

Equity Index Futures Trading Recommendations

6th May 2025

“Stay SHORT - Momentum Stalling?”

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

- STAY 1/3rd SHORT S&P500 June futures (entry was last week at 5,670.0, just above the 50-day moving average).
- Tighten the stop loss to 5,790.0, i.e. just over 1% above Friday’s intraday high (from 5,840.5 yesterday).

Rationale

Over the past two trading sessions, S&P500 June futures have reached and eased off from a key Fibonacci retracement level. That level is 5,692.9 and is the 61.8% (‘Golden Ratio’) retracement level – FIG 1c. Often (although not always) that acts as (at least initial) resistance in uptrends. On Friday, June futures pushed modestly and briefly through that level (with an intraday high of 5,724.75 – FIG 1) before pulling back. Yesterday, the index again rallied intraday but eventually closed down 0.6%. With that, 24 of the 28 headlines indices that we track closed lower (two were flat, while only two eked out small gains); ten of the 11 top level S&P500 sectors closed lower led by energy (-2.0%), with the defensive consumer staples sector the only positive sector on the day (+0.02%). The dollar (DXY) was again weak -0.2%, gold rallied sharply (+2.9% but remains below its record highs), while US 10-year bond yields backed up modestly (closing at 4.36%) as rate cuts were priced out of the curve (FIG 1d).

Over the past few trading sessions, we’ve been BUILDing SHORT positions in S&P500 June futures as the short-term models have been generating a largely across the board SELL signal and as markets have reached key resistance levels (i.e. 50 day moving average, key Fibonacci level & the ‘mid-March/early April’ congestion area – see FIG 1b).

Notably, both the NDX100 and S&P500 have broadly tracked sideways since mid-session on 1st May (i.e. they are flat over the past 2 to 3 trading sessions – see FIGs 1 & 1a). The key question, therefore, is whether these markets are simply consolidating their gains (as SELL signals unwind); OR whether they are rolling over into some meaningful near-term weakness. Those are the two most likely scenarios at this juncture.

For now, given the short-term models remain on/close to SELL (see FIGs 2 to 2e), we recommend staying SHORT. See trading recommendation above for detail.

Key events today are listed below and include more US quarterly earnings with AMD reporting later. The Fed meeting, meanwhile, concludes on Wednesday (with a press conference at 7:30pm UK time/2:30am EST). The tone of Powell’s comments, as always, will be critical.

Kind regards,

The team @ Longview Economics

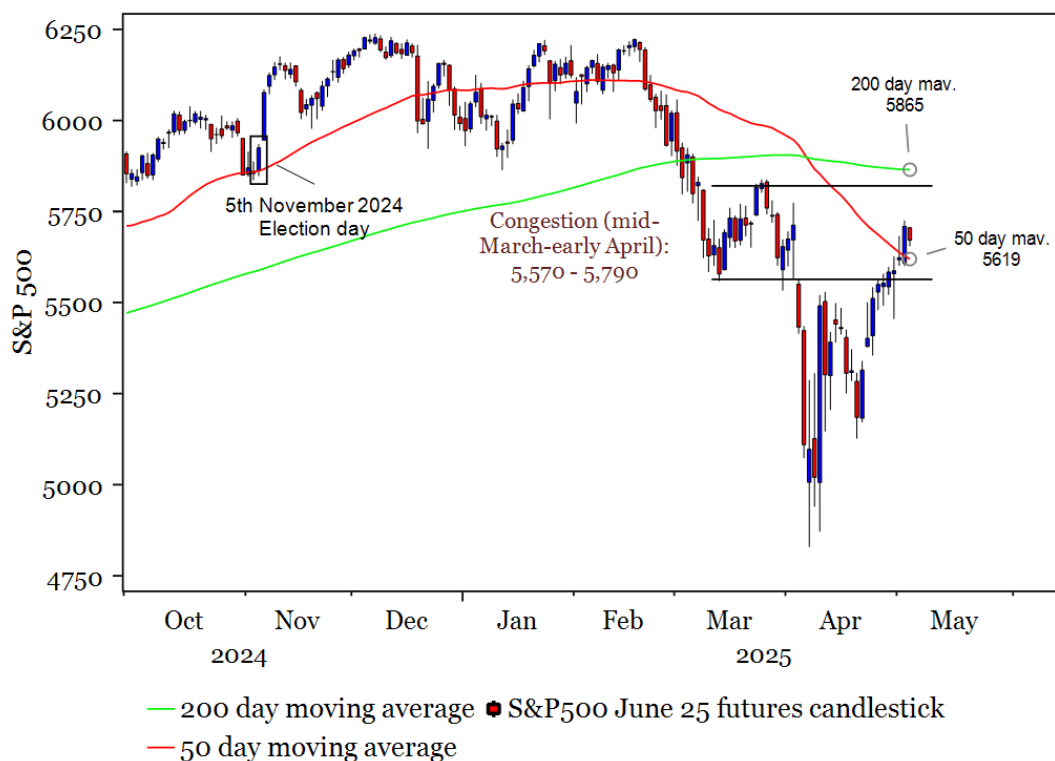
FIG 1: S&P500 futures 10-day tick chart shown with overnight price action



FIG 1a: NDX100 futures 10-day tick chart shown with overnight price action



FIG 1b: S&P500 June 25 futures candlestick shown with 50 & 200 day moving averages

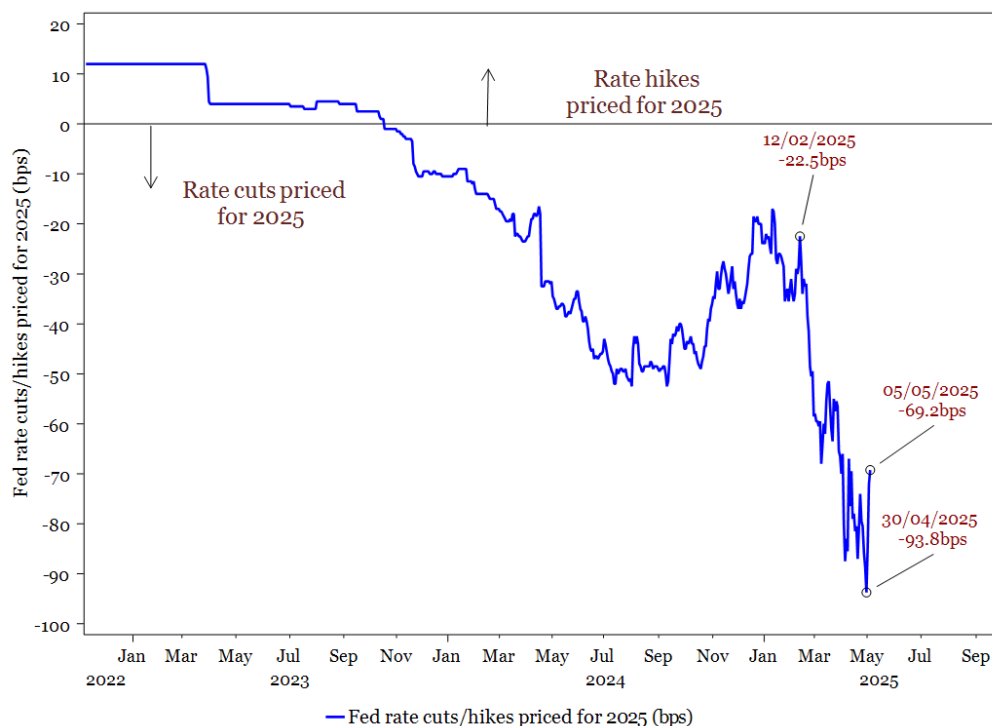


Source: Longview Economics, Macrobond

FIG 1c: S&P500 June futures shown with key Fibonacci retracement levels

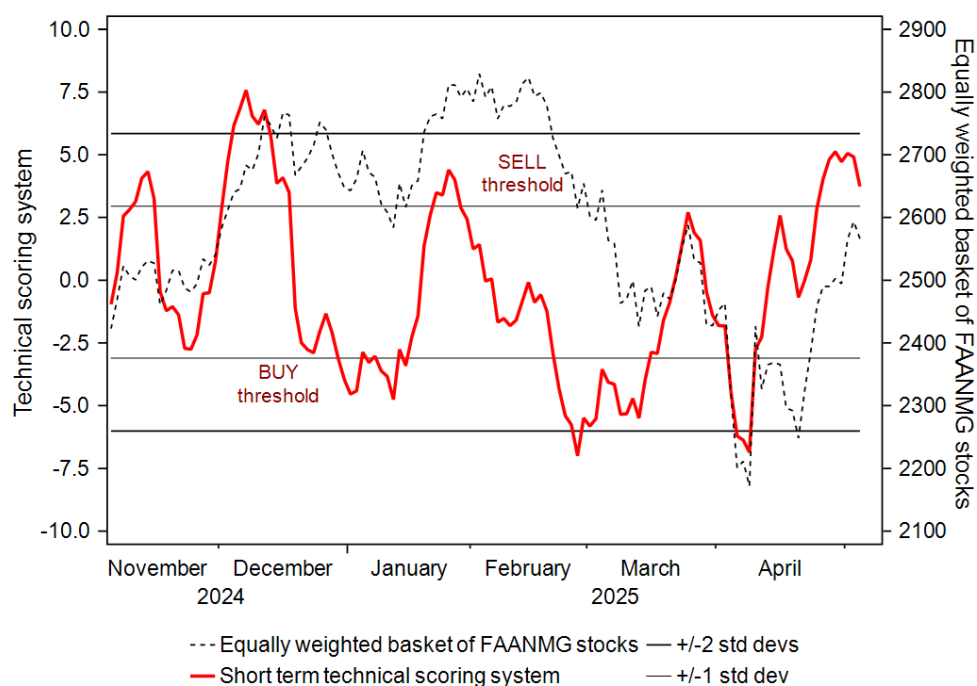


FIG 1d: US rate cut expectations (by Dec 2025, implied from Fed Funds futures contracts)



Source: Longview Economics, Macrobond

FIG 1e: Short term **‘technical’** scoring system for an equally weighted basket of FAANMG stocks (vs. FAANMG stocks, equally weighted)

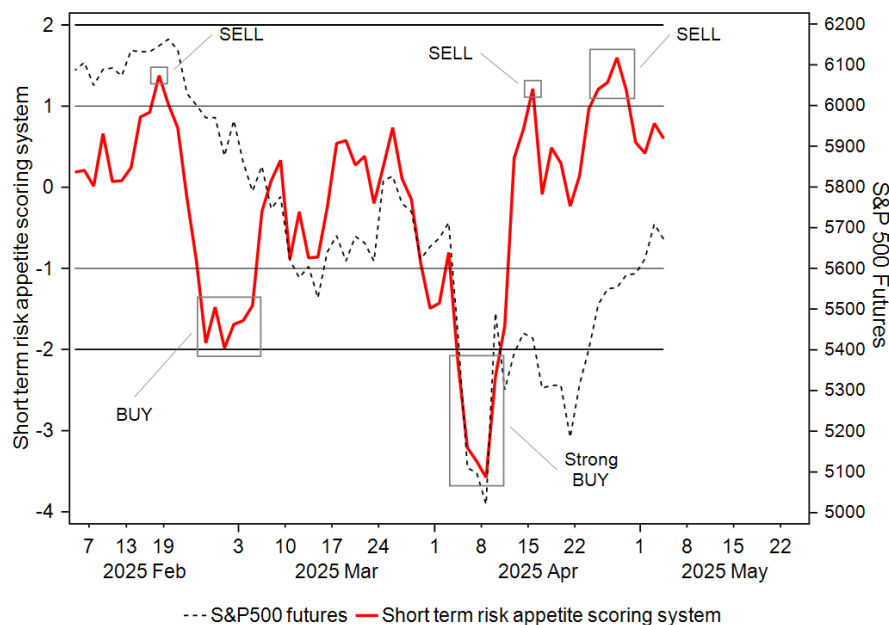


Source: Longview Economics, Macrobond

Key short term market timing models:

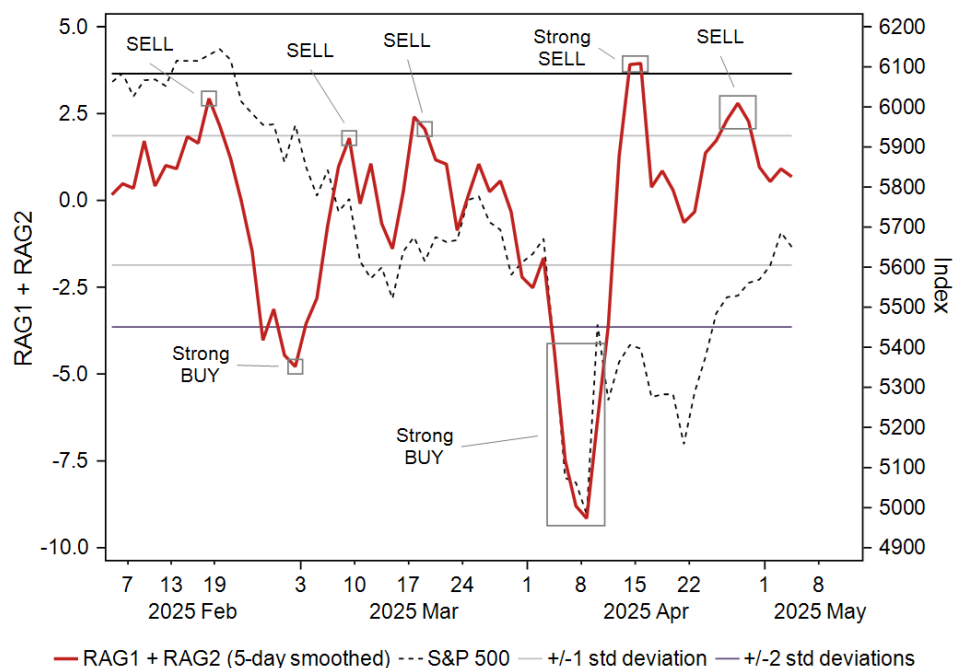
Risk appetite models have been rolling over from high levels...

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



Source: Longview Economics, Macrobond

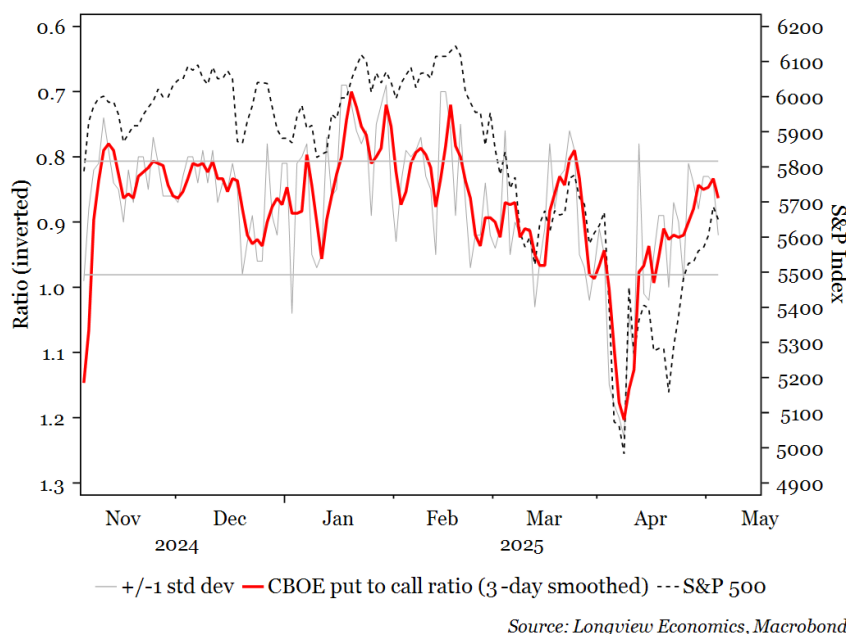
FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Source: Longview Economics, Macrobond

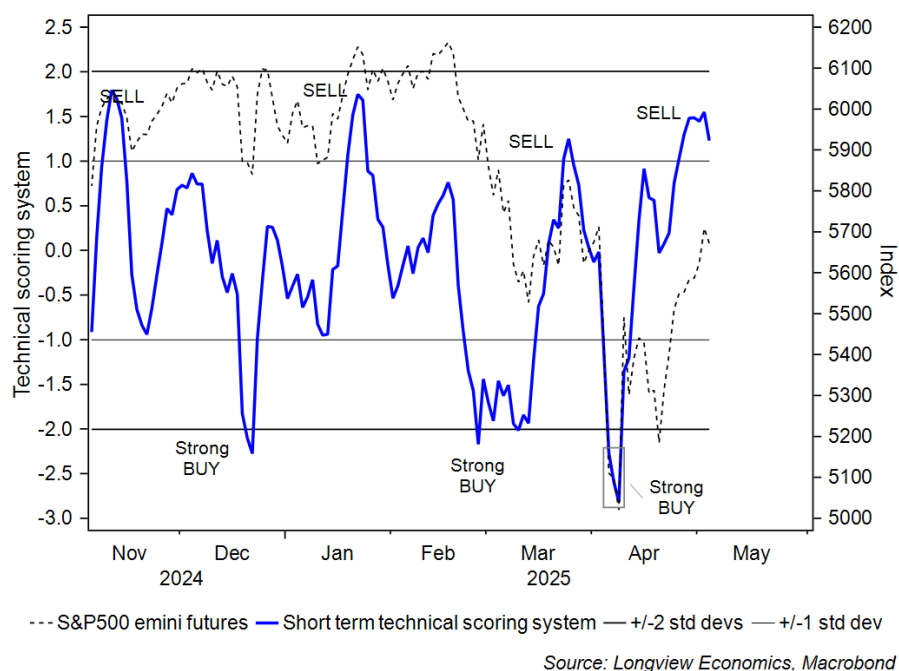
Downside put protection has been removed (sold) from portfolios, such that these models are on, or close to, SELL....

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



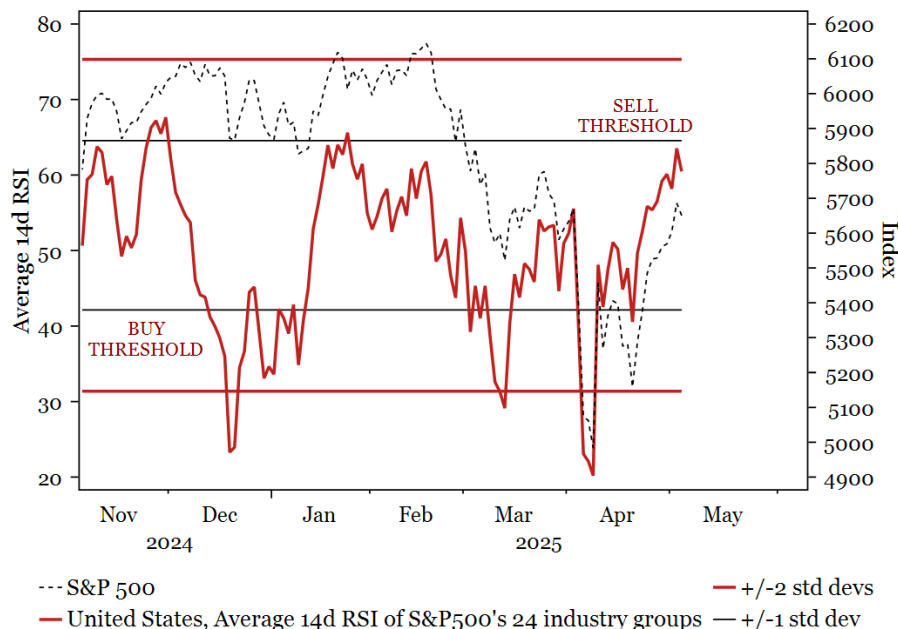
Technical & price-based (index) models are mostly now on SELL...

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



US sector momentum is over-extended to the upside...

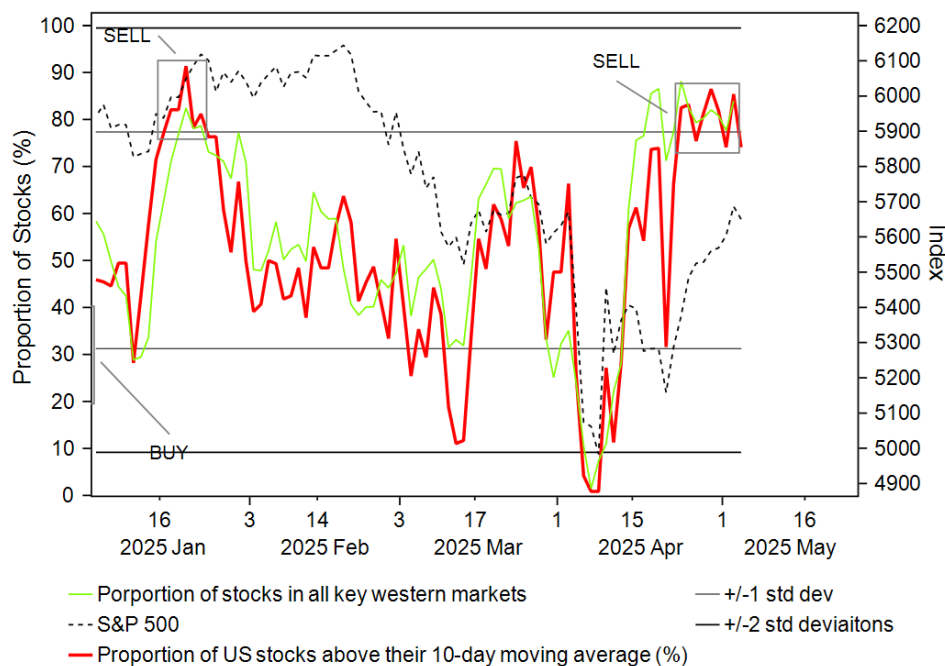
FIG 2d: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

Single stock models are mostly on SELL/close to SELL....

FIG 2e: Proportion of Western stocks above their 10-day moving average vs. S&P500



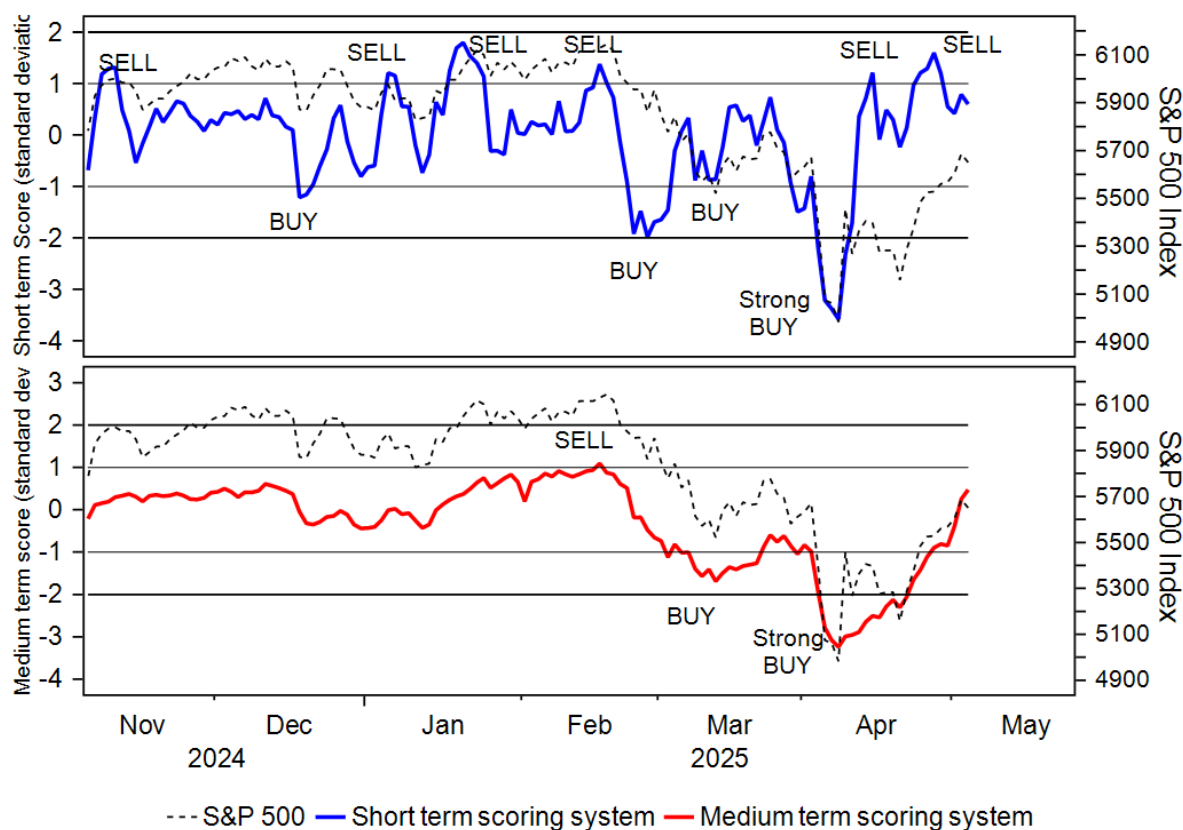
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

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

Key data today include: Australian building approvals & private sector houses (Mar, 2:30am); Australian household spending (Mar, 2:30am); **Chinese Caixin service sector PMI** (Apr, 2:45am); French industrial & manufacturing production (Mar, 7:45am); Spanish unemployment rate (Apr, 8am); HCOB manufacturing sector PMIs for Spain (8:15am), Italy (8:45am), France (8:50am), Germany (8:55am) & EZ (9am) - all April final estimates apart from Spain & Italy; UK new car sales (Mar, 9am); UK S&P service sector PMI (April final estimate, 9:30am); **Eurozone PPI** (Mar, 10am); US trade balance (Mar, 1:30pm).

Key events today include: speech by the ECB's Panetta in Milan (8am); RBNZ published financial stability report (10pm).

Key earnings today include: **AMD**, Arista Networks, Duke Energy, Constellation Energy, Zoetis Inc, **AXA**, Intesa Sanpaolo, Ferrari, Commonwealth Bank of Australia.

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 8th April 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

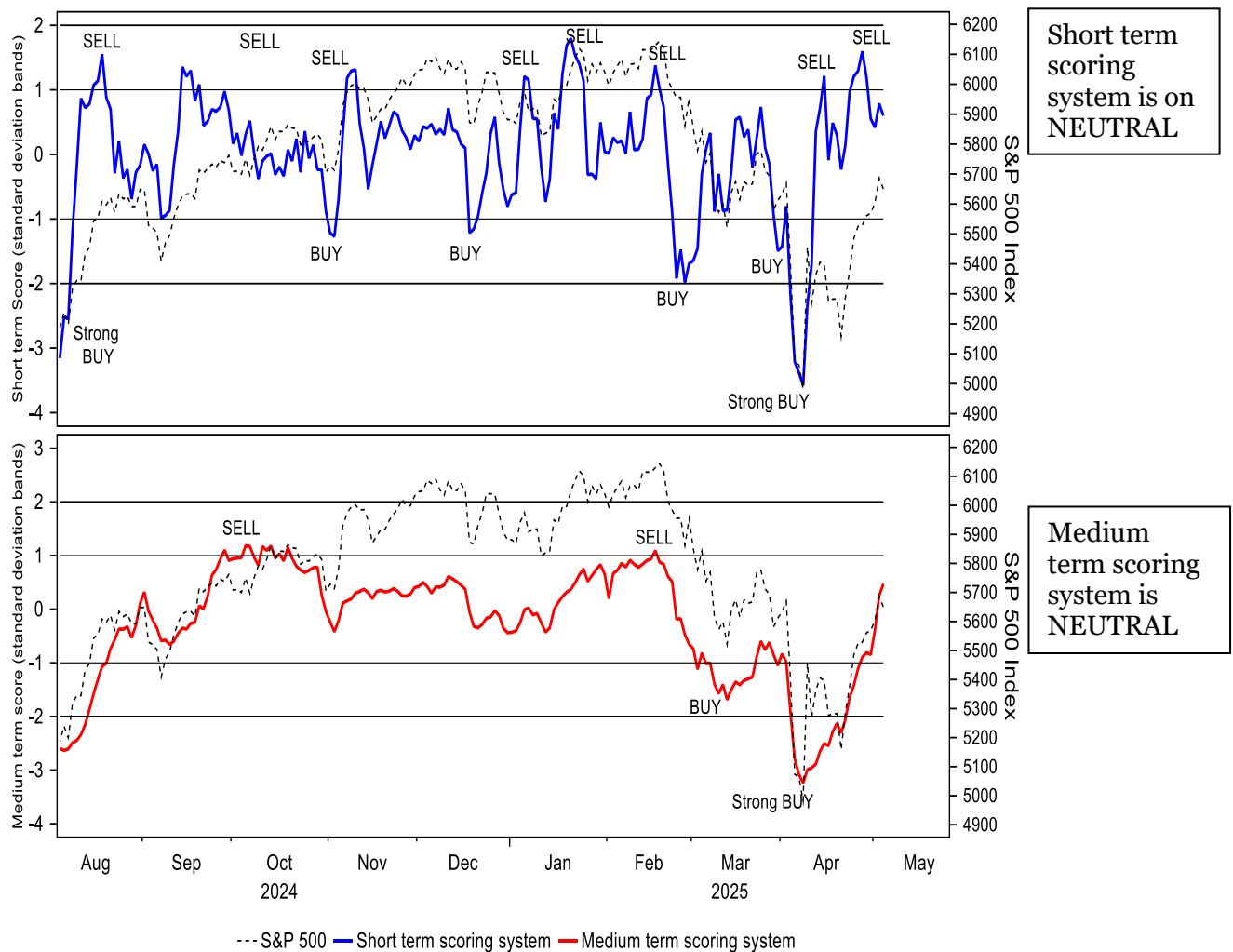
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6th May 2025

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

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



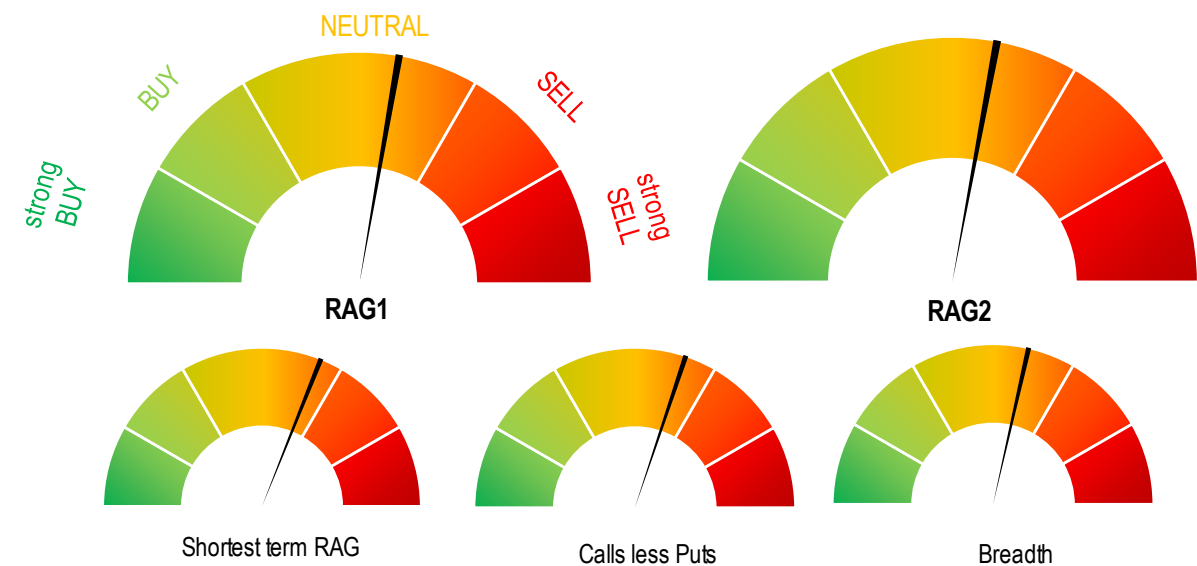
Source: Longview Economics, Macrobond

*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

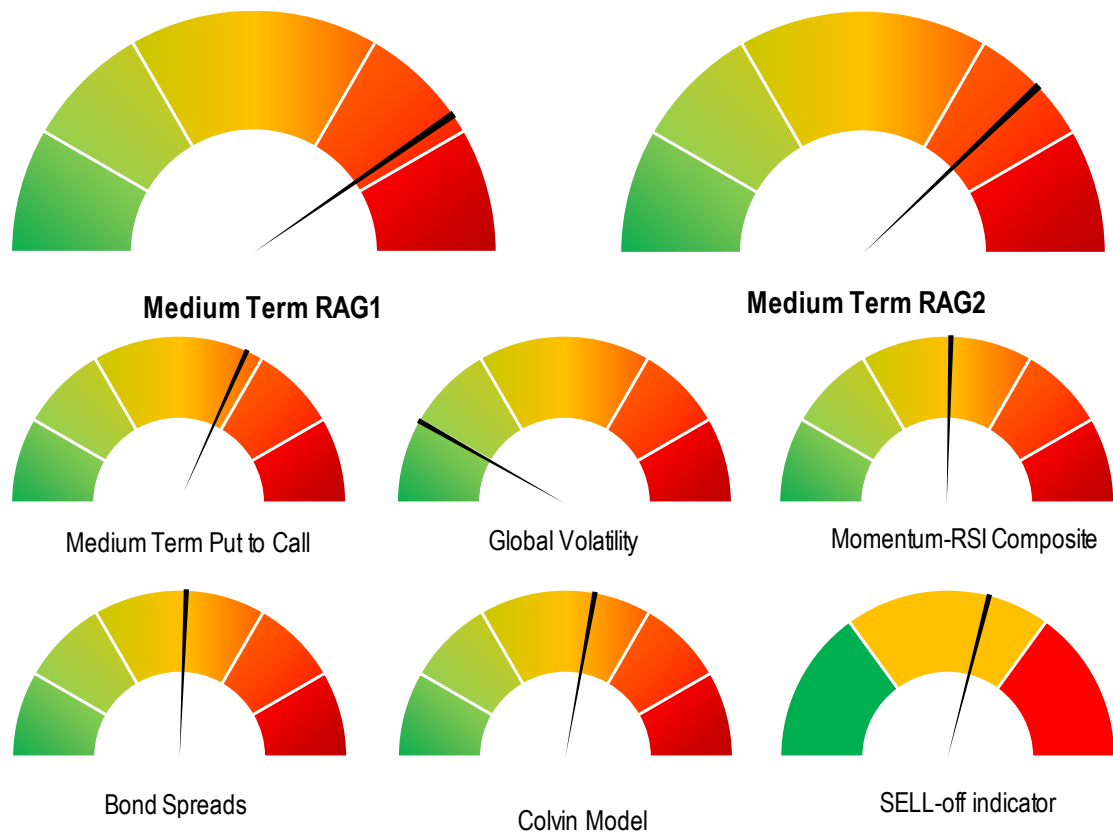
Section 1a: Summary of indicator signals**

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

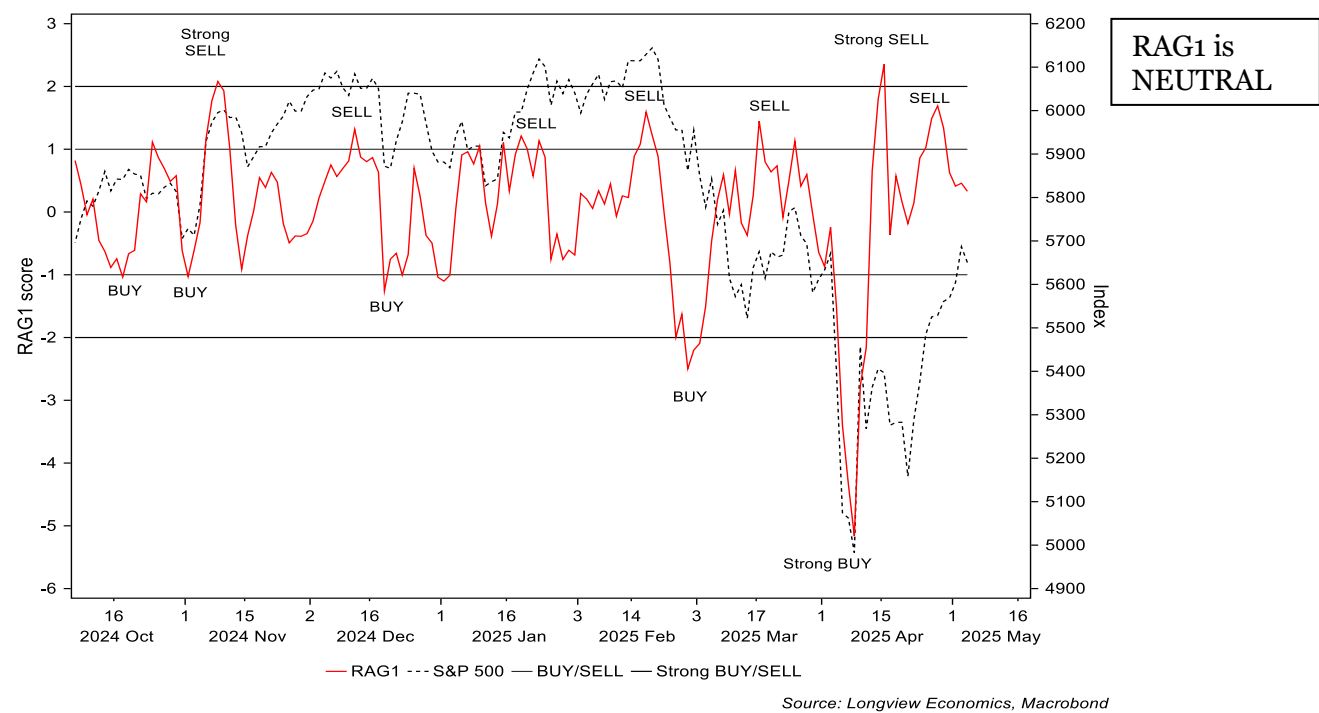
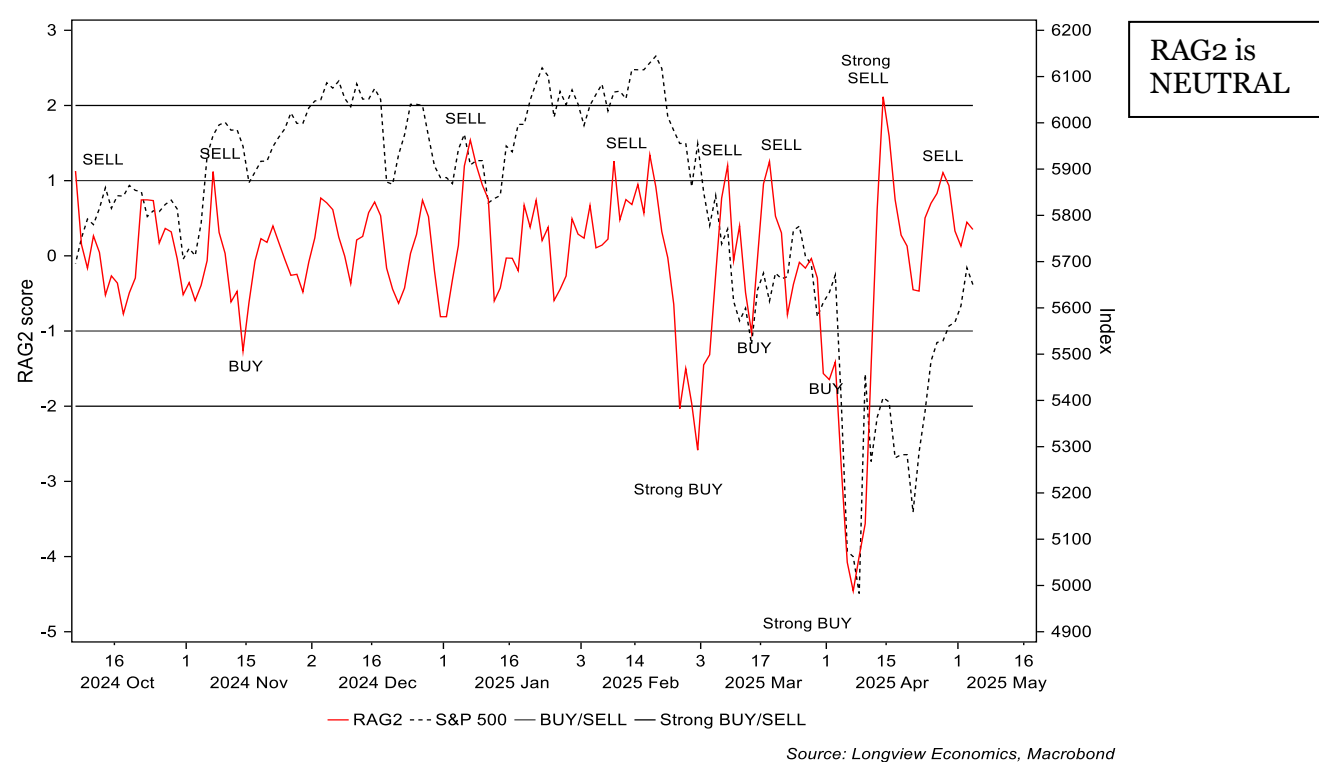


Fig 2b: RAG 2 vs. S&P 500



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

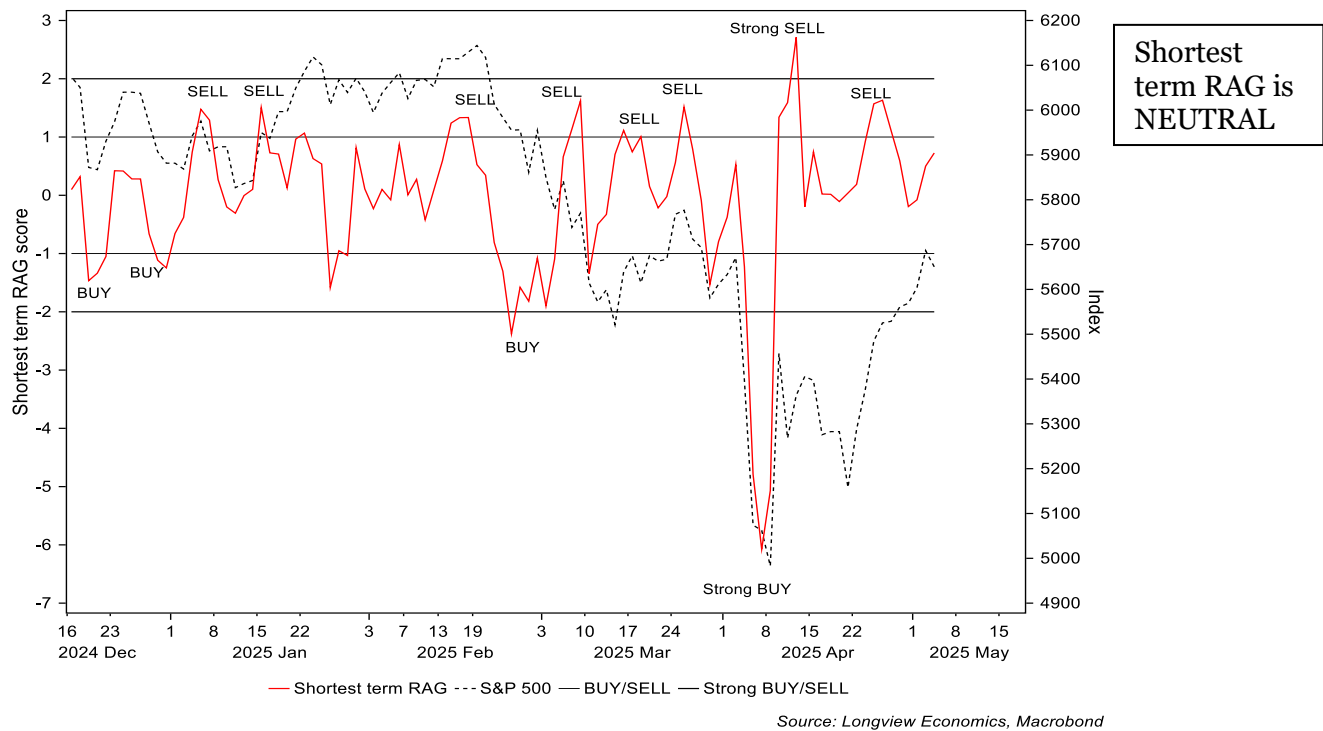
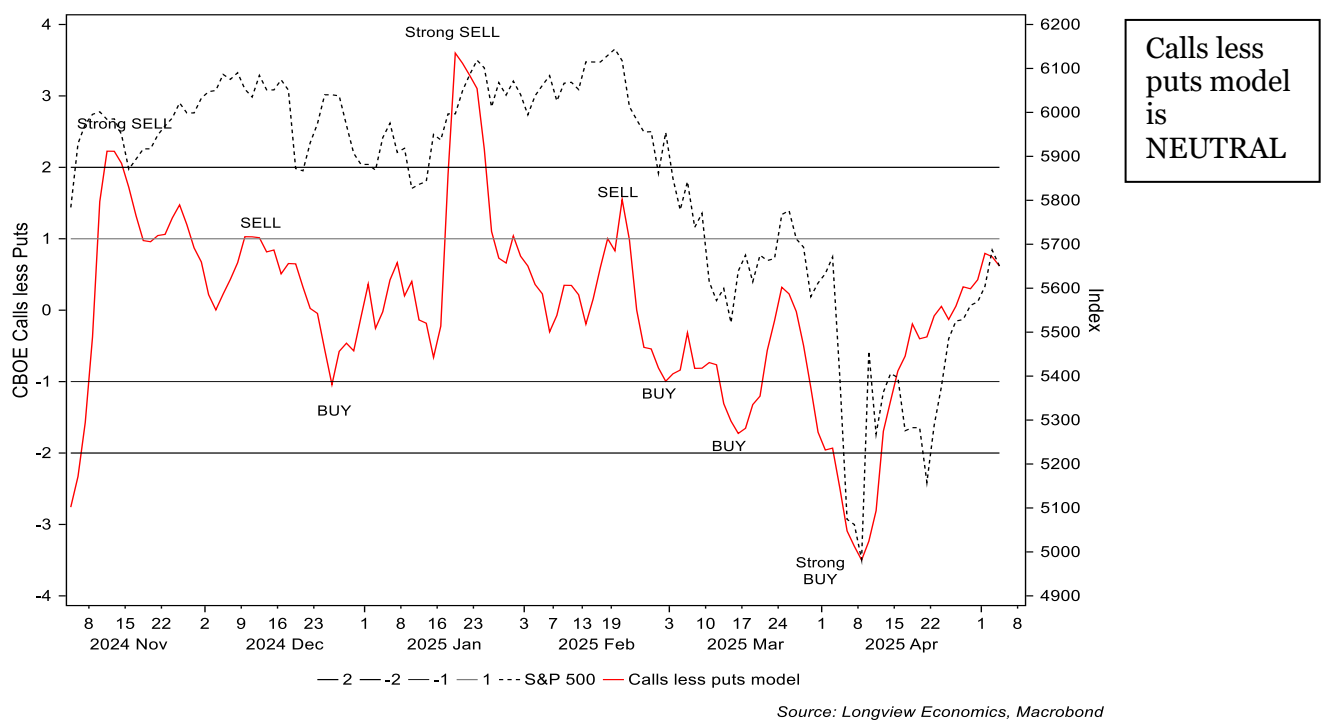
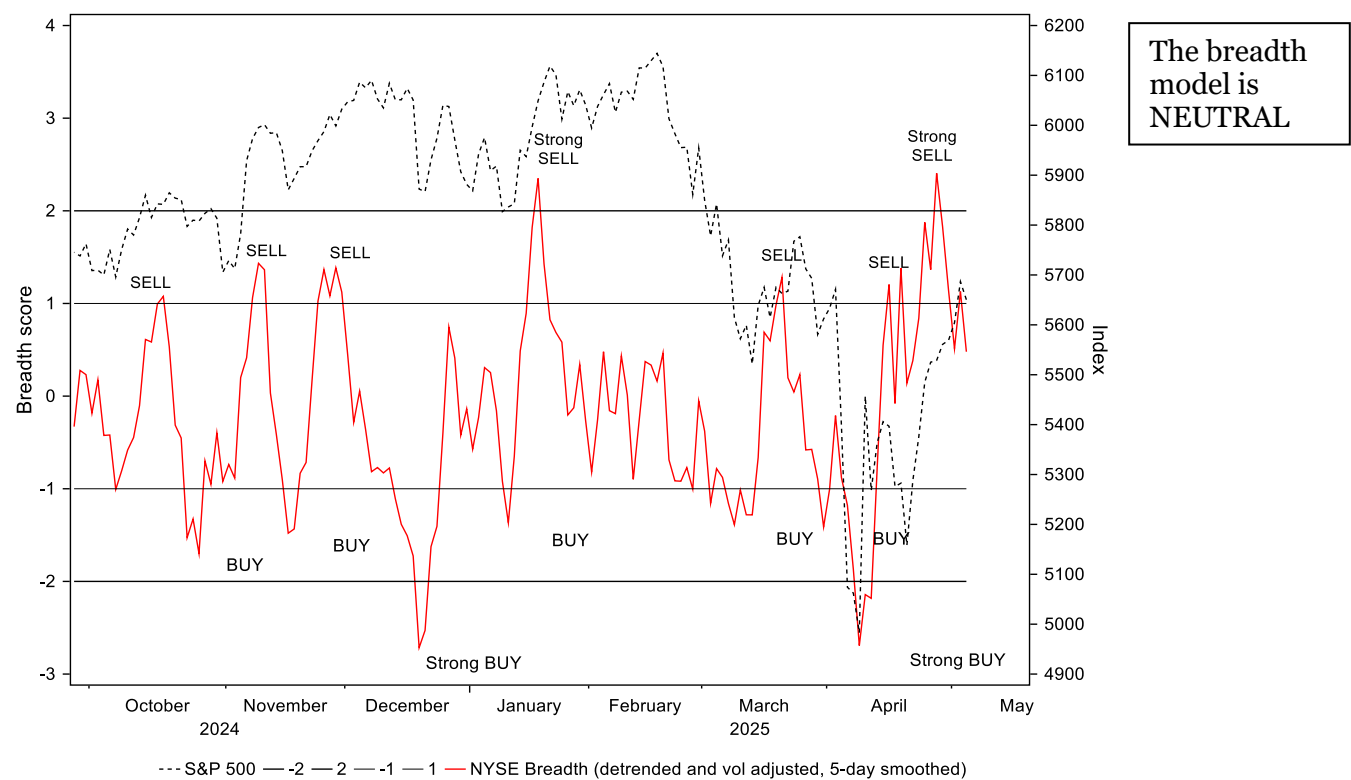


Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



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

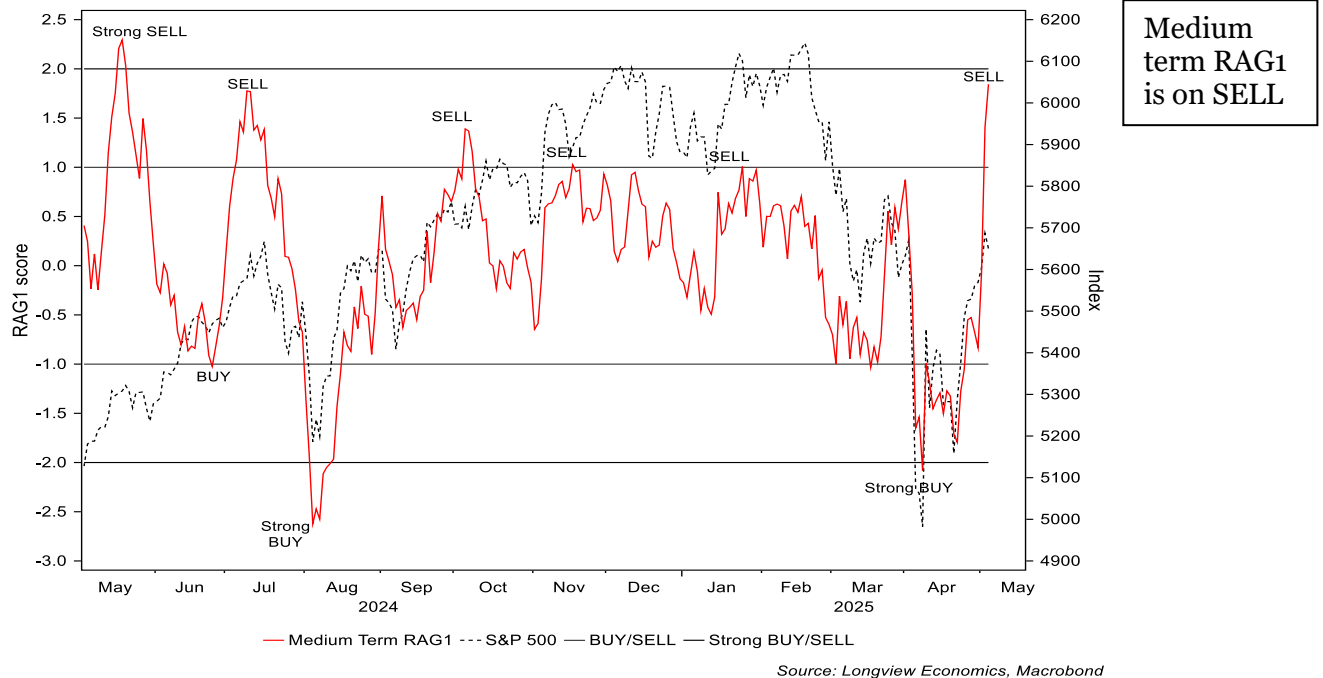
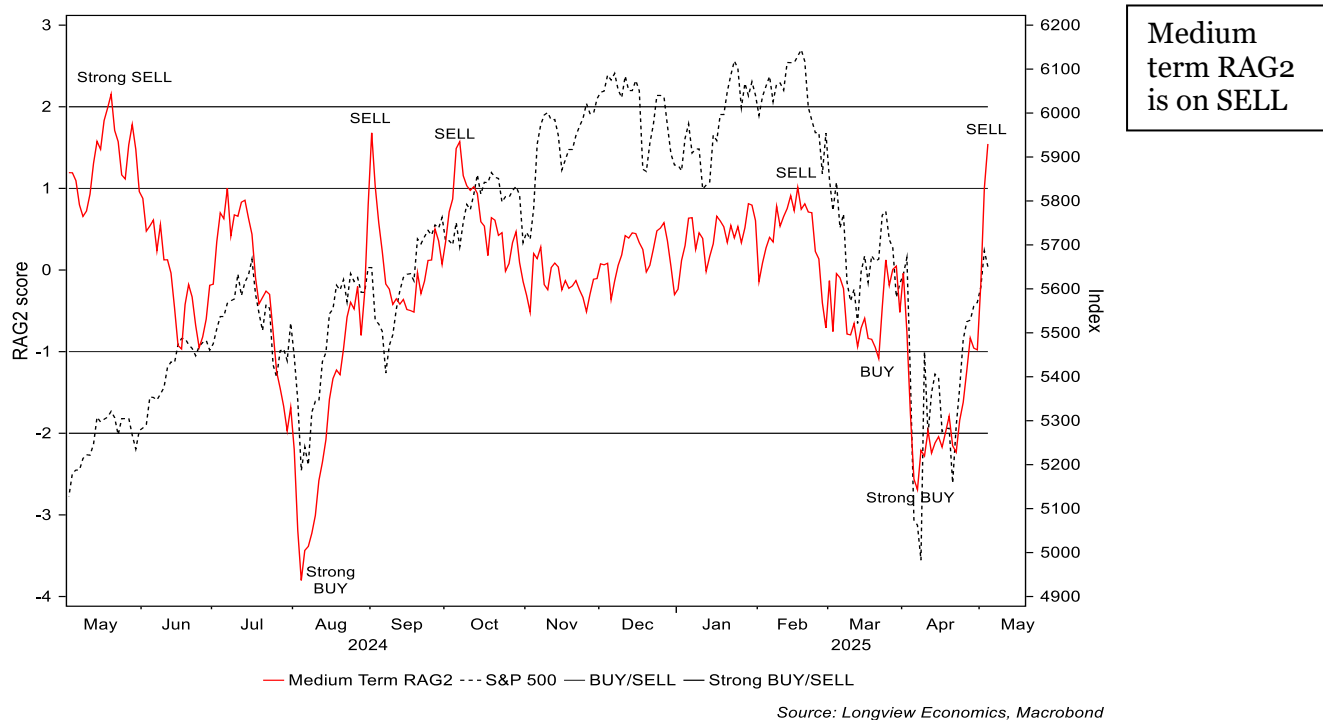


Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



For explanations of indicators please see page 10

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

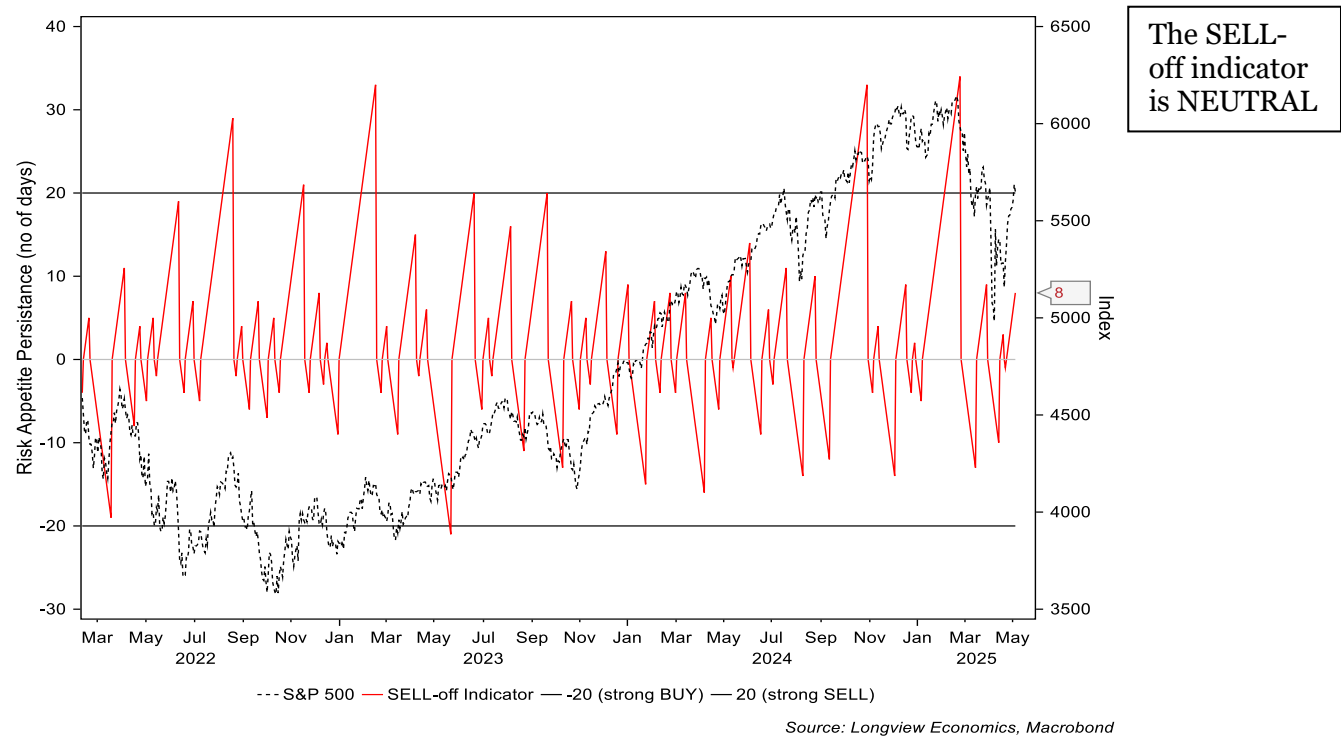
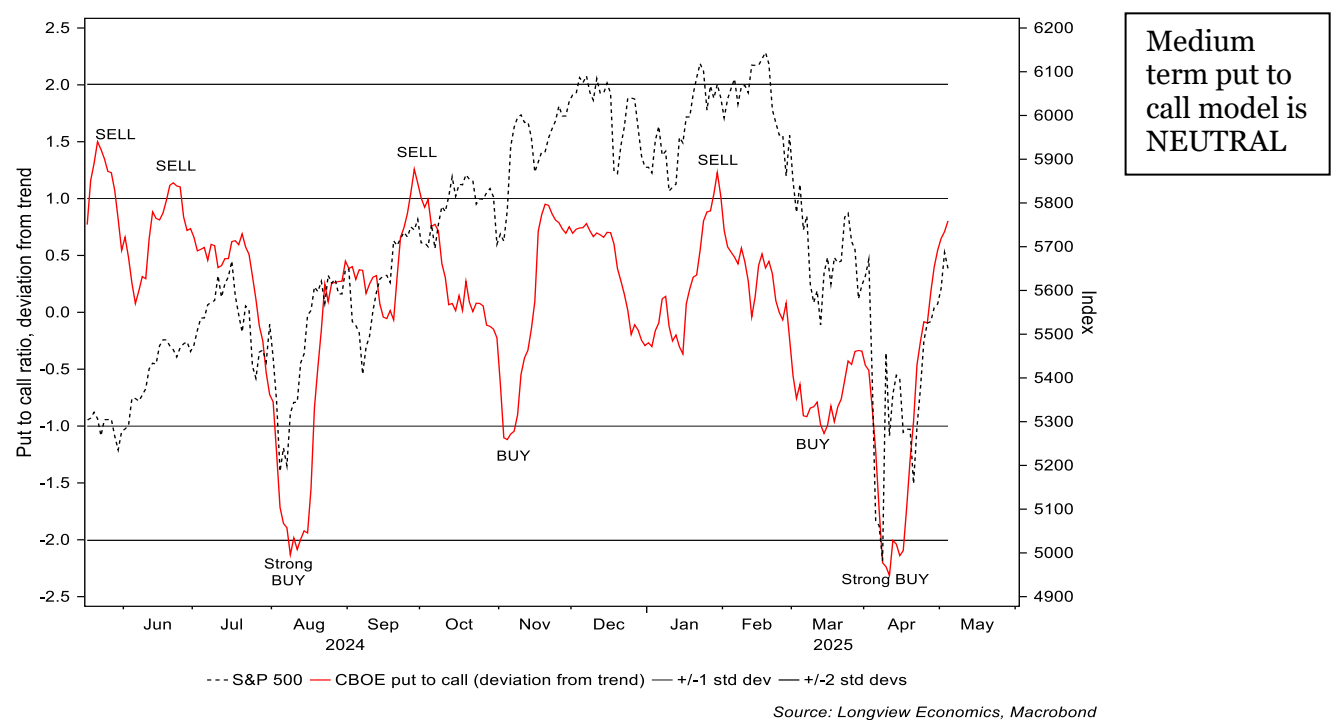


Fig 3d: CBOE put to call trend deviation model vs. S&P500



For explanations of indicators please see page 10

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

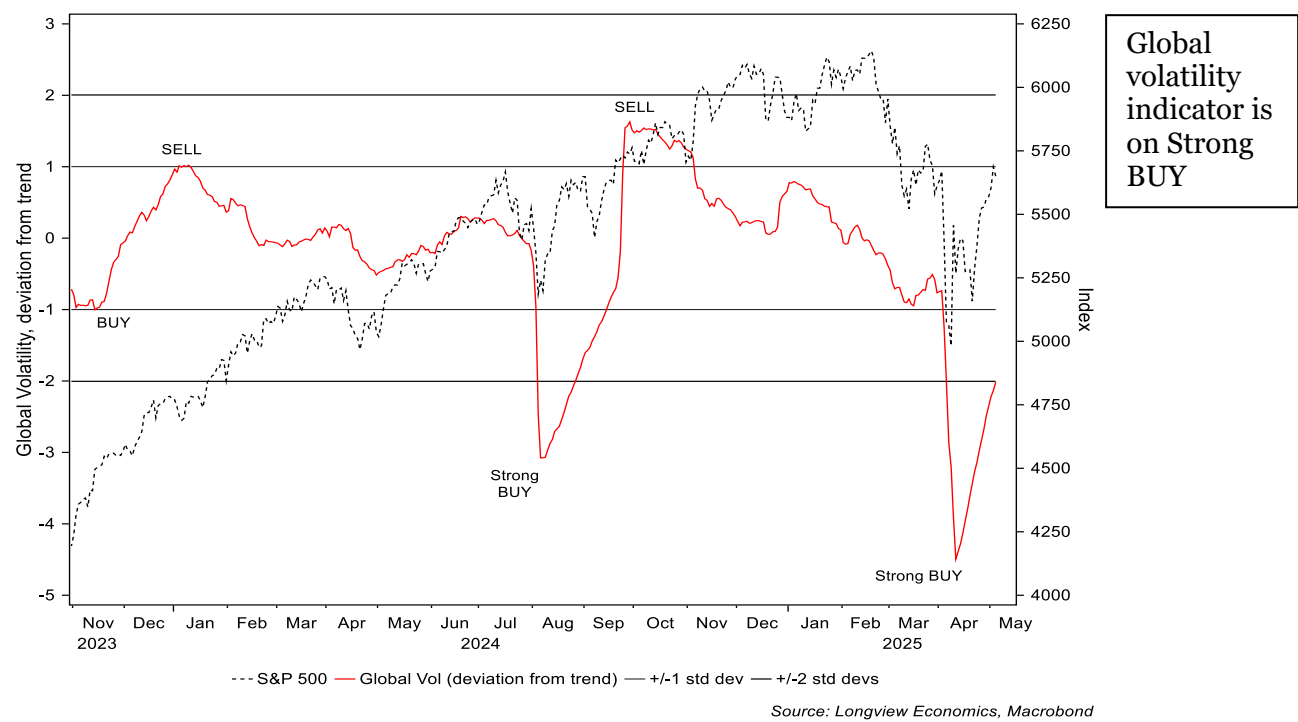


Fig 3f: Longview Momentum-RSI composite model vs. S&P 500

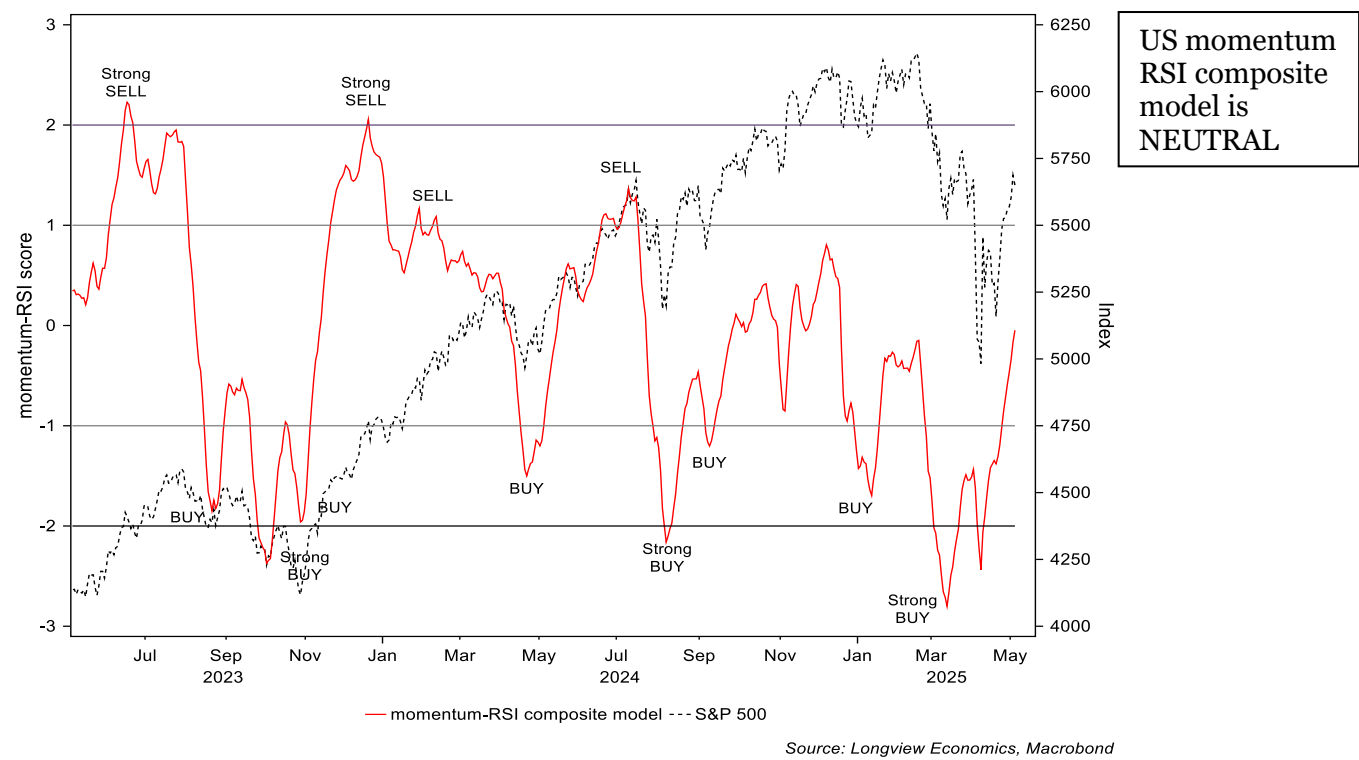


Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500

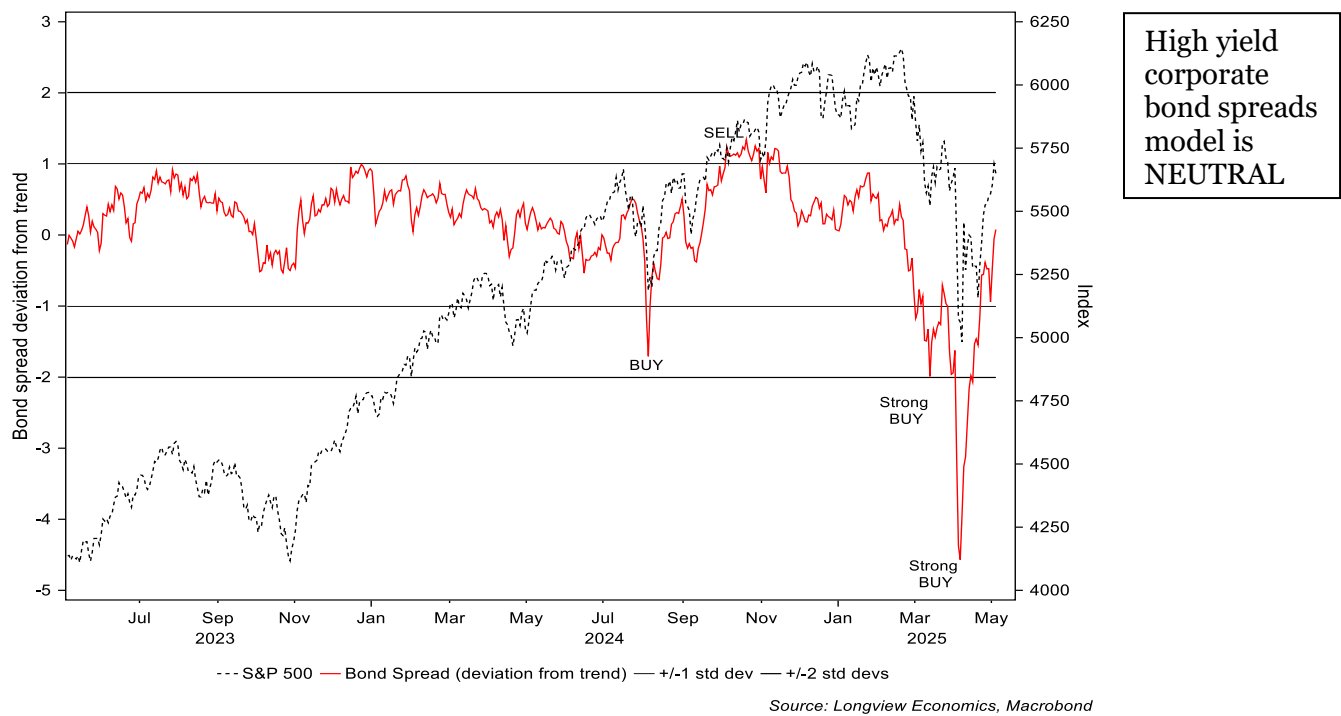
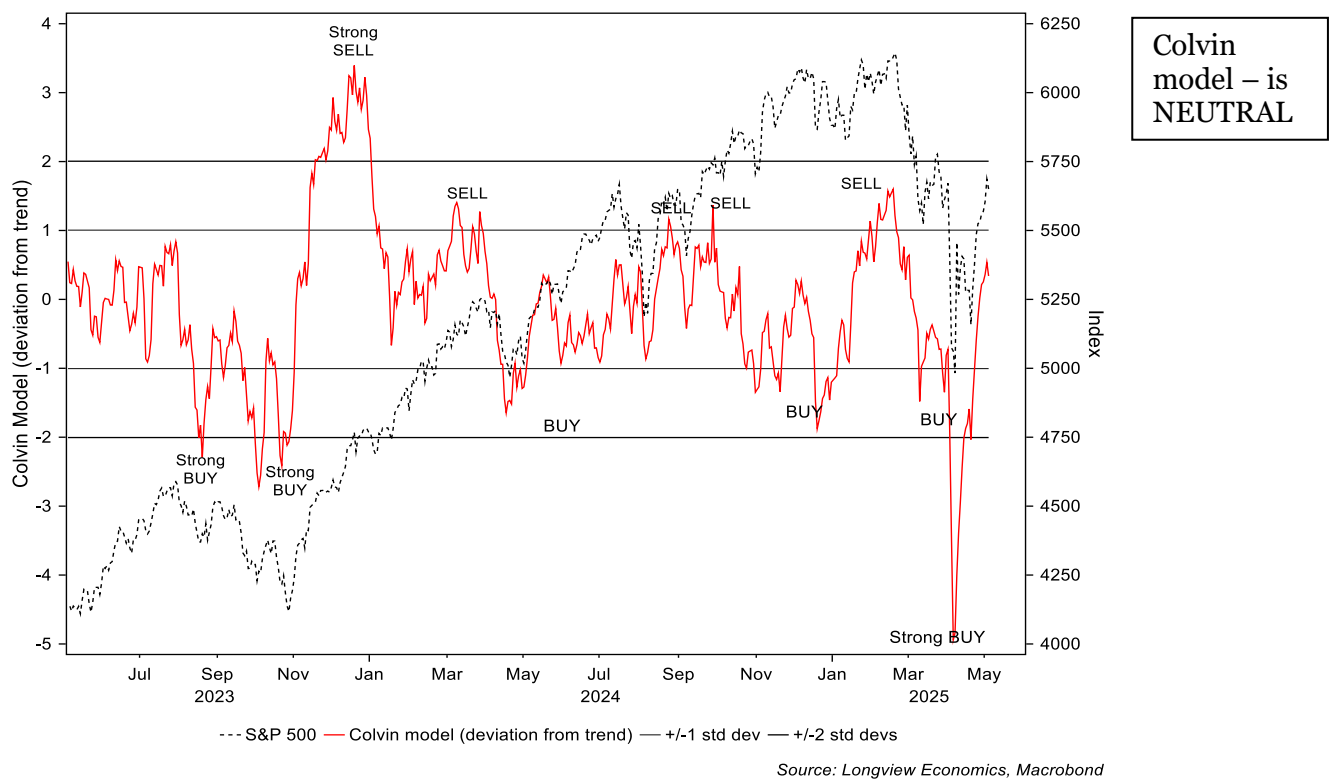


Fig 3h: Colvin model (deviation from trend) vs. S&P500



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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