

## **Morning Commentary for January 22, 2025**

Good morning,

President Trump is and remains the number one topic of conversation on the stock markets. In an attempt to interpret and assess the risks of his economic and geopolitical plans, investors around the world have been structuring their portfolios accordingly for weeks. "Market volatility will increase with the onset of Trump 2.0, but we believe the macroeconomic backdrop remains favorable for financial markets," Reuters quotes the Chief Investment Officer at UBS Global Wealth Management. "The solid US economy bodes well for corporate earnings, the Fed remains on its easing path and AI investment and monetization should continue to lead growth." According to the press, market observers believe that the US economy will receive a boost under the new president. In addition, it was seen as positive that Trump signed a series of decrees immediately after taking office, for example on the border regime and energy policy, reversing decisions made by the previous administration, but initially refrained from imposing higher import tariffs. This current starting position is generally seen as positive for the development of corporate profits and is therefore reflected in rising share prices.

However, this is not unclouded sunshine and quite a few players in trade are assuming that the "big hammer" is still "to come". A series of decrees on immigration, tariffs and deregulation are expected in the coming days and weeks, writes Reuters, which will shed light on the general direction of Trump's policy.

In terms of trade, the economists at Abrdn expect Trump to at least raise some tariffs on China back to the levels of his first term as a first step, they add. He could also initiate trade investigations under Section 301 of the US Trade Act against Mexico, Canada and the EU, which would be a precursor to higher tariffs. Cuts in US corporate taxes would tend to benefit smaller companies in particular, while tariffs would hit internationally oriented companies disproportionately hard.

Commerzbank economists also continue to expect tough measures. "Trump is ordering a comprehensive review of US foreign trade policy. The responsible authorities are to submit reports on unfair trade practices by other countries, currency manipulation, discriminatory foreign taxes and technology transfer by April 1," they say. Contrary to widespread fears, the new government did not impose any new tariffs on its first working day. However, based on the analyses available in April, it will then have a wide range of options for targeting individual countries, sectors or entire groups of countries.

In his speech in the Oval Office, Trump already said that he plans to impose tariffs of 25 % on imports from Canada and Mexico, and he may also introduce general tariffs.

If we look at the development of the stock markets in general and, in relation to this morning commentary, the FDAX in particular, there is only one direction so far - namely upwards. That a reaction is due is largely undisputed among market observers, but yesterday we also saw that the intraday market phases alternate between an obvious lack of sustained order flow - i.e. phases that are characterized by the

scalping, index arbitrage and phase trading with little influence on the price - and phases of dominant buying - which dominated evening trading yesterday. No sellers dared to break cover yet, even though some traders were already moaning yesterday: "Someone has to take profits".



FDAX March contract daily chart

From a purely technical perspective, the FDAX remains in an absolutely intact, technically overheated uptrend. There are no meaningful resistances, the underlying directional filters are still long in their default settings, the measured momentum of the trend is high and shows initial divergent behavior. The trees will not (!) grow into the sky here either, but in short-term trading it makes no sense to try to buck the trend. Our only source of income is the order flow - we can only follow this.

With a view to the next all-time high, we adjust the calculated reaction potentials as follows:

- Minimum correction: 20.916 / 20.859
- Normal correction: 20.722
- Maximum correction: 20.585 / 20.539

Chart-technically derivable supports in the daily chart are below the first reaction target (minimum correction), so I am not listing them here.

I wish us all a successful trading day! Uwe Wagner

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