

Equity Index Futures Trading Recommendations

6th March 2025

“SPX Held at Key Level (again) Yesterday”

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

- Stay ½ LONG March S&P500 futures (blended entry was 5,800*).
- Keep an unchanged stop loss 3% below combined entry (i.e. at 5,626).

*With an initial ¼ LONG at 5,850, and a further ¼ LONG at 5,750 yesterday.

Rationale

The S&P500 tested and held a key support level again yesterday (i.e. its 200-day moving average at 5,760 – FIG 1). Intraday lows on S&P500 futures were at 5,751 (following lows of 5,744 on Tuesday, FIG 1a). As laid out in prior daily publications this week, there is a cluster of key support levels at around those levels, including at 5,800; 5,720; as well as 5,760 – the 200-day moving average (see FIGs 1 & 1b). The more frequently the index holds a key level, then the more convincing the ‘technical’ case becomes for it being strong support.

Models have also been (and remain) supportive of an expectation of a ‘wave two’ rally. Given yesterday’s strength some of them have bounced. The risk appetite scoring system, for example, has moved higher from its BUY level (i.e. of the past few days, see FIG 2); there was put covering yesterday, such that the underlying one-day CBOE put to call ratio moved sharply (back to SELL levels – FIG 2a); while the NDX100 puts less calls model also bounced (FIG 2b). Technical indicators, meanwhile, all remain on/close to BUY. At an index, sector and single stock level, the S&P500 is oversold (FIGs 2c, 2d & 2e). Medium term models also retain (essentially) the same message as yesterday – i.e. mostly on/close to BUY (with notable exceptions – as laid out in yesterday’s [‘Tactical \(1 – 4 month\) Equity Asset Allocation’](#) publication).

With that bounce in US equities yesterday (S&P500 +1.1%, NDX100 +1.4%; SOX +2.1%), volatility eased (with the VIX down from 23.5% to 21.9%), as did the VVIX (i.e. the volatility of volatility). Bond yields, meanwhile, backed up (closing at 4.28%). They had, though, become overbought (on price) while the better-than-expected ISM services data sparked some relief about the economy (albeit the ADP employment data, in contrast, was weaker than expected). The dollar was down notably, oil was off sharply, while most US sectors rallied.

With the S&P500 holding that key level once again yesterday, the **balance of risks supports staying LONG S&P500 futures** (with an ongoing expectation of a continued ‘wave two’ relief rally). Models remain supportive of that, with a clear BUY bias (i.e. both short and medium-term models). **One peculiarity of this market in the past two weeks** has been the contrast between weakness in US equities and new highs/ongoing strength in many European markets.

That continued yesterday with the 3.4% rally in the DAX, the 2.1% rally in the Italian MIB as well as strength in French equities and other parts of Europe. Often in the first wave of selling in a pullback, the weakness in the global equity market is narrow, while in 'wave three*' (i.e. the resumption of selling post the 'wave two*' relief rally), the weakness broadens out to encompass largely all key risk assets. That is our central expectation at this juncture (albeit, as always, expectations come with high levels of uncertainty).

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

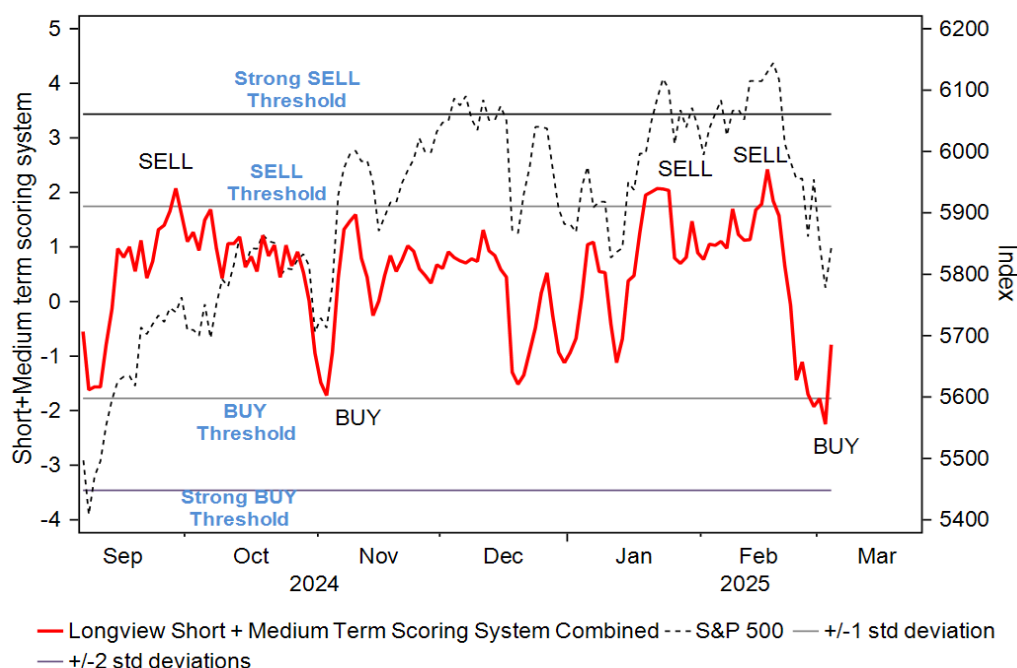
FIG 1a: S&P500 futures **3-day** tick chart shown with overnight price action



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



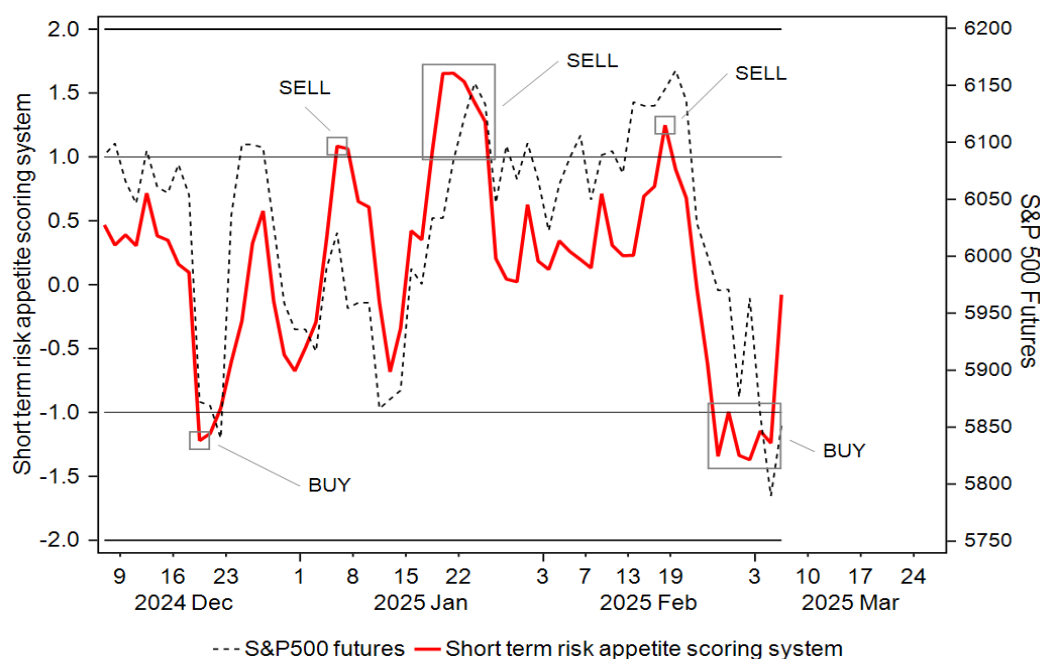
FIG 1c: Longview combined short PLUS medium term **‘risk appetite’** scoring systems vs. S&P500



Source: Longview Economics, Macrobond

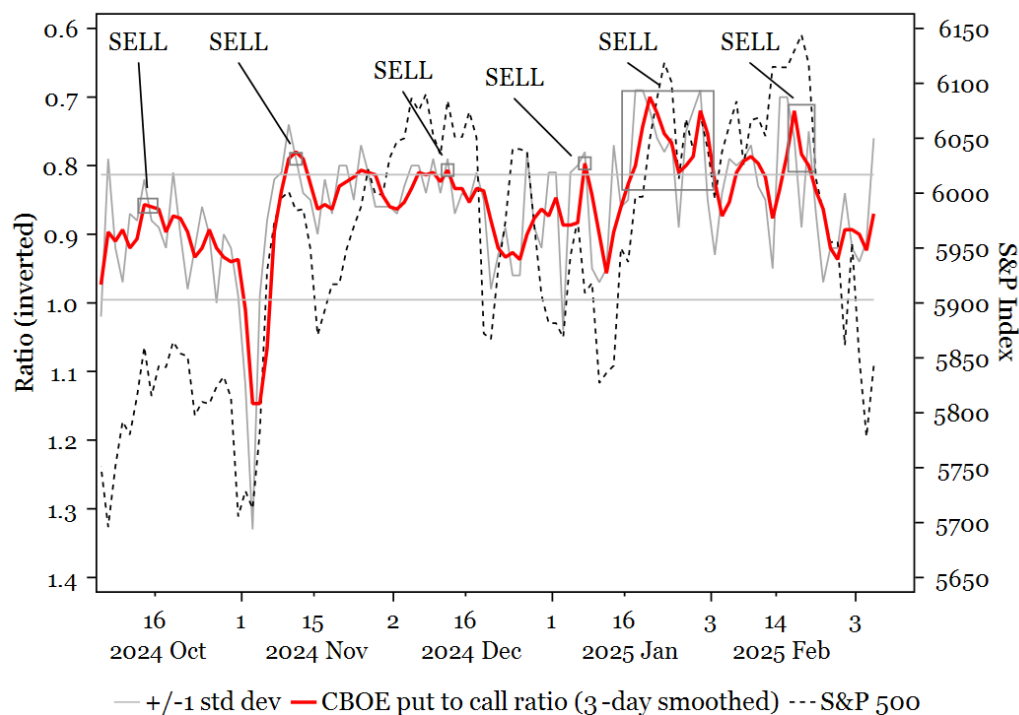
Short term models are mostly on BUY/strong BUY – or bouncing from those levels....

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



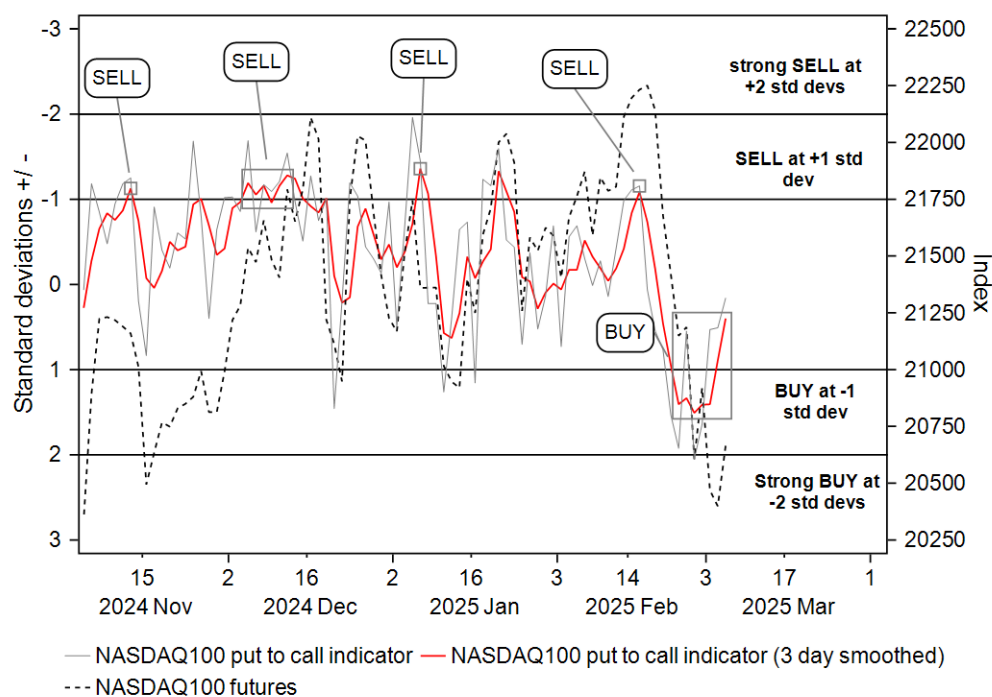
Source: Longview Economics, Macrobond

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



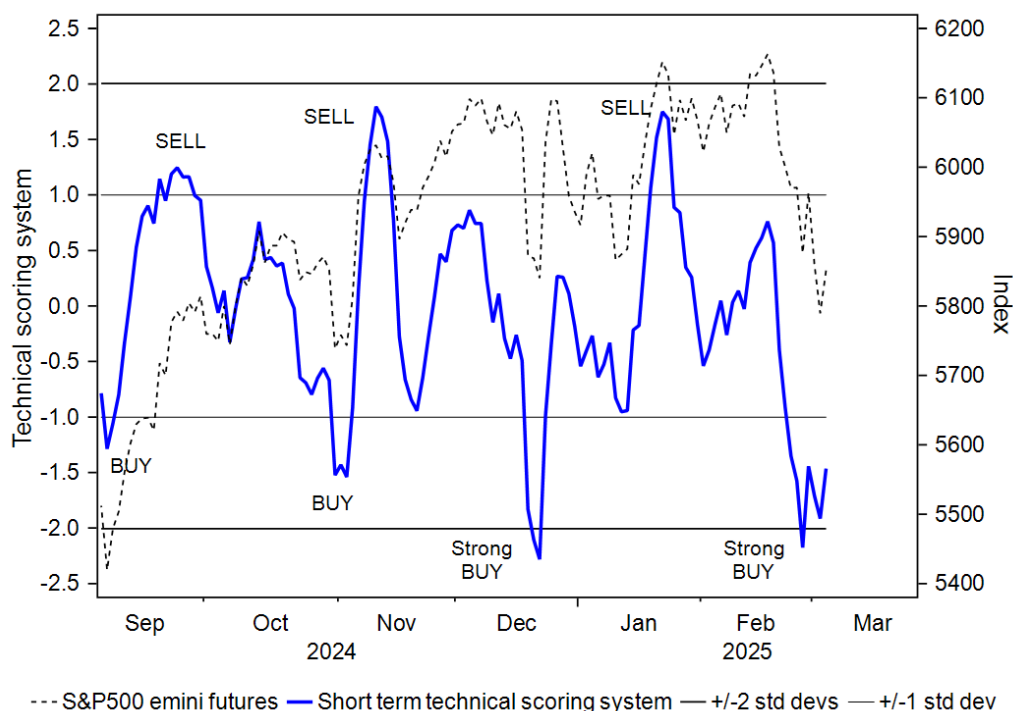
Source: Longview Economics, Macrobond

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



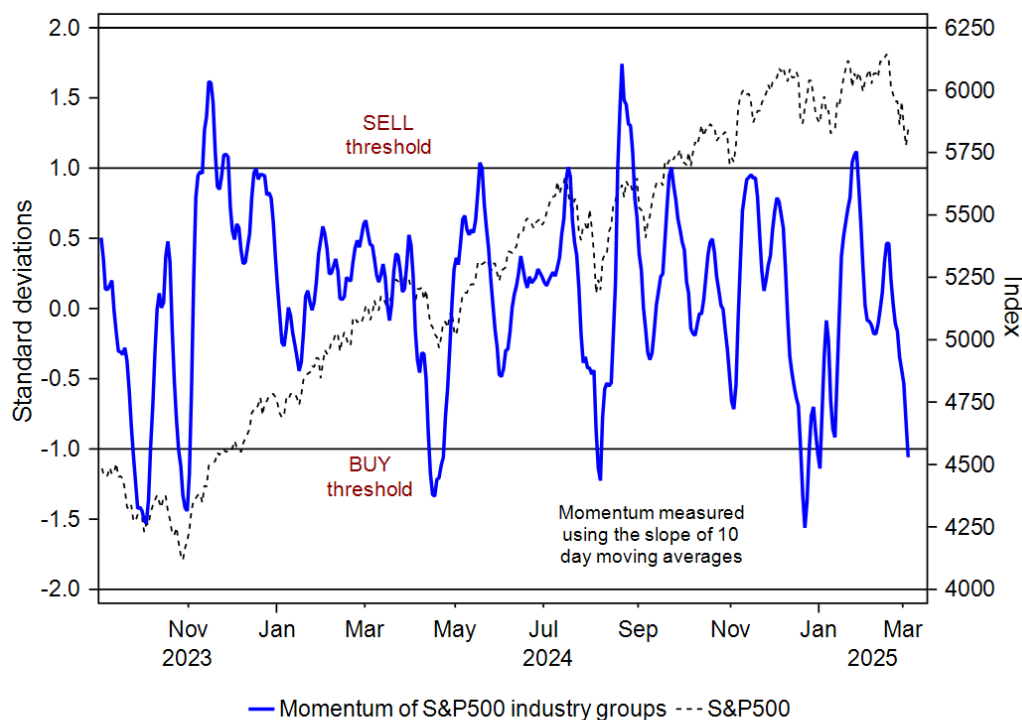
Source: Longview Economics, Macrobond

FIG 2c: Longview S&P500 short term **‘technical’** scoring system vs. S&P500 futures



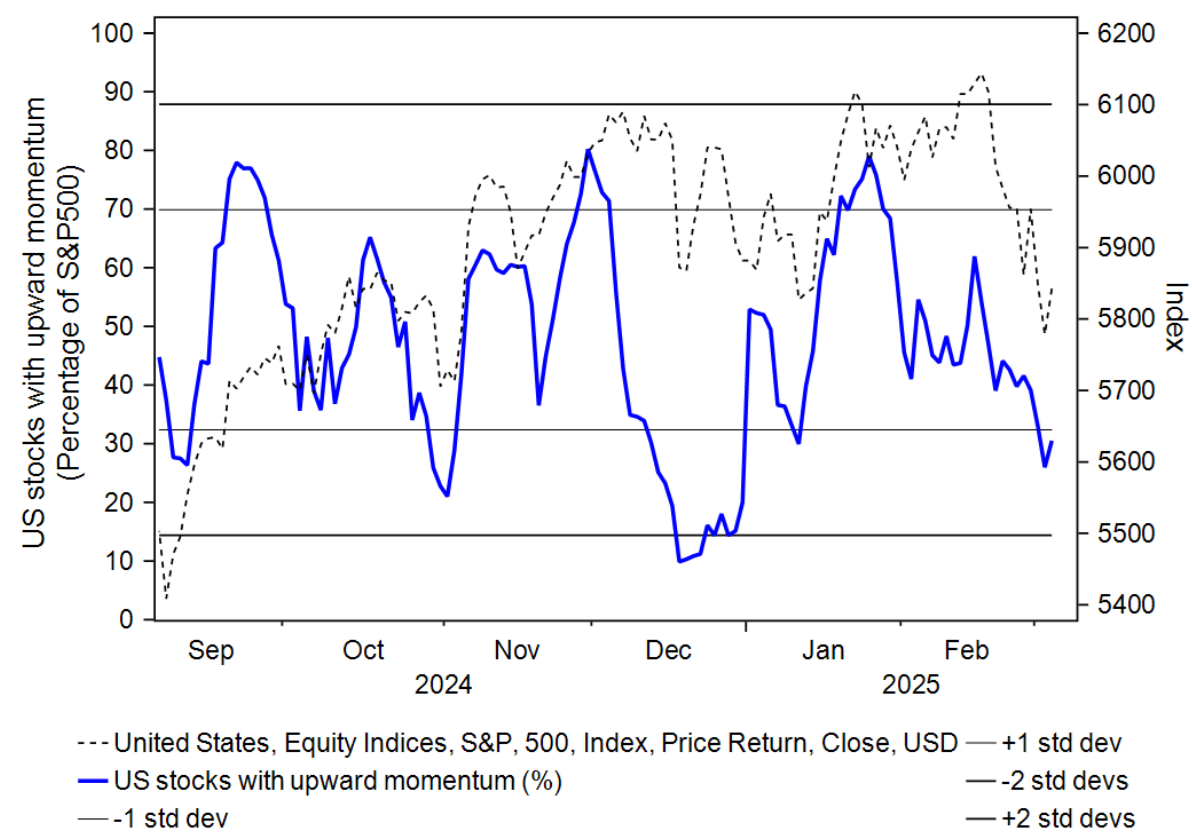
Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

FIG 2e: S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500



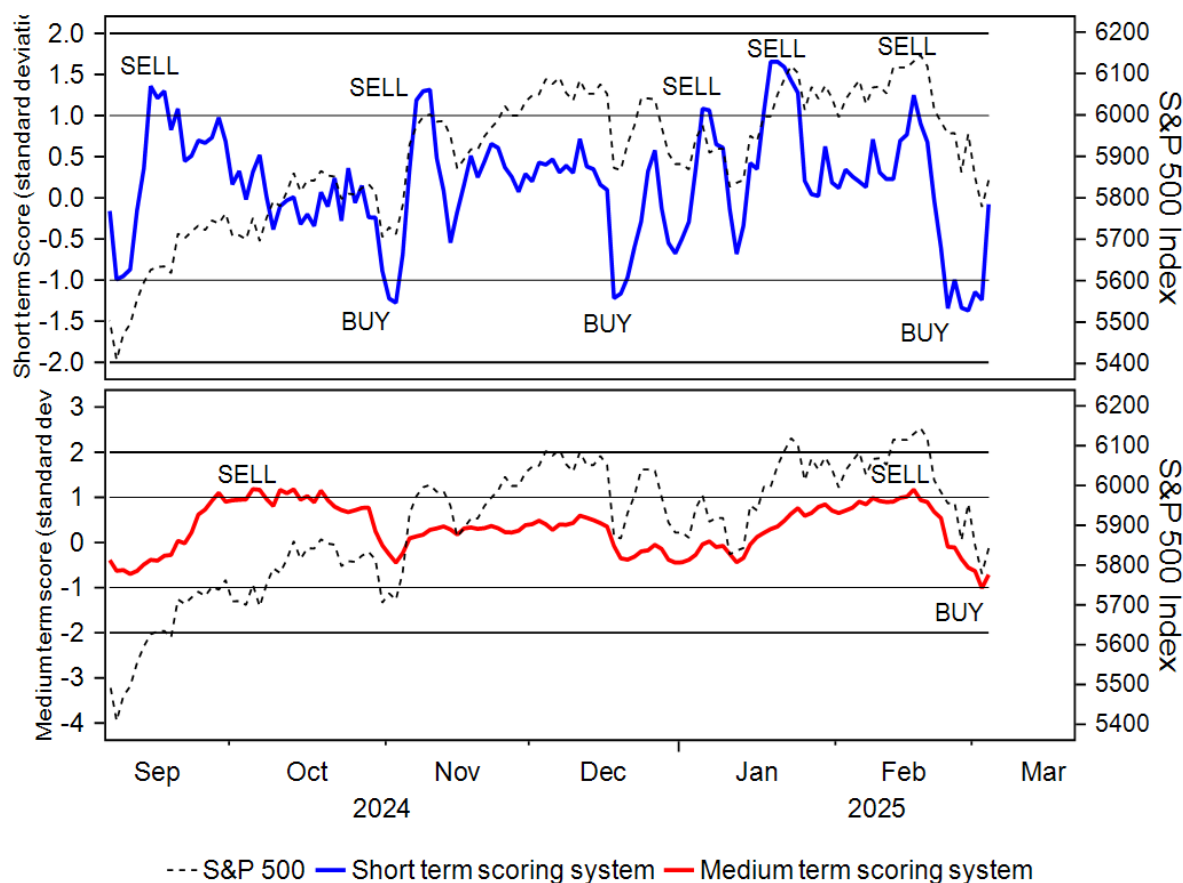
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **NEUTRAL** (from BUY earlier this week)

Medium term (1 – 4 month) scoring system: **NEUTRAL** (from BUY earlier this week)

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 imports/exports, & trade balance (Jan, 12:30am); Australian building approvals & private sector houses (Jan, 12:30am); China imports/exports & trade balance (Feb, 3am); HCOB construction sector PMI for Germany (Feb, 8:30am); UK S&P construction sector PMI (Feb, 9:30am); **Eurozone retail sales** (Jan, 10am); **US Challenger job cuts** (Feb, 12:30pm); US trade balance (Jan, 1:30pm); **US weekly jobless claims** (1:30pm); US nonfarm productivity & unit labour costs (Q4 final estimate, 1:30pm); US wholesale sales & inventories (Jan, 3pm).

Key events today include: **ECB policy decision** (1:15pm) followed by Lagarde press conference (1:45pm); China 'Two Sessions' (annual parliamentary meeting).

Key earnings today include: **Broadcom, Costco**, Kroger, Canadian Natural.

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 5th March 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.



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1 – 2 Week View on Risk

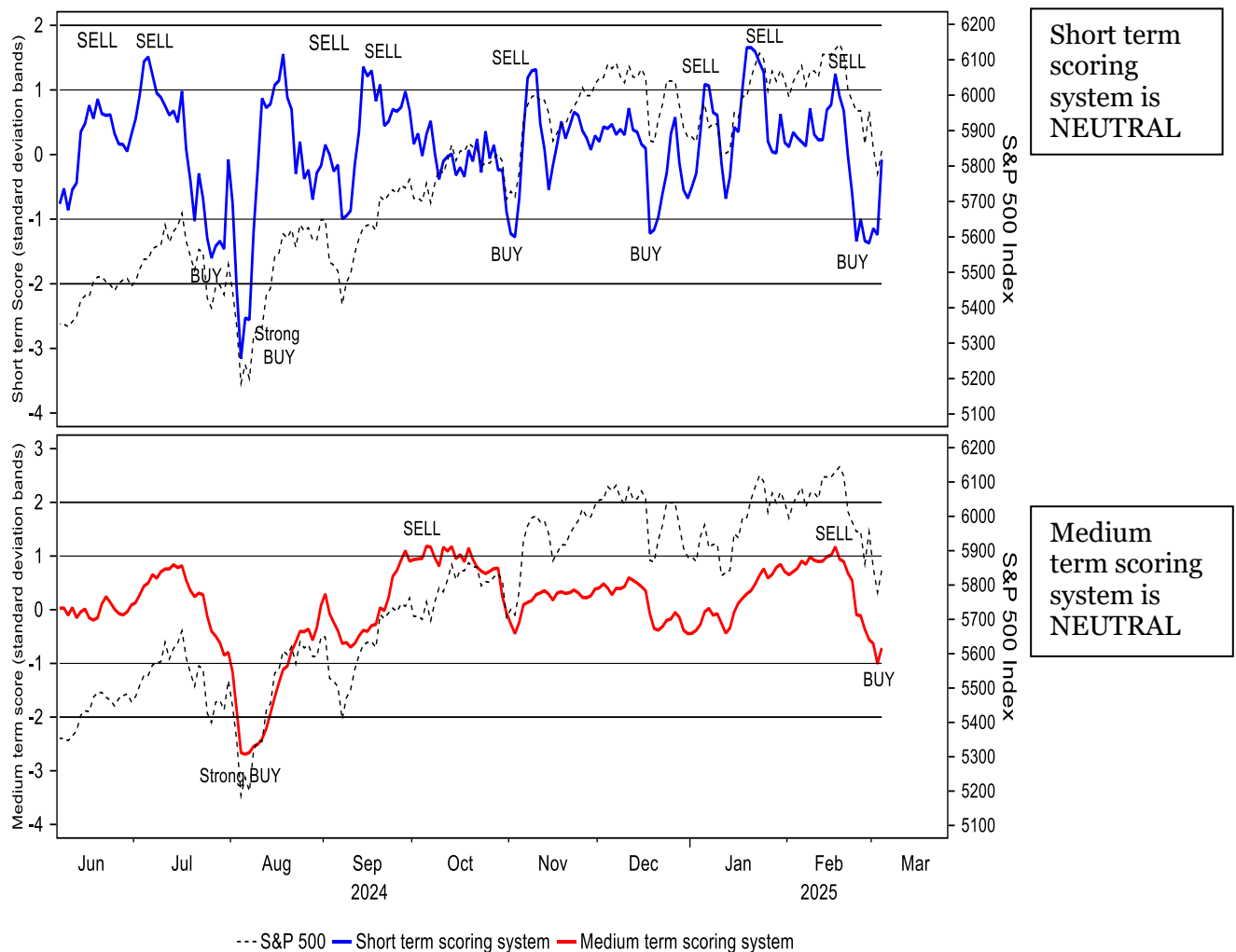
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6th March 2025

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

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



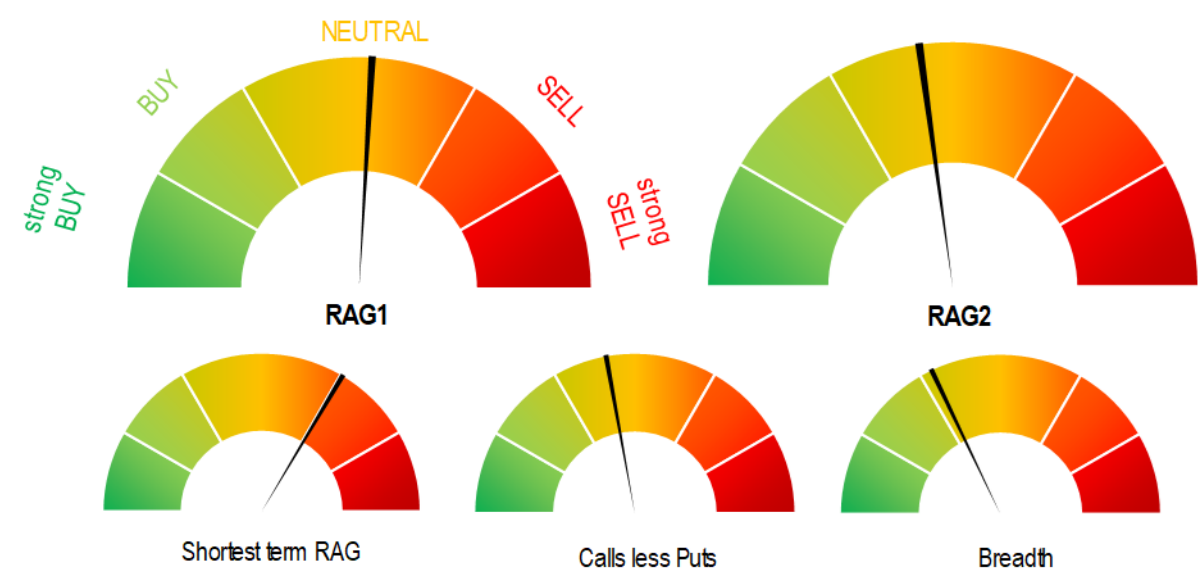
Source: Longview Economics, Macrobond

*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**

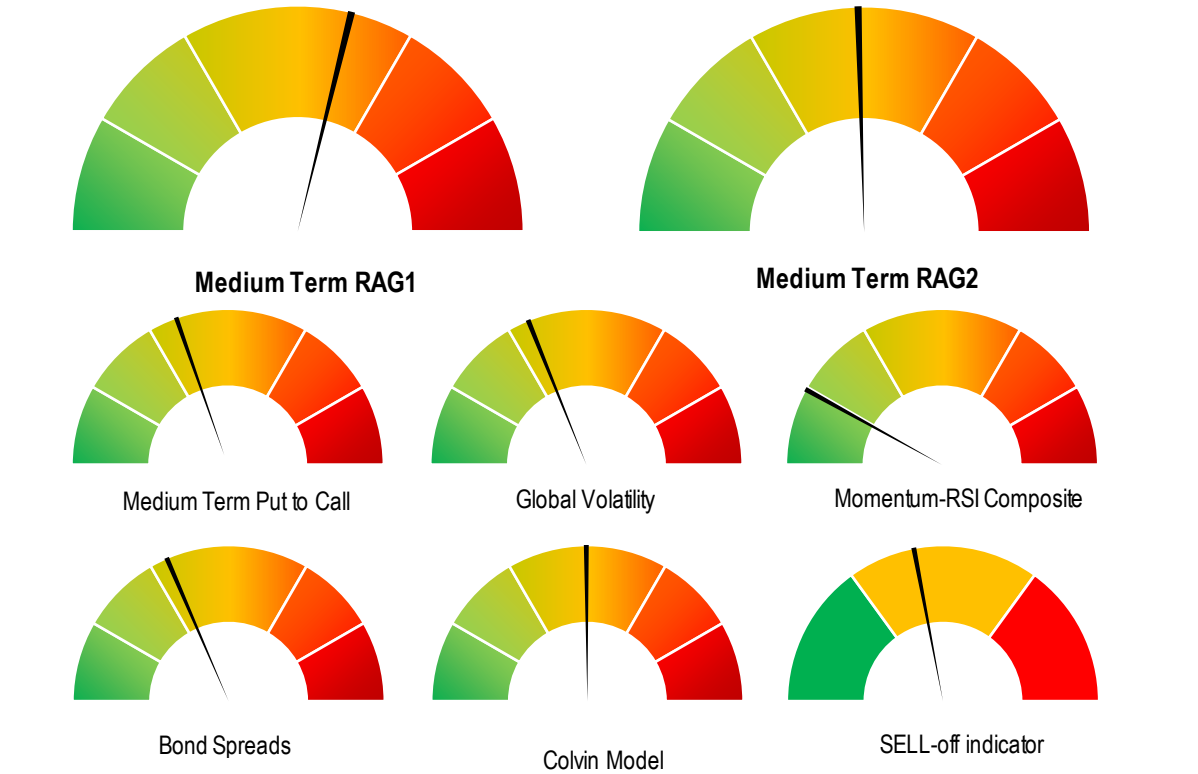
Section 1a: Summary of indicator signals**

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

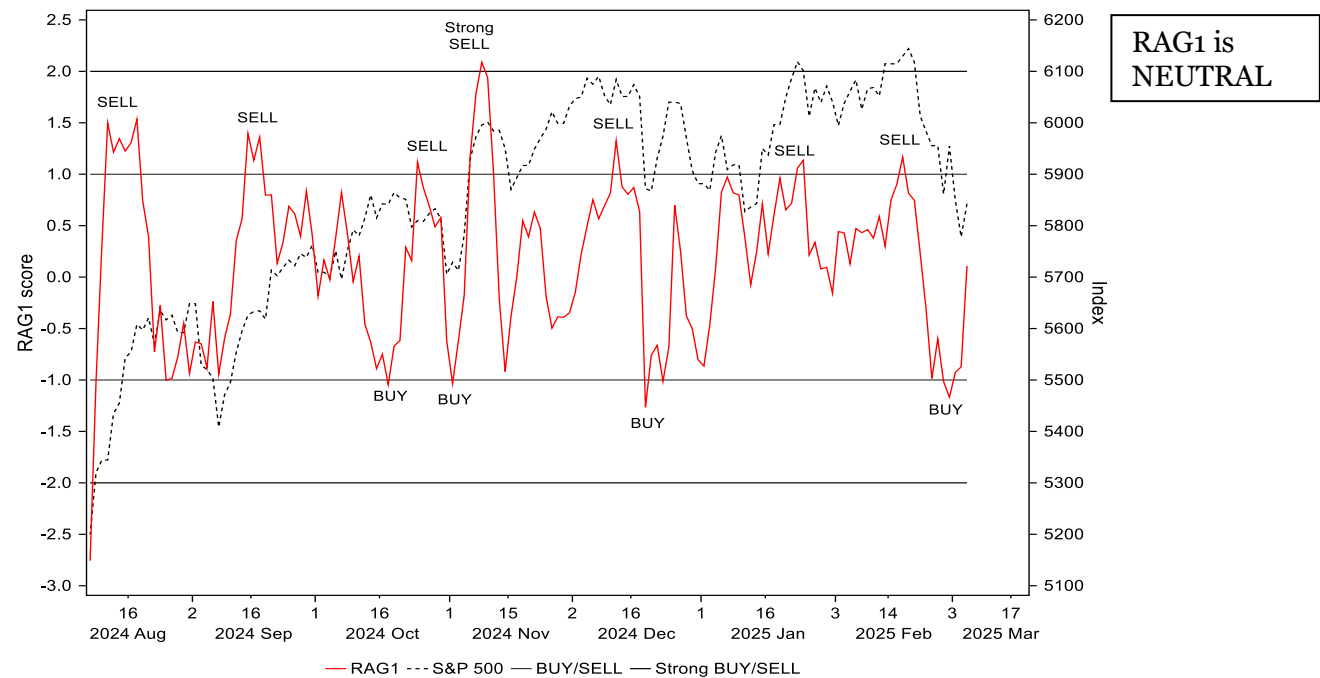
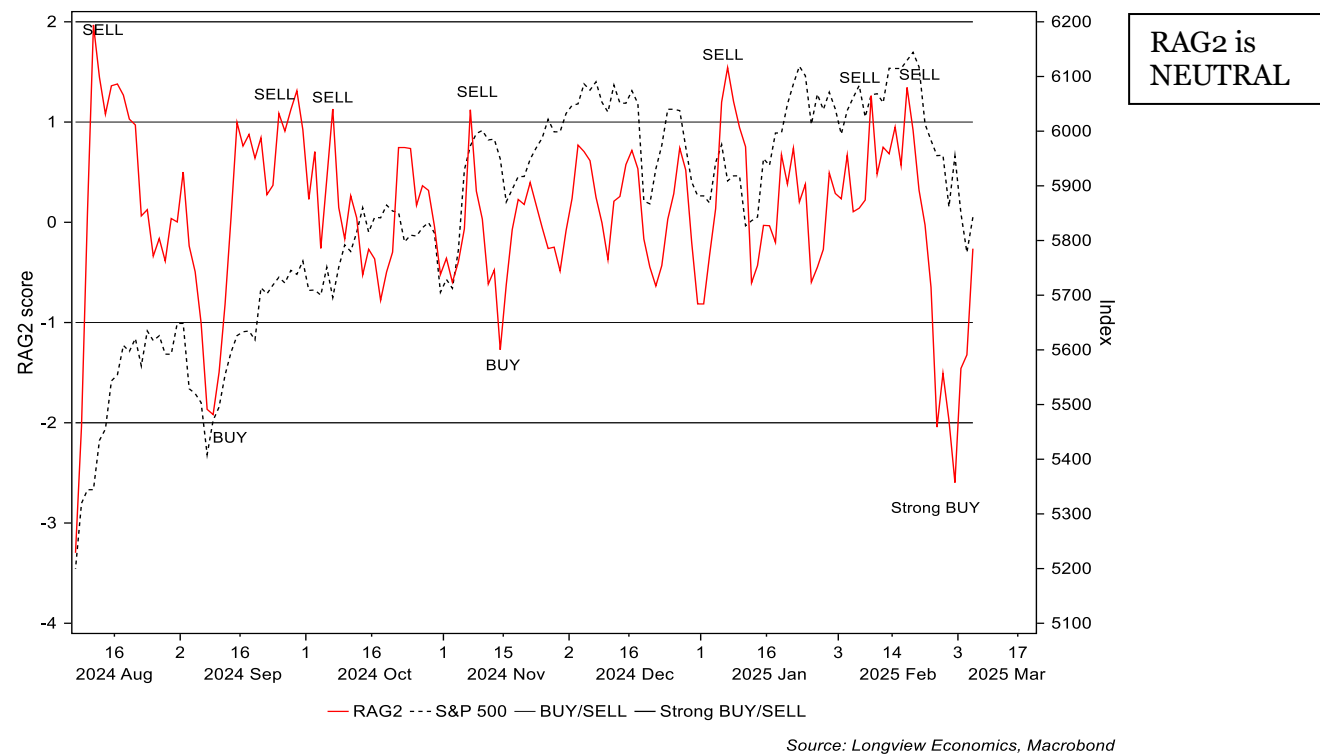


Fig 2b: RAG 2 vs. S&P 500



For explanations of indicators please see page 10

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

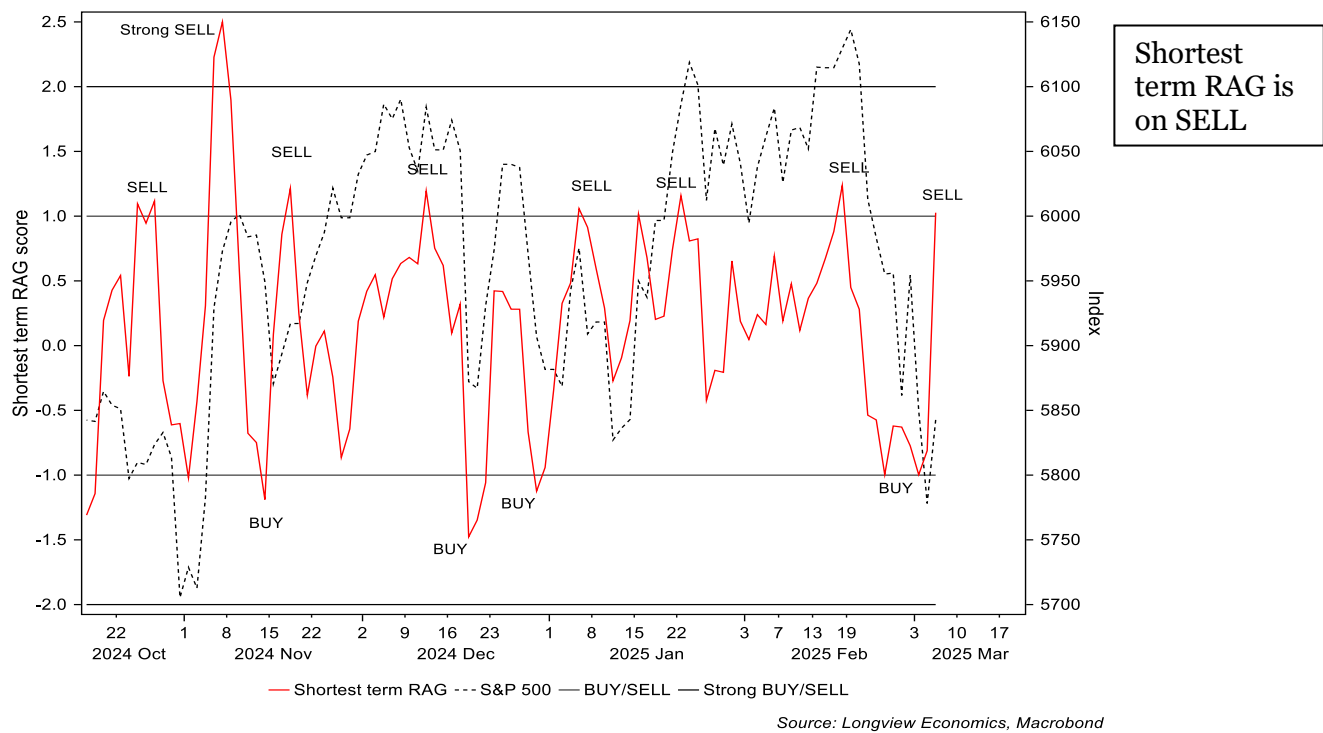
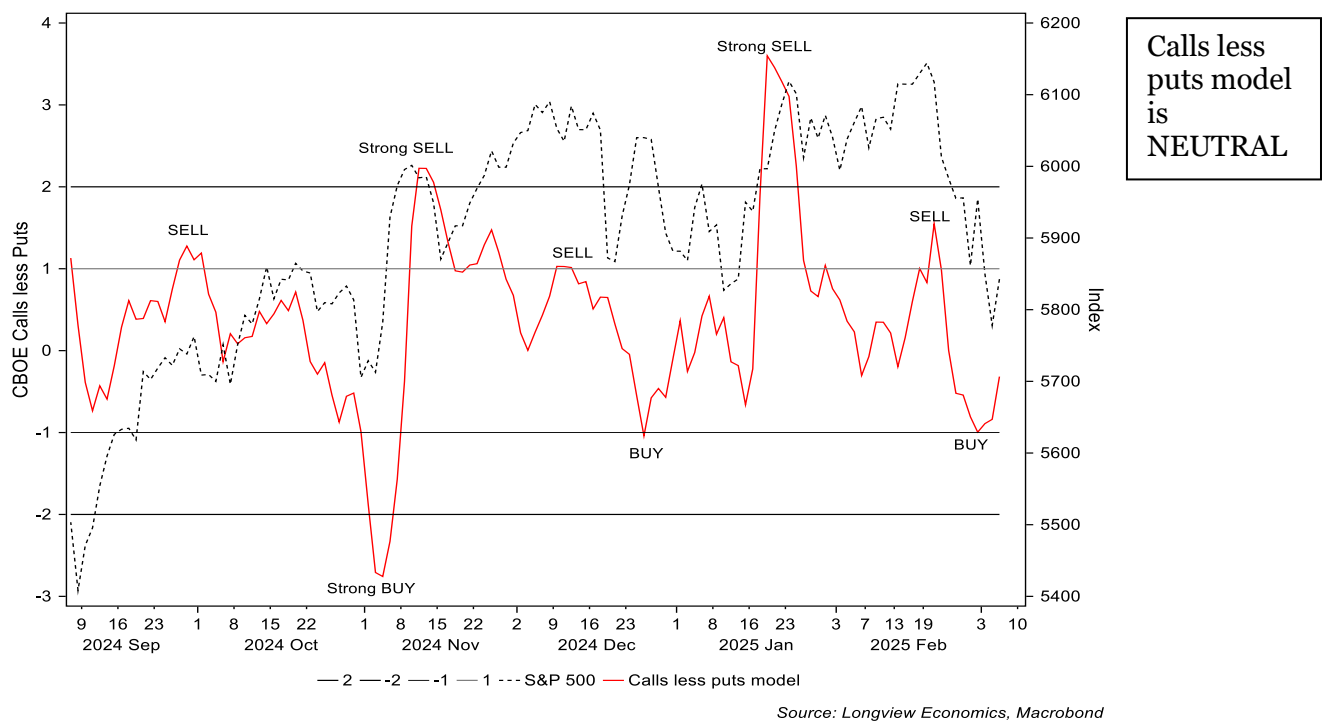
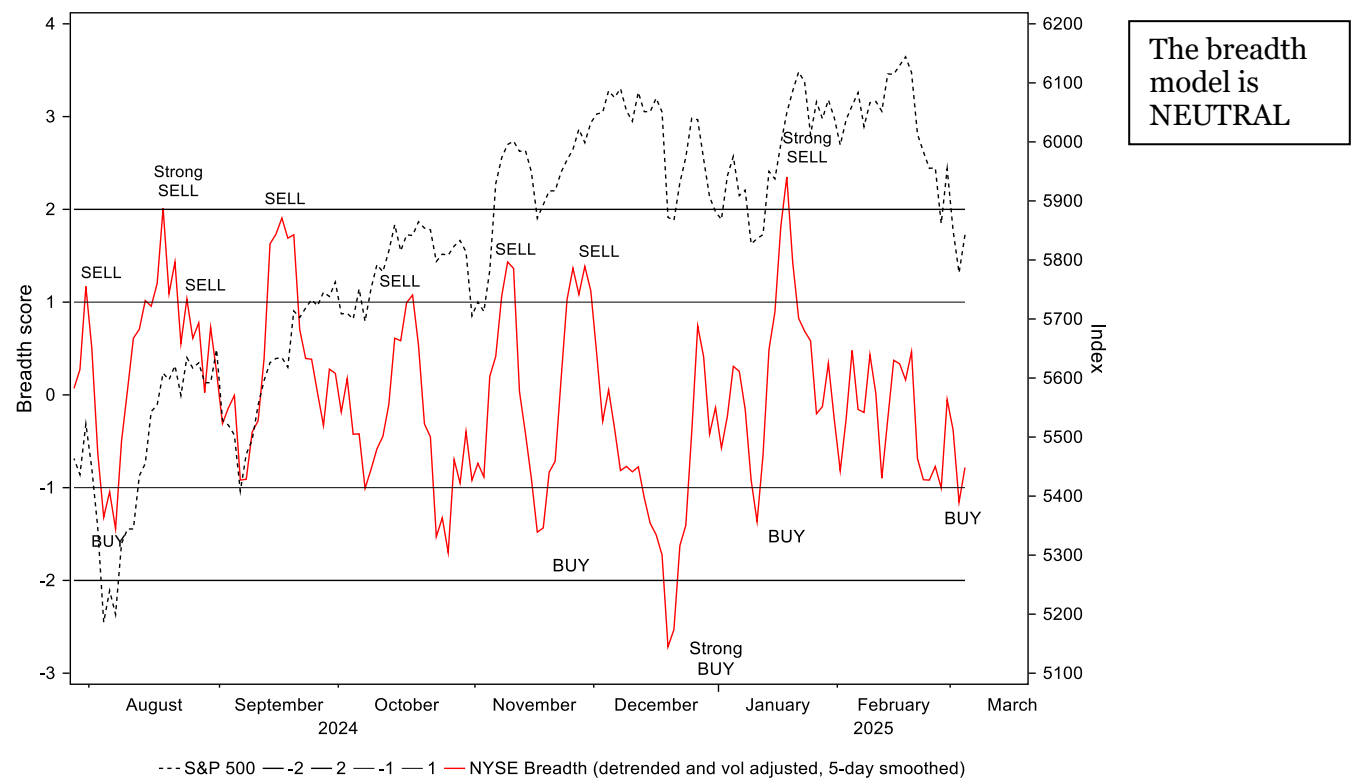


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



For explanations of indicators please see page 10

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



Source: Longview Economics, Macrobond

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

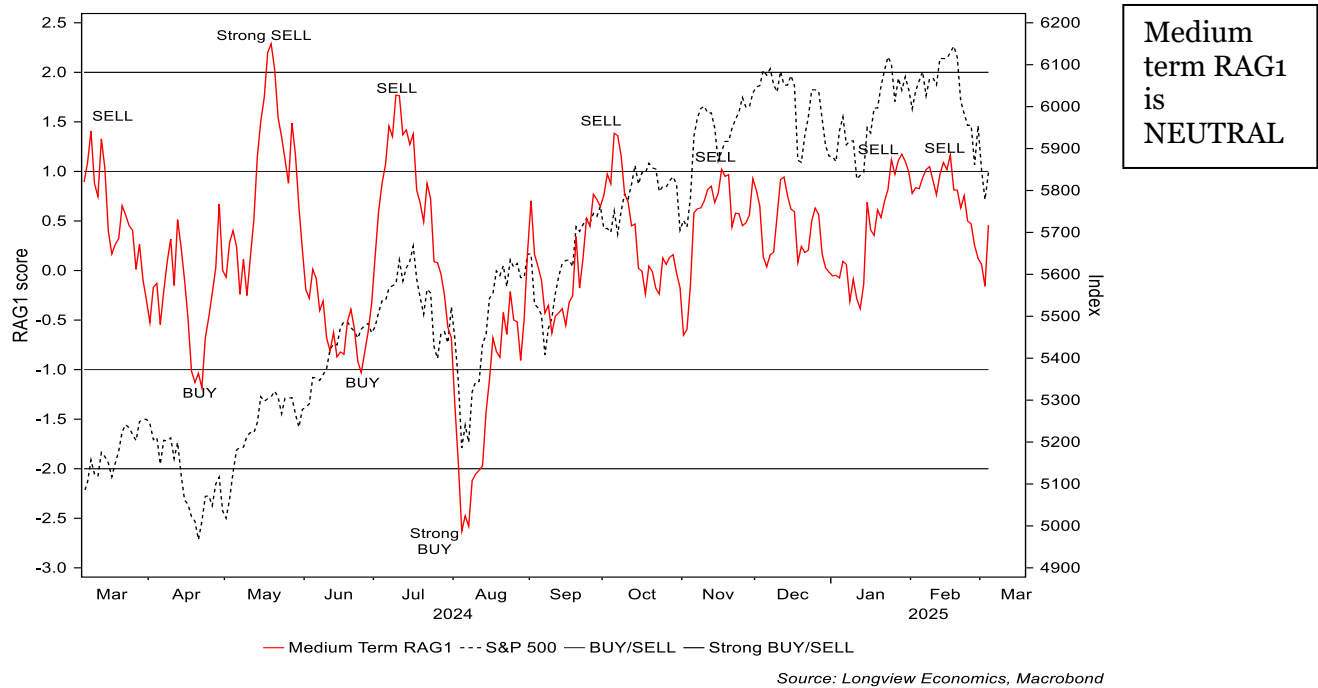
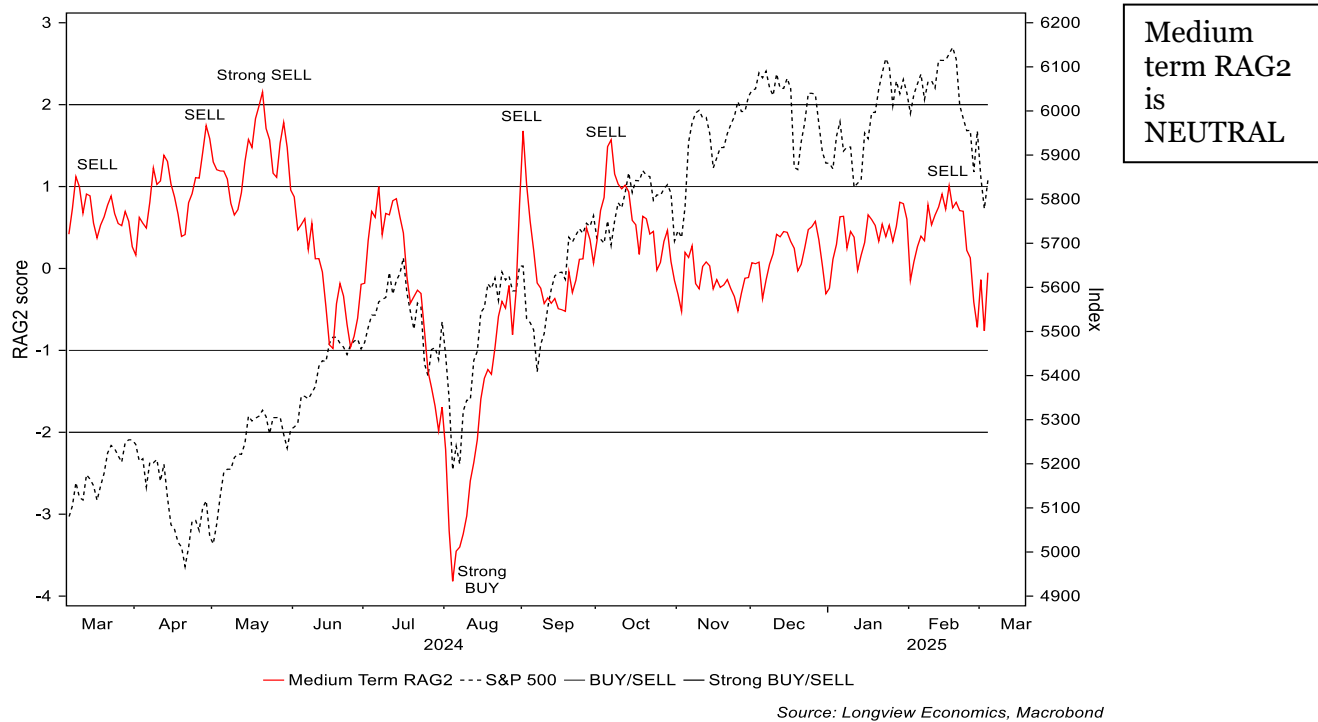


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

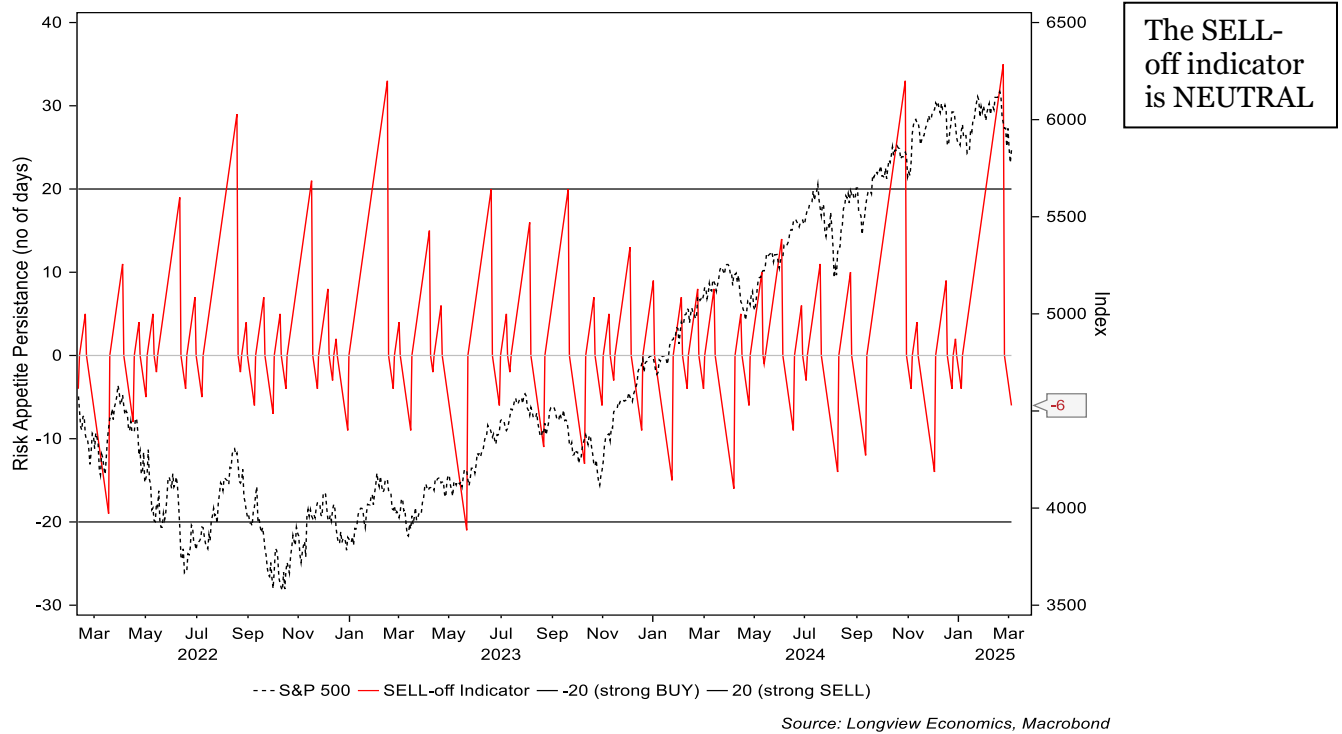
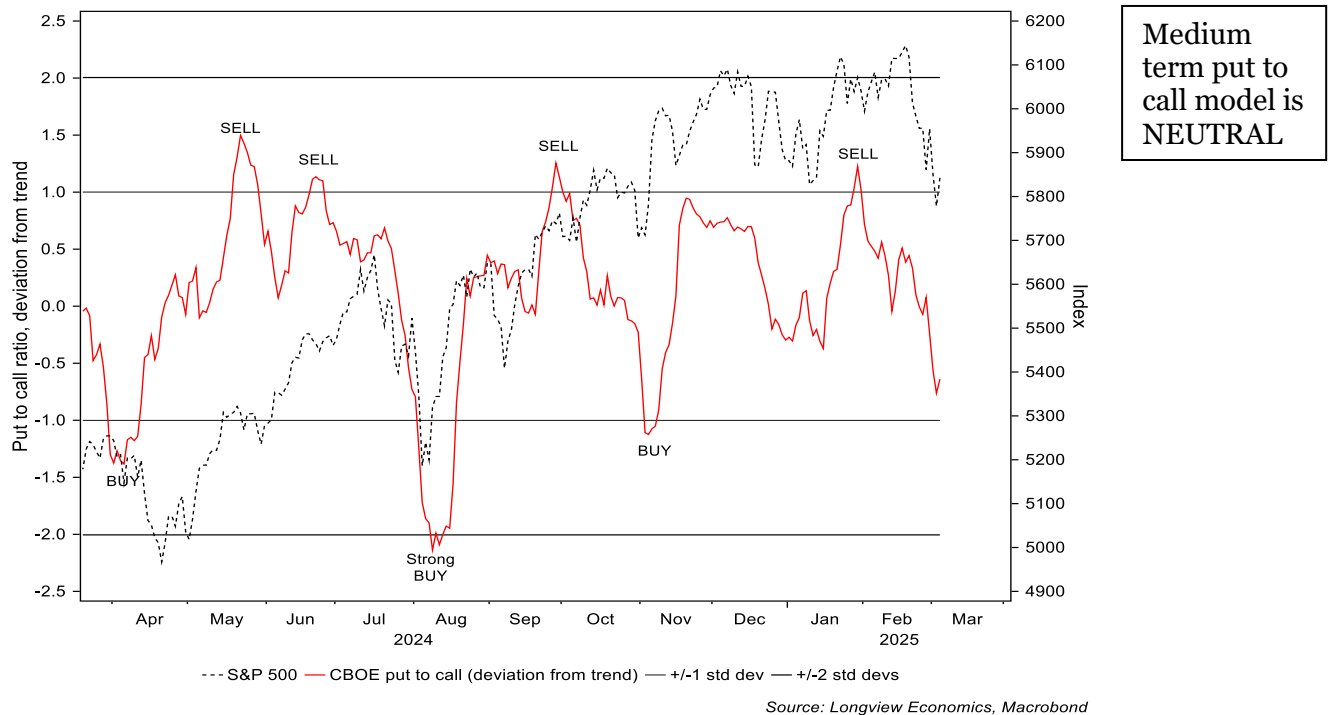


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

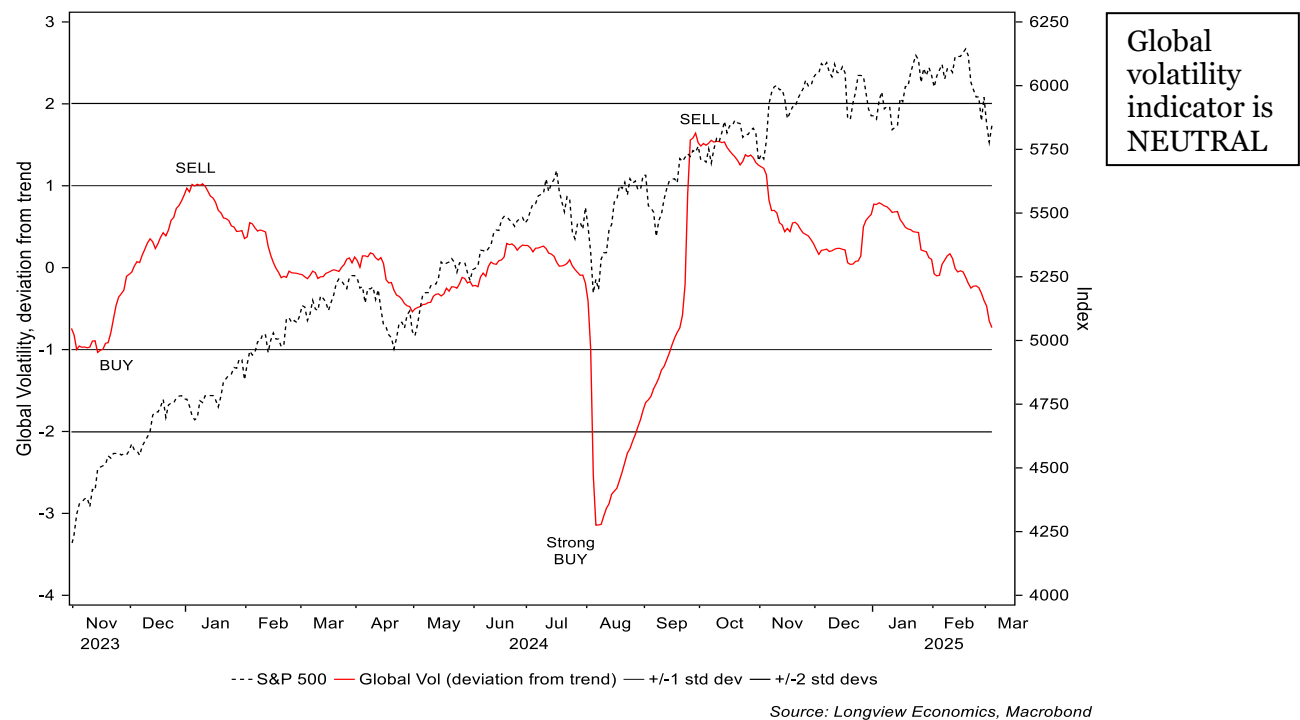


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

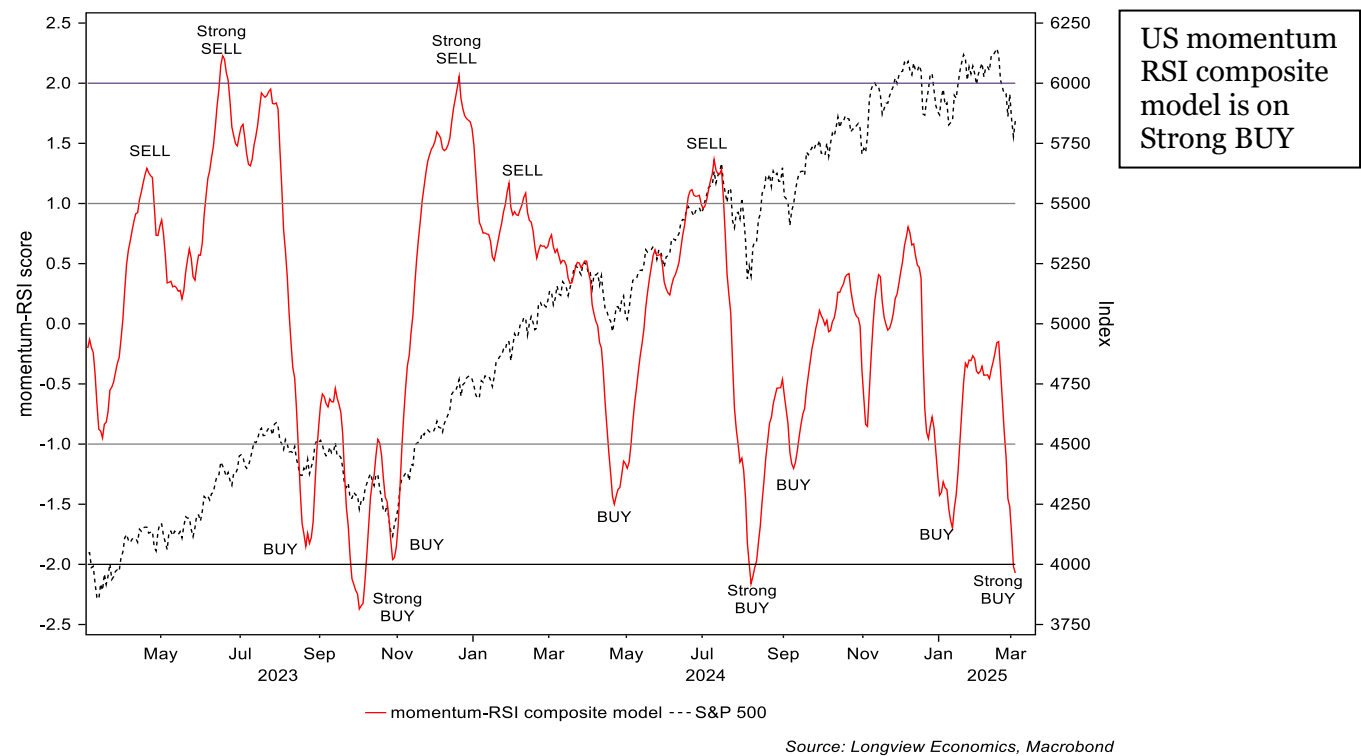


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

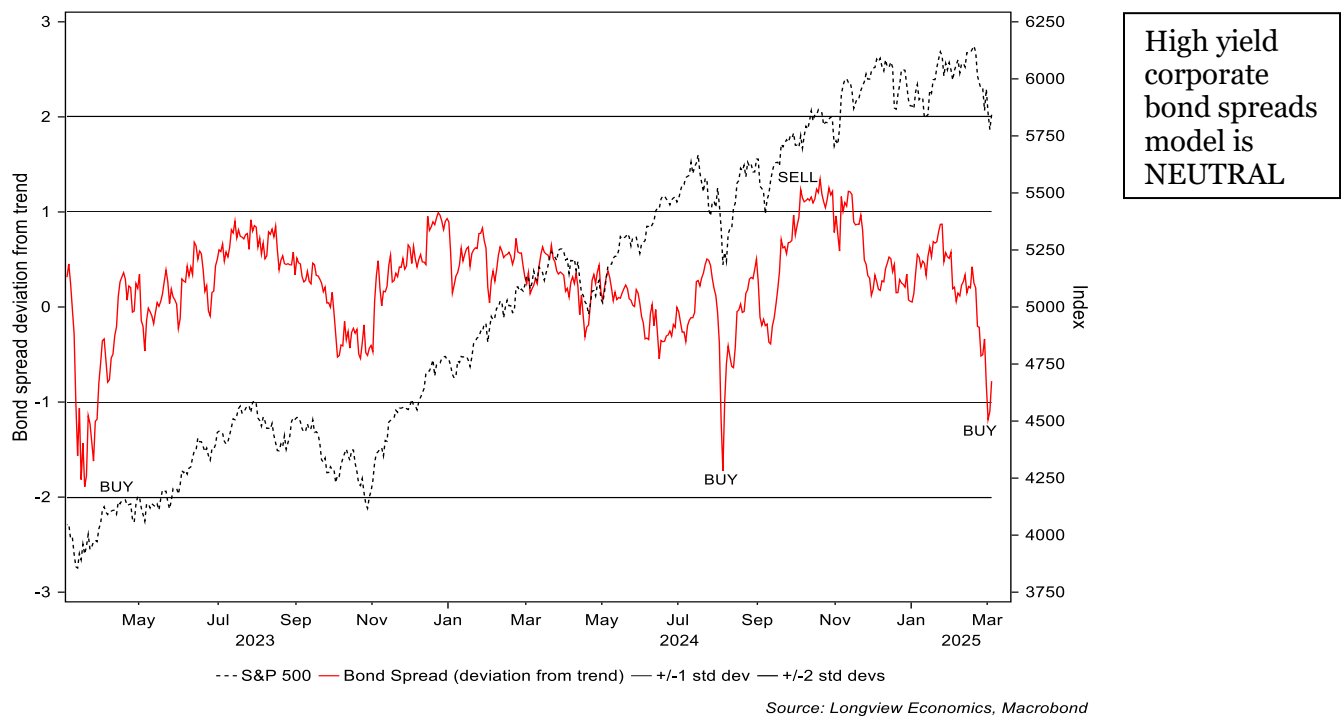
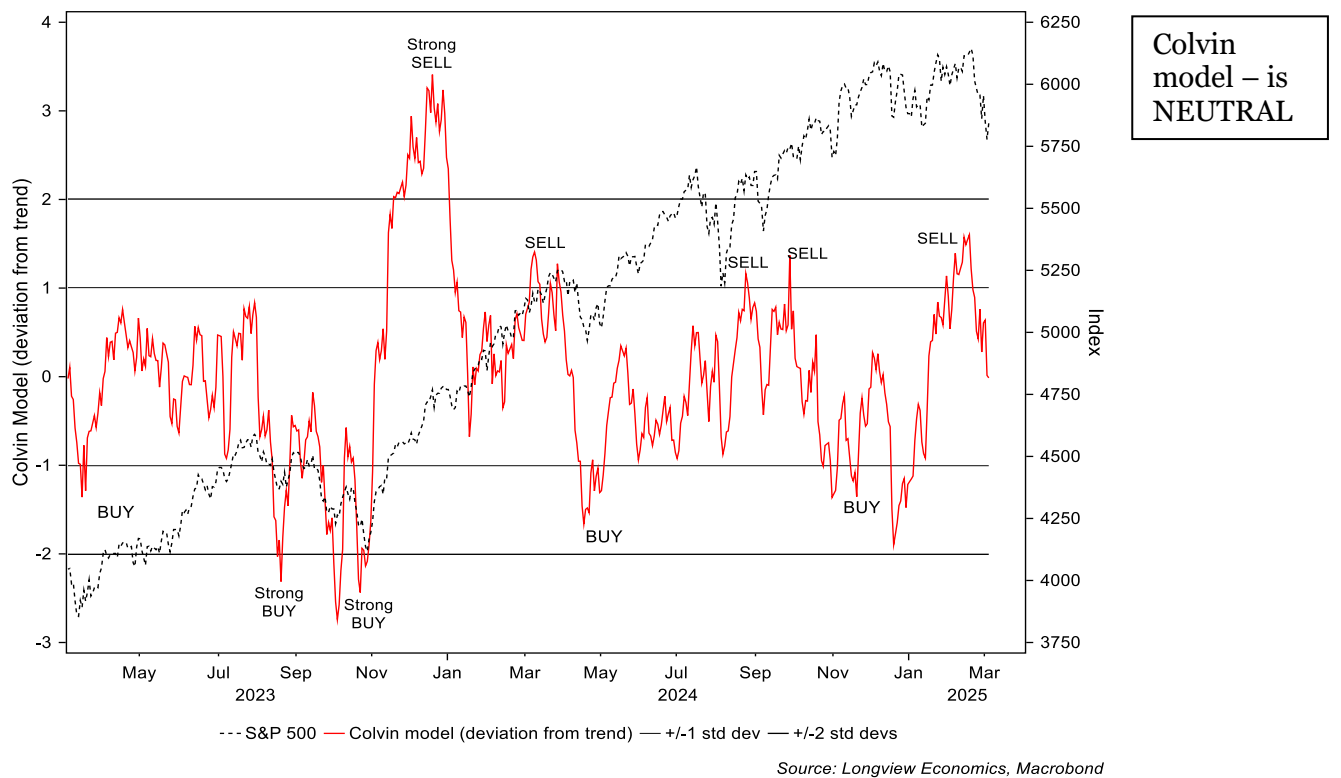


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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.

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