

## Morning Commentary for February 04, 2025

Good morning,

Basically, everyone knew that Trump would implement one of his most important election announcements - namely the increase in tariffs on imported goods into the US. And yet the stock markets reacted very strongly at the start of the week to the announcements that have now actually been made. On the other hand, however, it must also be seen that this news was also used as an opportunity to correct an upward impulse that had already shown a less rational development behavior in the last two trading weeks. And if we only take this assessment as a basis, further falls can realistically be expected, as it would not be standard procedure for a price correction to be corrected in just one day after two weeks of unchecked price rises. At the very least, this consideration would be quite reasonable from a purely discretionary point of view.



FDAX March contract daily chart

In any case, from a statistical point of view, we can state that the FDAX corrected its reaction impulse, which was initiated on Friday evening and developed quite strongly at the beginning of the week, well "normally" in the course of yesterday. The statistically relevant reaction potentials could be calculated as follows early on at the start of trading:

Minimum correction: 21.429 / 21.464

Normal correction: 21.550

Maximum correction: 21.636 / 21.664

Already in the first recovery impulse yesterday, the FDAX recovered temporarily to just above 21,500 at the beginning of the session, which brought it close to its normal correction, only to exceed it briefly to 21,568 with fluctuations until the close of trading in the afternoon and end the day at 21,497 in the evening. If we apply the analysis of the statistics to the reaction behavior of the FDAX, we can state that the probability of occurrence for is a resumption of the downward oriented

reaction impulse, INCLUDING the marking of a new movement low (i.e. prices below 21,194 points), for the current movement fractal is now around 50 %. If the recovery had only reached the calculated minimum correction, we could have assumed 62 to 67 %, which would certainly have been closer to the "felt" possible development expectation.

In chart terms, however, yesterday's price drop not only confirmed the most recent reaction low of January 27 at 21,192 almost exactly (we can disregard the remaining five-point price difference in real terms), it even left a daily body with a pronounced fuse in the daily chart by the close of trading. If the wick had not also been conspicuously pronounced (although not nearly as strong as the fuse), one could have assumed a white hammer as the daily candle, so we are left with a mixture of a white top and something that could perhaps be defined in the direction of a white hammer. In any case, in my view, the fact that the one-day reaction was on the scale of a normal correction and the shape of yesterday's daily candlestick, which in principle has clearly positive interpretative elements, suggests at least a temporary stabilization of the price trend in the FDAX.

In any case, it is noticeable in market technology that the underlying directional filters changed their long set-ups to the neutral range with yesterday's markdown, at least in their standard settings, and momentum as a momentum-measuring indicator is clearly heading south (all based on the daily chart).

If we summarize these diagnostic elements, it would be obvious that the FDAX should enter a consolidation in the coming days, the lower limit of which is the area around yesterday's daily low and the low of January 27 at 21,497 / 21,194 points. The potential upper limit should be today's high at 21,592 (just above the normal correction) or even the area around the maximum correction at 21,636 / 21,664 points. If the FDAX recovers to this level, the statistical probability of a rapid impulse continuation on the downside drops to below 32%.

The news situation, to which the latest skidding development is attributable, is also ambivalent. First it was said that the tariffs against Mexico, China and Canada would be postponed to March 1st, then denials (both on Friday last week), now it is said that a postponement can be expected after all, at least as far as Canada and Mexico are concerned. China is now probably also a proposal on how to avert the tariff increase.

We are now nervously awaiting Trump's decisions on tariffs against EU goods, which could shake up the overall picture once again and force the diagnosis to be adjusted.

So it remains exciting!

I wish us all a successful trading day! Uwe Wagner

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