Equity Index Futures Trading Recommendations

8th April 2025

"Case for Relief Rally Building - WATCH & WAIT (for now)"

Email: info@longvieweconomics.com

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

- WATCH & WAIT (for now).

Rationale

Yesterday was another choppy session in global markets, with wide trading ranges in key indices. In particular, while the S&P500 closed broadly flat (-0.2%), it traded in a 9% range (see FIG 1a). The range in the DAX was similar (10%, see FIG 1c), and was wider in higher beta indices (e.g. the Philly SOX: 13%). As FIG 1a shows, choppy trading days (with a wide ranges) often occur at/around major lows. On this occasion, though, yesterday's trading was somewhat distorted by reports that the White House would pause tariffs for 90 days. That generated a strong rally, which then reversed when the story was refuted.

Other evidence, though, is *starting* to point to signs of **near term capitulation**. That should then be followed by a 1 – 2 week relief rally in US/global equities.

Most notably (i) signs of fear and panic are elevated, e.g. see yesterday's large spike in the VIX (to 60%, see FIG 1b); (ii) evidence of washout SELLing is building (with a large share of stocks making new 52 week lows, FIG 1d); (iii) volumes are high (FIG 2a); and (iv) portfolios are well protected to the downside, with strong BUY signals from both CBOE and NASDAQ100 put to call indicators (see FIGs 3b & 3c).

Added to that, our short term models are generating a clear 'strong BUY' message. That's broad based across our technical, breadth, and momentum models (see FIGs 3 & 3a and FIGs 3d – 3g). As such, and with the S&P500 testing a key long term support level yesterday (FIG 1), there's an argument that this market is starting to build a base.

On balance, though, the risk reward continues to favour patience (for now). In particular, there's not been clear, V-shaped price action in the S&P500 (which is a key/missing piece of capitulation evidence). Added to which, trade war tensions continue to build (e.g. see key overnight comments HERE), and equity markets often remain choppy for a handful of days (i.e. as they are building a base, and before relief rallies start). For now, therefore, we continue to recommend staying on the sidelines (and WATCHing price action closely).

Please see below for a full list of today's key macro data & events.

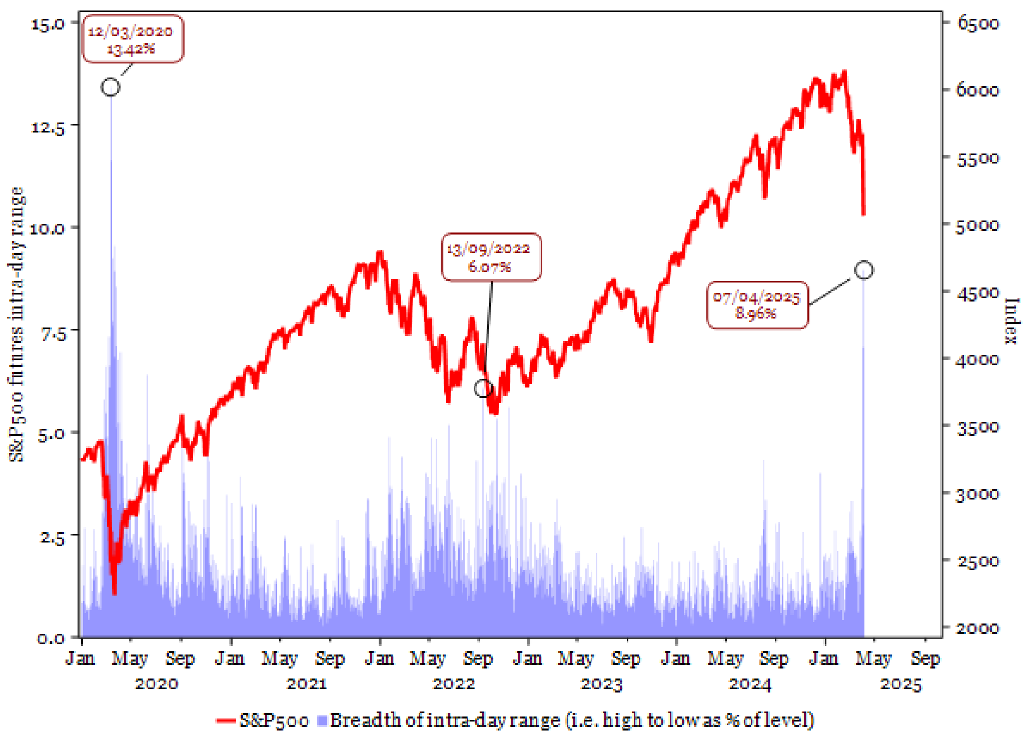
Kind regards,

The team @ Longview Economics

FIG 1: S&P500 futures candlestick, shown with 50 day moving average

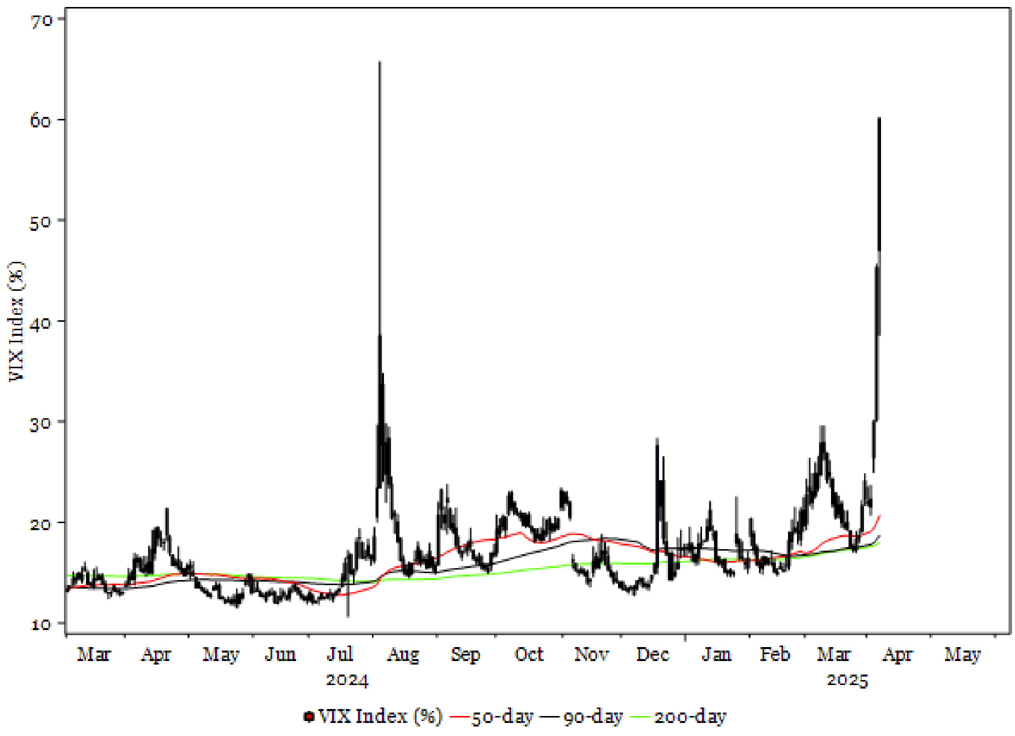
Source: Longview Economics, Macrobond

FIG 1a: Breadth of S&P500 futures intraday trading range vs. S&P500



Source: Longview Economics, Macrobond

FIG 1b: VIX candlestick shown with 50, 90 & 200 day moving averages (%)

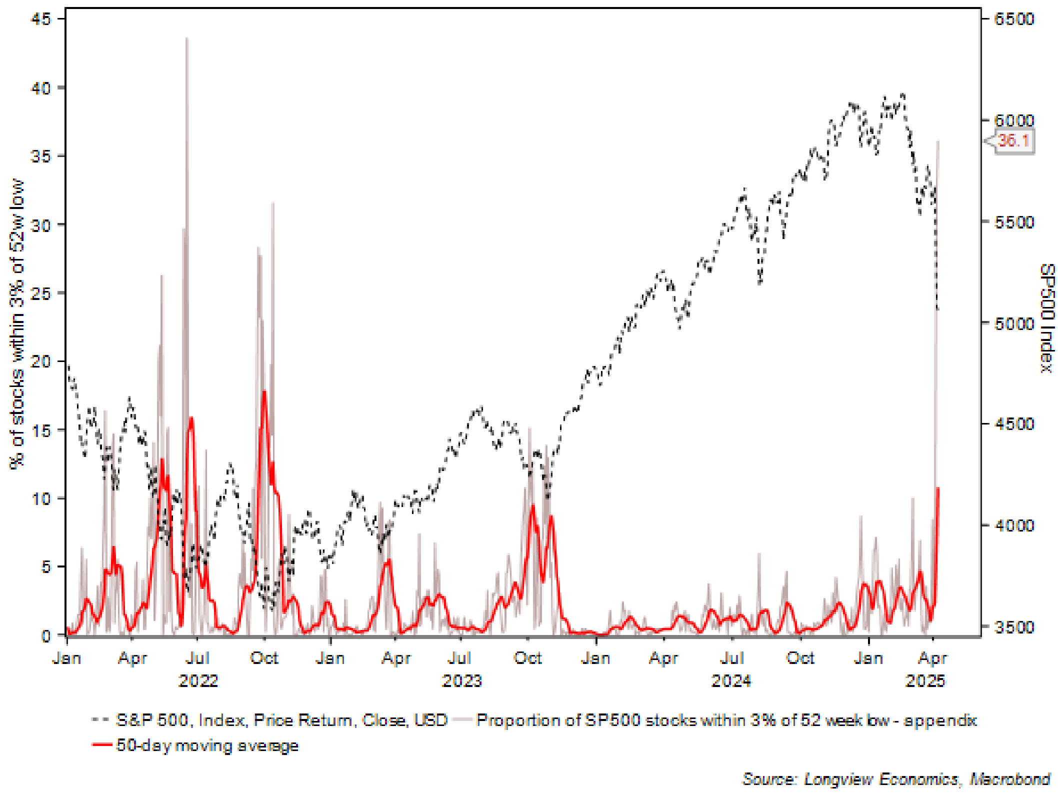


Source: Longview Economics, Macrobond

FIG 1c: DAX30 candlestick shown with its 50 day moving average

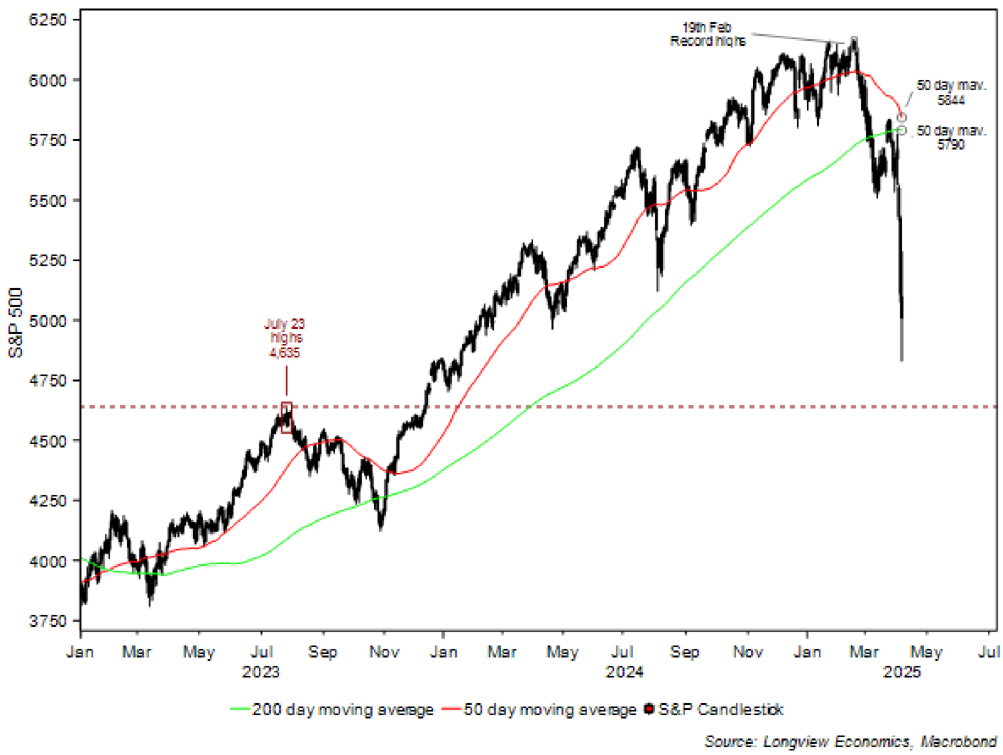
Source: Longview Economics, Macrobond

FIG 1d: Percentage of US stocks within 3% of their 52-week lows vs. S&P500



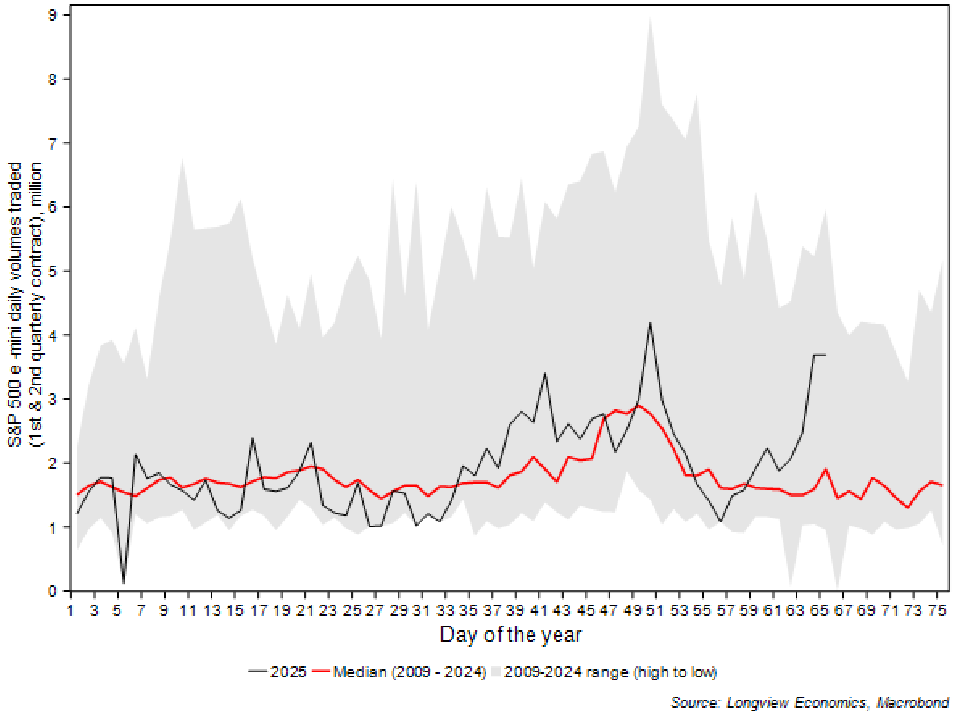
Source: Longview Economics, Macrobond

FIG 2: S&P500 futures candlestick shown with its 50 & 200 day moving average



Source: Longview Economics, Macrobond

FIG 2a: S&P500 e-mini volumes (1st & 2nd quarterly contracts), shown with seasonal averages



Short term risk appetite models are on strong BUY…

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

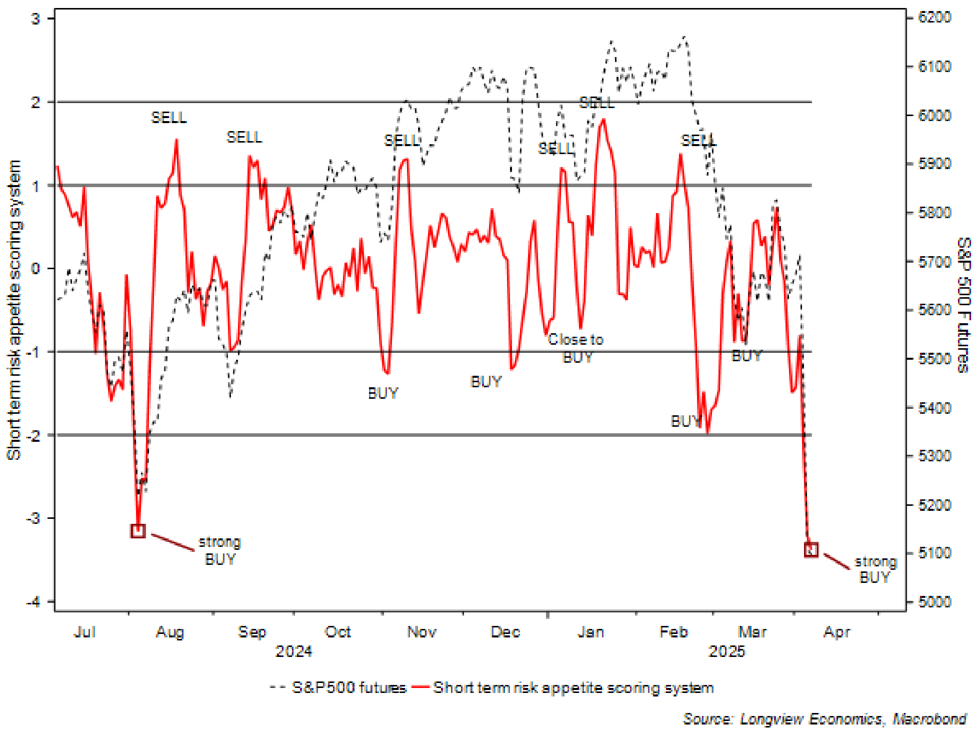
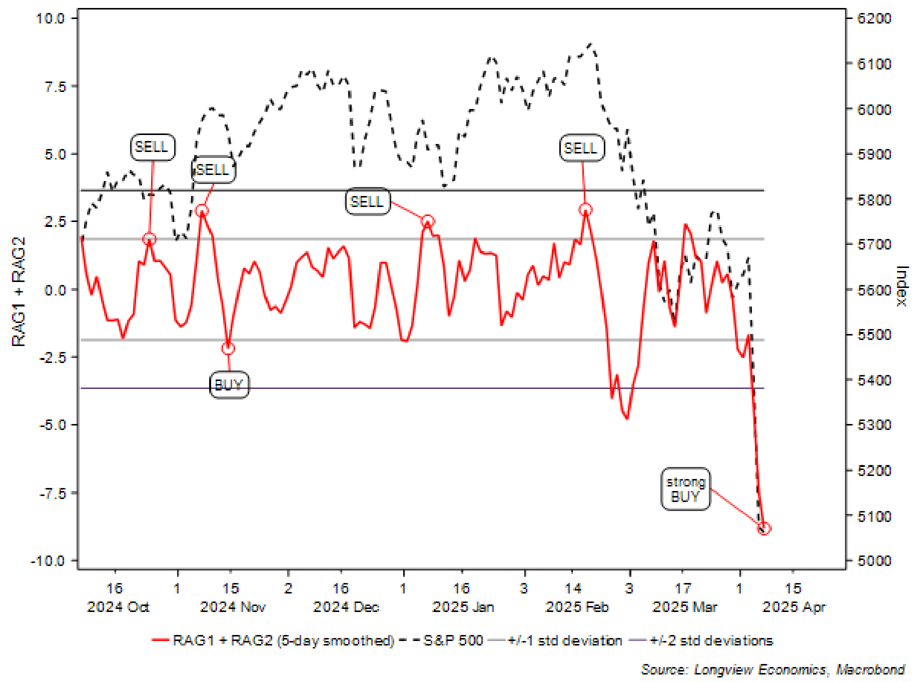


FIG 3a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500



Put to call ratio models are on strong BUY…

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

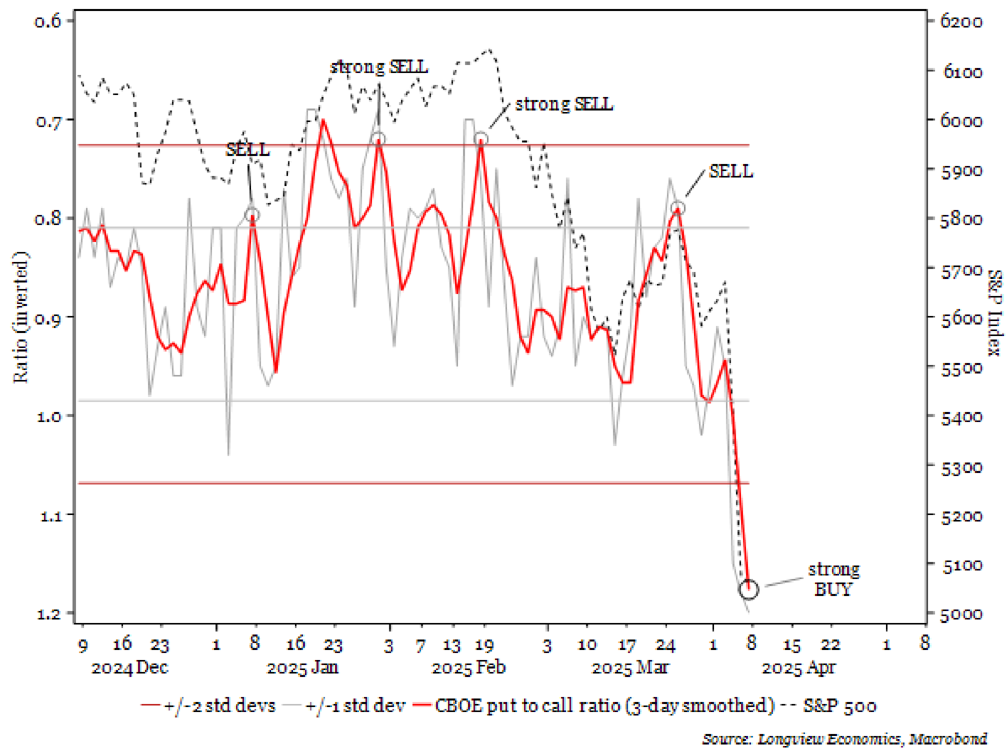
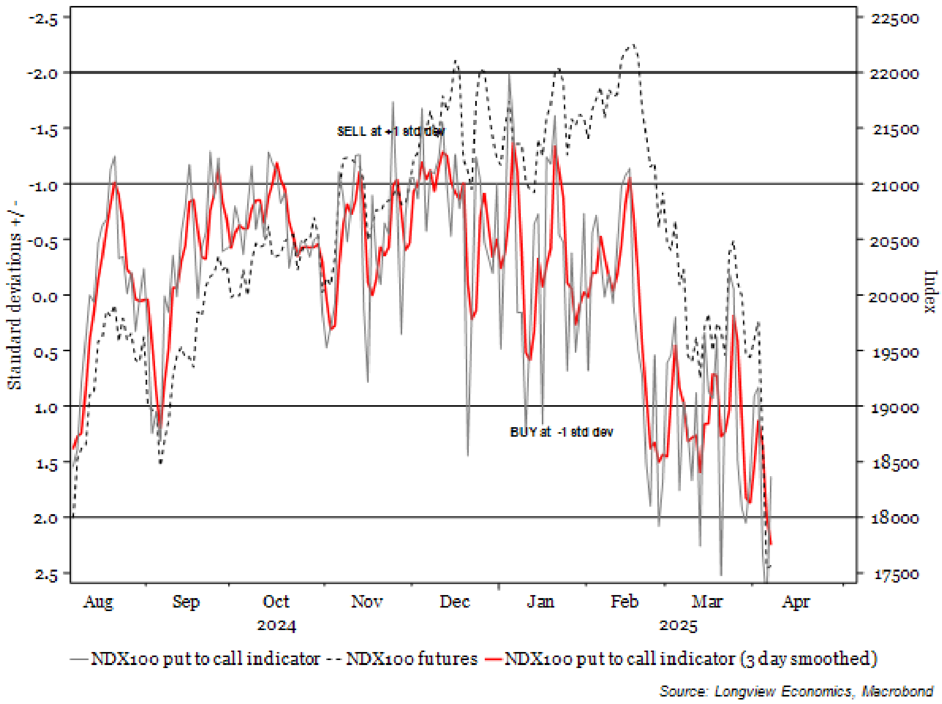


FIG 3c: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100



Technical/price-based models are on strong BUY….

FIG 3d: Longview S&P500 short term **'technical'** scoring system vs. S&P500 futures

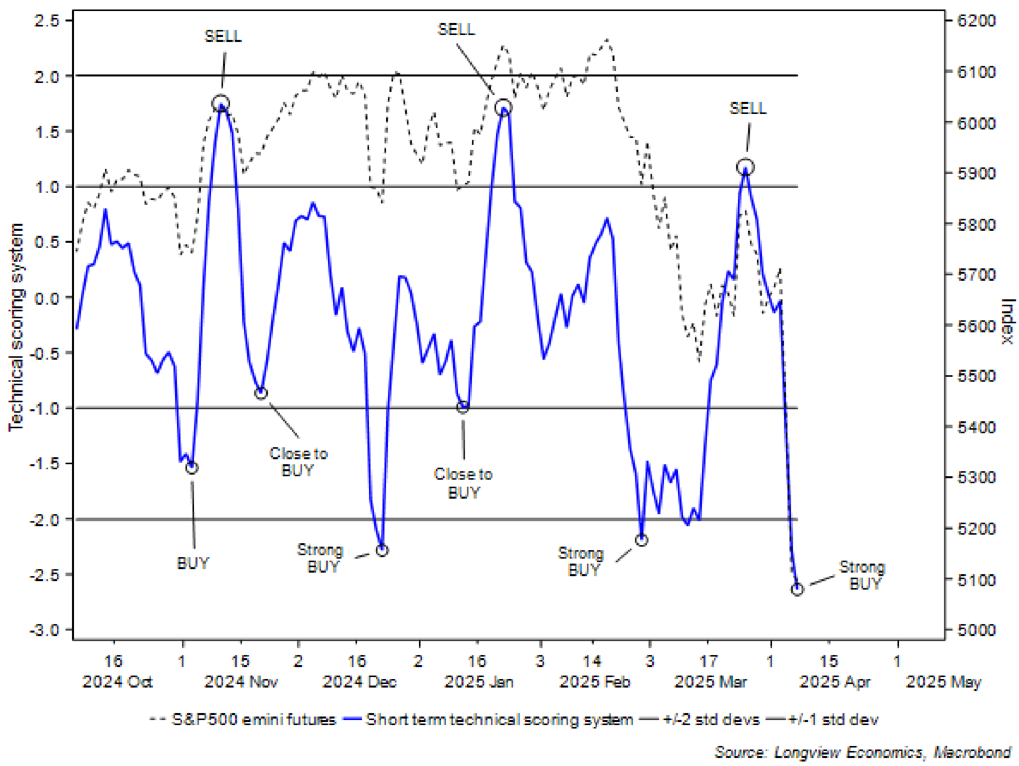


FIG 3e: Longview NDX100 & Philly SOX short term **'technical'** scoring systems vs. NDX100 futures

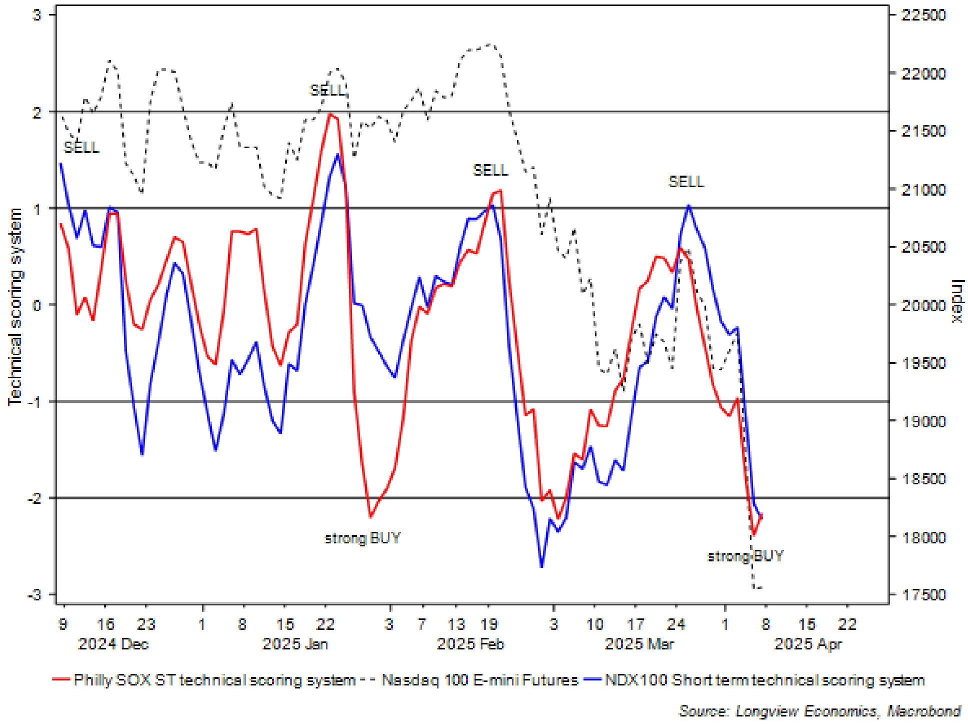


FIG 3f: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500

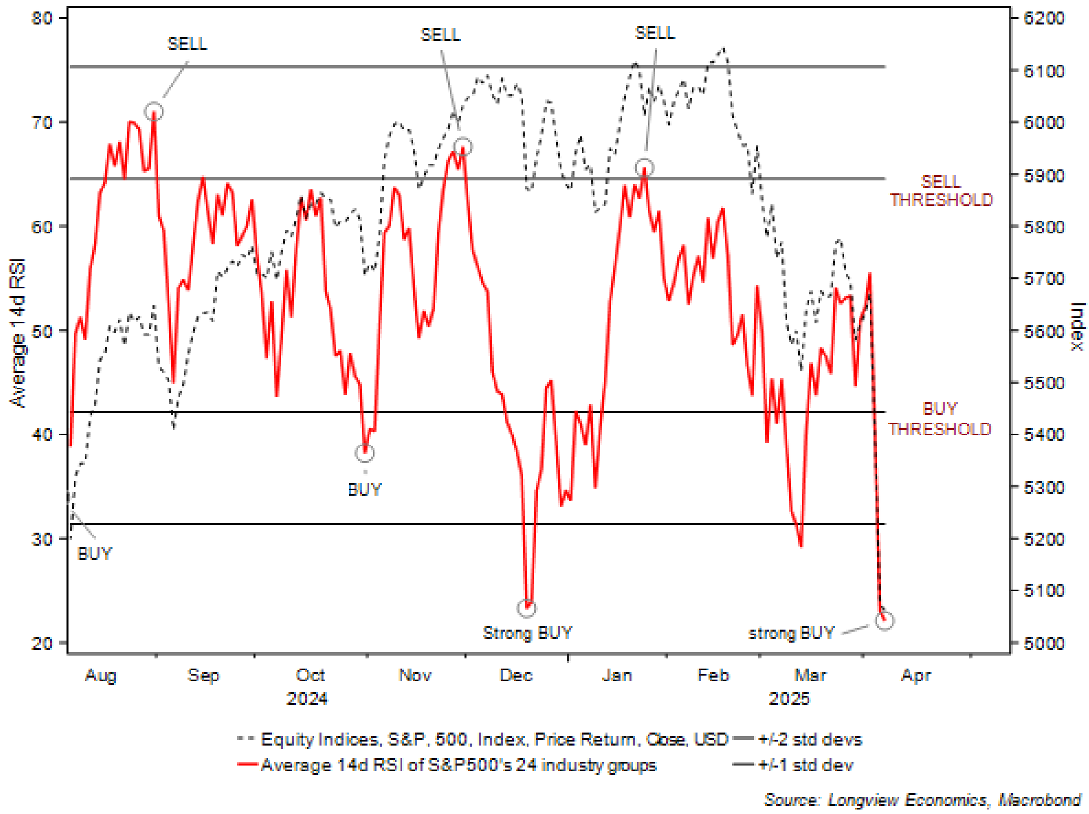
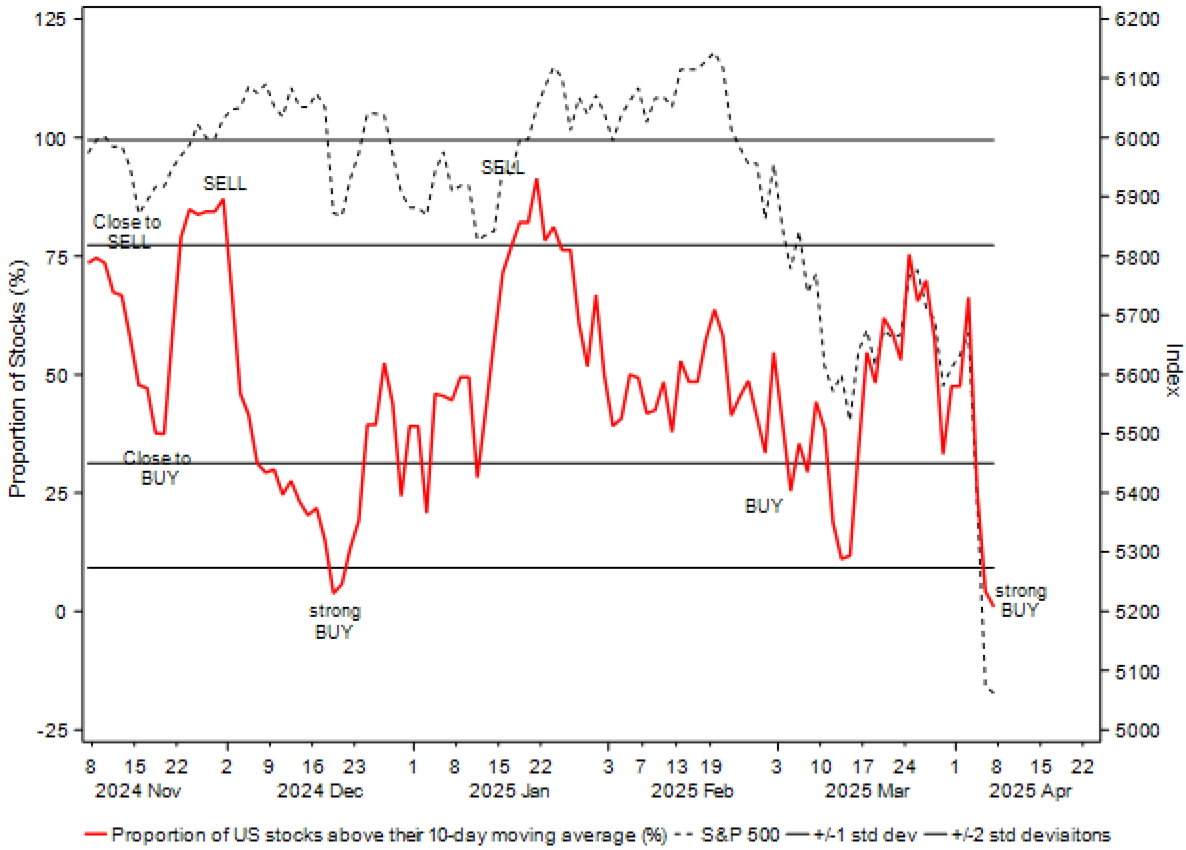


FIG 3g: Proportion of US stocks above their 10 day moving average vs. S&P500

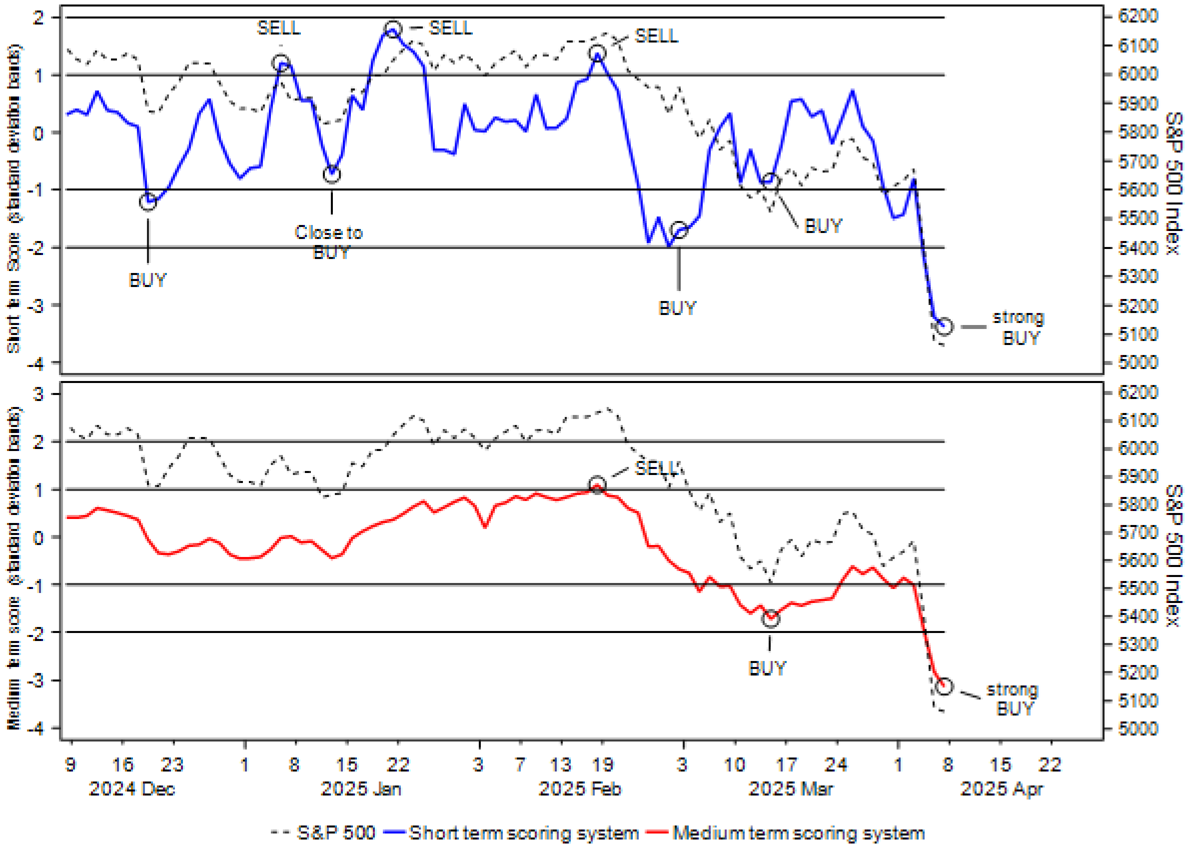


Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

Short term (1 – 2 week) scoring system: **Strong BUY**
Medium term (1 – 4 month) scoring system: **Strong BUY**

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



Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

Key macro data/events

Key data today include: Australian Westpac consumer confidence (Apr, 1:30am); Australian NAB business confidence (Mar, 2:30am); French exports/imports, & trade balance (Feb, 7:45am); **US NFIB small business optimism** (Mar, 11am).

Key events today include: Speeches by the ECB's Guindos in Madrid (10am), Cipollone introductory statement at hearing on the digital euro before the Committee on Economic and Monetary Affairs (ECON) of the European Parliament (3pm) & Holzmann in Vienna (2pm); speech by the Bank of England's Lombardelli on a panel (5pm).

Key earnings today include: N/A.

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 last week on 2nd April 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

LVRAG

Daily Risk Appetite Gauge

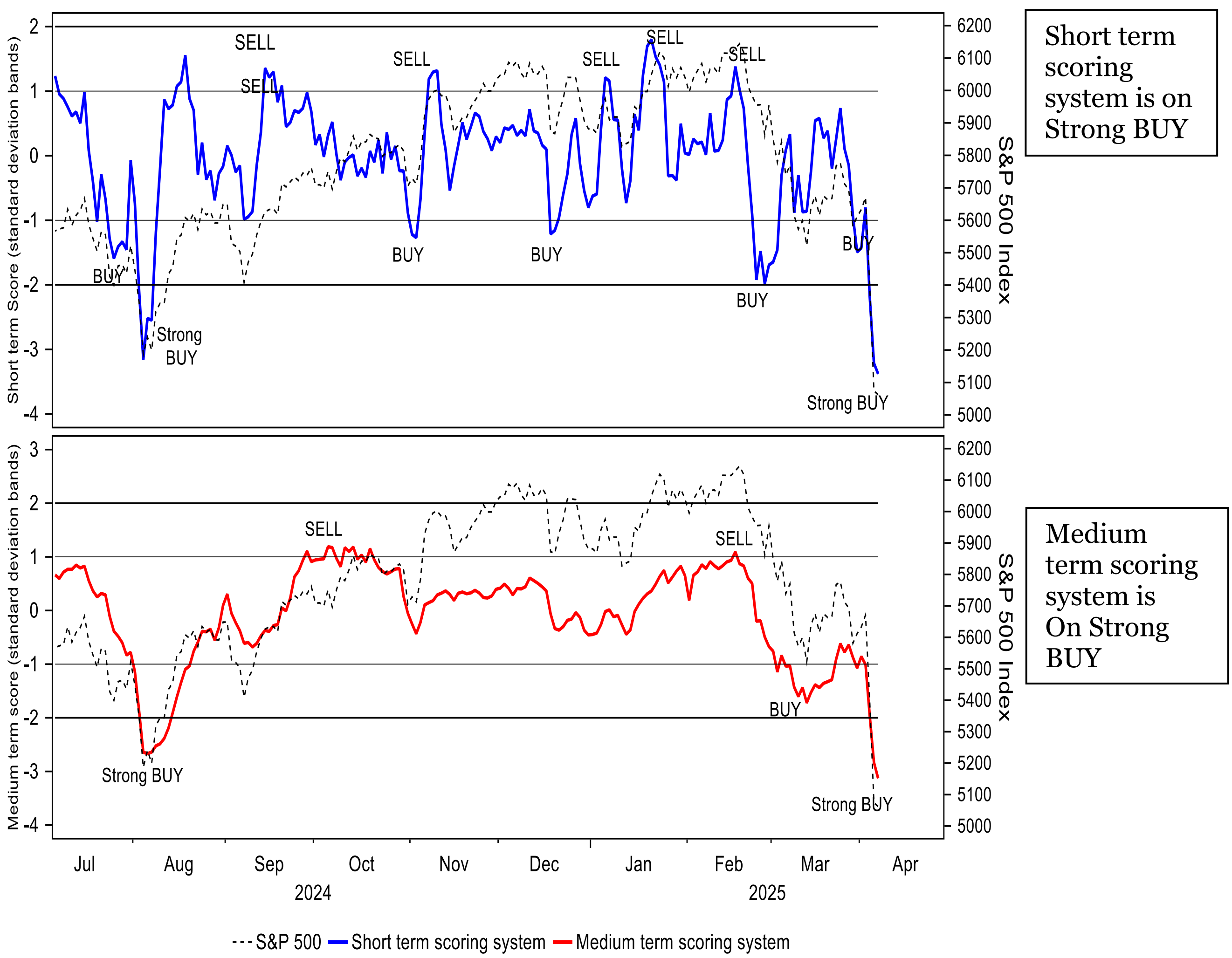
1 – 2 Week View on Risk

8th April 2025

Longview Economics
Email: research@longvieweconomics.com

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

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



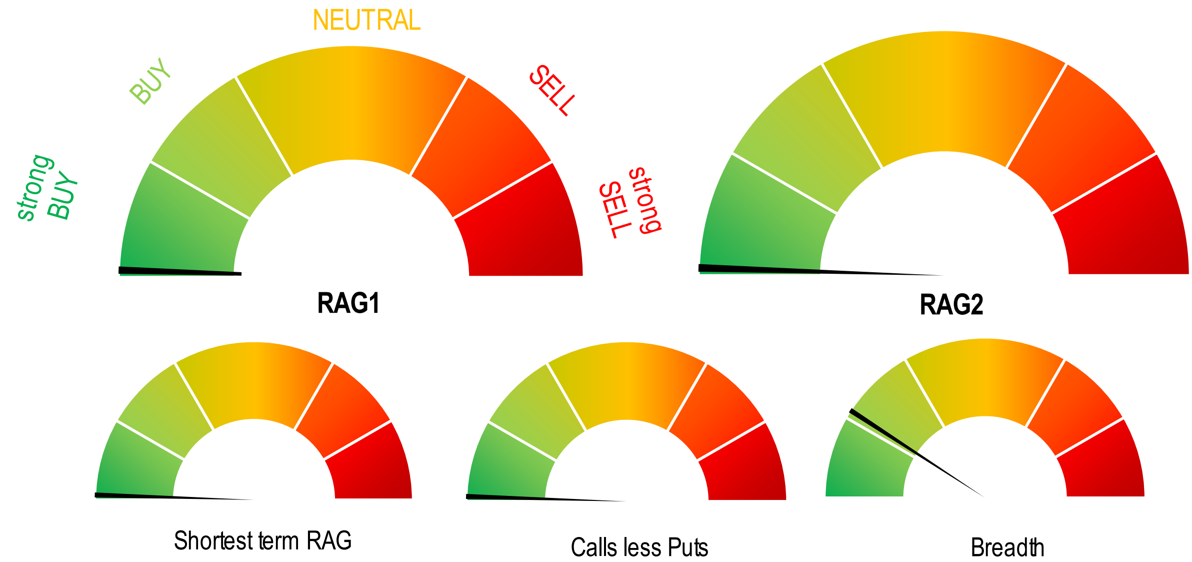
Source: Longview Economics, Macrobond

*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

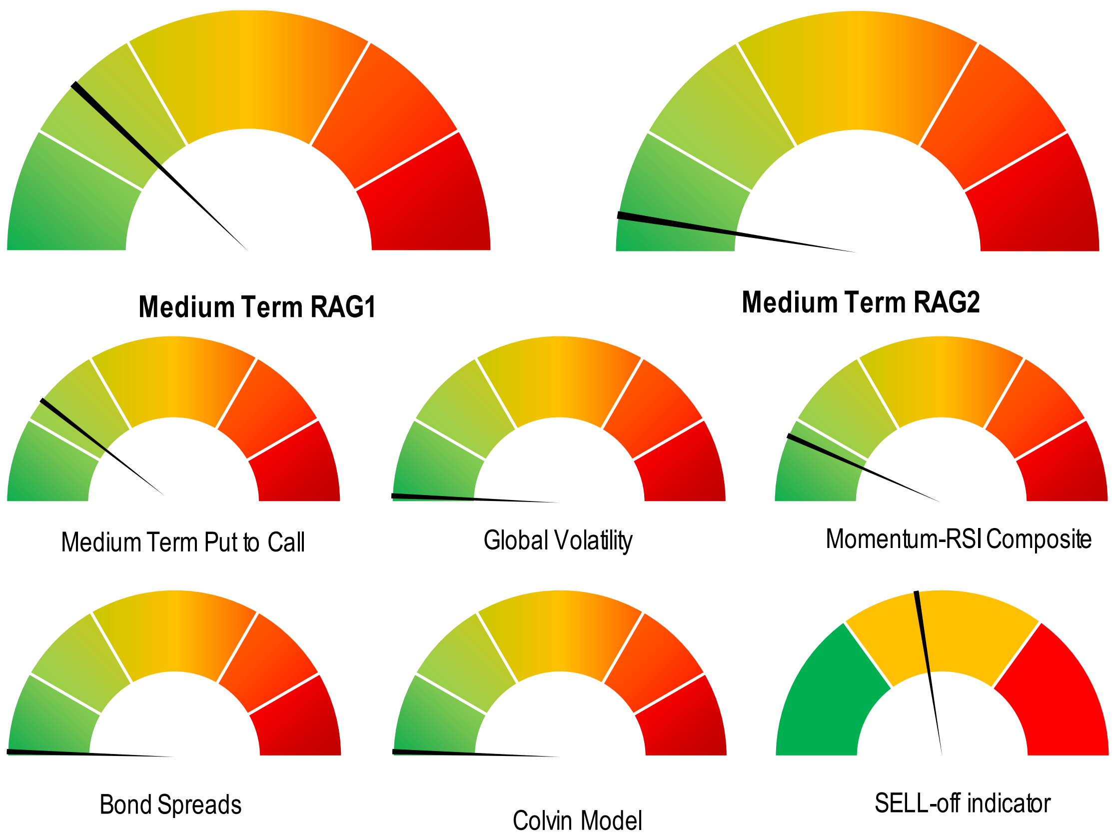
Section 1a: Summary of indicator signals**

Fig 1a: Short term models – shown as gauges using standard deviation bands



Source: *Longview Economics*

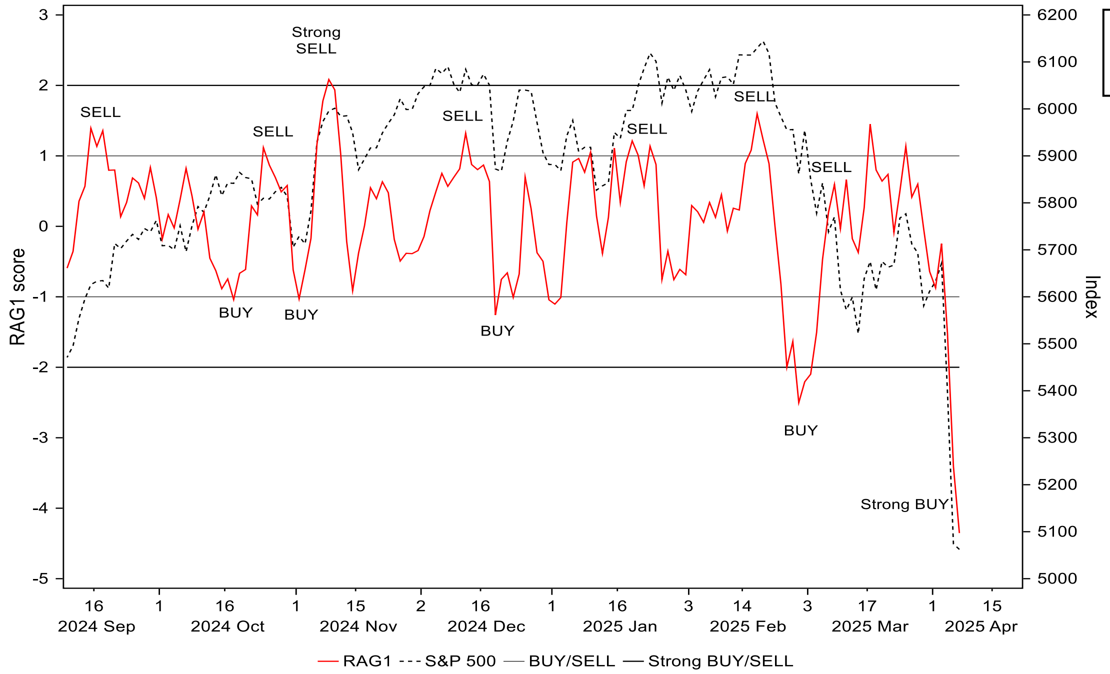
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

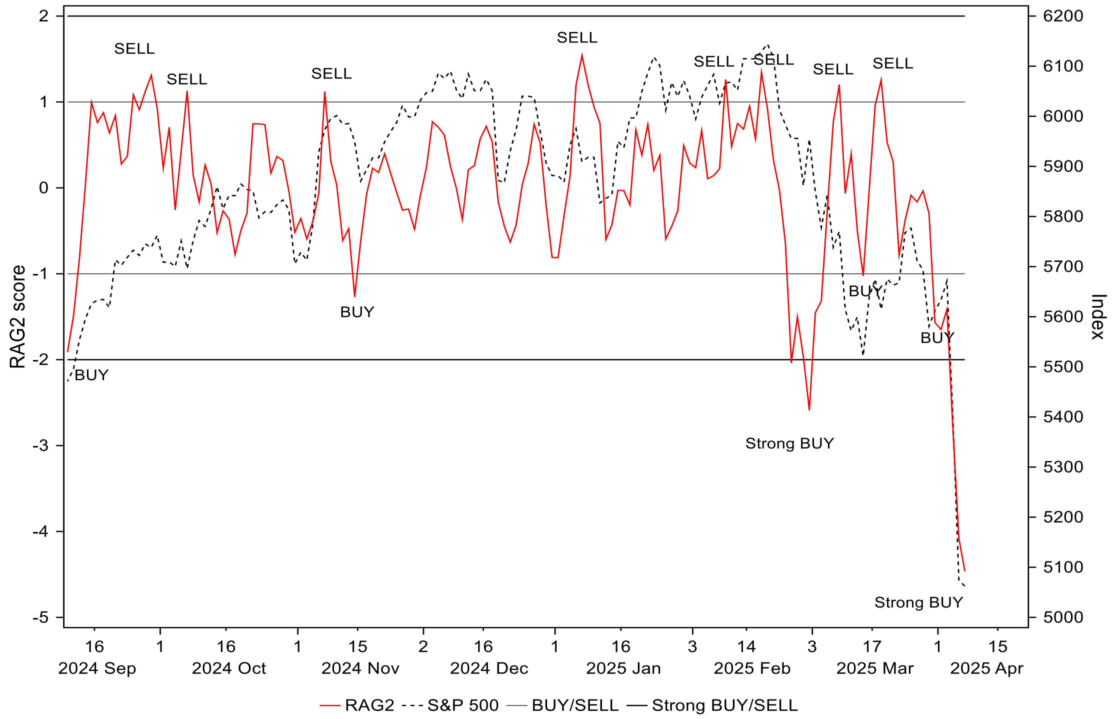
Fig 2a: RAG 1 vs. S&P 500



RAG1 is on Strong BUY

Source: Longview Economics, Macrobond

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

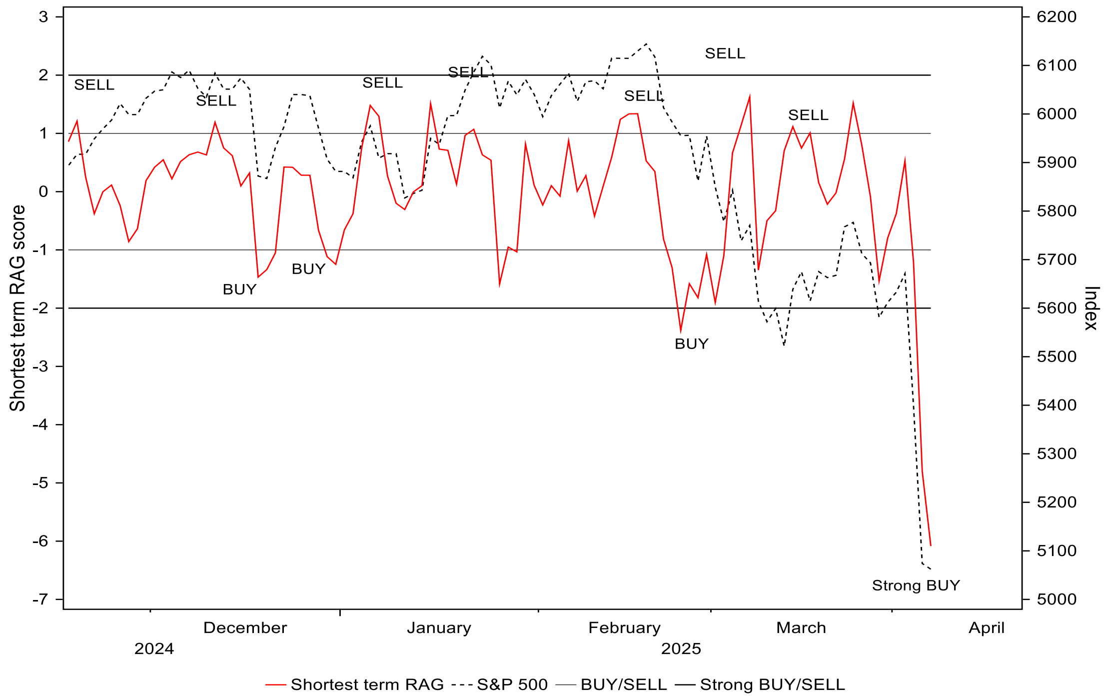


RAG2 is on Strong BUY

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

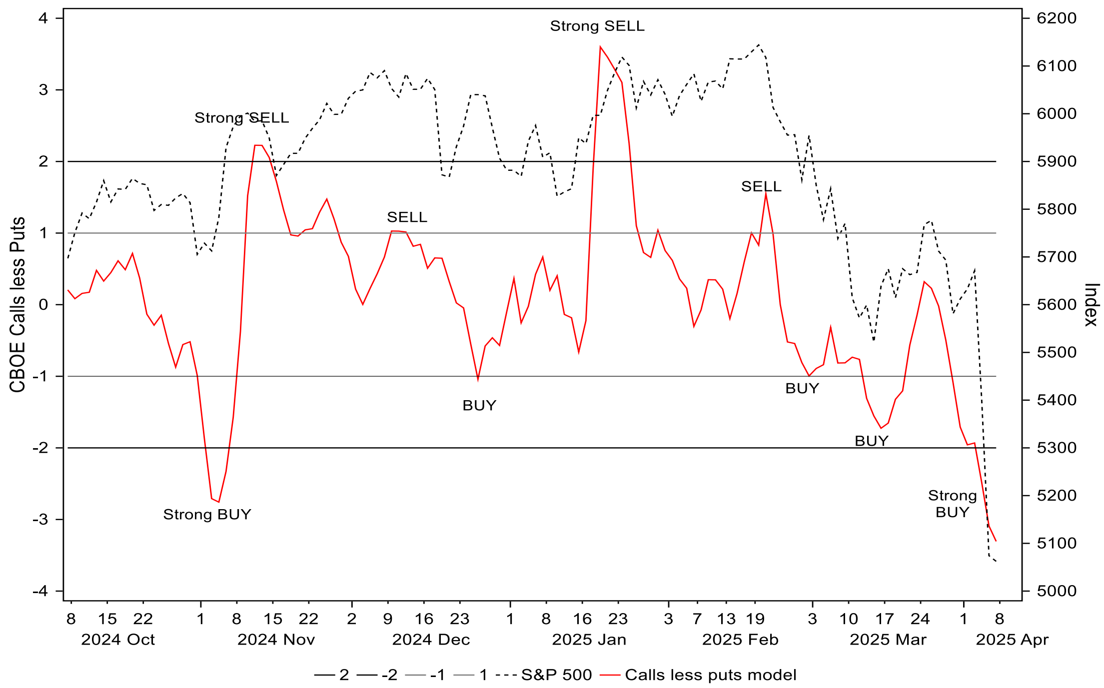
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is on Strong BUY

Source: Longview Economics, Macrobond

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

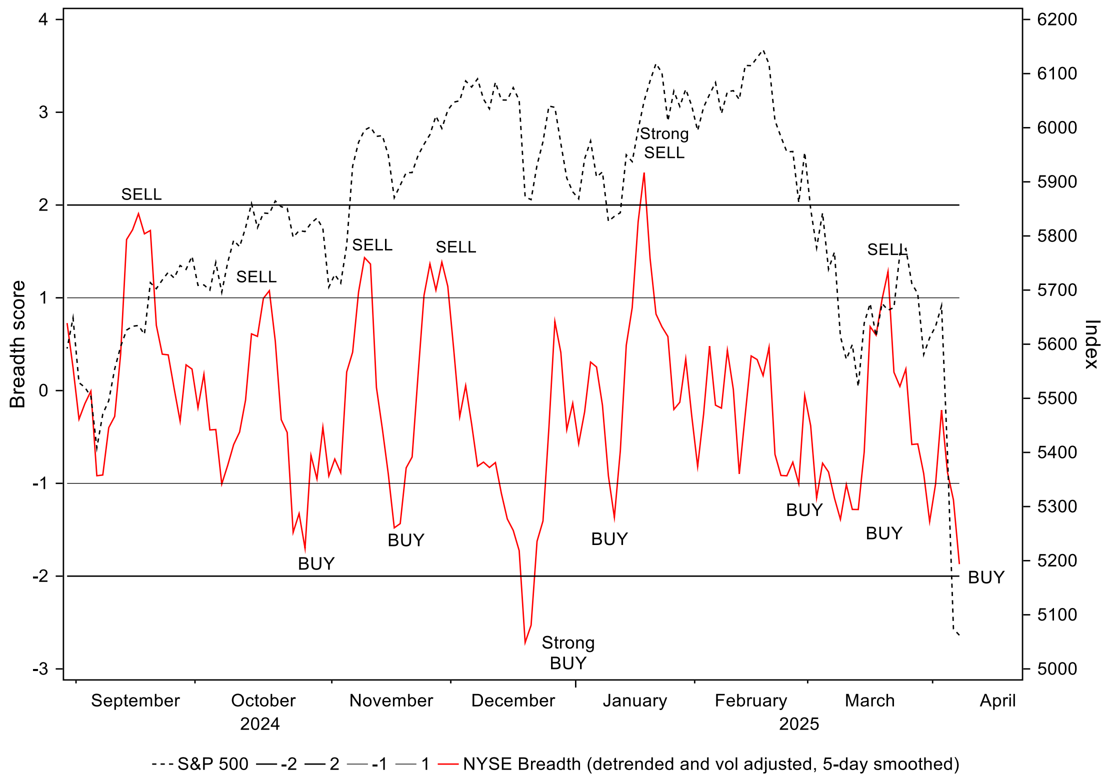


Calls less puts model is on Strong BUY

Source: Longview Economics, Macrobond

__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

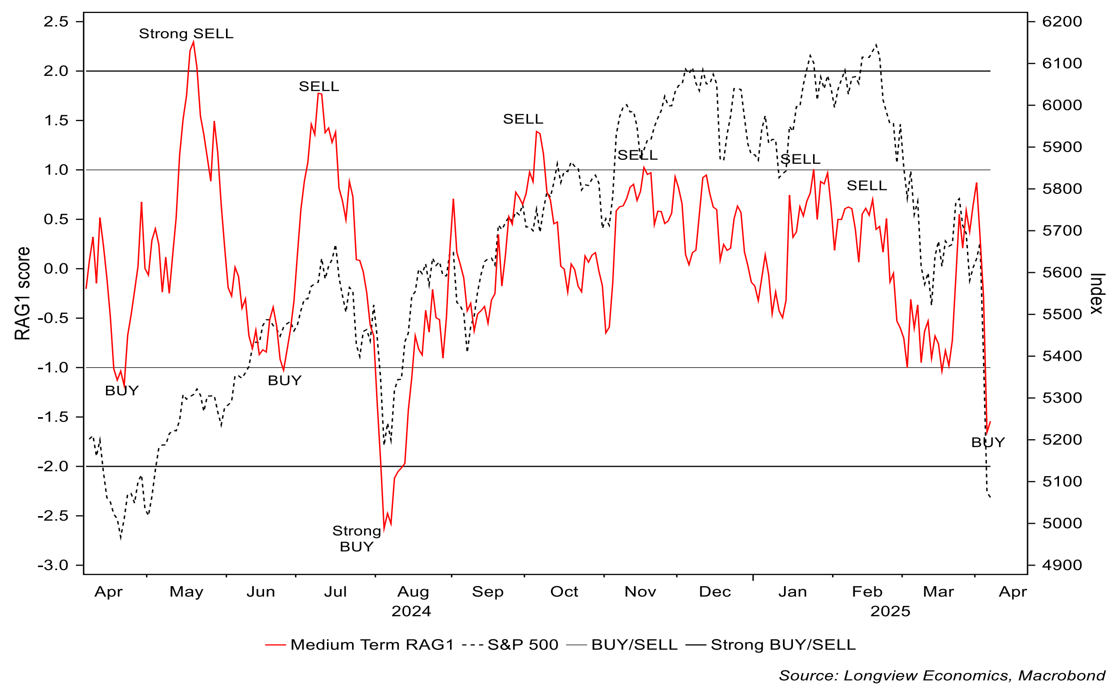
The breadth model is on BUY

For explanations of indicators please see page 10

LVRAG
Daily Risk Appetite Gauge

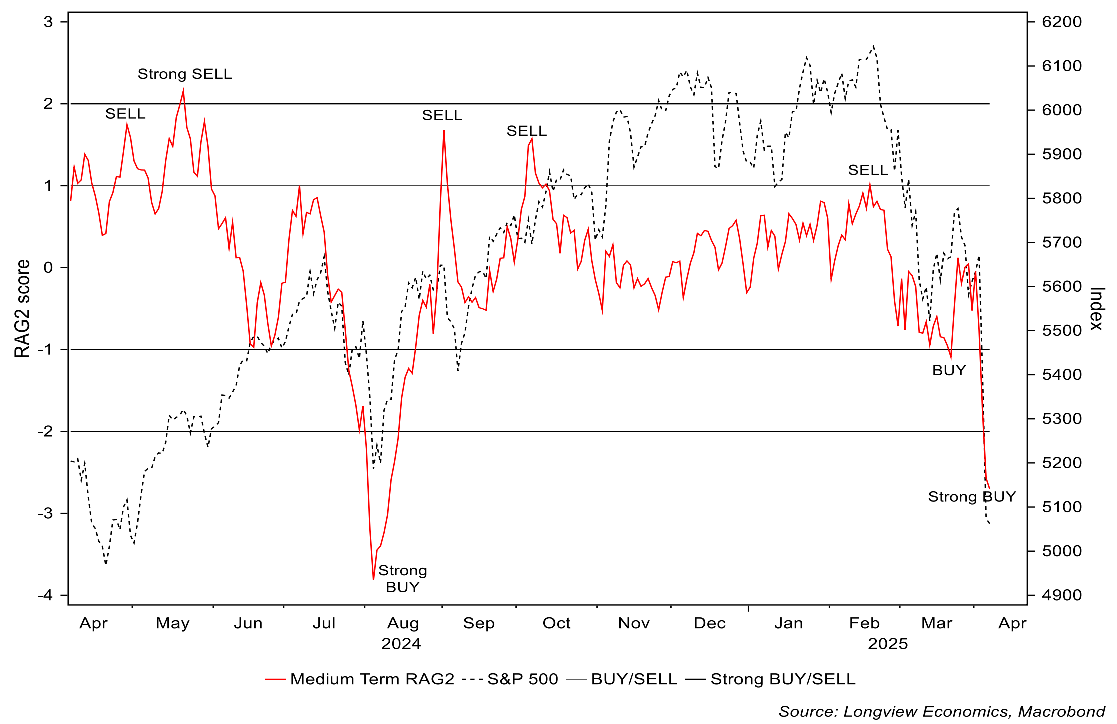
Section 3: Medium term (1 – 4 month) outlook

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



Medium term RAG1 is on BUY

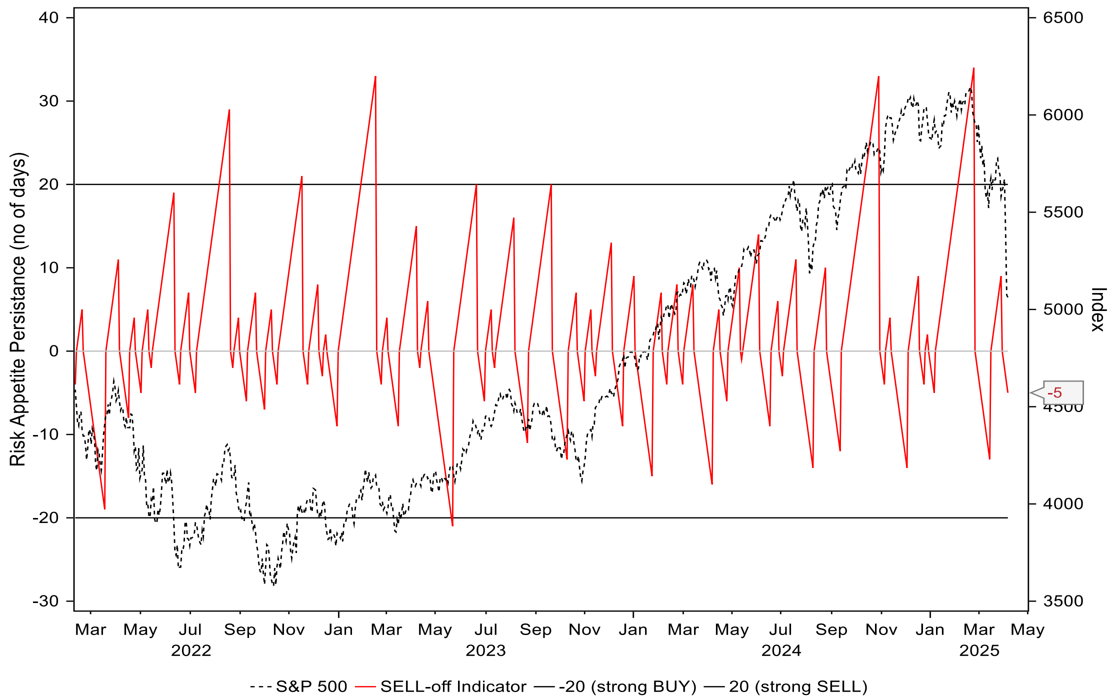
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



Medium term RAG2 is on Strong BUY

For explanations of indicators please see page 10

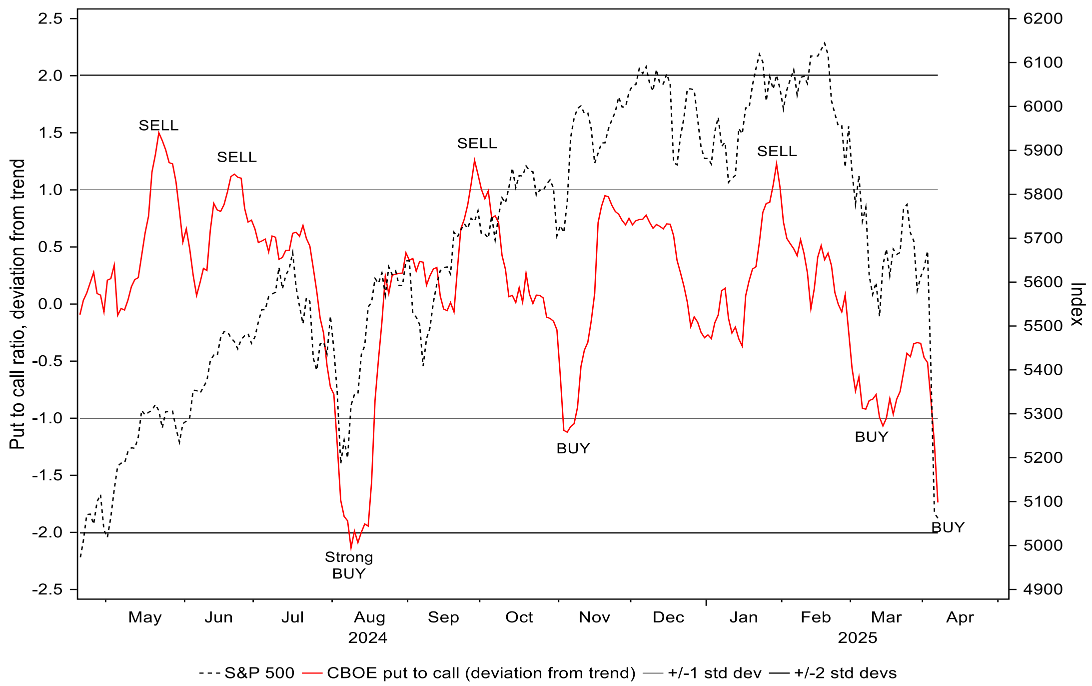
Fig 3c: SELL-off indicator (shown vs. S&P500)



Source: Longview Economics, Macrobond

The SELL-off indicator is NEUTRAL

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

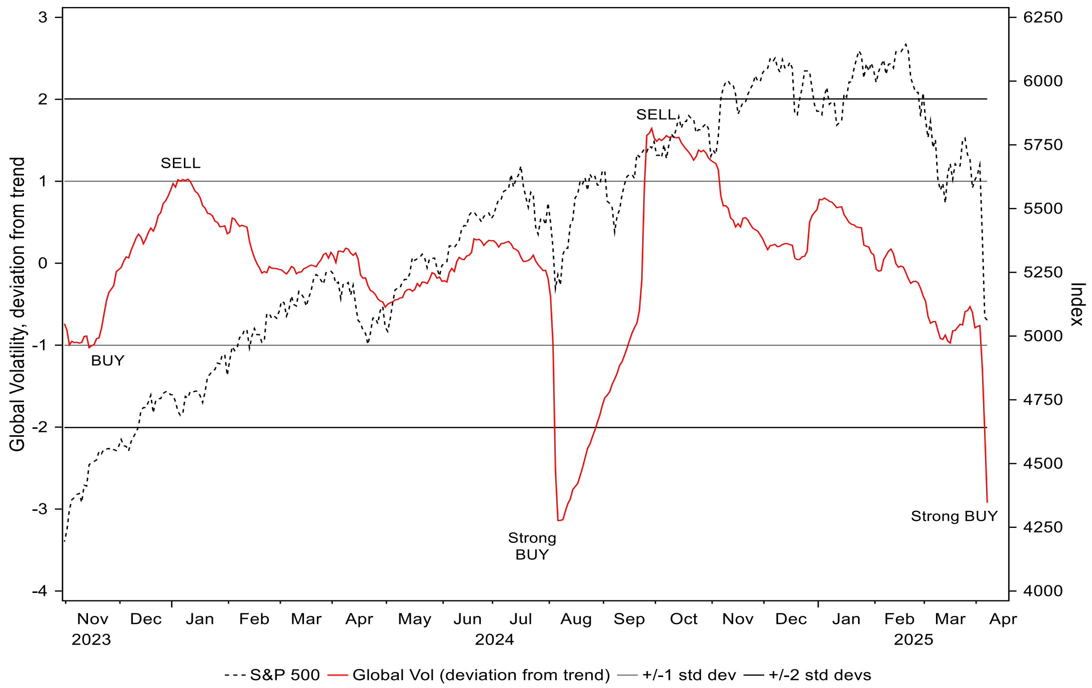


Source: Longview Economics, Macrobond

Medium term put to call model is on BUY

For explanations of indicators please see page 10

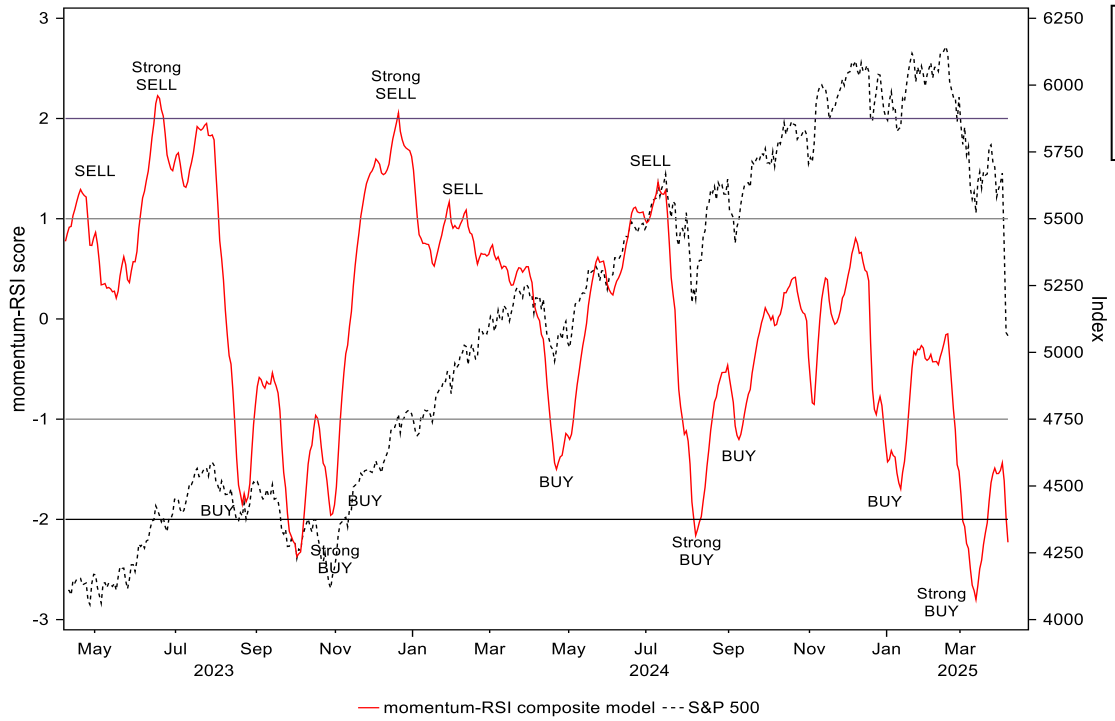
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is on Strong BUY

Source: Longview Economics, Macrobond

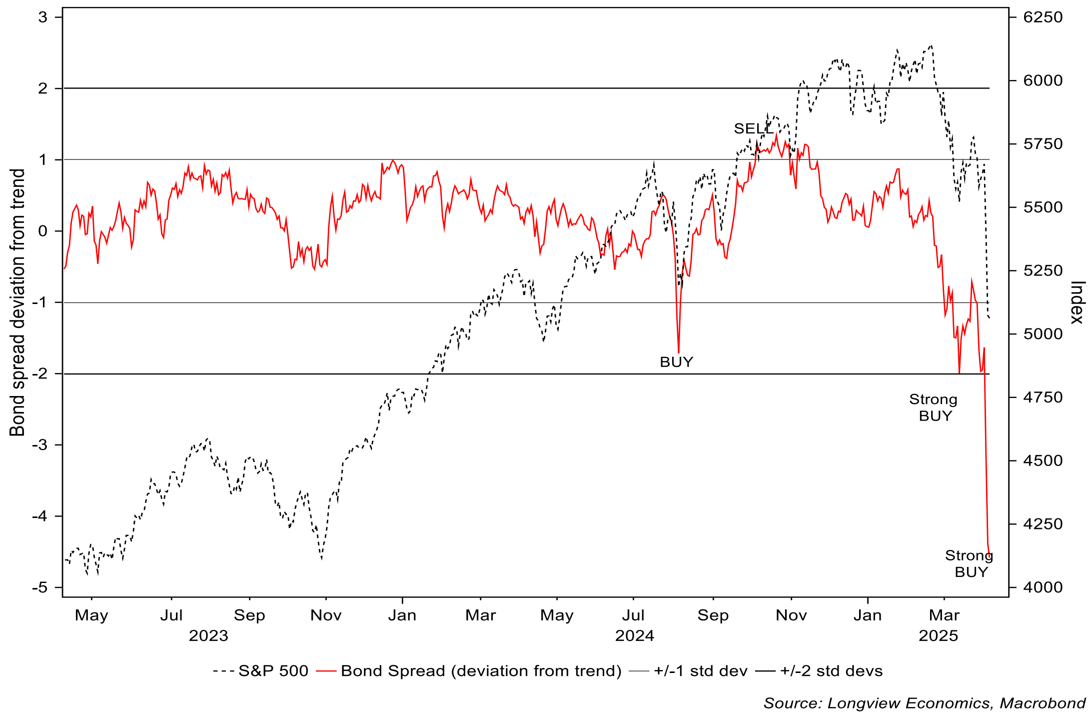
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on Strong BUY

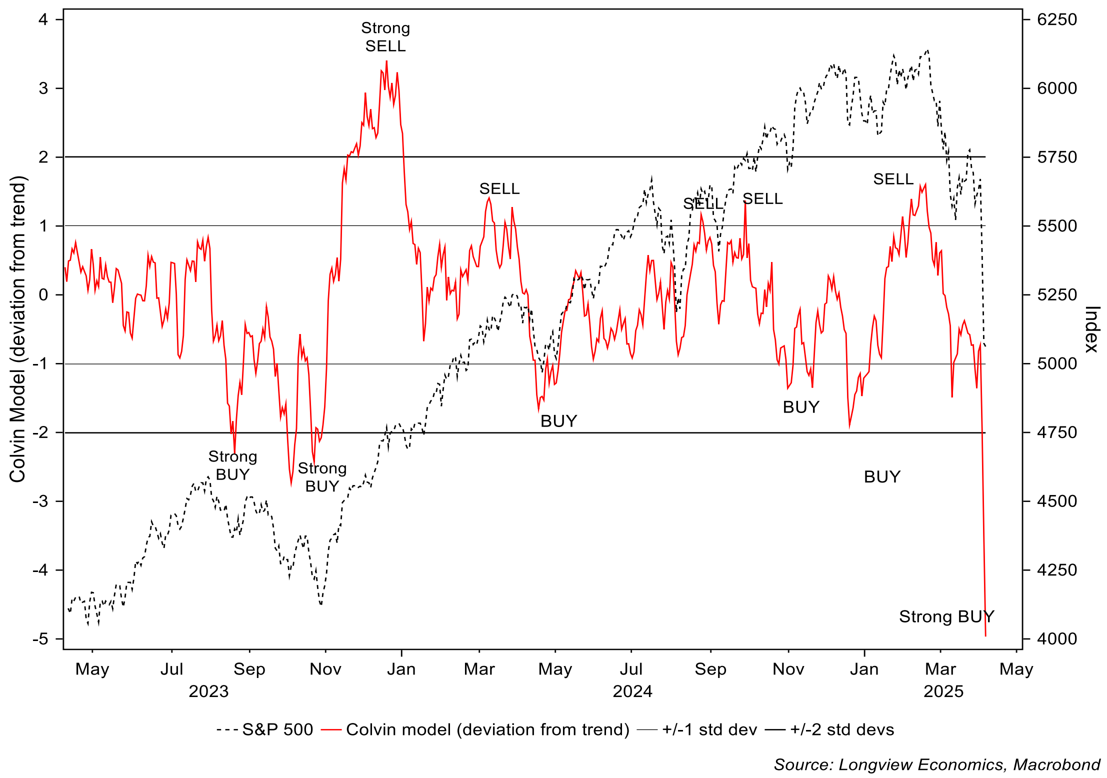
Source: Longview Economics, Macrobond

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



High yield corporate bond spreads model is on Strong BUY

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



Colvin model – is on Strong BUY

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