

# Global Seasonal Analysis

## *Seasonal Trends In Global Financial Markets*

### September 2015

John J. Kosar, CMT  
September 2<sup>nd</sup>, 2015

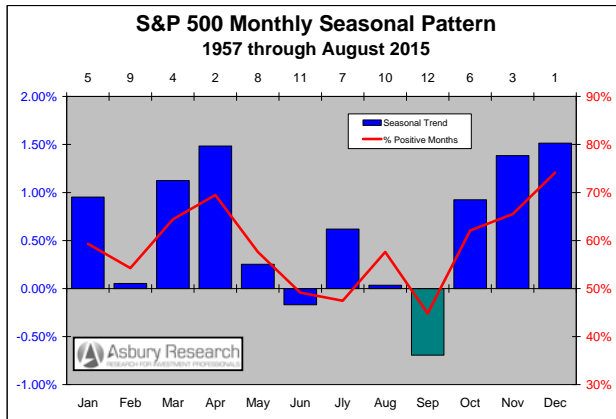
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### *Executive Summary*

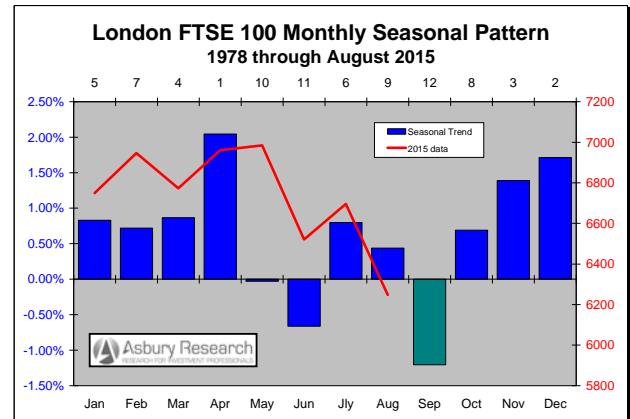
- **Global Equity Prices: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** September is the weakest month of the year in the S&P 500, London FTSE 100, German DAX and Nikkei 225 Indexes, but leads into a strong seasonal rally that runs through December in the US and London, and through January in Germany and Japan.
- **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 US government bond yields that runs through year end.
- **UK Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September, the 7<sup>th</sup> seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967, represents the third of a seven-year period of sustained weakness in these yields which runs from July through January.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM NEGATIVE.** September is the seasonally weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977 and represents the beginning of a three-month period of acute seasonal weakness that runs through November.
- **The US Dollar: NEAR TO INTERMEDIATE TERM NEGATIVE.** September represents a one-month island of weakness in the Dollar versus the euro and Swiss franc that is sandwiched in between a stronger August and October, after which the greenback weakens into December.
- **Commodity Prices: NEAR TO INTERMEDIATE TERM POSITIVE.** Common to the CRB Index, crude oil and gold prices is that a generally strong July through September period leads into acute October weakness in all of these assets plus copper prices.



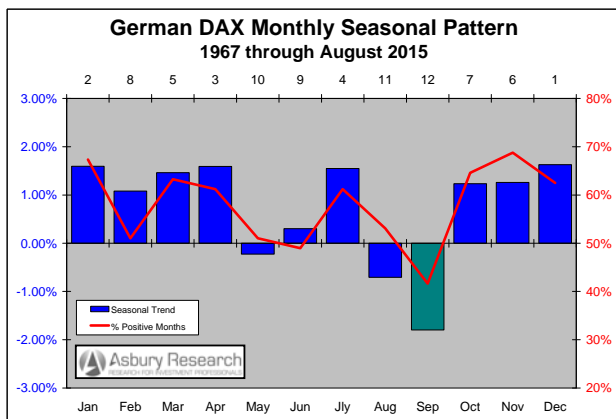
## Global Equity Prices



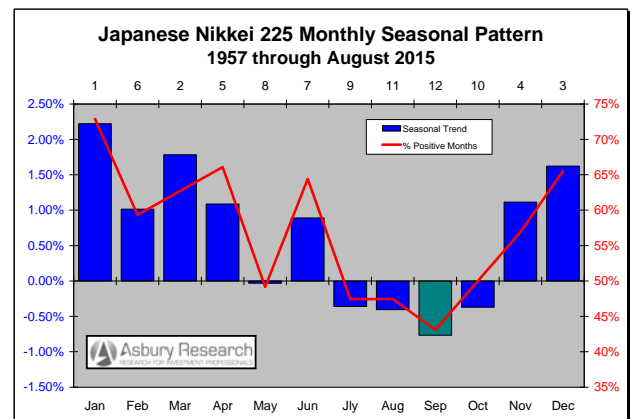
United States: S&P 500 Index



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 September in four major world stock indexes, plus their larger seasonal patterns through year end. 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.

September is the weakest month of the year in all four indexes, and leads into a strong seasonal rally that runs through December in

the US and London and through January in Germany and 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 September as the seasonally weakest month of the year in the US broad market index based on data since 1957. It represents a modest monthly decline from August, the 3<sup>rd</sup> weakest month, and leads into a gradually strengthening 4<sup>th</sup> Quarter recovery

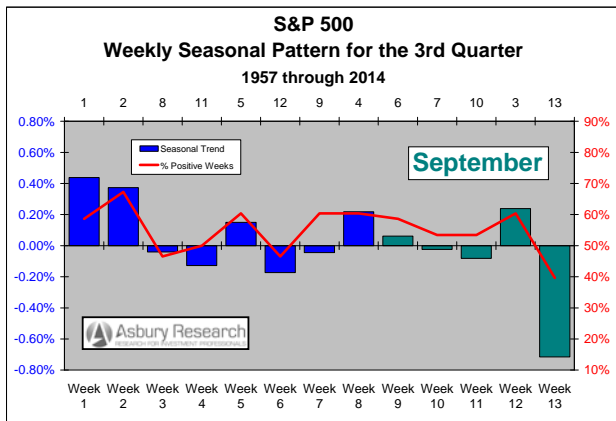


that culminates with the strongest month of the year, December.

The depth of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 0.59% lower in September**. The red line shows that, also on average since 1957, **SPX has posted a negative September close 55% of the time**, its highest incidence of a negative close for any month during this period.

**S&P 500 Weekly Seasonal Pattern For Q3 Since 1957**

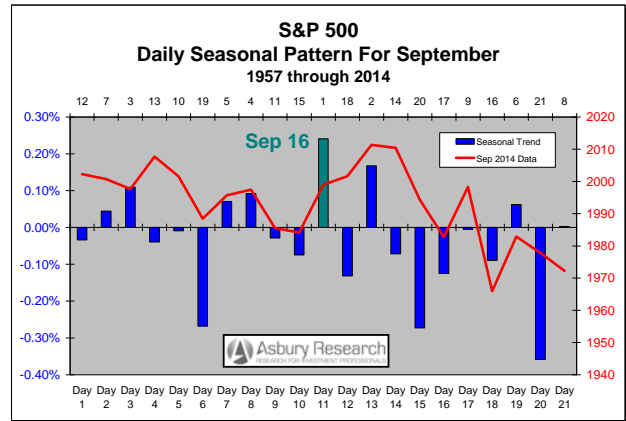
The next chart breaks the seasonal pattern in the S&P 500 down further, into a quarterly time frame via 13 weekly increments, and highlights the month of September in green. The chart shows that **the third and fifth weeks of September are the 3<sup>rd</sup> and 1<sup>st</sup> weakest of the entire 3<sup>rd</sup> Quarter**, and that the 4<sup>th</sup> week of September is the 3<sup>rd</sup> *strongest* of the quarter.



**S&P 500 Daily Seasonal Pattern For September 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 September since 1957. The green highlights point out that **Day 11, which is September 16<sup>th</sup>, is the seasonally strongest**

**day of the month, after which the index historically declines into month end.**



These monthly, weekly and daily charts collectively suggest a near term selling opportunity on strength on or around September 16<sup>th</sup> with a strategy of covering the position during acute month end weakness.

**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 September as also being the seasonally weakest month of the year based on data since 1978. Like the S&P 500, it represents a modest one month seasonal decline from August, the 4<sup>th</sup> weakest month, and leads into a gradually strengthening 4<sup>th</sup> Quarter recovery.

The depth of the green bar indicates that, on average since 1978, the **FTSE has declined by 1.20% in September**. The red line shows that the FTSE has very closely adhered to its 36-year seasonal pattern thus far in 2015.



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### German DAX Monthly Seasonal Pattern Since 1967

The green bar in the chart at lower left on Page 2 shows that September is the seasonally weakest month of the year in the DAX based on data since 1967. It represents a slight one-month seasonal decline from August, the 2<sup>nd</sup> weakest month, and also leads into a strong 4<sup>th</sup> Quarter recovery.

The depth of the green bar indicates that, on average since 1967, the **DAX has closed 1.80% lower in September**. The red line shows that, also on average since 1967, the **DAX has posted a negative September close 58% of the time**, which is by far the highest incidence of a negative close for any month during this period.

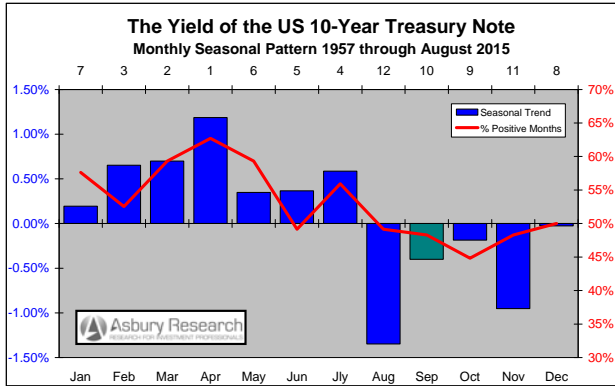
### Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights September as the seasonally weakest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents the third of a four-month period of acute seasonal weakness that runs from July through October which includes the four weakest months of the year, after which the index rises aggressively into January.

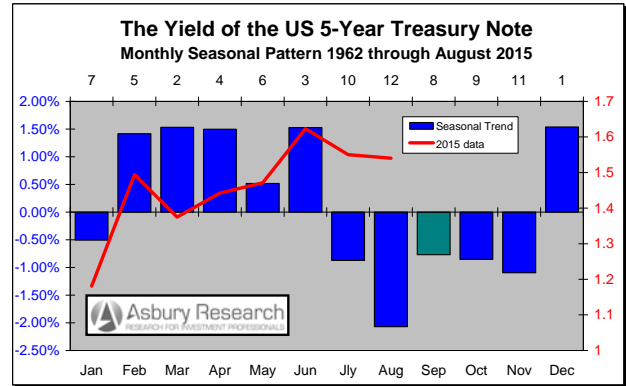
The depth of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has declined by 0.76% in September**. The red line shows that, also on average since 1957, the **Nikkei 225 has posted a negative September close 57% of the time**, its highest incidence of a negative close for any month during this period.



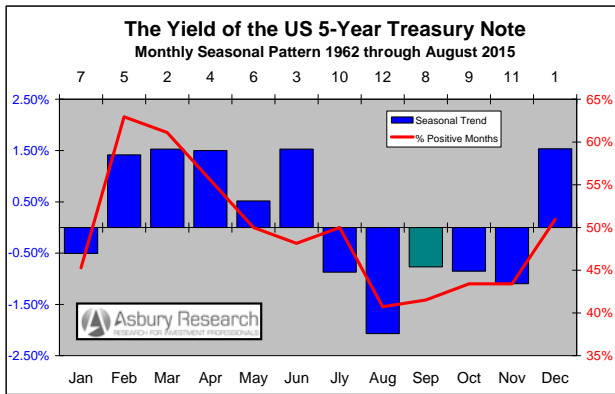
## Global Interest Rates (United States)



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 September in the yield of the US 10-, 5-, and 2-Year Treasury Note, as well as their broader seasonal trends 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

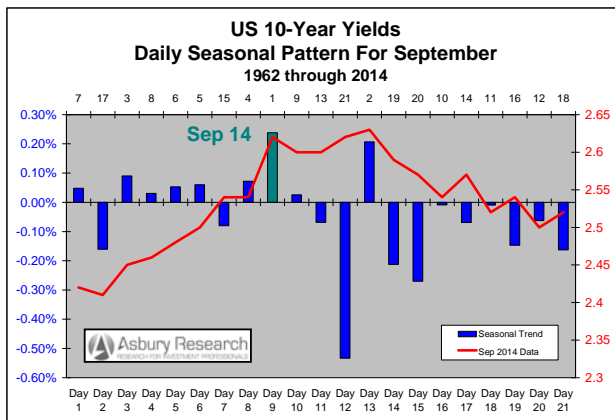
The green bar in the chart at upper left highlights September as the 10<sup>th</sup> seasonally strongest or 3<sup>rd</sup> weakest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents the second of a five-month period of sustained seasonal weakness that runs through



December which includes the five weakest months of the year.

The depth of the green bar indicates that, on average since 1957, **the yield of the 10-Year has declined by 0.40% in September**. The red line shows that, also on average since 1957, **these yields have posted a negative September close 52% of the time**.

### US 10-Year Yield Daily Seasonal Pattern For September Since 1962



The 21 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 September since 1962. The green column shows **these yields seasonally peak for the month on Day 9, which is September 14<sup>th</sup>** this year.

These monthly and daily data collectively suggest a potential near to intermediate term buying opportunity in long dated US Treasuries on or around September 14<sup>th</sup>, as yields seasonally peak for the month, with a strategy of either closing out the position on declining yields into month end or during November, the latter which is the second weakest month of the year.

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

The green bar on the chart at upper right on the previous page shows that September is the 8<sup>th</sup> seasonally strongest or 5<sup>th</sup> weakest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a modest one-month recovery from August, which is by far the weakest month of the year, and the midpoint of a five-month period of seasonal weakness in these yields that runs from July through November.

The depth of the green bar indicates that, on average since 1962, **5-Year Treasury yields have declined by 0.77% in September**. The red line plots the 5-Year's monthly closing yields during 2015 and shows that they have closely tracked their long term seasonal pattern thus far this year.

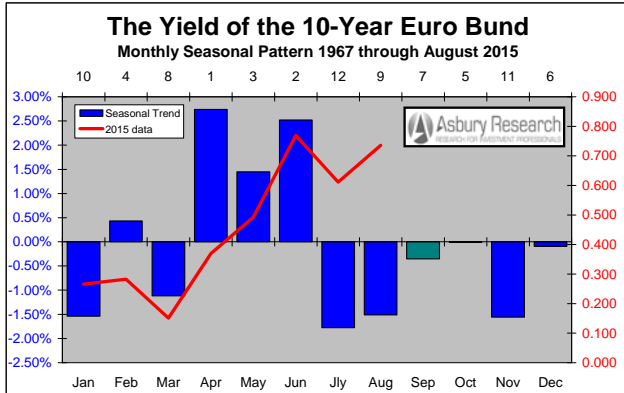
### US 2-Year Yield Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that September is the 2<sup>nd</sup> seasonally weakest month of the year (after August) for the yield of the 2-Year Note based on data since 1977. Like in the 5-Year, September represents the midpoint of a five-month period of seasonal weakness in yields that runs from July through November.

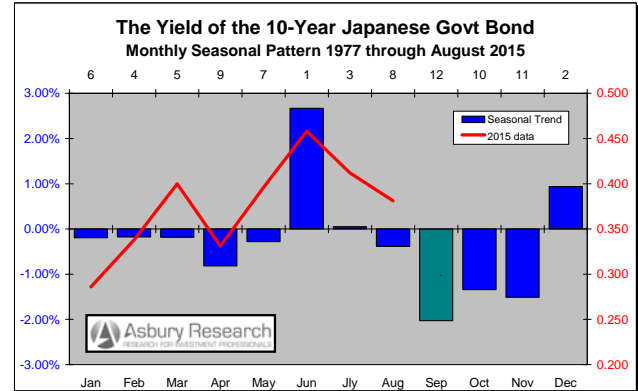
The depth of the green bar indicates that, on average since 1977, **the yield of the 2-Year has declined by 1.71% in September**. The red line shows that, also on average since 1977, **these yields have posted a negative September close 66% of the time**, which is the highest incidence of a negative close for any month during this period.



## 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 September as the 7<sup>th</sup> seasonally strongest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967. Similar to the US 10-Year, it represents the third of a seven-year period of sustained weakness in yield which, in this case, runs from July through January.

The depth of the green bar indicates that, on average since 1967, **Bund yields have declined by 0.35% in September**. The red line shows that these yields have closely tracked their long term seasonal pattern thus far in 2015 via a weak January and March that leads a strong rise into June.

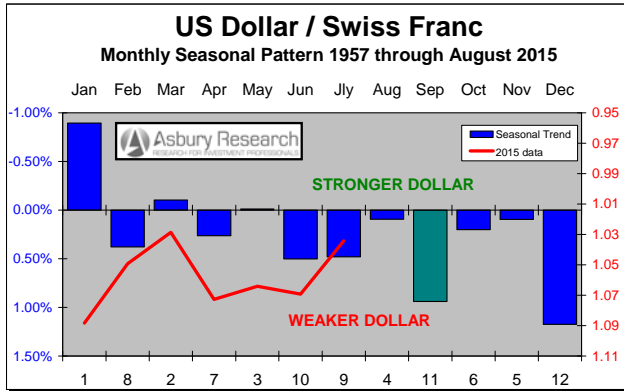
### Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The chart above highlights September as the seasonally weakest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents the beginning of a three-month period of acute seasonal weakness in yield that runs through November and includes the weakest months of the year.

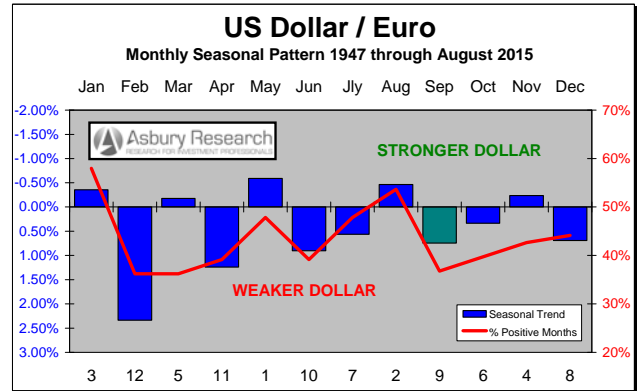
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 2.03% in September**. The red line shows that these Japanese yields have very closely tracked their annual seasonal pattern thus far in 2015.



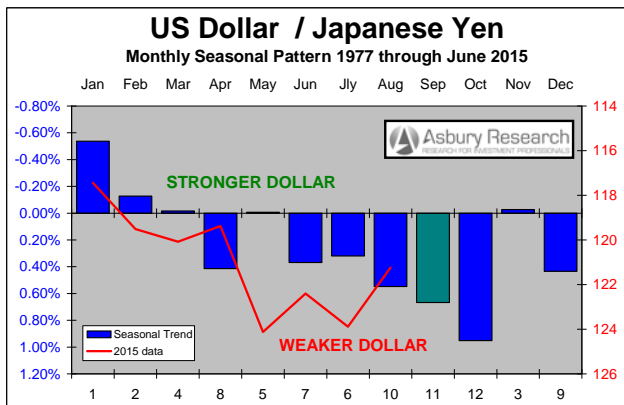
## Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of September in the US Dollar versus Europe and Japan, as well as the greenback’s larger seasonal trend into year end. 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.

September represents a one-month island of weakness in the Dollar versus the European currencies that is sandwiched in between a

stronger August and October, after which the greenback weakens into December versus the franc, euro and Japanese yen.

### USDCHF Monthly Seasonal Pattern Since 1957

The green bar on the chart at upper left highlights September as the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year for the US Dollar versus the Swiss franc since 1957. It represents a significant one-month seasonal setback from August, the 4<sup>th</sup> strongest month, and, following a modest rebound during



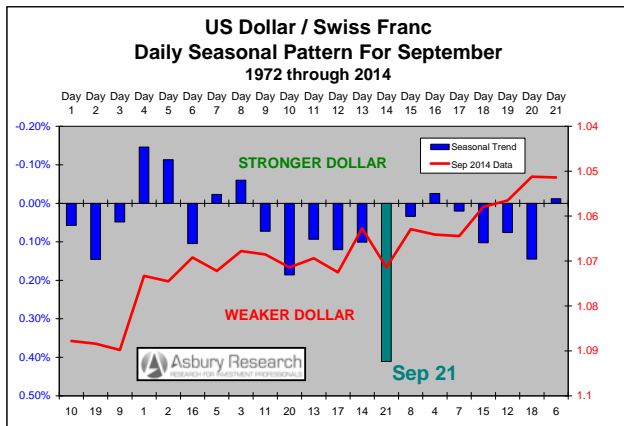


October-November, leads into the Dollar's weakest month of the year in December.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the franc by 0.94% in September**. The red line plots USDCHF's monthly closing levels thus far in 2015.

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



The green bar and highlights show that **the Dollar seasonally bottoms for the month on Day 14 or September 21<sup>st</sup>** this year.

These monthly and daily data collectively suggest a potential near term buying opportunity in USDCHF on weakness on or around September 21<sup>st</sup>, with a strategy of closing out the position during an October-November rebound.

### USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights September as the 9<sup>th</sup> seasonally strongest or 4<sup>th</sup> weakest month of the year for the US Dollar versus the euro (formerly German Mark) since 1947. Like USDCHF, September represents one month of seasonal weakness, sandwiched in between a stronger August and October, which ultimately leads into more weakness in December.

The depth of the green bar shows that, on average since 1947, the **US Dollar has underperformed the euro by 0.75% in September**. The red line shows that, also on average since 1947, **USDEUR has posted a negative September close 63% of the time**, its second highest incidence of a negative close for any month during this period.

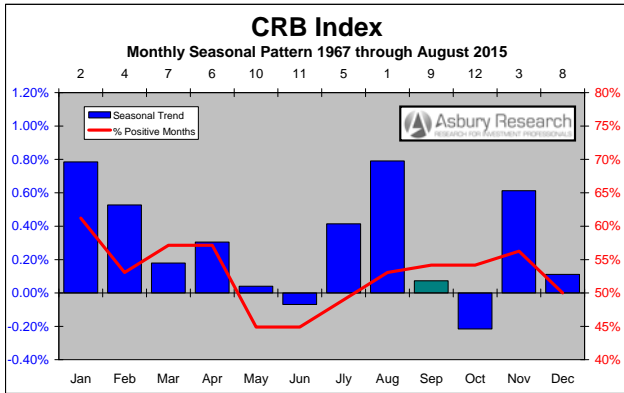
### USDJPY Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page identifies September as the 11<sup>th</sup> seasonally strongest or 2<sup>nd</sup> weakest month of the year for the US Dollar versus the Japanese yen since 1977. It represents the midpoint of a three-month period of acute seasonal Dollar weakness that also includes the 3<sup>rd</sup> (August) and 1<sup>st</sup> (October) weakest month of the year.

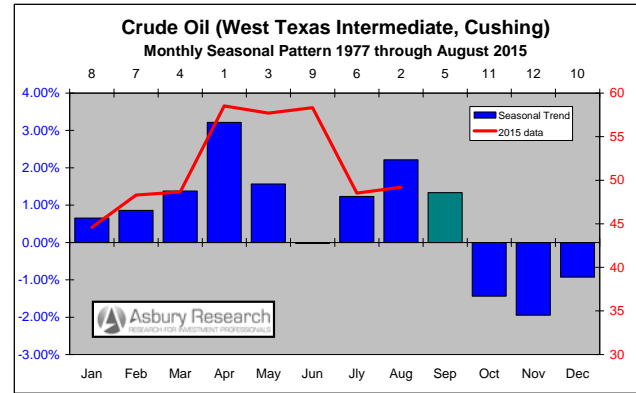
The depth of the green bar indicates that, **on average since 1977, the US Dollar has underperformed the yen by 0.67% in September**. The red line, which plots the actual monthly closing levels in USDJPY in 2015, shows that the US currency has closely tracked its long term seasonal pattern thus far this year.



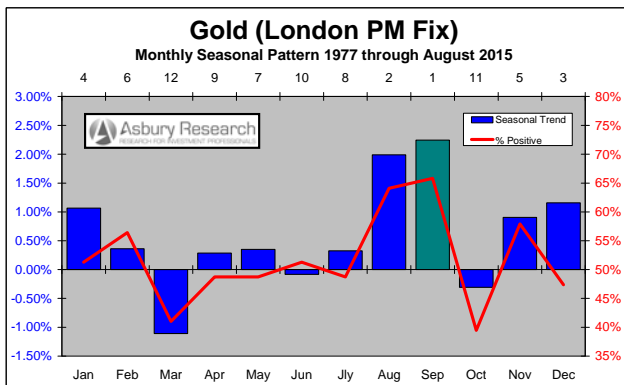
## Commodity Prices



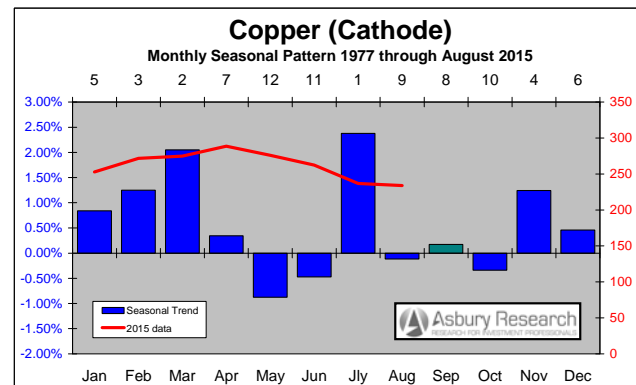
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

### Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of September in four key commodity prices and indexes, plus their broader seasonal patterns into the 4<sup>th</sup> Quarter. 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.

Common to the CRB Index, crude oil and gold prices is that a generally strong July-September period leads into acute October weakness in all of these assets plus copper.

### 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 September is the 9<sup>th</sup> seasonally strongest or



4<sup>th</sup> weakest month of the year for the CRB Index based on data since 1967. September represents a segue between the seasonally strongest (August) and weakest (October) months of the year.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by just 0.07% in September**. The red line shows that, also on average since 1967, the **CRB has posted a positive September close 54% of the time**.

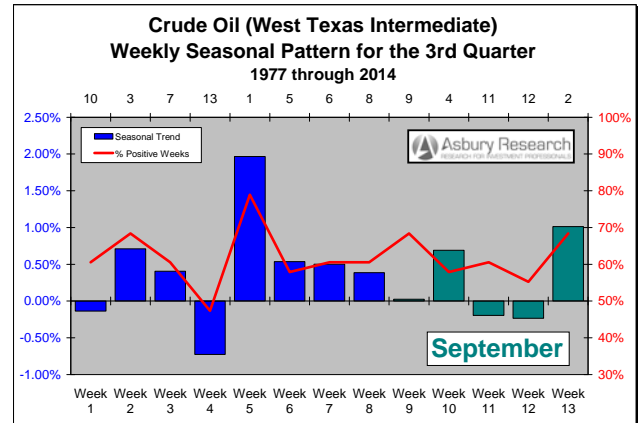
### Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights September as the 5<sup>th</sup> seasonally strongest month of the year for West Texas Intermediate crude oil prices since 1977. It represents the end of a modest three-month seasonal recovery from a weak June, and leads into the three weakest months of the year in October, November and December.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 1.33% in September**. The red line plots the actual monthly closing levels in WTI crude thus far this year, which have closely adhered to their long term seasonal pattern.

### 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 September highlighted in green. The chart shows that **the first and last weeks of September are among the strongest of the entire 3<sup>rd</sup> Quarter**, and that **the middle two weeks of September are the two weakest of the quarter**.



Combined, these monthly and weekly data suggest a potential near term to intermediate term selling opportunity on strength during the final week of September, with a strategy of covering the position during acute 4<sup>th</sup> Quarter weakness.

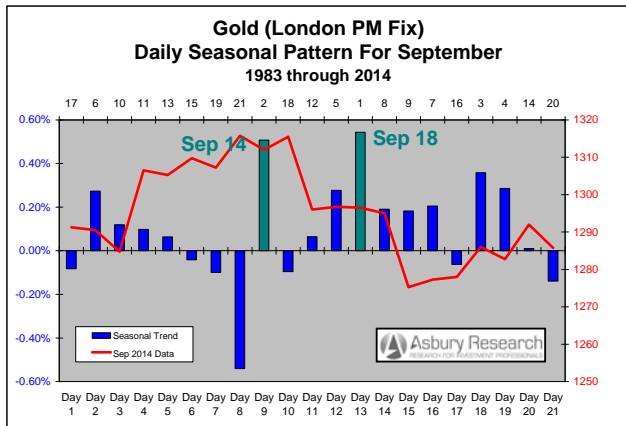
### Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that September is the seasonally strongest month of the year for gold prices based on data since 1977. However, it leads right into the 2<sup>nd</sup> weakest month of the year, October, before a modest seasonal rebound emerges in November and December.

The height of the green bar on the chart indicates that, on average since 1977, **gold prices have risen by 2.24% in September**. The red line shows that, also on average since 1977, **gold prices have posted a positive September close 66% of the time**, which is the highest incidence of a positive close for any month during this period.



## Gold Daily Seasonal Pattern For September 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 September, since 1983. The red line plots the daily closing prices during September 2014. The green column shows that **gold prices historically peak for the month on Days 9 and 13, which are September 14<sup>th</sup> and 18<sup>th</sup>.**

Combined, these monthly and daily data suggest a potential near term selling opportunity on strength on or around the September 14<sup>th</sup> to 18<sup>th</sup> period, with a strategy of covering the position during October weakness.

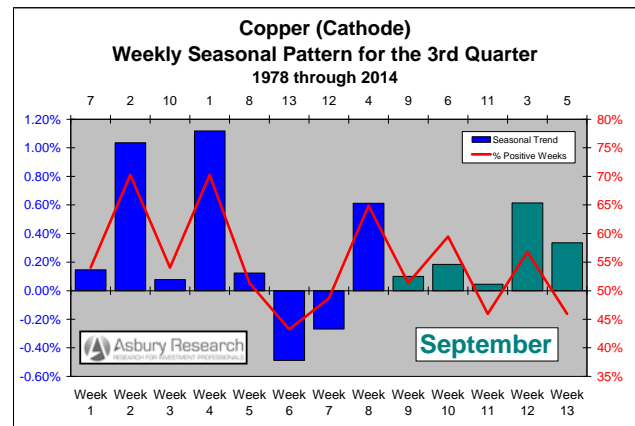
## Copper Monthly Seasonal Pattern Since 1977

The barely visible green bar on the chart at lower right on Page 10 highlights September as the 8<sup>th</sup> seasonally strongest or 5<sup>th</sup> weakest month of the year for copper cathode (mined copper ore) prices since 1977. It represents the midpoint of a three-month period of seasonal weakness in copper prices that runs through October, which leads into the 4<sup>th</sup> strongest month of the year in November.

The height of the green bar indicates that, on average since 1978, **copper prices have risen by 0.17% in September.** The red line plots the actual monthly closing levels in copper cathode prices thus far this year.

## Copper Weekly Seasonal Pattern For Q3 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 September highlighted in green. The chart shows that **the second to last week of September, which is the week of September 21<sup>st</sup>, is the 3<sup>rd</sup> seasonally strongest of the entire 3<sup>rd</sup> Quarter.**



Combined, these monthly and weekly data suggest a potential near term selling opportunity on strength during the week of September 21<sup>st</sup>, with a strategy of covering the position during October weakness.

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