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Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

January 2015

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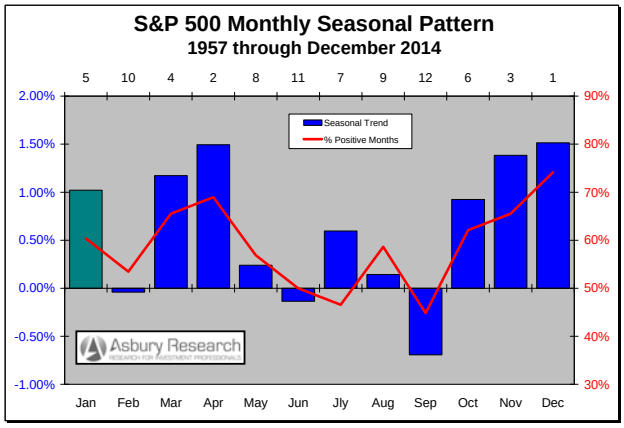
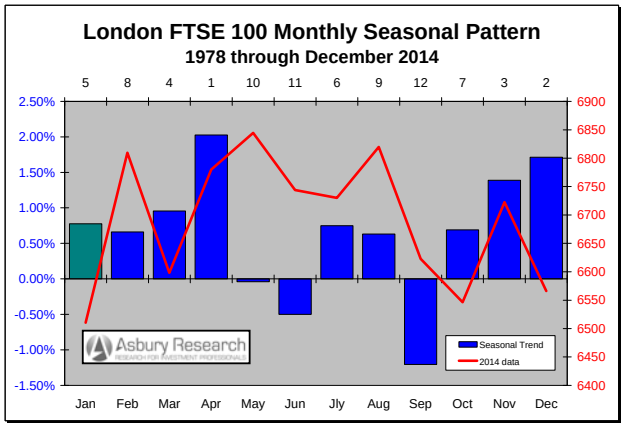
Executive Summary

- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** Common to the US and European indexes is a gradual two-month decline into February that leads into a strong March-April rebound. In the Japanese Nikkei 225 Index, January is the seasonally strongest month of the year.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** Common to all maturities is that January represents the second of a five-month period of overall, escalating seasonal strength in yields that runs through April.
- **UK Interest Rates**: **NEAR TERM NEGATIVE, INTERMEDIATETERM POSITIVE.** January, the 4th weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967, represents a modest one-month seasonal decline from December that leads into a five-month period of overall seasonal strength that culminates in May and June.
- **Japanese Interest Rates: NEAR TERM POSITIVE, INTERMEDIATETERM NEGATIVE.** January, the 4th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977, represents the second of a two-month seasonal rebound in these yields that is sandwiched in between periods of sustained weakness during September-November and February-May.
- **The US Dollar: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Common to the US currency versus Europe and Japan is that a very strong January rebound leads into weakness, immediately versus the Swiss franc and euro and by early Q2 versus the yen.
- **Commodity Prices: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Common to the CRB Index, crude oil, gold, and copper prices is that January represents a continuation of the rebound from acute October weakness which, in all cases except crude oil, leads into a 1st and/or 2nd Quarter decline.

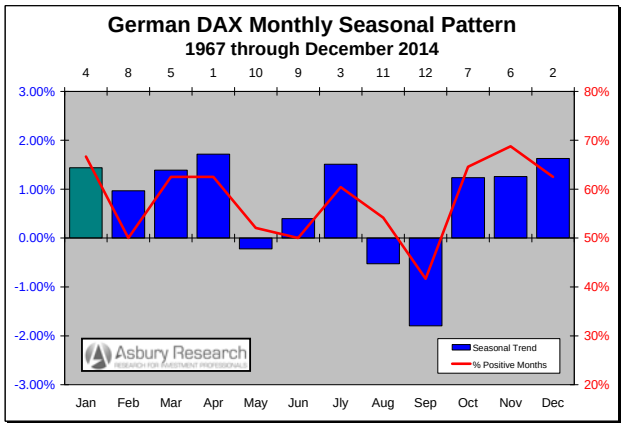
Global Equity Prices



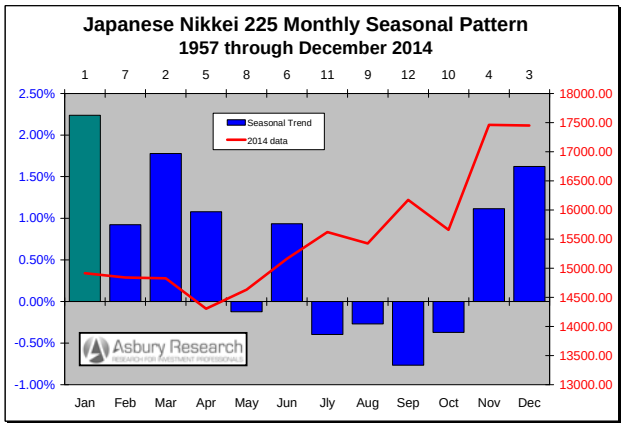
United States: S&P 500 Index



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 the major world stock indexes, plus their larger seasonal patterns into mid 2015. The red lines on the charts in this report plot either: 1) the *percentage of positive monthly closes* during the period displayed, or 2) the *actual monthly closing prices* during 2014.

Common to the US and European indexes is a gradually escalating January- February decline that leads into a strong March-April rebound.

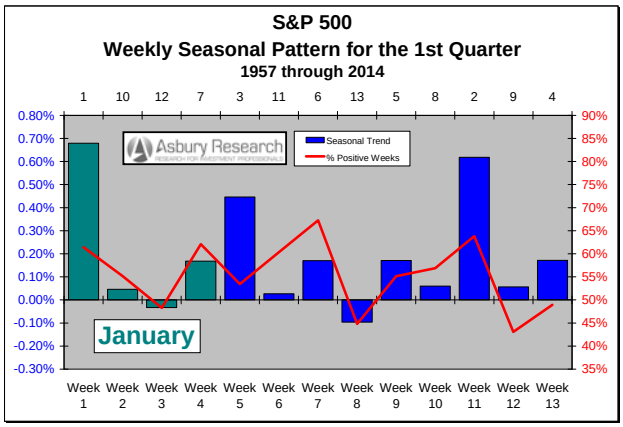
S&P 500 Monthly Seasonal Pattern Since 1957

In the US S&P 500 Index (SPX, chart at upper left), the teal-colored bar highlights January as the 5th seasonally strongest month of the year in the US broad market index since 1957. It represents a significant one-month seasonal decline from December, the strongest month of the year, which leads into more acute weakness in February, which is the 3rd weakest month during this period.

The height of the teal bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 1.02% higher in January**. The red line shows that, also on average since 1957, **SPX has posted a positive January close 60% of the time**.

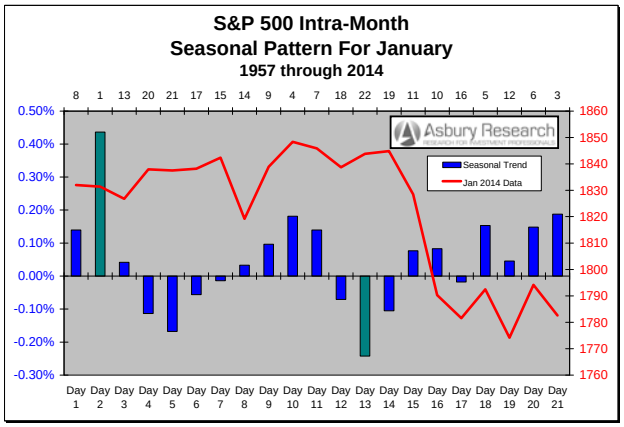
S&P 500 Weekly Seasonal Pattern For Q1 Since 1957

Our 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 teal. The chart shows that the first week of January, which is the week of January 5th this year, is the seasonally strongest of the entire 1st Quarter, after which the index quickly collapses into the middle of the month.



S&P 500 Daily Seasonal Pattern For January Since 1957

The columns in the next chart break 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 teal highlights point out that Day 2, or January 5th this year, is the seasonally *strongest* of the month and that Day 13, or January 21st, is the weakest.



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 closing out the position on weakness on or around January 21st or during the final week of February.

FTSE 100 Monthly Seasonal Pattern Since 1978

In the London FTSE 100 Index (chart at upper right on Page 2), the teal bar highlights January as the 5th seasonally strongest month of the year since 1978. Like the US it represents a one-month decline from December, which in this case is the 2nd strongest month, that leads into more weakness in February before a strong two-month seasonal reversal emerges during March-April, the latter which is the strongest month of the year.

The height of the teal bar indicates that, on average since 1978, the **FTSE has closed 0.78% higher in January**. The red line, which plots the FTSE's monthly closes in 2014, shows that the index generally tracked its 36-year seasonal pattern last year via a rise into April-May, a decline into September-October, and a November recovery.

DAX Monthly Seasonal Pattern Since 1967

In the German DAX Index (chart at lower left on Page 2) the teal bar highlights January as the 4th seasonally strongest month of the year since 1967. The DAX also adheres to the seasonal trend in the US and London indexes via a gradual two-month decline in January and February that precedes a reversal into April, which is the strongest month of the year.

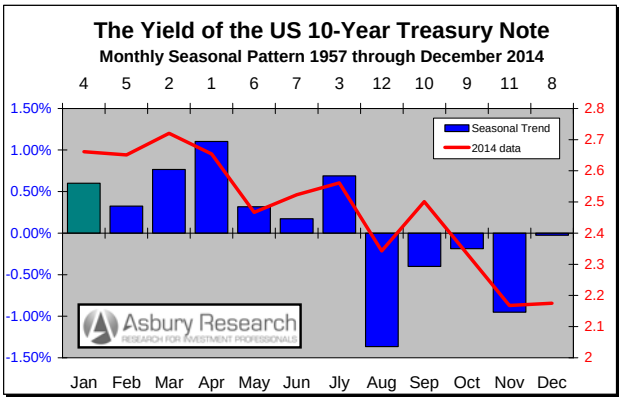
The height of the teal bar on the chart indicates that, on average since 1967, the **DAX has closed 1.44% higher in January**. The red line shows that, also on average since 1967, the **DAX has posted a positive January close 67% of the time**, its second highest incidence (after November) of a positive close for any month during this period.

Nikkei 225 Monthly Seasonal Pattern Since 1957

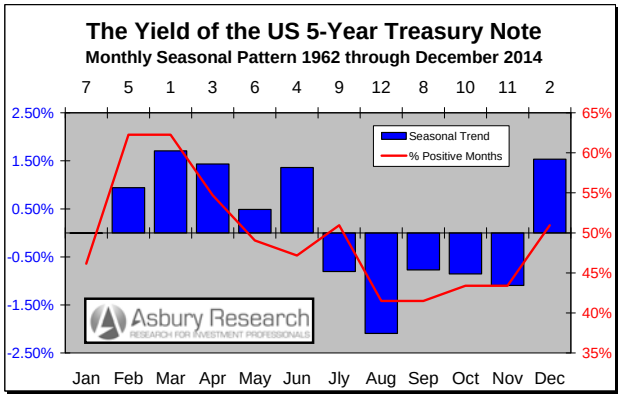
The teal bar on the chart at lower right on Page 2 highlights January as the seasonally strongest month of the year in the Japanese Nikkei 225 Index since 1957. It represents the midpoint of a five-month period of overall seasonal strength that runs from November through March, but leads into a modest one-month decline in February, the 7th strongest month. The November-March period includes the four seasonally strongest months of the year.

The height of the teal bar on the chart indicates that, on average since 1957, the **Nikkei has closed 2.24% higher in January**. The red line plots the index's monthly closes during 2014.

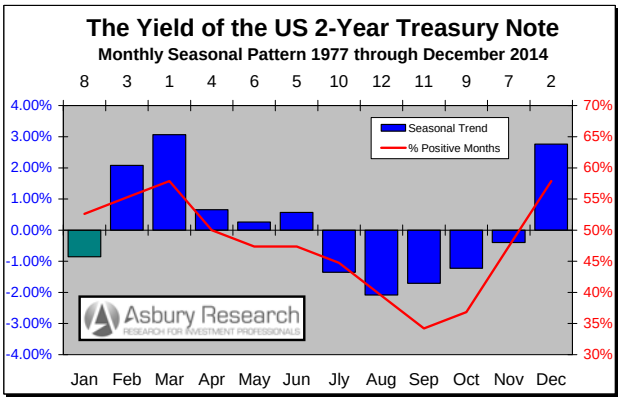
Global Interest Rates (United States)



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 US Treasury Note**, and their broader seasonal patterns into the 2nd Quarter. The red lines on the charts plot either: 1) the *percentage of positive monthly closing yields* during the period displayed, or 2) the *actual monthly closing yields* during 2014.

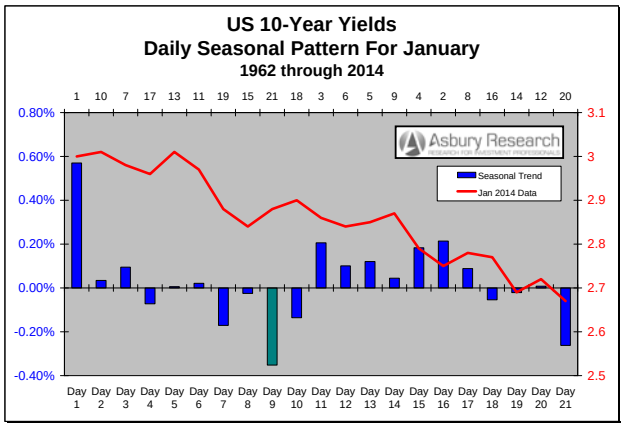
Common to all maturities is that January represents the second of a five-month period of overall, escalating seasonal strength that runs through April.

US 10-Year Yield Monthly Seasonal Pattern Since 1957

The teal bar in the chart at upper left highlights January as the 4th seasonally strongest month of the year for the yield of the US 10-Year Treasury Note based on data since 1957. It represents a one-month seasonal improvement over December, the 8th strongest month, and leads into the two strongest months of the year, March and April.

The height of the teal bar on the chart indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.60% in January**. The red line shows that these yields closely tracked their 56-year seasonal trend during 2014 via a rise into March, a May decline, a July rebound, and August and November declines.

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



The columns on 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 teal column shows that **these yields seasonally bottom for the month on Day 9 or January 14th** this year.

These monthly and daily data collectively suggest a potential near to intermediate term *selling* opportunity in long dated US Treasury *prices* on or around January 14th, *as yields bottom*, with a strategy of covering the position during acute yield strength in April.

US 5-Year Yield Monthly Seasonal Pattern Since 1962

The flat, barely visible bar on the chart at upper right on the previous page shows that January is the 7th seasonally strongest month of the year for the yield of the 5-Year Treasury Note based on data since 1962. It represents a one-month seasonal decline from December, the 2nd strongest month, but leads into two more months of seasonal strength in March and April. March is the seasonally strongest month of the year for these yields.

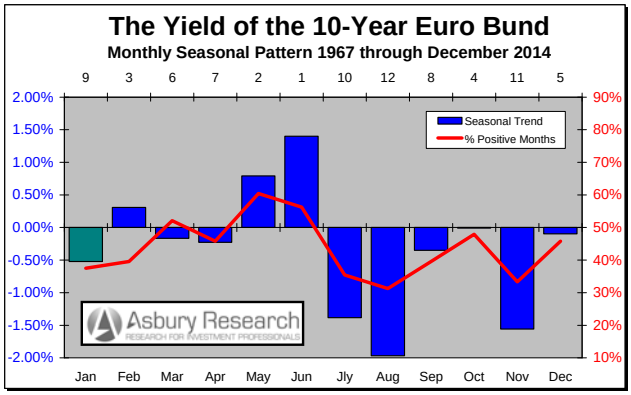
The depth of the "flat" bar on the chart indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.01% in January**. The red line shows that, also on average since 1962, **these yields have posted a negative January close 54% of the time**.

US 2-Year Yield Monthly Seasonal Pattern Since 1977

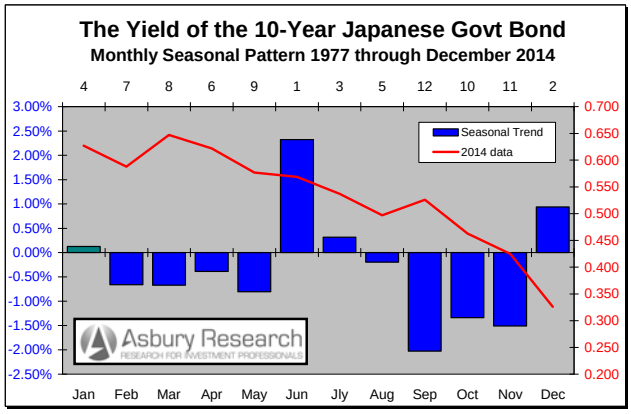
The teal bar on the chart at lower left on the previous page shows that January is the 8th seasonally strongest or *5th weakest* month of the year for the yield of the 2-Year Note since 1977. Like the 5-Year, it represents a significant one-month decline from December, which in this case is the 2nd strongest month, but leads into three more months of seasonal strength between March and May. March is also the seasonally strongest month of the year in 2-Year yields.

The depth of the teal bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 0.85% in January**. The red line shows that, despite the negative average monthly close, **these yields have actually posted a positive January close 53% of the time**.

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 teal-colored bar on the chart at left highlights January as the 9th seasonally strongest or *4th weakest* month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967. It represents a modest one-month decline from December, the 5th strongest month, but February kicks off a five-month period of overall seasonal strength in these yields that culminates with the two strongest months of the year, May and June.

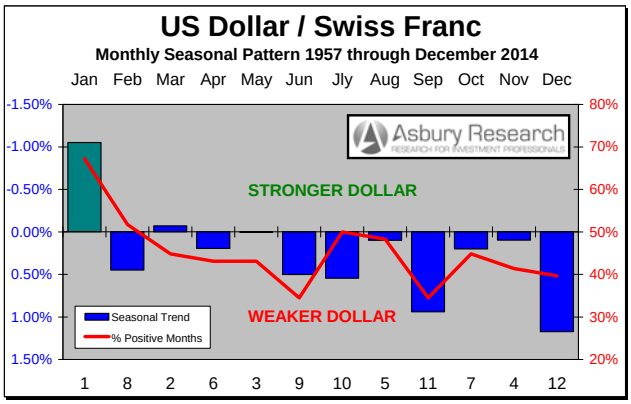
The depth of the teal bar indicates that, on average since 1967, **Bund yields have declined by 0.52% in January.** The red line shows that, also on average since 1967, **these yields have posted a negative January close 62% of the time**.

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

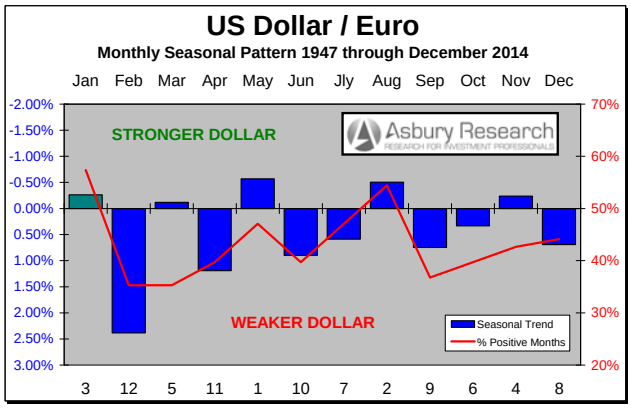
The chart at right highlights January as the 4th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents the second of a two-month seasonal rebound in yield that is sandwiched in between periods of sustained weakness during September-November and February-May, the latter which leads into the strongest month of the year in June.

The height of the teal bar on the chart indicates that, on average since 1977, **10-year JGB yields have risen by 0.12% in January**. The red line shows that in 2014 these yields repeated their 37-year seasonal tendency to decline sharply from August through November.

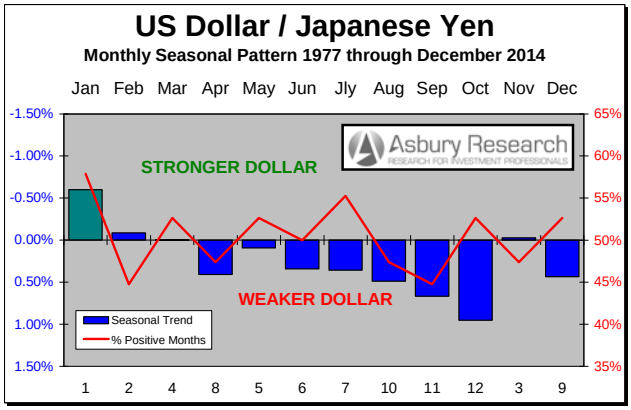
Global Foreign Exchange Rates



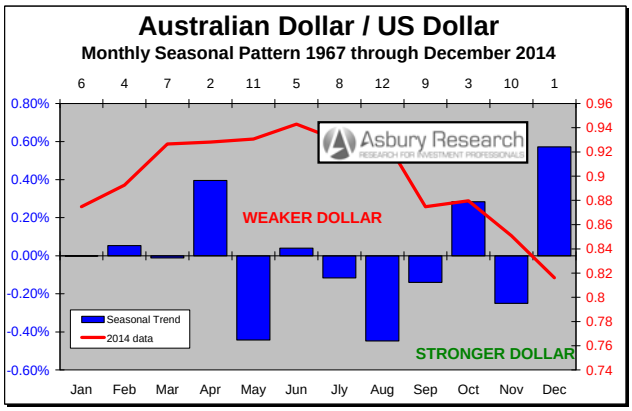
US Dollar / Swiss franc



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, Japan, and Australia, as well as the greenback's larger seasonal trend into midyear. The red lines in the charts plot either: 1) the *percentage of positive monthly closes* by the Dollar during the period displayed, or 2) the *actual monthly closing levels* during 2014.

Common to the US currency versus Europe and Japan is a very strong one-month rebound in January that leads into weakness, immediately versus the Swiss franc and euro and by early Q2 versus the yen.

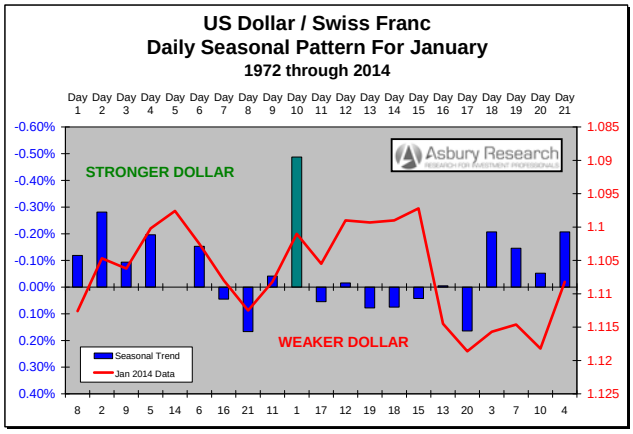
USDCHF Monthly Seasonal Pattern Since 1957

The teal 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 an extremely sharp one-month seasonal rebound from December, the seasonally *weakest* month, but leads into more weakness in February, which is the 5th weakest month.

The height of the teal bar shows that, on average since 1957, the **US Dollar has outperformed the Swiss franc by 1.05% in January**. The red line shows that, also on average since 1957, **USDCHF has posted a positive January close 67% of the time,** which is by far the highest incidence of a positive close for any month during this period.

USDCHF Daily Seasonal Pattern For January Since 1972

The 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 actual daily closing quotes in USDCHF during January 2014.



The teal bar shows that **the Dollar seasonally peaks for the month on Day 10 or January 15th** this year.

These monthly and daily data collectively suggest a potential near to intermediate term selling opportunity in USDCHF on strength on or around January 15th, with a strategy of closing out the position on weakness either during February or during June-July.

USDEUR Monthly Seasonal Pattern Since 1947

The teal-colored bar on the chart at upper right on the previous page highlights December as the 3rd seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) since 1947. Like USDCHF, it represents a strong one-month seasonal rebound from December, but in this case leads into an even sharper decline in February, which is the seasonally weakest month of the year.

The height of the teal bar shows that, on average since 1947, the **US Dollar has outperformed the euro by 0.26% in January**. The red line shows that, also on average since 1947, **USDEUR has posted a positive January close 57% of the time,** its highest incidence of a positive close for any month during this period.

USDJPY Monthly Seasonal Pattern Since 1977

The teal bar on the chart at lower left on the previous page identifies January as the seasonally strongest month of the year for the US Dollar versus the Japanese yen since 1977. Like the Dollar versus Europe, January represents a strong one-month seasonal rebound from December, which in USDJPY is the 4th weakest month.

The height of the teal bar shows that, **on average since 1977, the US Dollar has outperformed the yen by 0.60% in January**. The red line shows that, also on average since 1977, **USDJPY has posted a positive January close 58% of the time,** its highest incidence of a positive close for any month during this period

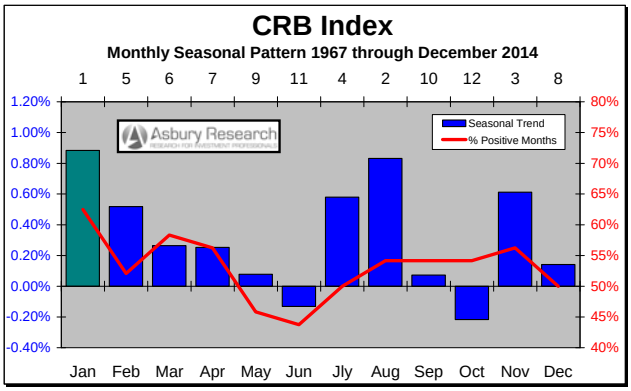
AUDUSD Monthly Seasonal Pattern Since 1967

The chart at lower right on the previous page identifies January as the 6th seasonally strongest month of the year for the Australian Dollar versus the US currency since 1967. It represents a one-month seasonal decline from December, the strongest month of the year, and following two more months of modest seasonal weakness in February and March, yields to more seasonal strength in April, the 2nd strongest month.

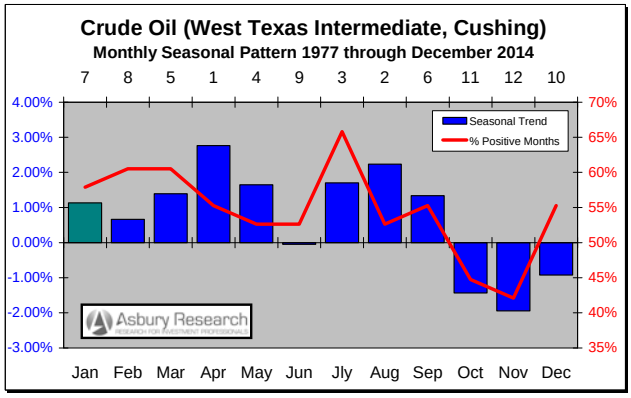
The height of the teal bar shows that, **on average since 1967, the Aussie has outperformed the greenback by 0.40% in**

January. The red line plots the monthly closing levels in AUDUSD during 2014.

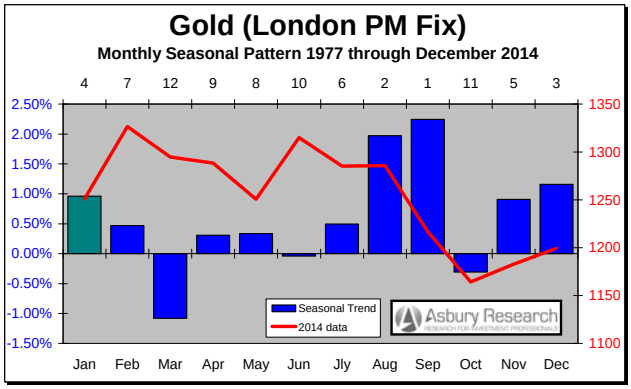
Commodity Prices



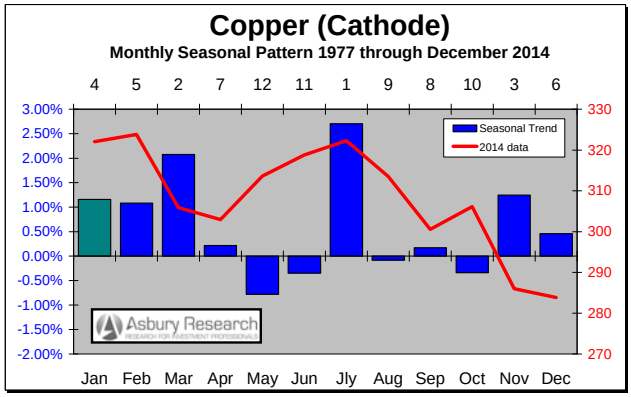
CRB Index



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 midyear. The red lines in the charts plot either: 1) the *percentage of positive monthly closes* during the period displayed, or 2) the *actual monthly closing prices* during 2014.

Common to all is that January represents a continuation of the rebound from acute October weakness which, in all cases except crude oil, leads into a 1st and/or 2nd Quarter decline.

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 teal bar on the chart at upper left shows that January is the seasonally strongest month of the

year for the CRB Index since 1967. It represents a strong one-month seasonal rebound from December, the 5th weakest month, but leads into a gradual five-month seasonal decline into June, the 2nd weakest month.

The height of the teal bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.88% in January**. The red line shows that, also on average since 1967, the **CRB has posted a positive January close 63% of the time,** its highest incidence of a positive close for any month during this period.

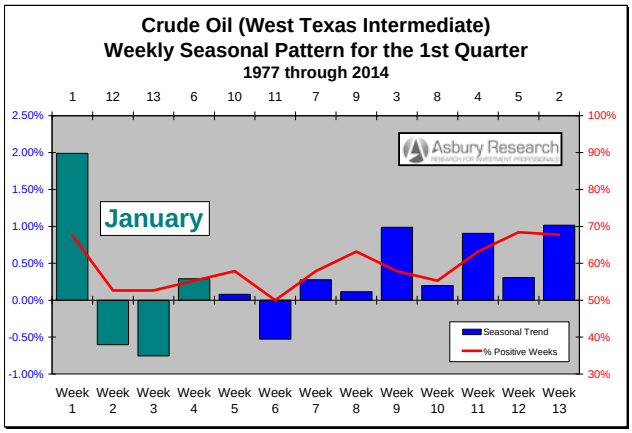
Crude Oil Monthly Seasonal Pattern Since 1977

The teal bar on the chart at upper right on the previous page highlights January as the 7th seasonally strongest month of the year for West Texas Intermediate crude oil prices since 1977. It represents a modest one-month recovery from the three weakest months of the year, October-December, and kicks off a gradual recovery into April, the strongest month of the year.

The height of the teal bar indicates that, on average since 1977, **crude oil prices have risen by 1.13% in January**. The red line shows that, also on average since 1977, **crude oil prices have posted a positive January close 58% of the time**.

Crude Oil Weekly Seasonal Pattern For Q1 Since 1977

Our next chart breaks the seasonal pattern in crude oil prices down further, into a quarterly time frame via 13 weekly increments with January highlighted in teal. The chart shows that the first week of January is the strongest of the entire 1st Quarter, and that following two weeks are the weakest of the quarter.



Combined, these monthly and weekly data suggest a potential intra-month selling opportunity during the first week of January (the week of January 5th) with a strategy of closing out the position during mid-month weakness.

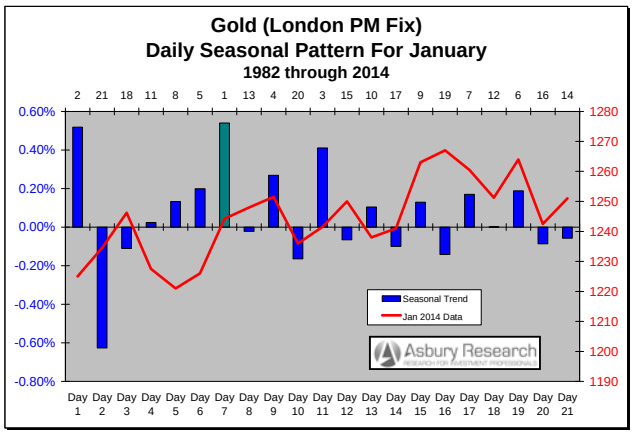
Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page identifies January as the 4th seasonally strongest month of the year for gold prices since 1977. It represents what is essentially a lateral seasonal price move from December, the 3rd strongest month, but leads into a two-month collapse into March, the weakest month of the year, after which prices remain generally weak through July.

The height of the teal bar on the chart indicates that, on average since 1977, **gold prices have risen by 0.96% in January**. The red line plots gold's monthly closing price levels during 2014.

Gold Daily Seasonal Pattern For January Since 1982

The blue columns on the next chart (next page) 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 in January 2014. The teal column shows that gold prices historically peak for the month on Day 7, which is January 12th this year.



Combined, these monthly and daily data suggest a potential intermediate term selling opportunity on strength on or around January 12th, with a strategy of covering the position during March weakness.

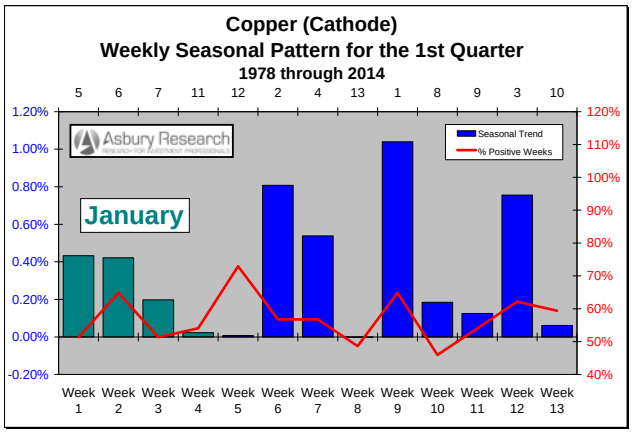
Copper Monthly Seasonal Pattern Since 1978

The green bar on the chart at lower right on Page 10 highlights January as the 4th seasonally strongest month of the year for copper cathode (mined copper ore) prices since 1978. It represents a modest one-month seasonal improvement over December, the 6th strongest month, and leads into the 2nd strongest month of the year, March – right before a seasonal collapse into May.

The height of the teal bar indicates that, on average since 1978, **copper prices have risen by 1.16% in January**. The red line shows that copper prices generally adhered to their long term seasonal pattern during 2014 via a strong 1st Quarter, a modest April decline, a strong July rebound, and a sharp decline into September.

Copper Weekly Seasonal Pattern For Q1 Since 1978

Our next chart breaks the seasonal pattern in copper prices down further, into a quarterly time frame via 13 weekly increments. The teal columns show that the last week of January and the first week of February are two of the three weakest of the entire 1st Quarter, after which copper prices surge into overall February strength.



Combined, these monthly and weekly data suggest a potential near to intermediate term buying opportunity in copper on weakness during late January/early February, with a strategy of either closing out the position on strength in late February strength or during July, the strongest month of the year.