

Morning Commentary for January 24, 2025

Good morning,

The last week and a half have provided a prime example of how trading against the flow makes no sense, even if your own opinion is contrary to it. This approach is the basic rulebook of every short-term trader and these last few days could hardly have manifested this better. It is currently a remarkable time in the market: you hardly hear any moderate opinions from market players - at least what I hear and read. Either the statements are euphoric in a way that could be dismissed as silly (although they have been right so far) or they list a multitude of negative arguments, including assessments dripping with pessimism, accompanied by horrendously low price target forecasts when the current rally ends.

And the comments published on the news portals also mention their positive arguments on the fringes of the subjunctive, but require more space in their lists of aspects that should be viewed more critically. What is extremely interesting here, however, is that these divided and therefore widely differing opinions are hardly reflected in the daily volas of the index options. If you look at the prices that are called for straddles and compare them with the actual price movements of the indices, sometimes take minutes, then this price formation is astonishing, causing one or two market participants to exclaim in recent days: "What do they see that I don't see? Or which of us can't do math anymore?" So let me summarize: we are currently going through a remarkable time, not only geopolitically and economically, but also in terms of market behaviour, which binds us as short-term traders in particular more closely and uncompromisingly to the search for our main hosts - those players who dominate price developments due to their action variables and to whom we consequently attach ourselves.



FDAX March contract daily chart

The stock markets are currently still unstoppable and are rising as if there is no tomorrow. The FDAX reached its eighth all-time high in a row this morning at 21,645 points, embedded in an upward momentum that is storming upwards unbridled on a daily basis within a resistance-free area and also overcoming all

target projections. Accordingly, the market technique can still be interpreted as bullish and overheated. There is no doubt that we will enter a correction, and it is quite possible that this will be severe because it will be with a lack of demand and possibly fall into a vacuum. However, still hardly any initial signs of this. In the last two days, we have noticed that the consistency and momentum on the buy side had waned somewhat compared to the previous days, but yesterday evening the FDAX returned to the steady rise mode that we have often seen in recent days.

One attempt to explain this situation would be the current fixation on one person - the current US President Trump. His tariff policy is currently determining everything on the market, yes of course, currently also flanked by good corporate figures. And here it is enough that Trump is not immediately taking out the big stick, it is obviously enough that he is still keeping a low profile. The rule that uncertainty about future developments would harm the stock market seems to be out of force at the moment. At least that's the impression you get from the current reactions to Trump's statements. After all, he is not really saying anything reassuring, but is basically underpinning everything with a threatening undertone.

The news portal Reuters sums up the positive assessment in just a few lines: "US President Donald Trump has so far kept a low profile on the subject of tariffs with regard to Europe. In addition, the first corporate figures to a positive course of the reporting season. And finally, US investors have rediscovered European equities, according to the latest Fund Manager Survey by Bank of America. Compared to US stocks, these are valued much more favorably."

However, reference is also made to the current sword of Damocles - also Donald Trump. This refers to the possible tariffs he could impose. "The trade outlook is fraught with risk," an economist at Moody's Analytics is quoted as saying.

"The return of Donald Trump as US president to a potentially challenging period, with the possibility of increased US tariffs and renewed trade conflicts between the US and China that could disrupt the smooth flow of goods and the functioning of supply chains." So the nascent hopes are that trade deals could be struck before an escalation of reciprocal tariffs causes significant damage to the global economy. In short, we are hoping for deals that the deal-maker could make with all of us.

In addition to the customs issue, there was another project on the discussion agenda, the Stargate AI infrastructure project, which is worth up to USD 500 billion and which has brought fantasy to the shares of the companies concerned. The differences between Musk and Trump, which have now caused this issue to flare up, are currently being ignored.

Economic data, which was also released on the side, was recently seen more as a marginal phenomenon. Yesterday, initial jobless claims from the previous week were published in the US. The figure was only slightly higher than the economist consensus expected, writes Reuters. The figure from the previous week was confirmed. Overall, initial jobless claims are still at a low level and are unlikely to give the US Federal Reserve any reason to deviate from its monetary policy course. After its meeting in December, the Fed held out prospect of slower interest rate cuts in 2025 due to the good economic situation and persistently high inflation. At their meeting next week, the central bankers are likely to leave the key interest rate unchanged, according to the prevailing opinion on the market, writes Reuters.

To summarize: the FDAX is still in a highly dynamic upward phase, which shows no signs of exhaustion either in the 60-minute time frame or in the daily chart, from which serious expectations an imminent reaction can be drawn. In view of the current overheating, however, we must no longer take the current momentum for granted, but be aware of the risks that are building up. Nevertheless, flow dominates the theme and remains the only reliable yardstick for us short-term traders, regardless of the external storm of opinion.

I wish us all a successful trading day! Uwe Wagner

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