

Morning commentary for December 30, 2024

Good morning,

The stock market year 2024 is drawing to a close and while it was certainly not an easy year for the most part, it was certainly an interesting one. What was striking about this year was that the generally valid expectations, which many analysts as well as a large number of private stock market participants consistently implemented in terms of strategic positioning, at times at odds with the actual price performance. The fundamental and geopolitical environment was not ideal in 2024 and occasionally boded ill for the stock markets. Strong periods of movement alternated with long periods of sideways consolidation, so that general excitement and stress were followed by phases of boredom (which can also be very stressful) and vice versa.

In retrospect, we traders with a more short-term focus were nevertheless able to benefit quite well from the stock market performance in the year now ending, even if the frequency and nature of stable order flows sometimes left something to be desired, particularly in the second half of 2024. I would like to emphasize that, as a result, the quality of price movements changed over long stretches to the effect that the cause was less due to targeted position increases or decreases and more due to the reaction of having to react more strongly to incorrect positioning and/or having become dependent on derivative positioning. The conclusion that can be drawn from this is that the complexities in the cause/effect structure have continued to increase significantly in the past year and that investors can no longer achieve consistent success with simple "I'll buy and wait" strategies. Rather, these market developments impressively demonstrate how important it is to constantly expand our knowledge of the markets, their drivers, their interrelationships, how the players work and much more.

The statement: "I don't want to become a professional, I just want to do something privately. Consequently, I don't need to learn and internalize the entire range of topics, a quick overview and a few tips are enough for me" is a huge fallacy and is losing ground year after year. Stock market trading is one of the few activities in which there are no shades of gray in terms of "skill"; here we only score between zero and one. If a trader earns money quite steadily, he is a one, if he tends to lose, then that is a zero. Whether you can call staying around the zero line in terms of results a 0.5 would only be a philosophical discussion.

It is important to remember that value not created on the stock market, but generally only redistributed. Everyone, whether professional or amateur, is fighting over the same piece of cake. And so it quickly becomes clear that there is only one yardstick: and that is profit. Consequently, everyone who is active on the stock market must strive to achieve a one. But the stakes are equally high for everyone and the excuse that you don't want to be a professional is tantamount to "wanting" to belong to the group of net contributors, which certainly cannot be the desired goal.

The question that usually follows is: how can you learn to trade on the stock market? I take the following view: learning to trade on the stock market is not comparable to learning a trade. Rather, a comparison with learning a language comes much closer to reality. I justify this statement by referring to the fact that a trade is a skill.

is to work on a workpiece that is not equally responsive. Such a workpiece (wood, metal, food, etc.) either has no reflexive will of its own, or at least none on a par with that of the trainee, so that skills and abilities can be acquired without need for active interaction with a "workpiece" that is always acting in its own interests. However, this is exactly what happens on the stock exchange. All players have their own interests and actively behave accordingly. Consequently

A retailer does not "work" the market, but interacts with it, whereby it must constantly adapt to its information and changes. It is also imperative to be able to assess reflexive changes in order to be able to participate in them. And this comparison also makes it possible to assess the necessary wealth of knowledge if "fruitful communication" is to take place.

Once you are confident in your theoretical understanding (which should be continuously expanded), you can then apply what you have learned in practice, just as you seek out communication with other people to learn a language and "live" in it. Only when we succeed in seeing the market not as something that we only work on, but are part of the market ourselves, do we have the chance to participate in the market to such an extent that we get our share.

I wish you all a happy new year and for the year 2025 I wish us peace, health and happiness and a profitable stock market period.

Uwe Wagner

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