

Equity Index Futures Trading Recommendations

24th March 2025

“Stay LONG SPX/Tighten Stop - Further Near Term Upside Likely”

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

- Stay 1/2 LONG June SPX futures*;
- Tighten stop loss to 5,620 (from 5,485 on Friday).

*entry points were last Tuesday (1/4 position size at 5,731) and last Thursday (1/4 position size at 5,690).

Rationale

US equity markets remain in a ‘wave 2’ relief rally** in our view.

Price action in the S&P500, in that respect, remains encouraging for the bulls. That is, after an initial bounce from the mid-March lows, the index consolidated its gains last week (trading sideways, i.e. in a 120 point range, between 5,650 and 5,770, see FIG 1). On Friday the S&P tested the bottom of that range, before retracing its losses and closing higher on the day (i.e. bullish price action on Friday). This morning the index has pushed above that range (albeit only just, see FIG 1a). Elsewhere key volatility measures continue to trend down, consistent with the ‘relief rally’ concept (FIGs 1d, 1e, & 1f).

With strength in the S&P on Friday/this morning, the index is approaching its 38.2% Fibonacci retracement ratio (at 5,814, see FIG 1b). The next key resistance levels above that include the 50% retracement ratio (5,893); and the 200 day moving average (currently at 5,899, see FIG 1). The price pattern is similar in the NASDAQ100 (FIG 1b).

Usually, in a ‘wave two’ relief rally, equities retrace between 50% and 61.8% of their initial losses from ‘wave one’. Potentially, therefore, there is **further near term upside in the S&P500** over coming days/weeks (i.e. another 2-3%).

Added to which, in ‘wave 2’, equities typically work their way higher until our short term models are generating a clear and across the board SELL message. Currently, though, **that’s not the case**. Our risk appetite models, for example, are mixed (with some leaning towards BUY, see FIGs 2 & 2a); sentiment remains reasonably bearish (a contrarian BUY signal, FIG 1g); put to call indicators are NEUTRAL (with some on BUY, FIGs 2b & 2c); while various technical, breadth, and momentum indicators are either NEUTRAL/mid-range, or close to BUY (see FIGs 2d, 2e, 2f).

The risk reward therefore continues to favour staying LONG, albeit with a tighter stop loss (at 5,620, just below last week's trading range and ~2.5% below current prices). Please see above for detailed recommendation.

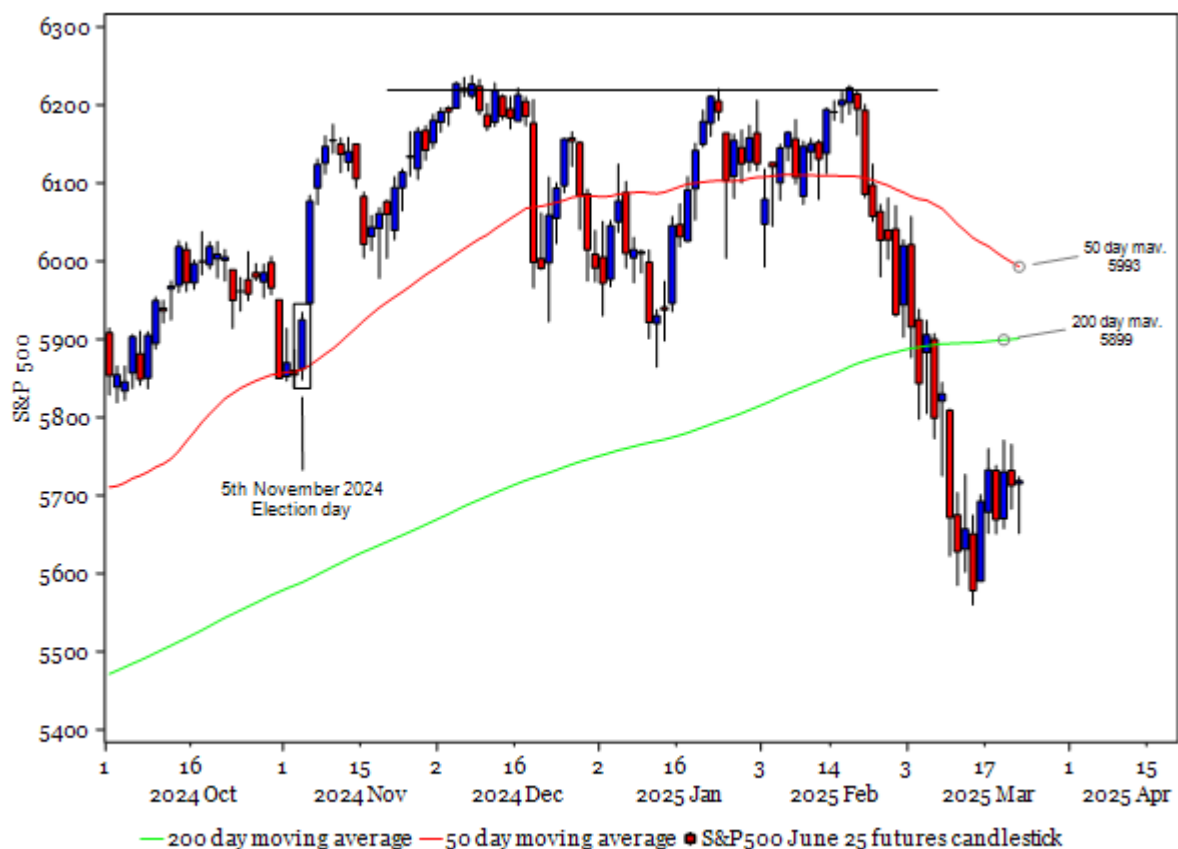
Please see below for a full list of today's key macro data and events.

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 June 25 futures 20 tick chart shown with overnight price action



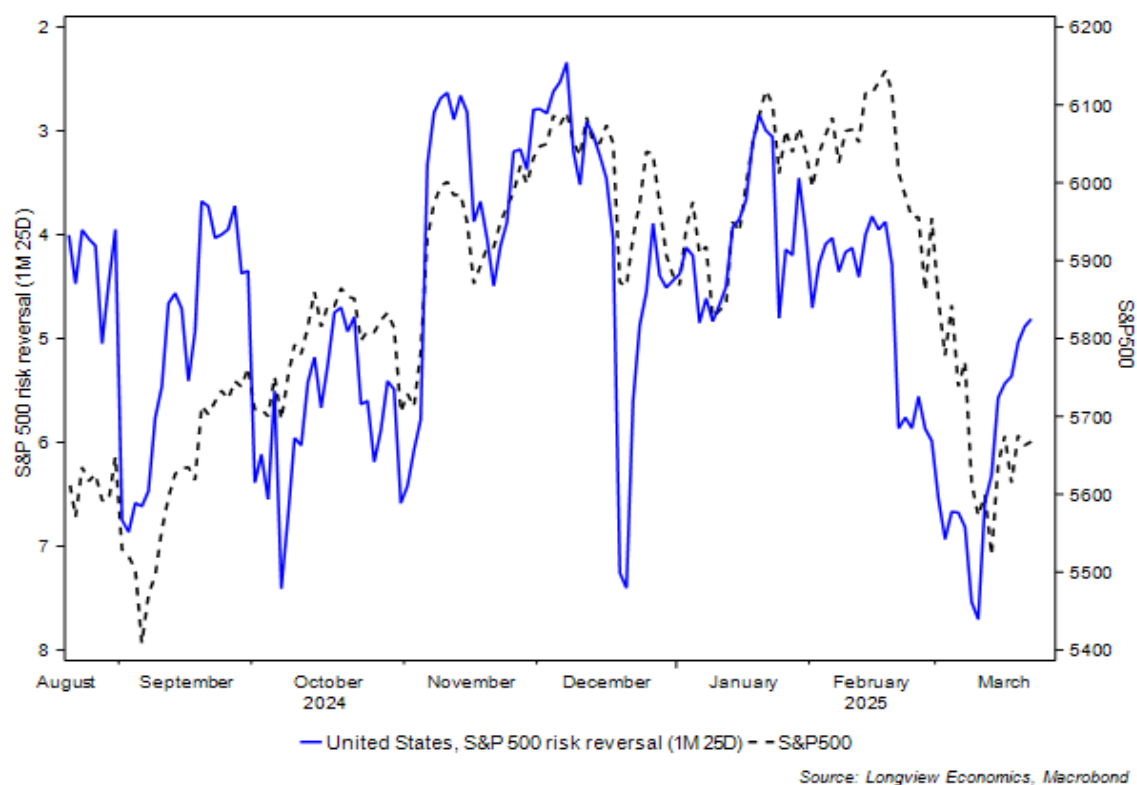
FIG 1b: S&P500 futures shown with key Fibonacci retracement levels



FIG 1c: NASDAQ100 futures shown with key Fibonacci retracement levels

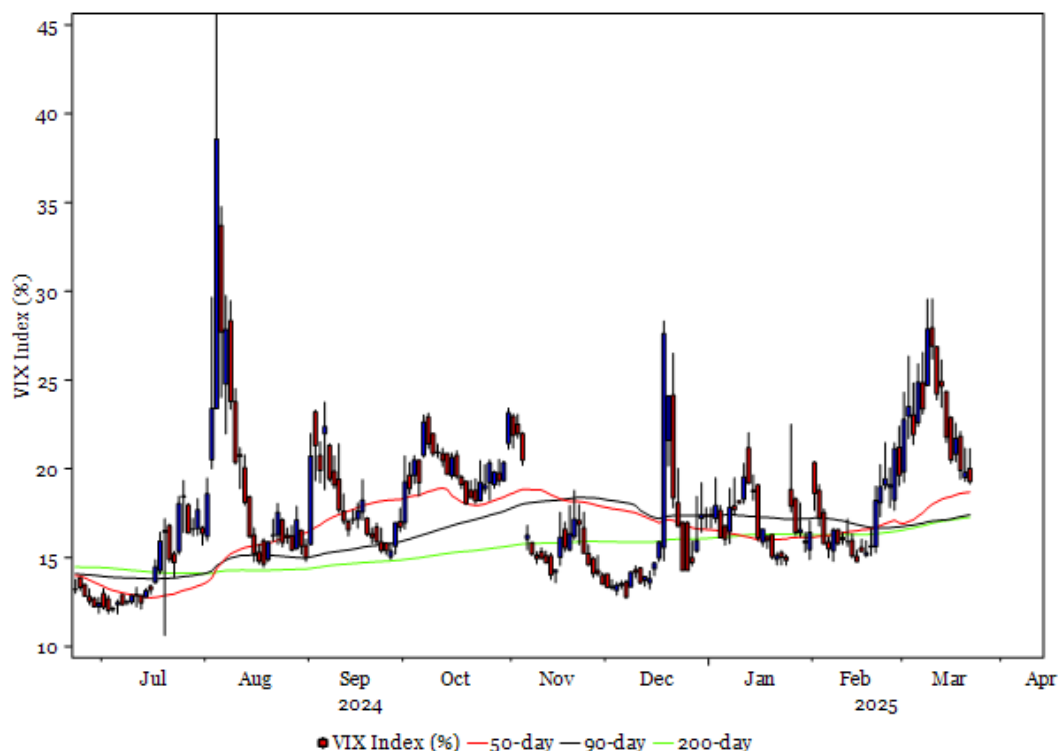


FIG 1d: S&P500 skewness*** (risk reversal, 1 month, 0.25 delta), NB scale INVERTED vs. S&P500



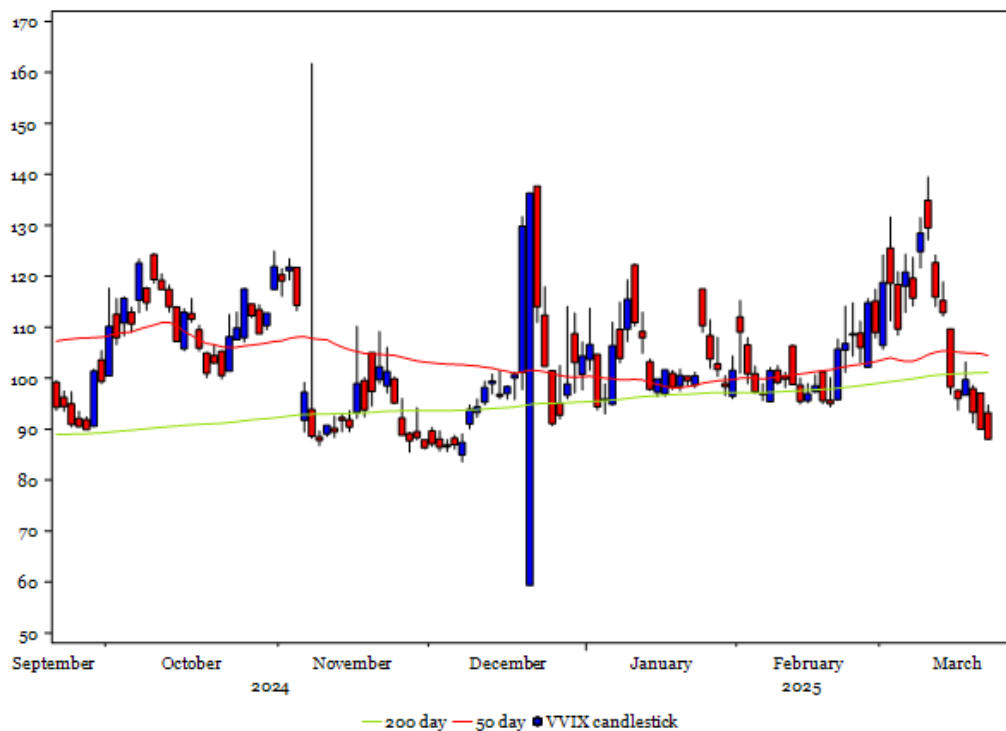
***Which compares the 'strike vol' of calls and puts with the same delta.

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



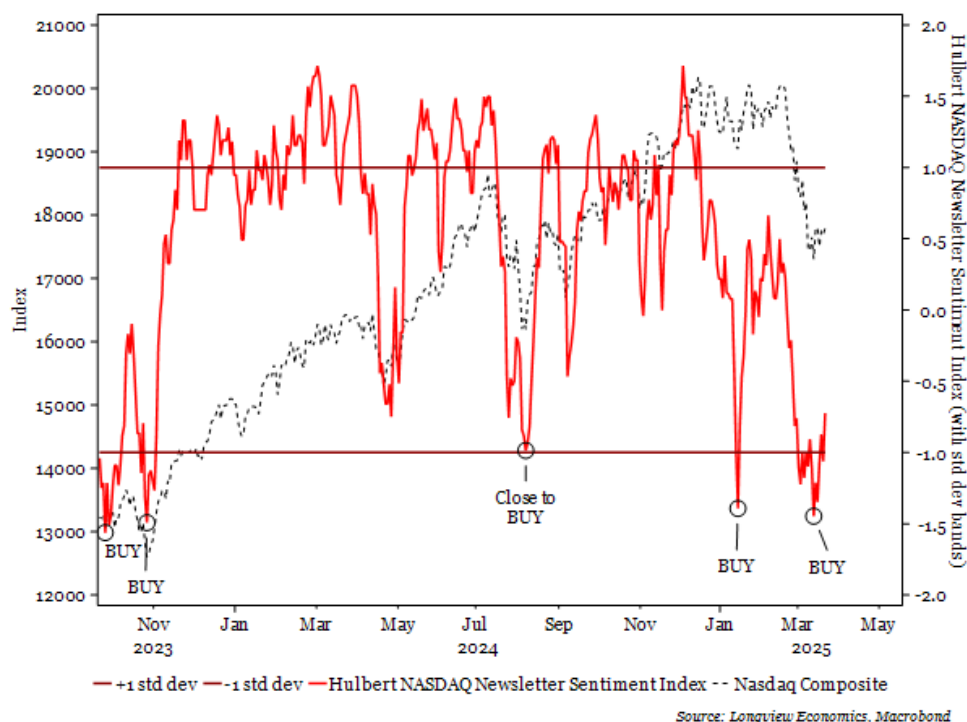
Source: Longview Economics, Macrobond

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 are NEUTRAL

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

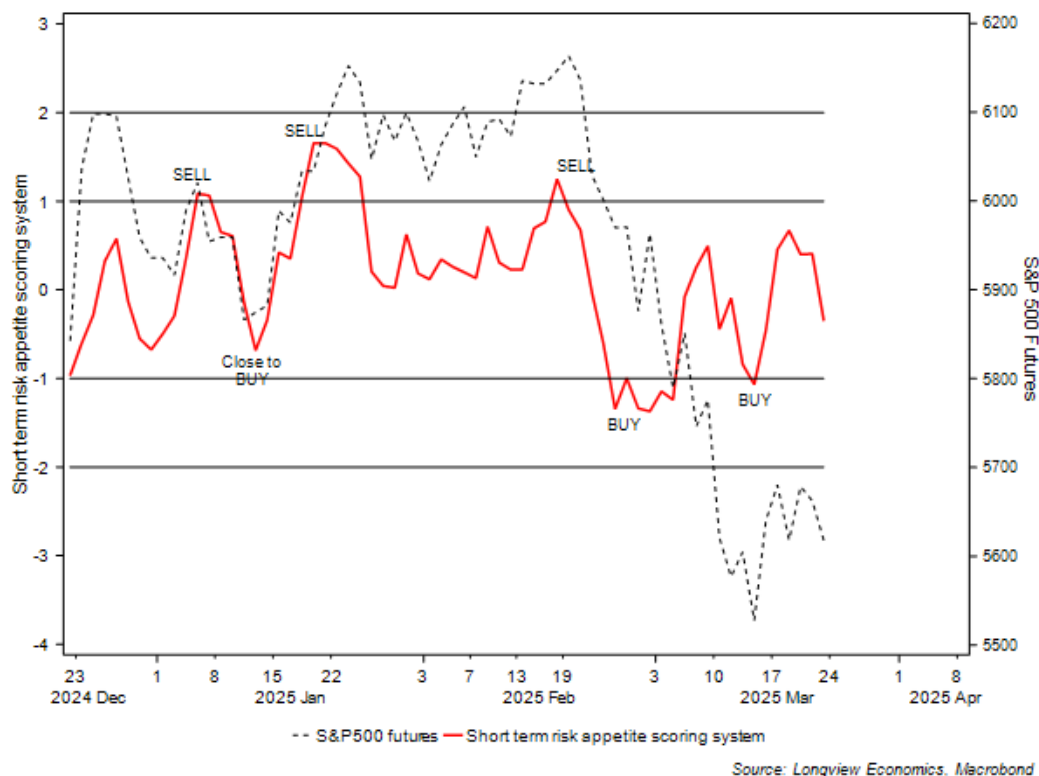
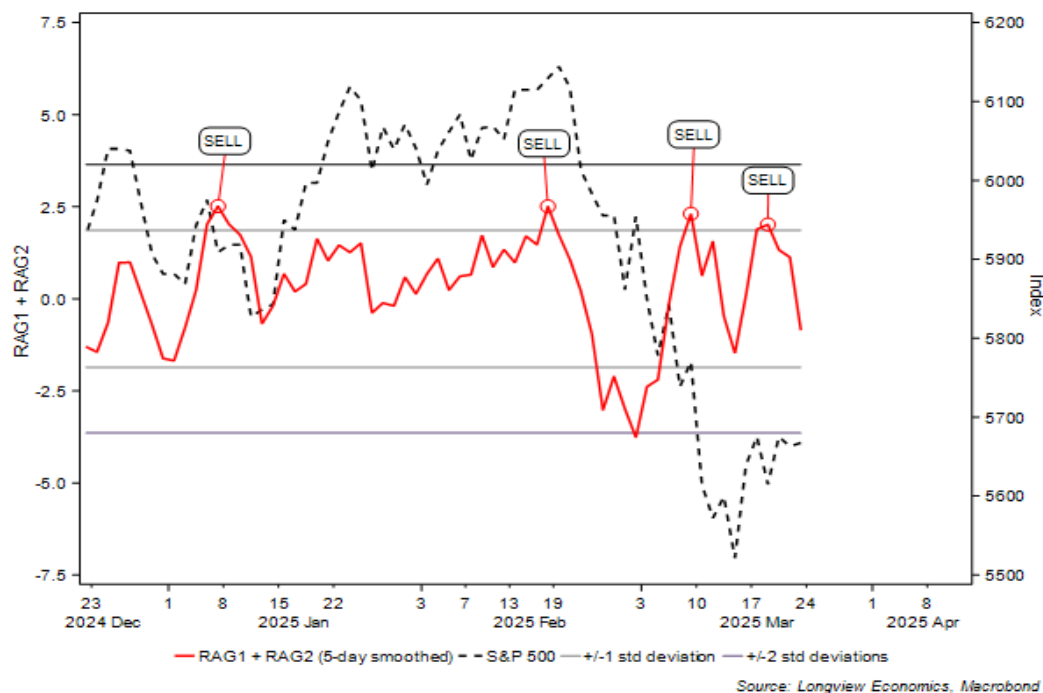


FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Put to call ratio indicators are mixed

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

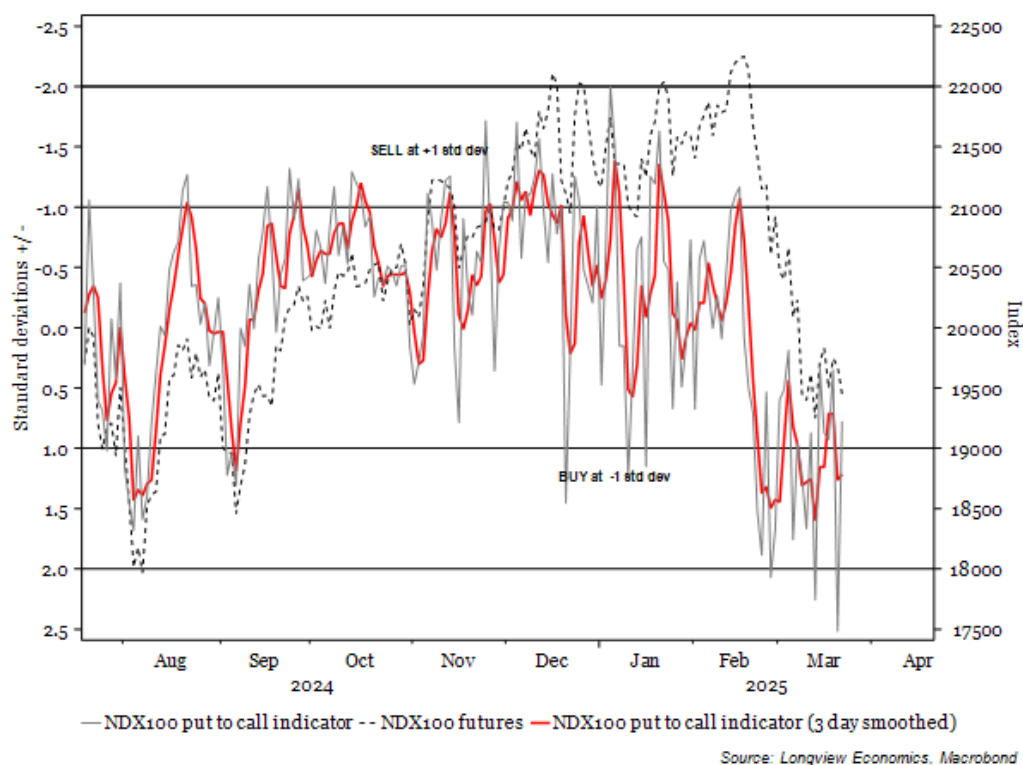
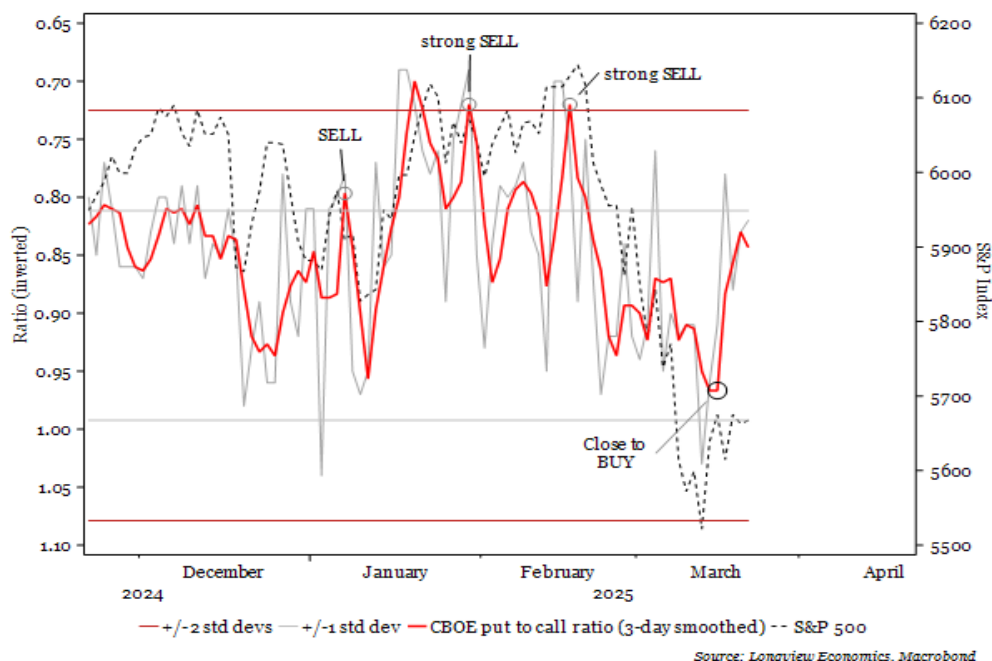


FIG 2c: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Technical/price based models are **NEUTRAL** (having recently generated **BUY** signals)

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

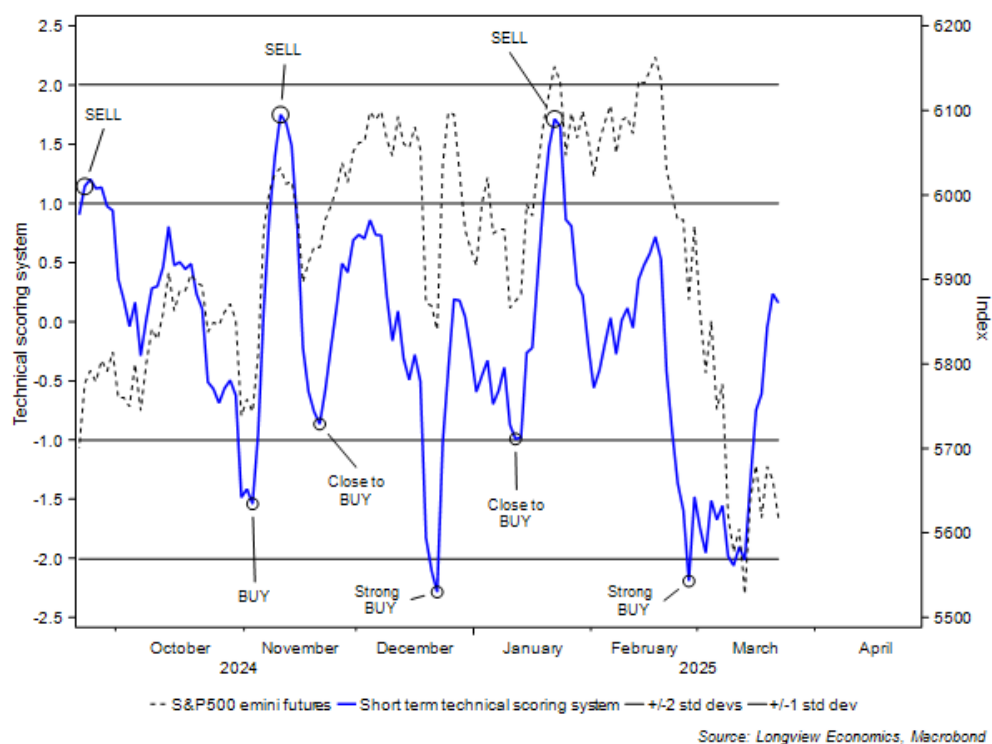


FIG 2e: Momentum of S&P500 industry groups vs. S&P500 cash index

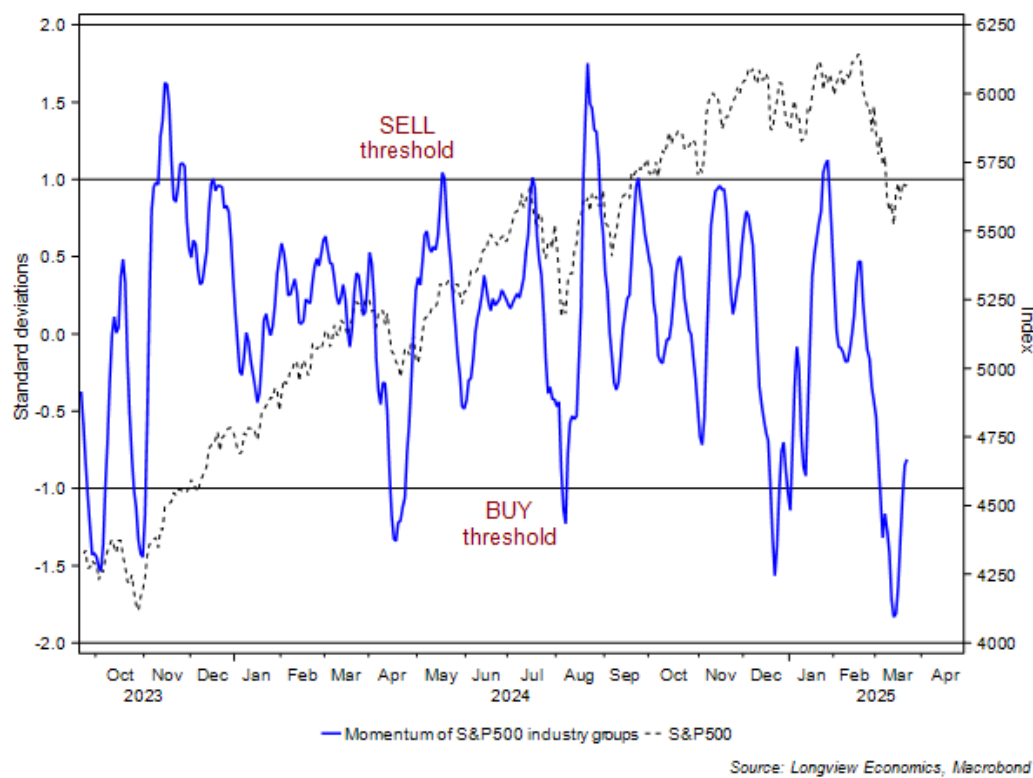
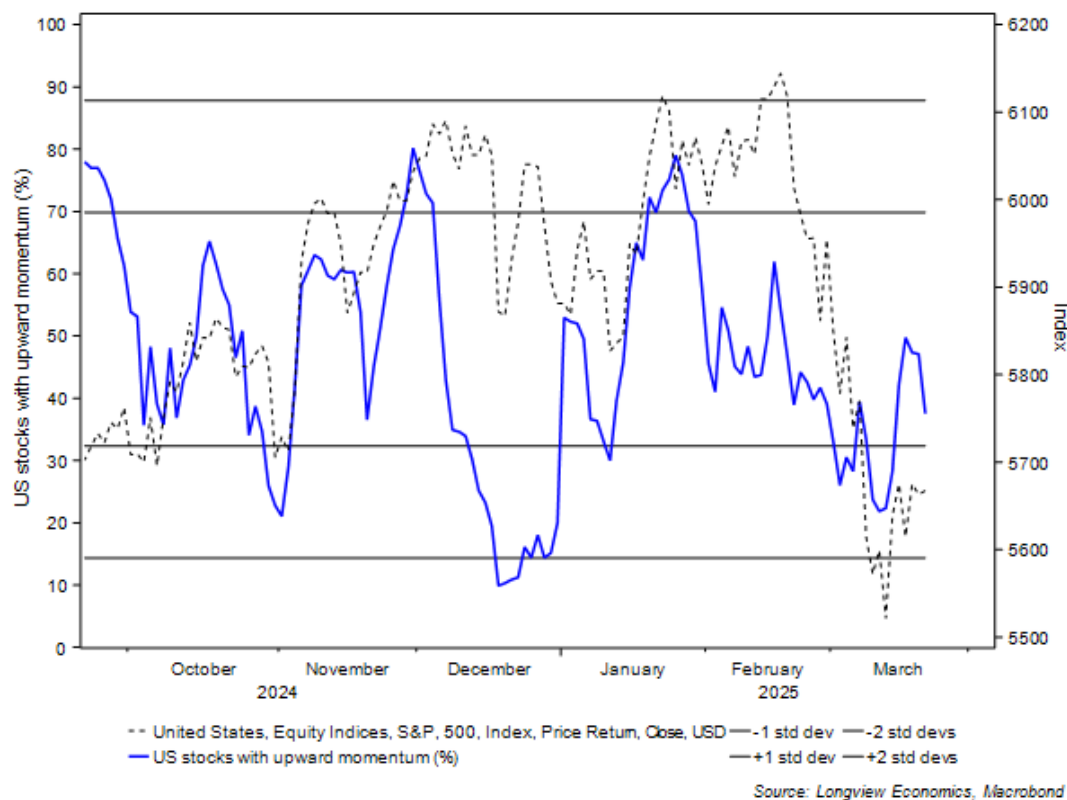


FIG 2f: S&P500 single stocks with upward momentum vs. S&P500

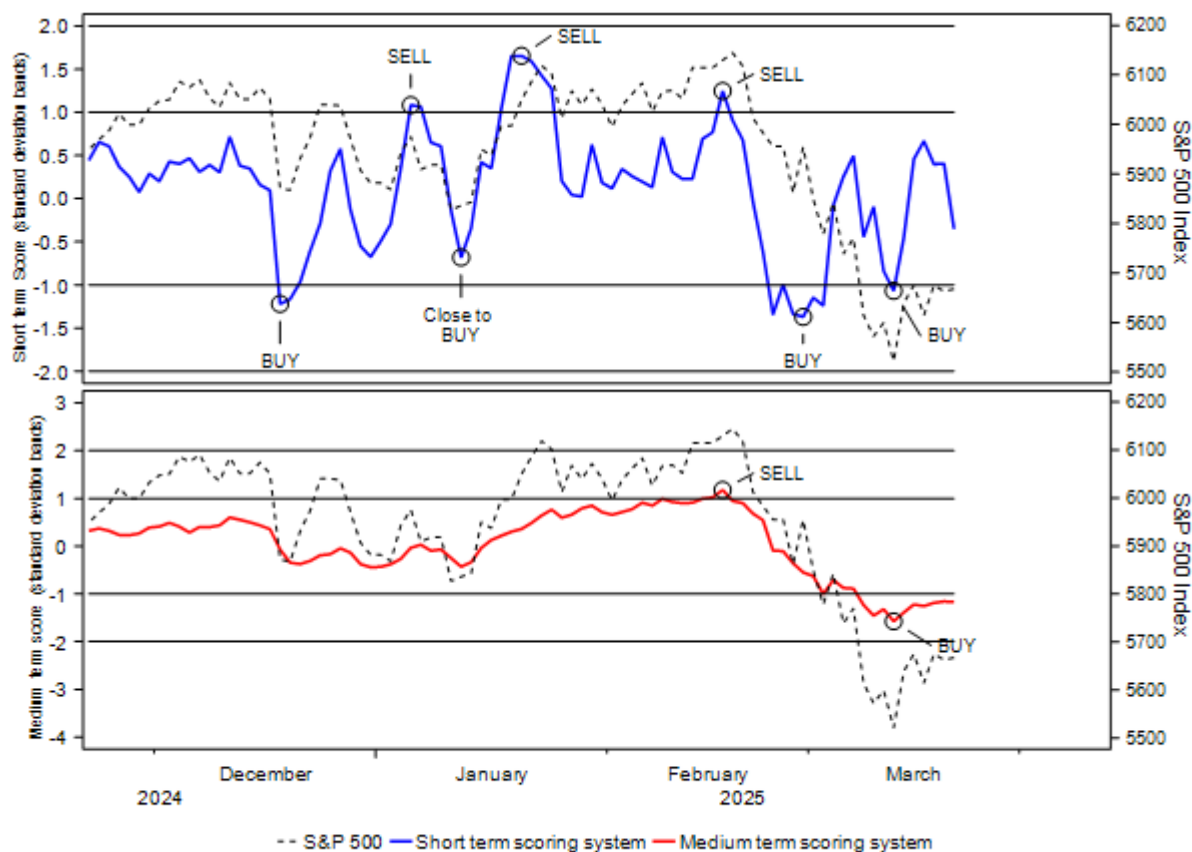


Key Longview Scoring Systems (chart below):

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

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: **Japanese Jibun Bank manufacturing & services sector PMI** (March first estimate, 12:30am); Spanish mortgage approvals (Jan, 8am); **manufacturing & service sector PMIs** (March first estimates) for **France** (8:15am), **Germany** (8:30am), **Eurozone** (9am), **UK** (9:30am), & the **US** (1:45pm); US Chicago Fed national activity (Feb, 12:30pm).

Key events today include: Speech by the ECB's Holzmann in Vienna (9am); speech by the Bank of England's Bailey on 'growth in the UK economy' (6pm); speech by the RBA's Jones in a fireside chat (11:10pm); BOJ releases minutes of January meeting (11:50pm).

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.



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1 – 2 Week View on Risk

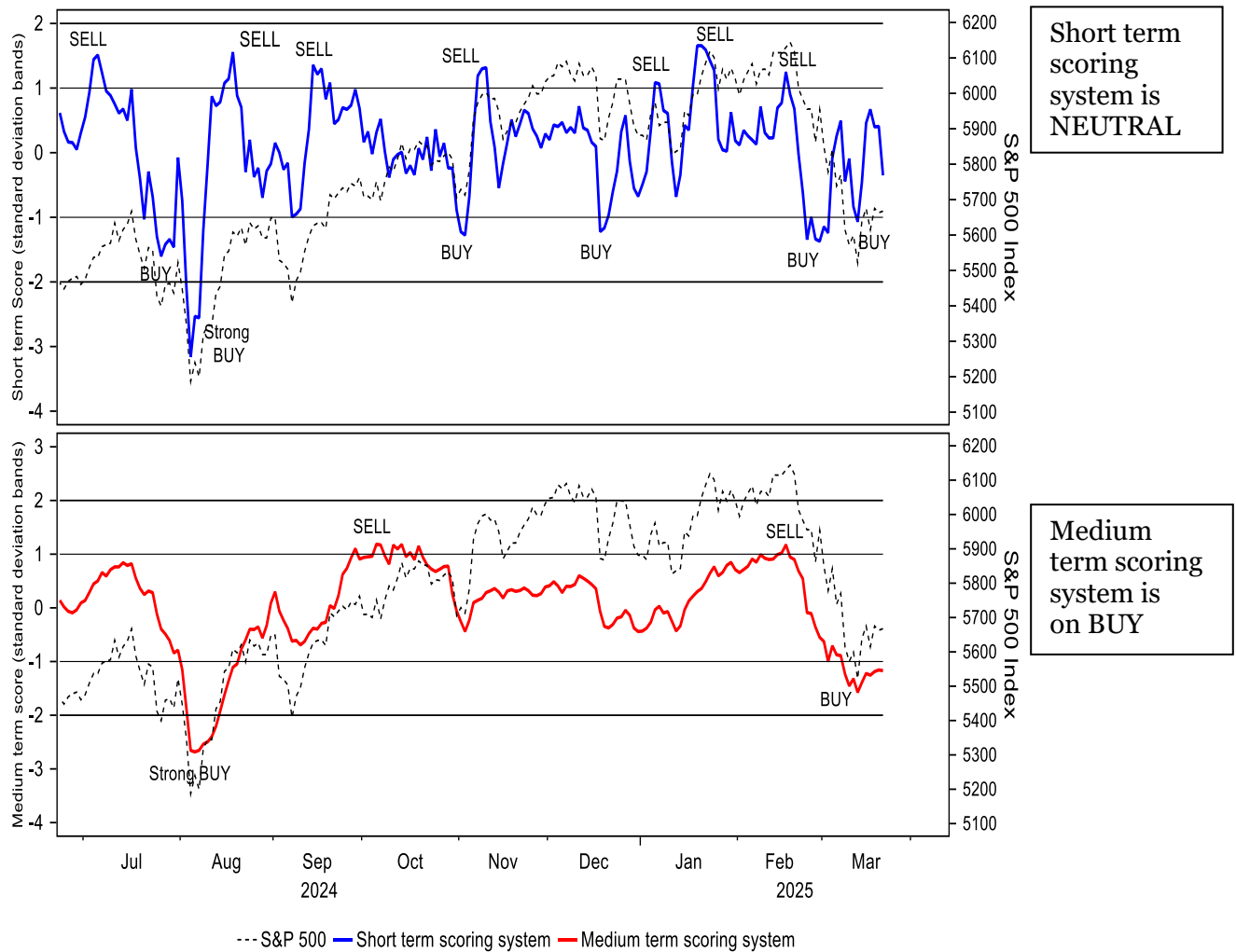
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24th March 2025

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

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



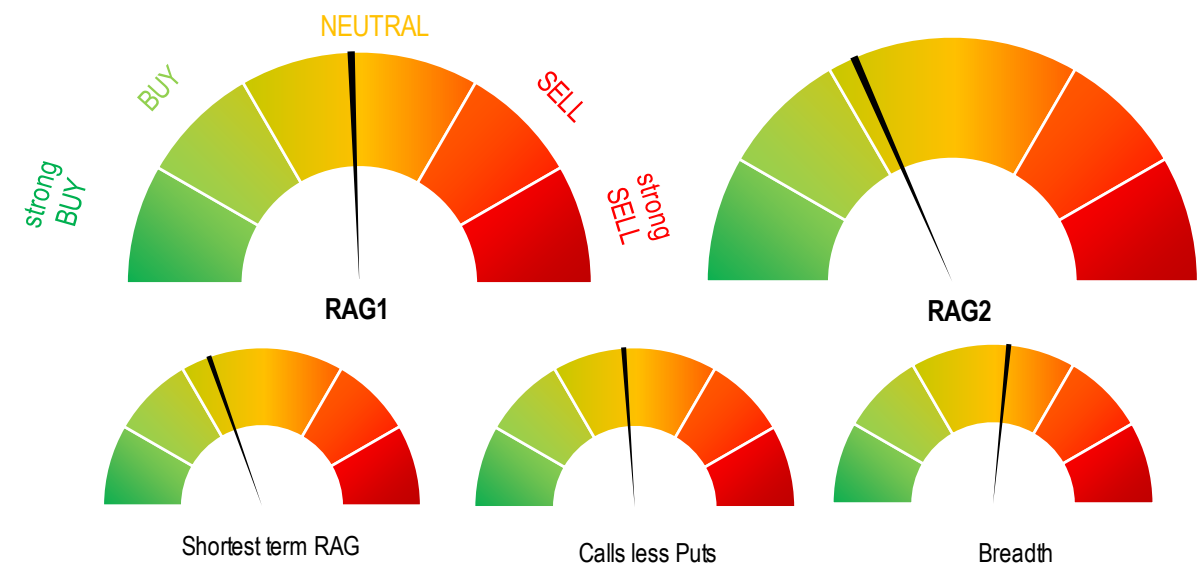
Source: Longview Economics, Macrobond

*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**

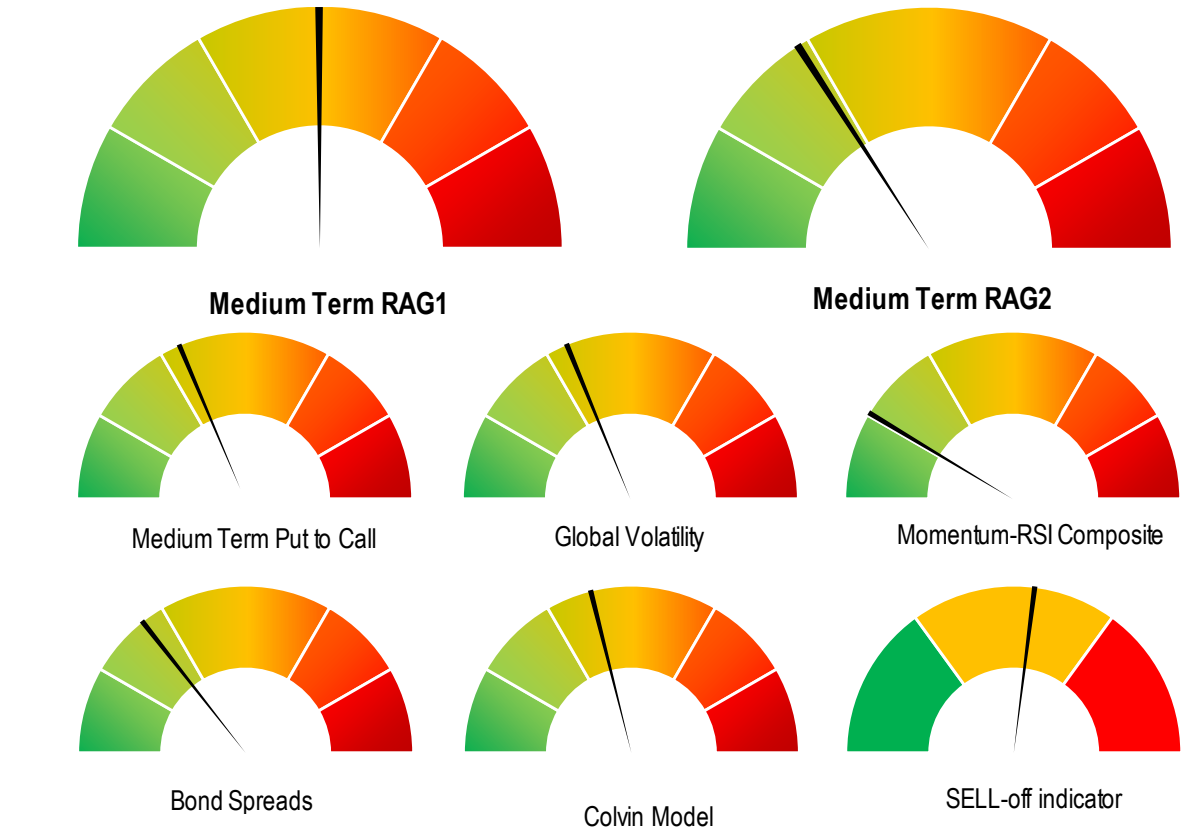
Section 1a: Summary of indicator signals**

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

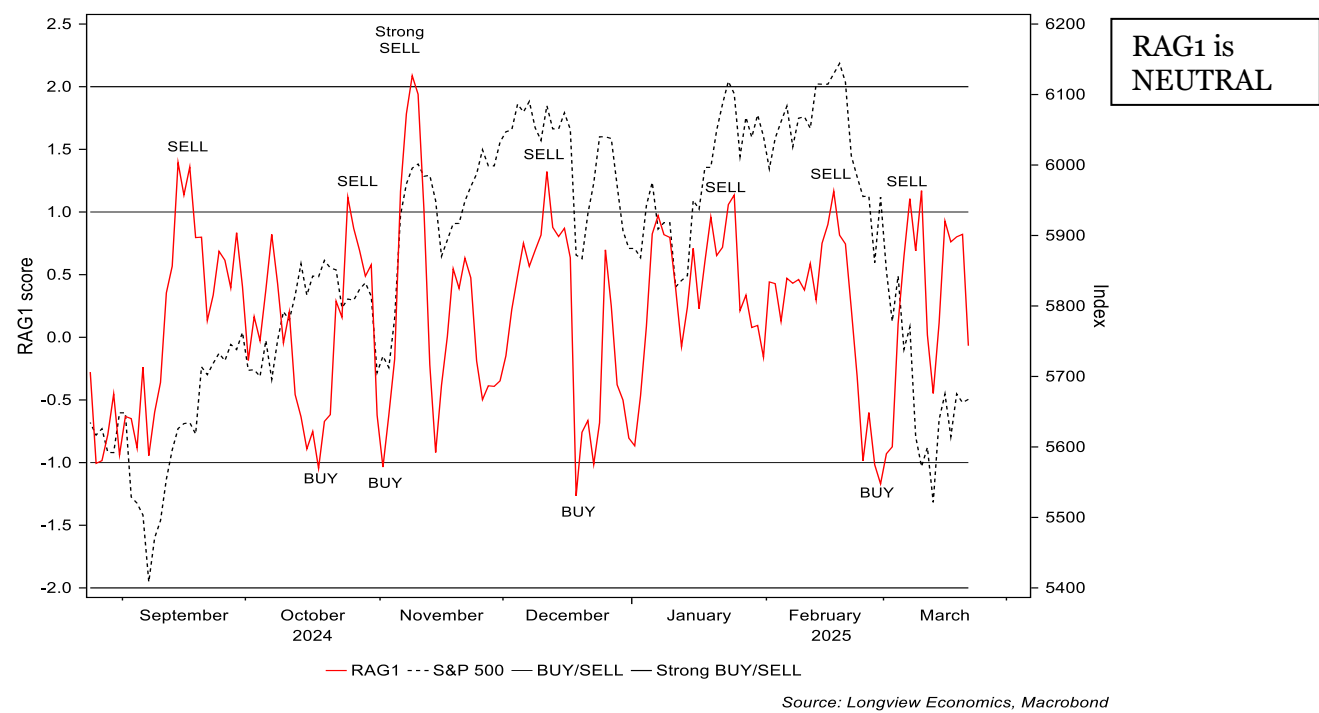
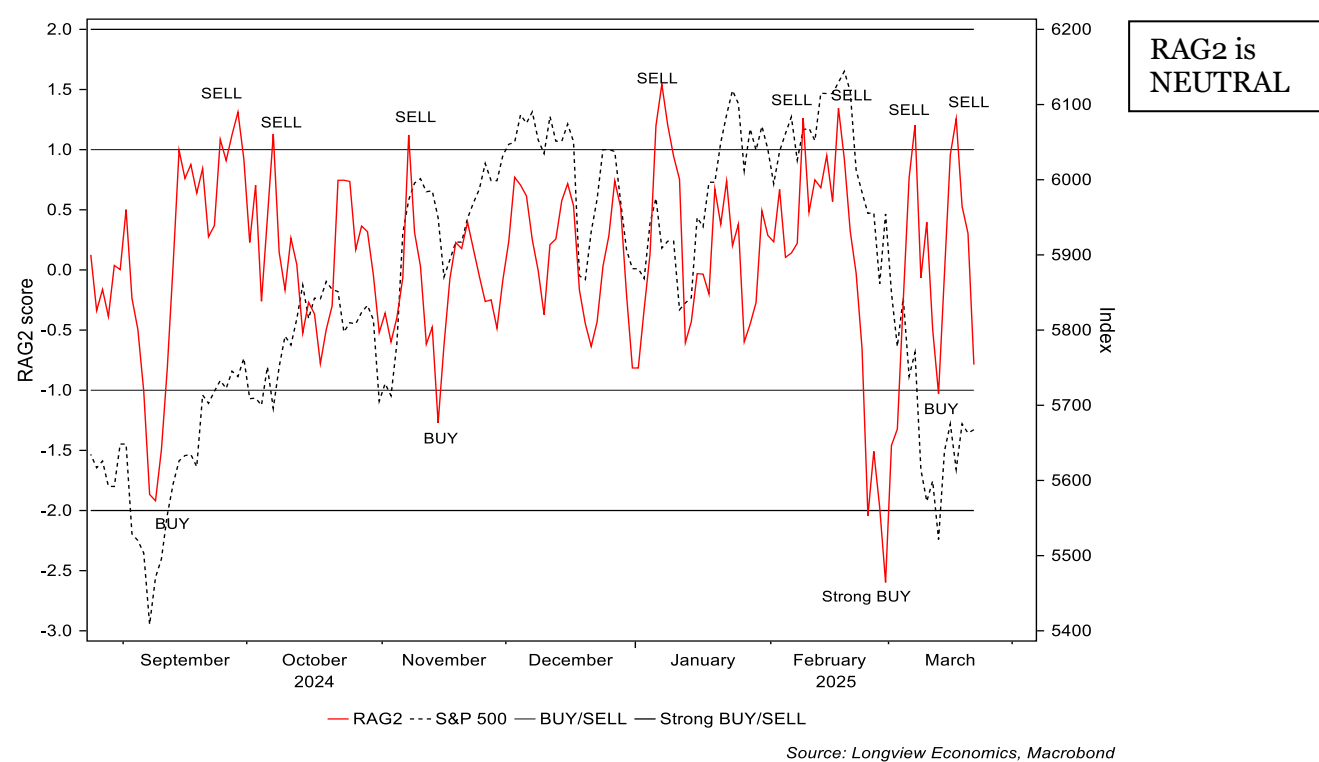


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

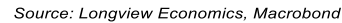
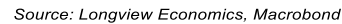
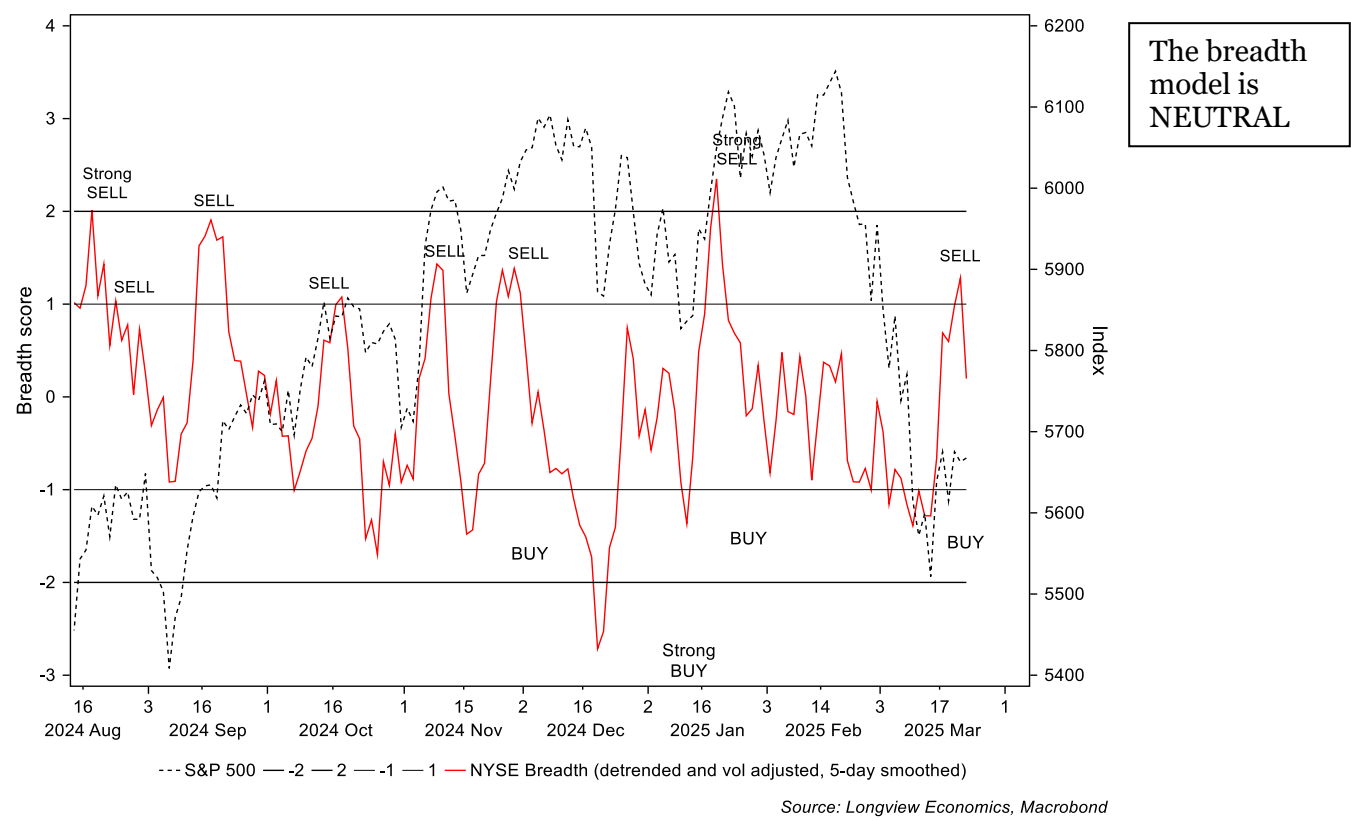


Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



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

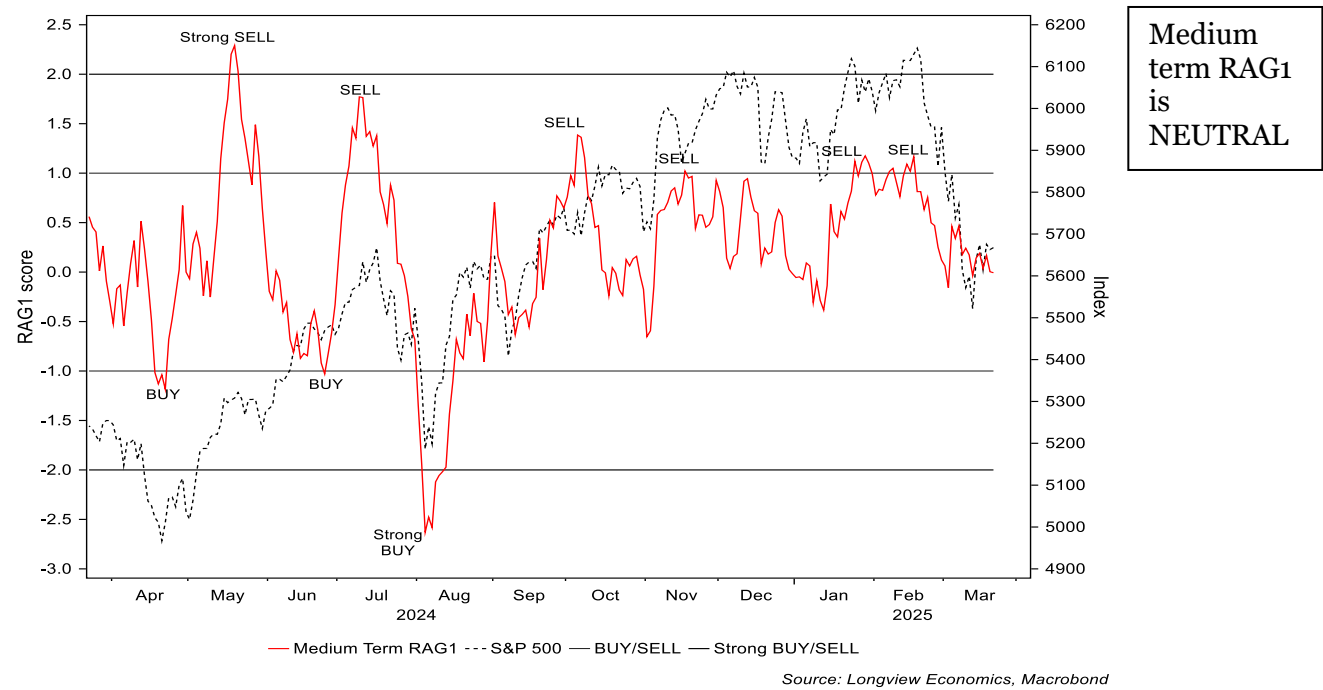
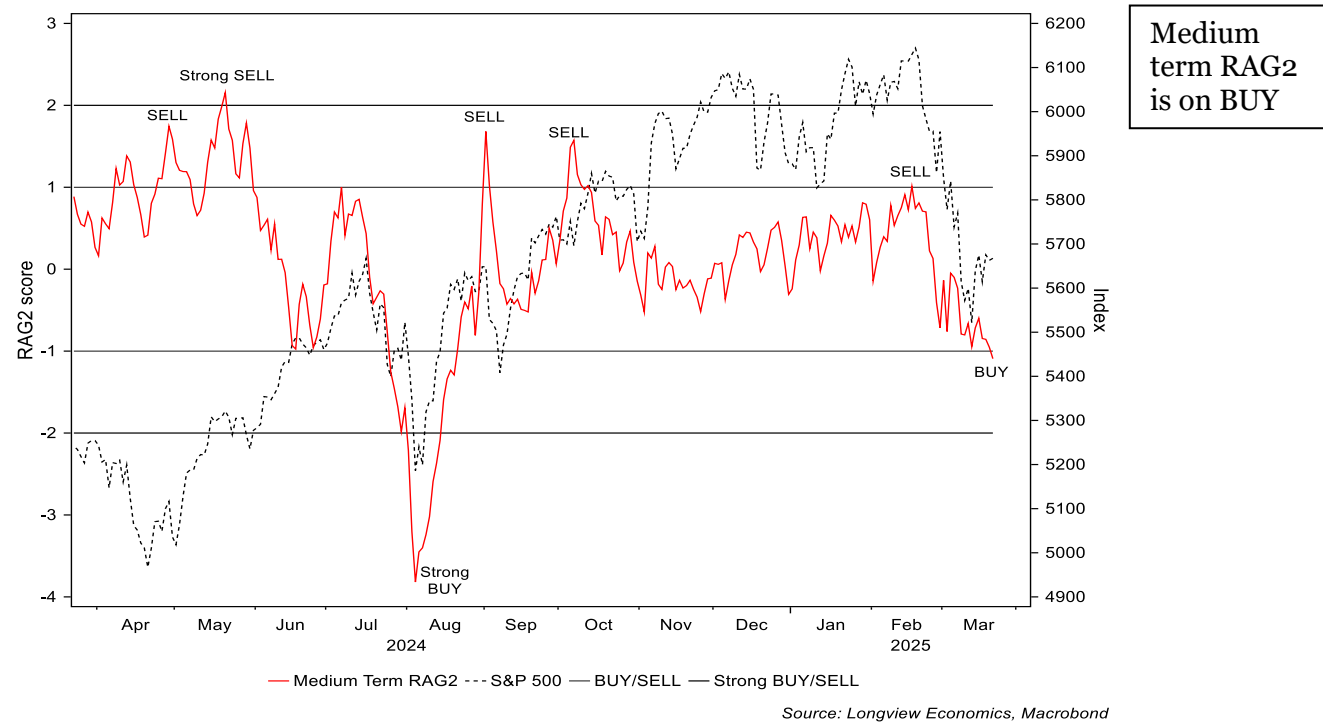


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

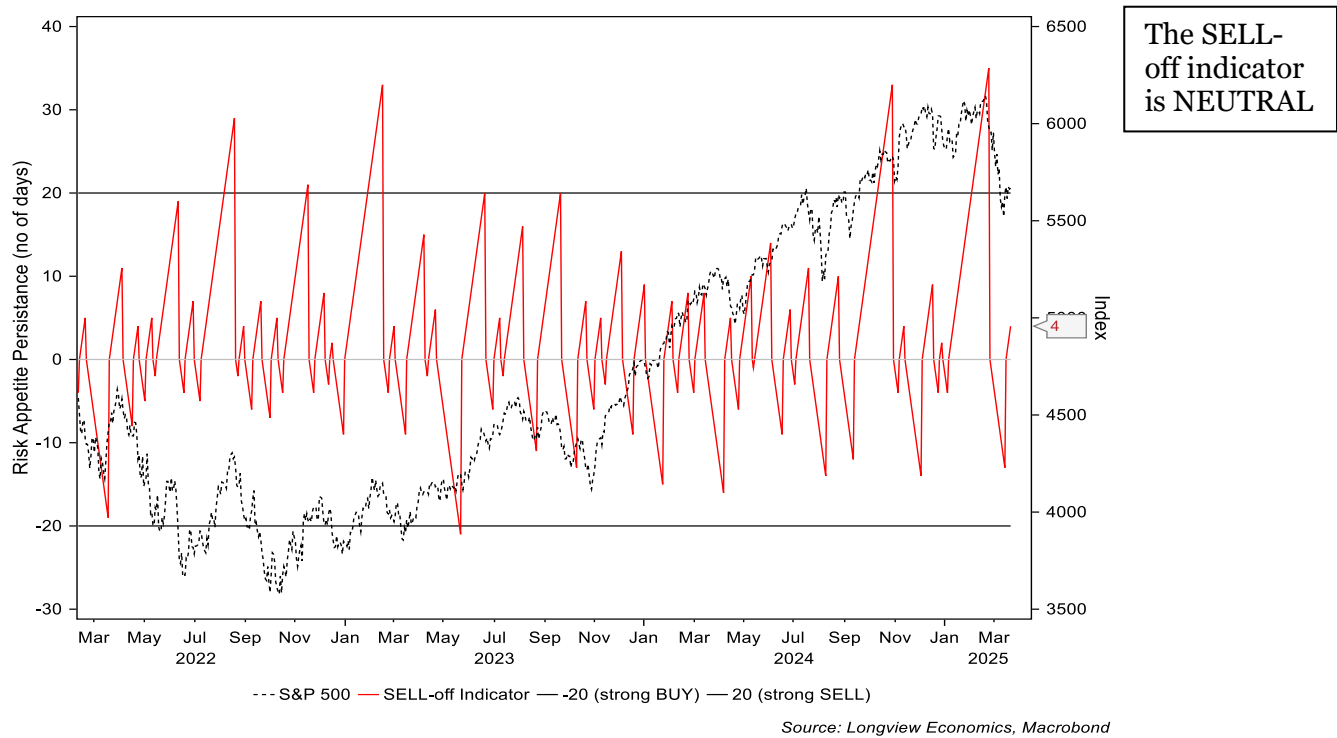
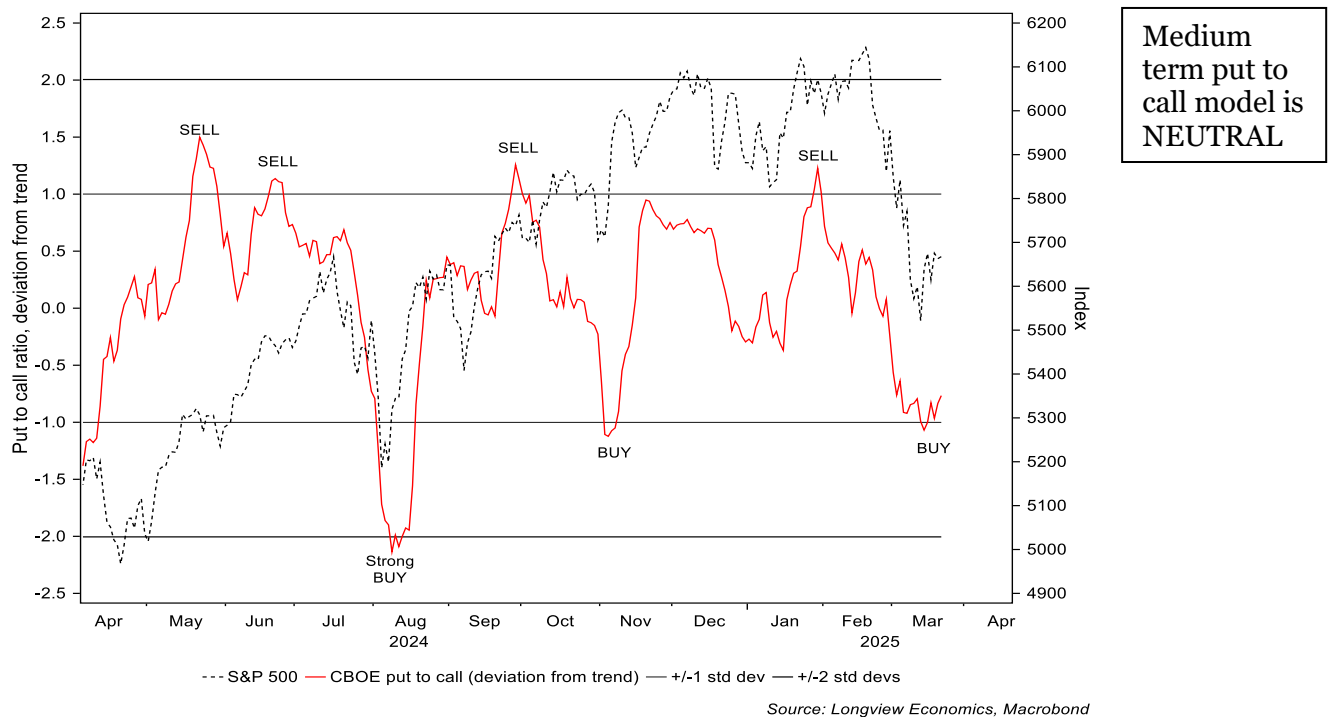


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

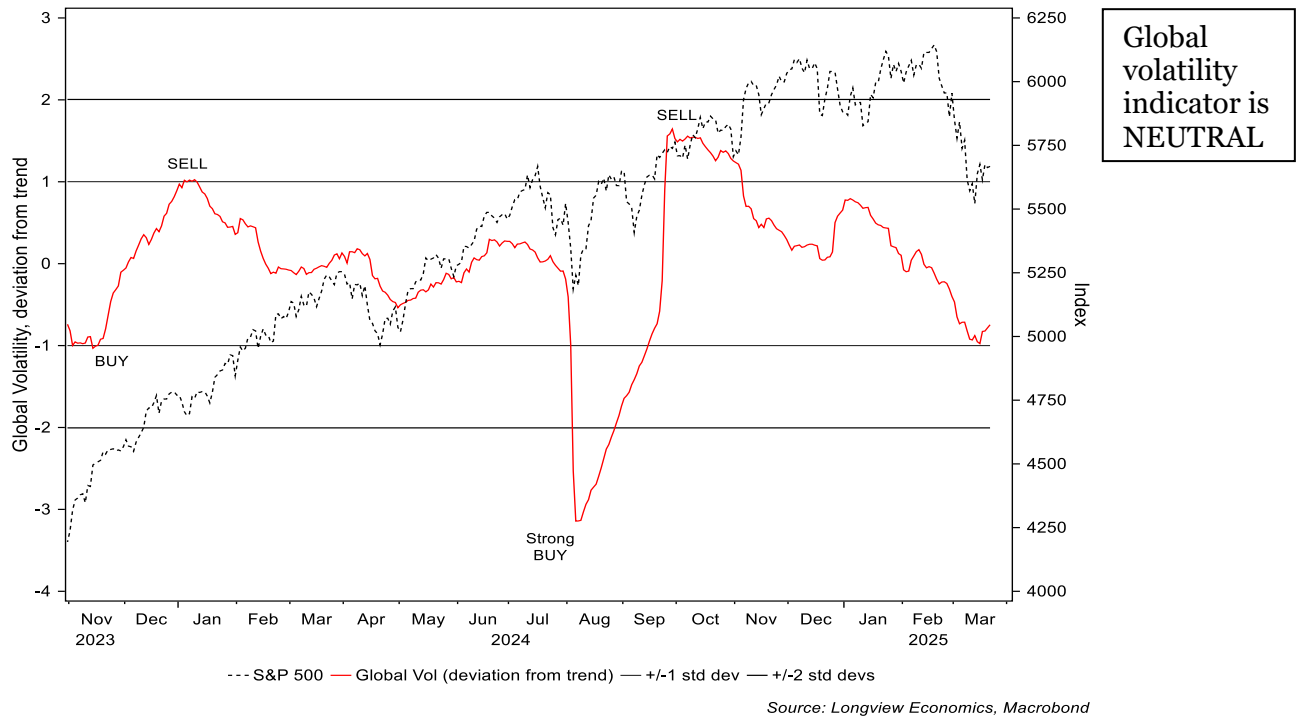


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

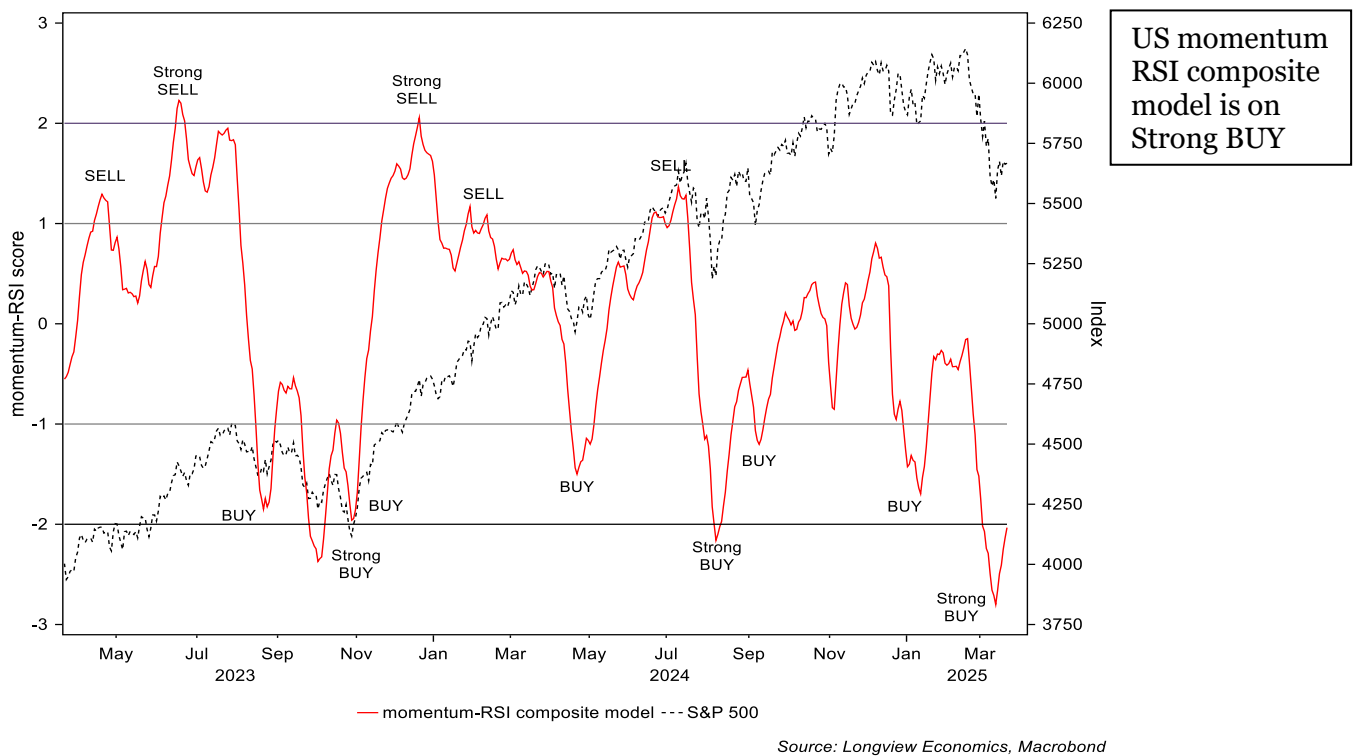


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

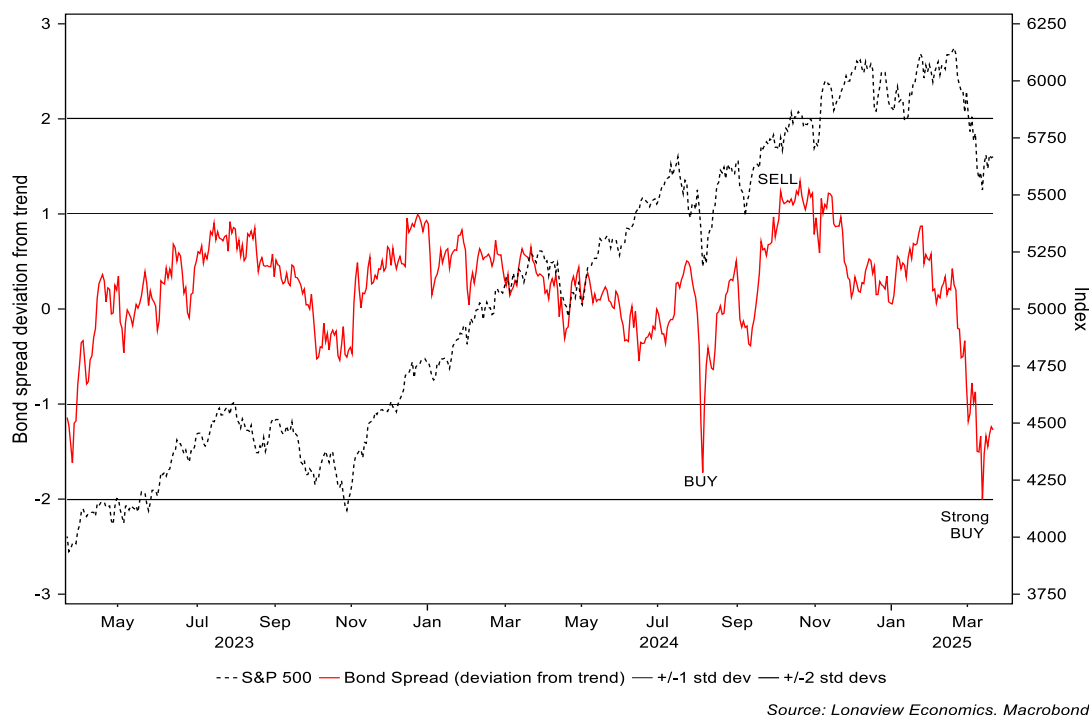
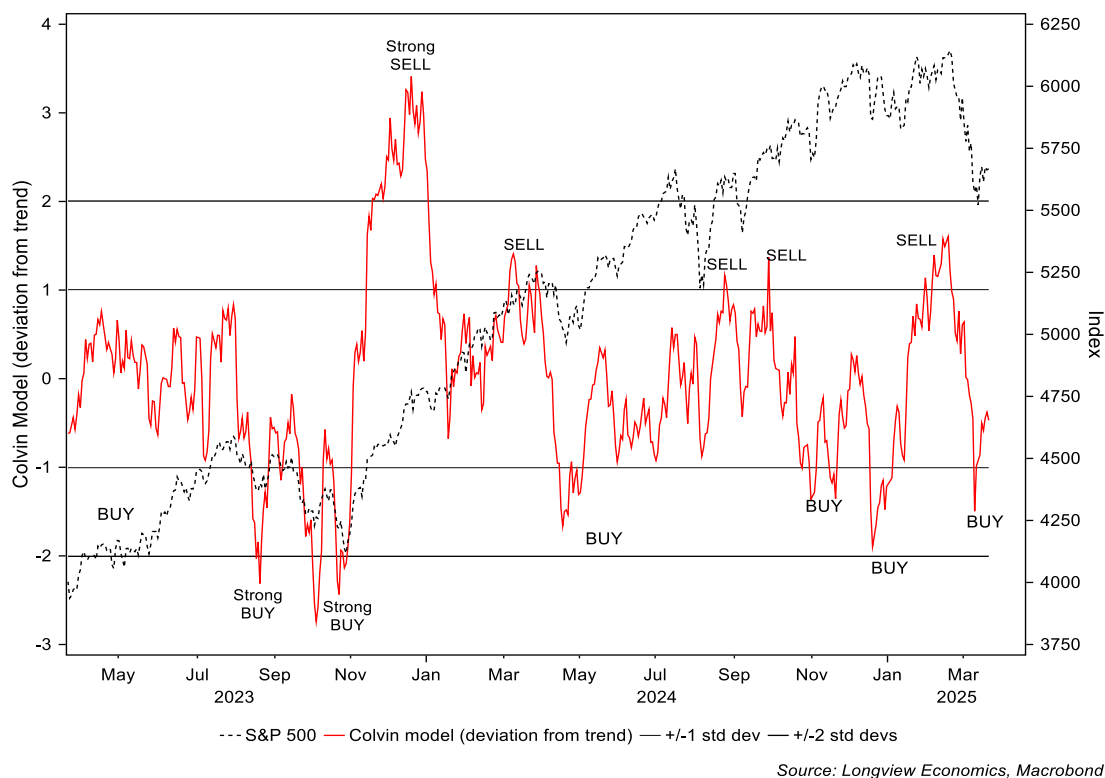


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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