Equity Index Futures Trading Recommendations

24th April 2025

"WATCH & WAIT for now - SELL Case Likely Brewing"

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

- WATCH & WAIT (for now)

Rationale

US equities have been well supported by positive newsflow this week. That started on Tuesday with Trump hinting at a trade deal with China and also saying he had no intention of firing Powell. It continued yesterday, with 37 S&P500 companies mostly reporting strong Q1 earnings. So far, therefore, of the 127 companies that have reported this season, 100 have surprised to the upside on earnings (i.e. 79% of them). As such, the overall earnings surprise is 6.4% (compared to the average surprise of ~4%), and is up from 5.9% yesterday morning.

With that US equities rallied across the board again yesterday, with 27 of the 28 major indices we track closing higher on the session. That is, despite giving back some gains intra-day (on Bessent's comments*, see FIG 1), key 'leadership' parts of the market still closed notably higher, e.g. with strong gains in the NASDAQ100 (+2.3%) and Philly SOX (+4.0%).

Intra-day, therefore, a number of indices tested key levels. The NASDAQ100, for example, tested its lows from early March (FIG 1b), while in Europe the DAX tested its 50 day moving average (FIG 1c). The next key resistance levels on the S&P500 include 5,528 (mid-April highs); 5,560 (mid-March lows); and, above that, the 50 day moving average (5,711, see FIG 1a). Depending on how the signals from our models evolve, we'd expect those levels to provide opportunities to MOVE SHORT (i.e. if they are reached/tested).

At this juncture, though, our short term models **lack a clear and across the board message** (albeit they have a SELL bias). In particular, our short term risk appetite models are leaning towards SELL (FIGs 2 & 2a). Other short term models, though, are NEUTRAL/mid-range, including our technical scoring systems (see FIGs 2c & 2d); the 3 day smoothed put to call model (FIG 2b); as well as various industry group and sector models (e.g. see FIG 2e).

For now, therefore, we favour continuing to WATCH & WAIT.

Today's key macro data, events, and earnings reports are listed below and include US durable goods orders (1:30pm London time), US pending home sales (3pm), speeches from various central bankers (including Kashkari), and earnings reports from Amazon, amongst others (please see below for detail).

Kind regards,

The team @ Longview Economics

*Intraday Bessent said there were no plans for Trump to move first in lowering tariffs to de-escalate the US-China trade war. That comment was made shortly after 4pm (see white line in FIG 1 below).

FIG 1: S&P500 June 25 futures shown with overnight price action (NB white line = timing of Bessent comments yesterday)

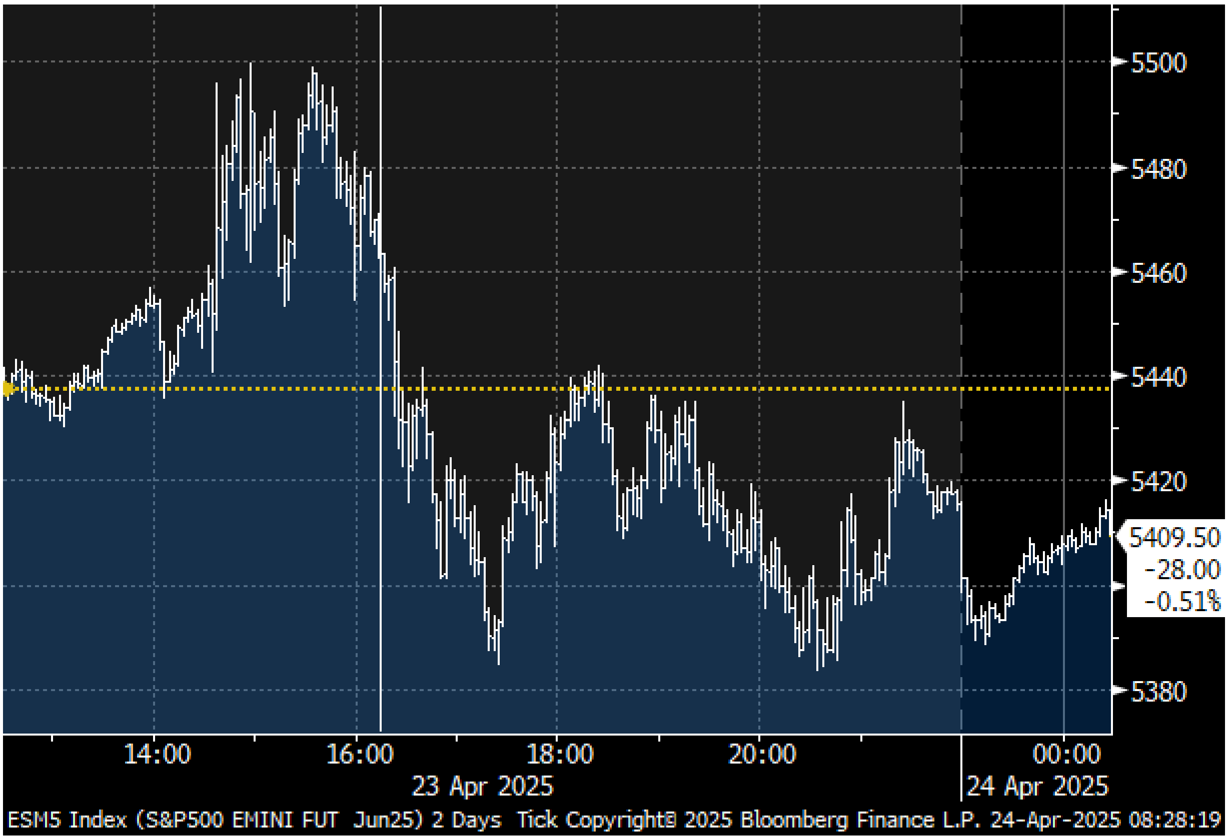


FIG 1a: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages

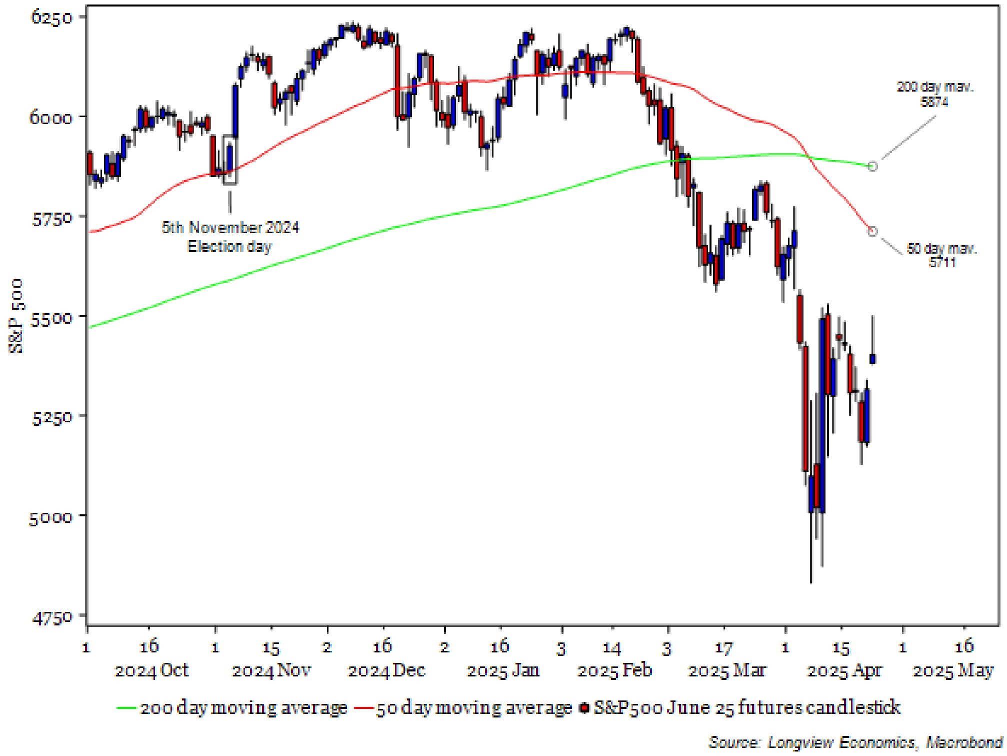


FIG 1b: NASDAQ100 futures candlestick, shown with 50 & 200 day moving averages

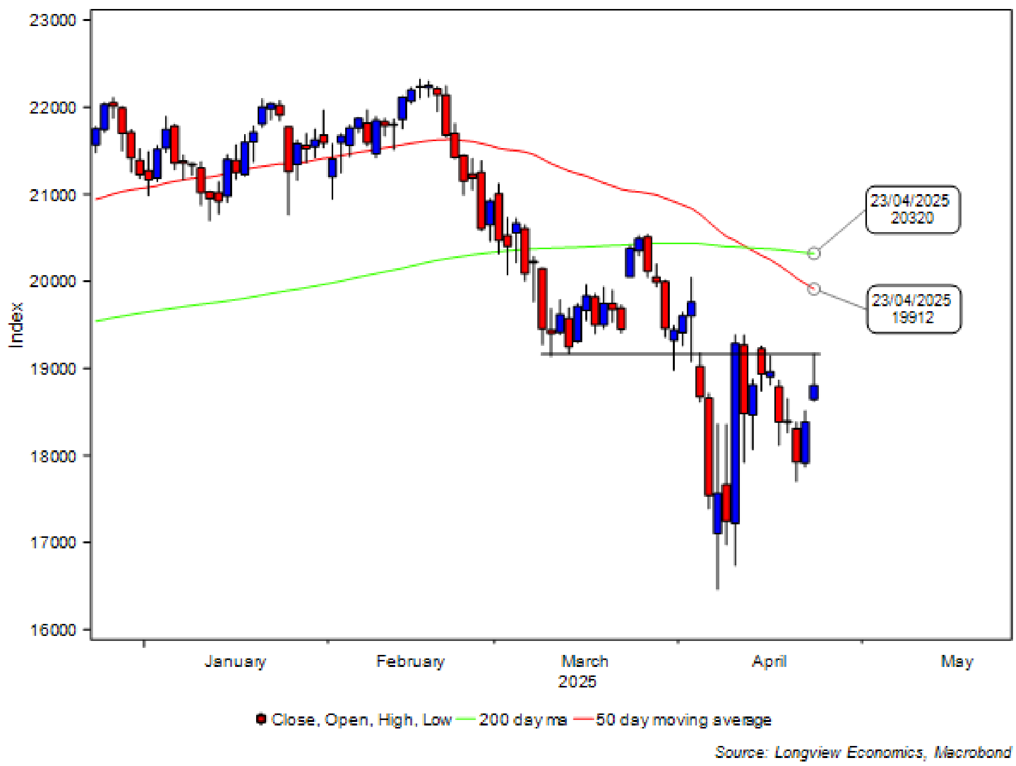


FIG 1c: DAX candlestick chart shown with 50 day moving average

Short term risk appetite models are leaning towards SELL…

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

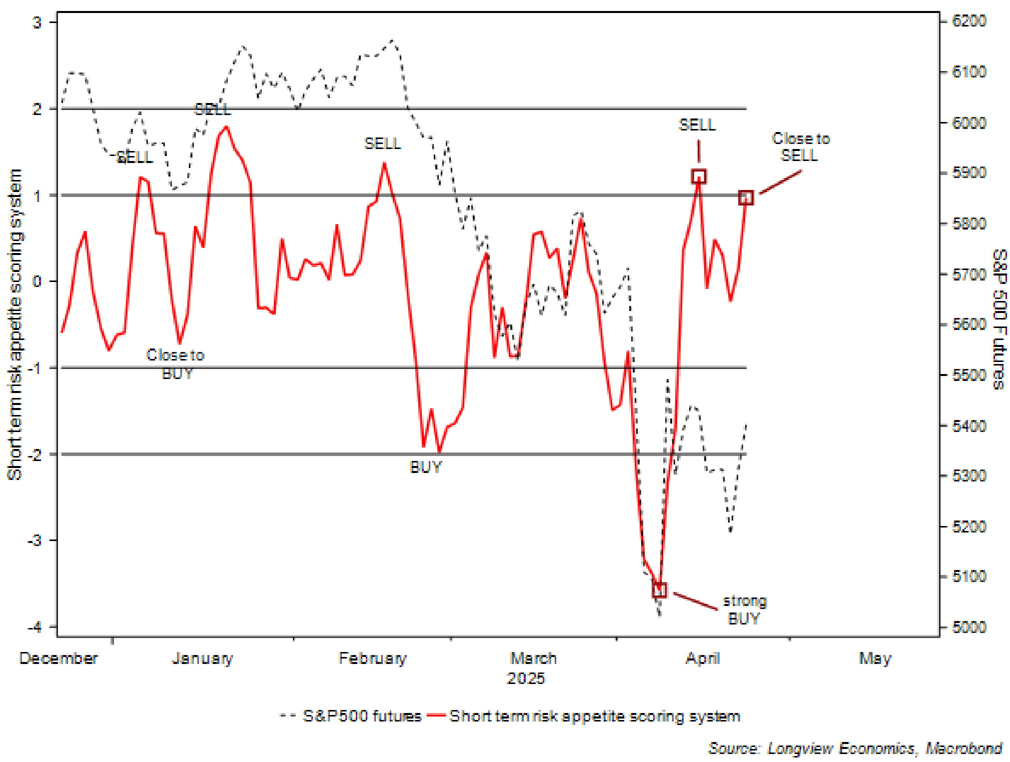
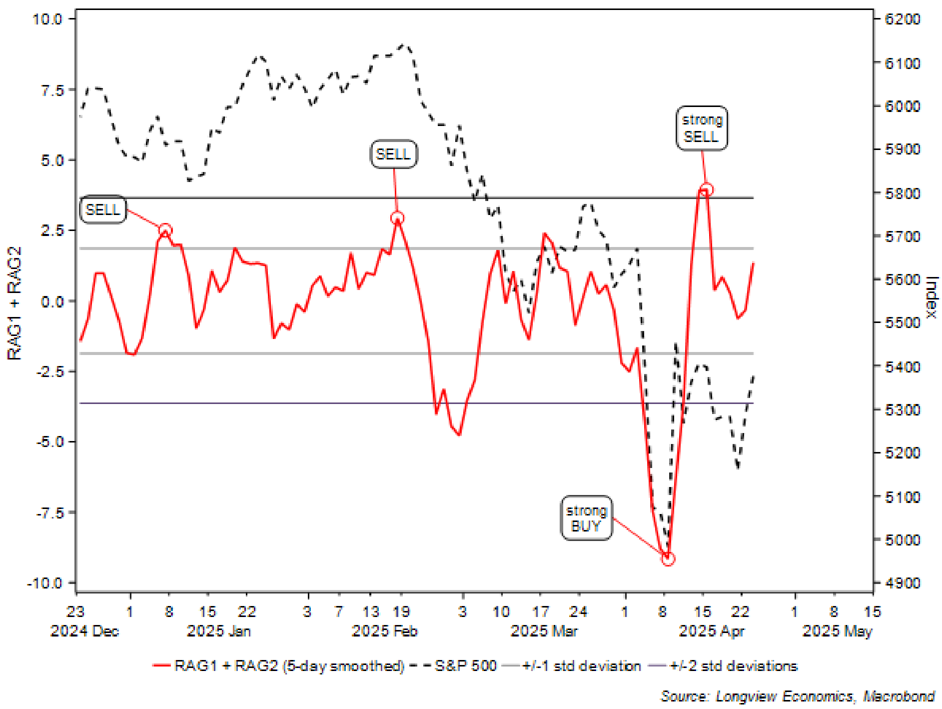
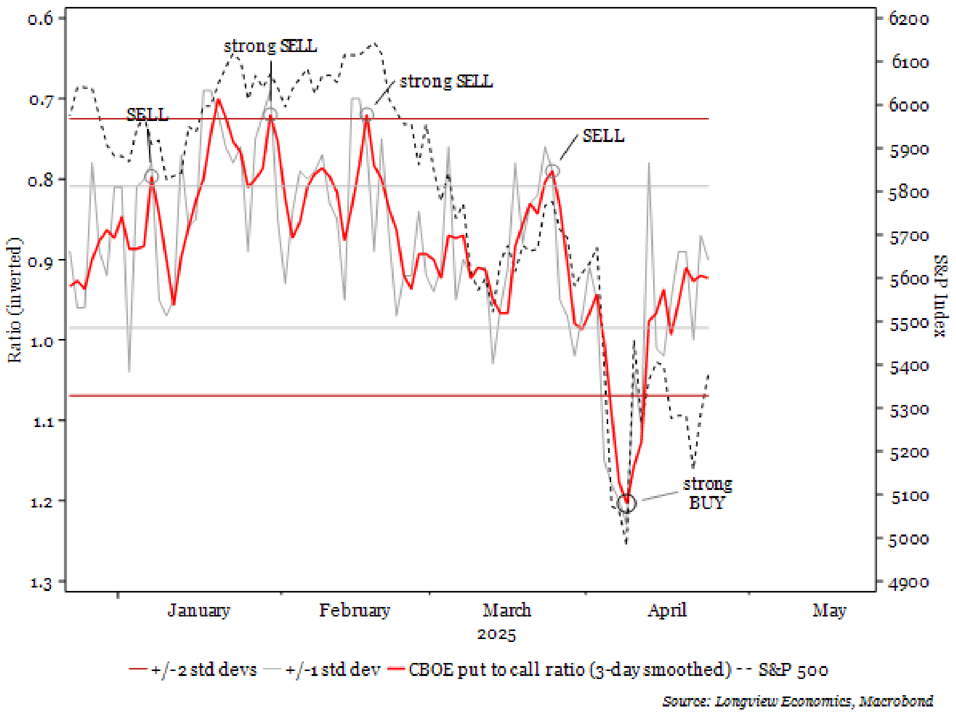


FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



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 mostly mid-range…

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

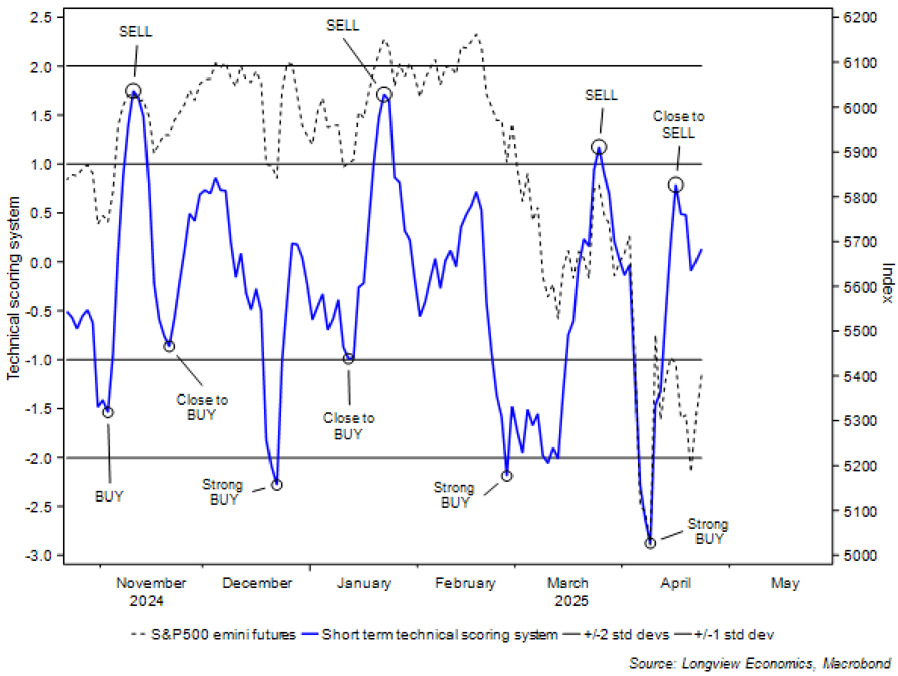


FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

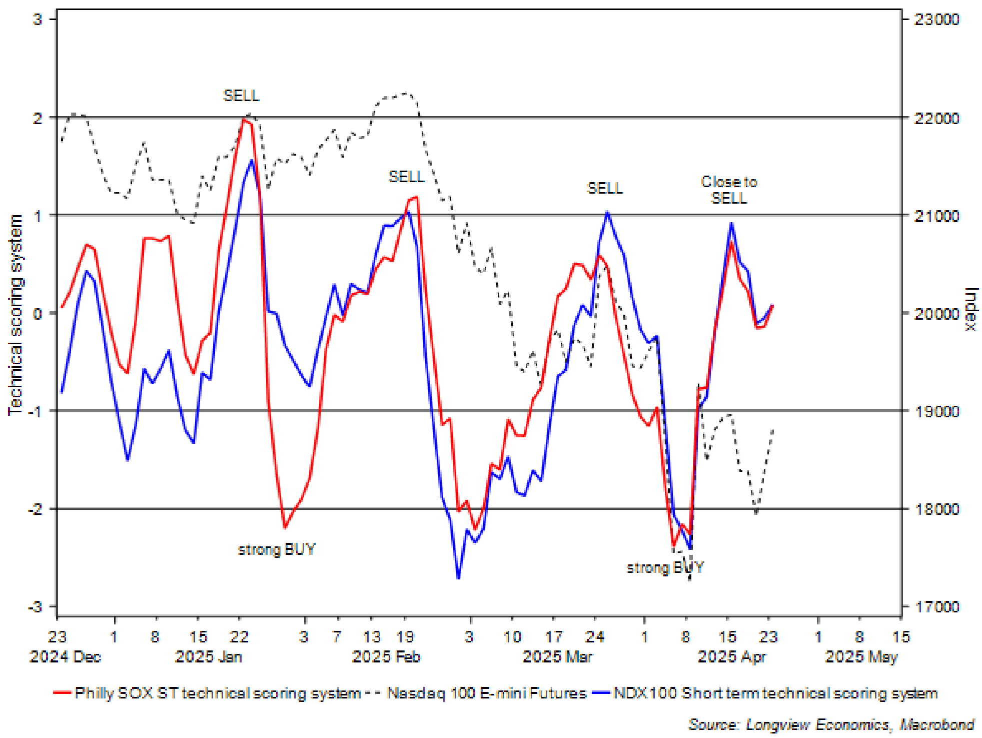
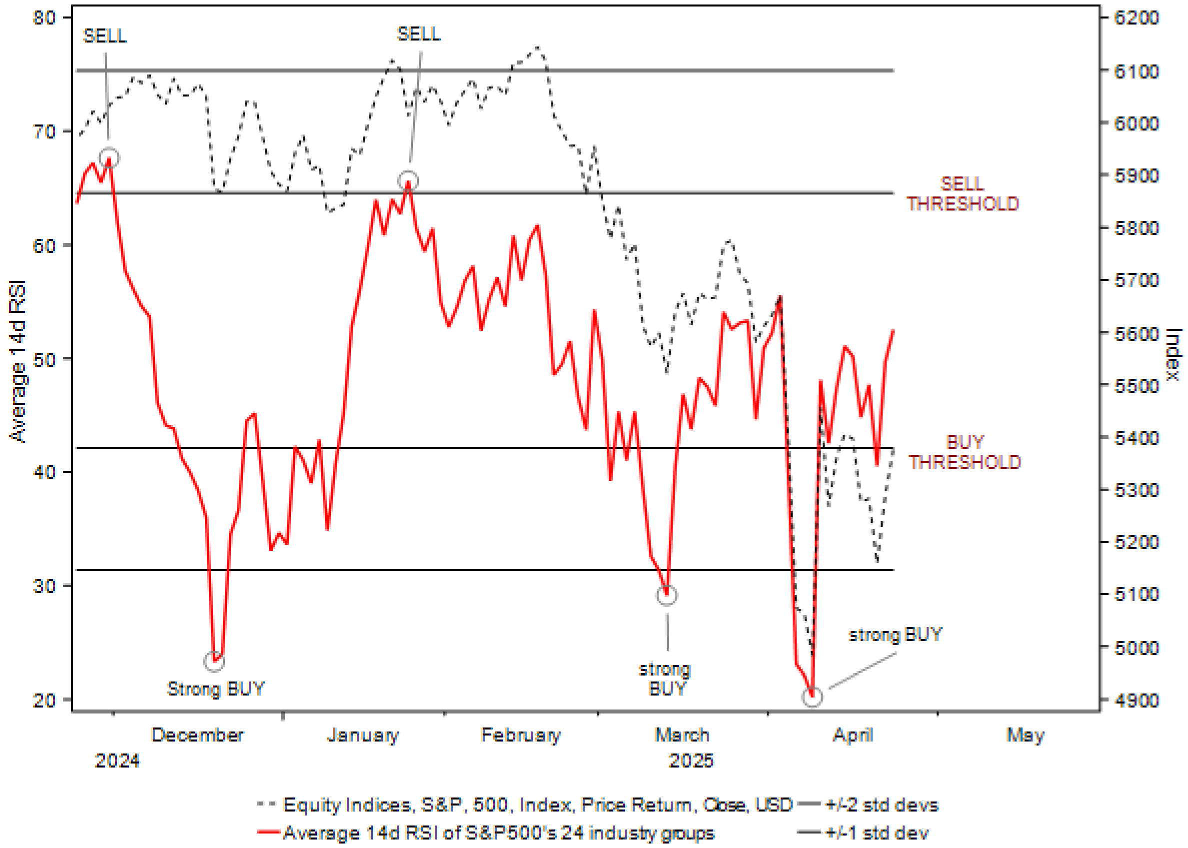


FIG 2e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

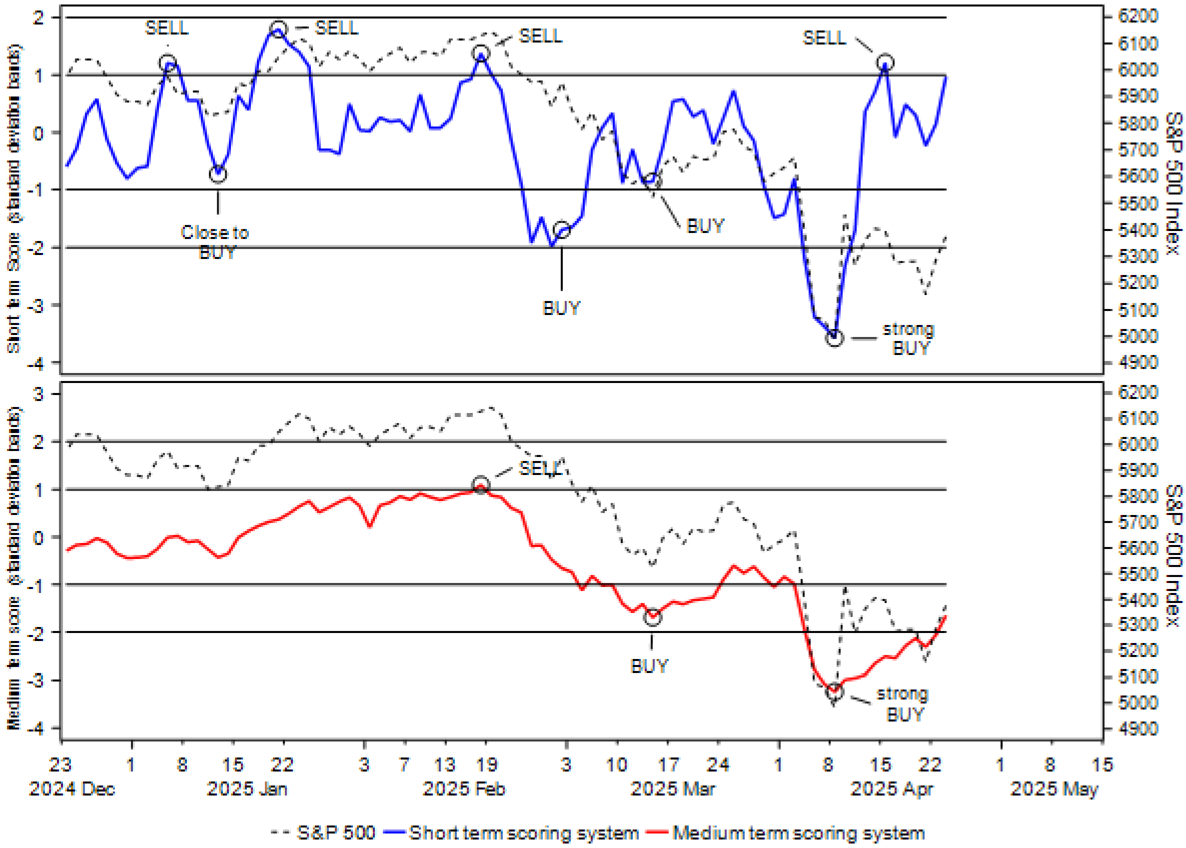


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **NEUTRAL** (just)
Medium term (1 – 4 month) scoring system: **BUY**

FIG A: Longview short and medium term scoring systems vs. S&P500



Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

Key macro data/events

Key data today include: Japanese PPI services (Mar, 12:50am); Eurozone new car sales (Mar, 5am); **Japanese machine tool orders** (February first estimate, 7am); **French INSEE consumer confidence** (Apr, 7:45am); Spanish mortgage approvals (Feb, 8am); Spanish PPI (Mar, 8am); **German IFO business climate** (Apr, 9am); UK CBI industrial trends survey (Apr, 11am); US Chicago Fed national activity (Mar, 1:30pm); **US durable goods orders** (March first estimate, 1:30pm); Canadian employment change (Feb, 1:30pm); US weekly jobless claims (12:30pm); **US pending home sales** (Mar, 3pm); US Kansas City Fed manufacturing sector activity (Apr, 4pm).

Key events today include: Speeches by the ECB's Lane, Simkus & Rehn in DC (2, 3:05 & 4:35pm); speech by the Bank of England's Lombardelli at Peterson Institute for International Economics (2:25pm); the Fed's Kashkari speaks in a moderated discussion (10pm).

Key earnings today include: **Amazon.com**, **P&G, T-Mobile US**, **Merck&Co,** PepsiCo, American Express, Caterpillar, Gilead, Union Pacific, Comcast, Fiserv, Bristol-Myres Squibb, Intel, Republic Services, Sanofi, Air Liquide, Rex, **BNP Paribas**, Vinci, Thales, **Unilever, Chugai Pharmaceutical**, **China Life Insurance**, China Yangtze Power, China Citic Bank, Daiichi Sankyo, Fujitsu.

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

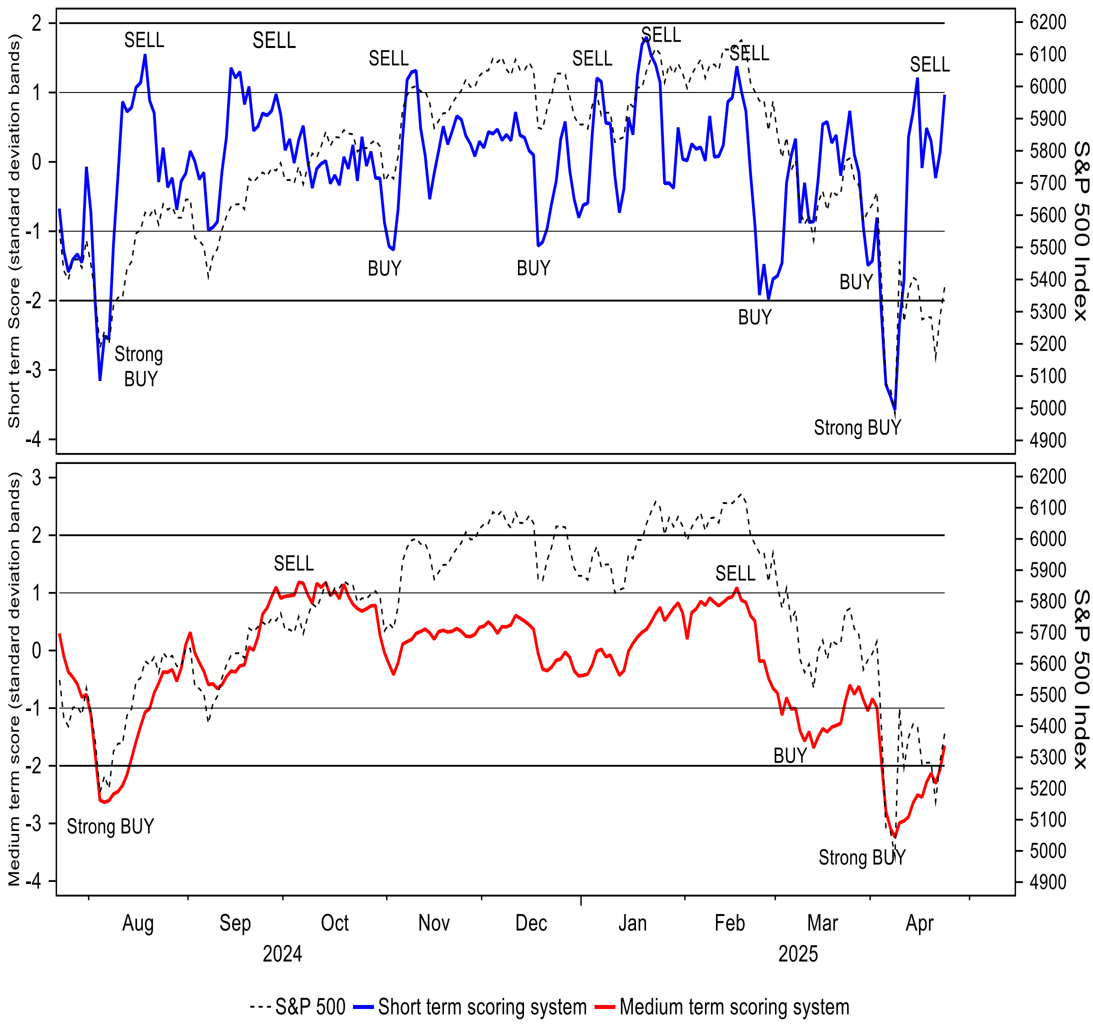
1 – 2 Week View on Risk

24th 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 NEUTRAL

Medium term scoring system is on BUY

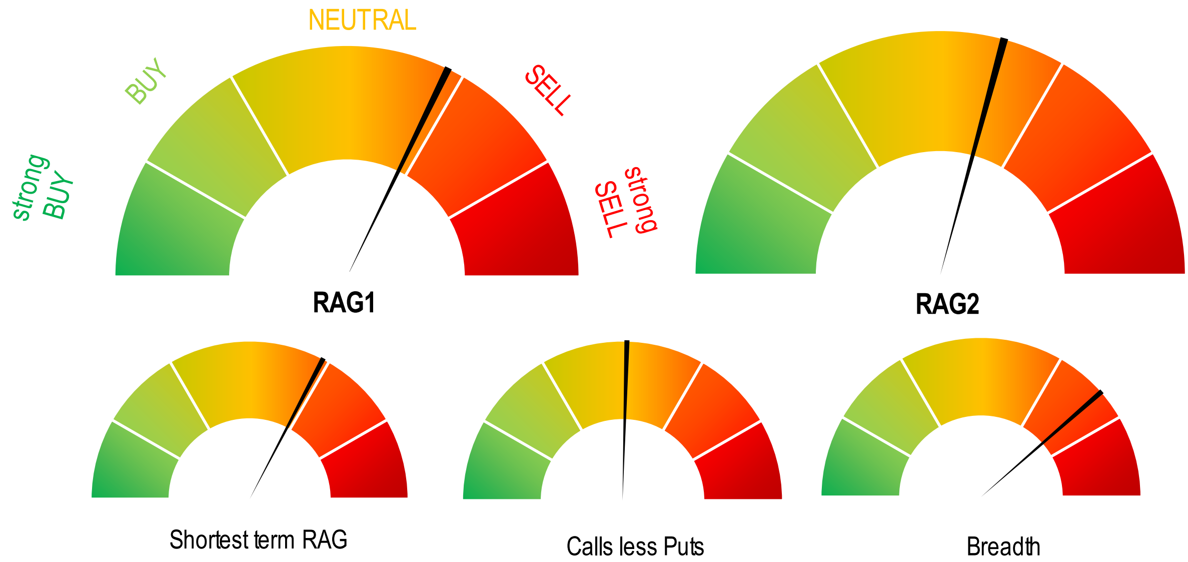
Source: Longview Economics, Macrobond

*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

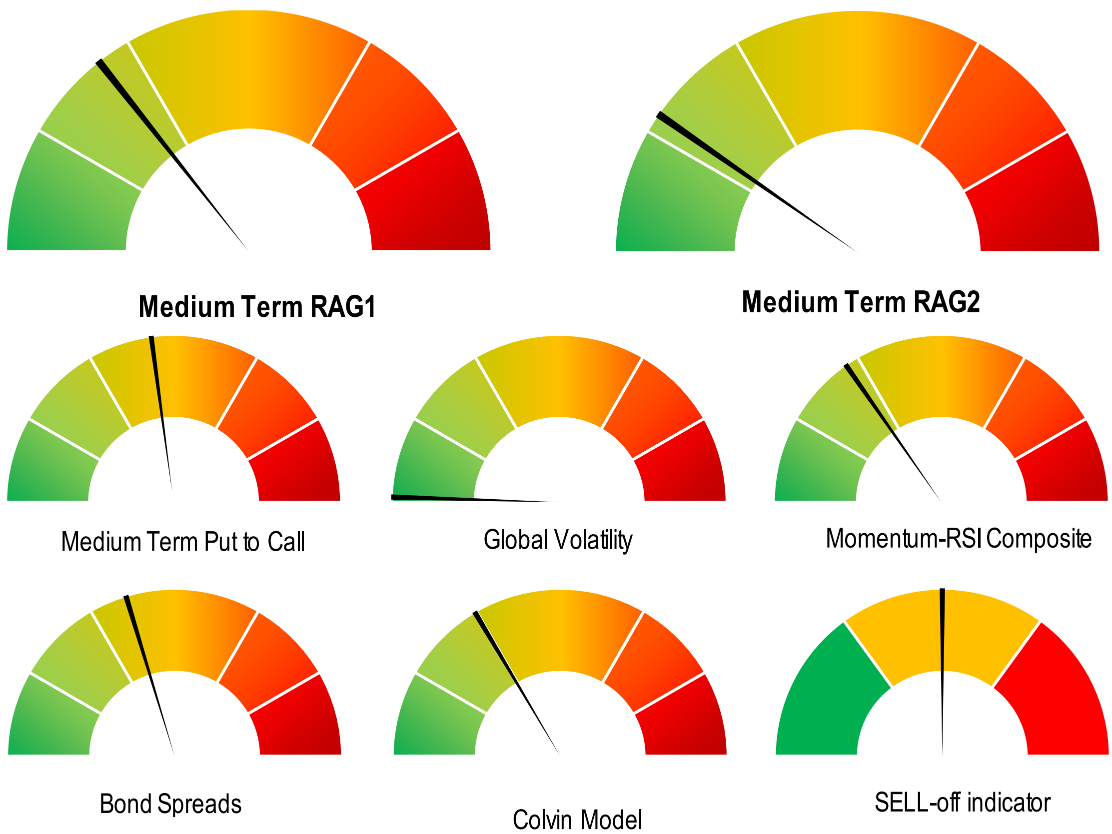
Section 1a: Summary of indicator signals**

Fig 1a: Short term models – shown as gauges using standard deviation bands



Source: *Longview Economics*

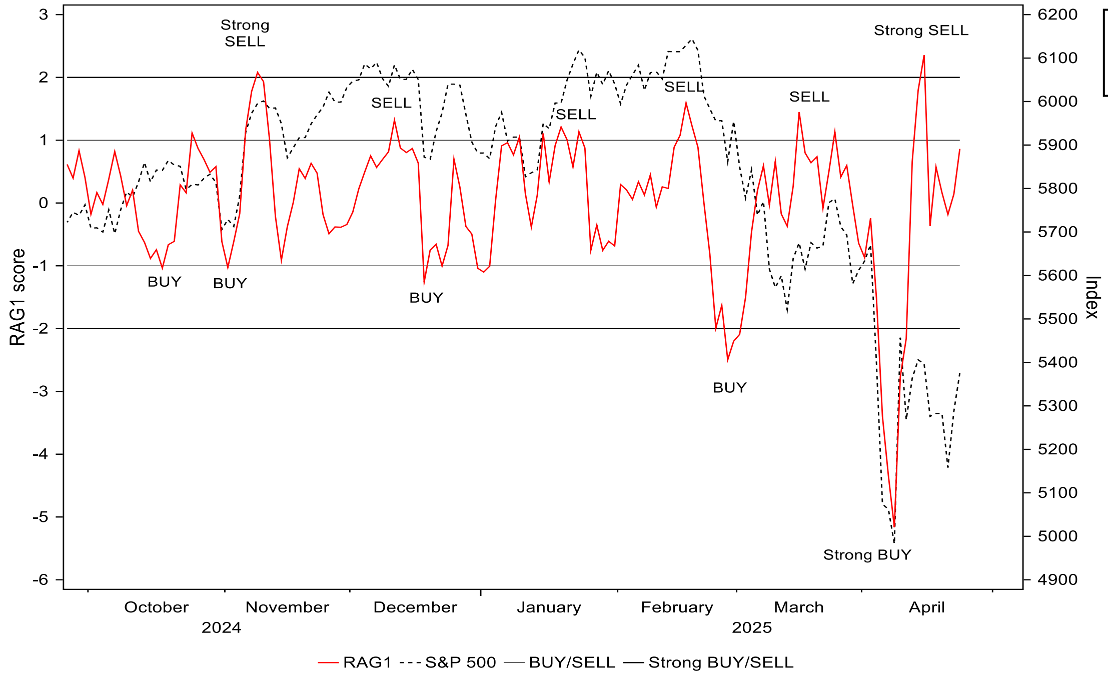
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

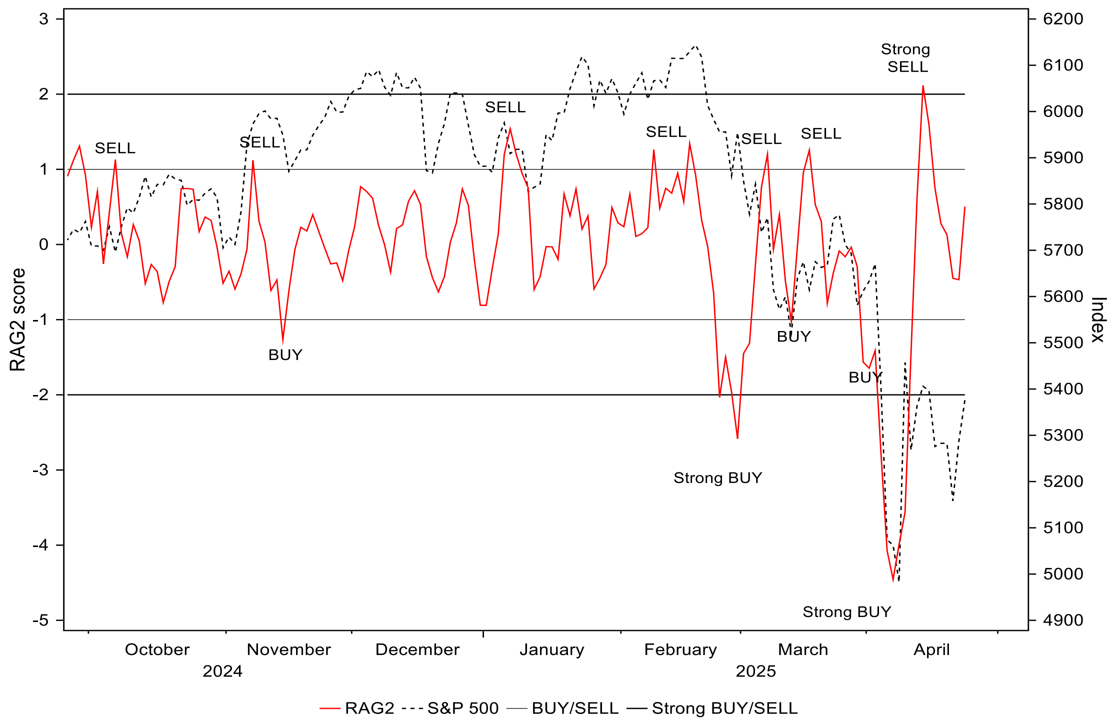
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

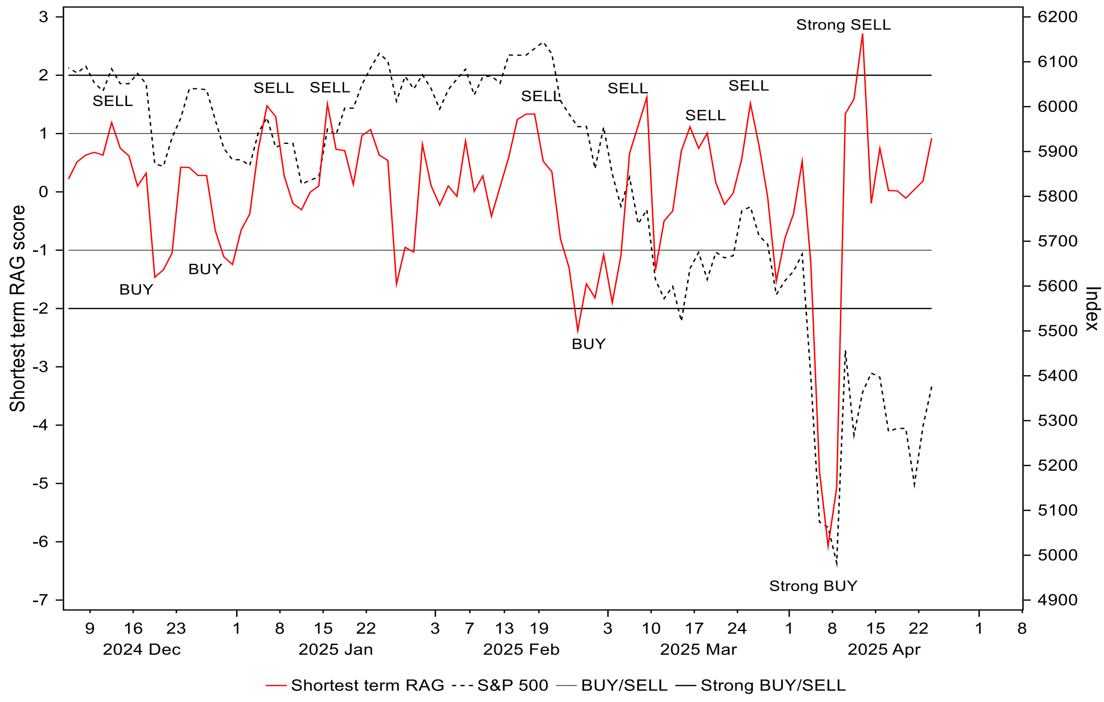


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

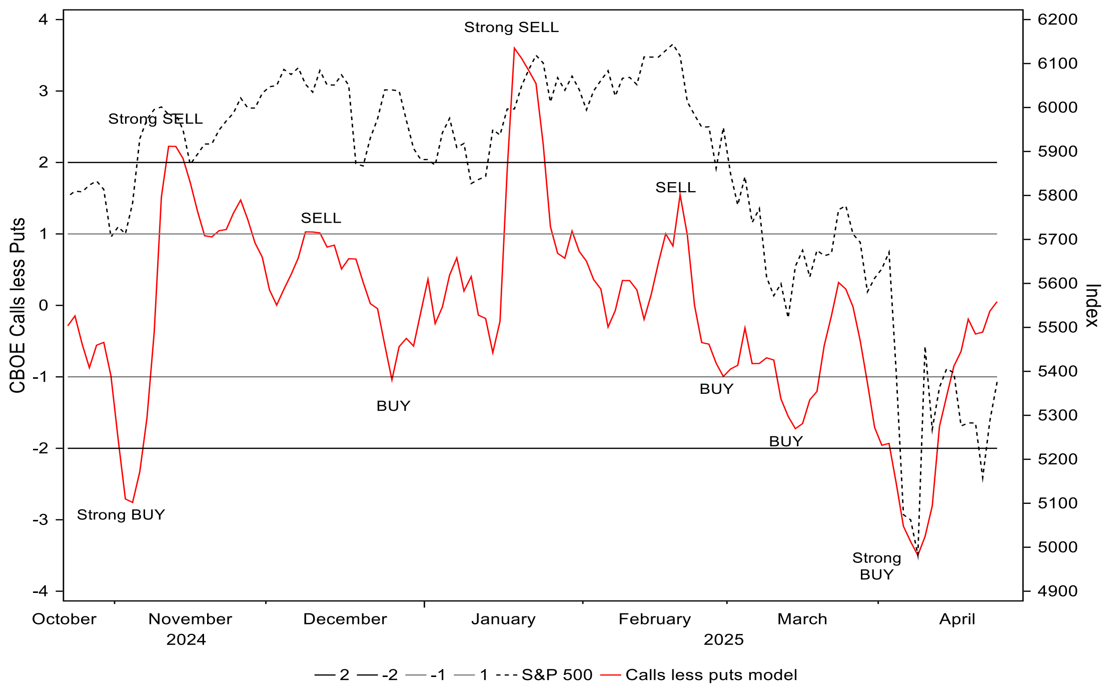
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is NEUTRAL

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

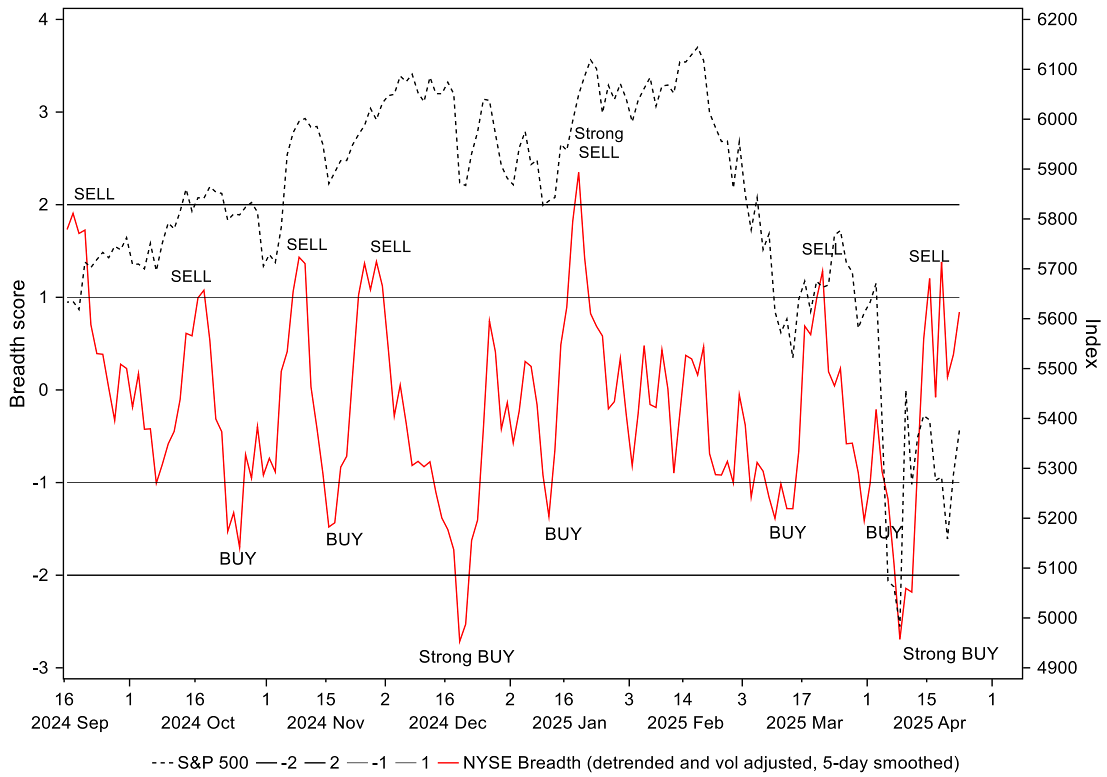


Source: Longview Economics, Macrobond

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



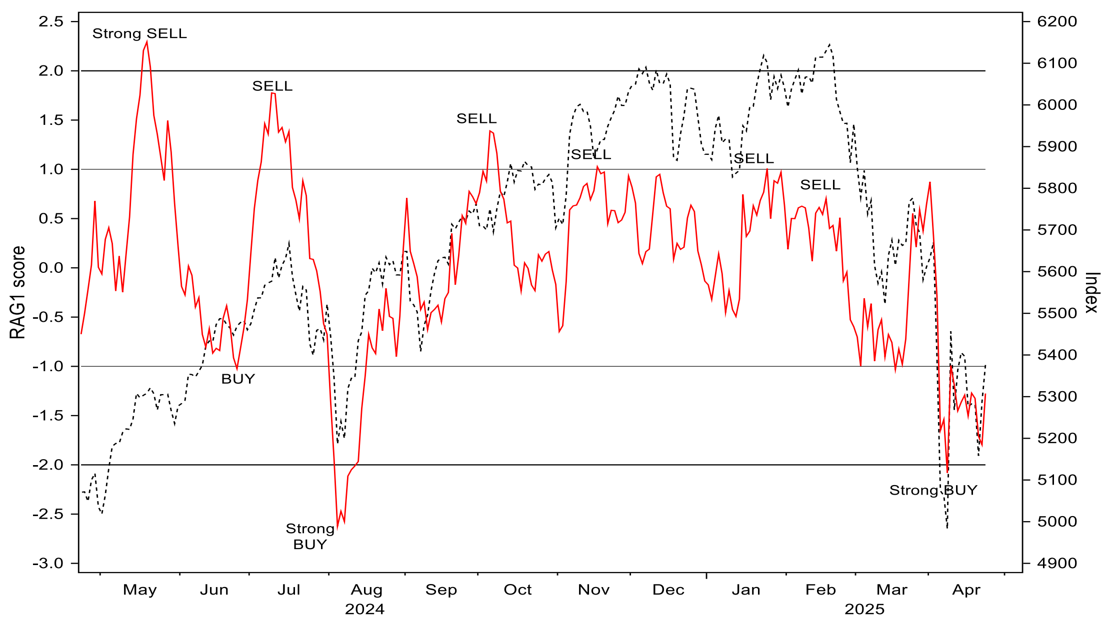
The breadth model is NEUTRAL

Source: Longview Economics, Macrobond

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

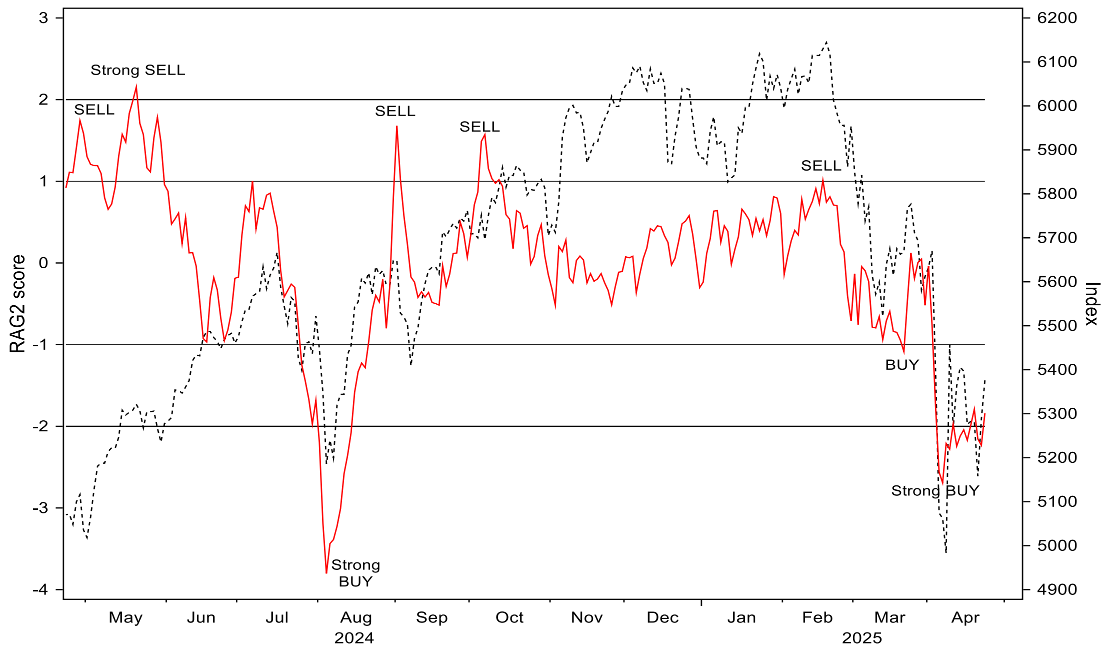


— Medium Term RAG1 - - - S&P 500 — BUY/SELL — Strong BUY/SELL

Source: Longview Economics, Macrobond

Medium term RAG1 is on BUY

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



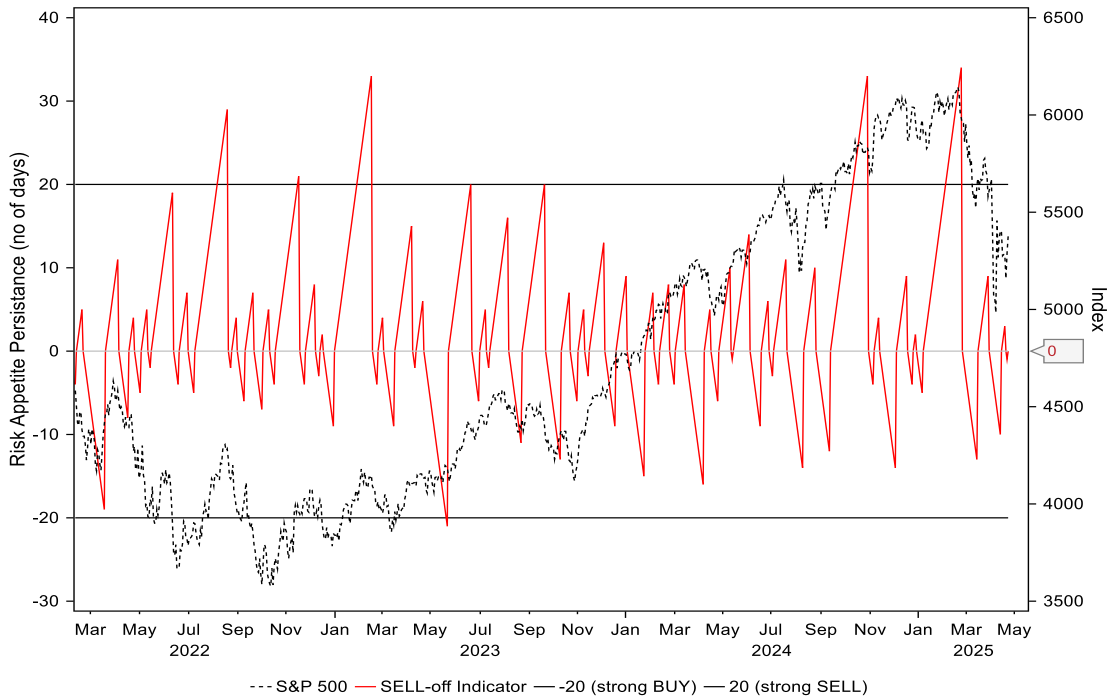
— Medium Term RAG2 - - - S&P 500 — BUY/SELL — Strong BUY/SELL

Source: Longview Economics, Macrobond

Medium term RAG2 is on BUY

For explanations of indicators please see page 10

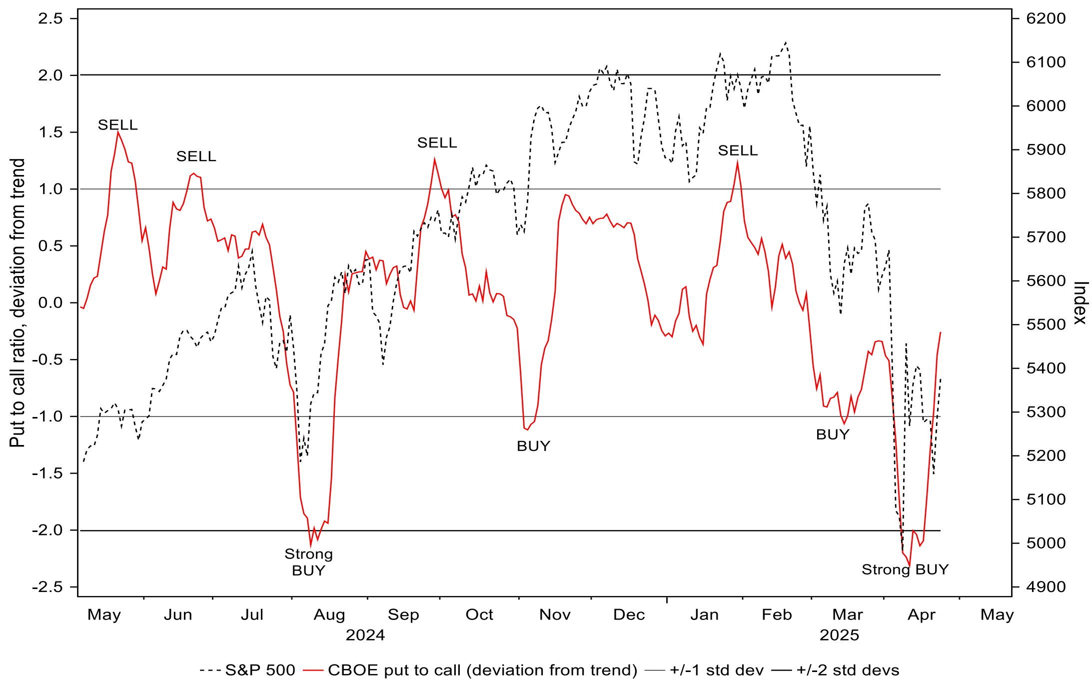
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

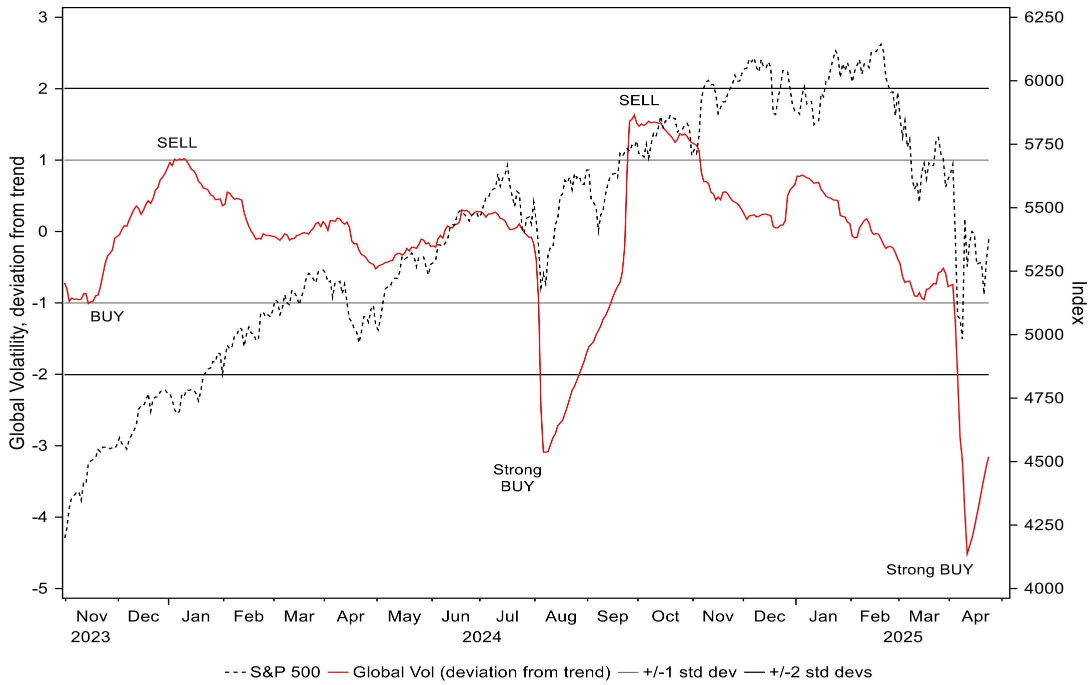


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

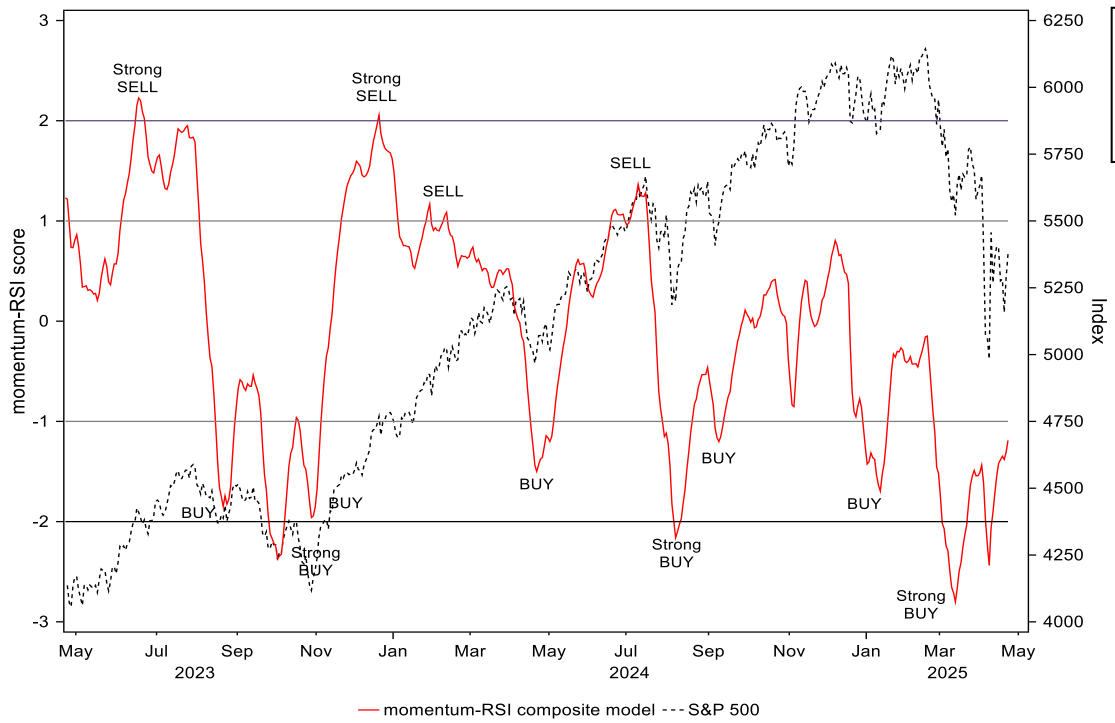
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong BUY

Source: Longview Economics, Macrobond

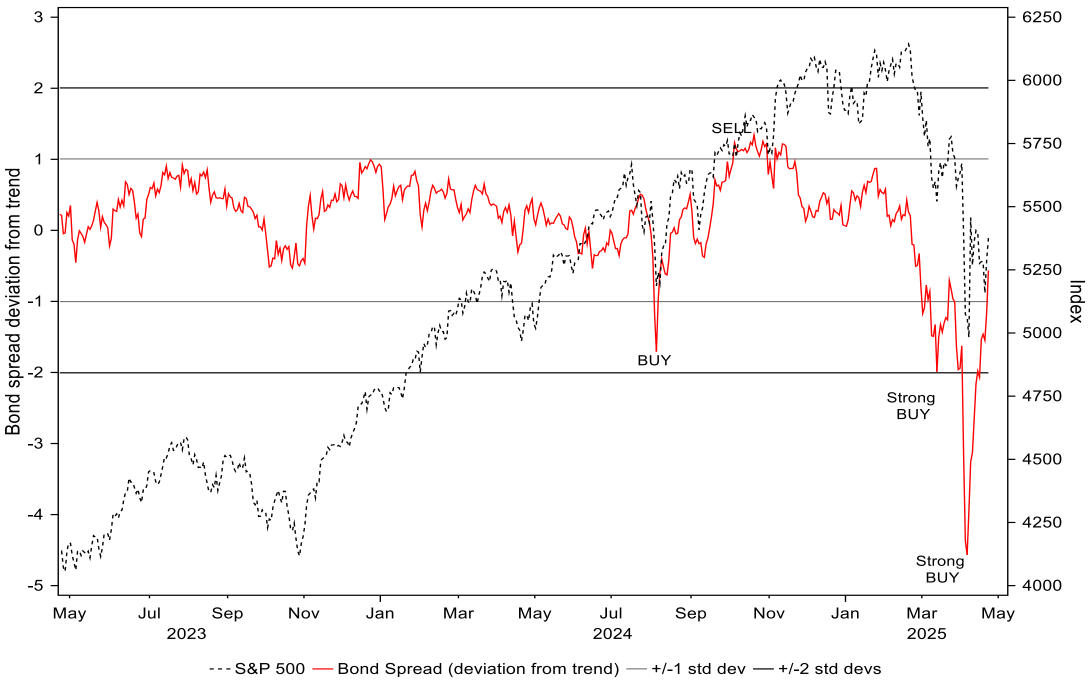
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on BUY

Source: Longview Economics, Macrobond

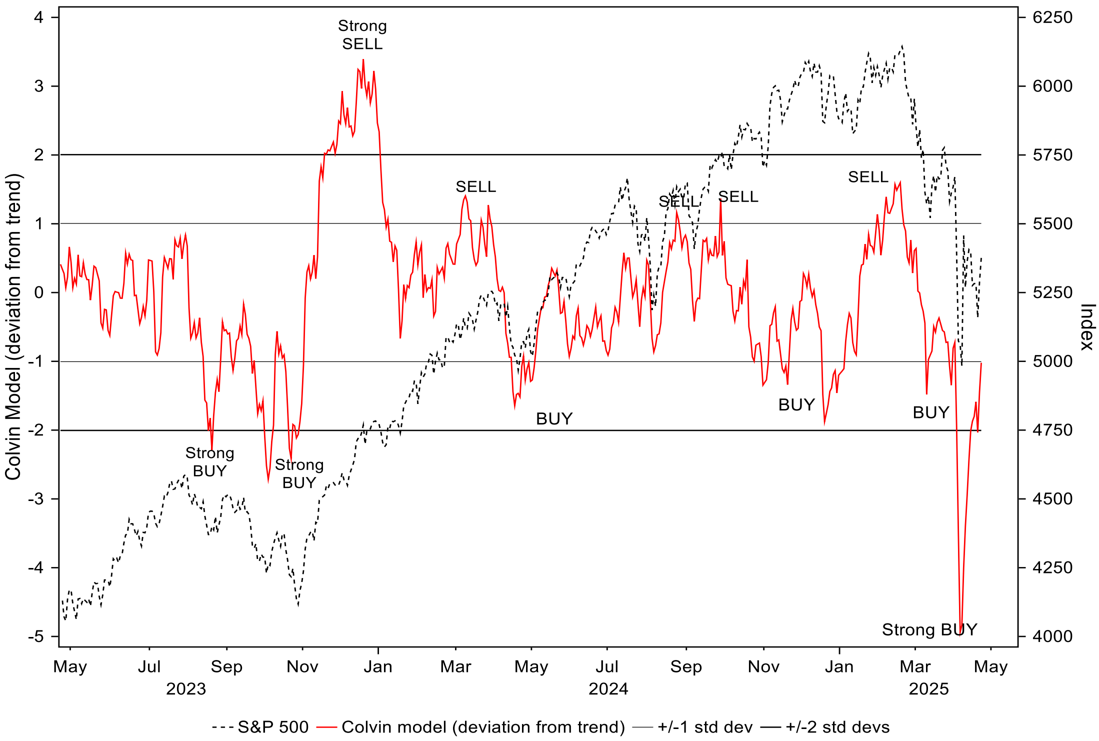
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL

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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