# Equity Index Futures Trading Recommendations

16th April 2025

"Close LONG SPX - Move SHORT"

*Email: info@longvieweconomics.com*

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

- Close ¼ LONG June S&P500 position at current prices;
- Move ¼ SHORT June S&P500 futures at current prices (approx. 5,348);
- Place stop loss at 5,540 (i.e. just above 10th April highs, and 3.6% above entry).

## Rationale

Since intraday lows last Monday (at 4,830), US equities have been in relief rally mode (albeit with considerable intraday volatility and major intraday swings, e.g. on Wednesday last week). That strength has been in part driven by Trump pulling back from the worst of his tariffs threat. It's also been driven by short covering, and an unwinding of some of the fear and panic in prices (as of Monday last week).

That unwinding of fear and panic is illustrated by our short term models. Early last week they were generating widespread BUY/strong BUY signals. Now, 7 – 10 days later, those BUY signals have unwound **and moved onto SELL (and even strong SELL)** in many instances. In particular our risk appetite models are on SELL/strong SELL (see FIGs 2 & 2a); while various technical scoring systems are on (or close to) SELL/strong SELL (FIGs 2e – 2c). Elsewhere downside put protection has been reduced (although isn't on SELL), while volatility has eased/fallen (e.g. with the VVIX now back at reasonably 'normal' levels, see FIG 1f). Other signs of easing volatility/quiescent trading yesterday included: (i) narrow sector dispersion within the S&P500 (i.e. the gap between the best & worst performing sectors, FIG 1); as well as (ii) the relatively tight trading range in S&P500 futures (i.e. only 1.3%, see FIG 1a). All of which suggests that fear levels have fallen.

Added to that SELL message from the models, the S&P500 has **lost its upward momentum** in recent trading days. In particular, it's failed to add to its gains from 9th April (FIG 1b) and has not rallied/broken above its 50% retracement ratio (a key near term resistance level, see FIG 1d). Price action in the NASDAQ100 is similar – with the index losing momentum/rolling over in recent trading days. Overnight both indices have broken below their key 38.2% Fibonacci retracement ratios (FIGs 1d & 1e).

Given that backdrop, the risk reward favours **closing LONG positions at current prices – and moving SHORT** the S&P500 (see above for detailed recommendation).

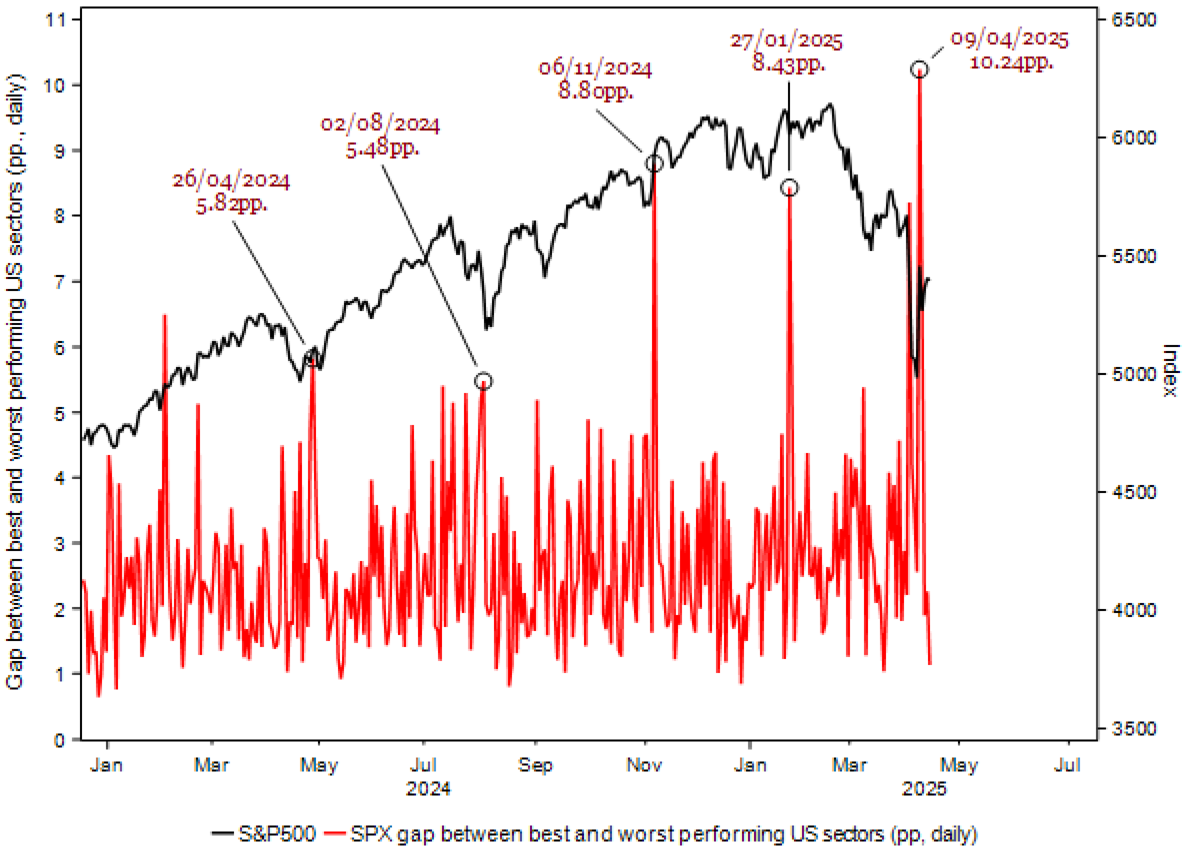
**Risks**, as always, are multiple and include: (i) signs that near term panic in the bond market is easing (e.g. with a fall in 10 year bond yields yesterday, see FIG 1c); and (ii) the absence of SELL signals from the put to call models (as well as certain breadth/other price based indicators, e.g. see FIGs 2b, 2f, & 2g).

Please see below for a full list of today's key macro data & events.

Kind regards,

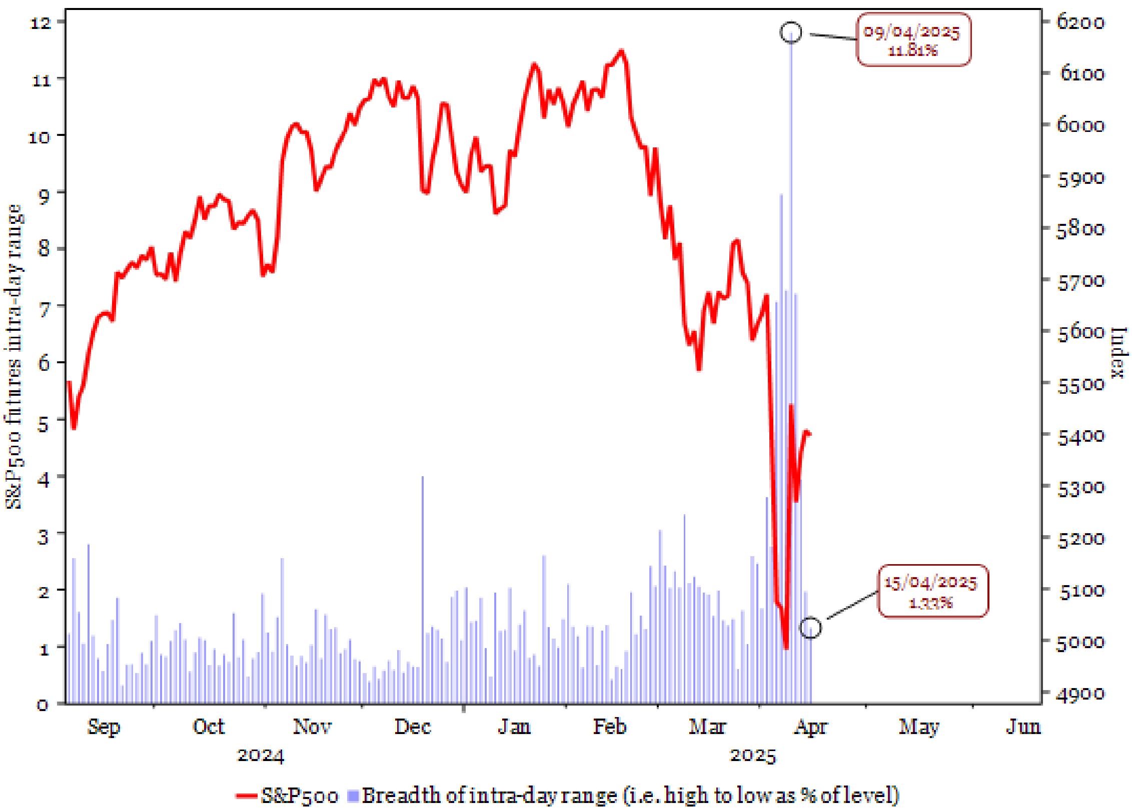
The team @ Longview Economics

**FIG 1:** Gap between best & worst performing sectors each day in S&P500 (pp.) vs. S&P500



Source: Longview Economics, Macrobond

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




Source: Longview Economics, Macrobond

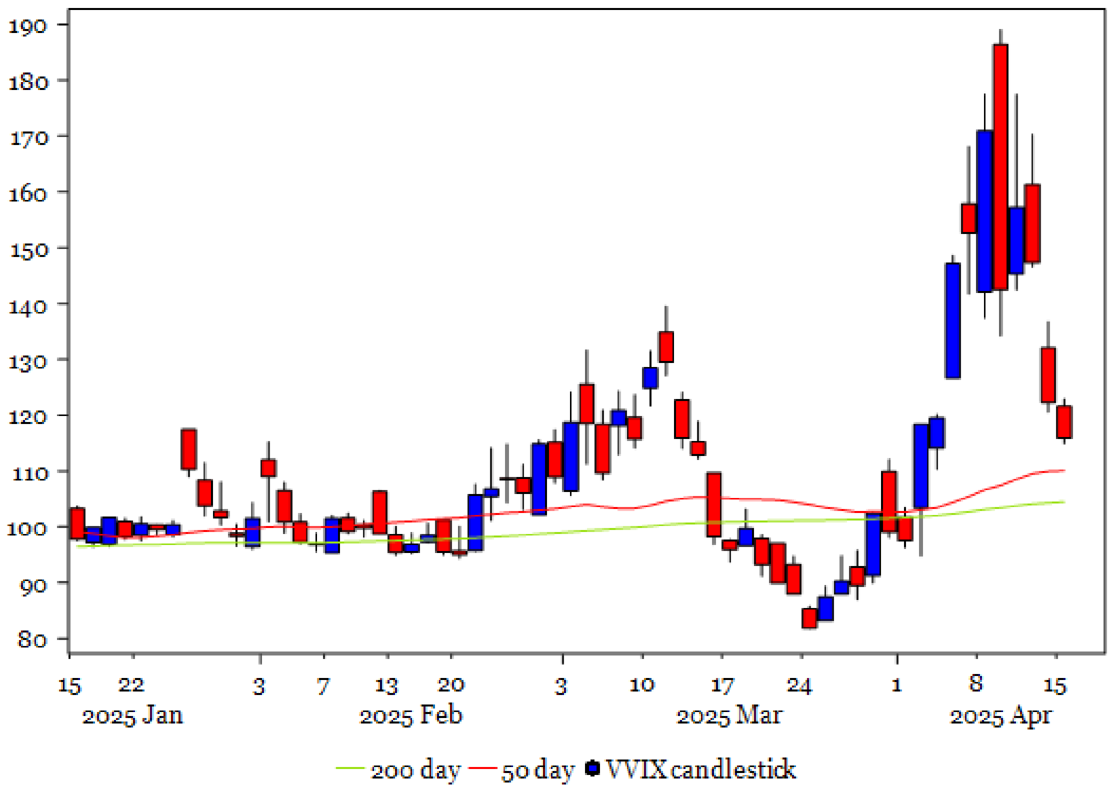
**FIG 1b:** S&P500 futures 10-day tick chart shown with overnight price action

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


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

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

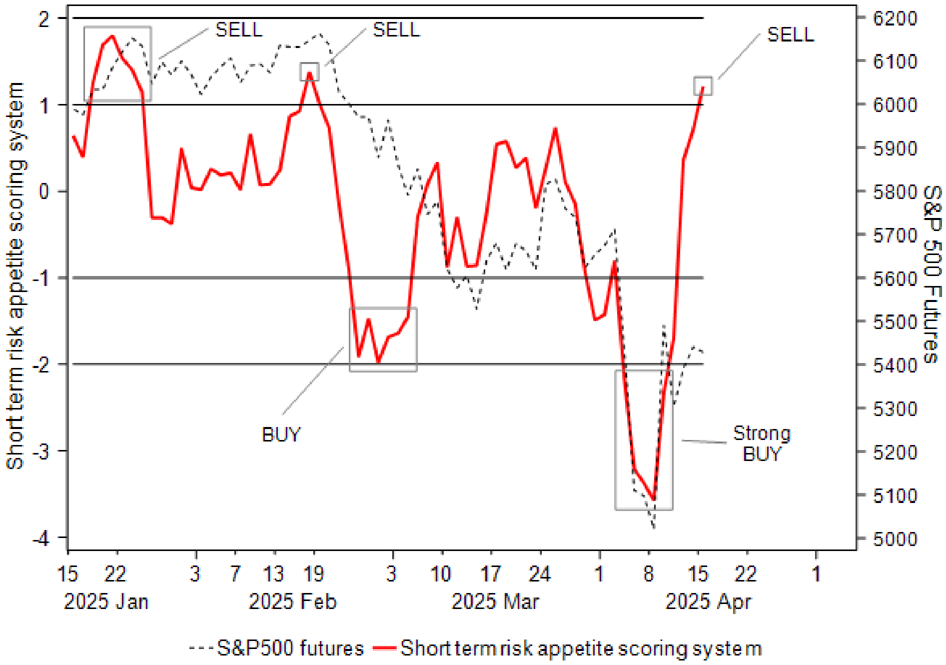

**FIG 1f:** VVIX candlestick shown with 50 & 200 day moving averages (%)




*Source: Longview Economics, Macrobond*

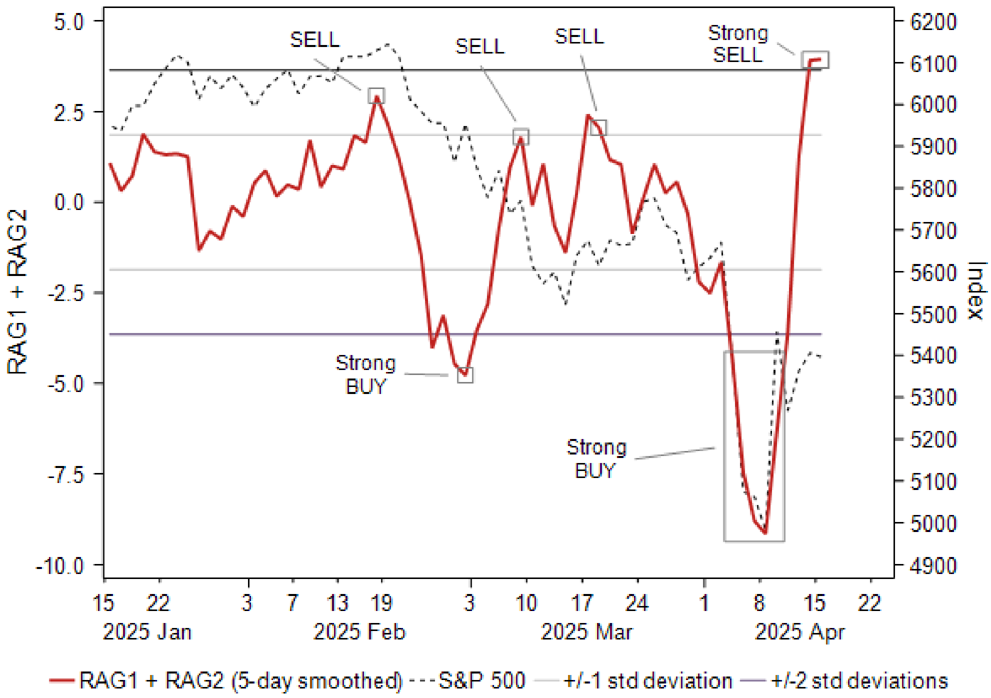
## Short term risk appetite models are on SELL/strong SELL…

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




*Source: Longview Economics, Macrobond*

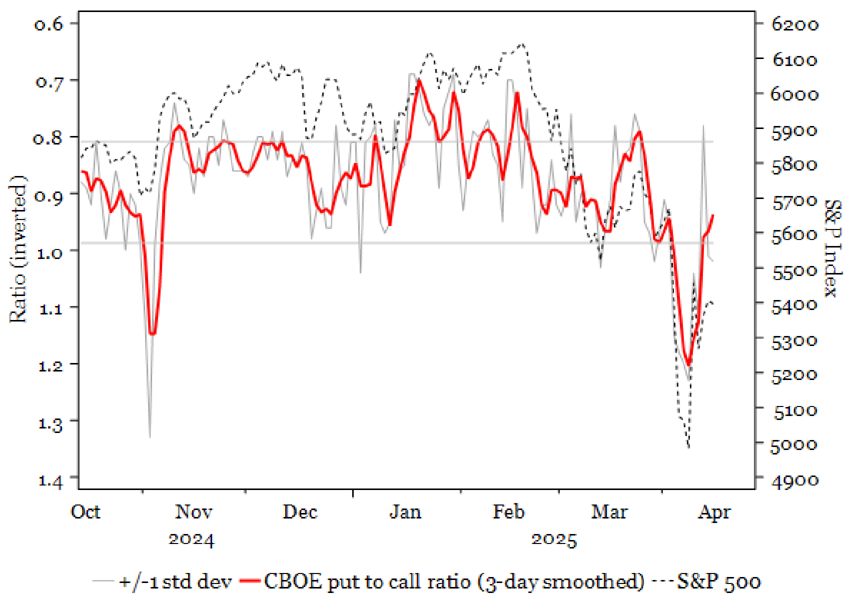
**FIG 2a:** Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500




*Source: Longview Economics, Macrobond*

## Put to call ratio models are more mixed…

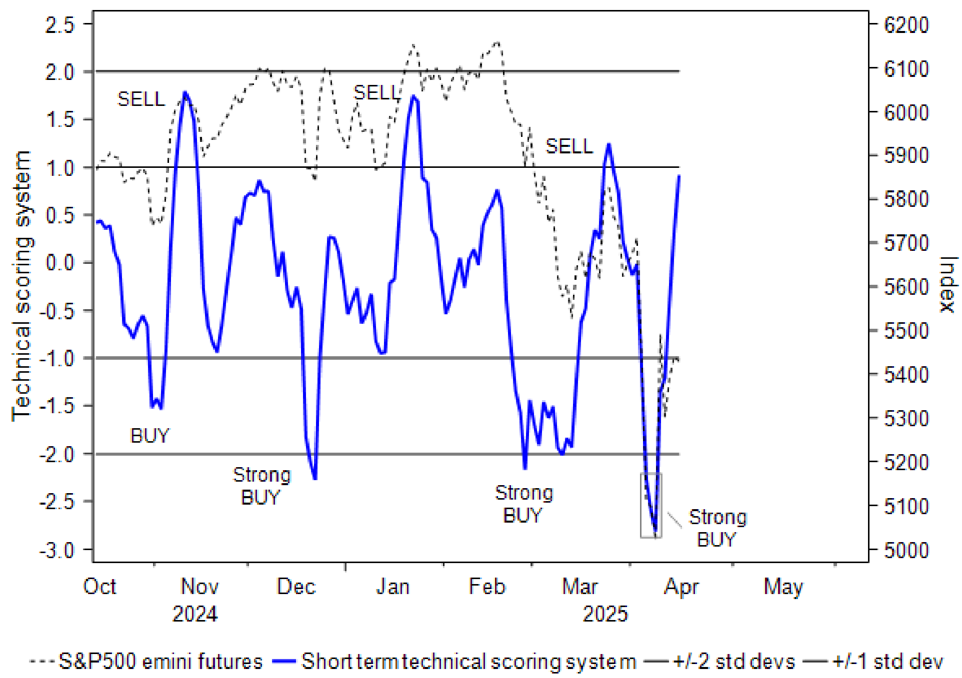
**FIG 2b:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500




*Source: Longview Economics, Macrobond*

## Technical & price-based models are mostly on/close to SELL…

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




*Source: Longview Economics, Macrobond*

**FIG 2d:** Longview NASDAQ100 short term **'technical'** scoring system vs. NASDAQ100 futures

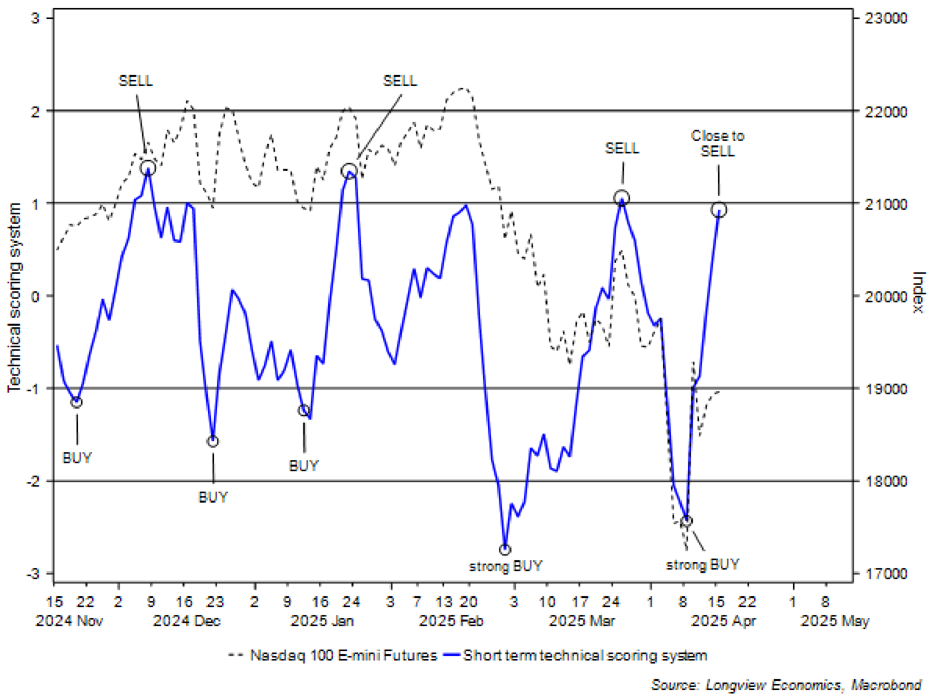



**FIG 2e:** Short term **'technical'** scoring system for an equally weighted basket of FAANMG stocks (vs. FAANMG stocks, equally weighted)

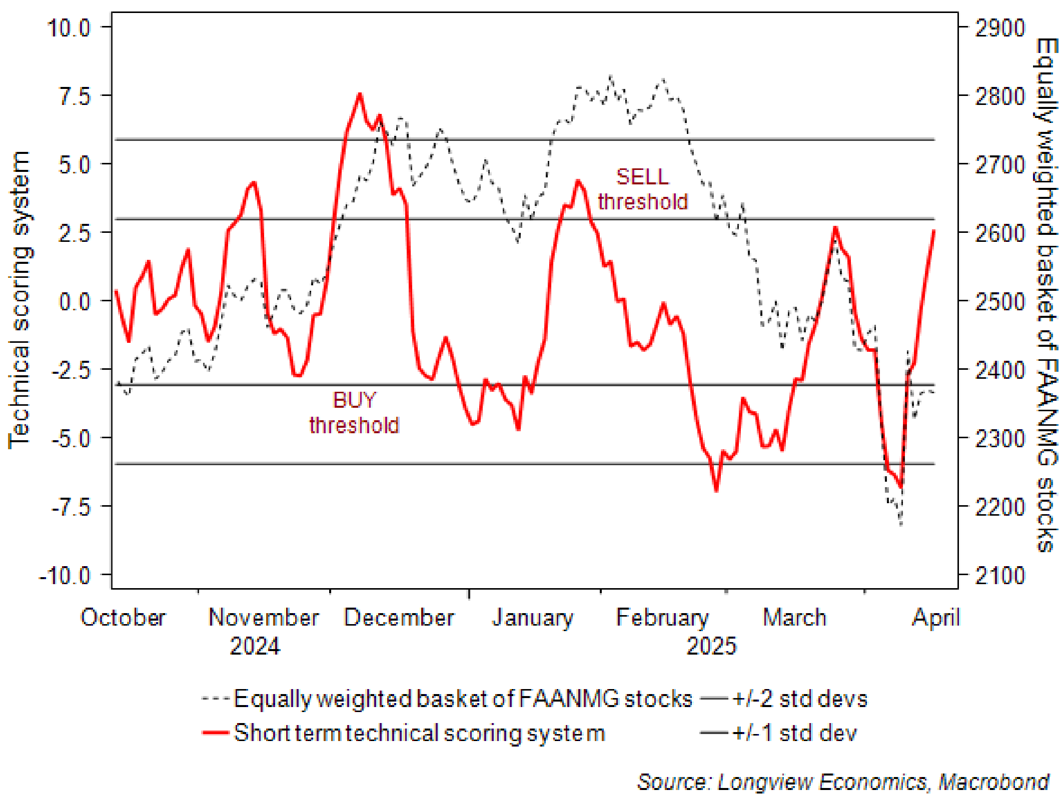
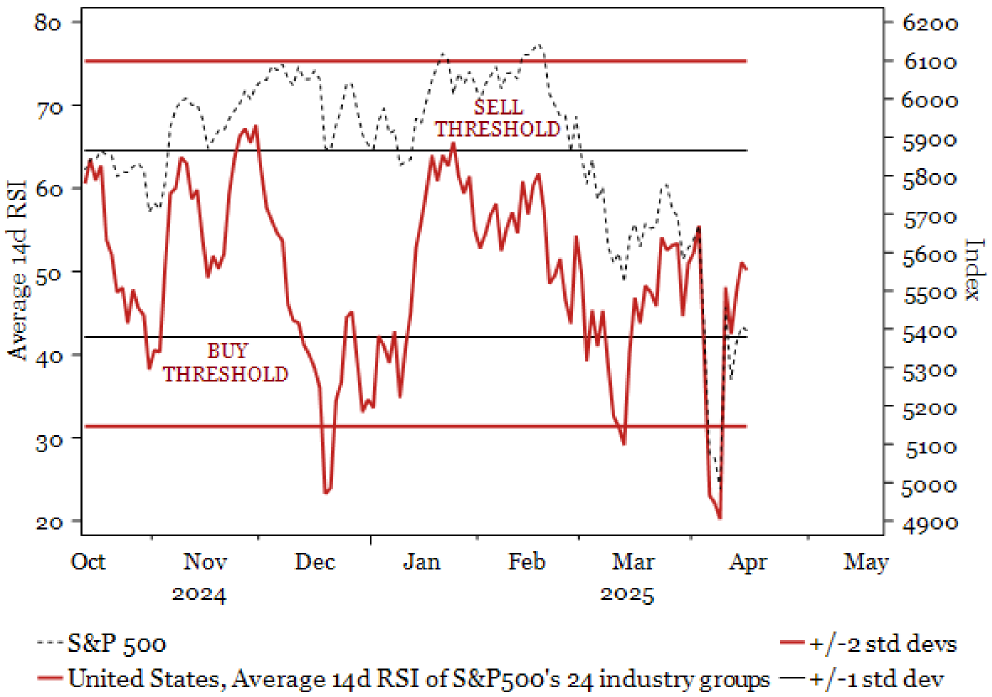
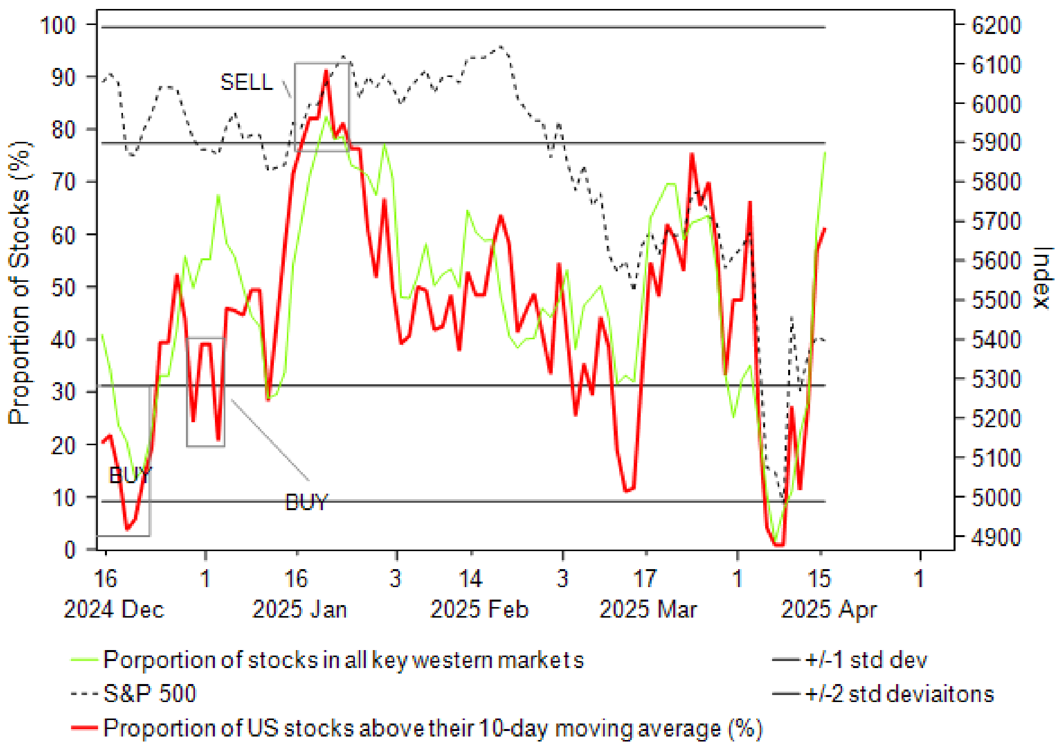


**FIG 2f:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500




*Source: Longview Economics, Macrobond*

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

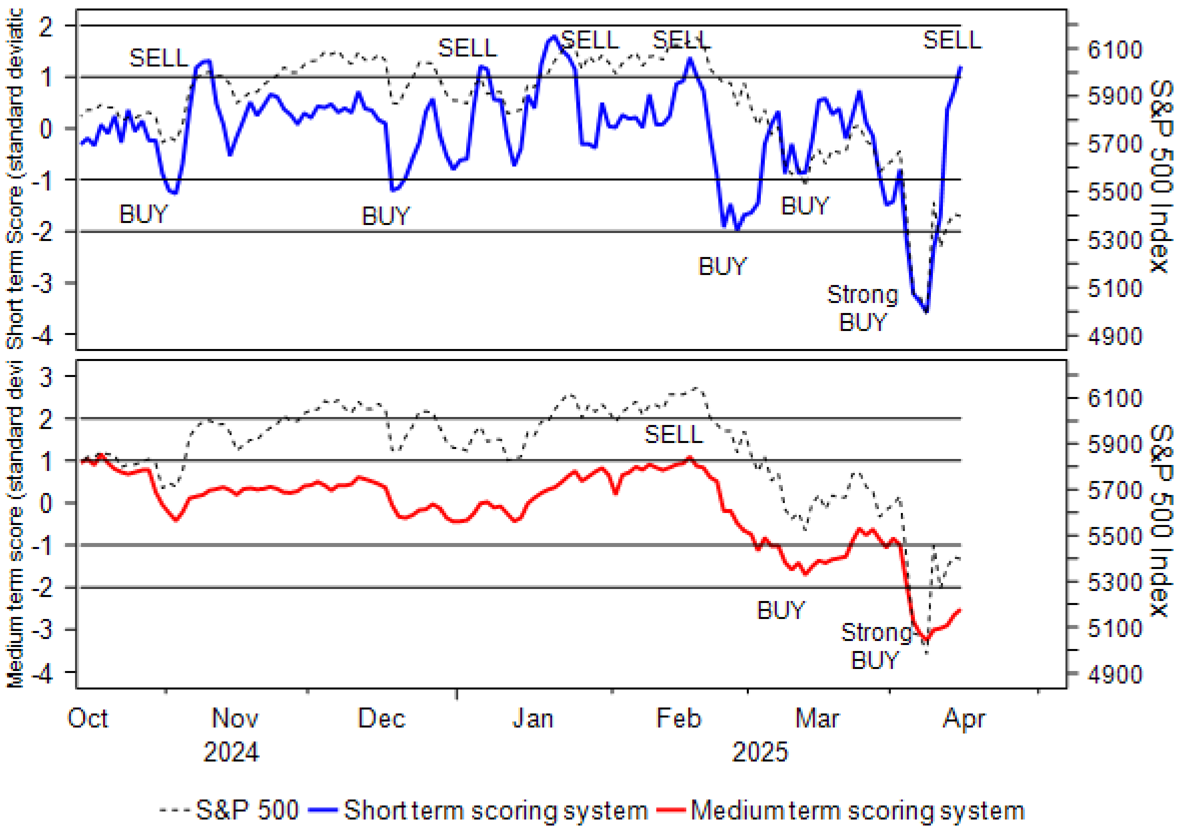



*Source: Longview Economics, Macrobond*

**Key Longview Scoring Systems** (chart below):

**Short term** (1 – 2 week) scoring system: **SELL**
**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: Japanese machinery orders (Feb, 12:50am); Australian Westpac leading index (mar, 1:30am); **Chinese new & used home prices** (Mar, 2:30am); **Chinese activity data** (industrial production, retail sales, fixed asset, property investment & unemployment rate – Mar, 3am); **Chinese GDP** (Q1, 3am); **UK Headline & core CPI, RPI & PPI** (Mar, 7am); UK Land Registry house price index (Feb, 9:30am); ECB current account (Feb, 9am); Italian headline CPI (March final estimate, 9am); Italian current account balance (Feb, 9:30am); EZ headline & core CPI (March final estimate, 10am); **US retail sales** (Mar, 1:30pm); US New York Fed service sector business activity (Apr, 1:30pm); US industrial & manufacturing production & capacity utilisation (Mar, 2:15pm); **US NAHB homebuilders index** (Apr, 3pm); US business inventories (Feb, 3pm); US total TIC flows (Feb, 8pm).

**Key events** today include: **Bank of Canada policy decision** (2:45pm); speeches by the Fed's Hammack in a moderated Q&A (5pm) & **Powell** to the economic club of Chicago (6:15pm).

**Key earnings** today include: **Abbott Labs**, Progressive, Prologis, U.S. Bancorp, Kinder Morgan, Travelers, CSX, **ASML Holding**, Heineken, BHP Group LTD.

## 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.*

LVRAG
Daily Risk Appetite Gauge

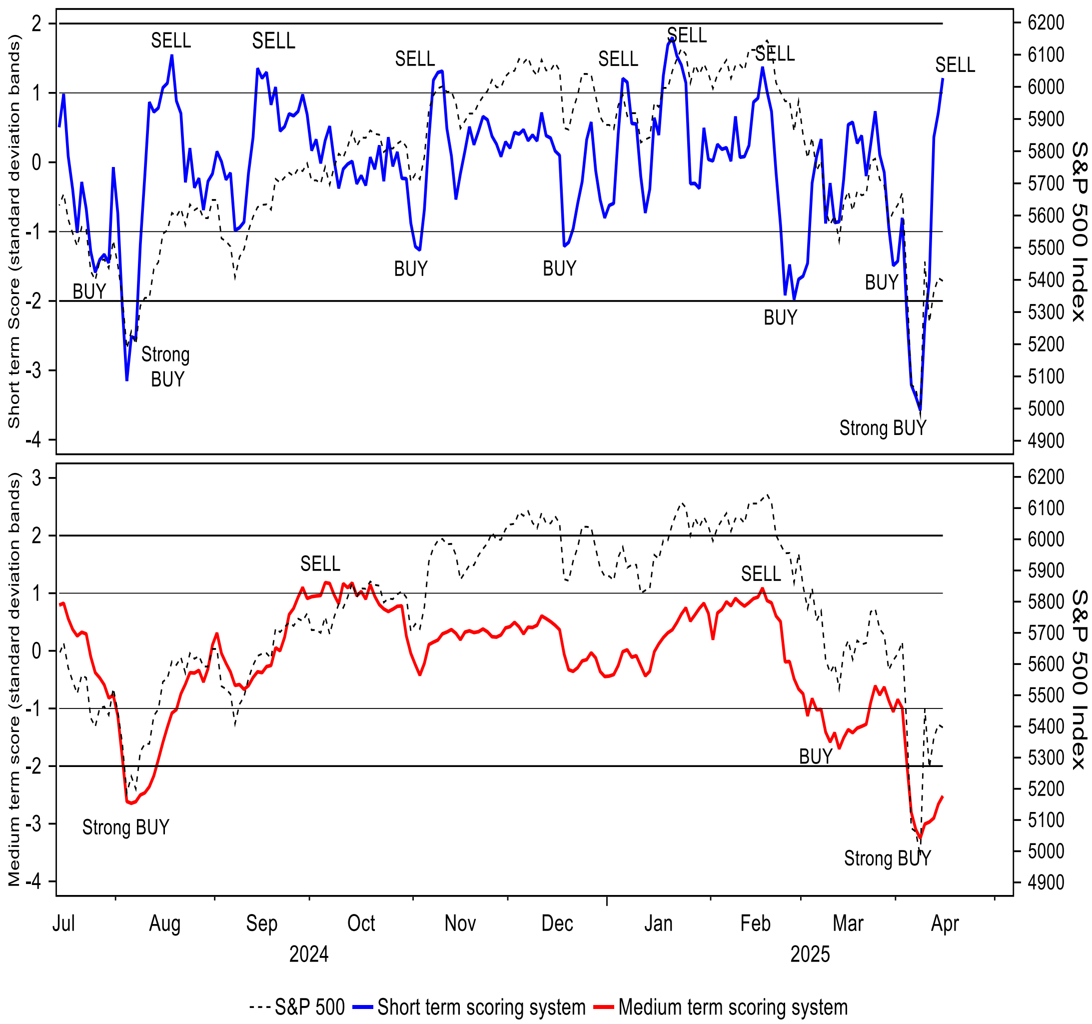
# 1 – 2 Week View on Risk

16th 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 SELL

Medium term scoring system is on Strong BUY

*Source: Longview Economics, Macrobond*

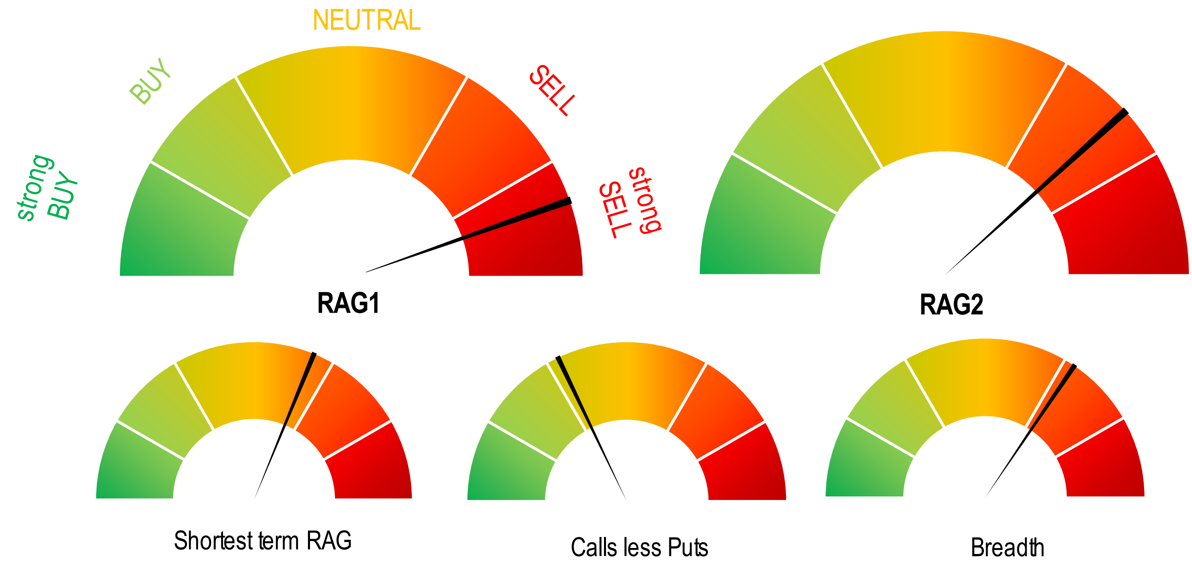
*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

***Important disclosures are included at the end of this report***
***For explanations of indicators please see page 10***

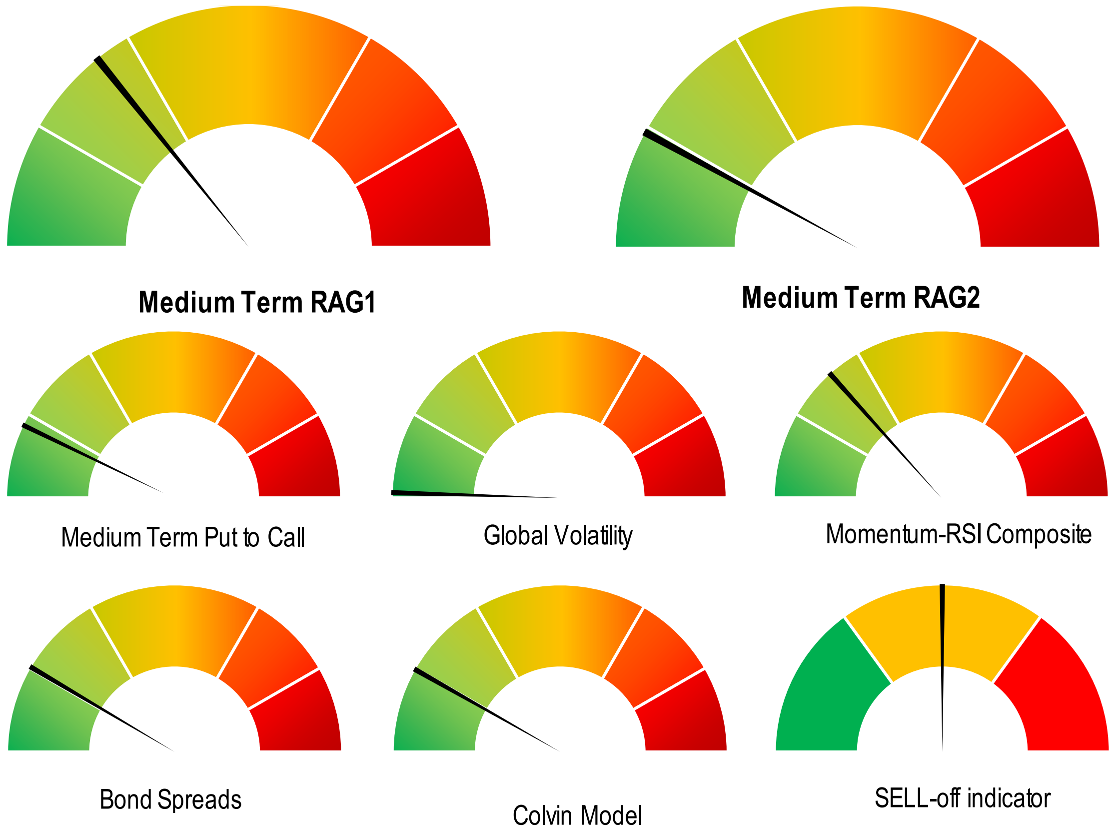
## **Section 1a:** Summary of indicator signals**

**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

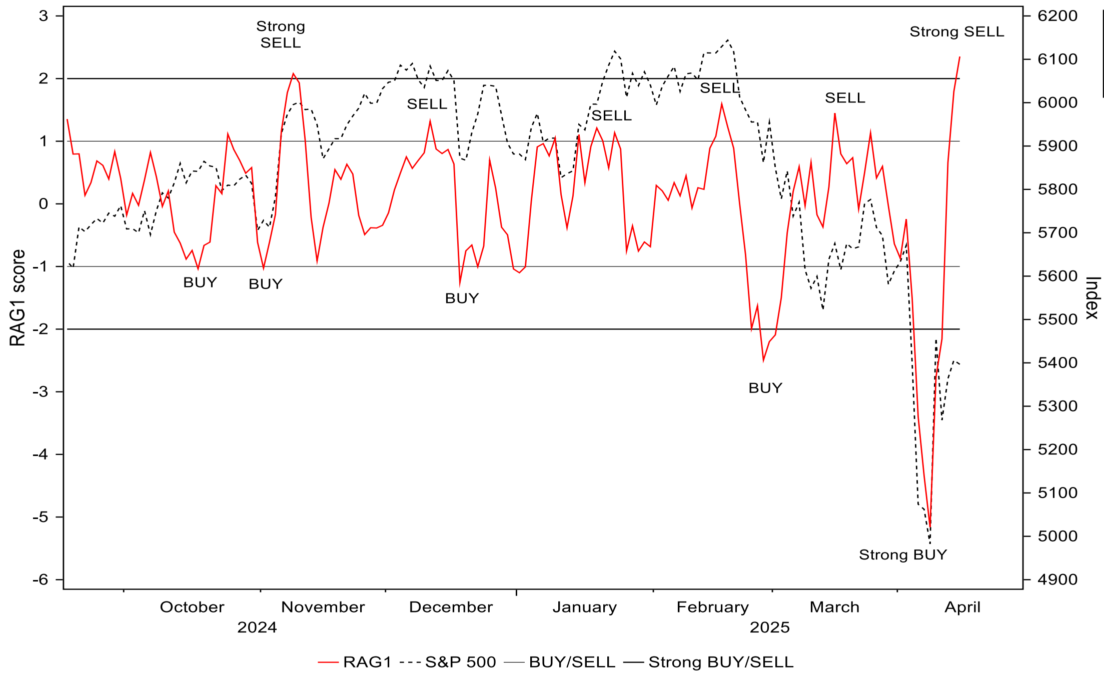



***Source:*** *Longview Economics*
**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

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

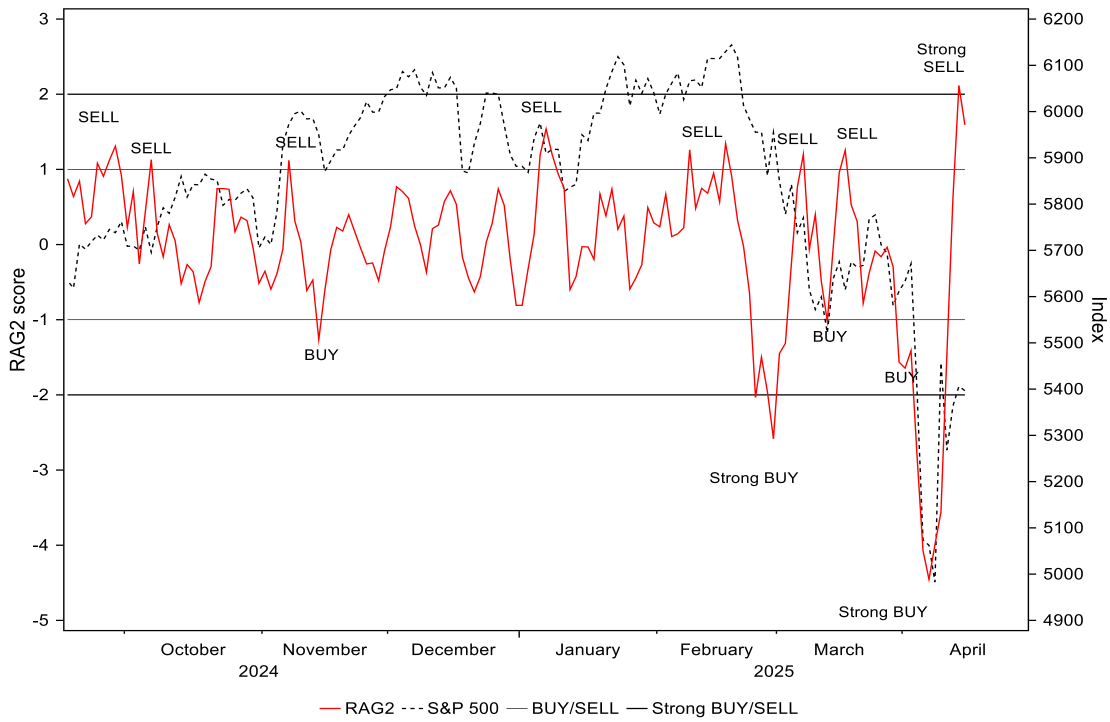
### **Fig 2a**: RAG 1 vs. S&P 500




RAG1 is on Strong SELL

*Source: Longview Economics, Macrobond*

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



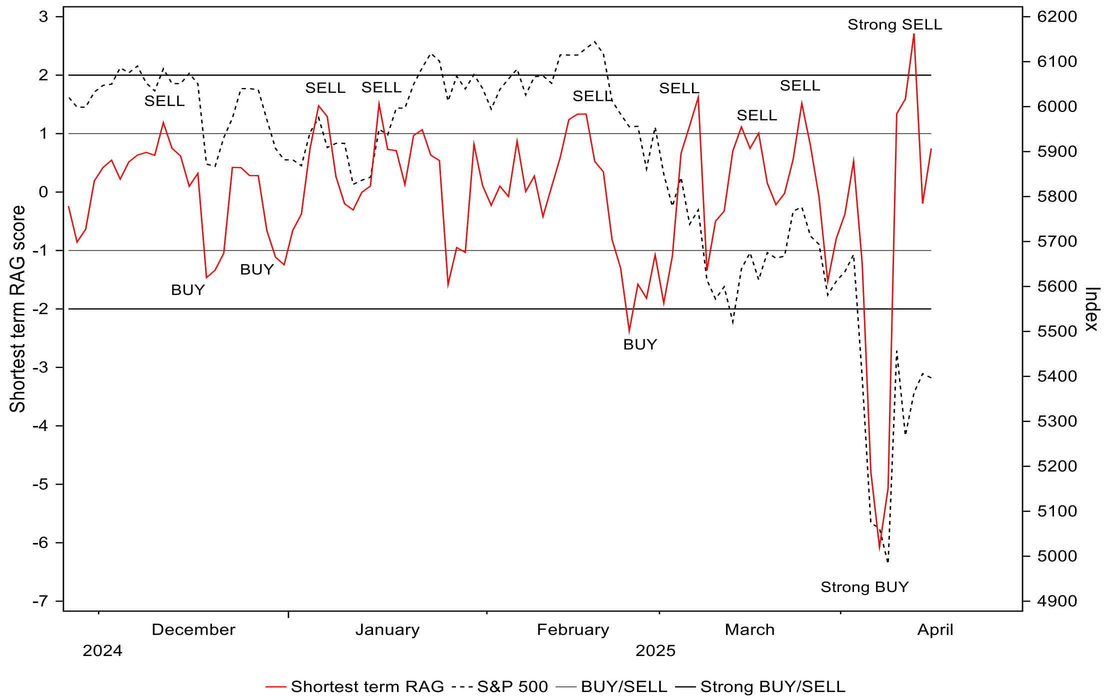

RAG2 is on SELL

*Source: Longview Economics, Macrobond*

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

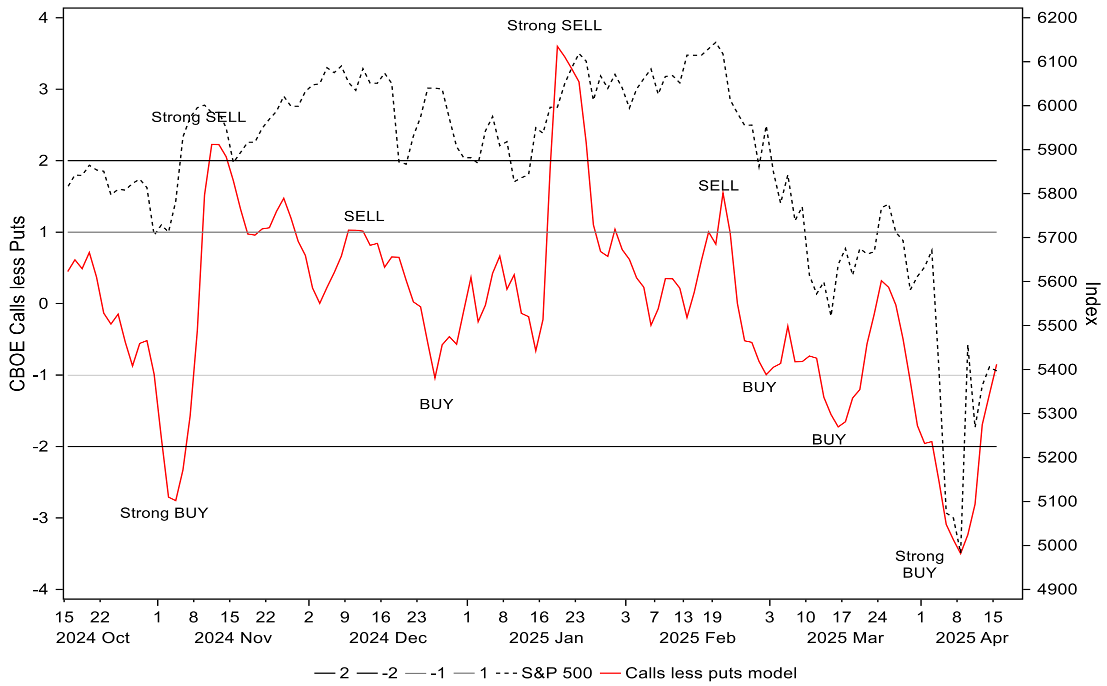
**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500




*Source: Longview Economics, Macrobond*

Shortest term RAG is NEUTRAL

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



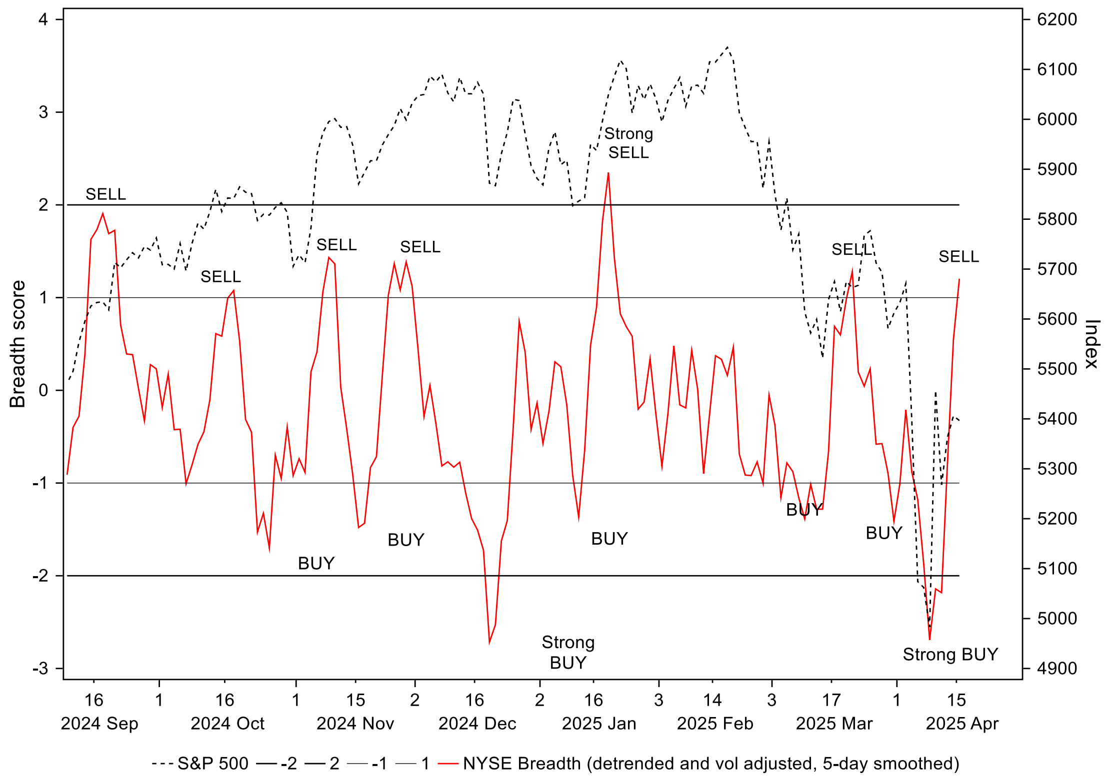

*Source: Longview Economics, Macrobond*

Calls less puts model is NEUTRAL

***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*

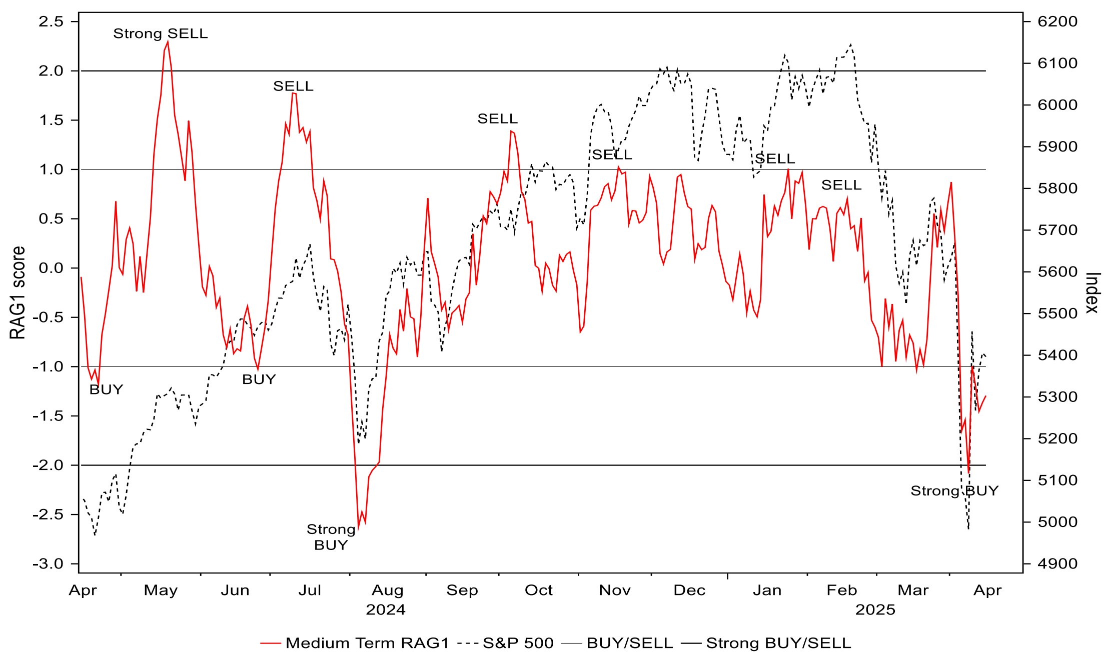
The breadth model is on SELL

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

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

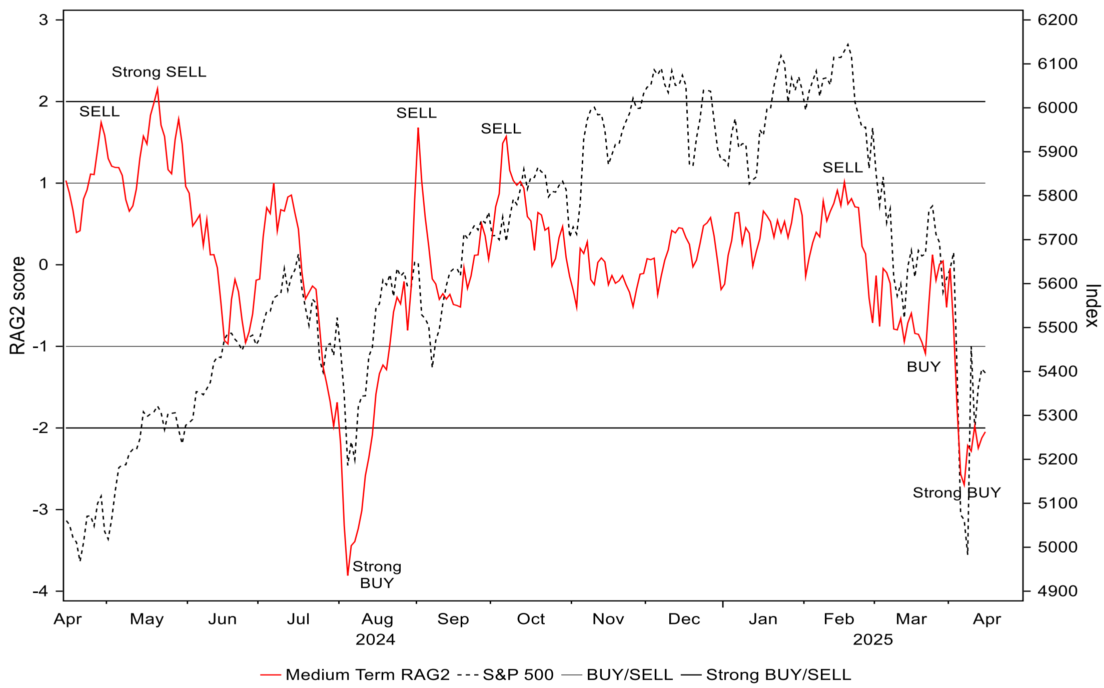
### **Fig 3a:** Medium term RAG1 (1 – 4 month view) vs. S&P 500




Source: Longview Economics, Macrobond

Medium term RAG1 is on BUY

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



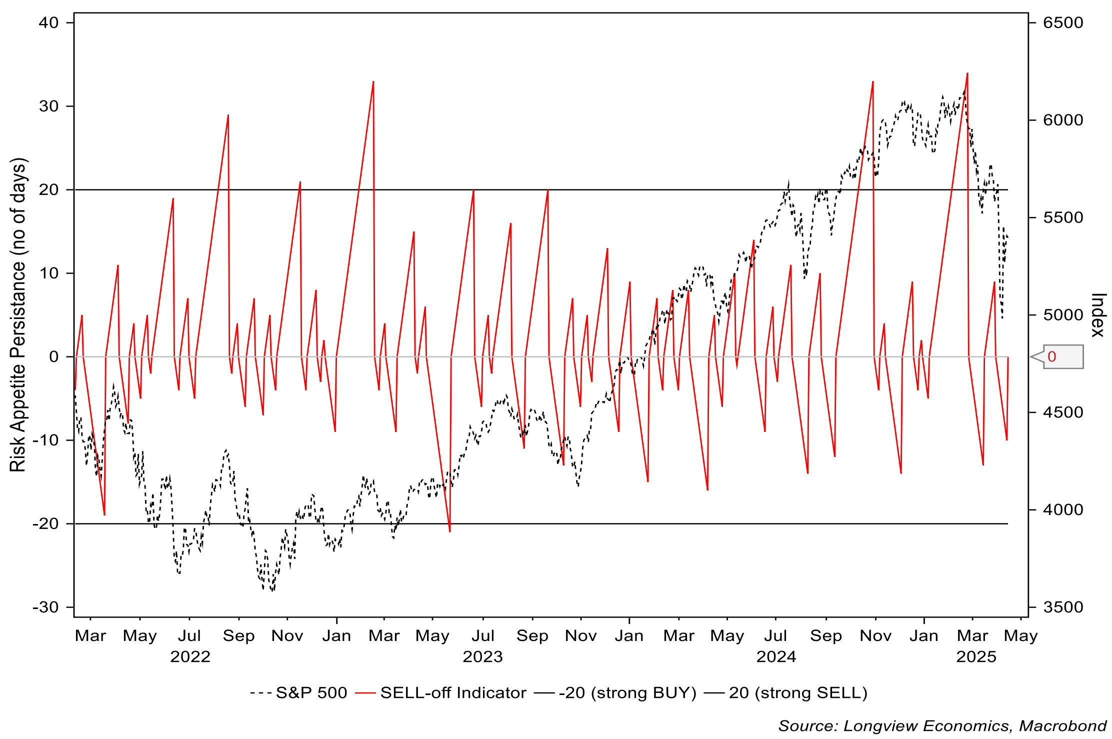

Source: Longview Economics, Macrobond

Medium term RAG2 is on Strong BUY

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

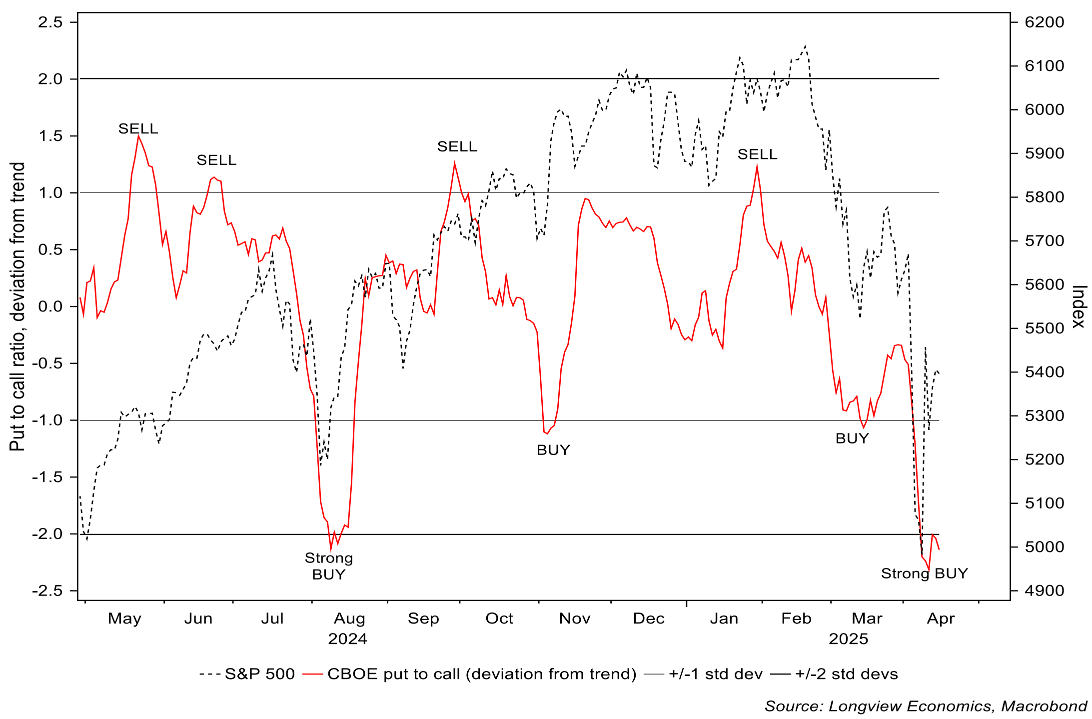
  

**Fig 3c:** SELL-off indicator (shown vs. S&P500)




The SELL-off indicator is NEUTRAL

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

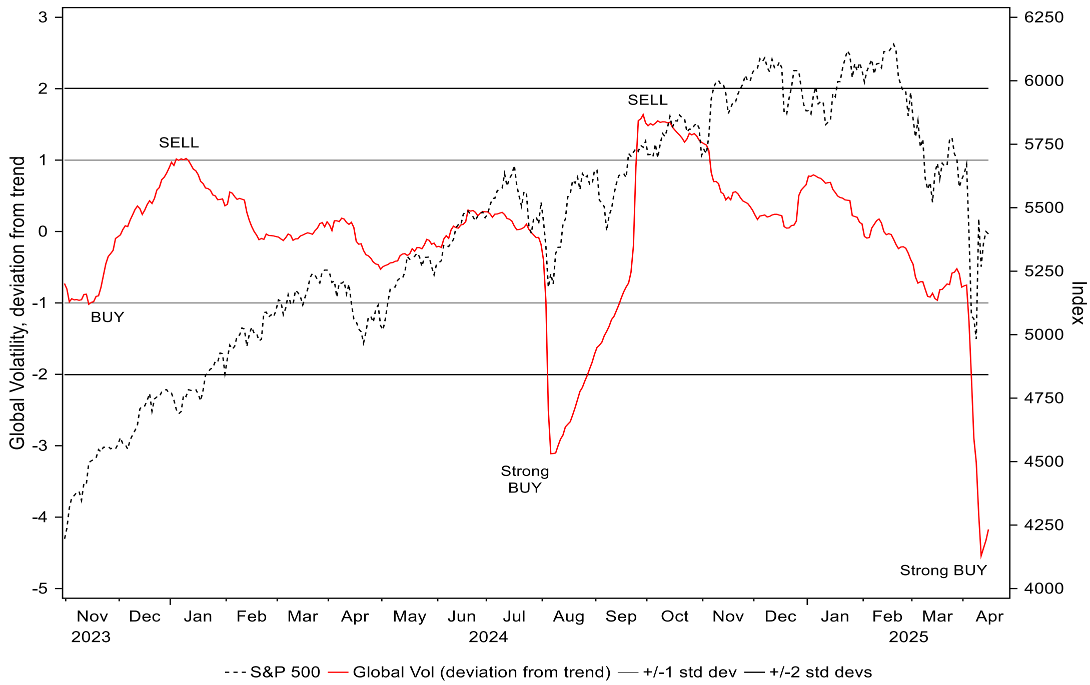



Medium term put to call model is on Strong BUY

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

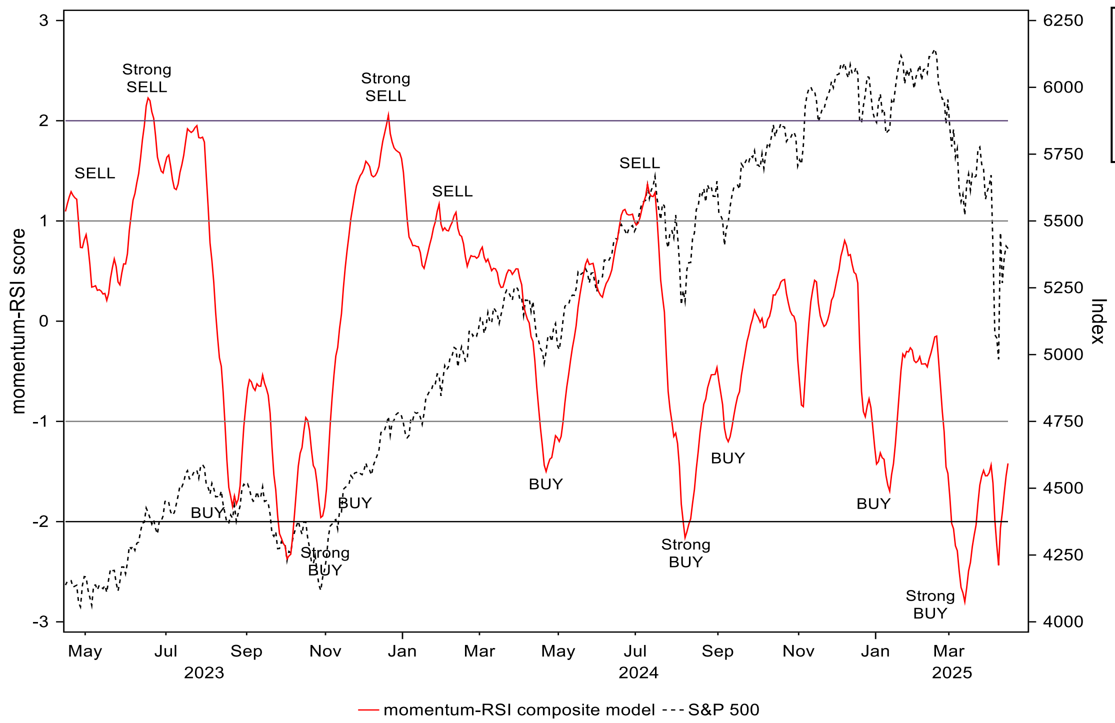
## **Fig 3e:** Global volatility (deviation from trend) model vs. S&P500




Global volatility indicator is on Strong BUY

*Source: Longview Economics, Macrobond*

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

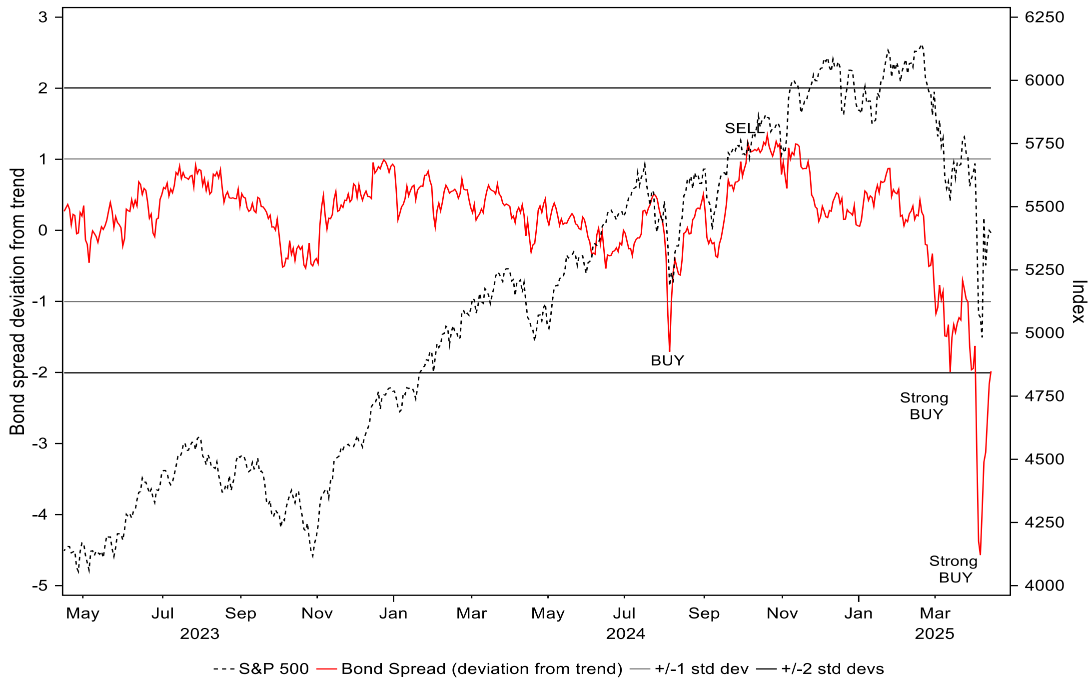



US momentum RSI composite model is on BUY

*Source: Longview Economics, Macrobond*

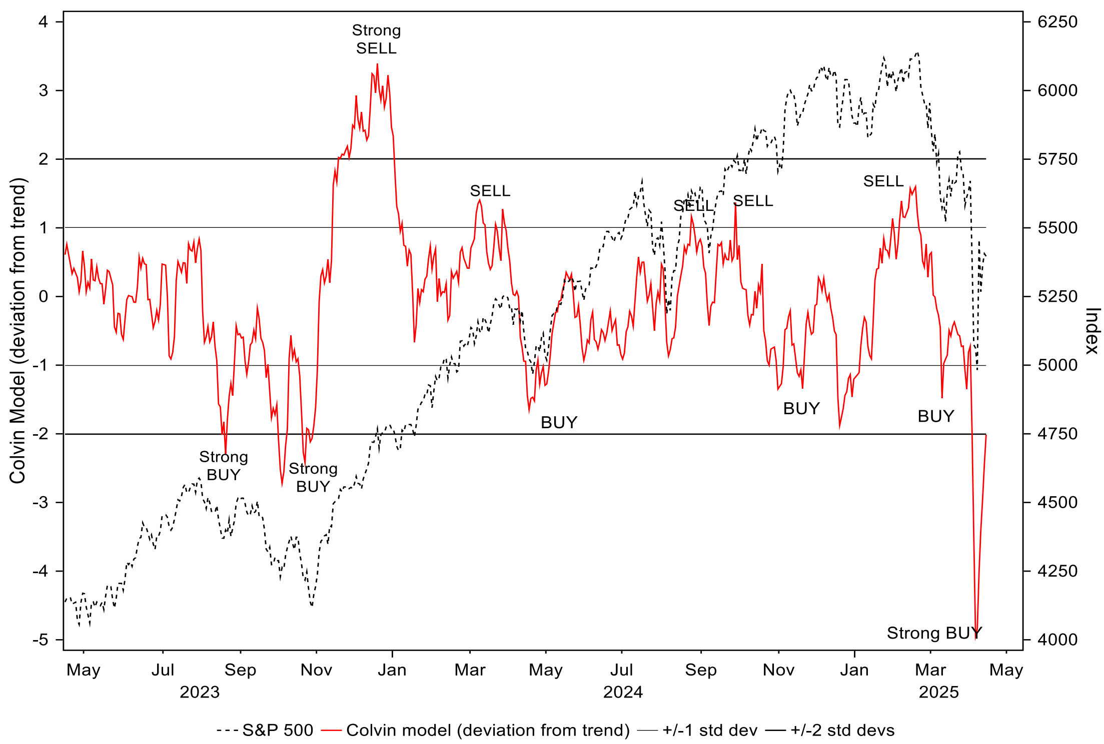
**Fig 3g:** High yield corporate bond spreads deviation from trend model vs. S&P500




Source: Longview Economics, Macrobond

High yield corporate bond spreads model is on BUY

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




Source: Longview Economics, Macrobond

Colvin model – is on 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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