# Equity Index Futures Trading Recommendations

29th May 2025

"WATCH & WAIT"

*Email: info@longvieweconomics.com*

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

- WATCH & WAIT.

## Rationale

Global risk asset prices have rallied overnight on positive newsflow.

In particular the US Court of International Trade yesterday ruled that Trump's 'Liberation Day' tariffs are illegal* (see HERE for detail). With that the S&P500 is trading up ~1.5% this morning and has just broken above its mid-May highs (FIG 1). The price pattern in the NASDAQ100 is similar (albeit with a more convincing breakout, see FIG 1a). Elsewhere Asian indices have traded higher overnight, while European markets have opened up by ~0.5%. Gold is unsurprisingly lower on the session (by ~0.5%) while US/Western bond yields have edged higher. Of note US 10 year Treasury yields are currently ~4.52% (and now up ~10bps from Tuesday's low), while markets continue to price out rate cuts for 2025 (FIG 1c).

Other positive newsflow includes Nvidia's earnings (after hours yesterday). Both revenues and earnings beat expectations (with revenue up 69% Y-o-Y) and the stock closed up 5.4% in after hours trading. With that, earnings season is nearly complete (485 S&P500 companies have now reported) and the earnings surprise has been strong (+7.7%, compared with the typical average earnings surprise of ~4%).

How tariff related news evolves will be key for market direction in the near term.

Of note, the two prior attempts to challenge Trump's tariff policy both failed. These included (i) the bipartisan Trade Review Act (aiming to require congressional approval for tariffs); and (ii) a Senate-passed resolution to terminate the 'national emergency' (which was the legal basis for the tariffs). Unlike those attempts, though, this ruling has immediate legal effect (though it may still be appealed).

The signals from our short term models are broadly unchanged from yesterday (i.e. they retain a NEUTRAL message). Those models are shown in FIGs 2 – 2f. Most of them are mid-range, and therefore not providing a clear steer on near term equity market direction.

As such, and having reduced (& closed) our SHORT position earlier in the week (Tuesday & yesterday), the risk reward favours WATCHing & WAITing for now.

Please see below for a list of today's key events and macro data, which include the second estimate of US GDP for Q1, as well as comments/speeches from several Fed governors.

Kind regards,

The team @ Longview Economics

*The judgment affects levies imposed on 2nd April, including the baseline 10% tariff and the higher "reciprocal" tariffs on many countries, but not sector tariffs imposed on steel and car imports.

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

**FIG 1a:** NASDAQ100 futures 10-day tick chart shown with overnight price action


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

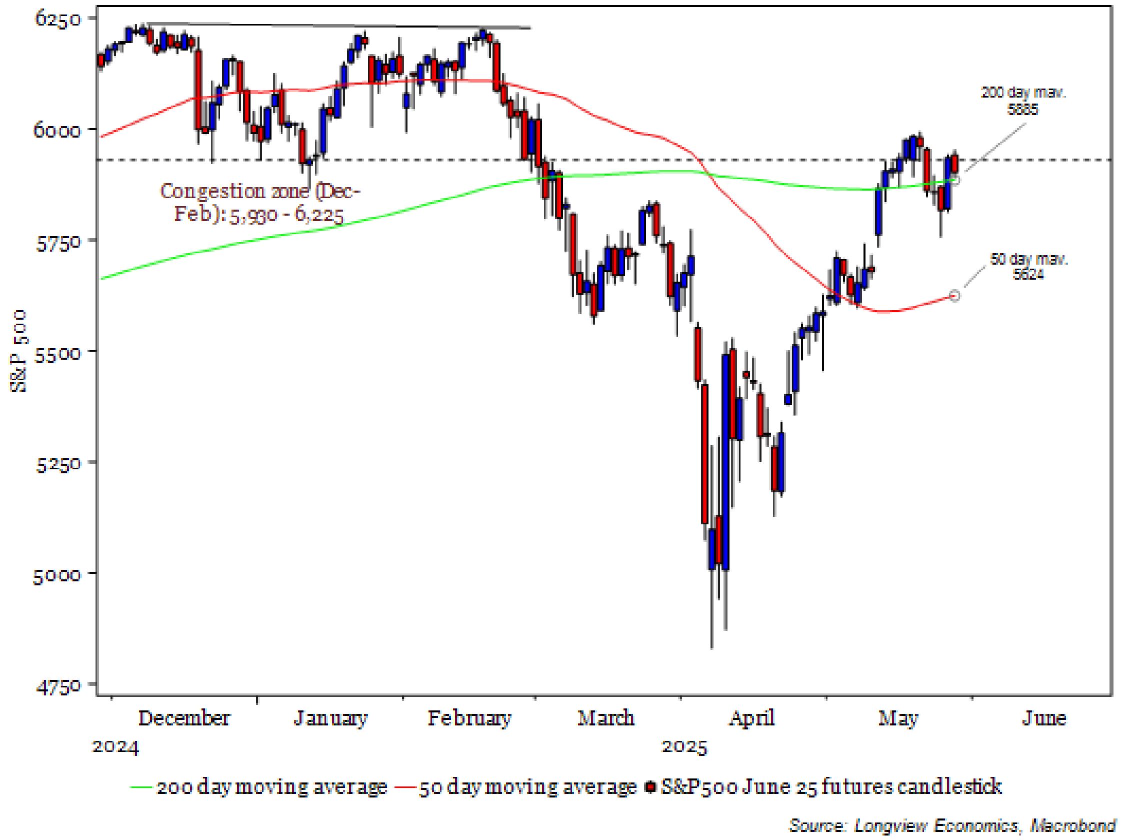
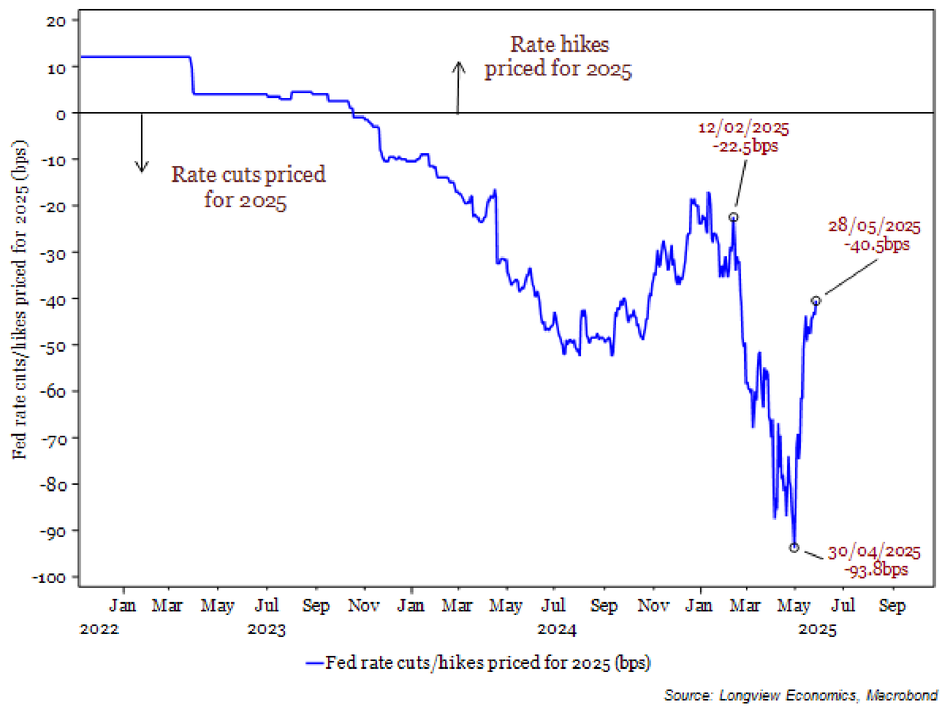
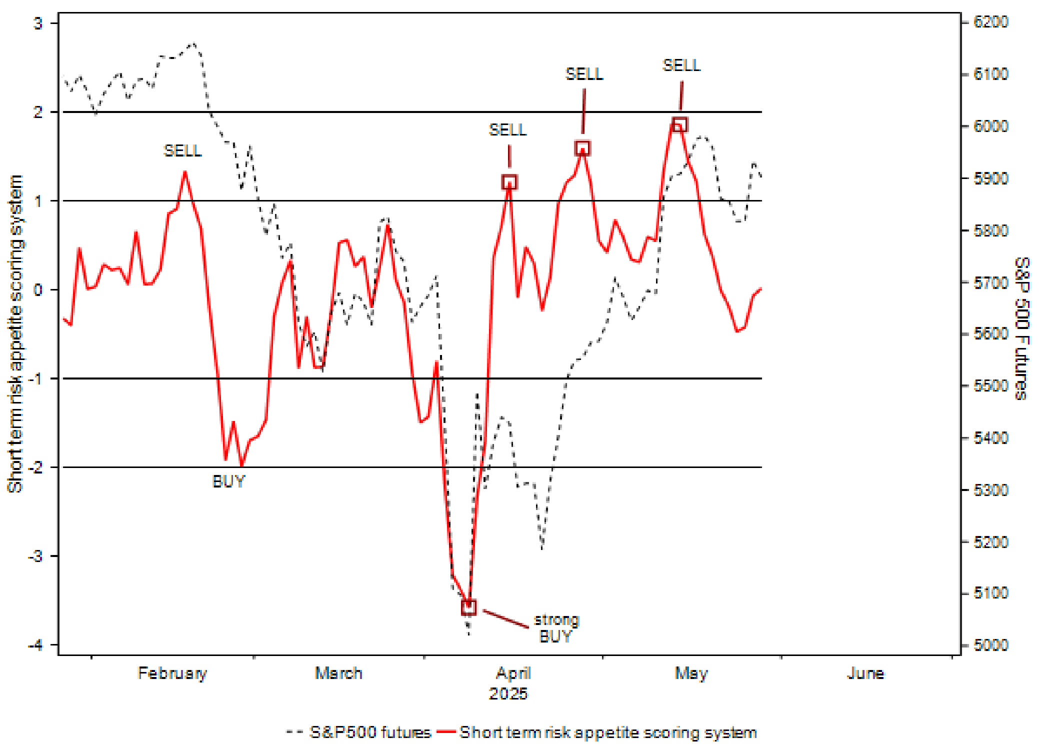



**FIG 1c:** Fed rate cuts/hikes priced for 2025 (bps)



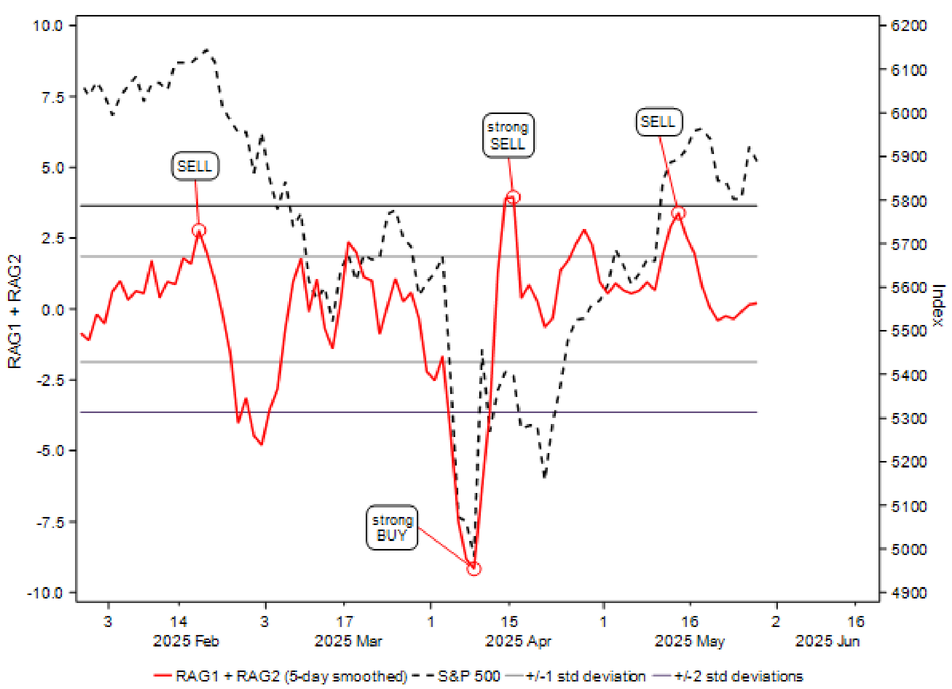

## Short term models are mostly NEUTRAL...

**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

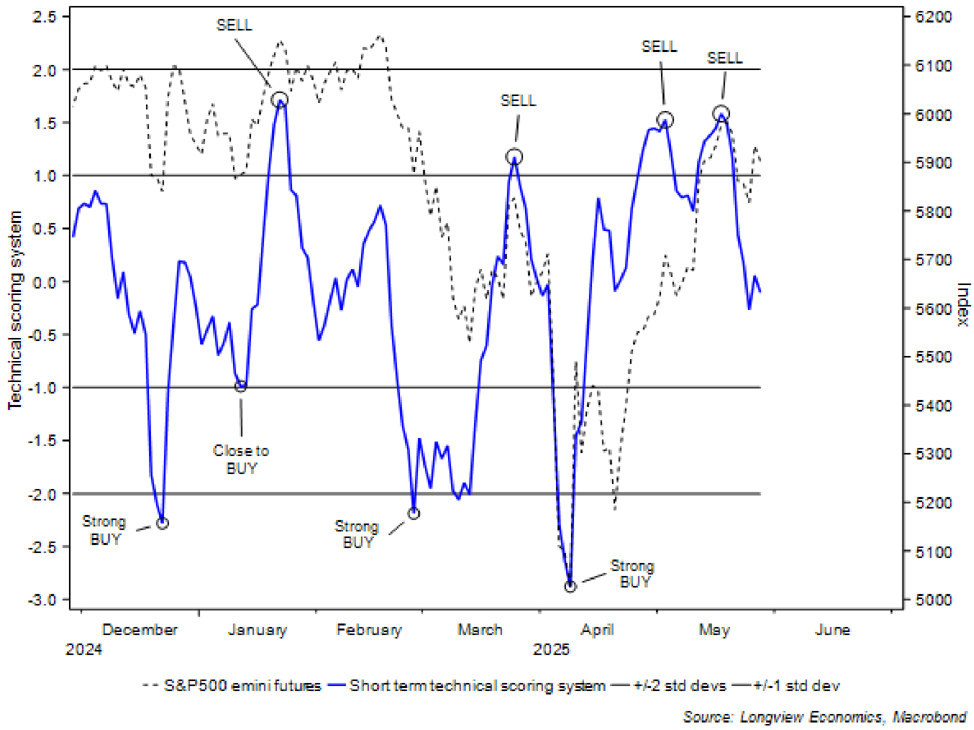



**FIG 2c:** Longview NASDAQ100 & Philly SOX short term **'technical'** scoring system vs. NASDAQ100 futures

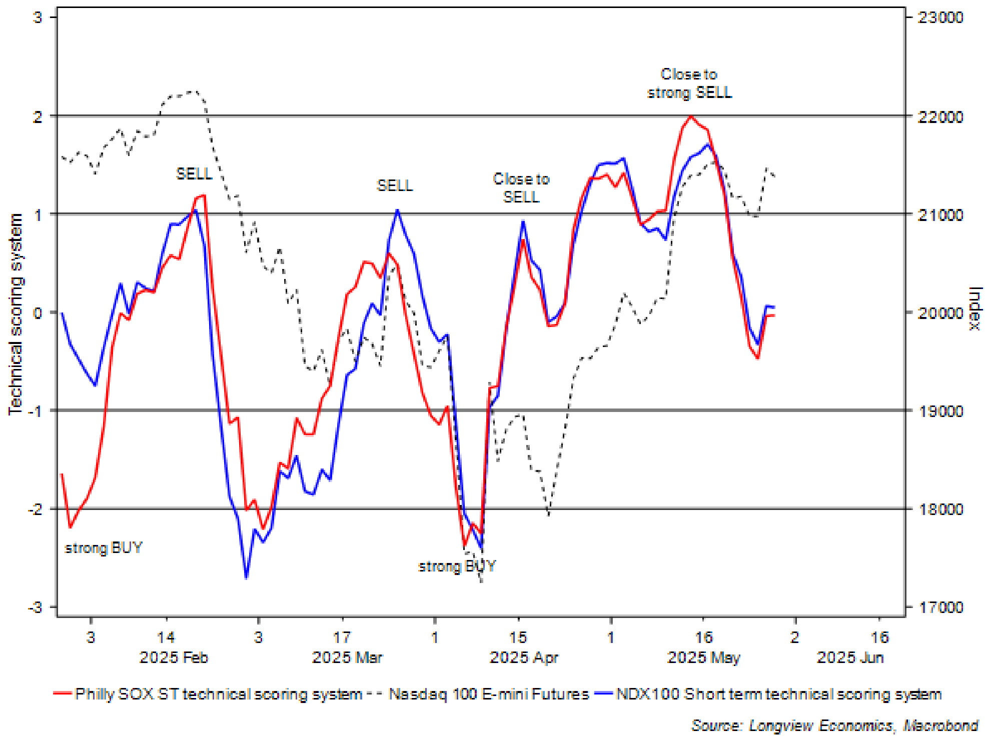
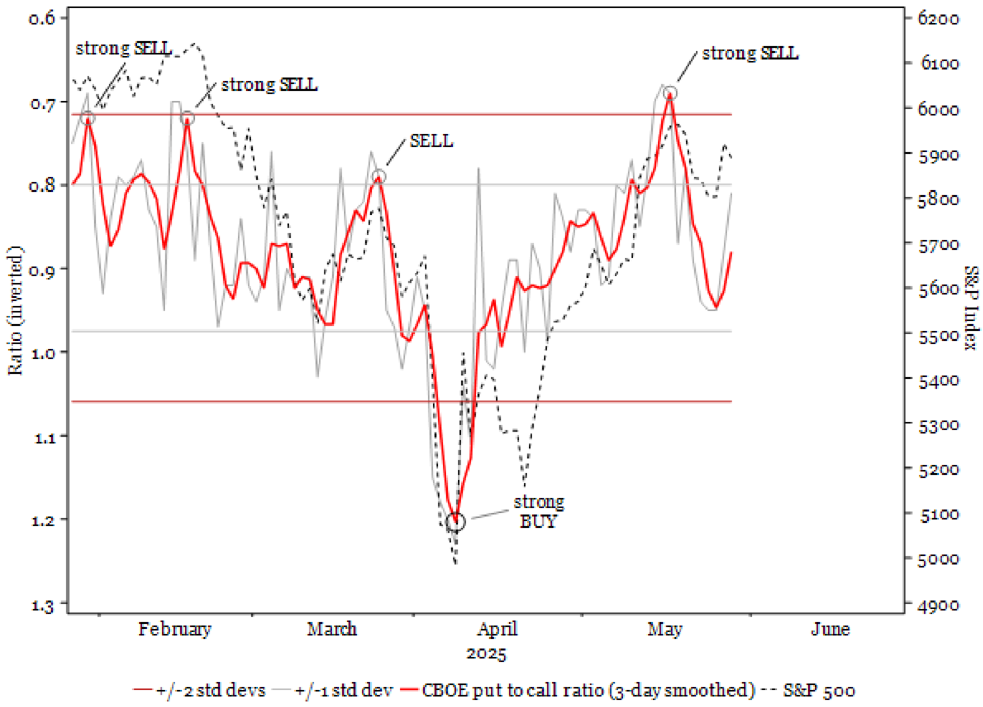
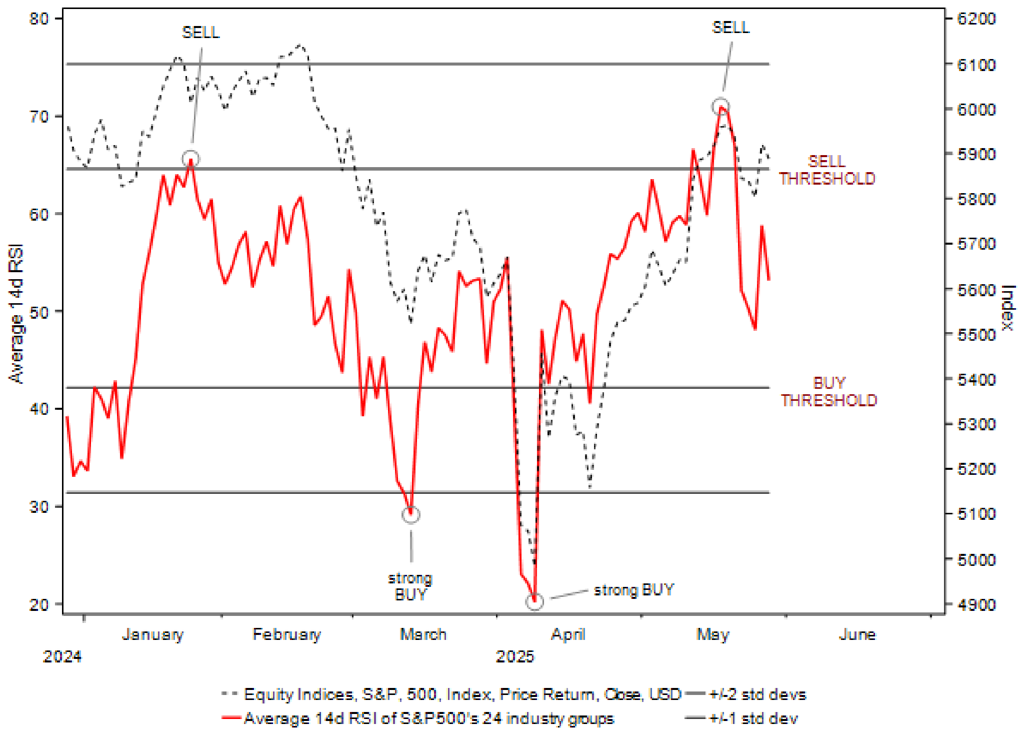


**FIG 2d:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



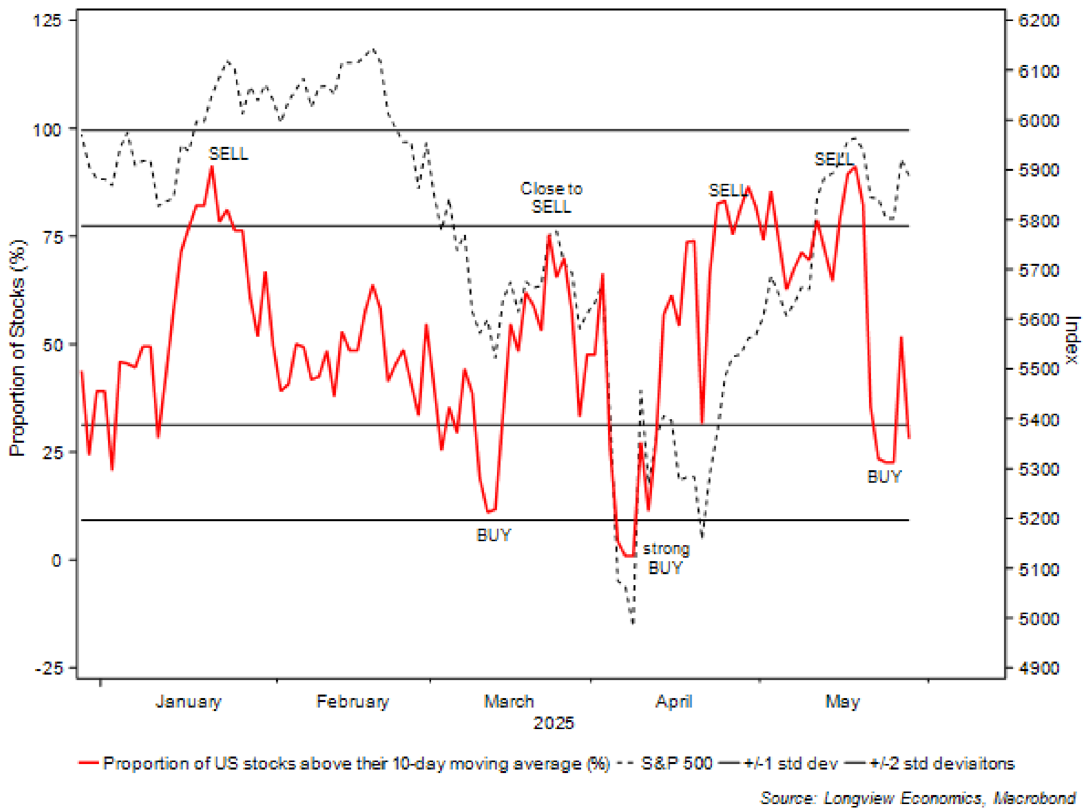

*Source: Longview Economics, Macrobond*

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




*Source: Longview Economics, Macrobond*

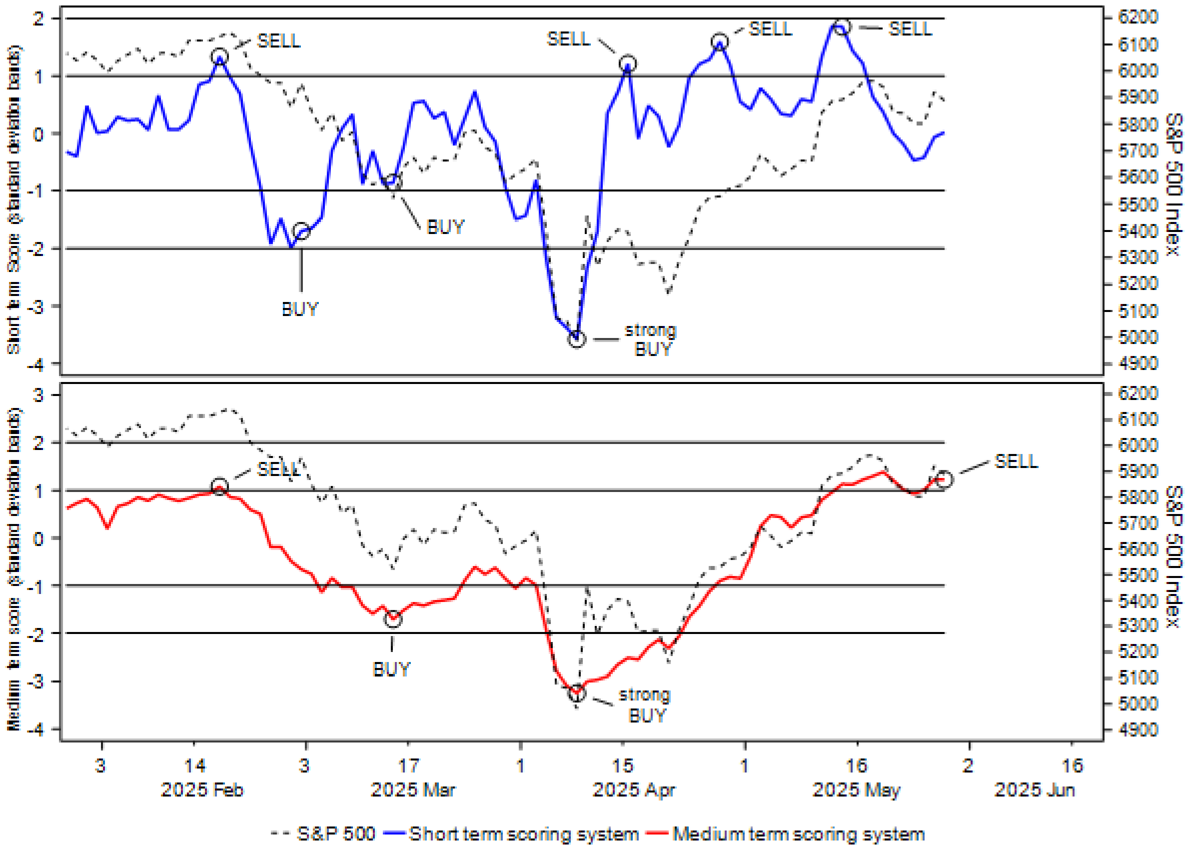
**FIG 2f:** Proportion of US stocks above their 10 day moving average vs. S&P500




**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*

## Key macro data/events

**Key data** today include: **Japanese ESRI consumer confidence** (May, 6am); Spanish retail sales (Apr, 8am); Italian ISTAT consumer & manufacturing confidence (May, 9am); Italian industrial sales (Mar, 11am); **US GDP** (Q1 second estimate, 1:30pm); US weekly jobless claims (1:30pm); **pending home sales** (Apr, 3pm).

**Key events** today include: Speeches by the Fed's Barkin in a fireside chat (1:30am), Goolsbee in a moderated Q&A (3:40pm) & Daly in a fireside chat (9pm).

**Key earnings** today include: Costco, RBC, Dell Tech, Marvell.

## 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.*

LVRAG

Daily Risk Appetite Gauge

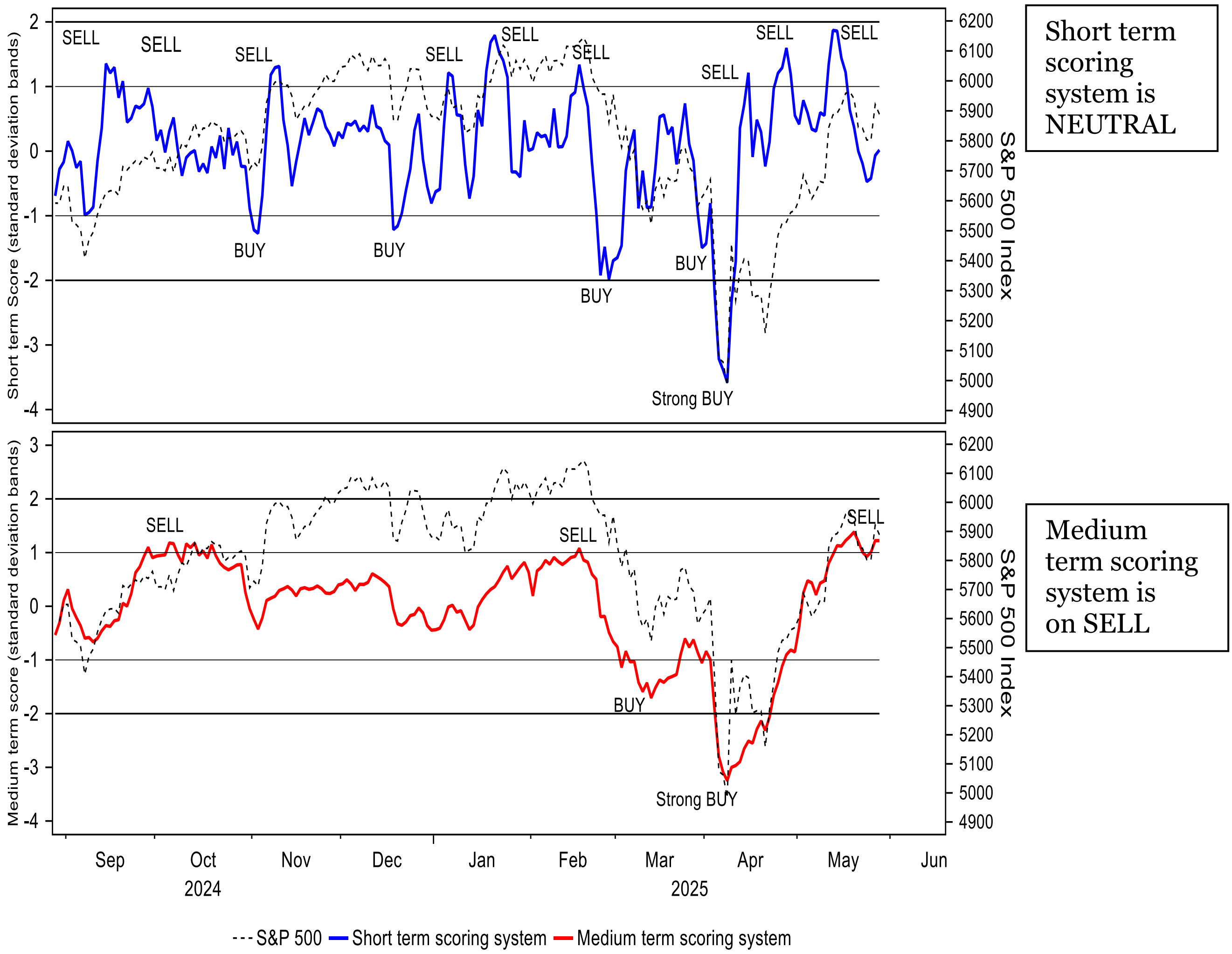
# 1 – 2 Week View on Risk

29th 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



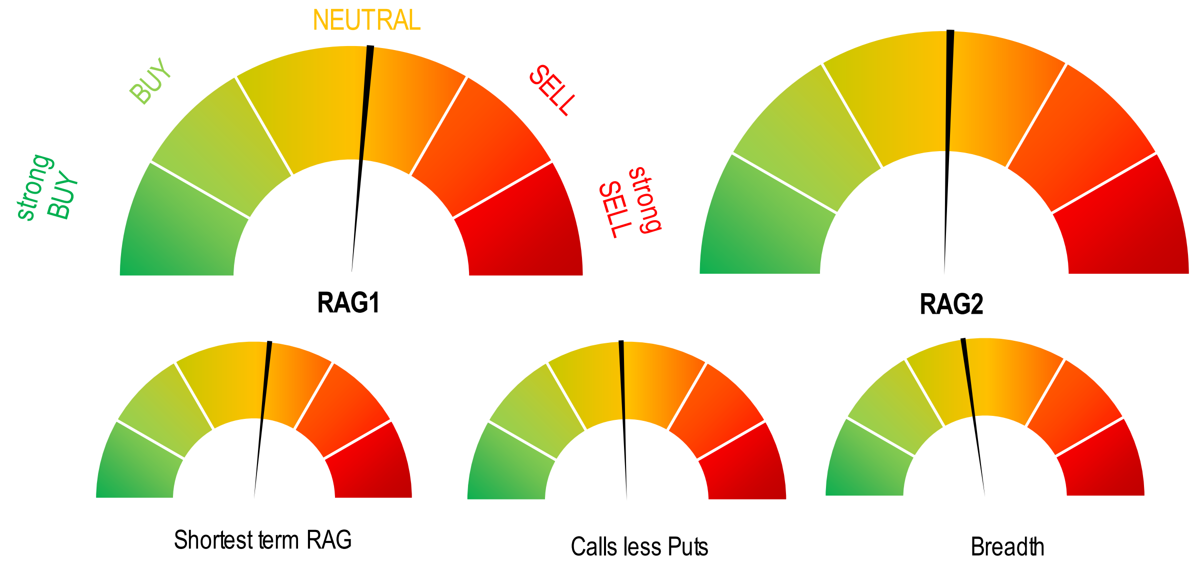

*Source: Longview Economics, Macrobond*

*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***

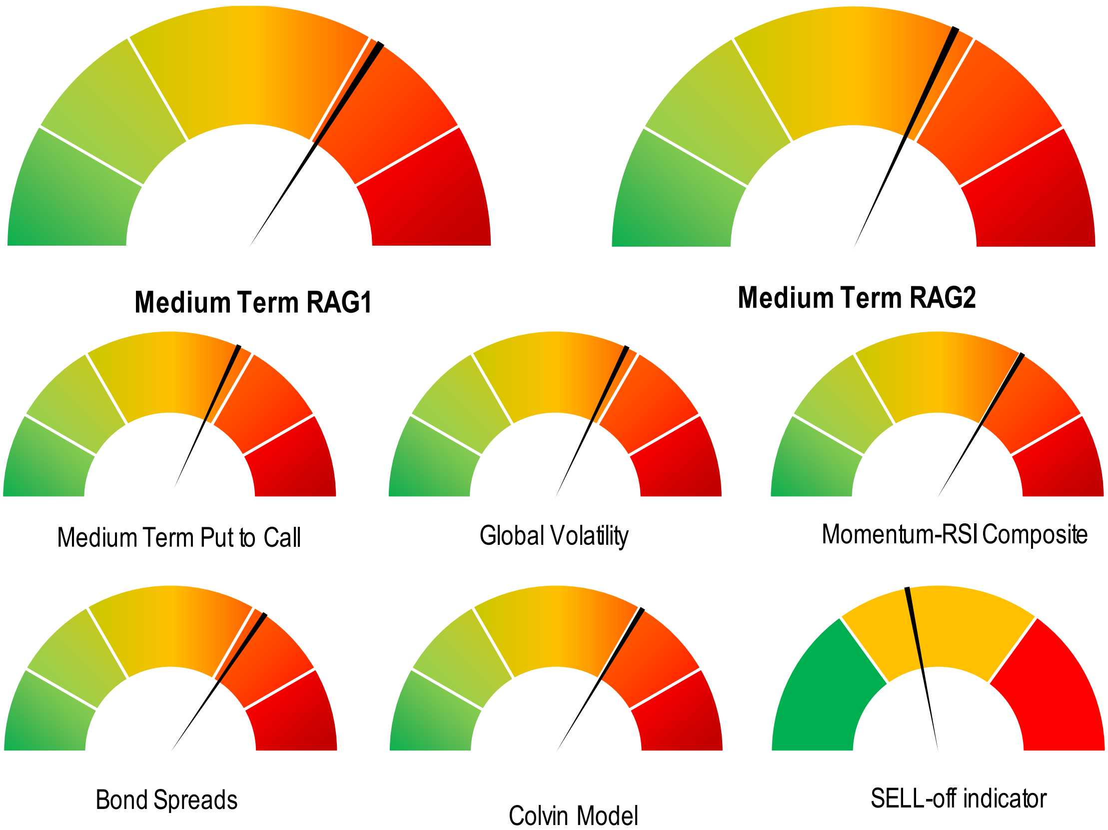
## **Section 1a:** Summary of indicator signals**

**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

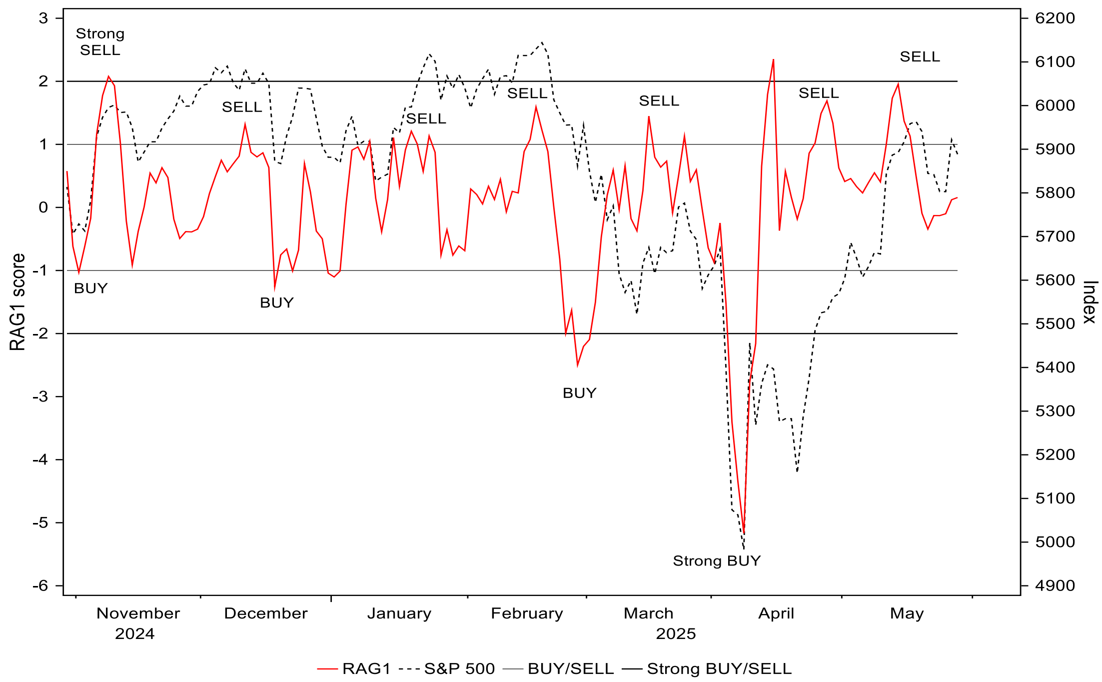



***Source:*** *Longview Economics*
**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

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

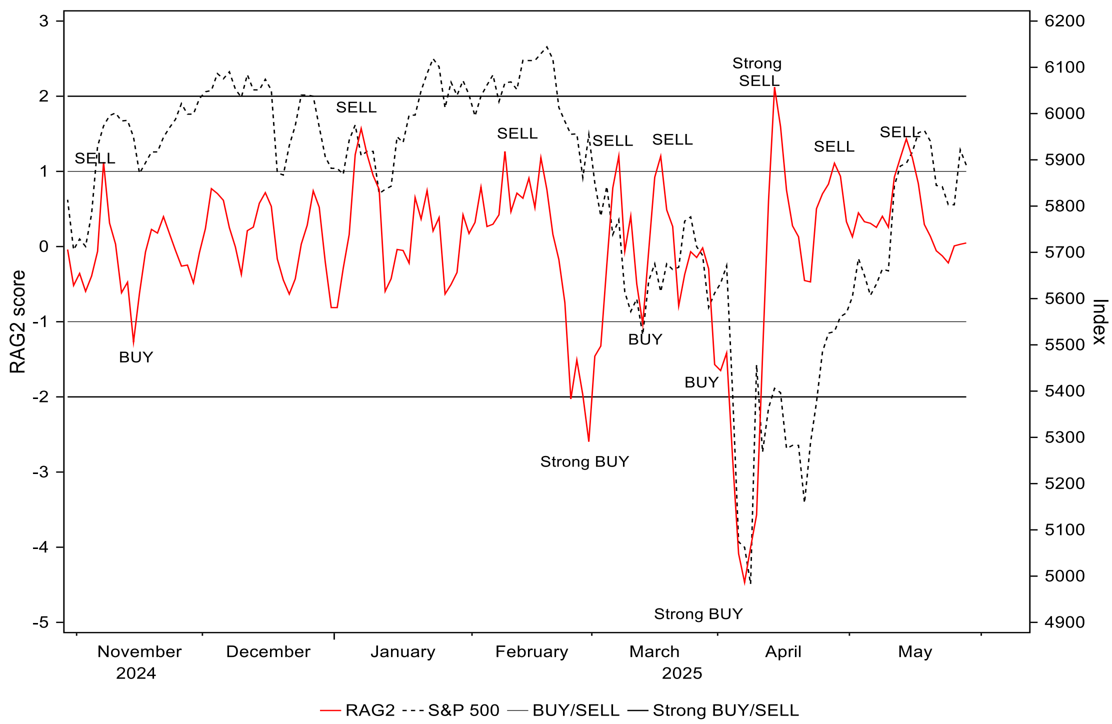
## Fig 2a: RAG 1 vs. S&P 500




RAG1 is NEUTRAL

*Source: Longview Economics, Macrobond*

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



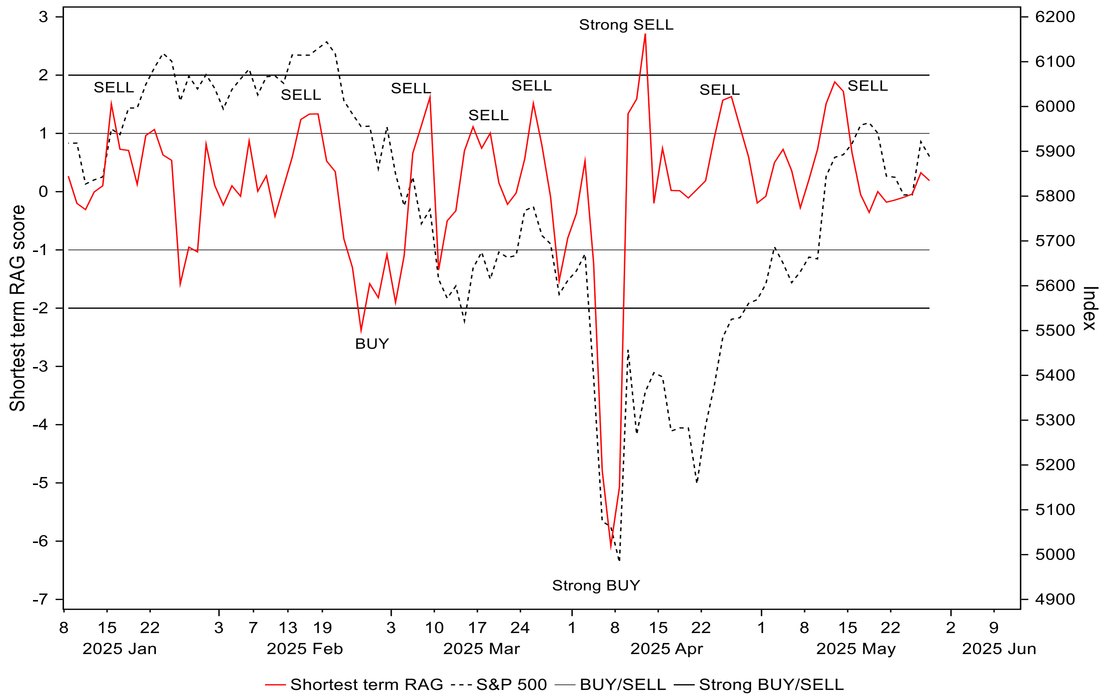

RAG2 is NEUTRAL

*Source: Longview Economics, Macrobond*

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

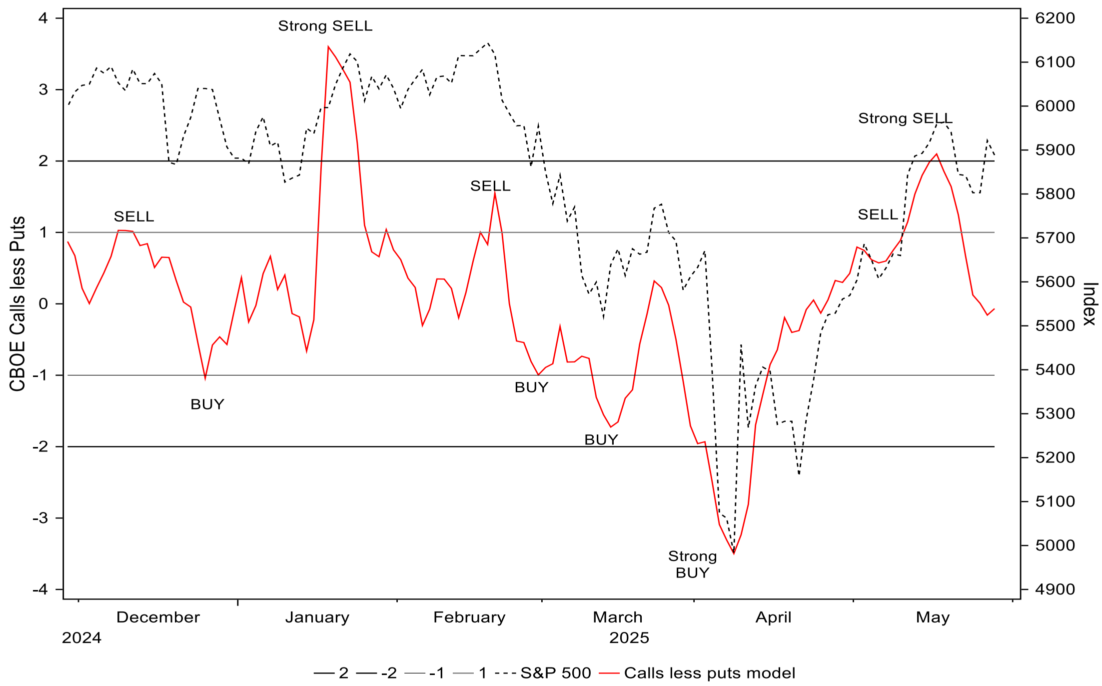
**Fig 2c:** Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500




Shortest term RAG is NEUTRAL

*Source: Longview Economics, Macrobond*

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



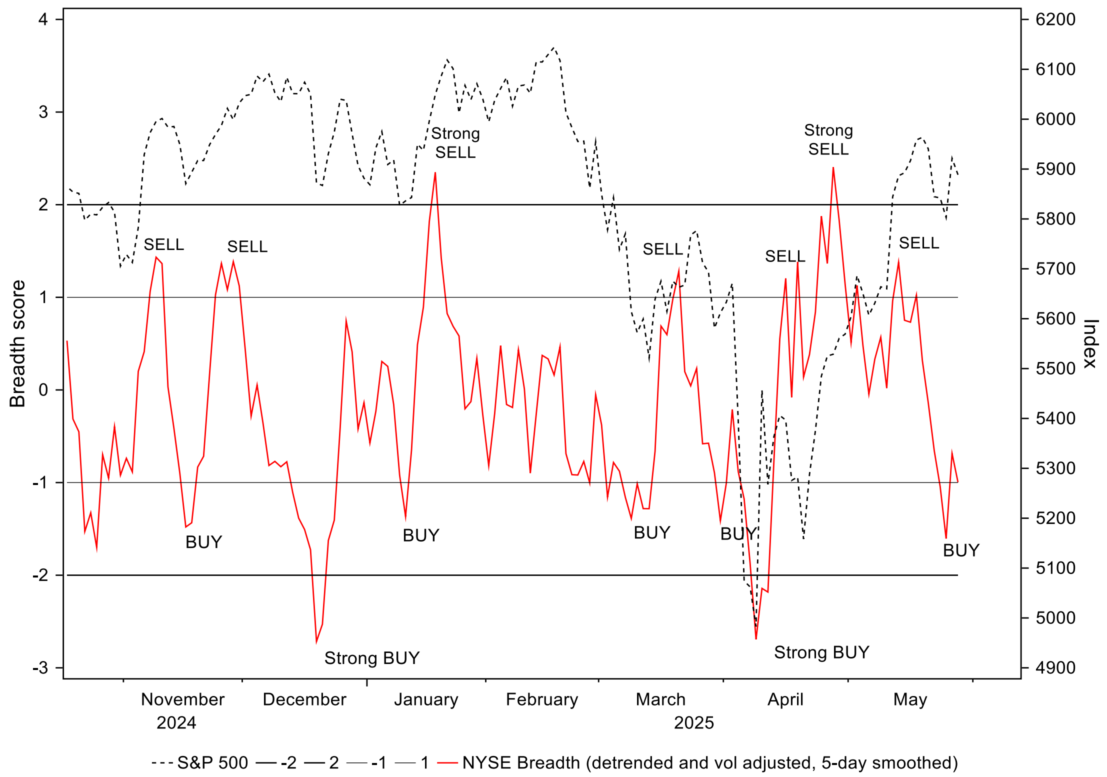

Calls less puts model is NEUTRAL

*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




Source: Longview Economics, Macrobond

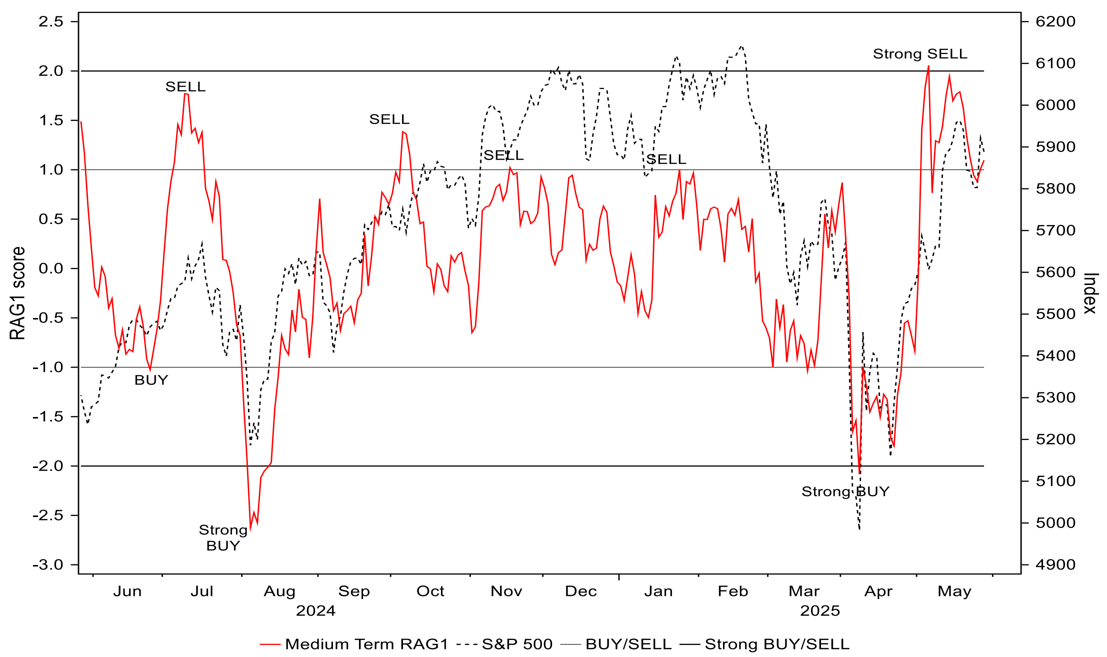
The breadth model is NEUTRAL

*For explanations of indicators please see page 10*

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

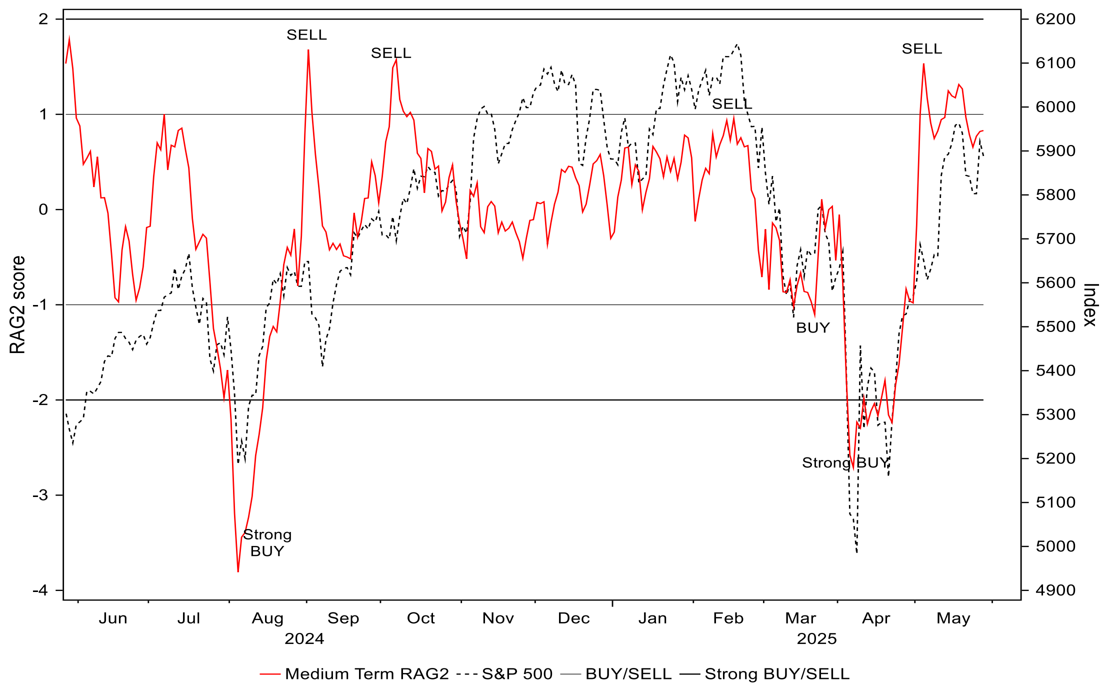
### **Fig 3a:** Medium term RAG1 (1 – 4 month view) vs. S&P 500




*Source: Longview Economics, Macrobond*

Medium term RAG1 is on SELL

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



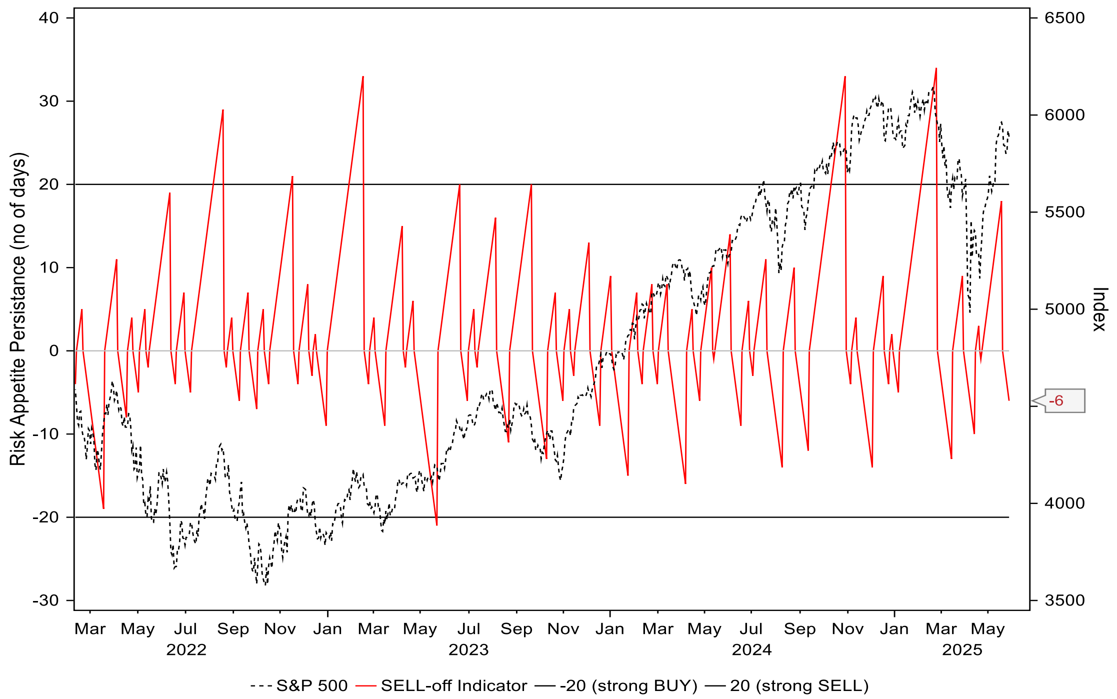

*Source: Longview Economics, Macrobond*

Medium term RAG2 is NEUTRAL

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

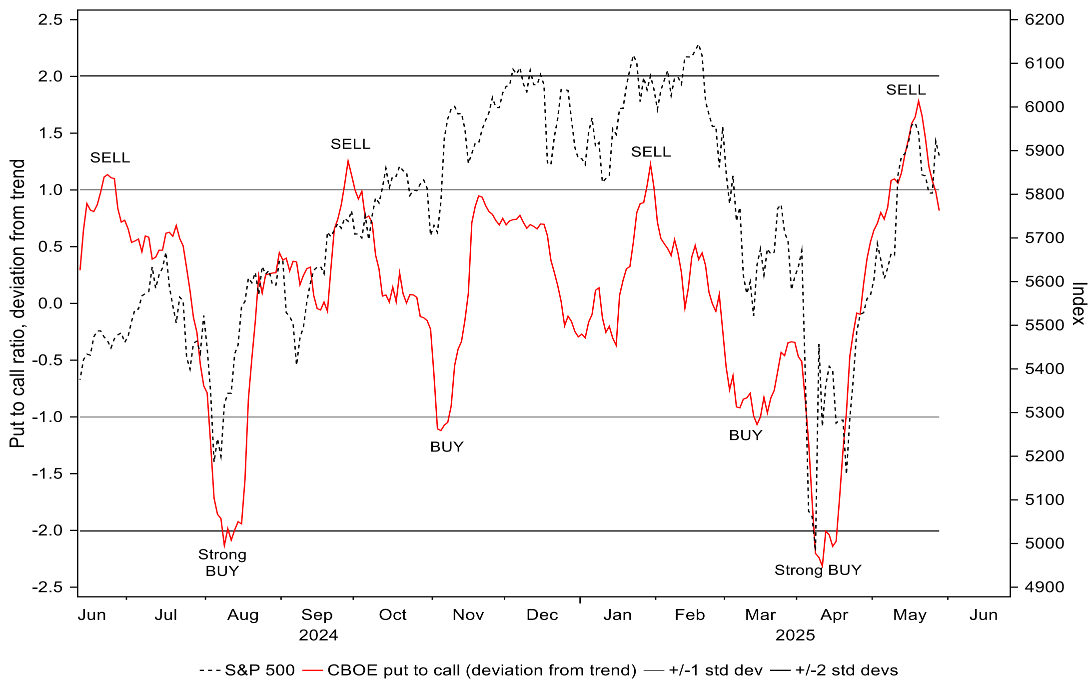
## **Fig 3c:** SELL-off indicator (shown vs. S&P500)




Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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



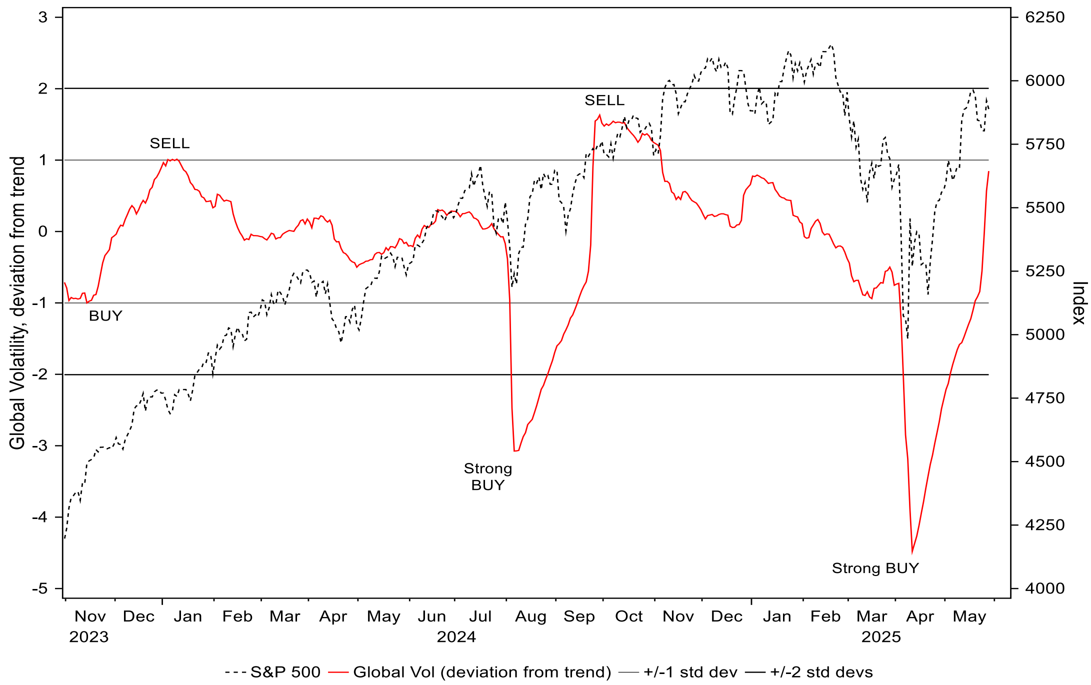

Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

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

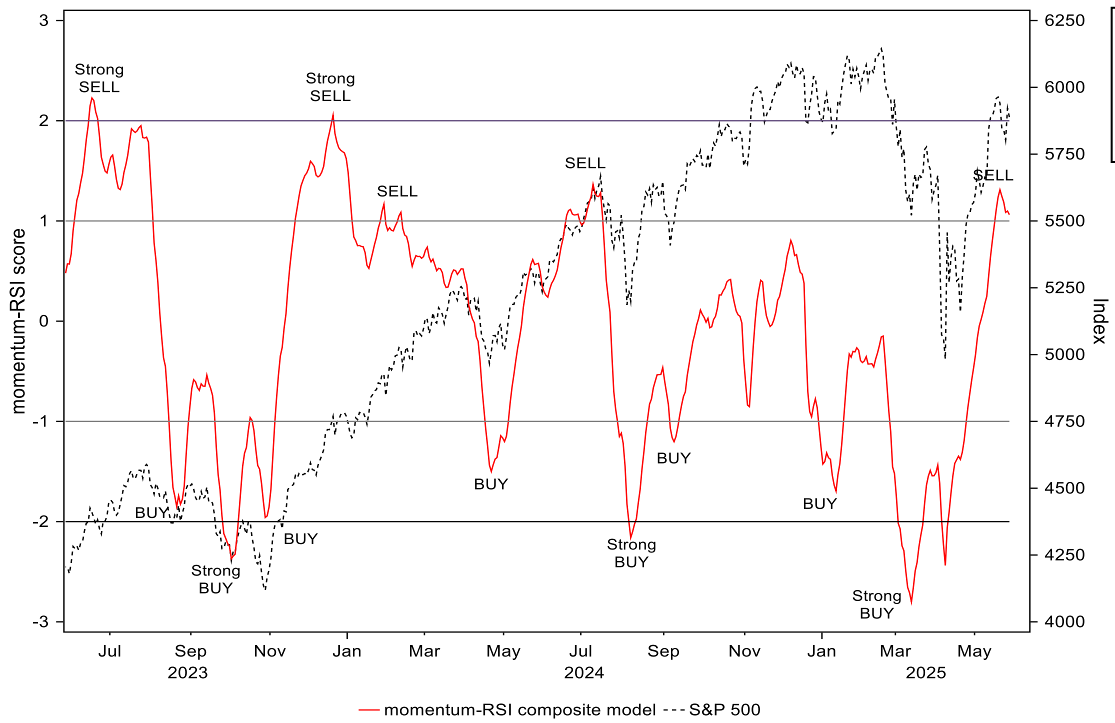
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500




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*

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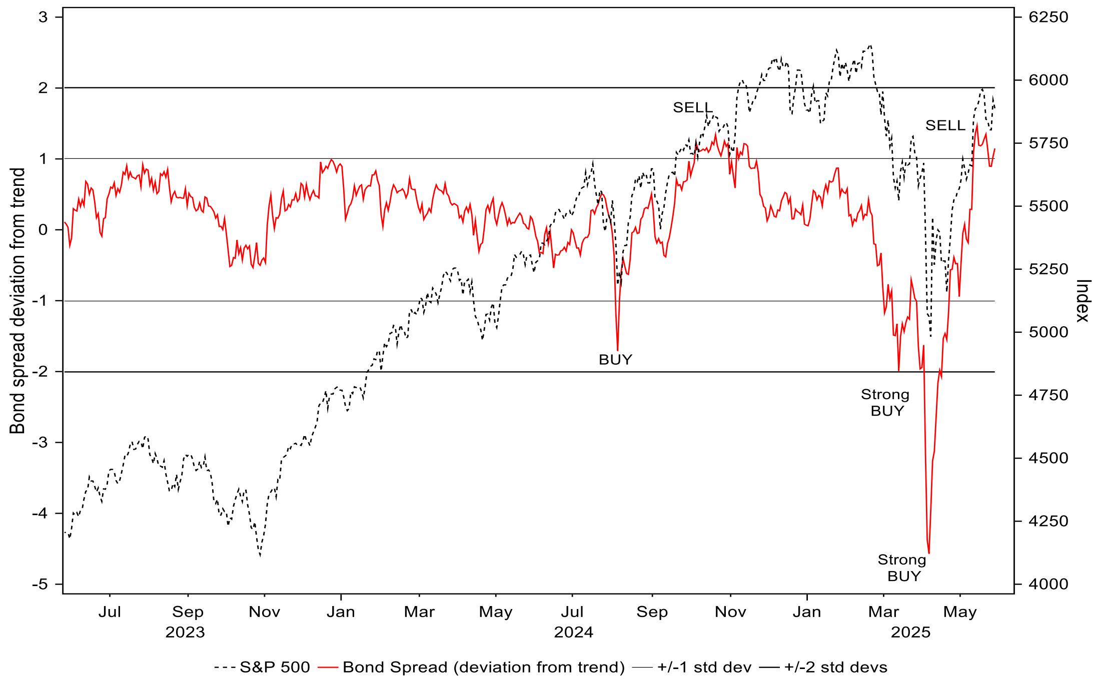
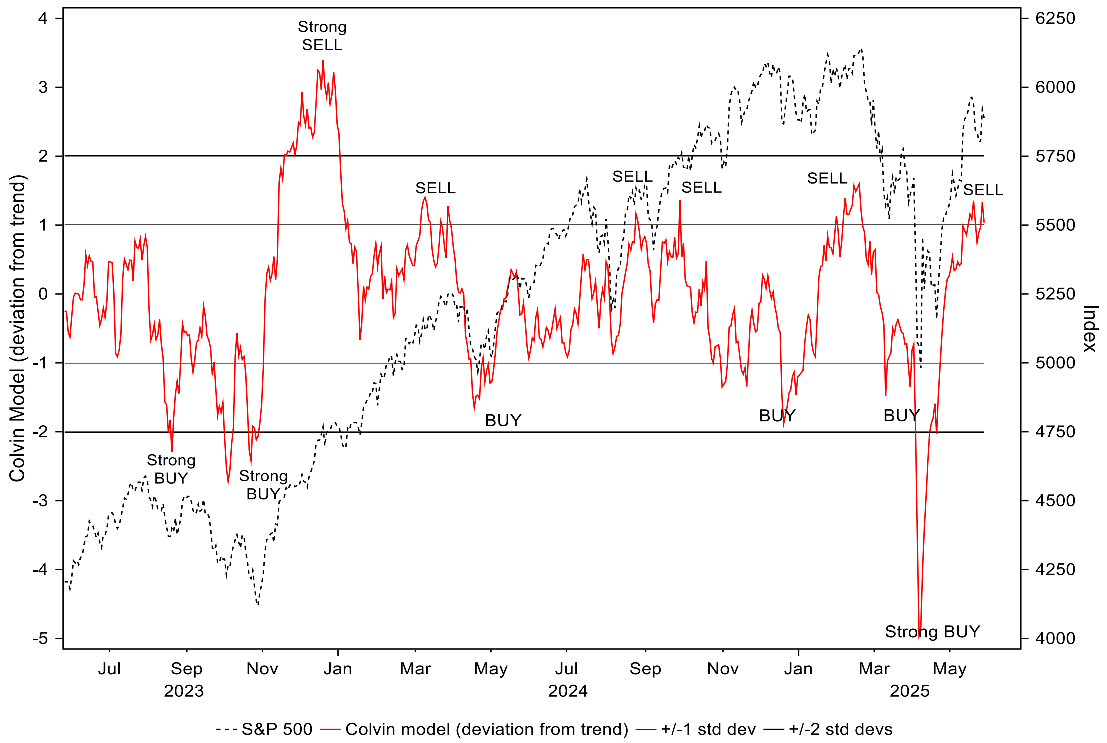
**Fig 3g:** High yield corporate bond spreads deviation from trend model vs. S&P500




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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