Morning Commentary for February 05, 2025

Good morning,

At the start of the week, discussions on the market again revolved around one topic: US tariffs, the wait for Trump's statements and the resulting price movements to be expected on the stock markets. The tenor of opinions was roughly as follows:

- The currently greater development opportunity for index prices is seen on the downside; any price increase will probably only be seen as a temporary recovery.
- It is striking that last Friday the news of a possible postponement of the introduction of tariffs against Mexico, China and Canada to March 1 led to quite conspicuous price gains (only interrupted - before reaching a new all-time high - by the denial of the news (see Monday's morning commentary)).
- Since yesterday, these postponements have been in place for a month, at least for Mexico and Canada. With regard to China, it is said that this issue has the potential to escalate into a real trade war and that China has also announced counter-tariffs, but that the whole thing should be seen as a message for the time being without causing any major damage. Instead, the hope is for negotiated solutions after Trump announced talks with China in the near future.
- Nevertheless, the recovery potential on the stock markets was again clearly limited yesterday. There was no sign of the consistent covering seen on Friday.
- Consequently, the following conclusion is drawn: the market was ready for a correction, the customs announcement on Friday evening was the triggering impulse. To bring the markets back to record levels in the short term would require a very strong, surprising push. This is hardly seen at present. One possibility could be an agreement with the EU, but this is currently considered unlikely.
- While the market is more likely to potential on the downside than on the upside, opinions differ as to the extent of further possible declines.

FDAX March contract daily chart

Let's take a look at the extent of the reaction/recovery in the FDAX so far: at 21,615 points, the future marked a narrow new recovery high in yesterday's trading. Over the entire trading day, the 21,600 area represented an acceptable resistance level. If we look the calculated reaction targets, the FDAX exceeded the normal correction at 21,550 points, but has (so far) missed the calculated (third) maximum reaction target at 21,636 / 21,664 points. With yesterday's close at
21,586, the FDAX closed above the normal correction, which currently suggests that the statistical probability of a new movement low in the current fractal is now only below 32% anyway. If the future were now to exceed the maximum correction and close above it, the issue of correction potentials would be off the table in this specific case - then one can no longer assume a demonstrable connection between initial impulse - reaction - subsequent impulse. The same applies if the whole thing drags on for longer than three days; even then, a direct, usable connection can no longer be assumed. Three days - that would be until tomorrow (Thursday) evening.

Consequently, the current conclusion to everything discussed in the market is: (1) limited upside potential,
(2) rather higher probability of further downside behavior, (3) the probability of prices below 21,497 / 21,194 points, however, is only around 32%. This means that, for the time being, we are more likely to see broad-based consolidation behavior, of which yesterday's trading day was already a good example.

Yields on the bond market fell yesterday, Tuesday, as the partial easing of customs issues, especially as this is unlikely to have any inflationary effects for the time being, according to experts via Reuters. In line with this, the USD continued its countermovement initiated the previous day after the strong rise at the start of the new week.

The oil market was very volatile. Initially, prices fell sharply by more than 3%, but by the end of the day, US WTI crude was still down 0.8%. Traders explained the recovery from the day's lows in Reuters comments with reports that President Trump intends to exert "maximum pressure" on Iran, which includes a halt to oil exports from the country to prevent Iran from acquiring nuclear weapons.

I wish us all a successful trading day! Uwe Wagner

For those interested in short-term trading: