Morning commentary for December 13, 2024

Good morning,

The current main characteristic of the German stock market remains the lack of any price-dominating order flow, so that even the smallest orders are enough to bring a little movement into the structure without any lasting shifts in forces. It is completely irrelevant which price patterns are generated that are signaling and statistically assessable in a chart-technical sense - the market is currently still in the proverbial doldrums. This will not remain a permanent state, but it is currently shaping the overall picture.

This currently outstanding feature overshadows any expectations that can be derived from the diagnosis of the current state of the market. In addition, the expectation of a subsequent price movement after the formation of a measurable and assessable price pattern, as well as any calculable correction potential, is based on the assumption that potentially emerging arcs of tension will "discharge" and lead to the expected price trend result. However, evaluations of such developments in the past show that the statistical probability of an expected price pattern or impulse extreme formation decreases dramatically after two, or in any case three, days and can therefore no longer be seriously considered as a meaningful expectation component.

FDAX December contract daily chart

In terms of the current situation in the FDAX price trend, this means that the two price patterns "shootingstar" (as defined last Monday) and
"Negative overlap patterns" (combination patterns of last Friday's candles and Monday's follow-up candle) have lost their significance with yesterday's trading day, as has the focus on valid reaction potentials. Expectations with regard to subsequent movements are based on the assumption that market players build up tension with regard to the preceding price movements, which are then "discharged". However, if this process takes too long, this assumption can be "dropped" (as in the specific situation).

The current market diagnosis assumes that the market environment in the DAX / FDAX will remain balanced and predominantly characterized by restraint. The impetus of the coverings seen in the run-up to the market has significantly diminished in recent days, the gamma environment continues to fragment and is increasingly tightening around the respective base prices, but naturally does not act on its own. In the absence of movement impulses from outside, the short gamma environment is not forcing any pressure to act.

The classic market technique is also reducing its recently reported overheated state. The momentum in its standard setting calculates a falling curve, which signals a decline in the assumed movement momentum. The underlying directional filters in their default settings continue to show us long set-ups due to their inertia, but here too the signal lines are slipping ever closer together and changes towards neutral set-ups are imminent. As a result, the price trend of the FDAX on a daily basis offers us an overriding neutral orientation that can be interpreted - due to the unchanged absence of sustained order flows.

This is all the more fascinating when you consider that the geopolitical and fundamental environment basically offers sufficient scope for action. However, everything is currently bouncing off the stoic restraint of the players and market observers are "desperately" searching for explanations or possible sources of impetus. Yesterday, Thursday, the focus was on the ECB meeting and the announced (and expected) interest rate cut of 25 bp. This move had been expected, but ECB President Lagarde left all options open with regard to the next steps and referred to a "data-dependent approach". However, Reuters estimated that the lowering of the inflation and growth forecasts leaves the door open for further interest rate cuts.

The market also reported yesterday that the ECB will probably cut its interest rates again by 25 bp at the next meeting at the end of January, but not by 50 basis points as had been speculated in advance. In response to a corresponding question, Lagarde replied that it was not a matter of the "next few weeks", but of the next few "months".

The Swiss National Bank (SNB) delivered a surprise yesterday morning. It cut interest rates by 50 basis points - more than most market experts had expected.

The US stock markets fell again yesterday, but unlike the DAX, the flow here was restrained but still present. After solidified expectations of an interest rate cut by the US Federal Reserve on December 18 had led to premiums on Wednesday, investors now took profits, according to comments from Reuters. The Nasdaq Composite reached an all-time high in the middle of the week and broke through the 20,000 point mark for the first time.

Despite the profit-taking, traders spoke of no selling pressure. Commenting on this, news portals said that after consumer prices for November failed to spark interest rate speculation, producer prices hardly changed anything either. "The markets are relieved that it wasn't a higher figure that would prevent the Fed from cutting rates next week," a market strategist from Deutsche Bank told Reuters, referring to the previous day's consumer prices.

The day's data underpinned hopes of a Fed rate cut in the coming week, the report continued. Although producer prices in November turned out slightly higher than forecast on a monthly basis, the more important core rate

However, they were exactly in line with estimates. In addition, the weekly labor market data came in somewhat weaker than expected, which also argued for interest rate cuts.

I wish us a successful trading day! Uwe Wagner

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