Welcome to the new 'Weekly Risk Appetite Gauge' publication –> an assessment of the level of 'fear & greed' in market prices, using a blend of short (1 – 2 week) and medium term (1 – 4 month) market timing indicators.

Weekly Assessment of the Market's 'Appetite for Risk': 'Short Term Models Back on SELL'

Last week the market bounced sharply (SPX +2.4%; NDX100 +3.7%; global equities +2.5%), negating the prior week's bearish technical signal (i.e. the 'engulfing' key day reversal). The S&P500 was led higher by the MAG7 (with those stocks continuing their market leadership, which has been ongoing since April). The group, as a whole, was 5.2% higher on the week (with Apple, the strongest performer of the seven, gaining 13.3%, FIG 1).

With that strength in equity markets, our key short-term models have moved from a collective BUY signal (on a '1 – 2' week timeframe) back onto/towards SELL: The risk appetite scoring system, for example, was on BUY at the start of the month - it's now on SELL (FIG 2); the combined RAG1 plus RAG2 model has also shifted sharply from BUY to SELL (FIG 2a); while the amount of downside put protection in trader's portfolios has changed notably in the past week. At the start of the week/month the level of downside put hedging in portfolios was high (& the model was on BUY). By the end of last week, the short term put to call ratio was close to SELL (once again – FIG 2d). Technically the equity market has shifted from clearly oversold (a week ago) to NEUTRAL (see FIGs 2b & 2c).

With that, **further complacency has been building into market prices** (along with some evidence of euphoria). The VIX curve, for example, is back at steep levels with short-dated spot VIX notably below longer dated VIX futures (& the model on SELL, FIG 1a). Indeed, spot VIX is now back at its lowest since February this year (FIG 1b). Added to that, the volume of single stock call options is back at high levels, which is indicative of euphoria (excessive greediness – FIG 1c). While, illustrating the narrowness of the recent advance (typically a troubling sign), the sector breadth of the recent rally has been weak (with limited sector participation – FIG 1d). With that, our US turbulence model has stayed at low (high negative) levels as companies continue to respond poorly to misses on earnings (even if only a mild miss – see last week's Longview on Friday for a detailed analysis of this issue). Finally, the ongoing tightening of various bond spreads last week is another sign of growing complacency (e.g. see FIG 1e).

As such, last week's bounce was consistent with the set-up of the short-term models (i.e. the collective '1 – 2' week BUY signal). **Those models, though, are now mostly back on SELL.** Coupled with that, the market has become complacent (even somewhat euphoric), as well as very narrow in its advance. All of which is occurring as the US macro backdrop is deteriorating, and the liquidity environment is worsening (as highlighted in last week's 6th August 'Tactical (1 – 4 month) Asset Allocation' publication).

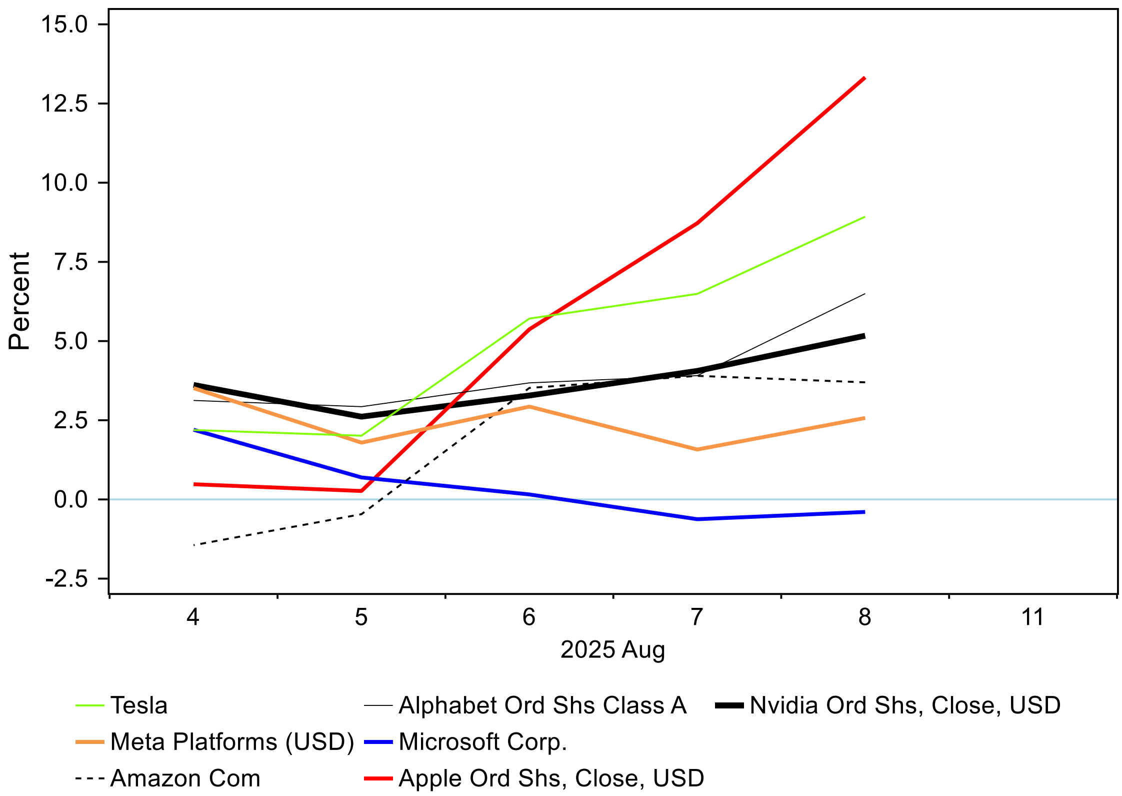
This week, it's all eyes on **Tuesday's US CPI data**. After two months of relatively benign inflation, the market is focussed on whether the tariffs pass through will become more evident in the headline/core CPI data for July. To date, the 'inflation worriers' have argued that the retail sector has been running down old inventory. As such, the pass through of tariffs has been delayed. Naturally, the more time that passes, the less convincing that argument becomes. In that sense, this month is key. US PPI (Thursday) will also be watched closely, along with a raft of key Chinese macro data (monthly lending, money supply, retail sales, fixed investment etc, due out on Thursday and Friday).

For a full list of **key events and macro** data see below.

Kind regards,

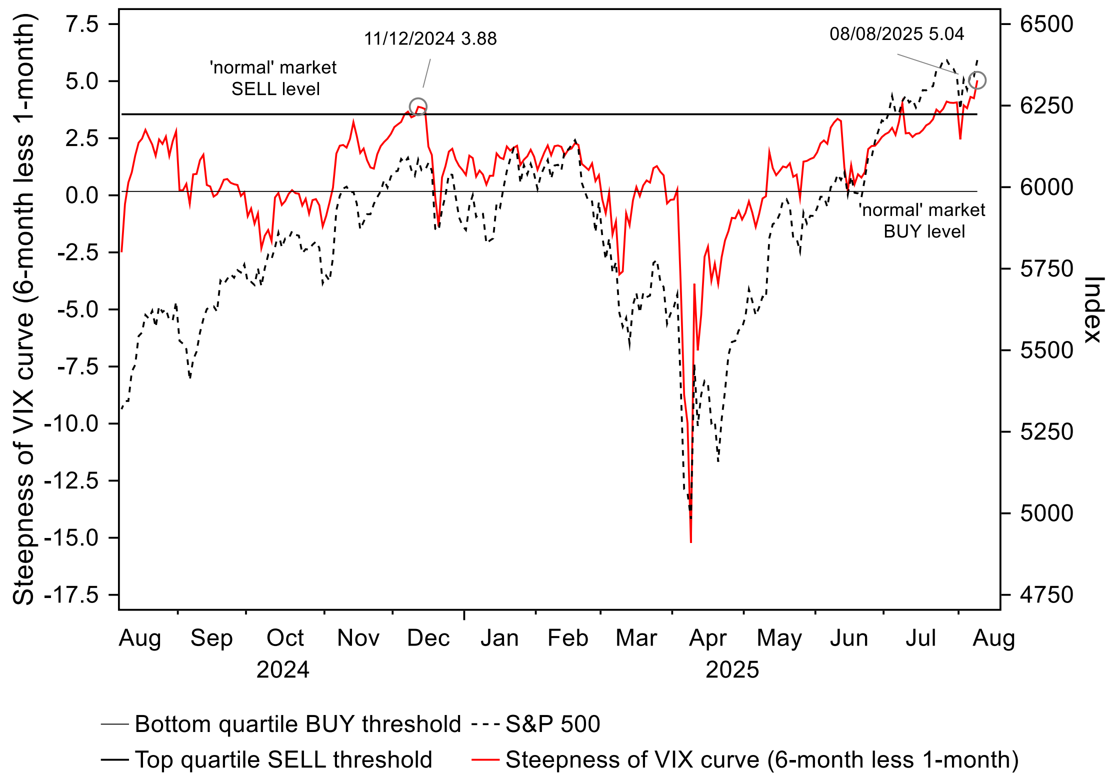
The team @ Longview Economics

FIG 1: MAG7 individual stock performance (last week, %)



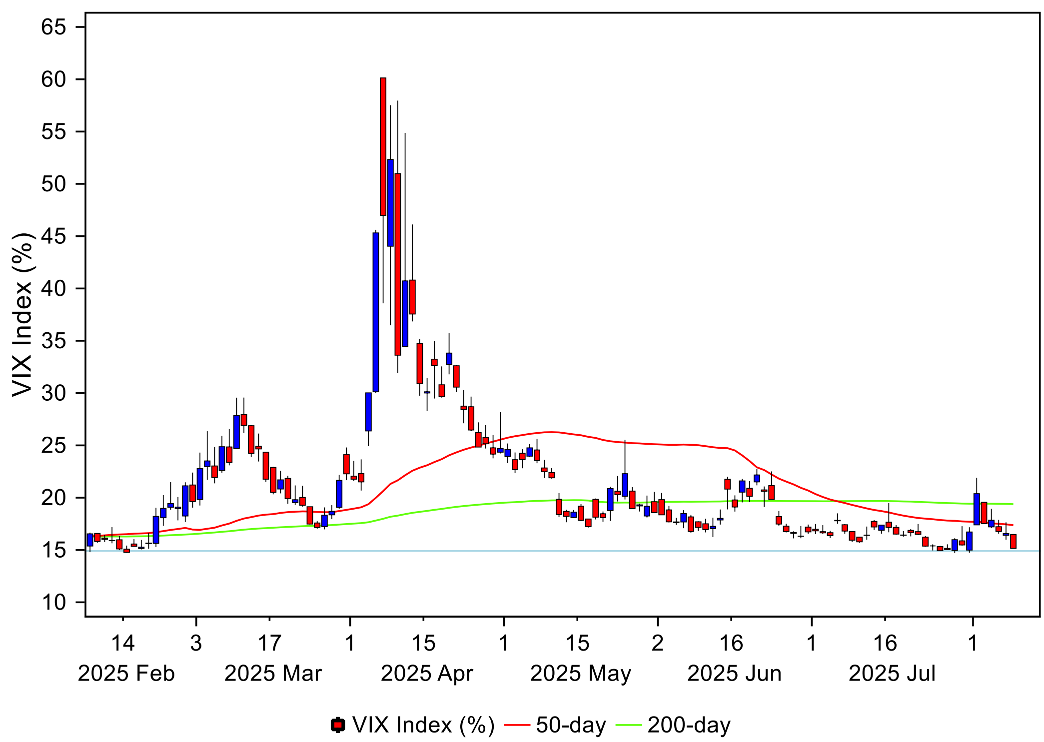
Source: Longview Economics, Macrobond

FIG 1a: Steepness of VIX curve (6 less 1 month futures) vs. S&P500



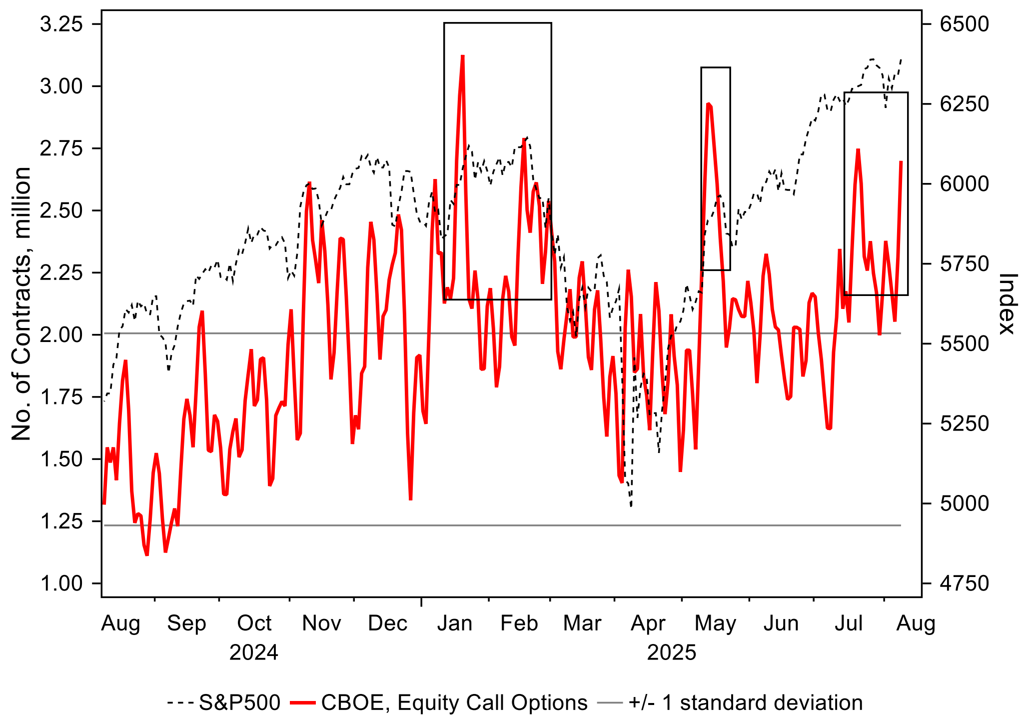
Source: Longview Economics, Macrobond

FIG 1b: VIX candlestick chart shown with key moving averages



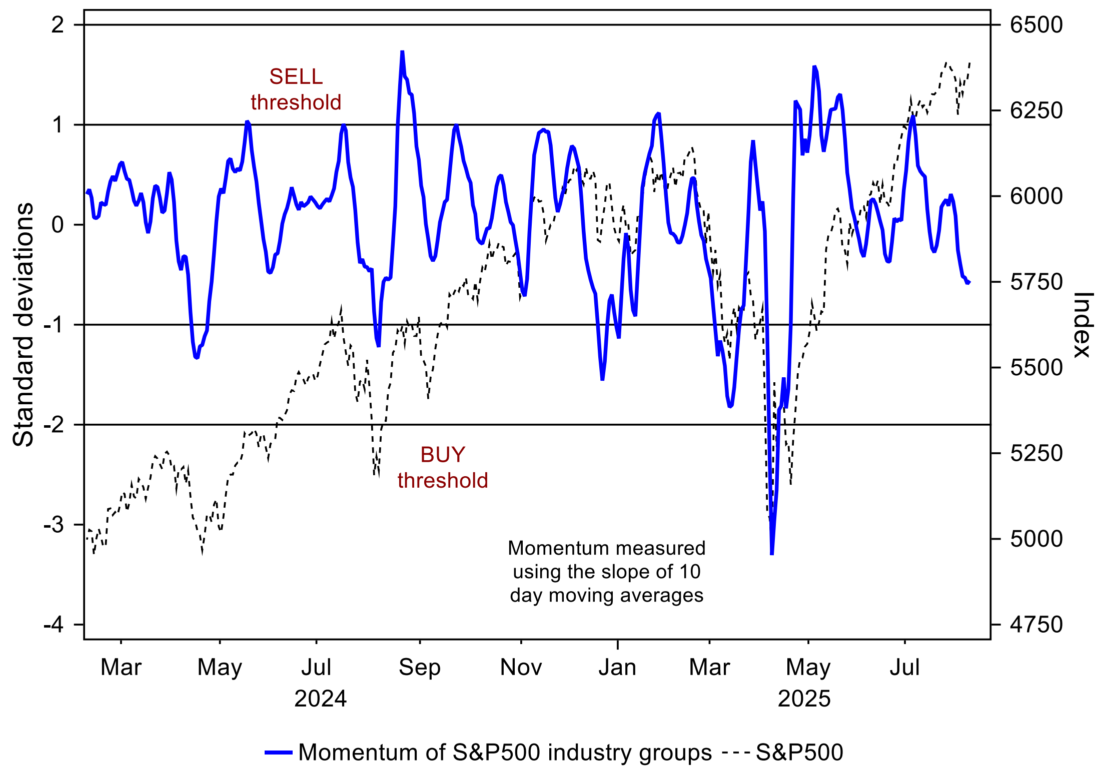
Source: Longview Economics, Macrobond

FIG 1c: Volume of outstanding CBOE **'single stock'** call options (3 day smoothed) vs. S&P500



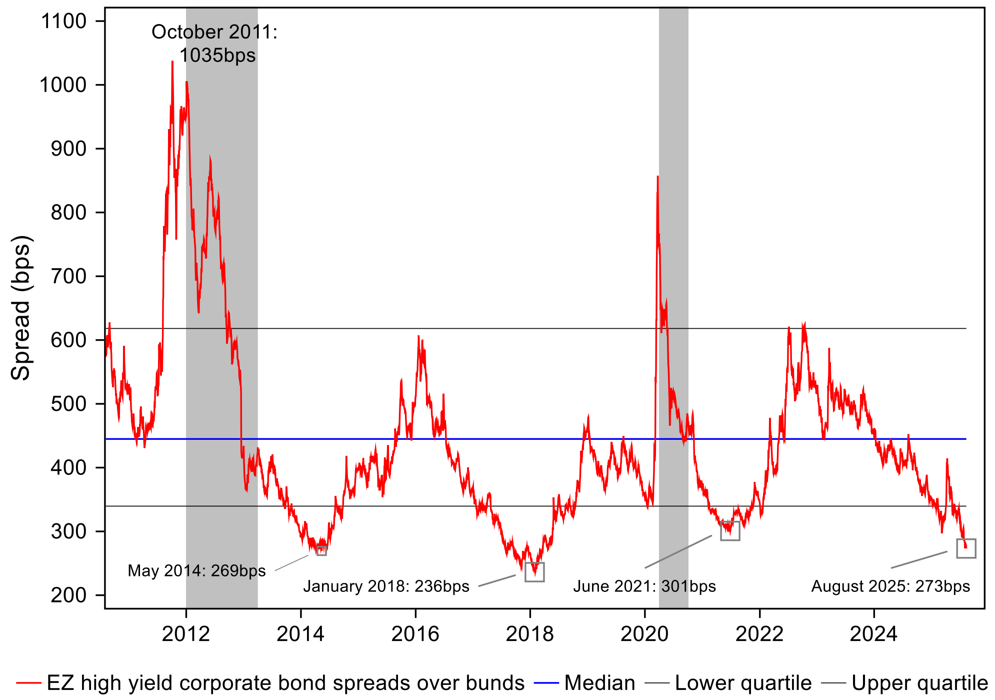
Source: Longview Economics, Macrobond

FIG 1d: Momentum of S&P500 industry groups vs. S&P500 cash index



Source: Longview Economics, Macrobond

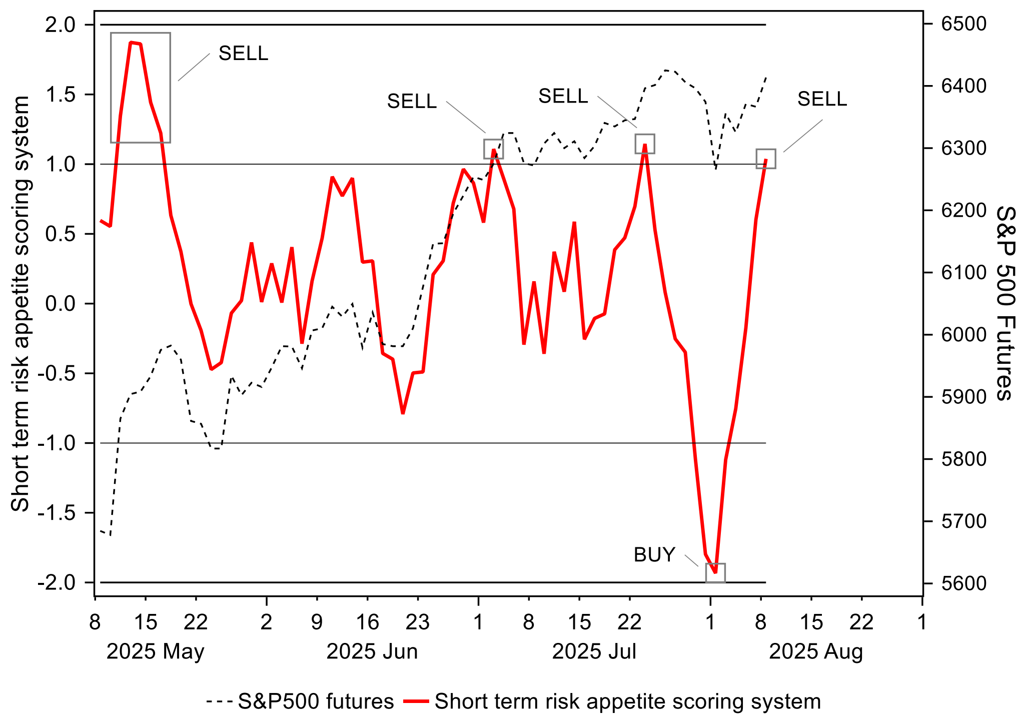
FIG 1e: EZ high yield corporate bond spreads shown with recession bands



Source: Longview Economics, Macrobond

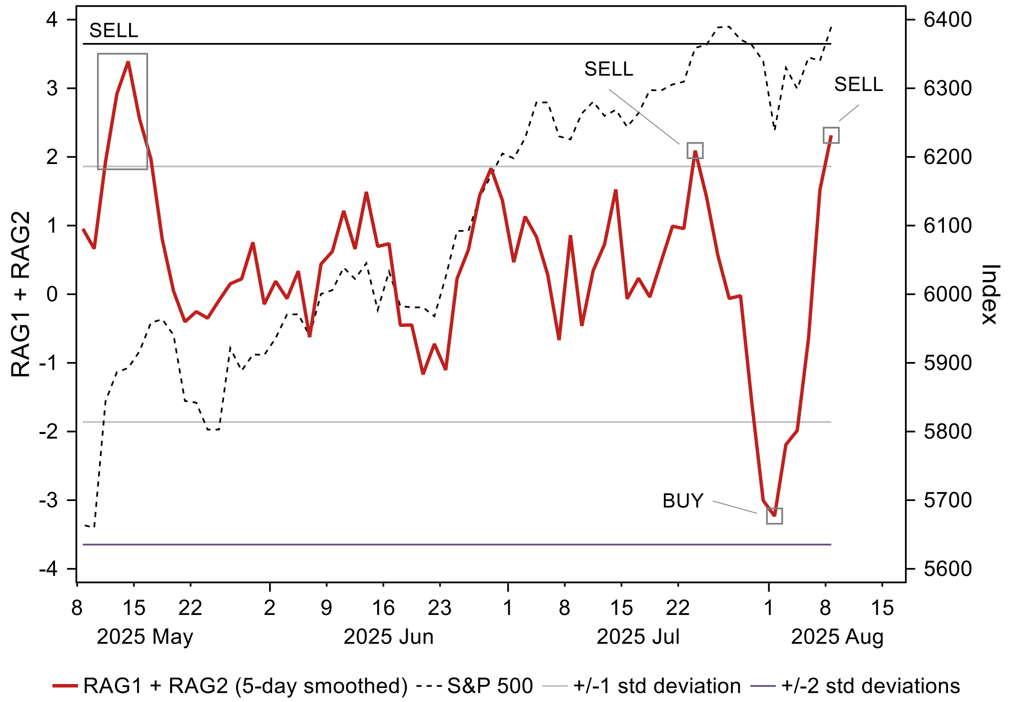
Short term (1 – 2 week) market timing models are now mostly on SELL……

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



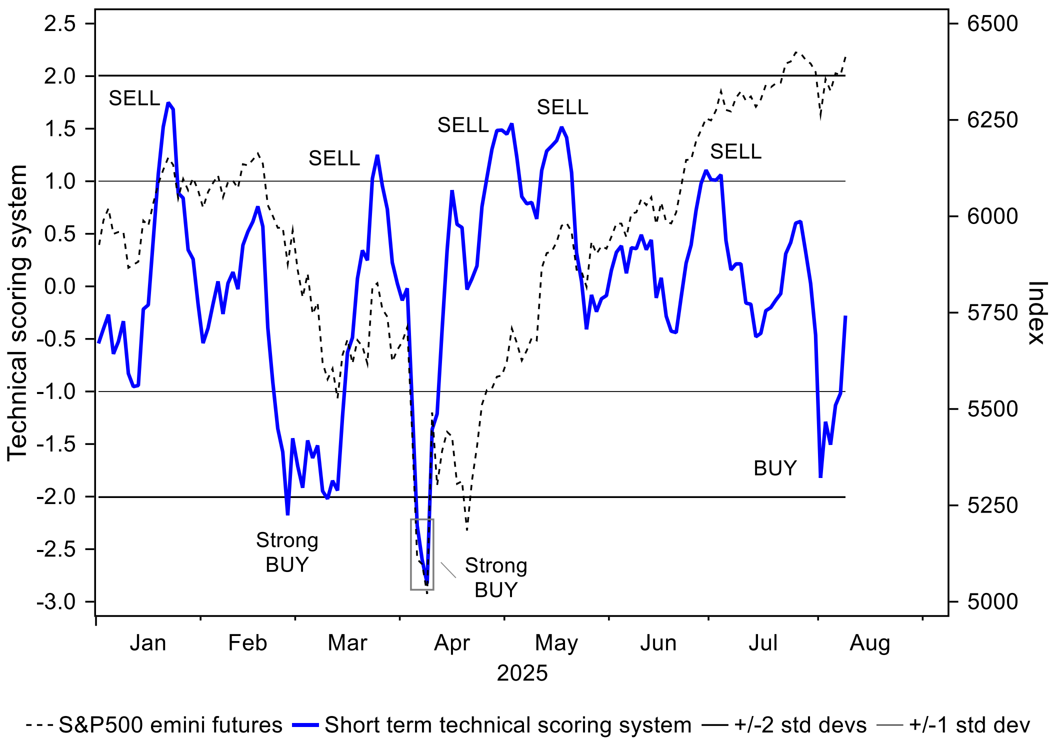
Source: Longview Economics, Macrobond

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



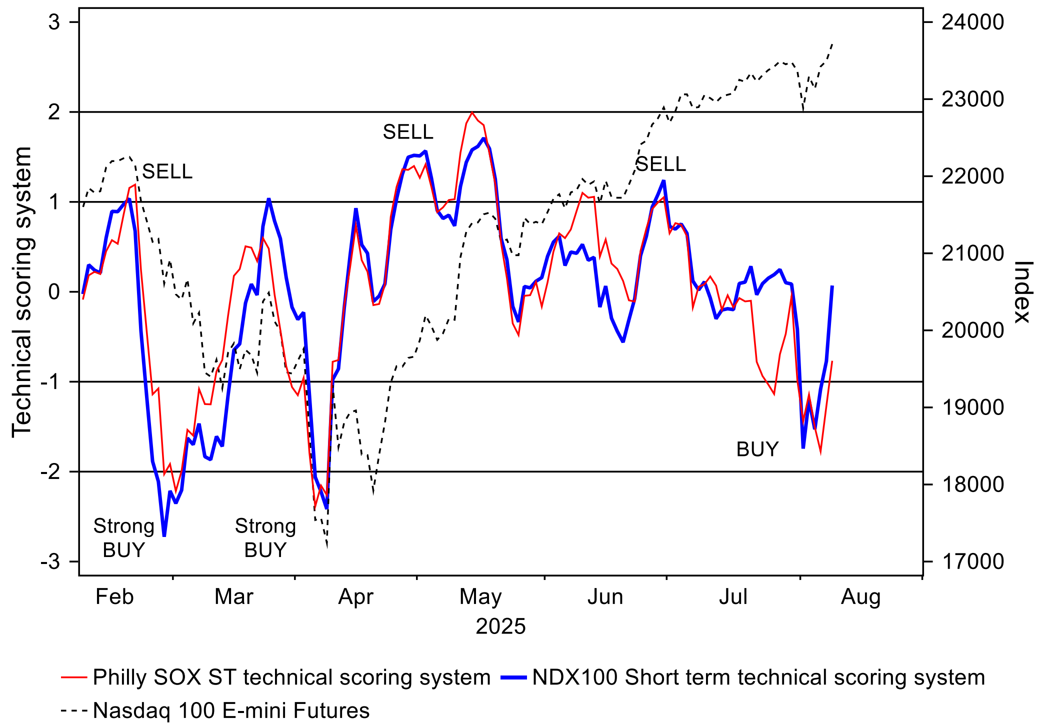
Source: Longview Economics, Macrobond

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



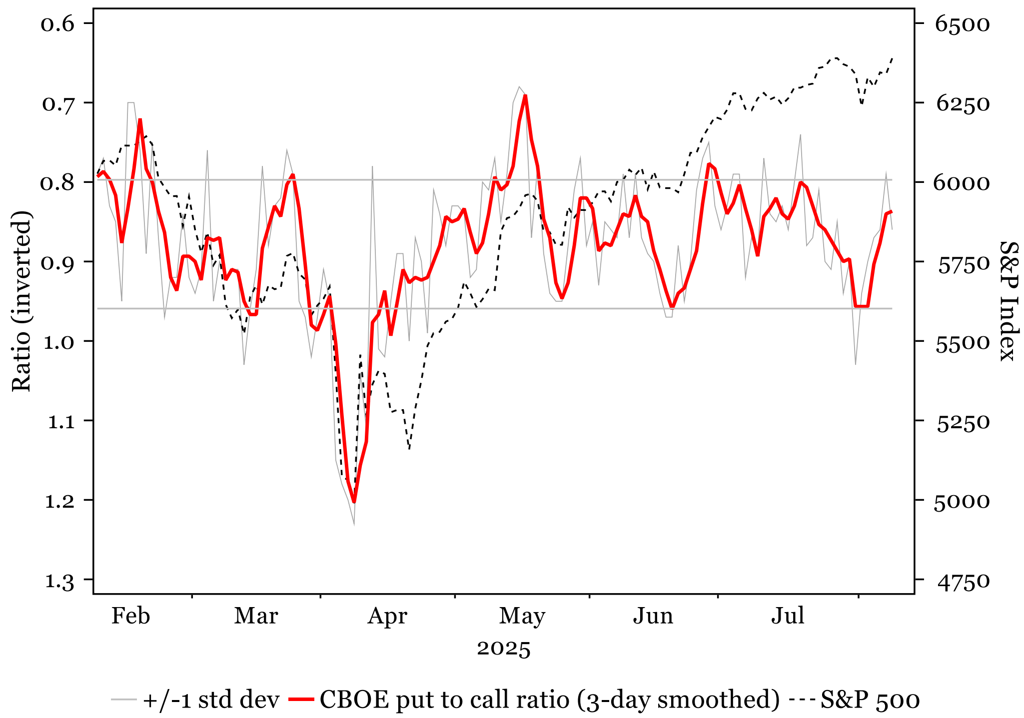
Source: Longview Economics, Macrobond

FIG 2c: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures



Source: Longview Economics, Macrobond

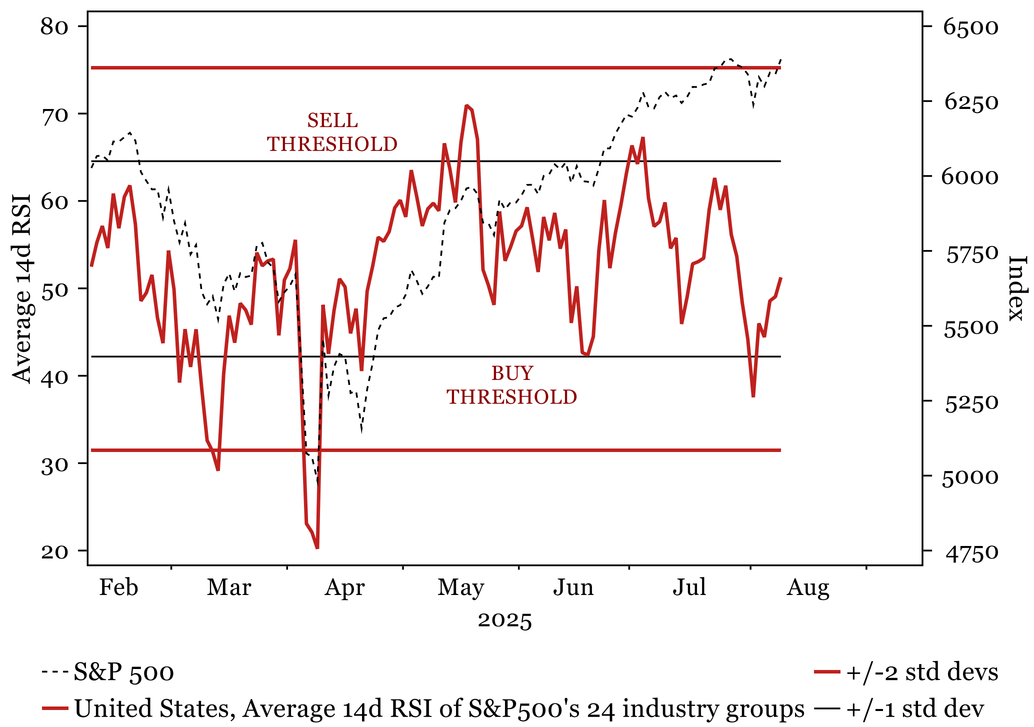
FIG 2d: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

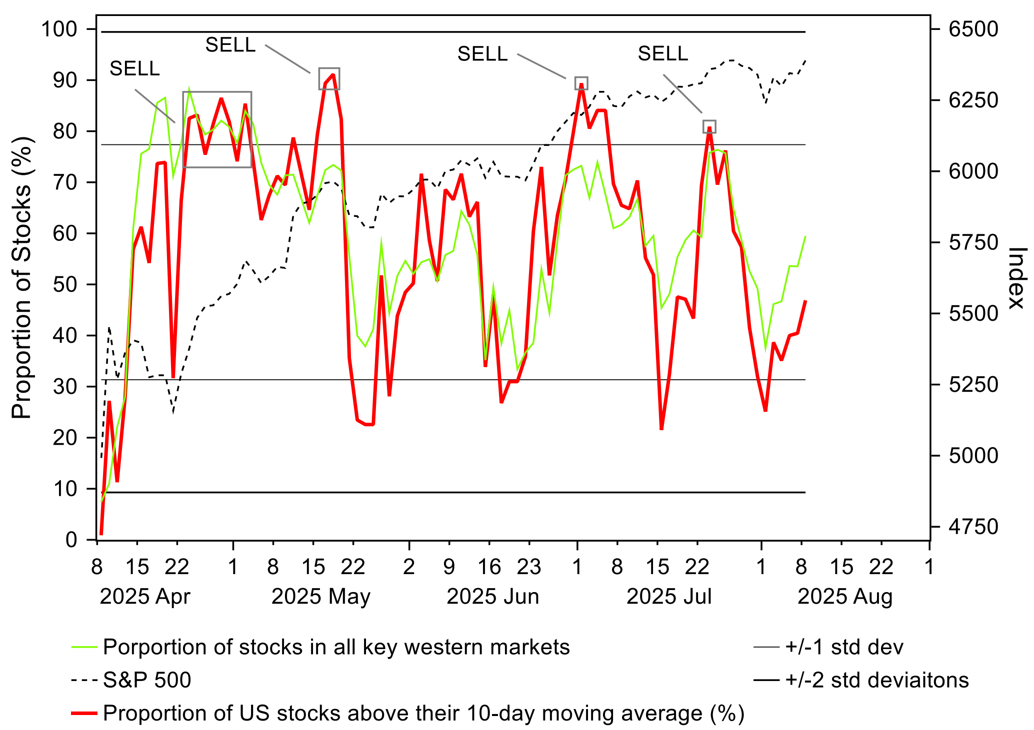
Sector and single stock models are mid-range...

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



Source: Longview Economics, Macrobond

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



Source: Longview Economics, Macrobond

Key macro data/events this week (sourced from Friday's 'State of Markets' email):

Events:	RBA policy decision (Tues, 5:30am).
Monday:	N/A
Tuesday:	US NFIB small business optimism (July, 11am); US headline & core CPI (July, 1:30pm).
Wednesday:	N/A
Thursday:	Chinese total social financing, new yuan loans, and M0, M1 & M2 money supply (July, 10am); UK GDP (Q2 first estimate, 7am); Eurozone GDP & employment (Q2 first estimate, 10am); US headline & core PPI (July, 1:30pm).
Friday:	Chinese activity data (industrial production, retail sales, fixed asset, property investment & unemployment rate – July, 3am); Japanese GDP (Q2 first estimate, 12:50am); US retail sales (July, 1:30pm); US Michigan Sentiment (Aug first estimate, 3pm).
Key earnings:	Tencent Holdings & Cisco **(Wed);** Alibaba & Applied Materials **(Thurs).**

For the full detail, organised by key region, see Friday's 'State of Markets' email.

Definitions & other matters:

RAG = Risk Appetite Gauge

The 'Weekly Risk Appetite Gauge' publication is an assessment of the short and medium term outlook for risk appetite (and, therefore, 'risk assets'). It's a complement to our Tactical Equity Asset Allocation publication (which generates medium-term '1 – 4' month recommendations and is updated at the start of each month, as well as occasionally intra month via Tactical Alerts). The latest update was published on 10th July 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

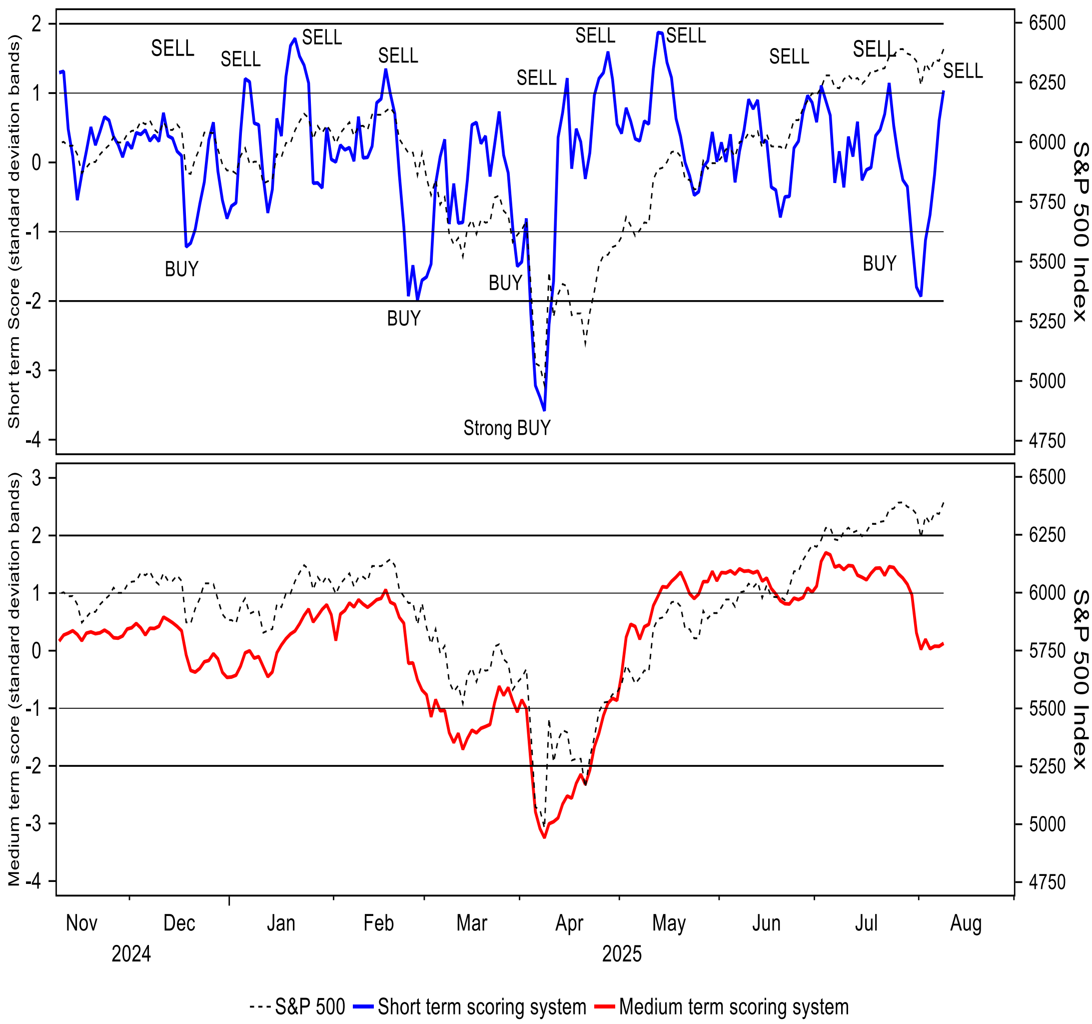
1 – 2 Week View on Risk

11th August 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 SELL

Medium term scoring system is NEUTRAL

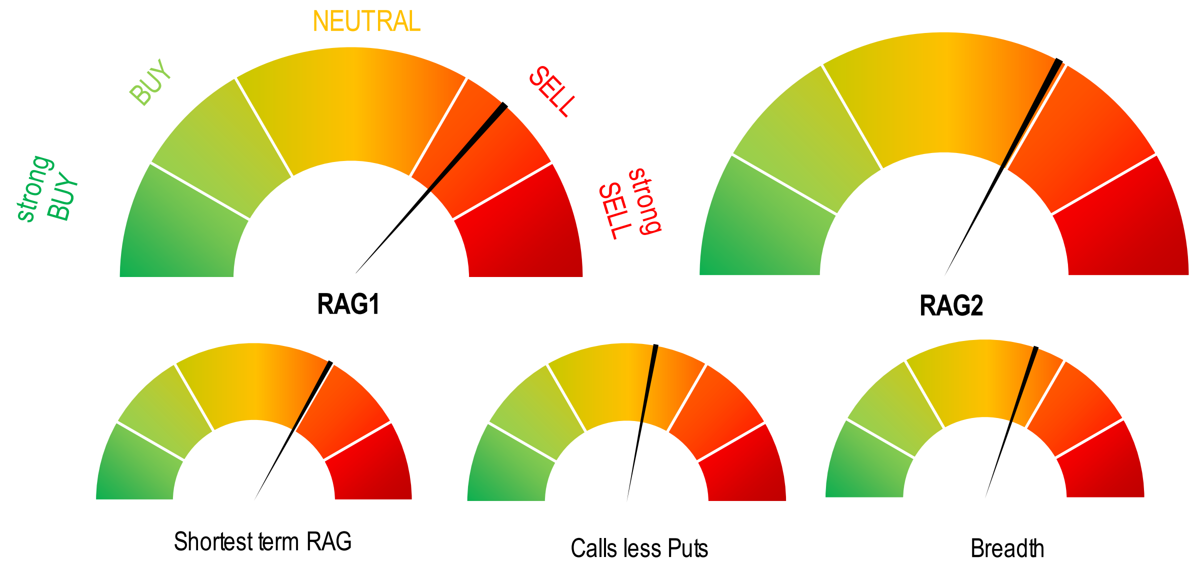
Source: Longview Economics, Macrobond

*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

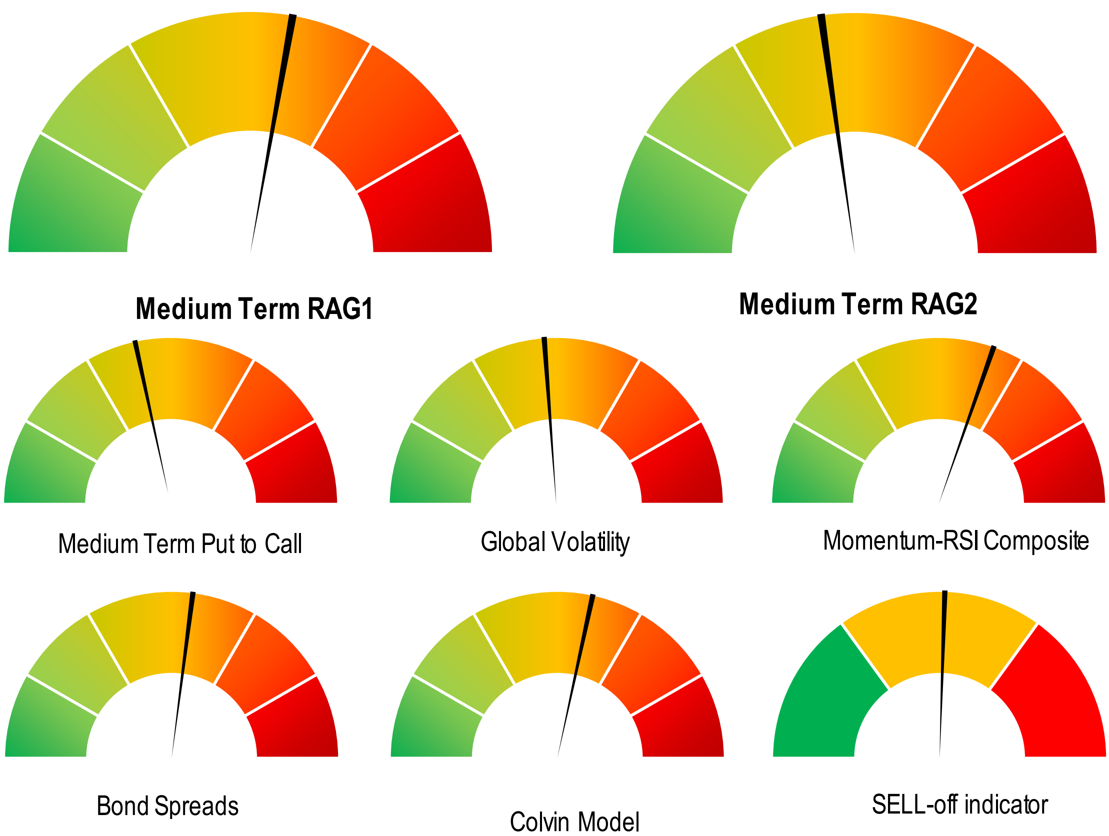
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

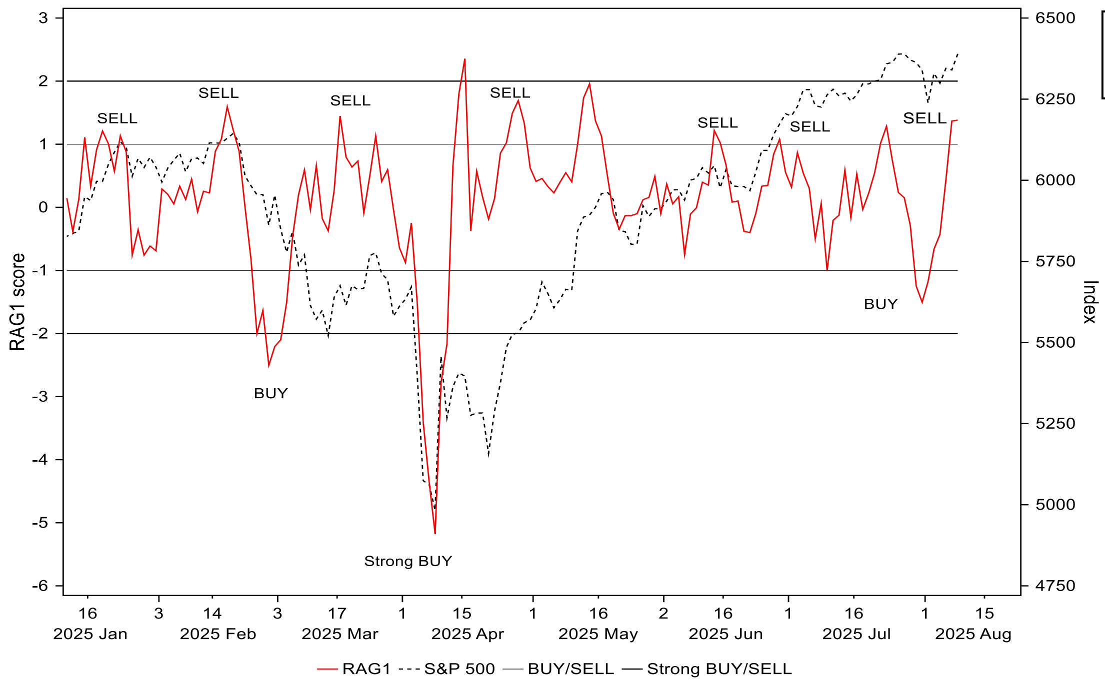
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

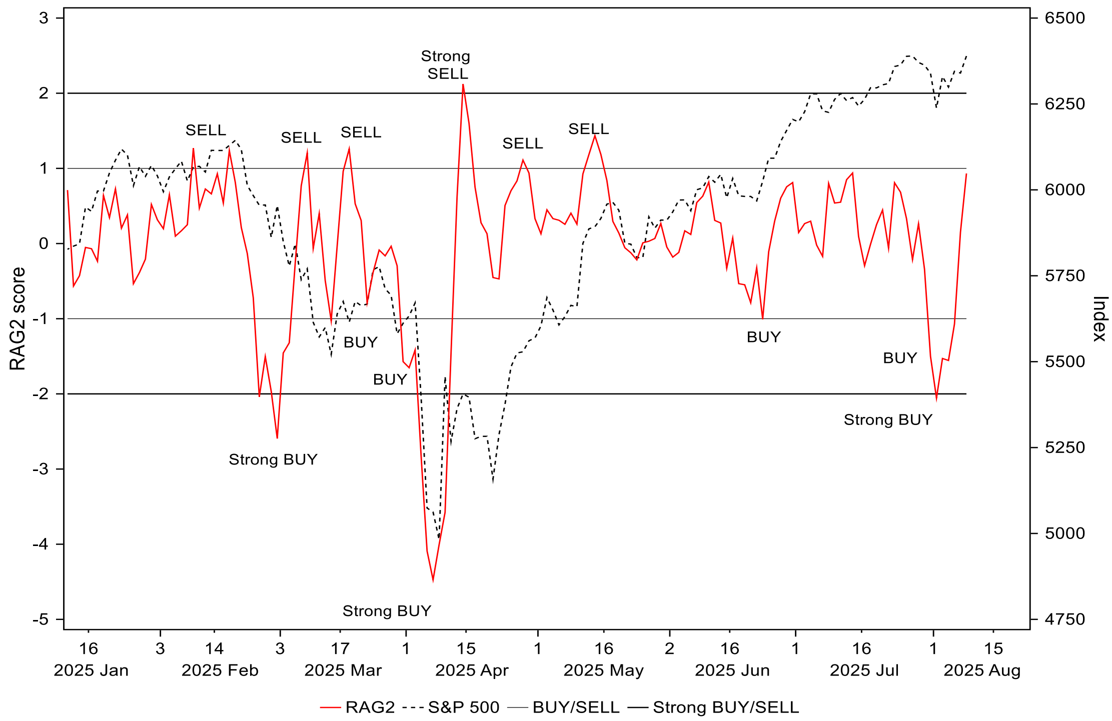
Fig 2a: RAG 1 vs. S&P 500



RAG1 is on SELL

Source: Longview Economics, Macrobond

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

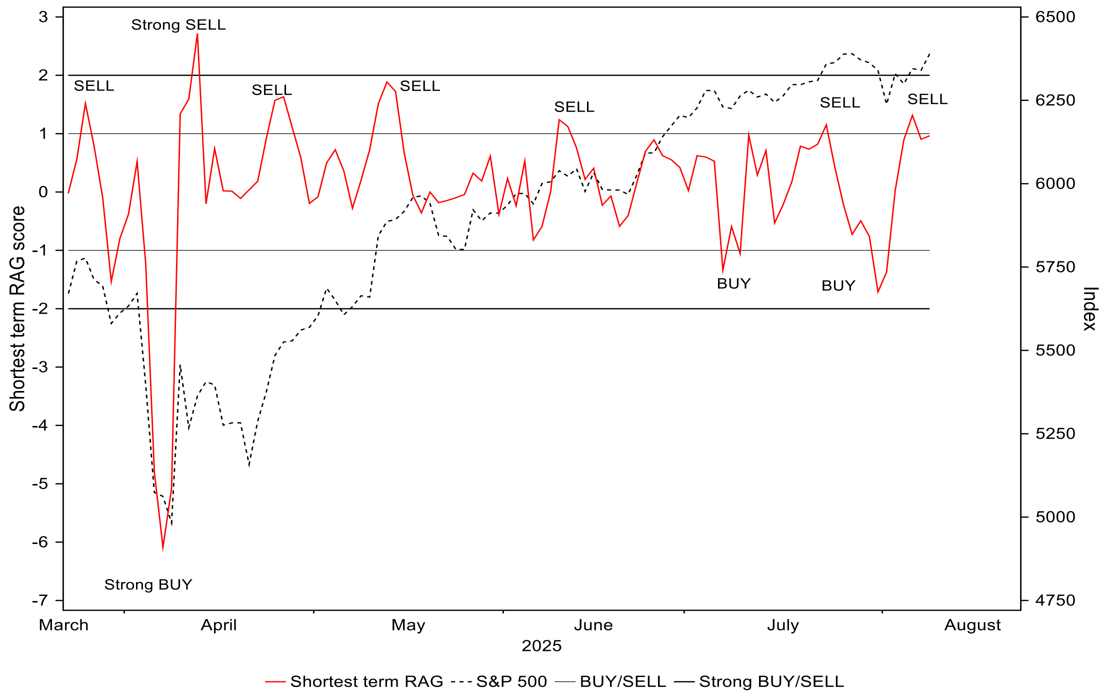


RAG2 is NEUTRAL (just)

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

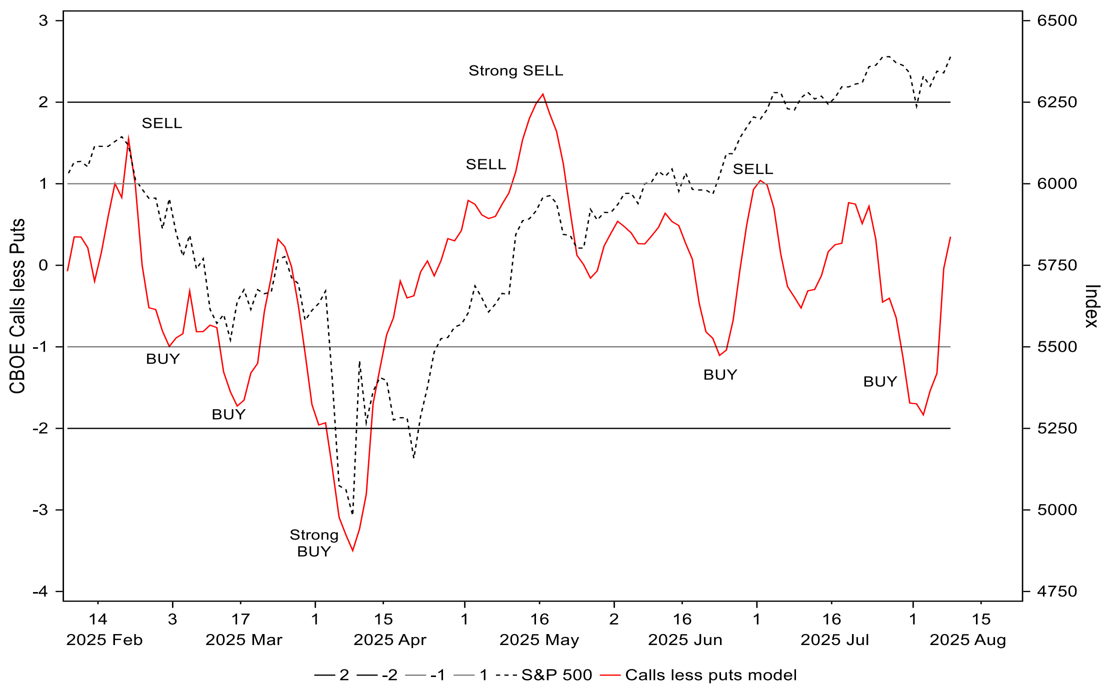
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL (just)

Source: Longview Economics, Macrobond

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

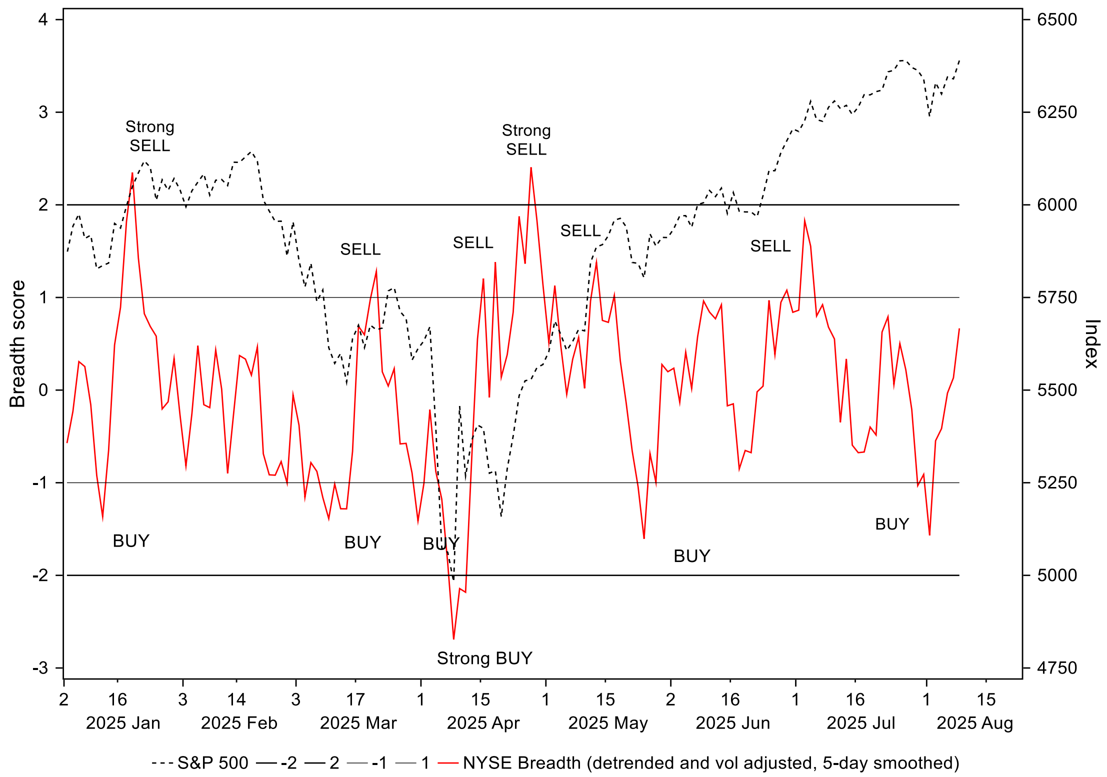


Calls less puts model is NEUTRAL

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



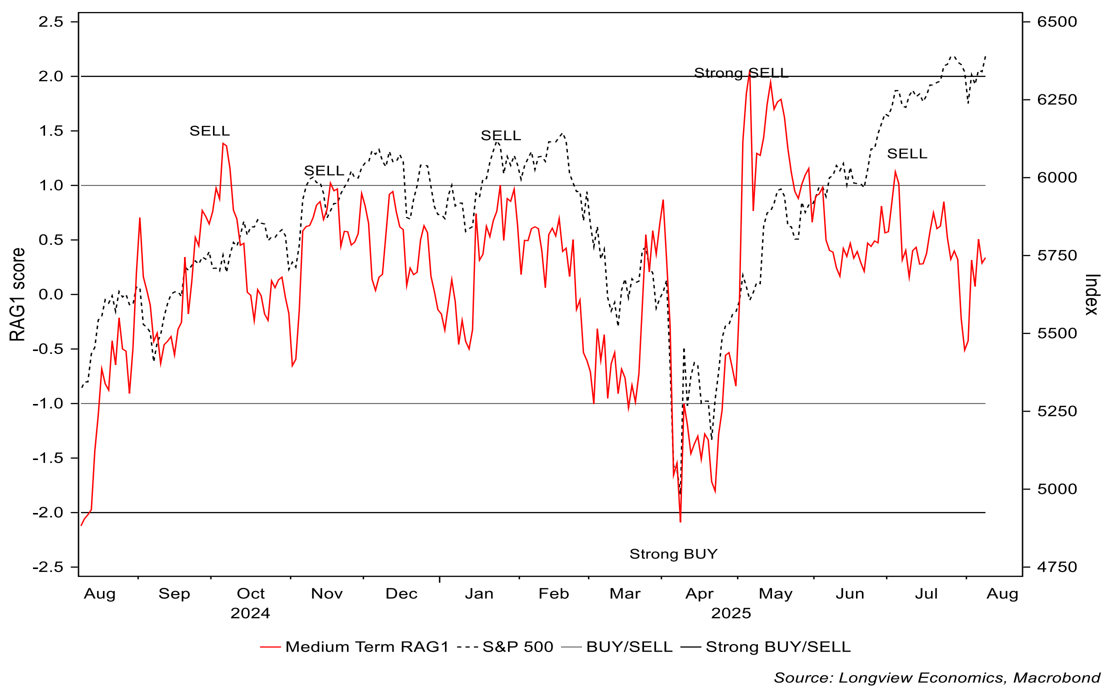
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

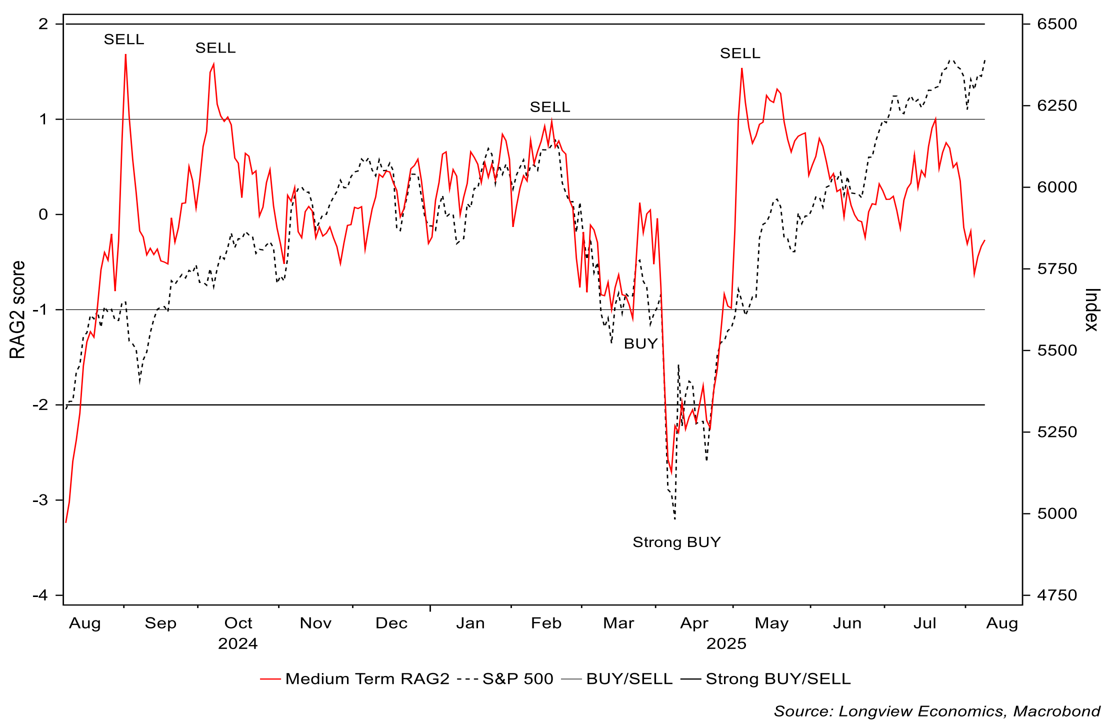
Section 3: Medium term (1 – 4 month) outlook

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



Medium term RAG1 is NEUTRAL

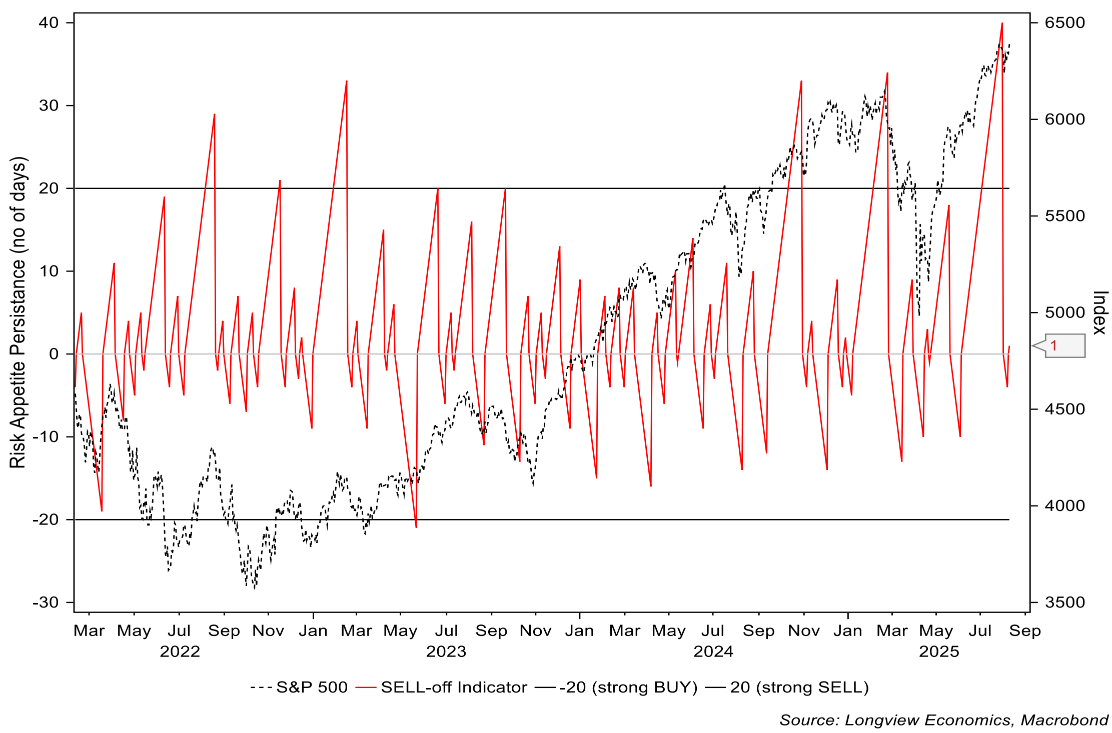
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

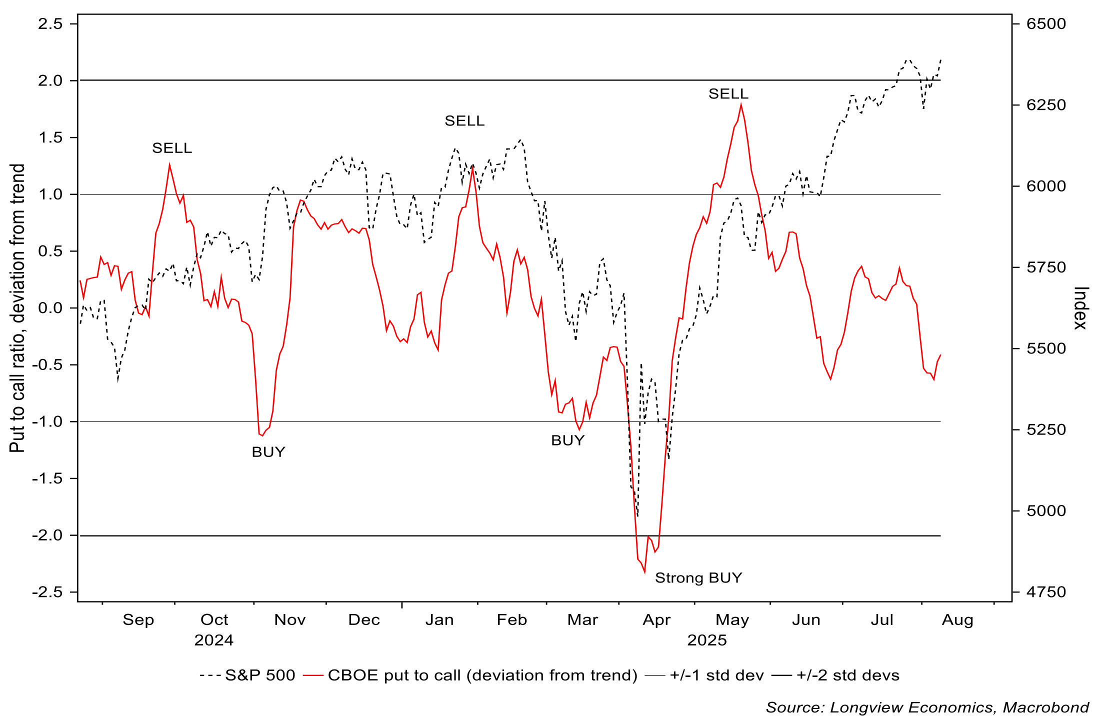
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is NEUTRAL

(@ +20 it warns of a potential major SELL-off in risk assets – i.e. a strong SELL signal)

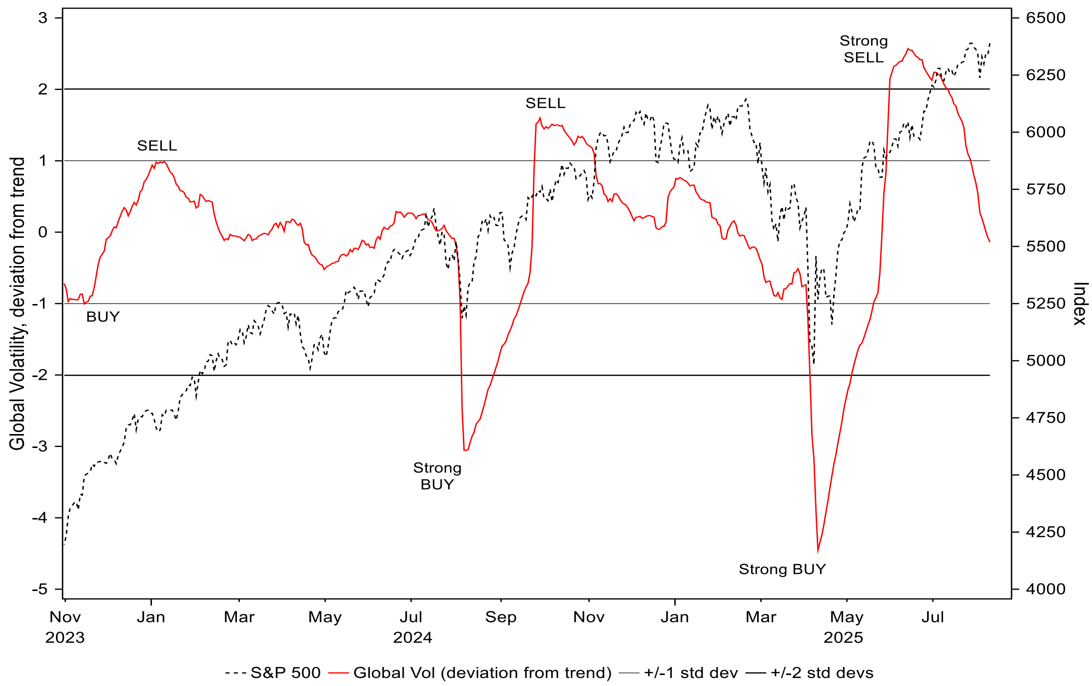
Fig 3d: CBOE put to call trend deviation model vs. S&P500



Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

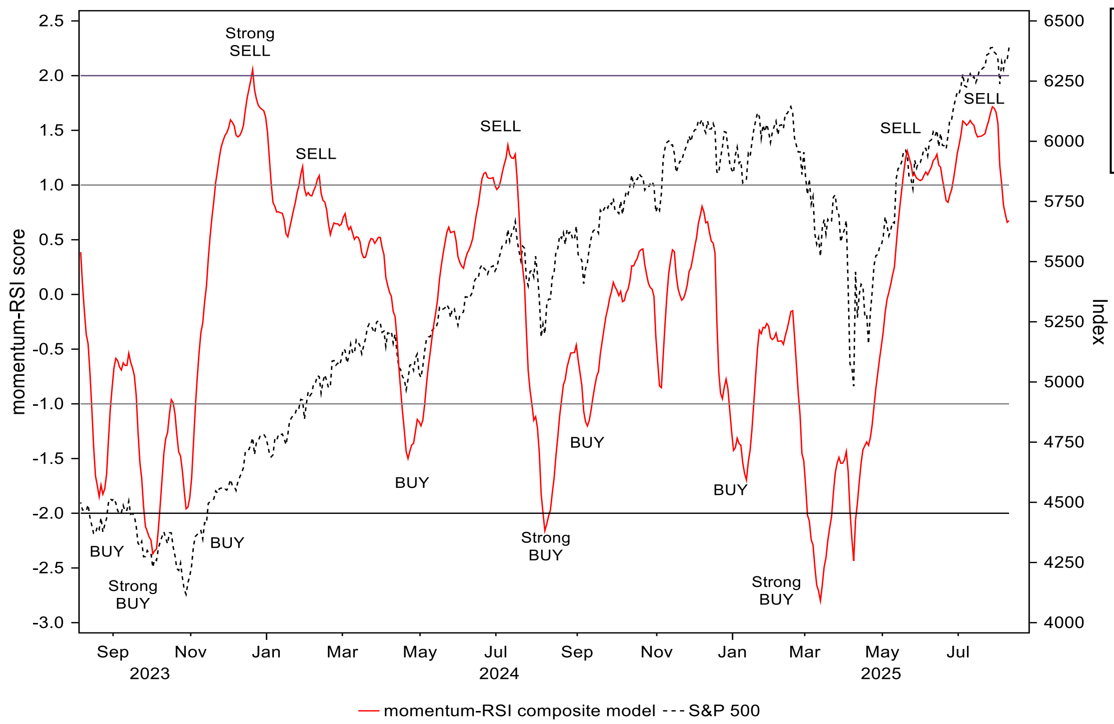
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is NEUTRAL

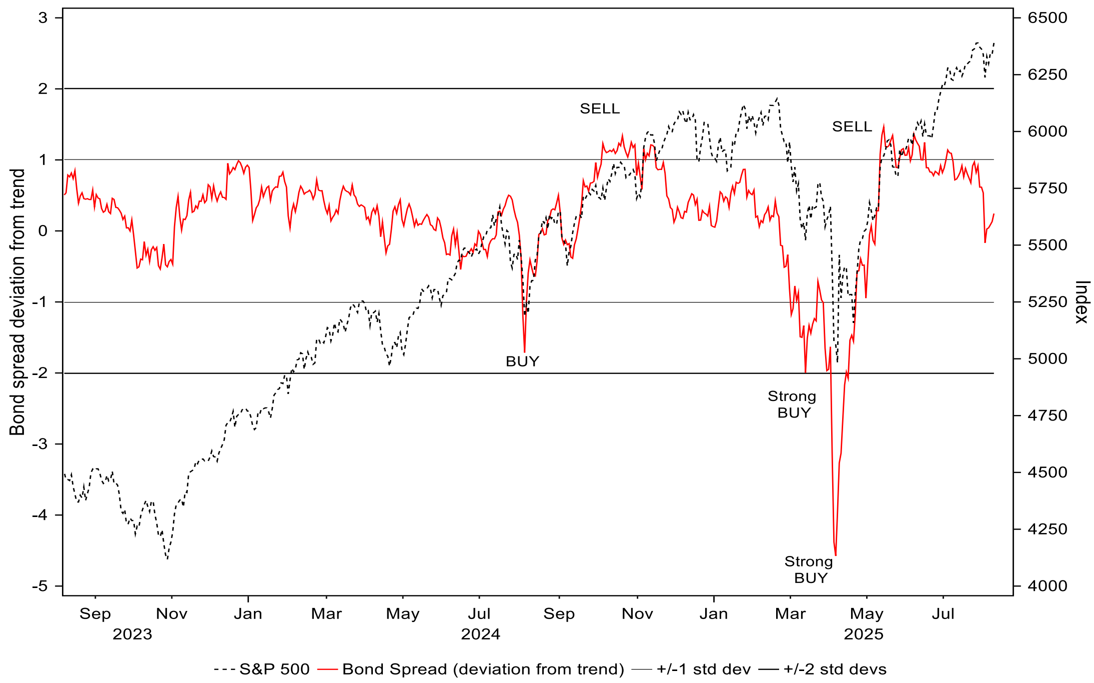
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is NEUTRAL

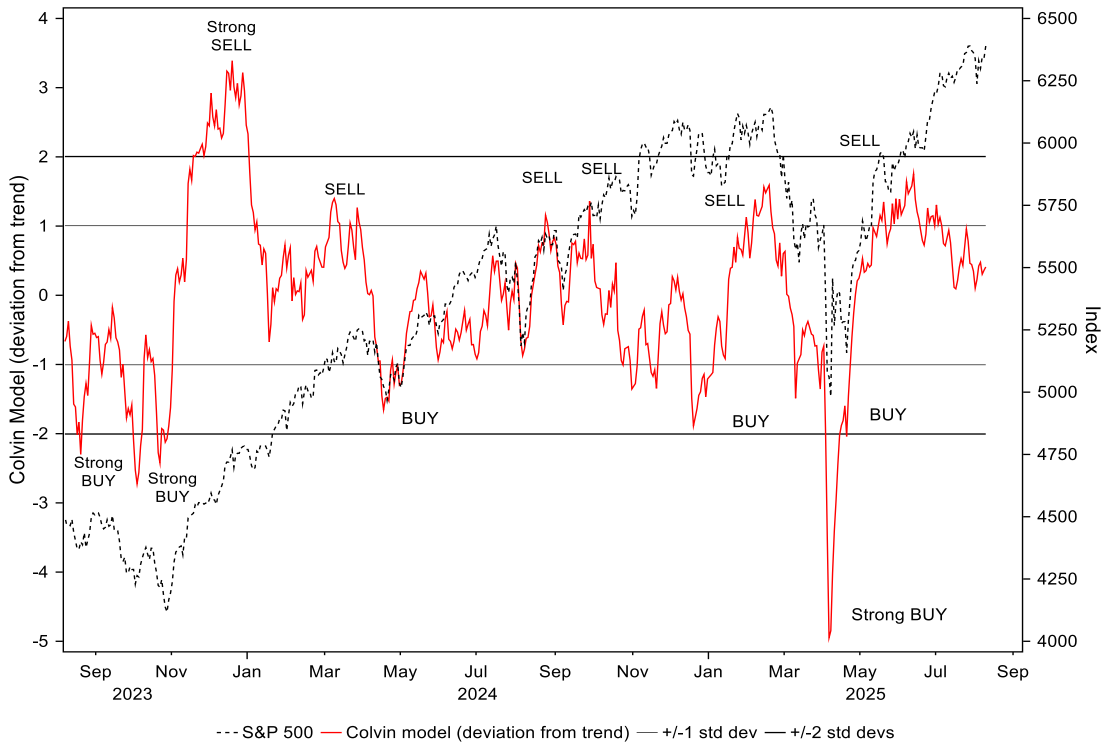
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL

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



Source: Longview Economics, Macrobond

Colvin model – is NEUTRAL

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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