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': 'Weekly Bearish Key Day Reversals'

"Labor market still solid in my view"; "econ growth slowing to ~1% this year"; "will go into September meeting with 'open mind' on cutting rates"

Source: WSJ, Bloomberg headlines, NY Fed's Williams 2nd August 2025

The 'stretched' nature of the US equity market, that we wrote about in last Monday's Weekly RAG, started to unwind last week.

Despite better than expected and well received earnings results from Microsoft and Meta (after hours Wednesday), the S&P500 closed down on Thursday and Friday. Indeed, all key US equity indices were lower on the week led by DJ Transportation index, which was down 7.7% (S&P500 was -2.4%; S&P600 -4.0%; Russell 2000 -4.2%; NDX100 -2.3%). With that weakness both the NDX100 and the S&P500 generated **weekly bearish key day reversals.** That occurs when the index opens the week above its prior weekly highs and then closes below its prior weekly lows. It's a technical indicator which typically marks a change of trend.

Reflecting that move lower last week (and the bout of 'risk off' price action), **short term (1 – 2 week) market timing models have moved collectively onto BUY signals** (FIGs 2 – 3a). That is, the short term risk appetite scoring system is on BUY (and close to strong BUY); the short term technical scoring system is on BUY (as is the NDX100 and SOX equivalent models); the put to call ratio is close to BUY, whilst the single stock and sector technical models are highlighting that the market is oversold at those levels as well (i.e. at the single stock and sector levels).

Pullbacks, if they evolve into a full wave of risk aversion, typically **comprise 3 or 5 waves**. That is an initial wave of selling (wave 1); then a wave 2 relief rally; followed by a 3rd wave down to the wave 1 lows or lower (with that pattern sometimes evolving into 5 waves). The short-term models are useful for trading (i.e. topping and tailing) those waves and are highlighting the possibility that we are close to the end of wave one. Interestingly, in that respect, S&P500 and NDX100 futures are both at a key support level (e.g. see FIG 1 – for the S&P500 futures that level is 6,240). The S&P's 50 day moving average, which is ~2% lower, could also act as a key support level (i.e. currently 6,158).

Beyond some near-term support, though, the message of the medium-term models is mixed. That is, they point to an expectation that this pullback could evolve more fully into a three wave, or even '5 wave', move. The medium-term risk appetite scoring system, for example, is mid-range (FIG 1b); the Colvin model is mid-range; the medium term put to call ratio is still close to SELL, while the volatility curve remains steep (FIG 1c).

Added to which, **last week's US macro data** adds to the expectation that the US economy is slowing, with significant downward revisions to the prior two months'

data, as well as a weak July number (& soft underlying Q2 GDP data). Despite that, though, the NY Fed's Williams over the weekend pushed back against the market's concerns, suggesting that the US labour market remains 'solid' (see quotes above). That reinforces Powell's Wednesday press conference message that, while September remains a 'live' meeting (79.6% probability of a cut), the Fed isn't currently overly concerned about the clear slowing of the US labour market. The risk, therefore, is that markets will need to move lower/put more pressure on policy makers to change their language/messaging.

We will be fully updating our Tactical Asset Allocation views later this week (and publishing our monthly 'Tactical Asset Allocation'). For now, we remain tactically cautious (and strategically constructive).

Key events and macro data due this week are shown below. The ISM services data, published on Tuesday, will be a key feature. This has been at/around 50 for the past two months. A decisive move below that level would all but confirm that the US was in recession (or that it is, at best, at stall speed). Elsewhere the Bank of England meets on Thursday. It's expected to cut by 25bps (97% probability), while German factory orders (Wednesday) and Chinese trade (Thursday) will also both be watched closely. US Q2 corporate earnings continue. Key companies reporting include Palantir, AMD and Caterpillar. For a full list of key events see below.

Kind regards,

The team @ Longview Economics

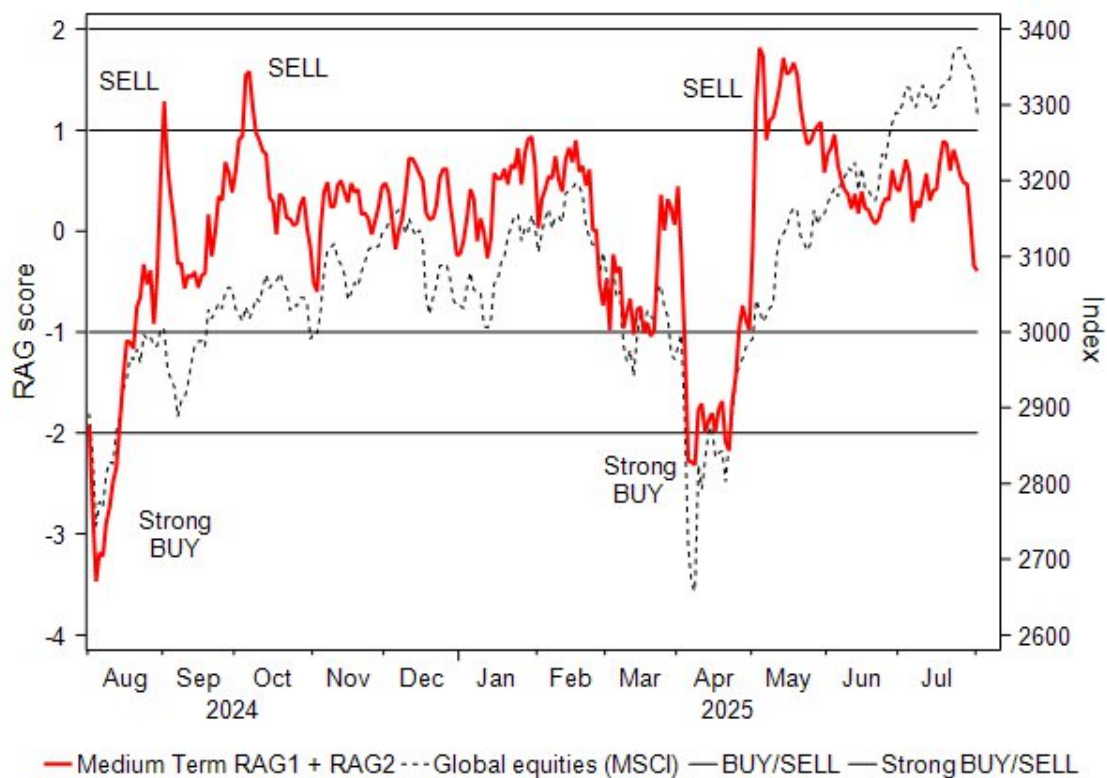**FIG 1:** S&P500 futures candlestick chart, shown with 50 & 200 day moving averages

Source: Longview Economics, Macrobond

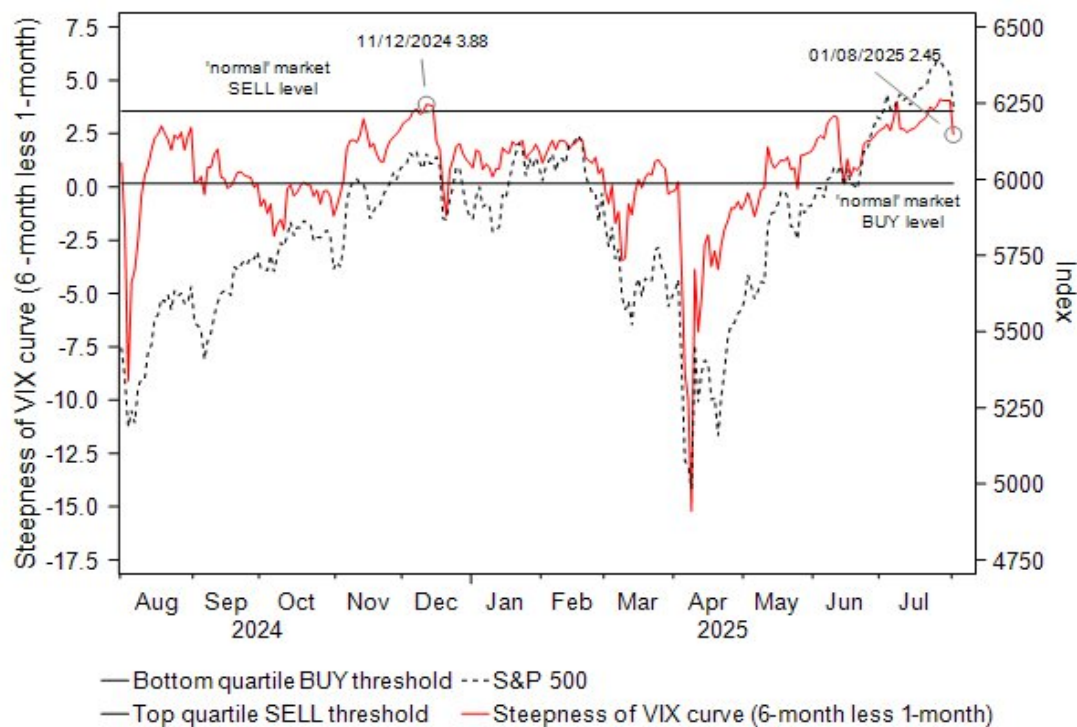**FIG 1a:** NASDAQ100 futures candlestick shown with its 50 & 200 day moving average

50 day mav. 22430

● Close, Open, High, Low — 50 day moving average

FIG 1b: Longview combined medium term 'RAG1 plus RAG2' vs. S&P500

SELL

SELL

SELL

Strong BUY

Strong BUY
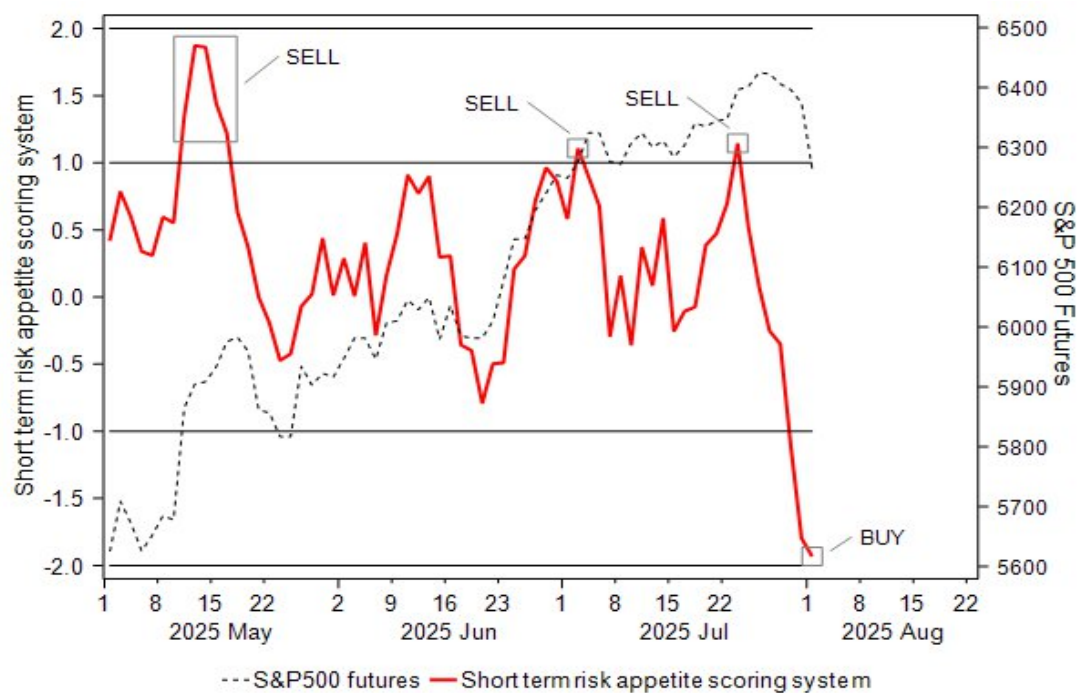
— Medium Term RAG1 + RAG2 ---Global equities (MSCI) — BUY/SELL — Strong BUY/SELL

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

Source: Longview Economics, Macrobond

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

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

Source: Longview Economics, Macrobond

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

Source: Longview Economics, Macrobond
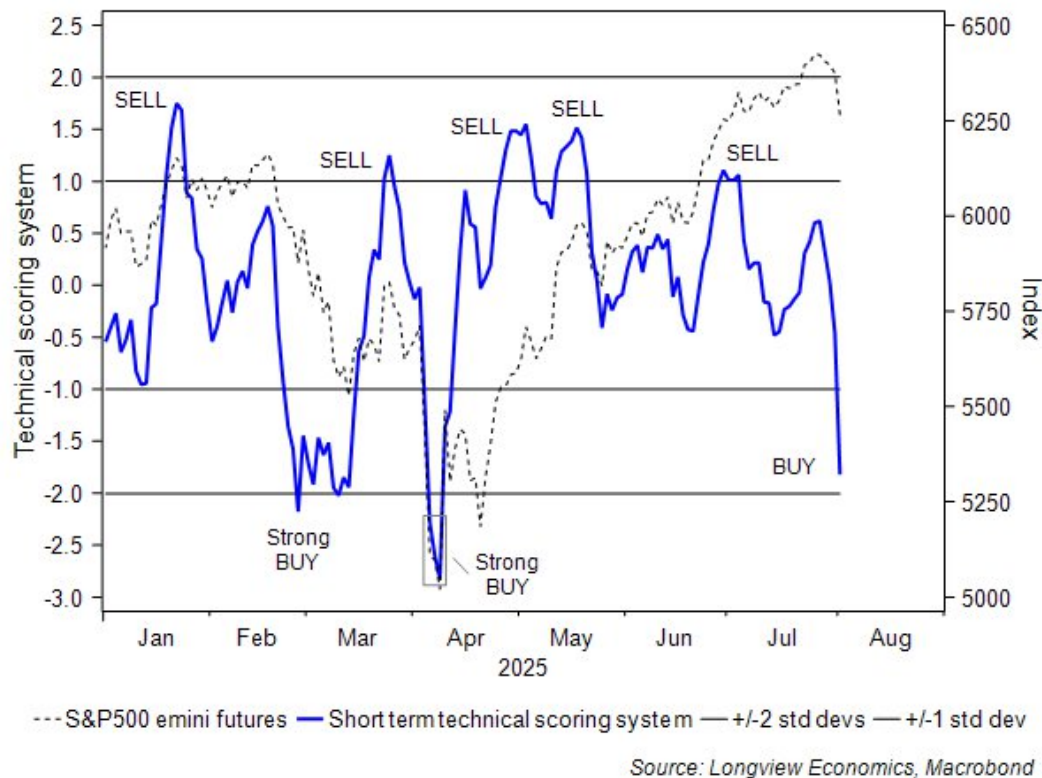
FIG 2b: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures

Source: Longview Economics, Macrobond
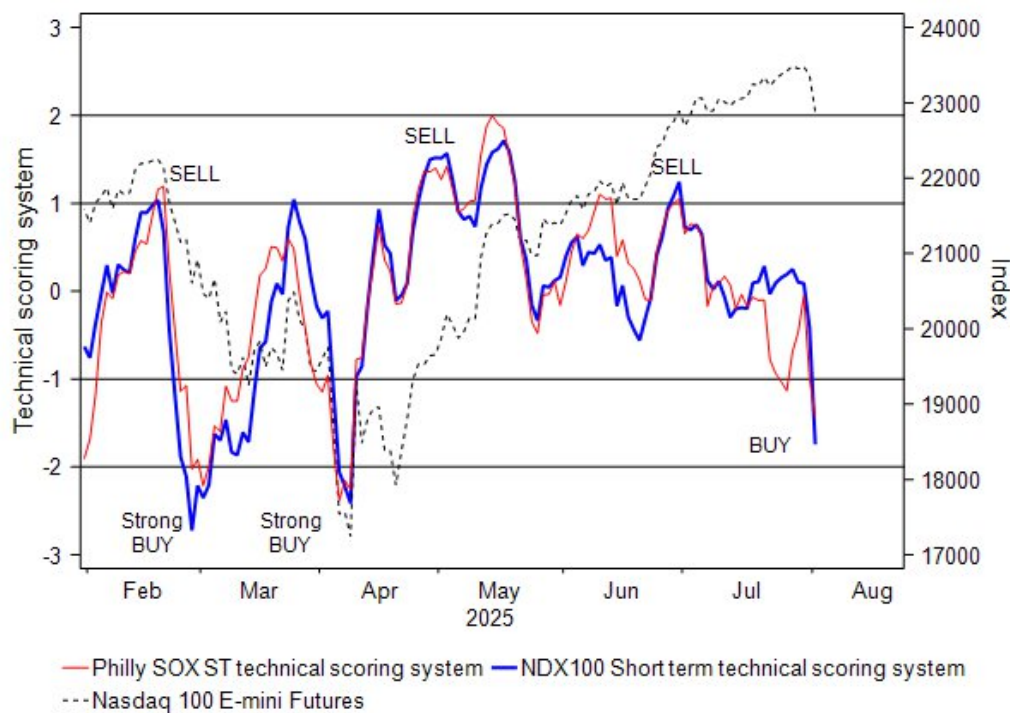
FIG 2c: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500

—+/-1 std dev —CBOE put to call ratio (3-day smoothed) ---S&P 500

Source: Longview Economics, Macrobond
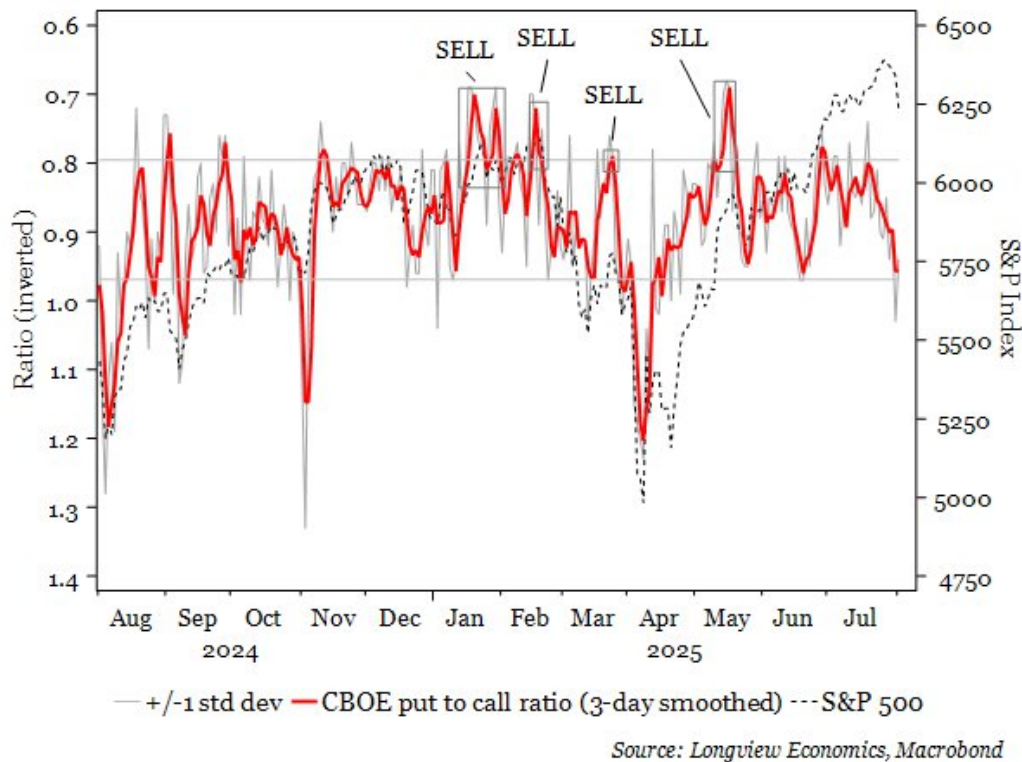
Sector and single stock models are on BUY...

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

---S&P 500   —+/-2 std devs
—United States, Average 14d RSI of S&P500's 24 industry groups —+/-1 std dev

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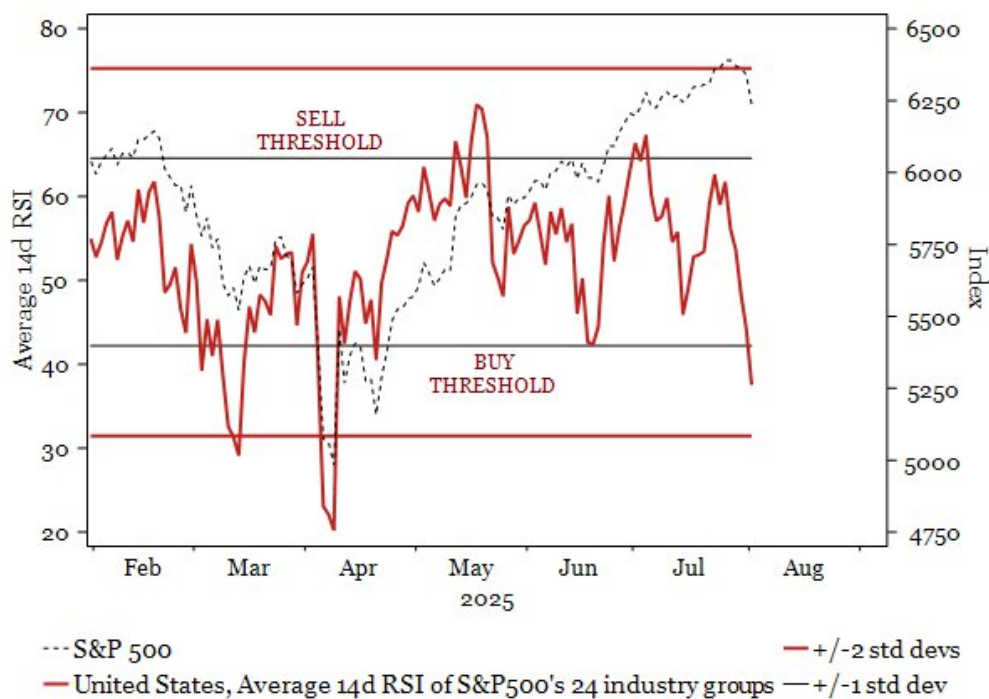
FIG 3a: Proportion of US stocks above their 10-day moving average vs. S&P500
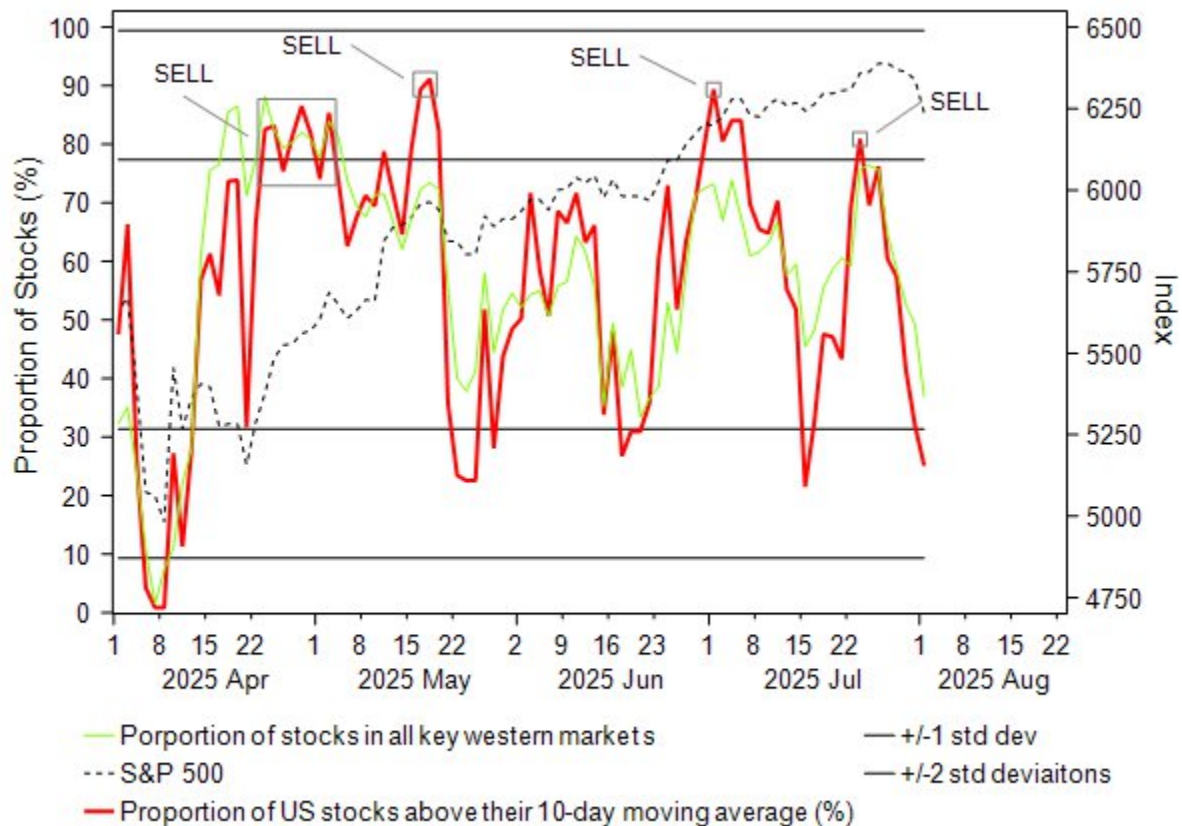
Source: Longview Economics, Macrobond

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

Events:	Bank of England policy decision (Thurs, 12pm) followed by press conference (12:30pm).
Monday:	Australian headline CPI (July, 2am).
Tuesday:	Chinese Caixin services sector PMI (July, 1:45am); Eurozone PPI (June, 10am); US ISM services index (July, 3pm).
Wednesday:	German factory orders (June, 7am); Eurozone retail sales (June, 10am).
Thursday:	Chinese imports/exports, & trade balance (July, 4am); nonfarm productivity & unit labour costs (Q2 first estimate, 1:30pm).
Friday:	N/A
Key earnings:	Berkshire Hathaway, Palantir, **(Mon);** AMD, Caterpillar, BP **(Tues);** McDonald's, Novo Nordisk **(Wed);** Eli Lilly **(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.

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

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

Short term scoring system is BUY

Medium term scoring system is on NEUTRAL

--- S&P 500   — Short term scoring system   — Medium term scoring system
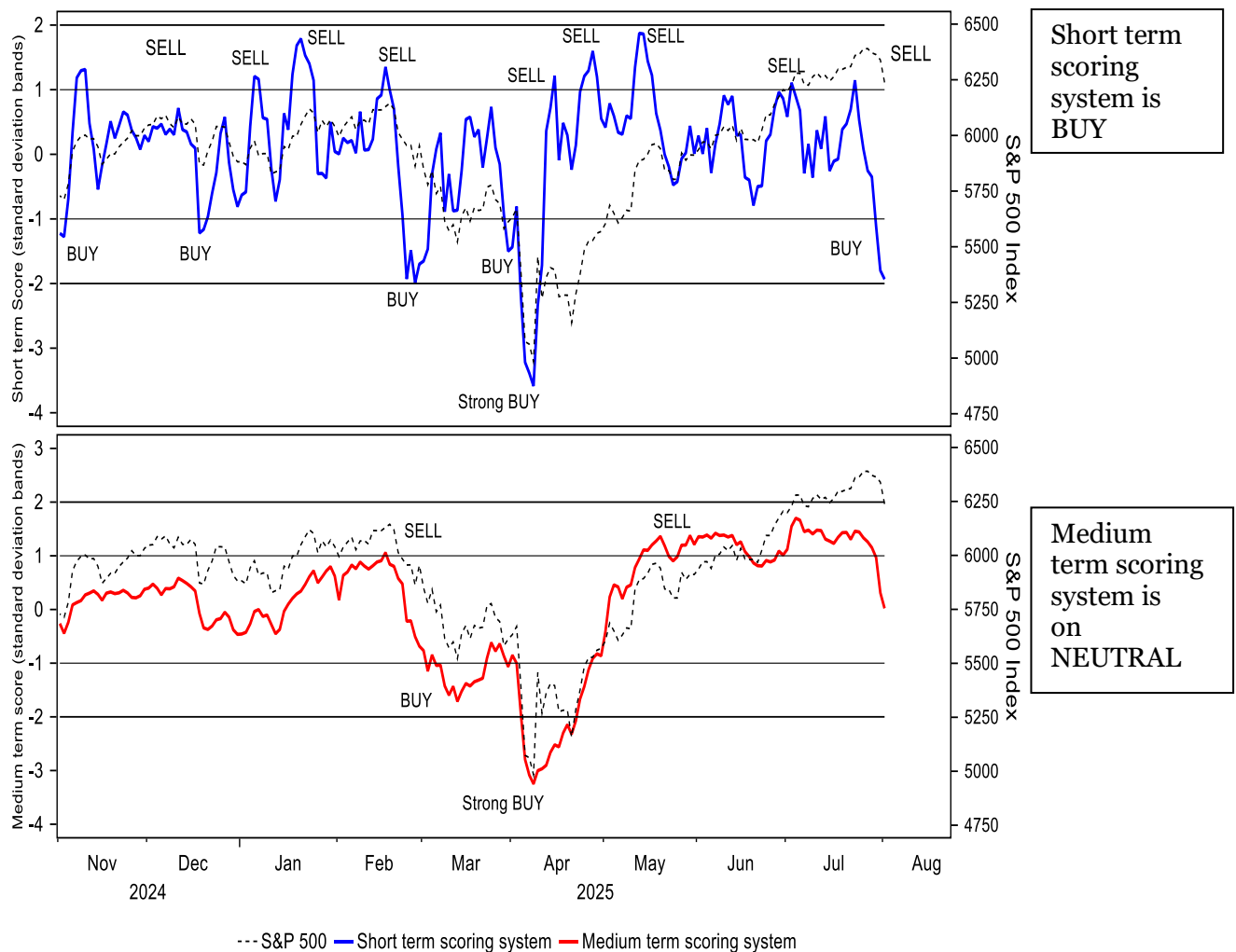
Source: Longview Economics, Macrobond

*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
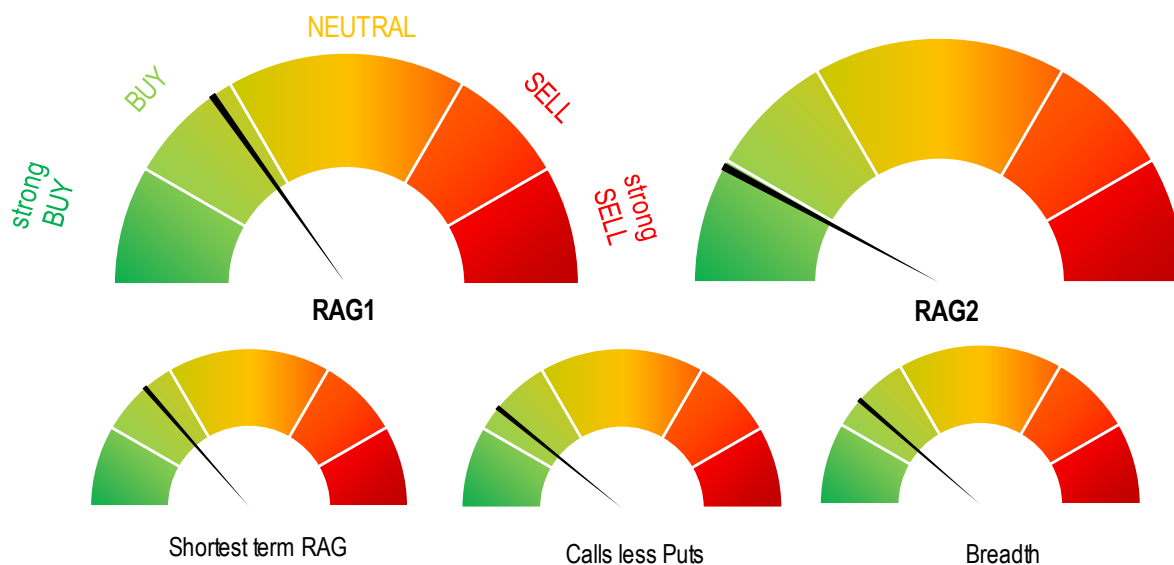
Source: Longview Economics

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
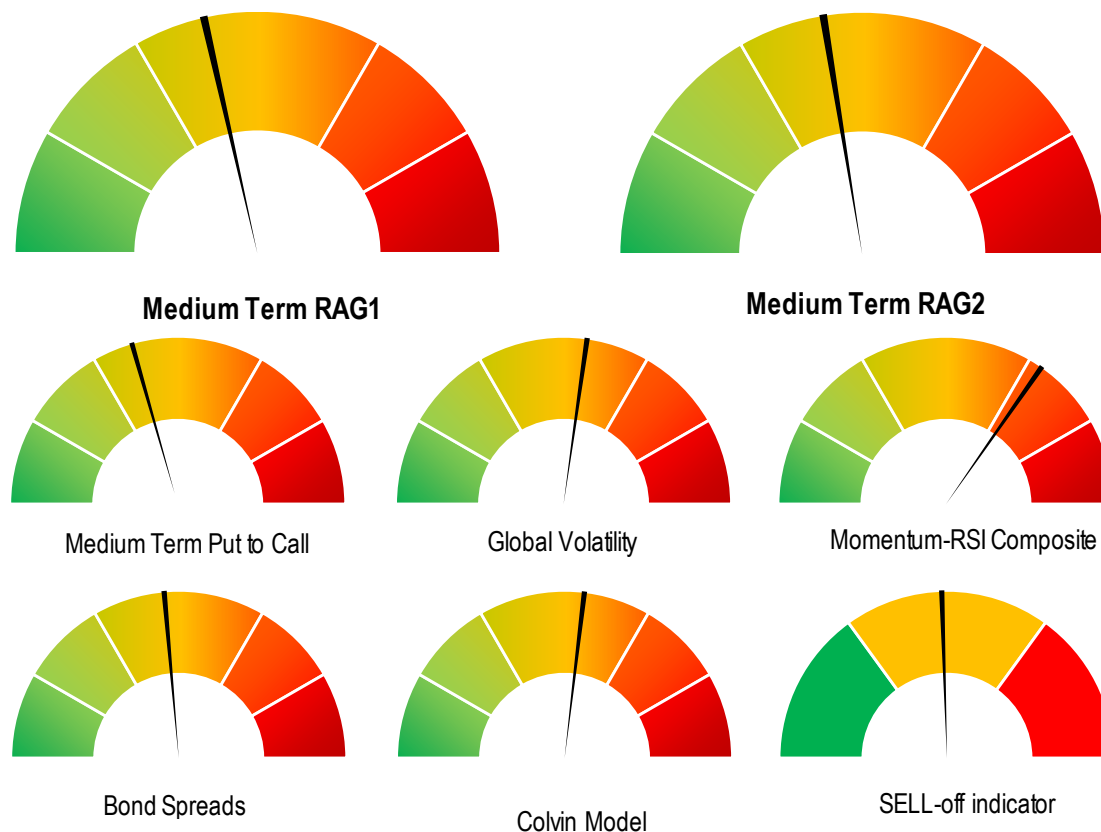
SELL-off indicator

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 on BUY

Source: Longview Economics, Macrobond

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

RAG2 is Strong BUY

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 BUY

Source: Longview Economics, Macrobond

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

Calls less puts model is BUY
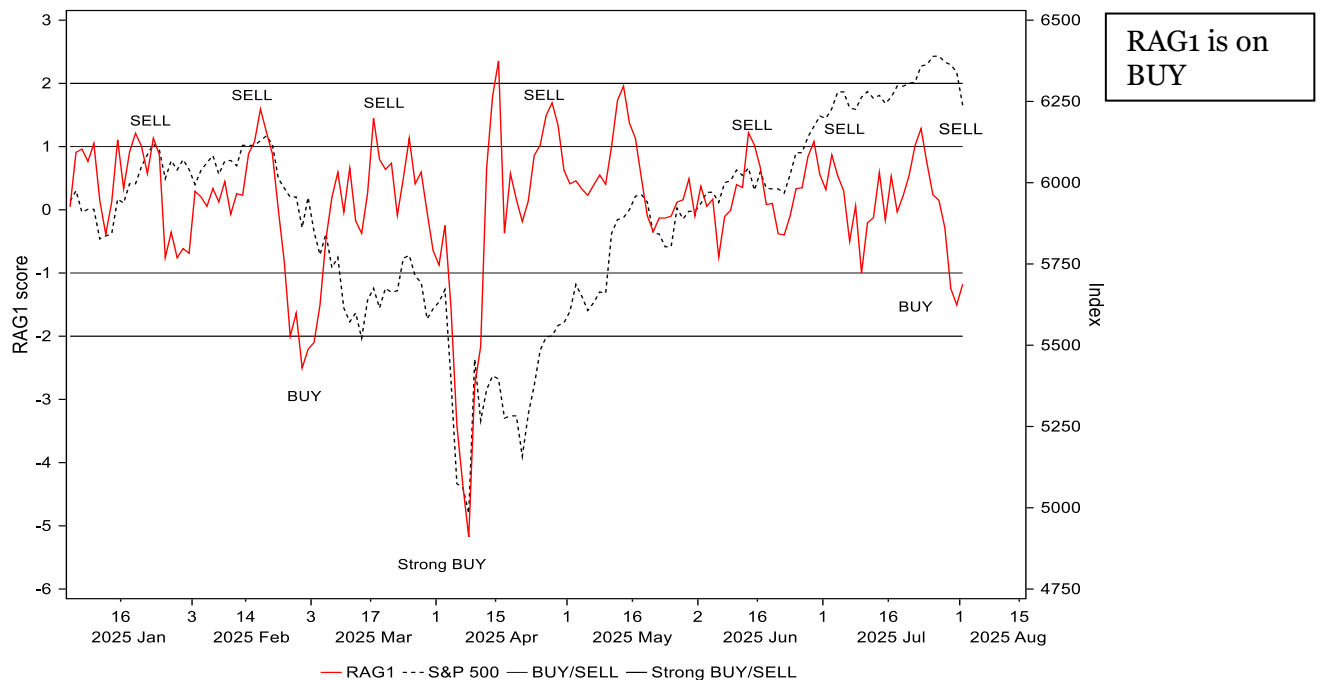
Source: Longview Economics, Macrobond
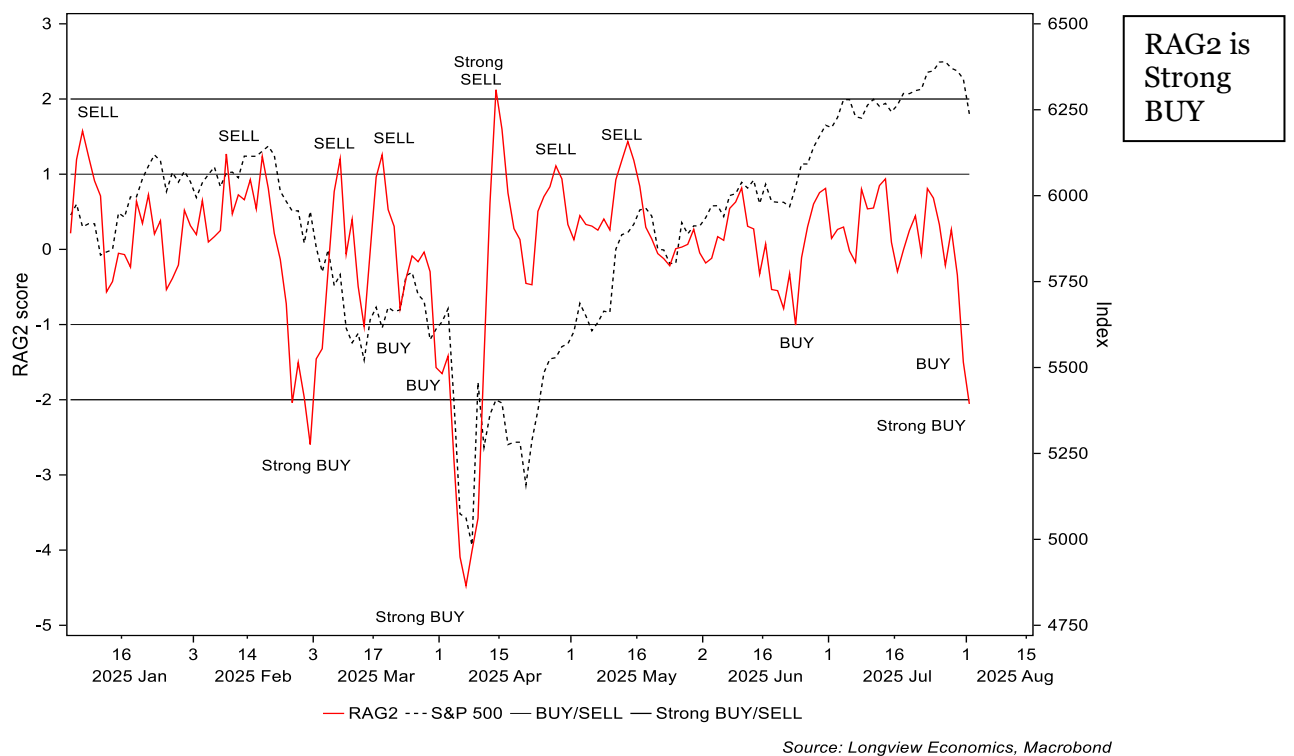
For explanations of indicators please see page 10

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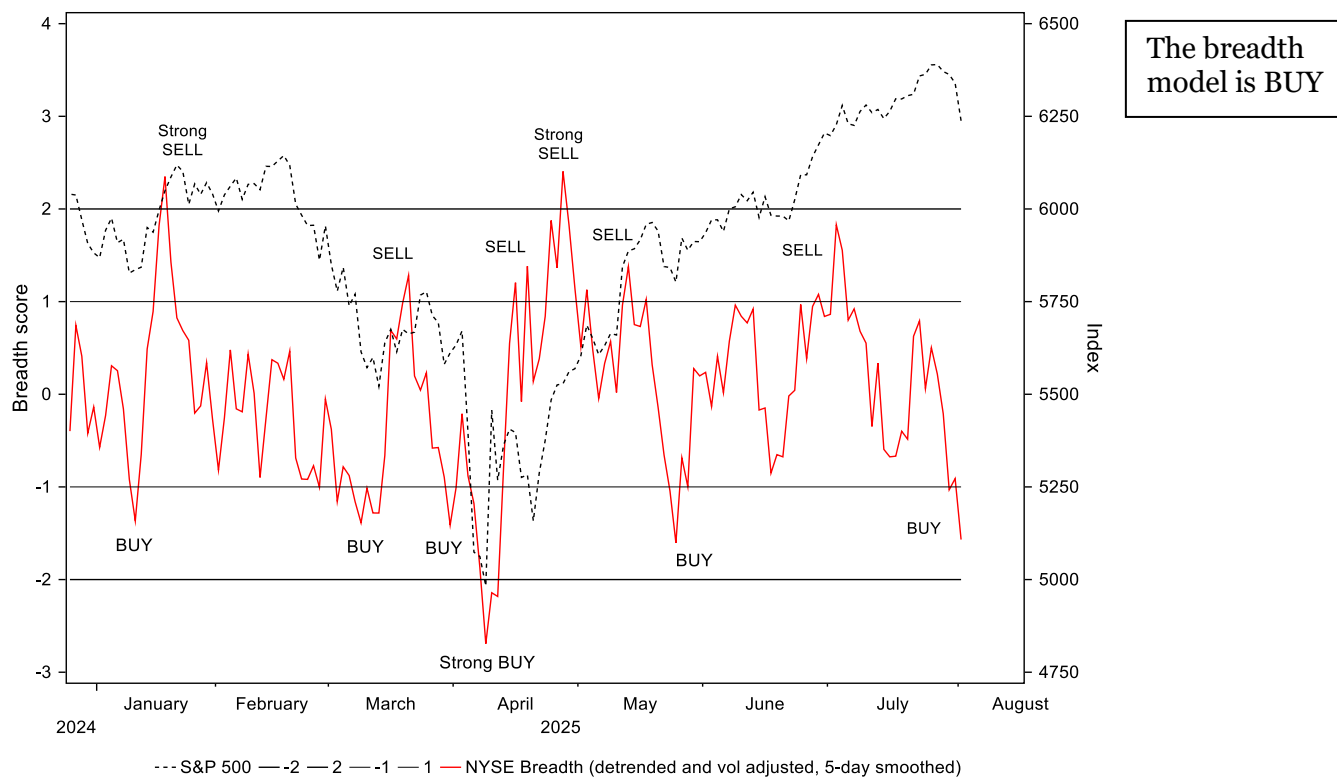
The breadth model is BUY

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 NEUTRAL

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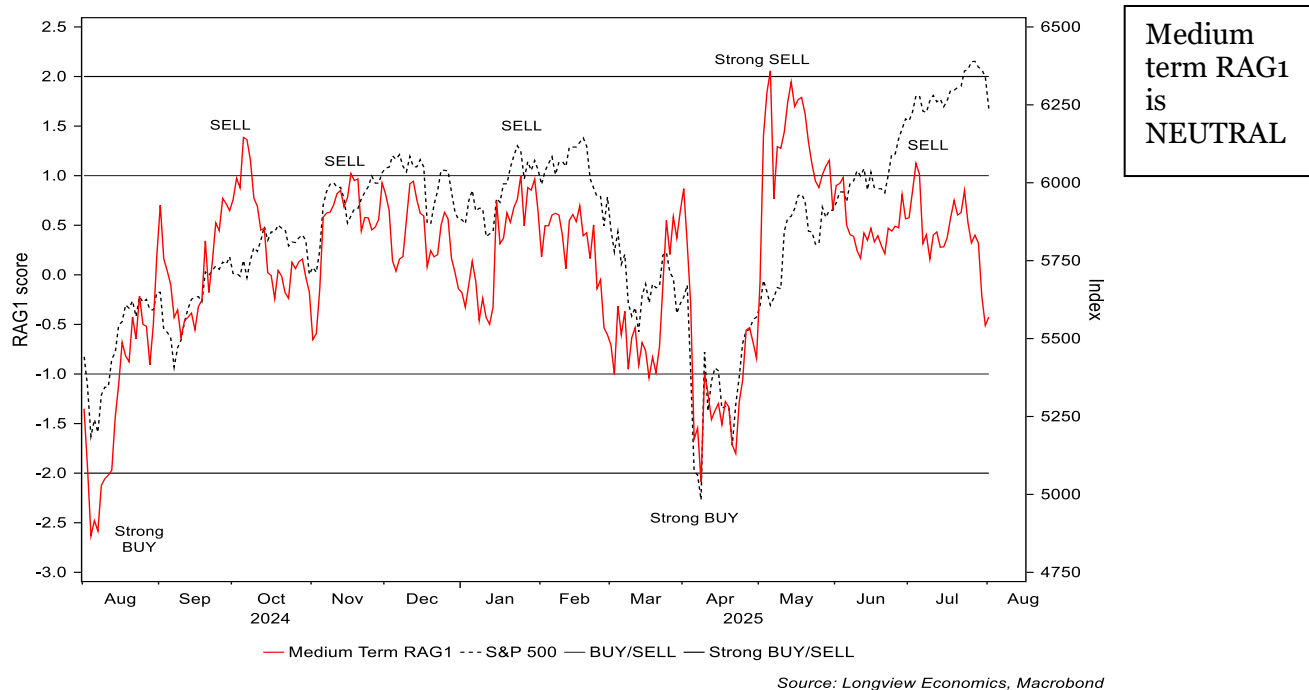
Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500

Medium term RAG2 is NEUTRAL

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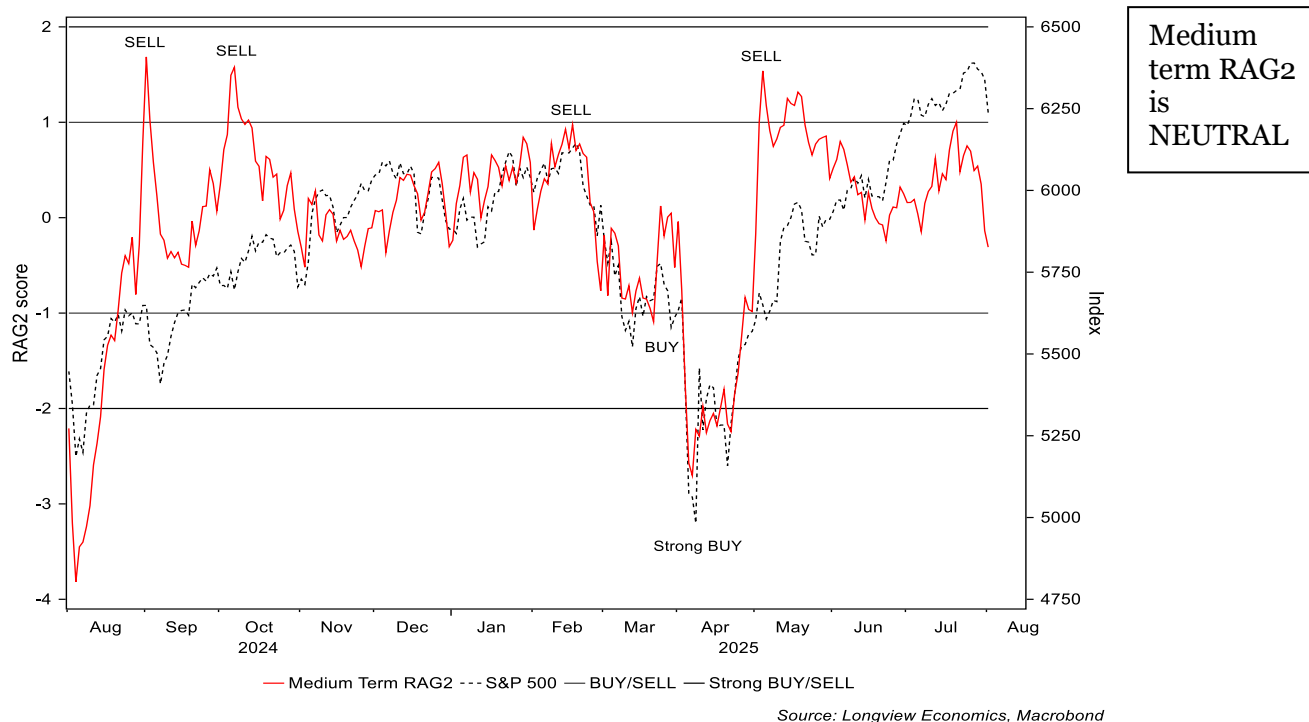
For explanations of indicators please see page 10

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

The SELL-off indicator is on NEUTRAL

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

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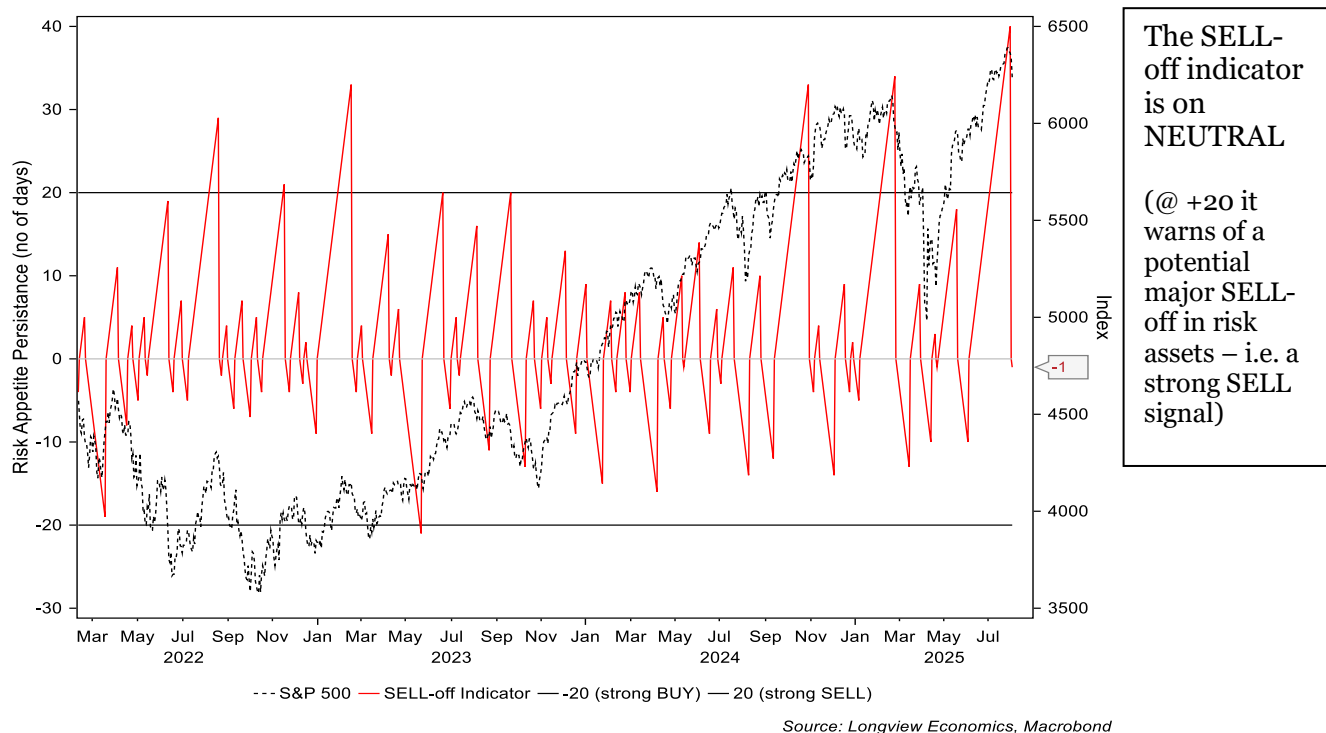
Fig 3d: CBOE put to call trend deviation model vs. S&P500

Medium term put to call model is NEUTRAL

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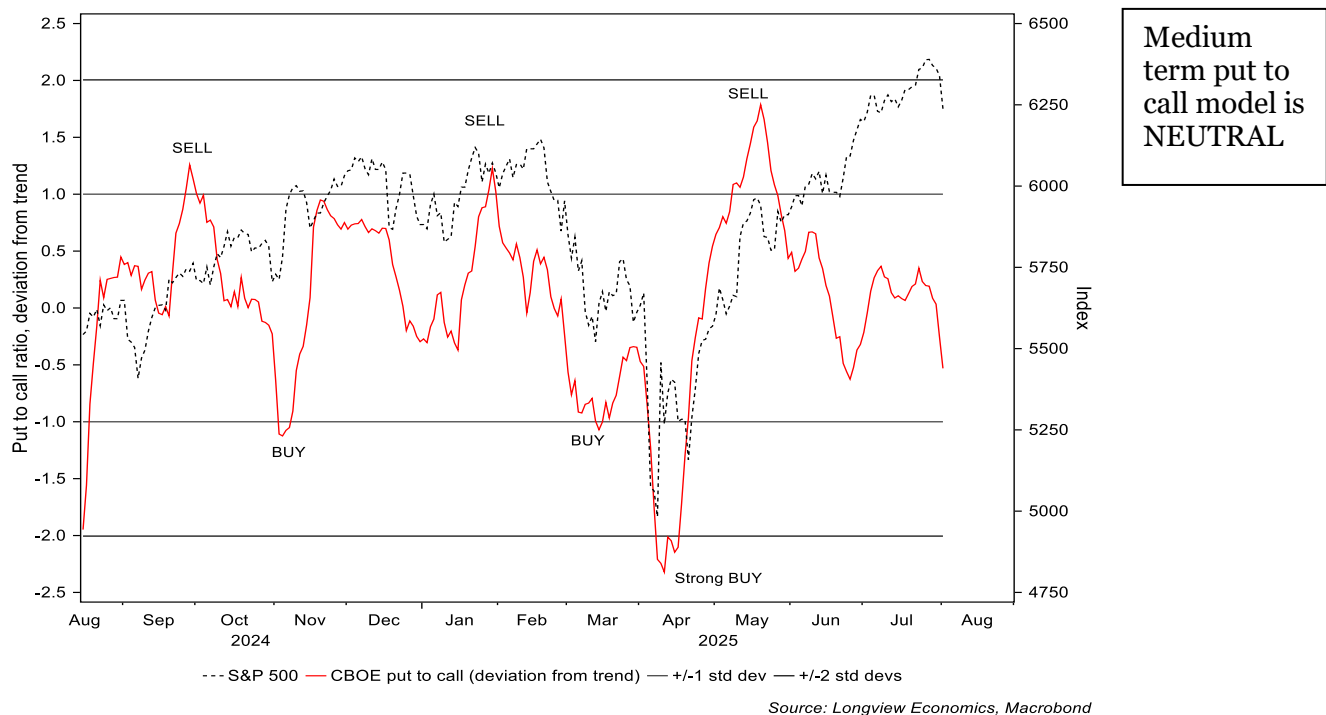
For explanations of indicators please see page 10

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

Source: Longview Economics, Macrobond

Global volatility indicator is on NEUTRAL
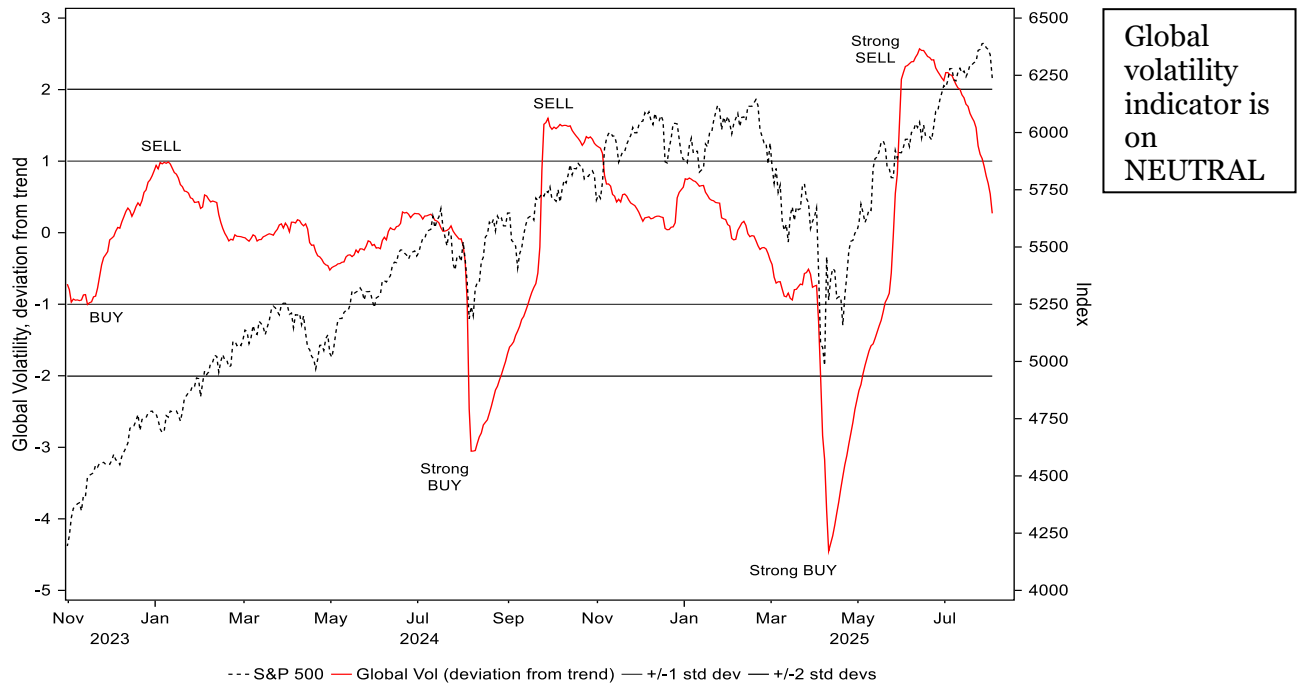
Fig 3f: Longview Momentum-RSI composite model vs. S&P 500
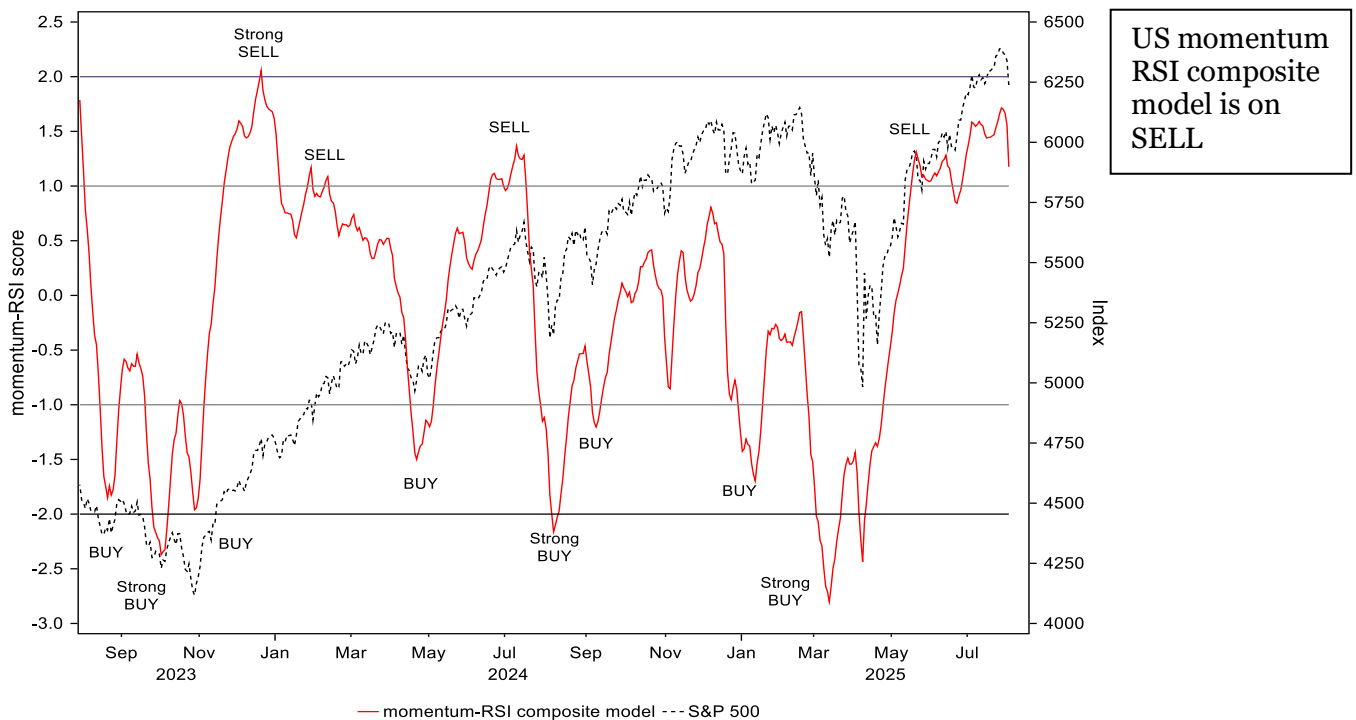
Source: Longview Economics, Macrobond

US momentum RSI composite model is on SELL

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

High yield corporate bond spreads model is NEUTRAL

--- S&P 500 ⸺ Bond Spread (deviation from trend) ⸺ +/-1 std dev ⸺ +/-2 std devs

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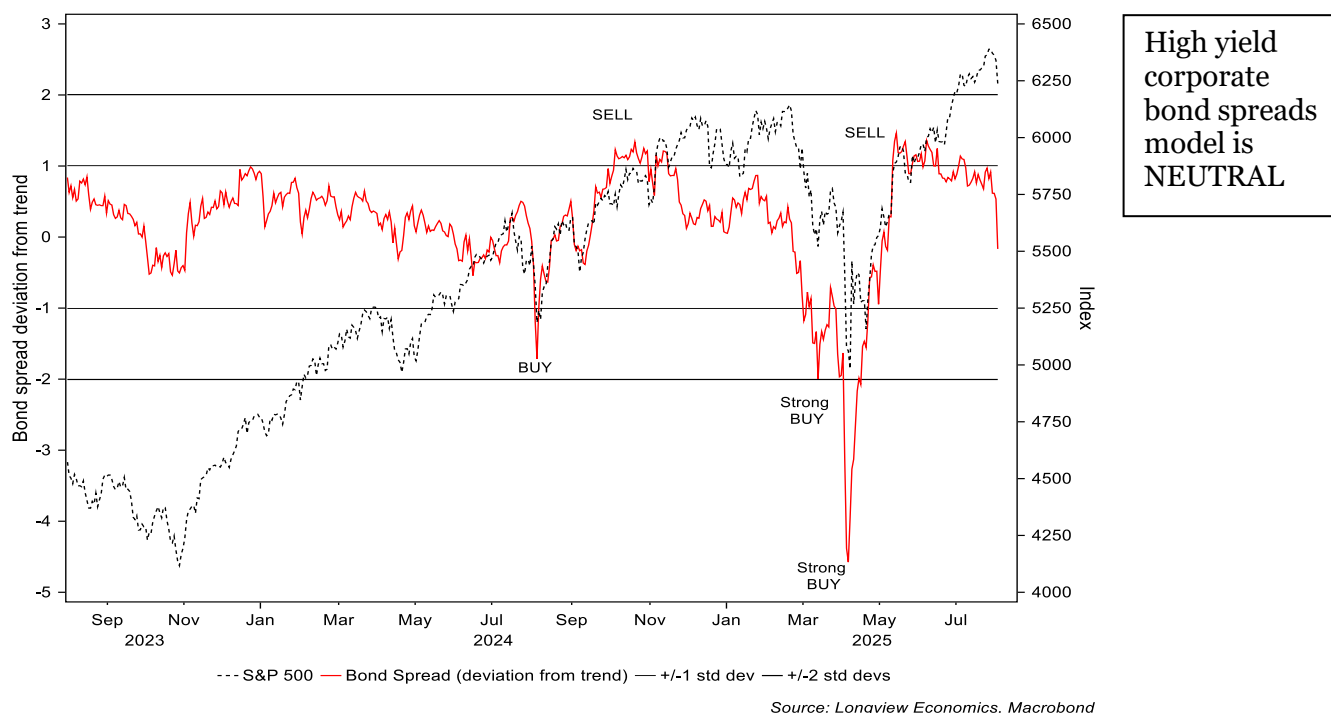
Fig 3h: Colvin model (deviation from trend) vs. S&P500

Colvin model – is NEUTRAL

--- S&P 500 ⸺ Colvin model (deviation from trend) ⸺ +/-1 std dev ⸺ +/-2 std devs

Source: Longview Economics, Macrobond
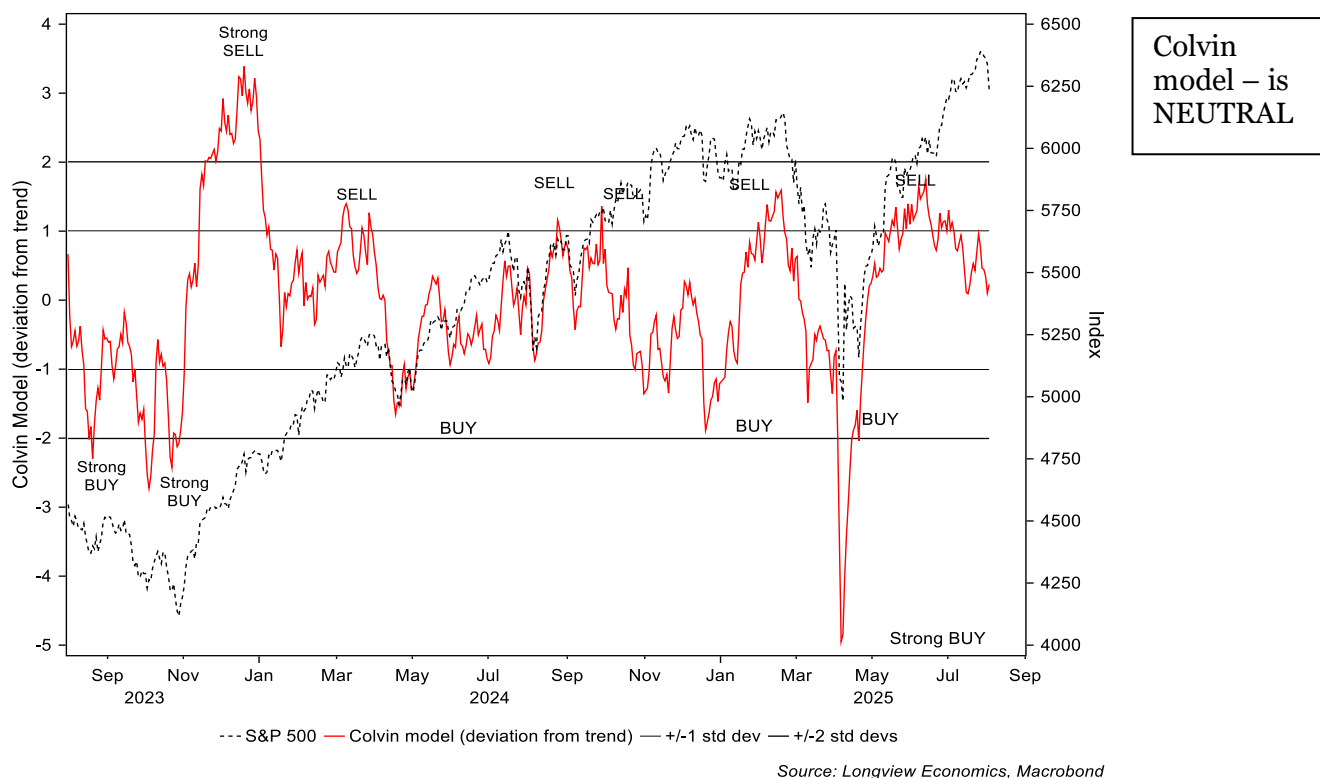
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Appendix: Model Explanations

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