

## Morning commentary for December 17, 2024

Good morning,

In a rather subdued, largely boring trading session, the DAX and its future retreated somewhat yesterday, as expected, with prices in the December contract approaching the lower, as yet unconfirmed limit of the current consolidation zone. We had already defined its derivable limits for the FDAX price trend in advance in the boundaries around 20,505 / 20,545 on the upper side (analytically superordinate) and 20,287 on the lower side (analytically subordinate). The DAX / FDAX is continuing this easier trend this morning, so that the lower limit is currently within reach.



### FDAX December contract

If this reflexively conspicuous, potential support level were to be broken, a fairly wide range would open up to the next lower, meaningfully derivable support levels around 19,802 / 19,747 / 19,666 and lower. This comparatively wide range, without any classically derivable potential support levels, is the result of the strong covering purchases at the end of November / beginning of December, when there was no stopping for the buy side for days.

This price increase in the DAX / FDAX led to a strong overheating of the market, which fueled expectations of imminent price reactions among many market participants. So far, however, this has only resulted in consolidation behavior - which continues to be low in flow - within which the most pronounced technical market overheating is already gradually dissipating.

The momentum shown by the momentum in its standard settings is clearly declining and we have already seen the first set-up changes from long to neutral via the directional filters (also in their standard settings).

Our focus today is on the lower boundary of the range at 20,287 points. Should this level actually hold its ground as support and prevail, its analytical significance would increase, which would emphasize the consolidation character of the current

price movement should consolidate. If, on the other hand, this mark falls, this would be a mental indication that a reaction could well emerge from the current consolidation. Taking into account the open interest in the options on the DAX, these could then accelerate a possible downward impulse due to their comparatively pronounced gamma short overhang and their strong clumping around the strike prices.

In fundamental terms, the focus is now on the US interest rate decision tomorrow, Wednesday. The market is firmly anticipating a 25 bp cut in the key interest rate to a range of 4.25% to 4.50%. For the time after that, however, the pace of interest rate cuts is likely to be reduced, as repeatedly signaled by the US Federal Reserve against the backdrop of the strong US economy, writes Reuters.

Some press articles indicate that new economic data will no longer disrupt interest rate expectations after the presumably final stumbling block was removed in the previous week with the inflation data for December, which came in as expected. The Empire State Manufacturing Index for December fell more sharply than expected in yesterday's report, but the US purchasing managers' indices for industry and the service sector were better than forecast. The purchasing managers' indices in the eurozone showed a slight recovery in December compared to the previous month, but are currently still in contraction territory. According to Commerzbank's market strategists, the ECB is therefore likely to see its easing cycle confirmed following the latest data.

In addition to the next expected interest rate move by the Fed, the Swedish central bank will probably cut interest rates, while the Bank of England, the Bank of Japan and the Norwegian Norges Bank are expected to keep their key rates unchanged.

I wish us a successful trading day! Uwe Wagner

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von Uwe Wagner | 1. Juni 2024

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