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': Toppy Tech!

US equities stalled last week as markets priced out some of the anticipated Fed cuts from the rates curve. That was triggered by stronger than expected macro data (e.g. Q2 GDP) and comments from some Fed governors. US 1-year bond yields closed the week 7bps higher; US 2-year yields ended the week up 6bps; while, according to 'CME Fed Watch', the chances of two more cuts this year fell last week to 66.4% (from 75.4% the prior week); while the Dec '26 Fed Fund futures contract priced out 14bps of easing.

With that, and reflecting the overextended nature of the equity market in general, US equities stalled out. The S&P500 closed the week down 0.3%; the NDX100 was +0.6% (although that was mainly about Monday's +1.8% gain); while the Philly SOX, similarly, rallied hard on Monday (and was down Tuesday, Wednesday & Thursday).

Now, therefore, the key question is whether this market is rolling over? Or is it simply consolidating its gains?

Large cap US tech & AI related stocks have been especially strong in September (with Nvidia, Oracle, Telsa, Google and other stocks leading the market higher this month – see last week's 'Daily Dose' for detailed analysis). As such, tech is now overextended and overbought; downside put protection on the NDX100 index is at low levels; and sentiment is high (on SELL – see FIGs 1f & 1g). Tech is, therefore, likely to be starting to consolidate its gains (or indeed rolling over).

Elsewhere, though, multiple other non-tech stocks are oversold. The breadth of the market (using a 10-day advance-decline line) has been weak (with that model back on BUY, FIG 1c); while the percentage of US single stocks which are overbought is also at low levels (12.7% - FIG 1d). At times, though, markets roll after breadth has rolled over – i.e. stocks and sectors fall away, as the breadth of the advance narrows until the market as a whole eventually stalls out and rolls over (as the last stocks driving it higher top out). Certainly, our medium-term models are still supportive of that expectation – the SELL-off indicator, for example, continues to build higher above its key +20 level (FIG 1b); the Colvin model is at high (SELL) levels; while medium term RAG1 + RAG2 (& the medium-term risk appetite scoring system) are both on SELL (e.g. see FIG 1e). Added to which, there's widespread evidence of froth and complacency in global equity markets/risk assets over the course of September. Multiple equity markets and some commodities have generated near vertical price action (a sure sign of exuberance, e.g. see silver, South African equities, South Korean equities etc.). SELL-off indicator signals combined with evidence of exuberance is consistent with markets forming major tops. Bitcoin is also not supportive of further equity market upside (near term). The price of BTC, typically an indicator of marginal liquidity, has struggled in recent weeks, trading sideways since July/August this year (FIG 1a).

So, for now, whilst many of our short-term (1 – 2 week) models have moved lower over the past week, as equity markets eased off from their highs, the message of the medium-term models is the key one – that is a message of caution.

Key risks to that, as always, are multiple. Clearly the SELL-off indicator has now been building, above its key +20 threshold, for three weeks (and could, as always be wrong –> no model is perfect). Equally, a softening of bond yields and a pricing in of more rate cuts could drive sector rotation, with the 'cyclical' areas of the market taking up leadership. Equally, a downside risk is that a potential government shutdown is looming (1st October deadline), while this is a big macro data week for the US (with ISM surveys and payrolls amongst other data) which could also result in further pricing out of rate cuts.

Later this week we will publish a full, deep dive 'Tactical' equity update.

Price action this week, given all of the above, is likely to be critical. For now, we remain 'Tactically' cautious and 'strategically' constructive on risk assets.

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

Kind regards,

The team @ Longview Economics

<u>**FIG 1:** NDX100 futures 30-day tick chart shown with overnight price action</u>

FIG 1a: Bitcoin (USD) and the S&P500

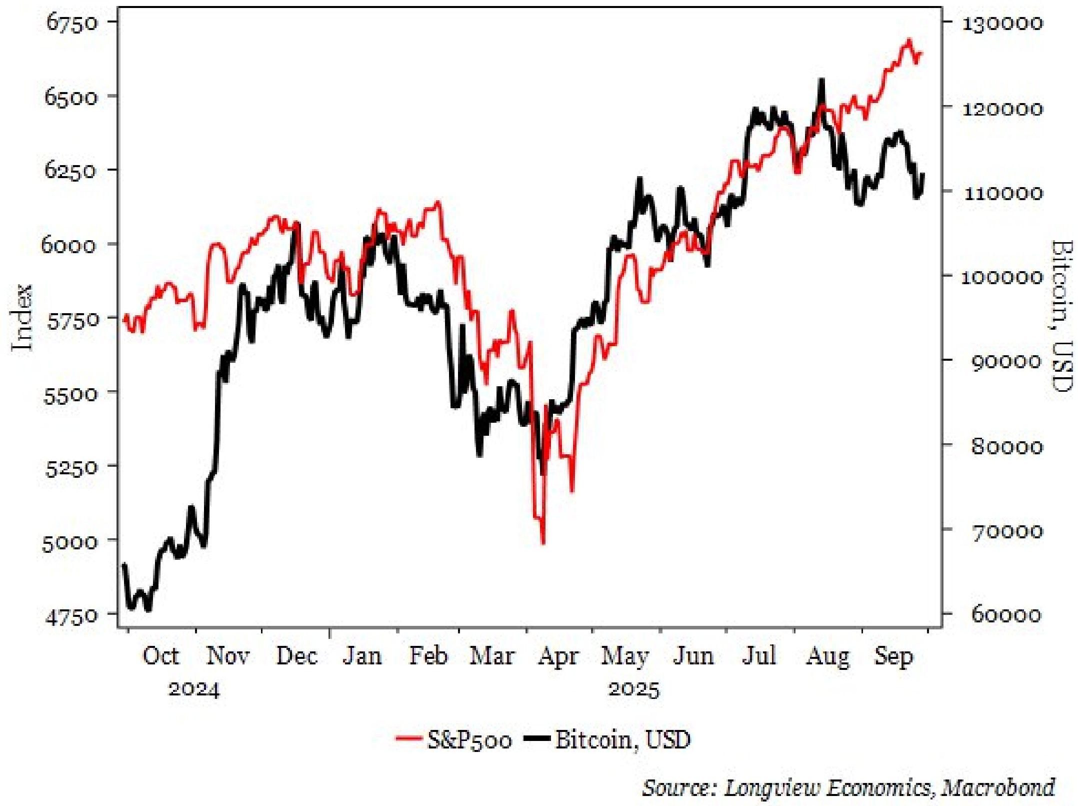


FIG 1b: Longview SELL-off indicator vs. S&P500

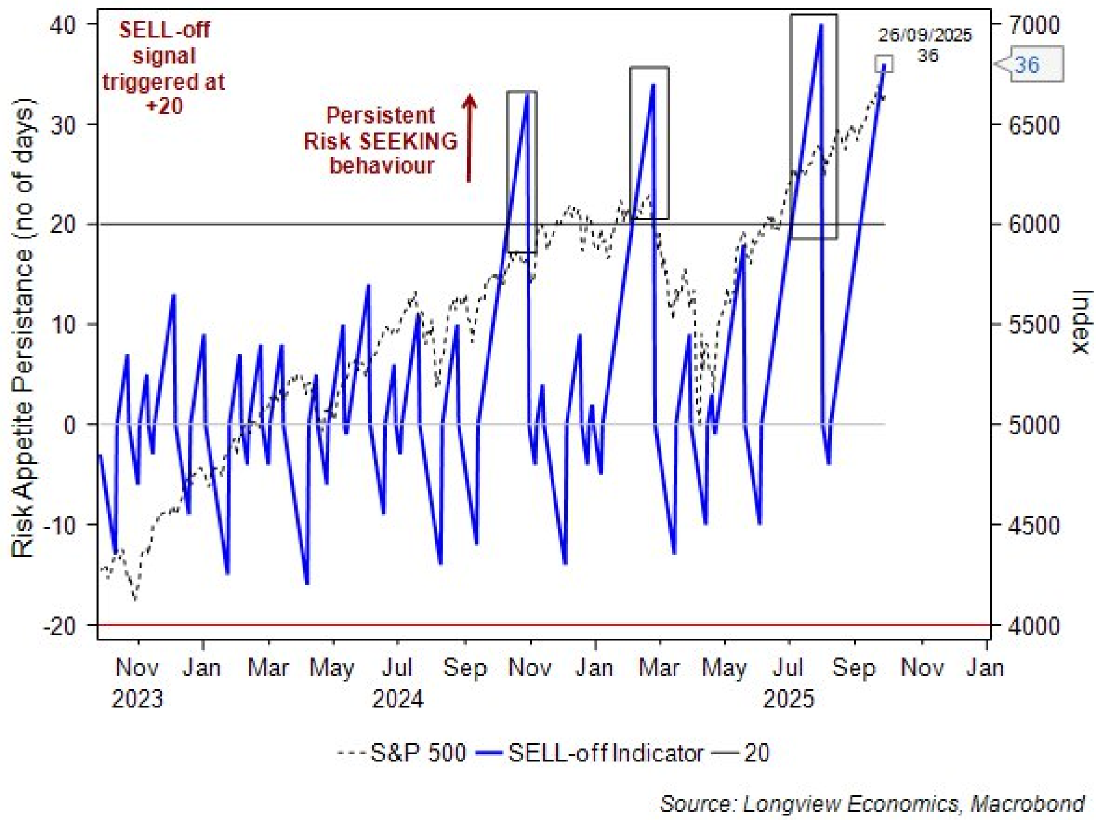


FIG 1c: Short term NYSE breadth (advancers less decliners, 10 day smoothed) vs. S&P500

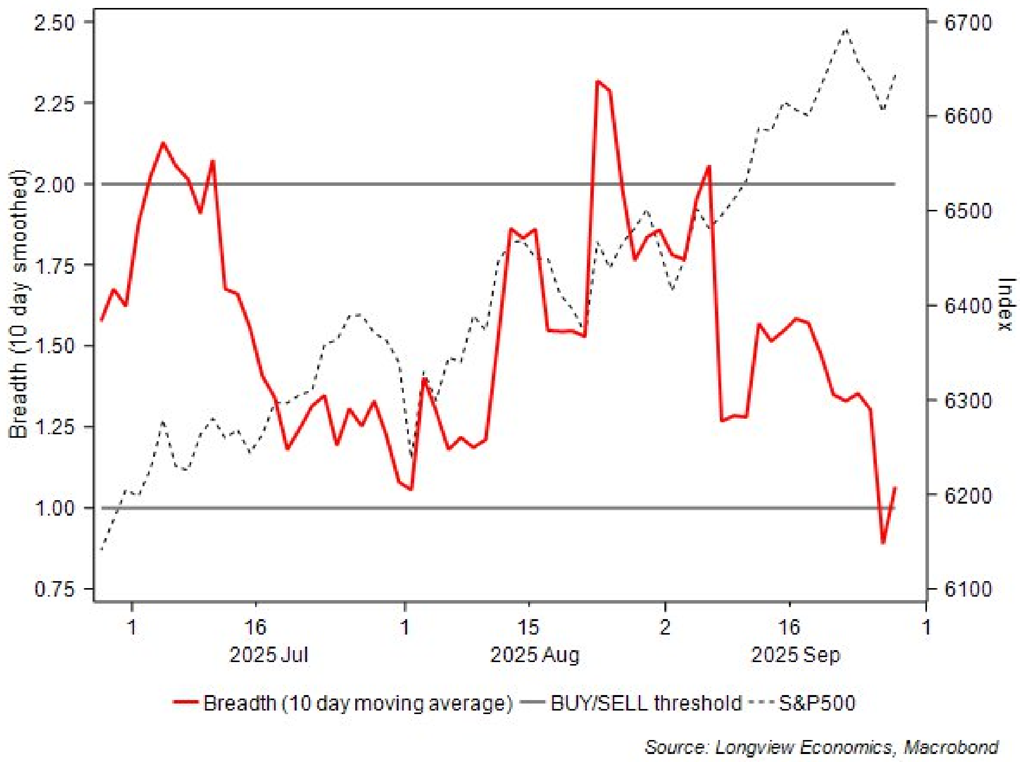


FIG 1d: Percentage of US single stocks which are overbought (i.e. with RSIs>70)

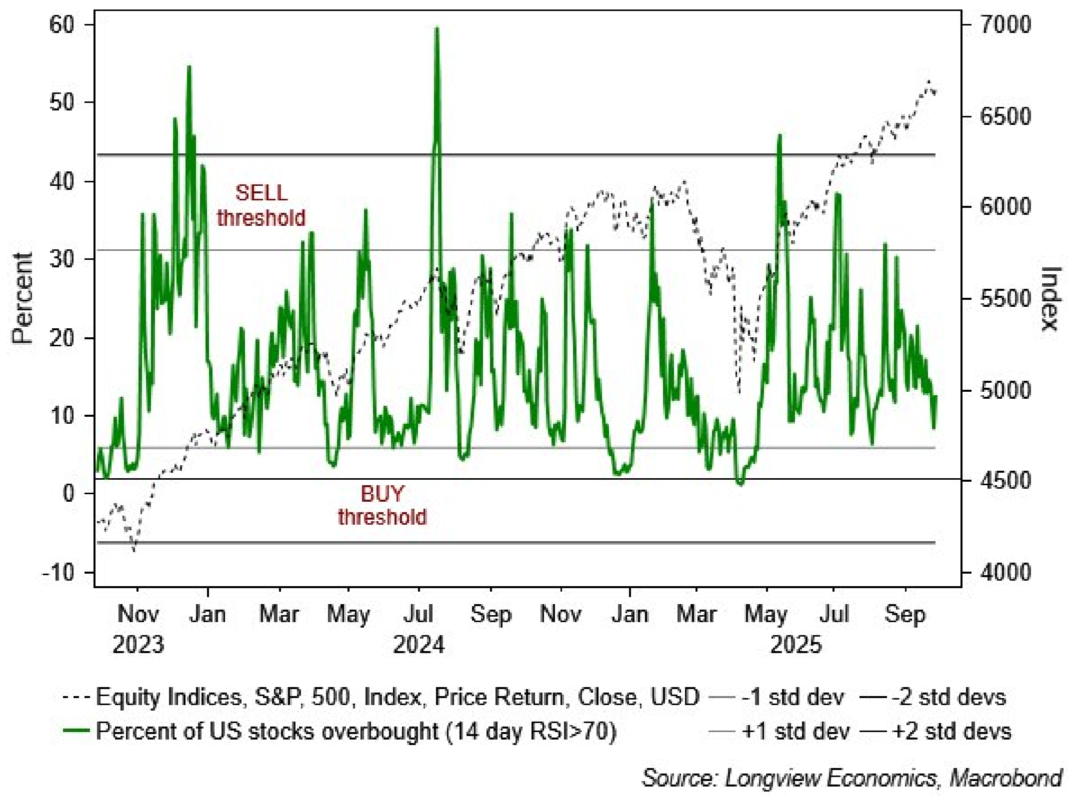


FIG 1e: Medium term RAG1 & RAG2 vs. S&P500

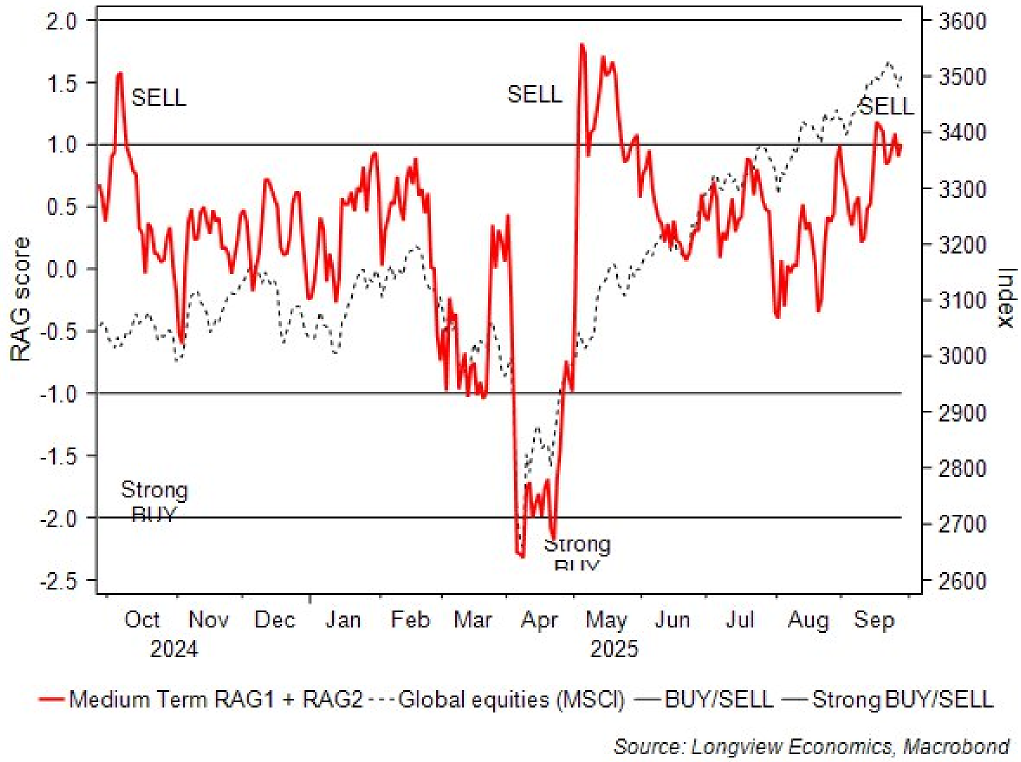


FIG 1f: NDX100 put to call indicator (1 & 3 day smoothed), NB scale INVERTED vs. NDX100

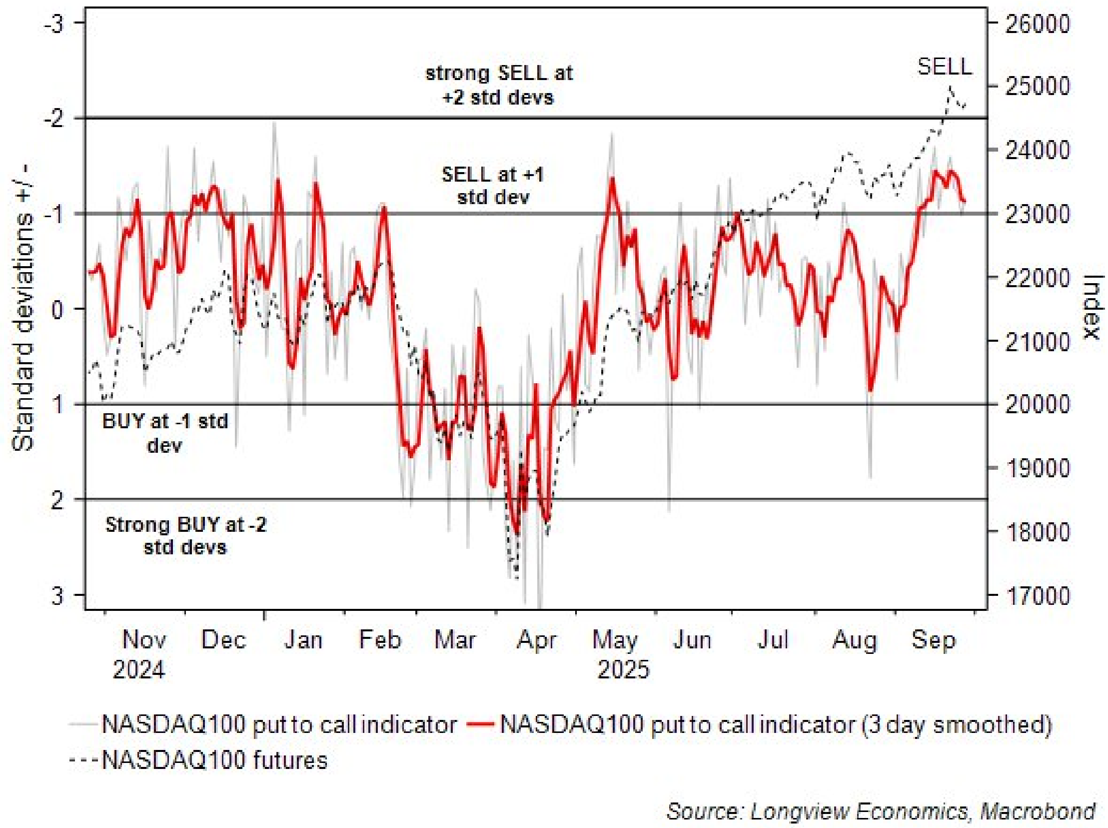
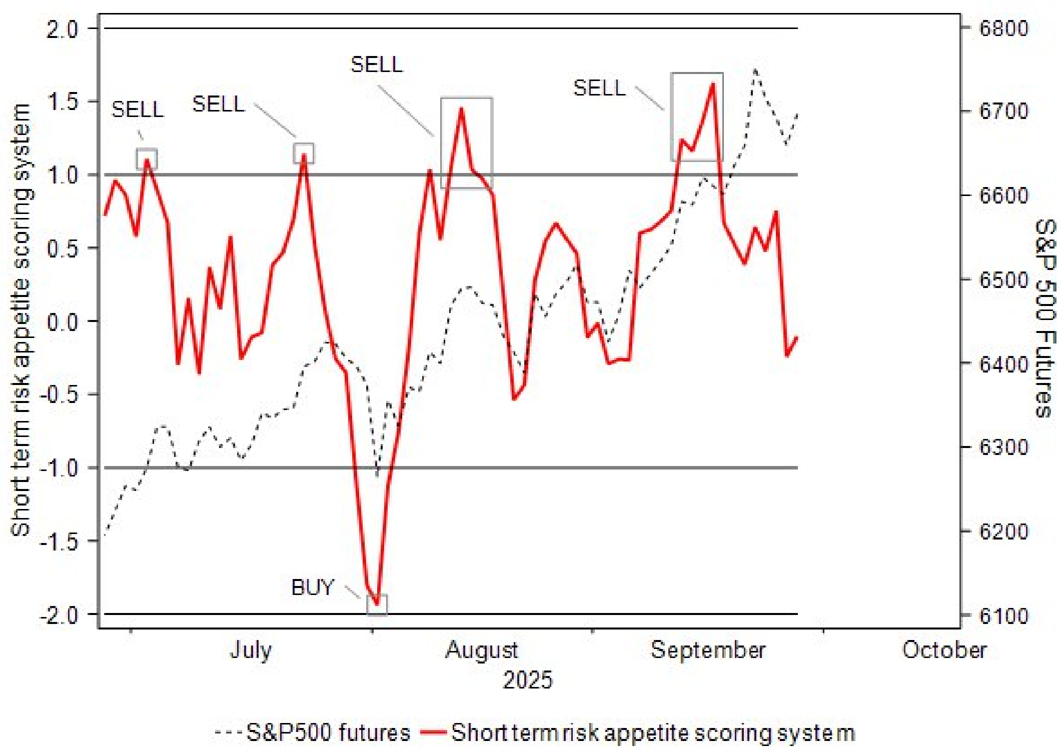


FIG 1g: Hulbert NASDAQ sentiment index shown with NASDAQ composite index

Source: Longview Economics, Macrobond

Short term (1 – 2 week) market timing models have moved lower from recent SELL signals……

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

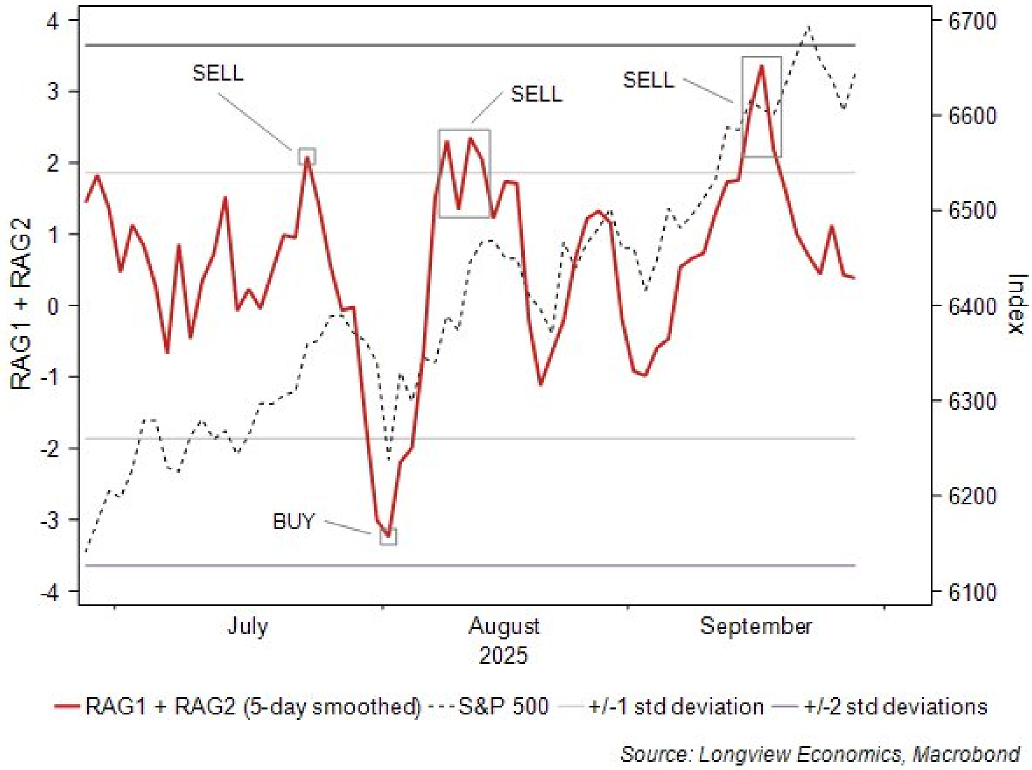


FIG 2b: Longview S&P500 **short term 'technical'** scoring system vs. S&P500 futures

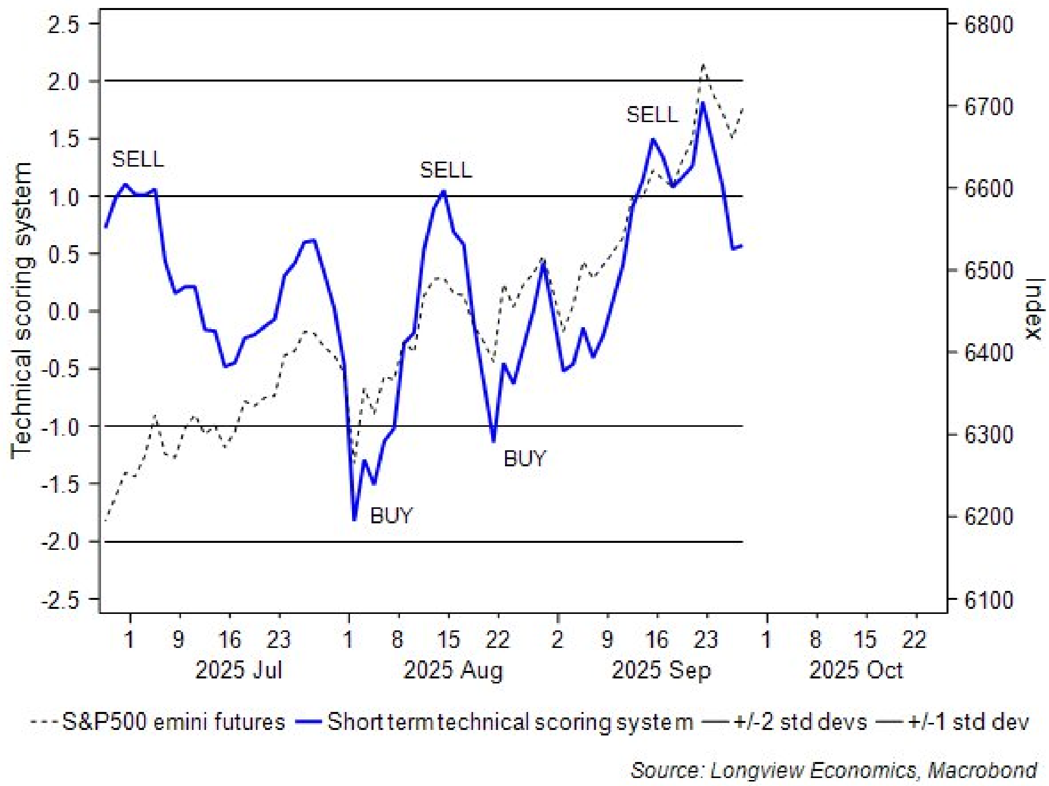


FIG 2c: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures

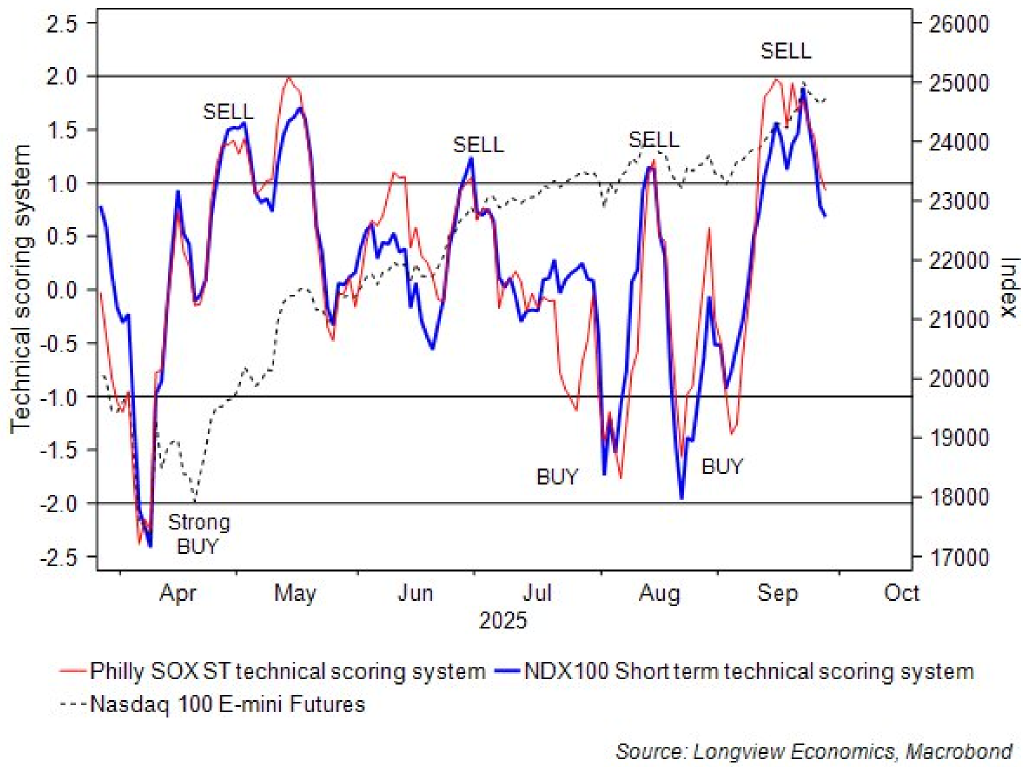


FIG 2d: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

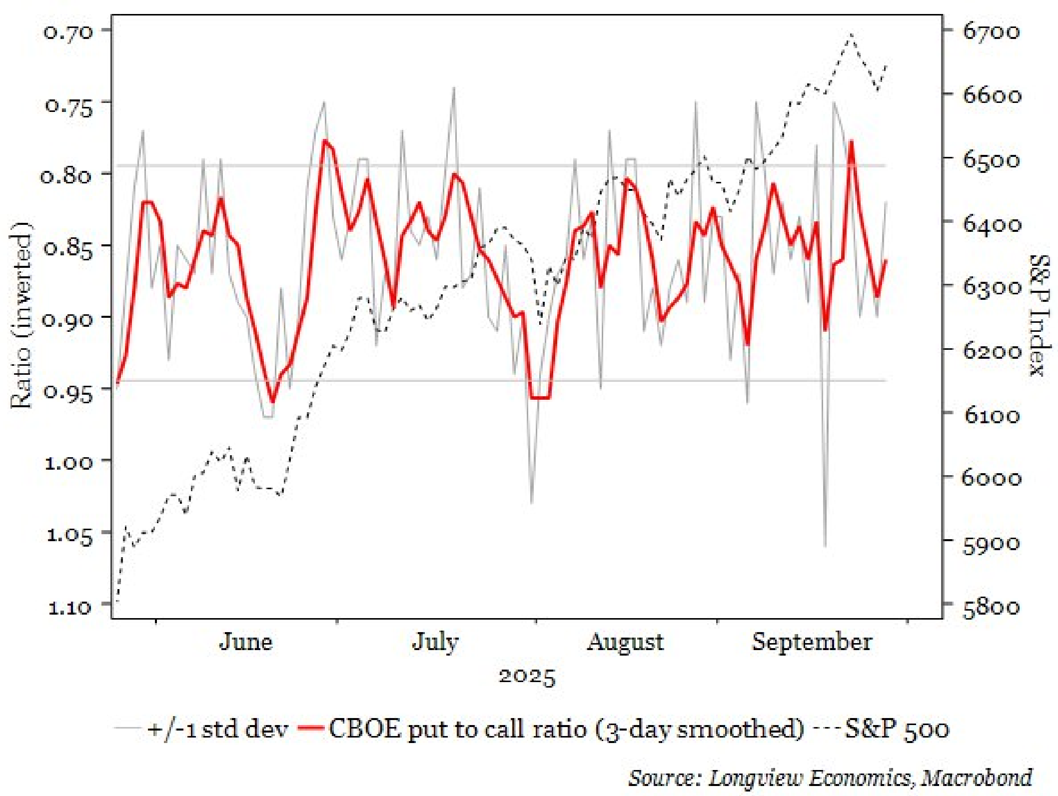
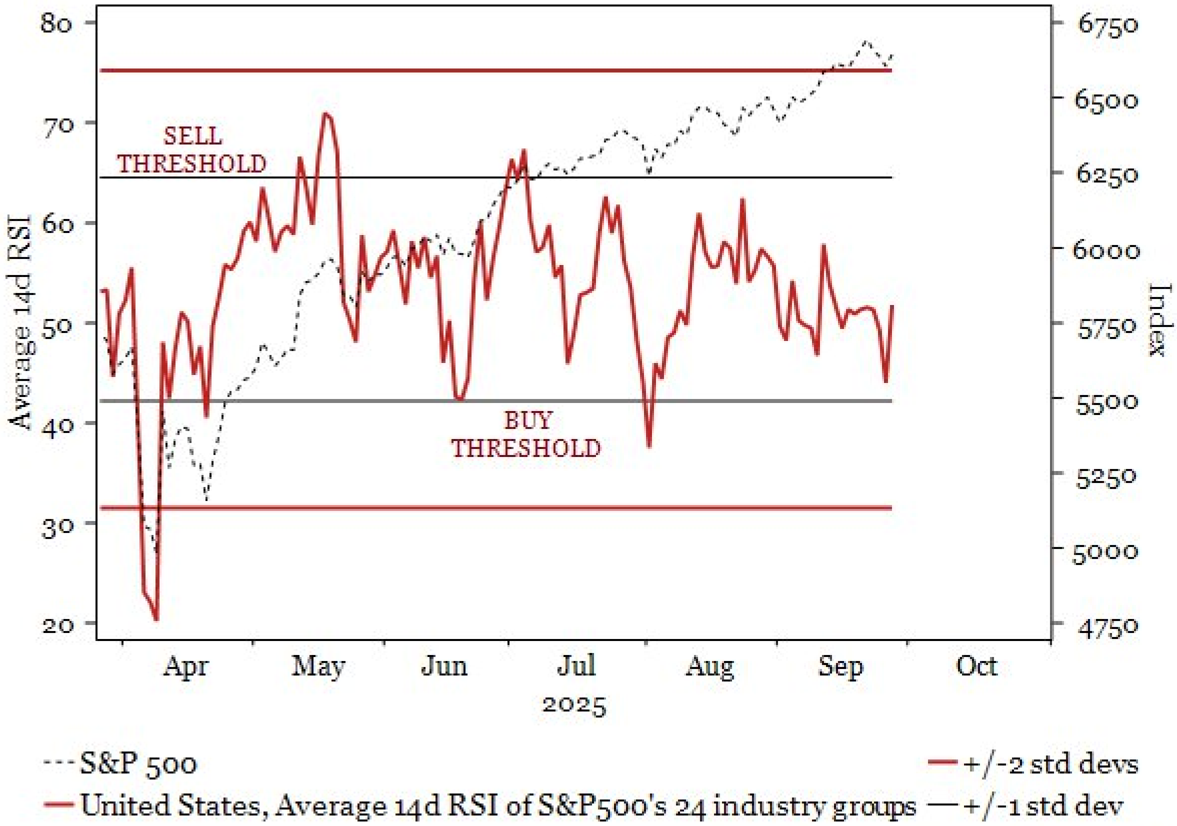


FIG 2e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

LVRAG
Daily Risk Appetite Gauge

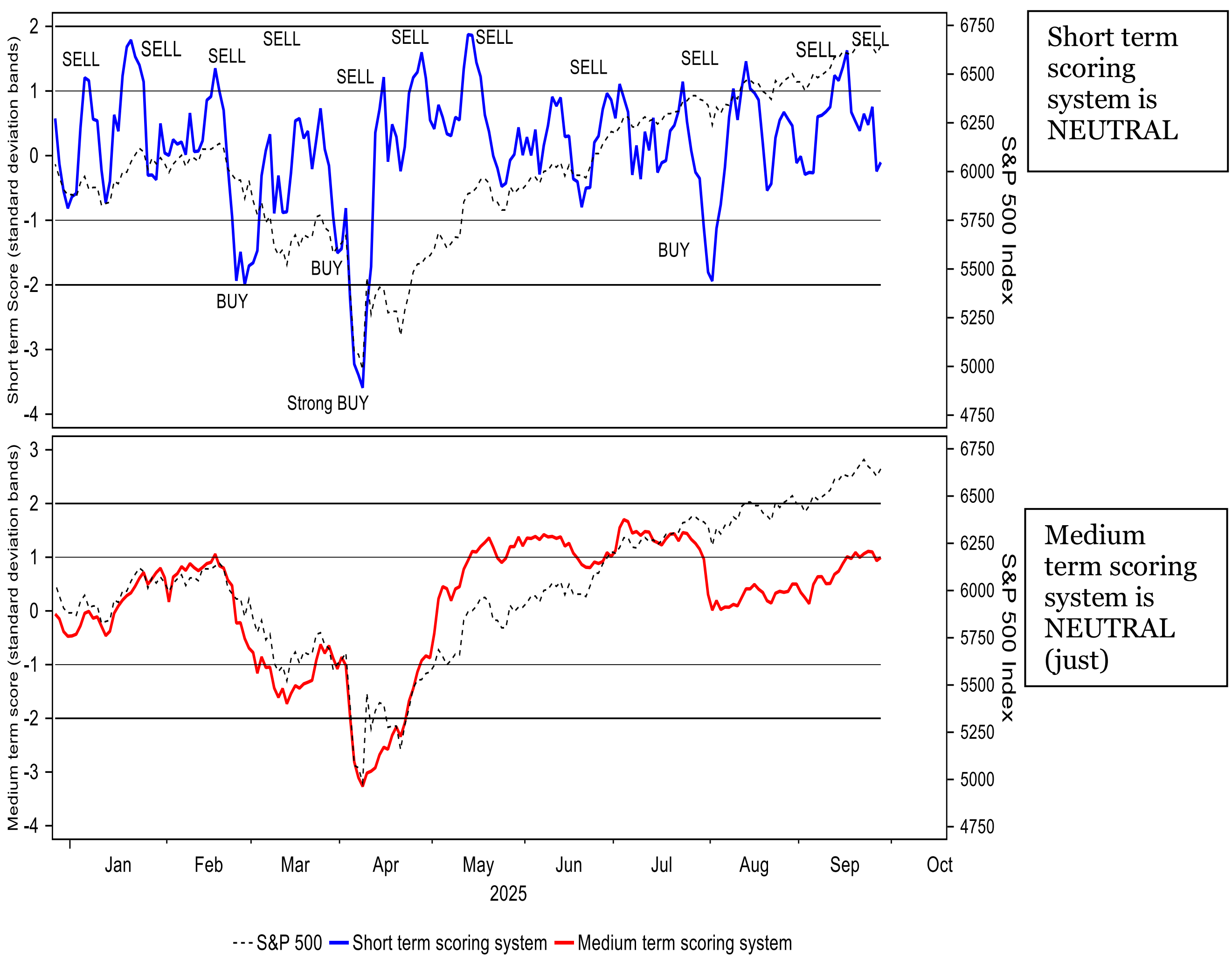
1 – 2 Week View on Risk

29th September 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



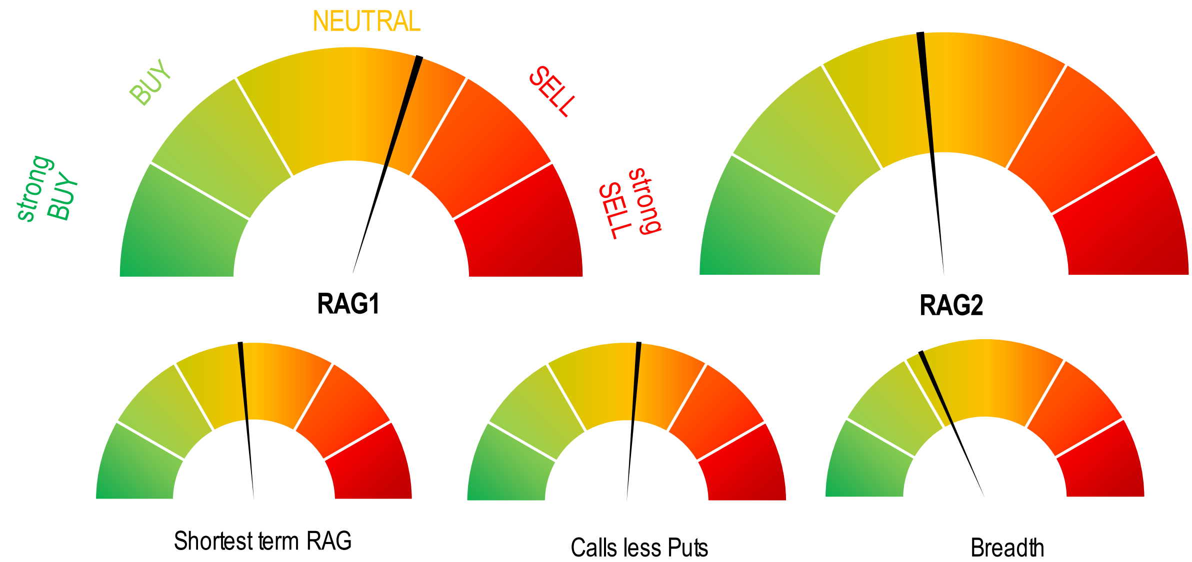
Source: Longview Economics, Macrobond

*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

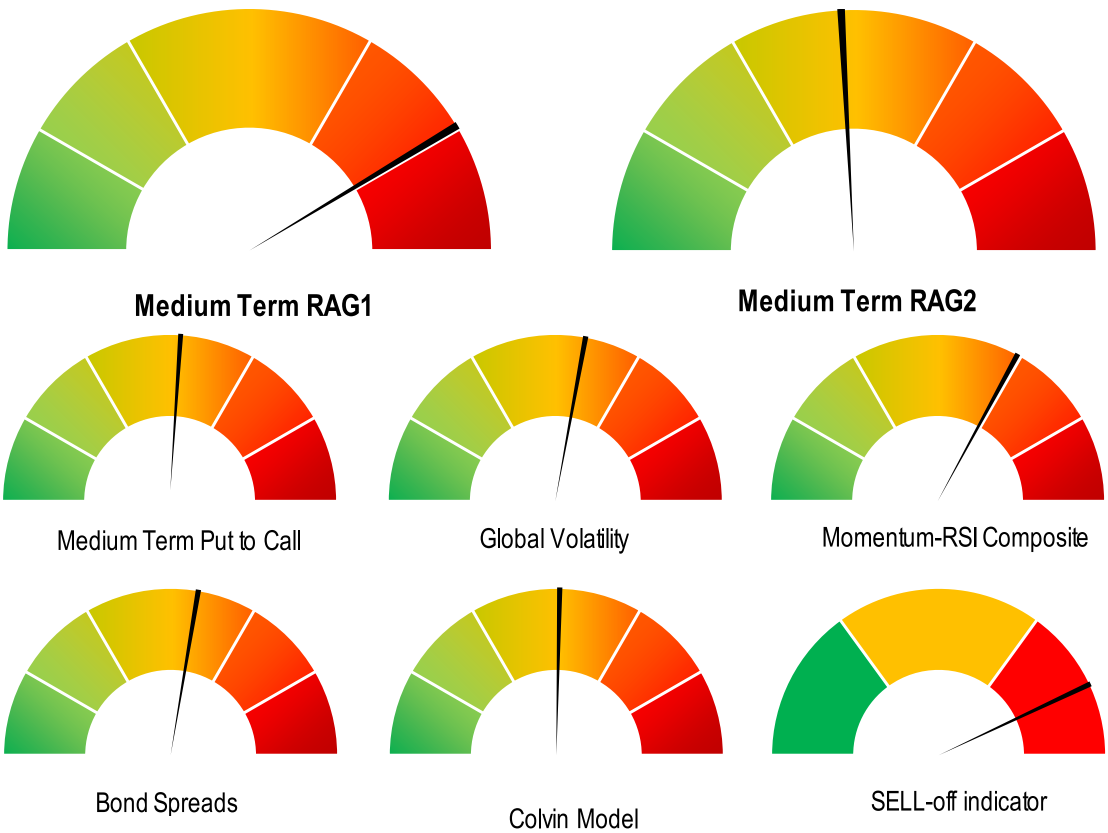
Section 1a: Summary of indicator signals**

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



Source: *Longview Economics*

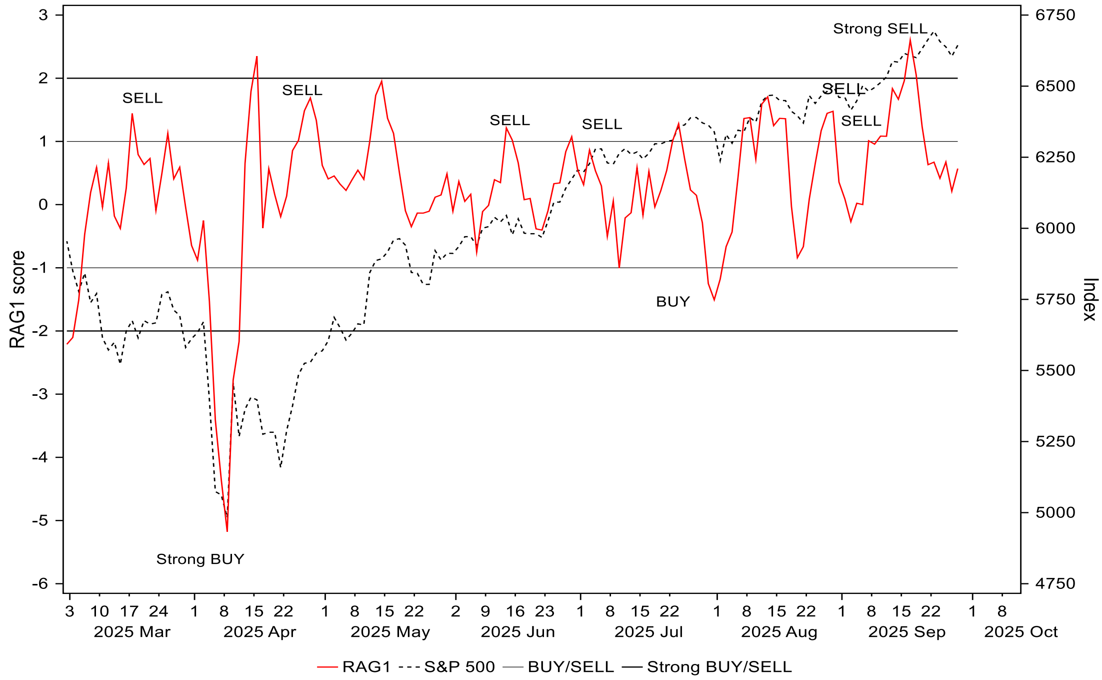
Fig 1b: Medium term models – shown as gauges using standard deviation bands



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

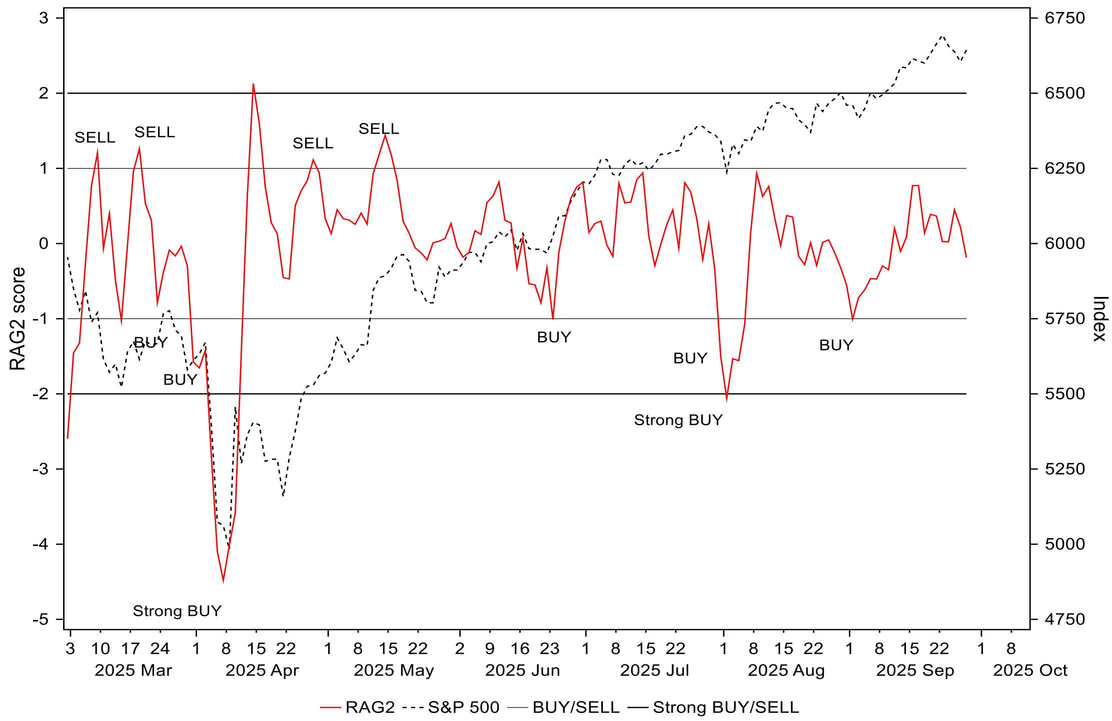
Fig 2a: RAG 1 vs. S&P 500



RAG1 is NEUTRAL

Source: Longview Economics, Macrobond

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

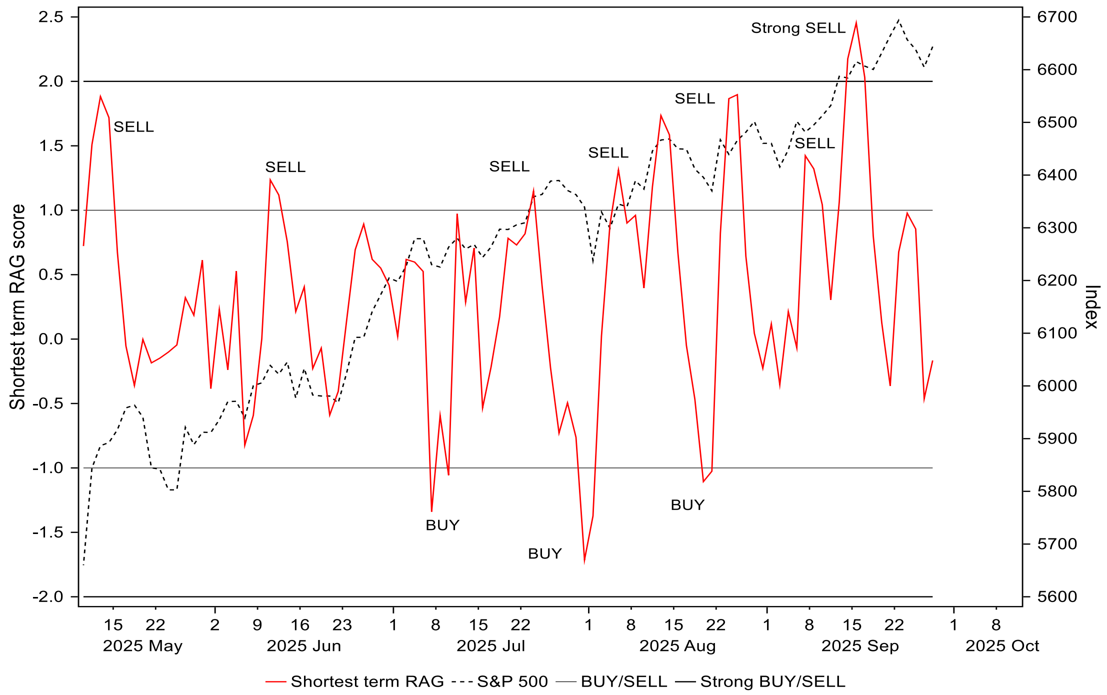


RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

For explanations of indicators please see page 10

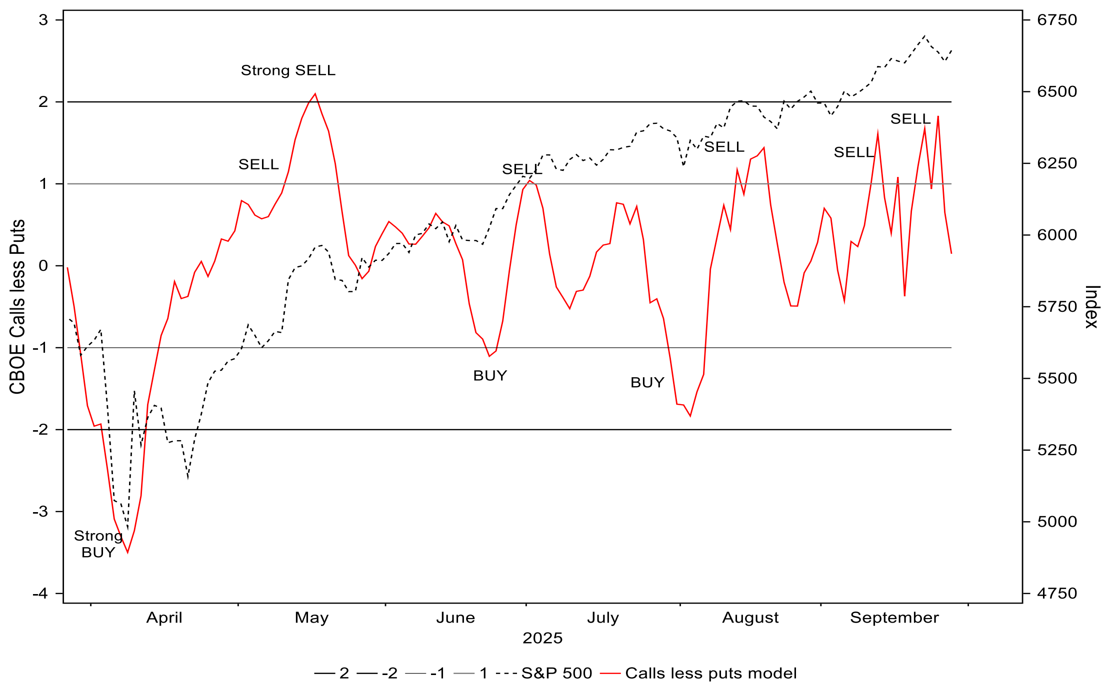
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Source: Longview Economics, Macrobond

Shortest term RAG is NEUTRAL

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

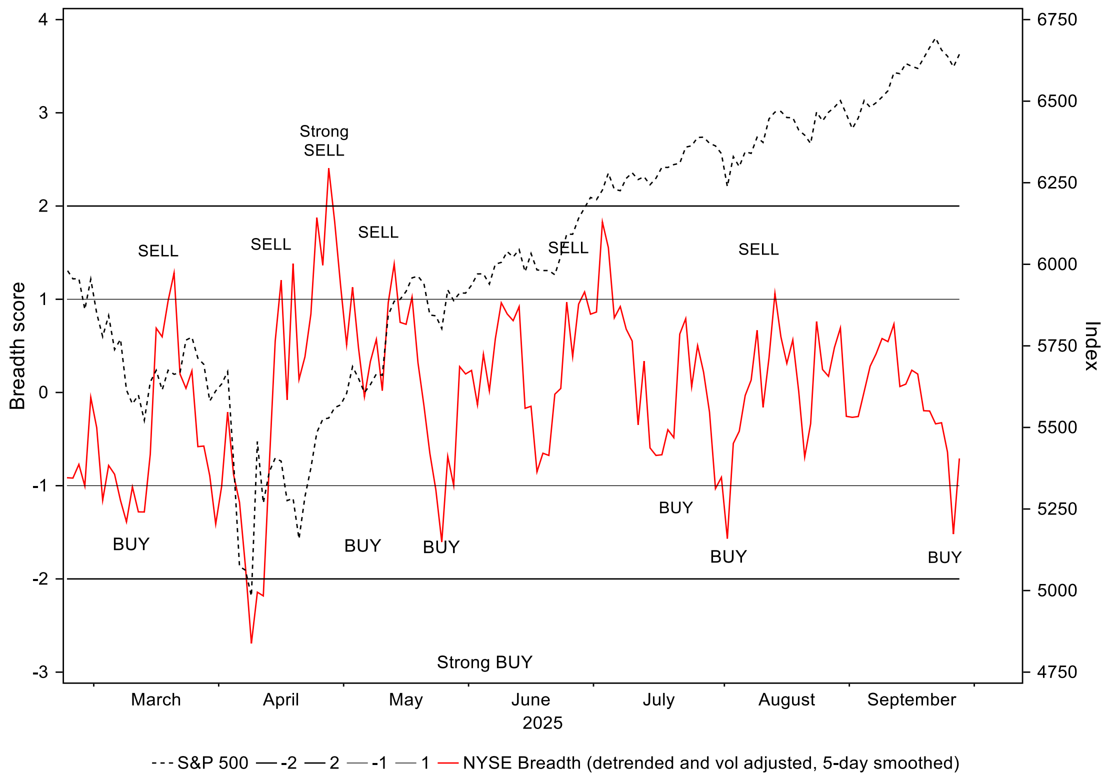


Source: Longview Economics, Macrobond

Calls less puts model is NEUTRAL

For explanations of indicators please see page 10

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



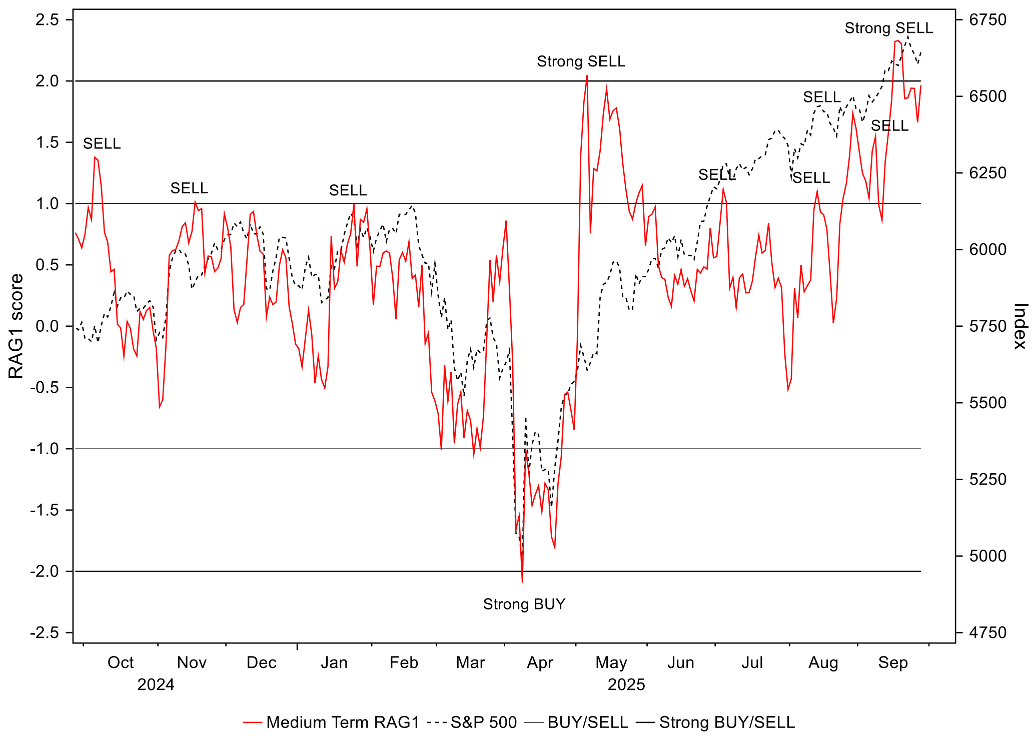
Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

For explanations of indicators please see page 10

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

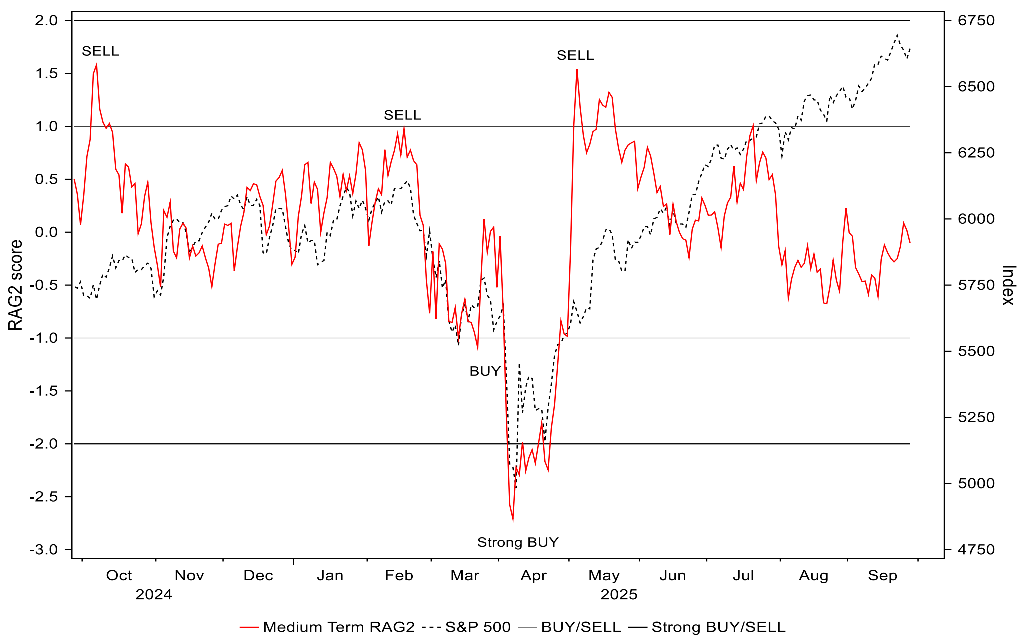
Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Source: Longview Economics, Macrobond

Medium term RAG1 is on SELL

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

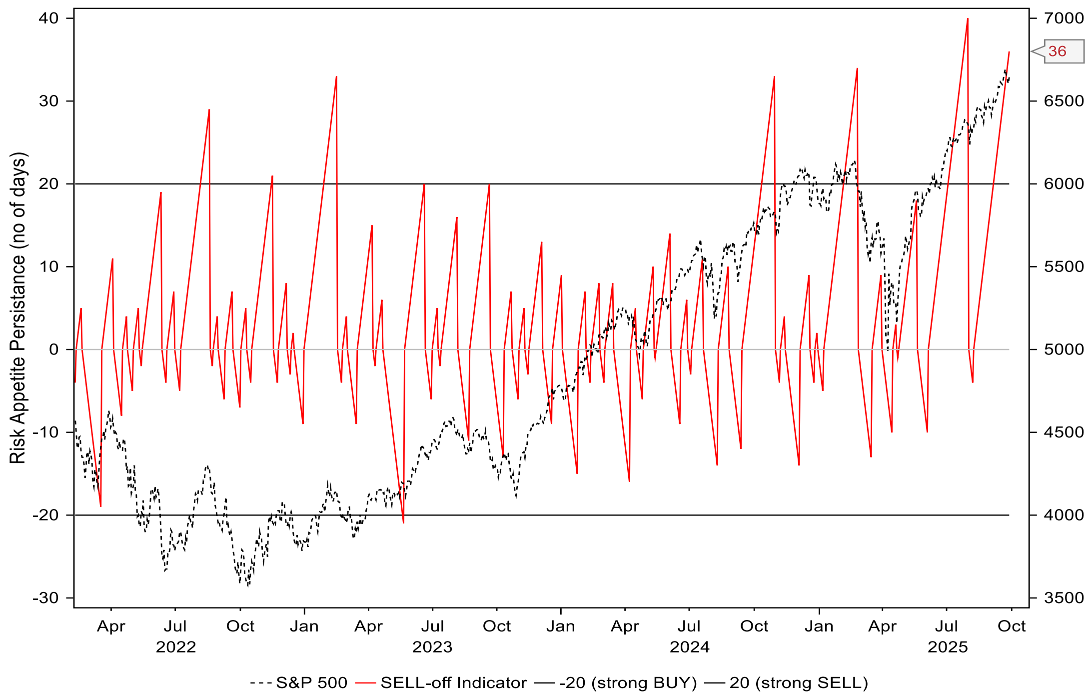


Source: Longview Economics, Macrobond

Medium term RAG2 is NEUTRAL

For explanations of indicators please see page 10

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

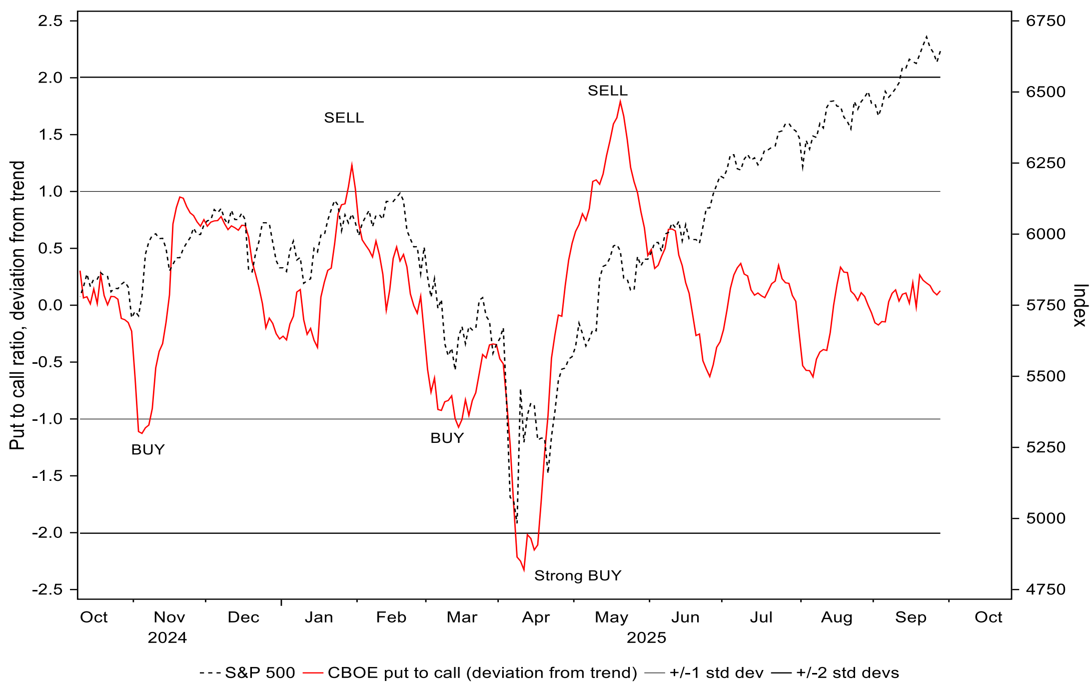


Source: Longview Economics, Macrobond

The SELL-off indicator is on SELL

(@ +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

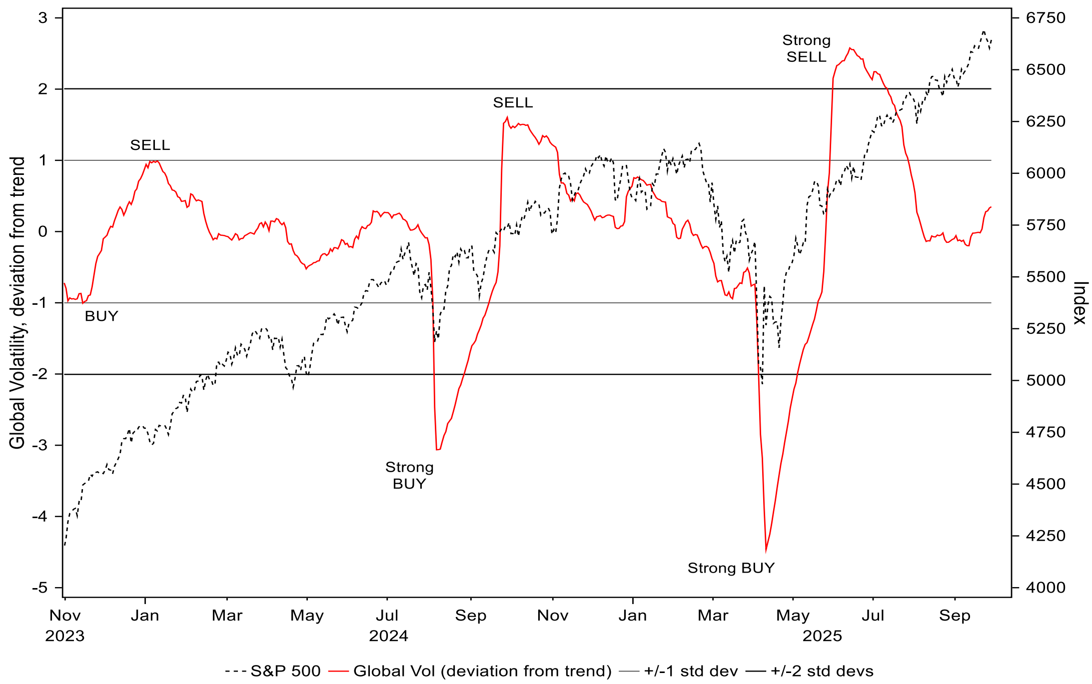


Source: Longview Economics, Macrobond

Medium term put to call model is NEUTRAL

For explanations of indicators please see page 10

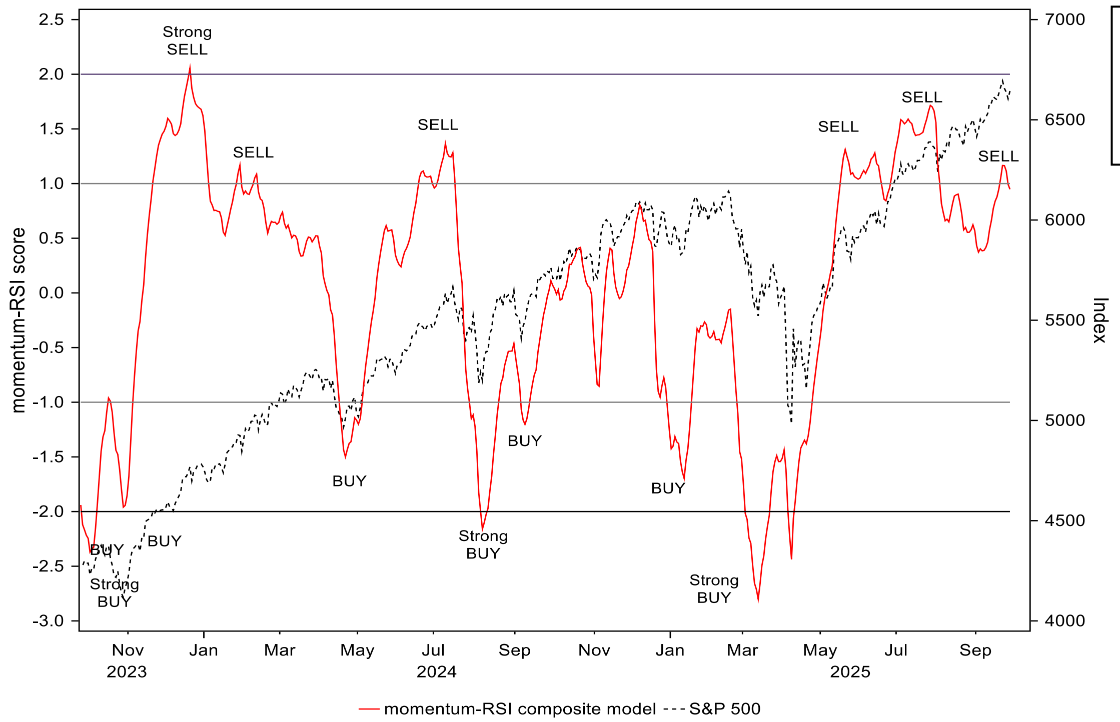
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Source: Longview Economics, Macrobond

Global volatility indicator is NEUTRAL

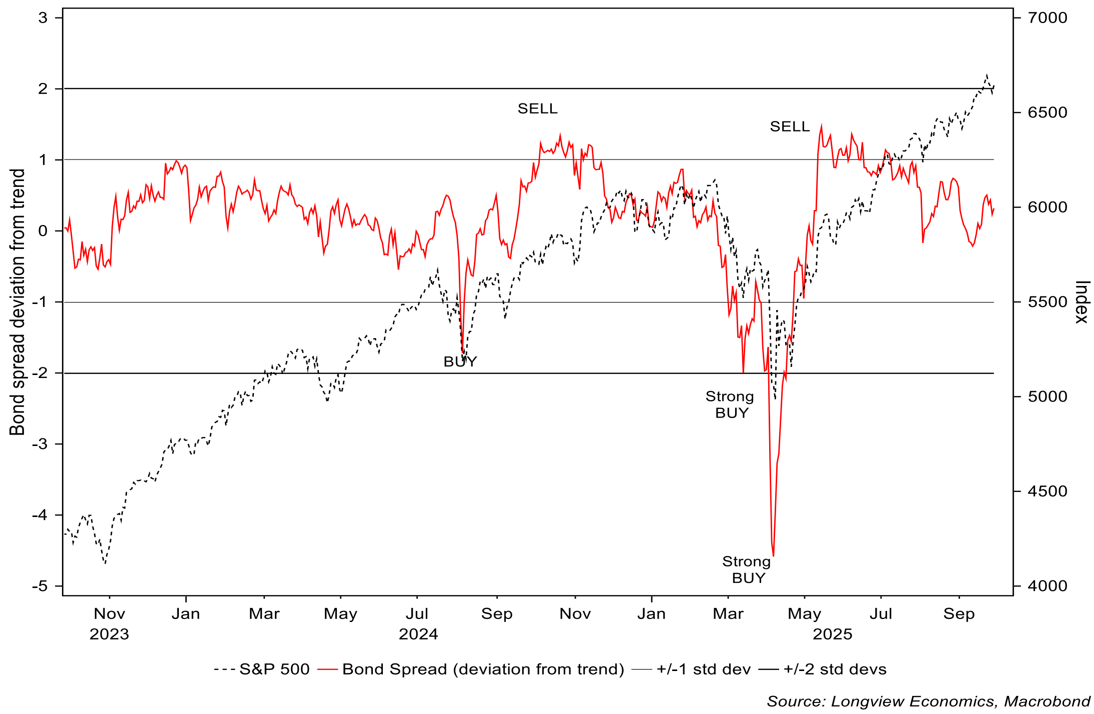
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



Source: Longview Economics, Macrobond

US momentum RSI composite model is NEUTRAL

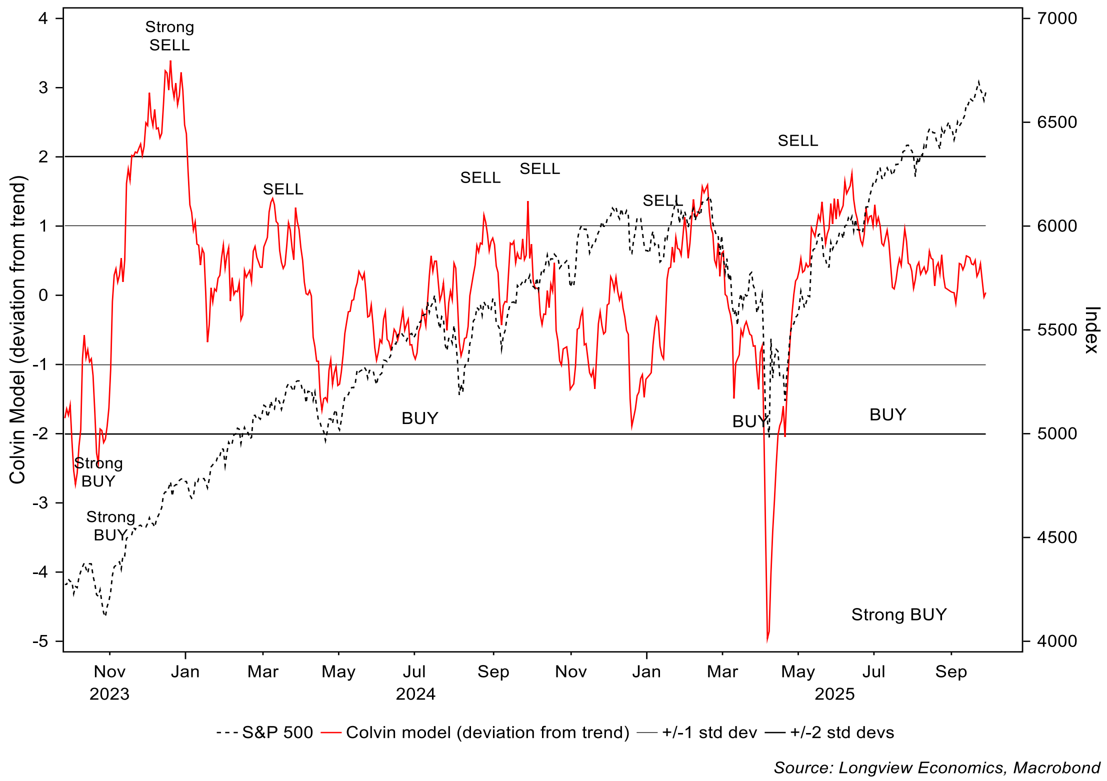
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



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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