

Morning Commentary for January 07, 2025

Good morning,

With the start of the first full trading week of the new year, trading on the equity markets initially got off to a sluggish start as expected. Trading was still limited in terms of volume due to the holiday and the FDAX initially remained within the consolidation limits outlined in advance at 20,166 / 20,180 on the upside and 19,921 / 19,910 on the downside in the narrower sense, as well as "stretched" to 19,831 in the broader sense.



FDAX March contract daily chart

Around midday, the markets began to move when various news media referred to an article in the Washington Post and reported that advisors to the next US president were examining import tariffs that would be limited to certain critical imports. In the following 60 to 70 minutes, the FDAX rallied over 200 points, overcoming the consolidation zone with momentum on the upside. Some traders were already joking in the forums that it was only a matter of time before Trump would deny this announcement on X again; in fact, it took a good two hours before the denial actually arrived. The futures gave up the upward trajectory they had initially built up with rapid falls. Due to the consistently low trading volume, average order sizes were sufficient to cause such sharp movements. In the end, however, some of the buyers returned in the afternoon. The market said that hopes that the customs policy would be less dramatic than feared only faded tentatively during the course of the session, at least on the stock market, even if it was said that "where there is smoke, there must be fire".

"We still believe the Washington Post story is accurate, but Trump wants to keep his options open," Reuters quoted a bond analyst at NatAlliance Securities as saying.

If we look at the technical starting position, the FDAX closed above the recently formed consolidation zone which increases the probability that a

young, tentative upward impulse could take shape. Market technology naturally followed the positive price trend. Momentum is signaling an increase in momentum on the upside, while the directional filters in their standard setting are developing an initial long set-up. The next higher chart levels, from which potential resistances or discretionary targets can be defined, are derived from the levels around 20,483 points, above that around 20,673 and then around 20,729 points (previous all-time high).

Yesterday's economic data provided little guidance: business activity in the US service sector was more buoyant in December than in the previous month, as the second reading of S&P Global's purchasing managers' index for the sector showed. By contrast, incoming orders in US industry fell somewhat more sharply than expected in November, writes Reuters.

The USD fell significantly, which traders attributed to continued optimism regarding a less aggressive tariff policy by Trump. This hope speaks against a significant rise in US inflation, which gives the US Federal Reserve more leeway to cut interest rates, traders said.

I wish us a good trading day! Uwe

Wagner

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