

Equity Index Futures Trading Recommendations

“Models Edging Towards Collective BUY Signal”

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1st April 2025

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

- WATCH & WAIT (for now).

Rationale

Whilst the S&P500 managed to recover over the course of yesterday’s session and close higher, around the world most risk assets were weaker. That was especially notable in Europe (with UK’s mid-cap FTSE250 index -2.0%; the Italian market -1.8%; and France’s CAC40 -1.6%). US markets were mixed, despite the S&P500 rallying from the open (and ending +0.6%). Tech fared poorly with NDX100 flat, the Philly SOX down 0.3% and consumer discretionary the weakest performing sector (-0.2%). The Dollar (DXY) rallied modestly (+0.2%), US 10-year yields closed another 4bps lower (at 4.23%, having traded as low as 4.18% earlier in the day), while the VIX eased off from its intraday highs as the S&P500 rallied (although still closed higher on the session).

Models overview:

In terms of **volatility indicators**, they are currently giving a mixed message. The 14-day VIX RSI is close to generating a BUY message; the steepness of the VIX curve is on BUY (although in fast, highly volatile markets like this one, it often pays to wait for strong BUY signals), while the realised less implied volatility model is mid-range (FIGs 2, 2a & 2b).

Risk appetite models have moved closer to BUY. The short-term risk appetite scoring system is now on BUY (just -FIG 3); the combined RAG1 plus RAG2 is close to BUY (FIG 3a); while the combined short & medium-term risk appetite scoring system is on BUY (again, FIG 1). Collectively that’s indicative of growing fear in market prices (i.e. a contrarian BUY signal).

Put to call ratios (another indication of fear/panic in prices) are also generating BUY signals. Like the risk appetite scoring system, though, that’s only a modest BUY – not a strong BUY (which in high volatility markets typically accompanies local lows). Of note, in that respect, the underlying 1-day CBOE and NDX100 put to call ratios both ticked down yesterday (i.e. less put BUYing than in the prior session – see FIGs 3b & 3c). Consistent with that overall message, the S&P500 risk reversal is also on BUY (but not on strong BUY) – FIG 3d.

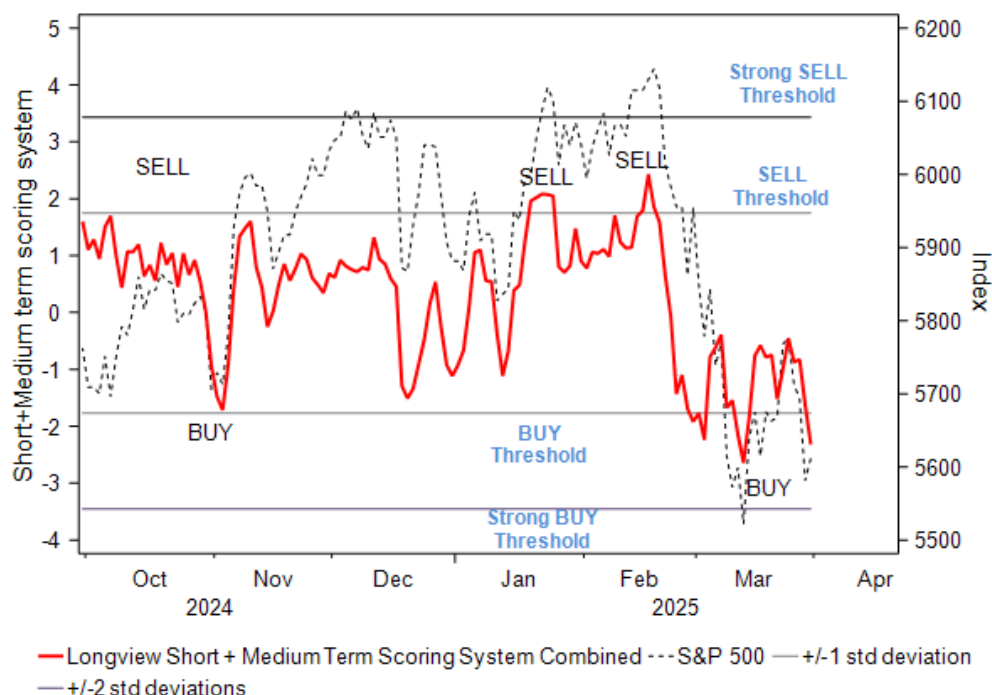
Technical models are more mixed. Most are mid-range (or even still close to SELL). At an index level, the S&P500 and the NDX100 technical scoring systems are mid-range; while the Philly SOX is now touching its BUY threshold (FIGs 4, 4a & 4b). US sector technical models are mixed (i.e. neither overbought nor oversold); while the single stock models are moving towards BUY (FIGs 4e & 4f).

Conclusion: Overall, models are moving towards a clearer BUY message. As of yet, it's not a complete picture (while in high volatility markets, models often shift onto strong BUY before local lows). Traded volumes (i.e. S&P500 e-mini; QQQ volumes; NDX100 - FIG 1a; & to a degree NYSE single stock) have also picked up modestly in the past few trading sessions. For example, there were 2.2 million SPX e-mini contracts traded yesterday (albeit that may reflect quarter end window dressing). The market, though, continues to await/remain fixated on Wednesday's tariffs announcement. Whilst it's unlikely to be a final conclusion on the matter (given tit for tat, possible changes of mind/direction and negotiations), there's a sense, given model positioning, that it may be a 'sell on the rumour, buy on the fact' type of event. Overall, though, whilst the levels and model signals are starting to look interesting for LONG positions (and another attempt at a relief rally), at this juncture and given such high volatility markets, it pays to wait for stronger BUY signals (and Wednesday's announcement). Along the way, there is also a lot of key US macro data this week (as well as key European inflation data).

Kind regards,

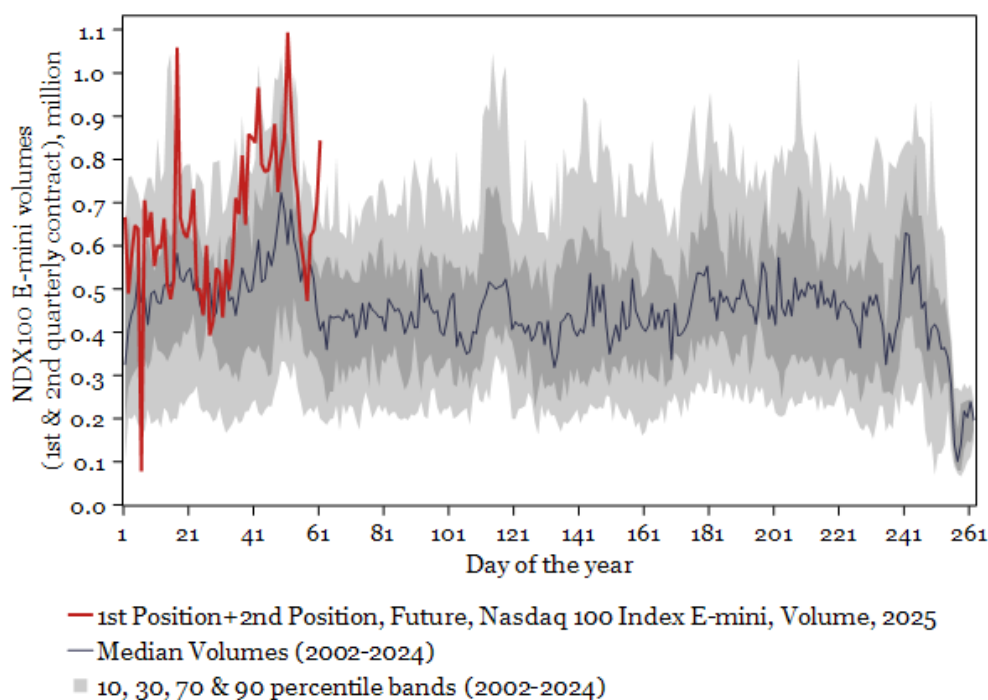
The team @ Longview Economics

FIG 1: Longview combined short PLUS medium term ‘risk appetite’ scoring systems vs. S&P500



Source: Longview Economics, Macrobond

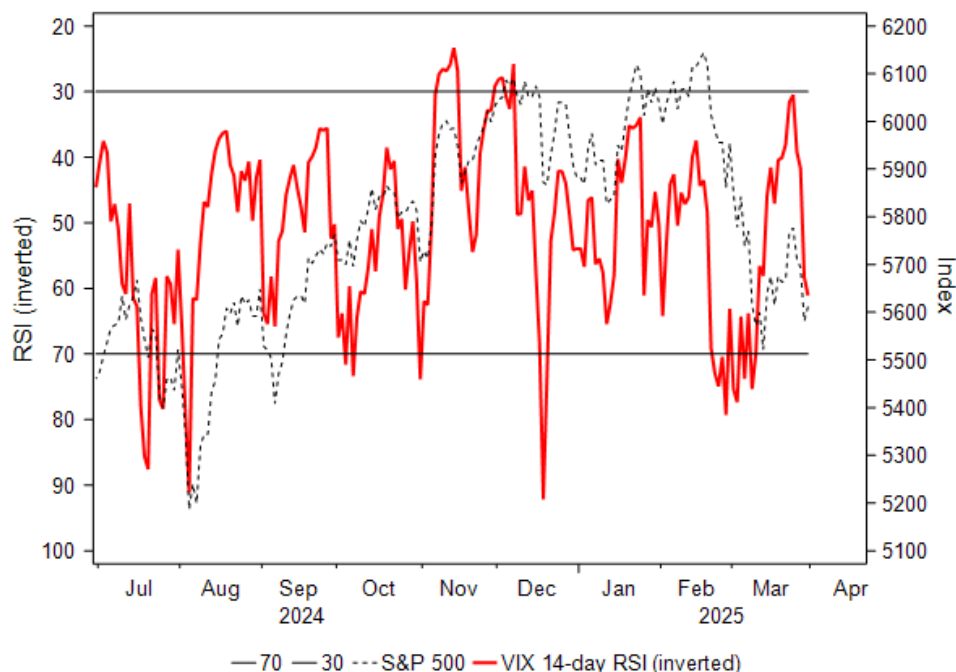
FIG 1a: NDX100 e-mini volumes (1st & 2nd quarterly contracts), shown with seasonal averages



Source: Longview Economics, Macrobond

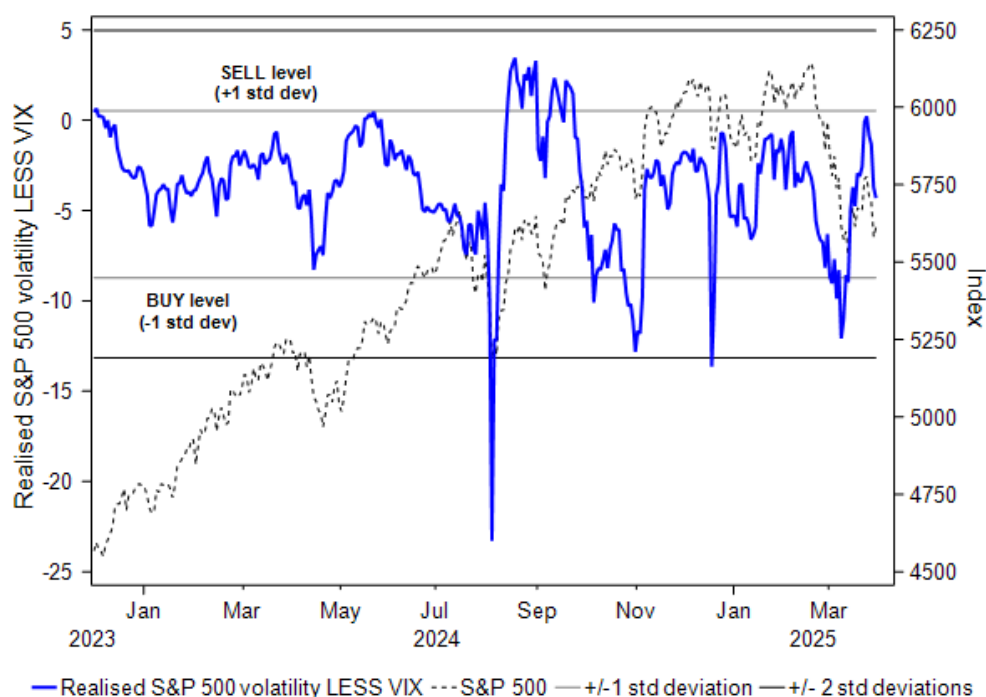
Volatility models are mixed...(with some on BUY)....

FIG 2: Short term RSI (VIX – inverted) vs. S&P500 (last 6 months)



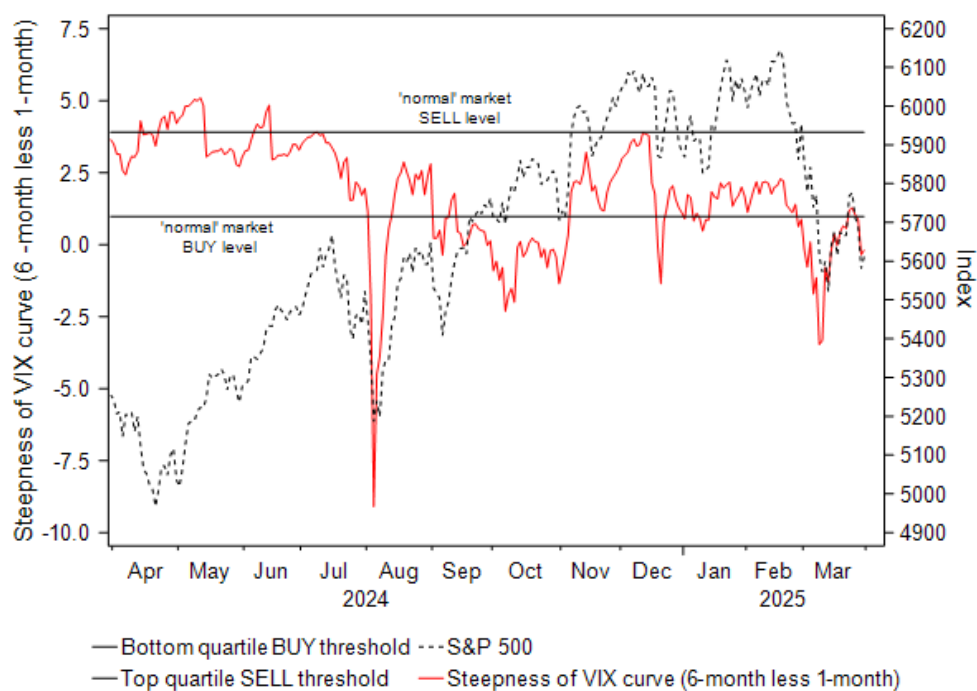
Source: Longview Economics, Macrobond

FIG 2a: Realised LESS implied S&P500 volatility vs. S&P500 (shown with +/- 1 & 2 standard deviations)



Source: Longview Economics, Macrobond

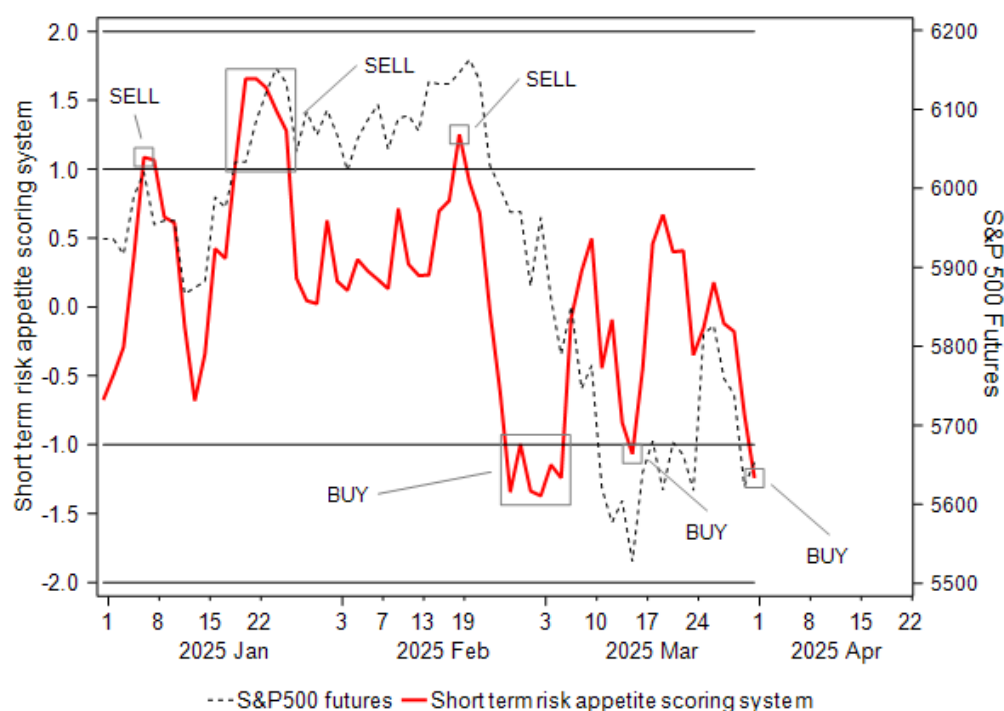
FIG 2b: Steepness of VIX curve (6 less 1 month futures) vs. S&P500



Source: Longview Economics, Macrobond

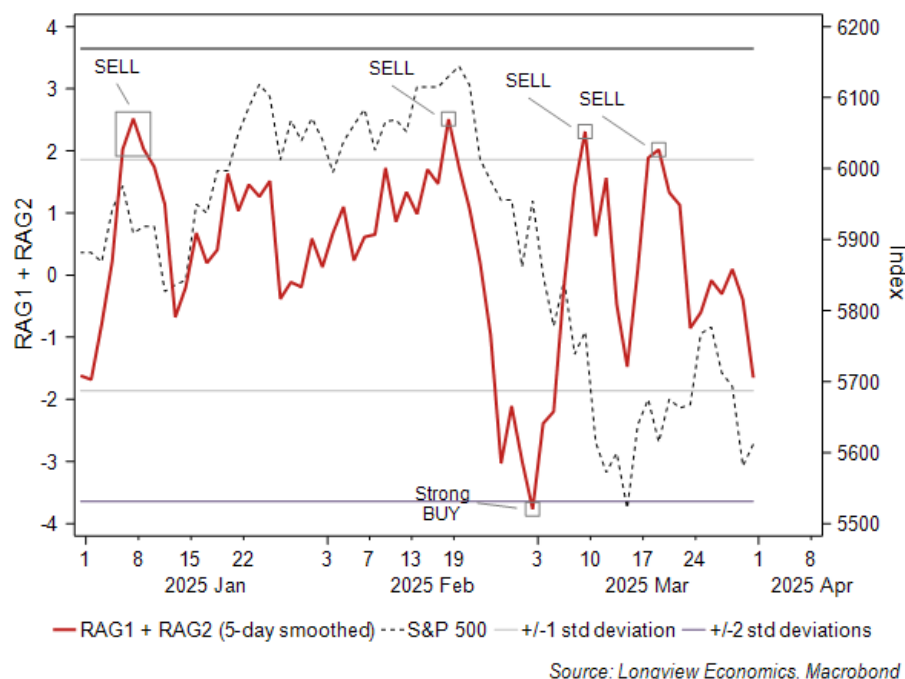
Short term risk appetite models are on/moving towards BUY...

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



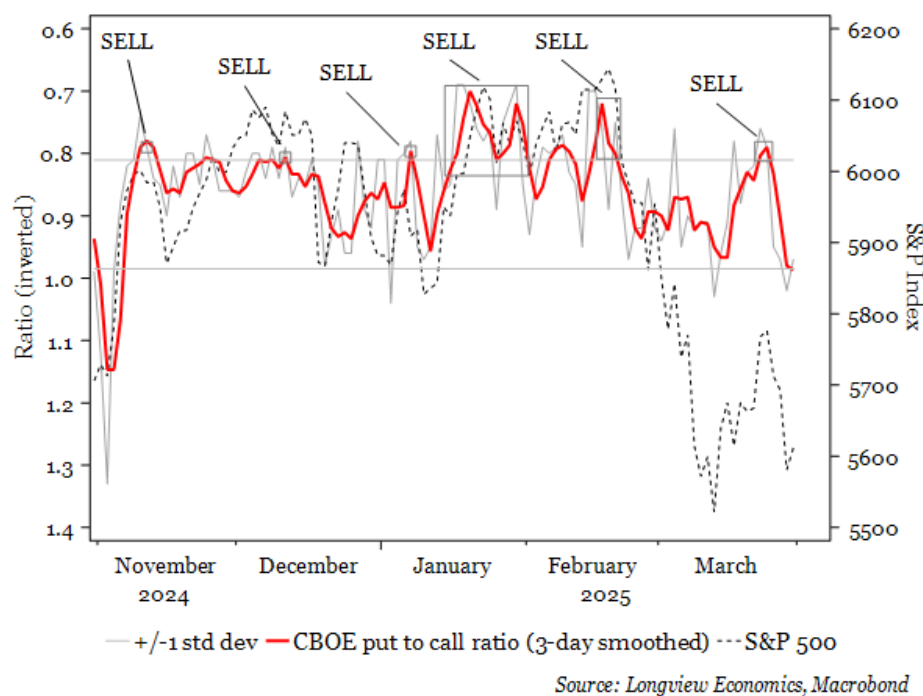
Source: Longview Economics, Macrobond

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



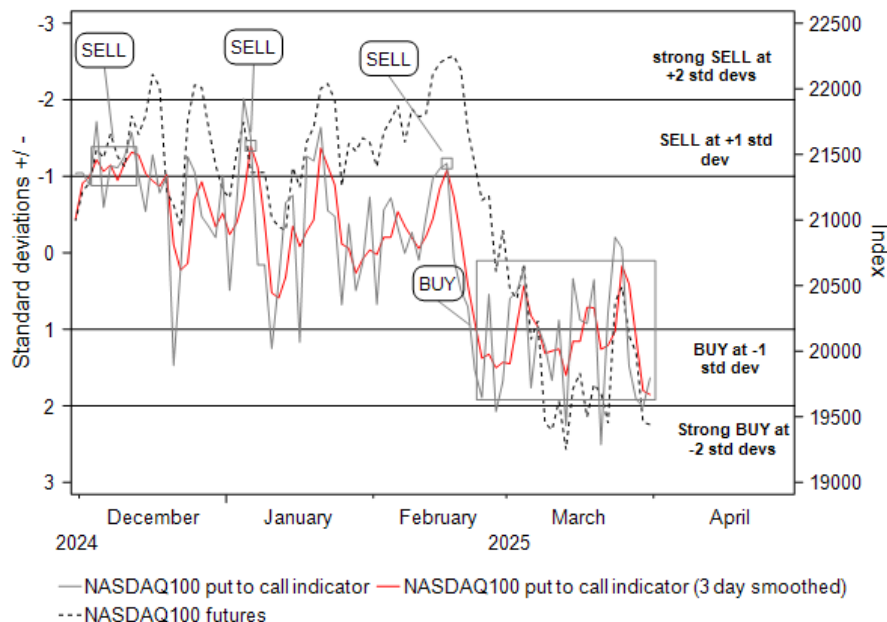
Put to call ratio models are now on/close to BUY (although not on strong BUY)...

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



The NDX100 put to call ratio indicator is on BUY....

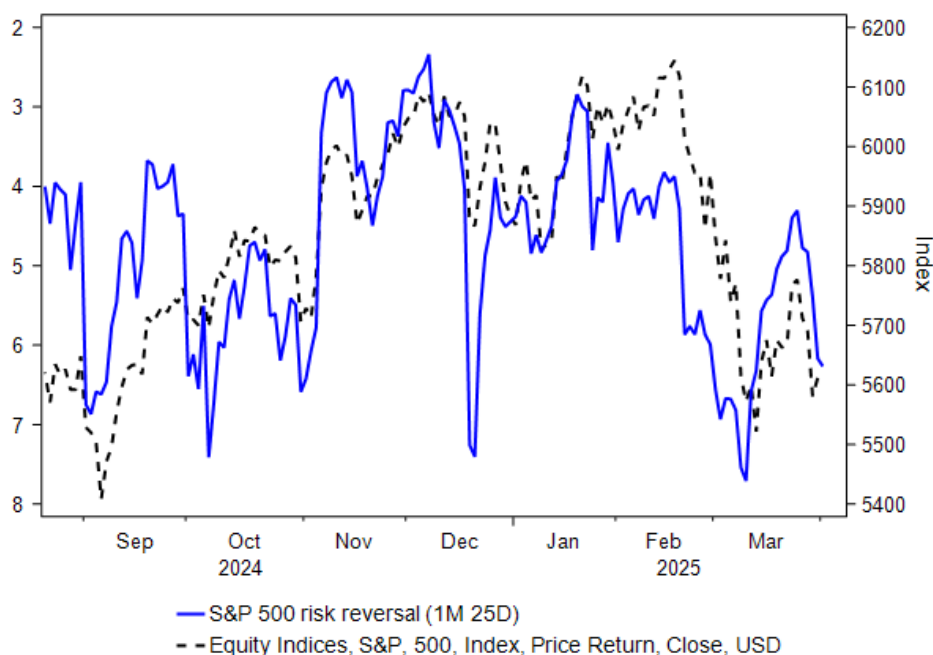
FIG 3c: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

The risk reversal model is now also on/close to BUY...

FIG 3d: S&P500 skewness** (risk reversal, 1 month, 0.25 delta), NB scale INVERTED vs. S&P500

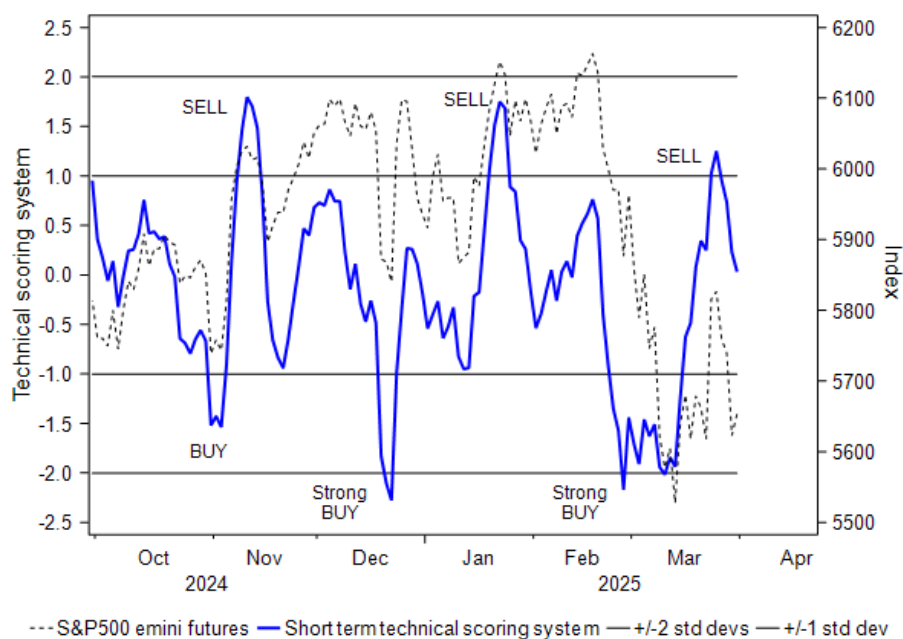


Source: Longview Economics, Macrobond

**Which compares the 'strike vol' of calls and puts with the same delta.

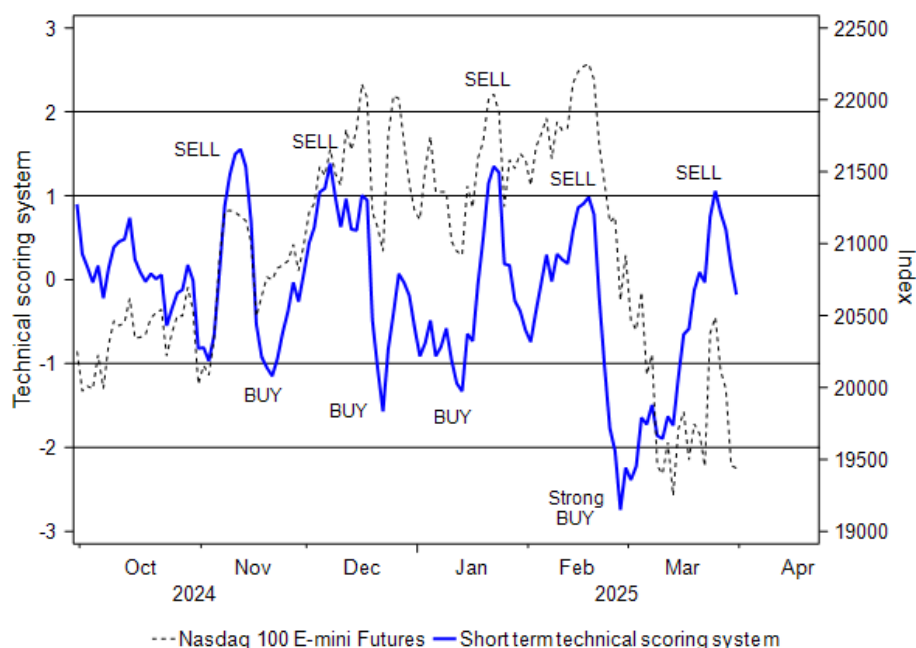
Technical/price-based models (for indices) are mostly closer to SELL (than BUY)....

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



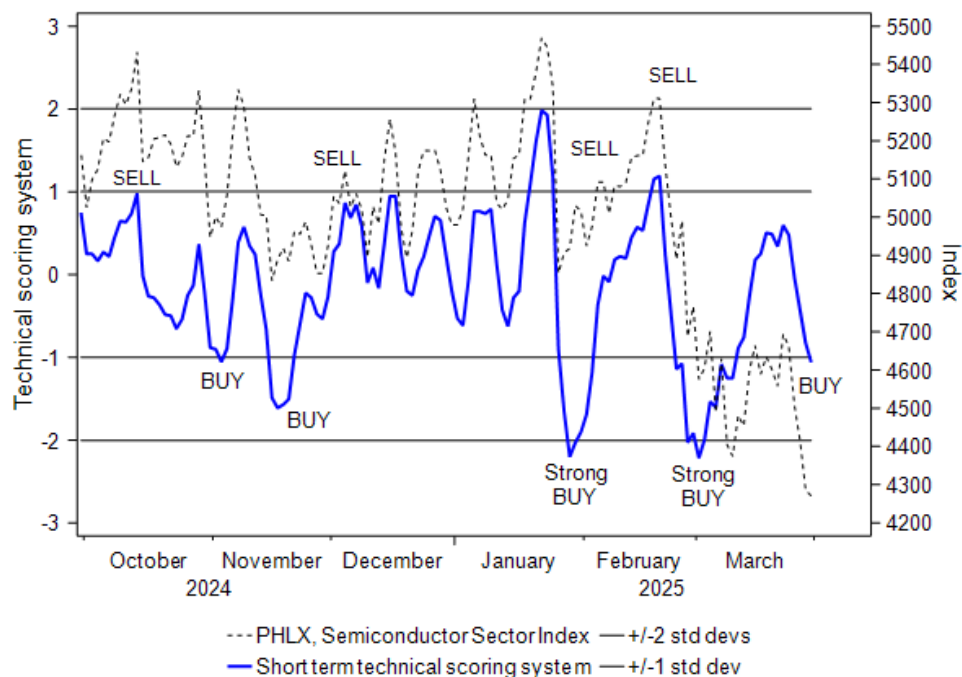
Source: Longview Economics, Macrobond

FIG 4a: Longview NDX100 short term **‘technical’** scoring system vs. NDX100 futures



Source: Longview Economics, Macrobond

FIG 4b: Longview Philly SOX short term **‘technical’** scoring system vs. Philly SOX index



Sector and single stock based technical models are also mixed...

FIG 4c: Momentum of S&P500 industry groups vs. S&P500 cash index

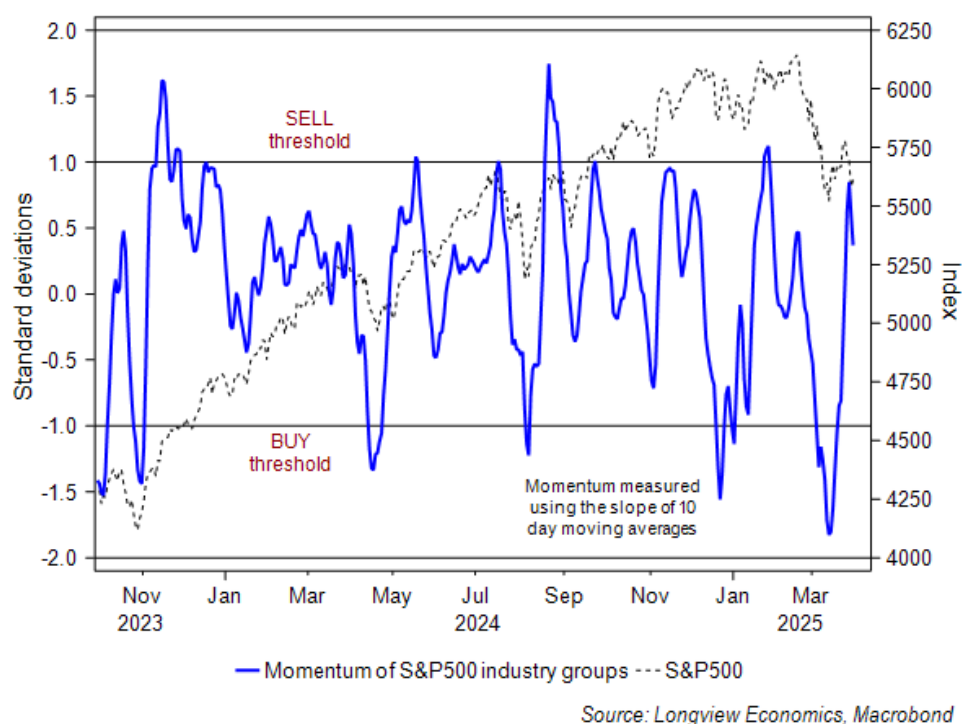


FIG 4d: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

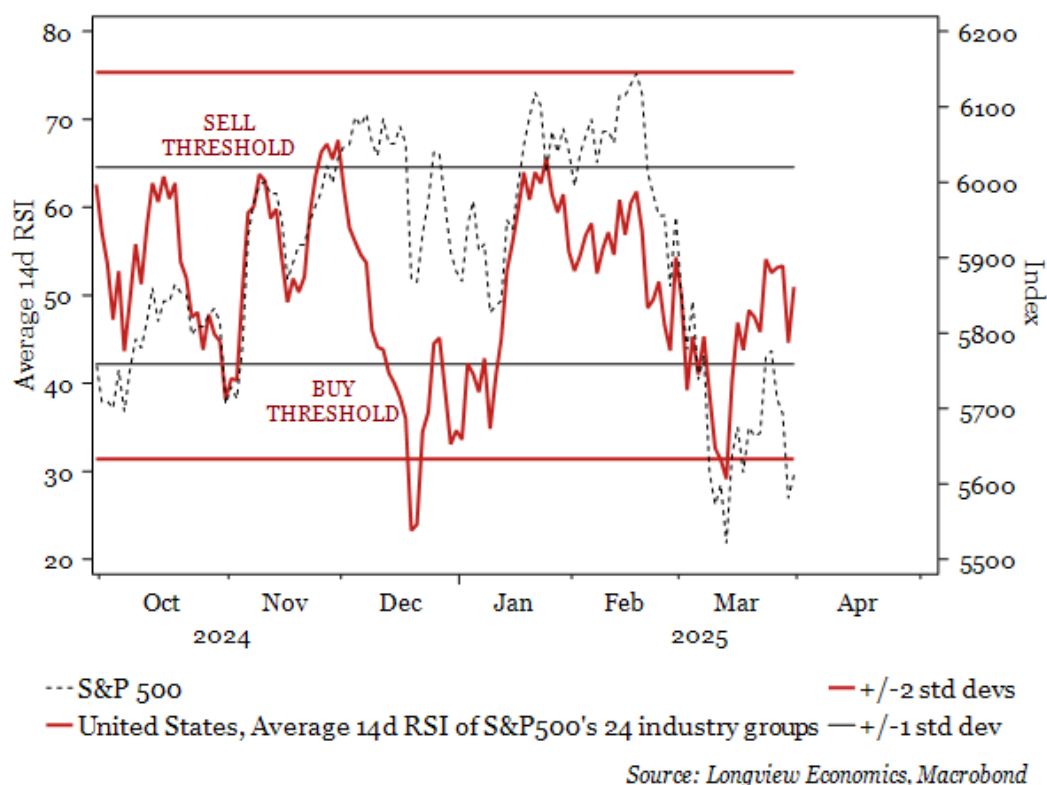


FIG 4e: S&P500 single stocks with upward momentum vs. S&P500

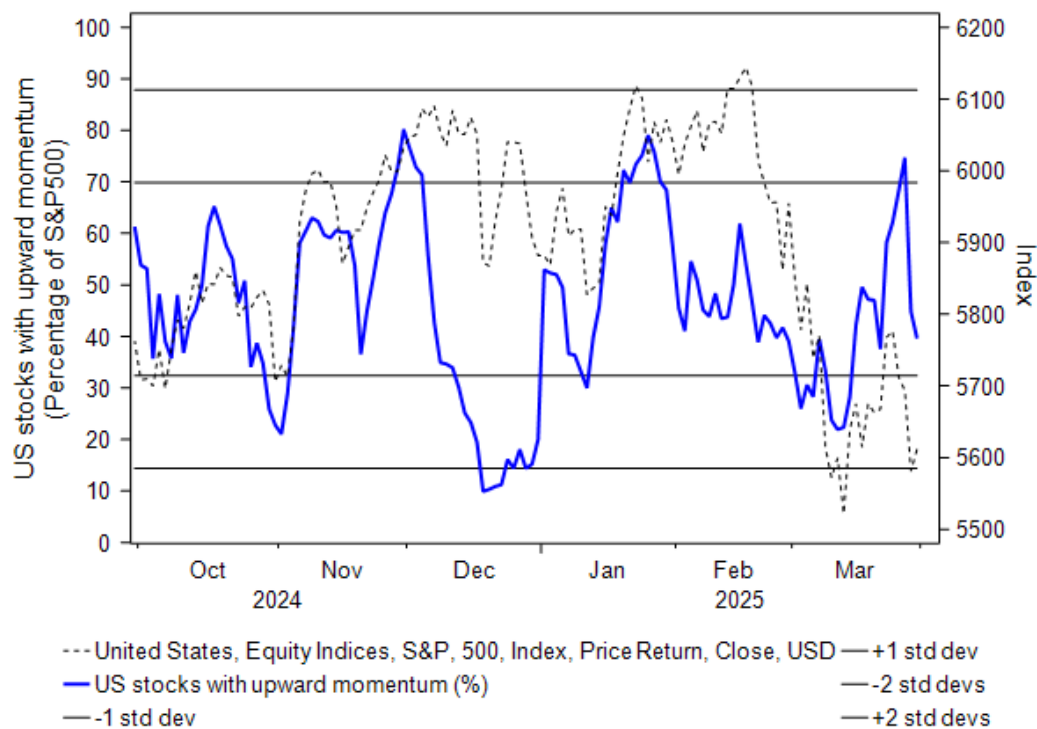
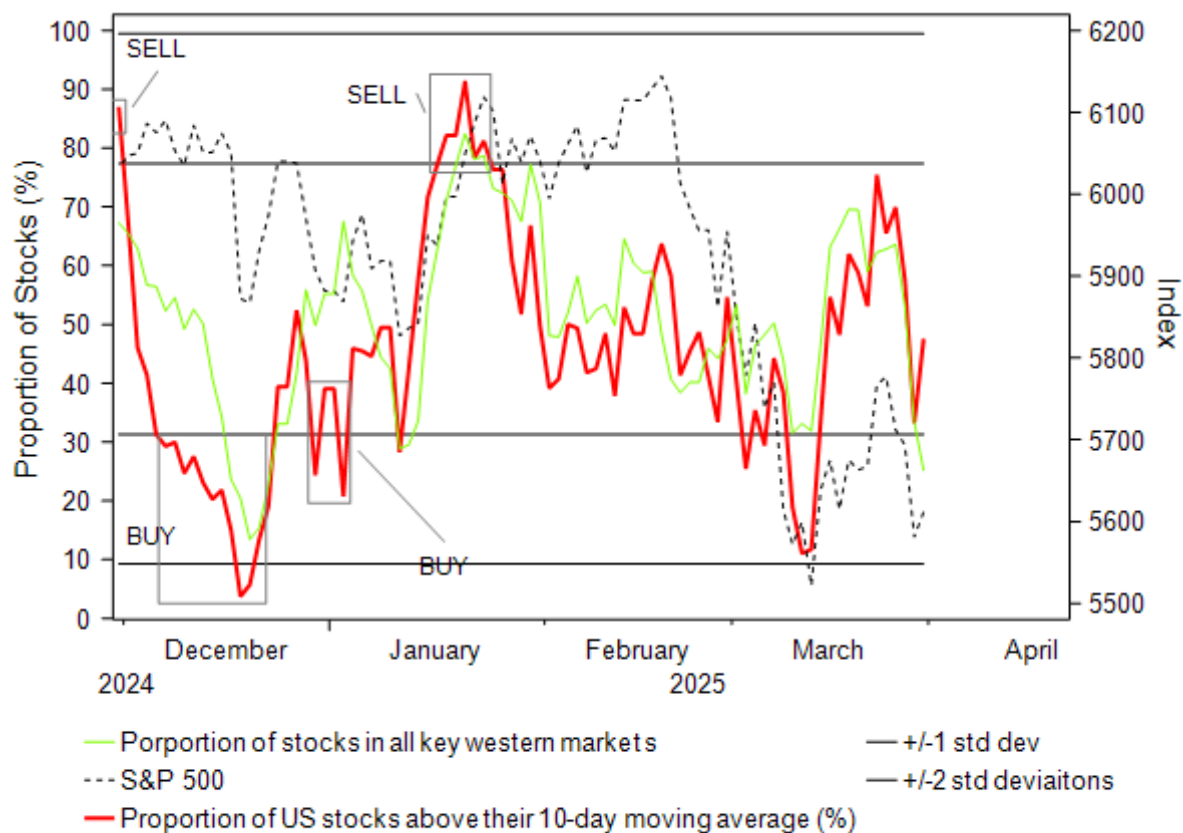


FIG 4f: Proportion of Western stocks above their 10 day moving average vs. S&P500



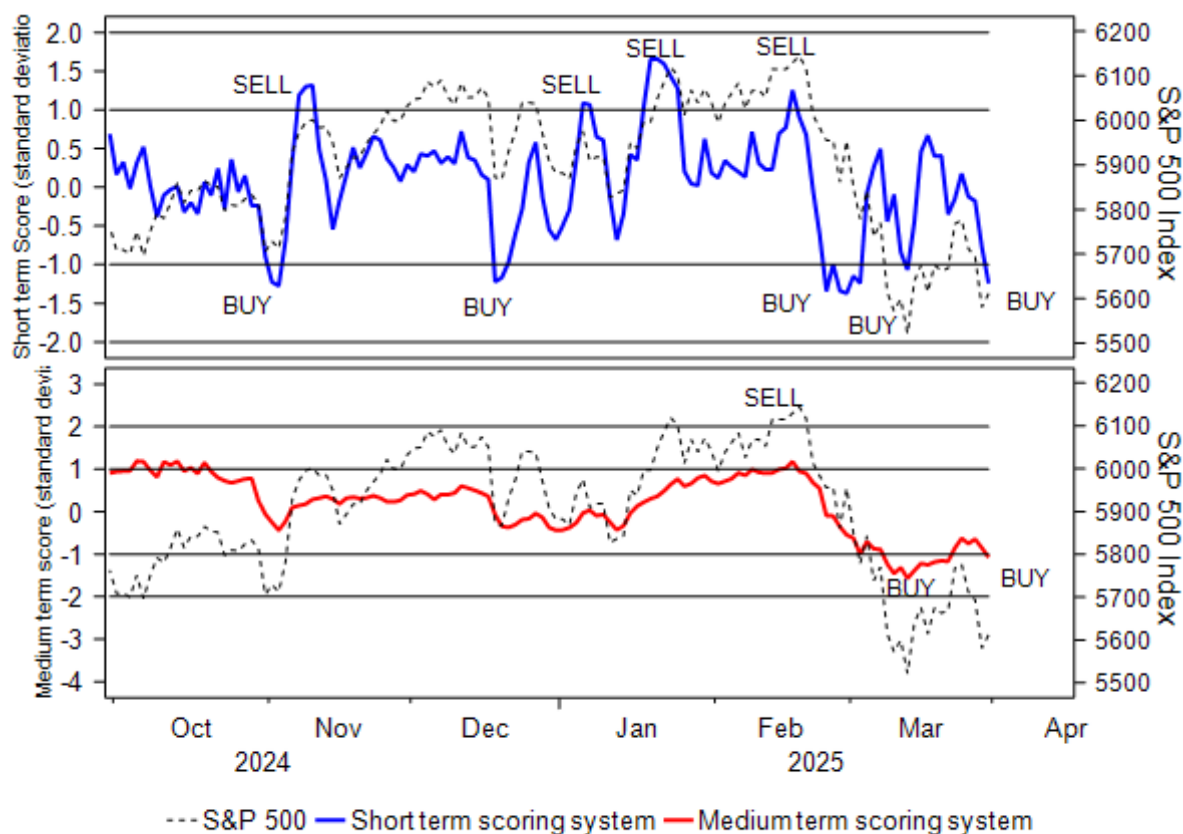
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **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 shop price index (Mar, 12:01am); Japanese jobless rate (Feb, 12:30am); Australian retail sales (Feb, 1:30am); Japanese Jibun Bank manufacturing sector PMI (March final estimate, 1:30am); **Chinese Caixin manufacturing sector PMI** (Mar, 2:45am); **UK Nationwide house prices** (Mar, 7am); HCOB manufacturing sector PMIs for Spain (8:15am), Italy (8:45am), France (8:50am), Germany (8:55am) & EZ (9am) - all March final estimates apart from Spain & Italy; Italian unemployment rate (Feb, 9am); UK S&P manufacturing sector PMI (March final estimate, 9:30am); **Eurozone headline & core CPI** (March first estimate, 10am); Eurozone unemployment rate (Feb, 10am); Canadian S&P Global manufacturing sector PMI (Mar, 2:30pm); US S&P manufacturing sector PMIs (March final estimate, 2:45pm); US construction spending (Feb, 3pm); **US JOLTS job openings** (Feb, 3pm); **US ISM manufacturing PMI** (Mar, 3pm); US vehicle sales (Mar, 3pm); US Dallas Fed service sector activity (Feb, 3:30pm).

Key events today include: **RBA policy decision** (4:30am); speech by the Bank of England's Greene on 'UK monetary policy/macro conjuncture' (9:15am); speeches by the ECB's Cipollone in Croatia (9:20am) & **Lagarde** & Lane at an AI conference (1:30pm & 5:30pm).

Key earnings today include: N/A

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 5th March 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.



LV RAG
Daily Risk Appetite Gauge

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1 – 2 Week View on Risk

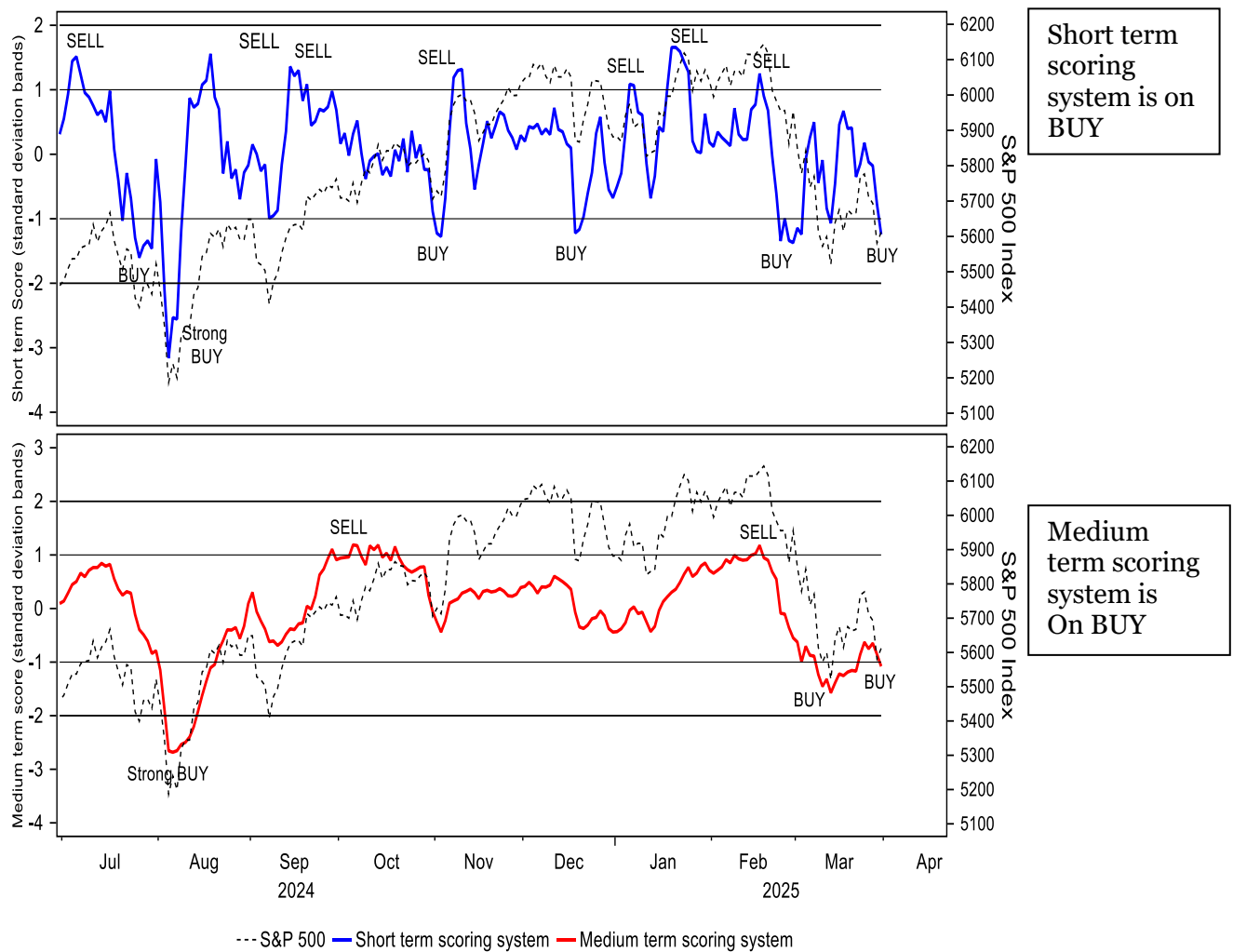
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1st April 2025

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

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



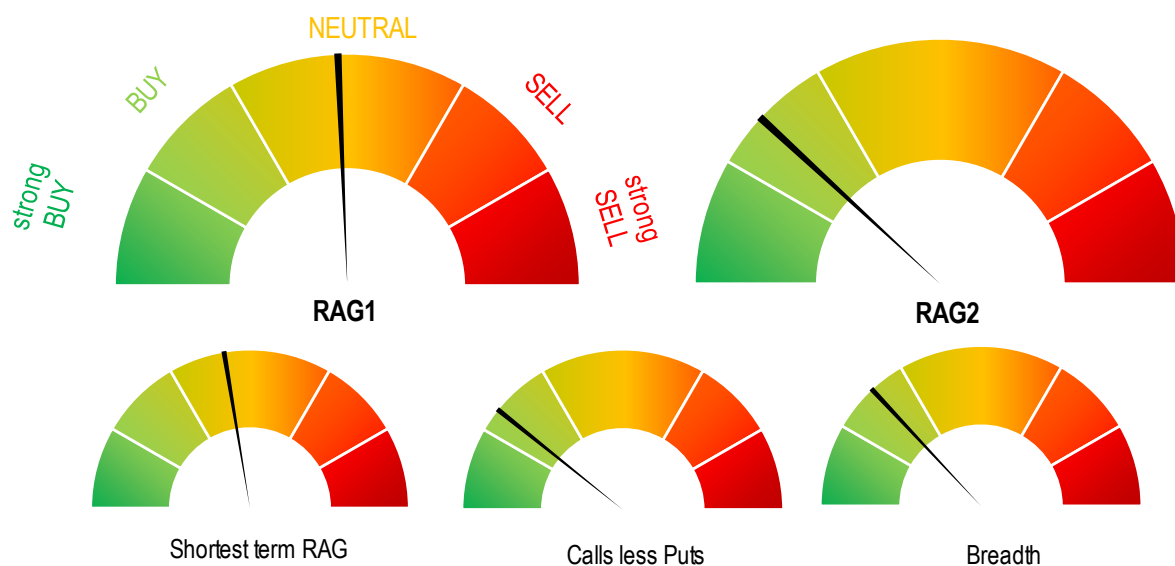
Source: Longview Economics, Macrobond

*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**

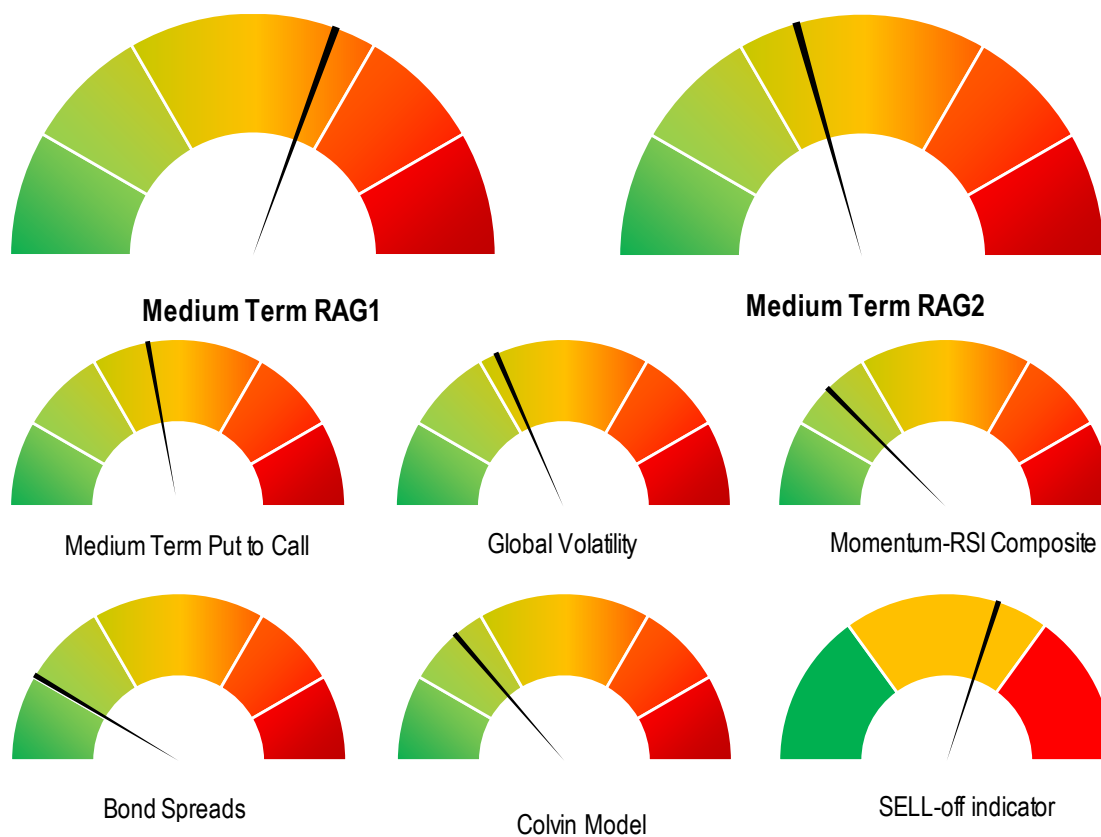
Section 1a: Summary of indicator signals**

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

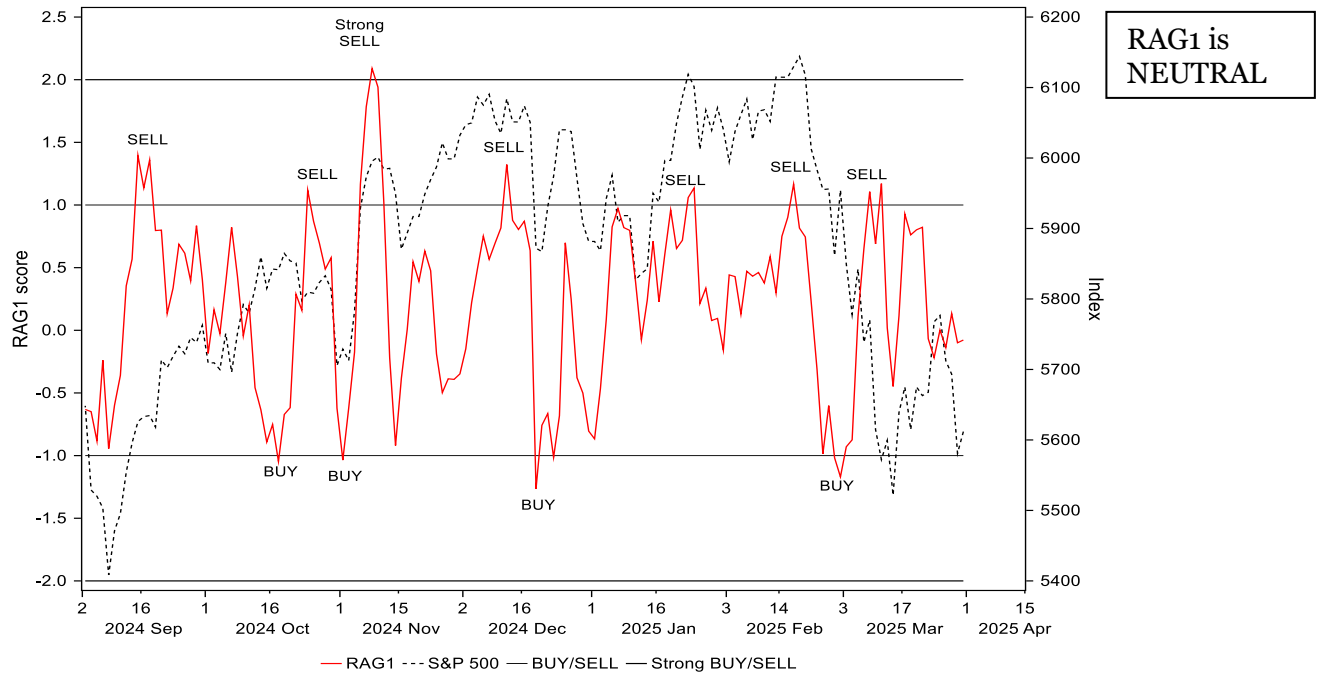


Source: Longview Economics

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

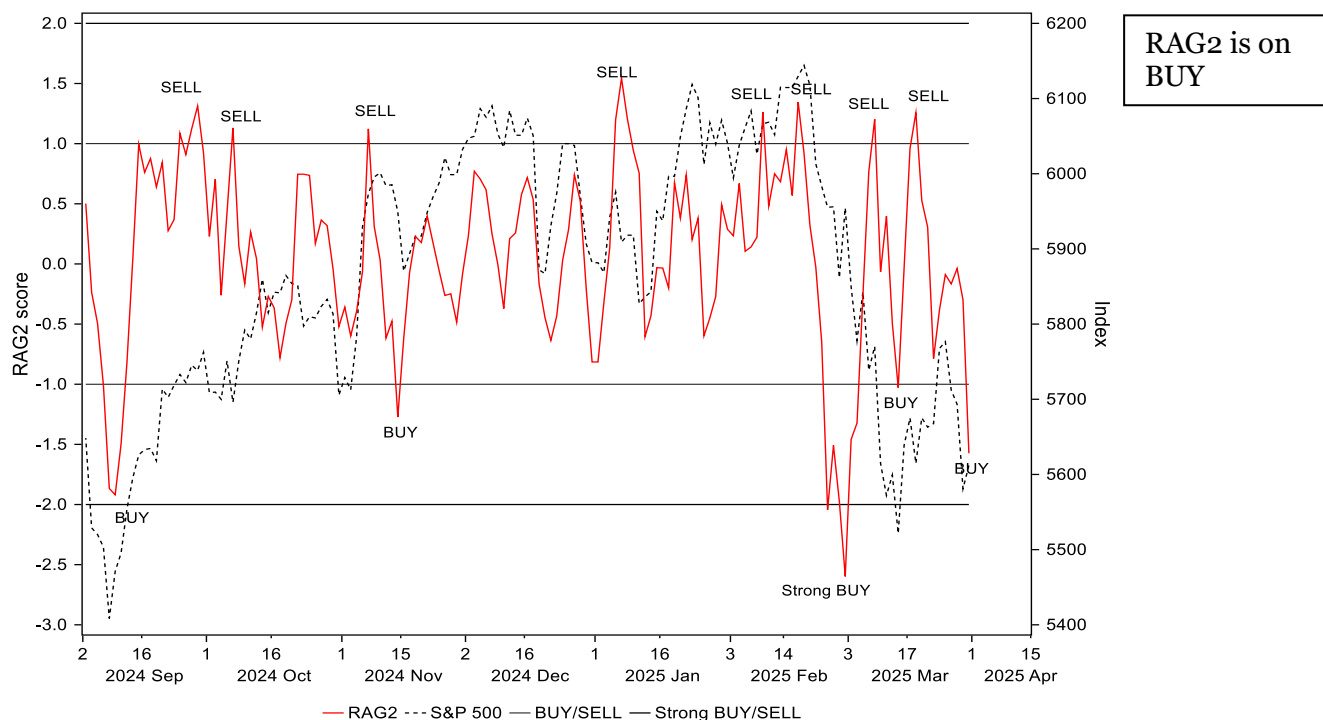
Section 2: Short term (1 – 2 week) trading models

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



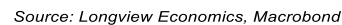
Source: Longview Economics, Macrobond

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



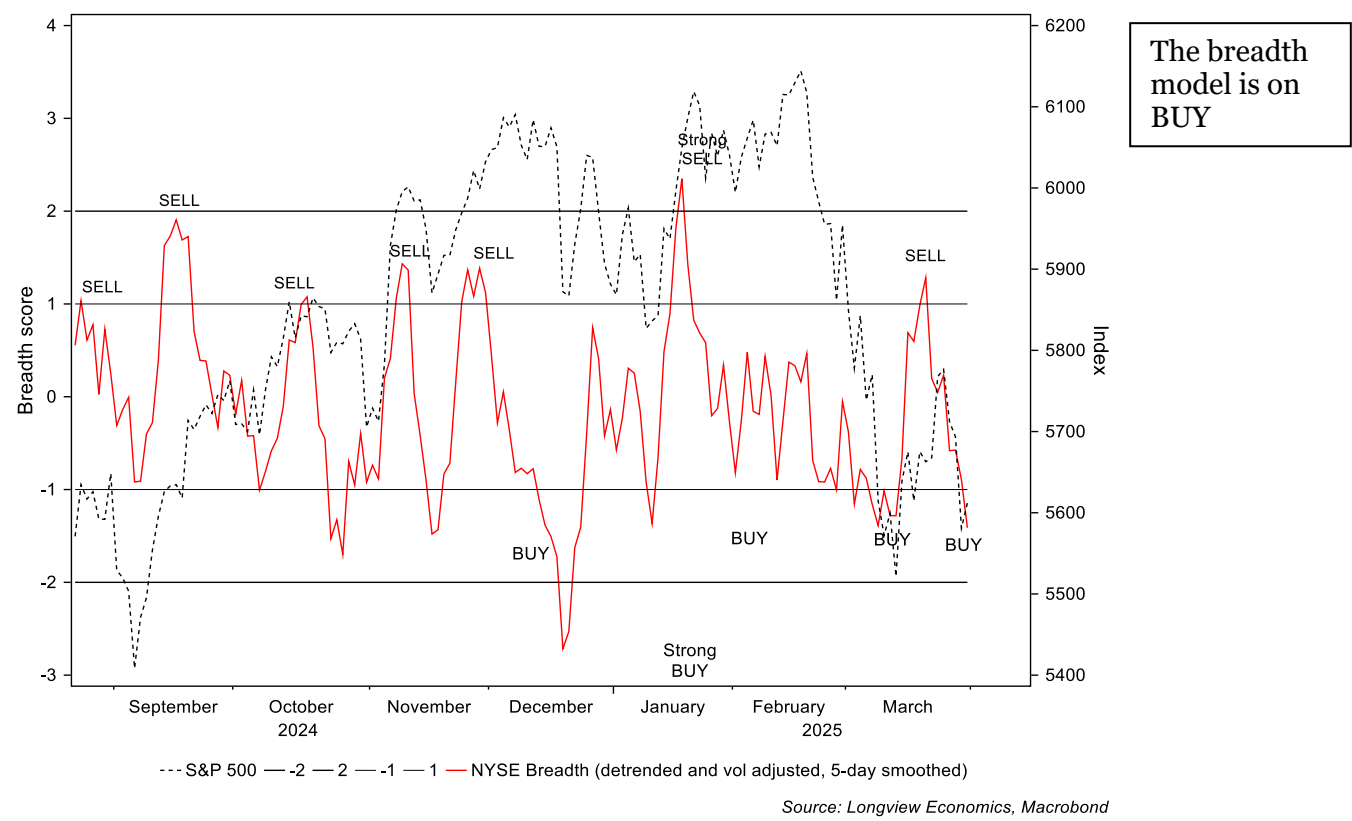
Source: Longview Economics, Macrobond

For explanations of indicators please see page 10



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

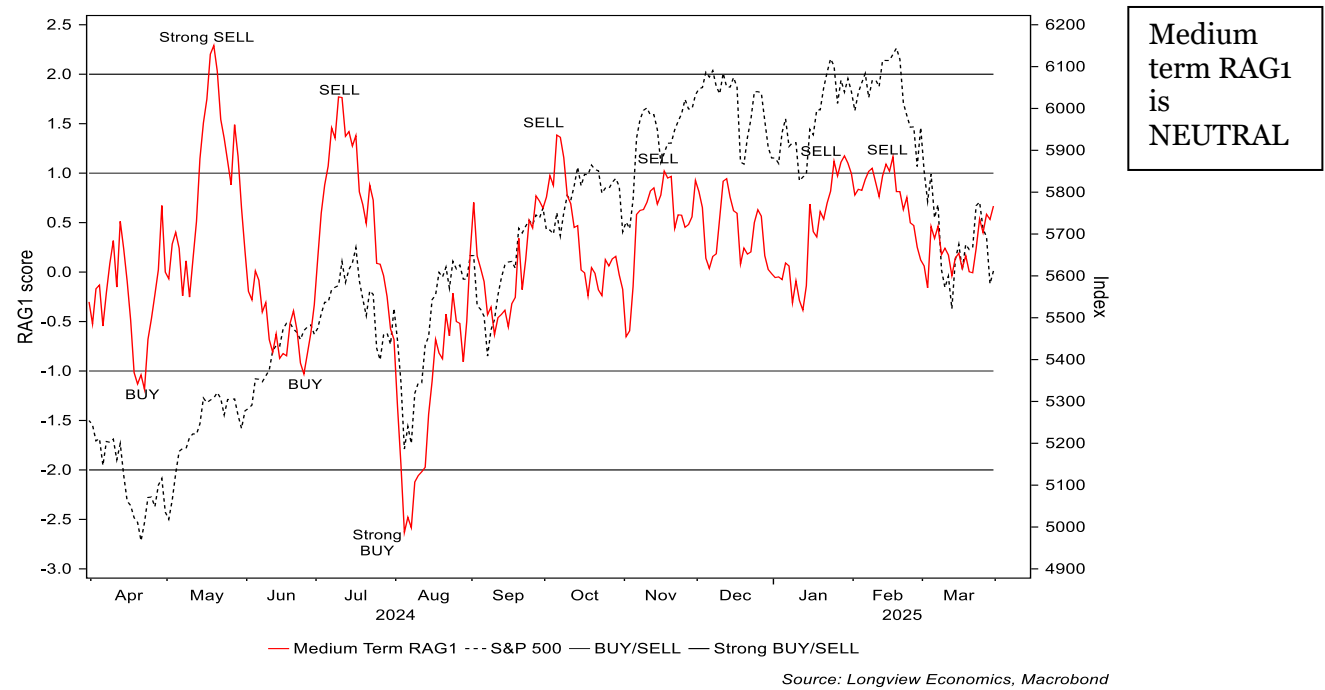
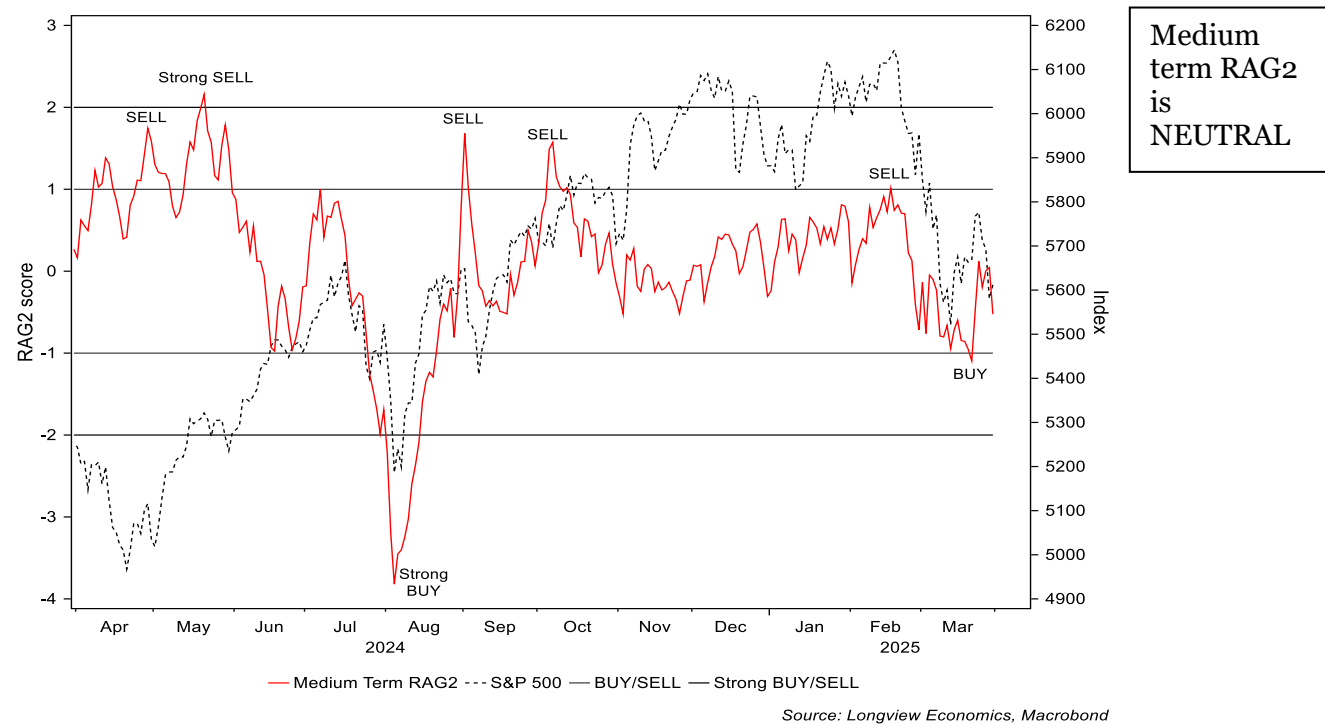


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

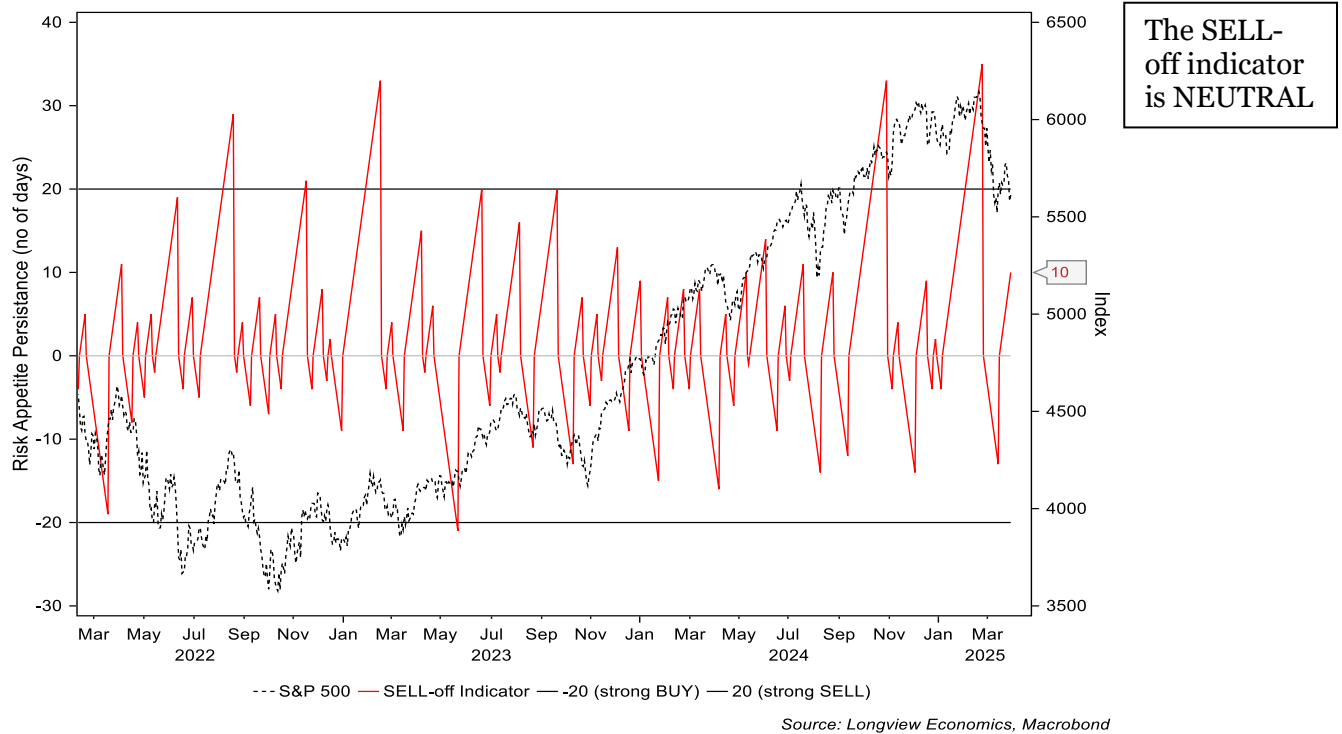
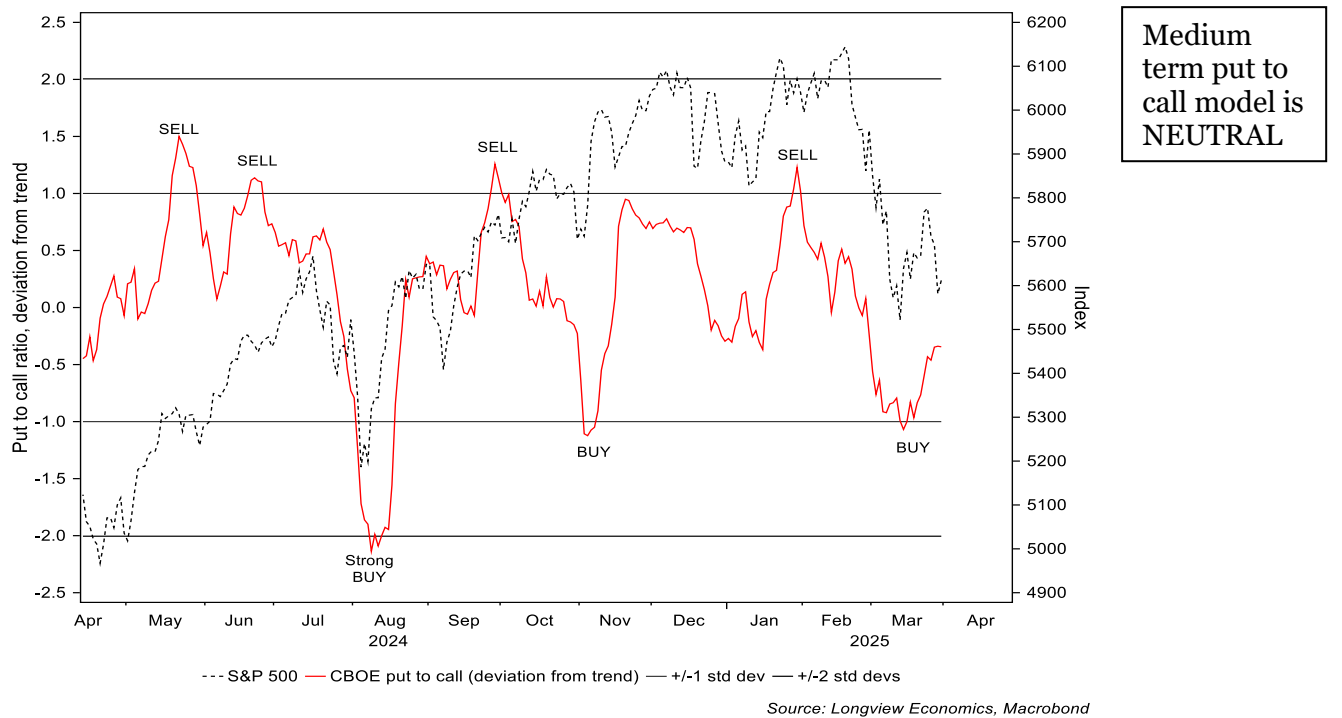


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

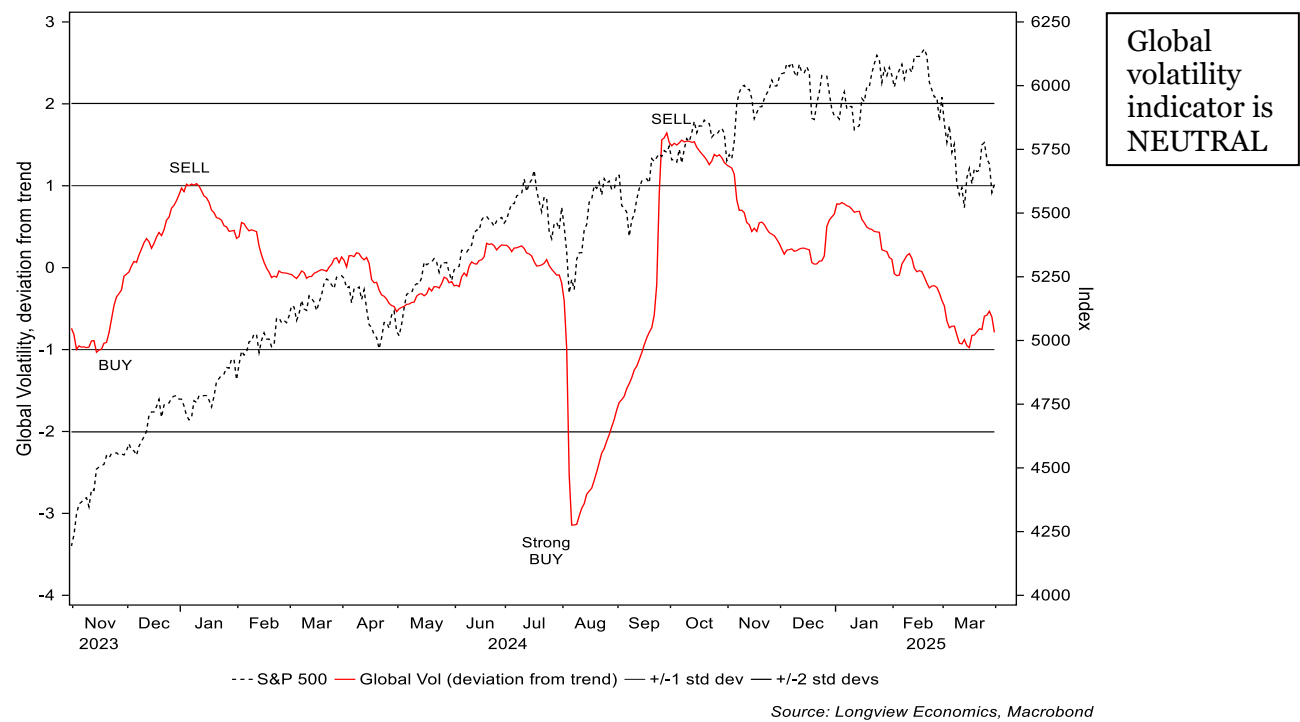


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

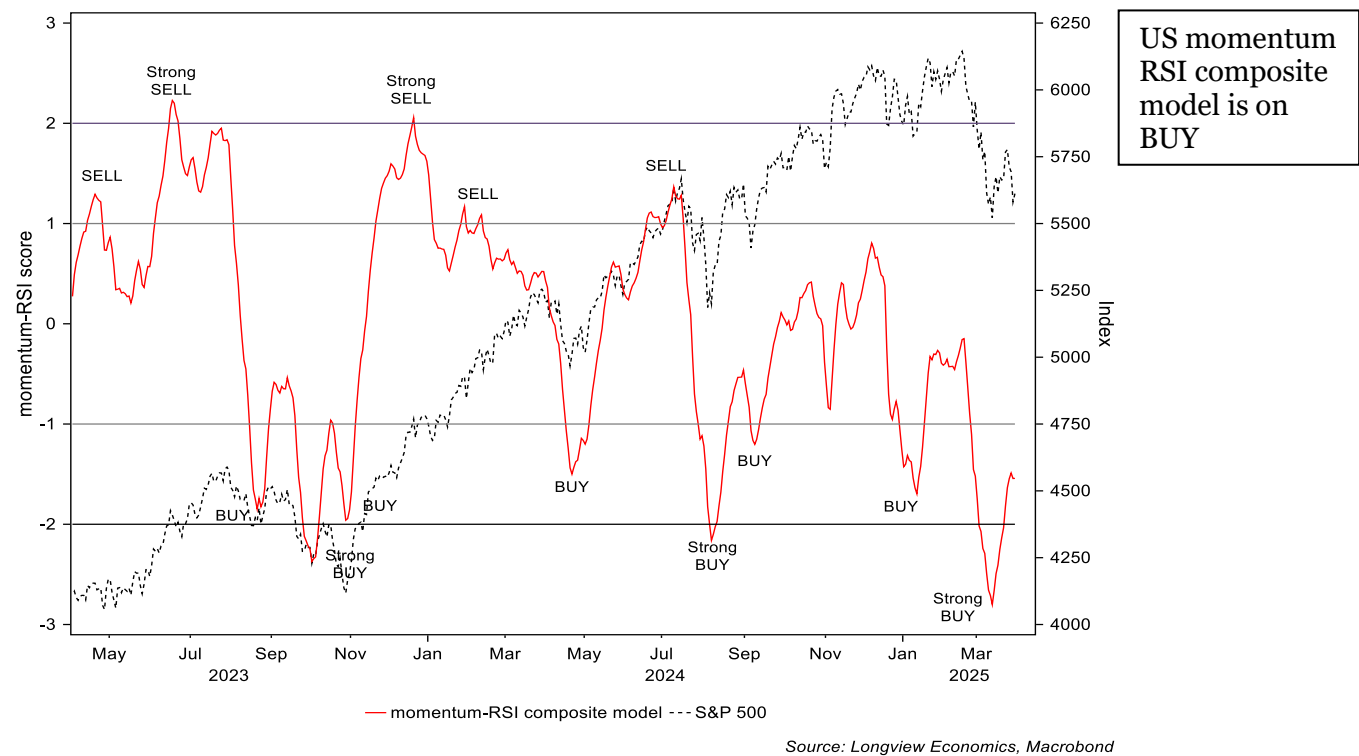


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

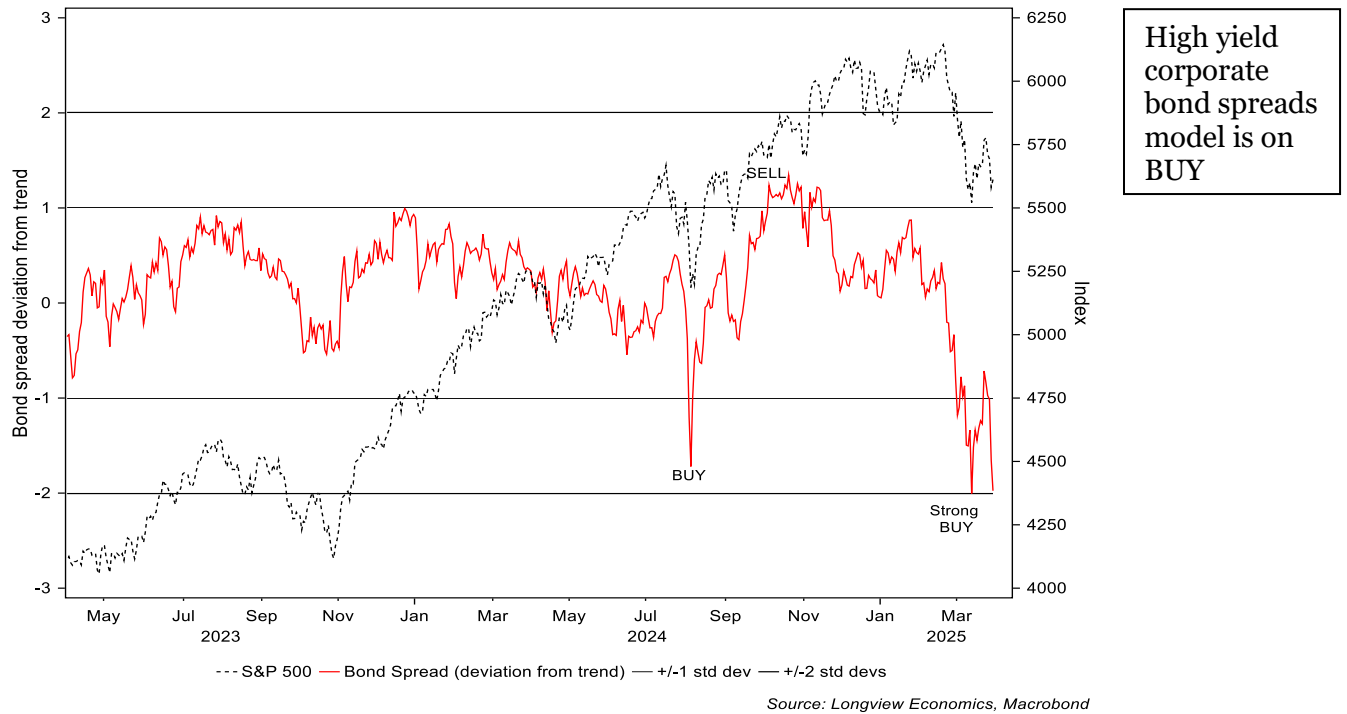
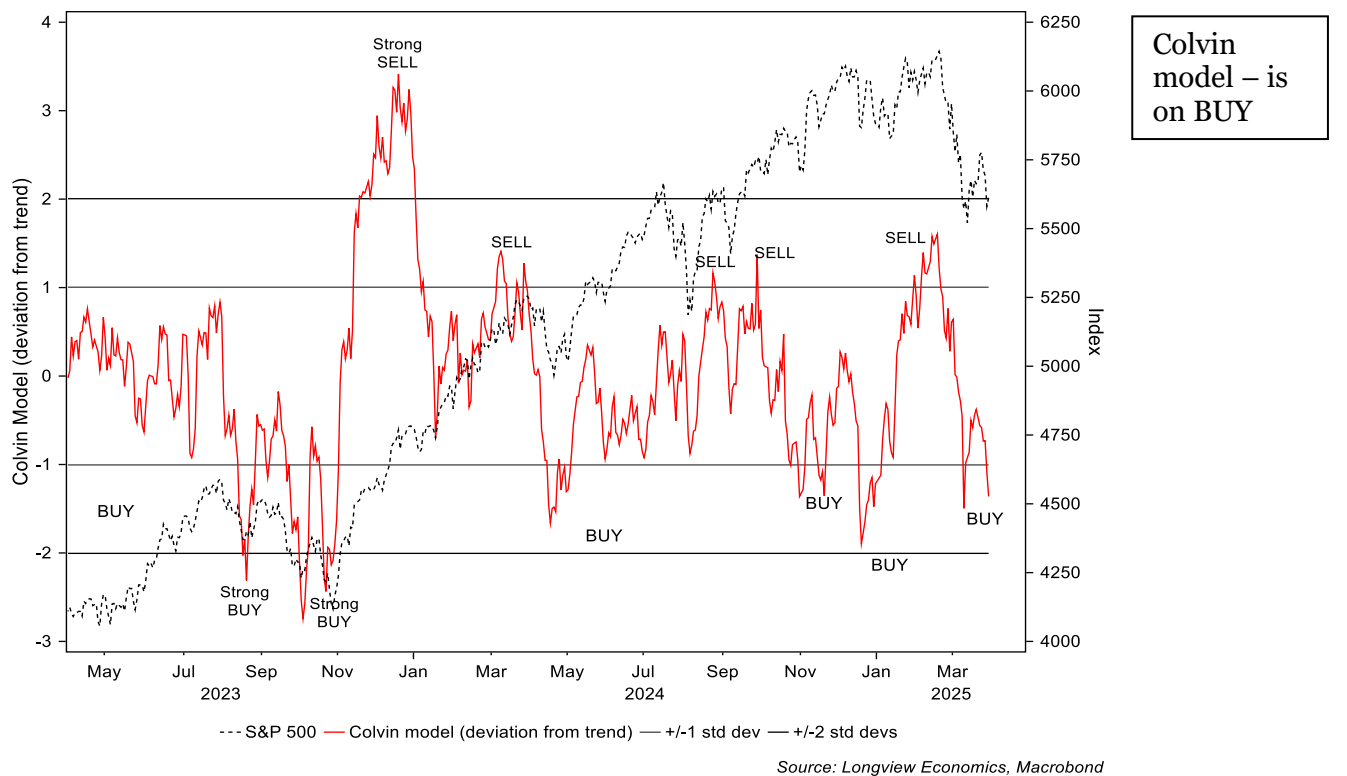


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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