LVRAG
Daily Risk Appetite Gauge

Equity Index Futures Trading Recommendations

28th May 2025

"Close Final 1/4 SHORT - WATCH & WAIT"

Email: info@longvieweconomics.com

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

- Close remaining ¼ SHORT S&P500 June futures* at current prices.

- WATCH & WAIT

Rationale

All eyes will be on **Nvidia's earnings** today (after hours). The stock has rallied hard in the past month and a half. Since reaching its intraday low on 7th April (@ $86.8), it's up 56% (closing at $135.5 last night – FIG 1). Prior to that, it had sold off 43% from its January highs to those April lows. It's currently sitting just above its 200-day moving average (at $126). Against its 50-day moving average, the stock is now overextended (FIG 1a). Against its 200-day moving average, it's not. Retail has been a major buyer of the stock in this rally, as illustrated by the single stock NVDA ETF model (FIG 1b).

Elsewhere, overnight **Japanese government bond yields** have picked up on the back of a weak 40-year bond auction. With a bid-cover ratio of 2.21, the auction is being put forward as the reason for the back-up in those yields overnight. Equally, though, yields had eased significantly in the prior 3 trading sessions (which contextualises the overnight back-up – e.g. see FIG 1c).

Equities were strong largely across the board yesterday. In the US, all headline indices, sectors and industry groups traded higher (with SPX +2.05%; NDX100 +2.39%; & Philly SOX +3.38%). European equities were also up on the day, almost across the board. The DAX (+0.83%), made a new record high. Despite that, and of interest, the **DAX calls less put model** has been moving lower in recent trading sessions and is now back close to BUY (FIG 1d). Also of note, the R2K put to call model has the opposite message (i.e. it's on SELL).

Our **short-term models are mostly mid-range** (having ticked modestly higher yesterday, FIGs 2 – 2g). Medium term models remain tilted onto/towards SELL.

Having reduced the position size yesterday, reflecting our diminished conviction, we recommend removing it altogether today and **turning NEUTRAL** (WATCH & WAIT). Yesterday's move was a broad based 'risk on' move, while ST models currently have no clear message (mostly NEUTRAL). As such, some **near term** follow through BUYing is possible.

Standing back (& looking at the big picture), the S&P500 has struggled, in the past two weeks, to make much progress above its 200-day moving average. The index first crossed that key resistance level on 13th May (FIG 1f). Since then, it's traded mostly in the 5,800 – 6,000 range (Nvidia's results tonight may be interesting in that respect). In the medium term (1 – 4 month) tactical portfolio, we turned NEUTRAL on 19th May (for detail, pls see Longview Alert, 19th May).

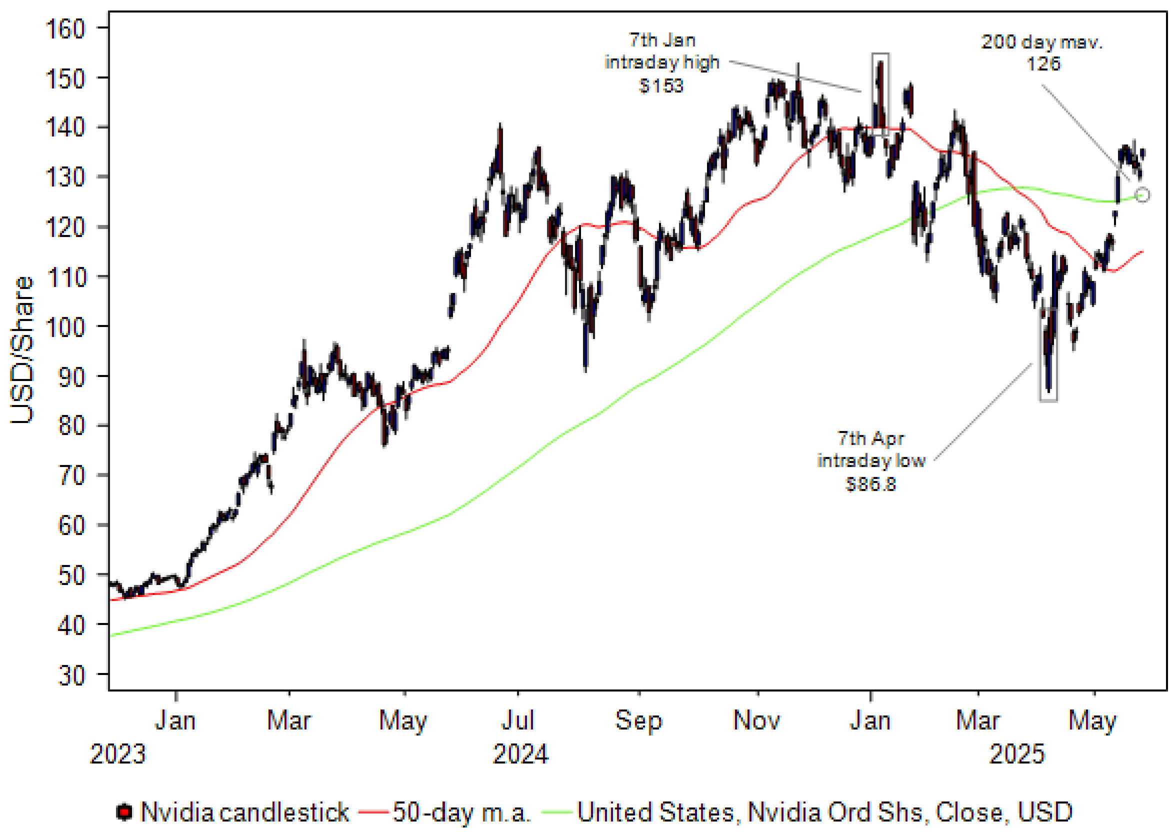
Please see below for a list of today's key events and macro data.

Kind regards,

The team @ Longview Economics

*NB blended entry was at 5,929.4.

FIG 1: Nvidia candlestick chart shown with key moving averages



Source: Longview Economics, Macrobond

FIG 1a: Nvidia overextended indicator (underlying price relative to 50 day moving average)

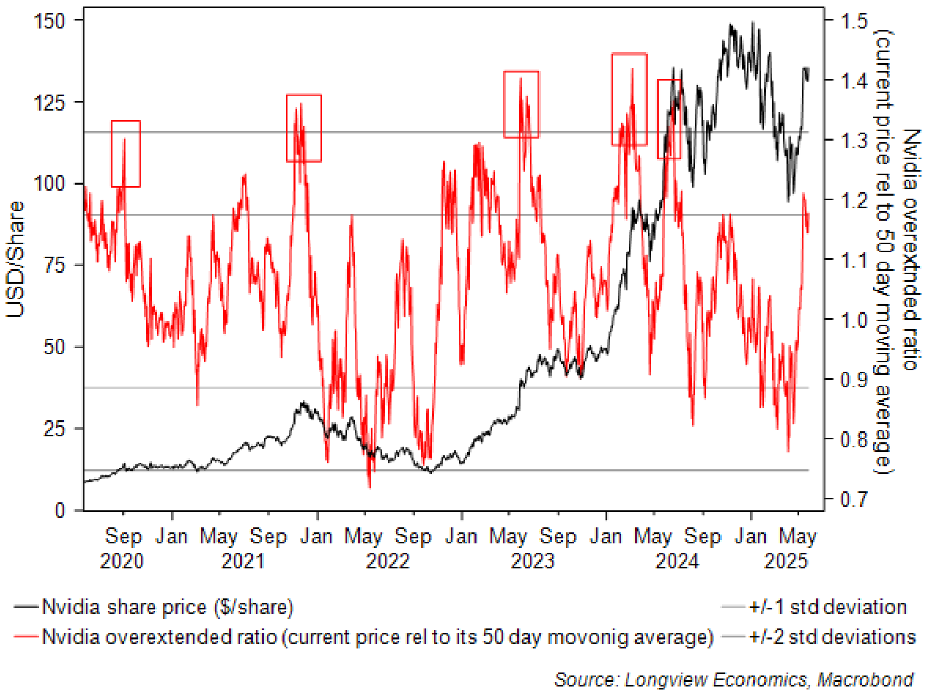


FIG 1b: Nvidia candlestick chart shown with AUM of Nvidia single stock ETFs ($bn)

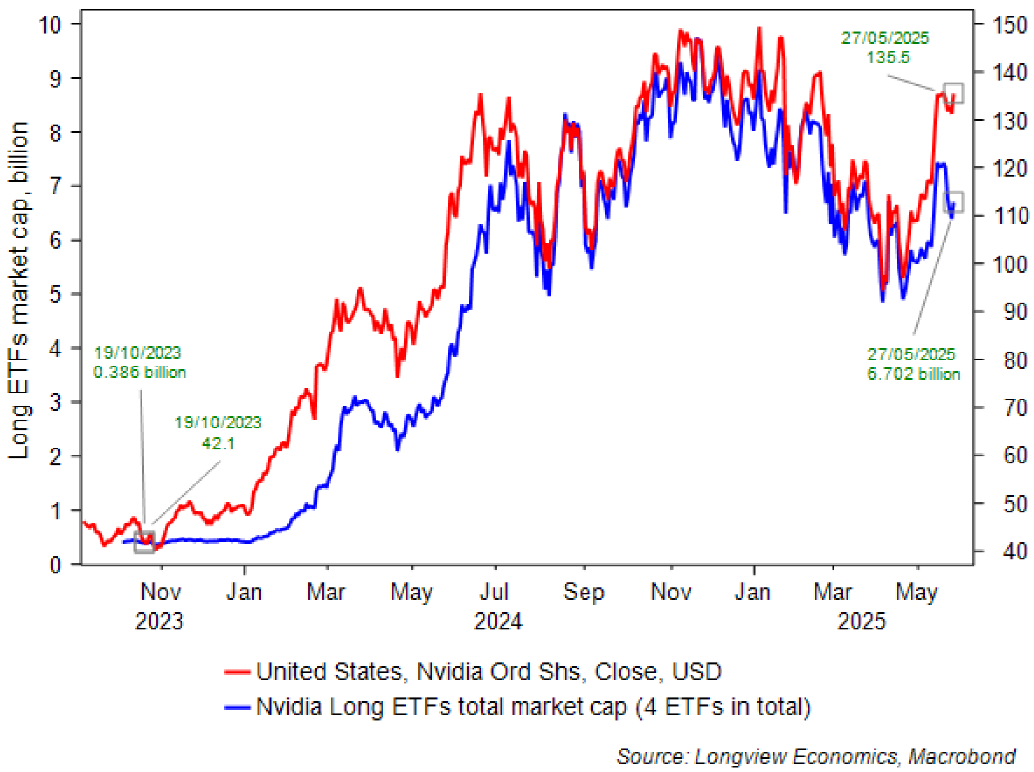


FIG 1c: Japanese 30-year bond yields –> 10-day GIP chart

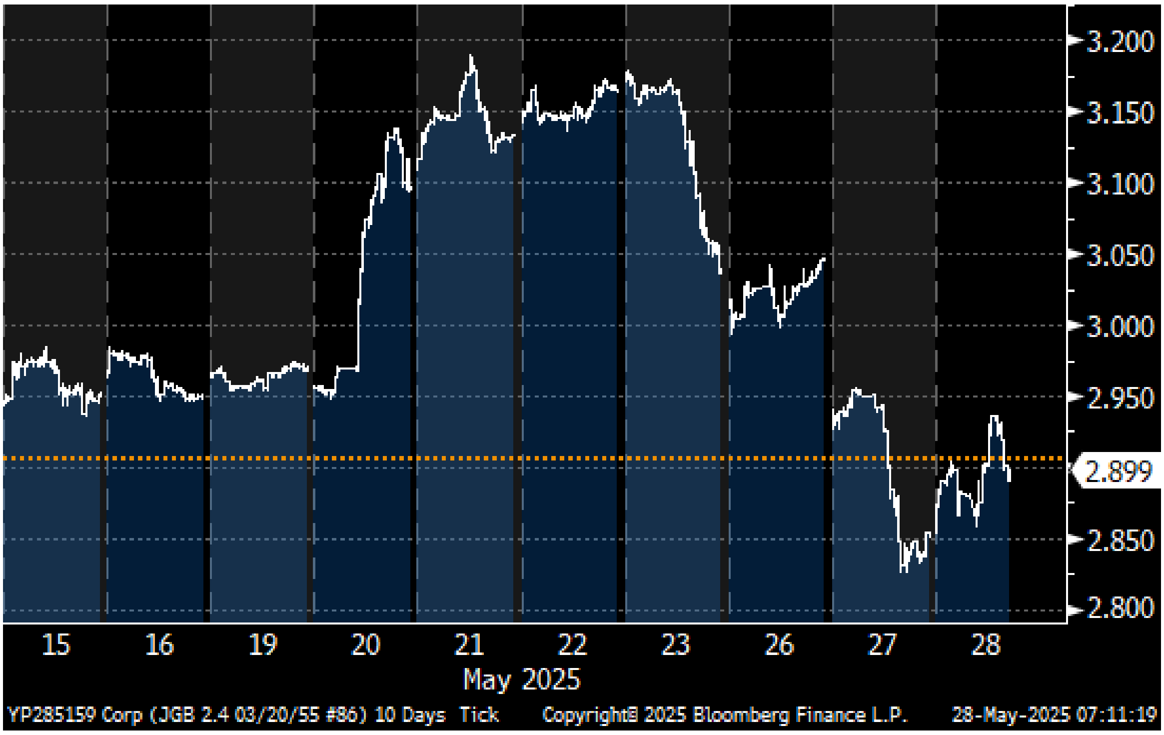
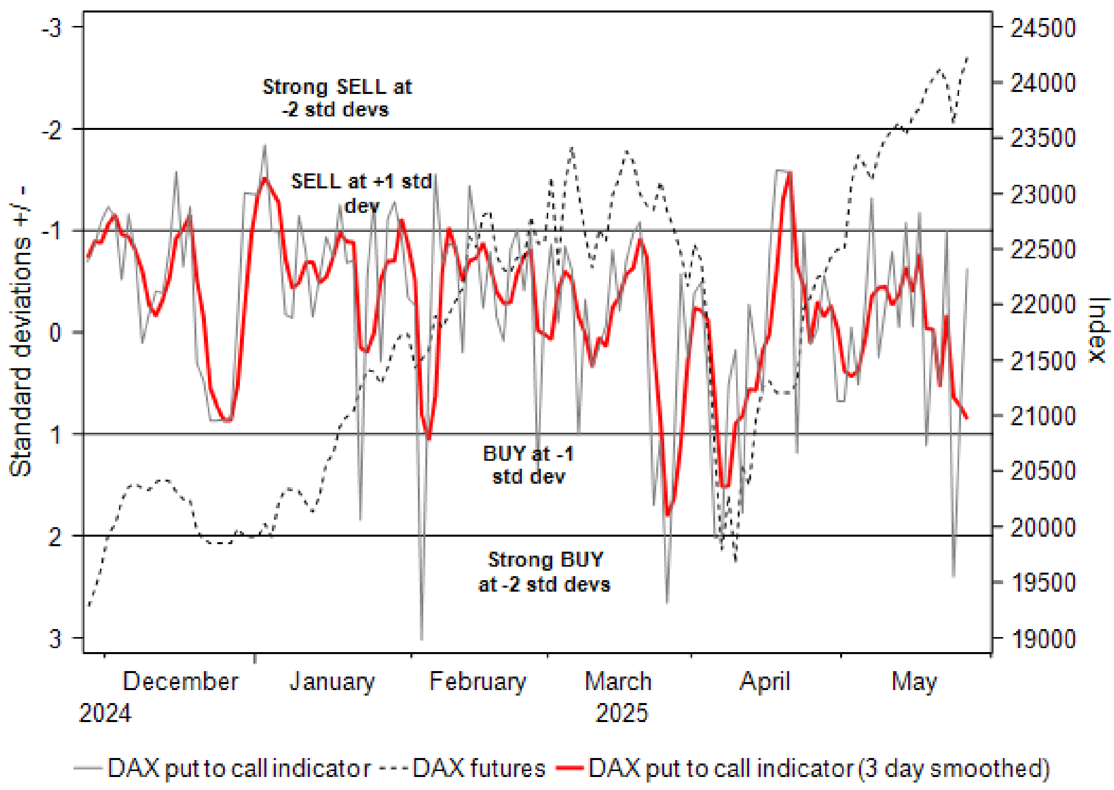
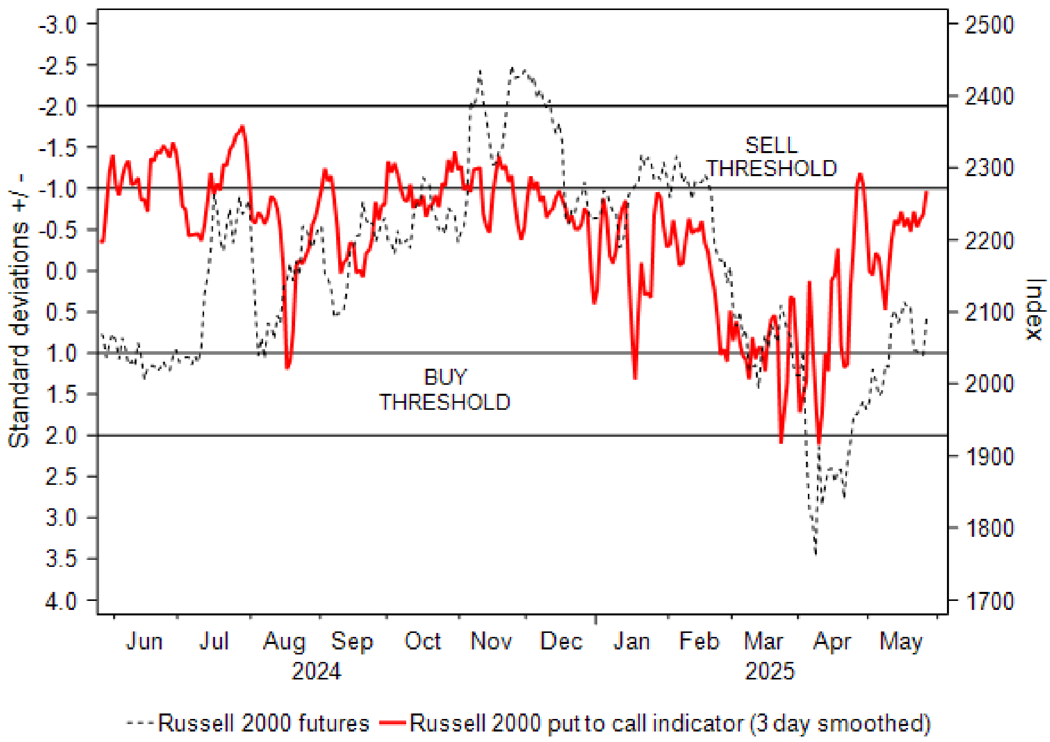


FIG 1d: DAX40 calls less puts indicator (5 day smoothed) vs. DAX40 index



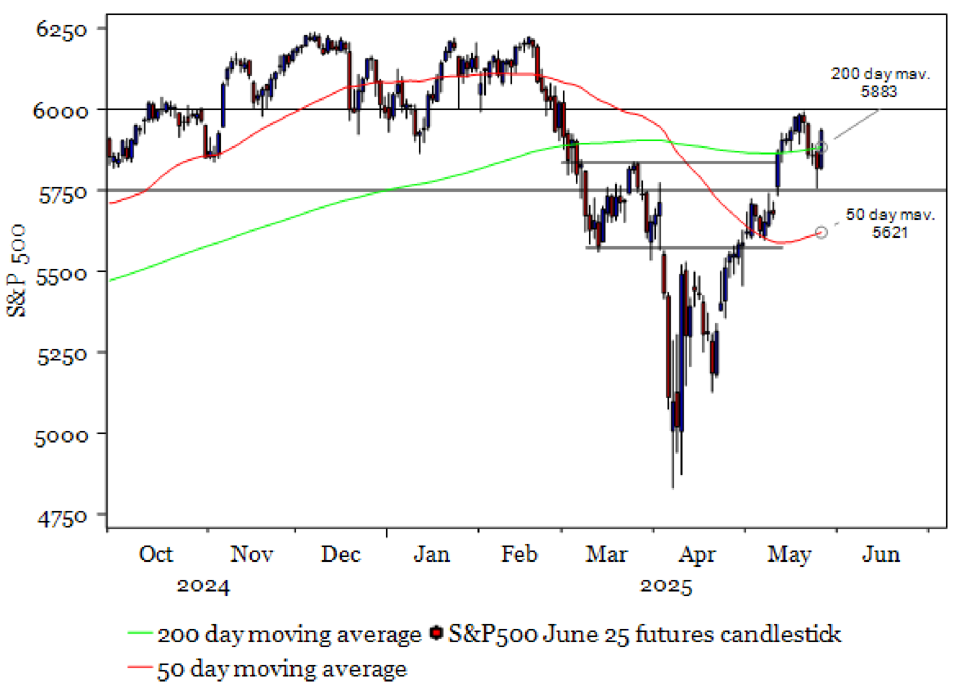
Source: Longview Economics, Macrobond

FIG 1e: Russell 2000 put to call indicator (1 & 3 day smoothed) vs. Russell 2000 futures



Source: Longview Economics, Macrobond

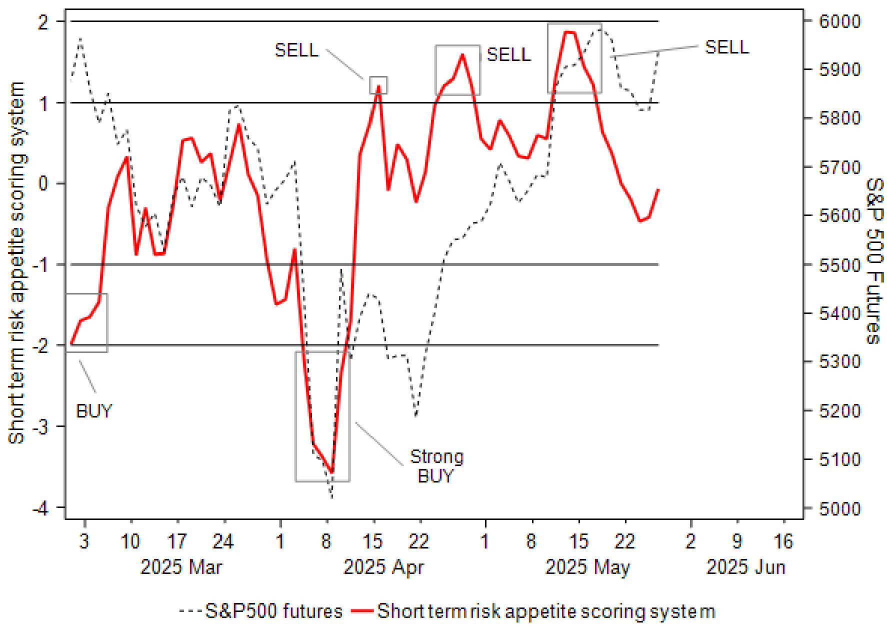
FIG 1f: S&P500 futures candlestick shown with its 50 & 200 day moving average



Source: Longview Economics, Macrobond

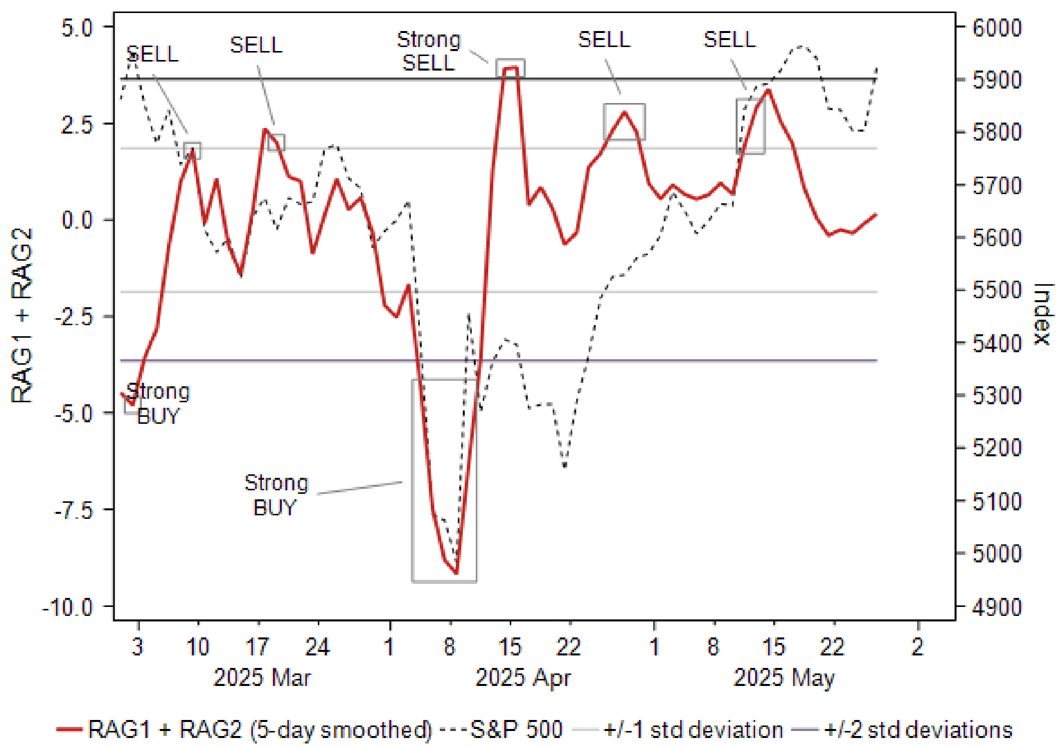
Short term models are mostly NEUTRAL…

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



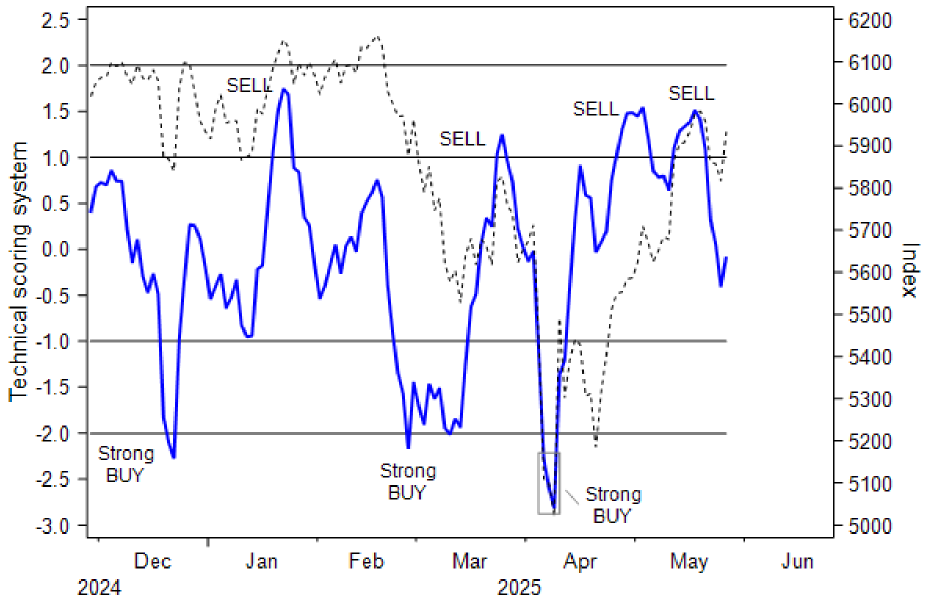
Source: Longview Economics, Macrobond

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



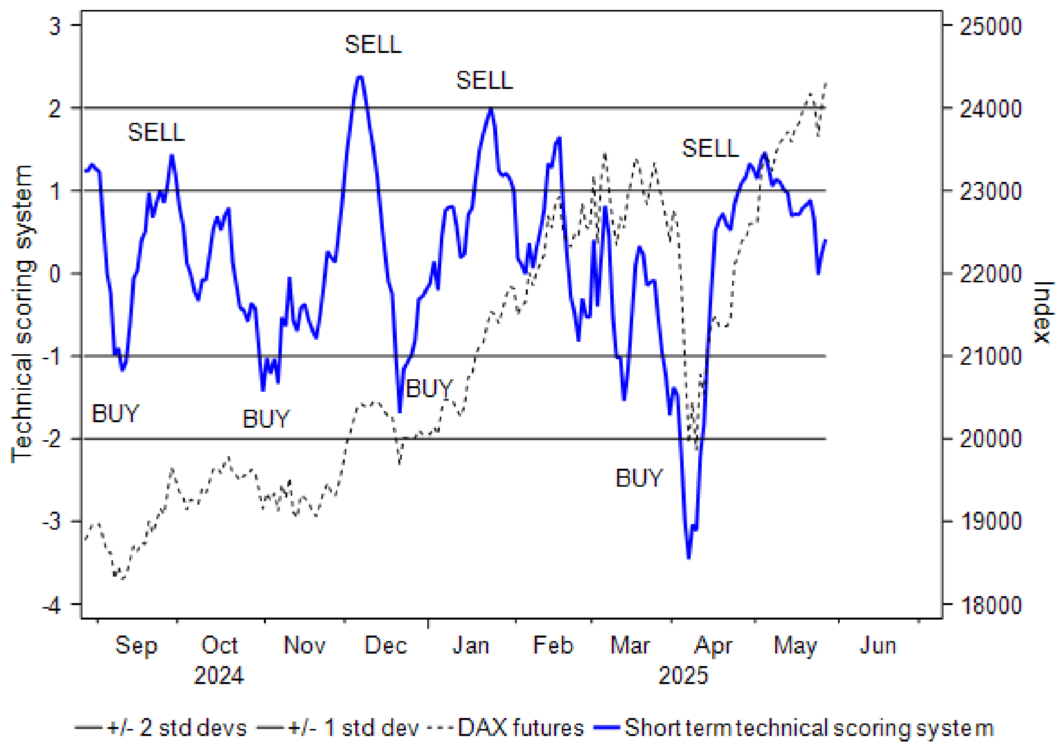
Source: Longview Economics, Macrobond

FIG 2b: Longview S&P500 **short term ‘technical’** scoring system vs. S&P500 futures



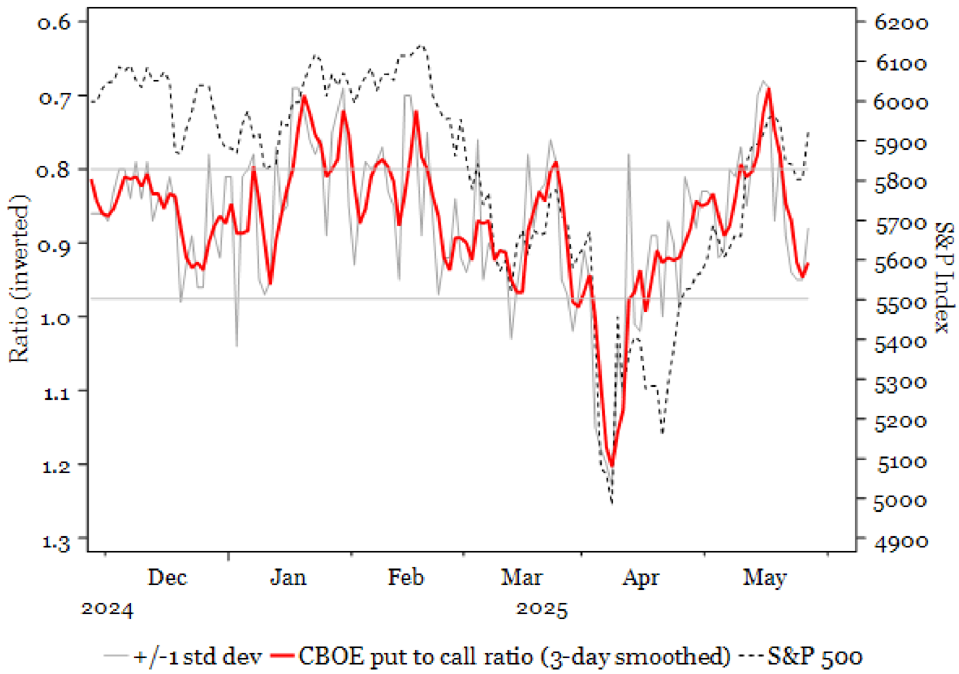
Source: Longview Economics, Macrobond

FIG 2c: Longview DAX futures short term **‘technical’** scoring system vs. DAX futures



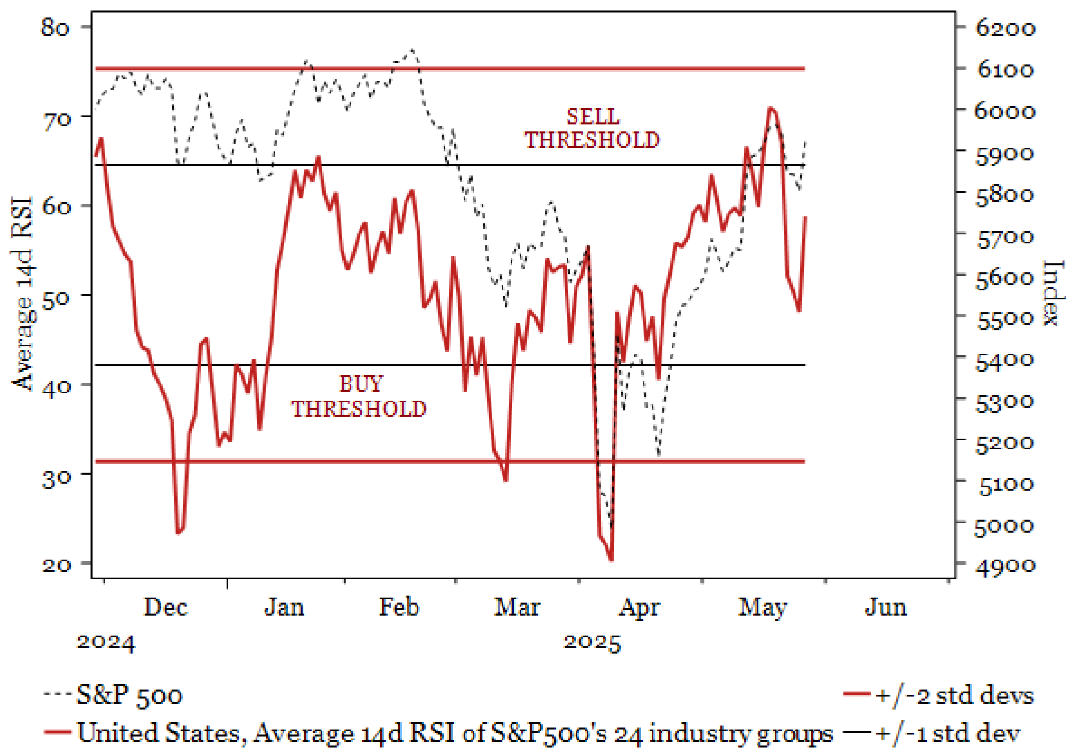
Source: Longview Economics, Macrobond

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



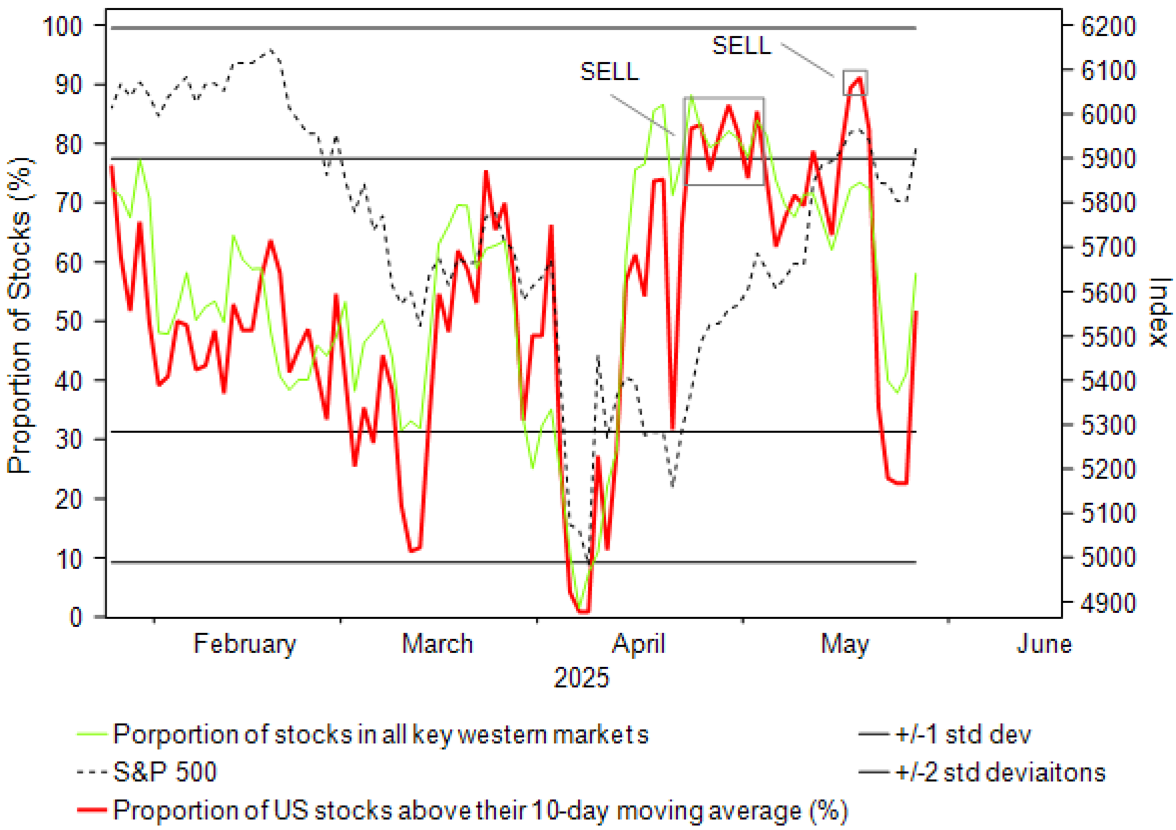
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

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

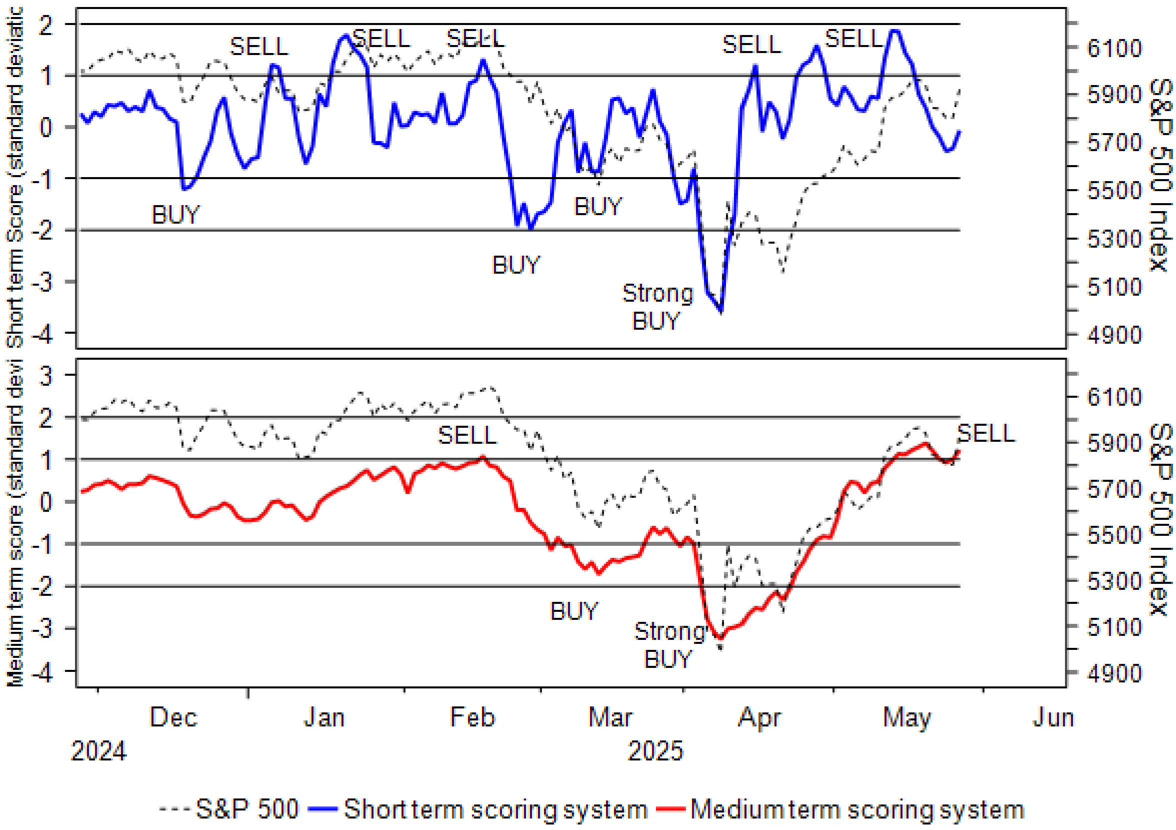


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

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



Source: Longview Economics, Macrobond

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Key macro data/events

Key data today include: Australian CPI (Apr, 2:30am); French GDP & consumer spending (Q1 final estimate, 7:45am); French PPI (Apr, 7:45am); German unemployment (May, 8:55am); ECB 1 & 3 year CPI expectations (Apr, 9am); US Richmond Fed manufacturing index (May, 3pm); US Dallas Fed service sector activity (May, 3:30m).

Key events today include: RBNZ policy decision (3am); speeches by the Fed's Williams in Tokyo (1am), Kashkari in a Q&A (9am); **Fed minutes from May meeting** (7pm).

Key earnings today include: **Nvidia**, **Salesforce Inc,** Rolls Royce, Synopsys.

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 last week on 19th May 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

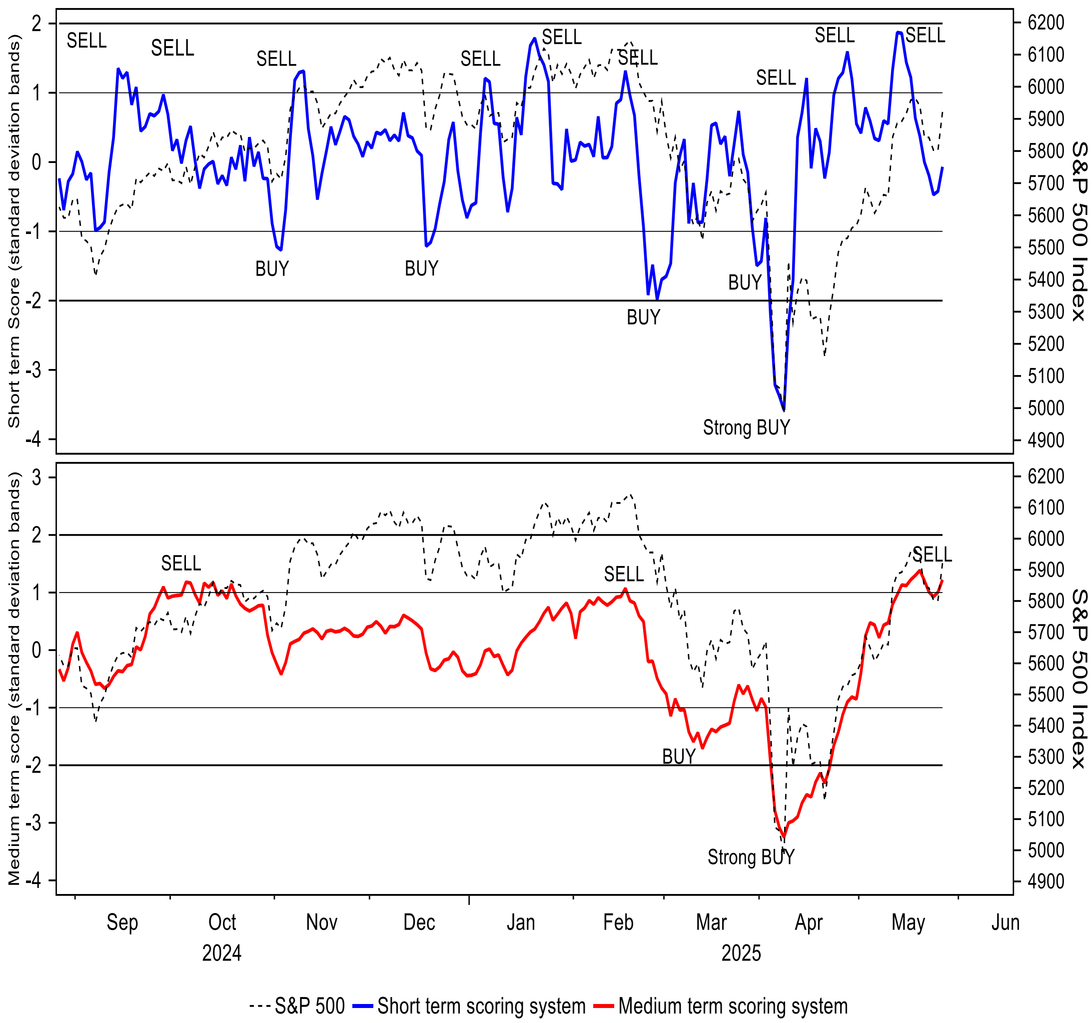
1 – 2 Week View on Risk

28th May 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 NEUTRAL

Medium term scoring system is on SELL

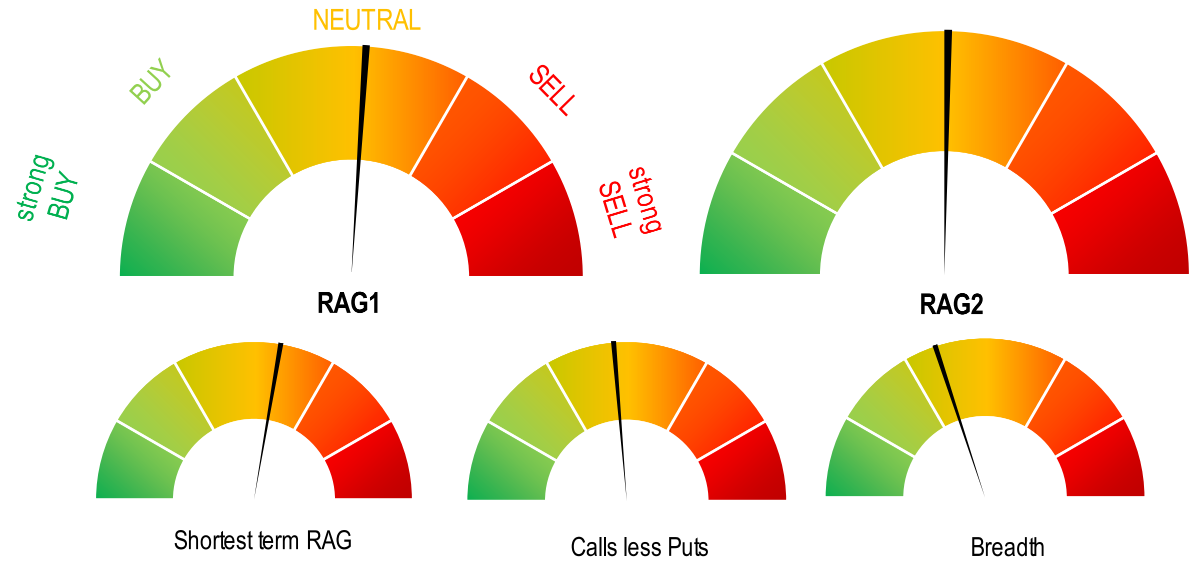
Source: Longview Economics, Macrobond

*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

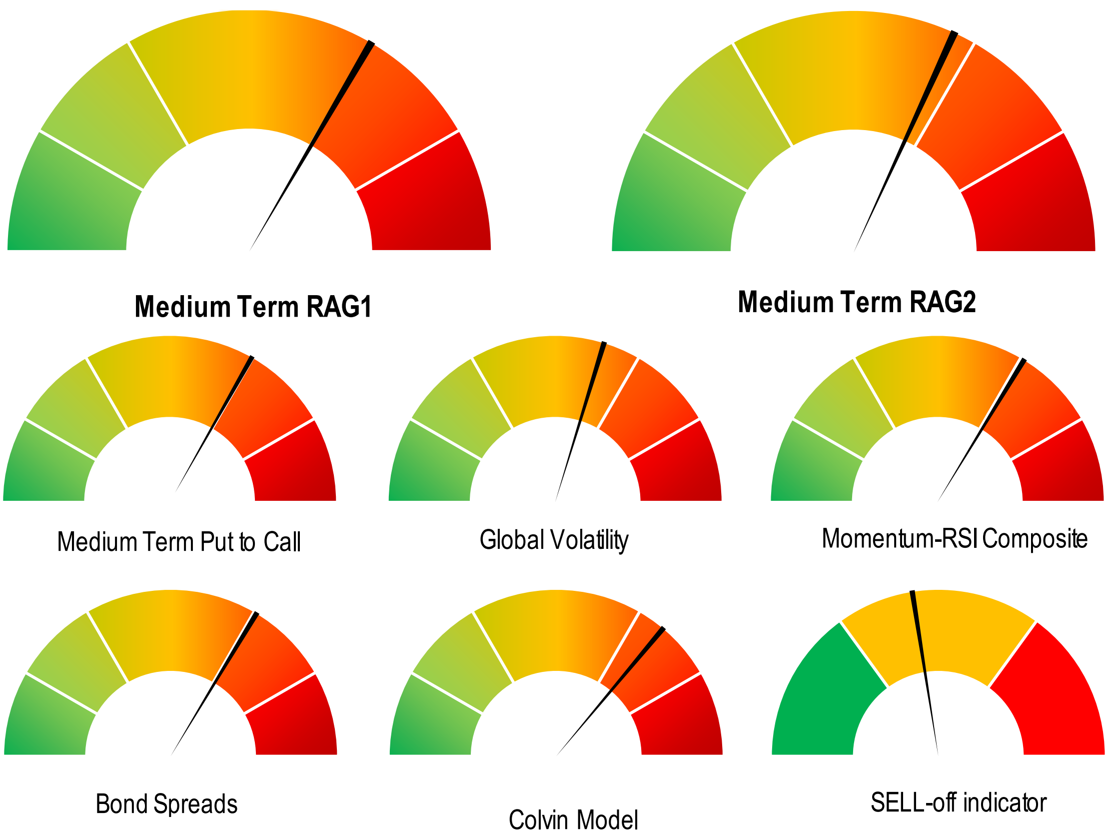
Section 1a: Summary of indicator signals**

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

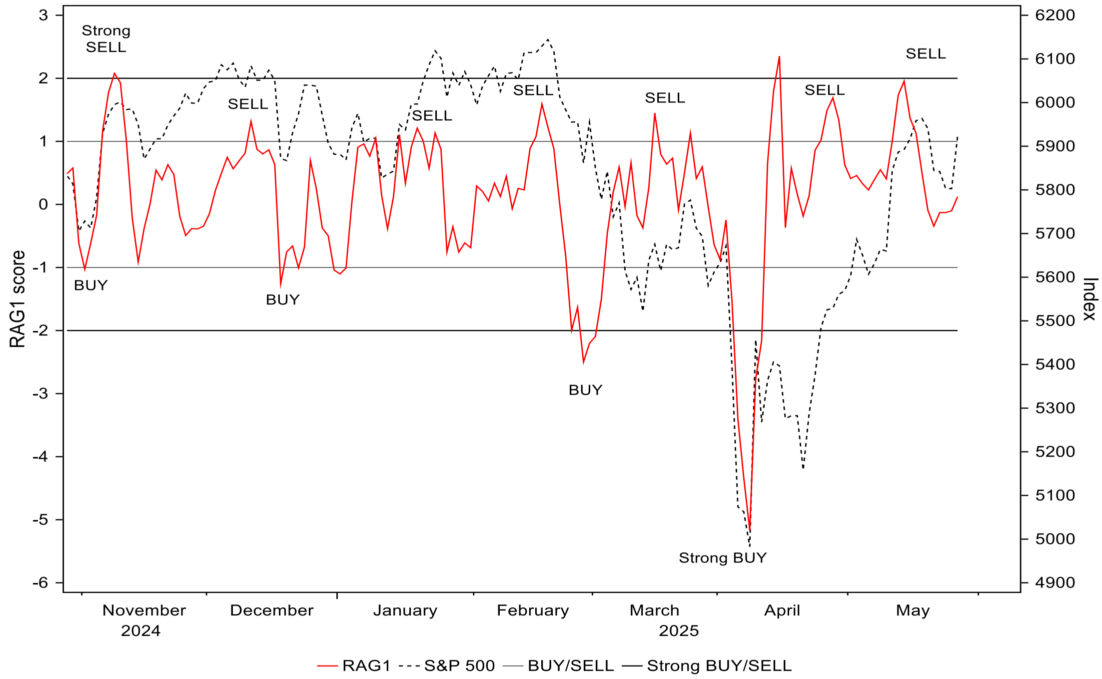


Source: *Longview Economics*

**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

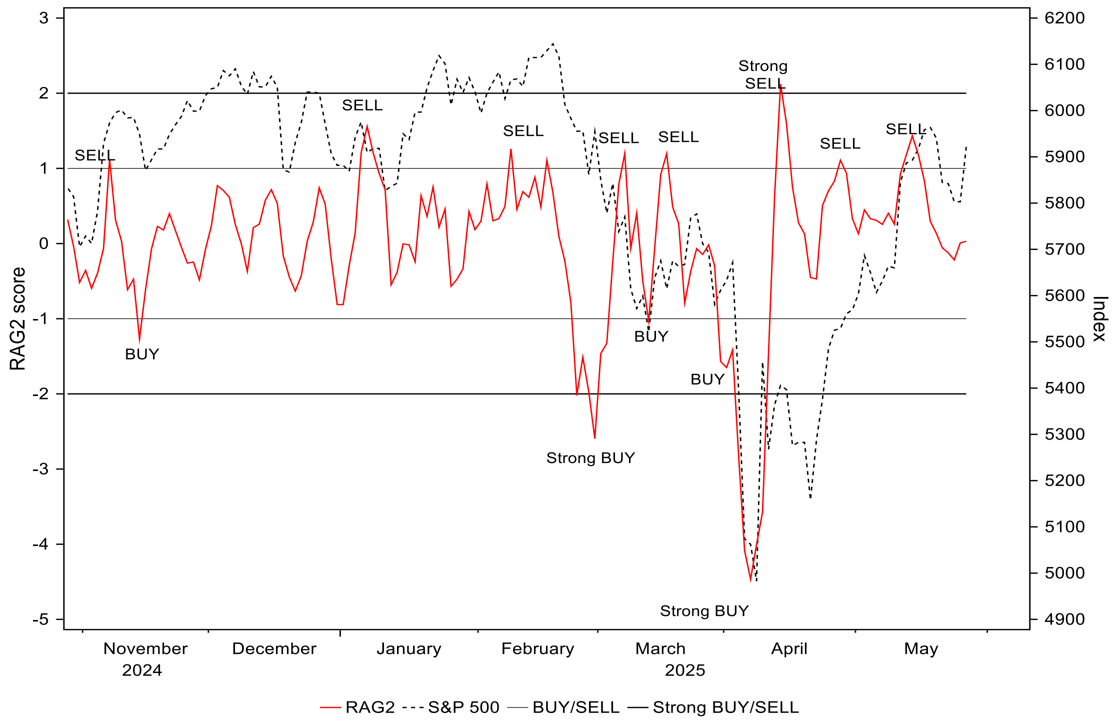
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

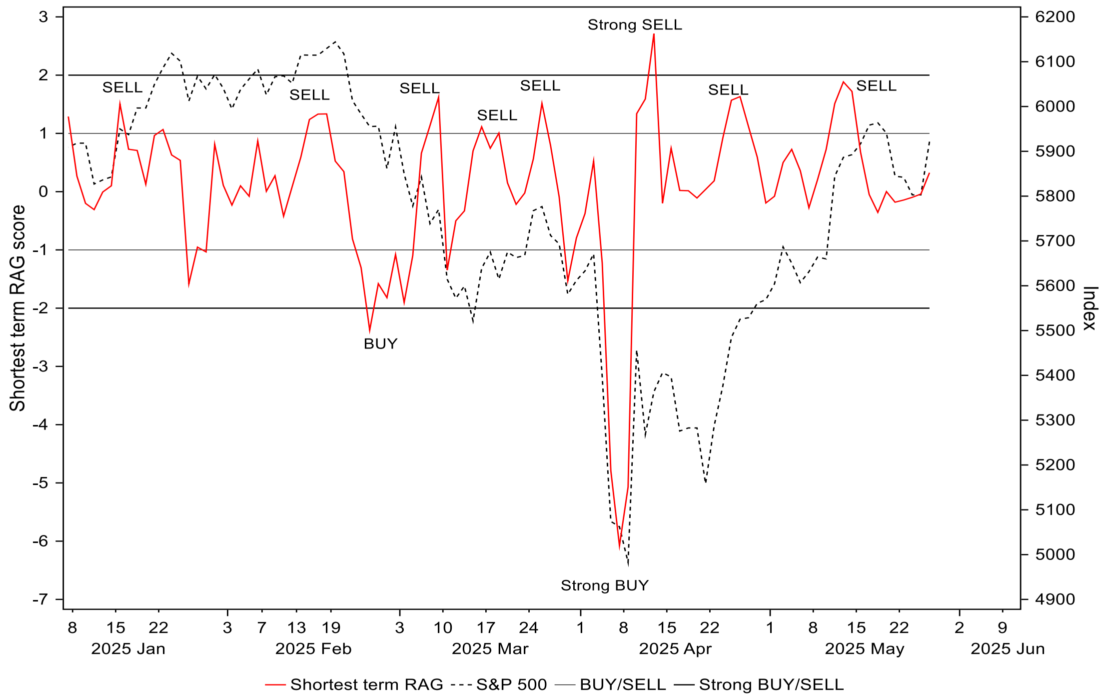


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

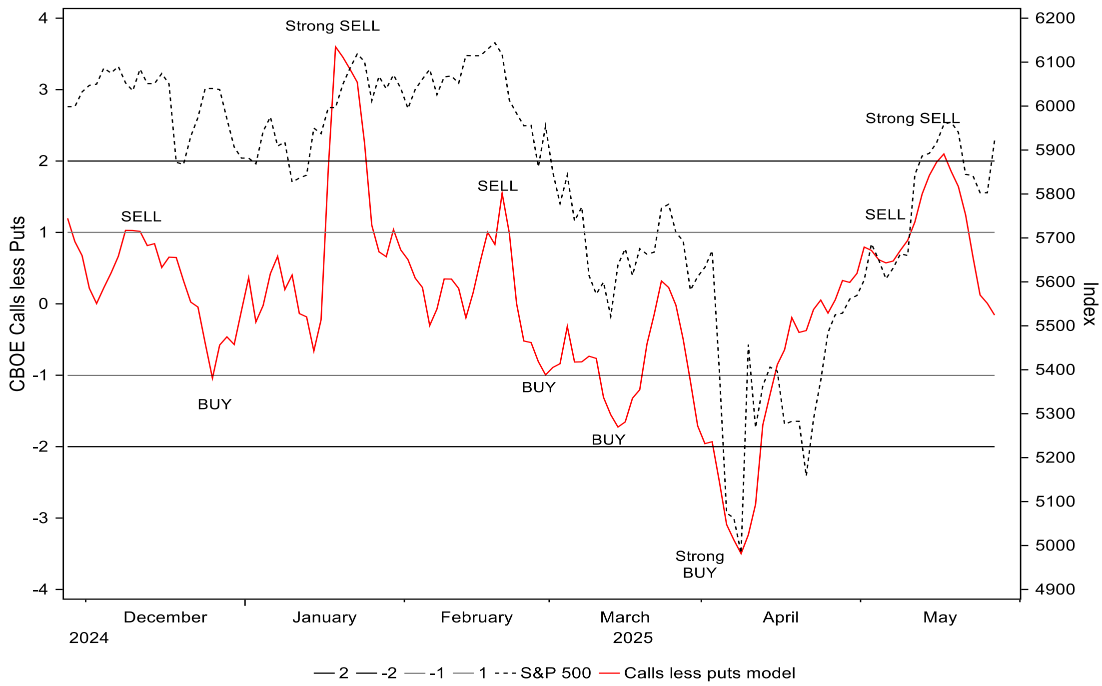
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is NEUTRAL

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

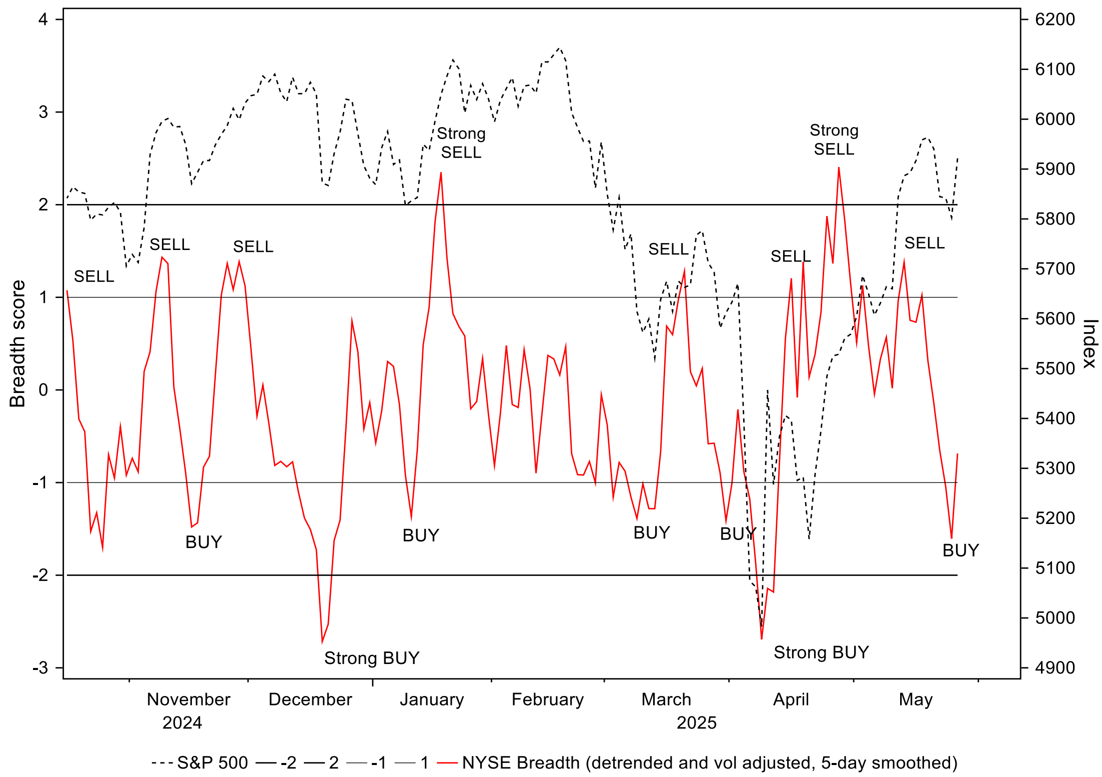


Source: Longview Economics, Macrobond

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



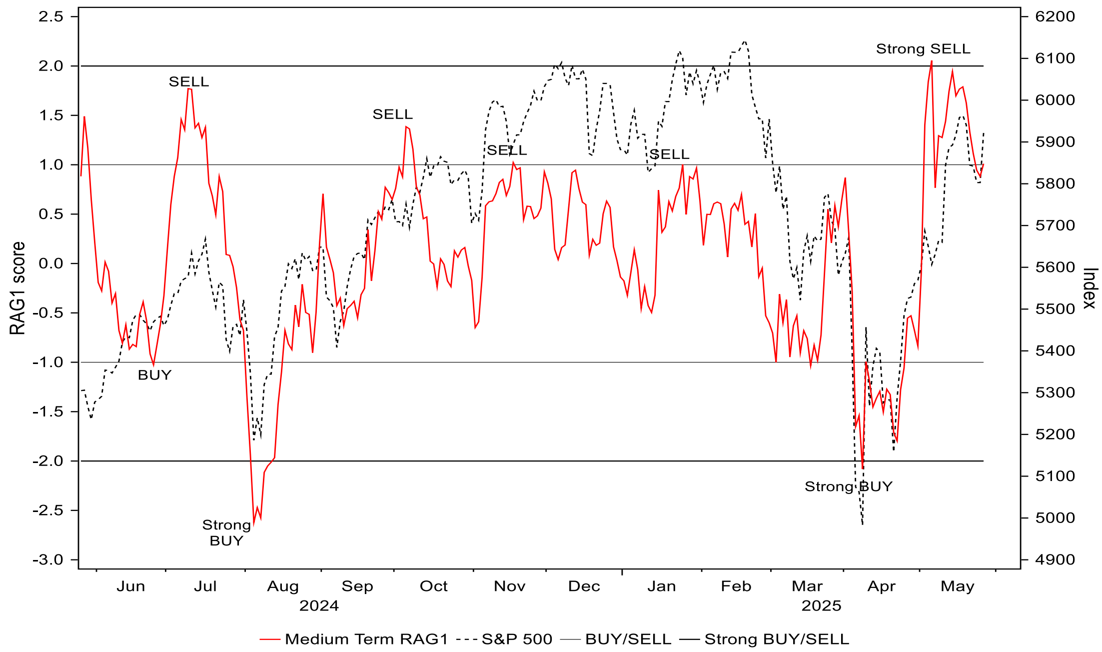
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

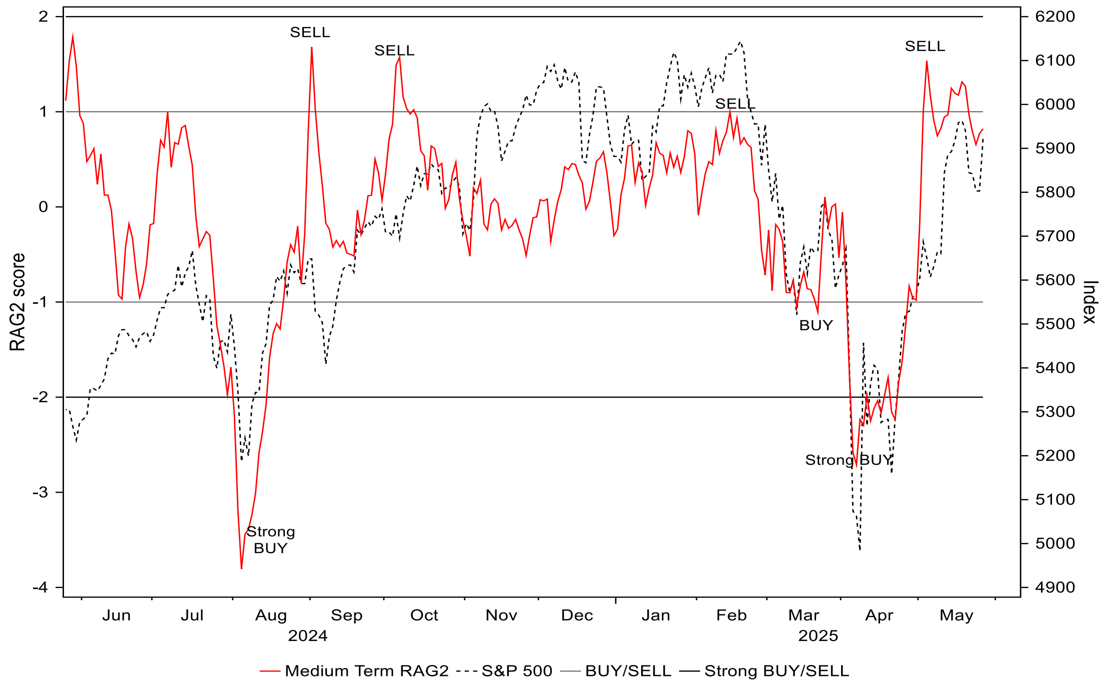
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is on SELL

Source: Longview Economics, Macrobond

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

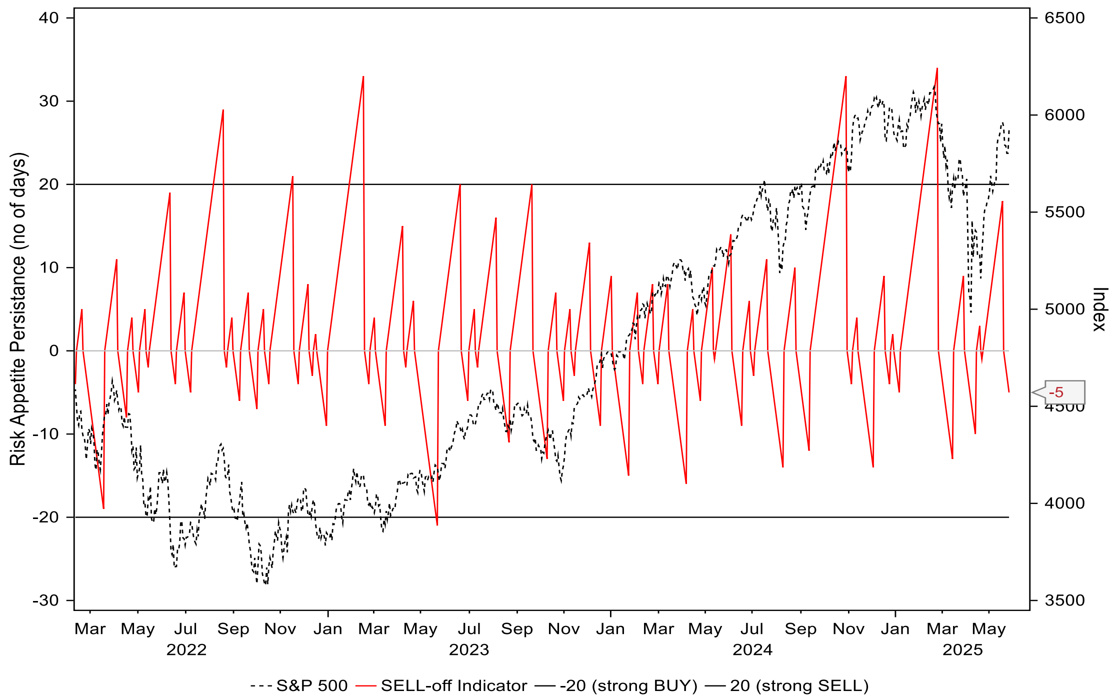


Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

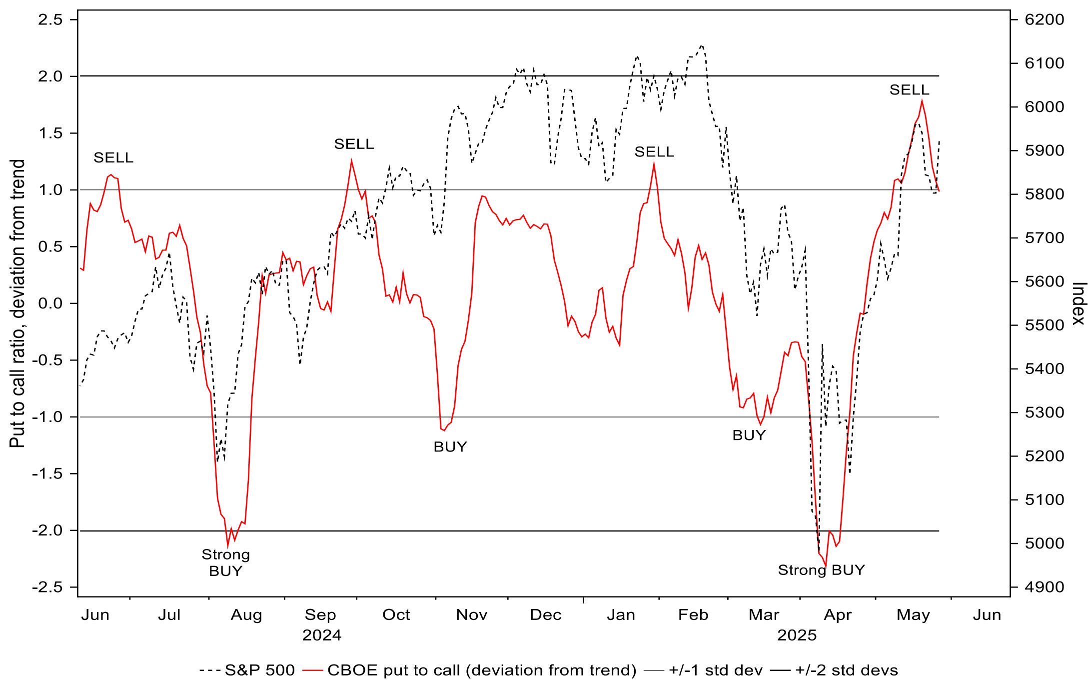
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

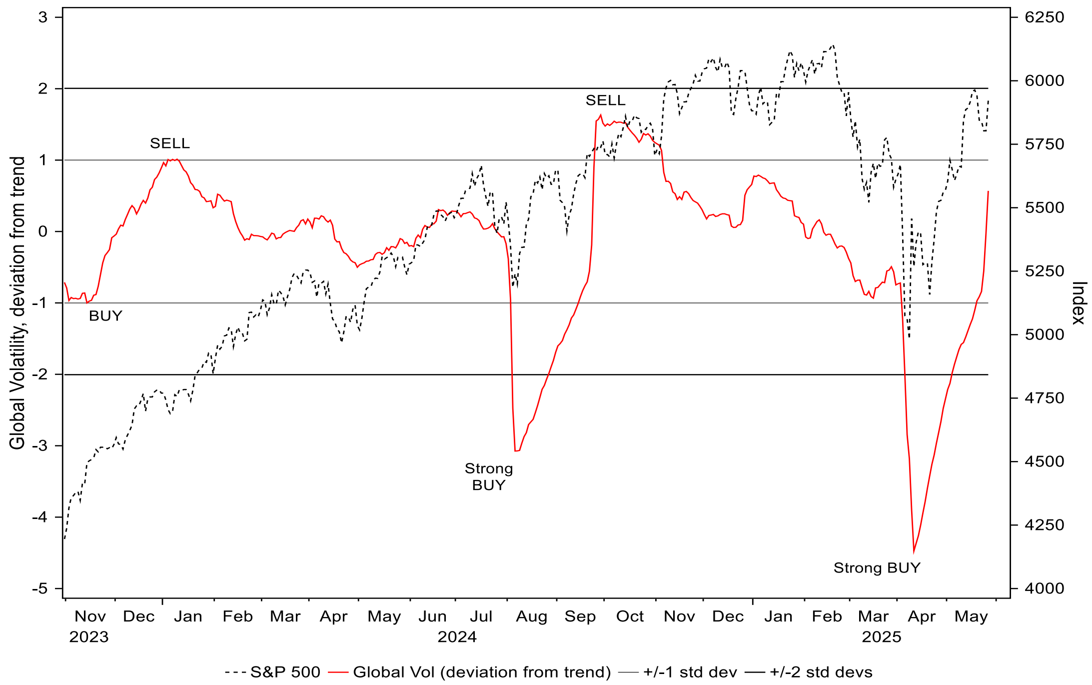


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

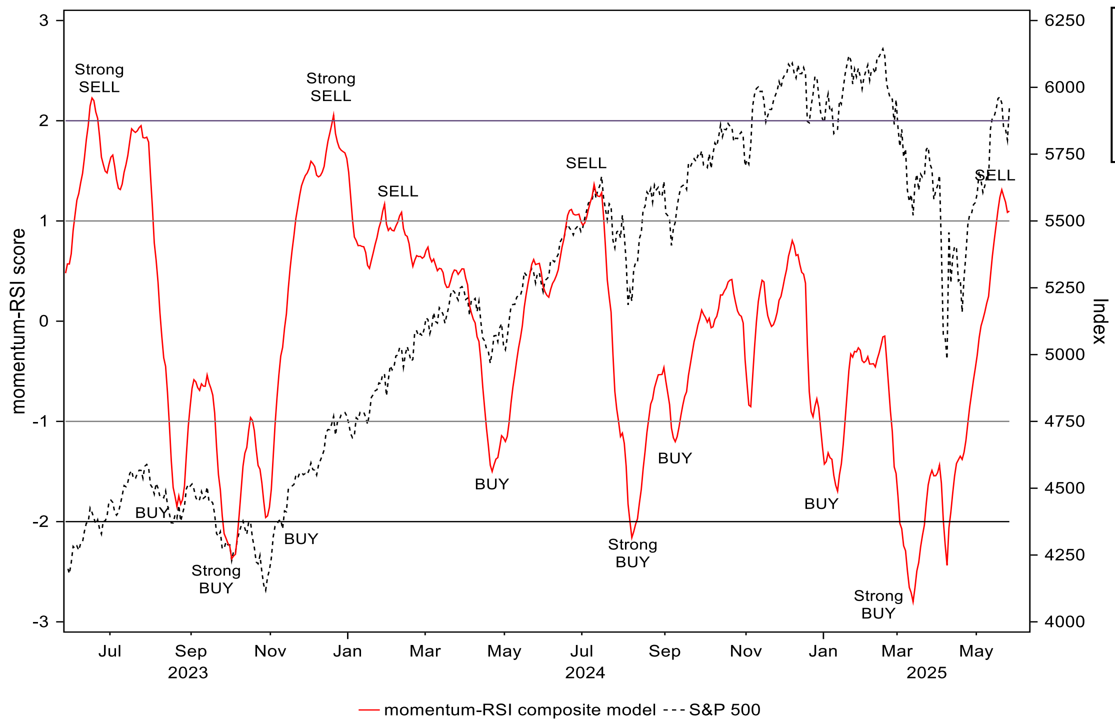
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is NEUTRAL

Source: Longview Economics, Macrobond

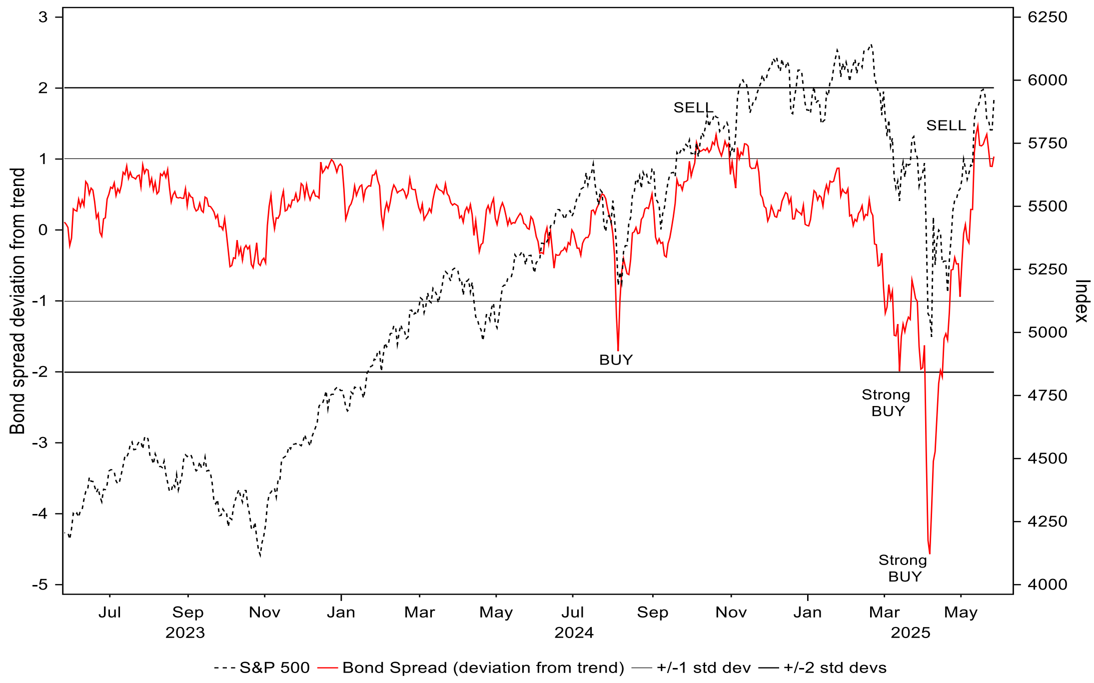
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

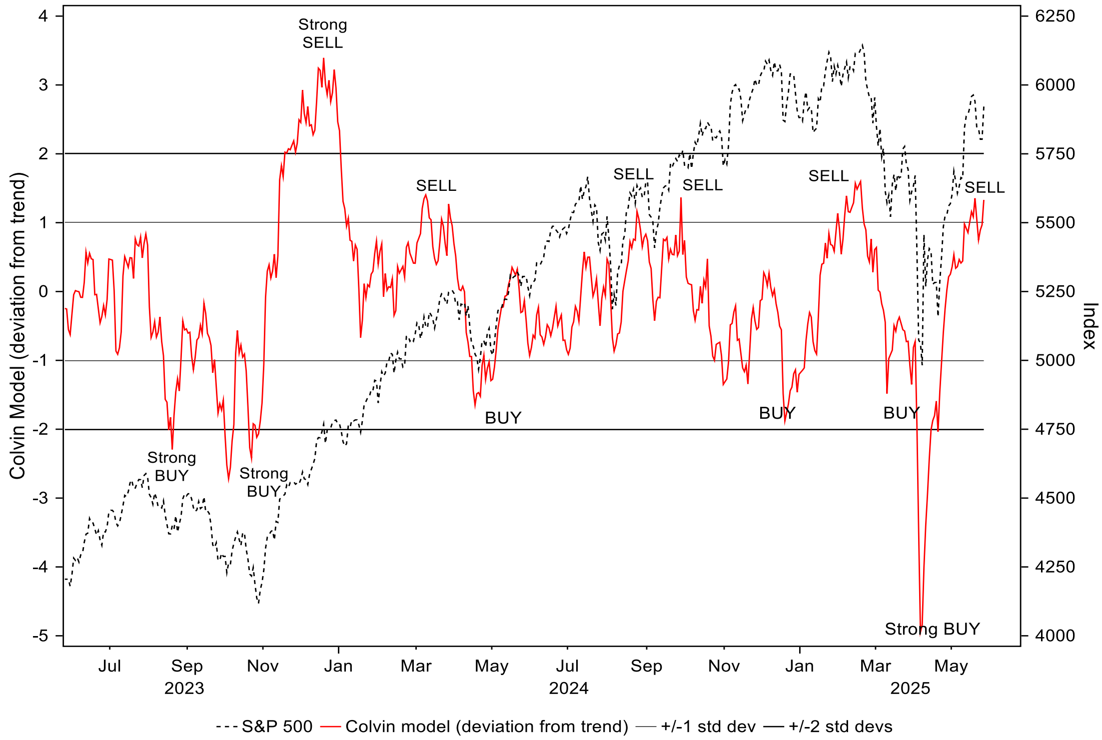
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is on SELL

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



Source: Longview Economics, Macrobond

Colvin model – is on SELL

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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