

## Equity Index Futures Trading Recommendations

4<sup>th</sup> March 2025

“SPX ‘Wave 2’ Relief Rally Likely Brewing/Underway”

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

- Stay ¼ LONG March S&P500 futures (order filled yesterday at 5,850).
- Increase to ½ LONG on weakness (if forthcoming), i.e. at 5,750.
- Implement a 3% stop loss on the combined position (i.e. at 5,626).

### Rationale

Markets yesterday **traded in a manner typical of pullbacks** as Friday’s sharp rally faded (fast) and the S&P500 sold off once again back to its recent intraday lows. The range of 5,800 - 5,850 has been key support for the S&P500 on multiple occasions in recent months: Initially on Friday (last week) it was the intraday lows before the market rallied sharply into the close. It was also a key support level on 19<sup>th</sup> November. The lower end of the range, meanwhile (i.e. 5,800), has also acted as a key level on multiple occasions including in mid-Jan, early November, and early October (see FIGs 1 & 1a). As such, **that range (5,800 – 5850) is a strong support area**. Just below it, the 200-day moving average is currently at 5,755; while 5,720 is another strong support level (having been intraday lows in early October and November, as well as the 16<sup>th</sup> July intraday highs, FIG 1). Those support levels, therefore, from a technical price perspective have a **good likelihood of providing a floor for the commencement of a ‘wave 2’ relief rally\***.

That expectation is backed up by the positioning of the short-term models. The majority are now generating BUY/strong BUY signals. In particular that includes our key risk appetite models (i.e. ‘RAG1’ & ‘RAG2’, see FIG 2), as well as our short term risk appetite scoring system (FIG 2a). Furthermore, various short term technical scoring systems are at ‘oversold’ levels/on BUY. These models have been timely in picking key turning points in recent months (e.g. see FIG 2d). With that, and given that medium term models also starting to generate BUY signals, our combined ‘short PLUS medium term’ risk appetite scoring system is now on BUY (see FIG 1b).

As such, we recommend **continuing to BUILD LONG positions for a ‘wave 2’ relief rally**. Short term models remain mostly supportive of the expectation of a bounce. Medium term models are also increasingly leaning towards BUY, while there are multiple key support levels at the 5,800 – 5,850 range, as well as just below (5,720 & 5,755). Hence why we structured the trade to BUY on weakness (with a stop below those support levels).

Key risks, as always, are multiple and include the (only) average level of outstanding downside protection (i.e. the put to call ratio is not yet on clear/strong BUY levels, see FIGs 2b & 2c); equally tariff announcements are clearly upsetting the market at this juncture, along with poor macro data. Overall, though, and while the 'wave 2' relief rally can be challenging to time/trade, we view the risk reward of BUILDing LONG positions as favourable. Hence, we continue to recommend the strategy laid out above.

Please see above for detailed recommendation. Key macro and other events are shown below.

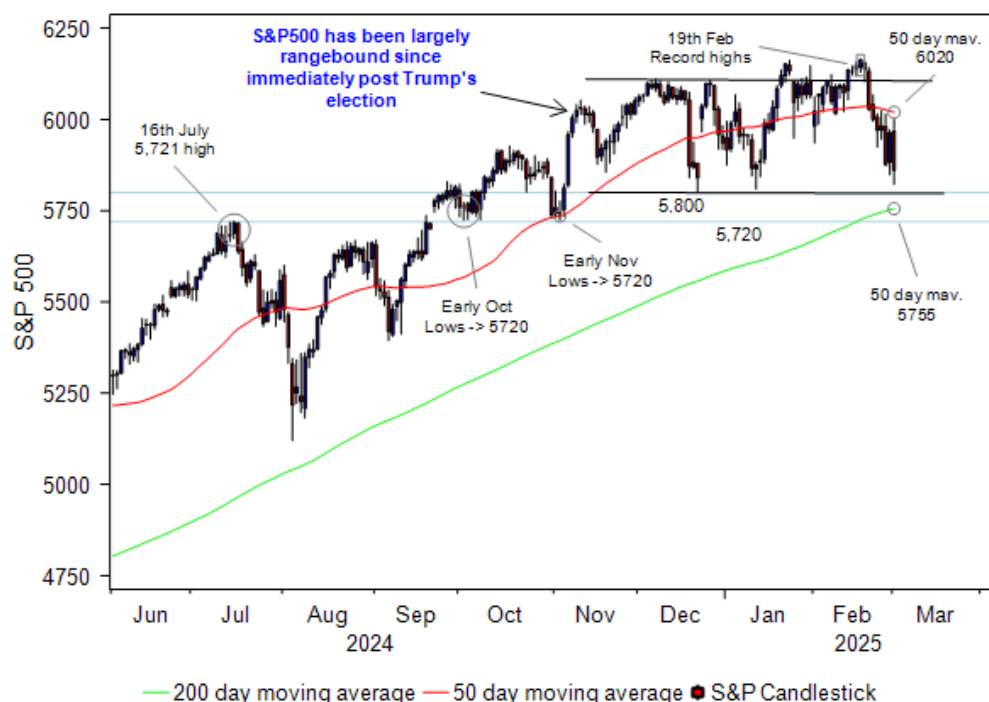
Kind regards,

The team @ Longview Economics

\*NB most pullbacks consist of three waves. A three wave SELL-off pattern is comprised of i) an initial pullback (wave 1); ii) a relief rally (wave 2); and then iii) a final leg lower during which the index breaks below the lows from wave 1 (i.e. wave 3). In SELL-offs in bear markets, i.e. when the down trend is dominant, SELL-offs often consist of 5 waves instead of 3.

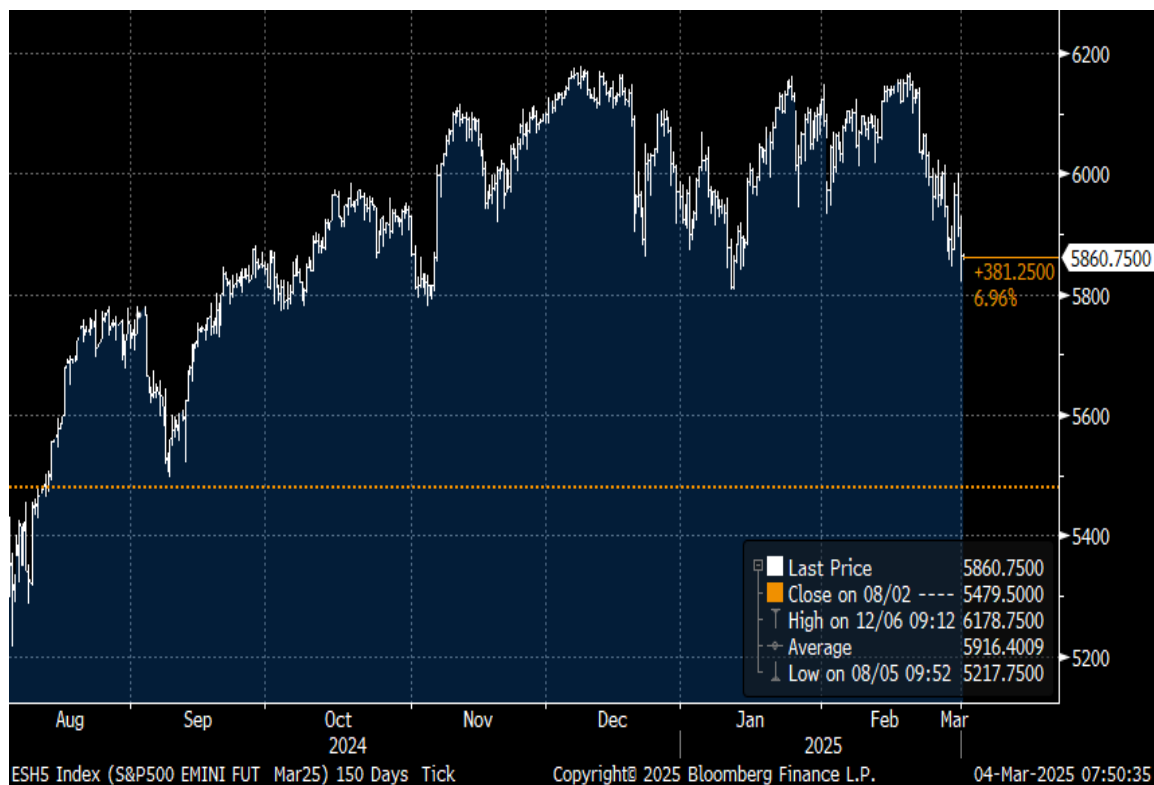
NB the goal of this publication is to implement '1 – 2' week, LONG or SHORT trades on equity index futures (looking for 1 – 3 trades per month). For longer term 1 – 4 month trading recommendations and analysis, see our 'Tactical Asset Allocation' publications (available: <https://www.longvieweconomics.com/the-tactical-investor>); 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: S&P500 futures candlestick chart, shown with 50 & 200 day moving averages**

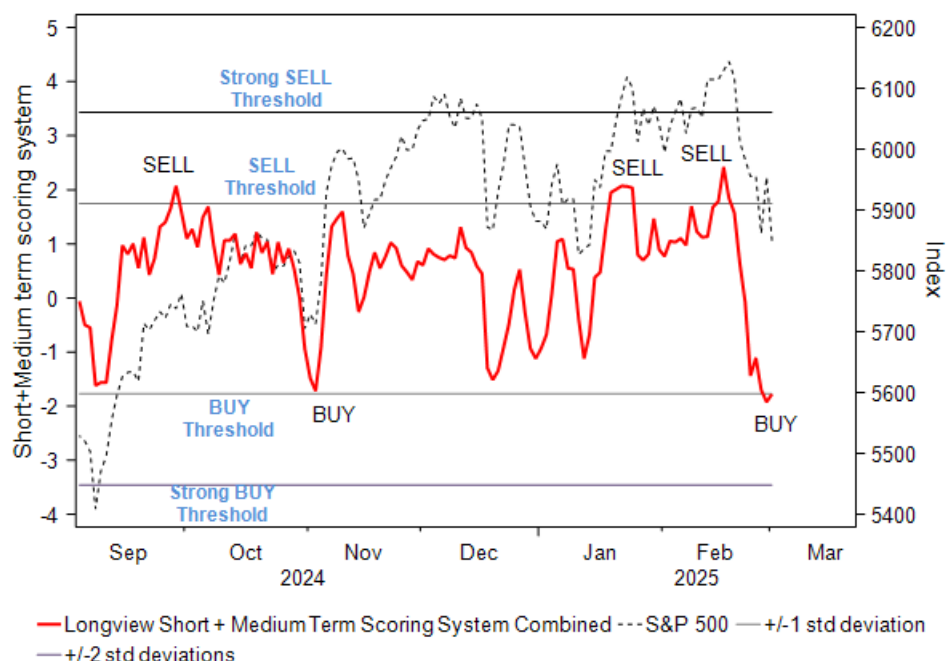


Source: Longview Economics, Macrobond

**FIG 1a: S&P500 futures 150-day tick chart shown with overnight price action**



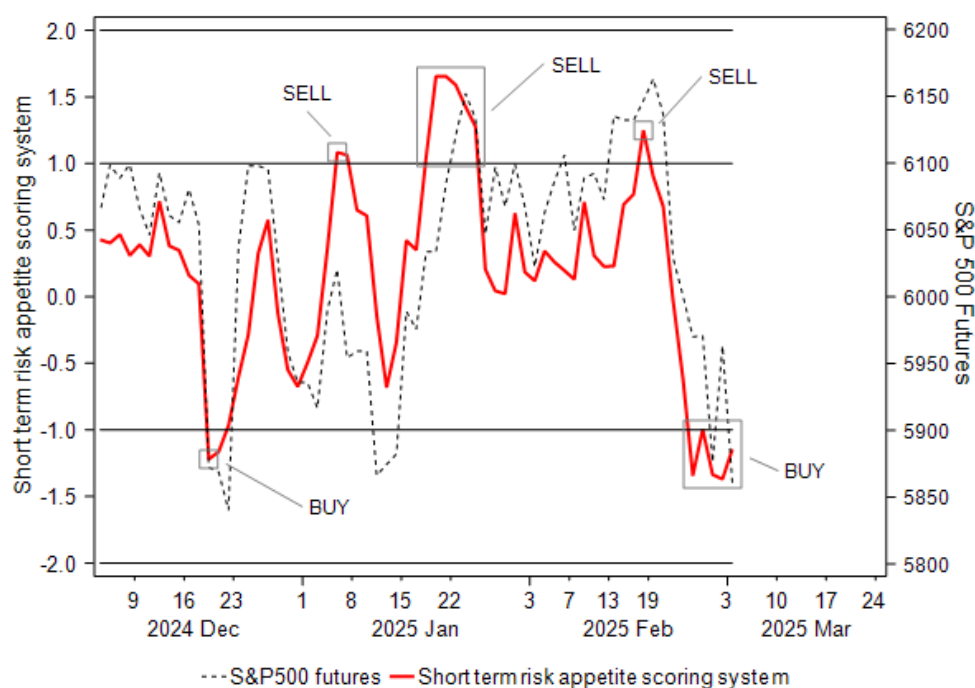
**FIG 1b:** Longview combined short PLUS medium term **‘risk appetite’** scoring systems vs. S&P500



Source: Longview Economics, Macrobond

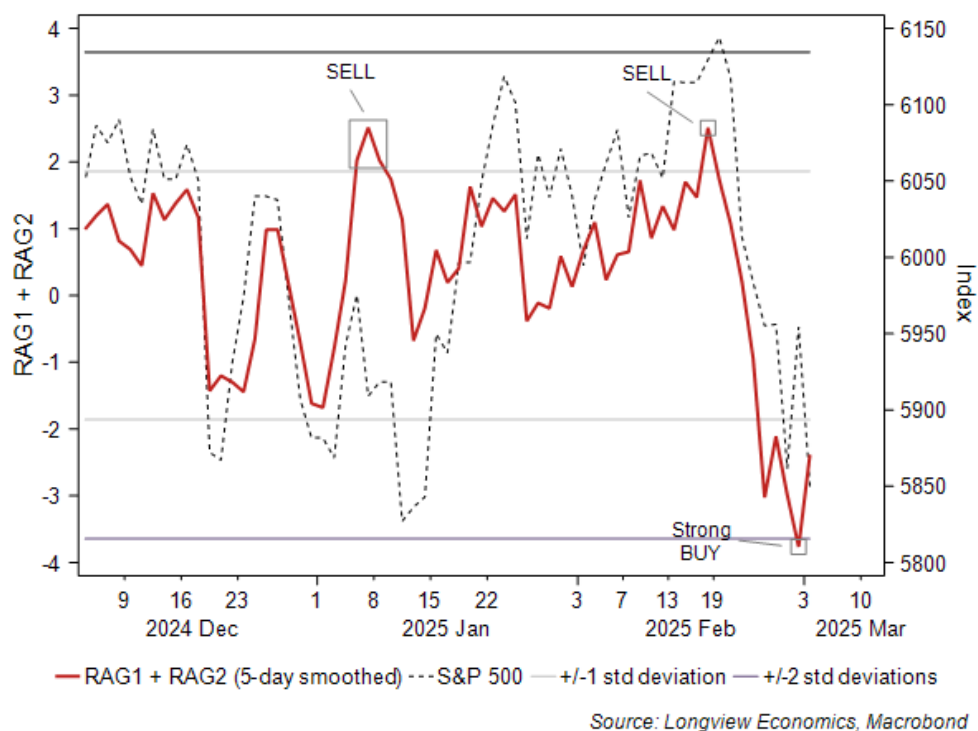
**Short term models are mostly on BUY/strong BUY...**

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

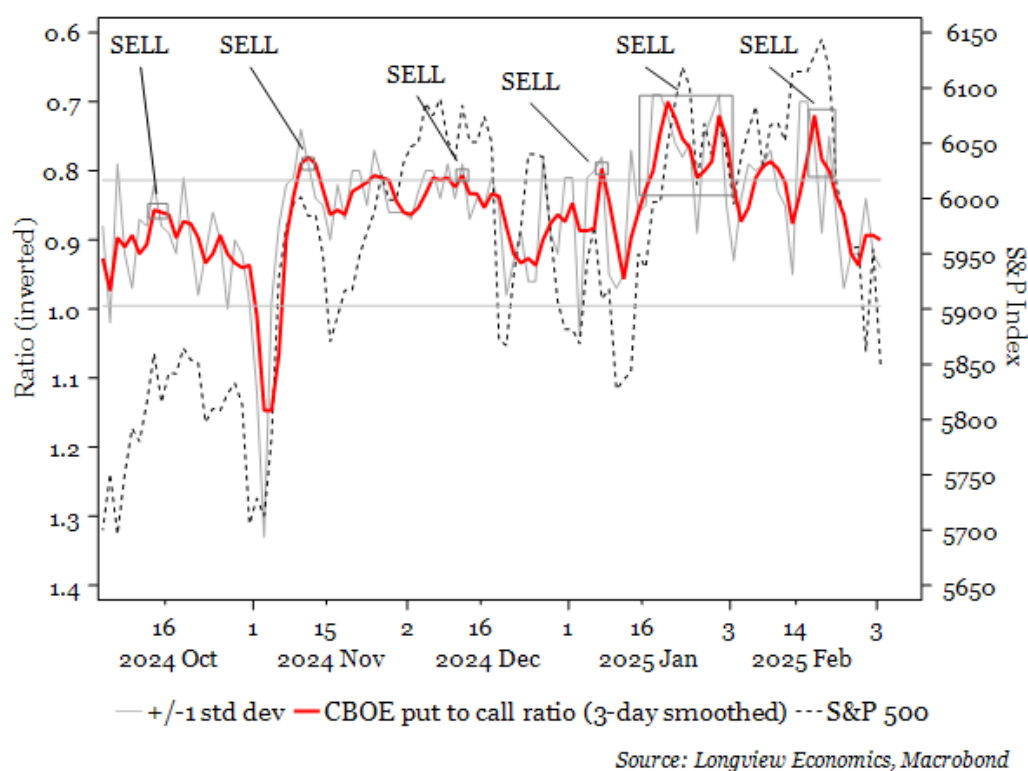


Source: Longview Economics, Macrobond

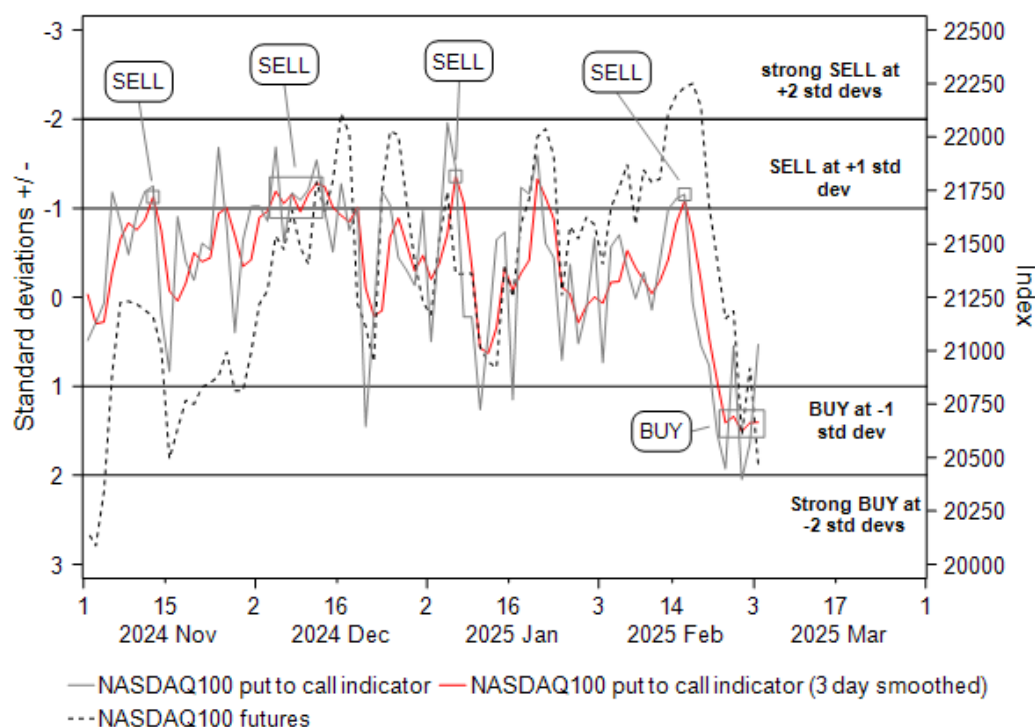
**FIG 2a:** Longview combined key ‘risk appetite’ models (RAG1 + RAG2) vs. S&P500



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

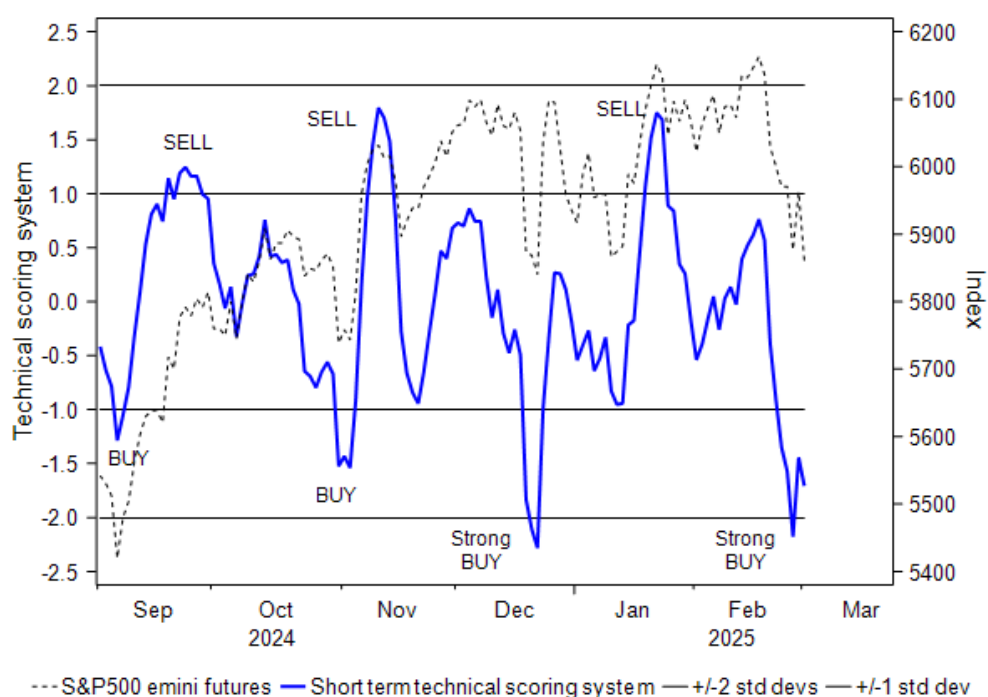


**FIG 2c:** NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Source: Longview Economics, Macrobond

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



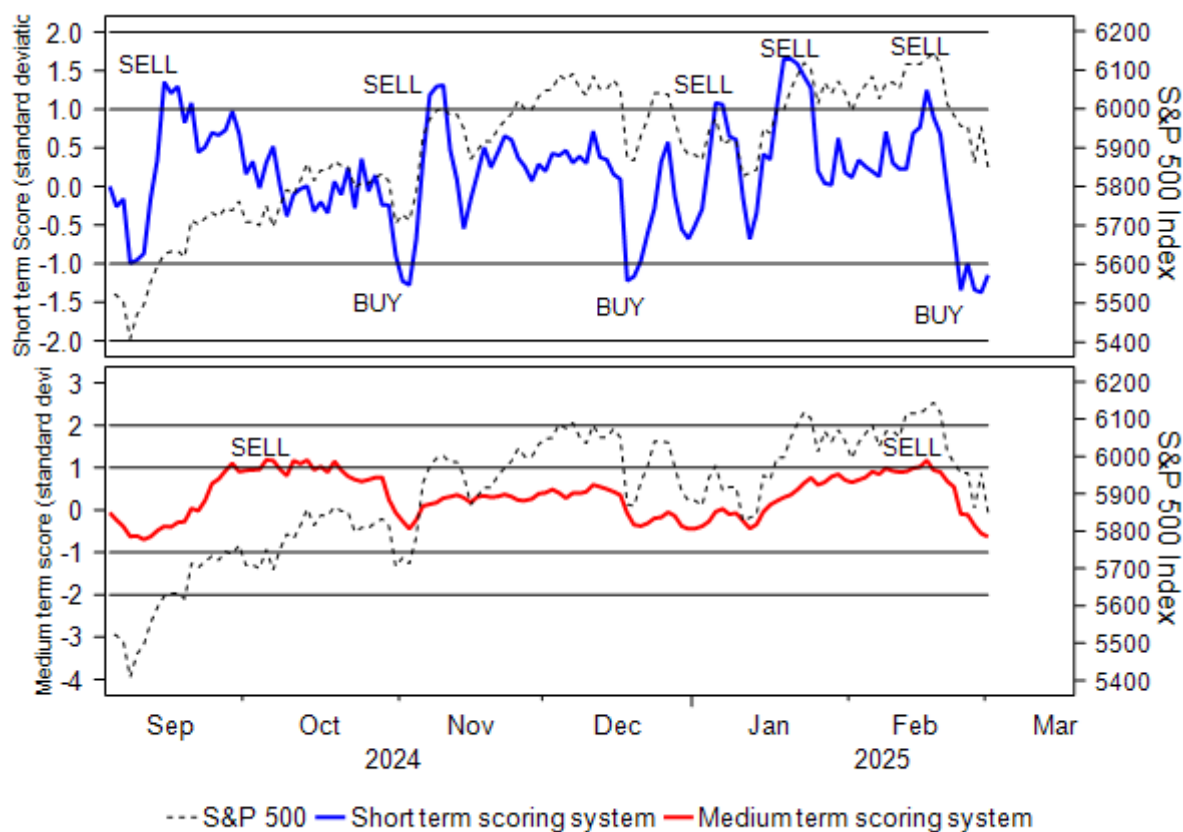
Source: Longview Economics, Macrobond

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

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

**Medium term** (1 – 4 month) scoring system: **NEUTRAL**

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



Source: Longview Economics, Macrobond



## Key macro data/events

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**Key data** today include: UK BRC shop price index (Feb, 12:01am); Australian retail sales (Jan, 12:30am); **Japanese ESRI consumer confidence** (Feb, 5am); Spanish unemployment rate (Feb, 8am); Italian unemployment rate (Jan, 9am); Eurozone unemployment rate (Jan, 10am); Australian S&P services sector PMI (February final estimate, 10pm).

**Key events** today include: RBA publishes minutes from February meeting (12:30am); Speech by the Fed's Williams at Bloomberg Invest Forum (7:20pm); speech by the RBA's Hauser (9:45pm); China 'Two Sessions' begins (annual parliamentary meeting).

**Key earnings** today include: CrowdStrike Holdings, AutoZone, **Target**, Universal Music NV, Flutter Entertainment.

## Definitions & other matters:

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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 25<sup>th</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

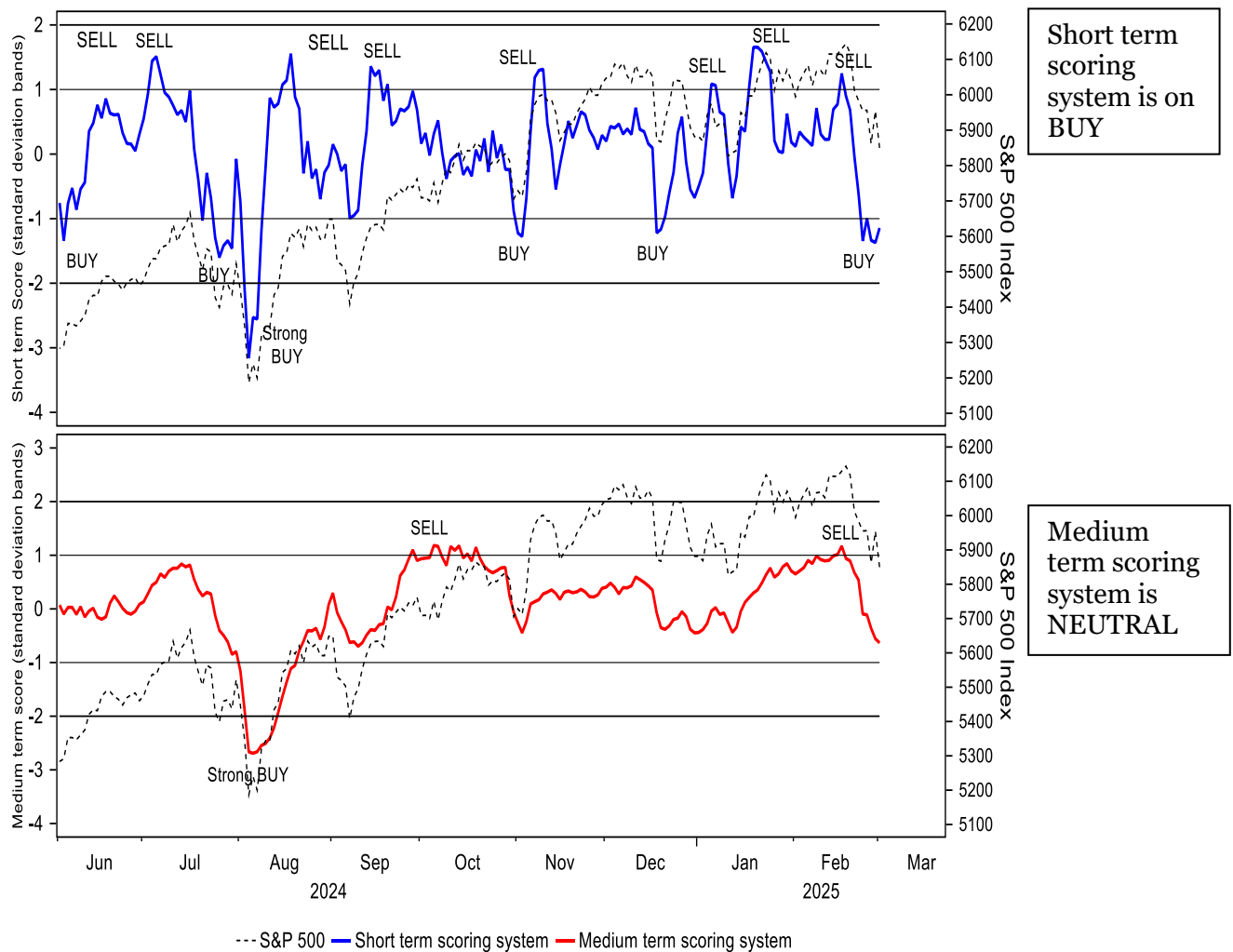
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4<sup>th</sup> March 2025

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

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



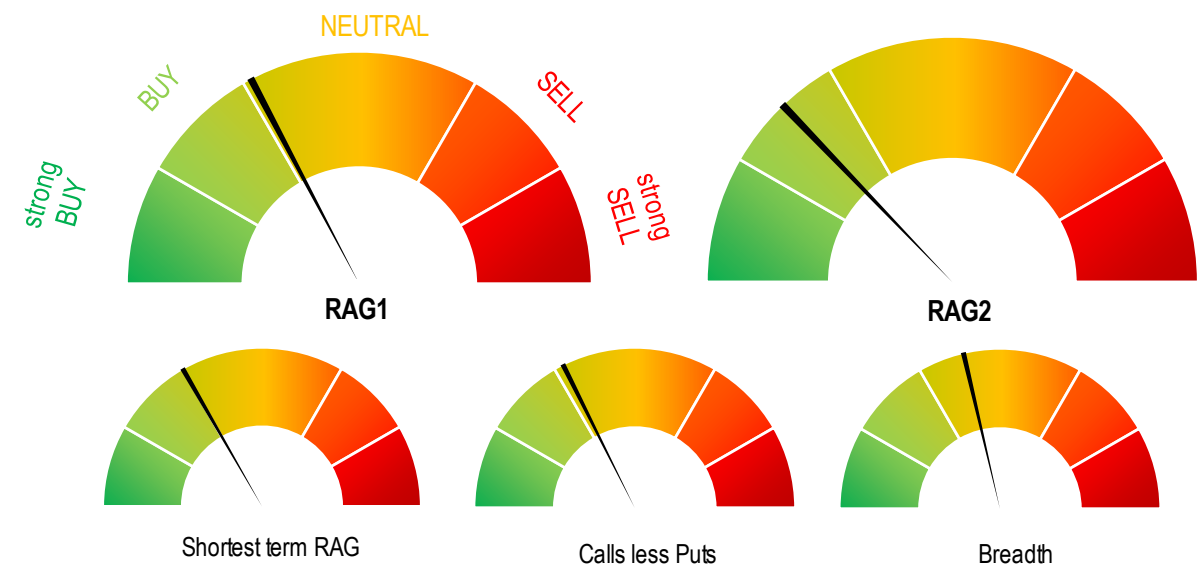
Source: Longview Economics, Macrobond

\*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**

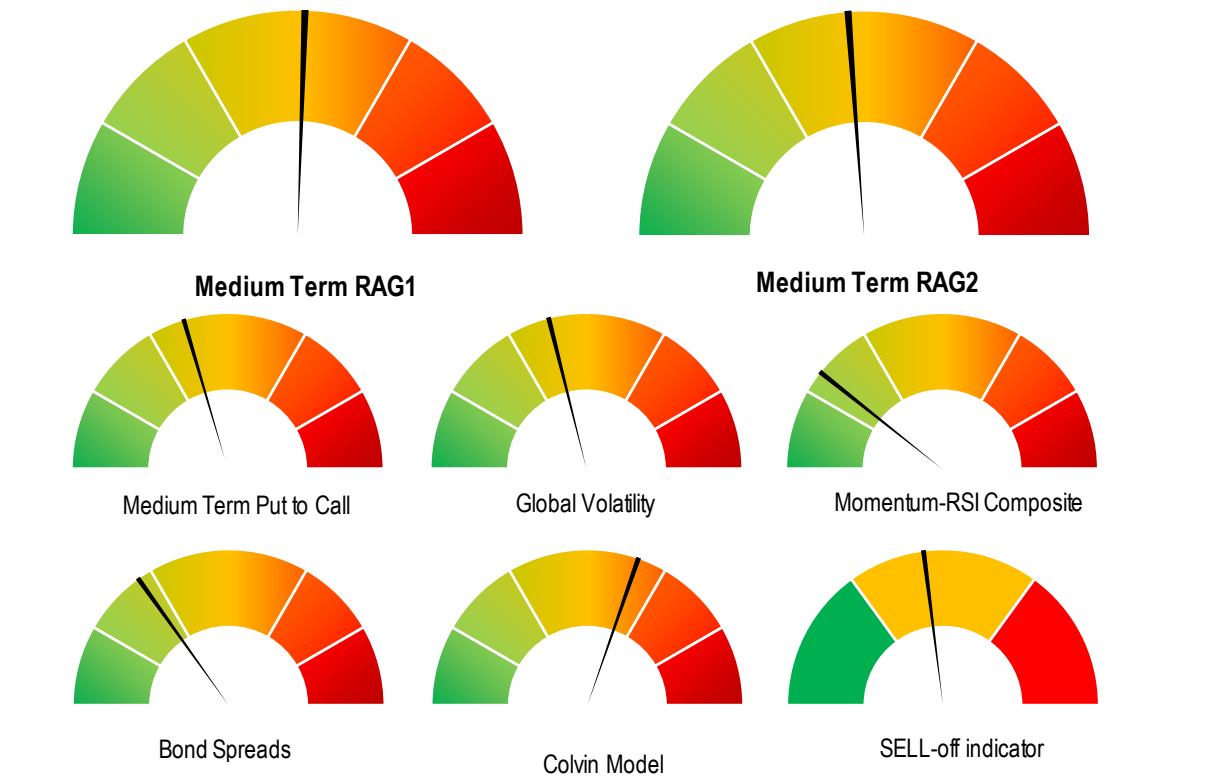
**Section 1a: Summary of indicator signals\*\***

**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

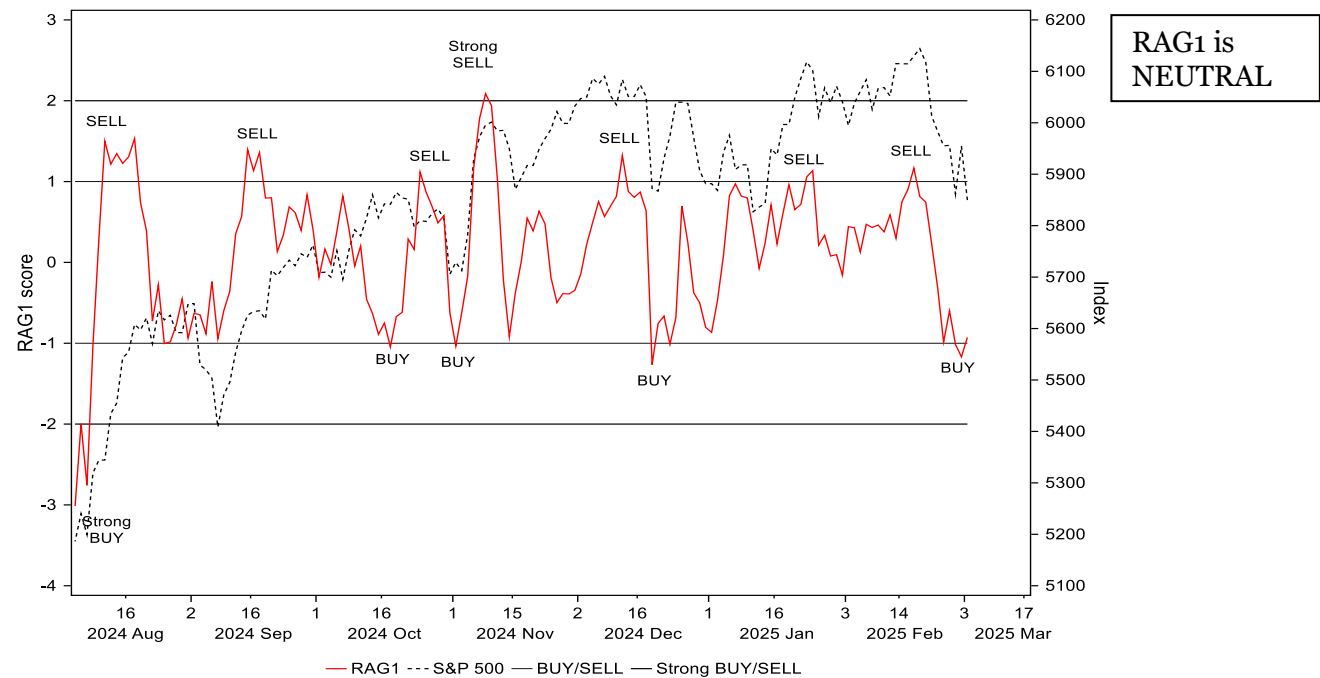
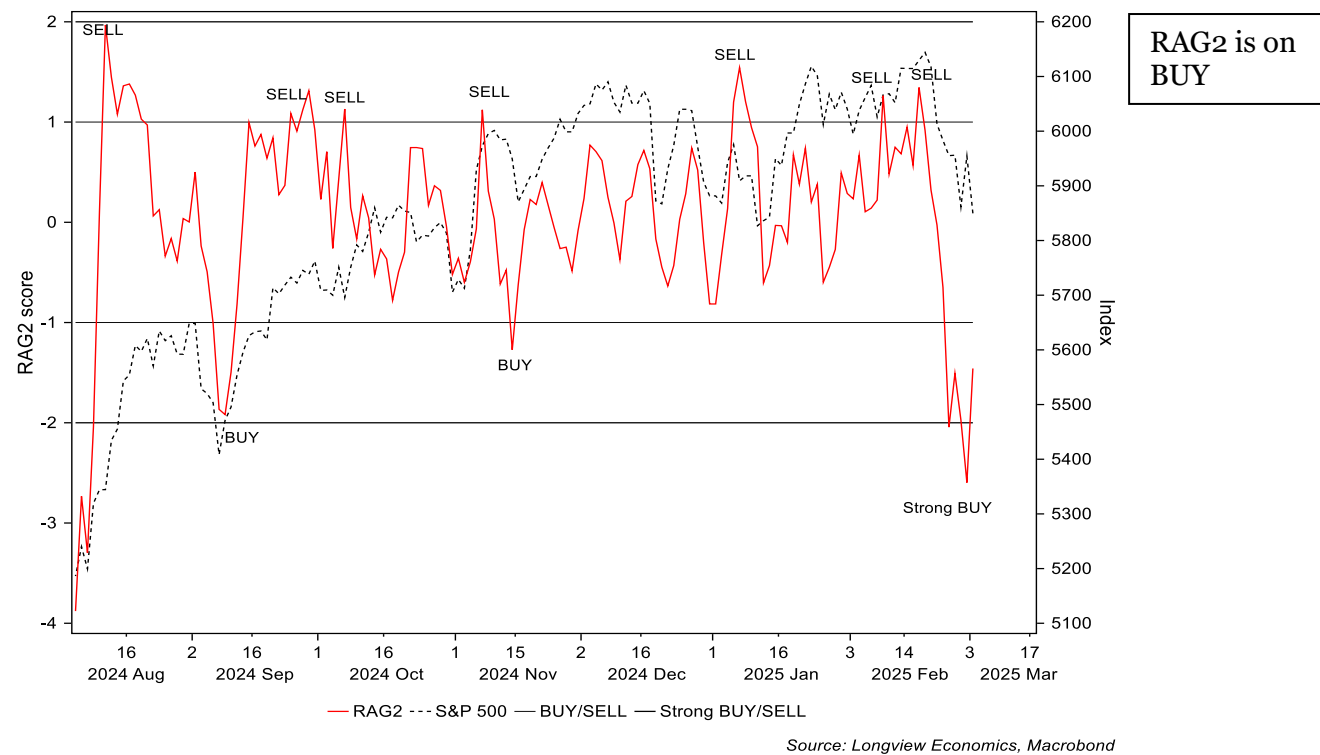
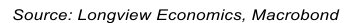
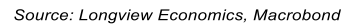


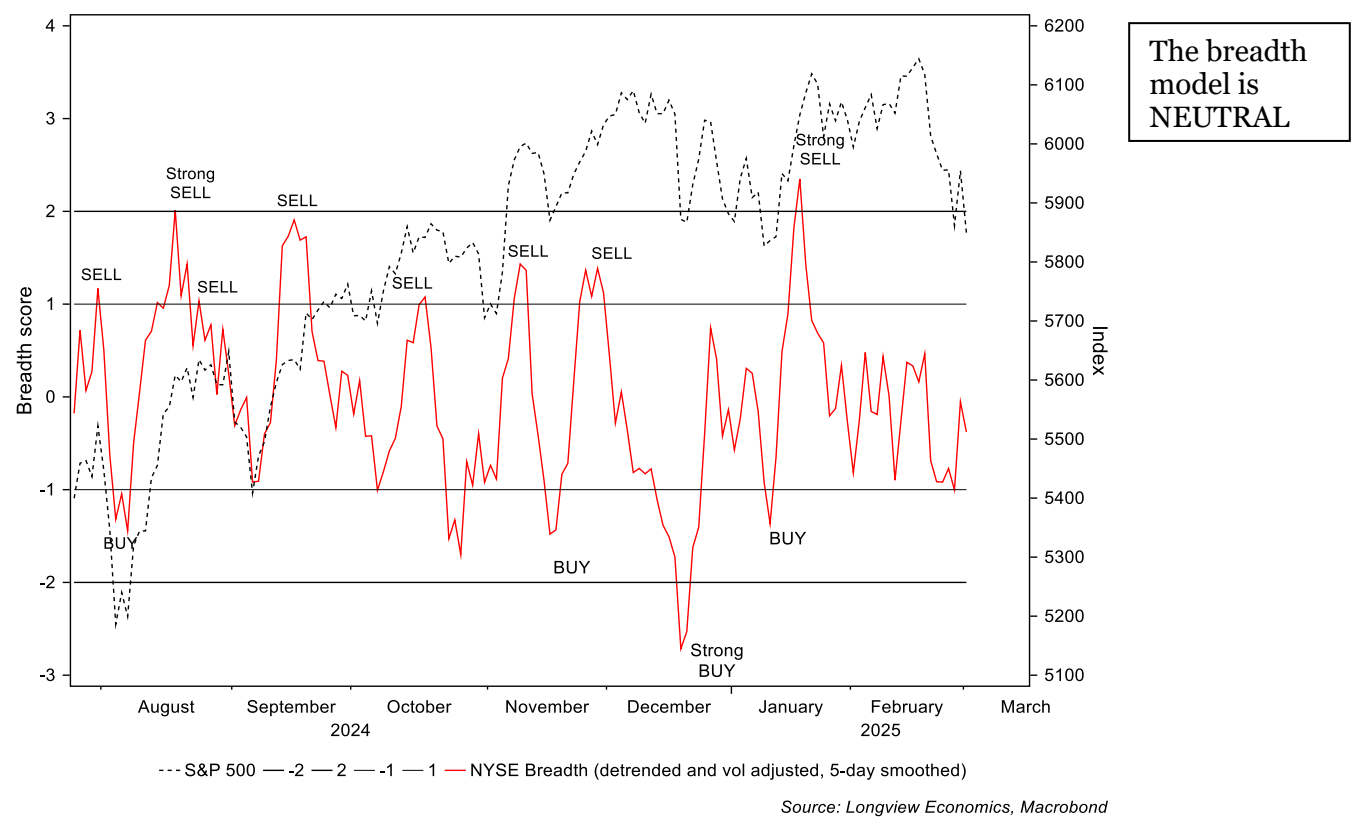
Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10



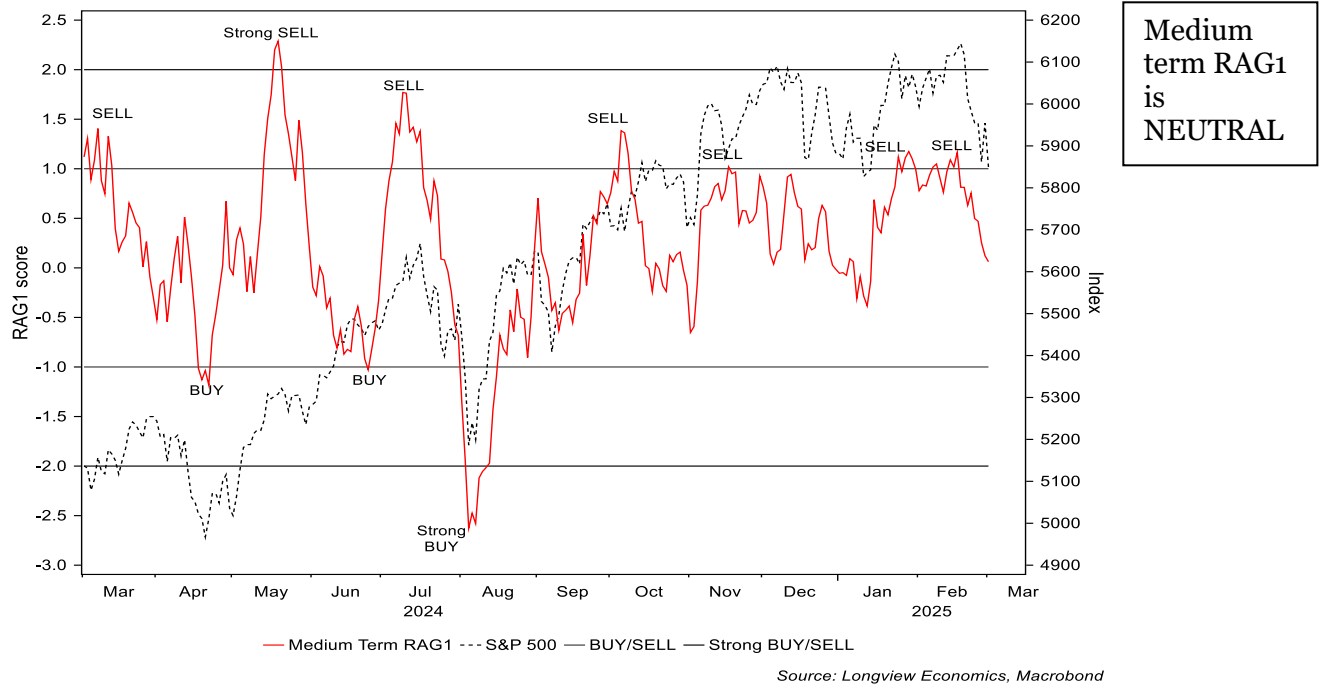
**Fig 2e:** Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



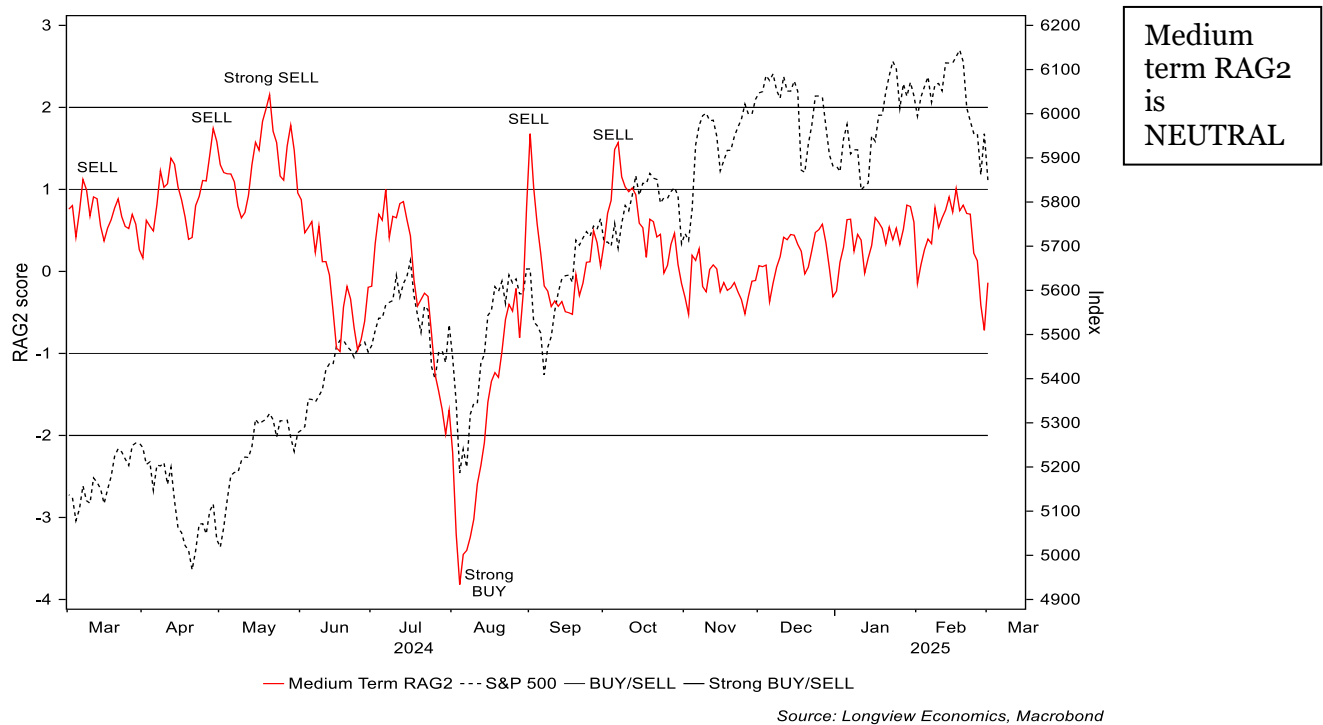
*For explanations of indicators please see page 10*

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

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



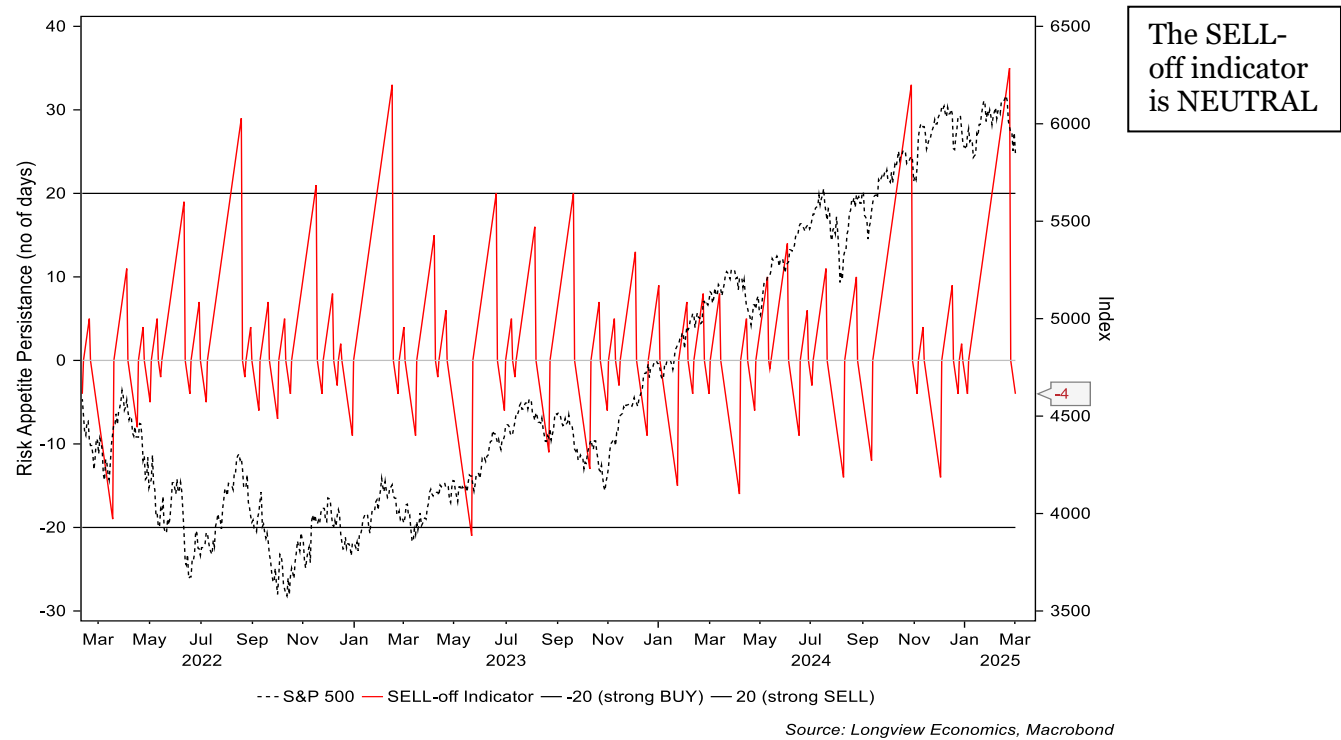
**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500



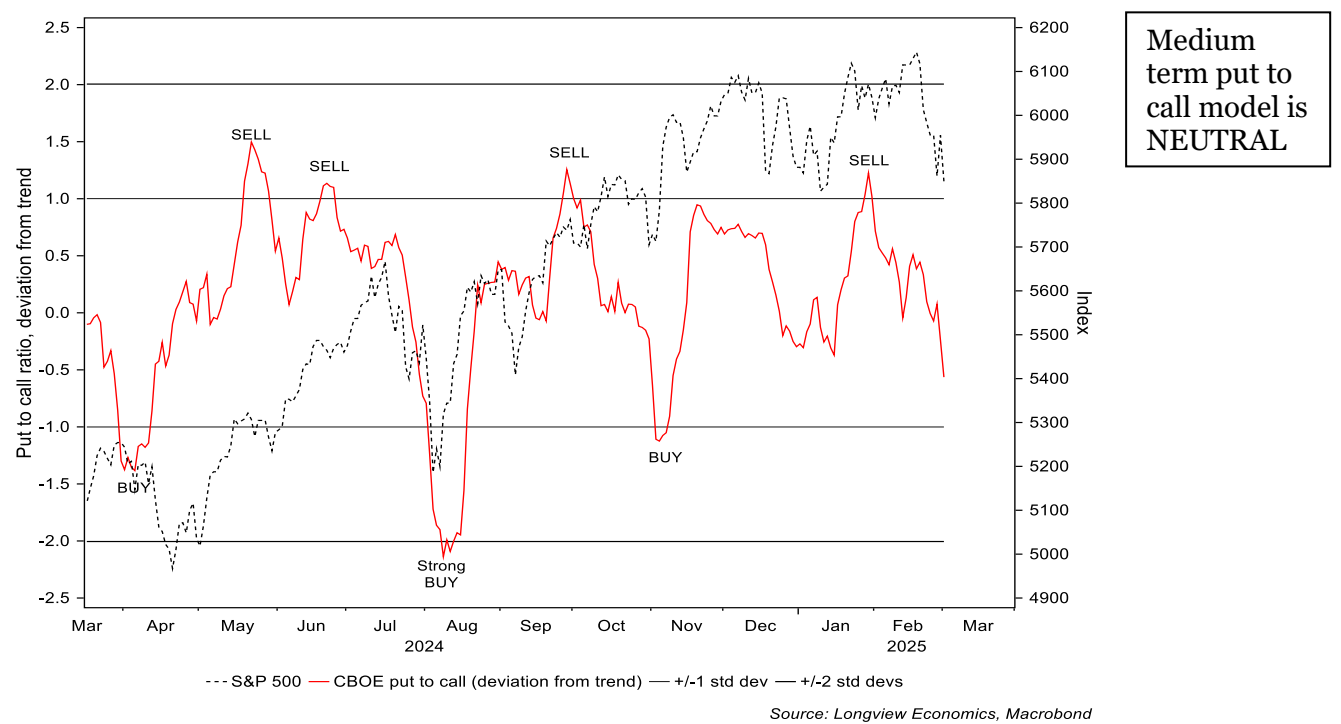
*For explanations of indicators please see page 10*



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



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

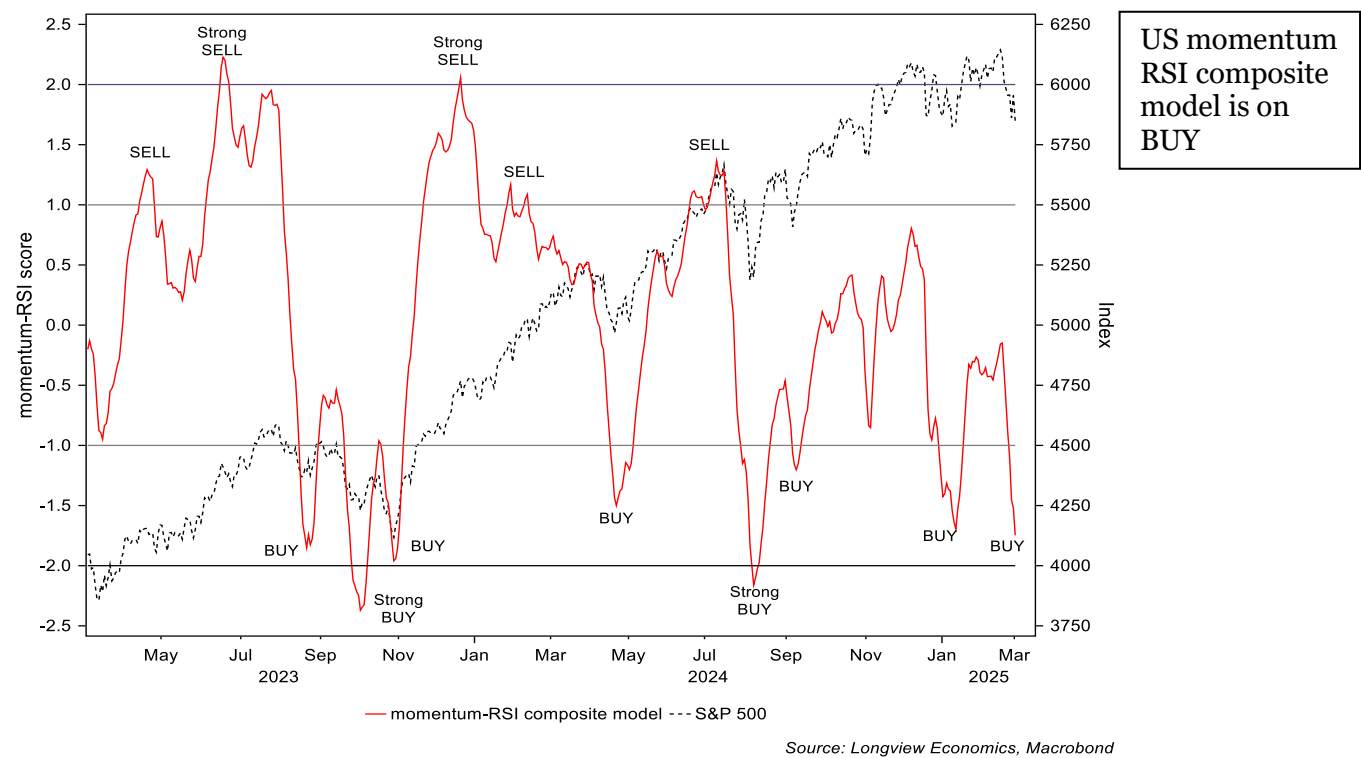


**For explanations of indicators please see page 10**

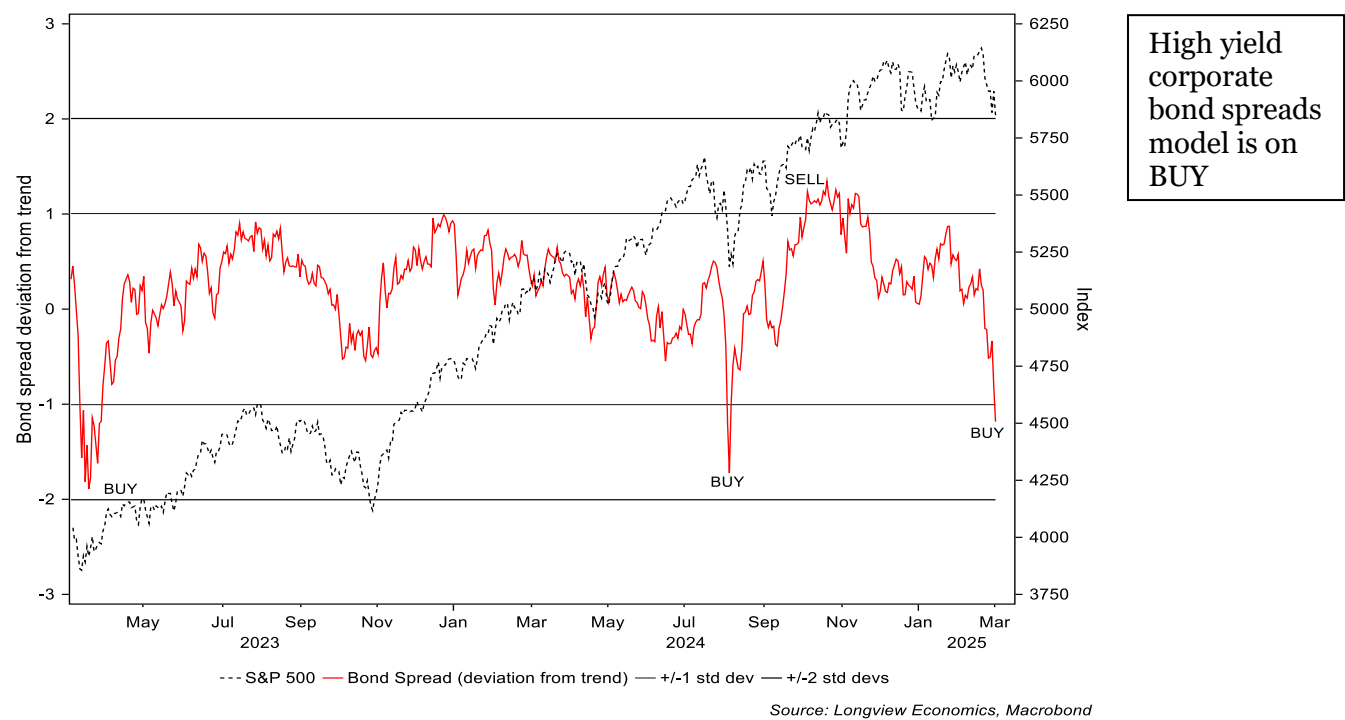
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



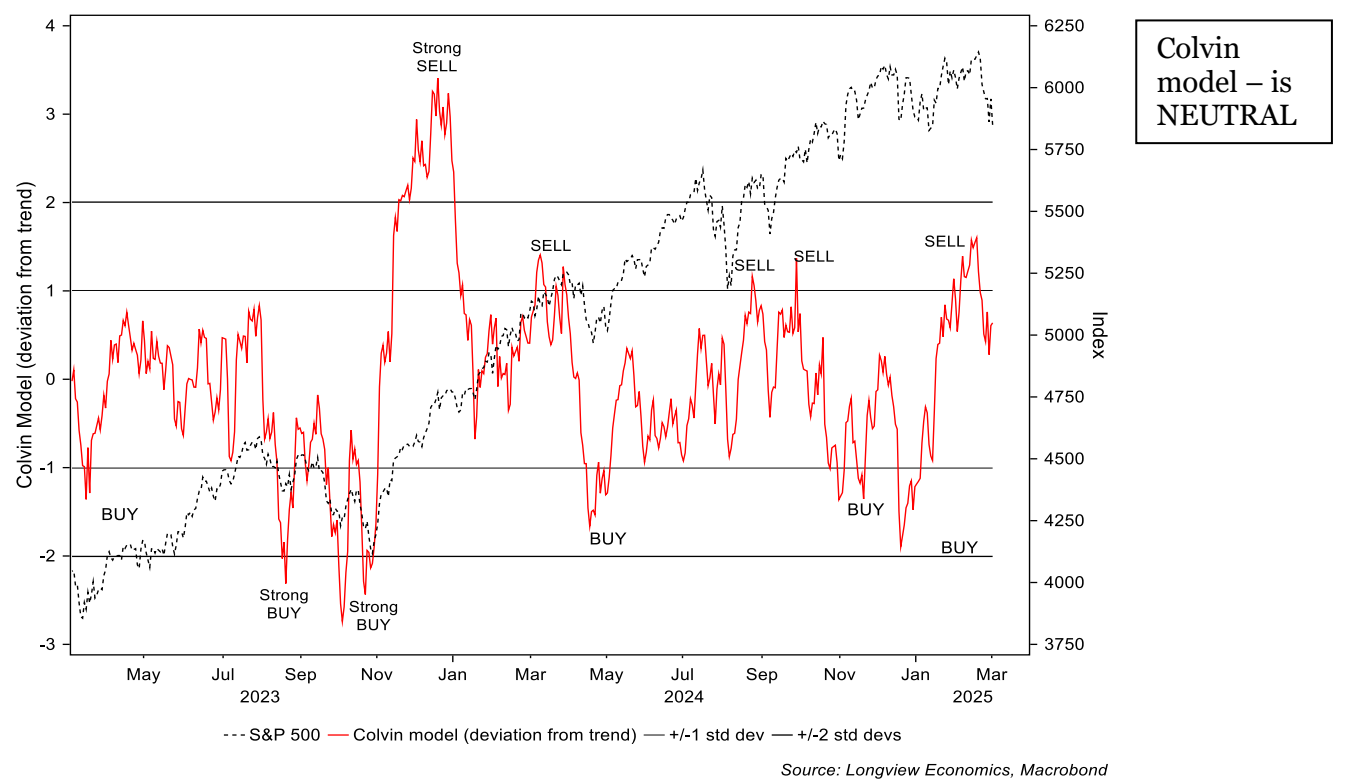
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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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