Equity Index Futures Trading Recommendations

2nd June 2025

"Most Key Assets Rangebound"

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

The key (price action) question in the equity market remains the same as laid out last week: Is the S&P500/global equity market consolidating its gains (i.e. since the April 7th lows through to the late May intraday highs – FIG 1); **OR** are equity markets about to roll over?

Indeed, that consolidation has been occurring for much of the second half of May, despite all the newsflow. Last week, of note, there was strong Nvidia earnings, the US court's tariffs ruling (which was then overruled the next day), as well as various macro data news. The market, though, remained broadly rangebound with its pop on Thursday quickly fading such that the S&P500 closed flat that day. In other words, the **sideways trend continued despite the newsflow.** Elsewhere the NDX100, DAX, broader European index, global equity index and the Aussie market, amongst others, have also all been trading sideways for the past (approx.) two weeks (e.g. see FIG 1a).

Other key assets are behaving similarly: US dollar futures, for example, have been rangebound since April (after marked weakness earlier this year – FIG 1b); Gold has been consolidating its gains since late April (arguably forming a pennant technical pattern – FIG 1c); whilst US, as well as Japanese, bond yields all continued to ease last week from their recent 20th/21st May yield highs (e.g. see US 10-year yields, FIG 1d). The VIX, meanwhile, is sitting on its 200-day moving average, with reduced volatility in the past fortnight (hence lower VVIX readings).

Models, meanwhile, despite that sideways price action haven't, on the whole, fully unwound their SELL signals (from 1H May). Short term models, for example, are now mostly mid-range (see FIGs 2 to 2f). The most notable exception is the short term put to call ratio (which is now close to SELL – FIG 2d). **Medium term models**, however, are mostly still on/close to SELL (reflecting the strong rally in risk from early April). The medium-term risk appetite scoring system, for example ('Fear and Greed' model, FIG A at bottom of email) is on SELL; the medium-term technical scoring system is also on SELL; while the medium-term CBOE put to call ratio, as well as the R2K equivalent model (FIG 1e), are on/close to SELL.

Overall, therefore, models are not giving a clear steer.

Certain sector models, though, are notable. Tech, having led the relief rally, is now overextended relative to the S&P500 financials sector (FIG 1g). Of note, it's normal for the initial relief rally (after a major pullback) to be led, in the first instance, by the sector which fell the most in the SELL-off (i.e. tech on this occasion, FIG 1f). That, however, provides no information with respect to which sectors will take up leadership after the initial bounce/relief rally. Interestingly in that context, NDX sentiment remains high (close to SELL, FIG 1h), although the market has recently been BUYing downside put protection in NDX stocks (FIG 1i).

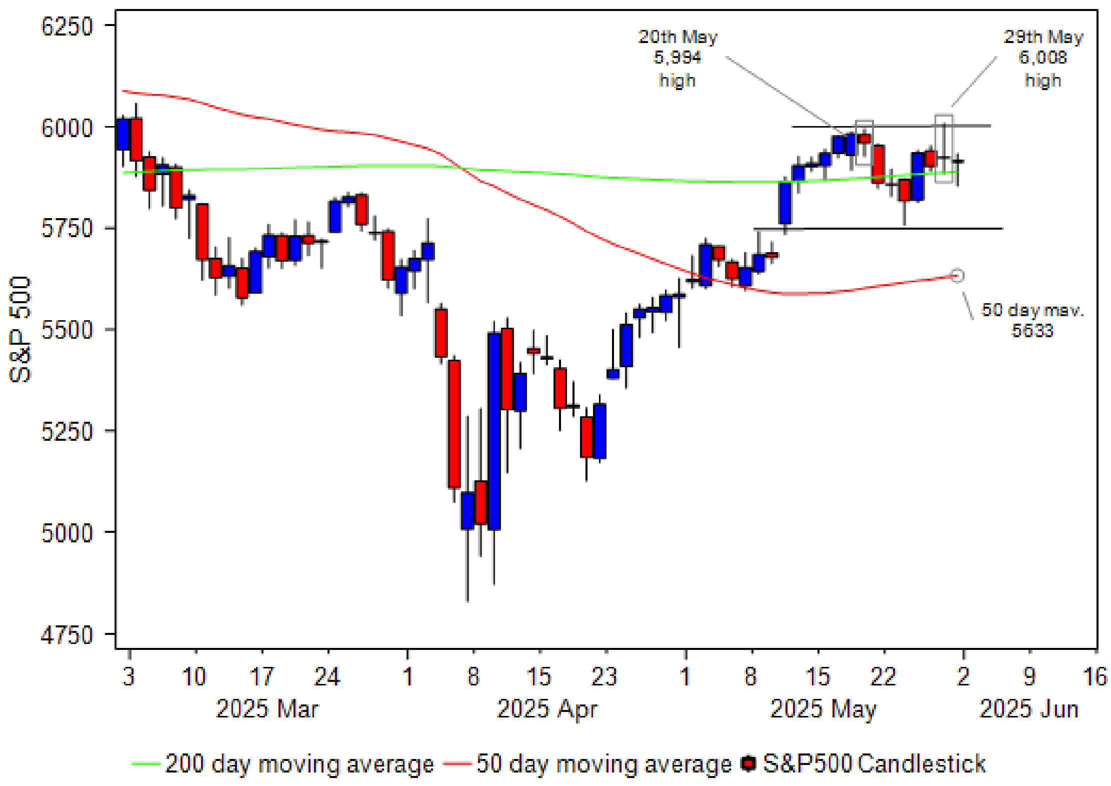
Having removed our SHORT S&P500 futures position last week, we **recommend WATCHing and WAITing (for now)**, until there is greater clarity (specifically a more consistent message across key inputs/models) before implementing our next trade recommendation. The evolution of price action relative to key models will also be key in that respect. For example, can model signals unwind further whilst markets remain rangebound? If so, that would be bullish. All eyes today on key macro data including PMIs and US ISM manufacturing (as well as escalation risks in Ukraine).

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

Kind regards,

The team @ Longview Economics

<u>**FIG 1:** S&P500 futures shown with 50 & 200 day moving averages</u>

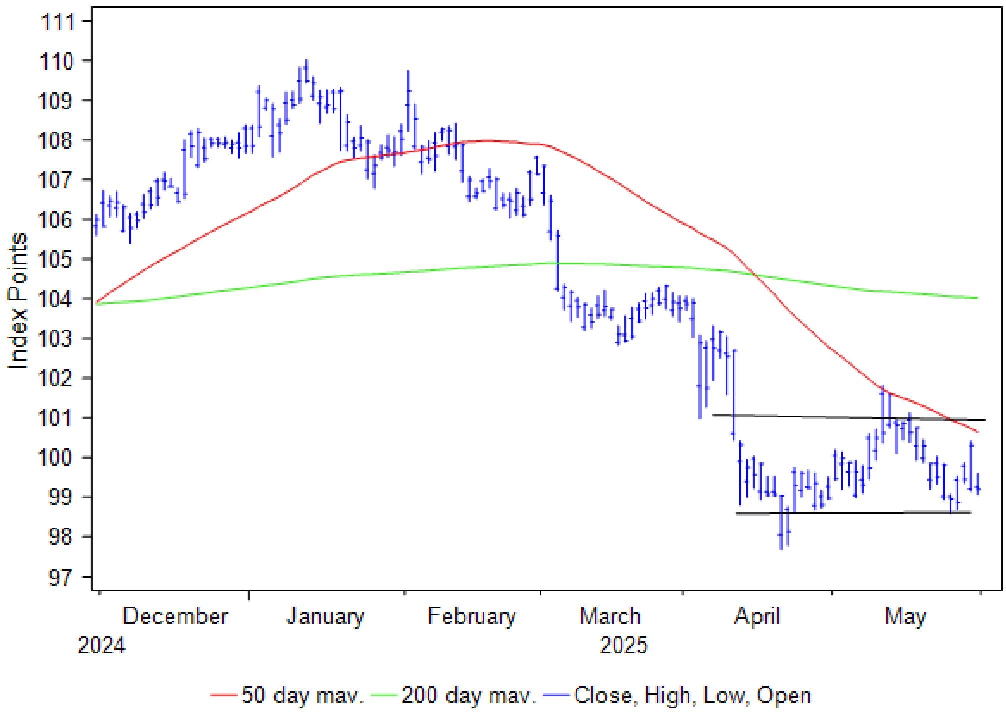


Source: Longview Economics, Macrobond

FIG 1a: DAX futures candlestick shown with its 50 & 200 day moving average

Source: Longview Economics, Macrobond

FIG 1b: US dollar futures shown with 50 & 200 day moving averages

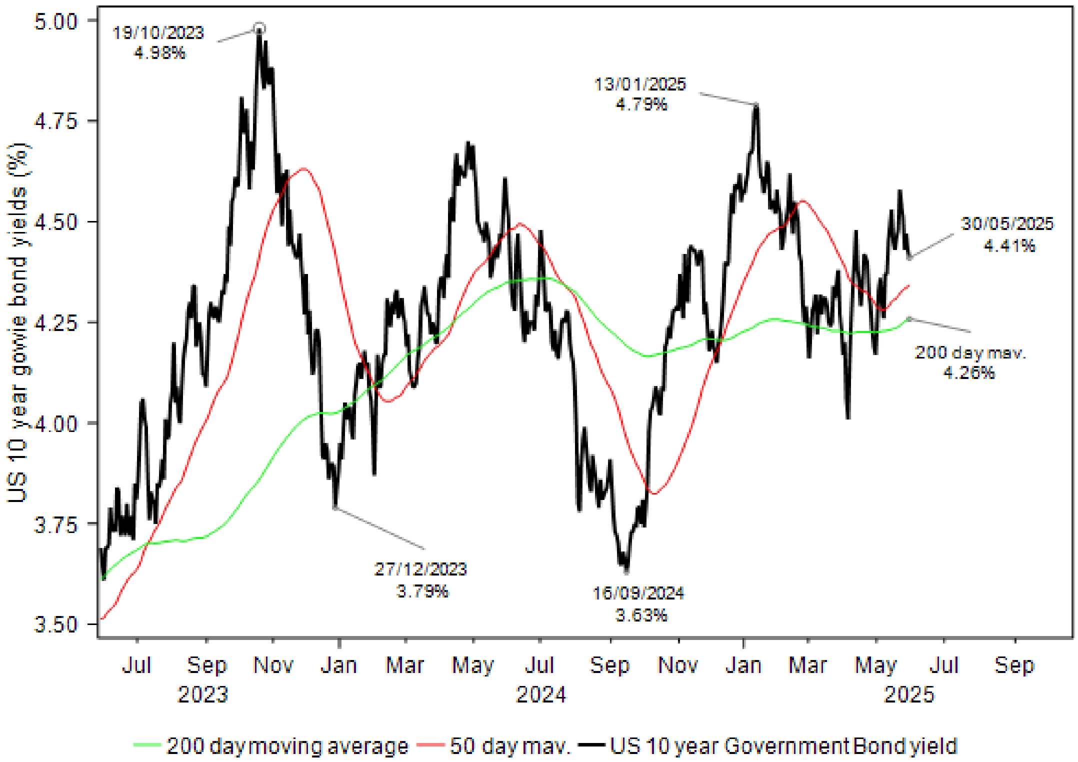


Source: Longview Economics, Macrobond

FIG 1c: GOLD futures candlestick shown with its 50 & 200 day moving averages

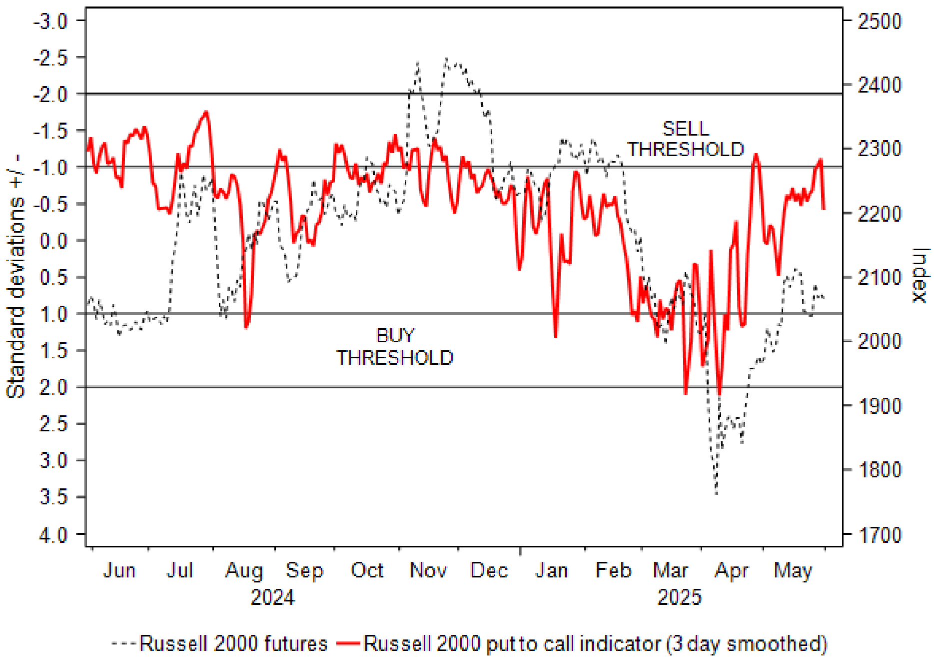
Source: Longview Economics, Macrobond

FIG 1d: US 10 year bond yields shown with key moving averages



Source: Longview Economics, Macrobond

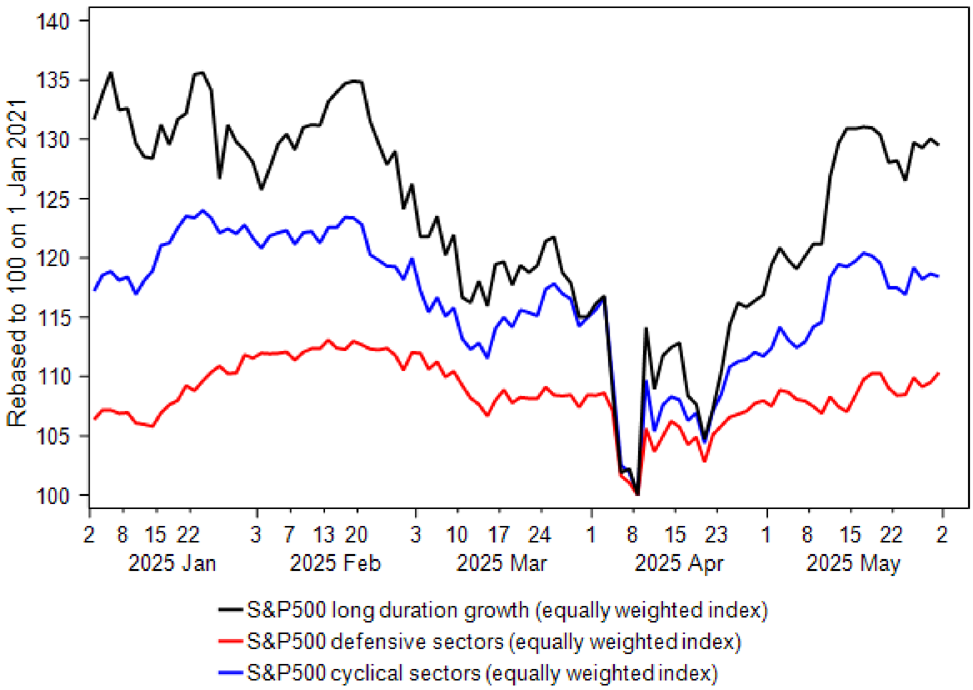
FIG 1e: Russell 2000 put to call indicator (1 & 3 day smoothed) vs. Russell 2000 futures



Source: Longview Economics, Macrobond

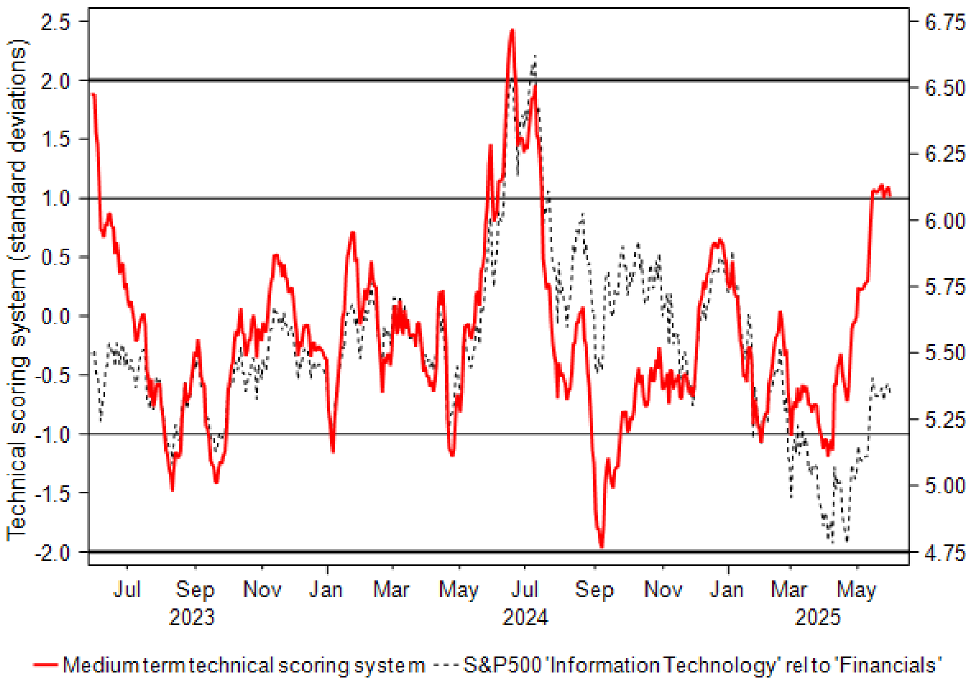
Sector models....

FIG 1f: S&P500 broken into cyclical, defensive and long duration growth/IT sectors



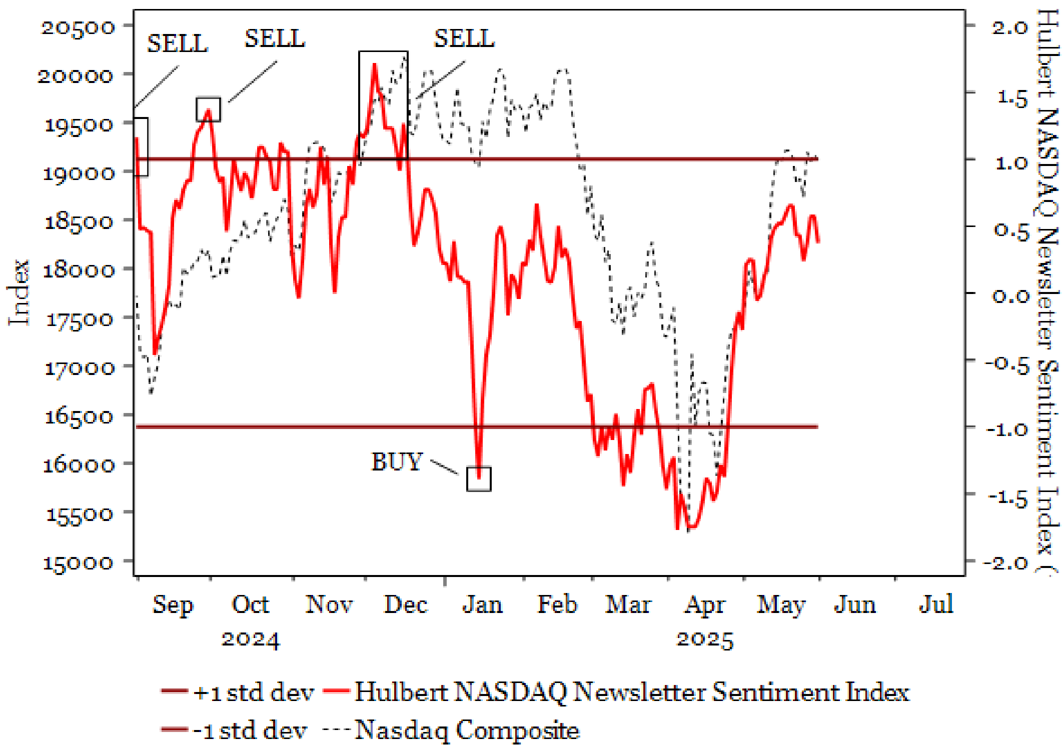
Source: Longview Economics, Macrobond

FIG 1g: Medium term technical scoring system for S&P500 **'tech sector relative to financials'** vs. relative performance



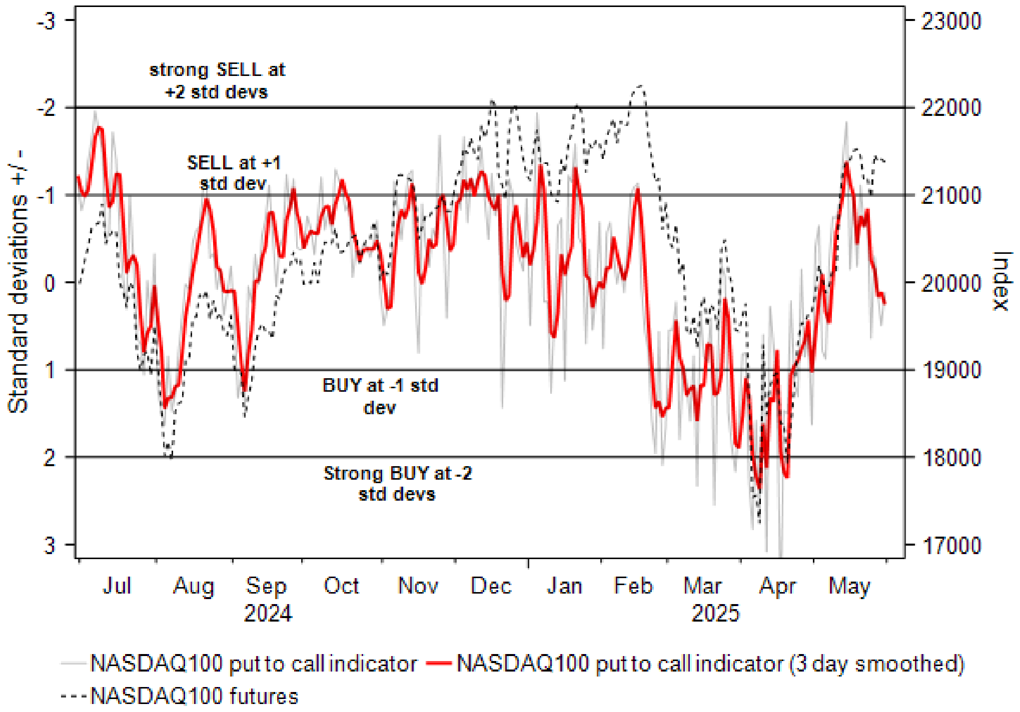
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

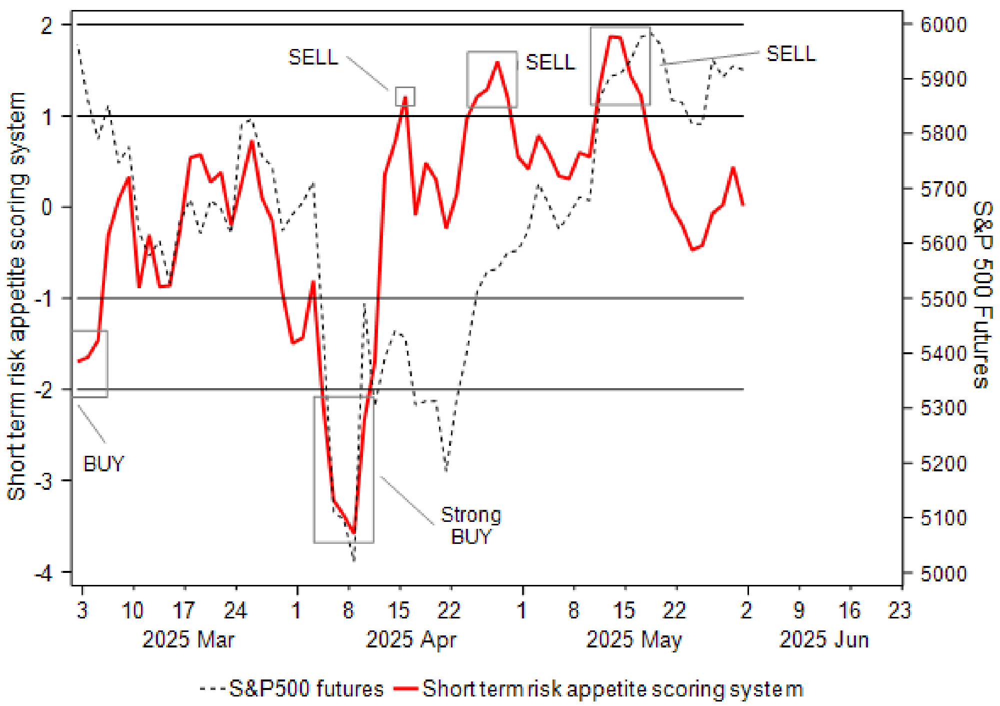
FIG 1i: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

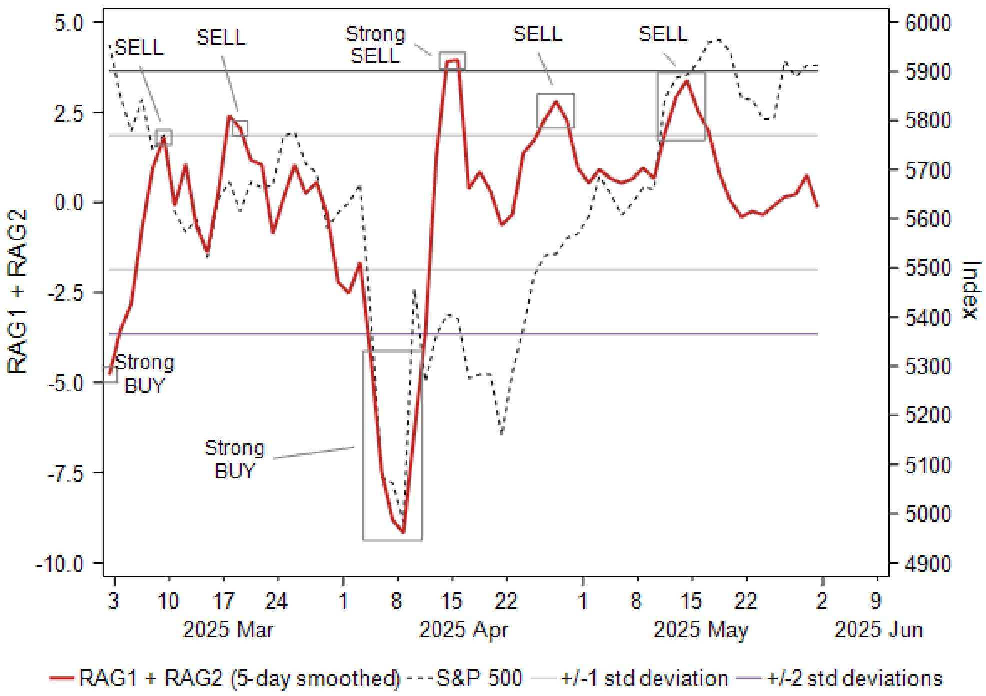
Short term models are mostly mid-range/NEUTRAL...

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



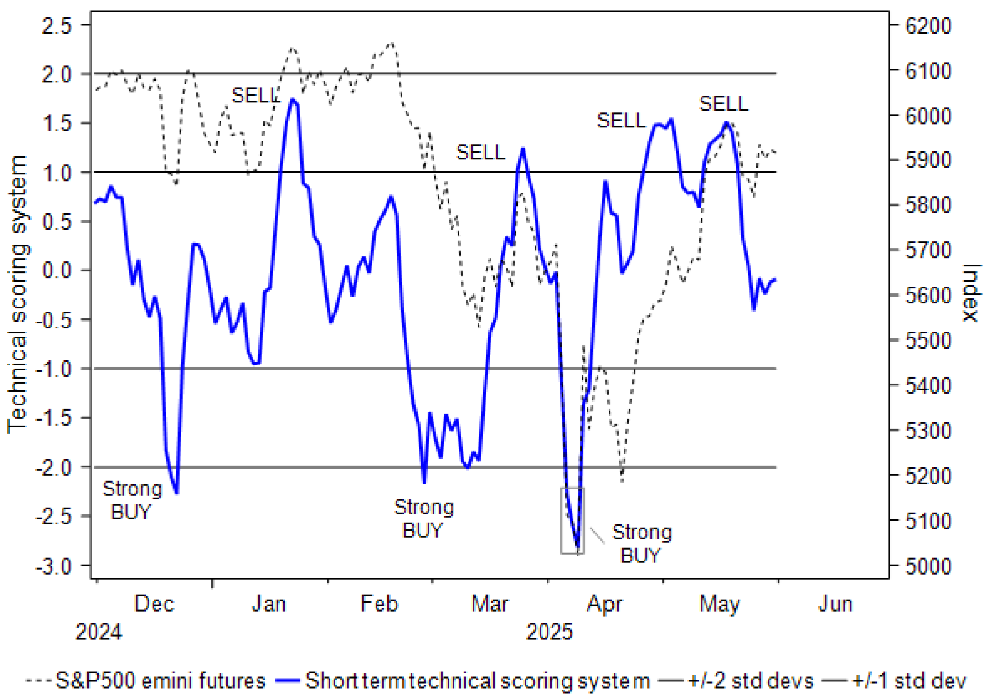
Source: Longview Economics, Macrobond

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



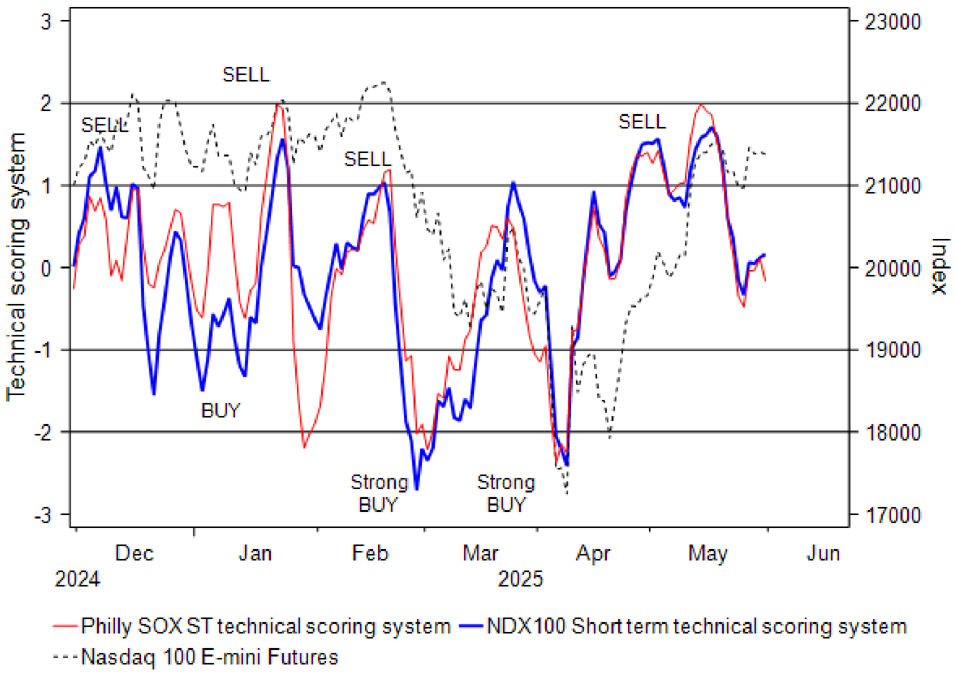
Source: Longview Economics, Macrobond

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



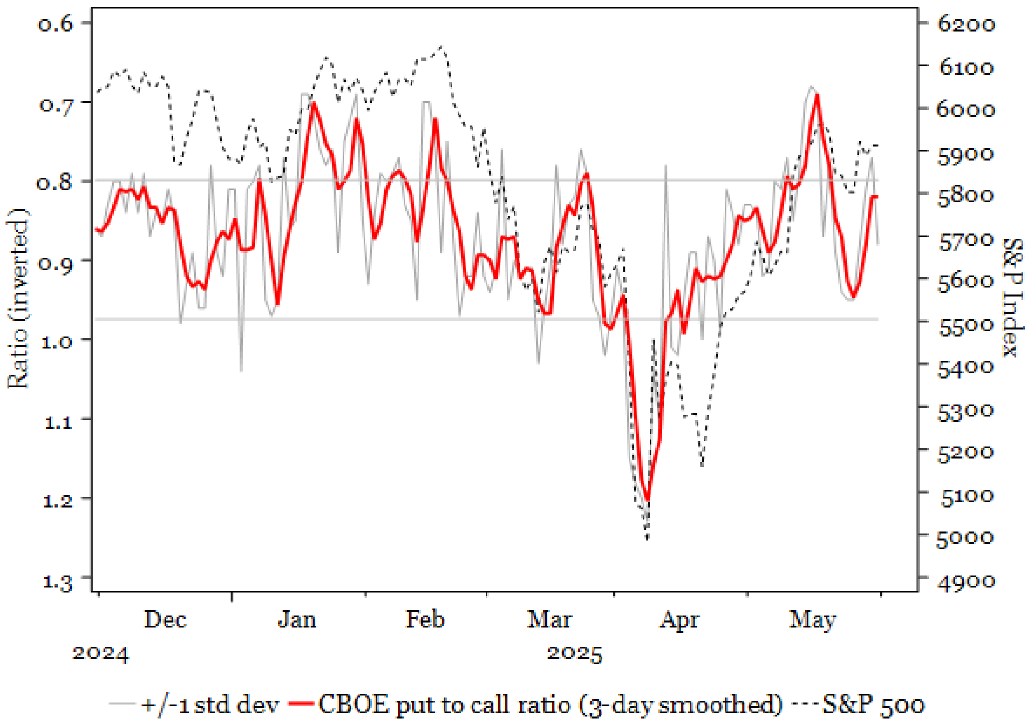
Source: Longview Economics, Macrobond

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



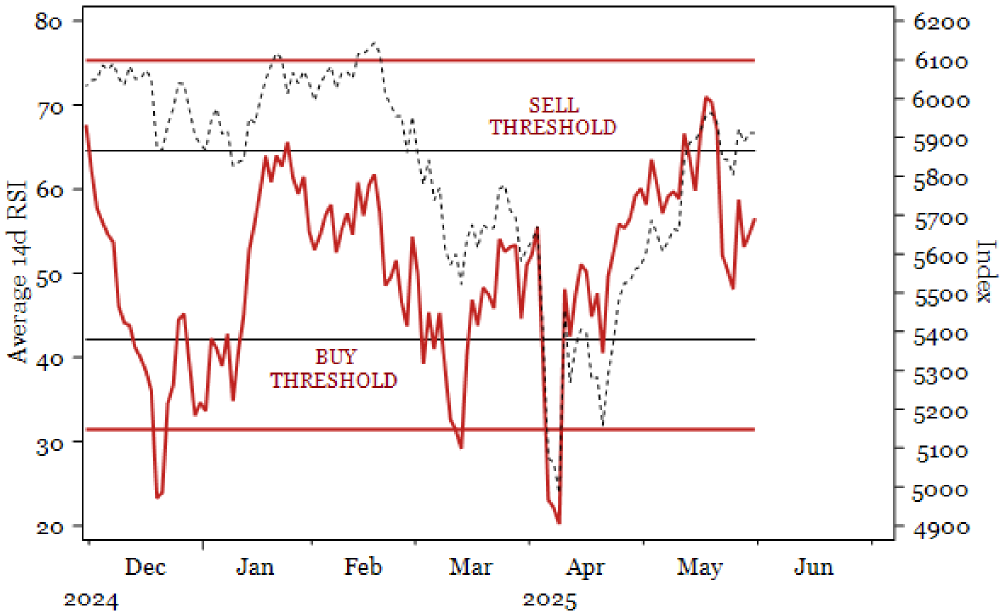
Source: Longview Economics, Macrobond

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



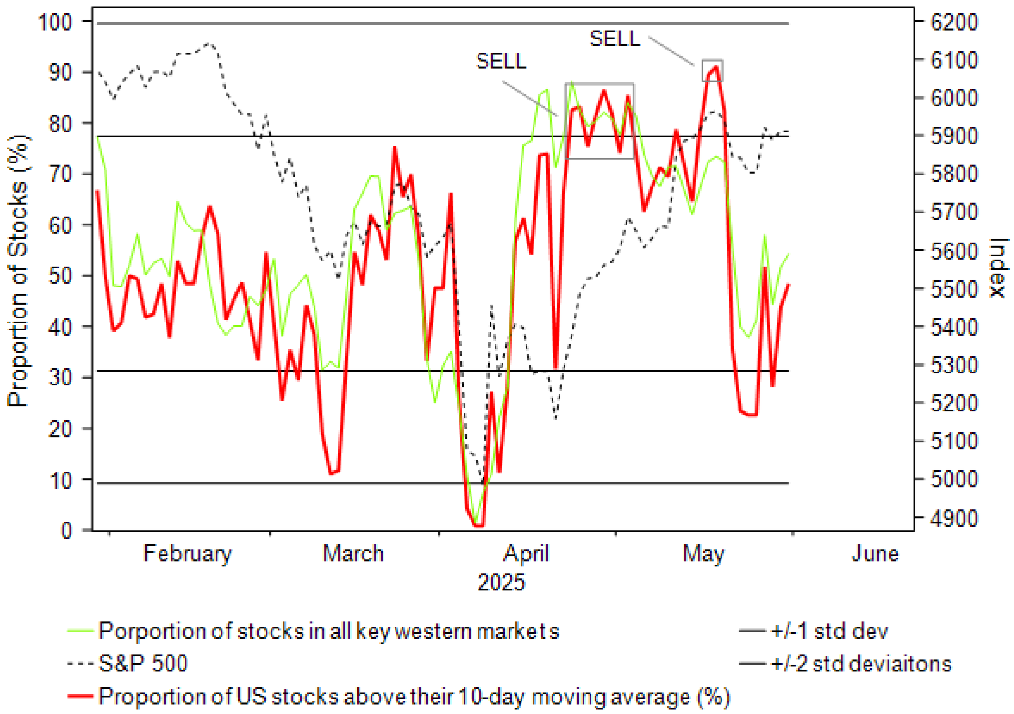
Source: Longview Economics, Macrobond

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 Western stocks above their 10 day moving average vs. S&P500

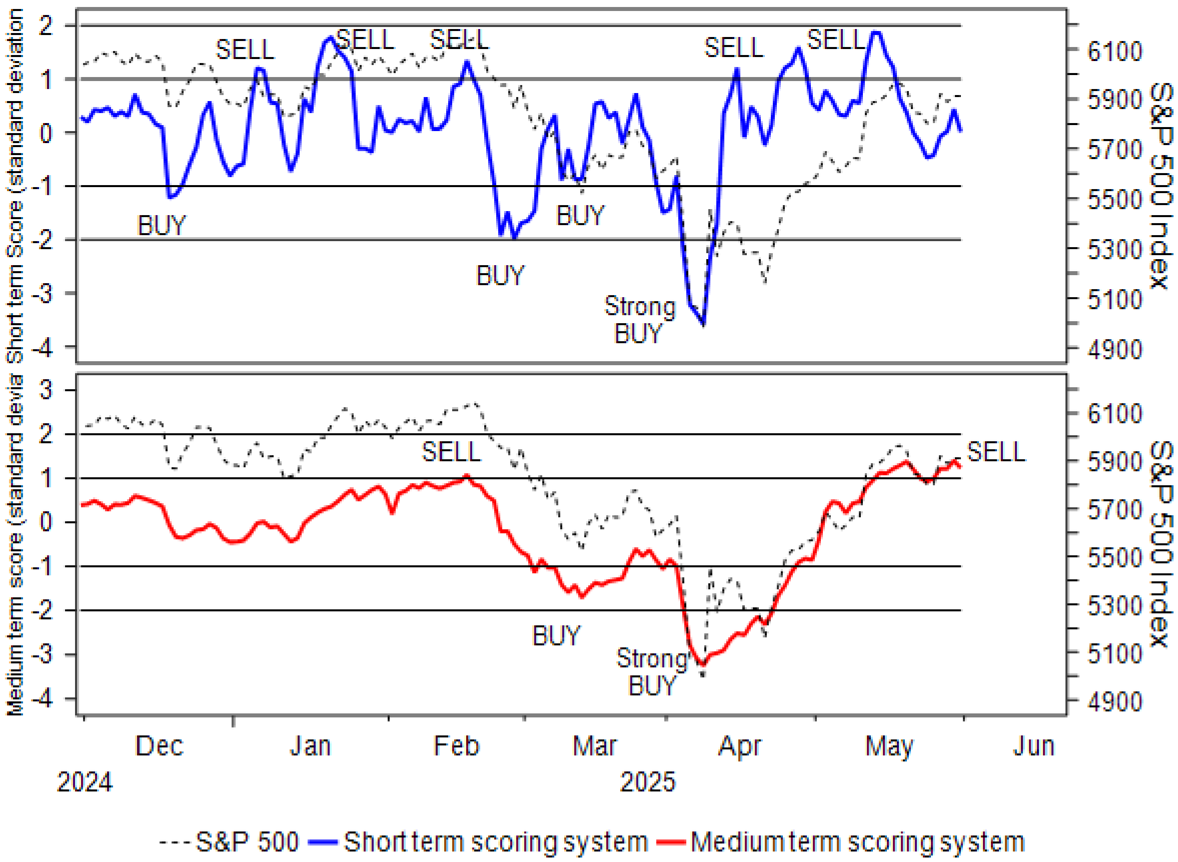


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **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: Australian S&P manufacturing PMI (May final estimate, 12am); Japanese capital spending & company sales (Q1, 12:50am); Japanese Jibun Bank manufacturing sector PMI (May final estimate, 1:30am); Australian headline CPI (May, 2am); Australian ANZ-Indeed job advertisements (May, 2:30am); UK Nationwide house prices (May, 7am); **UK net consumer credit, mortgage approvals & money supply** (Apr, 9:30am); UK S&P manufacturing sector PMI (May final estimate, 9:30am); **HCOB manufacturing sector PMIs** for Spain (8:15am), Italy (8:45am), France (8:50am), Germany (8:55am) & Eurozone (9am) – all May final estimates apart from Spain & Italy; US S&P manufacturing sector PMIs (May final estimate, 2:45pm); **US ISM manufacturing PMI** (May, 3pm); US construction spending (Apr, 3pm).

Key events today include: Speeches by the Fed's Waller on economic outlook (1am), Logan & Goolsbee in moderated Q&A's (3:15pm) & **Powell** gives opening remarks at the Federal Reserve Board's International Finance Division 75th Anniversary Conference (6pm); speech by the Bank of England's Mann in Washington (10:30pm); Market holiday in China on account of Dragon Boat Festival.

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 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

Longview Economics
@chriswatling
@LviewEconomics
Longview Economics
Longview Economics
Longview Economics

Longview Economics Limited is an appointed representative of Messels Limited which is authorised and regulated by the Financial Conduct Authority.

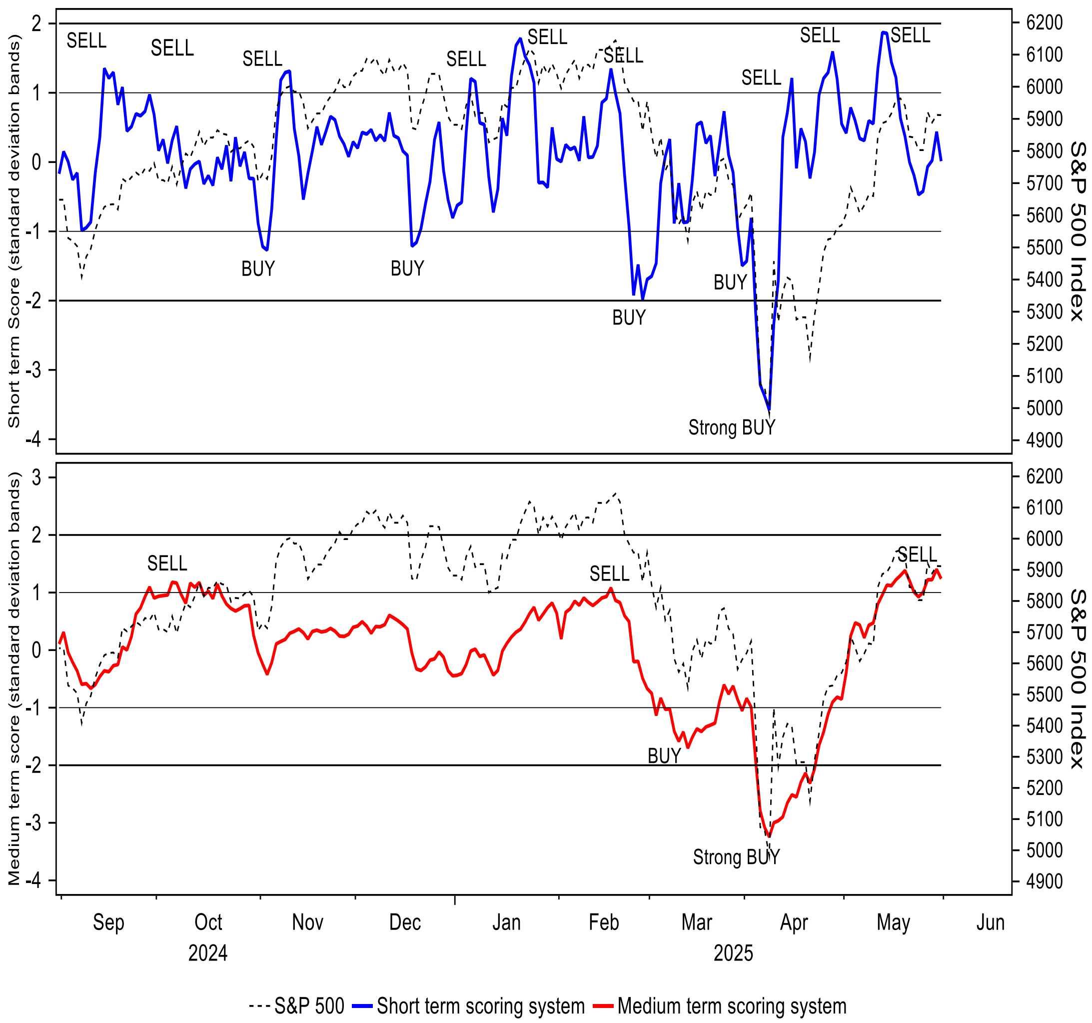
1 – 2 Week View on Risk

2nd June 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

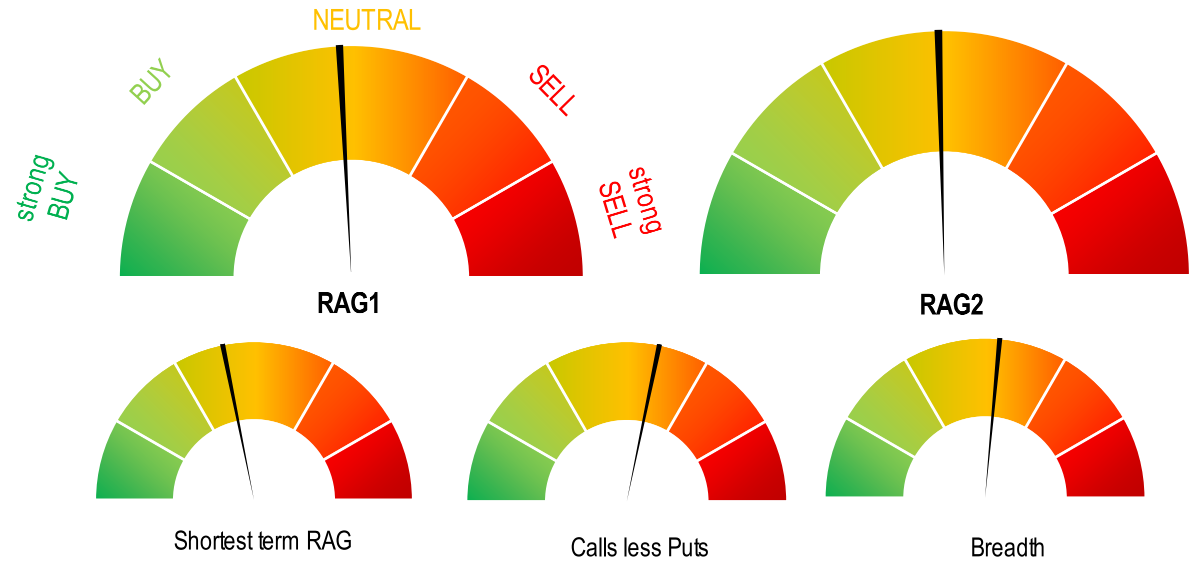
Source: Longview Economics, Macrobond

*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

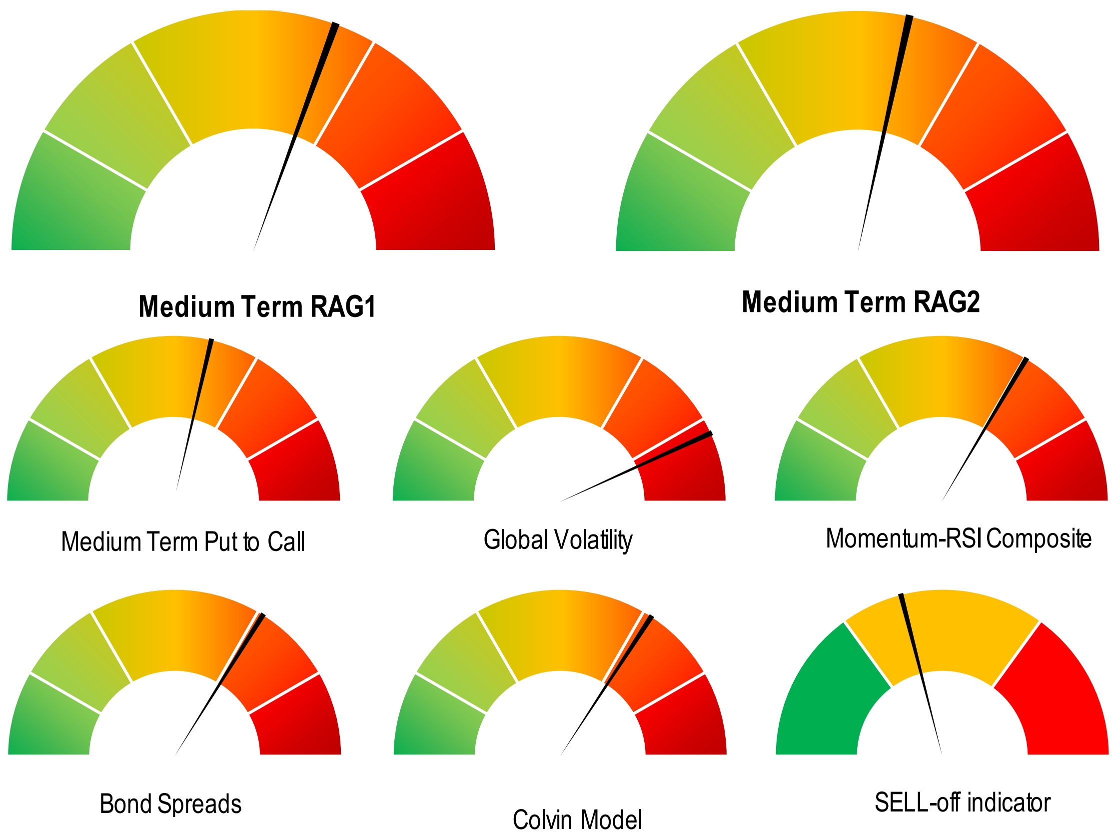
Section 1a: Summary of indicator signals**

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

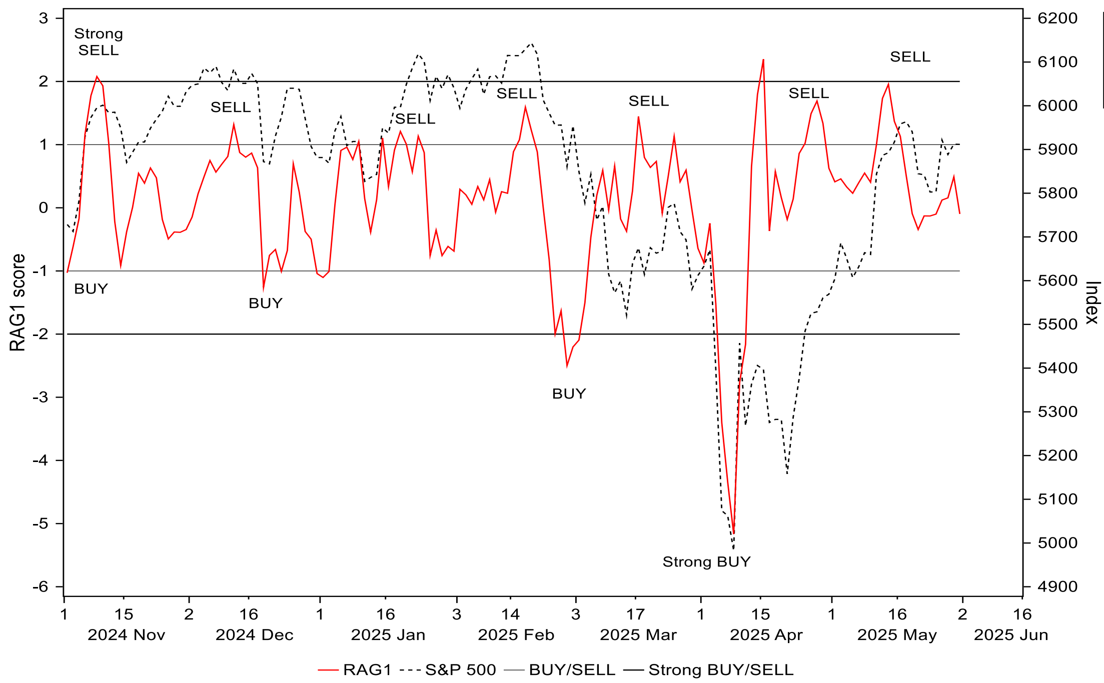


Source: *Longview Economics*

**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

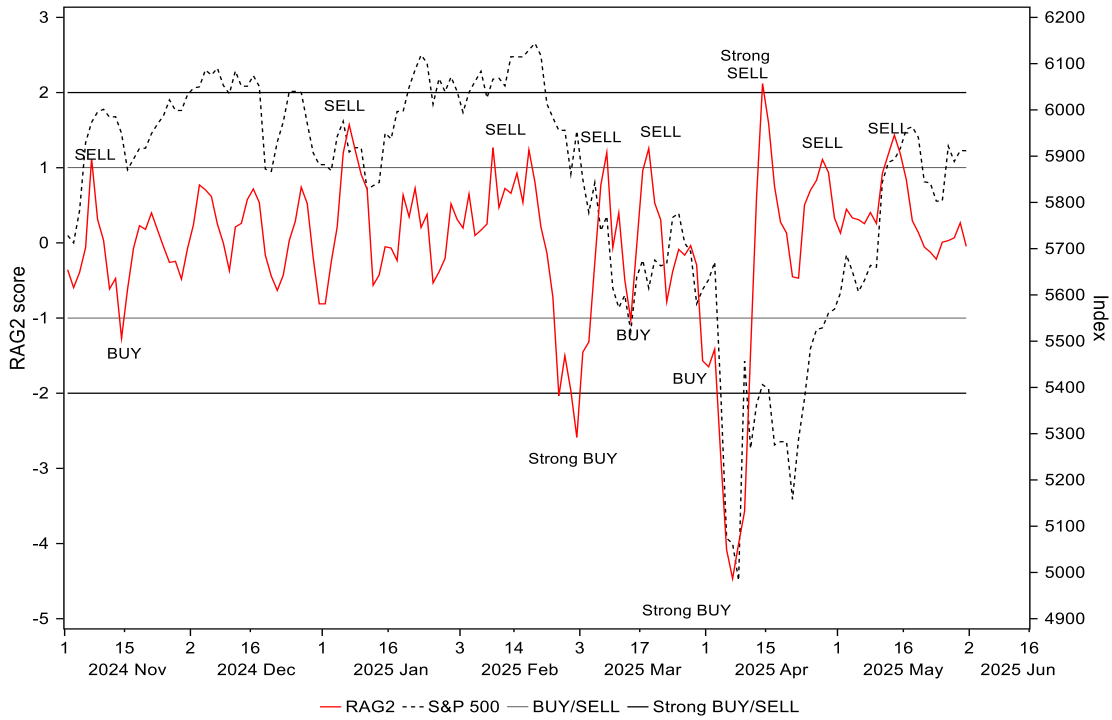
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

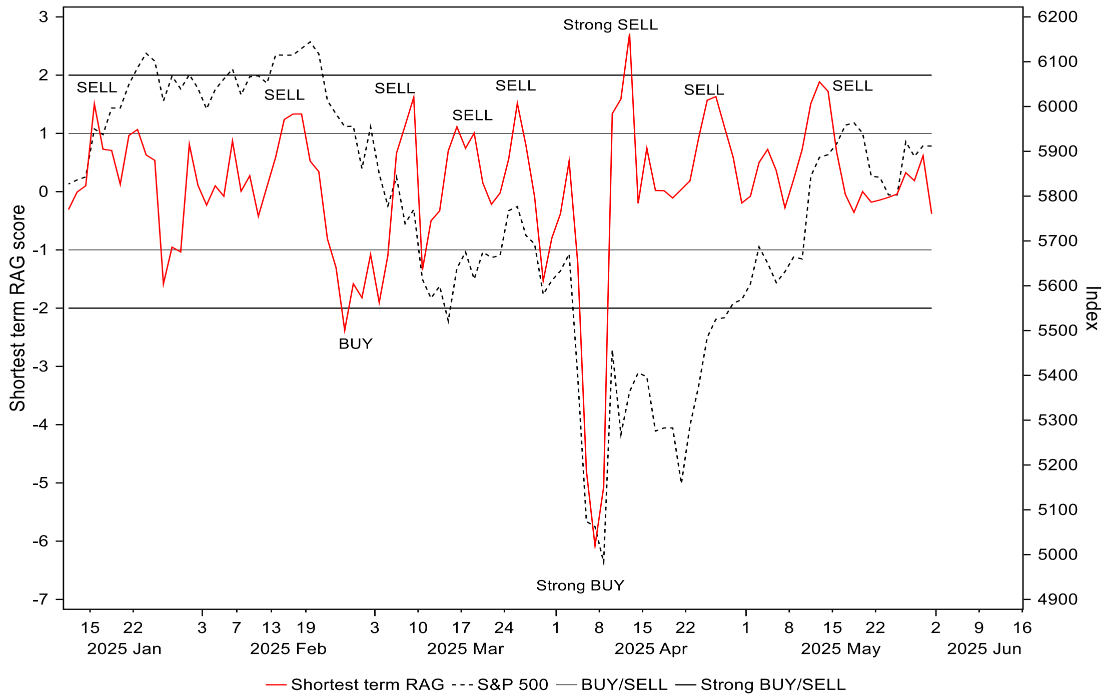


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

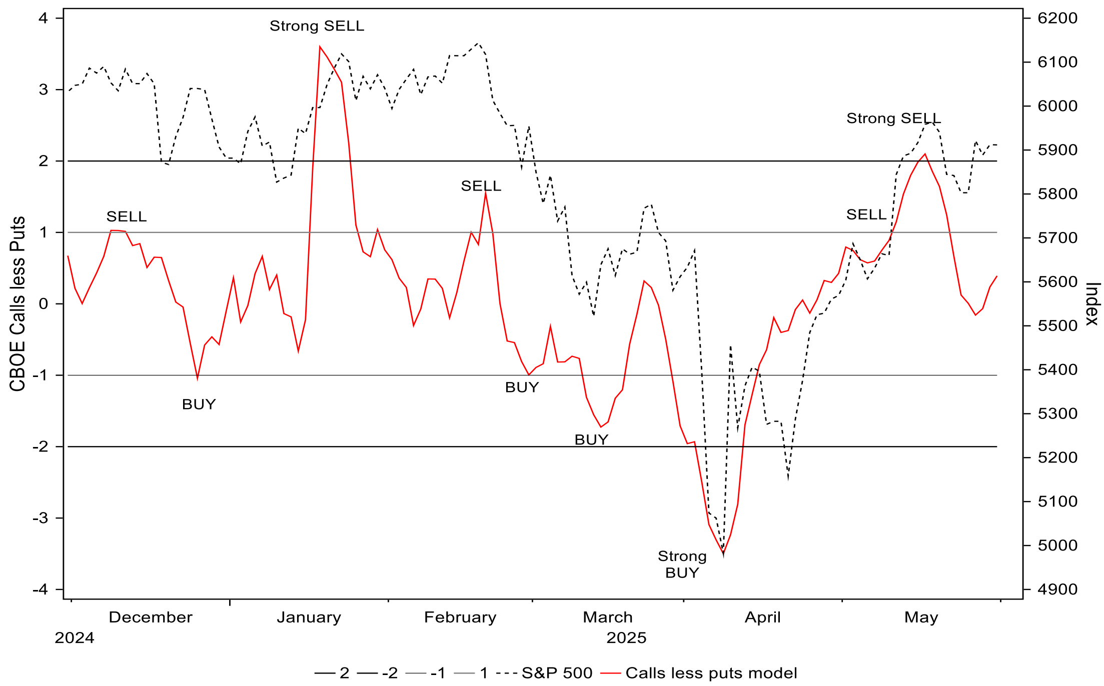
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is NEUTRAL

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

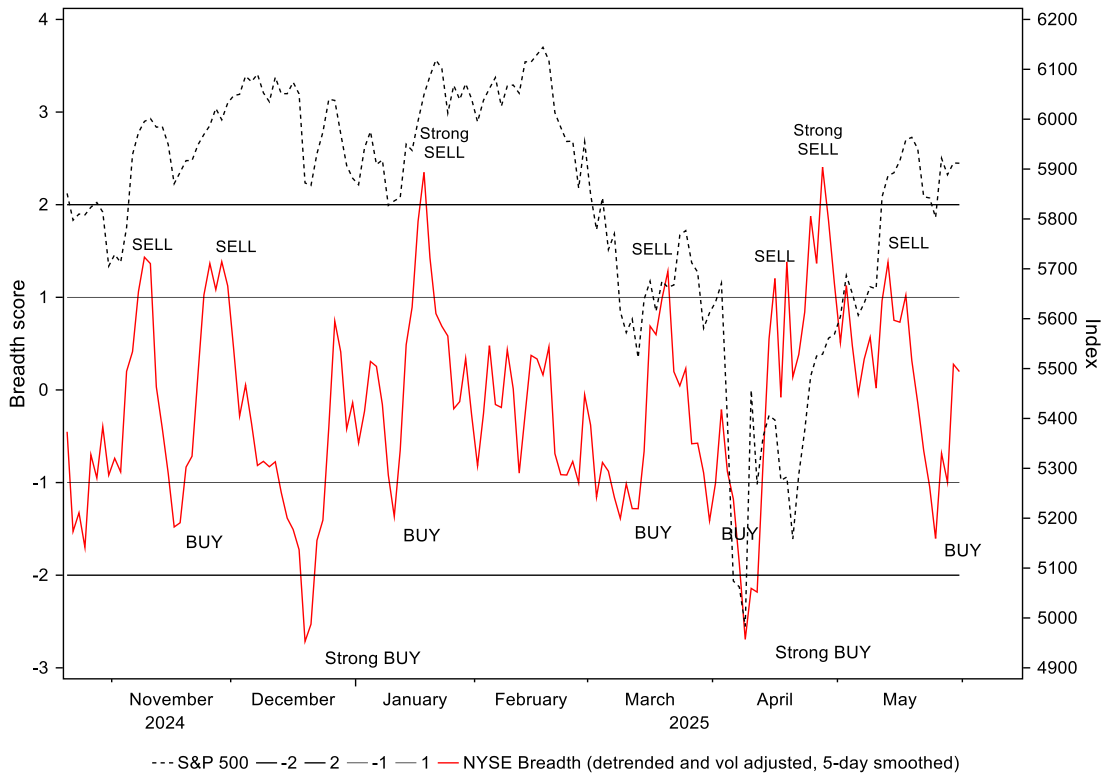


Source: Longview Economics, Macrobond

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



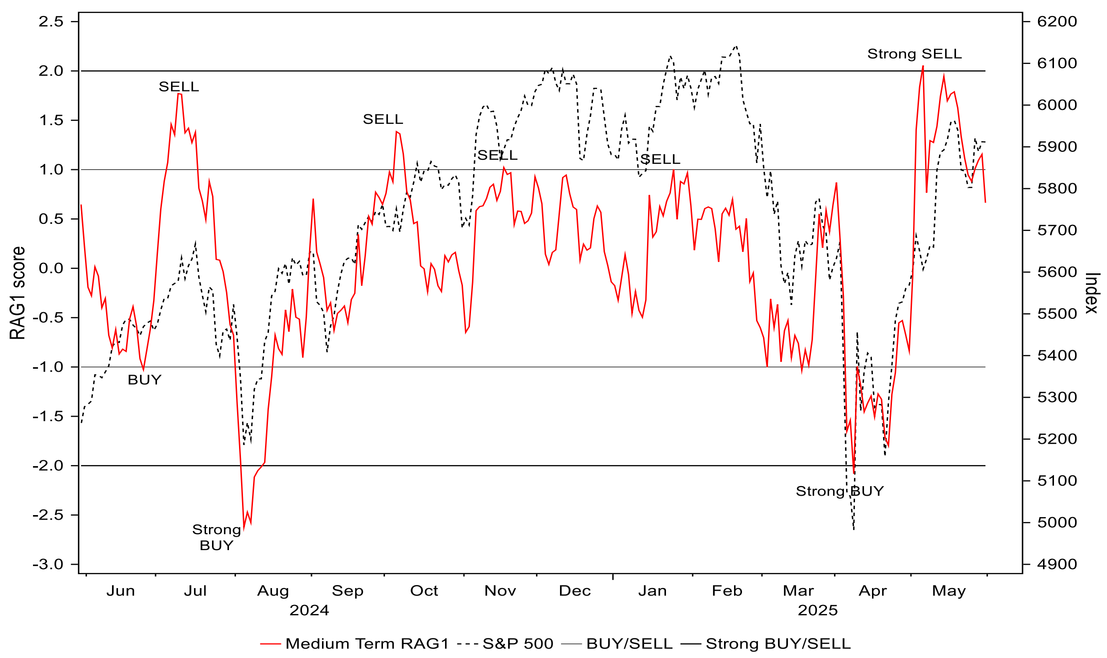
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

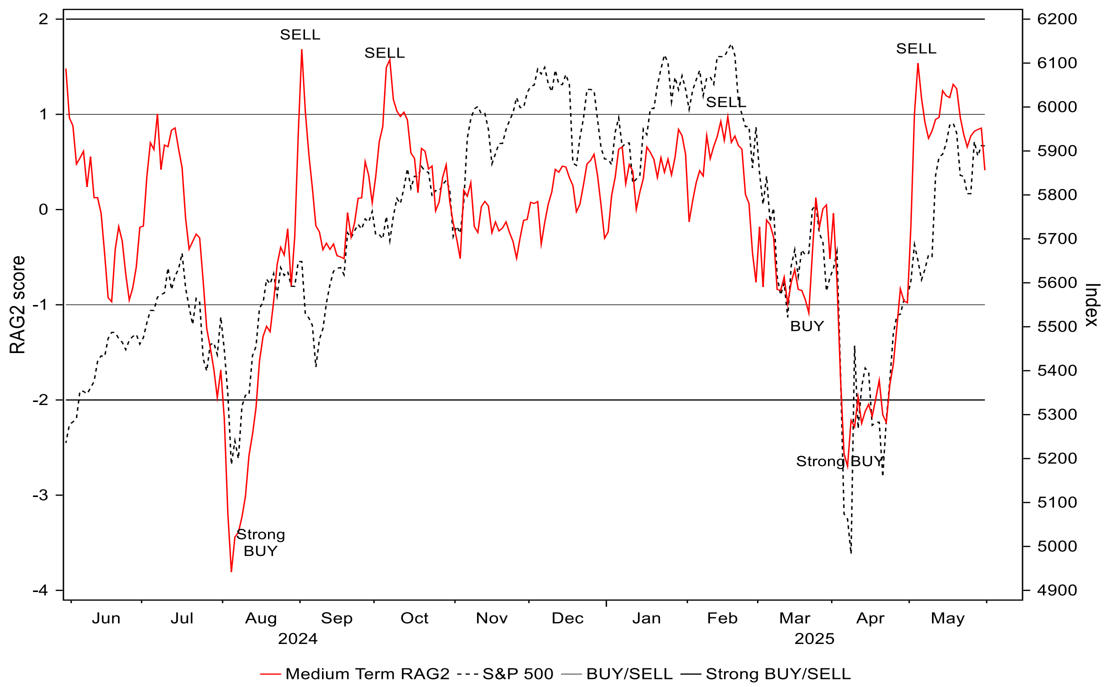
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

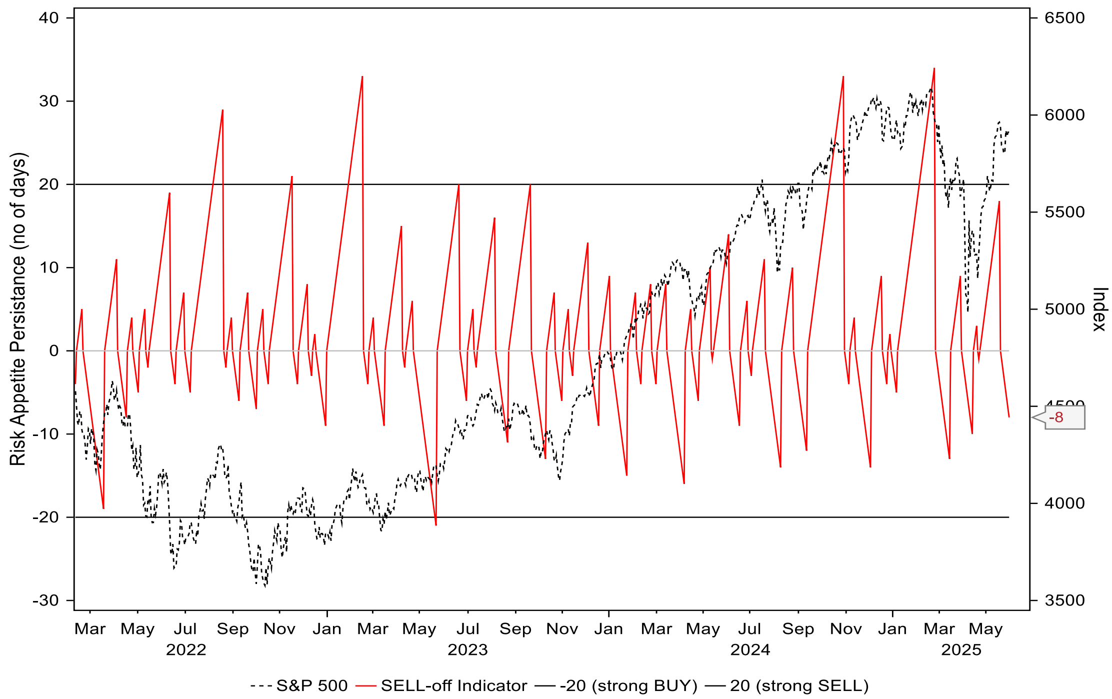


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

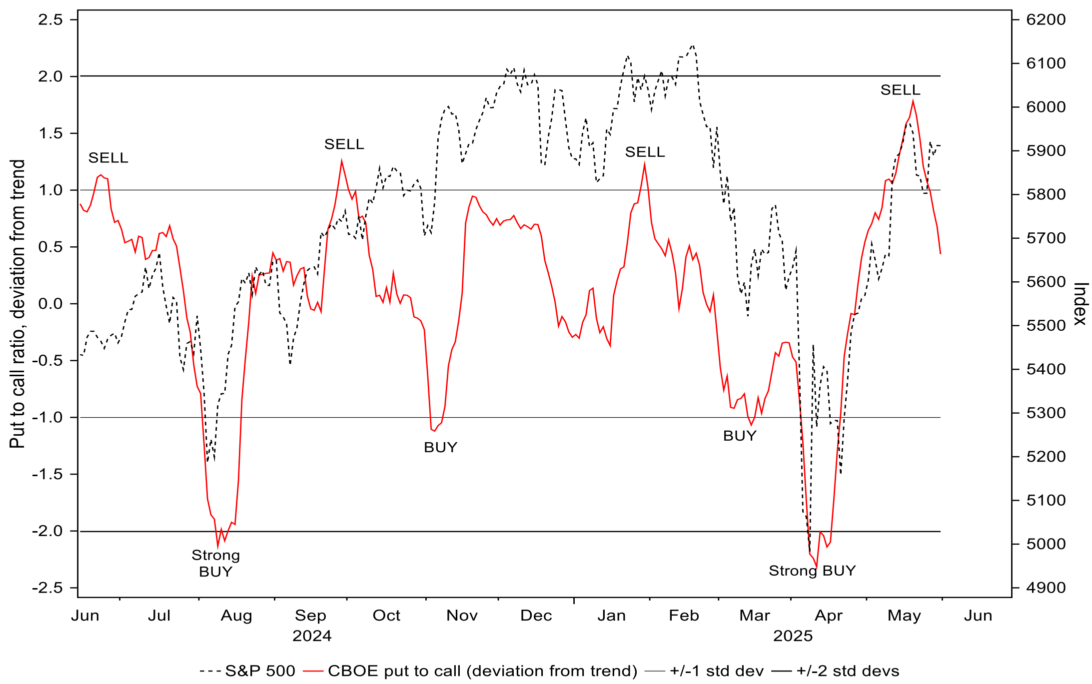
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond

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

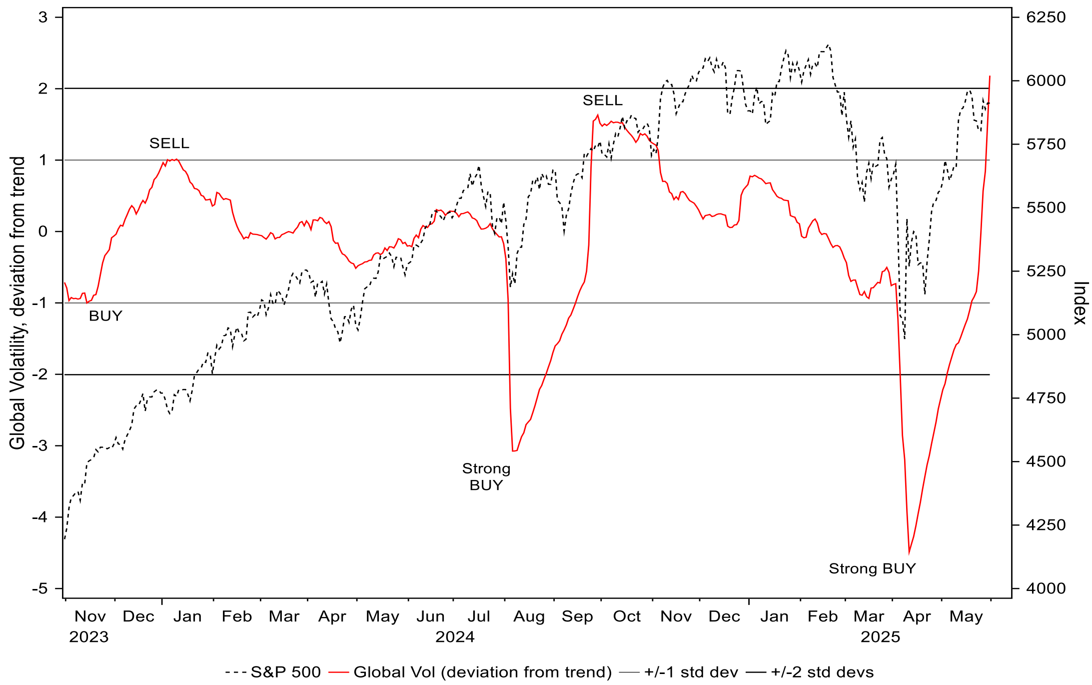


Medium term put to call model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

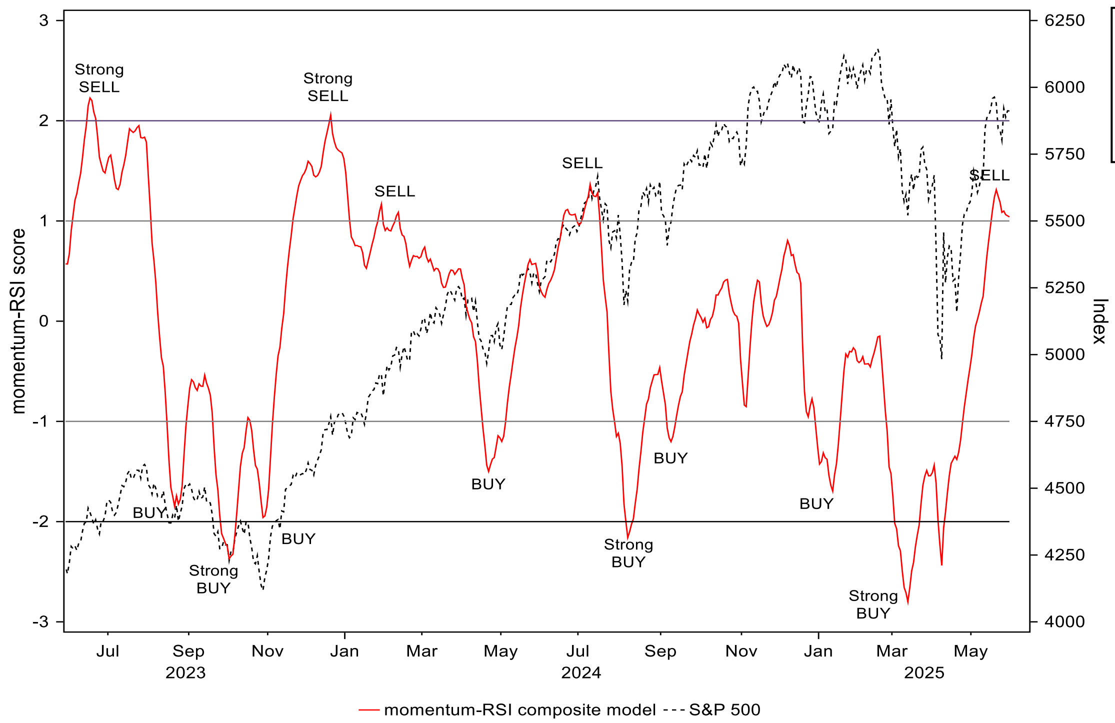
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong SELL

Source: Longview Economics, Macrobond

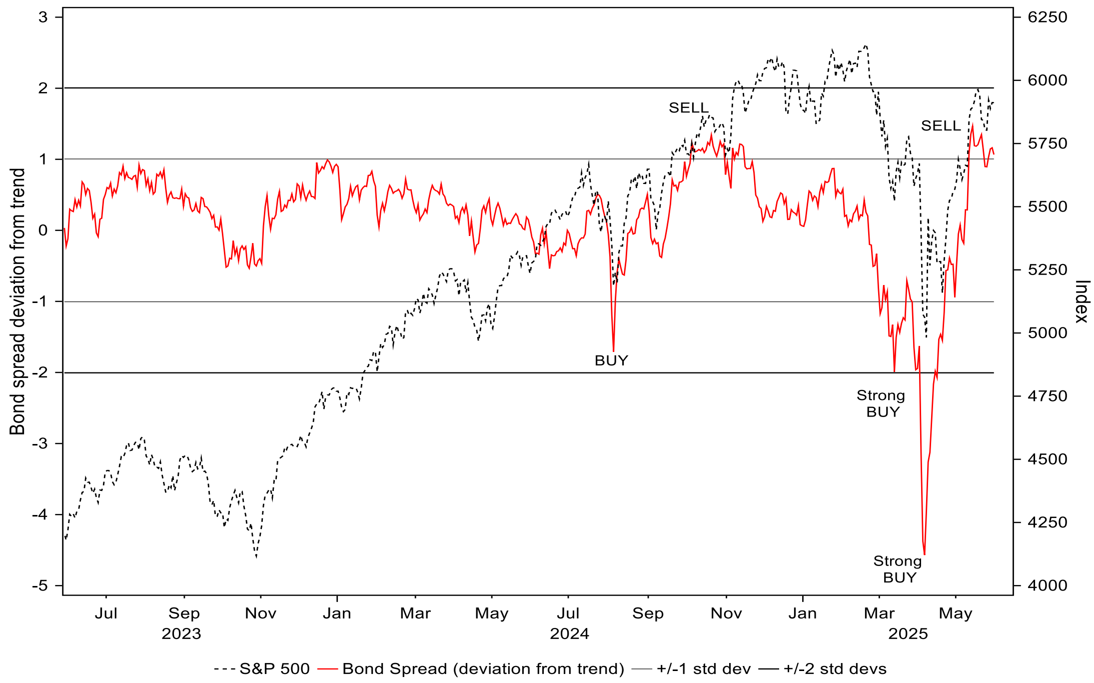
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

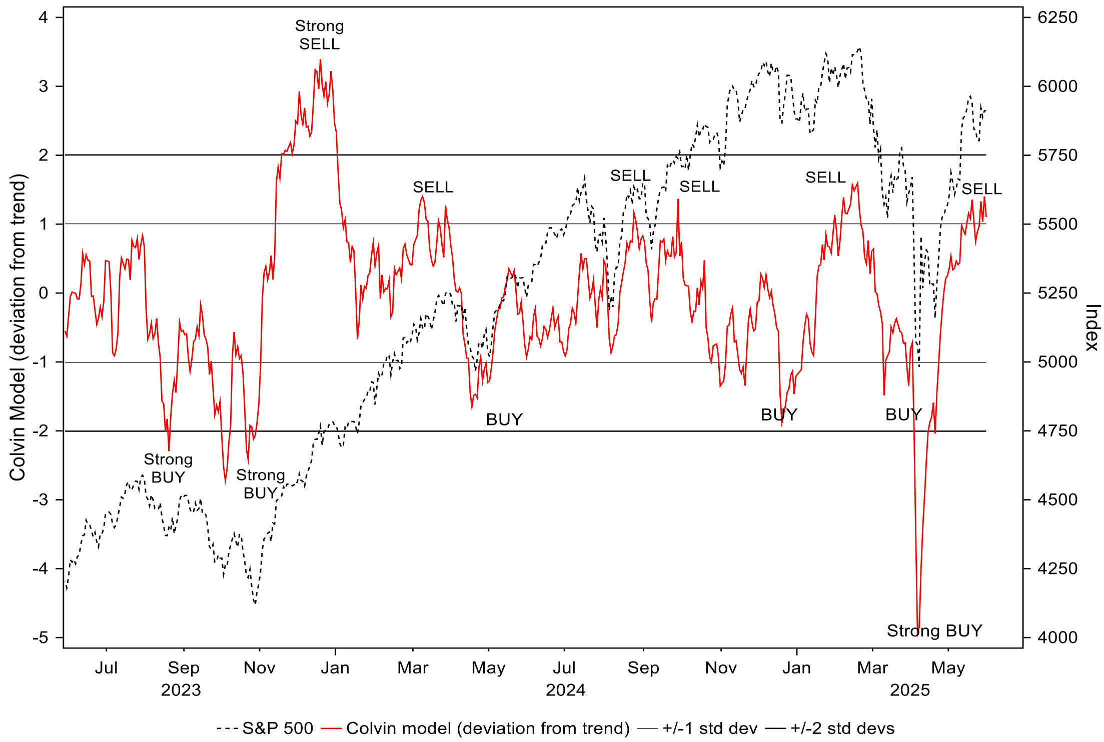
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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.

Disclaimer

Any disclosure or use, distribution, dissemination or copying of any information received from Longview Economics Ltd. is strictly prohibited, whether derived from the reports or from any oral or written communication by way of opinion, advice, or otherwise with a principal of the company; and such information is not warranted in any manner whatsoever; and is for the use of our clients and trial subscribers only. Longview Economics Limited will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document. This report is for distribution only under such circumstances as may be permitted by applicable law.

This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to the accuracy or completeness. All information and opinions as well as any prices indicated are current as of the date of this report, and are subject to change without notice. Some investments may not be readily realisable since the market in securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. Futures and options trading is considered risky. Past performance of an investment is no guarantee of its future performance. Some investments may be subject to sudden and large falls in values and on realisation you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

DailyRagTrader is an investment research report produced by Longview Economics Ltd which is an appointed representative of Messels Ltd which is authorised and regulated by the Financial Conduct Authority.

For professional clients only.