Equity Index Futures Trading Recommendations

29th April 2025

"BUILD SPX SHORT positions on Strength/Key Congestion Area"

Email: info@longvieweconomics.com

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

- BUILD SHORT positions in S&P500 June futures (on strength, if forthcoming, over coming trading sessions).
- Implement an initial 1/3rd SHORT at 5,680.0 (just above the 50-day moving average)
- Place stop loss 3% higher (i.e. 5,850/above key congestion area – see FIG 1).

Rationale

Our **view remains as per yesterday**: That is, we are moving towards an interesting level on the S&P500 at which to implement SHORT positions. Added to which, key short-term models are on, or close to, SELL (i.e. the '1 – 2' week models).

Upcoming **key resistance**, for example, is the congestion area of 5,570 – 5,790 (as shown in FIG 1). This was a key trading range in mid-March through to early April (i.e. just ahead of the post 'Liberation Day' wave of selling – FIG 1). The 50-day moving average also sits in the middle of that zone (i.e. now at 5,674 –> using June S&P500 futures/FIG 1), whilst the 200-day moving average is much higher (@ 5,870). In addition, certain key Fibonacci retracement levels for the SPX* are sitting in that congestion zone - specifically the 5,692 level (61.8% retracement – FIG 1b) which is also close to the 50-day moving average.

The **main short-term models**, as mentioned above and highlighted yesterday, have mostly edged higher overnight (reflecting reasonably broad-based strength in risk assets). The S&P500 was just positive (+0.06%); the R2K fared better (+0.4%); whilst the mid and small caps (S&P400 & S&P600) also closed higher. Only 6 out of the 28 headline US indices we track closed down; most US sectors and industry groups closed up (albeit modestly); while European markets fared better (Spain +0.7%, European STOXX +0.5%, and so on). Risk appetite was, therefore, generally positive with models edging up to reflect that. Key short-term models are shown below (FIGs 2 to 2g). The message is largely as per yesterday – that is an increasingly across the board SELL signal (or SELL bias). Of note, the short-term CBOE put to call ratio moved closer to SELL yesterday (i.e. reflecting the behaviour of the underlying 1-day ratio). That's indicative of emerging short-term complacency (greed) and, therefore, highlights the growing downside vulnerability of this equity market.

Also of note, both the **VIX and the VVIX ticked (modestly) higher** yesterday, breaking their multi-day downtrends. The VIX (spot) is now sitting on its 50-day moving average (potential support), while realised S&P volatility is notably below implied vol (albeit that arguably simply reflects the lag of the calculation of realised volatility –> NB the relative ratio of the two is now on SELL – FIG 1c).

Key events which could add to market volatility include Trump's speech later today about his first 100 days in office (after market hours at 6pm EST/11pm London time). Beyond that, there are also key tech earnings releases later this week, with MSFT, META, AMZN & AAPL all reporting on Wednesday/Thursday (amongst many other companies – see table 1). There are also a number of key macro data releases given the start of a new month on Thursday (hence ISM manufacturing on Thursday/non-farm payrolls on Friday, amongst many others). In that context, it's also interesting to note that the US dollar, whilst weak again yesterday, is notably oversold (and seemingly due a bounce – see today's 'Market Positioning' email for detail/pls email if you need a copy info@longvieweconomics.com).

Risks, as always, remain multiple. The key one, as highlighted yesterday is that:

> "markets have moved back into a persistent 'risk on' phase, that all the bad news is now behind us (and priced in), and therefore that this equity market is emerging from its SELL-off phase into a renewed uptrend. In that environment, our short-term models are often early (given the rush to reinstate LONG/OW equity positions post pullbacks). On this occasion though, we think that's unlikely….."

We have **updated our trading recommendation** (see above) and shifted the entry price for SHORT positions to a (modestly) higher level. That entry level is now close to the (correct*) Fibonacci 61.8% retracement level, as well as to the 50-day moving average (& in the middle of the congestion area). We have also tightened the stop (and modestly increased the position size).

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

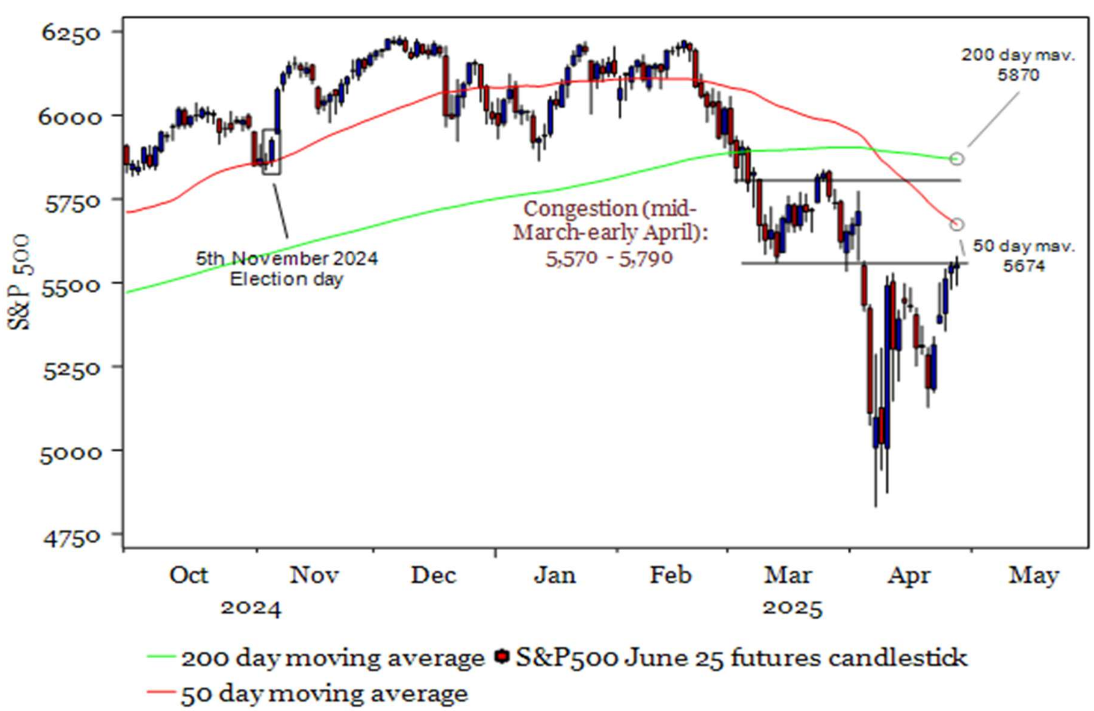
Kind regards,

The team @ Longview Economics

*NB Apologies we gave incorrect S&P500 Fibonacci levels yesterday (the ones above are now correct, e.g. see FIG 1b below).

Table 1: Key US quarterly earnings releases this week (shown before and after hours)

FIG 1: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages



Source: Longview Economics, Macrobond

FIG 1a: NDX100 June 25 futures candlestick shown with 50 & 200 day moving averages

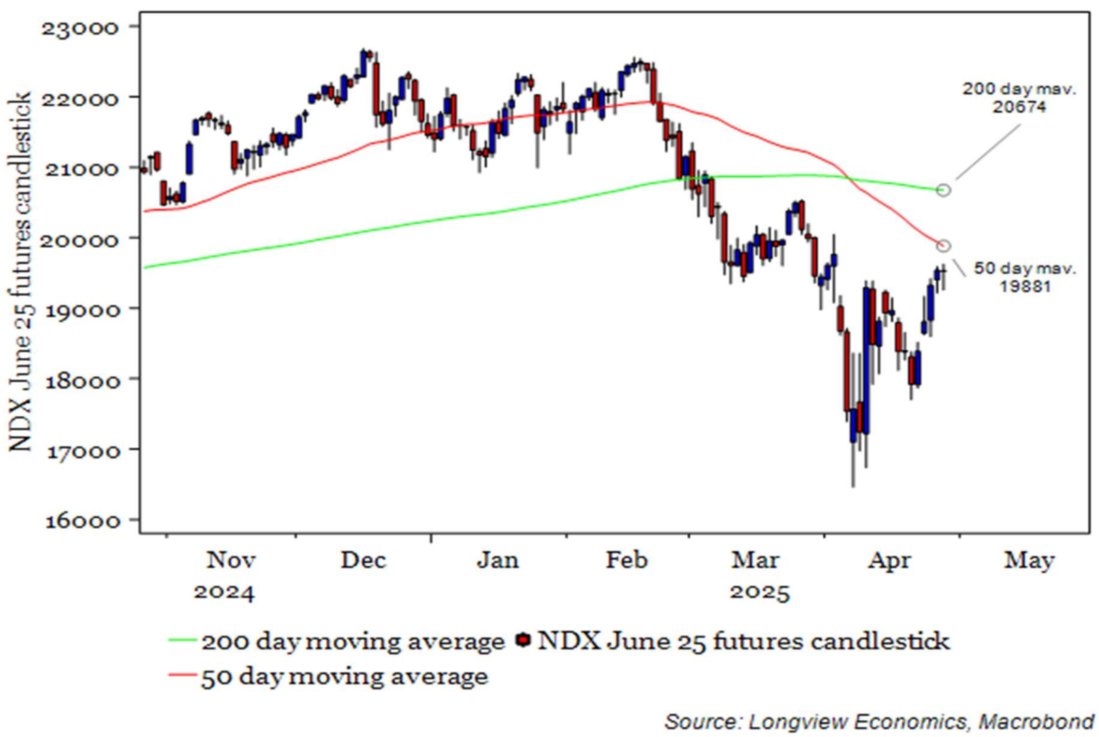
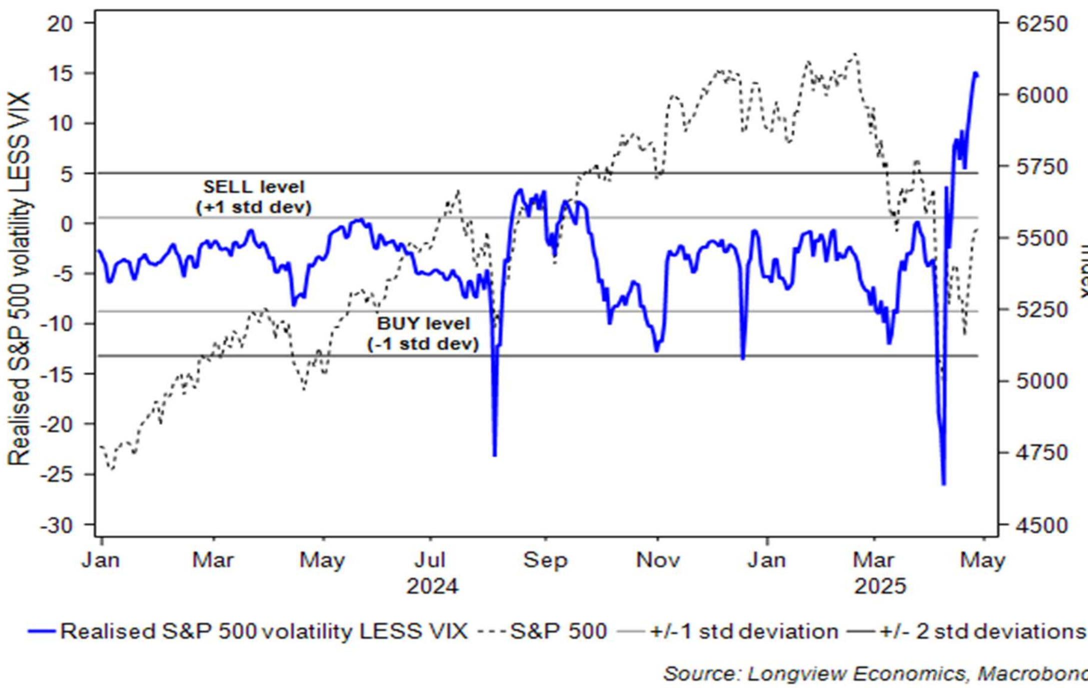


FIG 1b: S&P500 June futures shown with key Fibonacci retracement levels

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



Risk appetite models are back at high levels…

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

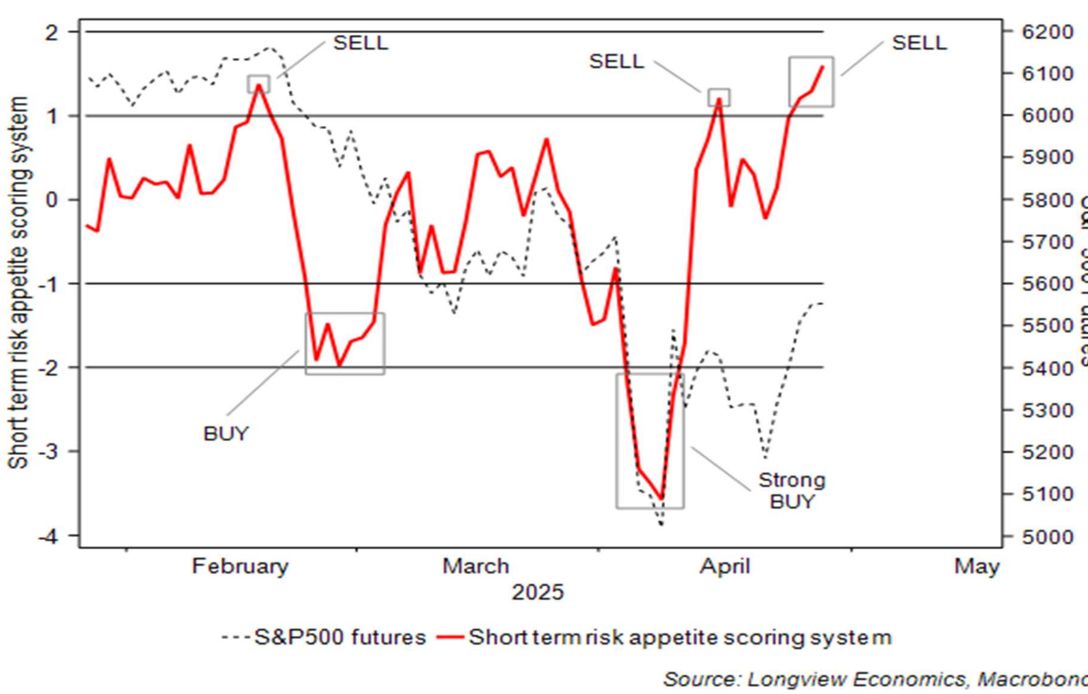
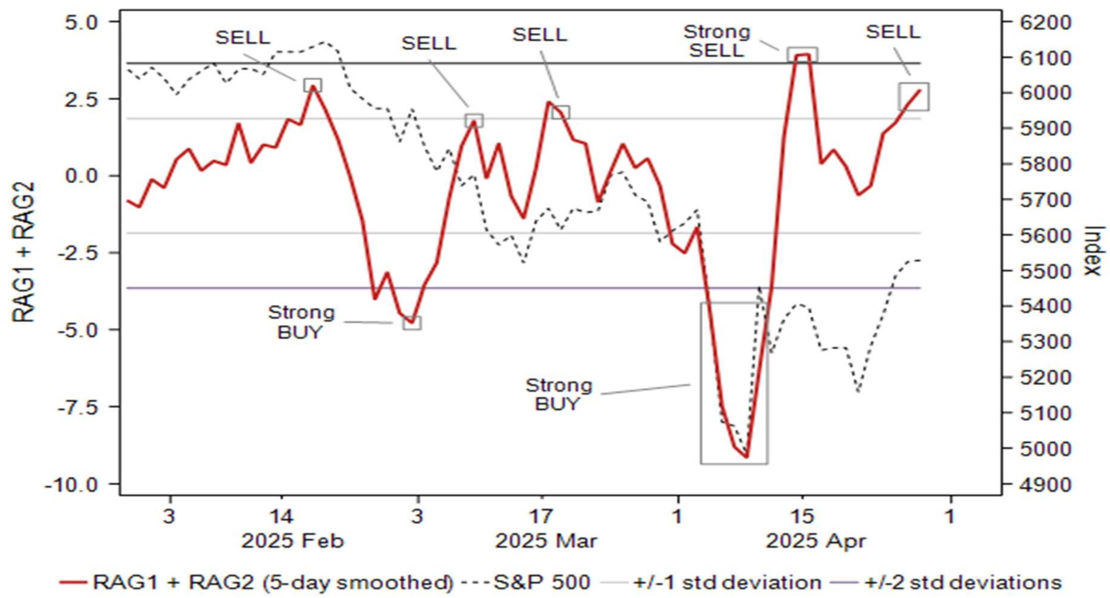


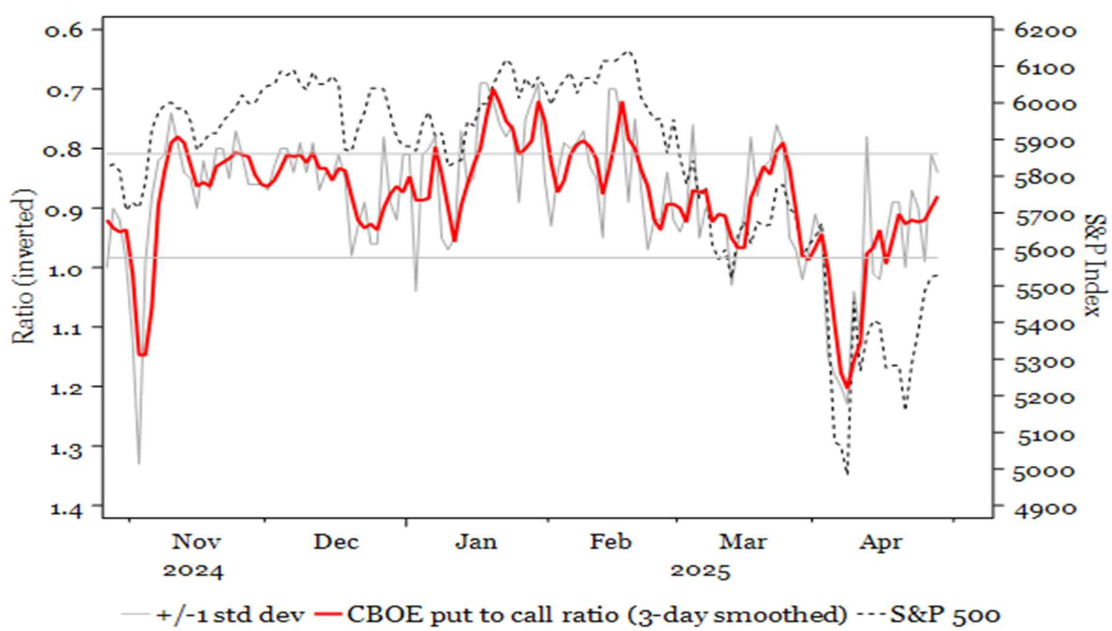
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

Downside put protection has been removed (sold) from portfolios, such that these models are on, or moving onto, SELL....

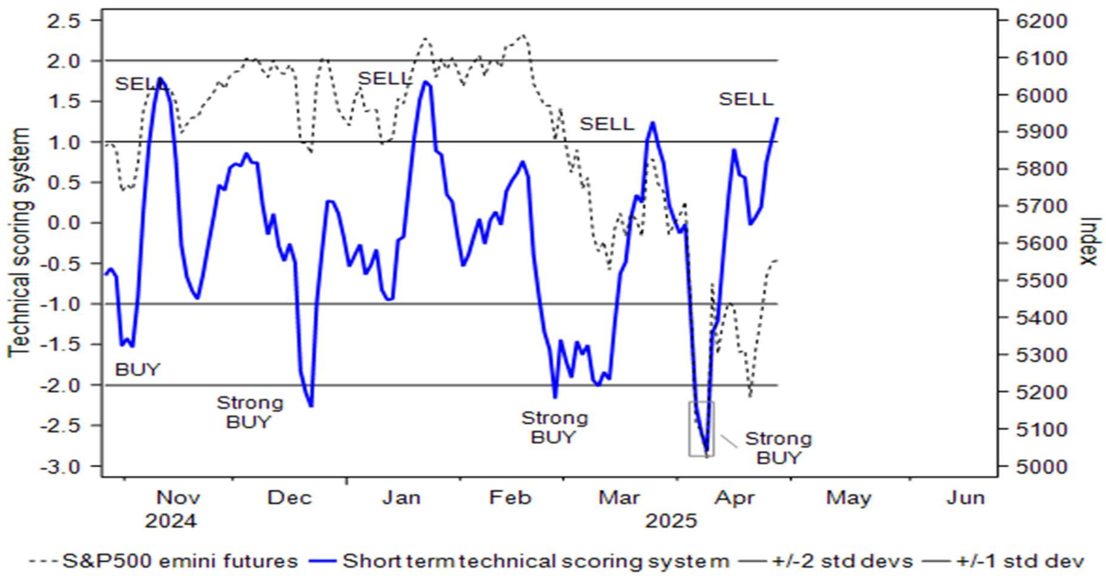
FIG 2b: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

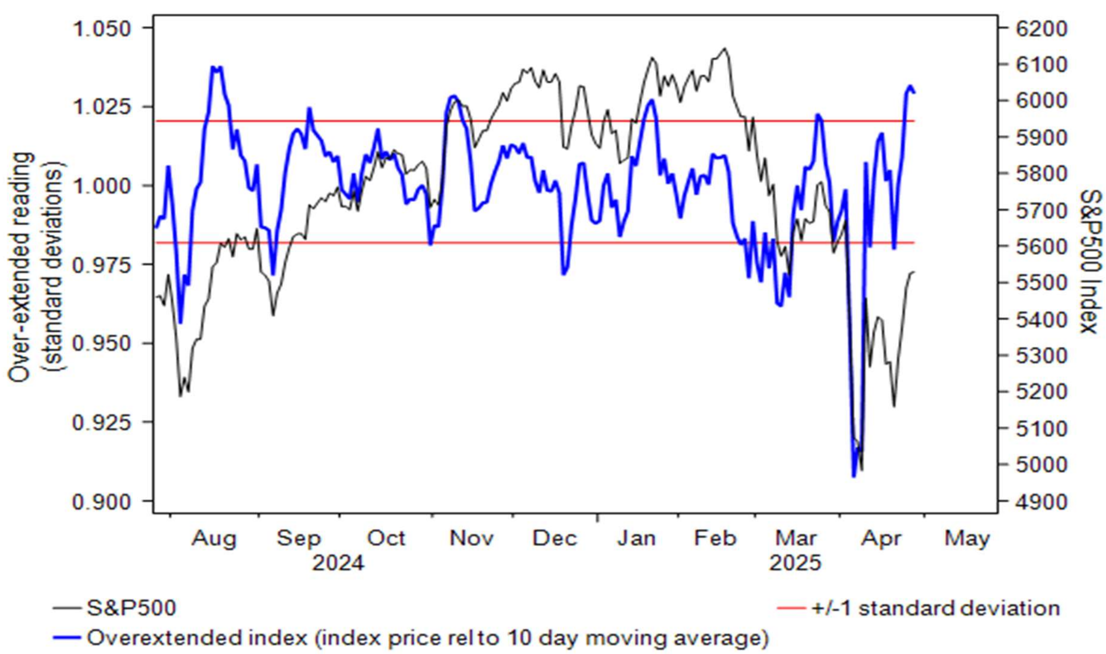
Technical & price-based (index) models are mostly now on SELL…

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



Source: Longview Economics, Macrobond

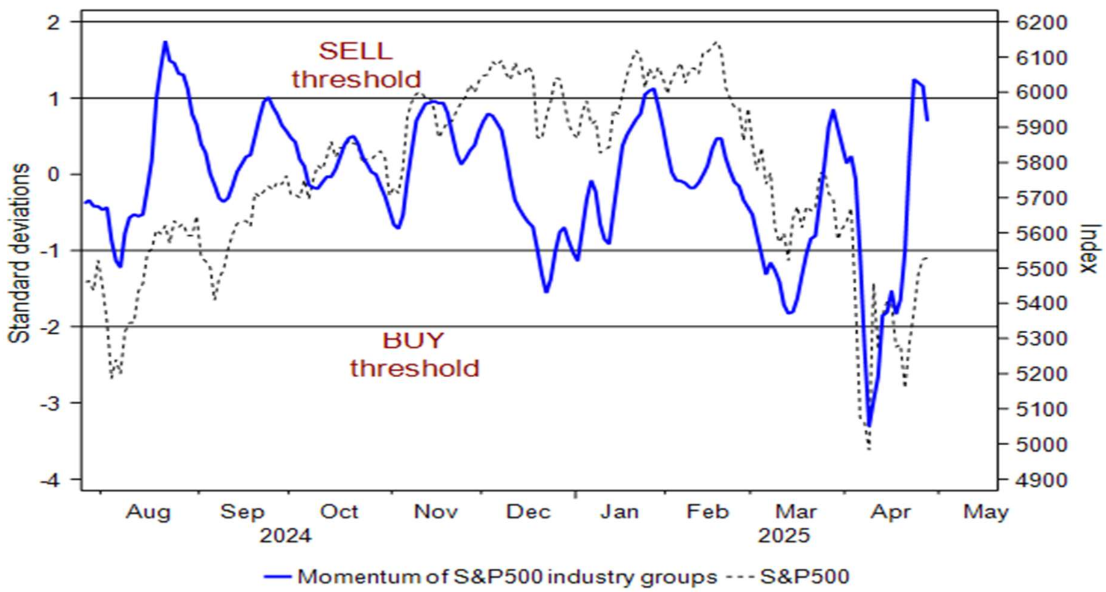
FIG 2d: S&P500 overextended index (index price relative to its 10 day moving average) vs. S&P500



Source: Longview Economics, Macrobond

US sector momentum is also overbought (to the upside)...

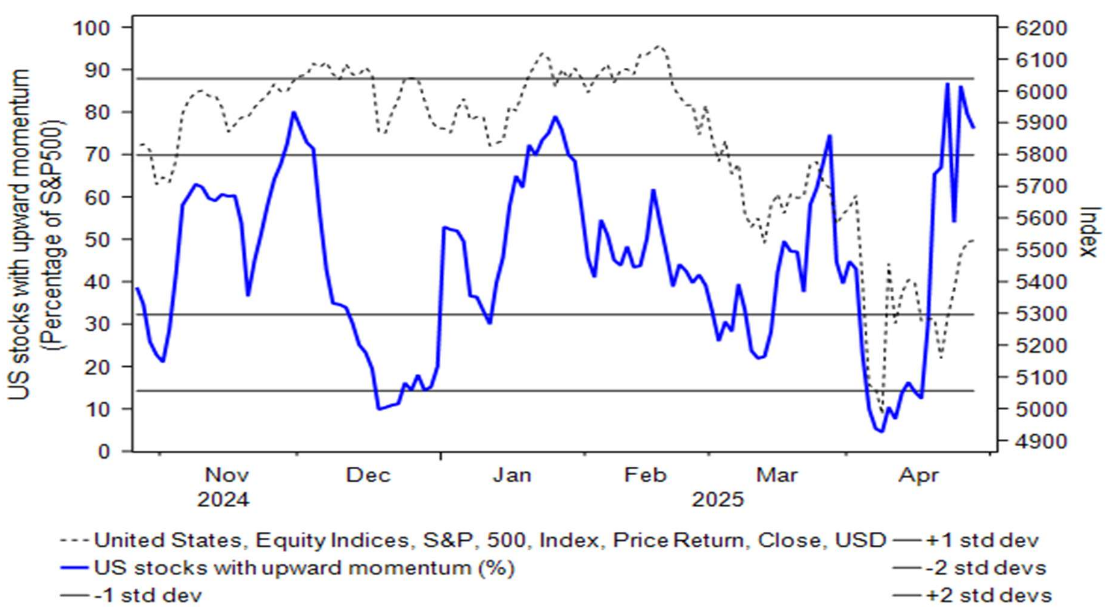
FIG 2e: Momentum of S&P500 industry groups vs. S&P500 cash index



Source: Longview Economics, Macrobond

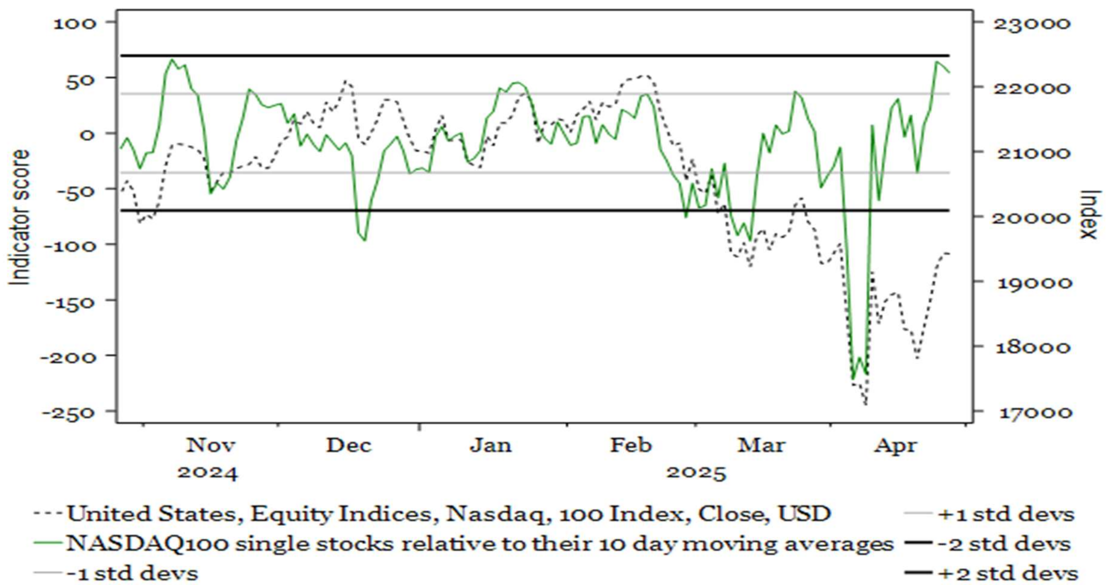
Single stocks in both the S&P500 and NDX100 indices are overbought/models are on SELL....

FIG 2f: S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500



Source: Longview Economics, Macrobond

FIG 2g: NASDAQ100 single stocks relative to their 10 day moving averages vs. NASDAQ100 index

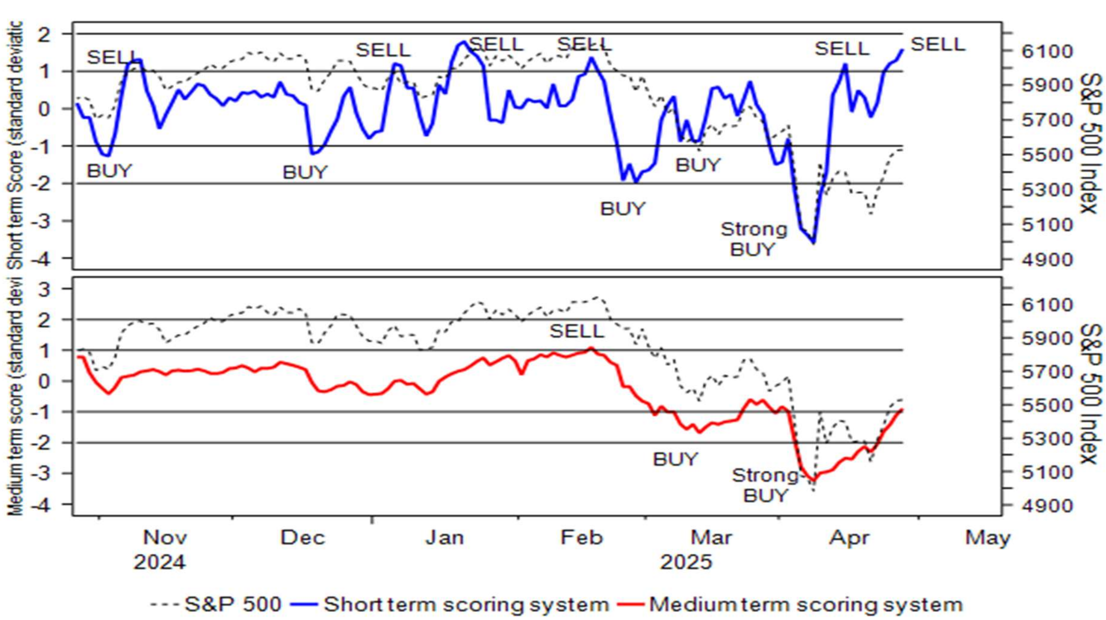


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **SELL**
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: UK BRC shop price index (Apr, 12:01am); Spanish GDP (Q1 first estimate, 8am); Spanish headline & core CPI (April first estimate, 8am); Italian ISTAT consumer & manufacturing confidence (Apr, 9am); ECB 1 & 3 year CPI expectations (Mar, 9am); **Eurozone M3 money supply** (Mar, 9am); Eurozone consumer confidence (April final estimate, 10am); Italian industrial sales (Feb, 10am); **US JOLTS job openings** (Mar, 3pm); US Dallas Fed service sector activity (Apr, 3:30m); US FHFA house price index (Feb, 1pm); US wholesale sales & inventories (Mar, 1:30pm); **US Conference Board consumer confidence** (Apr, 3pm).

Key events today include: Speech by the RBA's Kent (3:05am); speech by the Bank of England's Ramsden at Innovative Finance global summit (10:40am); speech by the ECB's Cipollone in Frankfurt (8am) & Villeroy in Paris (7pm); **speech by President Trump in Michigan to celebrate 'First 100 days in office'** (11pm).

Key earnings today include: **Visa**, **Coca-Cola**, Booking, S&P Global, Pfizer, Honeywell, Altria, American Tower, Starbucks, Mondelez, **UPS,** Sherwin-Williams, Ecolab, Regeneron Pharma, PayPal, **BBVA**, Universal Music, **AstraZeneca, HSBC, BP, Agricultural Bank of China**, **China Construction Bank**, **Bank of China**, China Merchants Bank, Bank of Communications.

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 on 8th April 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

LVRAG

Daily Risk Appetite Gauge

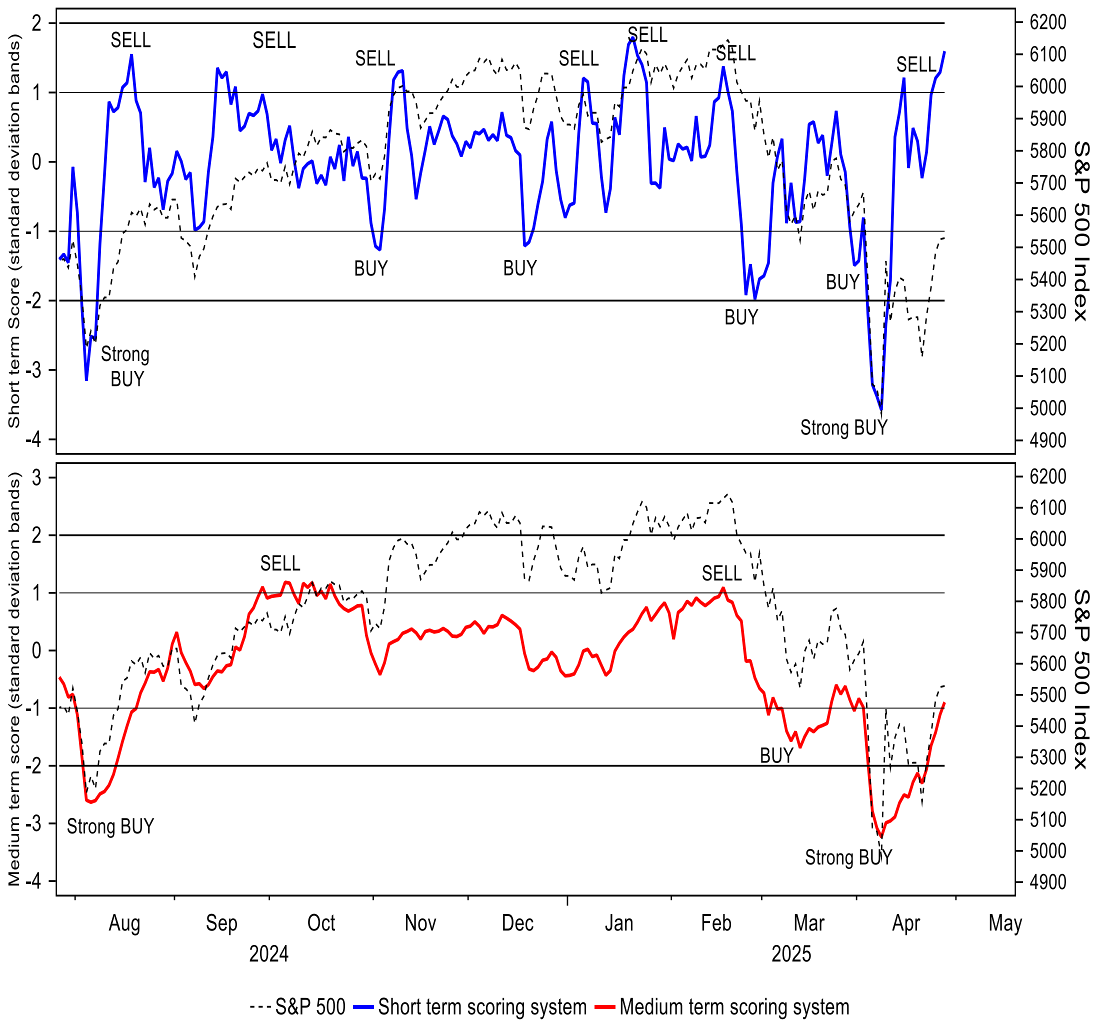
1 – 2 Week View on Risk

29th April 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 on SELL

Medium term scoring system is NEUTRAL

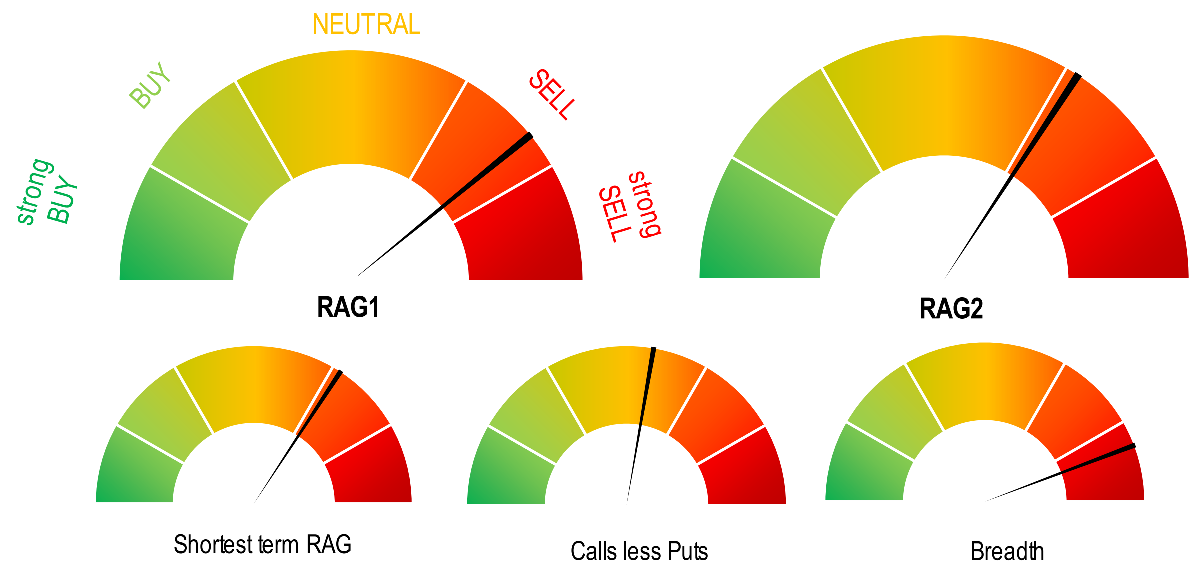
Source: Longview Economics, Macrobond

*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

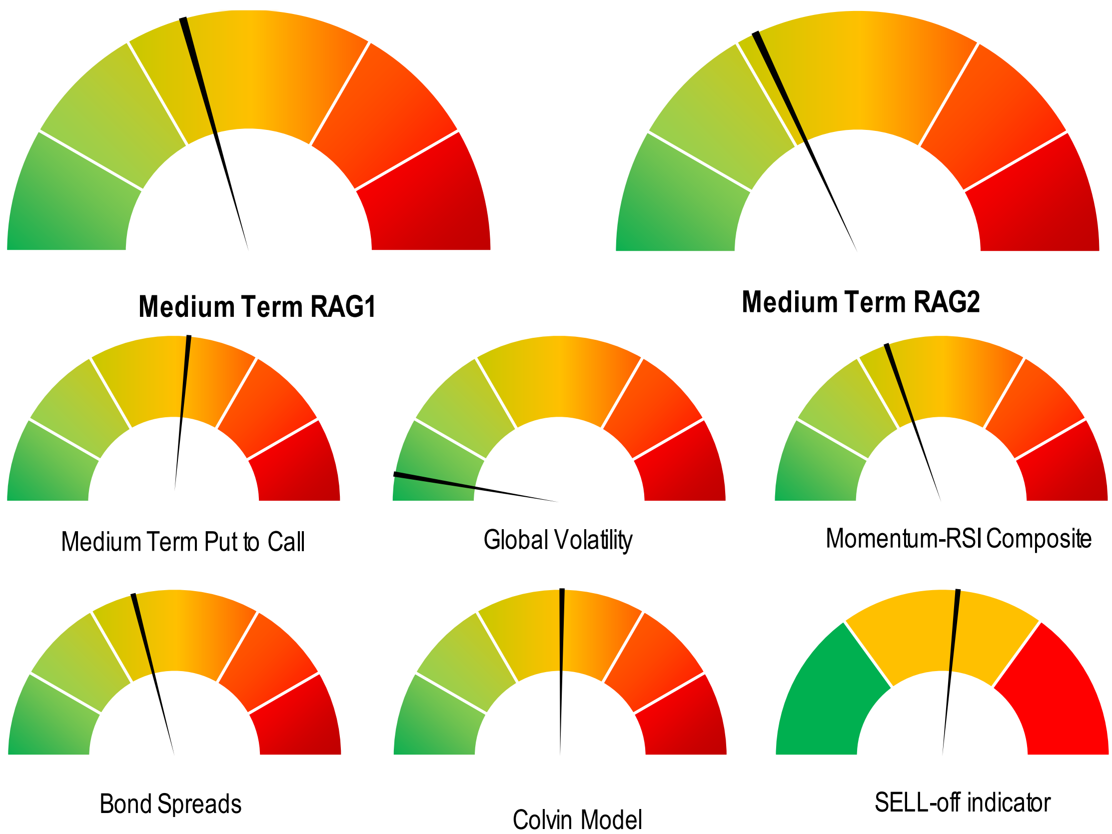
Section 1a: Summary of indicator signals**

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

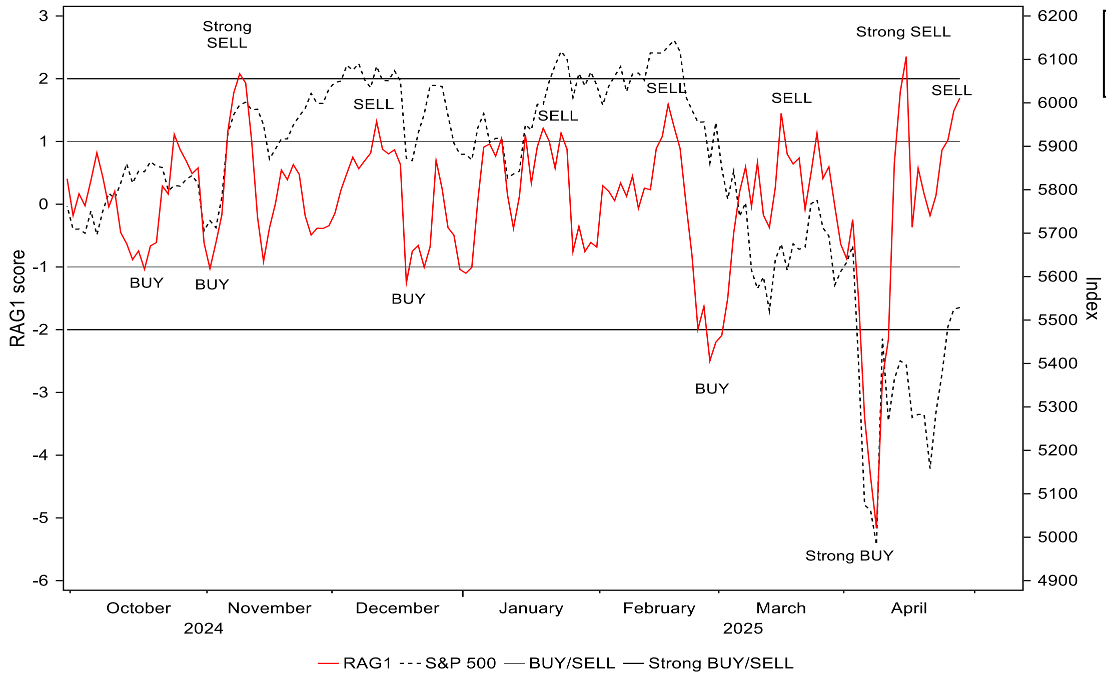


Source: *Longview Economics*

**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

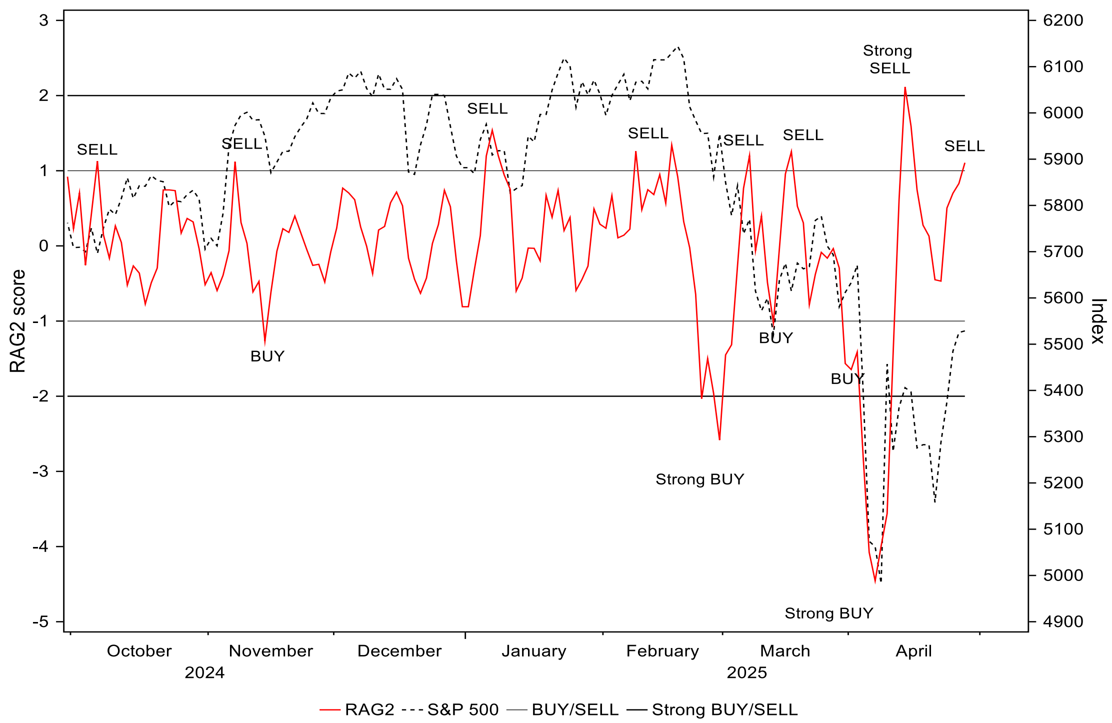
Fig 2a: RAG 1 vs. S&P 500



Source: Longview Economics, Macrobond

RAG1 is on SELL

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

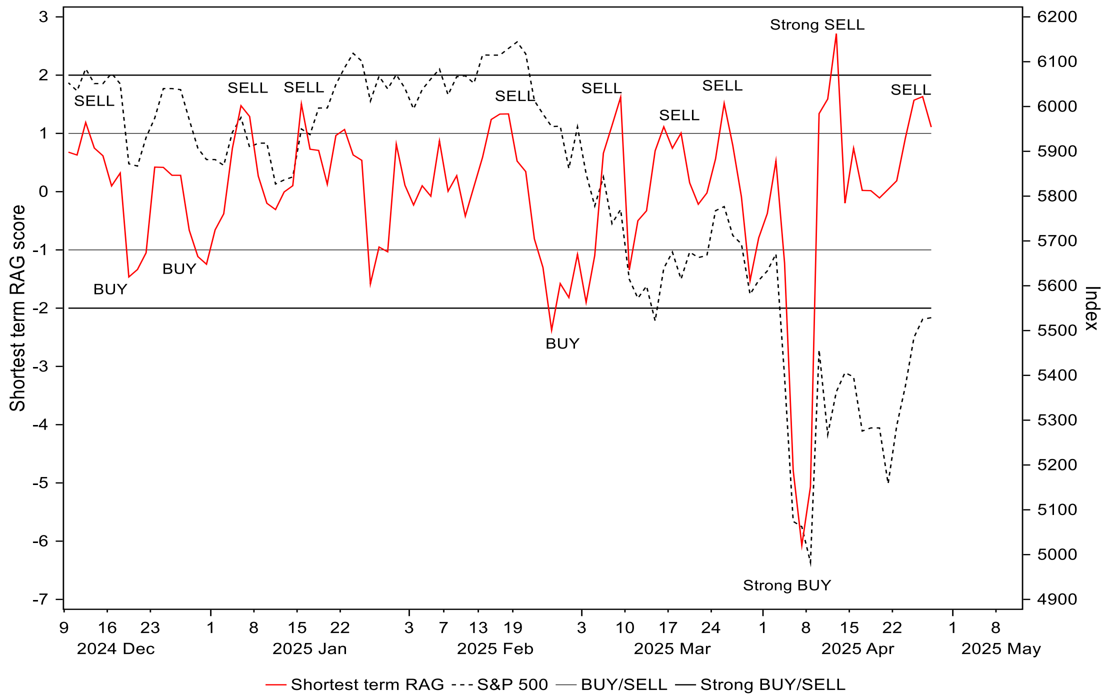


Source: Longview Economics, Macrobond

RAG2 is on SELL

For explanations of indicators please see page 10

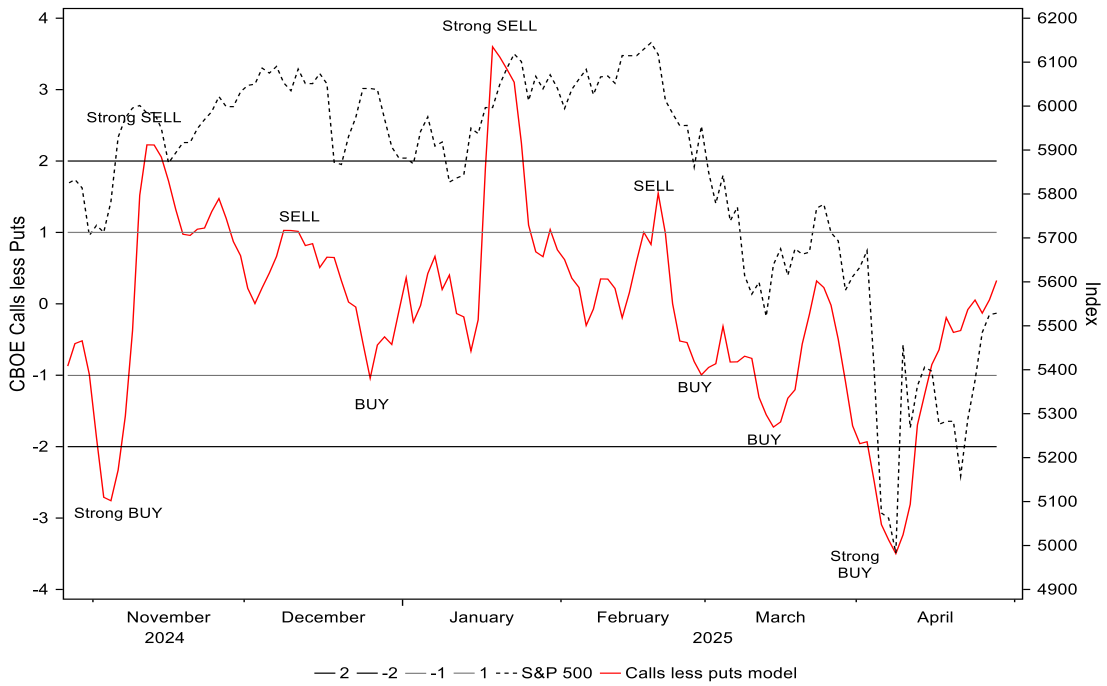
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is on SELL

Source: Longview Economics, Macrobond

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

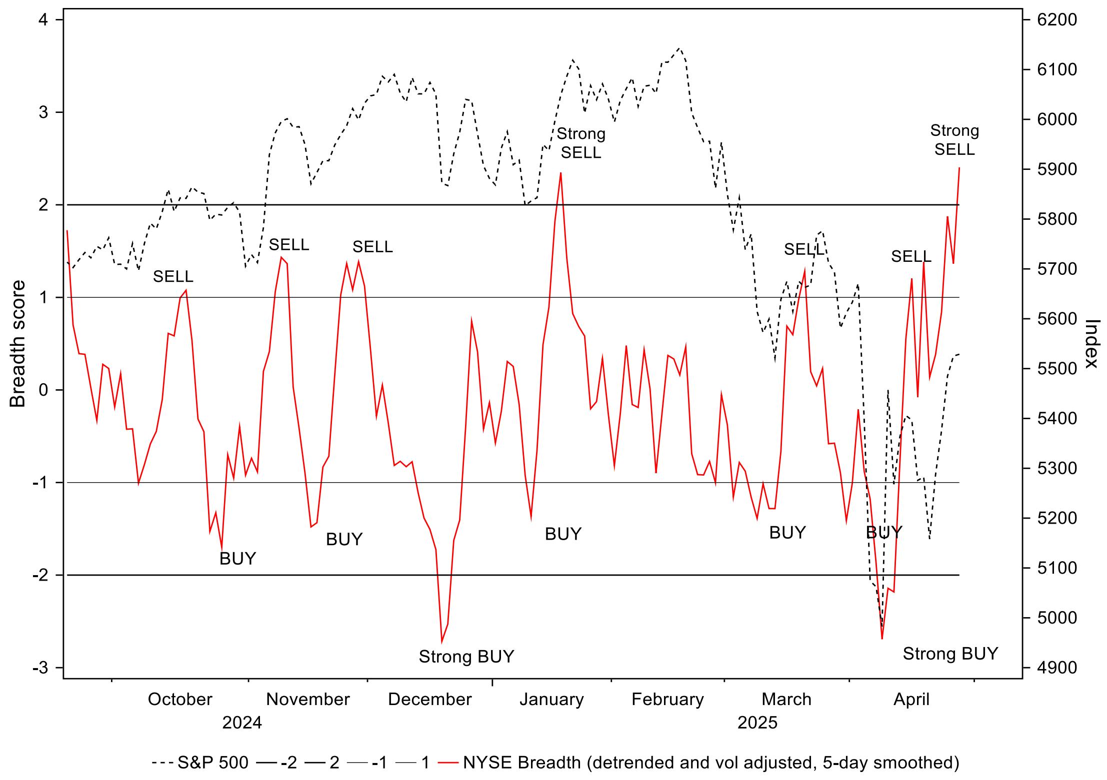


Calls less puts model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

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



The breadth model is on Strong SELL

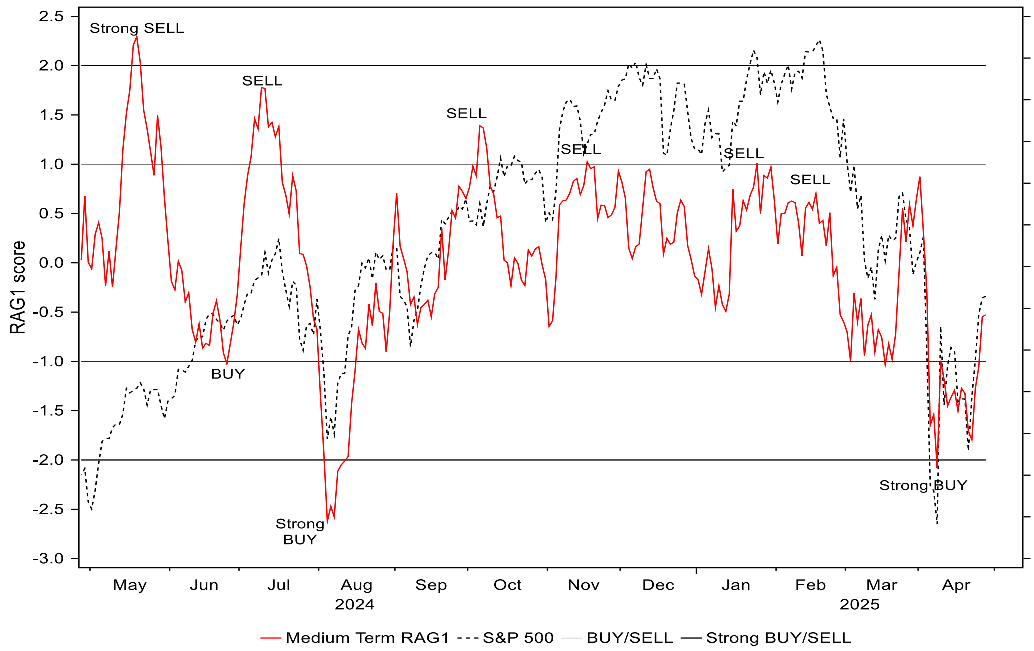
Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

LVRAG
Daily Risk Appetite Gauge

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

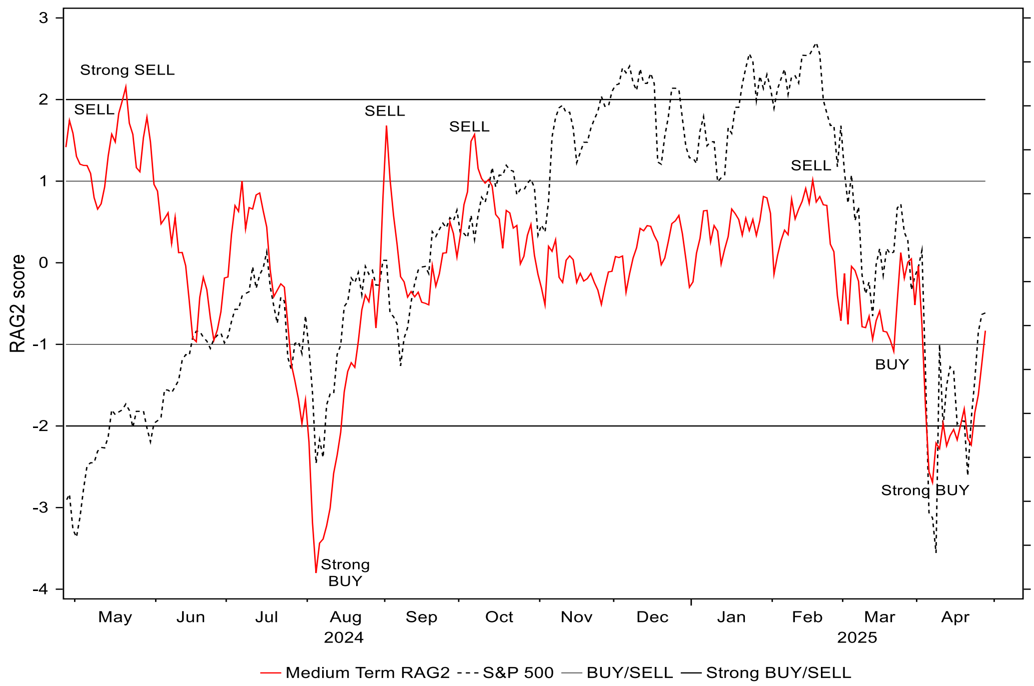
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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



Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

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

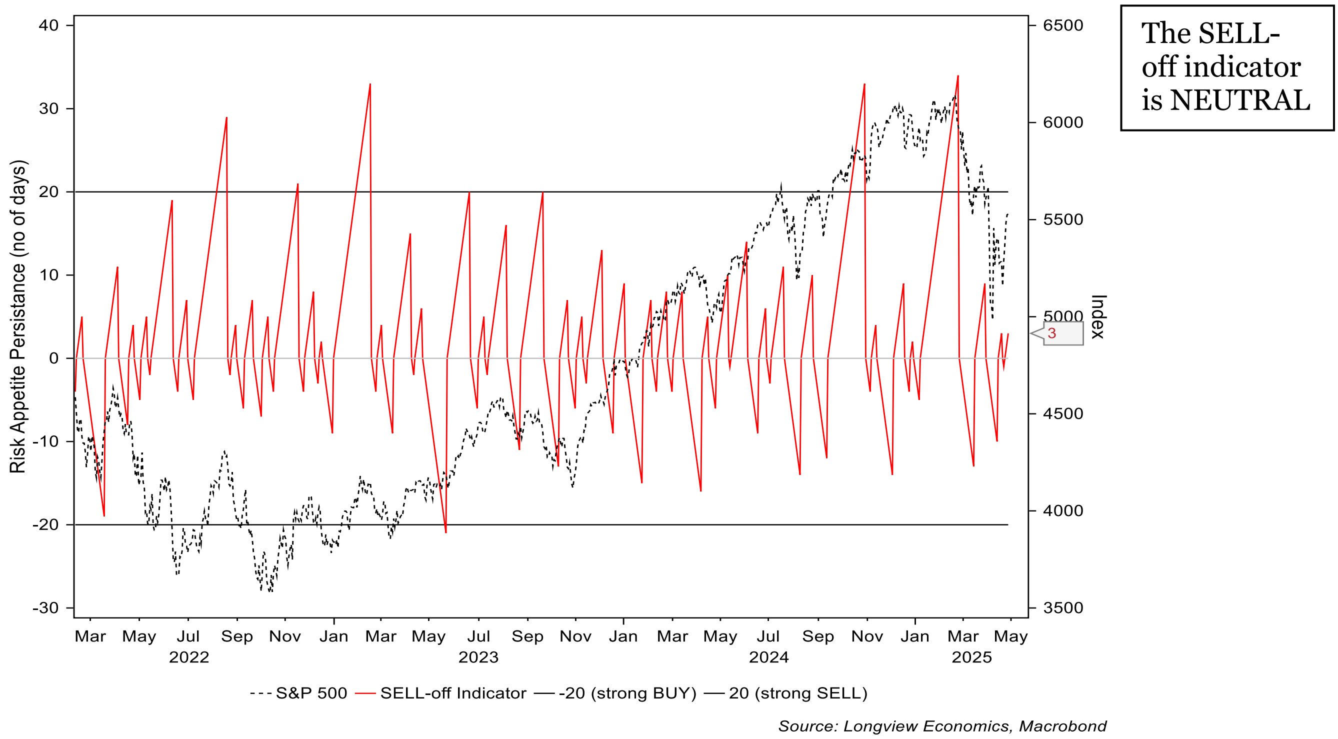
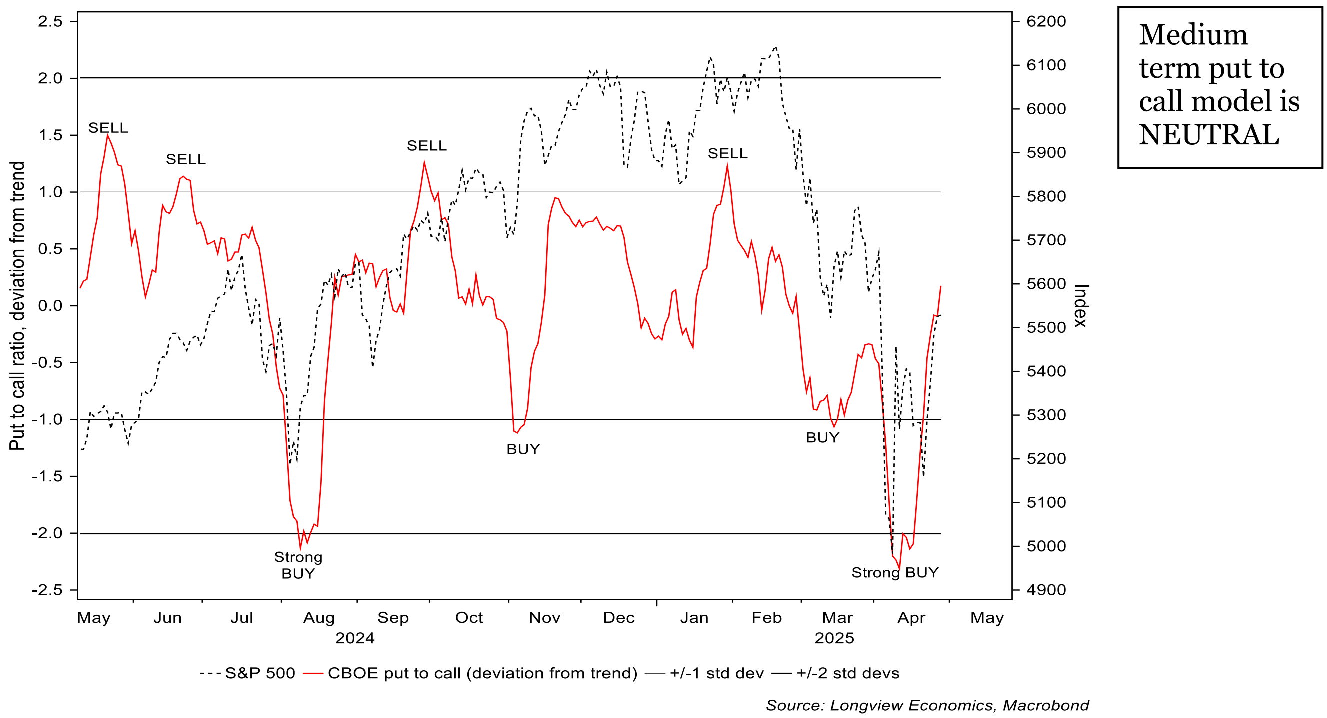
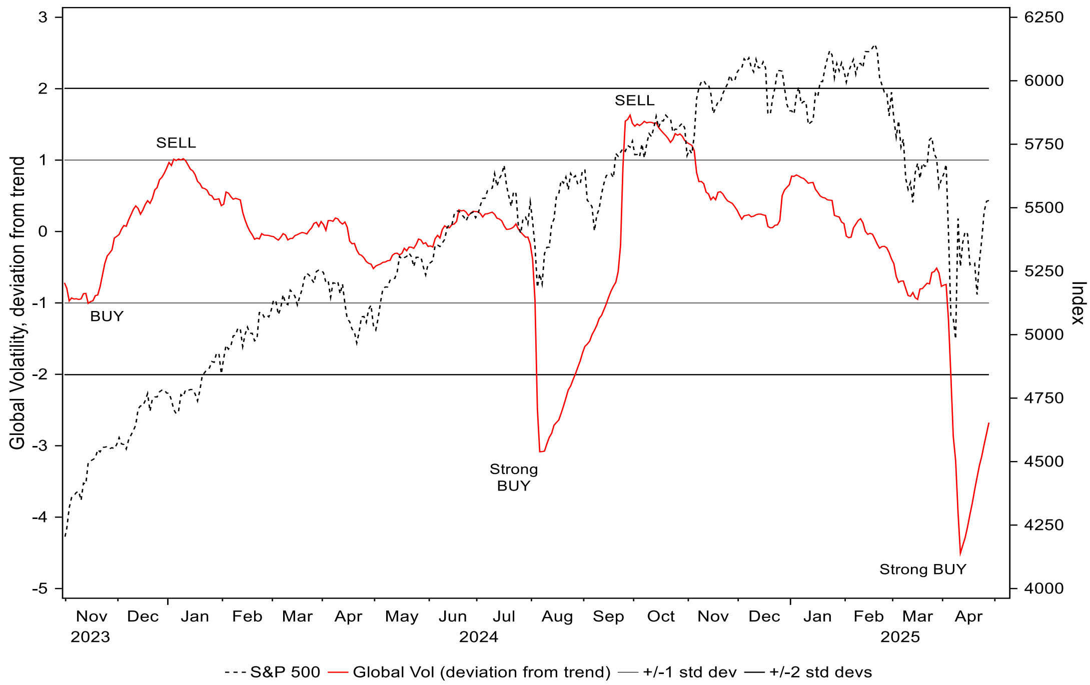


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

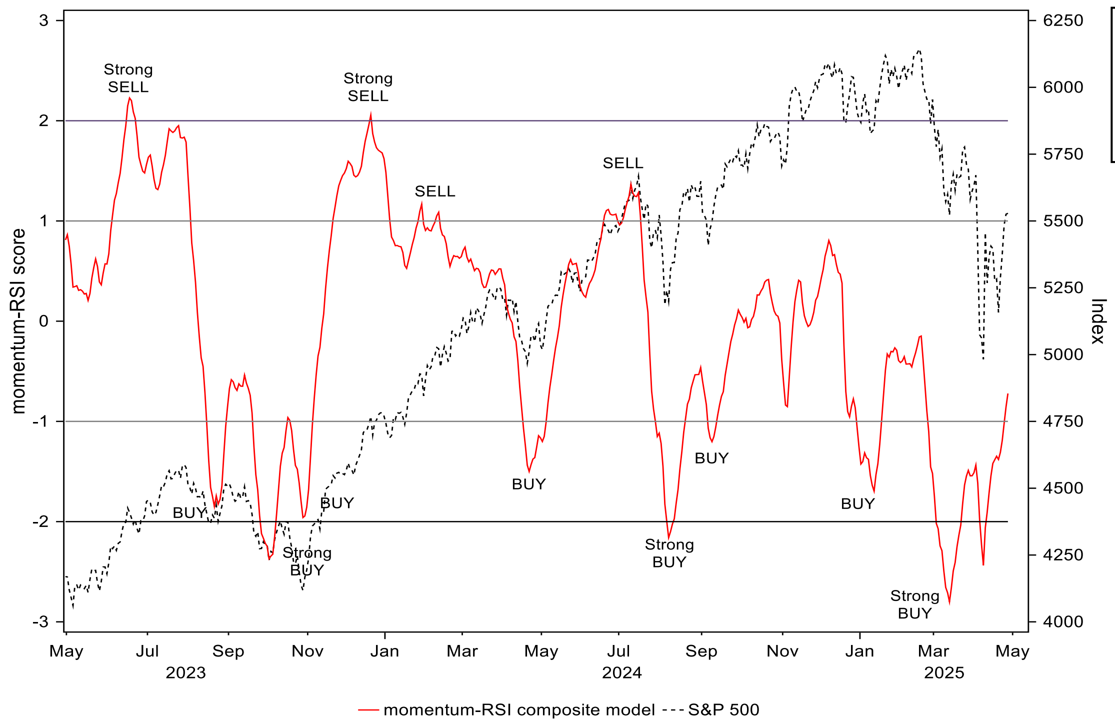
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong BUY

Source: Longview Economics, Macrobond

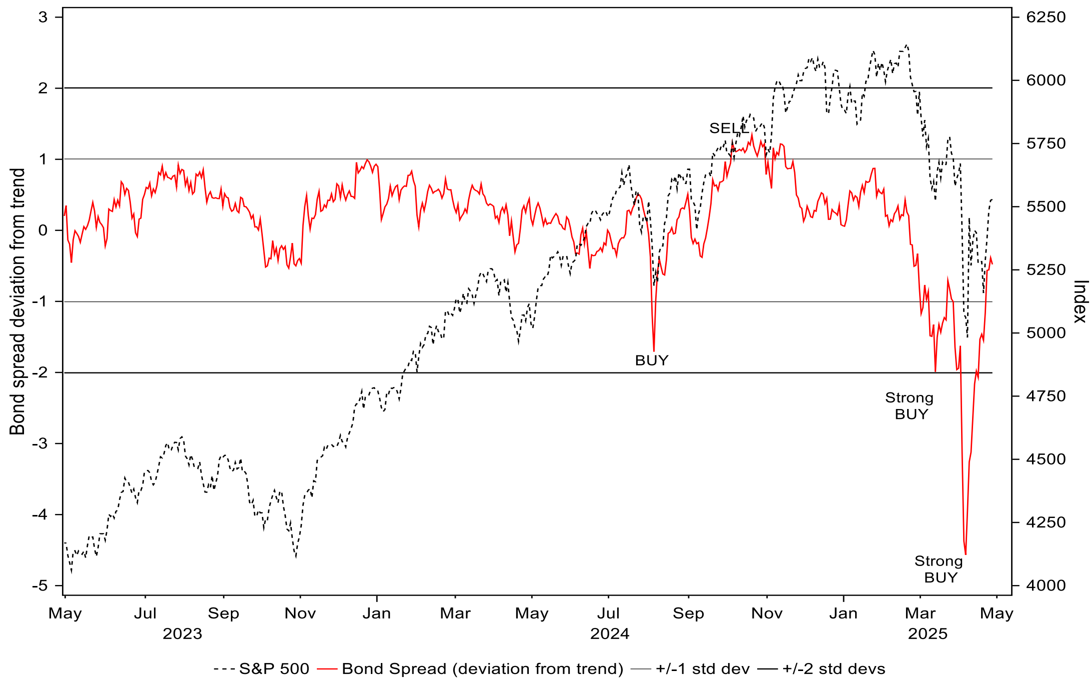
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is NEUTRAL

Source: Longview Economics, Macrobond

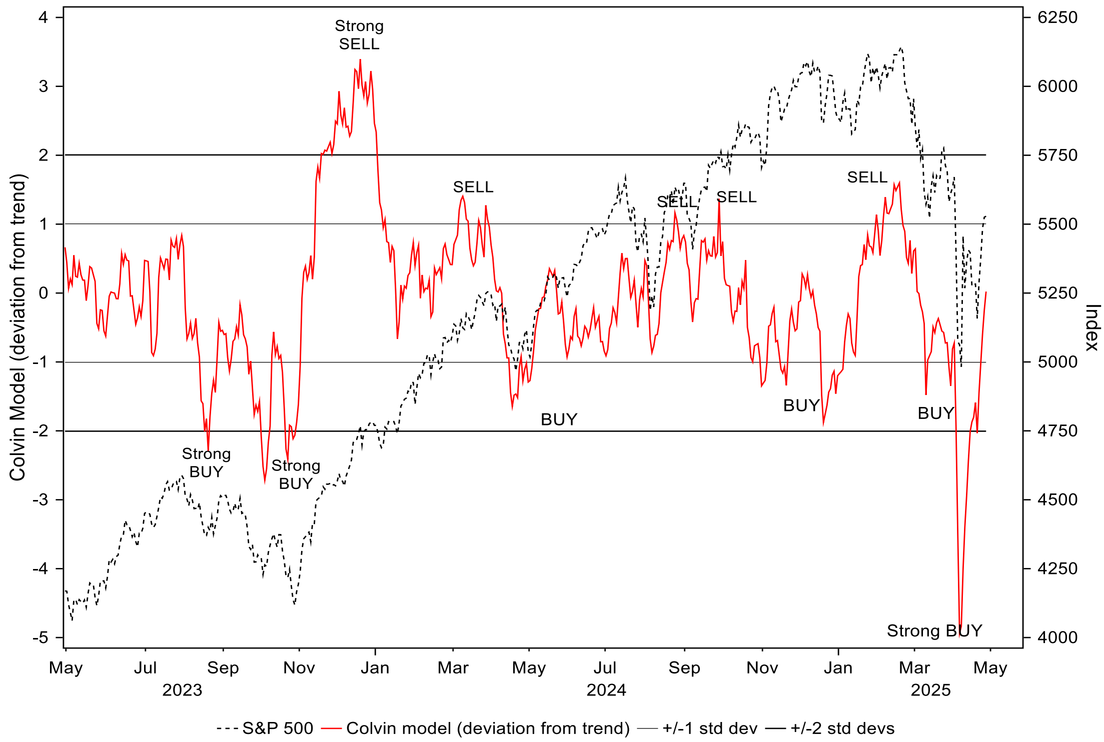
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL

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



Source: Longview Economics, Macrobond

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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