Equity Index Futures Trading Recommendations

28th March 2025

"Start re-BUILDing LONG US Equity Positions"

Email: info@longvieweconomics.com

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

- Move ¼ LONG June NASDAQ100 futures at current prices;
- Place stop on NDX LONG position 2% below entry;
- Move ¼ LONG June S&P500 futures on weakness, at 5,660 (~1% below current prices);
- Place stop on SPX LONG position at 5,604 (~1% below entry/2% below current prices).

Rationale

"April 2nd is Liberation Day in America"

Source: President Trump, Truth Social post, 20th March 2025,
https://truthsocial.com/@realDonaldTrump/posts/114192326899482441

The market's focus remains firmly fixed on April 2nd (dubbed 'liberation day' by the US President – see quote above). Investors/traders are nervous about the risks associated with the tariff announcements which will come into effect/be announced on that day. There was some taste of that yesterday (and on Wednesday) as 25% auto tariffs were announced by the President (late Wednesday). Over the past 24 – 48 hours, auto stocks in various parts of the global stock market have been hit. European automakers, for example, were down 1.1% yesterday (having fallen 2.6% on Wednesday). Overnight Toyota is down 4.5% & Nissan is off 3.9% (in Japanese trading). Overall, though and despite those tariff announcements, the US equity market closed only modestly lower yesterday (SPX: -0.3%); the NDX100 was down 0.6%; while the Philly SOX was 2.1% lower.

Both the major indices, therefore (i.e. the SPX & NDX100), remain within their 'wave two' uptrend channel. Those channels are shown in FIGs 1 & 1a. They started with the mid-March lows (at which point our short-term models were generating across the board BUY signals). Now, with the market having trended higher for the past two weeks, those short-term models are more mixed. At an index level, the S&P500 has reached overbought levels (on a 1 - 2 week timeframe). At a sector level, though, it hasn't (reached overbought levels). Single stock models are at high/close to SELL levels (in the short term), while there was some further put BUYing yesterday, such that the put to call model has moved closer to its BUY threshold. The **message of those key short-term models is therefore mixed.**

More interesting, though, is:

i) The uptrend channel that both the S&P500 and NDX100 futures have traded within during the past two weeks;

ii) the limited retracement of losses so far (that is, the SPX and NDX100 had only retraced approximately 38% of their losses at their 2 week highs earlier this week, e.g. see FIG 1f. In normal 'wave two' relief rallies, equities would typically retrace 50% – 61.8% of their losses); &

iii) the message of many of the NDX100 specific medium-term models, which remain at/close to BUY levels. For example, NDX breadth, sentiment and the put to call ratio are all at or close to BUY (FIGs 1b, 1c & 1d).

For those reasons, **risk reward favours re-implementing LONG positions**.

In particular we favour initially moving LONG the S&P500 (at current prices), and then adding a LONG NASDAQ100 position on weakness (if forthcoming – see above for detailed recommendations).

Risks, as always, are multiple and include 'Liberation Day' next Wednesday. That, though, is a two way risk (i.e. it also has the potential to surprise markets positively). Other two way risks include today's PCE inflation (& personal income and spending) data. Please see below for a full list of today's key macro data and events.

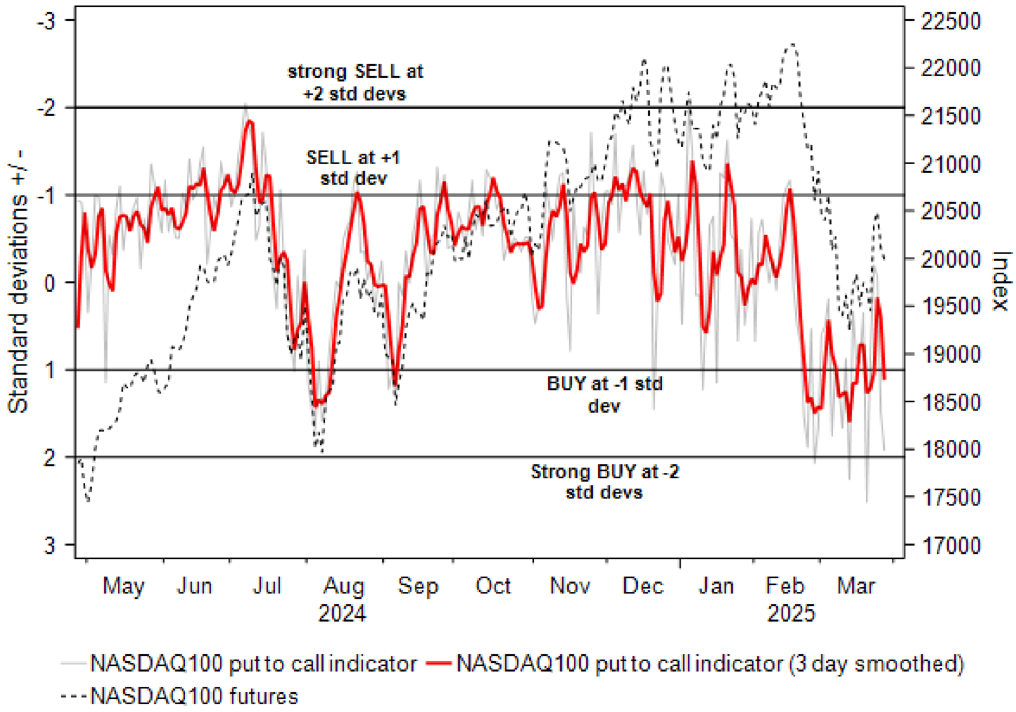
Kind regards,

The team @ Longview Economics

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

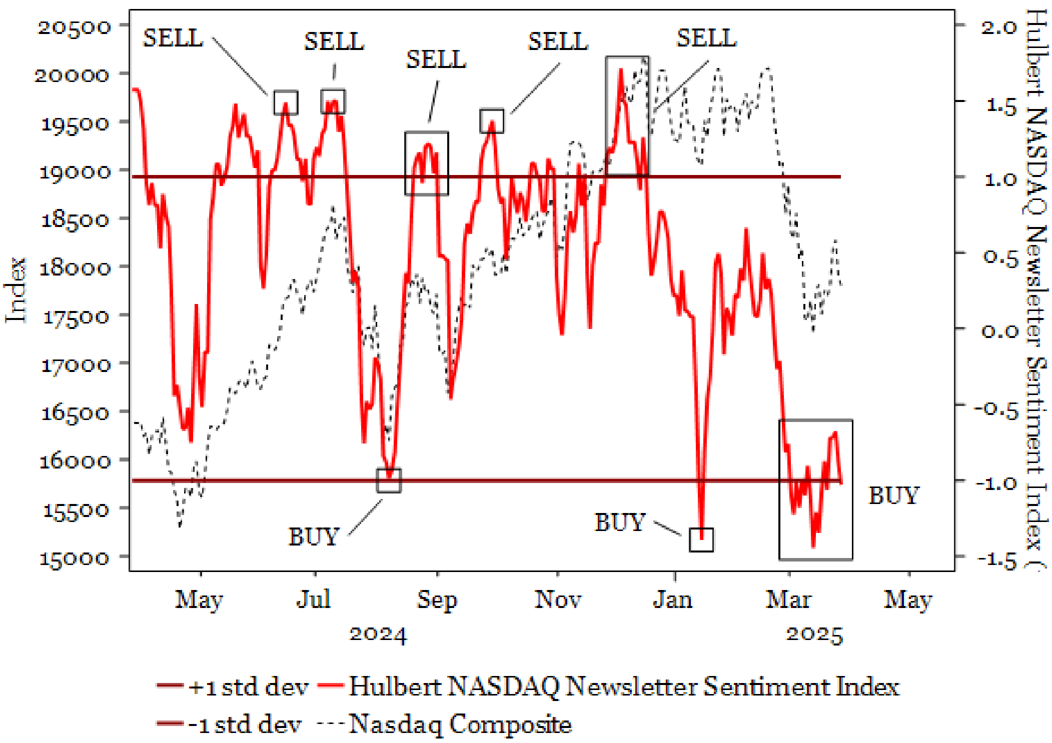
FIG 1a: NDX100 June 25 futures 30-day tick chart shown with overnight price action

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



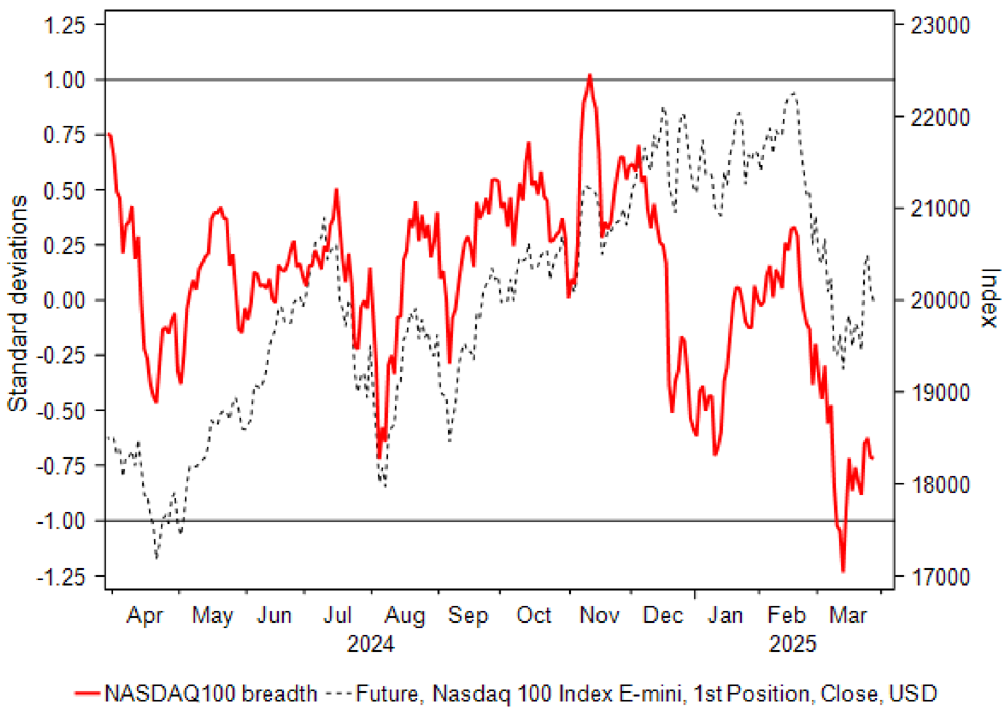
Source: Longview Economics, Macrobond

FIG 1c: Hulbert NASDAQ sentiment index shown with NASDAQ composite index



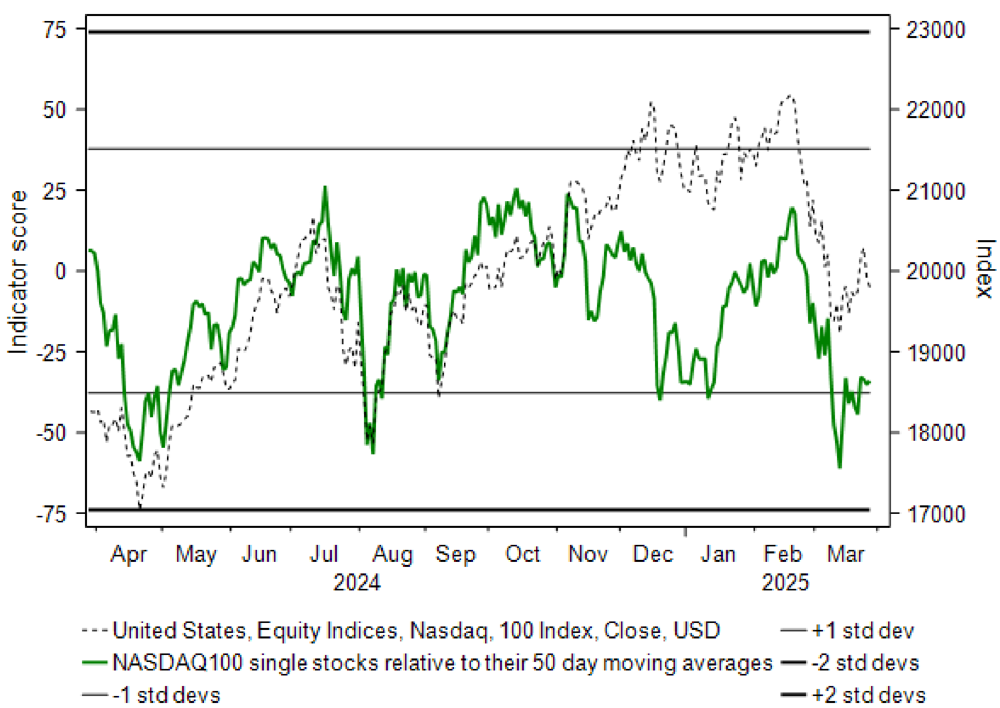
Source: Longview Economics, Macrobond

FIG 1d: NASDAQ100 breadth model vs. NDX100



Source: Longview Economics, Macrobond

FIG 1e: NASDAQ100 single stocks relative to their 50 day moving averages vs. NASDAQ100 index



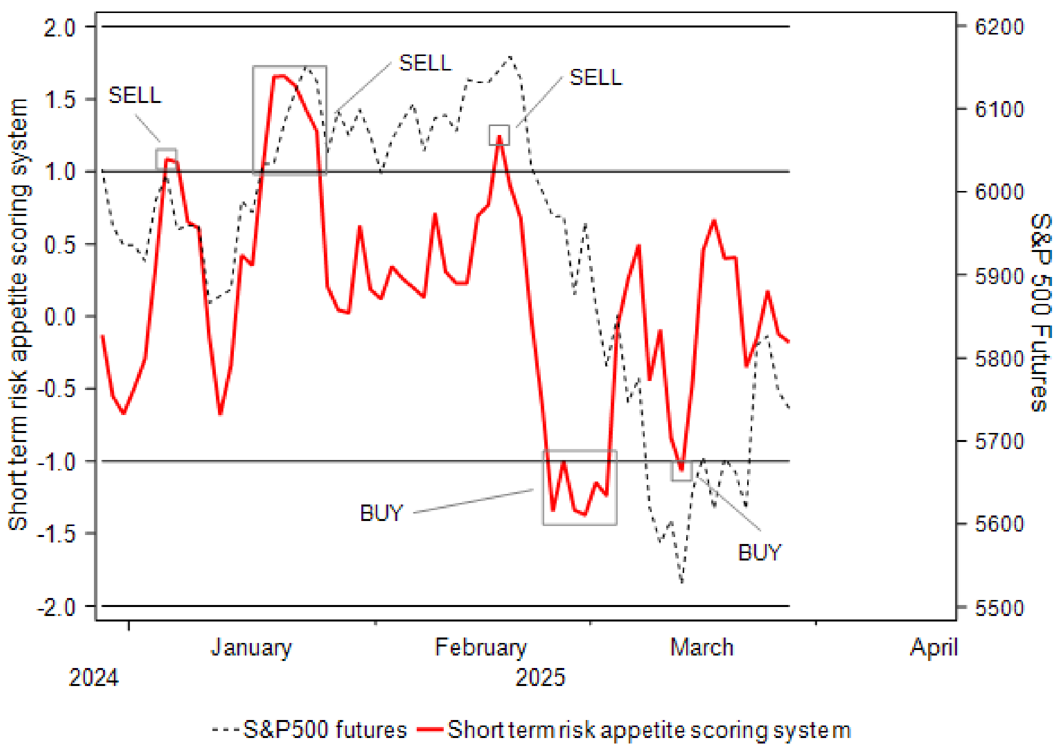
Source: Longview Economics, Macrobond

LVRAG Daily Risk Appetite Gauge

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

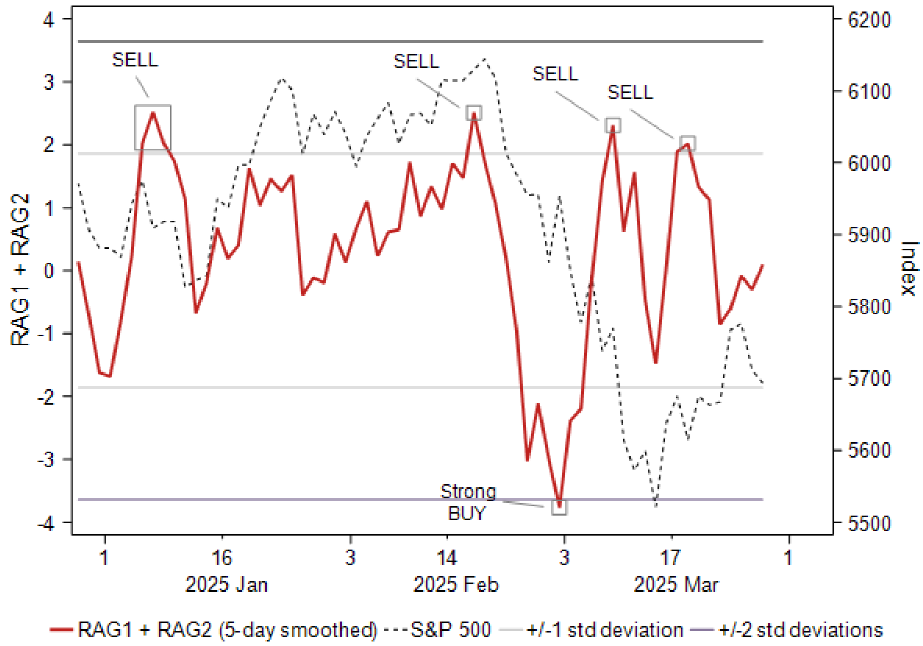
Short term risk appetite models are NEUTRAL

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



Source: Longview Economics, Macrobond

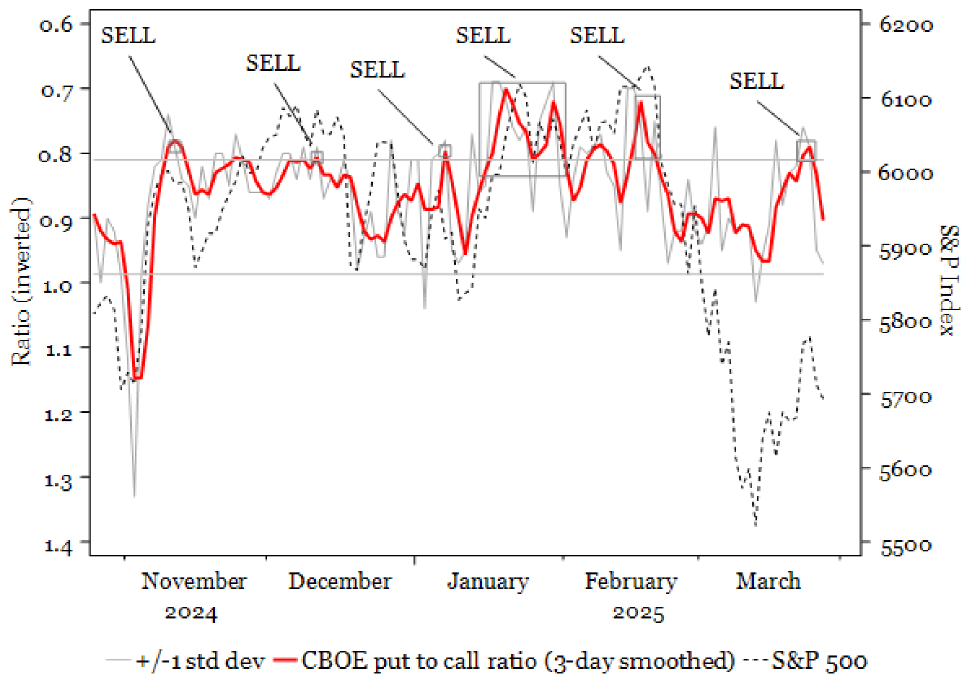
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

The CBOE put to call ratio indicator is mid-range

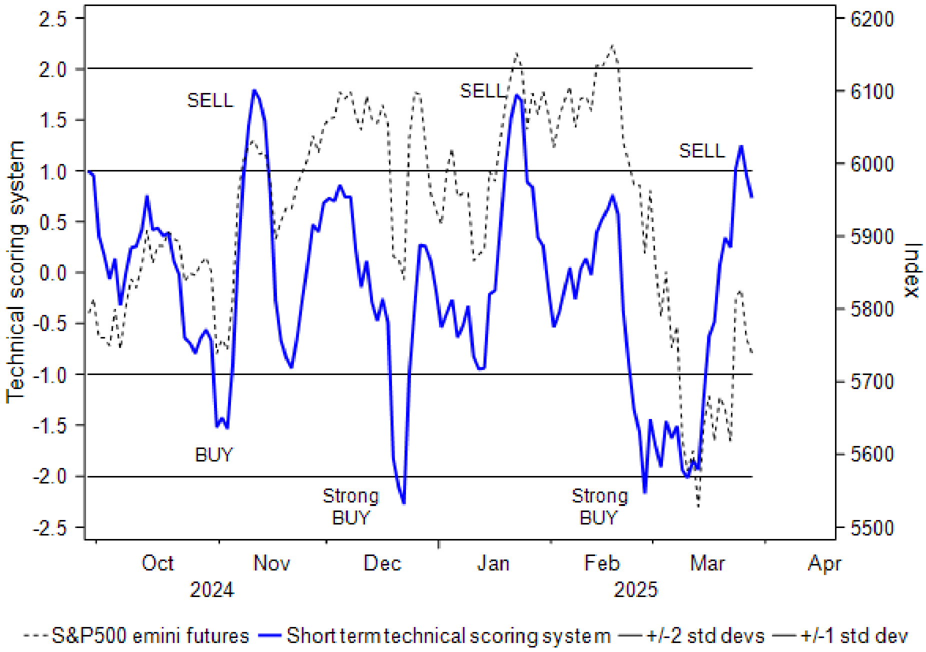
FIG 2b: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

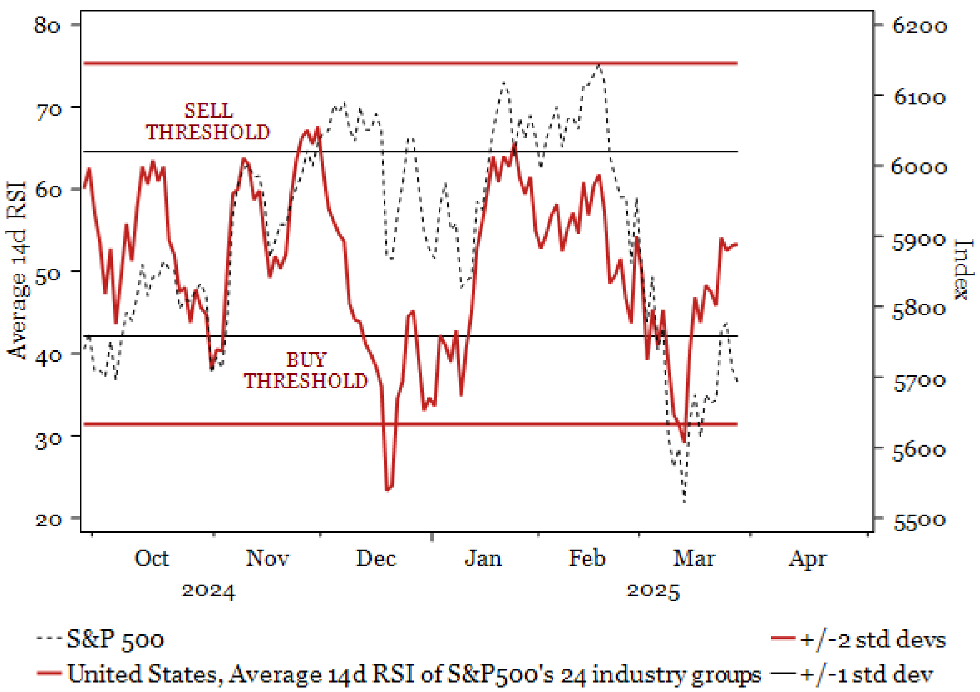
Technical/price-based models are mixed, but have a SELL bias

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



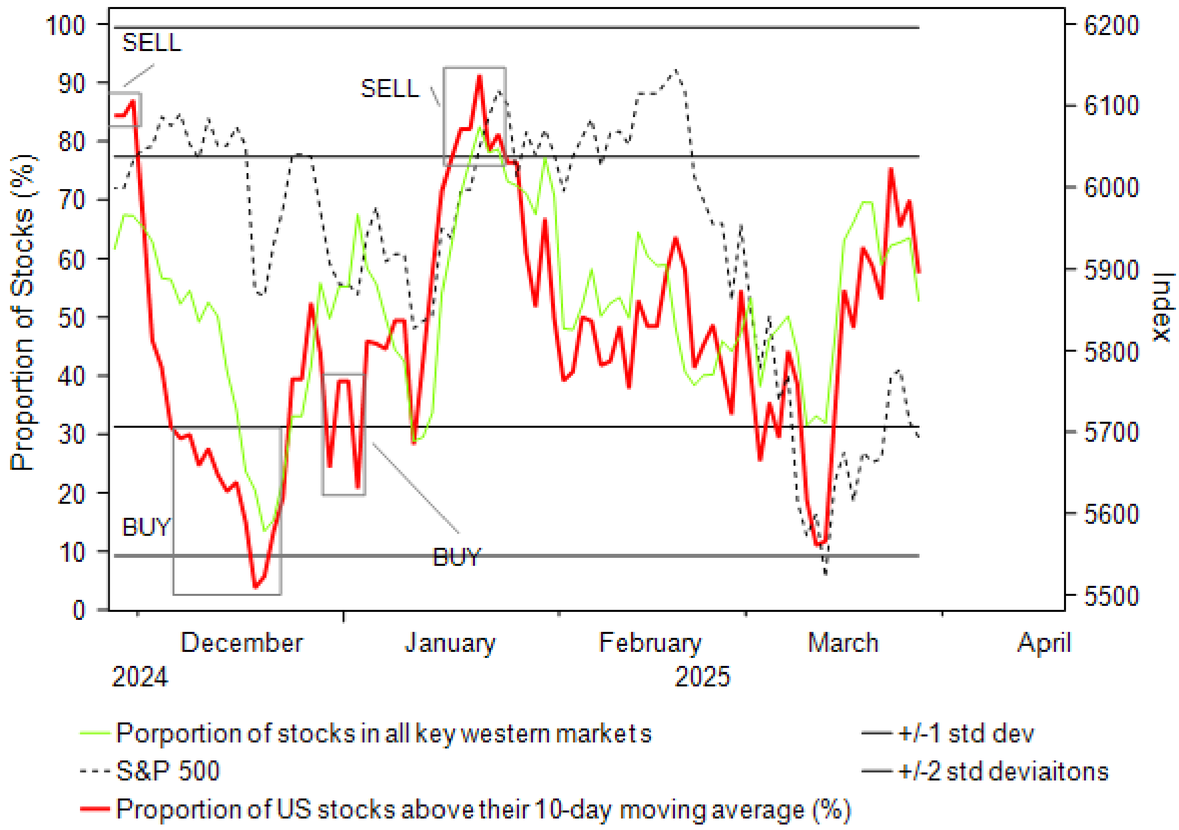
Source: Longview Economics, Macrobond

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

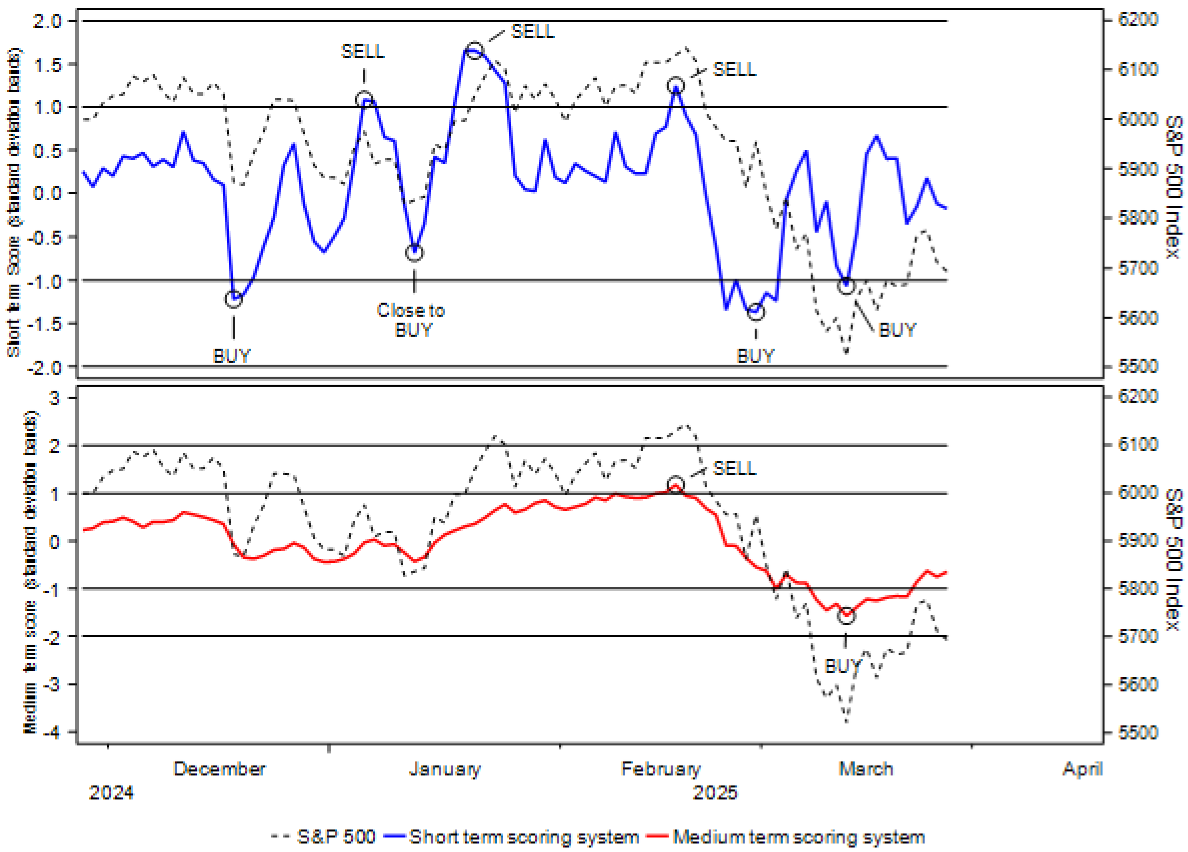


Source: Longview Economics, Macrobond

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

Key data today include: **UK Retail sales** (Feb, 7am); UK GDP (Q4 final estimate, 7am), monthly GDP estimate, industrial & manufacturing production, goods trade balance & construction output (Jan, 7am); German GfK consumer confidence (Apr, 7am); French consumer spending (Feb, 7:45am); **French headline CPI & PPI** (March first estimate, 7:45am); Spanish headline & core CPI (March first estimate, 8am); **German unemployment** (Mar, 8:55am); ECB 1 & 3 year CPI expectations (Feb, 9am); Italian ISTAT consumer & manufacturing confidence (Mar, 9am); Eurozone consumer confidence (March final estimate, 10am); Italian PPI (Feb, 11am); Canadian GDP (Jan, 12:30pm); **US personal income & spending including headline & core PCE** (Feb, 12:30pm); US Michigan Sentiment (March final estimate, 2pm); US Kansas City Fed service sector activity (Feb, 3pm).

Key events today include: Speech by the Fed's Bostic on housing finance (7:30pm).

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.

Daily Risk Appetite Gauge

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1 – 2 Week View on Risk

28th March 2025

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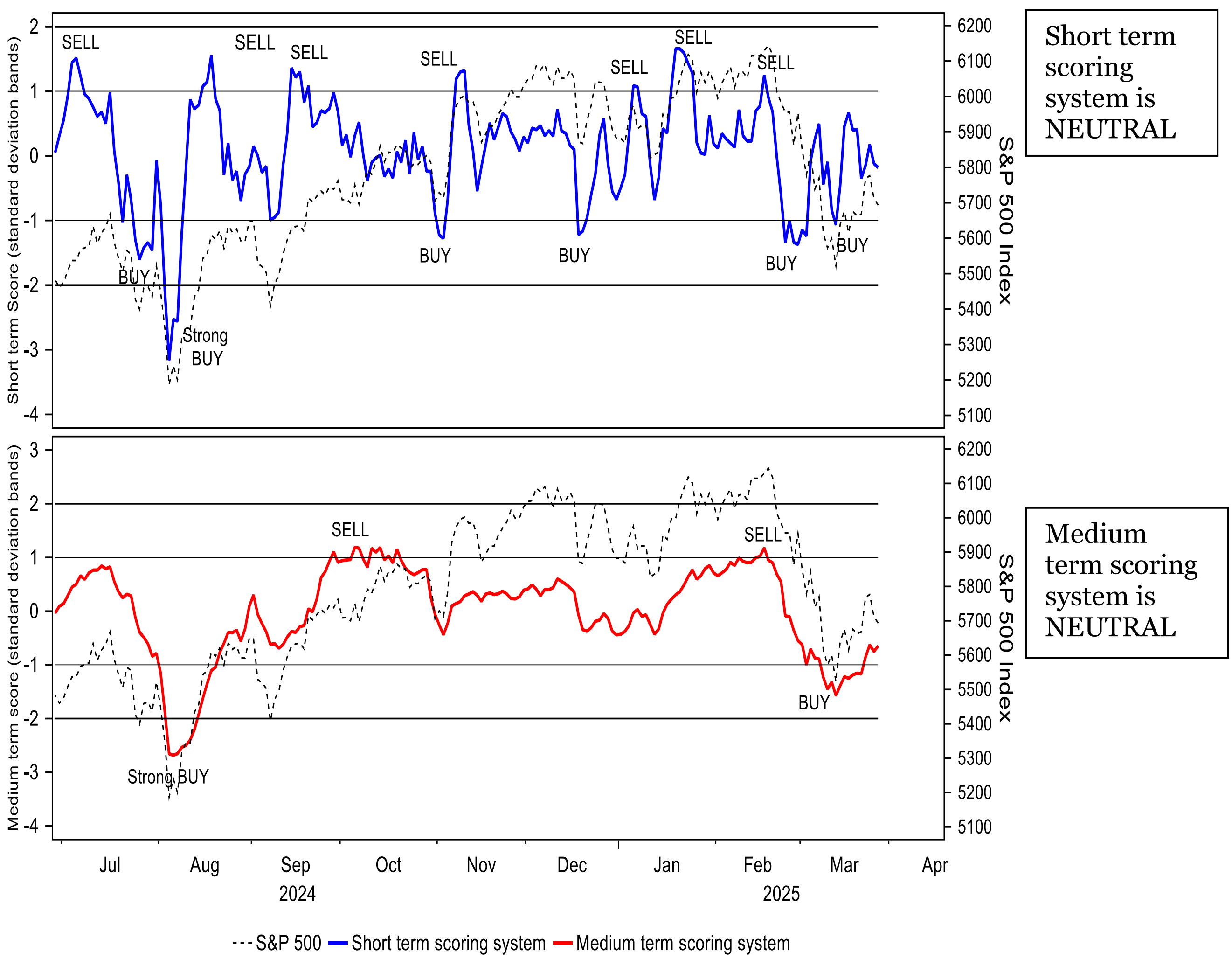
Section 1: Longview Scoring Systems (short & medium term*)

Fig 1: Longview ‘short term’ and ‘medium term’ scoring systems



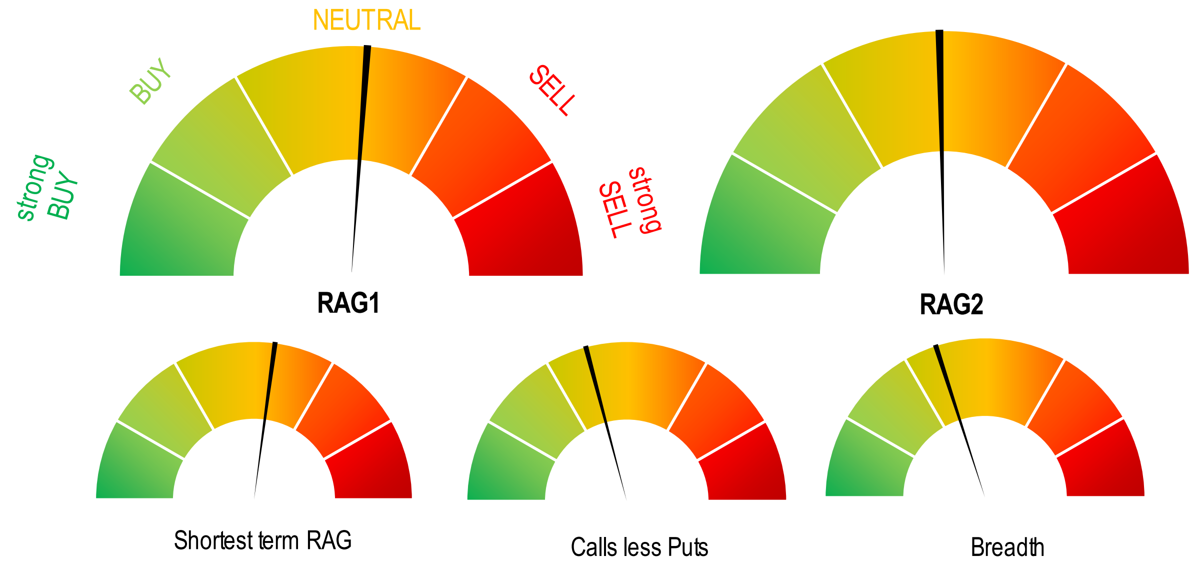
Source: Longview Economics, Macrobond

*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

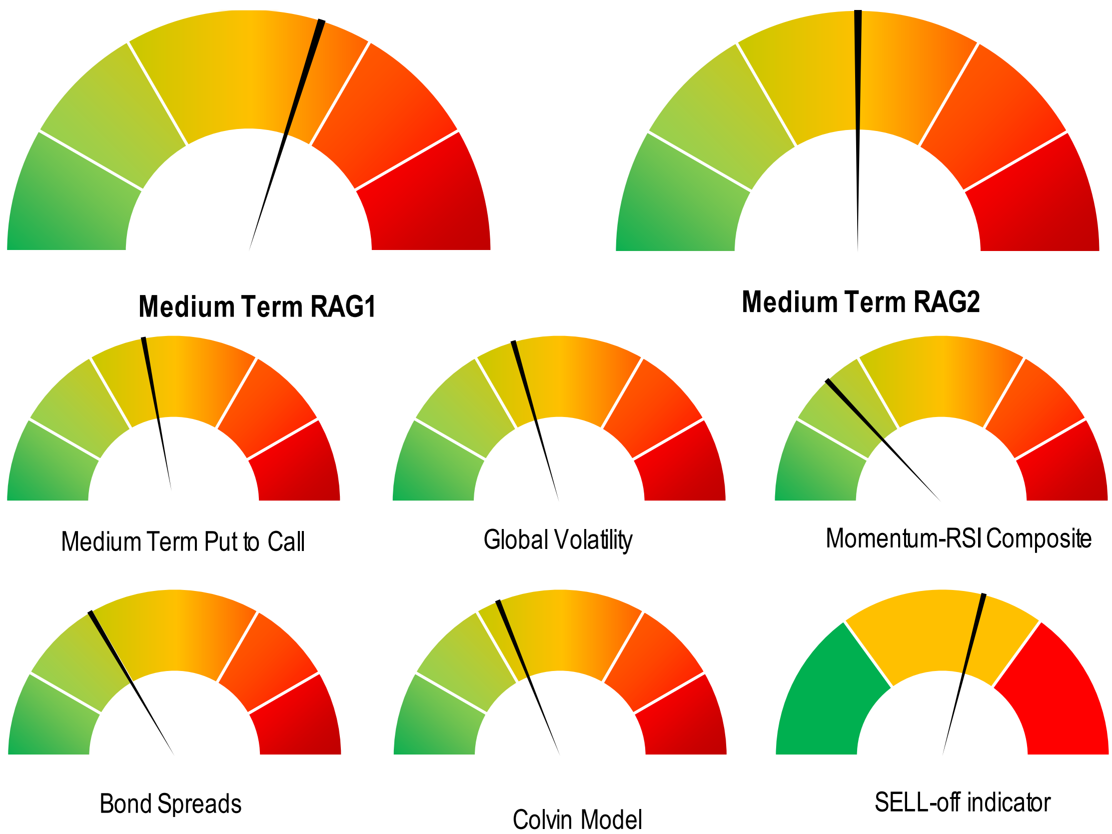
Section 1a: Summary of indicator signals**

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

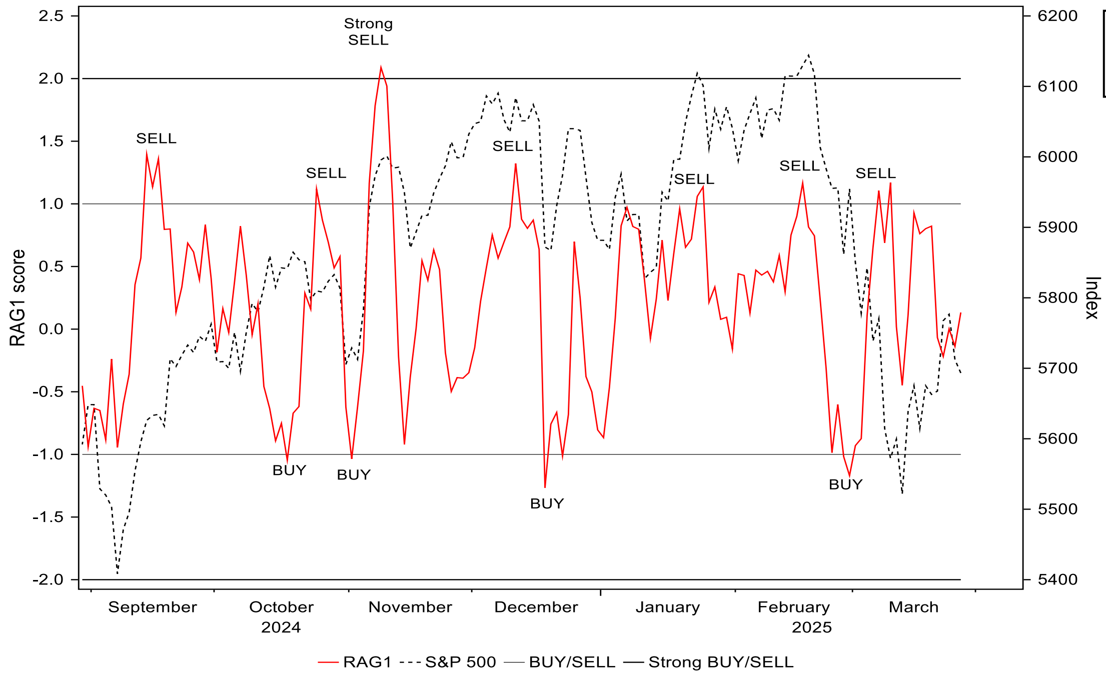


Source: *Longview Economics*

**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

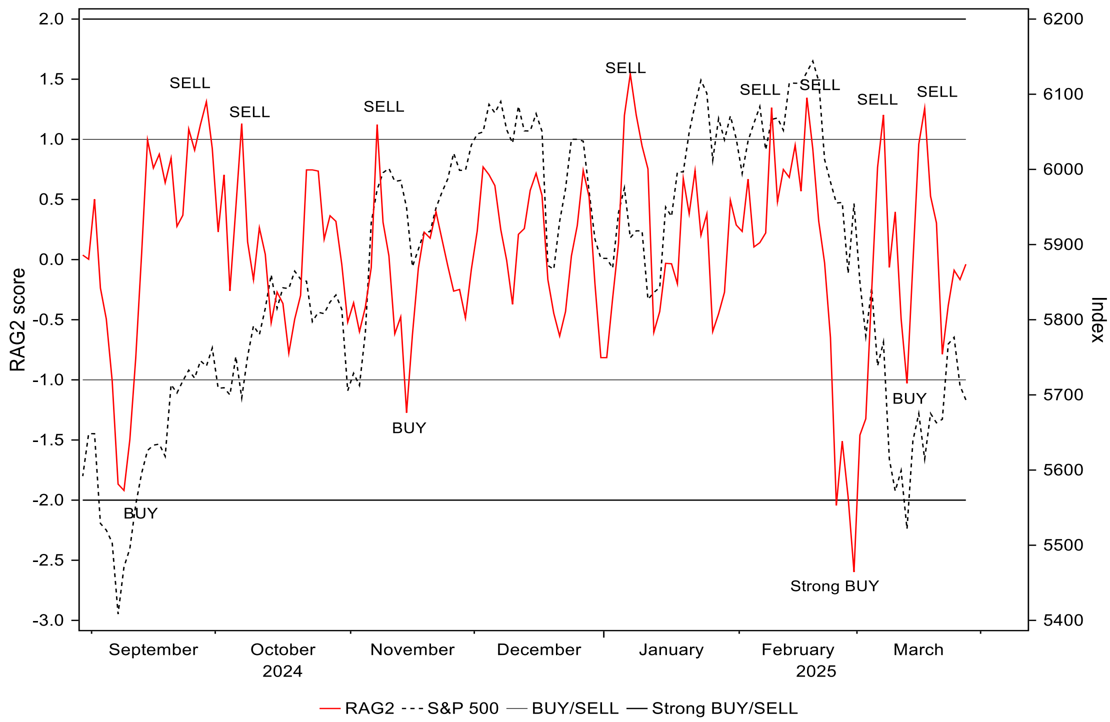
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

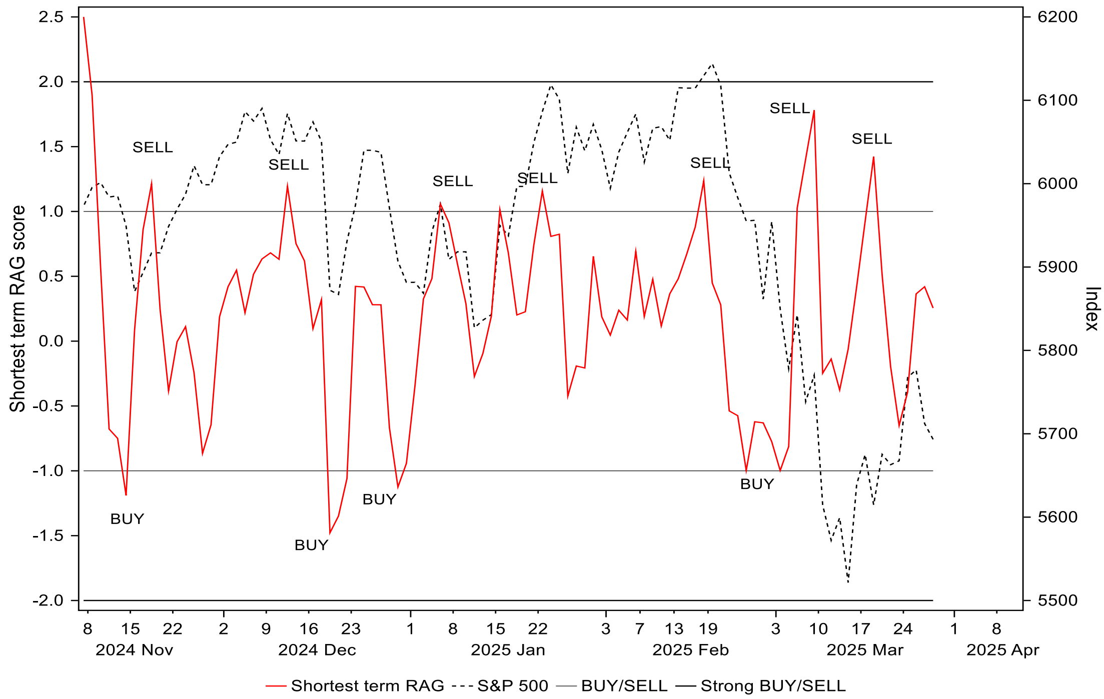


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

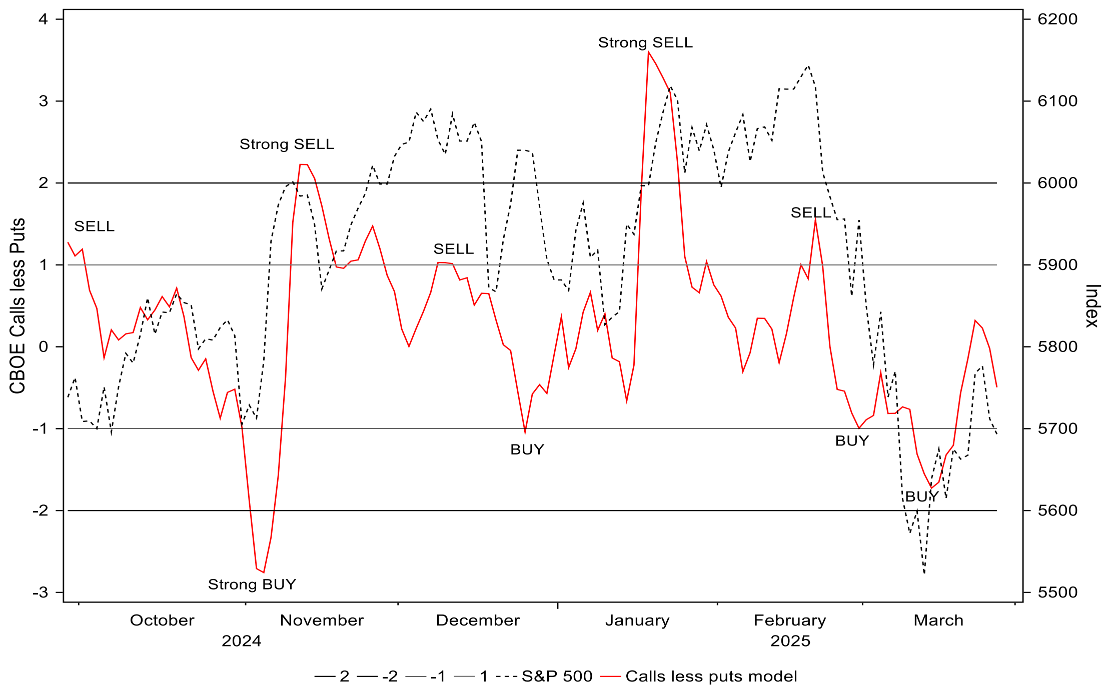
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is NEUTRAL

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

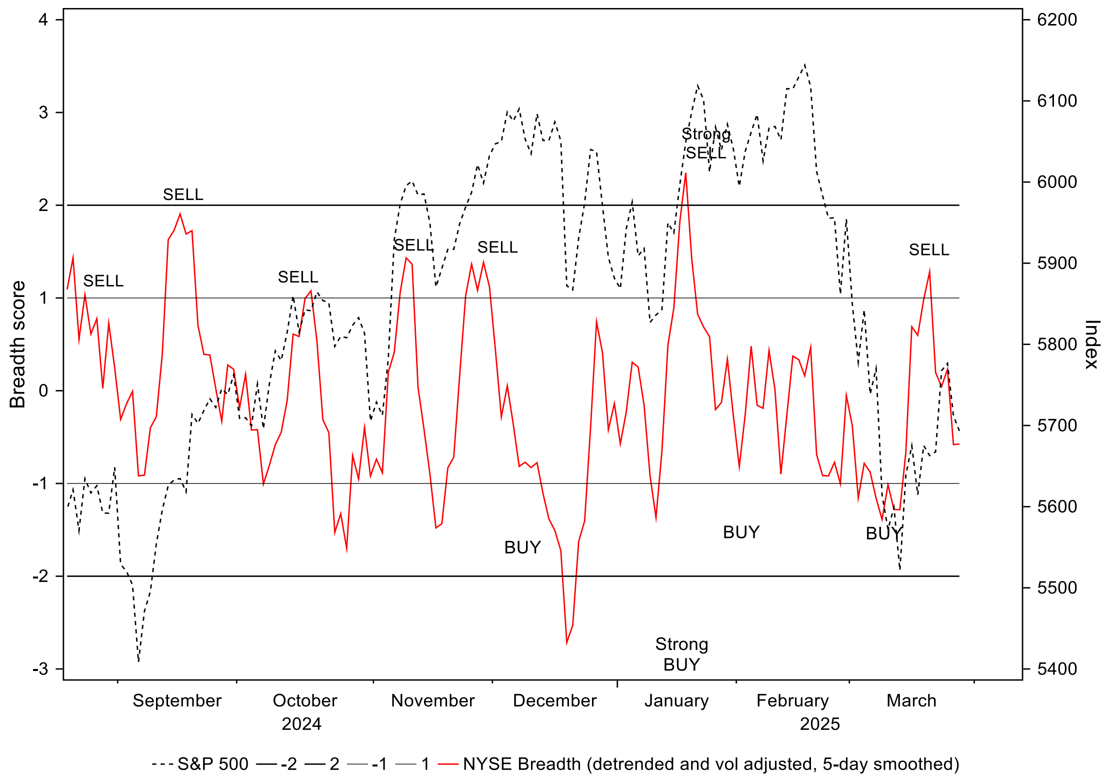


Source: Longview Economics, Macrobond

Calls less puts model is NEUTRAL

For explanations of indicators please see page 10

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



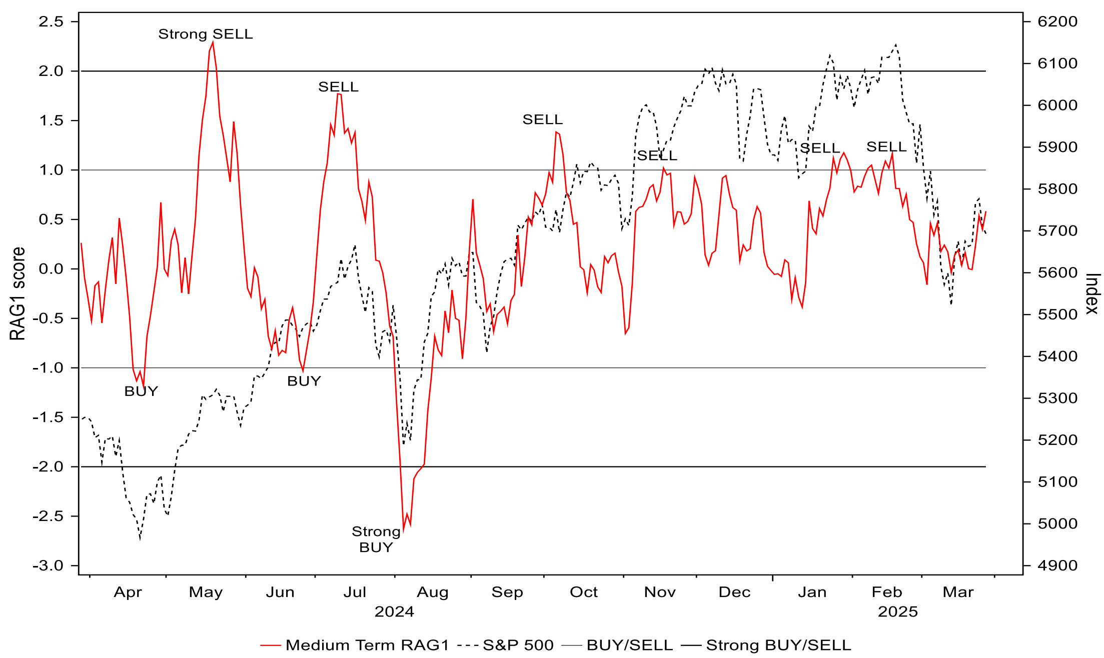
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

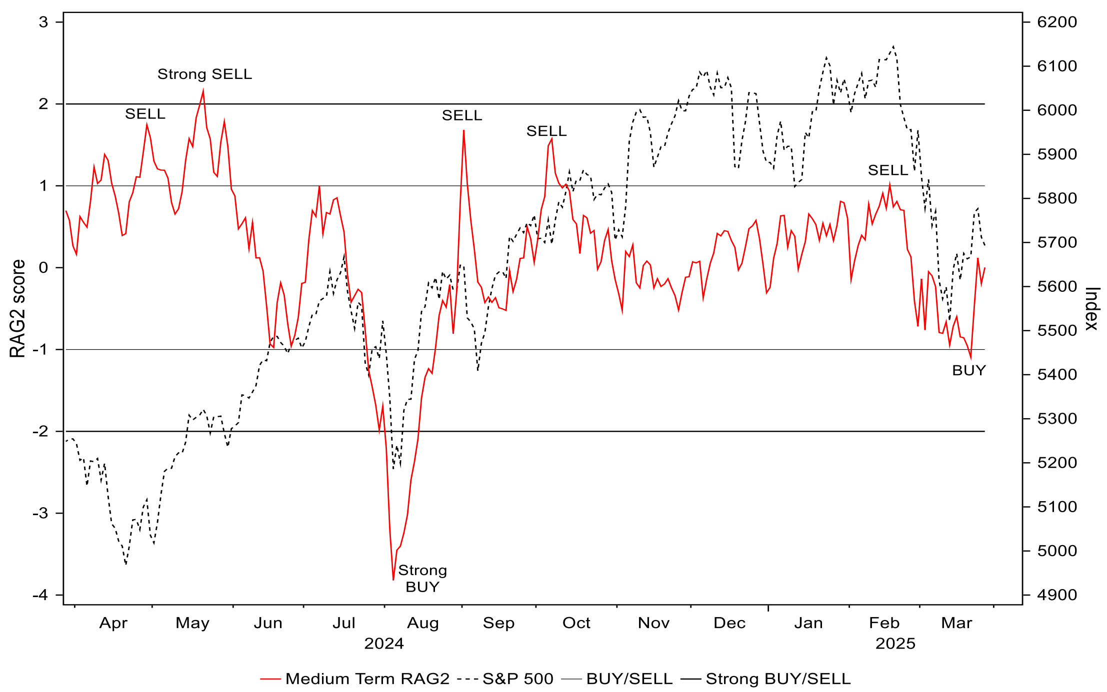
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

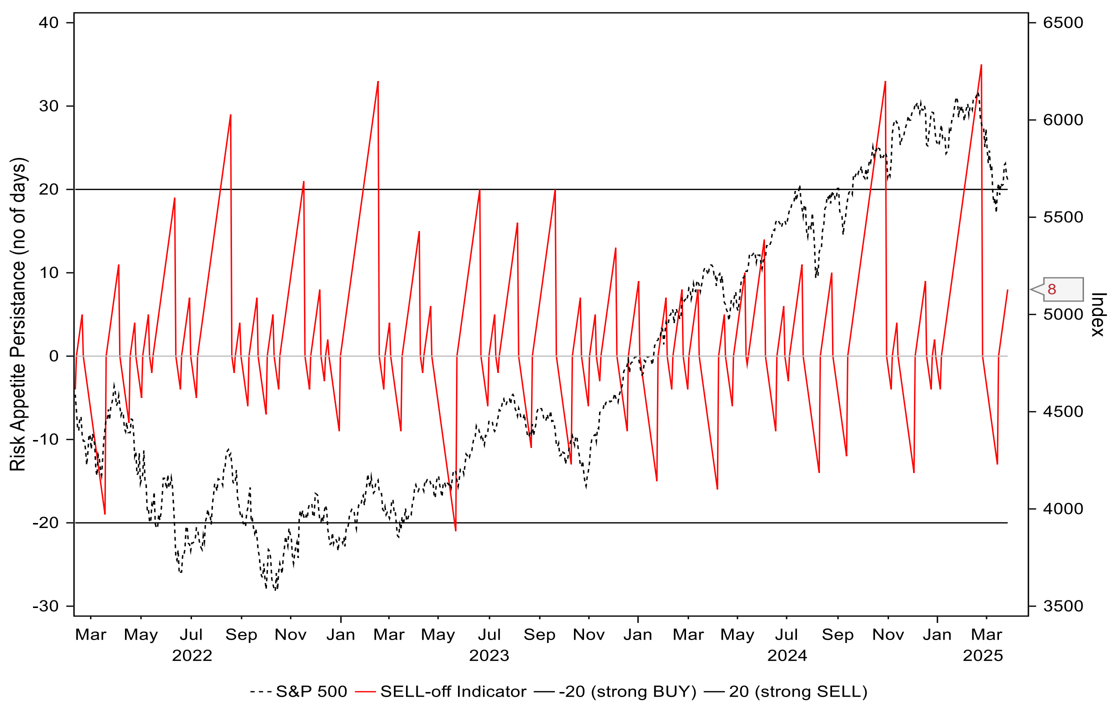


Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

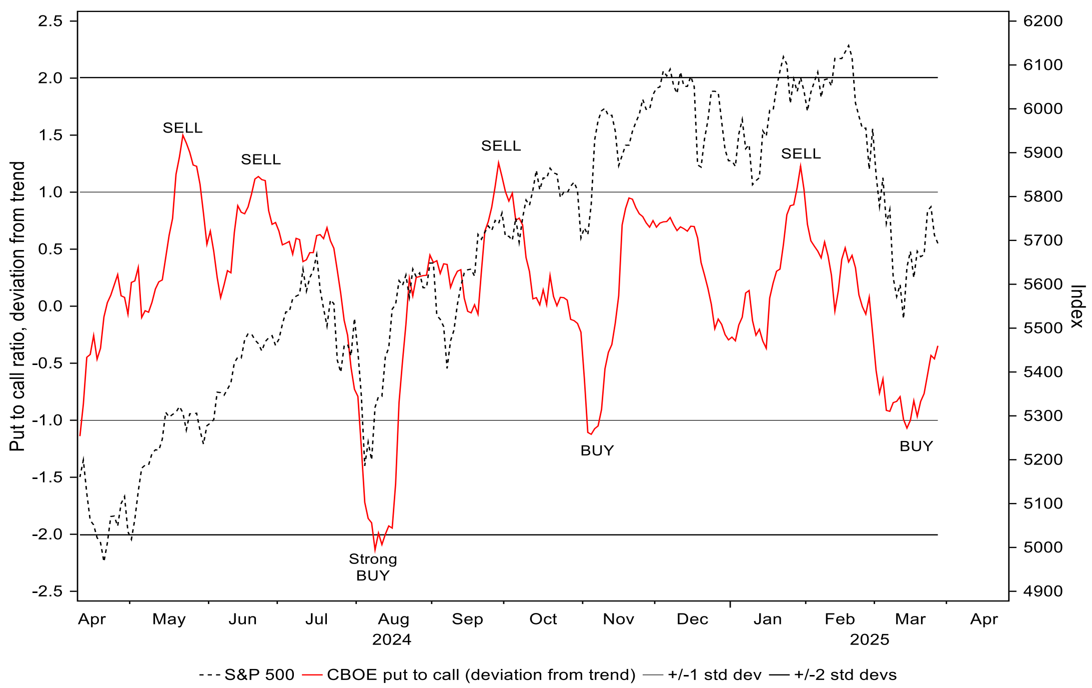
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

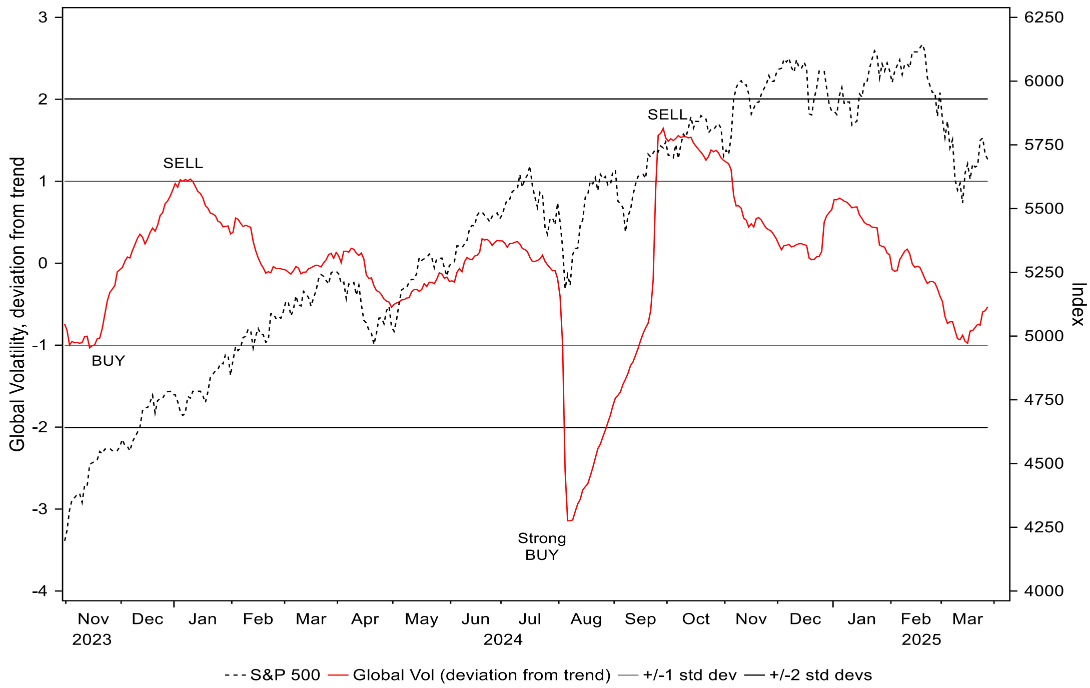


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

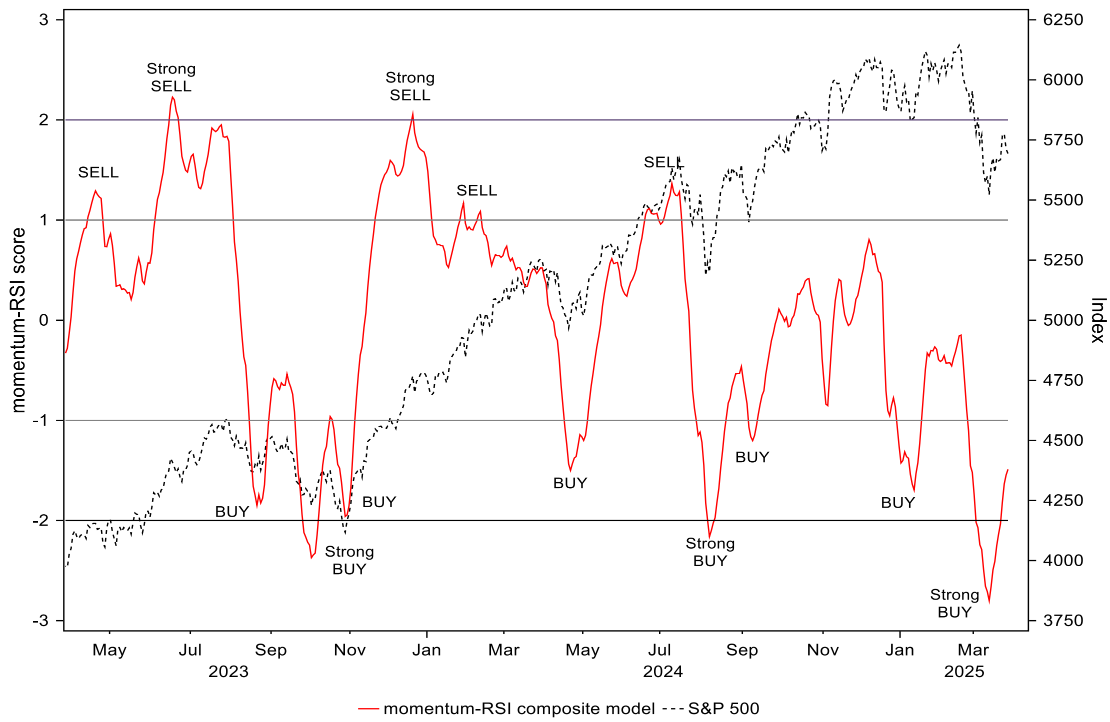
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is NEUTRAL

Source: Longview Economics, Macrobond

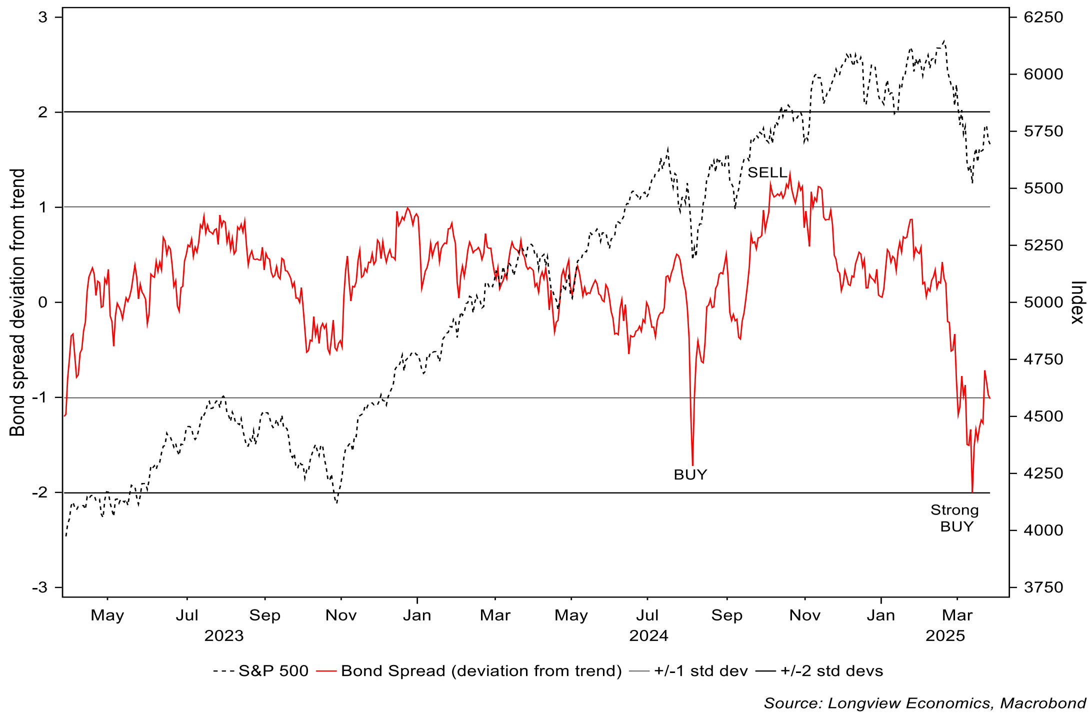
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on BUY

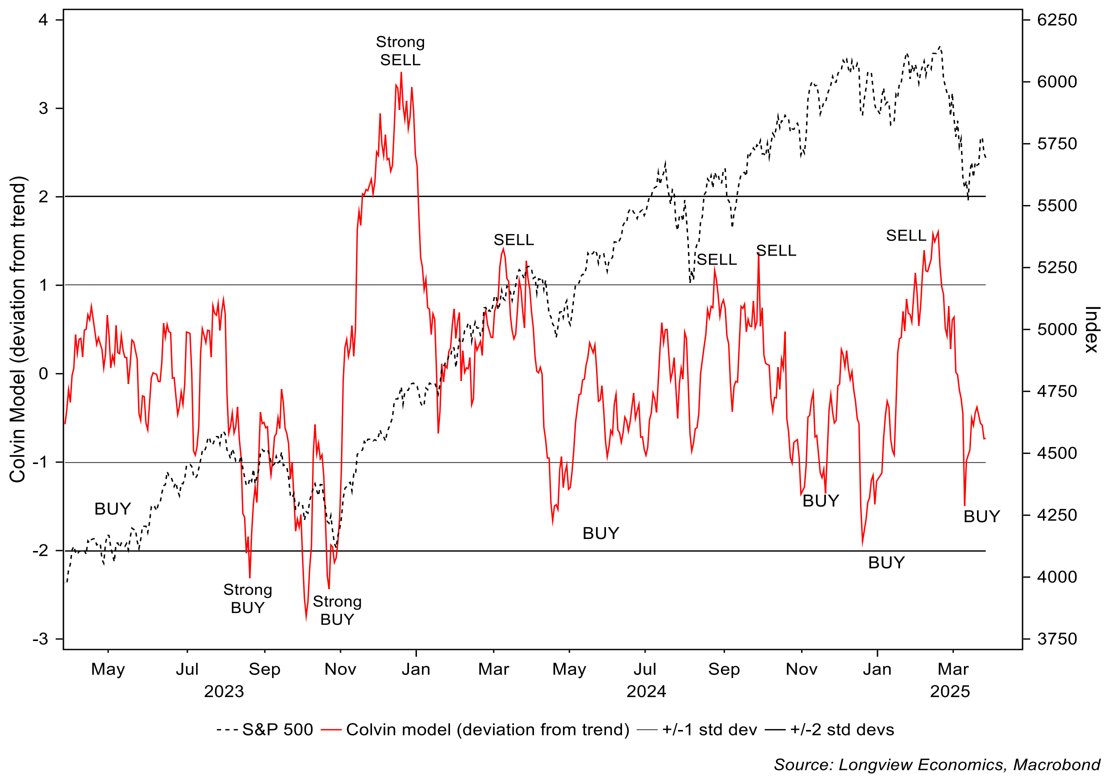
Source: Longview Economics, Macrobond

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



High yield corporate bond spreads model is on BUY

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



Colvin model – is NEUTRAL

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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