Morning Commentary for January 16, 2025

Good morning,

With a view to the possible price development of the FDAX, I outlined an increased probability of falling prices in last Monday's morning commentary, whereby I wrote as an orientation for potentially lower price targets after exhausting the minimum correction last Friday:

"If there are discounts, the potential targets are defined as follows:

- 20,271 points as a normal correction and second mathematical reaction target
- 20,187 / 20,159 as maximum correction and third mathematical reaction target
- It should be noted here that the next lower support band lies in the area around 20,180 / 20,166 / 20,152 points and thus coincides with the maximum correction, which significantly increases the analytical significance of this level."

On the other hand, I considered a rapid upward movement, with a breach of the 20,622 level, let alone a new all-time high, to be rather unlikely. If we look back, we can see that the week started with losses that reached a low of 20,151 points, thus exhausting both the maximum correction and the analytically important support band, but followed by a recovery that was truly impressive in its extent and then actually reached a new all-time high in yesterday's trading. There were already rumors in the market on Monday that Trump would have to make statements in view of the strong USD, which could both slow down the USD's upward movement somewhat and support the stock markets. Indeed, Bloomberg reported on Monday evening that the Trump administration was considering gradually raising tariffs, which (it was argued) would prevent the possible rise in the consumer price index (although this logic is debatable) and maintain economic influence on trading partners. In any case, the stock markets initially reacted cautiously positivebut the good US inflation figures finally provided a real boost, which really "fired up" the markets. The US consumer prices published yesterday rose by 0.4% in December, which above the forecast of 0.3%. However, in the core reading, which is more important for the US Federal Reserve, prices only rose by 0.2%, which is less than the expected 0.. As a result, the figures were seen as clearly positive because they gave the US Federal Reserve more leeway to cut interest rates, Reuters wrote. The bond market also provided support, with yields falling more sharply after the figures. The yield on the 10-year US benchmark bond by 12 basis points (bp) to 4.67%. The yield on 10-year German government bonds fell by 9 bp to 2.53 %.

The President of the New York Fed, John Williams, now (according to Reuters) that the disinflation trend will continue. "The process of disinflation remains ," said Williams.
"Looking ahead, I expect inflation to gradually decline toward our 2 percent target in the coming years." The President of the Federal Reserve Bank of Chicago, Goolsbee, also expects inflation to fall this year, but pointed to some uncertainties and risks on the horizon.

According to various stock market commentaries, a rate cut by the US Federal Reserve is now being priced into the interest rate futures market until July following the US consumer price data, and a second rate cut in the current year is now being priced in proportionately. Prior to the data, only a rate cut in 2025 had been expected and this was not until the fall. The other data was also in line with this speculation: business activity in the manufacturing sector in the New York metropolitan area fell into negative territory in January. In addition, US real incomes fell in December compared to the previous month.

FDAX March contract daily chart

In any case, yesterday's figures catapulted the FDAX to unprecedented heights, which also pushed up the market technology. As a result, the set-up of the directional filter is back in the long range, and the momentum is also rising with fluctuations.

Now it remains to be seen how sustainable this can be. It is said in the market that traditional funds have extremely low cash holdings and are therefore "fully" invested. However, the retail sector, which has become quite influential in the USA in particular, still had some catching up to do in this respect and there probably also hedges on the hedge fund side that had to be liquidated and consequently drove up the stock markets.

Consequently, no older resistances can now be derived from the chart; potentially derivable supports would be the areas around 20,729 (previous all-time high in the March contract) - which is currently being "played around" - as well as the levels around 20,673 and 20,622 below this (all only reference values). The following levels can be calculated as possible correction potentials:

Minimum correction:	20.575 / 20.543
Normal correction:	20.467
Maximum correction:	20.391 / 20.366

Once again, as long as the minimum reaction potential is not sustainably undercut, a sufficiently high dynamic on the upside can be assumed, which could carry the upward momentum further. On the other hand, in the last few years we have often seen downturns after reaching new record highs. We are therefore looking at the reaction potential as an indication.

I wish us all a successful trading week! Uwe Wagner

For those interested in short-term trading: