

## Equity Index Futures Trading Recommendations

27<sup>th</sup> March 2025

“WATCH & WAIT -> Wave 2 Likely Ongoing”

Email: [info@longvieweconomics.com](mailto:info@longvieweconomics.com)

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

- WATCH & WAIT\*

\*NB we were stopped out of the final part of LONG trade yesterday (for a small profit).

### Rationale

Volatility returned to US equity markets yesterday as the S&P500 pulled back (closing 1.1% lower). Twenty one of the 28 US headline indices that we track closed down on the day, led by the Philly SOX (-3.3%), the NDX Composite (-2.0%) & NDX100 (-1.8%). Consistent with that, the worst performing sectors on the session were IT (-2.5%); comm services (-2.0%) & consumer discretionary (-1.7%), with notable down days for many of the large cap tech stocks (which had performed well earlier in the week). Tesla, for example, was down 5.6% (having been +11.9% on Monday and +3.5% on Tuesday). The behaviour of Nvidia has been similar (down 5.7% yesterday). Most European markets were also lower (DAX -1.2%; Italian FTSE -0.8%; French CAC -1.0%), while the VIX picked up again (closing at 18.33%) along with the VVIX, and US 10-year bond yields ticked higher (by 4bps). With that weakness in the US, intraday breadth moved up again (FIG 1), and S&P500 e-mini traded volumes were higher at 1.5 million contracts (from a notably low level on Tuesday).

With that weakness yesterday, the market pushed down to 5,730 (intraday low). That was the level we moved our stop loss to yesterday (i.e. 5,730). As such, we were stopped out of our LONG position (just), having already closed half the position on Tuesday.

The **message of the main short-term models is not dissimilar to yesterday** (FIGs 2- 2e). The risk appetite models are still mid-range; technically the S&P500 is still overbought (on the 1 – 2 week timeframe); while the single stock technical model is close to SELL and the sector equivalent is mid-range. There was some put buying yesterday such that the underlying put to call ratio moved higher (NB chart is inverted). The 3-day smoothed line remains at its SELL threshold, though. Overall, therefore, the message of the key short-term models is not compelling (in either direction), although it has a SELL bias.

For now, the S&P500 looks like it’s trading within a mildly upsloping trading range (see FIG 1a). Currently it’s towards the lower end of that range. The ‘wave two’ relief rally is likely ongoing, with the start of it signalled by strong across the board BUY signals two weeks ago. Given we were stopped out yesterday, we recommend standing back today (and WATCHing & WAITing). Trump’s tariffs announcements (last night and forthcoming on 2<sup>nd</sup> April) are likely to add to volatility.

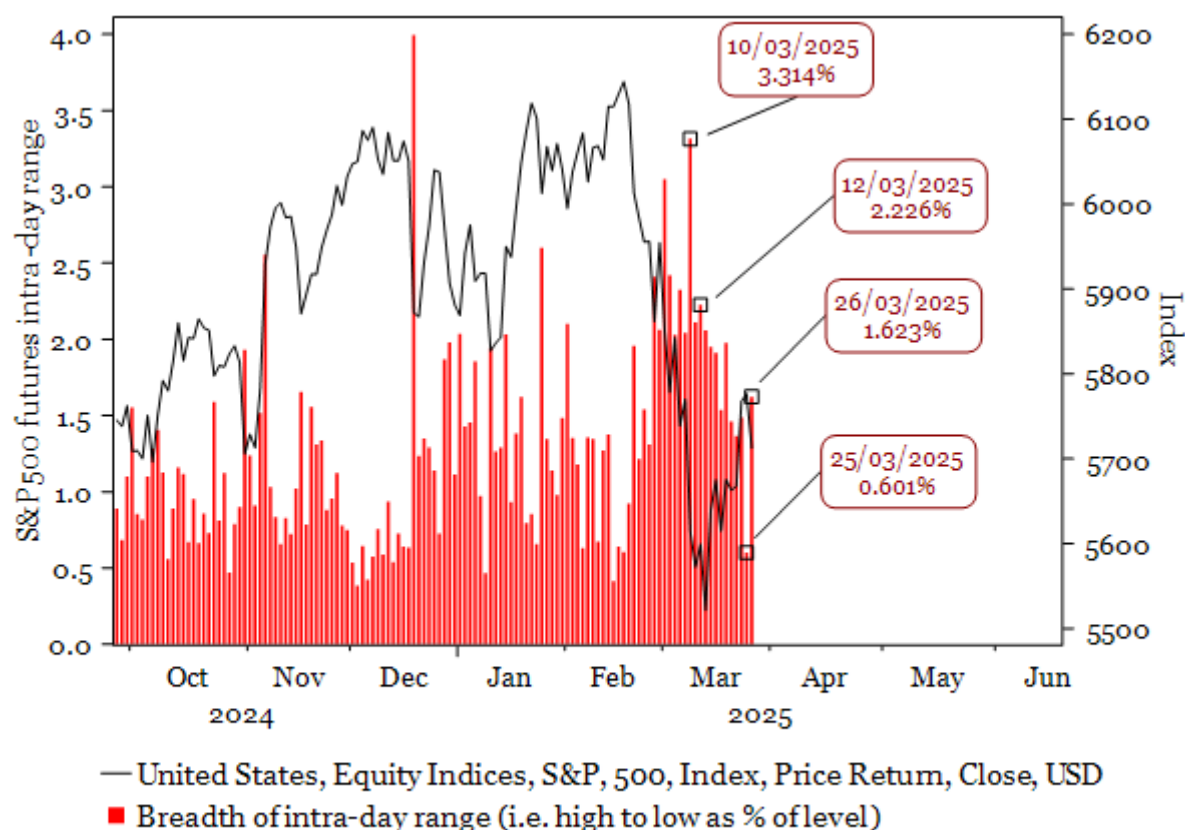
We're also watching the evolution of the models over coming days, looking for a more consistent across the board message.

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

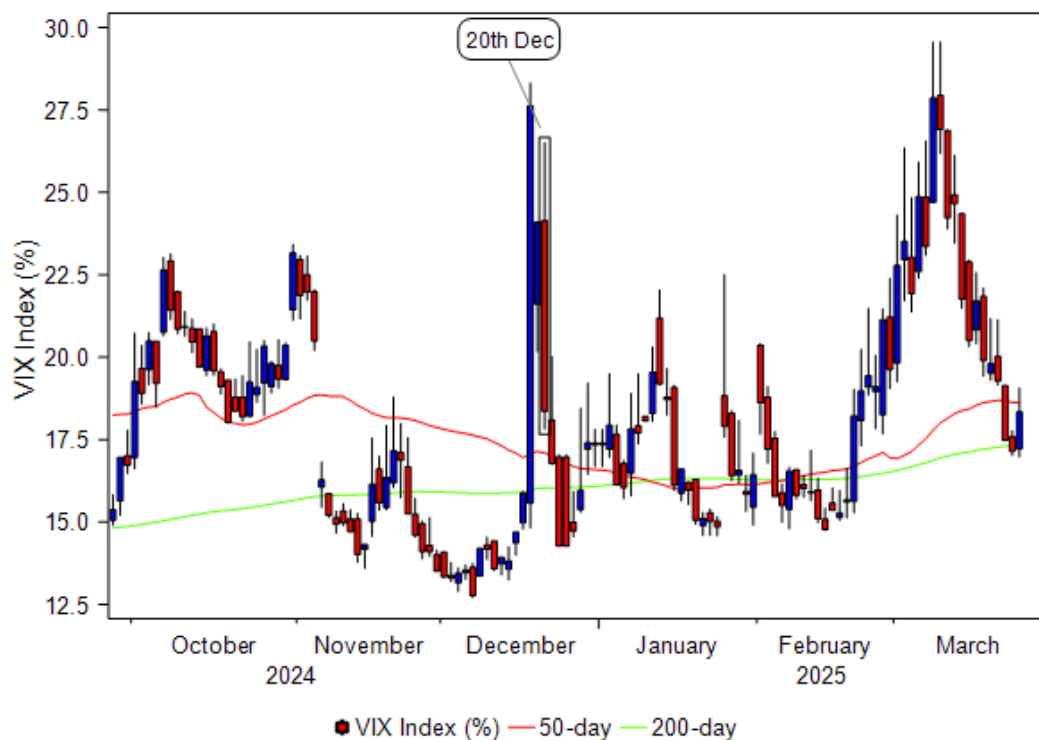


Source: Longview Economics, Macrobond

**FIG 1a:** S&P500 June 25 futures 30-day tick chart shown with overnight price action

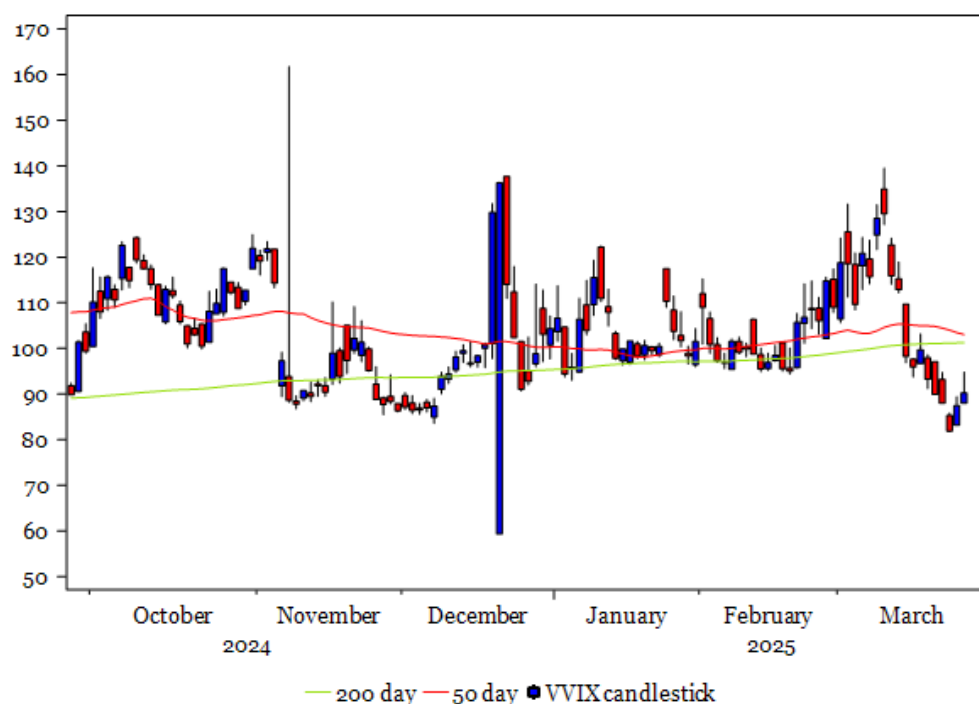


**FIG 1b:** VIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

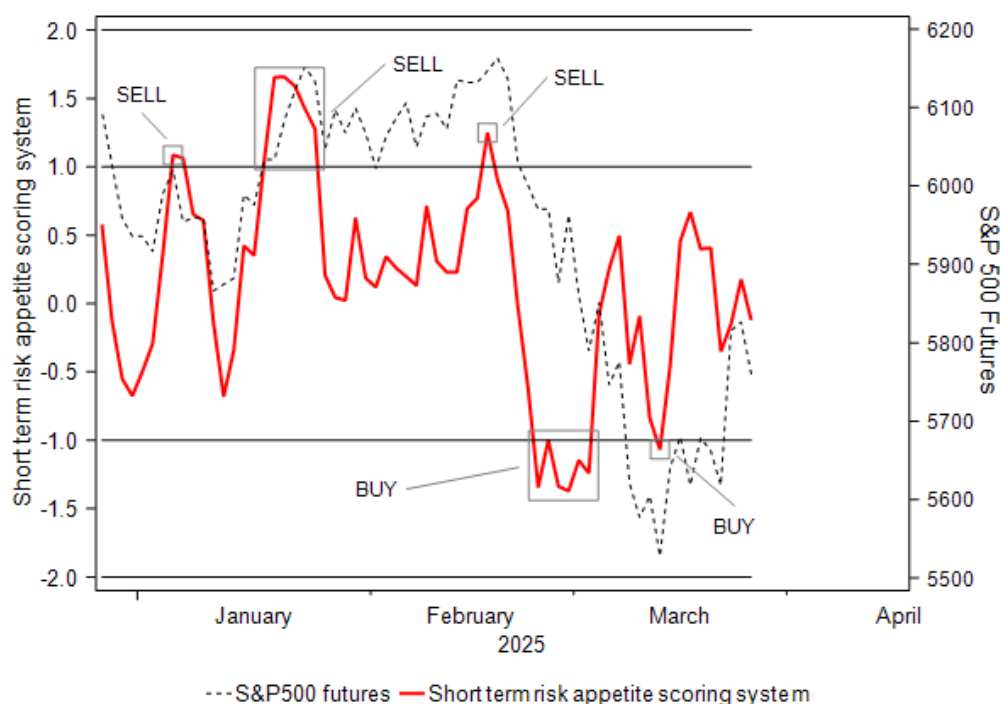
**FIG 1c:** VVIX candlestick shown with 50 & 200 day moving averages (%)



Source: Longview Economics, Macrobond

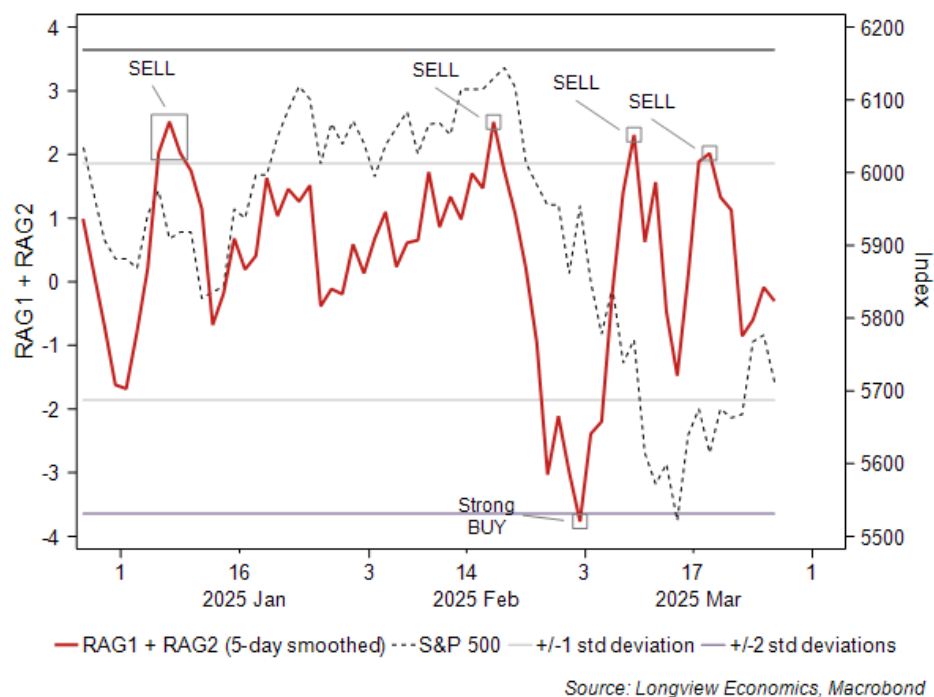
## Short term risk appetite models are NEUTRAL

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



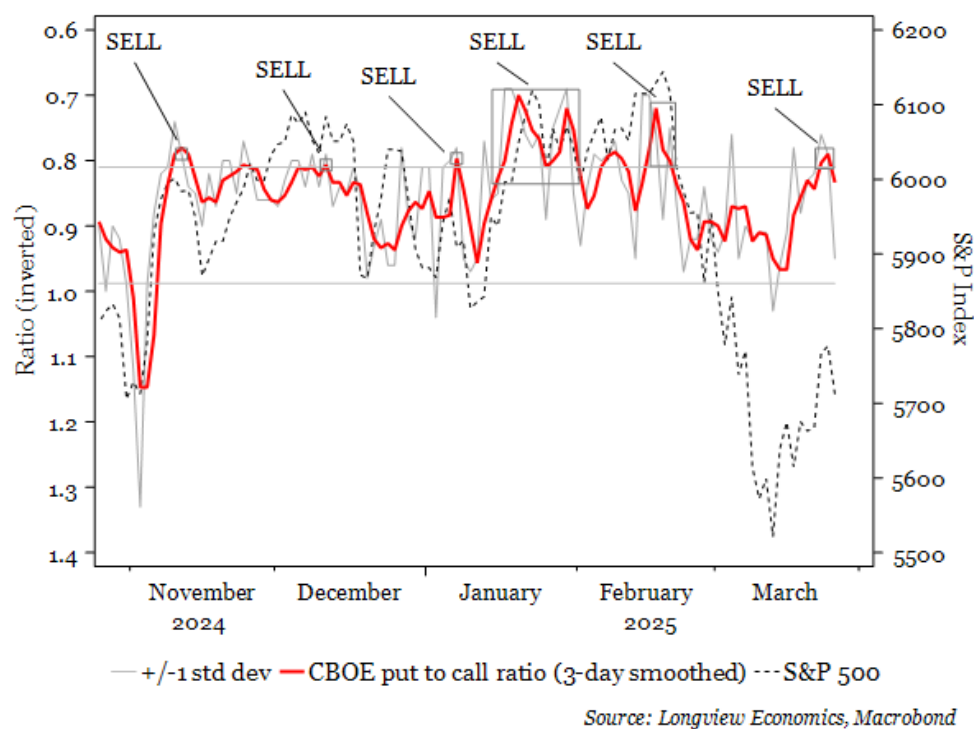
Source: Longview Economics, Macrobond

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



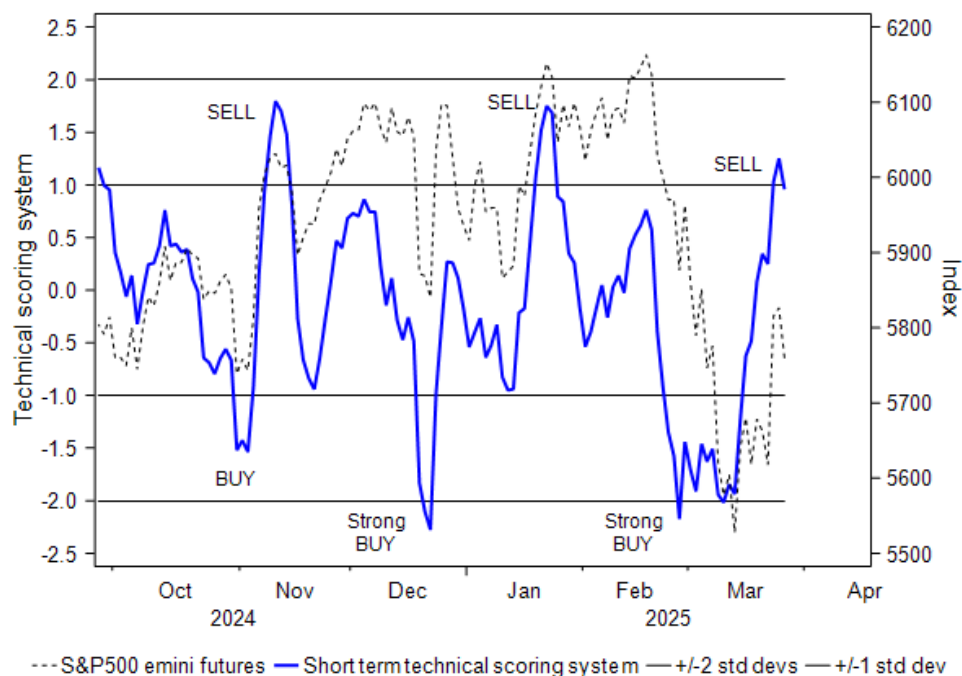
**Put to call ratio indicators are mixed/moving back to SELL...**

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



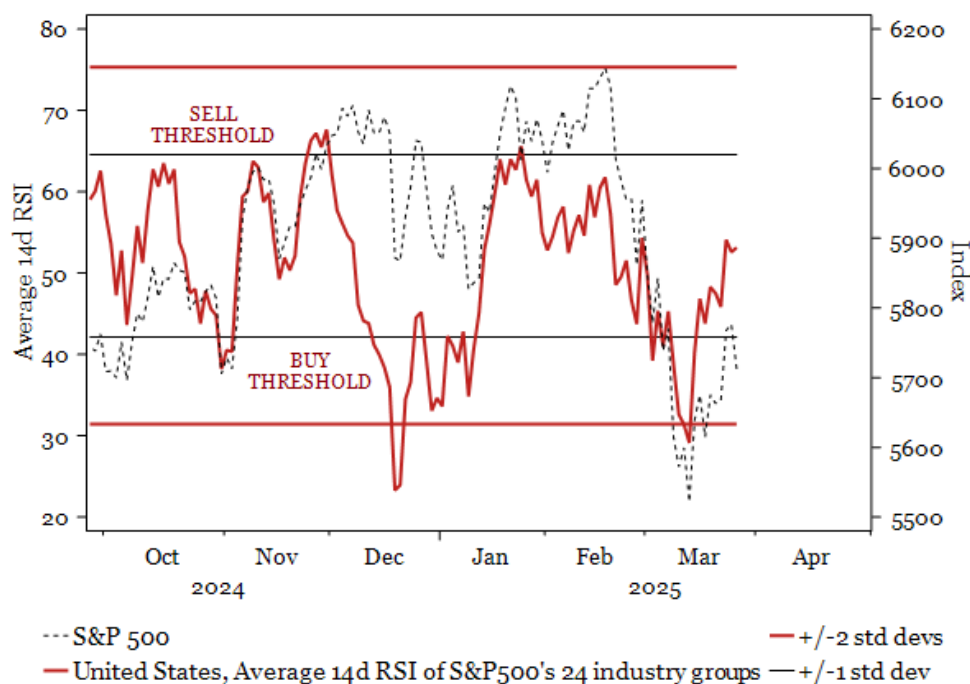
**Technical/price-based models are moving back onto/towards SELL....**

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



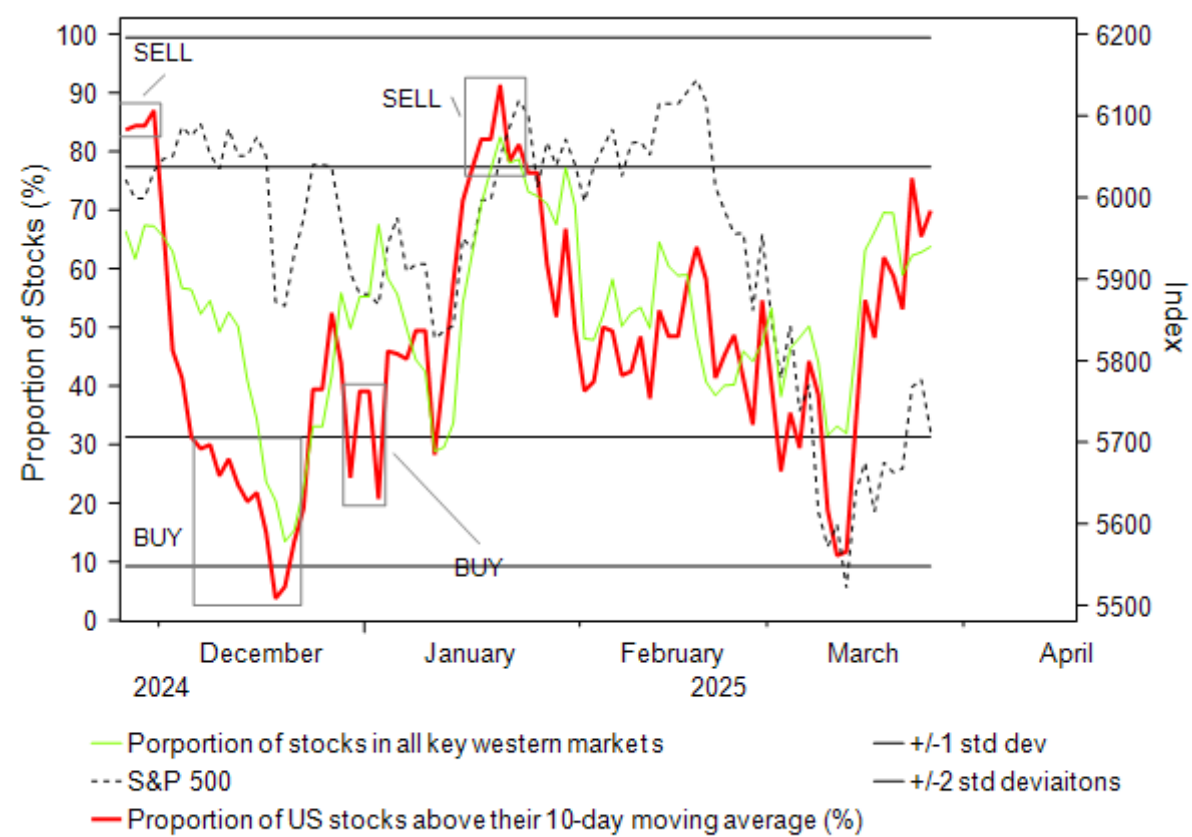
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

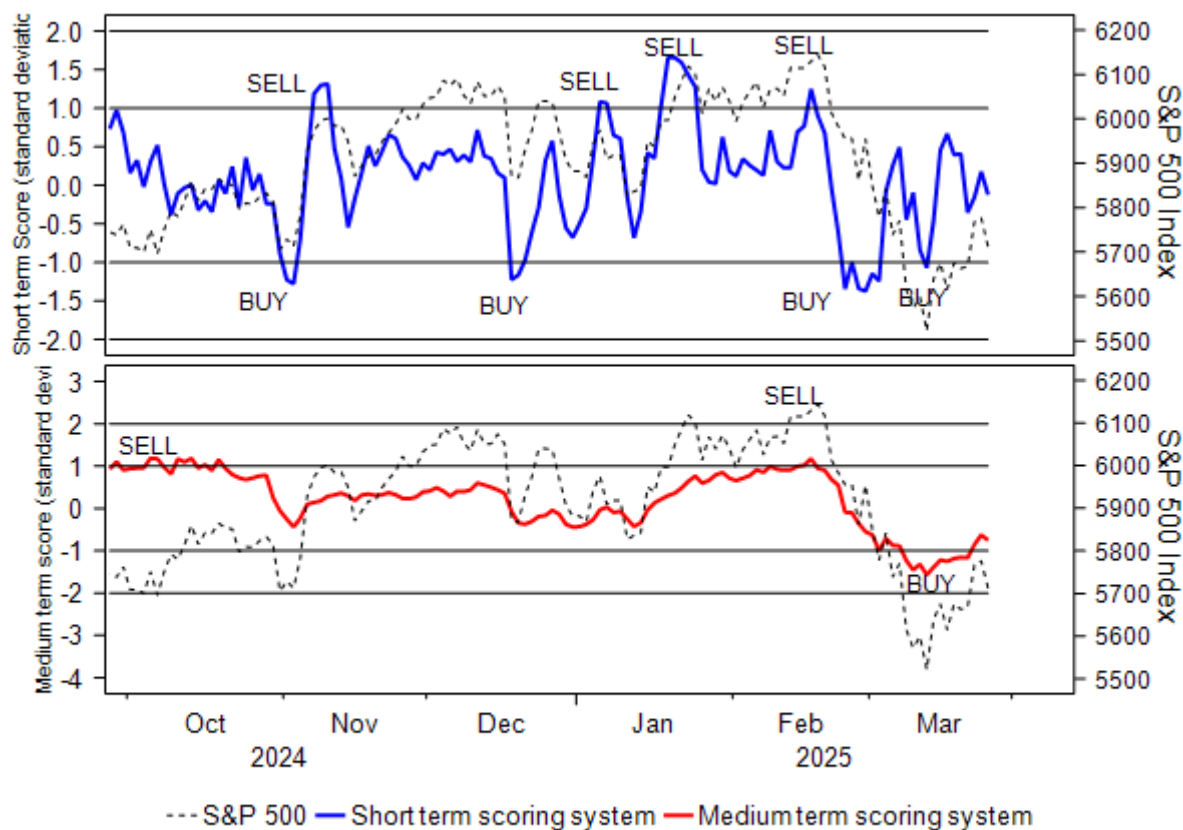


### Key Longview Scoring Systems (chart below):

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

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

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



Source: Longview Economics, Macrobond



## Key macro data/events

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**Key data** today include: Chinese industrial profits (Feb, 1:30am); Spanish retail sales (Feb, 8am); **Eurozone M3 money supply** (Feb, 9am); Canadian employment change (Jan, 12:30pm); **US GDP** (Q4 third estimate, 12:30pm); US weekly jobless claims (12:30pm); **US pending home sales** (Feb, 2pm); US Kansas City Fed manufacturing sector activity (Mar, 3pm); **Japanese headline & core CPI** (Mar, 11:30pm).

**Key events** today include: Speeches by the ECB's Guindos, Villeroy, Wunsch & Escriva in Brussels (1-4:45pm) & Schnabel in London (6:30pm); speech by the Fed's Barkin in Washington (8:30pm).

**Key earnings** today include: ICBC.

## Definitions & other matters:

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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 5<sup>th</sup> March 2025. If you are not on the distribution list and would like to receive these reports pls email [info@longvieweconomics.com](mailto:info@longvieweconomics.com).



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-  @chriswatling
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## 1 – 2 Week View on Risk

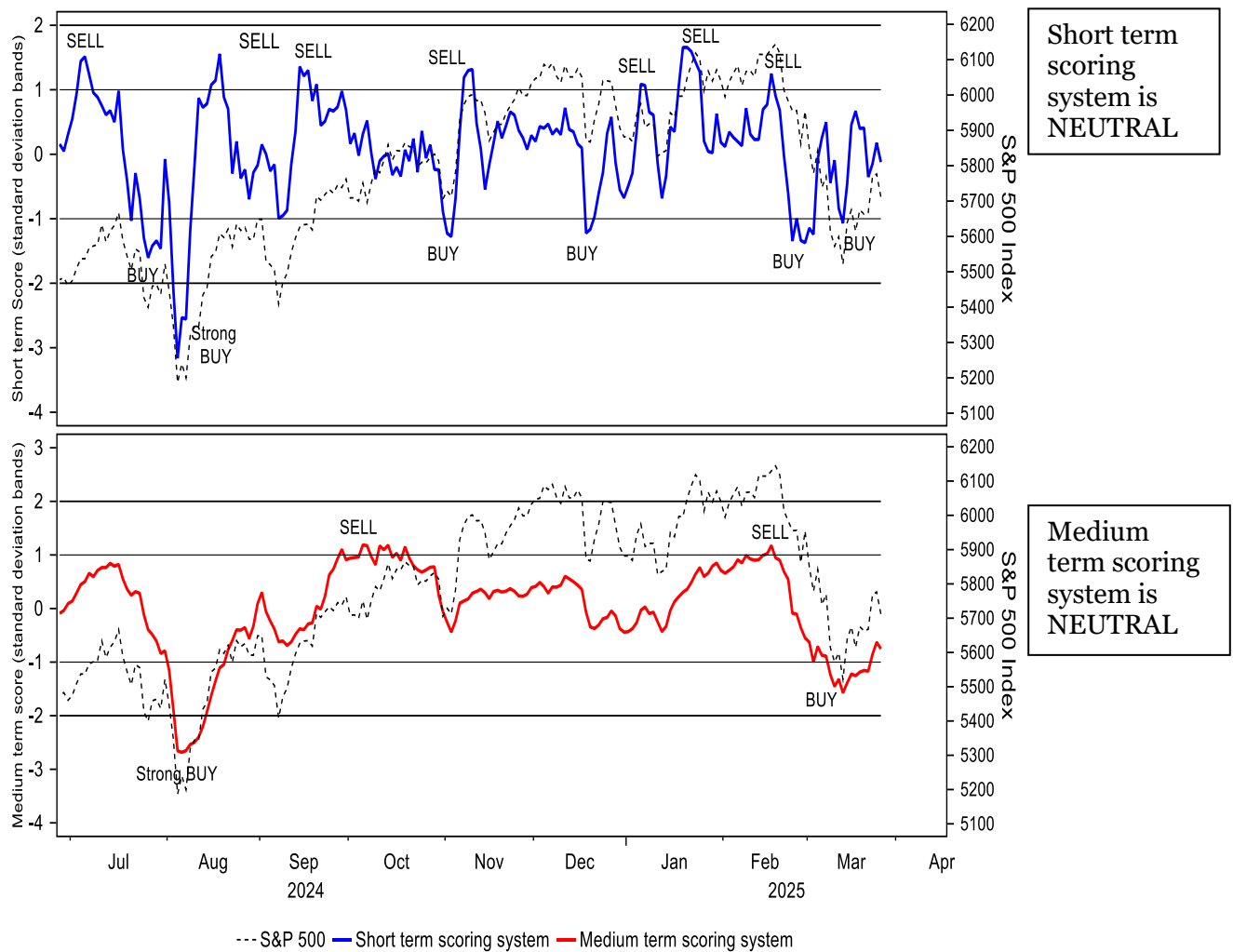
Longview Economics

Email: [research@longvieweconomics.com](mailto:research@longvieweconomics.com)

27<sup>th</sup> March 2025

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

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



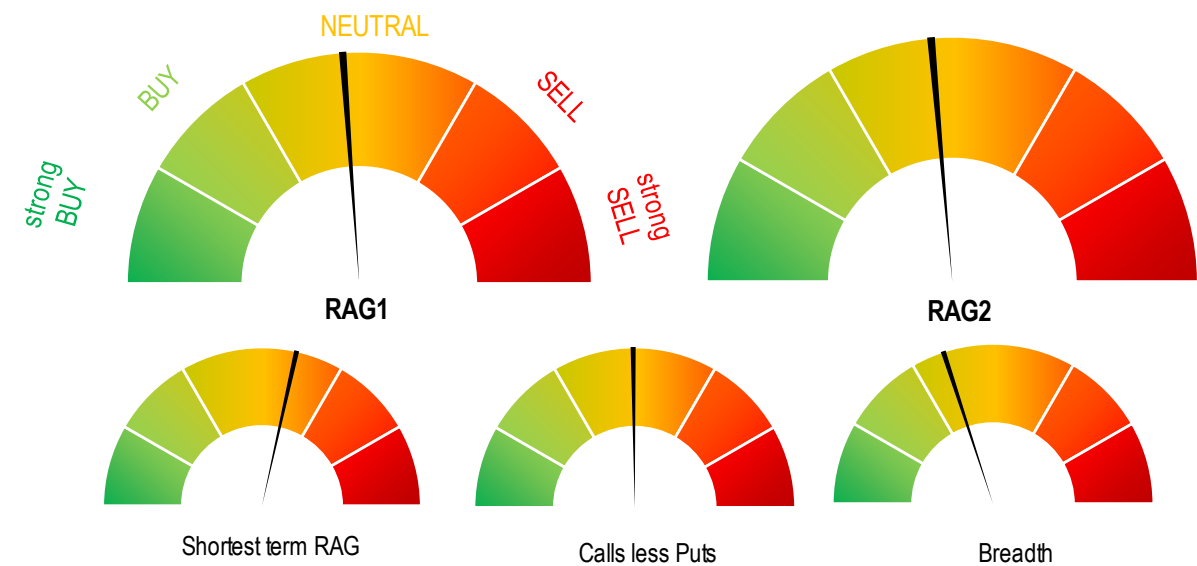
Source: Longview Economics, Macrobond

\*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**

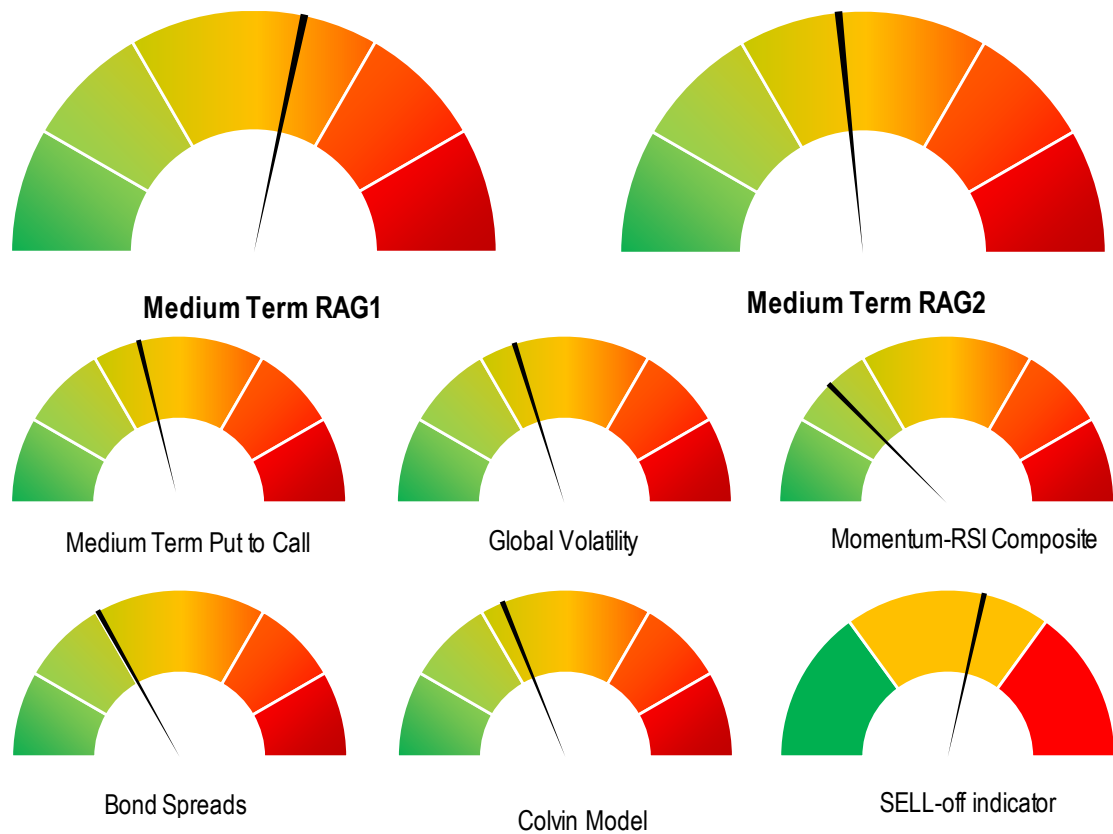
**Section 1a: Summary of indicator signals\*\***

**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

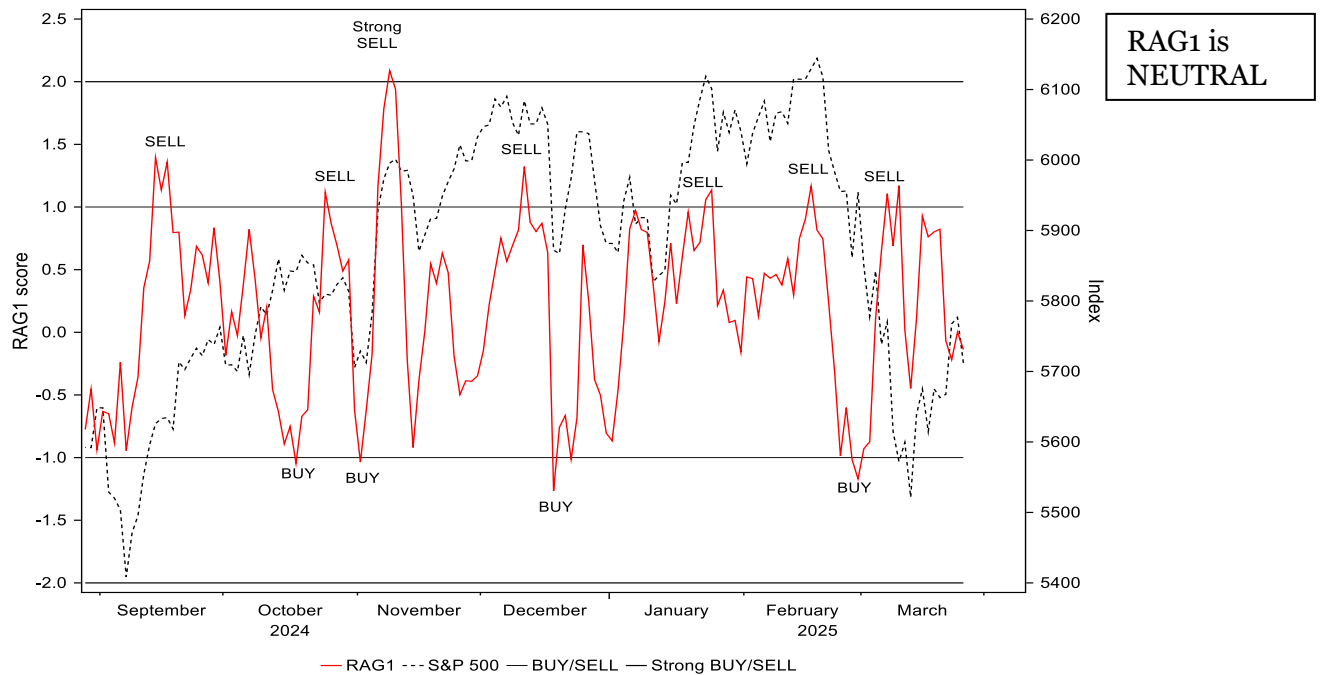


**Source:** Longview Economics

\*\*The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

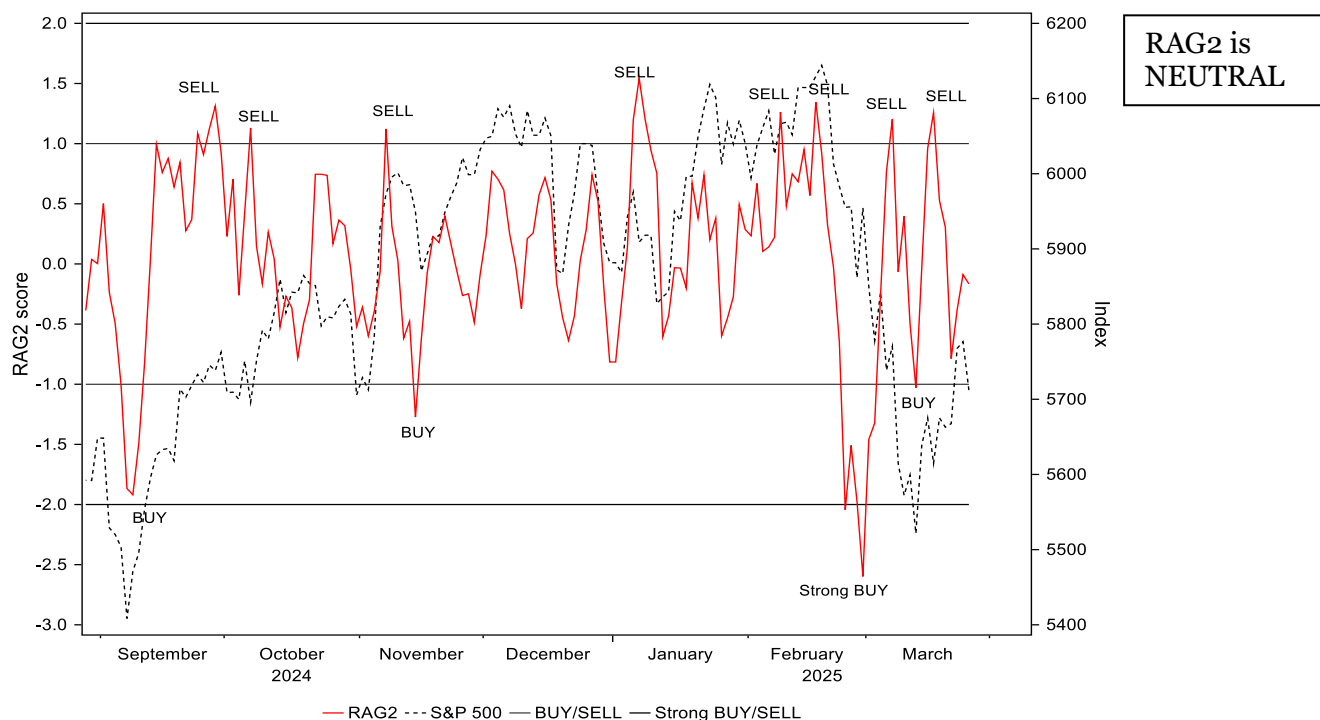
## Section 2: Short term (1 – 2 week) trading models

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



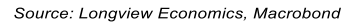
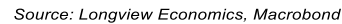
Source: Longview Economics, Macrobond

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



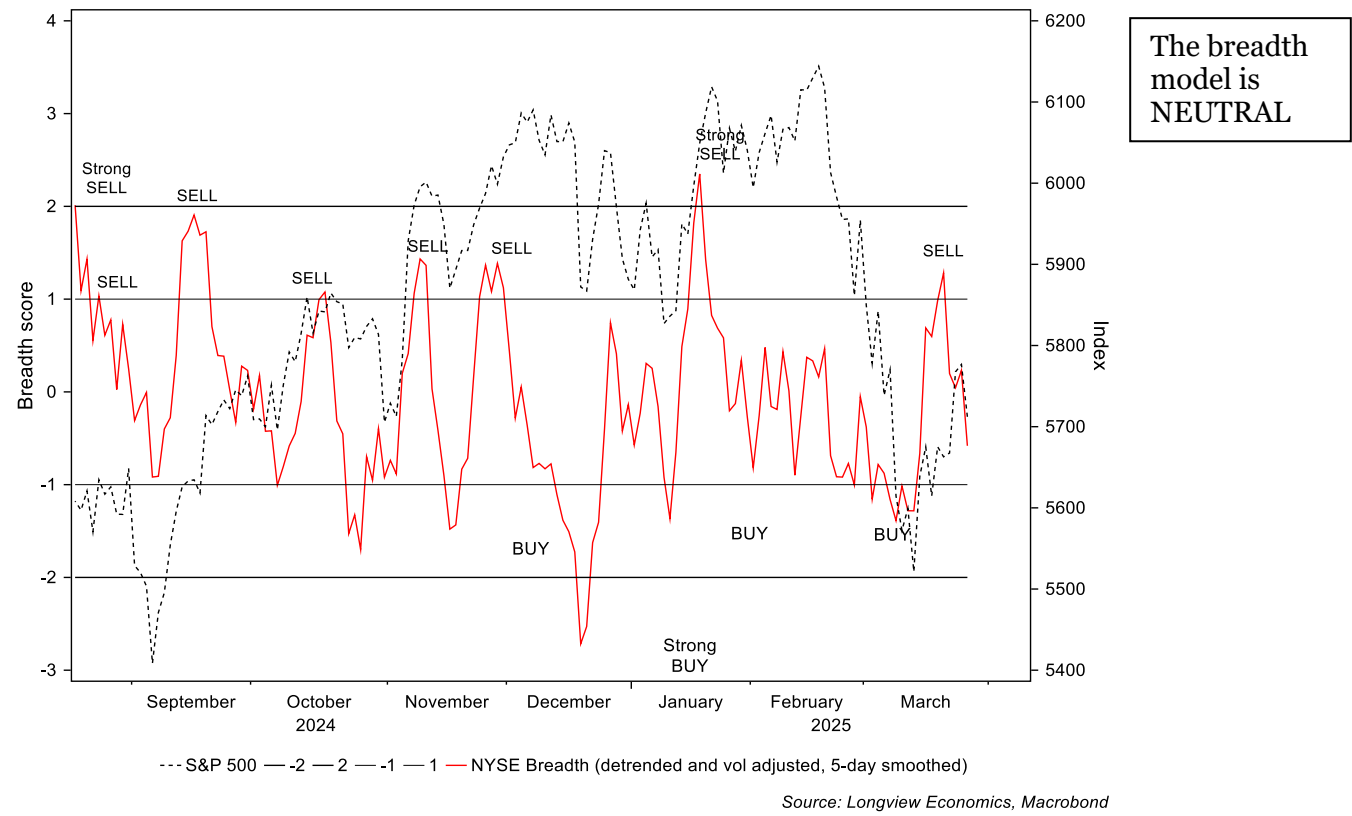
Source: Longview Economics, Macrobond

**For explanations of indicators please see page 10**



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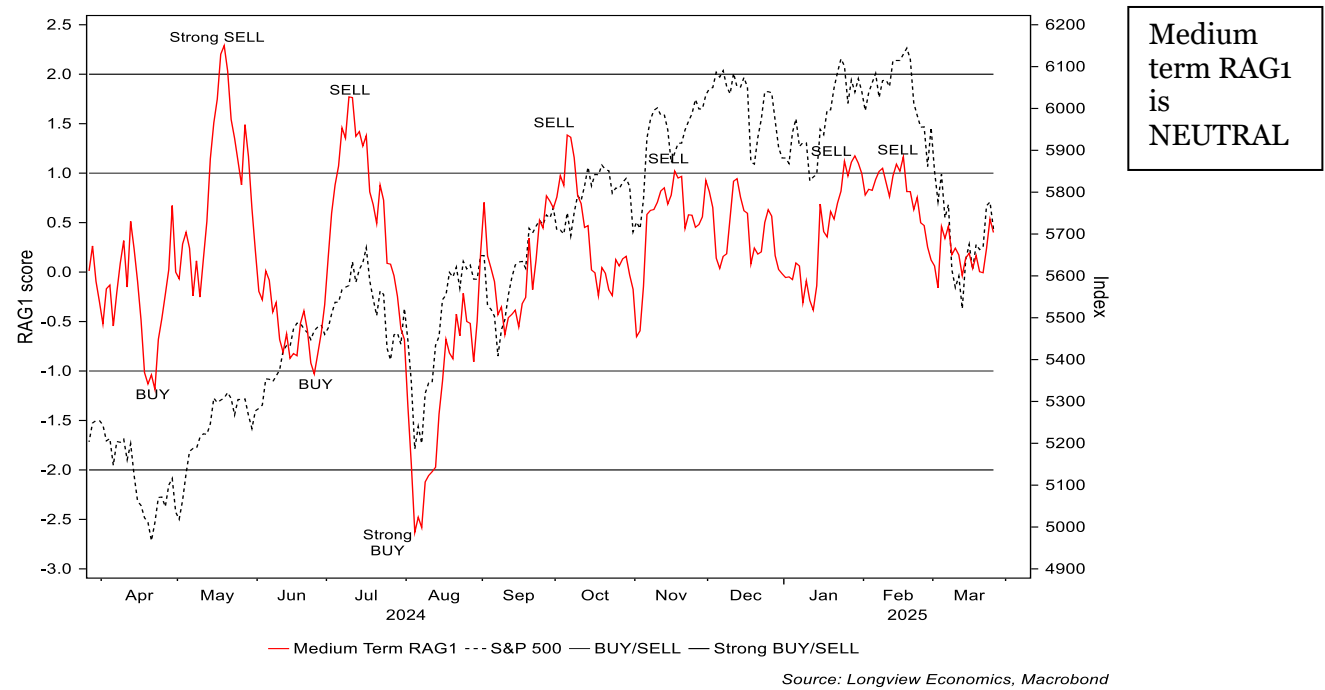
**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



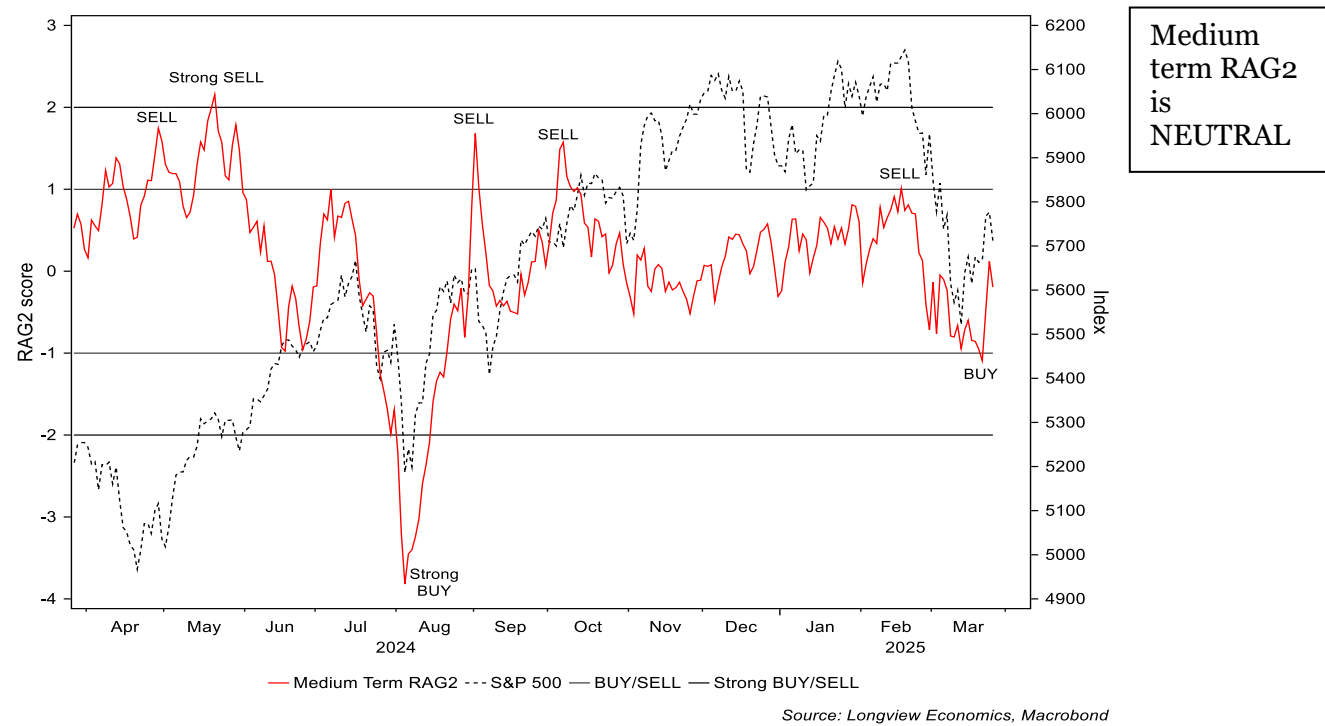
*For explanations of indicators please see page 10*

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

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



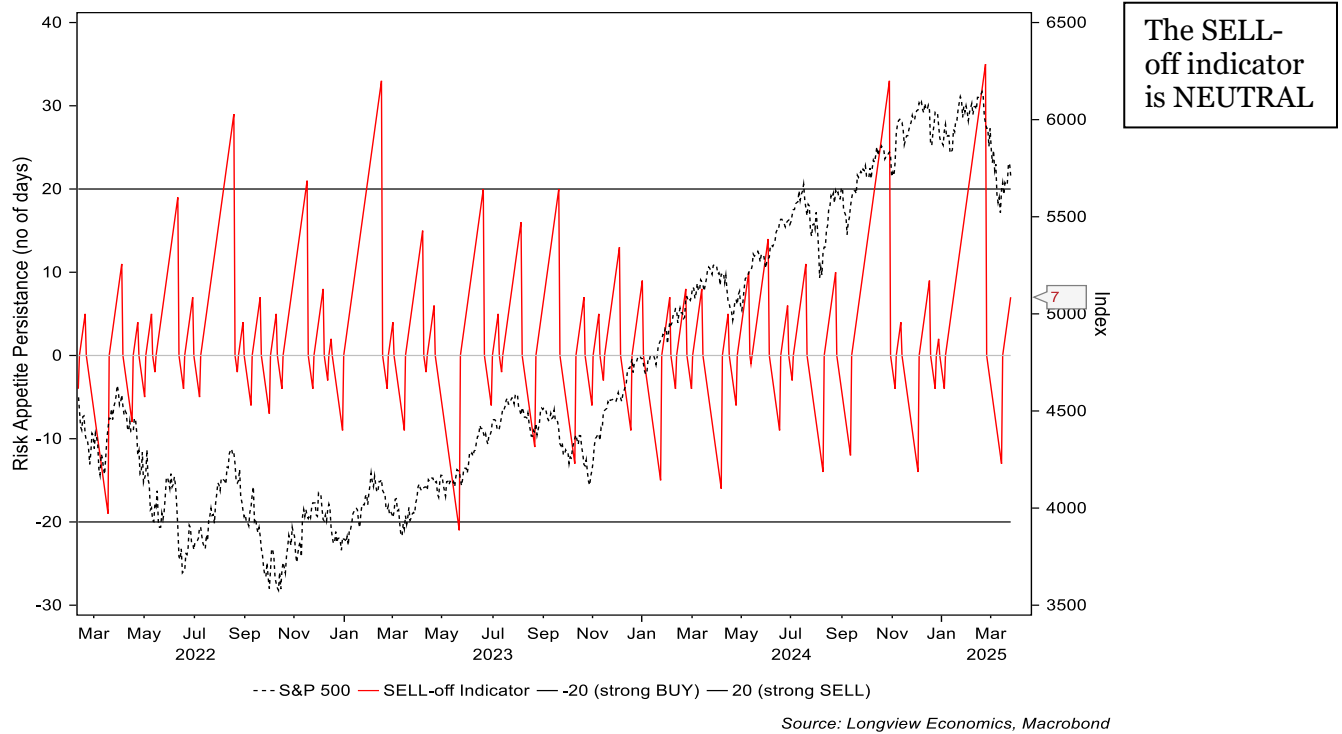
**Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500**



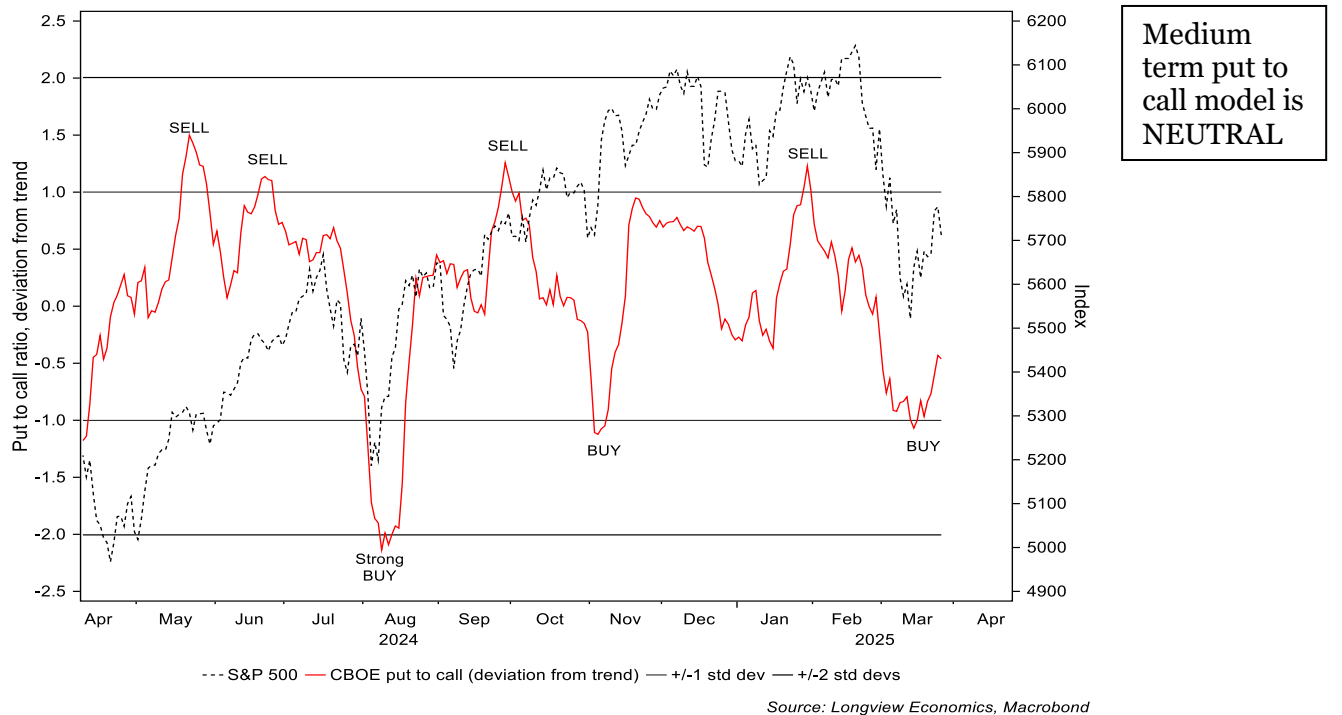
**For explanations of indicators please see page 10**



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

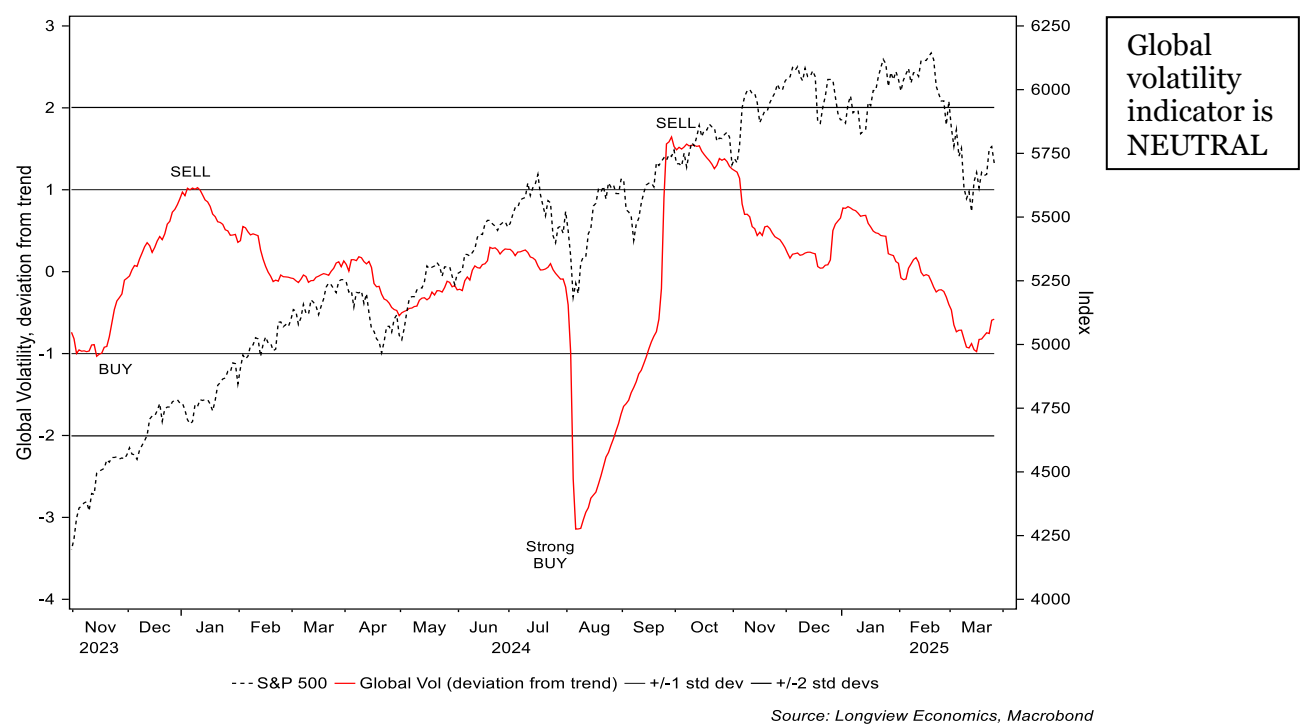


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

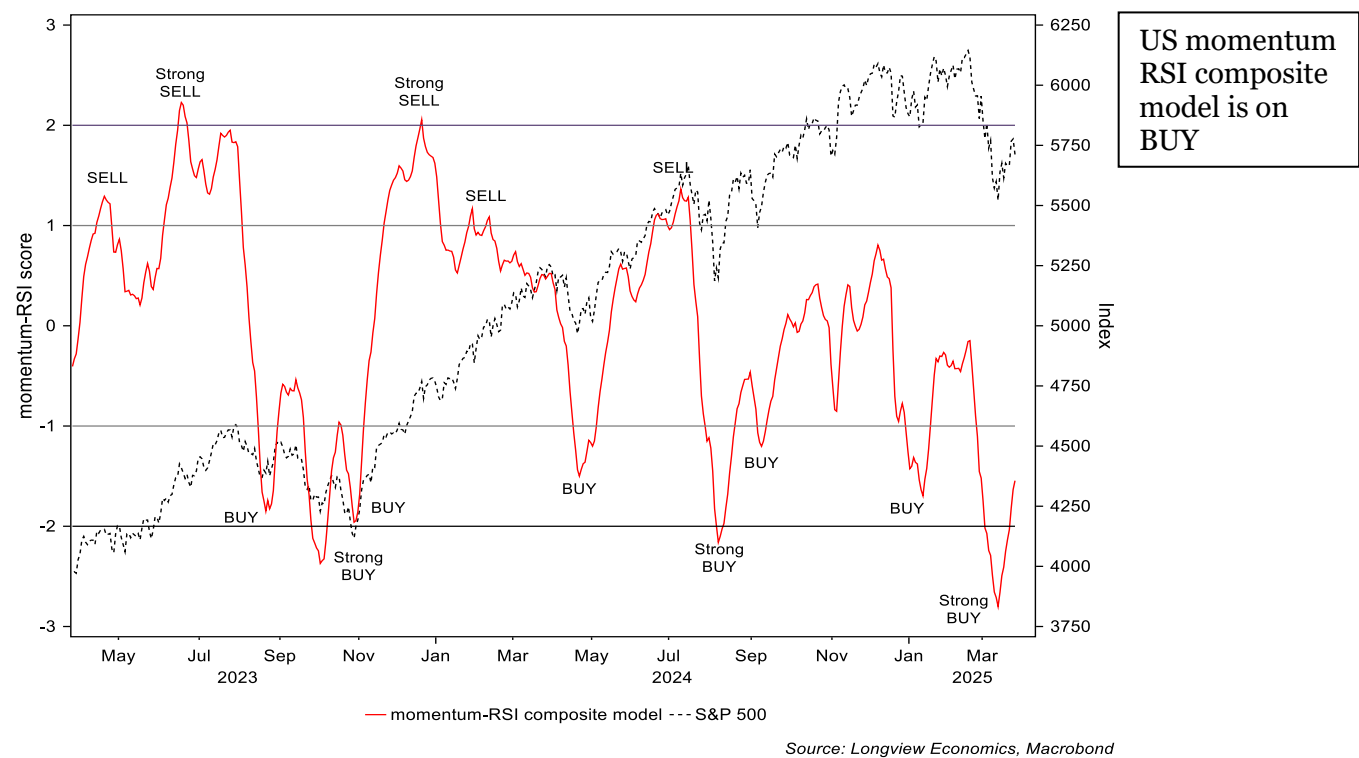


**For explanations of indicators please see page 10**

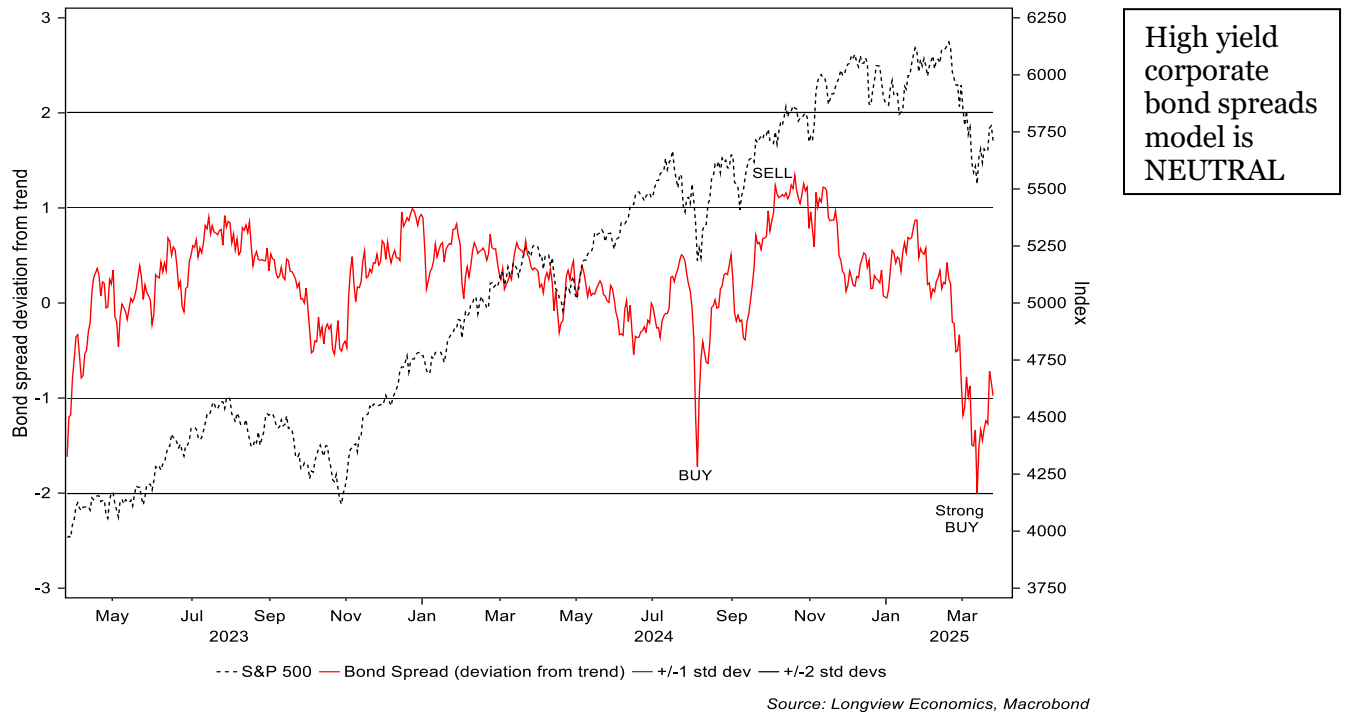
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



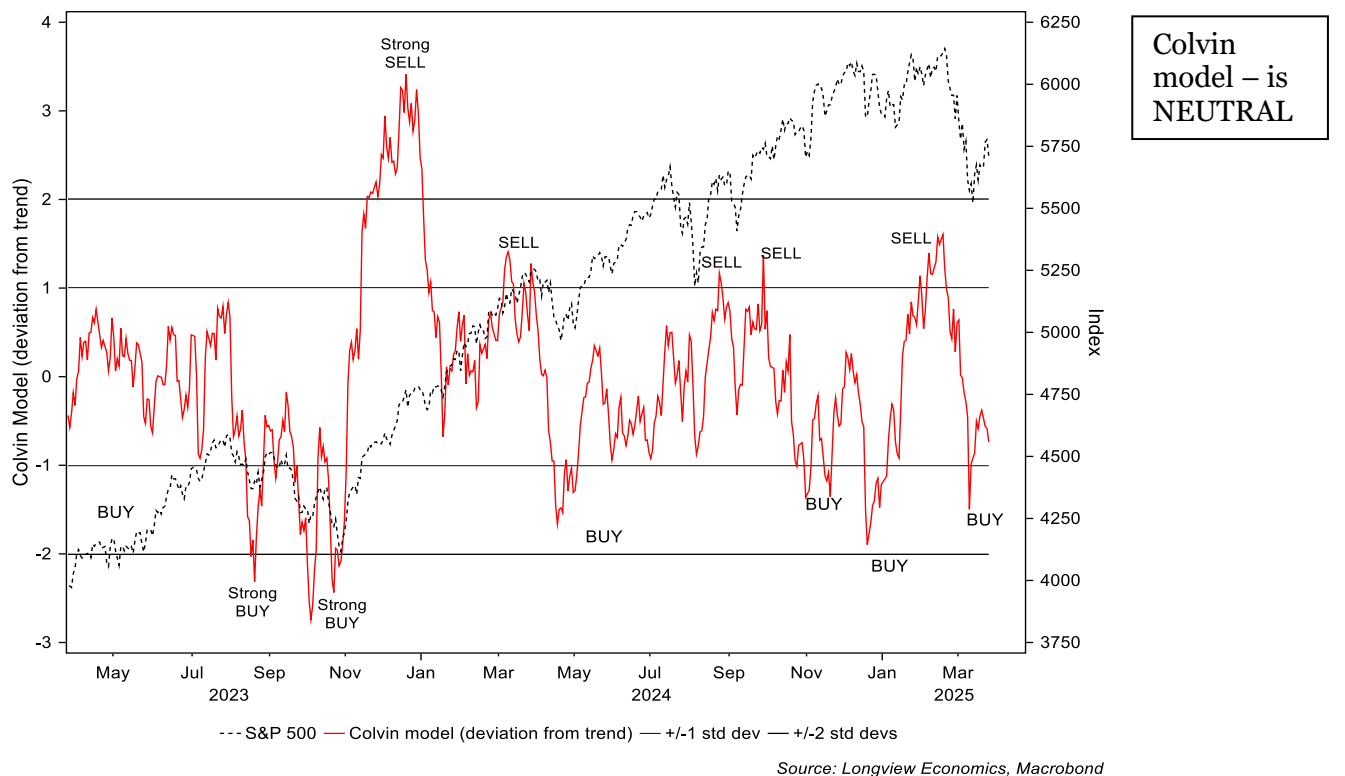
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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

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### **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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