Morning Commentary for January 08, 2025

Good morning,

The price trend on the stock markets is currently diverging somewhat once again. Yesterday, the US stock markets were in calmer waters, while Europe was basically able to continue the upward momentum initiated at the start of the week, even if the afternoon was somewhat bumpy. Some market players are citing two topics as arguments around which current trading activity is centered:

(a) For once, this remains Trump's upcoming presidency in the US. We still contradictory information on his future tariff policy, which triggered the sharp jump in share prices in Europe on Monday, and this uncertainty is not investors to buy shares, especially in the US, as Reuters writes. "A lot is happening with the Trump administration about to take power," a bond strategist at NatAlliance Securities was quoted as saying by the press yesterday.

(b) In addition, the focus is on the surprisingly positive US data published yesterday. According to some experts, these did not immediately point to further interest rate cuts by the Fed: activity in the US service sector rose more strongly than expected in December. In addition, the number of job vacancies in America was slightly higher than expected in November. The trade balance for November was in line with expectations. Statements by US Federal Reserve Governor Lisa Cook were in line with this. According to Reuters, she expressed the (not new) view that the Fed could take a cautious approach to interest rate cuts in the coming months, even if further cuts were ultimately likely to be necessary.

In Europe, too, the question of further possible interest rate hikes by the ECB is at the forefront of market assessments, as is of course (and primarily) the question of possible developments in the tariff issue with the USA.

However, yesterday's publication of EU consumer prices provided little impetus. As published by the news agencies, the inflation rate in the eurozone rose to 2.4% in December - as expected by the majority of economists. According to the Reuters news agency, the fact that inflation has climbed to this level is primarily due to rising prices for energy and food. The core inflation rate excluding energy, food and luxury foods remained at 2.7%, it said. However, an economist at Commerzbank considers it unlikely that inflation will undershoot, i.e. fall below the ECB's target of 2%, in the first half of 2025. Commerzbank assumes that the ECB will make four more interest rate hikes this year.

On the "peripheral markets", it should be noted that the USD was able to recover somewhat from its previous day's losses. The market is blaming this on the supportive US economic data. The strong economic signals reduced the scope for the US Federal Reserve to cut interest rates, which has a strengthening effect on USD prices.

The bond markets also reacted accordingly to the prospect of less aggressive interest rate cuts in the USA with falling prices and consequently rising yields.

Oil prices rose yesterday. After Monday's setback, oil prices their recent winning streak. Here, too, market players referred to

Reuters pointed to the positive data, which could indicate an increase in demand. Economists also tipped that US crude oil inventories would fall again. If they are right when the data is published today, Wednesday, inventories will have fallen for the seventh week in a row - a bullish price signal.

The price of gold also rose as China increased its gold reserves for second month in a row, as noted by analysts at SP Angel, according to Reuters. The central bank had paused its purchases in the six months up to November. The resumption is an encouraging price sign for the precious metal, according to the analysts.

FDAX March contract daily chart

The FDAX reached a daily high of 20,533 points yesterday, temporarily exceeding the previously derived discretionary target and possible resistance level of 20,483 points, which results from the lower limit of the consolidation zone that was valid in the first half of December. This development also led to a further significant improvement in market technology. The underlying directional filters show us young but clear long set-ups, while momentum as an indicator measuring momentum also continued to rise significantly yesterday.

For today, it now depends on the extent to which the future can overcome the discretionary 20,533 signal level traded yesterday at the close. If this succeeds, further potential will open up on the upside towards the upper limit of the range at 20,673 and then around 20,729 points. For a better indication of the current strength of the momentum, we calculate the current correction potential in relation to the upward momentum to date:

Minimum correction:	20.331 / 20.300
Normal correction:	20.227
Maximum correction:	20.153 / 20.129

Once again, as long as a possible reaction remains above the calculated minimum correction, we assume a sufficiently high momentum for the to continue the current upward impulse. If the FDAX price falls below the minimum correction, the probability of an impulse continuation in the current impulse decreases.

I wish us a good trading day! Uwe Wagner

For those interested in short-term trading: