

Morning Commentary for January 17, 2025

Good morning,

At 20,830 points, the FDAX reached a new all-time high before the start of trading, but then entered an uneventful sideways consolidation, with 20,700 points on the downside and then 20,750 as daily support and thus the lower limit of the daily consolidation, and the 20,800 area on the upside as its upper limit and thus daily resistance.

As a result, a classic doji formed as a daily pattern in the FDAX daily chart on a daily basis, even if the wick, unlike its fuse, only results from a single pierce from early trading. The old Japanese specialist literature on the subject of candlestick charts describes the doji as a classic neutral pattern, which, in contrast to other daily patterns, also has impressive statistical evidence. The doji is described as a "fork in the road" in the struggle between the two market forces (supply and demand). The classic candlestick theory is, by its very nature, more of sentiment analysis, i.e. the graphical representation is intended to show the course of sentiment and forces in the defined time period (here, for example, the daily chart). According to the original interpretation, a doji pattern following a strong previous movement impulse shows a temporary exhaustion of both market forces without one side gaining the upper hand. In this specific case, the previously dominant demand side exhausted itself yesterday without suddenly being inferior to supply. On the contrary, the balance of power was balanced yesterday. Both sides are "consolidating" and it now remains to be seen which of the two sides will gain strength more quickly and consistently and be able to assert itself. Based on this interpretation alone, a doji is described as neutral, but statistical evaluations also show (at least specifically in the FDAX on a daily basis) that the probability that the price will break out after doji formation on the upside or downside within the impulse (doji formations within narrow consolidation zones are not taken into account here) is actually around 50 / 50. This is all the more interesting as statistics and interpretation are quite close to each other here.



FDAX March contract daily chart

In this specific case, "breakout" means that the top (here 20,830) or the bottom (here 20,701) is exceeded or undercut - at the closing price. If the closing price slips to

If the formation returns to the doji range after a breakthrough, the formation remains valid with stretched boundaries, the validity period of the formation is three trading days in the statistical sense of the applied rules.

Formally, the FDAX still has room on the upside, meaningful resistances cannot be derived (some analysts usually work with projections here - this is not my thing). On the downside the following areas remain supportive: the level around 20,729 (previous all-time high in the March contract and traded and confirmed yesterday), as well as the levels around 20,673 and 20,622 (all of which are only reference points). The possible correction potentials, including yesterday's new high, can be calculated as follows:

Minimum correction: 20.605 / 20.571

Normal correction: 20.490

Maximum correction: 20.409 / 20.381

From a technical market perspective, the assessment is naturally brightening further, the directional filters are showing their long set-ups and the momentum is signaling rising momentum.

Experts the strong upturn on the European stock markets in general to the gains in luxury goods stocks. LVMH gained 9.2 % and Dior 8.6 %.

%, Kering 6.2 %. With Richemont significantly exceeding consensus expectations in the fourth quarter, the reporting season for luxury goods groups started with a "Bang on the money", Reuters quoted the Bernstein analysts. All divisions of the Swiss group exceeded sales expectations. The personal household goods sector, which also includes luxury stocks, gained 4.6%.

In addition, some market observers point out that the increase in turnover on Wednesday was a positive sign, "which underpins the DAX's breakout from the consolidation". Many investors who have been waiting on the sidelines are now jumping the stock market bandwagon, an expert from QC Partners told Reuters.

"Especially shortly after the start of the year, the fear of missing out on possible price gains is very great for many," the asset manager told the news agency.

Another source added: "Now that US consumer prices have driven the bond markets onto a recovery course, the way is clear for the DAX to rise. From a technical perspective, the next overarching target of the new round of rallies is the area between 21,200 and 21,500 points (i.e. the projection), writes Reuters in a report. This target can be derived from the recent consolidation. In the short term, however, the expiry date on Friday could slow the momentum, the report adds.

From the US, Fed Governor Christopher Waller said yesterday that the central bank could cut interest rates again in the first half of the year inflation continues to show signs of cooling. If price pressures continue to weaken, "it's reasonable to think that rate cuts could possibly happen in the first half of the year," Waller said in an interview on CNBC.

As a result, it remains exciting, the focus is on the flow. I wish

us all a successful trading day!

Uwe Wagner

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