Equity Index Futures Trading Recommendations

25th April 2025

"SELL Case BUILDing"

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

"We're talking to China. We're always talking"

Source: President Trump, 24th April 2025 (available HERE)

Yesterday US equities closed higher for the third consecutive day, once again supported by positive newsflow. In particular, Trump added to optimism about a US-China trade deal (see comments above*), and earnings continued to surprise to the upside. Most notably that included Alphabet after hours (with EPS beating estimates by 48%). As such, and with 169 S&P500 companies having reported, the overall earnings surprise is +10.5% (up from 6.6% on Tuesday morning, and compared with the typical average earnings surprise of ~4%).

Consistent with that, yesterday's rally in US equities was broad based. That is, 25 of the 28 major indices that we track closed higher on the day, with strong gains in the S&P500 (+2.0%); NASDAQ100 (+2.8%); and Philly SOX (+5.6%).

Of note, though, and with futures opening higher this morning, **a number of indices are now at/approaching key resistance levels**. In particular, S&P500 futures are trading at around 5,540. They have therefore retraced most of their post 'Liberation Day' losses (FIG 1a) and are sitting just below their 'congestion range' from mid-March to early April (i.e. 5,570 - 5,790, see FIG 1). Broadly speaking the 50 day moving average is in the middle of that range (i.e. at 5,698). The price pattern is similar in the NASDAQ100 (which is trading at 19,404 this morning, i.e. ~2.3% below its 50 day moving average).

Added to that, **the SELL message from our short term** 1 – 2 week **models continues to BUILD:** Technically, for example, the S&P500 is now over-extended to the upside (relative to its 10 day moving average, FIG 1b); risk appetite models are either on or close to SELL (e.g. see FIGs 2 & 2a); and a number of technical, single stock indicators are starting to generate clear SELL signals (e.g. see FIGs 1c & 2f). Elsewhere, key measures of fear/panic have fallen to more 'normal' levels (including VIX & VVIX readings, e.g. see FIG 1d). **In the near term, therefore, markets are becoming vulnerable to the downside.**

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The case for moving SHORT US equities is therefore building. On balance, though, the risk reward favours WAITing for further near term strength, and moving SHORT at those key resistance levels noted above. In particular: (i) not all short term models are yet back on SELL (including the put to call ratio, amongst others, e.g. see FIGs 2c – 2e); and (ii) this month equities have rallied from deeply oversold levels (with several medium term models still on/close to BUY, e.g. see FIG A at the bottom of the email).

For now, therefore, we **continue to WATCH & WAIT**. Please see below for a full list of today's key macro data, events, and earnings reports.

Kind regards,

The team @ Longview Economics

*NB Trump's comments were in response to Chinese claims that no discussions have taken place to ease trade war tensions.

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

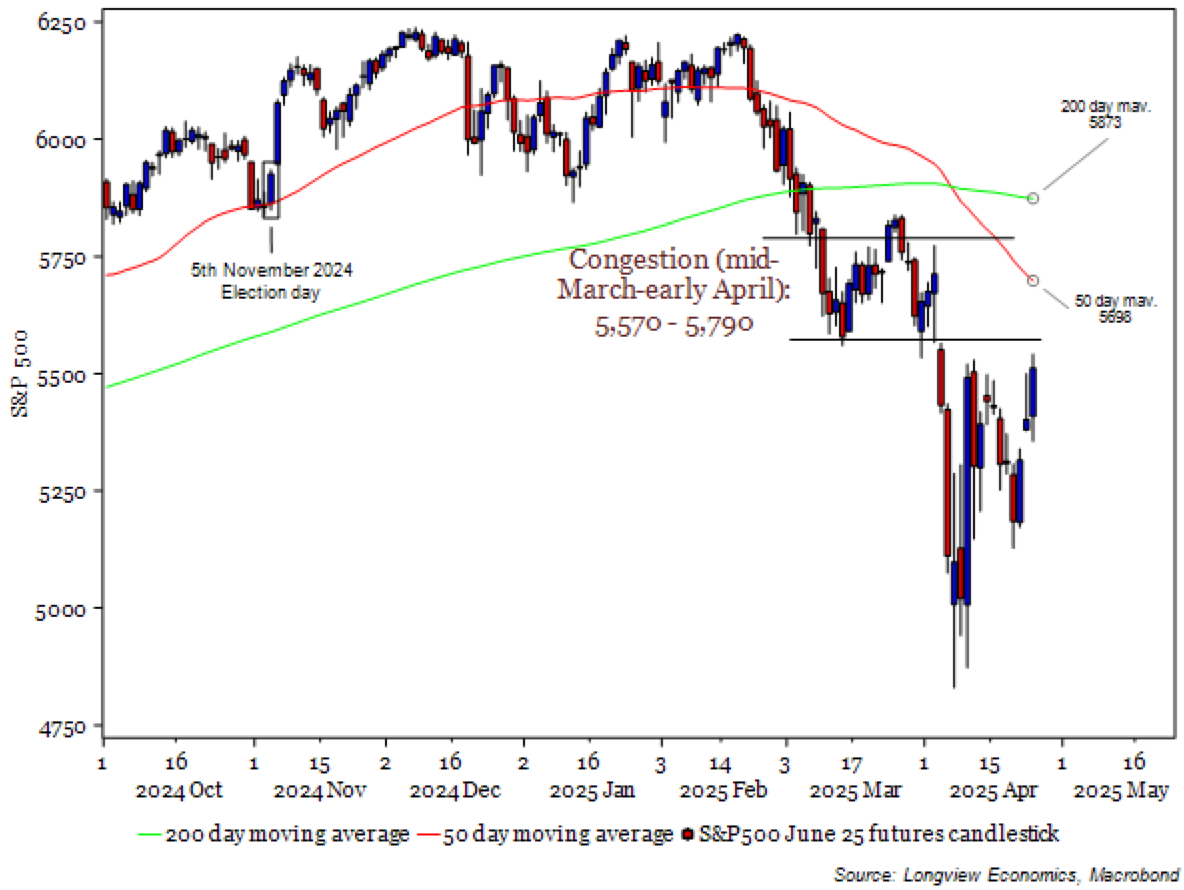

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FIG 1a: S&P500 June 25 futures shown with overnight price action

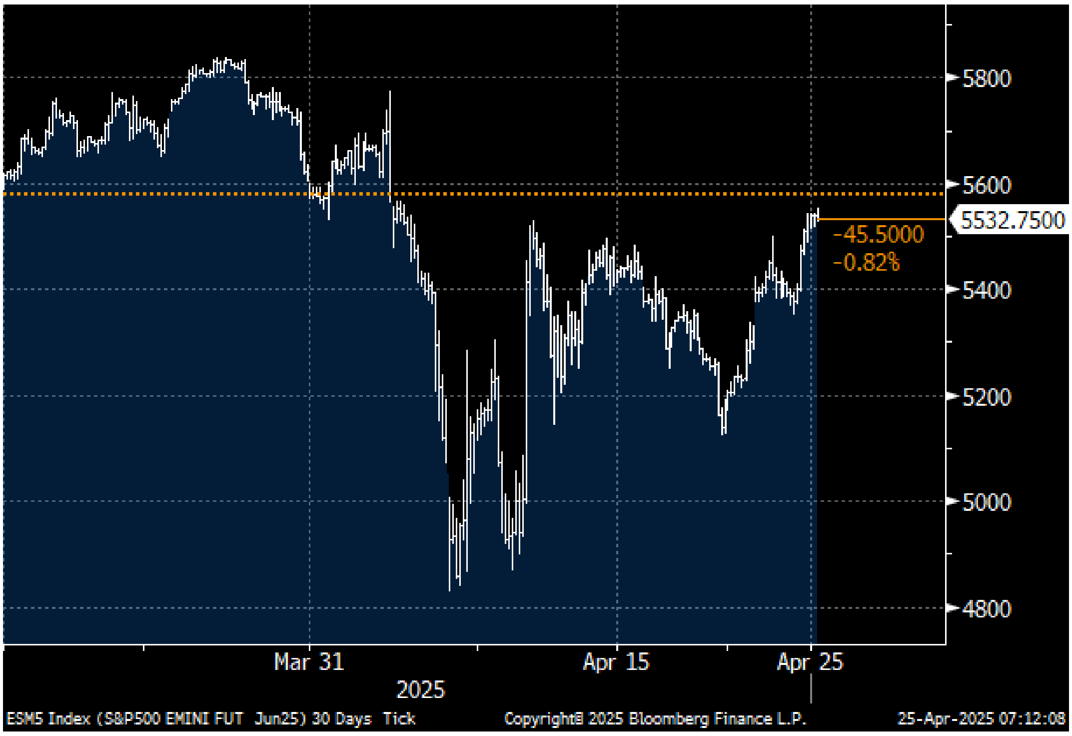

FIG 1b: S&P500 overextended index (index price relative to its 10 day moving average) vs. S&P500

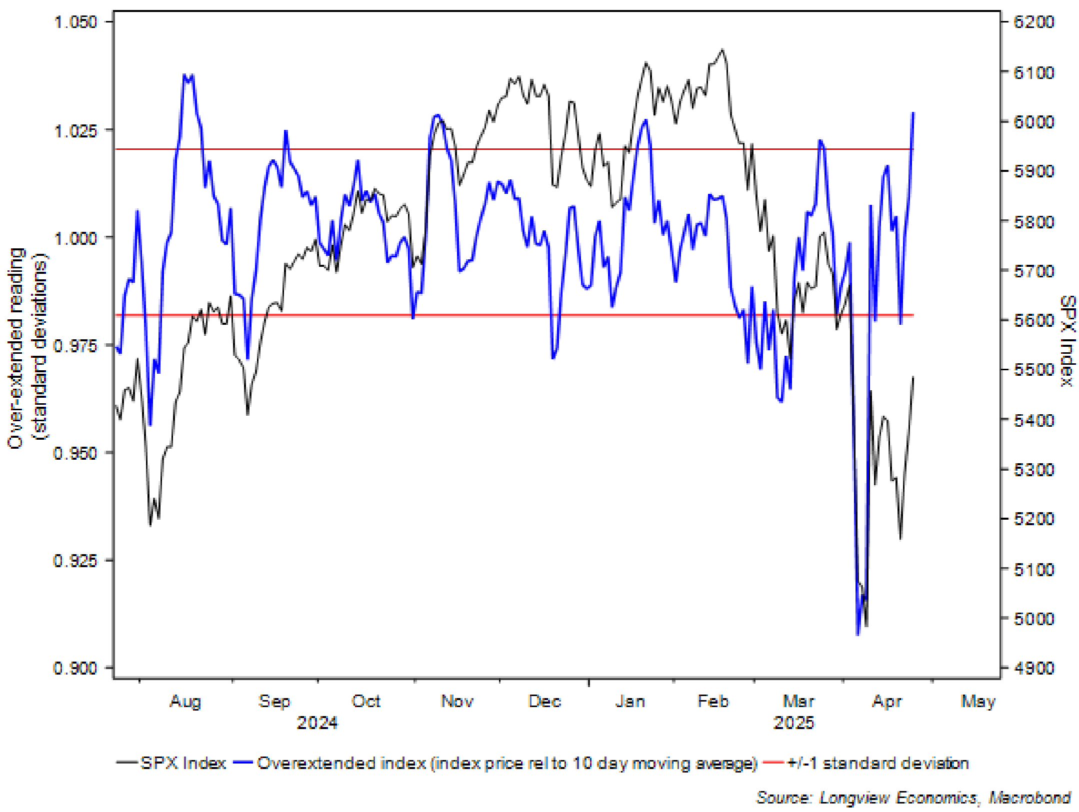

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FIG 1c: NASDAQ100 single stocks relative to their 10 day moving averages vs. NASDAQ100 index

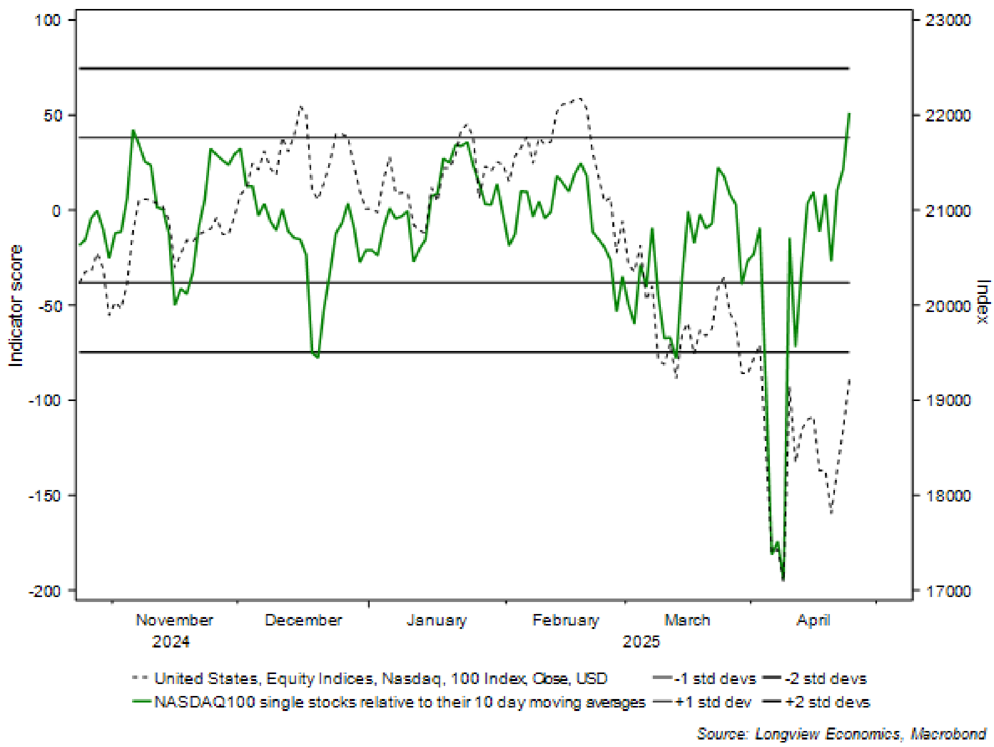
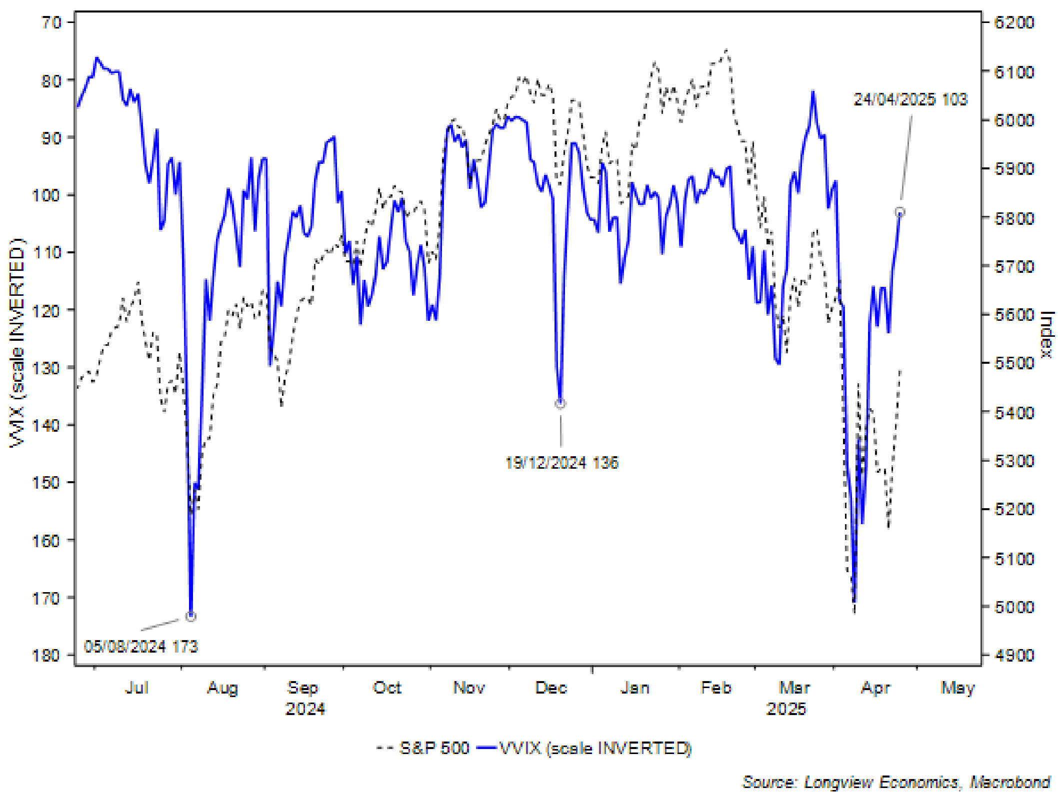


FIG 1d: VVIX (scale inverted, %) vs. S&P500



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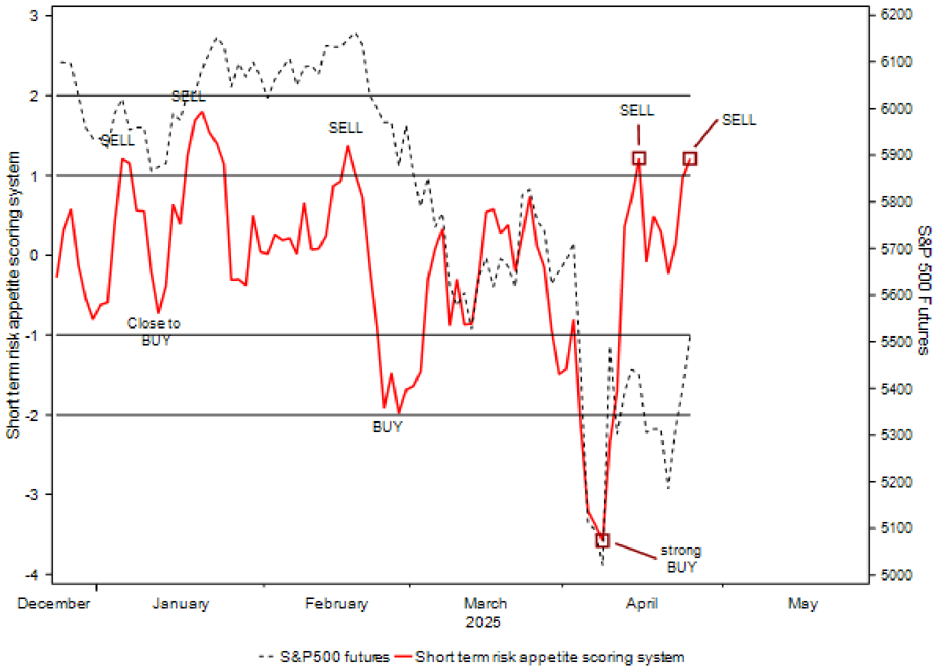
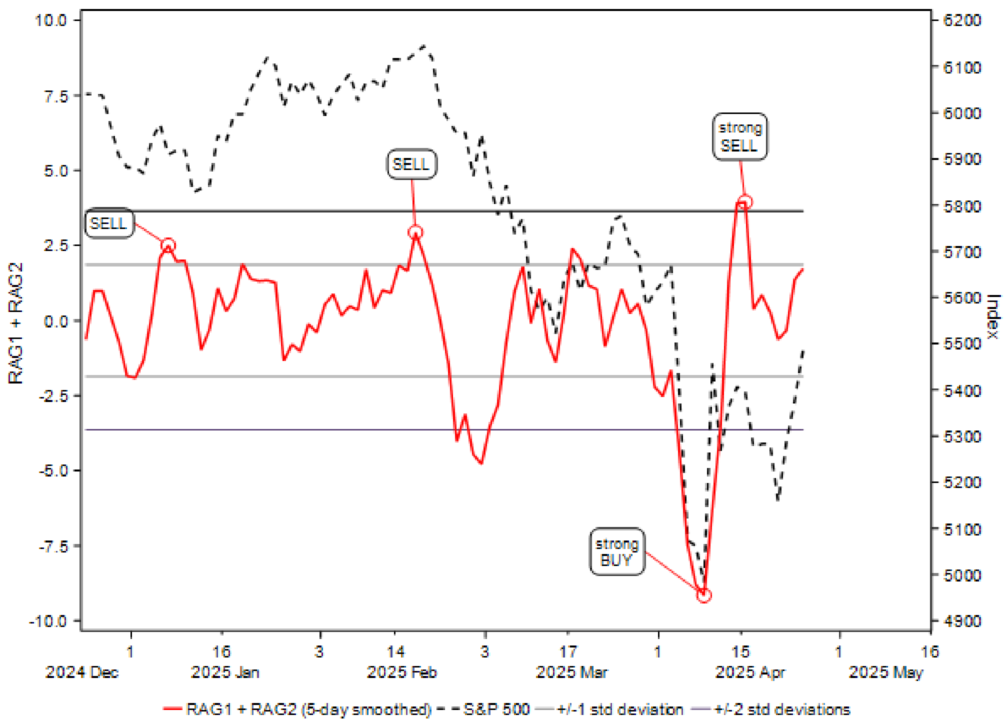
Short term risk appetite models are on/leaning towards SELL…

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



Source: Longview Economics, Macrobond

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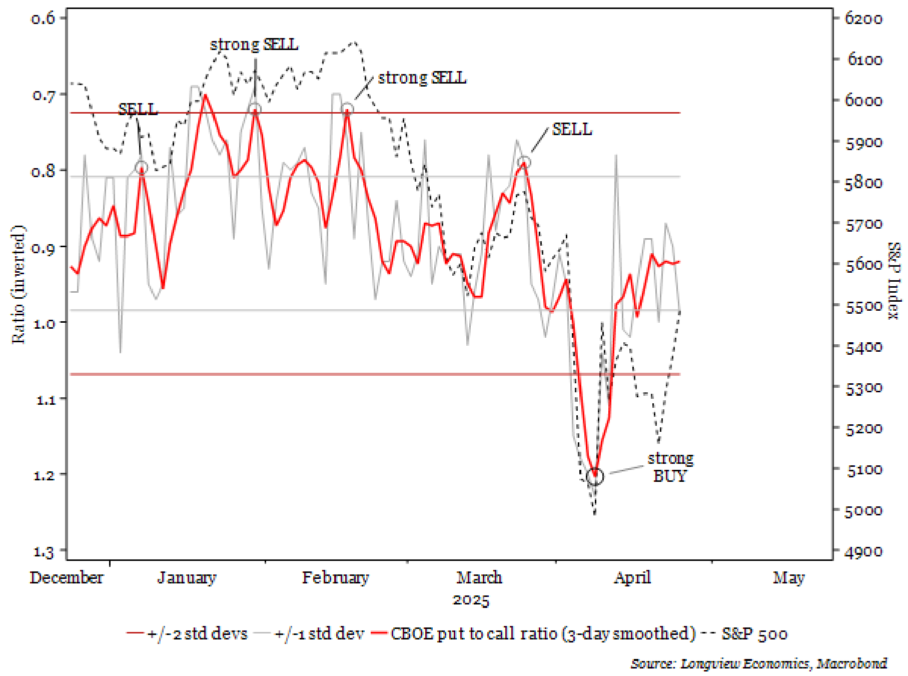
The key CBOE 'put to call ratio' model is NEUTRAL…

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



Technical & price-based models are leaning towards SELL…

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

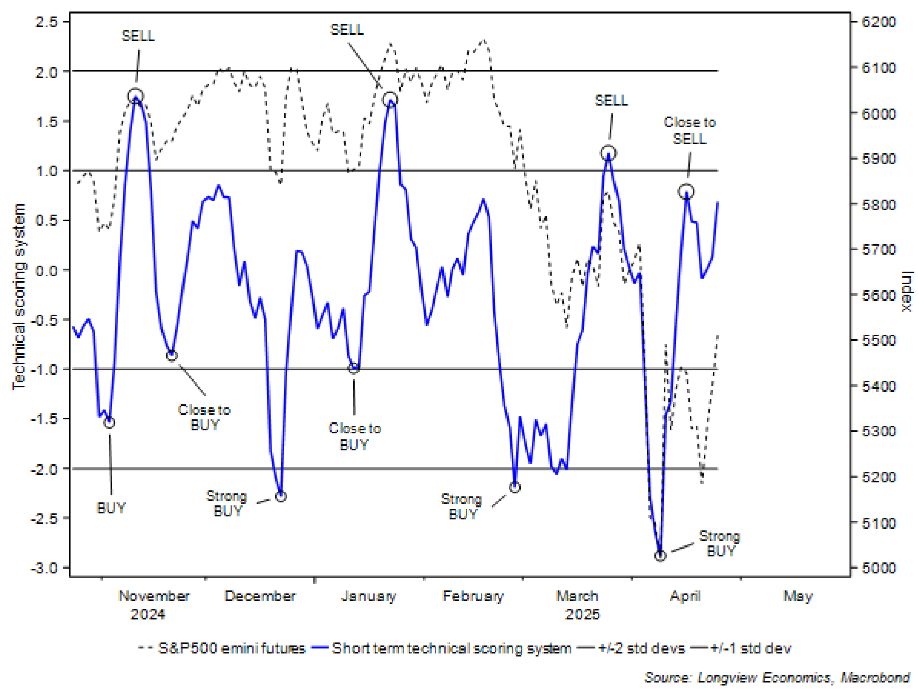


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FIG 2d: Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

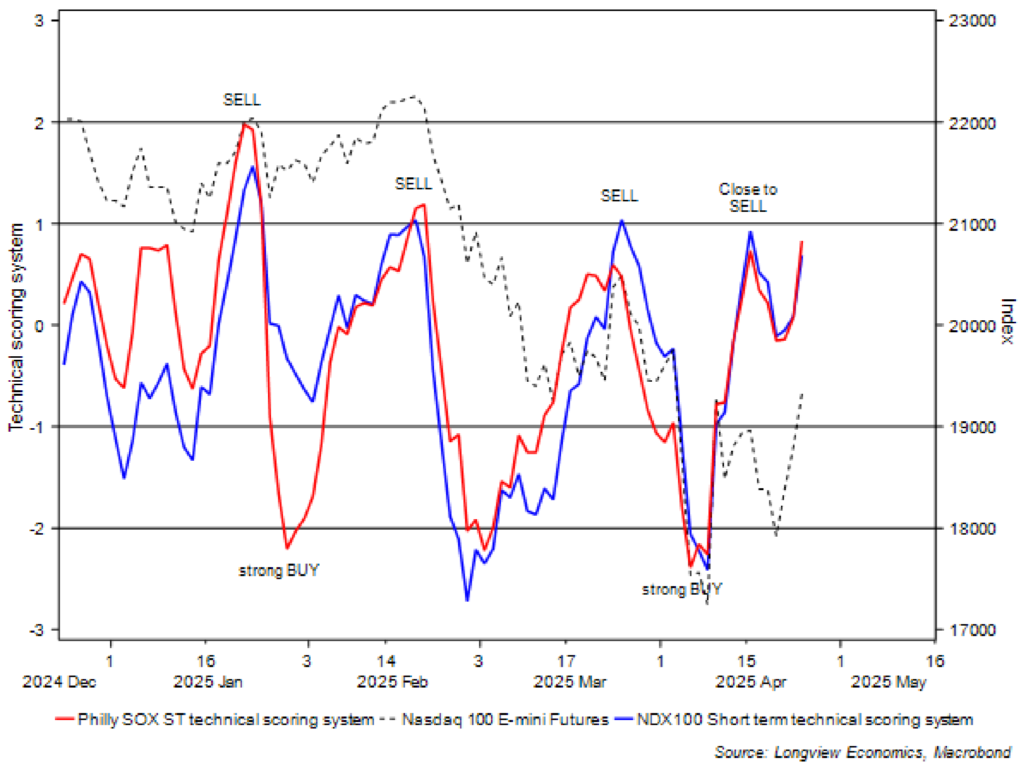

FIG 2e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

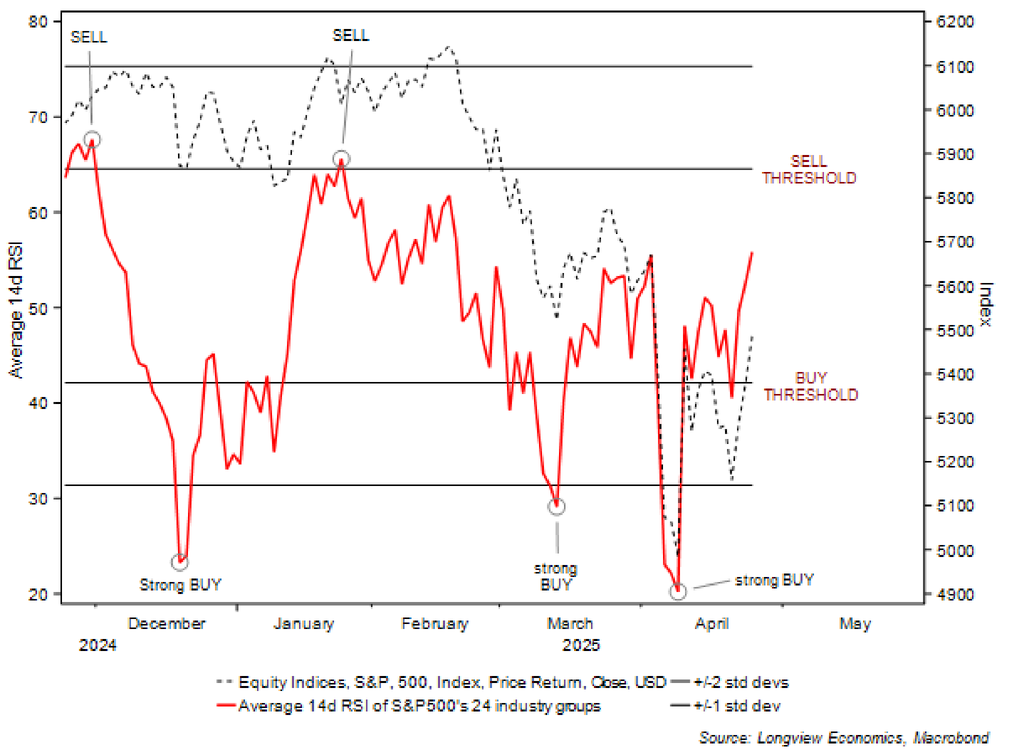

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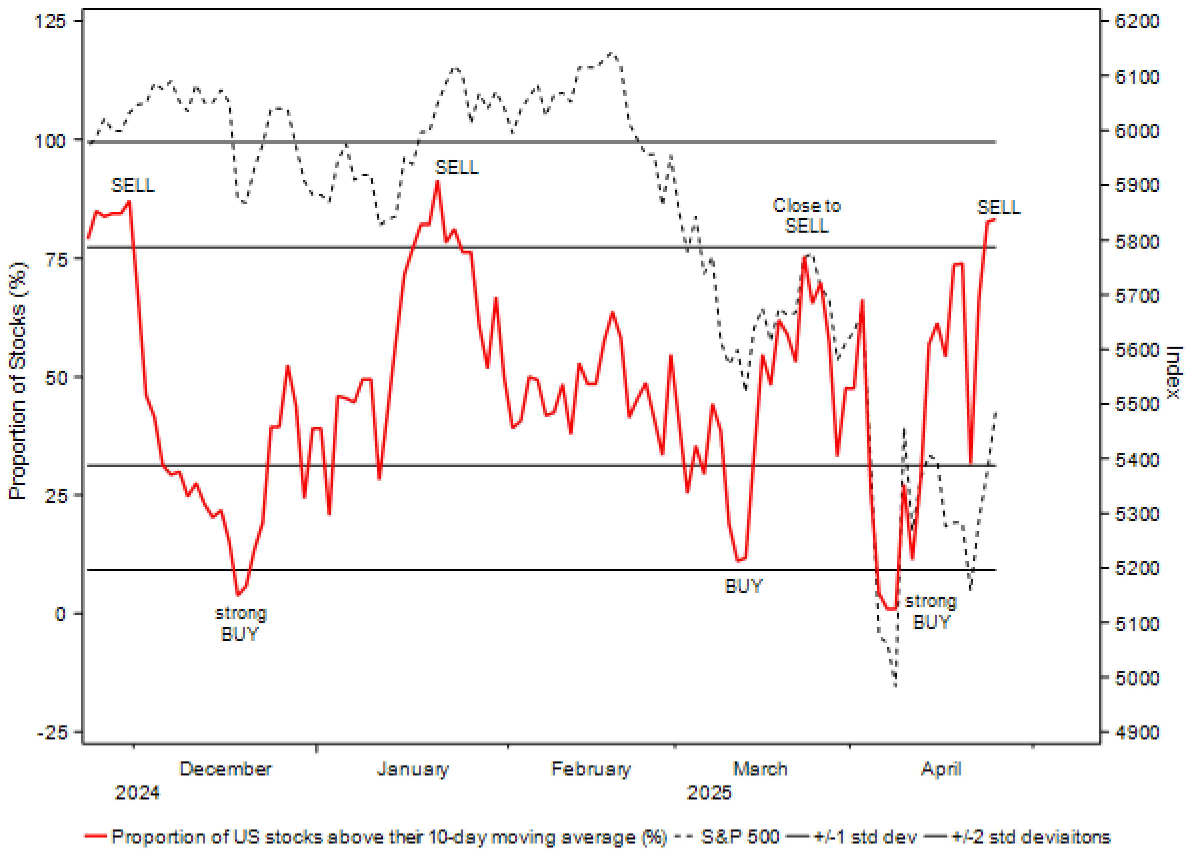
FIG 2f: Proportion of US stocks above their 10 day moving averages vs. S&P500



Source: Longview Economics, Macrobond

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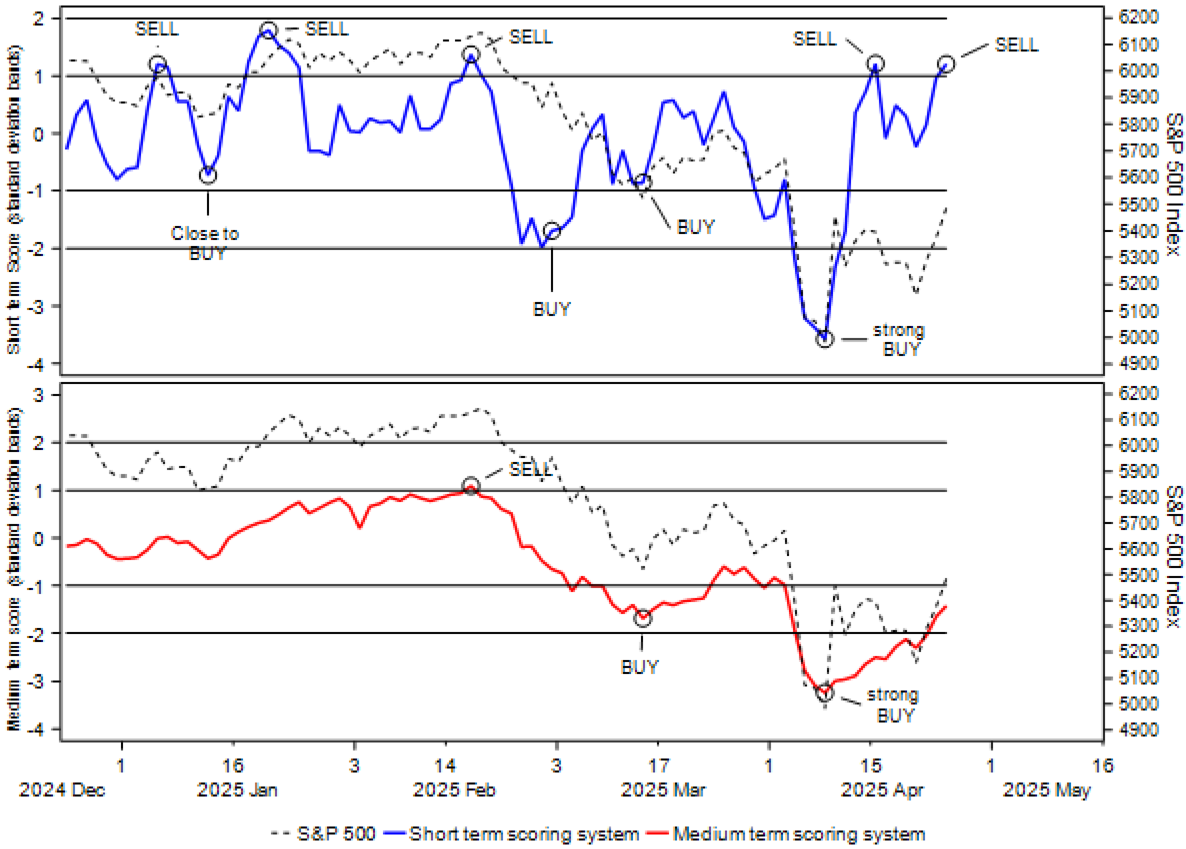
Key Longview Scoring Systems (chart below):

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

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



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Key macro data/events

Key data today include: UK Gfk consumer confidence (Apr, 12:01am); **Japanese headline & core CPI** (Apr, 12:30am); **UK retail sales** (Mar, 7am); French INSEE business & manufacturing confidence (Apr, 7:45am); Canadian retail sales (Jan, 12:30pm); US Michigan Sentiment (April final estimate, 3pm); US Kansas City Fed service sector activity (Apr, 4pm).

Key events today include: Speech by the Bank of England's Greene on 'Inflation, growth, and monetary policy' (8:15pm); market holidays in Australia and New Zealand on account of ANZAC Day.

Key earnings today include: AbbVie, HCA, Aon, Colgate-palmolive, Safran, **ICBC**, **Agricultural Bank China**, **China Construction**, PetroChina, Ping An Insurance, China Shenhua Energy, Industrial Bank, Hitachi, Mitsubishi Electric, NEC Corp.

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

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LVRAG
Daily Risk Appetite Gauge

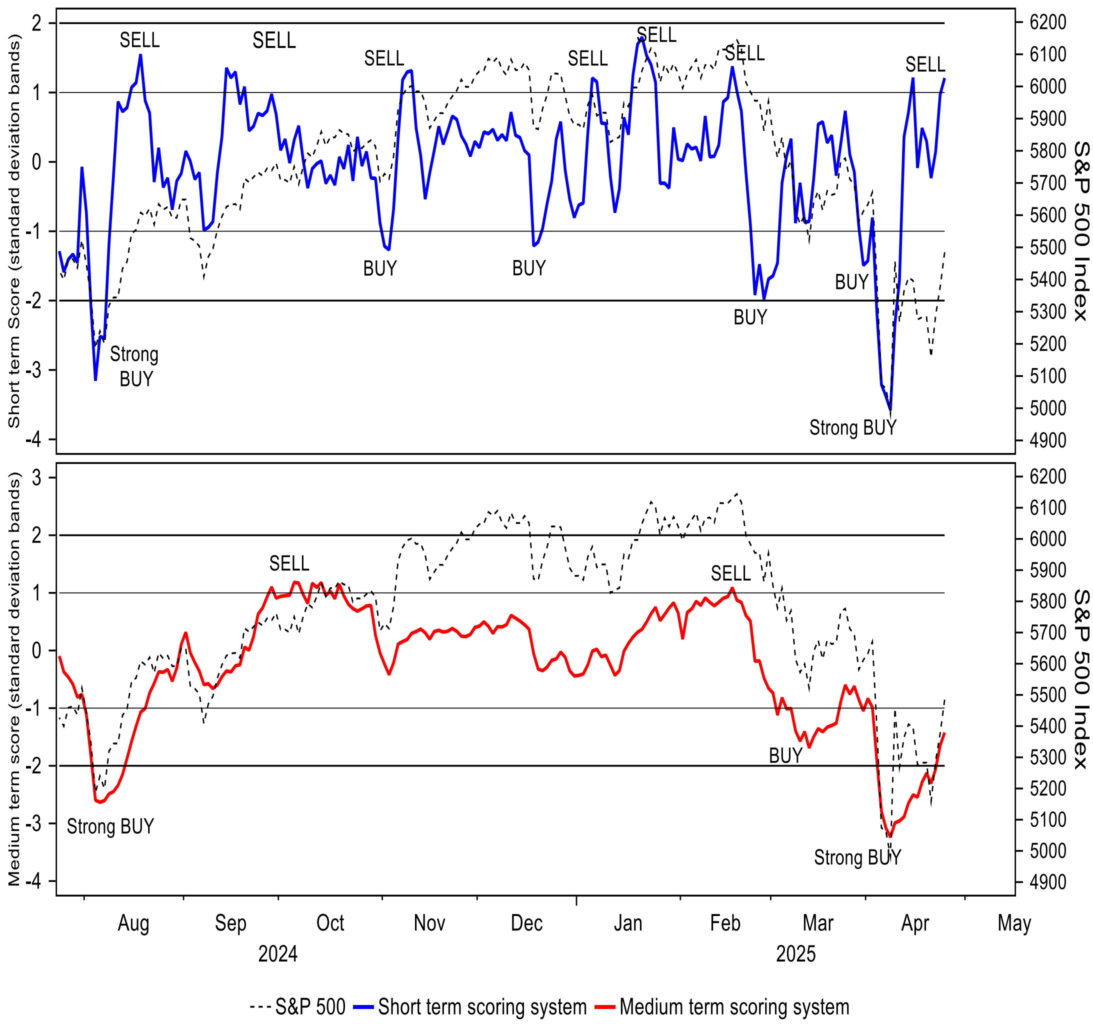
1 – 2 Week View on Risk

25th 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 on SELL

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

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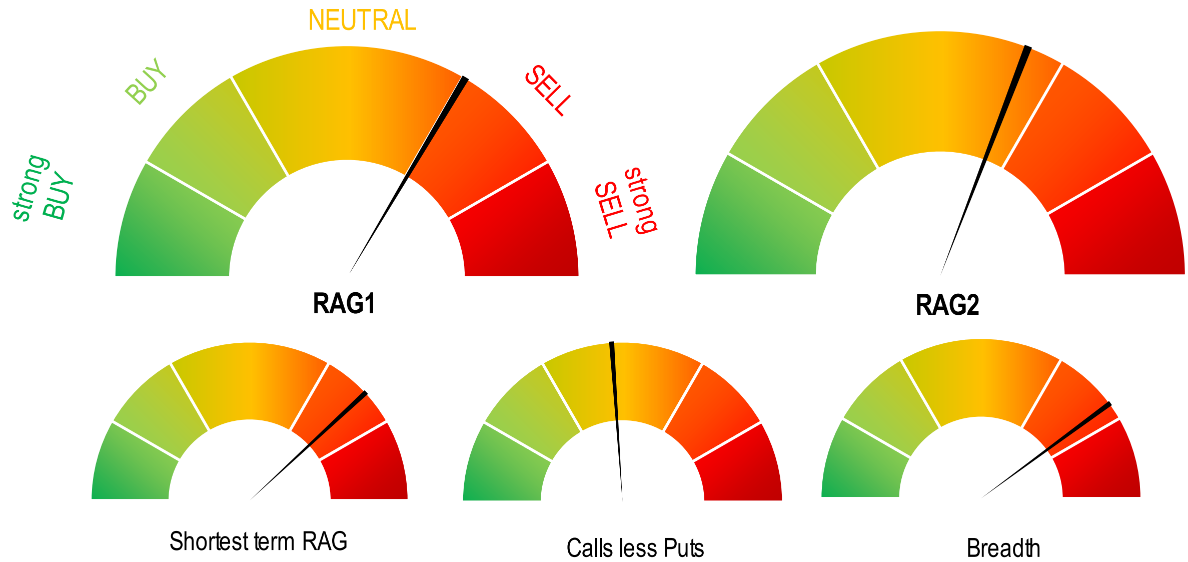
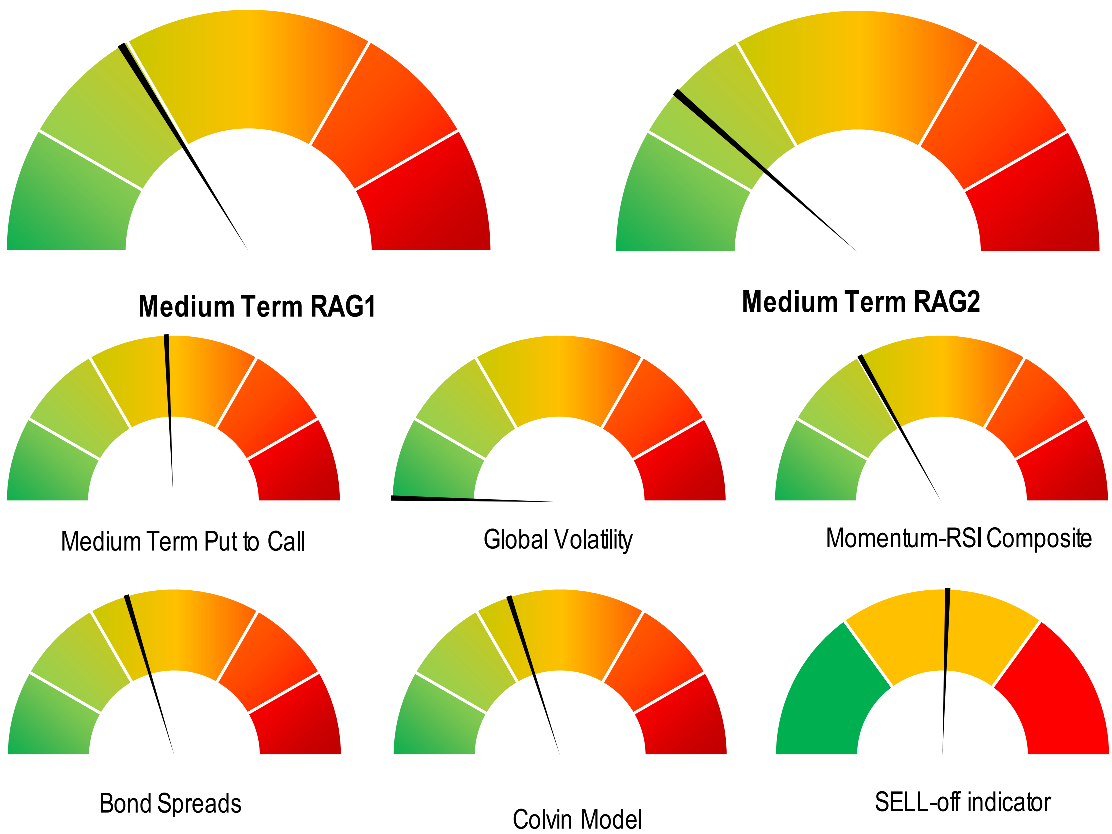
Section 1a: Summary of indicator signals**

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

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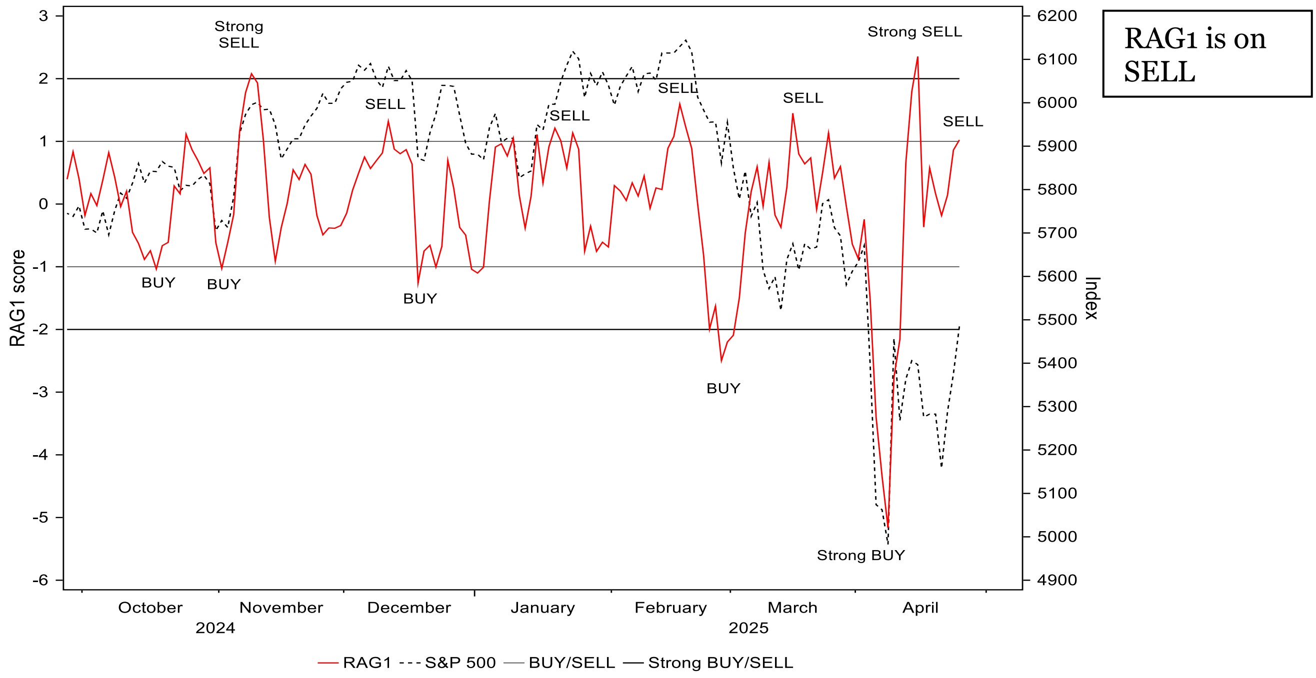
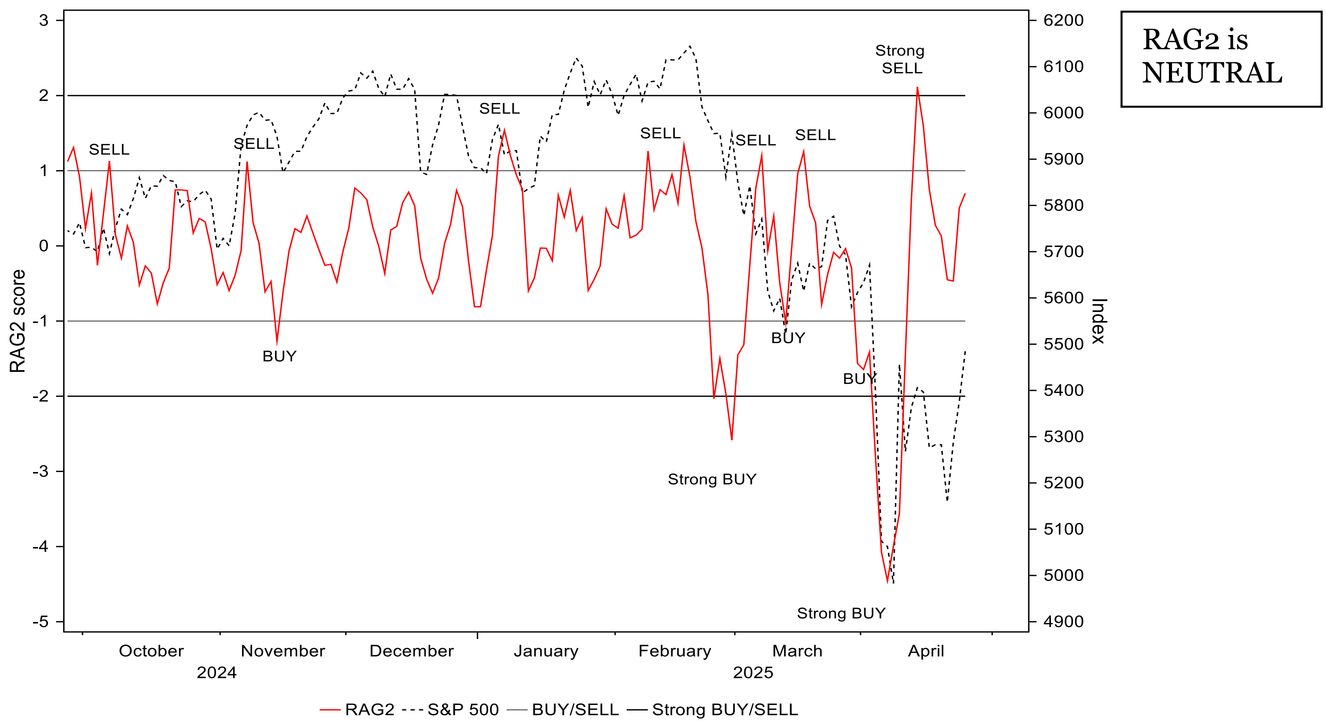
Section 2: Short term (1 – 2 week) trading models

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



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

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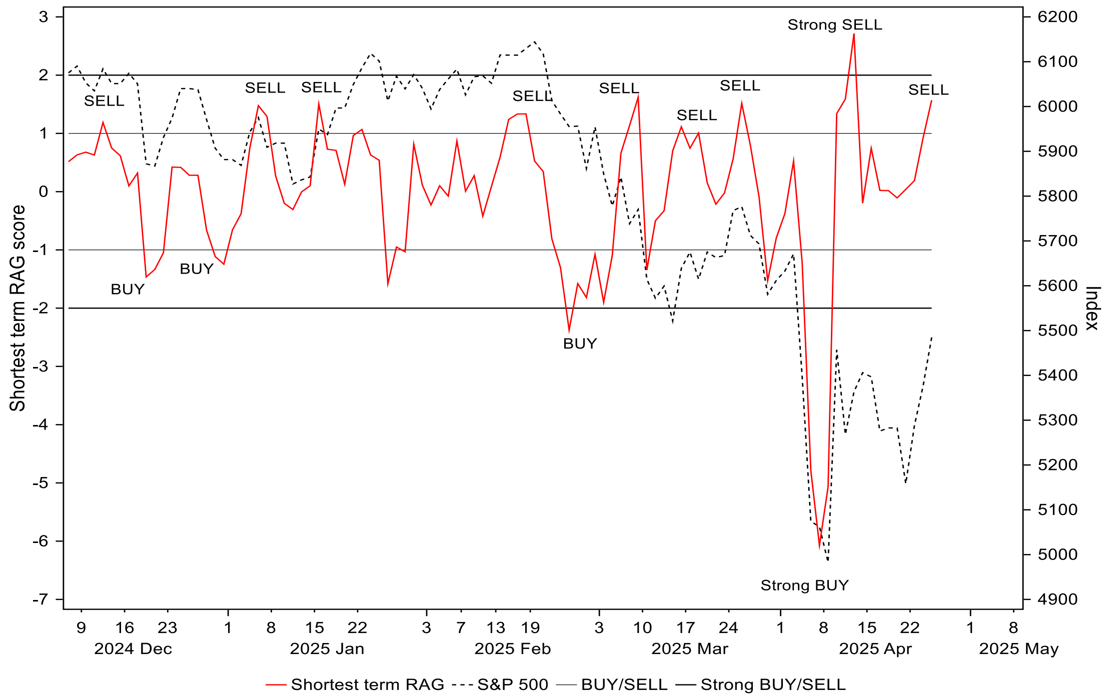
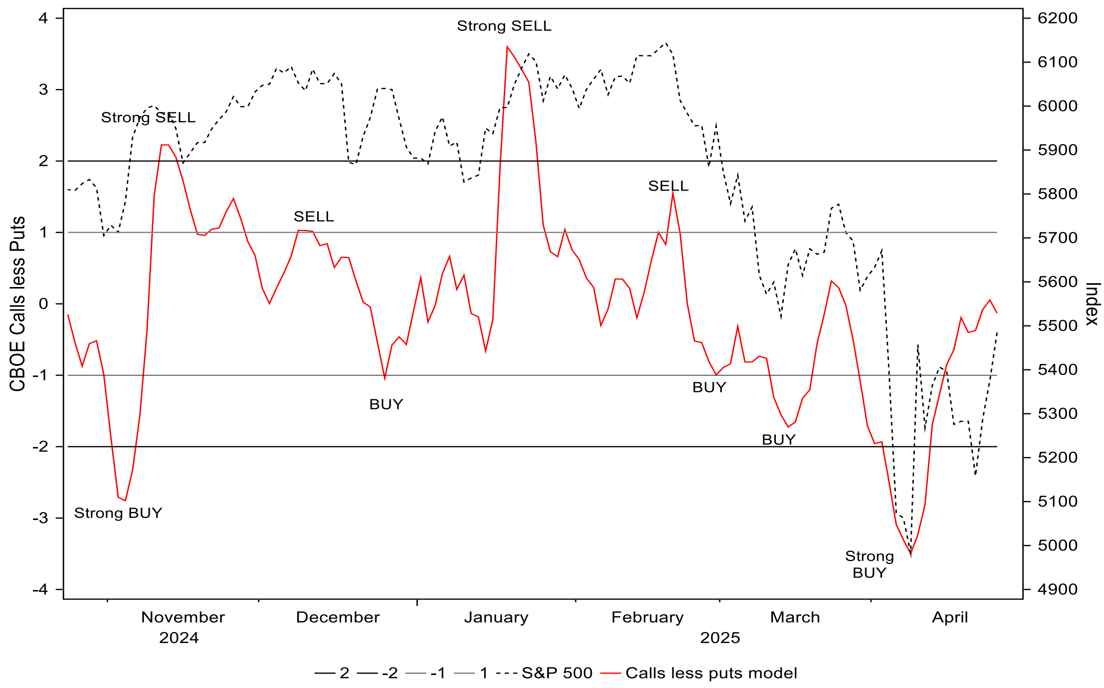
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is on SELL

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



Calls less puts model is NEUTRAL

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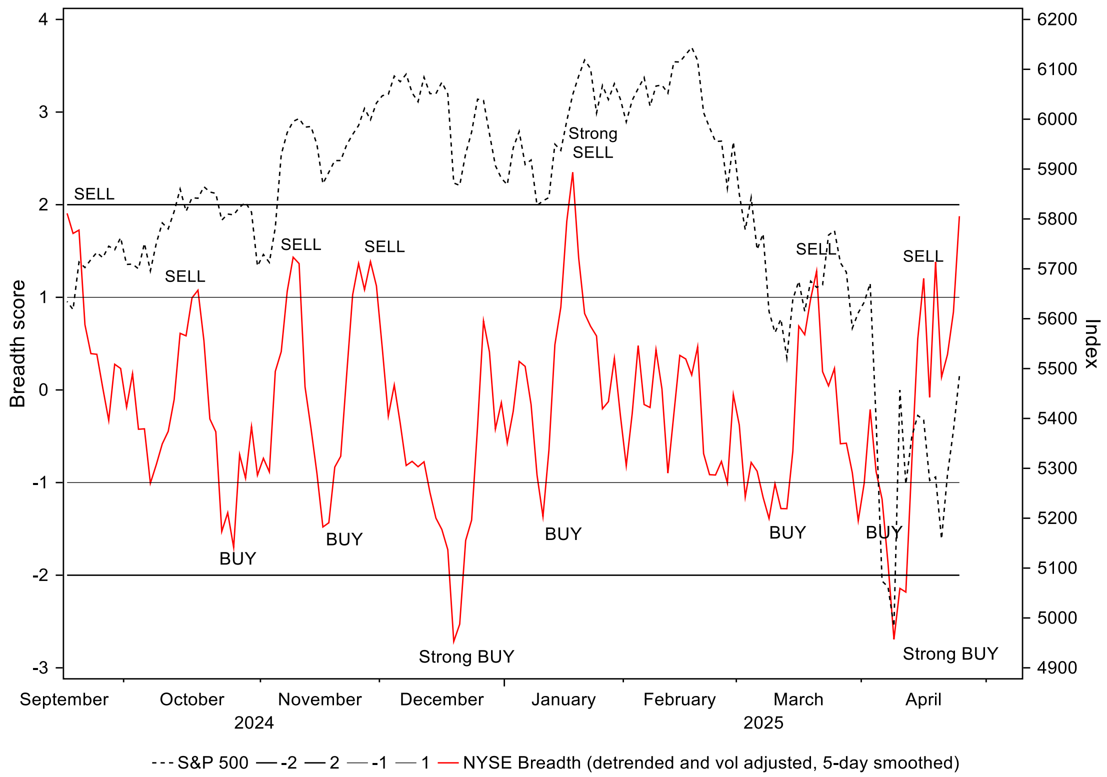
Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



Source: Longview Economics, Macrobond

The breadth model is on SELL

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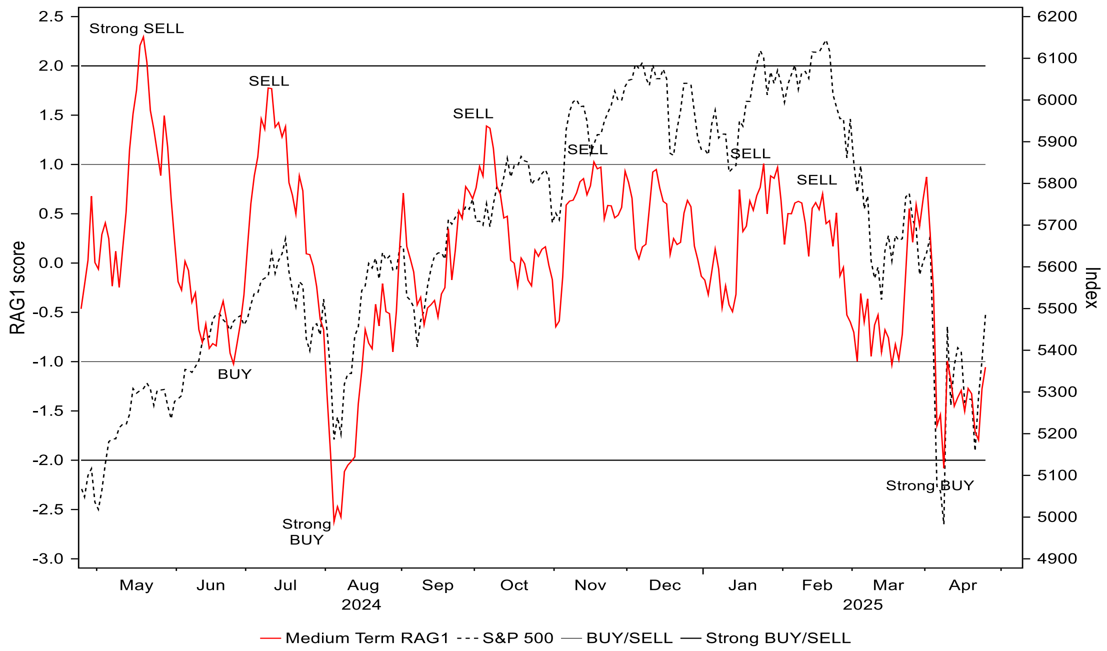
Section 3: Medium term (1 – 4 month) outlook

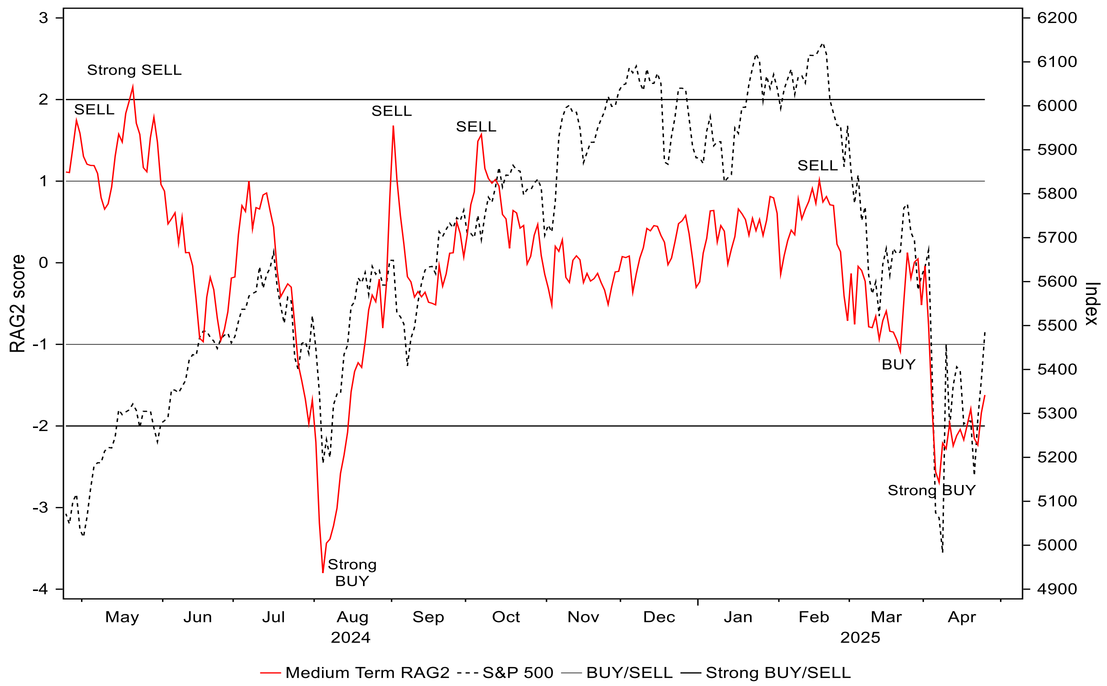
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is on BUY

Source: Longview Economics, Macrobond

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



Medium term RAG2 is on BUY

Source: Longview Economics, Macrobond

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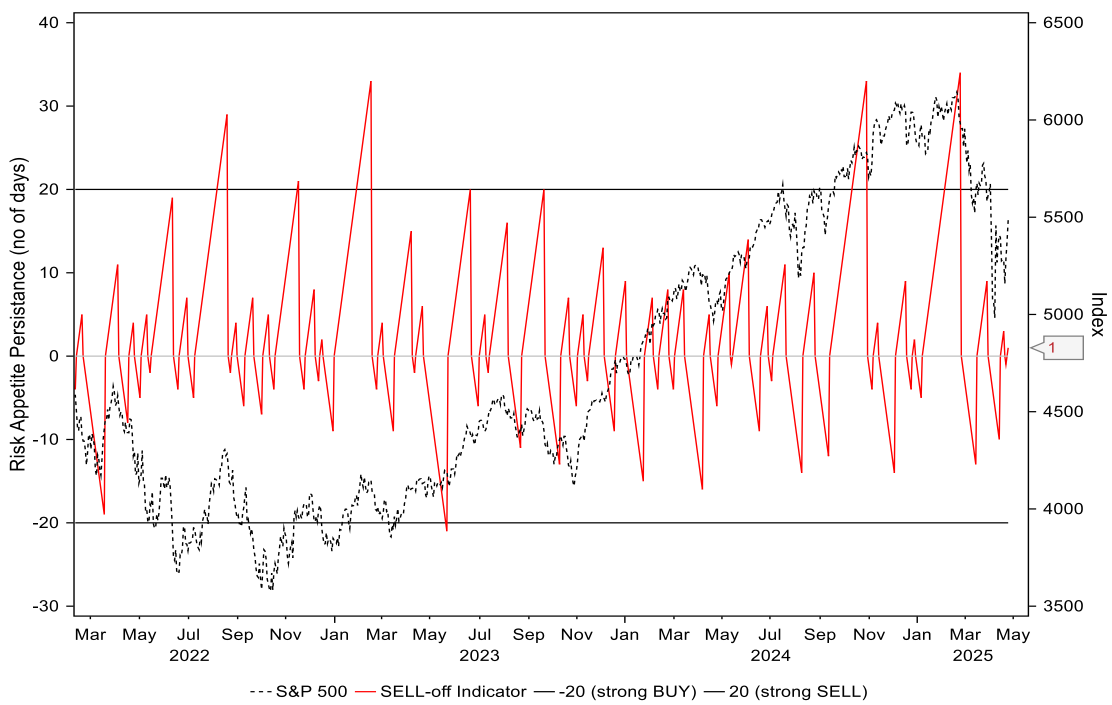
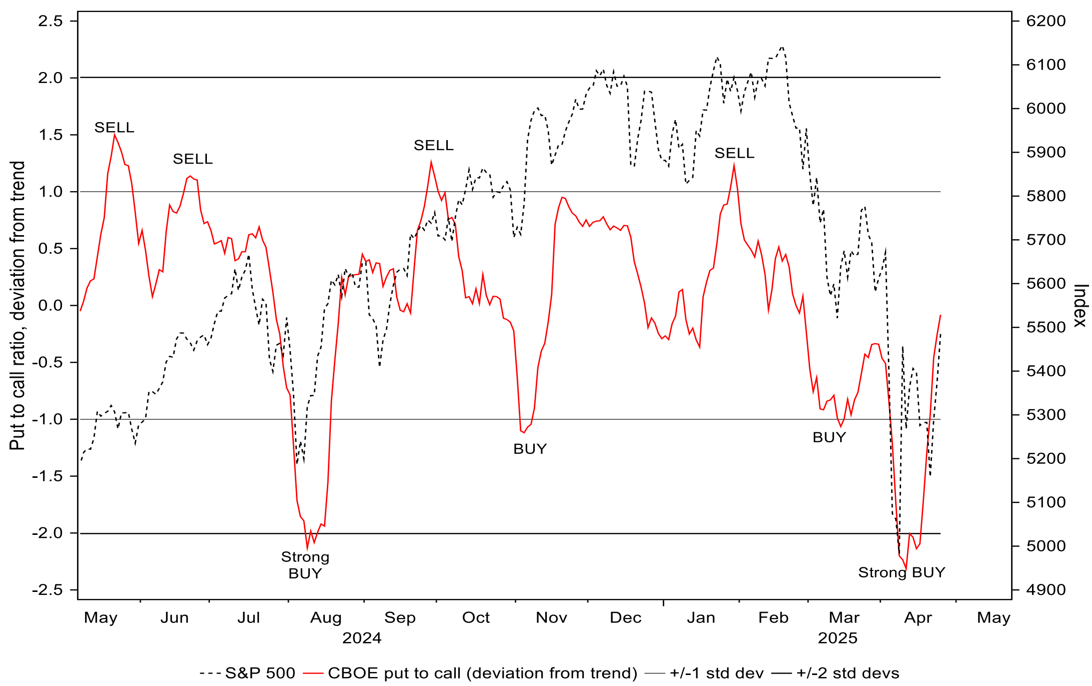
Fig 3c: SELL-off indicator (shown vs. S&P500)



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

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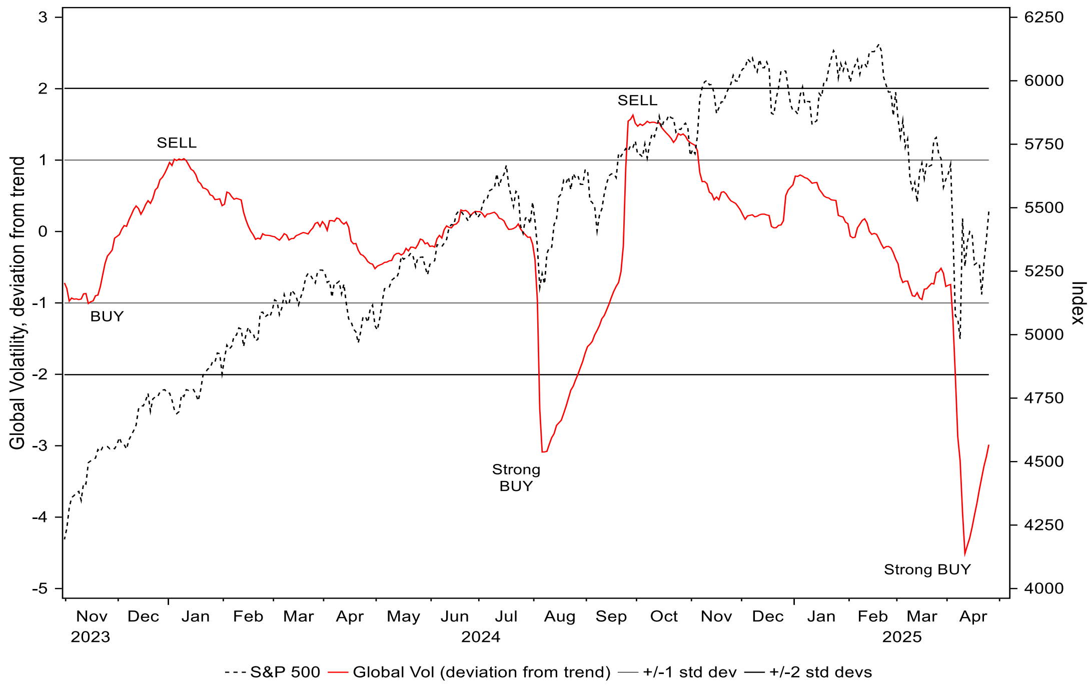
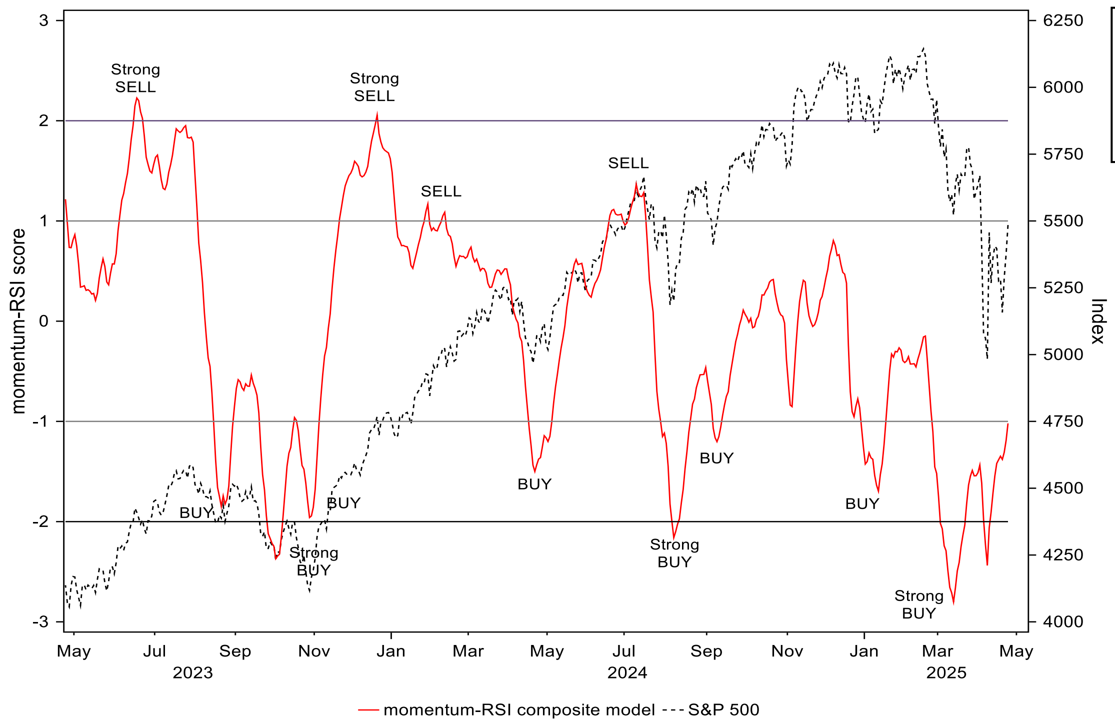
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



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

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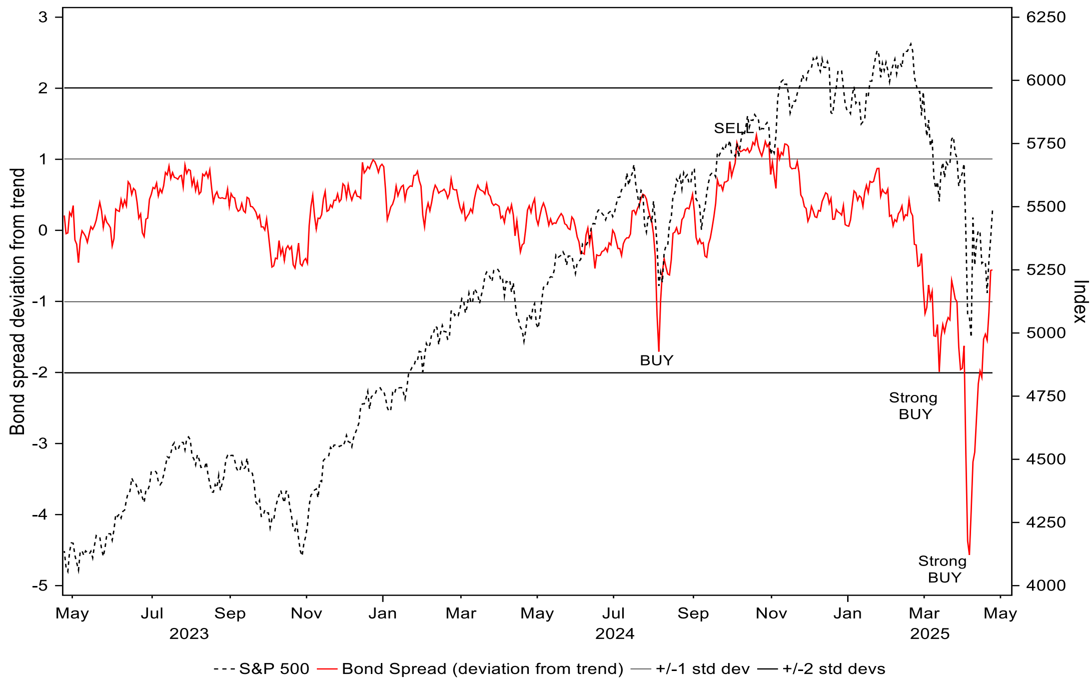
Daily Risk Appetite Gauge

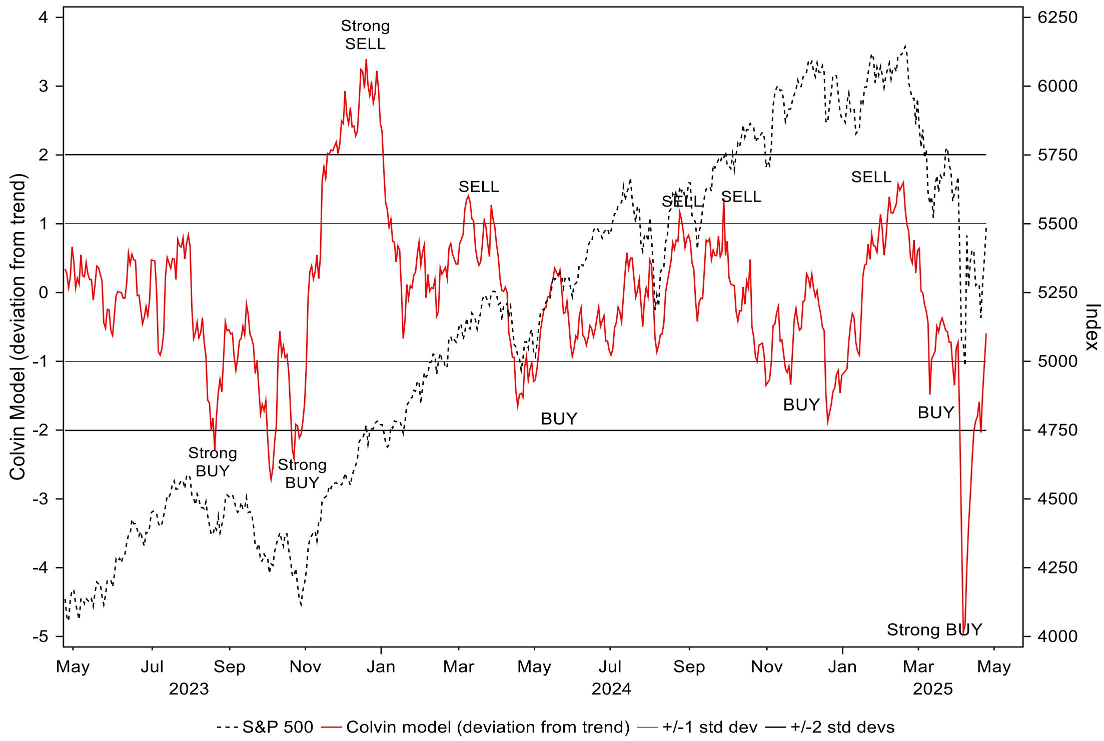
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



High yield corporate bond spreads model is NEUTRAL

Source: Longview Economics, Macrobond

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



Colvin model – is NEUTRAL

Source: Longview Economics, Macrobond

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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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