

Germany 40 Daily Update

Wednesday 17th January 2024

Germany 40 Fundamental Analysis:

The **Germany 40 index has failed to build on Friday's 1% rally at the start of this week.** After opening at 16,842 and trading briefly to the week's high at 16,916 early in Monday's Asian session, the index reversed, initially led lower by falls in car makers and other major industrials after the release of Germany's preliminary GDP reading suggested the country's economy fell 0.3% in the final 3 months of 2023, emphasising the problems facing the Eurozone's biggest economy at the start of the new year.



Sentiment then took a further hit after a number of ECB speakers on Monday and Tuesday started pushing back on the 150bps of rate cuts currently priced by markets from the ECB in 2024, which sent the Germany 40 to fresh lows at 16,524.

Looking forward, with so much uncertainty lingering around when the ECB may start to signal they are ready to consider cutting interest rates and by how much, all eyes will be on **ECB President Lagarde who is a participant on various panels during the World Economic Forum in Davos starting this afternoon at 1515 GMT, tomorrow at the same time and then on Friday at 1000 GMT.** Potential headlines on her comments around inflation, ECB rate cuts or the Eurozone economy are likely to influence the direction of the Germany 40 into the Friday close, especially given the ECB interest rate meeting is now only 8 days away on the 25th January.

Germany 40 Technical Analysis:

Daily Analysis:

Having failed below 17199 (Dec 14th high) in early January, downside pressure has built, a move that is breaking 16574 (mid-point Nov 28th/Dec 14th upside). With the Bollinger mid-average, currently at 16818 also turning lower, a downtrend is highlighted, suggesting risks to potentially test 16428 (deeper 62% level), even 15948 (Nov 28th low).

To the upside, breaks of 16818 are needed to open retests of 16971 (Jan 11th session high).



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