

# Equity Index Futures Trading Recommendations

2<sup>nd</sup> April 2025

“Tariffs Day - Message of the Models is Key”

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

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- WATCH & WAIT (for now).

## **Rationale**

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All eyes, of course, on the announcement of tariffs later today (by the Trump Administration). It’s expected/scheduled for 4pm US time (i.e. as the NYSE cash market closes). This announcement has been widely flagged and widely anticipated, discussed, and analysed. Key questions include the level of finality of this announcement. And will it be complete? Or, like much of the ‘on/off’ nature of tariff announcements so far, will it be half-baked and, as such, another staging post for more uncertainty? Added to which, what will be the immediate (and later, more considered) response of other countries? I.e. will this announcement start ‘tit for tat’ retaliatory measures, which are then further escalated by Trump (in a further round of tariffs over and above this one).

**The questions are multiple, but not new** – the market has been grappling with this policy uncertainty for several weeks now. Most likely (on some levels), this will evolve into a ‘Sell the rumour/buy the fact’ type of event.

**It’s in that context that the models are interesting.** That is, they give a sense of how much uncertainty (and fear/hedging) has been priced into this market.

Certainly, in terms of **downside hedging in portfolios**, it’s at reasonably high levels but not at levels typically seen at major local lows (e.g. see the short-term CBOE put to call ratio, the NDX100 equivalent indicator and the SPX risk reversal model). Indeed, yesterday, the level of puts outstanding relative to calls, fell modestly (e.g. see FIG 3b). Of note, in that respect, at major local lows, there’s normally a sharp spike in put buying (i.e. as evidence of panic). Interestingly, as well in that context, put to call ratios in markets outside the US (like the DAX) are back close to SELL levels (i.e. with low levels of downside protection – FIG 3e).

Similarly, the **risk appetite (RAG) models**, which measure fear and greed across global financial markets, are also on BUY, but once again only just (i.e. not convincingly on BUY/strong BUY – FIGs 3 & 3a). Fear is, therefore, building in global asset prices but isn’t yet at an extreme level.

The message of **volatility models** confirms that. Some are at BUY levels. The majority are mid-range/NEUTRAL – see FIGs 2, 2a & 2b.

While, finally, from a **technical perspective**, the picture is also mixed with **most major US indices not oversold** (the Philly SOX is the exception, having just reached its BUY threshold) – FIGs 4 & 4a. Internally, within the US market, looking at sector and single stock technical models, it's a similar message (with models not generating widespread BUY signals – FIGs 4d & 4e). Outside the US, there's more convincing evidence, though, with European technical scoring systems now on BUY (and European markets oversold in the short term – FIGs 4b & 4c).

Added to the above the dollar, which typically responds to tariffs newsflow, is oversold in the medium term but, in contrast, overbought in the short term (FIGs 1a & 1b). In other words, conflicting signals suggest that its response to the tariffs newsflow will be difficult to predict.

**Key levels S&P500 support levels** include 5,489/5,505 (on cash index). These are the intraday lows in the middle and at the end of March (FIG 1). Below that, 5,400 is another key support area (i.e. lows in early September 2024 and also the gap area in mid-June – see FIG 1). Obvious near-term resistance includes the 200-day moving average at 5,778 (which was also the highs in late March, FIG 1).

**Overall, therefore**, uncertainty continues, with tonight's announcement providing two-way risk for equity markets. That is, it could be a 'buy on the event' type of announcement. Models, though, don't provide enough underpinning/confidence (i.e. aren't enough on BUY) to provide the right backdrop for looking to BUY on weakness. This remains a volatile market which (as we saw on Friday last week), can whipsaw traders (and quickly stop out positions). For choice, we'd prefer to look to move LONG into weakness at the recent March lows. For now, though, we recommend WATCHing and WAITing.

**Key events today are shown below.**

Kind regards,

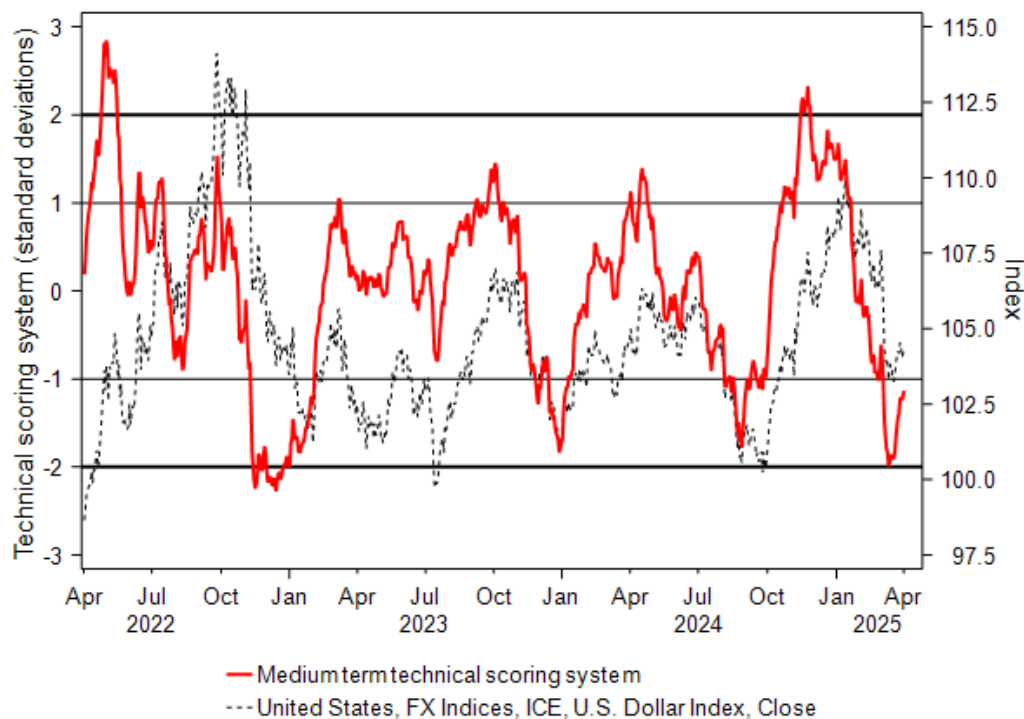
The team @ Longview Economics

**FIG 1:** S&P500 cash index candlestick shown with its 50 & 200 day moving average



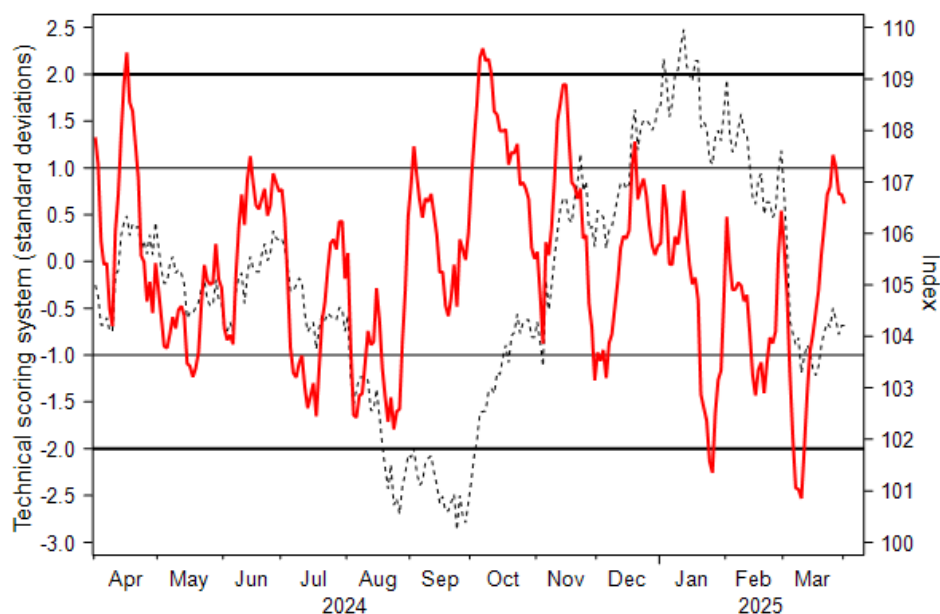
Source: Longview Economics, Macrobond

**FIG 1a:** Longview US dollar (DXY) **medium term ‘technical’** scoring system vs. DXY index



Source: Longview Economics, Macrobond

**FIG 1b:** Longview US dollar (DXY) short term **‘technical’** scoring system vs. DXY index

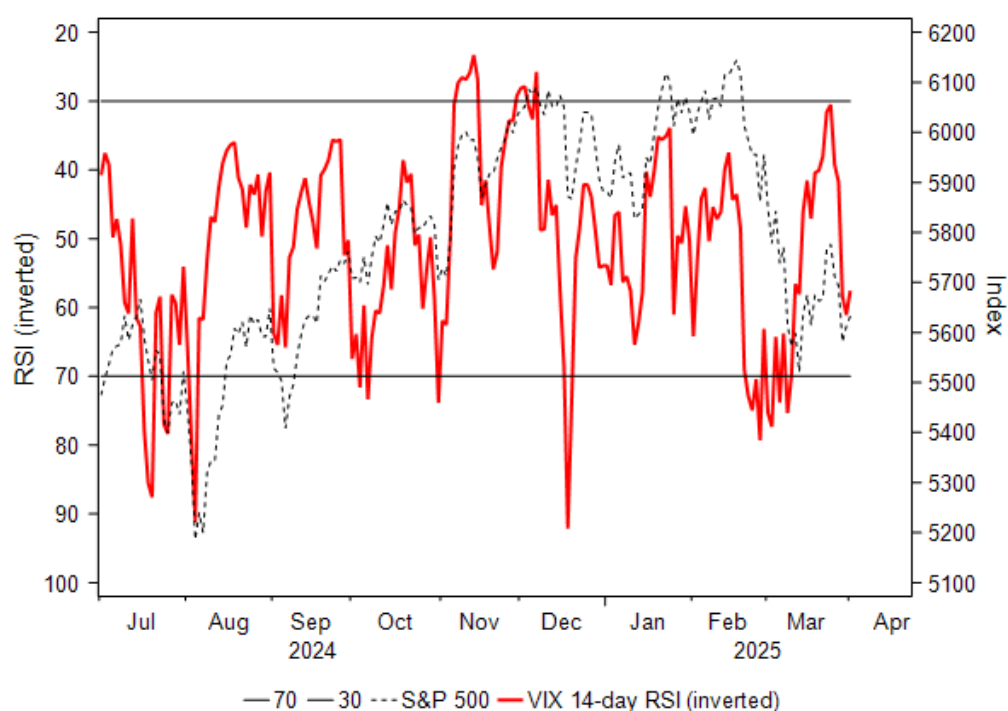


— Short term technical scoring system --- United States, FX Indices, ICE, U.S. Dollar Index, Close

Source: Longview Economics, Macrobond

## Volatility models are mixed....

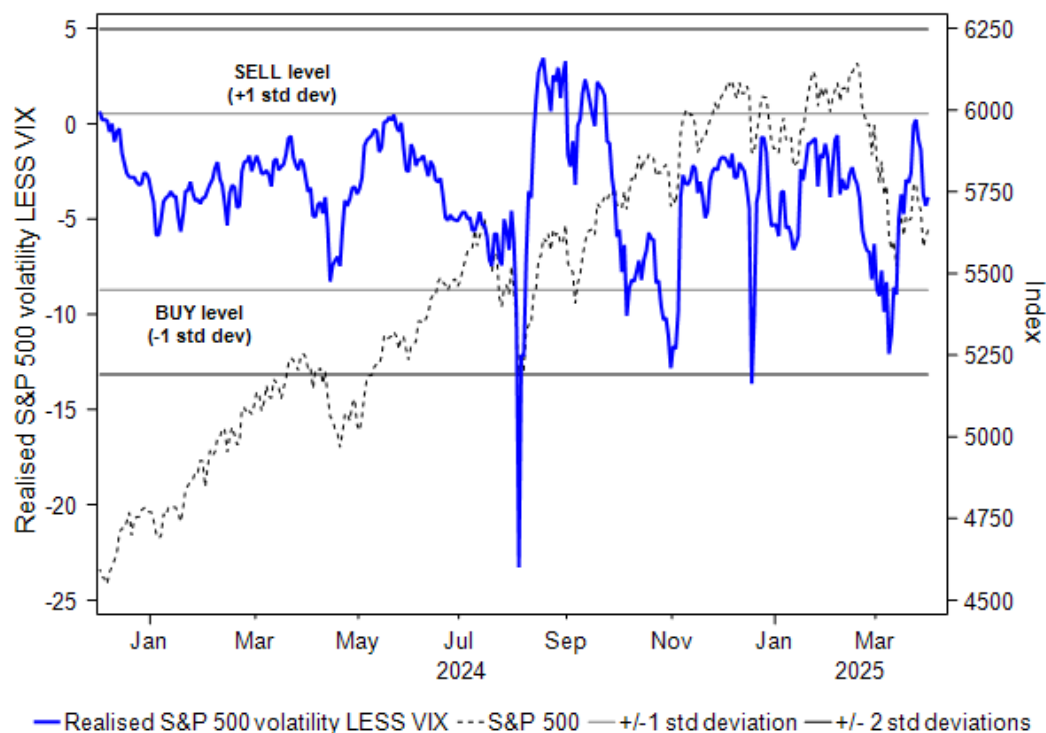
**FIG 2:** Short term RSI (VIX – inverted) vs. S&P500 (last 6 months)



— 70 — 30 --- S&P 500 — VIX 14-day RSI (inverted)

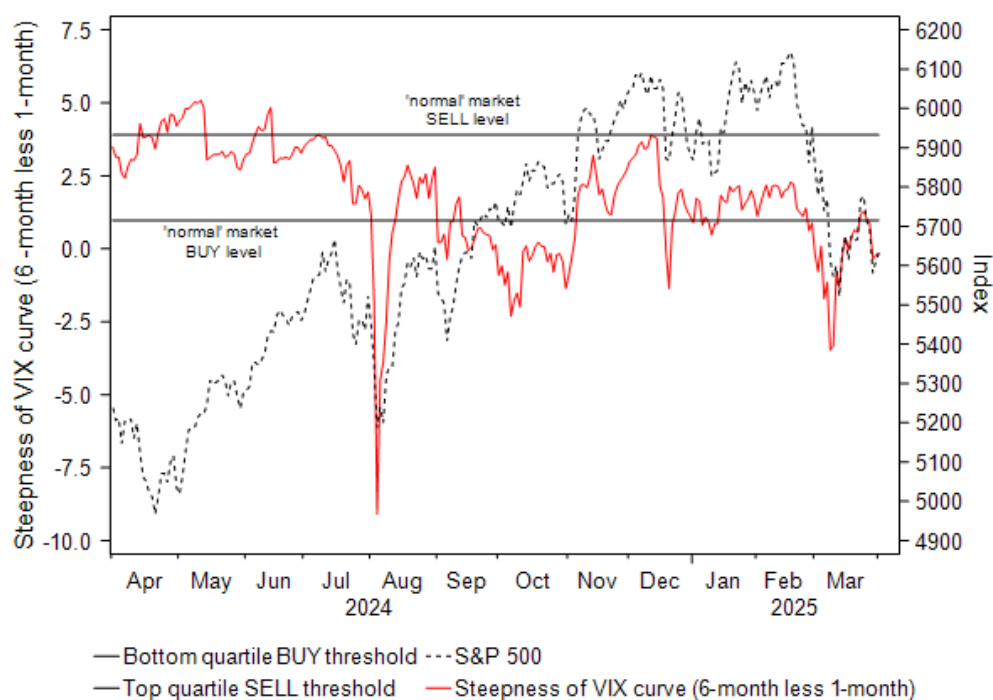
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

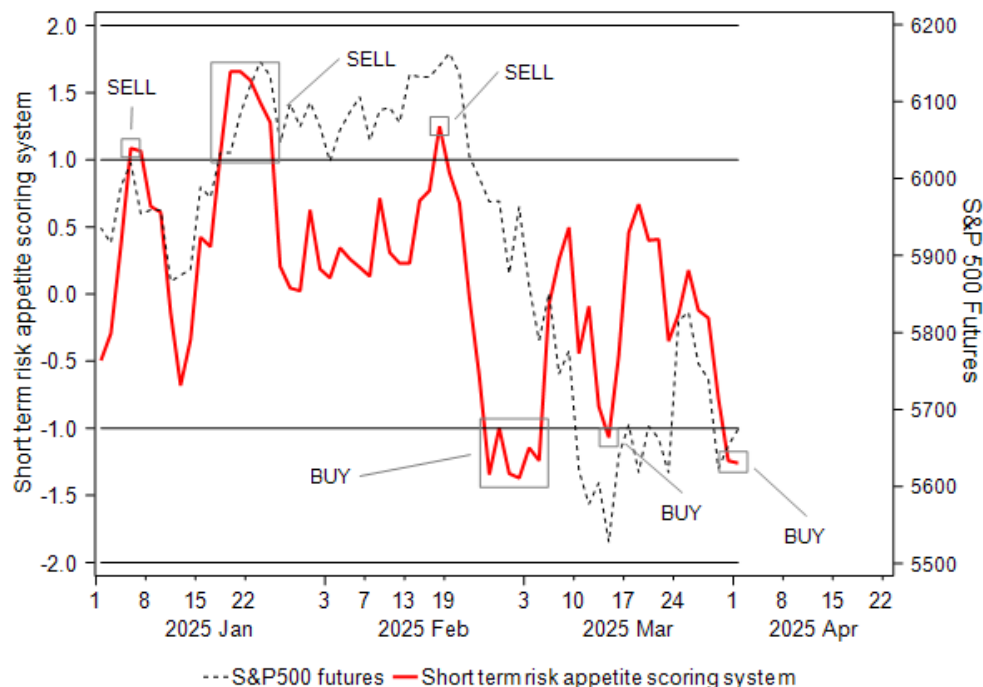
**FIG 2b:** Steepness of VIX curve (6 less 1 month futures) vs. S&P500



Source: Longview Economics, Macrobond

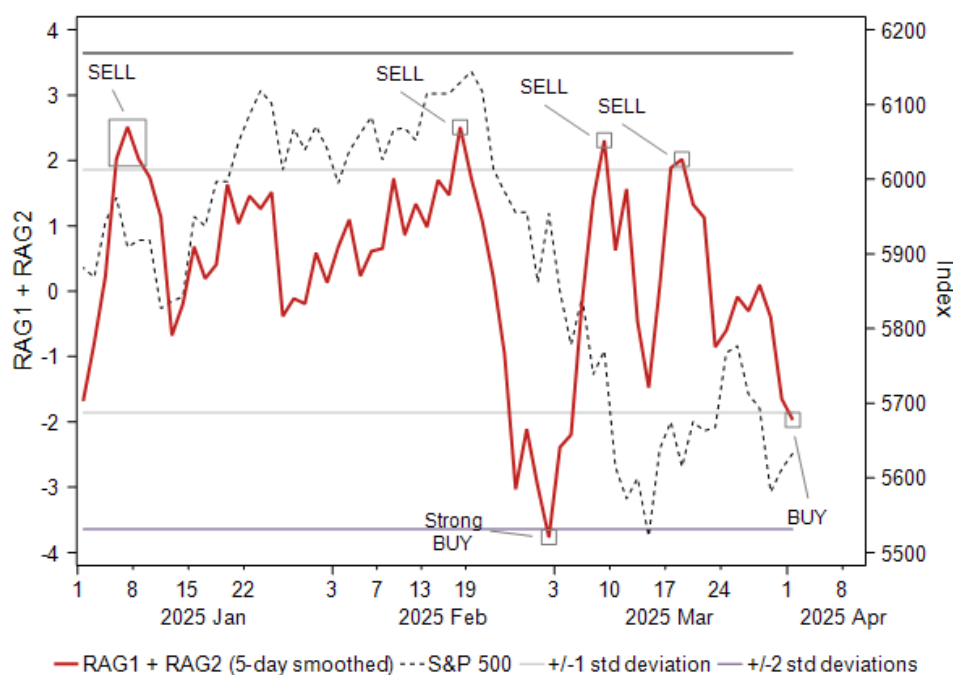
## Short term risk appetite models are on BUY...

**FIG 3:** Longview short term 'risk appetite' scoring system vs. S&P500



Source: Longview Economics, Macrobond

**FIG 3a:** Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500

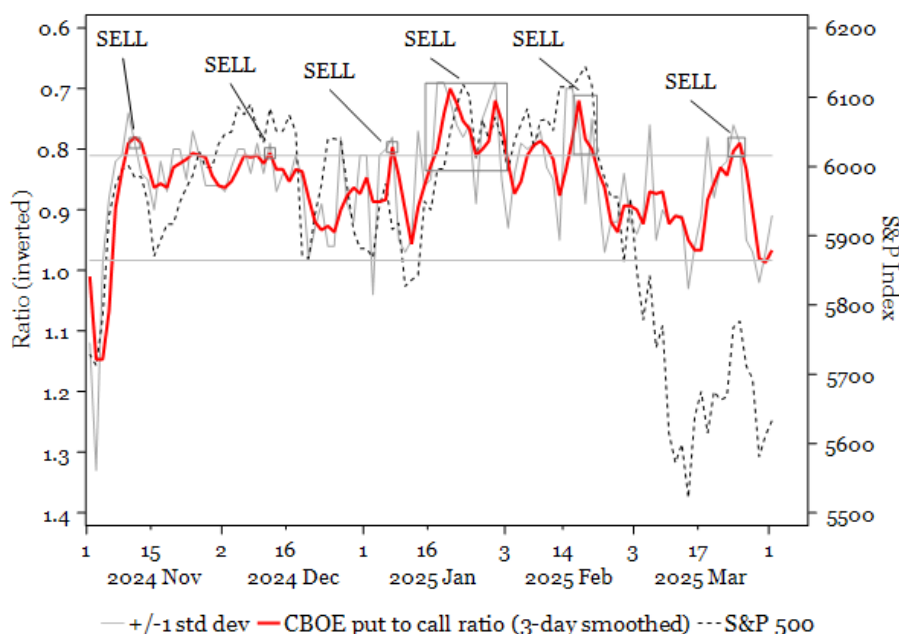


Source: Longview Economics, Macrobond



**Put to call ratio models are now on/close to BUY (although not on strong BUY)...**

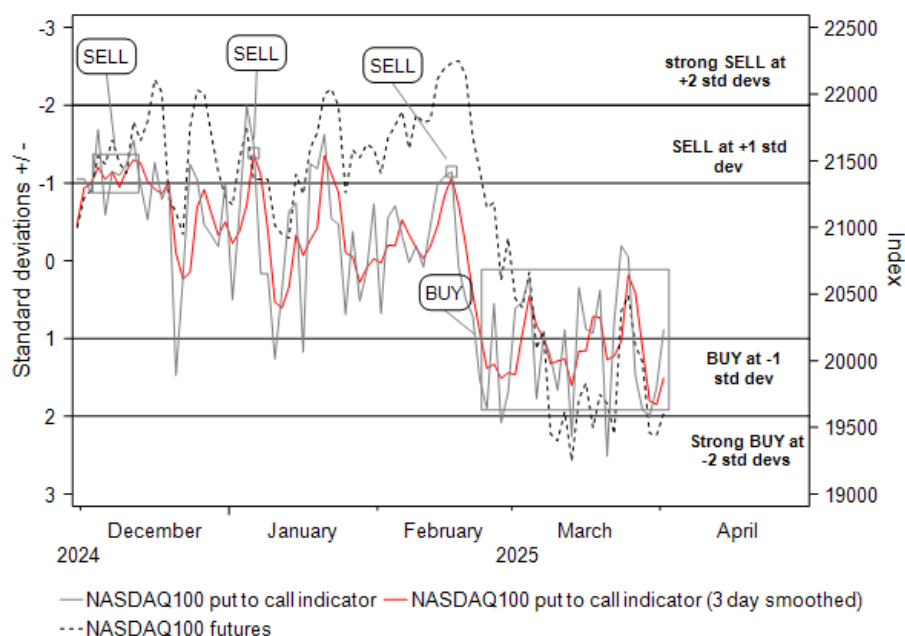
**FIG 3b:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

**The NDX100 put to call ratio indicator is on BUY....**

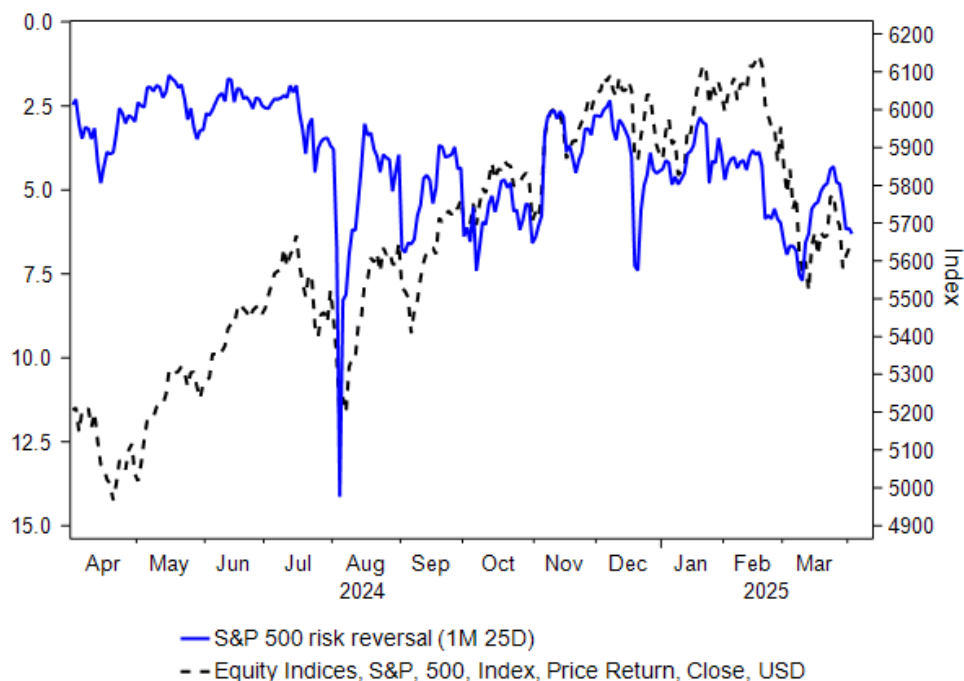
**FIG 3c:** NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

**The risk reversal model is now also on (weak) BUY...**

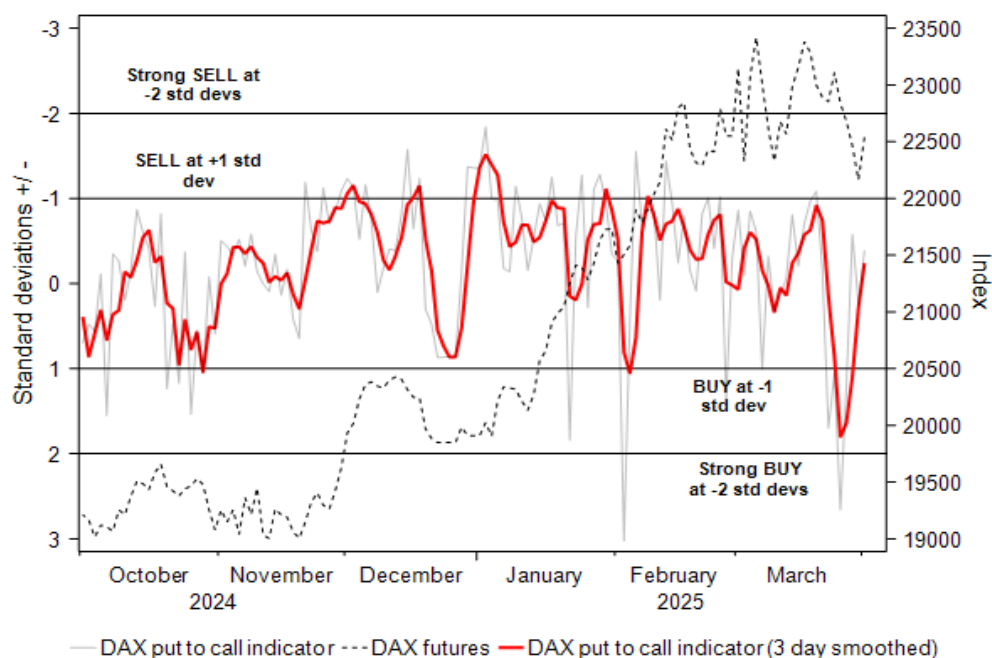
**FIG 3d:** S&P500 skewness\*\* (risk reversal, 1 month, 0.25 delta), NB scale INVERTED vs. S&P500



Source: Longview Economics, Macrobond

\*\*Which compares the 'strike vol' of calls and puts with the same delta.

**FIG 3e:** DAX40 calls less puts indicator (5 day smoothed) vs. DAX40 index

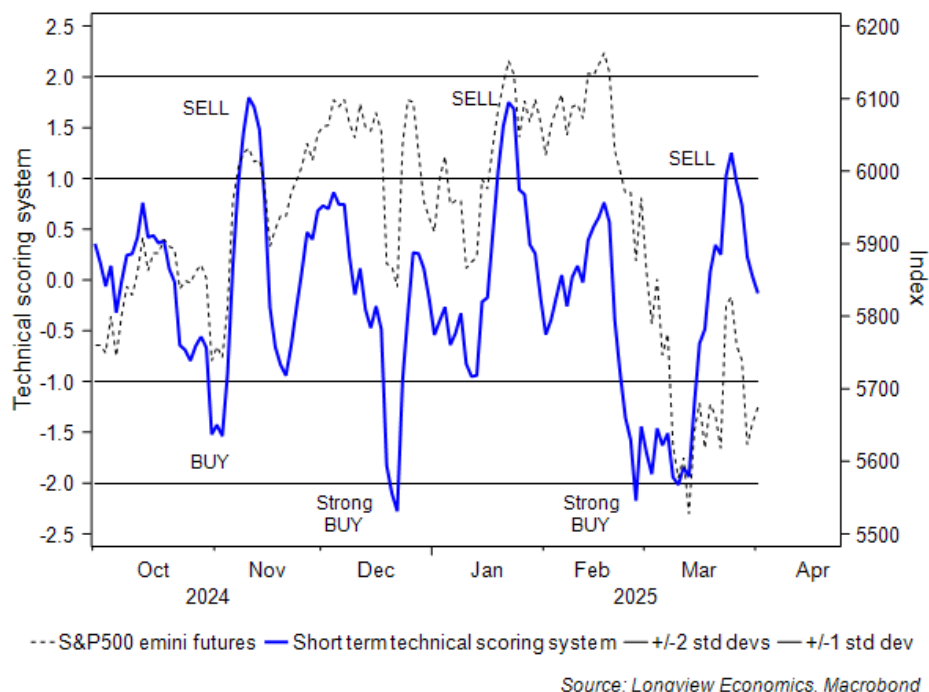


Source: Longview Economics, Macrobond

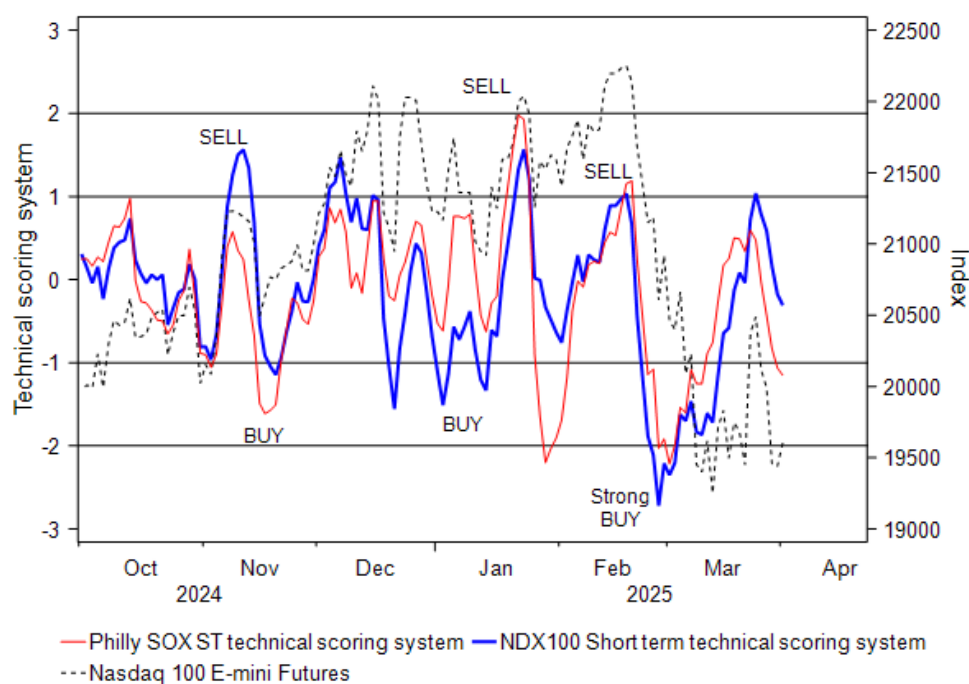


## Technical/price-based models (for indices) are mixed....

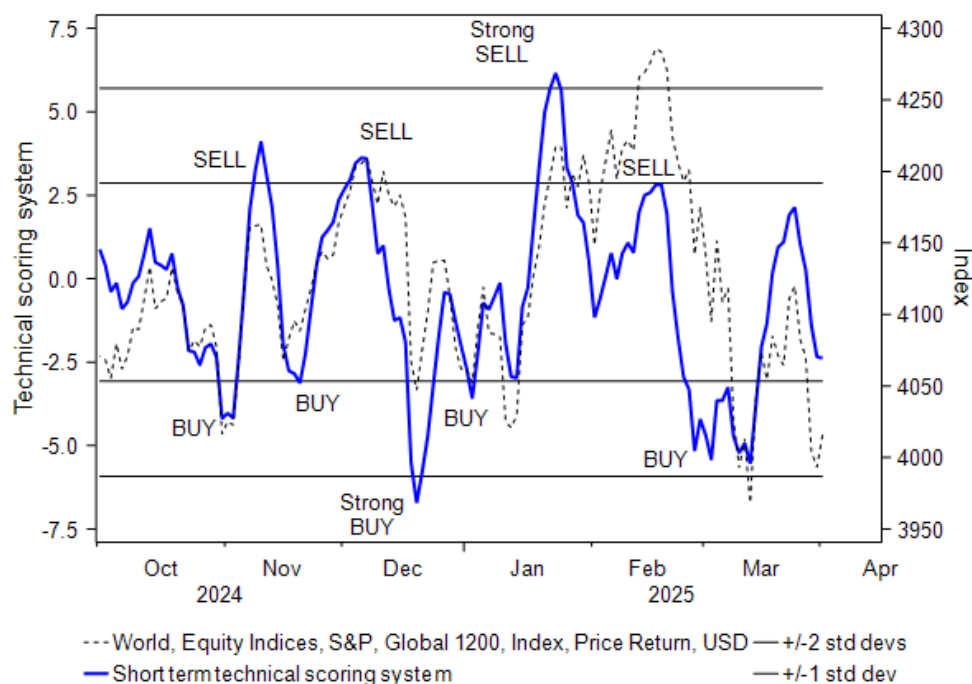
**FIG 4:** Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures



**FIG 4a:** Longview NDX100 & Philly SOX short term **‘technical’** scoring systems vs. NDX100 futures

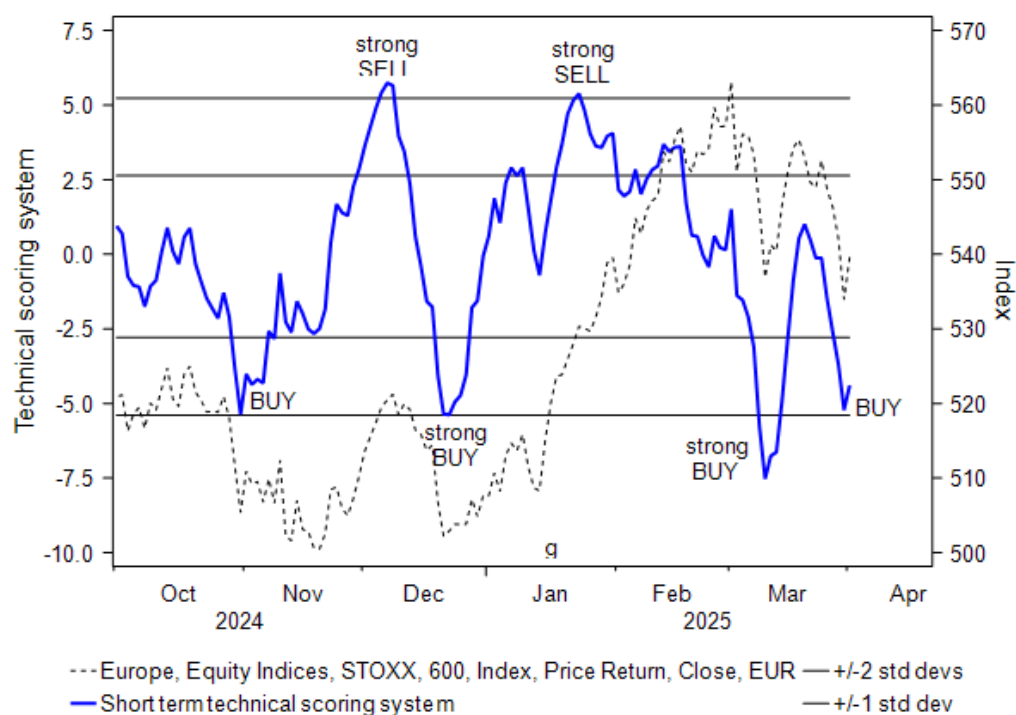


**FIG 4b:** Longview global short term **‘technical’** scoring system vs. global equity index



Source: Longview Economics, Macrobond

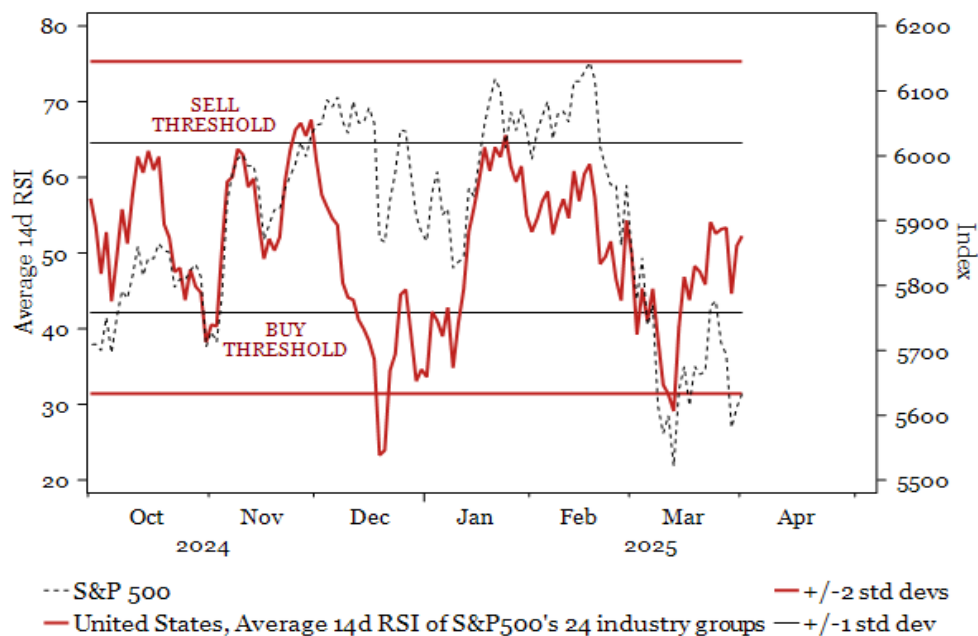
**FIG 4c:** Longview Dow Jones European STOXX 600 Index short term **‘technical’** scoring system vs. STOXX 600 index



Source: Longview Economics, Macrobond

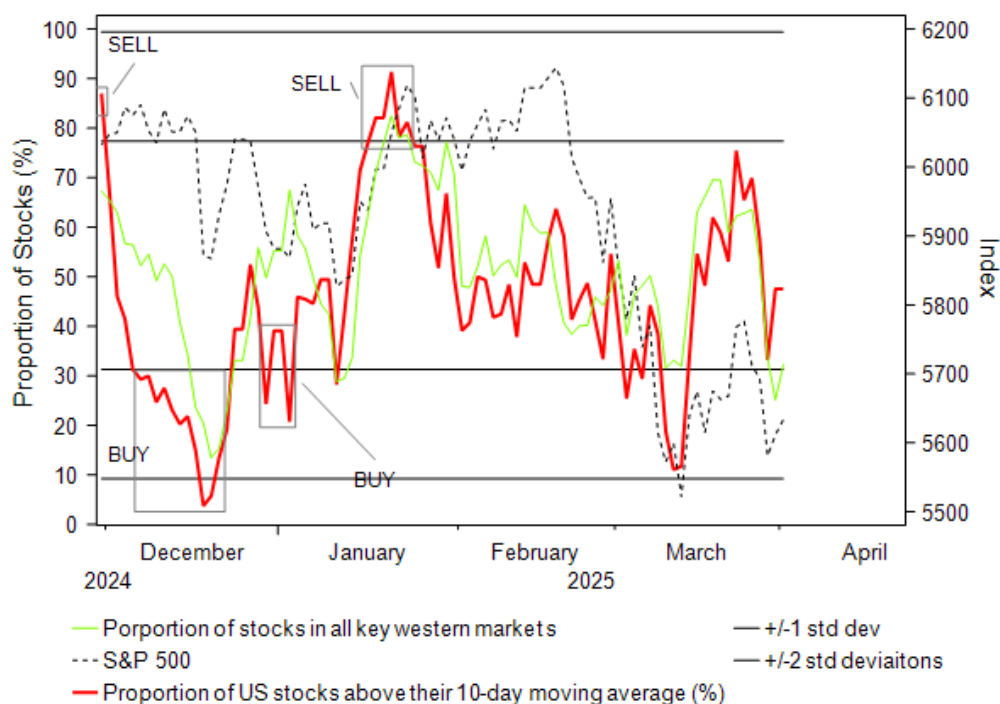
## Sector and single stock based technical models are mixed...

**FIG 4d:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

**FIG 4e:** Proportion of Western stocks above their 10-day moving average vs. S&P500



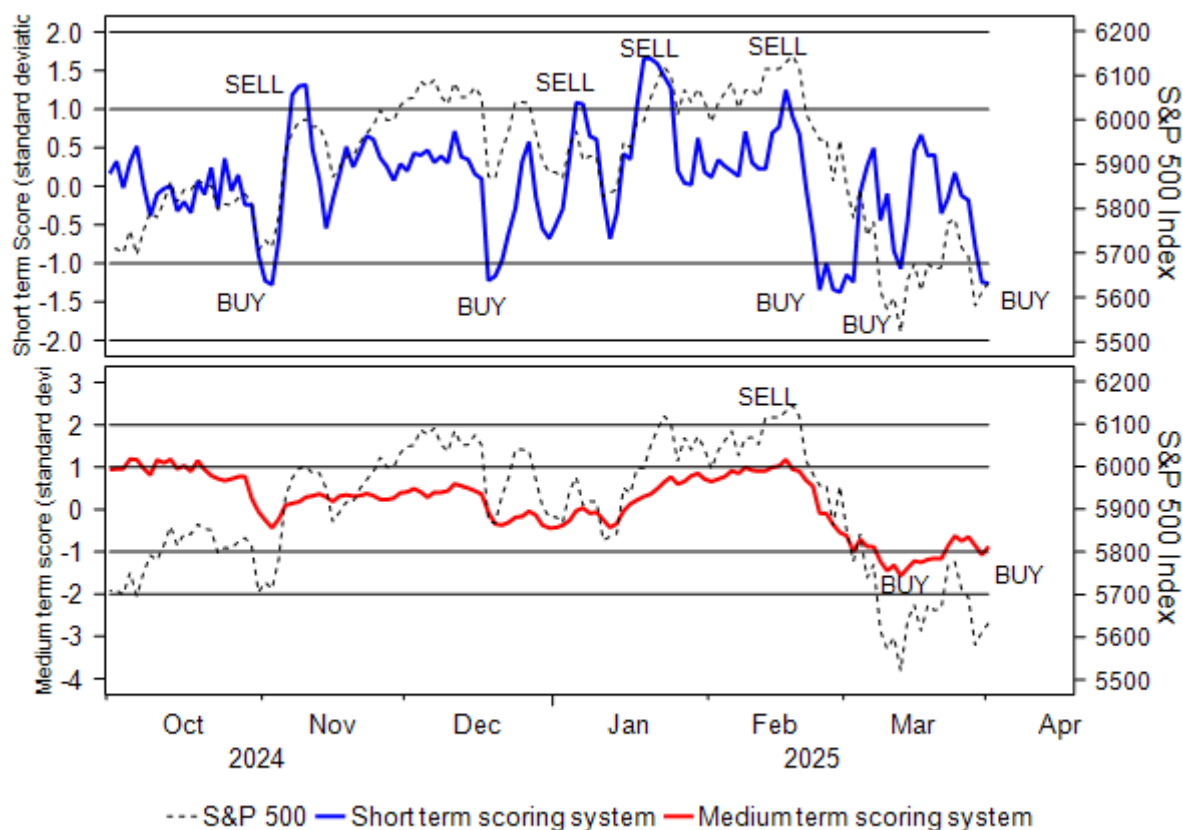
Source: Longview Economics, Macrobond

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

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

**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

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**Key data** today include: Japanese monetary base (Mar, 12:50am); Australian building approvals & private sector houses (Feb, 1:30am); Spanish unemployment rate (Mar, 8am); **US ADP employment change** (Mar, 1:15pm); US durable goods orders (February final estimate, 3pm); Australian S&P services sector PMI (March final estimate, 11pm).

**Key events** today include: Speeches by the RBA's Kent (12:25am) & Bullock (11pm); speeches by the ECB's Schnabel in Paris (11:30am), Escriva in Santiago de Compostela (1pm) & Holzmann in Bucharest (2pm); **Trump 'liberation day' tariff announcement** (9pm).

**Key earnings** today include: N/A

## 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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## 1 – 2 Week View on Risk

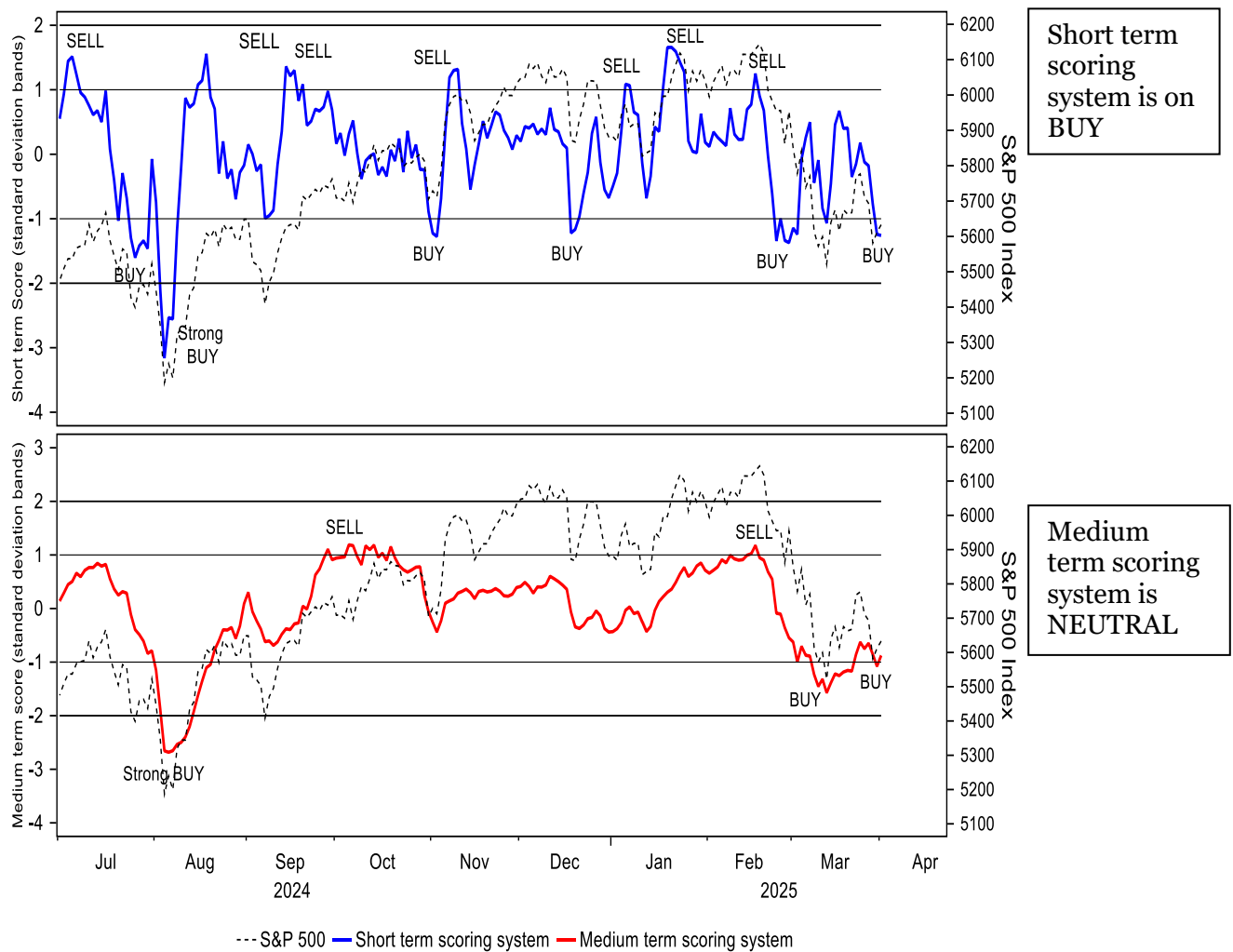
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2<sup>nd</sup> April 2025

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

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



Source: Longview Economics, Macrobond

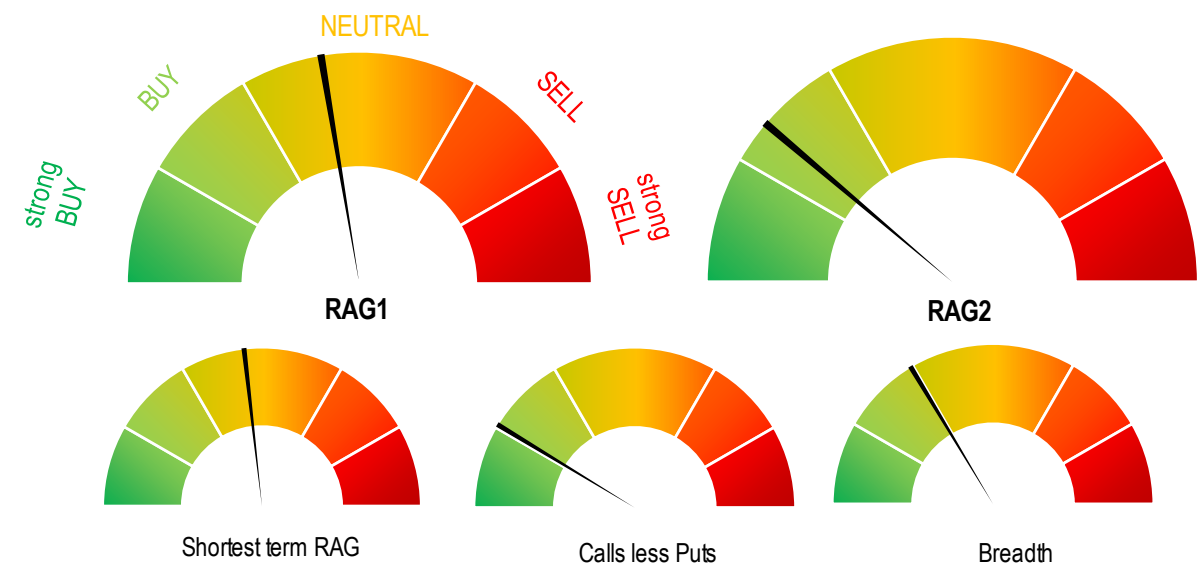
\*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

**Important disclosures are included at the end of this report  
For explanations of indicators please see page 10**



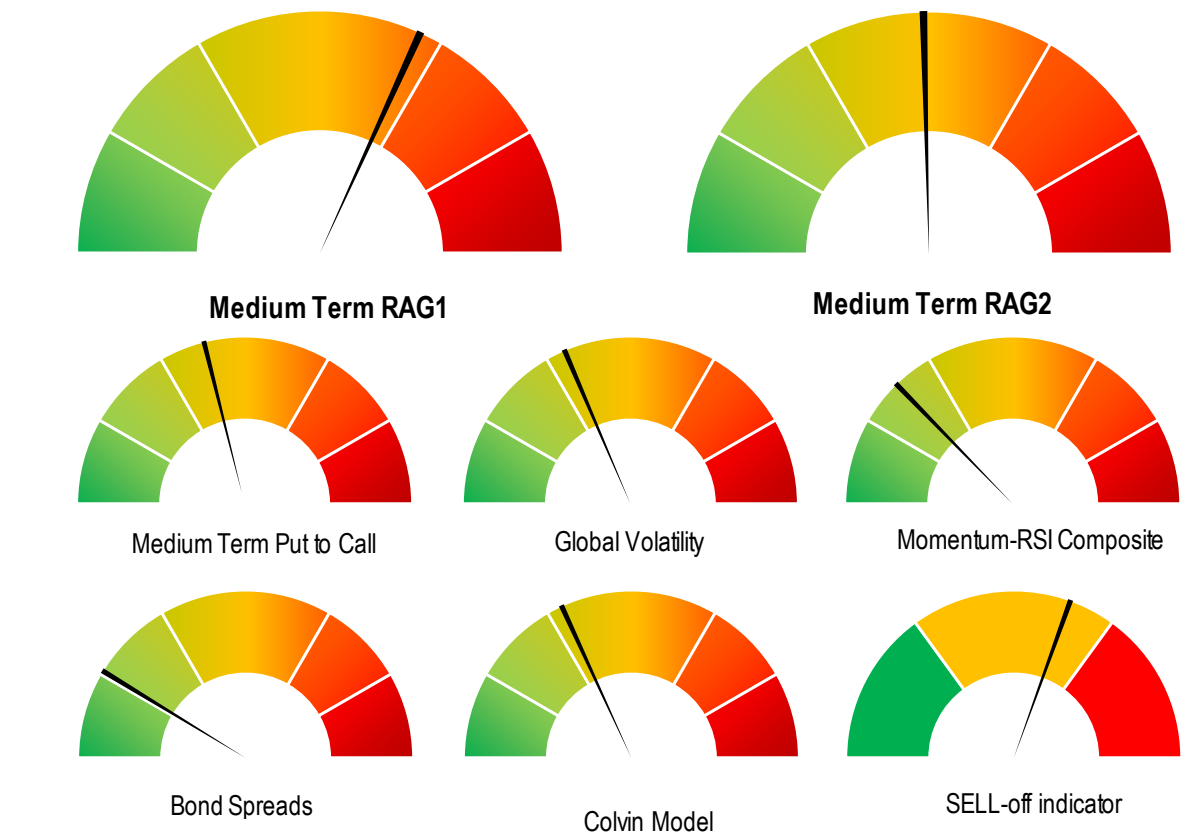
Section 1a: Summary of indicator signals\*\*

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

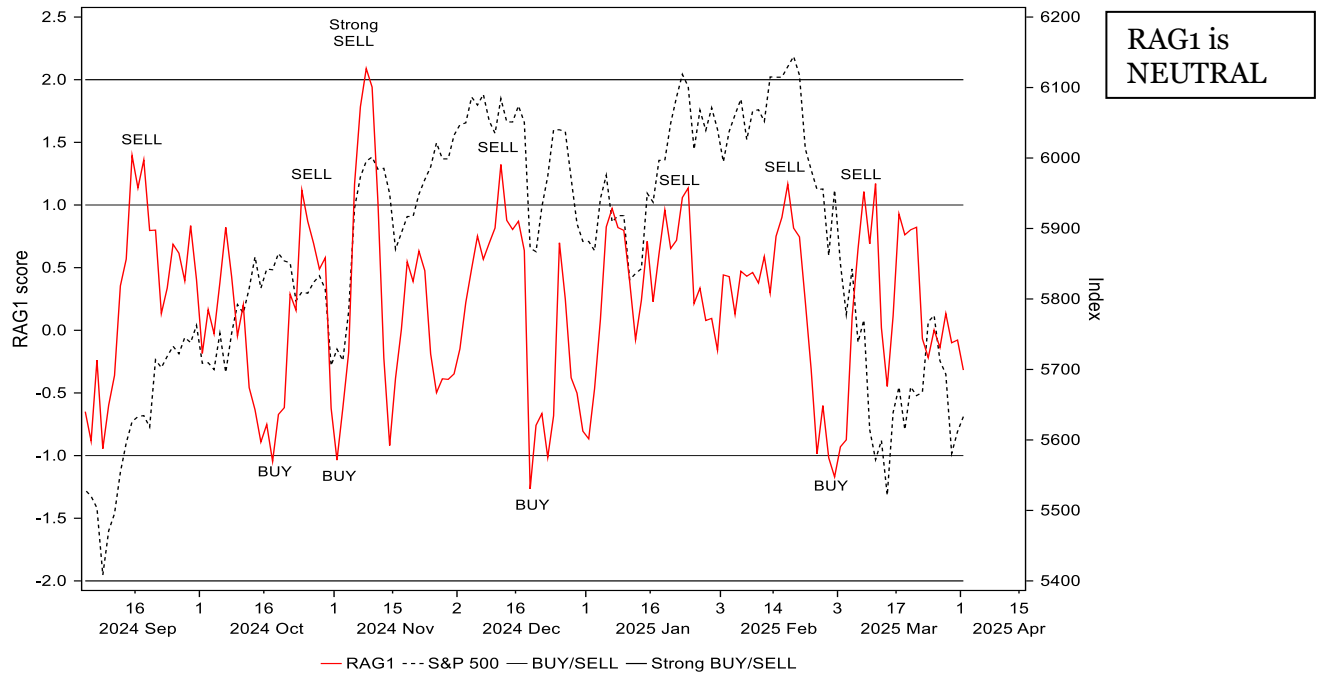


Source: Longview Economics

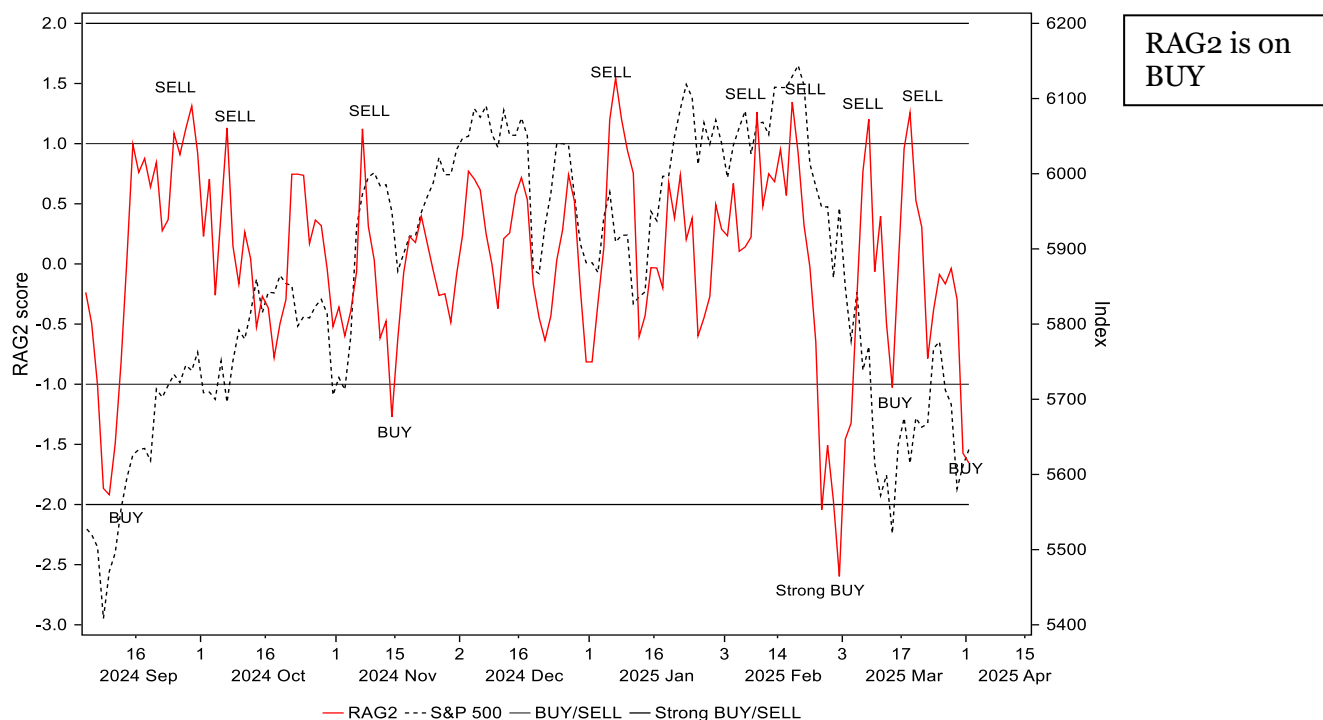
\*\*The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

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

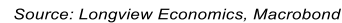
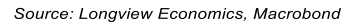
**Fig 2a: RAG 1 vs. S&P 500**



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

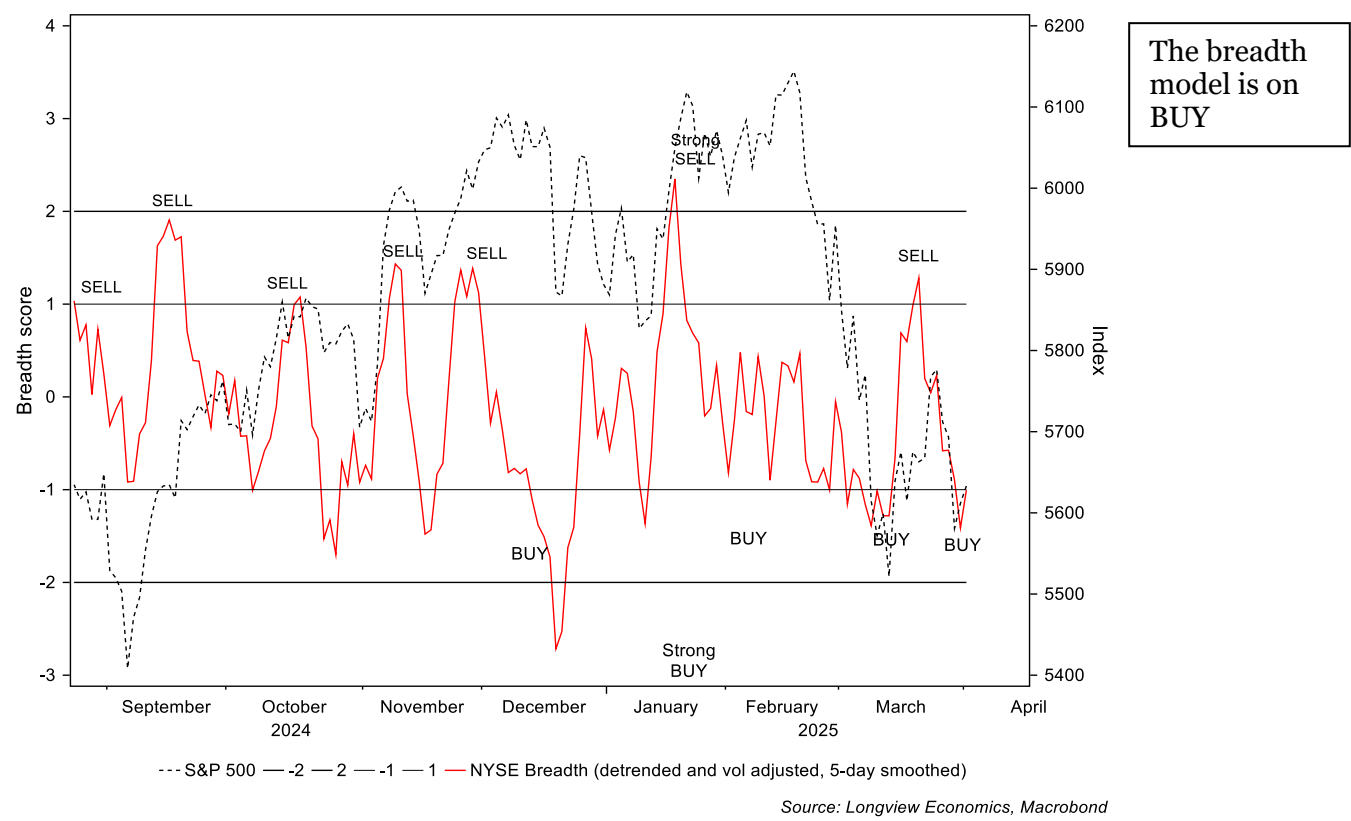


**For explanations of indicators please see page 10**



*For explanations of indicators please see page 10*

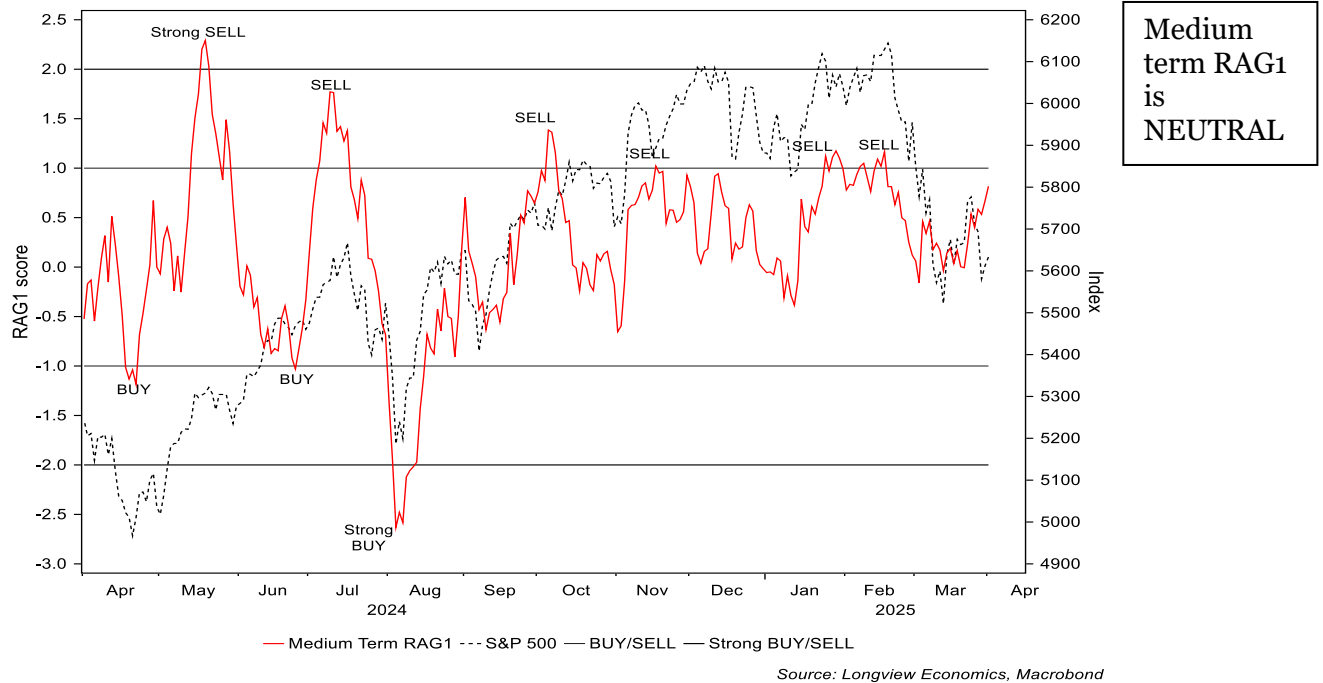
**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



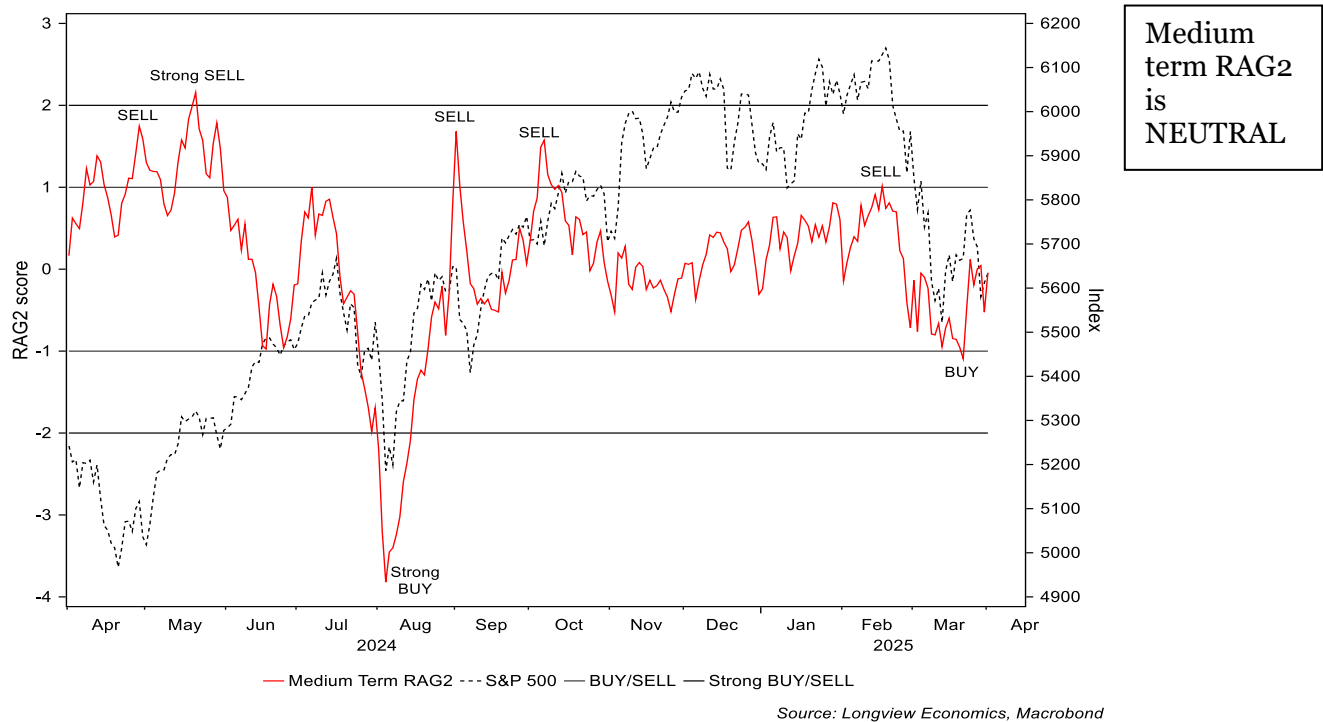
*For explanations of indicators please see page 10*

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

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

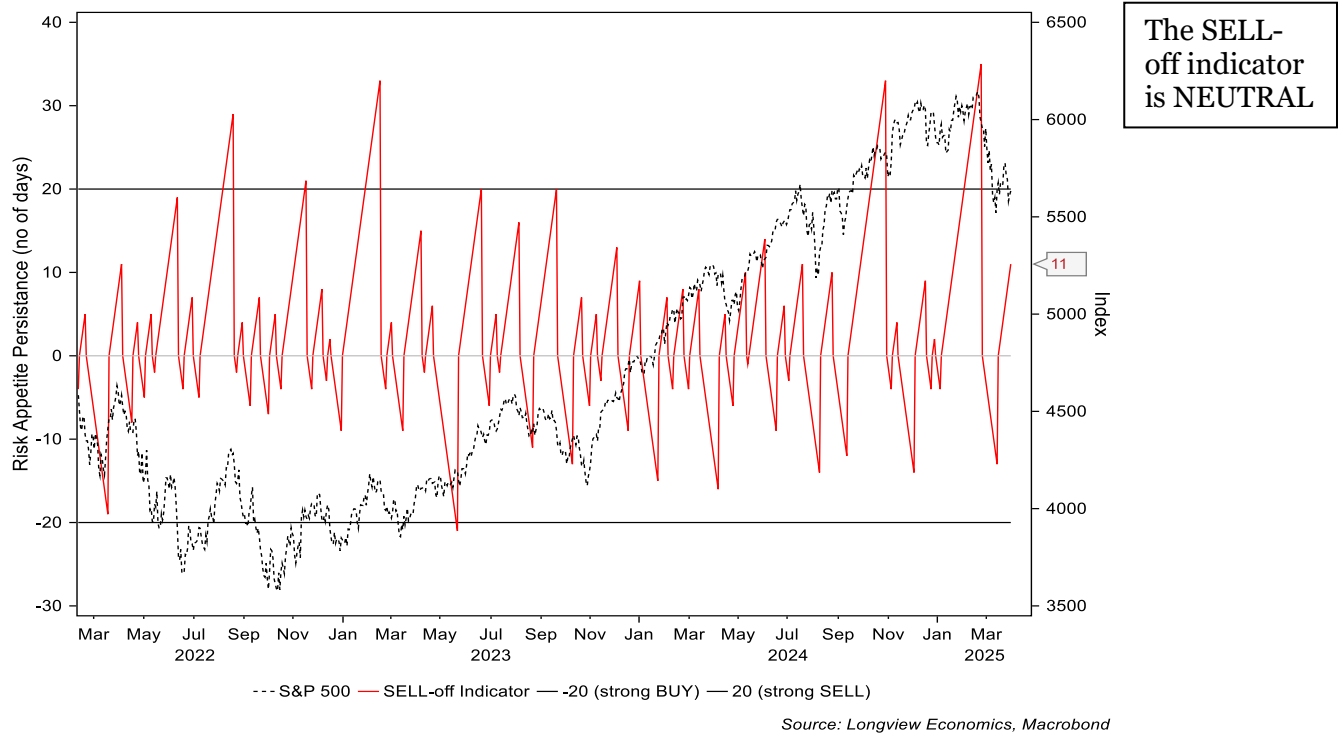


**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500

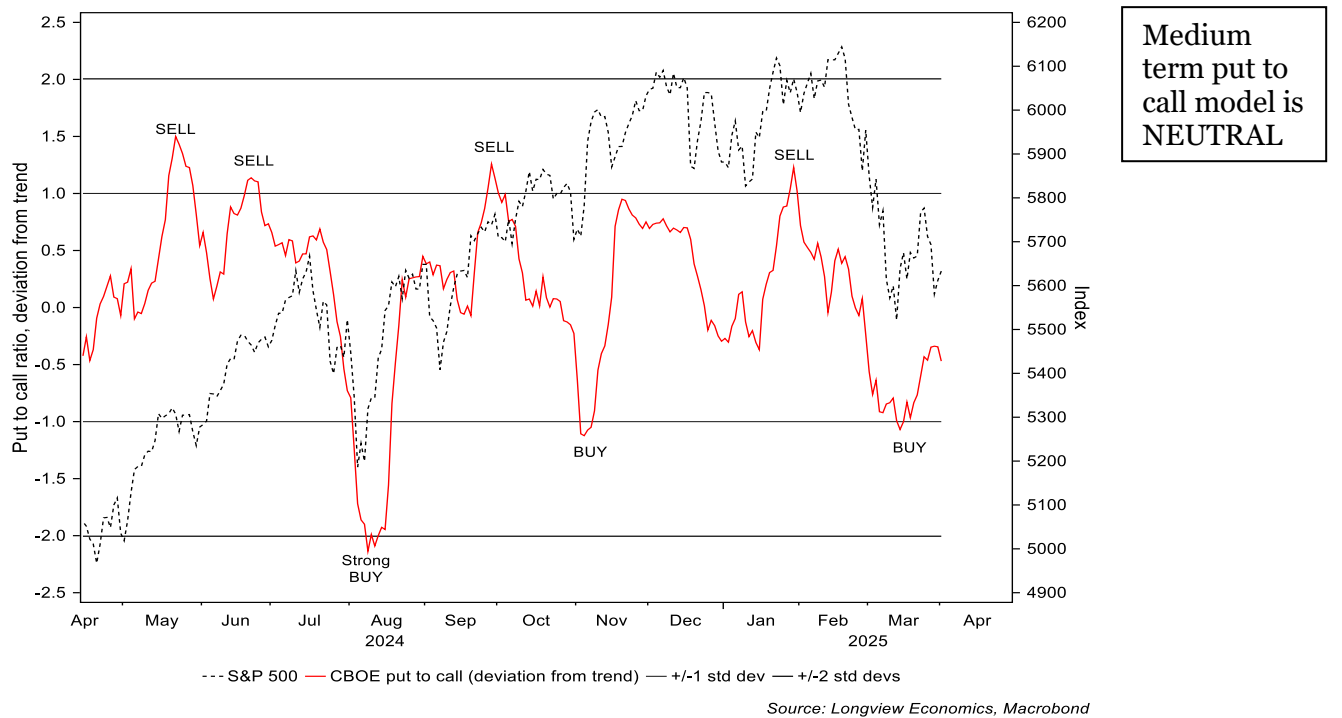


**For explanations of indicators please see page 10**

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



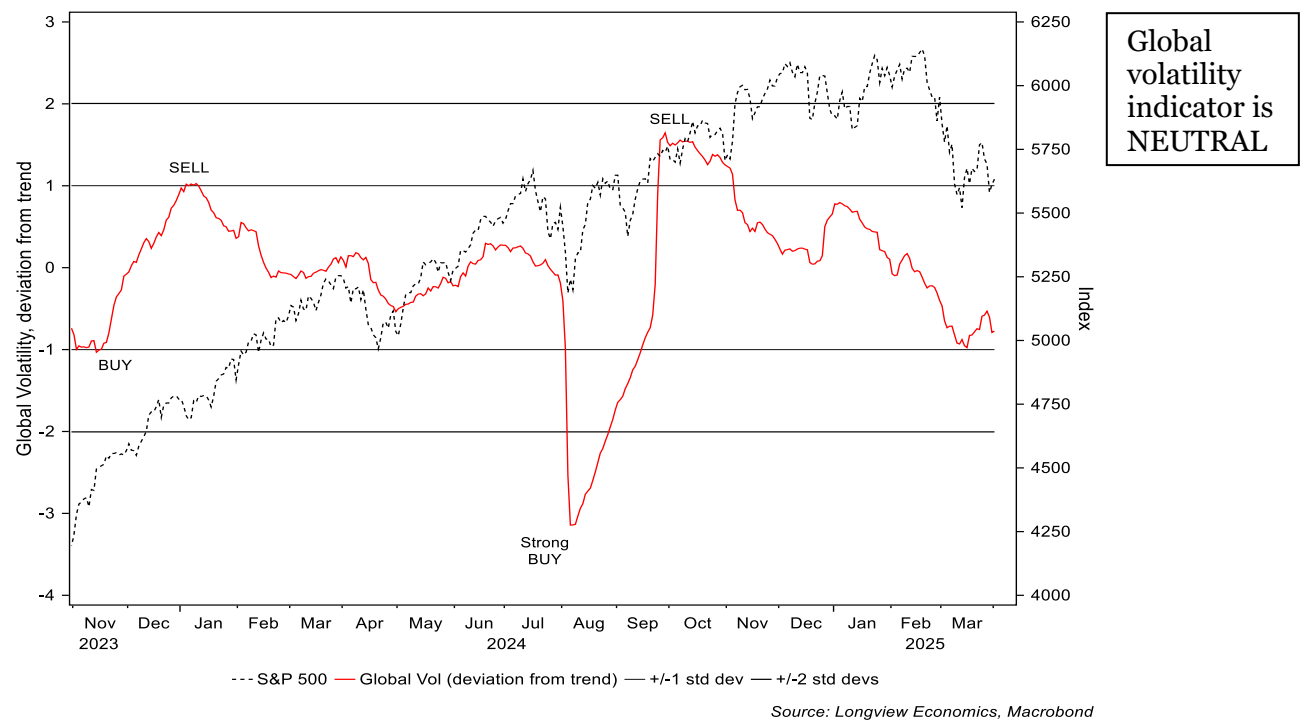
**Fig 3d: CBOE put to call trend deviation model vs. S&P500**



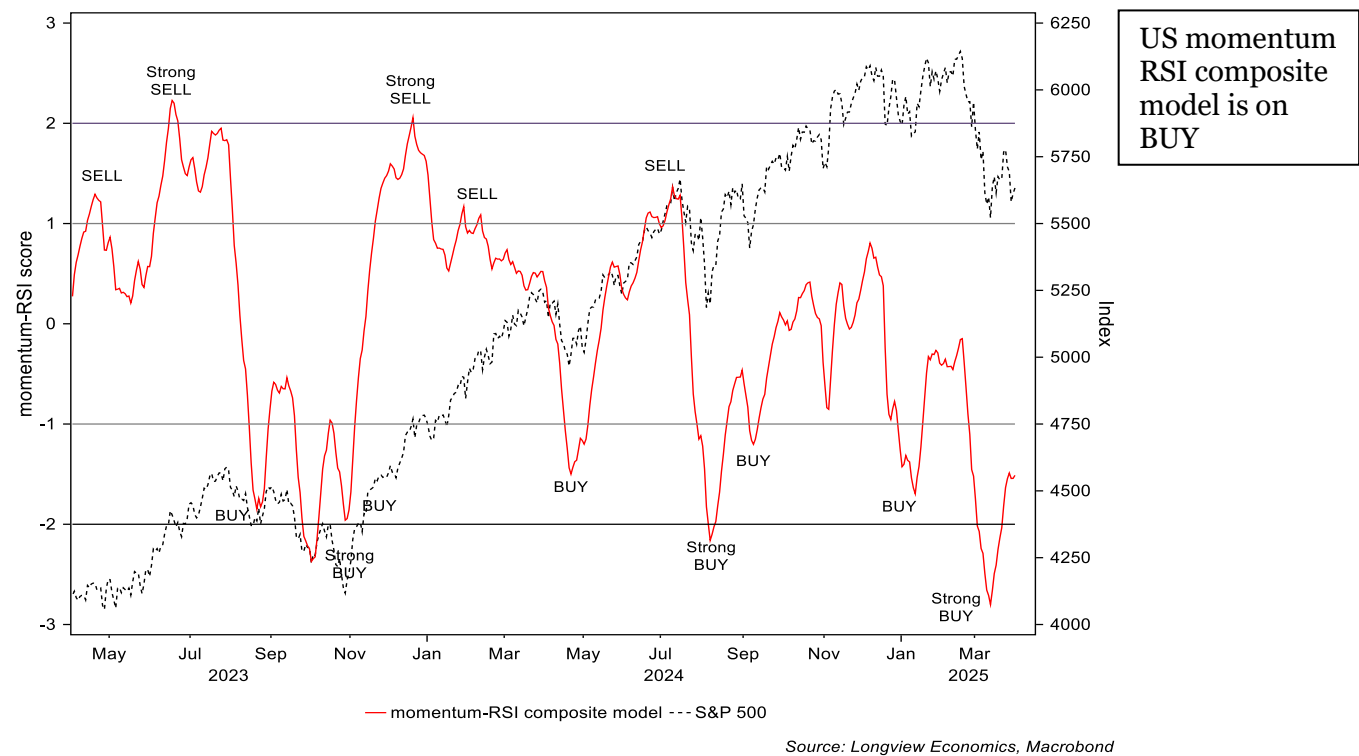
**For explanations of indicators please see page 10**



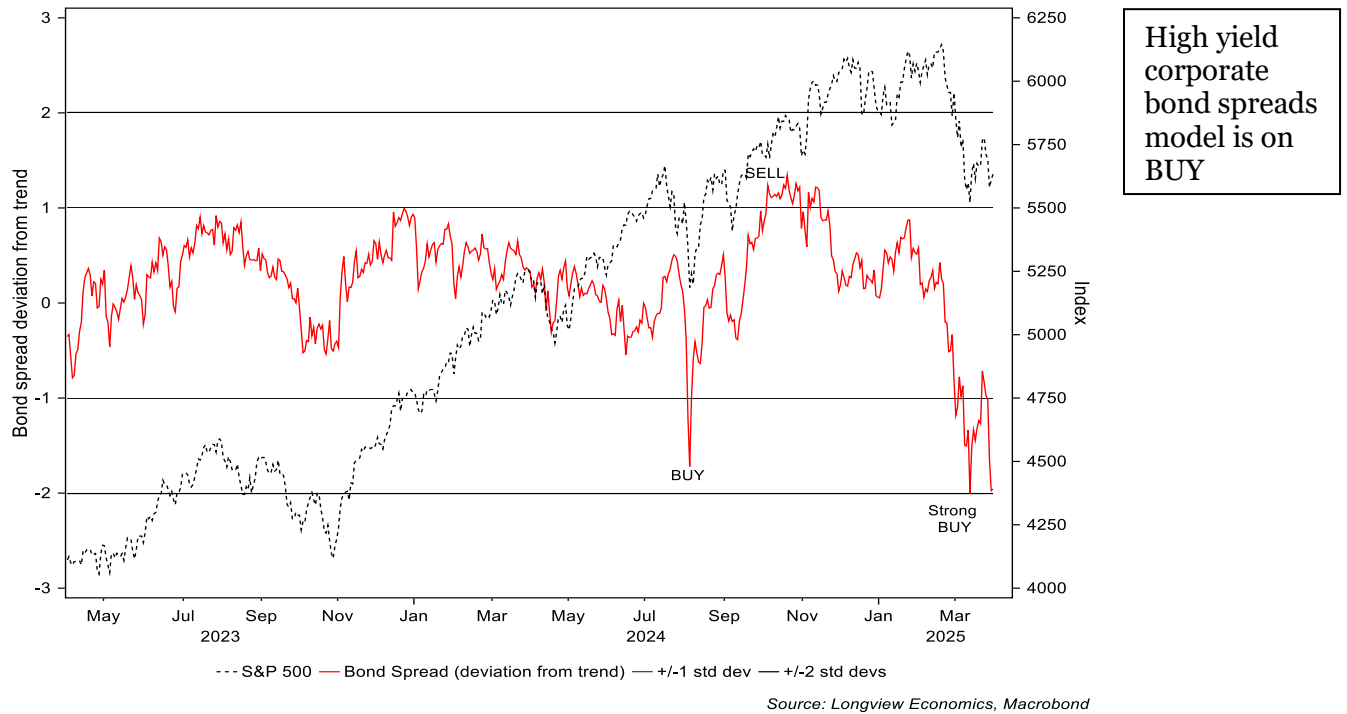
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



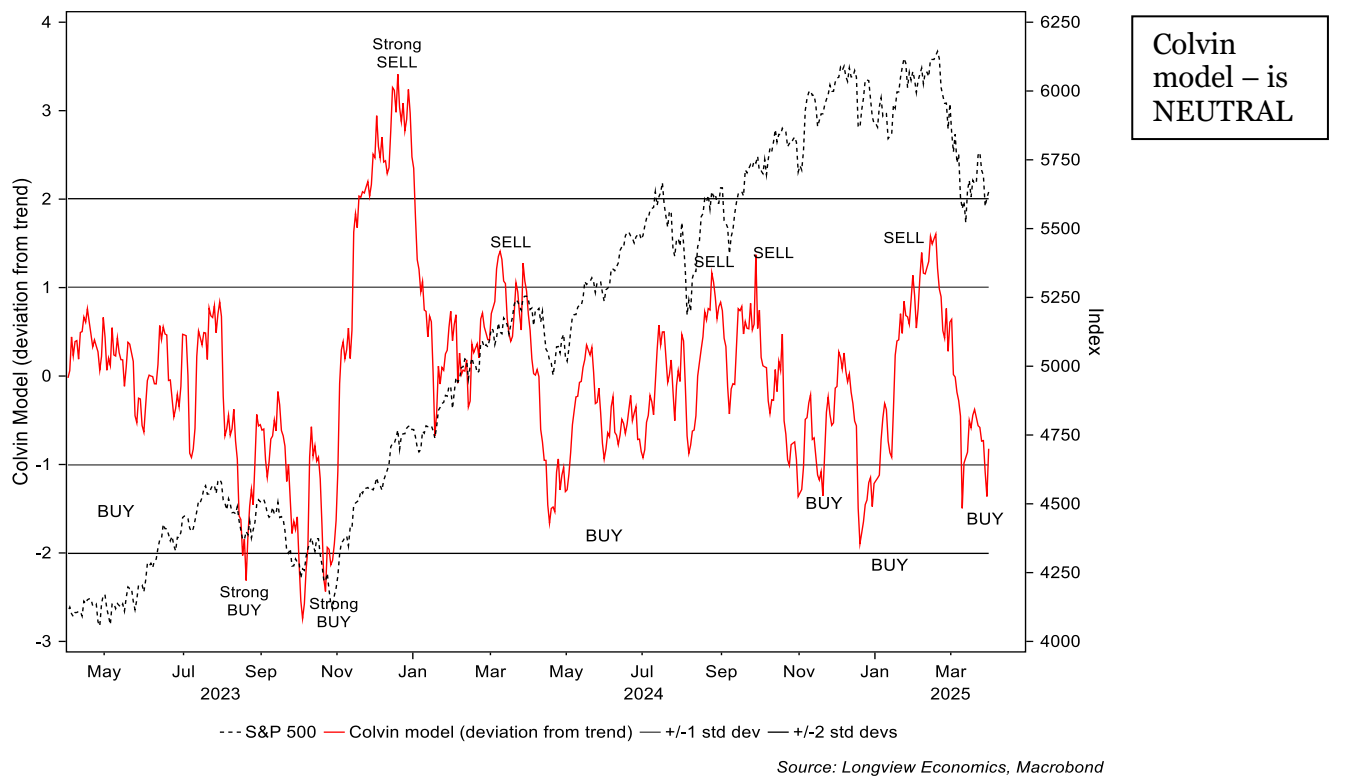
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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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