

Equity Index Futures Trading Recommendations

“STAY LONG”

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26th March 2025

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

- STAY $\frac{1}{4}$ LONG June SPX futures (blended entry was 5,710.5);
- Tighten stop loss to entry at 5,730.0 (from 5,710.0 yesterday).

Rationale

After a strong day of gains on Monday, US equities were quieter yesterday. S&P500 futures closed up by 0.2%, SPX e-mini volumes were low with only 1.1 million contracts traded, whilst the breadth of the intraday trading range was at its lowest for about a month (FIG 1). NDX100 futures fared modestly better, rallying just over 0.5%. Seven out of the 11 top level S&P500 sectors closed higher (led by comm services +1.4% & consumer discretionary +1.0%). Large cap MAG7 stocks led those sectors higher (i.e. Google +1.7%; Meta +1.2%; Tesla +3.5% & Amazon +1.2%). Those stocks have been deeply overextended to the downside in recent weeks (e.g. see FIG 1a), hence the strength of their relief rallies/bounces.

Yesterday we reduced the size of our LONG S&P500 futures position (i.e. from $\frac{1}{2}$ to $\frac{1}{4}$ LONG). We also tightened the stop loss. That reflected the recent sharp moves higher by many of the short-term models. Overnight, the main ones remain mostly on or close to SELL. That is, technically the market is overbought at an index level and close to overbought on single stock models (e.g. see FIG 2e). The sector based technical model, in contrast, is still NEUTRAL (i.e. model is mid-range, FIG 2d). The broad-based CBOE put to call model is back on SELL - FIG 2b (as traders have removed downside protection); while risk appetite models point to further possible near-term upside (FIGs 2 & 2a). Overall, therefore, the message of the key short-term models has become more nuanced (but leaning towards SELL). Hence why we reduced the level of exposure to the LONG trade.

There remains, therefore, an argument for continued near term gains in this market, albeit risk is heightened. Other points to note (re: Heightened risk) include the collapse in volatility in recent trading sessions. The VIX, for example, is sitting on its 200-day moving average (& closed yesterday at 17.15%, see FIG 1e); the VVIX is at multi month lows, but notably closed higher yesterday (FIG 1f); while the gap between realised and implied equity volatility is back at a level (close to) signalling SELL (FIG 1d).

Added to that, the Fibonacci set-up remains as per yesterday. That is, S&P500 futures are sitting on their 38.2% retracement level (5,813 – FIG 1c), whilst the 50% level (5,892) and the 61.8% resistance level (5,970) highlight the potential for further upside.

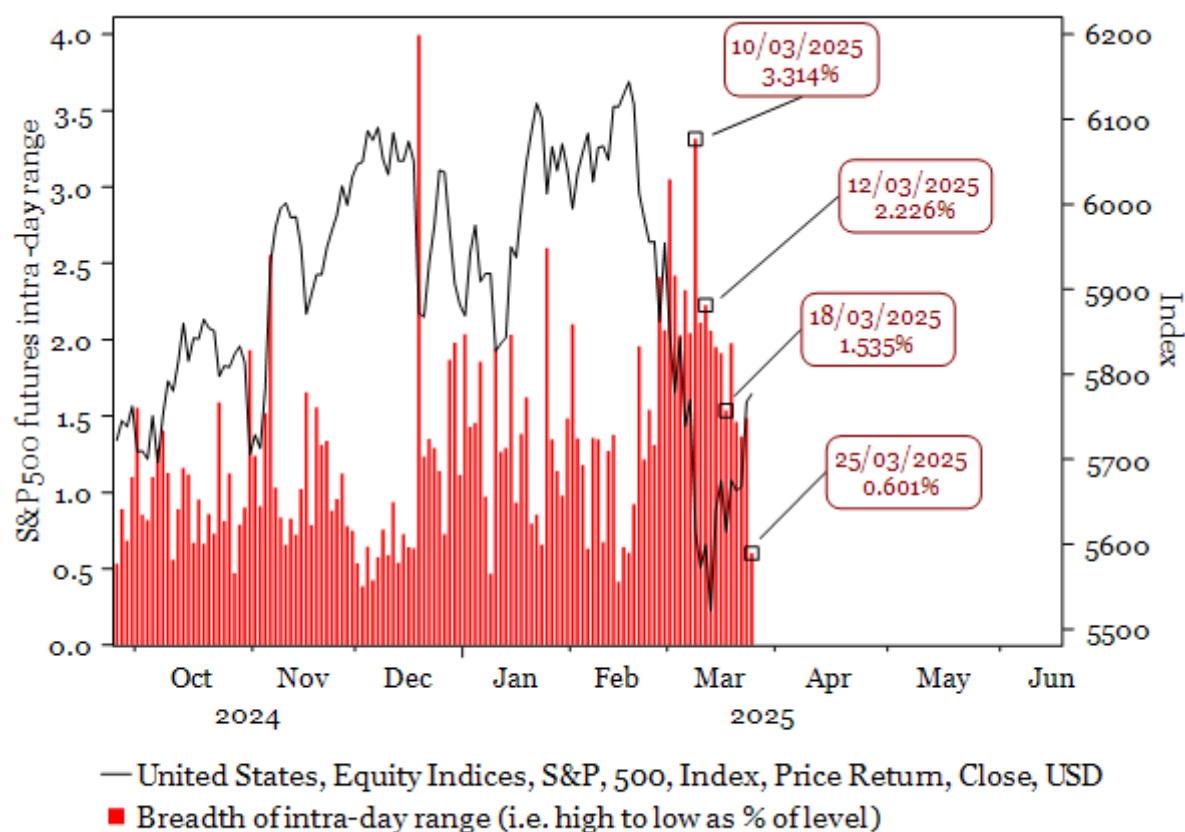
As such, risk reward favours staying modestly LONG (i.e. ¼ LONG S&P500 futures), but with a somewhat tighter stop loss (see trading recommendation above).

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

Kind regards,

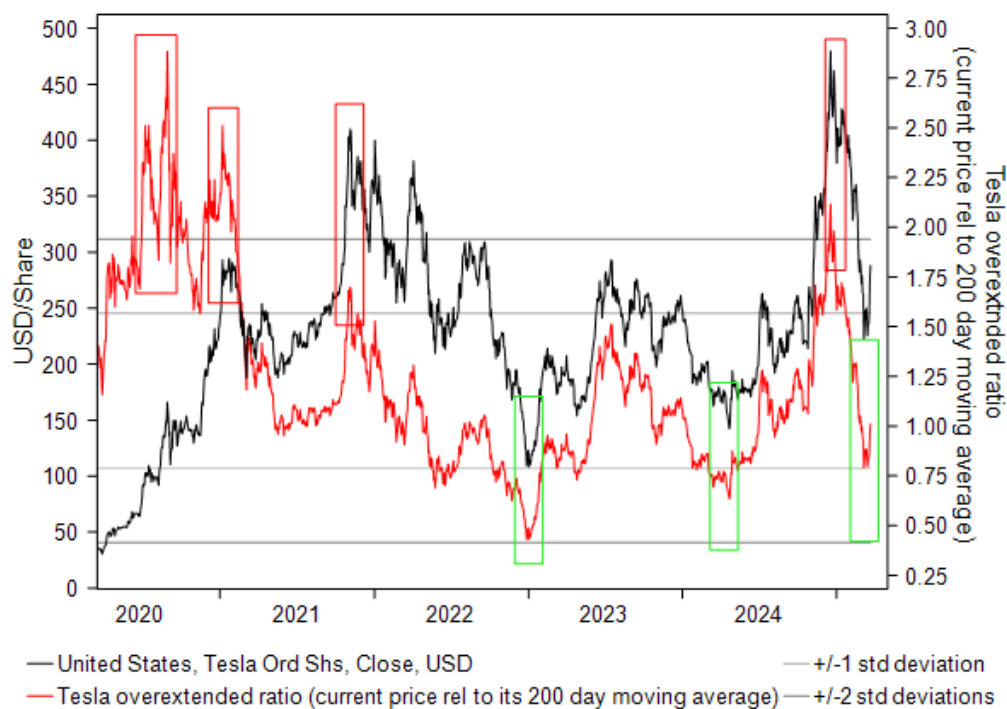
The team @ Longview Economics

FIG 1: Breadth of S&P500 futures intraday trading range vs. S&P500



Source: Longview Economics, Macrobond

FIG 1a: Tesla overextended indicator (price rel. to its 200 day mov) vs. Tesla share price (US\$)



Source: Longview Economics, Macrobond

FIG 1b: S&P500 June 25 futures 10-day tick chart shown with overnight price action

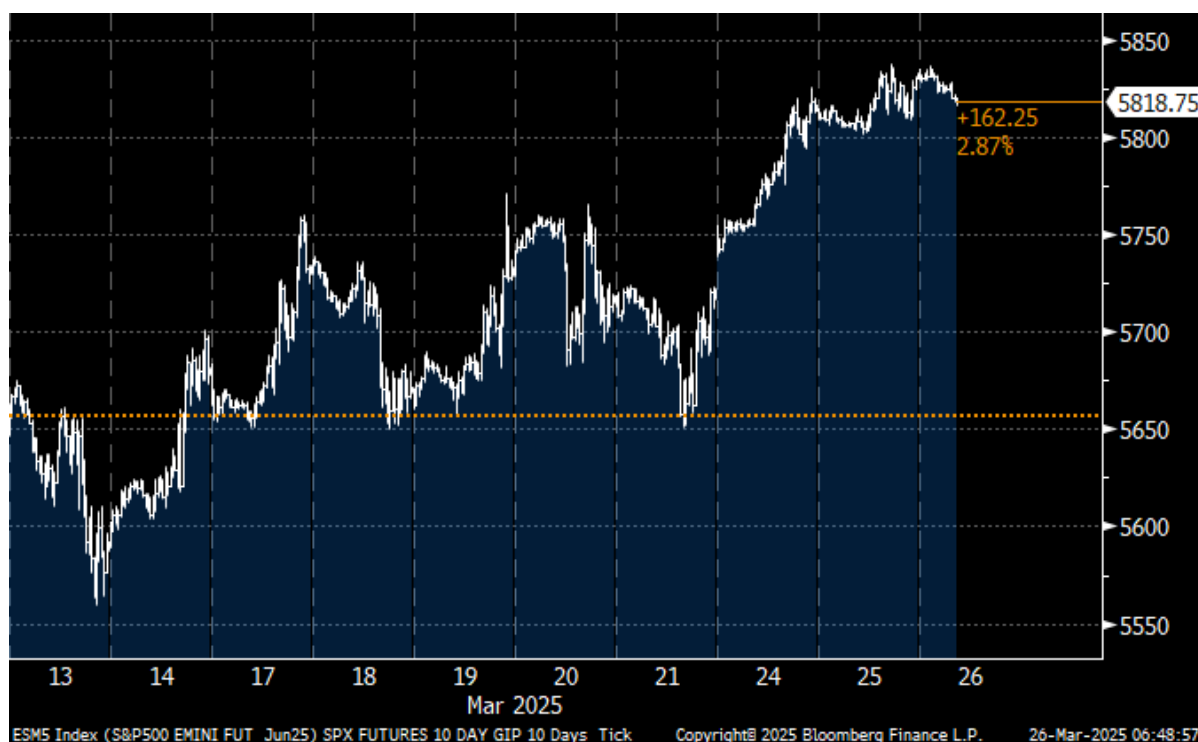
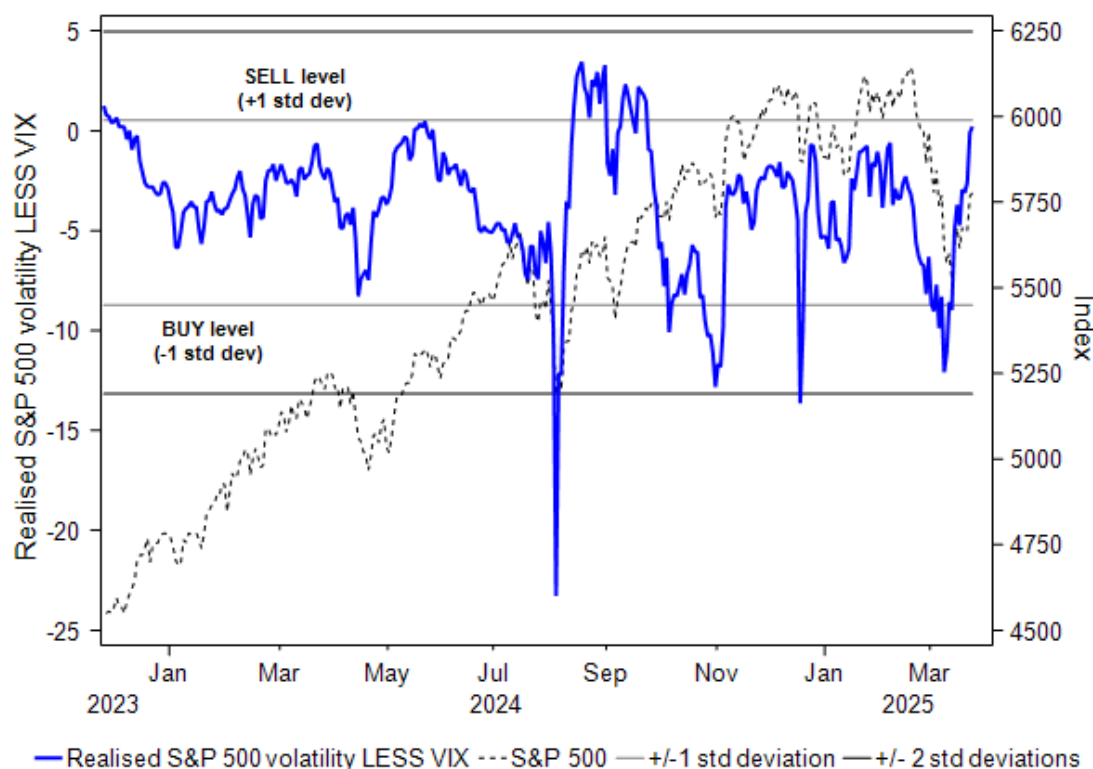


FIG 1c: S&P500 June futures shown with key Fibonacci retracement levels

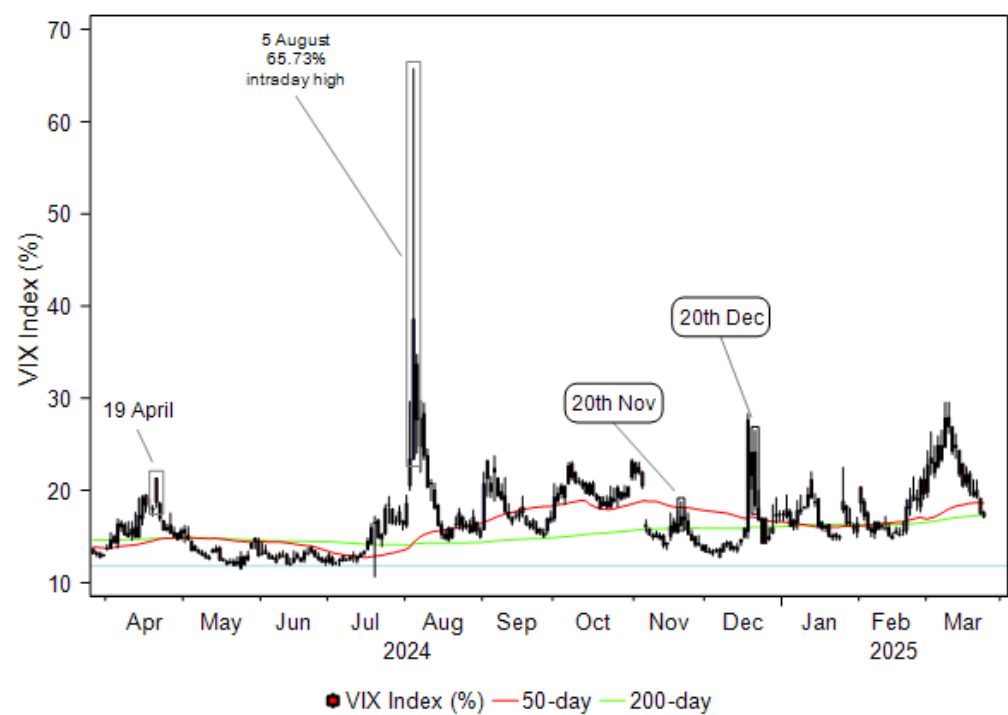


FIG 1d: Realised LESS implied S&P500 volatility vs. S&P500 (shown with +/- 1 & 2 standard deviations)



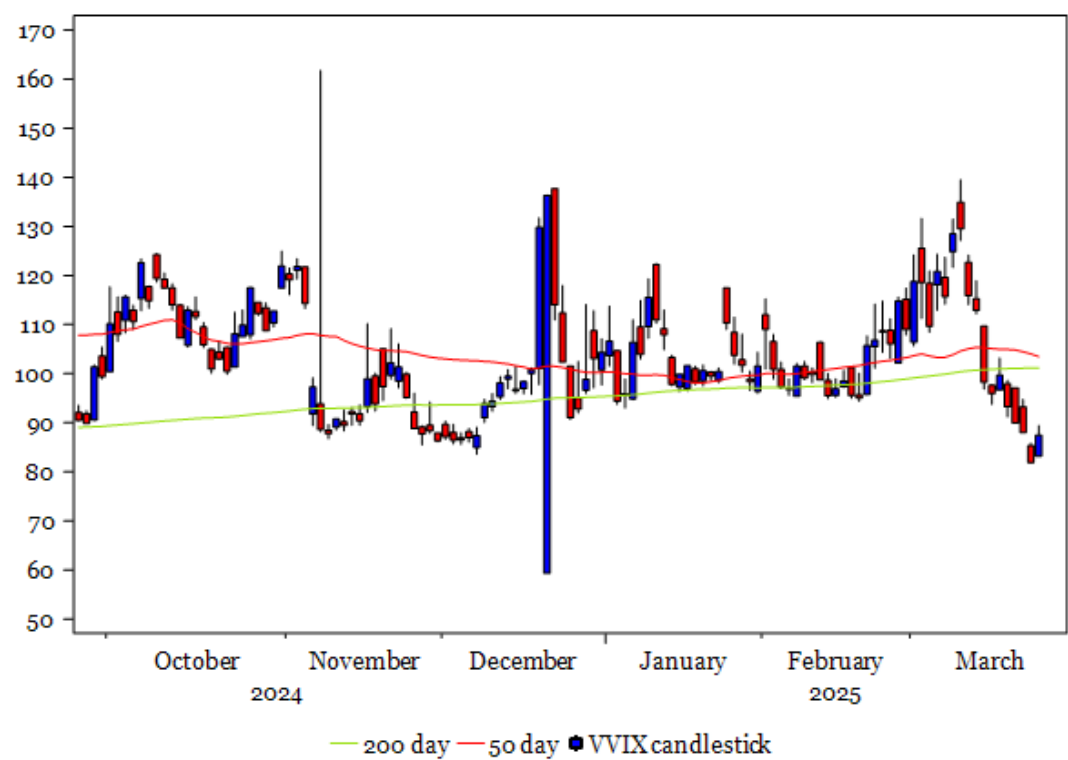
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

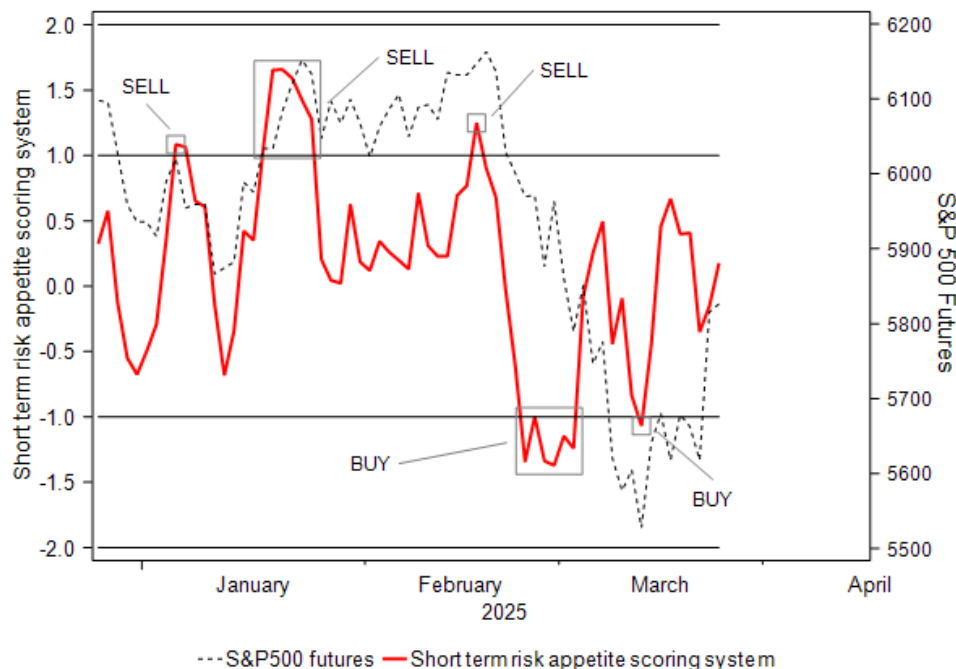
FIG 1f: VVIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

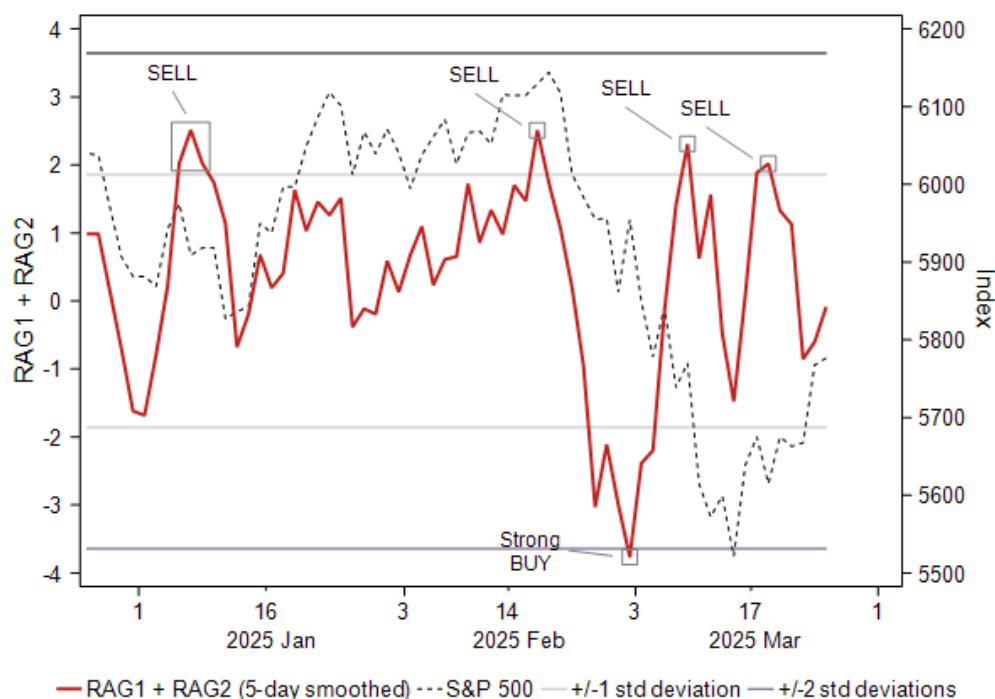
Short term risk appetite models are NEUTRAL

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



Source: Longview Economics, Macrobond

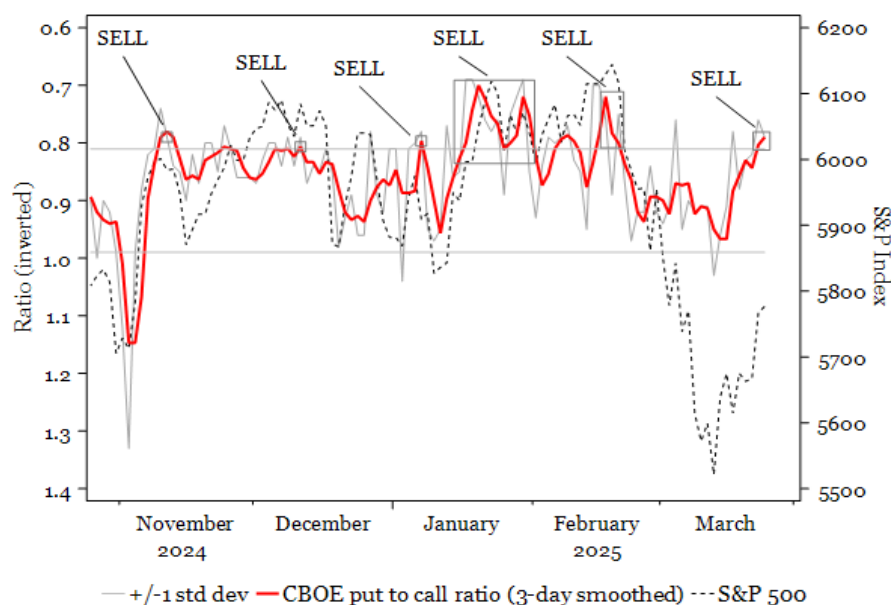
FIG 2a: Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

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

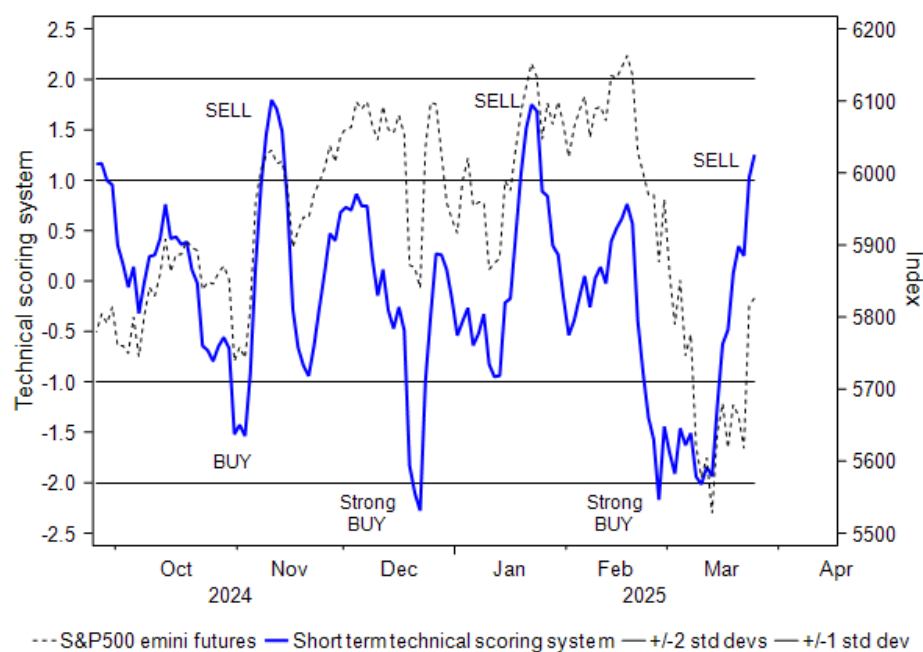
FIG 2b: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

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

FIG 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

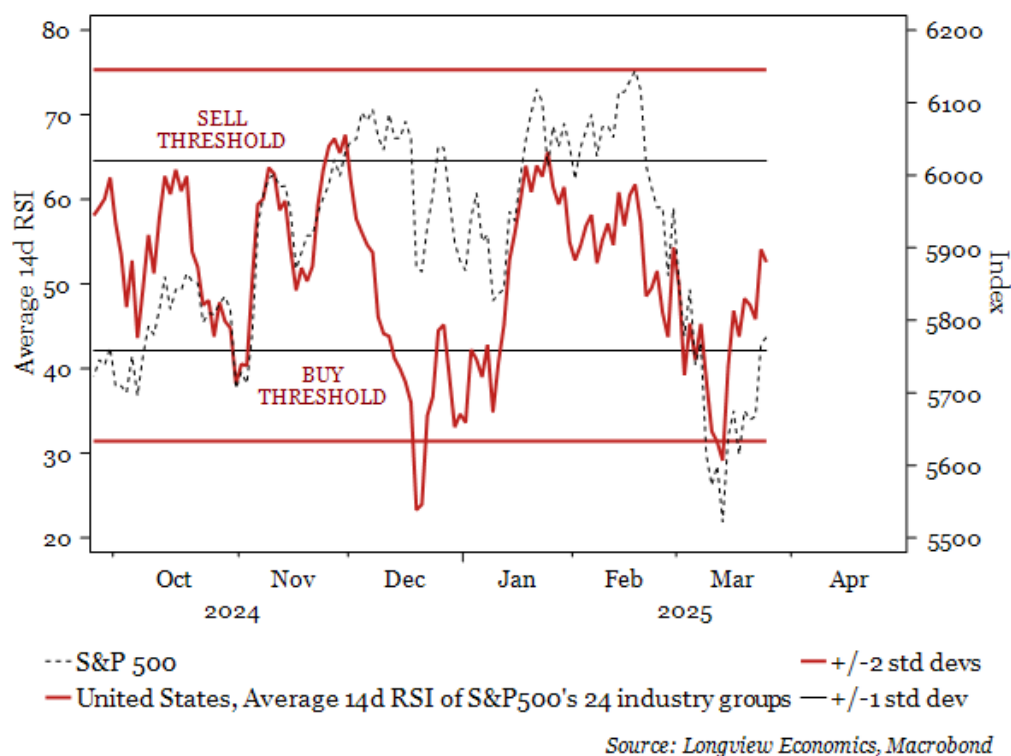
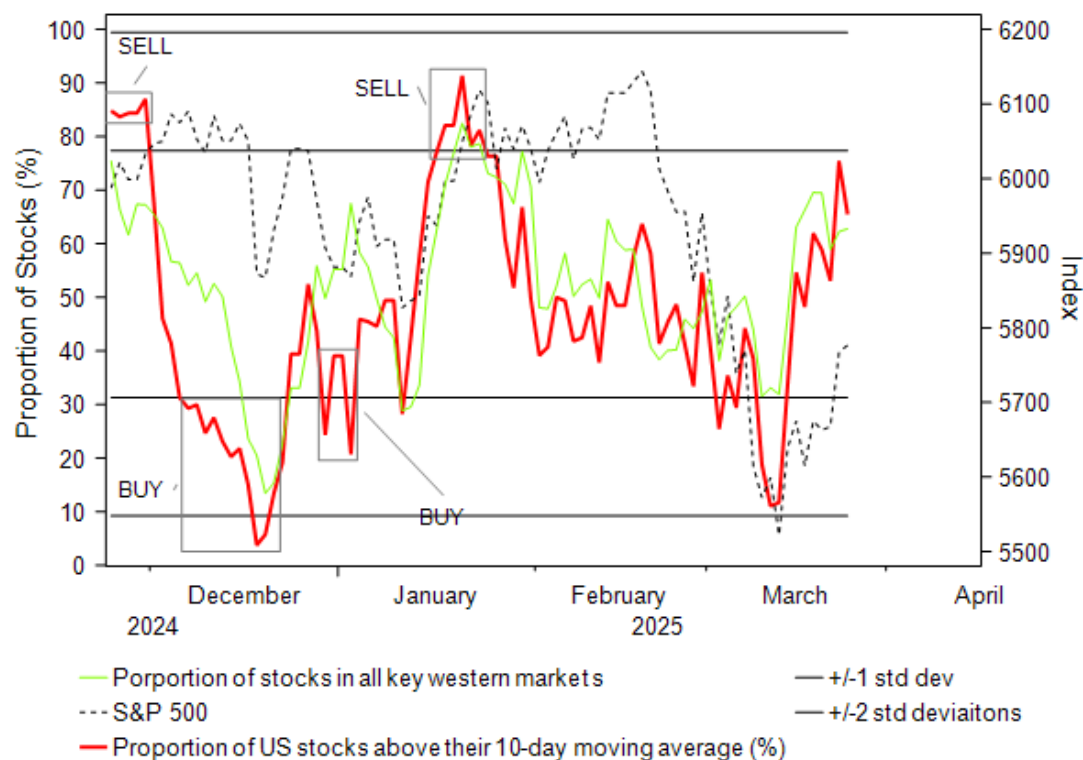


FIG 2e: S&P500 single stocks with upward momentum vs. S&P500

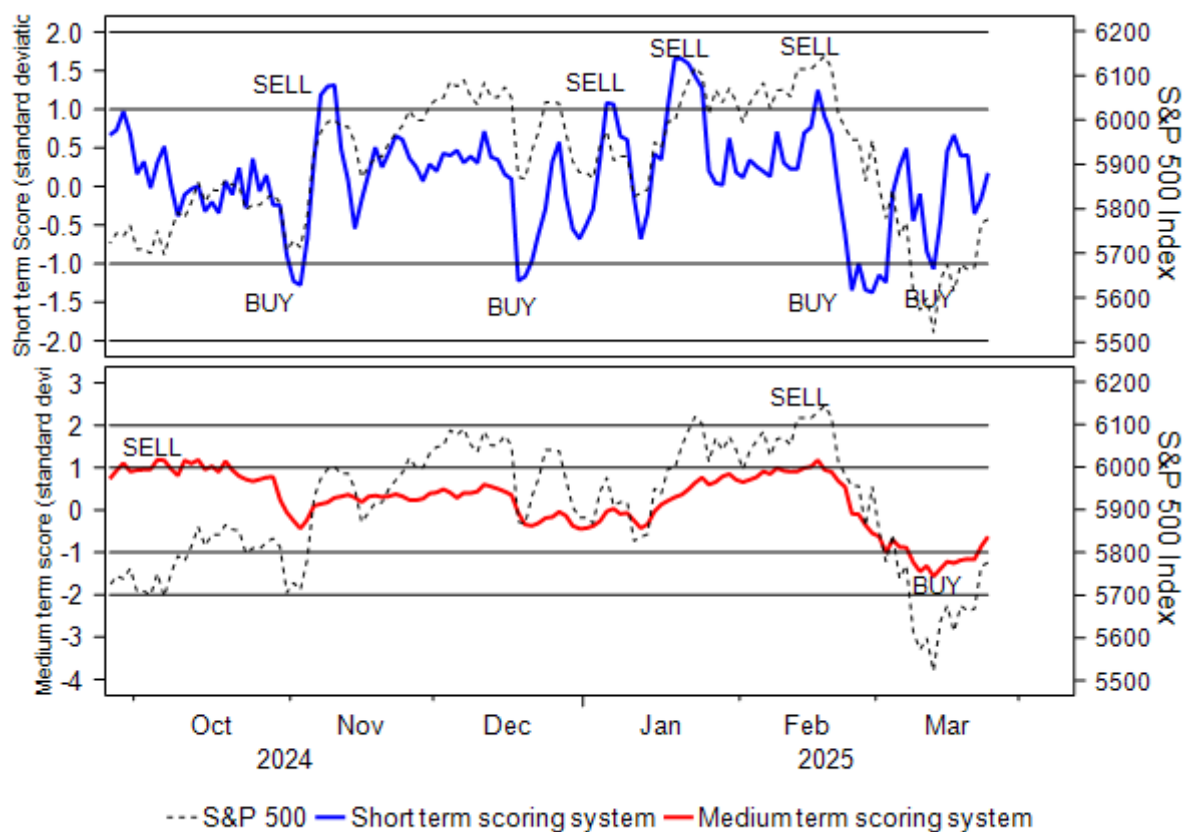


Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **NEUTRAL** (from BUY earlier in the week)

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



Source: Longview Economics, Macrobond

Key macro data/events

Key data today include: Australian CPI (Feb, 12:30am); Japanese ESRI leading index (January final estimate, 5am); **UK Headline & core CPI, RPI & PPI** (Feb, 7am); **French INSEE consumer confidence** (Mar, 7:45am); Spanish GDP (Q4 final estimate, 8am); UK Land Registry house price index (Jan, 9:30am); **US durable goods orders** (February first estimate, 12:30pm).

Key events today include: **Chancellor Reeves presents the Spring Statement** (12pm); Riksbank release minutes from monetary policy meeting (8:30am); speech by the Fed's Musalem on monetary policy (5:10pm); speeches by the ECB's Villeroy in Paris (10am) & Cipollone at crypto assets conference (6pm).

Key earnings today include: Cintas, Paychex, Bank of China, China Life Insurance.

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

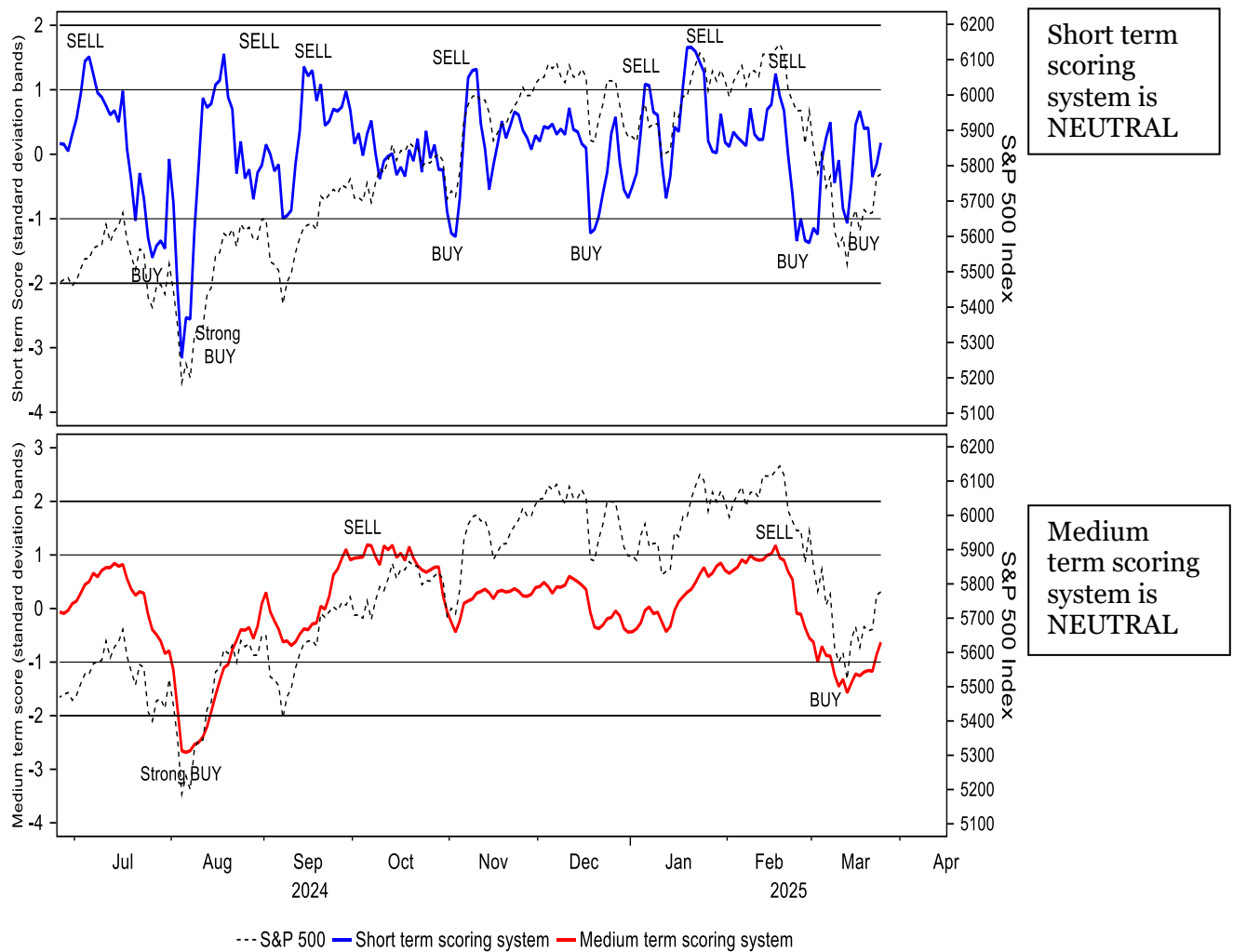
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26th March 2025

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

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



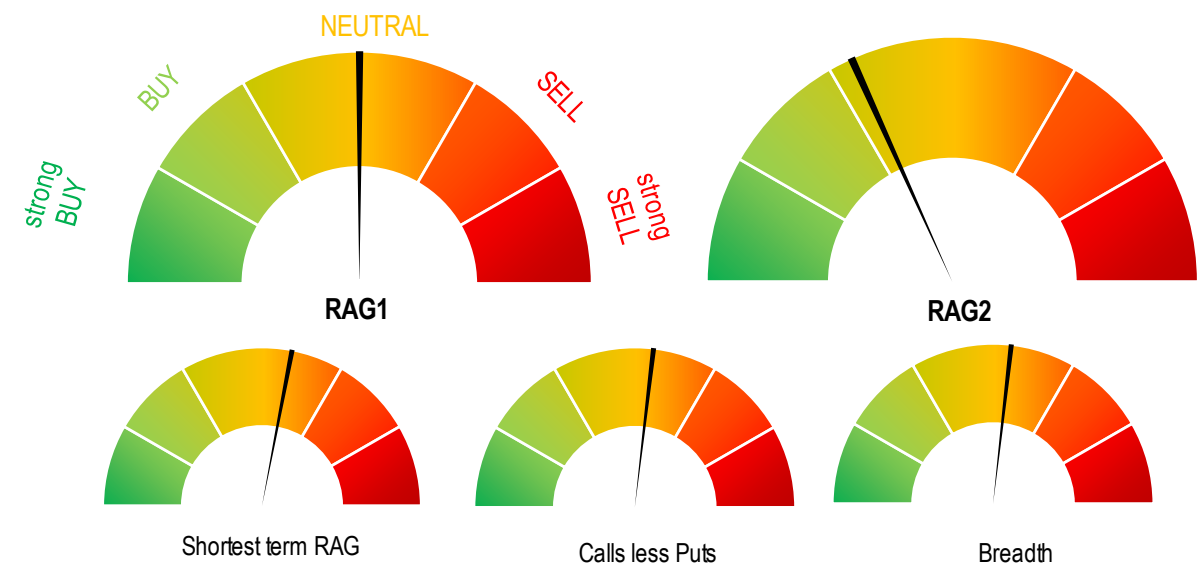
Source: Longview Economics, Macrobond

*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**

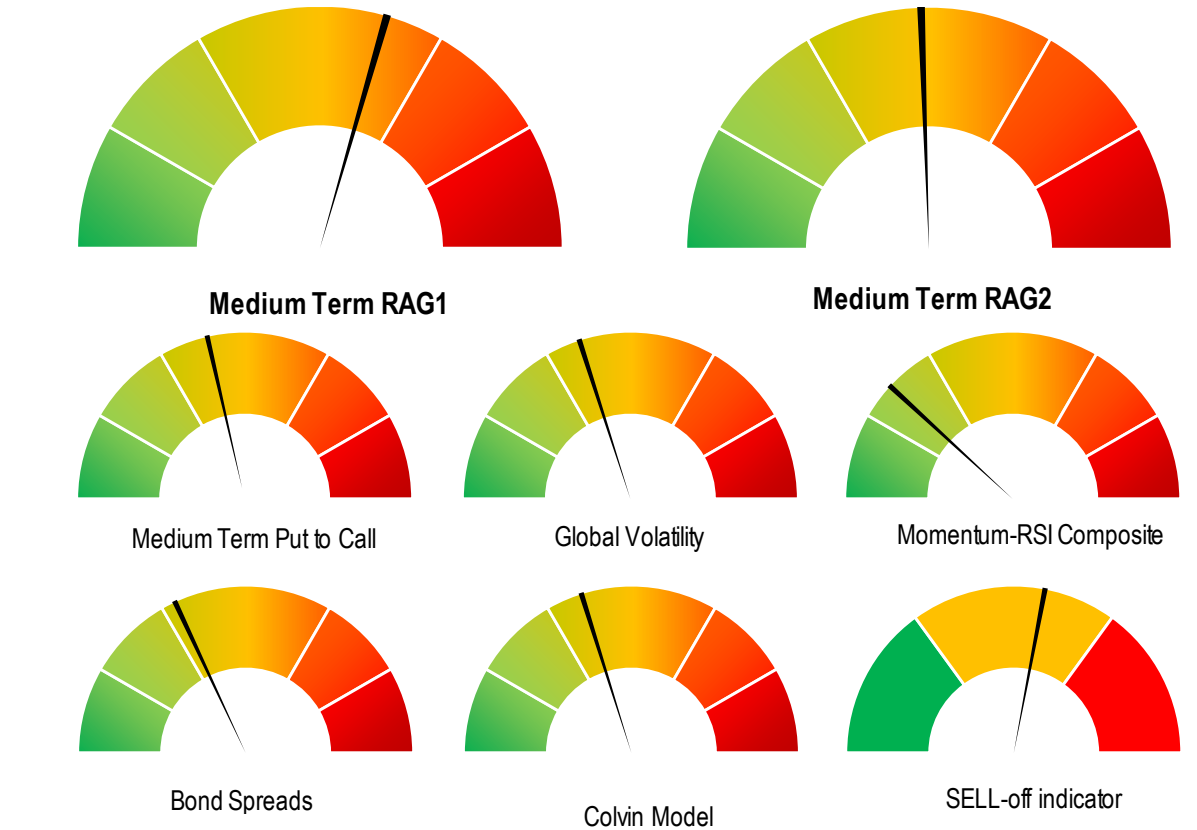
Section 1a: Summary of indicator signals**

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

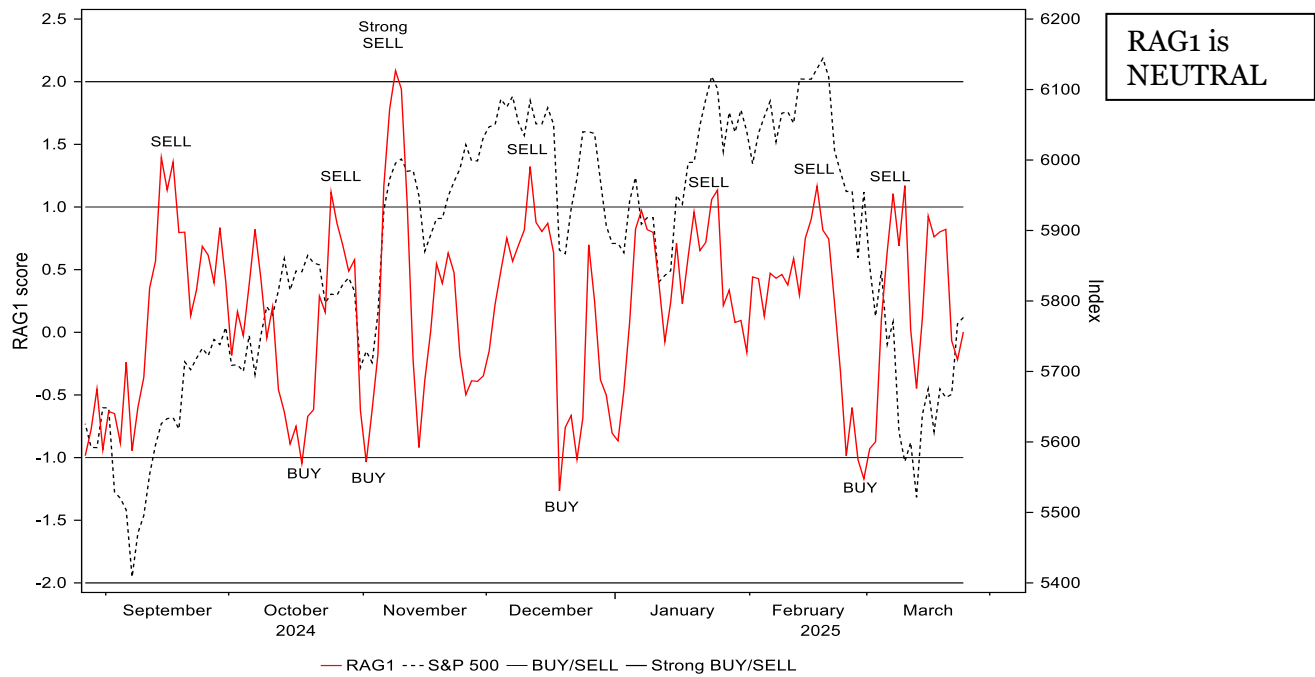
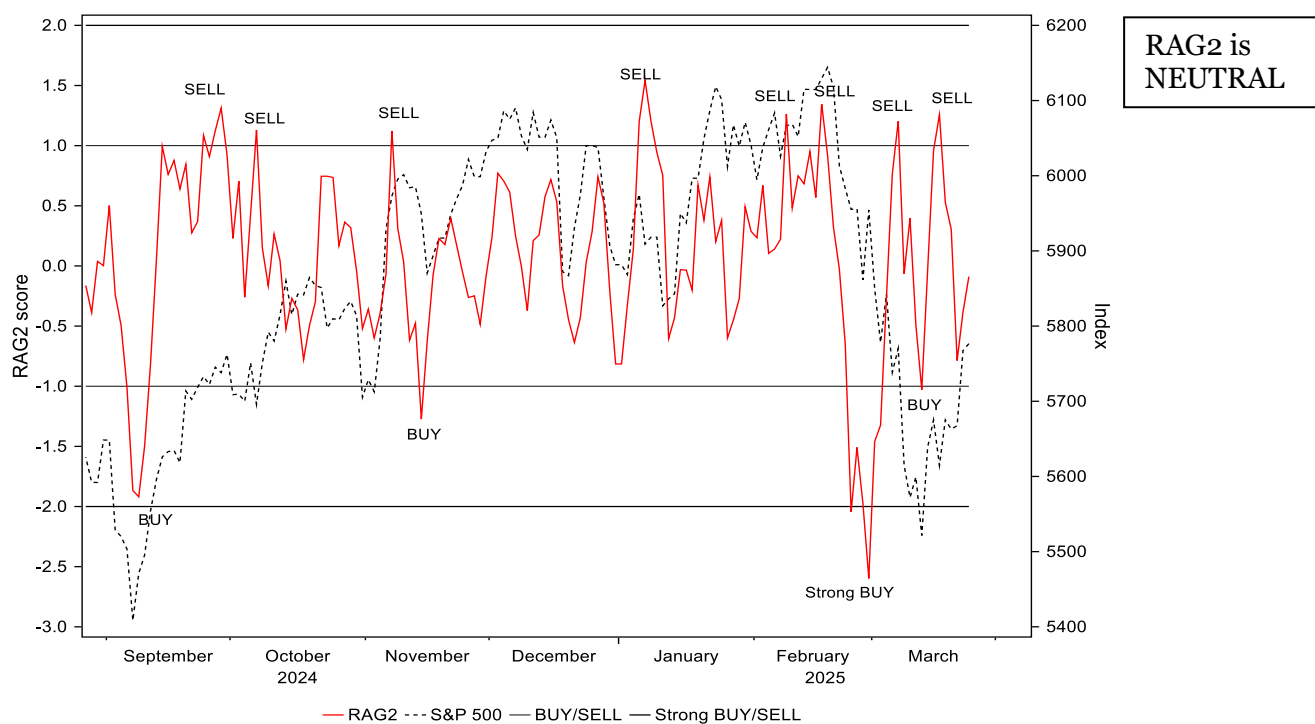


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

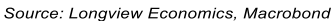
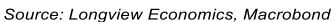
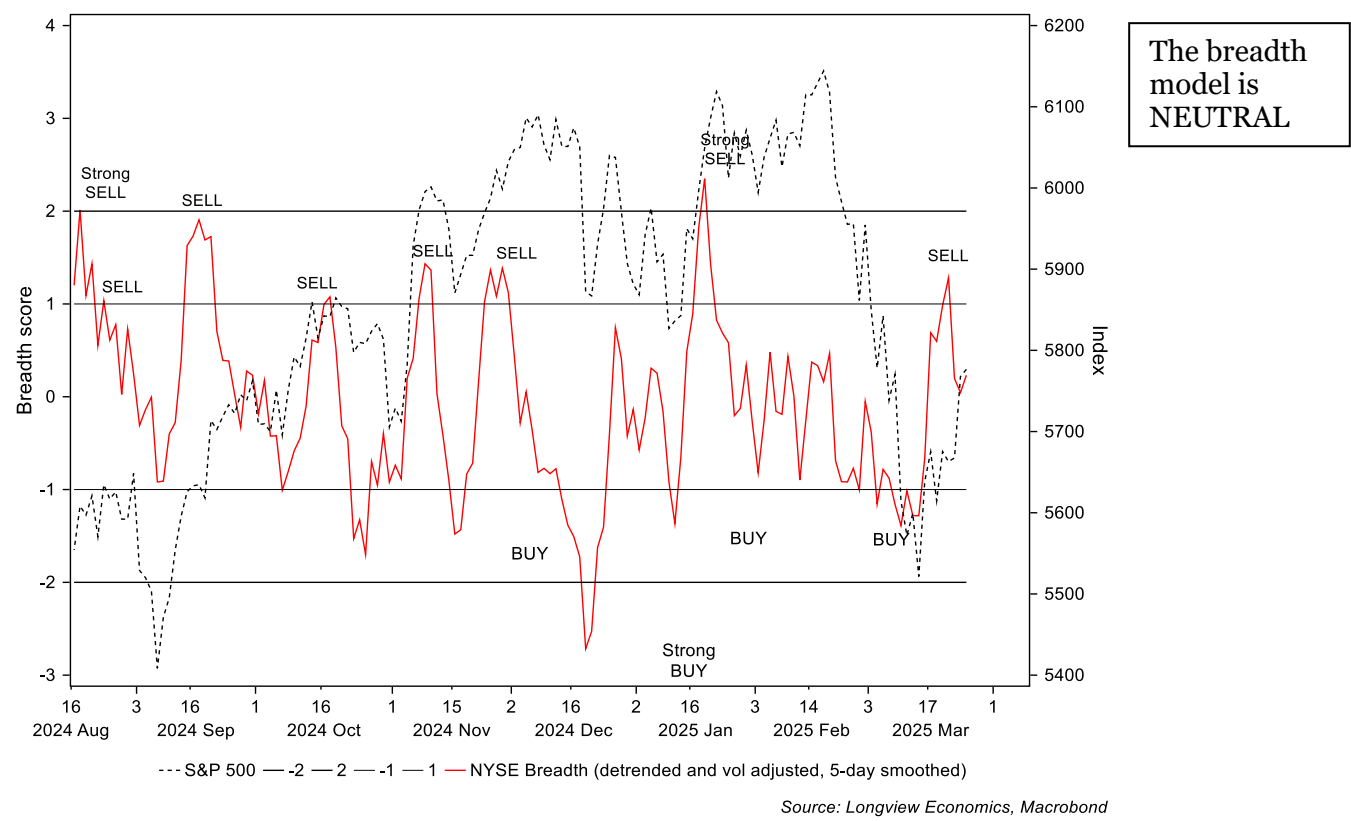


Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



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

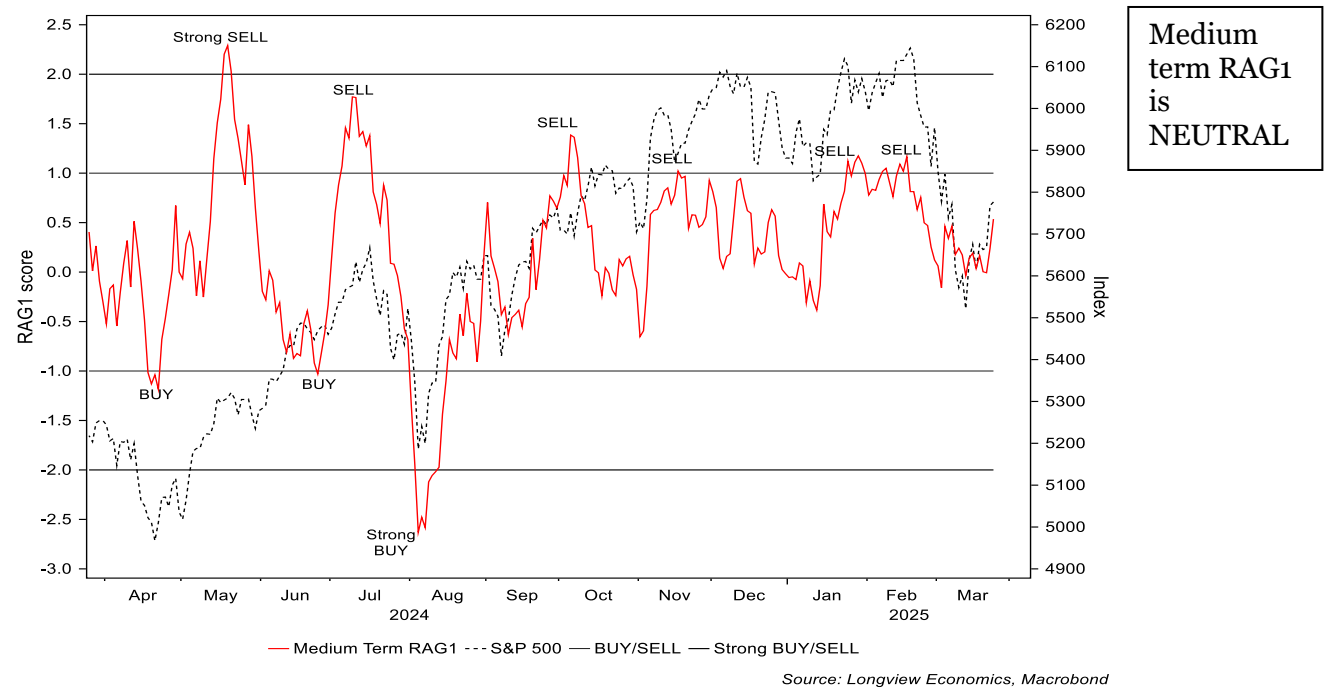
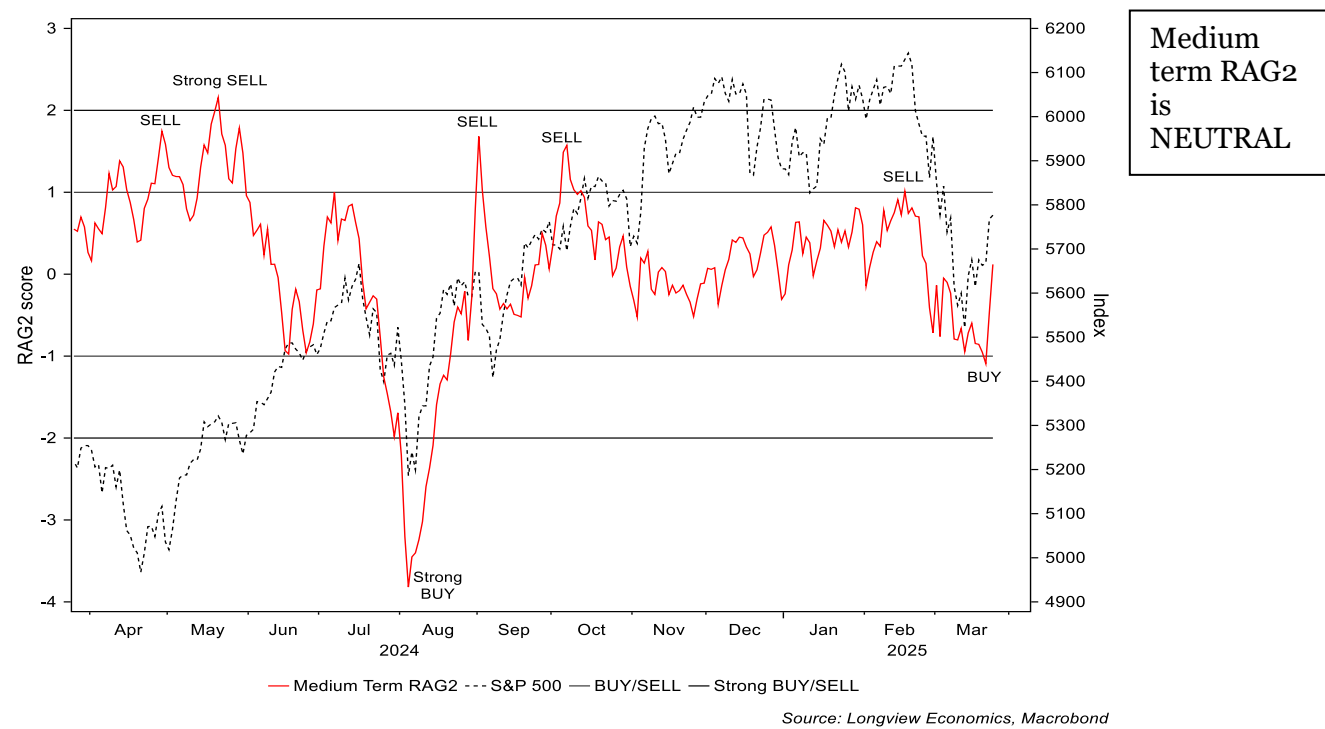


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

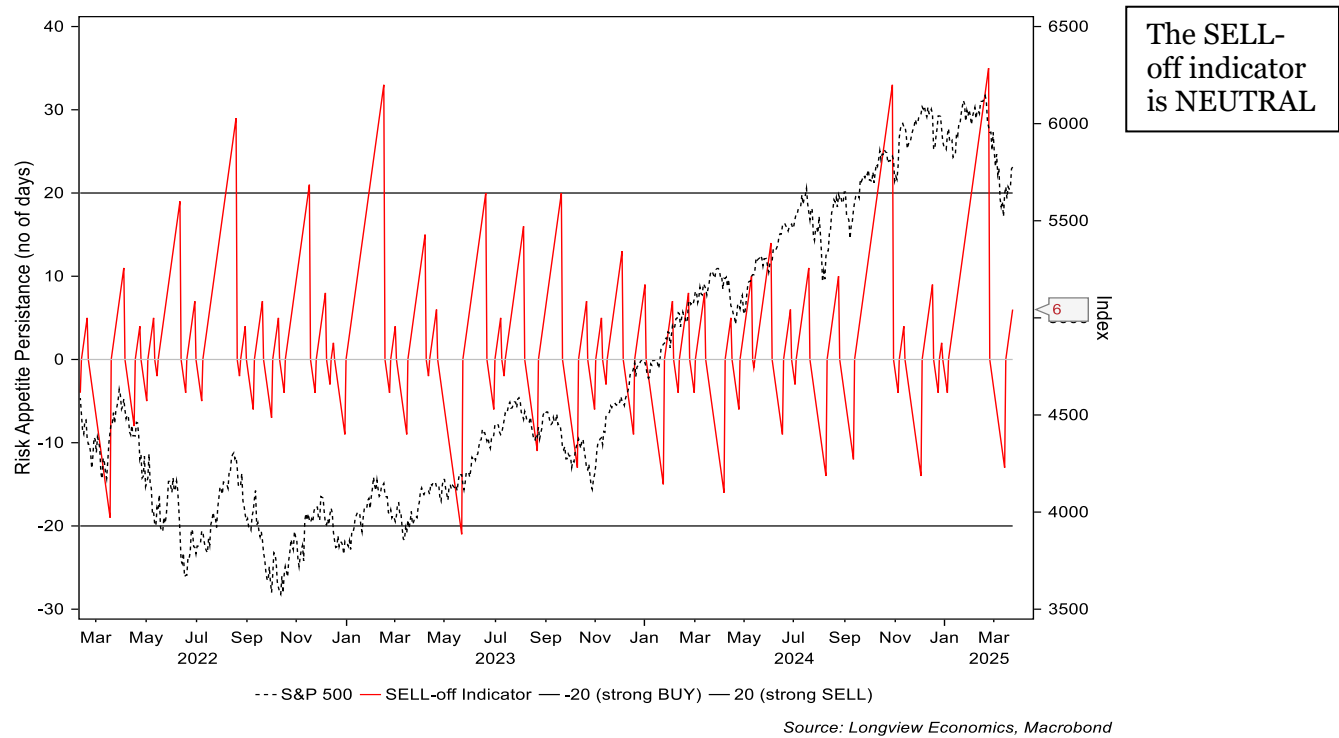
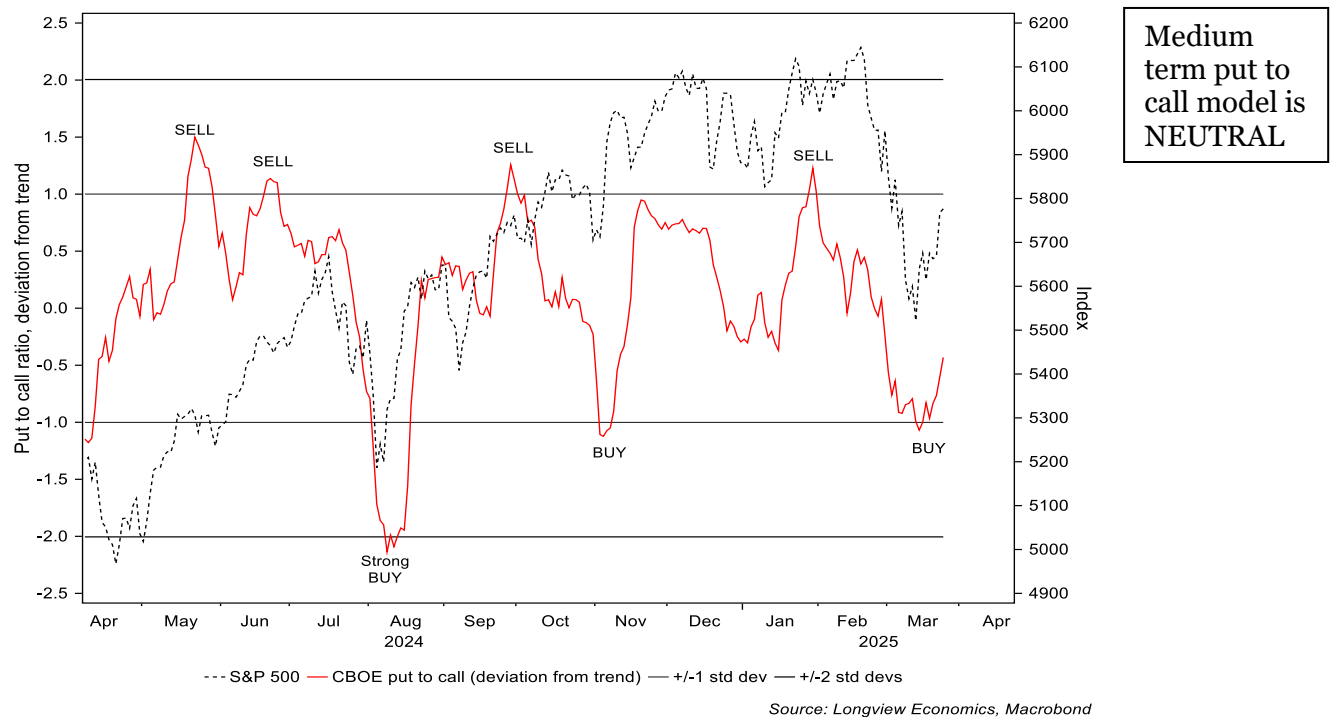


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

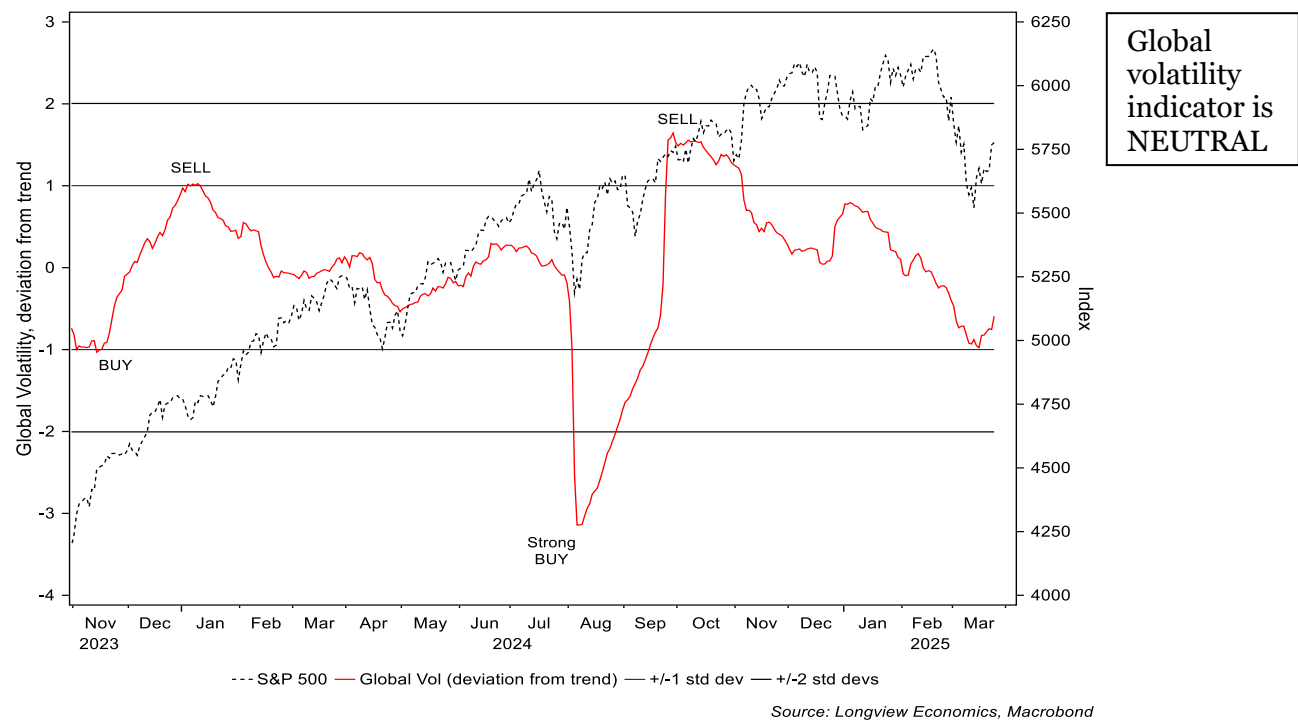


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

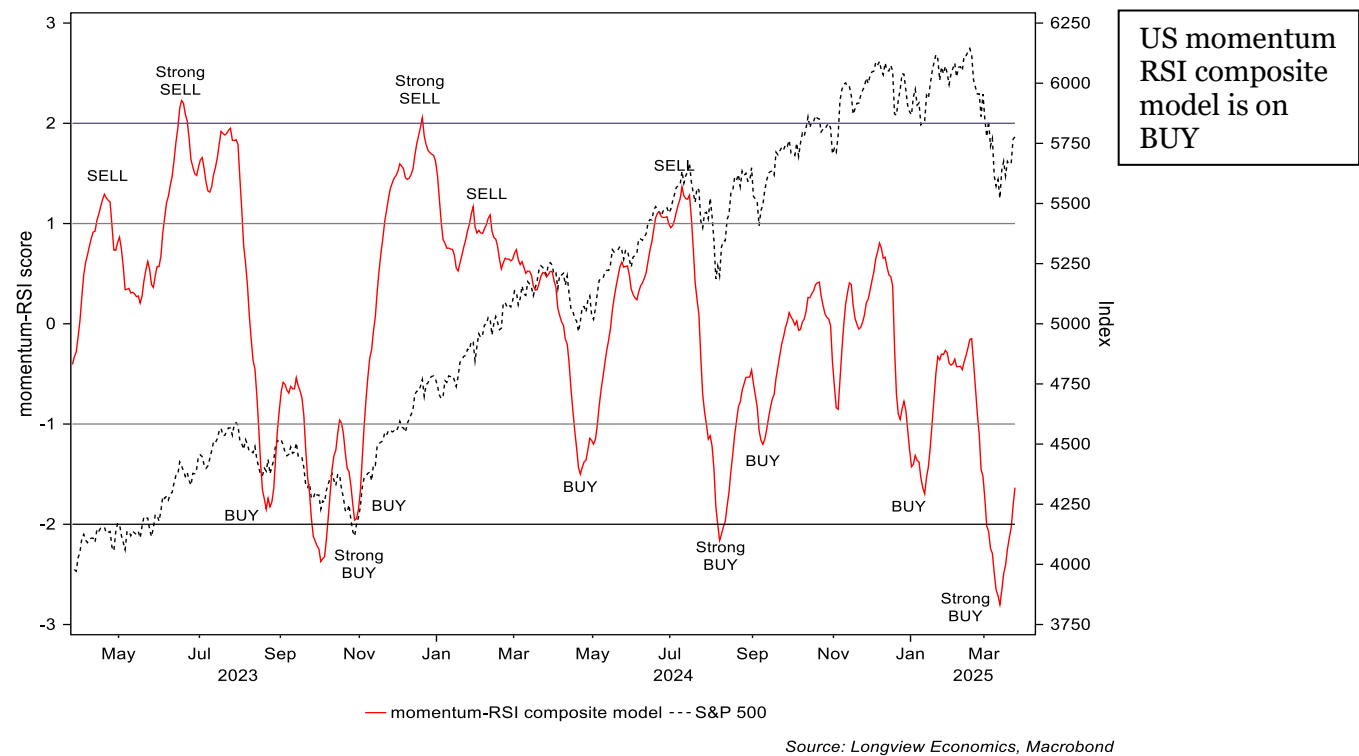


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

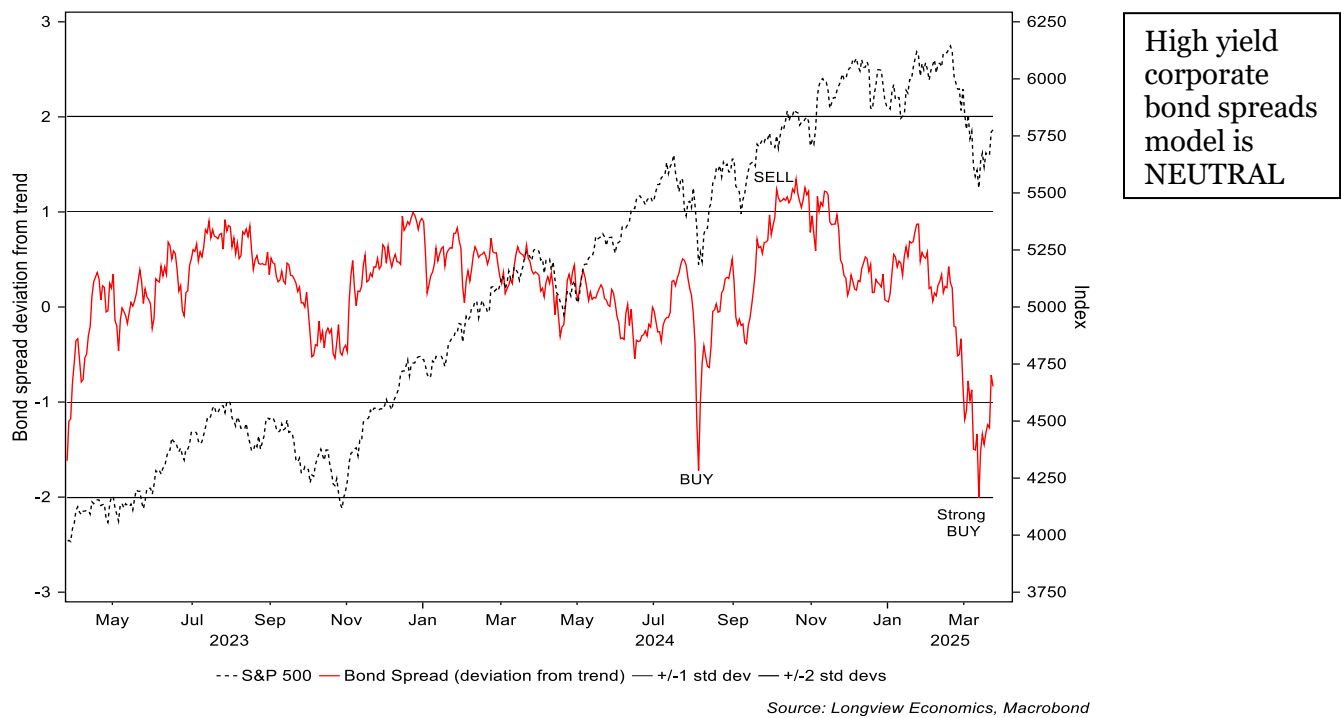
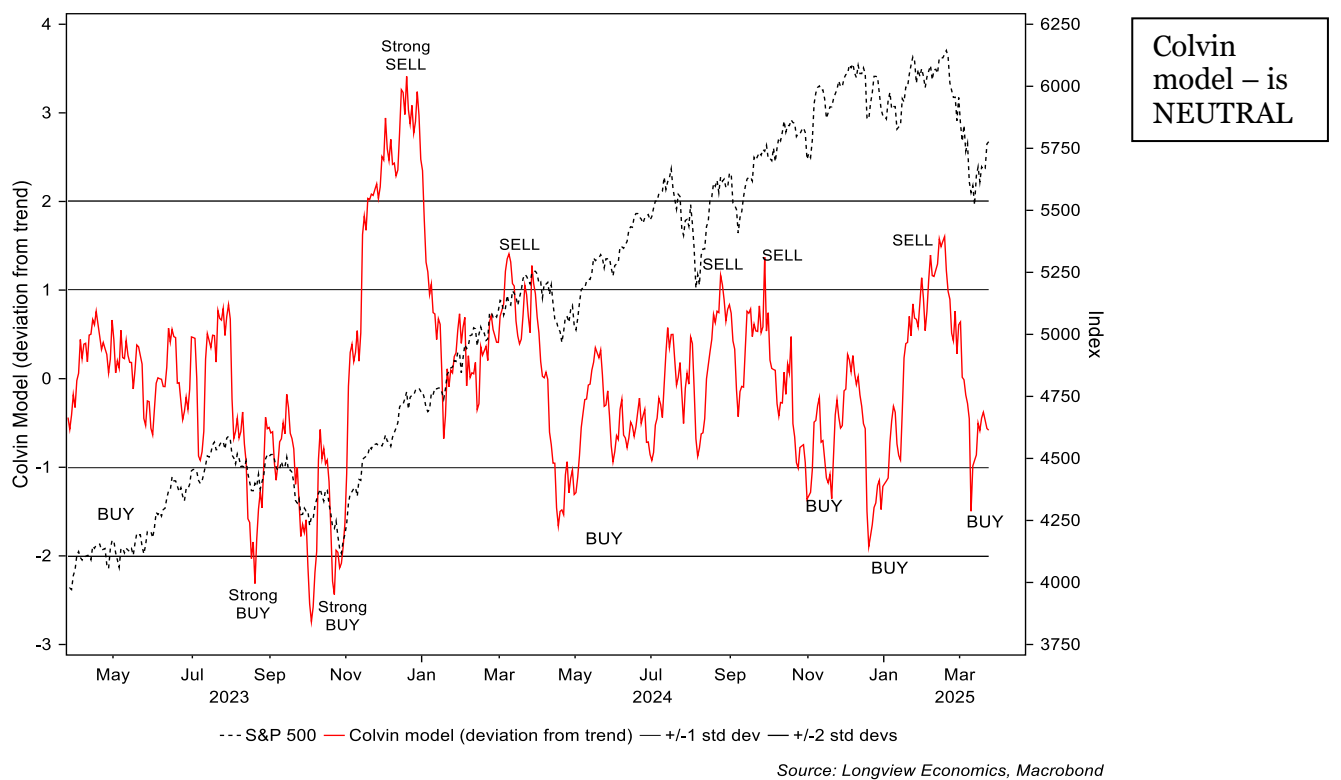


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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