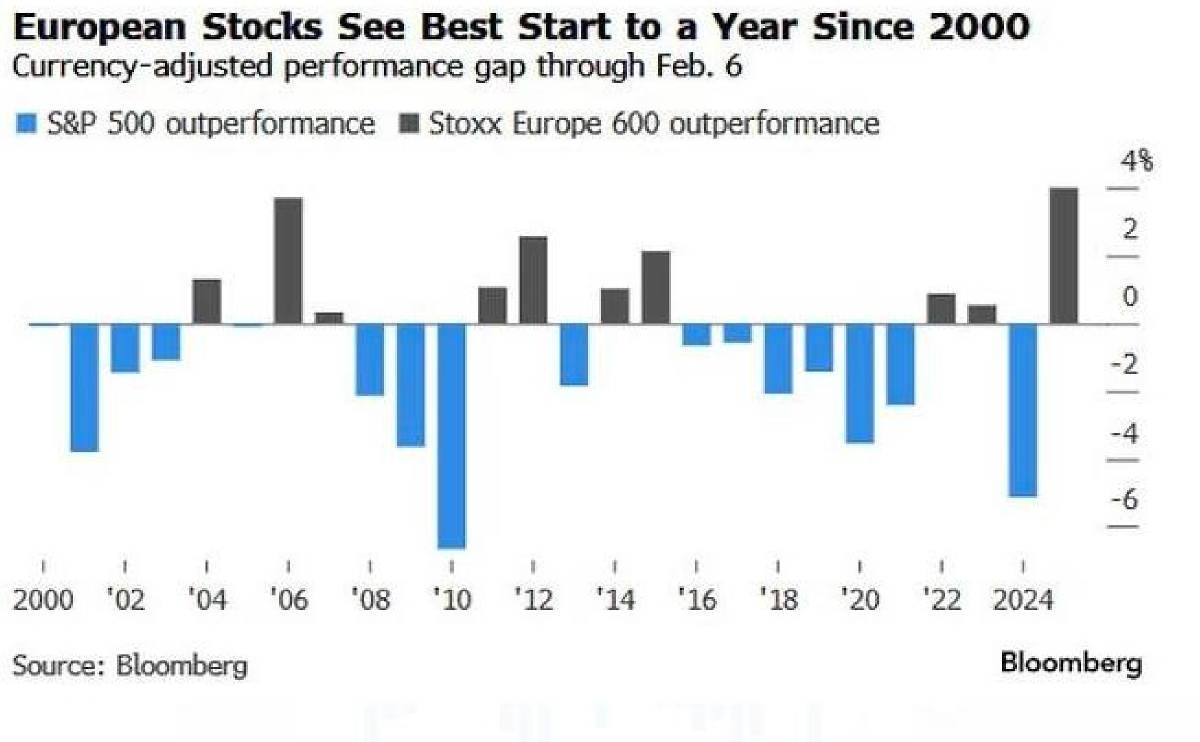
Morning Commentary for February 12, 2025

Good morning,

Yesterday, Tuesday, we again saw a price pattern in the European indices in general and in the FDAX in particular that was similar to the previous days. With the start of cash trading, buying prevailed, which, according to experts who specialize in evaluating order flow, primarily due to the covering of short positions (primarily from the retail sector). So far, this has been quite clearly demonstrated (a) by the type of purchases - consistent and price-insensitive, with a subsequent rapid drying up of the demand side - and (b) by the subsequent decline in open customer short positions reported by the major retail brokers. From the early afternoon onwards, rotational buying obviously takes hold (I have already referred to this several times). US stocks are being sold and European stocks bought in return. A striking indication of this is the impressive gap in performance between the European and US indices, which is also shown in the chart below:



In the first month and a half of this year, inventory build-ups in Europe are rotating at such an impressive rate compared to the US market that the volume for the whole of 2024 has almost been reached.

The background to this is a long-known underinvestment of international capital in Europe, which has already been discussed many times. However, some market observers explain the consistent implementation, which has been visible for almost four weeks, with the fact that the first political course towards peace could be set at the Munich Security Conference with regard to the war in Ukraine, as well as with the federal elections in Germany taking place the following week. Some market observers see this as an additional "catalyst", as Reuters writes. "It seems that international investors have positioned themselves on the German stock market beforehand," writes the news portal.

Keeping these aspects in mind would also explain why the current trend development in the DAX / FDAX has been virtually reaction-free for weeks. In contrast, market technicals are showing indications of a classic slowdown in momentum, but the price trend on the upside has so far overrun any reactionary approach. It is (so far) very noticeable that there is no selling dominance. If buying stops temporarily, prices either fall only slightly in relation to the rise or consolidate (at a high level) until demand takes over again.

FDAX March contract daily chart

Two consequences of this initial situation are currently being discussed: On the one hand, it is not possible to estimate how long and, above all, how far these shifts can continue and, on the other hand, many experts assume that a fundamental demand vacuum could increasingly arise on the downside, which could also lead to violent reactions in the event of real reactions.

Fundamentally, it is noticeable that the tariff discussions (recently the most discussed topic on the stock market) are losing influence. In a recent commentary, Reuters points out that even the latest tariff announcements by Trump "are not causing investors worry". Rather, they are counting on a negotiated solution being found in the end. The suspension of US import tariffs on Mexican and Canadian products for a month reinforces this assessment. "At this stage, traders have little clarity about how far Trump's tariff policy will go, whether it is mainly a negotiating tactic or whether it will have a longer-lasting economic impact," says a market strategist at XTB.

In addition to the customs issue, the focus is once again on interest rate developments. US Federal Reserve Governor Powell yesterday once again questioned further interest rate cuts, at least in the short term. It had already been feared in advance that the US President's protectionist economic policy would drive up inflation, which in turn would make it more difficult for the Fed to cut interest rates. However, Powell did not want to comment explicitly on Trump's economic policy yesterday.

From a technical point of view, the upward trend in the FDAX, which is intact on the whole but has some technical flaws, remains intact. No meaningfully derivable resistances can be defined. The next lower, classically derivable discretionary support level is the area around 21,908 points.

In view of yesterday's new historic high in the FDAX at 22,202 points, I adjust the correction and reaction potentials in relation to the distance of the most recent upward fractal of the current trend as follows:

Minimum correction:	21.869 / 21.818	(first reaction target)
Normal correction:	21.698	(second reaction target)
Maximum correction:	21.577 / 21.536	(third reaction target)

I wish us all a successful trading day! Uwe Wagner

For those interested in short-term trading: