

Equity Index Futures Trading Recommendations

20th February 2025

“Keep BUILDing SHORT Positions”

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

- STAY ½ SHORT March S&P500 futures (blended entry* was at 6,049.75);
- Keep the stop loss at 6,246 (having widened it yesterday).
- **ADD ¼ SHORT DAX futures** at current prices with a 2% stop loss (relative to entry/just above intraday highs).

*I.e. with the initial ¼ SHORT S&P500 futures position implemented on 4th Feb at 5,999.25 and increased to ½ last week on Thursday at 6,100.

Rationale

We remain SHORT US equity futures and continue to **view the risk of a pullback as heightened**. The rationale for that SHORT position remains robust and is summarised as follows: i) The S&P500 is trading at the top end of its 3 month range (FIG 1b); ii) the key SHORT and MEDIUM term scoring systems are (or have just been) generating a clear and widespread SELL message (FIGs 2 to 2e); & iii) various asset prices across the globe have been exhibiting ‘frothy’ price action in recent trading sessions. All of those factors have been discussed in recent ‘Daily Risk Appetite’ publications. Many of the key models are reproduced below.

As always, the question is: **What will trigger a pullback?** The answer is, of course, unknowable (ahead of the event). Candidates include macro data later this week (e.g. flash PMIs tomorrow; US LEIs later today); a spike in unusually low currency volatility (e.g. see implied volatility of certain non-dollar pairs like FIG 1c); a spike in EZ high yield spreads which have become notably compressed in recent weeks (FIG 1d); and/or an announcement of a new/changed Trump policy; and so on.

Yesterday, whilst US equities closed modestly higher (S&P500 +0.2%; NDX100 +0.05%; Philly SOX +1.2%), European equity markets suffered their **first meaningful wobble** in recent weeks. The DAX, for example, closed down 1.8%, having rallied 14% YTD (by the close on the prior day, i.e. Tuesday); Spain’s IBEX market was similar (falling 1.6% yesterday, having been 13.4% higher YTD as at Tuesday’s close); while the broader EuroSTOXX was down 0.9%. With that weakness in European equities, both the DAX & the MIB generated a **bearish key day reversal***. That’s a technical price pattern which highlights a likely change of trend (i.e. in this instance, BUYER exhaustion). Similarly, both the DAX & IBEX are now notably overextended relative to their 50 day moving averages (i.e. relative to their medium-term trends) – FIGs 1 & 1a. As such, we recommend ADDing to the SHORT position size by moving ¼ SHORT DAX futures (see trading recommendation above).

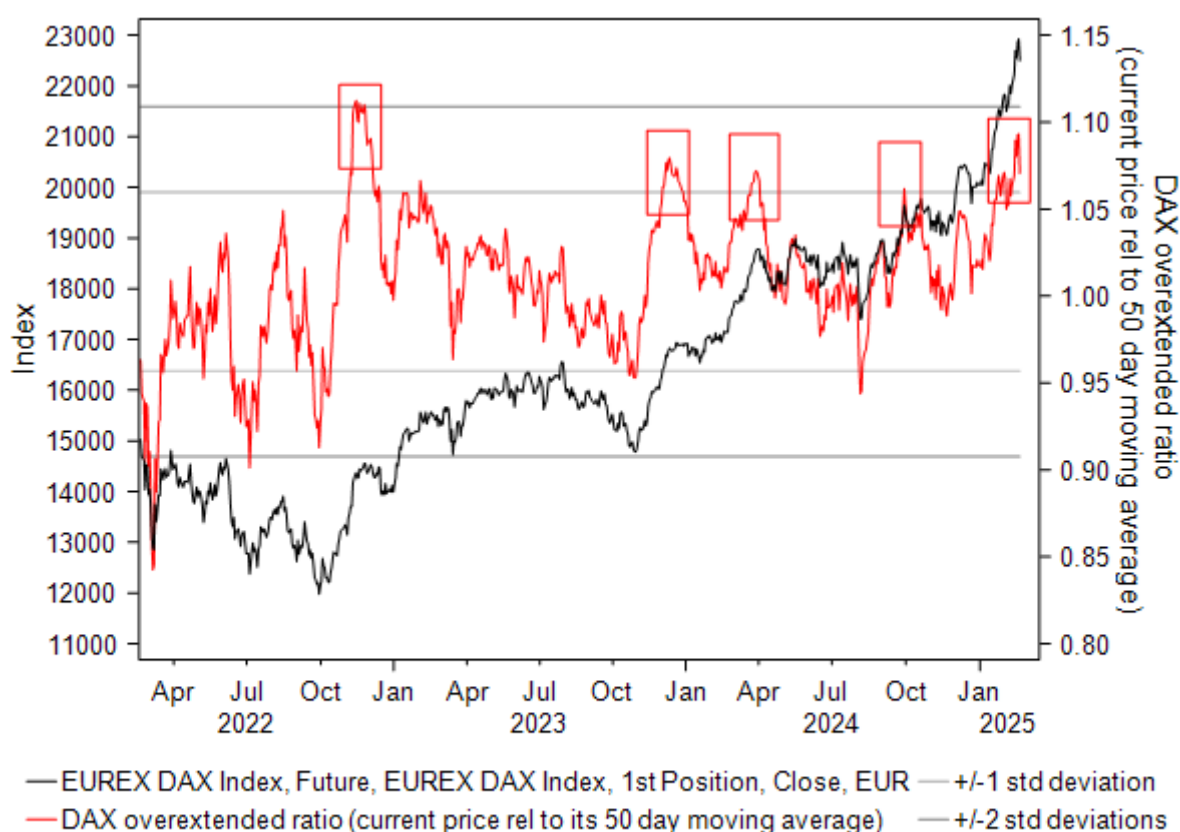
Please see below for a list of today's key macro data, earnings, and events.

Kind regards,

The team @ Longview Economics

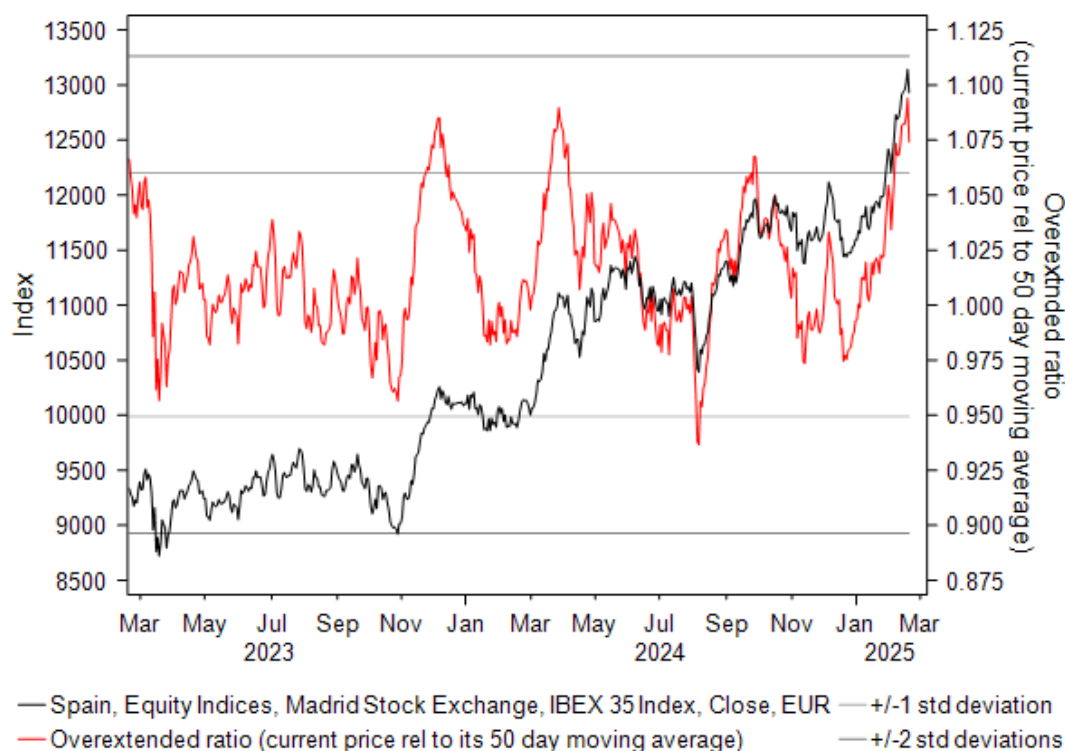
NB the goal of this publication is to implement '1 – 2' week, LONG or SHORT trades on equity index futures (looking for 1 – 3 trades per month). For longer term 1 – 4 month trading recommendations and analysis, see our 'Tactical Asset Allocation' publications (available: <https://www.longvieweconomics.com/the-tactical-investor>); 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>)

FIG 1: DAX overextended indicator (50 day moving average relative to underlying index price) vs. DAX index



Source: Longview Economics, Macrobond

FIG 1a: IBEX overextended indicator (50 day moving average relative to underlying index price) vs. IBEX index



Source: Longview Economics, Macrobond

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

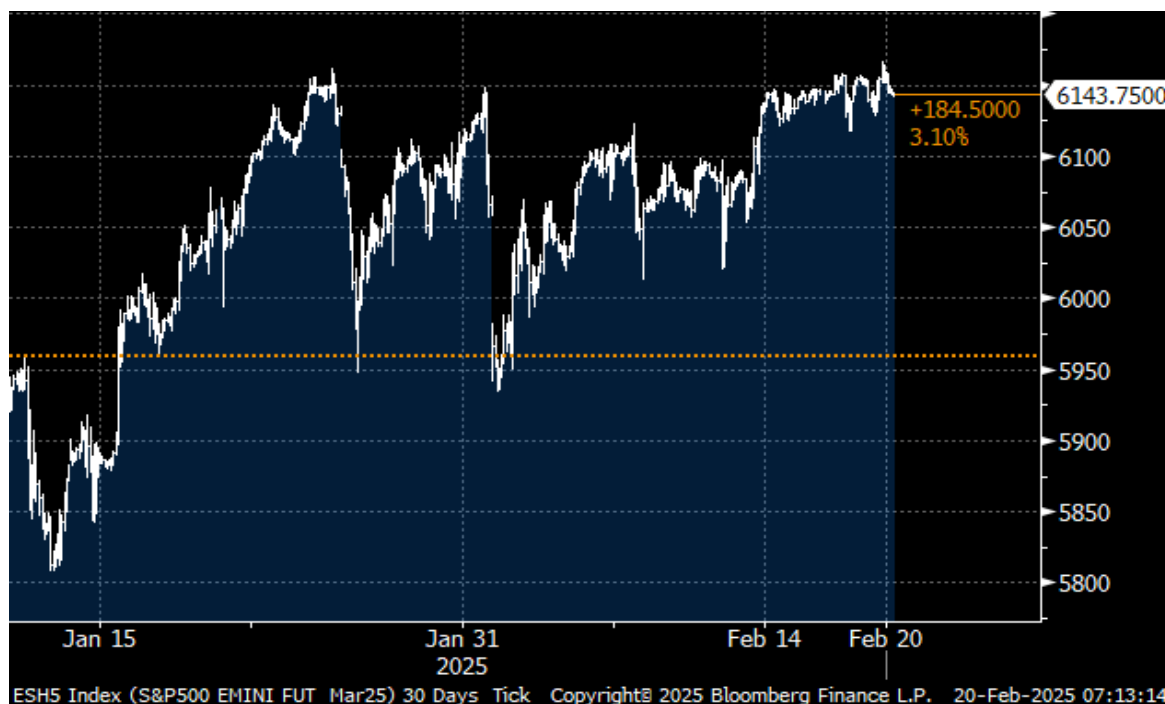
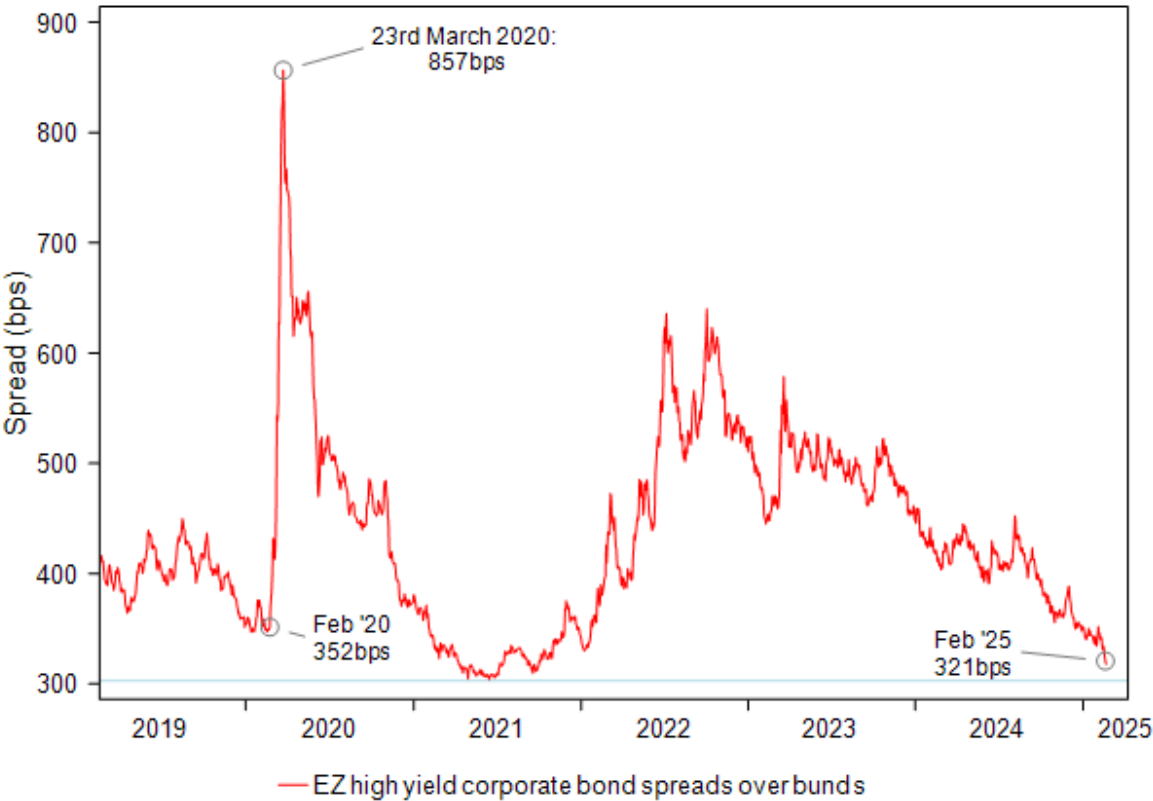


FIG 1c: Implied currency volatility (AUSNZD 3m volatility) – at record lows



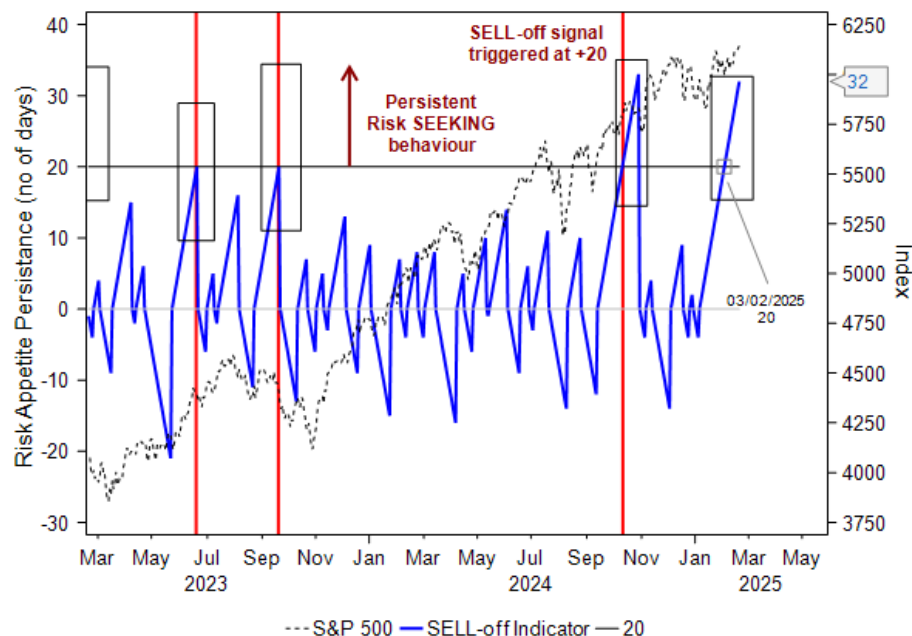
FIG 1d: EZ high yield corporate bond spreads (bps)



Source: Longview Economics, Macrobond

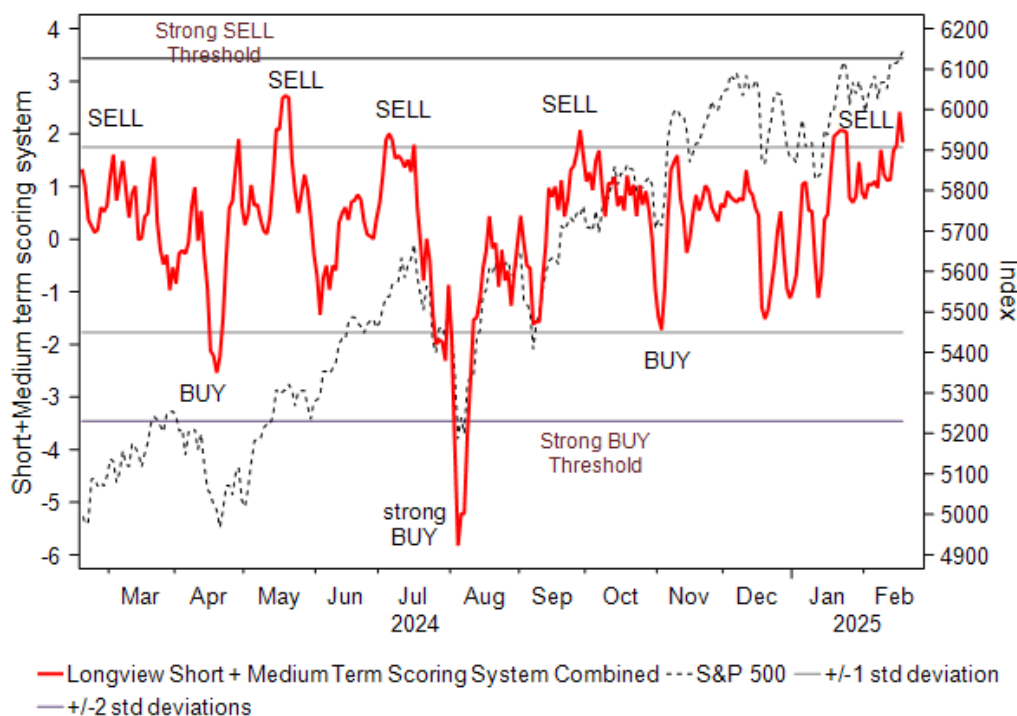
Key models are (or have just been) on SELL....

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



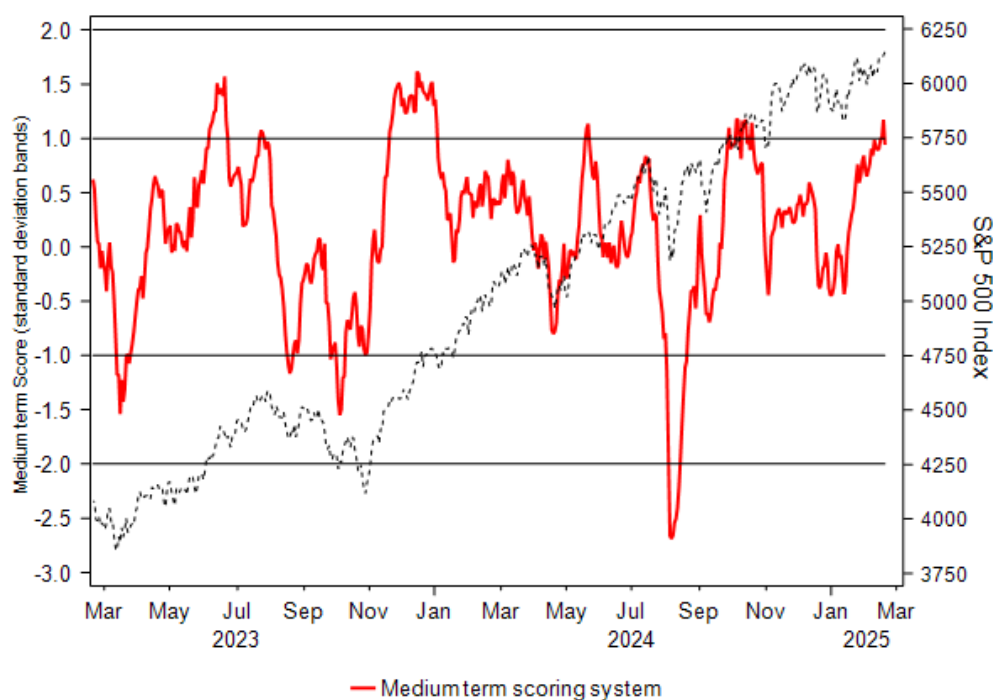
Source: Longview Economics, Macrobond

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



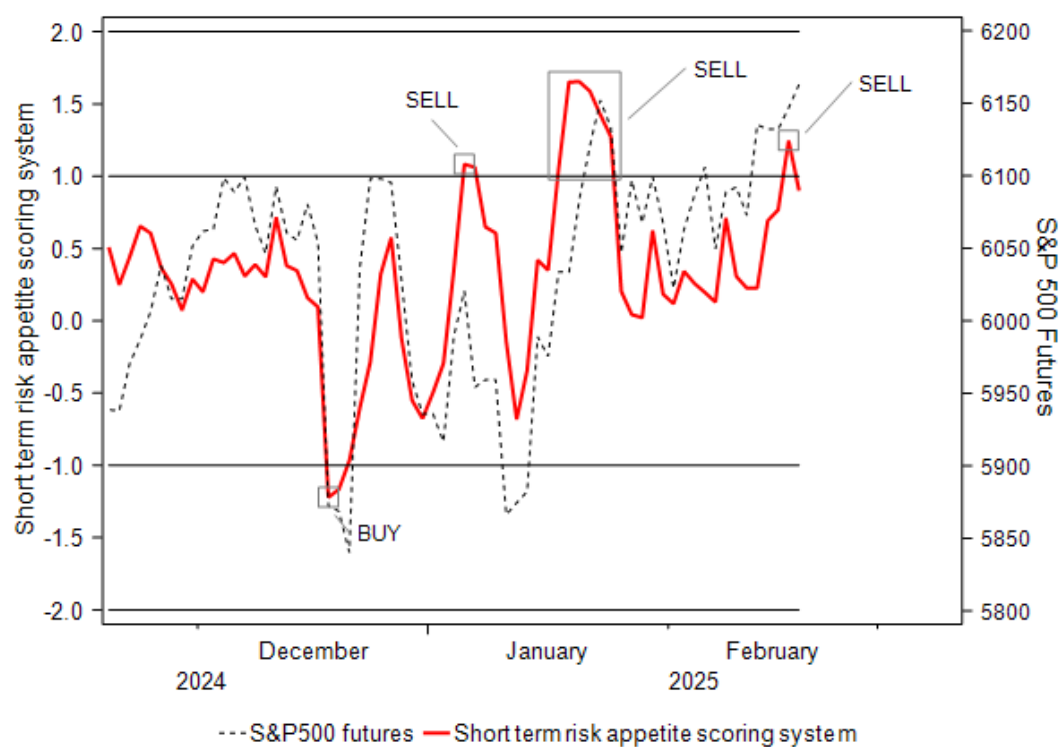
Source: Longview Economics, Macrobond

FIG 2b: Medium term **'risk appetite'** scoring system vs. S&P500



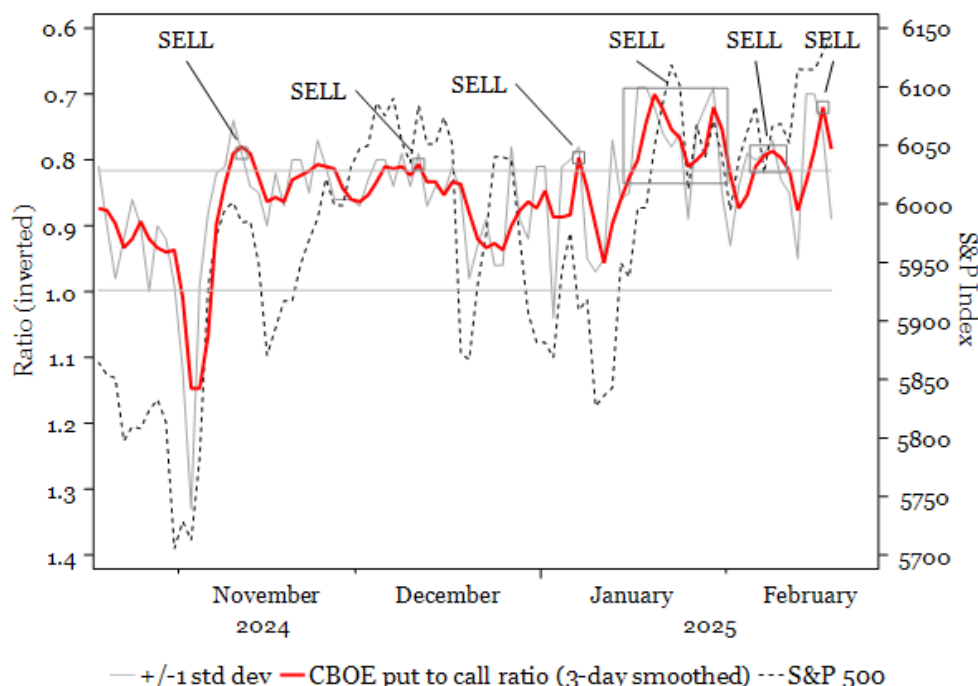
Source: Longview Economics, Macrobond

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



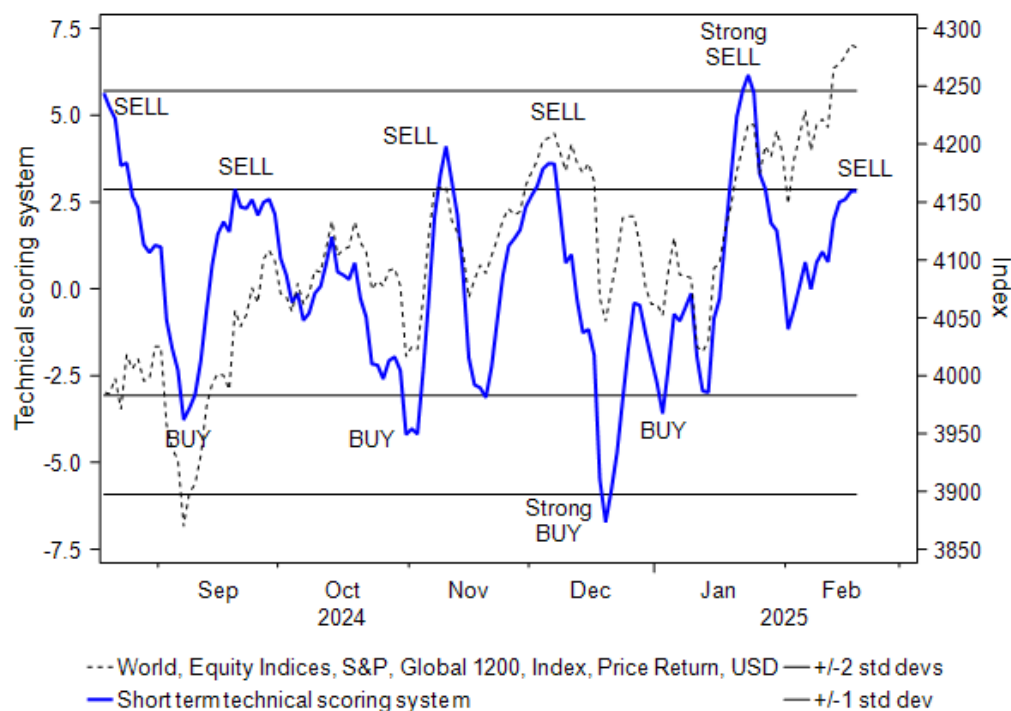
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 2e: Longview global S&P1200 short term 'technical' scoring system vs. S&P1200 index



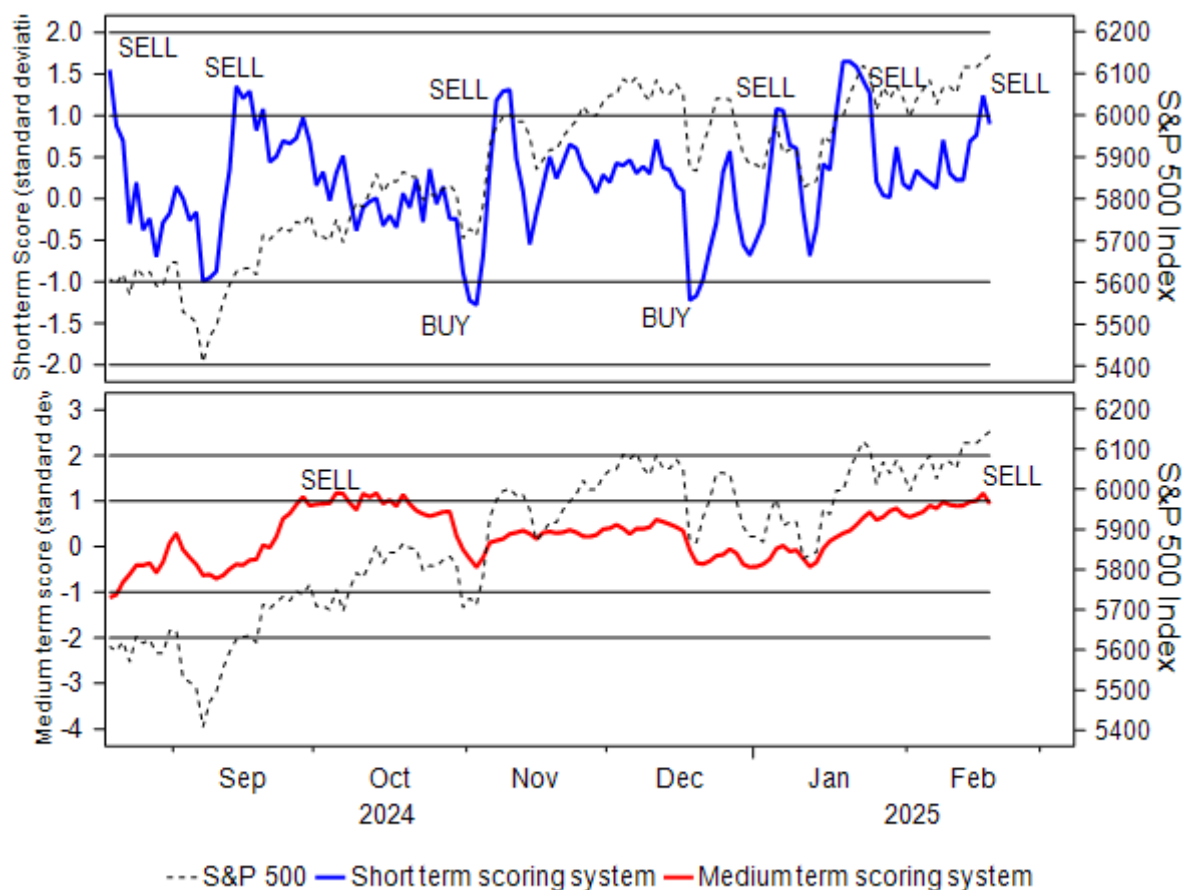
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **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 employment data (Jan, 12:30am); **German PPI** (Jan, 7am); Spanish home sales (Nov, 8am); Eurozone construction output (Dec, 10am); CBI industrial trends survey (Feb, 11am); US Philadelphia Fed business outlook (Feb, 1:30pm); US weekly jobless claims (1:30pm); **US Conference Board leading index** (Jan, 3pm); **Eurozone consumer confidence** (January first estimate, 3pm); Australian S&P manufacturing & services sector PMI (February final estimate, 10pm); **Japanese headline & core CPI** (Jan, 11:30pm).

Key events today include: **PBOC policy decision** (1am); speech by the ECB's Makhoul on the Irish Economy (1pm); speeches by the Fed's Goolsbee in a moderated Q&A (2:35pm) & Musalem to Economic Club of NY (5:05pm);

Key earnings today include: **Walmart**, Booking, MercadoLibre, Southern, Newmont Goldcorp, Schneider Electric, Airbus Group, **Lloyds Banking**, Westfarmers.

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 3rd February 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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