Equity Index Futures Trading Recommendations

31st March 2025

"Market Momentum Switch - Key Factors We're Watching for"

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

- WATCH & WAIT

Rationale

Volatility returned to markets in a meaningful way on Friday. After four prior days of relatively subdued volatility (and some hope that calm was returning to the equity markets), the S&P500 sold off by 2.0% on Friday, the NDX100 was 2.6% lower while the Philly SOX closed down 2.9%. With that weakness, the SOX (largest component is Nvidia) reached its lowest level since 1st February last year (and below its recent 11th March lows – see FIG 1). Neither the NDX100 nor the SPX made a new closing or intraday low on Friday. Overnight, though, those indices have moved lower such that S&P500 futures are sitting on their mid-March lows (FIG 1a), while NDX100 futures have made new lows (FIG 1b).

Renewed selling in markets on Friday appeared to be triggered by: i) Worse than expected PCE deflator data; & ii) nervousness about Trump's further tariffs announcements due next Wednesday, 2nd April (& dubbed 'Liberation Day in America' by Trump). With that renewed selling, we were stopped out of both our NDX100 & SPX LONG positions (which were implemented on Friday).

As of Friday's close, the message of the models is mixed (FIGs 2 - 3b): Some are mid-range (NEUTRAL), i.e. the risk appetite models (FIGs 2 & 2a); others are closer to SELL than BUY (e.g. various technical models, especially for indices - see FIGs 2d to 2f); the sector and single stock technical models are mixed (FIGs 3, 3a & 3b); while only a small number of models are on/close to BUY. The NDX100 put to call ratio, for example, is on BUY (although not yet strong BUY – FIG 2c); while the CBOE put to call model (which covers the broader US stock market) is close to BUY – FIG 2b. Overall, therefore, there isn't a clear and across the board message from the short term models. That is, the signals are mixed with no clear steer on whether to move LONG or SHORT (on our 1 – 2 week timeframe).

As an aside, most **tech centric** models (especially medium-term ones) are leaning towards BUY, with the NDX100 put to call ratio, as mentioned above, and NDX sentiment both already on BUY (FIG 1c - as well as the NDX100 single stocks model, see FIG 1d). These models, in that respect, bear watching closely over the next few days.

With Friday's marked weakness and new multi month lows in various key indices (like the Philly SOX on Friday and the NDX100 overnight), the **short-term momentum in this market has shifted** in the past 1 – 3 trading sessions. Nervousness ahead of Wednesday's tariffs announcements is further adding to that downside momentum (albeit it's a two-way risk in that potentially the outcome could be better than the market fears).

With strong downside momentum, though, the **market is likely to keep trending lower until** there is:

i) a strong across the board BUY/strong BUY message from short term (and potentially medium term) market timing models. That is, until there is high levels of fear and panic in prices and markets are oversold across the board at an index, sector and single stock level; &

ii) evidence of capitulation, i.e. V shaped price action with heavy traded volumes, and accompanied by signs of panic (which is also likely to be present at the local lows).

Having been stopped out on Friday, we recommend standing back for now (i.e. WATCH & WAIT). Markets are likely to be weak into Wednesday's tariffs announcements and then potentially find a local low on the news (i.e. 'sell the rumour, buy the fact' price action). We'll be watching the models, the price action and volumes traded, in that respect (as well as the newsflow).

Kind regards,

The team @ Longview Economics

FIG 1: Philly SOX index candlestick chart shown with key moving averages

Source: Longview Economics, Macrobond

FIG 1a: S&P500 June 25 futures 30-day tick chart shown with overnight price action

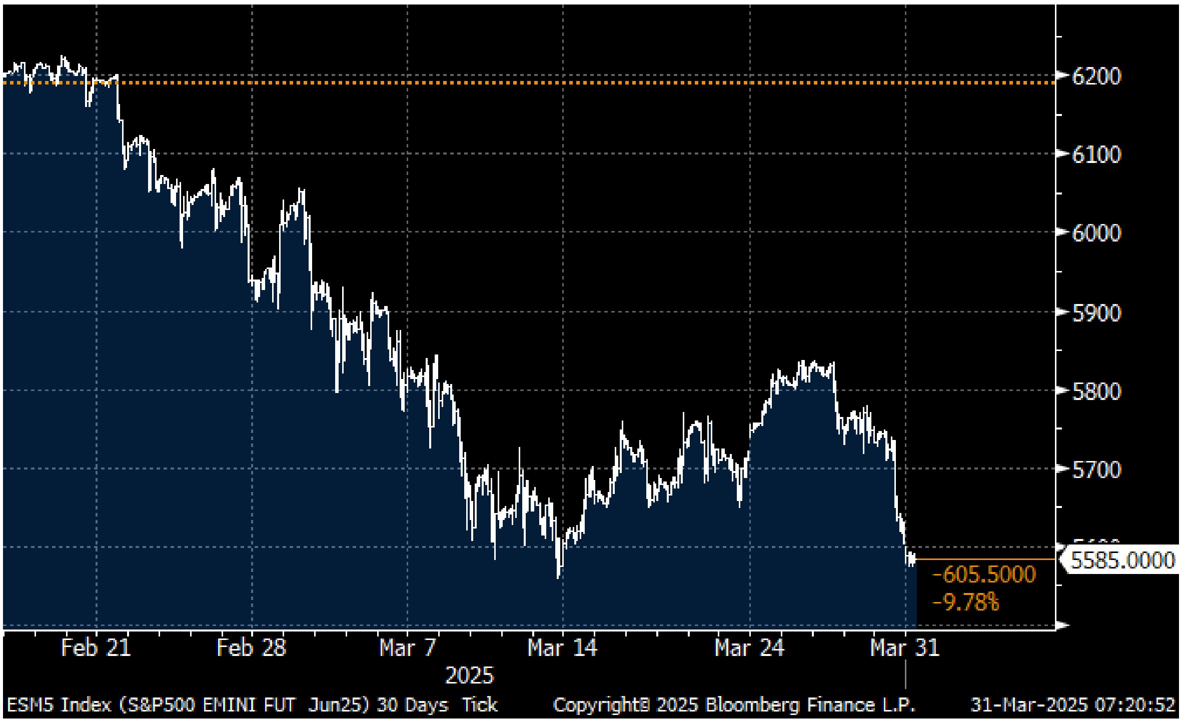
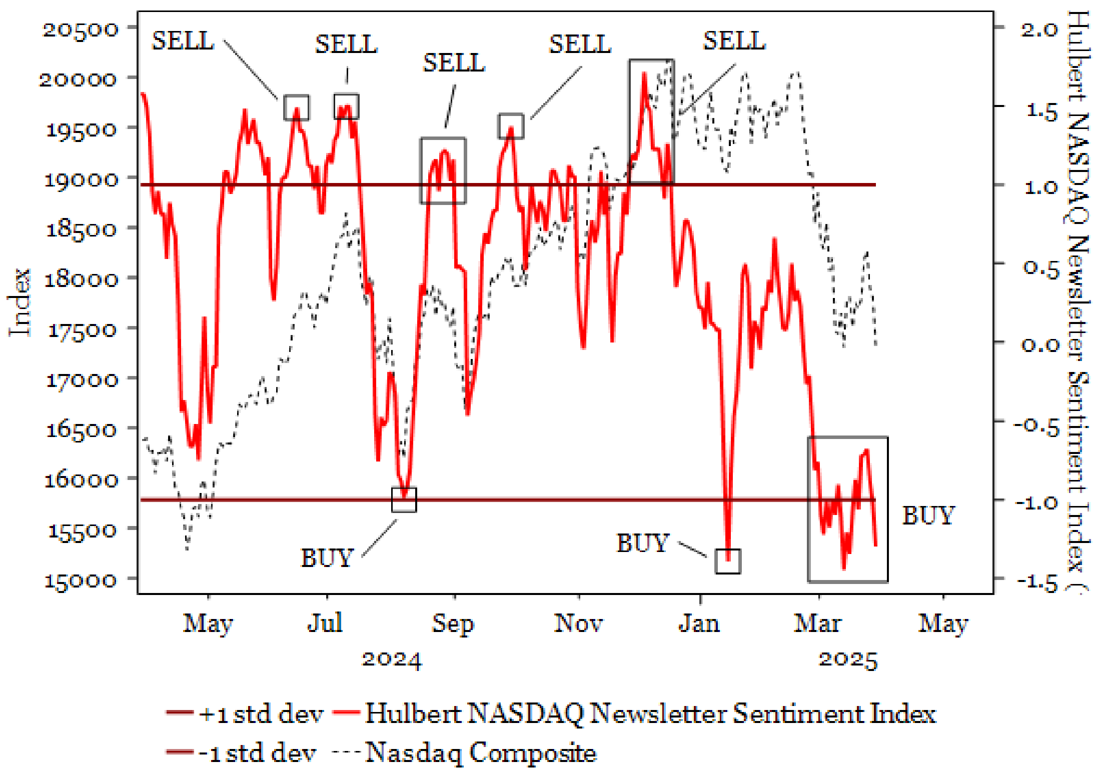


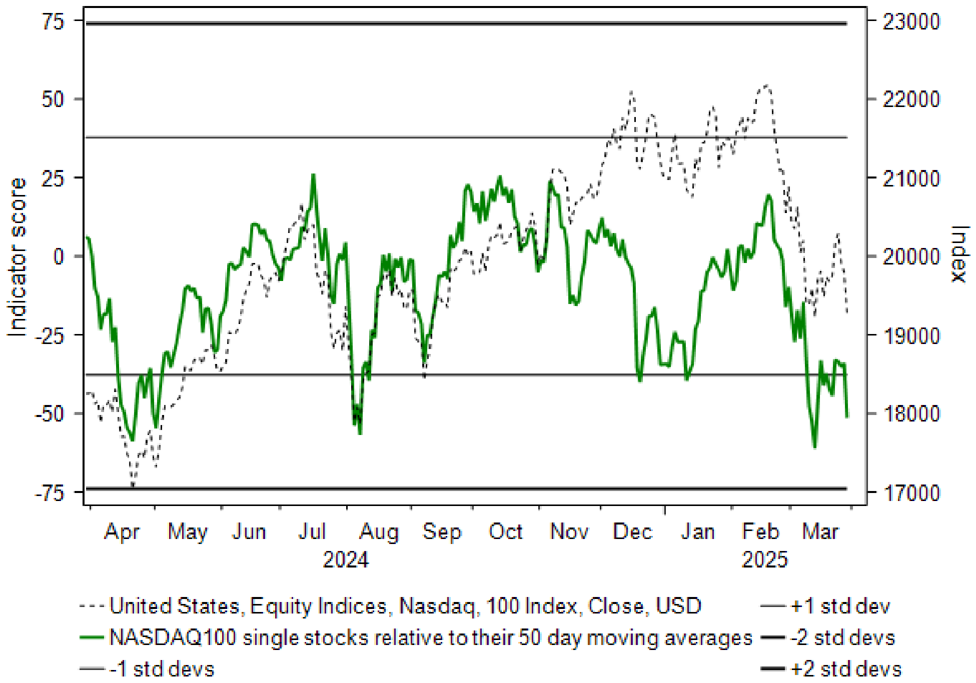
FIG 1b: NDX100 June 25 futures 30-day tick chart shown with overnight price action

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



Source: Longview Economics, Macrobond

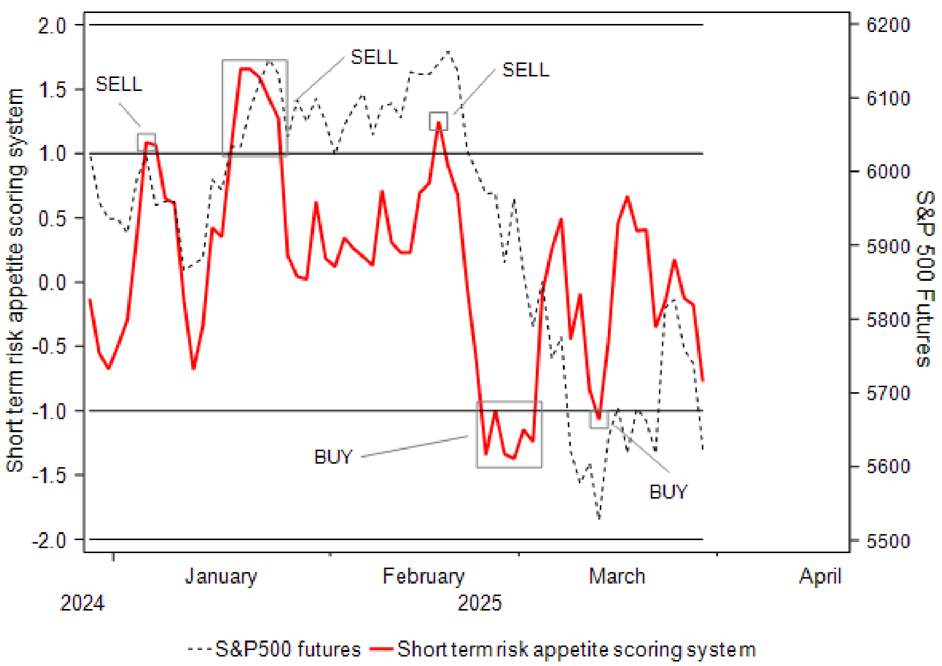
FIG 1d: NASDAQ100 single stocks relative to their 50 day moving averages vs. NASDAQ100 index



Source: Longview Economics, Macrobond

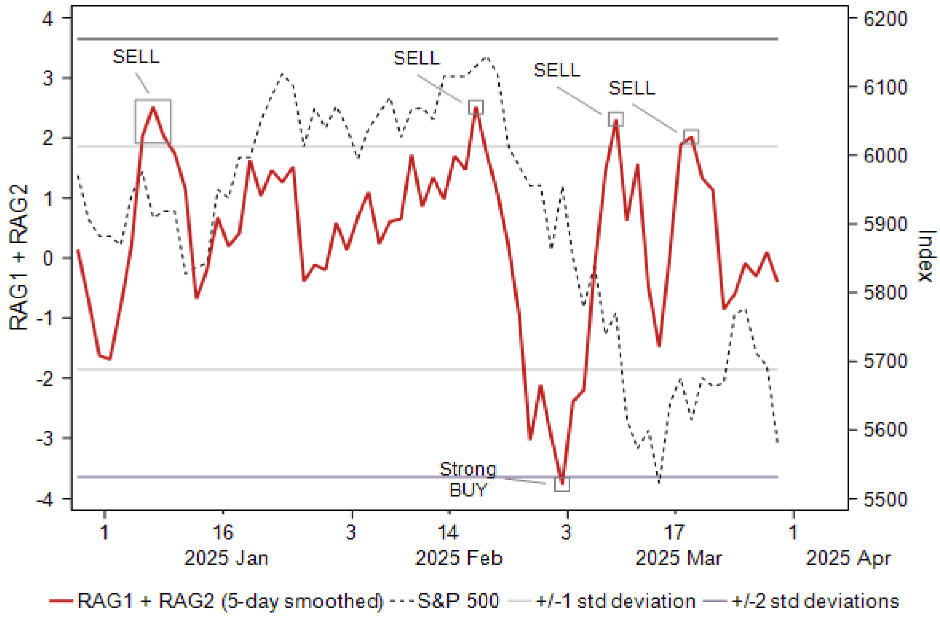
Short term risk appetite models are NEUTRAL

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



Source: Longview Economics, Macrobond

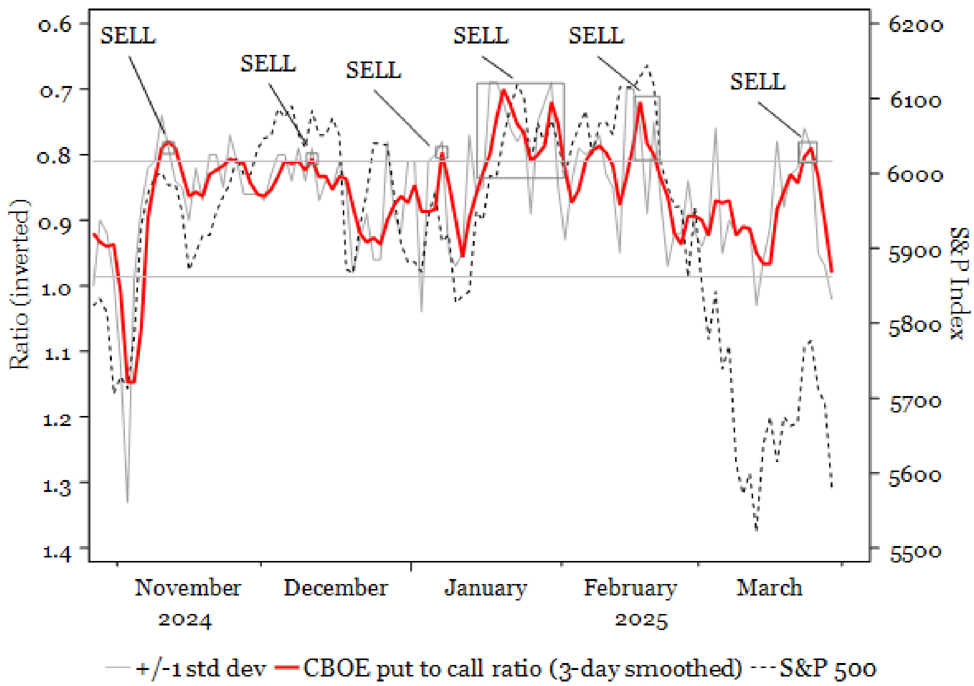
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

The CBOE put to call ratio indicator is now close to BUY (although not close to strong BUY)…

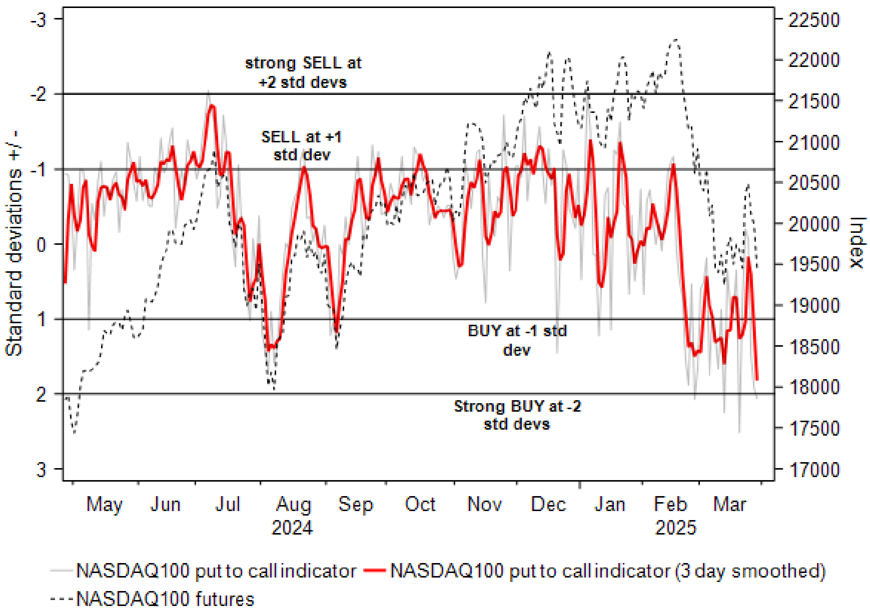
FIG 2b: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

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

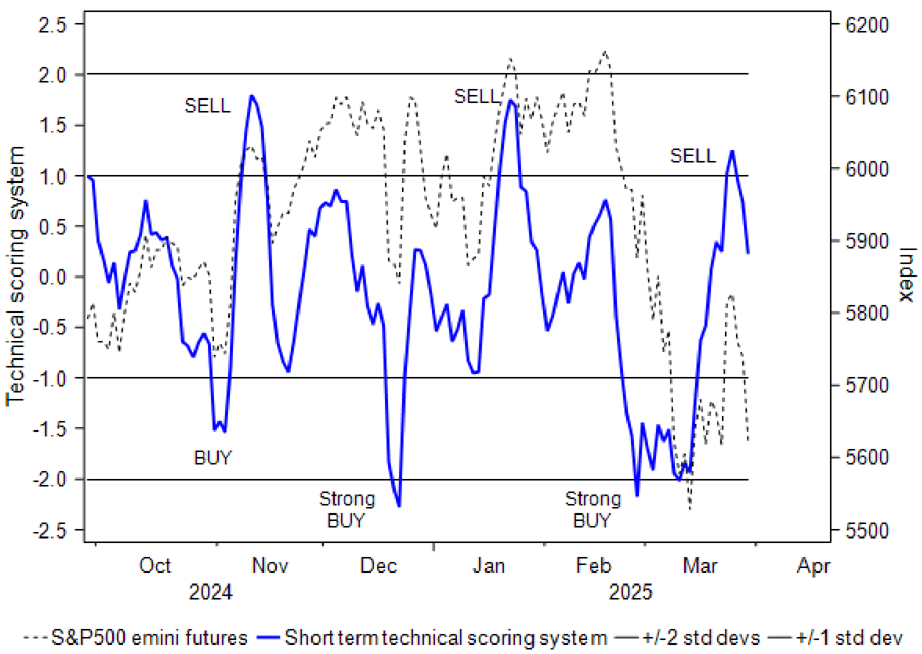
FIG 2c: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

Technical/price-based models (for indices) are mostly closer to SELL (than BUY)….

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



Source: Longview Economics, Macrobond

FIG 2e: Longview NDX100 short term **'technical'** scoring system vs. NDX100 futures

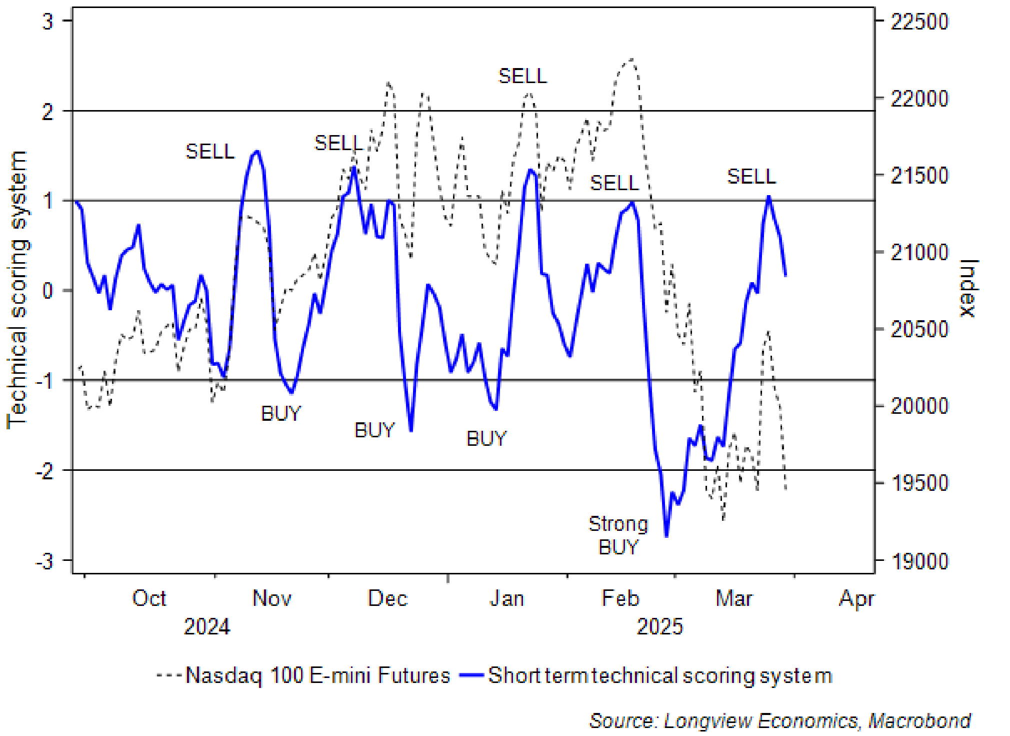
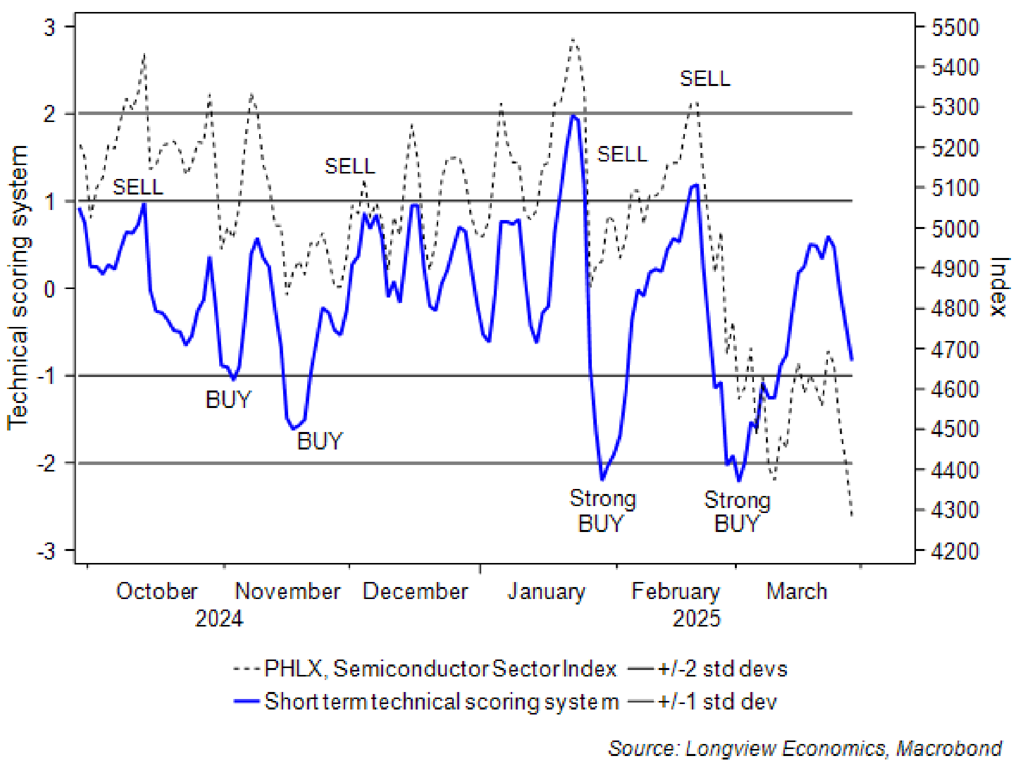
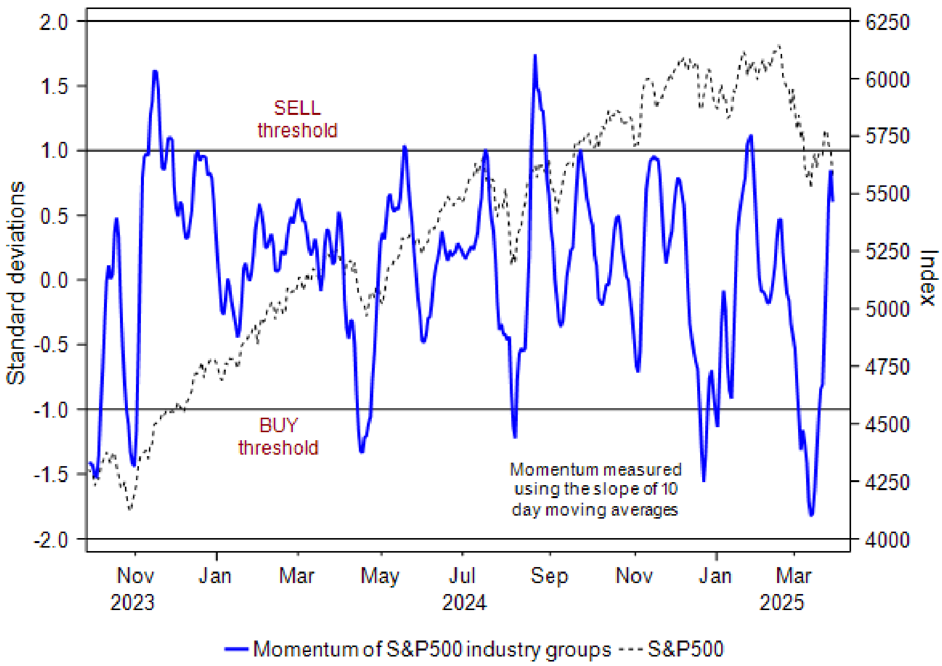


FIG 2f: Longview Philly SOX short term **'technical'** scoring system vs. Philly SOX index



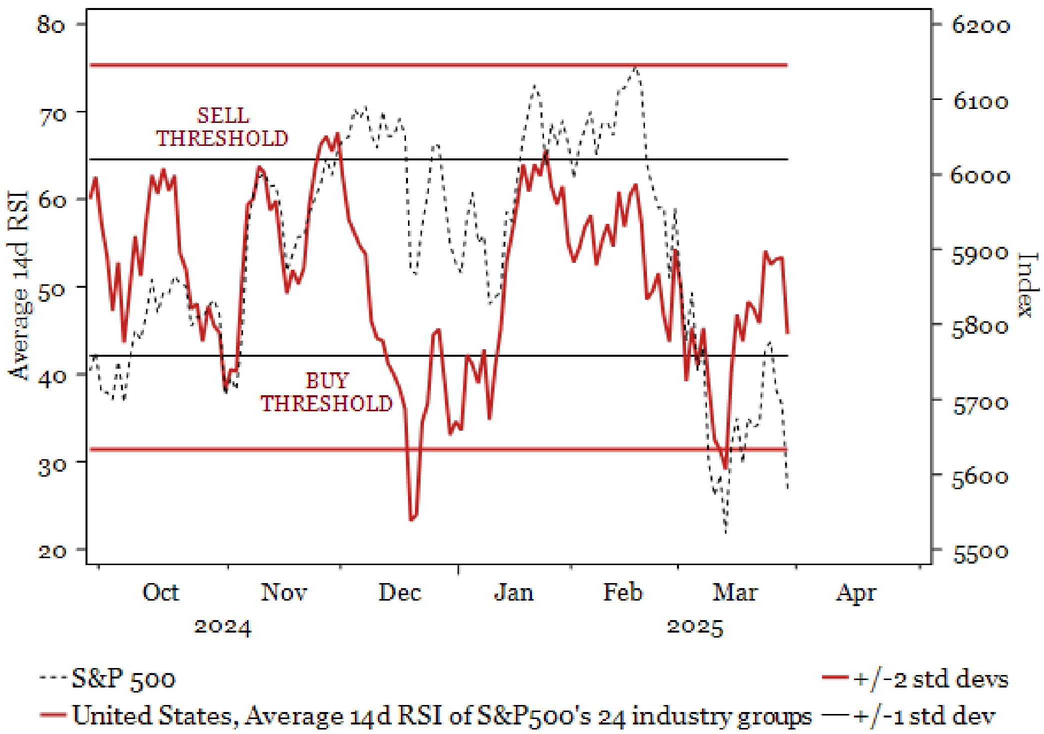
Sector and single stock based technical models are also mixed…

FIG 3: Momentum of S&P500 industry groups vs. S&P500 cash index



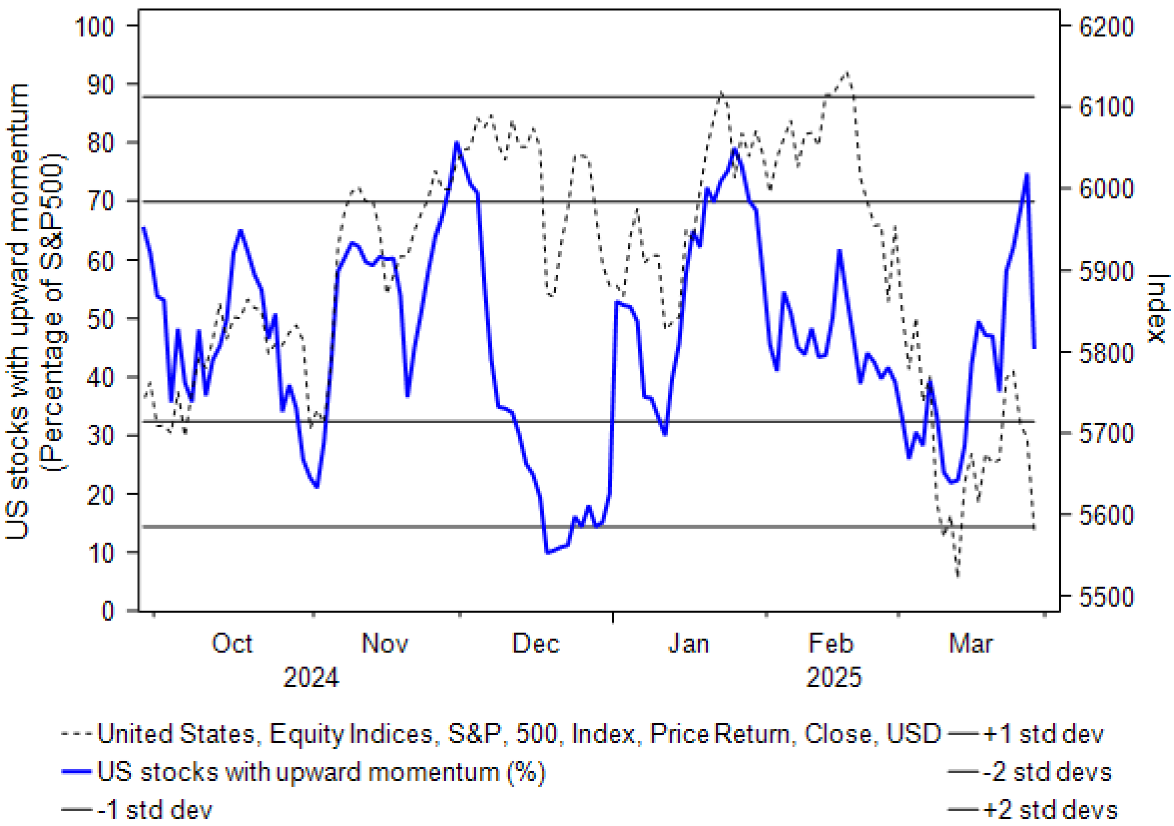
Source: Longview Economics, Macrobond

FIG 3a: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

FIG 3b: S&P500 single stocks with upward momentum vs. S&P500

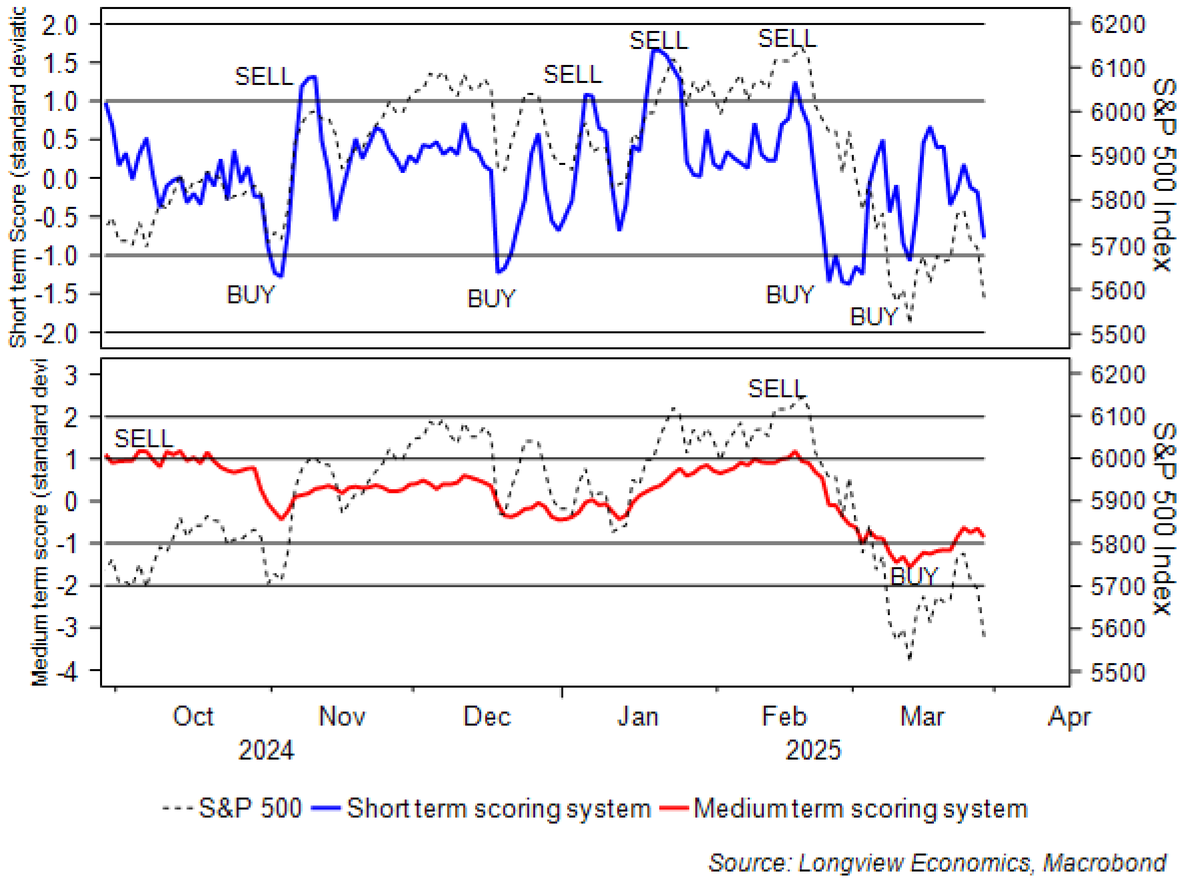


Source: Longview Economics, Macrobond

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

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

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



Key macro data/events

Key data today include: UK Lloyds business barometer (Mar, 12:01am); **Japanese industrial production** (Feb first estimate, 12:50am); **Japanese retail sales** (Feb, 12:50am); Australian headline CPI (Mar, 1am); Australian private sector credit (Feb, 1:30am); Japanese housing starts (Feb, 6am); **German retail sales** (Feb, 8am); **UK Net consumer credit, mortgage approvals & M4 money supply** (Feb, 9:30am); Italian core CPI (Mar first estimate, 10am)**; German headline CPI** (Mar first estimate, 1pm); US Chicago PMI (Mar, 2:45pm); US Dallas Fed manufacturing sector activity (Mar, 3:30m); Australian S&P manufacturing PMI (Mar final estimate, 11pm).

Key events today include: Speeches by the ECB's Panetta in Rome (9am) & Villeroy in Paris (9am),

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 earlier this month on 5th March 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

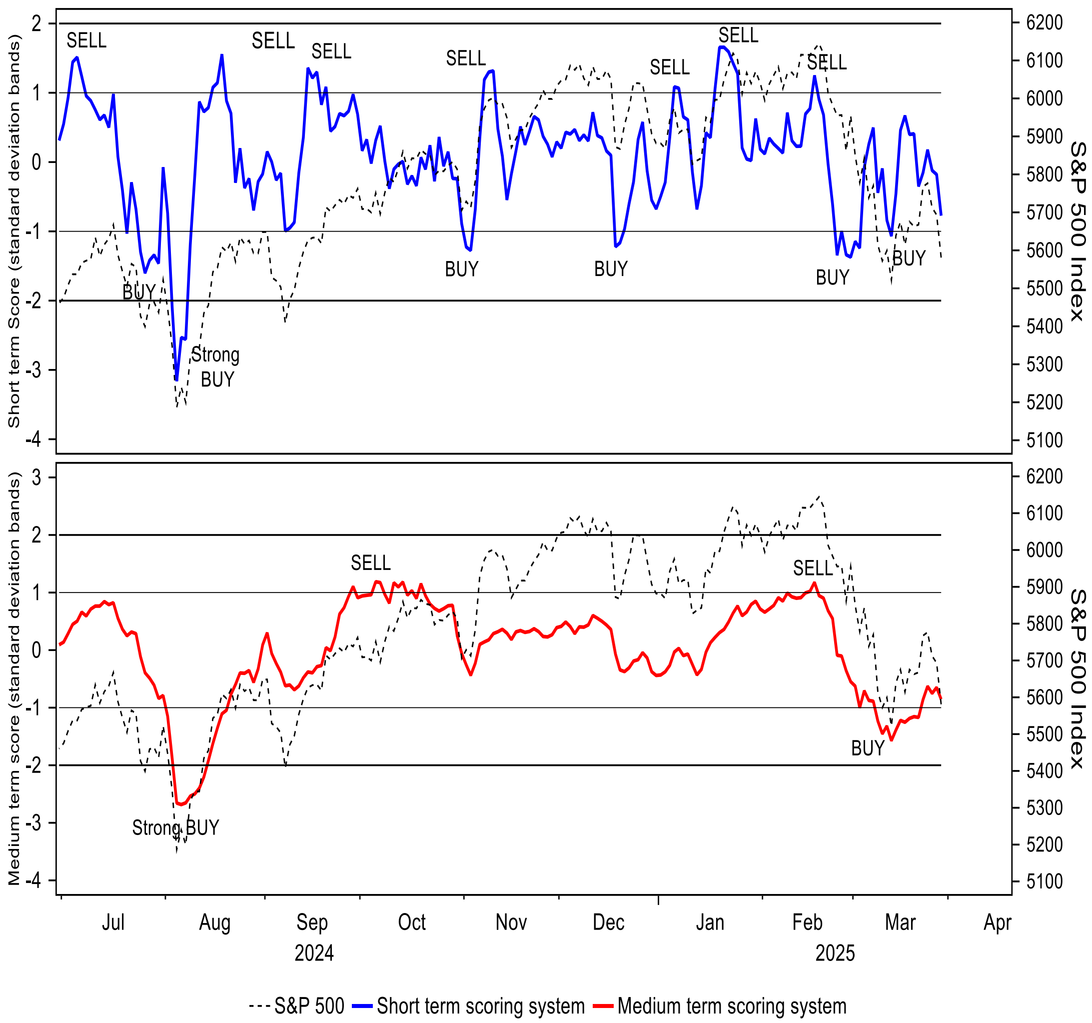
1 – 2 Week View on Risk

31st March 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 NEUTRAL

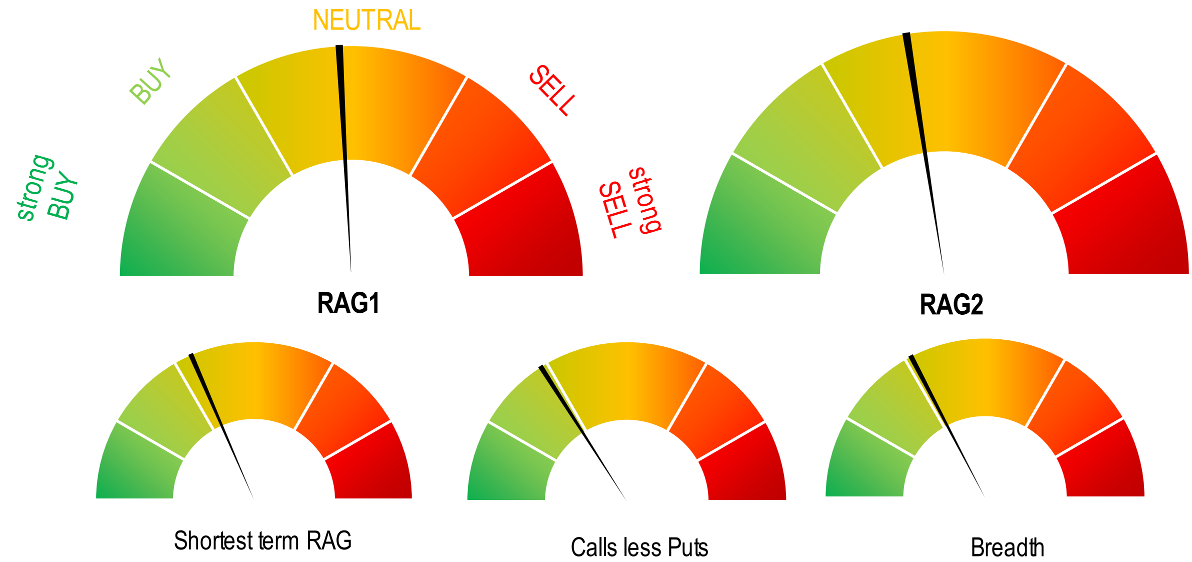
Source: Longview Economics, Macrobond

*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

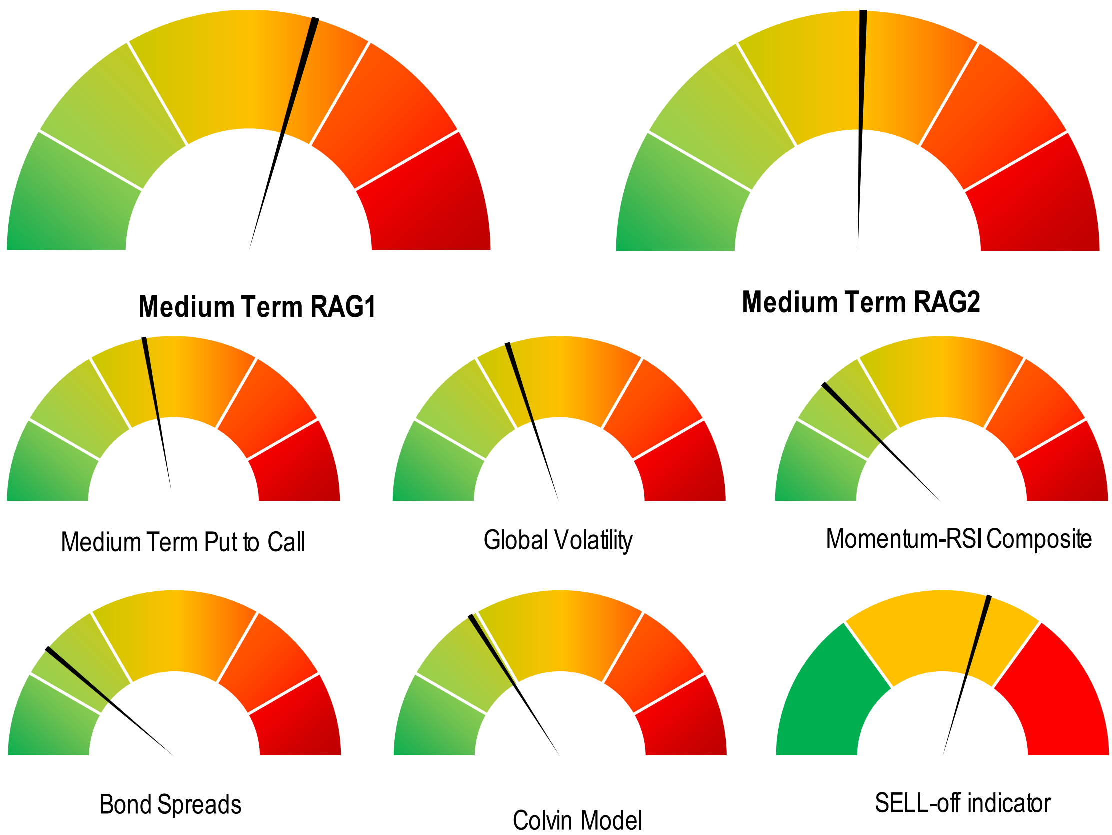
Section 1a: Summary of indicator signals**

Fig 1a: Short term models – shown as gauges using standard deviation bands



Source: *Longview Economics*

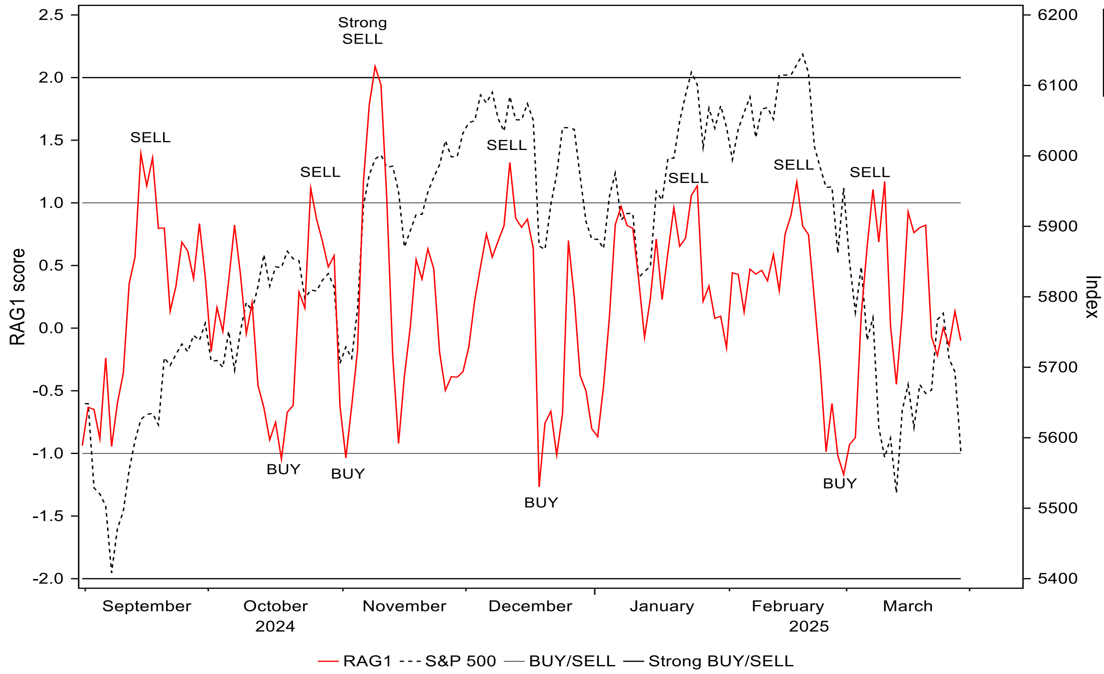
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

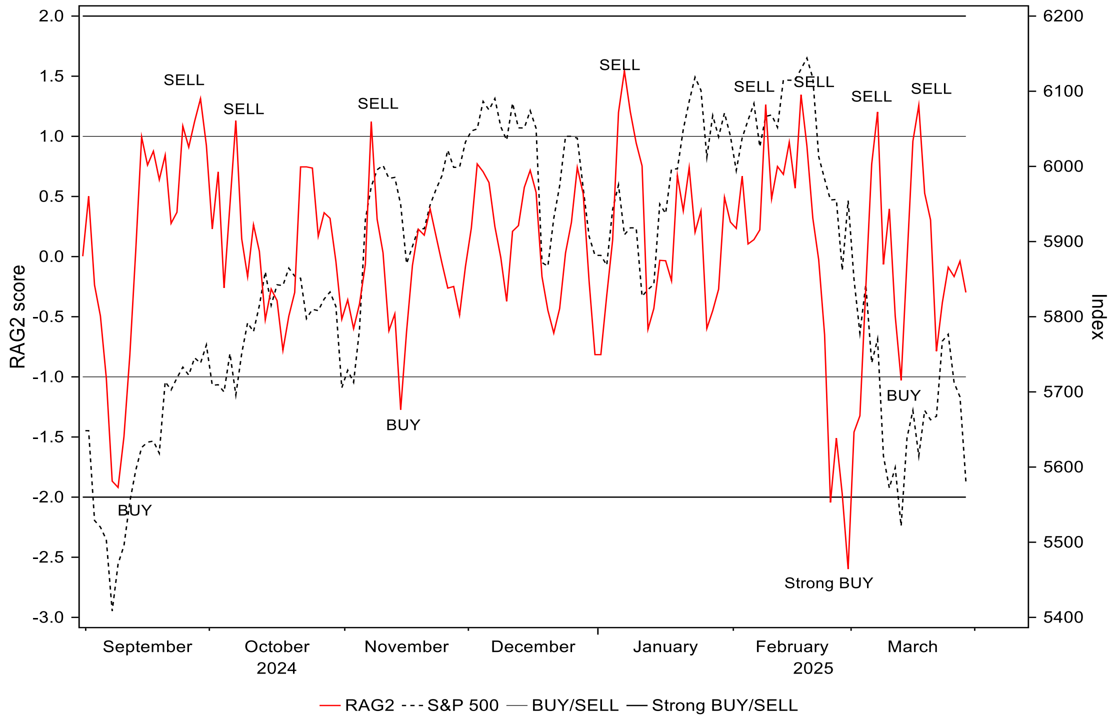
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

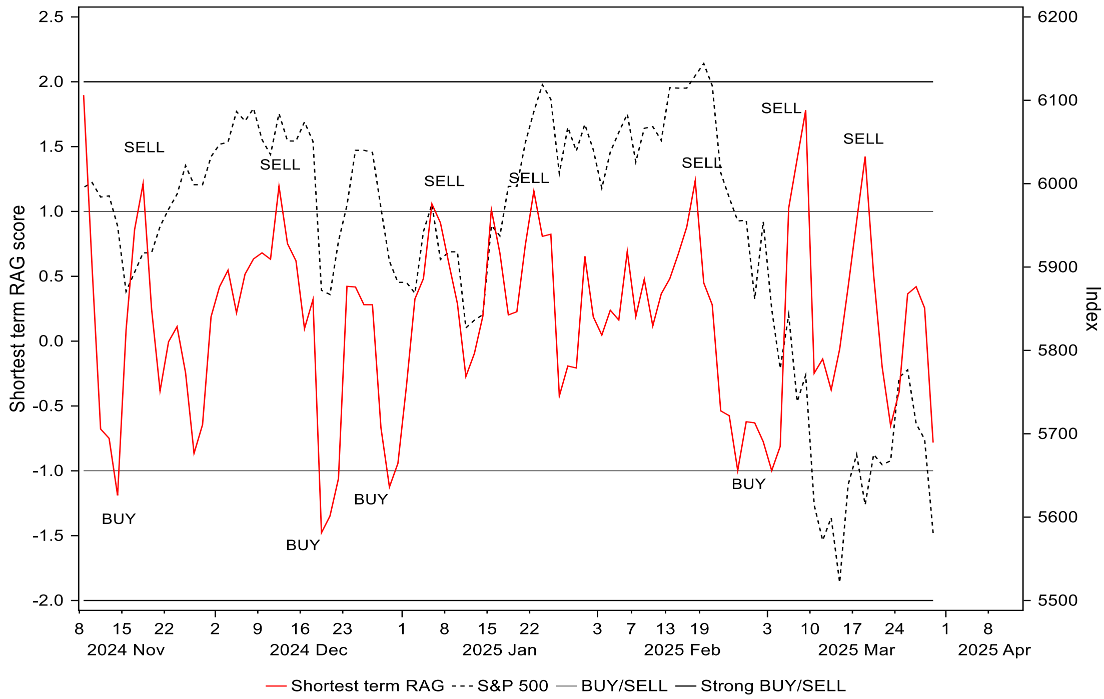


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

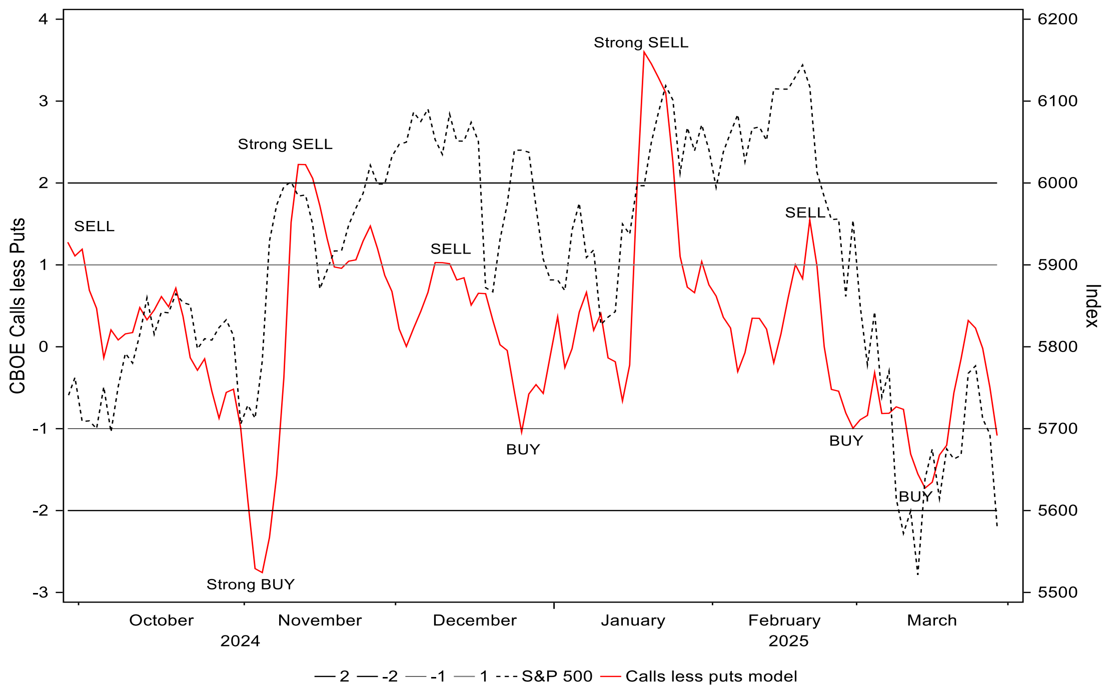
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

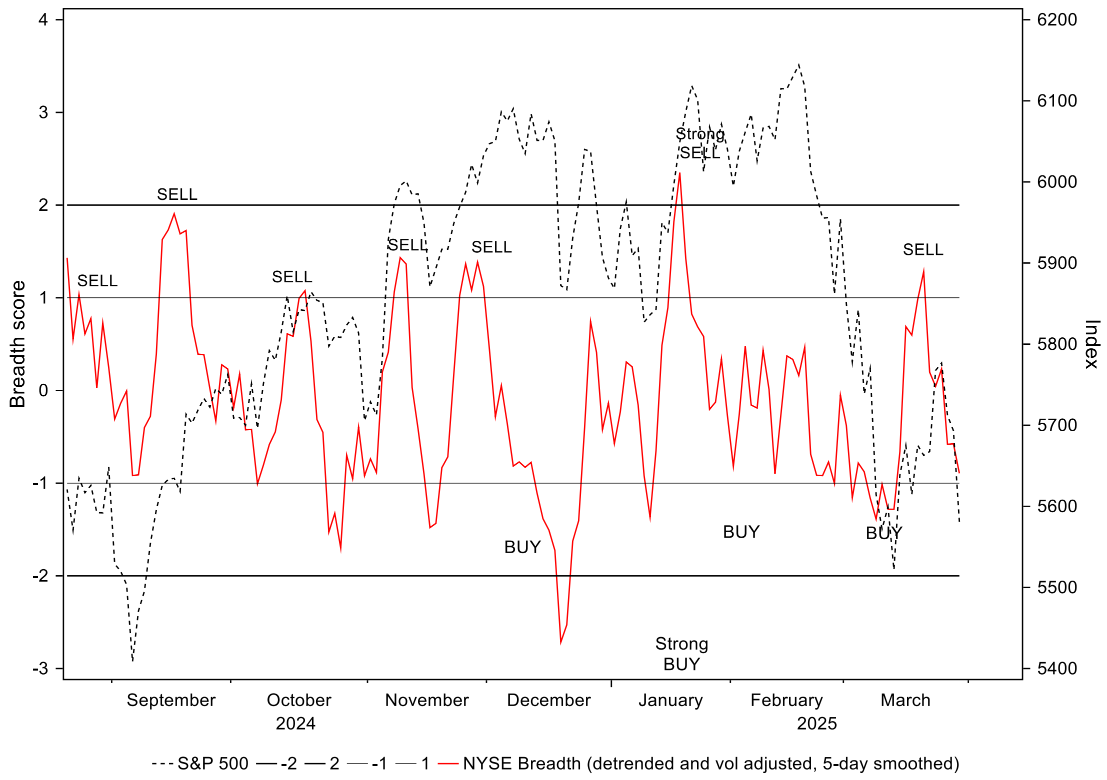


Calls less puts model is on BUY

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



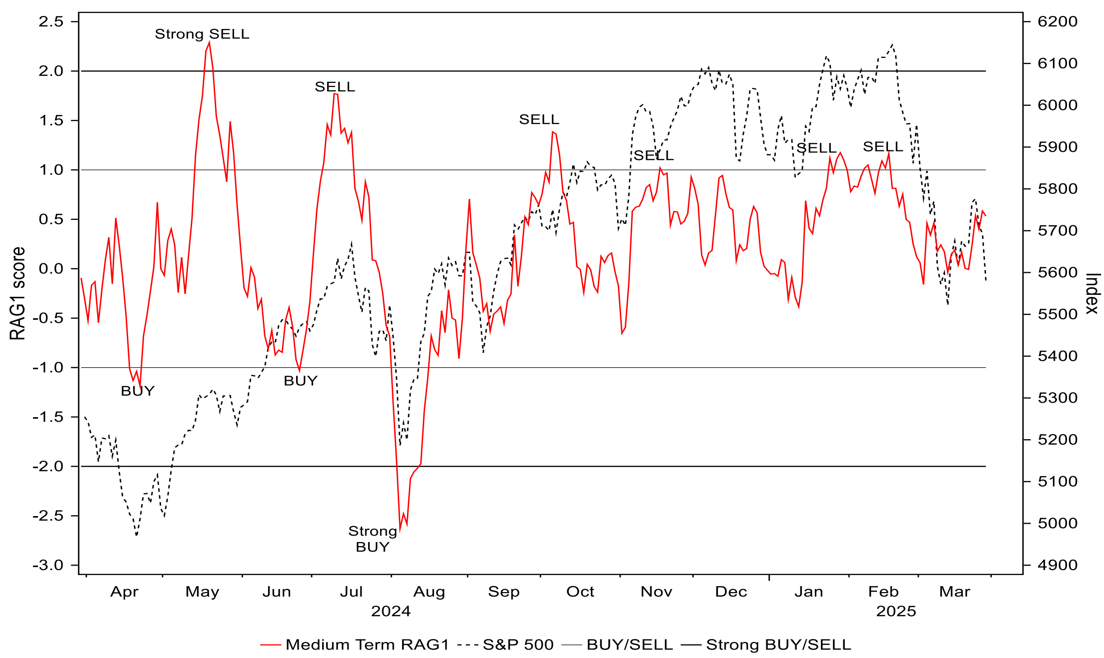
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

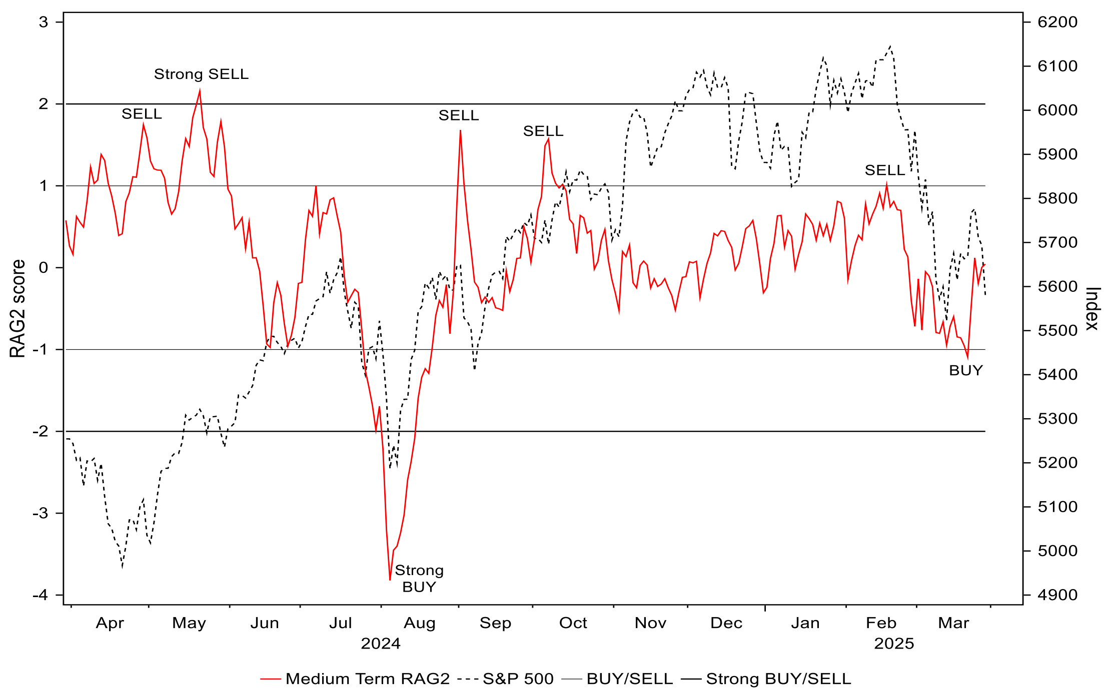
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is NEUTRAL

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

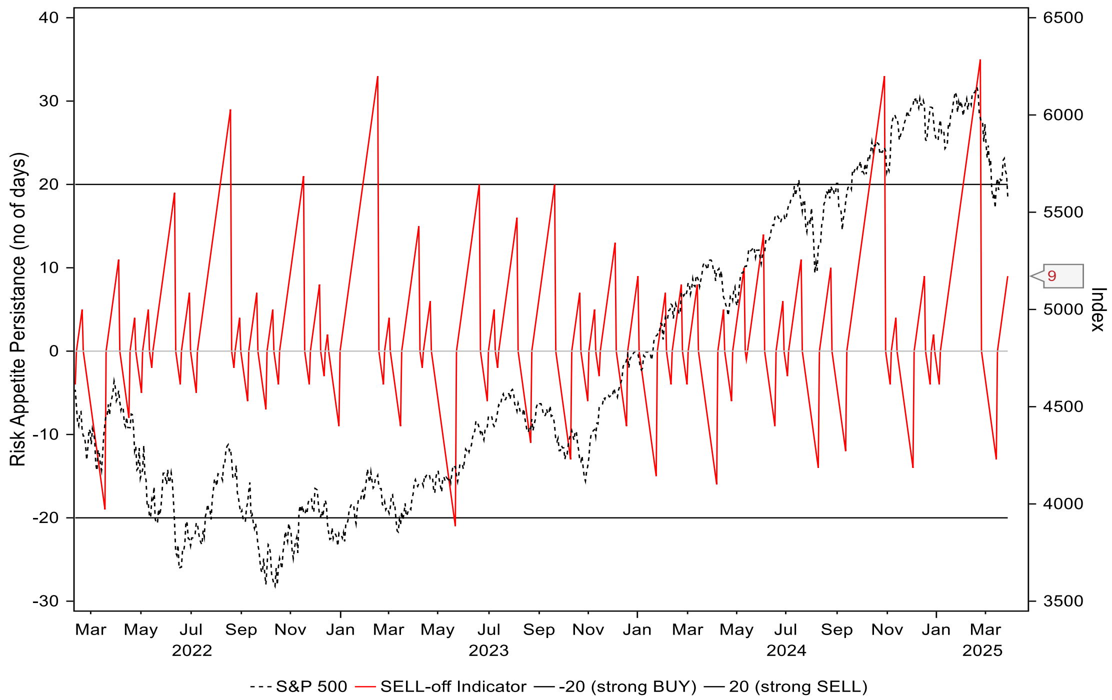


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

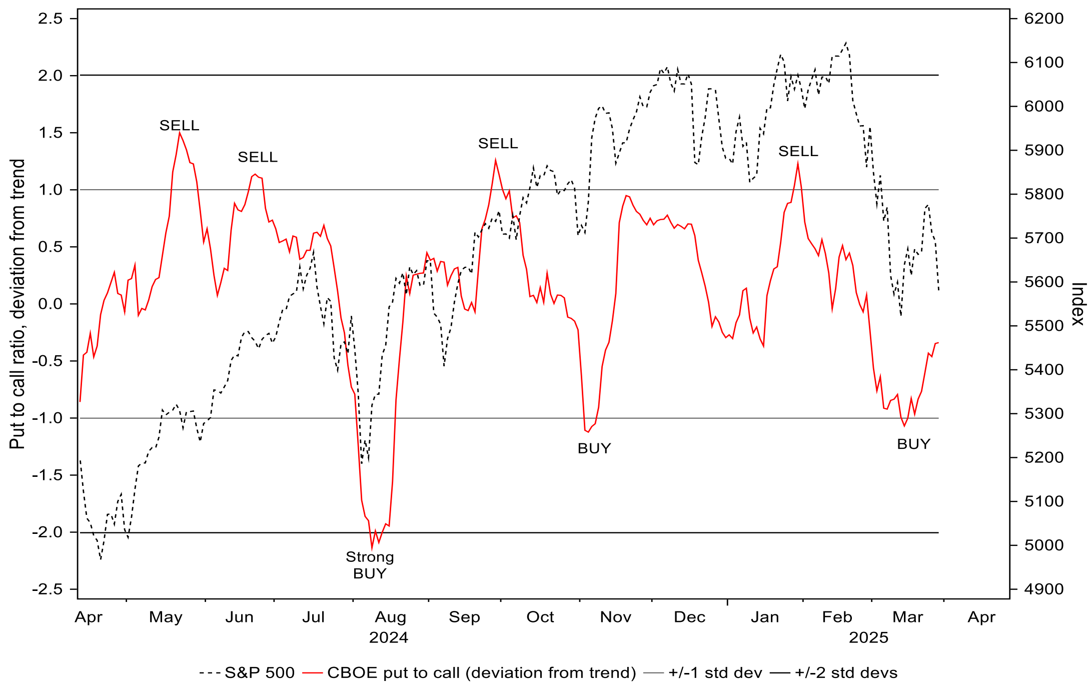
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond

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

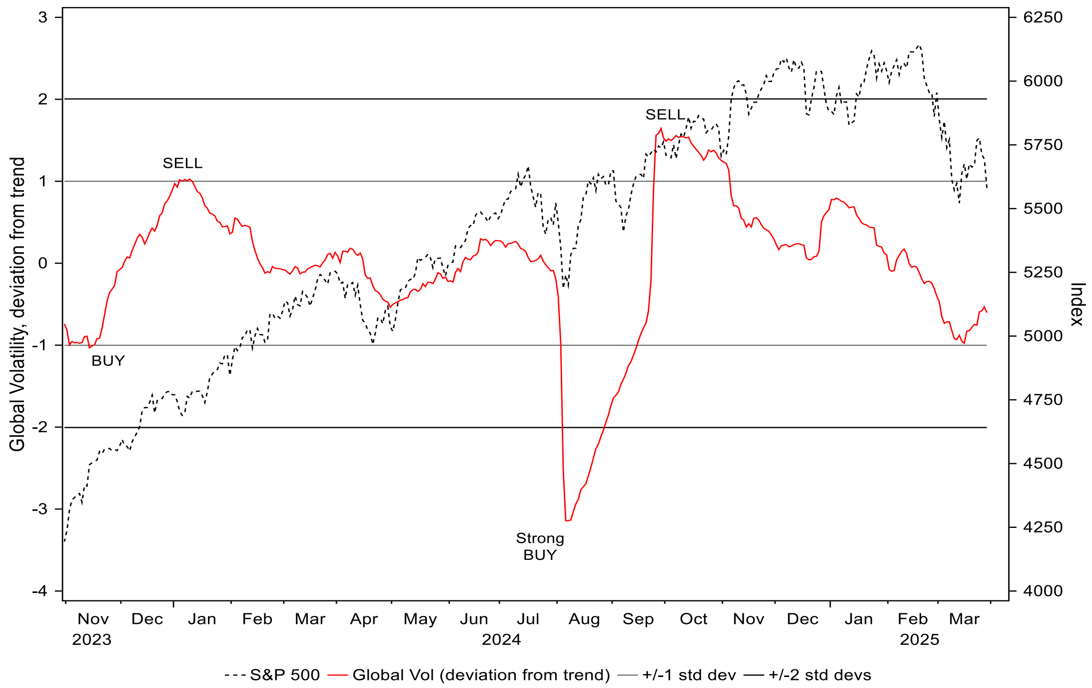


Medium term put to call model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

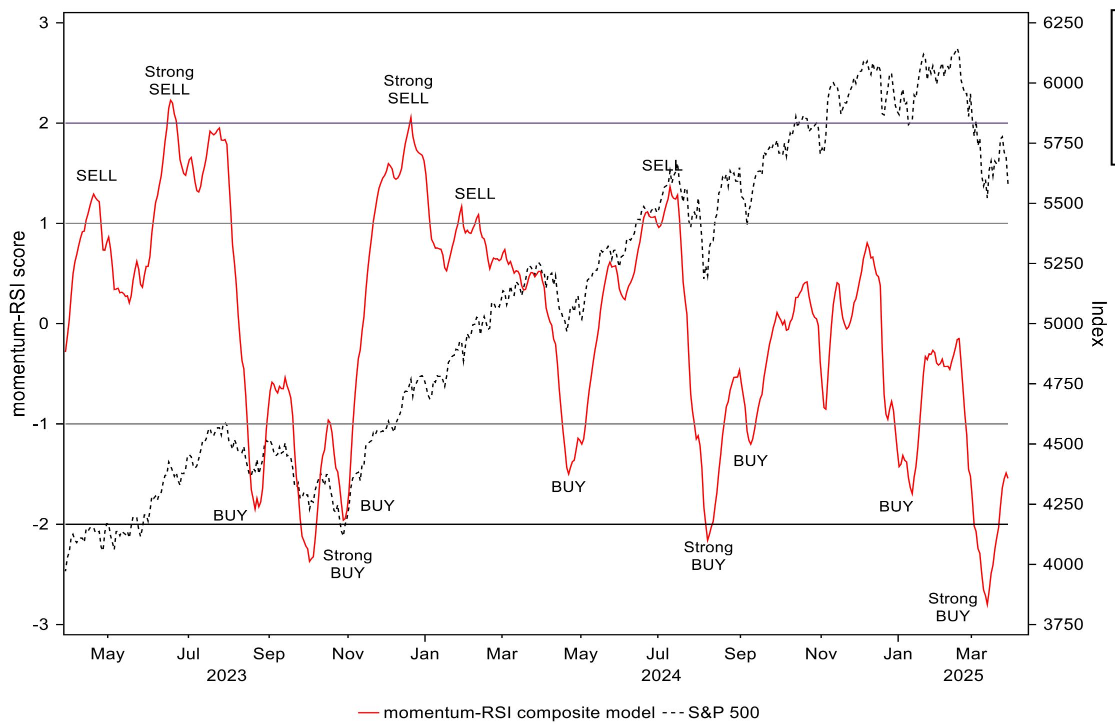
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is NEUTRAL

Source: Longview Economics, Macrobond

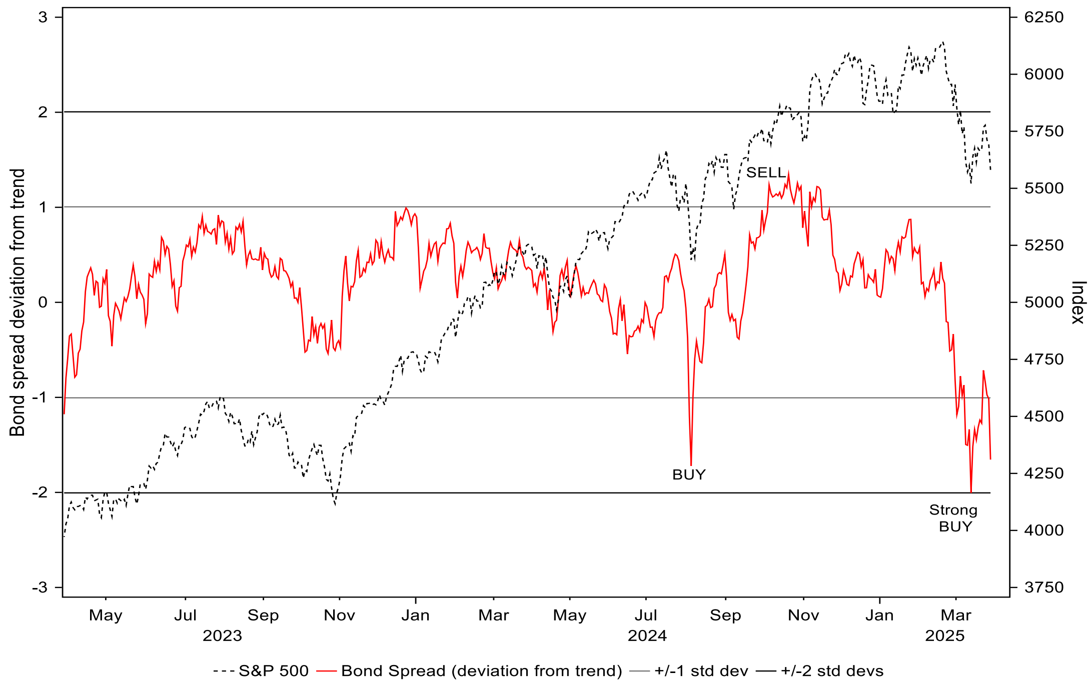
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on BUY

Source: Longview Economics, Macrobond

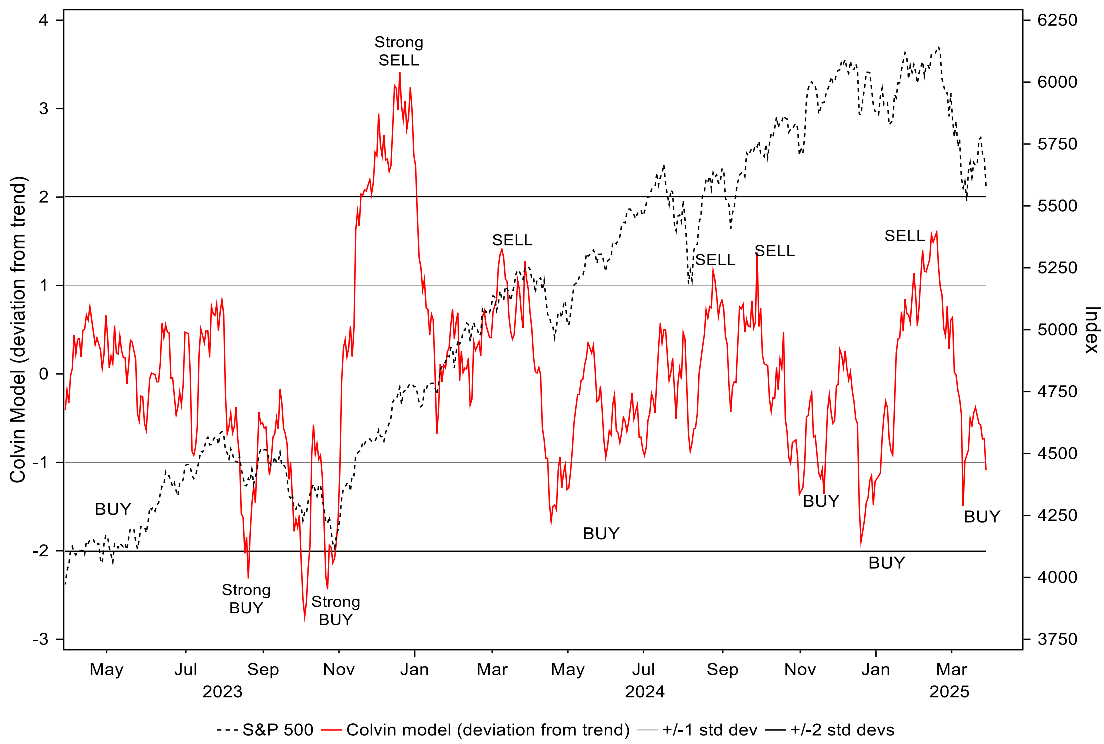
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is on BUY

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



Source: Longview Economics, Macrobond

Colvin model – is on BUY

For explanations of indicators please see page 10

LVRAG
Daily Risk Appetite Gauge

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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