Equity Index Futures Trading Recommendations

9th May 2025

"Stay SHORT/Medium term models also shifting onto/towards SELL"

Email: info@longvieweconomics.com

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).

- Keep the stop loss at 5,790.0 (i.e. approx. over 1% above recent intraday highs in May).

Rationale

'Risk on' was a key feature in markets yesterday as the US-UK announced a trade deal (the first under Trump post 'Liberation Day') and on the back of Trump's comments about China (e.g. "if China talks go well, tariffs could be lowered" **source:** Trump yesterday). With that, the S&P500 closed +0.6%, the NDX100 +1.0%, 24 out of the 28 US headline indices, that we track, closed in positive territory, seven out of the 11 top level S&P500 sectors were up (with the 4 defensive sectors all lower), while 17 out of 24 industry groups were positive. European markets also mostly closed higher. Underpinning yesterday's strength various key bond spreads narrowed/tightened further (e.g. US HY corporate bond spreads, US muni spreads etc.).

Standing back from yesterday's positive moves, though, key US markets remain firmly within their ranges of recent trading sessions. The S&P500, for example, is still sitting within its congestion zone and currently within its May trading range* (FIGs 1 & 1a). It's also sitting on its key 61.8% Fibonacci retracement level (FIG 1b); and broadly on its 50-day moving average (FIG 1a). The NDX100 is another index at a key resistance level (testing its 200-day moving average – FIG 1c), while the DAX is back at record highs (FIG 1d). Other key US indices are also mostly now at/around the pre 'Liberation Day' congestion zone (i.e. including S&P400, S&P600, R2K and DJIA).

Critically, **short term models** haven't unwound their SELL signals during this recent sideways trading (i.e. they remain on/close to SELL): Risk appetite, for example, remains at high (measured) levels (FIGs 3 & 3a); the main US equity indices are overbought in the short term (i.e. SPX, NDX100, SOX etc. - FIGs 3c & 3d); market participants are increasingly exposed to the downside (having removed much of their put protection – see CBOE put to call ratio, FIG 3b); while US markets are also overextended on a sector and single stock level (as illustrated yesterday).

Added to that, **medium term models** are increasingly shifting onto/towards SELL. The NDX100 put to call indicator, for example, has moved sharply higher in the past few days (such that the underlying 1 day reading is now close to SELL – FIG 2a); the medium term CBOE put to call ratio has similarly moved sharply (back towards SELL); while medium term risk appetite models are back on SELL (FIG 2) and the SELL-off indicator is building towards its key +20 level (FIG 2b). Medium term models, therefore, are increasingly consistent with the message of short-term ones.

As such, we **recommend STAYing SHORT S&P500 futures** (with an unchanged stop loss). Risks, as always, are multiple and include a potential push higher by the S&P500 to its 200-day moving average (i.e. 5,863 on June futures – FIG 1a). Other risks include talks this weekend between China and the US (albeit this is a two-way risk).

Key events today are listed below.

Kind regards,

The team @ Longview Economics

*albeit, it briefly made a new intraday high yesterday.

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

FIG 1a: S&P500 June futures candlestick shown with its 50 & 200 day moving average
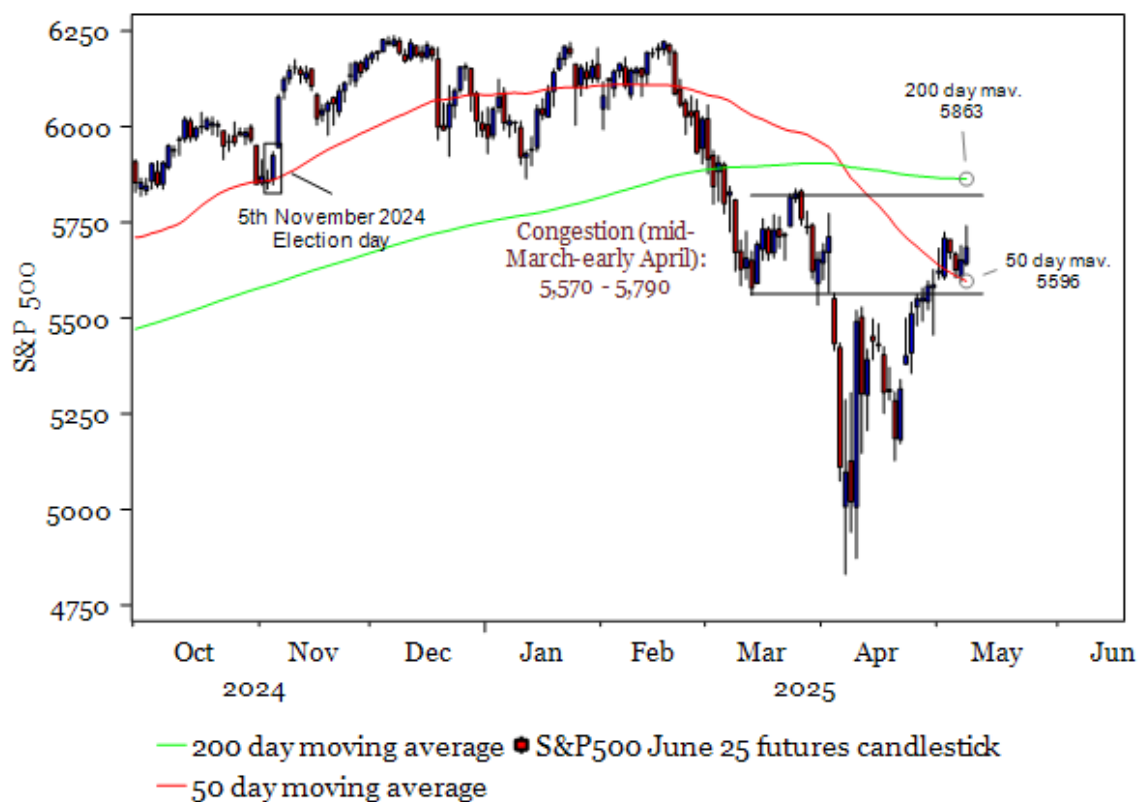
Source: Longview Economics, Macrobond

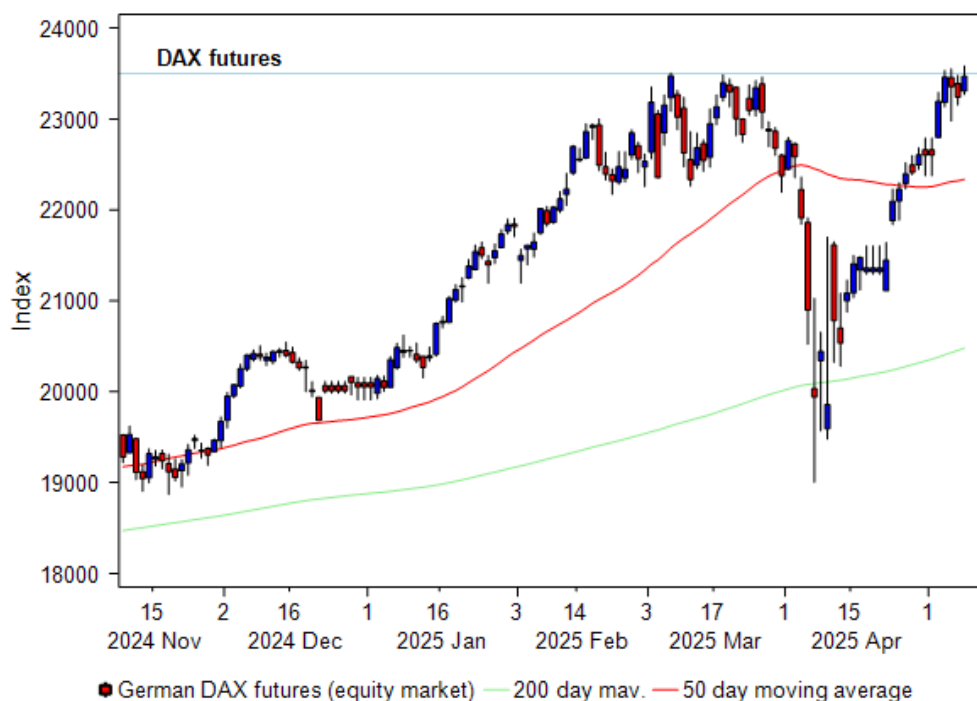**FIG 1b:** S&P500 June futures shown with key Fibonacci retracement levels

FIG 1c: NASDAQ100 cash index candlestick shown with its 50 & 200 day moving average

Source: Longview Economics, Macrobond

**FIG 1d:** DAX futures candlestick shown with its 50 & 200 day moving average

Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

Various medium-term (1 – 4 month) models are now back at, or close to, SELL…

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

Source: Longview Economics, Macrobond
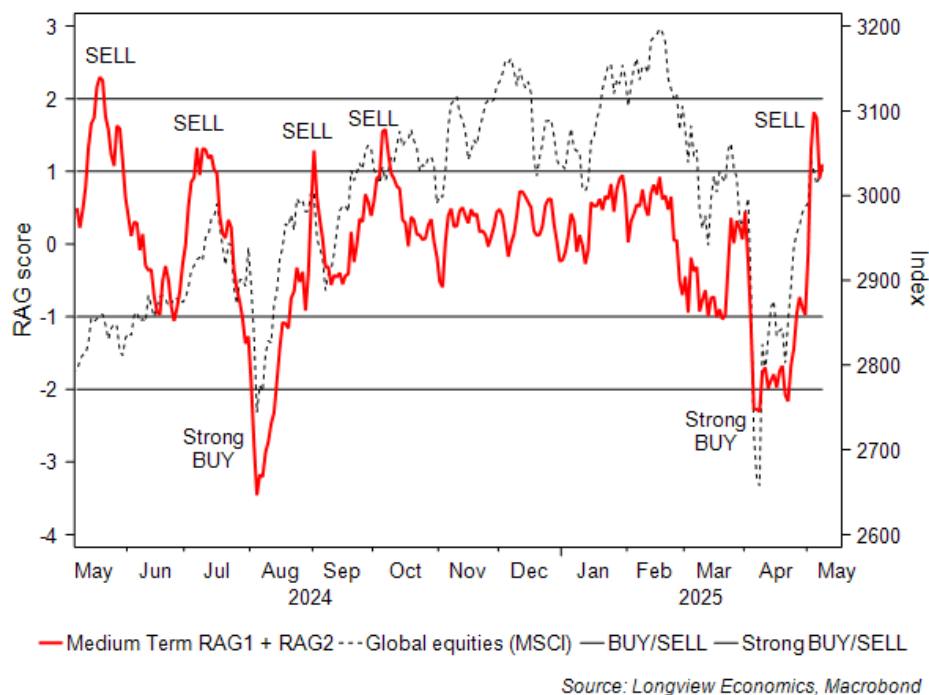
FIG 2a: NDX100 put to call indicator (1 & 3 day smoothed) vs. NDX100

Source: Longview Economics, Macrobond
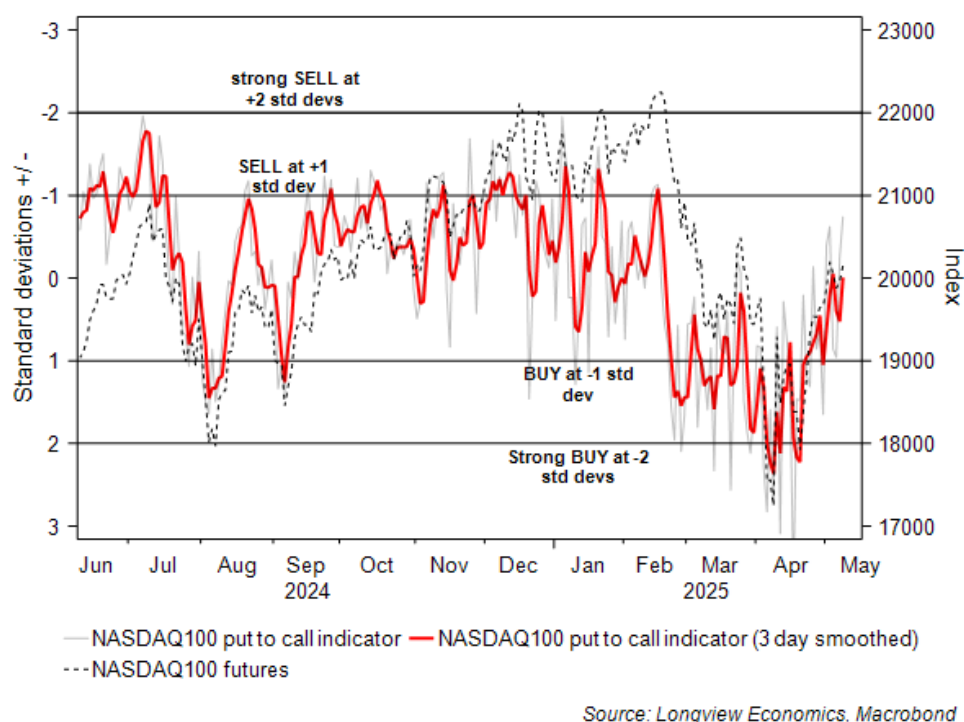
FIG 2b: Longview SELL-off indicator (vs. S&P500)

Source: Longview Economics, Macrobond
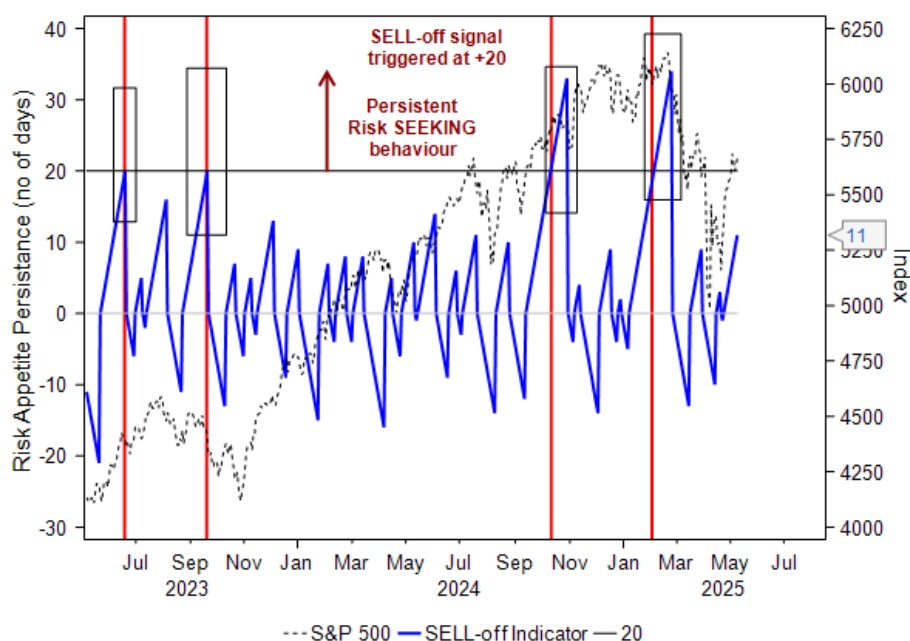
Key short term market timing models:

Risk appetite models are at high levels (close to SELL)…

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

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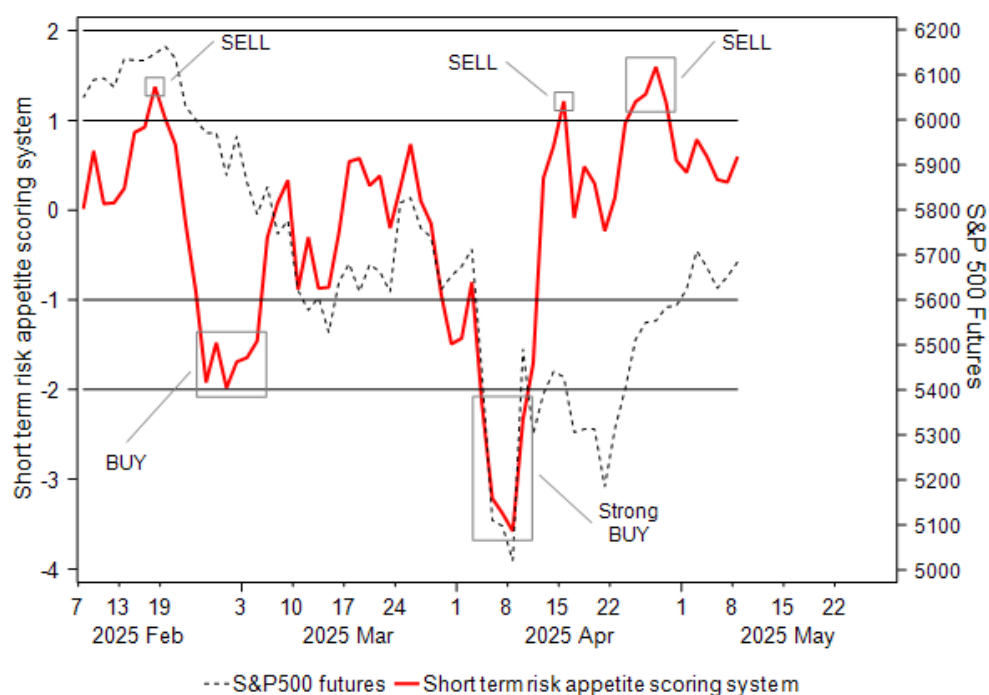
FIG 3a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500

Source: Longview Economics, Macrobond
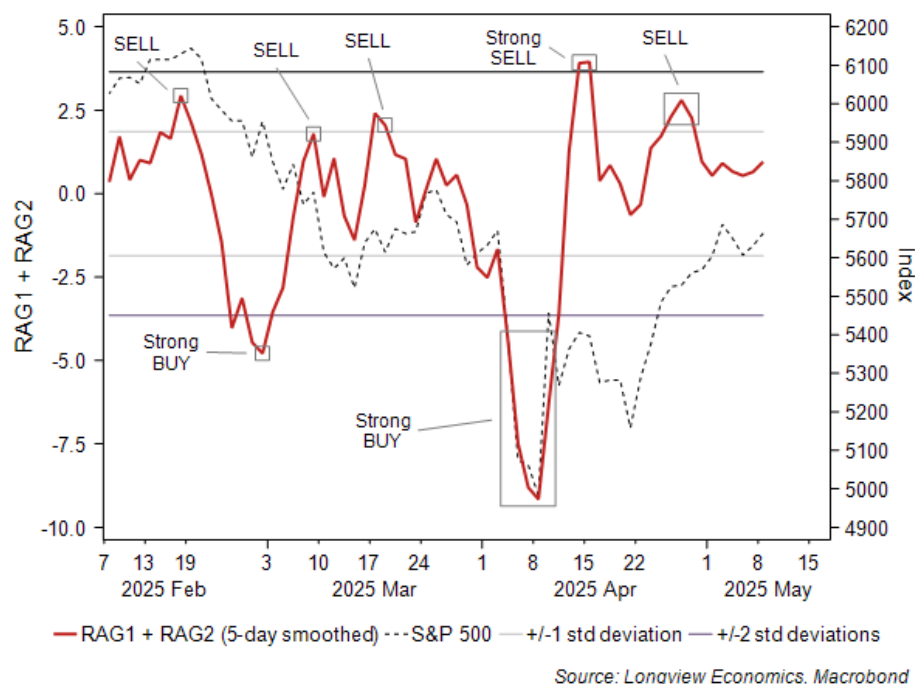
Downside put protection is at low levels, such that these types of models are on, or close to, SELL....

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

Source: Longview Economics, Macrobond
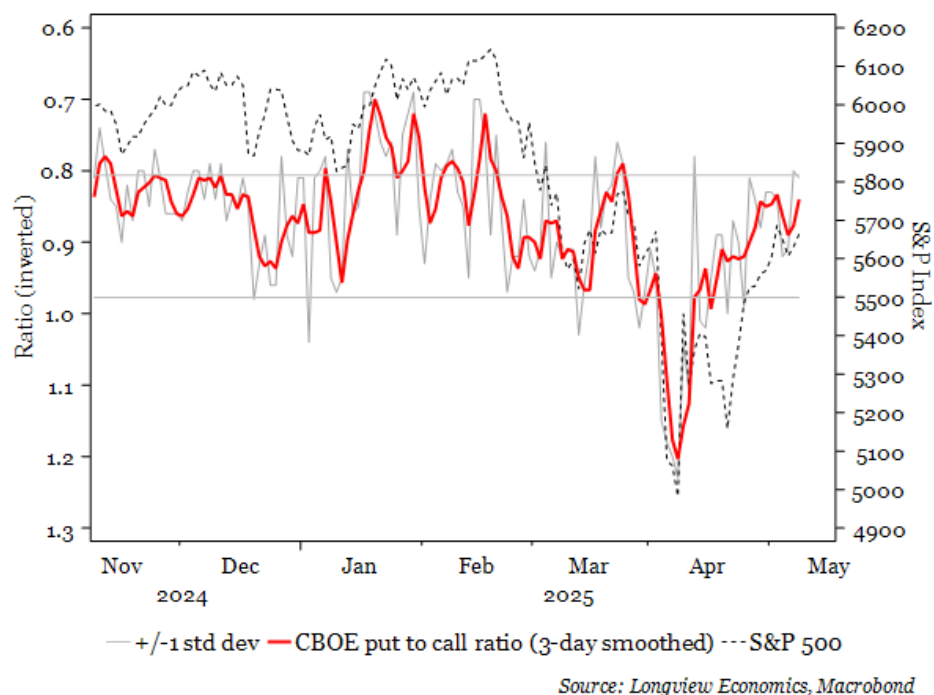
Technical & price-based (index) models are mostly on/close to SELL…

FIG 3c: Longview S&P500 short term **'technical'** scoring system vs. S&P500 futures
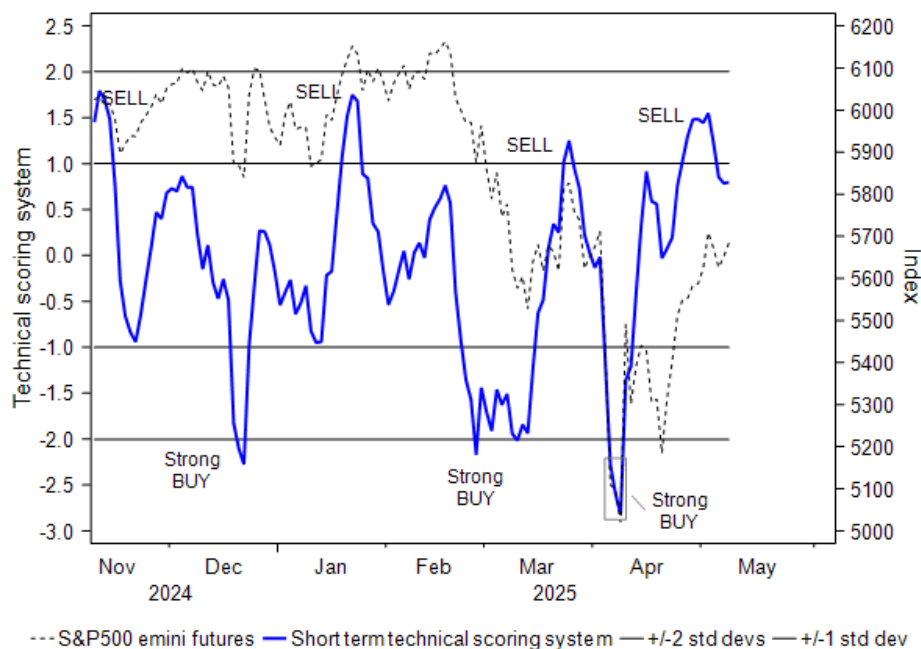
Source: Longview Economics, Macrobond

FIG 3d: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures
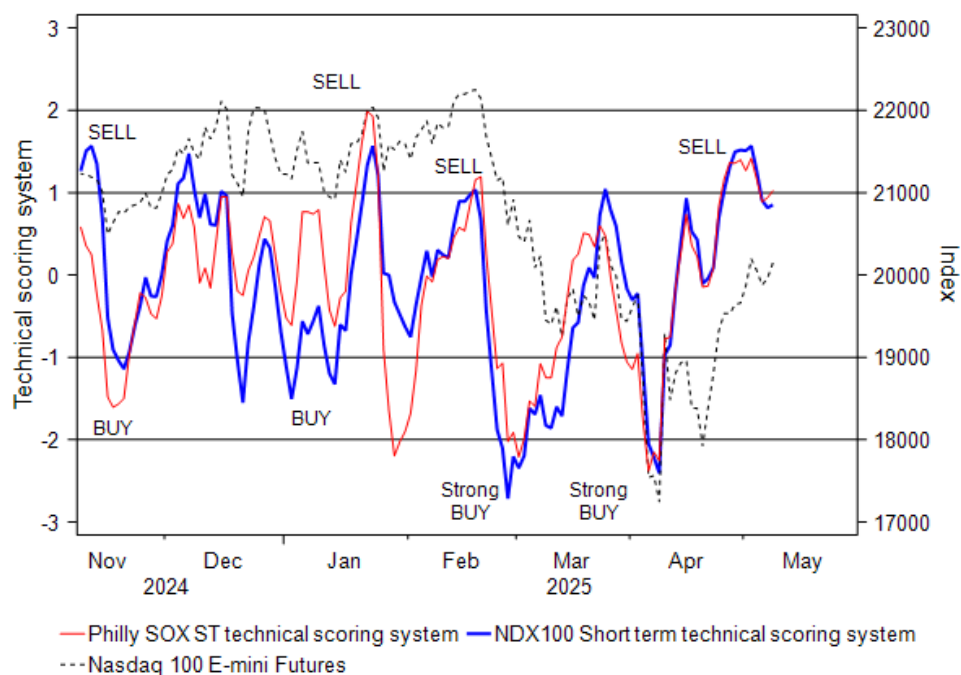
Source: Longview Economics, Macrobond

Key Longview Scoring Systems (chart below):

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

FIG A: Longview short and medium term scoring systems vs. S&P500
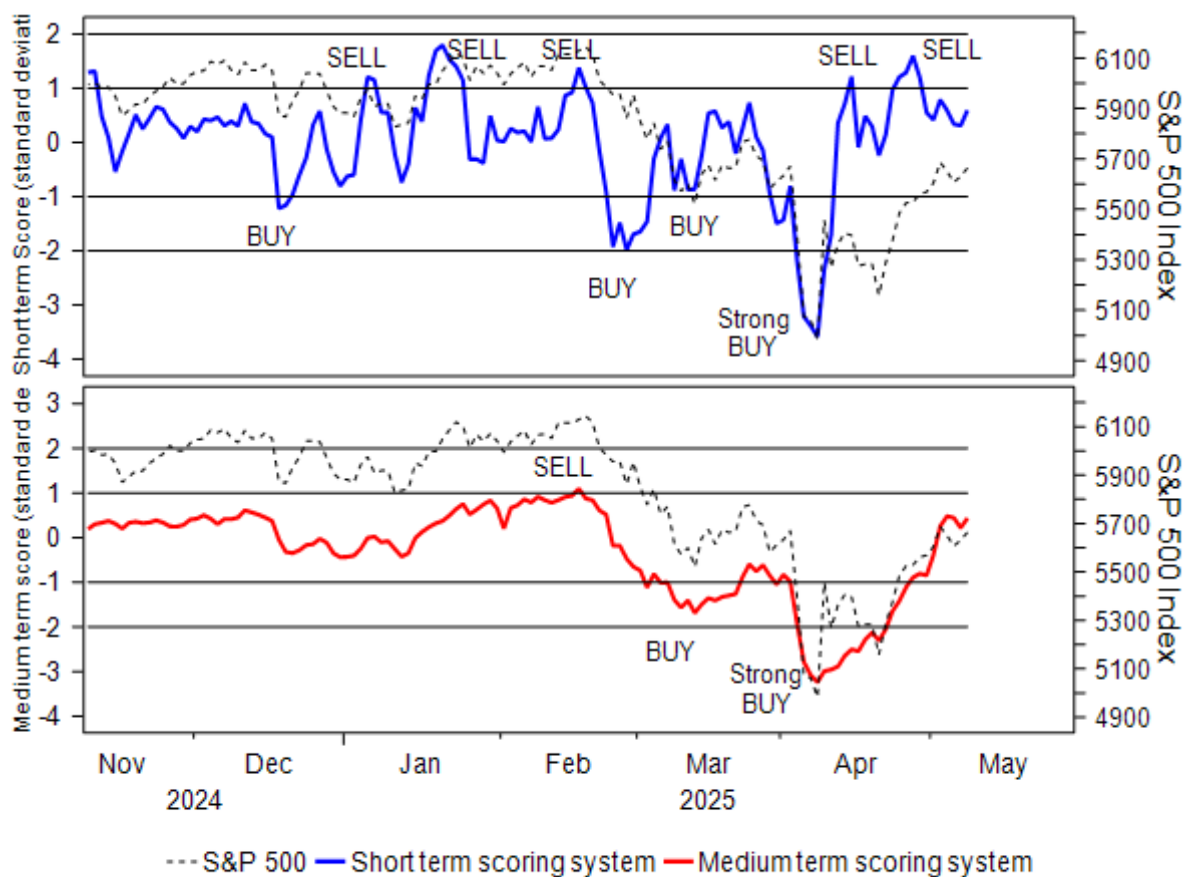
Key macro data/events

Key data today include: Japanese household spending (Mar, 12:30am); **Chinese imports/exports, & trade balance** (Apr, 4am); Japanese ESRI leading index (March first estimate, 6am); Italian Industrial production (Mar, 9am); Canadian employment data (change in employment, unemployment rate & participation rate, for Apr, 1:30pm).

Key events today include: Speech by the ECB's Simkus in Reykjavik (2:10pm); speeches by the **Fed's Williams**, Kugler & Barr in Reykjavik (11-4pm) & **Waller** on a panel at Hoover Institution (4:30pm).

Key earnings today include: Enbridge, Nippon Telegraph & Telephone, Honda Motor, Mitsui Fudosan.

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 1st May 2025. If you are not on the distribution list and would like to receive these reports pls email info@longvieweconomics.com.

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

Longview Economics Limited is an appointed representative of Messels Limited which is authorised and regulated by the Financial Conduct Authority.

1 – 2 Week View on Risk

9th May 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

Short term scoring system is on NEUTRAL

Medium term scoring system is NEUTRAL
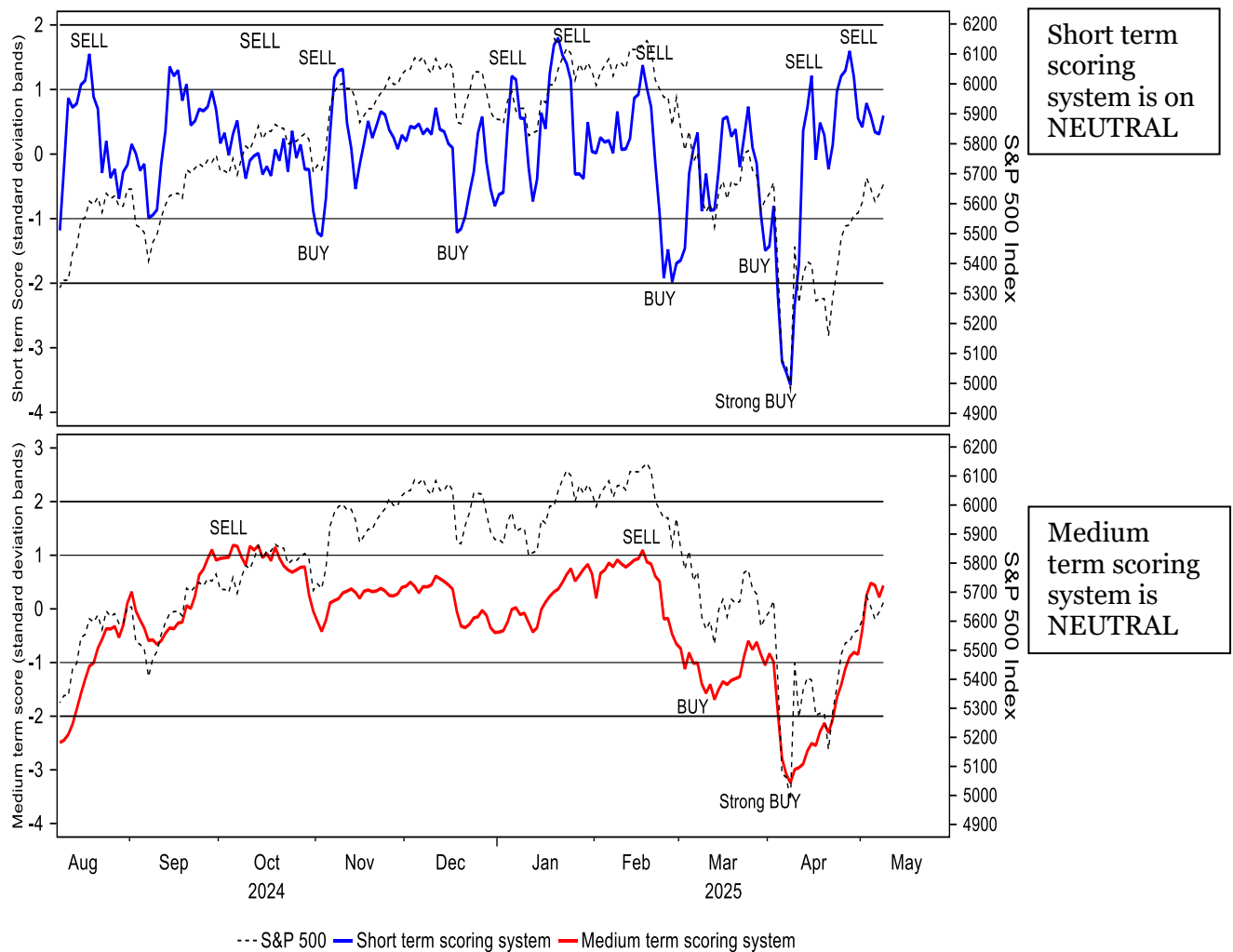
Source: Longview Economics, Macrobond

*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

RAG1

RAG2

Shortest term RAG

Calls less Puts

Breadth
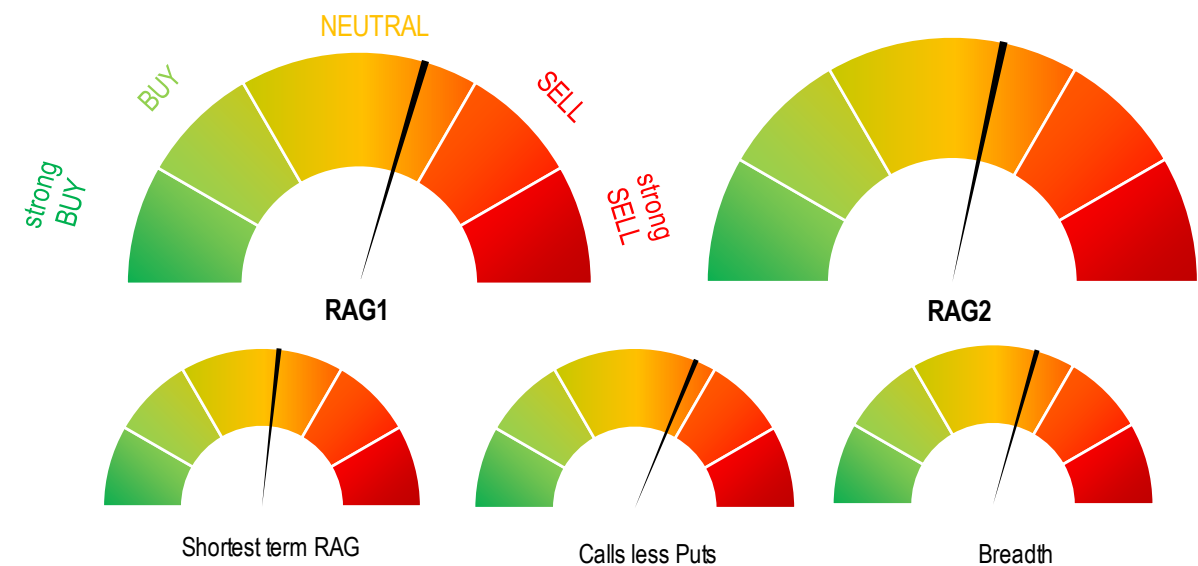
Source: Longview Economics

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

Medium Term RAG1

Medium Term RAG2

Medium Term Put to Call

Global Volatility

Momentum-RSI Composite

Bond Spreads

Colvin Model
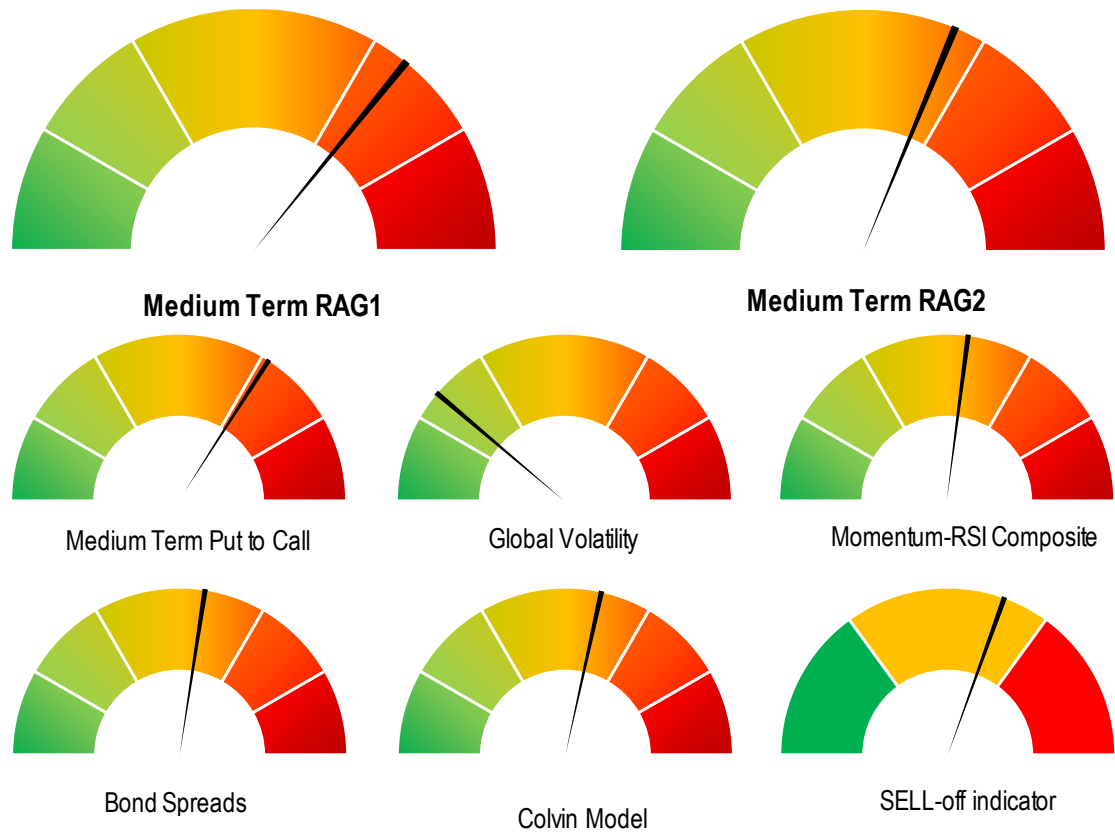
SELL-off indicator

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 NEUTRAL

Source: Longview Economics, Macrobond

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

RAG2 is NEUTRAL

Source: Longview Economics, Macrobond
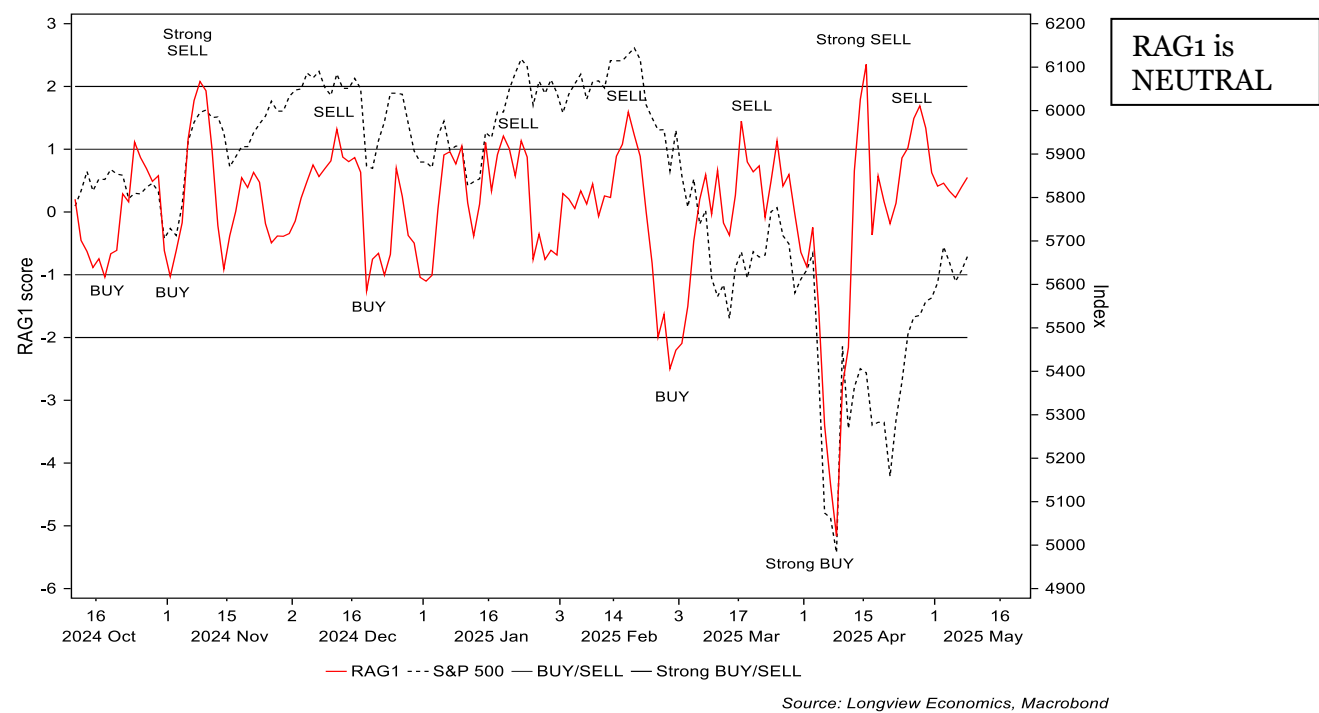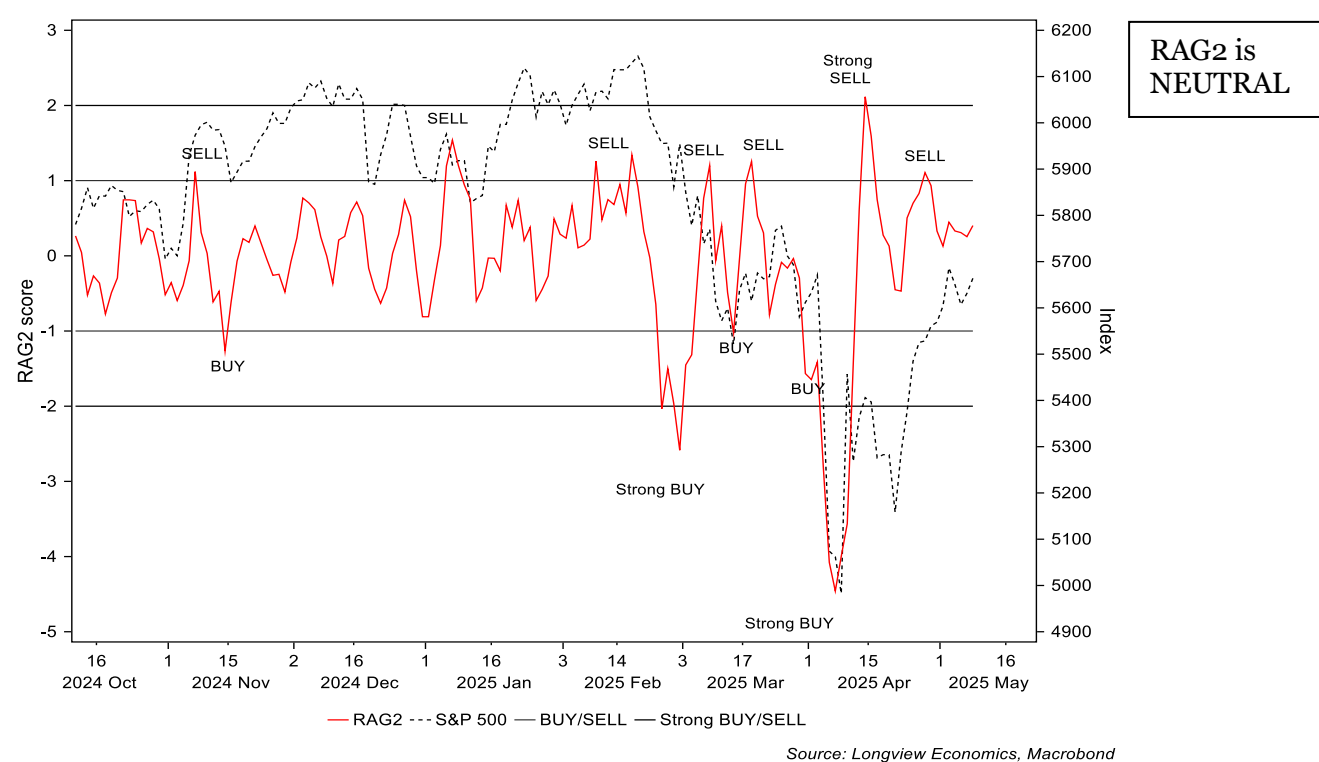
For explanations of indicators please see page 10

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

Shortest
term RAG is
NEUTRAL

Source: Longview Economics, Macrobond
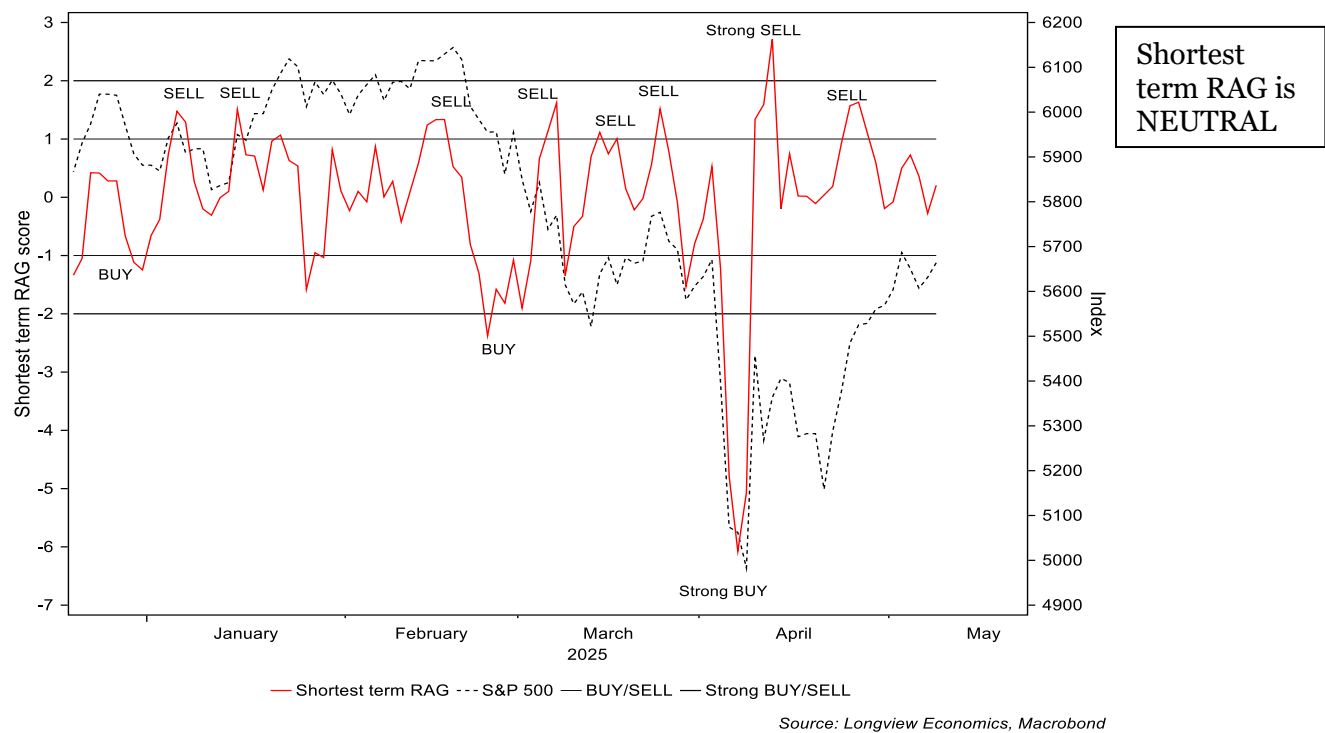
Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500

Calls less
puts model
is
NEUTRAL

Source: Longview Economics, Macrobond
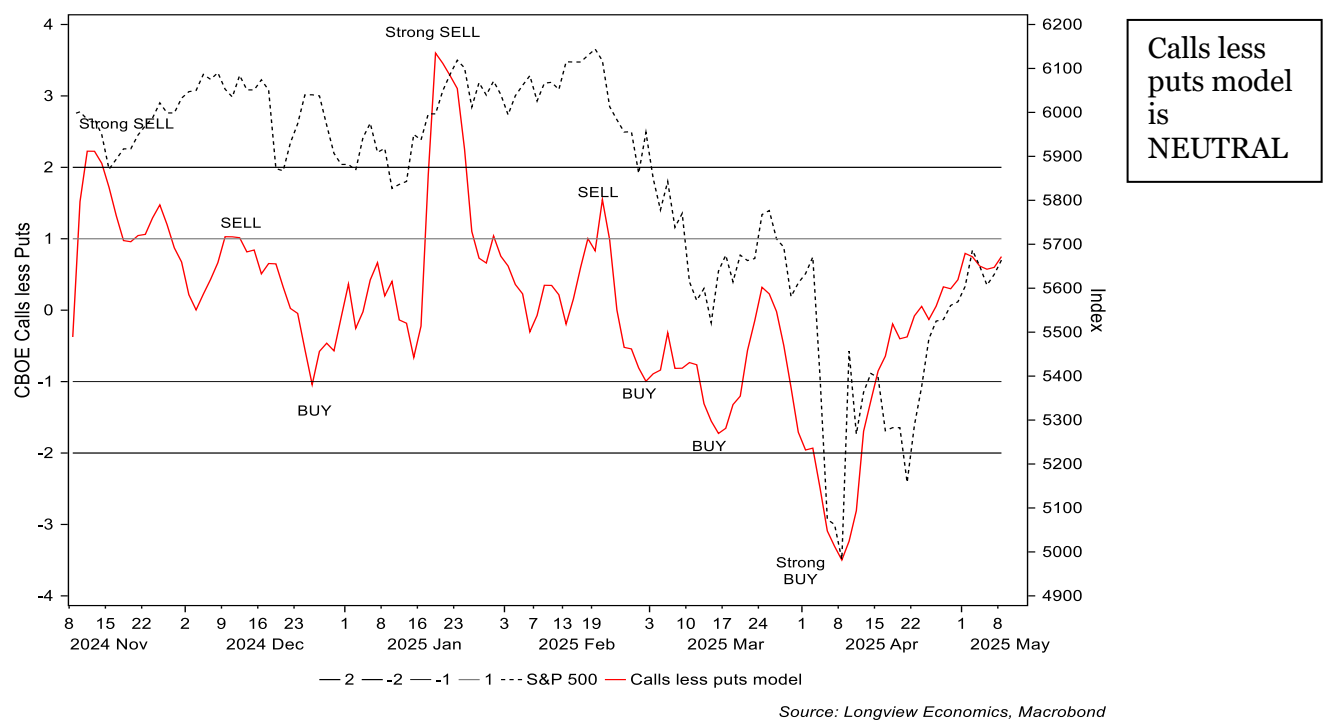
For explanations of indicators please see page 10

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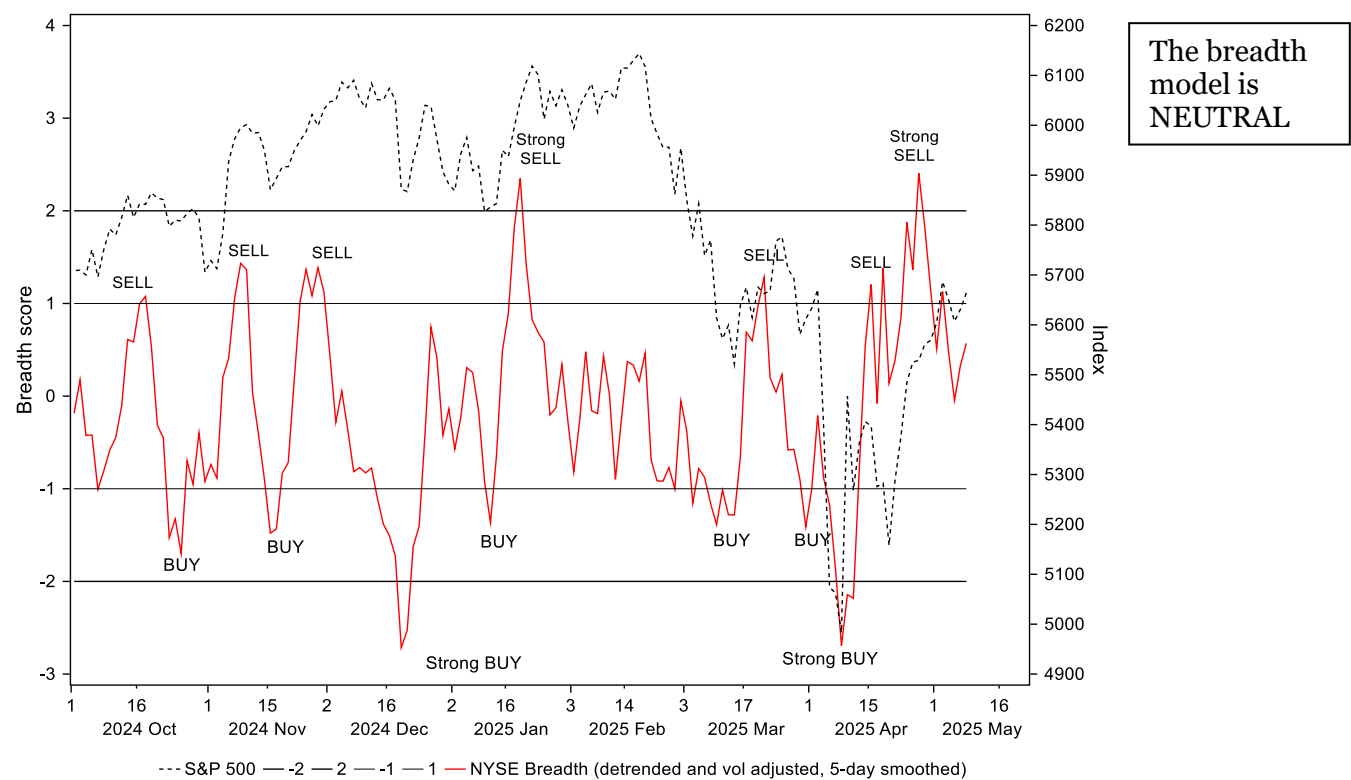
The breadth model is NEUTRAL

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

Medium term RAG1 is on SELL

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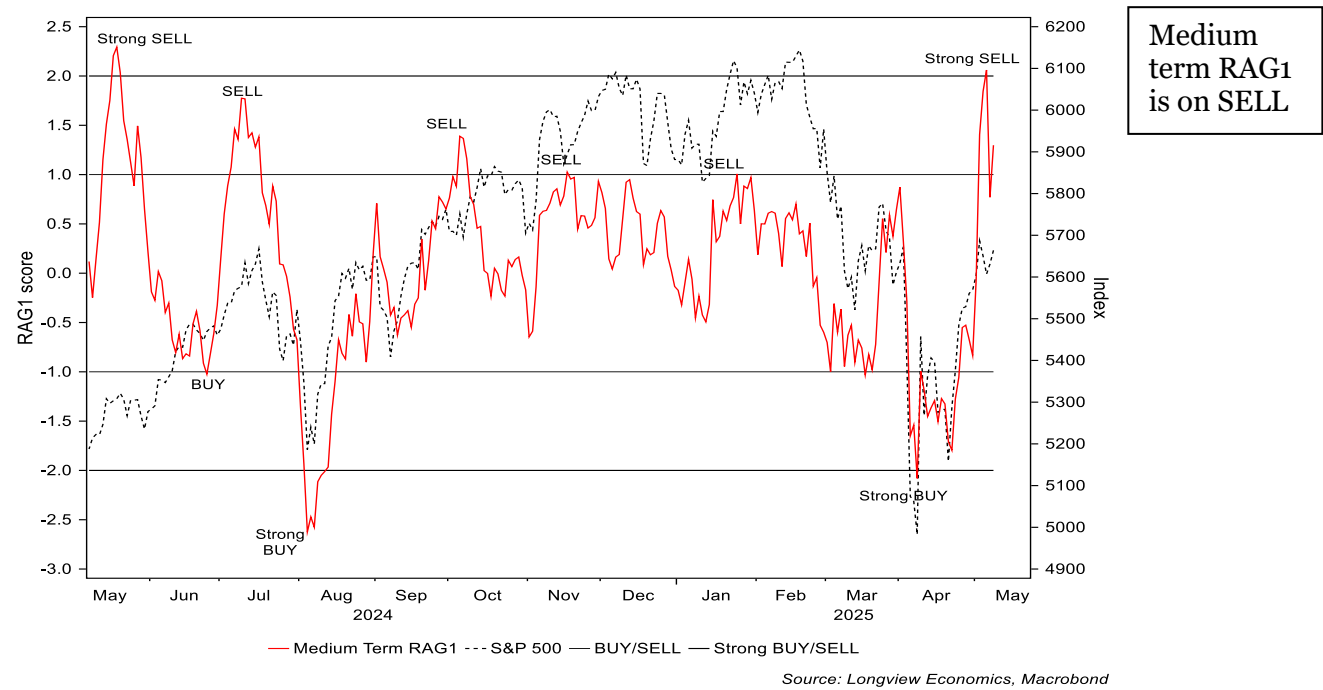
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

Medium term RAG2 is NEUTRAL

Source: Longview Economics, Macrobond
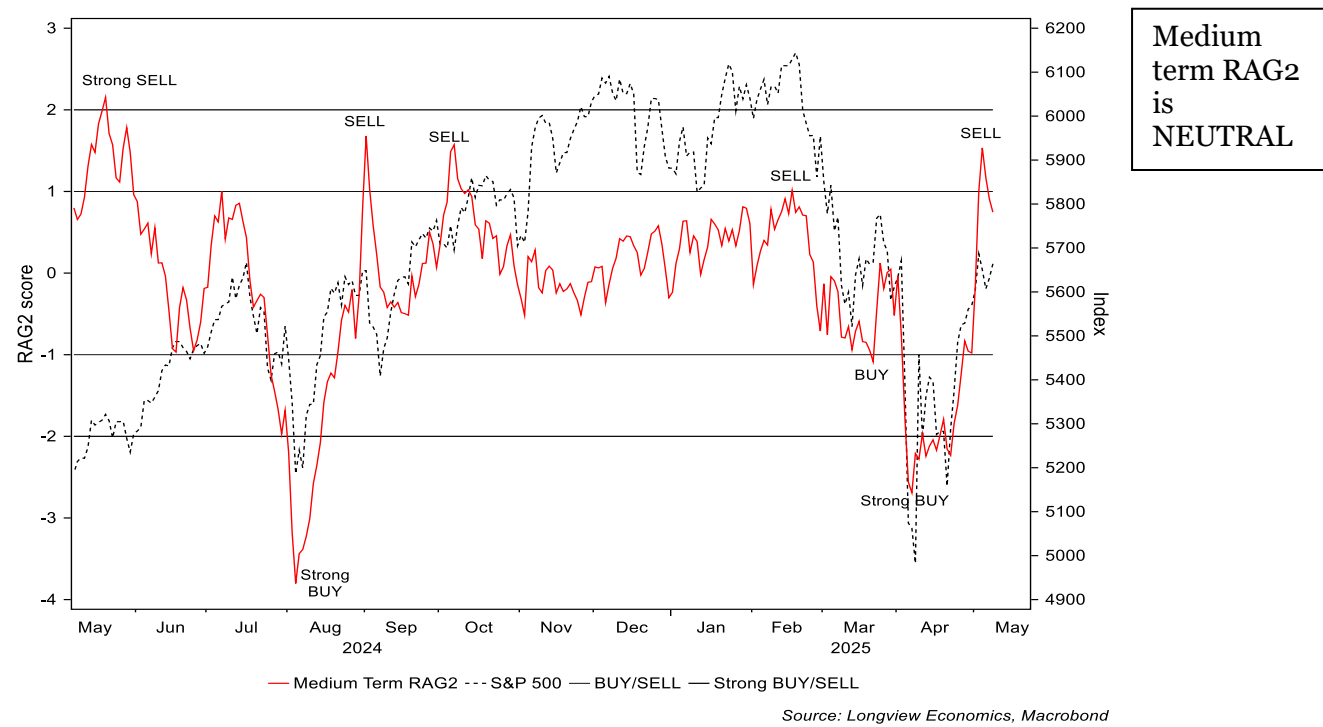
For explanations of indicators please see page 10

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

The SELL-off indicator is NEUTRAL

Source: Longview Economics, Macrobond
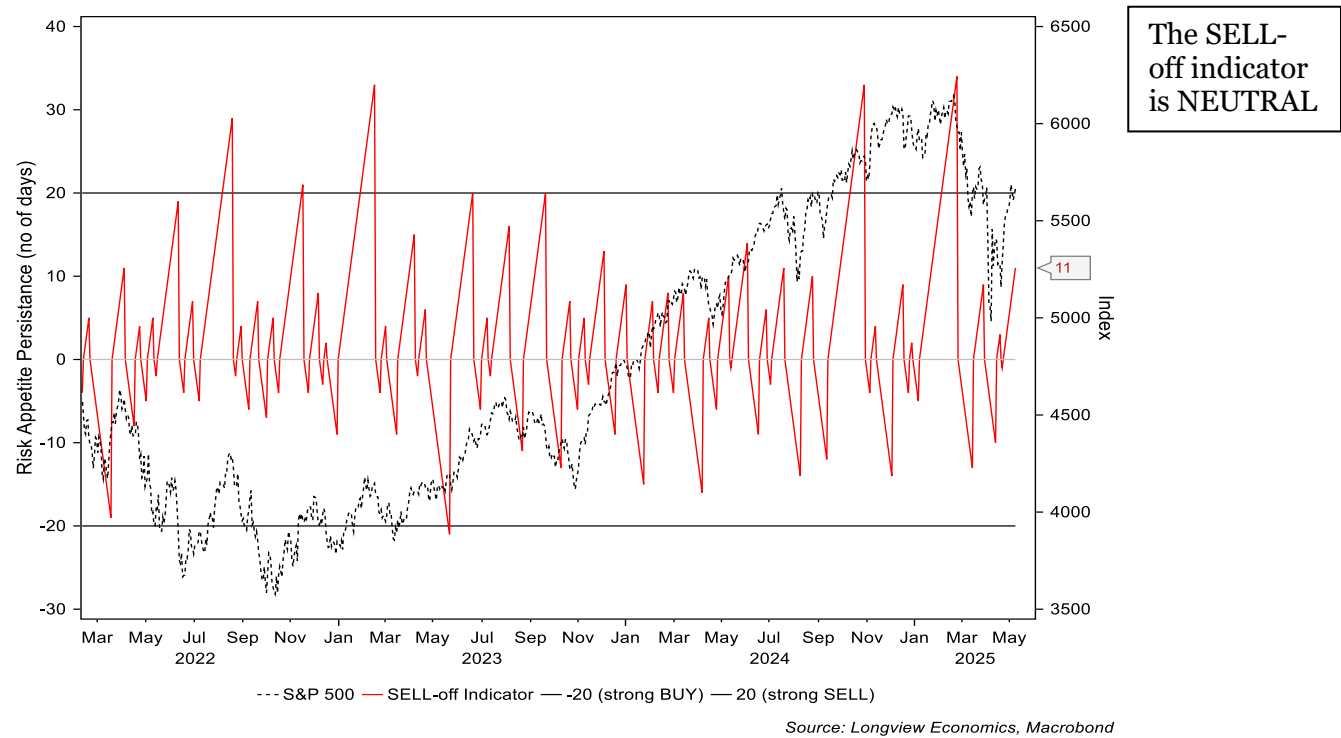
Fig 3d: CBOE put to call trend deviation model vs. S&P500

Medium term put to call model is on SELL

Source: Longview Economics, Macrobond
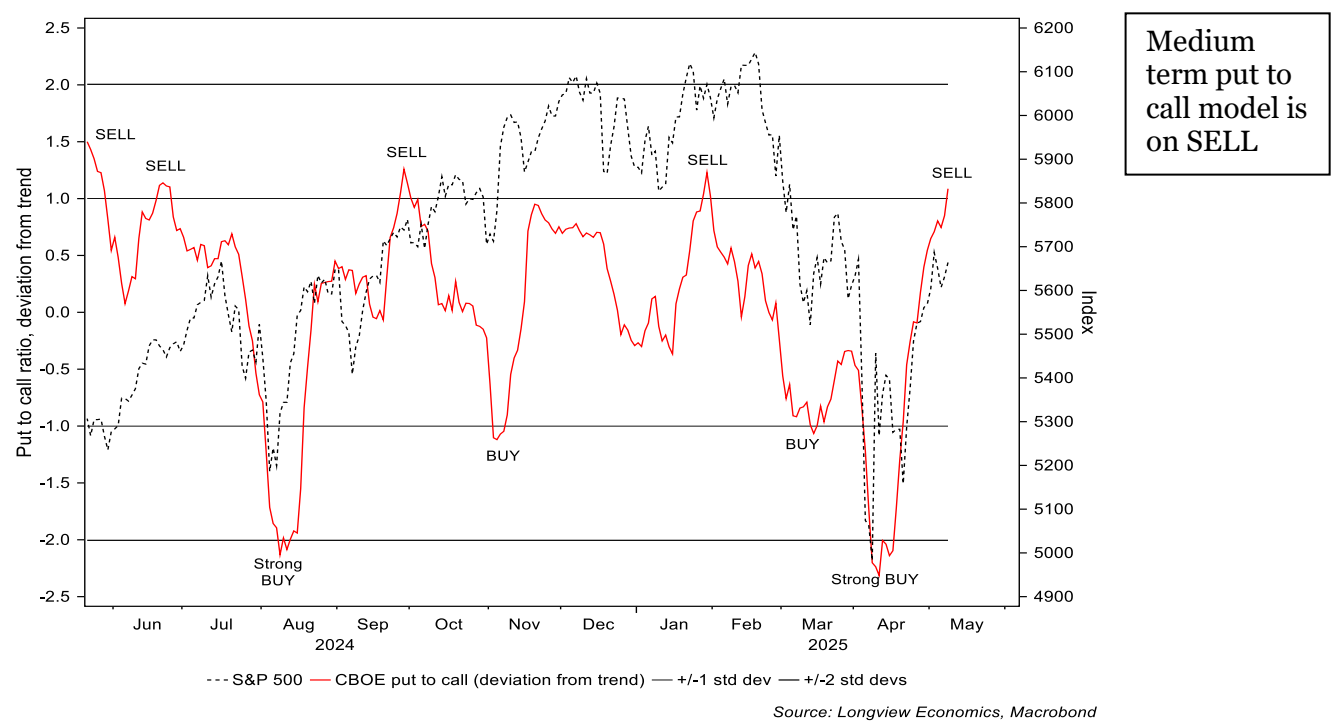
For explanations of indicators please see page 10

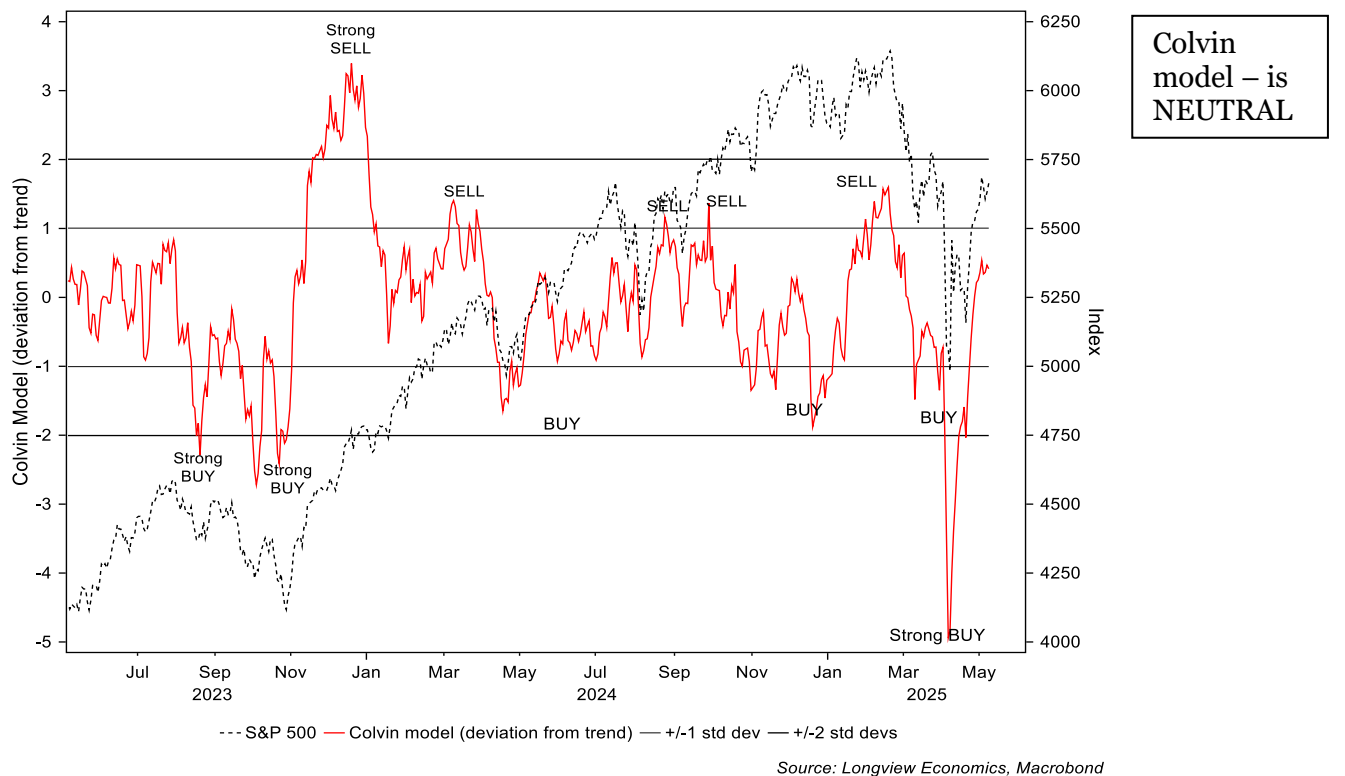**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500

Global
volatility
indicator is
on BUY

Source: Longview Economics, Macrobond
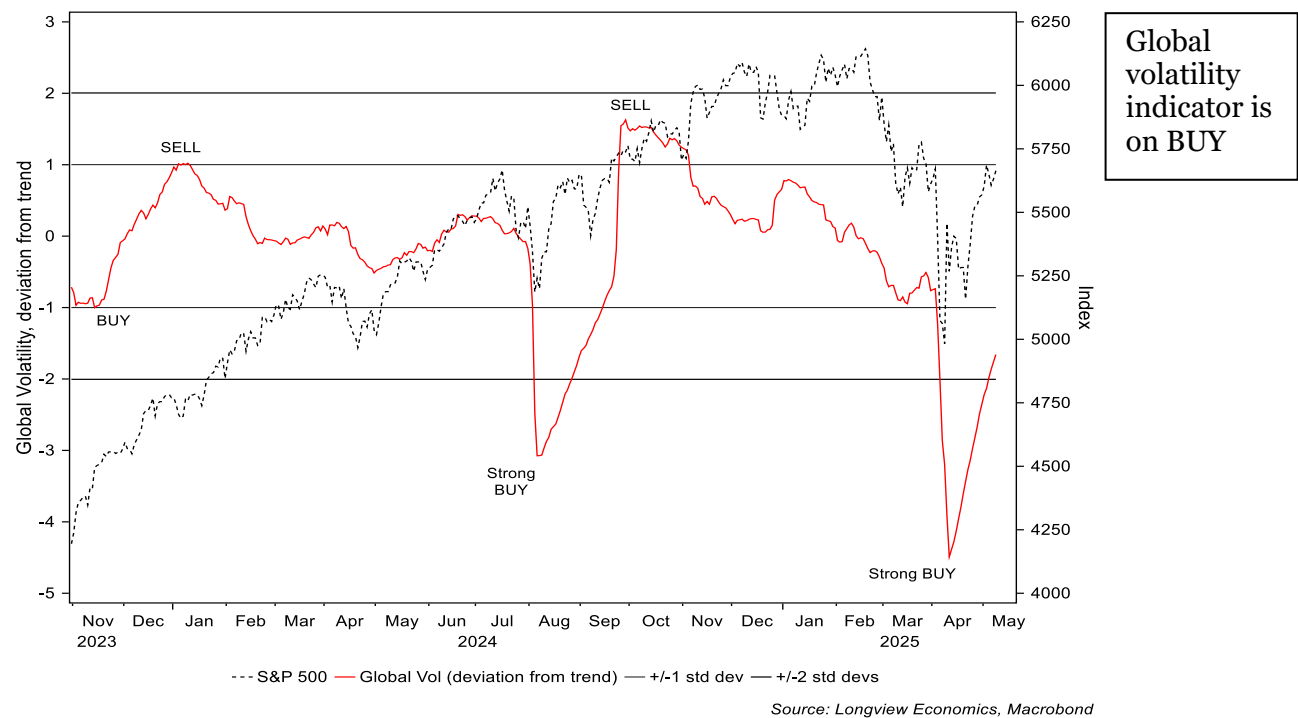
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500
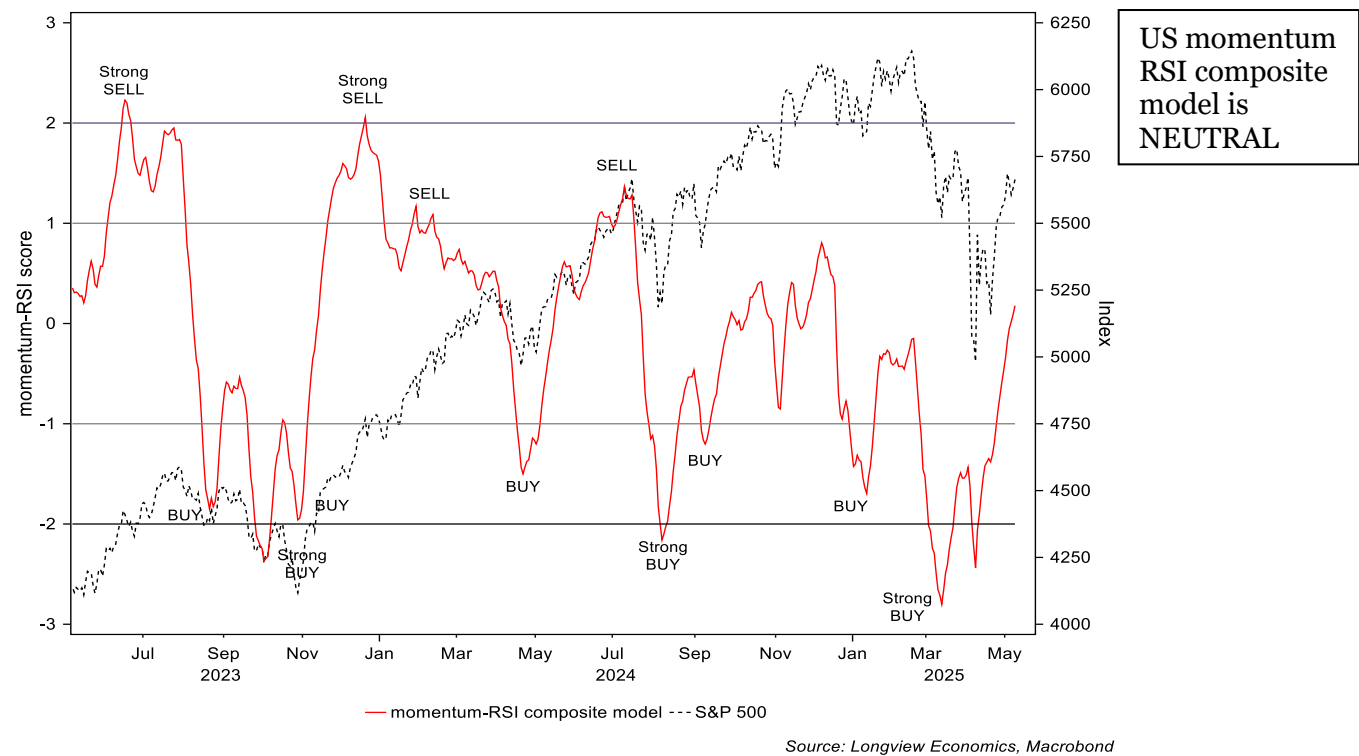
US momentum
RSI composite
model is
NEUTRAL

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 NEUTRAL

Source: Longview Economics, Macrobond
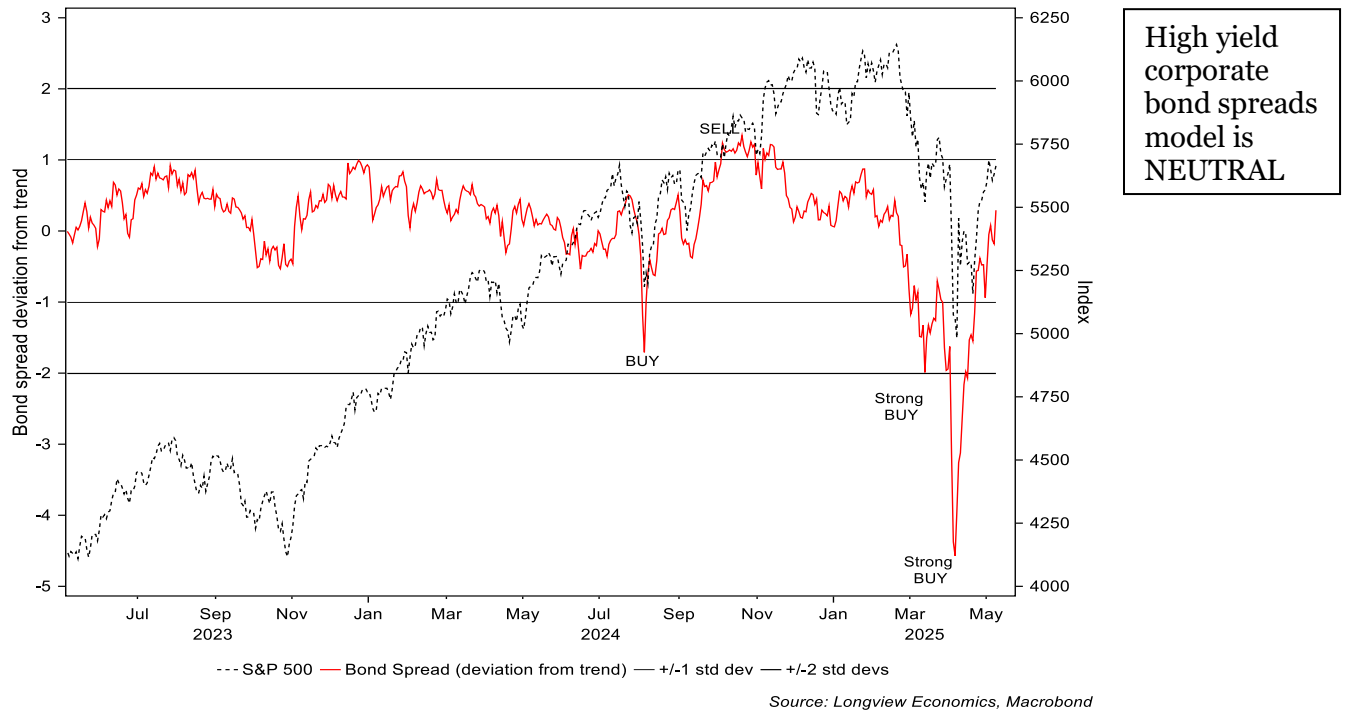
Fig 3h: Colvin model (deviation from trend) vs. S&P500

Colvin model – is NEUTRAL

Source: Longview Economics, Macrobond

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