<u>Morning commentary for December 11, 2024</u>

Good morning,

If we not only look at the price performance of the markets in general and the FDAX in particular from a chart and market technical perspective, but also expand our view to the composition of the order flow (here specifically in the FDAX), we can seamlessly follow on from the statements of previous weeks: there is a lack of any broad final orders, which usually have a significant influence on the markets from the large fund companies, pension funds and similar players. Until around the end of last week, we saw by far the greatest influence from covering activities (be it short covering or the reduction of underweight positions) and the catalyzing effect of the predominantly effective gamma short environment. The gamma is currently increasingly tightening around the respective base prices, which flattens the severity of the delta change somewhat between the strikes, but makes it appear all the more violent at the BP. As a result, the gamma effect becomes increasingly fragmented until expiry. The intensity of the coverings has also eased noticeably compared to the previous week. What is still missing, however, are genuine external orders, but we see almost nothing of this in the market. It is striking that smaller short baskets appeared at the closing auction in the DAX both on Monday and yesterday (Tuesday) - this at least shows that the final player side is not yet "extinct", but it is remarkable how incredible restraint has spread in the market here.

FDAX December contract daily chart

Market observers attribute this to market participants waiting for the upcoming interest rate decisions by the ECB and the Fed and refer in this context to the inflation data (CPI) due in the USA today.

According to Reuters, the ECB is expected to cut interest rates by 25 basis points, but the new outlook for inflation and growth until 2027 is not certain. In view of the political problems in France and the downturn in the German economy, the growth forecasts are expected to be lowered, it says. This scepticism is underpinned by new bad news from Germany, writes Reuters.

industry association VDMA does not expect any recovery in 2025 either. Instead, production is likely to fall by a further 2% after a drop of around 8% in the current year. According to the VDMA, this threatens job cuts and redundancies.

There was also little positive news from China, such as the disappointing exports in November. They climbed slightly, but less strongly than hoped. The Chinese Politburo had already announced further stimuli to boost the economy on Monday.

With a view to the interest rate decision in the US on December 18, an interest rate cut is still expected with an 86% probability, but if the price data deviates more strongly from expectations, this could once again cause interest rate speculation to move. US central bankers have recently repeatedly pointed out that their decisions are data-dependent.

The critical environment remains problematic. According to a market strategist from Deutsche Bank, the uncertainties outweigh the positive effects of the Chinese stimulus announcement from the previous day. "Remember that in the last week alone, the French government was voted out of office, martial law was declared in South Korea, the election in Romania was annulled and the Assad regime in Syria collapsed," he was quoted as saying by Reuters. That's a lot of global turbulence for investors to digest, it added.

This shows once again that without order flow, even the most beautiful price patterns have no chance of unfolding. A reaction is basically very likely in view of the diagnosis of the price trend in the FDAX, but for this to happen, real sellers must finally dare to come out of hiding. The technical starting points are in place, now only the right players are missing.

Since it recentlyno new movement highs in the daily chart were made, remain the reaction potentials remain valid:

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)**

In terms of market technology, there has also been no change to the diagnosis presented in the previous days. We are therefore still on the lookout, content with the small game in the market and waiting for the "bigger deer".

I wish us a successful trading day! Uwe Wagner

For those interested in short-term trading: