

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

January 2016

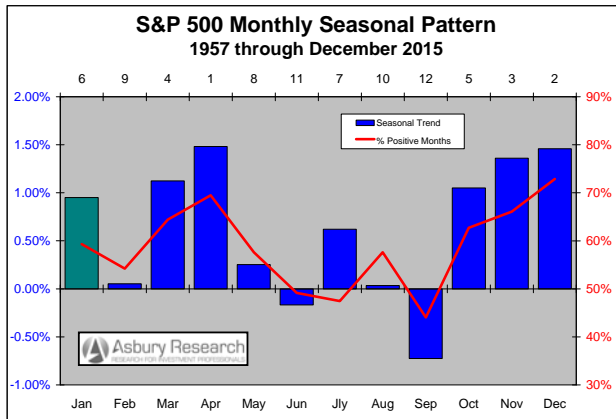
John J. Kosar, CMT
January 5th, 2016

Executive Summary

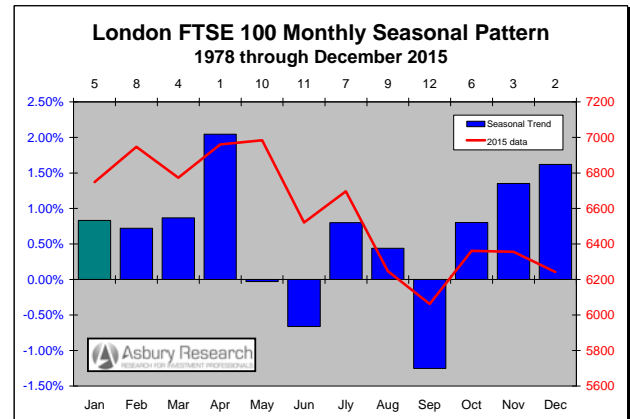
- **Global Equity Prices: NEAR TO INTERMEDIATE TERM POSITIVE.** Common to the US, London, German and Japanese stock markets is an overall rise into March-April that is followed by a gradual seasonal decline into September.
- **US Interest Rates: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** Common to 10-, 5- and 2-Year Treasury yields is that January represents a modest one-month seasonal decline in yield that leads into sustained strength between February and April.
- **UK Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** January, the 3rd weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967, represents a significant one-month seasonal setback from December, the 4th strongest month, and marks the beginning of a three-month period of modest seasonal weakness that runs through March.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** January, the 6th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977, represents a one-month seasonal decline from December, the 2nd strongest month, and kicks off a five-month period of modest seasonal weakness that runs through May.
- **The US Dollar: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Although the Dollar is one of the least seasonally-influenced assets that we cover, a pattern does exist of a very strong January versus both Europe and Japan, on the heels of an equally weak December, which is followed by more overall Dollar weakness through April.
- **Commodity Prices: MIXED INTO MARCH-JUNE.** Common to the CRB Index and gold prices is a strong January followed by a gradual decline into June. The opposite seasonal trend exists in crude oil and copper, which seasonally rise from January into March.



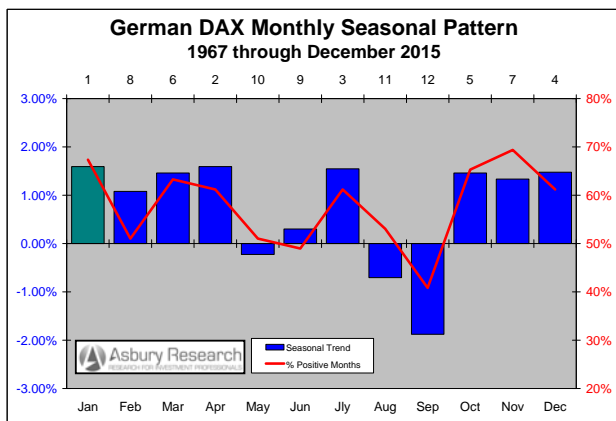
Global Equity Prices



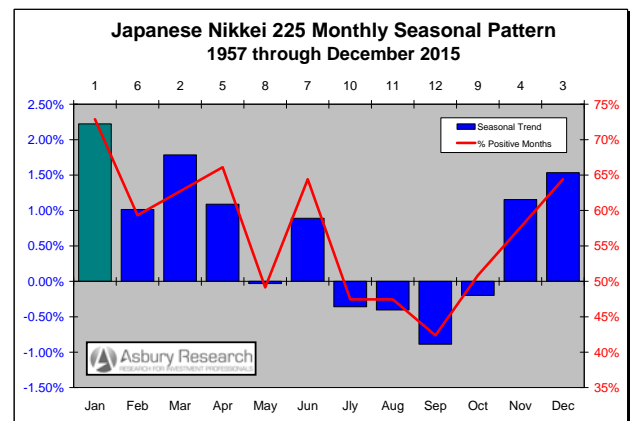
United States: S&P 500 Index



England: FTSE 100 Index



Germany: DAX Index



Japan: Nikkei 225 Index

Analysis & Commentary

The four charts above highlight the seasonal tendencies for the month of January in four major world stock indexes, plus their larger seasonal patterns into the 2nd Quarter. The red lines on the charts plot either: 1) the *percentage* of positive monthly closes during the period displayed, or 2) the *actual* monthly closing levels during 2015.

Common to all four indexes is an overall rise into March-April, which is followed by a gradual seasonal decline into September.

S&P 500 Monthly Seasonal Pattern Since 1957

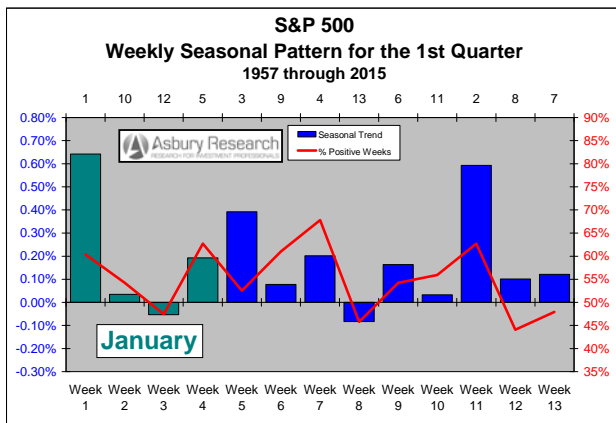
In the S&P 500 Index (SPX, chart at upper left), the green bar highlights January as the 6th seasonally strongest month of the year in the US broad market index based on data since 1957. It represents the beginning of a two-month decline into February, the 4th weakest month, after which the index historically rebounds into April, which is the strongest month of the year.



The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.95% higher in January**. The red line shows that, also on average since 1957, **SPX has posted a positive January close 59% of the time**.

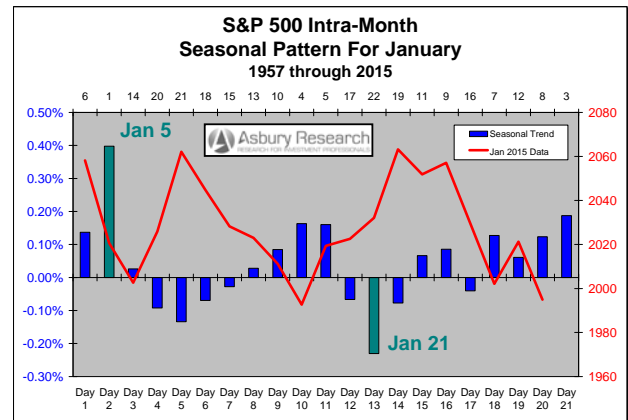
S&P 500 Weekly Seasonal Pattern For Q1 Since 1957

The next chart breaks the seasonal pattern in the S&P 500 down further, into a quarterly time frame via 13 weekly increments, and highlights the month of January in green. The chart shows that **the first week of January is the seasonally strongest of the entire 1st Quarter**, and that the second and third weeks of the month are the 4th and 2nd weakest of the quarter.



S&P 500 Daily Seasonal Pattern For January Since 1957

The next chart (next column) breaks the seasonal pattern down even further, into a monthly time frame via 21 daily increments that plot *the average daily percent change* in the S&P 500 during January since 1957. The green highlights point out that **Day 2, which is January 5th, is the seasonally strongest day of the month** and that **Day 13, January 21st, is the weakest day of the month**.



Investment Implications & Strategy

These monthly, weekly and daily charts collectively suggest a potential near term selling opportunity on strength on or around January 5th, with a strategy of either closing out the trade on intra-month weakness on or around January 21st or waiting to do so on more acute seasonal weakness during February.

London FTSE 100 Monthly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on the previous page), the green bar highlights January as the 5th seasonally strongest month of the year based on data since 1978. Like the S&P 500, it represents the beginning of a minor decline into February, which in this case is the 5th weakest month, before a modest March rebound leads into the strongest month of the year in April.

The height of the green bar indicates that, on average since 1978, the **FTSE has risen by 0.83% in January**. The red line, which plots the FTSE's monthly closing levels during 2015, shows that the index pretty closely tracked its long term seasonal trend last year.



German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that January is the seasonally strongest month of the year in the DAX based on data since 1967. It leads into two months of modest weakness in February and March, the 8th and 6th, strongest months, before more acute seasonal strength emerges in April, which is the 2nd strongest month.

The height of the green bar indicates that, on average since 1967, the **DAX has closed 1.59% higher in January**. The red line shows that, also on average since 1967, the DAX **has posted a positive January close 67% of the time**, its second highest incidence of a positive monthly close (after November) during this period.

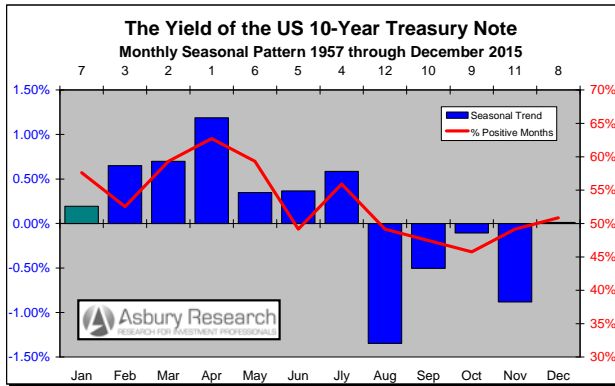
Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights January as also being the seasonally strongest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents the midpoint of a five-month period of overall seasonal strength that runs through March and includes the four strongest months of the year.

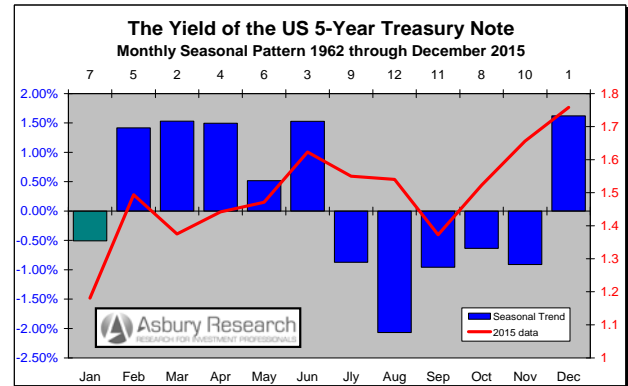
The height of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has risen by 2.22% in January**. The red line shows that, also on average since 1957, **the Nikkei has posted a positive January close 73% of the time**, its highest incidence of a positive close for any month during this period.



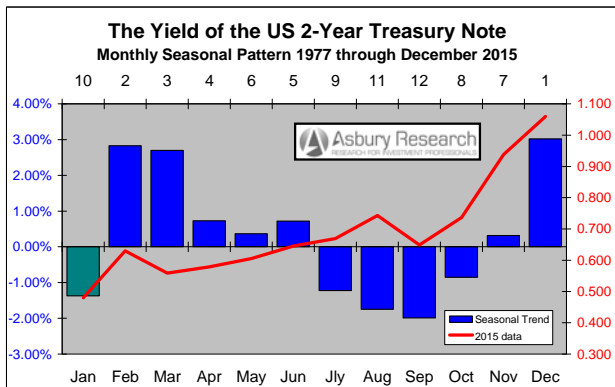
Global Interest Rates (United States)



United States: 10-Year Treasury Yield



United States: 5-Year Treasury Yield



United States: 2-Year Treasury Yield

Analysis & Commentary

The blue bars and colored highlights on the charts above display the seasonal tendencies for the month of January in the yield of the US 10-, 5-, and 2-Year Treasury Note, as well as their broader seasonal trends into the 2nd Quarter. The red lines plot either: 1) the *percentage* of positive monthly closing yields during the period displayed, or 2) the *actual* monthly closing yields in 2015.

Common to all is that January represents a modest one-month seasonal decline in yield

that leads into sustained strength between February and April.

US 10-Year Yield Monthly Seasonal Pattern Since 1957

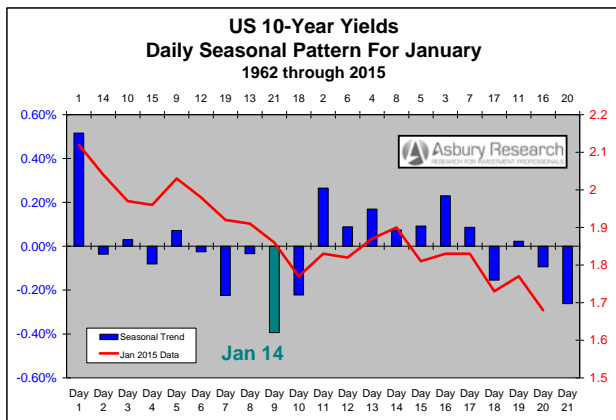
The green bar in the chart at upper left highlights January as the 7th seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents a slight one-month improvement over December, the 8th strongest month, and leads into the 3rd, 2nd and 1st



strongest months of the year in February, March and April.

The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.19% in January**. The red line shows that, also on average since 1957, 10-Year yields have posted a positive January close 58% of the time.

US 10-Year Yield Daily Seasonal Pattern For January Since 1962



The 21 columns in the chart above display the daily seasonal pattern, based on *the average daily percent change*, in the yield of the 10-Year Treasury Note during the month of January since 1962. The green column shows that **these yields seasonally bottom for the month on Day 9 or January 14th this year**.

Investment Implications & Strategy

These monthly and daily data collectively suggest a potential intermediate term selling opportunity in long dated US Treasuries or around January 14th, as yields bottom for the month, with a strategy of covering the position during the extended period of seasonal yield strength between February and April.

US 5-Year Yield Monthly Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that January is the 7th seasonally strongest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a sharp one-month seasonal decline from December, which is the strongest month of the year, but leads into a sustained seasonal rebound between February and April which includes the 5th, 2nd and 4th strongest months.

The depth of the green bar indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.51% in January**. The red line, which plots the monthly closing yields during 2015, shows that the 5-Year very closely tracked its long term seasonal pattern last year.

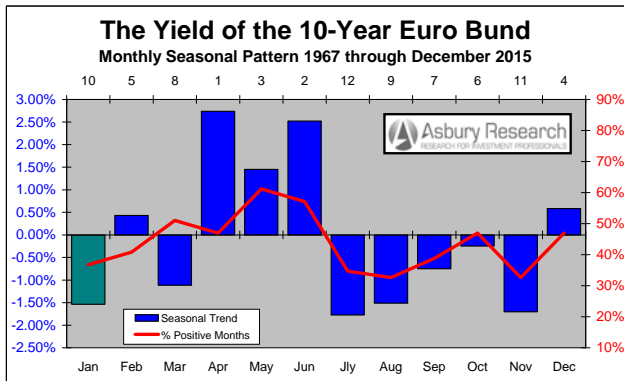
US 2-Year Yield Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that January is the 10th seasonally strongest or 3rd weakest month of the year in the yield of the 2-Year Note based on data since 1977. Similar, to the long term pattern in the 5-Year Note, January represents one month of seasonal weakness sandwiched in between the three strongest months of the year in December, February and March.

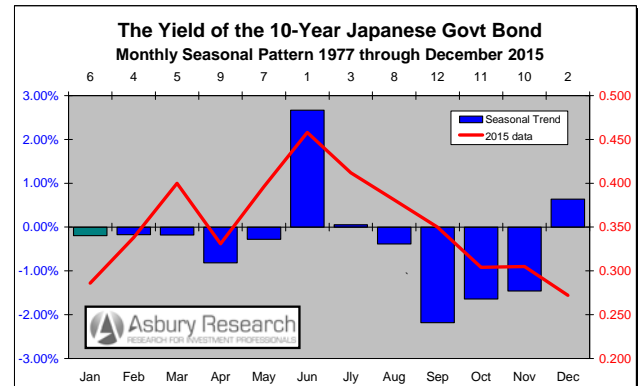
The depth of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 1.37% in January**. The red line plots the 2-Year's monthly closing yields during 2015.



Global Interest Rates, cont. (Europe & Japan)



Europe: 10-Year Euro Bund Yield



Japan: 10-Year Japanese Govt. Bond Yield

Euro Bund 10-Year Yield Monthly Seasonal Pattern Since 1967

The green bar on the chart above highlights January as the 10th seasonally strongest or 3rd weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967. It represents a significant one-month seasonal setback from December, the 4th strongest month, and marks the beginning of a three-month period of modest seasonal weakness that runs through March, which is then followed by the three strongest months of the year in April, May and June.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 1.54% in January**. The red line shows that, also on average since 1967, **10-Year Bund yields have posted a negative January close 63% of the time**.

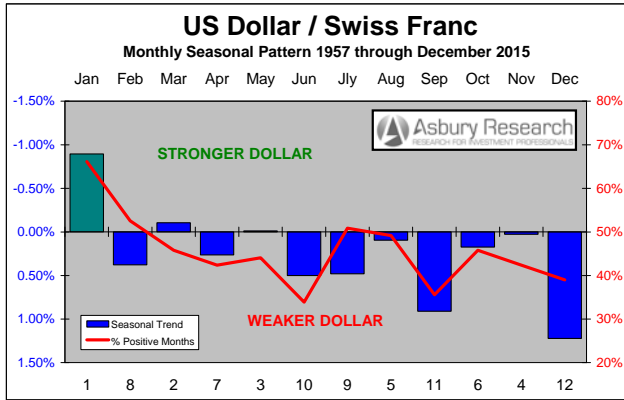
Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The short green bar in the chart above highlights January as the 6th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents a one-month seasonal decline from December, the 2nd strongest month, and kicks off a five-month period of modest seasonal weakness that runs through May.

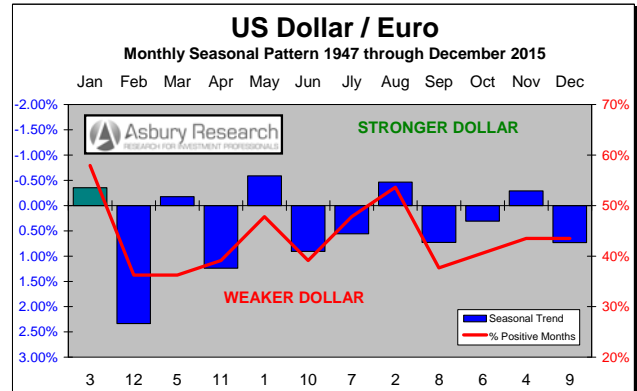
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 0.19% in January**. The red line, which plots these yields' closing levels during 2015, shows that they closely tracked their long term seasonal pattern last year.



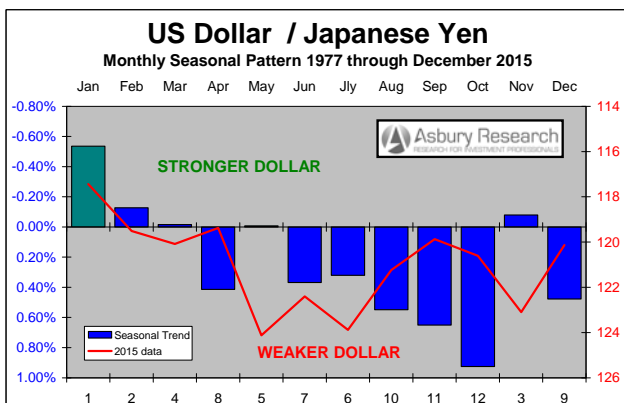
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of January in the US Dollar versus Europe and Japan, as well as the greenback's larger seasonal trend into the 2nd Quarter. The red lines plot either: 1) the *percentage* of positive monthly closes by the US currency during the period displayed, or 2) the *actual* monthly closing levels in 2015.

Although the Dollar is one of the least seasonally-influenced assets that we cover, the charts above do show a common pattern of a very strong January versus both Europe and

Japan, on the heels of an equally weak December, which is followed by more overall Dollar weakness through April.

USDCHF Monthly Seasonal Pattern Since 1957

The green bar on the chart at upper left highlights January as the seasonally strongest month of the year for the US Dollar versus the Swiss franc since 1957. It represents a very sharp one-month seasonal rebound from December, which is the greenback's *weakest* month of the year versus the franc, but leads

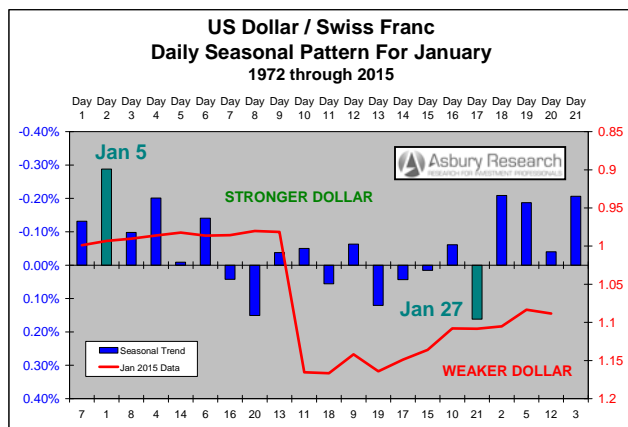


into more modest seasonal weakness in February and April.

The height of the green bar shows that, on average since 1957, the **US Dollar has outperformed the franc by 0.89% in January**. The red line shows that, also on average since 1957, **USDCHF has posted a positive January close 66% of the time**, which is by far its highest incidence of a positive close for any month during this period.

USDCHF Daily Seasonal Pattern For January Since 1972

The 21 columns in the next chart display the daily seasonal pattern in Dollar/Swiss, based on its average daily percent change during the month of January since 1972. The red line plots the daily closing quotes in USDCHF during January 2015.



The green bar shows that the **Dollar seasonally peaks for the month on Day 2 or January 5th** this year, and bottoms for the month on Day 17 or January 27th.

Investment Implications & Strategy

These monthly and daily data collectively suggest a potential near term selling opportunity in USDCHF on strength on or around January 5th, with a strategy of closing out the position during acute February Dollar weakness.

USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights January as the 3rd seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) since 1947. Very similar to USDCHF, January represents a strong one month rebound from a weak December, which in this case is the 4th weakest month, but leads into the 1st and 2nd weakest months of the year in February and April.

The height of the green bar shows that, on average since 1947, the **US Dollar has outperformed the euro by 0.35% in January**. The red line shows that, also on average since 1947, **USDEUR has posted a positive January close 58% of the time**, the greenback's highest incidence of a positive monthly close during this period.

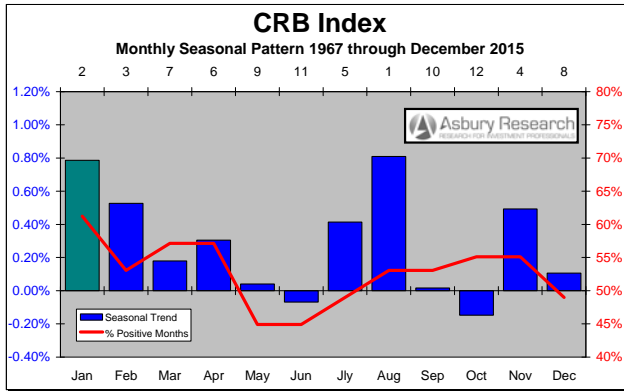
USDJPY Monthly Seasonal Pattern Since 1977

The green bar in the chart at lower left on the previous page identifies January as by far the seasonally strongest month of the year for the US Dollar versus the Japanese yen since 1977. Like the Dollar's seasonal pattern versus the European currencies, January represents a very strong one-month seasonal rebound from a weak December, one which precedes a gradual decline into April. The difference here is that, in USDJPY, the 1st Quarter includes three of the four seasonally strongest months of the year.

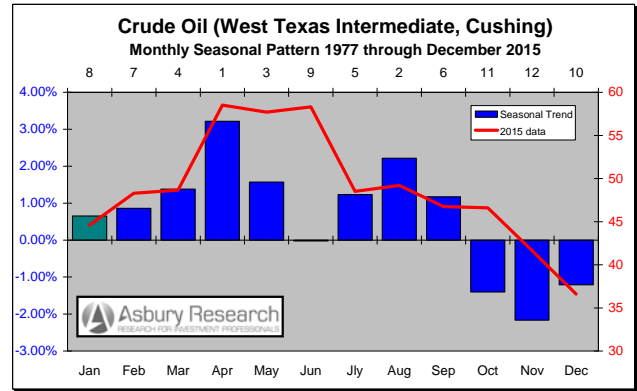
The height of the green bar shows that, on average since 1977, the **US Dollar has outperformed the yen by 0.54% in January**. The red line plots the actual monthly closing levels in USDJPY during 2015.



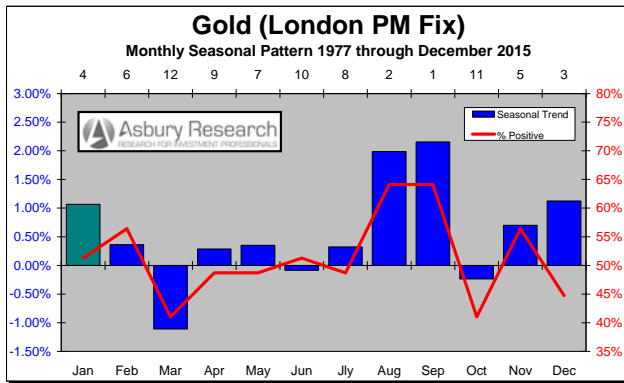
Commodity Prices



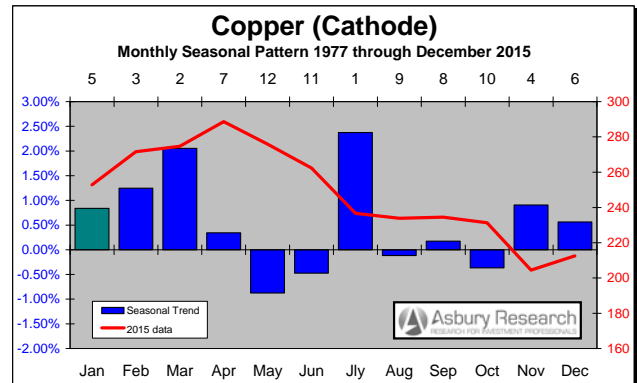
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of January in four key commodity prices and indexes, plus their broader seasonal patterns into early next year. The red lines plot either: 1) the *percentage* of positive monthly closes during the period displayed, or 2) the *actual* monthly closing prices thus far in 2015.

Common to the CRB Index and gold prices is a strong January followed by a gradual decline into June. The opposite seasonal trend exists in

crude oil and copper, which seasonally rise from January into March-April.

CRB Index Monthly Seasonal Pattern Since 1967

The Thomson Reuters/Jefferies CRB Commodity Index is a weighted average of 19 commodities including aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, orange juice, silver, soybeans, sugar, unleaded gas, and wheat. The CRB has historically been viewed by investors as a bellwether of market-based inflation.



The green bar in the chart at upper left on the previous page shows that January is the 2nd seasonally strongest month of the year in the CRB Index based on data since 1967. It represents a strong one-month rebound from December, the 8th strongest month, and is followed by more seasonal strength in February, the 3rd strongest month.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.79% in January**. The red line shows that, also on average since 1967, **the CRB has posted a positive January close 61% of the time**, its highest incidence of a positive close for any month during this period.

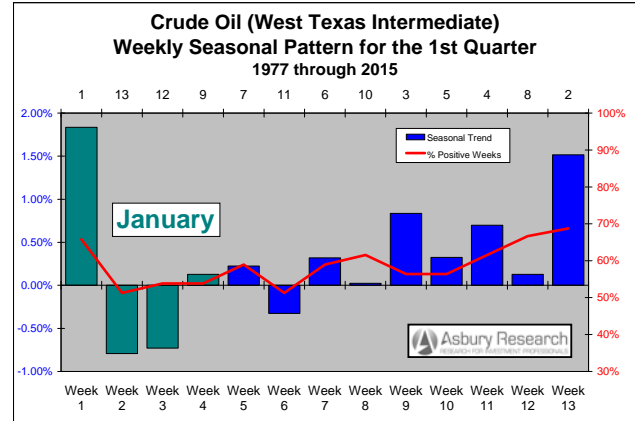
Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights January as the 8th seasonally strongest or 5th weakest month of the year for West Texas Intermediate crude oil prices since 1977. It represents a modest one-month seasonal improvement over December, the 3rd weakest month, and the beginning a gradual four-month seasonal rally that culminates in April and May, the 1st and 3rd strongest months of the year.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 0.65% in January**. The red line, which plots crude oil's monthly closing levels during 2015, shows that these prices closely tracked their long term seasonal trend last year.

Crude Oil Weekly Seasonal Pattern For Q1 Since 1977

The next chart (next column) breaks the seasonal pattern in crude oil prices down further, into a quarterly time frame via 13 weekly increments with January highlighted in green. The chart shows that **the first week of January is the strongest of the entire 1st Quarter, and that the second and third weeks of the month –the weeks of January 11th and 18th this year -- are the 1st and 2nd weakest of the quarter.**



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential intermediate term buying opportunity on weakness during the weeks of January 11th and 18th, with a strategy of closing out the position on acute strength during April.

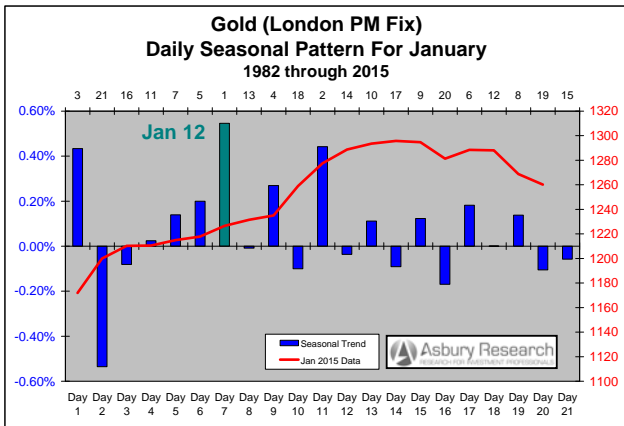
Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that January is the 4th seasonally strongest month of the year for gold prices based on data since 1977. It represents the beginning of a gradual three-month seasonal decline from December, the 3rd strongest month, that culminates with the weakest month of the year in March.

The height of the green bar indicates that, on average since 1977, **gold prices have risen by 1.07% in January**. The red line shows that, also on average since 1977, **gold prices have posted a positive January close 51% of the time**.



Gold Daily Seasonal Pattern For January Since 1982



The 21 blue columns on the chart above display the daily seasonal pattern in gold prices, based on the *average daily percent change* during the month of January since 1982. The red line plots the daily closing prices during January 2015. The green column shows that **gold prices historically peak for the month on Day 7**, which is January 12th.

Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential near term selling opportunity on strength on or around January 12th with a strategy of covering the position as gold prices seasonally bottom for the year during March.

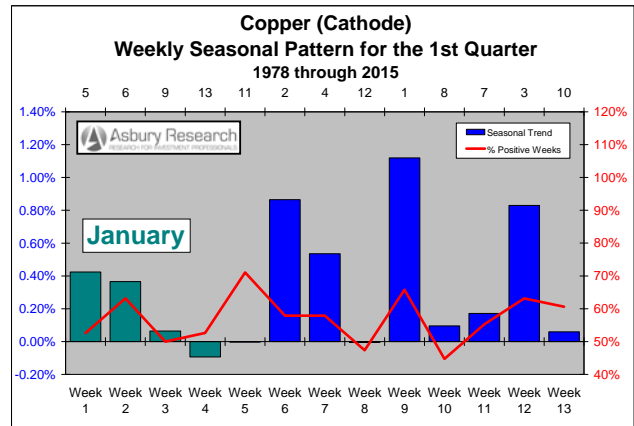
Copper Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower right on Page 10 highlights January as the 5th seasonally strongest month of the year for copper cathode (mined copper ore) prices since 1977. It represents the beginning of a gradual three-month seasonal rise into March, the 2nd strongest month of the year, after which prices seasonally collapse into May-June.

The height of the green bar indicates that, on average since 1978, **copper prices have risen by 0.84% in January**. The red line plots copper's monthly closing prices during 2015.

Copper Weekly Seasonal Pattern For Q1 Since 1978

The next chart breaks the seasonal pattern in copper prices down further, into a quarterly time frame via 13 weekly increments with the month of January highlighted in green. The chart shows that copper prices seasonally peak for the month during the first week of January, which is the 5th strongest of the 1st Quarter, and bottom for the month during the final week of January, which is *the weakest* of the quarter.



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential intermediate term buying opportunity in copper on weakness during the final week of January, with a strategy of closing out the position on seasonal strength during March.

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