

Equity Index Futures Trading Recommendations

5th February 2025

“Stay SHORT; SELL-off Indicator Still Signaling; Markets Rolling?”

Email: info@longvieweconomics.com

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

- STAY ¼ SHORT March S&P500 futures (entry was at 5,999.25);
- Keep stop ~2.5% above entry (i.e. 6,149.0, just above the late January high).

Rationale

US equities rallied yesterday (S&P500 +0.7%; NDX100 +1.3%; R2K +1.4%) led by energy (+2.2%), communication services (+1.5%) & IT (+1.5%). The laggards were utilities, financials and consumer staples (all down on the session). Weak US JOLTS data pushed US 10-year bond yields lower (by 2bps, closing at 4.52%). Two-year yields moved more (closing down 5bps). With that, the dollar was weak (DXY -0.9%), while gold and silver were stronger (with gold closing at a new record high). Volatility (VIX) moved lower, closing at 17.2%. After hours, Alphabet’s earnings release was received poorly by the market with the shares trading down 7% A/H (& pulling down the S&P500 & NDX100 futures). Both the S&P500 and NDX100 futures remain within their recent multi week consolidation ranges (FIGs 1c & 1d). For the S&P500, that range has been ~5,800 to 6,150 (March futures).

The **models, meanwhile, retain a SELL bias**. That’s most obvious with the medium-term models. The medium-term risk appetite scoring system is close to SELL (FIG A at bottom of email); there’s notably low levels on downside put protection (in the medium and short term – FIGs 1b & 4); while our SELL-off indicator, which measures excessive enthusiasm for risk, continues to signal that there is an elevated likelihood of a wave of risk aversion (a pullback – FIG 1a). Added to that, the **single stock and sector underpinning of the US market looks shaky** (weak). Models which measure the momentum in both those areas of the market continue to trend lower (and are yet to reach BUY, FIG 2 & 2a). Those highlight a weak underpinning to the headline index. **Short term models are more mixed:** Technical models (for headline indices) are close to BUY (FIGs 5 & 5a), risk appetite models are at high levels (FIGs 3 & 3a), while the put to call ratios are mixed (CBOE is on SELL; DAX is close to BUY; NDX100 is mid-range – FIG 4). Combining the message of the short and medium-term models, the combined scoring system has (just) rolled over from a recent SELL signal (FIG 1), i.e. retains a SELL bias.

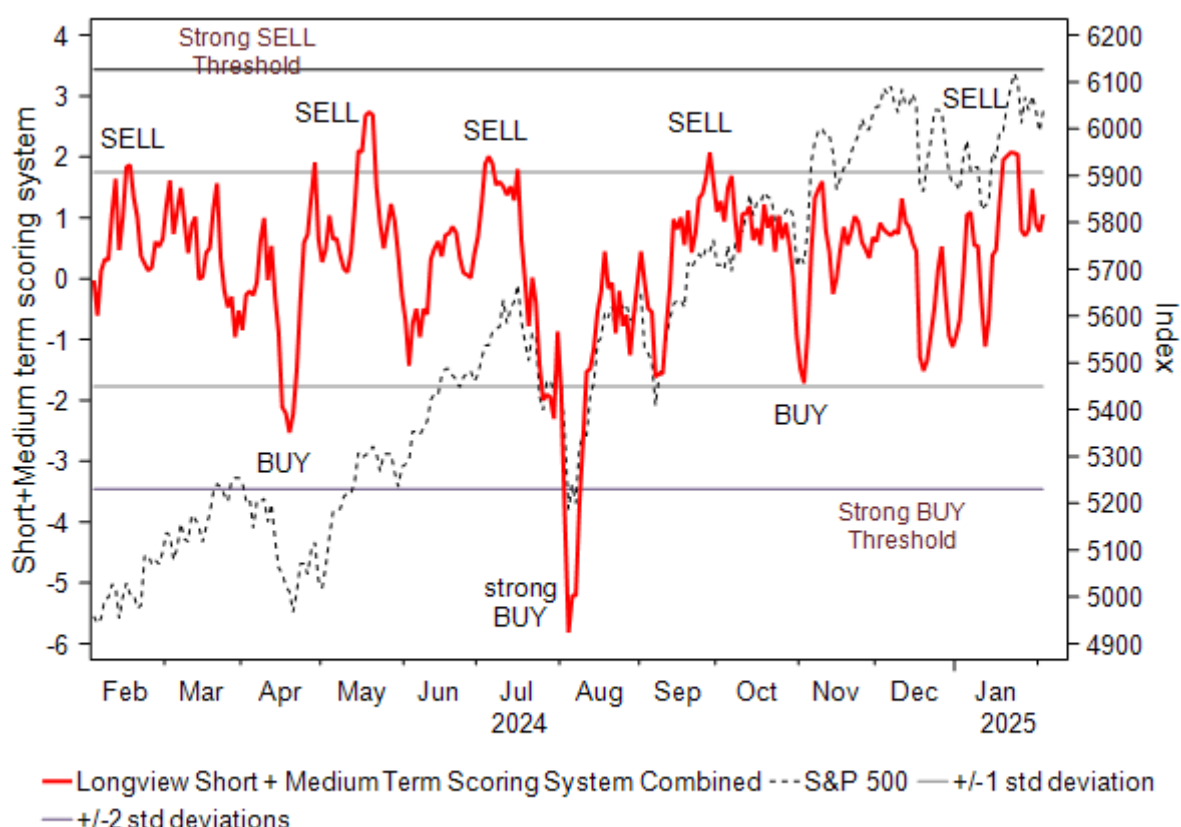
With the US remaining rangebound and, given the message of the medium-term models, we **recommend STAYing SHORT** (after implementing that position yesterday morning). Key risks, as always, are multiple. Trump's erratic policy making clearly adds to volatility (both ways); key macro data today includes ADP employment and ISM services (both important data releases – see below), while the US Q4 earnings season continues.

Kind regards,

The team @ Longview Economics

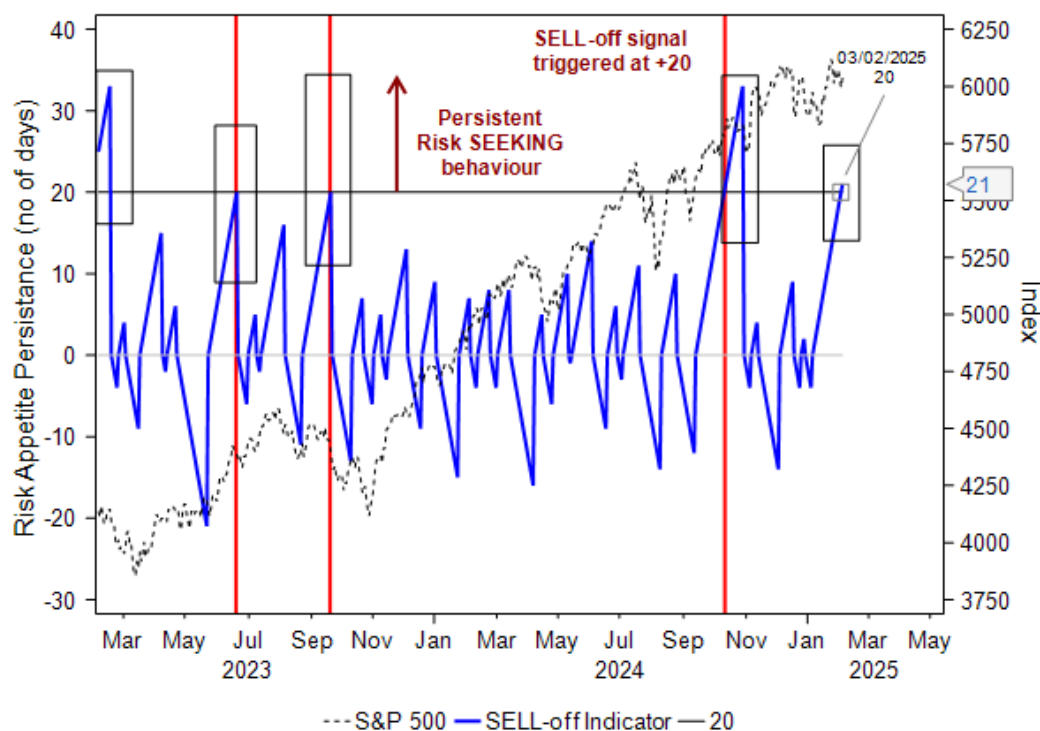
NB the goal of this publication is to implement '1 – 2' week, LONG or SHORT trades on equity index futures (looking for 1 – 3 trades per month). For longer term 1 – 4 month trading recommendations and analysis, see our 'Tactical Asset Allocation' publications (available: <https://www.longvieweconomics.com/the-tactical-investor>); 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 combined short PLUS medium term '**risk appetite**' scoring systems vs. S&P500



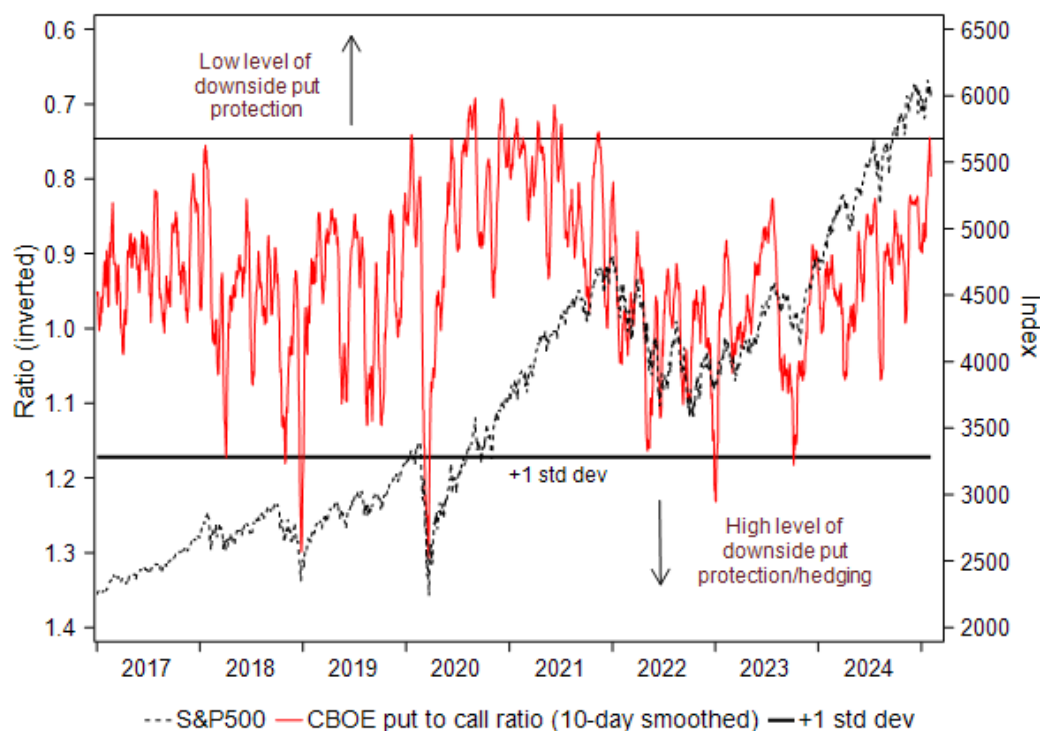
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 1b: Medium term CBOE put to call ratio vs. S&P500



Source: Longview Economics, Macrobond

FIG 1c: S&P500 March 2025 futures 100-day tick chart shown with overnight price action

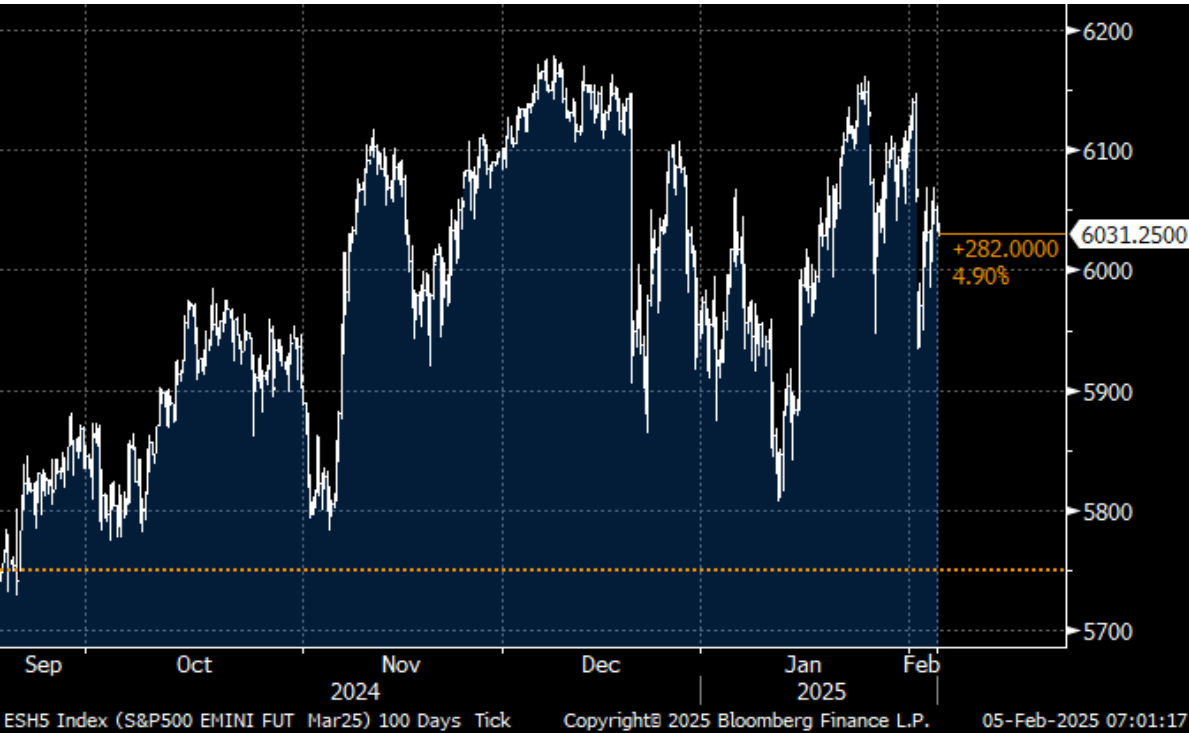
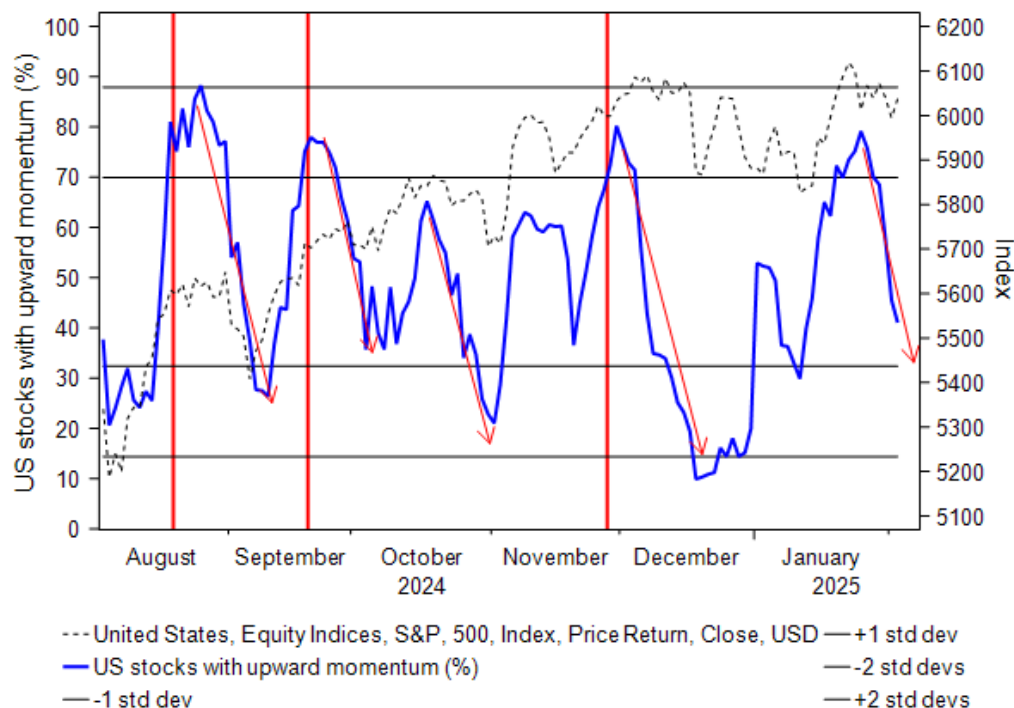


FIG 1d: NDX100 March 2025 futures 100-day tick chart shown with overnight price action



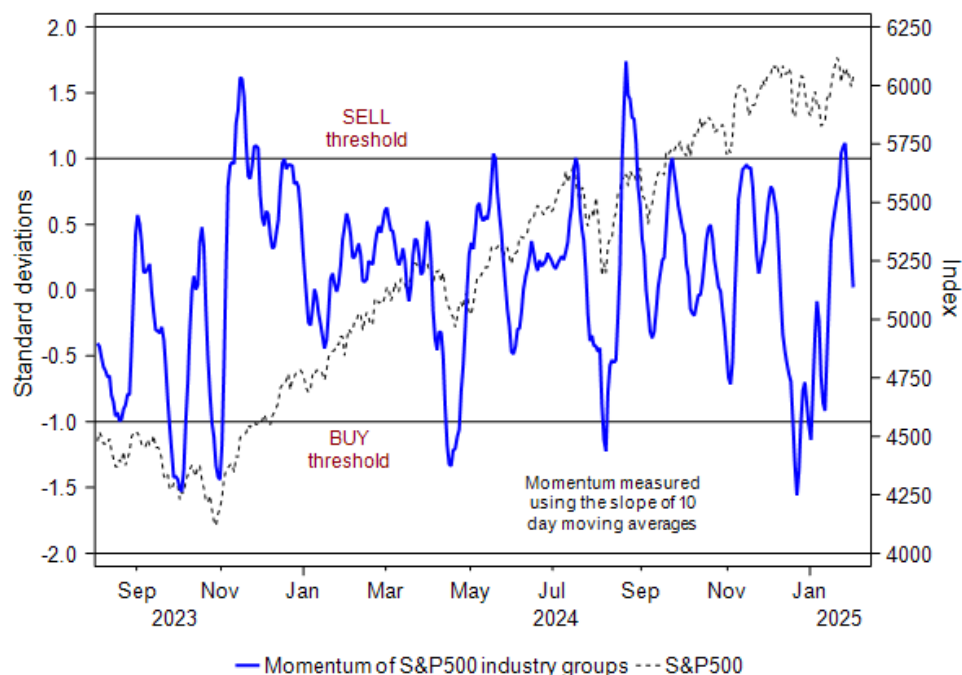
Sector & single stock momentum models are trending lower....

FIG 2: US S&P500 stocks with upward momentum shown vs. S&P500



Source: Longview Economics, Macrobond

FIG 2a: Momentum of S&P500 industry groups vs. S&P500 cash index



Source: Longview Economics, Macrobond

Risk appetite models are broadly mid-range/leaning towards SELL...

FIG 3: Longview short term 'risk appetite' scoring system vs. S&P500

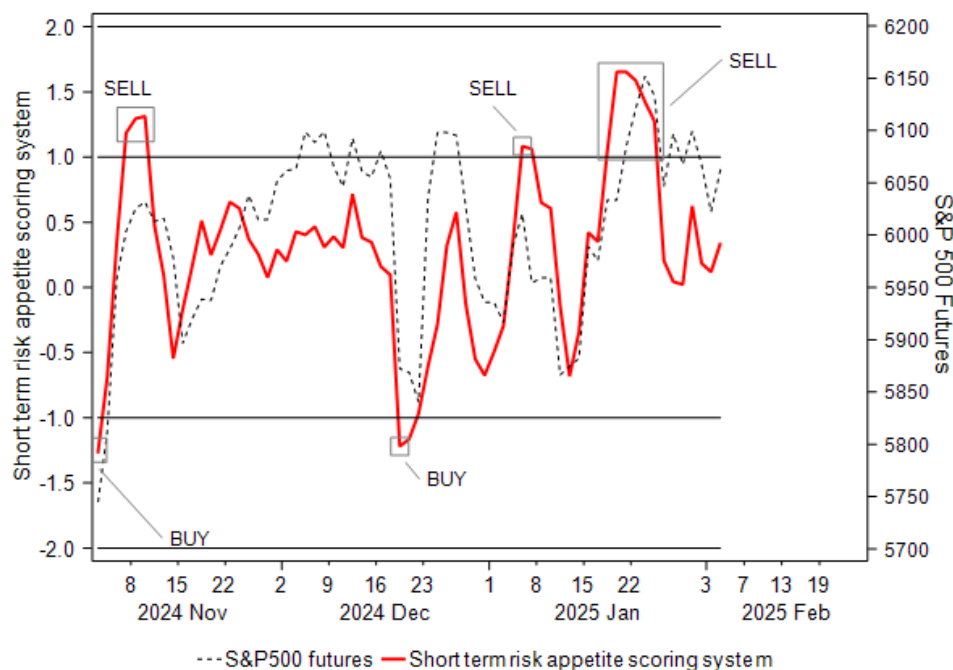
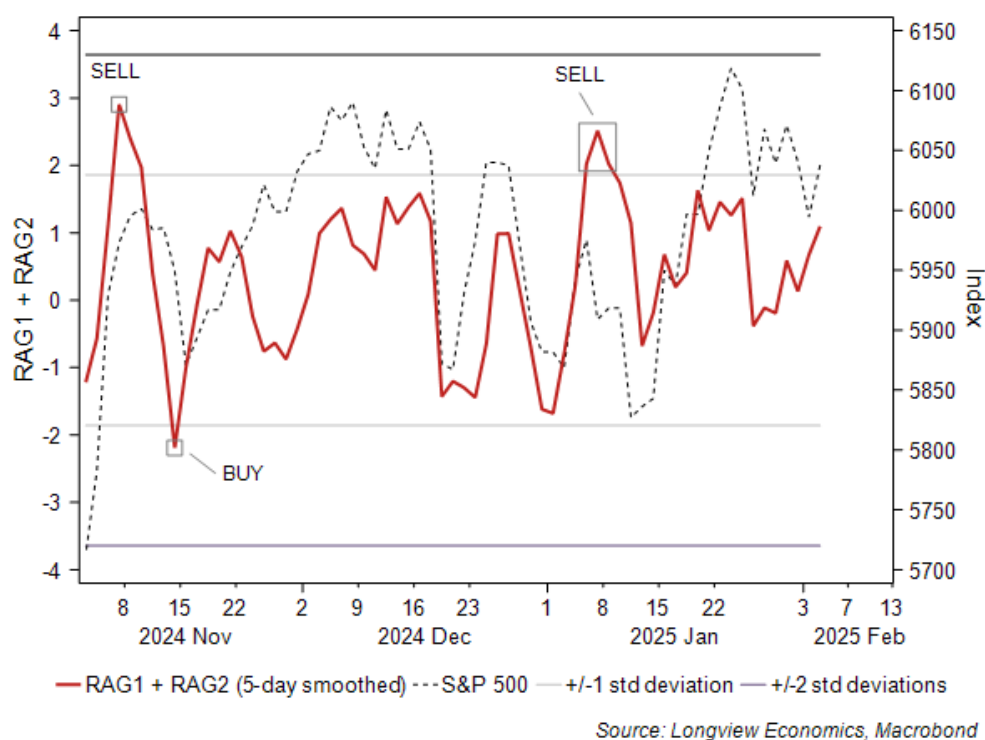
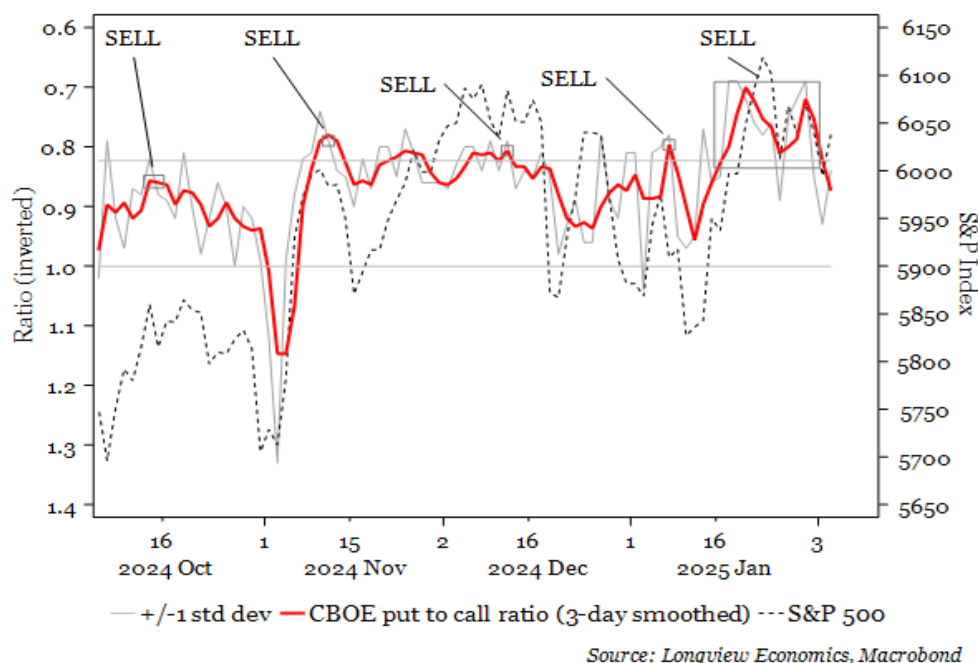


FIG 3a: Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



The short-term CBOE put to call model was recently on strong SELL.....

FIG 4: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Technical models (for indices) are mostly close to BUY.....

FIG 5: Longview S&P500 short term 'technical' scoring system vs. S&P500 futures

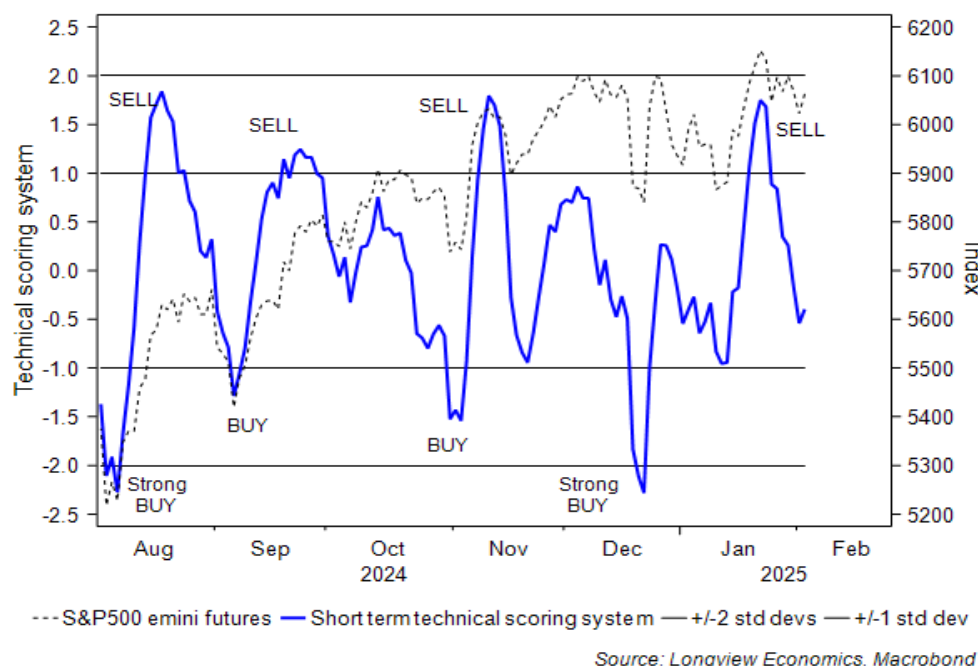
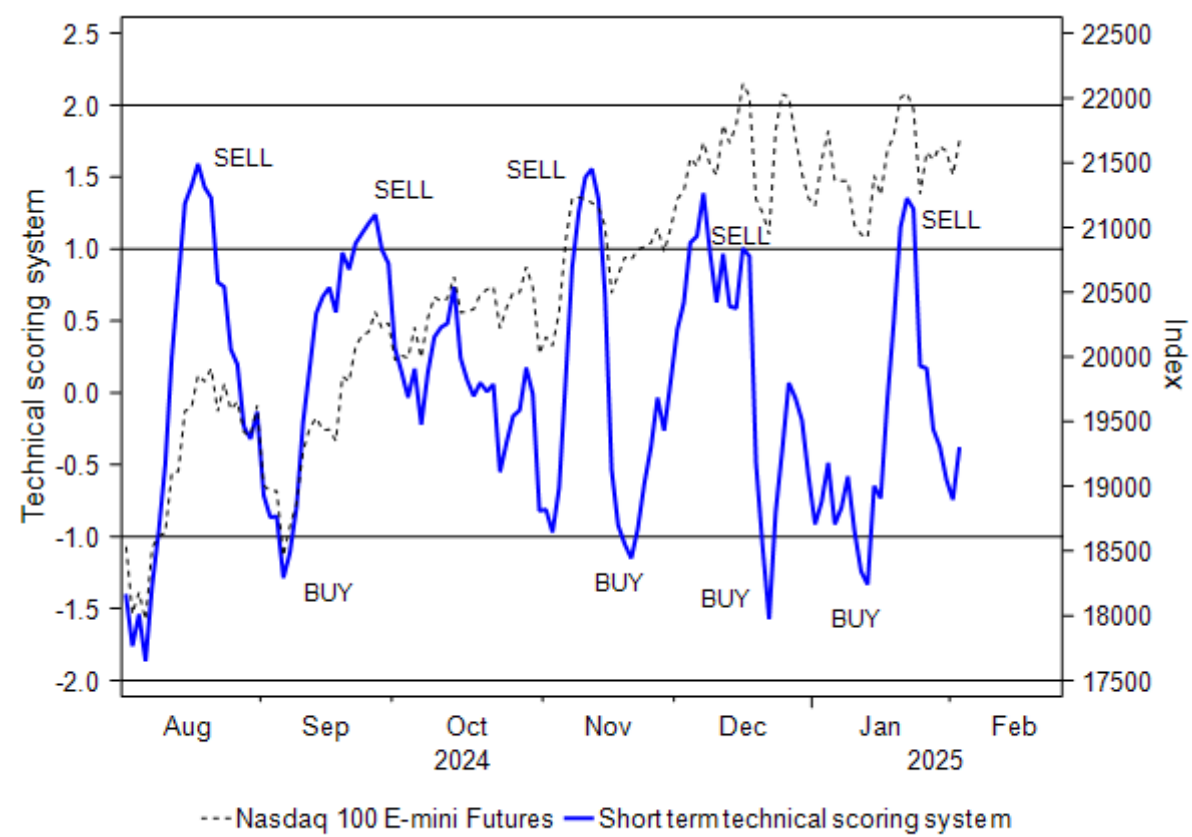


FIG 5a: Longview **NASDAQ100** short term **‘technical’** scoring system vs. **NASDAQ100** futures



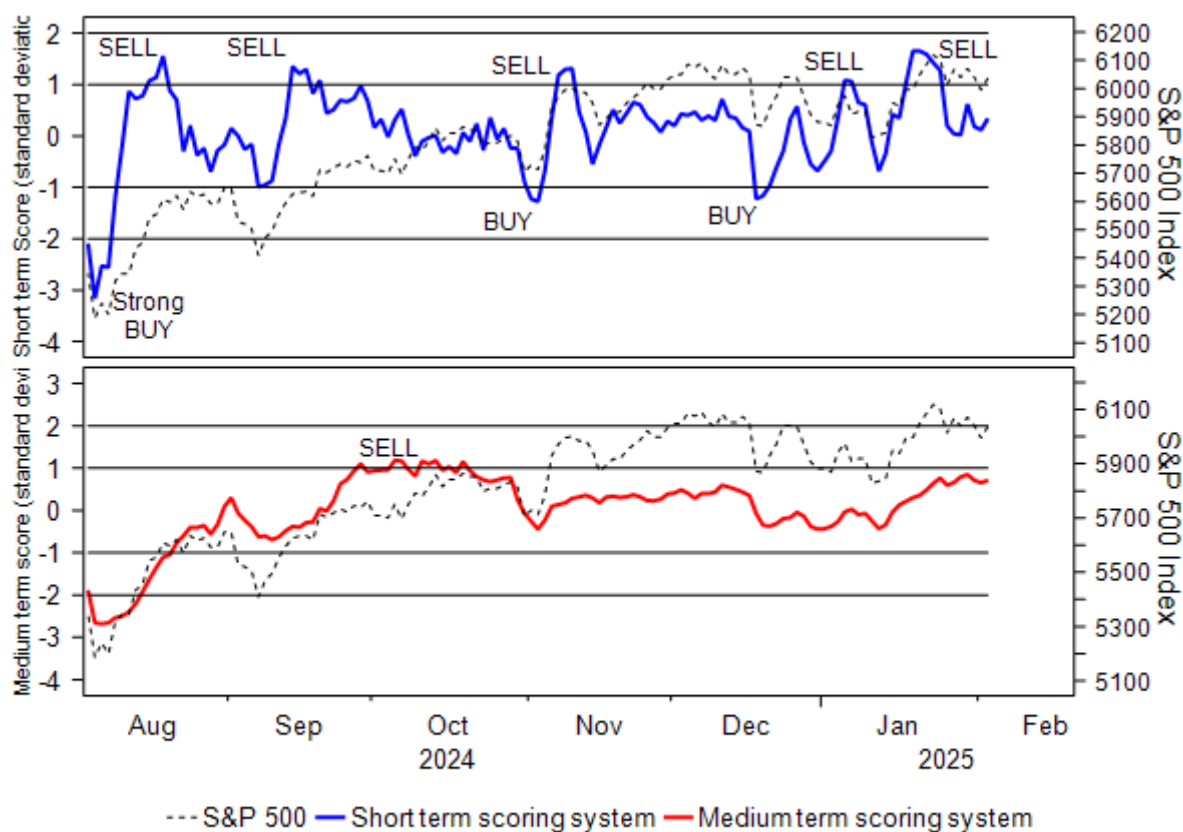
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

Medium term (1 – 4 month) scoring system: **NEUTRAL** (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: Japanese Jibun Bank services sector PMI (January final estimate, 12:30am); **Chinese Caixin services sector PMI** (Jan, 1:45am); HCOB service sector PMIs for Spain (8:15am), Italy (8:45am), France (8:50am), Germany (8:55am) & Eurozone (9am) – all January final estimates apart from Spain & Italy; Italian retail sales (Dec, 9am); UK New car sales (Jan, 9:30am); UK S&P service sector PMI (January final estimate, 9:30am); **Eurozone PPI** (Dec, 10am); **US ADP employment change** (Jan, 1:15pm); US trade balance (Dec, 1:30pm); Canada S&P service sector PMI (Jan, 2:30pm); US S&P service sector PMI (January final estimate, 2:45pm); **US ISM services index** (Jan, 3pm); US total vehicle sales (Jan, 3pm).

Key events today include: Speeches by the Fed's Jefferson on the Economic outlook (12:30am), Barkin in a fireside chat (2pm), Goolsbee at an auto conference (6pm) & Bowman gives an update on the economy (8pm); speech by the ECB's Lane at Peterson Institute (2pm).

Key earnings today include: Walt Disney, **Qualcomm**, Arm, Boston Scientific, Uber Tech, Fiserv, **MicroStrategy**, McKesson, Illinois Tool Works, O'Reilly Automotive, Emerson, MetLife, Aflac, Allstate, **Santander**, TotalEnergies SE, GSK plc, KDDI corp.

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 week on 3rd February 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.



LV RAG
Daily Risk Appetite Gauge

Notice: This publication is proprietary and limited to the sole use of Longview Economics' clients and trial subscribers. Each reproduction of any part of this publication or its contents must contain notice of Longview Economics' copyright. This agreement shall be governed and construed in accordance with U.K. Copyright law and the parties hereto irrevocably submit to the exclusive jurisdiction of the English courts in respect of any dispute or matter arising out of or connected with this Agreement.

-  Longview Economics
-  @chriswatling
-  @LviewEconomics
-  Longview Economics
-  Longview Economics
-  Longview Economics

1 – 2 Week View on Risk

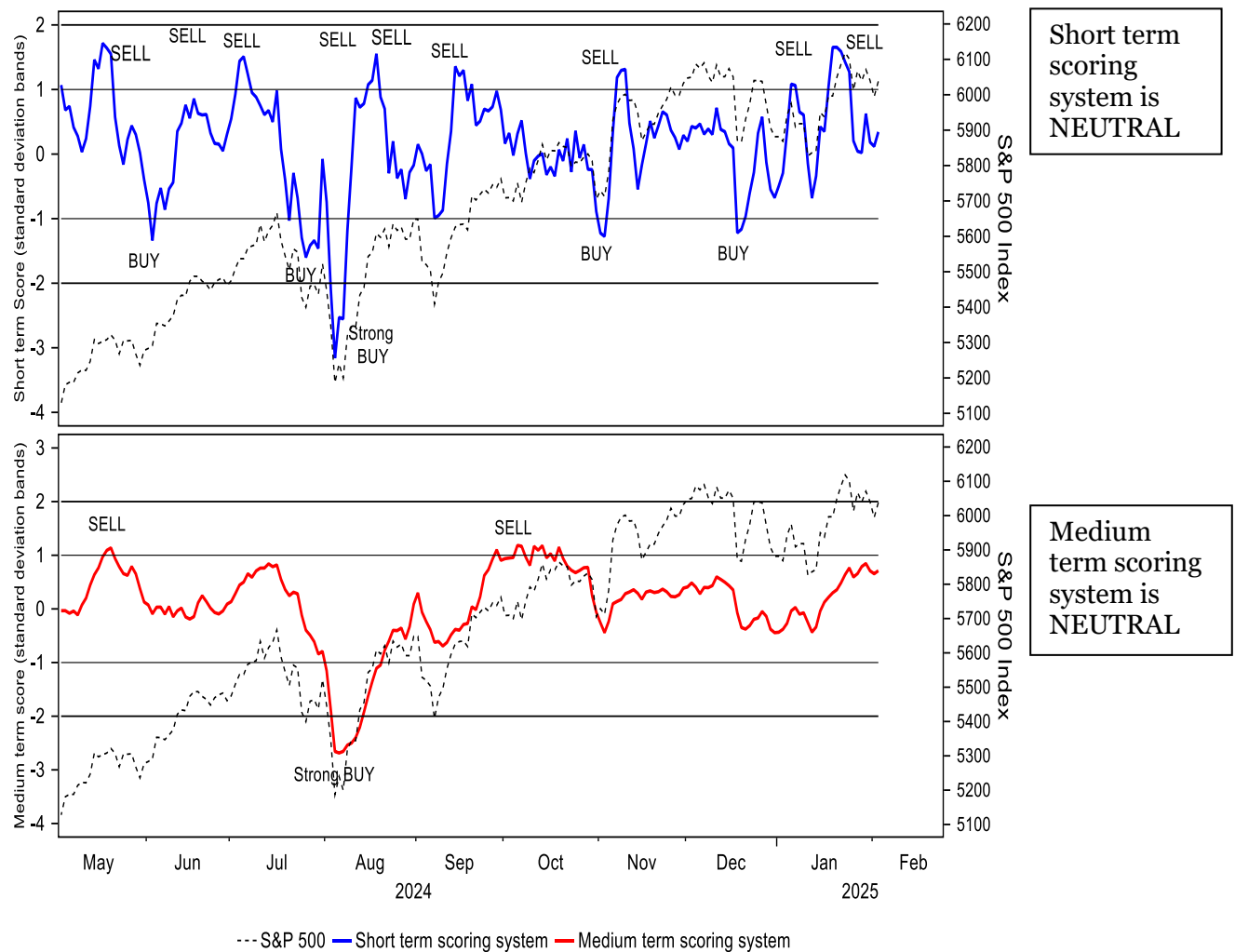
Longview Economics

Email: research@longvieweconomics.com

5th February 2025

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

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



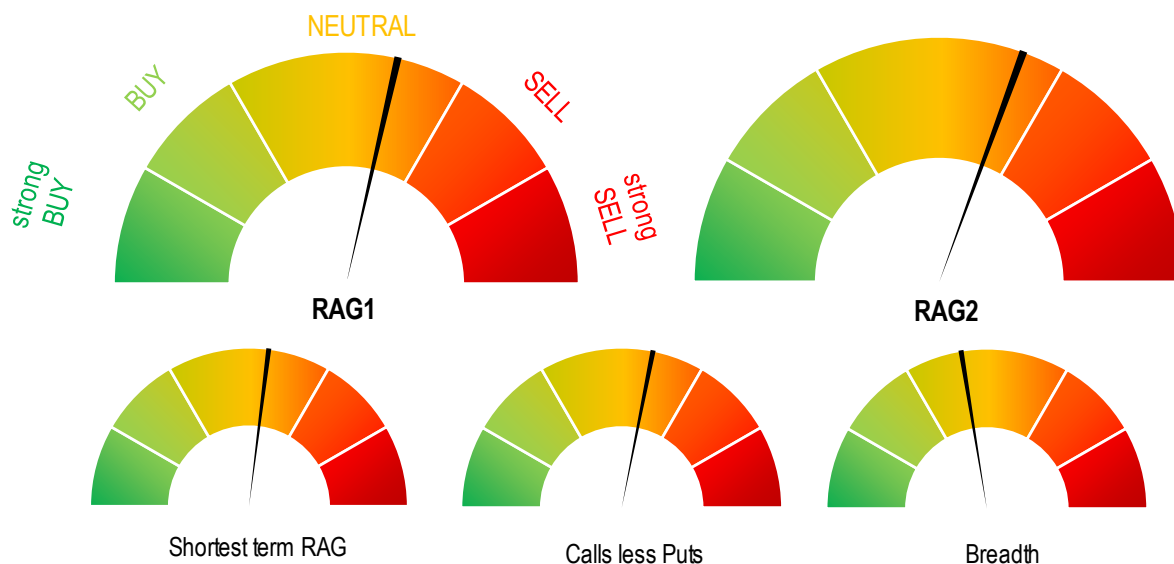
Source: Longview Economics, Macrobond

*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

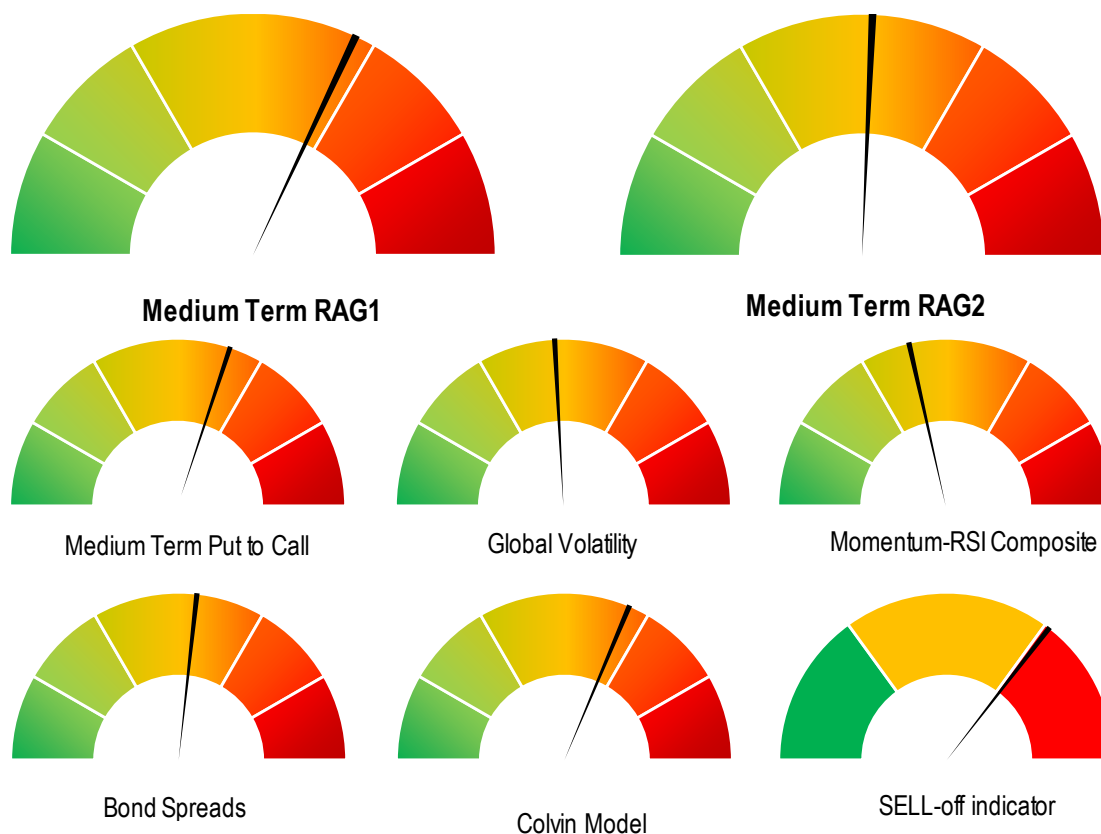
Section 1a: Summary of indicator signals**

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

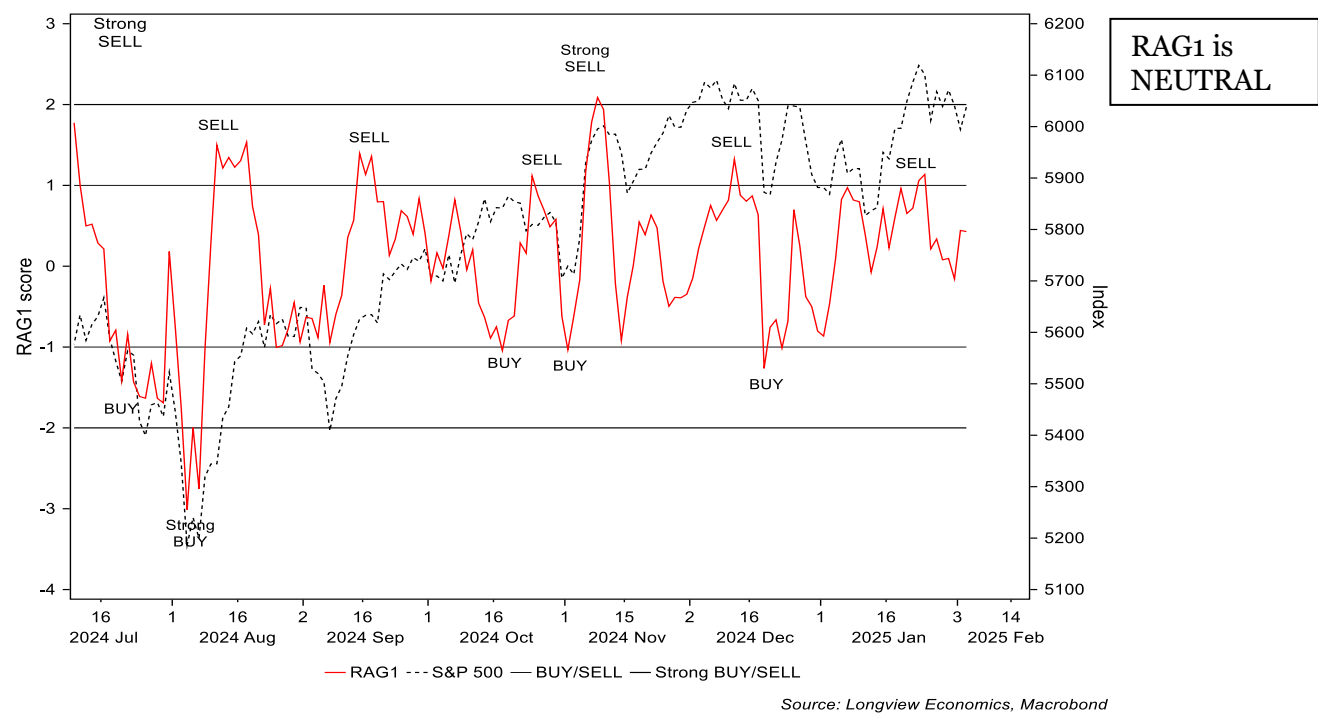
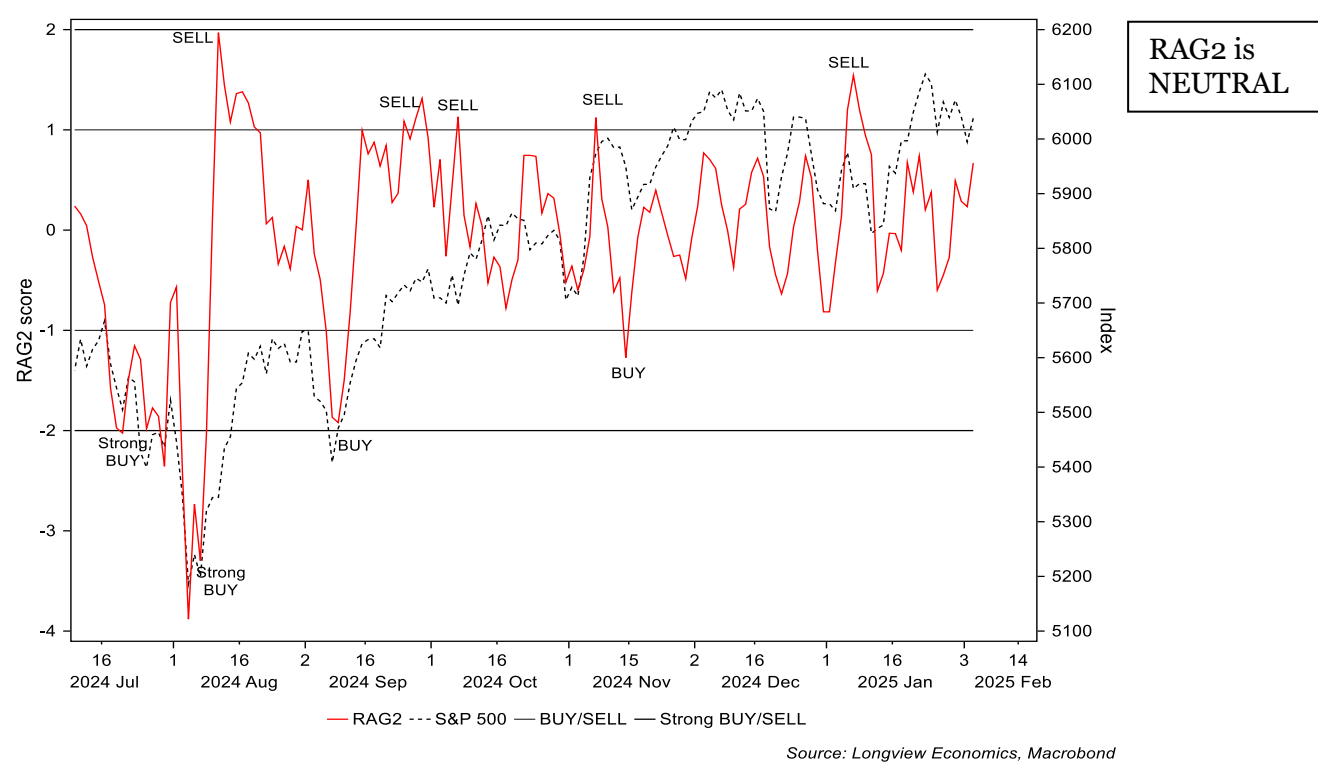


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

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

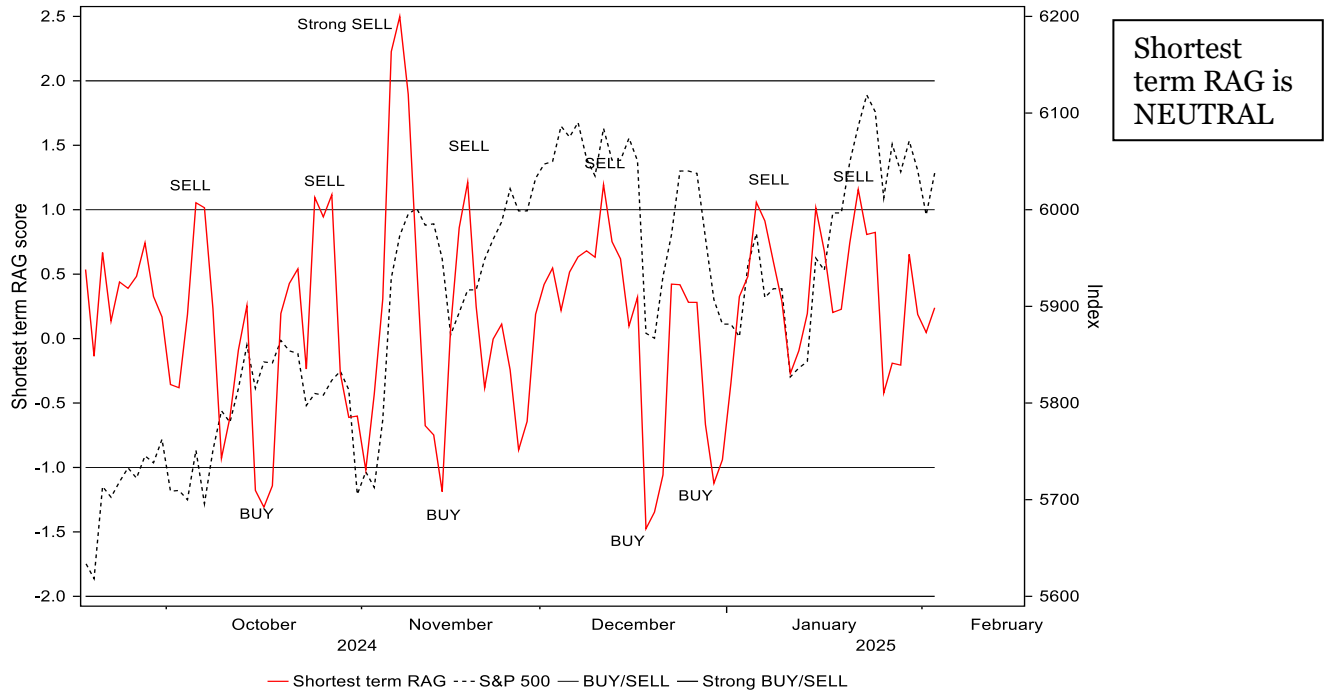
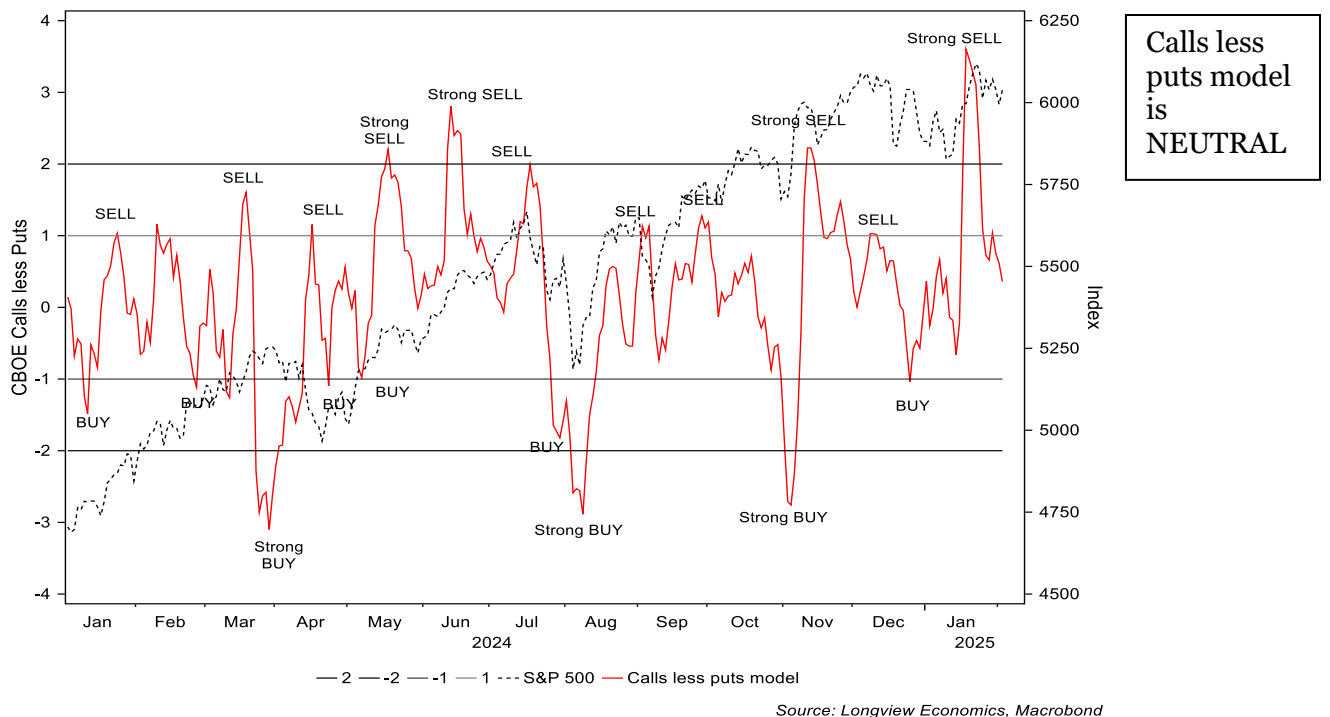
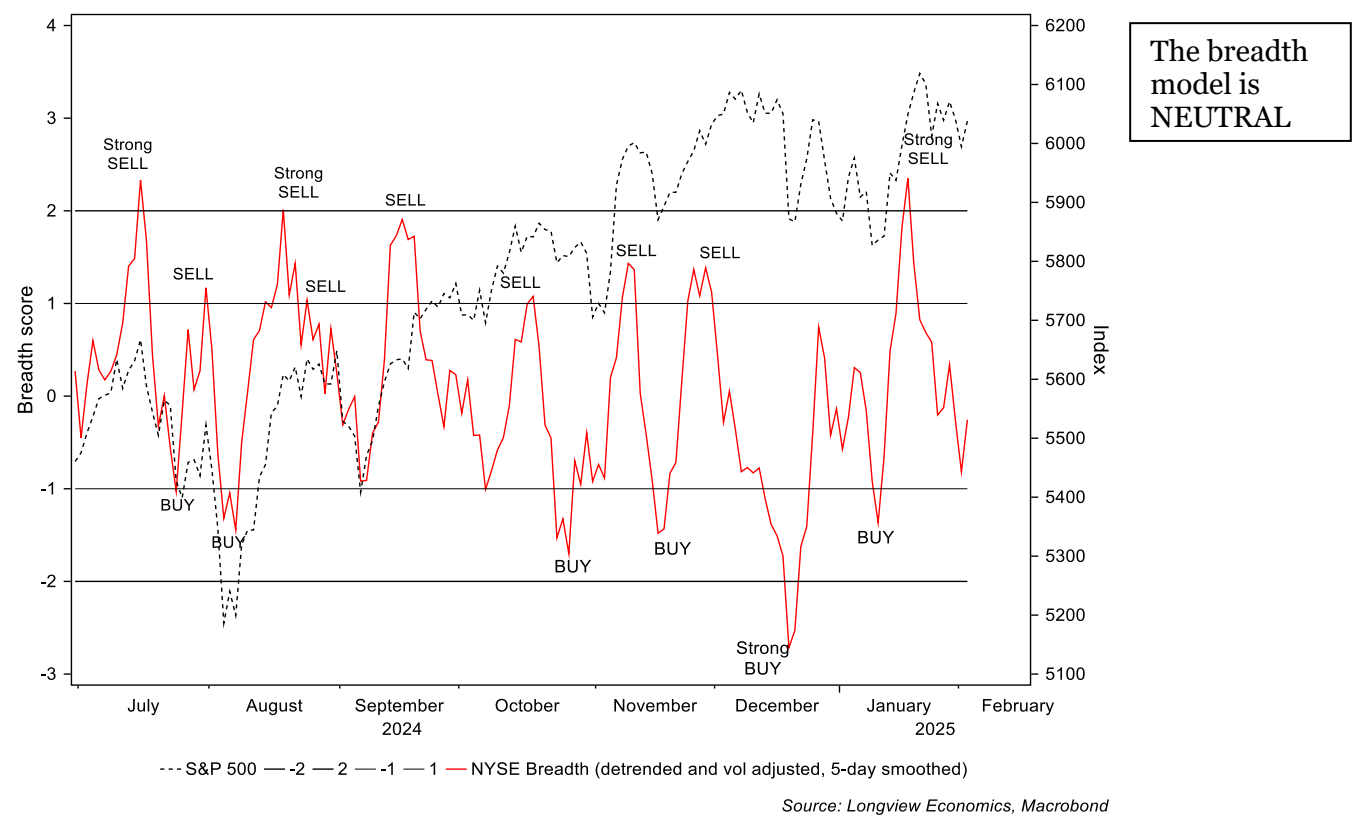


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



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

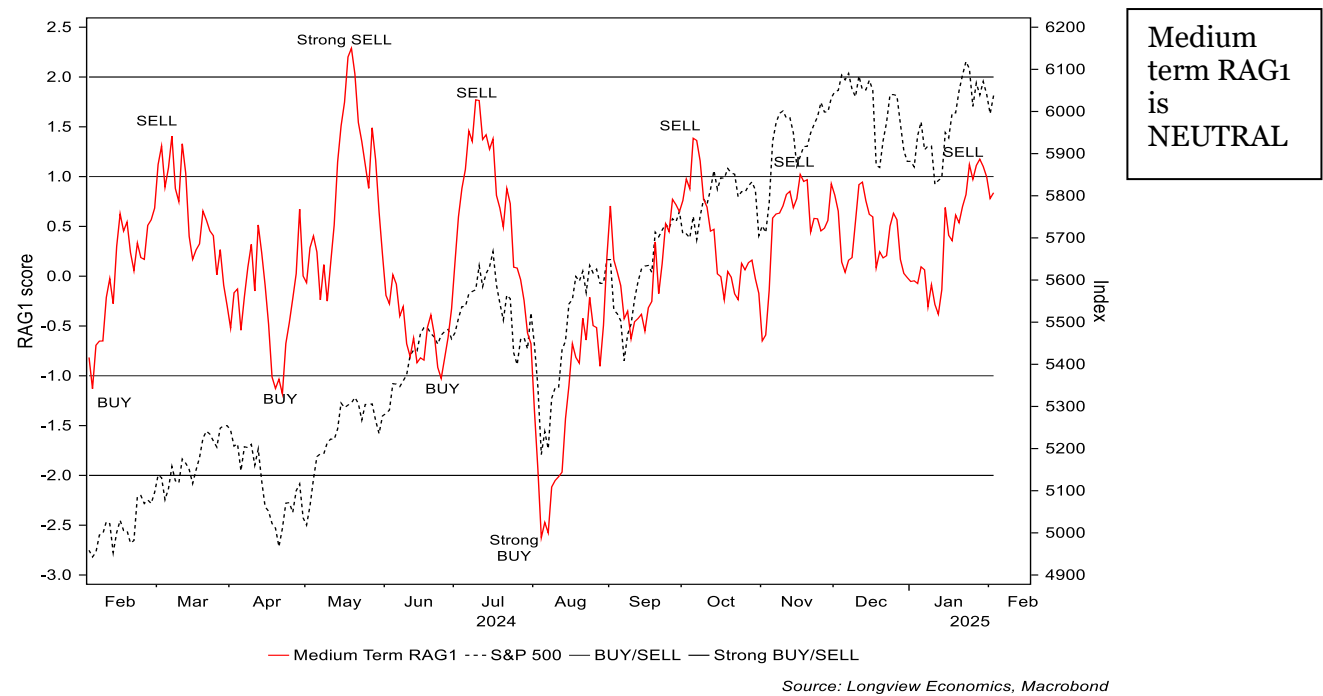
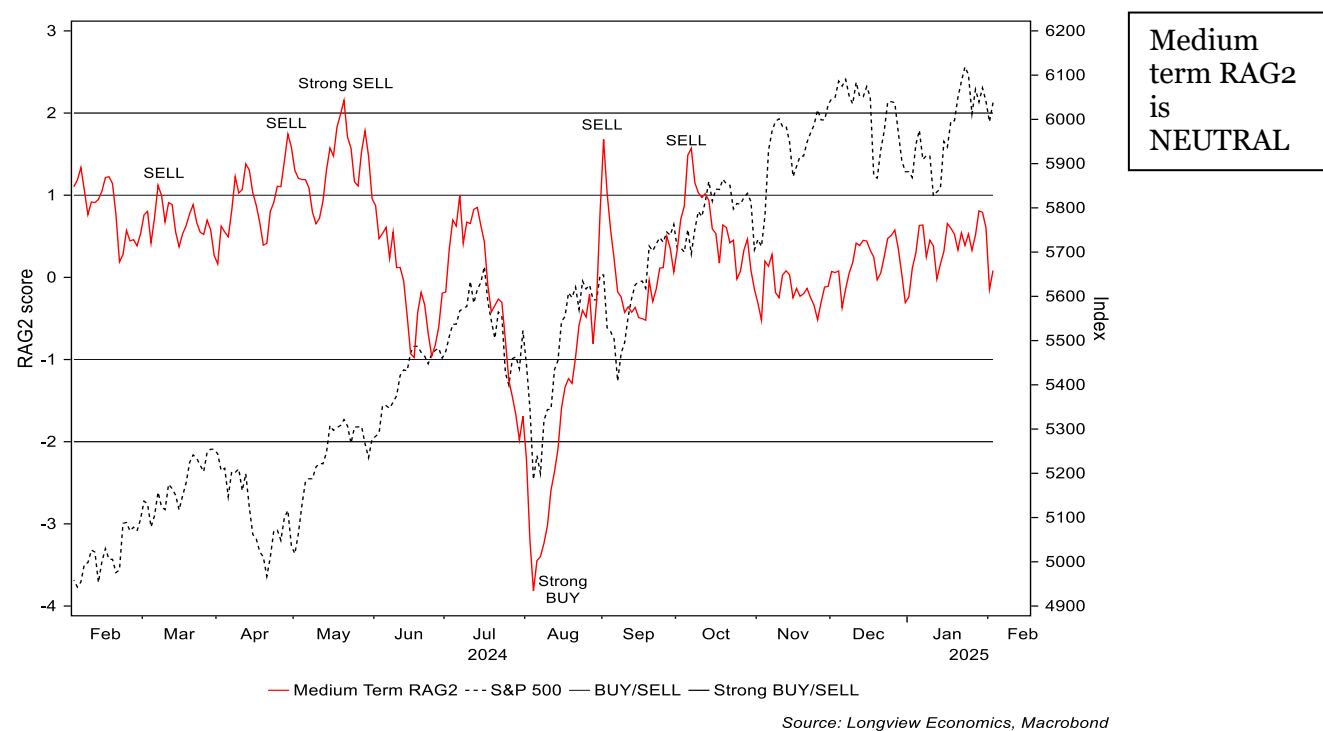


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

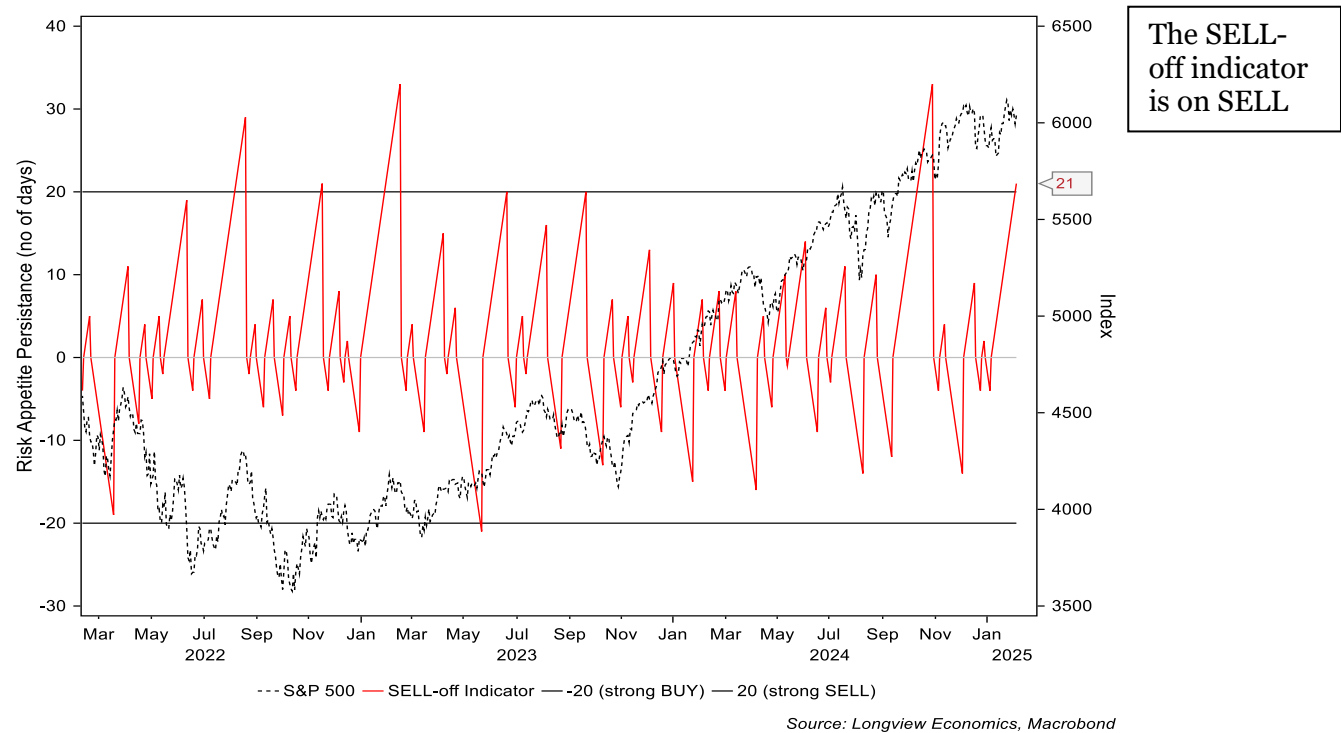
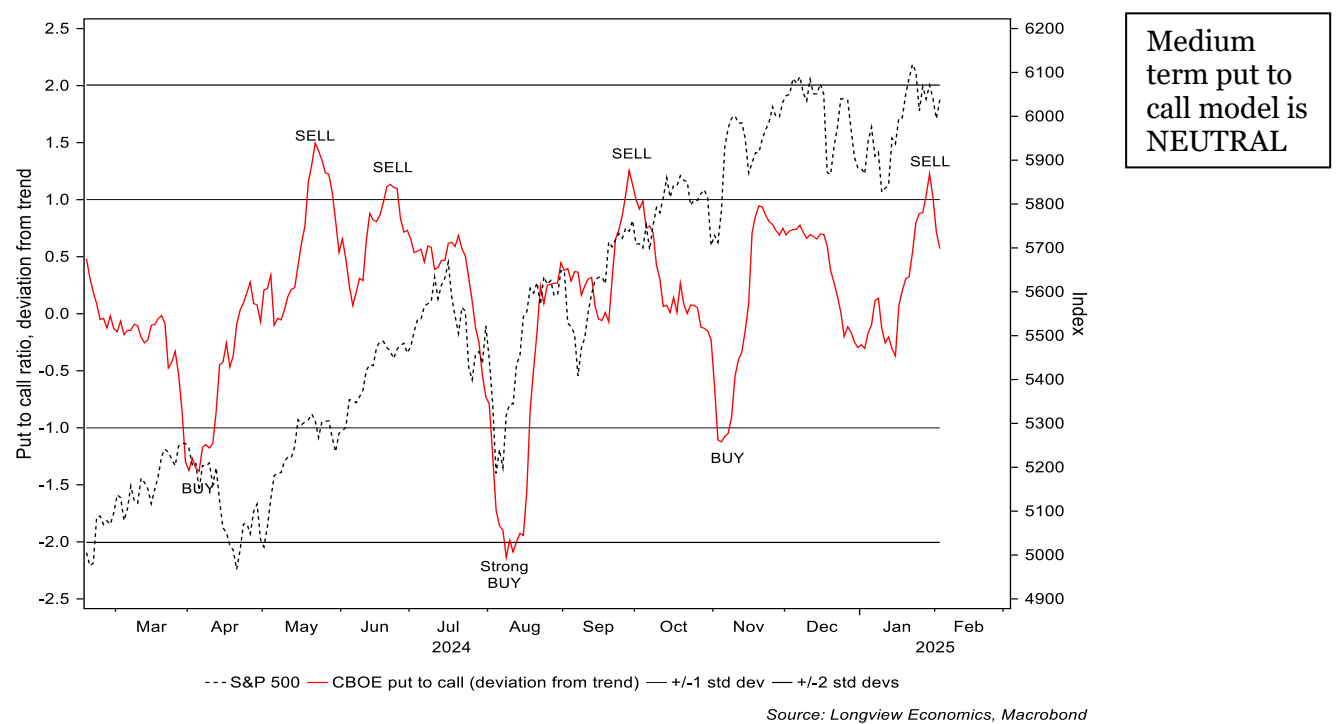


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

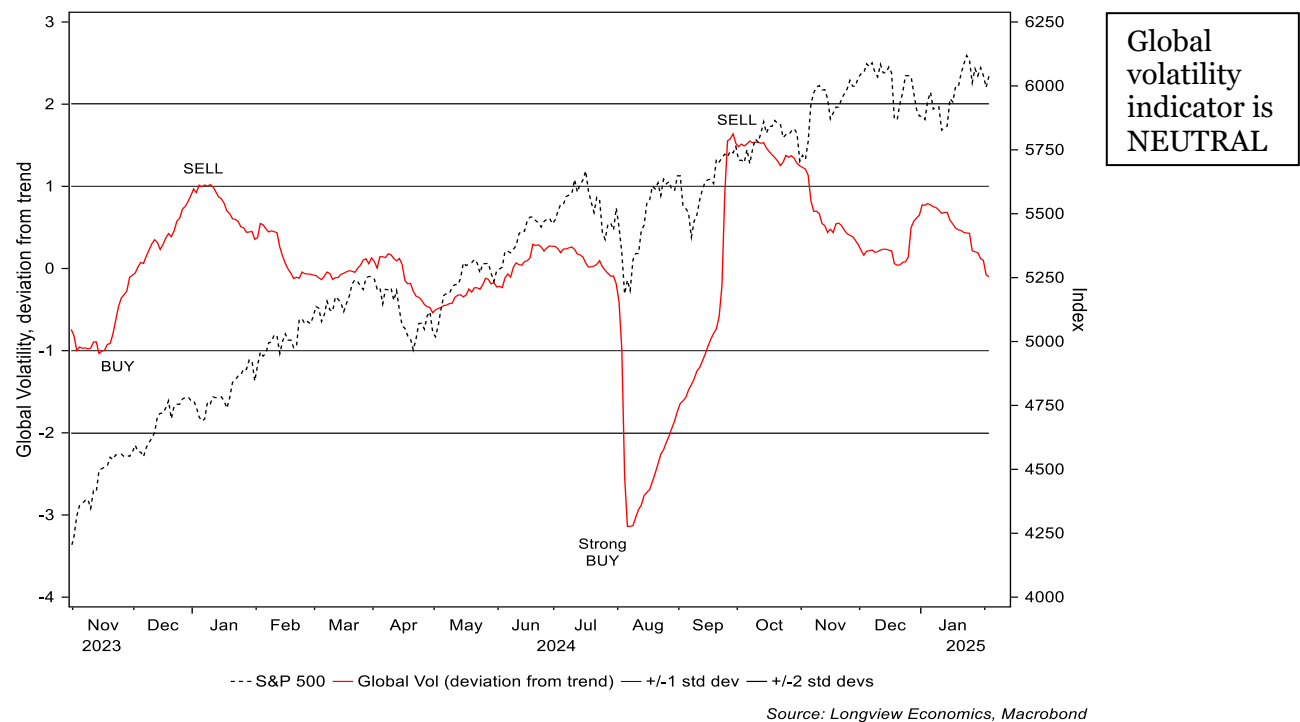


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

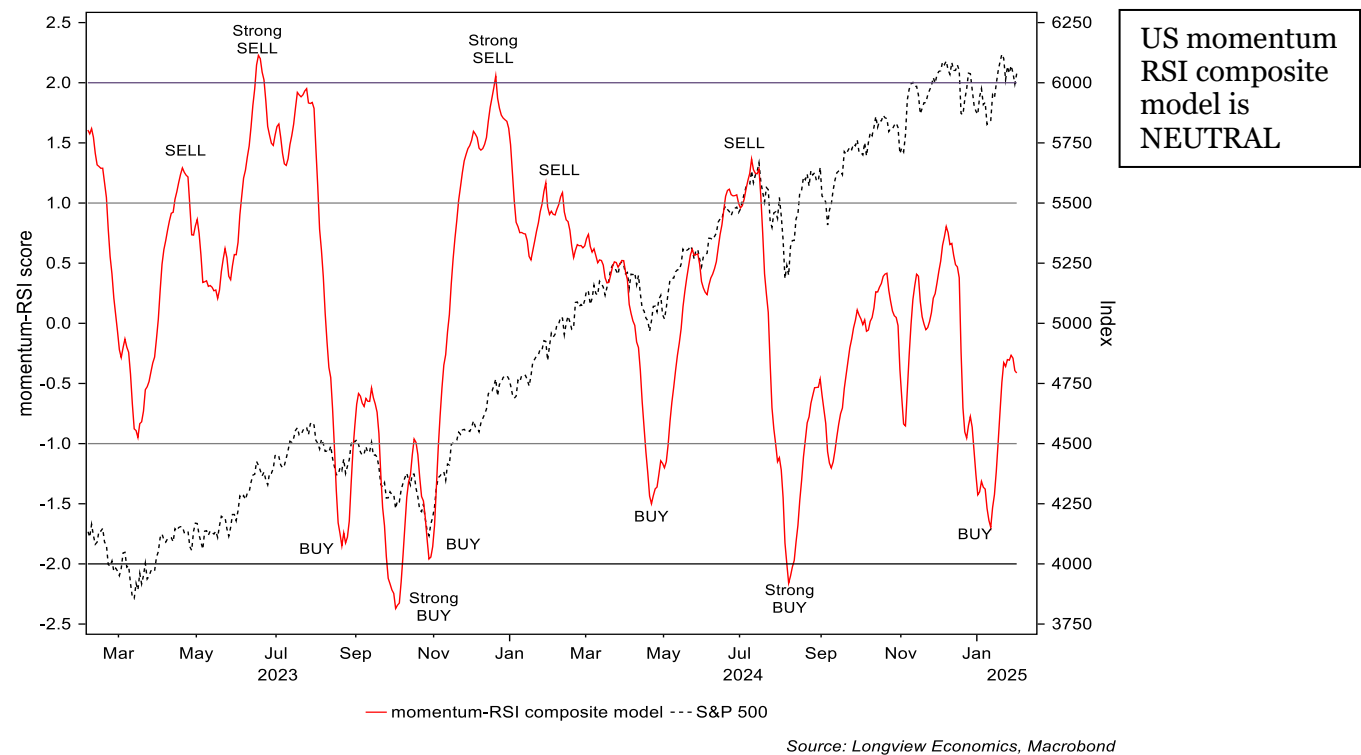


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

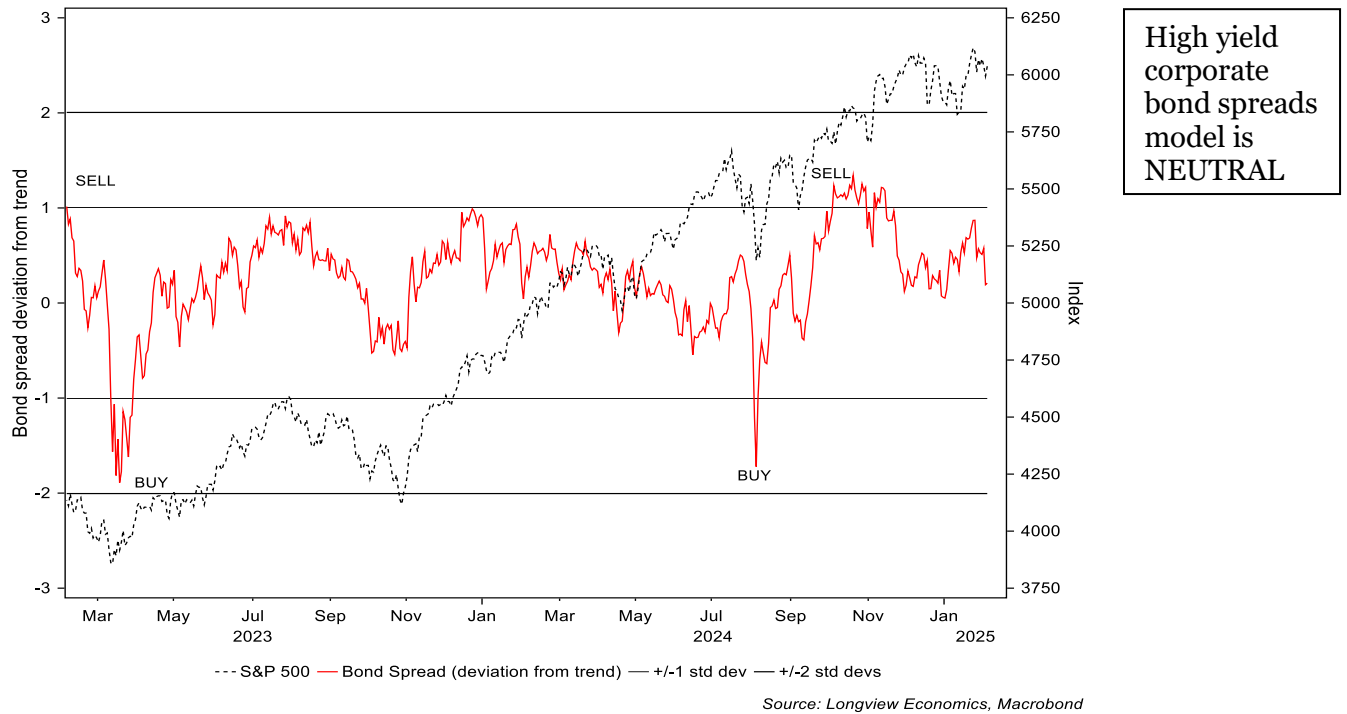
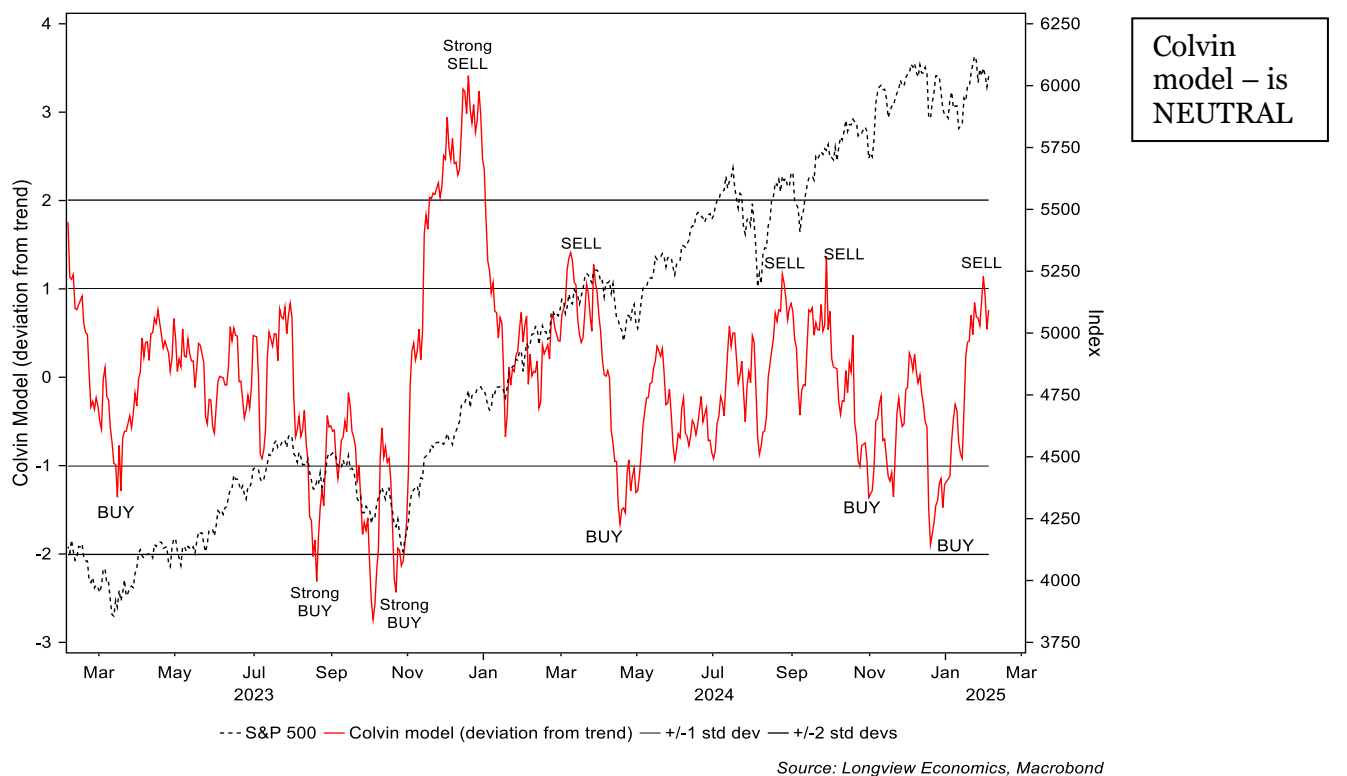


Fig 3h: Colvin model (deviation from trend) vs. S&P500



For explanations of indicators please see page 10

Appendix: Model Explanations

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

This Publication is protected by U.K. and International Copyright laws.

All rights are reserved. No license is granted to the user except for the user's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under agreement with Longview Economics Ltd.

This publication is proprietary and limited to the sole use of Longview Economics' clients and trial subscribers. Each reproduction of any part of this publication or its contents must contain notice of Longview Economics' copyright. This agreement shall be governed and construed in accordance with U.K. Copyright law and the parties hereto irrevocably submit to the exclusive jurisdiction of the English courts in respect of any dispute or matter arising out of or connected with this Agreement.

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.