

## Weekly Assessment of the Market's 'Appetite for Risk': 'Fraying at the Edges'

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US equities mostly closed lower on Friday, led by key 'leadership' indices like the NASDAQ100 (-1.2%); NASDAQ Computer Index (-1.4%); and the Philly SOX (-3.2%). The S&P500 (-0.6%) was also weaker on the day, with Tech sector losses (-1.6%) largely offsetting the gains in Real Estate (-0.7%); Consumer Staples (+0.6%); and Health Care (+0.7%).

At a single stock level, the biggest negative contributors to the S&P500 on Friday were Nvidia (-3.3%), Broadcom (-3.7%), and Oracle (-5.9%). Those, and other large cap names, are beginning to move lower from technically over-bought levels in recent weeks (i.e. following SELL signals from key indicators, like the overextended ratio for Nvidia, FIG 1d). Other growing signs of risk aversion last week also included the sharp widening of Italian sovereign spreads (which often happens with, or ahead of, weakness in the S&P500, see FIG 1a); and further losses in Bitcoin (a key gauge of speculative liquidity – see FIG 1c). Those moves highlight the **fraying at the edges of global risk appetite**.

Our central view remains unchanged from last week: The key risk is that US equities roll over in the near term, given widespread evidence of bullish positioning and sentiment, as well as high levels of complacency in markets.

Illustrating that, measured sentiment readings towards equities are bullish (and generating a SELL signal, see FIG 1b), while traders have become **increasingly SHORT the VIX** in recent weeks. Phases of rising net SHORT exposure in the VIX typically occur just before pullbacks/bouts of risk aversion. That was the case earlier this year and last summer (see FIG 1).

In a similar vein, our SELL-off indicator, which is designed to warn of waves of risk aversion in global markets, reached a reading of +16 on Friday (FIG 1g). Once this model reaches its +20 threshold, it warns of a pullback in risk assets (i.e. potentially in four trading days' time, on Friday morning this week).

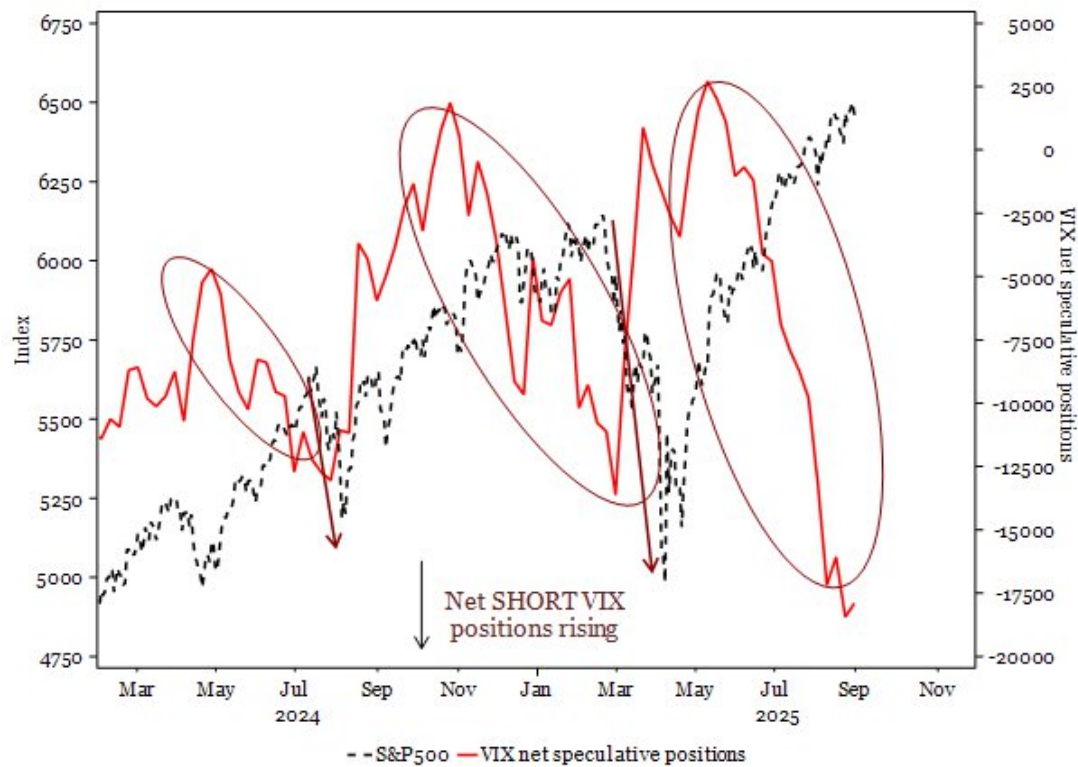
As such, and while our short term models are mostly neutral (see FIGs 2 – 3a), we continue to favour caution on US equities. In particular, as well as those signals noted above, other warning signs have grown – and highlight the downside risks to this equity market (for detail see last month's Longview Tactical Equity Alert: "[US Equity Market: Six Warning Signs](#)", published 19<sup>th</sup> August).

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

Kind regards,

The team @ Longview Economics

**FIG 1:** Net speculative SHORT positions in the VIX vs. S&P500



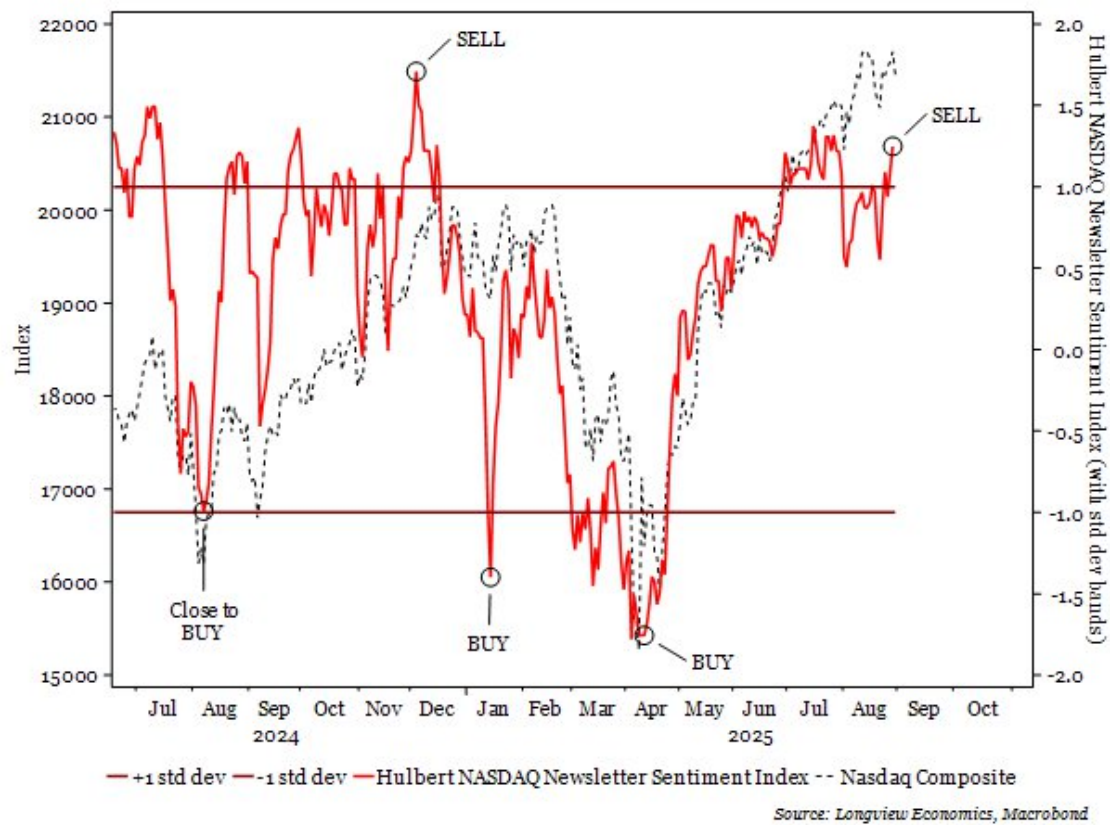
Source: Longview Economics, Macrobond

**FIG 1a:** Italian sovereign spreads over BUNDS (scale inverted) vs. S&P500

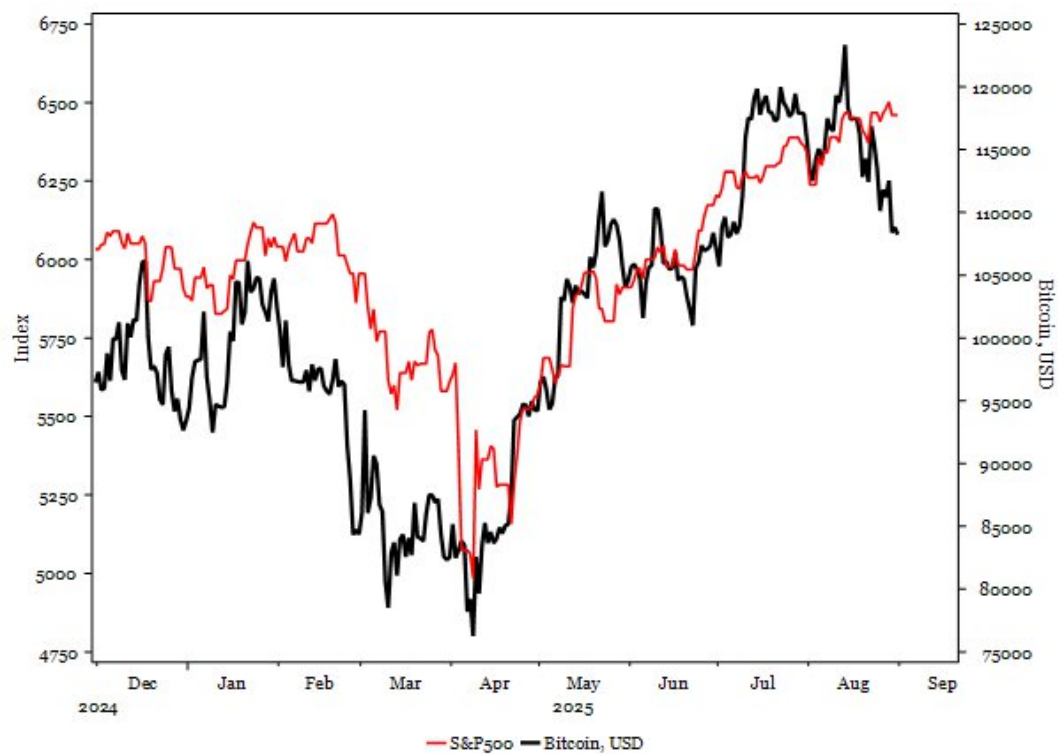


Source: Longview Economics, Macrobond

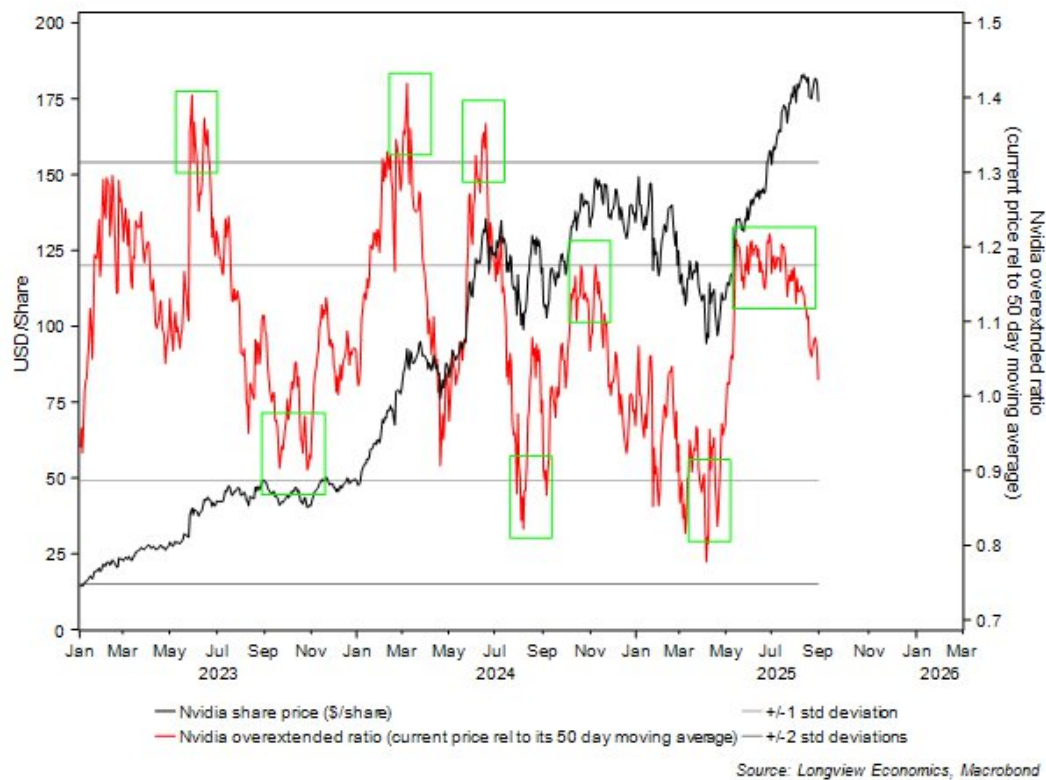
**FIG 1b:** Hulbert NASDAQ sentiment index shown with NASDAQ composite index



**FIG 1c:** Bitcoin price (USD) vs. S&P500



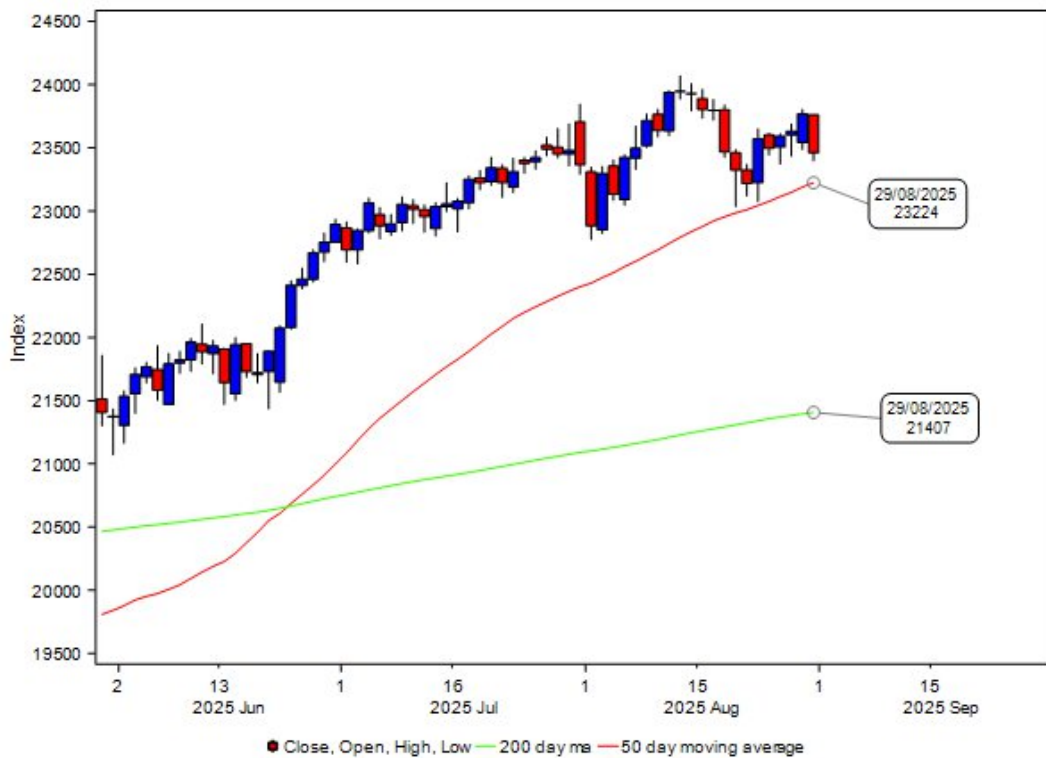
**FIG 1d:** Nvidia overextended ratio (current price rel. to its 50 day moving average) vs. Nvidia share price (USD/share)



**FIG 1e:** S&P500 September 25 futures candlestick shown with 50 & 200 day moving averages

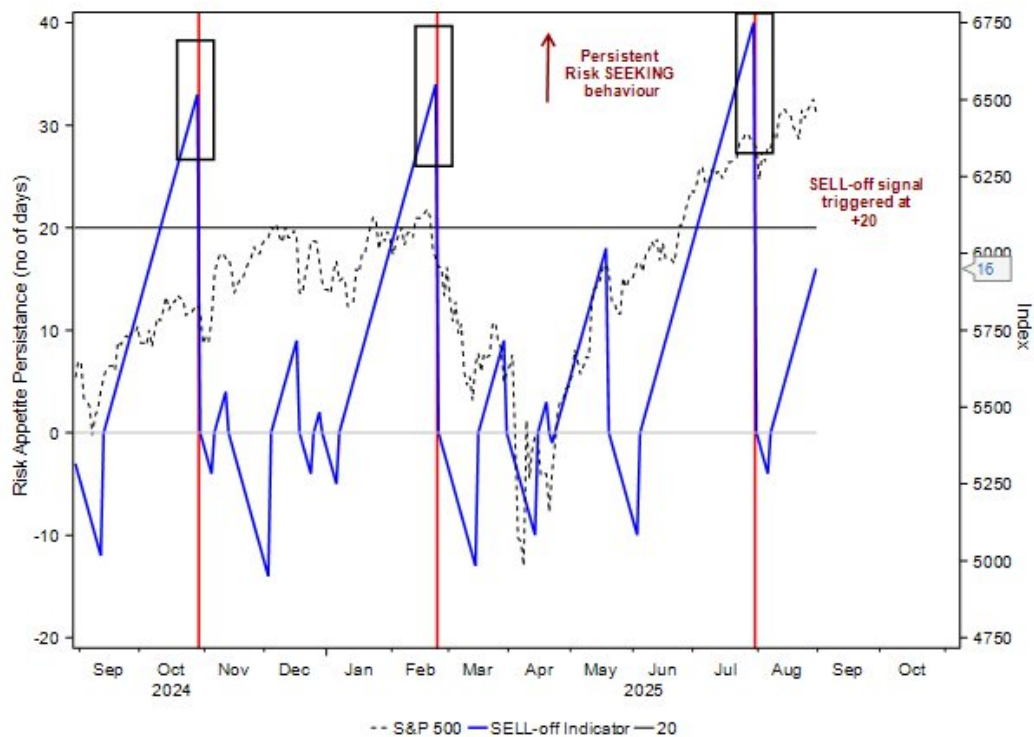


**FIG 1f:** NASDAQ100 futures candlestick, shown with 50 & 200 day moving averages



Source: Longview Economics, Macrobond

**FIG 1g:** Longview SELL-off indicator vs. S&P500

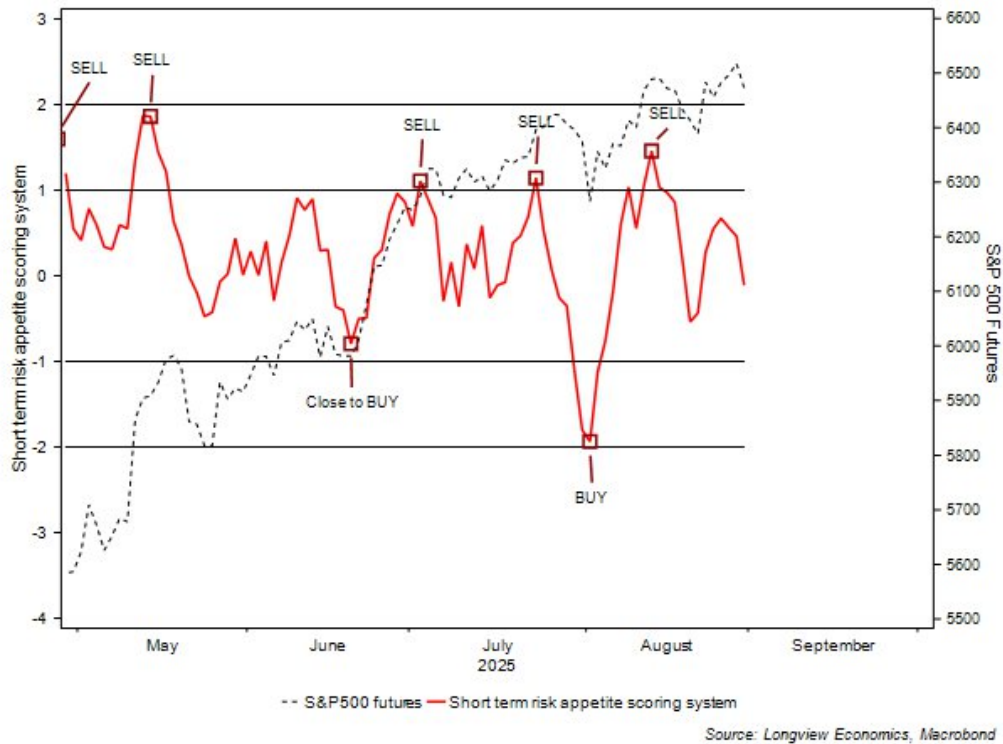


Source: Longview Economics, Macrobond

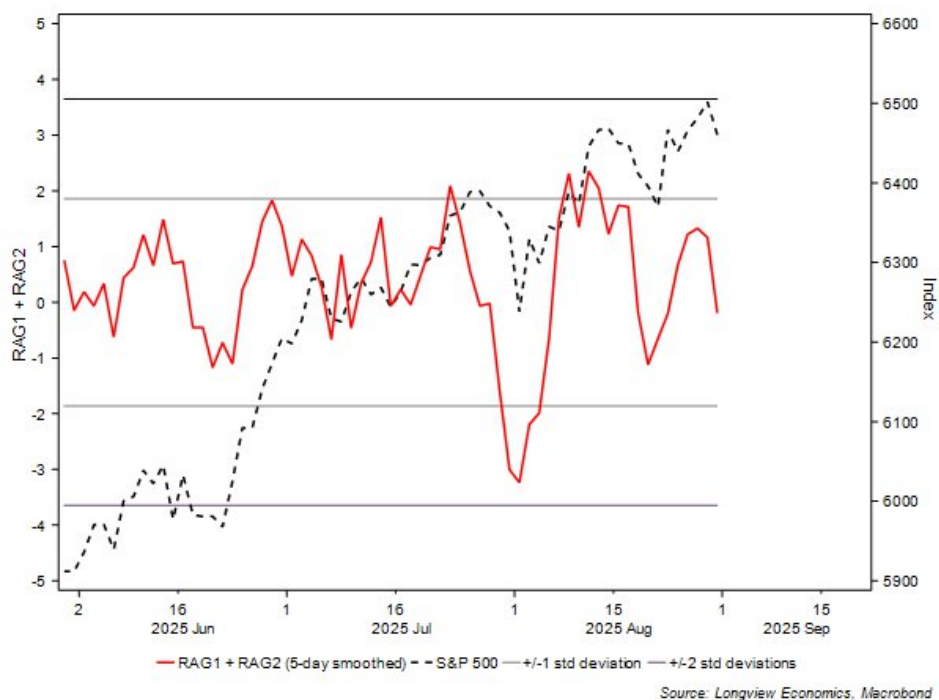


## Short term (1 – 2 week) market timing models are mostly NEUTRAL.....

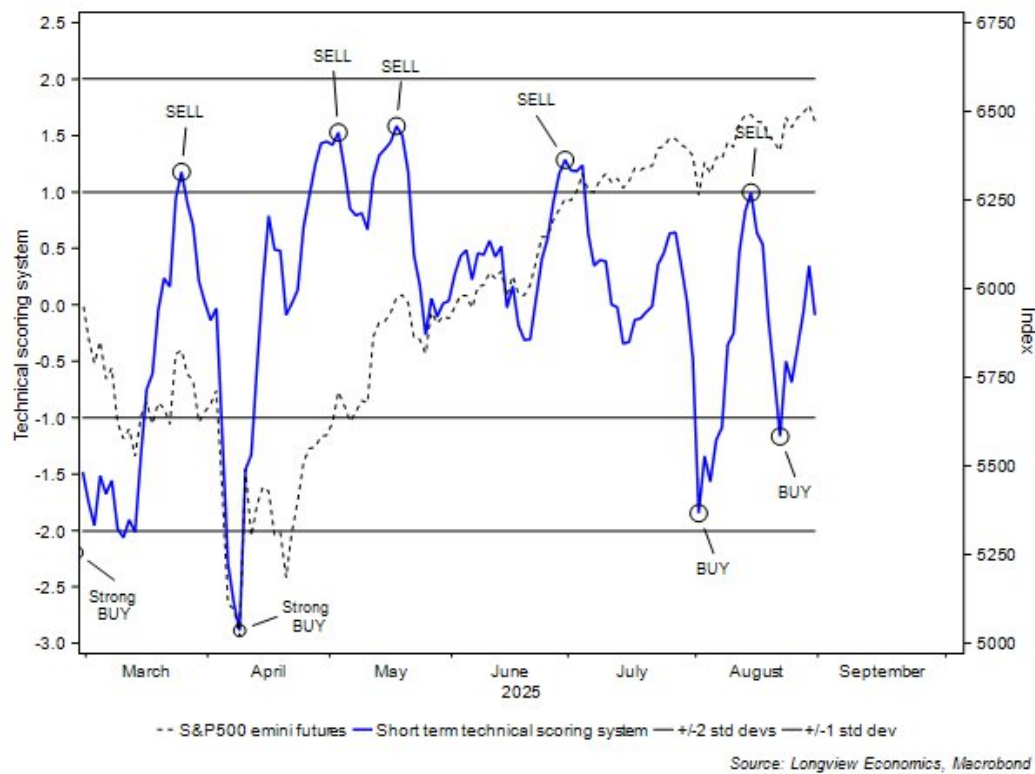
**FIG 2:** Longview short term 'risk appetite' scoring system vs. S&P500



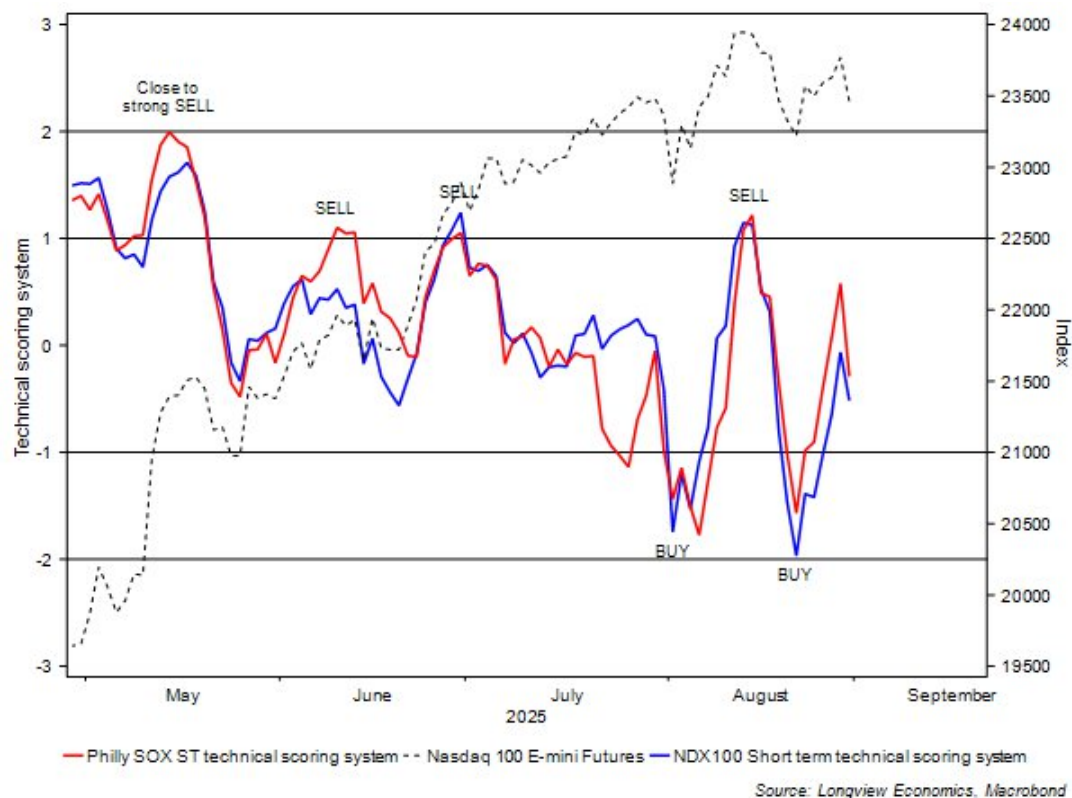
**FIG 2a:** Longview combined key 'risk appetite' models (RAG1 + RAG2) vs. S&P500



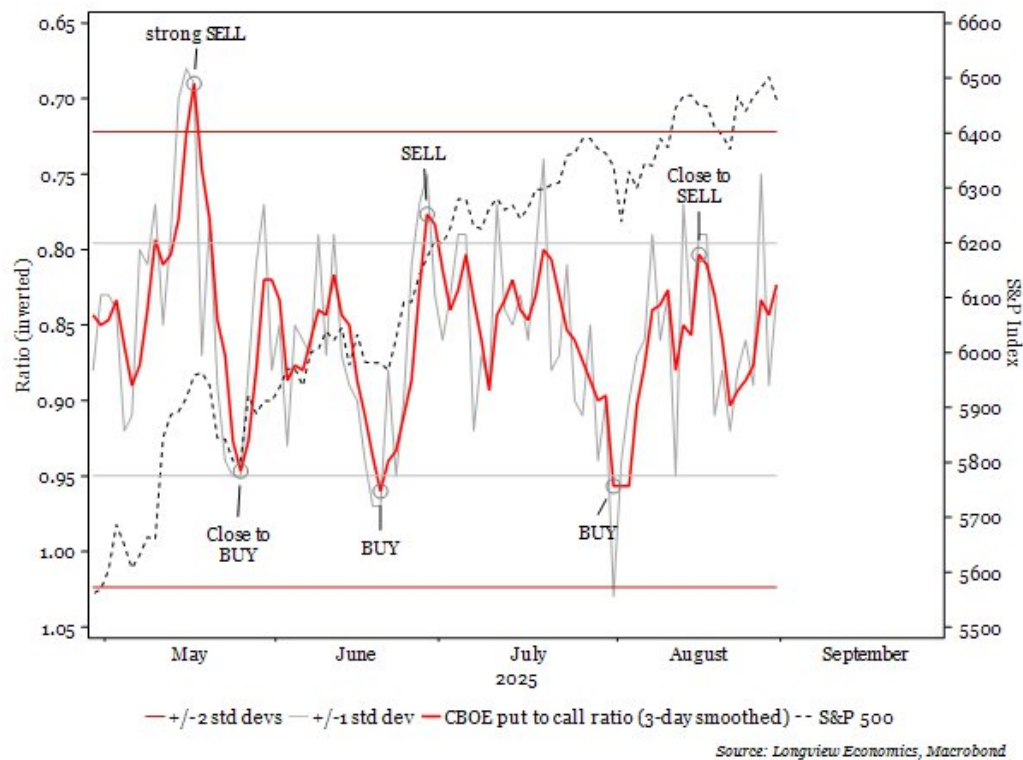
**FIG 2b:** Longview S&P500 short term **'technical'** scoring system vs. S&P500 futures



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

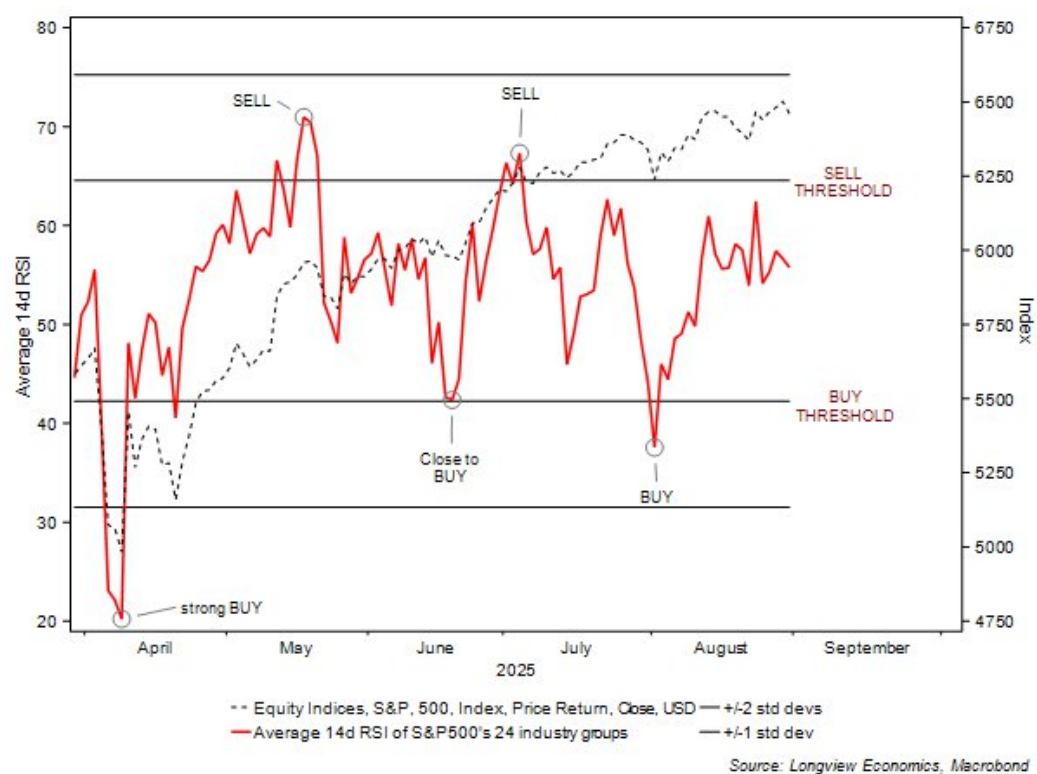


**FIG 2d:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



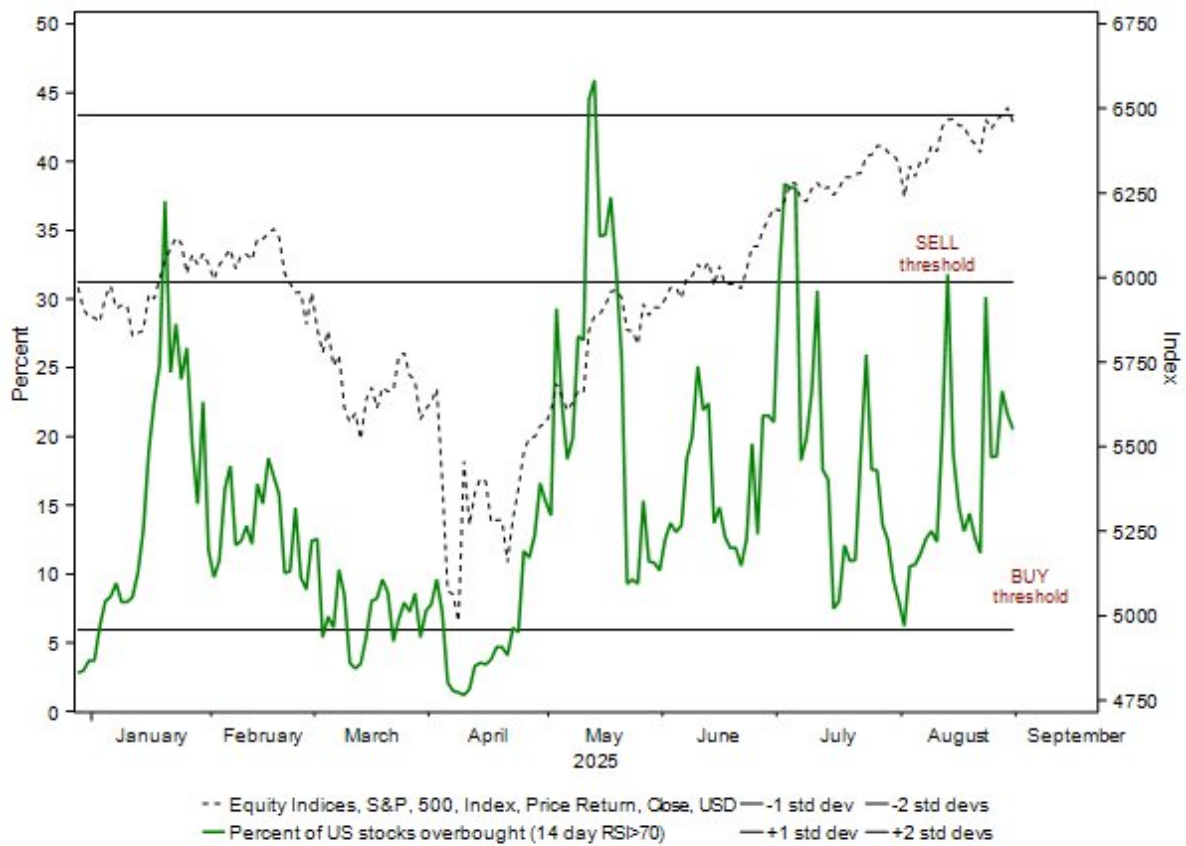
## Sector and single stock models are mid-range...

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





**FIG 3a:** Percentage of US single stocks which are overbought (i.e. with RSIs>70)



Source: Longview Economics, Macrobond

## 1 – 2 Week View on Risk

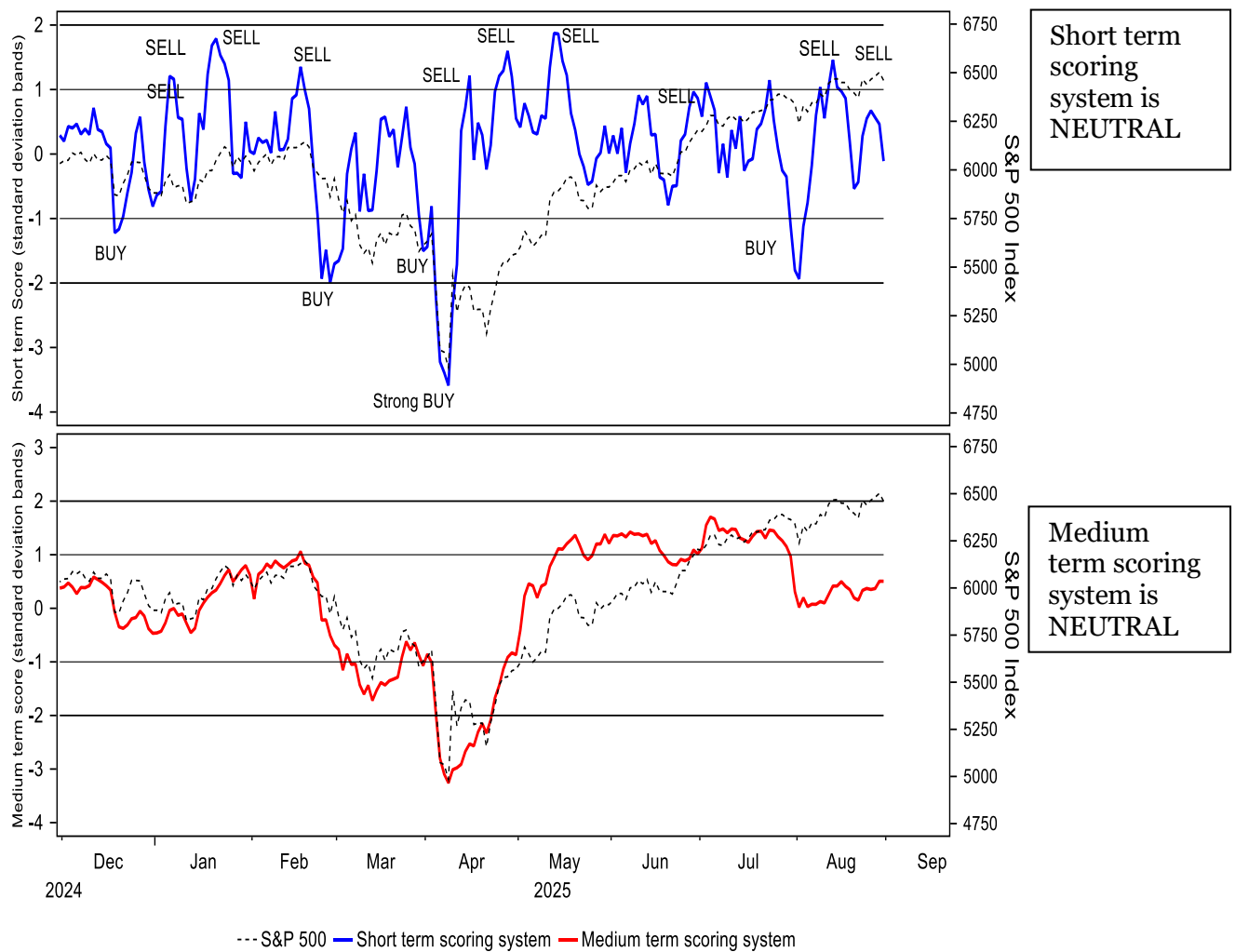
Longview Economics

Email: [research@longvieweconomics.com](mailto:research@longvieweconomics.com)

1<sup>st</sup> September 2025

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

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



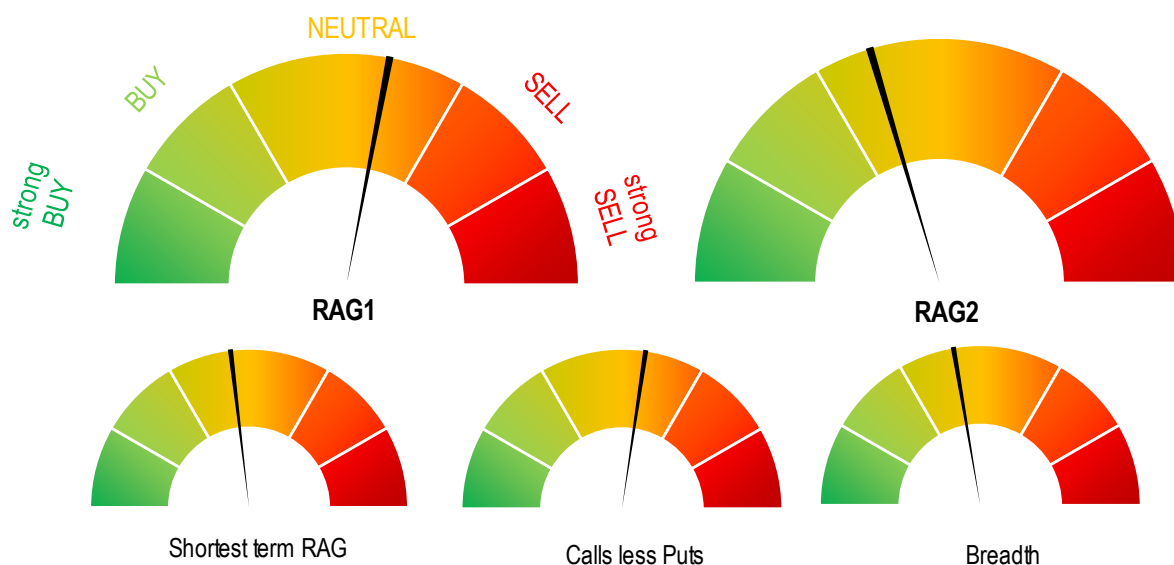
Source: Longview Economics, Macrobond

\*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**

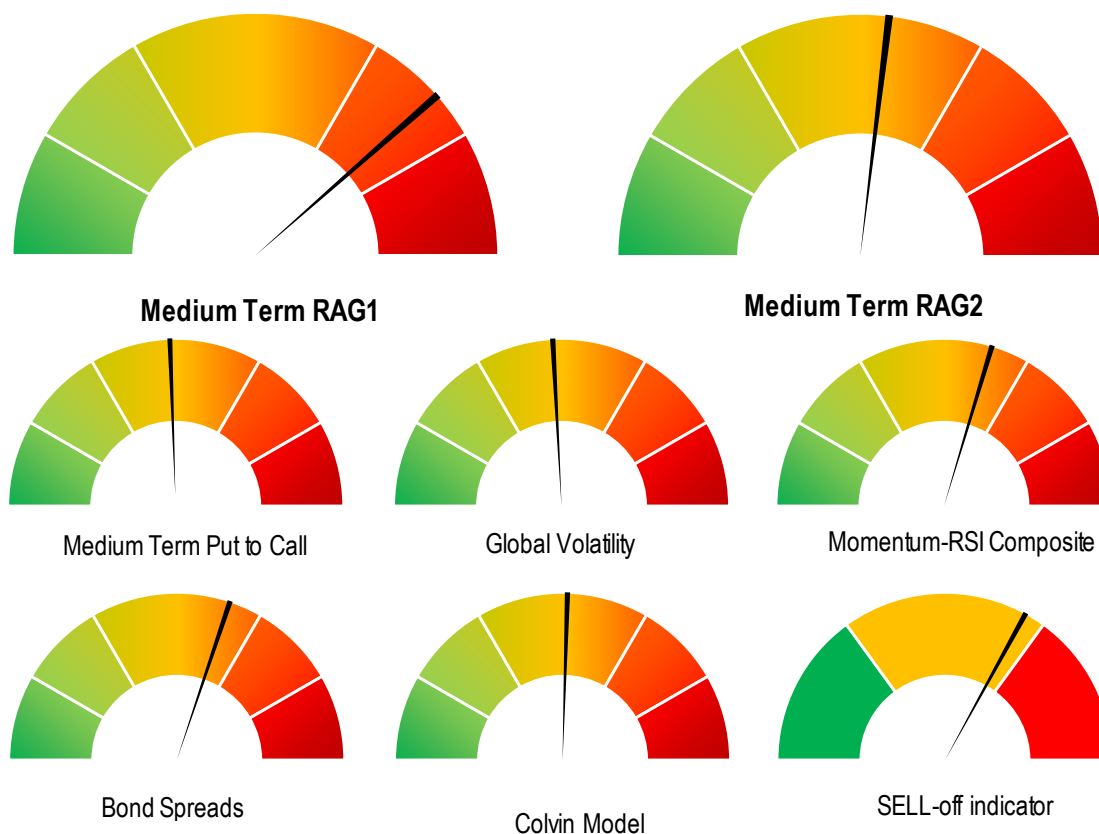
## Section 1a: Summary of indicator signals\*\*

**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

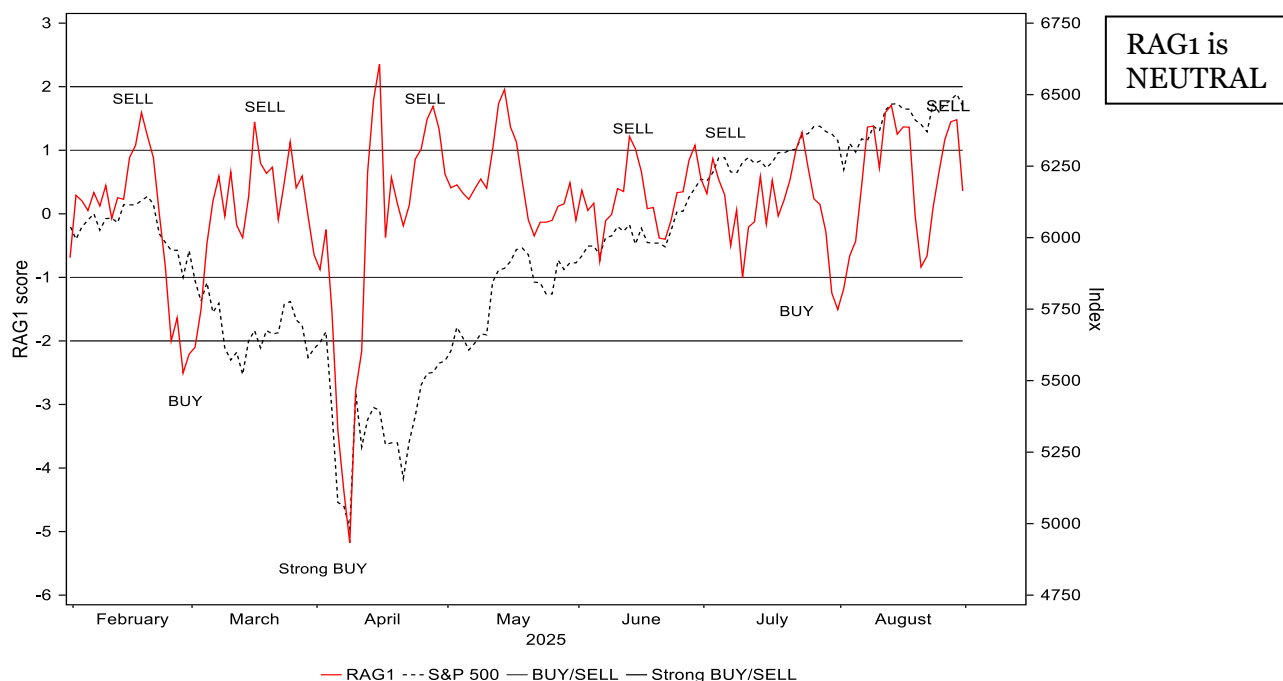


**Source:** Longview Economics

\*\*The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

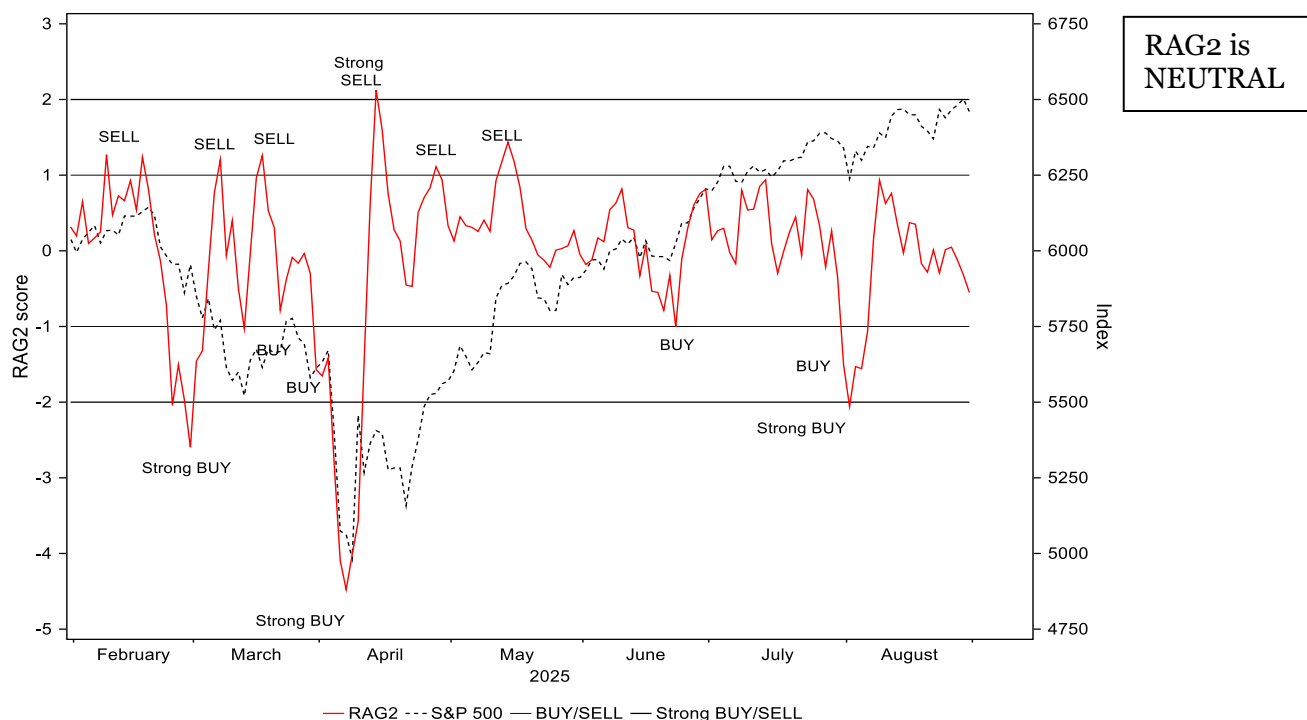
## Section 2: Short term (1 – 2 week) trading models

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



Source: Longview Economics, Macrobond

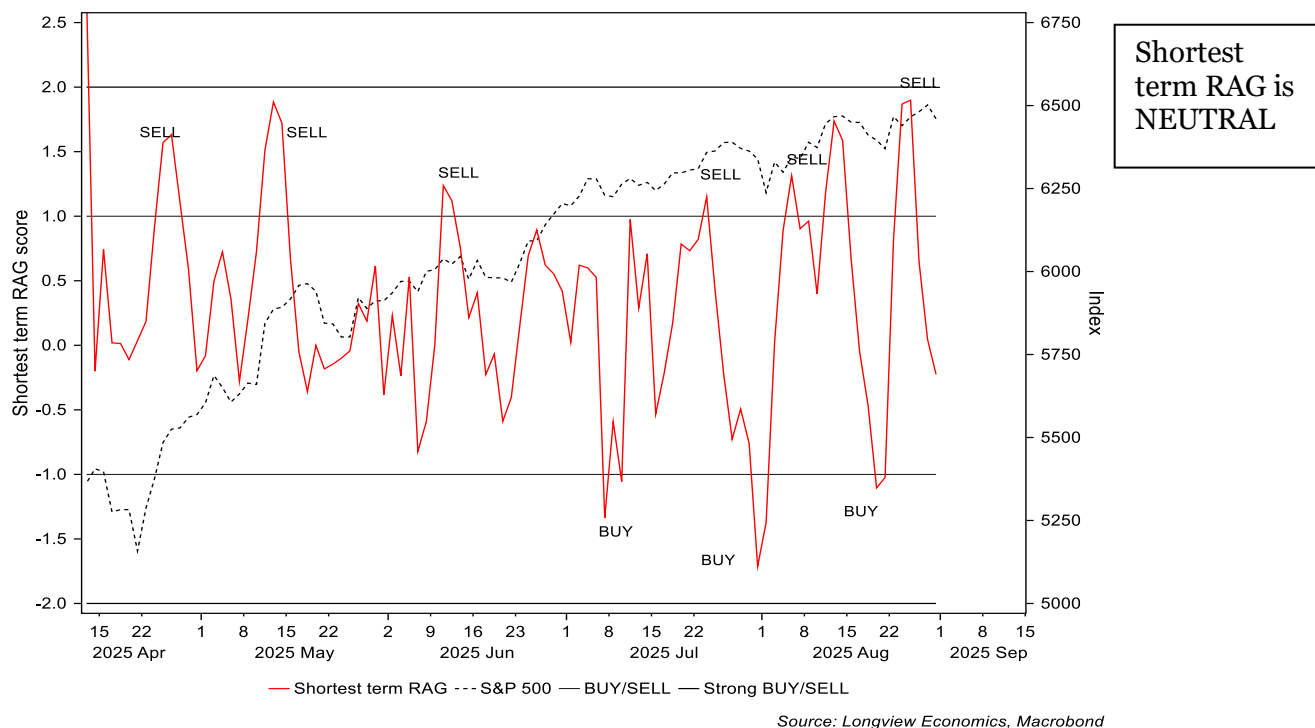
**Fig 2b: RAG 2 vs. S&P 500**



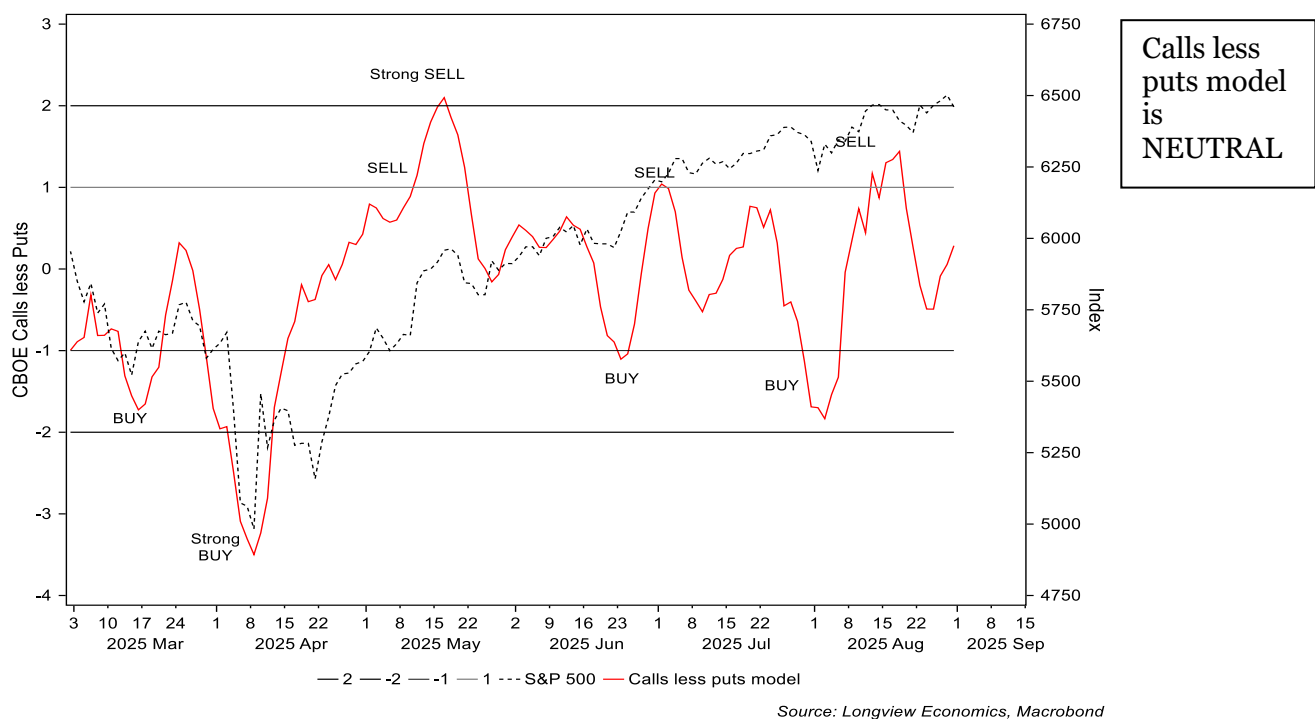
Source: Longview Economics, Macrobond

**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



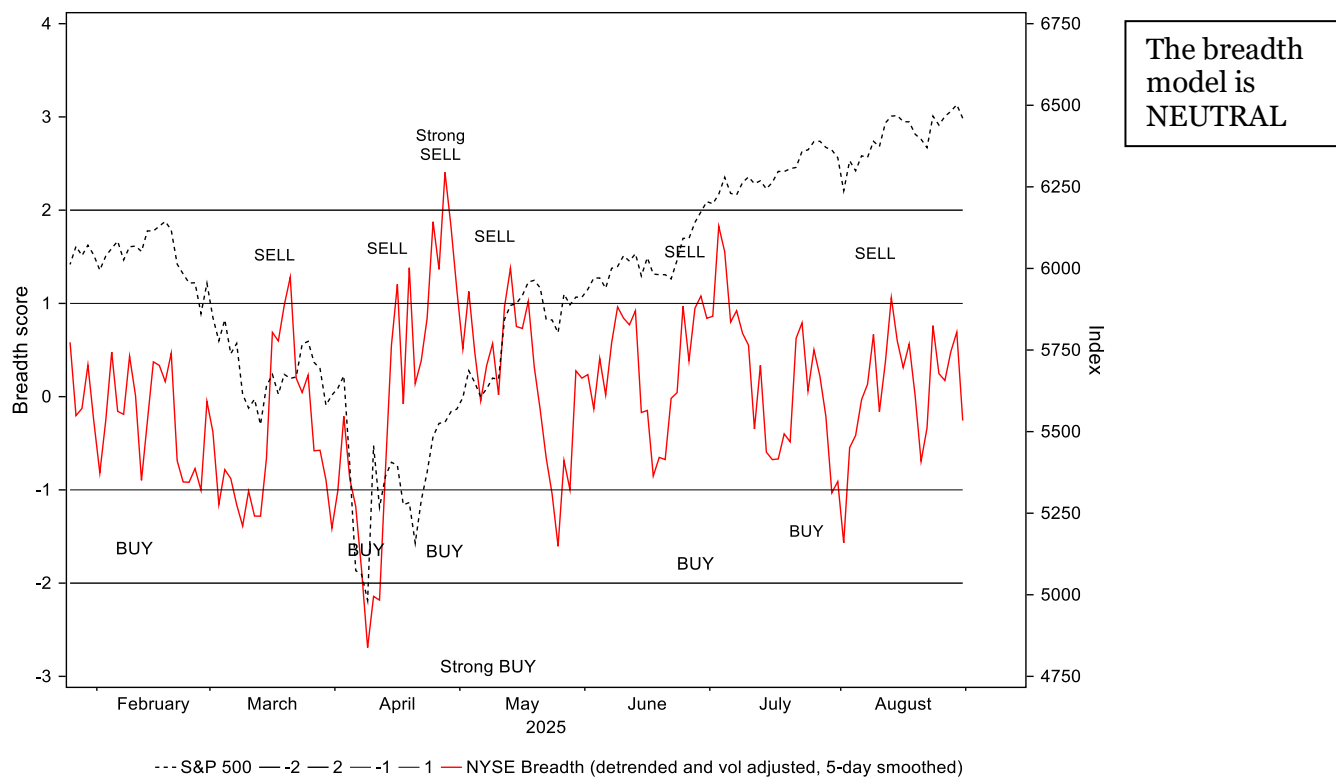
**Fig 2d:** CBOE calls less puts (5 day moving average) vs. S&P500



For explanations of indicators please see page 10



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

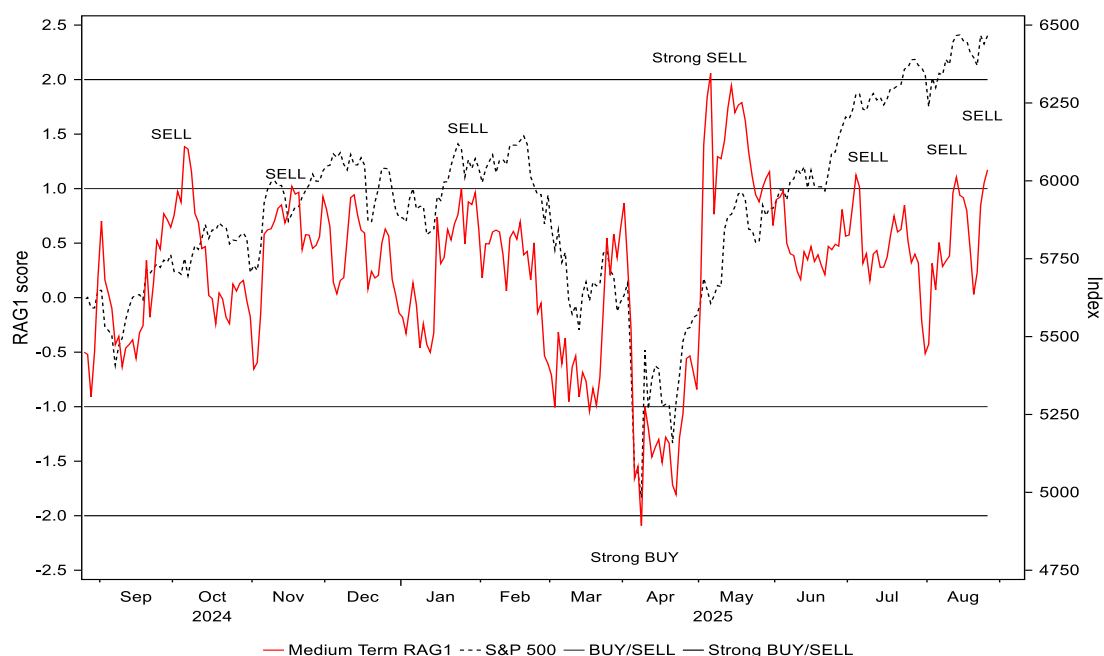


Source: Longview Economics, Macrobond

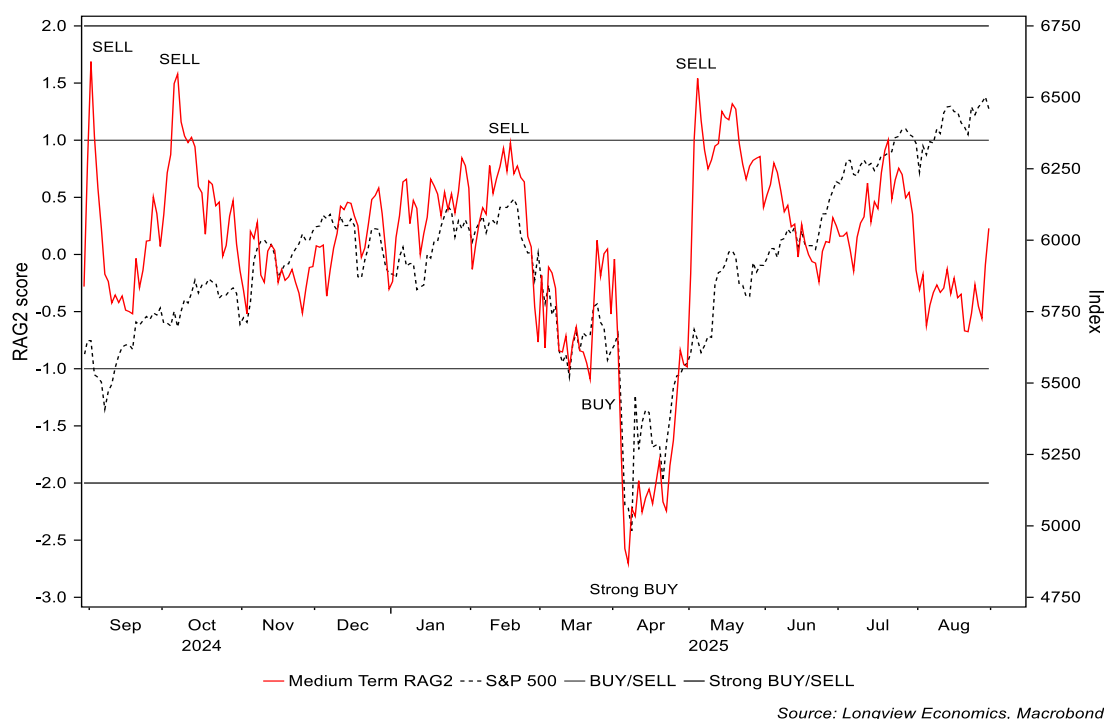
*For explanations of indicators please see page 10*

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

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

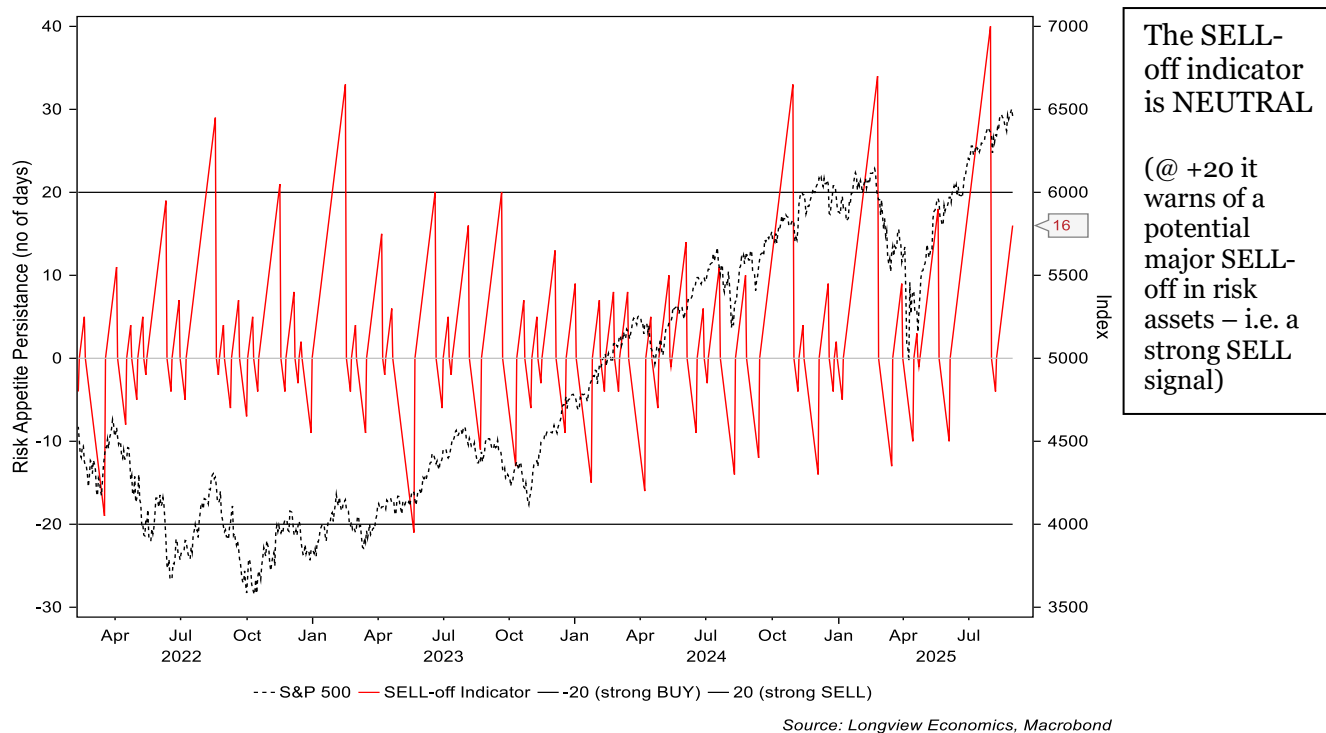


**Fig 3b:** Medium term RAG2 (1 – 4 month view) vs. S&P 500

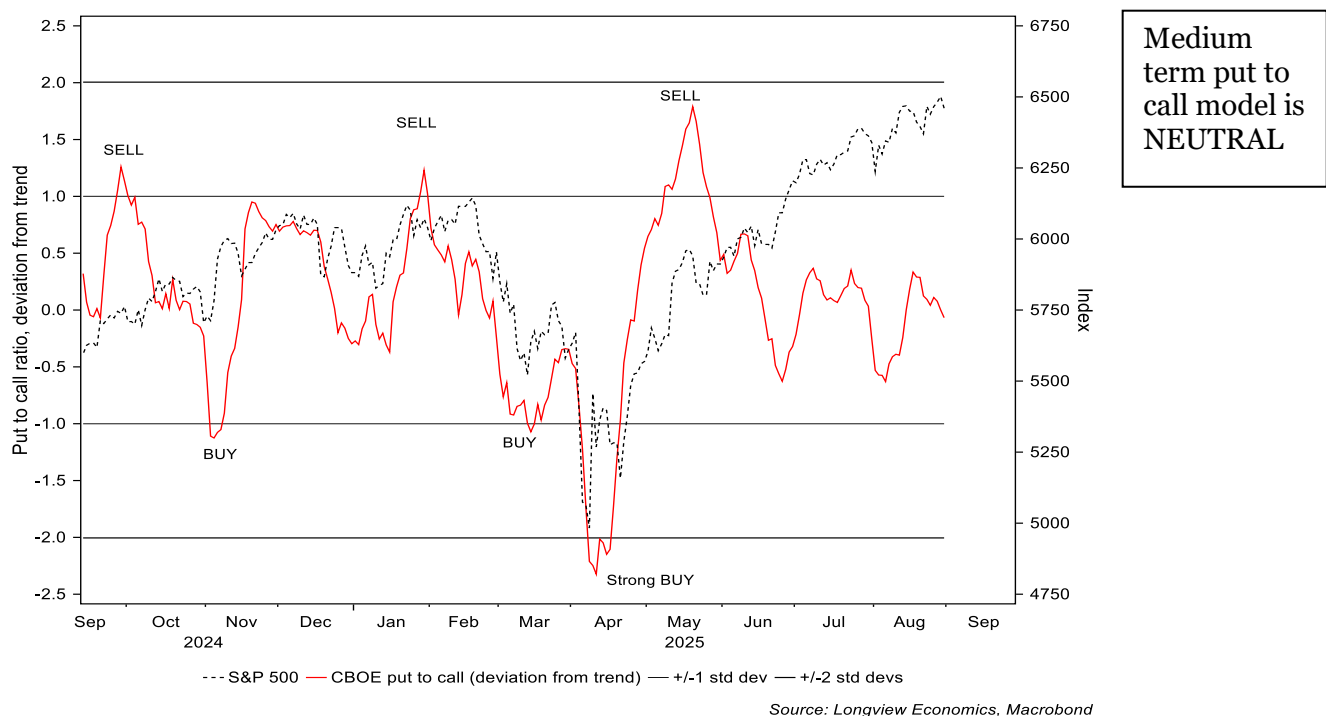


*For explanations of indicators please see page 10*

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

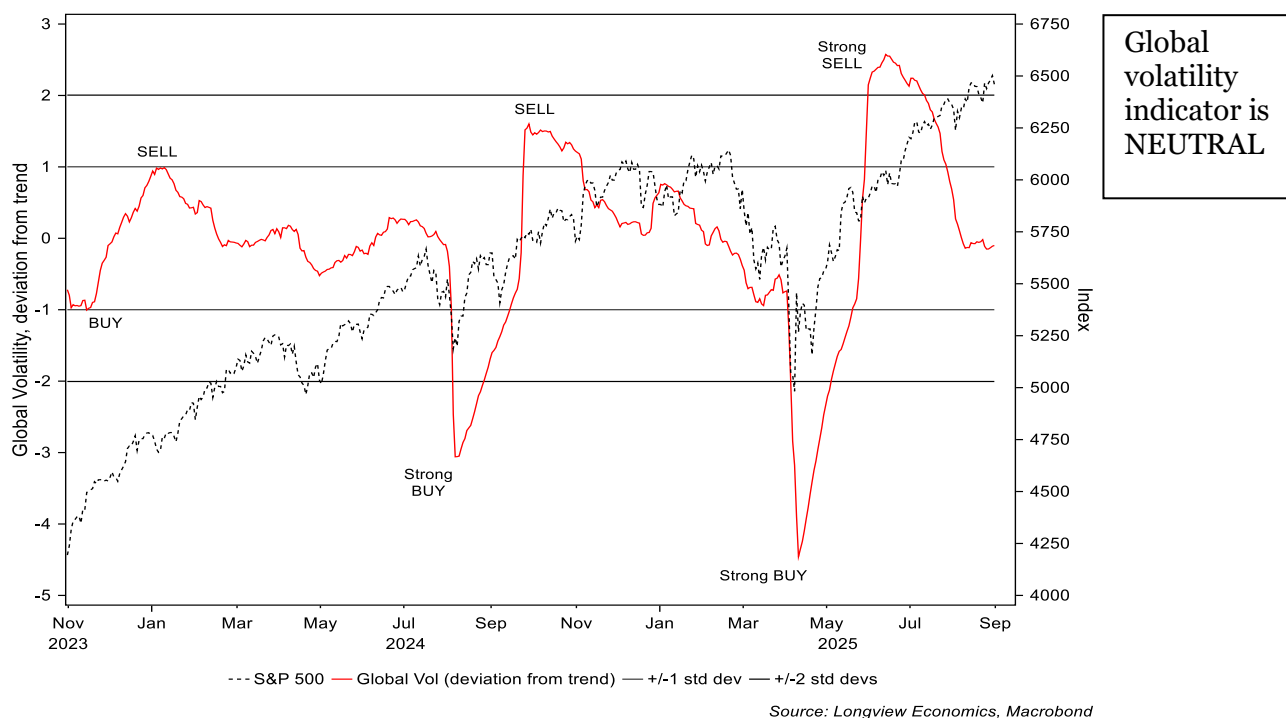


**Fig 3d:** CBOE put to call trend deviation model vs. S&P500

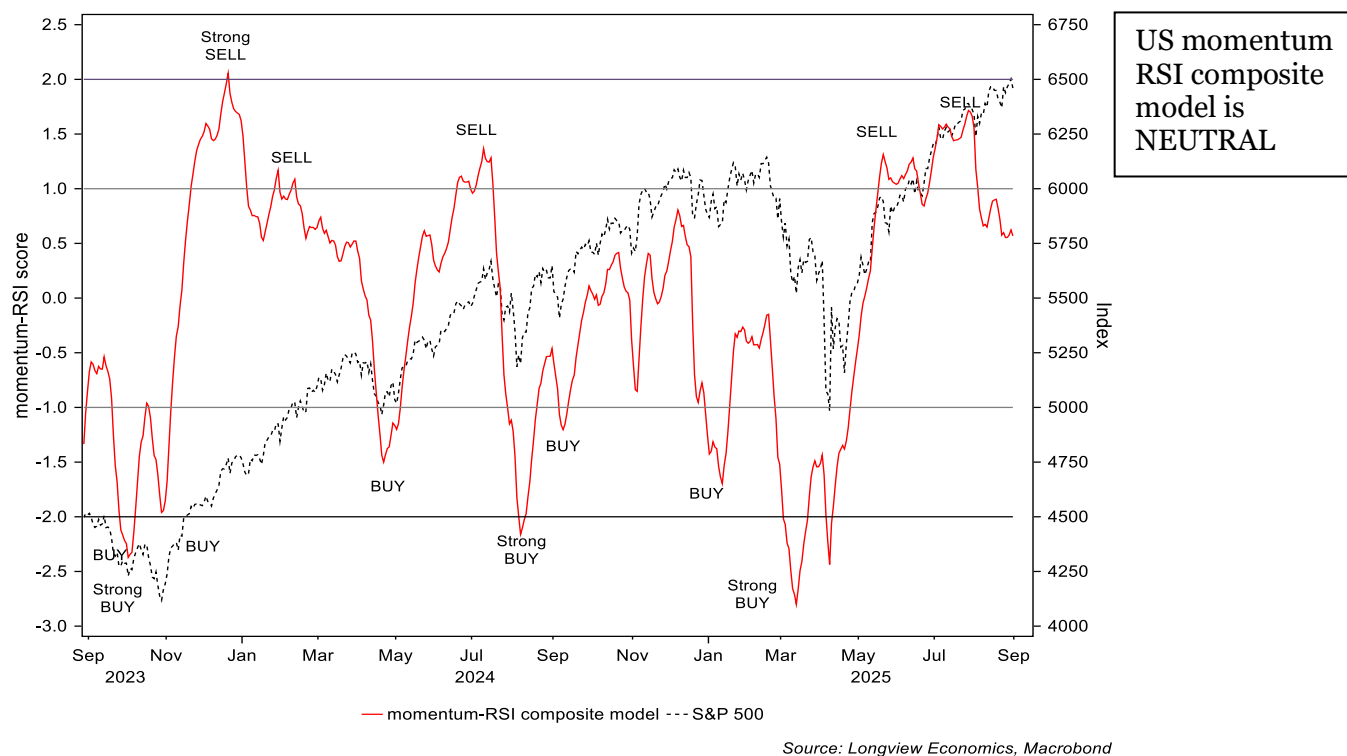


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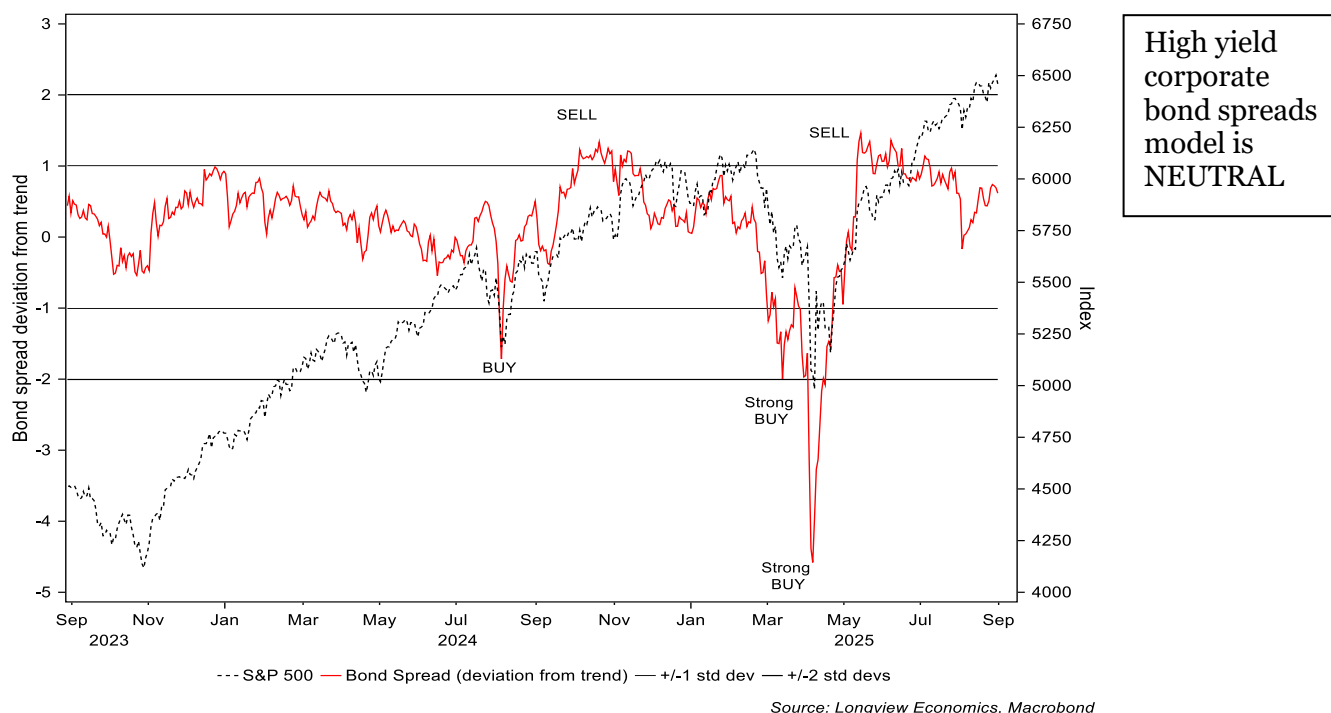
**Fig 3e:** Global volatility (deviation from trend) model vs. S&P500



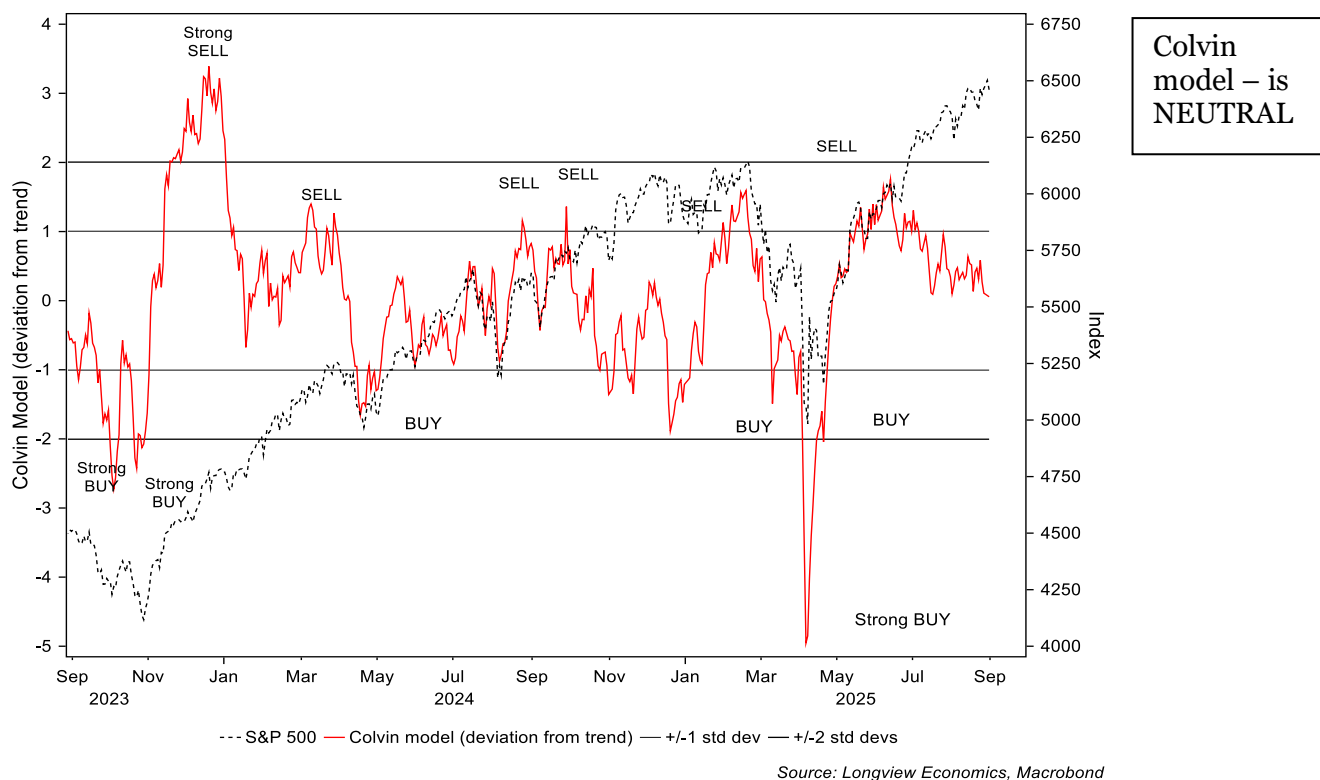
**Fig 3f:** Longview Momentum-RSI composite model vs. S&P 500



**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

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### **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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