

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

July 2015

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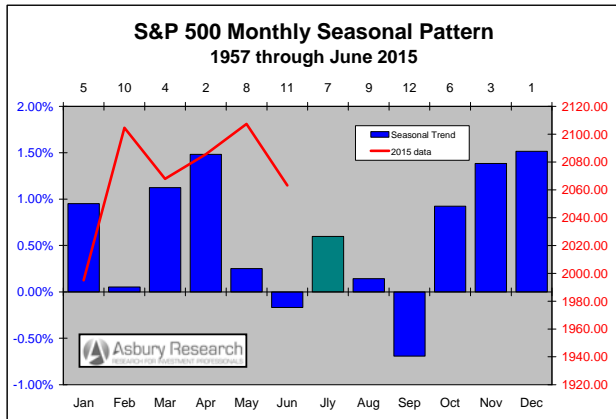
July 1, 2015

Executive Summary

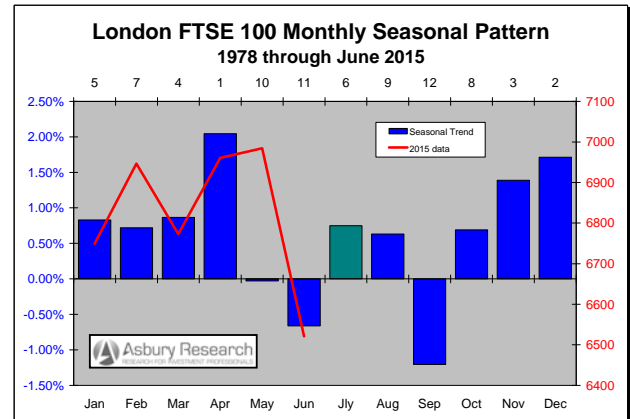
- **Global Equity Prices: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** July represents a modest one-month seasonal rebound in the US, London and German stock indexes that leads into the weakest month of the year, September, in all three of these indexes plus the Japanese Nikkei 225. In the US, however, this July seasonal rebound occurs during the first two weeks of the month.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** Either July (in the 5- and 2-Year maturities) or August (in the 10-Year) marks the beginning of a sustained period of seasonal weakness in yield that runs through year end.
- **UK Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** July, the 4th weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967, represents a sharp one-month seasonal decline from June and the beginning of a sustained period of seasonal weakness that runs through year end.
- **Japanese Interest Rates: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** July, the 3rd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977, represents the end of a two-month period of seasonal strength in these yields that leads into the three weakest months of the year in September, October, and November.
- **The US Dollar: NEAR TO INTERMEDIATE TERM NEGATIVE.** Common to the US currency versus the Swiss franc and Japanese yen is that July represents the second month of an extended period of overall seasonal weakness that generally extends through year end.
- **Commodity Prices: NEAR TO INTERMEDIATE TERM POSITIVE.** July represents a one-month seasonal rebound from June in the CRB Index and in crude oil gold and copper prices that leads into the strongest month of the year in all four series between July and September.



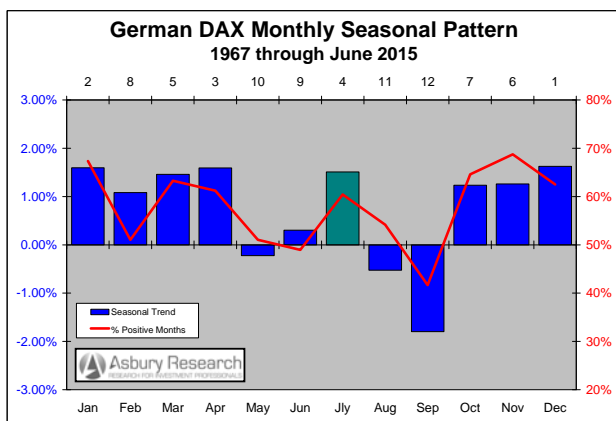
Global Equity Prices



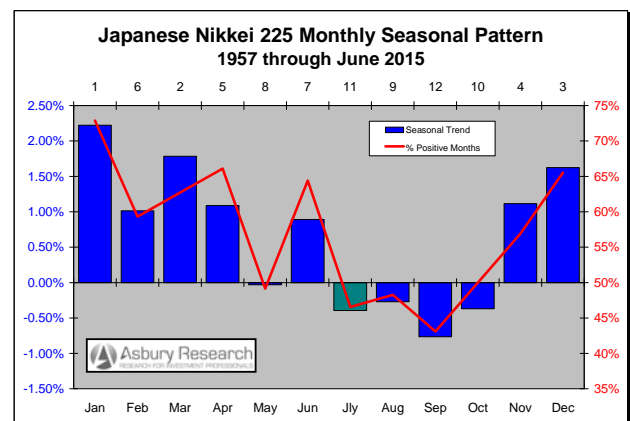
United States: S&P 500 Index



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 July in the major world stock indexes, plus their larger seasonal patterns through the 3rd Quarter. 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 levels thus far in 2015.

July represents a modest one-month seasonal rebound in the US, London and German indexes that leads into the weakest month of the

year, September, in all three of these markets plus Japan.

S&P 500 Monthly Seasonal Pattern Since 1957

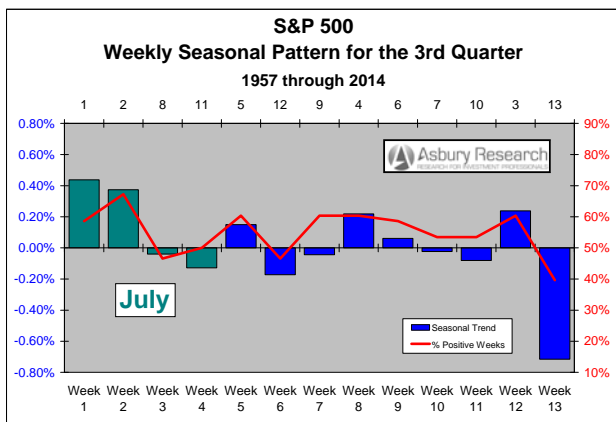
In the US S&P 500 Index (SPX, chart at upper left), the green bar highlights July as the 7th seasonally strongest month of the year in the US broad market index since 1957. It represents a minor one-month seasonal recovery from June, the 2nd *weakest* month, but leads into 4th and 1st weakest months of the year in August and September.



The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.60% higher in July**. The red line plots **SPX's monthly closing levels thus far in 2015**.

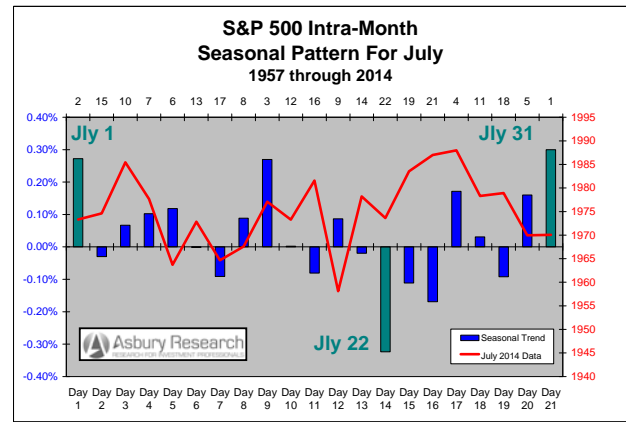
S&P 500 Weekly Seasonal Pattern For Q3 Since 1957

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 July in green. The chart shows that **the first two weeks of July are the 1st and 2nd strongest of the entire 3rd Quarter**, and that **the last week of July is the 3rd weakest of the quarter**.



S&P 500 Daily Seasonal Pattern For July 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 July since 1957. The green highlights point out that **Days 1 and 21, which are July 1st and 31st, are the two seasonally strongest of the month**, and that **Day 14, which is July 22nd, is the weakest day of the month**.



These monthly, weekly and daily charts collectively suggest: 1) a near term selling opportunity at the beginning of the month with a strategy of covering the position on or around July 22nd, and 2) an intermediate term selling opportunity at the end of the month with a strategy of closing out the position during acute September weakness.

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 July as the 6th seasonally strongest month of the year since 1978. Like the US market it represents a modest one-month rebound from June, which is the second weakest month of the year in the FTSE, that leads into more weakness in August and September, which are the 4th and 1st weakest months.

The height of the green bar indicates that, on average since 1978, the **FTSE has closed 0.75% higher in July**. The red line, which plots the FTSE's monthly closing levels thus far in 2015, shows that **the London index has tracked its long term seasonal pattern via a strong April followed by a June collapse**.



DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that July is the 4th seasonally strongest month of the year in the DAX since 1967. It represents a modest one-month seasonal improvement over June, the 5th weakest month, but leads into the two weakest months of the year in August and September.

The height of the green bar indicates that, on average since 1967, the **DAX has closed 1.51% higher in July**. The red line shows that, also on average since 1967, **the DAX has posted a positive monthly close in July 60% of the time**.

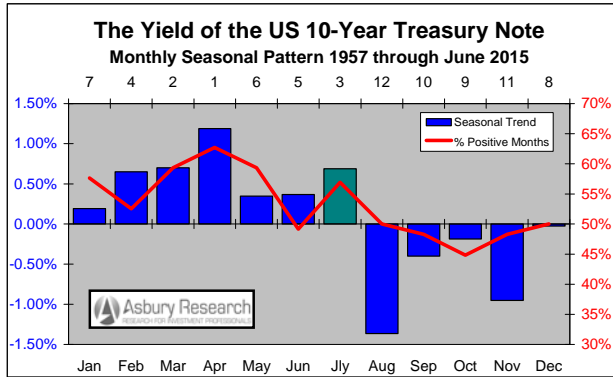
Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights July as the 11th seasonally strongest or 2nd weakest month of the year in the Japanese Nikkei 225 Index since 1957. It represents the beginning of a four-month period of seasonal weakness that runs through October and includes the four weakest months of the year.

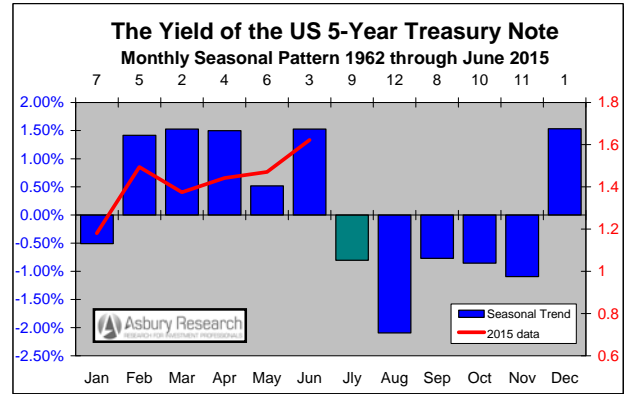
The depth of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has closed 0.40% lower in July**. The red line shows that, also on average since 1957, **the index has posted a negative July close 53% of the time**, which is the second highest incidence of a negative close for any month during this period.



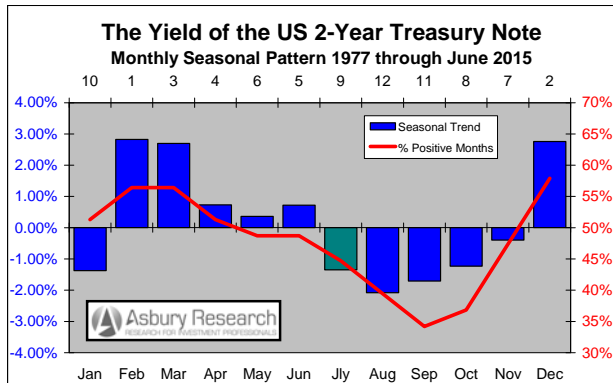
Global Interest Rates (United States)



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 July in the yield of the **US 10-, 5-, and 2-Year Treasury Note**, and their broader seasonal patterns through year end. 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 thus far in 2015.

Common to all maturities is that either July (5- and 2-Year) or August (10-Year) marks the beginning of a sustained period of seasonal

weakness in these yields that runs through year end.

US 10-Year Yield Monthly Seasonal Pattern Since 1957

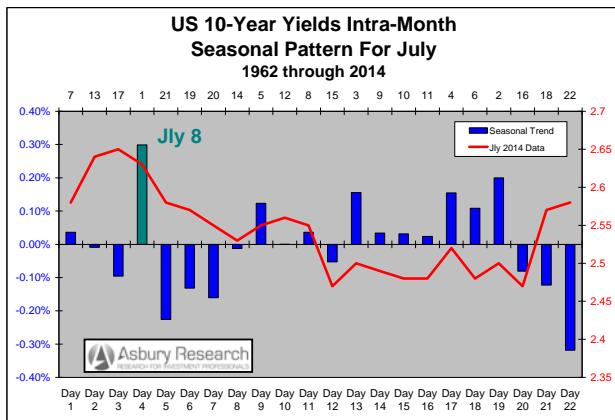
The green bar in the chart at upper left highlights July as the 3rd seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents the end of a six-month period of overall seasonal strength that begins in February, and leads into a sustained period of seasonal weakness that begins in August, the



weakest month of the year, and extends through year end.

The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.69% in July**. The red line shows that, also on average since 1957, **these yields have posted a positive monthly close in July 57% of the time**.

US 10-Year Yield **Daily** Seasonal Pattern For July Since 1962



The 22 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 July since 1962. The green column shows **these yields seasonally peak for the month on Day 4 or July 8th** this year.

These monthly and daily data collectively suggest a potential near term buying opportunity in long dated US Treasuries on or around July 8th, as yields seasonally peak for the month and prices bottom, with a strategy of closing out the position at the end of the month as yields bottom.

US 5-Year Yield **Monthly** Seasonal Pattern Since 1962

The green bar on the chart at upper right on the previous page shows that July is the 9th seasonally strongest or 4th weakest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a significant one-month seasonal decline from June, the 3rd strongest month, and the beginning of a sustained period of seasonal weakness that runs through November and includes the five weakest months of the year.

The height of the green bar indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.80% in July**. The red line, which plots the 5-Year's monthly closing yields during 2015, shows that these yields have closely tracked their long term seasonal pattern thus far this year.

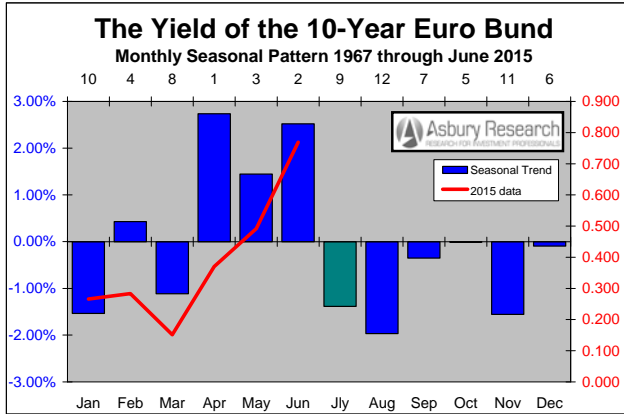
US 2-Year Yield **Monthly** Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that July is the 9th seasonally strongest or 4th weakest month of the year for the yield of the 2-Year Note based on data since 1977. Like the 5-Year, it represents the beginning of a sustained period of seasonal weakness that runs through November, which in this case includes five of the six seasonally weakest months of the year.

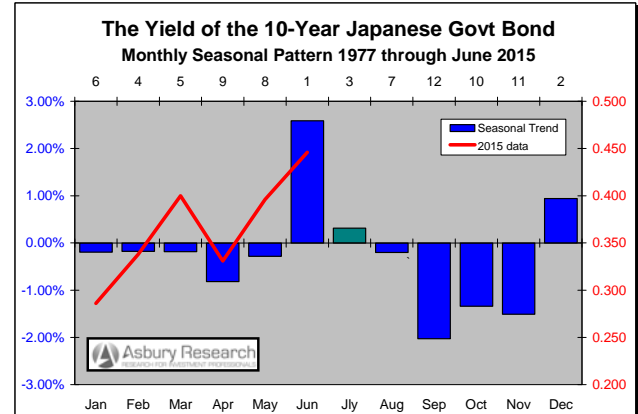
The height of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 1.35% in July**. The red line shows that, also on average since 1977, **these yields have posted a negative monthly close in July 55% of the time**.



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 green-colored bar on the chart above highlights July 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 sharp one-month seasonal decline from June, the 2nd strongest month, and, like US yields, represents the beginning of a sustained period of seasonal weakness that runs through year end.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 1.38% in July**. The red line shows that these yields have closely tracked their long term annual seasonal pattern thus far in 2015.

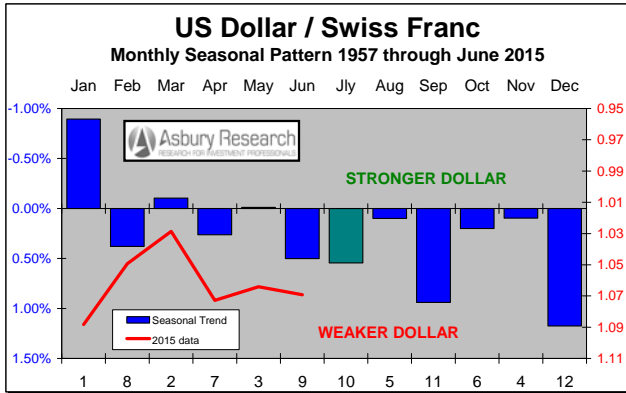
Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The chart above highlights July as being the 3rd seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents the end of a two-month period of seasonal strength in these yields, and leads into the three weakest months of the year in September, October, and November.

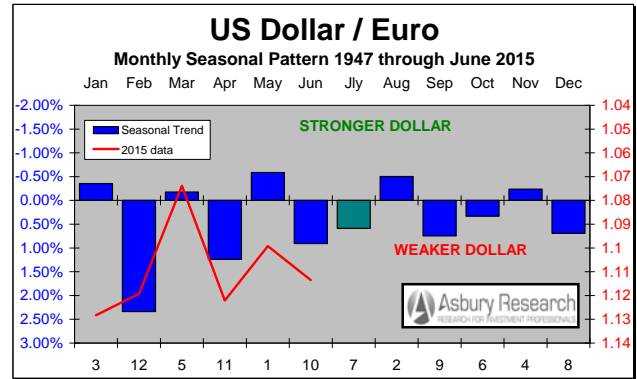
The height of the green bar indicates that, on average since 1977, **10-year JGB yields have risen by 0.32% in July**. The red line shows that these Japanese yields have also closely tracked their long term annual seasonal pattern thus far in 2015.



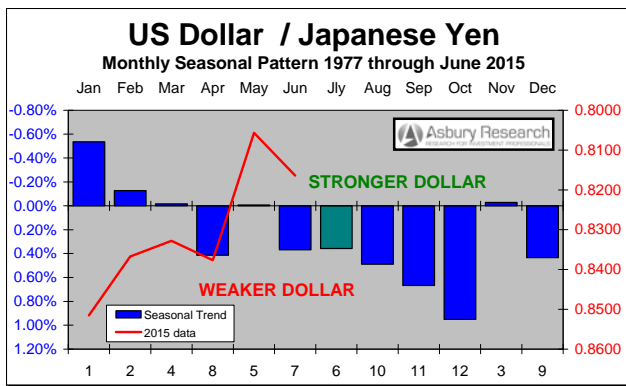
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

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

Common to the Dollar versus the Swiss franc and Japanese yen is that July represents the second month of an extended period of overall

seasonal weakness that generally extends through year end.

USDCHF Monthly Seasonal Pattern Since 1957

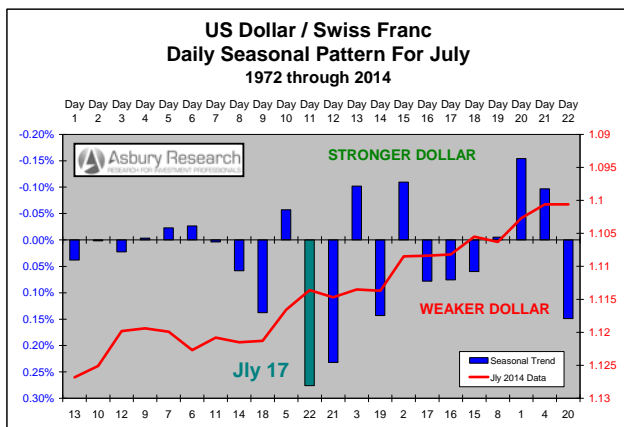
The green bar on the chart at upper left highlights July as the 10th seasonally strongest or 3rd weakest month of the year for the US Dollar versus the Swiss franc since 1957. It represents the second of a seven-month period of gradually increasing seasonal weakness that culminates in December, the weakest month of the year.



The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the franc by 0.54% in July**. The red line plots USDCHF's monthly closing levels thus far in 2015.

USDCHF Daily Seasonal Pattern For July 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 July, since 1972. The red line plots the daily closing quotes in USDCHF during July 2014.



The green bar and highlights show that **the Dollar seasonally bottoms for the month on Day 11, or July 17th** this year.

These monthly and daily data collectively suggest a potential near term buying opportunity in USDCHF on weakness, on or around July 17th, with a strategy of closing out the position during modest August seasonal strength.

USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights July as the 7th seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) since 1947. It represents a modest one-month seasonal improvement over June, the 3rd weakest month, and leads into the 2nd strongest month of the year in August, after which the greenback generally remains weak through year end.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the euro by 0.59% in July**. The red line, which plots USDEUR's monthly closing levels thus far in 2015, shows that the greenback has closely tracked its long term seasonal pattern thus far this year.

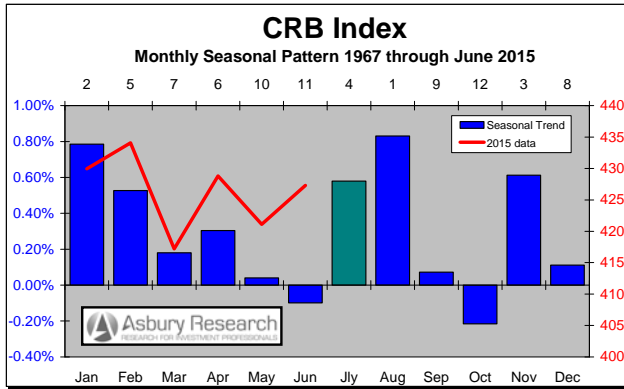
USDJPY Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page identifies July as the 6th seasonally strongest month of the year for the US Dollar versus the Japanese yen since 1977. It represents the second of a five-month period of gradually increasing Dollar weakness that culminates in October, the weakest month of the year.

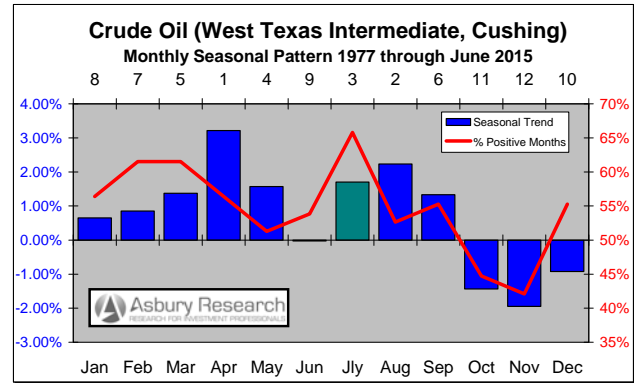
The depth of the green bar indicates that, **on average since 1977, the US Dollar has underperformed the yen by 0.36% in July**. The red line plots the actual monthly closing levels in USDJPY thus far in 2015.



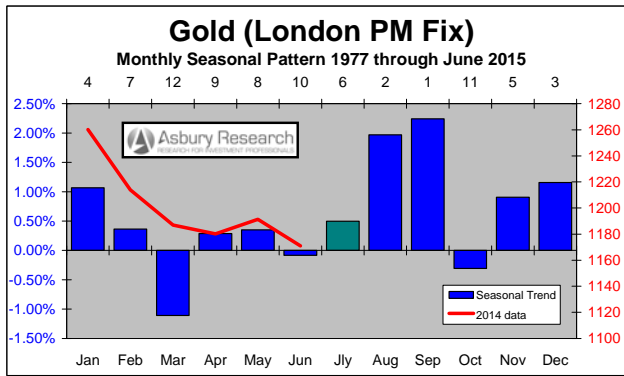
Commodity Prices



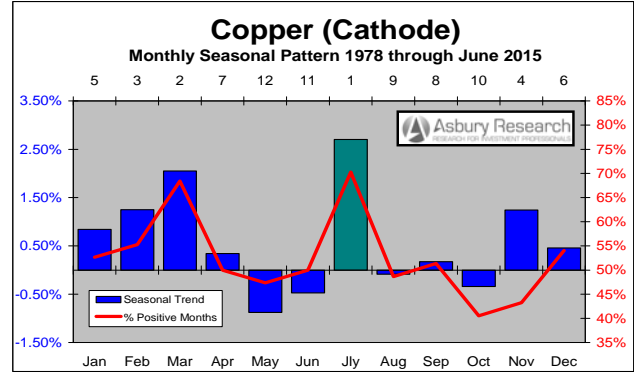
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of July 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 thus far in 2015.

July represents a one-month seasonal rebound over June in all four series, one that leads into the strongest month of the year between July and September.

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 on the chart at upper left shows that July is the 4th seasonally strongest month of the year for the CRB Index since 1967. It



represents a sharp one-month seasonal rebound from June, the 2nd weakest month, and leads into the strongest month of the year, August, before the index collapses into November.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.58% in July**. The red line plots the actual monthly closing levels in the index thus far in 2015.

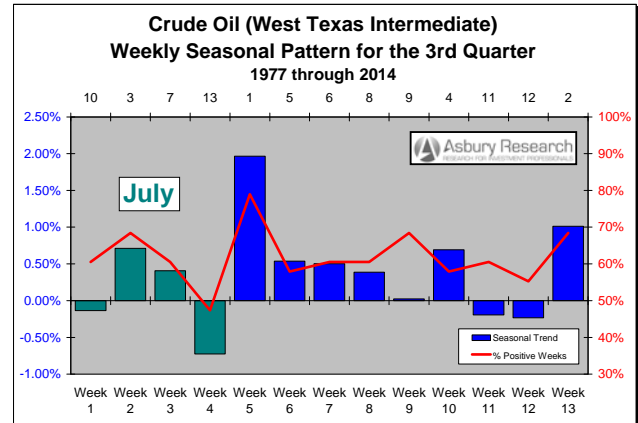
Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights July as the 3rd seasonally strongest month of the year for West Texas Intermediate crude oil prices since 1977. Like the CRB Index, it represents a strong one-month seasonal rebound from June, which in this case is the 4th weakest month. However, following an even stronger August, crude oil prices then gradually slide into a very weak 4th Quarter.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 1.70% in July**. The red line shows that, also on average since 1977, **crude oil prices have closed higher in July 66% of the time**, which is their highest incidence of a positive close for any month during this period.

Crude Oil Weekly Seasonal Pattern For Q3 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 July highlighted in green. The chart shows that **the first and last weeks of July are the 4th and 1st weakest of the entire 3rd Quarter, and that that the second week of July (the week of July 13th) is the 3rd strongest of the quarter**.



Combined, these monthly and weekly data suggest a potential near term buying opportunity on weakness during the last week of July, with a strategy of closing out the position on early August strength.

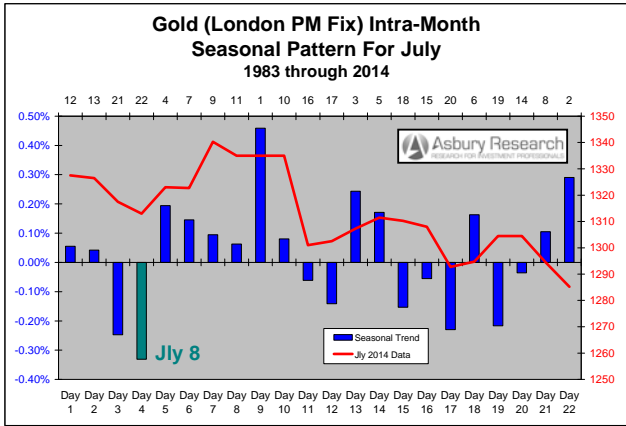
Gold Monthly Seasonal Pattern Since 1977

The barely visible green bar on the chart at lower left on the previous page identifies July as the 6th seasonally strongest month of the year for gold prices since 1977. It represents a modest one-month seasonal improvement over June, the 3rd weakest month, and leads into the two strongest months of the year in August and September.

The height of the green bar on the chart indicates that, on average since 1977, **gold prices have risen by 0.50% in July**. The red line plots gold's monthly closing prices thus far in 2015, and shows that they have closely tracked their long term seasonal trend thus far this year.



Gold Daily Seasonal Pattern For July Since 1982



The 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 July, since 1983. The red line plots the daily closing prices during July 2014. The green column shows that **gold prices historically bottom for the month on Day 4, which is July 8th this year.**

Combined, these monthly and daily data suggest an intermediate term buying opportunity in gold, on weakness, on or around July 8th with a strategy of closing out the position during acute September strength.

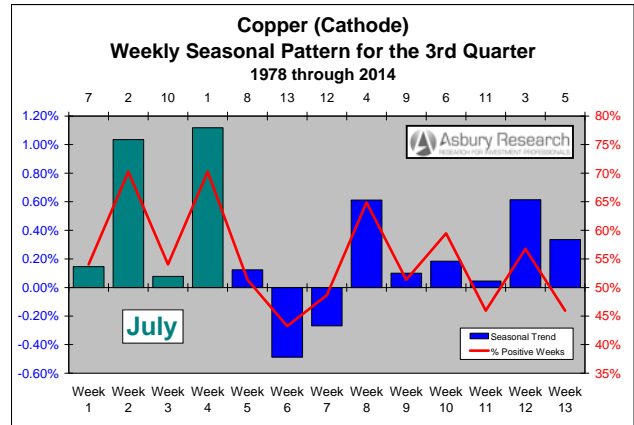
Copper Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower right on Page 10 highlights July as the seasonally strongest month of the year for copper cathode (mined copper ore) prices since 1978. It represents a one-month island of acute seasonal strength that is sandwiched in between the five seasonally weakest months of the year between May and October.

The height of the green bar indicates that, on average since 1978, **copper prices have risen by 2.70% in July.** The red line shows that, also on average since 1978, **copper prices have closed higher in July 70% of the time,** their highest incidence of a positive close for any month during this period.

Copper Weekly Seasonal Pattern For Q3 Since 1978

Our next chart breaks the seasonal pattern in copper prices down further, into a quarterly time frame via 13 weekly increments, with the month of July highlighted in green. The chart shows that the second and final weeks of July are the two strongest of the entire 3rd Quarter, after which prices historically collapse into the second week of August, which is the seasonally weakest of the quarter.



Combined, these monthly and weekly data suggest a potential near term selling opportunity in copper on strength during the weeks of July 7th and 17th, with a strategy of closing out the position on August weakness.

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