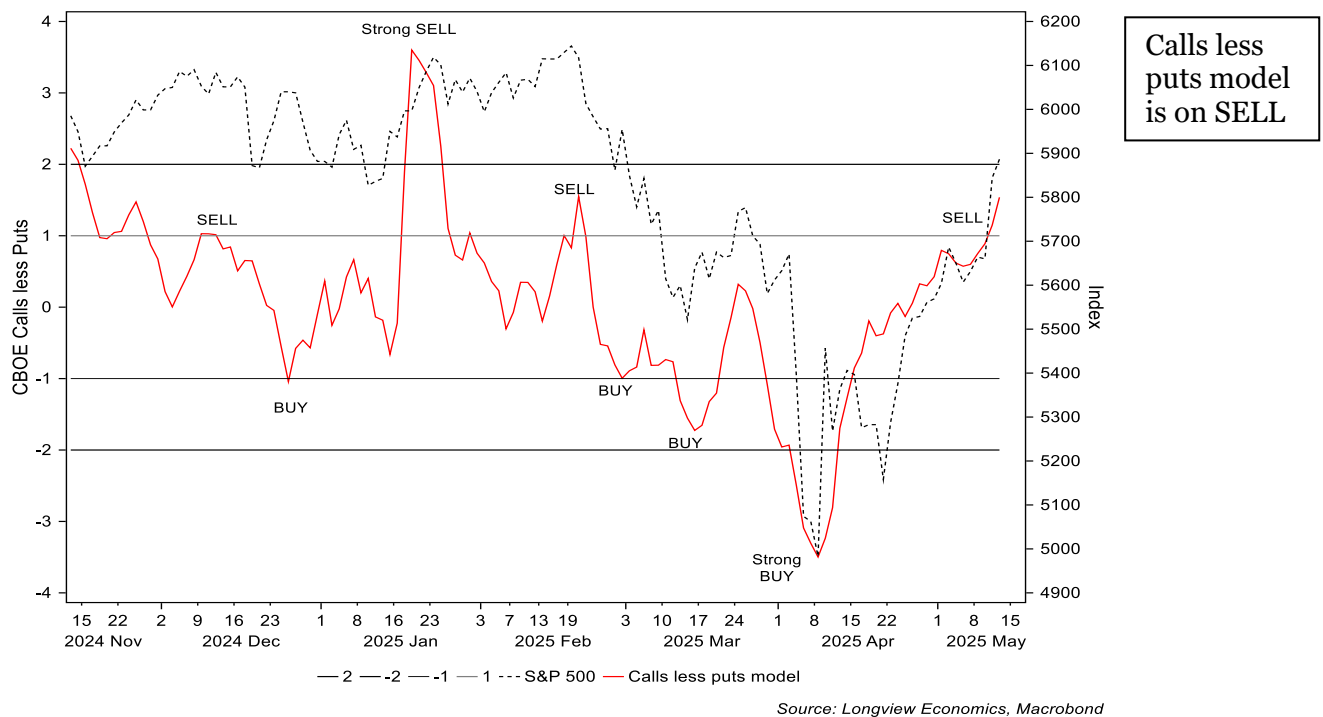
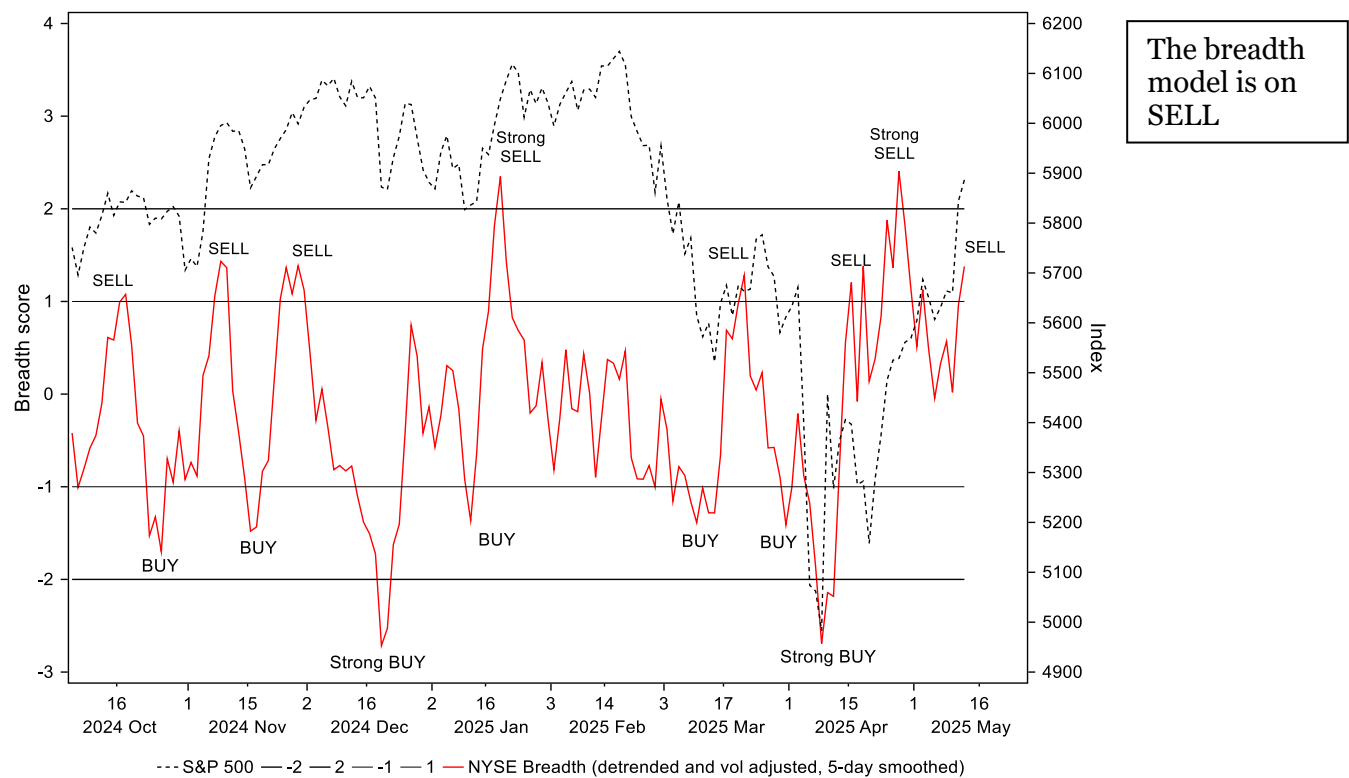


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



For explanations of indicators please see page 10

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



Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

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



Medium term RAG2 is NEUTRAL (just)

Source: Longview Economics, Macrobond

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

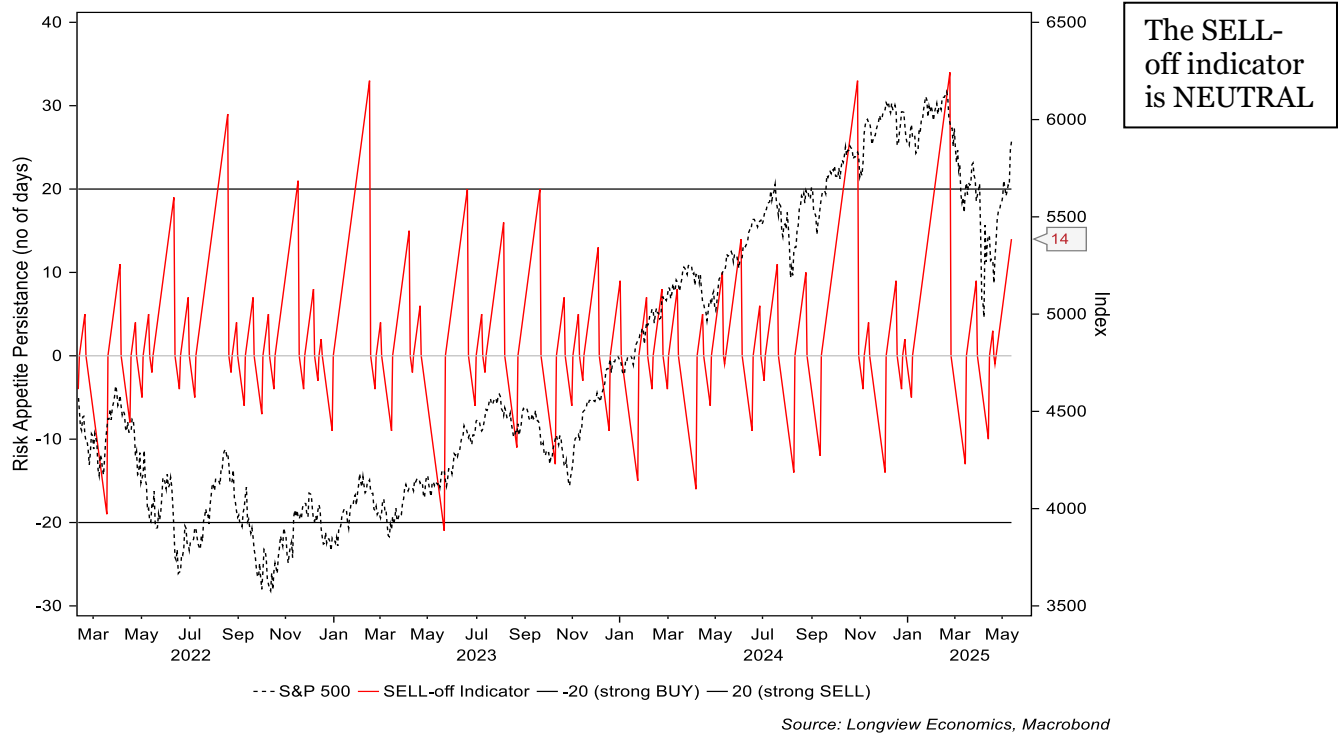
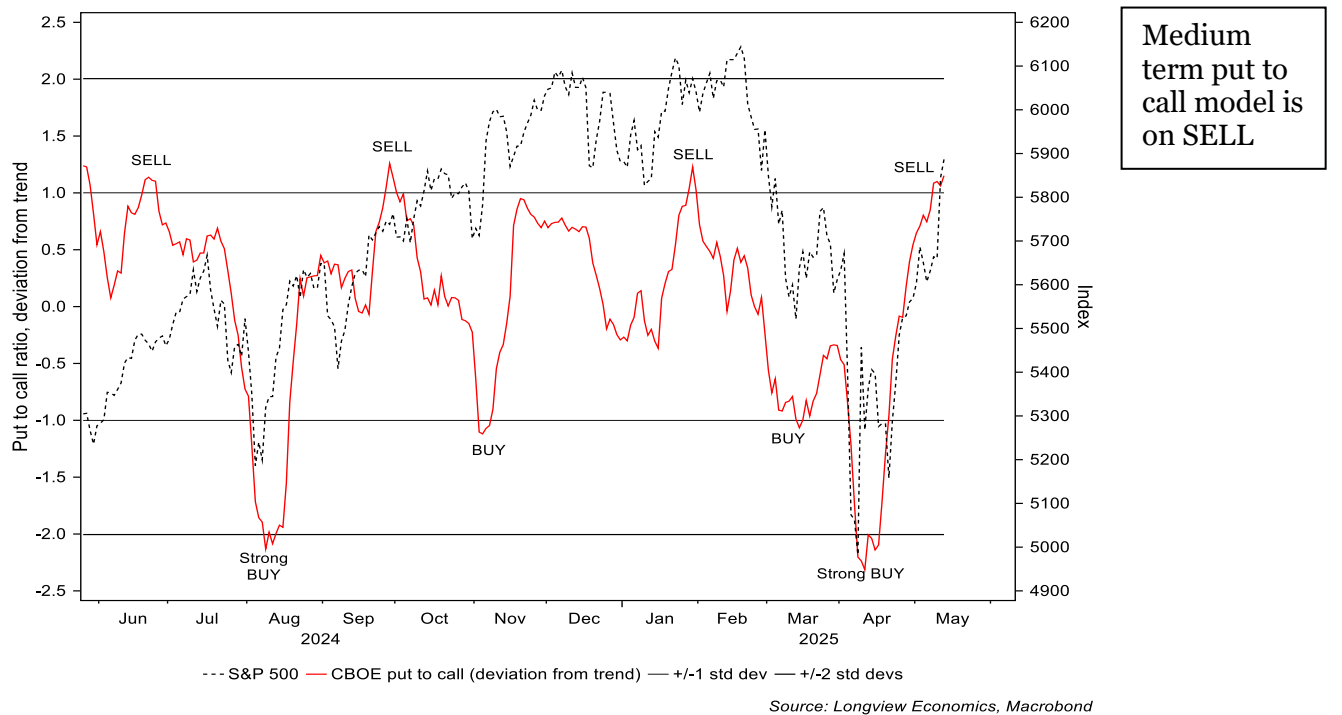


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

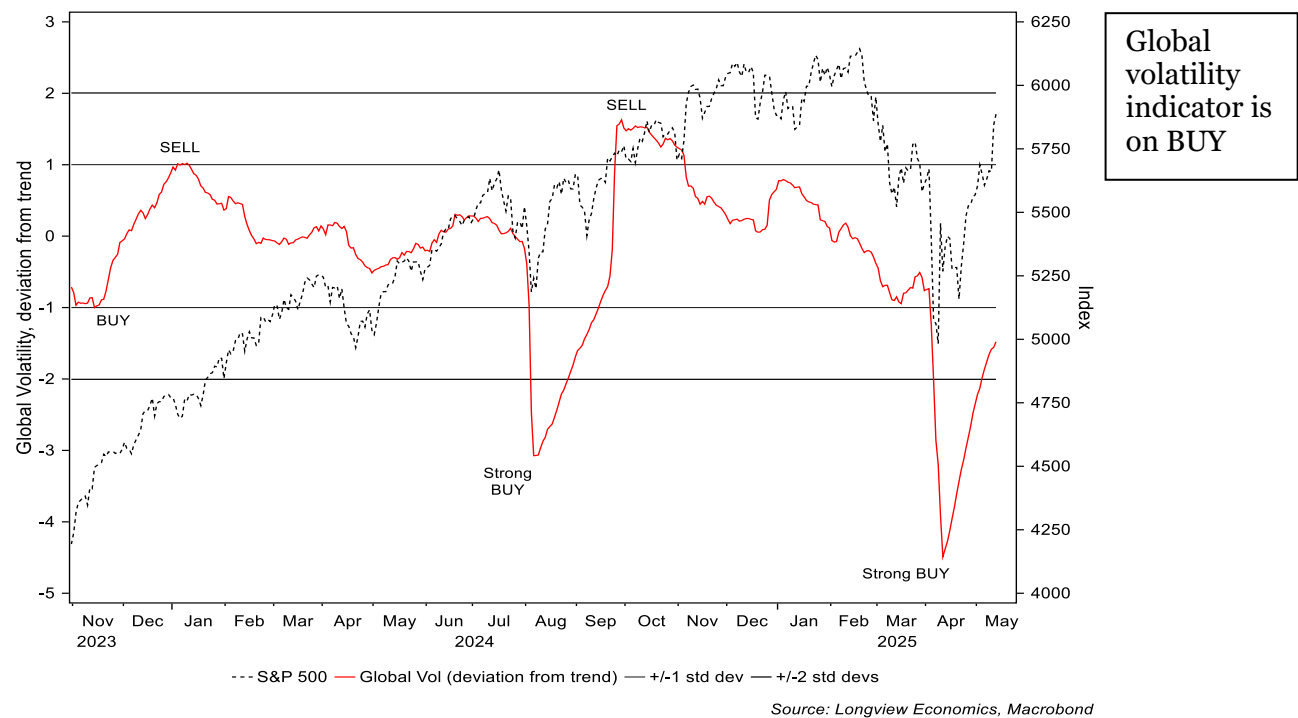


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

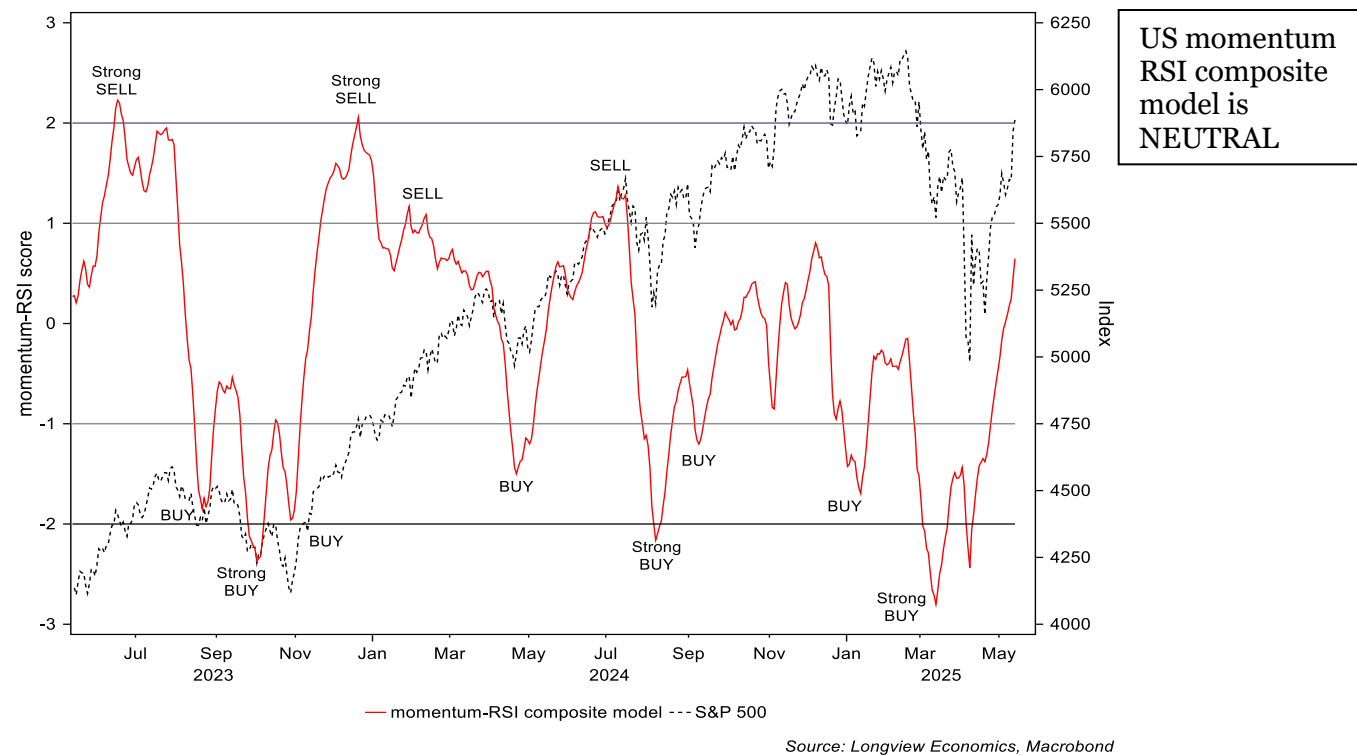


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

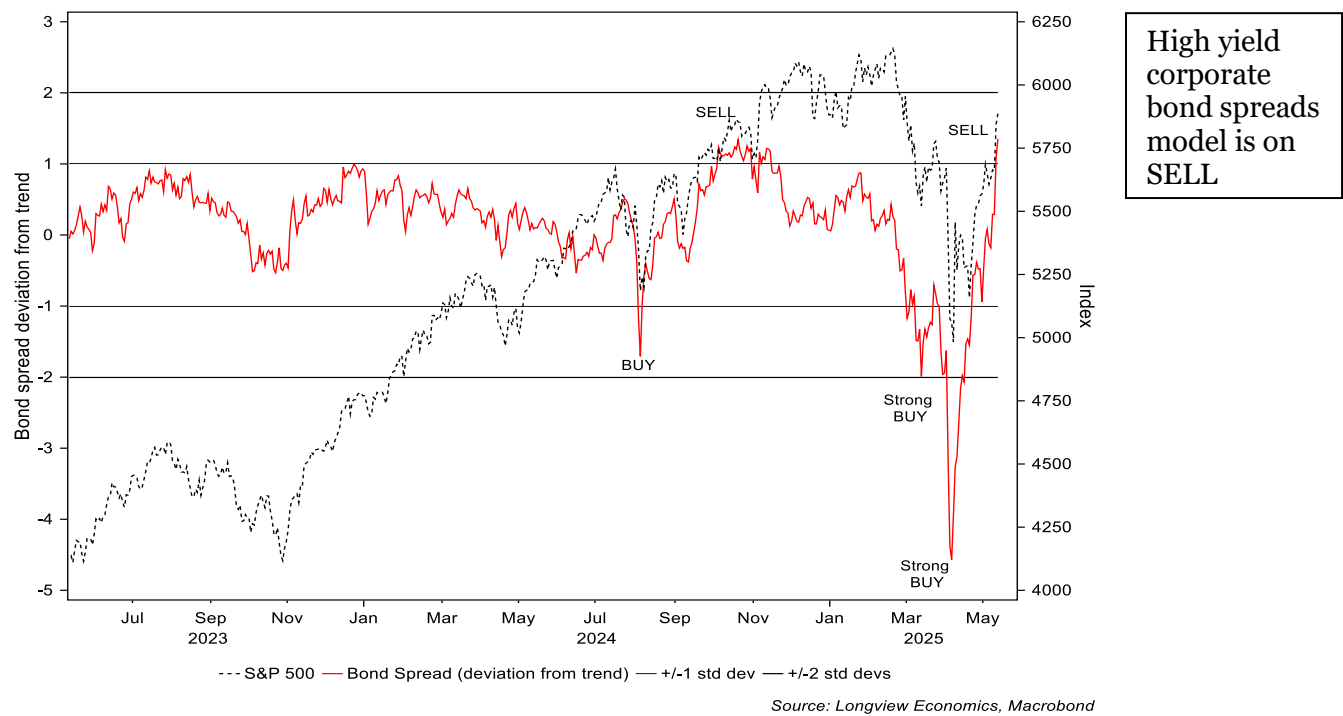
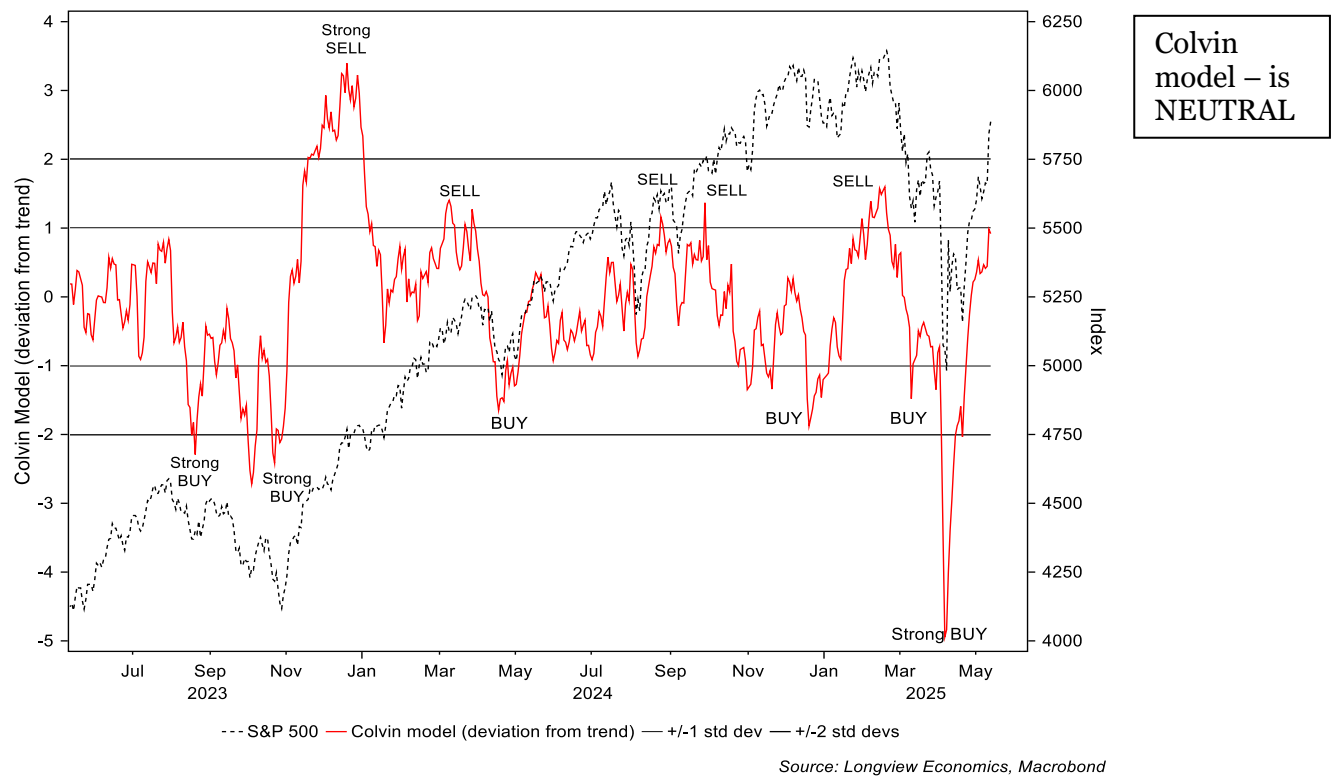


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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