

Equity Index Futures Trading Recommendations

25th March 2025

“Stay LONG/Reduce Position Size”

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

- Reduce from $\frac{1}{2}$ to $\frac{1}{4}$ LONG June SPX futures at current prices (blended entry* was 5,710.5);
- Tighten stop loss to entry at 5,710.0 (from 5,620.0 yesterday).

*entry points were last Tuesday ($\frac{1}{4}$ position size at 5,731) and last Thursday ($\frac{1}{4}$ position size at 5,690).

Rationale

Markets moved sharply higher yesterday as S&P500 & NDX100 futures broke above their recent intraday highs and pushed on towards their 38.2% Fibonacci retracement levels.

Those recent intraday highs had been at around 5,750/75 for S&P500 June futures (i.e. reached on 17th, 19th & 20th March – see FIG 1). That key Fibonacci ratio for the S&P500 is at 5,813 (FIG 1a - which is approximately where the S&P500 is currently trading). For the NDX100, the situation is similar with key intraday highs on the same days (at around 20,175 – FIG 1b), and with the index now just shy of that 38.2% Fibonacci retracement ratio as well (FIG 1b).

Yesterday’s strength in US equity markets was across the board. The S&P500 (+1.8%), the NDX100 (+2.2%), and the Philly SOX (+3.0%) were amongst the best performing headline US equity indices, along with S&P600 (small caps +2.6%) & Russell 2000 (mid-caps, +2.55%). Ten out of the 11 top level sectors closed higher (led by consumer discretionary +4.1%; and comm services +2.1%); all but three of the S&P500 industry groups closed higher. US 10-year bond yields backed up, closing 9bps higher; volatility fell sharply with the VIX back at its 200 day moving average (FIG 1c), while the VVIX (volatility of the VIX) reached its lowest level since mid-December (FIG 1d).

With that strength in risk assets yesterday, **many of the short term models are starting to generate SELL signals, or move towards their SELL thresholds (FIGs 2 to 2f):** The S&P500 technical scoring system, for example, has just reached SELL once again; the percentage of stocks trading above their 10 day moving averages is about to turn SELL; while the sector technical model is moving higher (although it’s currently mid-range). The main CBOE put to call ratio is back on SELL (i.e. downside put protection has been removed); although the NDX100 equivalent indicator is still close to BUY. Risk appetite models, meanwhile, are mostly mid-range.

With that strength yesterday, therefore, **many of our short-term models are starting to move onto SELL**. The index, meanwhile, has reached its first key Fibonacci ratio (i.e. a 38% retracement). Often in ‘wave two^{**}’ relief rallies the index will move to the 50.0% or 61.8% retracement level (i.e. 5,892 and 5970 – FIG 1a). In that sense, there’s potential for further upside from current levels. Some short-term models also support that expectation (including the risk appetite models). With the first key retracement level now reached, though (i.e. 38%), and with some models starting to generate SELL signals, we recommend booking some profit (halving the position size), tightening the stop loss, and running the remaining position (i.e. with a trailing stop loss/adjustable each morning if the market continues to rally higher).

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 10-day tick chart shown with overnight price action



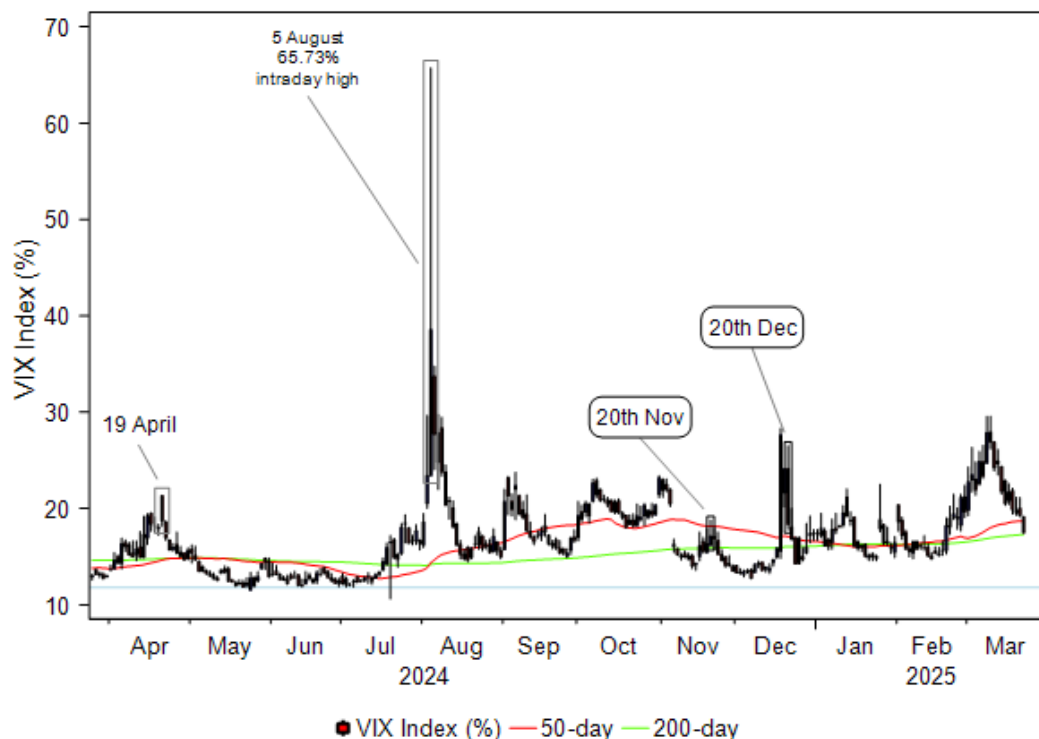
FIG 1a: S&P500 June futures shown with key Fibonacci retracement levels



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

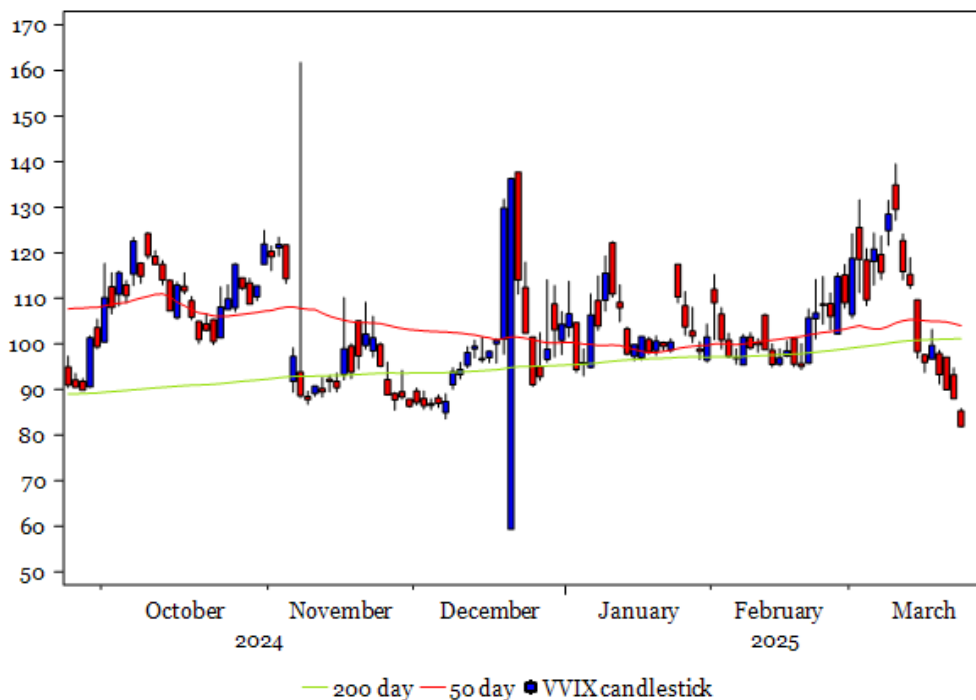


FIG 1c: VIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

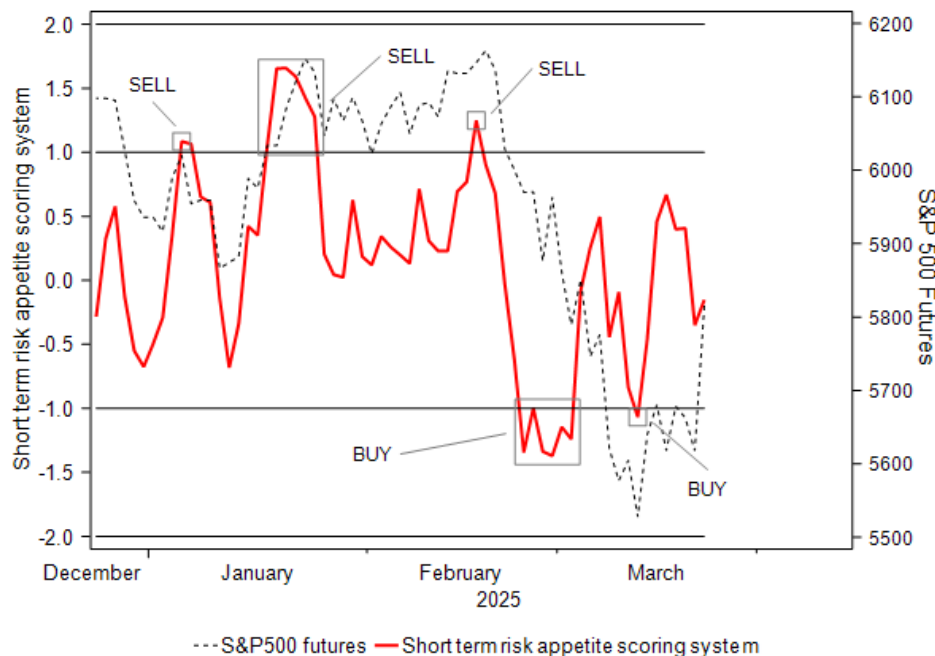
FIG 1d: VVIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

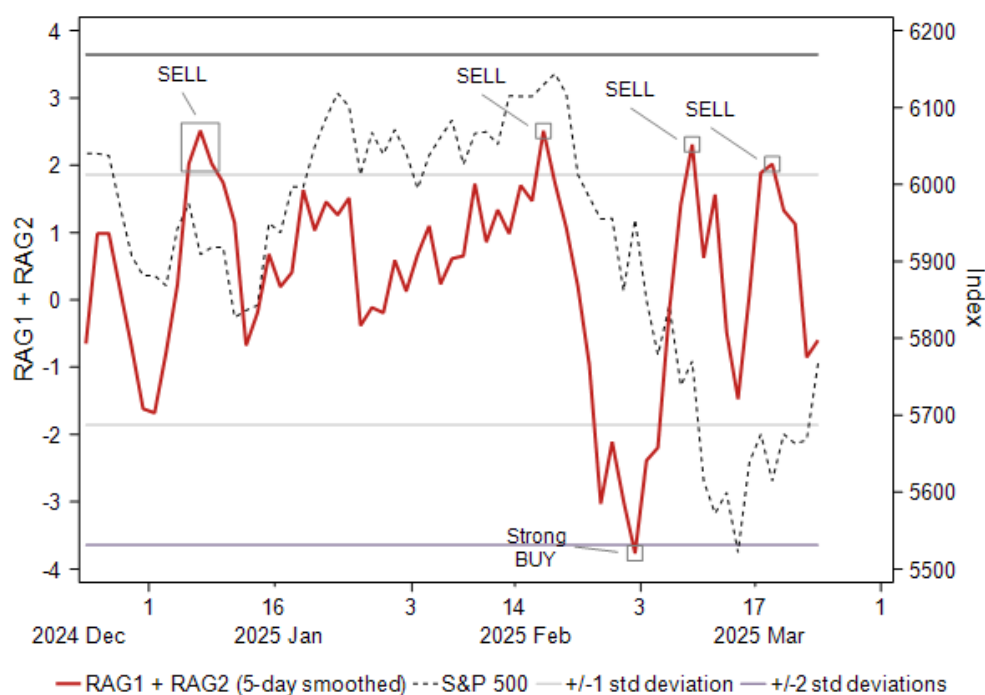
Short term risk appetite models are NEUTRAL

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



Source: Longview Economics, Macrobond

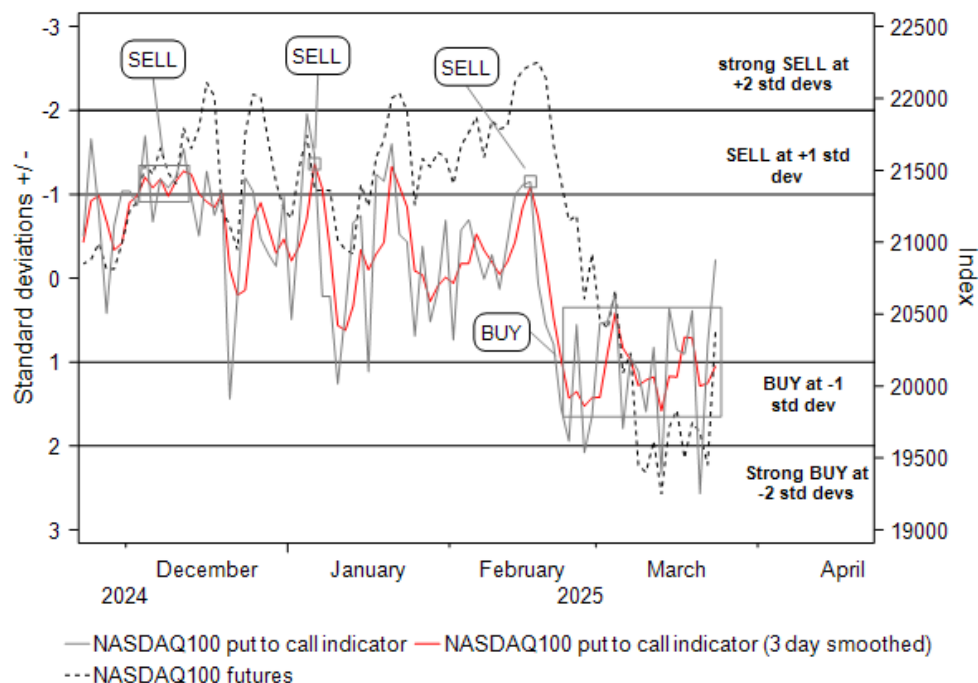
FIG 2a: Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

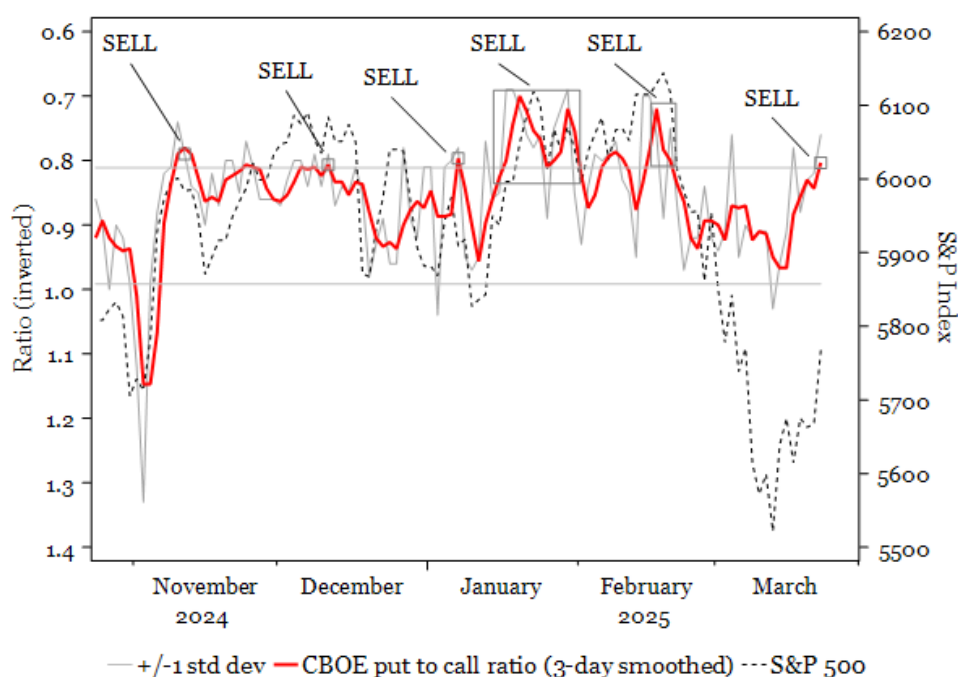
Put to call ratio indicators are mixed/moving back to SELL...

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



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

Technical/price-based models are moving back onto/towards SELL....

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

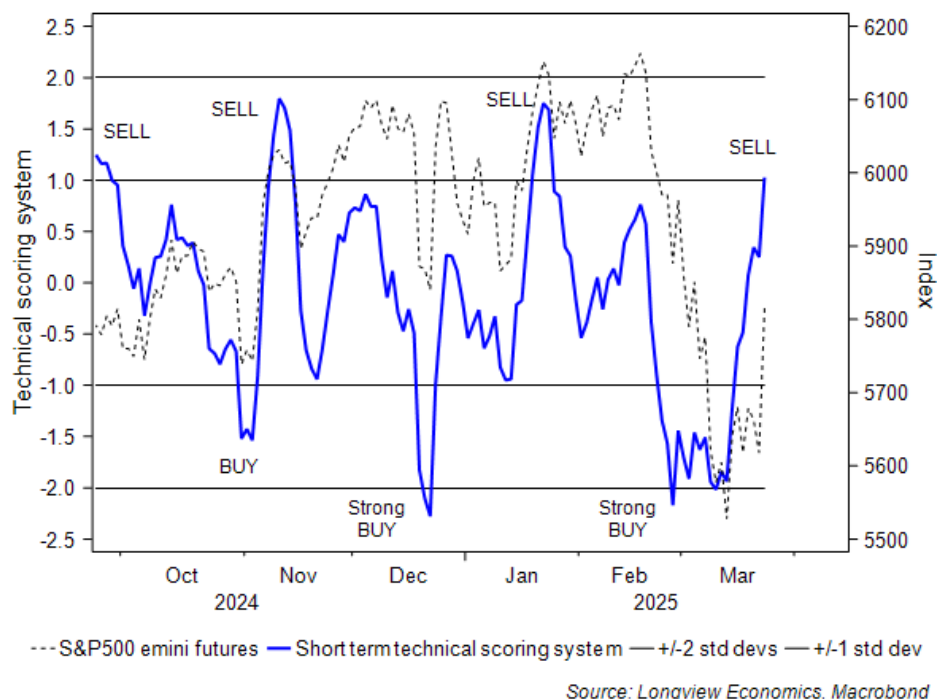


FIG 2e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

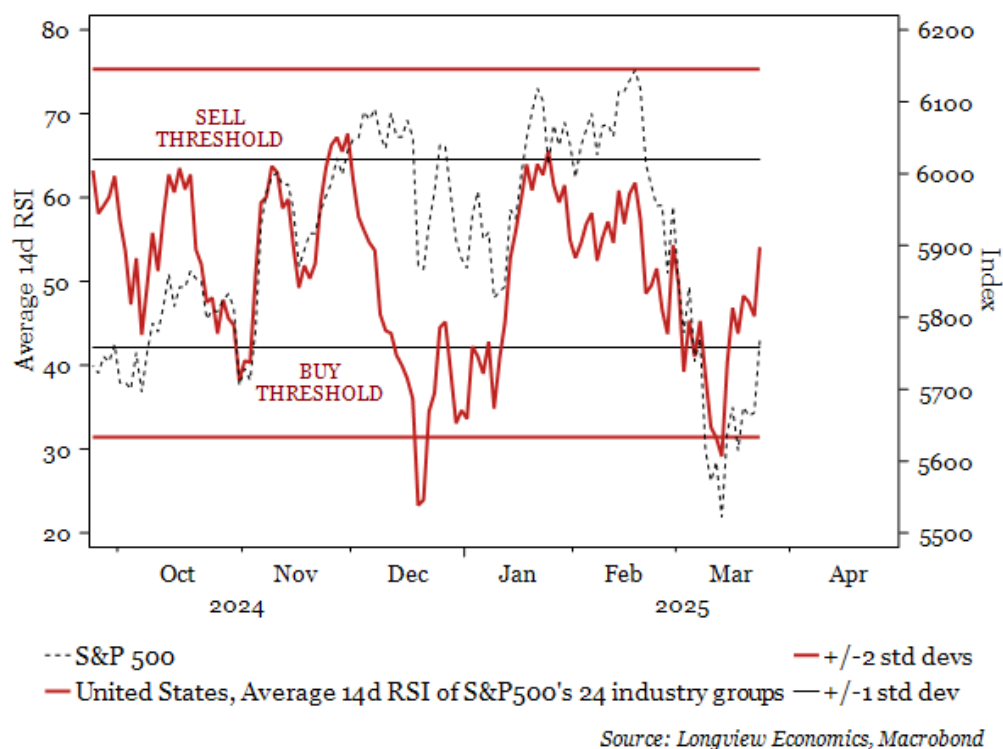
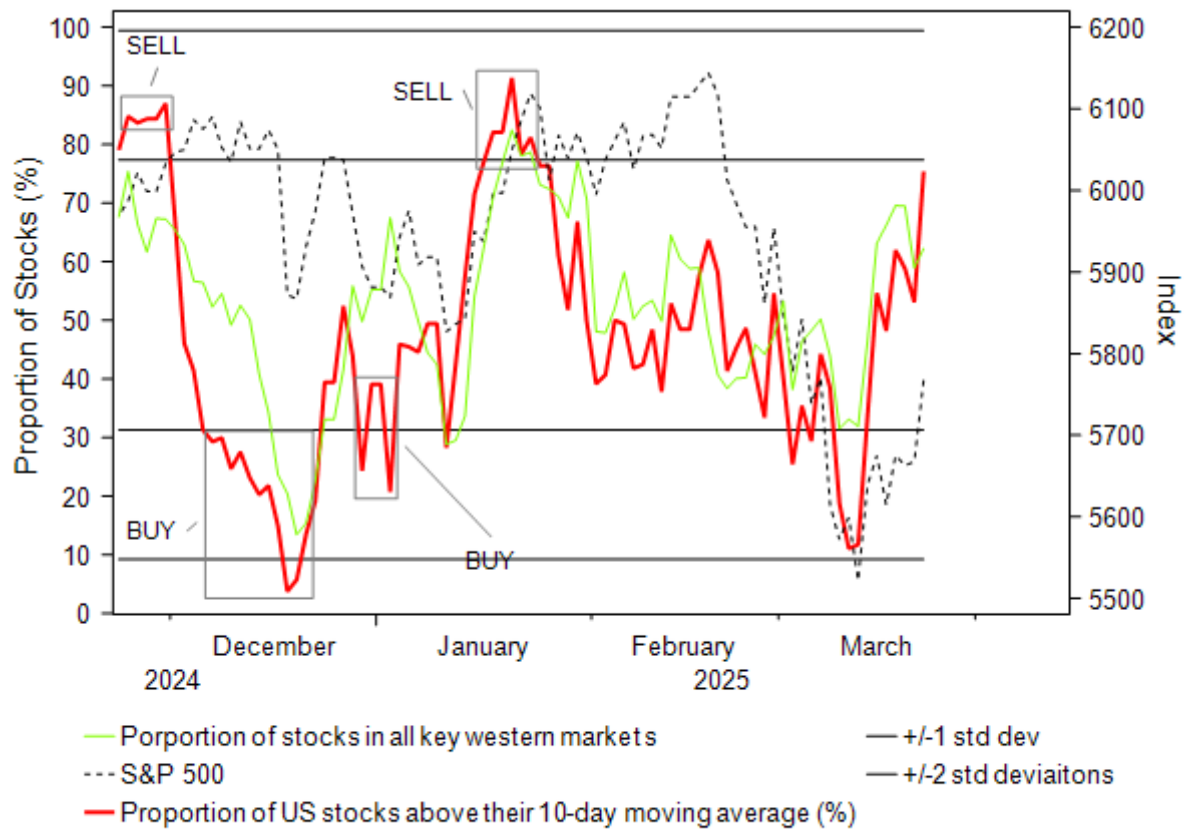


FIG 2f: S&P500 single stocks with upward momentum vs. S&P500



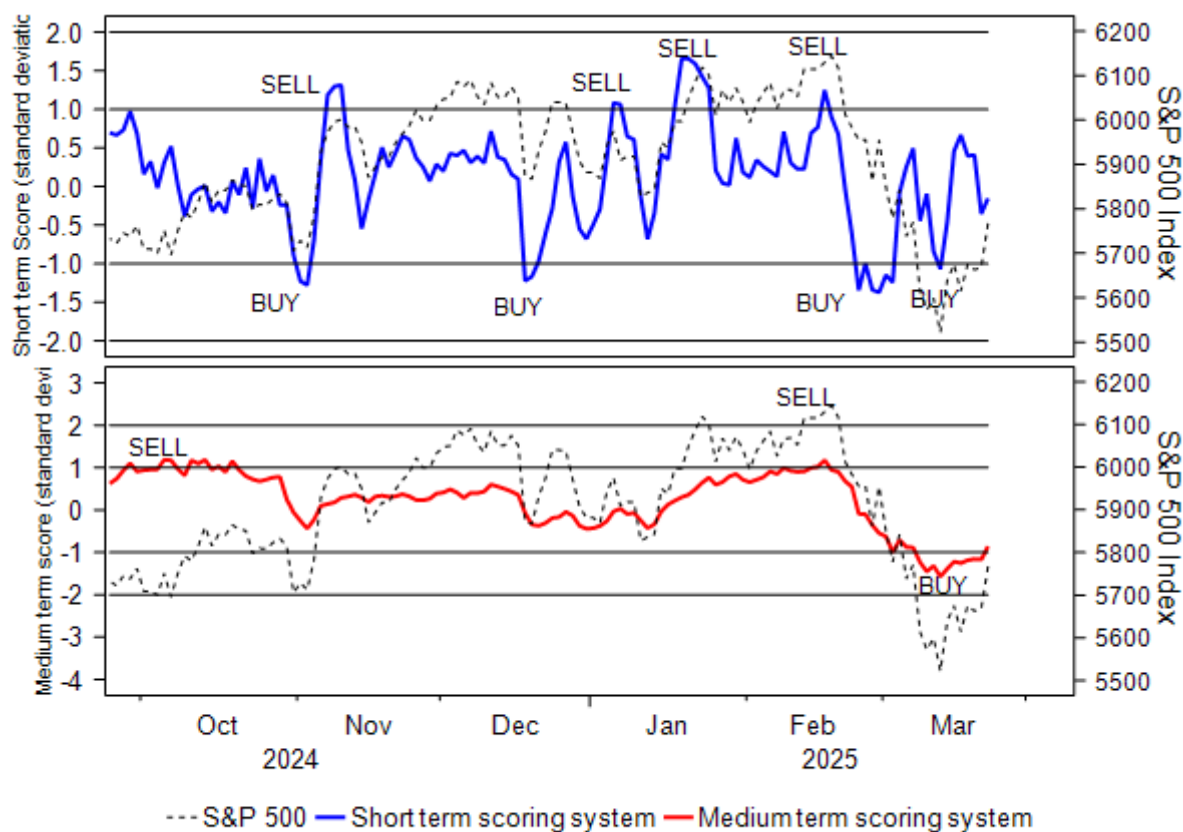
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **NEUTRAL** (from BUY yesterday)

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



Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: Eurozone new car sales (Feb, 5am); Spanish PPI (Feb, 8am); **German IFO business climate** (Mar, 9am); UK CBI distributive trade survey (Mar, 11am); US Philadelphia Fed service sector activity (Mar, 12:30pm); US FHFA house price index (Jan, 1pm); **US building permits** (February final estimate, 12pm); **US new home sales** (Feb, 2pm); US Richmond Fed manufacturing index (Mar, 2pm); **US Conference Board consumer confidence** (Mar, 2pm); Japanese PPI services (Feb, 11:50pm).

Key events today include: Speeches by the ECB's Muller in Tallinn (9am), Vujcic in Warsaw (10:50am) & Nagel in Frankfurt (4pm).

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

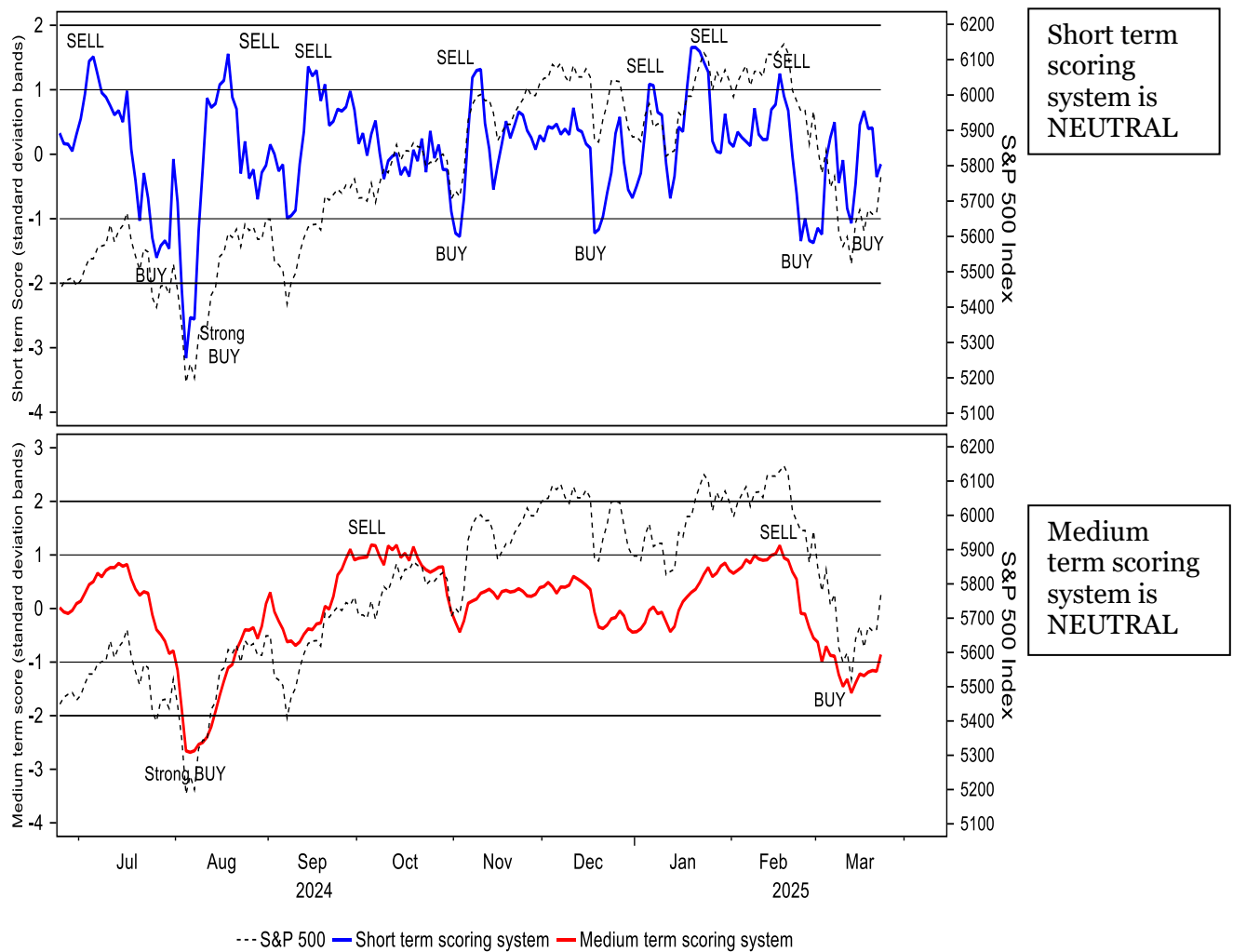
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25th March 2025

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

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



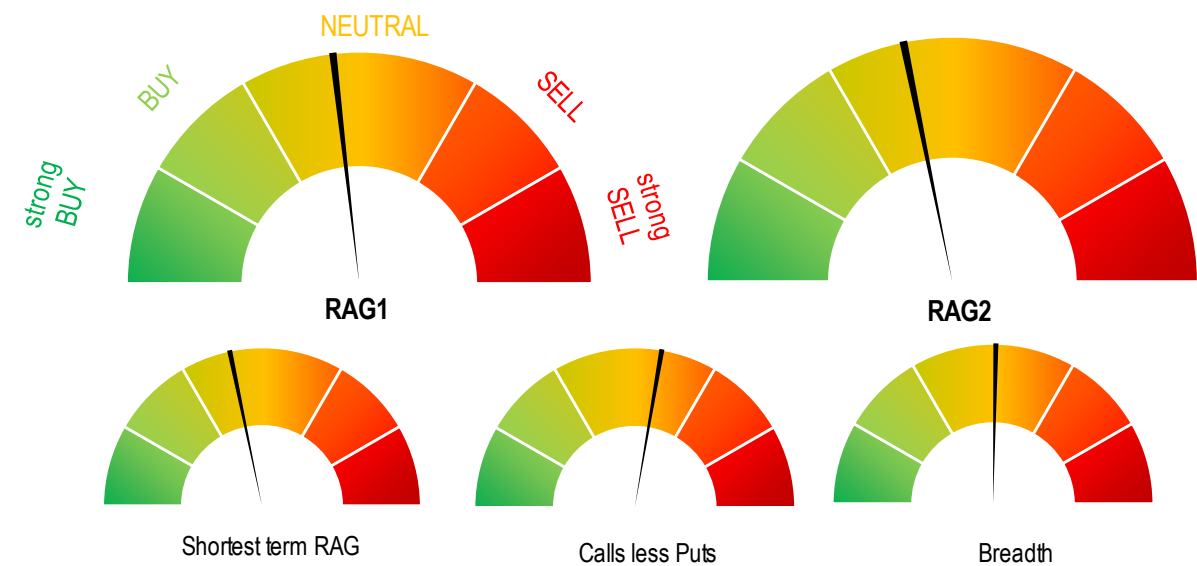
Source: Longview Economics, Macrobond

*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**

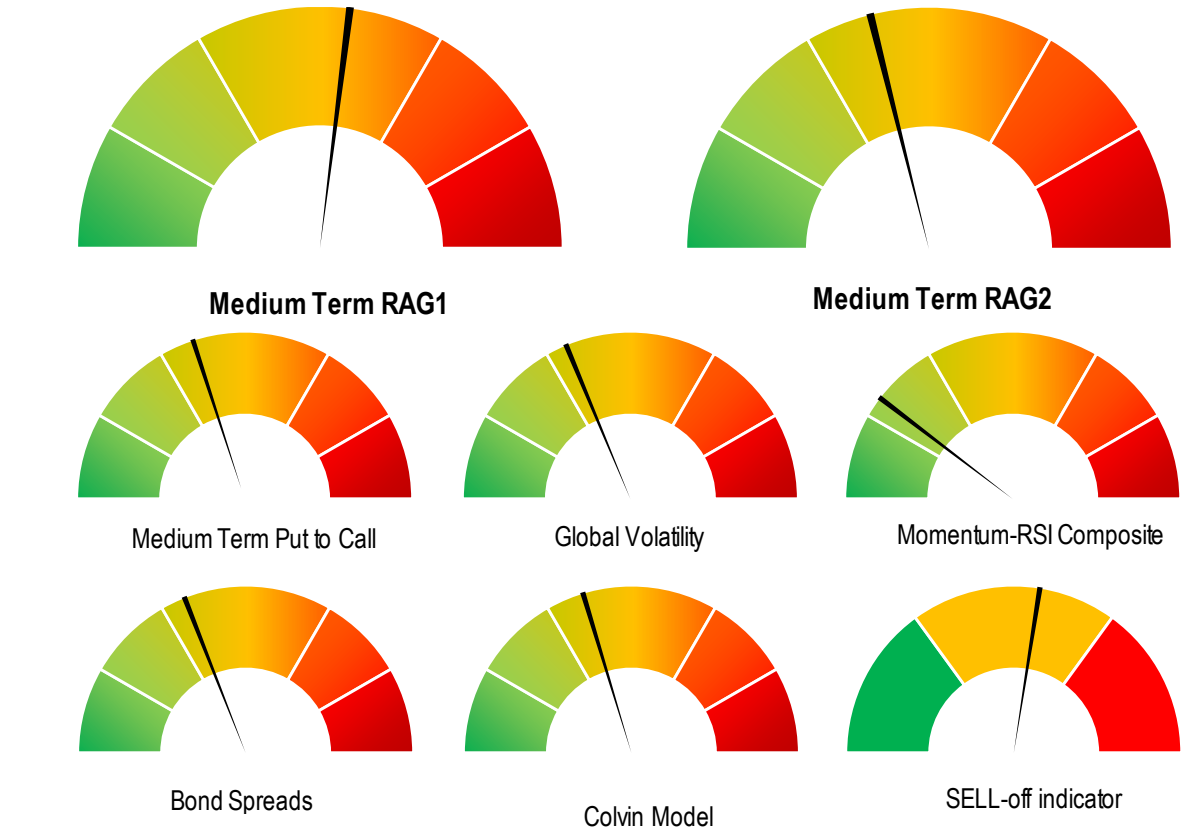
Section 1a: Summary of indicator signals**

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

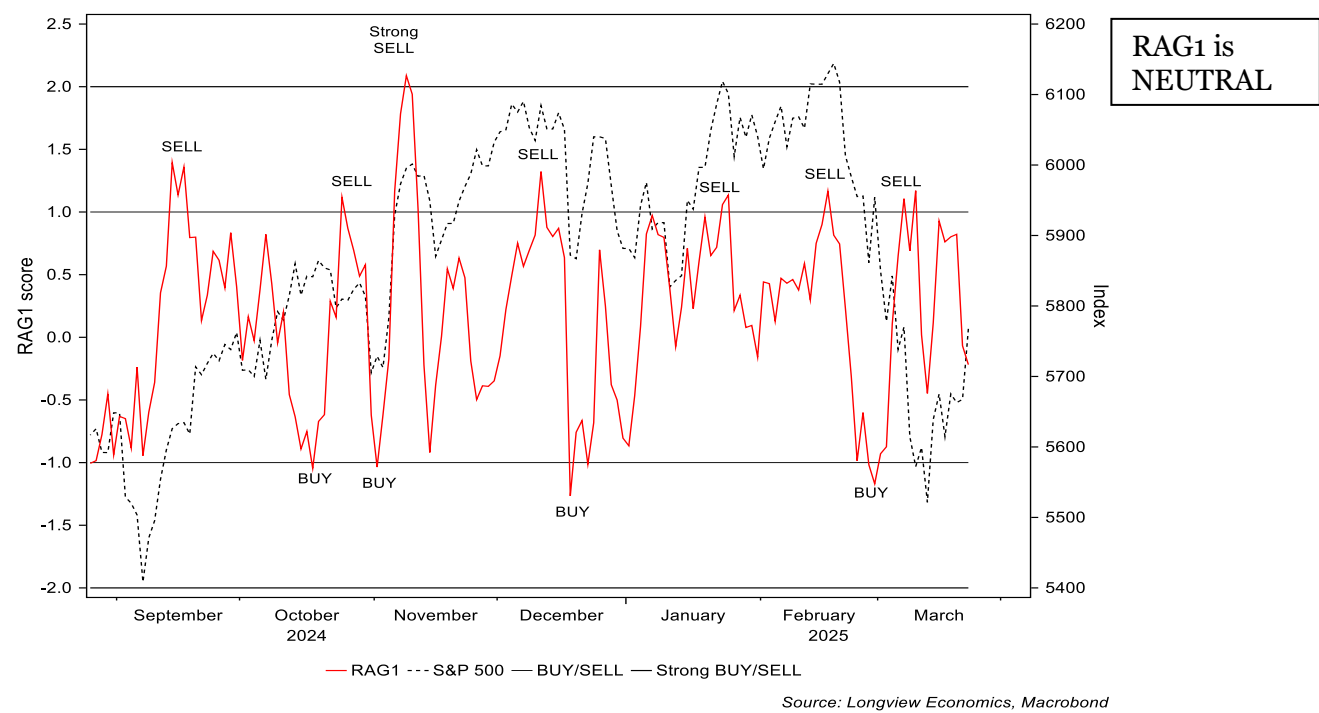
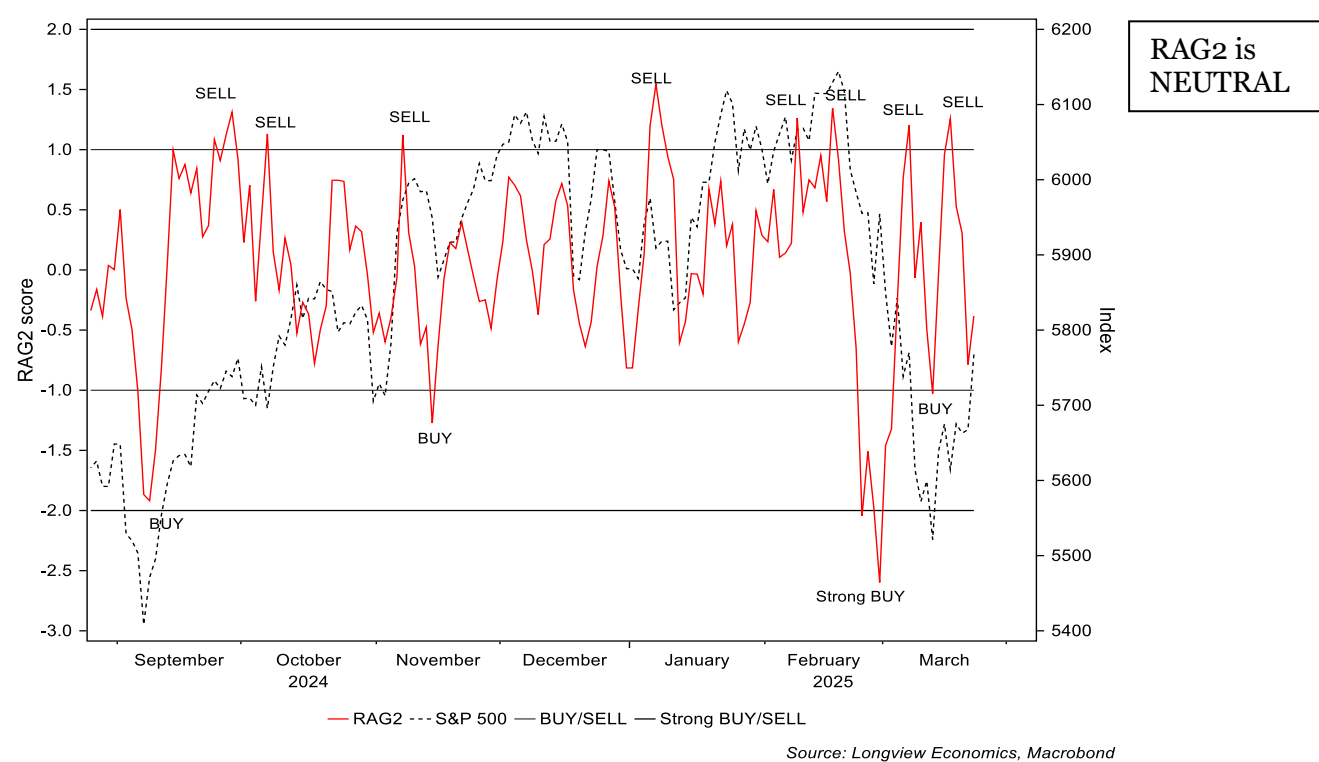


Fig 2b: RAG 2 vs. S&P 500



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

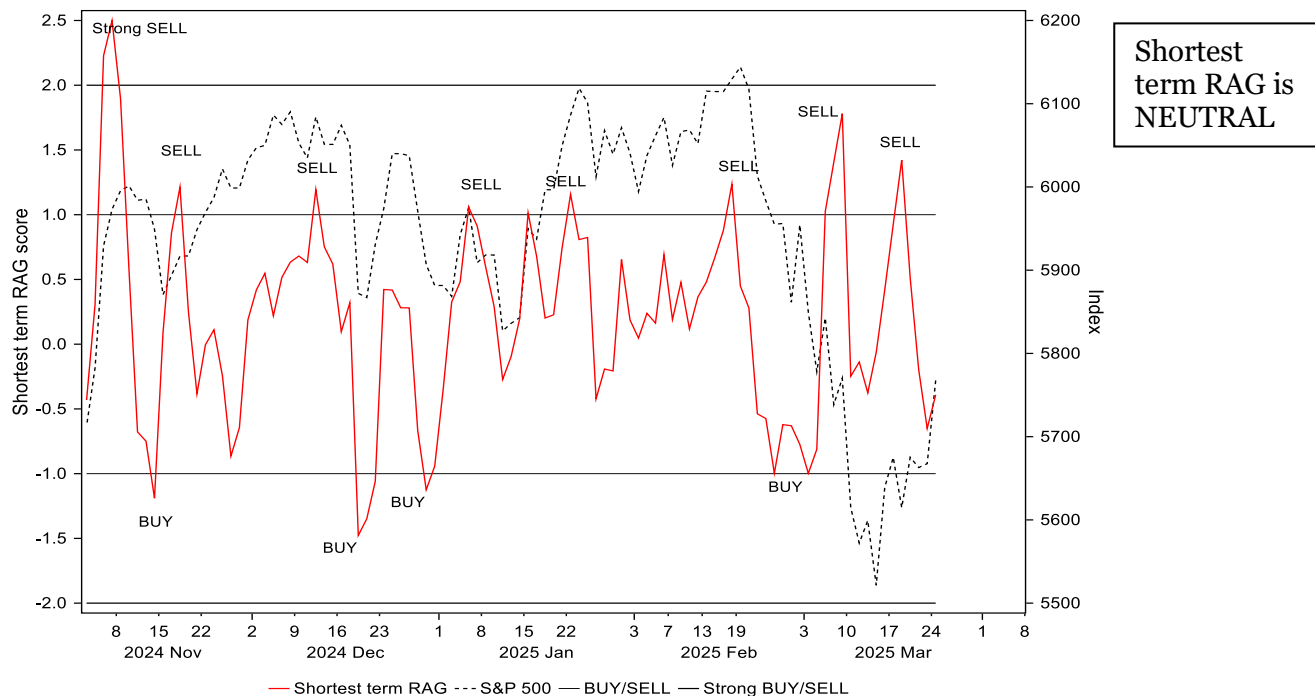
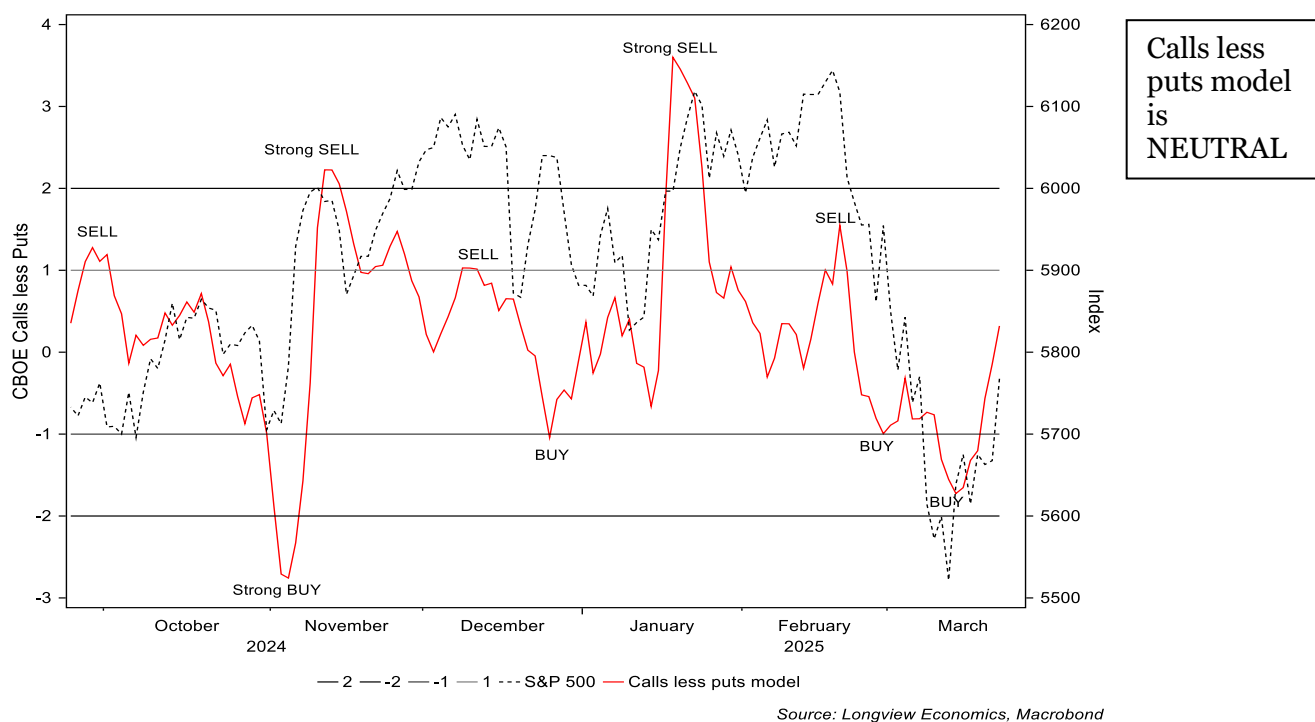
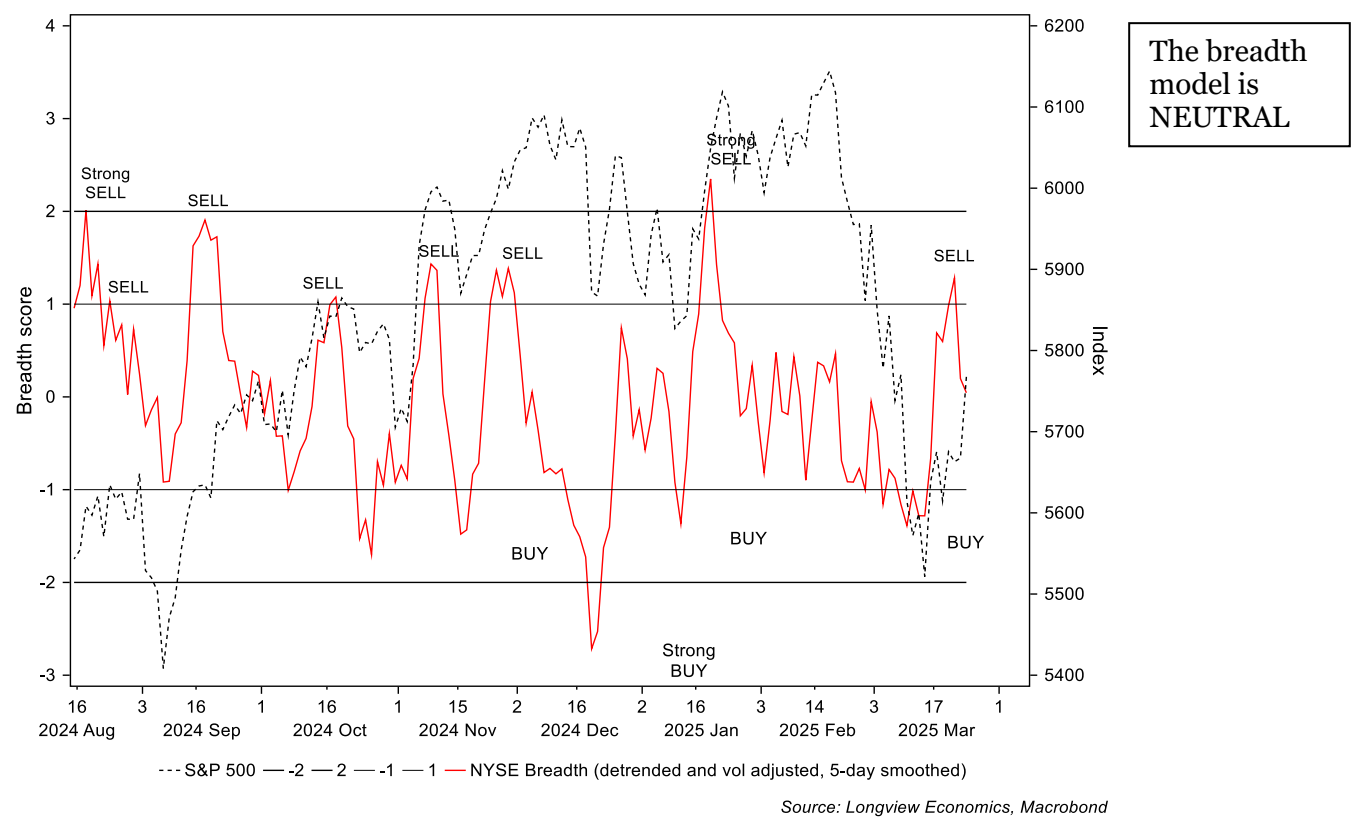


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



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

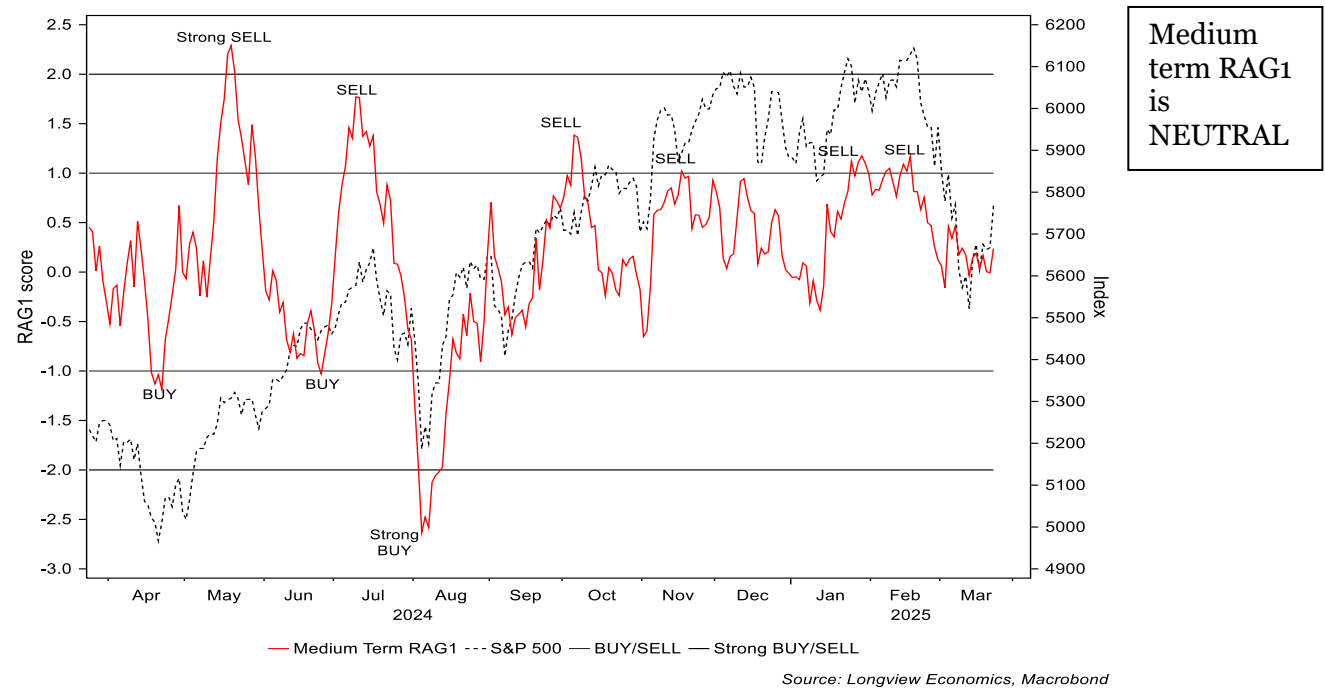
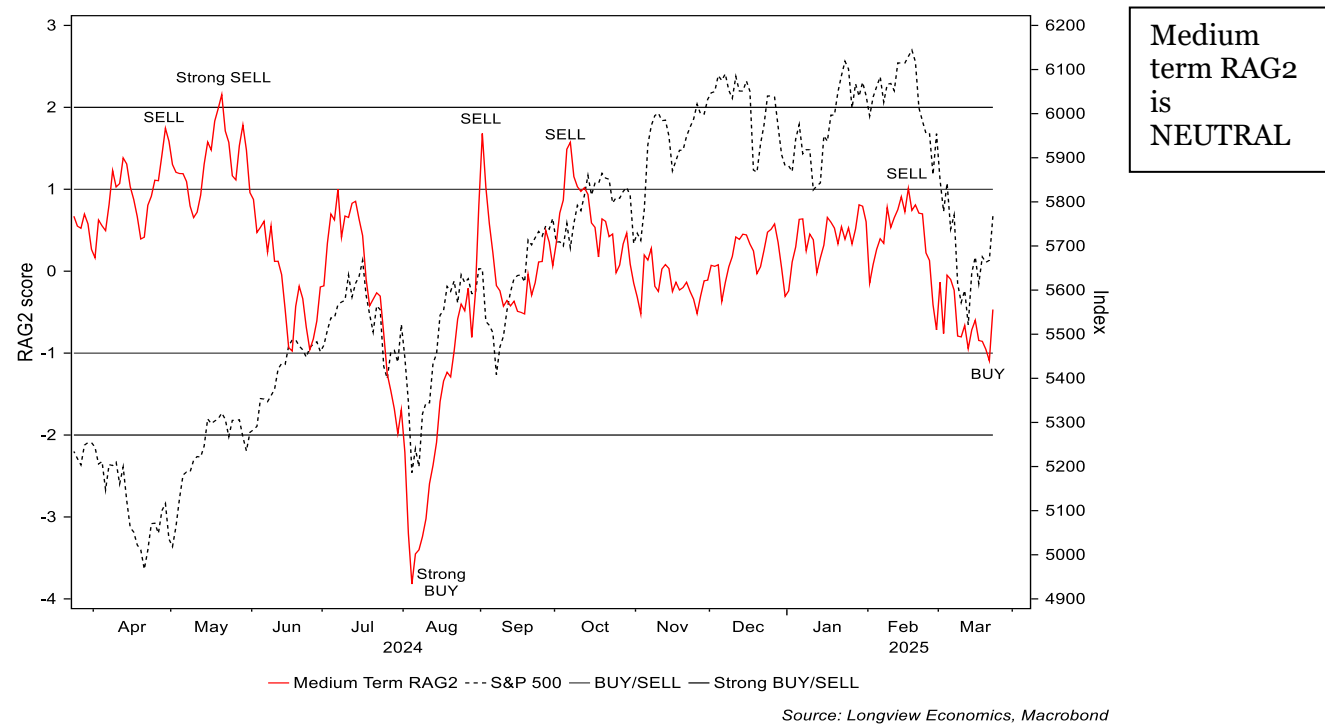


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

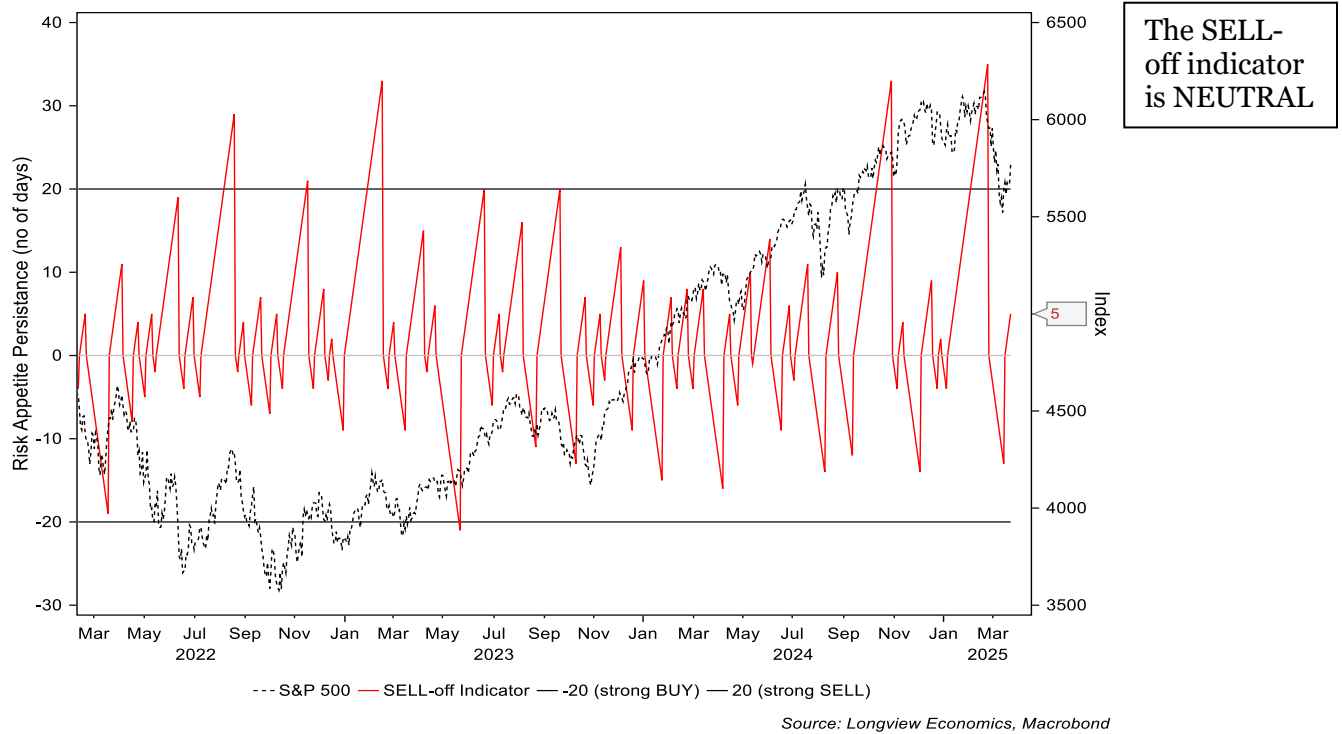
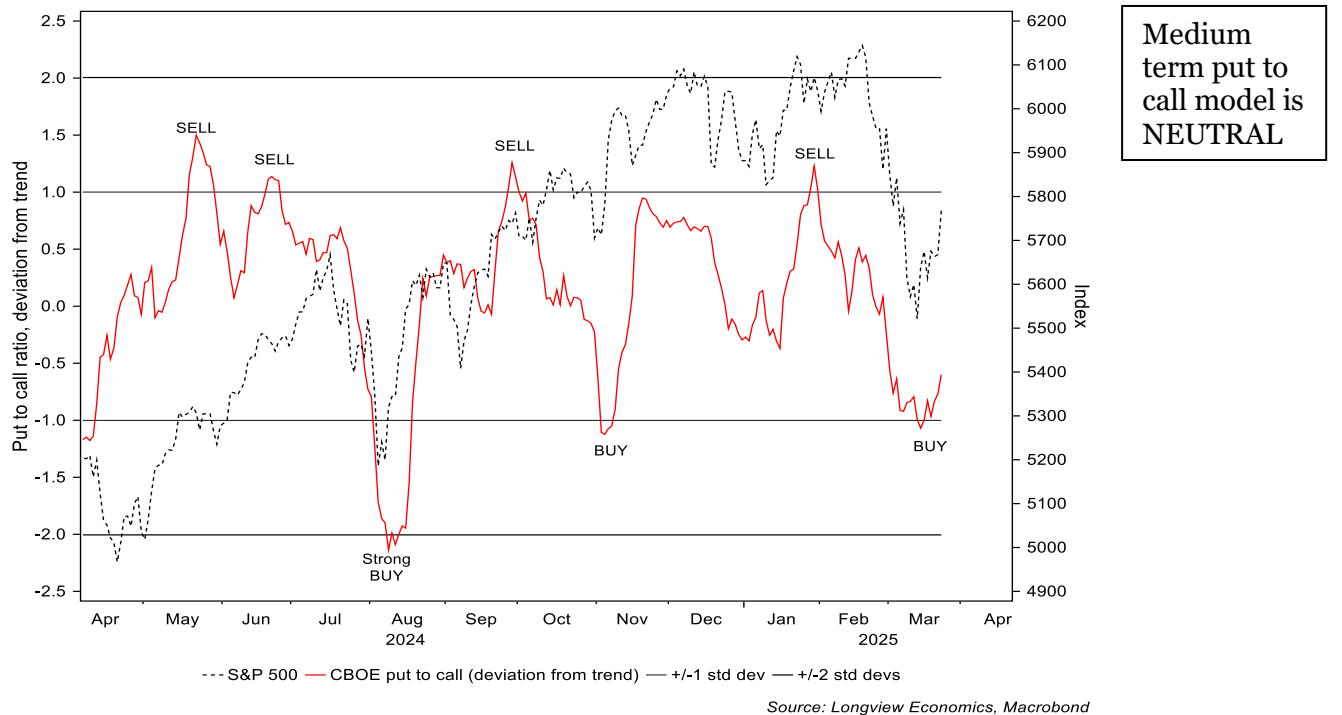


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

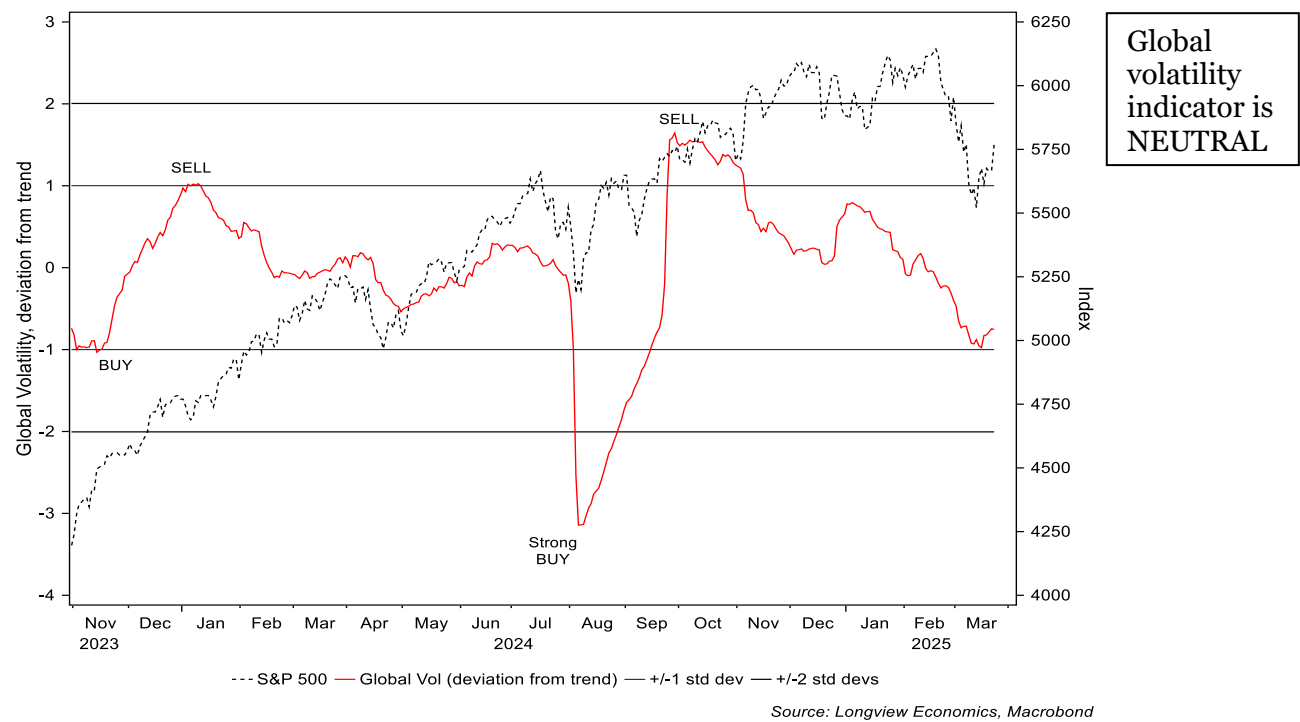


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

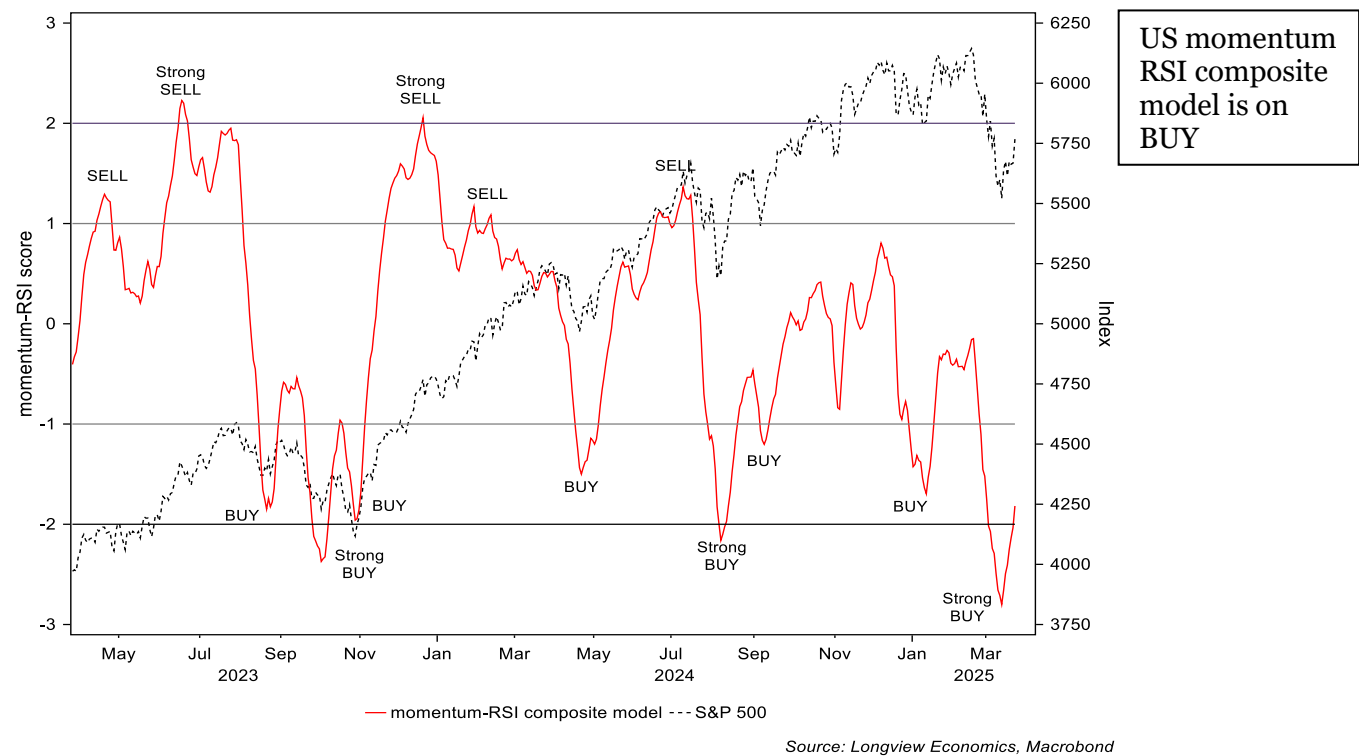


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

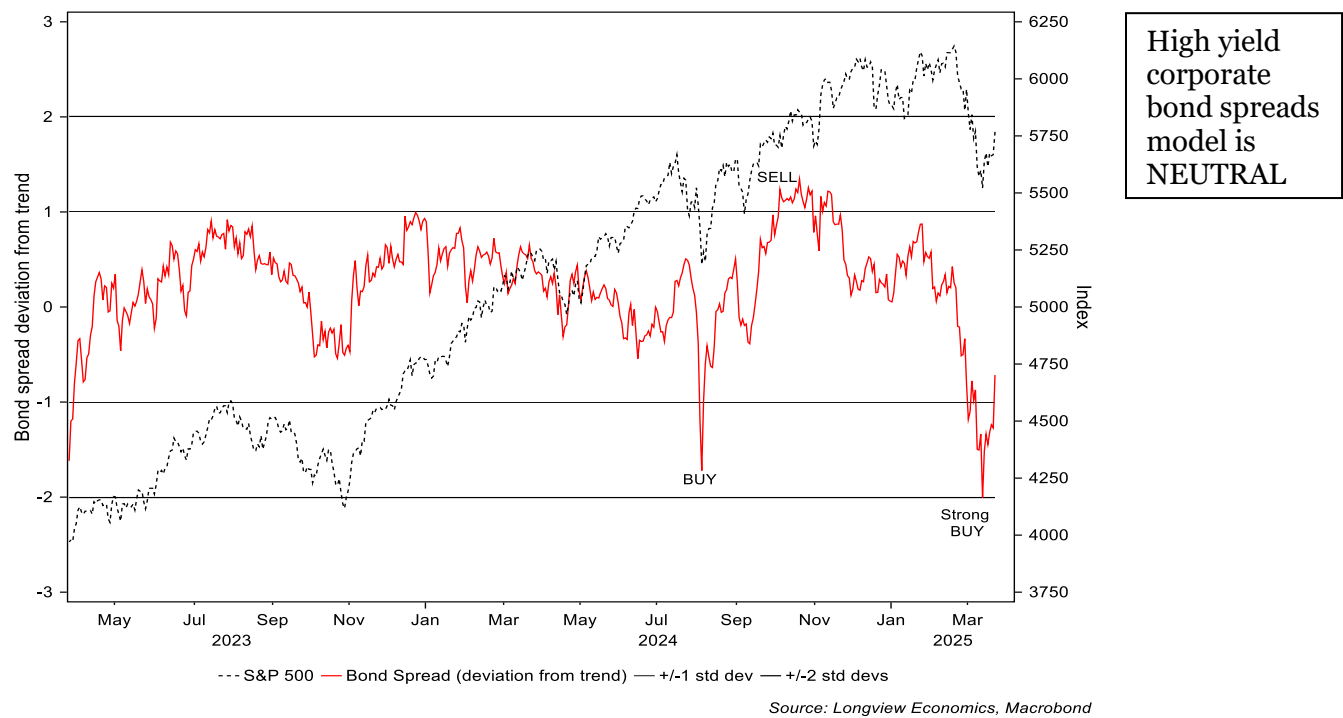
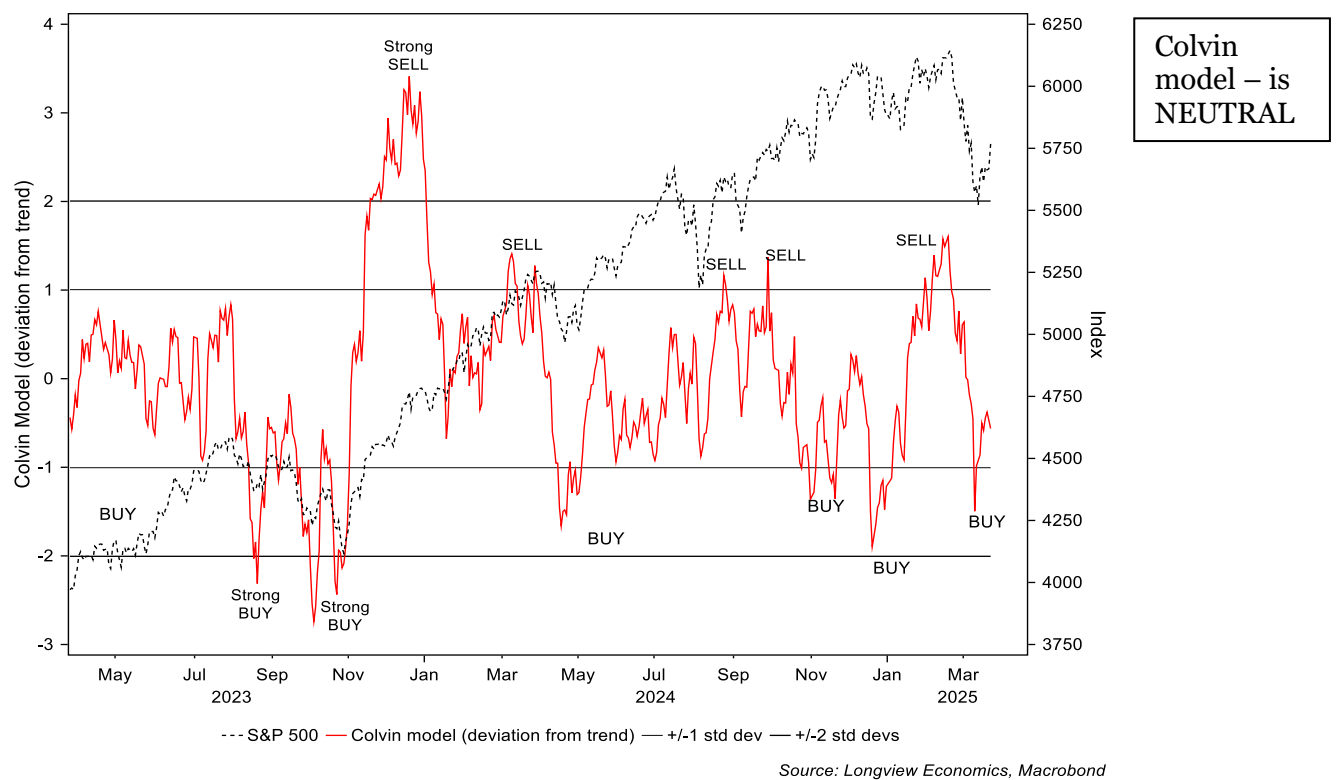


Fig 3h: Colvin model (deviation from trend) vs. S&P500



For explanations of indicators please see page 10

Appendix: Model Explanations

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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