

## Equity Index Futures Trading Recommendations

“NYSE Breadth Thrust Signal”

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23<sup>rd</sup> April 2025

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

- WATCH & WAIT (for now)

### Rationale

“Trump says he has no intention of firing Powell”; “Trump: I think we’ll do a deal with China”; “says ultimate China tariff won’t be near 145%”

**Source:** Bloomberg, Trump comments yesterday (22<sup>nd</sup> April 2025)

Trump’s comments yesterday once again generated high levels of volatility in the equity market, as he pushed back on the sense amongst investors and traders that he is looking for a way to fire Powell (see quotes above). He also rolled back on his anti-China rhetoric and started talking about an expected deal with China (and lower tariff rates). With that the S&P500 closed up 2.5%.

Intraday, though, the index again traded in a wide range (of over 3% between its intraday high and low). That followed on from Monday’s wide intraday trading range (i.e. 3.5% from high to low) – FIG 1. Yesterday’s strength meant that the index regained all its weakness from prior trading sessions (and closed at around our entry level from last Wednesday last week – FIG 1e). Overnight we have been stopped out (having tightened the stop yesterday). The S&P500’s strength was replicated elsewhere, as the NDX100 closed +2.6%; the SOX was +2.1%; & the R2K was +2.7%. All S&P500 sectors and industry groups closed up on the day, led by financials (+3.3%), consumer discretionary (+3.2%) & communication services (+2.9%).

Interestingly (for medium term investors), the **single stock breadth in the equity market has been especially strong in recent trading sessions**. Our medium term (10 day smoothed) breadth reading has moved above its +3.0 threshold (i.e. calculated using the NYSE advance decline line – FIG 1a). Moves above +3.0 generally signal the start of a sustained multi month (potentially multi quarter) rally in the broad index. That strong single stock breadth is also evident in the single stock momentum model (FIG 1b – which, while on SELL in the short term, is confirming the breadth signal). Added to which, the percentage of stocks which are currently overbought remains at notably low levels (FIG 1c) –> NB this is also a medium term (multi month) model.

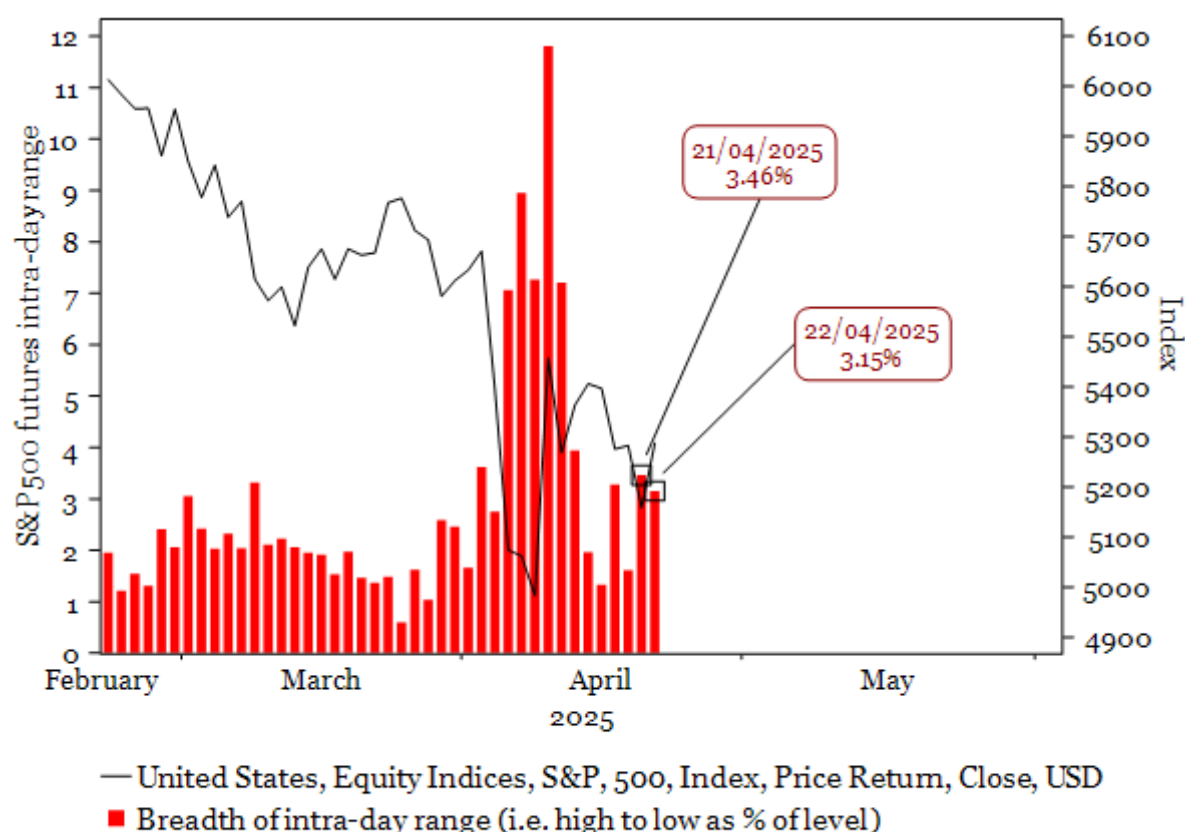
In terms of the next 1 – 2 weeks, and having been stopped out overnight, we recommend WATCHing and WAITing. Our short term ‘1 – 2’ week models don’t currently have any clear consistent and across the board message: Risk appetite models are now mid-range (albeit their last signal, as highlighted yesterday, was a SELL signal); the short term put to call ratio is also mid-range; while technical models are mixed (NB these are shown below in FIGs 2 to 2e). Of interest, with respect to the near term trend in S&P500 futures, Bitcoin has been rallying sharply in the past 2 weeks (and oftens leads the equity index – FIG 1d).

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

Kind regards,

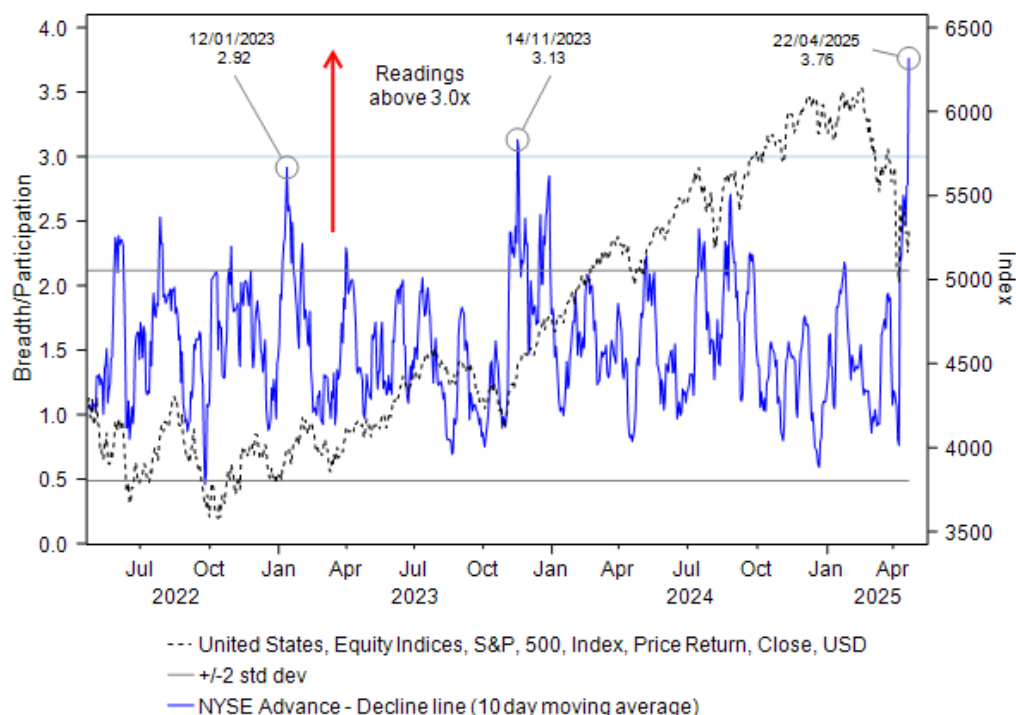
The team @ Longview Economics

**FIG 1: S&P500 intraday trading range (intraday high less low, divided by index close)**



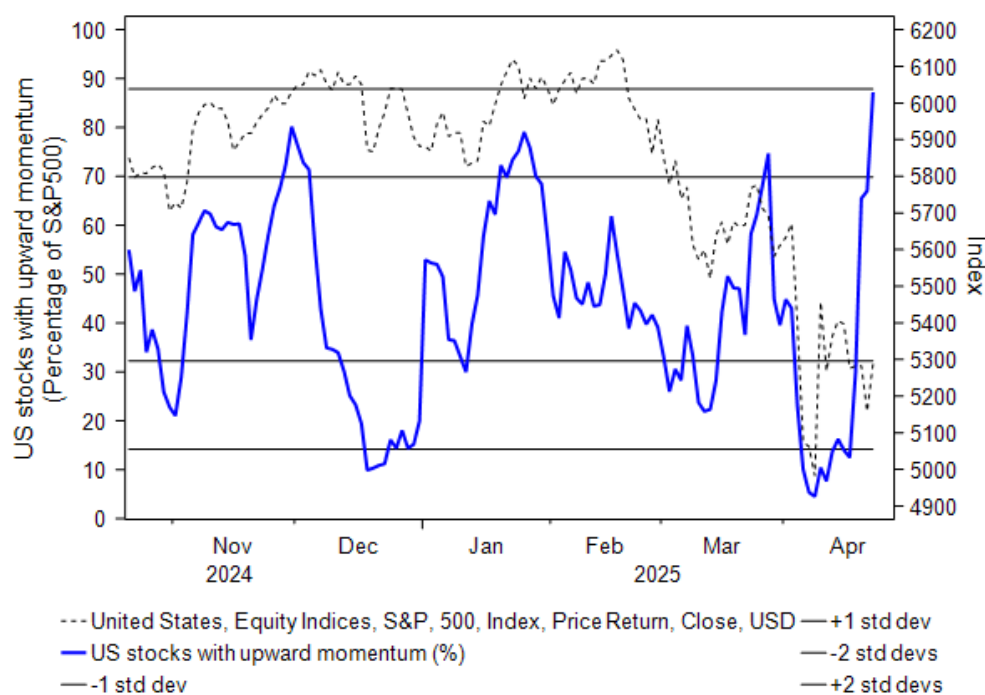
Source: Longview Economics, Macrobond

**FIG 1a: Medium term NYSE breadth thrust indicator (i.e. advancers less decliners) vs. S&P500**



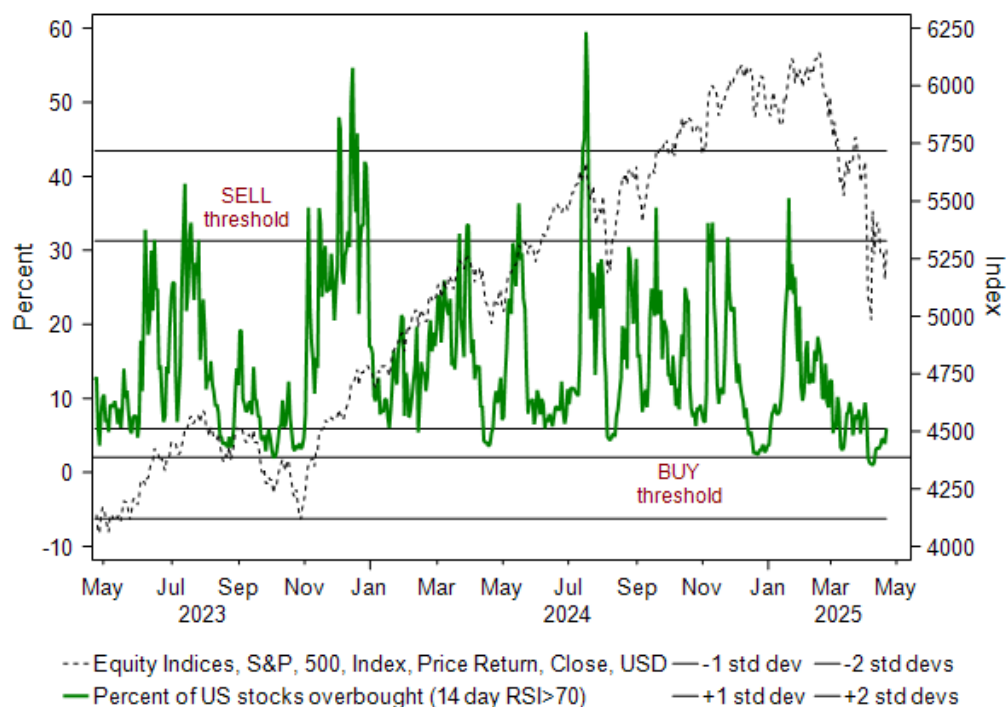
Source: Longview Economics, Macrobond

**FIG 1b: S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500**



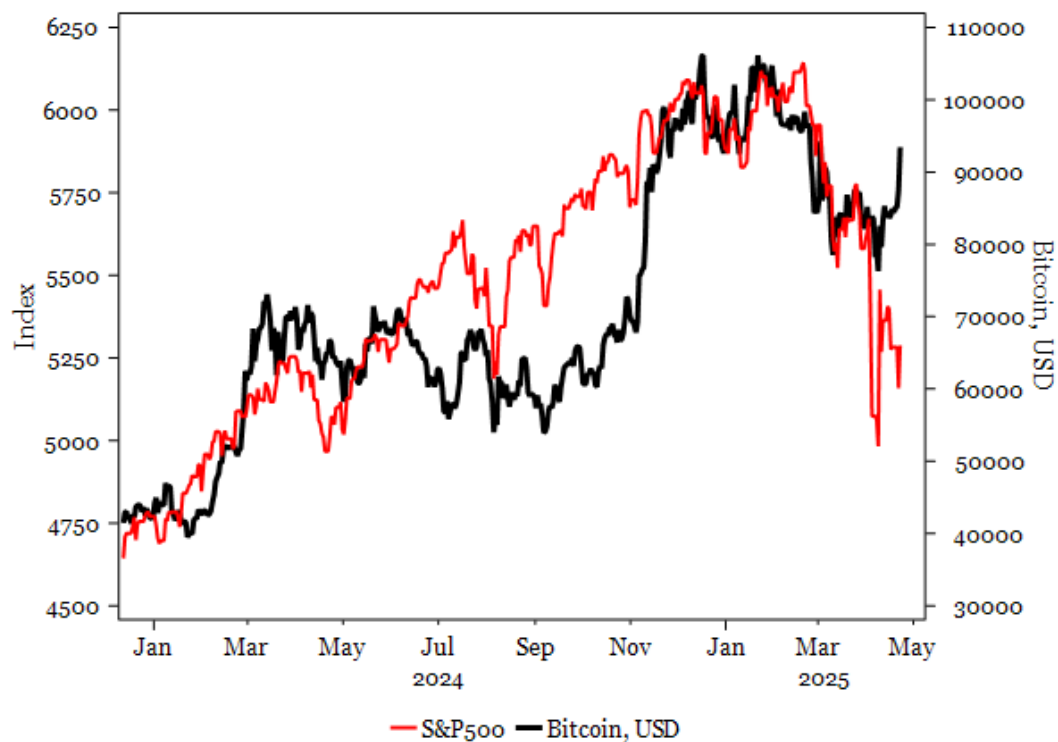
Source: Longview Economics, Macrobond

**FIG 1c:** Percentage of US single stocks which are overbought (i.e. with RSIs>70)



Source: Longview Economics, Macrobond

**FIG 1d:** Bitcoin (\$) vs. S&P500 (daily closing prices)



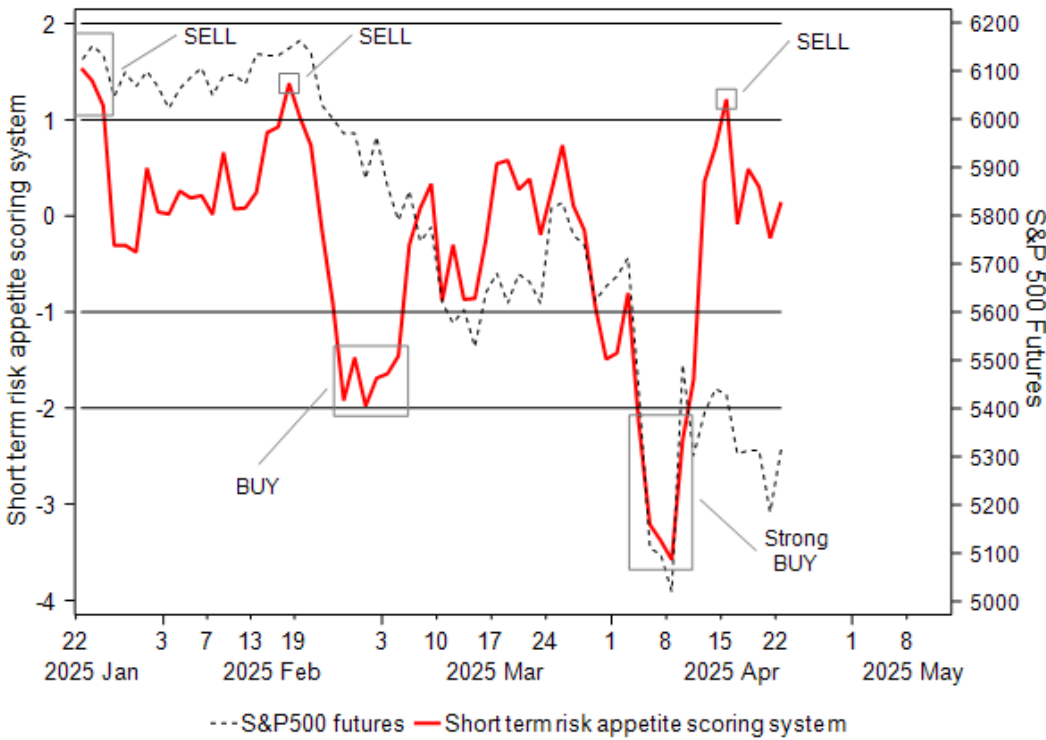
Source: Longview Economics, Macrobond

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



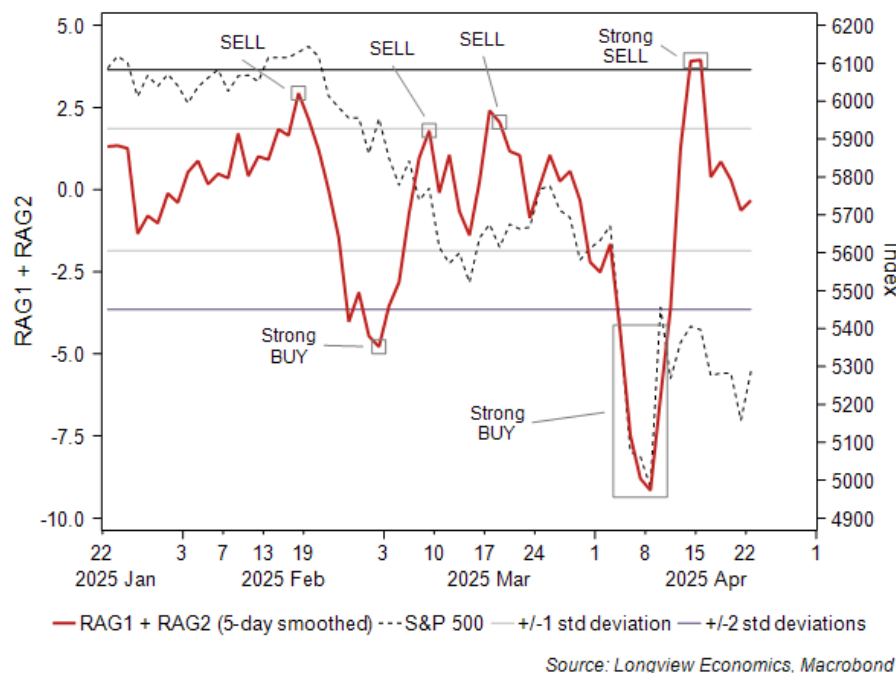
Short term risk appetite models are mid-range...

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



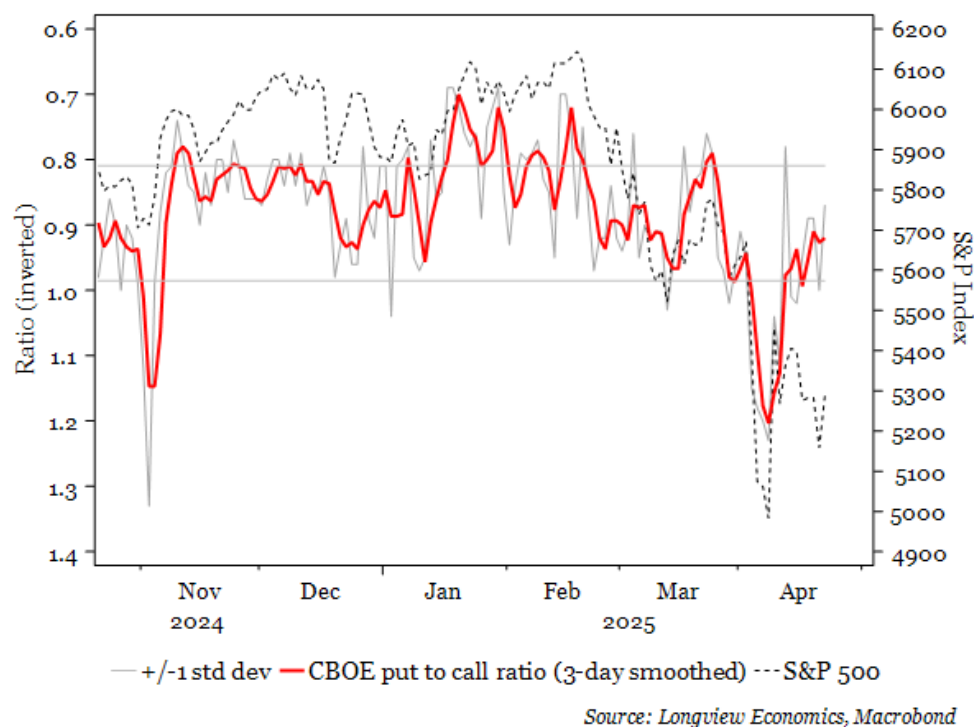
Source: Longview Economics, Macrobond

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



The key CBOE 'put to call ratio' model is NEUTRAL...

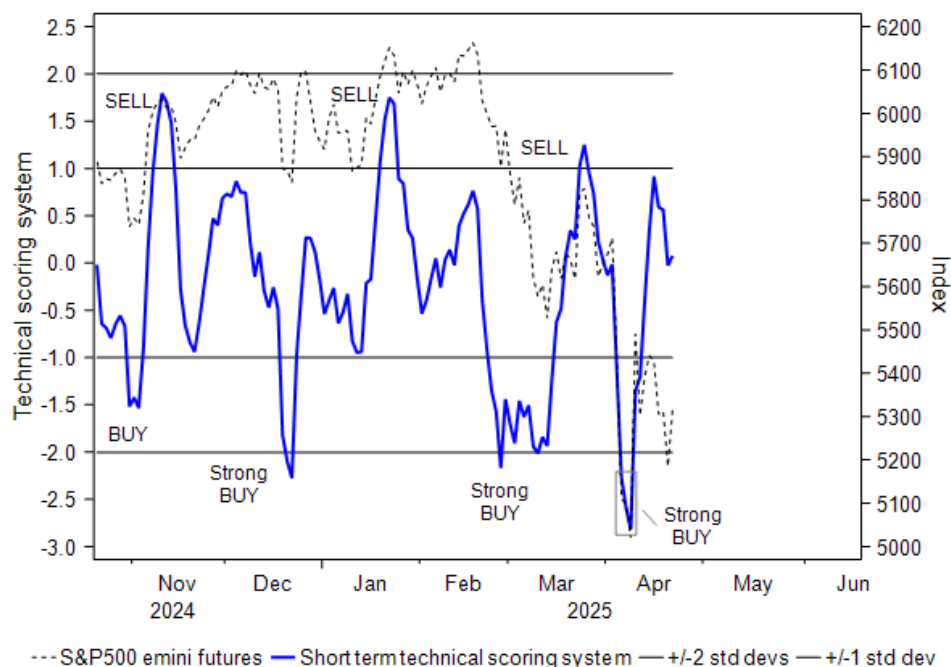
**FIG 2b:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500





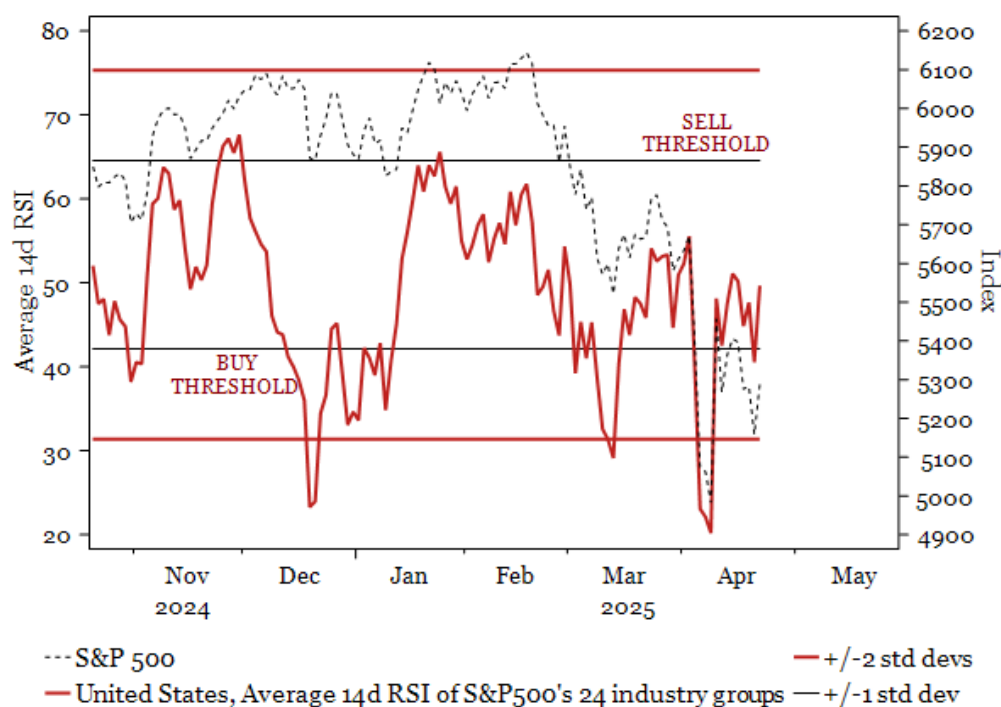
## Technical & price-based models are mixed...

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



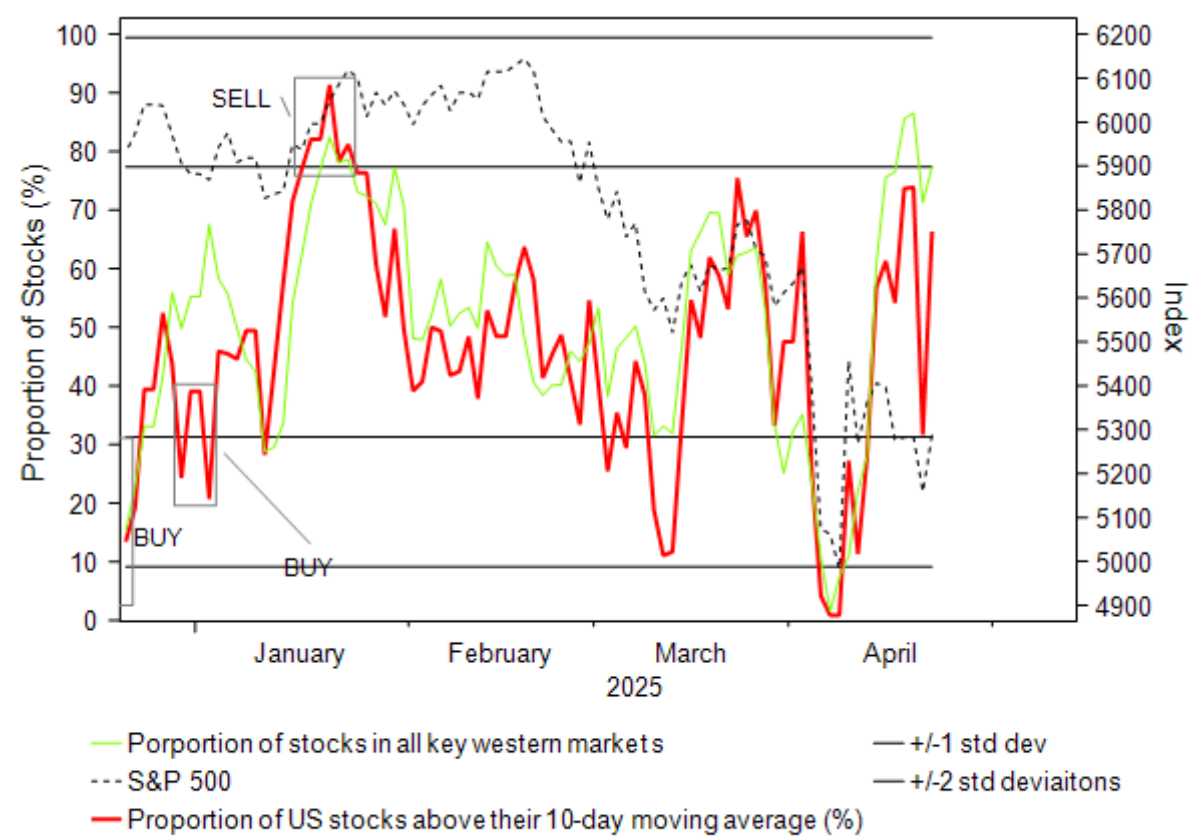
Source: Longview Economics, Macrobond

**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

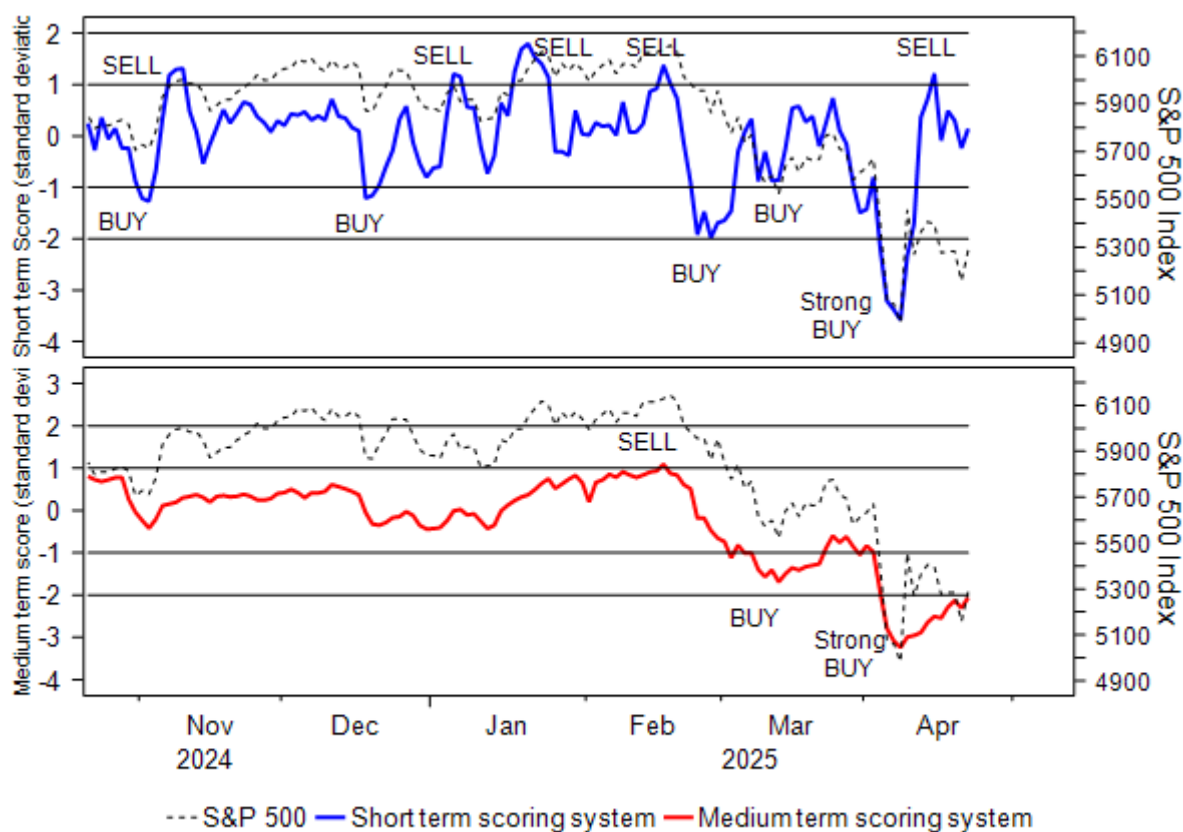


## Key Longview Scoring Systems (chart below):

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

**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: **Manufacturing and service sector PMIs** for Australia (12am), Japan (1:30am), France (8:15am), Germany (8:30am), Eurozone (9am), UK (9:30am), & the US (2:45pm); Japanese tertiary industry index (Feb, 5:30am); UK Public sector finances (Mar, 7am); Eurozone construction output (Feb, 10am); Eurozone trade balance (Feb, 10am); **US new home sales** (Feb, 3pm).

**Key events** today include: **Fed releases Beige Book** (7pm); speeches by the Bank of England's Pill at the University of Leeds (11:30am) & Bailey & Breeden in Washington (6:15 & 7pm); speeches by the Fed's Goolsbee at the Philadelphia Fed's economic mobility summit (2pm), Waller on key opportunities and challenges shaping the economy (2:30pm) & Hammack on the balance sheet (11:30pm).

**Key earnings** today include: **Philip Morris, IMB, AT&T, ServiceNow Inc, Thermo Fisher Scientific, Boston Scientific, NextEra Energy, Texas Instruments, Boeing, CME Group, EssilorLuxottica, Danone, Kweichow Moutai, Shin-Etsu Chemical, Canon, China Petrol 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 on 8<sup>th</sup> April 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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## 1 – 2 Week View on Risk

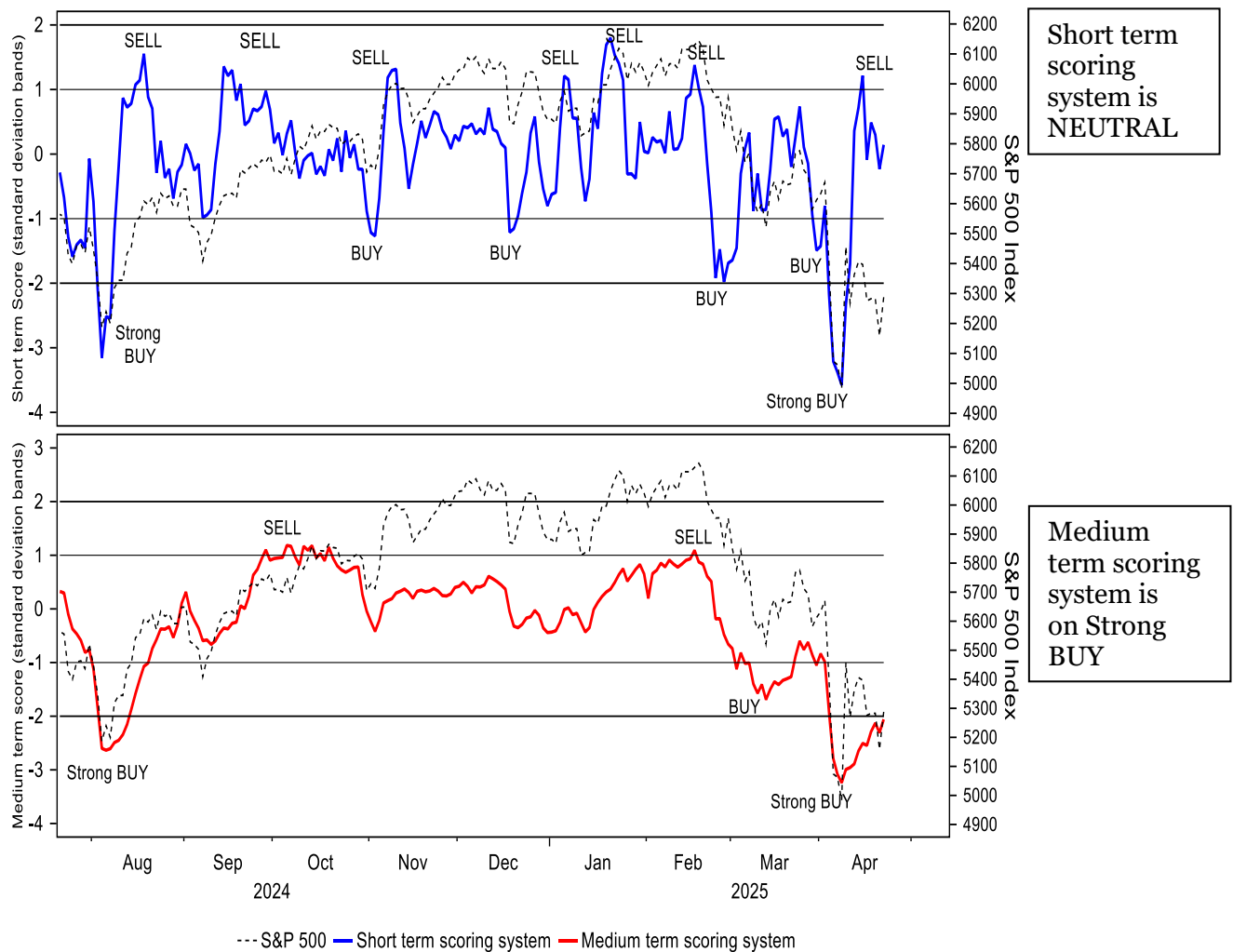
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23<sup>rd</sup> April 2025

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

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



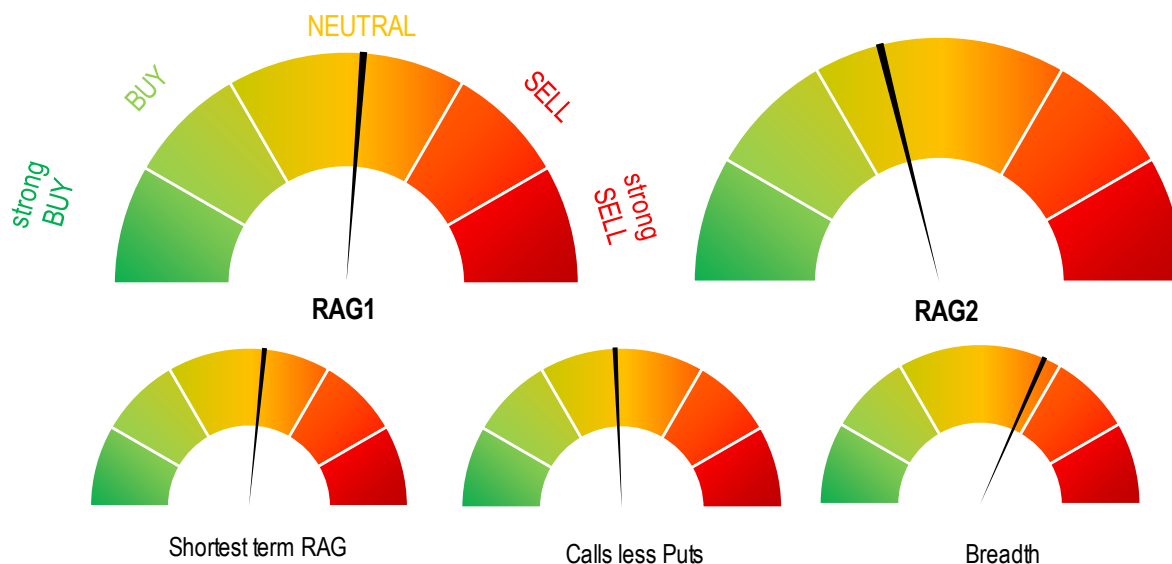
Source: Longview Economics, Macrobond

\*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**

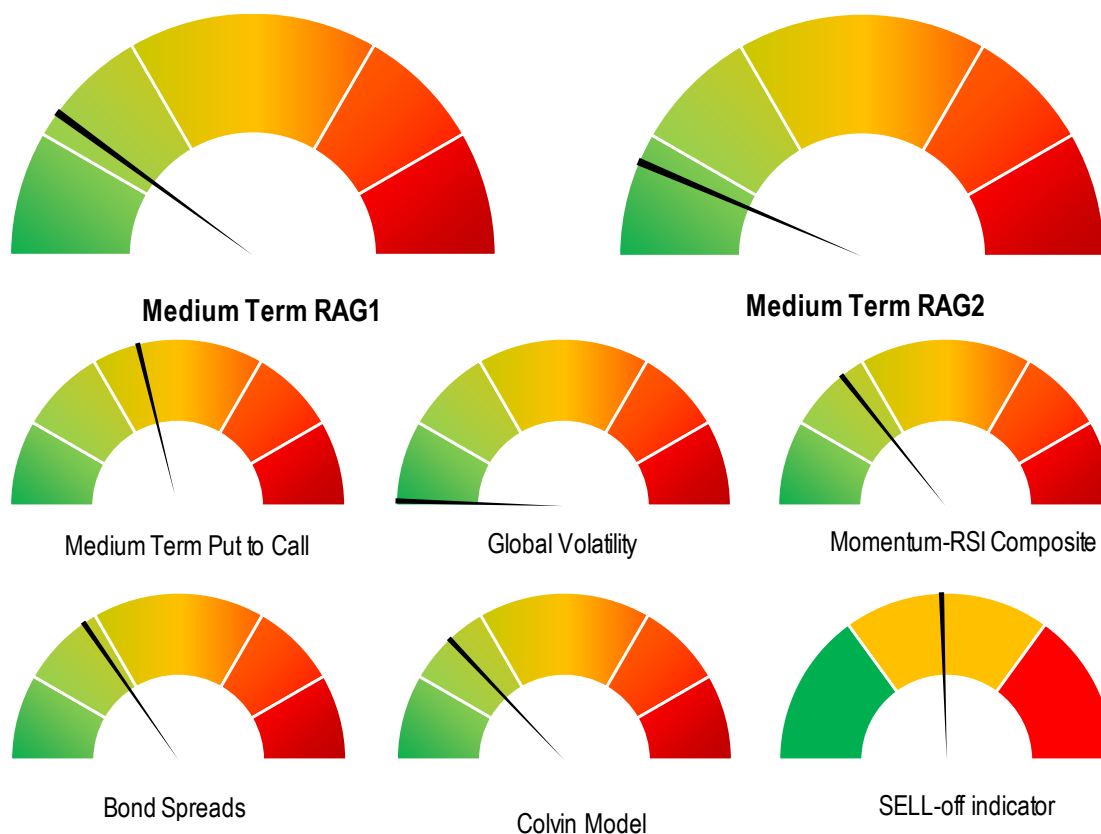
## Section 1a: Summary of indicator signals\*\*

**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

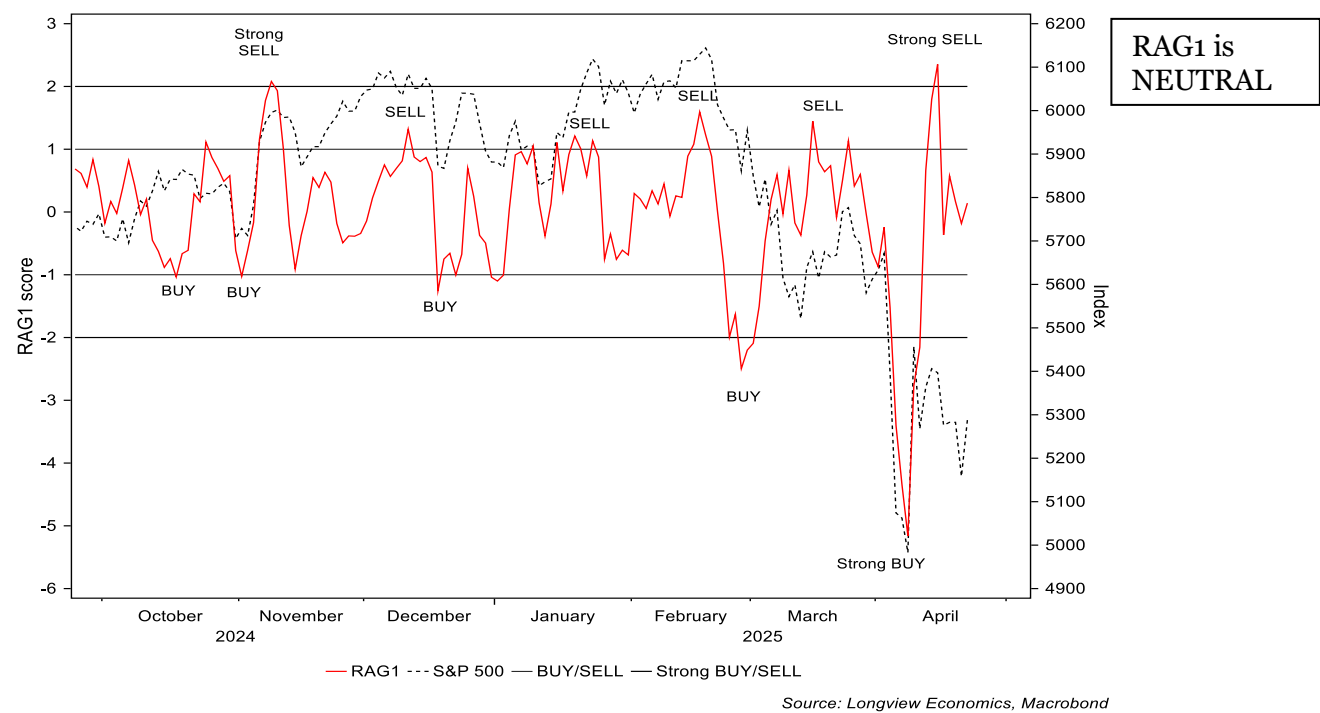
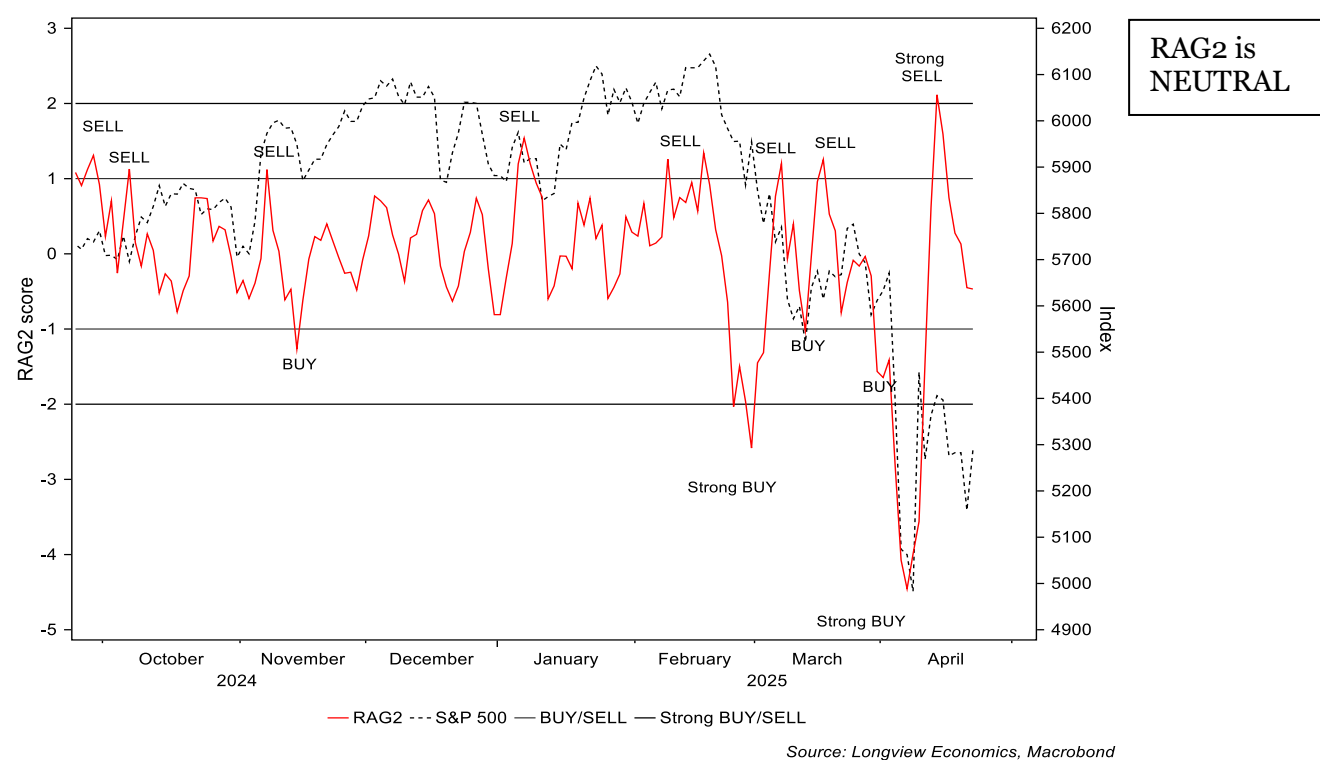
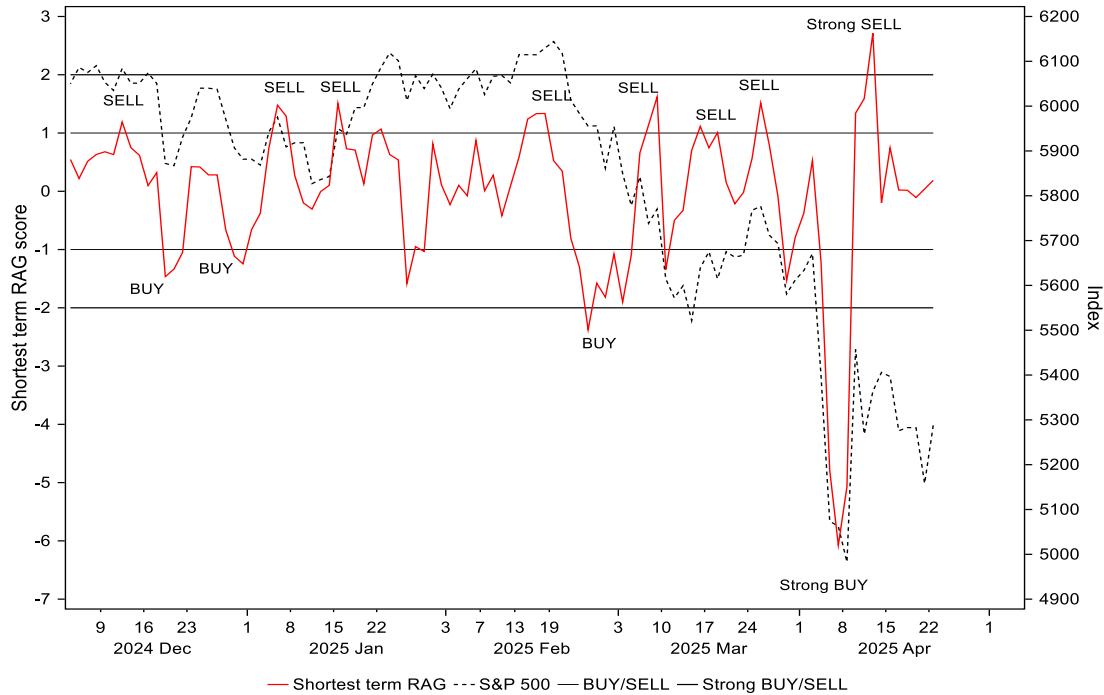


Fig 2b: RAG 2 vs. S&P 500

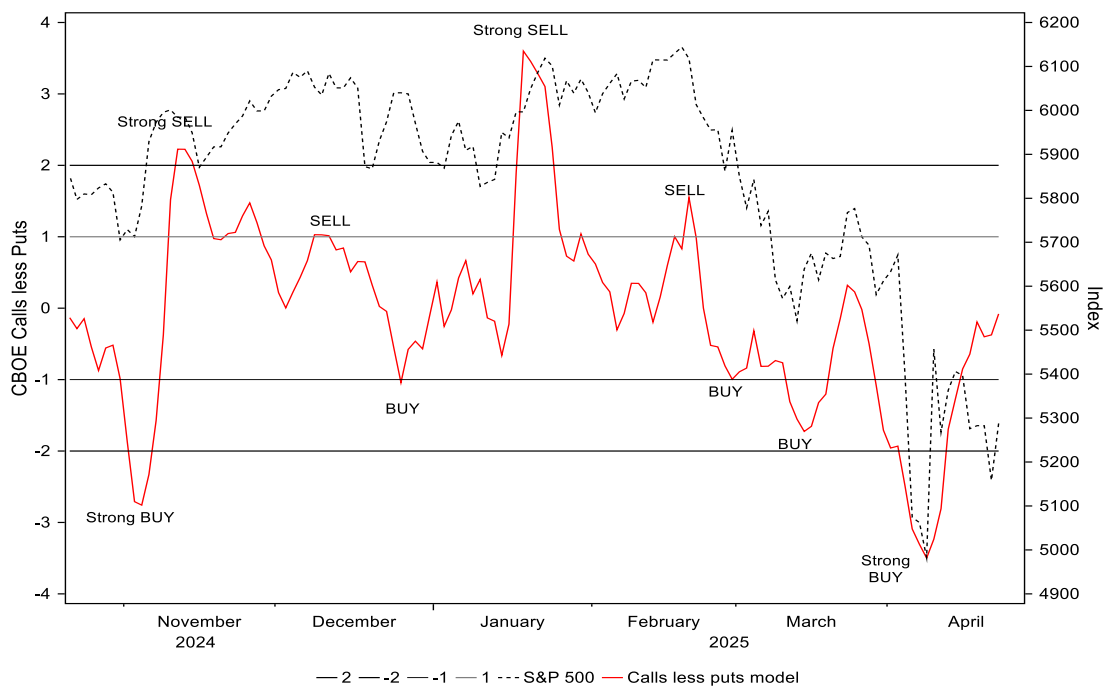


For explanations of indicators please see page 10

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

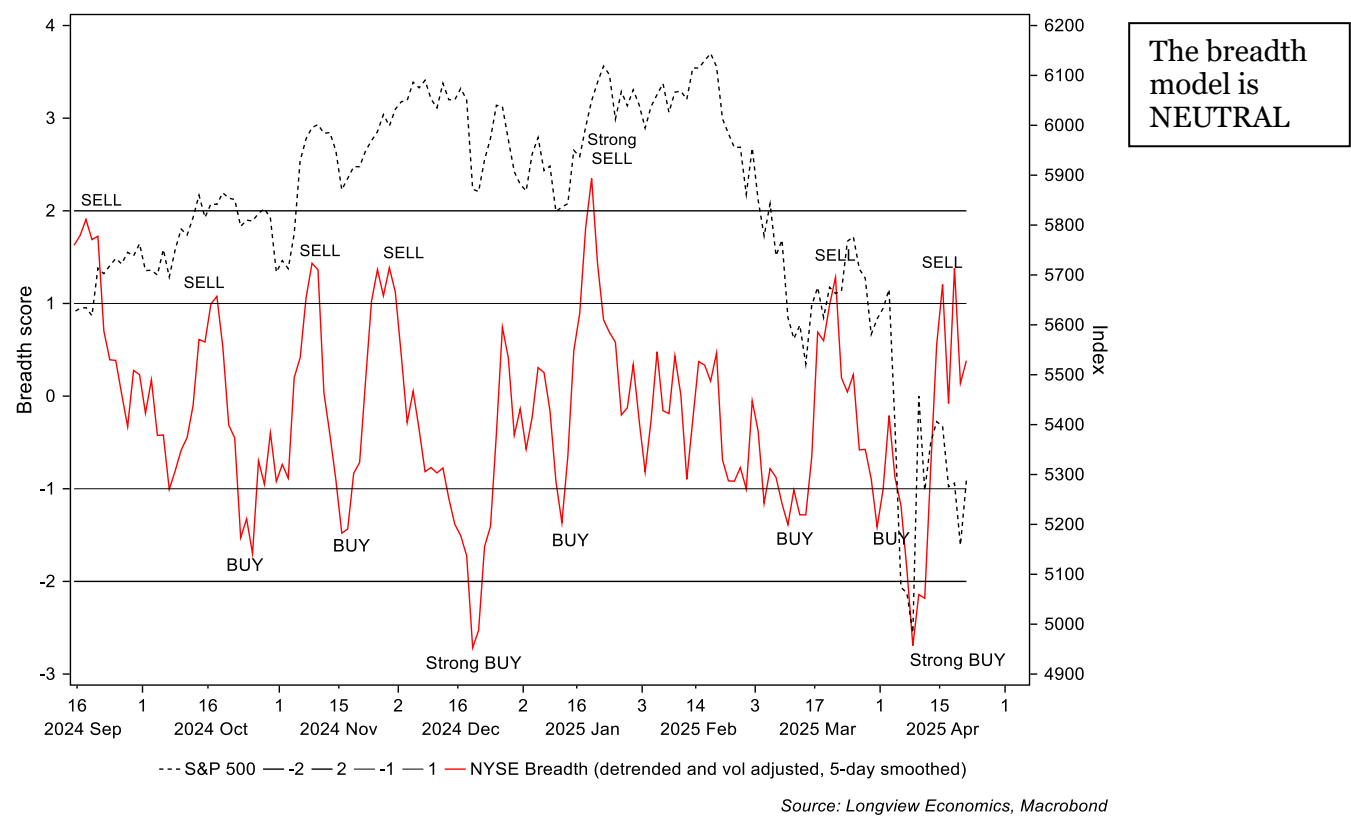


**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500



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

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

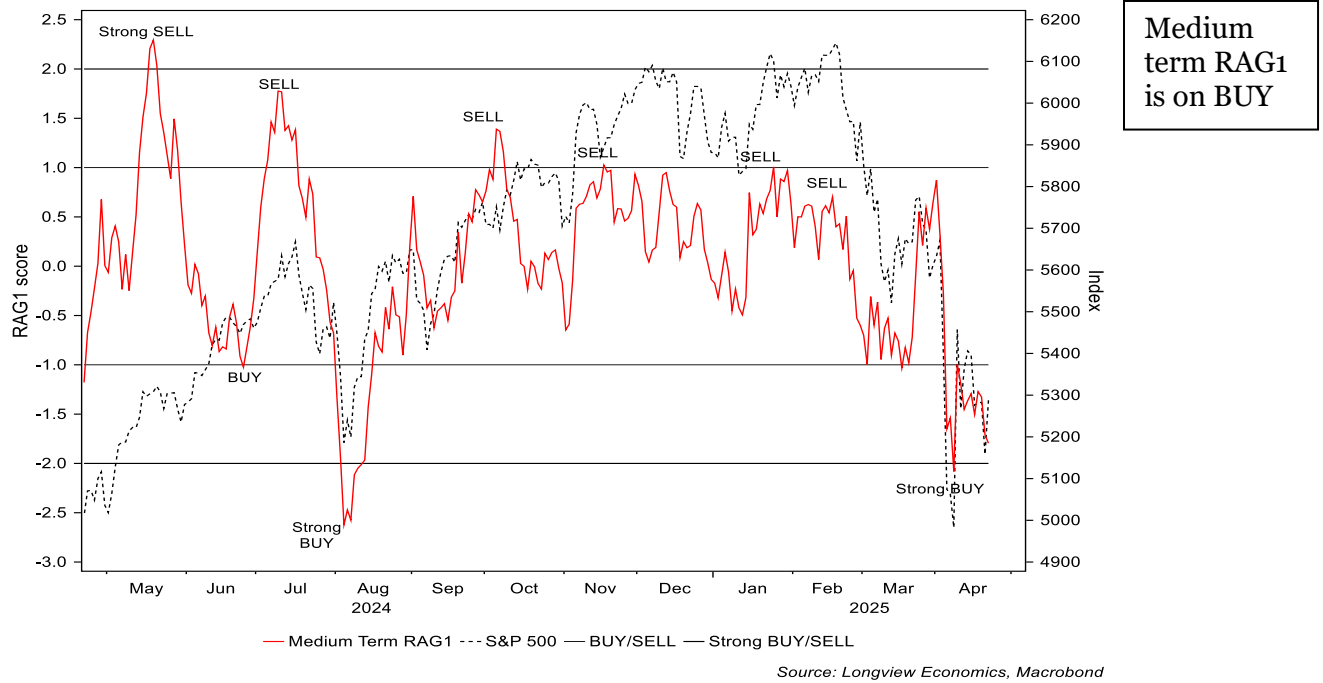


*For explanations of indicators please see page 10*

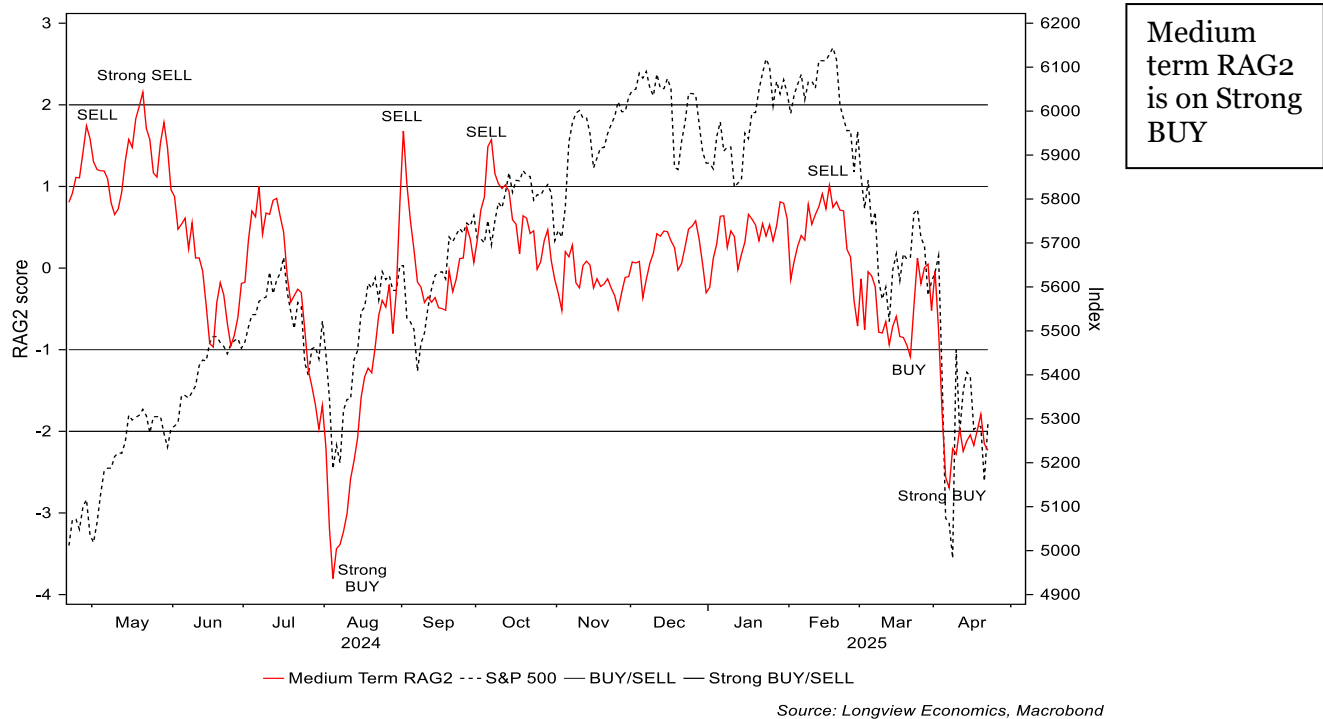


### Section 3: Medium term (1 – 4 month) outlook

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

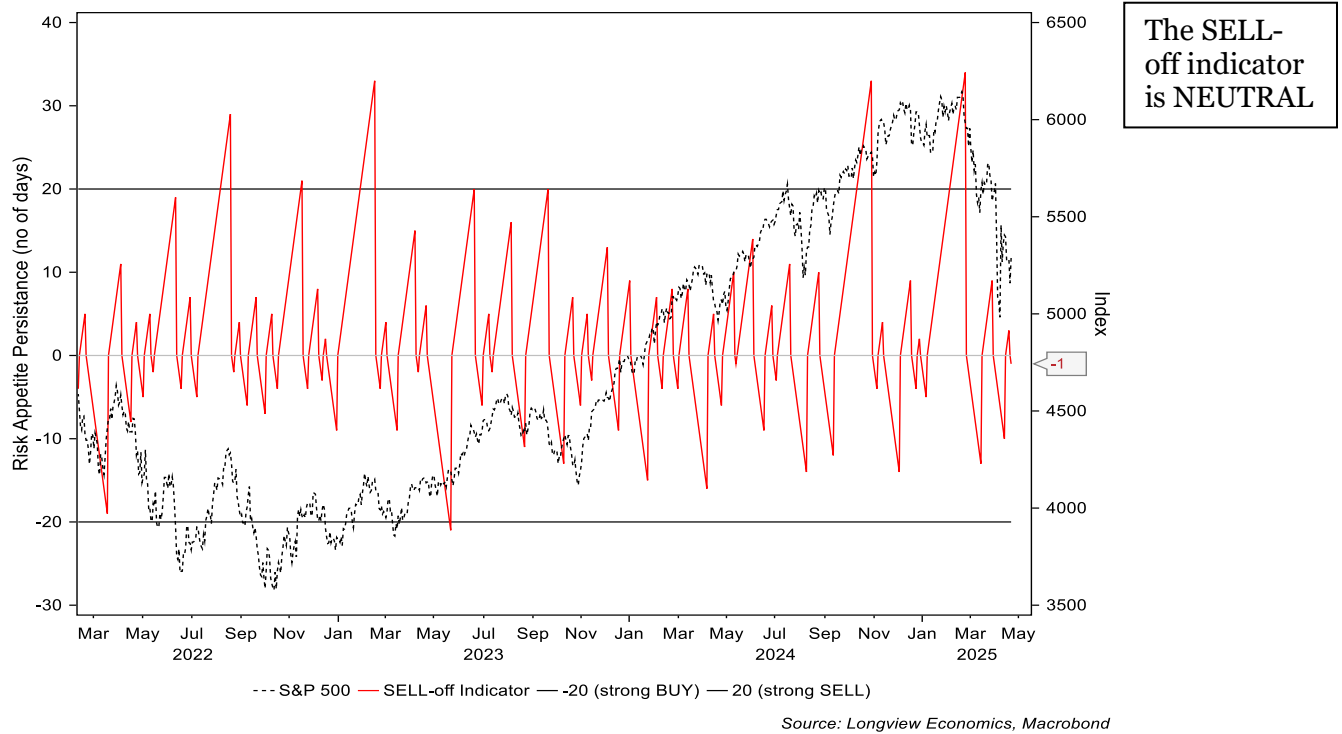


**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500

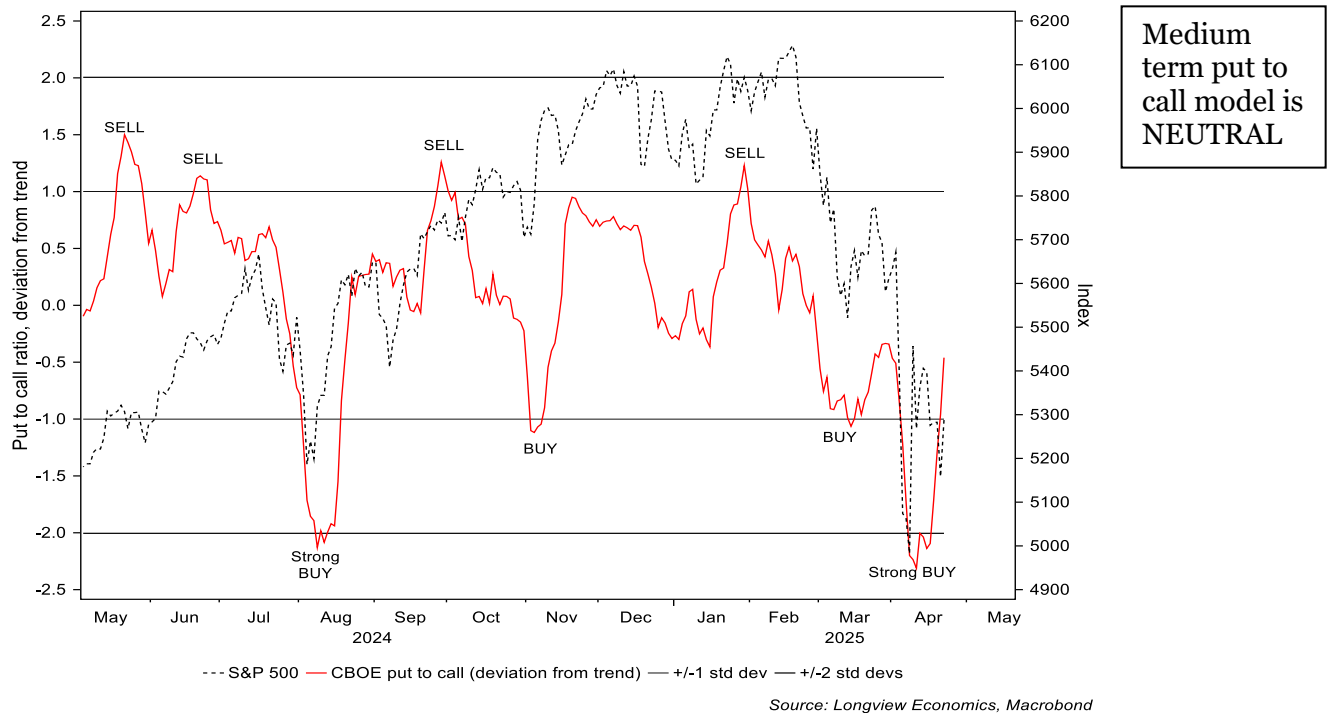


*For explanations of indicators please see page 10*

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

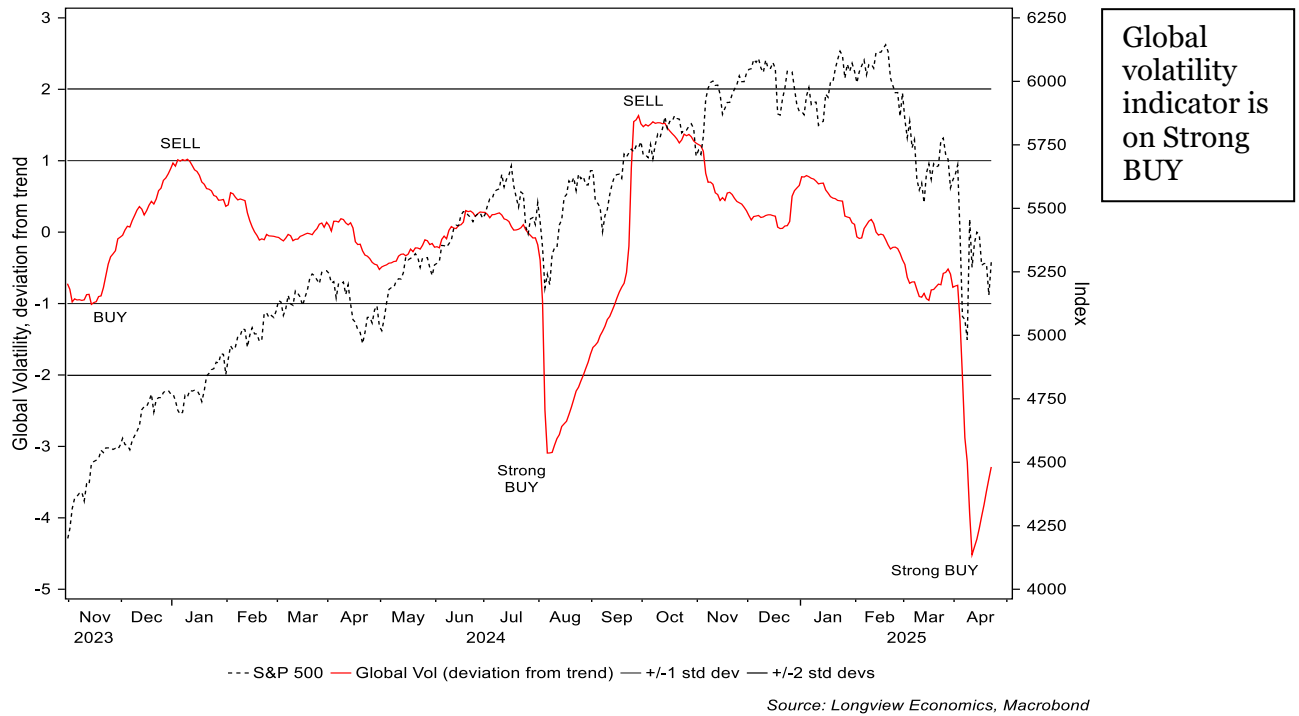


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

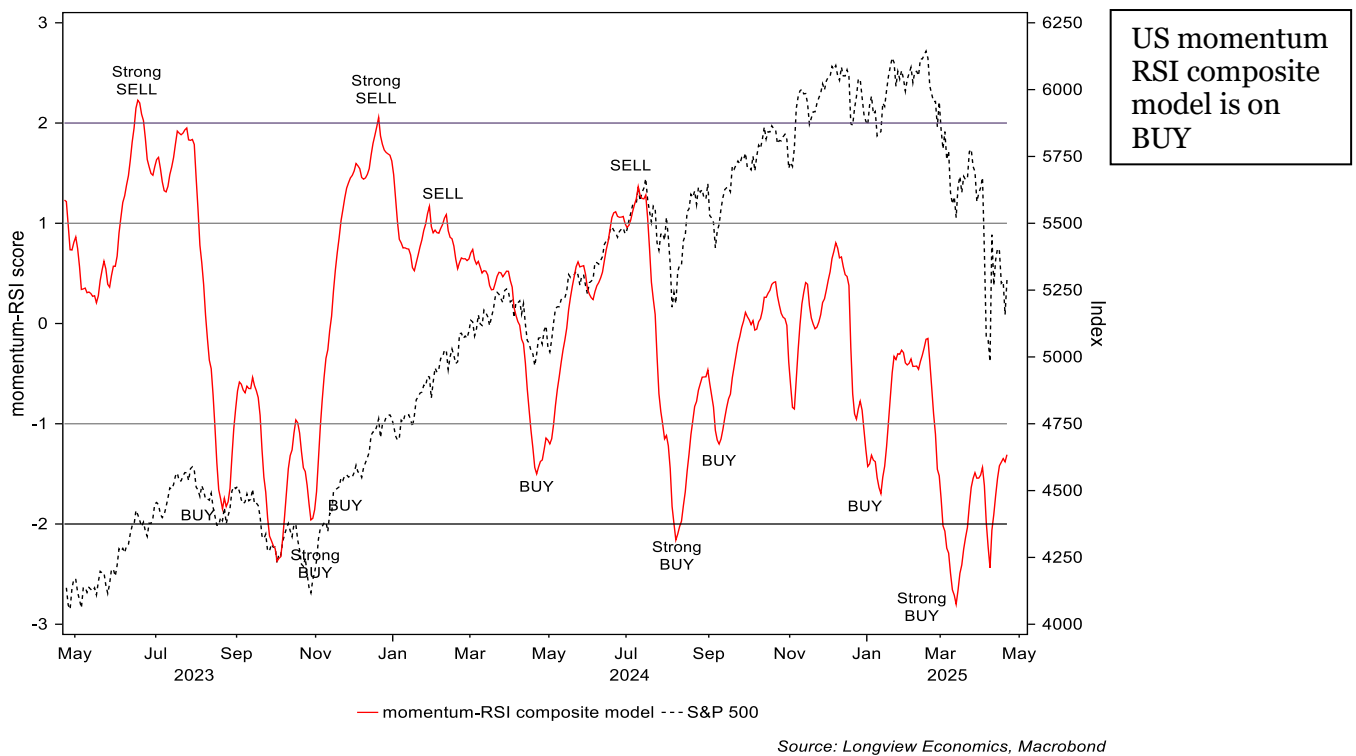


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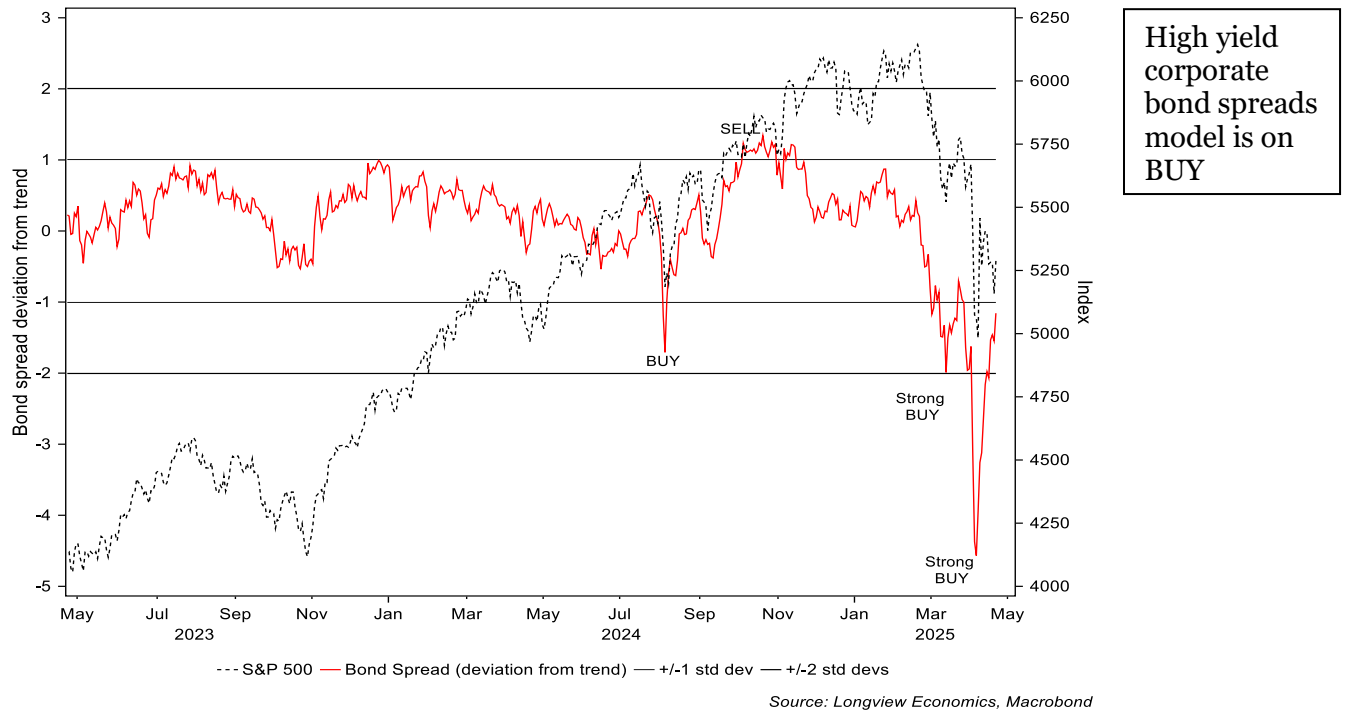
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



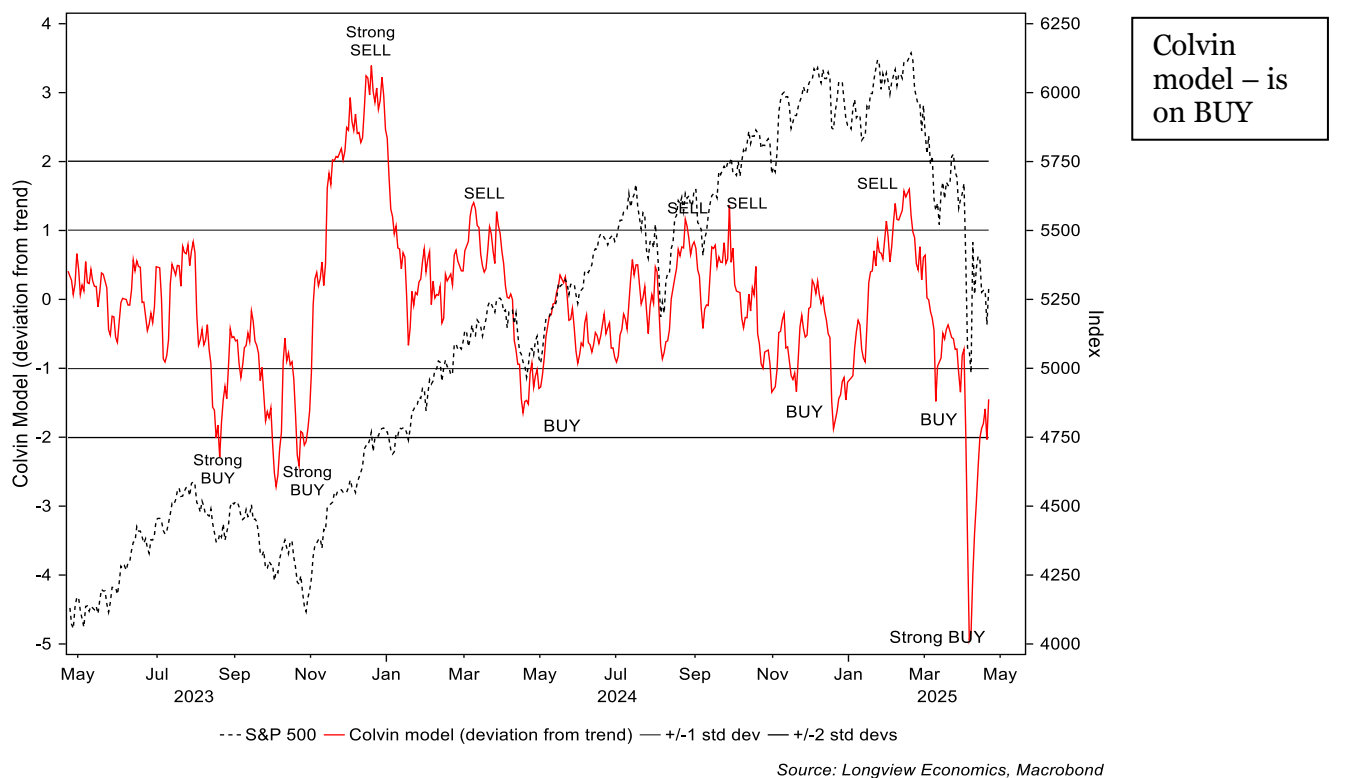
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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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