LVRAG
Daily Risk Appetite Gauge

Equity Index Futures Trading Recommendations

3rd April 2025

"BUY Case BUILDing"

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

With the announcement of tariffs, starting at 4pm US EST yesterday (9pm London time), the main action in markets in the past 24 hours has been after US official (cash) trading hours. As has been well covered, the S&P500 futures (and other US markets) sold off sharply once the market understood the full extent of the new tariffs regime. That is neatly illustrated by the long-term history of US tariffs (FIG 1). This chart stretches back to the early 1800s showing average US tariff rates since that time. As the last data point illustrates, Trump's new rates take average US tariffs on imports back to levels last seen about a hundred years ago. Not surprisingly, therefore, the reaction of the S&P futures was dramatic, with the index selling off to its recent intraday lows (and attempting to push below them). That overnight low was 5,481 (just below the mid and late march lows of 5,560 & 5,533 on June futures – FIG 1a). US bonds rallied (yields fell), with the 10-year yield back at October 2024 levels (and touching 4.03%/4.04% overnight – FIG 1c). The VIX spiked back to its mid-March highs (FIG 1b), while the US dollar was weak (FIG 1c).

With the action occurring overnight, many of our short-term market timing charts are not updated to reflect that overnight weakness (as most of them are based on closing prices). We have manually updated the technical scoring systems using the current (live at the time of writing) NDX100 & SPX futures prices. Those models are both close to BUY but not yet at that level (FIGs 4 & 4a). No doubt, there will have been BUYing of downside protection overnight (i.e. of put options – consistent with the spike in the VIX futures overnight). The key put to call ratios were already on/close to BUY, so that overnight action will likely push them further onto BUY (i.e. a stronger BUY message – FIGs 3 & 3a). The short-term risk appetite scoring system, the combined RAG1 plus RAG2, as well as combined 'SHORT & MEDIUM term' scoring systems are also all on BUY (and will likely move to stronger BUY once updated for overnight price action – FIGs 2, 2a & 2b).

The case for a relief rally, therefore, continues to BUILD. There was some sense of capitulation in the overnight price action (although the jury is still out). One key risk remains – that is the extent of retaliatory actions by other countries (albeit it's expected that countries like China and the EU will retaliate). For choice, though, and as highlighted yesterday, the region of recent intraday lows (and overnight lows) remains an interesting entry point for LONG trade positions (for that potential relief rally). With much of the immediate key newsflow now out of the way, with models increasingly generating/leaning towards BUY and with possible capitulation overnight, the BUY case is BUILDing.

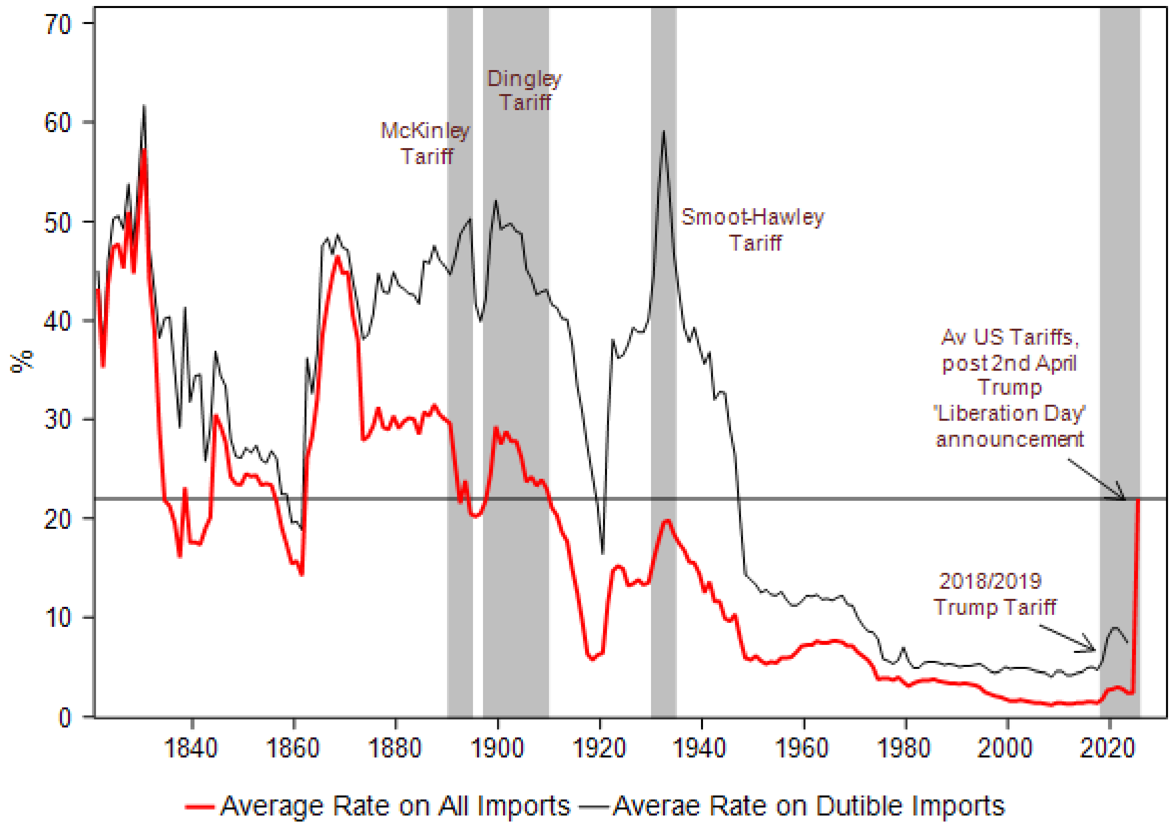
For now, though, we recommend WATCHing and WAITing for the remaining questions, about LONG positions, to be answered (that is clearer evidence of capitulation/broader based BUY signals and some strong BUYs – as discussed in recent Daily publications).

Key events today are shown below.

Kind regards,

The team @ Longview Economics

<u>**FIG 1:** US average tariff rates (1821 to present)</u>



Source: Longview Economics, Macrobond

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

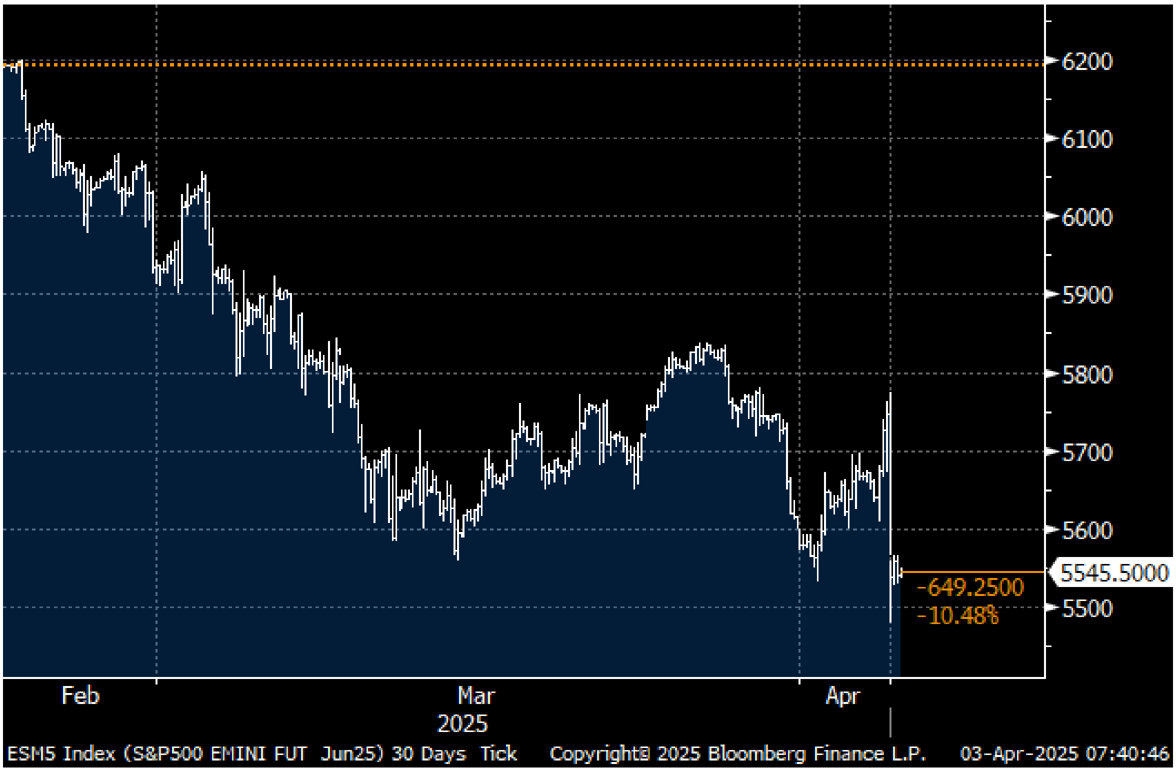


FIG 1b: VIX futures 120-day tick chart shown with overnight price action

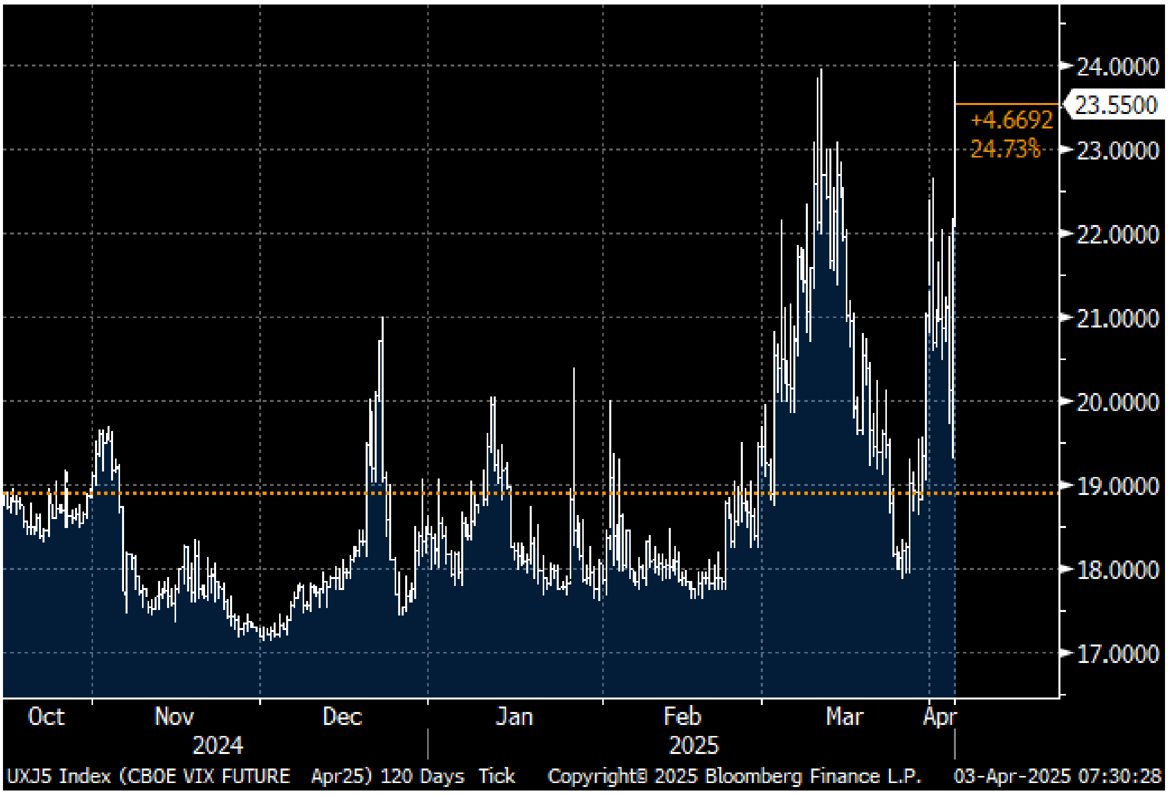


FIG 1c: US 10-year bond yields 3-day tick chart shown with overnight price action

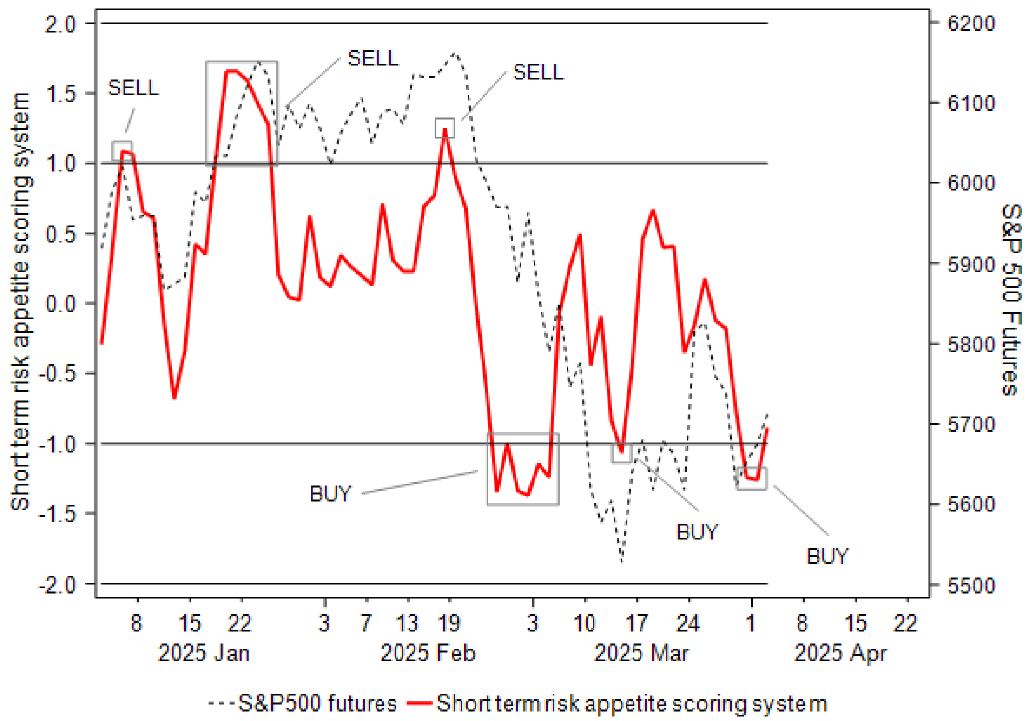
FIG 1d: US Dollar (DXY) 3-day tick chart shown with overnight price action

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

Source: Longview Economics, Macrobond

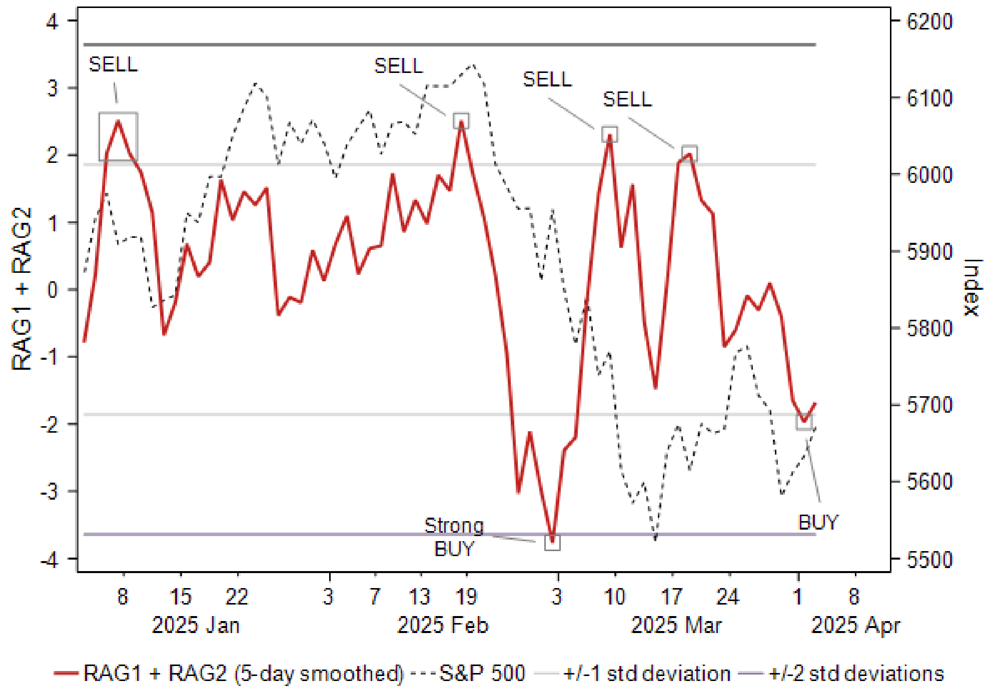
Short term risk appetite models are (effectively) on BUY…

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



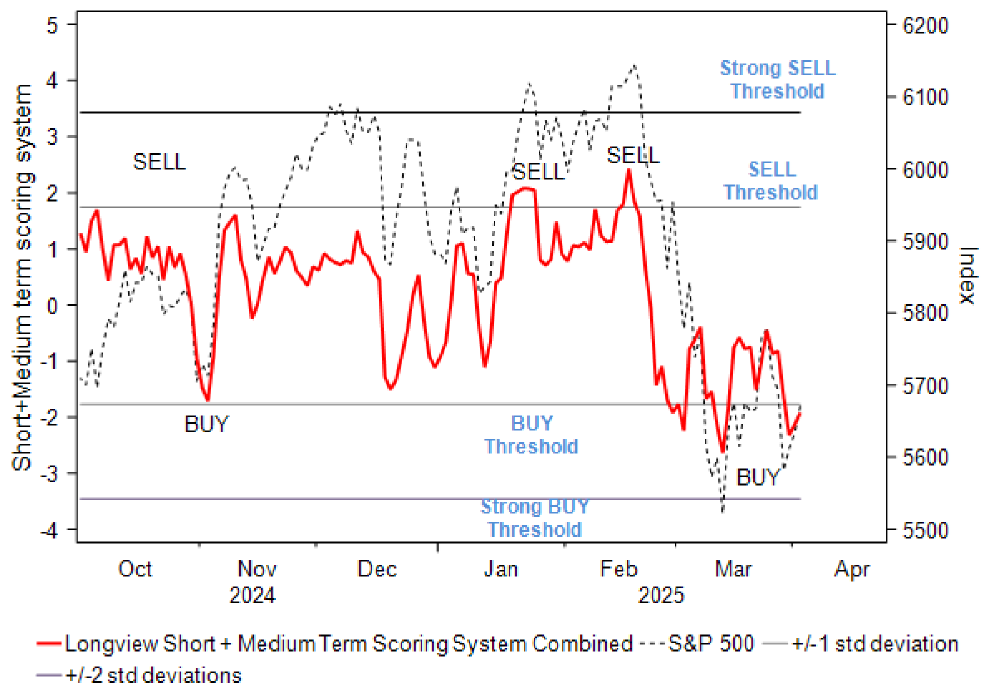
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

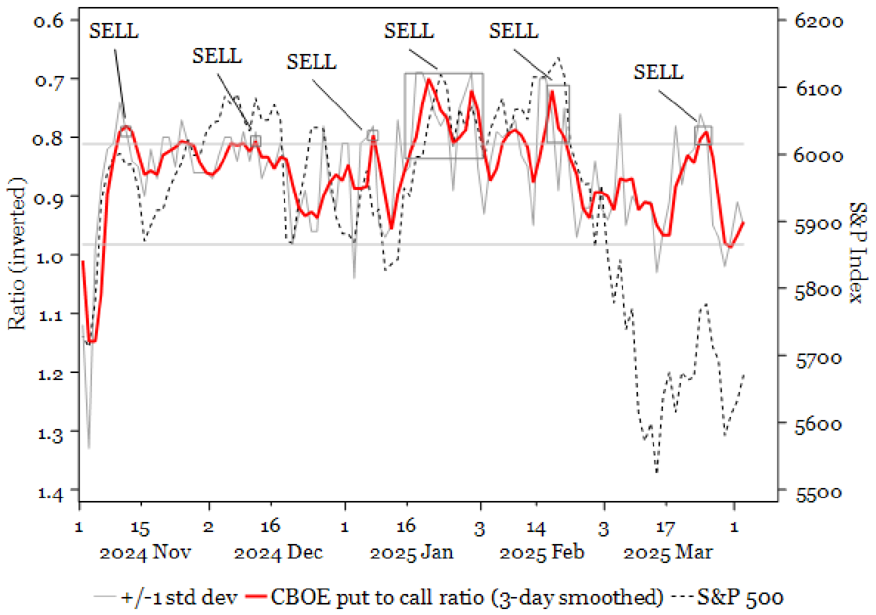
FIG 2b: Longview combined short PLUS medium term **'risk appetite'** scoring systems vs. S&P500



Source: Longview Economics, Macrobond

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

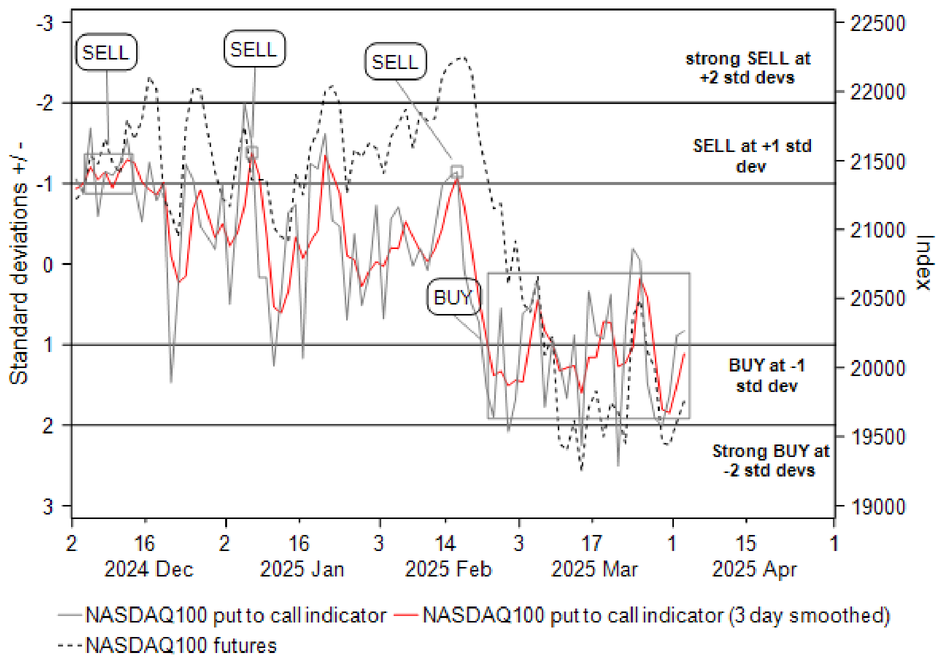
FIG 3: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

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

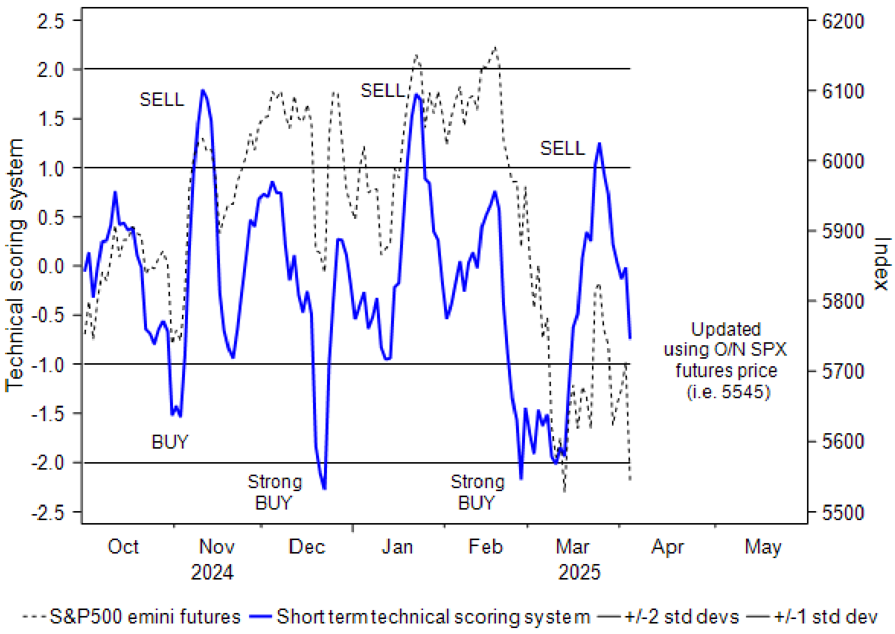
FIG 3a: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

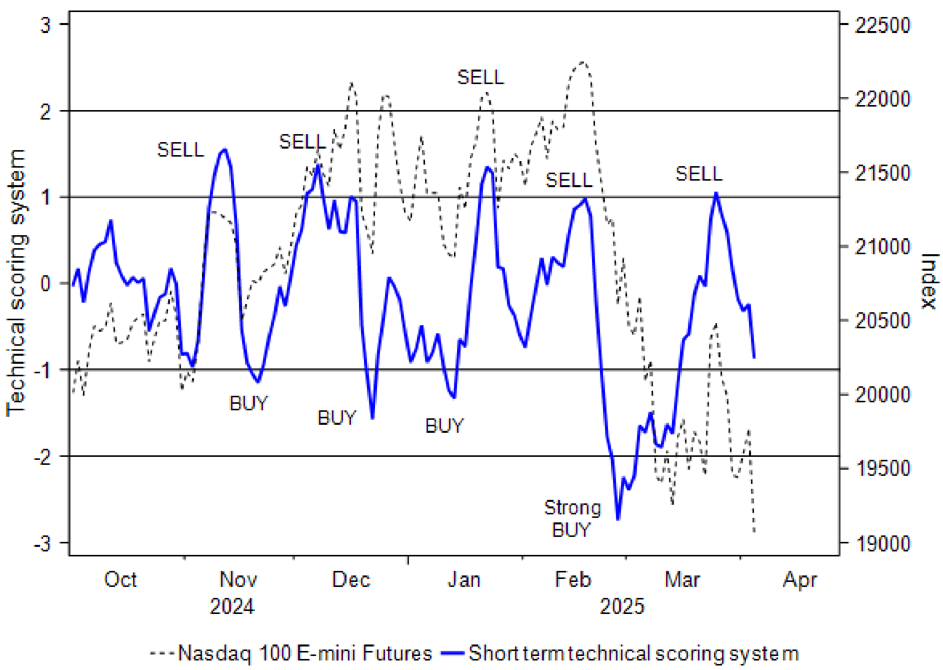
Technical/price-based models (for indices) are now moving towards BUY….

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



Source: Longview Economics, Macrobond

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

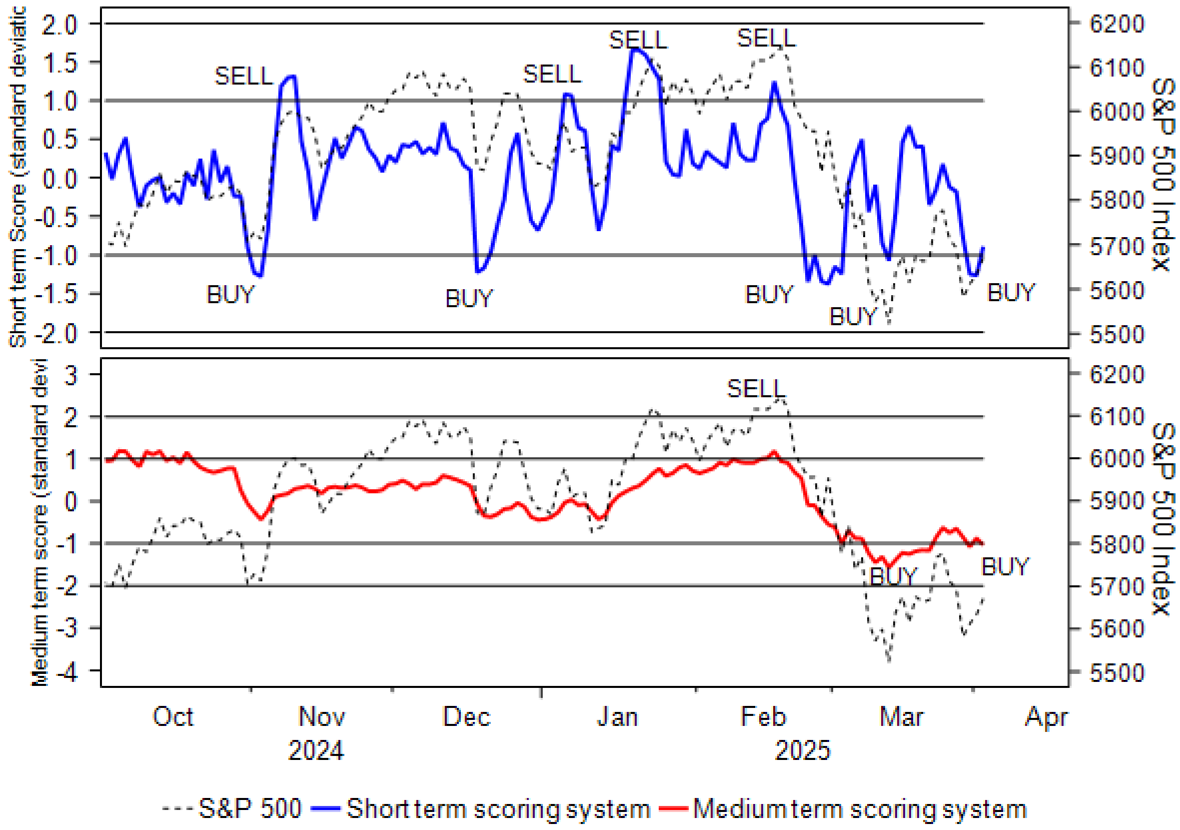


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

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



Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

Key macro data/events

Key data today include: Australian imports/exports, & trade balance (Feb, 1:30am); Japanese Jibun Bank services sector PMI (March final estimate, 1:30am); Australian job vacancies (Feb, 1:30am); **Chinese Caixin service sector PMI** (Mar, 2:45am); HCOB service sector PMIs for Spain (8:15am), Italy (8:45am), France (8:50am), Germany (8:55am) & Eurozone (9am) – all March final estimates apart from Spain & Italy; UK S&P service sector PMI (March final estimate, 9:30am); **Eurozone PPI** (Feb, 10am); **US Challenger job cuts** (Mar, 12:30pm); US trade balance (Feb, 1:30pm); US weekly jobless claims (1:30pm); Canada S&P service sector PMI (March final estimate, 2:30pm); US S&P service sector PMIs (March final estimate, 2:45pm); **US ISM services PMI** (Mar, 3pm).

Key events today include: Speech by the ECB's Schnabel in Paris (11:00am); ECB publishes account of March 5-6 policy meeting (12:30pm); speech by the Fed's Jefferson on communication (5pm).

Key earnings today include: Kweichow Moutai.

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 yesterday on 2nd 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

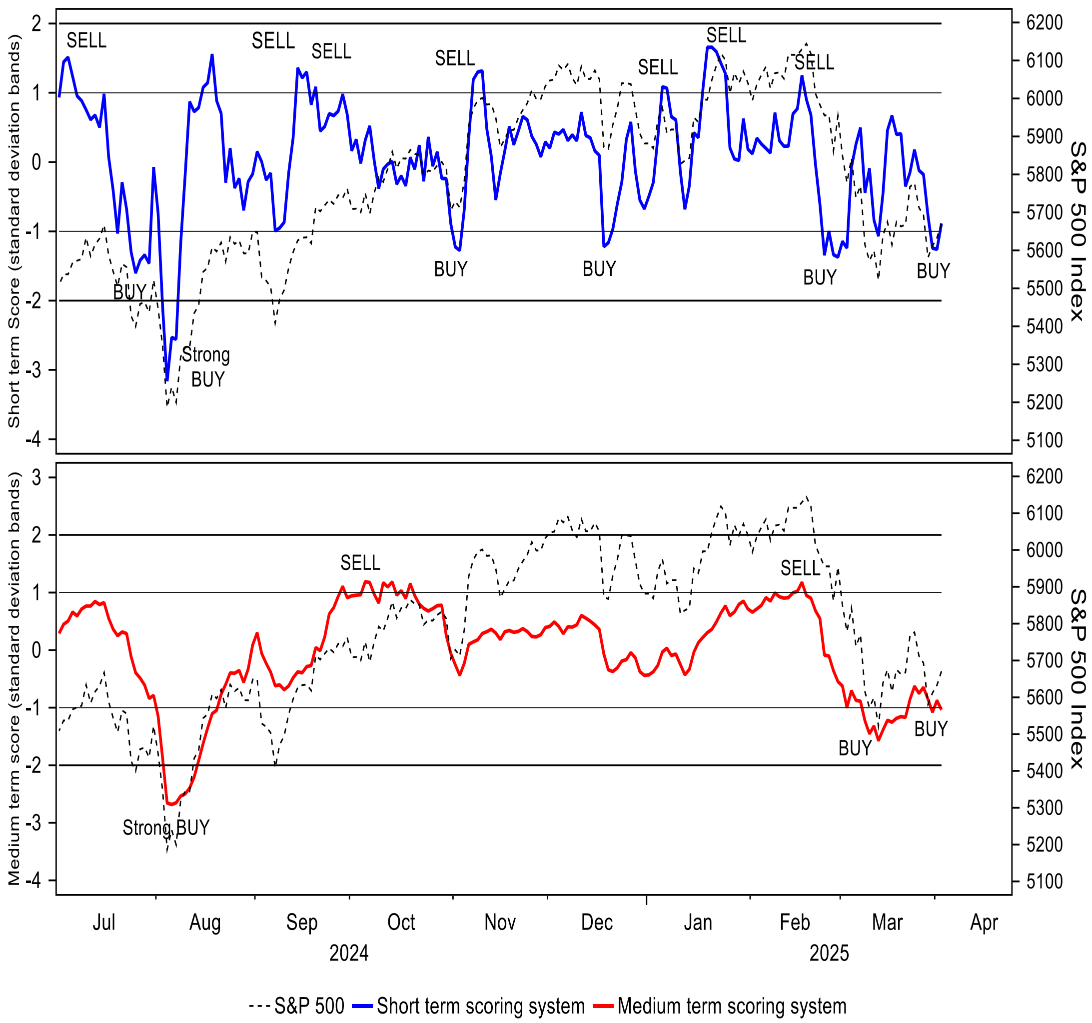
1 – 2 Week View on Risk

3rd 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 NEUTRAL

Medium term scoring system is On BUY

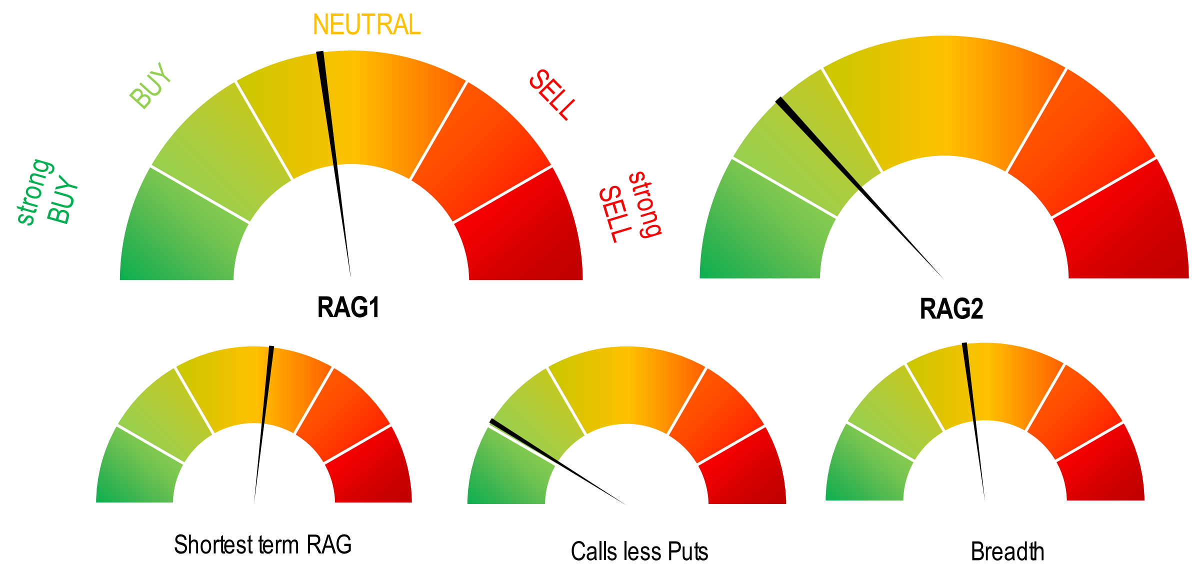
Source: Longview Economics, Macrobond

*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

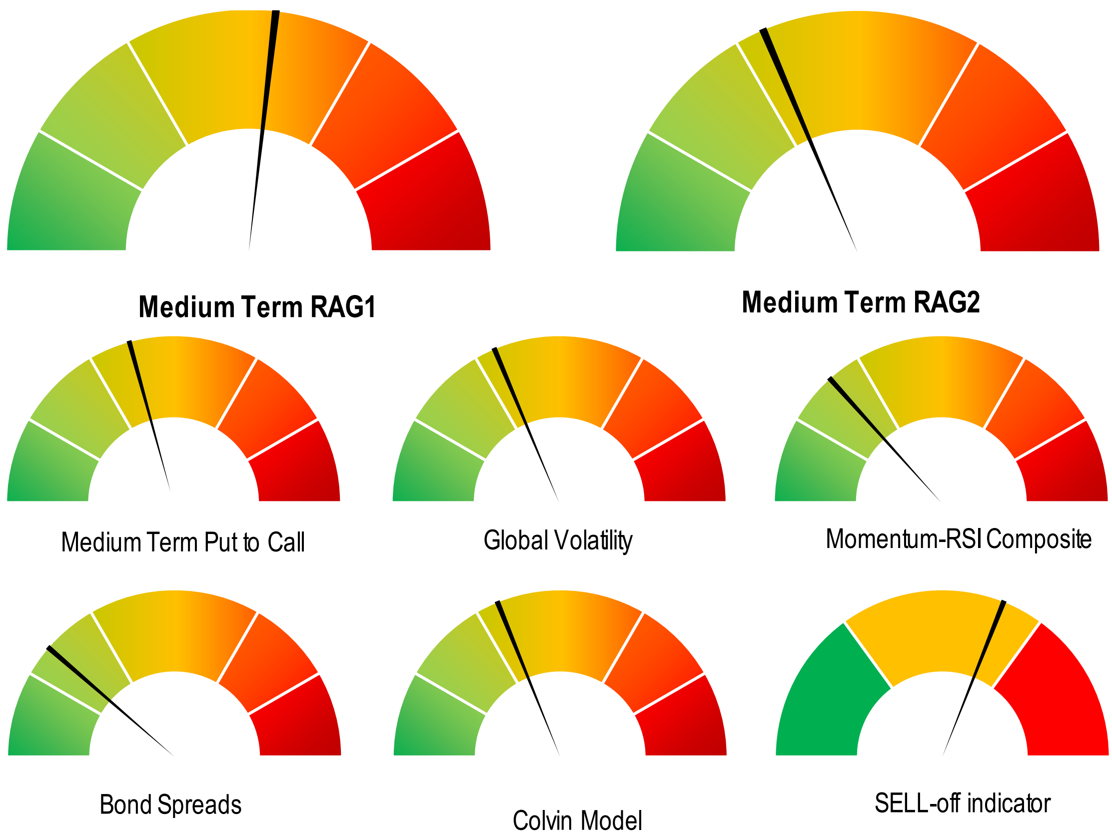
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

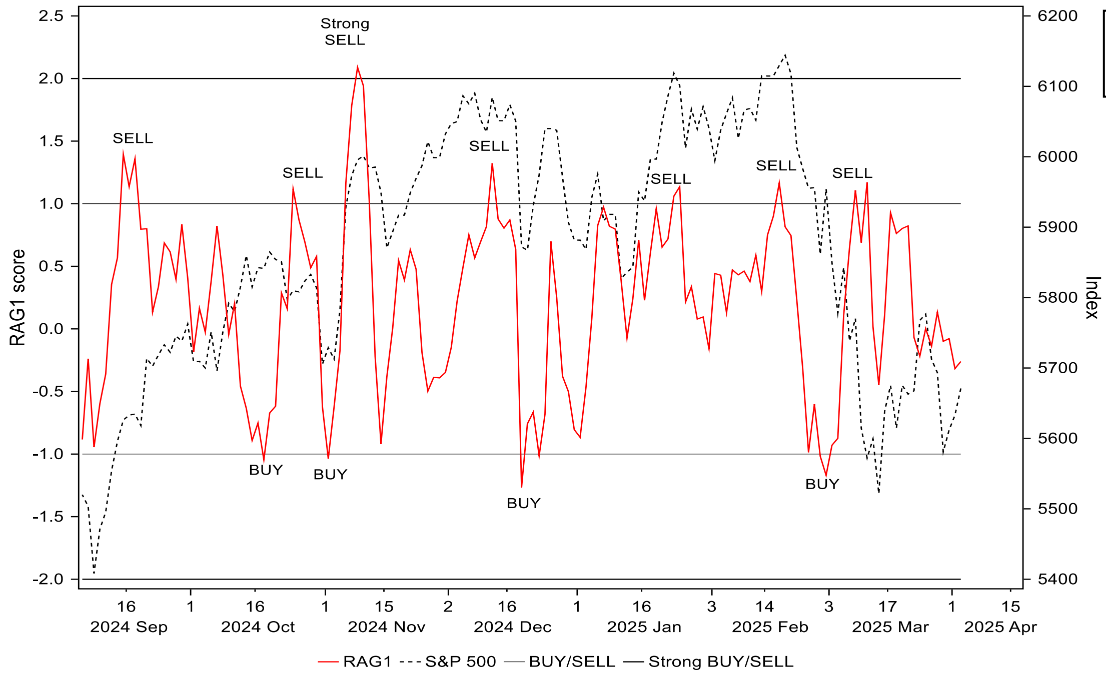
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

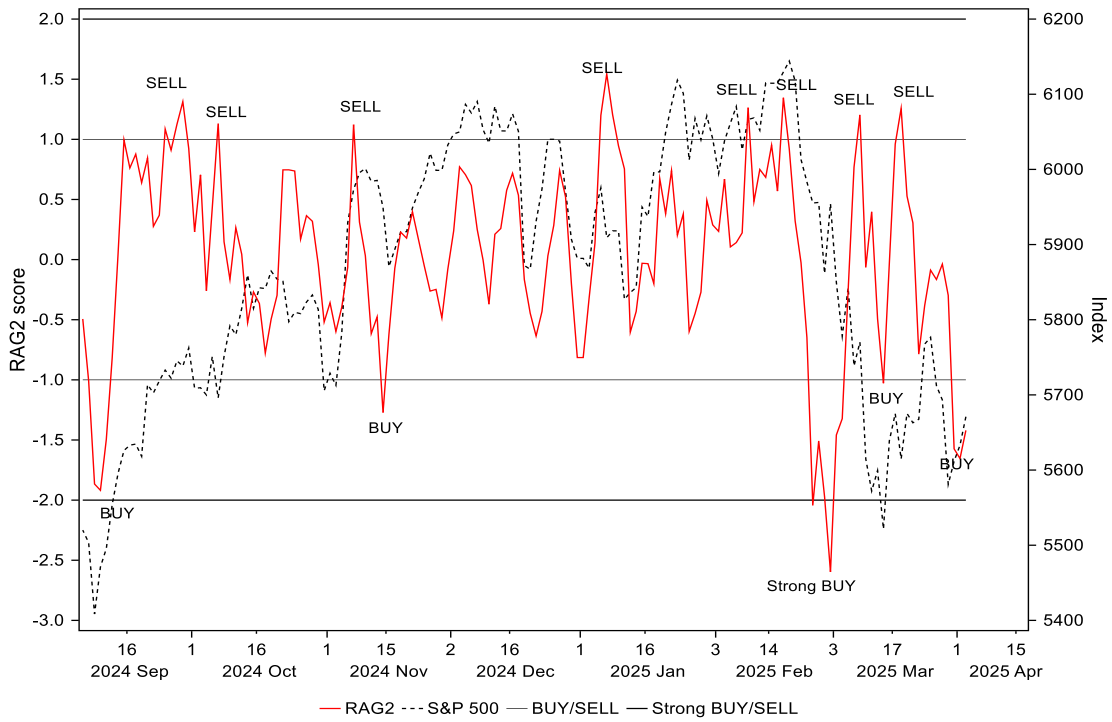
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

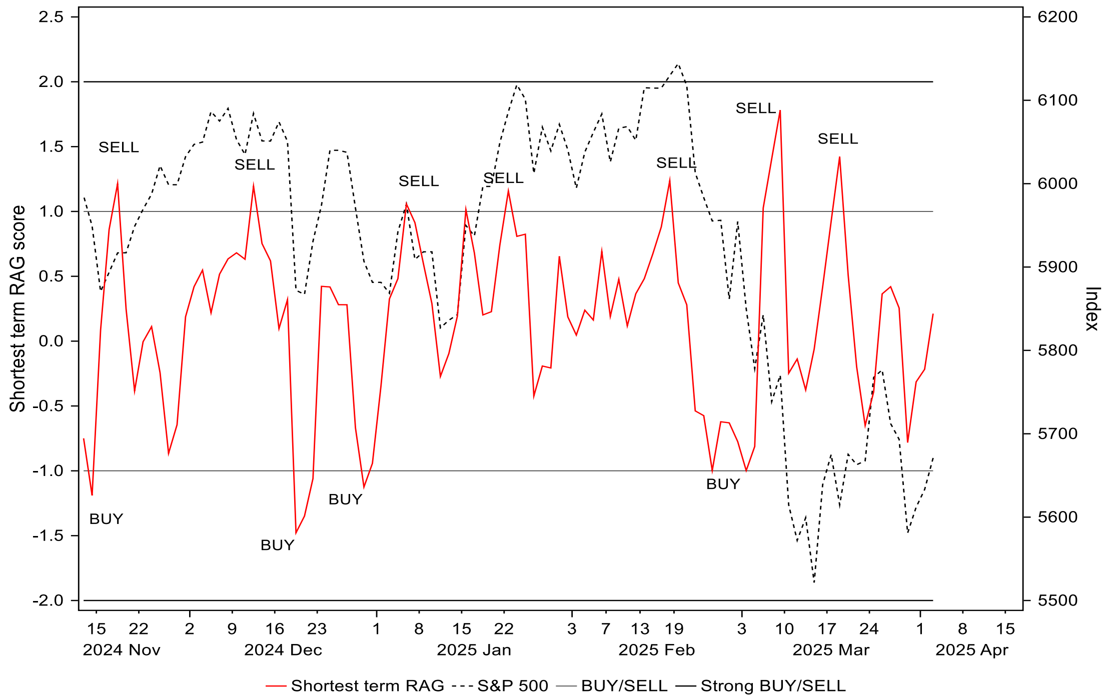


RAG2 is on BUY

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

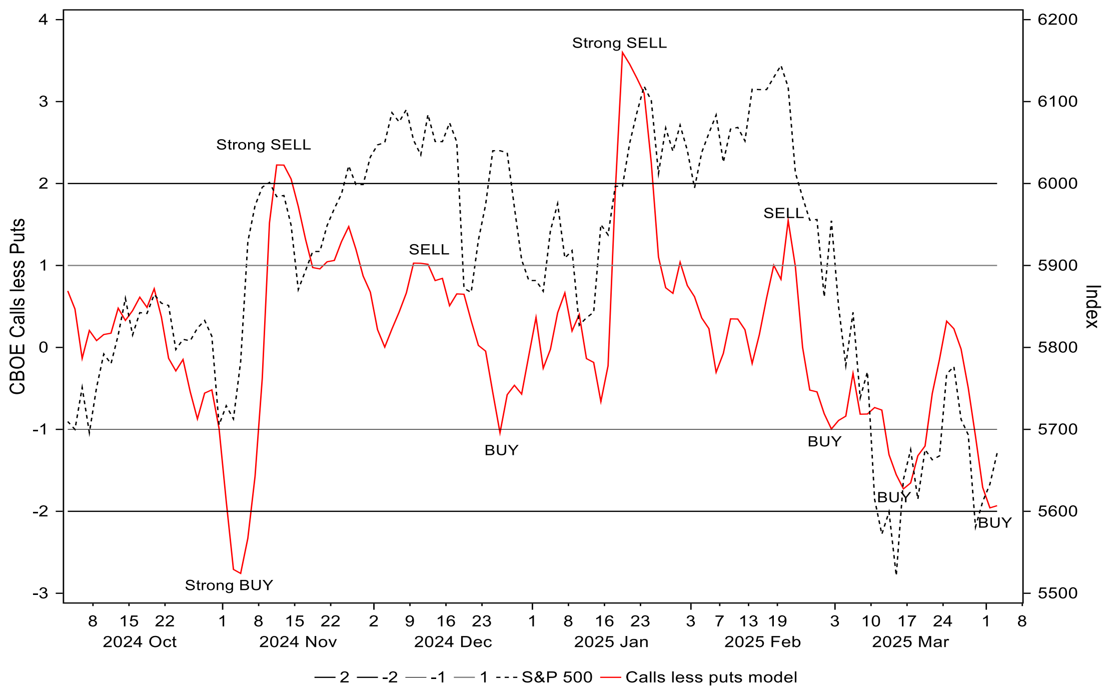
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

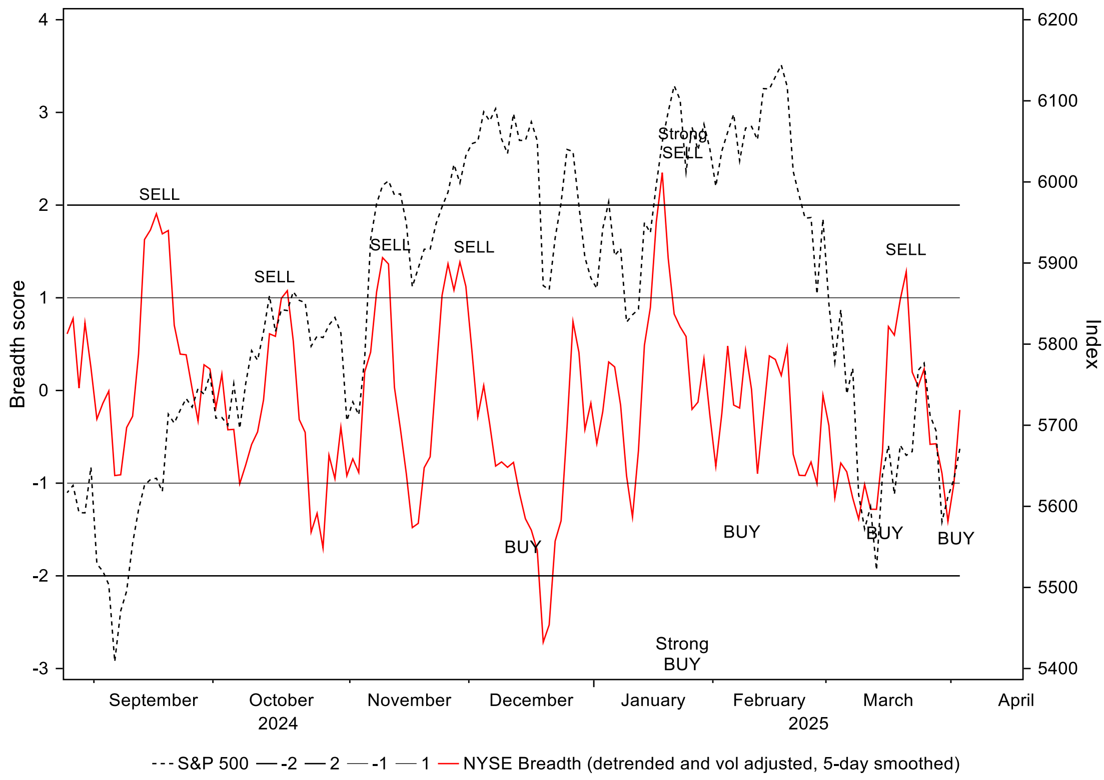


Calls less puts model is on BUY

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

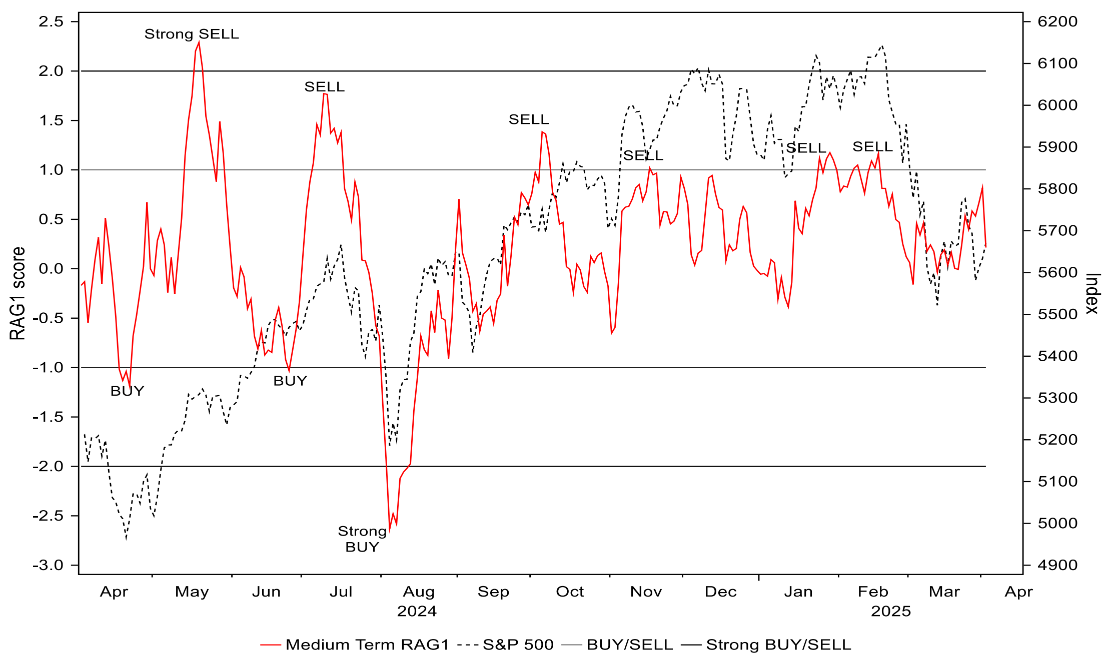
The breadth model is NEUTRAL

For explanations of indicators please see page 10

LVRAG
Daily Risk Appetite Gauge

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

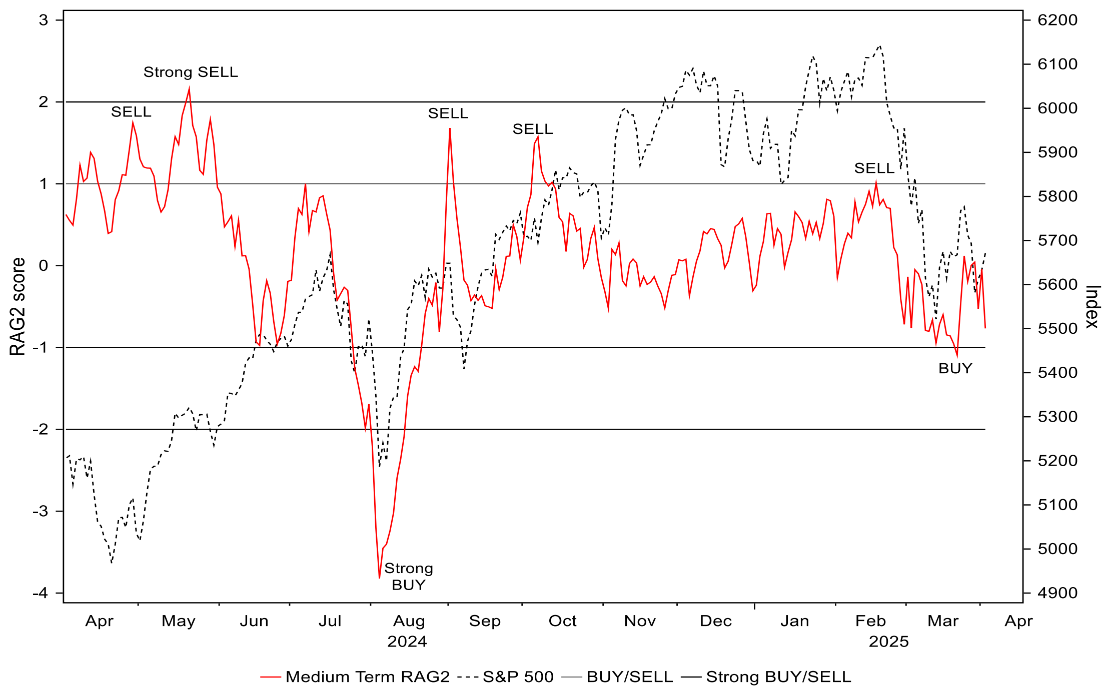
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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



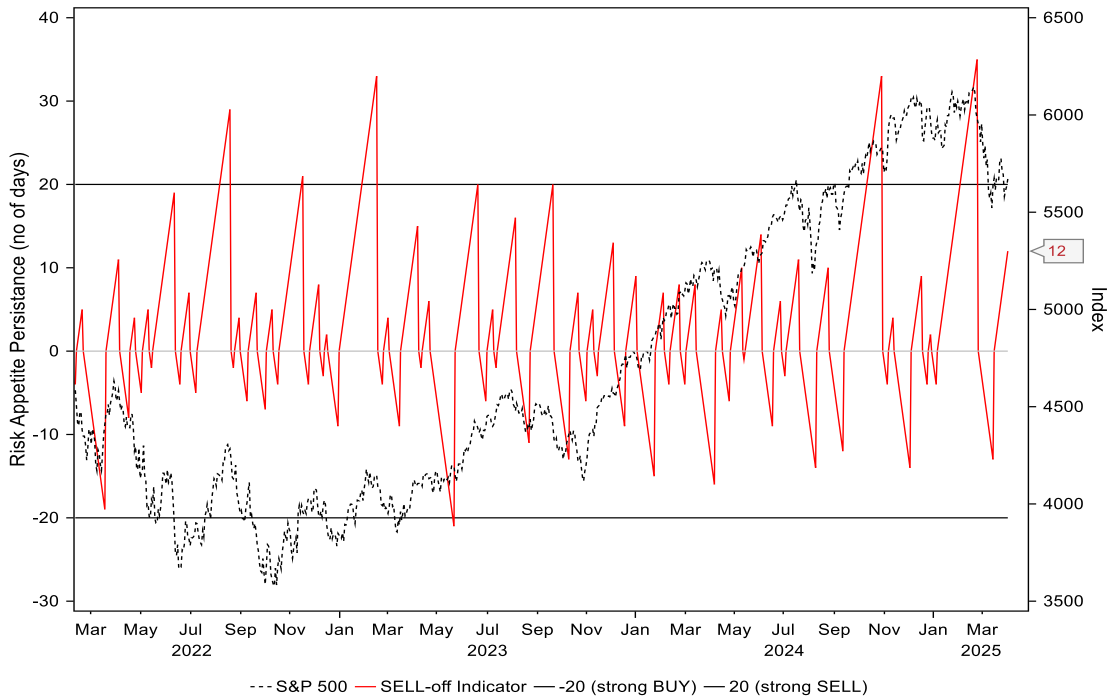
Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

LVRAG Daily Risk Appetite Gauge

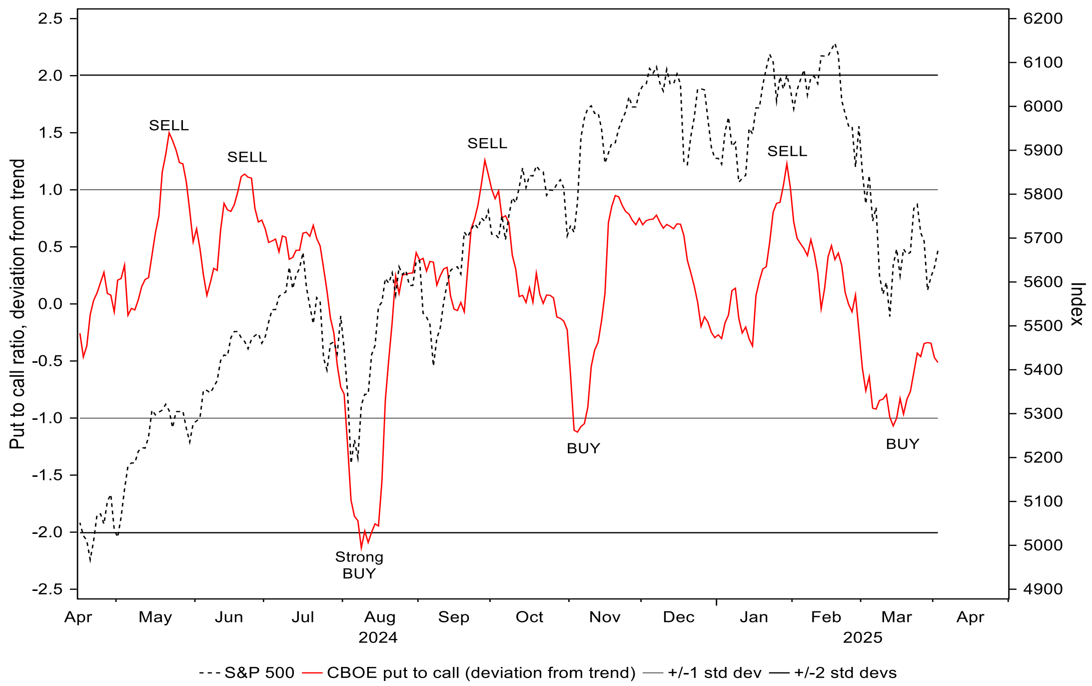
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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



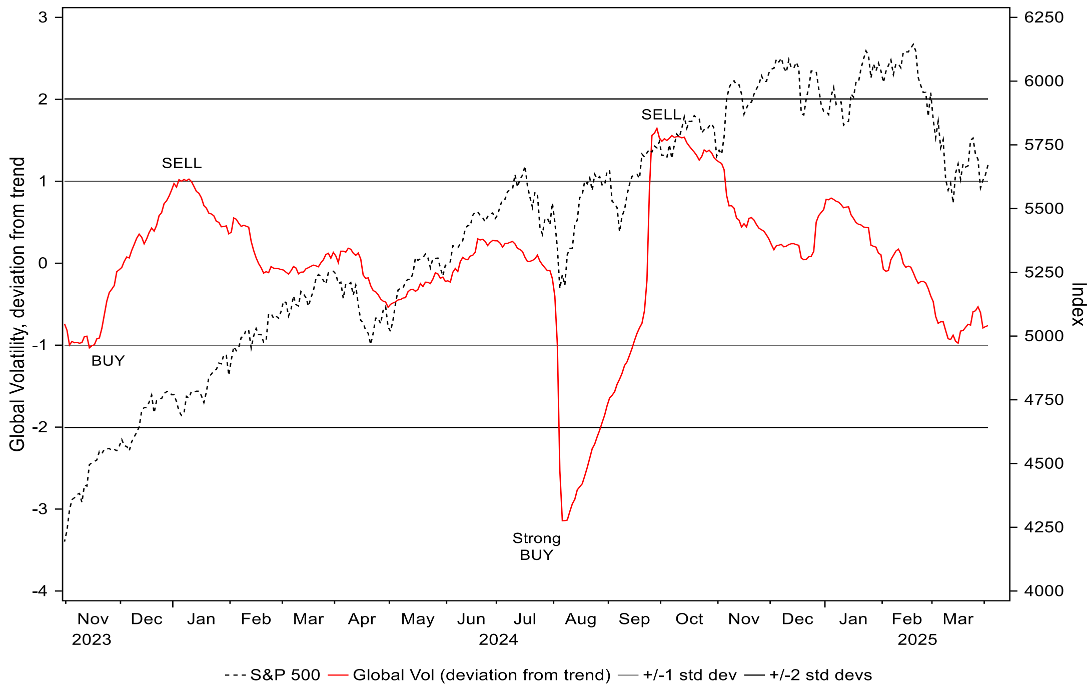
Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

LVRAG
Daily Risk Appetite Gauge

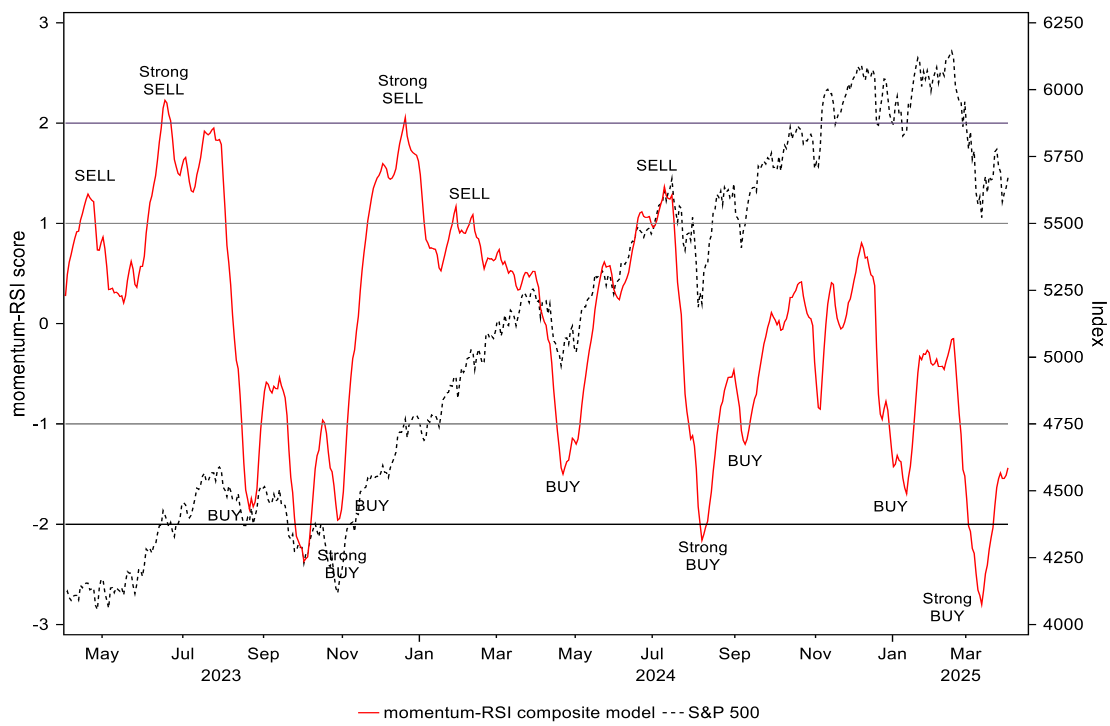
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is NEUTRAL

Source: Longview Economics, Macrobond

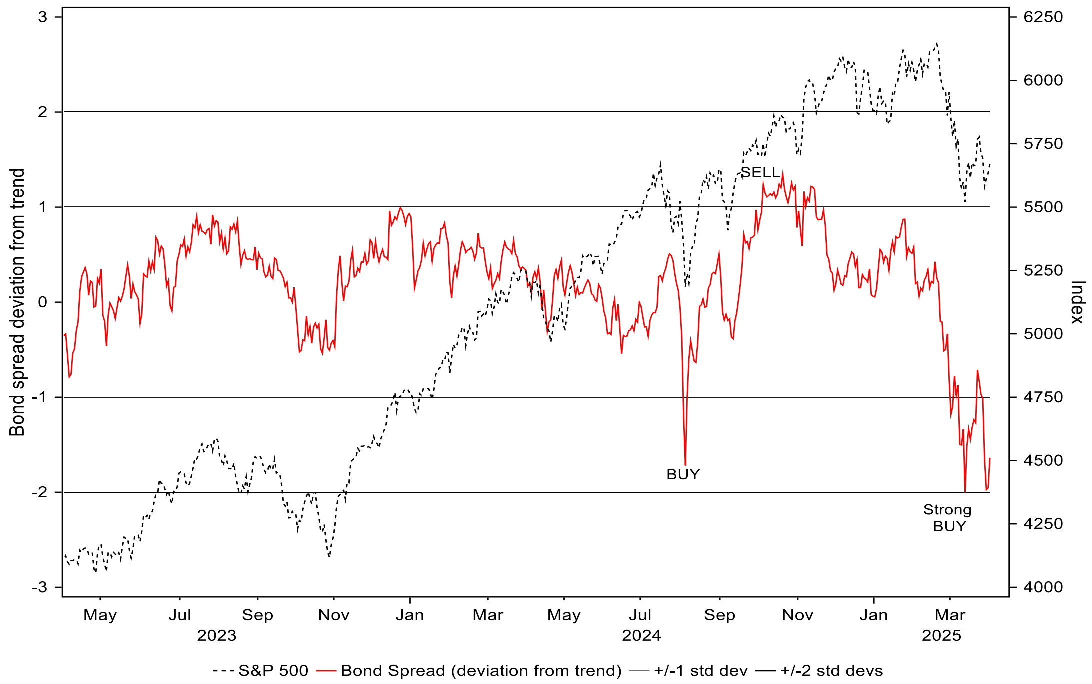
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on BUY

Source: Longview Economics, Macrobond

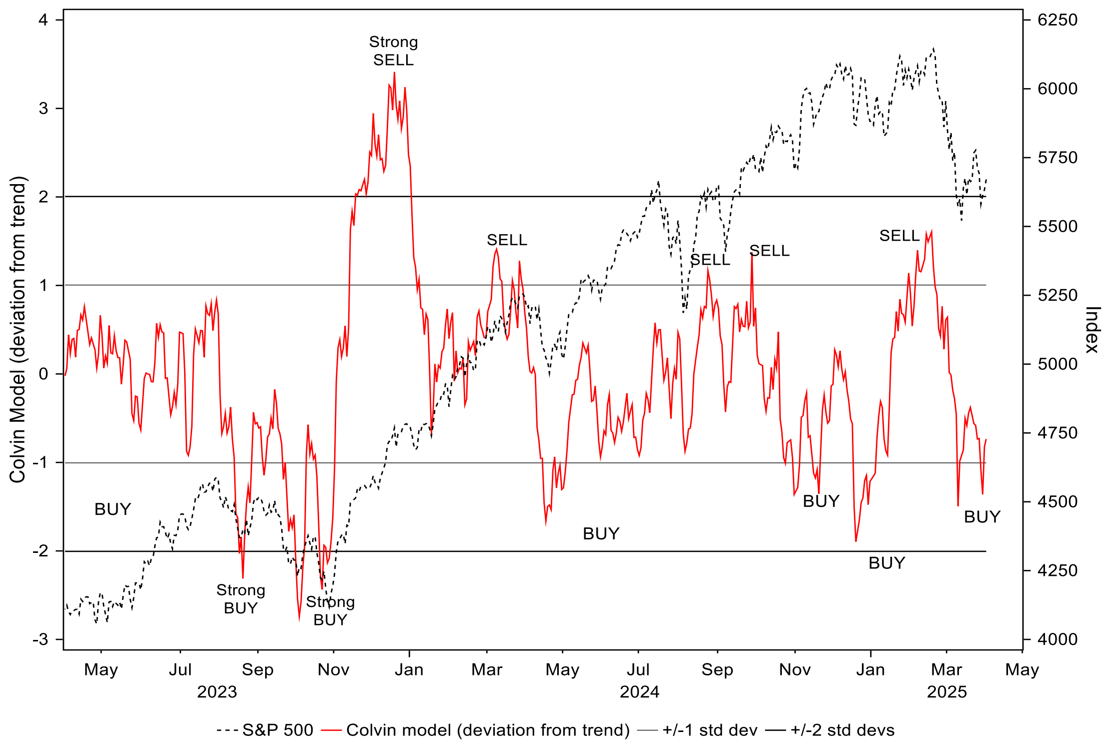
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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 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.

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.