Equity Index Futures Trading Recommendations

3rd 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 collective message of the 'short term models' remains unchanged. Most key ones are still mid-range/NEUTRAL (FIGs 2 to 2f). At the same time, the S&P500, NDX100 and other major indices are rangebound as markets digest uncertainty and look to (potentially) unwind excessive risk appetite (and SELL signals)*. Those trading ranges are shown below in various charts for S&P500 & NDX100 June futures. For the S&P500, the range is 5,734/56 up to 5,994/6,008 (FIG 1 & 1a), i.e. a 250-point range (approx. 4.8%). The NDX100 is similar (although has been trading in a wider 7% - 8% range, FIG 1b). S&P500 June futures, meanwhile, are sitting on their 200-day moving average (at 5,888).

Oil & precious metals were the key feature yesterday across the major asset classes. Oil prices rose by between 3.7% – 4% after OPEC+'s weekend announcement (and the Ukrainian strikes on Russia). We'll be publishing an update on our fundamental oil views later today. Yesterday, we looked at oil from a technical/price action & models' perspective (pls email if you want a copy). Gold was 2.8% higher and pushing out the top of its recent 'pennant' range, as shown yesterday (Silver was +5.4%). The dollar was also weak again (DXY -0.6%), despite higher US 2 & 10-year government bond yields. The dollar is now close to the lower end of its range since mid-April (FIG 1c), having failed to sustain much strength in its relief rally into mid-May. From a **medium-term** technical scoring perspective, the dollar's recent rally looks unimpressive (i.e. into mid-May, FIG 1d). From a **short term** '1 – 2' week perspective, it's been correlating well with the model's signals (in recent months – FIG 1e). That suggests further near-term downside for the dollar over coming trading sessions (i.e. to push the ST technical model back onto BUY).

The (equity) market is likely struggling at this juncture to garner conviction whilst tariffs and policy uncertainty remains high. Over the past 24 hours, the Trump administration has pushed 'countries for best offers by Wednesday', i.e. on tariffs and investments (see REUTERS article: HERE). The 90-day pause, of course, concludes on 8th/9th July.

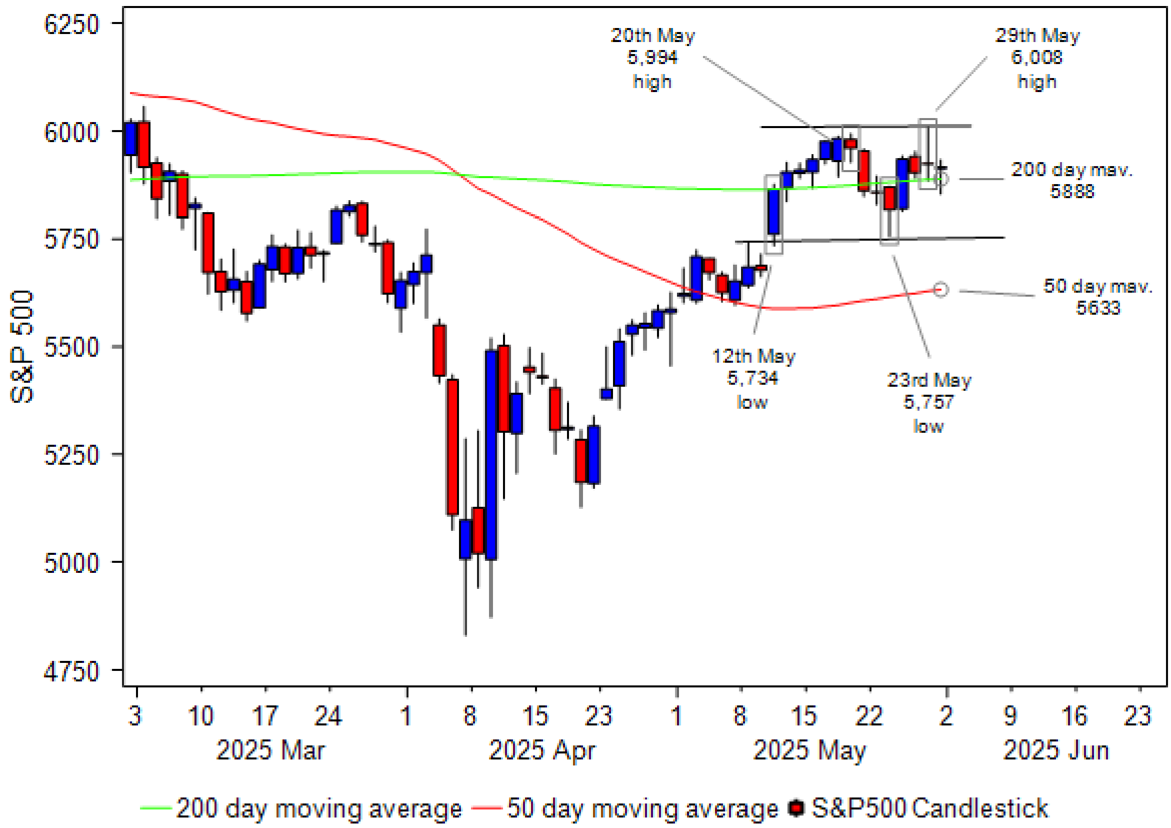
Given that the S&P500 is currently in the middle of its 6-week range and given the overall mixed message of our short-term equity models, we recommend WATCHing and WAITing (for now). Please see below for a full list of today's key events and macro data.

Kind regards,

The team @ Longview Economics

*as measured by our medium-term models.

FIG 1: S&P500 futures shown with 50 & 200 day moving averages

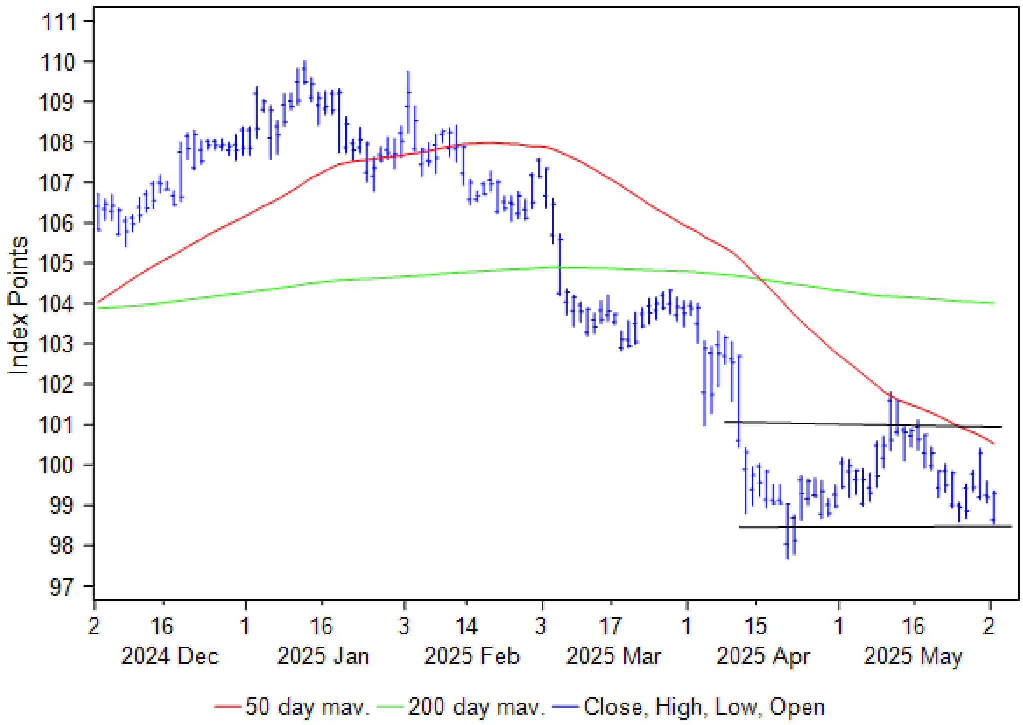


Source: Longview Economics, Macrobond

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

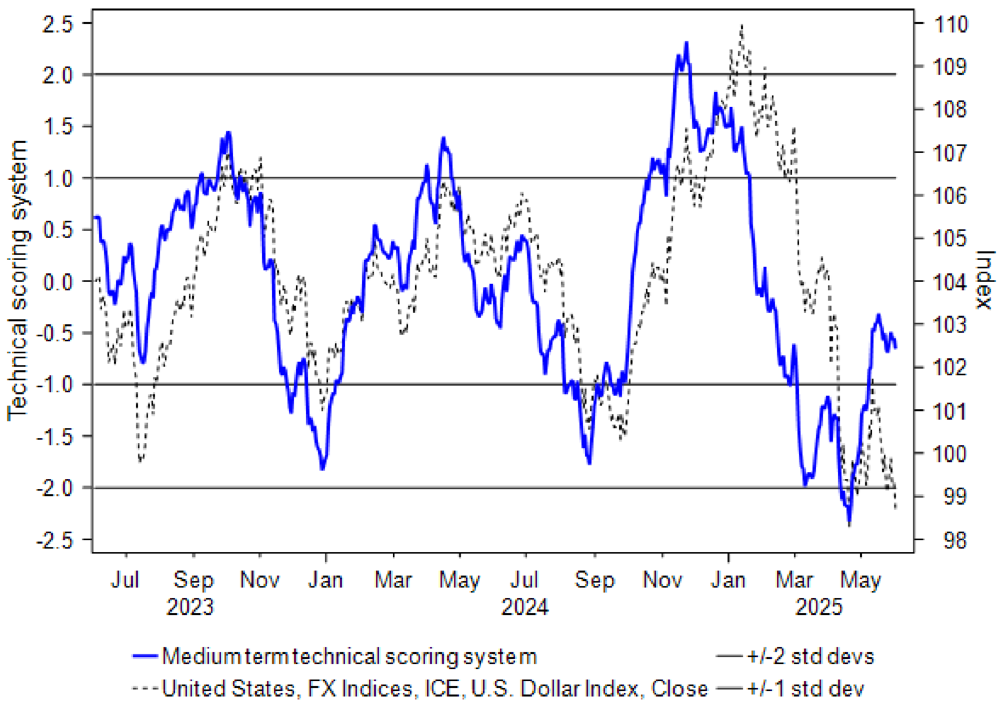
FIG 1b: NDX100 futures 30-day tick chart shown with overnight price action

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



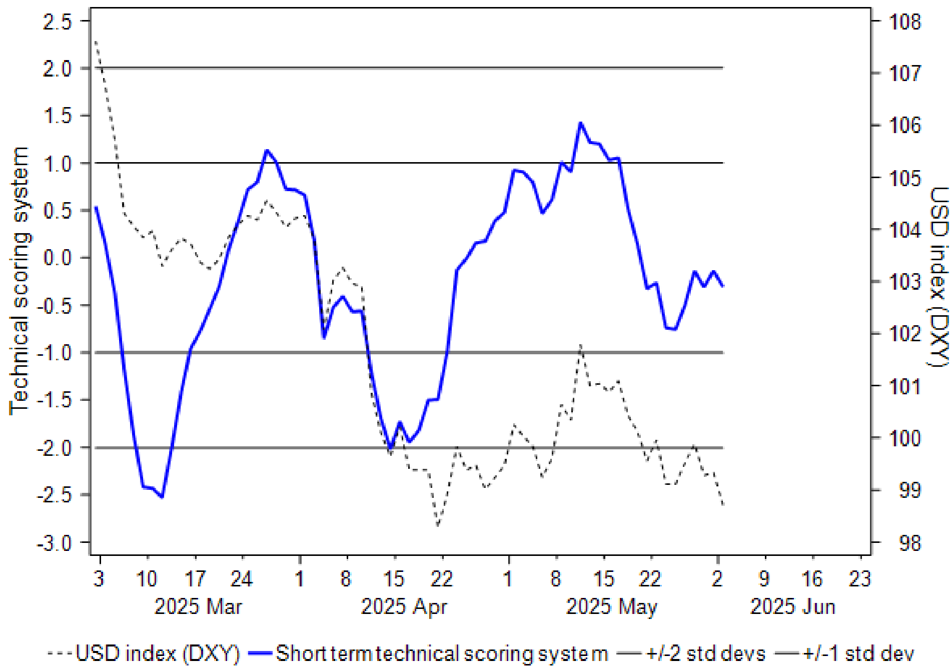
Source: Longview Economics, Macrobond

FIG 1d: Longview US dollar (DXY) **medium term 'technical'** scoring system vs. DXY index



Source: Longview Economics, Macrobond

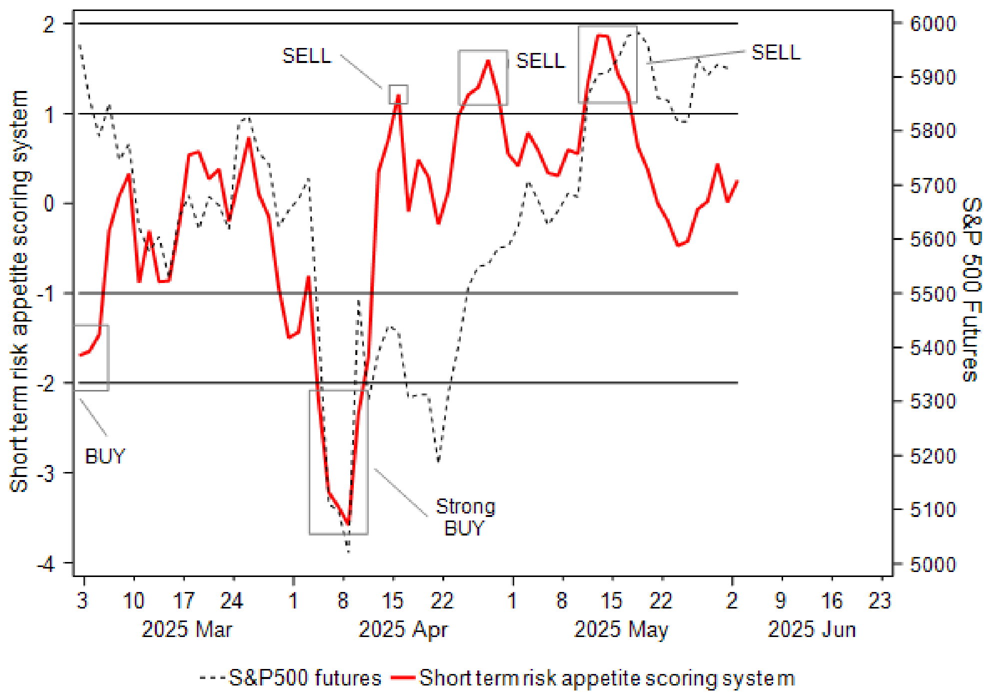
FIG 1e: Longview US dollar (DXY) **short term 'technical'** scoring system vs. DXY index



Source: Longview Economics, Macrobond

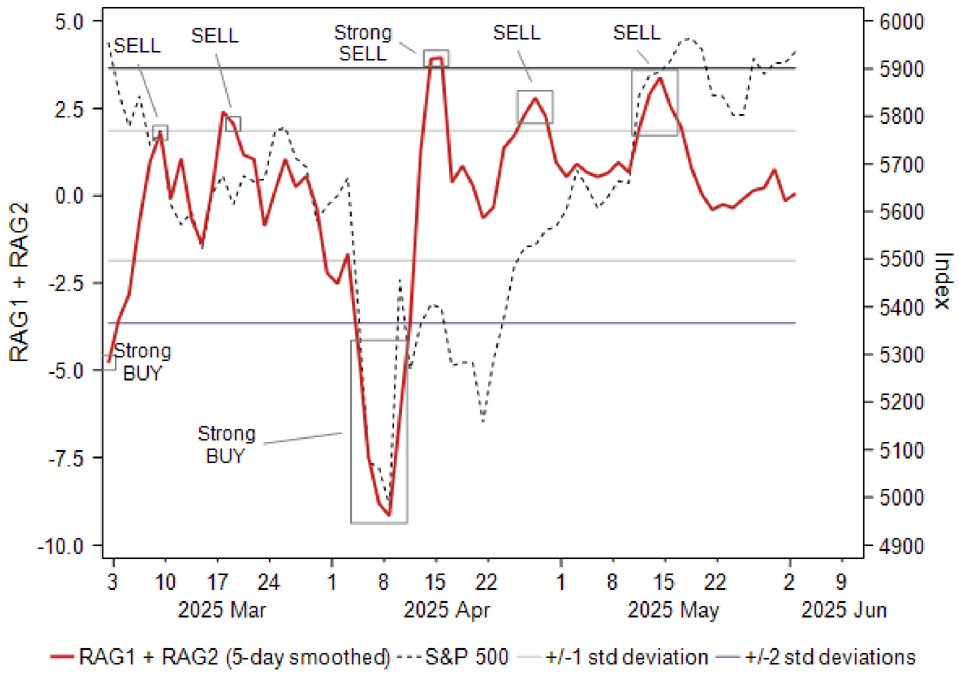
Short term models are mostly mid-range/NEUTRAL…

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



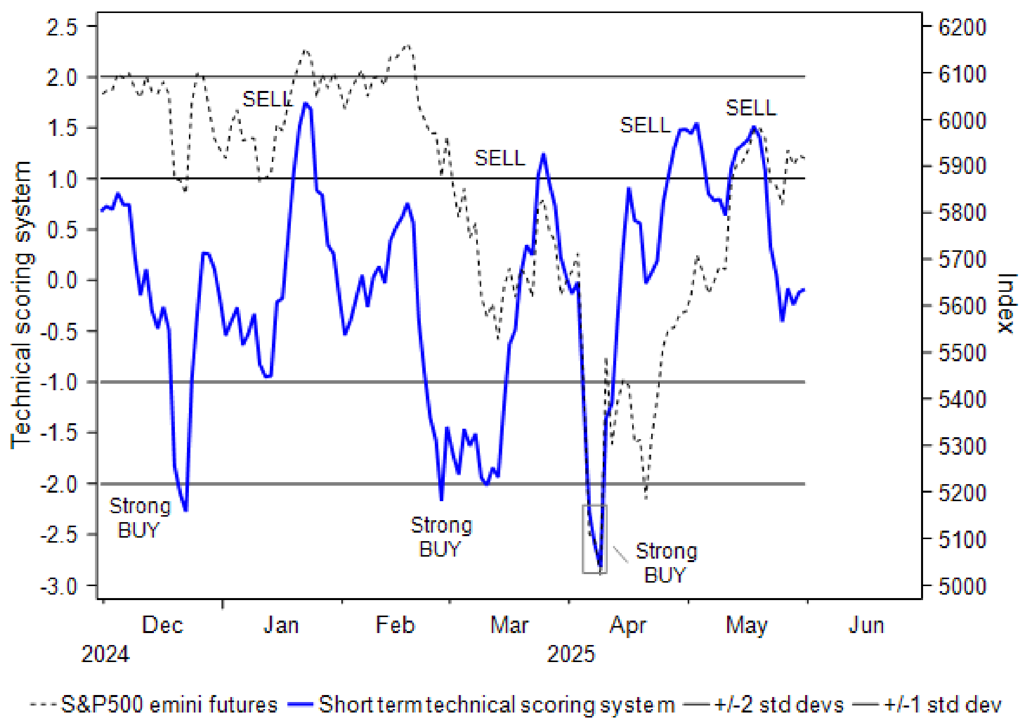
Source: Longview Economics, Macrobond

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



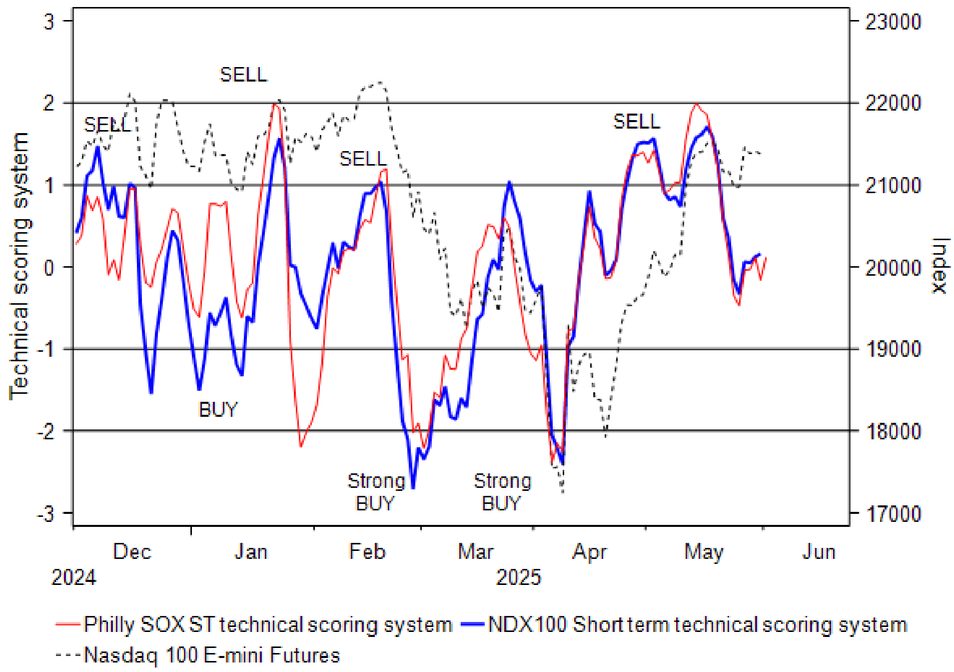
Source: Longview Economics, Macrobond

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



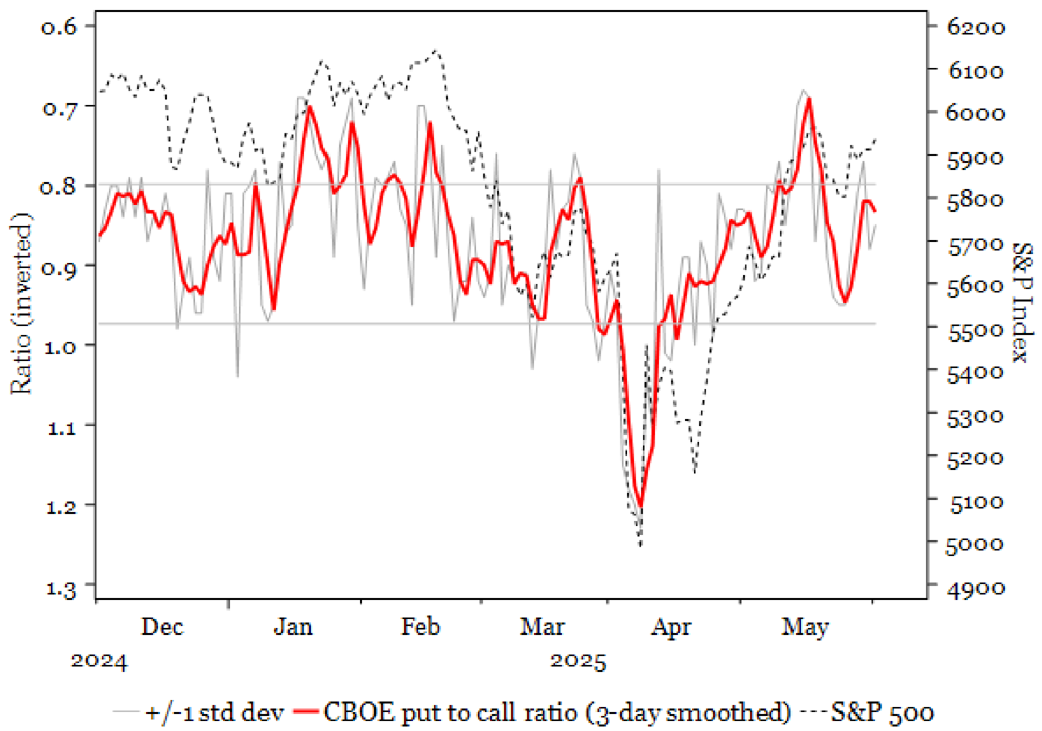
Source: Longview Economics, Macrobond

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



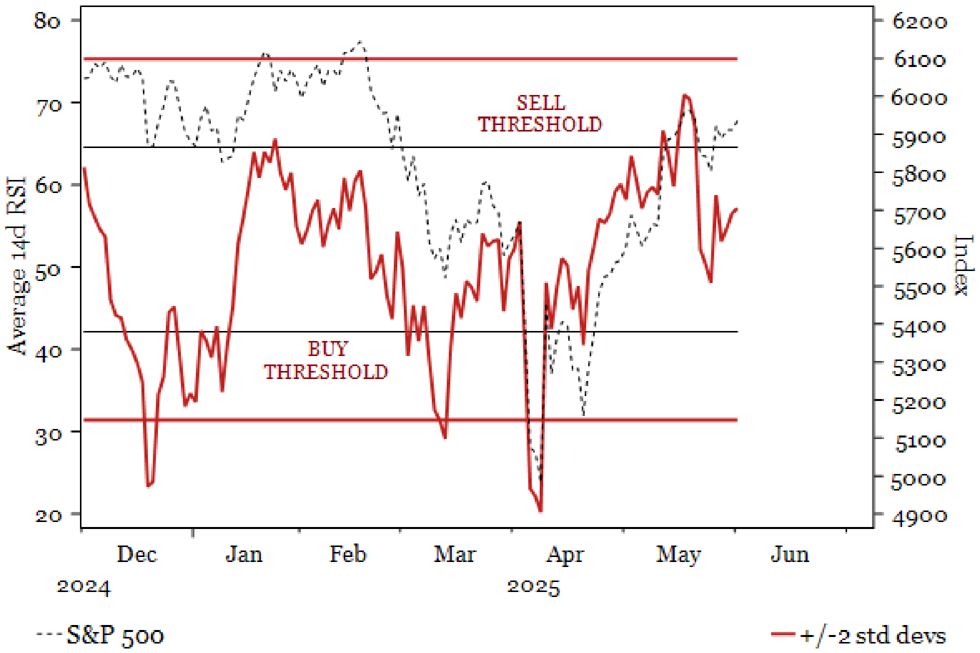
Source: Longview Economics, Macrobond

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



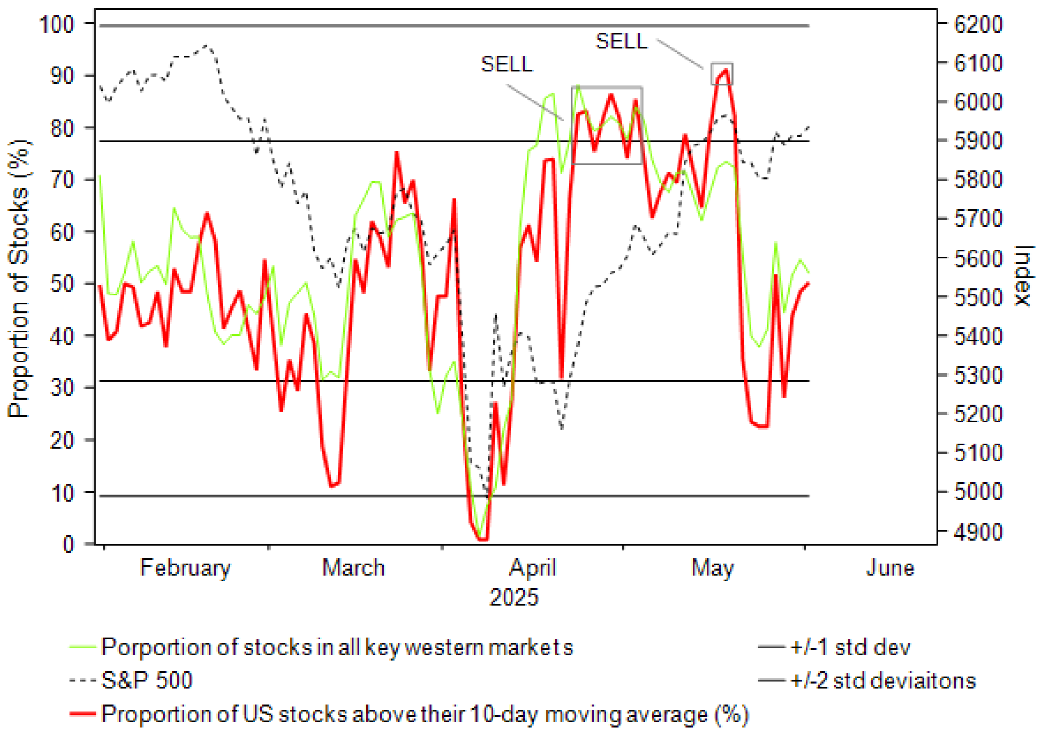
Source: Longview Economics, Macrobond

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

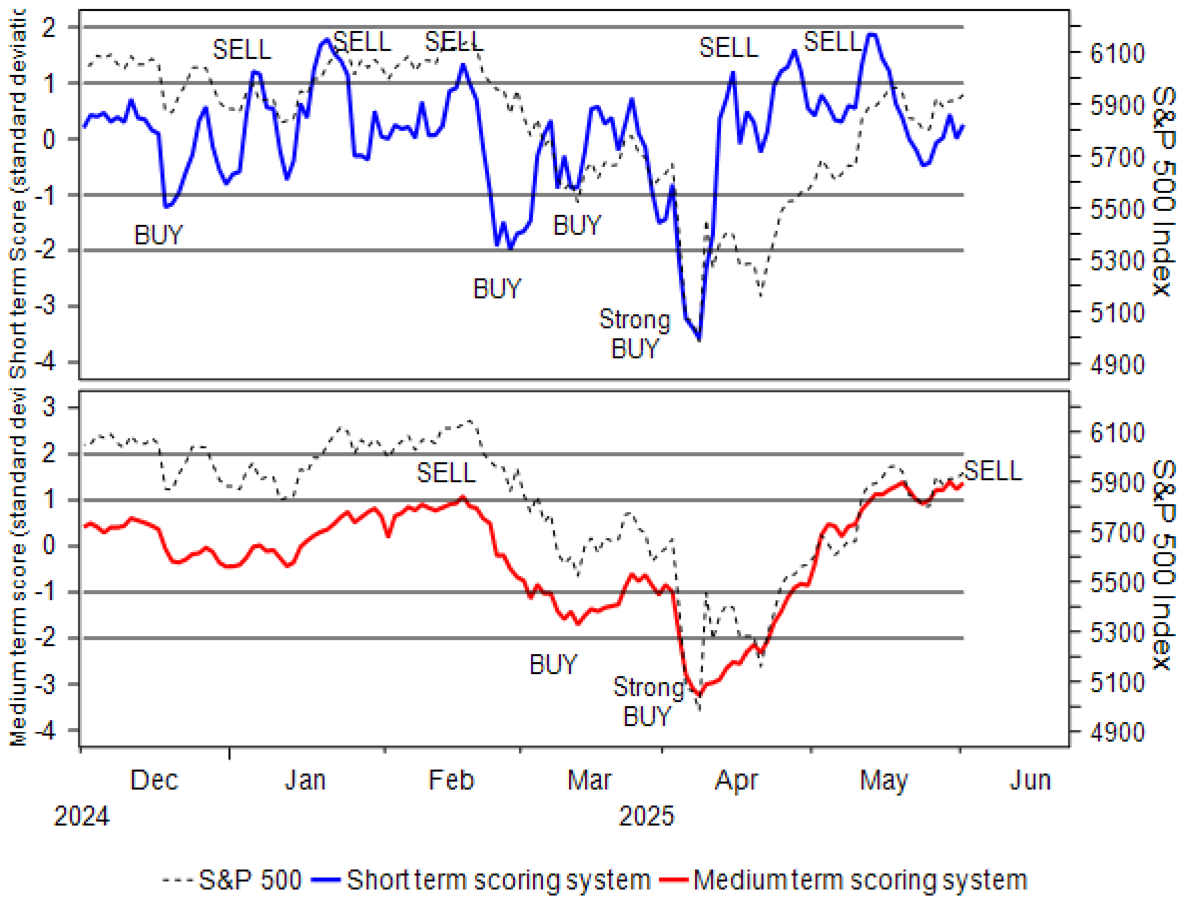


Source: Longview Economics, Macrobond

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: Japanese monetary base (May, 12:50am); Australian inventories & company profits (Q1, 2:30am); **Chinese Caixin manufacturing sector PMI** (May, 2:45am); Spanish unemployment rate (May, 8am); Italian unemployment rate (Apr, 9am); **EZ headline & core CPI** (May first estimate, 10am); Eurozone unemployment rate (Apr, 10am); **US JOLTS job openings** (Apr, 3pm); US vehicle sales (May, 3pm); US durable goods orders (April final estimate, 3pm).

Key events today include: RBA releases minutes of May policy meeting (2:30am); speech by the RBA's Hunter (4:05am); speech by the BOJ governor Ueda (8:50am); speeches by the Fed's Goolsbee in moderated Q&A (5:45pm) & Cook on economic outlook (6pm).

Key earnings today include: CrowdStrike Holdings.

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.

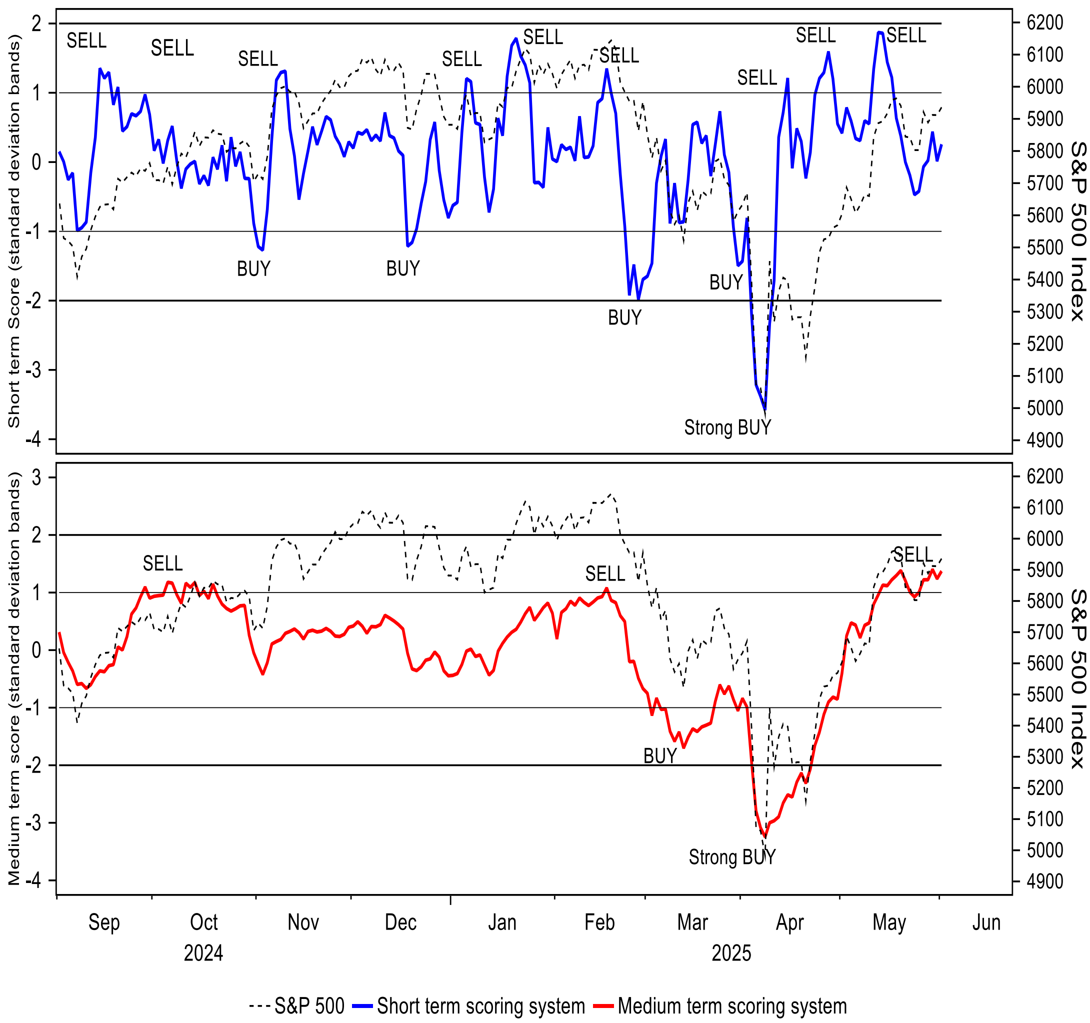
1 – 2 Week View on Risk

3rd 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

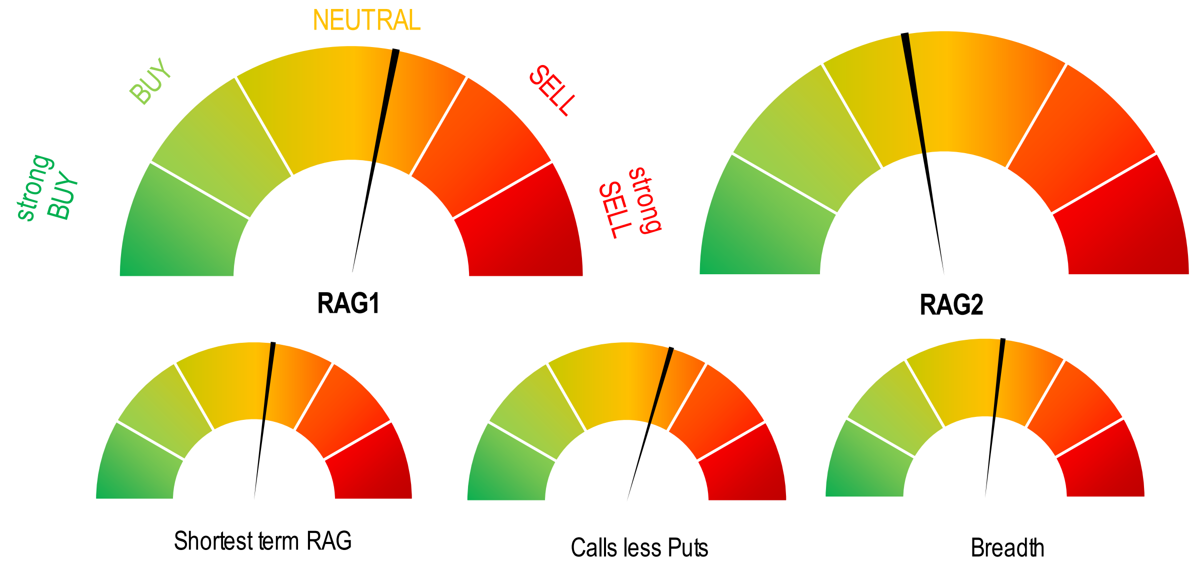
Source: Longview Economics, Macrobond

*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

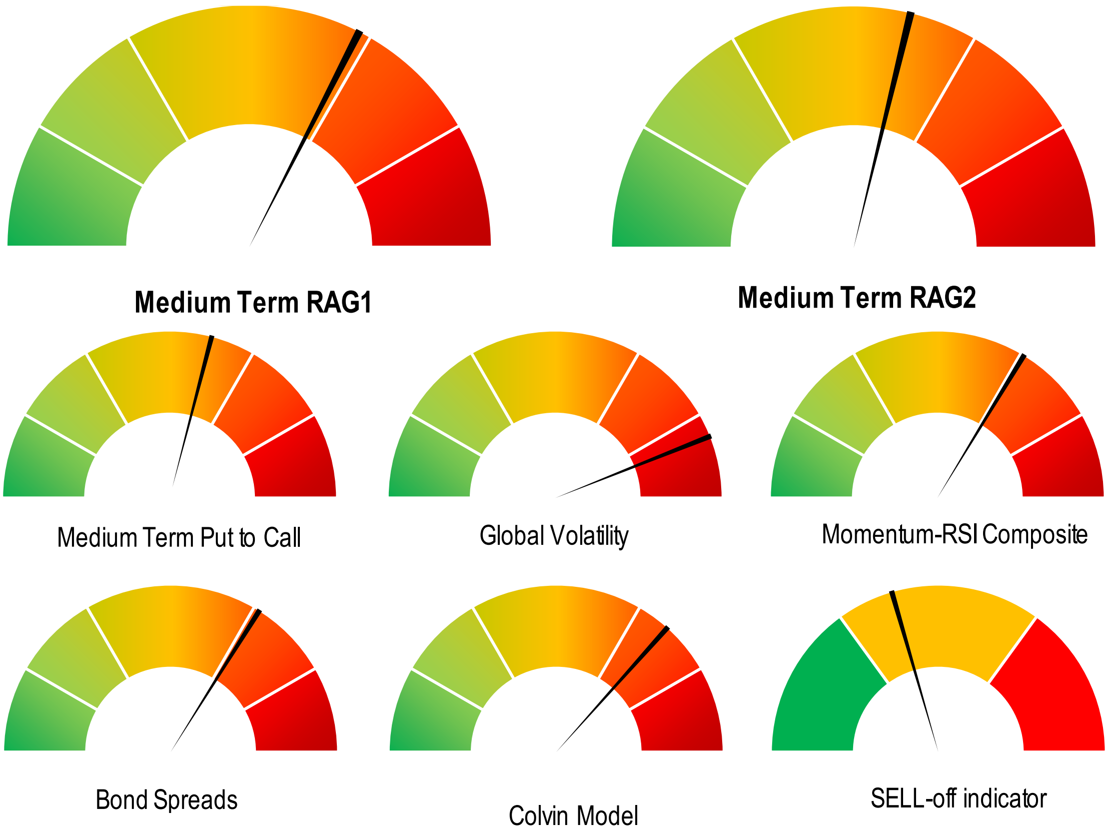
Section 1a: Summary of indicator signals**

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

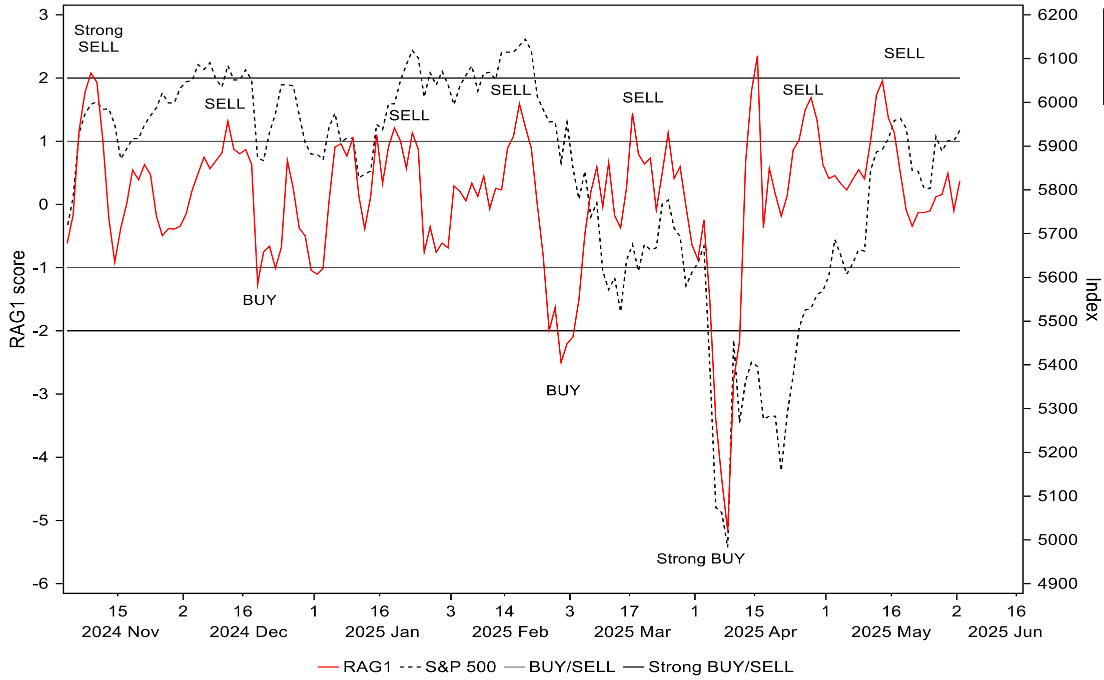


Source: *Longview Economics*

**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

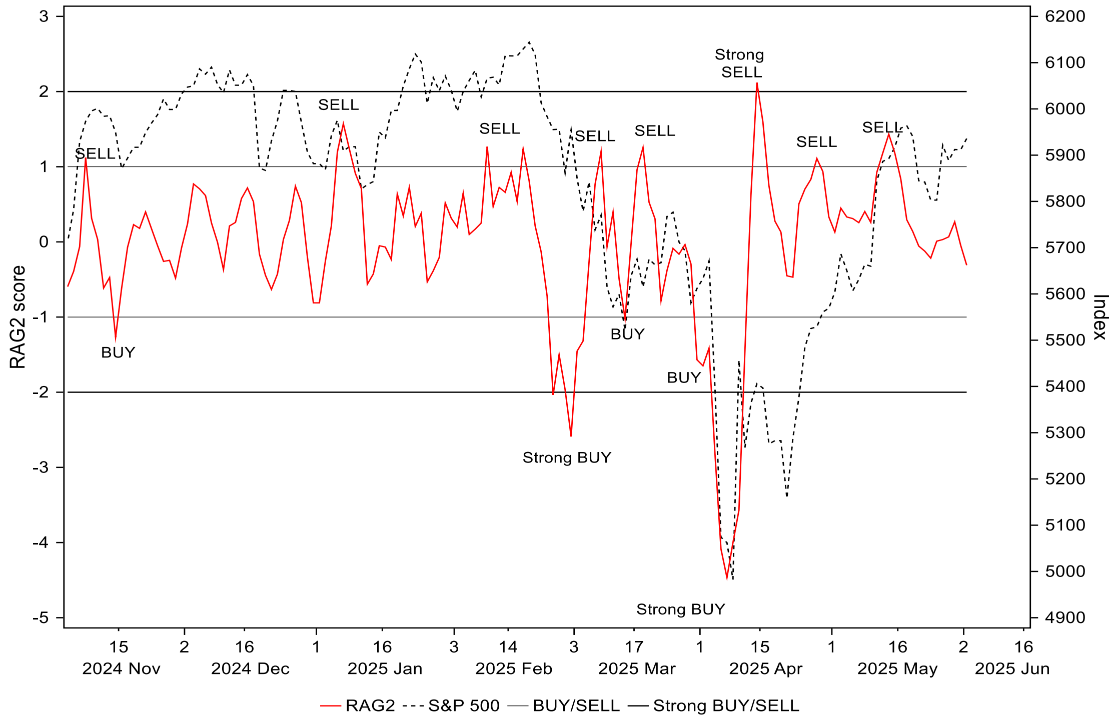
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

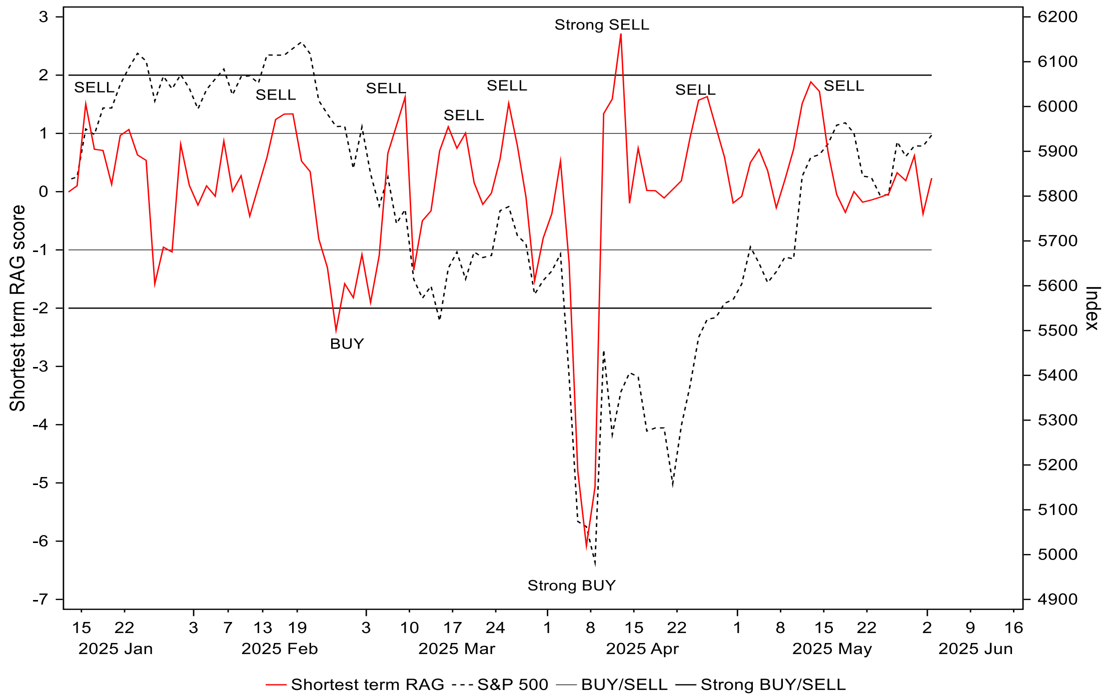


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

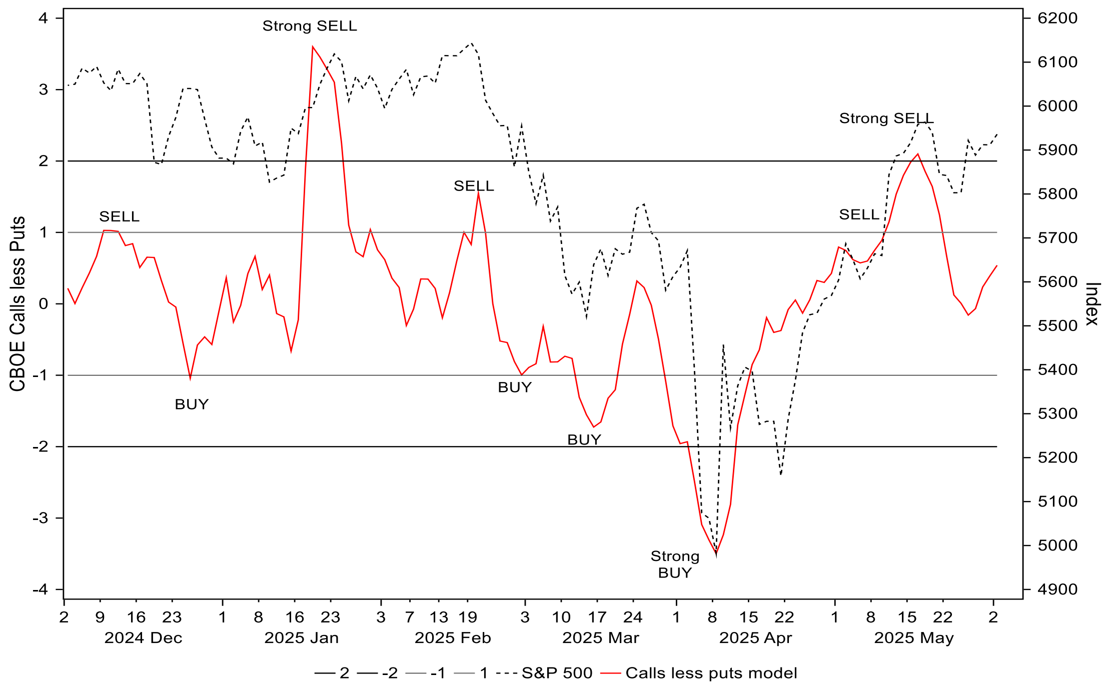
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

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

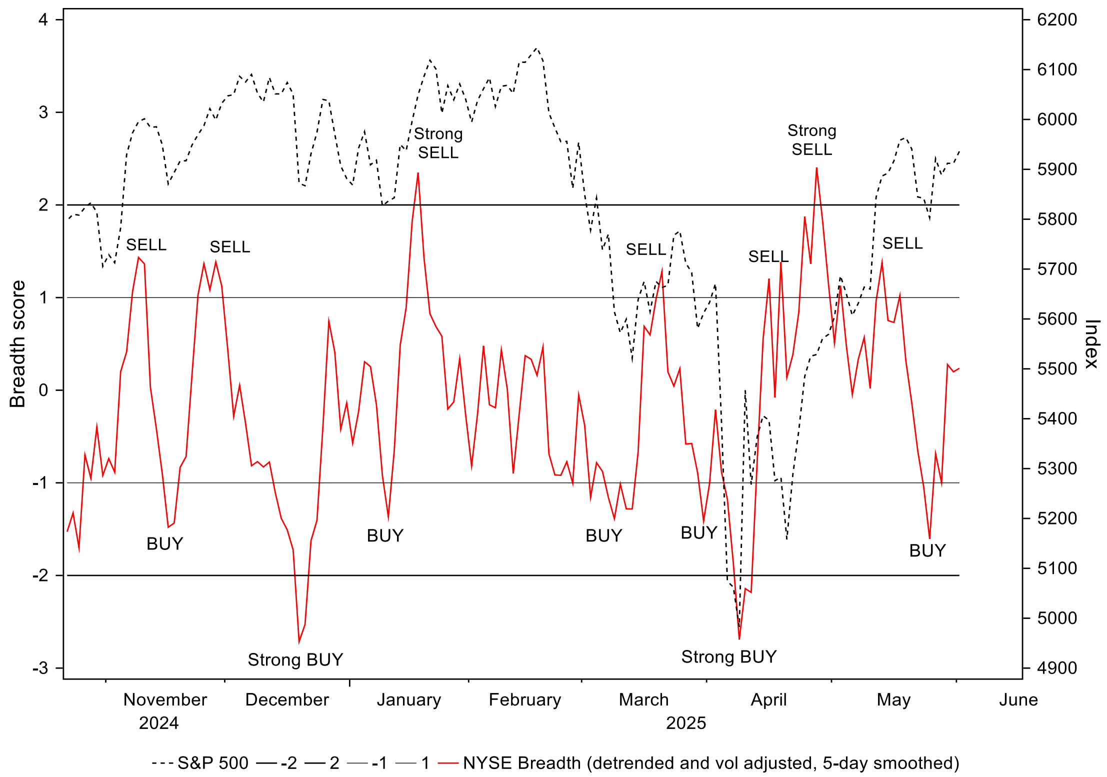


Calls less puts model is NEUTRAL

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



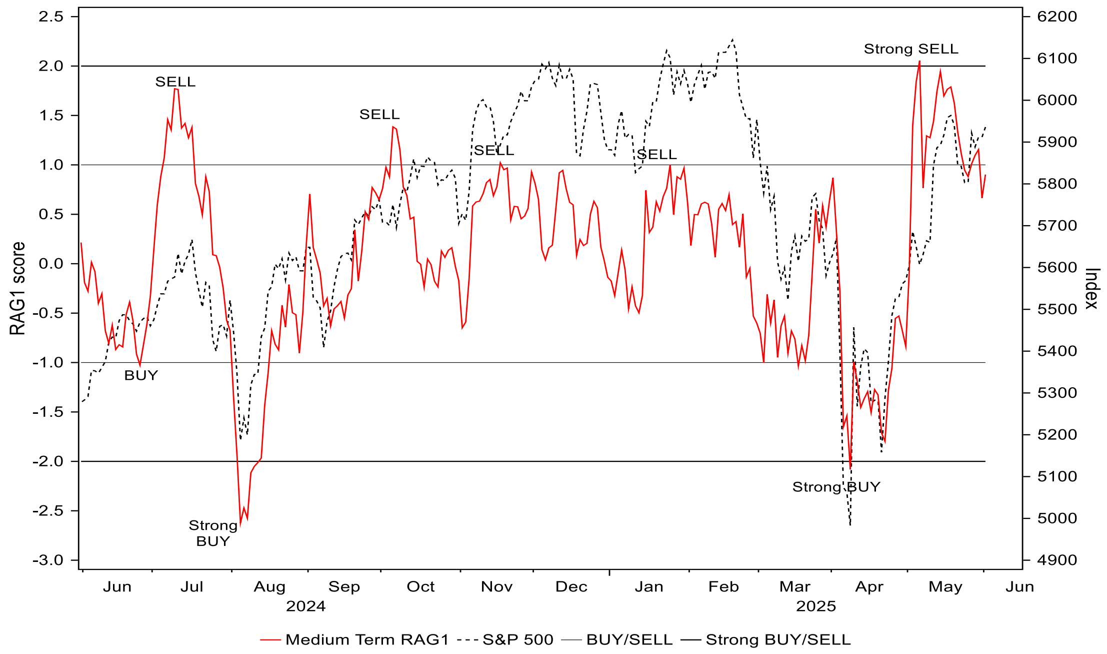
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

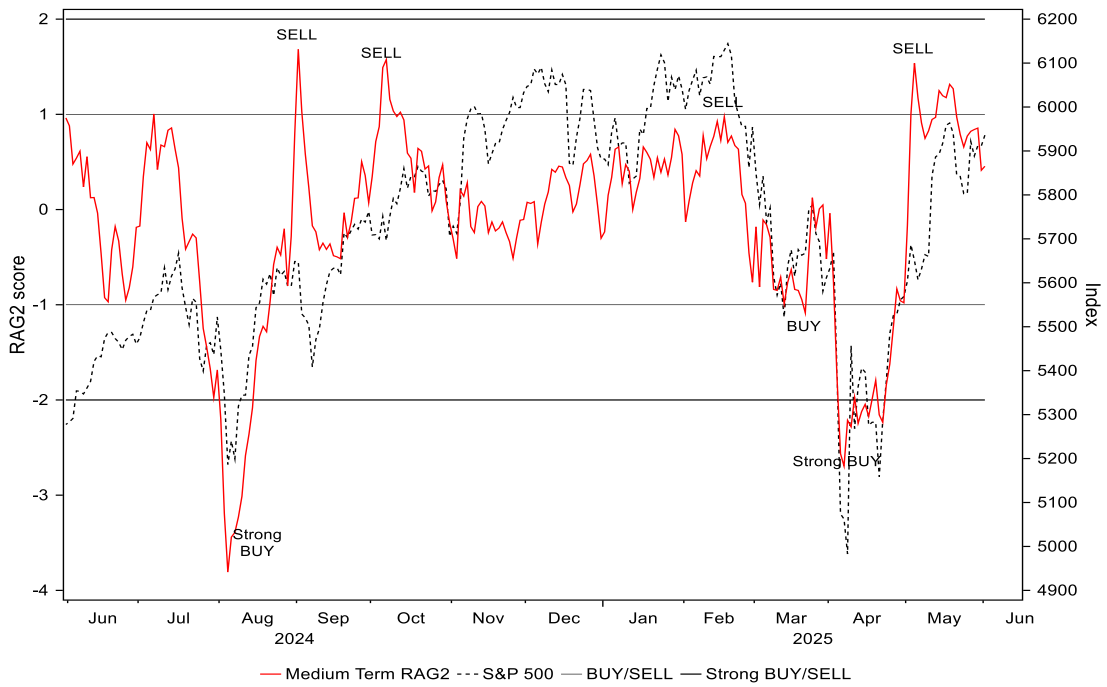
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

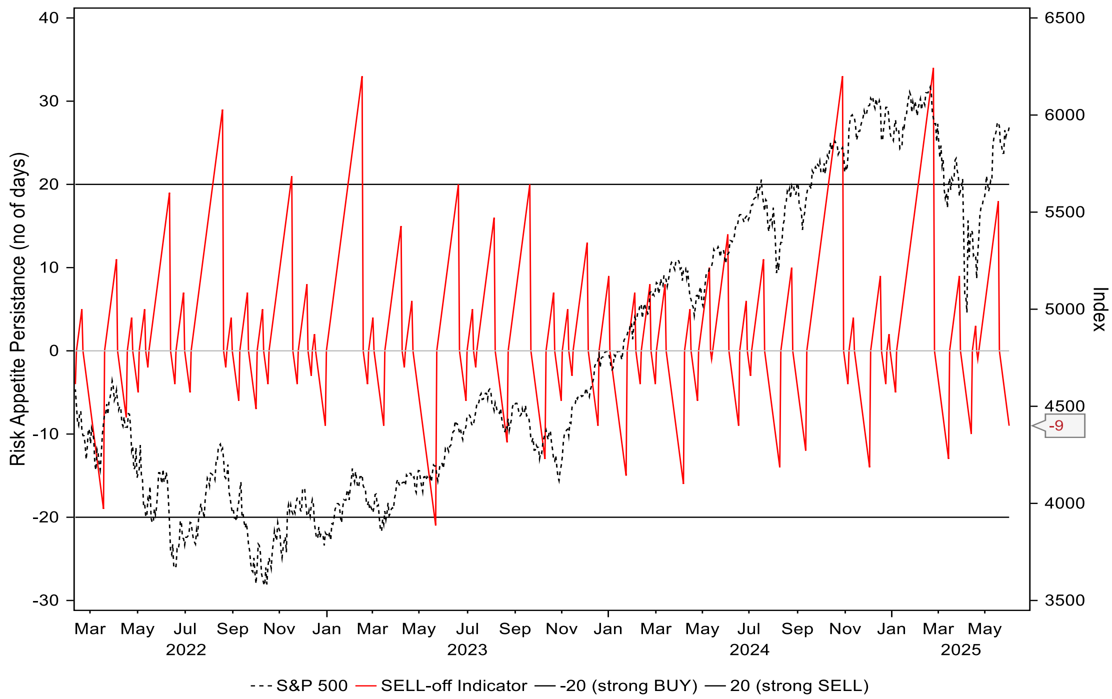


Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

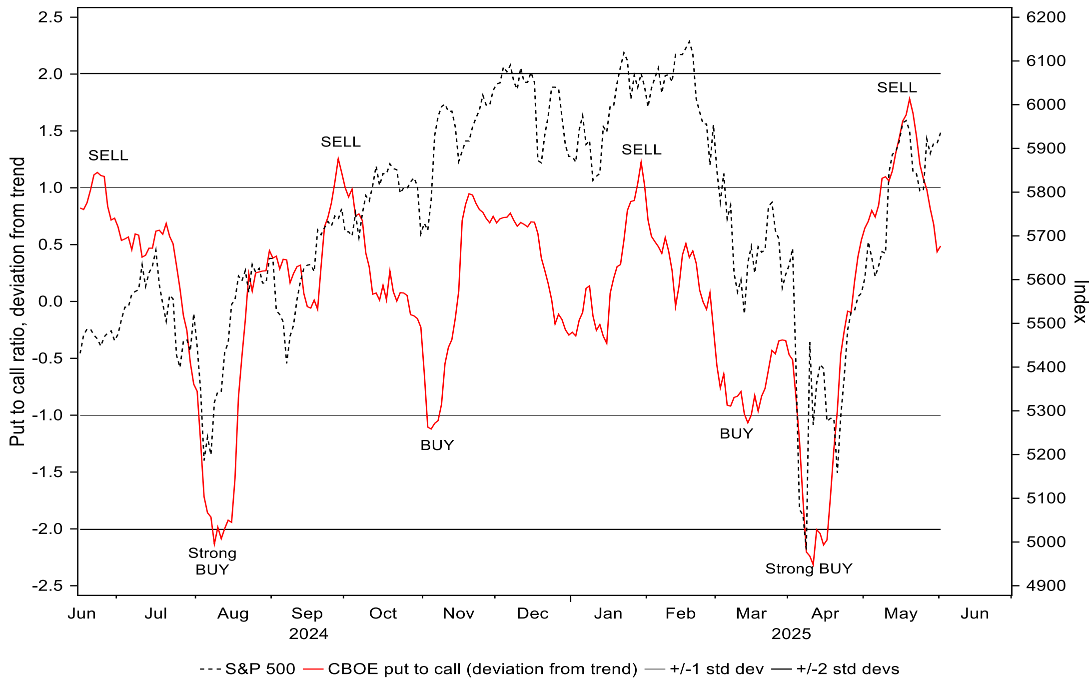
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond

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

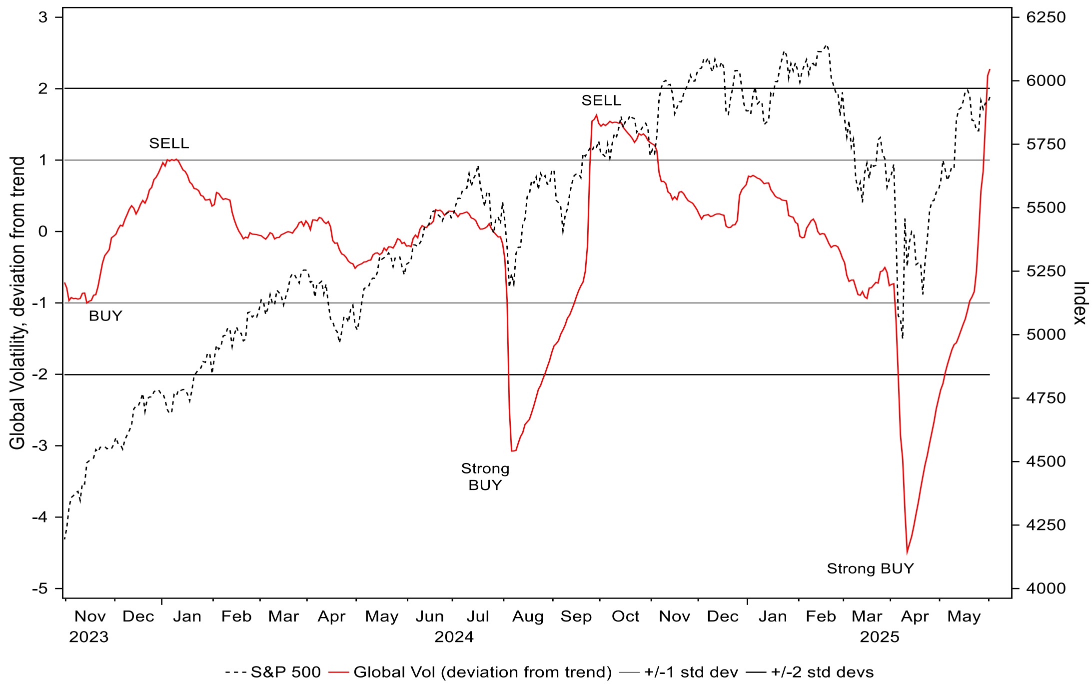


Medium term put to call model is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

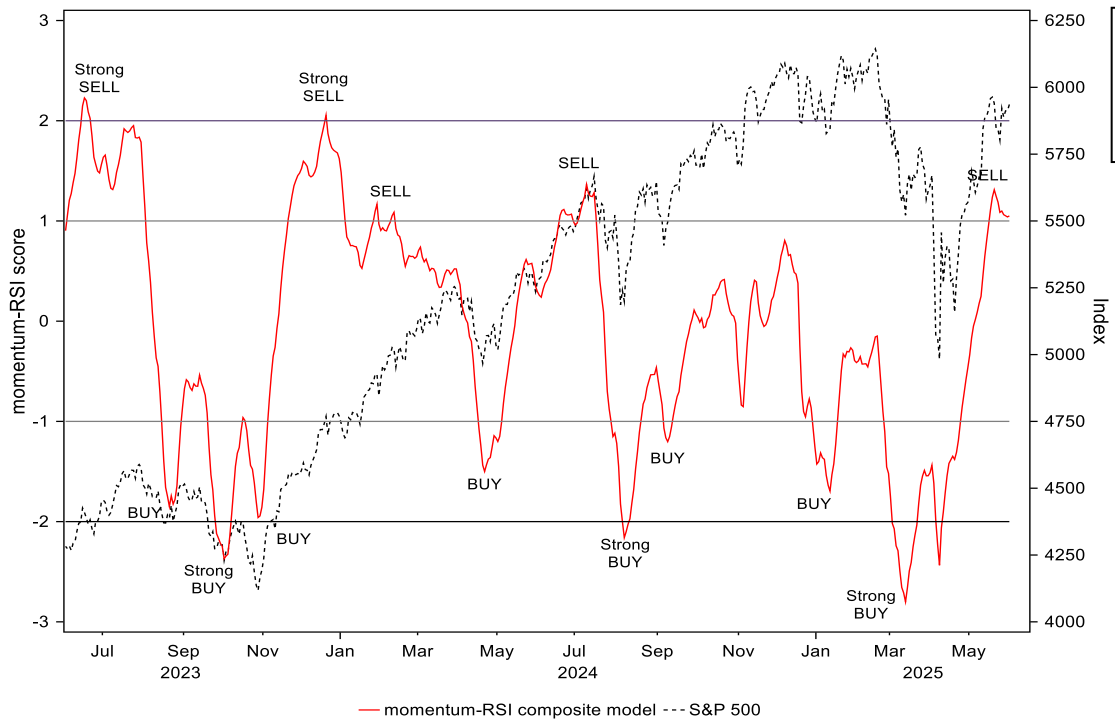
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong SELL

Source: Longview Economics, Macrobond

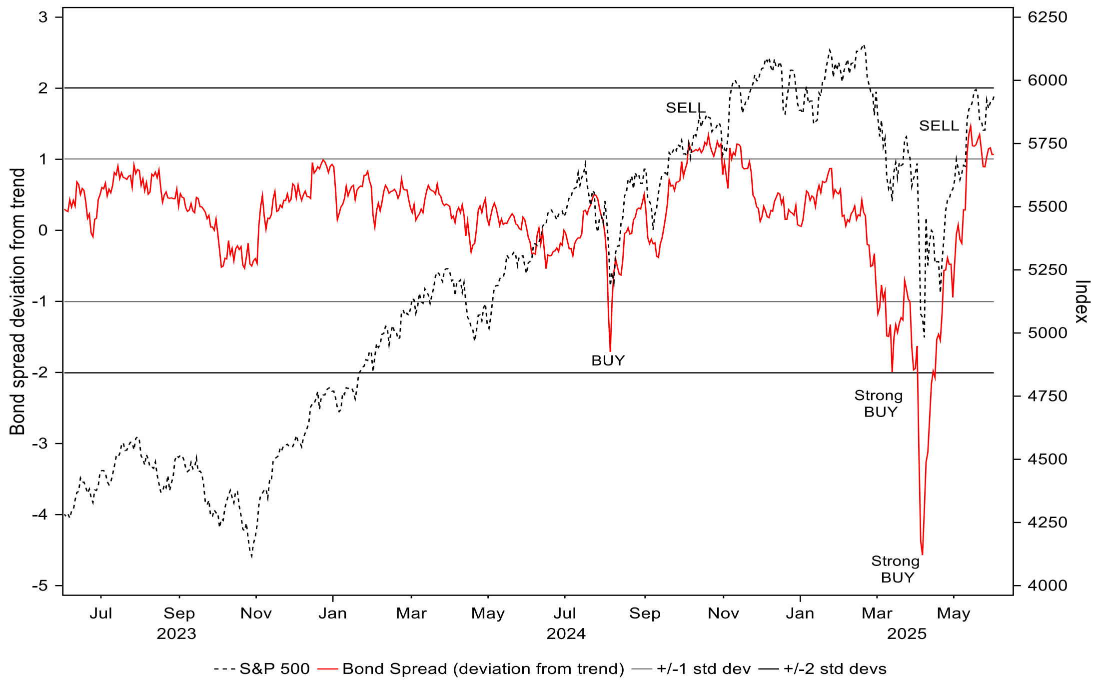
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

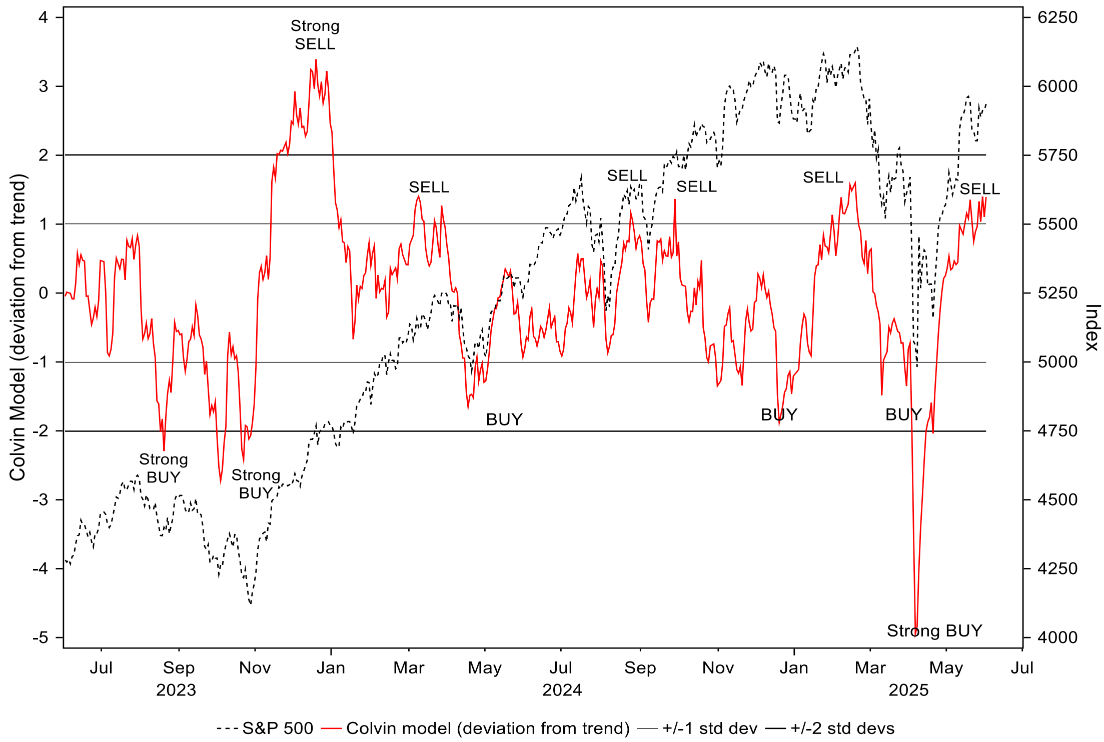
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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.

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