

Equity Index Futures Trading Recommendations

15th April 2025

“Stay LONG - Tighten Stop/Models Moving Fast”

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

- STAY $\frac{1}{4}$ LONG June S&P500 futures (entry was yesterday at 5,465);
- Tighten stop loss to 5,290 (3.2% below entry), from 5,246 yesterday.

Rationale

Markets and models are moving fast. Yesterday’s intraday trading range, despite being considerably lower than in the past few weeks, was still 2% from intraday high to low (FIG 1, i.e. notably above norms). With that, our short-term measure of realised (SPX) volatility remains above the implied equity volatility (i.e. VIX). As such, that model is now generating a SELL signal at +2 standard deviations (FIG 1a). Often in pullbacks, that type of signal can be ignored as it simply reflects ‘realised volatility’ being slow to catch up with the ‘implied equity volatility’ (i.e. given ‘realised’ is calculated using the prior 15 days). At times of policy turbulence, though (like currently), it adds to nervousness.

Many of our short-term models have continued to move higher. A number are now on or close to SELL (having been on BUY a week ago). The short-term risk appetite scoring system, for example, is just below SELL; the combined RAG1 plus RAG2 model is on SELL (with both RAG1 and RAG2 also individually on SELL), see FIGs 2 & 2a. Short term greediness (on this measure) has, therefore, returned to markets after the sharp relief rally in recent trading sessions. The technical scoring system for the S&P500 is also moving towards SELL; with other sector and single stock technical models more mixed (albeit moving higher), see FIGs 2c – 2e. Overall, therefore, the message of the short-term models is less compelling (with BUY signals having unwound).

Fibonacci levels still point to some further upside. Key S&P500 retracement levels are shown on FIG 1d below and include: i) 5,528 (50% retracement); & ii) 5,692 (61.8% retracement). NDX100 Fibonacci levels are also shown below (FIG 1e).

Bond yields eased yesterday, with some relief from that equity pressure valve (as yields had backed up in the past week). The Fed fund futures curve also priced in an extra 8bps of rate cuts in 2025 (perhaps reflecting Governor Waller’s comments about ‘transitory’ inflation from tariffs).

Medium term models, meanwhile, remain heavily leaning towards (or on) BUY, or even strong BUY. In the medium term we moved tactically overweight equities (with an initial small position size) on Tuesday last week (see Longview Alert).

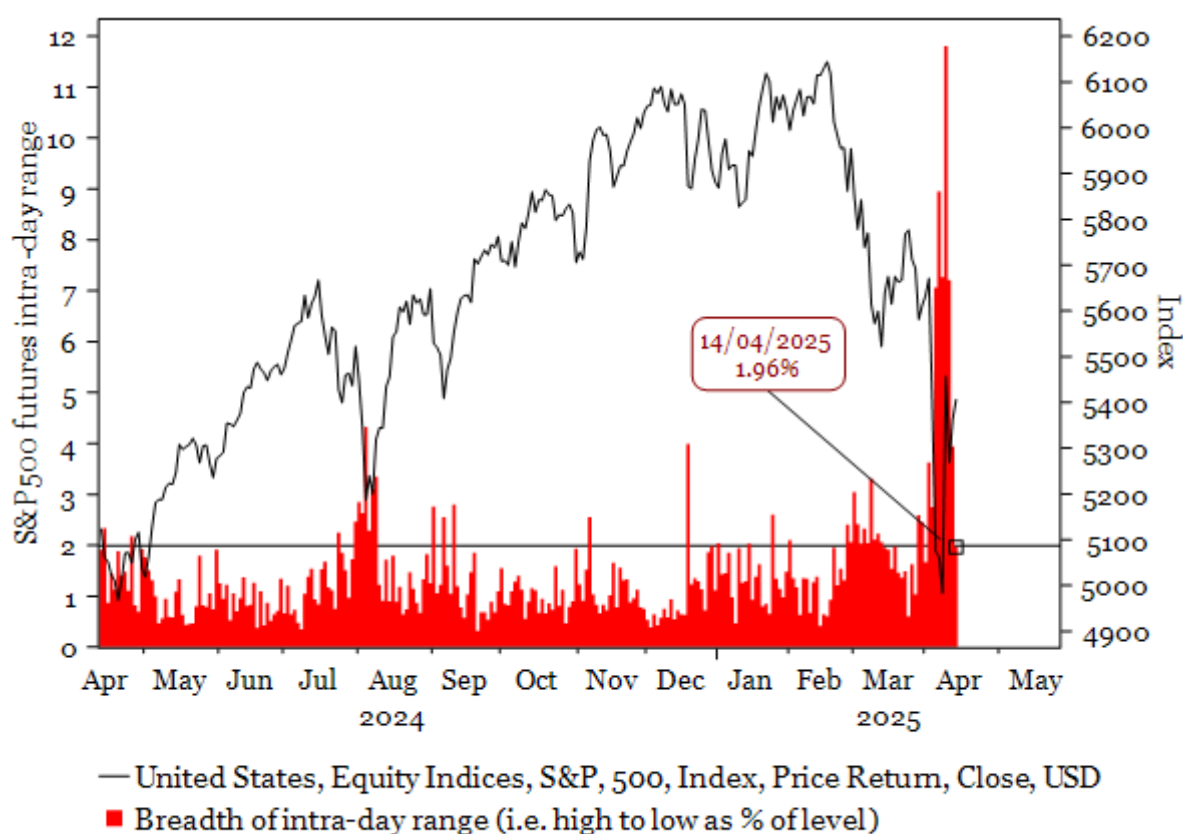
From the perspective of this 1 – 2 week LONG trade, the continued move higher in the models yesterday adds to our nervousness (along with the heightened policy unpredictability). Some room remains, though, for further near term upside over the next handful of trading sessions. In particular, there is some headroom (until SELL signals) on various short term models (albeit that space has diminished over the past few trading sessions); while the market is not yet at key Fibonacci resistance levels (i.e. 50% or 61.8% -> SPX and NDX100). Added to that, whilst the realised less implied volatility model is a concern, both the VIX and VVIX remain especially elevated – with potential for further falls in the near term.

As such, we recommend STAYing LONG for now but with a tighter stop loss (to reflect our concerns raised above). See trading recommendation for details.

Kind regards,

The team @ Longview Economics

FIG 1: Breadth of S&P500 futures intraday trading range vs. S&P500



Source: Longview Economics, Macrobond

FIG 1a: Realised S&P500 volatility LESS implied equity volatility (VIX) vs. S&P500

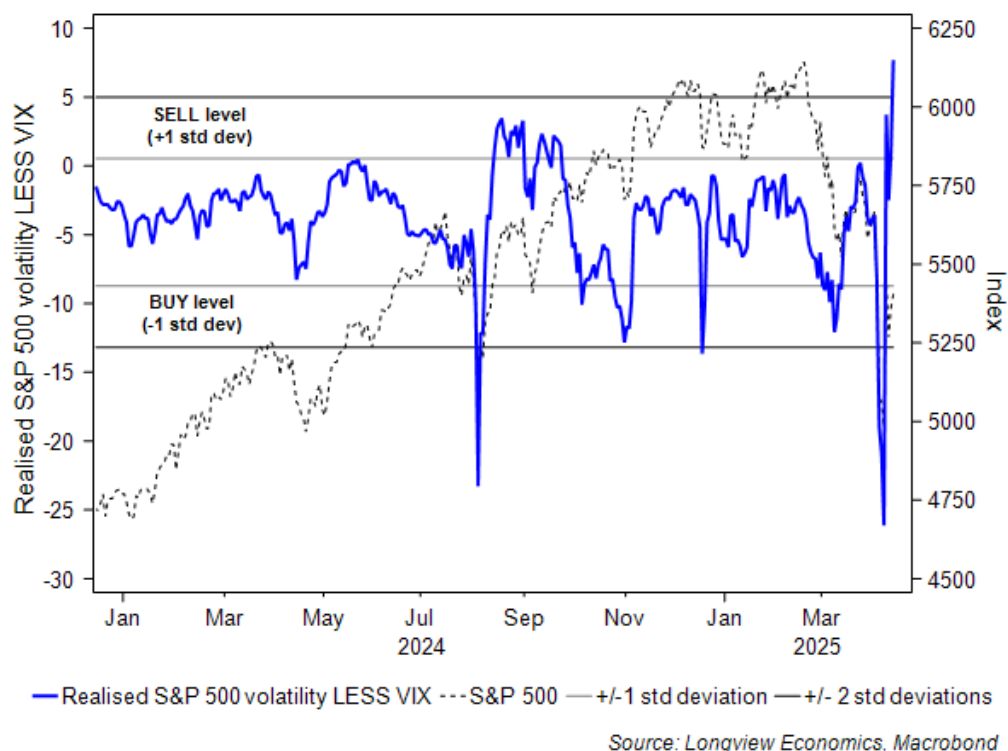


FIG 1b: S&P500 futures 10-day tick chart shown with overnight price action



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



Source: Longview Economics, Macrobond

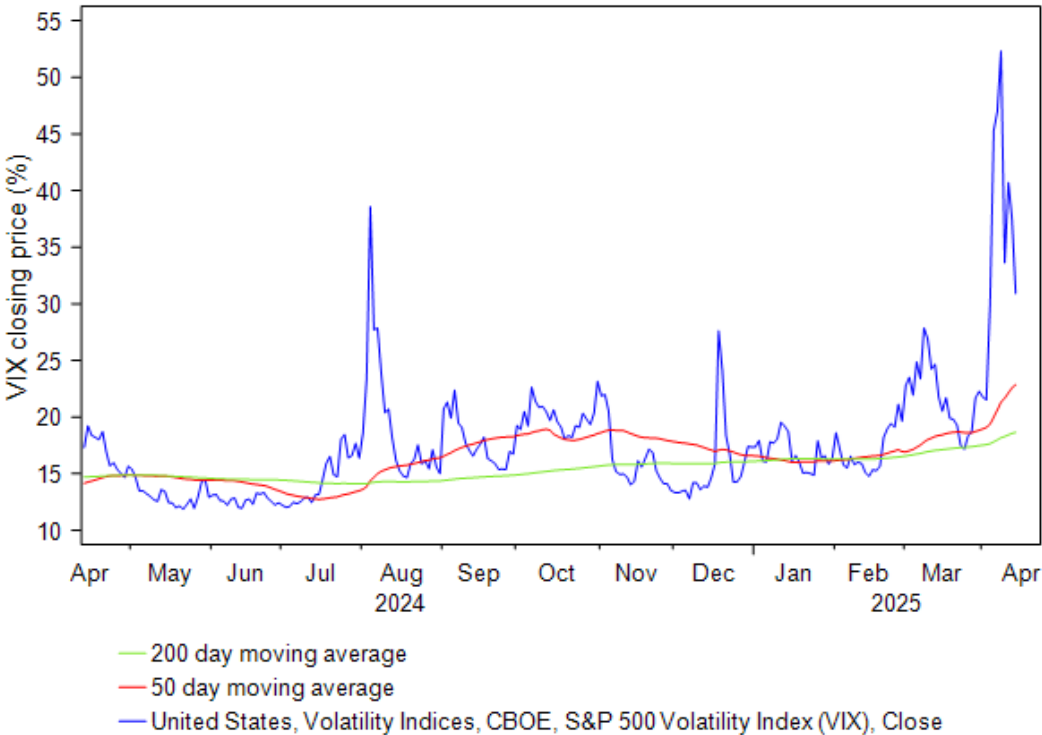
FIG 1d: S&P500 futures shown with key Fibonacci retracement levels



FIG 1e: NASDAQ100 futures shown with key Fibonacci retracement levels



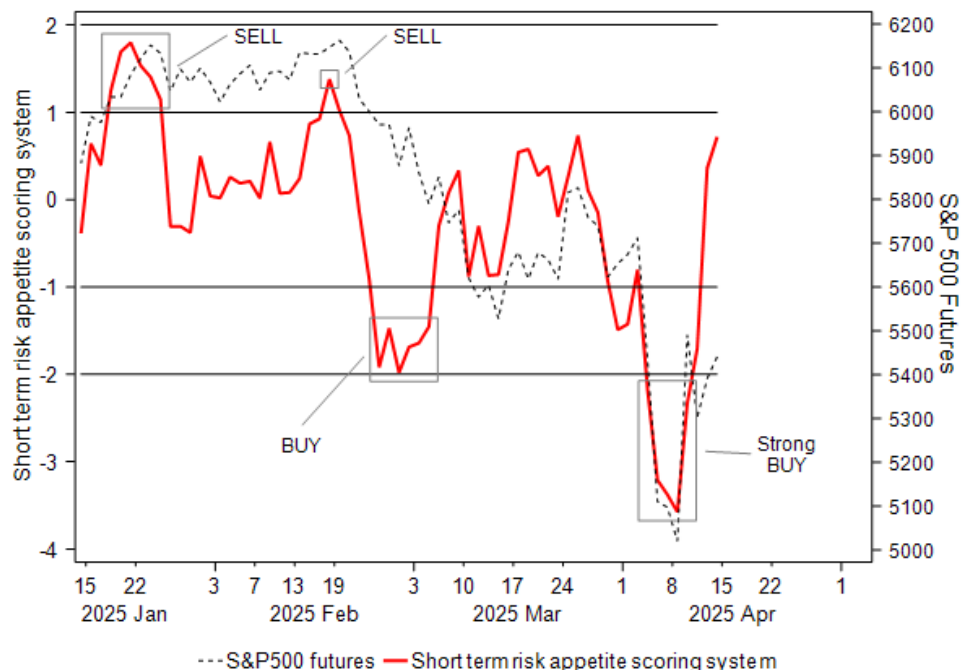
FIG 1f: VIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

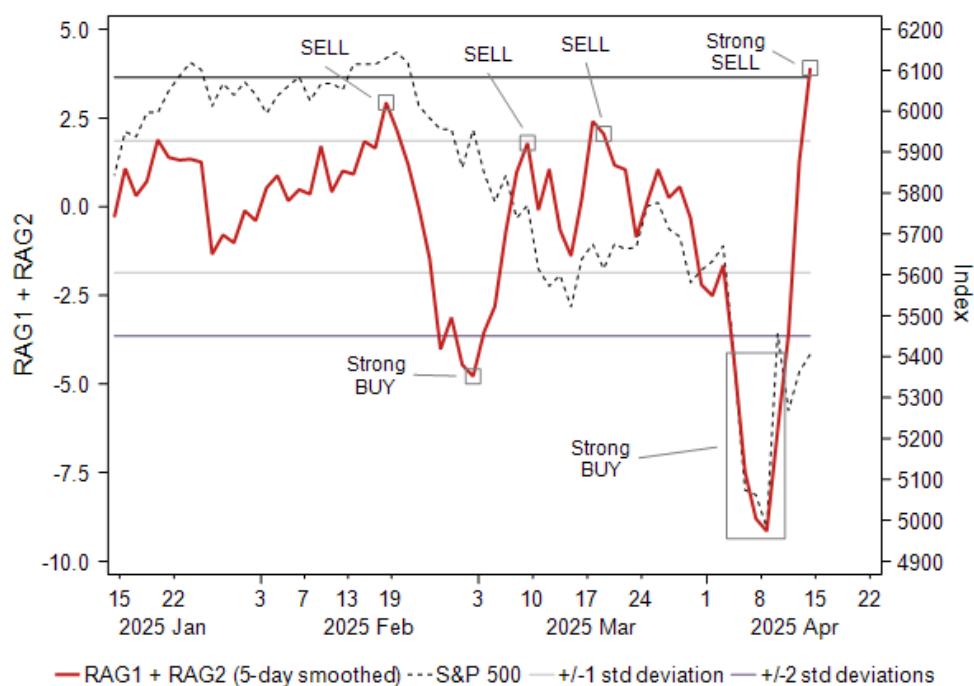
Short term risk appetite models are moving towards SELL...

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



Source: Longview Economics, Macrobond

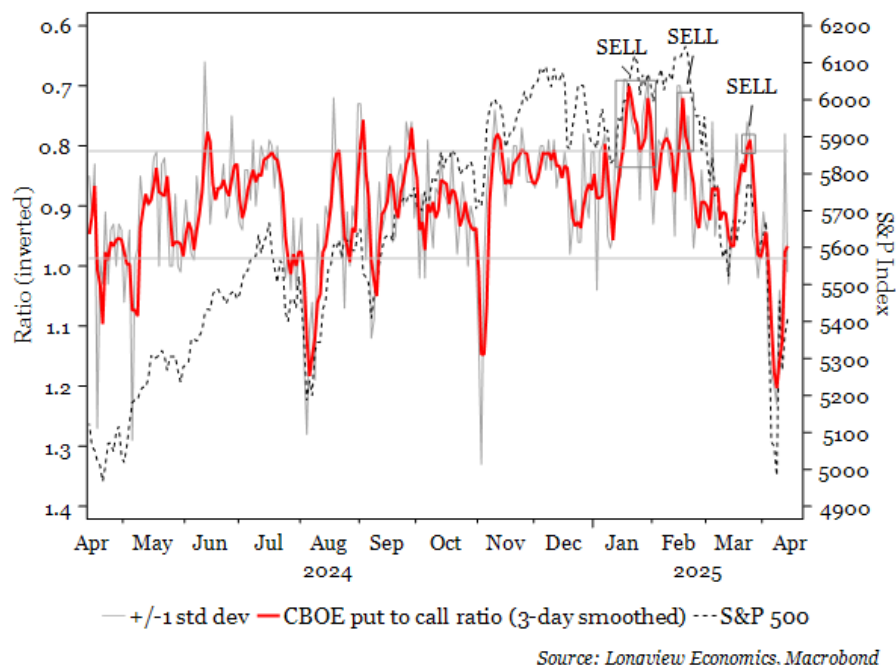
FIG 2a: Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

Put to call ratio models are more mixed...

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



Technical & price-based models are mid-range...

FIG 2c: Longview S&P500 short term 'technical' scoring system vs. S&P500 futures

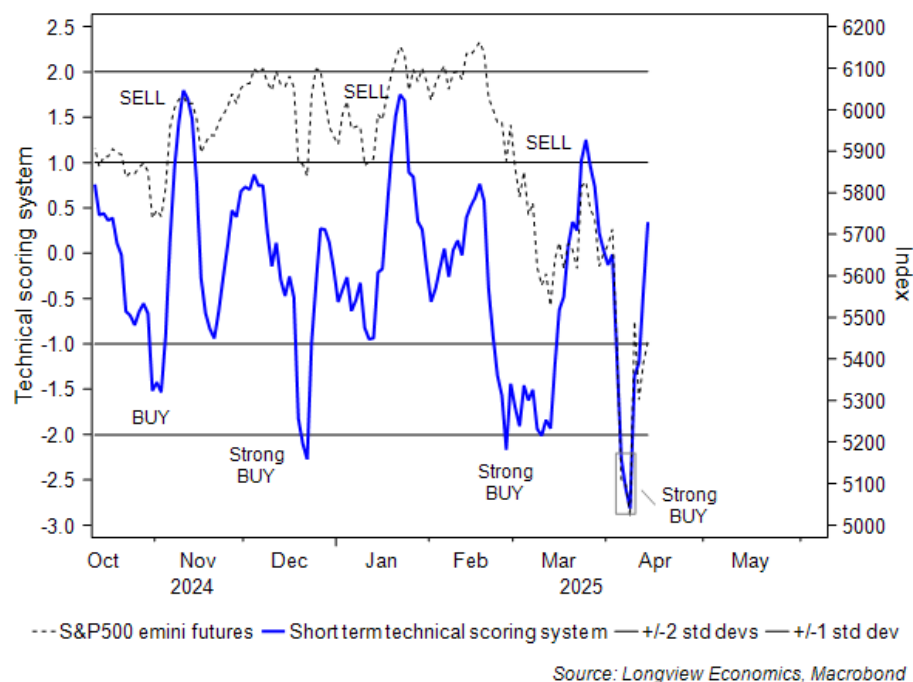
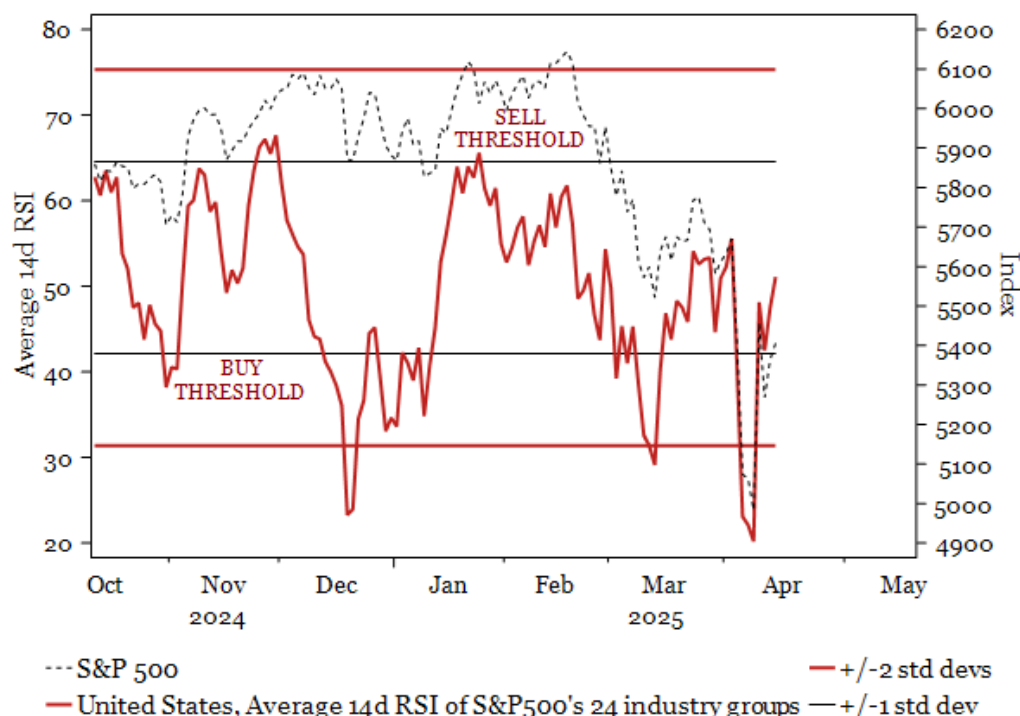
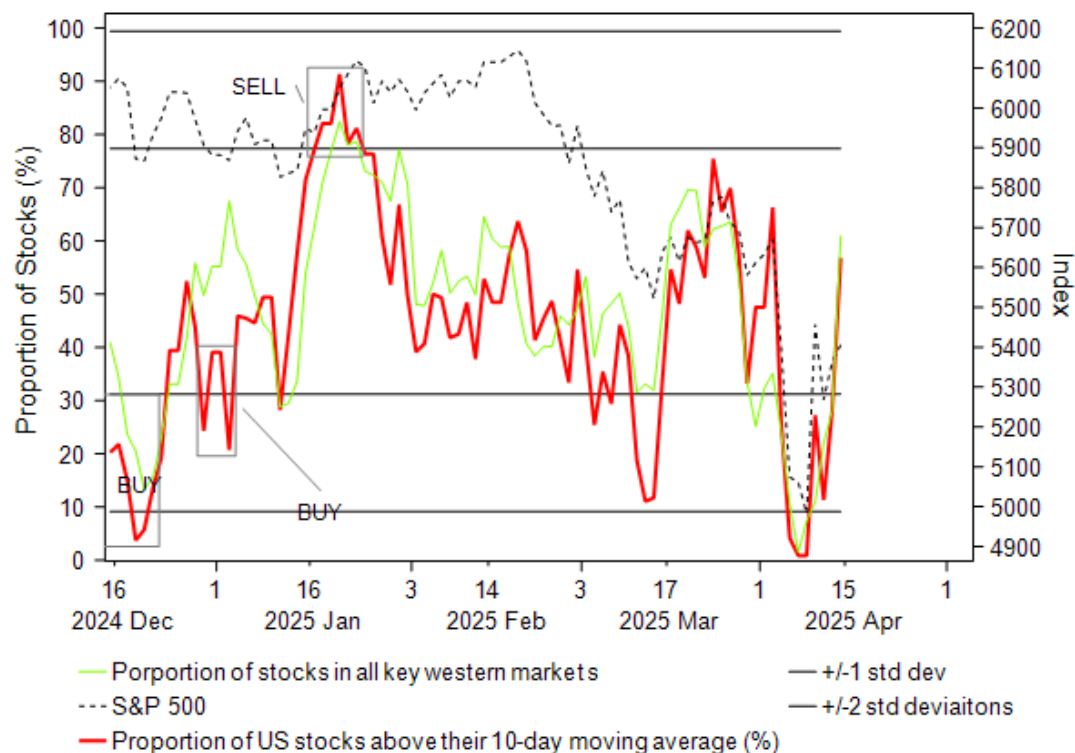


FIG 2d: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

FIG 2e: Proportion of US stocks above their 10-day moving average vs. S&P500



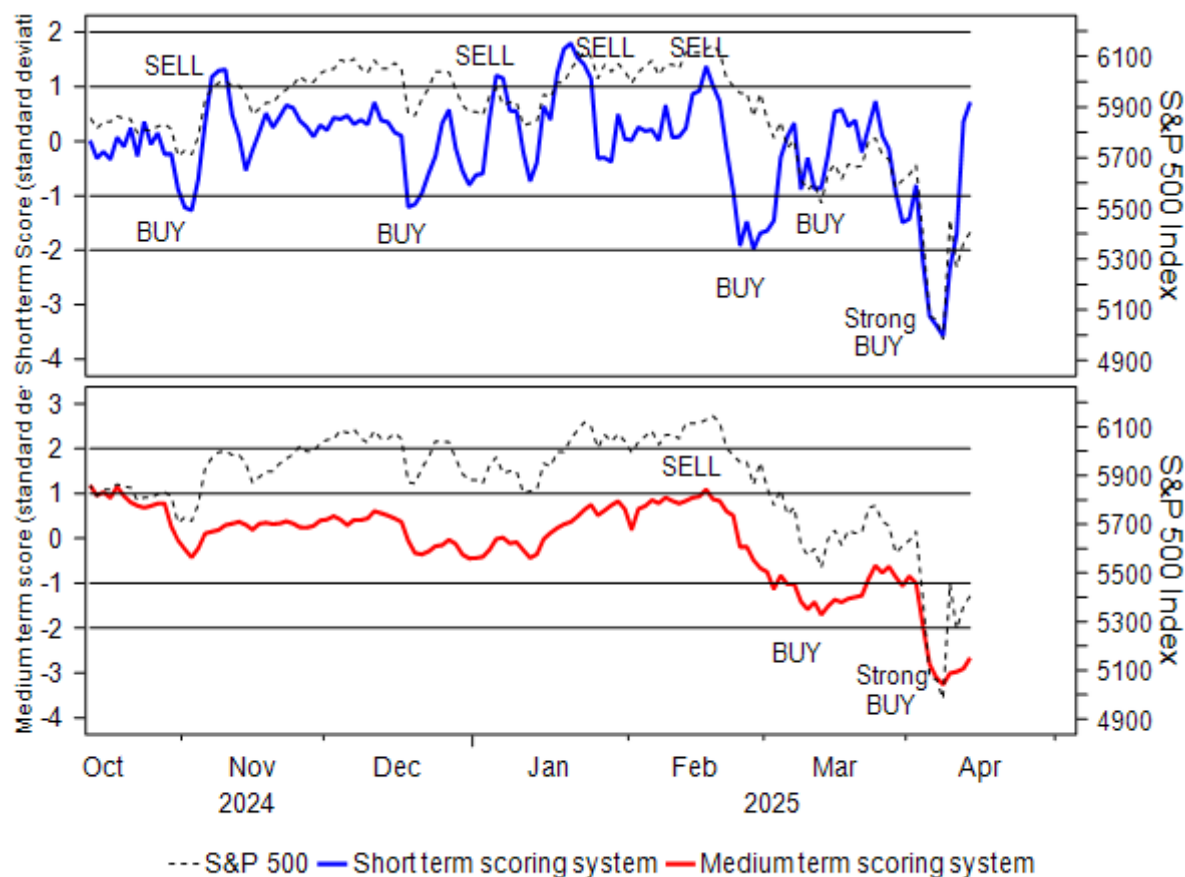
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

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

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



Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: UK BRC retail sales (Mar, 12:01am); **UK employment, jobless claims & average weekly earnings** (Mar/Feb, 7am); French headline & core CPI (March final estimate, 7:45am); **German & Eurozone ZEW survey – expectations & current situation** (Apr, 10am); **Eurozone industrial production** (Feb, 10am); Canadian housing starts (Mar, 1:15pm); Canadian manufacturing & wholesale sales (Feb, 1:30pm); US Empire manufacturing (Mar, 1:30pm); Canadian core CPI (Mar, 1:30pm); US imports and exports price index (Mar, 1:30pm); Canadian existing home sales (Mar, 2pm).

Key events today include: Speech by the Fed's Bostic in a fireside chat on policy (12:40am); RBA releases minutes of April policy meeting (Tues, 2:30am); ECB releases bank lending survey (9am).

Key earnings today include: **J&J, Bank of America, Citigroup**, PNC Financial, **Louis Vuitton**, Rio Tinto PLC.

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.



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1 – 2 Week View on Risk

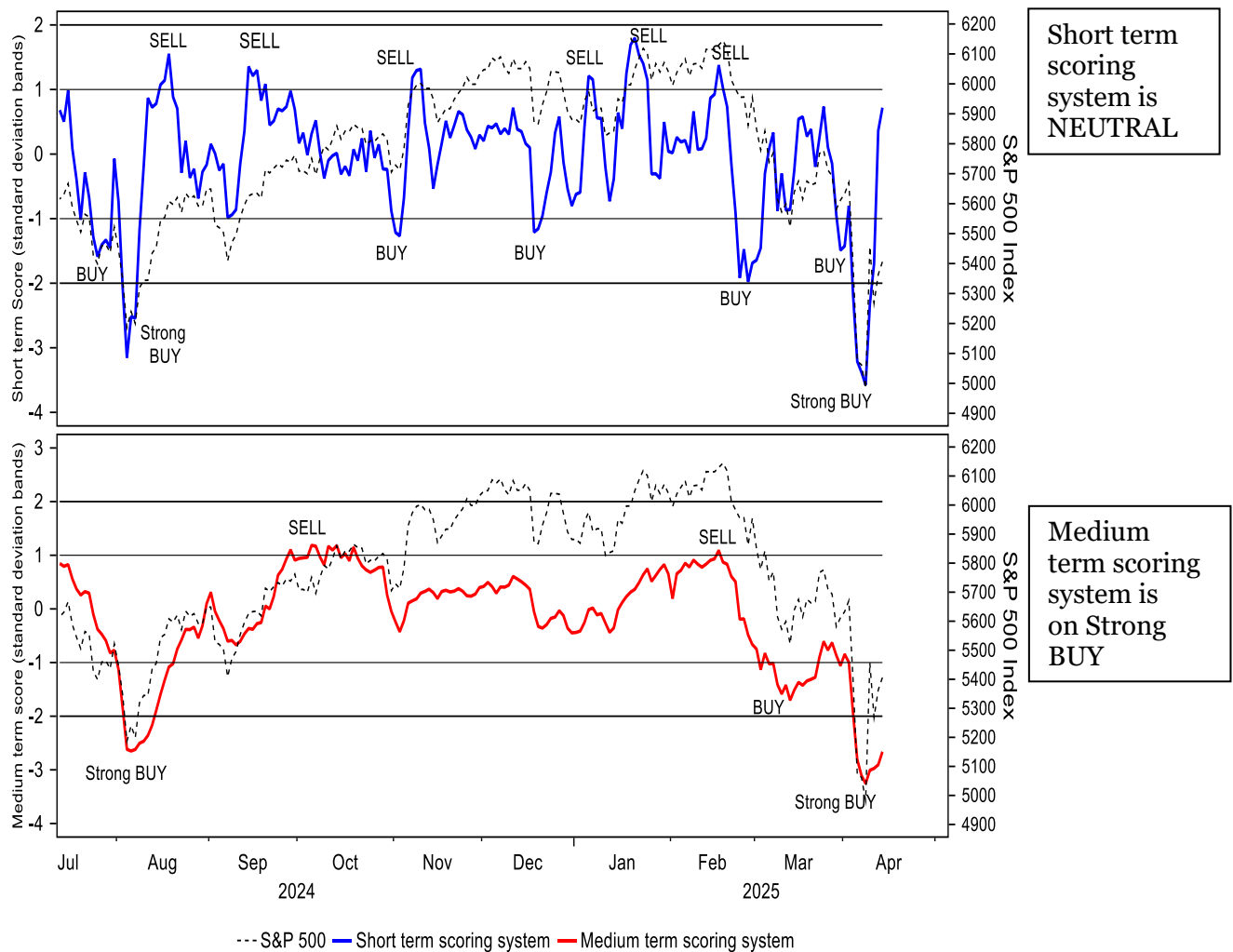
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15th April 2025

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

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



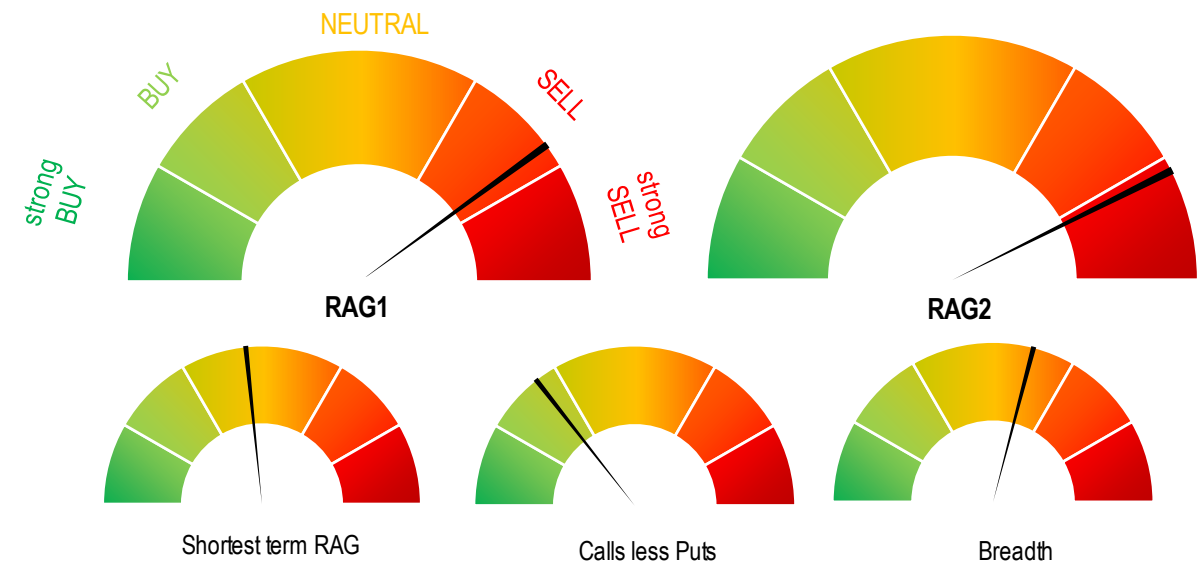
Source: Longview Economics, Macrobond

*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

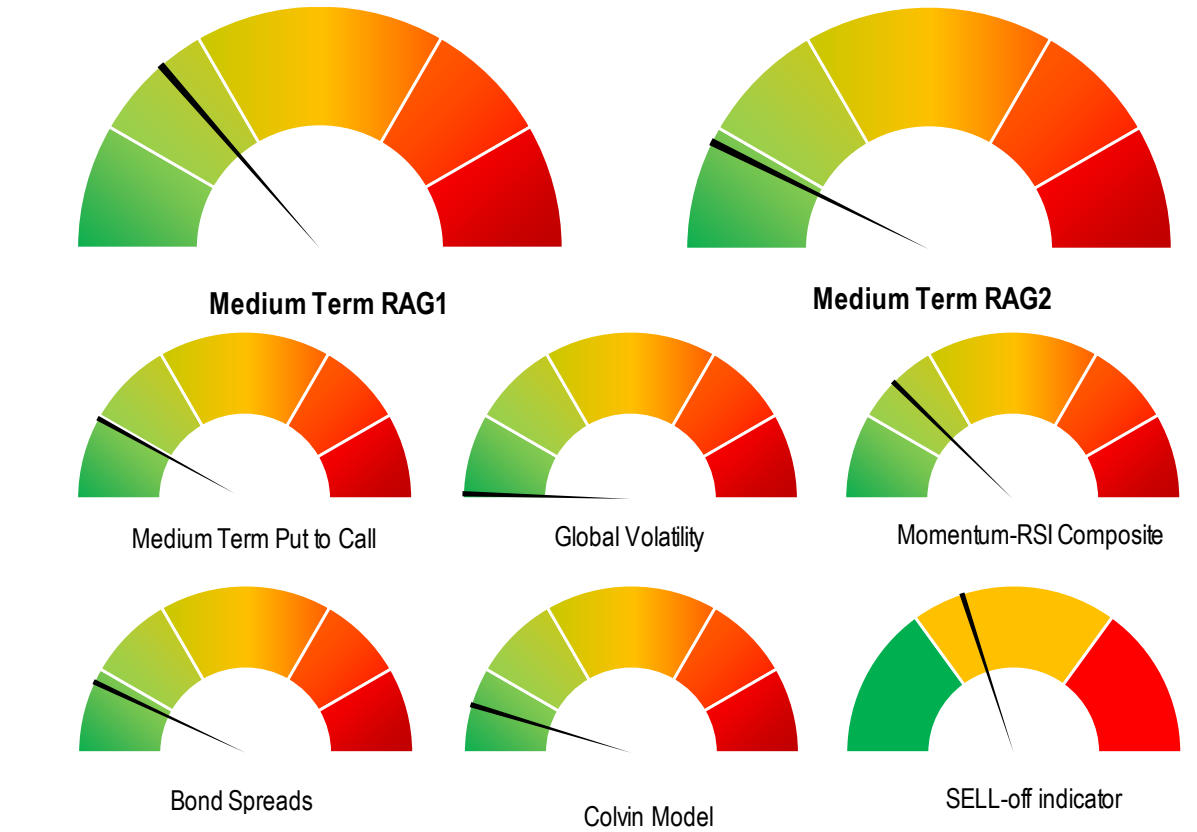
Section 1a: Summary of indicator signals**

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

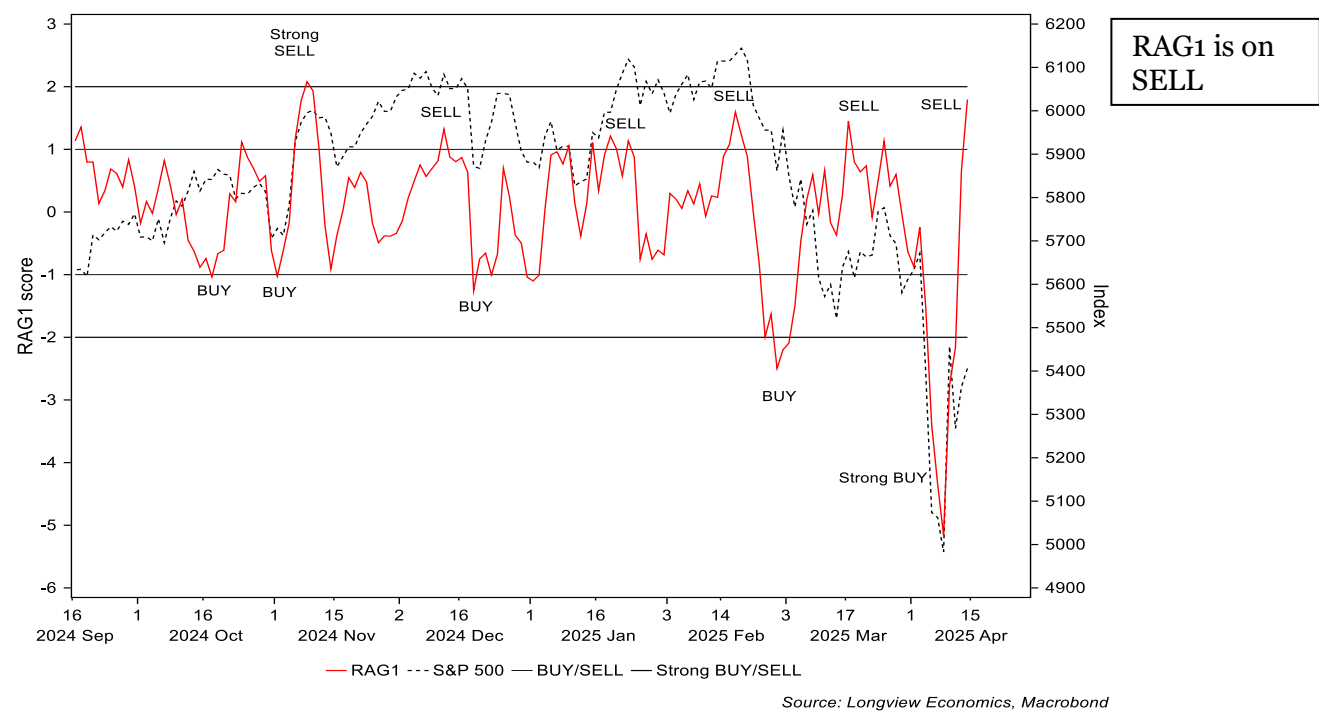
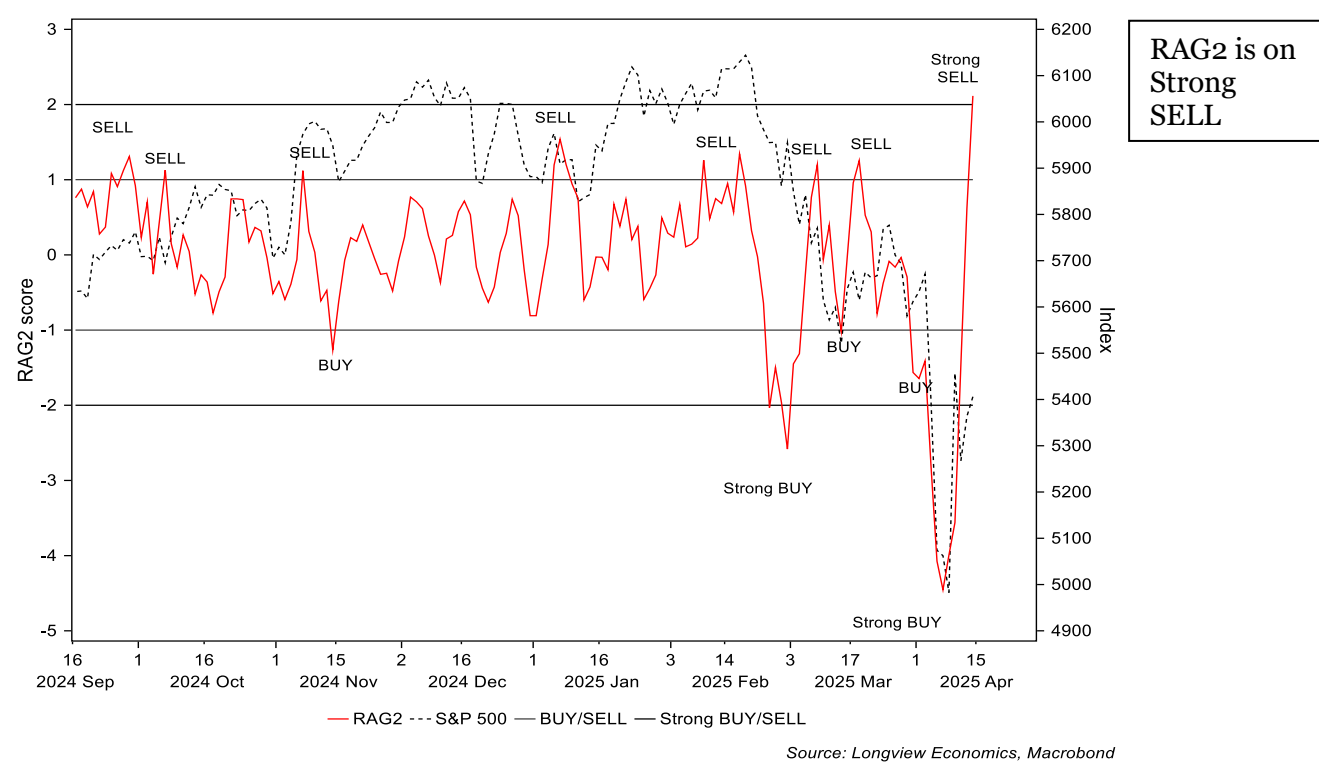


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

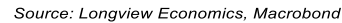
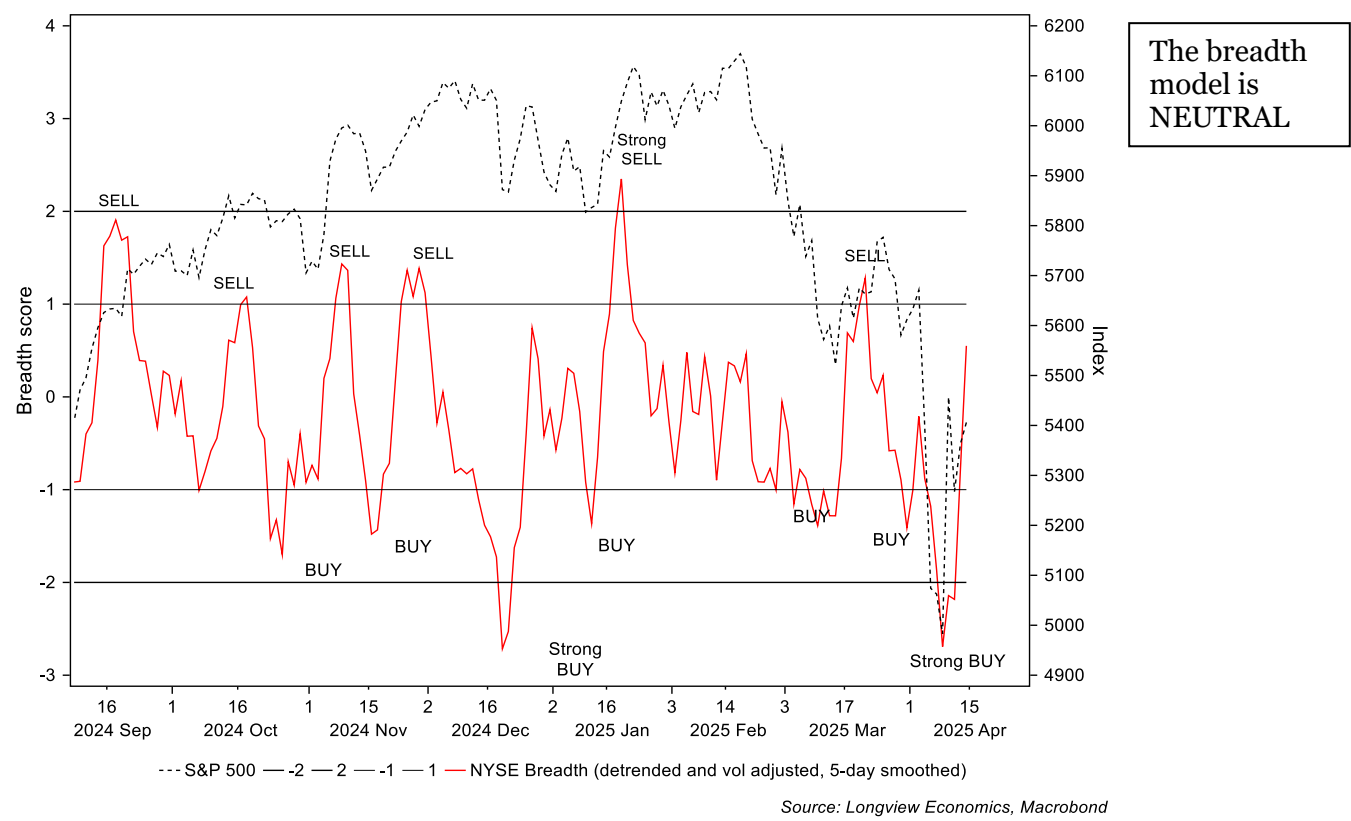


Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



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

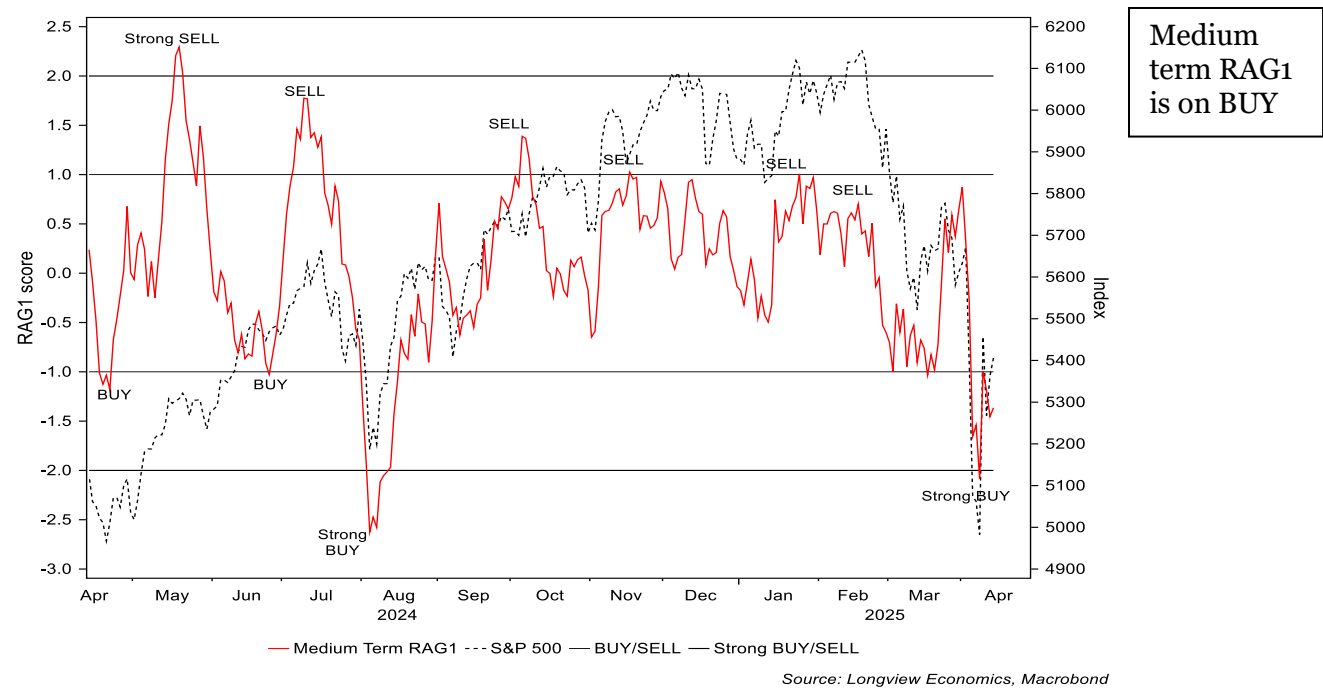
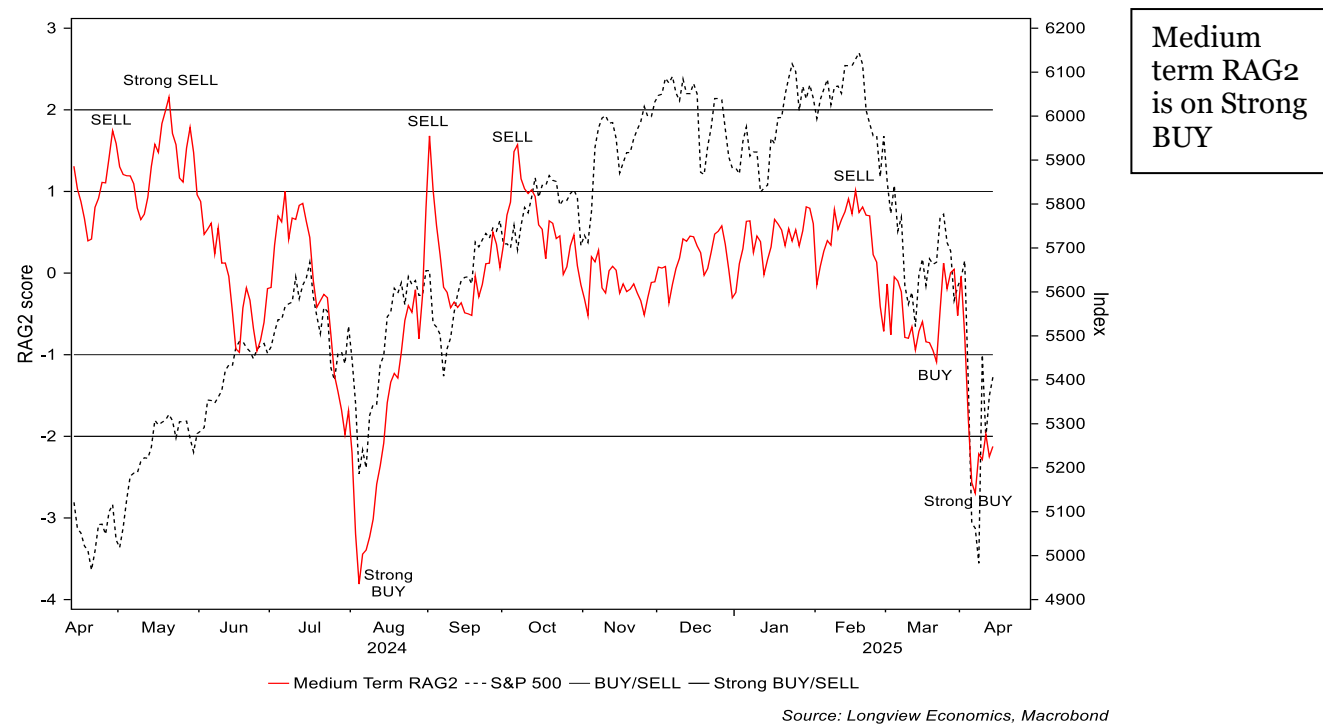


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

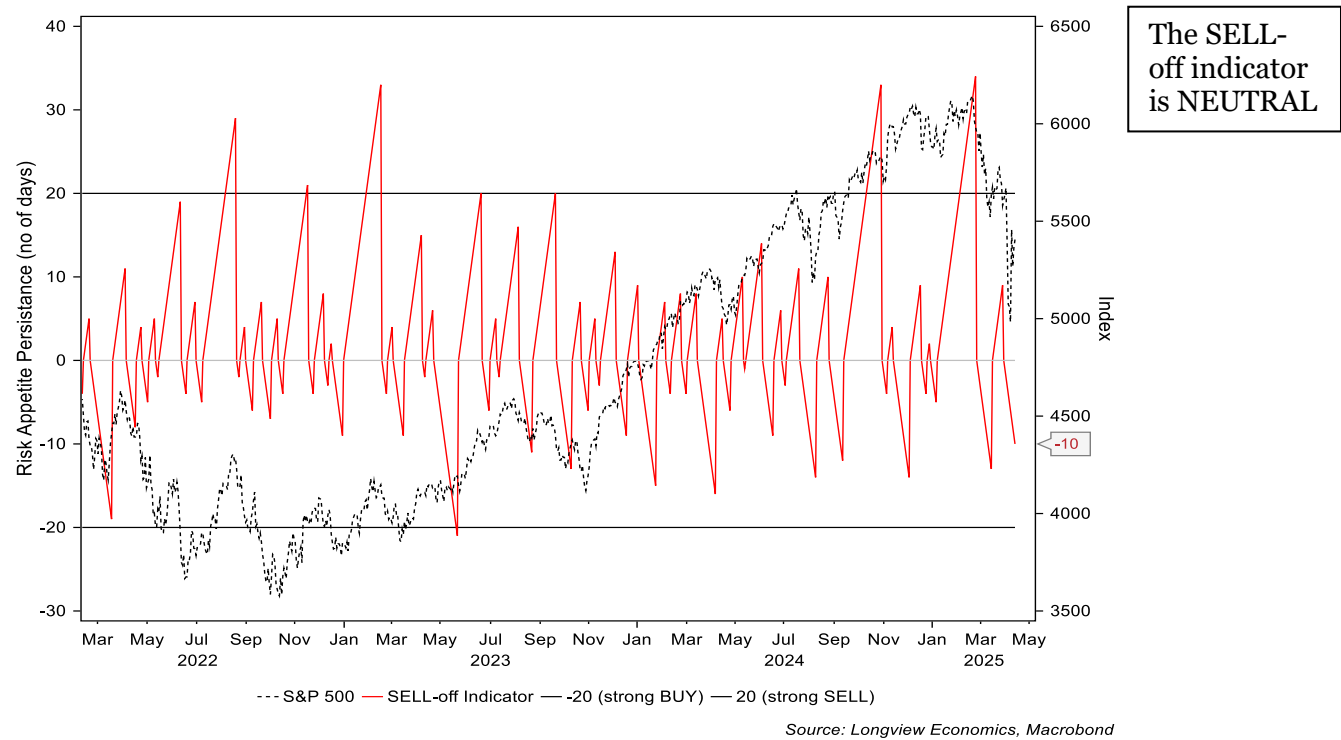
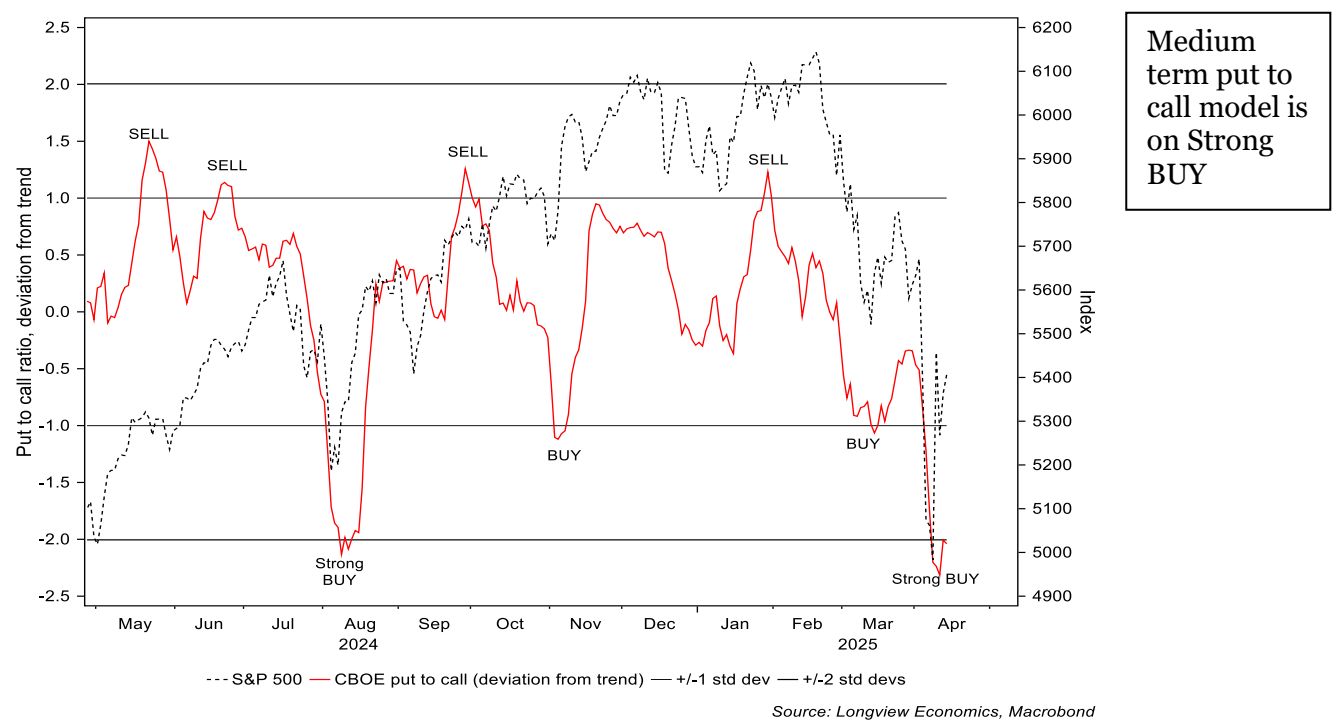


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

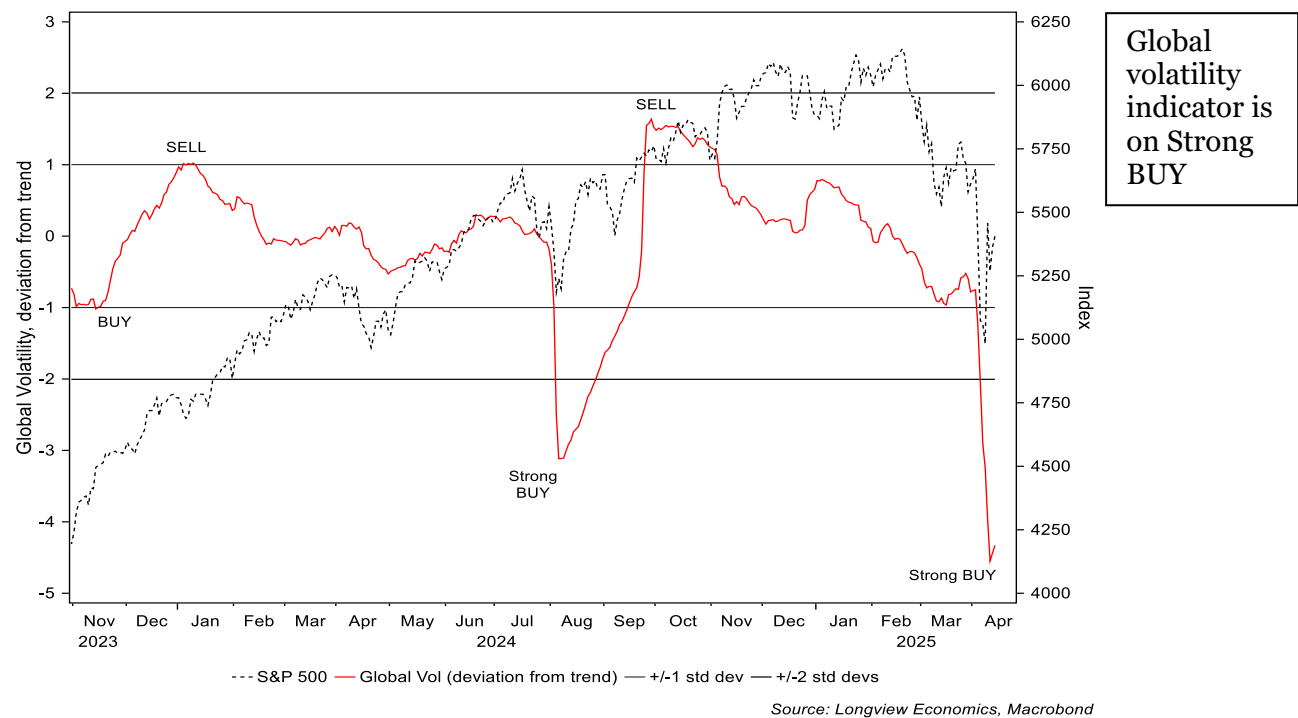


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

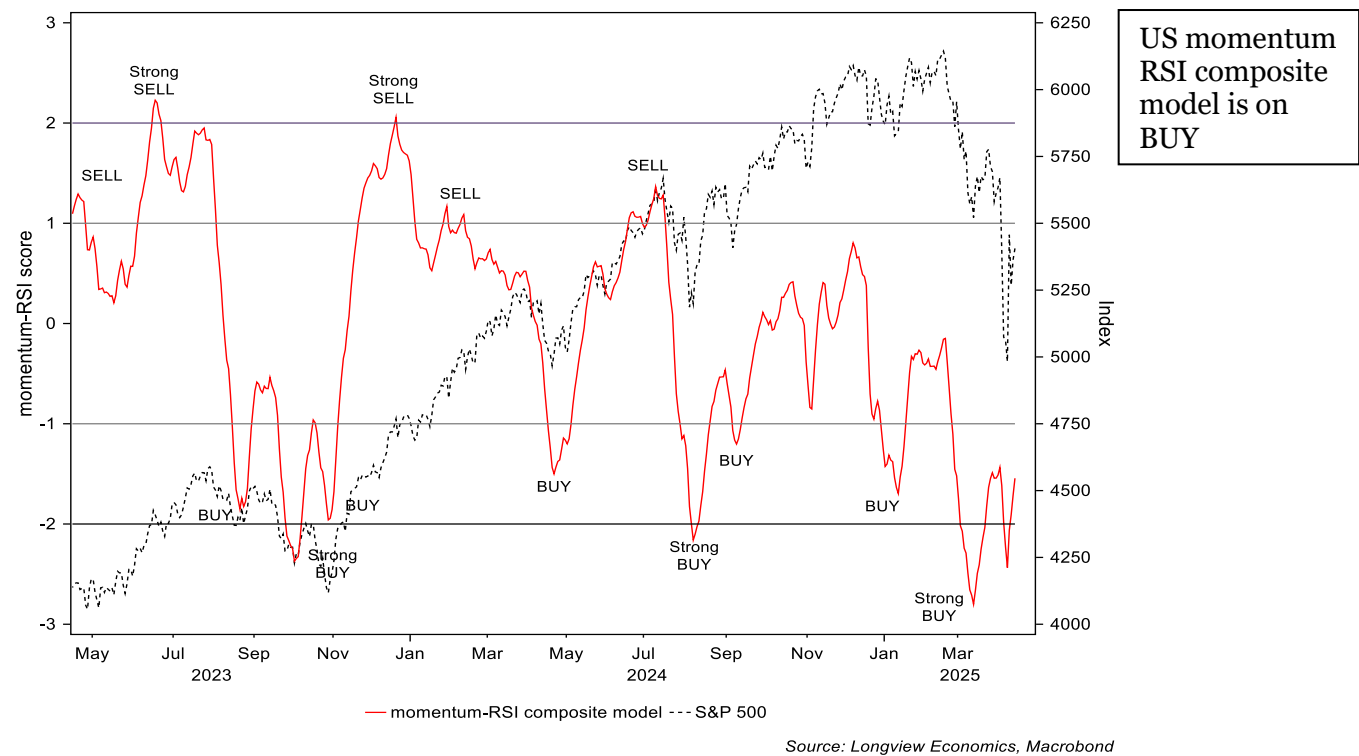


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

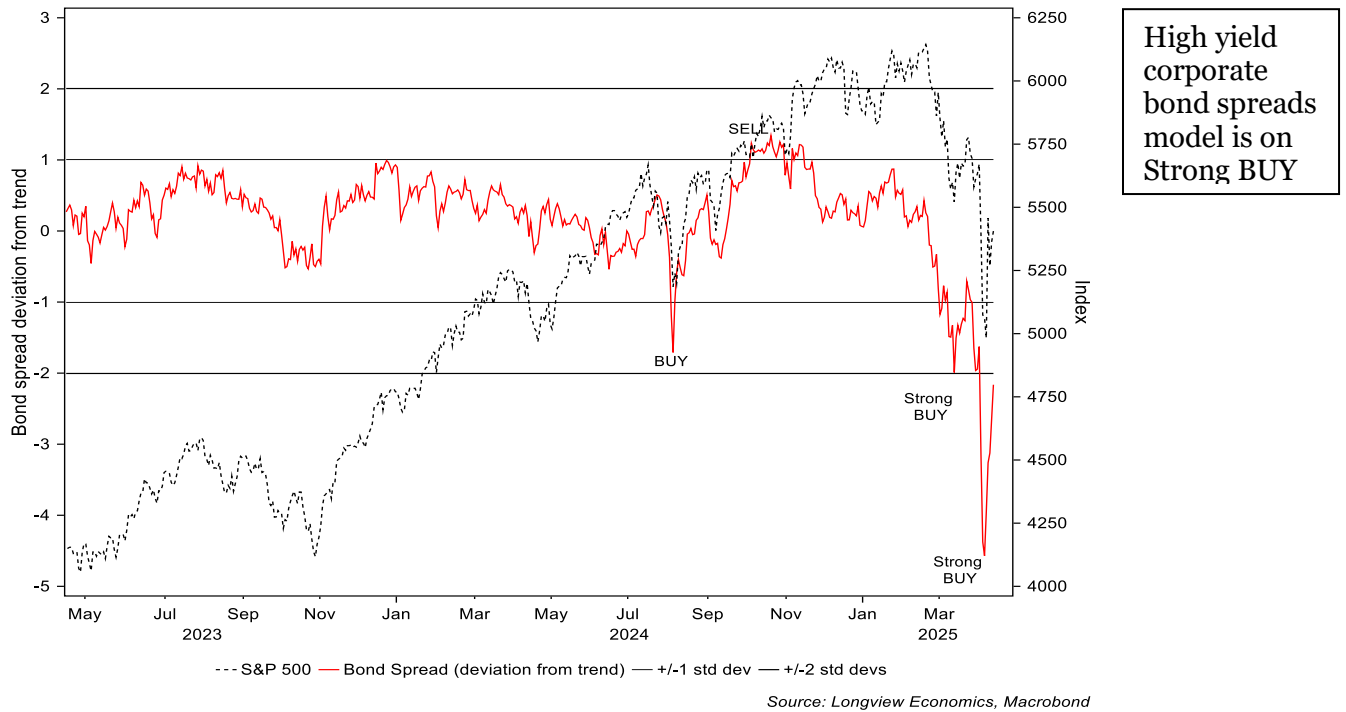
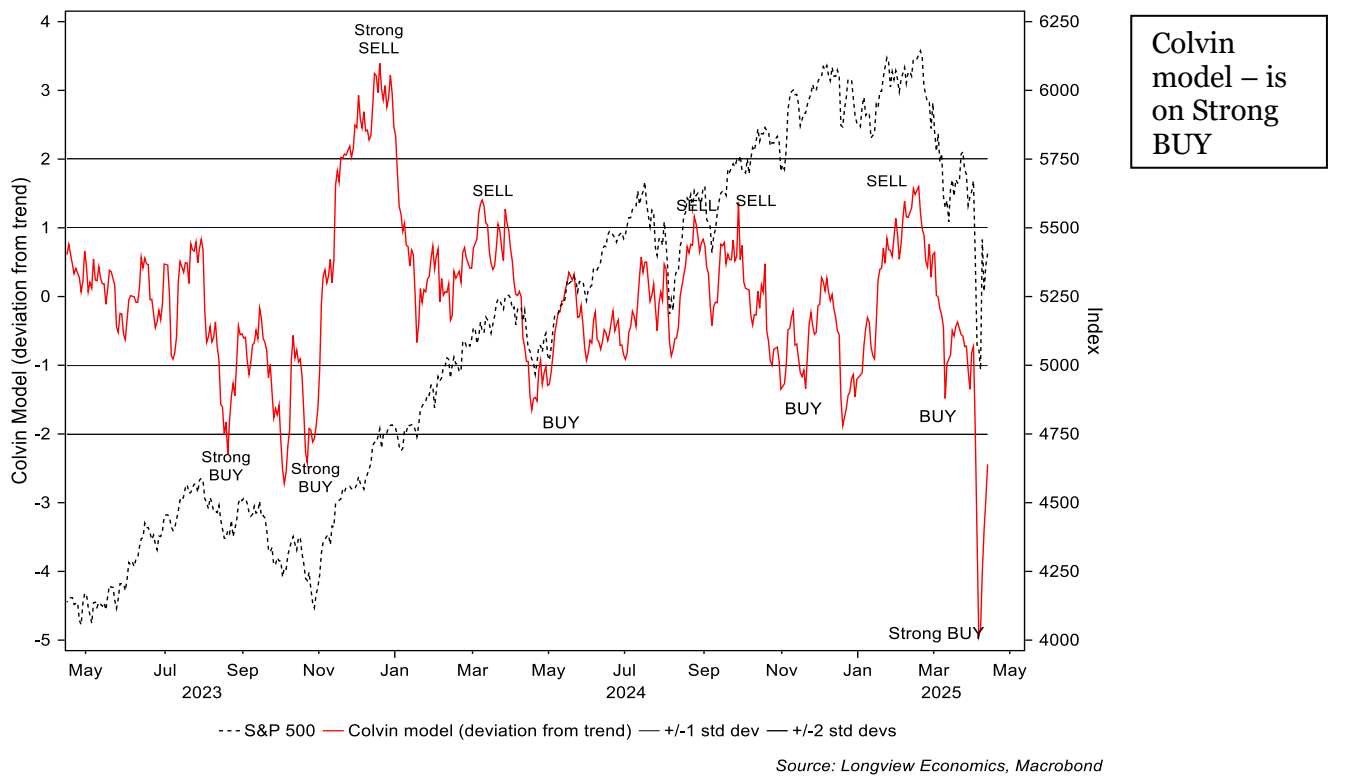


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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