Morning Commentary for January 09, 2025

Good morning,

Just last Tuesday, the press quoted a bond strategist from NatAlliance Securities as saying: "A lot is happening with the imminent takeover of the Trump administration". We got another taste of that yesterday:

The European stock markets initially continued their upward momentum that has been underway since the beginning of the week in yesterday's morning trading, with the FDAX reaching a high for the day of 20,622 points and approaching the second potential target zone on the upper side at 20,673 points. A comment published on CNN, according to which the incoming US President Trump even considering the introduction of new import tariffs by emergency decree with reference to national security, broke the wings of the current momentum, at least in the course of yesterday's day, and sharp falls set in, which even pushed the German stock market temporarily into negative territory. Trade sources said that with this (planned) action on the part of the Trump administration, "new tariffs could in principle become a reality from the first day of the inauguration".

On Monday, a report in the Washington Post about planned moderate and targeted tariffs a positive reaction. In this context, the FDAX was able to overcome the upper limit of the recently formed consolidation zone from the end of December / beginning of January and initiate an initially strong upward impulse.

The second major topic yesterday remained the interest rate debate. The Fed minutes of the December meeting were published yesterday evening, but initially did not provide any further impetus for trading. Market observers tended to point to the US labour market data due on Friday, which could set the course for market developments once again. "The Fed had already warned that there would probably only be two rate cuts this year, down from a forecast of four in September, but there is speculation that this could be reduced to just one if price pressures persist," Reuters quotes analysts at Hargreaves Lansdown. The Fed meeting minutes underpin the slower pace of the upcoming rate cut cycle, they added. It adds that Fed officials see risks of higher-than-expected inflation - partly due to the potential tariffs that Trump is planning for his term in office. There is speculation in the press that interest rates are likely to be kept stable at the January meeting.

There is no new impetus from the US markets today, as they remain closed due to the commemoration of the late ex-US President Carter.

The data published yesterday showed no clear trend and therefore hardly led to any new insights in the interest rate debate. Employment in the US private sector rose slightly less than expected in December, according to the ADP labor market report. However, contrary to expectations, the number of weekly initial claims for US unemployment insurance benefits did not increase.

The USD continued its recent upward movement yesterday: the dollar index climbed by 0.5% - according to various experts, fueled by speculation of a hawkish meeting minutes of the US Federal Reserve following recent strong economic data. As the speculation turned out to be true in the evening, the US currency defended its gains in the wake of the minutes.

FDAX March contract daily chart

From a technical perspective, the FDAX received a strong damper on its upward momentum in yesterday's trading. The day's candle formed an impressive wick, with the wick to candle body and fuse ratios softening somewhat in evening trading, which weakened the statistical significance as a potential sell pattern. As the future closed in positive territory despite yesterday's setback from the daily high, market technicals continued to improve - I refer to the directional filters in their standard setting, which were able to further expand their long set-up, and momentum also continues to show a positive dynamic development on the upside.

With regard to the initial technical situation, the FDAX was able to overcome the first, discretionary resistance and target level of 20,483 points again in yesterday's trading, working its way up to the upper, second discretionary resistance and target level of 20,673 points before falling due the news situation. Currently (07:04), the future is trading just below the old lower limit of the consolidation zone from the beginning of December 2024. This is where we are focusing our attention today. Will the future manage to rise above this discretionary / reflexive price level again? This will also give us an initial indication of the dynamic development. Currently, looking at yesterday's daily wick, the conclusion is that momentum is threatening to decline. In order to obtain further indications of this possibility, we are adjusting the currently valid reaction potentials:

Minimum correction:	20.390 / 20.355
Normal correction:	20.271
Maximum correction:	20.187 / 20.159

Interesting in this context is that the FDAX has risen in the course of yesterday's

Although the price of the stock reached its minimum reaction potential, it did not fall below it and closed above it again. This means that the probability of a continuation of the upward impulse in the current fractal remains in the range of 68% to 72%, at least for the time being. Today's trading day should signal how this ratio will change.

If the futures prices ultimately fail to reach the aforementioned target and a supply dominance builds up again, the reaction potentials mentioned above and the next lower support in the daily chart time frame at 20,166 points, which interestingly coincides with the calculated maximum correction, remain as targets on the downside.

I wish us a good trading day! Uwe

Wagner

For those interested in short-term trading: