

Global Seasonal Analysis

Seasonal Trends In Global Financial Markets

March 2016

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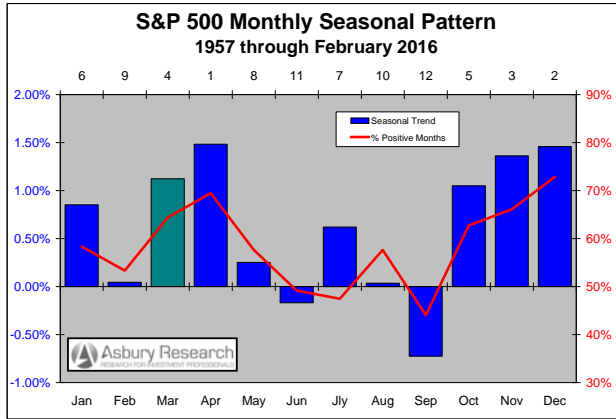
March 1st, 2016

Executive Summary

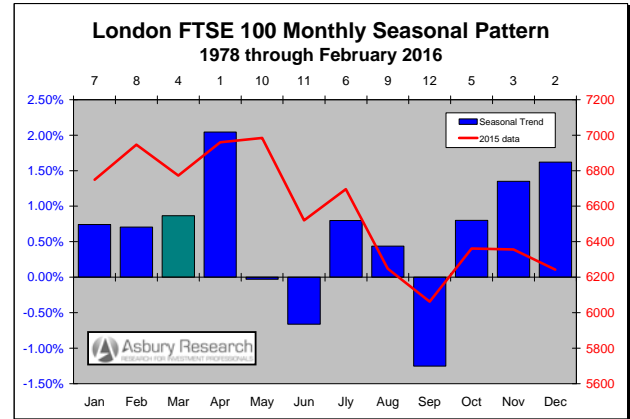
- **Global Equity Prices: NEAR TO INTERMEDIATE TERM POSITIVE.** Common to the US and European indexes is that March represents a one-month seasonal rebound from a weak February, which leads into the strongest month of the year in April.
- **US Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** Common to all maturities is that March represents the midpoint of a three-month period of seasonal strength in yields that runs through April, after which they gradually decline into August.
- **UK Interest Rates: NEAR TERM NEGATIVE, INTERMEDIATE TERM POSITIVE.** March is the 5th weakest month of the year in the yield of the 10-Year Euro (formerly German) Bund since 1967. It represents the end of a three-month period of seasonal weakness that begins in January, and leads into the three seasonally strongest months of the year in April, May and June.
- **Japanese Interest Rates: NEAR TO INTERMEDIATE TERM POSITIVE.** March, the 4th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977, represents a strong one-month seasonal recovery from February that kicks off a gradual seasonal rise into June and July, which are the 1st and 3rd strongest months of the year.
- **The US Dollar: NEAR TERM POSITIVE, INTERMEDIATE TERM NEGATIVE.** Although the Dollar is one of the least seasonally-influenced assets we cover, a pattern of a March Dollar rally that leads into an April decline exists in the greenback versus the Swiss franc, euro and Japanese yen.
- **Commodity Prices: SEASONAL TRENDS VARY BY COMMODITY.** 40 to 50 years of seasonality data suggest a near term buying opportunity in **crude oil**, an intermediate term buying opportunity in **gold**, and an intermediate term selling opportunity in **copper**.



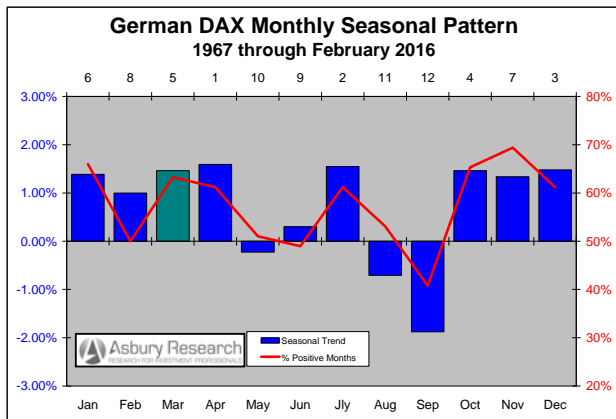
Global Equity Prices



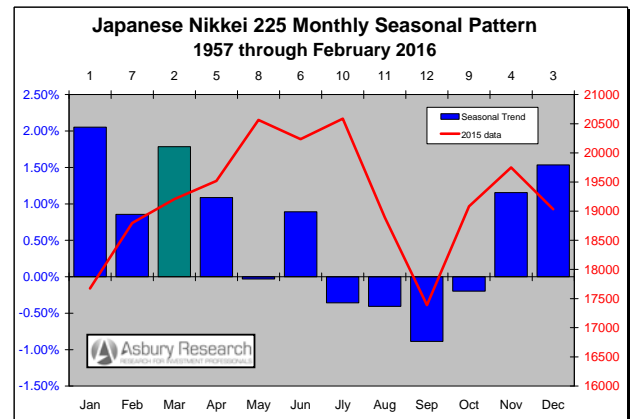
United States: S&P 500 Index



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 March in four major world stock indexes, plus their larger seasonal patterns through the 3rd 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 the US and European indexes is that March represents a one-month seasonal

rebound from a weak February which leads into the strongest month of the year in April.

S&P 500 Monthly Seasonal Pattern Since 1957

In the S&P 500 Index (SPX, chart at upper left), the green bar highlights March as the 4th seasonally strongest month of the year in the US broad market index based on data since 1957. It represents a one-month seasonal rebound from February, the 4th weakest month of the year, and leads into the strongest month of the year in April. May then kicks off a

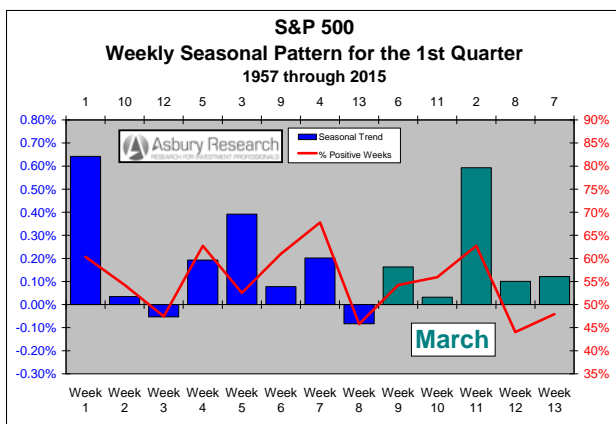


gradual seasonal slide that culminates in September.

The height of the green bar on the chart indicates that, on average since 1957, the **S&P 500 has closed 1.12% higher in March**. The red line shows that, also on average since 1957, **SPX has posted a positive March close 64% of the time**.

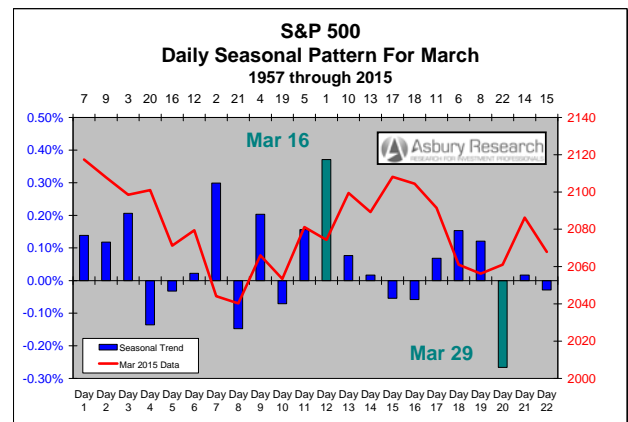
S&P 500 Weekly Seasonal Pattern For Q1 Since 1957

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 March in green. The chart shows that **the middle week of March (the week of March 14th) is the 2nd strongest of the entire 1st Quarter**, and that the other four weeks of the month are among the weakest of the quarter.



S&P 500 Daily Seasonal Pattern For March Since 1957

The next chart (next column) breaks the seasonal pattern down even further, into a monthly time frame via 22 daily increments that plot *the average daily percent change* in the S&P 500 during March since 1957. The green highlights point out that **Day 12 or March 16th is the seasonally strongest of the month**, and that **Day 20 or March 29th is the weakest of the month**.



Investment Implications & Strategy

These monthly, weekly and daily charts collectively suggest a potential intra-month selling opportunity on or around March 16th, and also a potential near term buying opportunity on or around March 29th with a strategy of closing out the position during acute seasonal strength in April.

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 March as the 4th seasonally strongest month of the year based on data since 1978. Like the S&P 500, February represents a one-month seasonal rebound from a weak February that 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 0.87% in March**. The red line, which plots the FTSE's monthly closing levels during 2015, shows that the index 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 March is the 5th seasonally strongest month of the year in the DAX, based on data since 1967. Like the US and London indexes, March also represents a one-month seasonal improvement over February that leads into the strongest month of the year, April.

The height of the green bar indicates that, on average since 1967, the **DAX has closed 1.46% higher in March**. The red line shows that, also on average since 1967, **the DAX has posted a positive March close 63% of the time**.

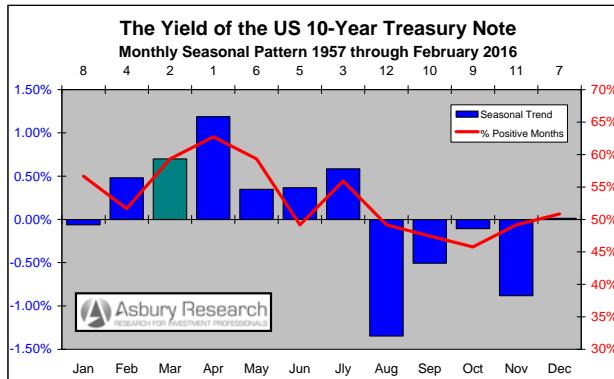
Japanese Nikkei 225 Monthly Seasonal Pattern Since 1957

The green bar on the chart at lower right on Page 2 highlights March as the 2nd seasonally strongest month of the year in the Japanese Nikkei 225 Index based on data since 1957. It represents the end of a five-month period of seasonal strength that begins in November which includes the four strongest months of the year, and leads into a gradually-escalating decline that runs from April through September.

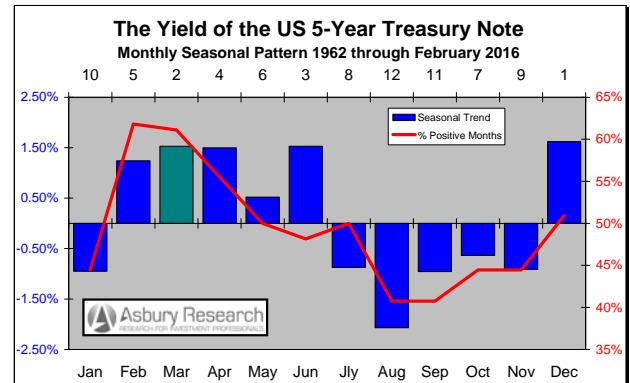
The height of the green bar on the chart indicates that, on average since 1957, the **Nikkei 225 has risen by 1.78% in March**. The red line plots the Nikkei's monthly closing levels during 2015.



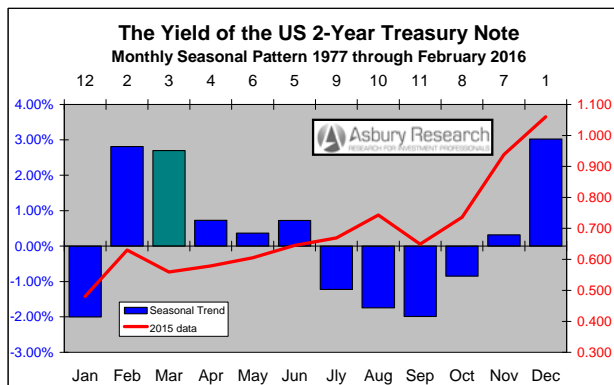
Global Interest Rates (United States)



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 March in the yield of the **US 10-, 5-, and 2-Year Treasury Note**, as well as their broader seasonal trends into the 3rd 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* during 2015.

Common to all is that March represents the midpoint of a three-month period of seasonal

strength that runs through April, after which yields gradually decline into August.

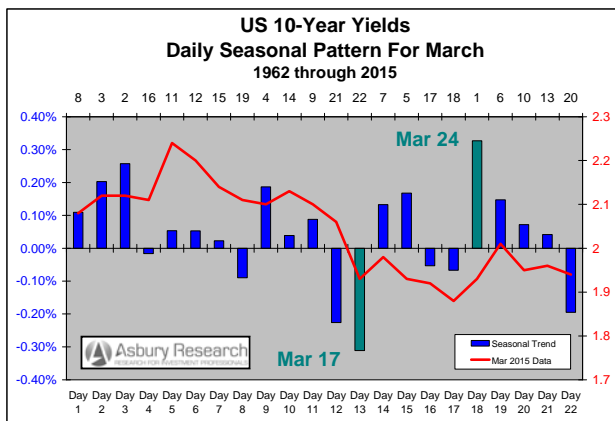
US 10-Year Yield Monthly Seasonal Pattern Since 1957

The green bar in the chart at upper left highlights March as the 2nd seasonally strongest month of the year in the yield of the US 10-Year Treasury Note based on data since 1957. It represents a modest one-month improvement over February, the 4th strongest month, and leads into the strongest month of the year in April.



The height of the green bar indicates that, on average since 1957, **the yield of the 10-Year has risen by 0.70% in March**. The red line shows that, also on average since 1957, **these yields have posted a positive March close 59% of the time** which, along with May, is the second highest incidence of a positive close for any month during this period.

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



The 22 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 March since 1962. The green columns show that **these yields seasonally bottom for the month on Day 13 or March 17th and peak for the month on Day 18 or March 24th**.

Investment Implications & Strategy

These monthly and daily data collectively suggest a potential near term selling opportunity in long dated US Treasuries on or around March 17th, as yields bottom *and prices peak* for the month, with a strategy of covering the short position during acute yield strength in 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 March is the 2nd seasonally strongest month of the year in the yield of the 5-Year Treasury Note based on data since 1962. It represents a one-month seasonal improvement over February, the 5th strongest month, and leads into more strength in April and June, the 4th and 3rd strongest months.

The height of the green bar indicates that, on average since 1962, **5-Year Treasury yields have risen by 1.53% in March**. The red line shows that, also on average since 1962, **these yields have posted a positive March close 61% of the time**, their second highest incidence of a positive monthly close during this period.

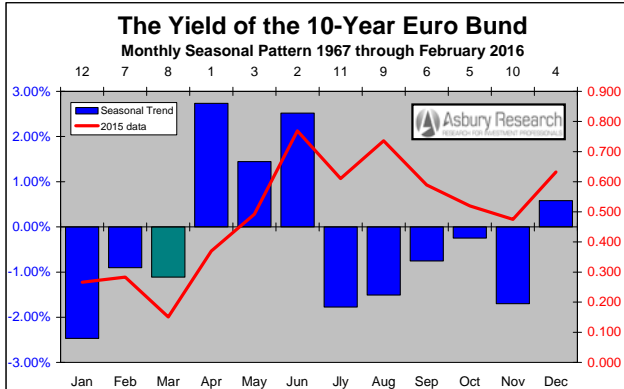
US 2-Year Yield **Monthly Seasonal Pattern Since 1977**

The green bar on the chart at lower left on the previous page shows that March is the 3rd seasonally strongest month of the year in the yield of the 2-Year Note based on data since 1977. It represents a slight seasonal setback from February, the 2nd strongest month, and leads into a much more significant and gradually escalating seasonal decline into the September lows.

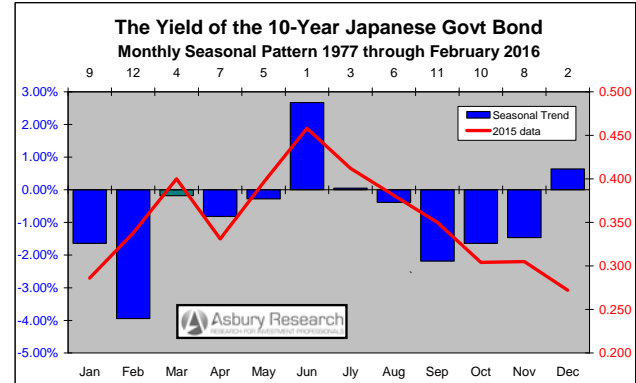
The height of the green bar indicates that, on average since 1977, **the yield of the 2-Year has risen by 2.70% in March**. The red line plots the monthly closing yield in the 2-Year during 2015.



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 March as the 8th seasonally strongest or 5th weakest month of the year for the yield of the 10-Year Euro (formerly German) Bund since 1967. It represents the end of a three-month period of seasonal weakness that begins in January and leads into the three seasonally 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 1.11% in March**. The red line plots the Bund's monthly closing yields during 2015.

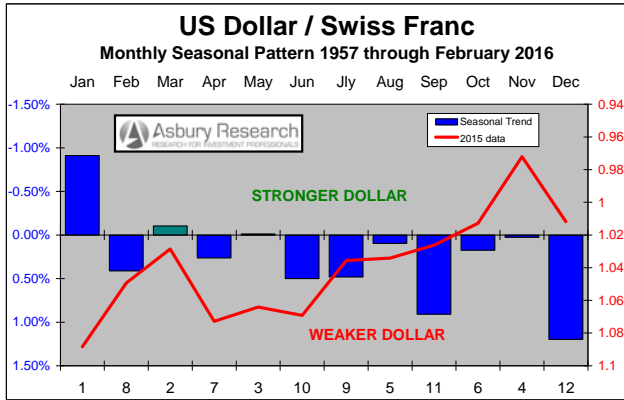
Japanese Government Bond 10-Year Yield Monthly Seasonal Pattern Since 1977

The short green bar in the chart above highlights March as the 4th seasonally strongest month of the year for the yield of the 10-Year Japanese Government Bond (JGB) since 1977. It represents a strong one-month seasonal recovery from February, by far the weakest month of the year, and kicks off a gradual seasonal rise into June and July which are the 1st and 3rd strongest months of the year.

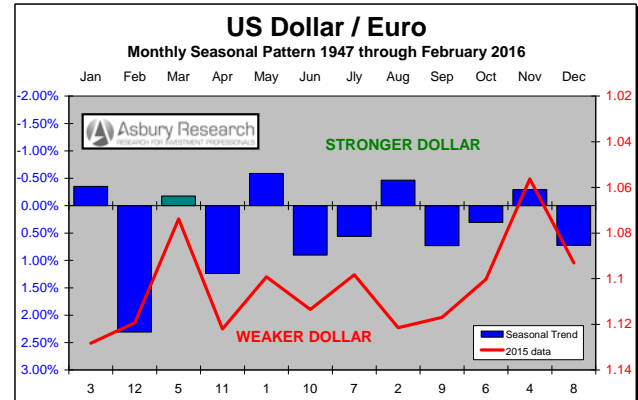
The depth of the green bar indicates that, on average since 1977, **10-year JGB yields have declined by 0.18% in March**. The red line shows that these yields closely tracked their long term annual seasonal pattern during 2015.



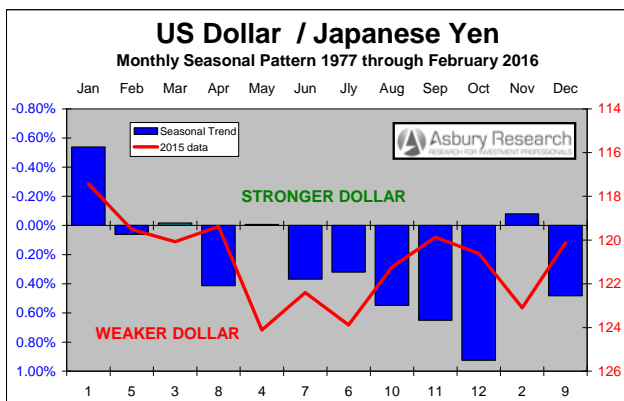
Global Foreign Exchange Rates



US Dollar / Swiss franc



US Dollar / Euro



US Dollar / Japanese yen

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of March in the US Dollar versus Europe and Japan, as well as the greenback's larger seasonal trend into the 3rd 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* during 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

sharp one-month seasonal rebound in March that is followed by an April decline.

USDCHF Monthly Seasonal Pattern Since 1957

The green bar on the chart at upper left highlights March as the 2nd seasonally strongest month of the year for the US Dollar versus the Swiss franc since 1957. It represents a one-month seasonal rebound from February, the 5th weakest month, which leads into more Dollar weakness in April, June and July.

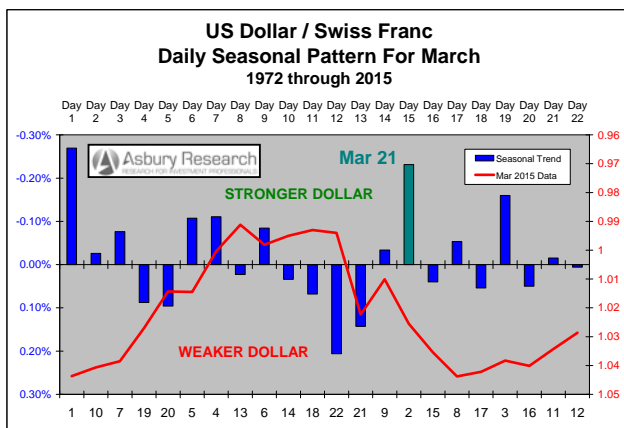
The height of the green bar shows that, on average since 1957, the **US Dollar has**



outperformed the franc by 0.10% in March. The red line plots USDCHF's monthly closing levels during 2015.

USDCHF Daily Seasonal Pattern For March Since 1972

The 22 columns in the next chart display the daily seasonal pattern in Dollar/Swiss, based on its average daily percent change during the month of March since 1972. The red line plots the daily closing quotes in USDCHF during March 2015.



The green bar shows that the Dollar seasonally peaks for the month on Day 15 or March 21st this year.

Investment Implications & Strategy

These monthly and daily data collectively suggest a potential near term selling opportunity in USDCHF on strength on or around March 21st, with a strategy of covering the position during April Dollar weakness.

USDEUR Monthly Seasonal Pattern Since 1947

The green bar on the chart at upper right on the previous page highlights March as the 5th seasonally strongest month of the year for the US Dollar versus the euro (formerly German Mark) since 1947. It represents one month of modest seasonal Dollar strength sandwiched in between the two 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 0.18% in March.** The red line plots USDEUR's monthly closing levels during 2015.

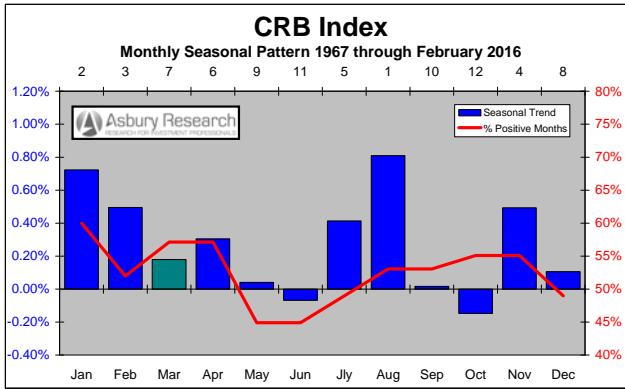
USDJPY Monthly Seasonal Pattern Since 1977

The barely visible green bar in the chart at lower left on the previous page identifies March as the 3rd seasonally strongest month of the year for the US Dollar versus the Japanese yen since 1977. It represents a modest one-month seasonal improvement over February, the 5th strongest month, but precedes a gradually escalating trend of Dollar weakness that runs from April through October.

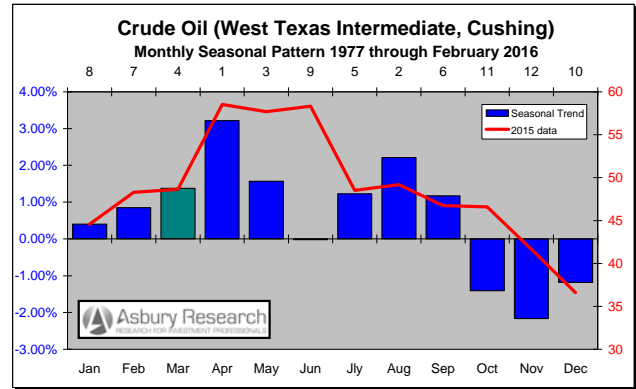
The height of the green bar shows that, on average since 1977, the **US Dollar has outperformed the yen by just 0.02% in March.** The red line plots the actual monthly closing levels in USDJPY during 2015.



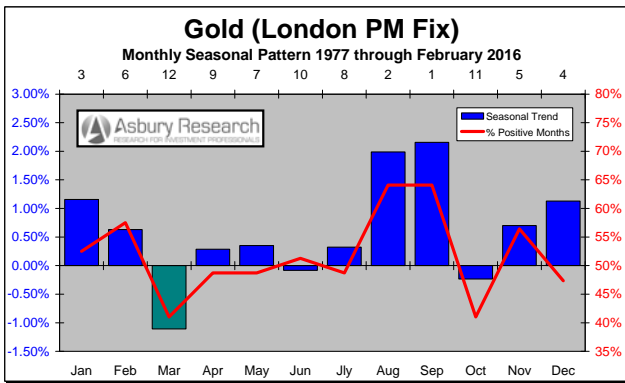
Commodity Prices



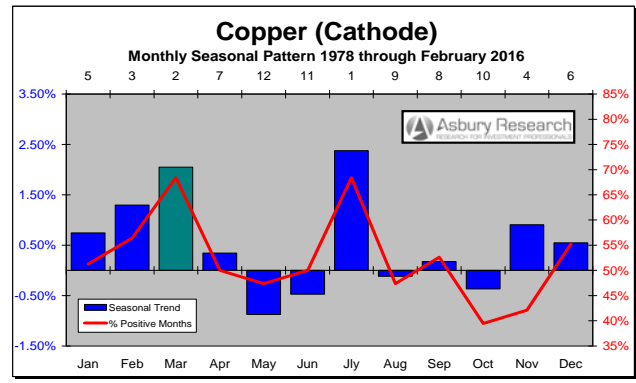
CRB Index



Crude Oil (West Texas Intermediate)



Gold



Copper

Analysis & Commentary

The charts above highlight the seasonal tendencies for the month of March in four key commodity prices and indexes, plus their broader seasonal patterns into the 3rd Quarter. The red lines plot either: 1) the *percentage* of positive monthly closes during the period displayed, or 2) the *actual* monthly closing prices during 2015.

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 shows that March is the 7th seasonally strongest month



of the year in the CRB Index based on data since 1967. It represents the beginning of a gradual four-month decline into June, the 2nd weakest month of year, following the 2nd and 3rd strongest months of the year in January and February.

The height of the green bar on the chart indicates that, on average since 1967, the **CRB has risen by 0.18% in March**. The red line shows that, also on average since 1967, **the CRB has posted a positive March close 57% of the time**, the index's second highest incidence of a positive monthly close during this period.

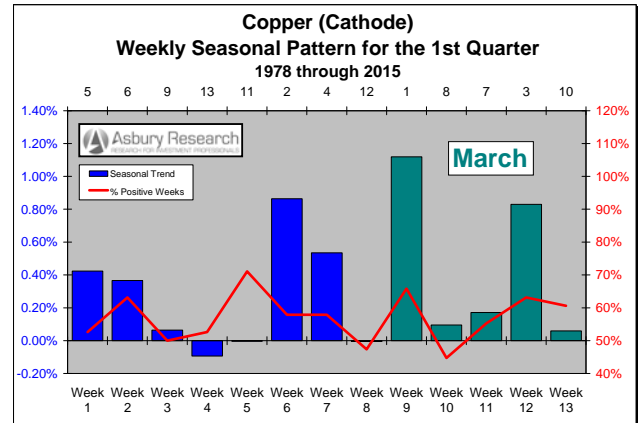
Crude Oil Monthly Seasonal Pattern Since 1977

The green bar on the chart at upper right on the previous page highlights March as the 4th seasonally strongest month of the year for West Texas Intermediate crude oil prices since 1977. It represents a modest one-month seasonal improvement over February, the 7th strongest month, and leads into the 1st and 3rd strongest months of the year in April and May.

The height of the green bar indicates that, on average since 1977, **crude oil prices have risen by 1.38% in March**. The red line plots crude oil prices' monthly closing levels during 2015.

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 March highlighted in green. The chart shows that March is a choppy but generally positive month for prices that includes the 1st and 3rd strongest months of the quarter.



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential near term buying opportunity on weakness during the second and/or final weeks of March, which are the weeks of March 7th and 28th, with a strategy of closing out the position on acute seasonal strength during April.

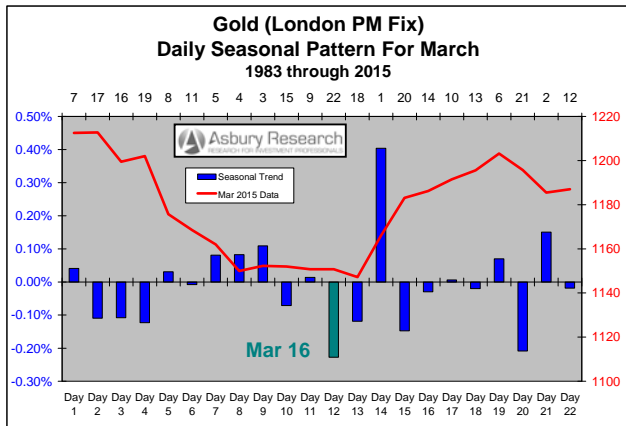
Gold Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower left on the previous page shows that March is by far the seasonally weakest month of the year for gold prices based on data since 1977. It precedes a gradual seasonal recovery into August and September, which are the two strongest months of the year.

The depth of the green bar indicates that, on average since 1977, **gold prices have declined by 1.11% in March**. The red line shows that, also on average since 1977, **gold prices have posted a negative March close 59% of the time** which, along with October, is their highest incidence of a negative close for any month during this period.



Gold Daily Seasonal Pattern For March Since 1982



The 22 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 March since 1983. The red line plots the daily closing prices during March 2015. The green column shows that **gold prices historically bottom** for the month on Day 12 or March 16th.

Investment Implications & Strategy

Combined, these monthly and daily data suggest a potential intermediate term buying opportunity on weakness on or around March 16th, with a strategy of closing out the position during the August-September period during which gold prices historically peak for the year.

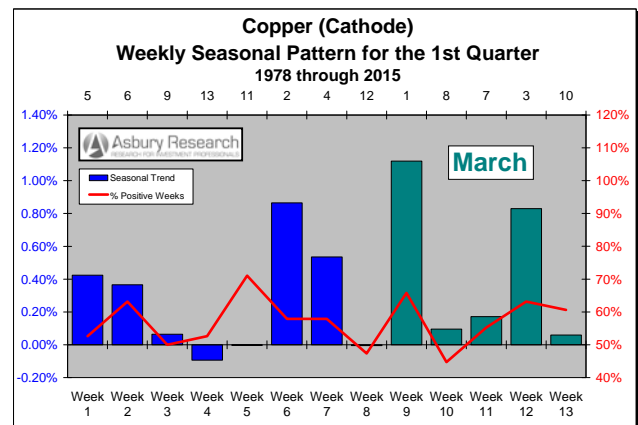
Copper Monthly Seasonal Pattern Since 1977

The green bar on the chart at lower right on Page 10 highlights March as the 2nd seasonally strongest month of the year for copper cathode (mined copper ore) prices since 1977. It leads into three months of seasonal weakness that includes May and June, the two weakest months of the year.

The height of the green bar indicates that, on average since 1978, **copper prices have risen by 2.05% in March**. The red line shows that, also on average since 1978, **copper prices have posted a positive March close 68% of the time** which, along with July, is their highest incidence of a positive close for any month during this period.

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 March highlighted in green. The chart shows that the first week of the month, which is the week of February 29th is the seasonally strongest of the entire 1st Quarter.



Investment Implications & Strategy

Combined, these monthly and weekly data suggest a potential intermediate term selling opportunity on strength during the first week of March, with a strategy of covering the position on acute seasonal weakness during May.

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