Morning Commentary for January 29, 2025

Good morning,

The minimum correction of 21,151 / 21,077 points favored as the first probable reaction target in the FDAX in the morning commentary at the beginning of the week was ultimately missed by 41 points (Monday low at 21,192 points), before the demand side was once again able to assert itself dominantly and continued to maintain this dominance (albeit with less momentum) yesterday (Tuesday). This meant that the minimum reaction target was not fully exhausted, let alone undershot, which in itself was a positive indication. From a purely statistical point of view, with this development the future followed the evaluation results of the last two decades, according to which the probability of a new impulse extreme (in this case a new movement high, which would correspond to a new ATH) is between 68 and 72 %.

FDAX March contract daily chart

From a fundamental perspective, experts point to the publication of positive company reports. Here, quarterly figures from SAP, Siemens Energy and Sartorius raised hopes for more. In its comments, Reuters points out that the focus also on the upcoming meetings of the Fed and ECB this week. While the US Federal Reserve is expected to confirm its key interest rates, the European Central Bank is expected to cut its key interest rates again. These expectations should tend to support the stock markets.

The stock markets in the US were also able to recover most of their losses from Monday. Here, the technology sector had suffered at the start of the week from the scare caused by the news about the low-cost competitor Deepseek from China. However, the press is now reporting that it already become apparent during the course of the day on Monday that there had been no market-wide sell-off. AI will prevail, but possibly at lower prices. This is not a good outlook for the industry giants, but certainly positive for the wider economy, according to the trade.

A statement by Trump at the start of the week, according to which he threatened import tariffs of significantly more than 2.5%, is being cited as a brake on the stock markets. According to Reuters, Trump's statement on Monday was in response to reports that his Treasury Secretary Scott Bessent favored tariffs of 2.5% on all imports. This was compounded by weak incoming orders for durable goods in December. Future tariffs could lead to improvements here, according to reports.

The mood among US consumers also weakened more significantly than forecast in January. As reported by the Conference Board research institute, consumer confidence index fell to 104.1, whereas economists had expected an increase to 106.0. However, the previous month's figure was revised upwards from 104.7 to 109.5.

From a market perspective, the most striking element is the current fundamental decline in the momentum of the overriding intact uptrend, which is reflected in a declining momentum and thus fulfills the criteria for the formation of a negative divergence between momentum and price trend. In contrast, the directional filter in the standard setting, which reacts much more slowly in terms of time, is still aligned with a long set-up, but the loss of momentum is also visible here.

These circumstances the possibility of a possible reversal formation (classic double top) in the daily chart of the FDAX. Our focus here is on the current all-time high in the March contract at 24,645 points. If this plus / minus level prevails as resistance, the chances of this possible momentum reversal would increase (although due to the diversity and complexity of classic price formations, there are no statistical probabilities of occurrence - only discretionary arguments can be made here).

I wish us all a successful trading day! Uwe Wagner

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