

## Weekly Risk Appetite Gauge, 21<sup>st</sup> July 2025: “**BUILDing signs of Complacency/Bullish Positioning**”

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*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.*

Price action in US equities has been encouraging for the bulls in recent weeks and months. In particular, the S&P500 has rallied; consolidated its gains; and then resumed its uptrend. The pattern in the NASDAQ100 is similar. On Friday, in that respect, after a two week consolidation phase, both indices made new intra-day highs (albeit only just).

Arguably that resilience/strength in US equities last week reflects a combination of: (i) better than expected US macro data (e.g. see the sharp move higher in the Citi surprise index this month, FIG 1f); (ii) strong earnings reports (58 of the S&P500 companies have so far reported earnings, with 50 surprising to the upside); and (iii) dovish commentary from various Fed officials (including Waller, Bowman, and Goolsbee). Of note, in that respect, US Treasury yields mostly edged lower last week, with the 10 year yield failing at the top of its downtrend (see FIG 1c). Of interest the US dollar has lost its upward momentum in recent trading days (i.e. at around its 50 day moving average, see FIG 1d).

Consistent with that backdrop, signs of **optimism and complacency in markets continue to build**.

Most notably, our SELL-off indicator is currently on a reading of +32 and is warning of a wave of risk aversion in global markets (FIG 1). Other evidence of frothiness in markets is also growing. Last week, for example, there was a spike in the volume of single stock call options (which is typical ahead of pullbacks – see FIG 1a); volatility has remained low/subdued (FIG 1e); while ‘long risk’ positioning has become crowded (e.g. with low levels of cash in portfolios – see last week’s BAML Fund Manager Survey). Various medium term ‘risk appetite’, ‘sentiment’, and ‘technical’ models are also on/close to SELL and support the expectation of **some giveback in this equity market** (e.g. see FIGs 2 – 2b).

Elsewhere, short term models are *starting* to lean towards SELL. In particular, the three day CBOE put to call ratio is close to its SELL threshold, which is indicative of near term complacency in markets (FIG 3c). Other short term models, though, are broadly NEUTRAL (see below). They therefore highlight the potential for further near term upside in equities over coming trading sessions.

Overall, we remain cautious towards equities. Our key expectation is for ‘**summer turbulence ahead**’ (see our latest tactical equity updates for detail, published on 3<sup>rd</sup> & 10<sup>th</sup> of July). Seasonally this is a challenging time of year for equities – which, given the message of our models, are currently vulnerable to negative newsflow.

**Key events and macro** data due this week are shown below. These include quarterly earnings reports from several key companies (e.g. Alphabet and Tesla on Wednesday) and an ECB policy decision on Thursday. Elsewhere there’s a housing theme in the US

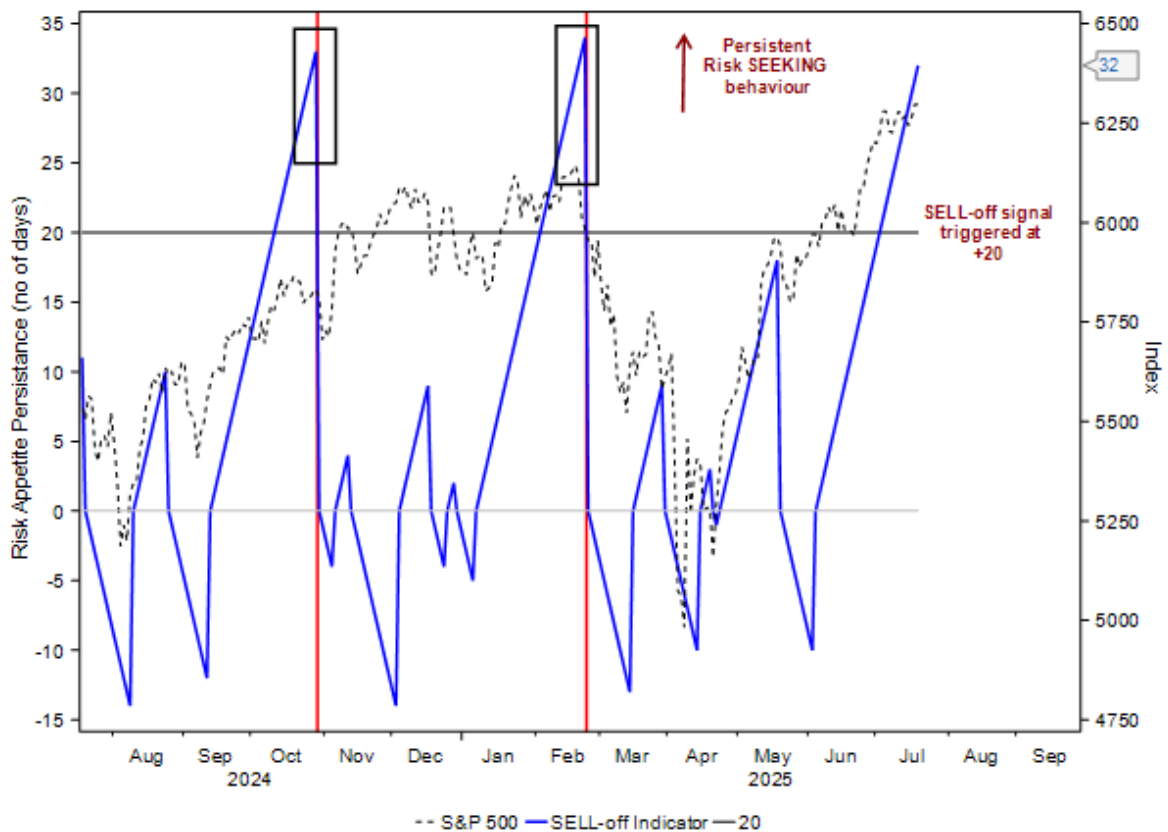
– with both existing home sales and new home sales out this week (Wednesday & Thursday). Flash PMIs from across the globe are on Thursday.

Kind regards,

The team @ Longview Economics

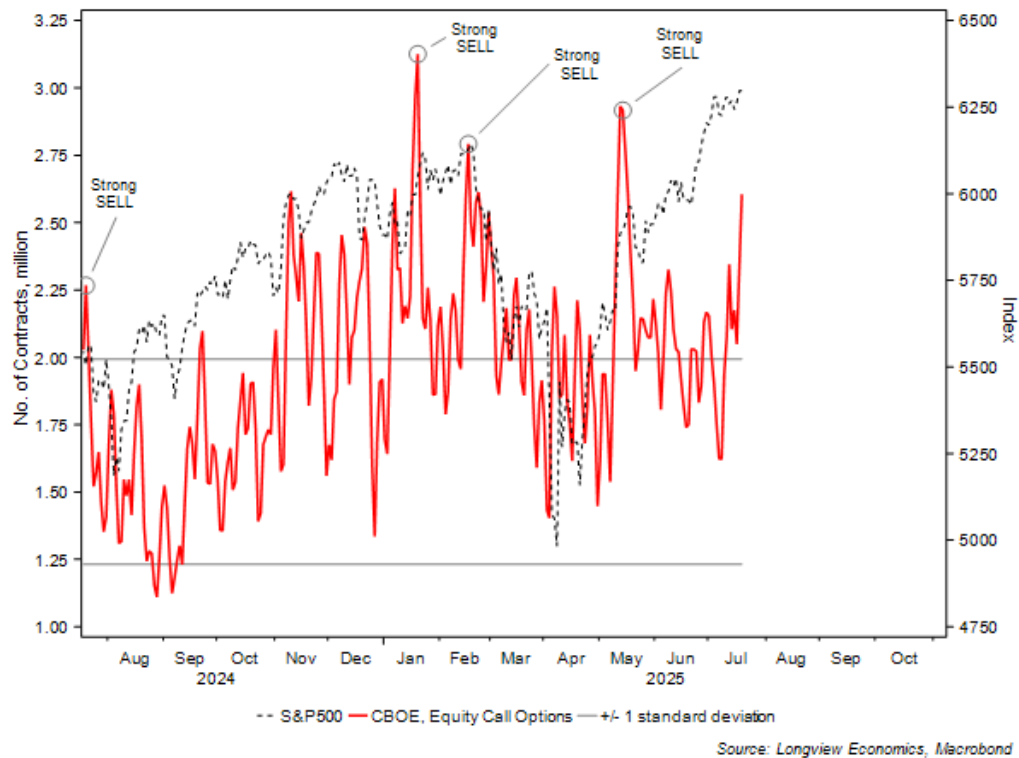
\*by 7.8% in aggregate (compared to an average earnings surprise of ~4%).

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

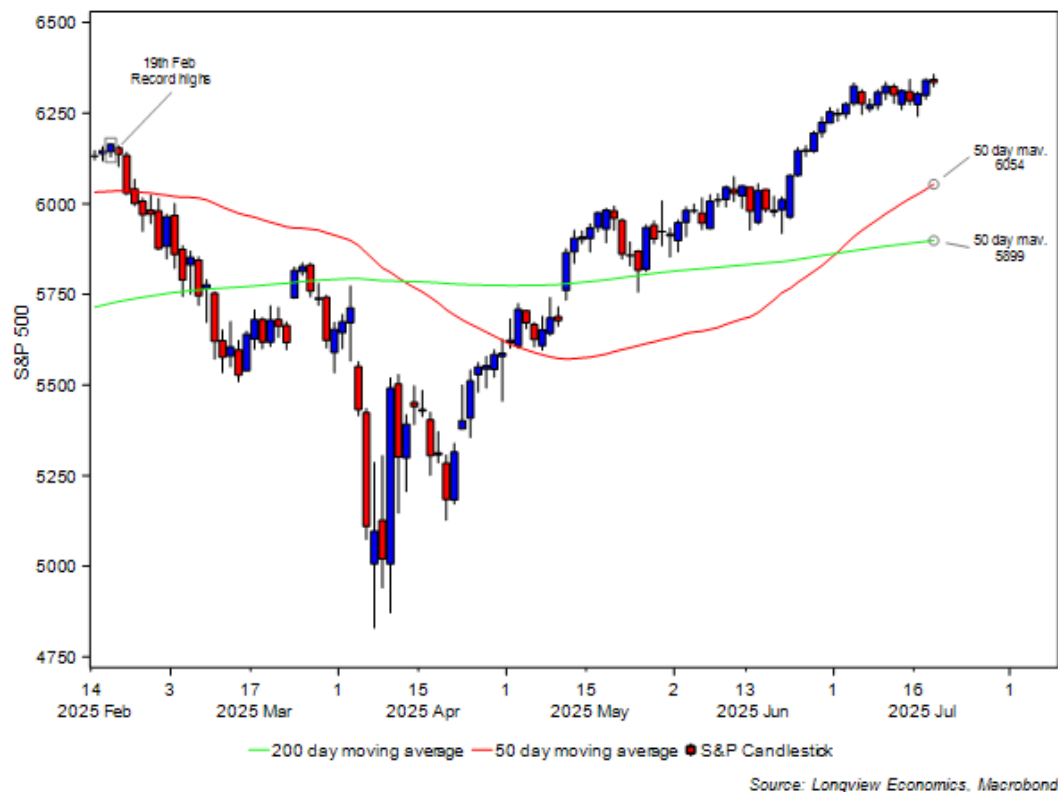


Source: Longview Economics, Macrobond

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



**FIG 1b:** S&P500 futures candlestick chart, shown with 50 & 200 day moving averages



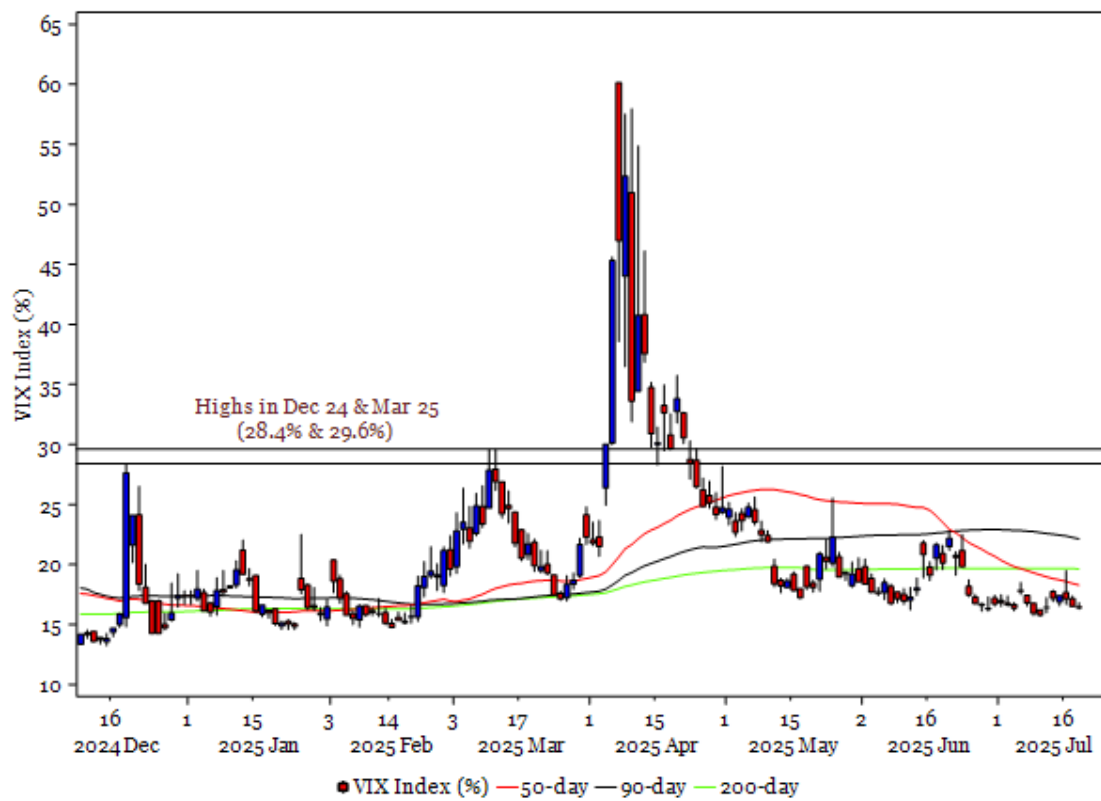
**FIG 1c:** US 10 year Treasury yield (%), shown with 50, 90, & 200 day moving averages



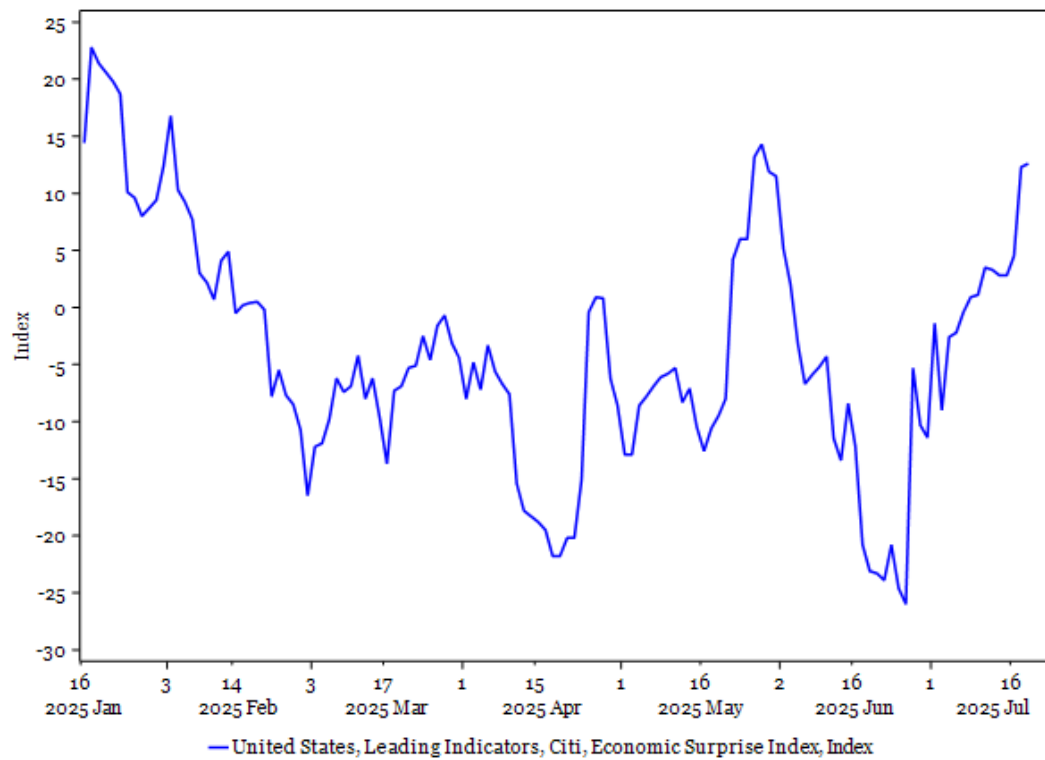
**FIG 1d:** US dollar index shown with 50 & 200 day moving averages



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

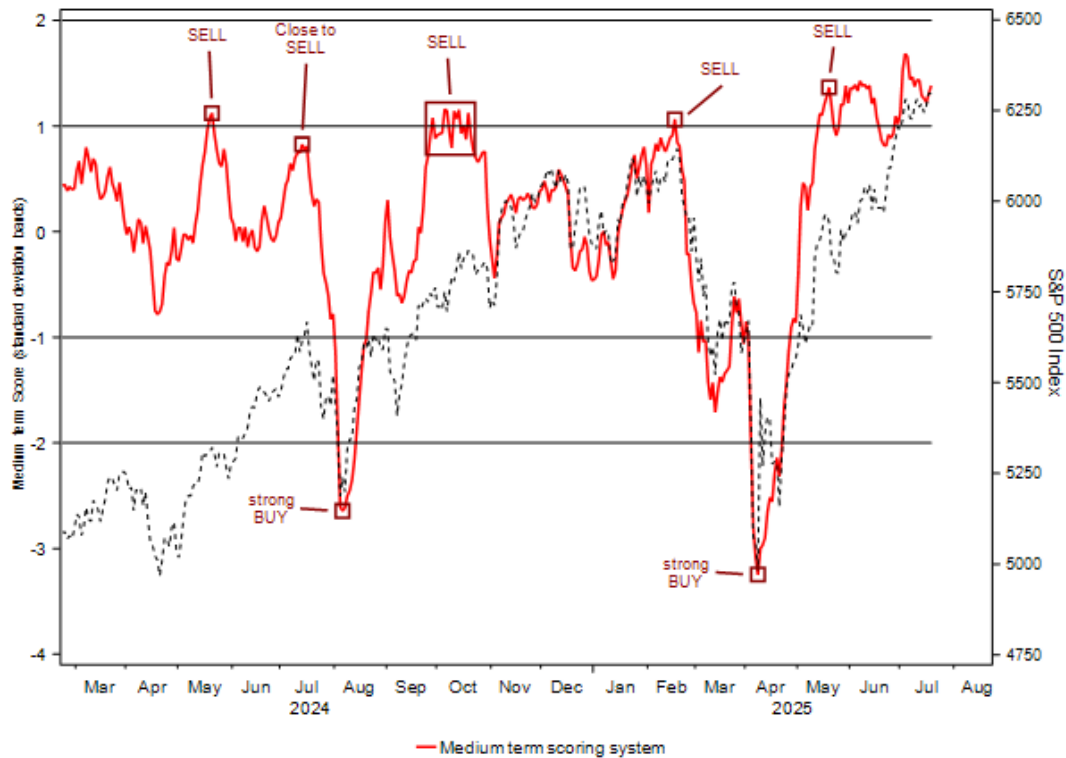


**FIG 1f:** US Citi Economic Surprise Index



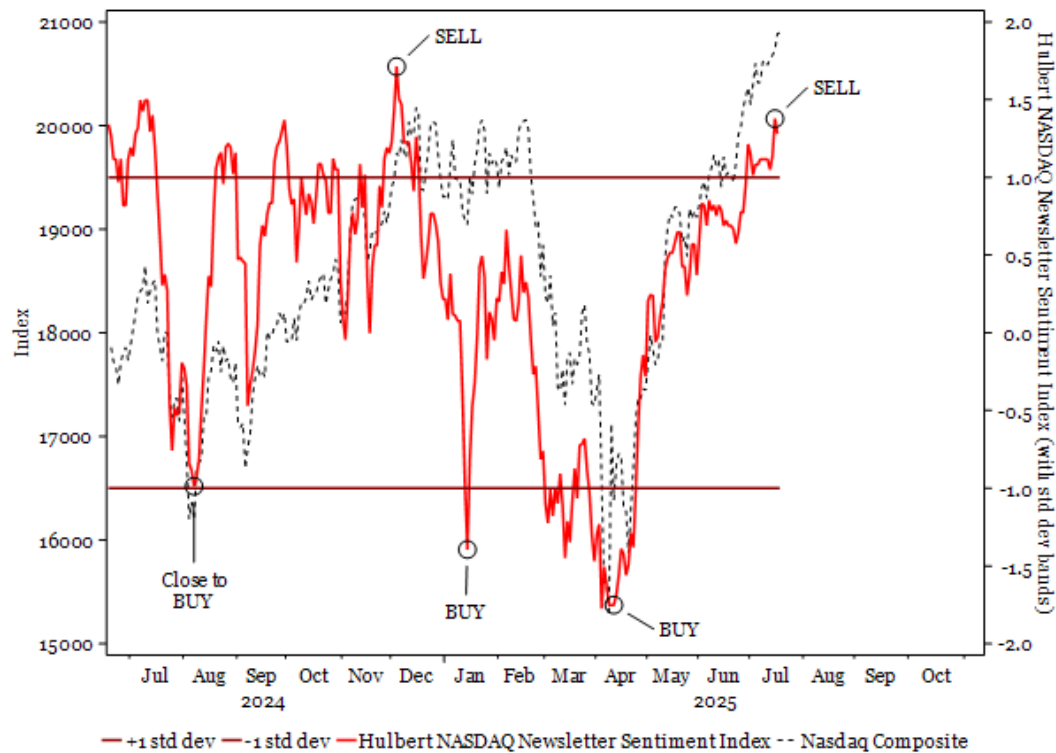
## Medium term (1 – 4 month) market timing models....

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



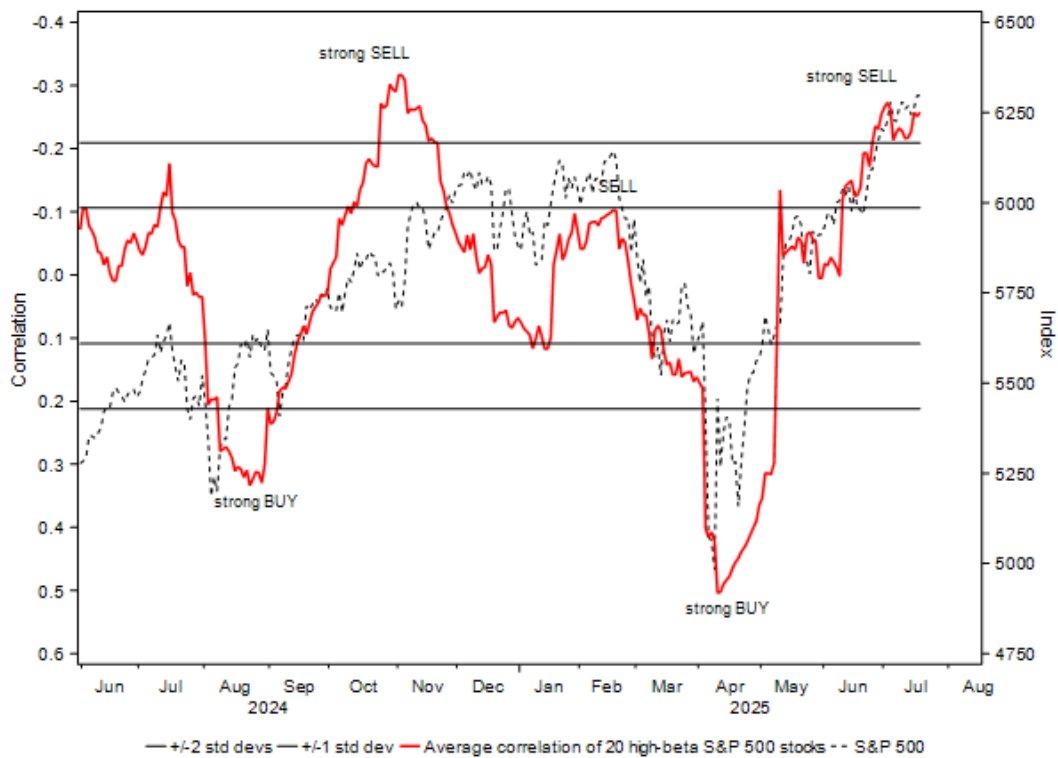
Source: Longview Economics, Macrobond

**FIG 2a:** Hulbert NASDAQ sentiment index shown with NASDAQ composite index



Source: Longview Economics, Macrobond

**FIG 2b:** US medium term equity Correlation Model\*\* (INVERTED) vs. S&P500

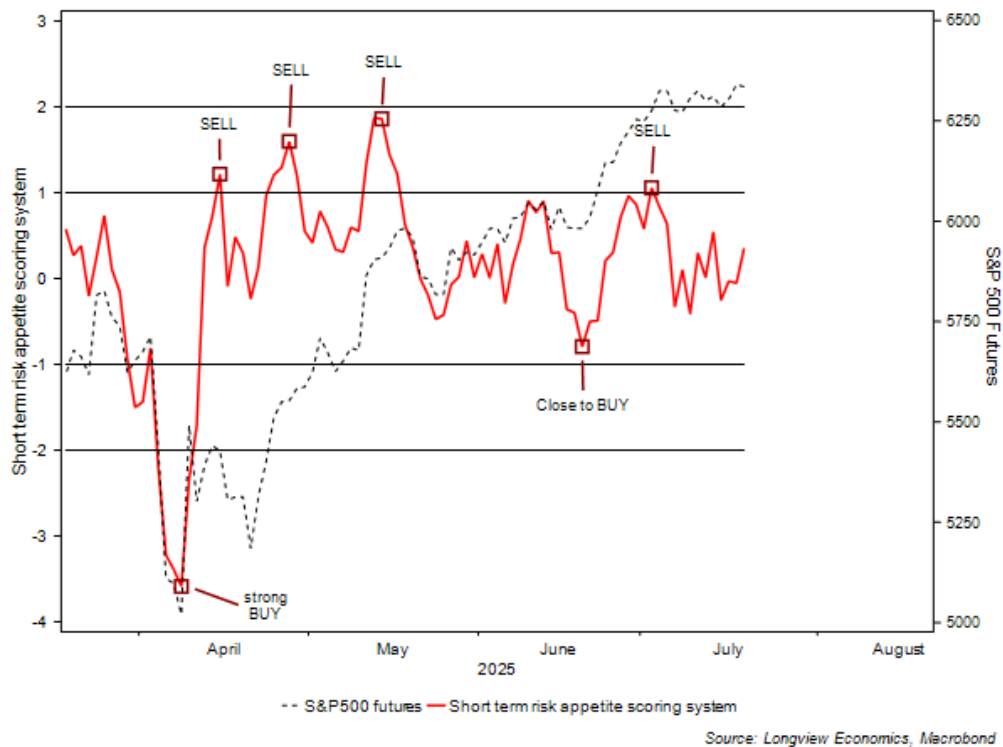


Source: Longview Economics, Macrobond

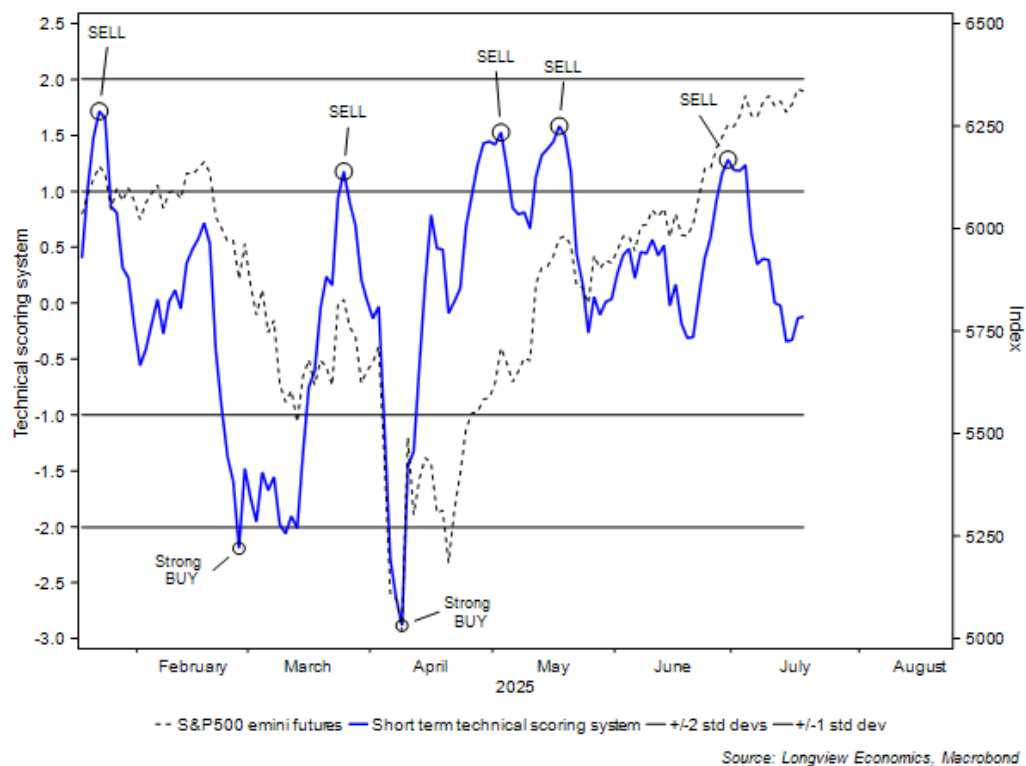
\*\*NB this model measures the average cross correlation of the 20 highest beta stocks in the S&P500.

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

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

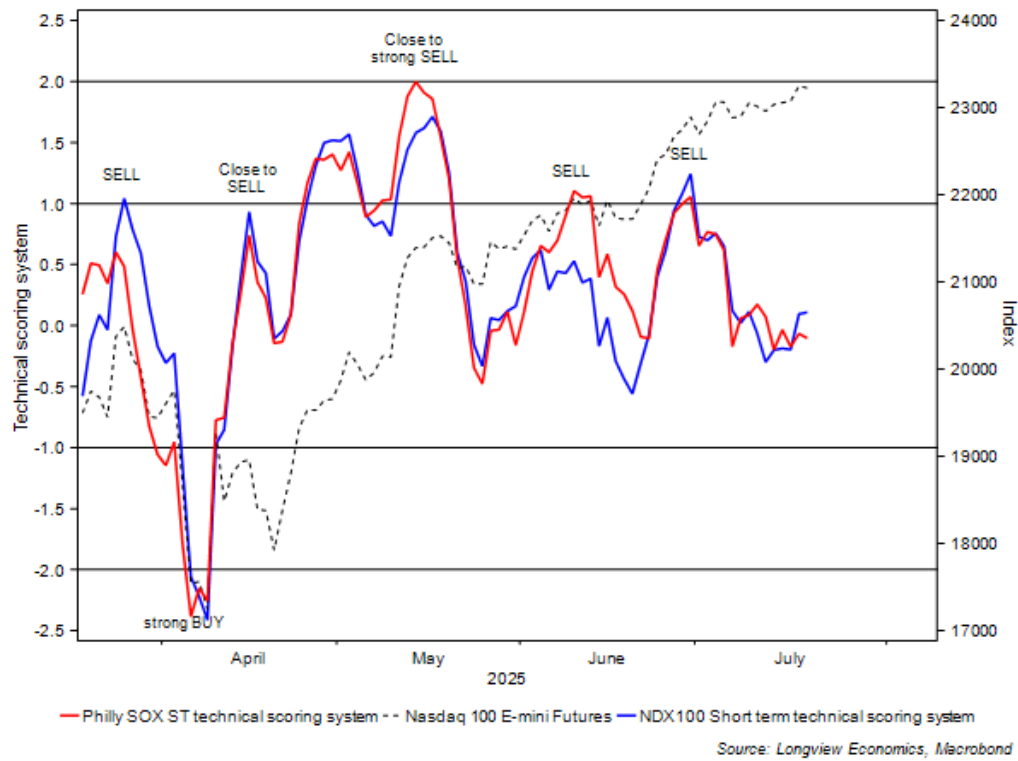


**FIG 3a:** Longview S&P500 short term 'technical' scoring system vs. S&P500 futures

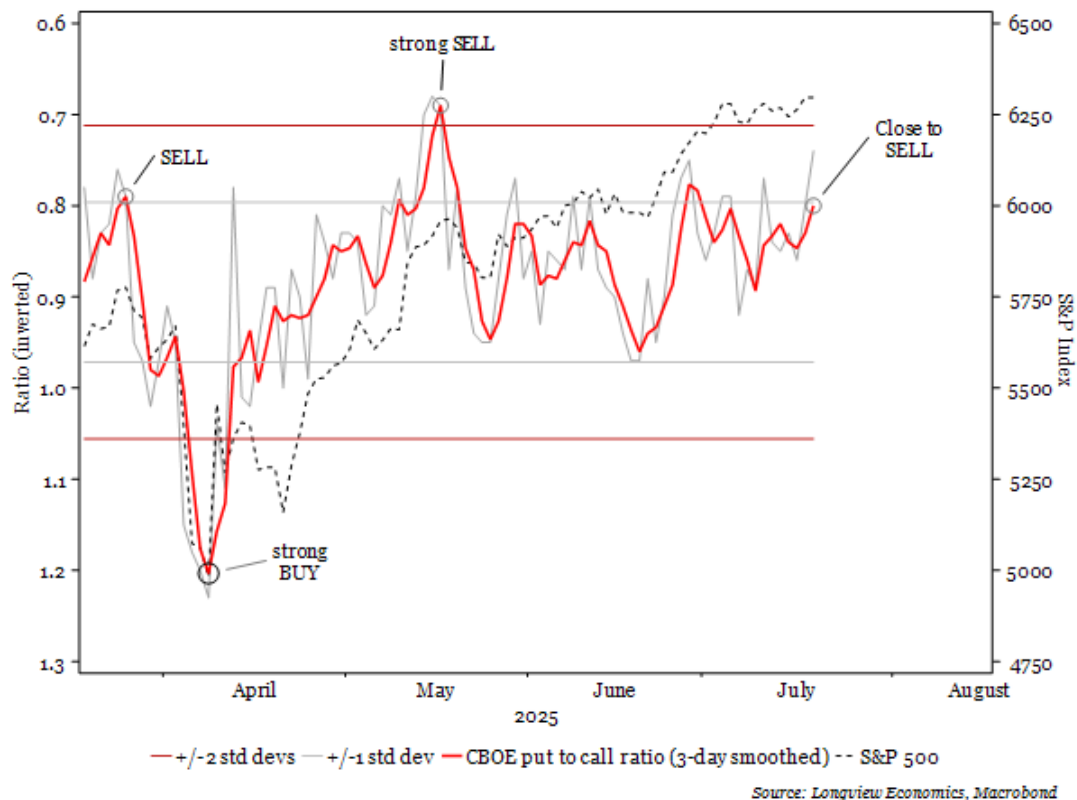




**FIG 3b:** Longview NDX100 & Philly SOX short term **‘technical’** scoring system vs. NDX100 futures

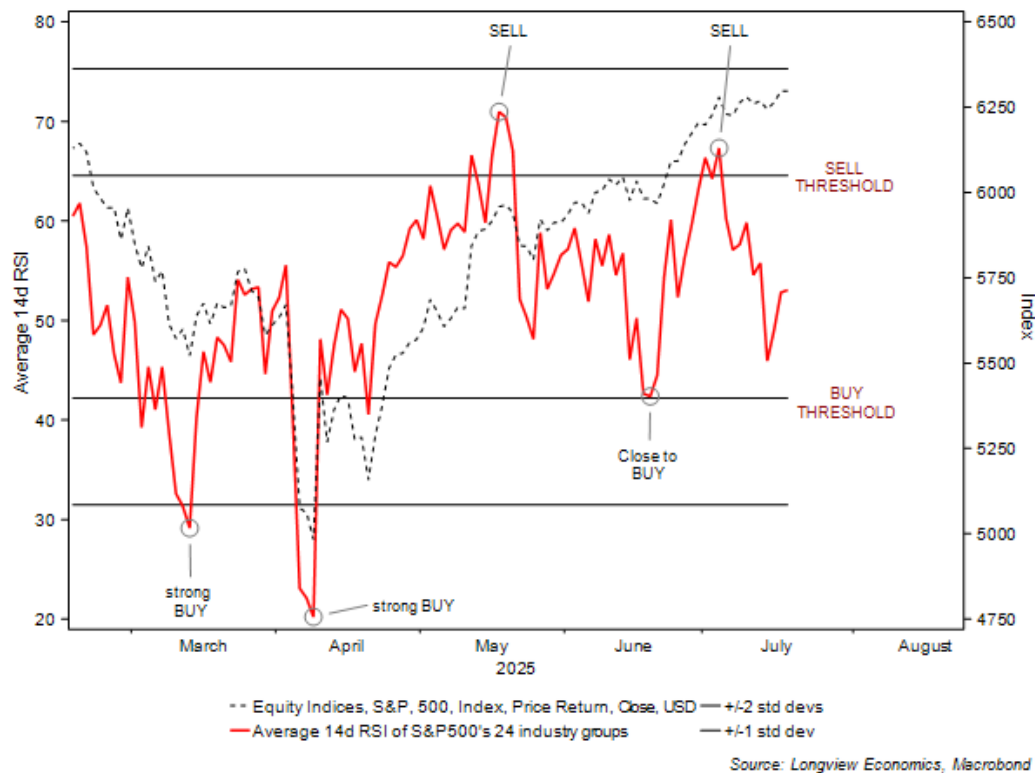


**FIG 3c:** CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

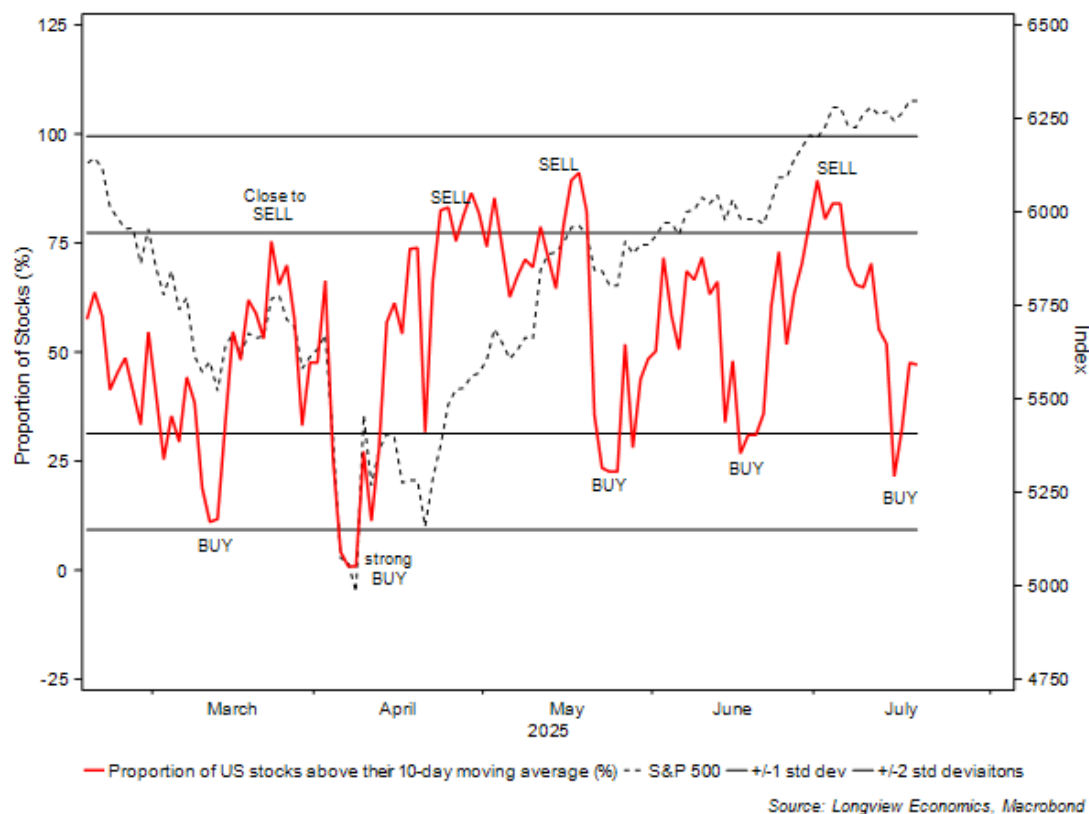


## Sector and single stock models are mostly mid-range...

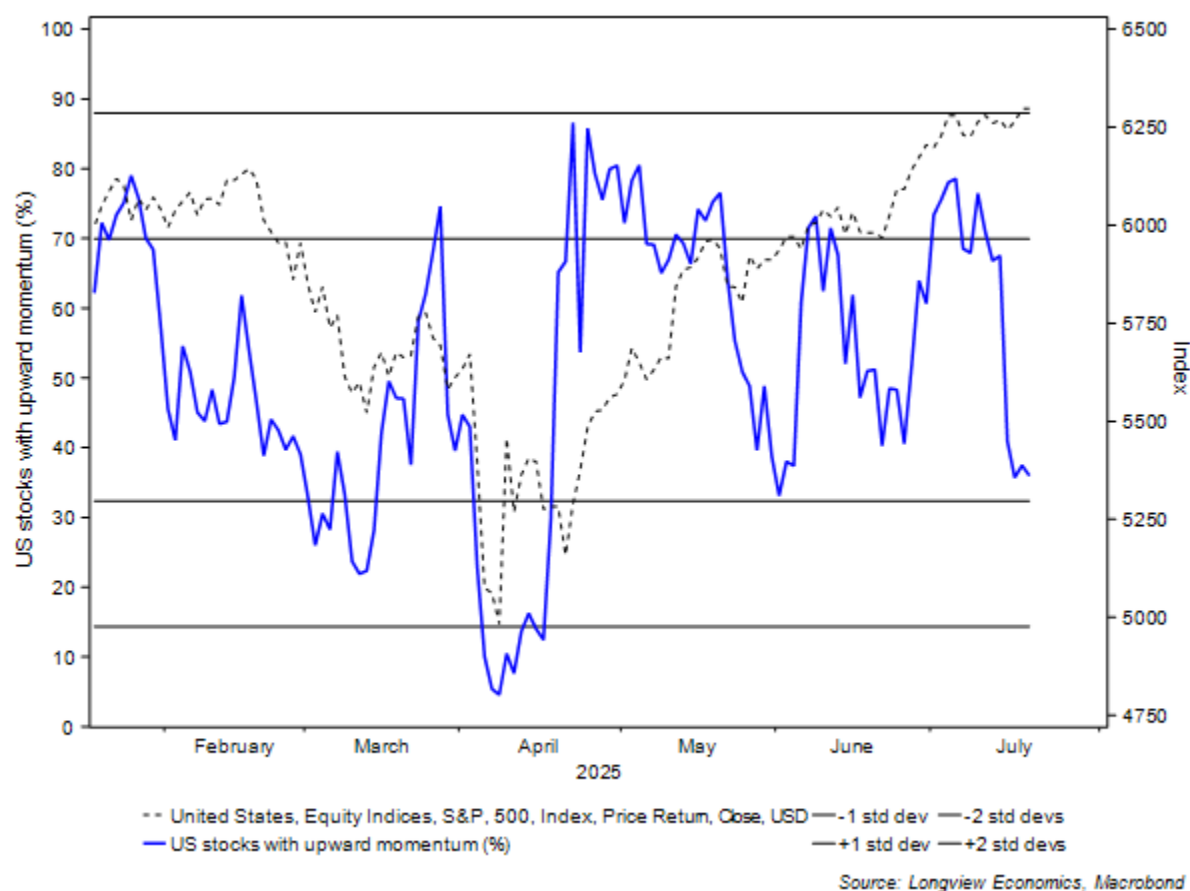
**FIG 3d:** Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



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



**FIG 3f:** S&P500 single stocks with upward momentum (scored & aggregated) vs. S&P500



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

**Events:** China policy decision (Mon, 2am); ECB Bank Lending Survey (Tues, 9am); speech by BOJ Deputy Governor Uchida in Kochi (Wed, 2:30am); ECB policy decision (Thurs, 1:15pm) followed by Lagarde press conference.

**Monday:** US Conference Board leading index (June, 3pm).

**Tuesday:** UK Public sector finances (June, 7am).

**Wednesday:** US existing home sales (June, 3pm); Eurozone consumer confidence (July first estimate, 3pm).

**Thursday:** Manufacturing & service sector PMIs for Australia (12am), Japan (1:30am), France (8:15am), Germany (8:30am), Eurozone (9am), UK (9:30am) & US (2:45pm) – all July first estimates.

**Friday:**

US durable goods orders (June first estimate, 1:30pm); Eurozone M3 money supply, including monthly loans to businesses and households (July, 9am).

**Key earnings:**

Coca-Cola, Philip Morris, Texas Instruments (Tues); Alphabet, Tesla, IBM (Wed); SK Hynix Inc, Blackstone, Honeywell, BNP Paribas, Lloyds Bank (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 10<sup>th</sup> July 2025. If you are not on the distribution list and would like to receive these reports pls email [info@longvieweconomics.com](mailto:info@longvieweconomics.com).*

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