



# Economic Situation and Strategy

9 January 2025

## Market technology: The bull market feeds the bull market

In our annual outlook for 2024, we had argued that the negative impact of high bond yields would subside over the course of the year, paving the way for further positive performance on the equity markets. However, even with our most optimistic expectations, we did not believe that the equity markets would perform as strongly as they did in 2024. The S&P 500 Index, which now represents more than 70 percent of the market capitalisation of the MSCI World, even slightly outperformed the 2023 result (+24.23 percent) and ended the year with an increase in value of 24.59 percent. Taken together, the performance of 2023 and 2024 corresponds to the best two-year performance of the current millennium. To find an even better performance over a two-year period, you have to look back to 1998, when the S&P 500 recorded a net increase in value of 57.68 percent in the two preceding years. In general, this period from the mid-1990s onwards is certainly regarded as historical proof that strong growth in value on the stock markets does not necessarily mean that the trend is coming to an end. Between 1995 and 1999, the S&P500 Index more than tripled in value and, without exception, achieved annual gains of more than 19.50 percent in these five years.

It is striking that the price gains were attributable to a small number of stocks that performed particularly spectacularly. Despite 59 trading days with new all-time highs, only just under a third of all 500 stocks in the S&P 500 outperformed the index in 2024, which is an alarmingly low ratio in terms of market breadth and can be interpreted as a warning signal. The situation was similar

for the Dax in 2024, where five of the 40 stocks were responsible for around 80 percent of the index's performance. The equally weighted S&P500 Equal Weight Index also underlines this development, as it did not even perform half as well as the S&P500, which is classically calculated according to market capitalisation, at 10.90 percent.

From a technical perspective, what can we expect on the capital markets in 2025? First of all, the markets are facing a change of power at the top of the US, which is historically even positive per se: in the first year of a new US president, the S&P 500 gained an average of 9.10 percent and outperformed the average value for all years of 8.24 percent. Now Donald J. Trump, an old acquaintance, is returning to this most important political office and his first term in office has left its mark. However, these traces can be viewed as positive for the US stock markets without exception. The performance of the S&P 500 during Trump's first term of office, an average of 16.94 percent per year, was only exceeded during one presidency, namely during the 'roaring twenties' and the term of Calvin Coolidge from 1923 to 1928.

The statistics for the decade cycle, i.e. all years ending in '5' like the current year 2025, also promise a positive year. Since 1935 (the calculation of the S&P 500 Index goes back to 1926), an average increase in value of more than 22 percent has been achieved in these 5-year cycles and there was only one minimally negative year in the last 5-year cycle, 2015, with a loss in value of -0.73 percent. This retrospective view also speaks in favour of a positive year for equities in 2025.

## S&P500

The S&P 500 chart shows the continuation of the upward trend channel that has been intact since 2009, within which a further upward trend channel has developed starting from the interim low in autumn 2022. This short-term trend channel has its upper boundary at around 6,800 points at the end of 2025, with the Fibonacci projection target outlined in colour at almost the same level (6,863 points), which can be calculated from the interim correction in 2022. On the downside, the lower edge of the trend channel, which runs at 4,800 points at the start of the year, must be observed. This level also harmonises almost exactly with the high reached at the end of 2021 and the horizontal support defined with it. The rising and repeatedly positively confirmed exponential 38-week line (currently at 5,636 points) should also provide support over the course of the year. The lack of market breadth mentioned at the beginning should even provide positive surprises according to the motto ‘The tide lifts all boats’.



## DAX

Let's turn our attention to the European share indices. The DAX paints a similarly constructive picture, albeit almost more heterogeneous than the S&P 500. Almost half of the performance of just under 19 percent in 2024 is attributable to a single share, that of SAP, which is unhealthy from a market breadth perspective. However, the performance of the index in 2024 has confirmed the trend channel from autumn 2022 several times, although a number of new all-time highs have also been reached, which opens up the potential for higher prices. The Fibonacci projection of the correction until autumn 2022 also provides the upper target here (23,378 points). On the downside, the steeper angle of the upward trend channel and the exponential 38-week line (currently 18,942 points), which runs closer to the current index level, mean that more caution is required. If this important support level is undercut and the upward trend channel

(lower edge currently around 18,300 points) is also broken as a result, setbacks to the area of the all-time high of 2023 at around 16,300 points are to be expected.



## STOXX 600 Europe

The STOXX 600 Europe Index, a broadly diversified barometer of Europe's largest companies, failed to impress with its performance in 2024. It only posted a gain of just under six percent, underlining the fact that Europe has been lagging behind the US stock markets for decades. However, there are also some constructive aspects to this chart. The upward trend established since the corona low in March 2020 coincides almost exactly with the upward trend channel since October 2022. On the downside, the lower edge of the trend channel at around 488 points and the high from the end of 2021 at 495 points provide support (extremely close to the exponential 38-week average at 505 points). If the trend is positive, a price target of 566 points can be derived from the Fibonacci projection. Based on the difference between the upper turning point in 2021 and the lower turning point in 2022, a medium-term price target of 600 points is even possible.



## Yields on 10-year US government bonds

Developments on the bond markets are once again likely to tip the scales. While 2024 was, as we expected, supportive for the equity markets with yields falling for a long time, the picture changed abruptly after Donald

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Trump's election at the end of November. Yields on 10-year Treasury notes shot up by a full percentage point from their low for the year of 3.60 percent, once again approaching the already broken trend channel of 2022. If yields remain below the high for the year of 2024 at 4.75 percent, we can expect another test on the downside and a move to at least 3.60 percent. Below this level, a run-up to the lows of 2023 at 3.20 percent is conceivable. If the 4.75 percent mark is broken on the upside, the trend channel will have been re-entered and yields above the highest level of the last ten years in the region of 5.25 percent (2007 high) can be expected.

Yields on 10-year US government bonds



## EUR/USD exchange rate

In the past year, the EUR/USD currency pair has continued the lethargy of the previous year, moving in a narrow range between 1.1213 on the upside and 1.0308 on the downside. This range of just over nine cents once again deviates significantly from the long-term average of 18 cents and could be the breeding ground for a larger movement. Periods of low volatility are often brought to an end

by real jumps. This could also be the case in 2025, as the dollar is vehemently attacking resistance at 1.04 and is already trading marginally below it. The exponential 38-week line, which is now pointing more steeply south, also suggests this. The turning point was reached in October, the cross-resistance between the moving average and the uptrend was broken and a pro-cyclical signal was generated for the US dollar. If the sliding zone can now be overcome on a sustained basis to the downside, this would be a real liberation for the US dollar and would result in a calculated price target of below 0.96. This price target also harmonises almost perfectly with the euro low of the last 20 years from September 2022 at 0.9534. If, on the other hand, the euro bulls manage to counterattack and maintain the sliding zone, a run into the area of the exponential 38-week line at 1.072 would be conceivable, although the upper edge at 1.12 should remain a long way off.

EUR/USD exchange rate



Nils Theilfarth

## Market data

	As of 10.01.2025 10:06	Change versus				
		03.01.2025 -1 week	09.12.2024 -1 month	09.10.2024 -3 months	09.01.2024 -1 year	29.12.2023 YTD
<b>Stock markets</b>						
Dow Jones	42635	-0,2%	-4,0%	0,3%	13,6%	13,1%
S&P 500	5943	0,0%	-1,8%	2,6%	24,9%	24,6%
Nasdaq	19479	-0,7%	-1,3%	6,5%	31,1%	29,8%
DAX	20338	2,2%	0,0%	5,6%	21,9%	21,4%
MDAX	25595	0,4%	-5,6%	-5,0%	-2,8%	-5,7%
TecDAX	3507	2,7%	-0,9%	3,9%	7,0%	5,1%
EuroStoxx 50	5017	3,0%	0,6%	0,7%	12,3%	11,0%
Stoxx 50	4413	2,2%	-0,4%	-0,9%	7,7%	7,8%
SMI (Swiss Market Index)	11886	2,3%	1,1%	-2,0%	5,7%	6,7%
Nikkei 225	39190	-1,8%	0,1%	-0,2%	16,1%	17,1%
Brasilien BOVESPA	119781	1,1%	-5,8%	-7,8%	-8,9%	-10,7%
Indien BSE 30	77399	-2,3%	-5,0%	-5,0%	8,4%	7,1%
China CSI 300	3732	-1,1%	-5,9%	-5,6%	13,4%	8,8%
MSCI Welt	3732	-0,1%	-2,7%	0,4%	18,6%	17,8%
MSCI Emerging Markets	1066	-0,6%	-4,3%	-7,1%	7,4%	4,2%
<b>Bond markets</b>						
Bund-Future	131,48	-116	-454	-193	-398	-574
Bobl-Future	116,75	-64	-208	-228	-150	-253
Schatz-Future	106,61	-18	-61	-14	50	6
3 Monats Euribor	2,78	5	-8	-44	-115	-113
3M Euribor Future, Dec 2025	2,07	6	27	-84	-47	-23
3 Monats \$ Libor	4,35	1	-7	-40	-112	-105
Fed Funds Future, Dec 2025	3,93	-2	22	-59	-13	9
10 year US Treasuries	4,70	10	50	63	68	83
10 year Bunds	2,56	13	44	30	37	56
10 year JGB	1,21	13	18	31	62	59
10 year Swiss Government	0,42	16	19	-7	-44	-28
US Treas 10Y Performance	587,38	-0,6%	-3,3%	-3,7%	-1,2%	-2,3%
Bund 10Y Performance	557,04	-0,8%	-3,2%	-1,7%	-0,2%	-1,5%
REX Performance Index	450,01	-0,7%	-1,6%	-0,5%	1,4%	0,5%
IBOXX AA, €	3,16	10	36	12	-14	10
IBOXX BBB, €	3,61	10	37	6	-39	-14
ML US High Yield	7,61	3	32	23	-44	-18
<b>Commodities</b>						
MGBase Metal Index	409,32	2,0%	-2,9%	-5,4%	8,0%	4,7%
Crude oil Brent	78,02	2,2%	7,7%	1,8%	0,1%	0,4%
Gold	2677,25	1,3%	0,4%	2,3%	32,1%	29,6%
Silver	30,20	1,6%	-5,9%	-1,3%	31,2%	24,5%
Aluminium	2520,30	2,2%	-1,0%	-0,2%	14,3%	7,5%
Copper	8971,57	2,3%	-1,6%	-5,9%	8,6%	6,0%
Iron ore	98,09	-1,4%	-7,8%	-7,9%	-30,2%	-28,1%
Freight rates Baltic Dry Index	969	-9,6%	-17,0%	-46,1%	-48,3%	-53,7%
<b>Currencies</b>						
EUR/ USD	1,0301	0,0%	-2,5%	-6,0%	-5,8%	-6,8%
EUR/ GBP	0,8382	1,1%	1,3%	0,1%	-2,5%	-3,3%
EUR/ JPY	162,54	0,5%	2,0%	-0,3%	3,1%	4,0%
EUR/ CHF	0,9400	0,4%	1,1%	0,0%	0,9%	1,5%
USD/ CNY	7,3327	0,1%	1,0%	3,5%	2,3%	3,2%
USD/ JPY	158,15	0,5%	4,6%	5,9%	9,5%	12,1%
USD/ GBP	0,81	1,0%	4,2%	6,4%	3,4%	3,8%

Source: Refinitiv Datastream

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