

## Equity Index Futures Trading Recommendations

20<sup>th</sup> March 2025

“Stay LONG SPX - ADD to position on weakness”

Email: [info@longvieweconomics.com](mailto:info@longvieweconomics.com)

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

- Stay  $\frac{1}{4}$  LONG June SPX futures (entry was on Tuesday at 5,731).
- Increase to  $\frac{1}{2}$  LONG at 5,690 (up from yesterday’s order level of 5,650).
- Implement 3% stop loss on combined entry (i.e. at 5,539).

### Rationale

**Yesterday’s press conference was well received by markets.** In particular, Powell suggested that the inflationary impact of tariffs was transitory and that inflation expectations were stable. The growth forecast was revised down while the outlook on interest rates was unchanged (i.e. in the DOT plots). The Fed also announced that it was slowing the speed of QT (lowering the amount of US Treasury debt that rolls off its balance sheet each month, i.e. from \$25bn to \$5bn – from the beginning in April). Reflecting that, US equities closed higher across the board, with 27 of the 28 indices we track stronger on the session. Elsewhere US Treasury yields fell across the curve (e.g. see FIG 1c), with the rates market pricing in more cuts at the front end (particularly in 2026).

Our view remains unchanged from yesterday. That is, **US equities are in the midst of a ‘wave 2’ relief rally\***. S&P price action has been encouraging in that respect, with the index making higher highs and higher lows this past week (just, see FIG 1). Added to which, signs of fear/panic continue to ease. Readings on both the VIX & VVIX, for example, have fallen further (FIGs 1e & 1f); while the S&P skewness (risk reversal) is also lower, suggesting that bearish positioning in the options market has started to unwind (FIG 1d). Elsewhere most short term trading models point to further upside in equities (on a 1 – 2 week view). Sentiment, for example, is bearish (a contrarian BUY signal, see FIG 1g) while technical, breadth, and momentum indicators are either on BUY or have recently generated BUY signals (FIGs 2b – 2f).

**Usually, in a ‘wave two’ relief rally, equities retrace between 50% and 61.8% of their initial losses** from ‘wave 1’. Those retracement levels are shown in FIGs 1a & 1b for the S&P500 and the NASDAQ100. Wave 2 rallies also typically persist until our short term models are generating a clear and across the board SELL message. As noted above, that’s not currently the case. Potentially, therefore, the wave 2 rally is only just getting going/has further to run. Other than the retracement levels noted above, the next key resistance level on the S&P500 is 5,899 (the 200 day moving average, FIG 1).

The **risk reward therefore favours staying LONG** the S&P500 (and increasing the position size on weakness). Yesterday the June futures traded within 7.5 points of our order to increase the position size (i.e. we weren't filled). Given the move higher yesterday & overnight we recommend modestly increasing the order level (see above for detail).

**Risks**, as always, are multiple and include the possibility that this 'wave 2' relief rally is short lived (and our models fail to generate a clear/broad based SELL message). In that respect some of our short term risk appetite models are already close to SELL (FIG 2a), albeit the short term risk appetite scoring system is NEUTRAL (FIG 2).

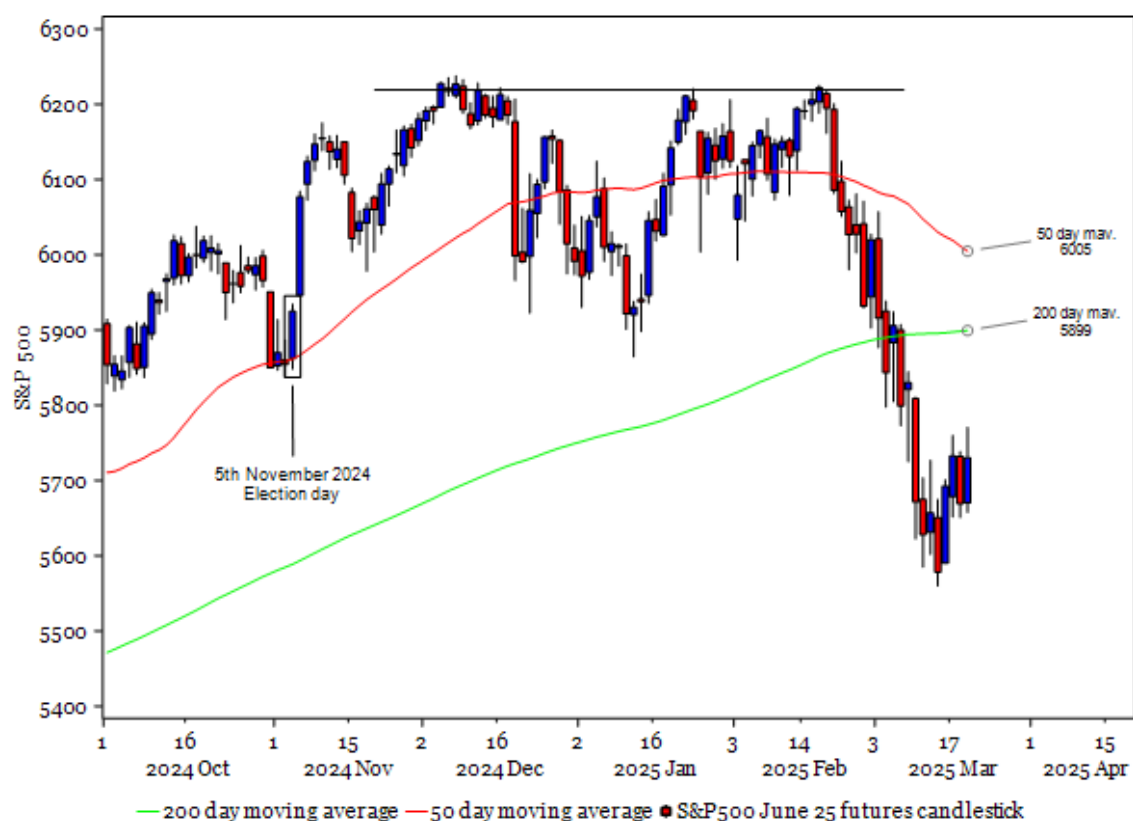
Key events today include policy decisions by the Bank of England (as well as the SNB and Riksbank). Please see below for a full list of today's key macro data and events.

Kind regards,

The team @ Longview Economics

\*NB most pullbacks consist of three waves. A three wave SELL-off pattern is comprised of i) an initial pullback (wave 1); ii) a relief rally (wave 2); and then iii) a final leg lower during which the index breaks below the lows from wave 1 (i.e. wave 3). In SELL-offs in bear markets, i.e. when the down trend is dominant, SELL-offs often consist of 5 waves instead of 3.

**FIG 1: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages**



Source: Longview Economics, Macrobond

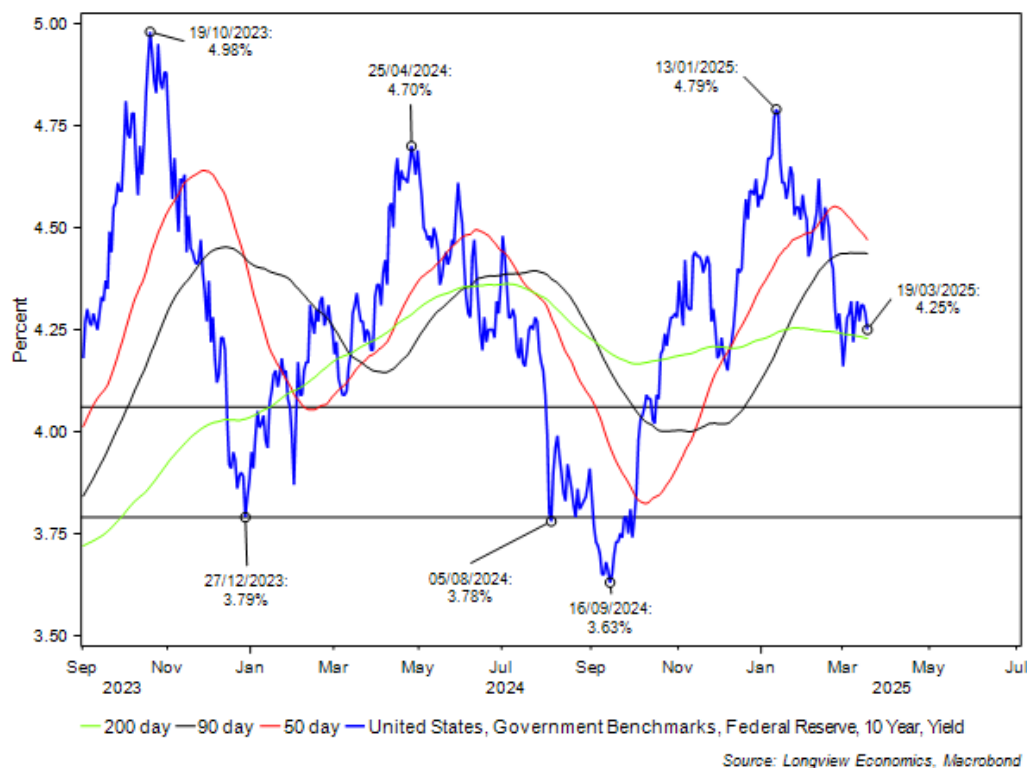
**FIG 1a:** S&P500 futures shown with key Fibonacci retracement levels



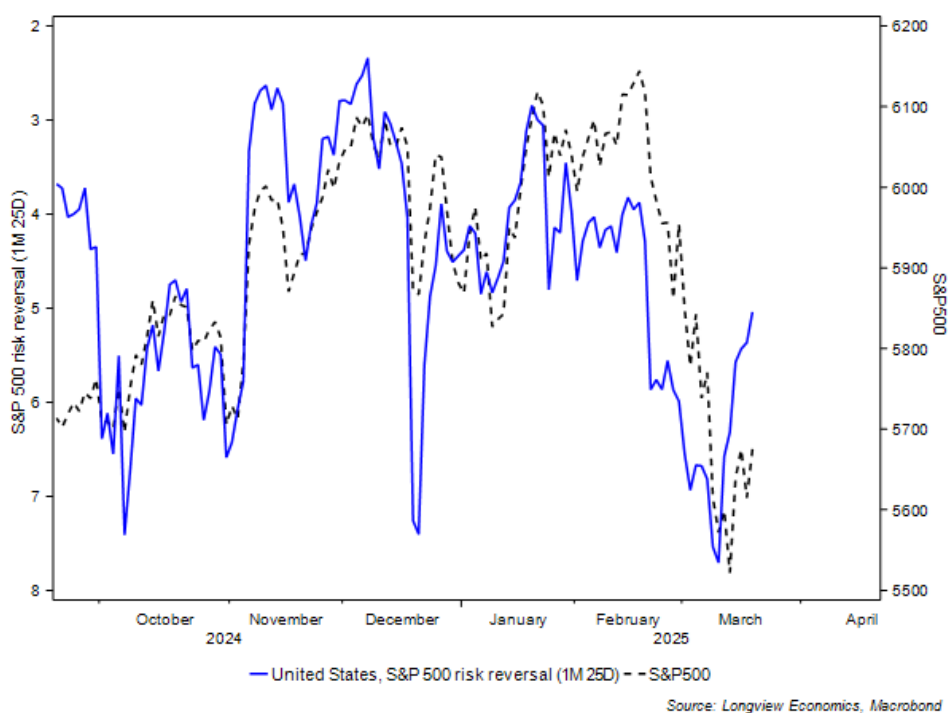
**FIG 1b:** NASDAQ100 futures shown with key Fibonacci retracement levels



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

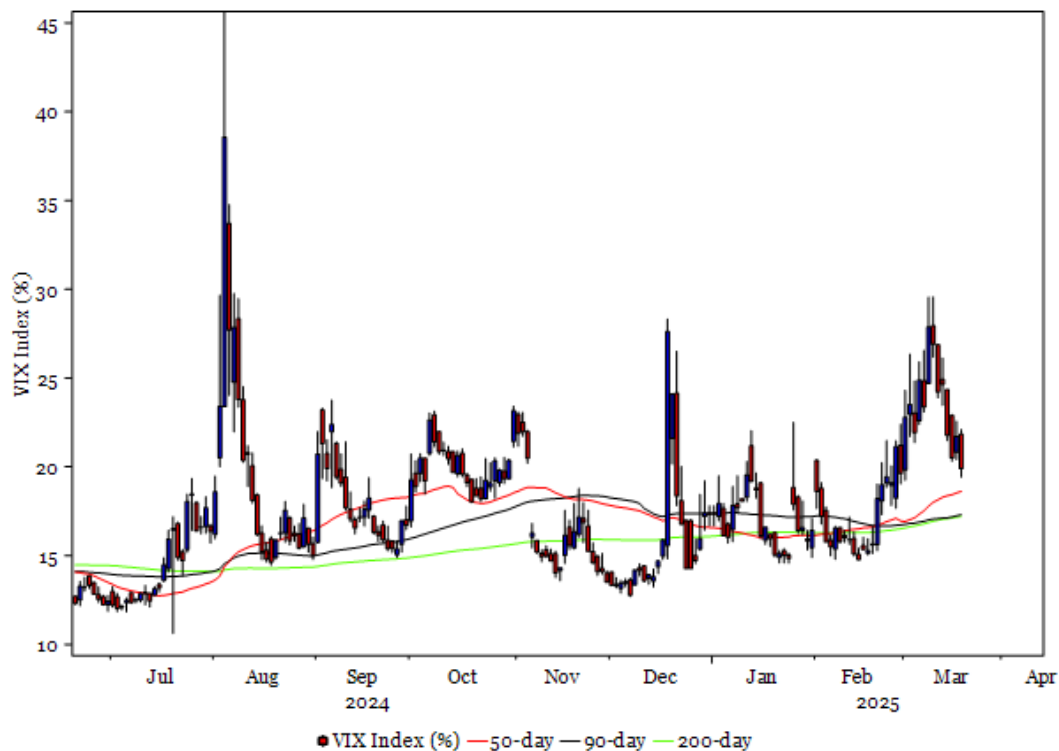


**FIG 1d:** S&P500 skewness\*\* (risk reversal, 1 month, 0.25 delta), NB scale INVERTED vs. S&P500



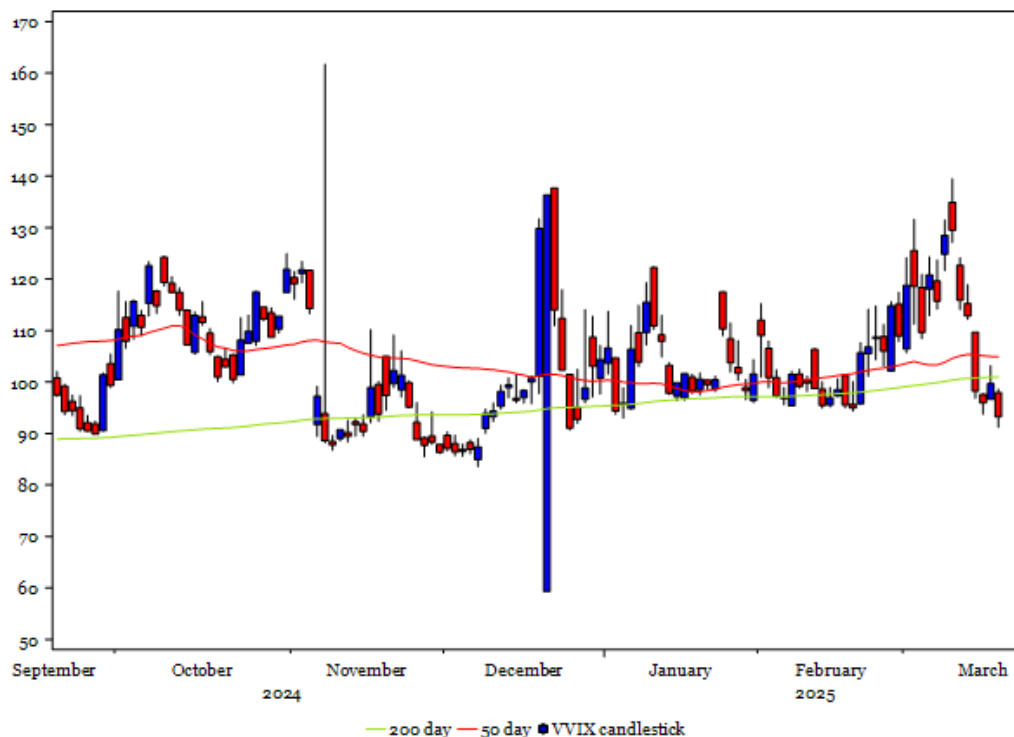
\*\*Which compares the 'strike vol' of calls and puts with the same delta.

**FIG 1e:** VIX candlestick shown with 50, 90 & 200 day moving averages (%)



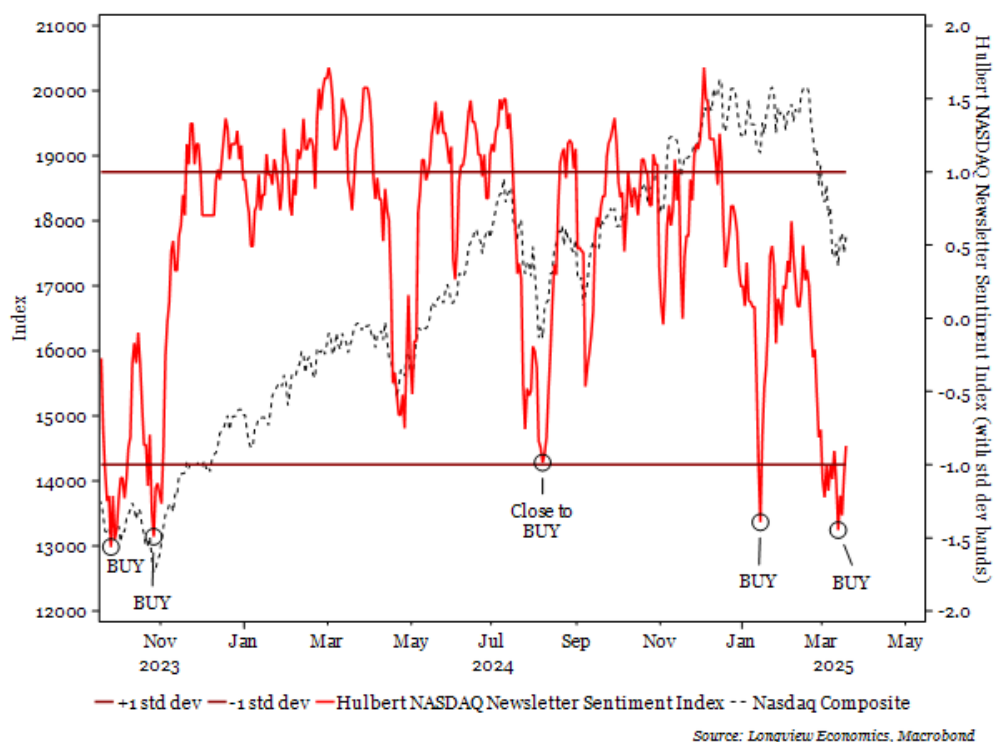
Source: Longview Economics, Macrobond

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



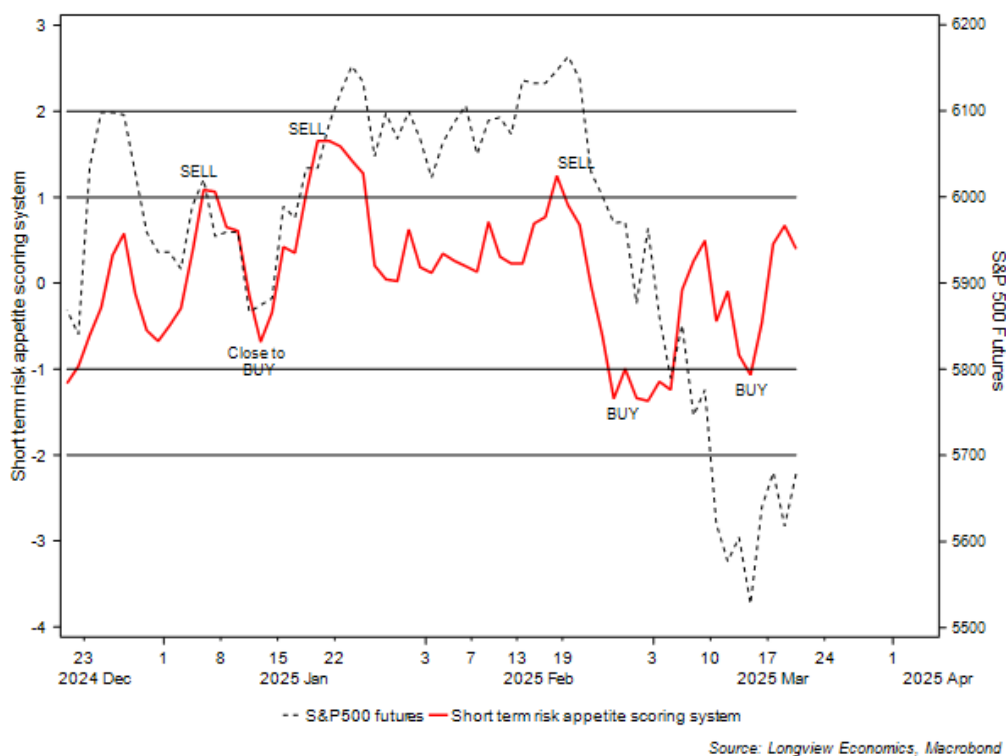
Source: Longview Economics, Macrobond

**FIG 1g:** Hulbert NASDAQ sentiment index shown with NASDAQ composite index

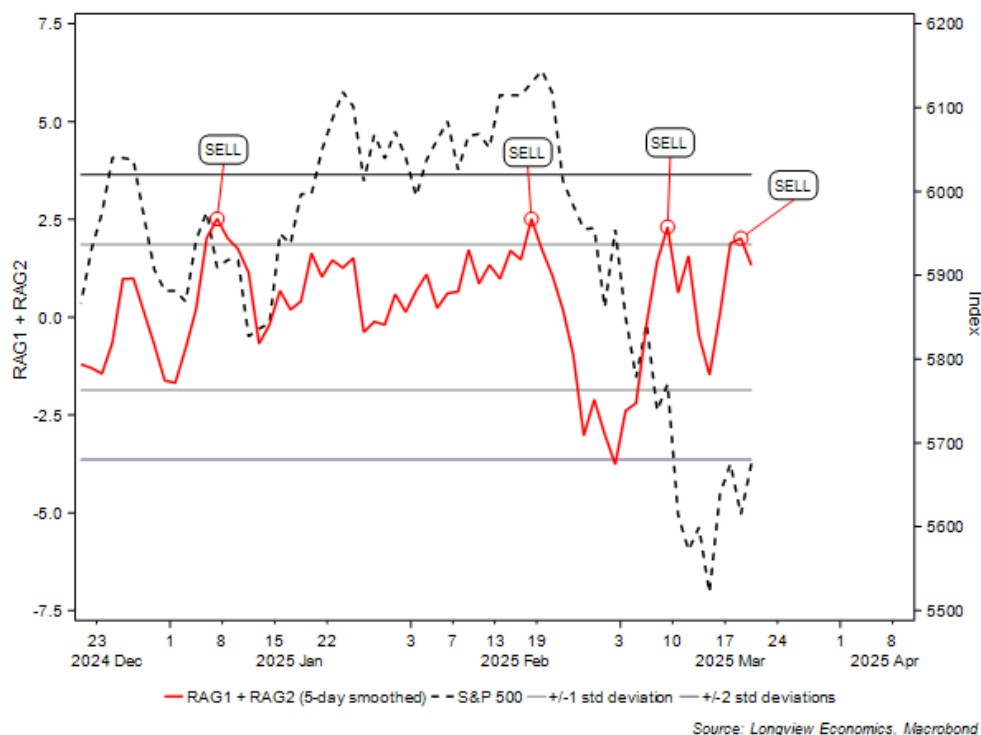


Short term risk appetite models have moved back towards SELL

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

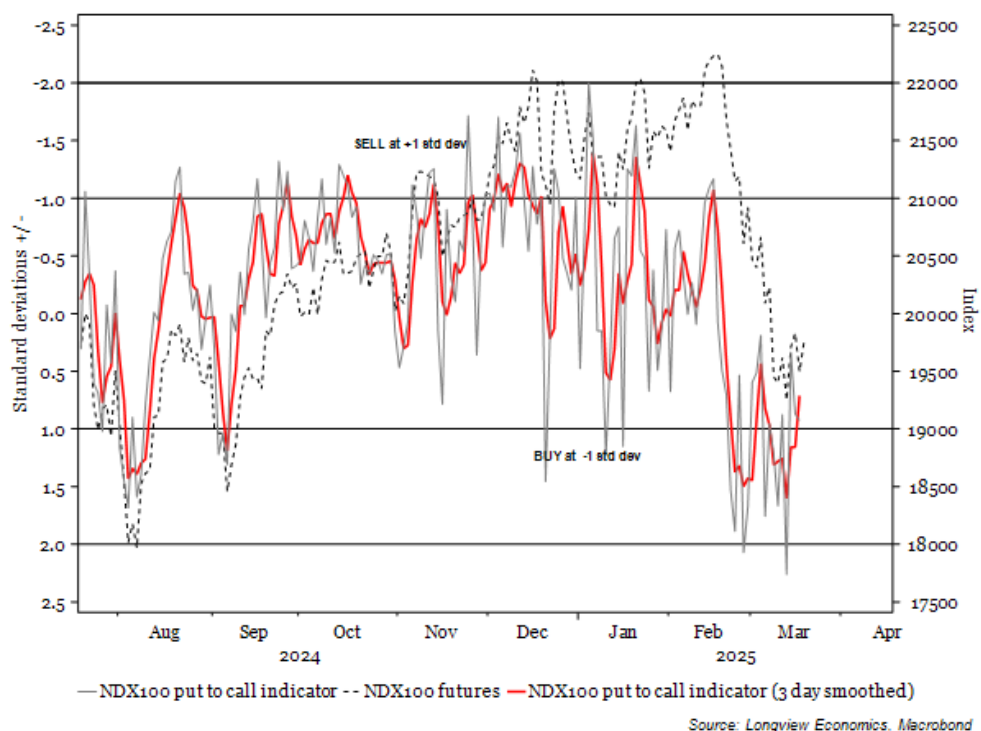


**FIG 2a:** Longview combined key ‘risk appetite’ models (RAG1 + RAG2) vs. S&P500



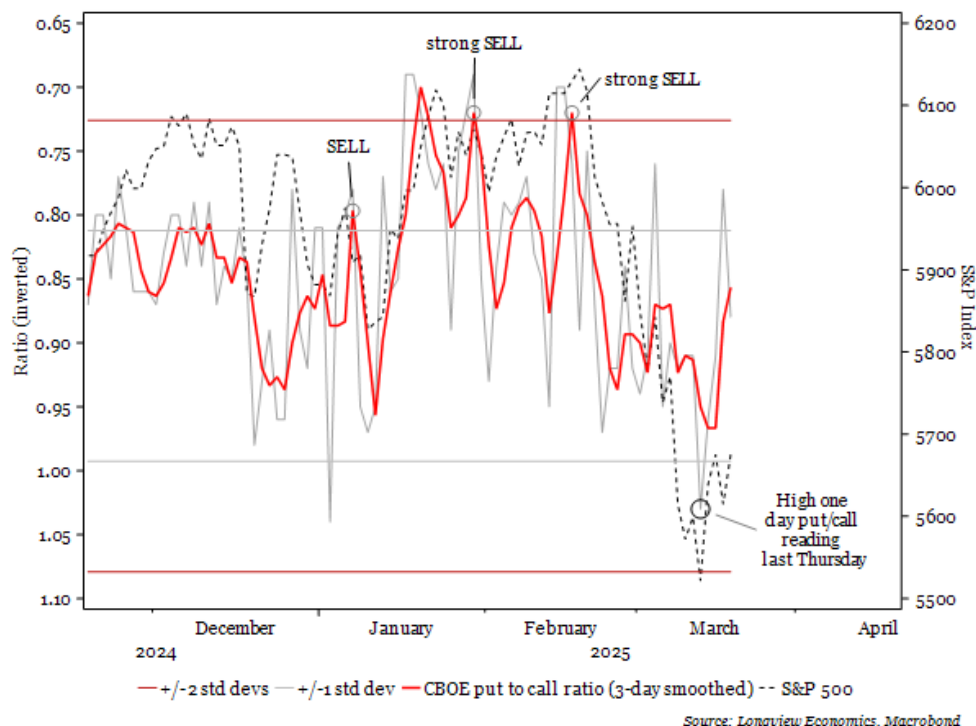
**Put to call ratio indicators are NEUTRAL having been on/close to BUY**

**FIG 2b:** NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100

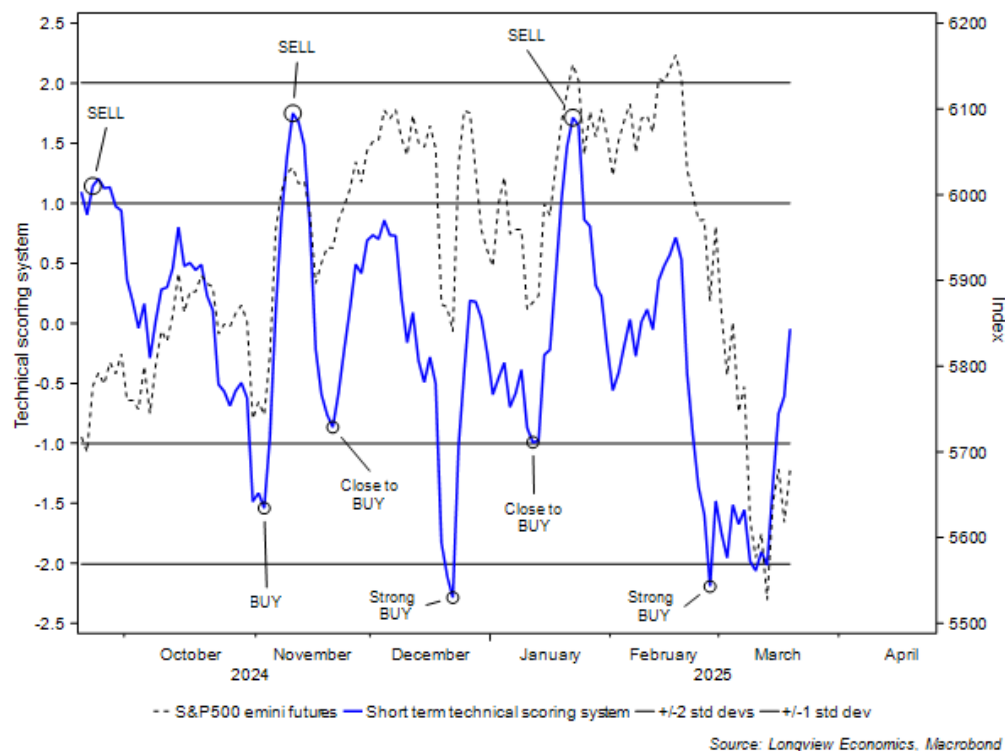




**FIG 2c:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

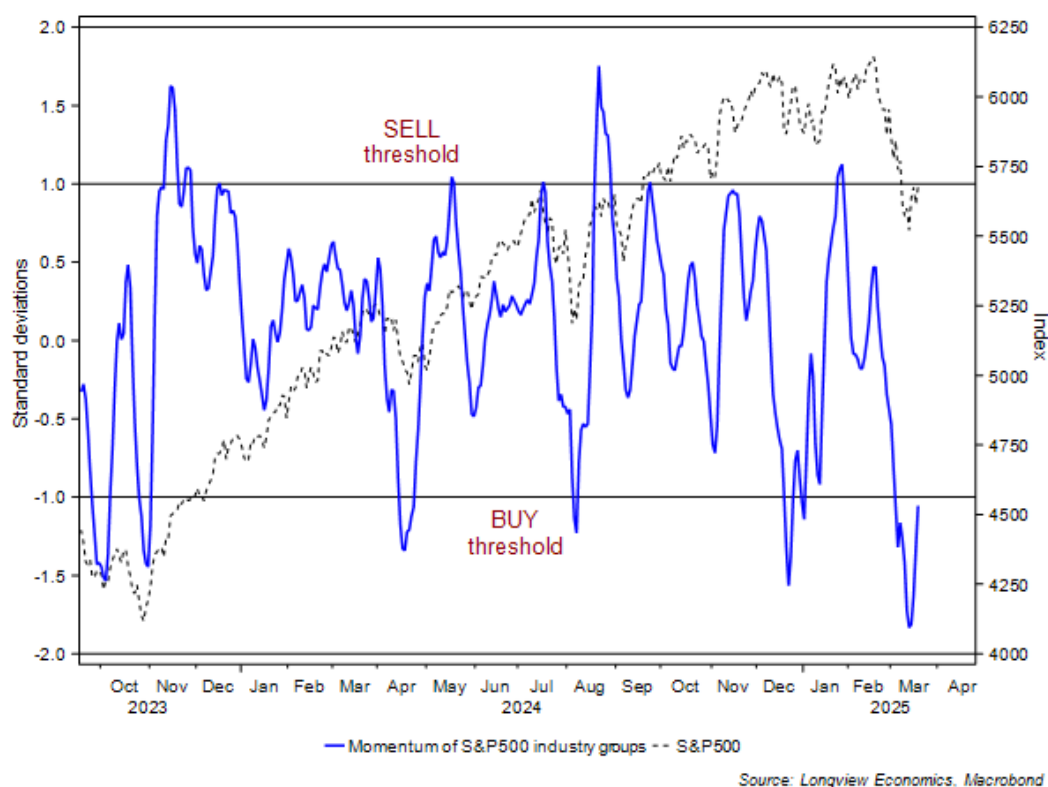


**FIG 2d:** Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures

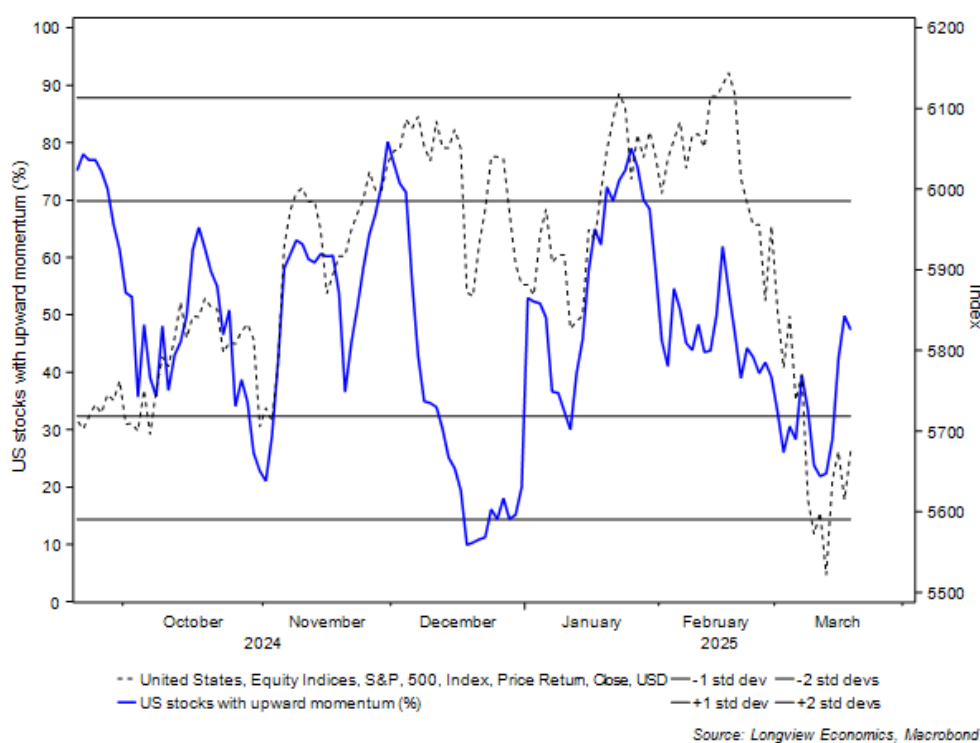




**FIG 2e:** Momentum of S&P500 industry groups vs. S&P500 cash index



**FIG 2f:** S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500

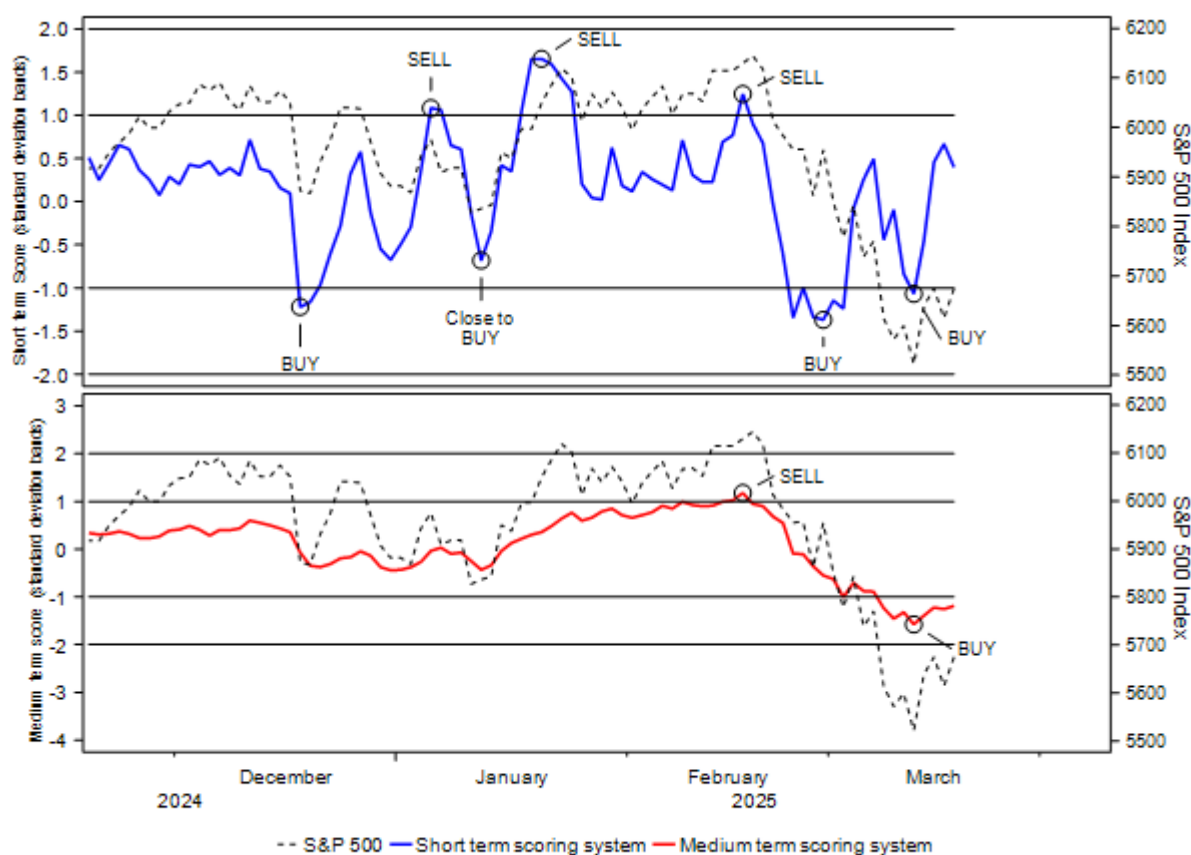


## Key Longview Scoring Systems (chart below):

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

**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: Australian employment data (Feb, 12:30am); **UK Employment, jobless claims & average weekly earnings** (Feb/Jan, 7am); **German PPI** (Feb, 7am); Eurozone construction output (Jan, 10am); UK CBI industrial trends survey (Mar, 11am); US Philadelphia Fed business outlook (March, 12:30pm); US current account balance (Q4, 12:30pm); US weekly jobless claims (1:30pm); **US existing home sales** (Feb, 2pm); **US Conference Board leading index** (Feb, 2pm); **Japanese headline & core CPI** (Feb, 11:30pm).

**Key events** today include: **PBOC policy decision** (1am); **SNB policy decision** (8:30am) followed by press conference (9am); **Riksbank policy decision** (8:30am); ECB publishes Economic Bulletin (9am); speeches by the ECB's **Lagarde** in EU Parliament hearing (8am), Ceteno in Lisbon (11am), Lane in Cork (12pm), Knot in Amsterdam (12pm), Villeroy in Paris (1pm) & Holzmann in London (2:30pm); **Bank of England policy decision & minutes** (12pm) followed by press conference (12:30pm); market holiday in Japan on account of Vernal Equinox.

**Key earnings** today include: **Accenture, Nike, Micron, Cintas, FedEx, Ping An Insurance Group.**

## 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 5<sup>th</sup> March 2025. If you are not on the distribution list and would like to receive these reports pls email [info@longvieweconomics.com](mailto:info@longvieweconomics.com).



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-  Longview Economics
-  @chriswatling
-  @LviewEconomics
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## 1 – 2 Week View on Risk

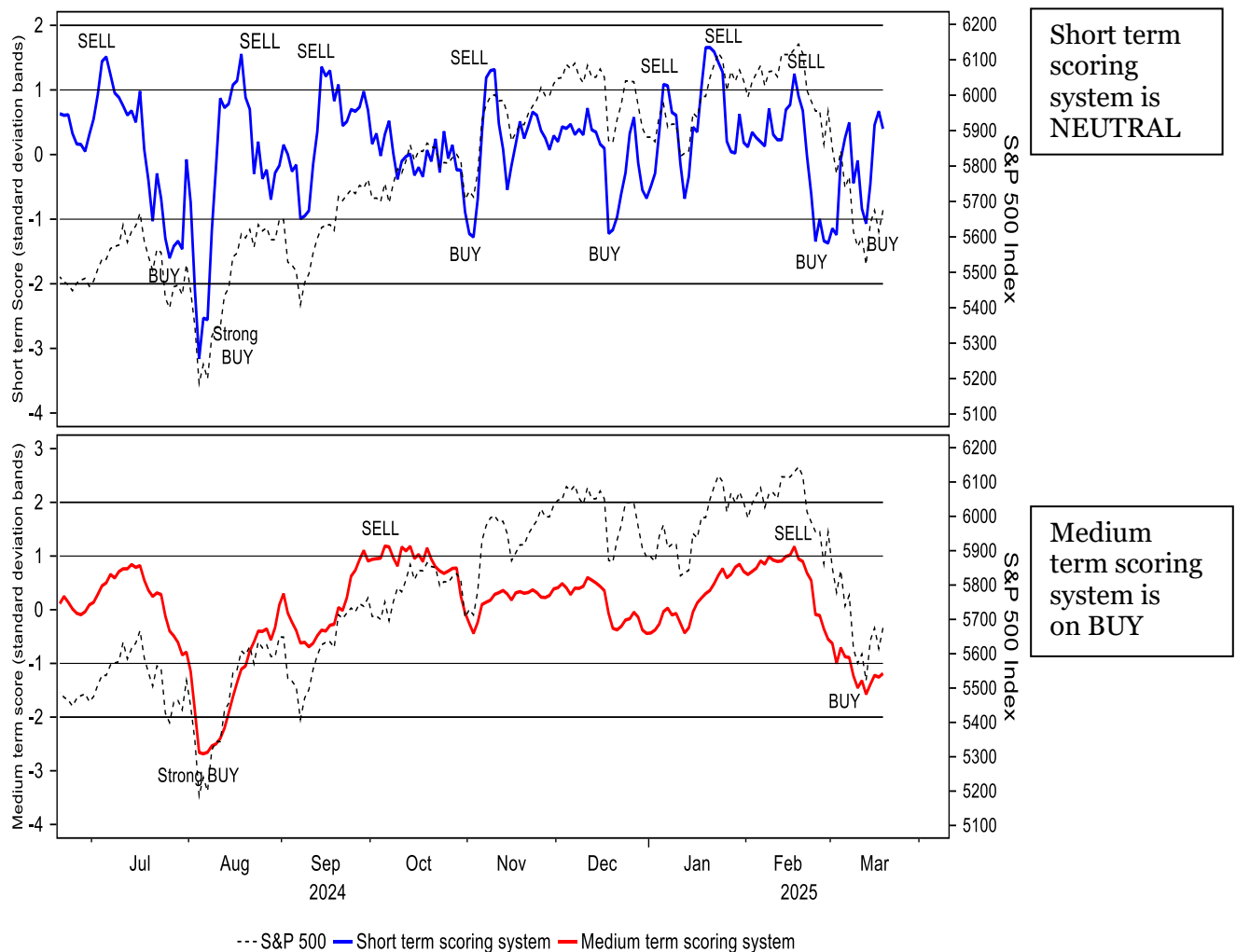
Longview Economics

Email: [research@longvieweconomics.com](mailto:research@longvieweconomics.com)

20<sup>th</sup> March 2025

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

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



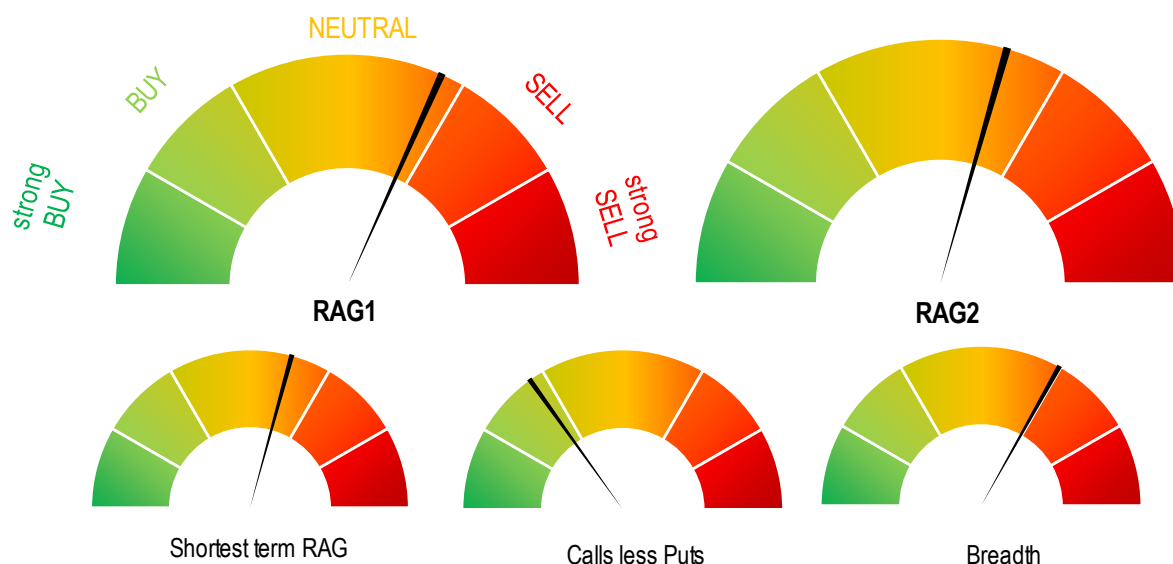
Source: Longview Economics, Macrobond

\*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**

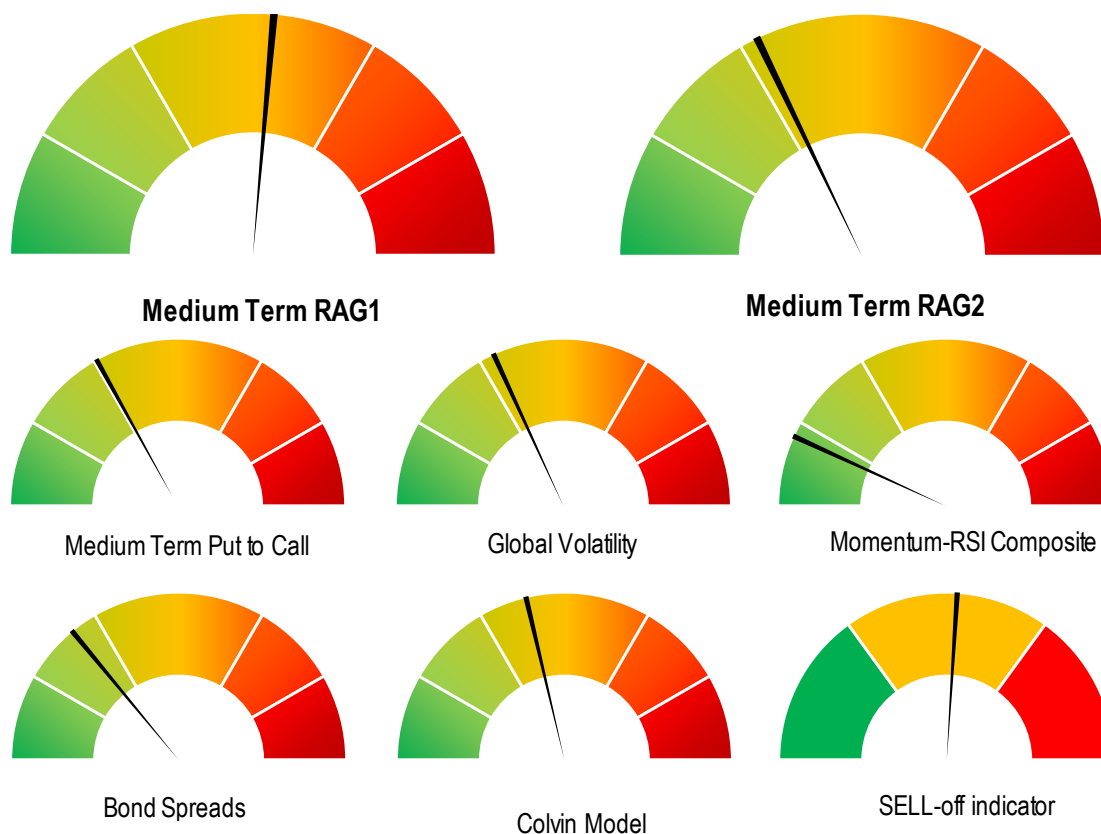
## Section 1a: Summary of indicator signals\*\*

**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

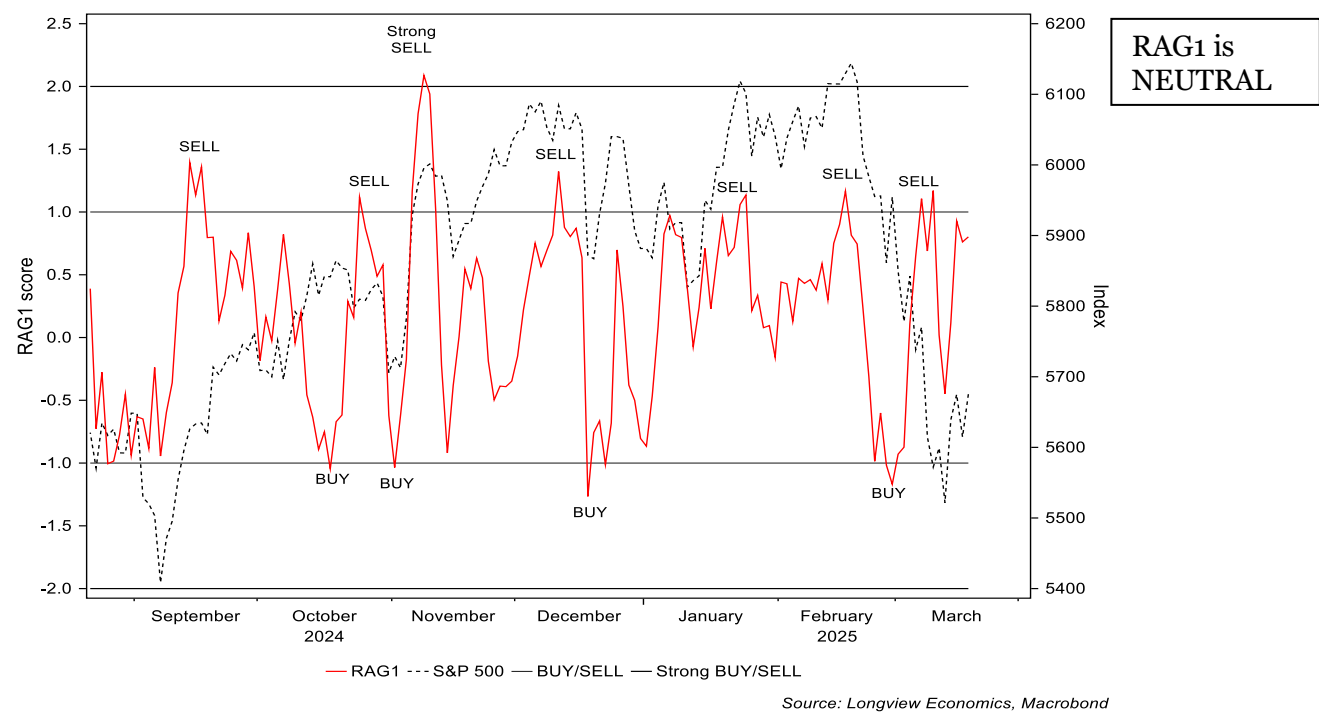
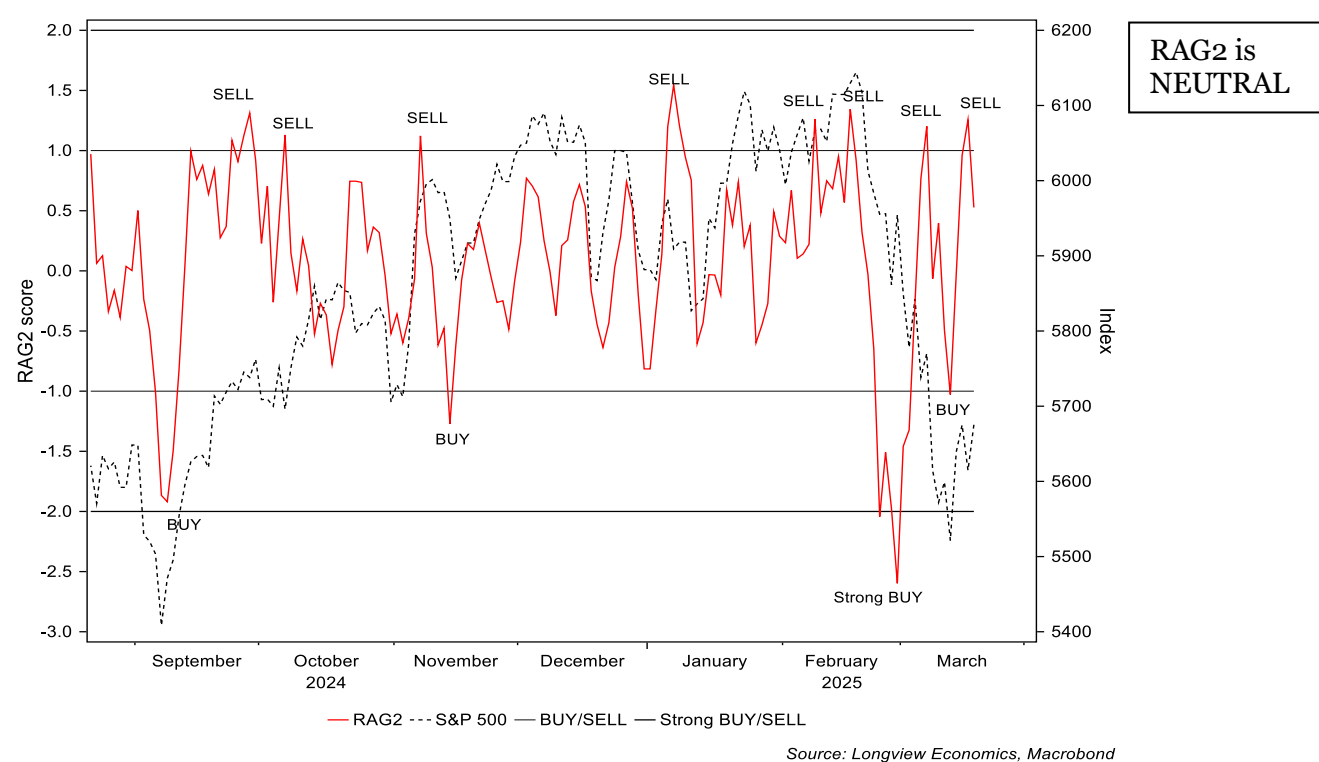
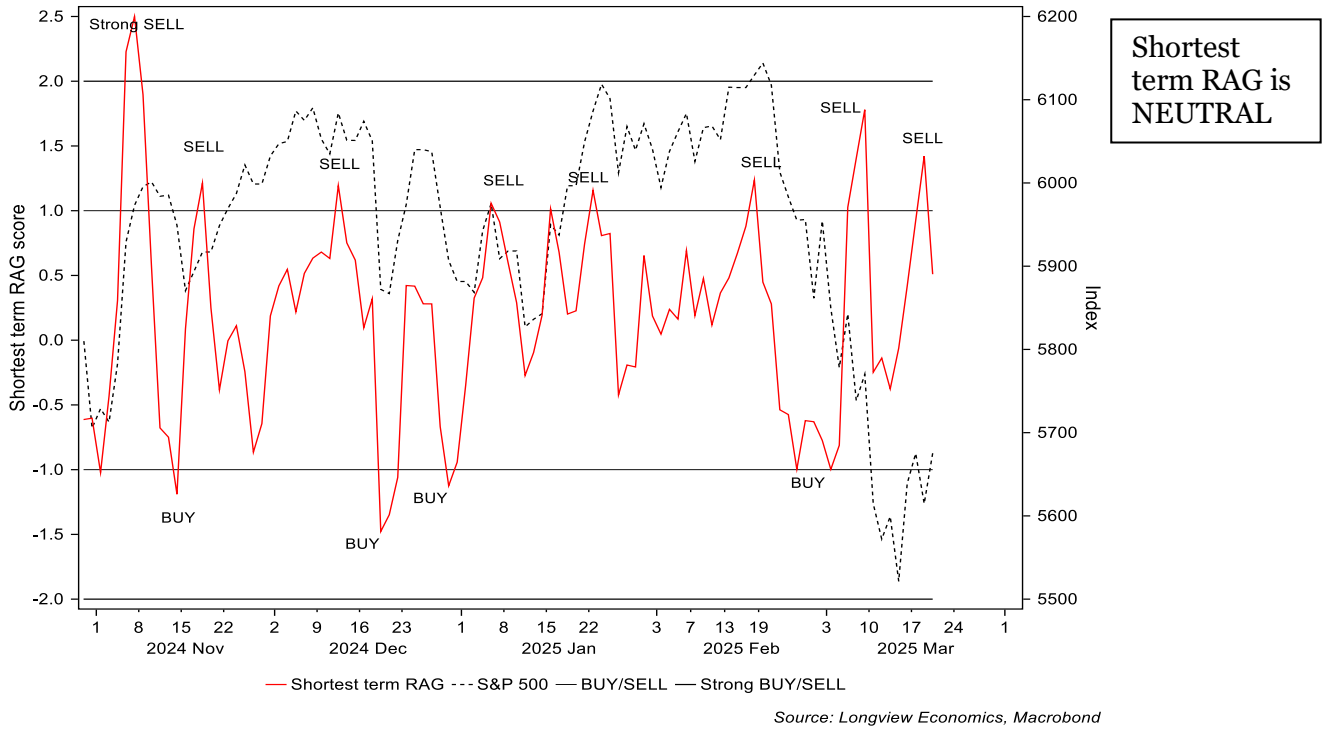


Fig 2b: RAG 2 vs. S&P 500

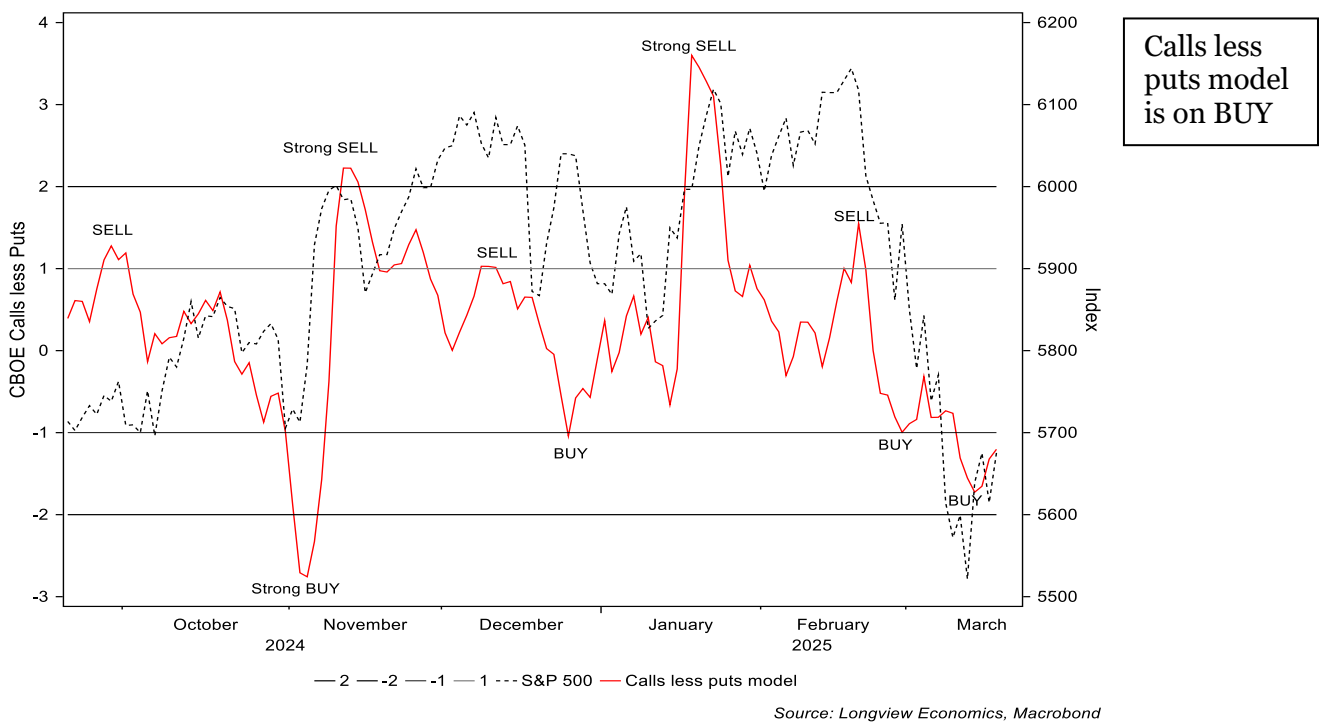


For explanations of indicators please see page 10

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



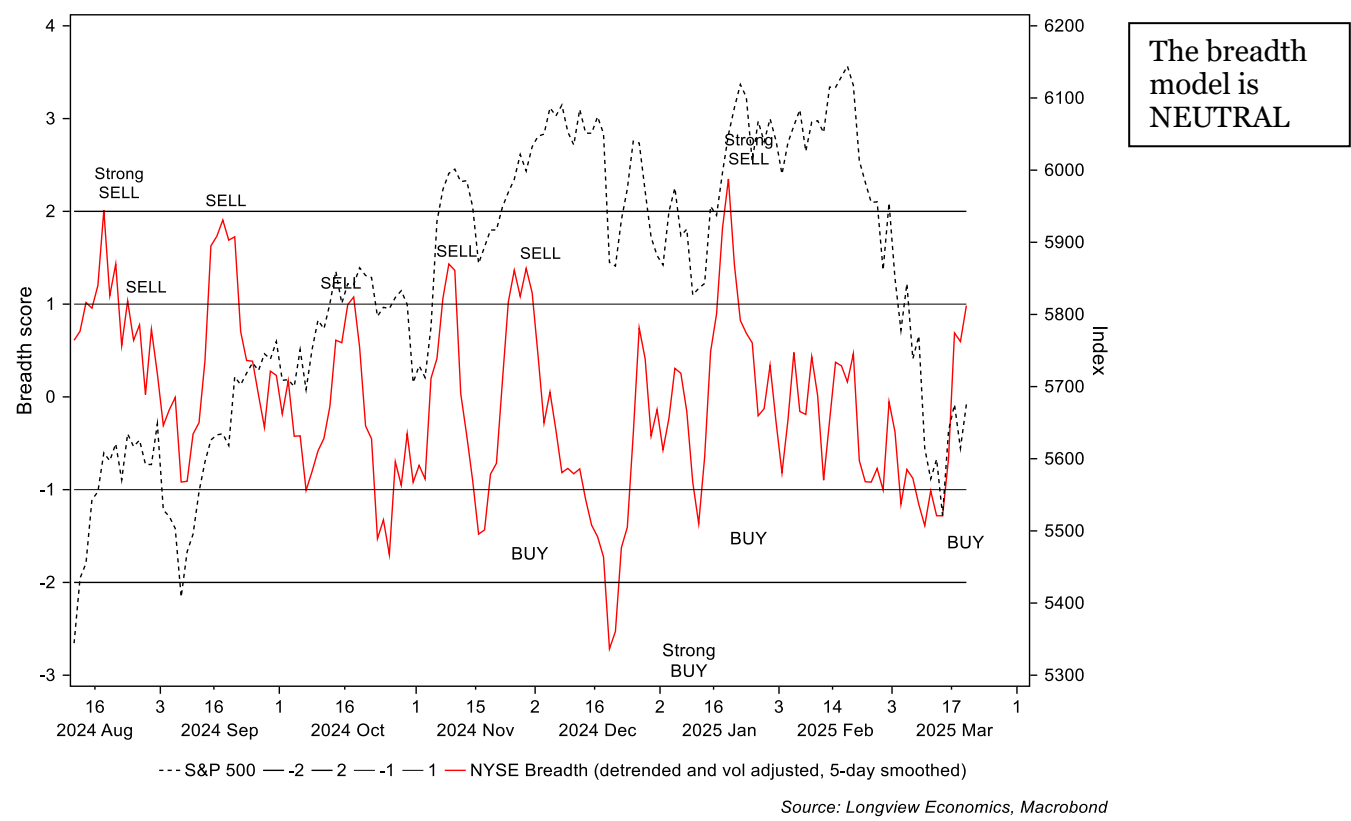
**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500



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



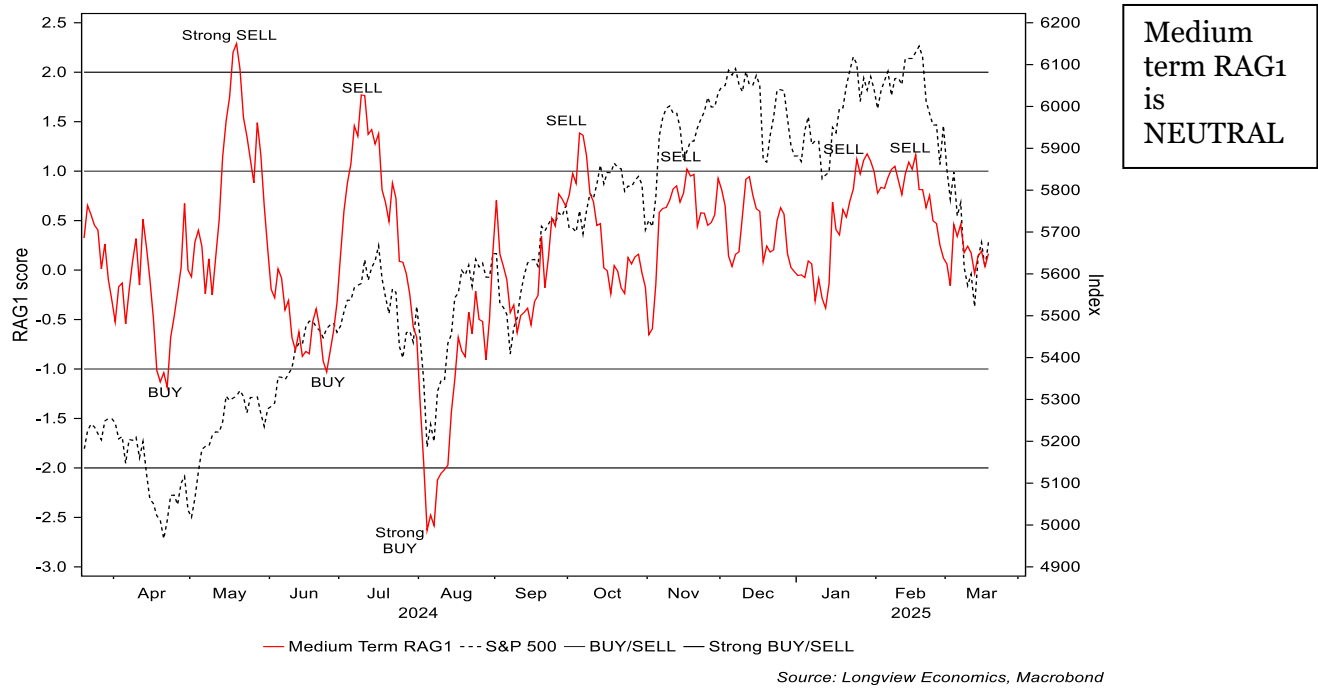
**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



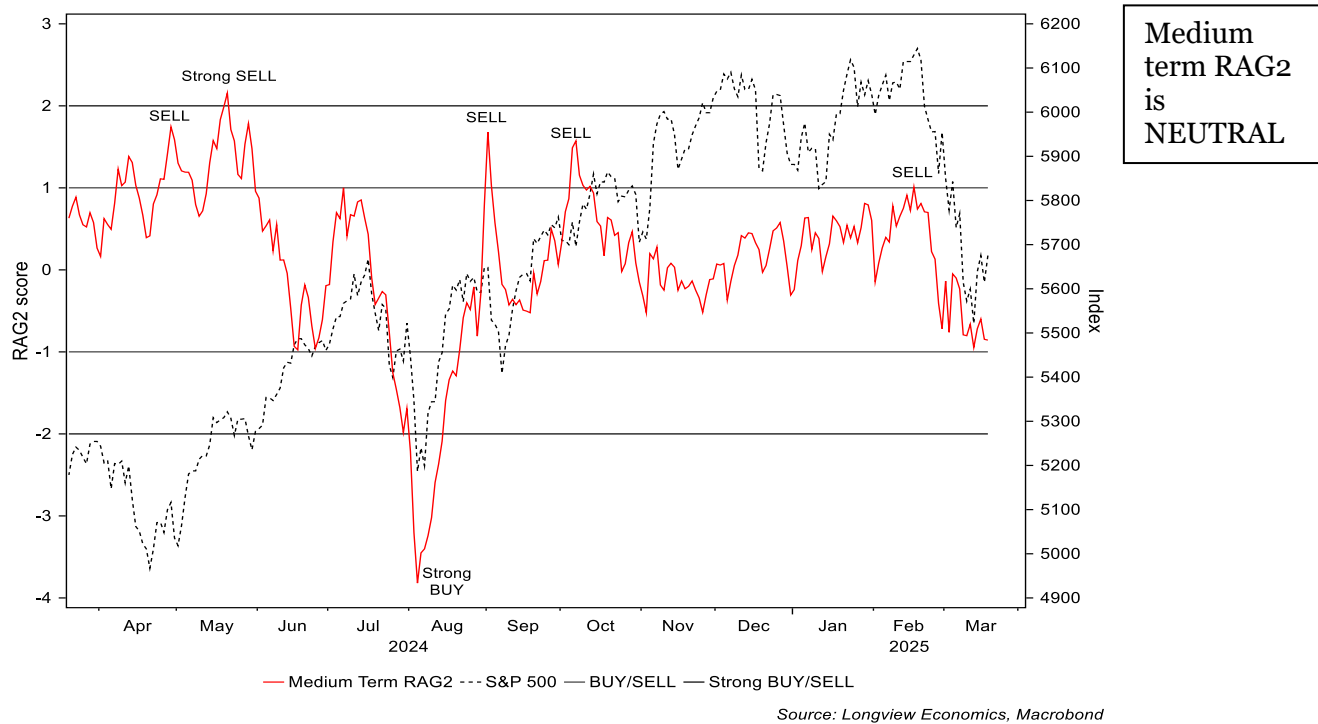
*For explanations of indicators please see page 10*

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

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

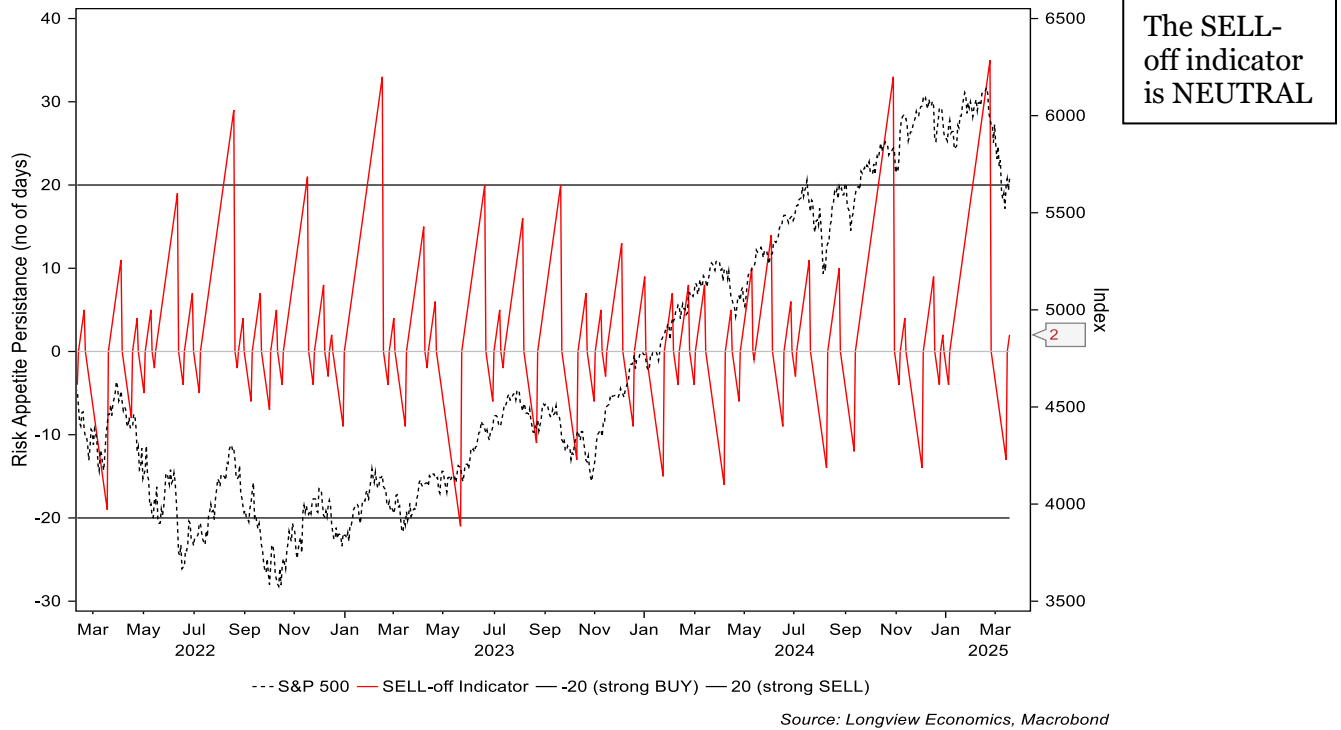


**Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500**

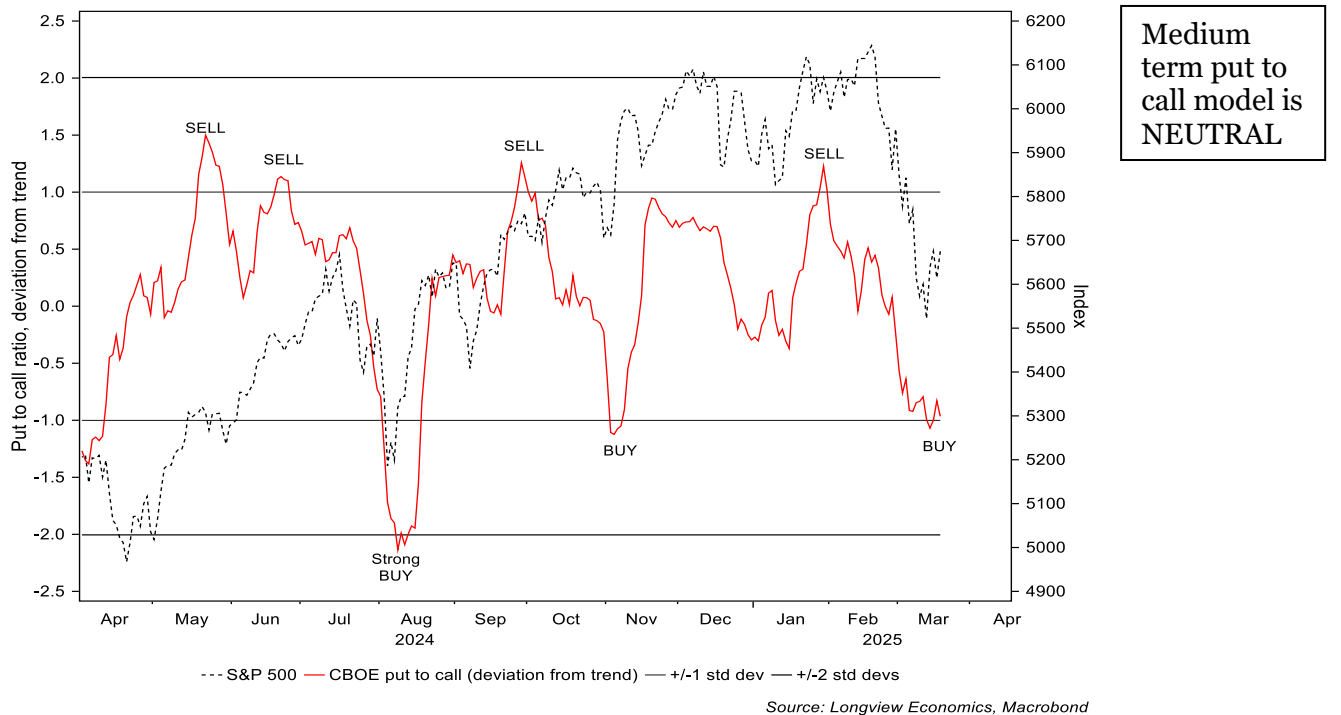


**For explanations of indicators please see page 10**

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

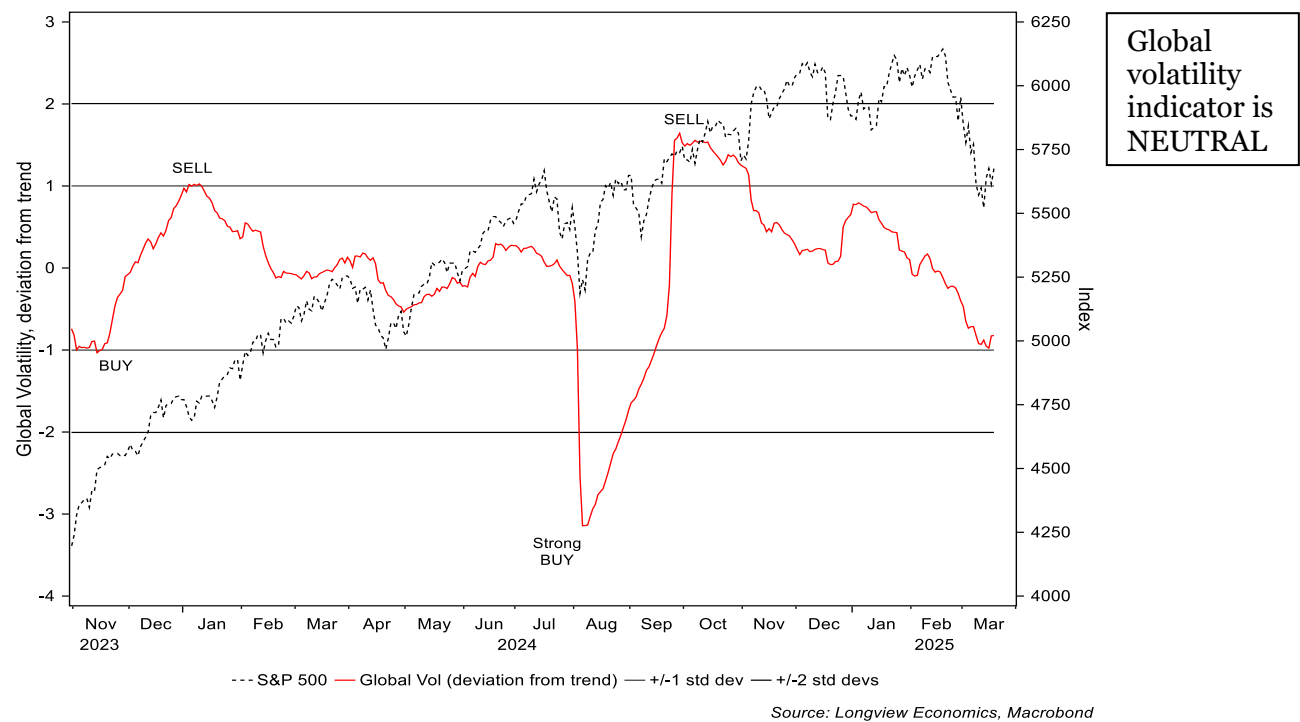


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

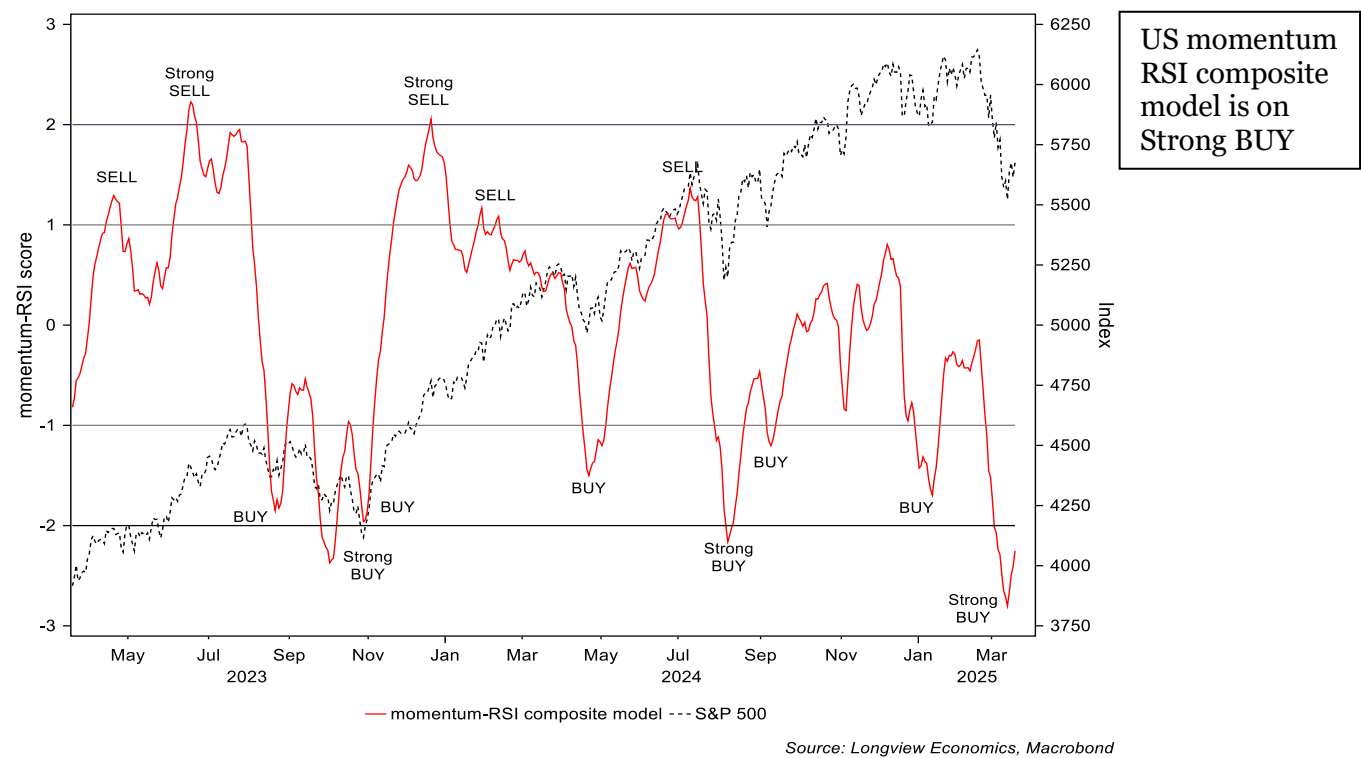


**For explanations of indicators please see page 10**

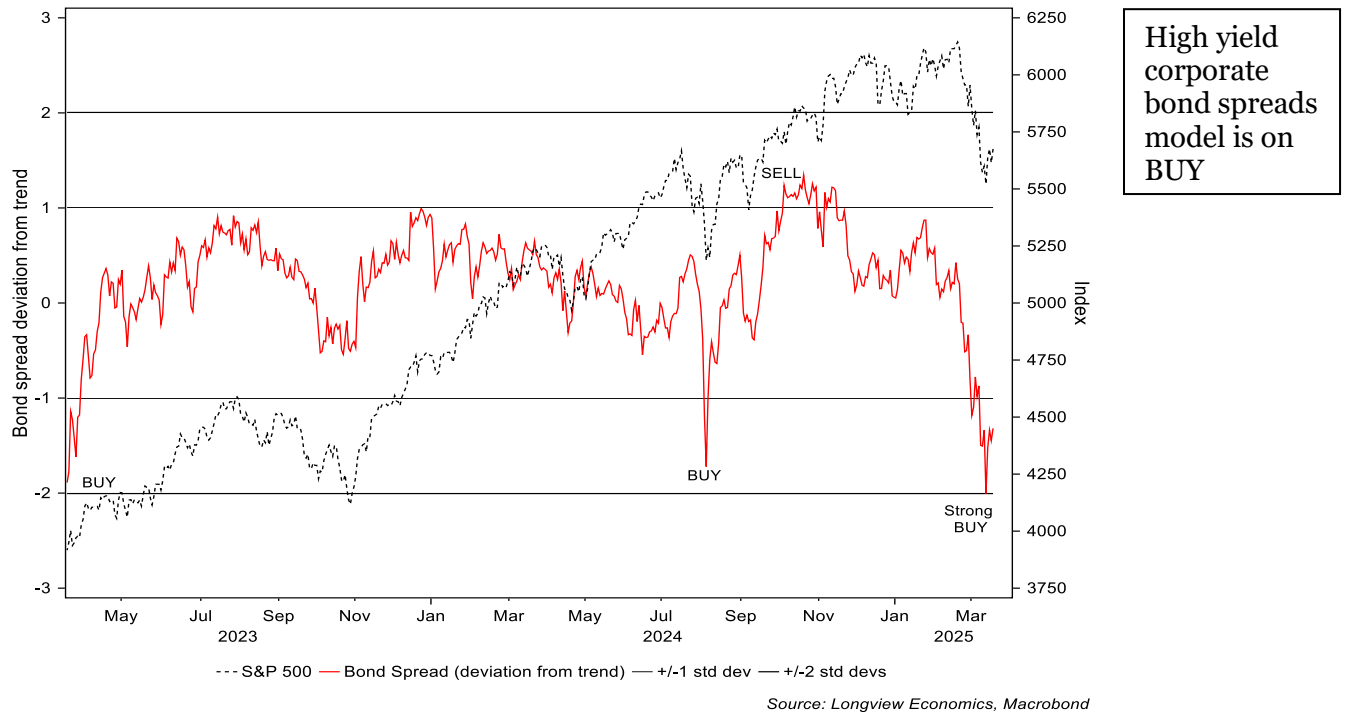
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



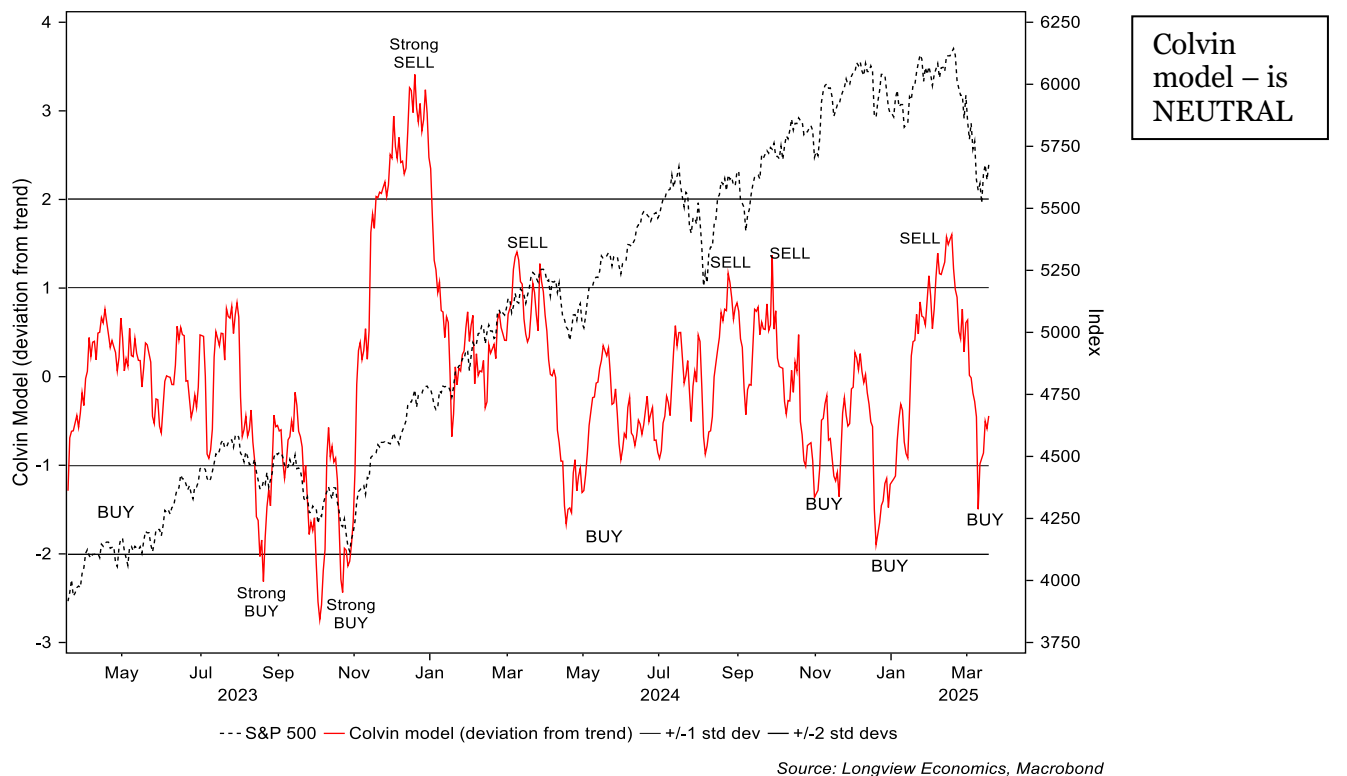
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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

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### **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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