



## Equity Index Futures Trading Recommendations

4<sup>th</sup> February 2025

“Move SHORT SPX futures - SELL-off indicator on +20”

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

- Move ¼ SHORT March S&P500 futures at current prices (approx. 6,006);
- Place stop 2.5% above entry (i.e. at 6,156, and just above the late January high).

### Rationale

US equity markets have consolidated their gains for the last couple of months, with the S&P testing its December high on a number of occasions. That happened in late January (at 6,150 on March futures, FIG 1b), and then again at the end of last week (i.e. with the index failing to break out of its range). As FIG 1b shows, each test has been at a lower level (while the lows in November, December, and January have also all been lower than the prior low). Price action has therefore been poor/bearish. Of note, the market has been led lower by long duration stocks this year. In recent trading sessions, though, cyclical sectors have also begun to lose momentum (see FIG 1c).

US equities have therefore rolled over, against a back drop of (i) SELL/warning signals from a number of short and medium term models; and (ii) deteriorating newsflow (i.e. escalating trade tensions).

In particular, regarding (i), our SELL-off indicator reached its key +20 threshold overnight. At that level it warns of heightened complacency in portfolios, and an imminent wave of risk aversion in global markets (see FIG 1). Other medium term models are also currently on (or close to) their SELL thresholds (e.g. see FIG 1a). For detail see yesterday’s Tactical Asset Allocation research. Elsewhere, our short term models have started to roll over (having been on SELL last week). That includes our risk appetite, technical, and breadth indicators (e.g. see FIGs 2, 2a and FIGs 4 – 5a). Of note, though, the short term CBOE put to call ratio remains low/on SELL (and has recently generated a strong SELL signal, see FIG 3).

Regarding (ii), the risk of a ‘tit for tat’ trade war appears to be growing. China, for example, has retaliated overnight with 10-15% tariffs on certain US products (including energy and agricultural tools). It’s also announced that it’s targeting/investigating certain US companies (see [HERE](#) for detail).

The **risk reward therefore favours moving short S&P500 futures** at current prices (please see above for detailed recommendation).

**Risks** to this trade are multiple and include the possibility that trade tensions ease in coming days (or lead to a negotiation/some sort of deal, similar to yesterday's example with Mexico). Other upside risks to equities include the potential for better than expected US earnings. So far, though, with 187 of the S&P500 companies having reported, the earnings surprise has been above average (+5.9%, vs. average of +4%). That's not, though, been sufficient to push US equities above the top of their range.

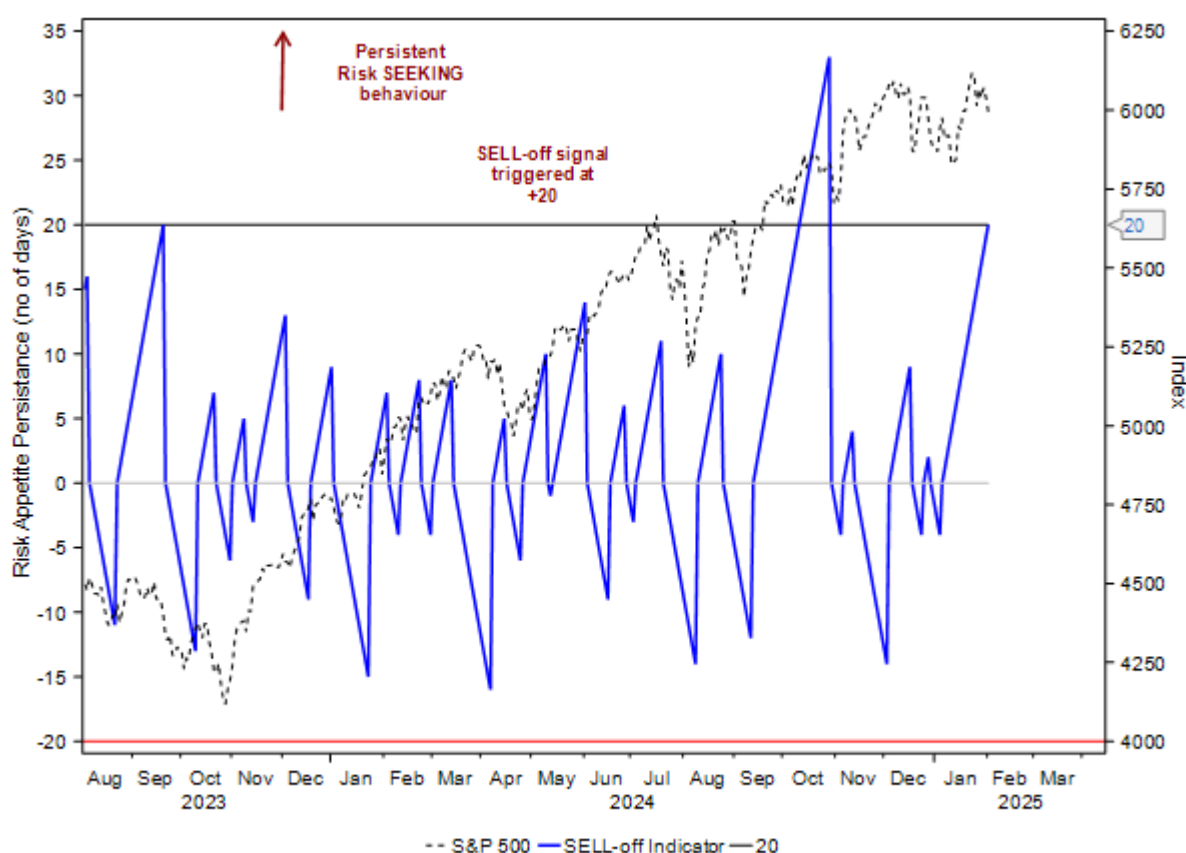
Today's key earnings reports, macro data, and events are shown below, and include JOLTS job openings (for December, at 3pm London time), as well as a speech by Bostic (please see below for the full list).

Kind regards,

The team @ Longview Economics

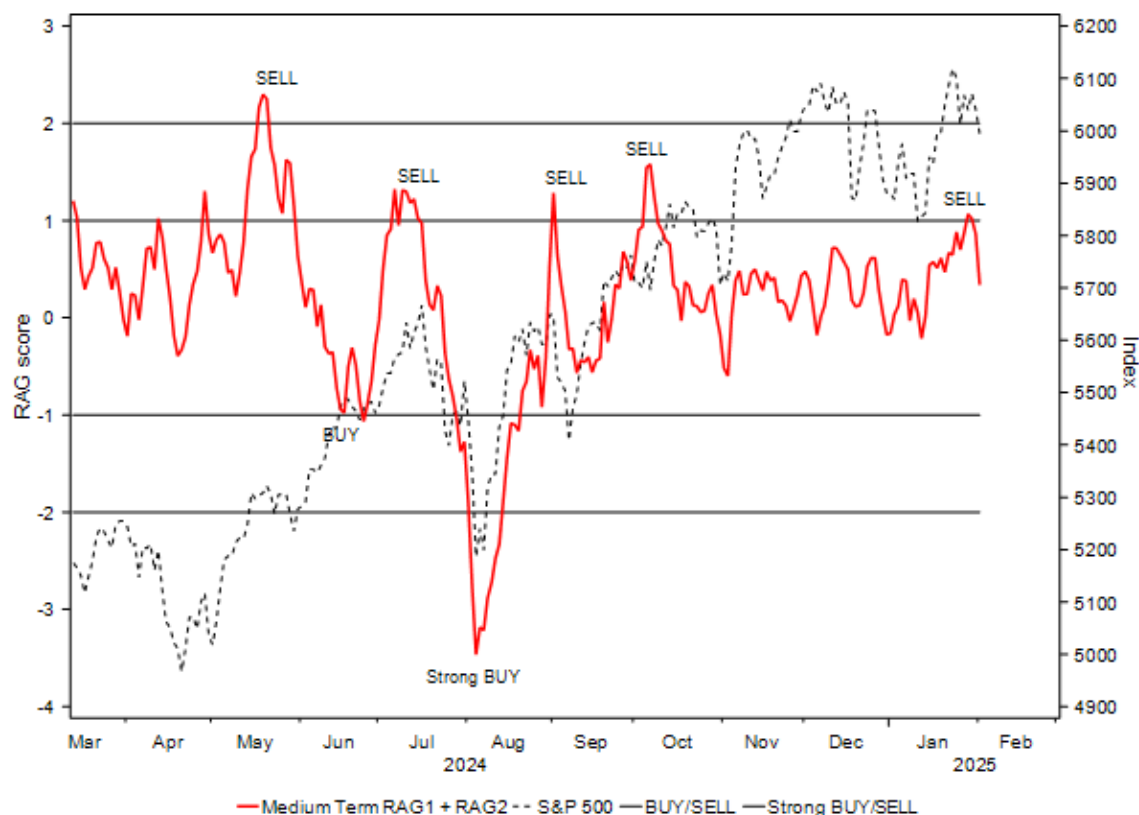
NB the goal of this publication is to implement '1 – 2' week, LONG or SHORT trades on equity index futures (looking for 1 – 3 trades per month). For longer term 1 – 4 month trading recommendations and analysis, see our 'Tactical Asset Allocation' publications (available: <https://www.longvieweconomics.com/the-tactical-investor>); OR for longer term investors, with a 6 month to 2 year timeframe, see our 'Strategic Investor' publications (available HERE: <https://www.longvieweconomics.com/the-strategic-investor>)

**FIG 1: Longview SELL-off indicator vs. S&P500**



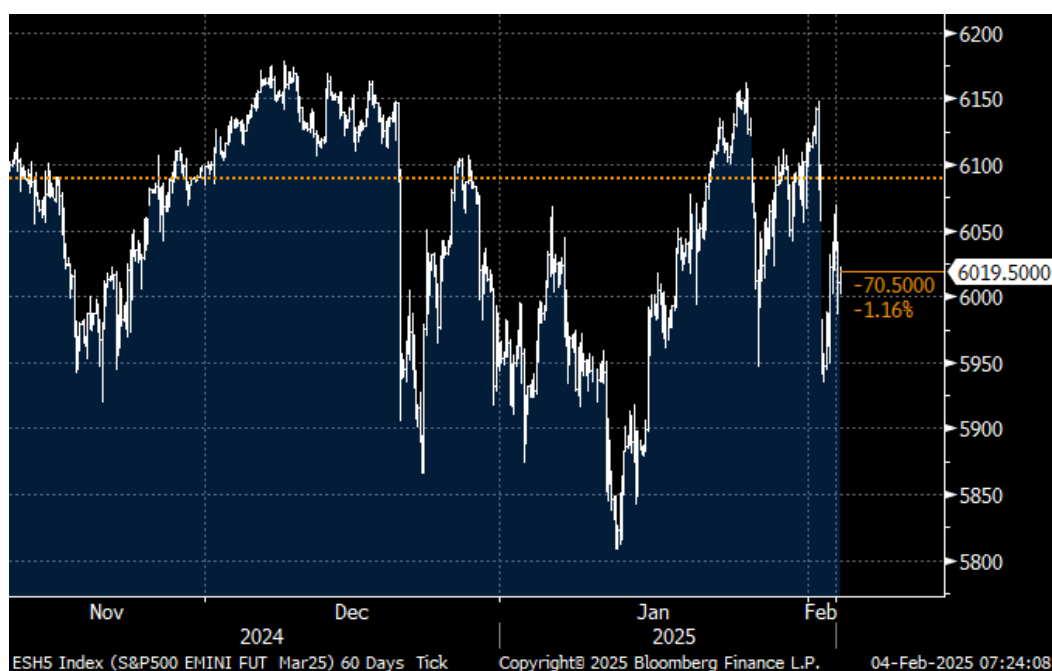
Source: Longview Economics, Macrobond

**FIG 1a:** Longview combined key **medium term** ‘**risk appetite**’ models (RAG1 + RAG2) vs. S&P500

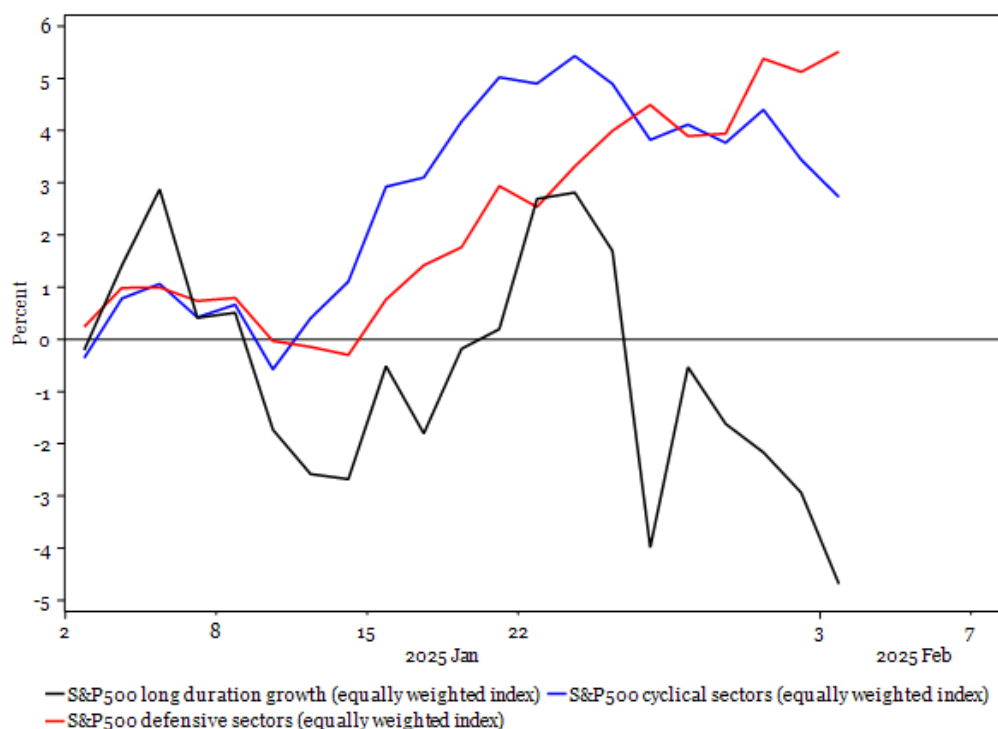


Source: Longview Economics, Macrobond

**FIG 1b:** S&P500 March 2025 futures 60-day tick chart shown with overnight price action

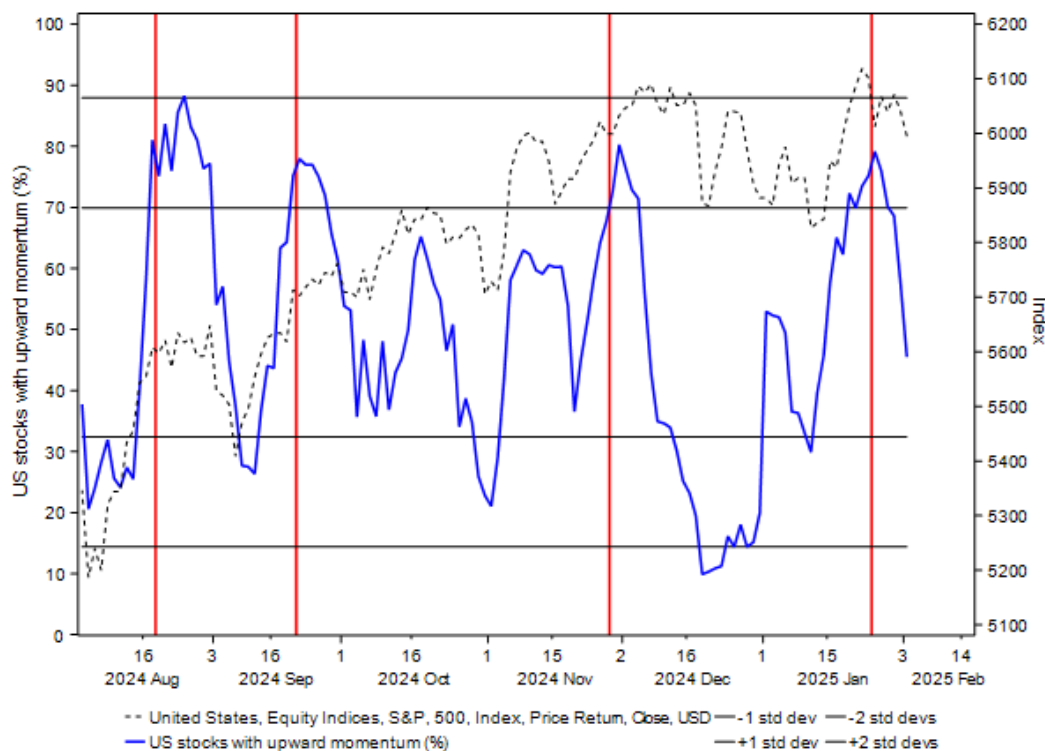


**FIG 1c: S&P500 index – divided into cyclicals, defensives and long duration growth**



Source: Longview Economics, Macrobond

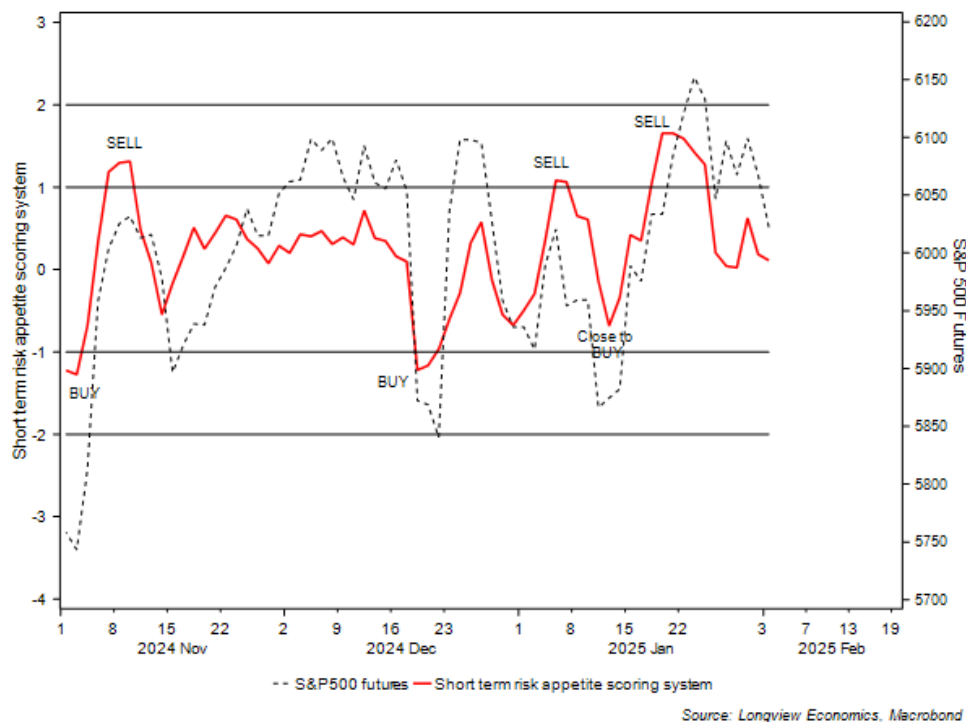
**FIG 1d: US S&P500 stocks with upward momentum shown vs. S&P500**



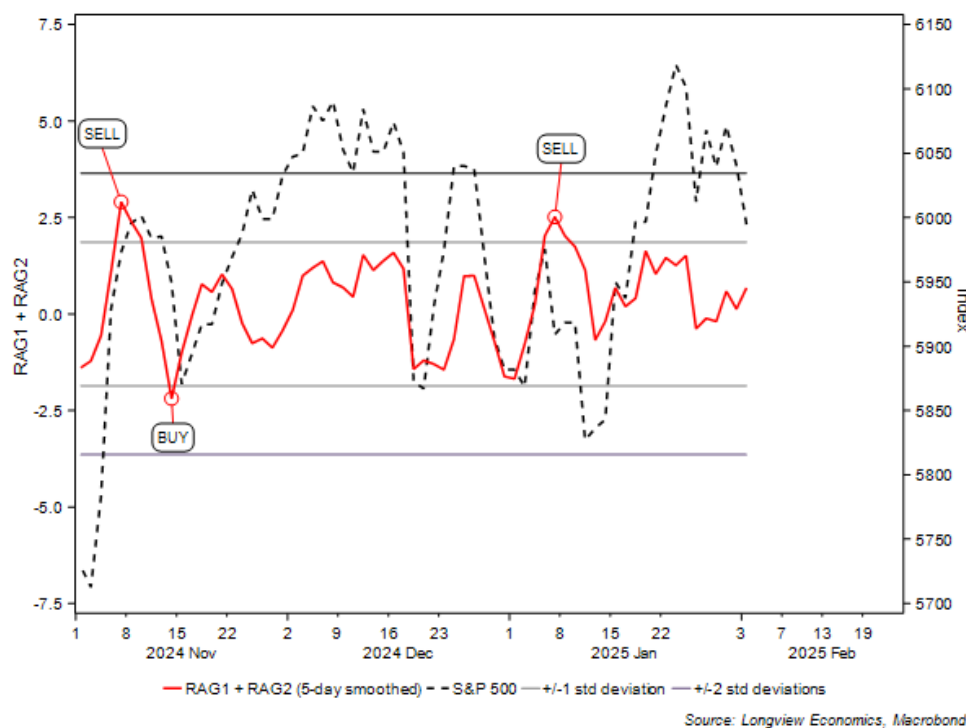
Source: Longview Economics, Macrobond

## Risk appetite models are broadly mid-range...

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

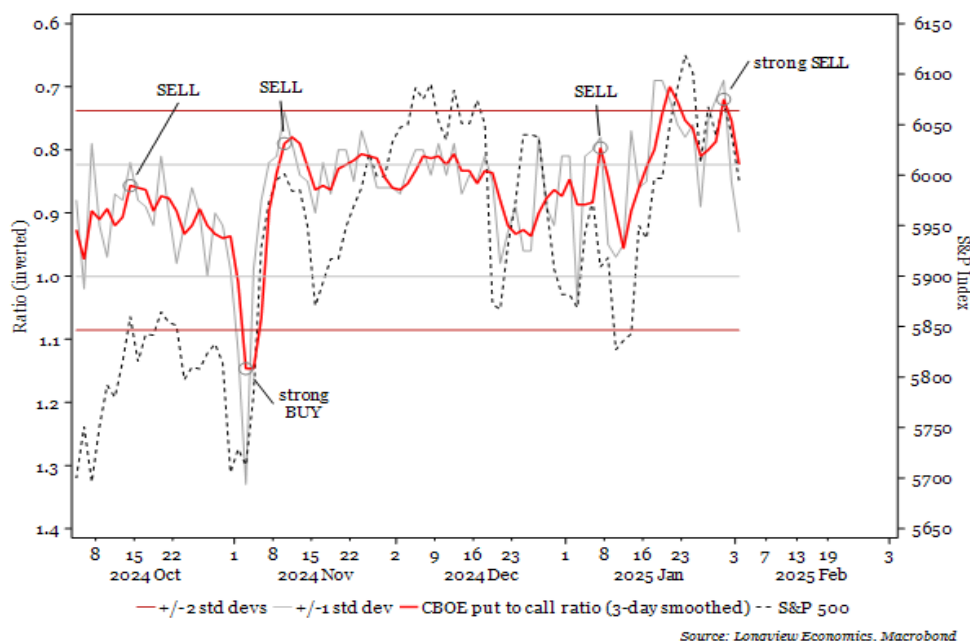


**FIG 2a:** Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



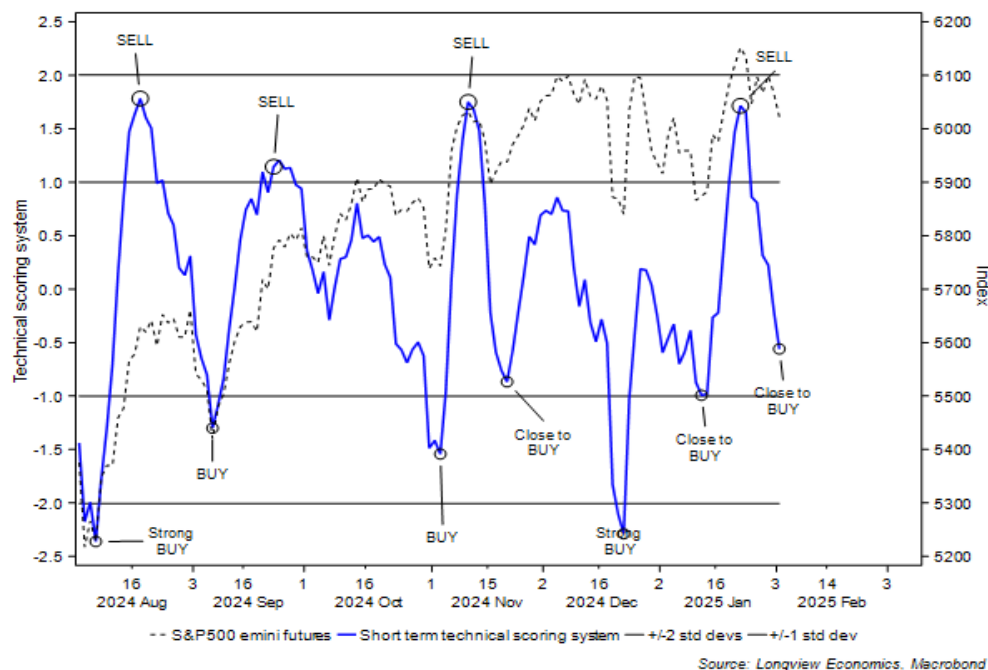
## The short-term CBOE put to call model has recently been on strong SELL.....

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



## Technical models (for indices) are NEUTRAL....(albeit close to BUY)

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



Technical scoring system

SELL

SELL

SELL

SELL

BUY

BUY

BUY

BUY

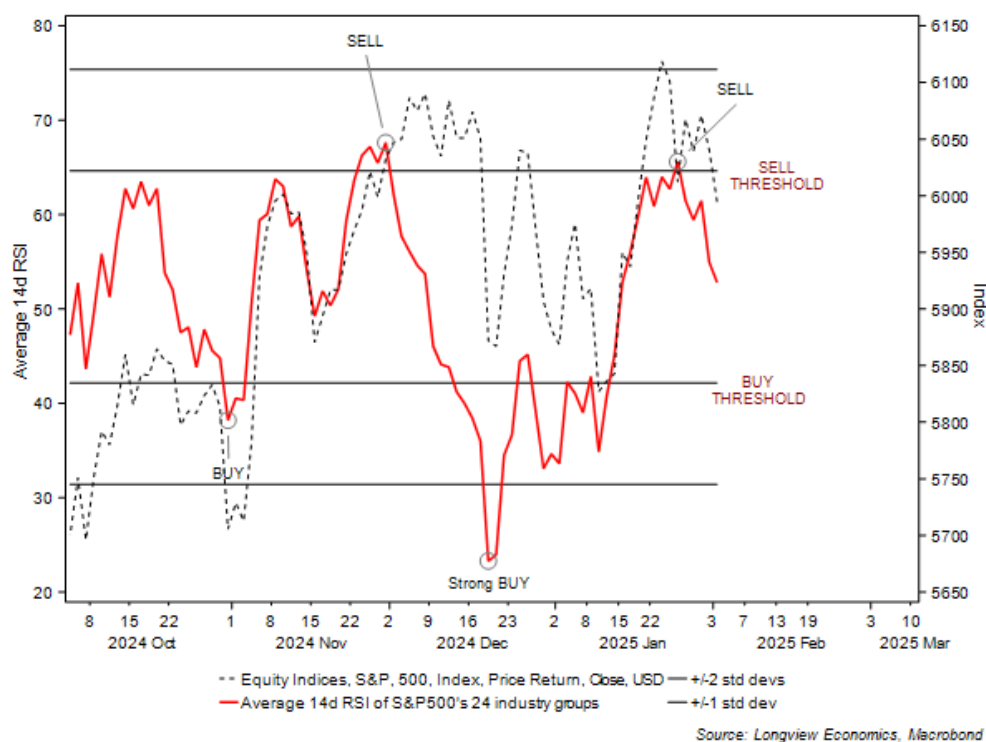
Index

2024 Aug 16 3 16 2024 Sep 1 16 2024 Oct 1 16 2024 Nov 1 16 2024 Dec 1 16 2025 Jan 1 16 2025 Feb 1 16 2025

-- Nasdaq 100 E-mini Futures — Short term technical scoring system

Source: Lonaview Economics, Macrobond

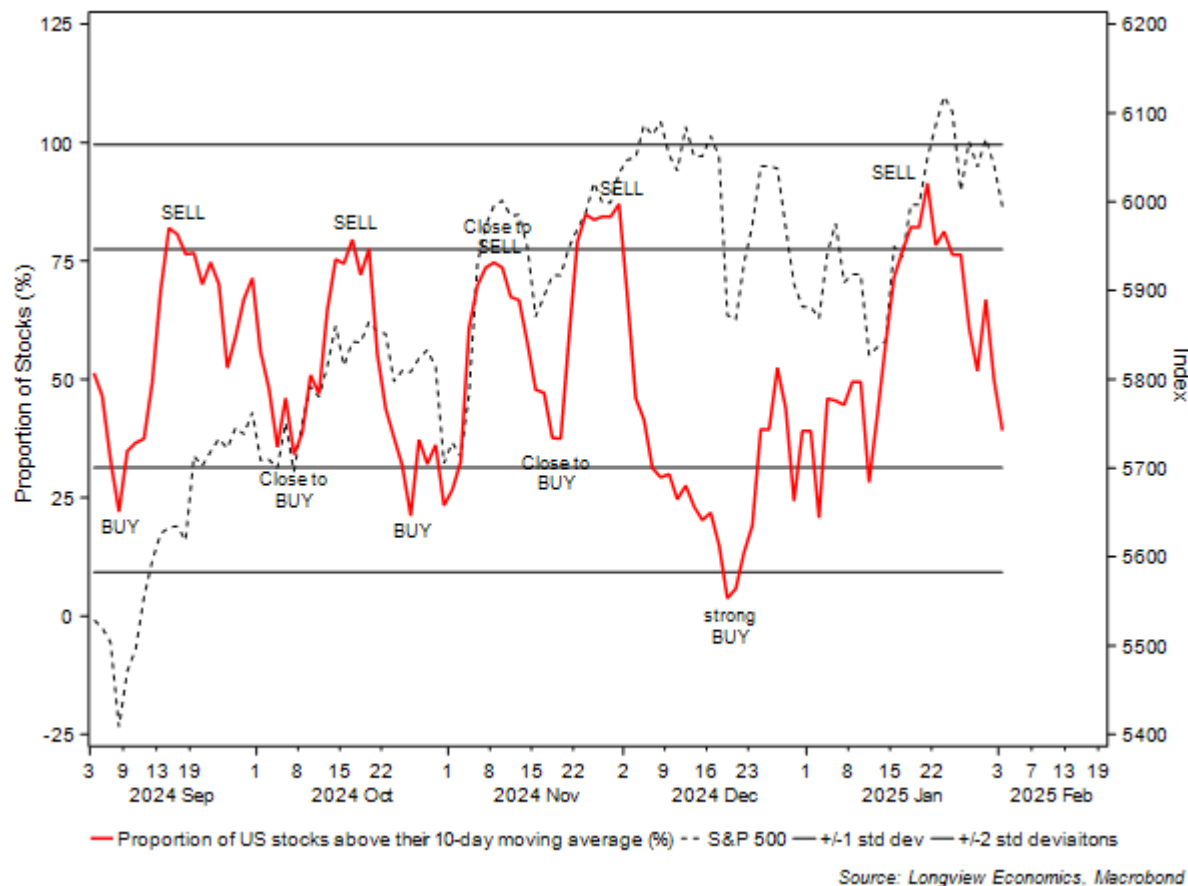
**FIG 5:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500





...With some starting to move towards BUY

**FIG 5a:** Proportion of US stocks above their 10-day moving average vs. S&P500



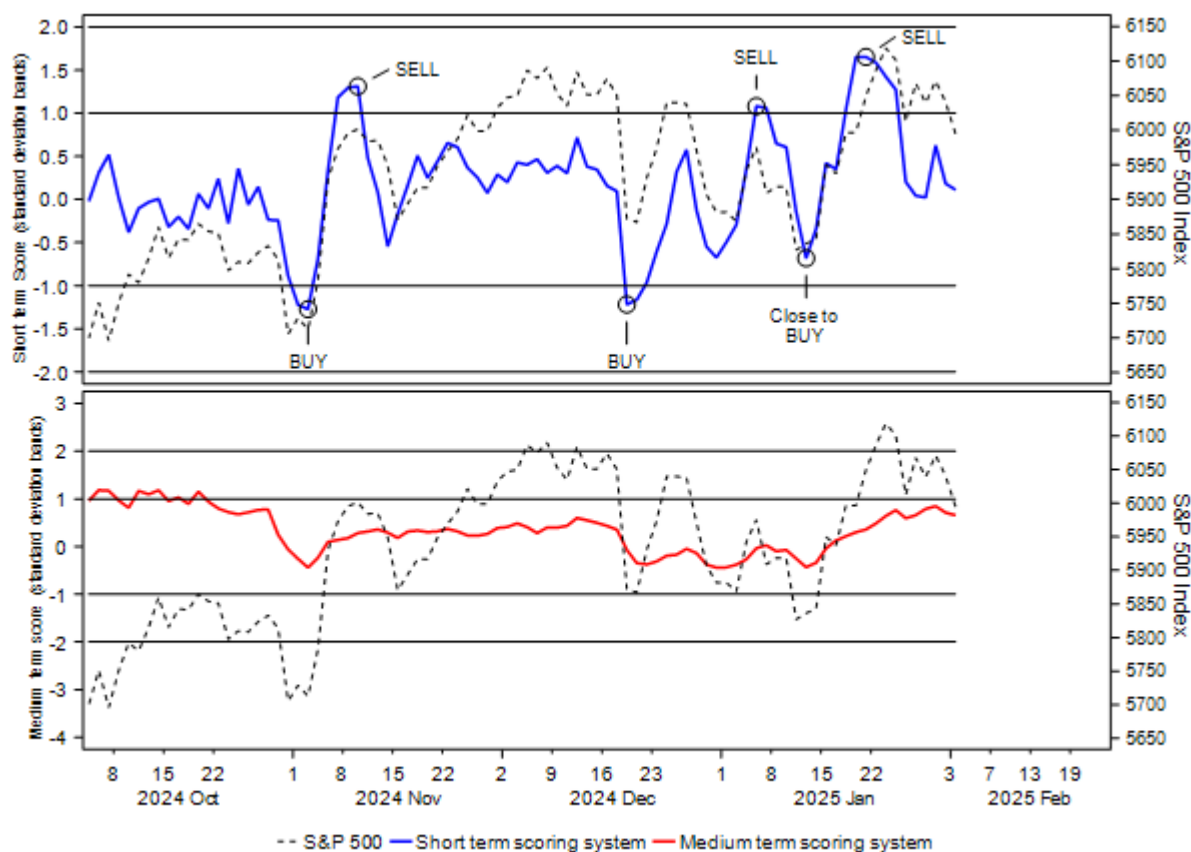


## Key Longview Scoring Systems (chart below):

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

**Medium term** (1 – 4 month) scoring system: **NEUTRAL** (close to 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 household spending (Dec, 12:30am); French industrial & manufacturing production (Dec, 7:45am); Spanish unemployment rate (Jan, 8am); **US JOLTS job openings** (Dec, 3pm); **US durable goods orders** (December final estimate, 3pm); US factory orders (Dec, 3pm); Australian S&P services sector PMI (January final estimate, 10pm); Japanese cash earnings (Dec, 11:30pm).

**Key events** today include: Speeches by the Fed's Bostic in a moderated conversation on housing (4pm) & Daly in a moderated panel (7pm); speech by the ECB's Villeroy in Paris (1:30pm); Riksbank publishes minutes from January meeting (8:30am).

**Key earnings** today include: **Alphabet, Merck&Co, PepsiCo, AMD, Amgen, Pfizer**, KKR & co, PayPal, Chipotle Mexican Grill, Mondelez, Transdigm, Regeneron Pharma, Simon Property, BNP Paribas, Intensa Sanpaolo, **Ferrari**, Diageo, **Mitsubishi UFJ Financial group Inc**, Nintendo, Mitsui.

## 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 3<sup>rd</sup> February 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

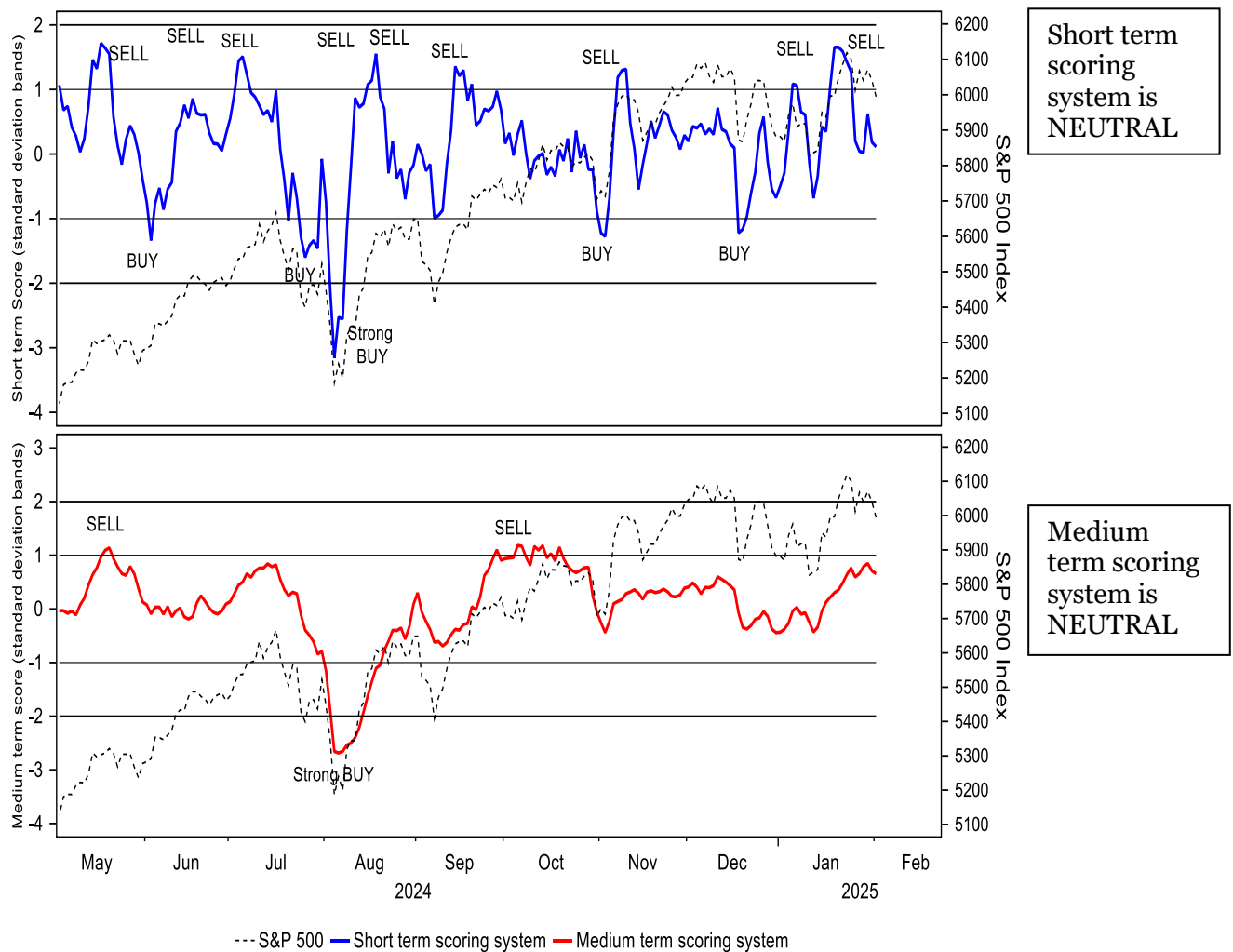
Longview Economics

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4<sup>th</sup> February 2025

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

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



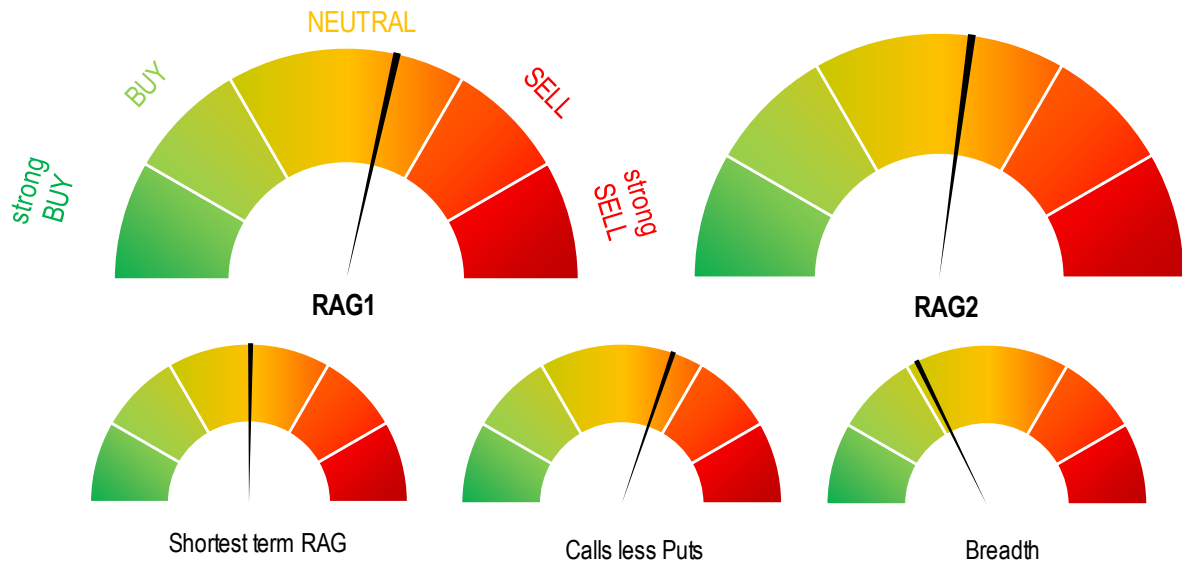
Source: Longview Economics, Macrobond

\*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**

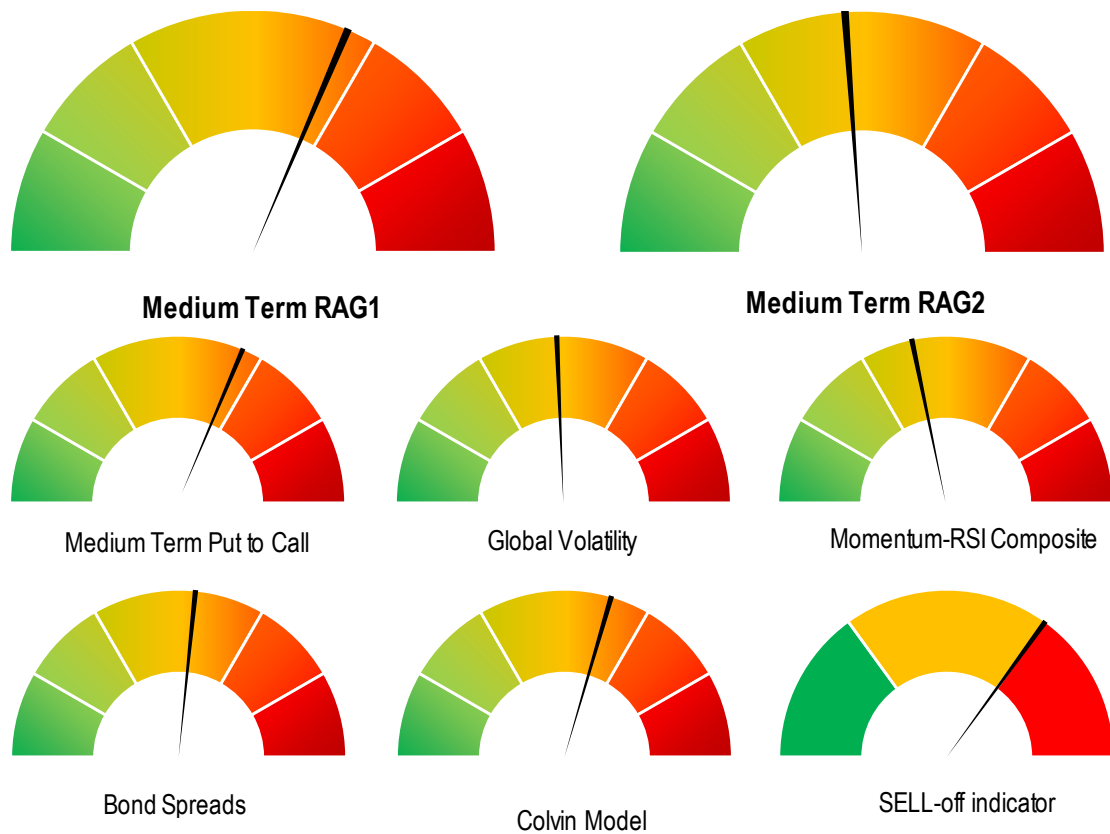
## Section 1a: Summary of indicator signals\*\*

**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

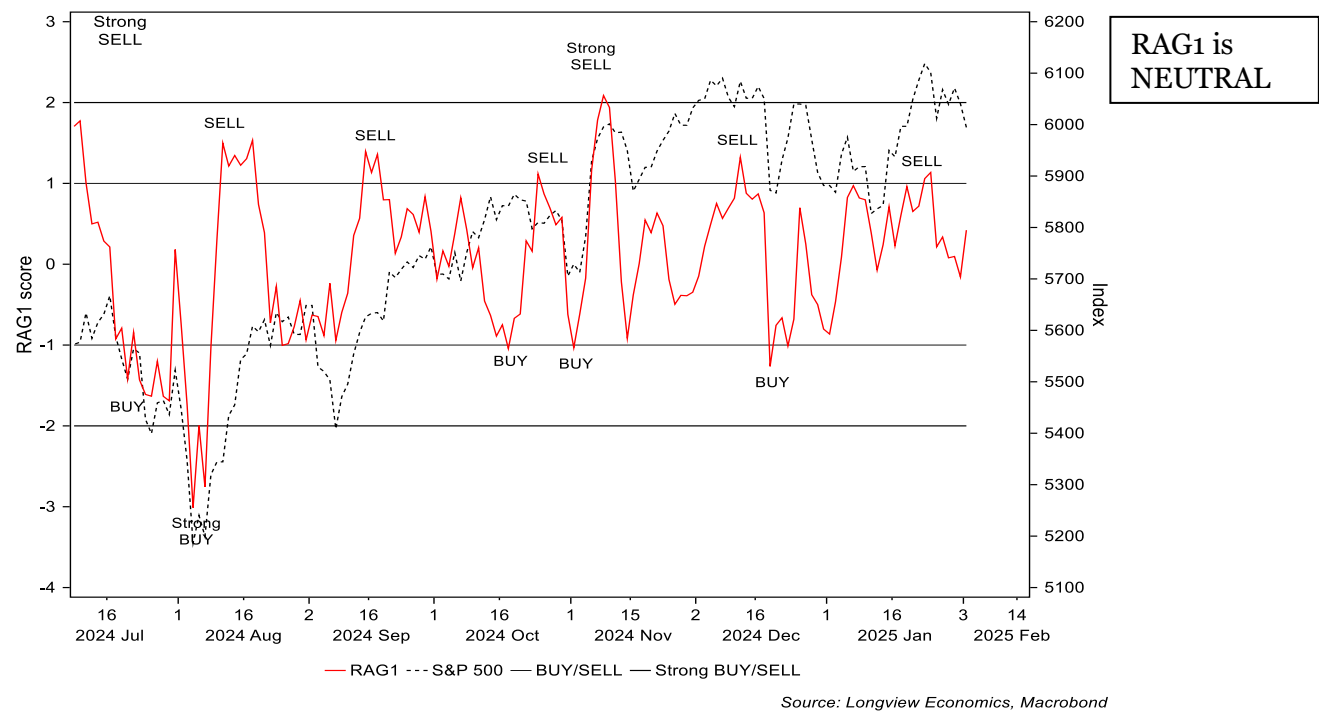
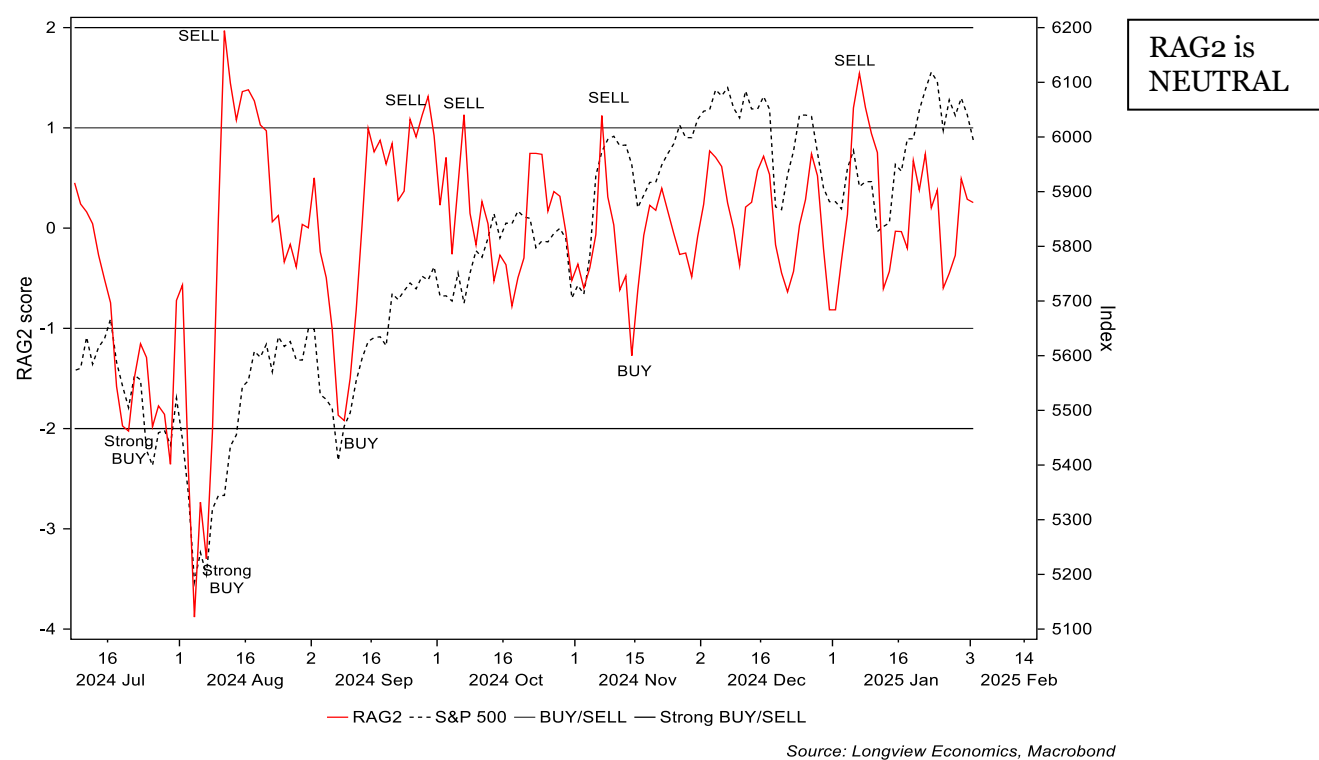
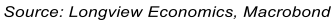
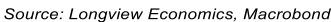


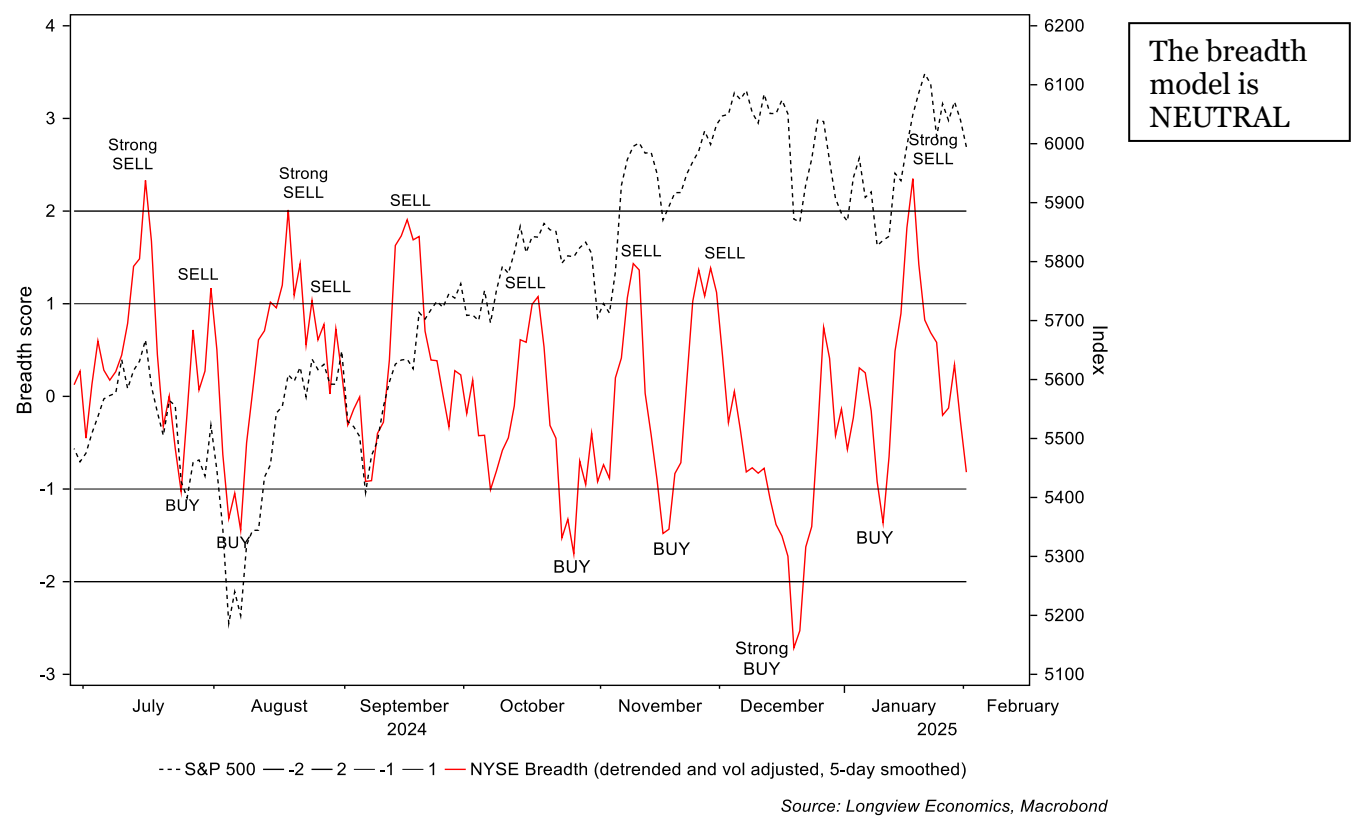
Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10



**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

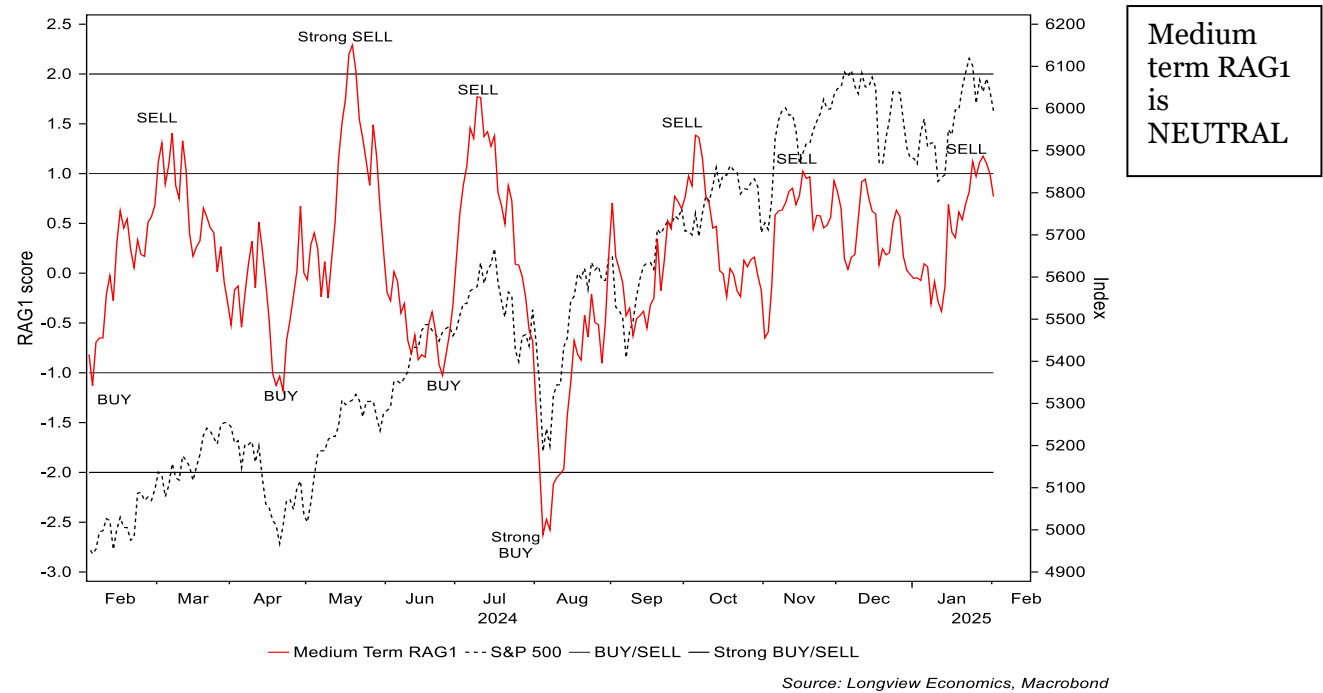
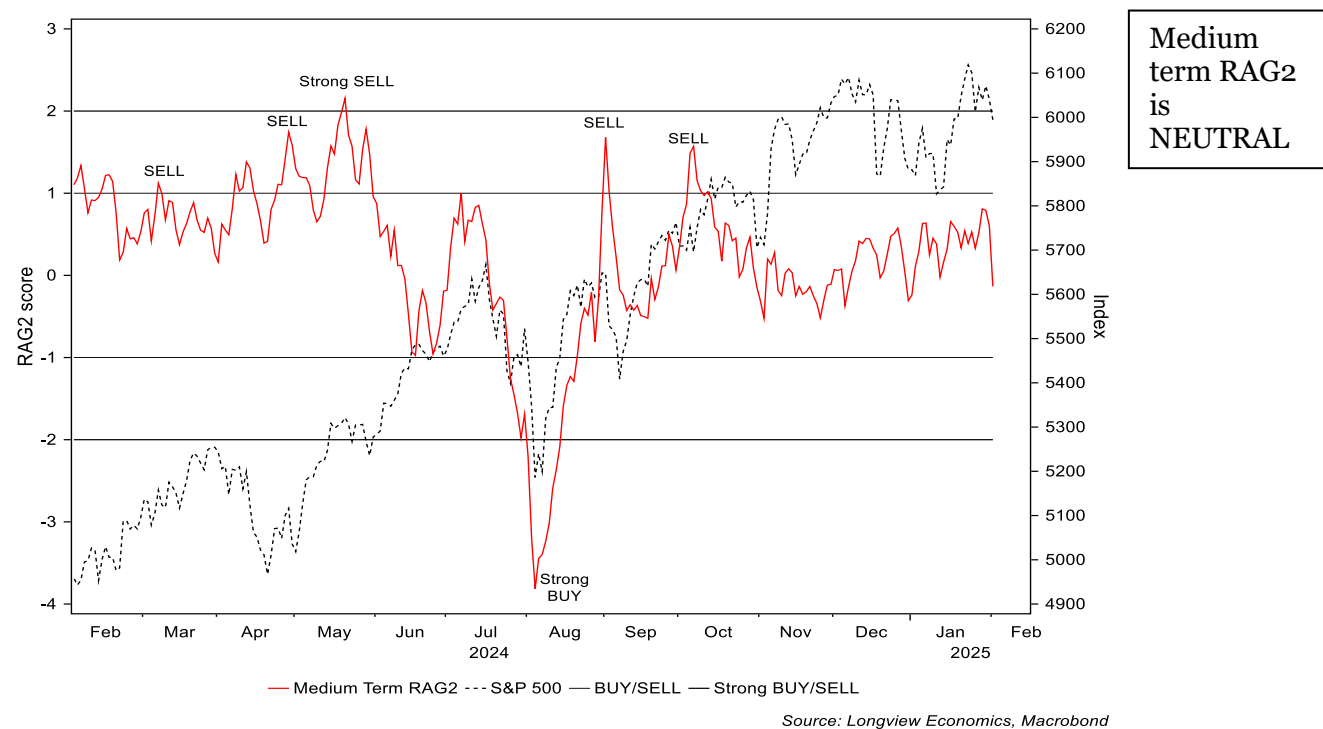
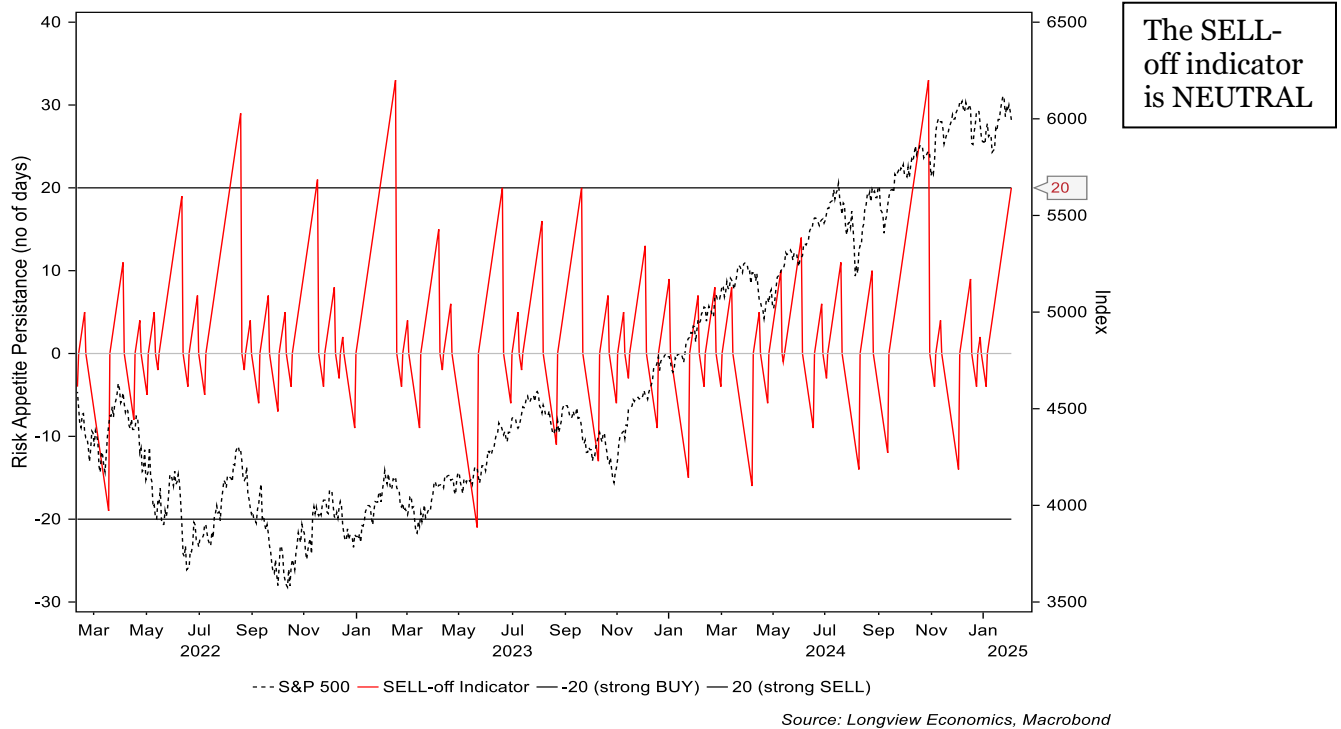


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

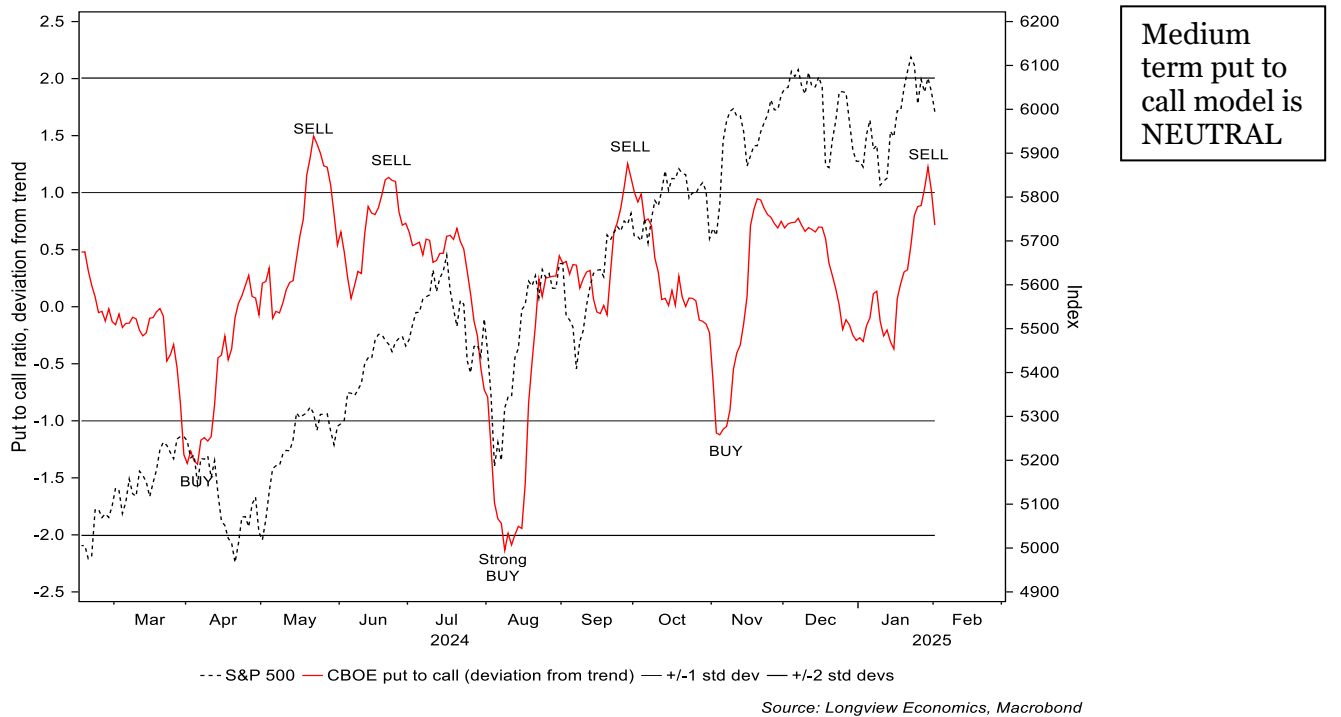


For explanations of indicators please see page 10

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

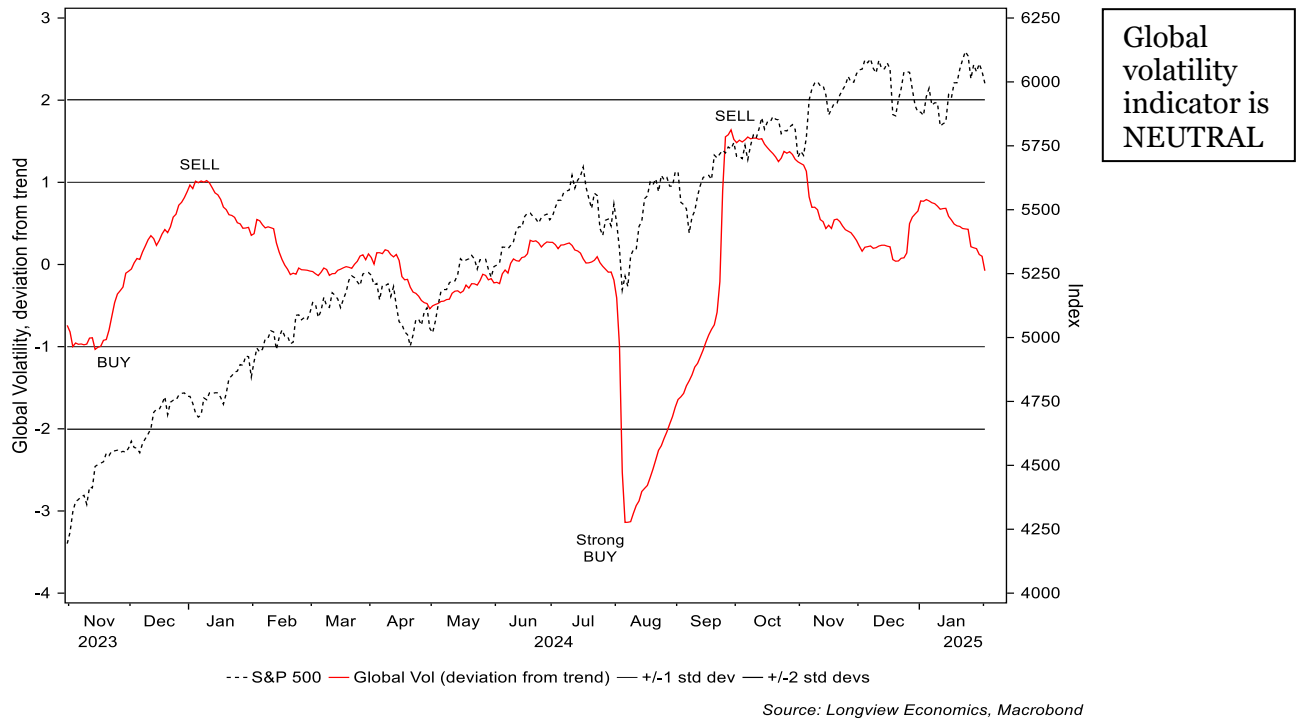


**Fig 3d: CBOE put to call trend deviation model vs. S&P500**

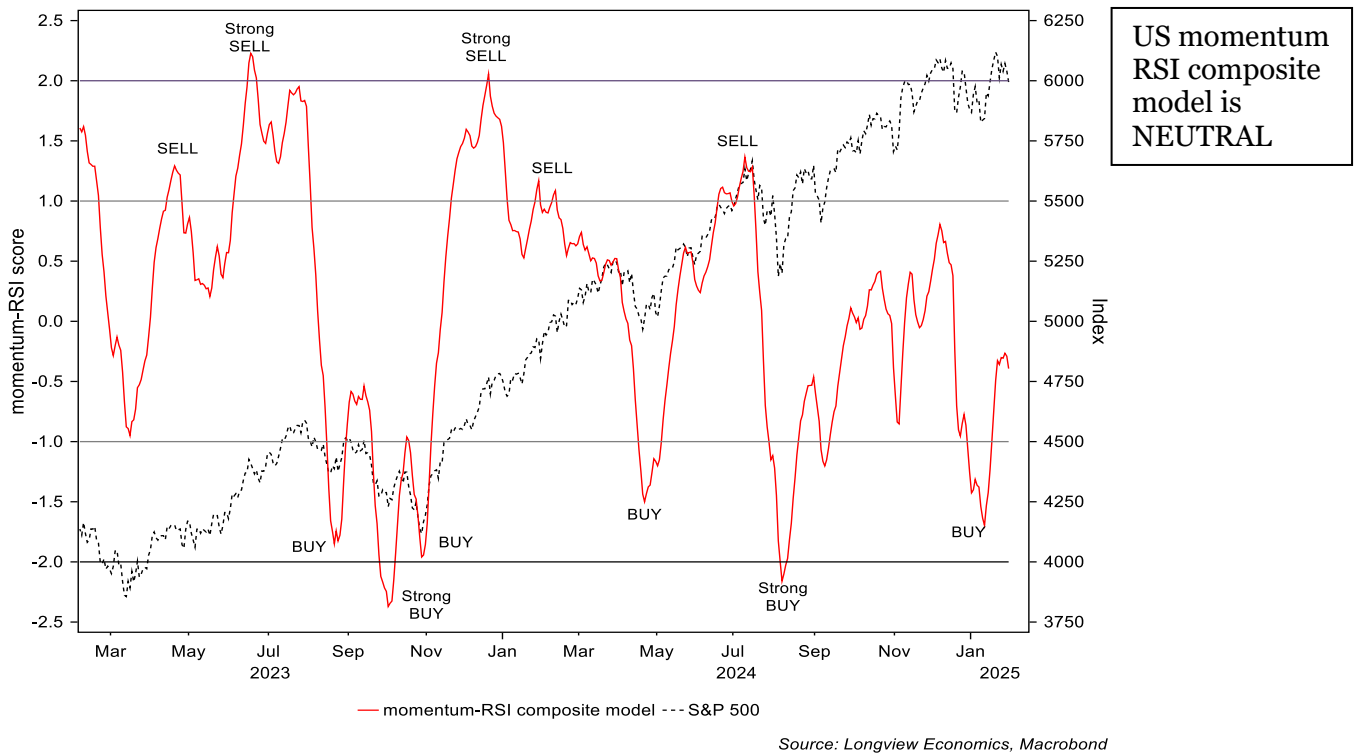


**For explanations of indicators please see page 10**

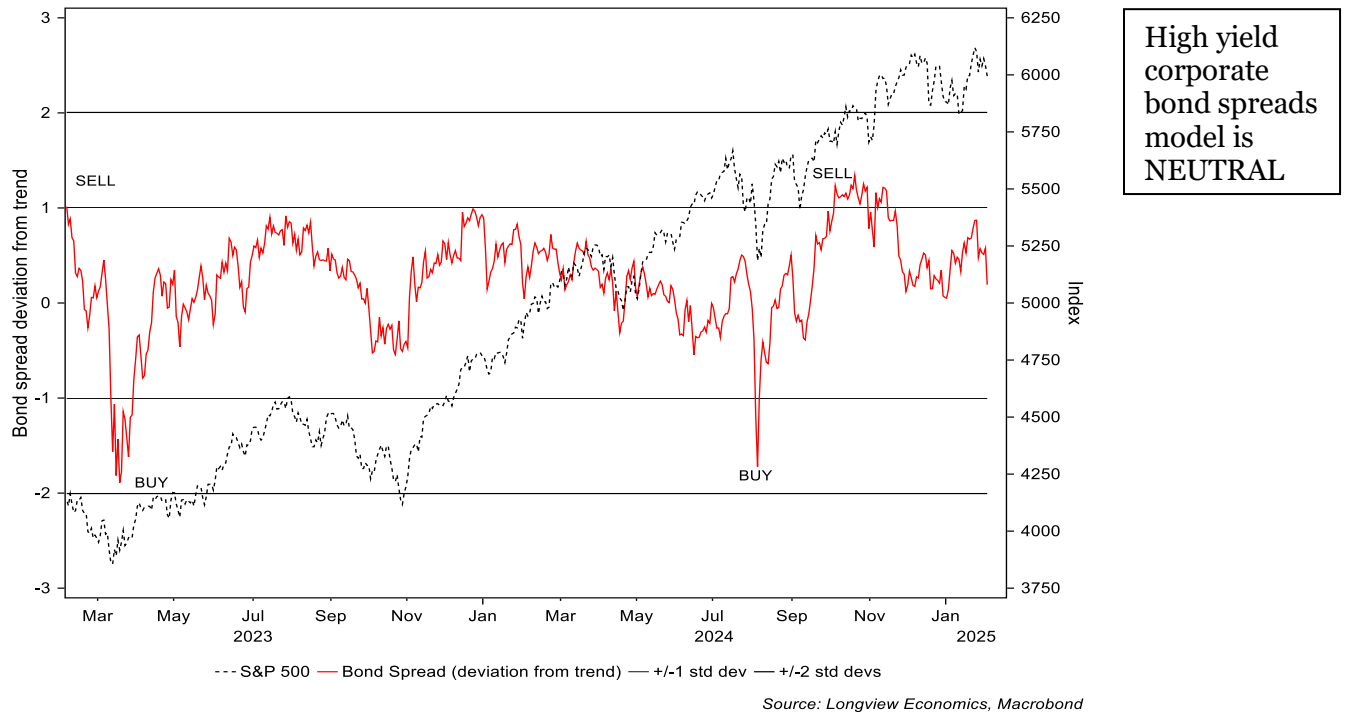
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



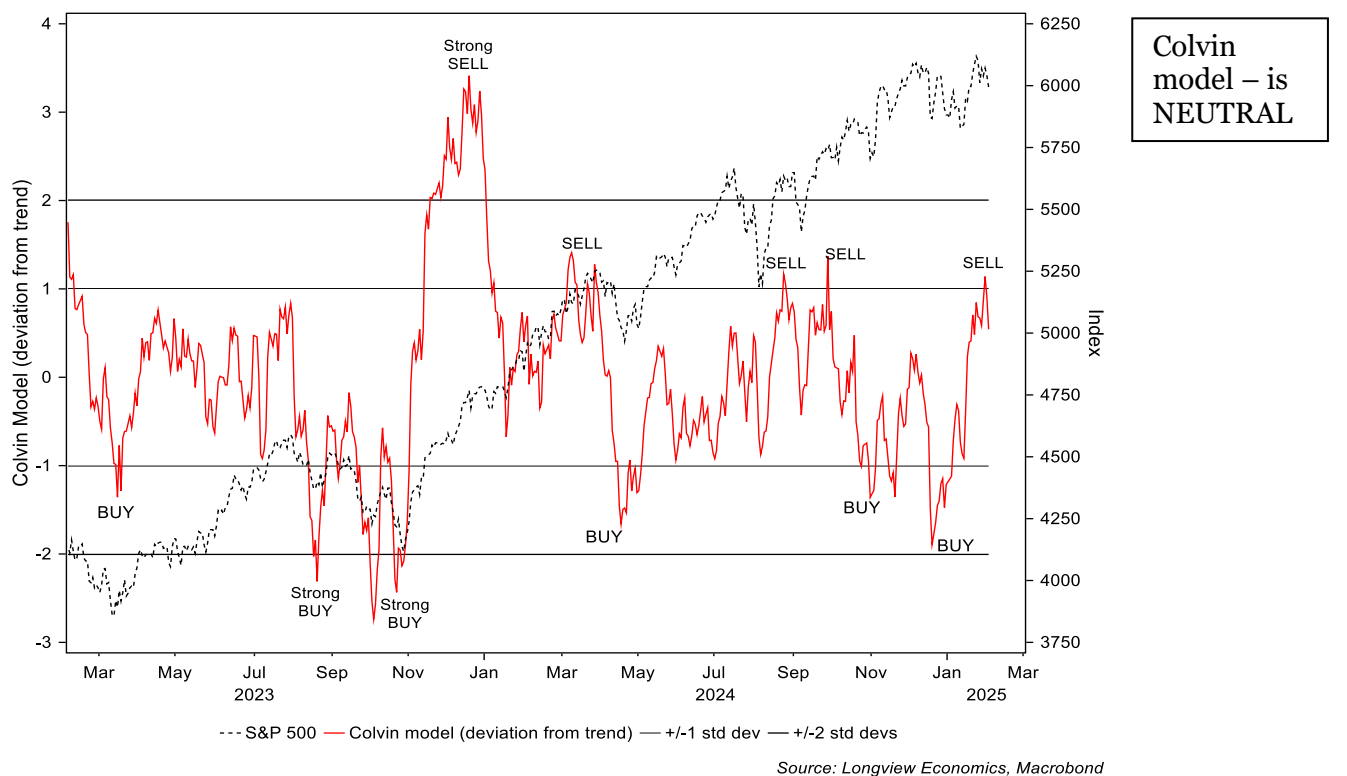
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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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