

## Morning commentary for December 10, 2024

Good morning,

After eight consecutive new daily highs, six of which were also new all-time highs, the DAX / FDAX showed for the first time in this sequence some "Weakness". After marking a new all-time high at 20,505 points immediately after the opening of trading in the cash market, a rather listless trading pattern prevailed (with persistent consolidation phases) and towards the end of the day, the future slipped to its daily low at 20,345 points. Formally, the FDAX thus narrowly missed forming a negative overlap pattern on the daily chart, but it was enough to mark a shooting star as a single-day formation or a negative shift pattern in the combination of the daily candles from Friday and yesterday.



FDAX December contract daily chart

From a technical chart perspective, both patterns are categorized as "sell formations". This means that their occurrence in conjunction with a previous pronounced upward impulse is seen as an indication that a (temporary) change in the balance of power on both sides of the market is beginning to emerge in favor of the supply side.

In the specialist literature, the classification of these daily patterns is highly generalized, but statistical studies show that their reliability as a signal generator can vary significantly depending on the market's technical "history", and even more so depending on the stock market value. Specifically with regard to the FDAX, both shooting star and negative shift pattern daily formations are definitely among the patterns to watch out for, but they become more meaningful the stronger the previous upward impulse was. Looking back at the last trading week, we cannot necessarily complain about the FDAX's price performance in this respect, so that further losses can be expected with a comparatively high probability of occurrence.

In order to be able to calculate the statistical hit rate of a pattern in a meaningful way, it is not only necessary to have an exact definition of the formation and a clear definition of its position within the pattern.

of the price trend - it also requires the determination of a price discount potential - is usually shown as a percentage. Up to a range of at least two percent discount, the hit rate of the shooting star in the FDAX in a comparable starting position as at present is over 68 %, the hit rate of a negative shift pattern in the current constellation even reaches around 74 %. The pattern remains valid in the measurement series for three days after its formation and it must not be exceeded within these three days before the minimum downside potential is reached.

If we now anticipate some subsequent declines in the FDAX, it would be appropriate to adjust the reaction potentials at the same time:

**Minimum correction: 20,071 / 20,005 (first reaction target)**

**Normal correction: 19,847 (second reaction target)**

**Maximum correction: 19,689 / 19,637 (third reaction target)**

From a market technical perspective, the most striking indication remains the declining momentum of the dominant uptrend. In contrast, the underlying directional filters continue to indicate an intact long-set-up, which currently places the FDAX in the status of a possibly incipient (temporary) reaction within a still intact uptrend.

The gamma short influence continues to dominate the environment. It is imperative that we keep this in mind during trading, as it has a catalyzing effect on price movements.

Market reports in the press point to caution in trading, particularly with regard to the ECB's interest rate decision on Thursday. The majority expect a further interest rate cut of 25 basis points, writes Reuters. The focus is likely to be on the monetary policy outlook.

Added to this is the expectation of important US price data this week. They could cause the US central bankers to ponder their upcoming interest rate decision on December 18 once again, according to reports. However, the interest rate futures market is currently pricing in an 87% probability of an interest rate cut of 25 basis points. US consumer prices are scheduled for Wednesday and producer prices for Thursday.

With regard to China, reference is made to the unexpectedly weak rise in consumer prices in November, which pointed to further subdued demand in the world's second-largest economy and thus to a sluggish economy. According to the press, the Chinese leadership has now announced a more energetic political approach to boosting domestic demand in the coming year. At a meeting on Monday, the Politburo, China's top decision-making body of the Communist Party, pledged to implement a more proactive fiscal policy and a moderately loose monetary policy next year.

I wish us a successful trading day! Uwe Wagner

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von Uwe Wagner | 1. Juni 2024

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